FEDERAL RESERVE BANK
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Credit Union Roundtable – Lehigh Valley: Current Economic Developments

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Topics Covered Today: Current Economic Developments

- General economic conditions

→ There continues to be a disconnect between “soft” and “hard” data, where the latter are still showing resilience in the economy. Lack of clarity in the economy has been dampening optimism about the future.

- Labor market conditions

→ The labor market remains generally healthy despite its continued cooling off. Announcements of job cuts have not yet impacted the labor market data.

- Inflation, housing conditions, and monetary policy

→ Inflation has continued improving over the past year; however, uncertainty in the economy is likely to slow down further progress.

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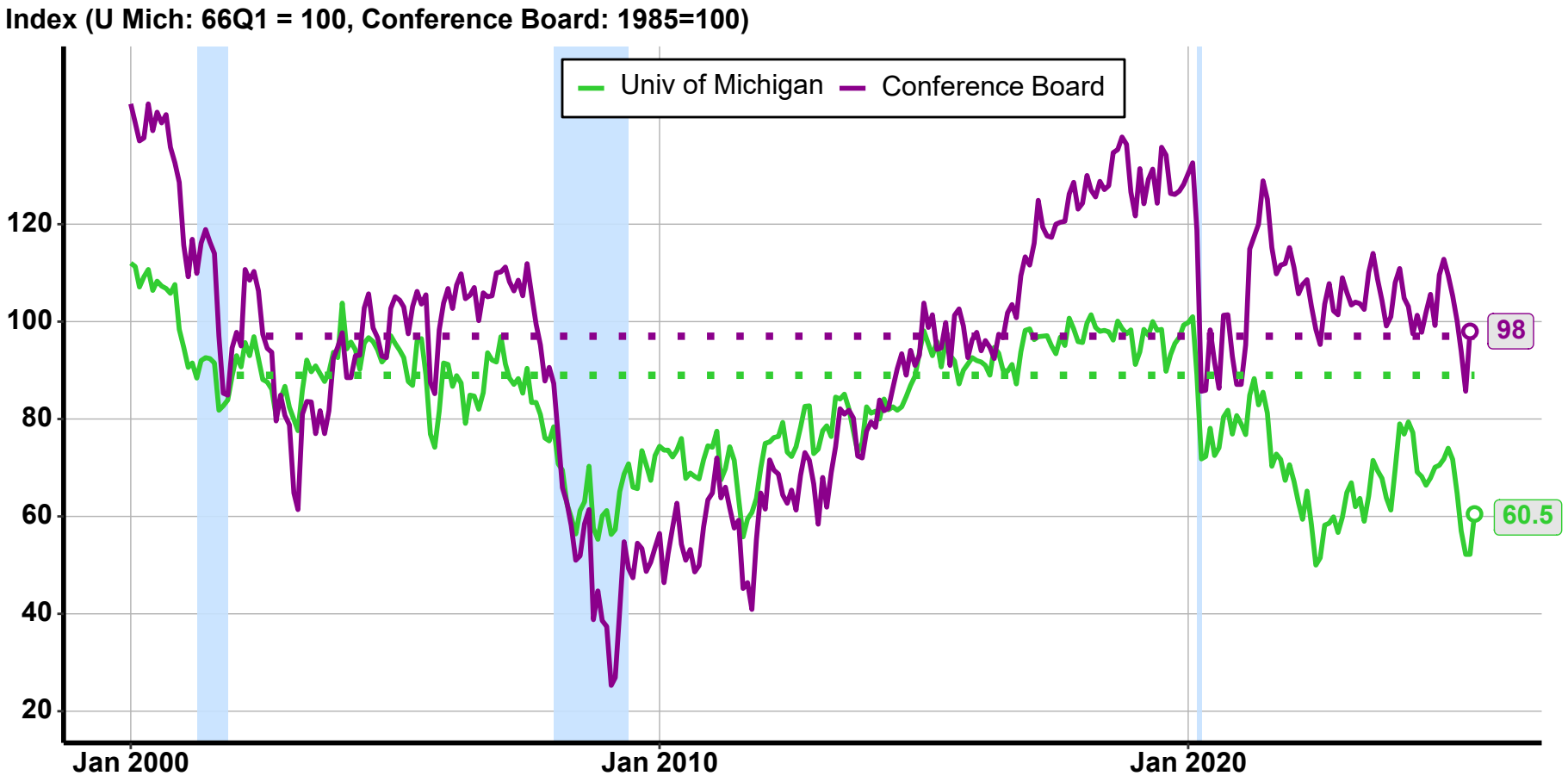
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Consumer Confidence Indexes

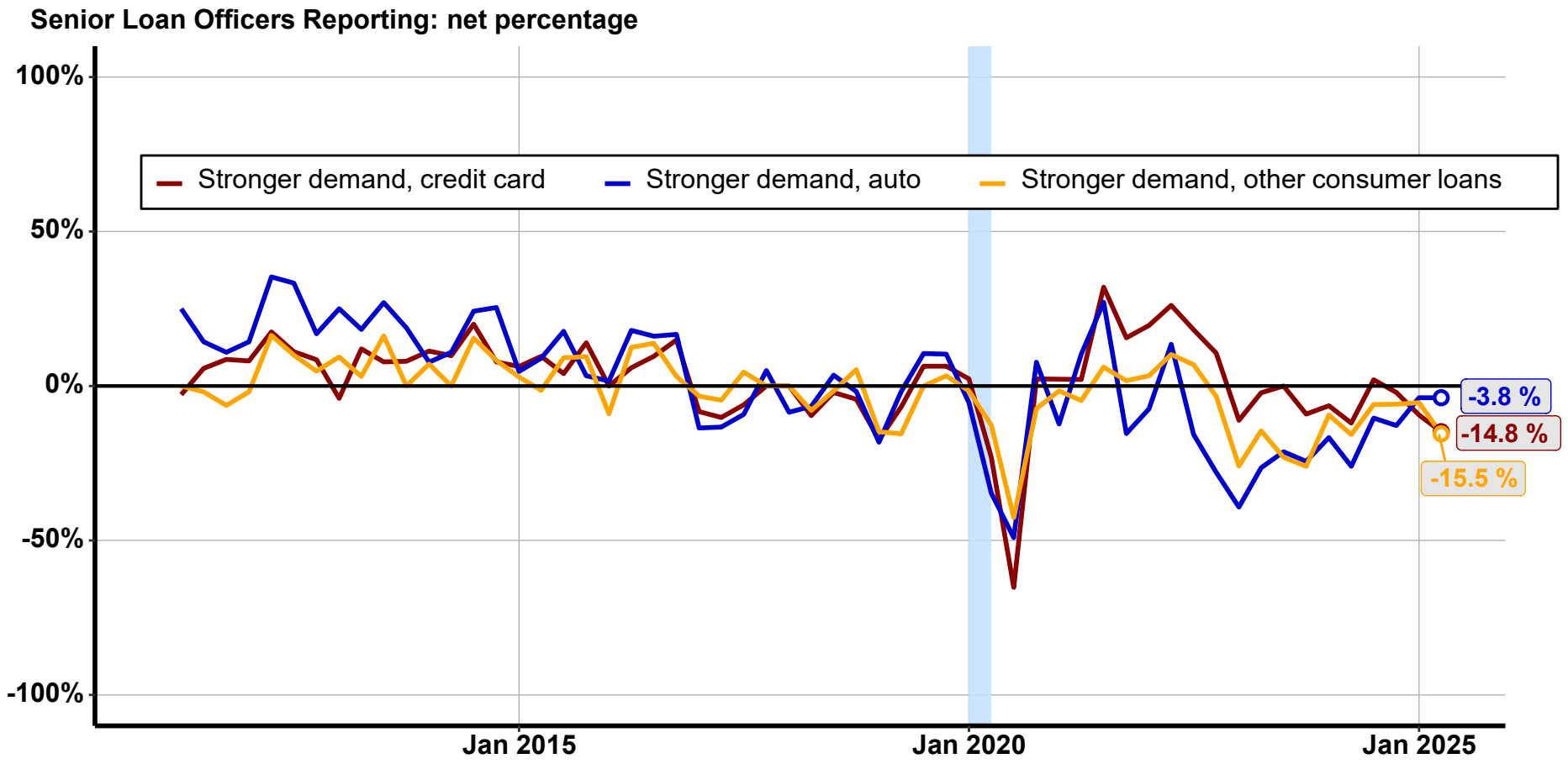
- Consumers across the county remain nervous:
  - *"consumers remain guarded and concerned about the trajectory of the economy"* – June 2025 University of Michigan Survey report
- In general, consumers' views of business conditions, personal finances, buying conditions for big ticket items, labor markets, and stock markets all remain well below the end of 2024.



Source: University of Michigan and Conference Board via Haver Analytics
Months plotted: Jan 2000 to Jun 2025

Consumer Loan Conditions

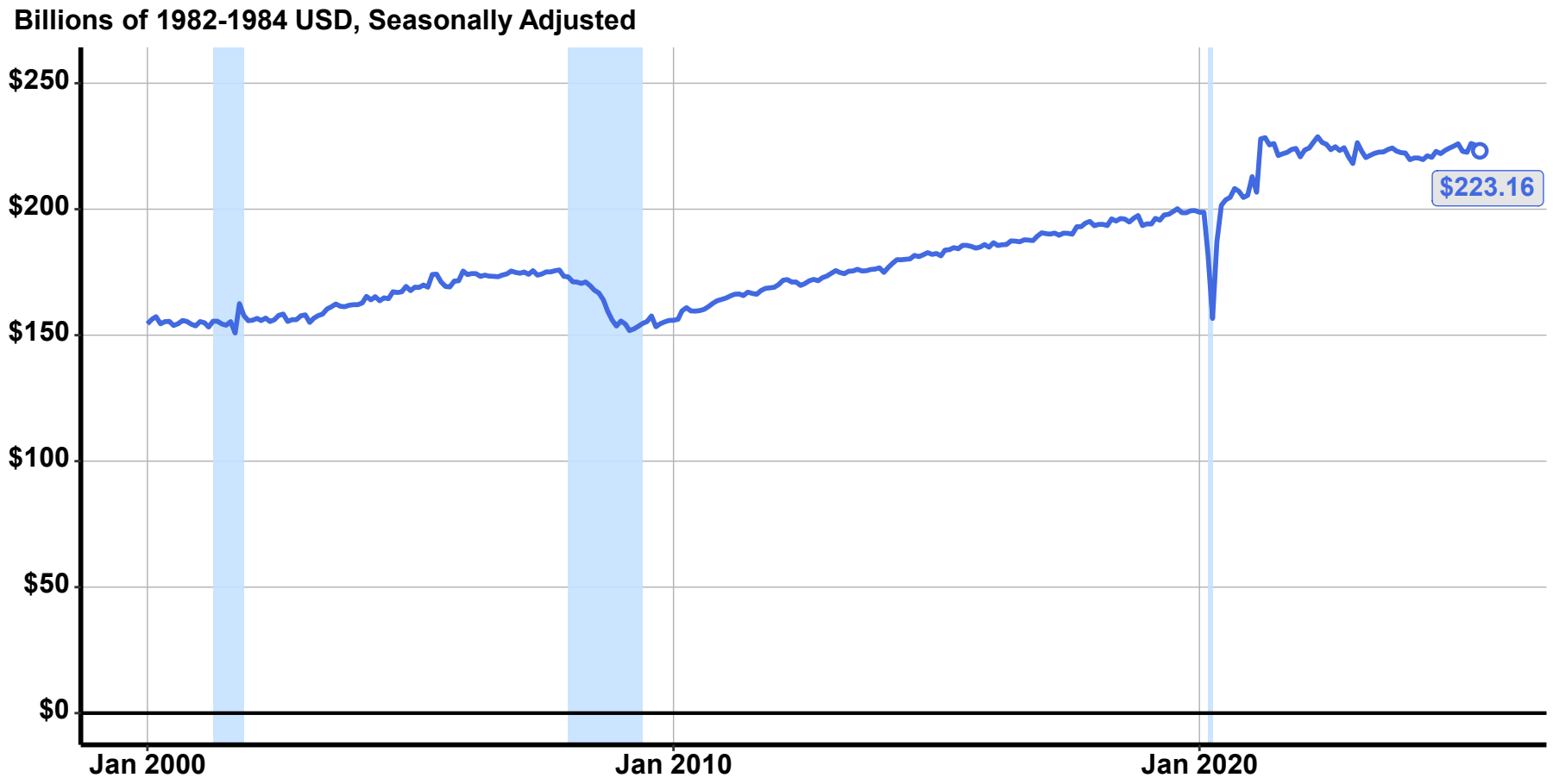
- FRB Senior Loan Officer Survey (most recent values labeled).
- Demand for consumer loan appears to have been weak for the past year.
- Demand for business loans also appears to be weak (not pictured).



Source: FRB Senior Loan Officer Survey via Haver Analytics
Quarters plotted: 2011:Q1 - 2025:Q1

Inflation Adjusted Total Monthly Retail Sales

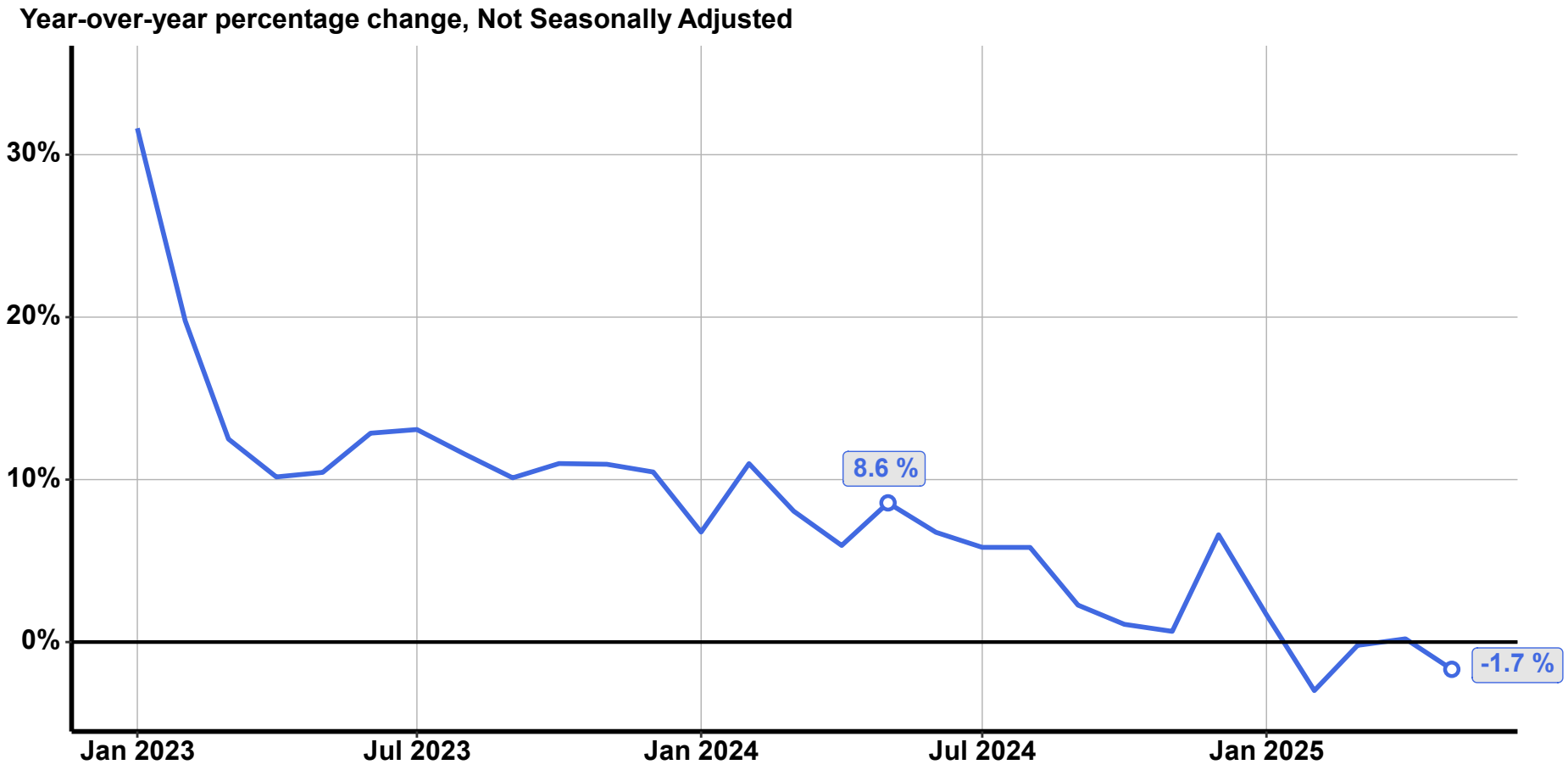
- Most recent observation labeled.
- Retail spending has been flat for a few years now.
- No noticeable change in the past few months, despite the weak sentiment data.



Source: US Census Bureau
Months plotted: Jan 2000 to May 2025

TSA Checkpoint Travel Growth

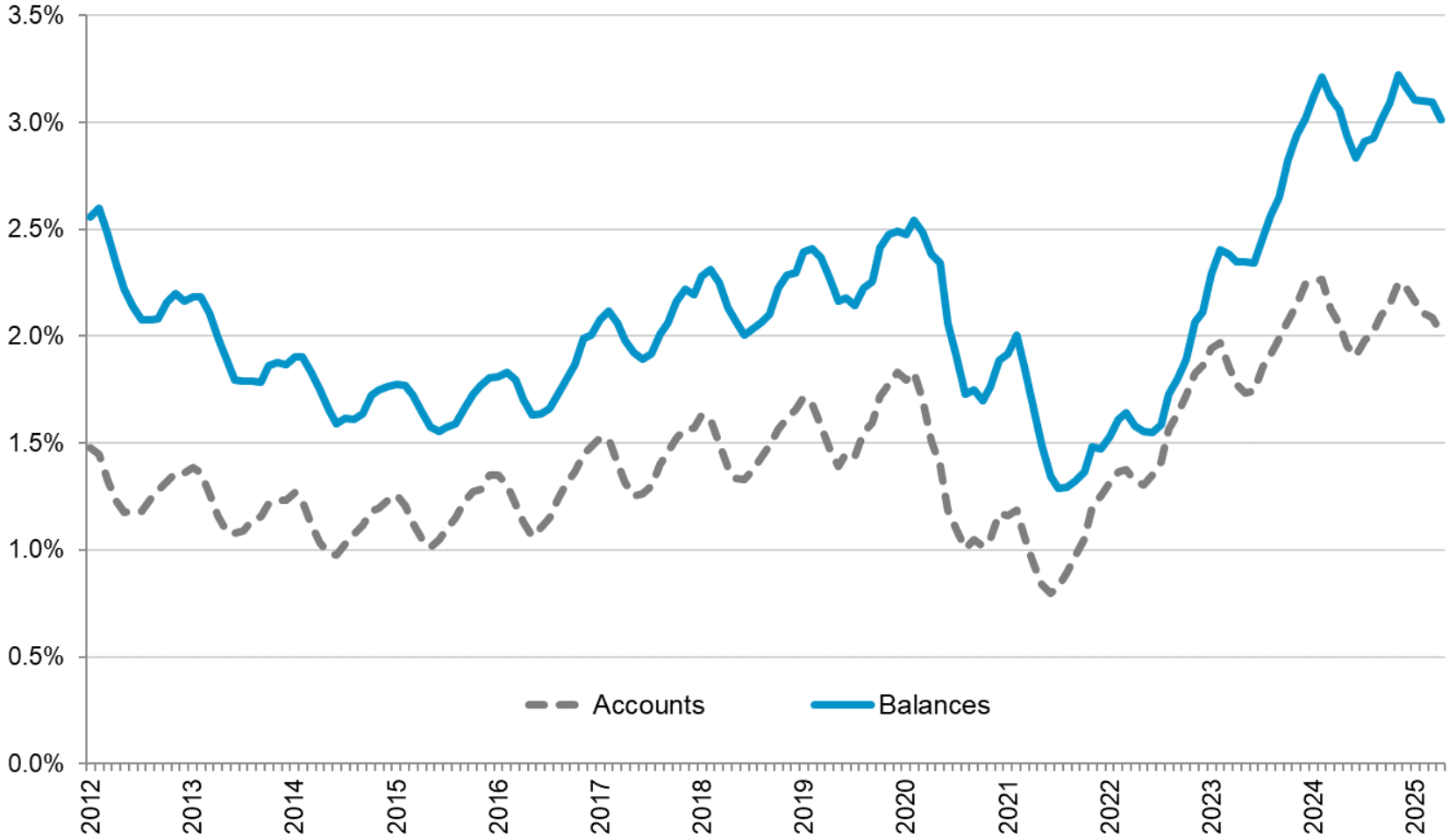
- There is some evidence of cooling off in consumer activity.
- Growth for air travel has slowed substantially over the past 12 months.
- However, the current level is still higher than pre-pandemic data.



Source: Transportation Security Administration
Months plotted: Jan 2023 to May 2025

Credit Card Loan Severe Delinquency Rate (60+ Days Past Due)

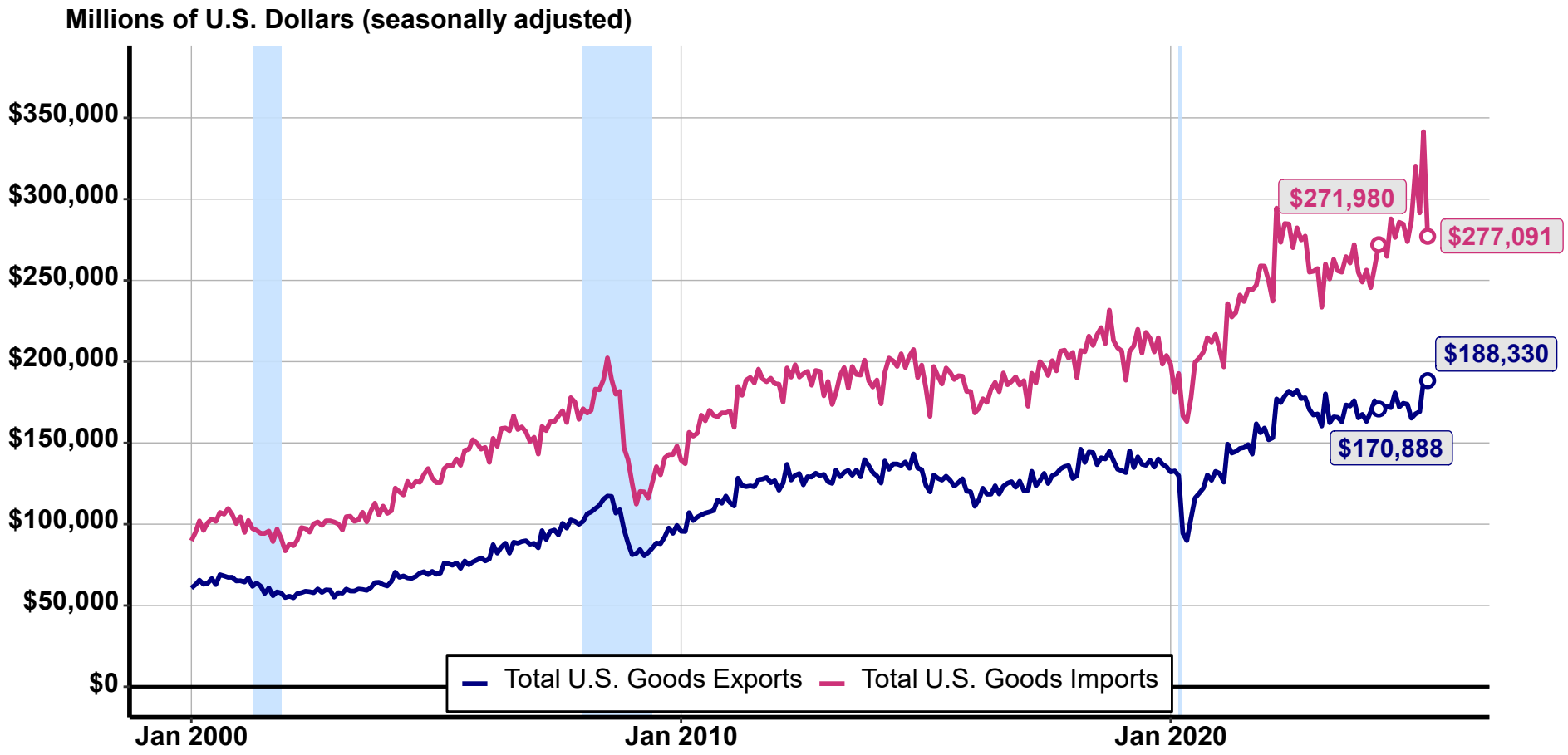
- Percent of accounts and balances; not seasonally adjusted.
- Credit card delinquency rates have picked up since mid-2022 and remain at the highest levels in more than a decade.



Source: Equifax
Last month plotted: April 2025

Total U.S. Goods Trade

- Most recent and last year's observations are labeled.
- Total U.S. goods imports spiked significantly in January and March, but dropped back in April.
- Some of this could be attributed to firms attempting to import goods before the tariffs kick in.
- Data related to consumers may be difficult to interpret over the next few months.



Source: Calculations based on Census Bureau via Haver Analytics
Months plotted: Jan 2000 - Apr 2025

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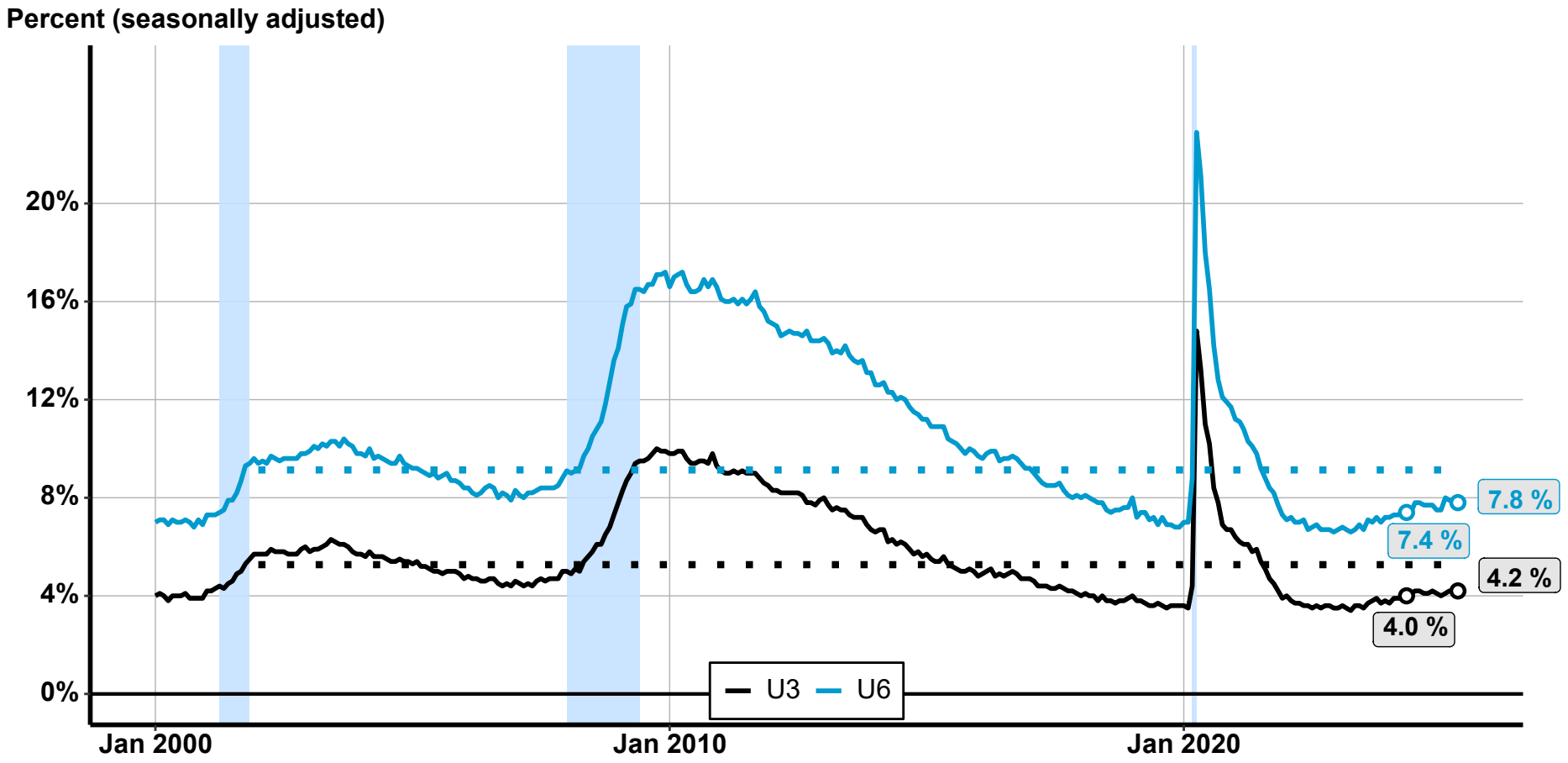
→ The labor market remains generally healthy despite its continued cooling off. Announcements of job cuts have not yet impacted the labor market data.

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U.S. Unemployment Rate

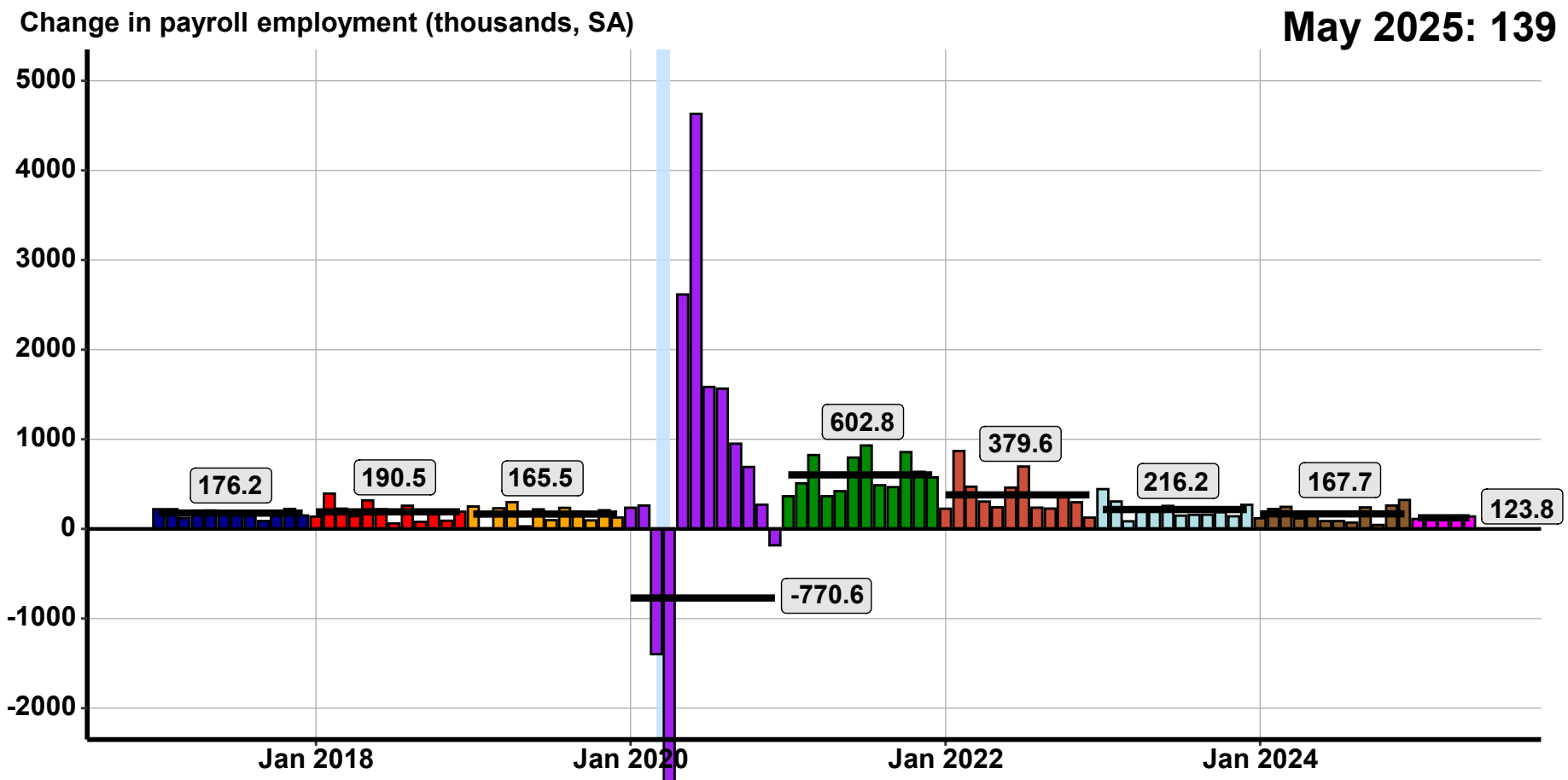
- Monthly, seasonally adjusted (most recent and last year's values labeled).
- Both the headline unemployment rate (U3) as well as the broader definition of "underemployment" rate (U6) have been on the rise in the past year.
- At the state and regional levels, unemployment rates remain low (not pictured).
- Weekly unemployment insurance claims data remain at low levels (not pictured).



Source: BLS via Haver Analytics
Months plotted: Jan 2000 to May 2025
Dotted lines indicate average from 2002-2007.

Change in Monthly U.S. Payroll Employment

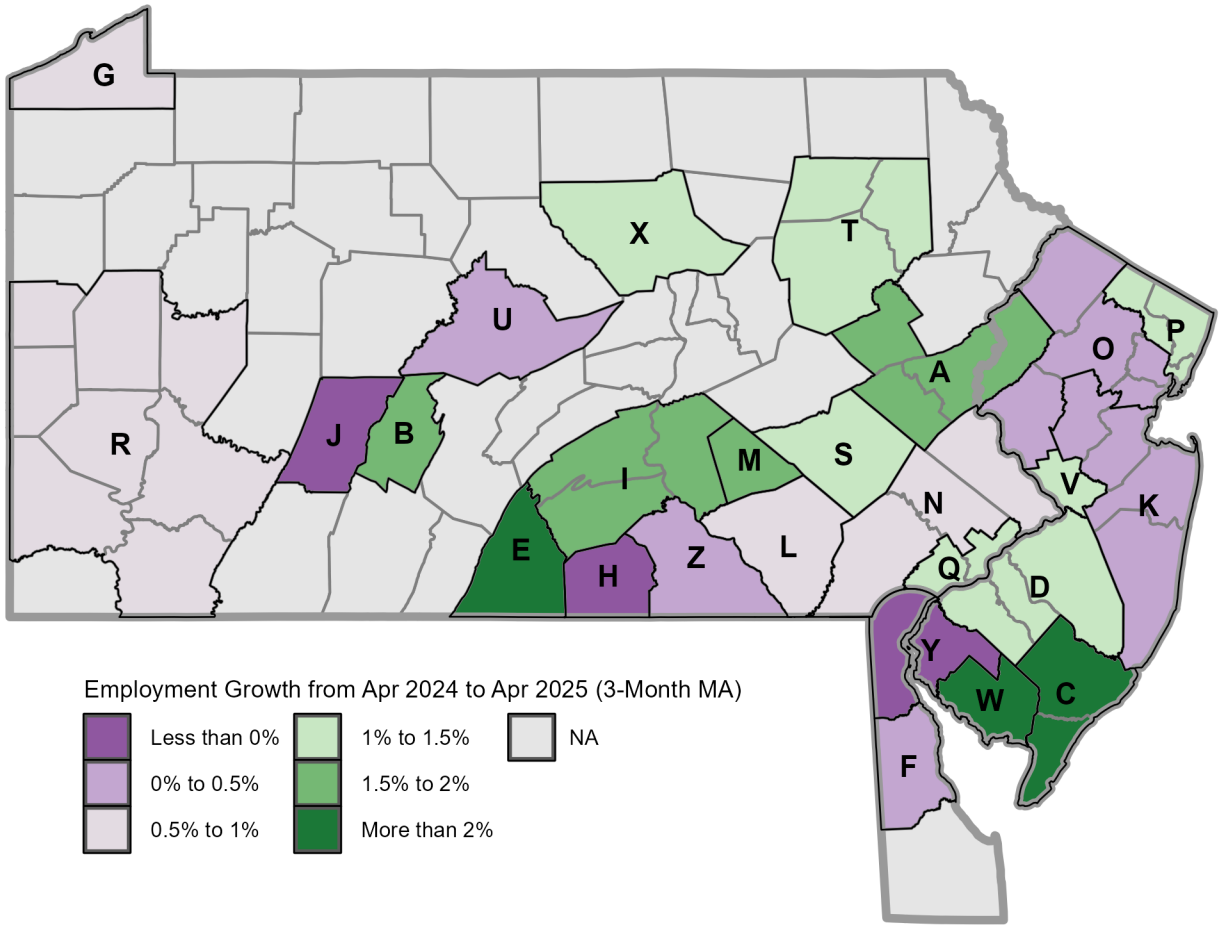
- Black lines indicate annual averages (in thousands).
- The labor market remains healthy, despite a clear continuous cooling off relative to the past few years.



Source: BLS via Haver Analytics
Months plotted: Jan 2017 - May 2025
Black lines indicate annual averages.

Tri-State Metro Area Employment Growth

- Year-over-year percentage change (3-month moving average).
- Speed of cooling off varies considerably across the Third District, where some areas are now reporting negative employment growth.



A = Allentown-Bethlehem-Easton MSA
B = Altoona MSA
C = Atlantic City-Hammonton MSA
D = Camden Metro Division
E = Chambersburg MSA
F = Dover MSA
G = Erie MSA
H = Gettysburg MSA
I = Harrisburg-Carlisle MSA

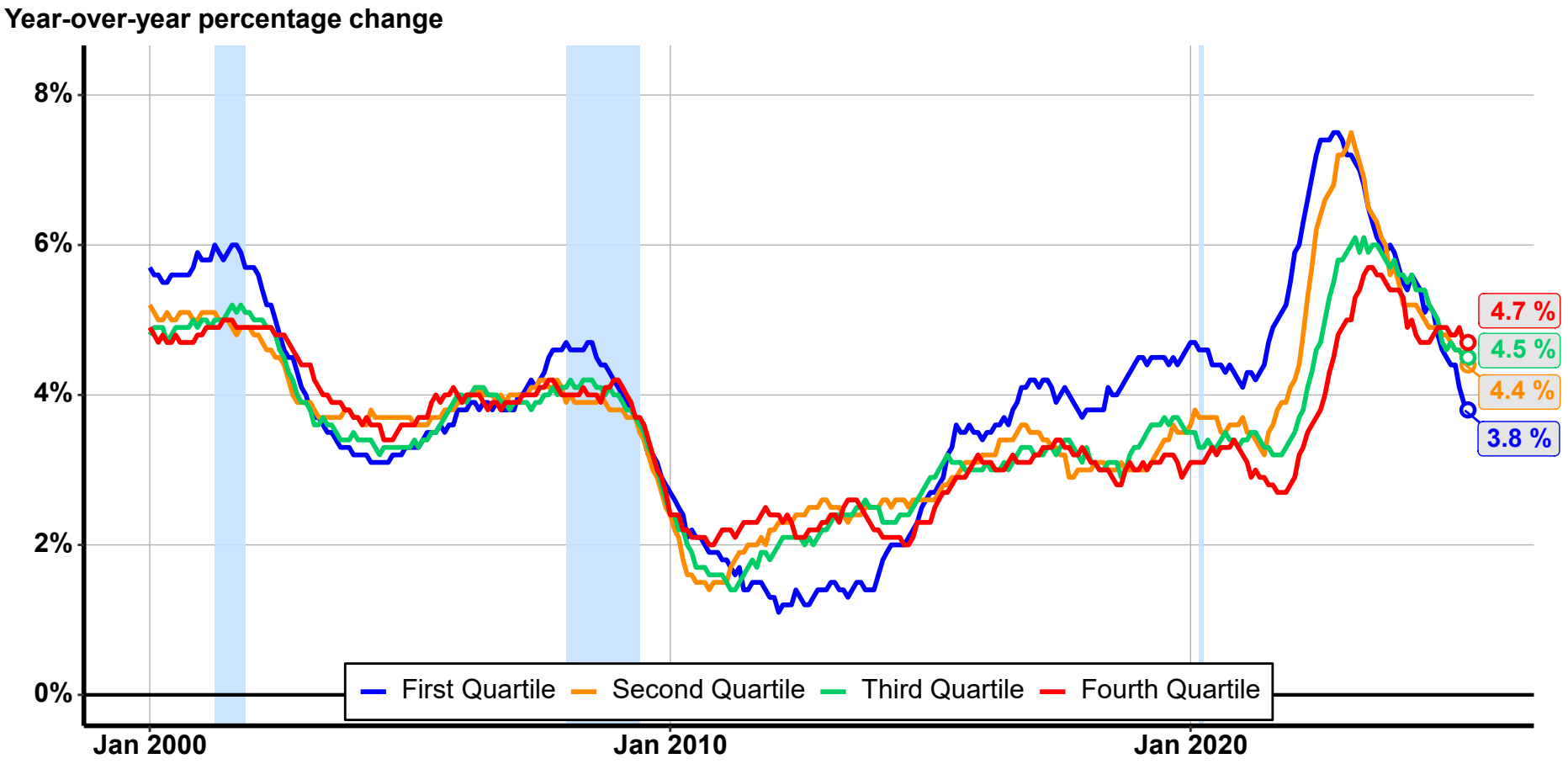
J = Johnstown MSA
K = Lakewood-New Brunswick MSA
L = Lancaster MSA
M = Lebanon MSA
N = Montgomery-Bucks-Chester County MD
O = Newark Metro Division
P* = New York-New Jersey-White Plains MD
Q = Philadelphia-Delaware County MD
R = Pittsburgh MSA

S = Reading MSA
T = Scranton-Wilkes-Barre MSA
U = State College MSA
V = Trenton-Princeton MSA
W = Vineland MSA
X = Williamsport MSA
Y* = Wilmington Metro Division
Z = York-Hanover MSA
* Also includes counties not shown on map.

Source: Calculations from BLS data via Haver Analytics.

Atlanta Fed Wage Tracker by Wage Quartile

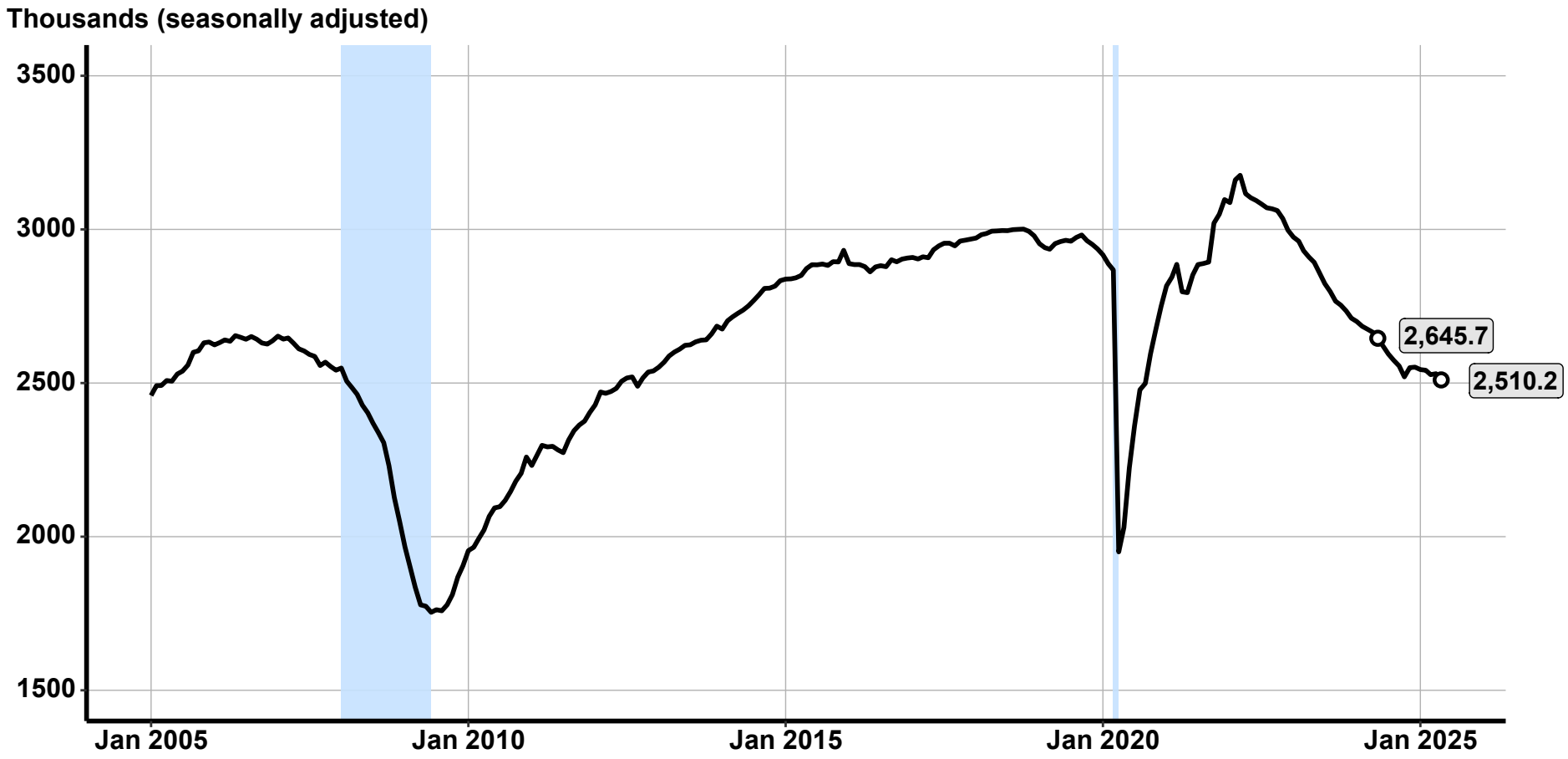
- Median percent change in the nominal hourly wage of individuals.
- Overall, wage growth has been decelerating for all wage categories.
- Wage growth among the lowest earners has been decelerating the fastest, and it is now lower than pre-pandemic rates.



Source: FRB Atlanta via Haver Analytics
Note: first quartile = lowest earners
Months plotted: Jan 2000 to May 2025

Payroll Employment: Temporary Help Services, The United States

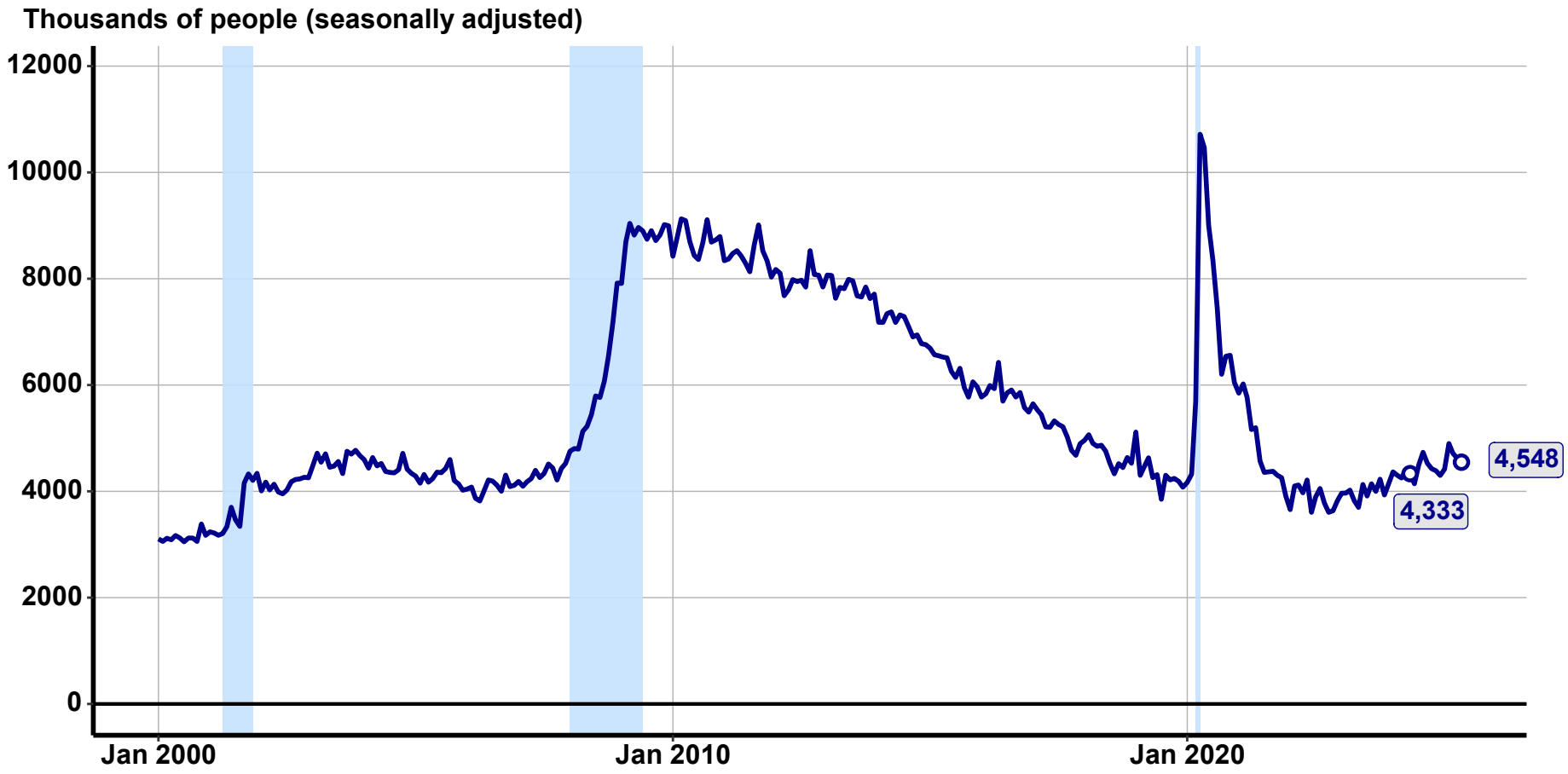
- Employment in the temporary help services category has continued to decline.
- Assuming that firms are more likely to reduce temporary workers before full time workers, this could signal worsened expected labor market conditions.



Source: BLS via Haver Analytics
Last month plotted: May 2025

Part-Time Employment Due to the Economy: “Underemployment”

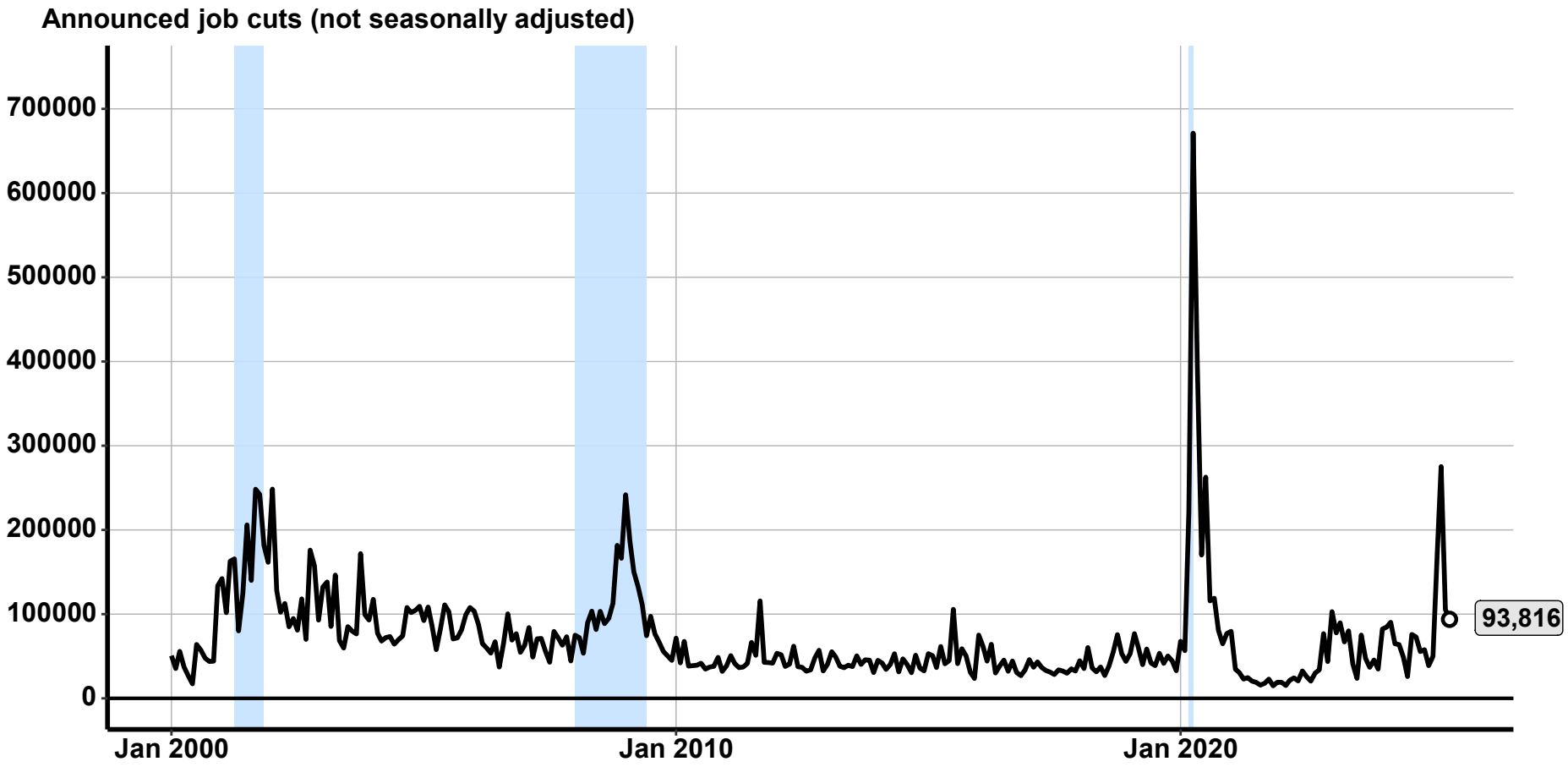
- Monthly, seasonally adjusted (most recent and last year's values labeled).
- The number of part-time workers who would rather work full time but cannot find full-time positions have increased steadily and now is slightly above the pre-pandemic levels.



Source: BLS via Haver Analytics
Months plotted: Jan 2000 to May 2025

U.S. Job Cut Announcements

- releases monthly summaries of announced job cuts identified by the location of the layoff or corporate headquarters cited in the announcement.
- In March, government and nonprofit sector made up nearly 80% of announced job cuts.
- April and May job cut announcements were spread across more industries.



Source: The Challenger Report from Challenger, Gray, & Christmas, Inc. via Haver Analytics
Last month plotted: May 2025

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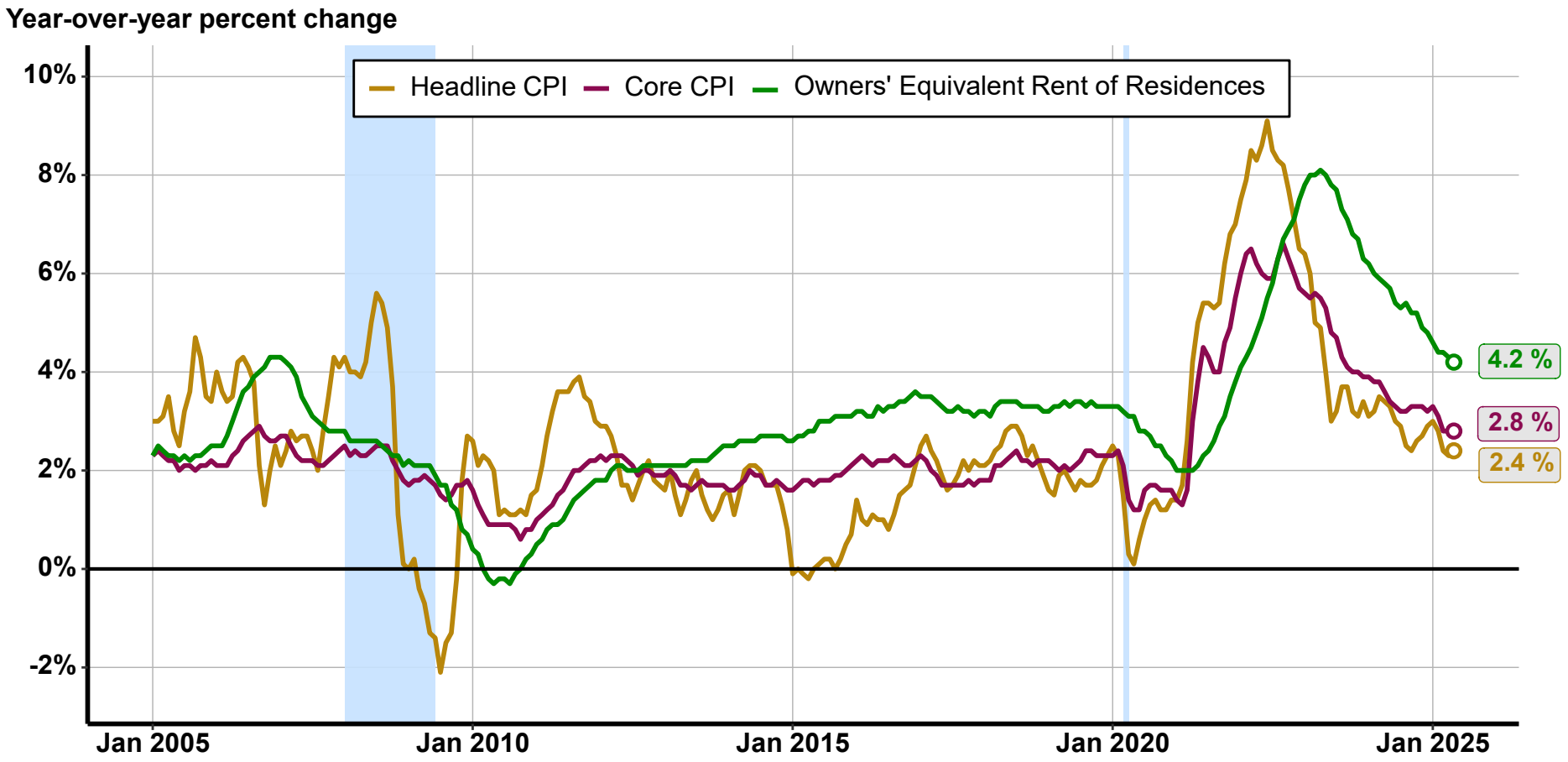
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U.S. Consumer Price Index Inflation

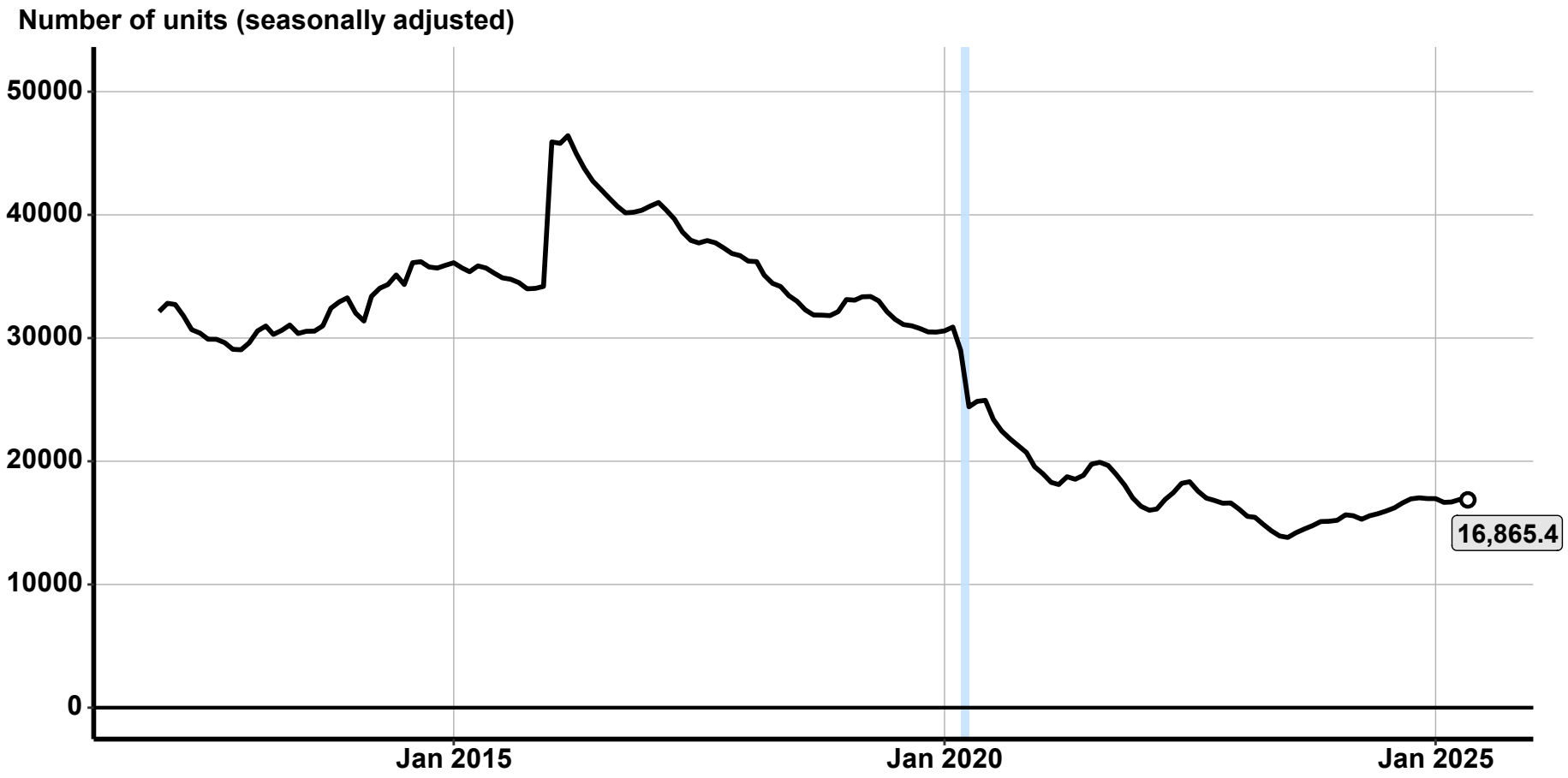
- Most recent and last year's values are labeled.
- Inflation has eased since the summer of 2022; however, the current rate is still higher relative to target levels.
- Inflation of shelter has also improved substantially over the year, despite their significant lag.



Source: BLS via Haver Analytics
Months plotted: Jan 2005 - May 2025

Single Family Residential Housing Inventory, Pennsylvania

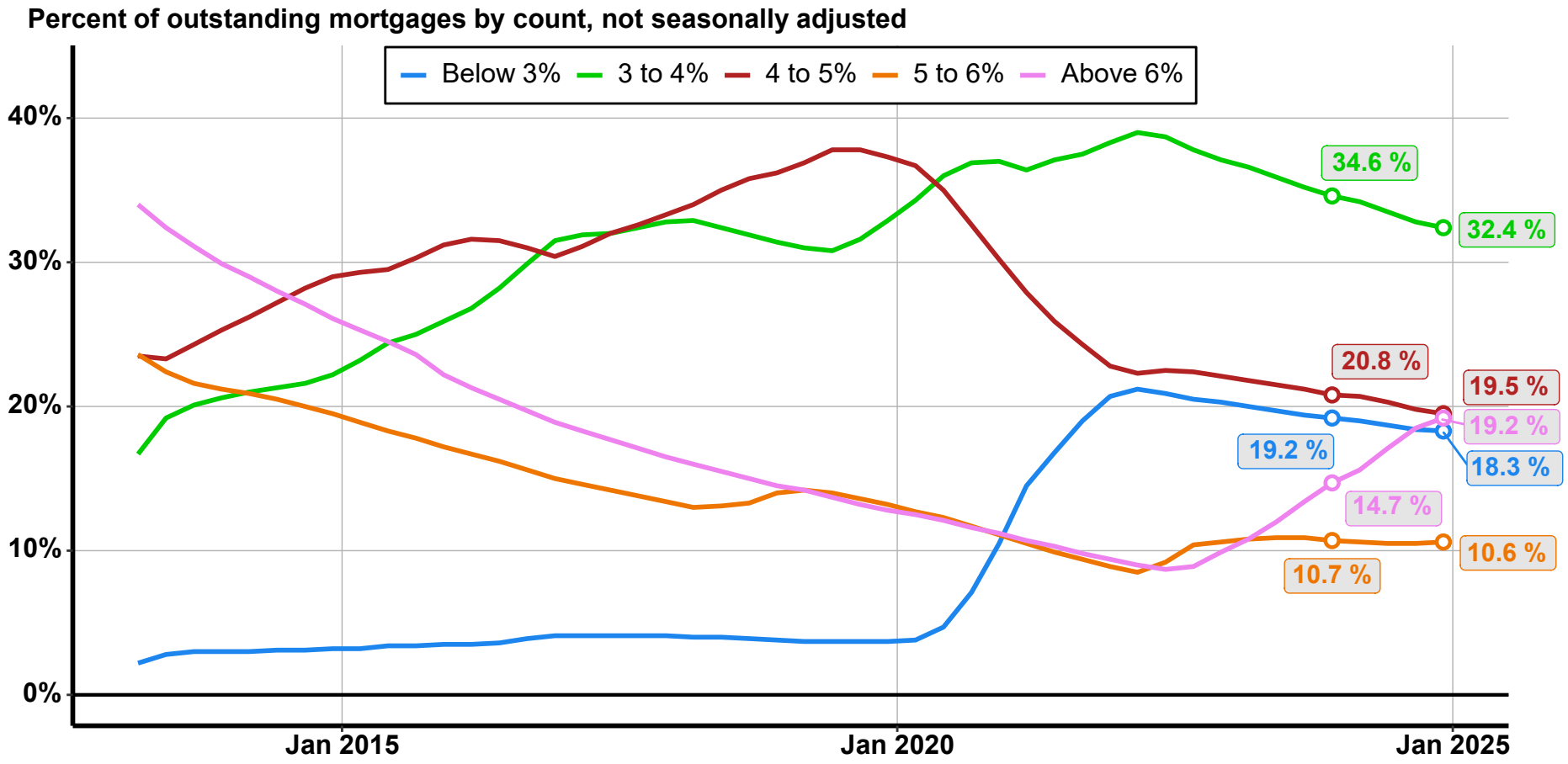
- Total number of active listings, Pennsylvania Areas.
- Significantly lower number of housing units listed for sale.
- Lower supply puts upward pressure on prices, even as demand could be lower as a result of higher cost of borrowing.
- The so called “lock-in effect” could be one of the reasons for such low inventory.



Source: Redfin via Haver Analytics
Months plotted: Jan 2012 to May 2025

Distribution of Interest Rates on Outstanding Mortgages, Pennsylvania

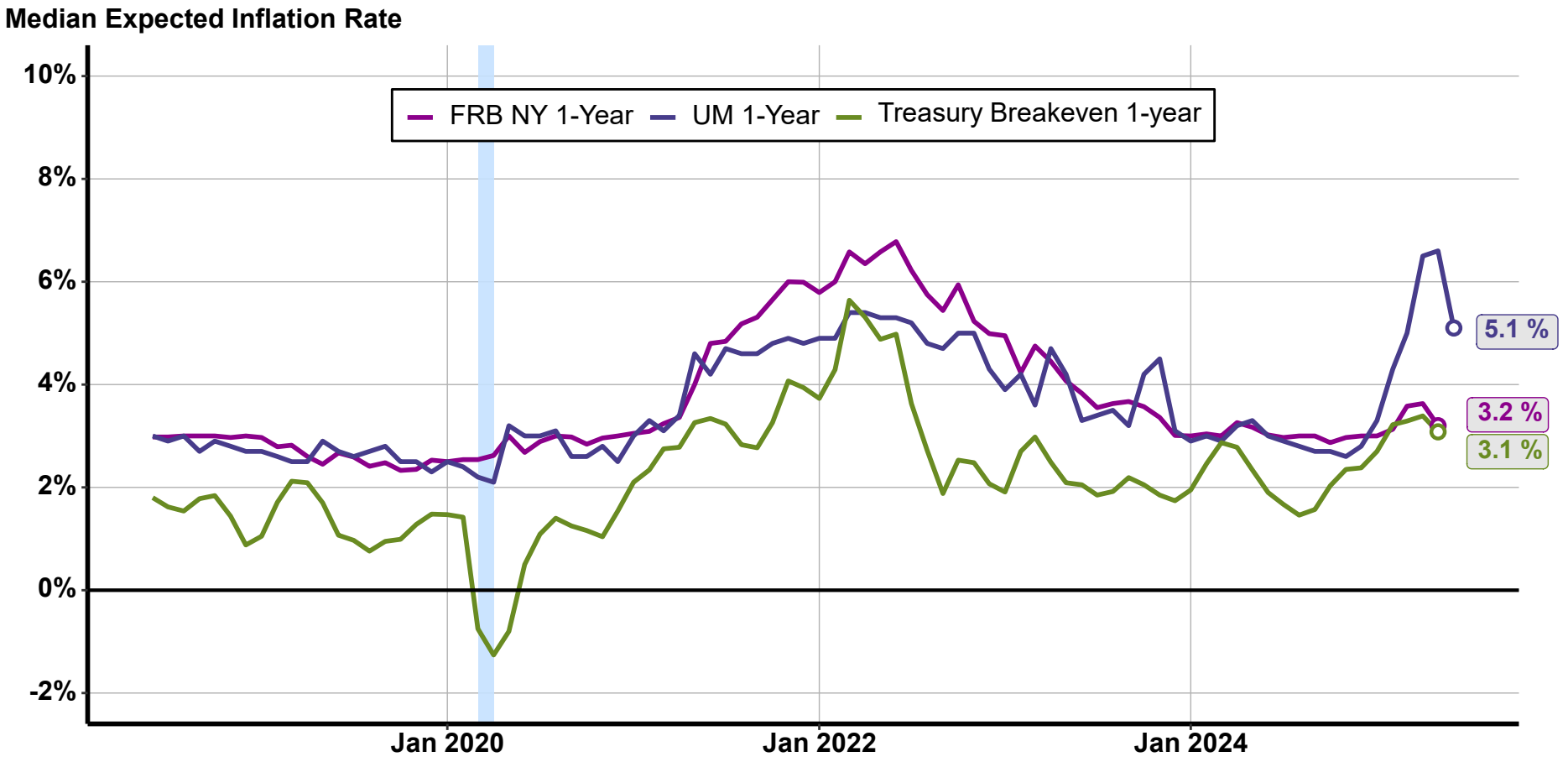
- The most recent and last year's observations are labeled.
- The share of outstanding mortgages that are 4% or below has been decreasing over the past year.
- That being said, more than half of the current outstanding mortgage accounts are still in this category.
- This causes the "lock-in effect" – current homeowners have difficult time letting their low mortgage rate go.



Source: Federal Housing Finance Agency
Quarters plotted: 2013:Q1 - 2024:Q4

One-Year Inflation Expectations

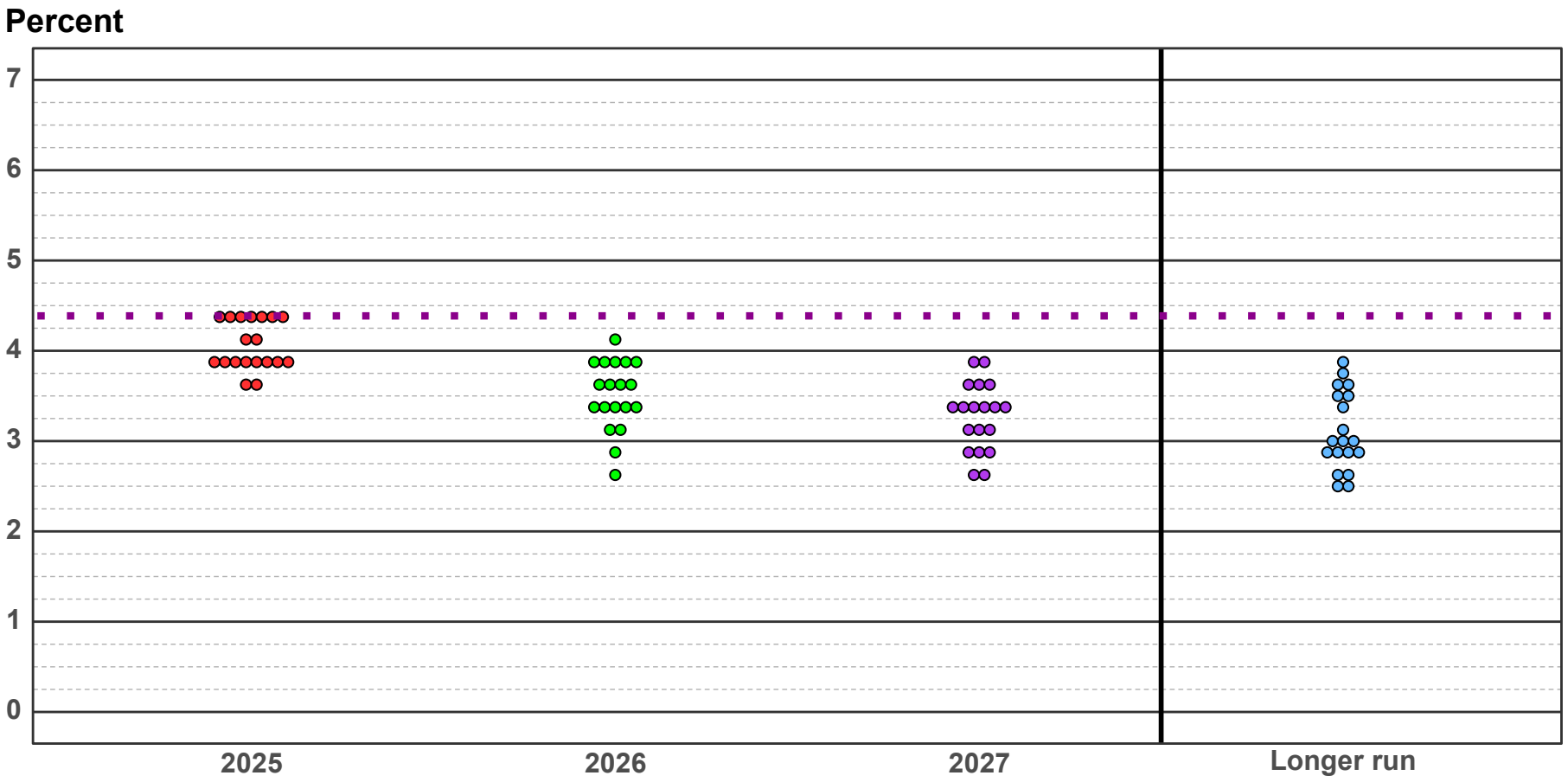
- Inflation expectations for the next 12 months remain elevated.
- Full impact from changes in trade policy has yet to be absorbed.



Source: Federal Reserve Bank of New York Survey of Consumer Expectations, University of Michigan Survey of Consumers via Haver Analytics
Months plotted: Jun 2018 - Jun 2025
Blue shade represents recession months

FOMC Projections of Appropriate Policy (as of June FOMC)

- The latest dot plot suggests a few 25 basis point rate cuts in 2025.
- *"Uncertainty about the economic outlook has diminished but remains elevated. The Committee is attentive to the risks to both sides of its dual mandate."* – FOMC June 2025 statement



Source: FOMC Projections, June 2025
Purple dashed line indicates the Fed Funds target rate as of the conclusion of the May 2024 FOMC meeting. (4.25 – 4.5%).

Market-Implied Federal Funds Target Rate Probabilities

- Probability based on CME Fed Funds Futures Contracts, as of June 20, 2025.
- Current target: 4.25 – 4.5%.
- Market does not expect a cut until the fall or later.

FOMC Meeting Date	3.25-3.5%	3.5-3.75%	3.75-4%	4-4.25%	4.25-4.5% (Current)
July 29-30, 2025	0%	0%	0%	14.5%	85.5%
September 16-17, 2025	0%	0%	9.6%	61.8%	28.6%
October 28-29, 2025	0%	5.1%	37.5%	44.0%	13.3%
December 9-10, 2025	3.6%	27.9%	42.1%	22.4%	3.9%

Source: CME Group

Summary

- The overall economy has decelerated noticeably over the past year; however, the level of current activity remains solid.
  - Going forward, weaker consumer conditions are expected, which can further decelerate growth.
  - Uncertainty has yet to impact actual data, but it has impacted sentiments and forecasts.
- Labor market data are indicating continuous cooling down; however, the market remains tight, and some firms continue reporting hiring challenges.
- Inflation is still higher than the target – but we continue moving in the right direction; however, high degree of uncertainty is likely to slow down its progress.

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