

# Economic outlook: Steady growth on shifting ground

Lehigh Valley Economic Outlook 2025

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Michael Skordeles, AIF®  
Head of U.S. Economics, Senior Vice President  
Truist Advisory Services, Inc.

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Wealth

## Key takeaways

- U.S. economy continues normalizing
- Consumers still solid: Wage growth > inflation
- Jobs hold the key – Cooling but not weak
- Inflation moderating, but prices remain elevated

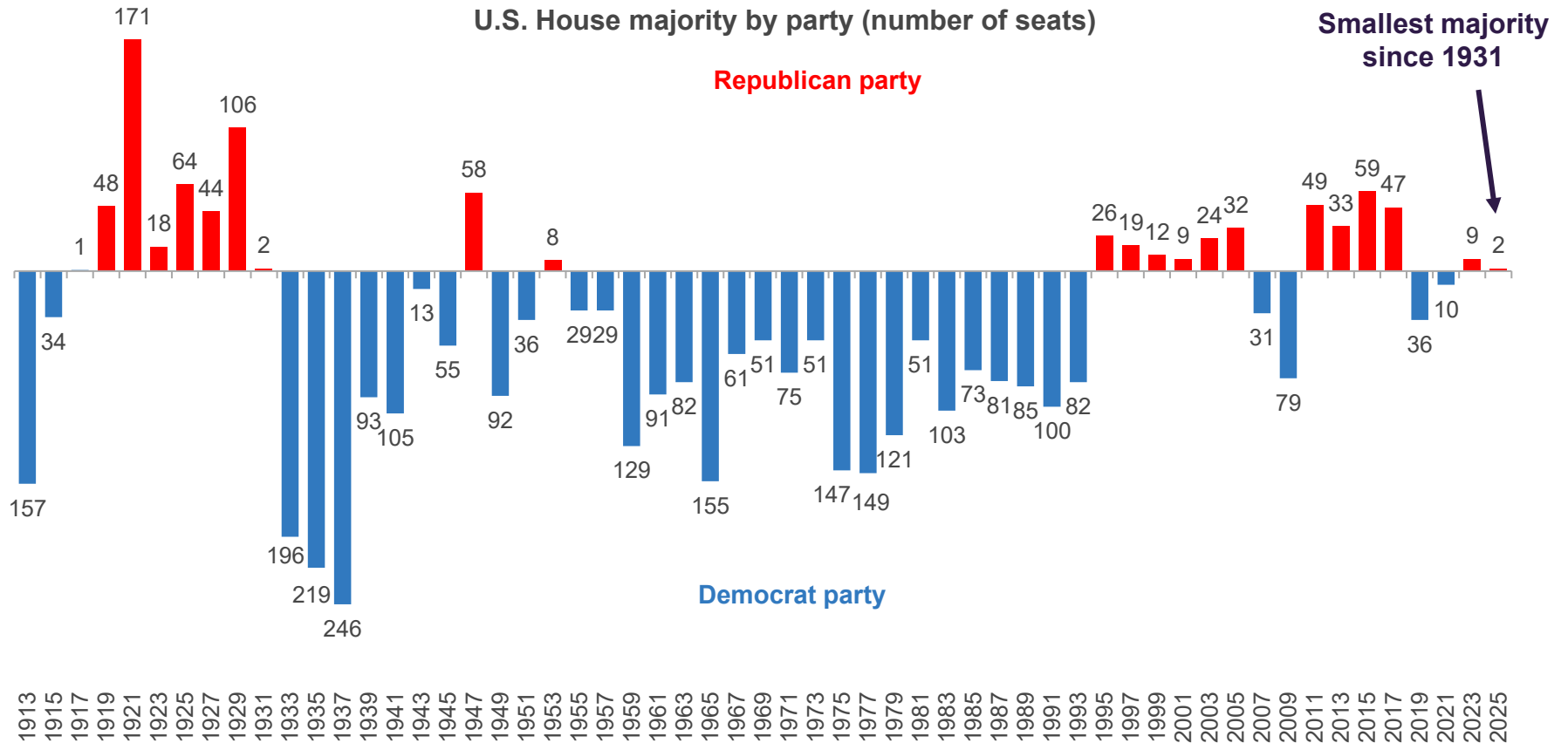
## Policy uncertainty abounds...what will change?

2025 D.C. Policy BINGO Card		
Trade War	Wall Construction	Government Shut Down
Greenland Purchase	Un-friend Elon Musk	NATO Withdrawal
Immigration Reform	<b>FREE SPACE</b>	Tax Policy Changes
Panama Canal under U.S. Control	Canada Becomes U.S. State	U.S. Debt Debacle
Tariffs on Closest Allies	Ukraine Support	Gulf of Mexico Renamed

Data source: Truist IAG.

# Slimmest U.S. House majority for either party in 94 years, making it tougher to pass big changes

U.S. House majority by party (number of seats)



Data sources: Truist IAG, Bloomberg, US House of Representatives Office of the Historian. Majority as of first day of new Congress. Excludes third parties.

# DOGE might find savings, but likely won't reduce government payrolls much

The so-called Department of Government Efficiency (DOGE), led by Elon Musk and Vivek Ramaswamy, aims to cut spending, including headcount reductions, and improve efficiency.

While nearly 15% of U.S. jobs are within the government, almost 90% are at the state and local level, 40% of which are local schoolteachers.

There are only about 2 million federal workers after subtracting the U.S. Postal Service and Veterans Affairs. These jobs have grown 21% since January 2000, while private payrolls have grown 54% over the same span.

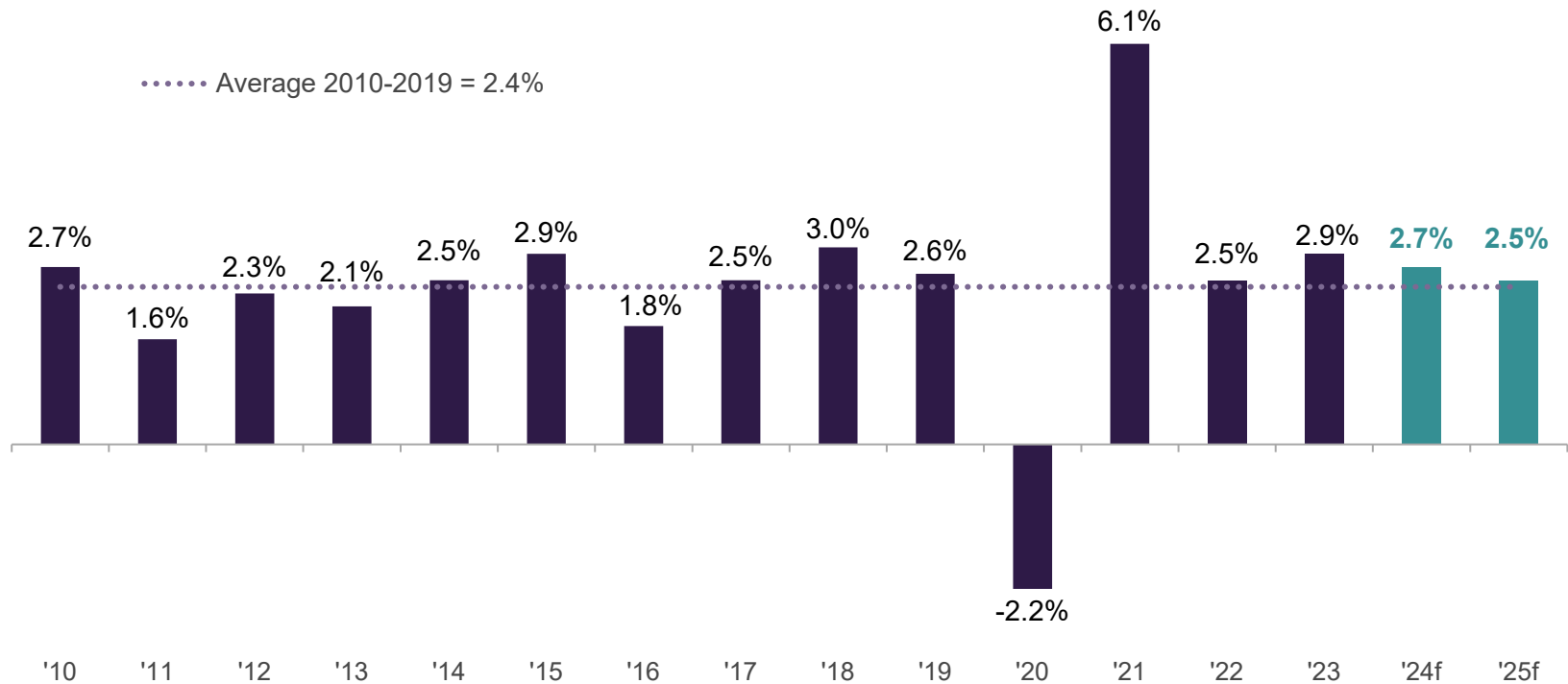
Limited pool of federal workers to reduce →

	Number of workers	Percent of workforce
<b>Total U.S. nonfarm payrolls</b>	<b>159.0 Million</b>	
<b>Private</b>	<b>135.5 Million</b>	<b>85.2%</b>
<b>Government (civilian)</b>	<b>23.5 Million</b>	<b>14.8%</b>
Local government	14.9 Million	9.4%
Local education	8.1 Million	5.1%
State government	5.5 Million	3.5%
Federal government	3.0 Million	1.9%
U.S. Postal Service (USPS)	606 Thousand	0.4%
Veterans Administration hospitals	383 Thousand	0.2%
<b>Federal less USPS and VA</b>	<b>2.0 Million</b>	<b>1.3%</b>

Data sources: Truist IAG, Bloomberg, Bureau of Economic Analysis; monthly data as of October 2024. Civilian government payrolls don't include military personnel.

# U.S. economic outlook – We expect trend-like growth in 2025

Growth of gross domestic product (GDP) by year

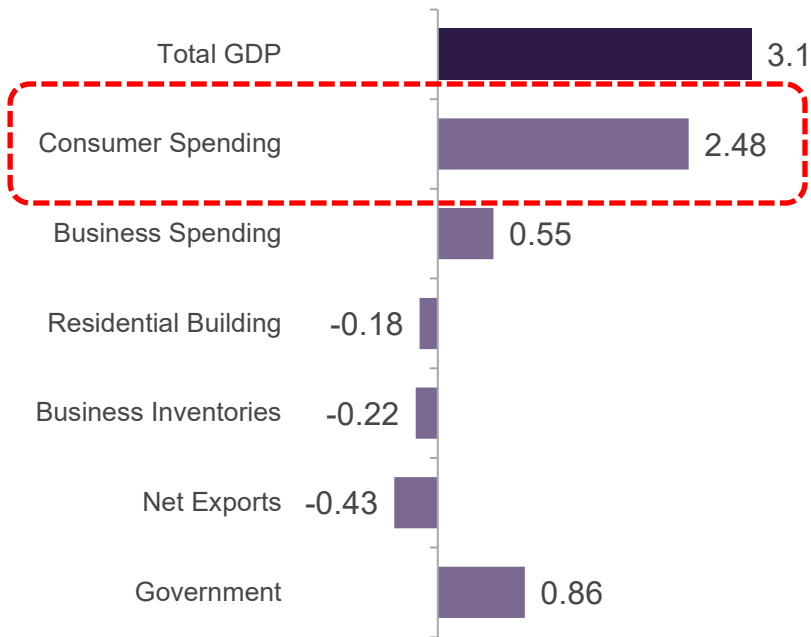


Data sources: Truist IAG, Bureau of Economic Analysis. Change in real (inflation-adjusted) gross domestic product year over year, actual for 2010 through 3Q2024.

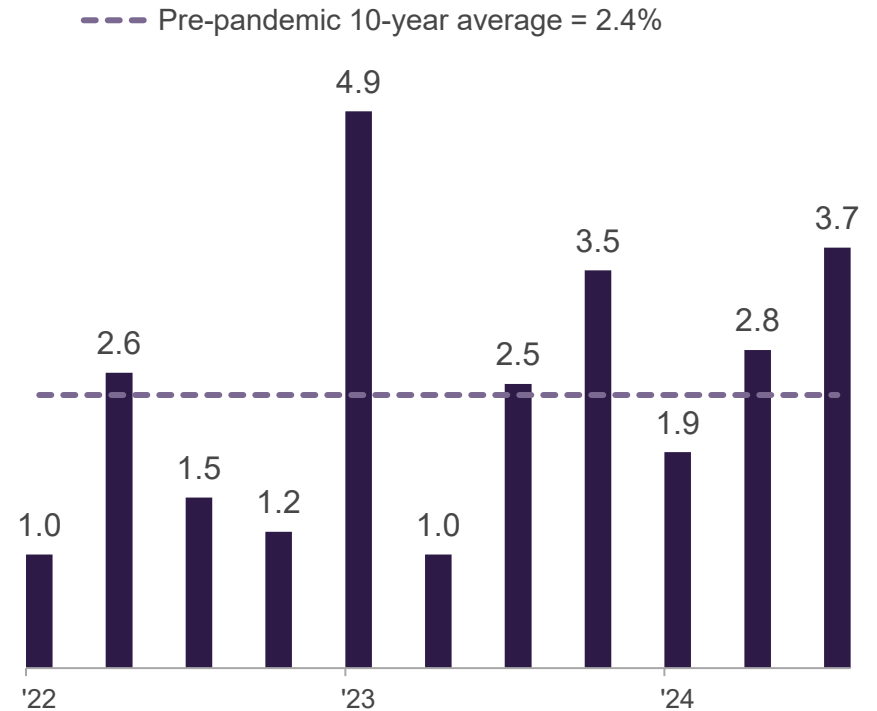
f = Truist IAG forecast for the remainder of 2024 and 2025

# U.S. economy grew a solid 3.1% in 3Q24

**Contributions to percent change in real gross domestic product (GDP)**



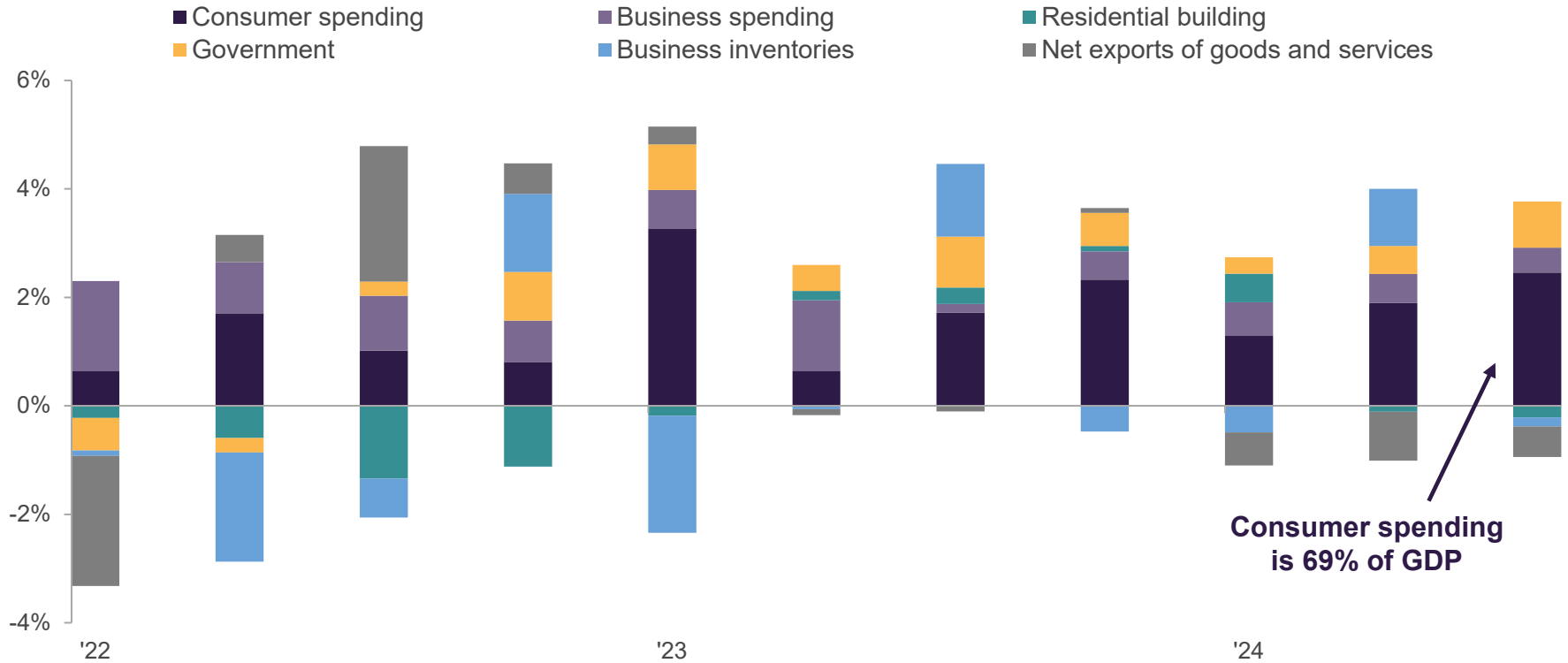
**Consumer spending (QoQ% SAAR)**



Data sources: Truist IAG, Bureau of Economic Analysis. Left chart figures shown are inflation-adjusted (real) chained (2017) dollars on a seasonally adjusted annual rate (SAAR). Consumer spending = personal consumption expenditures quarter-over-quarter change SAAR.

# The consumer – over 2/3rds of the U.S. economy – remains solid

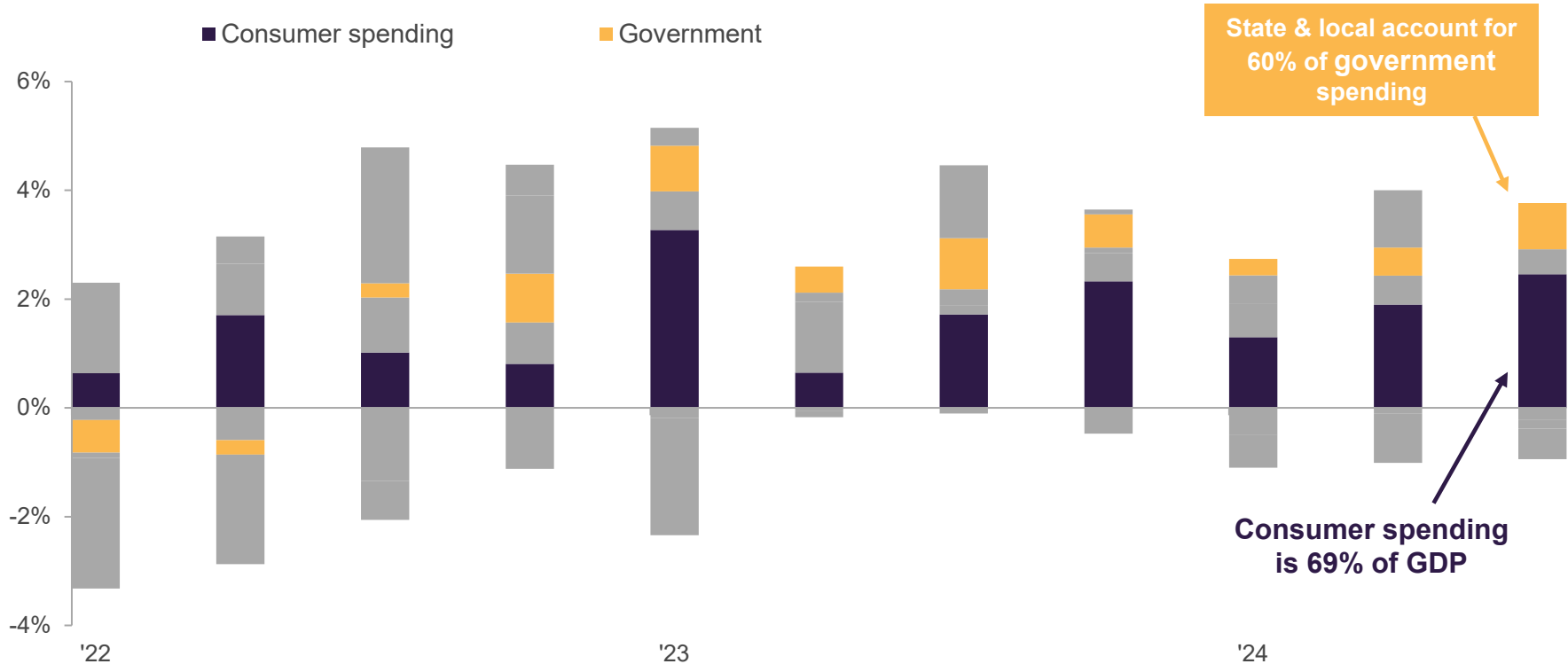
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Data sources: Truist IAG, Bureau of Economic Analysis. Figures shown are inflation-adjusted (real) chained (2017) dollars on a seasonally adjusted annual rate (SAAR). Consumer spending = personal consumption expenditures quarter-over-quarter change SAAR. Quarterly data through 3Q24.

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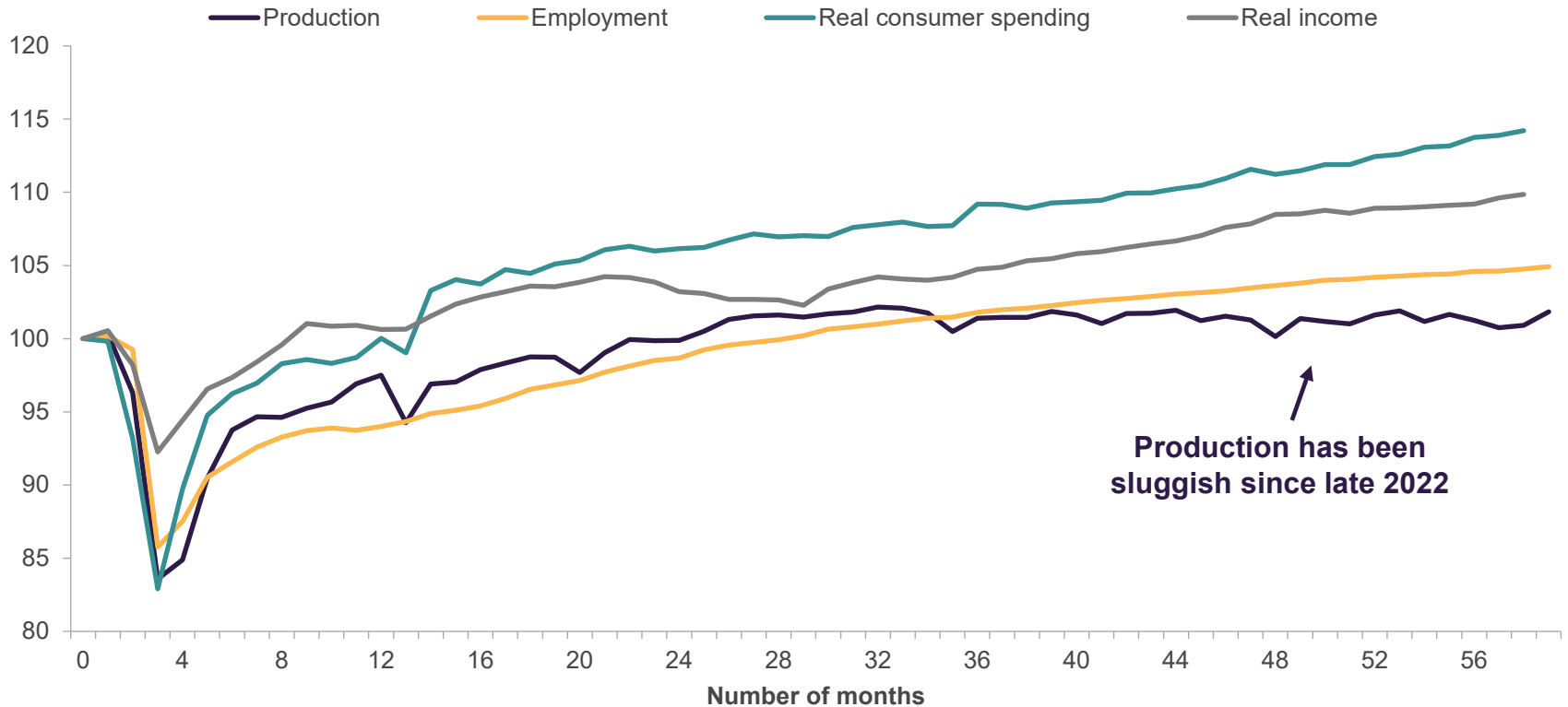
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# Big 4 indicators point toward continued growth for U.S. economy

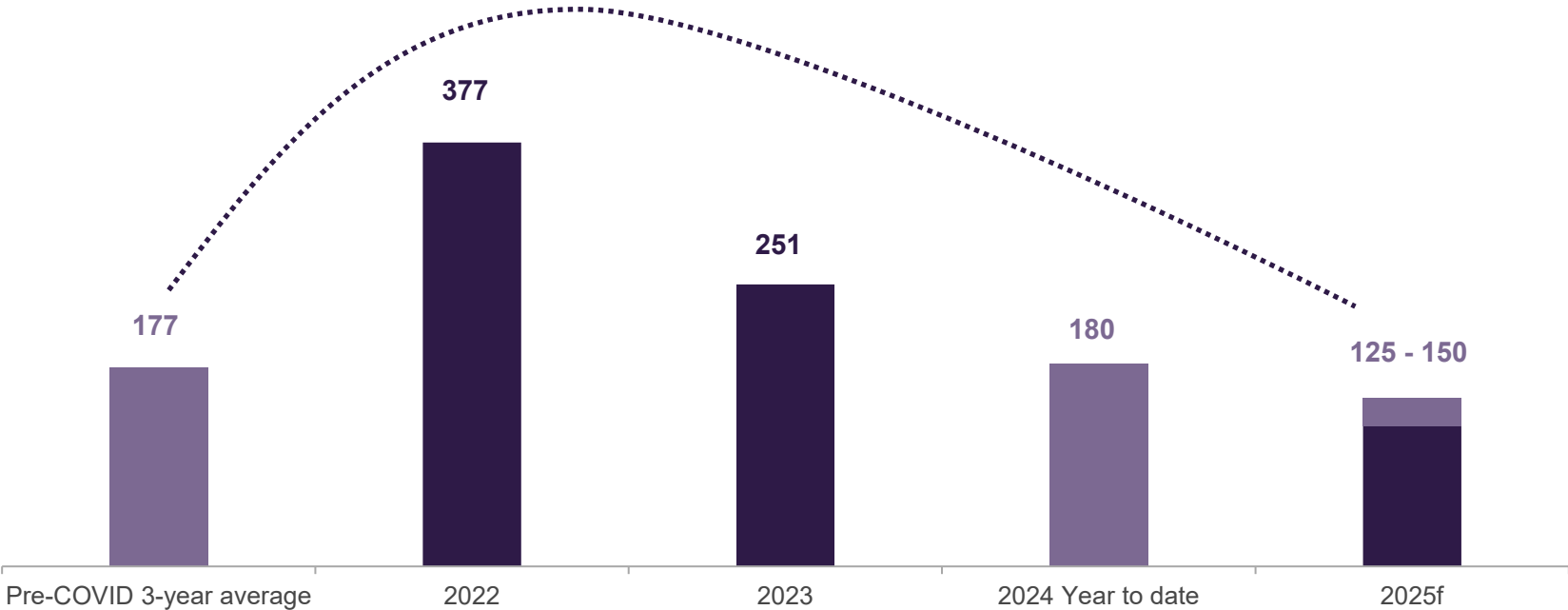
### Big 4 indicators of economic activity since January 2020 (indexed)



Data sources: Truist IAG, Bloomberg. Monthly data through December 2024 for industrial production and number of nonfarm payrolls; through November 2024 for real (inflation-adjusted) personal consumption expenditures (chained 2017 dollars) and real (inflation-adjusted) personal income excluding transfer receipts (chained 2017 dollars); indexed to January 2020.

# Payrolls – Cooling but still not weak

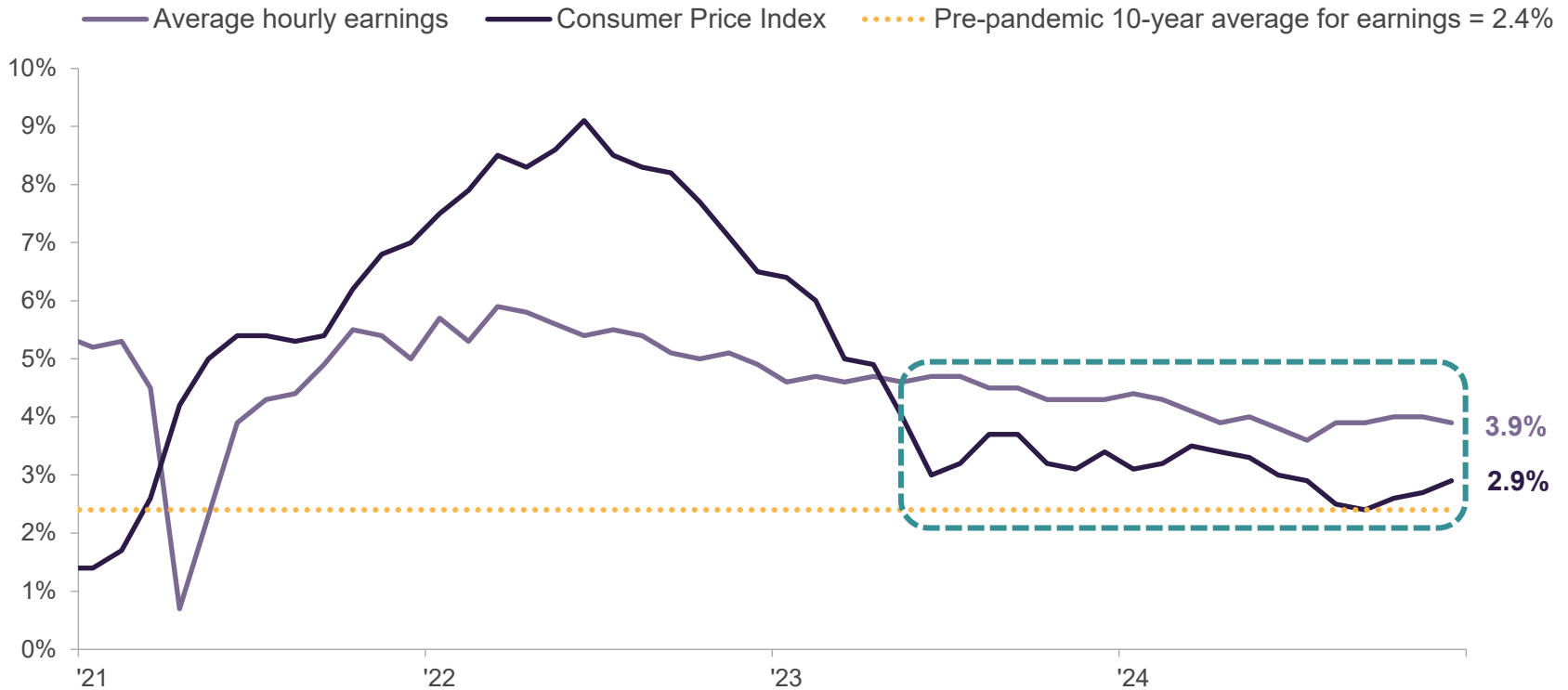
Average job growth per month (in thousands)



Data sources: Truist IAG, Bloomberg, Bureau of Labor Statistics; 2024 monthly data through November.  
f = Truist IAG forecast range for 2025.

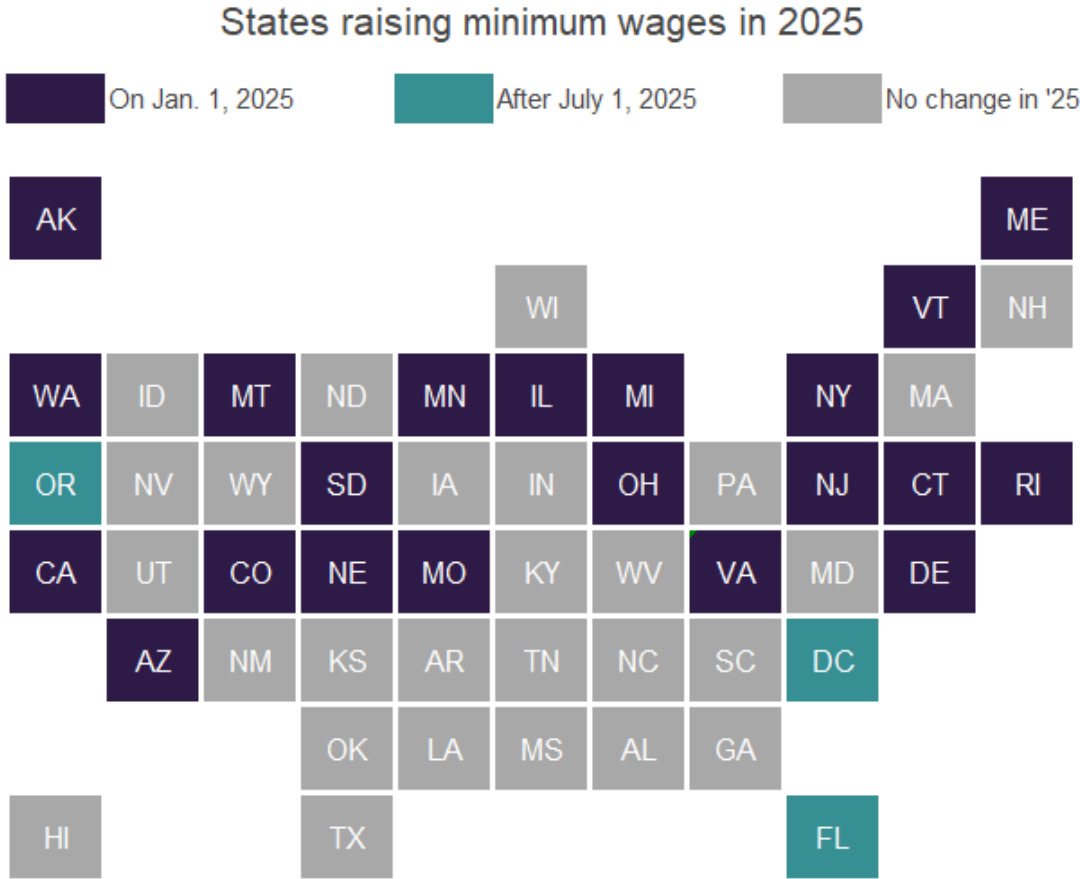
# Wages are growing faster than inflation, helping consumers

### Average hourly earnings (year-over-year change)



Data sources: Truist IAG, Bloomberg, Bureau of Labor Statistics; monthly data through December 2024.

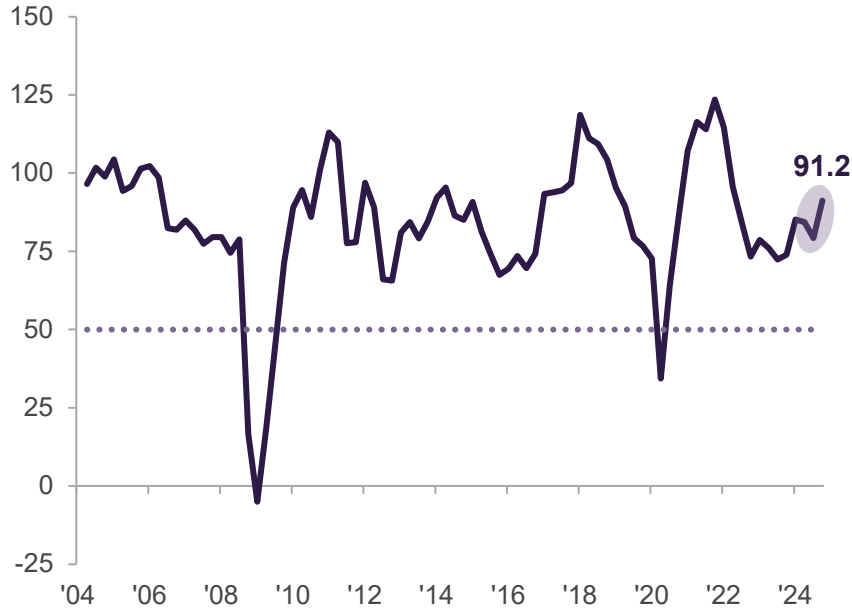
# New year, new minimum wage in nearly half of all states



Data sources: Truist IAG, U.S. Department of Labor. Washington, D.C., is not a state and is shown for illustrative purposes.

# Animal spirits from consumers and CEOs should help boost growth from depressed levels

**CEO Economic Outlook Survey**  
(index value, 50 = expansion)



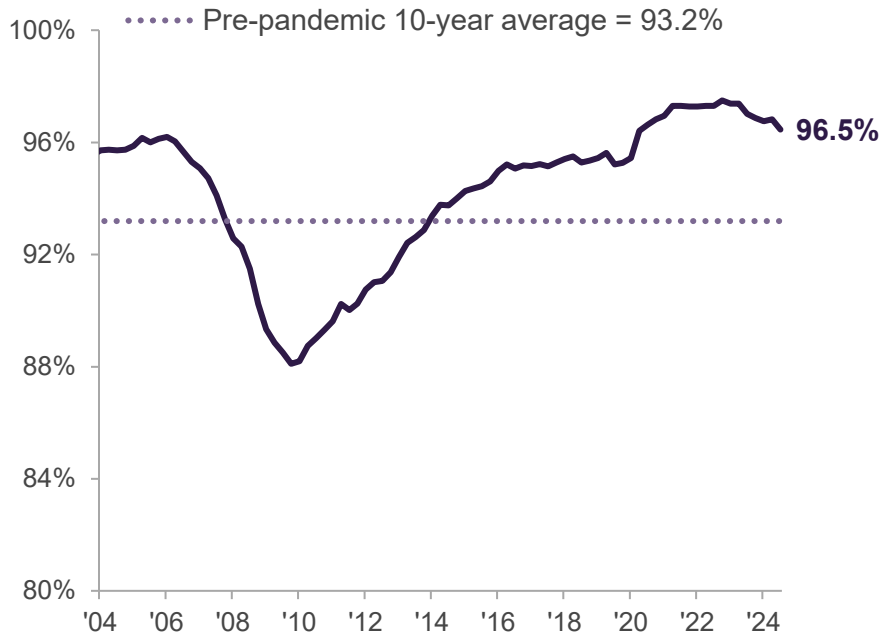
**University of Michigan Consumer Sentiment Survey**  
(index value)



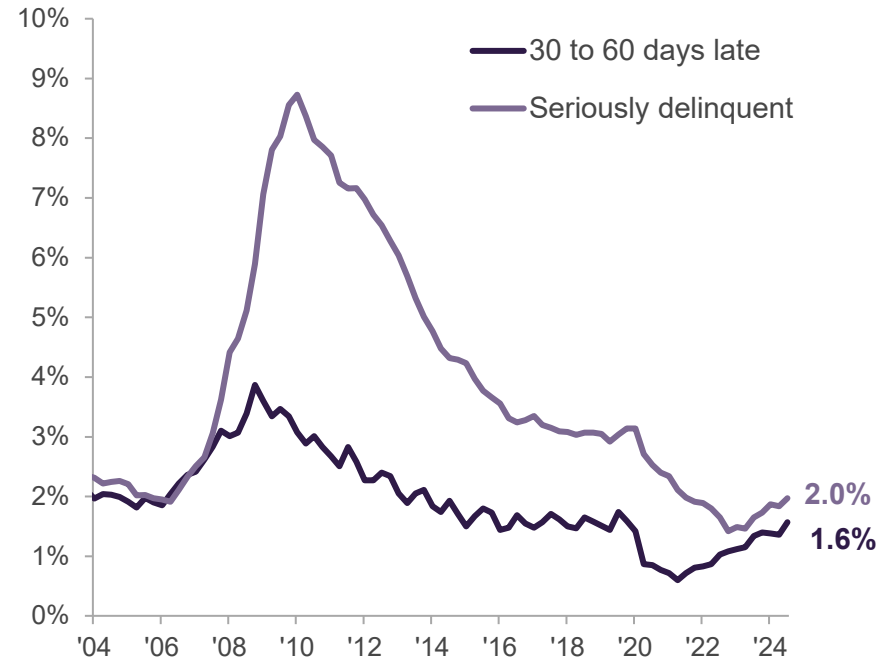
Data sources: Truist IAG, Haver, Business Roundtable, Bloomberg, University of Michigan. Left chart: quarterly data through 4Q2024; readings above 50 signify expansion and vice versa. Right chart: monthly data through preliminary January 2025. Animal spirits refers to the emotional and psychological factors that drive consumer and investor confidence, influencing economic decisions and market trends.

# Consumers: Vast majority current on payments

**Current on payments (as percent of total balance)**



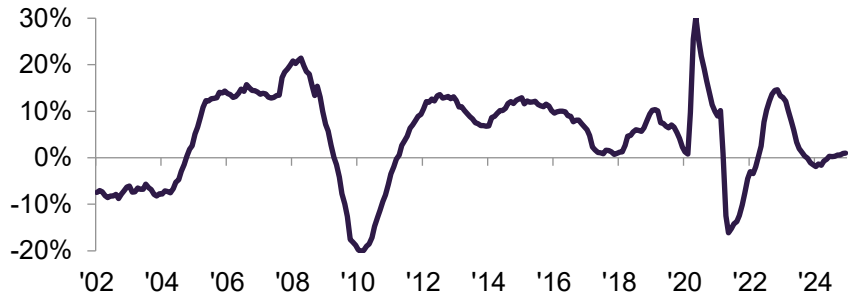
**Delinquencies (as percentage of total balances)**



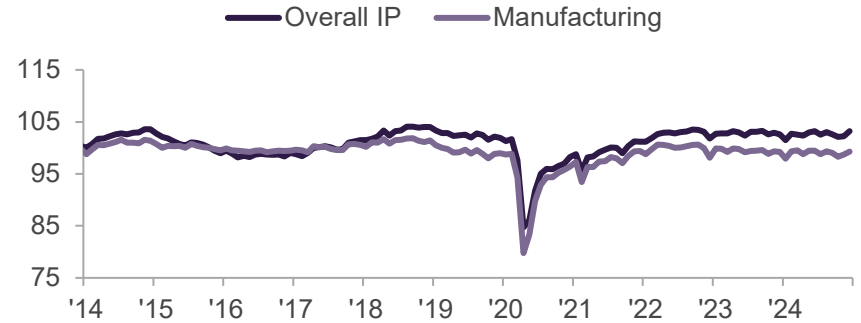
Sources: Truist IAG, New York Fed Consumer Credit Panel/Equifax. Quarterly data through 3Q2024. Delinquencies as a percentage of total outstanding balance for all loan types (mortgage, home equity, auto, credit card, student, and other). Seriously delinquent includes any stage of delinquency beyond 90 days late.

# Businesses generally hanging in there, manufacturing muddling along

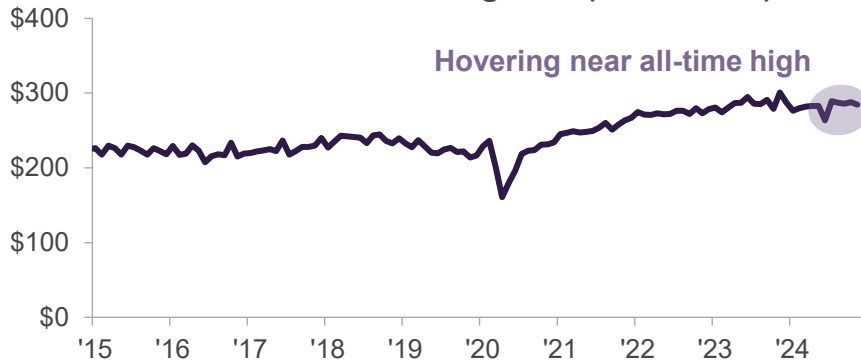
### Commercial & industrial loans (year-over-year change)



### Industrial production



### New orders for durable goods (in \$billions)



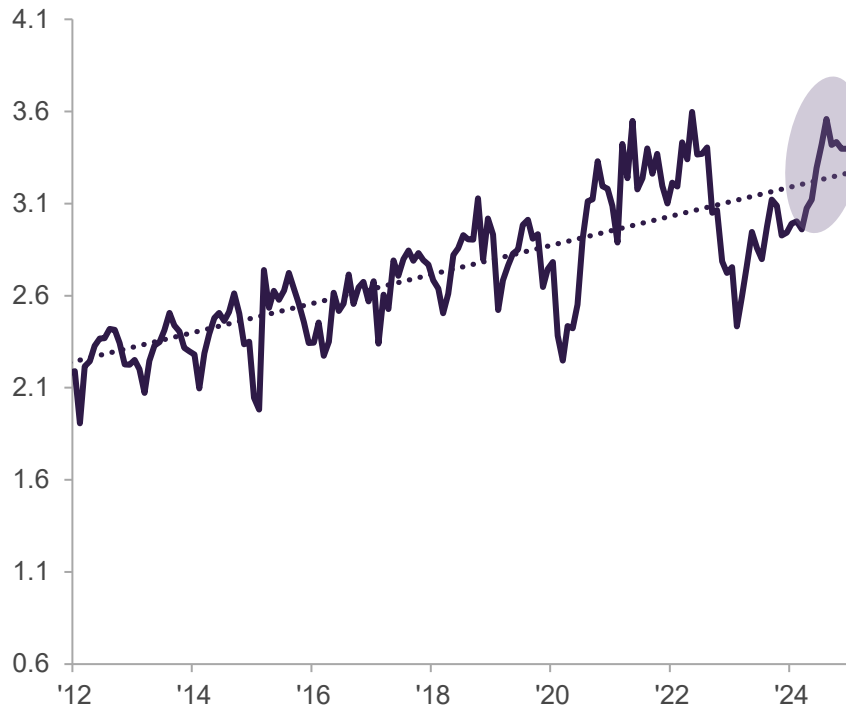
### ISM Composite Index (index value)



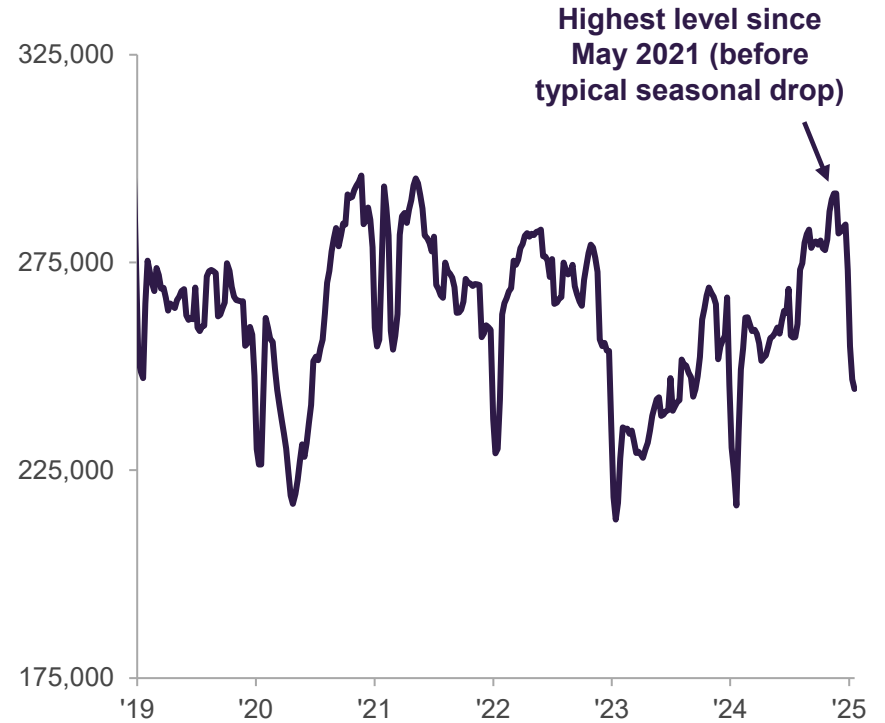
Data sources: Truist IAG, Bloomberg, Haver. Institute for Supply Management (ISM) composite includes manufacturing and services. Monthly data through November 2024, through December 2024 for C&I loans, Industrial production, ISM composite.

# Freight surged in 2024, but should moderate in 1H2025

**Total unit volumes at 6 top U.S. ports  
(in millions)**



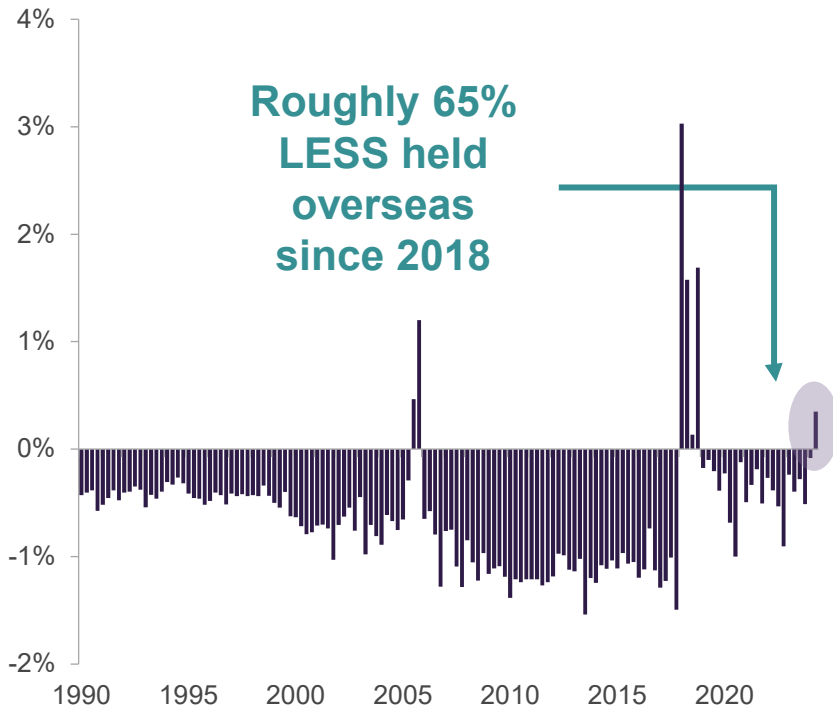
**U.S. intermodal freight carloads  
(4-week average)**



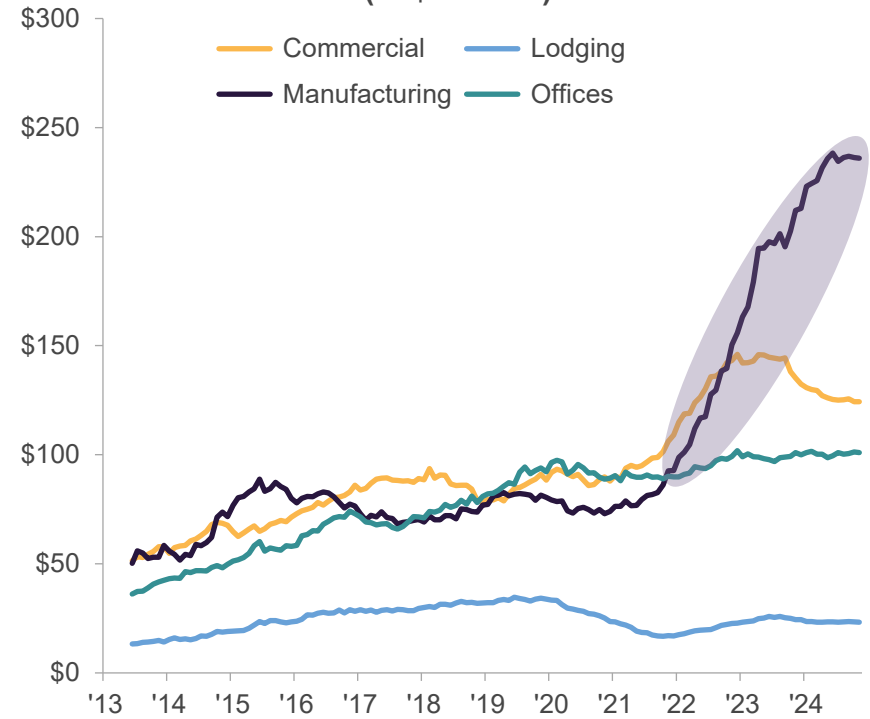
Data sources: Truist IAG, Bloomberg, Association of American Railroads. Port data for 6 top U.S. ports (Los Angeles, Long Beach, Savannah, SEATAC, Houston, Norfolk); monthly data through November 2024. U.S. intermodal railroad data is 4-week average through December 27, 2024.

# U.S. manufacturing renaissance is very real

Repatriated foreign earnings by nonfinancial U.S. corporations (as a percentage of GDP)



Largest commercial construction segments (in \$billions)



Data sources: Truist IAG; left chart: Haver, Federal Reserve, quarterly data through 2Q2024; comparison based on average from 2008 to 2017 versus 2Q2022 to 2Q2024 average. Right chart: Bloomberg, U.S. Census Bureau; figures shown are seasonally-adjusted annualized rate (SAAR) in nominal dollars; monthly data through November 2024.

## Key takeaways

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