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S&P's Five Takeaways From U.S. Public Finance In 2024: Uneven Credit Trends Emerge Amid Rising Uncertainty

U.S. public finance started 2024 with a mixed credit view that was largely realized. As the page turns on 2024, S&P Global Ratings recaps five major themes that underpinned the U.S. public finance credit landscape this year while we wait for how the incoming Presidential administration's policy implementation details could affect credit quality in 2025.

Our Five Takeaways

1. Better-than-expected growth stabilized ratings across most sectors. Our economic forecast indicates that the U.S. economy may expand 2.0% in each of the next two years following 2.7% growth this year (see table below). Real GDP growth in 2024 is nearly 2x our economists' forecast at the beginning of the year. A relatively resilient labor market and the gradual decline in inflation led to robust revenue and demand activity that supported operations and debt service obligations across most U.S. public finance asset classes. Meanwhile, the final year of federal pandemic stimulus contributed to revenue strength across sectors. For example, most states saw surplus operating results and record reserves. (See "States' Median Reports: Our New Methodology Highlights Rating Consistency," published Nov. 20, 2024, on RatingsDirect.)

In addition, U.S. not-for-profit transportation infrastructure enterprise financial medians improved in fiscal 2023 across asset classes given continued revenue and activity growth (passengers, tolled transactions, and tonnage) and a combination of management actions such as increasing rates, fees, and charges and reserves, resulting in rating actions that were overwhelmingly positive (32 positive to just one negative rating action) from Sept. 1, 2023, through Sept. 1, 2024. (See "U.S. Not-Fo--Profit Transportation Infrastructure 2023 Medians: Demand And Revenue Growth Improved Financial Medians To Post-Pandemic Highs," published Nov. 12, 2024).

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