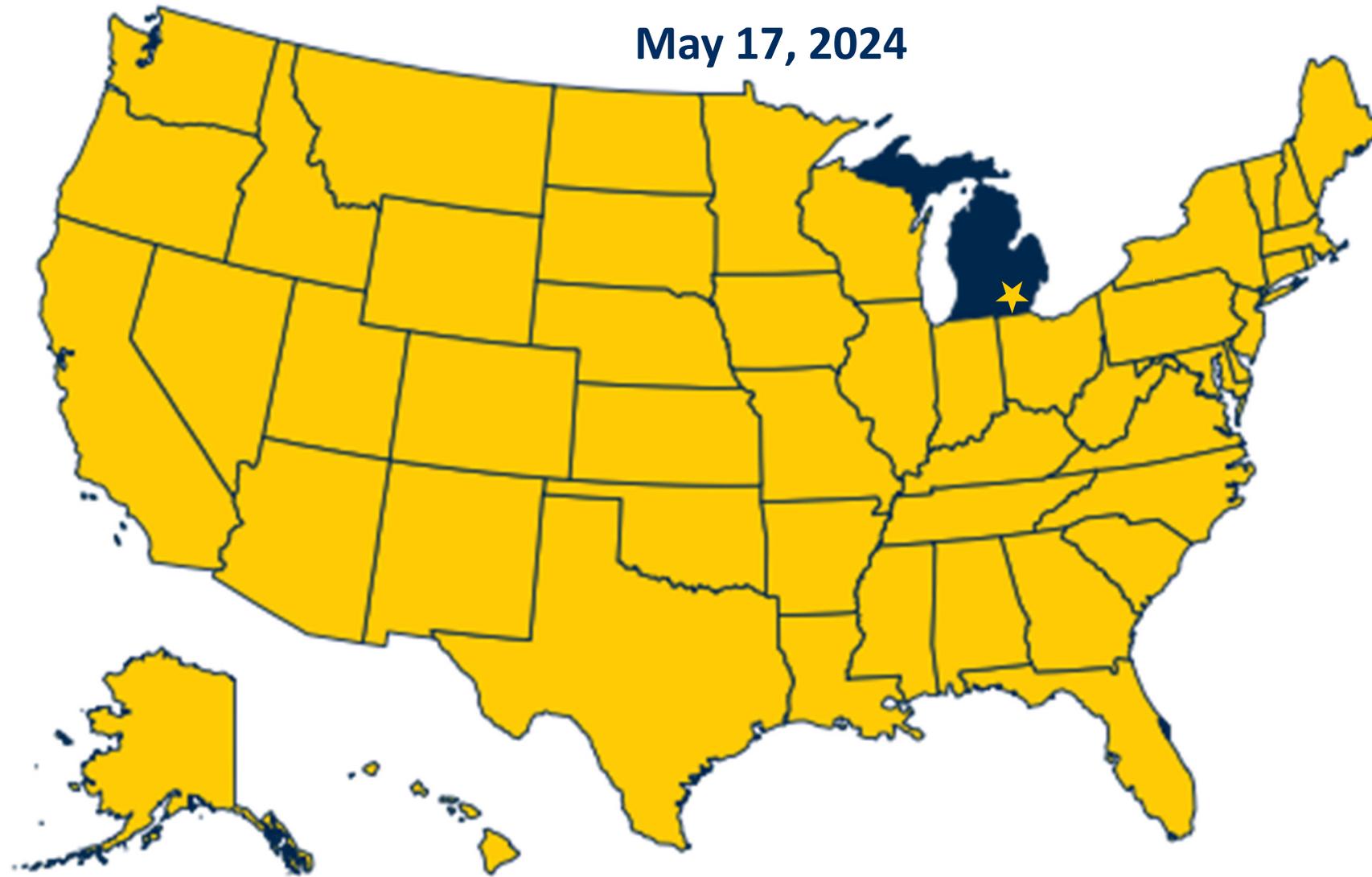


**The U.S. and Michigan Outlook for 2024–2026**  
**Consensus Revenue Estimating Conference**  
**Lansing, Michigan**

May 17, 2024

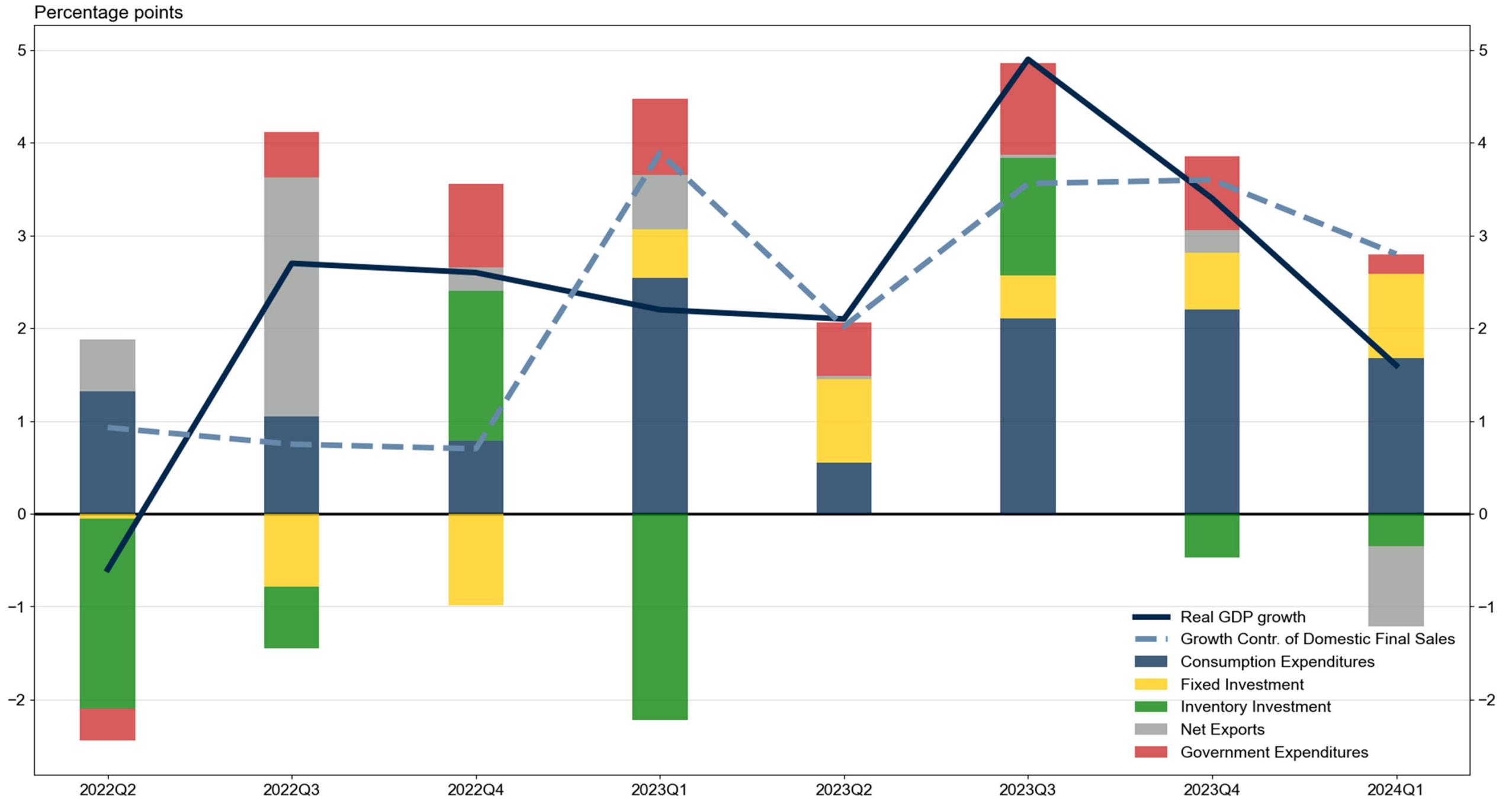


**Research Seminar in Quantitative Economics**

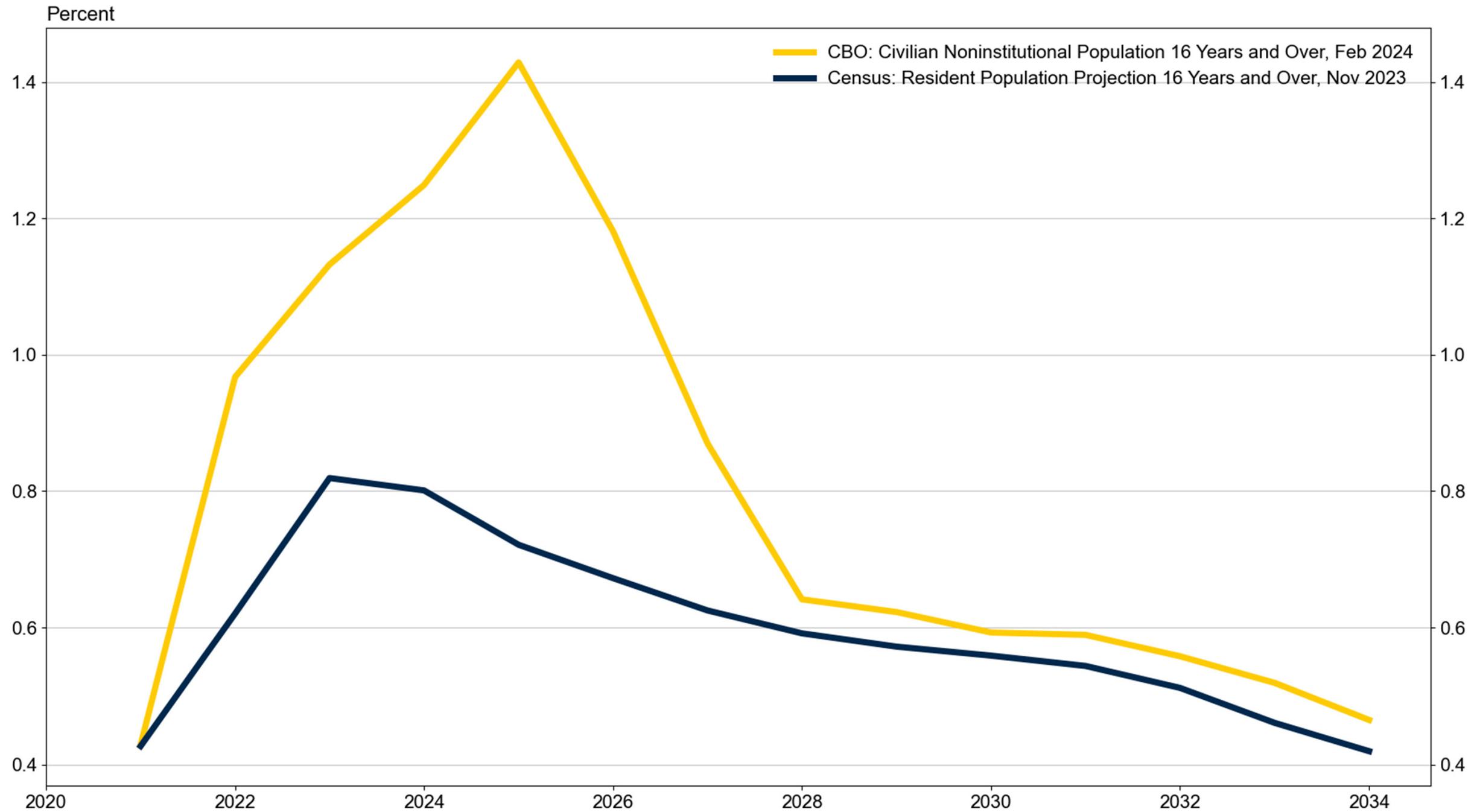


# Current State of the U.S. Economy

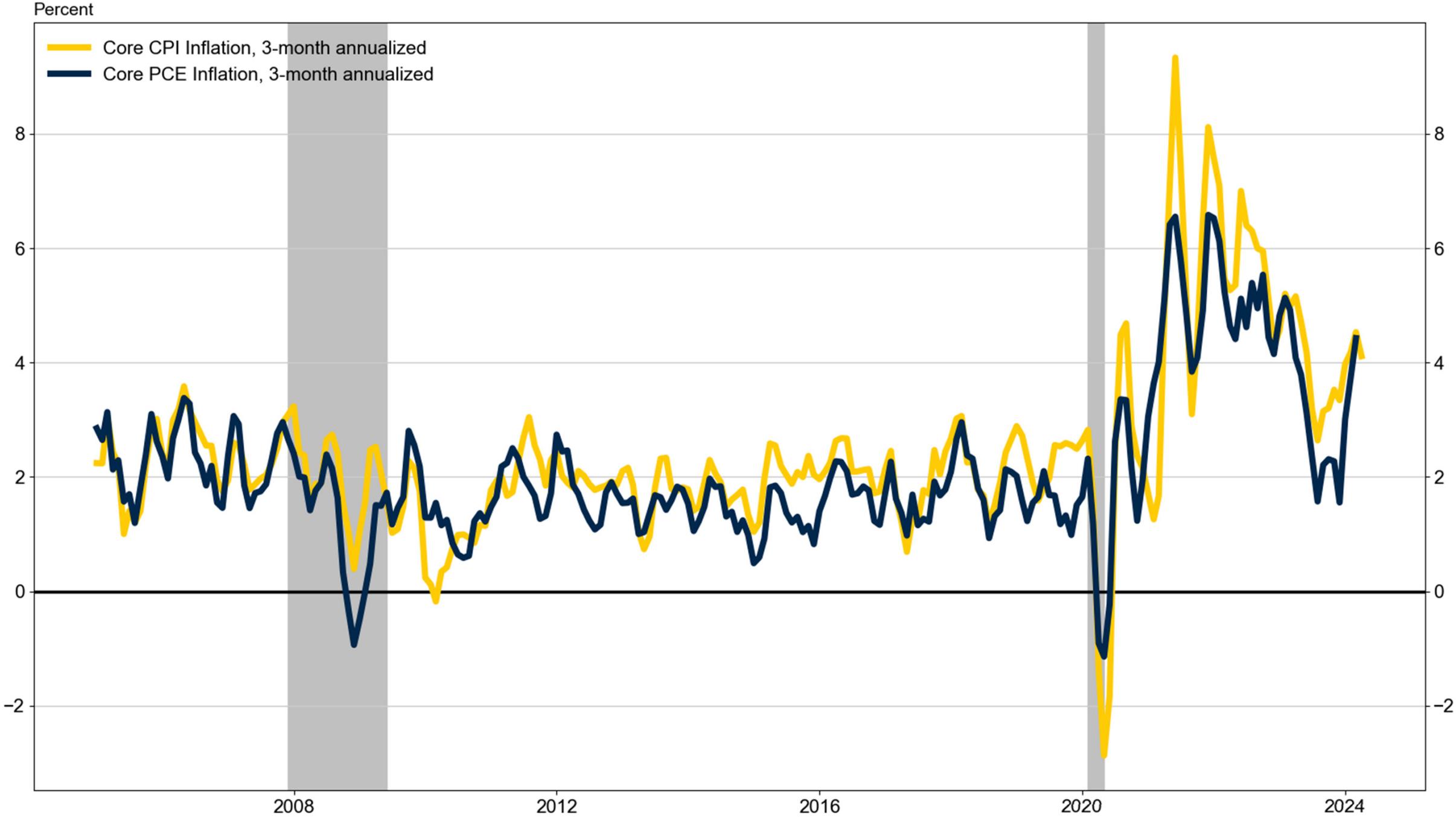
# Real GDP Growth Composition



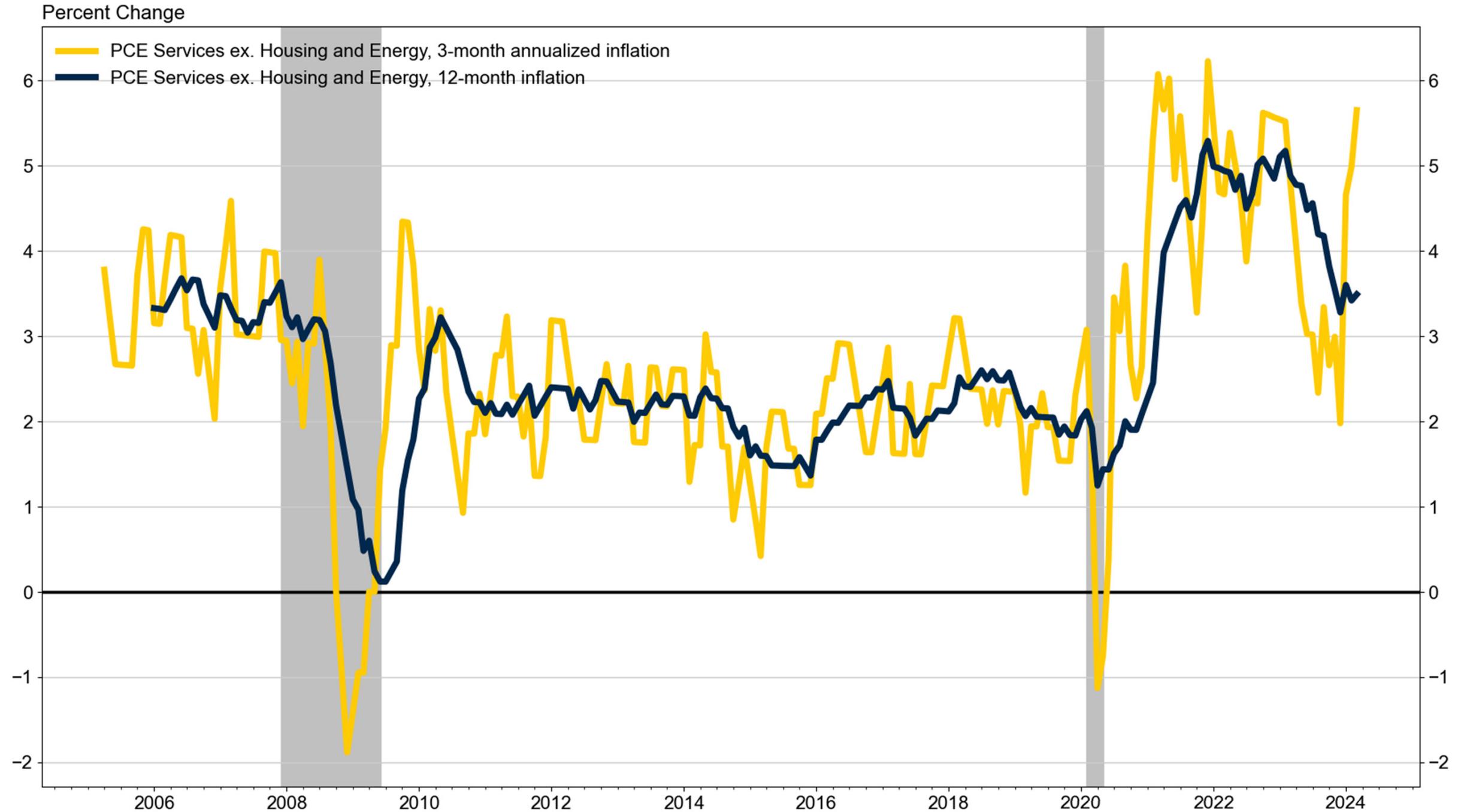
# Population Estimates and Projections



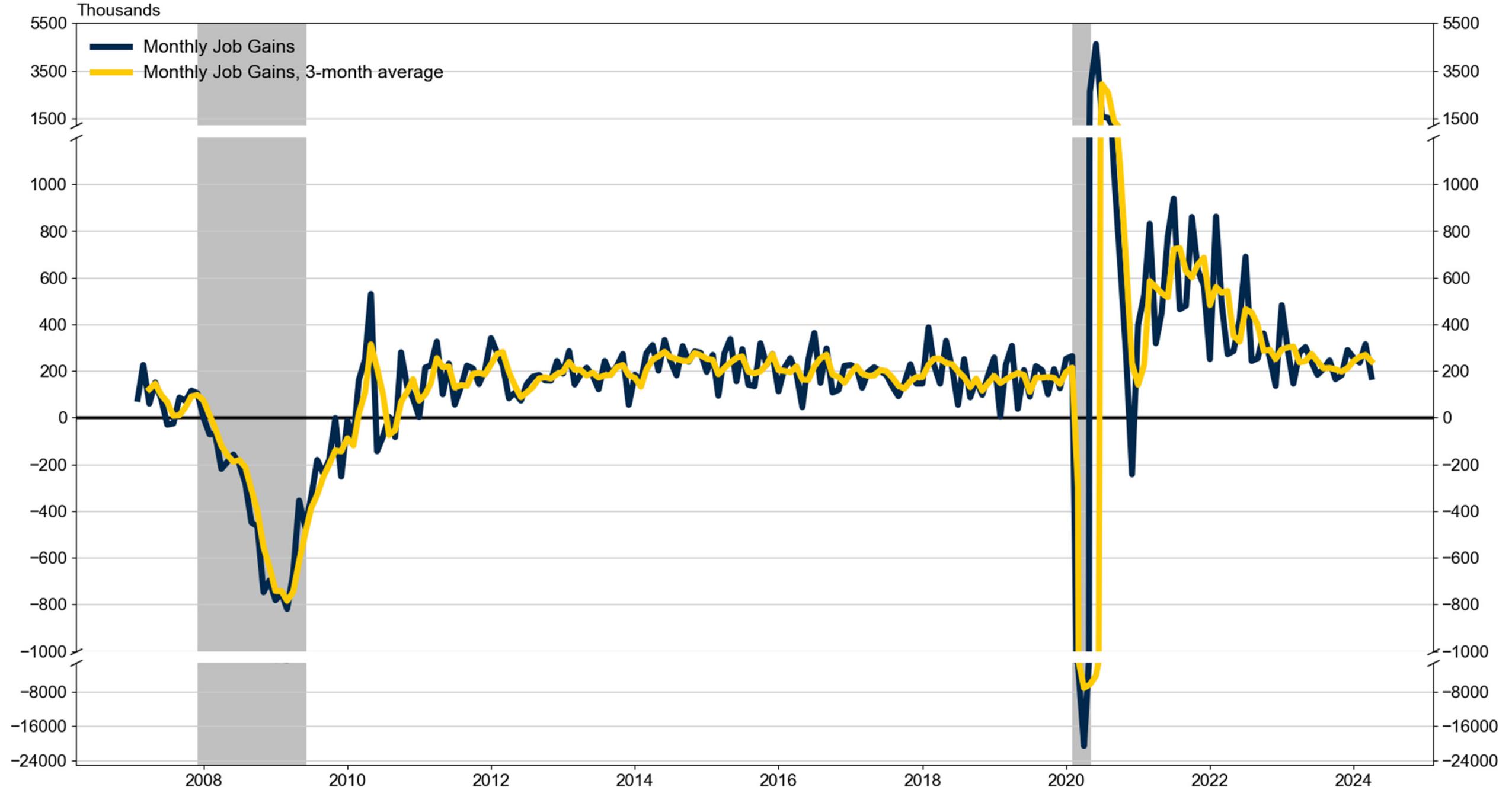
# Recent Core Inflation



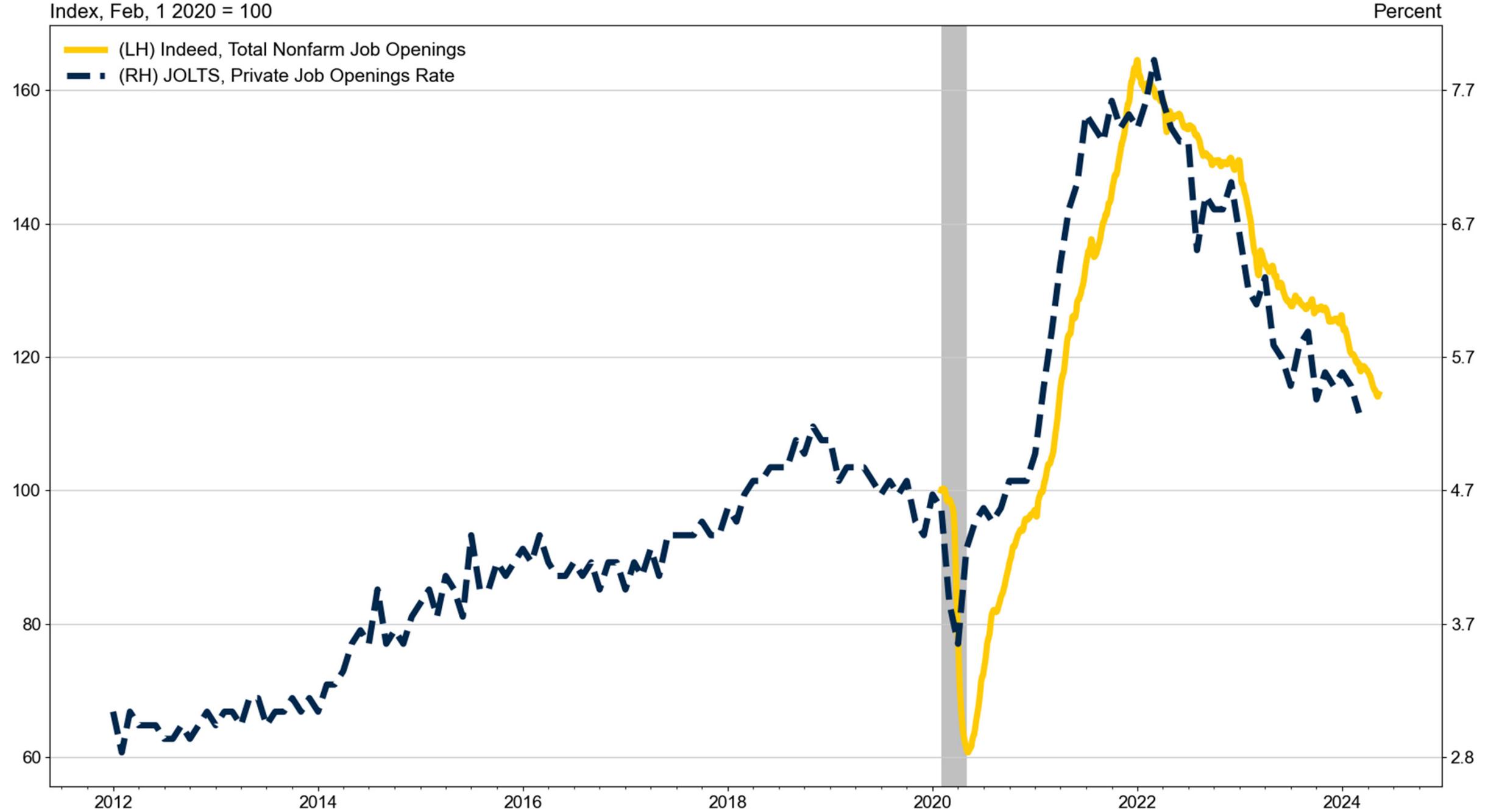
# Core PCE Services Inflation ex. Housing



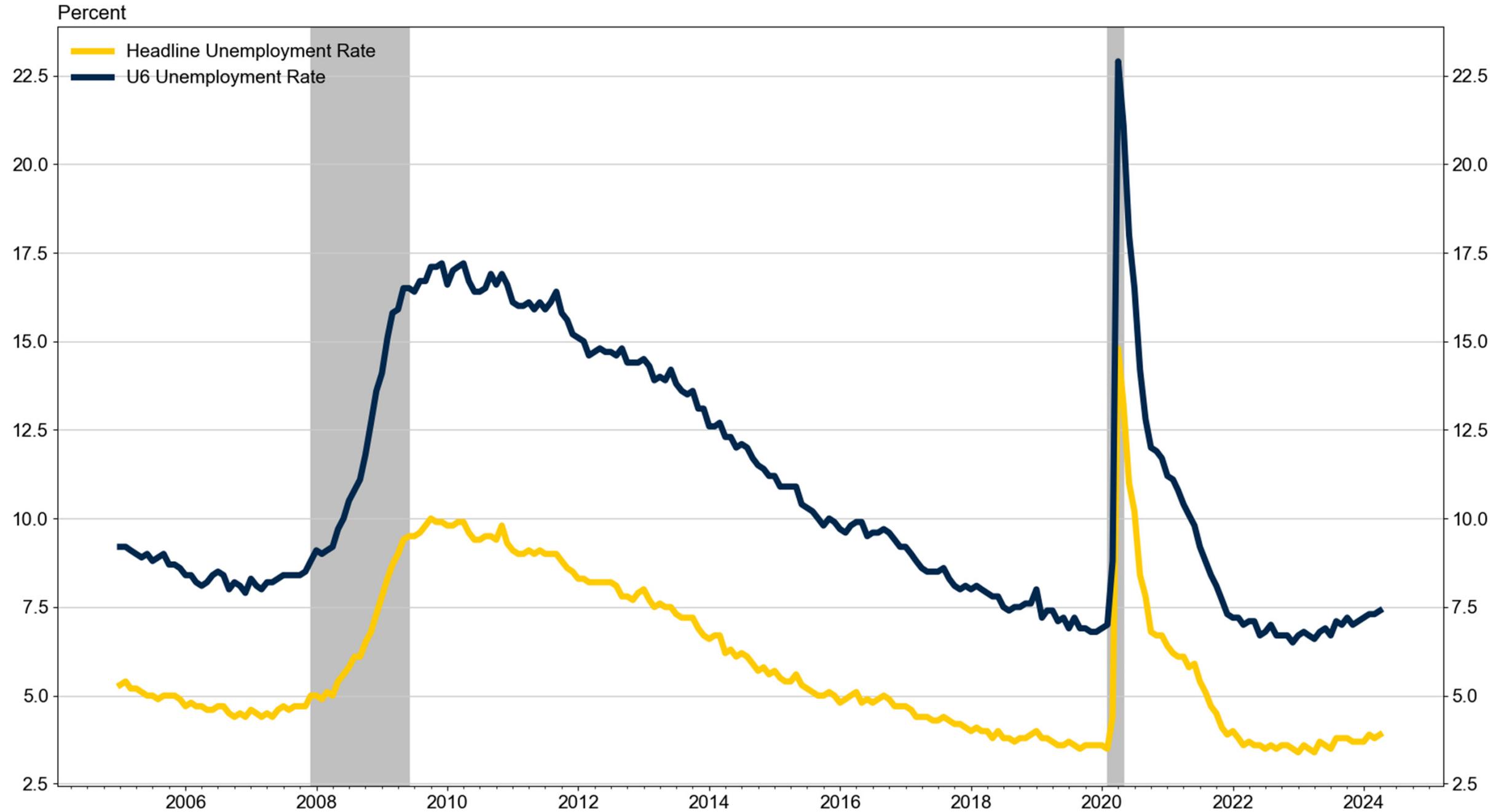
# Monthly Payroll Job Gains



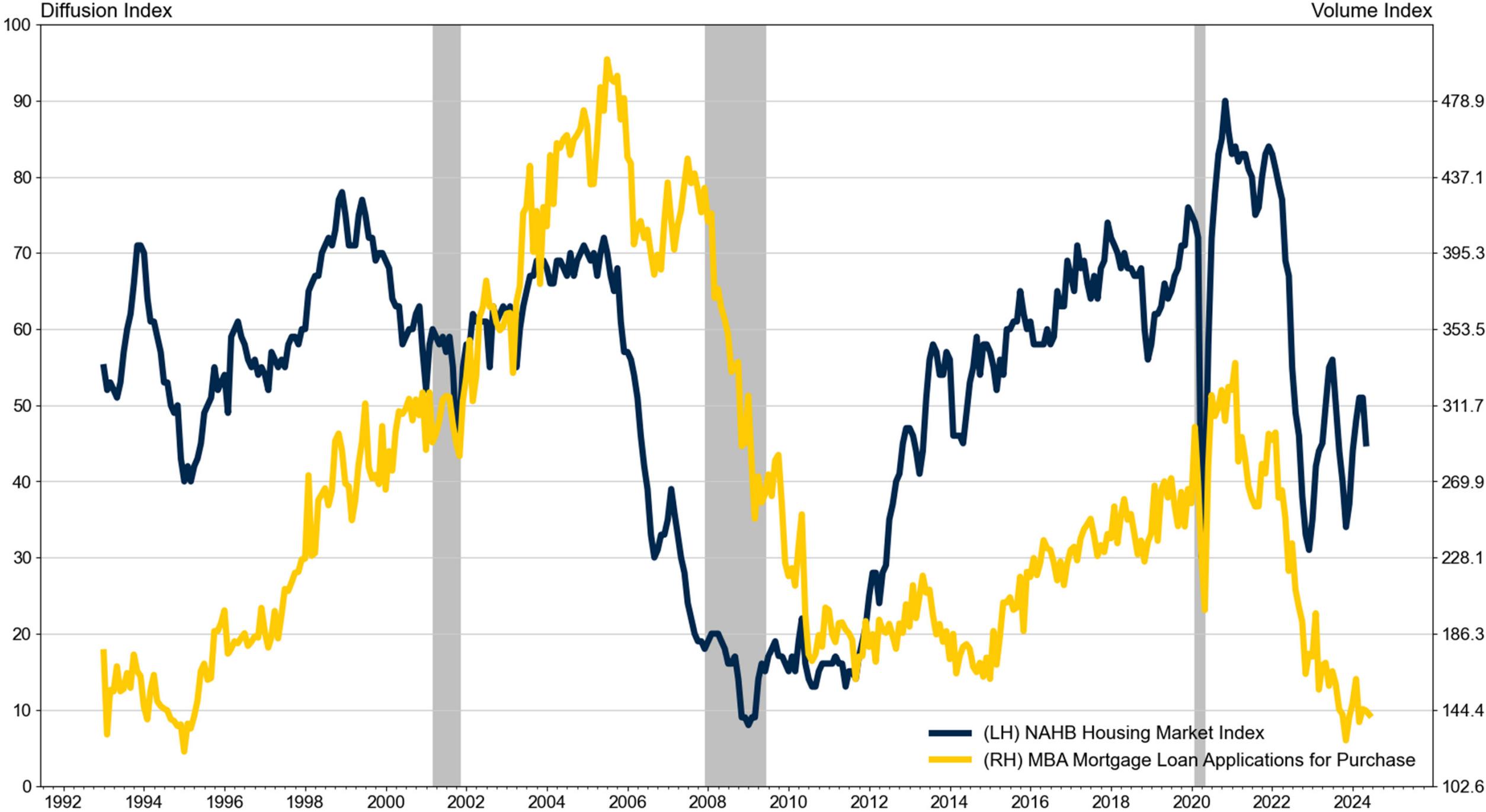
# Job Openings



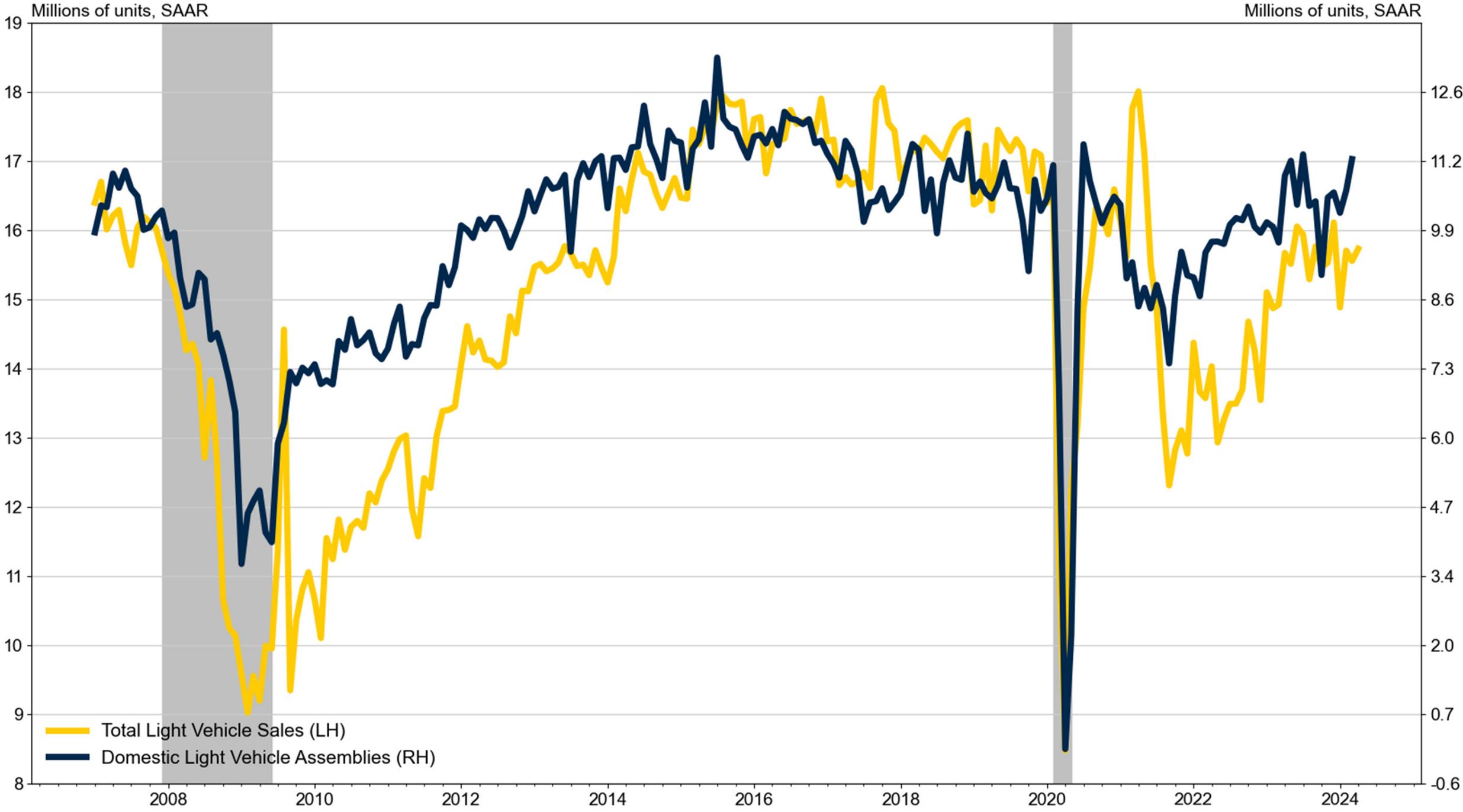
# Unemployment Rates Inching Up



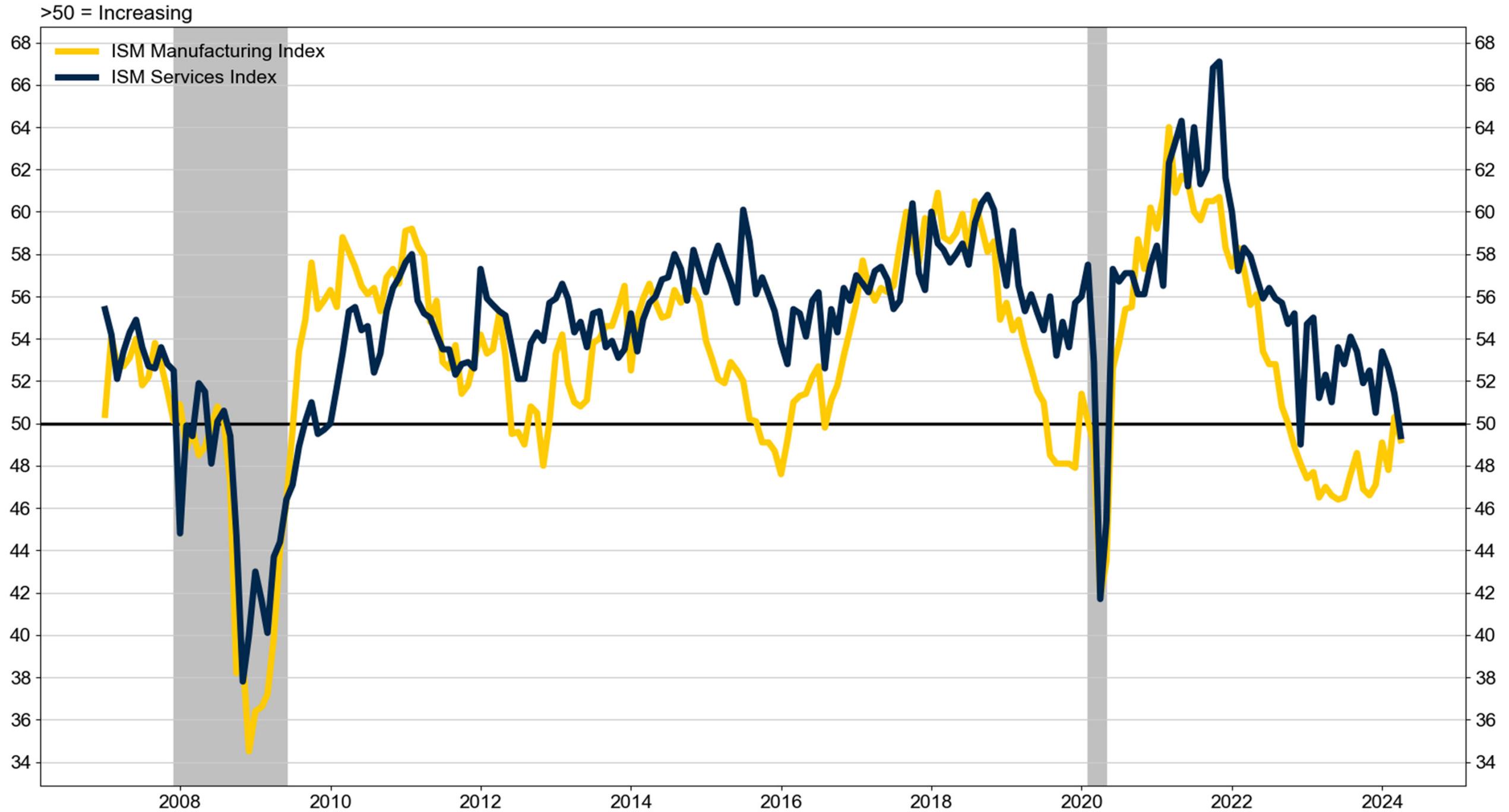
# Residential Housing Market Metrics



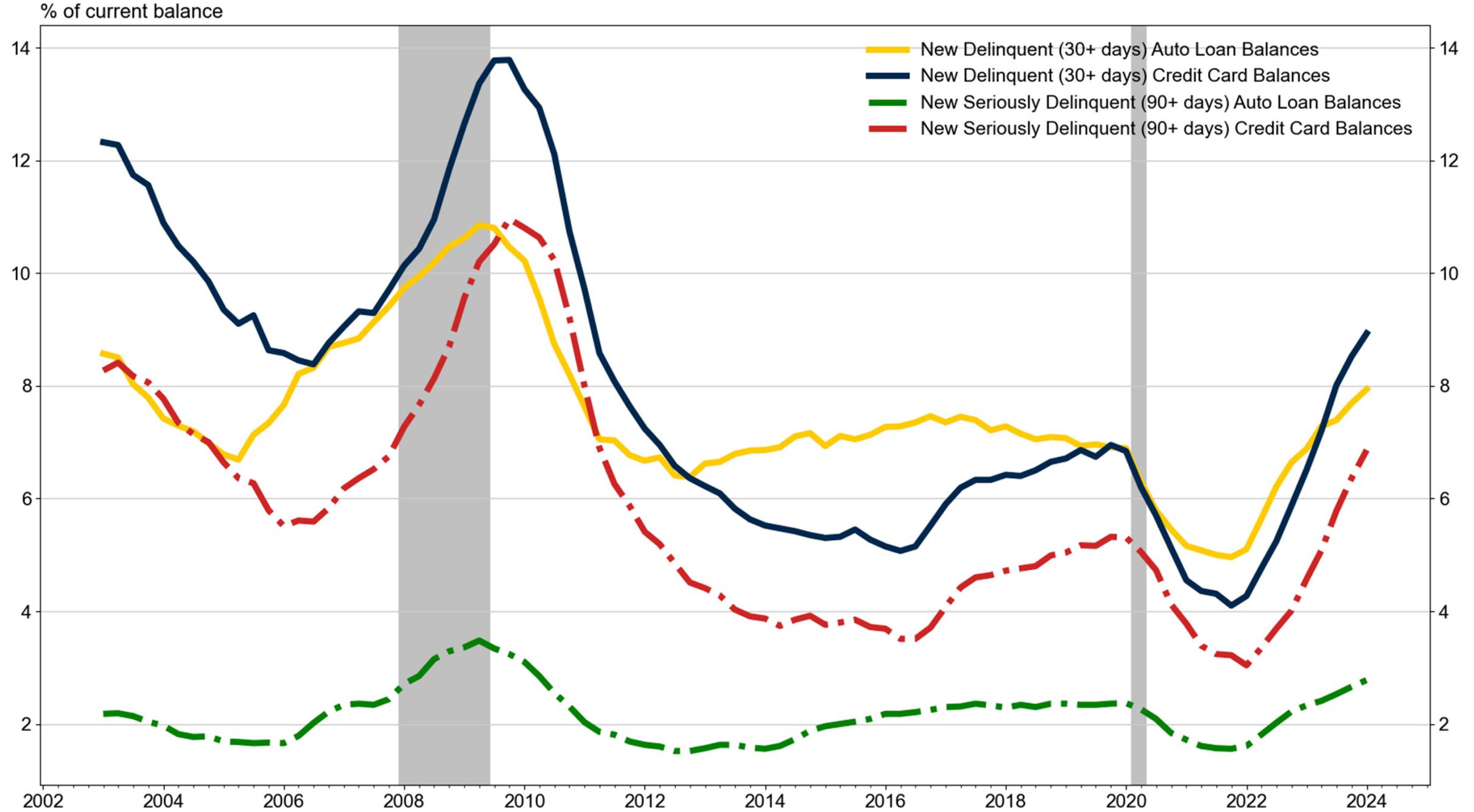
# Domestic Light Vehicle Sales and Assemblies



# Institute for Supply Management Diffusion Indices



# NY Fed Credit Panel

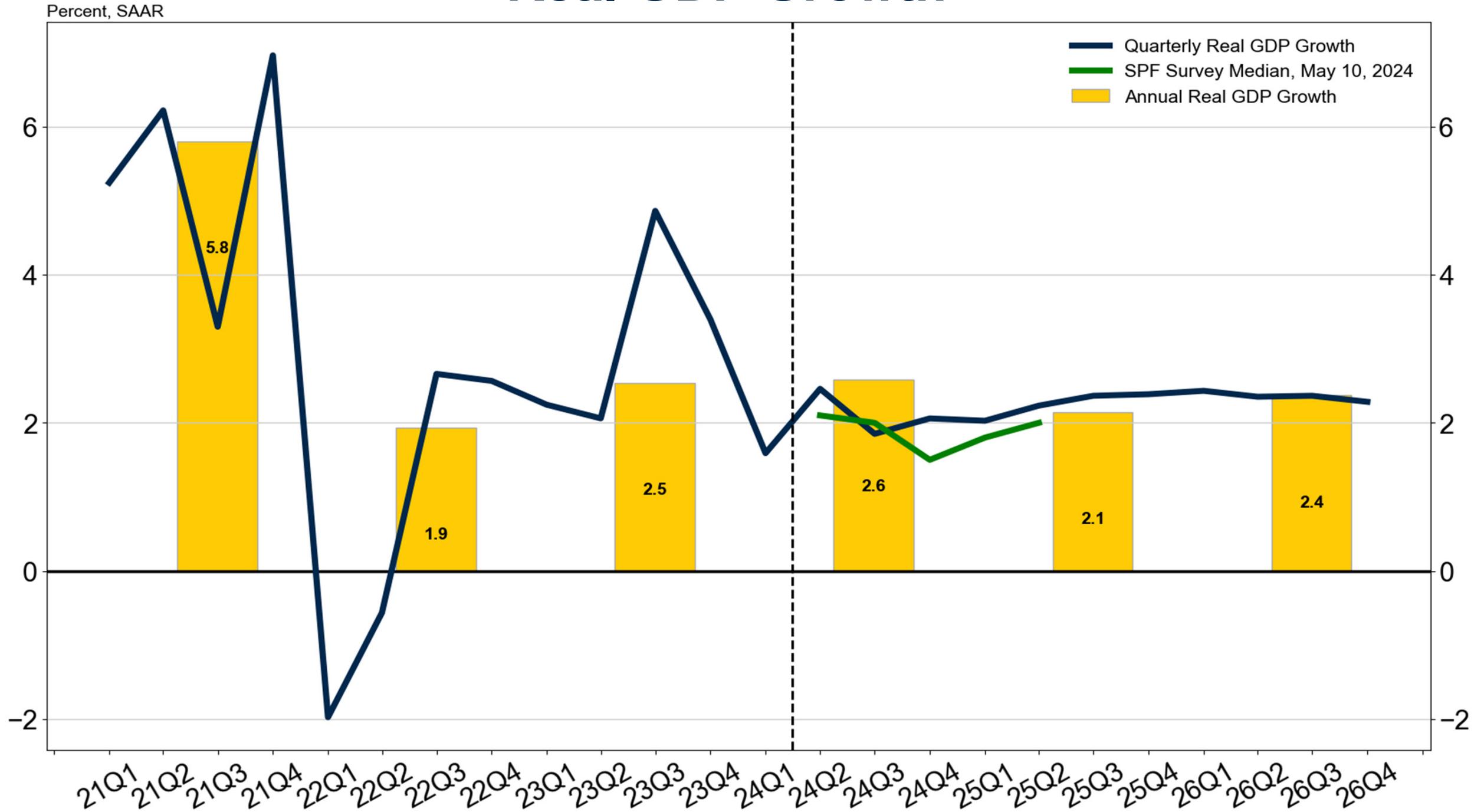


# Monetary and Fiscal Policy

- Inflation jumped back up early in 2024, delaying rate cuts
- Labor market remains tight, but trending weaker
- The Fed will wait for proof of inflation trending down before easing
  - First policy rate cut mid-September, moderate pace of cuts thereafter
- We expect divided government to last beyond 2024 elections
- Only modest federal spending restraint for fiscal 2024–26
- Overall deficit stays around 5.2–5.4 percent of GDP in fiscal 2024–26

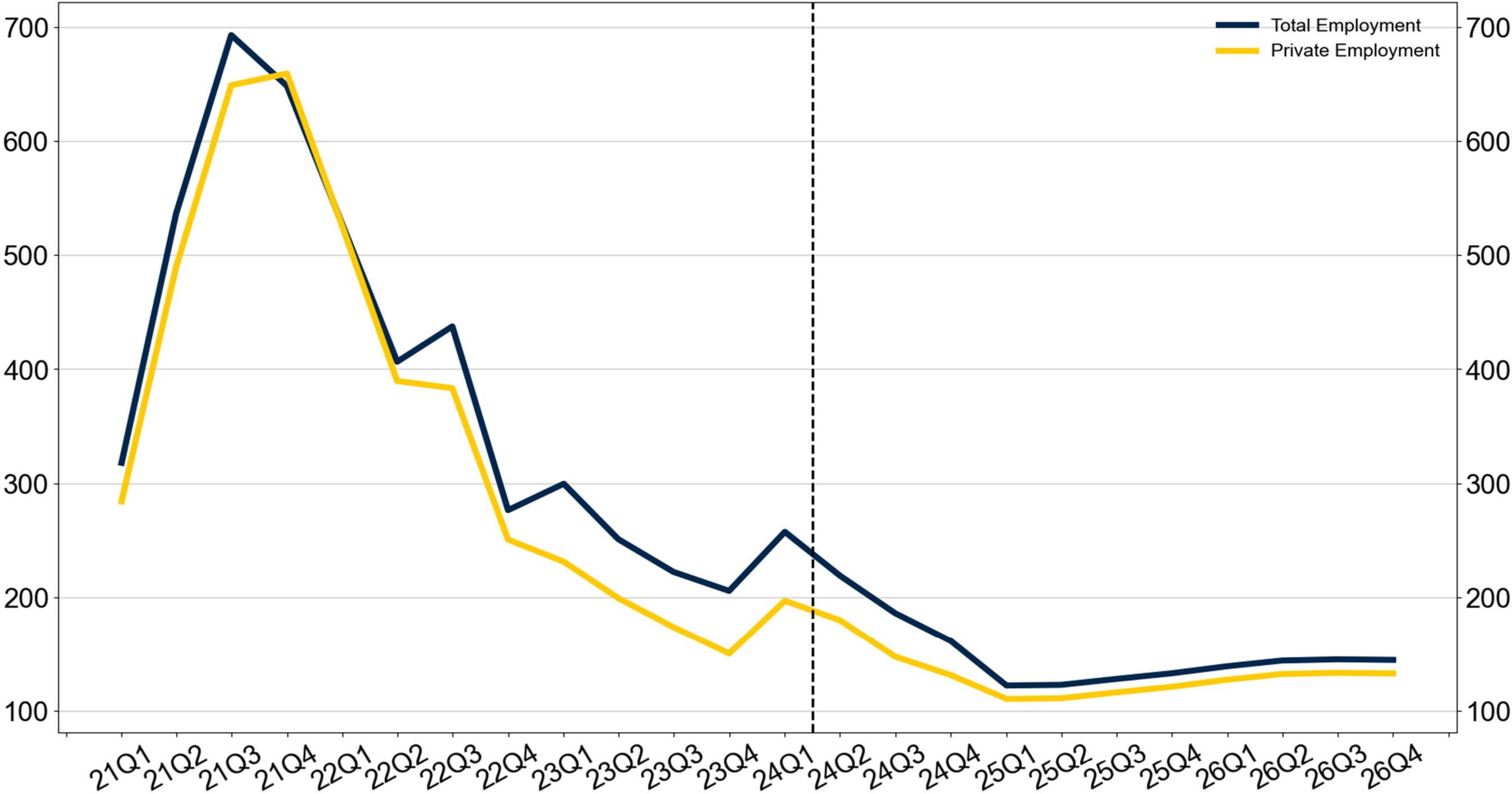
# U.S. Forecast

# Real GDP Growth

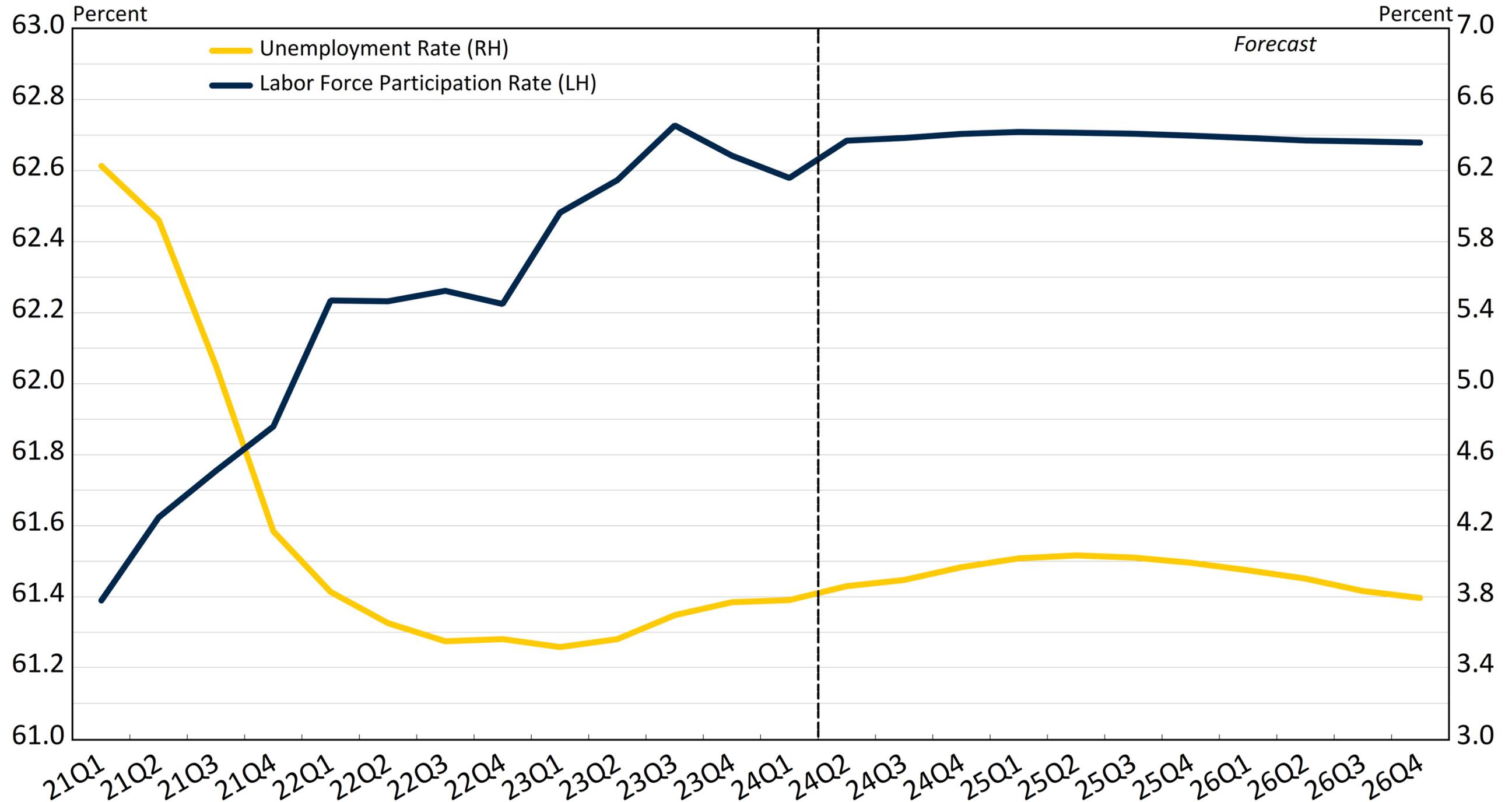


# Payroll Employment Growth

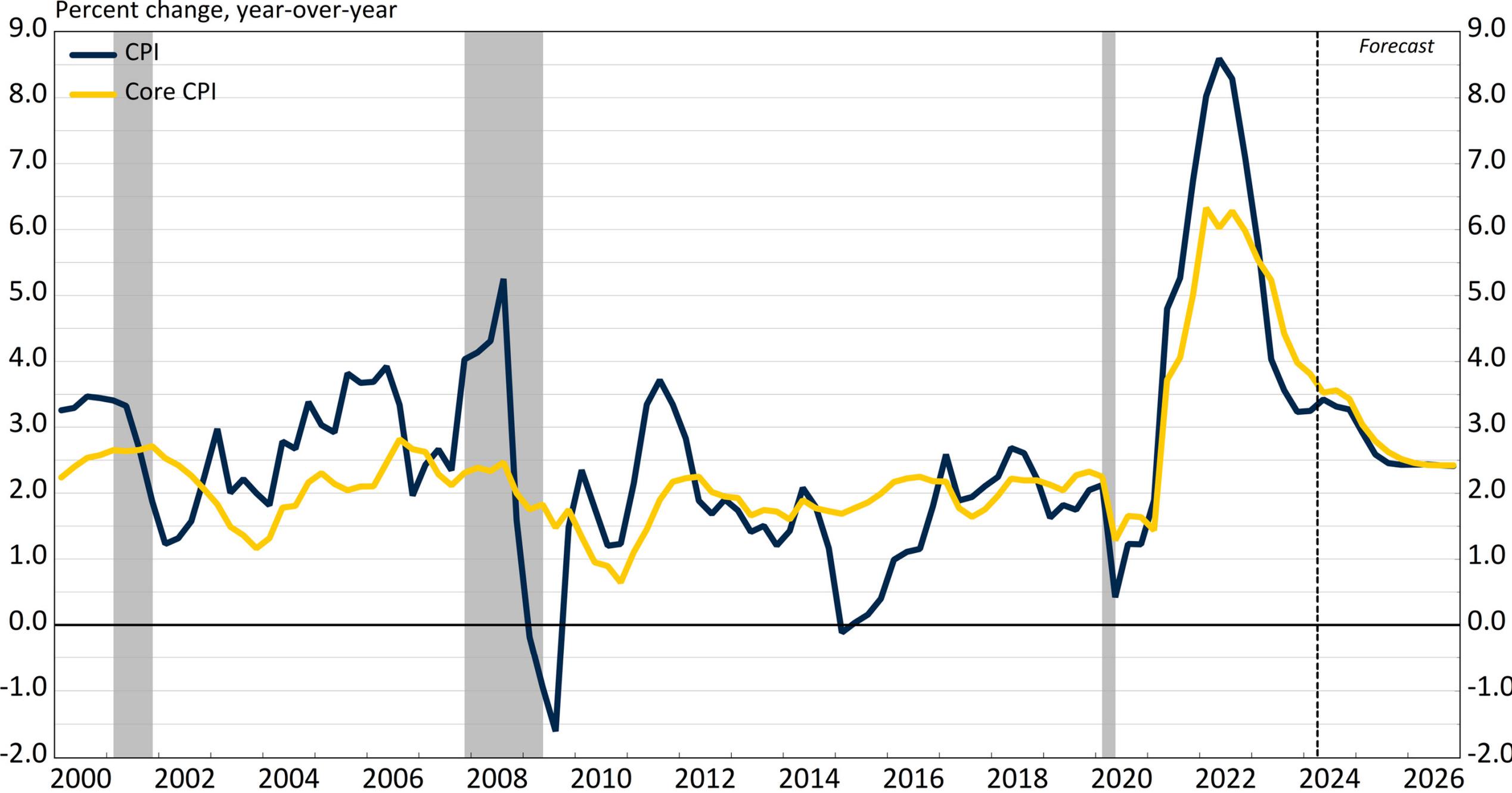
Thousands of jobs per month, quarterly average



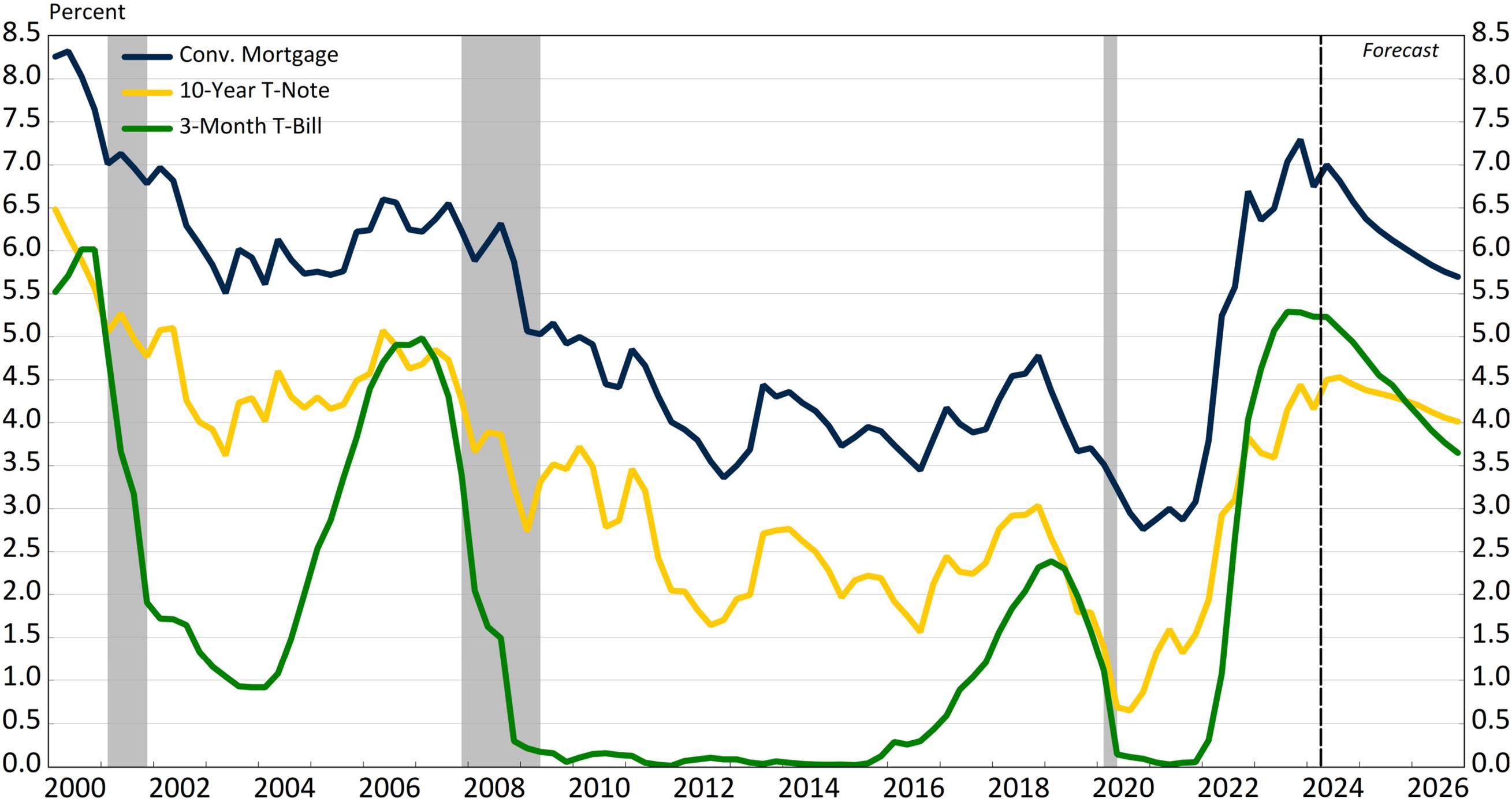
# Unemployment Rate and Participation Rate



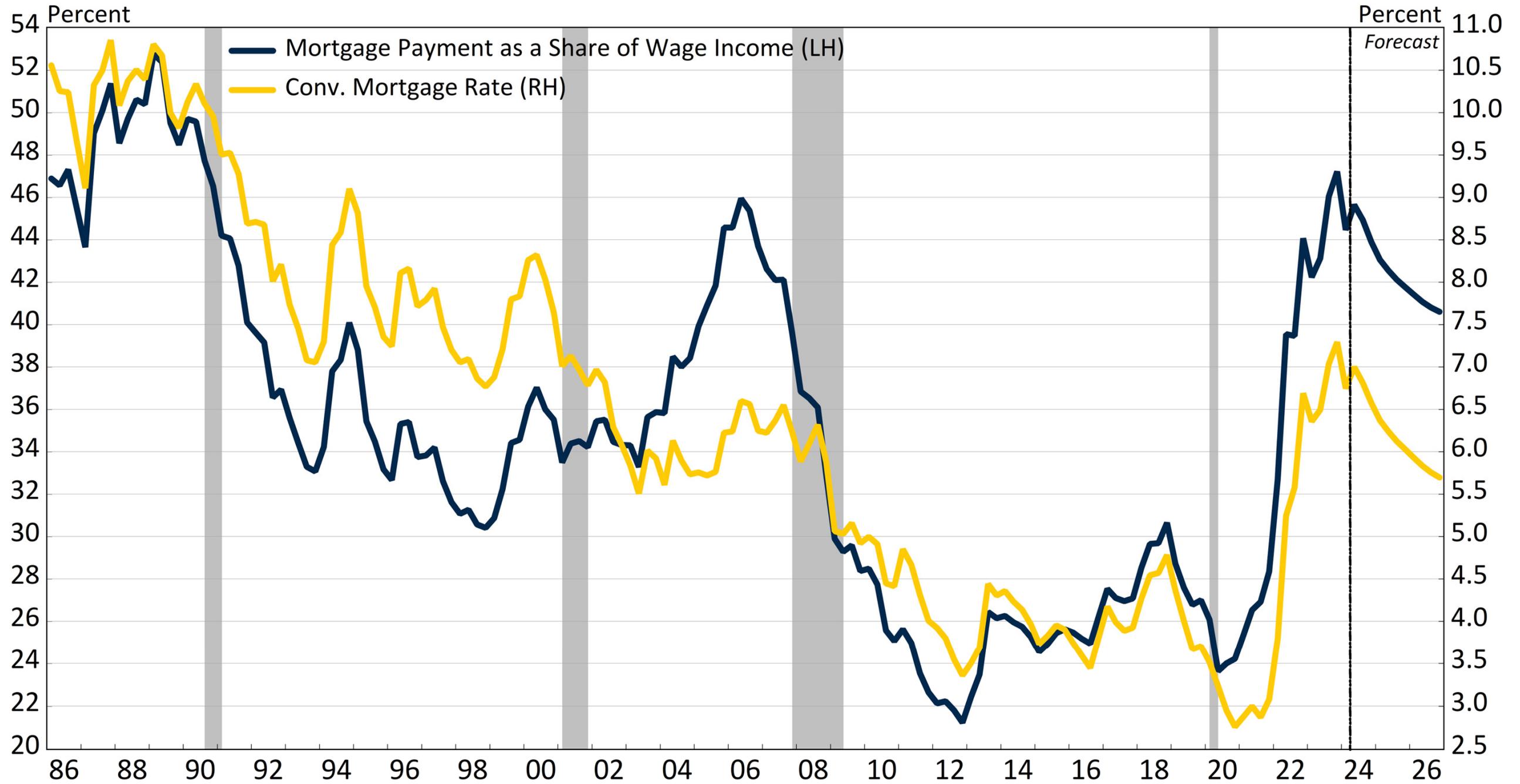
# Consumer Price Inflation (CPI-U)



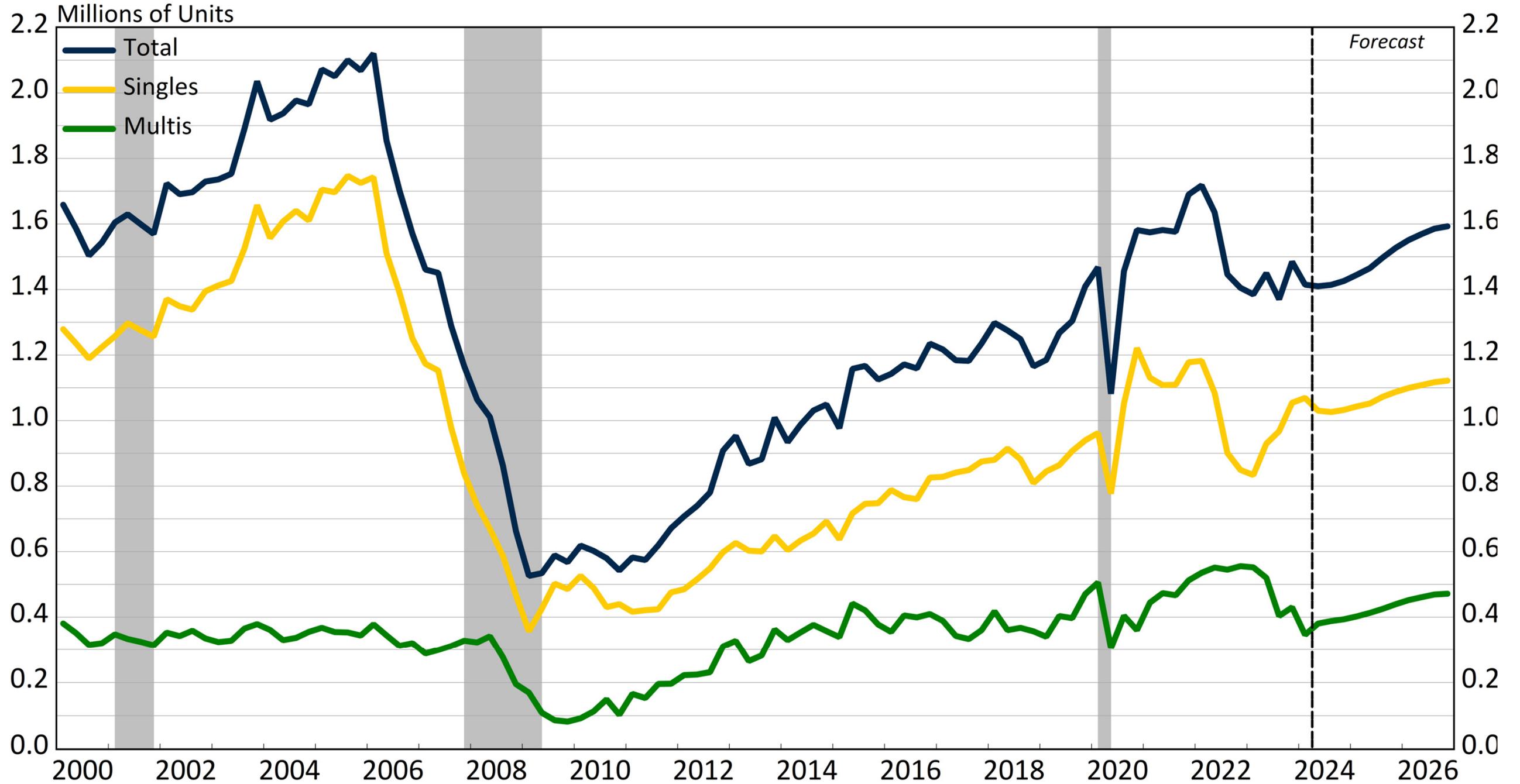
# Interest Rates



# Home Affordability



# Housing Starts



# Risks

- Economic Momentum Evaporating
- Inflation
- Policy Mistakes
- Elections
- Geopolitical Situation
- Population Growth/Immigration

# The Michigan Economic Outlook for 2024–2026



Consensus Revenue Estimating Conference

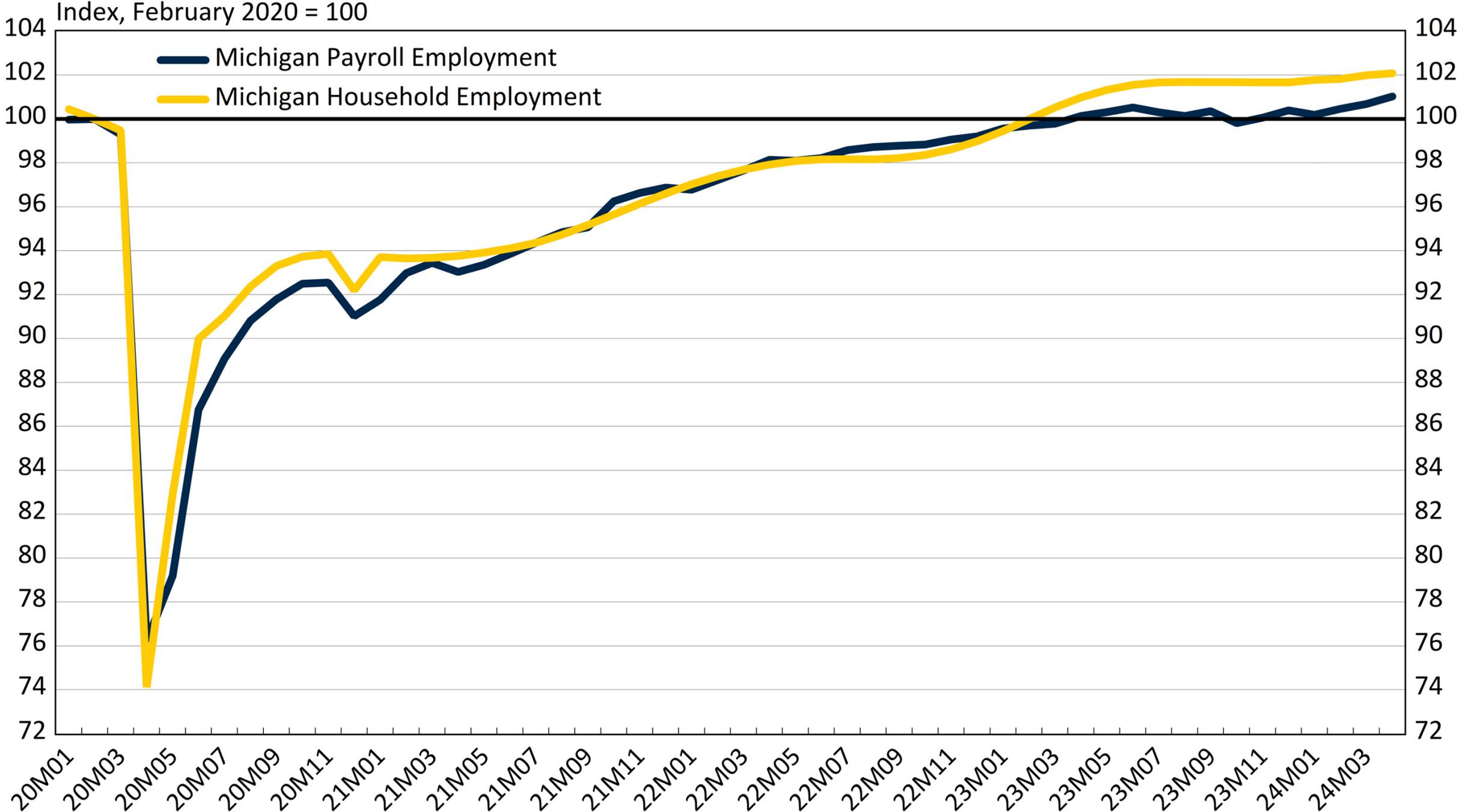
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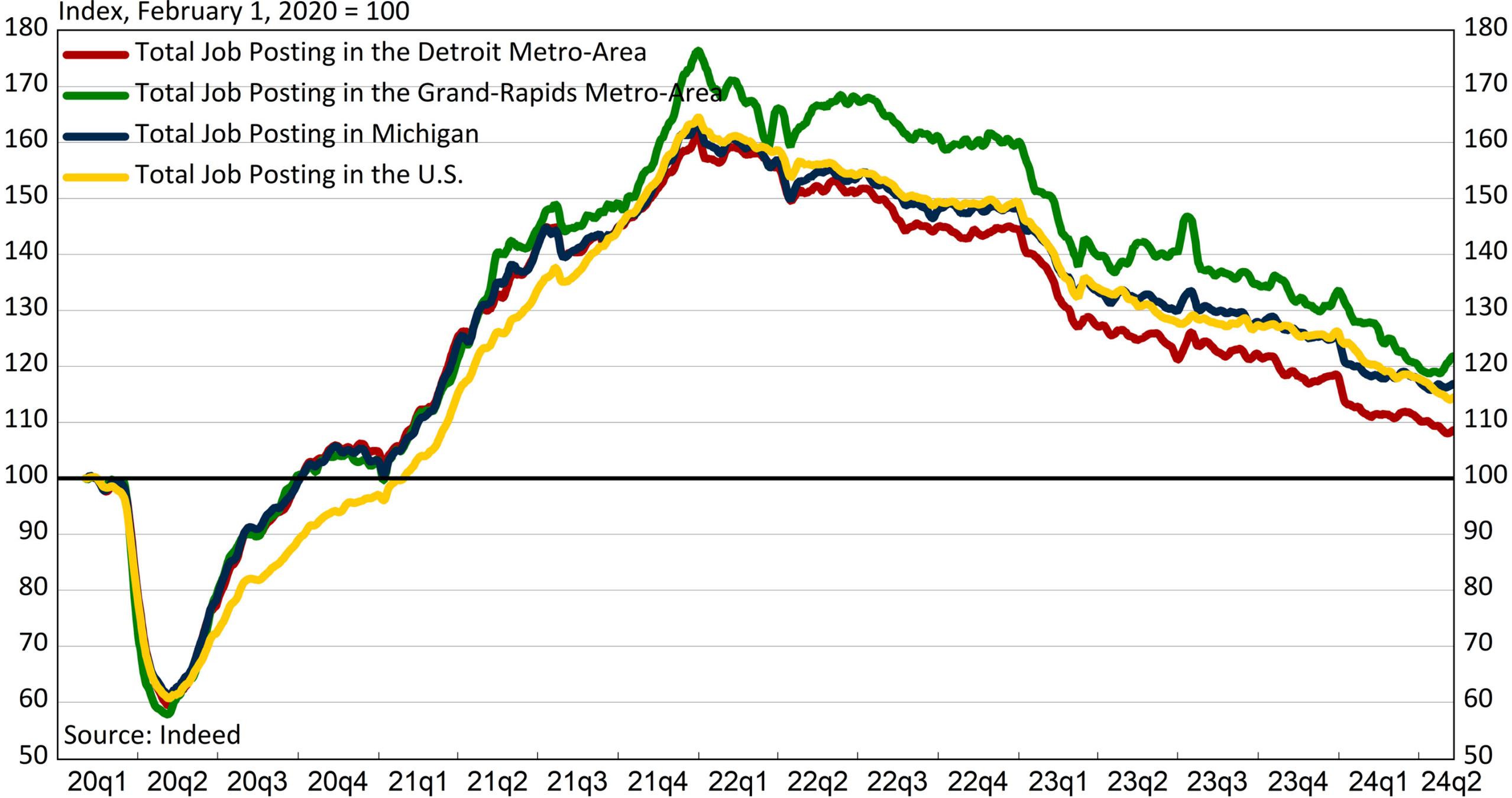


# **Current State of the Michigan Economy**

# Michigan Employment Back Above Pre-Pandemic Level

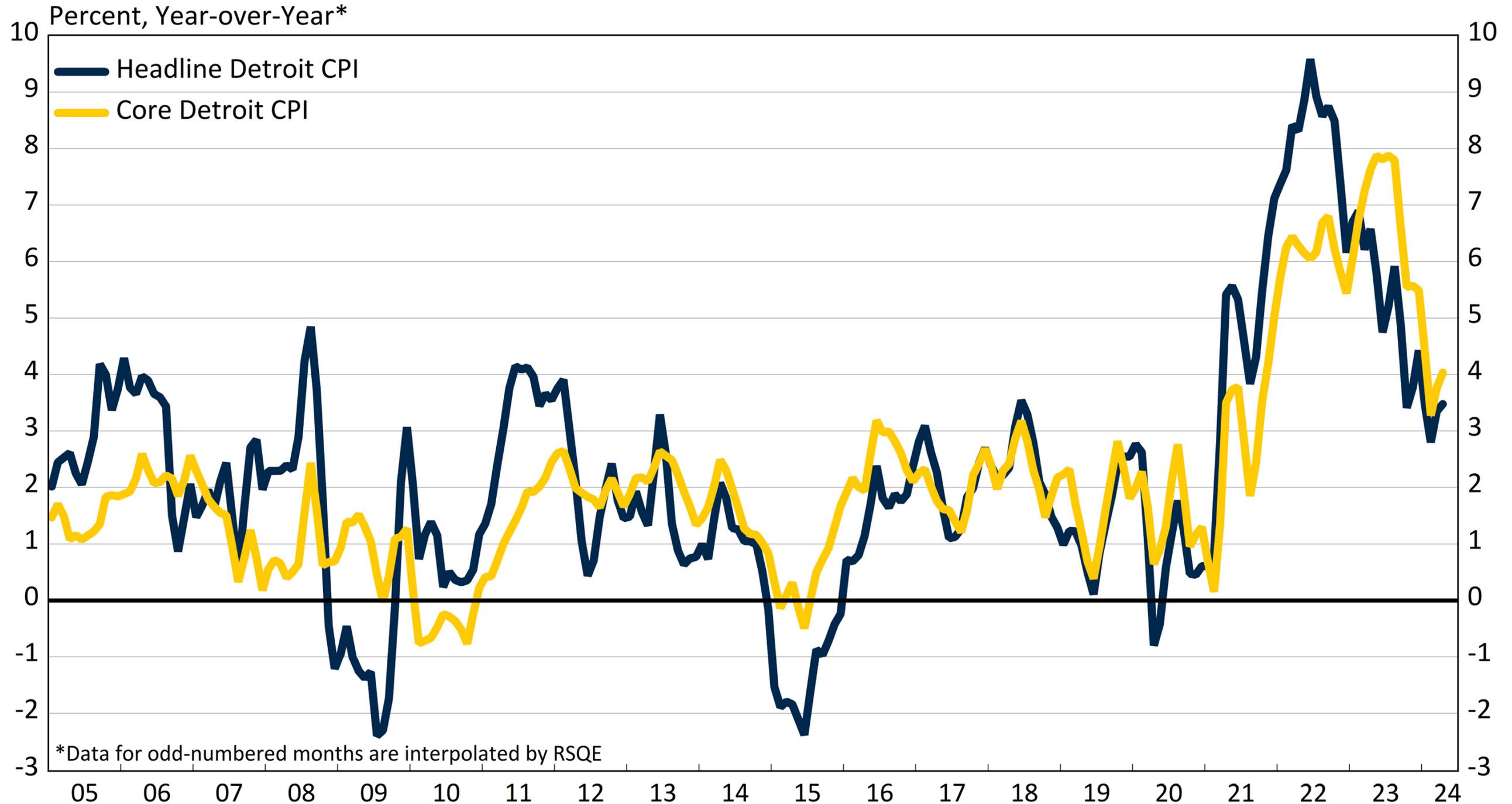


# Labor Demand Continues to Cool Off

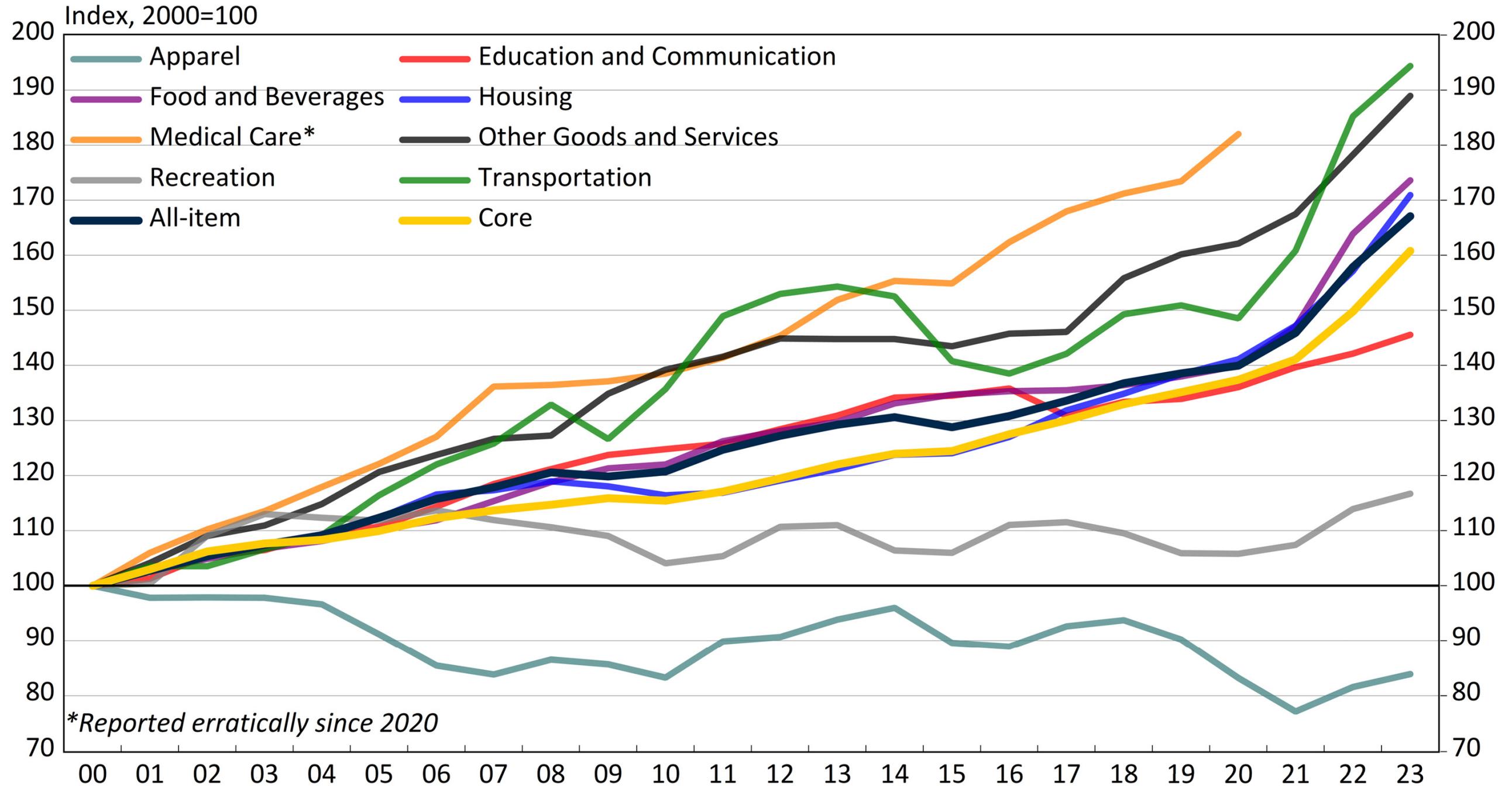


# Spotlight on Local Inflation

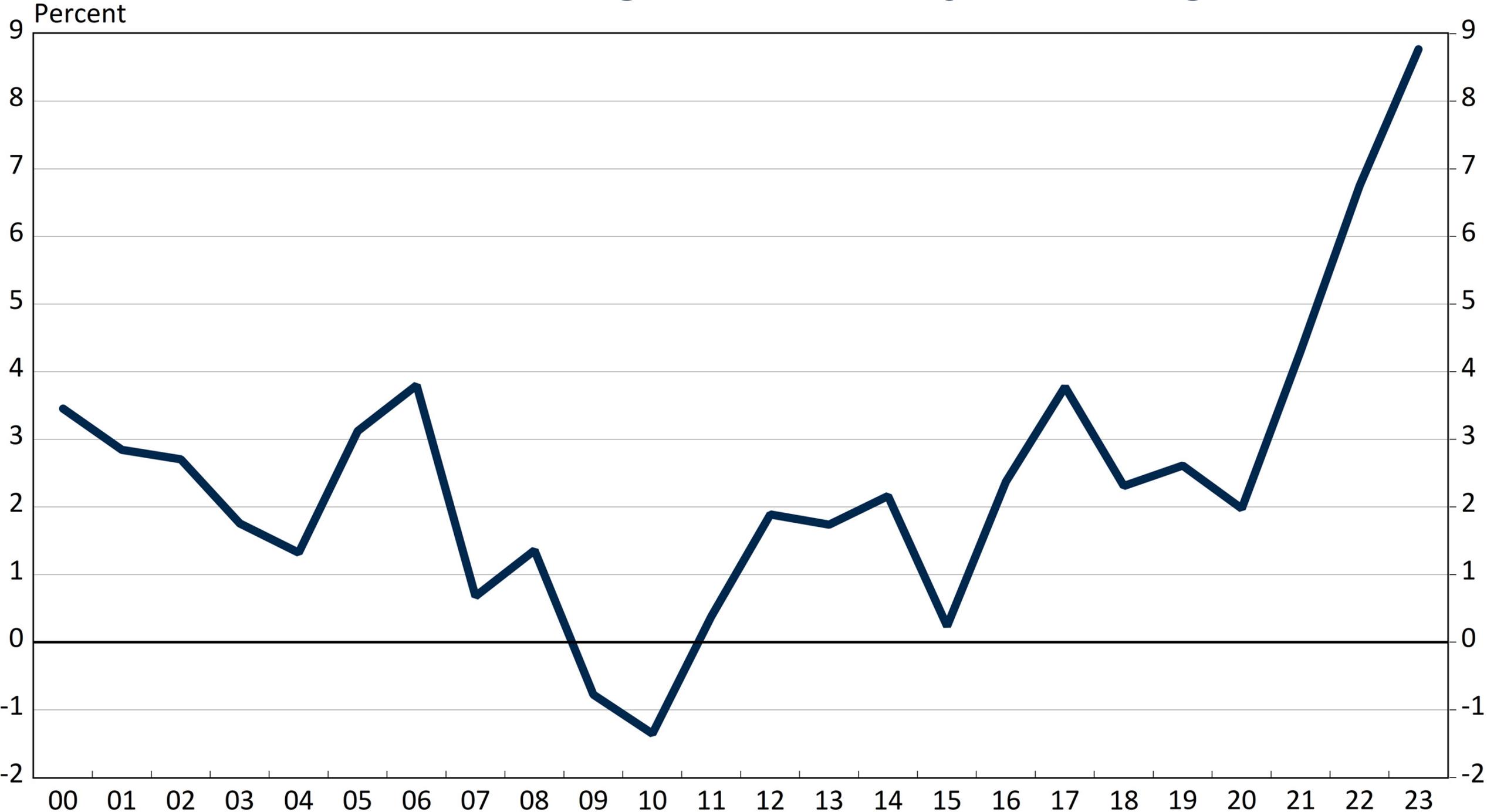
# Local Inflation Is Turning Around ... Slowly



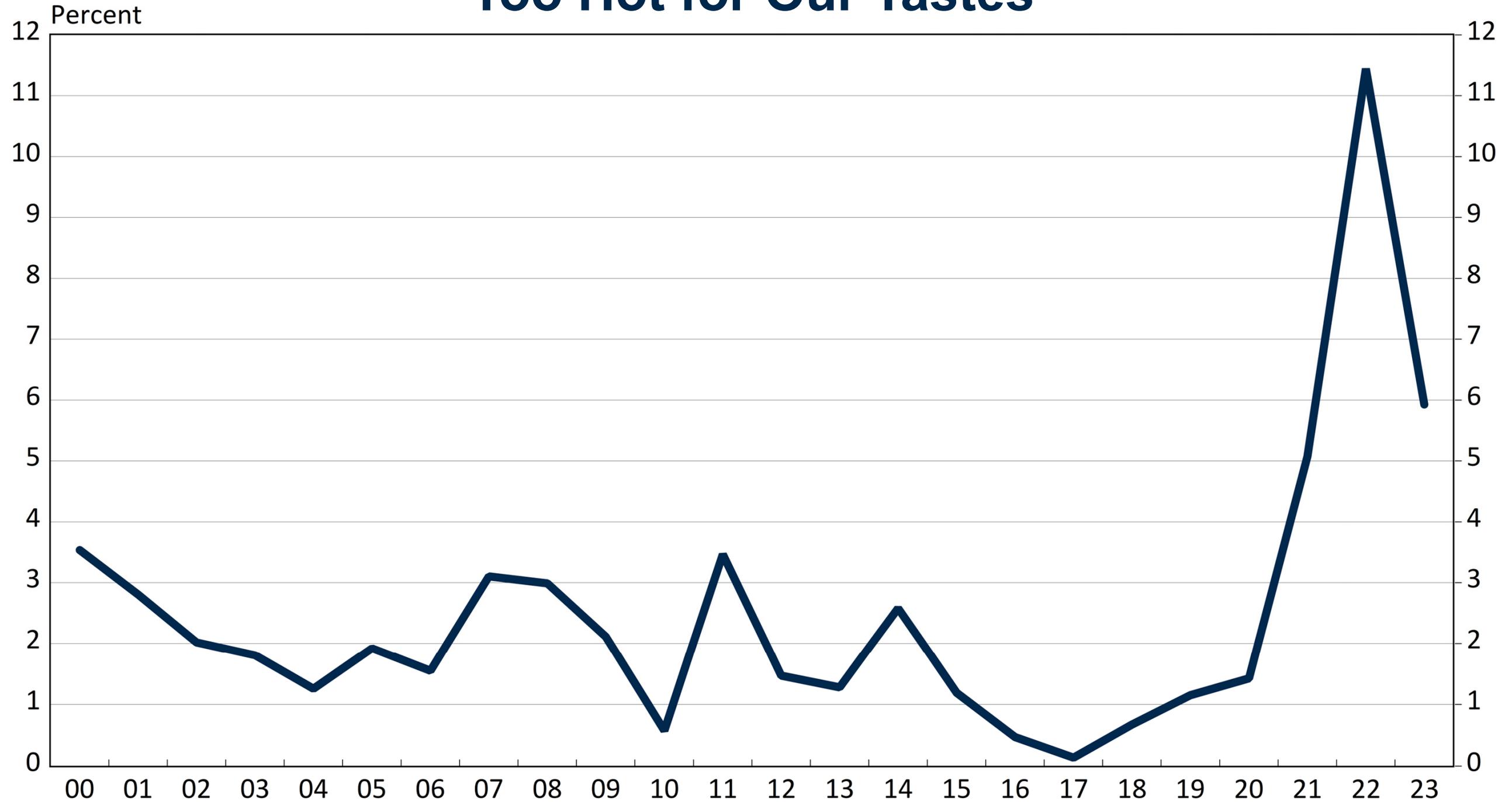
# Local Inflation: What's Behind the Curtain?



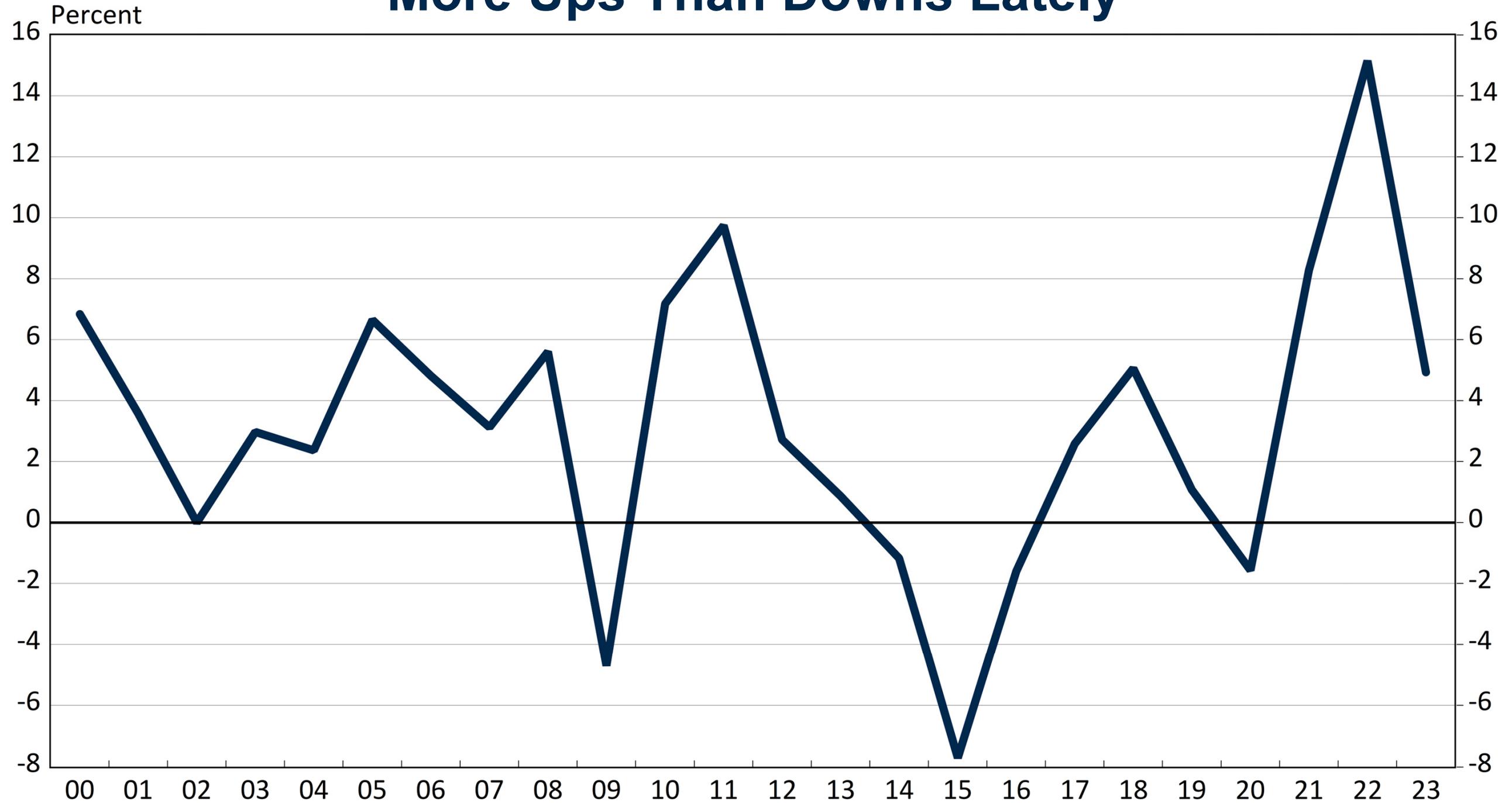
# Local Housing Inflation Skyrocketing



# Local Food and Beverage Inflation: Too Hot for Our Tastes

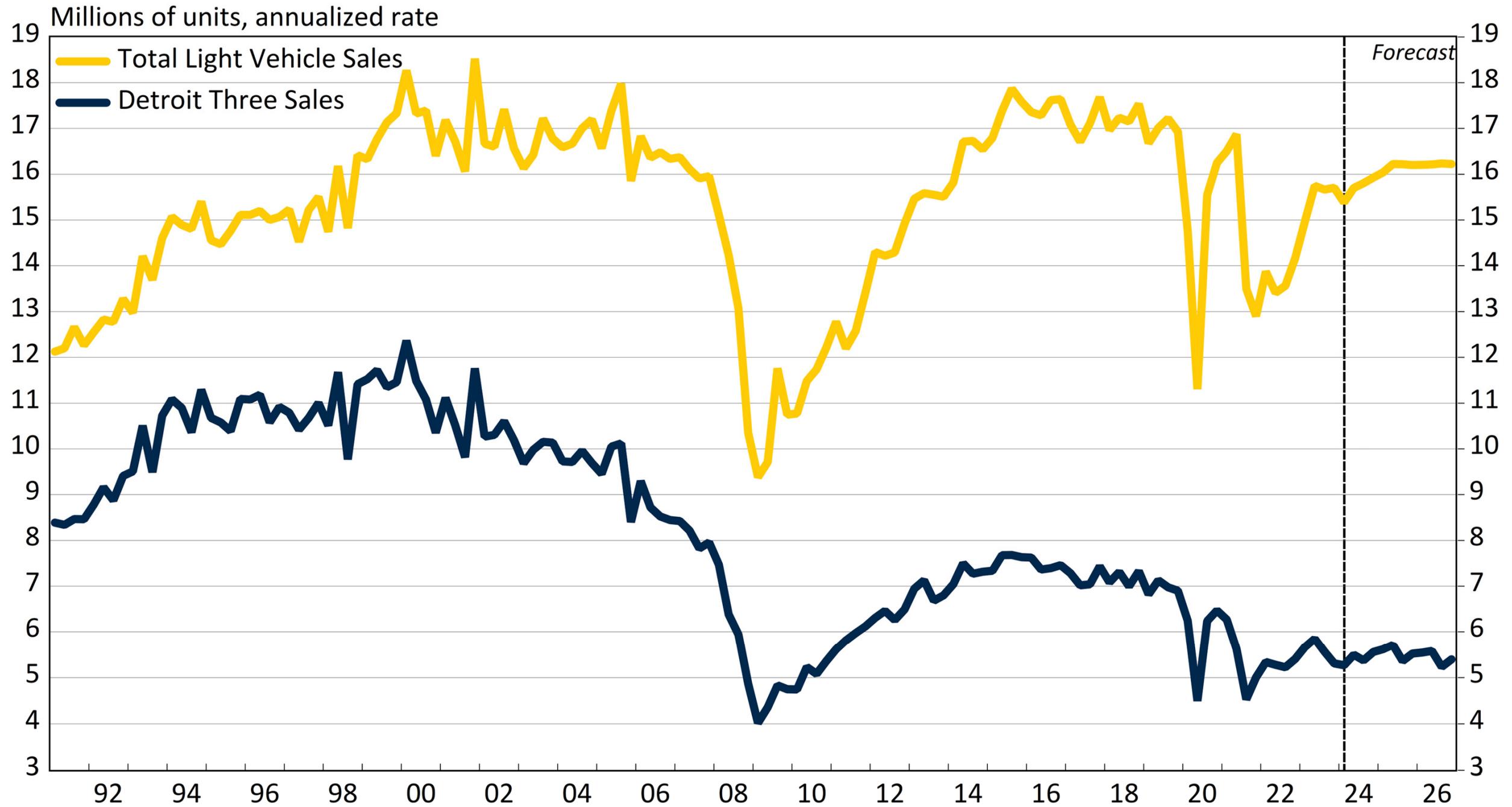


# Local Transportation Inflation... More Ups Than Downs Lately

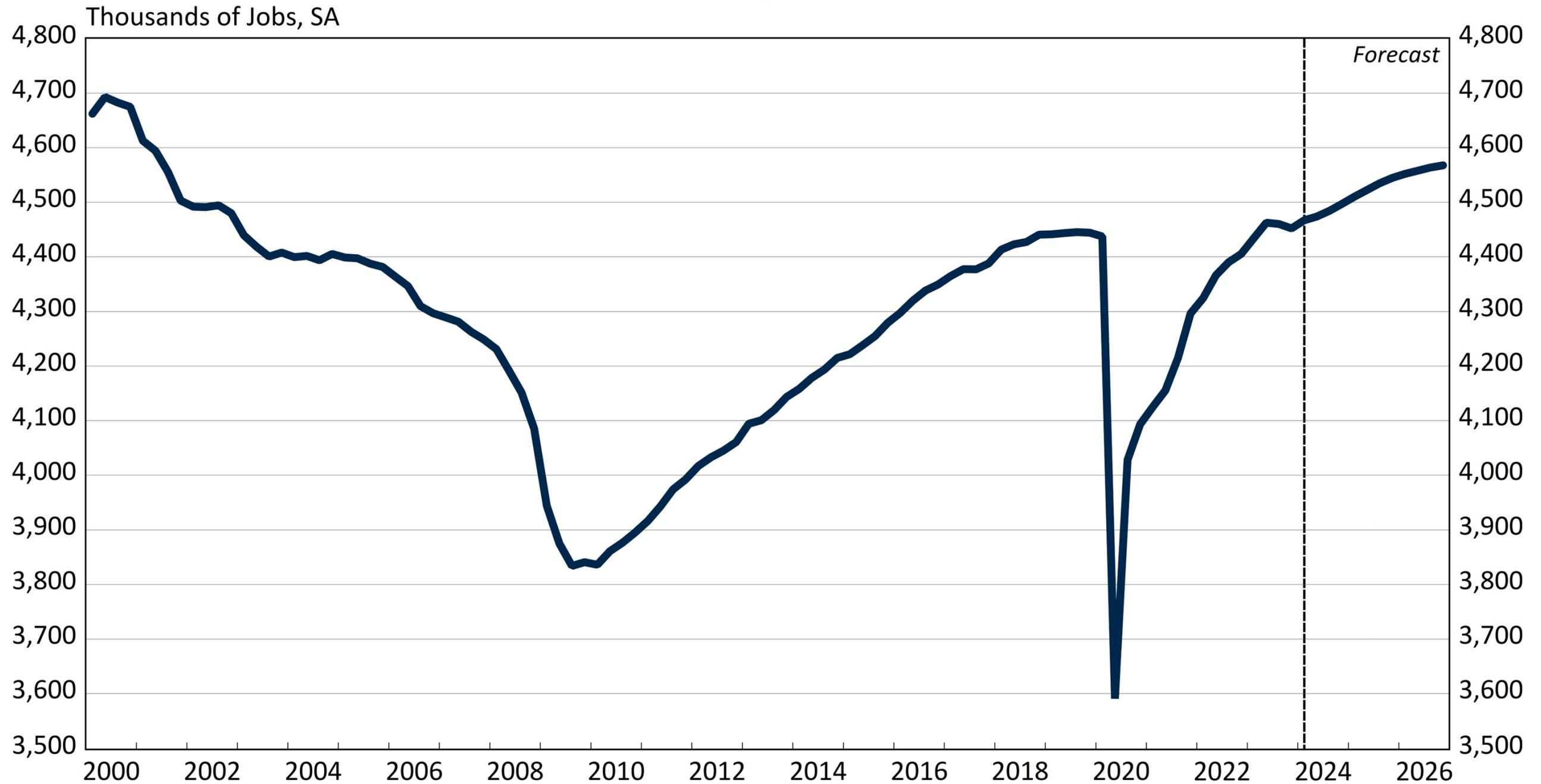


# Michigan Economic Outlook

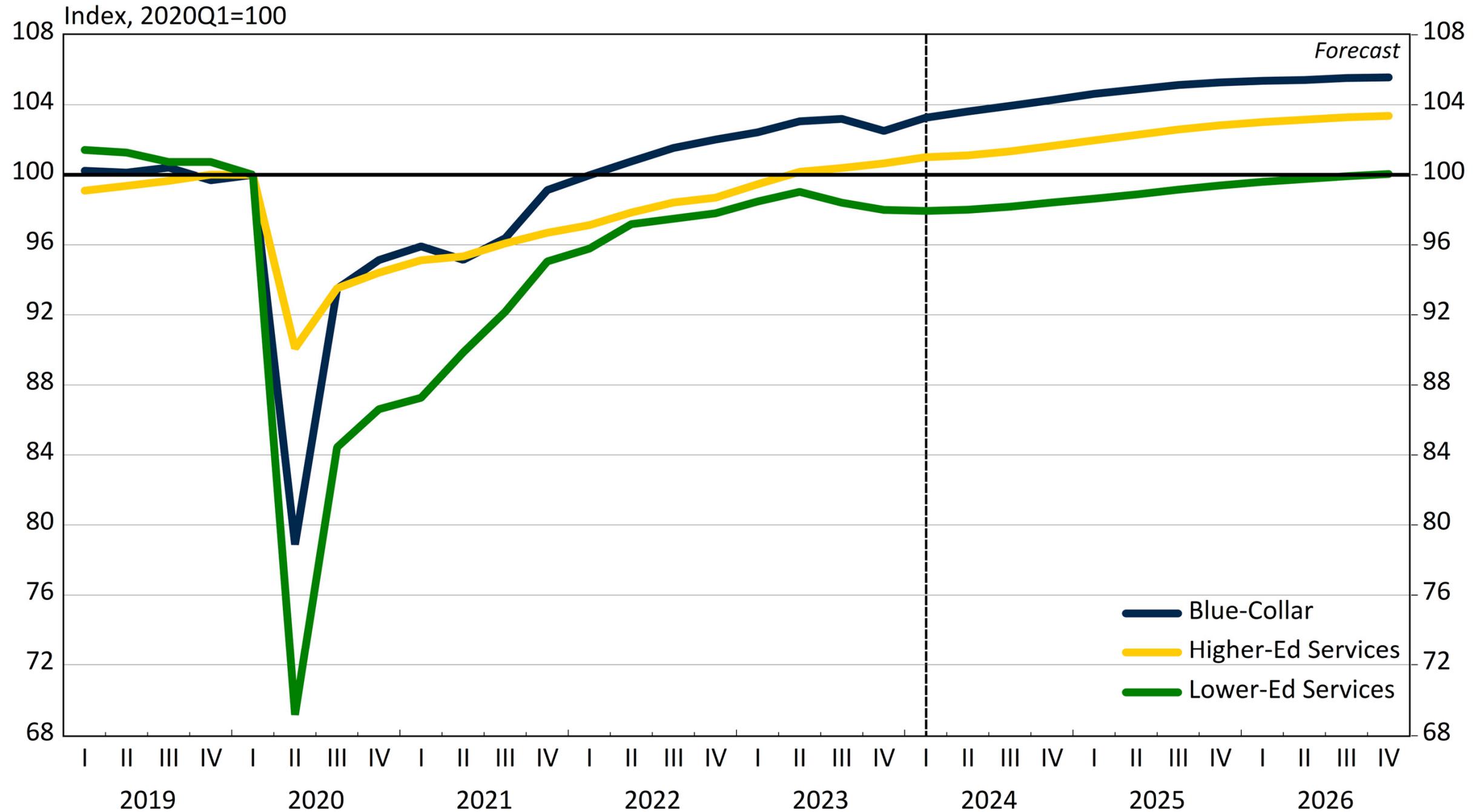
# Light Vehicle Sales Near Cruising Speed



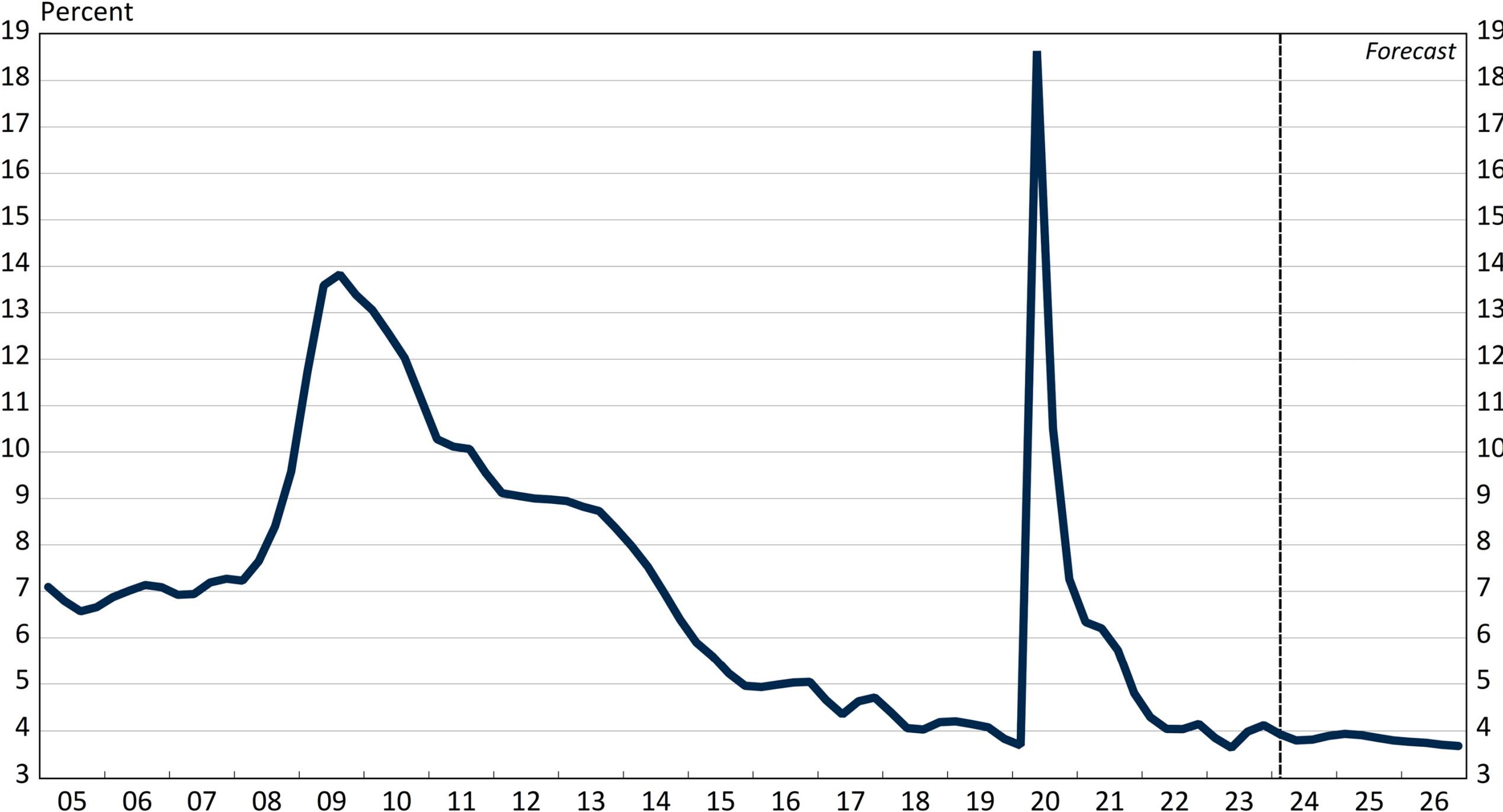
# Michigan Employment Grows at a Moderate Pace



# Job Growth Is Widespread across Industry Groups



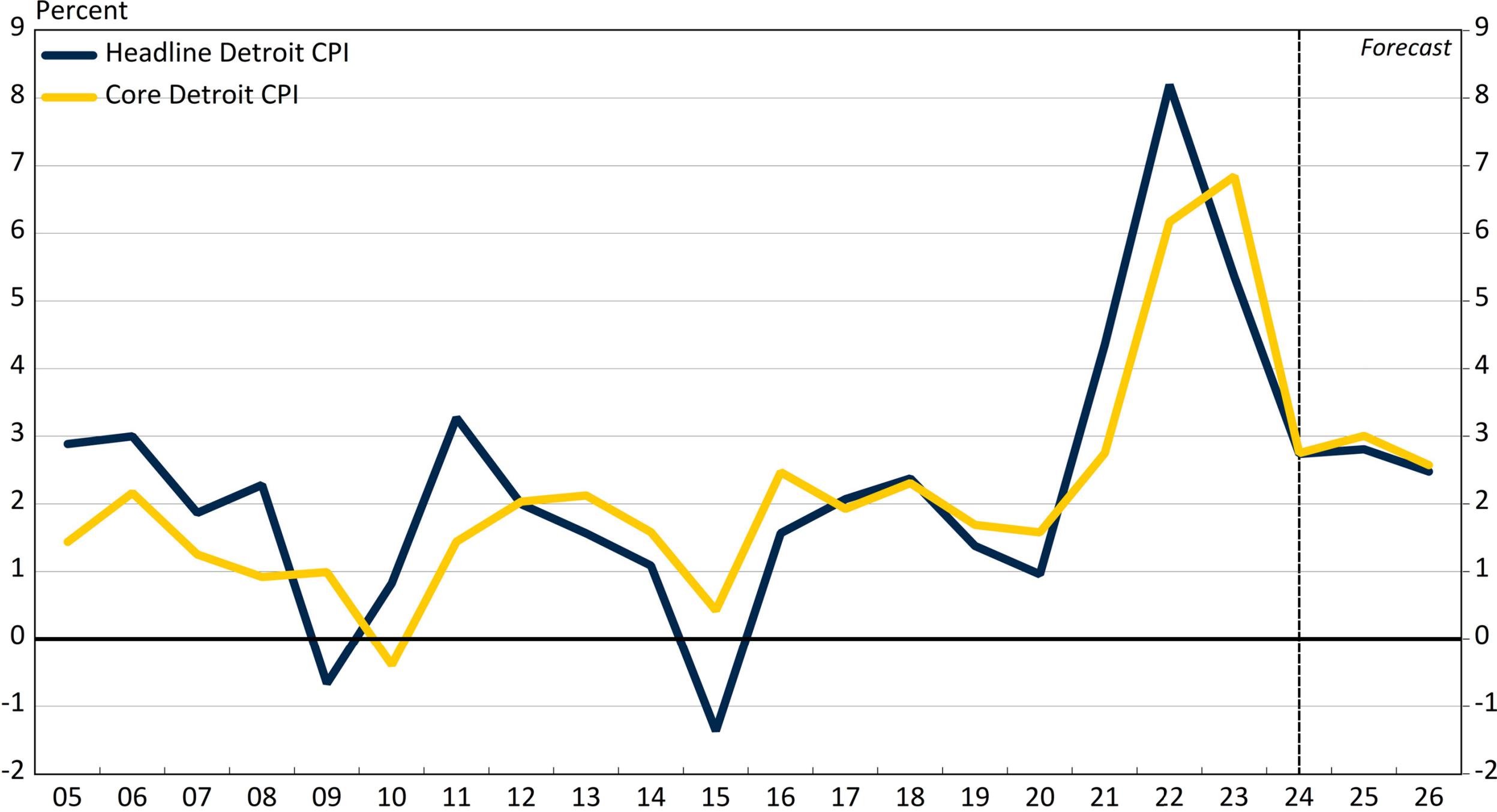
# Michigan's Unemployment Rate Stays under 4 Percent



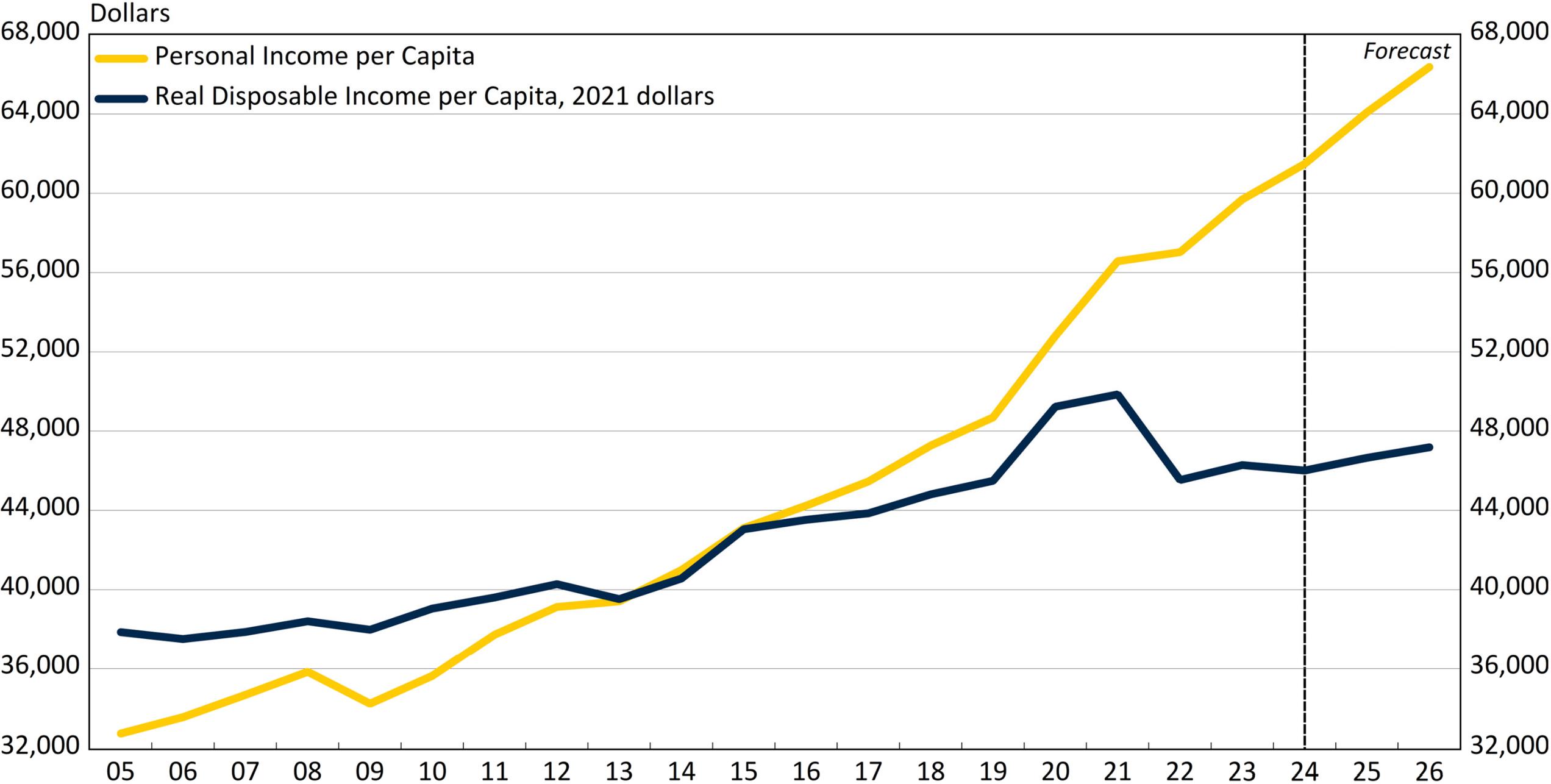
# Michigan's Labor Force Participation Rate Climbs Further



# Local Inflation: the Final Mile Is the Toughest



# Michigan Living Standards Rise Modestly in 2025–26



# Concluding Thoughts

- We are forecasting employment to grow at a healthy pace over the next three years, although more slowly than in the recovery from the pandemic
  - Growth is concentrated outside of the manufacturing sector
- The unemployment rate remains below 4 percent throughout our forecast
- Inflation cools off, but not all the way back to normal
- Real disposable income per capita in Michigan finishes our forecast period about 3.7 percent higher than before the pandemic
- Our forecast is built on the assumption of healthy growth in the national economy, but stubborn inflation and tight monetary policy pose the risk of a national slowdown



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