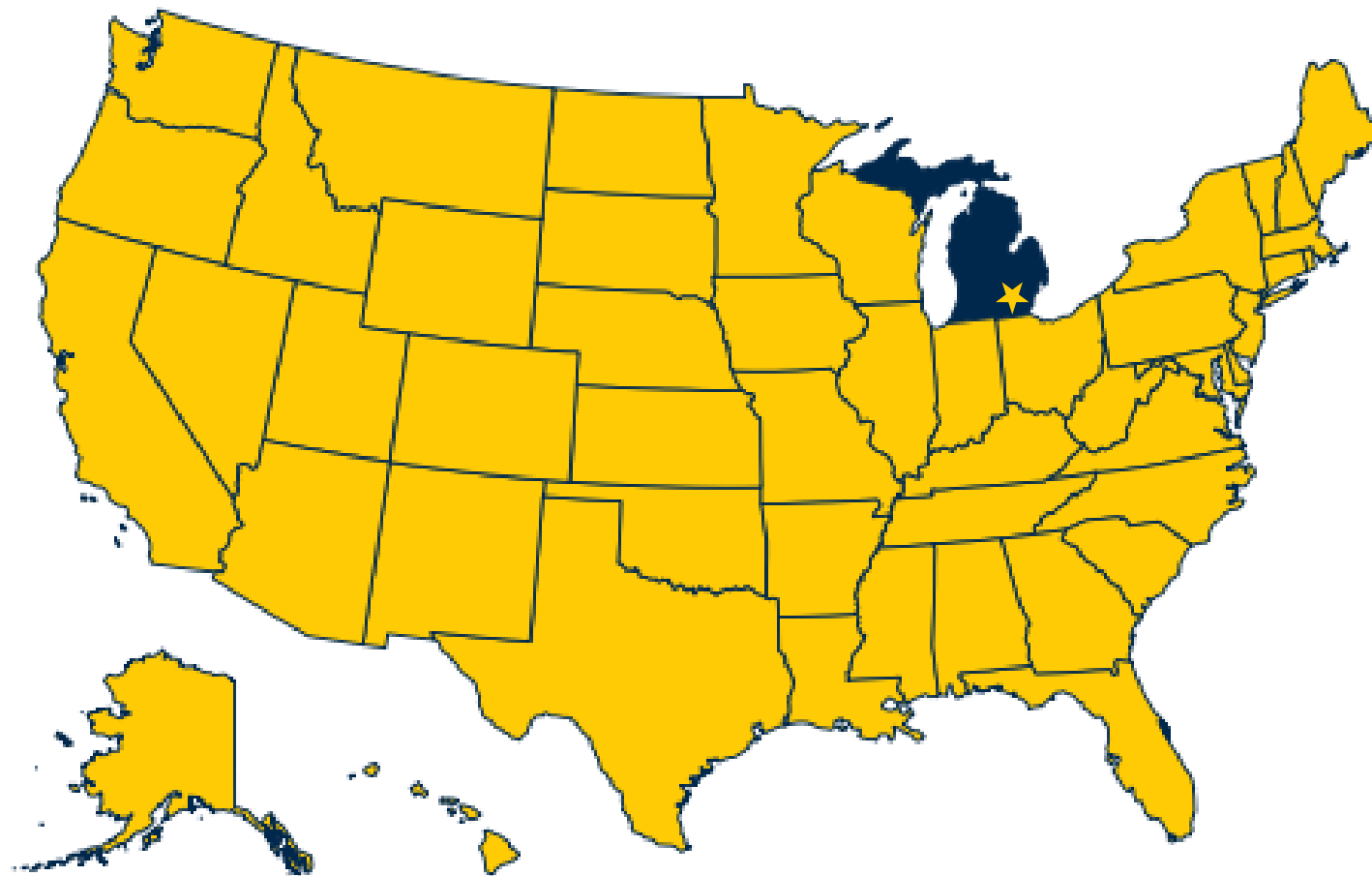


The Economic Outlook for 2024–2026
Small Business Association of Michigan
Leadership Council Fall Summit



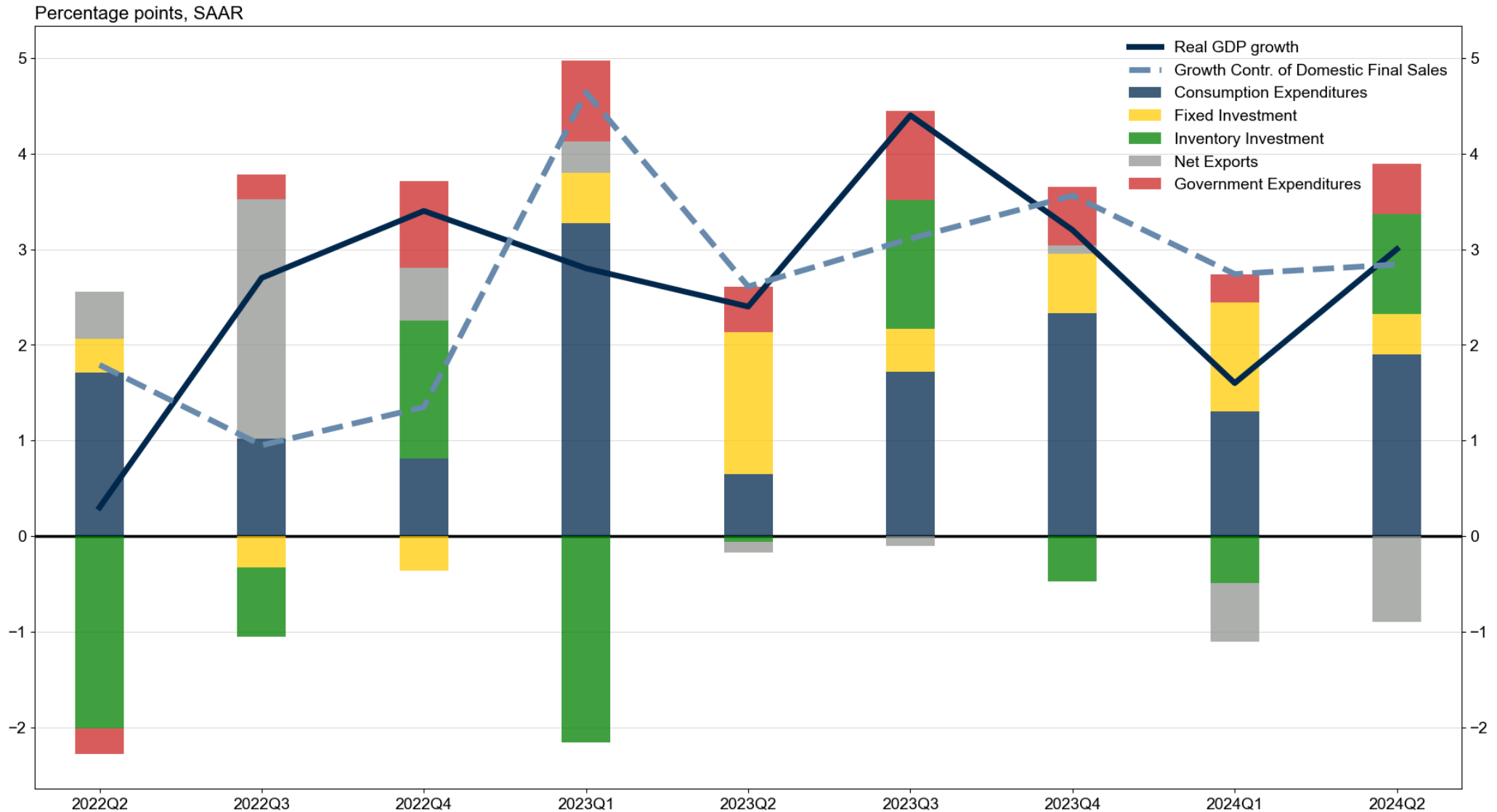
Crystal Mountain, MI
October 24, 2024

Research Seminar in Quantitative Economics

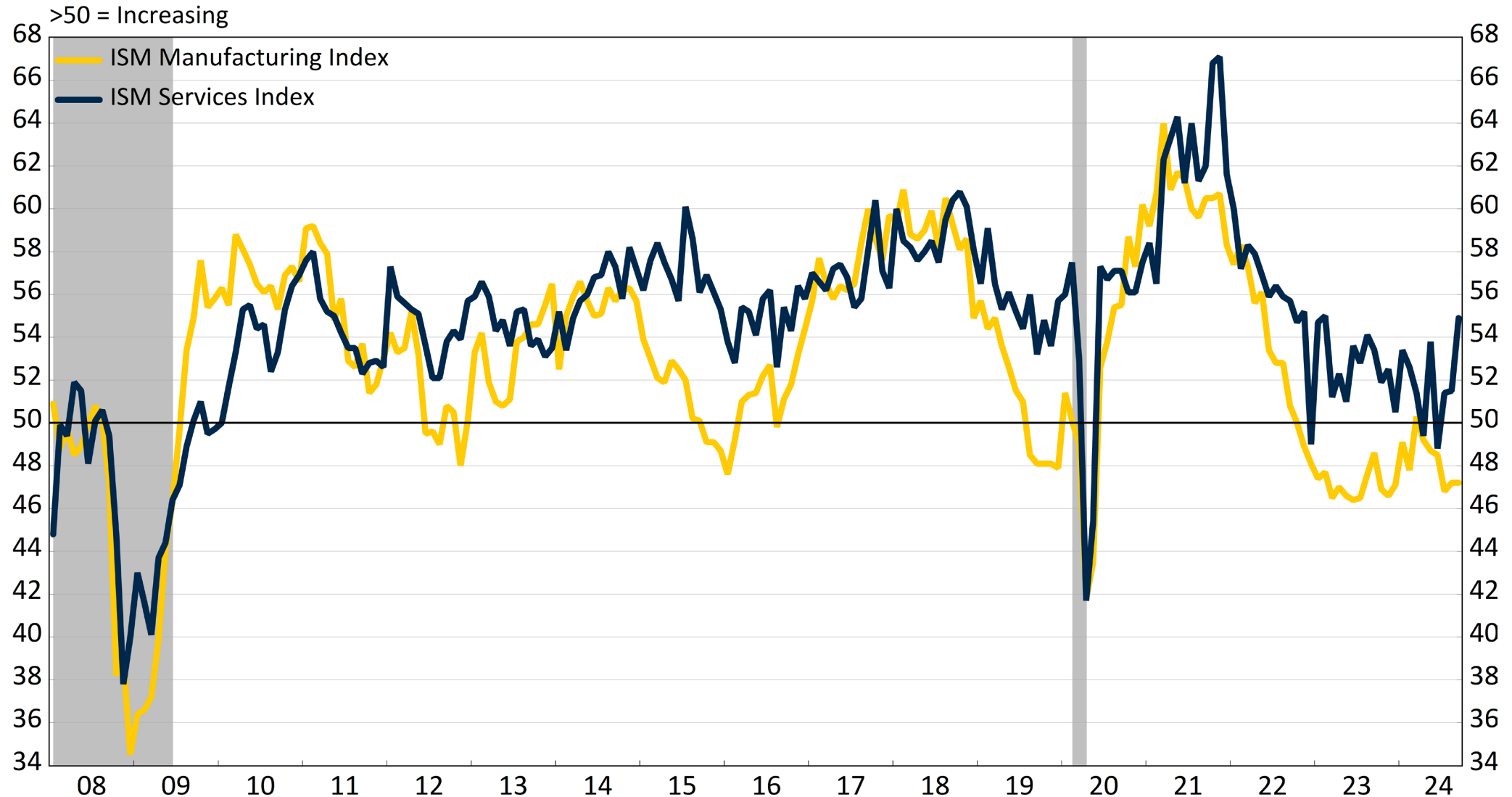


Current State of the U.S. Economy

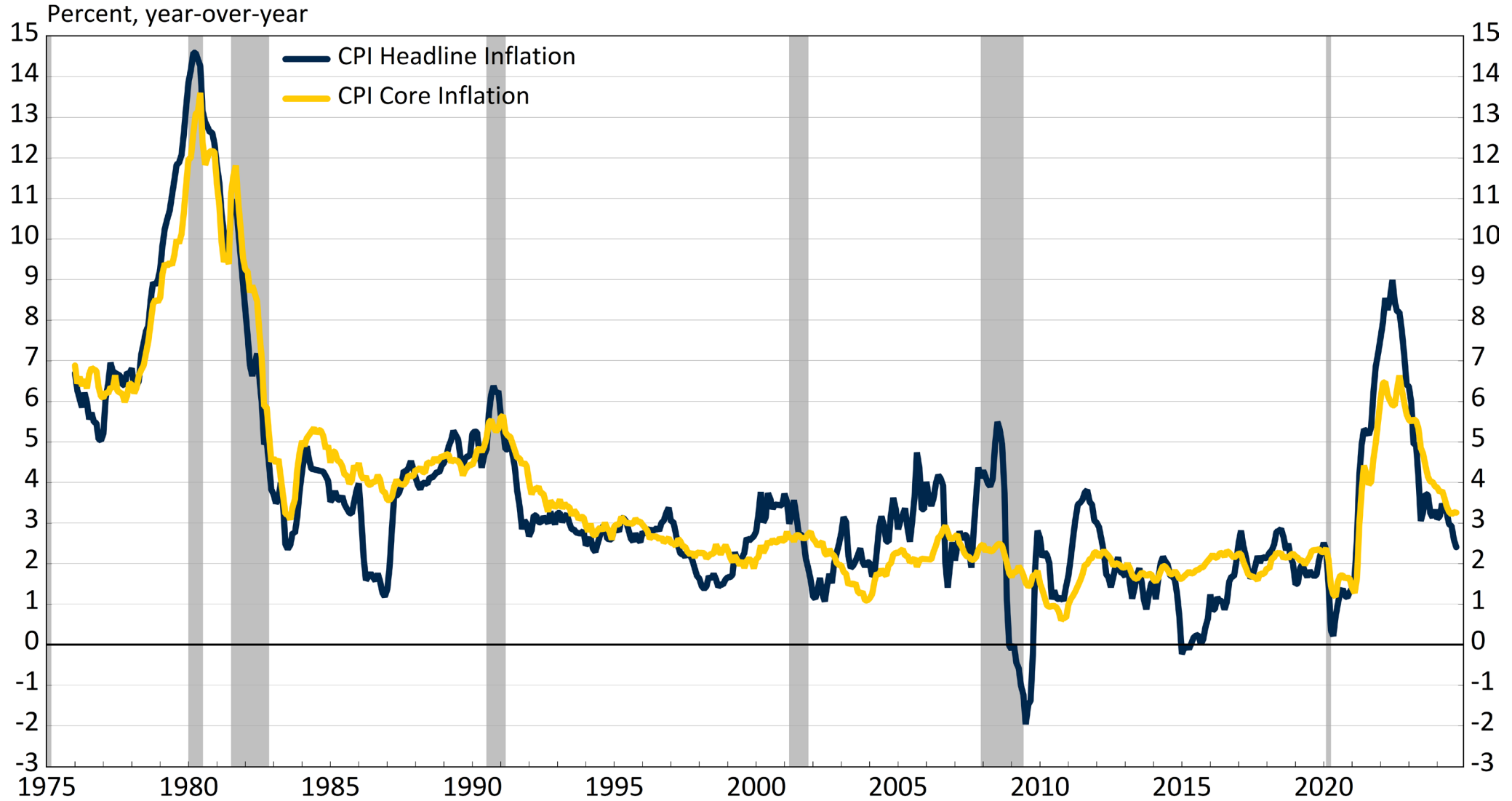
Real GDP Growth: Topline and Details Both Solid



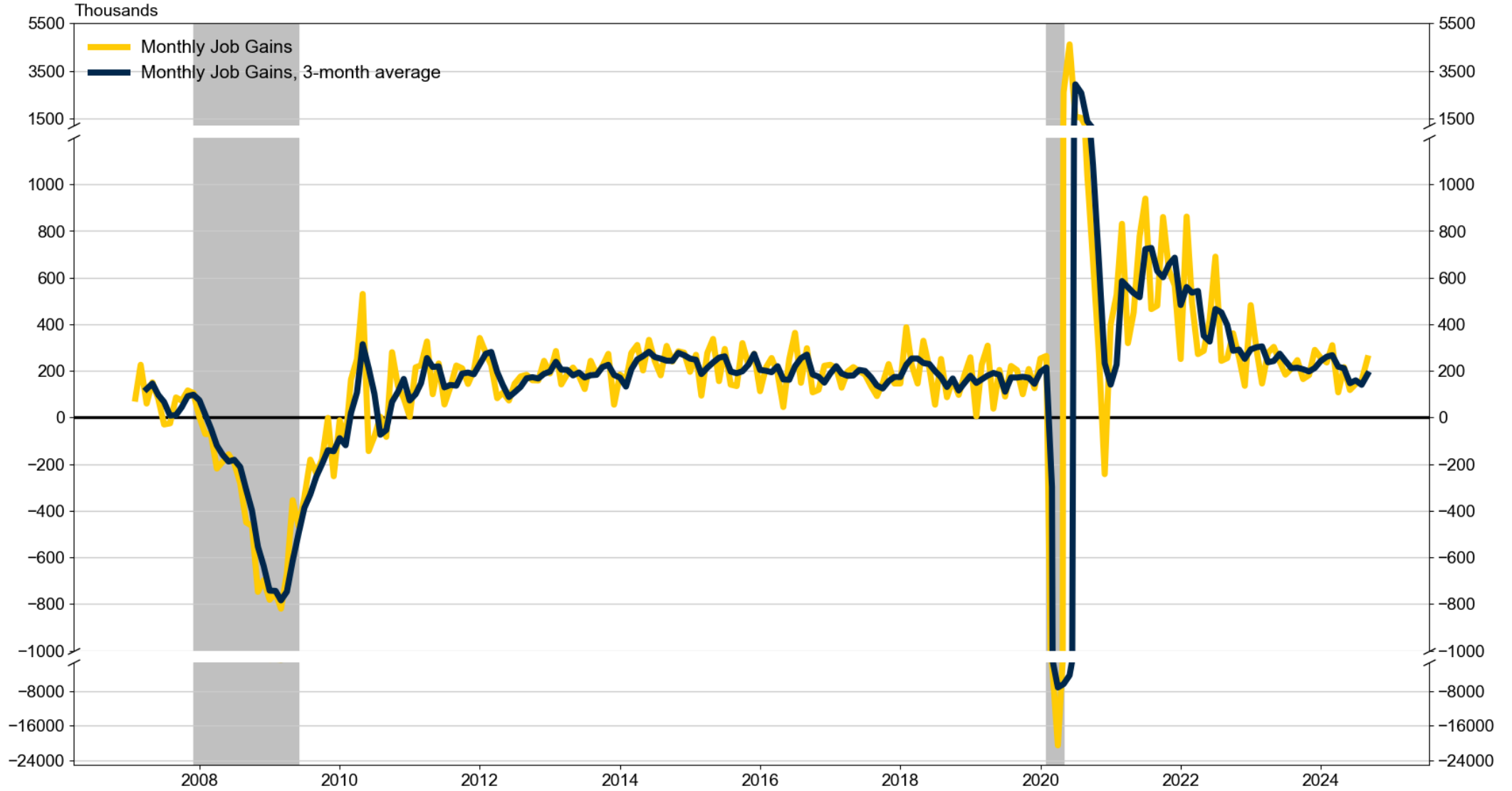
Institute for Supply Management Diffusion Indices: Services Expanding and Manufacturing Contracting



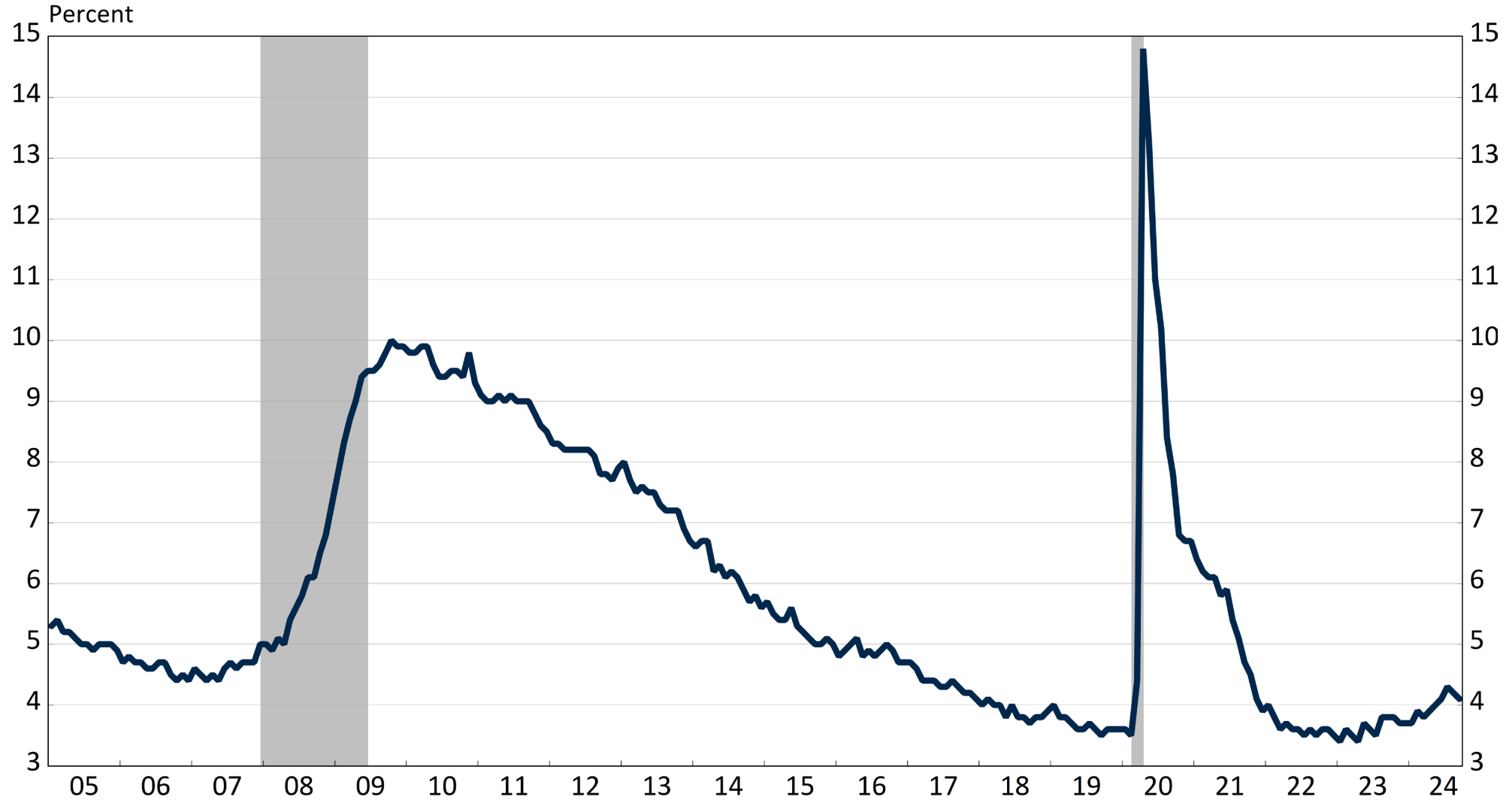
Inflation Retreating from Its Highs



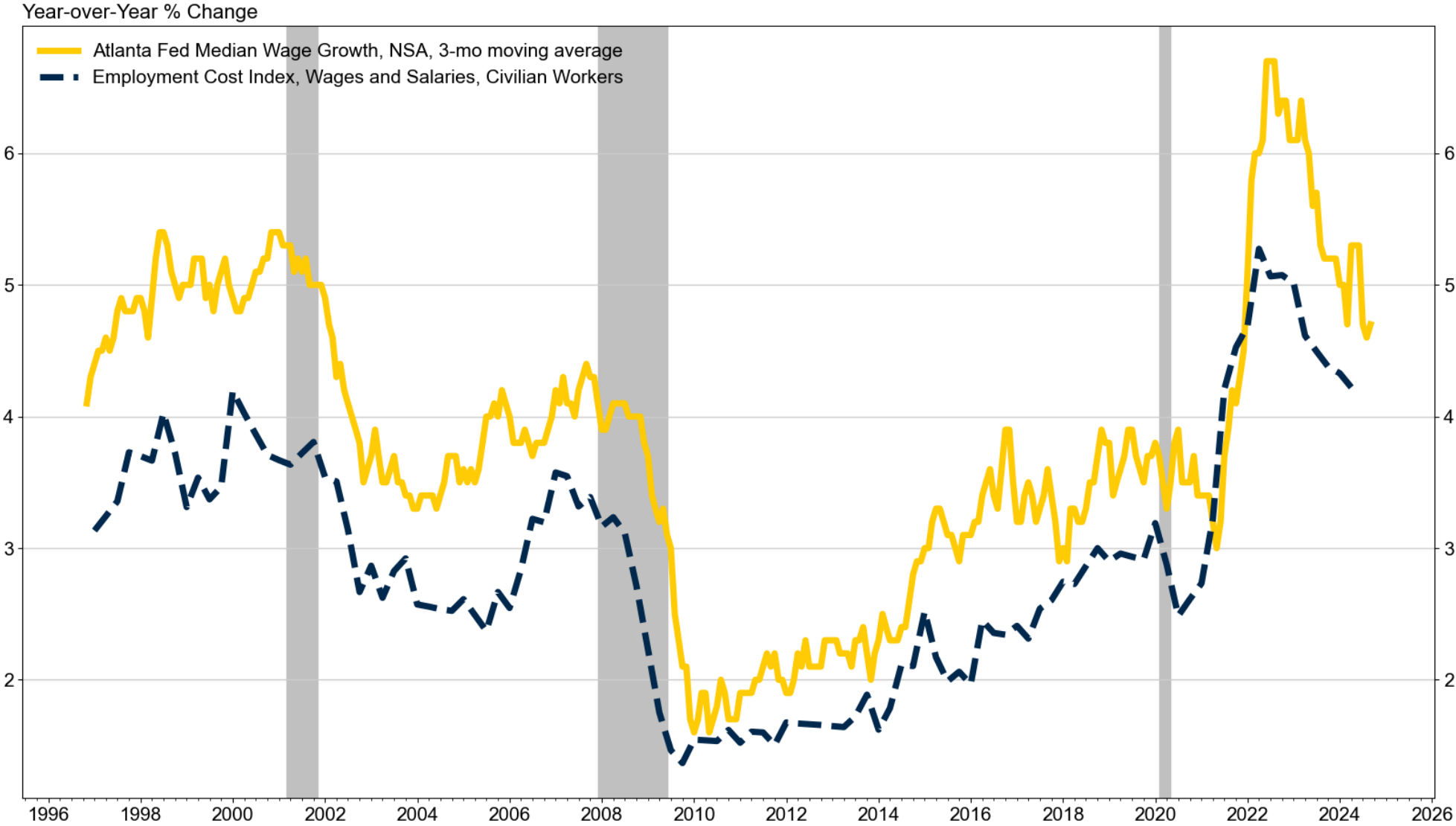
Monthly Payroll Job Gains Slowing Down



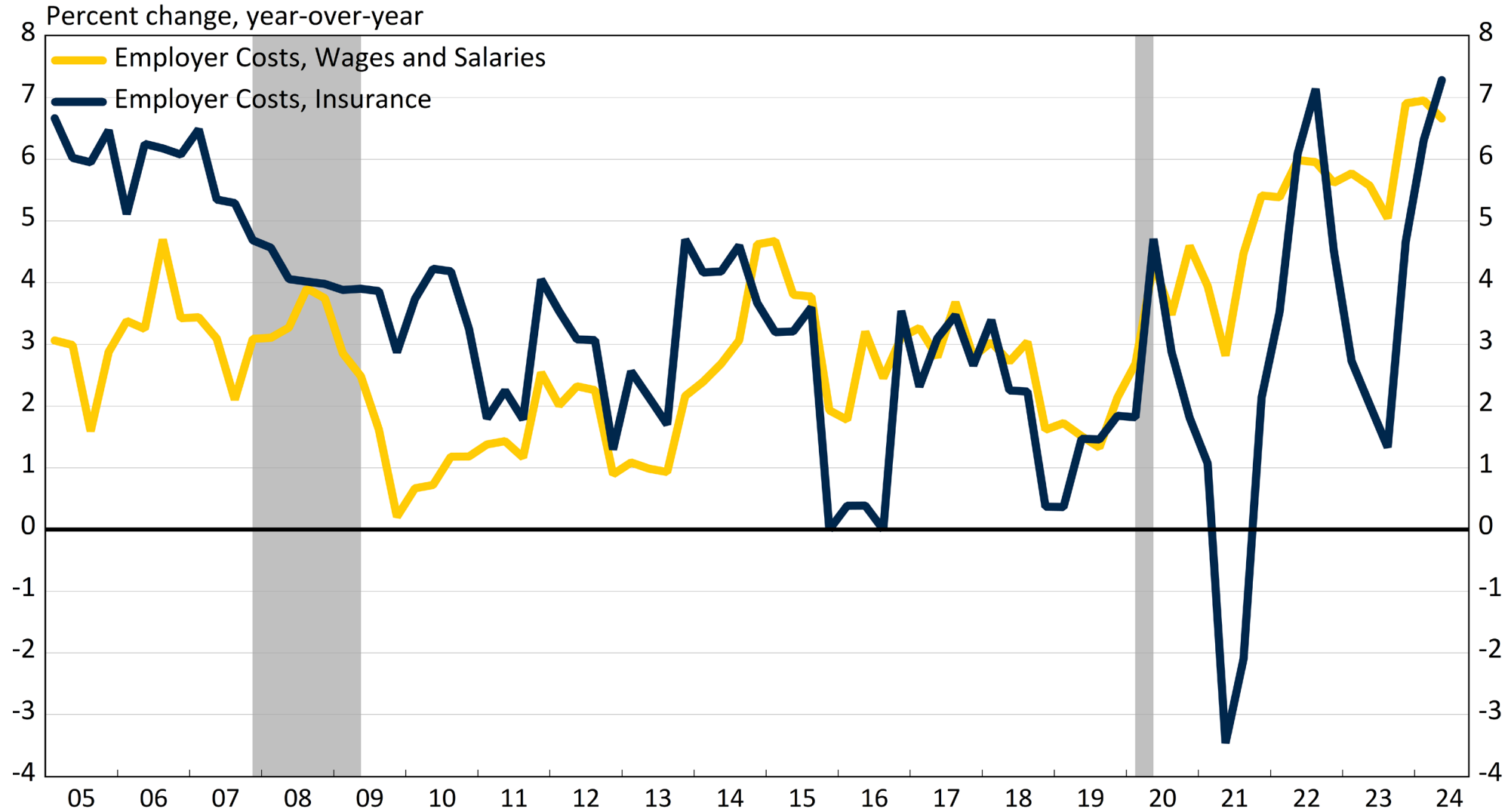
Unemployment Rate Inching Up



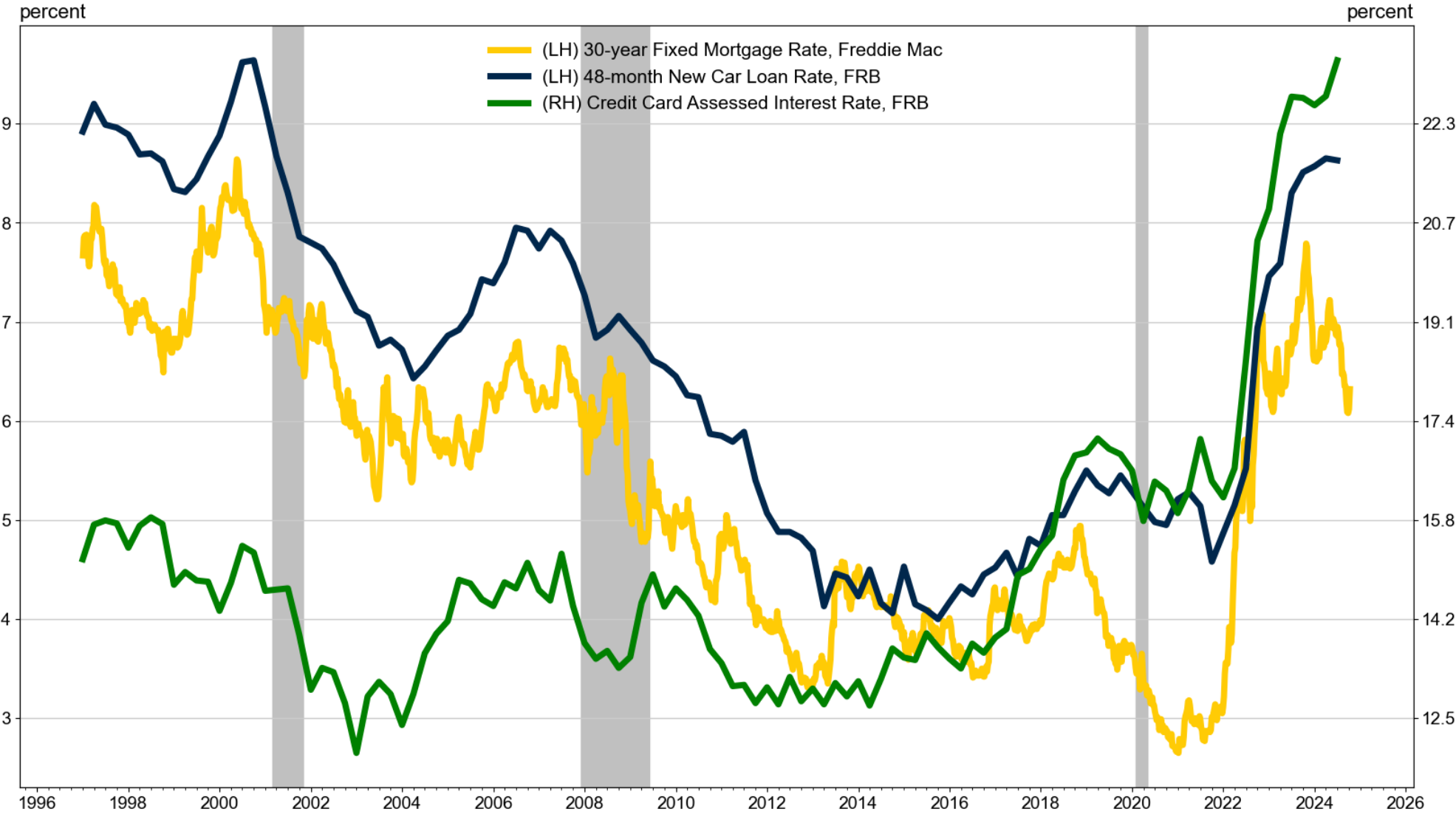
Wage Growth Still Solid



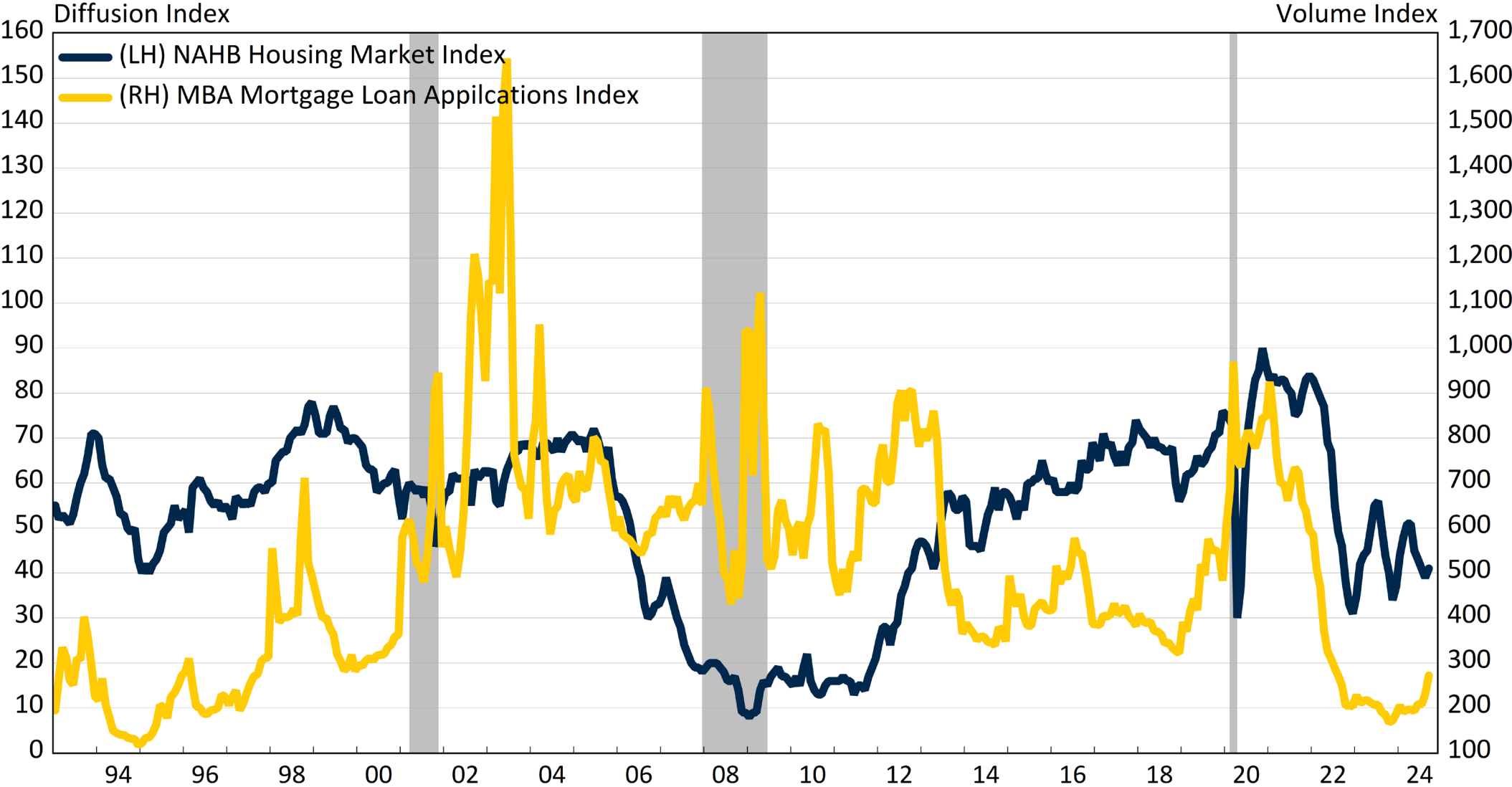
Employer Cost Growth Remains above Pre-Pandemic Pace



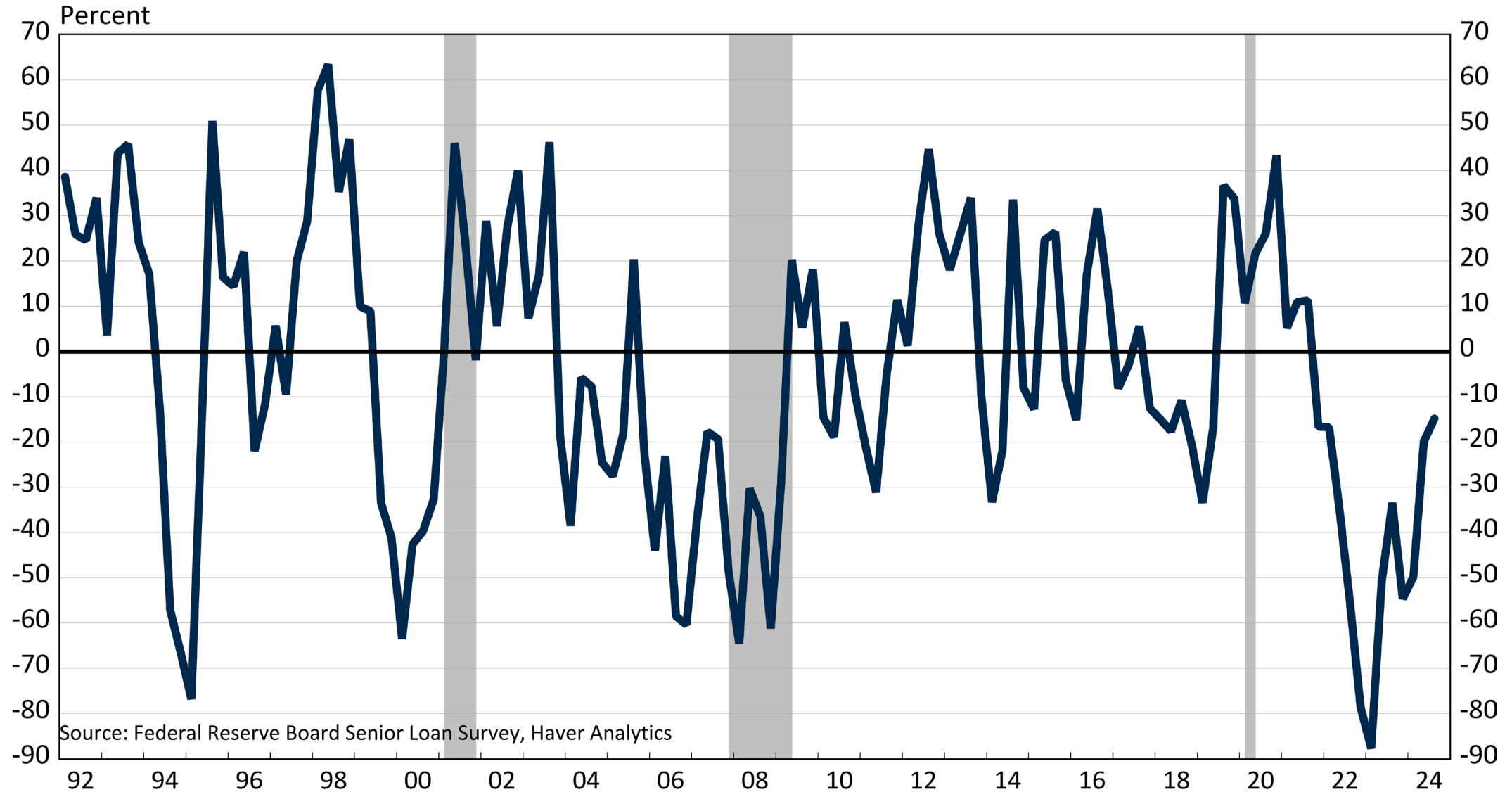
Consumer Interest Rates Still High



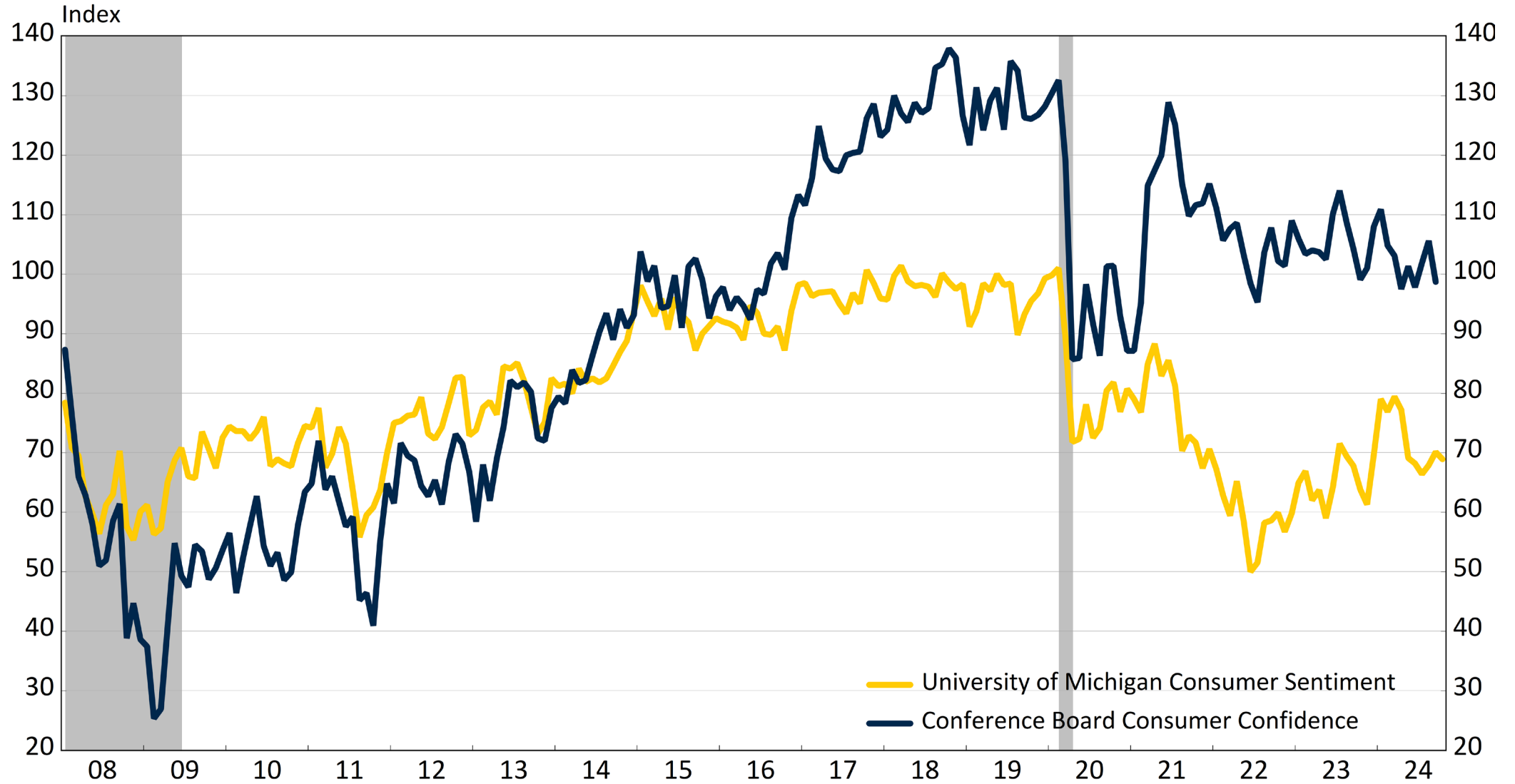
Residential Housing Market Metrics



Net Share of Banks Reporting Stronger Demand for Residential Mortgage Loans...Still in the Red



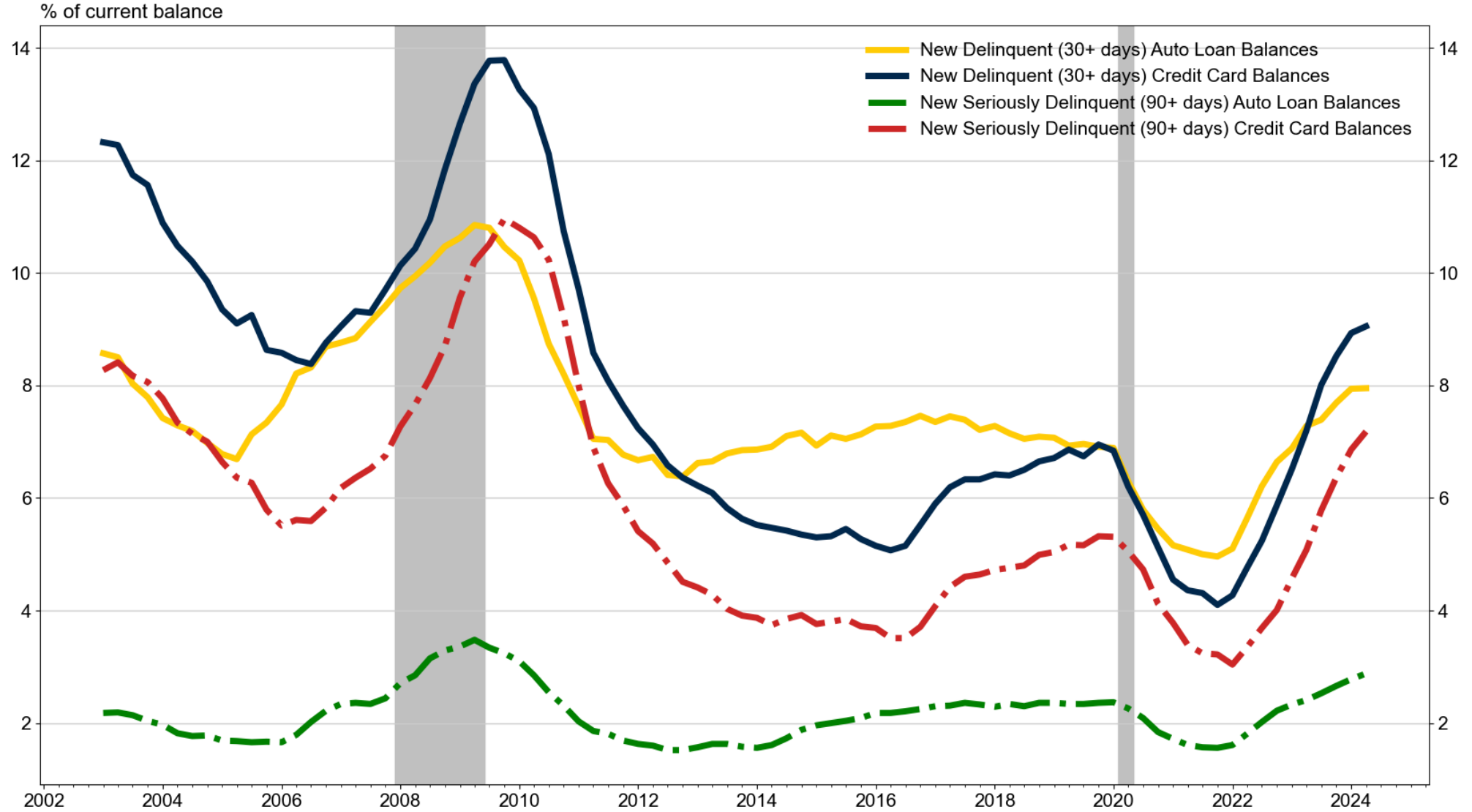
Consumer Sentiment Remains Below Pre-Pandemic Levels



NFIB Small Business Optimism Stuck at Early 2010s Levels



NY Fed Credit Panel



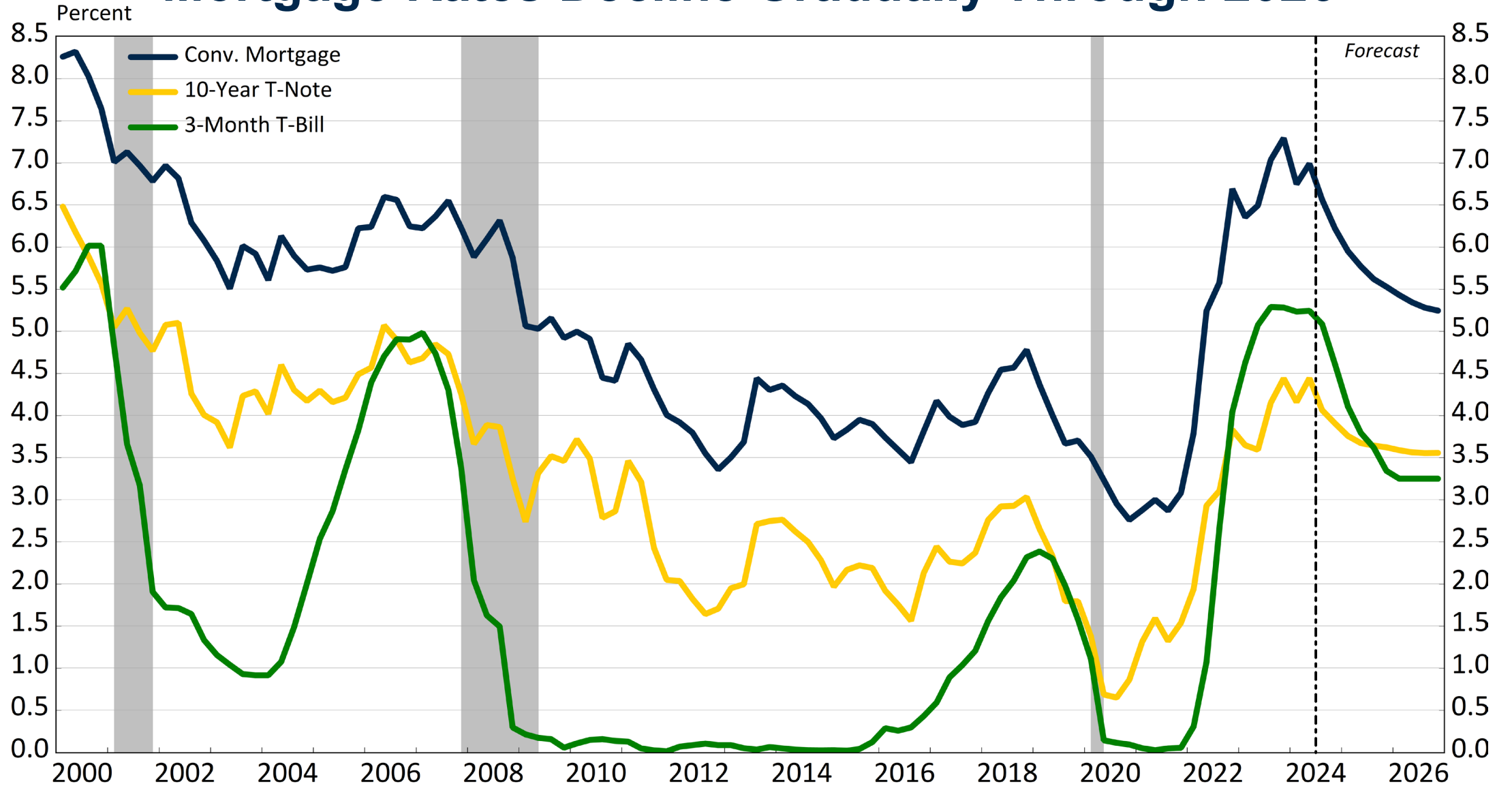
U.S. Economic Outlook

Monetary and Fiscal Policy

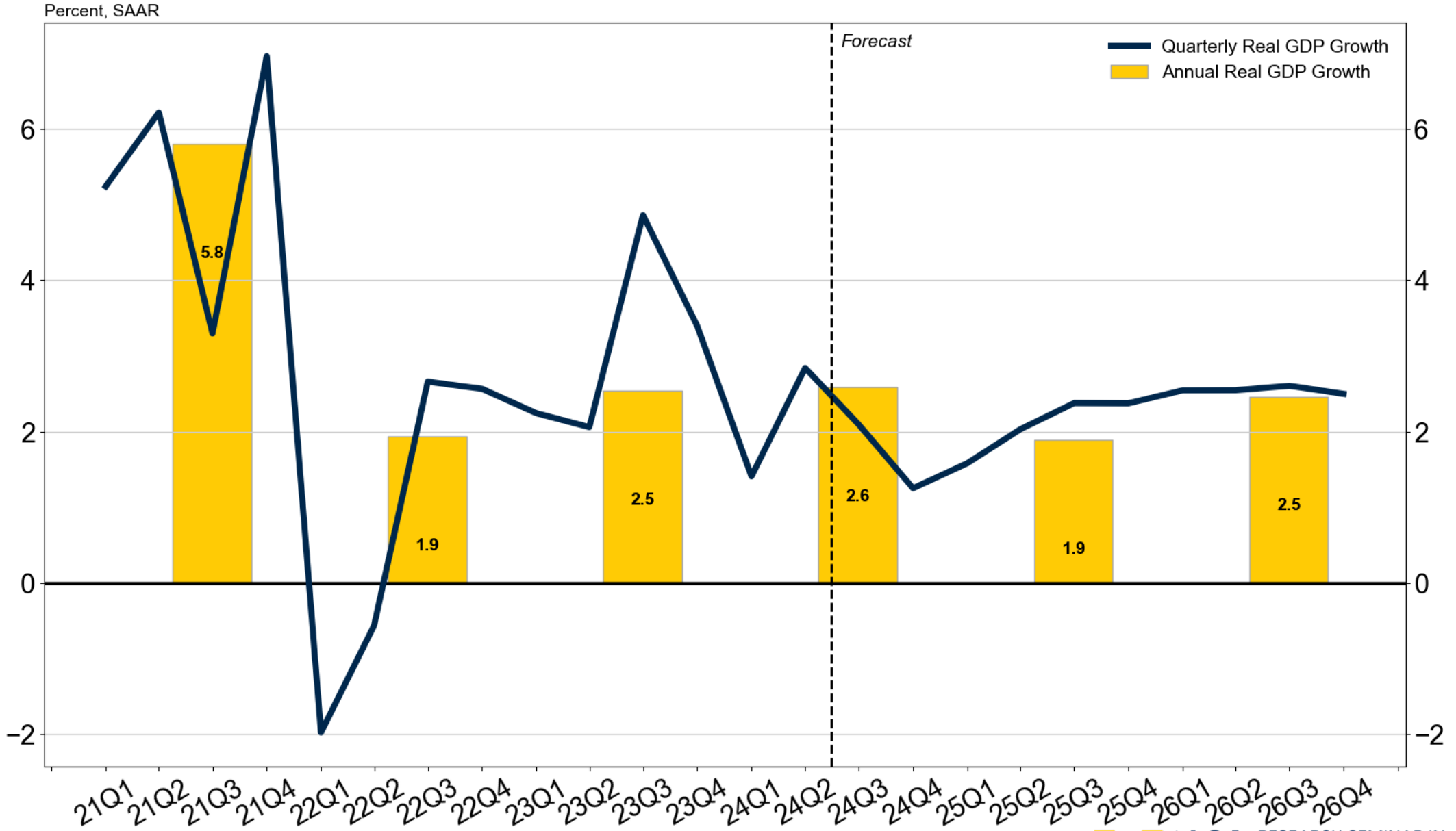
- Inflation has decelerated sharply
- Unless inflation reaccelerates, the Fed can focus on avoiding a recession
 - Rate cuts started in September
 - We projected cuts at every meeting through May 2025, with slower pace thereafter
- We expect divided government to last beyond 2024 elections
- Only modest federal spending restraint for fiscal years 2024–26
 - Discretionary non-defense spending growth to lag behind defense spending
- Overall deficit stays around 5.7 percent of GDP, as interest expenses grow

Short Rates Continue To Fall Next Year

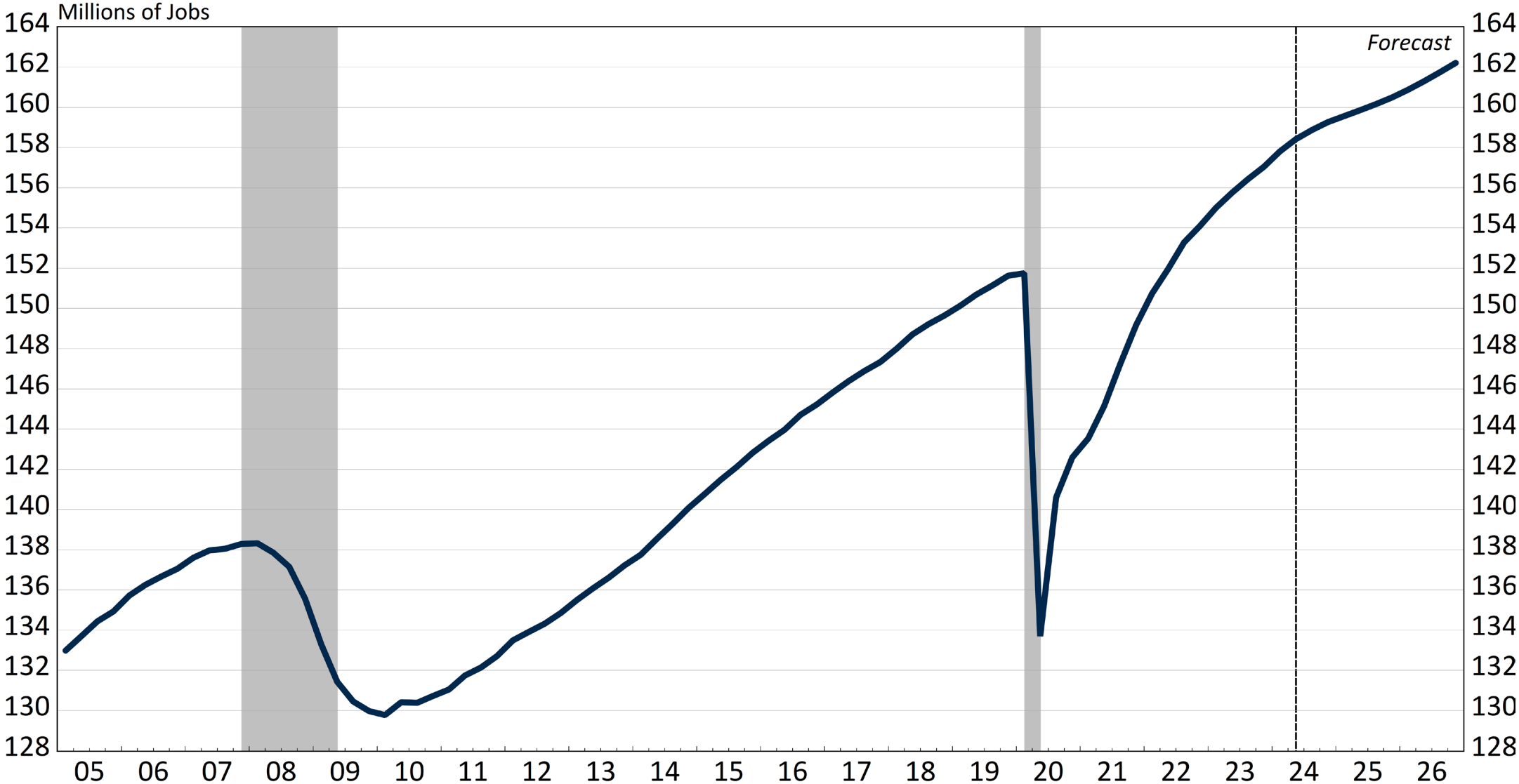
Mortgage Rates Decline Gradually Through 2026



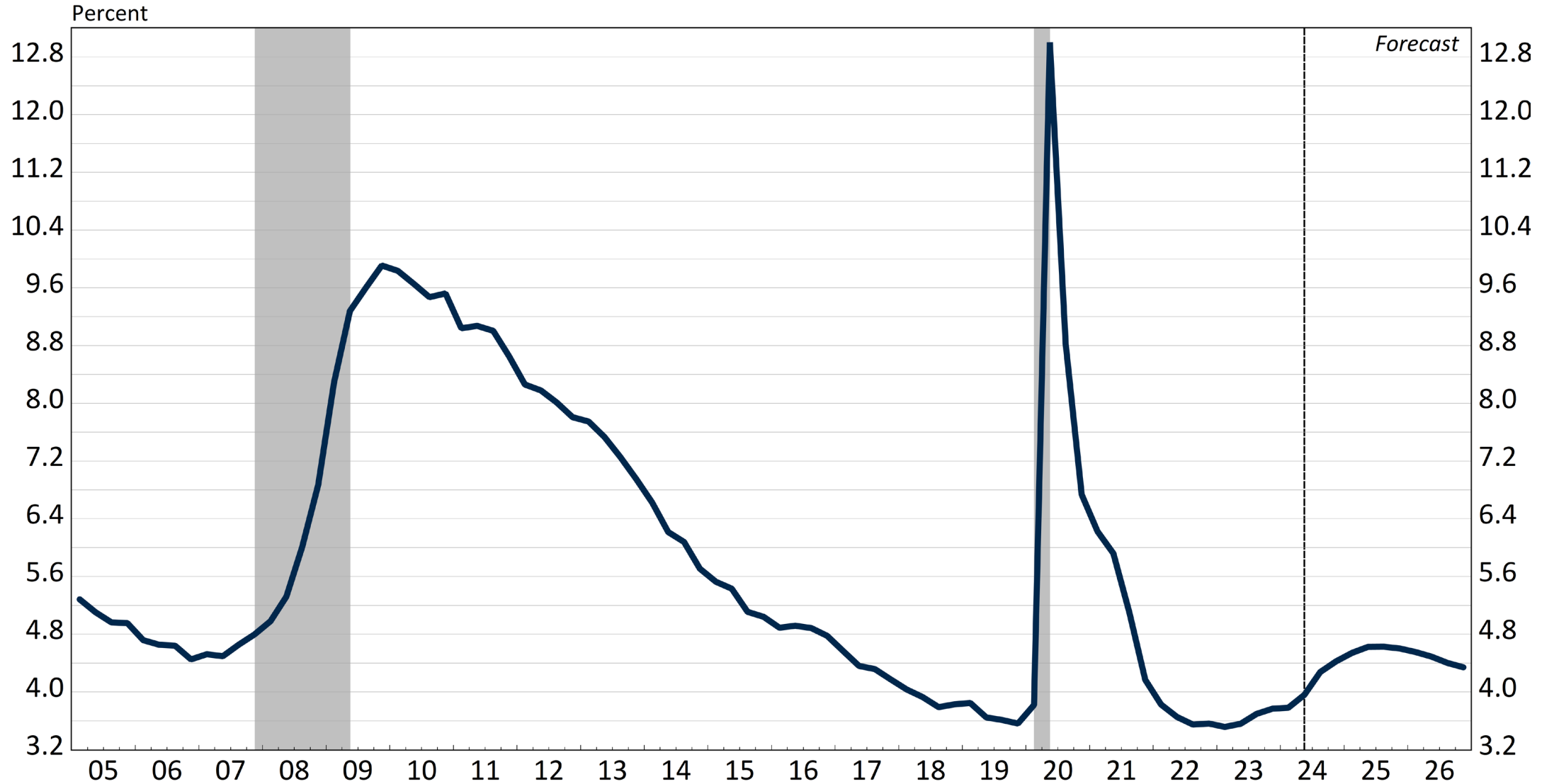
Real GDP Growth



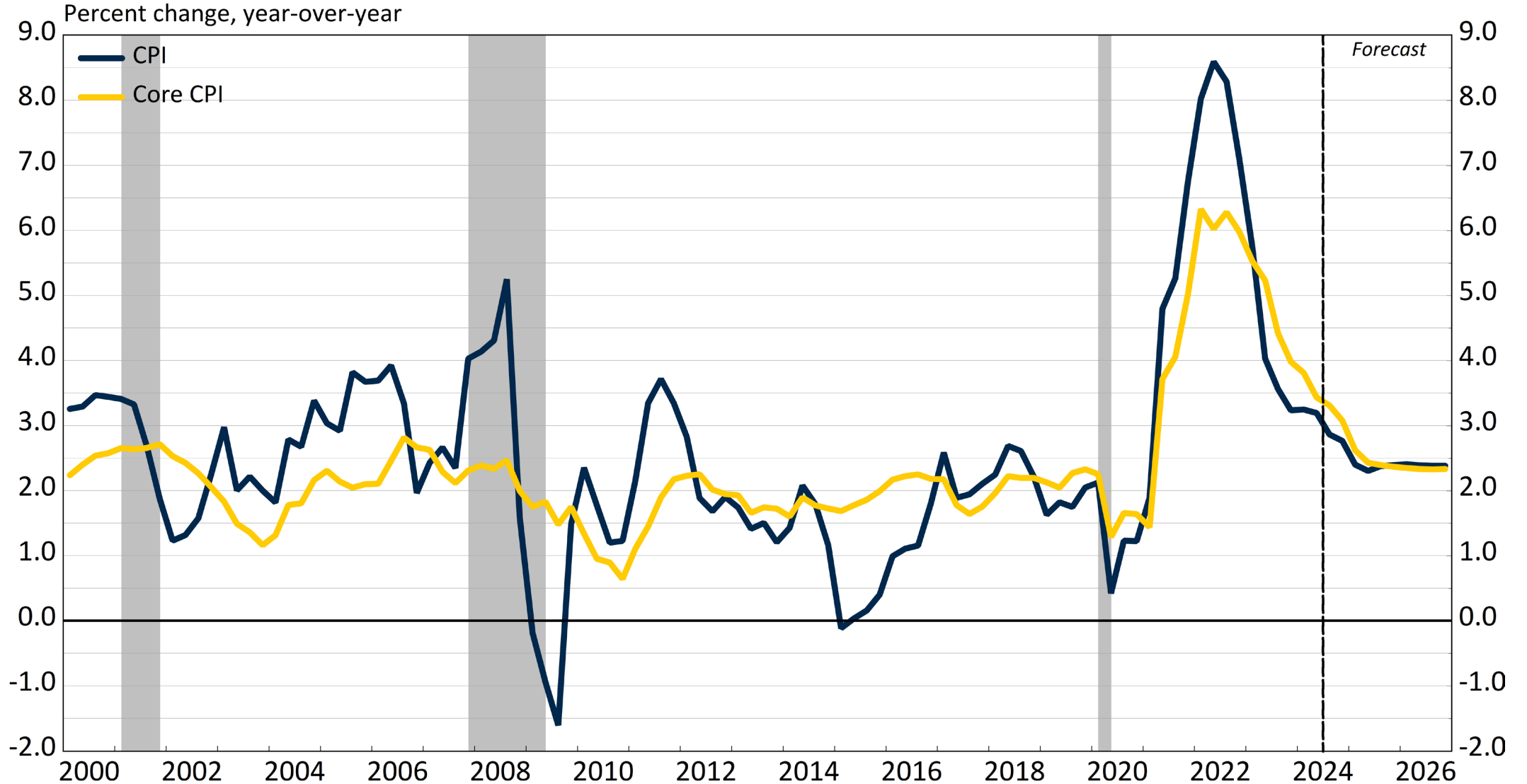
Payroll Employment Growth



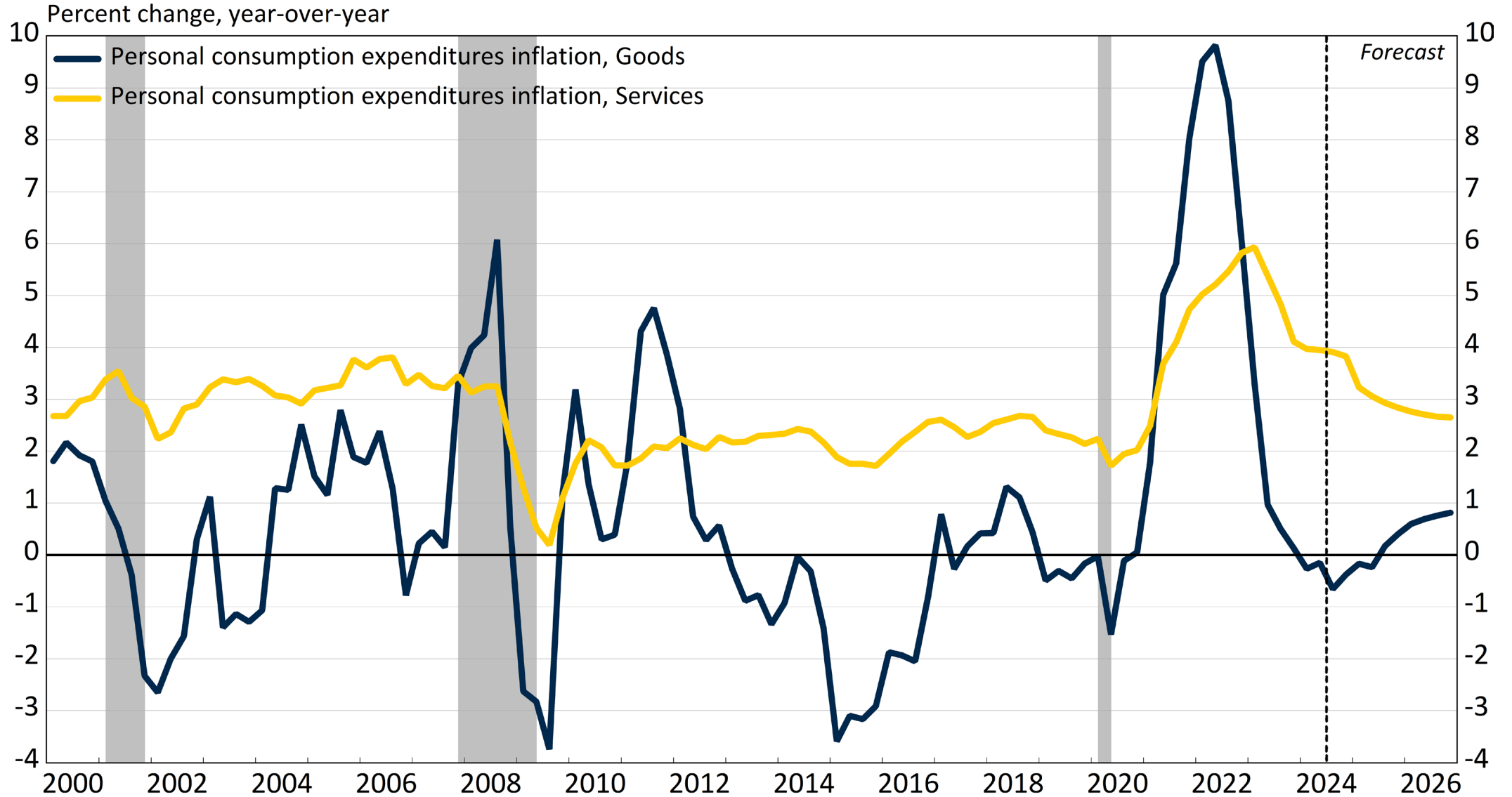
Unemployment Rate Peaks in Mid-2025



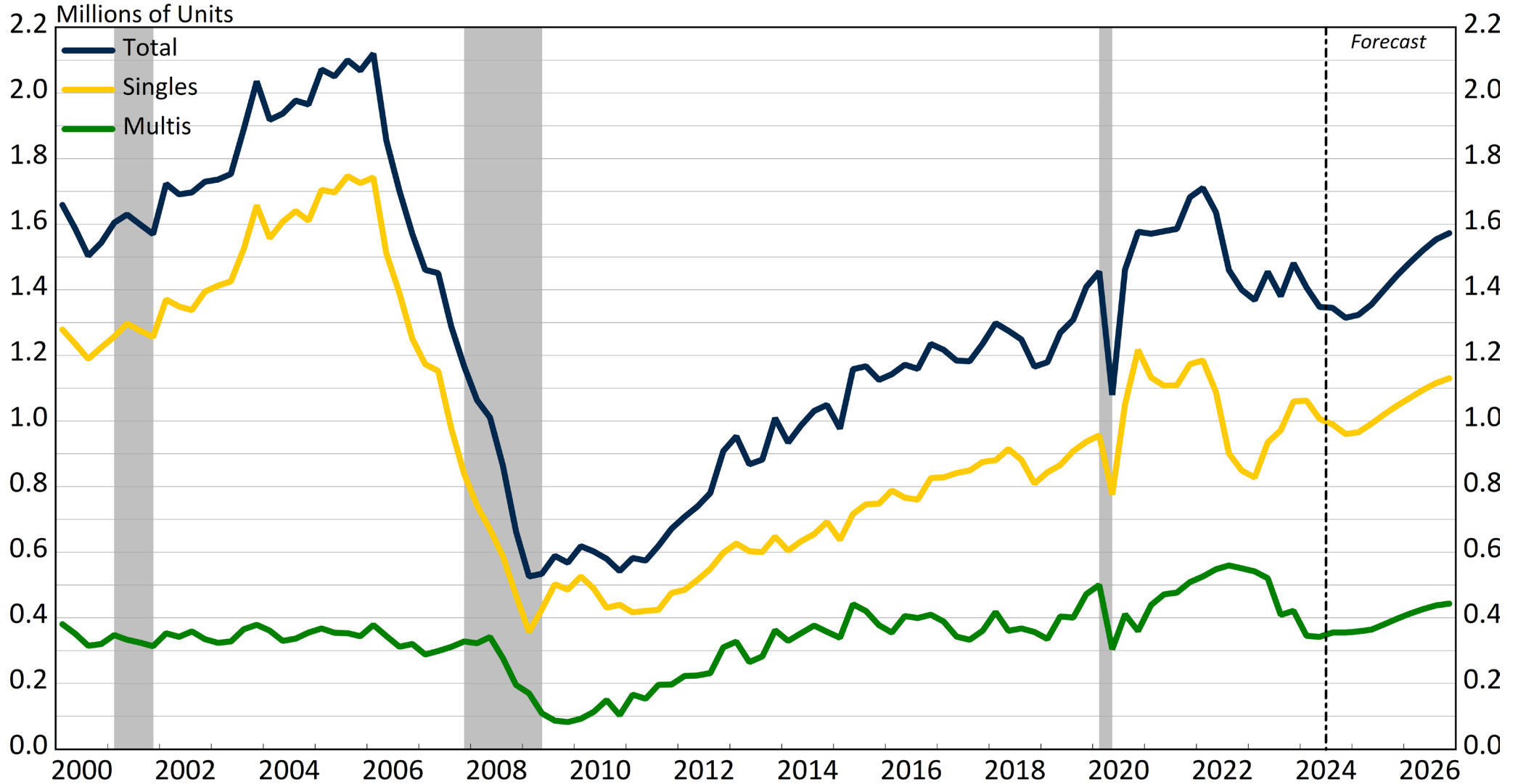
Yearly Inflation Returns to Target Next Year



Service Inflation Remains Sticky

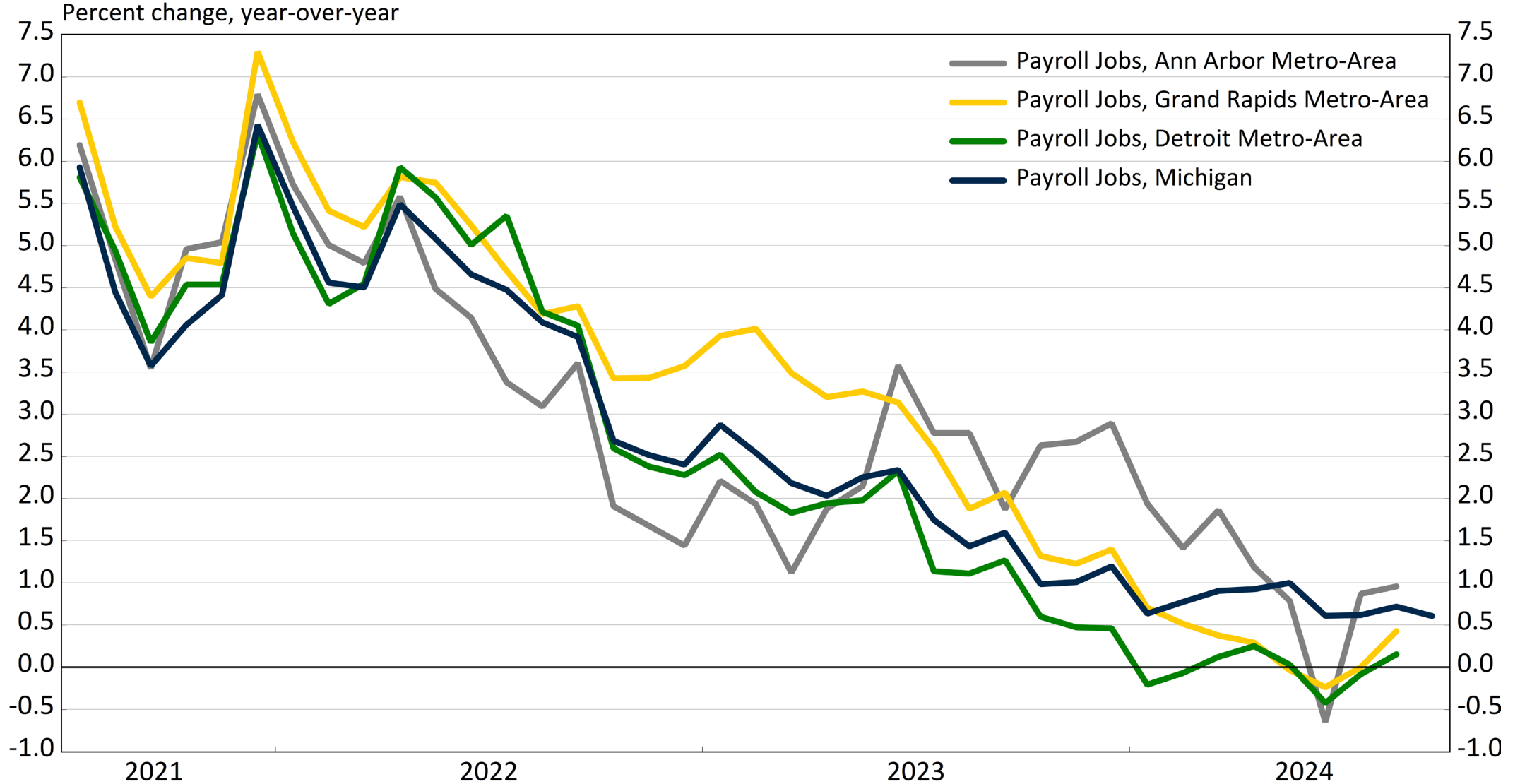


Housing Starts Bottom This Quarter

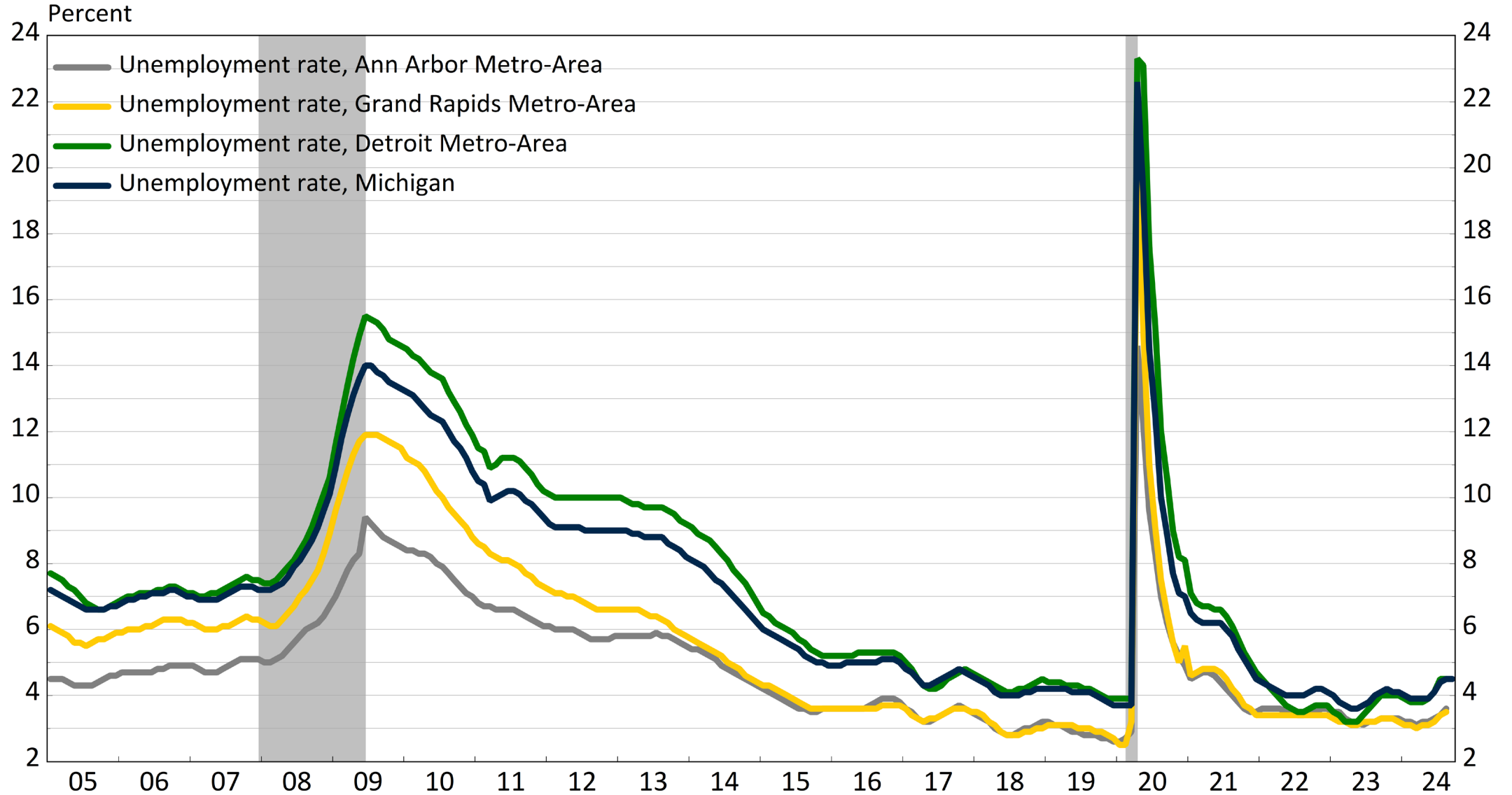


Current State of the Michigan Economy

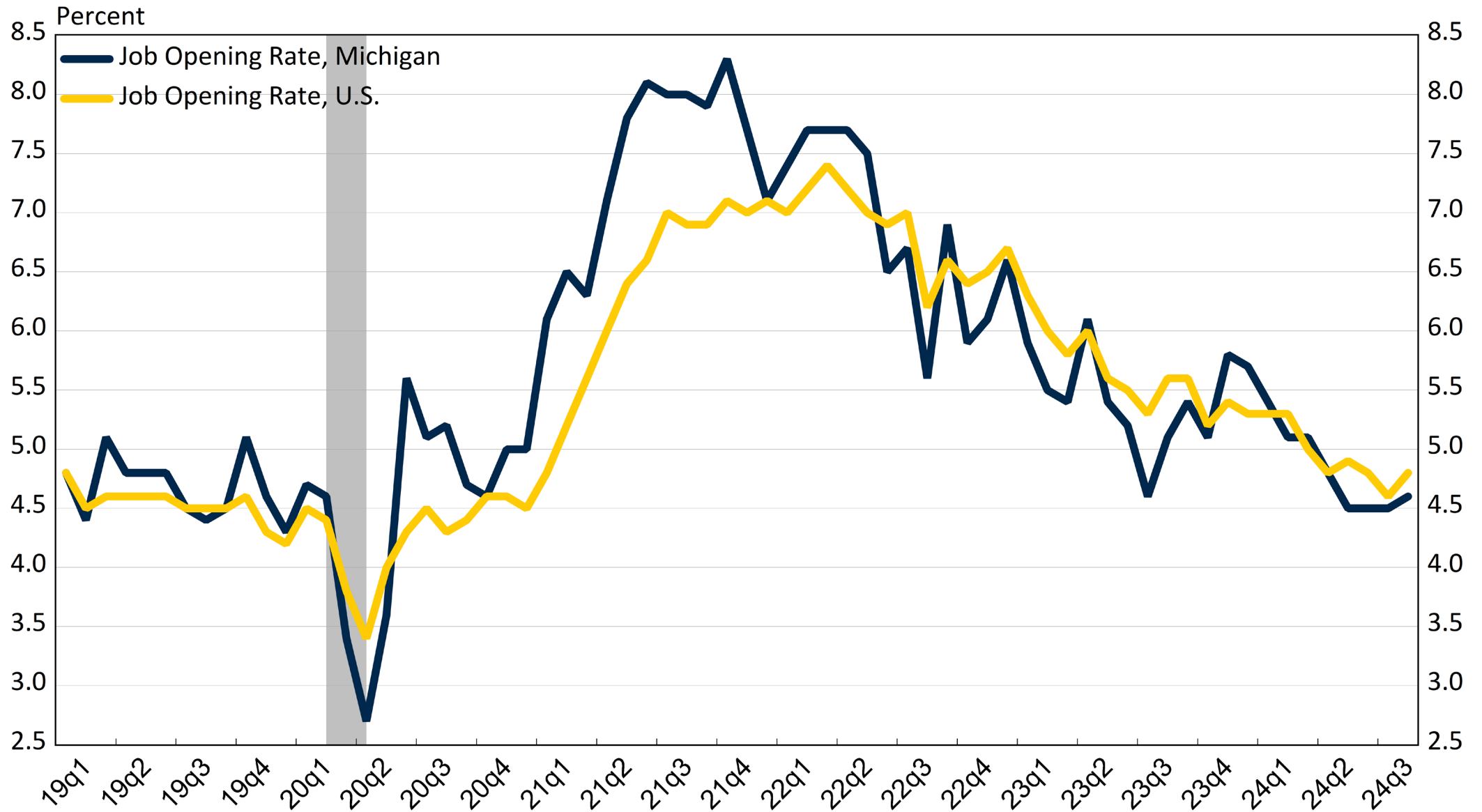
Local Job Gains Comparison



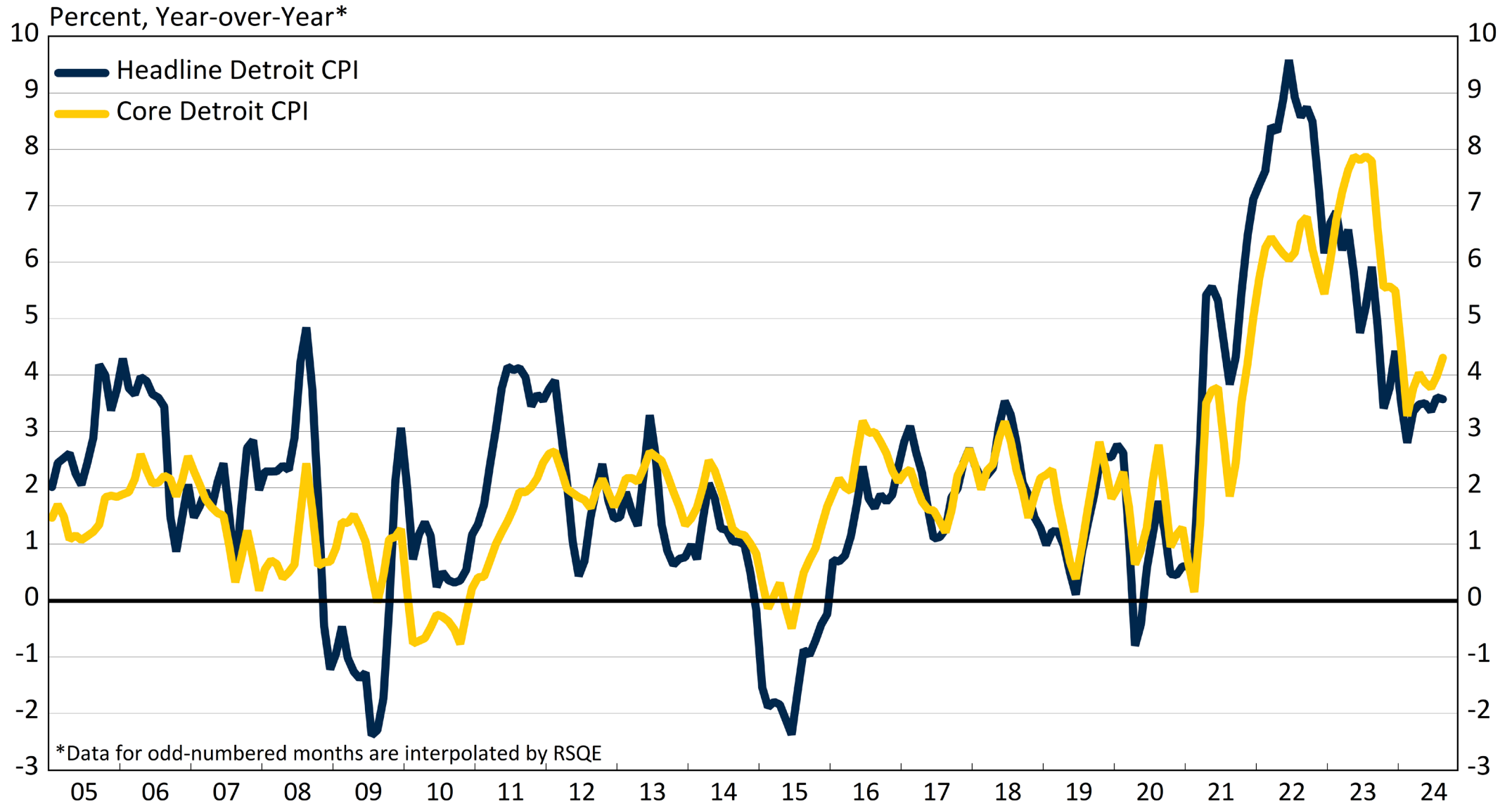
Local Unemployment Rates



Labor Demand Has Returned to Pre-Pandemic Levels

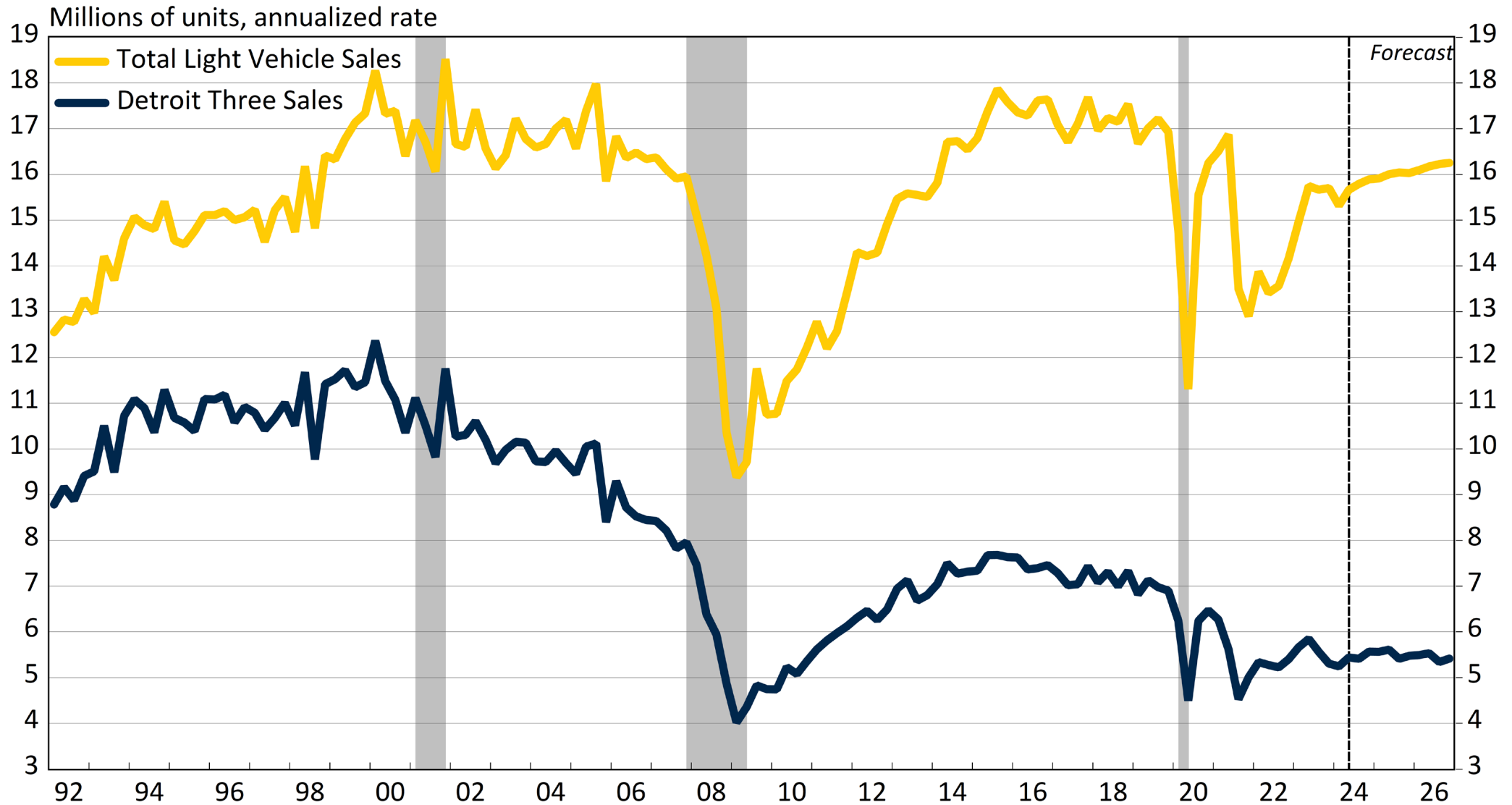


The Disinflation Process Has Hit a Speed Bump Locally

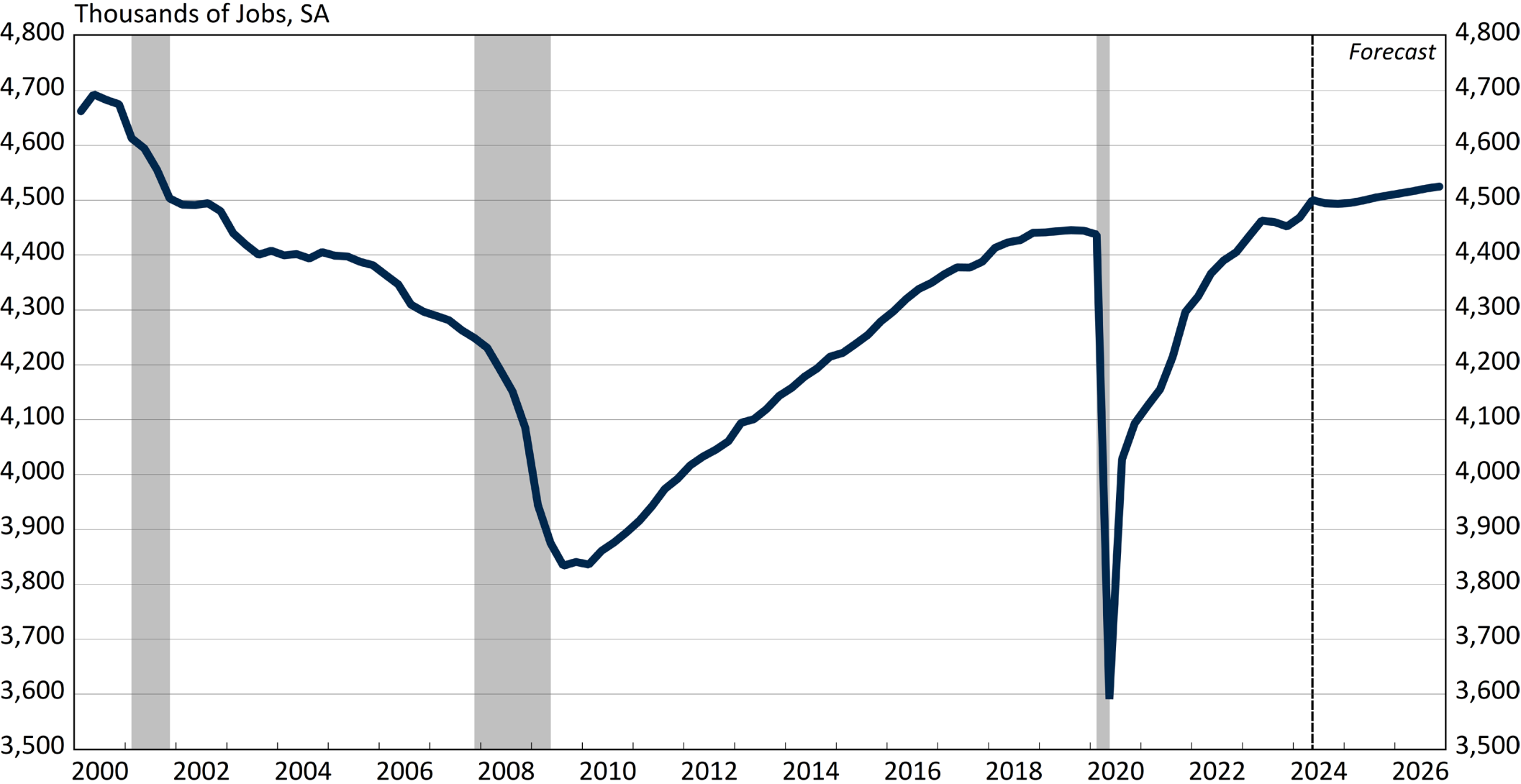


Michigan Economic Outlook

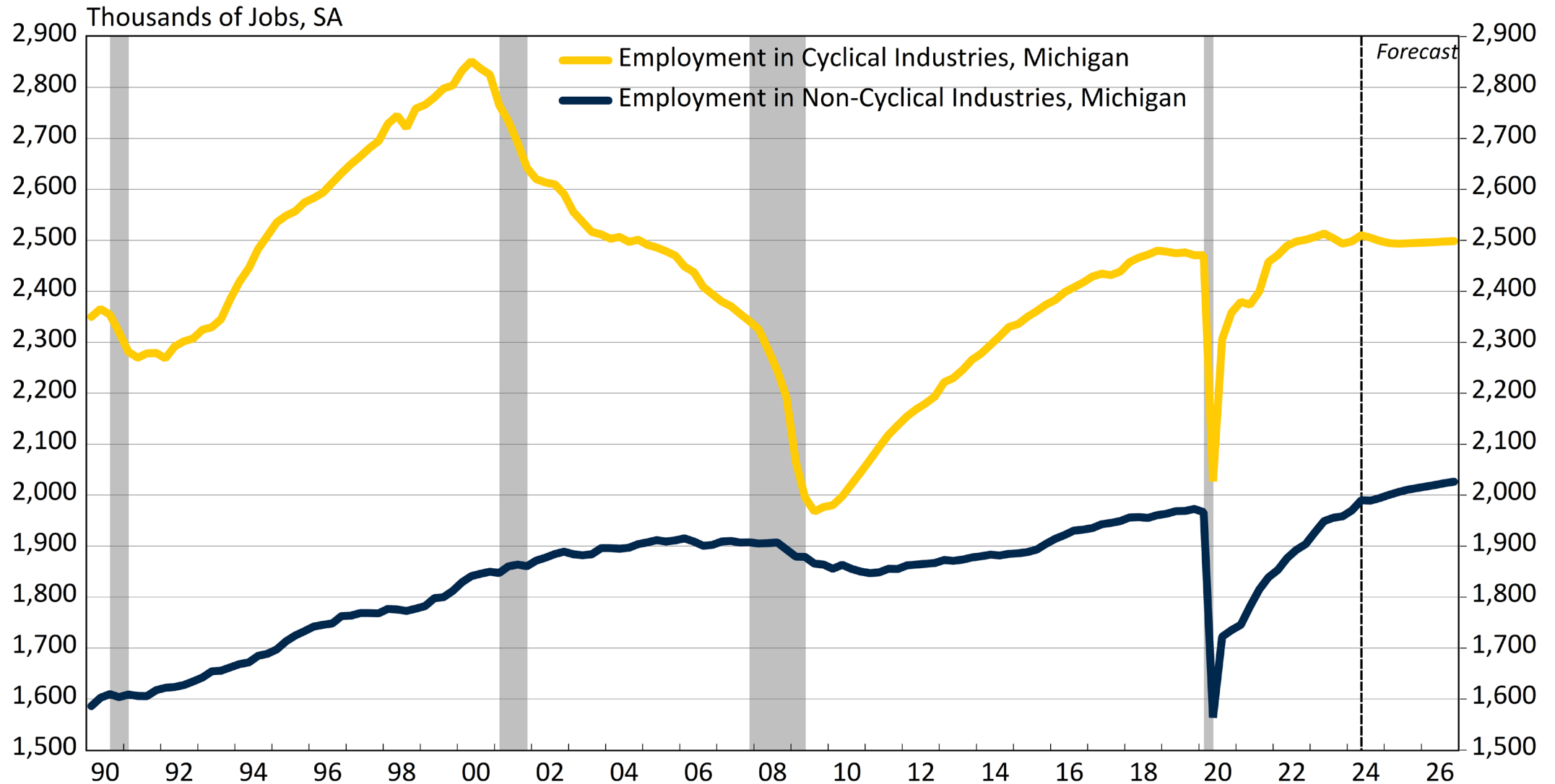
Light Vehicle Sales Near Cruising Speed



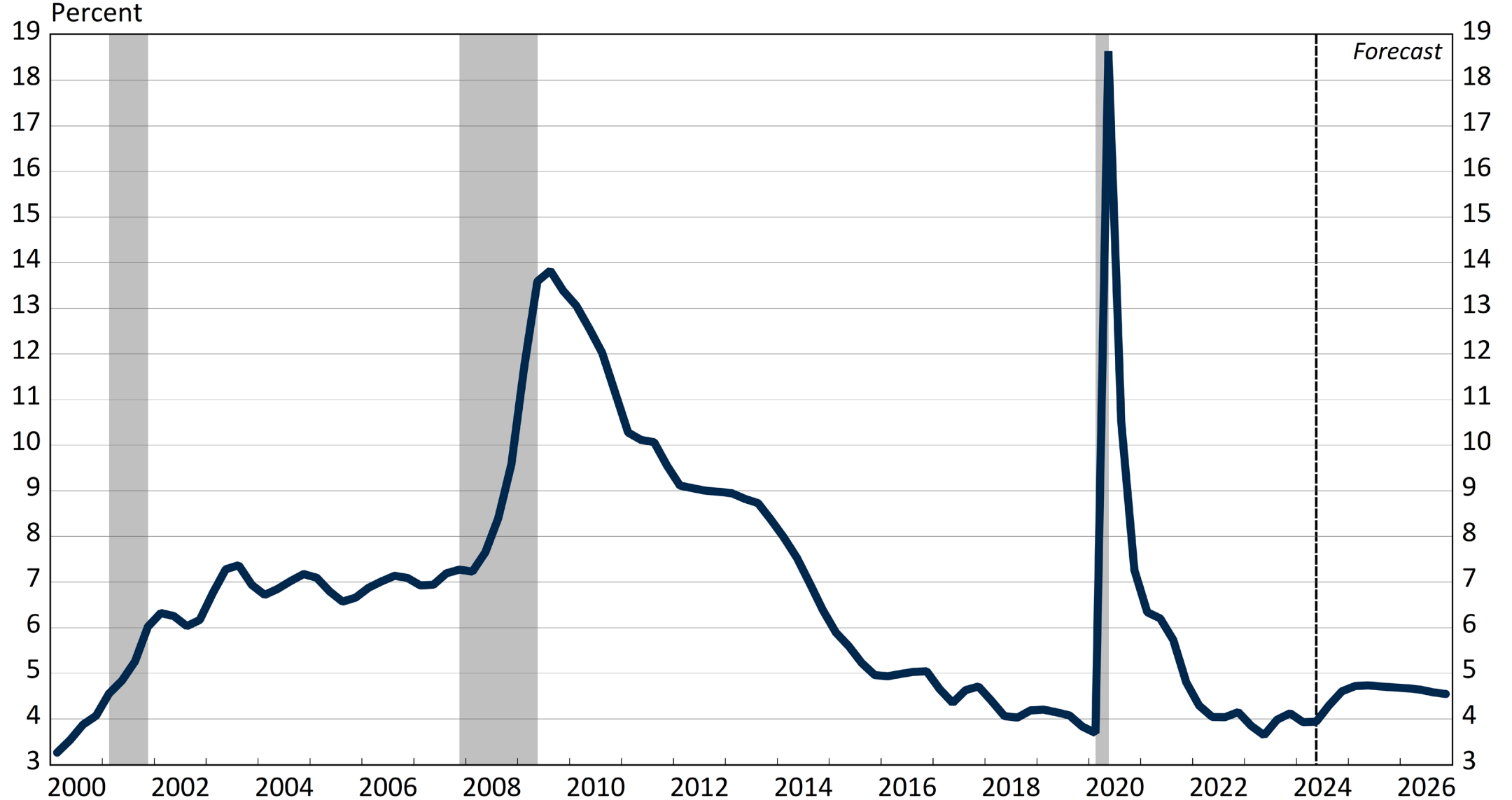
Michigan Employment Pauses Before Returning to Growth



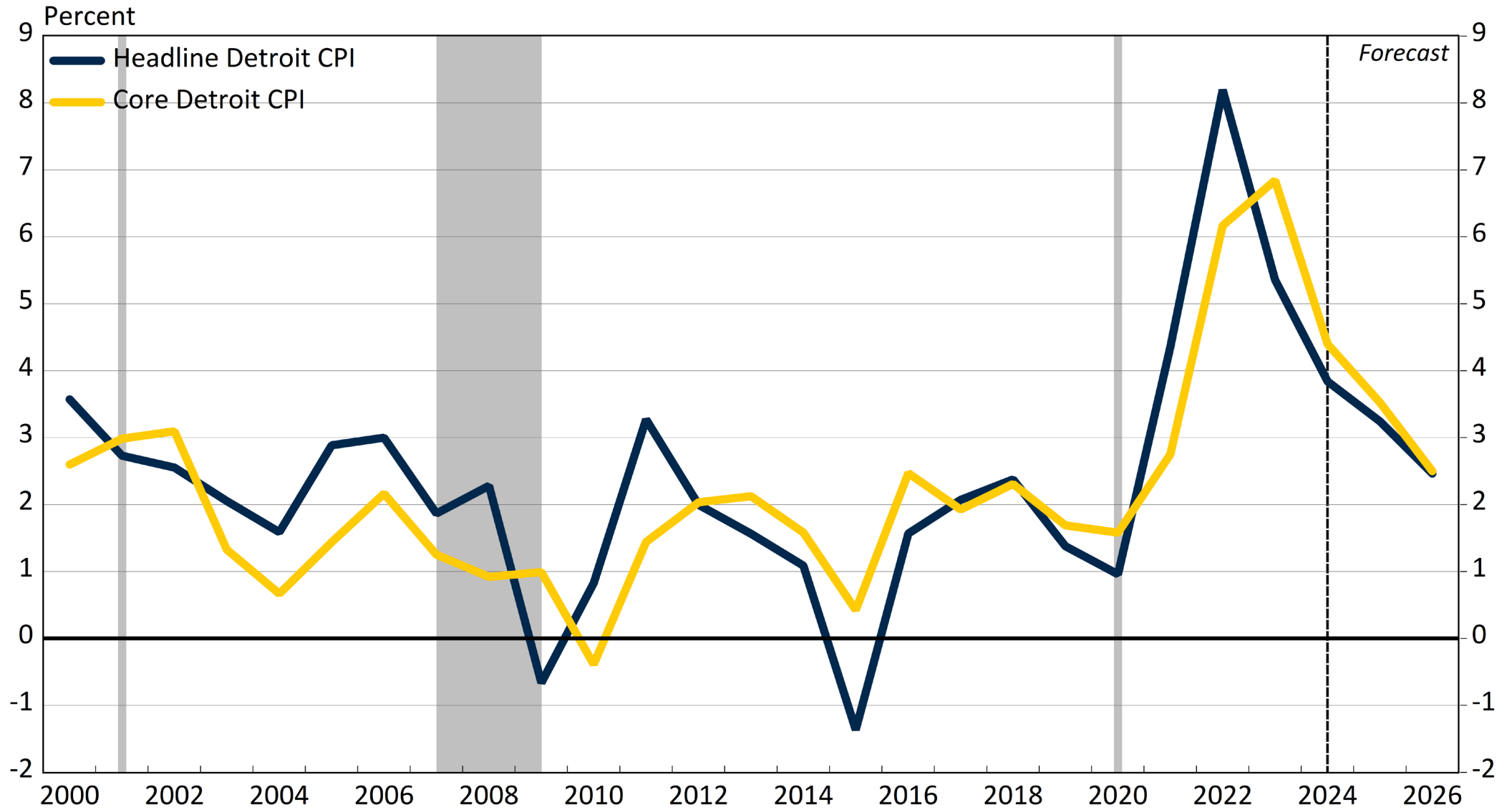
Non-Cyclical Industries Drive Employment Gains



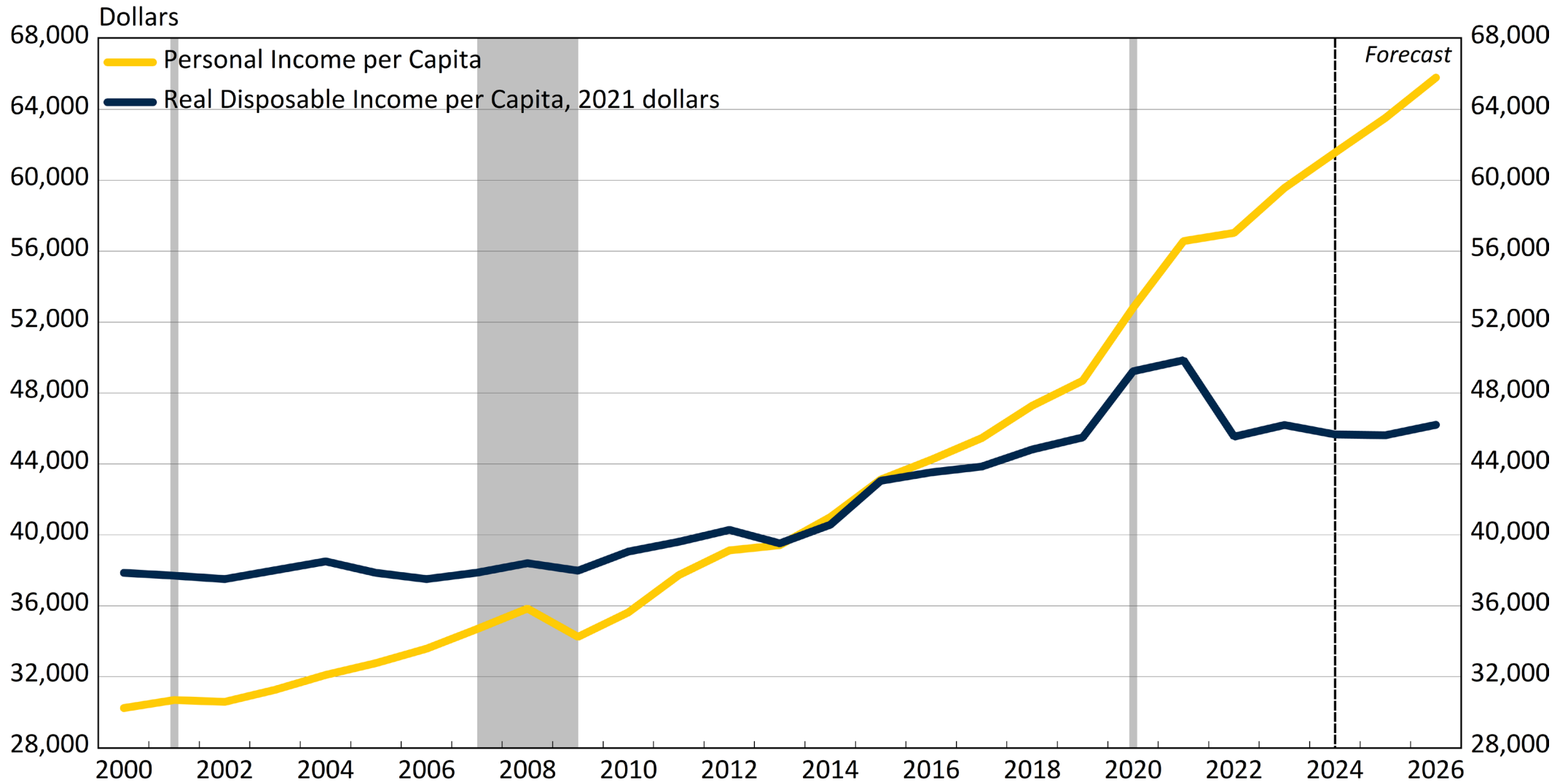
Michigan's Unemployment Rate Rises Modestly



Local Inflation: the Final Mile Is the Toughest



Michigan Living Standards Continue to Tread Water



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.

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