



THIS WEEK'S PROGRAM

April 22, 2025

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Matthew Martin, Regional Executive, Federal Reserve Bank of Richmond

by Elly Clary

Unknowns muddy the US economic outlook, a Charlotte-based Fed executive said, adding “uncertainty is the word for the day.”

A rosy year-end economic picture has faded as government policy has taken center stage, said Matthew Martin, regional executive for the Federal Reserve Bank of Richmond.

“The pace of change has created a sense of instability, business optimism has dropped, and consumer sentiment has fallen considerably,” Martin said.

Martin’s job is to travel North Carolina and South Carolina, speaking with business leaders and others, soliciting their views on the economy and how they plan to react. The shoulder-shrug emoji sums up current sentiment, he said. “It’s too soon to know.”

He’s seeing only modest impact on consumer spending, almost 70 percent of Gross Domestic Product. The Charlotte Metropolitan Area added 27,000 jobs in the last 12 months for a healthy 2 percent growth rate. Martin said he hasn’t observed a spending slowdown here.

Economic policies include more tariffs, lower net immigration, probable extension of 2017 tax cuts, deregulation, lower government spending growth and maybe promoting traditional energy sources. There’s not enough clarity on

how the combination of these efforts will shake out or how people will react, Martin said.

A conservative estimate is that tariff hikes on goods from China, Canada and Mexico will amount to four times more than the last increases in 2018, Martin said. So expect something more substantial than seven years ago when prices rose modestly at about three-tenths of a percent.

“No one knows where tariff rates will settle or how affected countries, businesses, and consumers will respond,” Martin said, but retaliation seems certain. “There’s an open question about whether businesses will be able to pass along costs.”

Another unknown relates to the federal debt as a percentage of Gross Domestic Product. Nudging 100 percent, it’s the highest it’s been since right after World War II. The Congressional Budget Office projects it will surpass the previous peak of 106 percent.

“We’re adding roughly \$2 trillion a year to the debt levels,” Martin said, and invoked venerated economist Herb Stein’s law: “If something cannot go on forever, it will stop.”

Through bond rates, financial markets determine when a country’s fiscal situation is unsustainable. Commentary concerning these rates is creeping into economic discussions, he said, adding, “Your guess is as good as mine as to how that resolves itself.”

Most private sector forecasters have lowered their expectations for US economic growth in 2025, from 2 percent to maybe half a percent, he said.

The US economy enjoys momentum and stability, and it takes a big outside event to untrack it, Martin said, but he added one of two options could happen: Government policy could cause a recession or the economy could weaken enough for a lesser shock to scuttle it.

A recording of the meeting can be found here:

With Slides: [Matthew Martin, Federal Reserve Bank of Richmond with slides on Vimeo](#)

Without Slides: [Matthew Martin, Federal Reserve Bank of Richmond without slides on Vimeo](#)

The program begins at 25 minutes and 45 seconds.