

## Up, Up, and Away!

It's great to be an American. Our ballfields packed with fans, waiting lines at our national parks, and the CDC's easing mask restrictions for fully vaccinated adults make us feel like a more normal life lies just ahead. Return to normalcy won't be without difficulties, but reopening euphoria turbocharged by \$6 trillion in federal stimulus has unleashed a burst in pent-up demand, a scale we've never seen before. America's social and economic reawakening is arriving sooner and stronger than expected. The pilot has tugged on the blast valve unleashing a column of super-heated air filling the balloon's envelope and we're **Up, Up, and Away!**

IHS Markit just reported that the global economy reached a milestone during this quarter, surpassing the pre-pandemic real GDP peak attained at the end of 2019. The Asia-Pacific region was first to recover in late 2020, while the US real GDP hit a new peak in May. Europe and Latin America are expected to complete their recoveries by the end of the year, but this global recovery belongs to America. A gusher of money is spilling out from the US, rippling through the world economies.

Throughout the 2000's, the US was the locomotive for global growth. China's explosive growth took the lead during the 2008 Great Recession. Now, however, America has again taken the lead and is driving the world recovery. Our economy is quickly transitioning from recovery to expansion. Skyrocketing US economic growth in June topped off an unprecedented rebound, with 2<sup>nd</sup> quarter US GDP estimated to rise as much as 9% on an annualized basis from last quarter which itself saw a 6.4% gain. A trifecta of super-heated gases are fueling this ascent - Uncle Sam's epic monetary stimulus, Federal Reserve's easy money policies, and plummeting COVID infections due to effective vaccine distribution.

Could this vertically mounting thermal cause an uncontrollable ascent? Americans have unleashed a flood of cash on the goods and services which were inaccessible during the pandemic lockdowns, triggering supply chain disruptions. Restaurants are filled to capacity with not enough servers. Skyrocketing auto sales have left dealership lots bare due to chip shortages. Roaring air

travel demand swamped airlines struggling to staff pilots and flight attendants. These snags have rekindled inflation and concern that it may persist. Most economists, however, believe these disruptions are transitory, that inflation will moderate and foresee our reopening rebound gathering speed and soaring to new heights.

Like the 2008 Great Recession, most "normal" recessions inflict long term economic damage — companies pull back on investments resulting in lost worker skills and a long jobless recovery producing permanent productivity losses and cautious consumers, hesitant to spend.

This was not a normal recession,

nor will it be a normal recovery. Massive governmental stimulus afforded both American consumers and companies the monetary boost to withstand the pandemic's downdraft. The Paycheck Protection Program was a godsend for US businesses and their employees. The hard-hit hospitality and restaurant industries were kept afloat while the digital transformation yielded unexpected productivity gains for many service businesses. The 1<sup>st</sup> quarter's 5.4% bounce heightens the prospects of a productivity resurgence for businesses that have adopted new process and technologies.

This time *may be different* for Americans as well. Many families actually got richer during the pandemic lockdown, curbing spending and saving more due to unemployment and stimulus checks. US household income growth soared to a record 21.1% this March with investment gains and home prices surging. This recession didn't cripple our economy, and the reopening rebound is just getting off the ground. A gusher of money is spilling out from the US economy turbocharged with \$6 trillion in stimulus.

The American consumer, supercharged with a glut of cash and eager to spend, is set to propel the economy skyward. Downdrafts like the Delta Variant, inflation spikes, and supply disruptions will impede our ascent, but the trajectory looks clear... **Up, Up, and Away!**

