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## **Fitch Ratings 2022 Outlook: U.S. States and Local Governments**

Fitch's Sector Outlook: Neutral Fitch's outlook for U.S. states and local governments in 2022 is neutral relative to surprisingly strong 2021 underlying business conditions. Operating conditions generally link closely to economic trends given the primary reliance on taxes. We anticipate national economic growth will remain ahead of its long-term trend next year, but slow considerably relative to the current year as the recovery from the pandemic matures and the immediate effects of enormous, pandemic-driven federal fiscal policy supports wane. States and local governments will benefit in 2022 and beyond from their share of the \$350 billion in direct aid provided under the March 2021 American Rescue Plan Act's (ARPA) Coronavirus State and Local Fiscal Recovery Funds and \$122 billion under the Elementary and Secondary School Emergency Relief Fund. Fitch anticipates this aid, the vast majority of which remains unspent and even unallocated, will provide cushion in the event of unexpected economic or public health setbacks. However, the aid is not likely to fundamentally improve most governments' operating conditions. The Infrastructure Investment and Jobs Act (IIJA) and additional federal policy measures, if enacted, are likely to benefit entities over the long term.

### **ACCESS REPORT**

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