

Zions Bank Economic Overview

Economic Outlook & Revenue Assessment Committee

January 2, 2025

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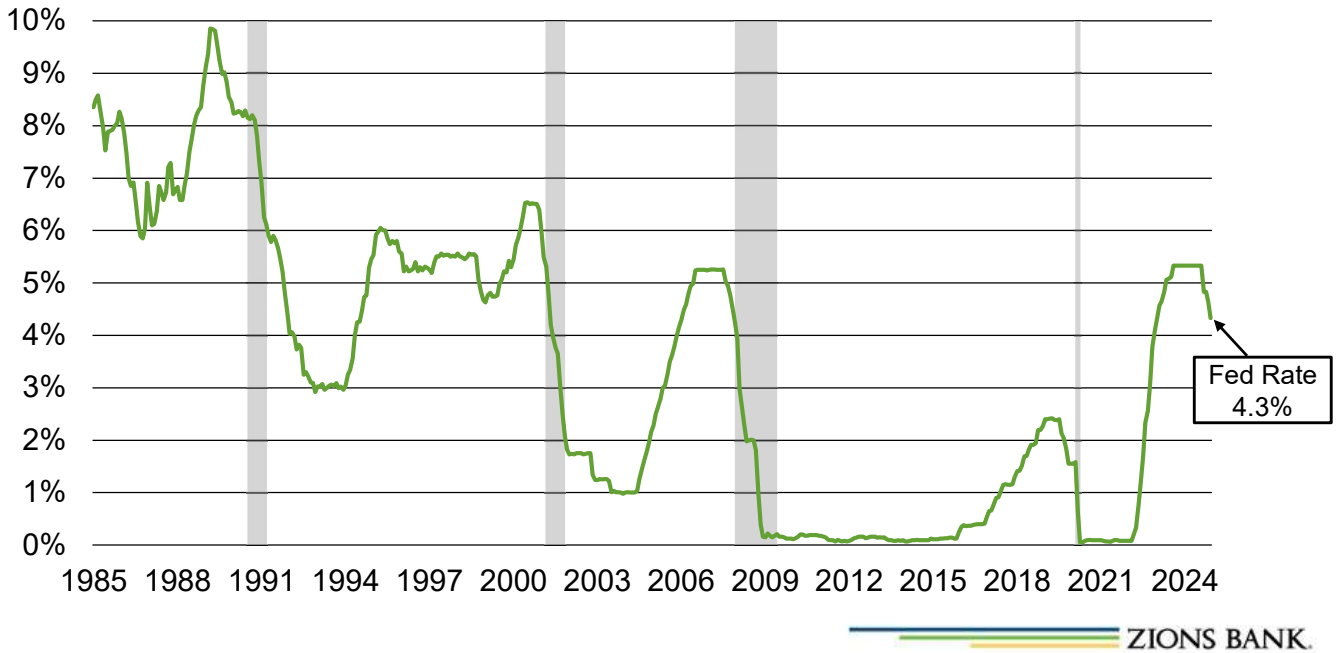
2024 Economic Review

1. Federal Reserve pivoted to rate cuts
2. Inflation slowed but prices are up
3. Labor market growth remained strong
4. International uncertainty and elections added to market volatility

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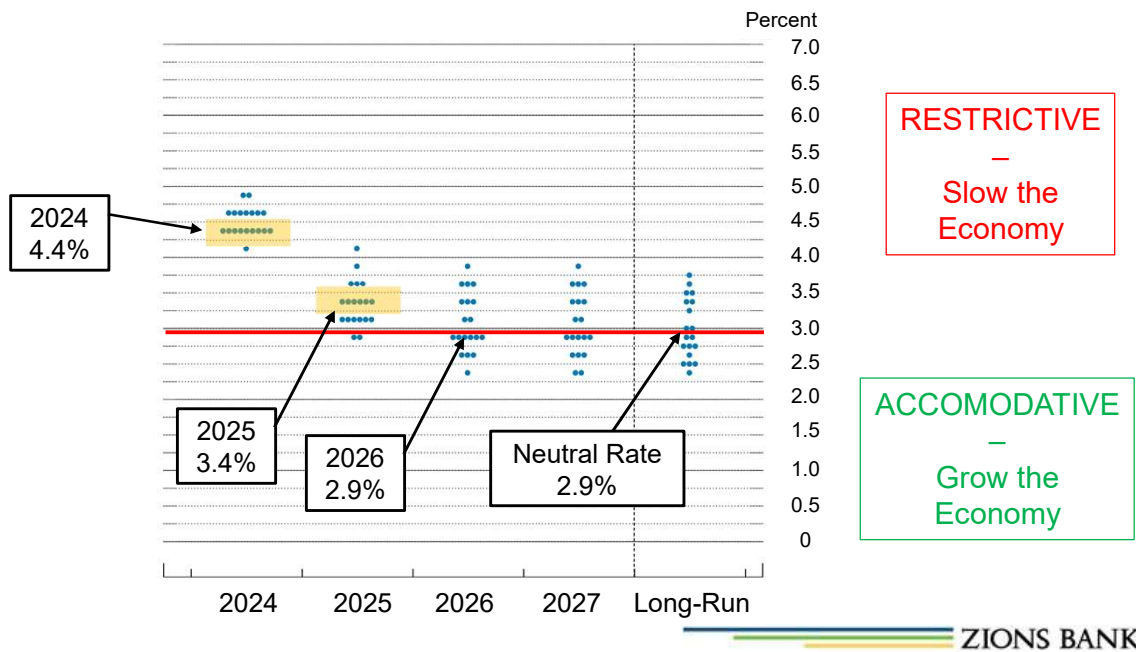
Federal Reserve Continued Rate Cuts in December



Source: Federal Reserve Board of Governors

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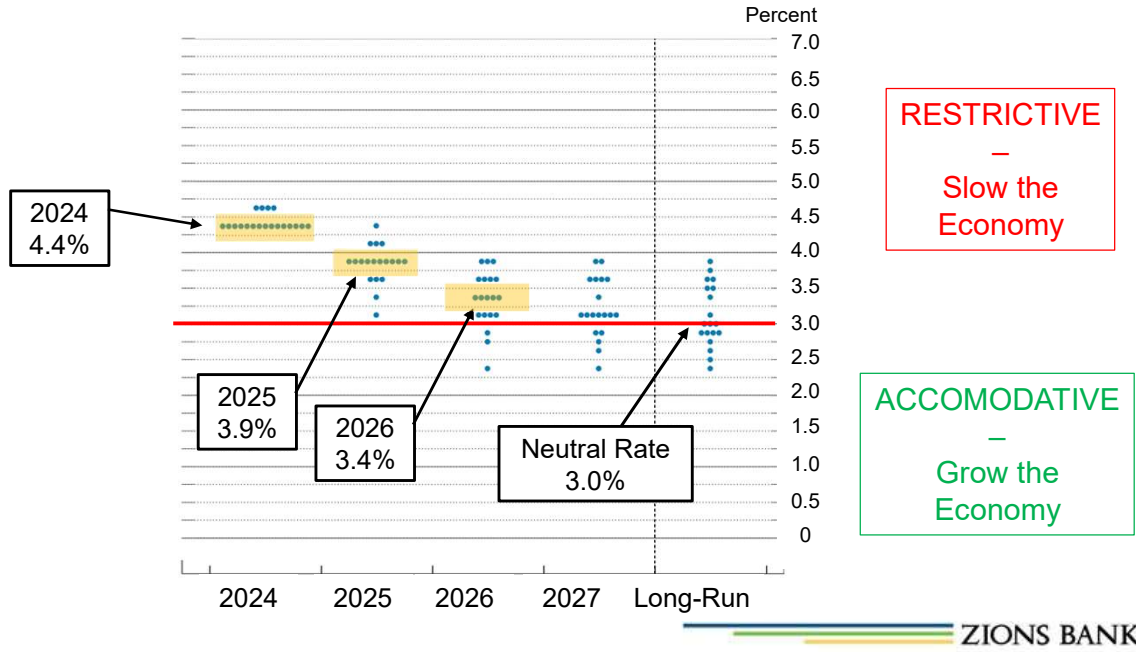
Fed Forecast Before December 2024 Meeting



Source: Board of Governors of the Federal Reserve System

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Fed Forecast After December 2024 Meeting



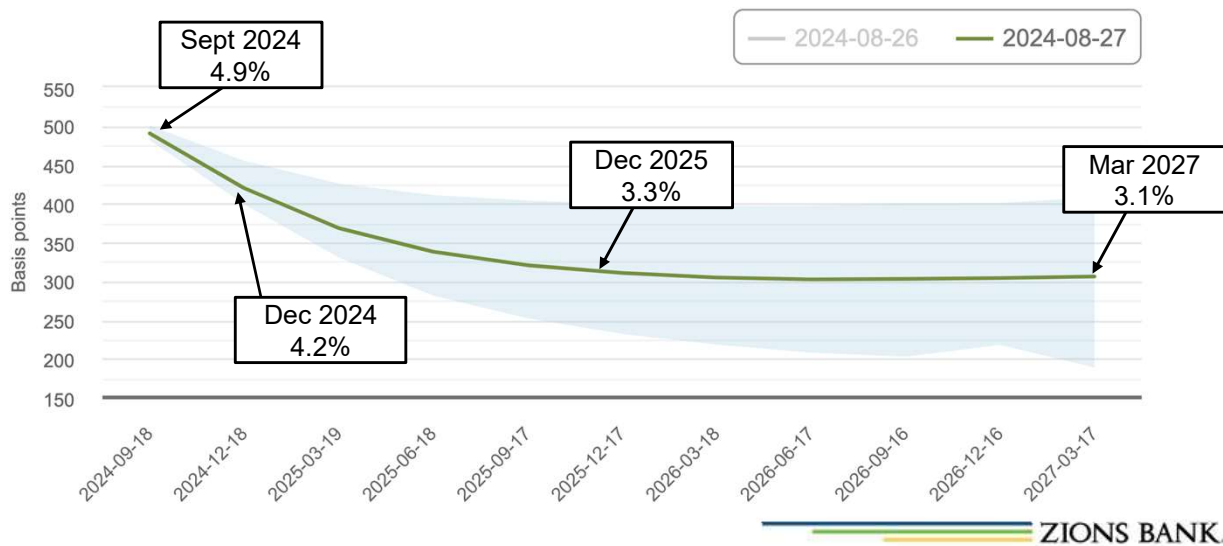
Source: Board of Governors of the Federal Reserve System

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In Aug Markets Expected Aggressive Rate Cuts

The Expected Three-Month Average SOFR Path

Current target range: 525 - 550 basis points



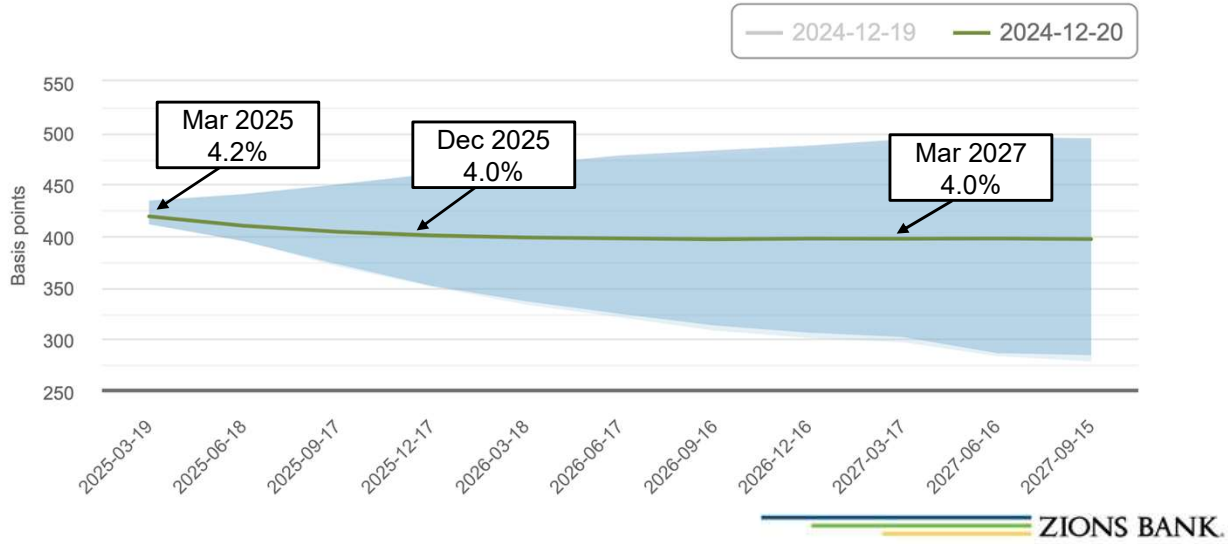
Source: Federal Reserve Bank of Atlanta

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Markets Now Expect Few Additional Rate Cuts

The Expected Three-Month Average SOFR Path

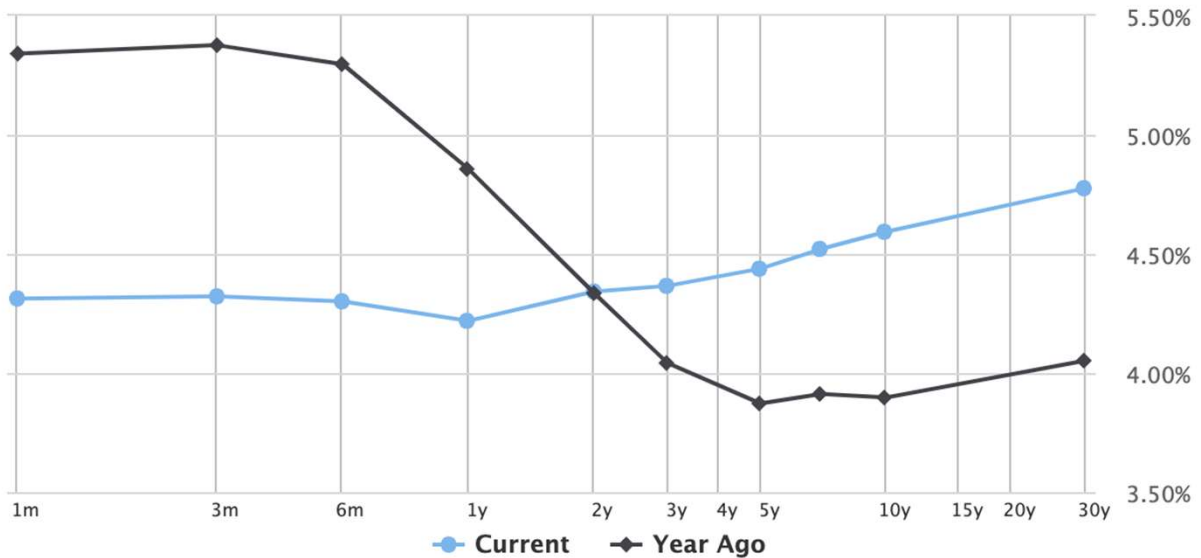
Current target range: 425 - 450 basis points



Source: Federal Reserve Bank of Atlanta

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Treasury Yield Curve Switch Back To Upward-Sloping



Source: Wall Street Journal

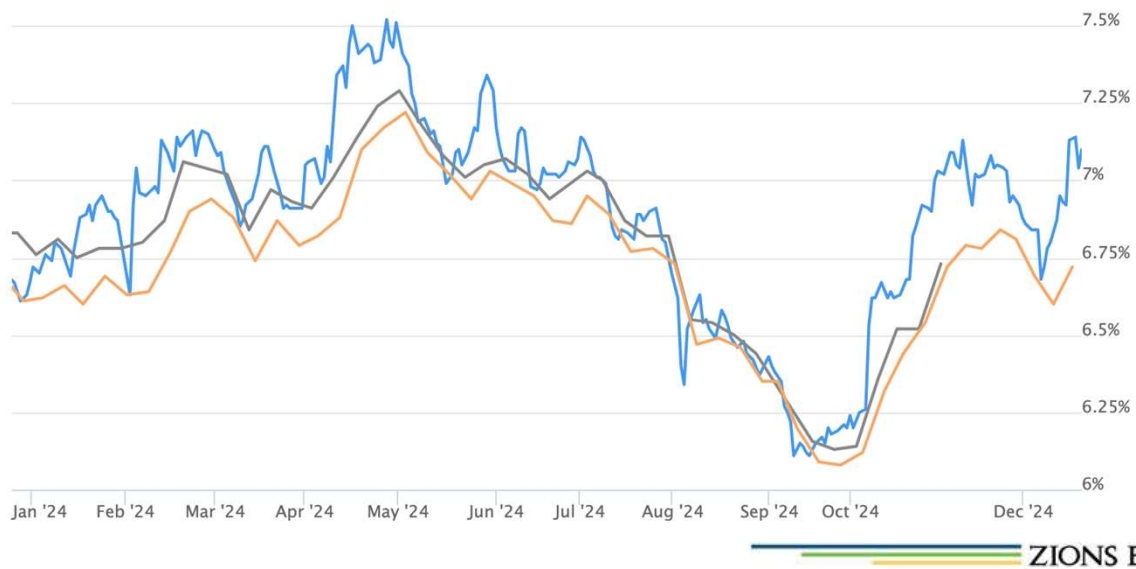
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Large Swings in 10-Year Treasury Yields



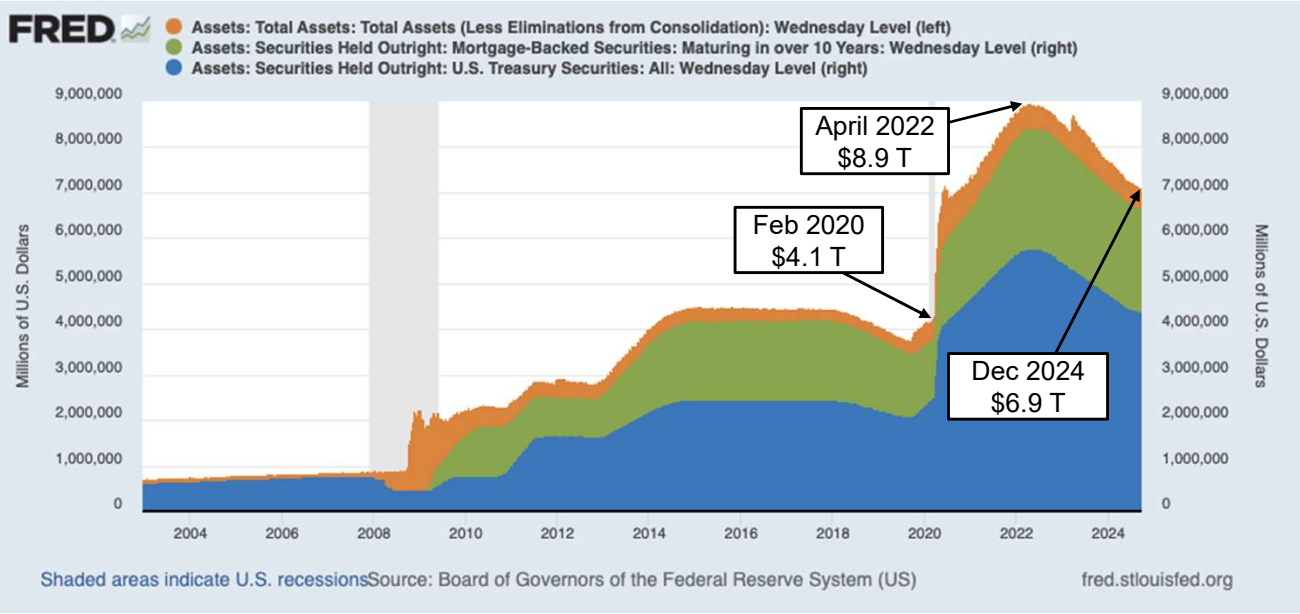
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30-Year Mortgage Rates Around 7%



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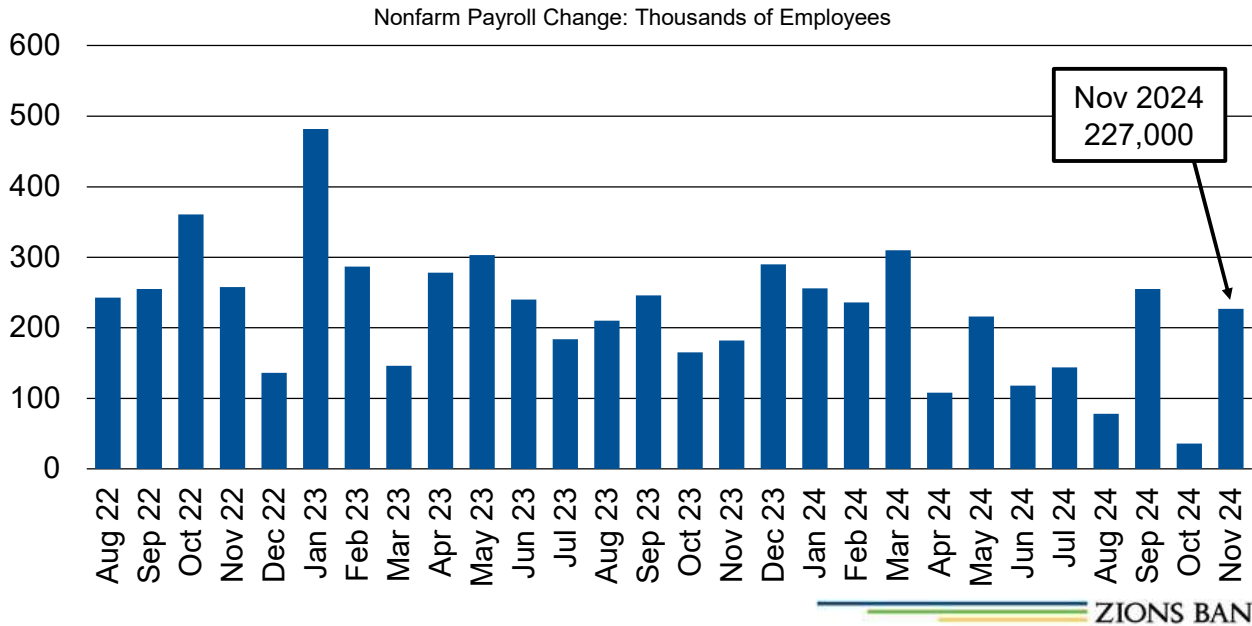
Federal Reserve Shrinking Its Balance Sheet



Source: Federal Reserve Bank of St Louis

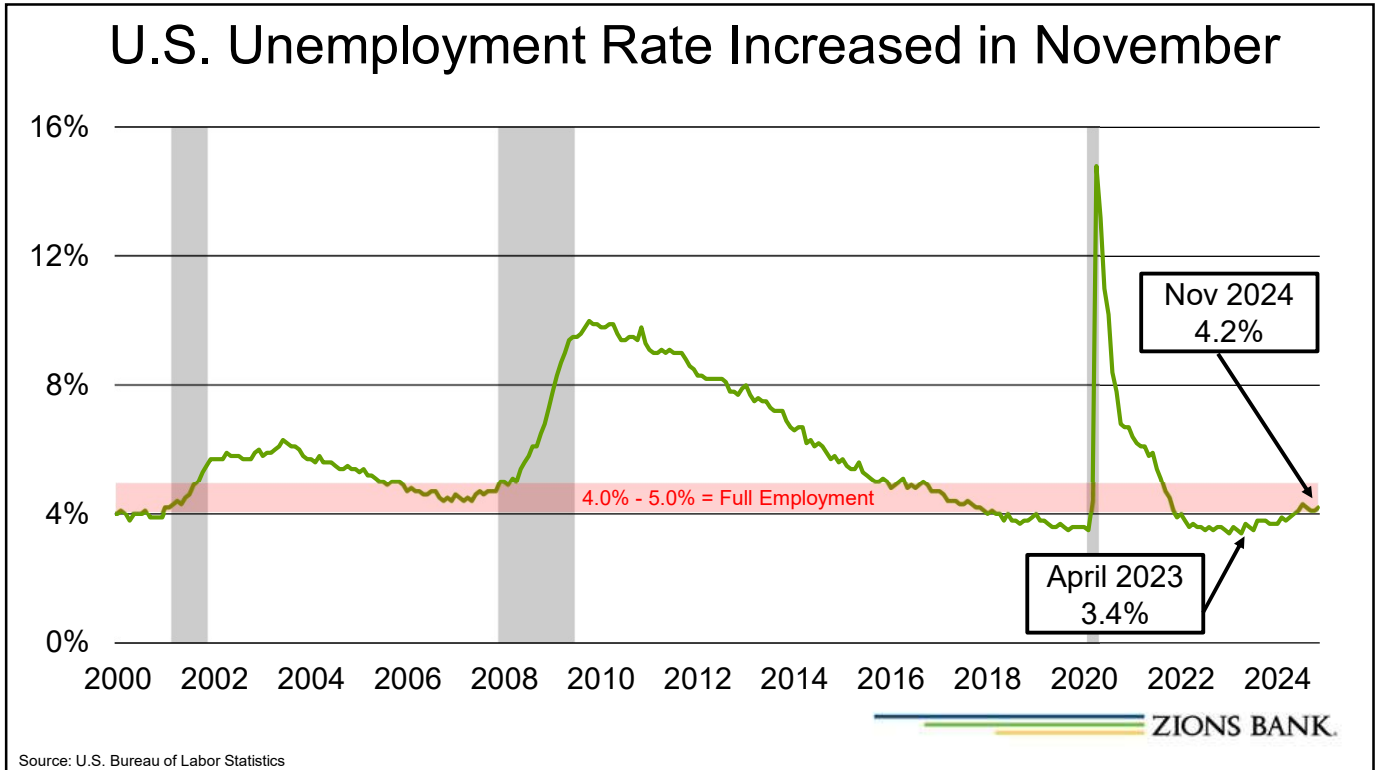
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U.S. Job Growth Accelerated in November

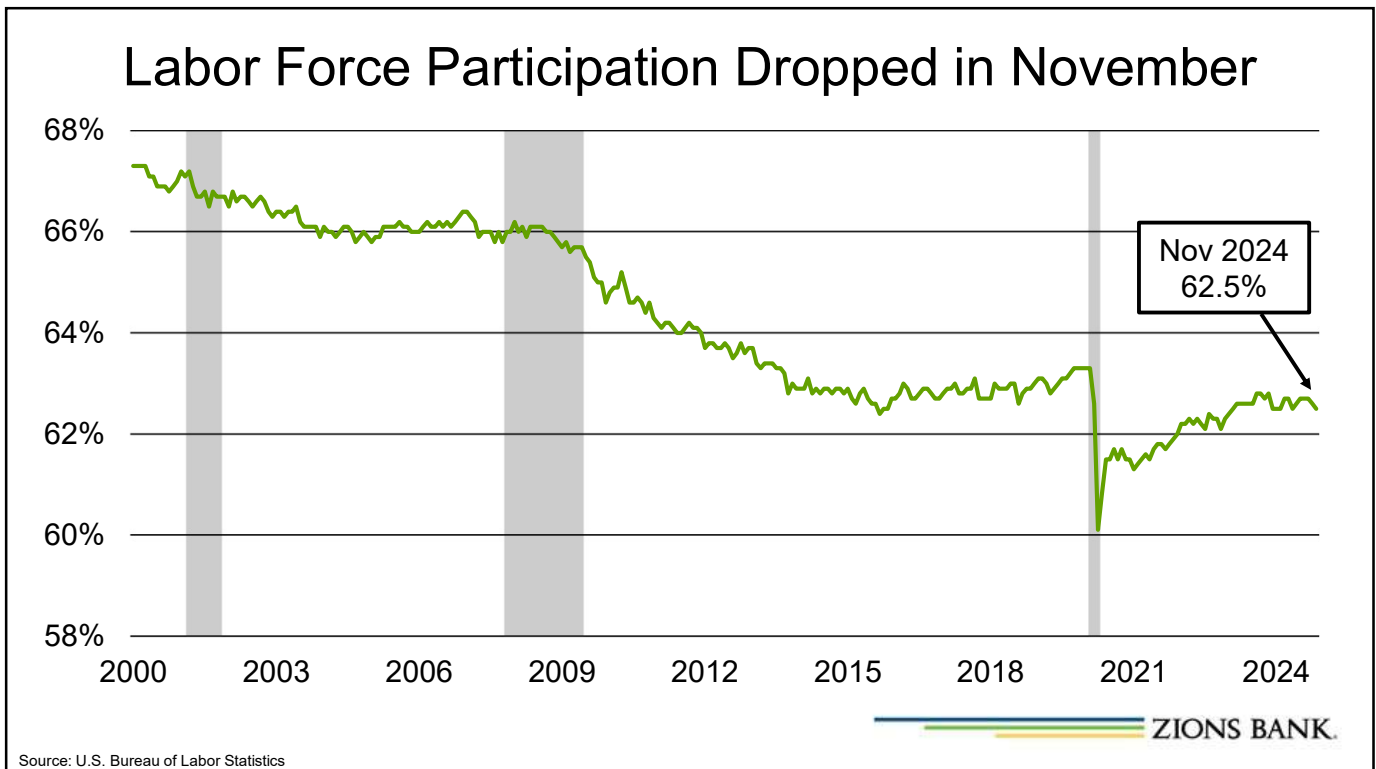


Source: U.S. Bureau of Labor Statistics

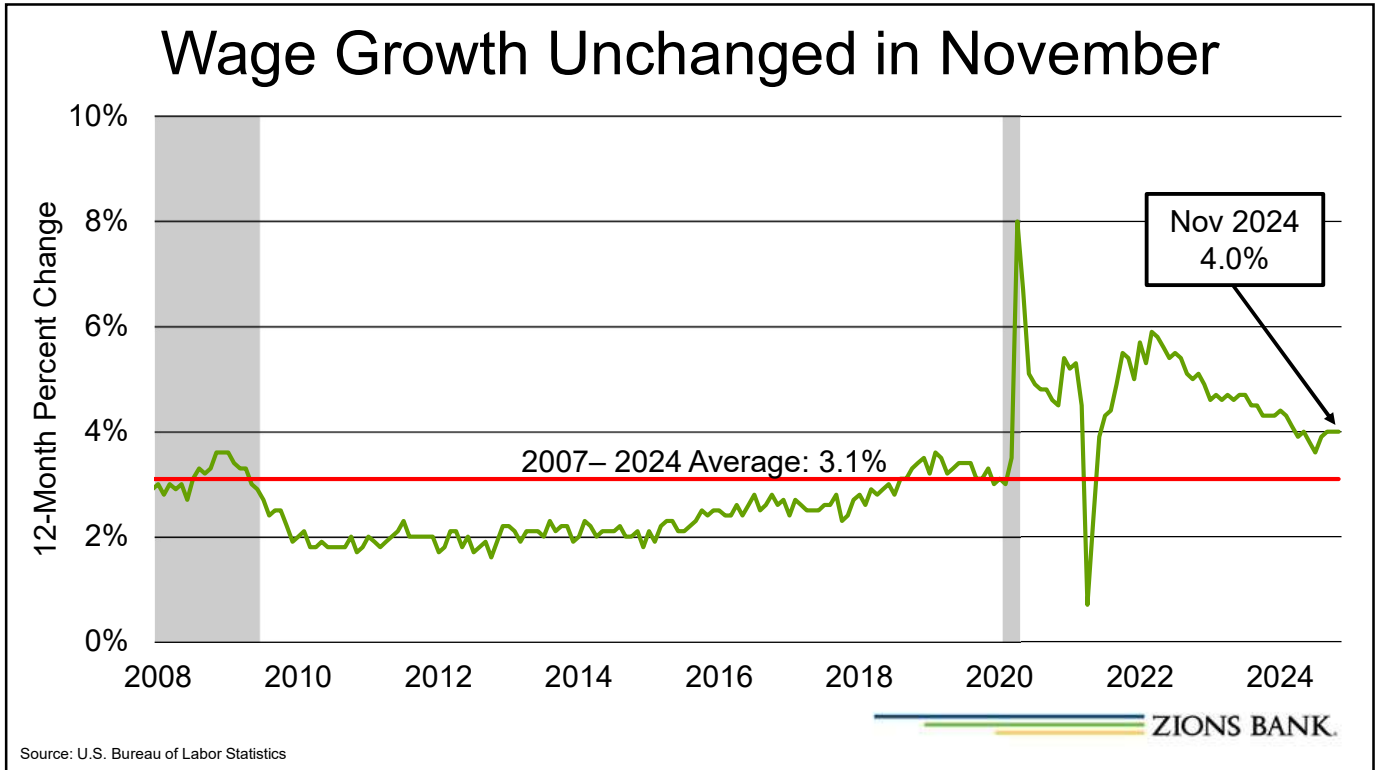
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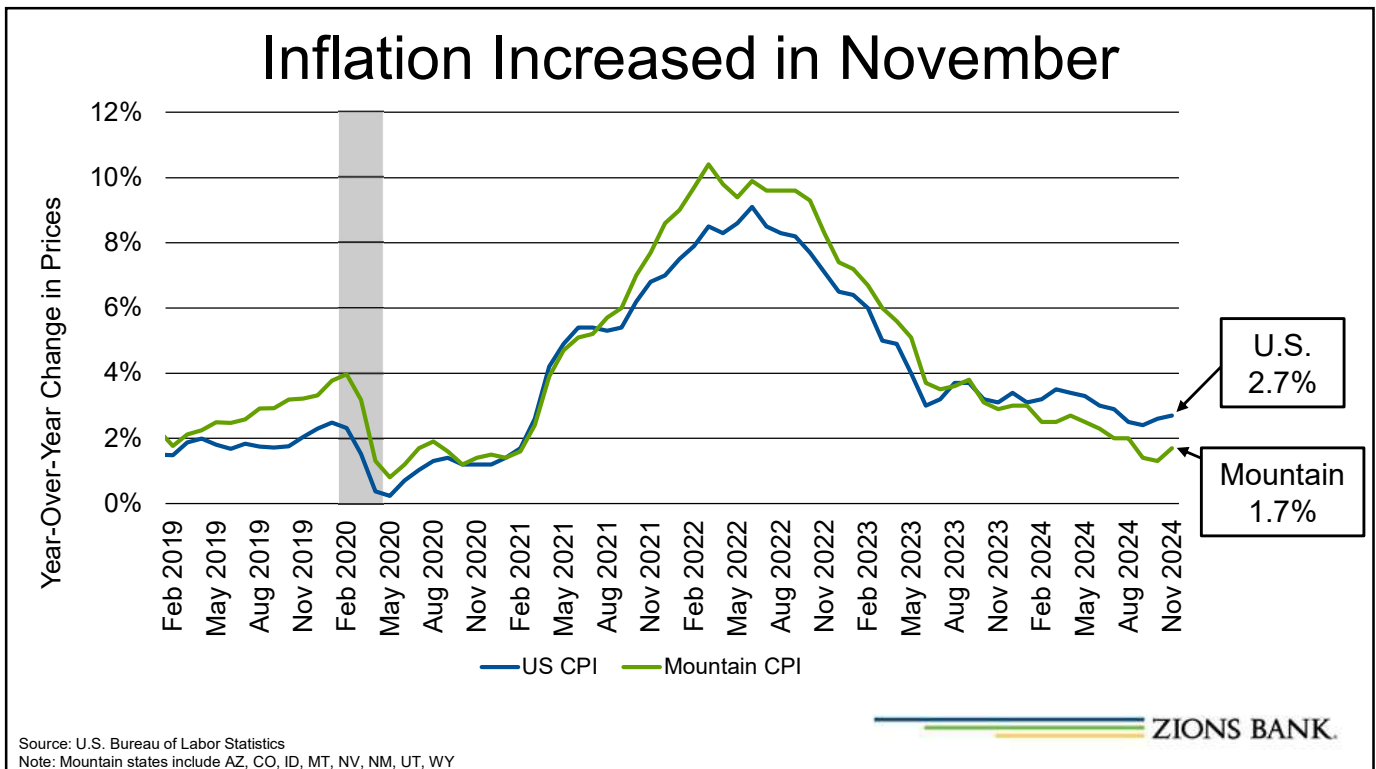
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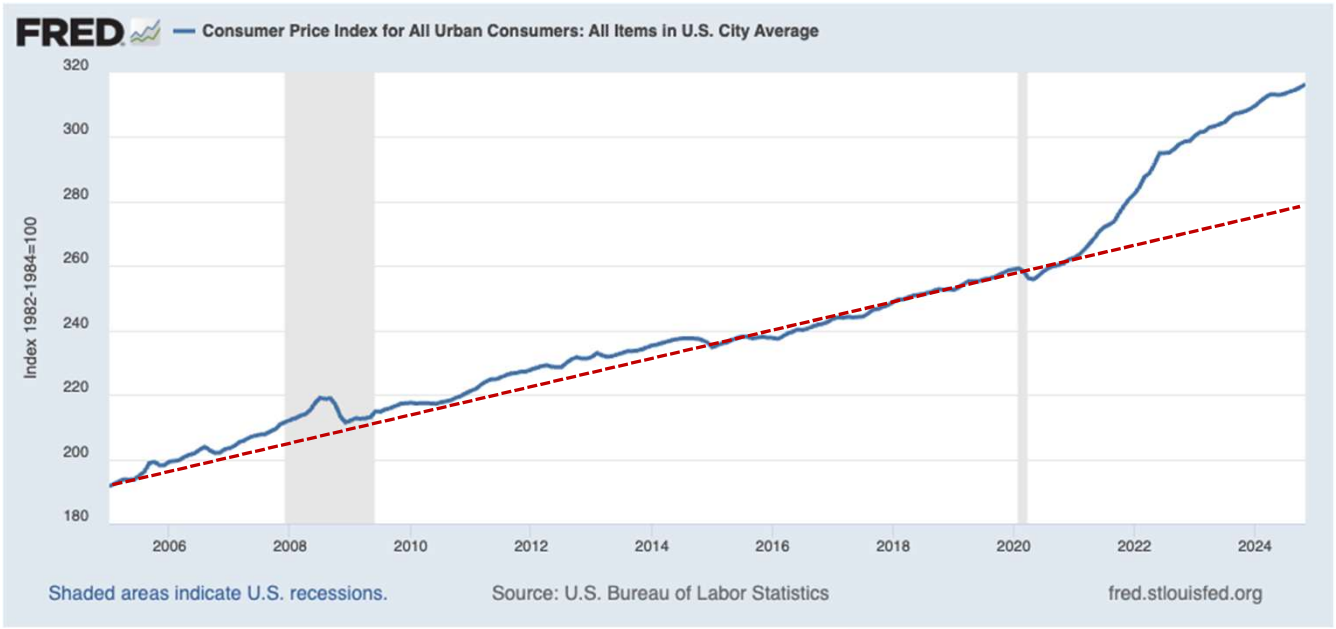


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Consumer Prices Up 22% Since 2020

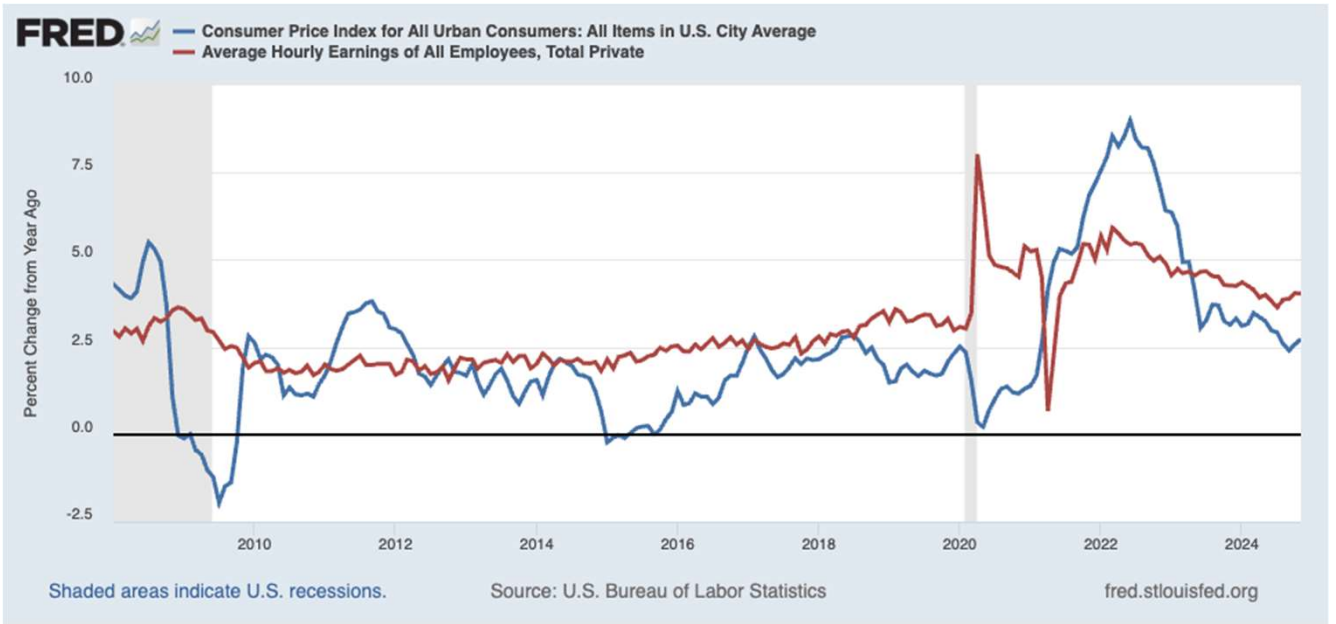


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Source: Federal Reserve Bank of St Louis

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Inflation vs Wage Growth

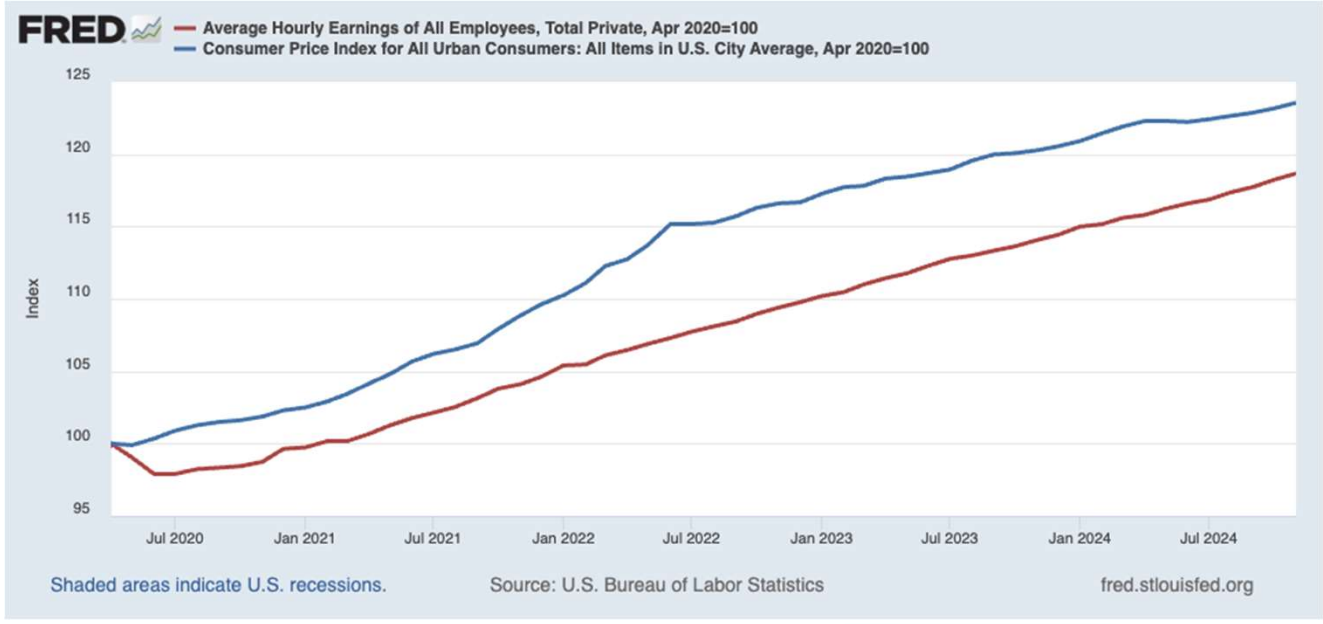


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Source: Federal Reserve Bank of St Louis

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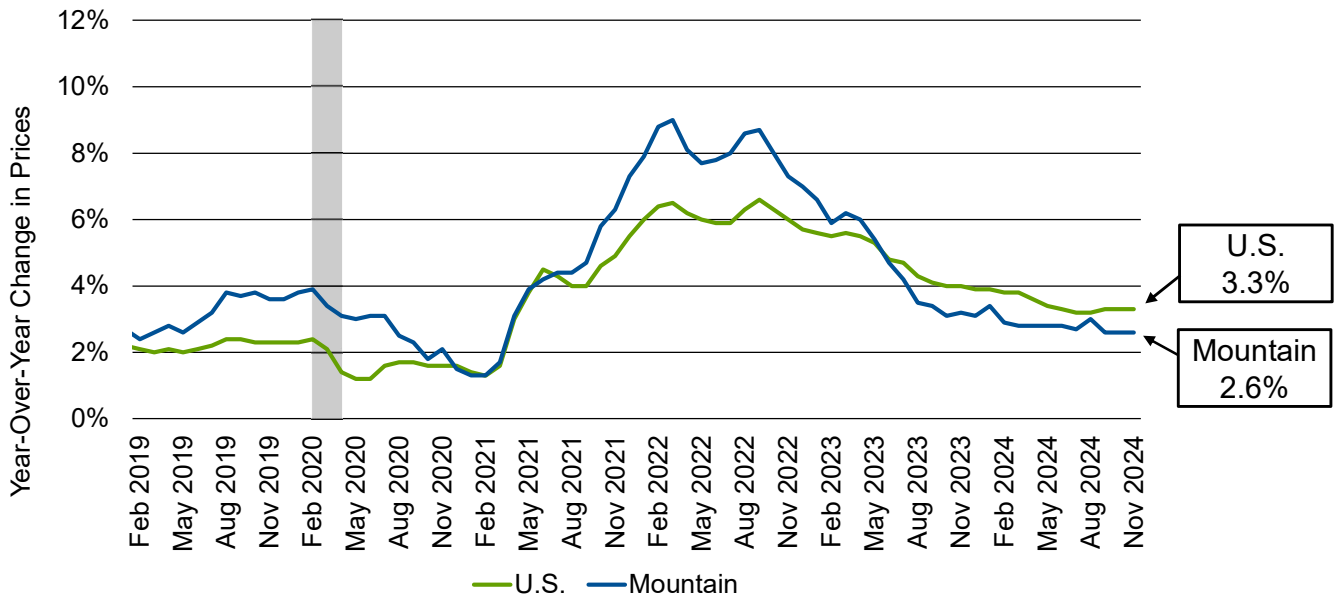
Wage Increases Haven't Kept Up With Price Increases



Source: Federal Reserve Bank of St Louis

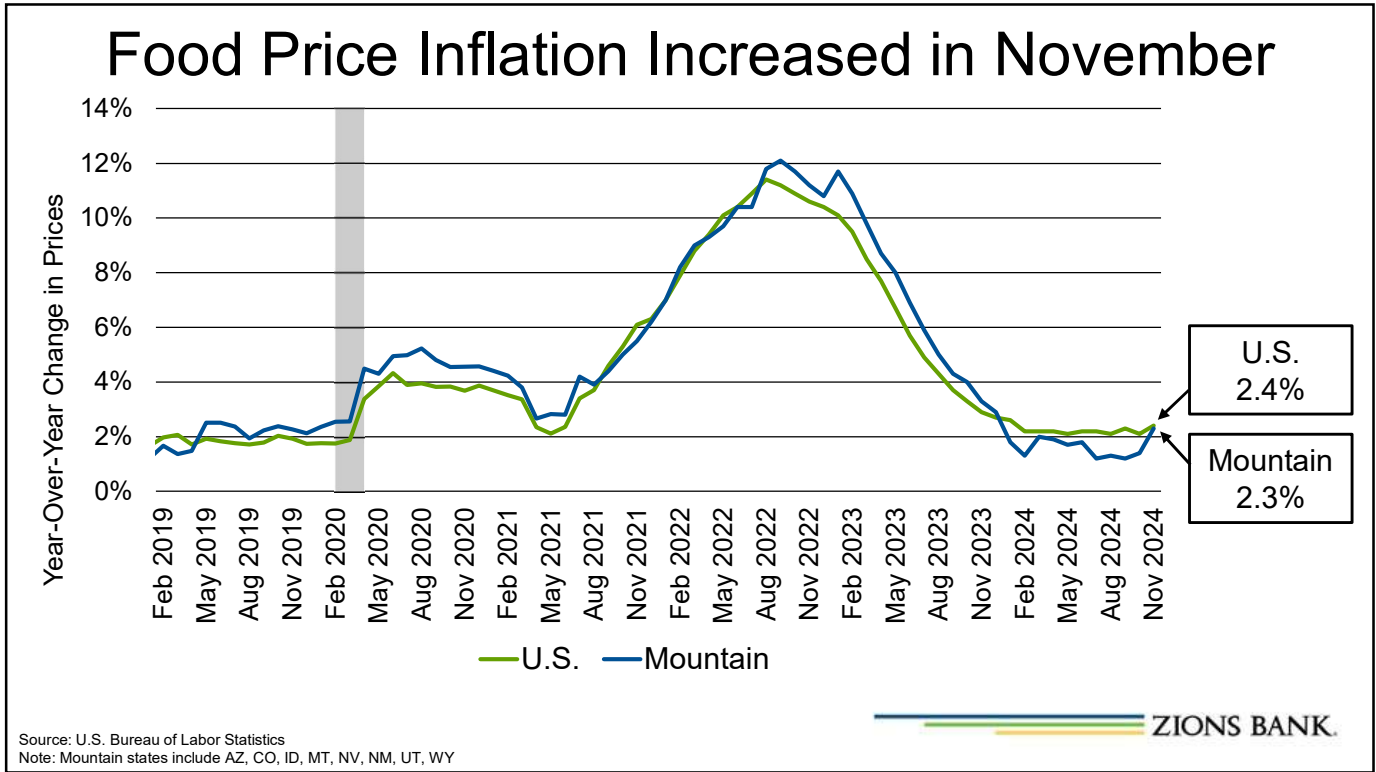
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Core Inflation Unchanged in November

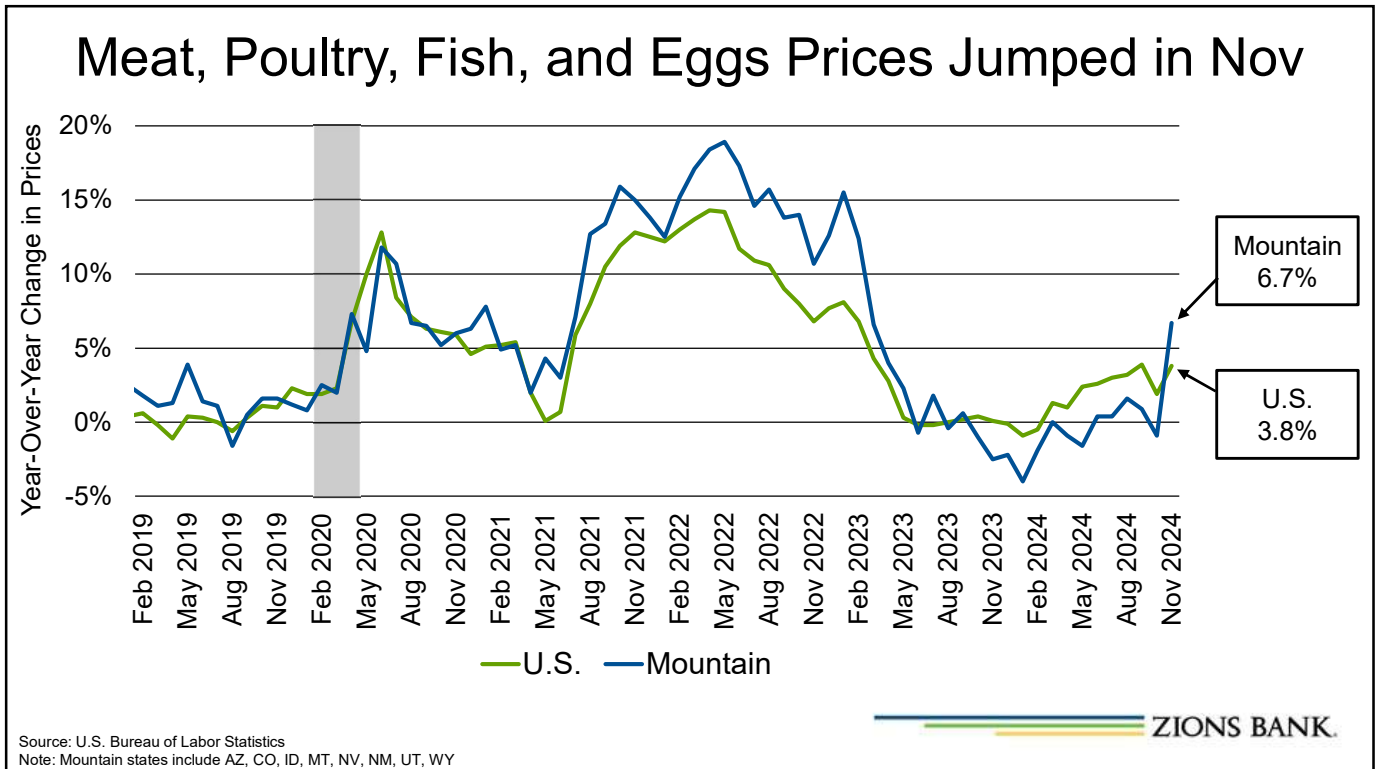


Source: U.S. Bureau of Labor Statistics
 Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

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Motor Fuel Prices Lower Than One Year Ago

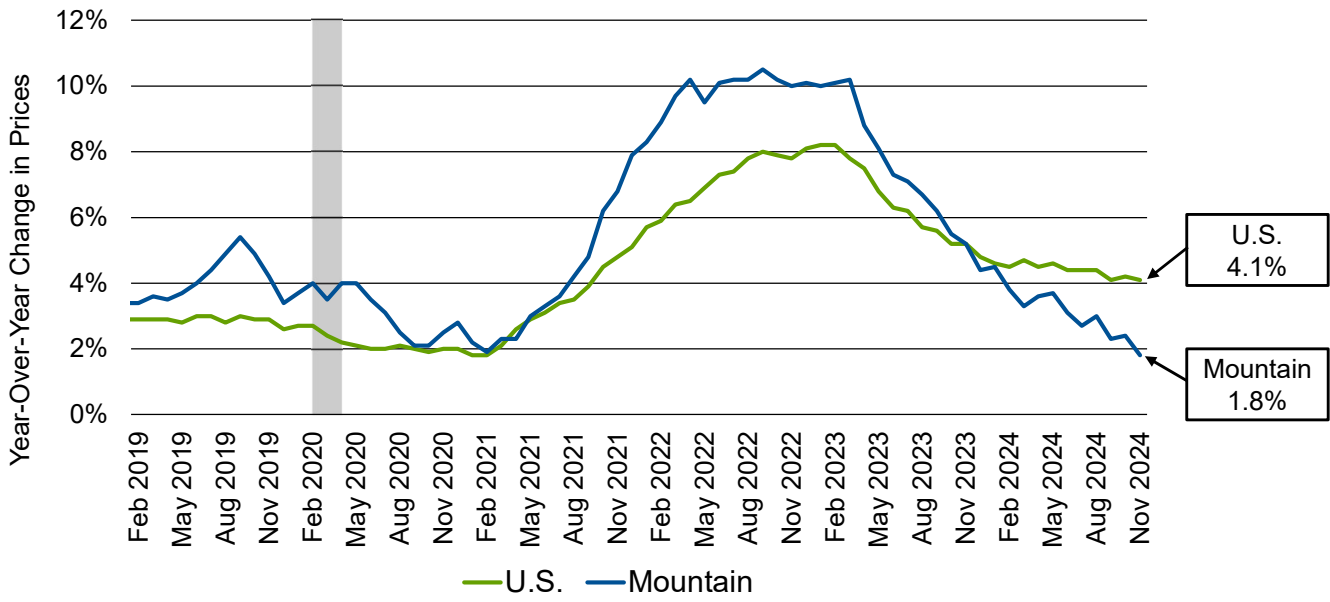


Source: U.S. Bureau of Labor Statistics
 Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

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Housing Inflation Slowed in November

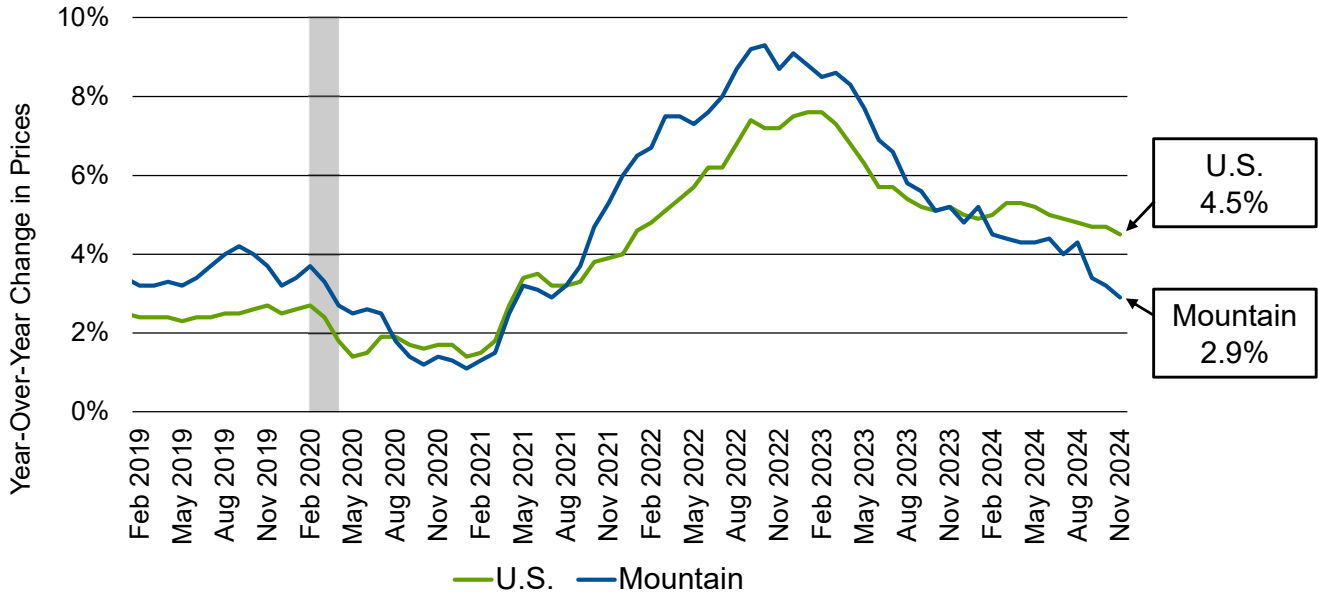


Source: U.S. Bureau of Labor Statistics
 Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

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Services Price Inflation Slowing But Too High

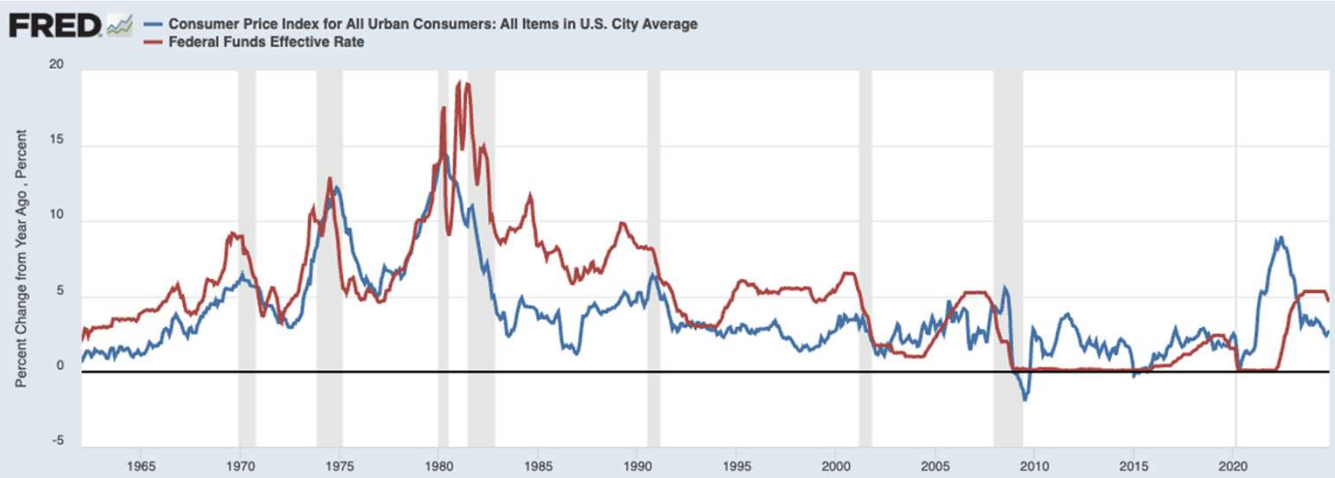


Source: U.S. Bureau of Labor Statistics
 Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

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Lessons Learned from the 1970s Several Failed Attempts to Bring Down Inflation



Shaded areas indicate U.S. recessions. Sources: Board of Governors of the Federal Reserve System (US); U.S. Bureau of Labor Statistics

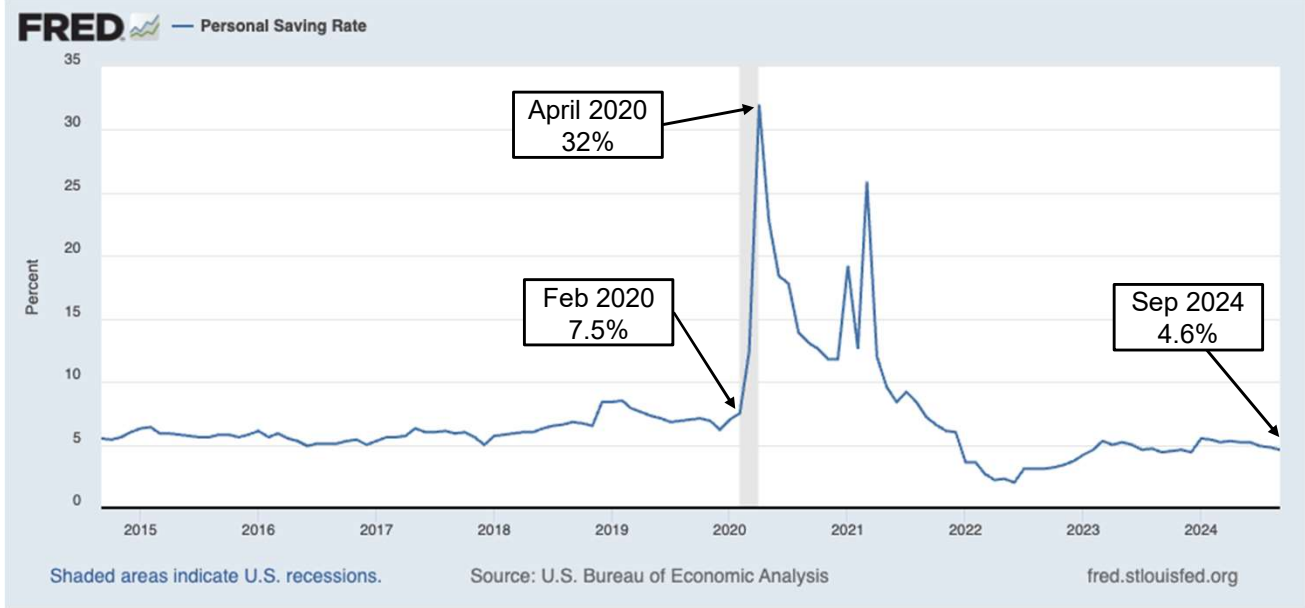
fred.stlouisfed.org

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Source: Federal Reserve Bank of St Louis

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Personal Saving Rate Lower than Before COVID

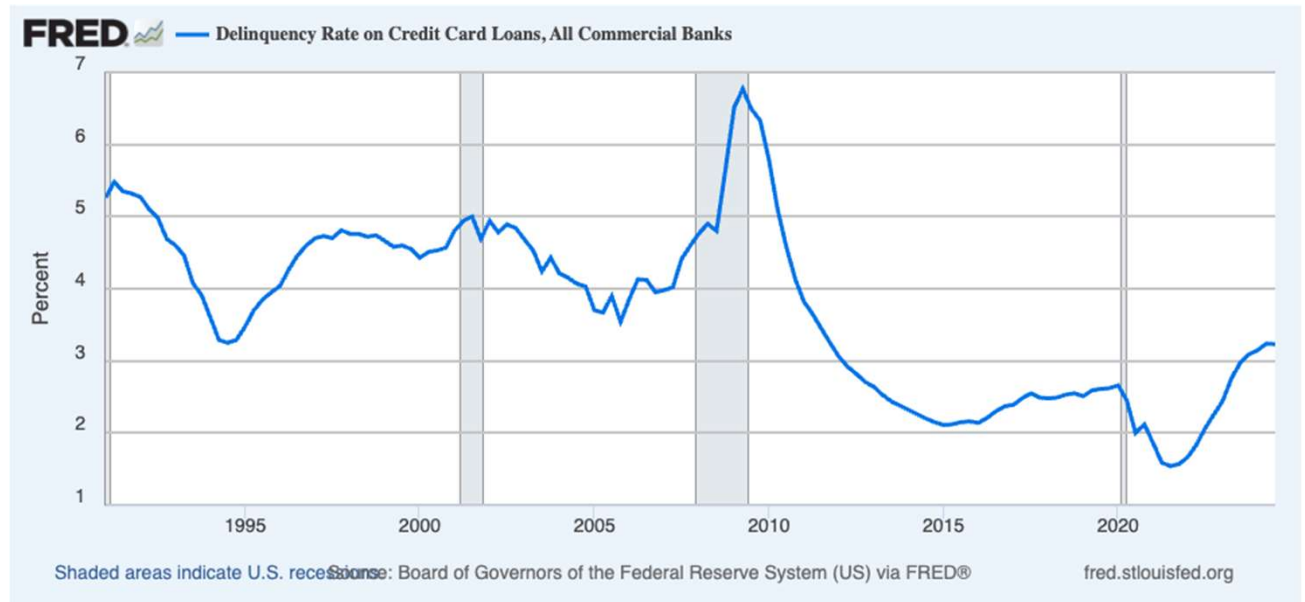


Source: Federal Reserve Bank of St Louis



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Credit Card Delinquency Rate Moderated in 3rd Quarter



Source: Federal Reserve Bank of St Louis



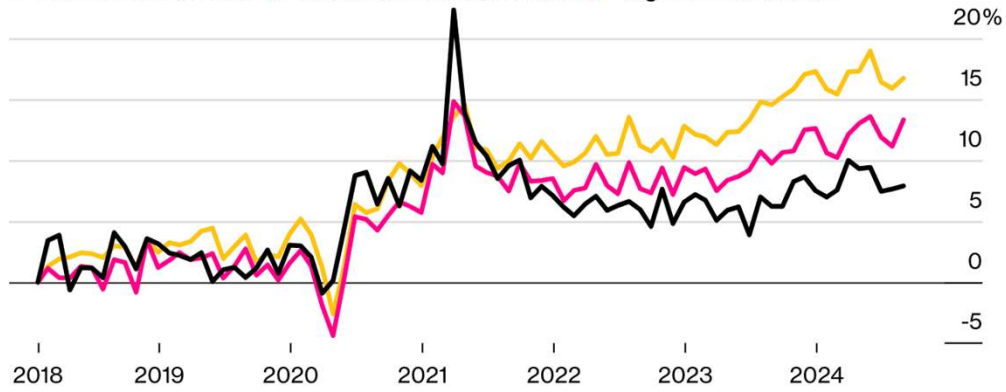
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Retail Spending by Income

Higher Income Consumers Pulling Away

Growth of retail spending broken down by household income

Low income \$0-60K Middle income \$60K-100K High income \$100K+



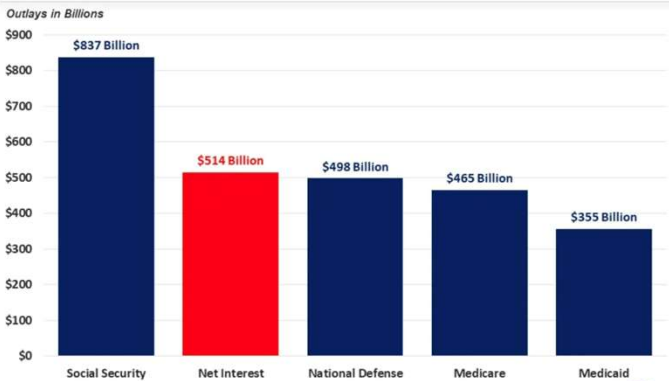
Source: Federal Reserve
 Note: Seasonally-adjusted and inflation-adjusted indexed to 2018



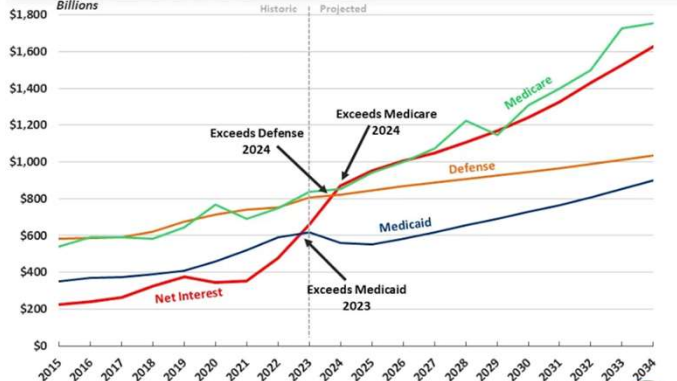
Source: Bloomberg

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Spending on National Debt Is Now Larger than Defense, Medicare, and Medicaid



Sources: Department of the Treasury.



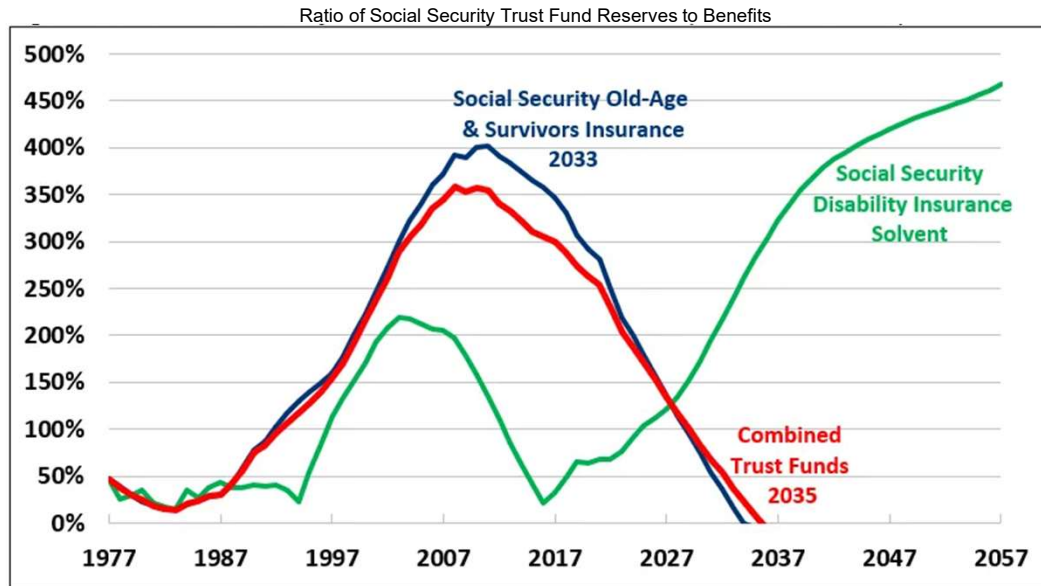
Sources: Congressional Budget Office & Office of Management and Budget.



Source: Committee for a Responsible Federal Budget

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Social Security is Approaching Insolvency



Source: Social Security Administration.

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Source: Committee for a Responsible Federal Budget

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2025 Economic Outlook

1. Federal Reserve rate cuts will continue, but at slower pace
2. Inflation will continue to slow but some areas will remain “sticky”
3. Labor market growth will slow and unemployment will increase
4. Increased focus on trade, taxes, debt, and deregulation
5. Consumers remain resilient, but lower income groups stressed

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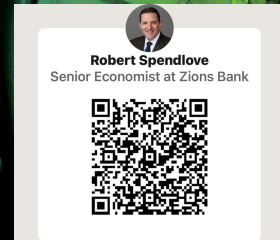
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WE HAVEN'T FORGOTTEN
WHO KEEPS US IN BUSINESS®

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