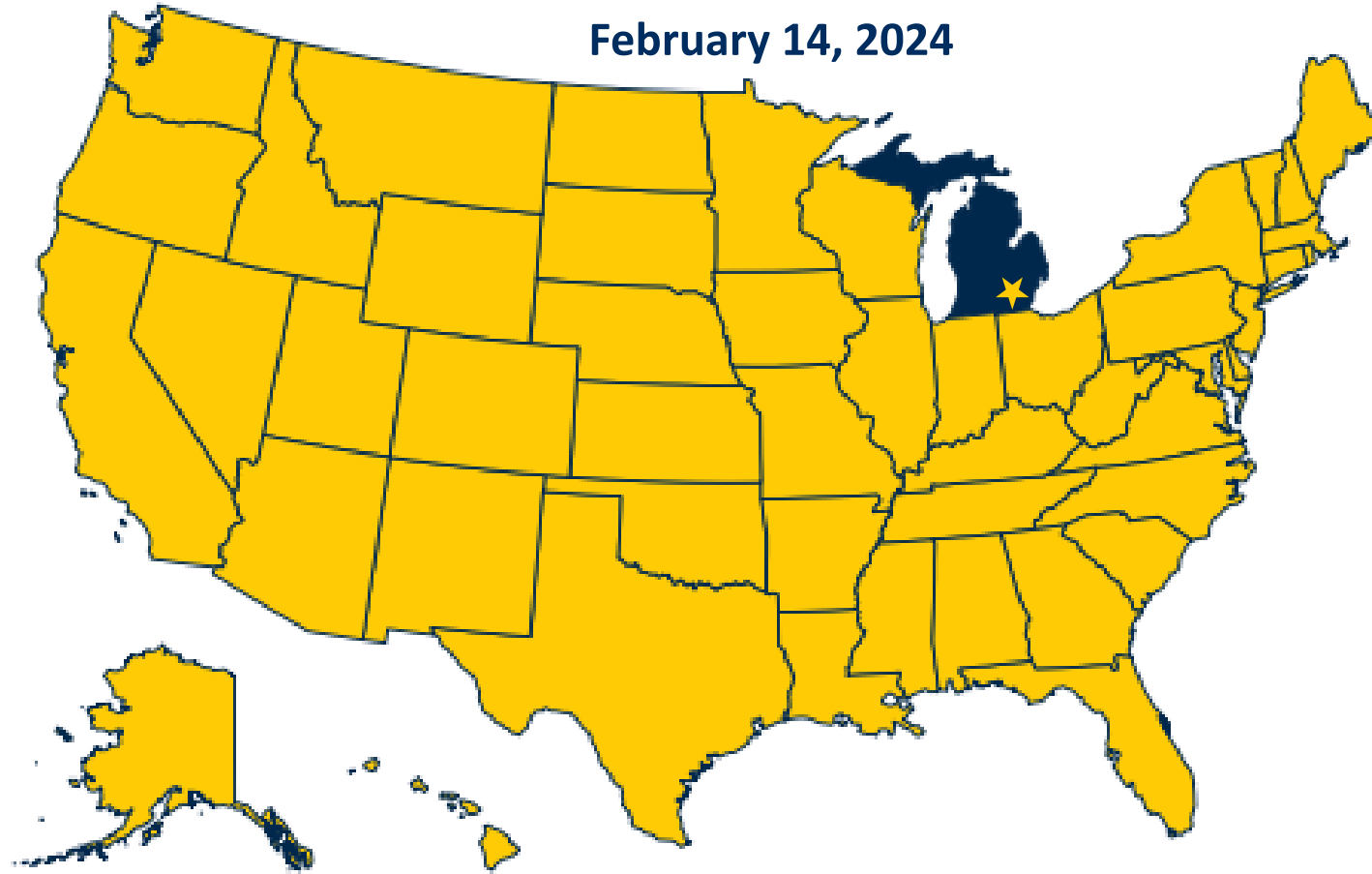


The U.S. and Michigan Outlook for 2024–2025

Great Lakes Design & Construction EXPO

Novi, Michigan

February 14, 2024



Research Seminar in Quantitative Economics



What does RSQE do?



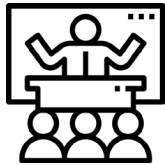
Economic Forecasting

RSQE forecasts the U.S., Michigan, and local economies



Economic Policy Analysis

RSQE performs economic impact assessments and researches policy-relevant trends



Presentations and Media

RSQE gives frequent public presentations and press interviews; we have been interviewed in the *New York Times*, *Wall Street Journal*, and *Washington Post*



Scholarship and Grants

RSQE staff publish in scholarly journals and receive prestigious grants such as NSF awards for their research

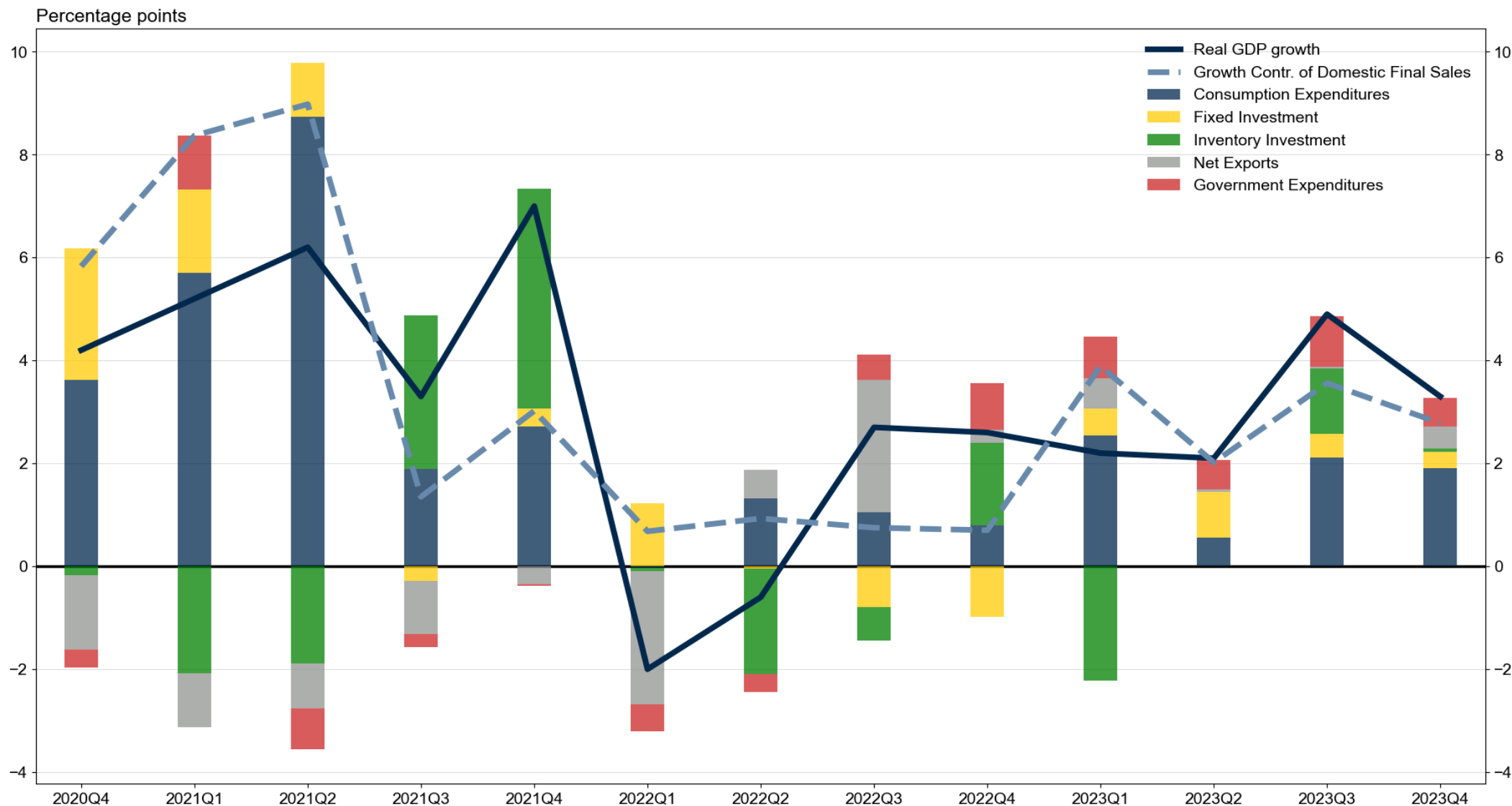


Education

RSQE staff teach courses in Economic Forecasting and train Ph.D. students

Current State of the U.S. Economy

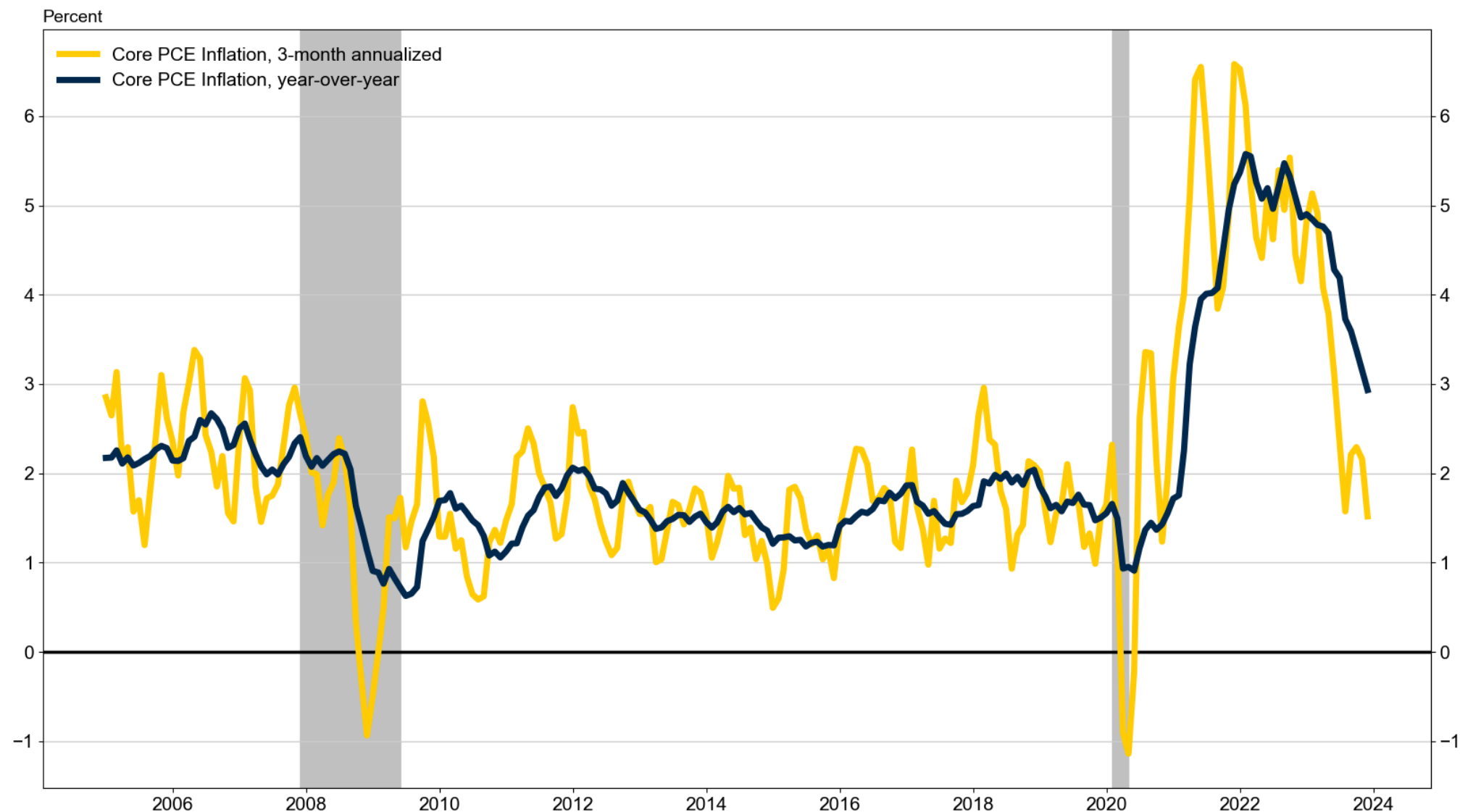
Real GDP Growth Composition



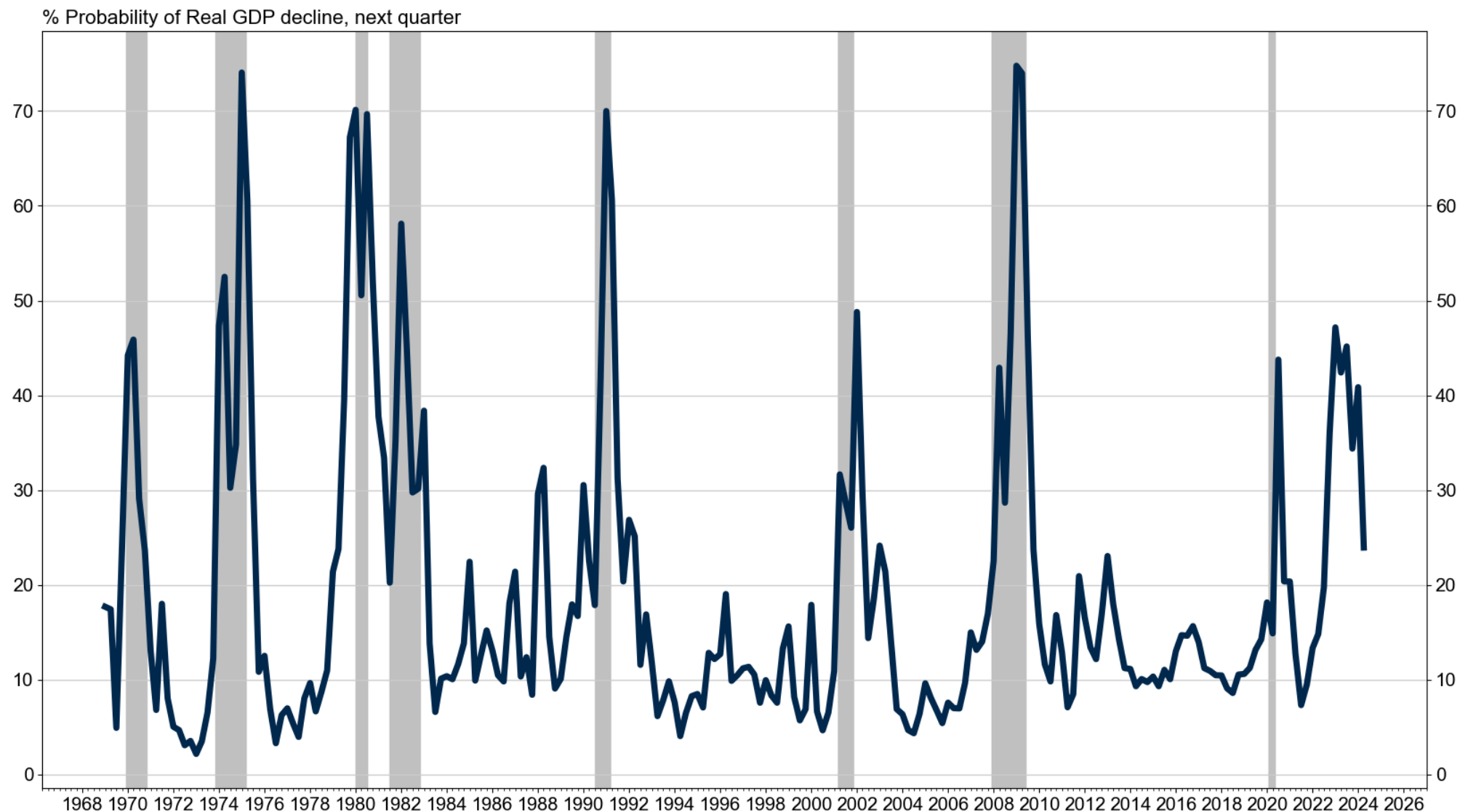
10-year to 2-year Treasury Bond Yield Spread



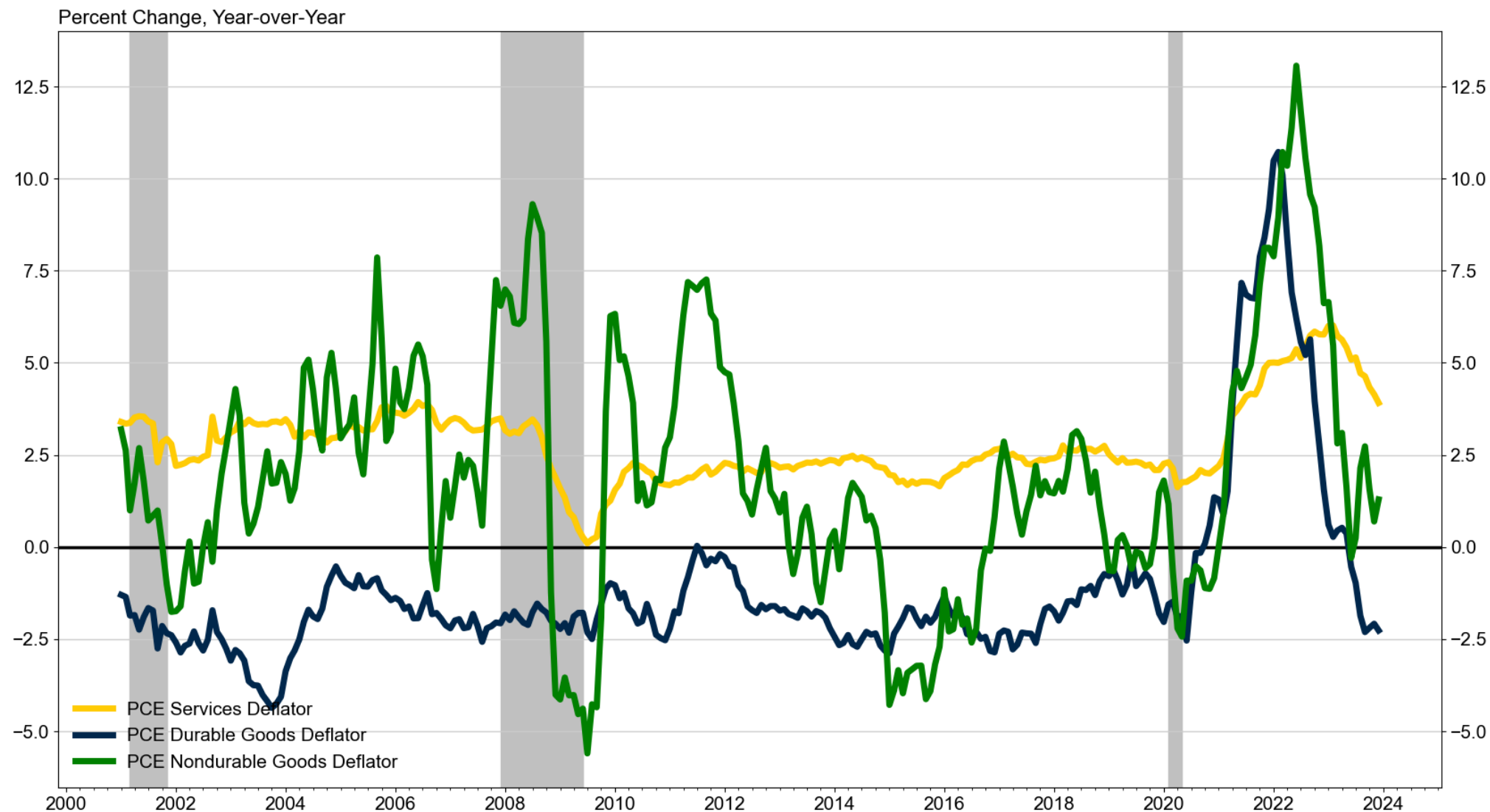
Recent PCE Core Inflation



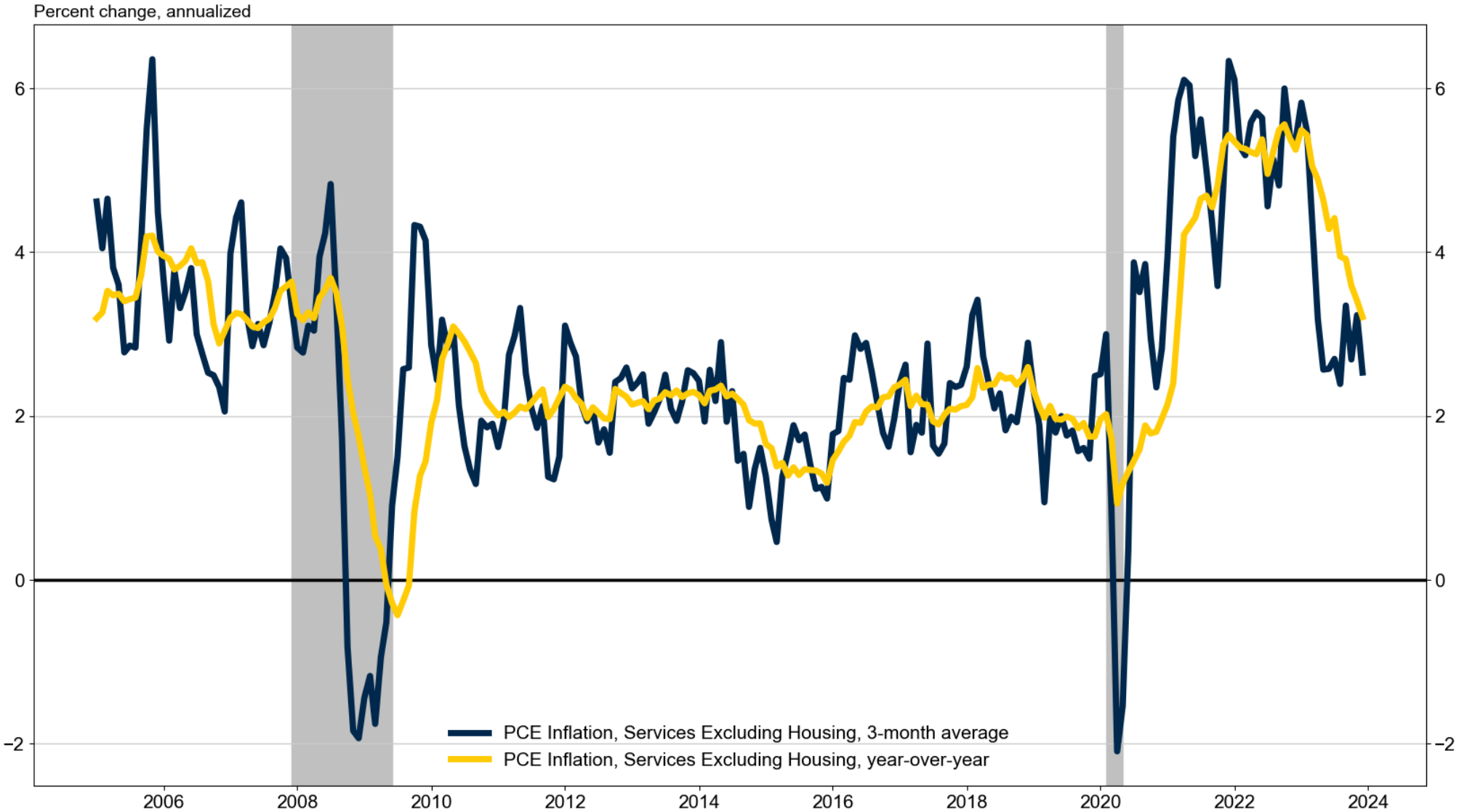
Survey of Professional Forecasters: The Anxious Index



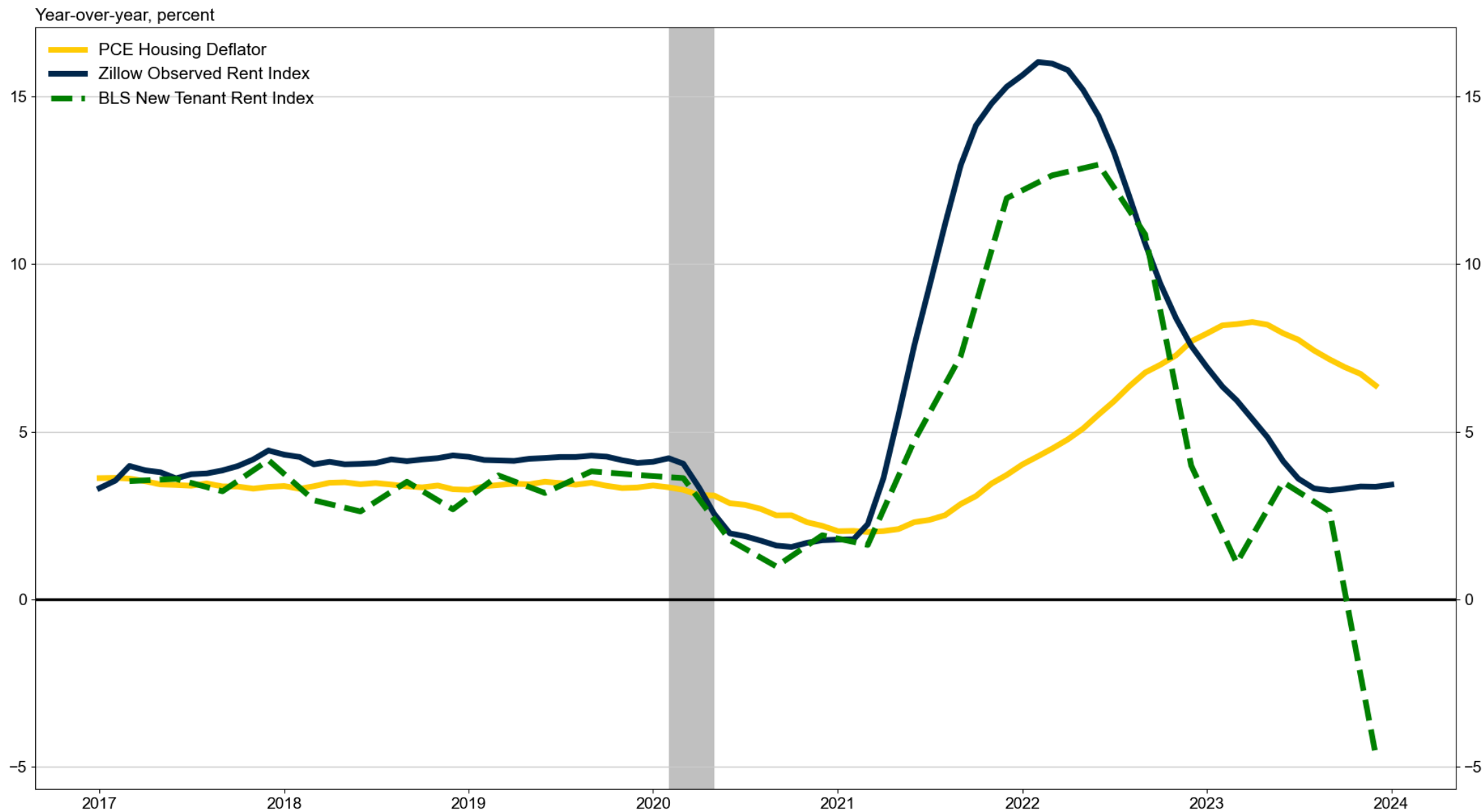
Inflation: Goods vs Services



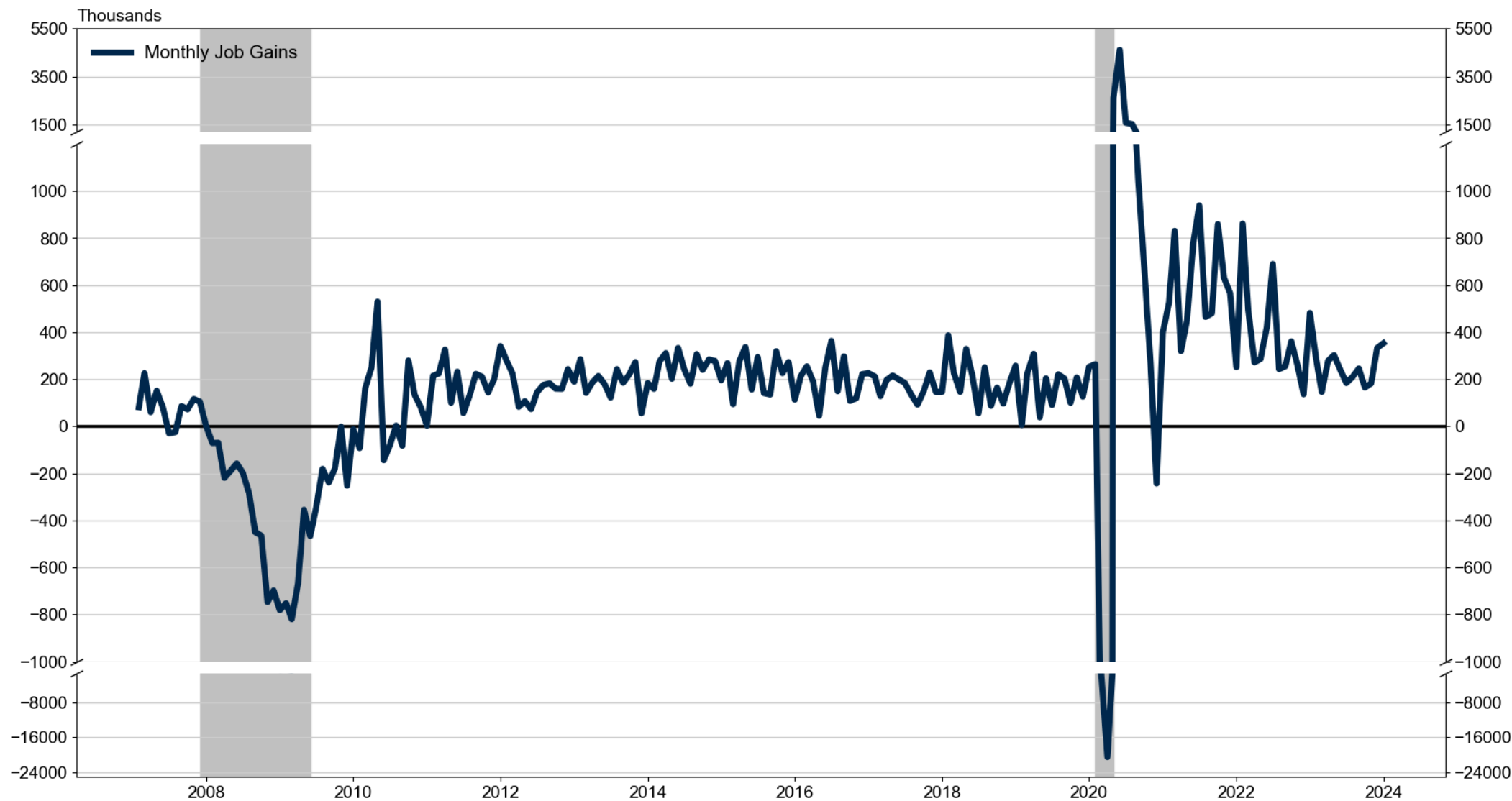
Core PCE Services Inflation ex Housing



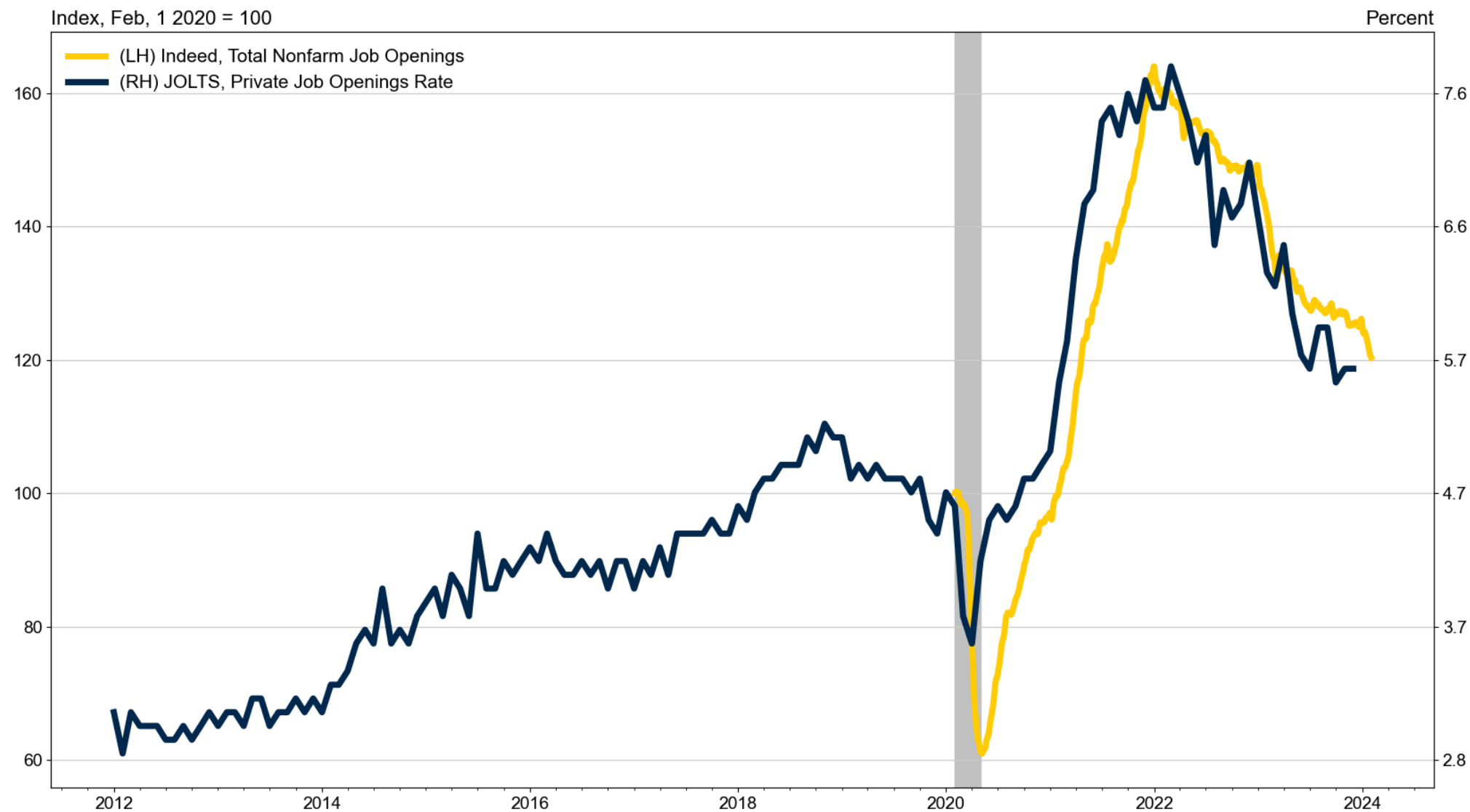
PCE Housing Deflator Inflation



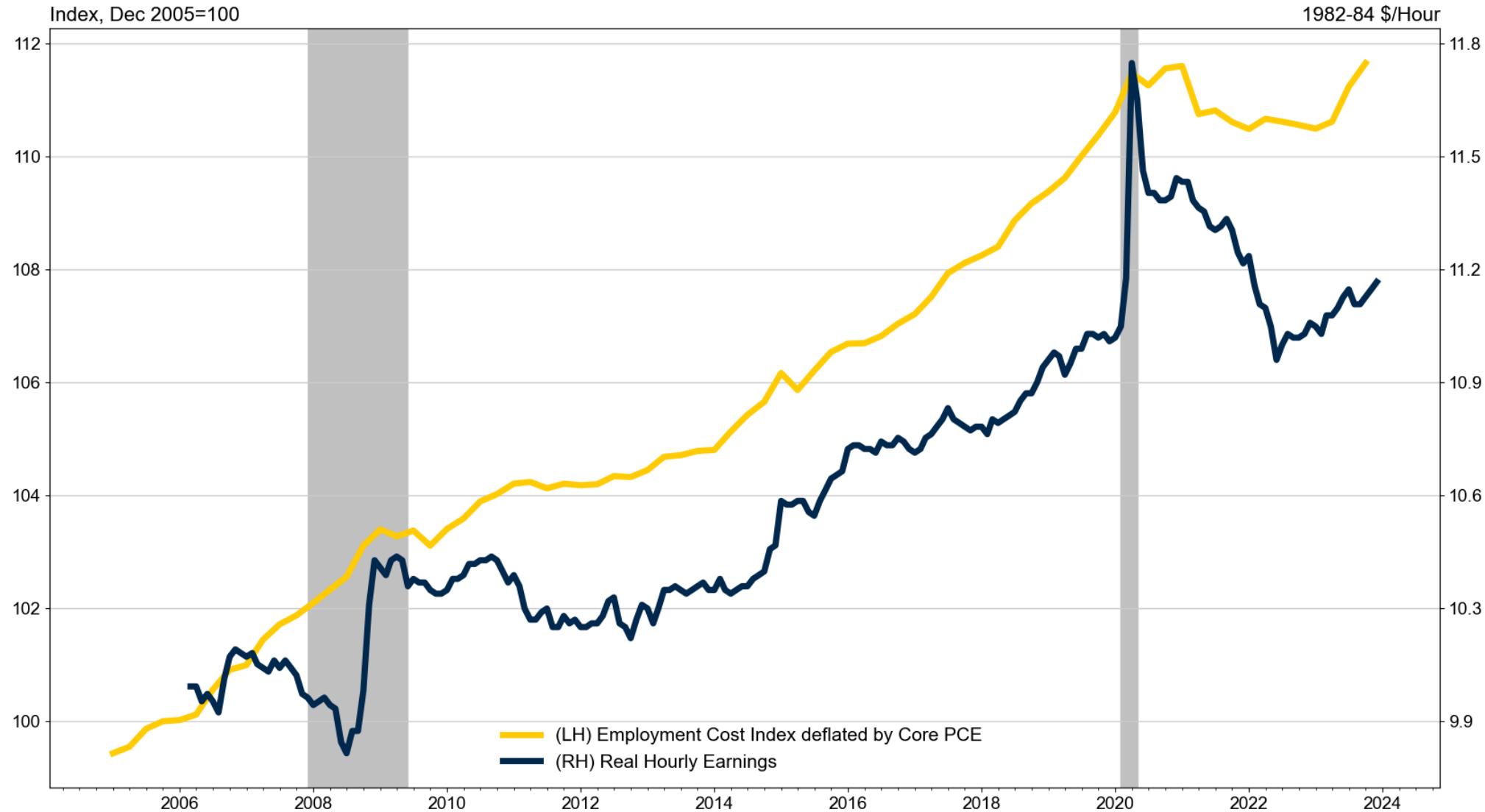
Monthly Payroll Job Gains



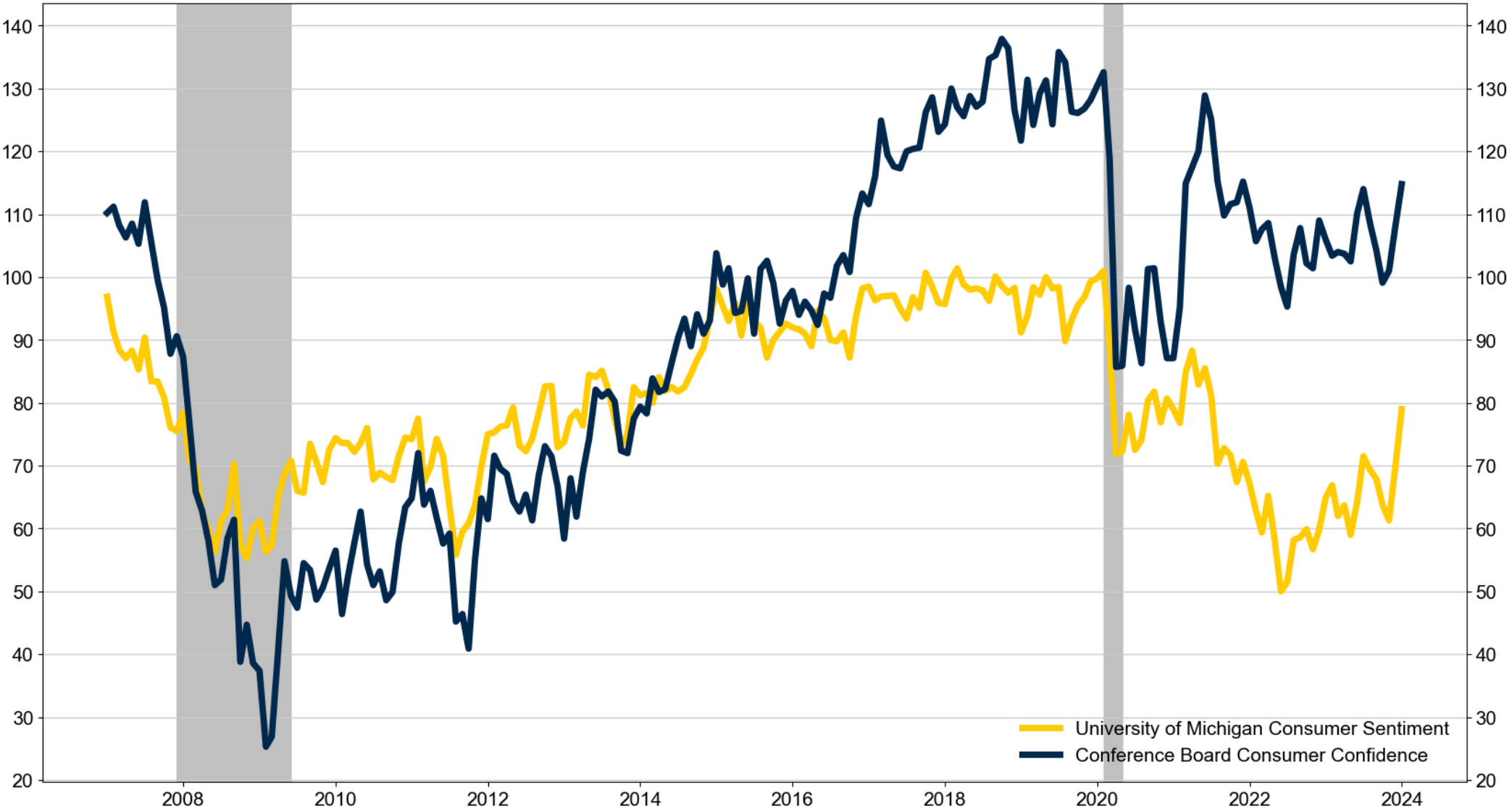
Job Openings



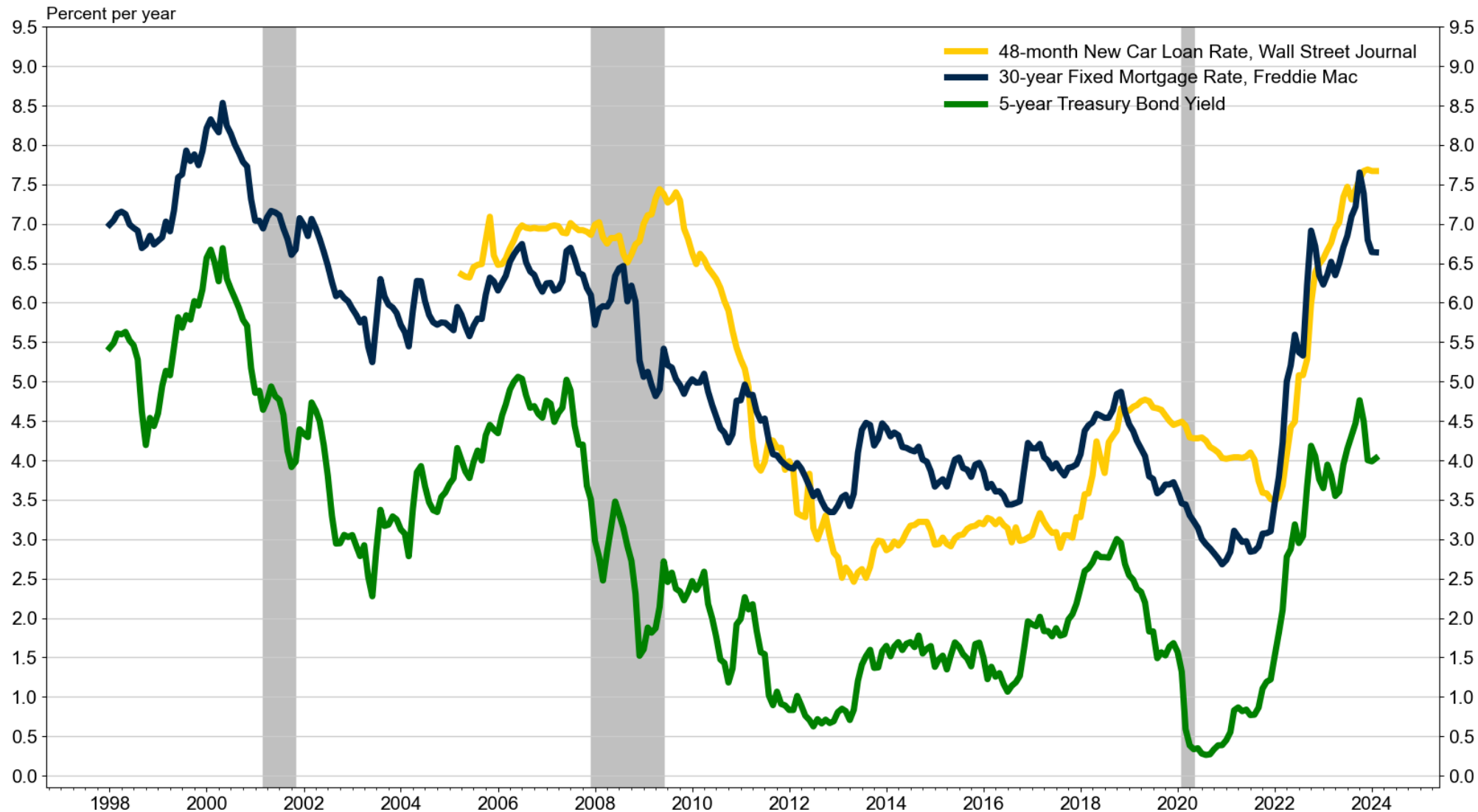
Real Hourly Compensation



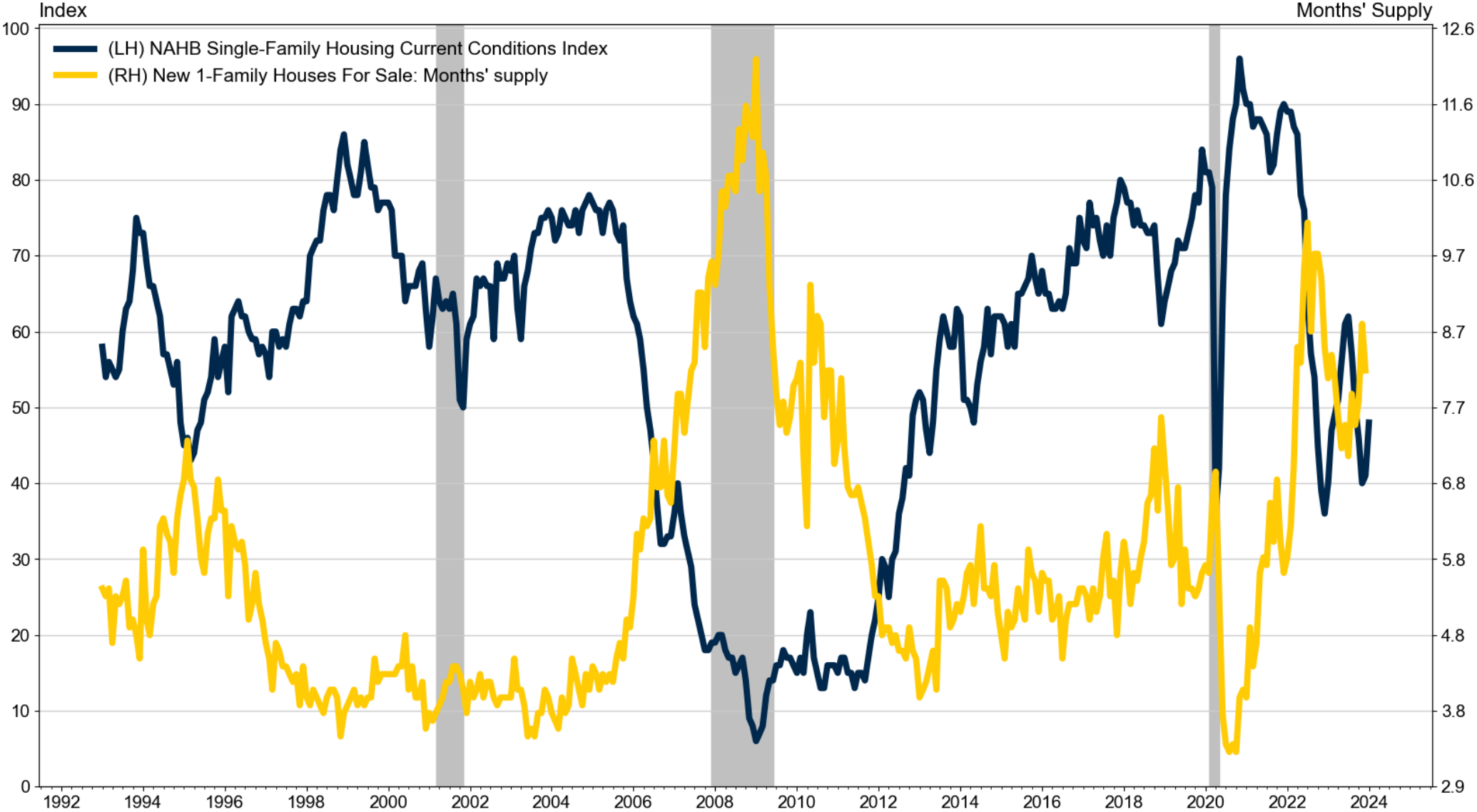
Sentiment Indices



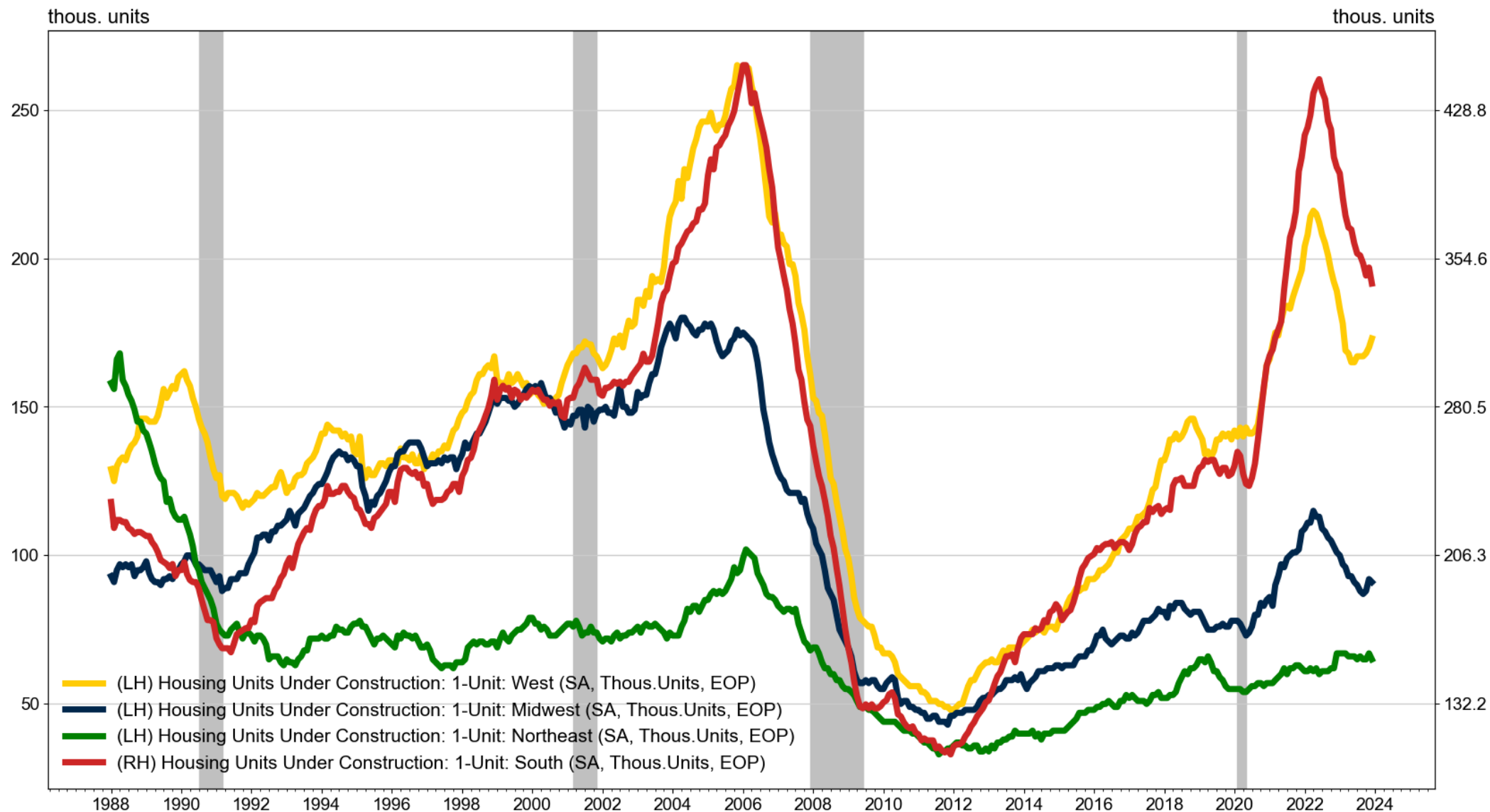
Select Interest Rates



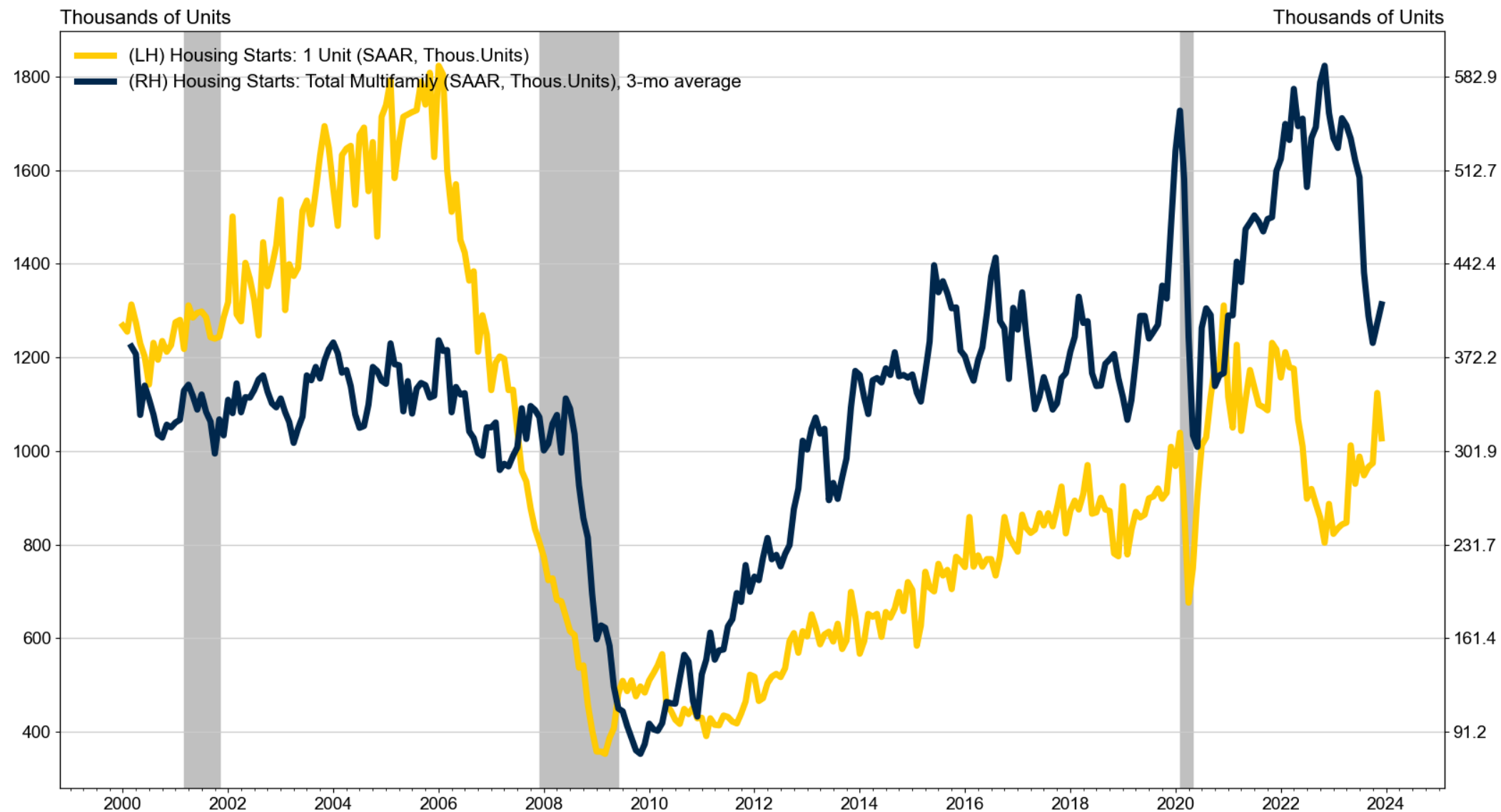
Residential Housing Market Metrics



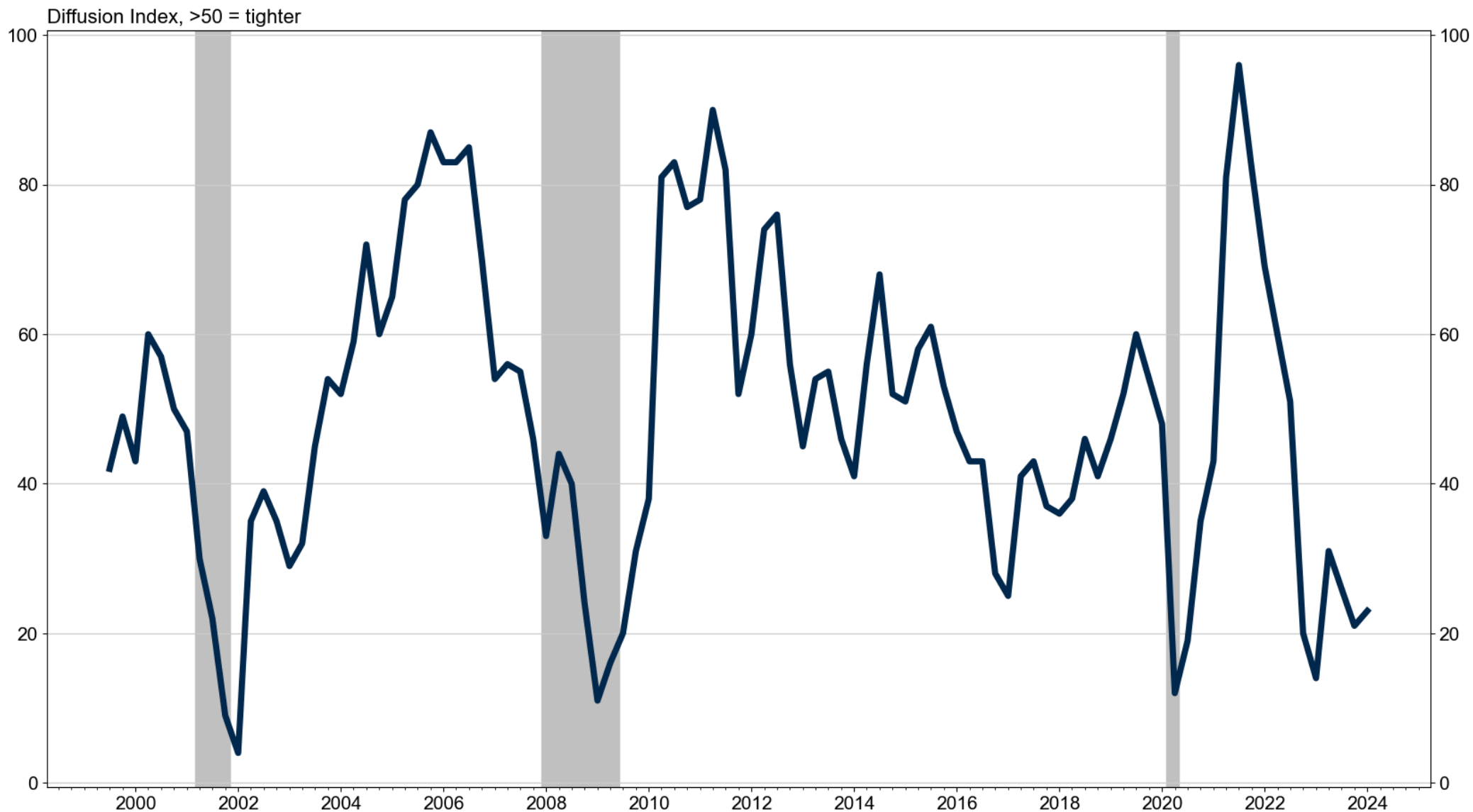
Single-Family Housing Under Construction by Census Region



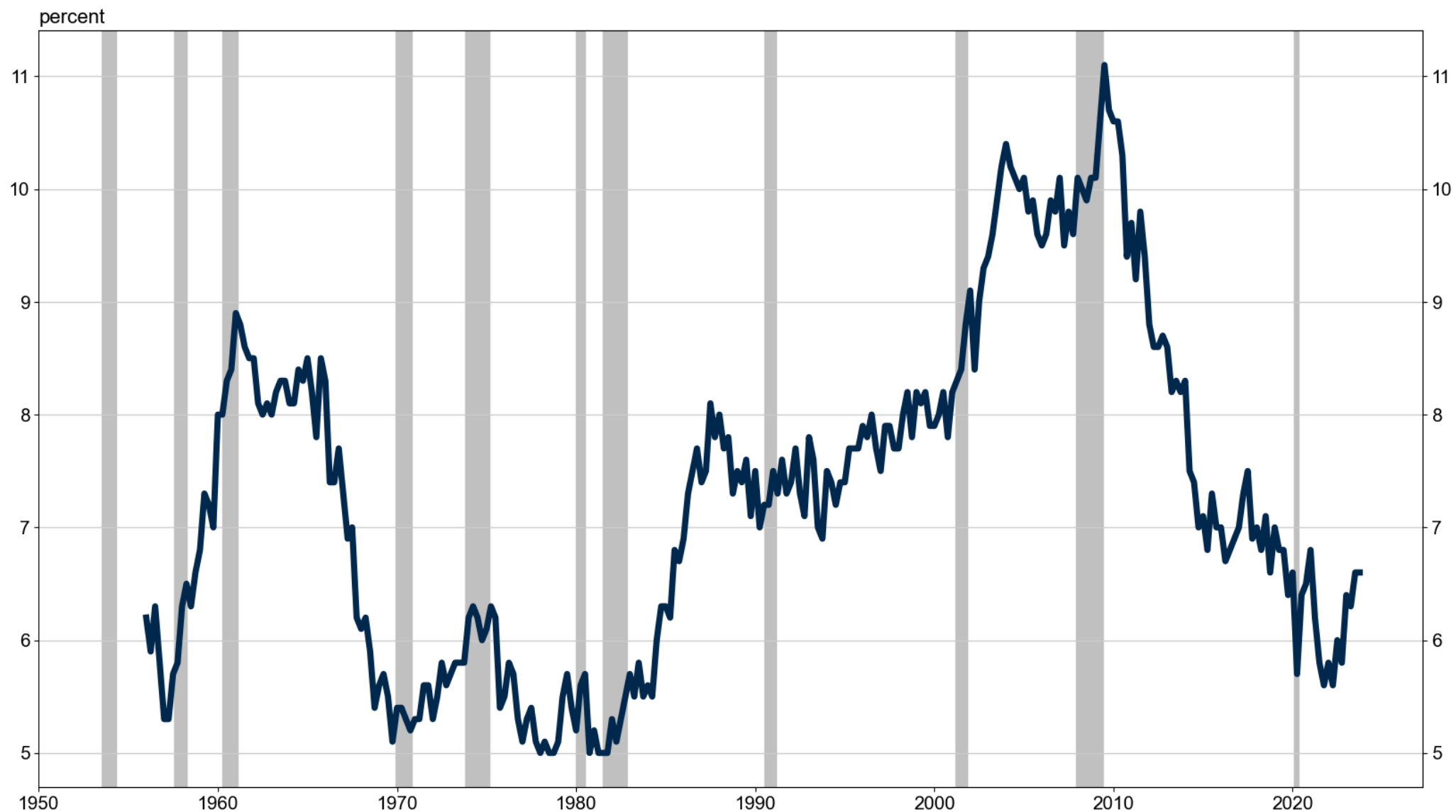
Housing Starts



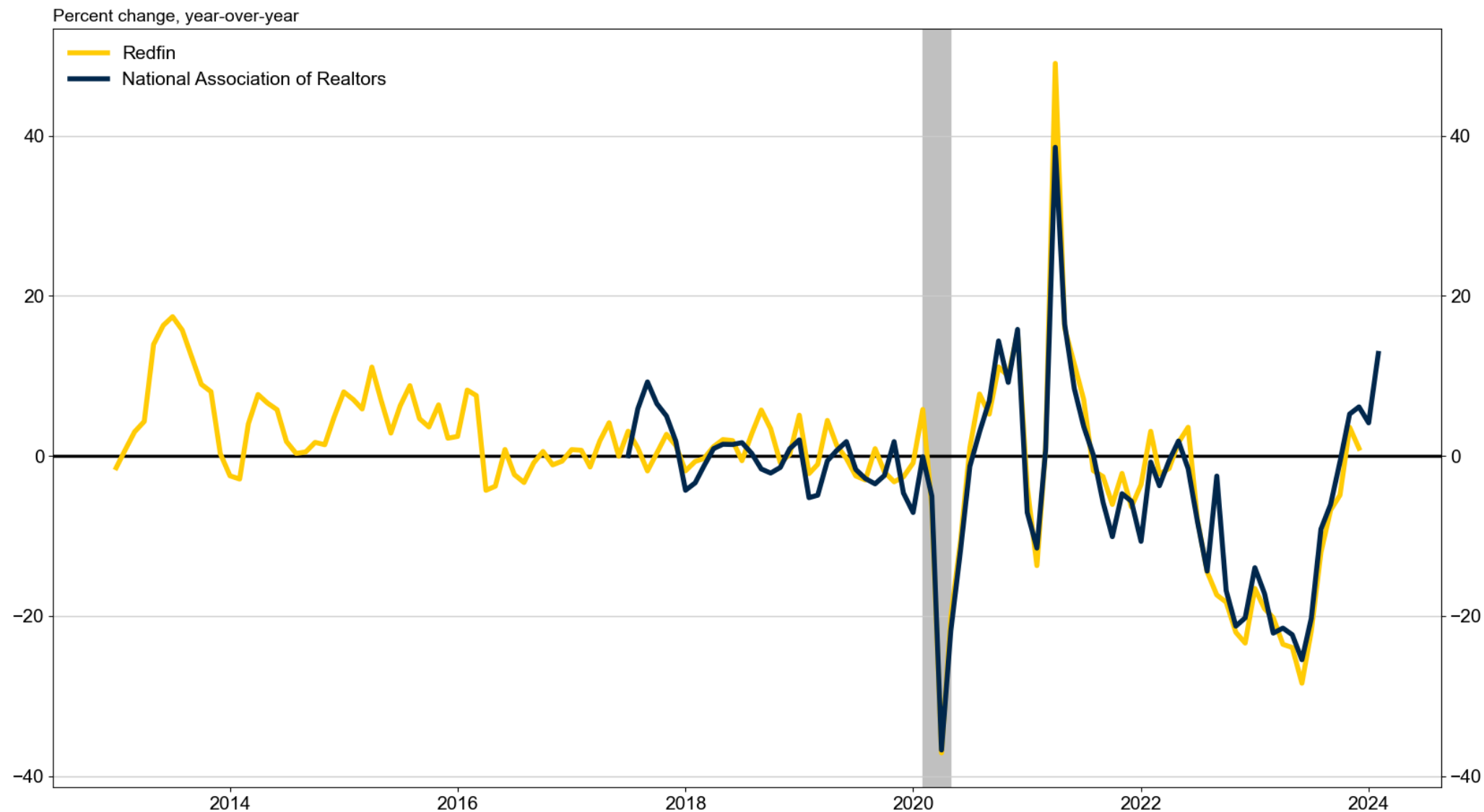
Apartment Market Tightness



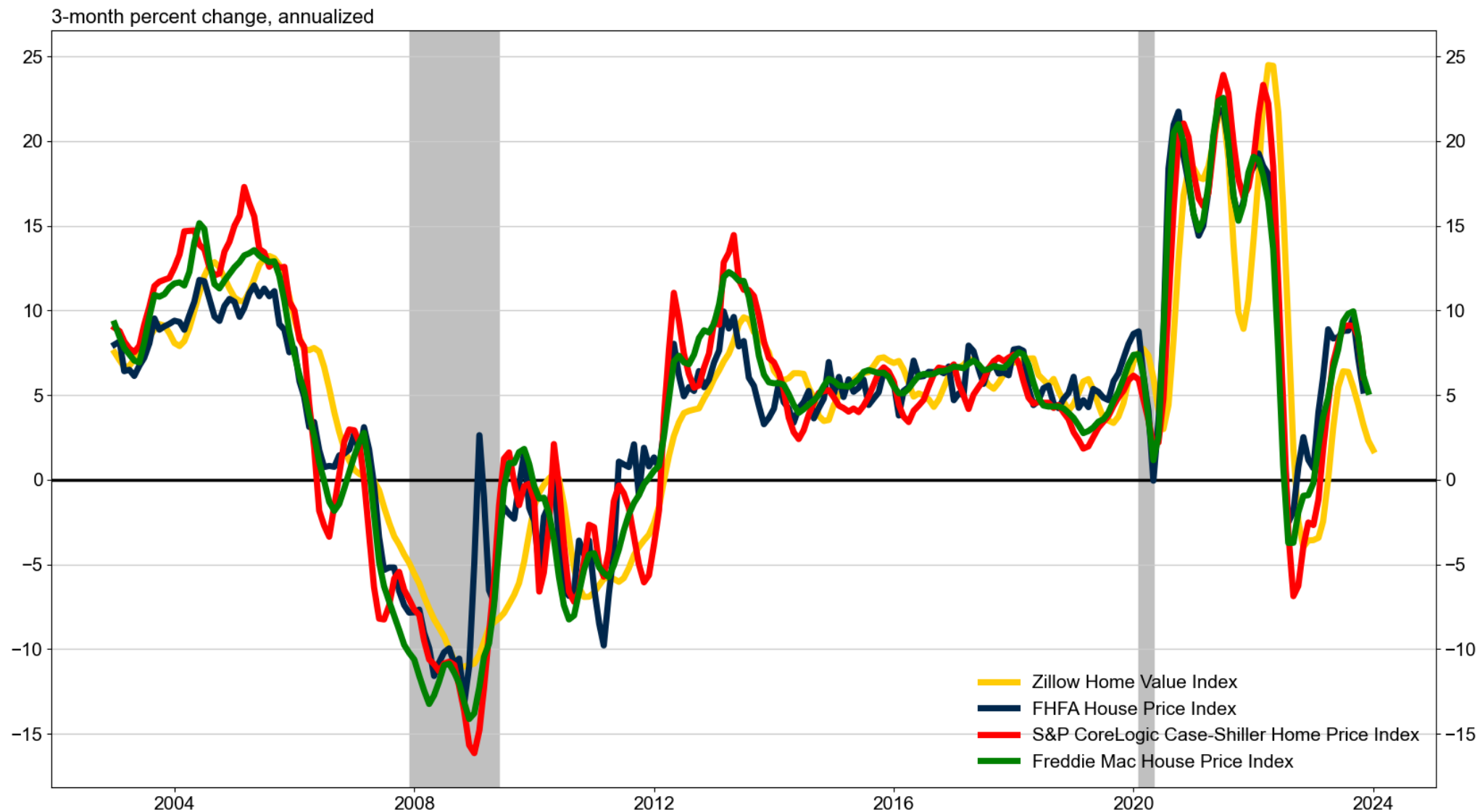
Rental Vacancy Rate



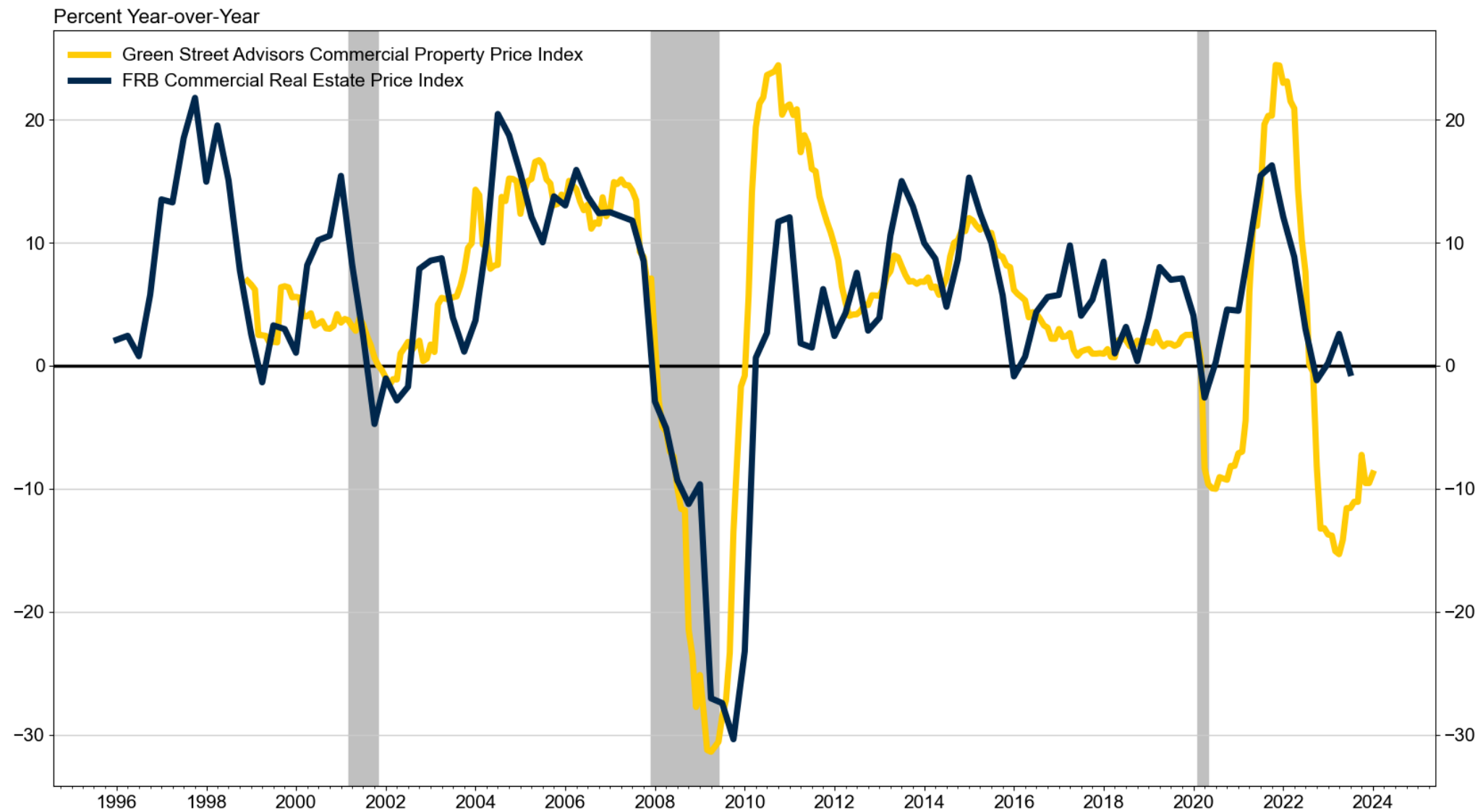
Existing Home Market: New Listings



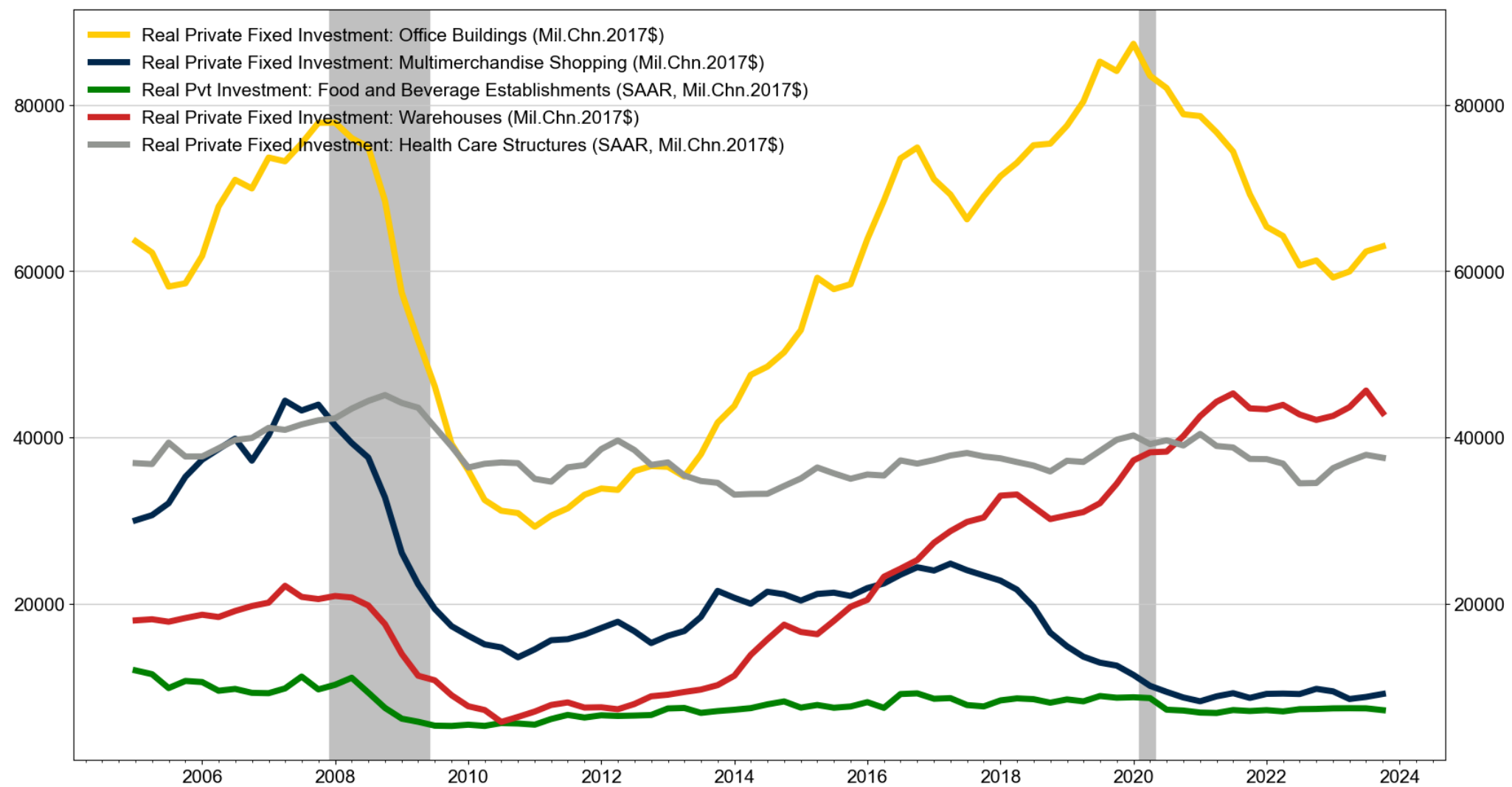
Housing Price Indices, Quarterly Appreciation



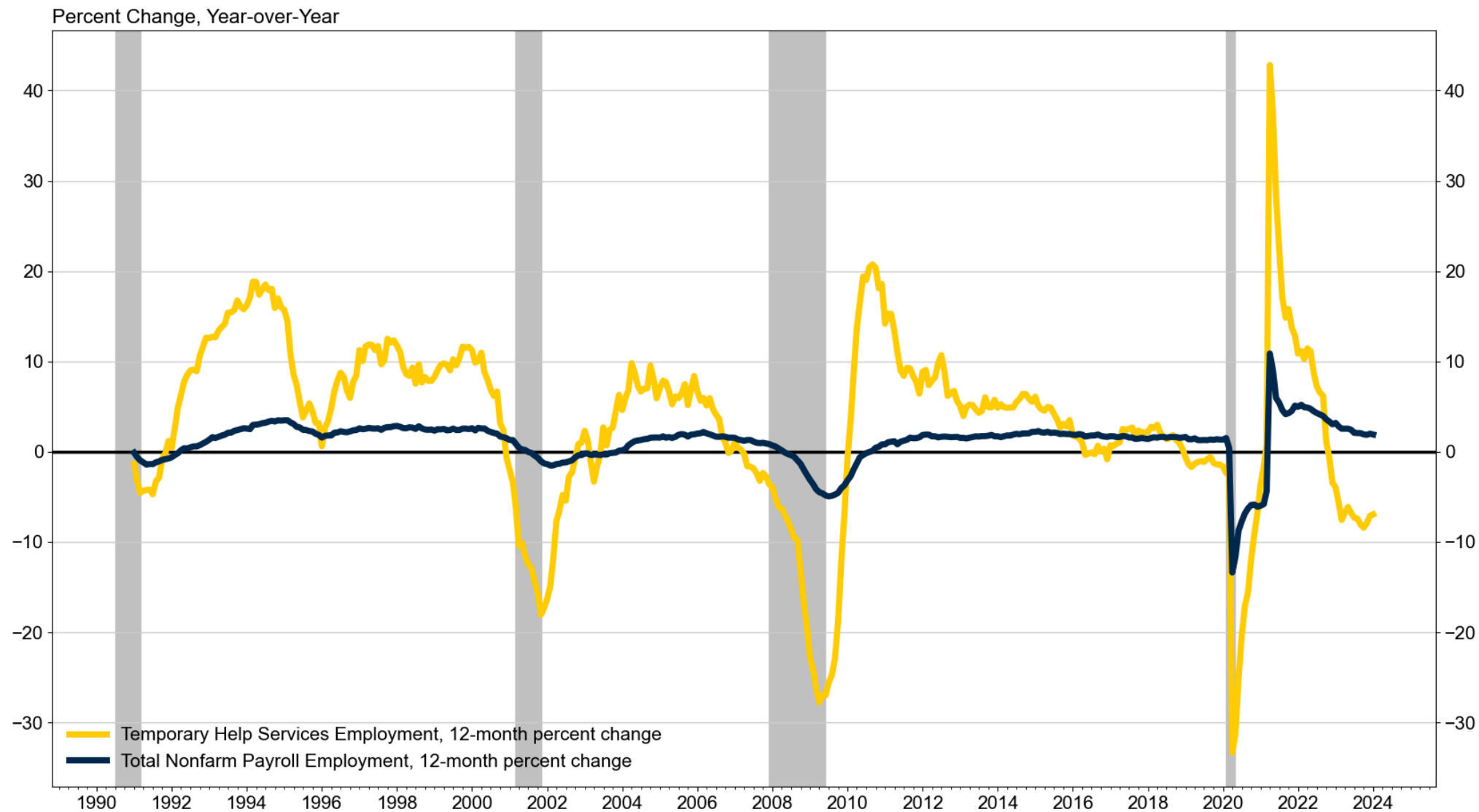
Commercial Property Prices



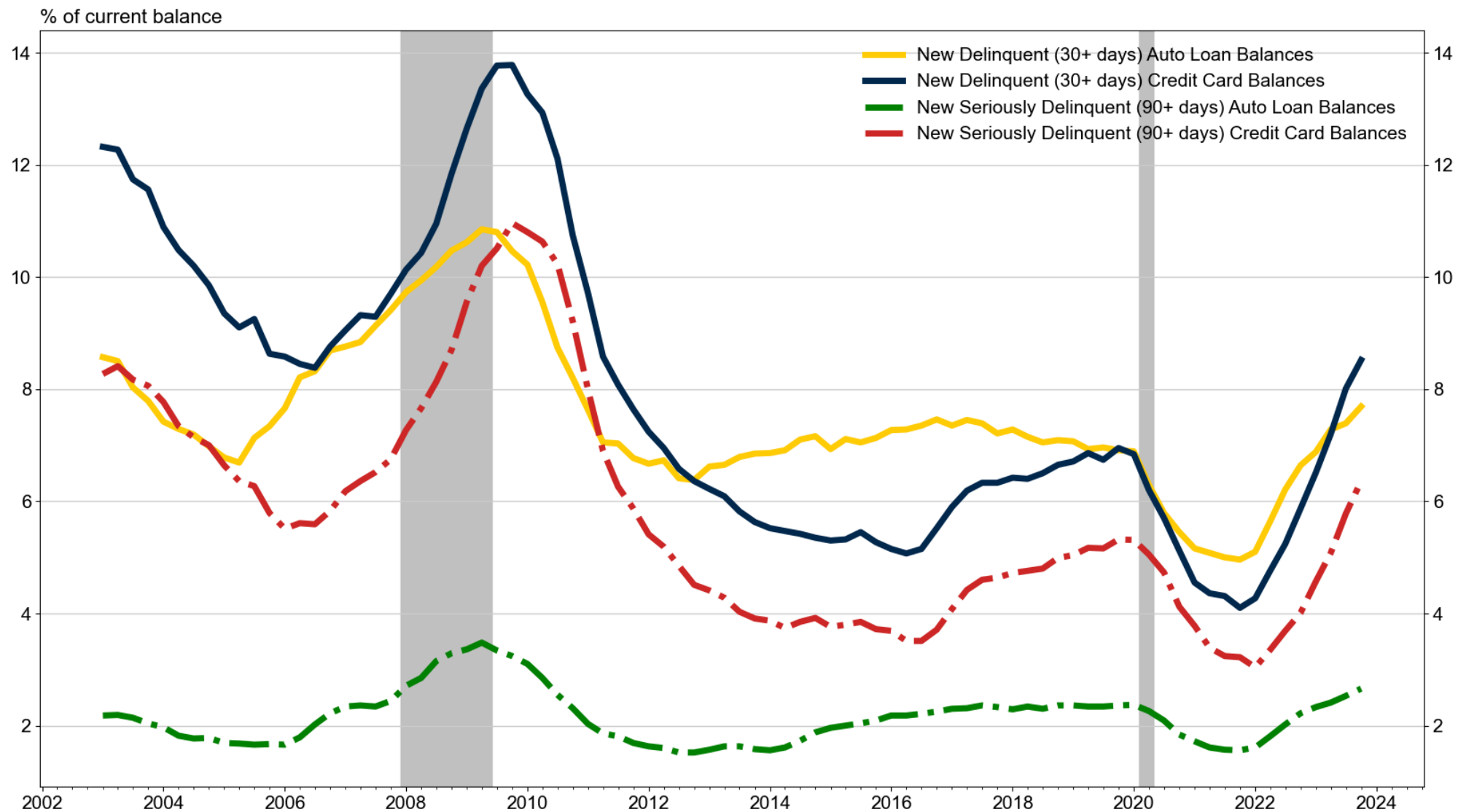
CRE Real Investment



Temporary Help Services Employment

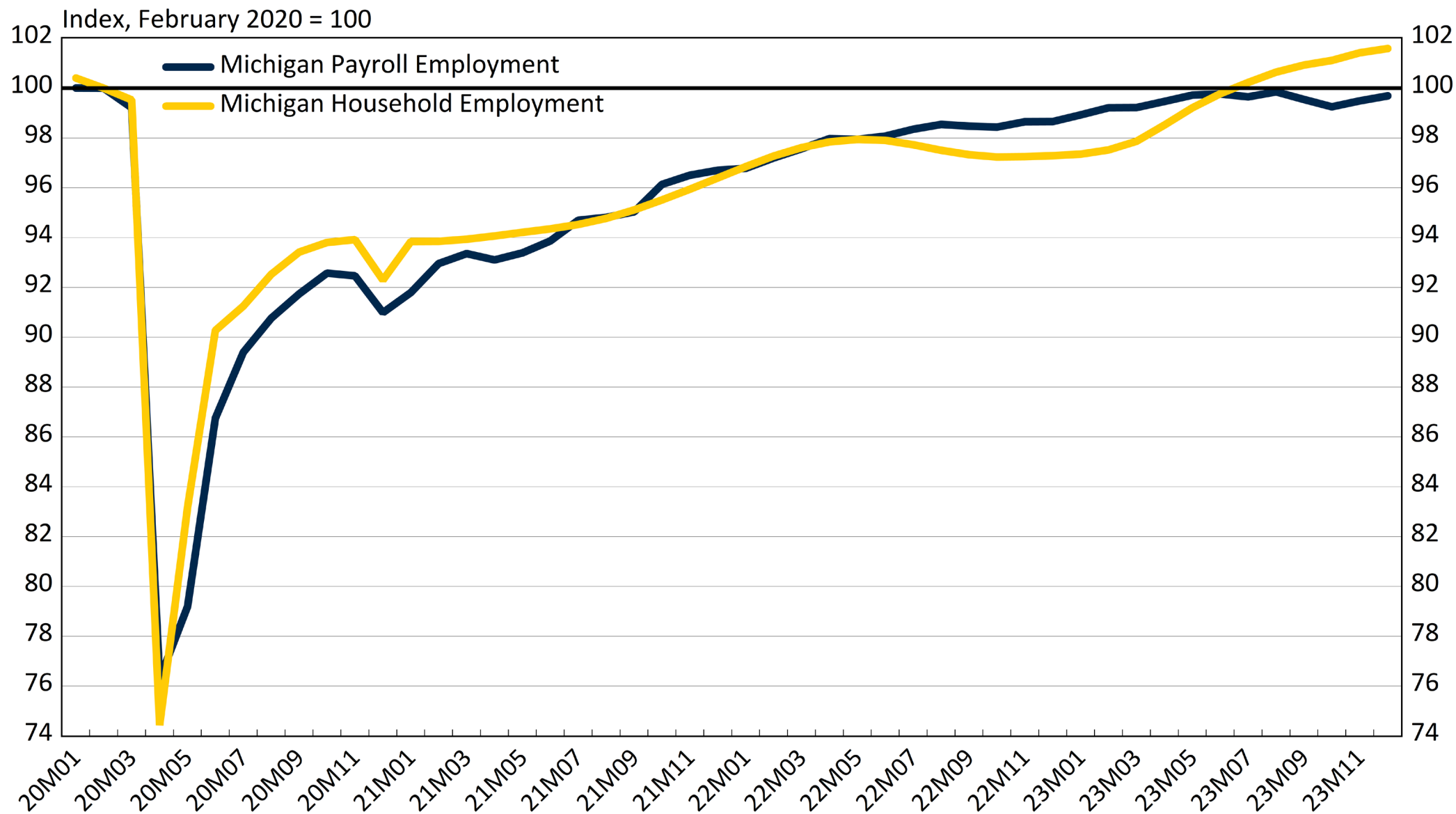


NY Fed Credit Panel

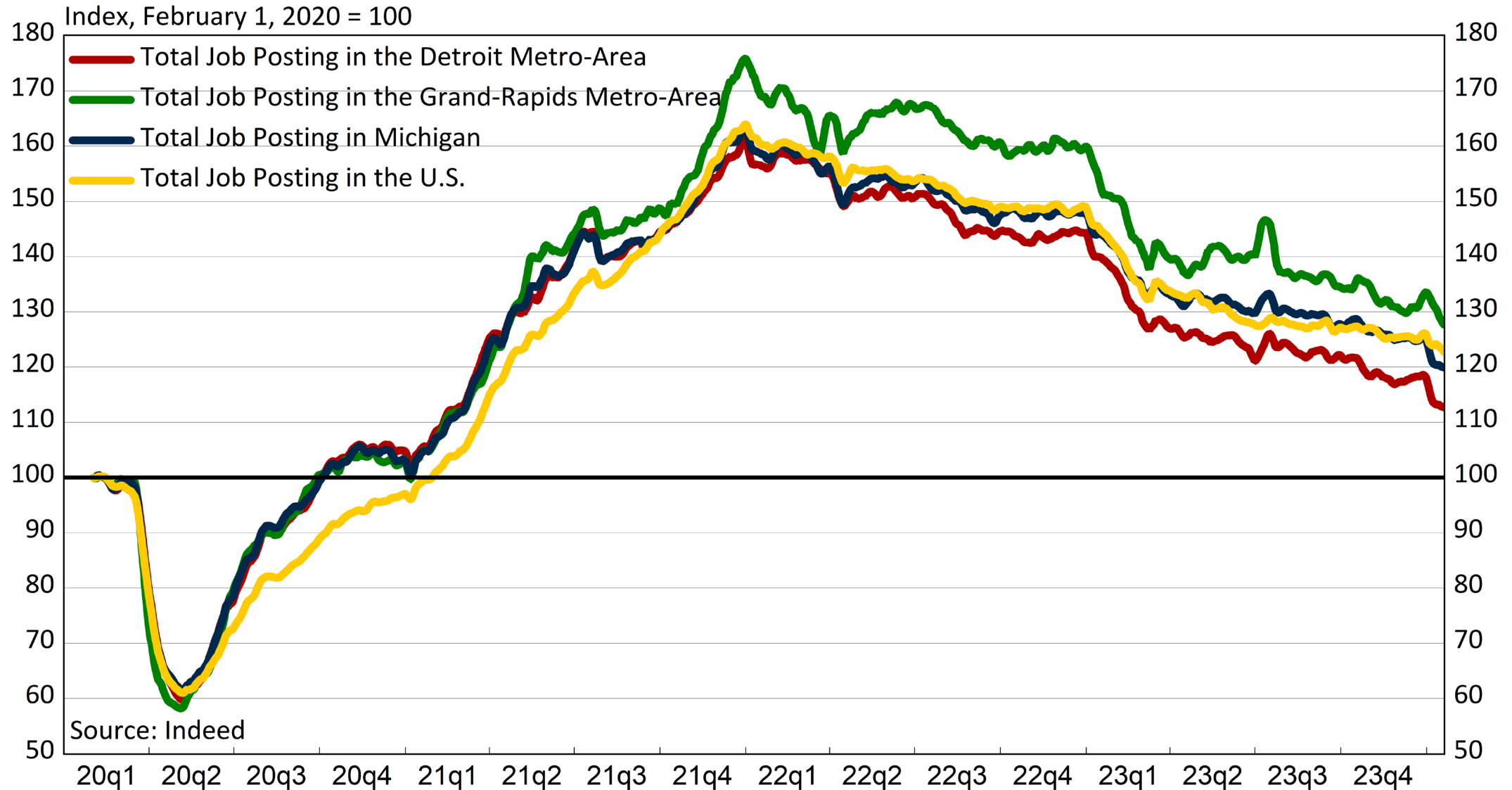


Current State of the Michigan Economy

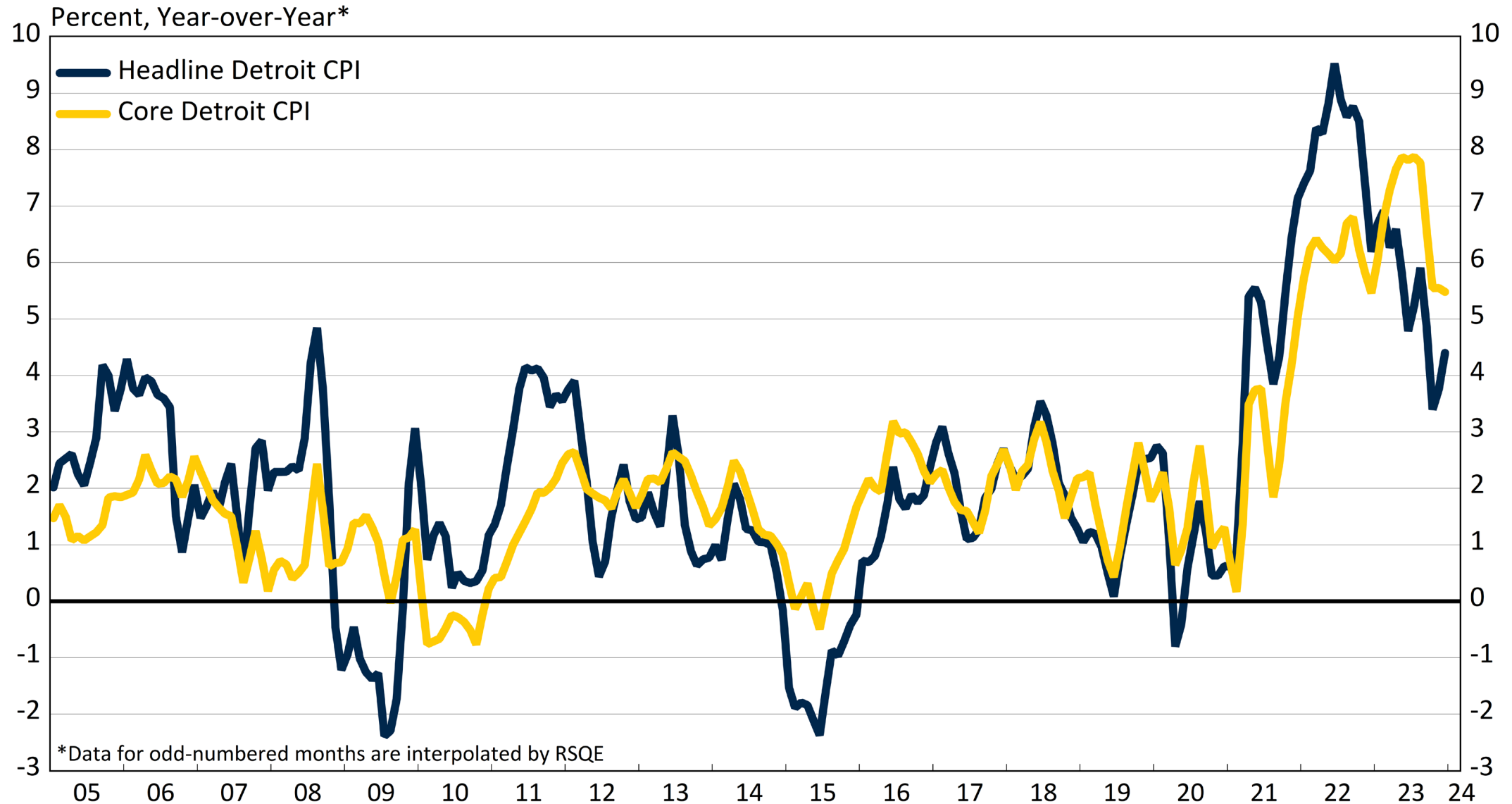
Michigan Household Employment Back Above Pre-Pandemic Level



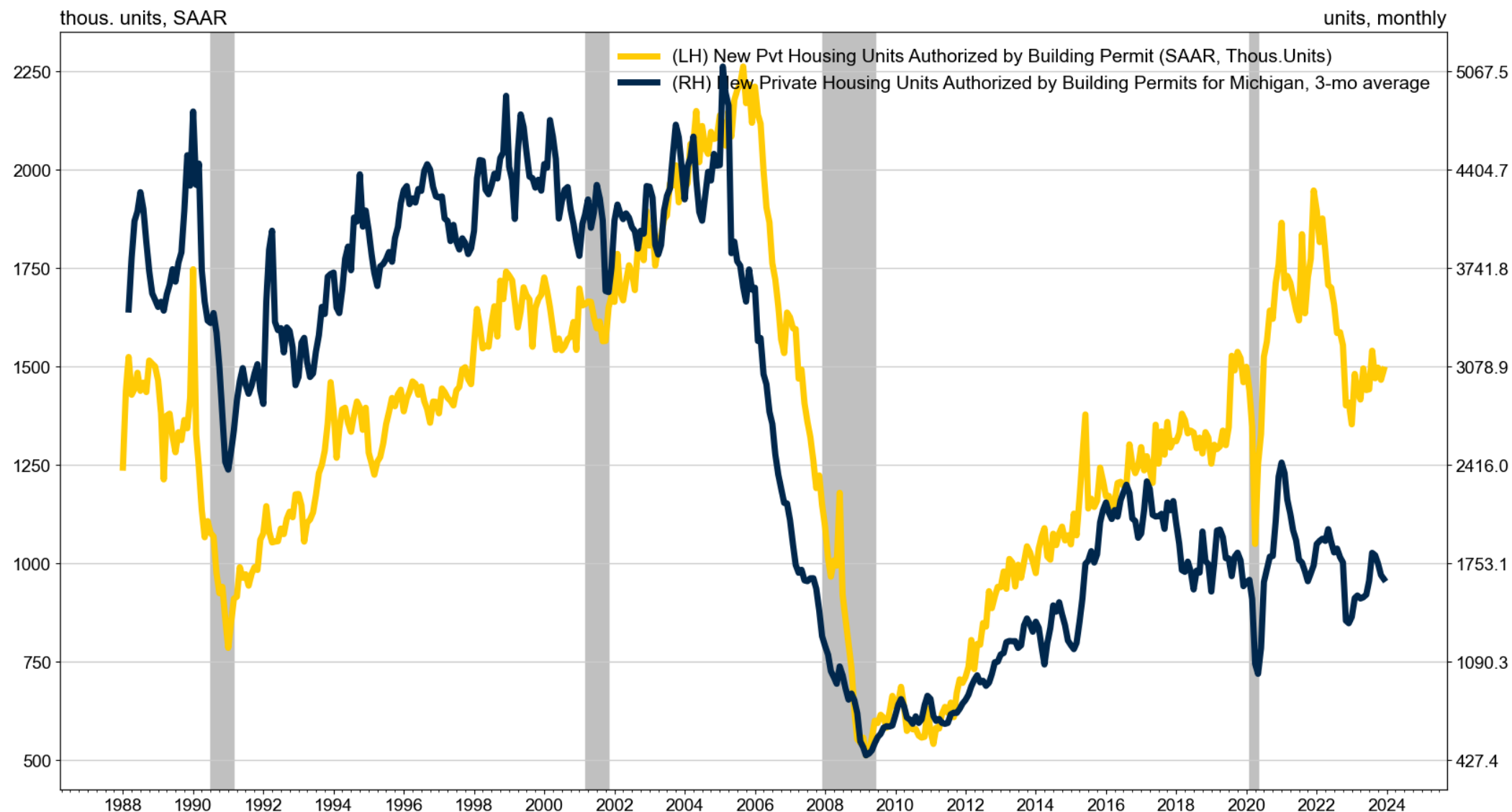
Labor Demand Is Cooling Off



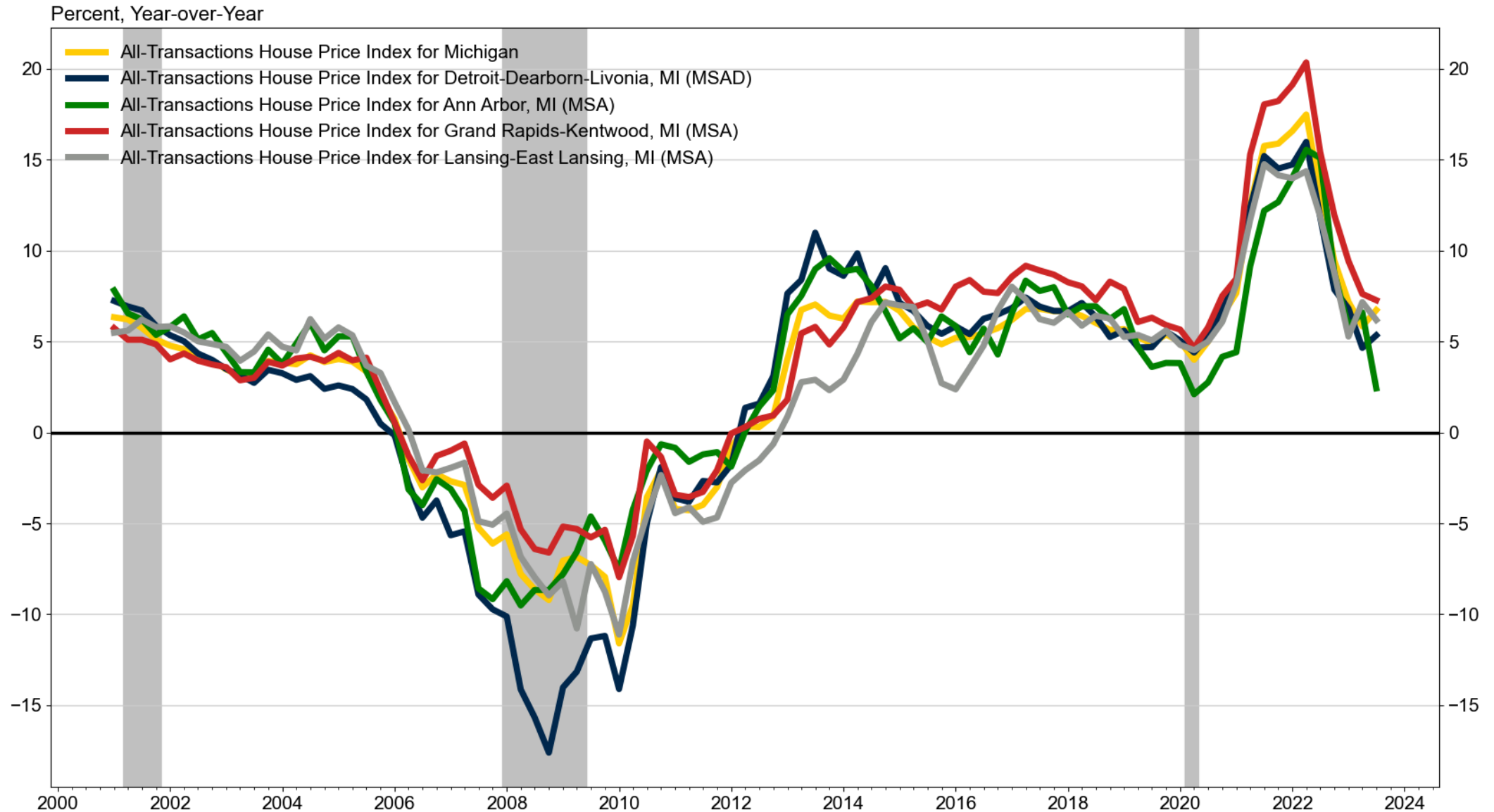
Local Inflation Is Turning Around ... Slowly



Residential Building Permits: National and Michigan



FHFA Michigan Home Price Appreciation



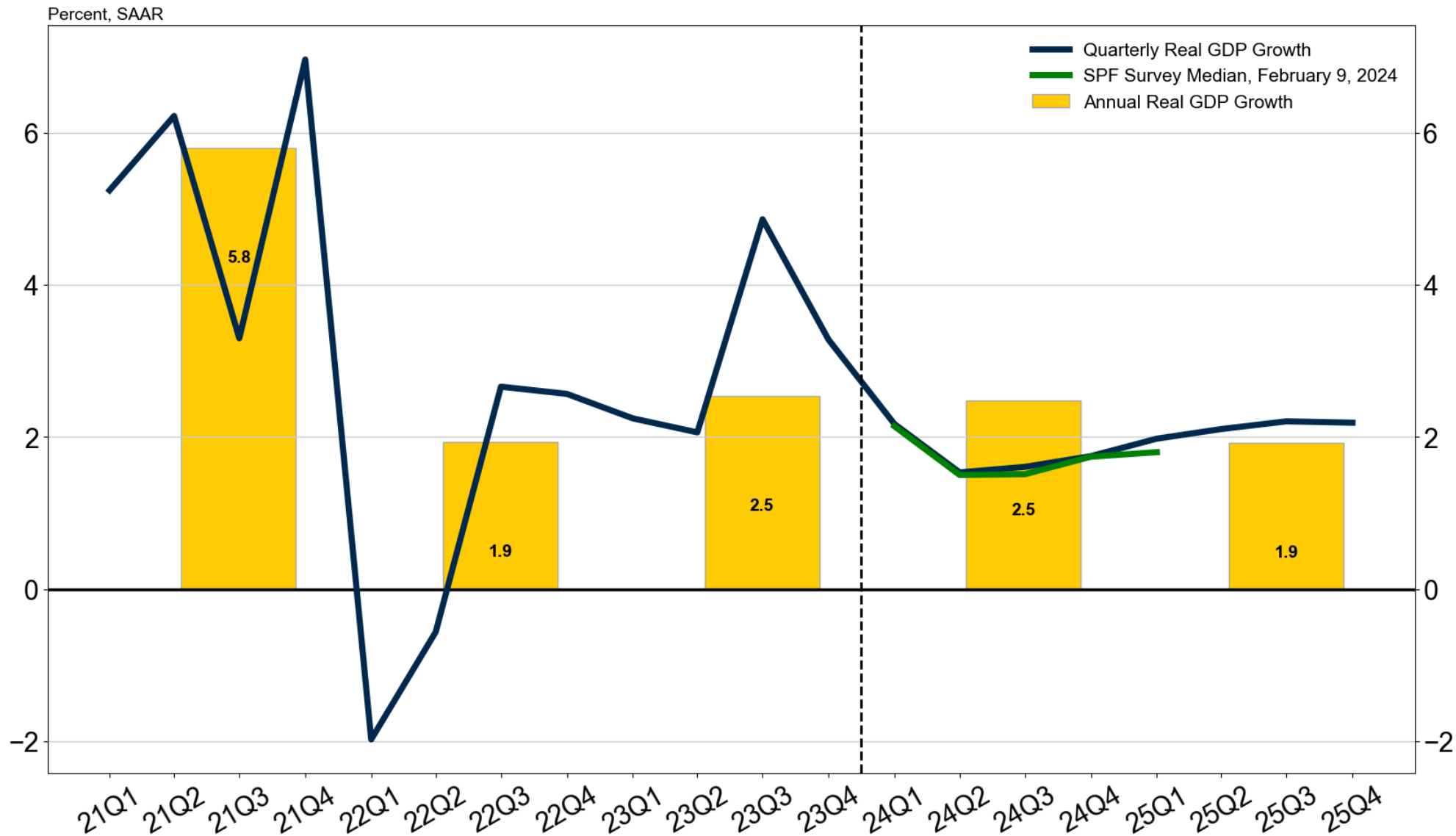
Policy Inputs

Monetary and Fiscal Policy

- Inflation has decelerated sharply, with core near target
- Unless inflation reaccelerates, the Fed can focus on avoiding a recession
- We project gradual fed funds rate range cuts throughout the forecast
 - Rate cuts start this summer, and accumulate to ~175bps through 2025Q4
- We expect divided government to last beyond 2024 elections
- Only modest federal spending restraint for fiscal 2024–25
- Overall deficit stays around 6.0 percent of GDP, as interest expenses grow

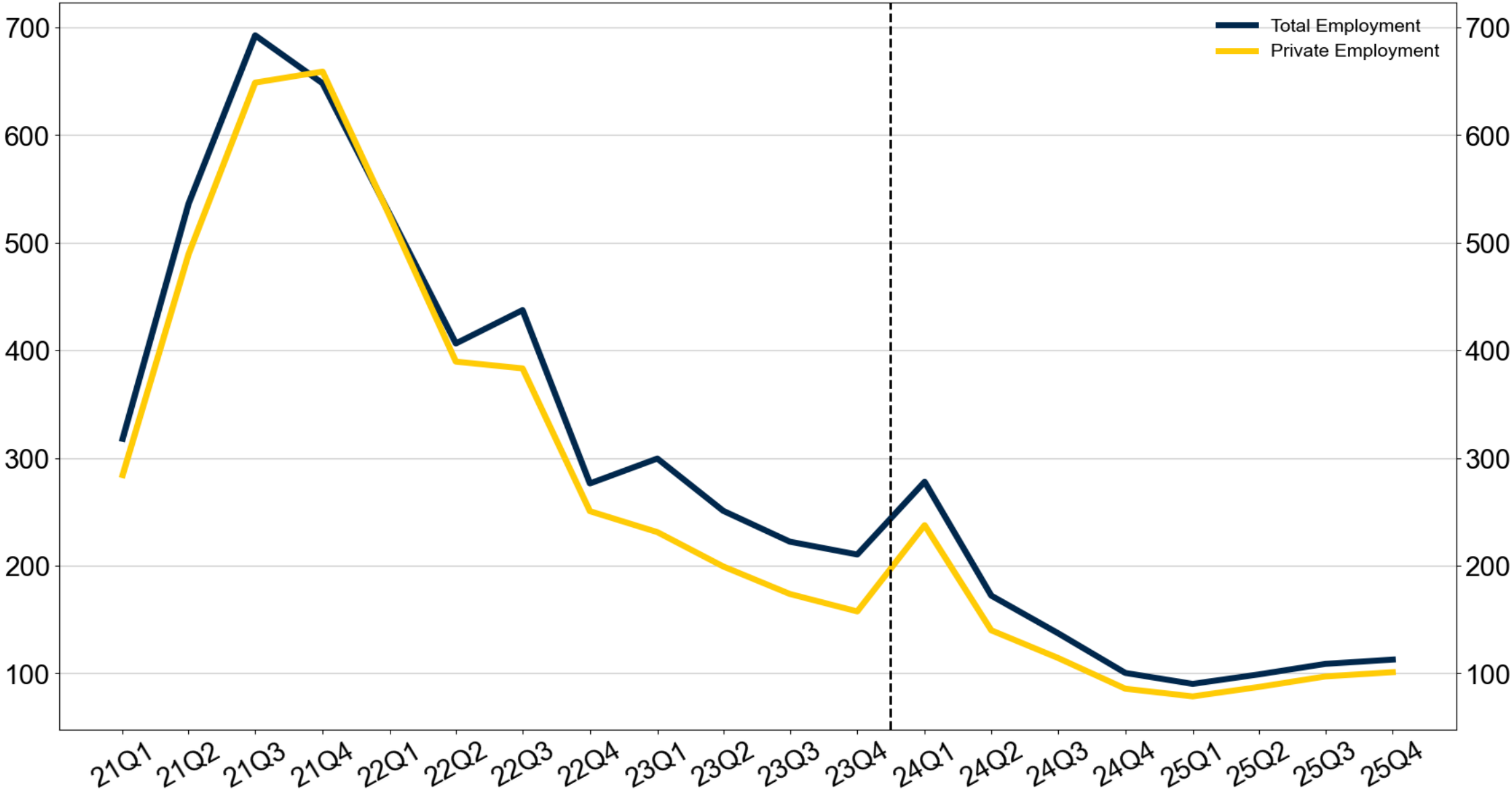
U.S. Forecast

Real GDP Growth

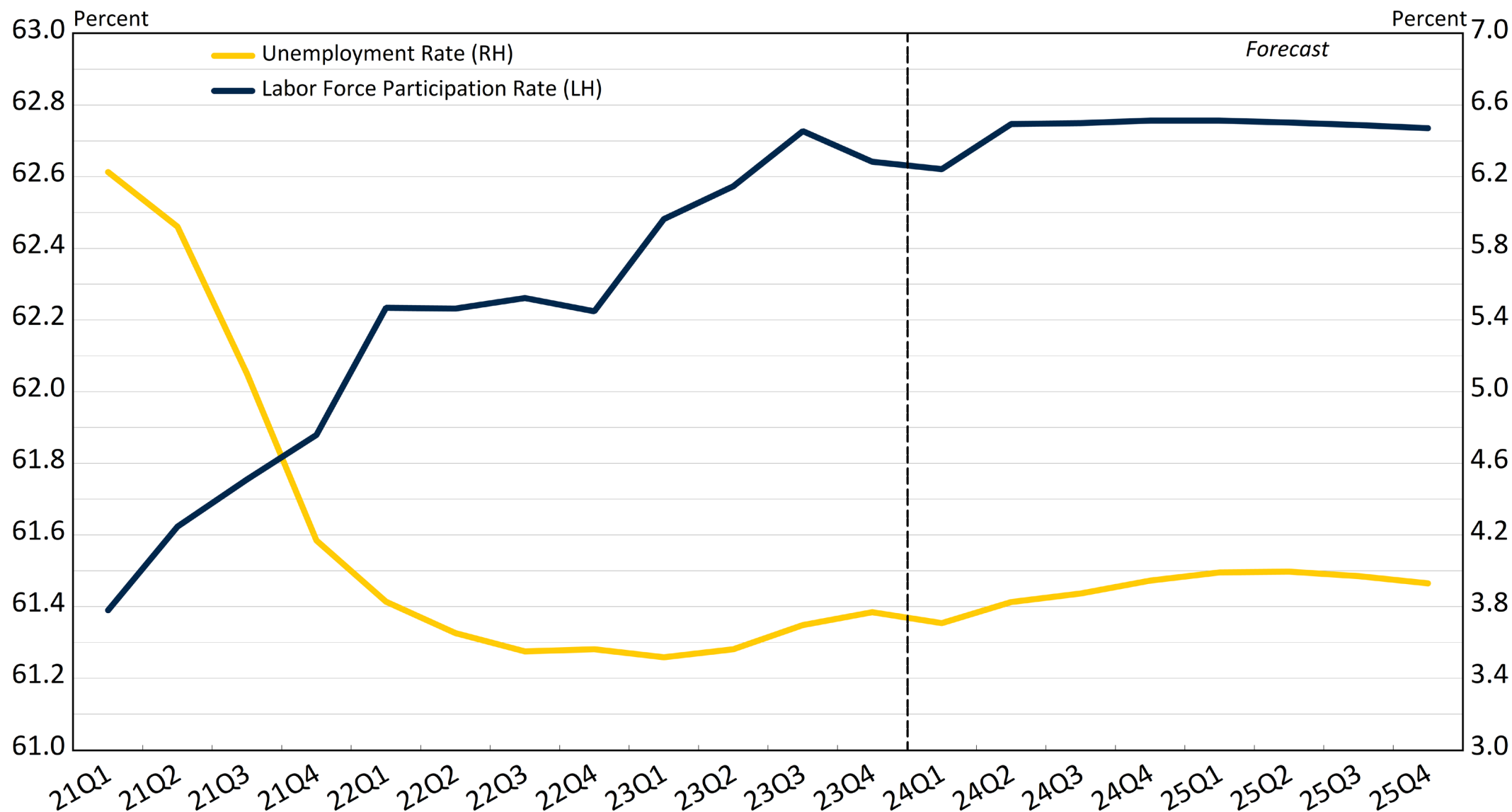


Payroll Employment Growth

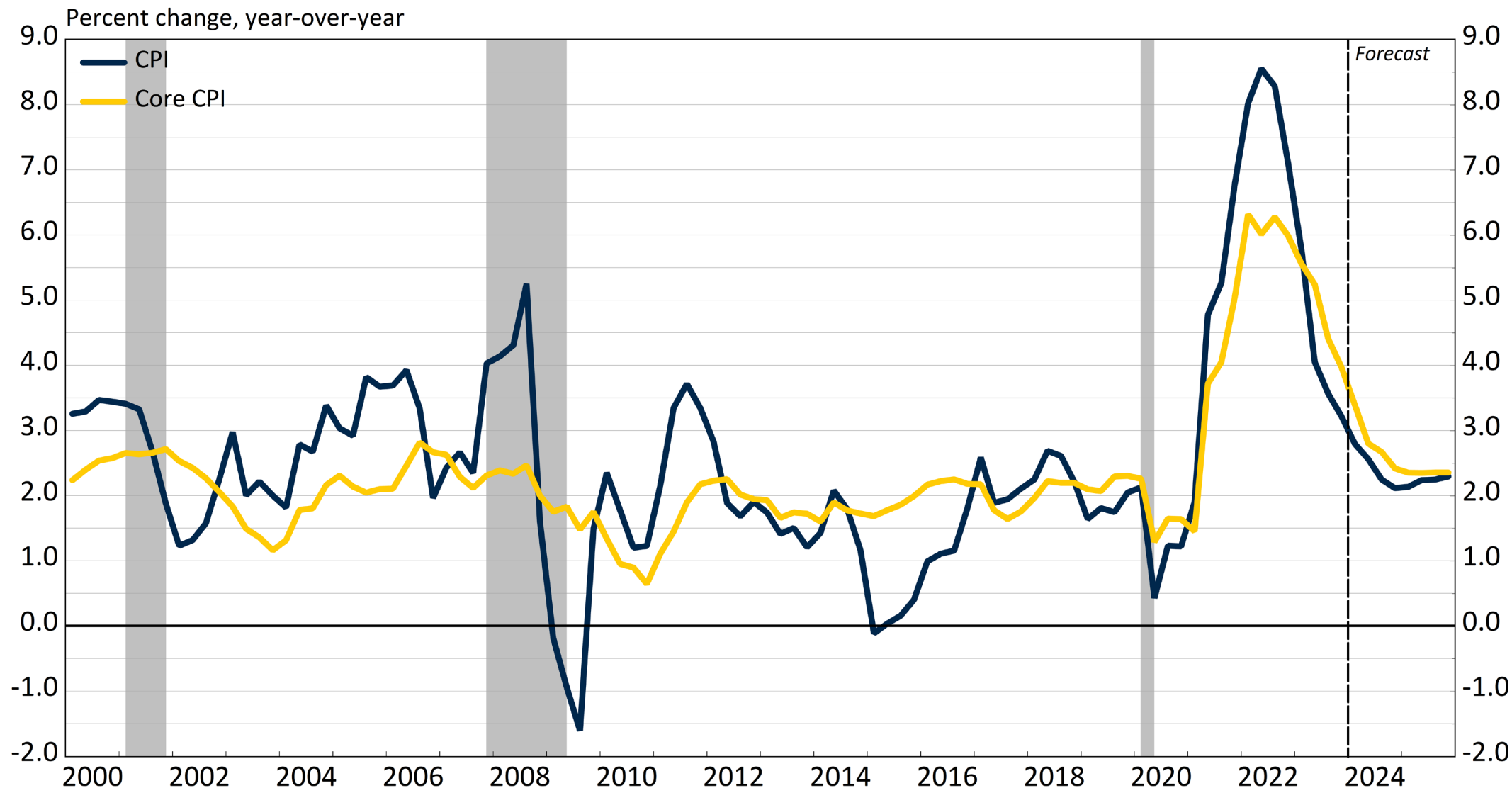
Thousands of jobs per month, quarterly average



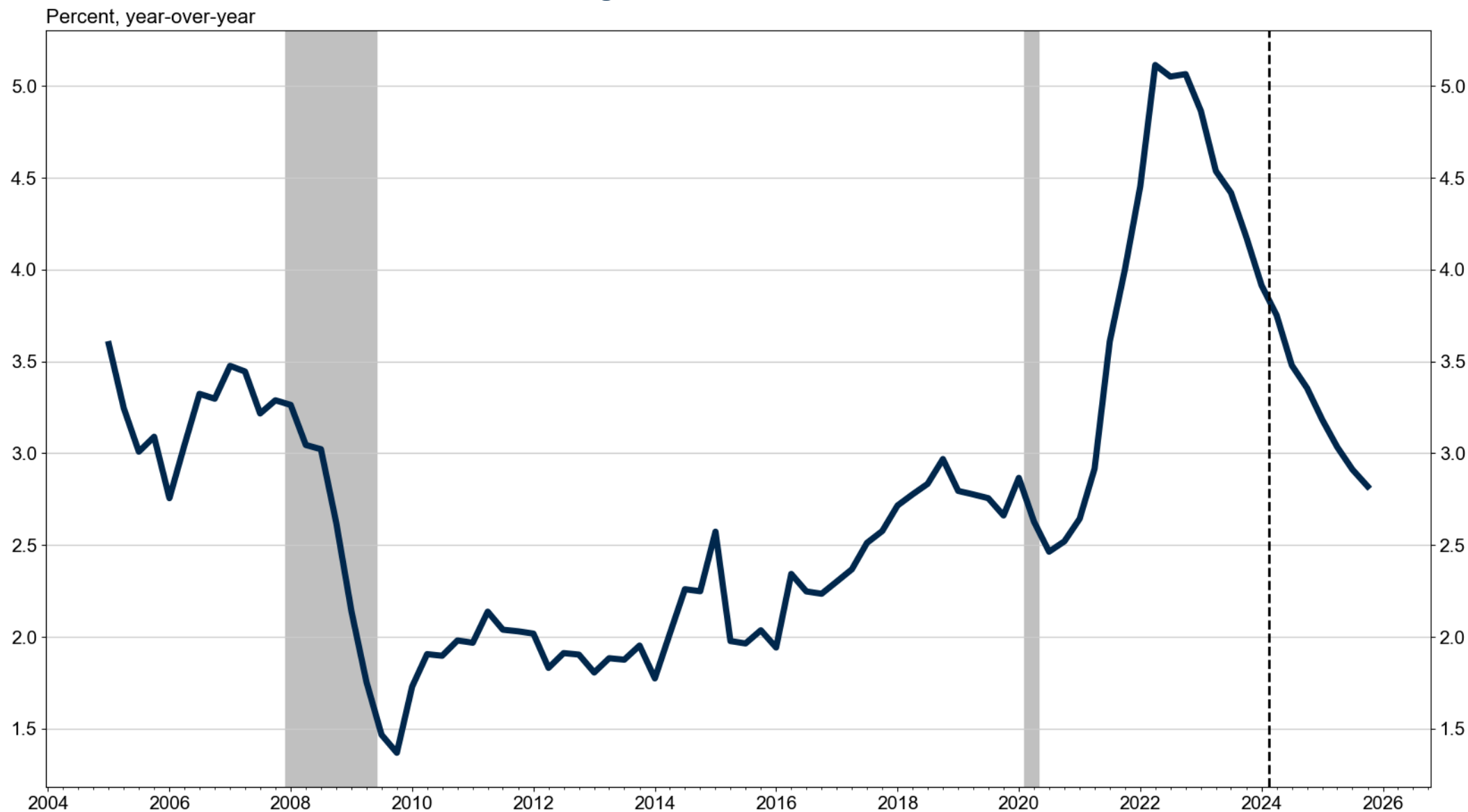
Unemployment Rate and Participation Rate



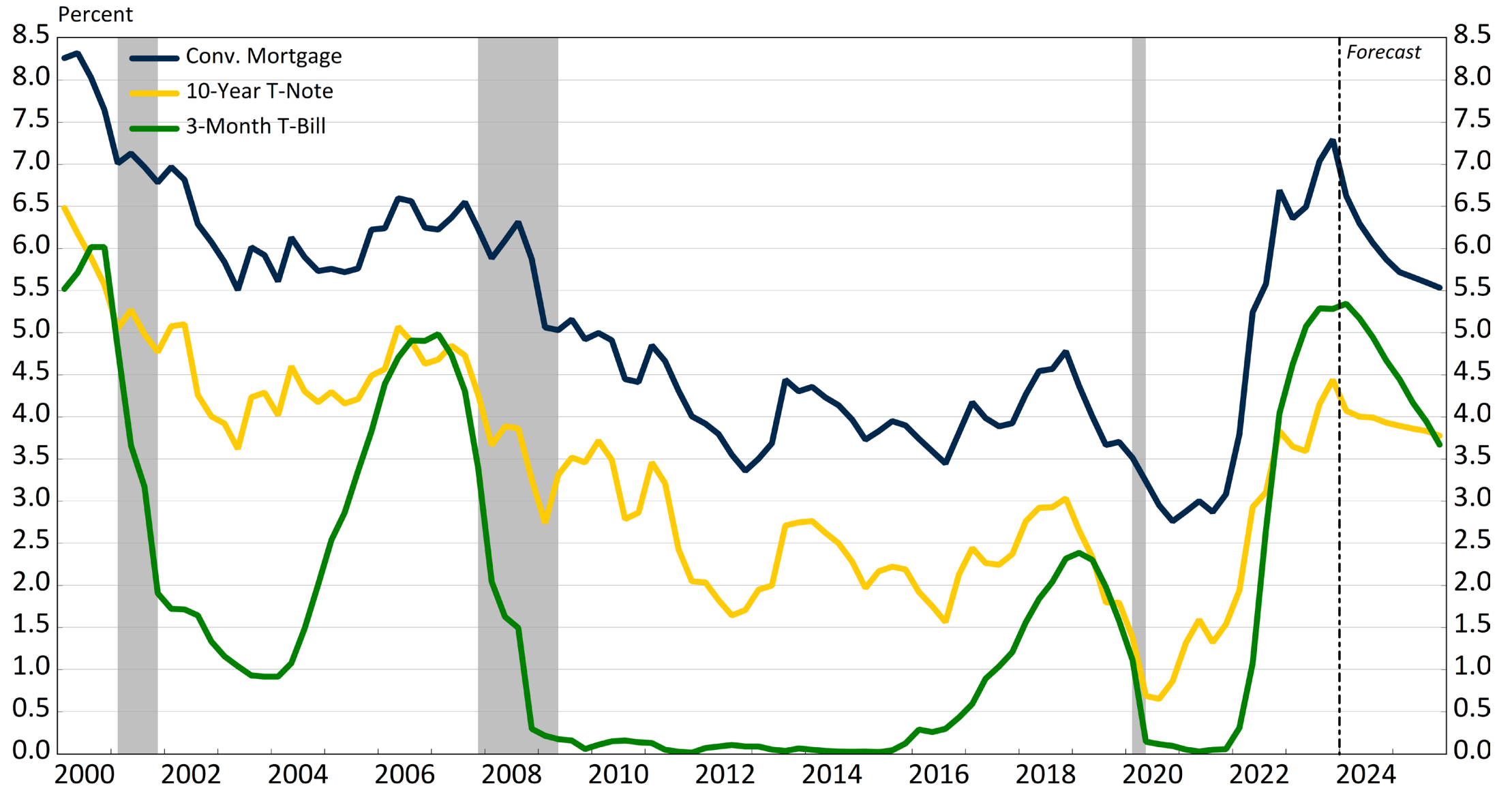
Consumer Price Inflation (CPI-U)



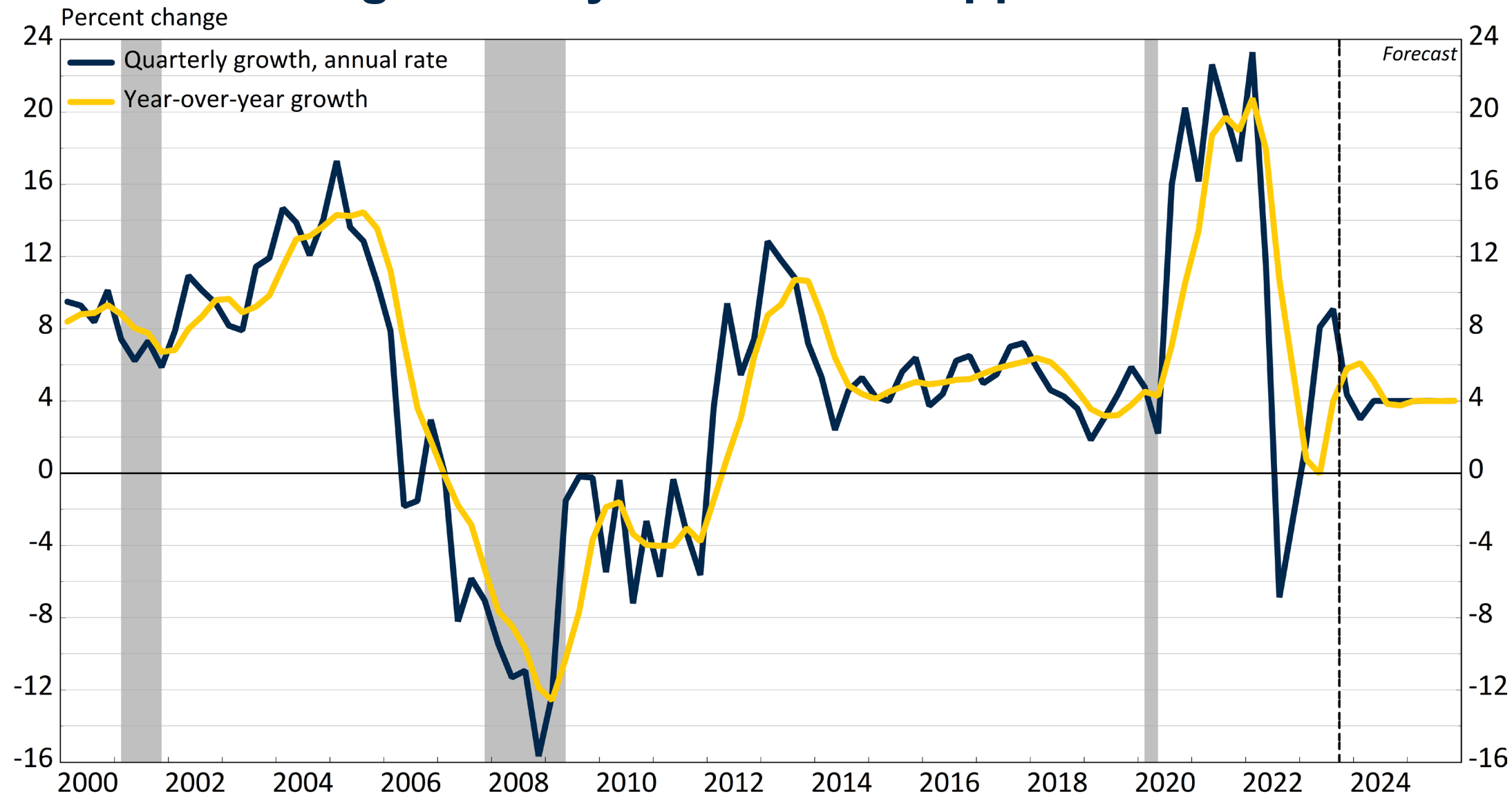
Employment Cost Index



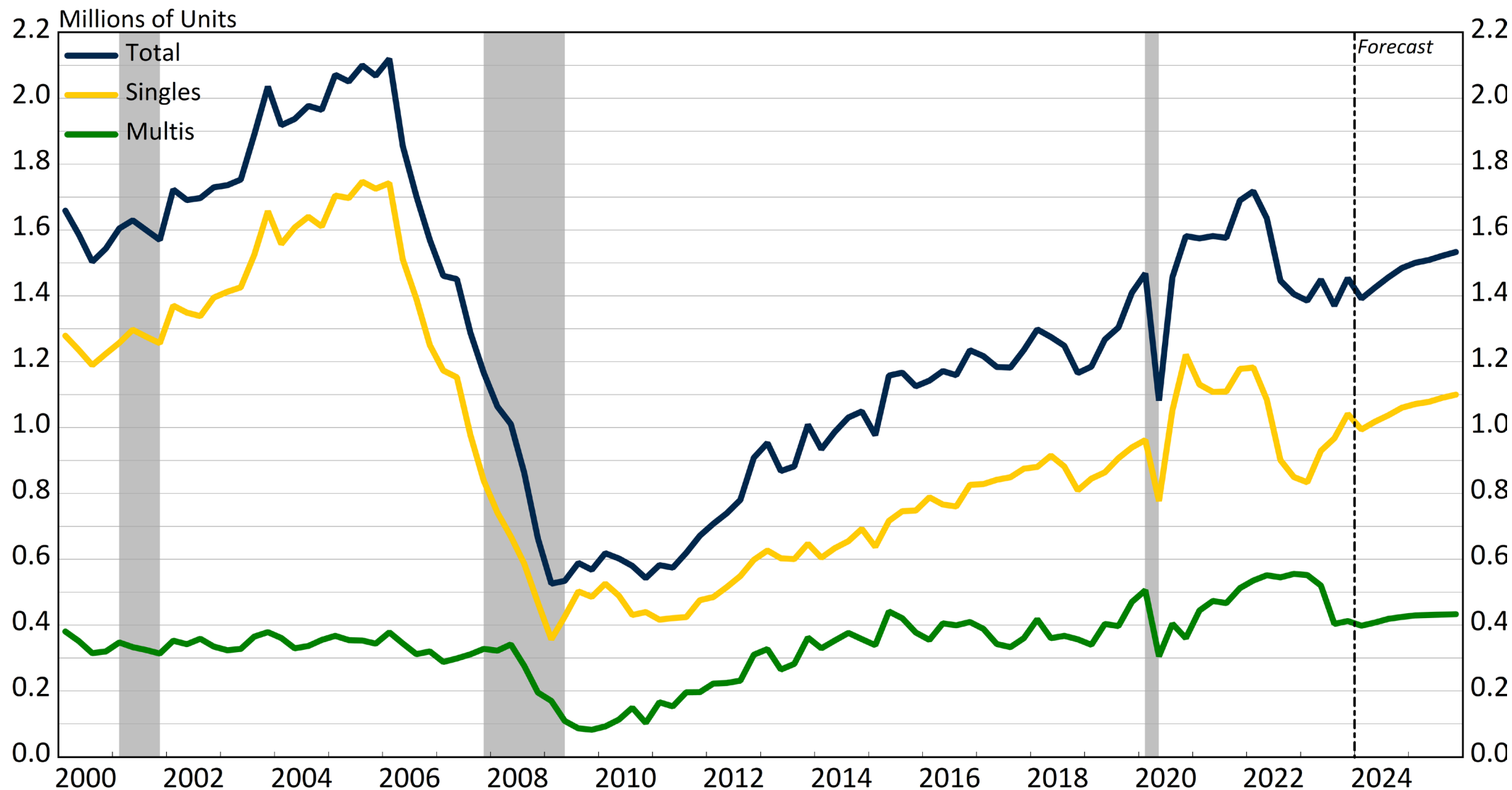
Interest Rates



Single-Family Home Price Appreciation

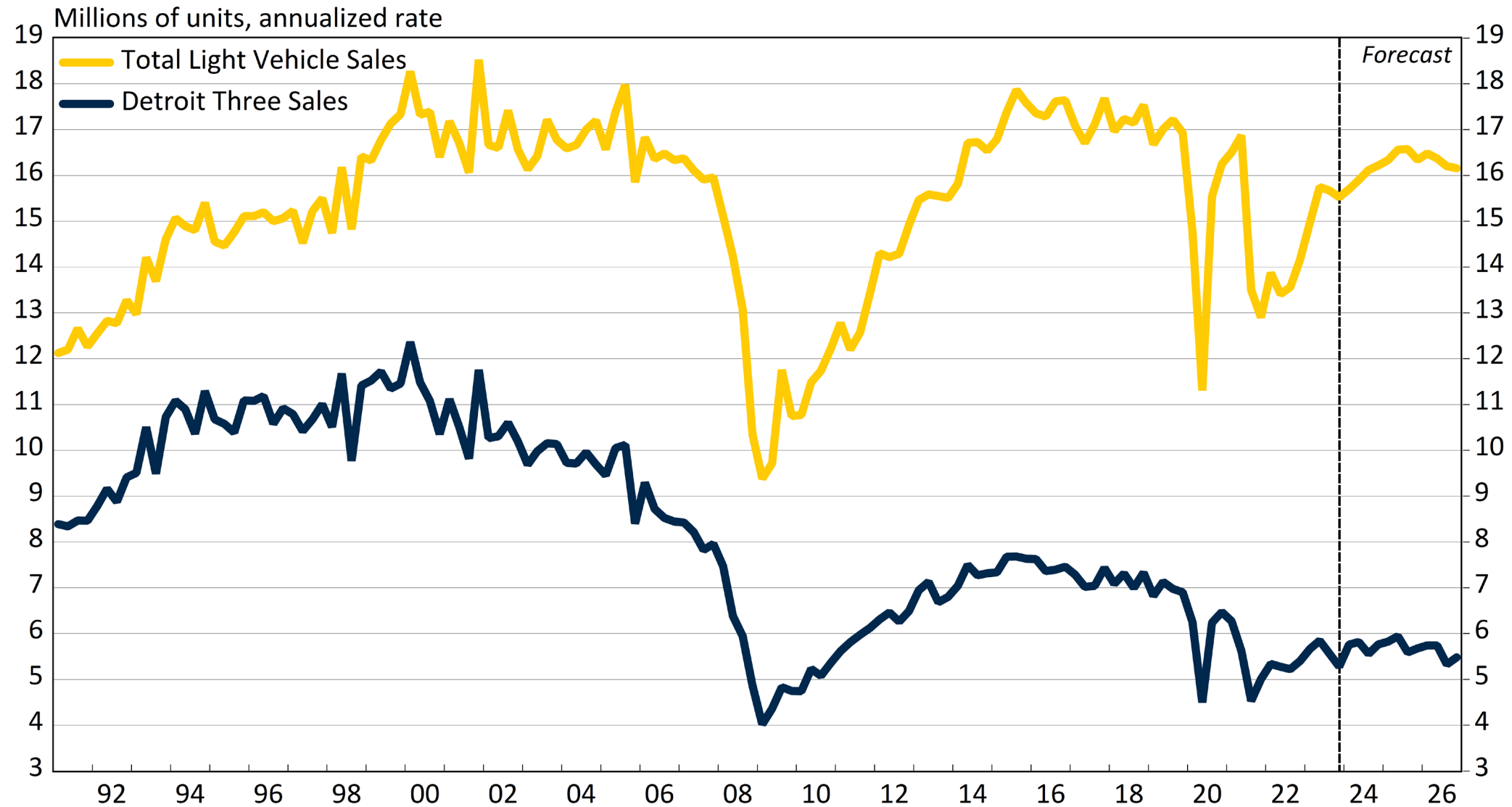


Housing Starts

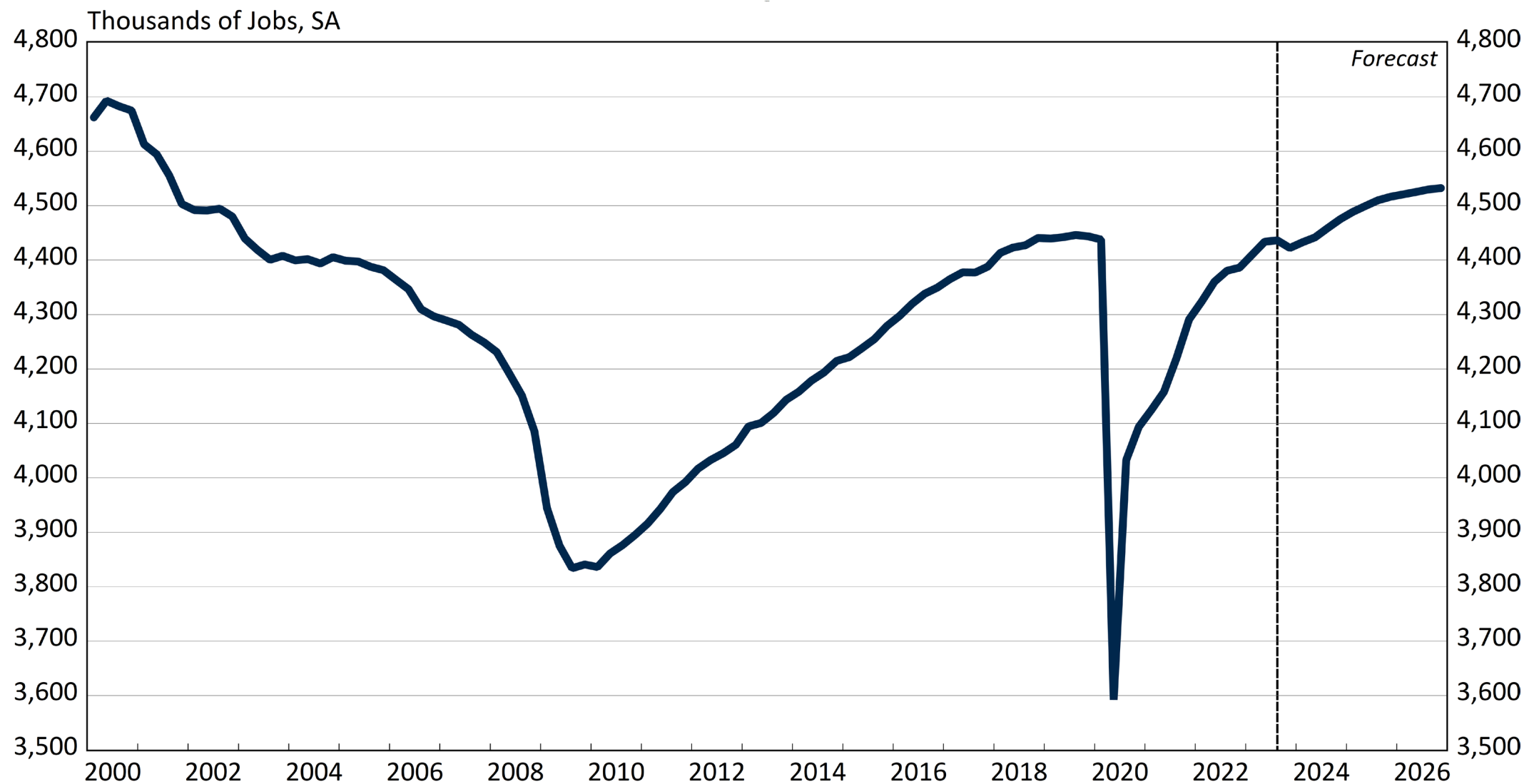


Michigan Economic Outlook

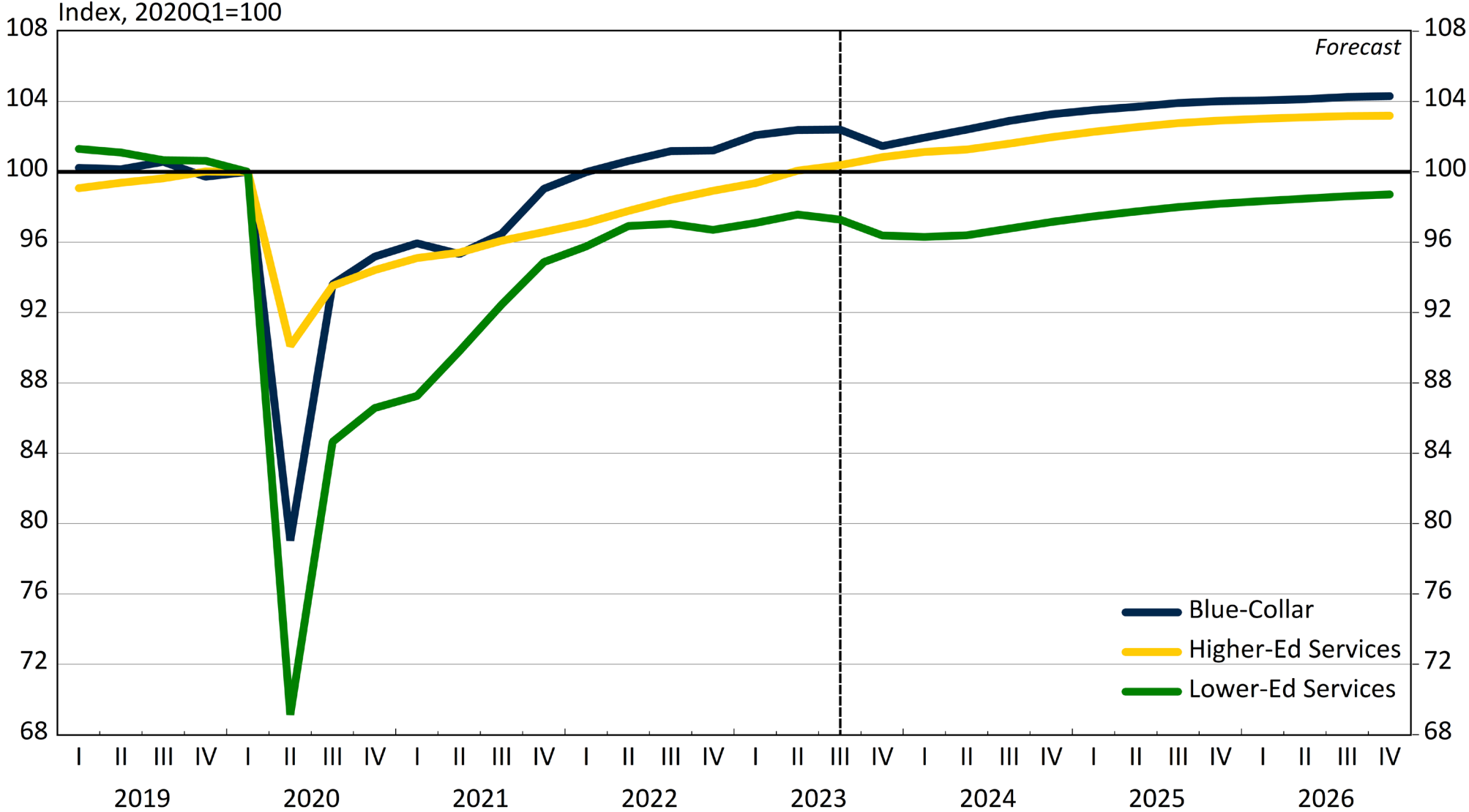
Light Vehicle Sales Pick Up a Bit More



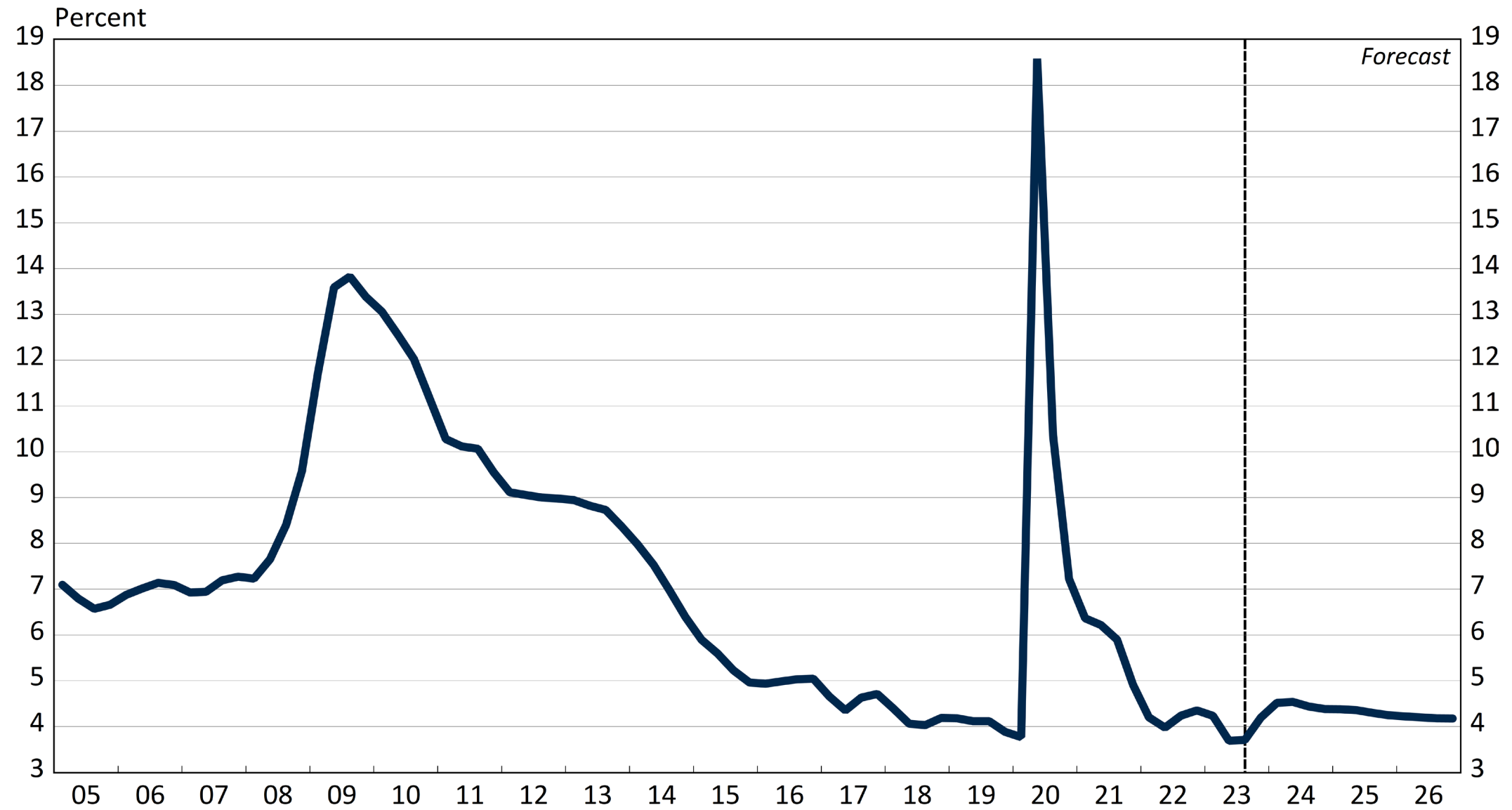
Michigan Employment Grows at a Moderate Pace



Fastest Growth in White-Collar Industries



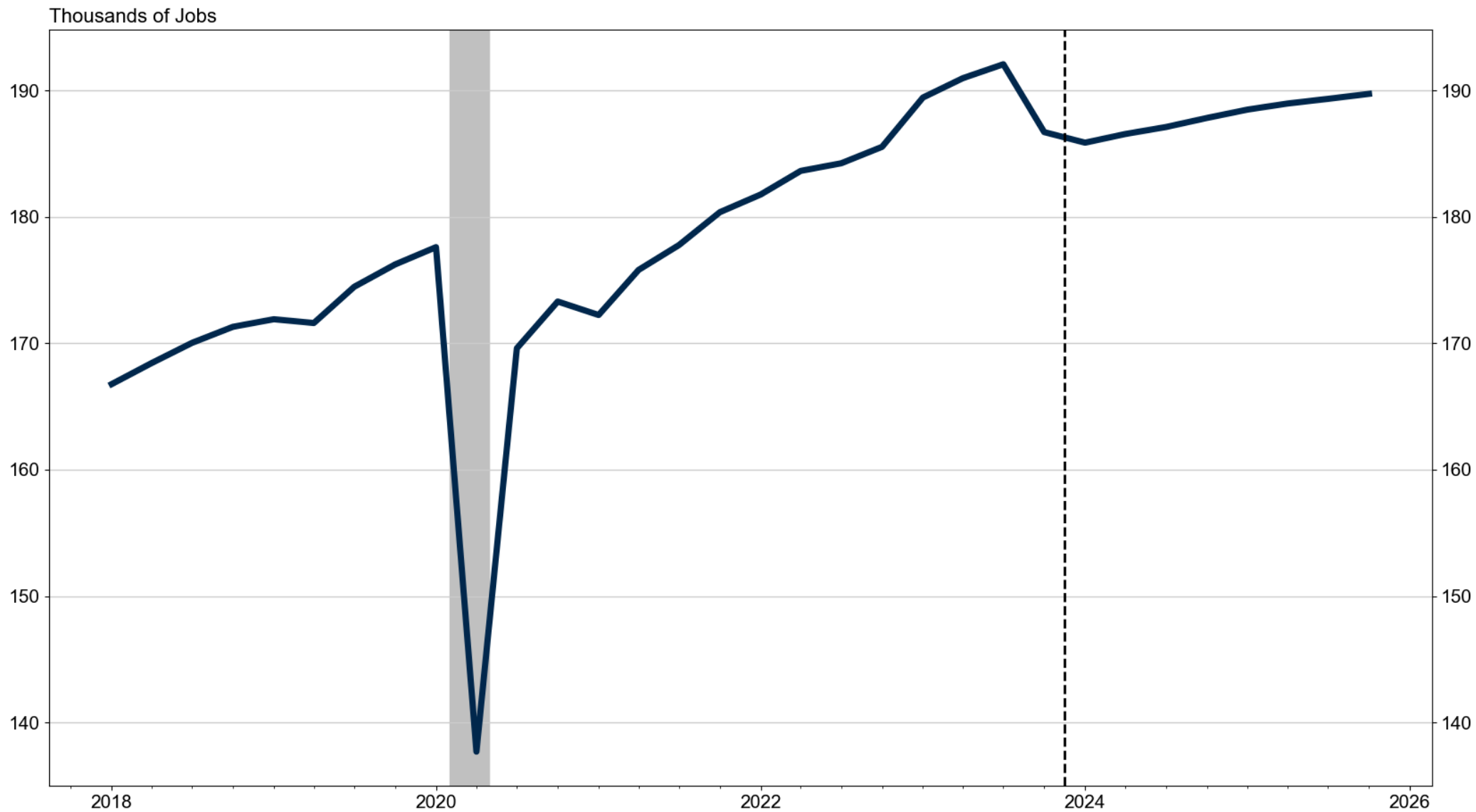
Michigan's Unemployment Rate Ticks Up



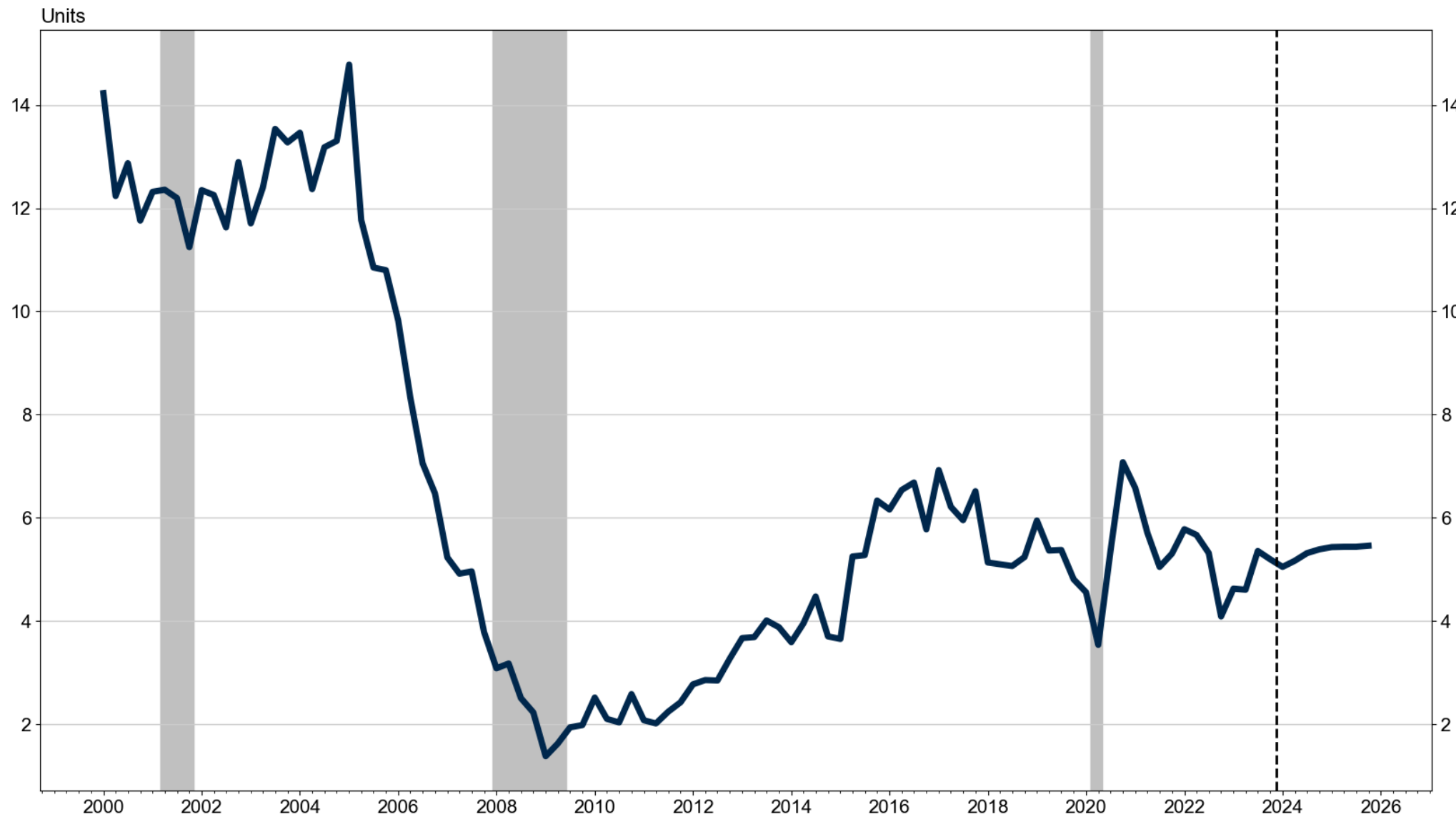
Michigan's Labor Force Participation Makes a Round Trip



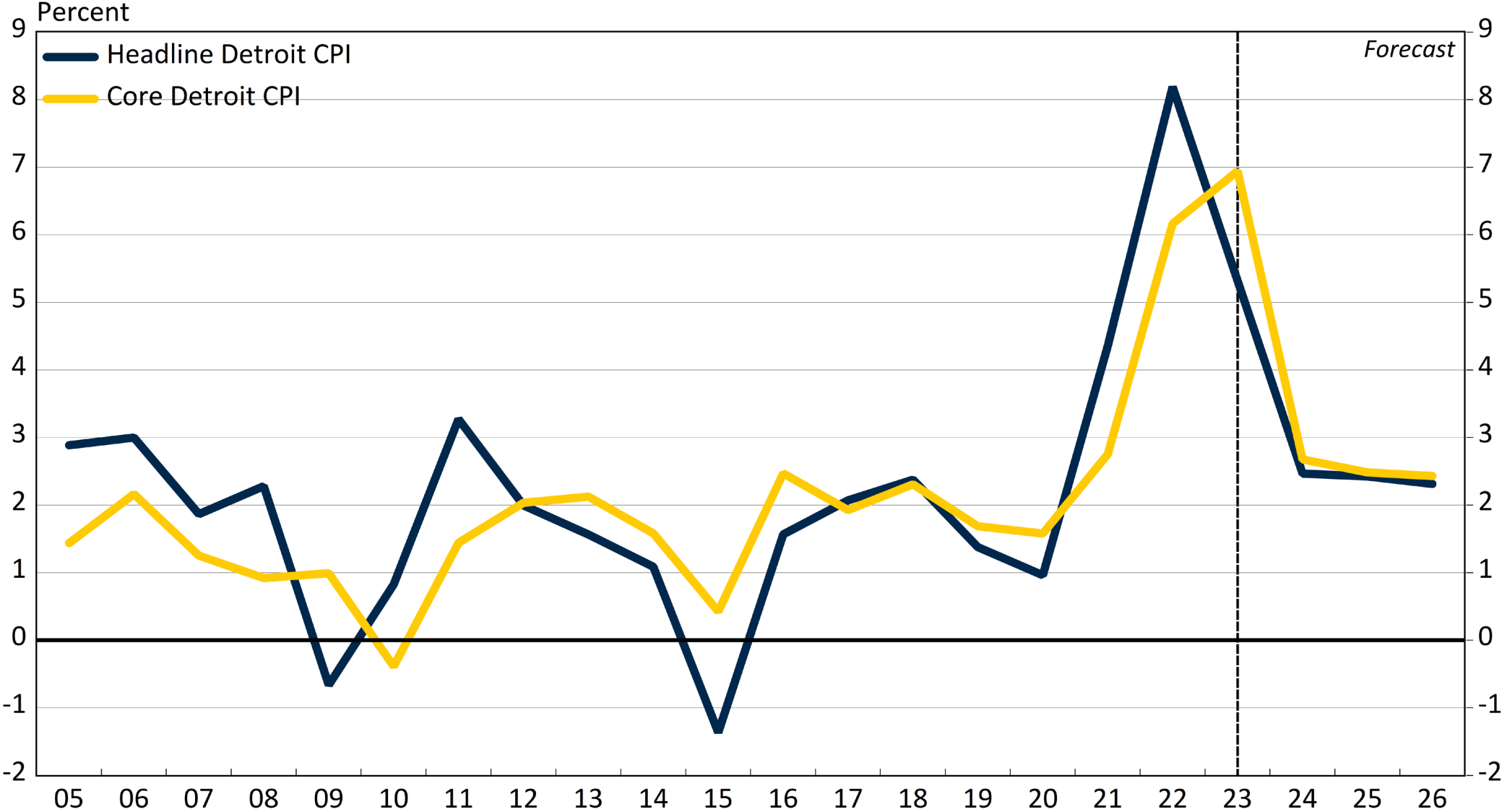
Michigan Construction Sector Employment



Michigan Residential Permits

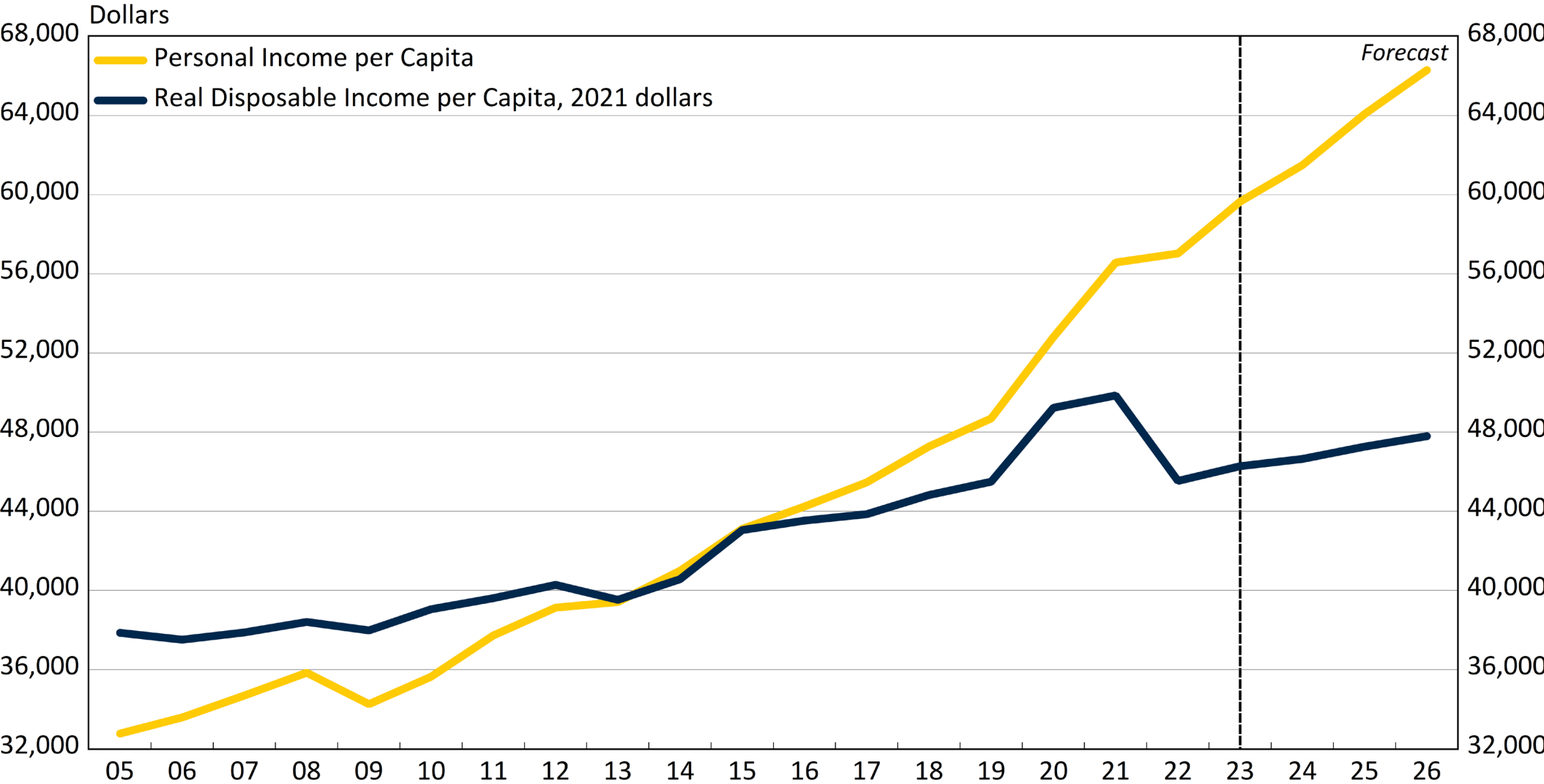


Local Inflation Normalizes At Last

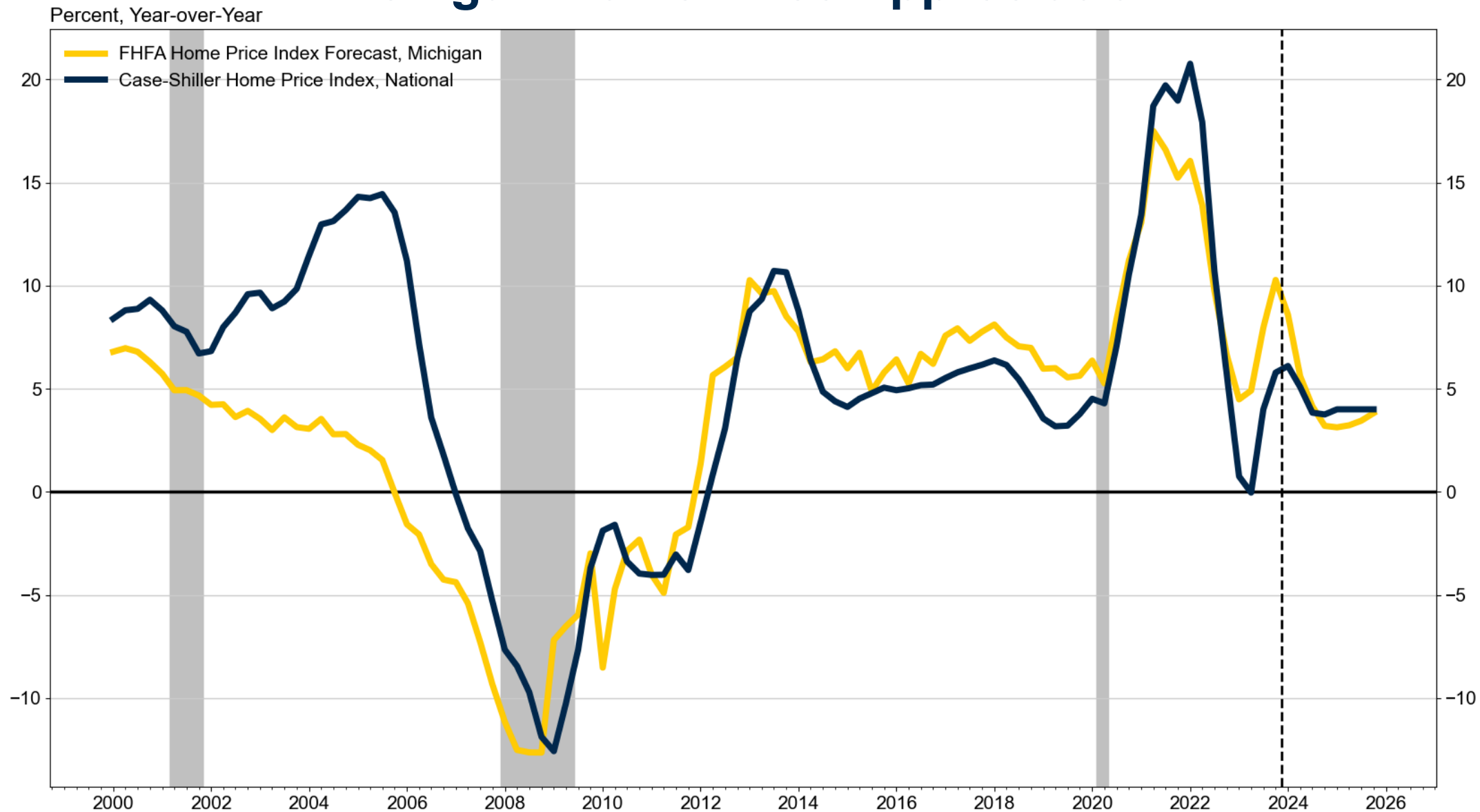


Forecast

Michigan's Living Standards Rise Slowly but Steadily



Michigan Home Price Appreciation



Risks

- Economic Momentum Evaporating
- Monetary Policy/Inflation
- Commercial Real Estate
- Fiscal Trajectory
- Geopolitical Situation
- Population Growth

The Leading Edge of Economic Forecasting since 1952

SAVE THE DATE!

The 72nd Annual Economic Outlook Conference will take place on November 21–22, 2024 in Ann Arbor. The conference will feature RSQE's forecasts of the U.S. and Michigan economies plus a range of leading speakers from government, academia, and the private sector.

For more information: lsa.umich.edu/econ/rsqe

For Sponsorship information email: cedunn@umich.edu

