COMMENTARY

A Brighter Horizon on the Economic Landscape of 2025

As we step into 2025, the economic outlook presents a landscape of cautious optimism and strategic planning. This year, the theme is "balancing act," where businesses must navigate the delicate equilibrium between growth and stability.

Tariffs: a double-edged sword

Tariffs are expected to be selectively applied, targeting industries with unfair trade advantages. Historically, tariffs have pushed inflation higher and disrupted trade. However, the current administration is likely to avoid broad, sweeping tariffs, opting for a more measured approach. This strategy aims to protect domestic producers and ensure that tariff revenues support industries affected by retaliatory measures, such as farmers and ranchers.

Businesses should prepare for potential long-term adjustments by considering steps to mitigate risks, such as shifting operations domestically and leveraging incentives to keep infrastructure within the U.S. Staying informed about tariff policies and their potential impacts on supply chains will be crucial.

Inflation and interest rates: a stabilizing force

Inflation has stabilized, and interest rates are gradually decreasing, albeit at a slower pace than last year. Employment remains robust, and businesses are in good health, having avoided the anticipated recession. Consumers, despite carrying significant debt, can benefit from refinancing at lower rates, enhancing their financial stability.

Home values are expected to remain strong, supported by interest rates that, while off their peak, will decrease slowly. The yield curve, which has been inverted for an extended period, needs the long end to stay elevated to unwind this inversion, as mortgage rates are tied to the 10-year Treasury yield. Significant shifts are anticipated in 2026, but for now, rates will hover around 5-6%.

Businesses should take advantage of the stable inflation and interest-rate environment to plan long-term investments. Refinancing existing debt at lower rates can free up capital for growth initiatives. Monitoring the yield curve and interest rate trends will help in making informed financial decisions.

Employment and business environment: a year of opportunity

The business environment for 2025 looks promising, with the new administration fostering a business-friendly atmosphere through reduced regulation and extended tax cuts. The primary challenge for businesses will be hiring talent, particularly for less-skilled positions in sectors like hospitality, food services, and construction.

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The competition for talent will drive wages higher, contributing to overall economic growth.

Businesses should focus on strategic hiring and consider innovative ways to attract and retain talent. Offering competitive wages, benefits, and career development opportunities can help in securing the best talent. Additionally, investing in automation and technology can alleviate some of the pressures of labor shortages.

Consumer debt: a call for prudence

In a tight labor market, the competition for talent has driven up wages, pushing the cost to provide products and services higher and forcing businesses to increase prices. This has been one of the largest obstacles to slowing inflation over the last year and continues to put a strain on consumer budgets, pushing many to rely more heavily on credit to make ends meet.

Speaking of credit, while consumer debt has risen consistently over the past 25 years, particularly in the Mountain West, we have seen an acceleration in credit use over the last two years. As a result, a larger portion of the average person's monthly spending goes toward interest payments on debt. Consumers are advised to review their spending habits and prioritize paying off high-interest debt, such as credit cards and home equity lines of credit (HELOCs). By making savvy financial choices, consumers can save on interest payments and improve their financial health.

Student loan payments, which have resumed, also require careful management. For those with adjustable-rate loans, the anticipated decrease in interest rates is good news, offering an opportunity to reduce payments and allocate funds more effectively.

Businesses should be aware of consumer debt trends as they can impact consumer spending behavior. Offering financial wellness programs and resources to employees can help them manage their debt and improve their financial stability, which in turn can enhance productivity and job satisfaction.

2025: a year of strategic growth

In summary, 2025 promises to be a year of strategic growth and cautious optimism. Businesses must navigate the economic landscape with prudence and foresight. By balancing growth with stability, leveraging opportunities, and managing risks, we can look forward to a prosperous year ahead. The key to success lies in staying informed, making strategic decisions, and maintaining a disciplined approach to financial management.

About Jeremy Blair

Jeremy Blair is the senior vice president of finance and chief investment officer at Mountain America Credit Union. In this role, he is responsible for overseeing corporate investments, liquidity management and interest rate risk management. He also serves as a financial advisor to the CEO and executive team to support strategic planning and develop methods for tracking revenue and expenses. He is an expert at growth strategy and processing organizations' financial activities to maximize profits. His expertise also includes data analysis, which he uses to advise executives on how to act on data-backed strategies to ensure short- and long-term growth and compliance with financial laws and regulations.

Blair graduated from the University of North Texas with a Bachelor of Arts in finance and received an MBA in strategic management. He is married and the father of three children. In his spare time, he enjoys spending time with family, traveling, and exploring all the outdoor activities the Mountain West has to offer.

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