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Fitch: U.S. State and Local Governments Outlook 2025

Although economic growth will slow in 2025, overall core credit conditions will remain neutral for U.S. state and local governments. Additionally, credit quality will be stable and strong given governments' ability to manage a weaker but normalized revenue environment with strong financial resilience. Labor market conditions, income and GDP growth will all weaken but remain positive next year, driven by a fading federal fiscal impulse and a gradual slowdown in consumption as household income growth cools. The vast majority of state and local government Rating Outlooks are Stable in 2024, consistent with the prior year. Fitch took a significant number of rating actions in 2024, driven by implementation of the new local governments criteria.

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