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S&P Outlook For U.S. States: Federal Funds Fuel Spending; Will Inflation Impede The Impact?

Sector View: Stable

Positive credit strengths offset by significant uncertainties, leading to stable view. States have all come through the first two years of the pandemic holding or even improving credit quality. Much of this is due to the consistent and generous flow of federal funds, but additionally the generally highly rated sector responded to crisis as expected: taking actions to balance budgets. But as the federal monies flow, additional risks remain. We see inflationary uncertainty, coronavirus variants, and ongoing supply chain and employment challenges as potential impediments to further improvement of credit conditions.

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