

Weekly — December 17, 2021

## Weekly Economic & Financial Commentary

### United States: Hawkish Fed Steals the Show, but Supply Issues Persist Behind the Scenes

- The more hawkish tone coming out of the Fed's latest policy meeting was the main event grasping markets' attention this week. But in other news, retail sales data disappointed as higher prices factor into spending and industrial activity continued to recover but remains beset by supply issues. Continued supply side challenges also extended to the housing sector, where the number of homes under construction reached its highest level since 2007.
- Next week:** Existing Home Sales (Wed), Personal Income (Thurs), Durable Goods (Thurs)

### International: Europe's Central Banks in Focus

- It was a busy week for central banks across Europe. The Bank of England surprised market participants with a 15-bp policy rate hike to 0.25%, whereas the 25-bp policy rate hike to 0.50% from Norway's central bank was widely expected. The European Central Bank confirmed it would end its emergency bond purchase program in March, but also signaled plans to continue with its regular asset purchase program for at least several months thereafter.
- Next week:** Japan CPI (Thurs), Canada GDP (Thurs)

### Interest Rate Watch: An Inflation Inflection

- The FOMC doubled the pace of asset purchasing tapering at Wednesday's policy meeting and indicated an earlier liftoff to rate hikes than previously expected. The Fed's latest Summary of Economic Projections indicate the committee expects inflation to run above target and the labor market to make steady progress toward full employment over the next year.

### Credit Market Insights: Municipalities Seek Savings Before the New Year

- The demand for tax-exempt bonds has remained strong, as rates have stayed near record lows despite a slight lift in the yield curve across all maturities this year. With rates set to rise next year, we still may see more issuance, trying to take advantage of still low rates.

### Topic of the Week: Congress Finishes Up for the Year

- Congress faced a slew of December deadlines when it returned to session after Thanksgiving, and many of these "hard" deadlines have been met. However, the "soft" deadline for passing Democrats' Build Back Better plan by year-end appears likely to be missed.

#### Wells Fargo Securities U.S. Economic Forecast

	Actual				Forecast				Actual 2020	Forecast		
	2021				2022					2021	2022	2023
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product <sup>1</sup>	6.3	6.7	2.1	8.0	3.8	3.4	3.5	3.1	-3.4	5.7	4.4	3.0
Personal Consumption	11.4	12.0	1.7	5.5	3.2	2.5	2.6	2.7	-3.8	8.0	3.7	2.6
Consumer Price Index <sup>2</sup>	1.9	4.8	5.3	6.7	7.0	5.8	4.9	3.5	1.2	4.7	5.3	2.1
"Core" Consumer Price Index <sup>2</sup>	1.4	3.7	4.1	5.1	6.1	5.1	4.6	3.9	1.7	3.6	4.9	2.3
Quarter-End Interest Rates <sup>3</sup>												
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	0.50	0.25	0.44	1.31
Conventional Mortgage Rate	3.08	2.98	2.87	3.10	3.35	3.55	3.65	3.70	3.12	3.01	3.56	3.78
10 Year Note	1.74	1.45	1.52	1.55	1.80	2.00	2.10	2.15	0.89	1.57	2.01	2.23

Forecast as of: December 09, 2021

<sup>1</sup> Compound Annual Growth Rate Quarter-over-Quarter<sup>2</sup> Year-over-Year Percentage Change<sup>3</sup> Annual Numbers Represent Average

Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Securities

Please find our full U.S. Economic Forecast [here](#).

All estimates/forecasts are as of 12/17/2021 unless otherwise stated. 12/17/2021 13:54:53 EST. Please see page 10 for rating definitions, important disclosures and required analyst certifications. Wells Fargo Securities, LLC does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report and investors should consider this report as only a single factor in making their investment decision.

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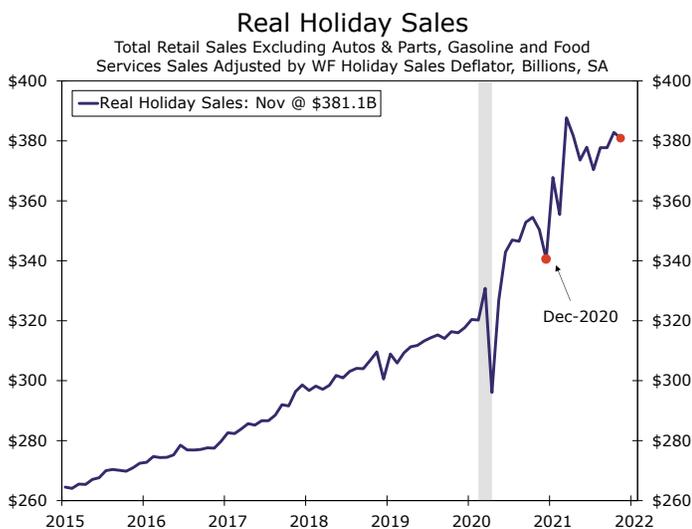
## U.S. Review

### Hawkish Fed Steals the Show, but Supply Issues Persist Behind the Scenes

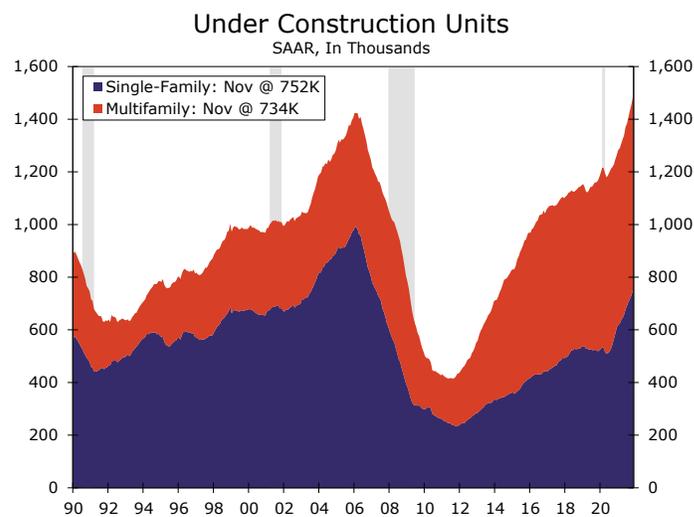
The main economic event grasping markets' attention this week was the Federal Open Market Committees (FOMC) policy meeting on Wednesday, where some fairly sizable changes to the monetary policy outlook were announced. Policy officials doubled the pace of tapering asset purchases, which now leaves them set to be completed in March, *and* indicated an earlier liftoff to rate hikes than previously expected. The policy statement accompanying the meeting, as well as Chair Powell's comments in the post-meeting press conference, indicate that the Fed believes its inflation threshold has been met and the bar for rate hikes rests squarely on the progress of the labor market. For more on the FOMC's latest policy meeting, please see our [Interest Rate Watch](#) section.

While inflation has certainly been a challenge for policymakers, it is consumers who are bearing the brunt of higher prices. Almost everything today costs consumers more, and higher prices for key non-discretionary items like gas and food are taking away wallet share from other spending categories. This was our largest takeaway from this week's latest retail sales data for November. The retail data are released in *nominal* dollars, so they're not adjusted for inflation, which means higher prices during the month tend to boost the sales estimates. Overall retail sales rose just 0.3%, which was less than half of the consensus estimate. Considering overall consumer prices rose 0.8% in November, handily exceeding the gain in sales, it's tough to get a clean read on which retailers actually saw a higher volume of sales rather than consumers simply paying more.

Despite the weaker sales print for the month, holiday sales are still on track for a record annual gain. With supply dilemmas well publicized and retailers directly urging consumers to start their holiday shopping early, we anticipate some sales were brought forward from the traditional holiday spending months of November and December to October. Even so, if sales were flat in December, holiday sales would come in at 14.6% for 2021 compared to last year. We would not rule out some giveback in December. The pull forward of sales may lead to lower demand during the final month of the year or reflect retailers out of key merchandise. In adjusting for inflation, real holiday sales are on track to rise roughly 10% this year. The bottom line is that once things shake out, the nominal year-over-year gain will likely be four to five percentage points higher thanks to inflation.



Source: U.S. Department of Labor and Wells Fargo Securities



Source: U.S. Department of Commerce and Wells Fargo Securities

In other news, the industrial sector continues to recover. Industrial production rose 0.5% in November, but that still leaves total output 1.8% below its pre-pandemic peak, which was actually all the way back in August 2018. The production data for last month did not reveal any major new developments in the sector. Industrial activity continues to be limited by the availability of raw materials and workers. Both should improve over time, but any meaningful change remains several months away. The fact that ISM supplier deliveries came down a few points in November suggests supply issues are at least not getting worse.

Supply issues exist in every corner of the economy, and problems are also constraining the delivery of homes. The availability of key materials used in home construction has been wide-ranging and varies from month to month and by region of the country. Labor is a critical input in housing development, and to no surprise the lack of available workers is a sizable constraint on new home construction today. Supply problems continue to extend project timelines. This is most evident by the run-up in the number of single-family homes currently under construction, which rose 2.9% in November to the most since March 2007 (757K units). If we also consider the rising backlog of homes authorized by permits but not yet started, we add another 152K homes to builders' list of projects.

This large backlog and the fact that home builders are quickly able to sell virtually everything they build, continue to boost builders' confidence. High confidence and strong starts, which jumped 11.8% last month to a 1.68 million-unit pace amid unseasonably favorable weather, mean home building is ending the year on a strong note. Looking ahead, we remain optimistic about housing in 2022. Rapid demand should be little affected by the modest increase in mortgage rates, resulting from the Fed's quicker pace of withdrawing the stimulus instated in the pandemic. In short, builders are confident and have a large backlog to work through.

**In case you missed it:** Please see our annual [Favorite Charts](#) and [Economic Calendar](#) publications.

[\(Return to Summary\)](#)

## U.S. Outlook

### Weekly Domestic Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
22-Dec	Existing Home Sales	Nov	6.55M	6.67M	6.34M
23-Dec	Personal Income	Nov	0.5%	0.5%	0.5%
23-Dec	Personal Spending	Nov	0.5%	0.7%	1.3%
23-Dec	PCE Deflator (YoY)	Nov	5.7%	5.7%	5.0%
23-Dec	Durable Goods Orders	Nov P	1.8%	1.5%	-0.4%
23-Dec	Durables Ex Transportation	Nov P	0.6%	0.6%	0.5%
23-Dec	New Home Sales	Nov	770K	783K	745K

Forecast as of December 17, 2021

Source: Bloomberg LP and Wells Fargo Securities

### Existing Home Sales • Wednesday

We expect existing home sales grew another 5.2% in November. This additional growth builds upon the turnaround in sales this fall after cooling earlier this year and would bring the annual pace to 6.67 million units. Sales for existing homes have grown in four of the past five months. Demand from individual buyers has ramped up as well as from investors hoping to capitalize on the market's strength. The onslaught of investors has come from the increasing popularity of iBuyer platforms, which aim to repair and resell homes and help facilitate buyers seeking rental income and those looking for a second home. The strong demand has meant inventories have remained low for both existing homes and new homes, which we expect netted a 5.1% gain in November and will be released next Thursday.

This hot demand coupled with sparse inventory means that prices have stayed high, although they have somewhat moderated. With October's increase, the first in four months, the median price of an existing single-family home was 13.5% higher over the year. Buyers' interest in the South and Midwest is responsible for the bulk of the increase. Until demand cools and/or inventories begin to rebuild, many first-time homebuyers will likely continue to be priced out of the market.

### Existing Single-Family Home Market

In Months Supply; Year-over-Year Percent Change



Source: National Association of Realtors and Wells Fargo Securities

**Personal Income & Spending • Thursday**

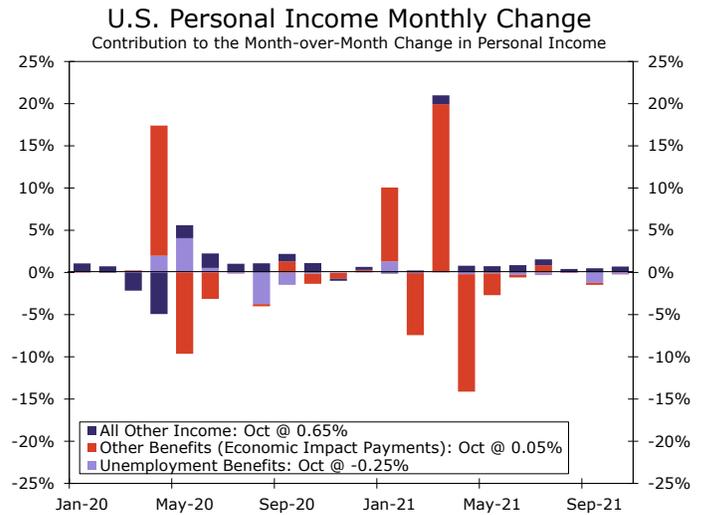
Leading the pack of Thursday's pre-holiday data dump is personal income and spending data for November. We expect spending rose 0.7%, marking its ninth consecutive month of positive growth. November's increase is expected given the moderate 0.3% growth retail sales experienced over the month, but some sales were likely pulled forward by early shoppers. However, valuable information that we gain from this release is to what extent torrid inflation has been weighing on real personal spending. Already, our comparisons with basic items like gas and food have shown cases where higher prices have meant consumers are buying less in volume. In November, we see the PCE deflator rising to 5.7% over the year, which would be the highest since 1982.

We forecast personal income increased 0.5%. As fiscal support has waned, wages and salaries have again become the main factor influencing incomes. Since January, wages & salaries have already jumped 7.6%, which is the largest year-to-date gain in 42 years. Labor supply remains strained, but employers are still in need, as evidenced by job openings increasing over 11 million in October—a stone's throw from the series record set this July. In the latest NFIB jobs report, firms reporting planning on raising compensation sat at 32%, while those already raising it was at 44%, both of which hit almost 50-year highs. This trend has been echoed by reports that firms are planning on further raising wages in 2022, as inflation breathes down the neck of many employees' cost of living. We expect that wages and salary income will continue to heavily support personal income in the months to come, but whether it will be able to keep up with inflation remains to be seen.

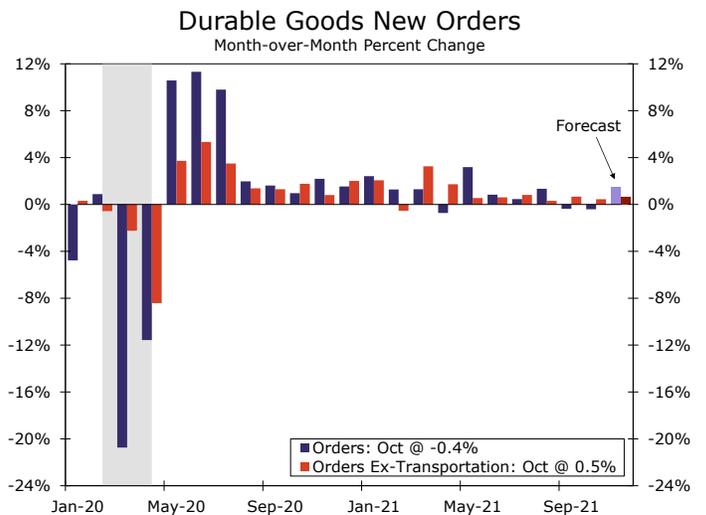
**Durable Goods • Thursday**

Durable goods orders for November also arrive on Thursday, but after a disappointing 0.4% decline in October, we forecast November orders rose a more cheery 1.5%. October's surprise drop was mainly due to an over 20% drop in defense spending and a stream of weak aircraft orders. However, sans transportation, October orders rose a solid 0.5%. We expect November orders ex-transportation remained strong and rose 0.6%, but we see a better month for transportation, with Boeing reporting a solid pickup in orders last month. Still, the issue remains of getting product into the intended hands. For months, demand for durable goods has exceeded supply. Some signs point to supply chains easing, such as the decline in November ISM supplier deliveries, but ships waiting at the Los Angeles & Long Beach ports have stayed elevated when considering those waiting farther out due to environmental concerns. When supply chains will thaw remains the million dollar question. We don't expect much reprieve until late next year.

An overlooked bright spot of the pandemic-era has been businesses' equipment spending, which has been its strongest since the '90s. We will be watching core capital goods orders, which are a proxy for future capex spending, next week. Shipments for non-defense capital goods slipped 0.1% in October after rising modestly for four consecutive months. If November continues to show weakness, it could weigh on the rebound in Q4 equipment spending. While a risk, we forecast equipment spending will have a robust fourth quarter and rise at a 6.1% annualized rate amid strong demand as companies attempt to fill backlogs. ([Return to Summary](#))



Source: U.S. Department of Commerce and Wells Fargo Securities



Source: U.S. Department of Commerce and Wells Fargo Securities

## International Review

### Europe's Central Banks in Focus

In addition to the Federal Reserve's announcement, it was a busy week for central banks across Europe. The busiest of all was the Bank of England (BoE), which surprised market participants by increasing its policy interest rate 15 bps to 0.25%, becoming the first G7 central bank to lift interest rates during the current cycle. In raising its rate, the BoE cited an already tight labor market that continues to tighten further, and said there are some signs of greater persistence in domestic cost and price pressures. The BoE repeated that modest further tightening of monetary policy would likely be needed over time, but there were also hints that any tightening would be gradual. The BoE lowered its forecast for the level of Q4 GDP by around 0.5%. The central bank also said that the Omicron variant would likely weigh on near-term activity and it would review developments, including evidence of implications of Omicron on the economy, as part of its forecast for the February 2022 Monetary Policy Report. We expect the U.K. economic recovery to remain somewhat uneven, and see only 50 bps of cumulative rate increases during 2022.

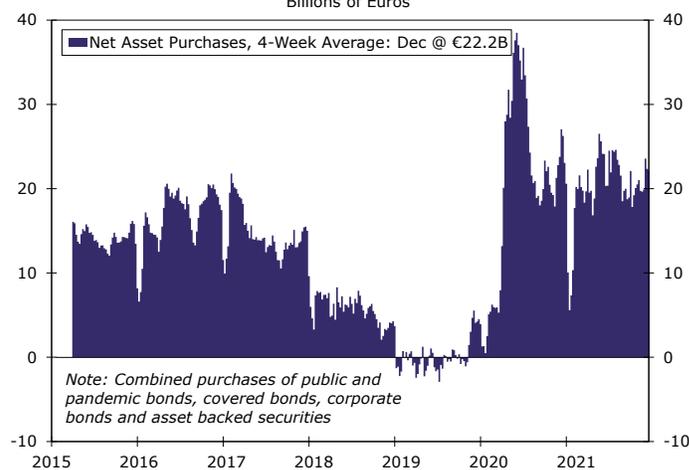
The European Central Bank (ECB) took a more measured approach, and signaled only a gradual shift to less accommodative monetary policy. The ECB confirmed that net purchases under the Pandemic Emergency Purchase Program (PEPP) would end in March 2022, as previously signaled, and said that Q1-2022 purchases would be conducted at a slower pace than the previous quarter. As a result, PEPP purchases should come in slightly below the €1.85 trillion purchase envelope. Following the completion of PEPP purchases, the ECB said it would quicken the pace of its regular Asset Purchase Program (APP) from the current €20 billion per month to gradually taper overall bond purchases. The ECB said net APP purchases would be €40 billion per month in Q2-2022, €30 billion per month in Q3-2022 and €20 billion per month from October 2022 for as long as needed. There were also some dovish elements in the ECB's policy guidance. The central bank extended the reinvestment horizon for its PEPP holdings until at least the end of 2024, and said net purchases under the PEPP program could be resumed if necessary to counter negative shocks related to the pandemic. The ECB's updated economic projections forecast CPI inflation at 2.6% for 2021 and 3.2% for 2022, but saw inflation slowing to 1.8% for 2023 and 2024. With respect to GDP growth, the ECB lowered its forecast for 2022 to 4.2% but raised its forecast for 2023 to 2.9%. In particular, the prospect of inflation returning below the 2% target over the medium term allows the ECB to gradually taper its bond purchases during 2022.

**Expected Bank of England Policy Rate**  
In 12 Months, Five Day Average



Source: Bloomberg LP and Wells Fargo Securities

**ECB Weekly Net Asset Purchases**  
Billions of Euros



Source: Bloomberg LP and Wells Fargo Securities

Elsewhere in Europe, Norway's central bank raised its policy interest rate 25 bps to 0.50%, as widely expected. The central bank's projected rate path signaled further increases in the quarters ahead, with the policy rate expected to average 1.75% in Q4-2024, just slightly higher than its previous forecast. The central bank said the policy rate would most likely be raised again in March, although that hike was not quite as clear-cut as a few months ago. At the same time, the Norges Bank signaled a slightly slower pace of hikes through the end of 2022. The Norges Bank also updated its economic projections.

The changes to the growth outlook were mixed, with the mainland GDP growth forecast raised to 4.1% this year, lowered to 3.5% for 2022 and raised to 2.0% for 2023. The Norges Bank increased its inflation forecasts across the board, to 1.7% for 2021 and 2022 and 2.0% for 2023.

Finally, the Swiss National Bank made no changes at its monetary policy announcement. It kept its policy rate at -0.75% and repeated that the Swiss franc remains highly valued and that it is still willing to intervene in foreign exchange markets as needed to counter upward pressure on the currency. The Swiss National Bank raised its CPI inflation forecasts slightly, and now sees inflation at 0.6% for 2021, 1.0% for 2022 and 0.6% for 2023. The central bank expects GDP growth of 3.5% this year and 3% for 2022. ([Return to Summary](#))

## International Outlook

### Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
23-Dec	Japan CPI (YoY)	Nov	0.5%	0.5%	0.1%
23-Dec	Canada GDP (MoM)	Oct	--	0.8%	0.1%

Forecast as of December 16, 2021

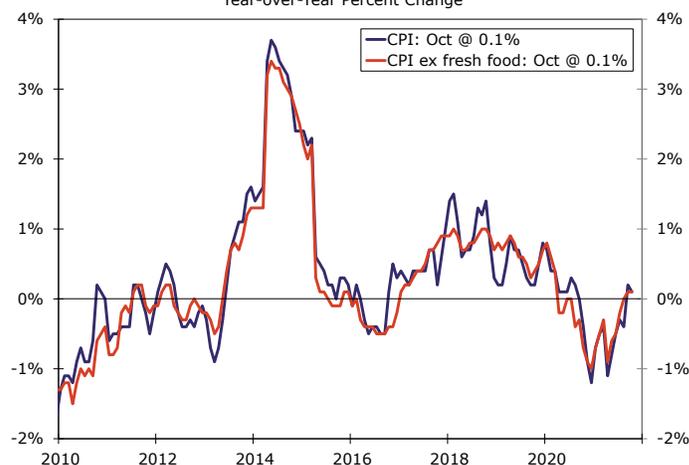
Source: Bloomberg LP and Wells Fargo Securities

### Japan CPI • Thursday

Japan's latest CPI reading for November is due next week and, in contrast to most other major developed economies, should indicate that inflation pressures remain essentially absent for the time being. While supply disruptions and product shortages have pushed up prices in many countries around the world, in Japan the October CPI rose just 0.1% year over year, while the core CPI measure (which excludes fresh food) also rose just 0.1%. Moreover, that fact that inflation is even in positive territory is in large part due to higher energy prices, as Japan's CPI excluding fresh food and energy fell 0.7%.

For November, Japanese inflation is expected to quicken only moderately, with the headline CPI seen rising 0.5% and the CPI ex fresh food rising 0.4%. Indeed, our forecast is for Japan's CPI to rise just 0.6% in calendar 2022. The Bank of Japan held monetary policy steady at its announcement this week, and given the lack of inflation pressures, we expect the central bank to hold its policy rate and target for 10-year Japanese government bond yields steady for the foreseeable future.

Japan's CPI Inflation  
Year-over-Year Percent Change

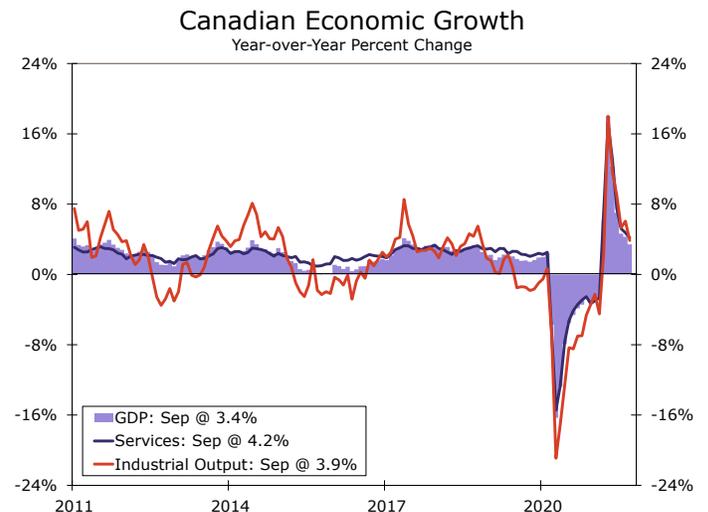


Source: Datastream and Wells Fargo Securities

## Canada GDP • Thursday

After a bump along the recovery road, the Canadian economy has displayed sturdier trends in recent months. The labor market in particular continues to exhibit strength, including a November employment gain of 153,700, while retail sales have also shown some signs of improvement in recent months.

It is against this backdrop that next week's October GDP release should show a relatively solid gain for the economy. The Bank of Canada's most recent economic projections forecast GDP growth of 4.0% quarter over quarter annualized for the current quarter. Statistics Canada's flash estimate for October GDP indicated an expected gain of 0.8% month over month, which would keep the economy on course for a solid Q4. Combined with elevated CPI inflation, that should be enough for the Bank of Canada to begin raising policy interest rates in the second quarter of next year.



Source: Datastream and Wells Fargo Securities

## Interest Rate Watch

### An Inflation Inflection

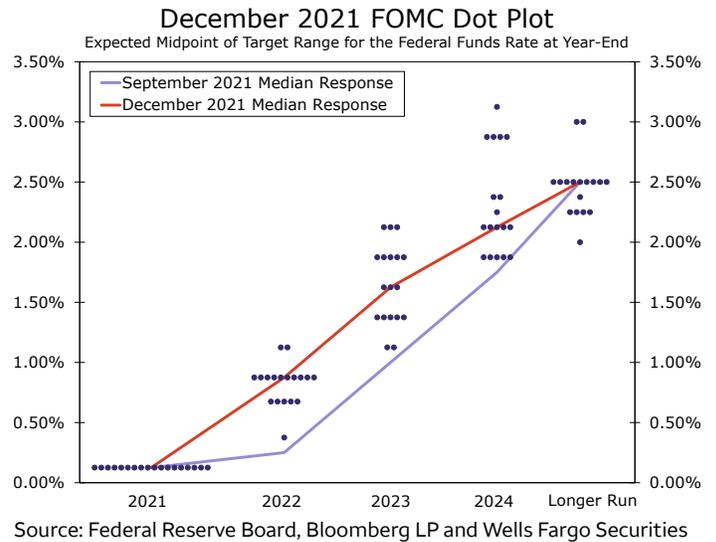
At the conclusion of Wednesday's FOMC meeting, the Committee decided it would double the pace of asset purchase tapering. Specifically, the FOMC will reduce the monthly pace of Treasury and mortgage-backed securities (MBS) buying by \$20 billion and \$10 billion, respectively, beginning in January. If the Fed decides to maintain that pace at the January 25-26 meeting, purchases would conclude in March instead of June.

The change of pace comes as the labor market continues to rapidly tighten and inflation has blown further past the Fed's goal. The committee no longer characterized the current factors driving inflation as "transitory." Instead, the imbalances in the economy brought on by the pandemic have been slower to level off than anticipated and contributed to "elevated levels of inflation."

The same forces inciting the Fed to end purchases earlier also put it closer to the conditions previously laid out for raising the fed funds rate: inflation above 2%, on course to exceed 2% for some time, and maximum employment. Now the criteria for raising rates lies squarely on the labor market: "with inflation having exceeded 2 percent for some time, the Committee expects it will be appropriate to maintain this target range until labor conditions have reached levels consistent with the Committee's assessments of maximum employment."

There was a fresh Summary of Economic Projections (SEP) released and there were some notable changes. The median estimate for core PCE inflation at the end of next year rose to 2.7% from 2.3% in the September SEP, consistent with the growing belief that inflation won't recede as quickly as previously expected. At the same time inflation appears more difficult to rein in, the unemployment rate is expected to fall to 3.5% by the end of 2022, a level more clearly consistent with "maximum employment."

With inflation expected to run further above target through next year and the labor market making steady progress toward full employment, the projected path of the fed funds rate moved higher relative to the September dot plot. Based on the median projection, participants have now penciled in three, 25-bp increases over 2022 (chart) after having been evenly torn between zero and one hike in September. The median projection among Committee members calls for 75 bps of tightening in 2023 followed by another 50 bps in 2024. If realized, that would put the fed funds target range at 2.00%-2.25% at the end of 2024, a touch below where the FOMC estimates policy would become restrictive. (Return to Summary)



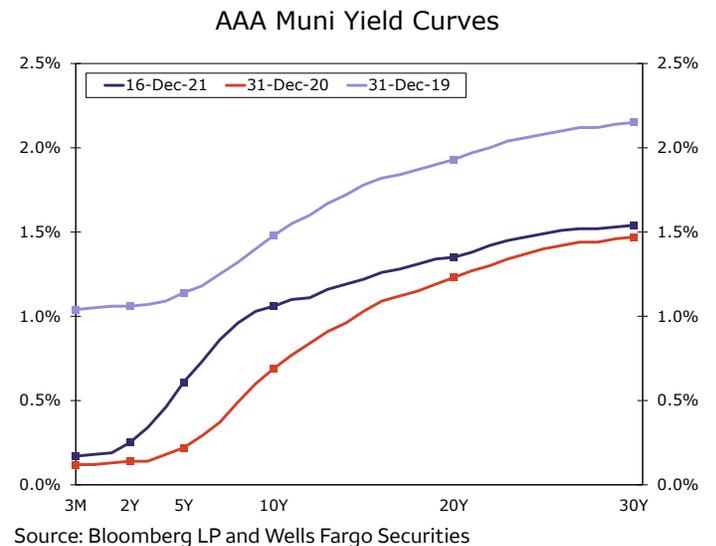
## Credit Market Insights

### Municipalities Seek Savings Before the New Year

Amid a near-term outlook of tightening monetary policy and continued COVID uncertainty due to the Omicron variant, state and local governments are seeking to lock in on low rates before the start of the new year. Bloomberg reports that sales of forward delivery structure municipal bonds (munis), with rates set before interest is accrued (known as forward delivery), increased to \$15 billion in 2021. While this is only a small fraction of the approximately \$4 trillion muni bond market, this is more than double the \$6.7 billion in forward delivery structure munis issued in 2020.

Municipalities have been able to save a significant amount in debt issuance costs over the past two years, as COVID drove interest rates and credit spreads down to historic lows. Record levels of issuance this past year are now giving way to an environment that is less positive for issuers of muni debt. As discussed in our recent report on state and local governments, the situation for state and local governments this expansion is much different from the story coming out of the Great Recession. Governments are generally flush with federal grants and tax revenues, and should make the most of this windfall in coming years. However, transit authorities face uncertain ridership numbers in the future due to COVID and the return to the office timing still up in the air in many cities. For example, the New York City MTA has been getting daily ridership numbers that are approximately 55%-65% of comparable pre-COVID days.

The demand for tax-exempt bonds has remained strong, as rates have stayed near record lows despite a slight lift in the yield curve across all maturities this year. Since December 2019 however, the short end of the yield curve has seen AAA yields drop more than 80 bps, while still dropping more than 50 bps over 20- and 30-year maturities (see chart). With rates set to rise next year, we still may see more issuance, trying to take advantage of still low rates. (Return to Summary)



## Topic of the Week

### Congress Finishes Up for the Year

Congress faced a slew of December deadlines when it resumed session after Thanksgiving, and many of these "hard" deadlines have been met. First, Congress passed a continuing resolution (CR) that

funds the federal government until February 18. The hope is that between now and then Congress can finalize the 12 annual appropriation bills for the fiscal year that began on October 1. This week, Congress voted to increase the debt ceiling by \$2.5 trillion. Approximately \$500 billion of that newly created headroom will be needed to rebuild the Treasury's cash balance, which has been unusually low in recent months due to debt ceiling constraints ([chart](#)). Our calendar year budget deficit forecast for 2022 is roughly \$1.2 trillion, so the \$2.5 trillion in additional borrowing capacity that was authorized this week should be more than enough to last until after the 2022 midterm elections.

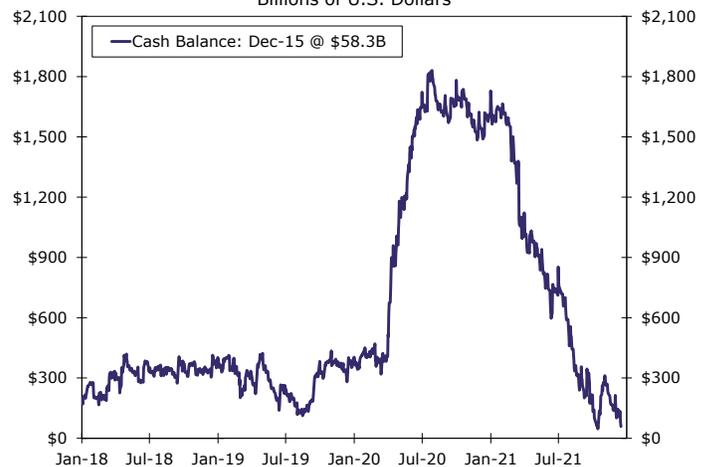
Although the "hard" deadlines have been met, the "soft" deadline for passing the Build Back Better (BBB) plan by Christmas will likely be missed. The Biden administration and Democrats in Congress have spent the past several months trying to nail down an agreement on BBB, but the razor-thin majorities in both chambers have thus far thwarted final enactment. With little time left in the year, it appears that the BBB will not become law before year-end.

There are no procedural problems with letting the BBB slip into next year. Unlike the debt ceiling or government appropriations, there is no "X date" with the BBB. However, this does not mean that continual delay is costless. The 2022 midterm elections are less than a year away, and major legislation is rarely passed in the few months preceding an election.

Furthermore, Democrats are seeking to use the BBB to extend some policies that are set to expire at year-end. The expanded Child Tax Credit (CTC) is the largest example. In the American Rescue Plan (ARP) passed earlier this year, the CTC was increased from \$2,000 per child to \$3,000 per child, or \$3,600 if the child is under six years old. Starting in July 2021, the government began paying out a portion of this credit as a monthly payment, with eligible households receiving either \$250 or \$300 monthly per child. The ARP only expanded the CTC for 2021, so under current law the last of these monthly payments went out this week. The House-passed BBB extended this more generous CTC for one year ([table below](#)), but since the Senate has not yet passed the BBB, CTC payments are still scheduled to end.

For months, we have refrained from baking the BBB into our economic forecast given the significant uncertainty surrounding the size, composition, timing and ultimately the fate of the proposal. As a result, if the BBB never becomes law, we likely will not have to make any major changes to our forecast. If there is a major breakthrough in BBB negotiations in the near term, we will adjust our outlook accordingly and promptly update our readers. Stay tuned. ([Return to Summary](#))

**U.S. Treasury Cash Balance**  
Billions of U.S. Dollars



Source: U.S. Department of Treasury and Wells Fargo Securities

Build Back Better (BBB) Act CBO Score (FY 2022-2031)					
Billions of Dollars, Increases in Revenue (+), Decreases in Revenue (-), Increases in Spending (+)					
Tax Cuts/Tax Credits		Spending		Tax Increases/Offsets	
Clean Energy and Climate Resilience Tax Credits	-\$200B	Provide Child Care Subsidies for Six Years	\$270B	Corporate Alternative Minimum Tax of 15%	\$320B
Clean Fuel, New Vehicles & Other Green Energy Tax Cred.	-\$135B	Provide Universal Pre-K for Six Years	\$110B	International Corporate Tax Increases	\$280B
Extend Expanded ACA Premium Tax Credits	-\$130B	Establish a Paid Family and Medical Leave Program	\$205B	Excise Tax on Corporate Share Repurchases	\$125B
Child Tax Cred. Expansion through 2022, Full Refund.	-\$190B	Clean Energy and Climate Resilience Investments	\$235B	Other Corporate Tax Increases	\$105B
SALT deduction cap to \$80,000 through 2025	-\$275B	Expand Medicaid/Medicare & Invest in Healthcare Workforce	\$210B	NIIT/Lim. on Excess Business Losses On Noncorp. Bus. Ind.	\$410B
Earned Income Tax Credit Expansion through 2022	-\$15B	Build and Support Affordable Housing	\$175B	Surtax of 5% on Income > \$10M, Additional 3% > \$25M	\$230B
Other Tax Changes	-\$15B	Immigration Reform	\$110B	Prescription Drug Price Reforms	\$325B
		Other Spending and Investments	\$150B	Additional IRS Funding to Diminish Tax Gap	\$130B
				Other Revenue Provisions	\$340B
<b>Total New Tax Cuts/Credits</b>	<b>-\$960B</b>	<b>Total New Spending</b>	<b>\$1,465B</b>	<b>Total New Tax Revenues/Offsets</b>	<b>\$2,265B</b>
<b>Net Increase (+) in the Budget Deficit over 2022-2031:</b>					<b>\$160B</b>

Source: Congressional Budget Office, Committee for a Responsible Federal Budget and Wells Fargo Securities

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