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

Percentage points

2022Q2 2022Q3 2022Q4 2023Q1 2023Q2 2023Q3 2023Q4 2024Q1

Real GDP growth
Growth of Domestic Final Sales
Consumption Expenditures
Fixed Investment
Inventory Investment
Net Exports
Government Expenditures

RSQE: May 2024
Population Estimates and Projections

- CBO: Civilian Noninstitutional Population 16 Years and Over, Feb 2024
- Census: Resident Population Projection 16 Years and Over, Nov 2023

RSQE: May 2024
Monthly Payroll Job Gains
Job Openings

Index, Feb. 1 2020 = 100

- (LH) Indeed, Total Nonfarm Job Openings
- (RH) JOLTS, Private Job Openings Rate

RSQE: May 2024
Unemployment Rates Inching Up
Residential Housing Market Metrics

![Graph showing the diffusion index and volume index over time for two metrics: (LH) NAHB Housing Market Index and (RH) MBA Mortgage Loan Applications for Purchase. The graph highlights significant periods such as 2002, 2008, and 2020-2024.](image-url)
NY Fed Credit Panel

% of current balance

- New Delinquent (30+ days) Auto Loan Balances
- New Delinquent (30+ days) Credit Card Balances
- New Seriously Delinquent (90+ days) Auto Loan Balances
- New Seriously Delinquent (90+ days) Credit Card Balances

RSQE: May 2024
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

Percent, SAAR

Quarterly Real GDP Growth
SPF Survey Median, May 10, 2024
Annual Real GDP Growth

RSQE: May 2024
Unemployment Rate and Participation Rate

- **Unemployment Rate (RH)**
- **Labor Force Participation Rate (LH)**

ForecastGraph showing trends of unemployment and labor force participation rates from 2021 to 2026. The graph indicates a significant increase in both rates, with labor force participation starting at a higher baseline than unemployment. The forecast suggests a continued upward trend for both metrics, with unemployment remaining above the labor force participation rate.
Risks

- Economic Momentum Evaporating
- Inflation
- Policy Mistakes
- Elections
- Geopolitical Situation
- Population Growth/Immigration
The Michigan Economic Outlook for 2024–2026

Consensus Revenue Estimating Conference

May 17, 2024

Research Seminar in Quantitative Economics
Current State of the Michigan Economy
Labor Demand Continues to Cool Off

Index, February 1, 2020 = 100

- Total Job Posting in the Detroit Metro-Area
- Total Job Posting in the Grand-Rapids Metro-Area
- Total Job Posting in Michigan
- Total Job Posting in the U.S.

Source: Indeed

RSQE: May 2024
Spotlight on Local Inflation
Local Inflation Is Turning Around … Slowly

*Data for odd-numbered months are interpolated by RSQE

RSQE: May 2024
Local Housing Inflation Skyrocketing

RSQE: May 2024
Local Food and Beverage Inflation: Too Hot for Our Tastes

RSQE: May 2024
Local Transportation Inflation…
More Ups Than Downs Lately
Michigan Economic Outlook
Light Vehicle Sales Near Cruising Speed

Millions of units, annualized rate

- Total Light Vehicle Sales
- Detroit Three Sales

Forecast

RSQE: May 2024
Job Growth Is Widespread across Industry Groups

Index, 2020Q1=100

Forecast

Blue-Collar
Higher-Ed Services
Lower-Ed Services

RSQE: May 2024
Michigan’s Unemployment Rate Stays under 4 Percent

Percent

Forecast

RSQE: May 2024
Local Inflation: the Final Mile Is the Toughest

Percent

<table>
<thead>
<tr>
<th>Year</th>
<th>Headline Detroit CPI</th>
<th>Core Detroit CPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>3.5</td>
<td>2.5</td>
</tr>
<tr>
<td>06</td>
<td>3.2</td>
<td>2.3</td>
</tr>
<tr>
<td>07</td>
<td>2.9</td>
<td>2.1</td>
</tr>
<tr>
<td>08</td>
<td>2.6</td>
<td>1.9</td>
</tr>
<tr>
<td>09</td>
<td>2.3</td>
<td>1.7</td>
</tr>
<tr>
<td>10</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>11</td>
<td>1.8</td>
<td>1.3</td>
</tr>
<tr>
<td>12</td>
<td>1.6</td>
<td>1.1</td>
</tr>
<tr>
<td>13</td>
<td>1.4</td>
<td>0.9</td>
</tr>
<tr>
<td>14</td>
<td>1.2</td>
<td>0.7</td>
</tr>
<tr>
<td>15</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td>16</td>
<td>0.8</td>
<td>0.3</td>
</tr>
<tr>
<td>17</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>18</td>
<td>0.4</td>
<td>0.0</td>
</tr>
<tr>
<td>19</td>
<td>0.2</td>
<td>-0.1</td>
</tr>
<tr>
<td>20</td>
<td>0.0</td>
<td>-0.3</td>
</tr>
<tr>
<td>21</td>
<td>0.3</td>
<td>-0.6</td>
</tr>
<tr>
<td>22</td>
<td>0.5</td>
<td>-0.9</td>
</tr>
<tr>
<td>23</td>
<td>0.7</td>
<td>-1.2</td>
</tr>
<tr>
<td>24</td>
<td>0.9</td>
<td>-1.5</td>
</tr>
<tr>
<td>25</td>
<td>1.1</td>
<td>-1.8</td>
</tr>
<tr>
<td>26</td>
<td>1.3</td>
<td>-2.1</td>
</tr>
</tbody>
</table>

Forecast

RSQE: May 2024
Michigan Living Standards Rise Modestly in 2025–26

RSQE: May 2024
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.