

Economic Forecast 2025

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get there



Guest Speaker

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Topic #1:

As the economy maintains momentum, was the “recession talk” premature? And are consumers tiring?

Global Supply Chain Pressure

(Source: Federal Reserve Bank of New York)



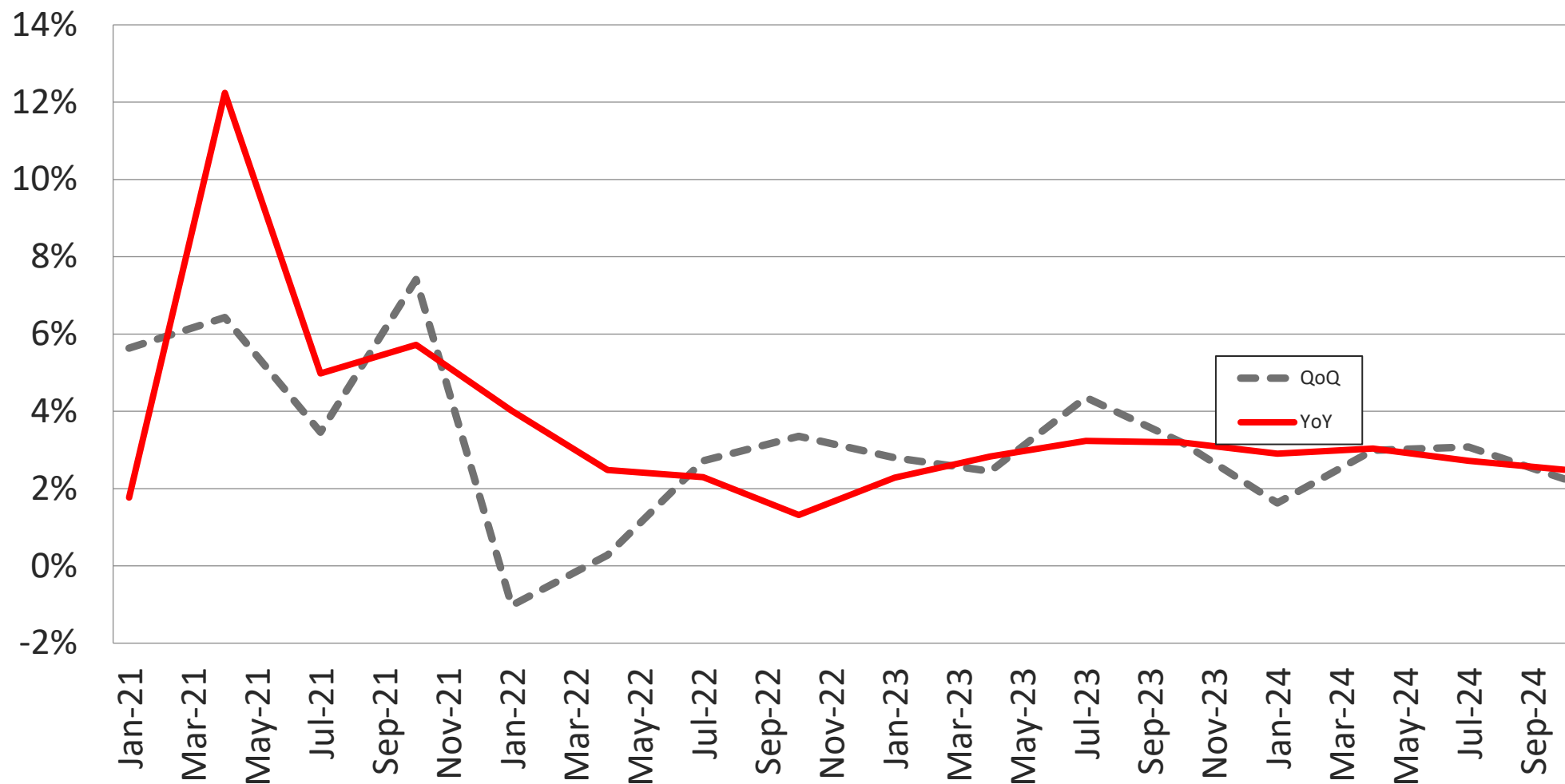
Gross Domestic Product: Year over Year

(source: Department of Commerce)



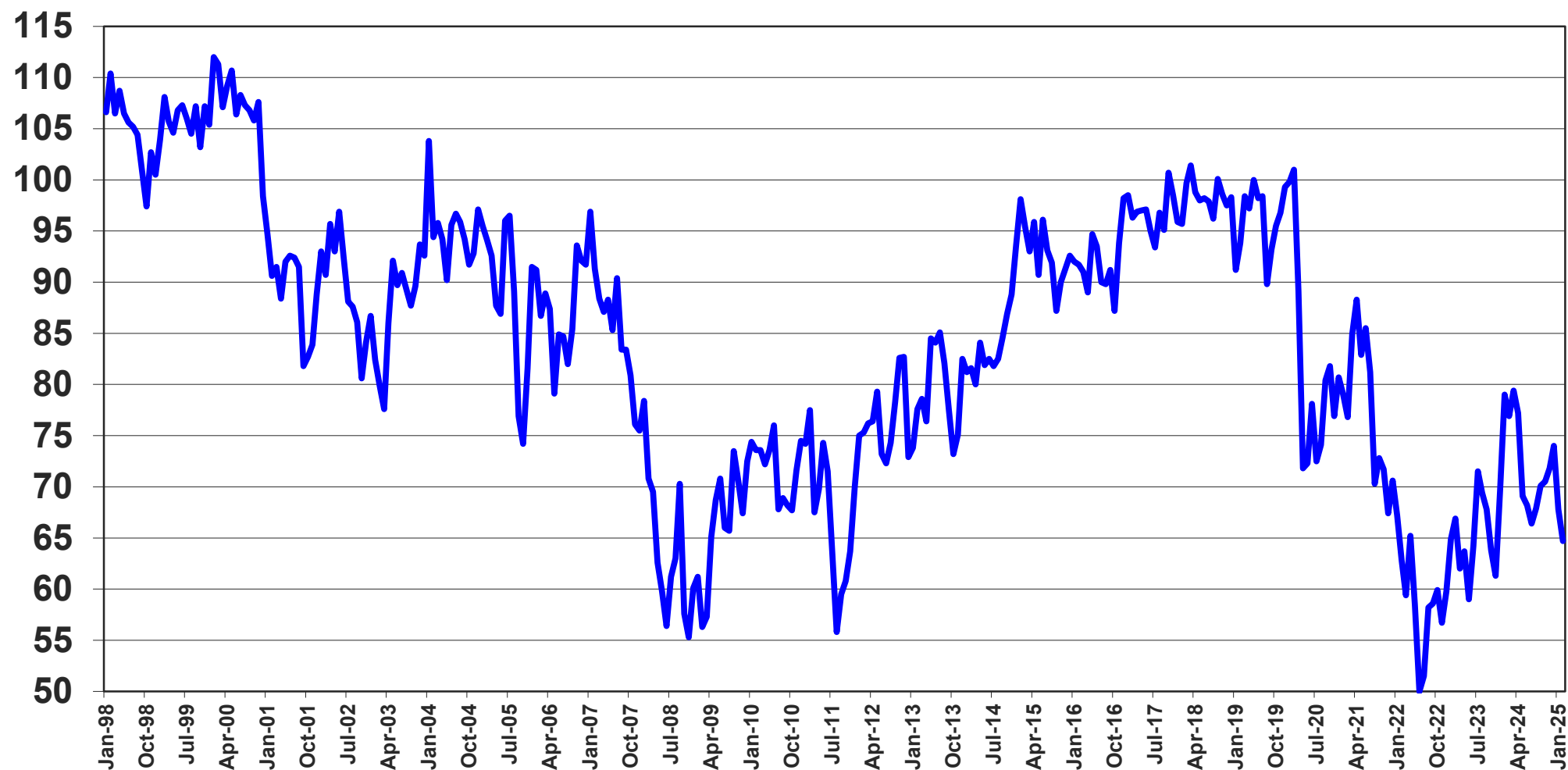
Gross Domestic Product

(source: Department of Commerce)



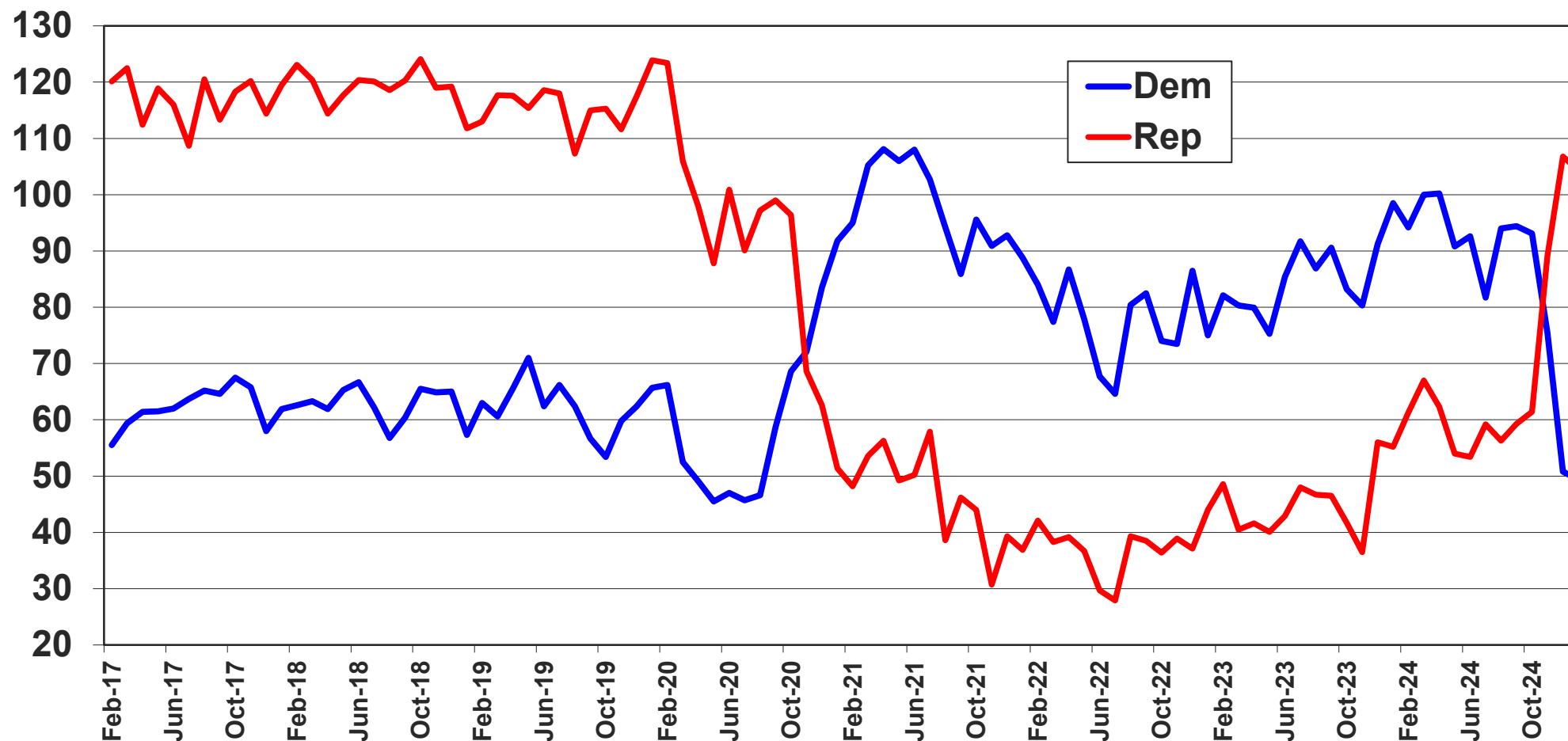
Consumer Sentiment

(source: University of Michigan, Survey Research Center)



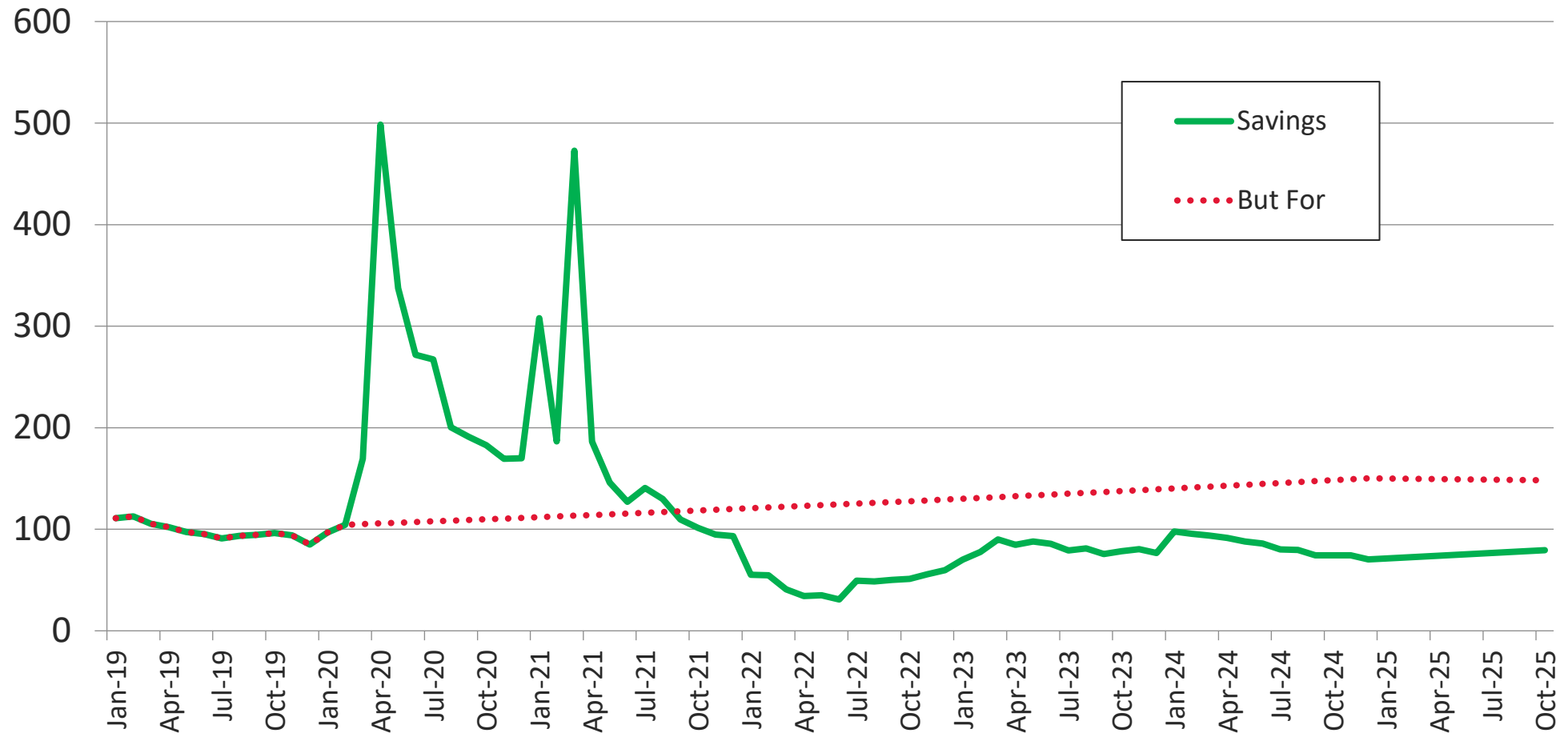
Consumer Expectations: By Party

(source: University of Michigan, Survey Research Center)



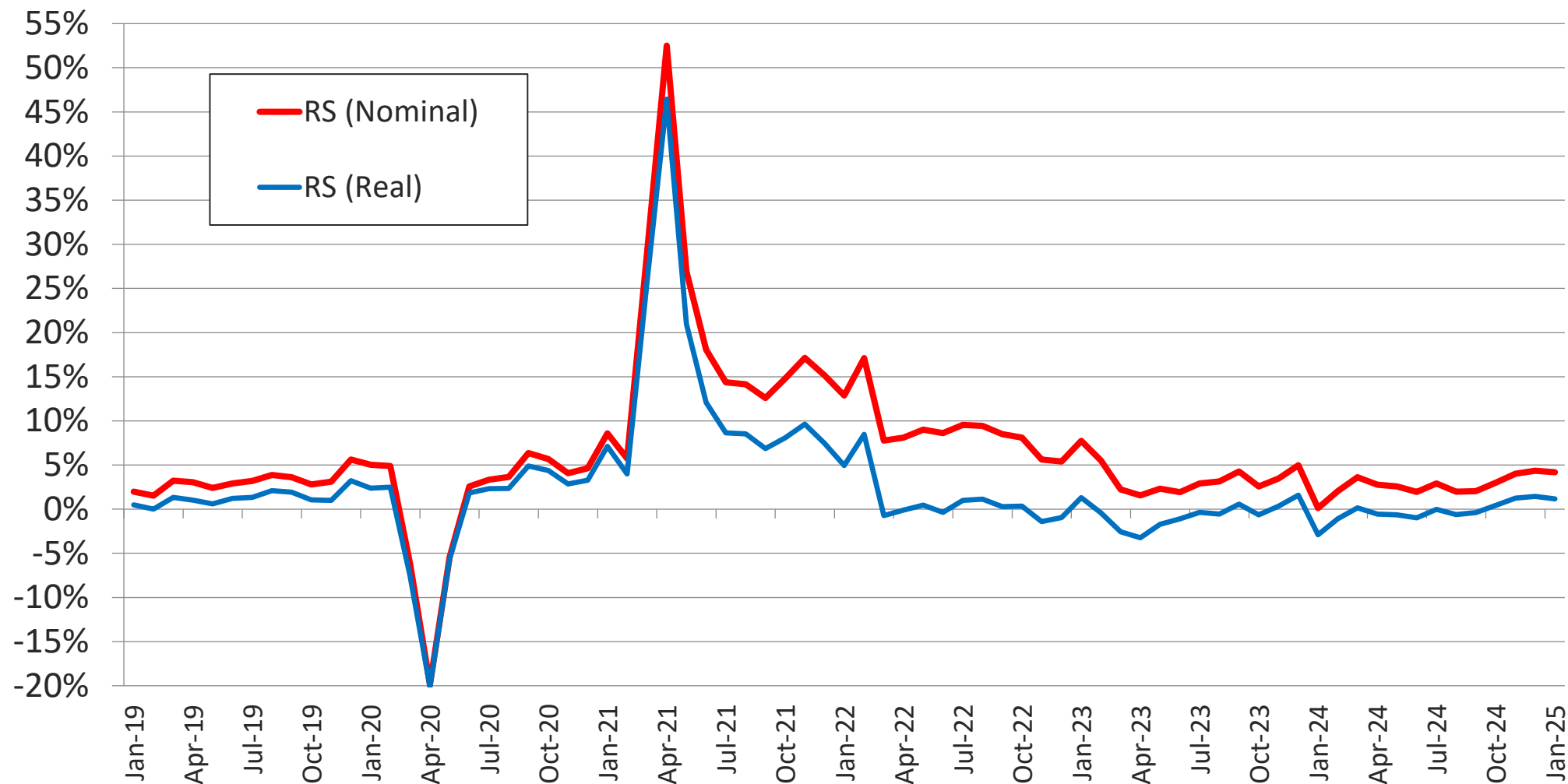
Personal Savings

(source: U.S. Bureau of the Census)



Retail Sales: YoY Change

(source: U.S. Bureau of the Census, Federal Reserve Bank of St. Louis)



Leading Economic Indicators

(source: Conference Board, 6 month change)

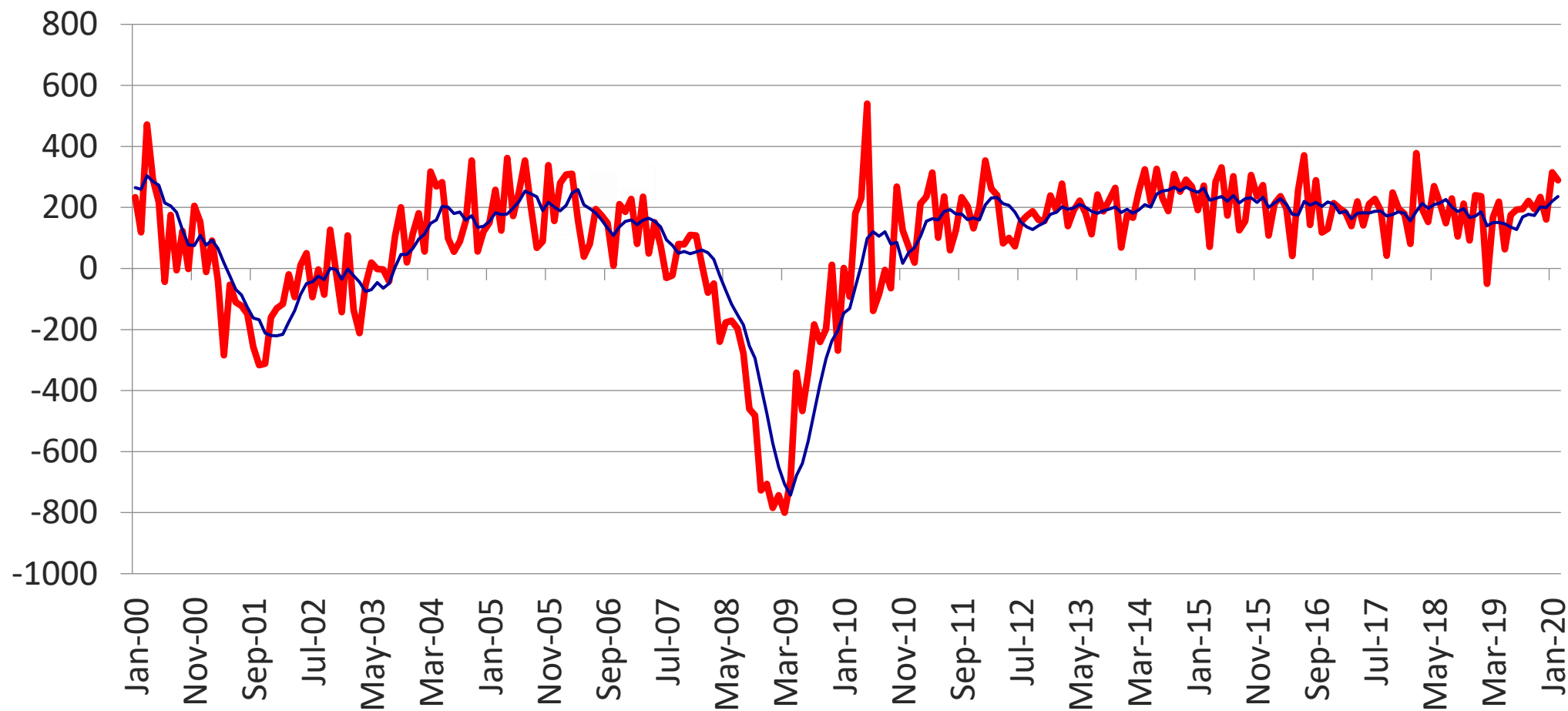


Topic #2:

Job growth remains positive, but are labor markets starting to ease?

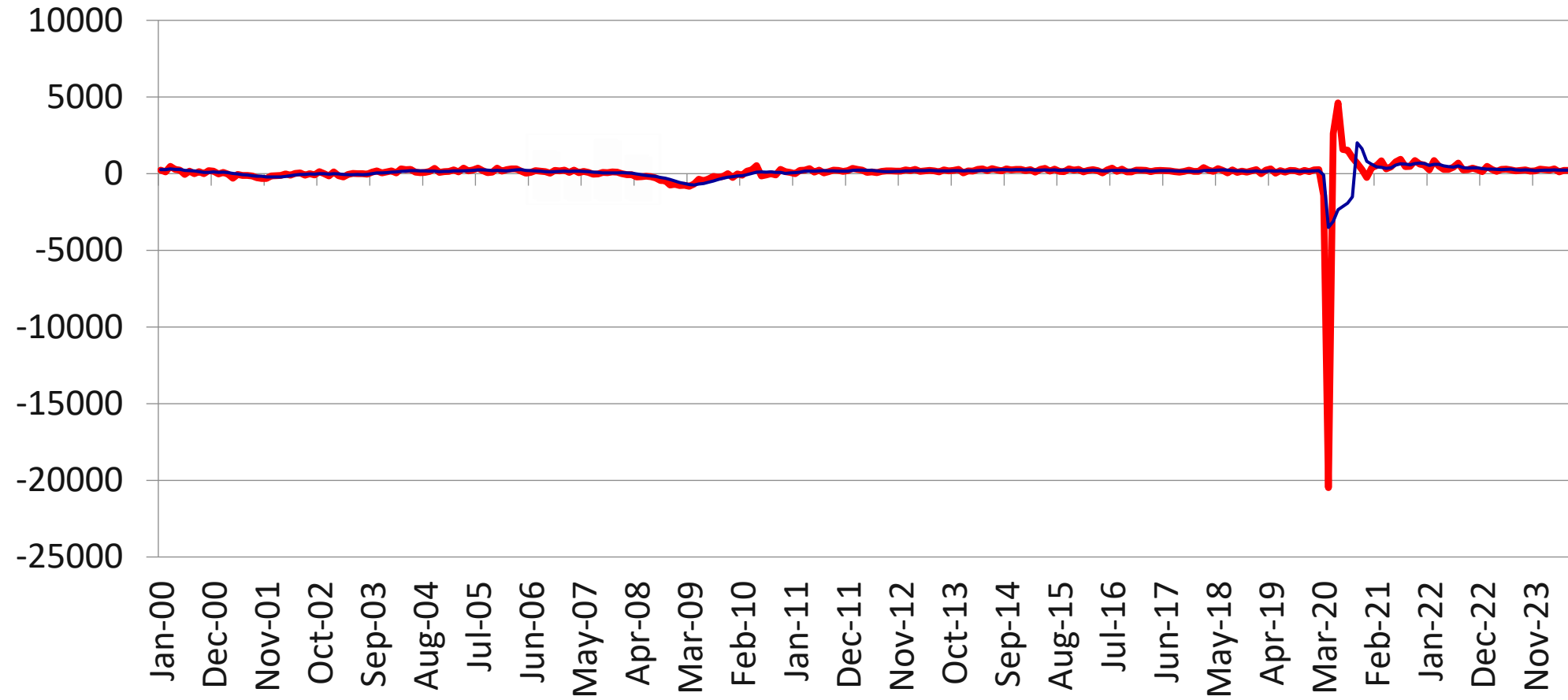
Change in Payroll Employment

(Source: Bureau of Labor Statistics)



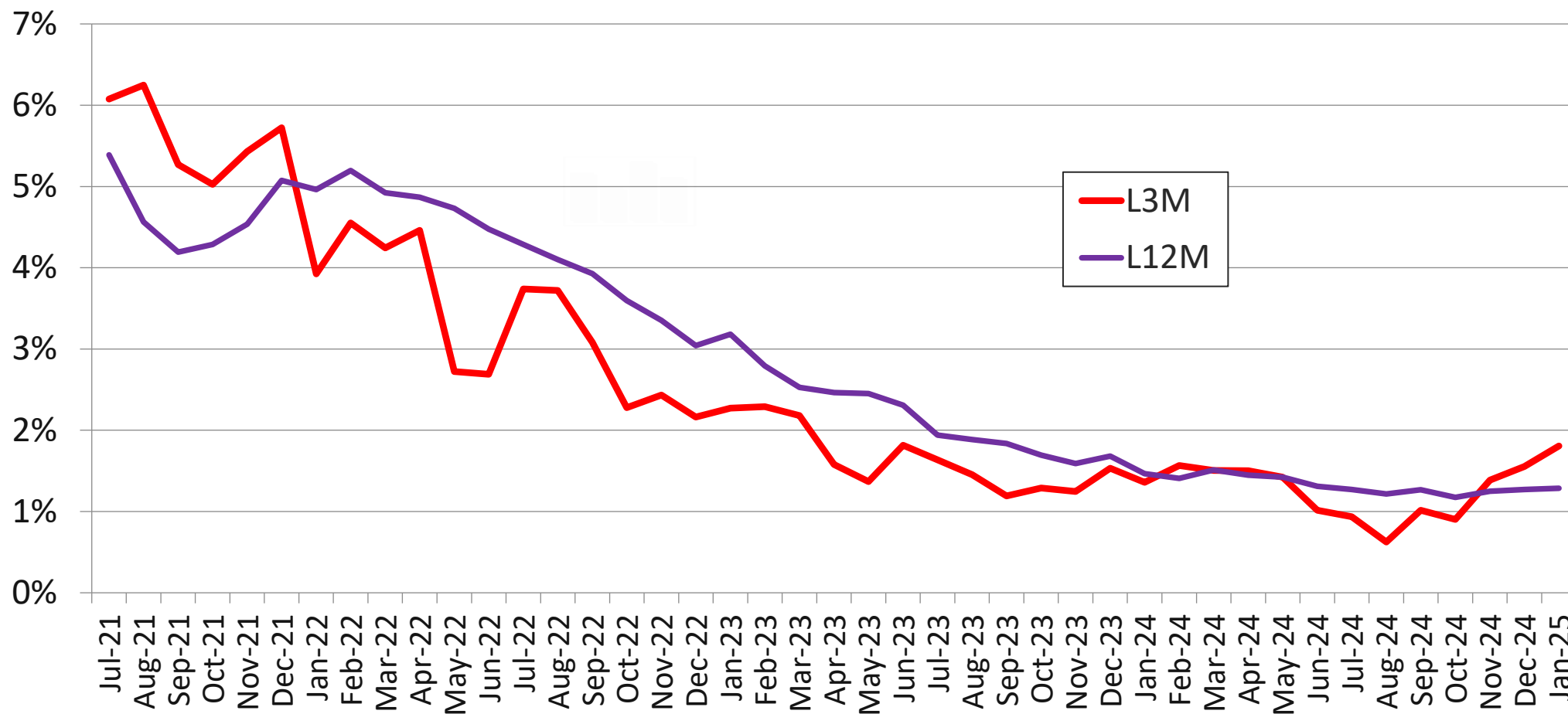
Change in Payroll Employment

(Source: Bureau of Labor Statistics)



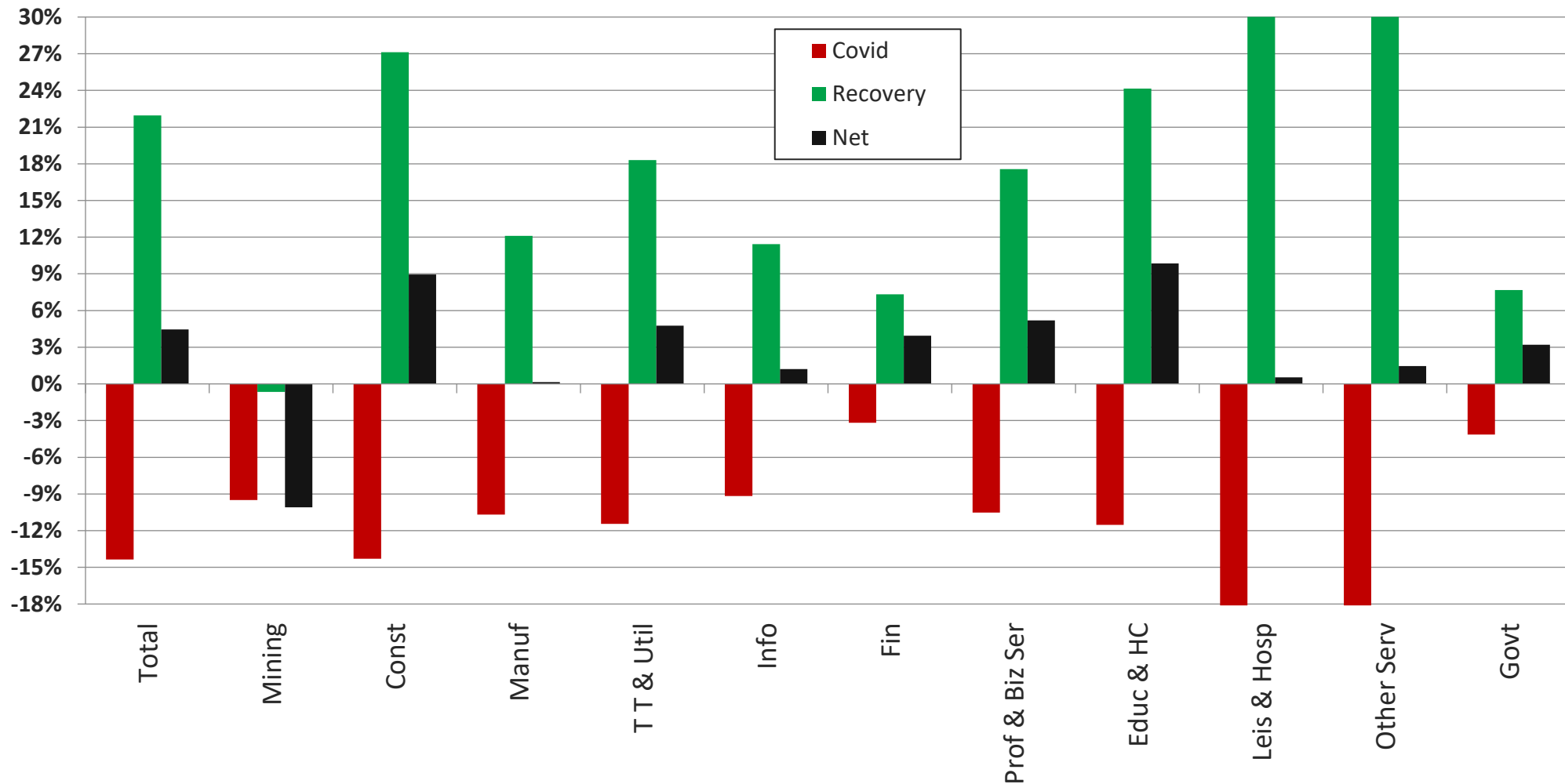
Payrolls Growth

(Source: Bureau of Labor Statistics; 3-month & 12-month growth rate)



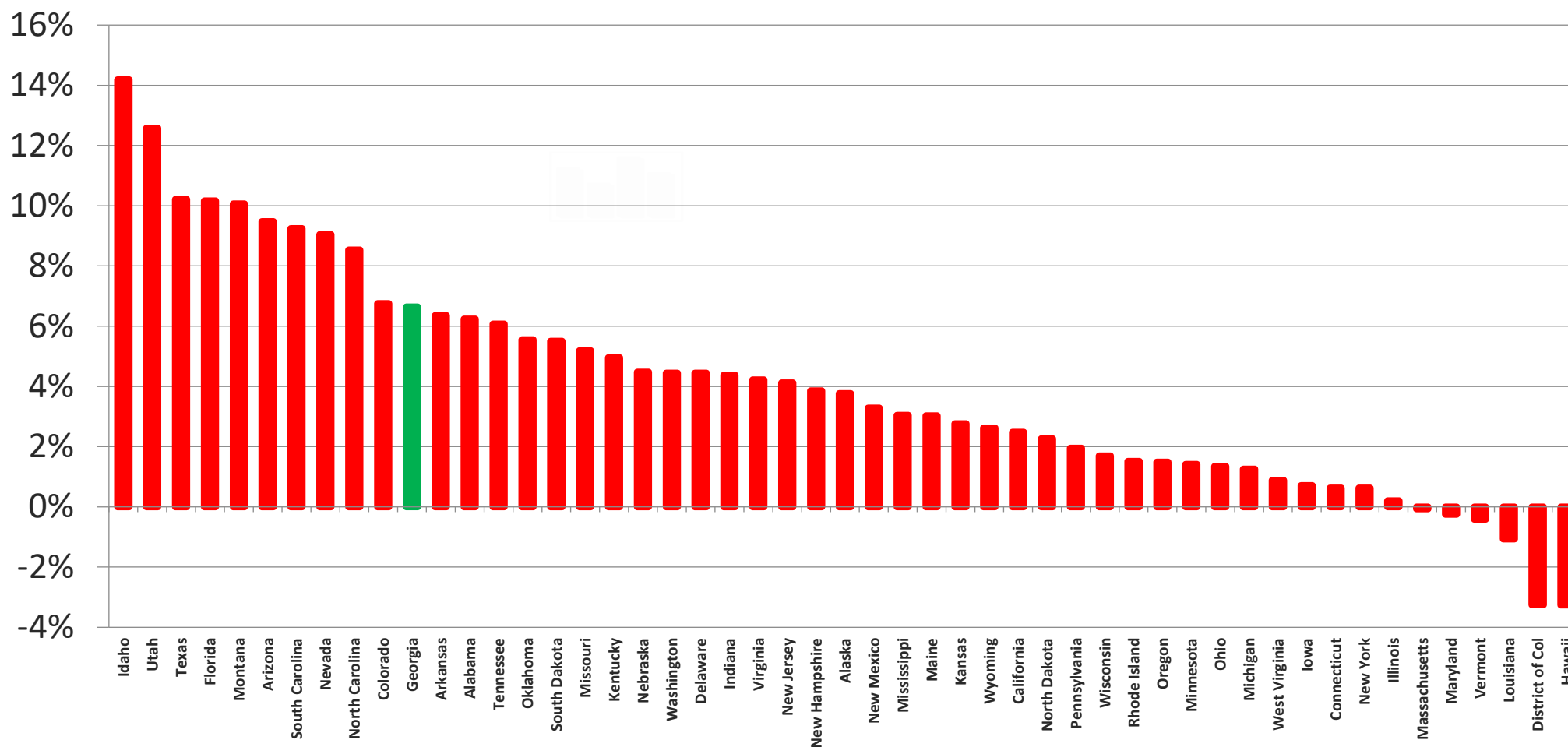
Employment: by Sectors

(source: Bureau of Labor Statistics, thru January 2025)



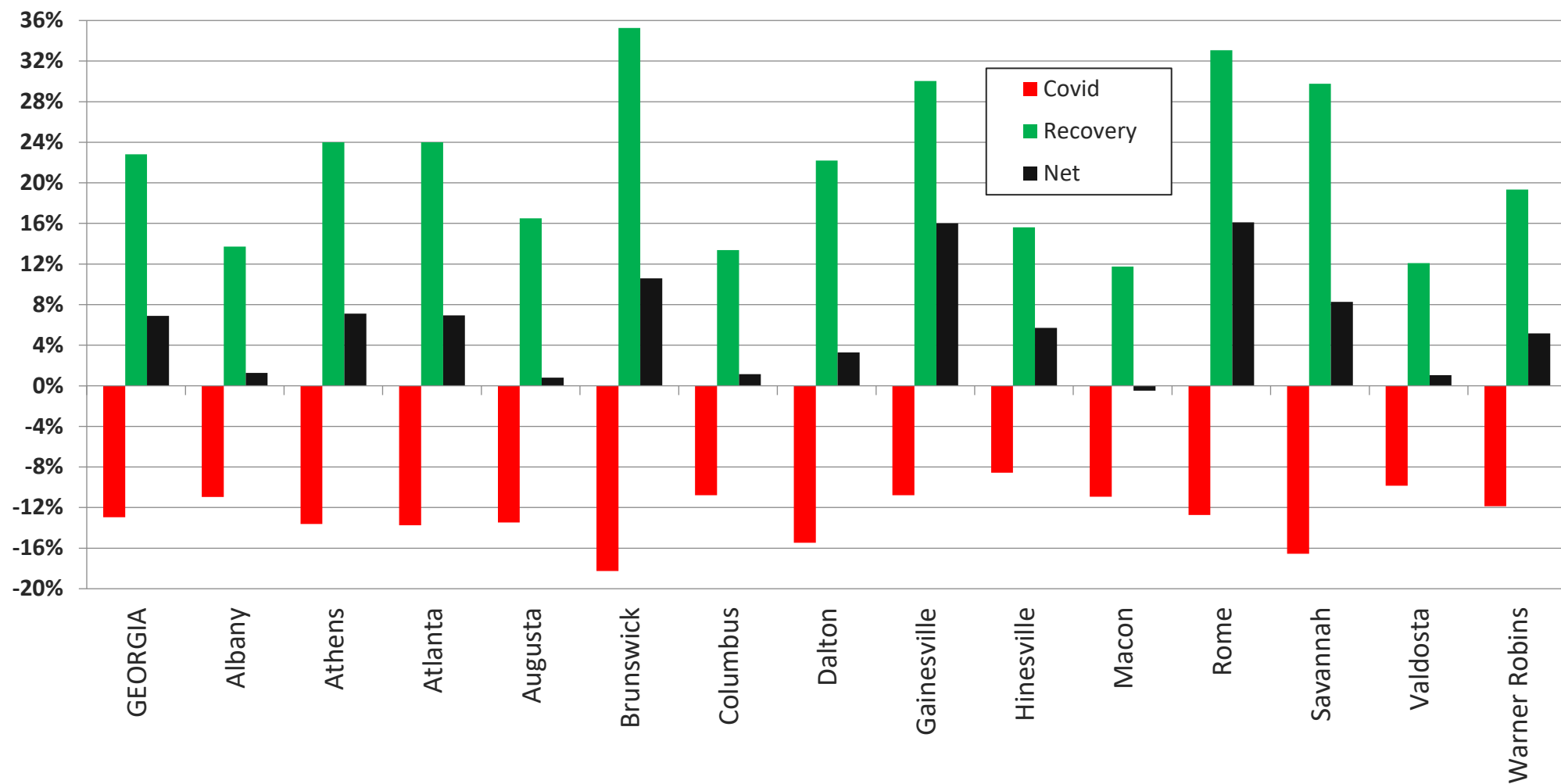
Recovery from Bottom

(Source: Bureau of Labor Statistics)



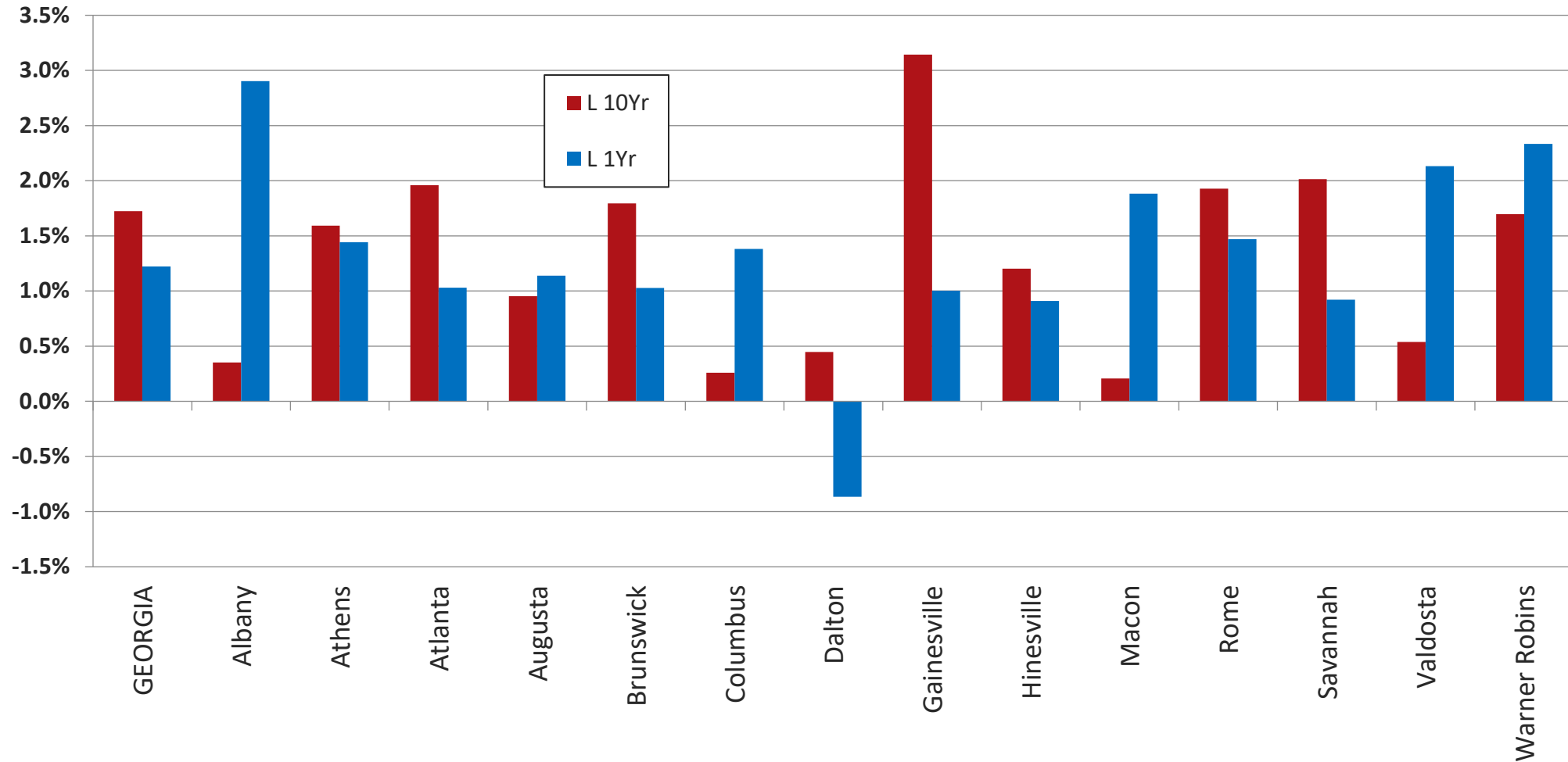
Employment: Georgia Cities

(source: Bureau of Labor Statistics, thru December 2024)



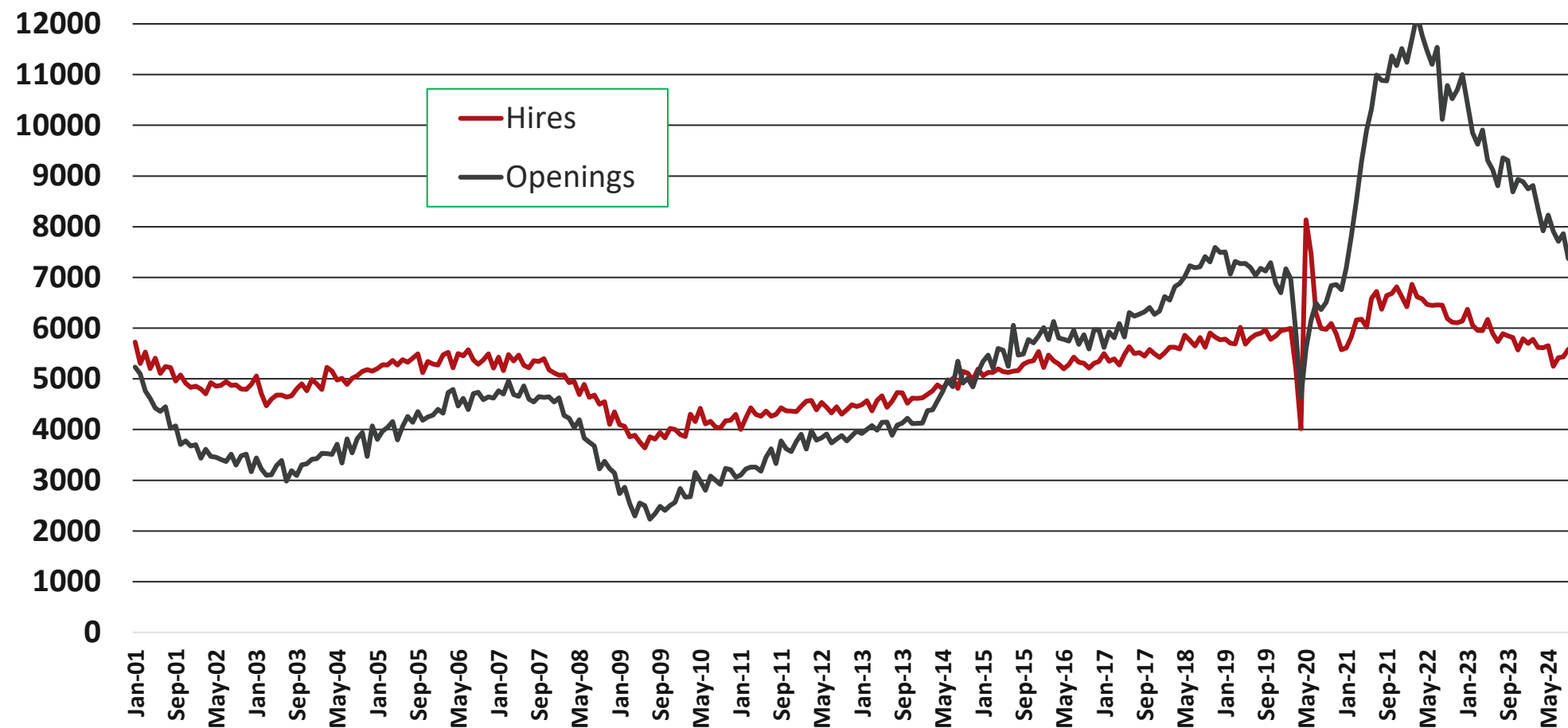
Employment: Georgia Cities YoY & Decade

(source: Bureau of Labor Statistics, thru December 2024)



JOLTS: Openings & Hires

(Source: Bureau of Labor Statistics)



JOLTS Rates by Sectors: Nov 2024

(Source: Bureau of Labor Statistics)



Topic #3:

Inflation returned, now falling toward the 2% target?

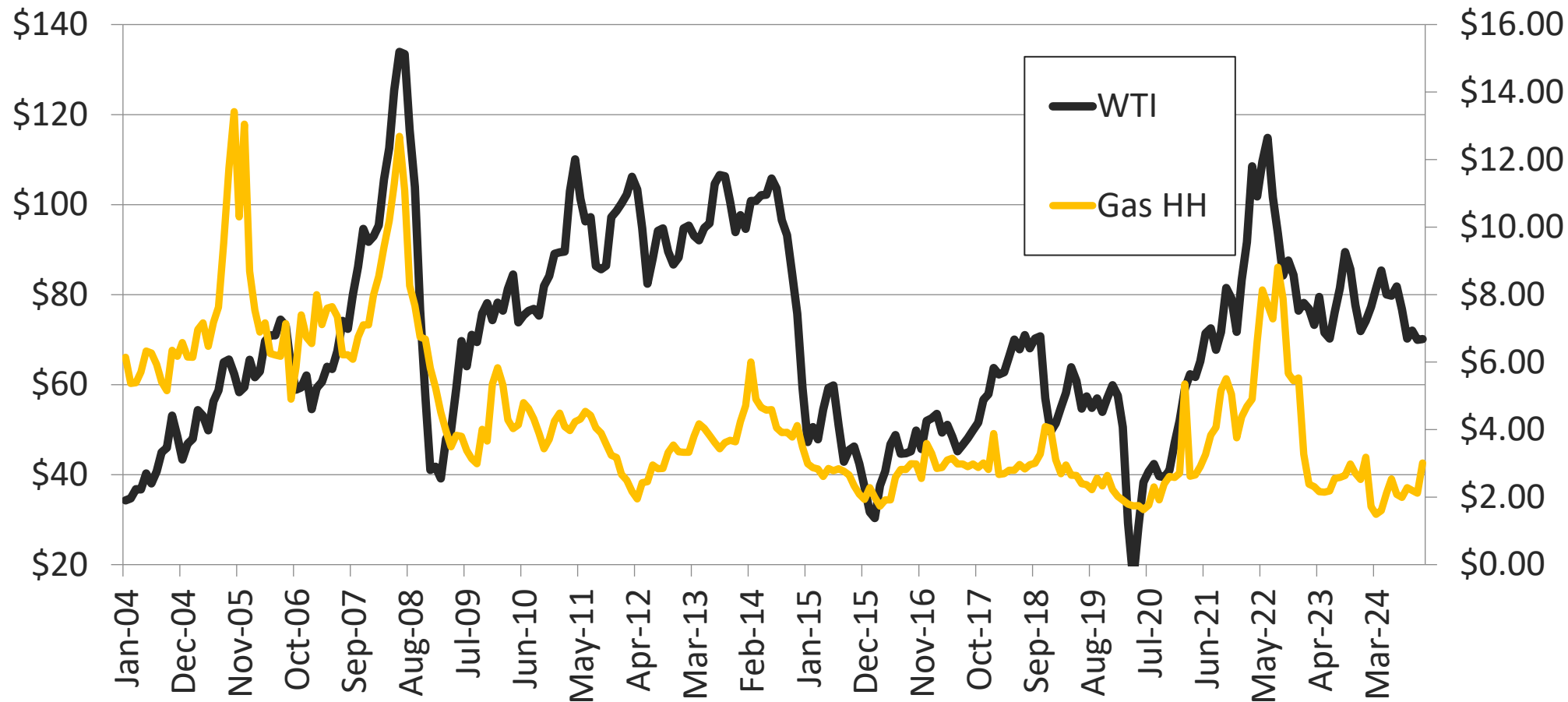
Inflation: Transitory or Persistent?

(source: Bureau of Labor Statistics)

- CPI up 0.5% in January – after being up 0.4% and 0.3% in two previous months. Overall CPI up 3.0% over last 12 months.
- Core CPI up 0.24% in January – after being up by 0.2% and 0.3% in two previous month. Core up 3.3% over last year.
- Energy component was up 1.1% in January. The energy component is up 1.0% over the last 12 months.
- PCE up 2.6% for 12 months ending in December, core PCE up 2.8% over the same period.

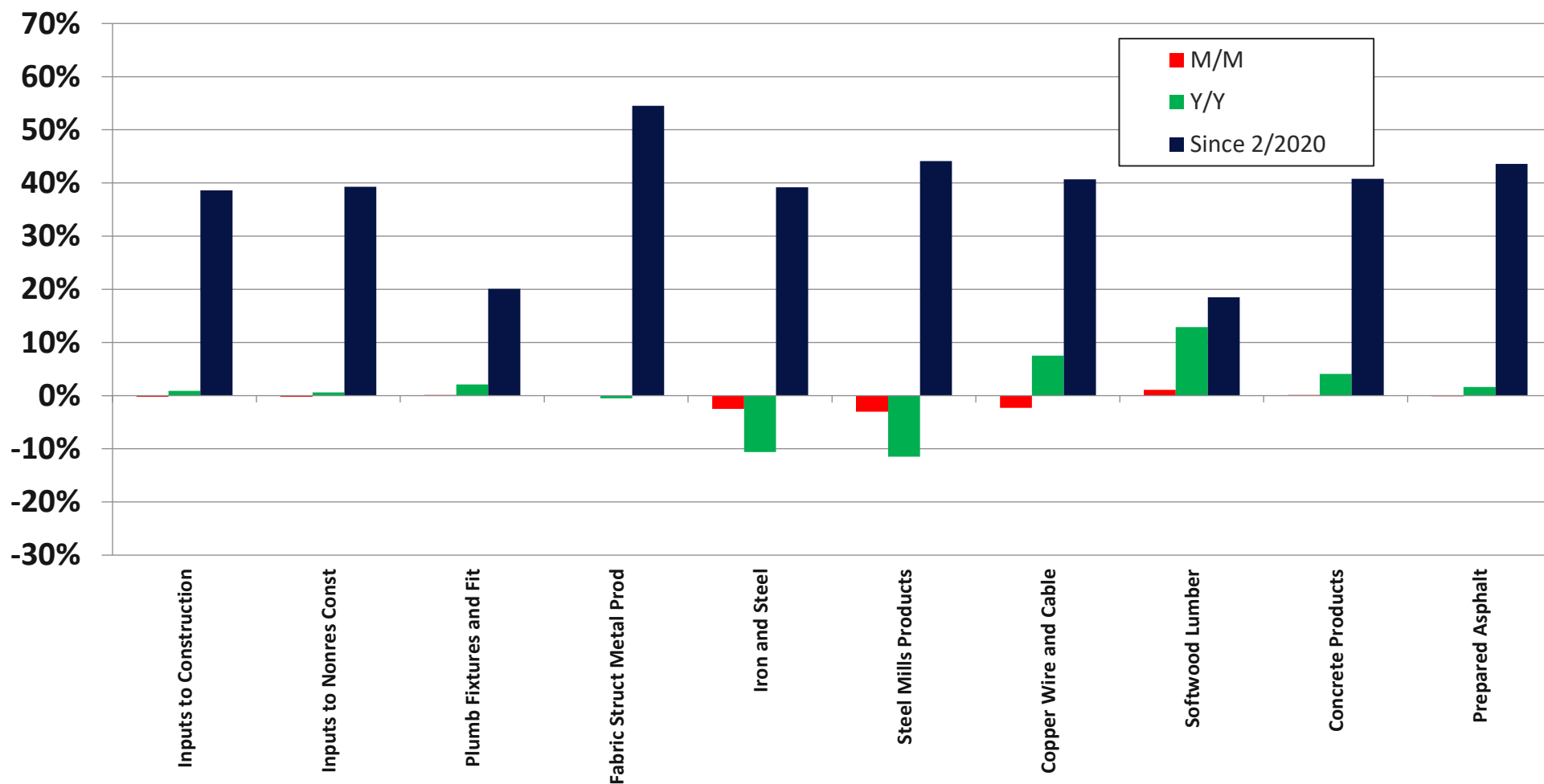
Energy Cost: Oil & Natural Gas

(source: U.S. Energy Information Administration)



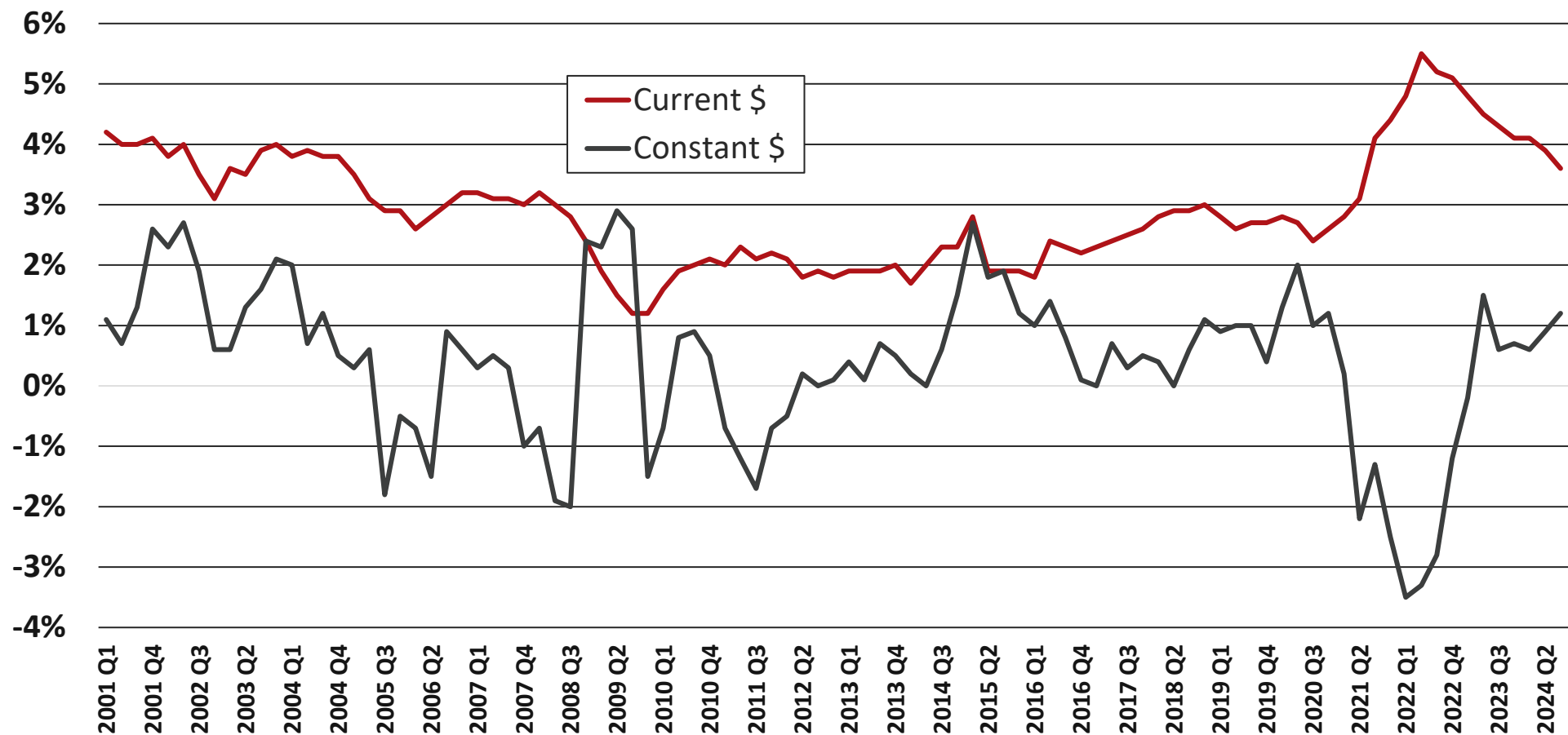
Construction Cost thru December 2024

(source: Bureau of Labor Statistics; Associated Builders & Contractors)



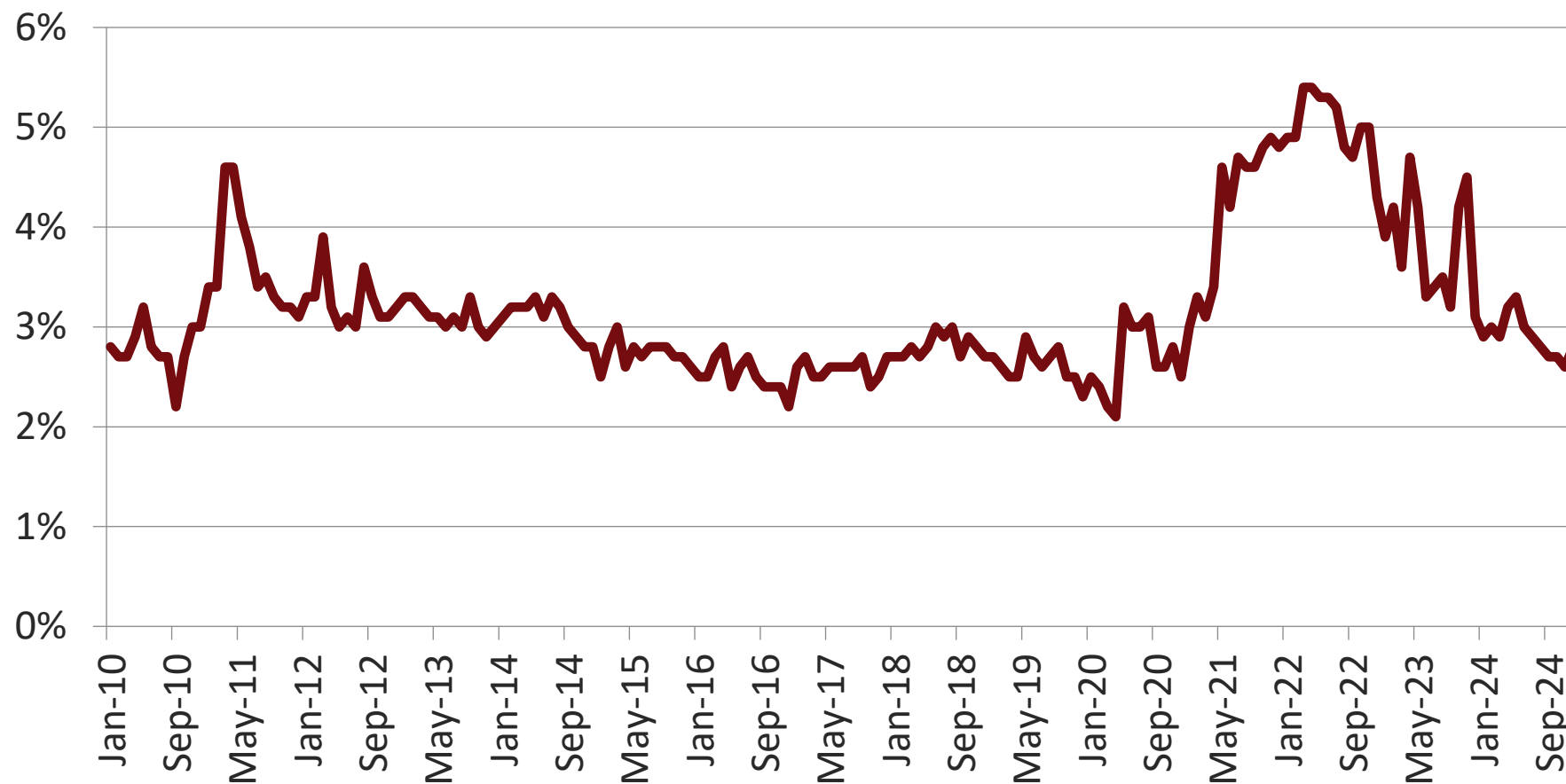
Employment Cost Index: Role of Inflation

(Source: Bureau of Labor Statistics)



Inflation Expectations: Next 12 Months

(source: University of Michigan, Survey Research Center)

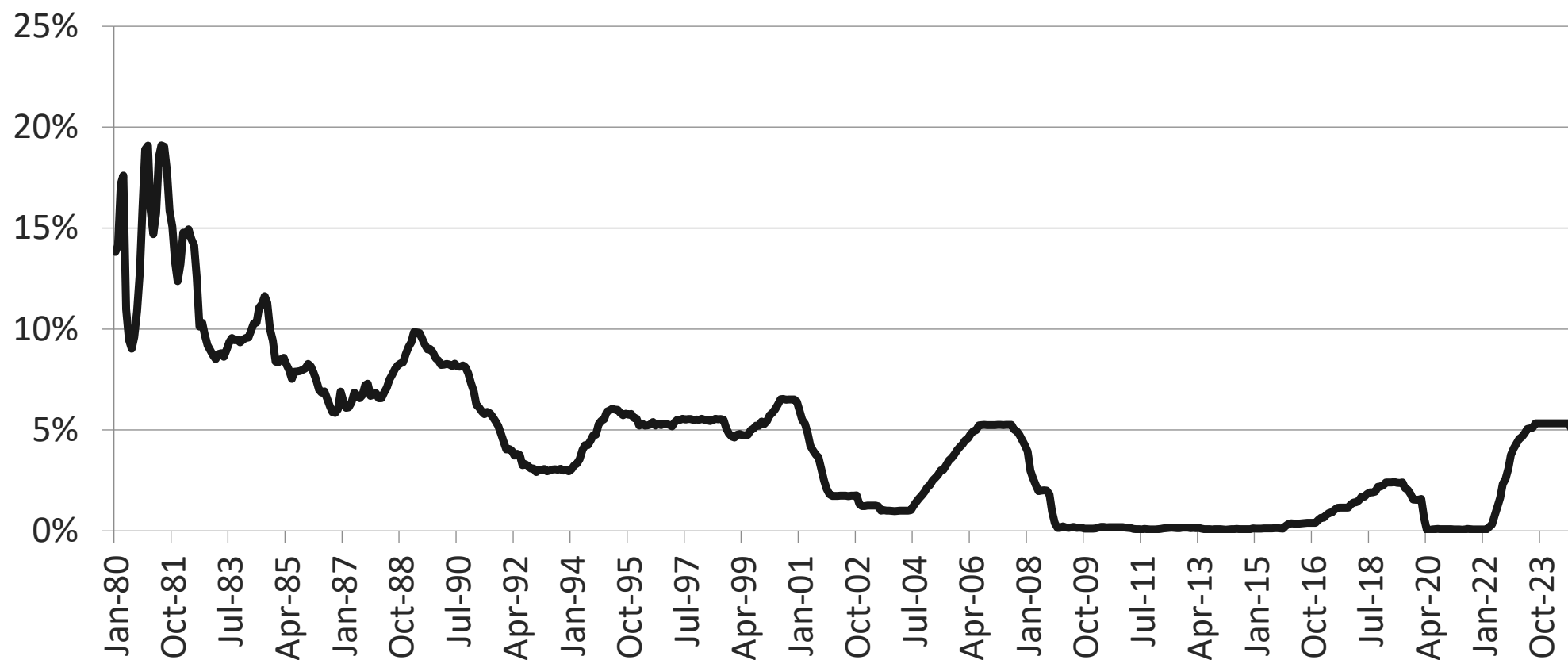


Topic #4:

Fed signaled “peak rates” in early 2024. Now with three rate cuts behind us, are more to come?

Federal Funds Rate

(source: Board of Governors of the Federal Reserve System)



Market's Expectation for Federal Funds Rate:

Jan 18, 2024

(Source: CME Group)

CME FEDWATCH TOOL - MEETING PROBABILITIES

MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
1/31/2024				0.0%	0.0%	0.0%	0.0%	2.6%	97.4%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	55.7%	42.9%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	47.0%	44.9%	6.9%
6/12/2024	0.0%	0.0%	0.0%	0.0%	1.7%	47.0%	44.5%	6.8%	0.0%
7/31/2024	0.0%	0.0%	0.0%	1.6%	42.9%	44.7%	10.2%	0.6%	0.0%
9/18/2024	0.0%	0.0%	1.4%	39.6%	44.6%	13.0%	1.4%	0.0%	0.0%
11/7/2024	0.0%	0.9%	25.4%	42.7%	24.7%	5.7%	0.5%	0.0%	0.0%
12/18/2024	0.7%	20.5%	39.3%	28.3%	9.5%	1.6%	0.1%	0.0%	0.0%

Market's Expectation for Federal Funds Rate:

February 24, 2025

(Source: CME Group)

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES								
MEETING DATE	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475
3/19/2025			0.0%	0.0%	0.0%	0.0%	2.5%	97.5%	0.0%
5/7/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	28.3%	71.0%	0.0%
6/18/2025	0.0%	0.0%	0.0%	0.0%	0.3%	12.3%	46.2%	41.2%	0.0%
7/30/2025	0.0%	0.0%	0.0%	0.1%	3.3%	20.7%	45.0%	31.0%	0.0%
9/17/2025	0.0%	0.0%	0.0%	1.3%	10.0%	30.1%	39.6%	19.0%	0.0%
10/29/2025	0.0%	0.0%	0.3%	3.0%	13.9%	31.9%	35.6%	15.3%	0.0%
12/10/2025	0.0%	0.1%	1.0%	5.7%	18.5%	32.9%	30.5%	11.4%	0.0%
1/28/2026	0.0%	0.1%	1.3%	6.7%	19.6%	32.7%	29.0%	10.6%	0.0%
3/18/2026	0.0%	0.3%	1.9%	8.1%	21.0%	32.3%	27.0%	9.4%	0.0%
4/29/2026	0.0%	0.4%	2.2%	8.8%	21.6%	32.0%	26.1%	8.9%	0.0%
6/17/2026	0.1%	0.5%	2.6%	9.4%	22.1%	31.7%	25.2%	8.5%	0.0%
7/29/2026	0.1%	0.7%	3.5%	11.1%	23.3%	30.9%	23.1%	7.4%	0.0%

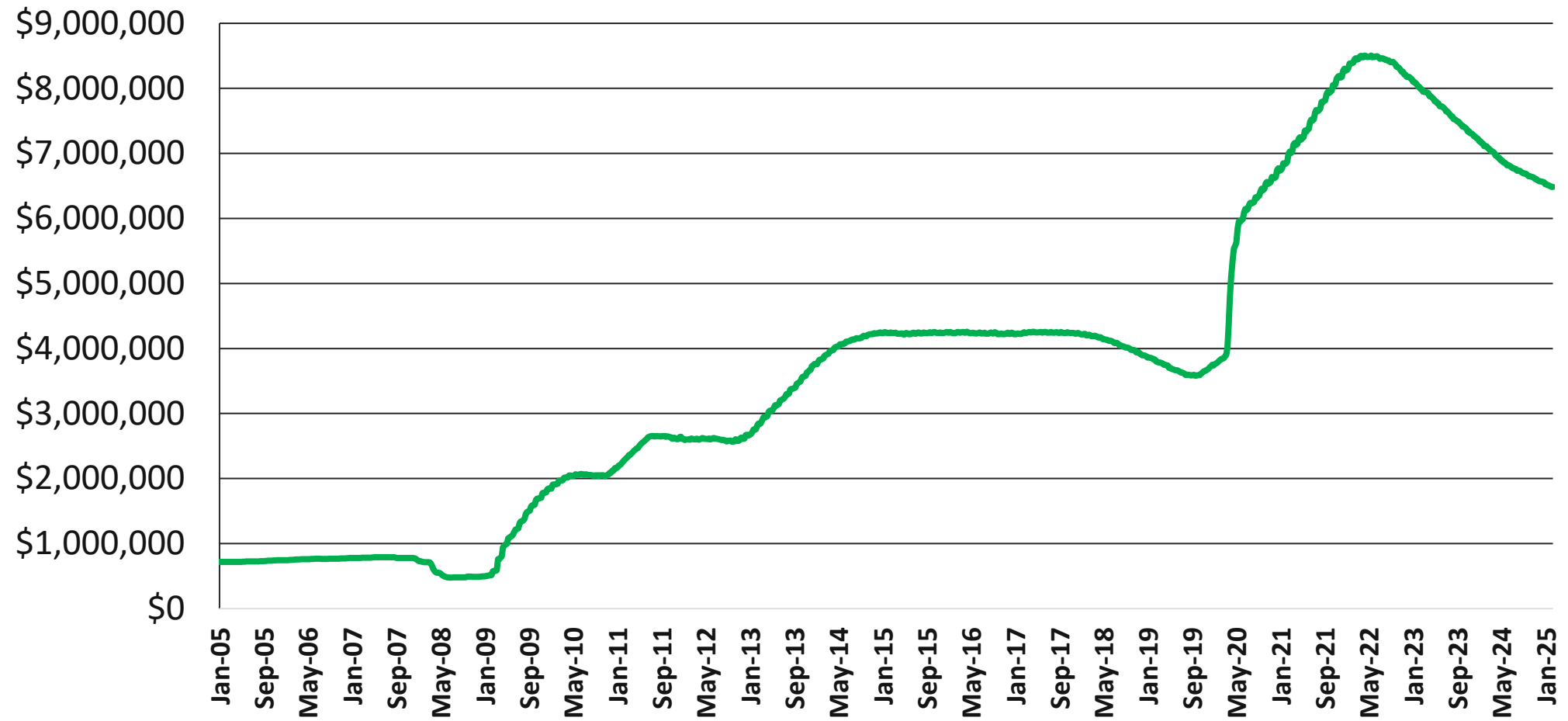
10-Year Treasury Bonds

(source: Board of Governors of Federal Reserve System)



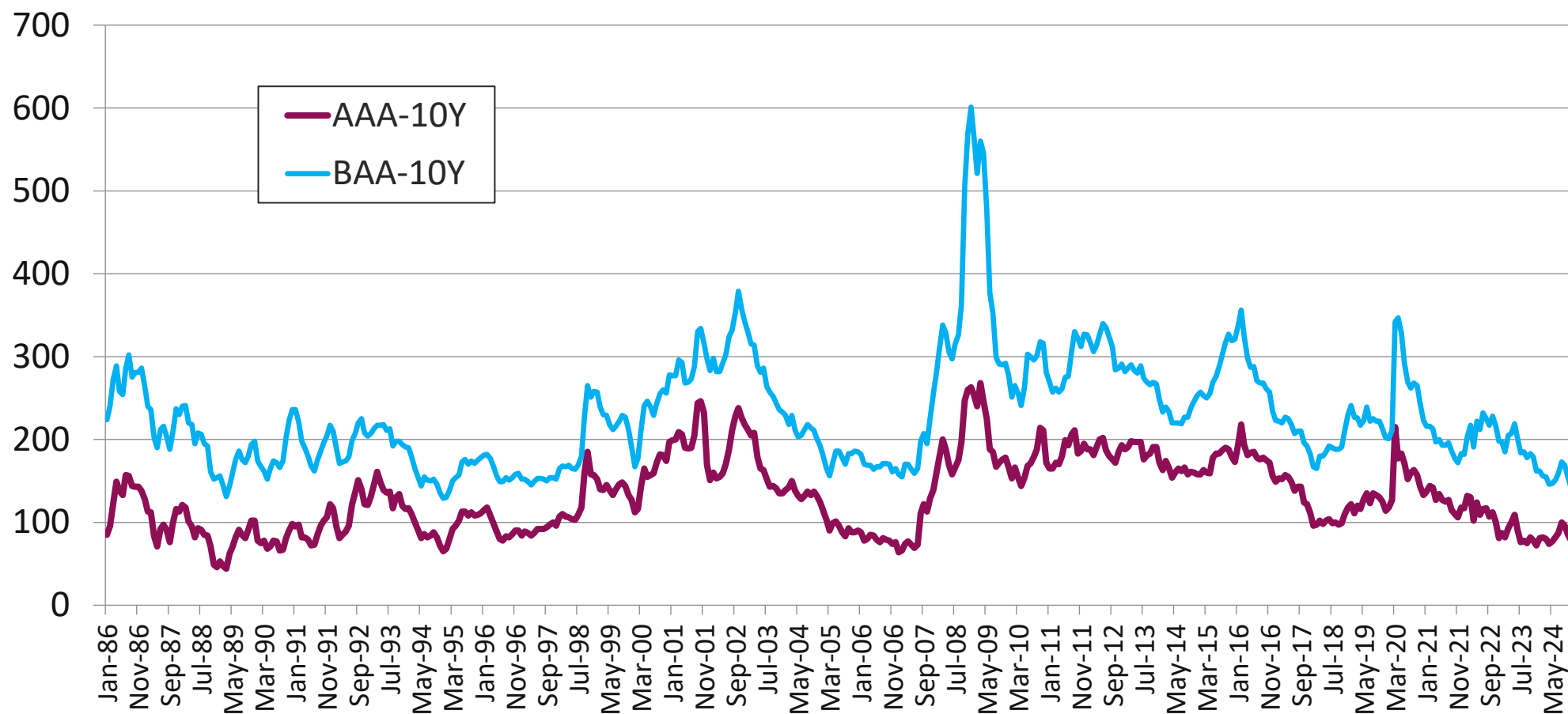
Fed: Securities Held Outright

(in millions, source: Board of Governors of Federal Reserve System)



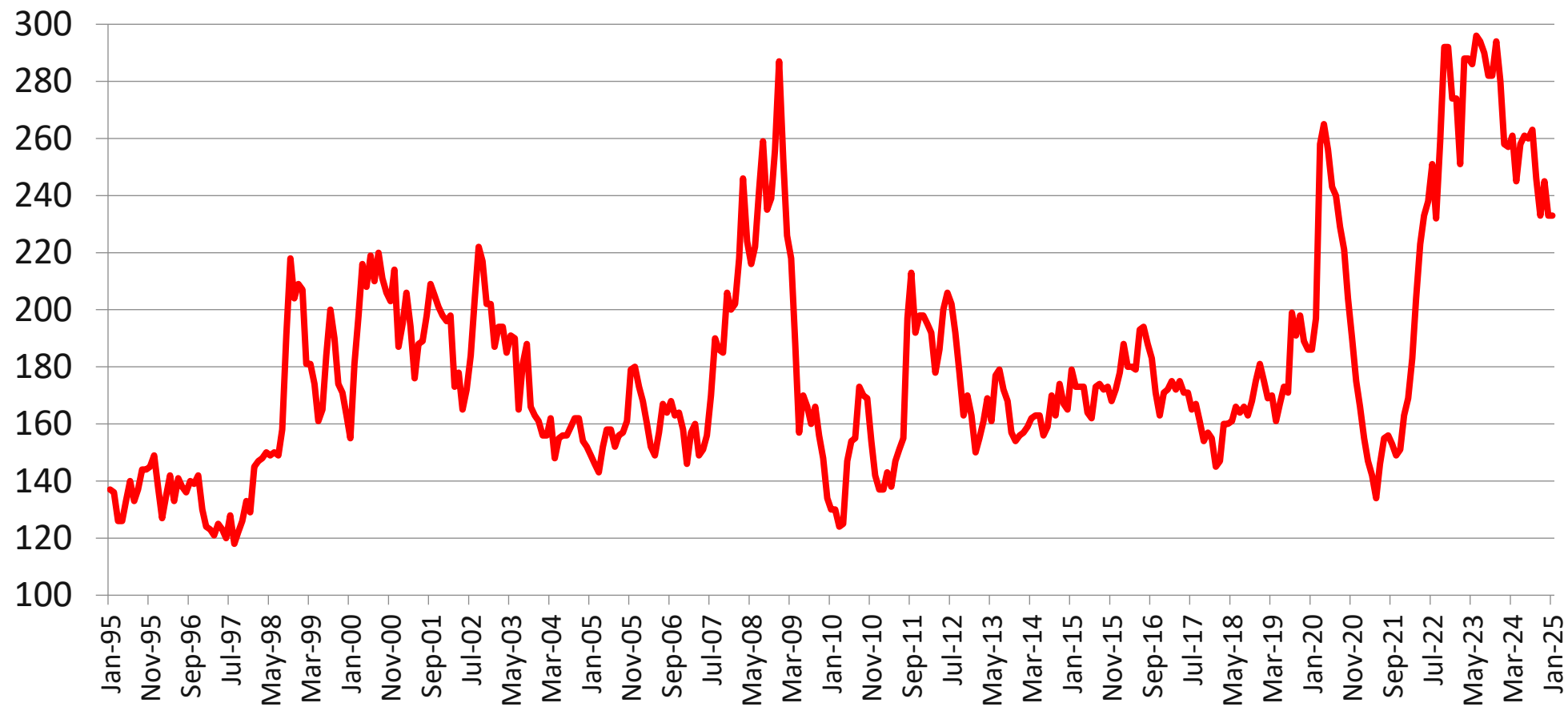
Corporate Credit Spreads

(source: Board of Governors of Federal Reserve System, Moody's)



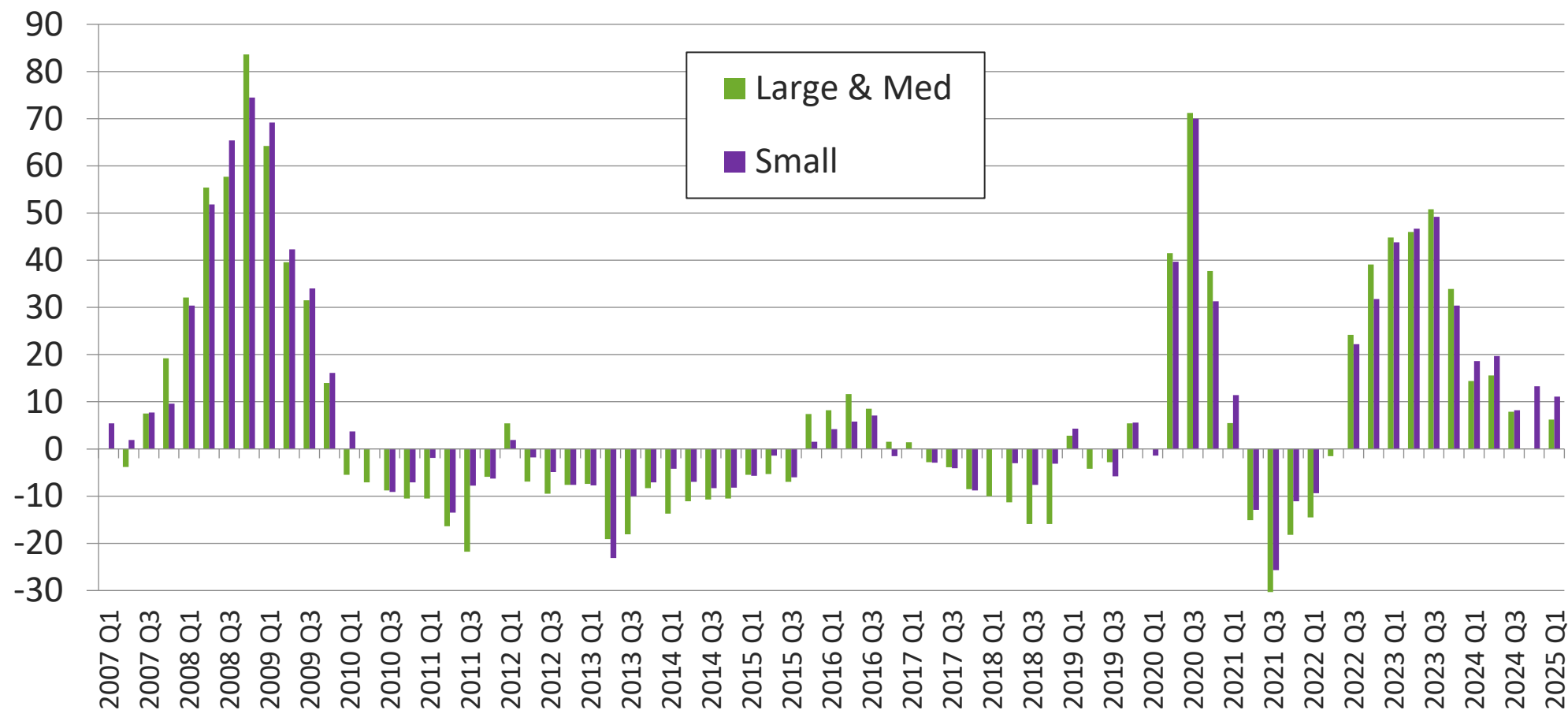
Mortgages vs 10-Year T-Bonds

(source: Board of Governors of Federal Reserve System)



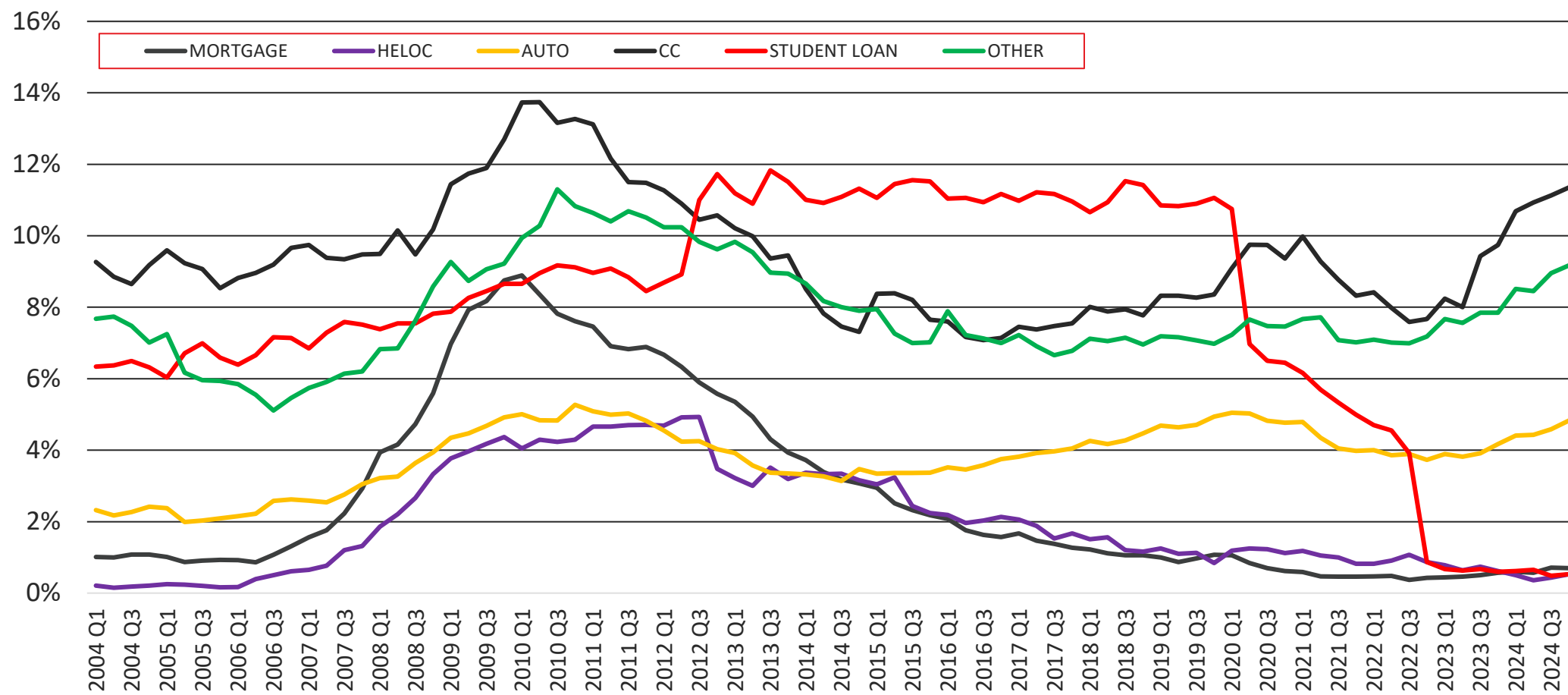
C&I Loan Standards: Net Tightening

(Source: Federal Reserve System, Senior Officers Lending Survey)



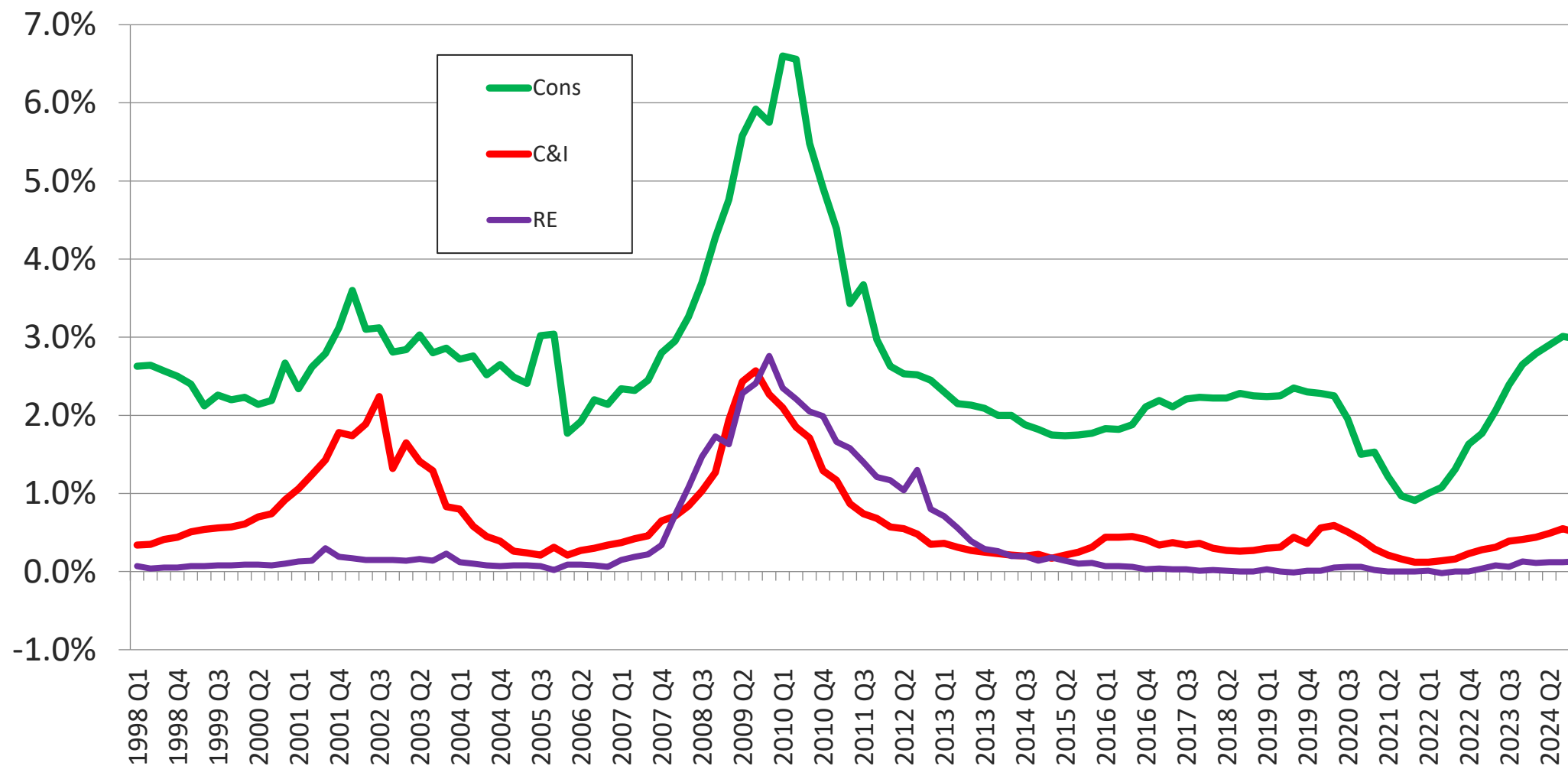
90+ Days Delinquent by Loan Type

(source: Federal Reserve Bank of New York Credit Panel/Equifax)



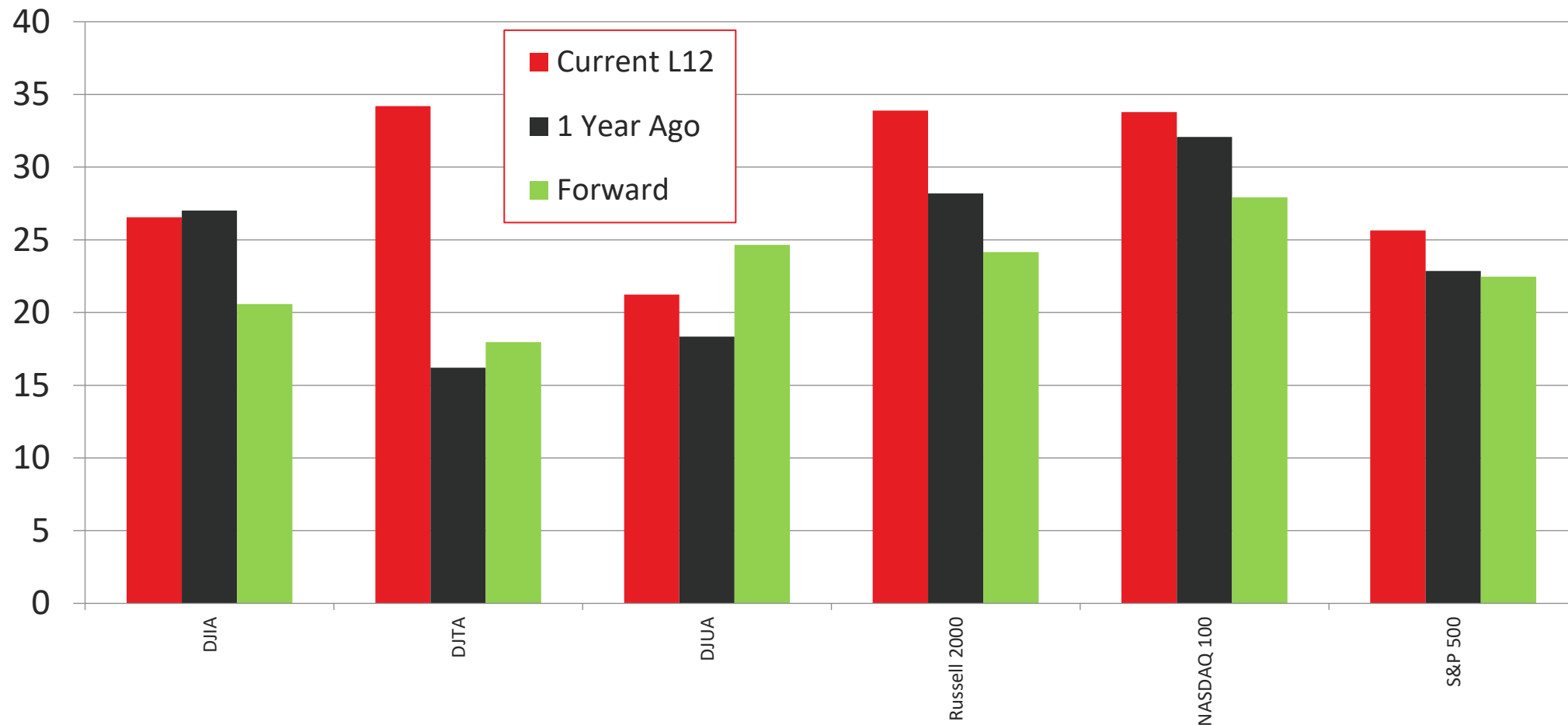
Charge Off Rates at Banks

(source: Board of Governors of the Federal Reserve System)



Public Market P/E

(Source: Wall Street Journal)

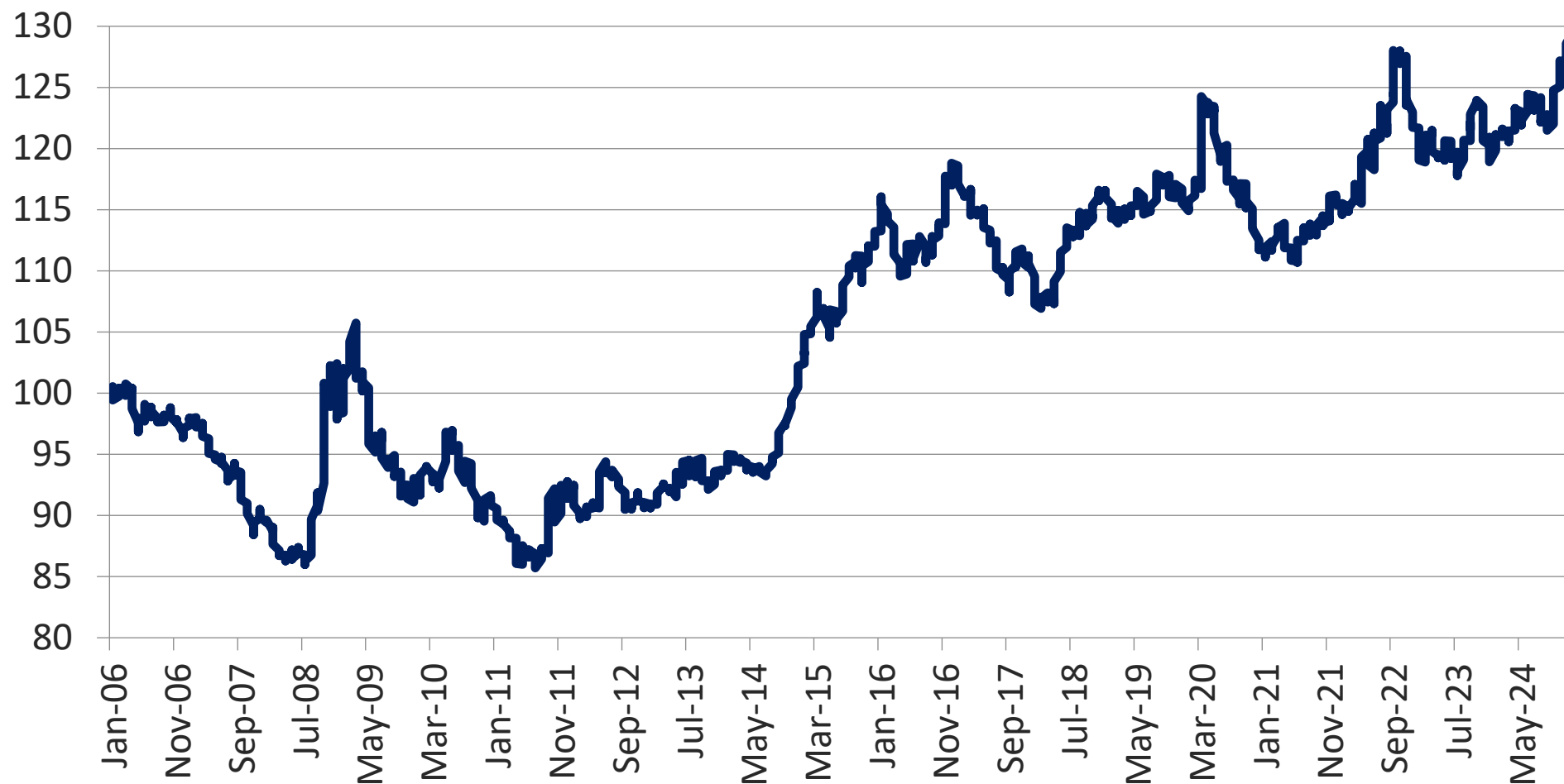


Topic #5:

Have global trade fears shifted from supply chain to currency and tariffs?

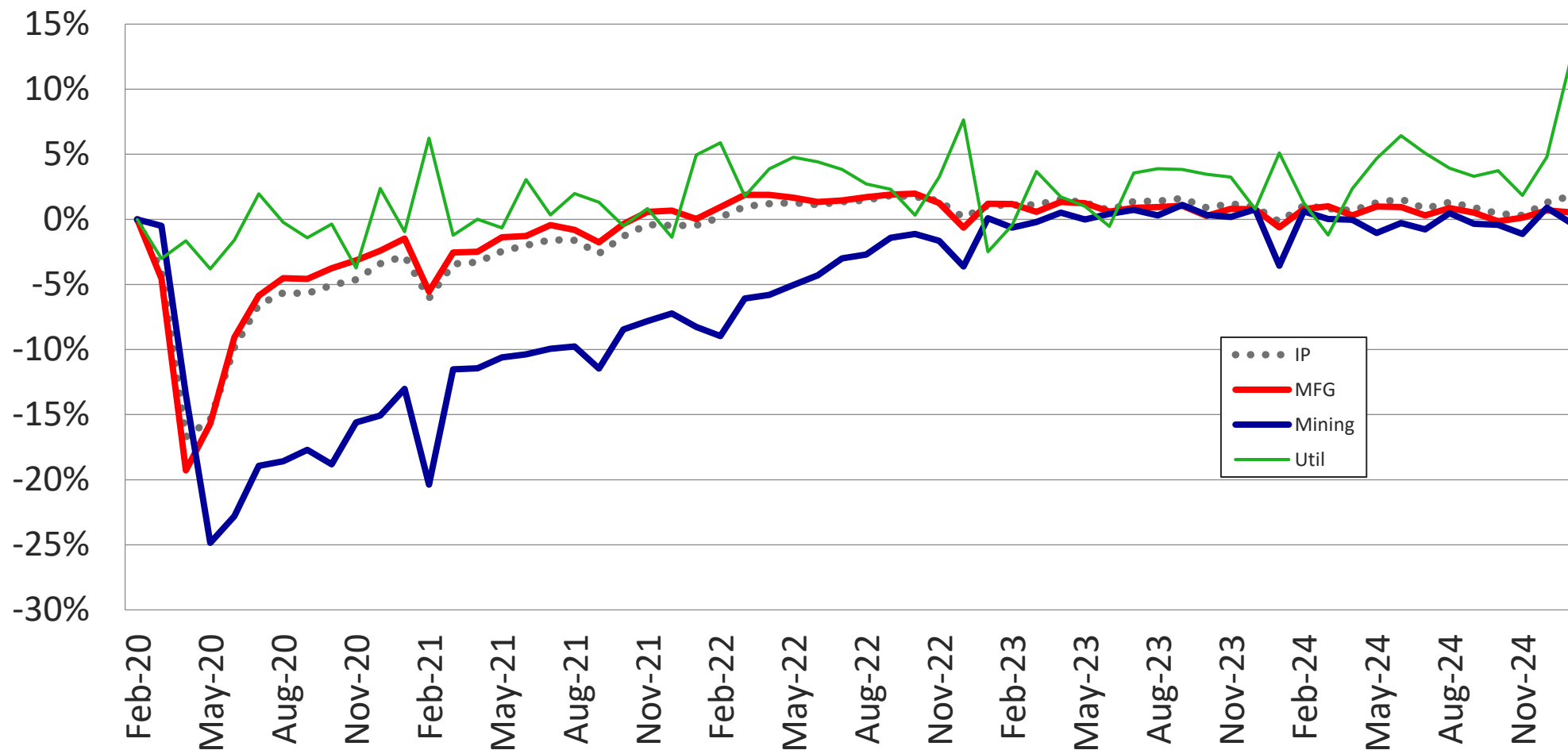
Foreign Exchange: Broad Dollar

(source: Board of Governors of Federal Reserve System)



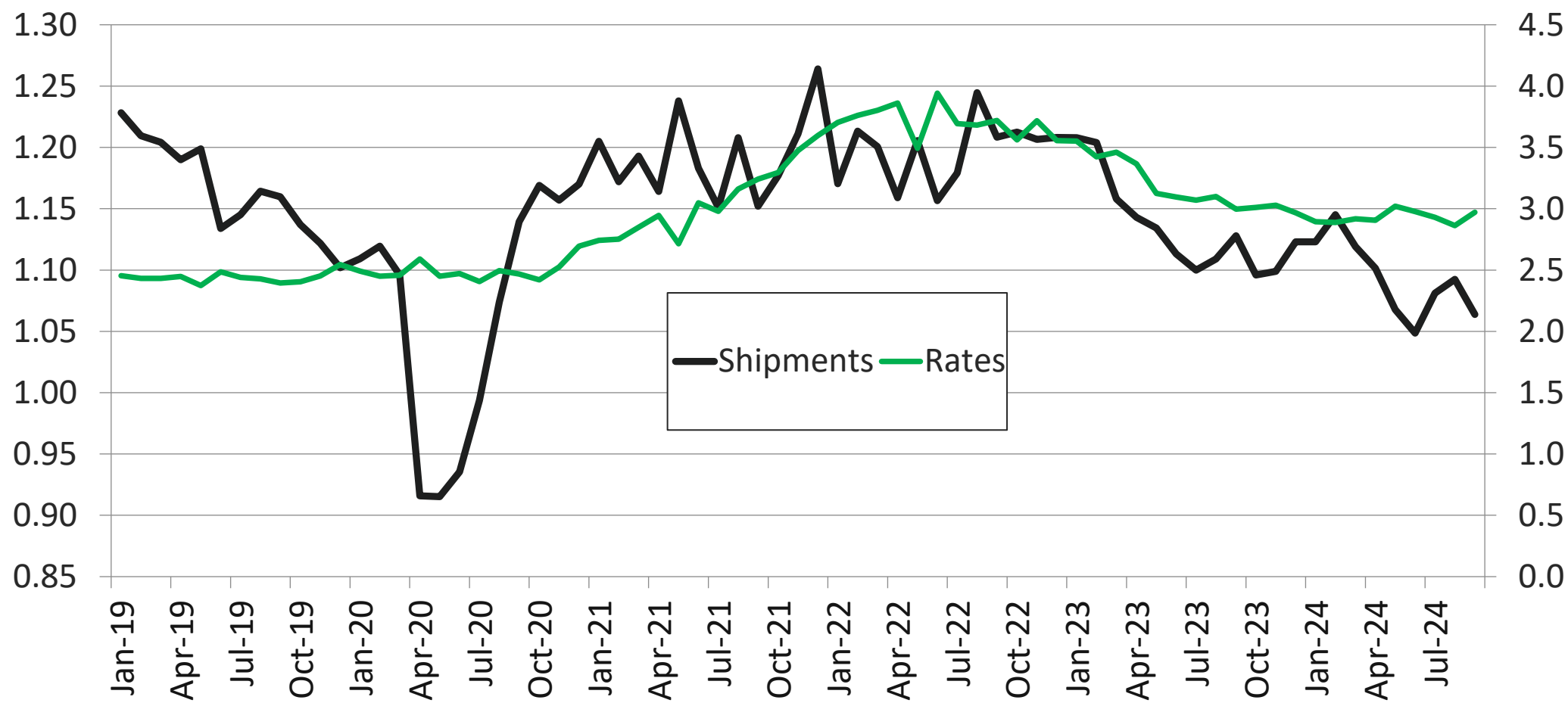
Industrial Production: From Peak

(source: Federal Reserve)



Freight: Shipments & Rate

(source: Cass Freight Index, Seasonally Adjusted)



Global Supply Chain Pressure

(Source: Federal Reserve Bank of New York)

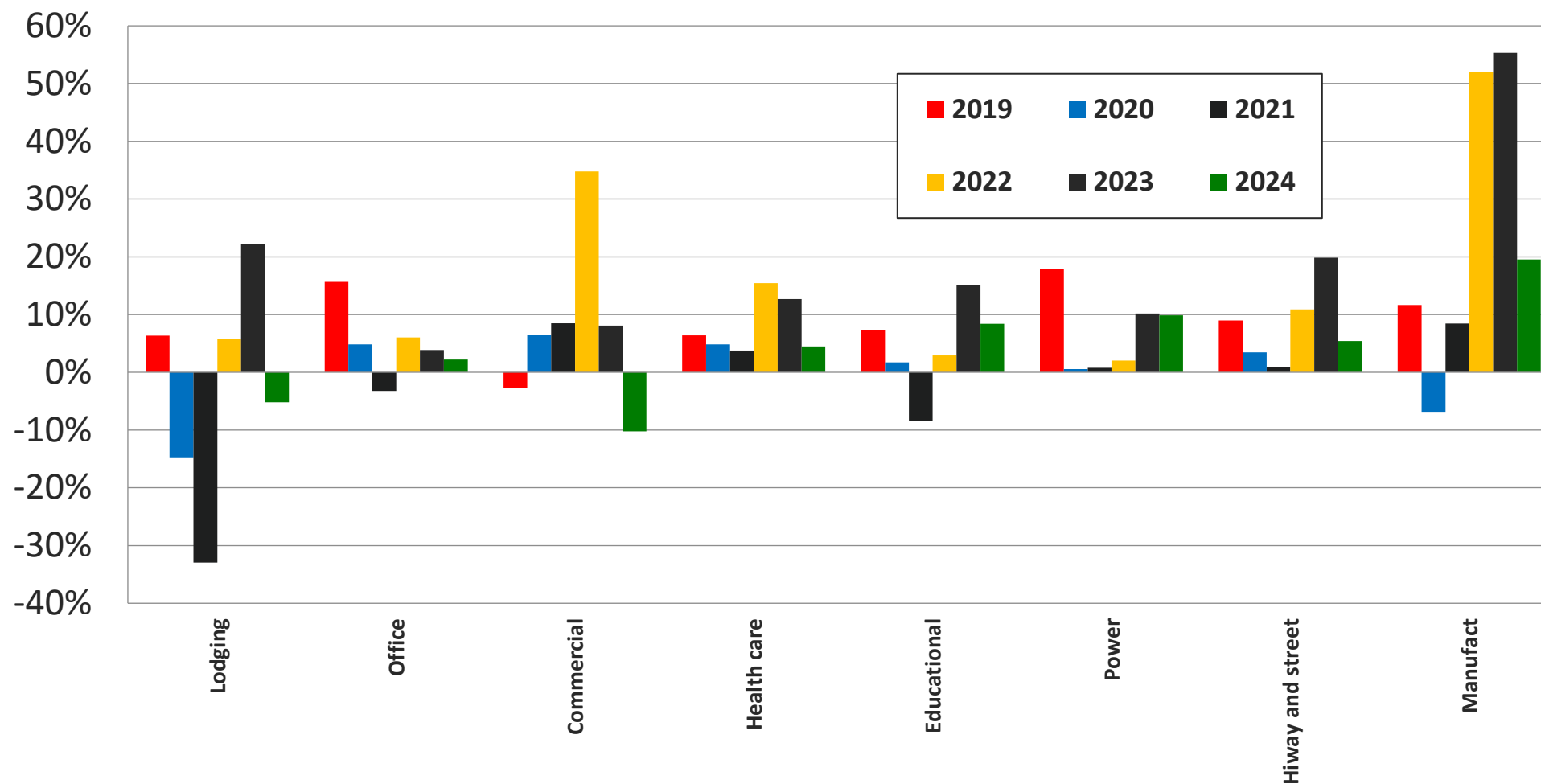


Topic #6:

Did Covid signal the death of “big box” and office? And what solved the “affordability problem” in the housing market ?

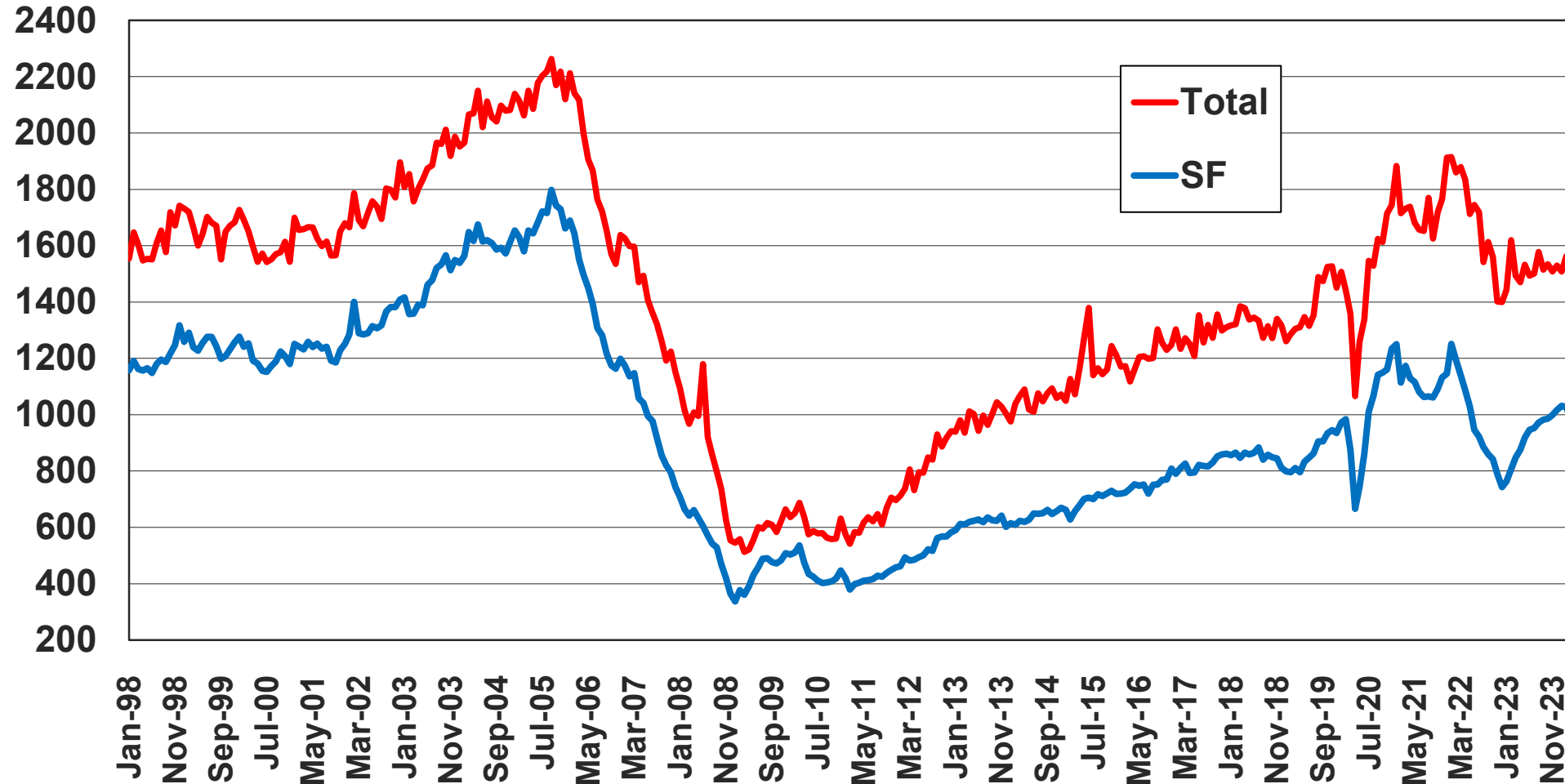
Non-Residential Construction

(Source: U.S. Census Bureau)



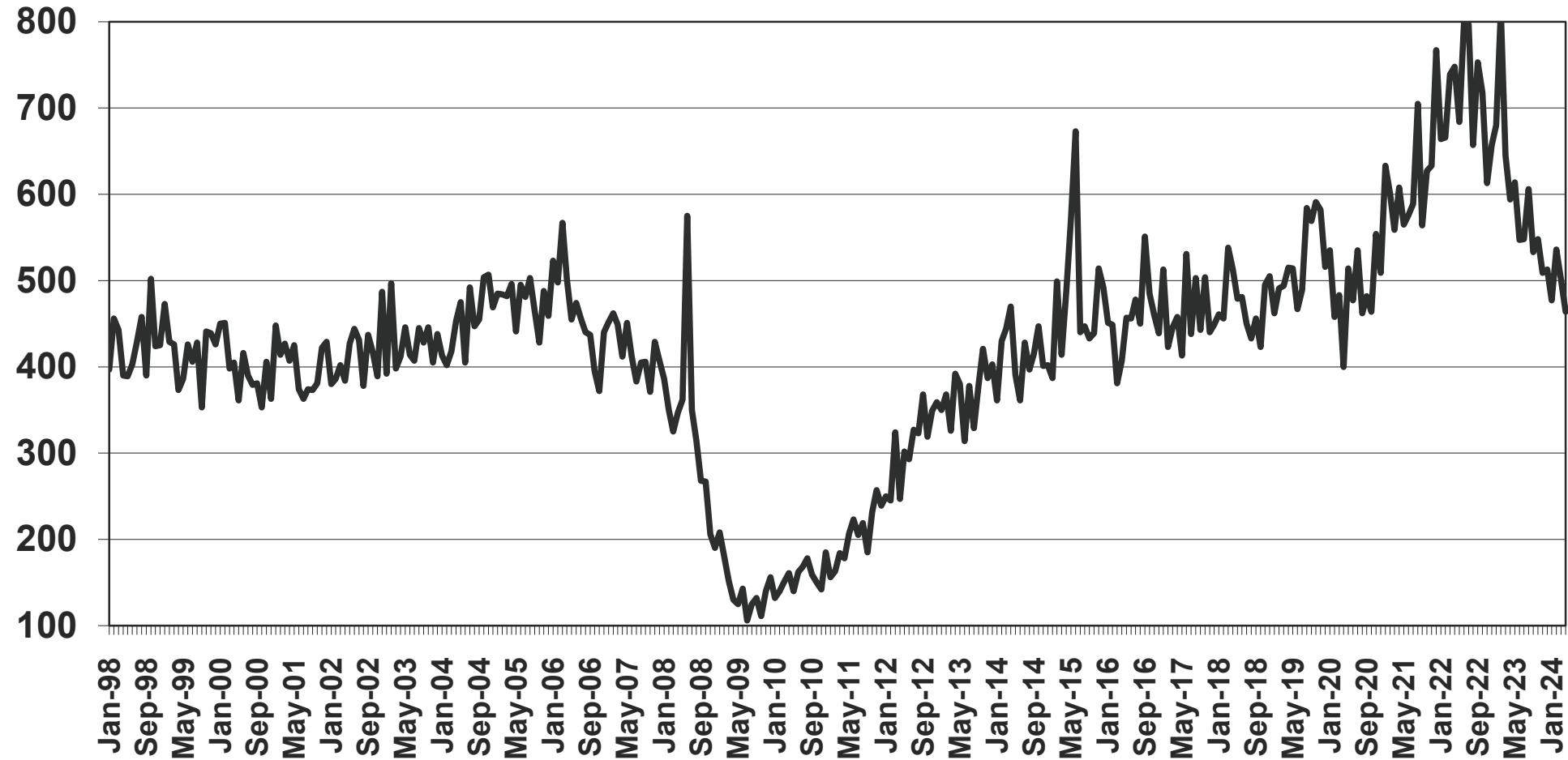
US Housing Permits: SF and Total

(source: U.S. Census Bureau)



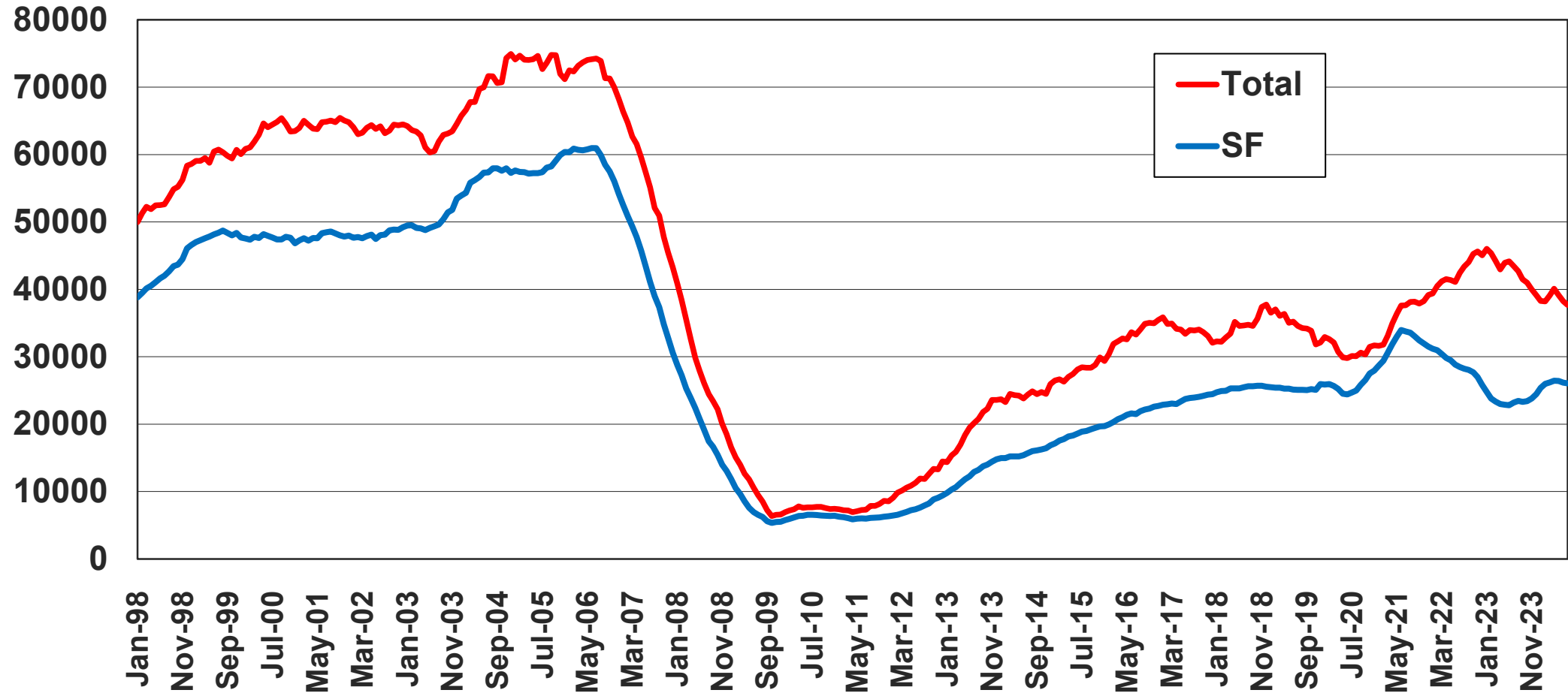
US Housing Permits: Multi-family

(source: U.S. Census Bureau)



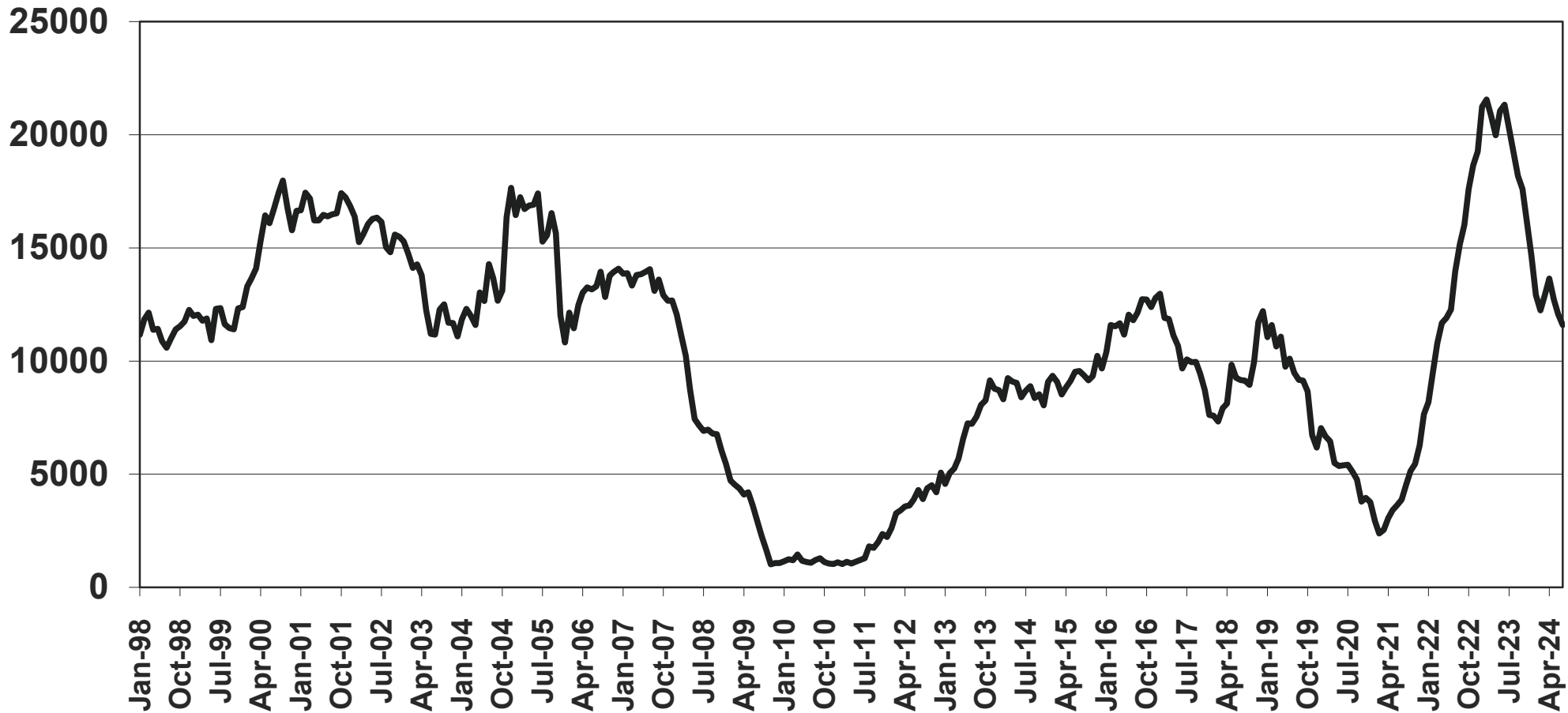
ATL Housing Permits: SF and Total

(source: U.S. Bureau of Census)



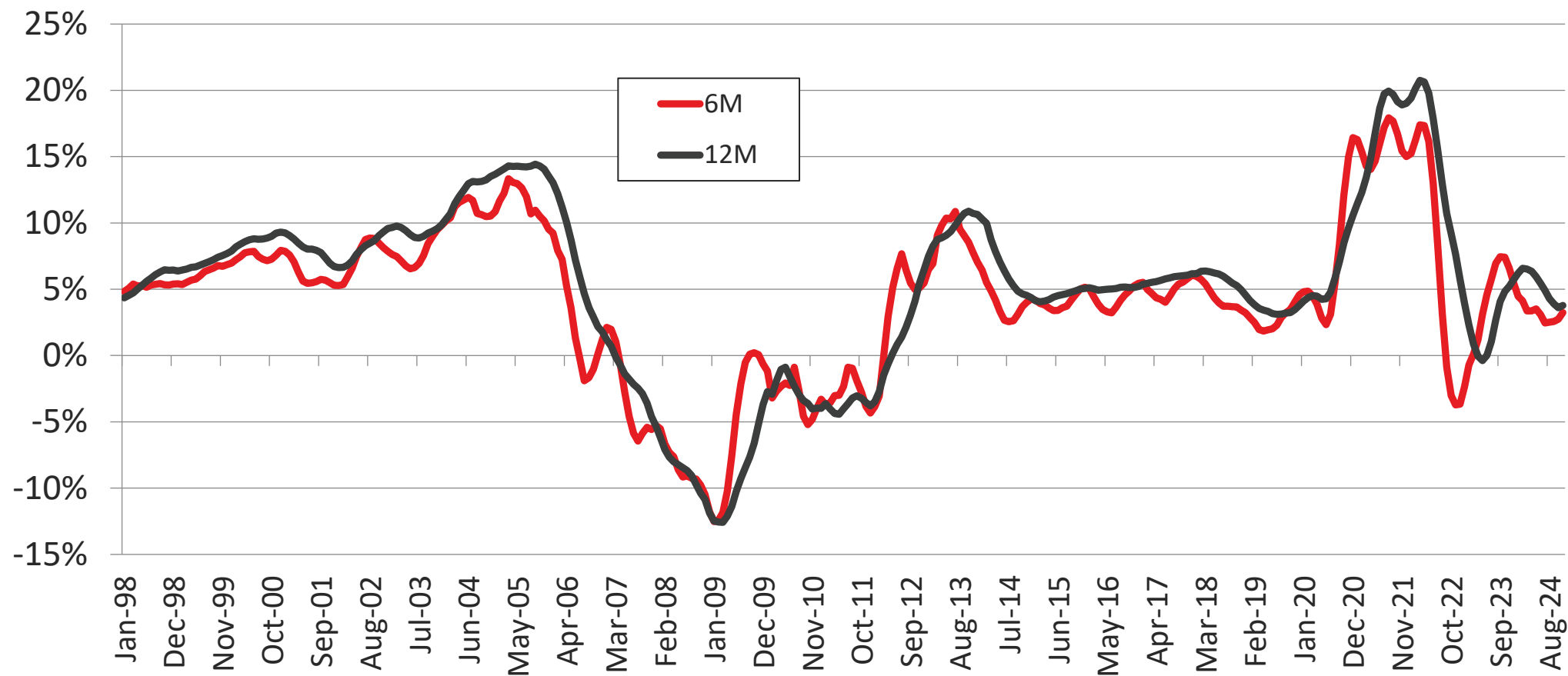
ATL Housing Permits: Multi-family

(source: U.S. Bureau of Census)



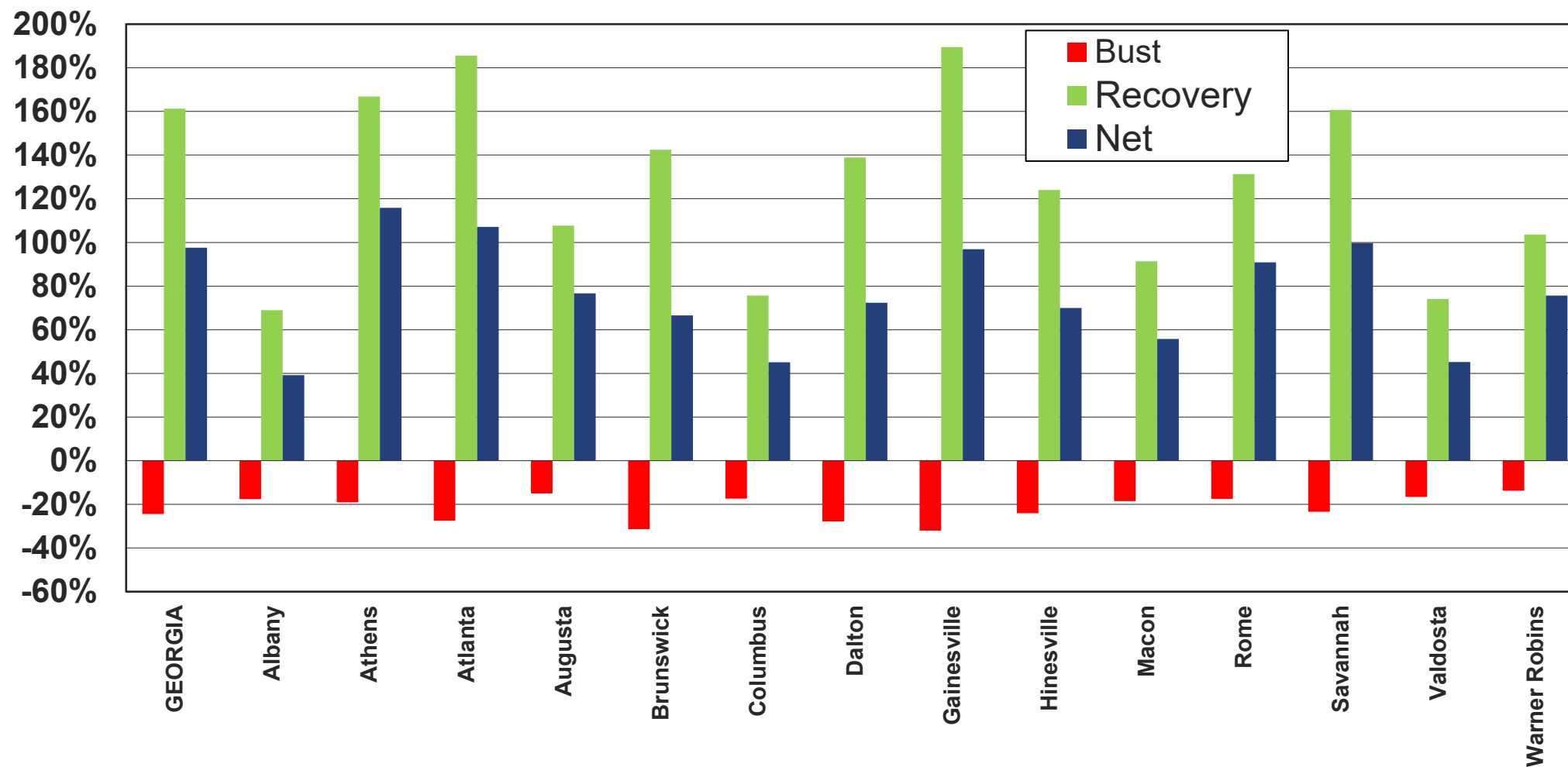
Case Shiller: National Index

(source: Standard & Poor's Case-Shiller)



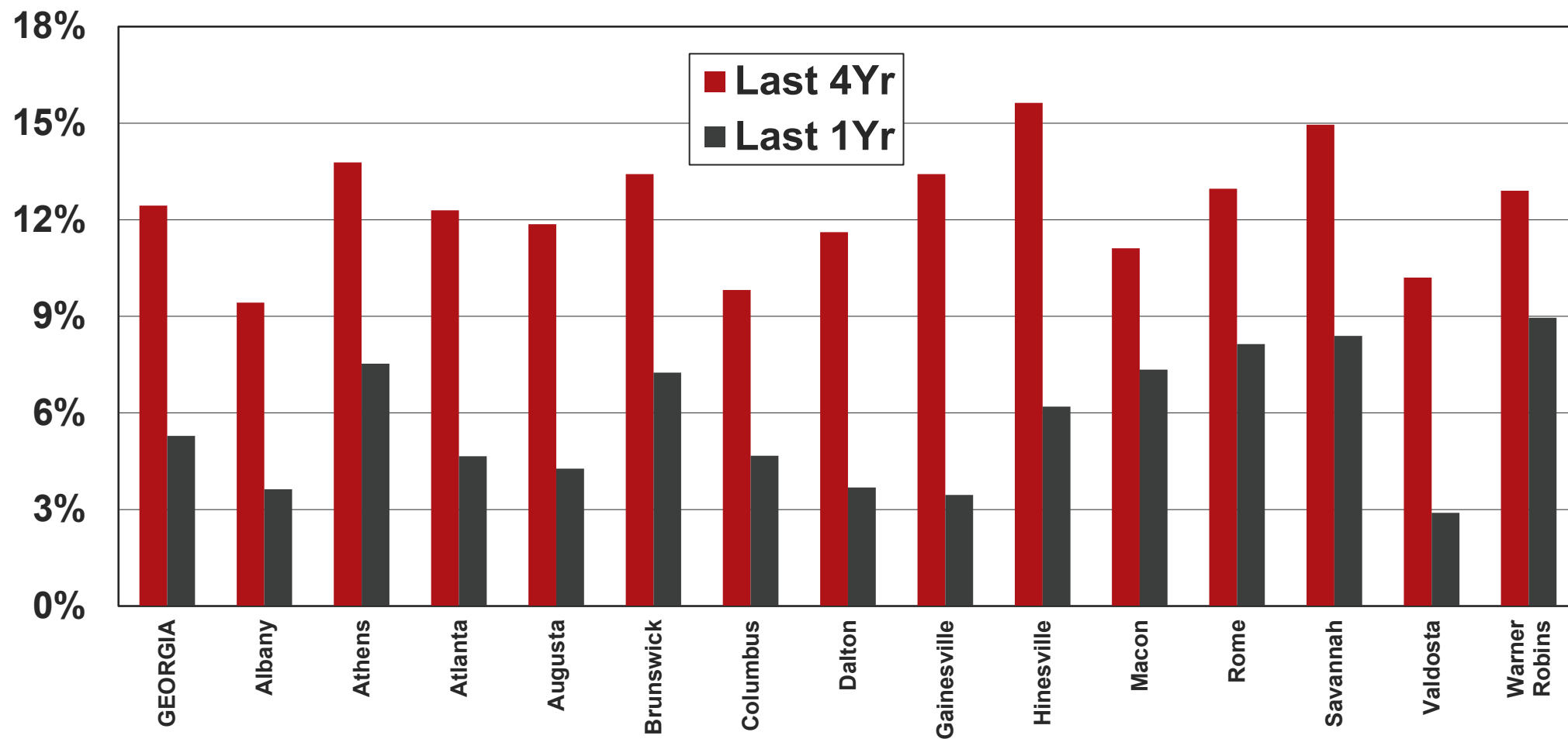
Home Prices: Georgia

(Source: Federal Housing Finance Agency)



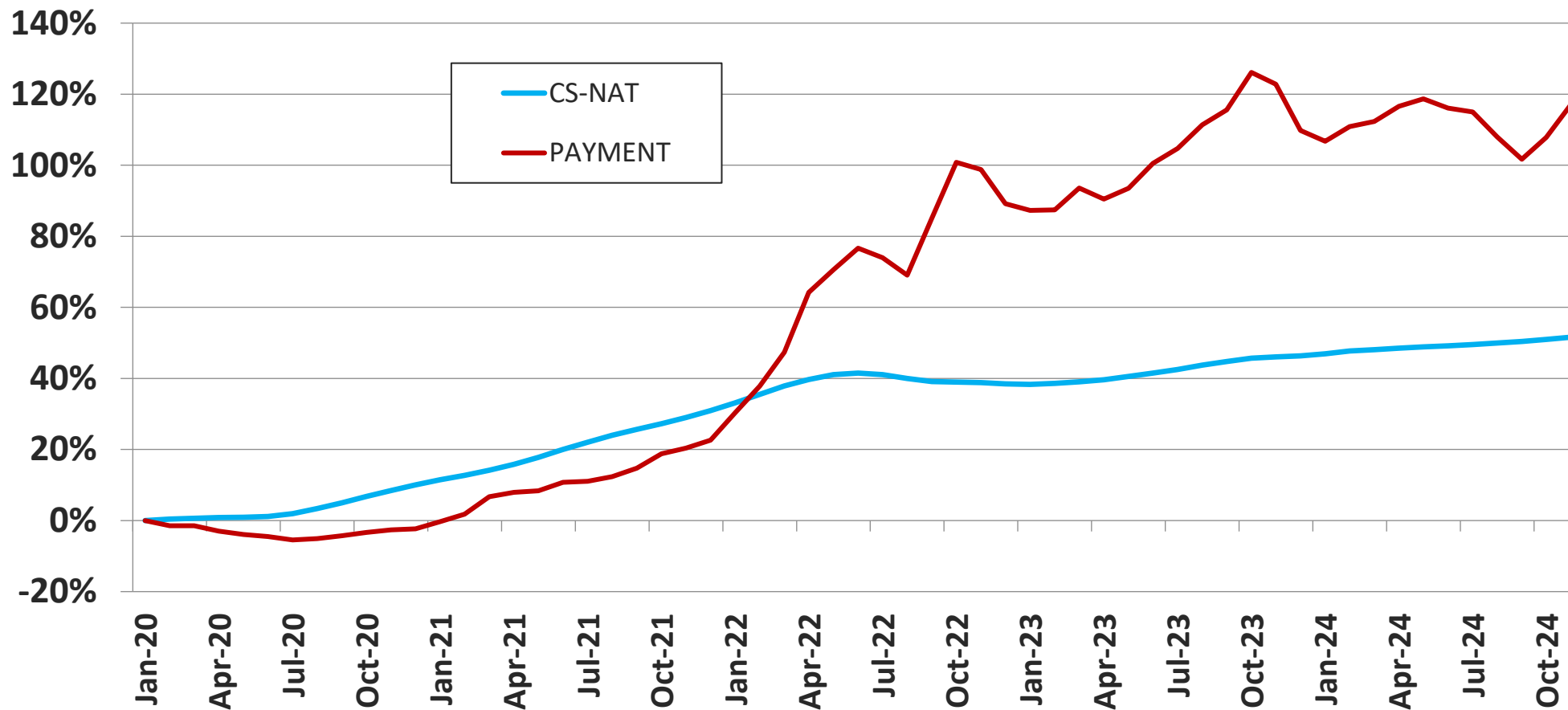
Post-Pandemic Home Prices: Georgia

(Source: Federal Housing Finance Agency)



Housing Affordability: Rate Effect

(source: S&P Case-Shiller, Freddie Mac)



Comments on Risk & Capital Markets

- Can we accurately assess the impact of rising rates on credit risk?
- Will tighter underwriting restrict ability to refinance/refund debt markets? Credit tightening can be more about leverage more than rates.
- Will rise in private debt market continue?
- Is there risk in liquidation of assets that support credits?

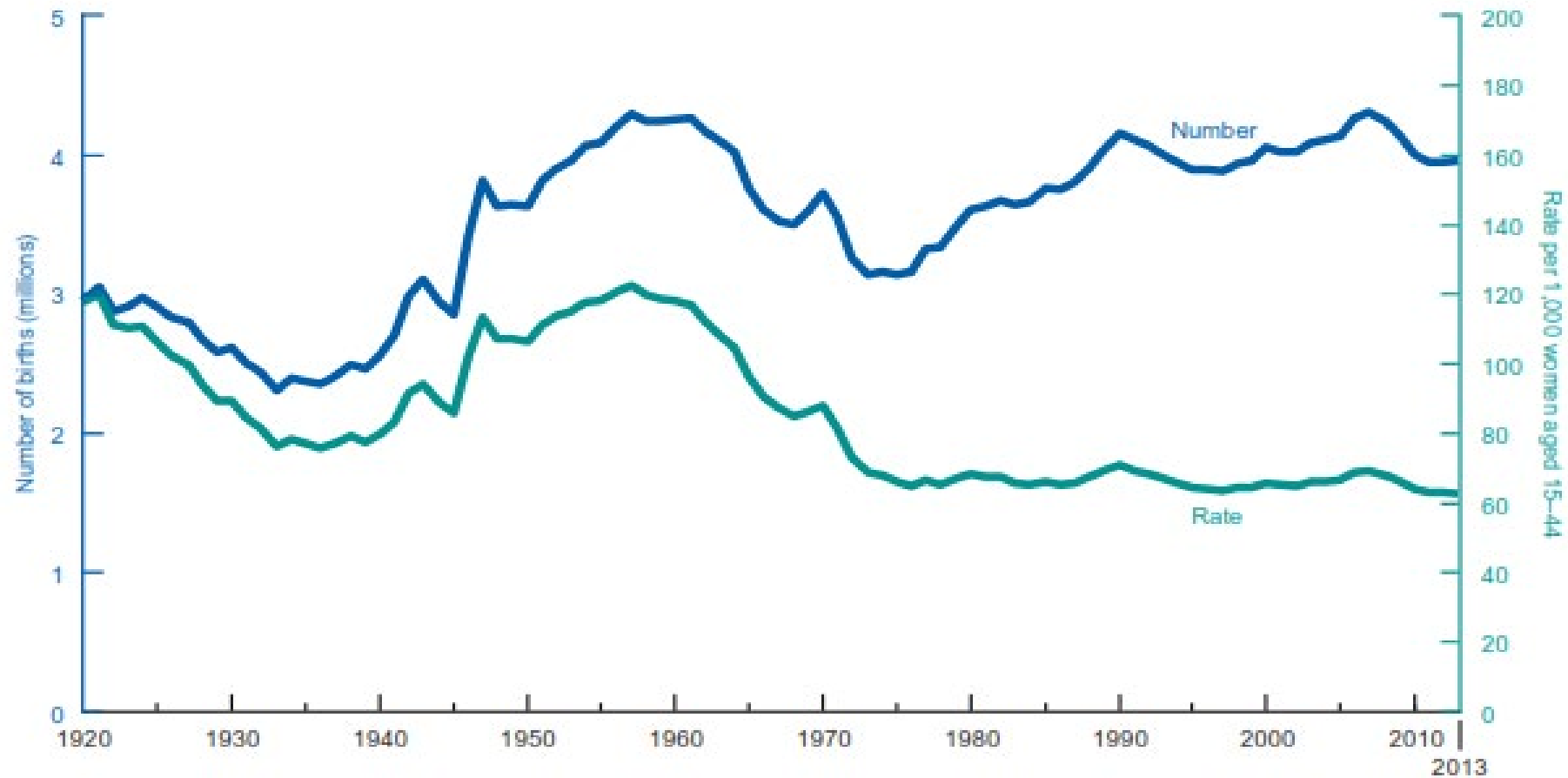
Topic #7

Shared governance in 2024 has given way to a majority . . . But can the parties govern themselves?

And what about demographic trends?

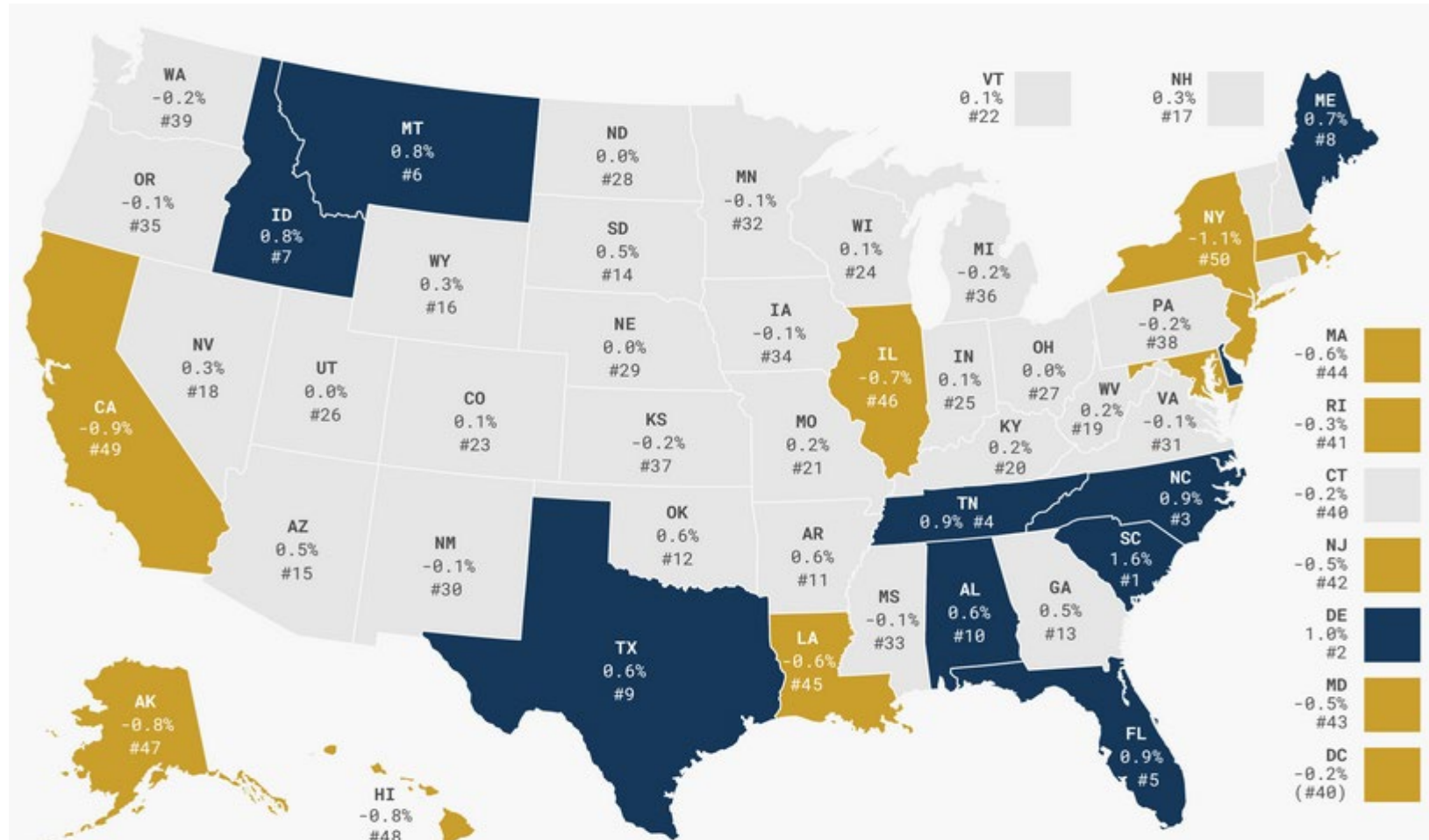
The Demographics: Boom & Bust

(source: U.S. Census Bureau)



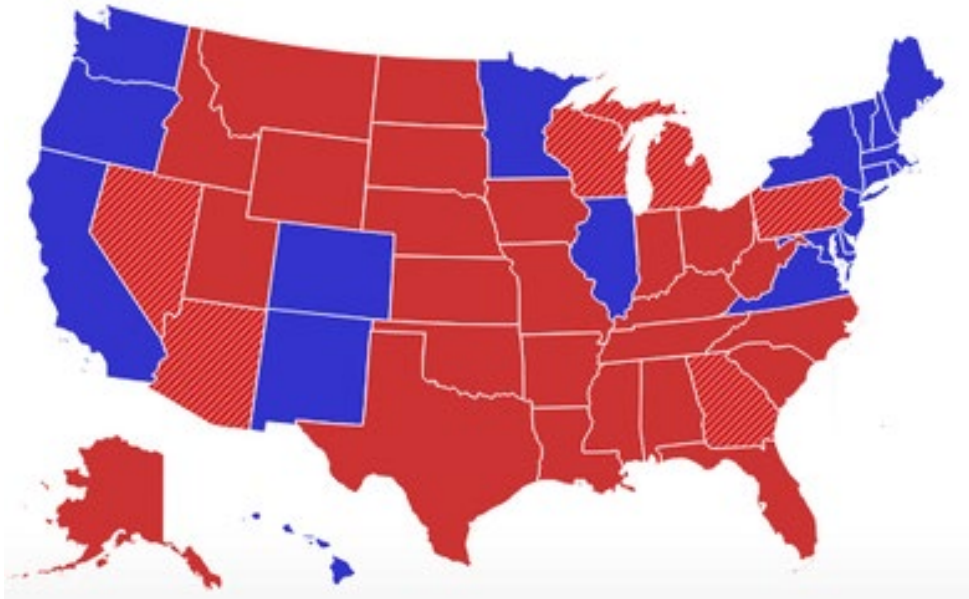
Internal Migration

(source: Tax Foundation, 2023)

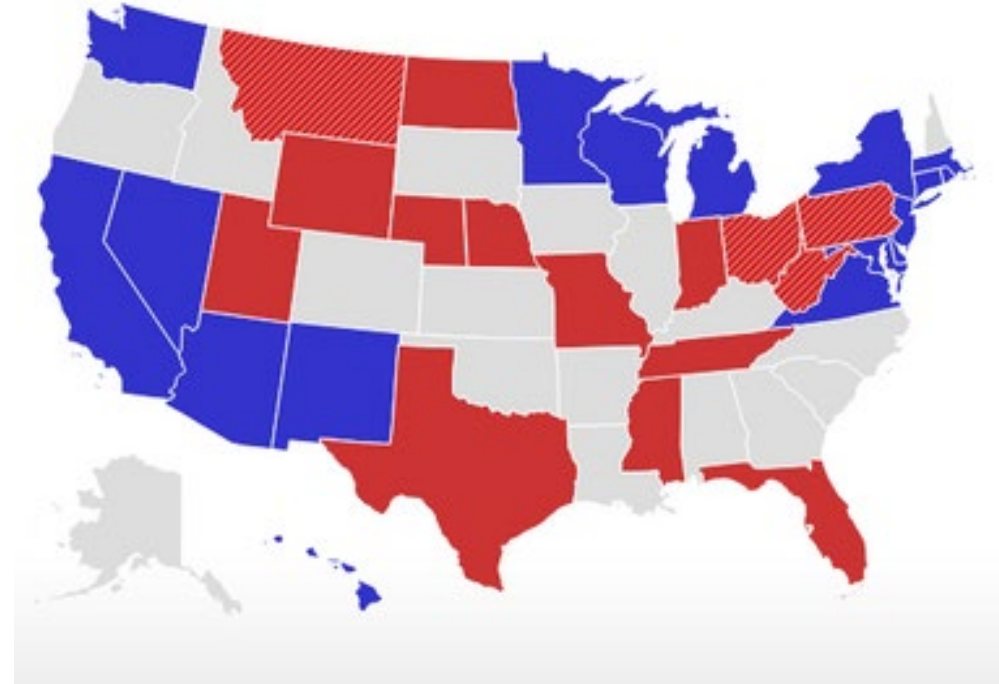


Election 2024

(source: RealClear Politics)



President



Senate

Comments on the New Regime

- **General Paradigm**
 - **Shift in regulation**
 - **Team Doge**
 - **M&A activity**
 - **Tariffs as tool**
 - **Digital Currencies**
- **Cabinet Picks**
- **Chevron decision**
- **“A.I.”**
 - **FinTech**
 - **HealthTech**
 - **Cybersecurity**

Comments on Shifting Fiscal Policy

- **2017 TCJA (Tax Cuts and Jobs Act)**
 - **Corporate Tax Rate**
 - Shifted to flat 21%
 - Shift between Global & Territorial Tax regimes
 - Changes in Depreciation & Net Loss Carryback
 - **Individual Tax Rates**
 - Cut in marginal tax rates
 - Treatment for Pass-Through Entities
 - Carried Interest
 - **Estate Tax Structure**
 - Increase in Credit
 - Step-up in Basis
- **Funding of IRS audit function**