

# **Bond Case Briefs**

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## **S&P U.S. State and Local Government Credit Conditions Forecast: Economic Growth is Tinged by Questions of Sustainability.**

U.S. regions have been growing during the past year at a faster pace than we expected. The U.S. Commerce Department's Bureau of Economic Analysis' revised estimate of second-quarter real GDP growth of 4.6% surpassed our expectation of a 4.2% annualized growth rate for the quarter. More generally, the updated official growth estimate confirmed our view that the U.S. economy is gaining momentum. Even before the GDP revision, we had modestly raised our forecast of 2014 real GDP growth to 2.2% from 2.1%. Shortly thereafter, a strong September jobs report followed; thus, several recent indicators offer accumulating evidence that the economy could outperform even our somewhat improved outlook. Welcome as they are, however, indications of faster-paced economic growth create something of a dilemma for state and local government budget officials. Almost across the board, governments have restrained their staffing levels, programmatic funding, and infrastructure investment.