

ECONOMY

THINK STRATEGICALLY: Biden's First 6 Months in Office

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Measuring Gov't with Unbiased Economic Benchmarks

We use financial and economic metrics to measure performance; we use them to measure success and understand how to recognize it.

On that note, this issue of Think Strategically is dedicated to evaluating how the U.S. economy has performed after the first six months under President Biden. It is important to note that measuring the success or failure of a presidency takes much more than these metrics. Still, they do allow us to measure the overall direction of our economic well-being and the sentiment of a nation that still is divided.

President Trump left office with a 29 percent approval rating, the second-lowest in 47 years, and the distinction of being the first president to be impeached twice. From my perspective, Trump's worst nightmare was the coronavirus pandemic and his initial decision to dismiss the virus. Let's see how Biden has navigated through these challenges.

On Inauguration Day, Jan. 20, 2021, the Biden administration took office with the following economic benchmarks and, after the first six months, these are the results:

On the positive side, we note that the steps taken by the Biden administration have allowed it to improve overall economic well-being. We see the following:

— **Government response to the Pandemic:** COVID-19 had been surging with an average rise of 15.15 percent, and now that rate is 0.98 percent. The mask mandate, social distancing, testing and several restrictions proved decisive in curbing the spread.

— **Massive Vaccination Program:** The vaccination program had been lackluster, slow and fell short of expectations. The Biden administration promised and reached 100 million vaccinations in 100 days. It also had the goal of getting 70 percent of Americans with at least one dose by July 4; while the current vaccination rate of 56.6 percent is still far from the 70 percent goal, it is a 1267 percent rise when compared to the 4 percent inherited by Biden.

— **Making Economic Growth Sustainable:** Even as most economists predict that the U.S. will achieve economic growth of 7 percent GNP in 2021, the president took great strides to approve a series of bazooka stimulus packages to maintain the economy going. One of the best programs to come from Washington, D.C. is the Small Business Administration's (SBA) Paycheck Protection

Program, or PPP, which allowed hundreds of thousands of businesses to stay afloat during these trying times.

— **American Rescue Plan:** President Biden put forth the American Rescue Plan, \$1.9 trillion in funding to provide Americans with another round of stimulus, unemployment benefits, support for small businesses and money to help schools reopen safely. Congress approved the bill in March, paving the way for much-needed support.

— **Reclaiming the Stage in Foreign Policy:** Biden deserves all the credit for making sure our most trusted allies feel more confident about the U.S. through its actions on the world stage. One of his most vital traits is his charisma and abilities in dealing with foreign leaders; during the G7 summit, you could tell that most leaders were at ease with the president.

— **Infrastructure Bill:** The Senate will take the lead in attempting to approve a \$1.2 trillion bipartisan infrastructure bill and a budget resolution that would authorize up to \$3.5 trillion in spending for what Biden is calling "human infrastructure." Both bills face challenges, and passing them will test a sense of purpose for Democrats. The current goal to pass them both in July seems quite ambitious, and we expect the final voting to happen sometime in August. The most difficult topic is how to sanction the Internal Revenue Service to realize new revenue through increased audits in a manner that is not overly intrusive or offensive to taxpayers. Senate Majority Leader Chuck Schumer (D-NY) has called for a

vote on the bill next week; we shall see.

In our view, Biden is looking for this bill to deliver similarly to Franklin Delano Roosevelt's New Deal following the Great Depression, and those are lofty ambitions that should prove right it will bolster the U.S. to never seen levels of growth.

Several key indicators provide the backing for strong economic health:

— U.S. Real Retail Sales reached 9.78 percent, compared to 18.54 percent last month; sales continue to be higher than the long-term average of 2.22 percent.

— U.S. Retail and Food Services Sales rose to 0.18 percent, compared to -1.35 percent last month; however, sales are lower than the long-term average of 0.39 percent.

— U.S. Business Sales fell slightly to \$1.616 trillion, down from \$1.621 trillion last month, a slight reduction of -0.34 percent from the previous month.

— U.S. Initial Claims for Unemployment Insurance fell to 360,000, down from 386,000 last week and -6.74 percent from the previous week; which was expected.

— U.S. Real GDP rose to 6.40 percent, compared to 4.30 percent last quarter, higher than the long-term average of 3.18 percent.

On the negative side, we note the following:

— **U.S.-Mexico border issue:** This the main issue Biden is not handling properly, given that his administration has struggled to address the rising number of immigrants reaching the border, leading to plenty of criticism

from both Democratic and Republican constituents.

Big Government Returns in a Big Way: Like it or not, big government is back; this is territory that most Republican opponents still are trying to sort out in the post-Trump era. When the American Rescue plan was being drafted, Biden wanted to fix an error that the administration of President Barack Obama made as with the rescue plan stemming for the financial crisis in 2009. Biden made sure to support all industries with a bolder, more ambitious project.

However, there are several challenges that Biden needs to address sooner rather than later:

The U.S. image and influence abroad are at their lowest levels; according to Gallup, the approval of the U.S. is at near-record lows.

Backing out of the Paris Agreement was seen as a significant failure to accept climate change, a considerable misstep that is being fixed quickly and looks quite ambitious; a 52 percent reduction in emissions before 2030 is not just large, it is Herculean.

The first 180 days is a first-impression statement, an initial glance at what you should expect from the rest of the president's term. So far, Biden seems to be headed in the right direction, and we hope these initial 180 days are a sign of things to come.

An accurate measure of a nation's strength is how its leaders and people rise to accept their circumstances and change their ways.

Finally, three differences between Biden and his predecessor that I am sure no one misses:

No barrages of late-night Twitter ramblings.

No MAGA never-ending rallies.

No empathy towards anyone.

In conclusion, please remember: "All things are possible to those that Believe, less difficult to those that Hope, easy to those who Love and simple to those that do all three."

U.S. ECONOMIC INDICATORS			
President Biden	Jul-21	Jan-21	Change
Price Per Gallon Regular Gasoline	\$3.27	\$2.46	33%
Dow Jones Industrial Average	34,687.85	31,188.38	11%
S&P 500	4,327.24	3,851.85	12%
Nasdaq	14,427.24	13,457.25	7%
Percentage of Vaccinated Population	58.7%	4%	1253%
Unemployment	5.90%	6.30%	-6%
Average GDP Growth Rate in office	6.40%	4.30%	49%
Labor-force participation rate	61.60%	61.50%	0.16%
Home ownership rate	65.60%	65.80%	1.00%
Median family income	\$87,689	\$90,239	-2.83%
U.S. Public debt	\$28,529.44	\$27,747.80	2.82%
Credit Ratings	S&P (AA+), Moody's (AAA), Fitch (AAA)	S&P (AA+), Moody's (AAA), Fitch (AAA)	Unchanged
Access to Markets	Full Access	Full Access	Unchanged
Approval Rating	53%	29%	82.76%

Sources: Bureau of Labor Statistics, Federal Reserve Bank of NY, Junta de Planificación, Estudios Técnicos.

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