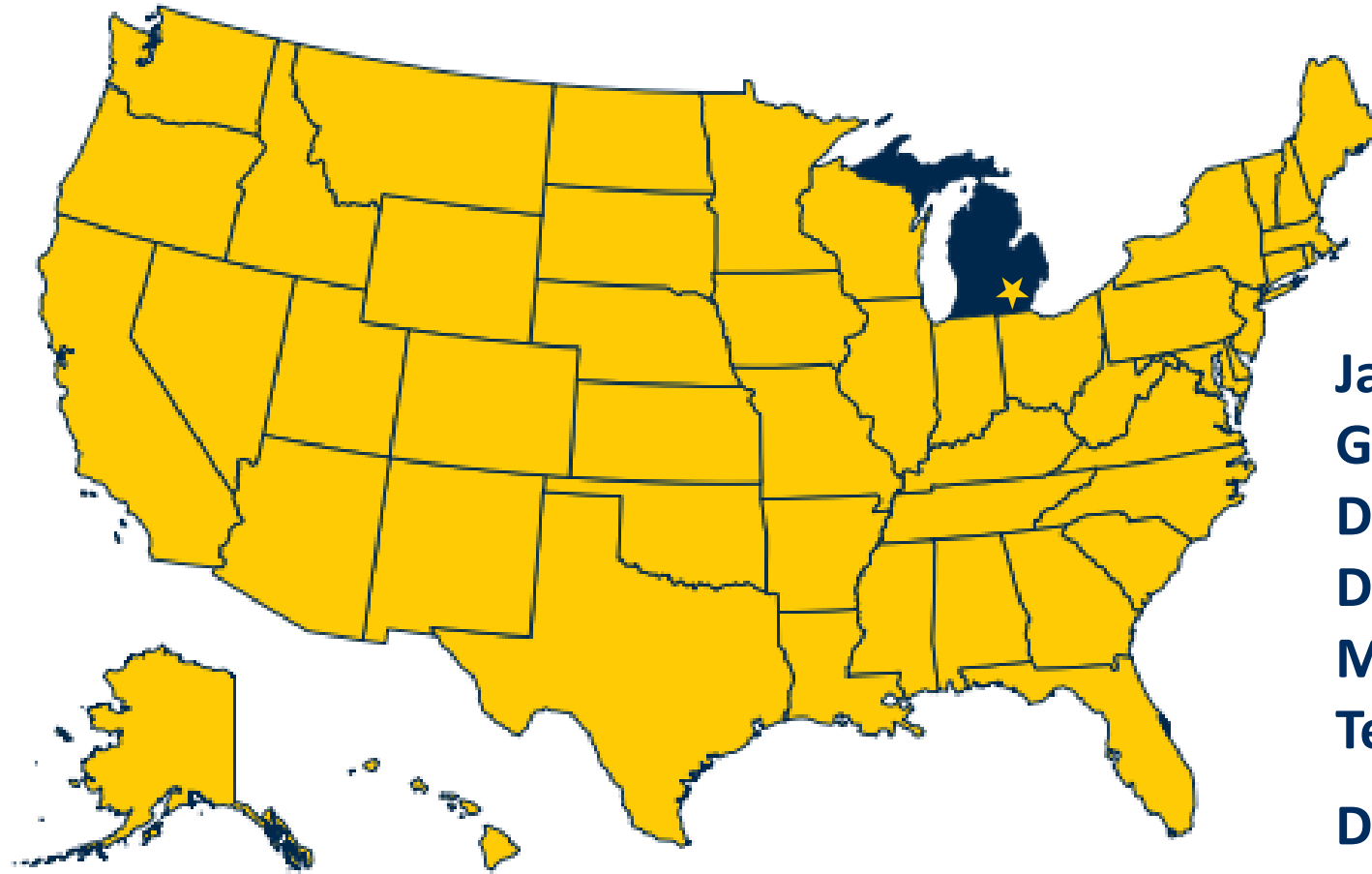


The U.S. and Michigan Economic Outlook for 2023–2024



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Research Seminar in Quantitative Economics



About RSQE

What does RSQE do?



Economic Forecasting

RSQE forecasts the national, state, and local economies



Economic Policy Analysis

RSQE performs economic impact assessments and researches policy-relevant trends



Presentations and Media

RSQE staff members present on the economic outlook throughout Michigan and speak frequently with local and national media



Scholarship and Grants

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

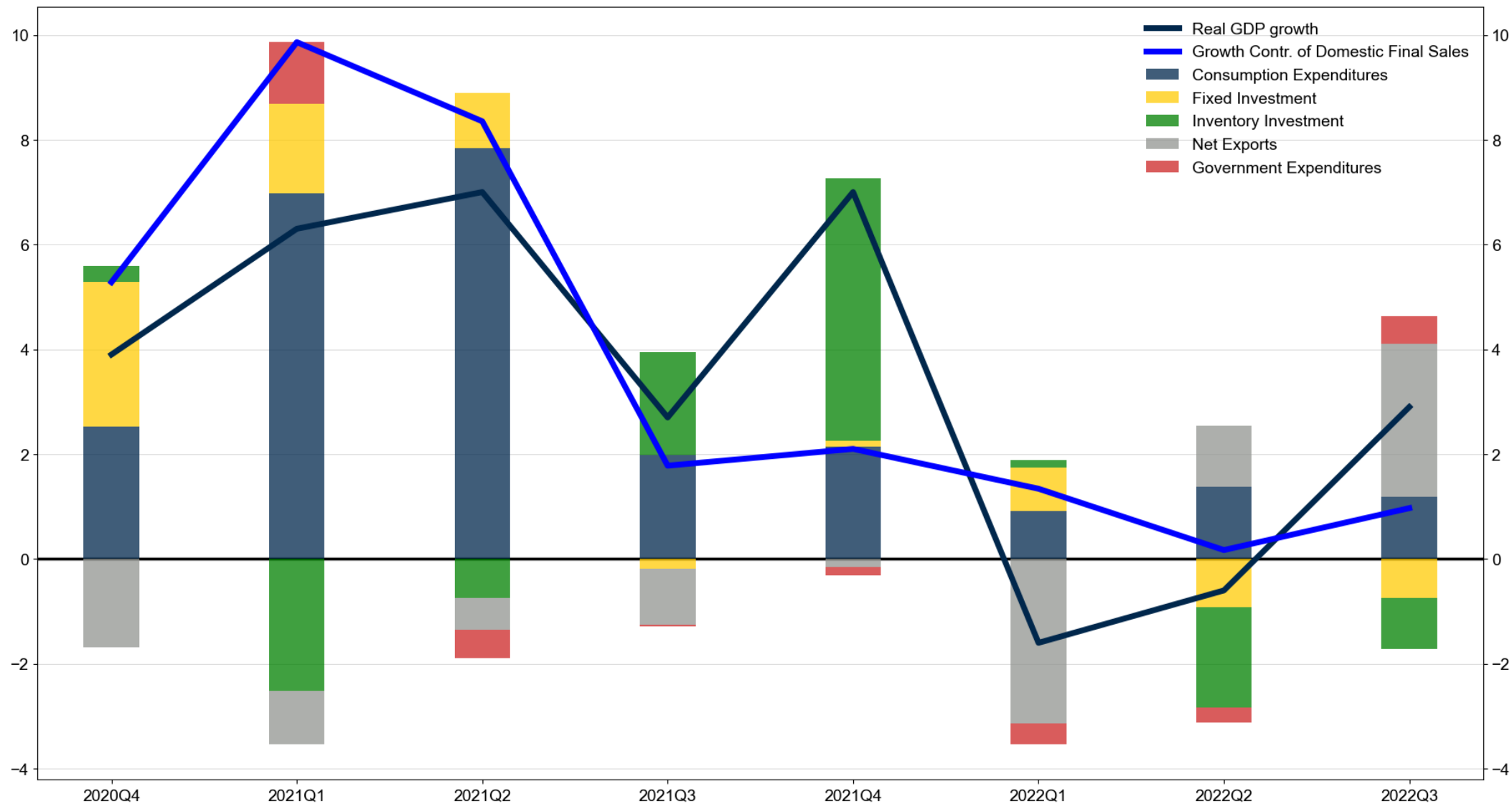


Education

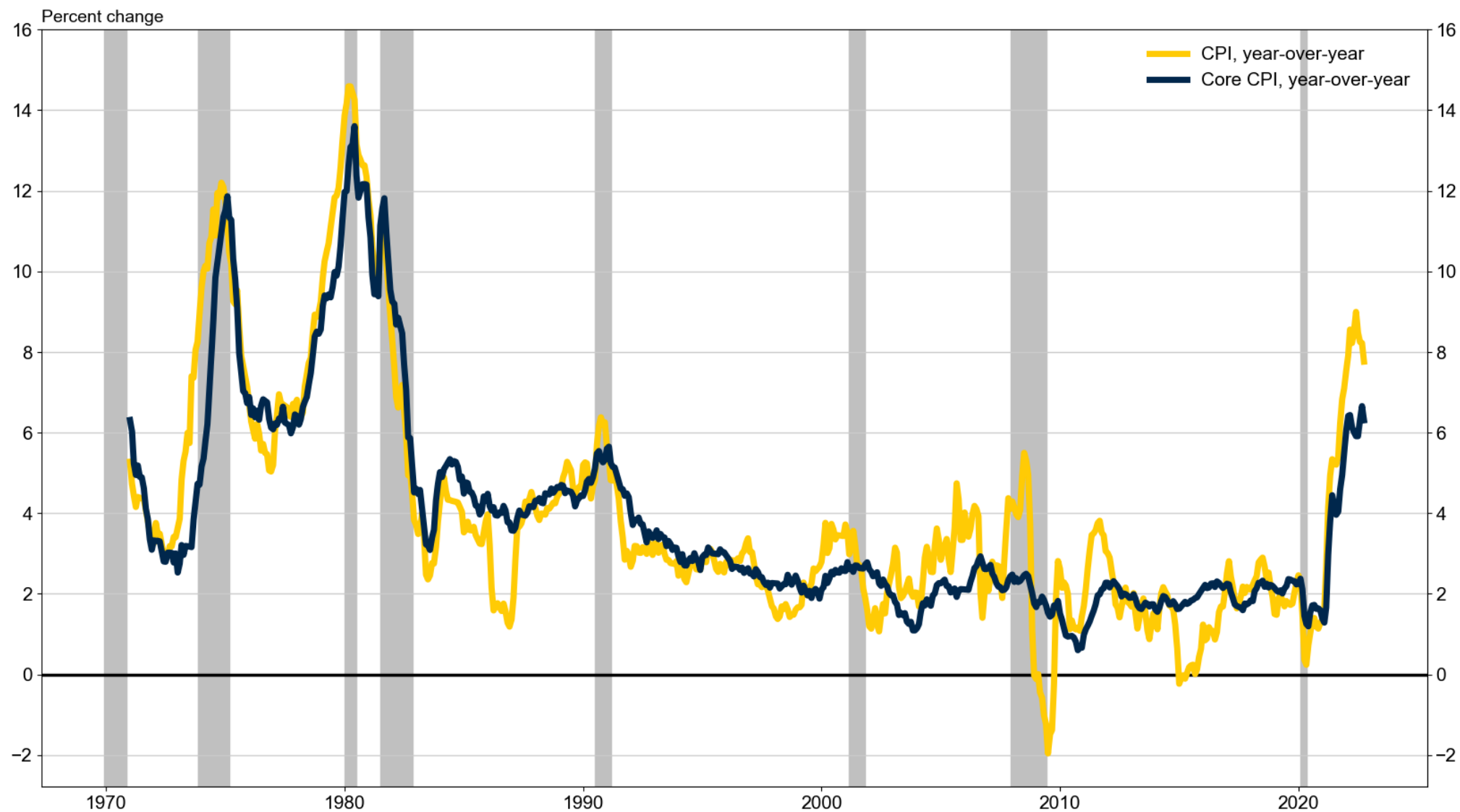
RSQE staff occasionally teach courses in Economic Forecasting. RSQE supports Ph.D. students in Economics and mentors undergraduate students

Current State of the U.S. Economy

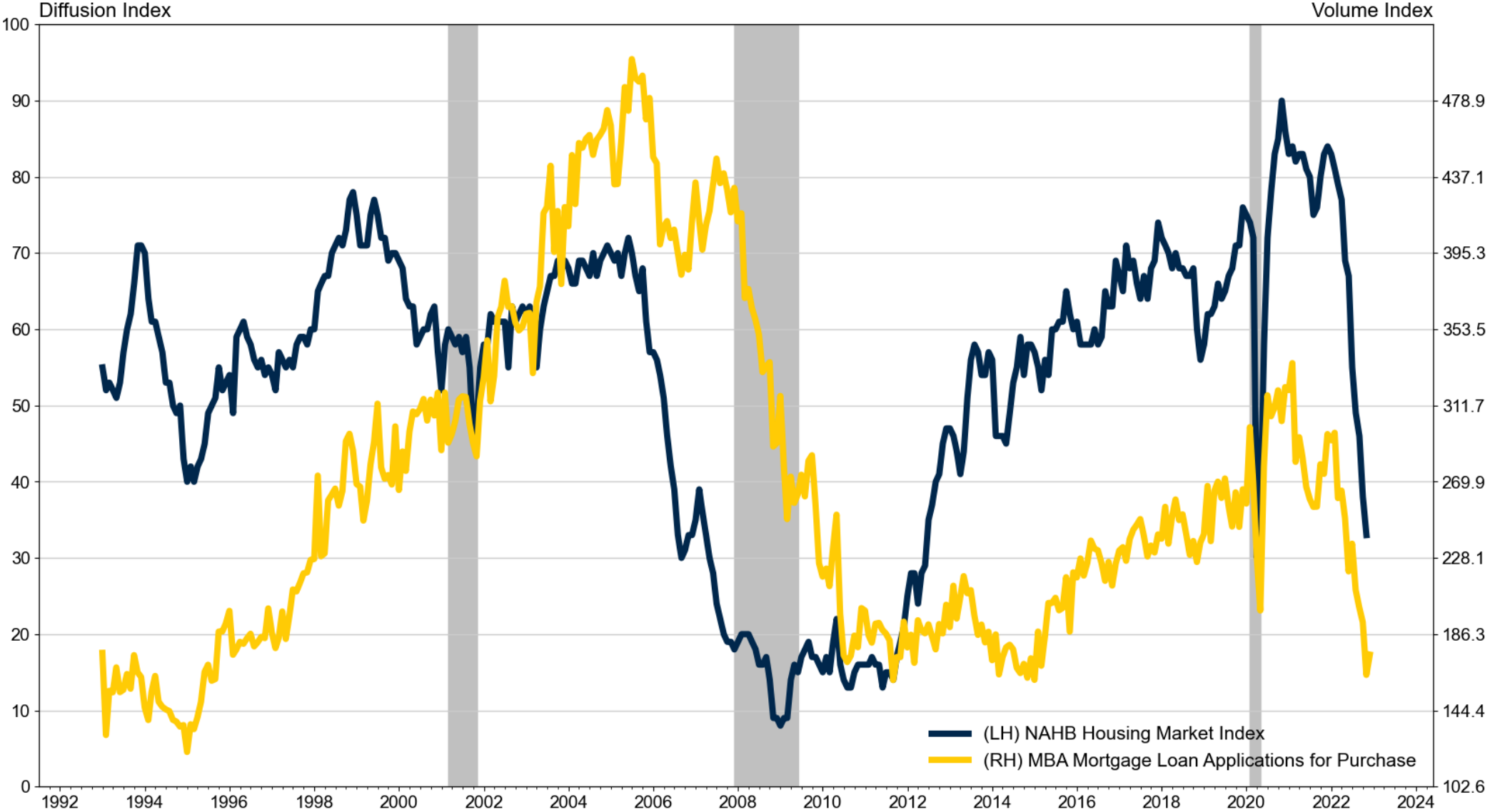
Real GDP Growth Composition



Consumer Price Index



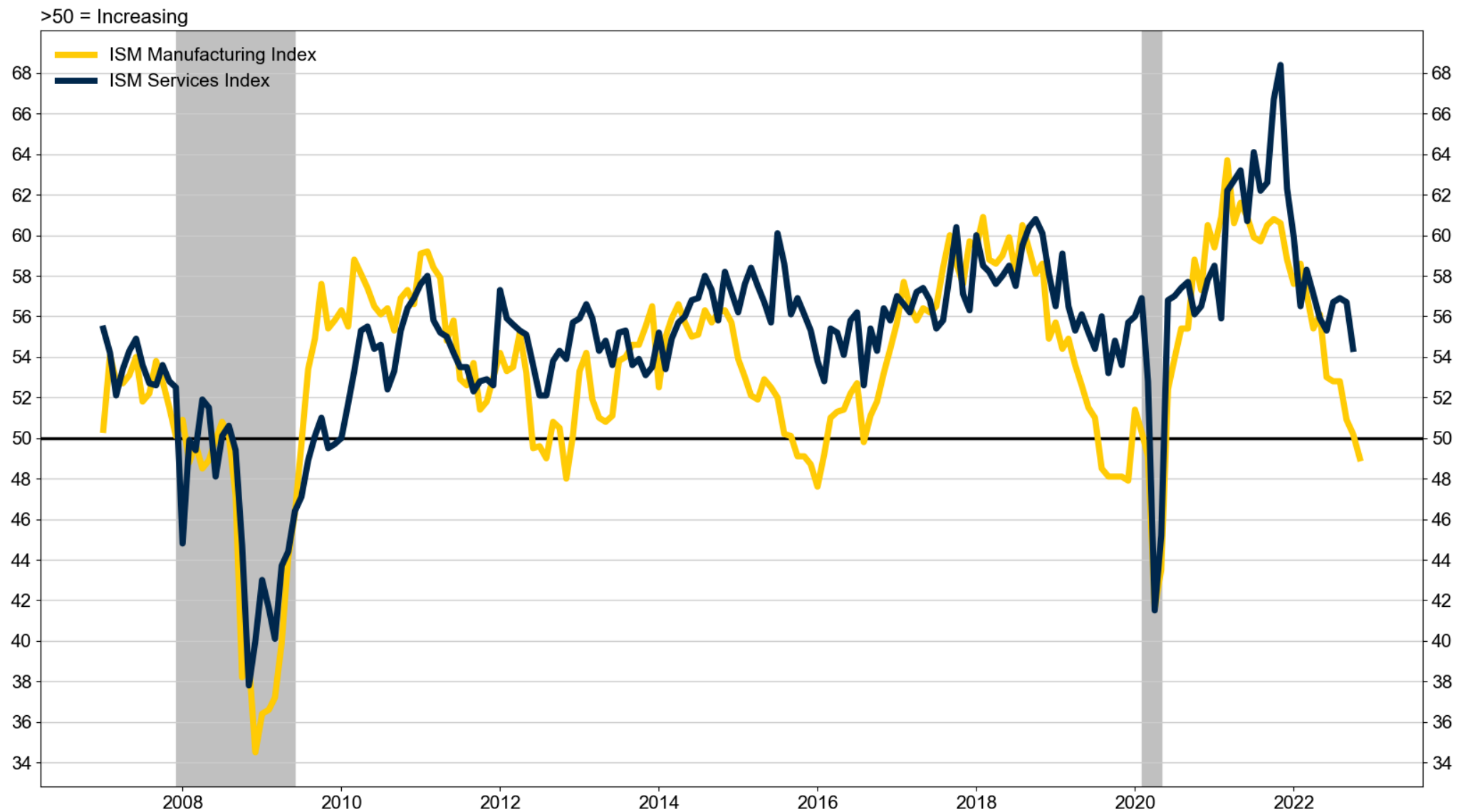
Residential Housing Market Metrics



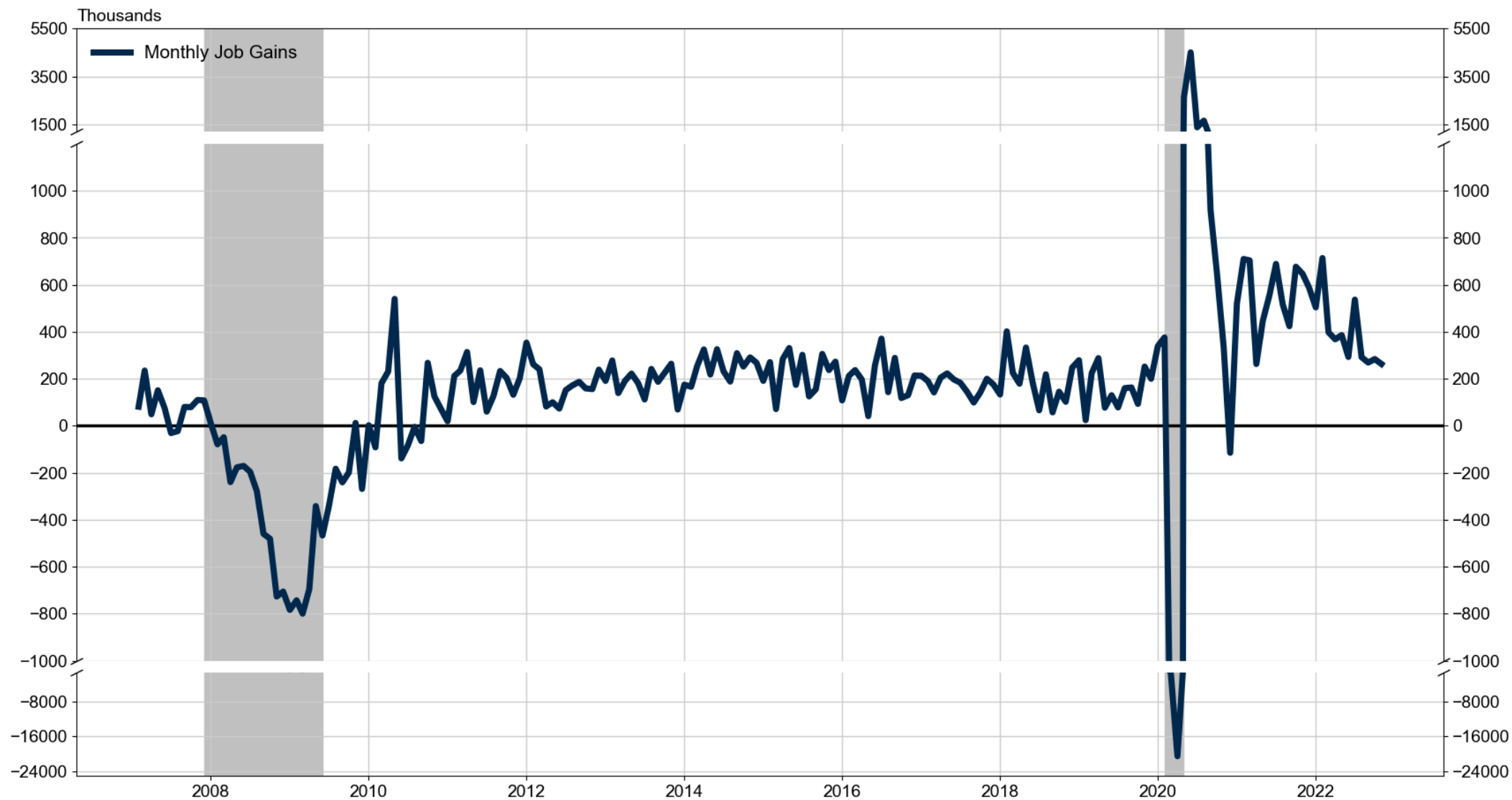
10-year to 2-year Treasury Bond Yield Spread



Institute for Supply Management Diffusion Indices



Monthly Payroll Job Gains



Inputs

Policy

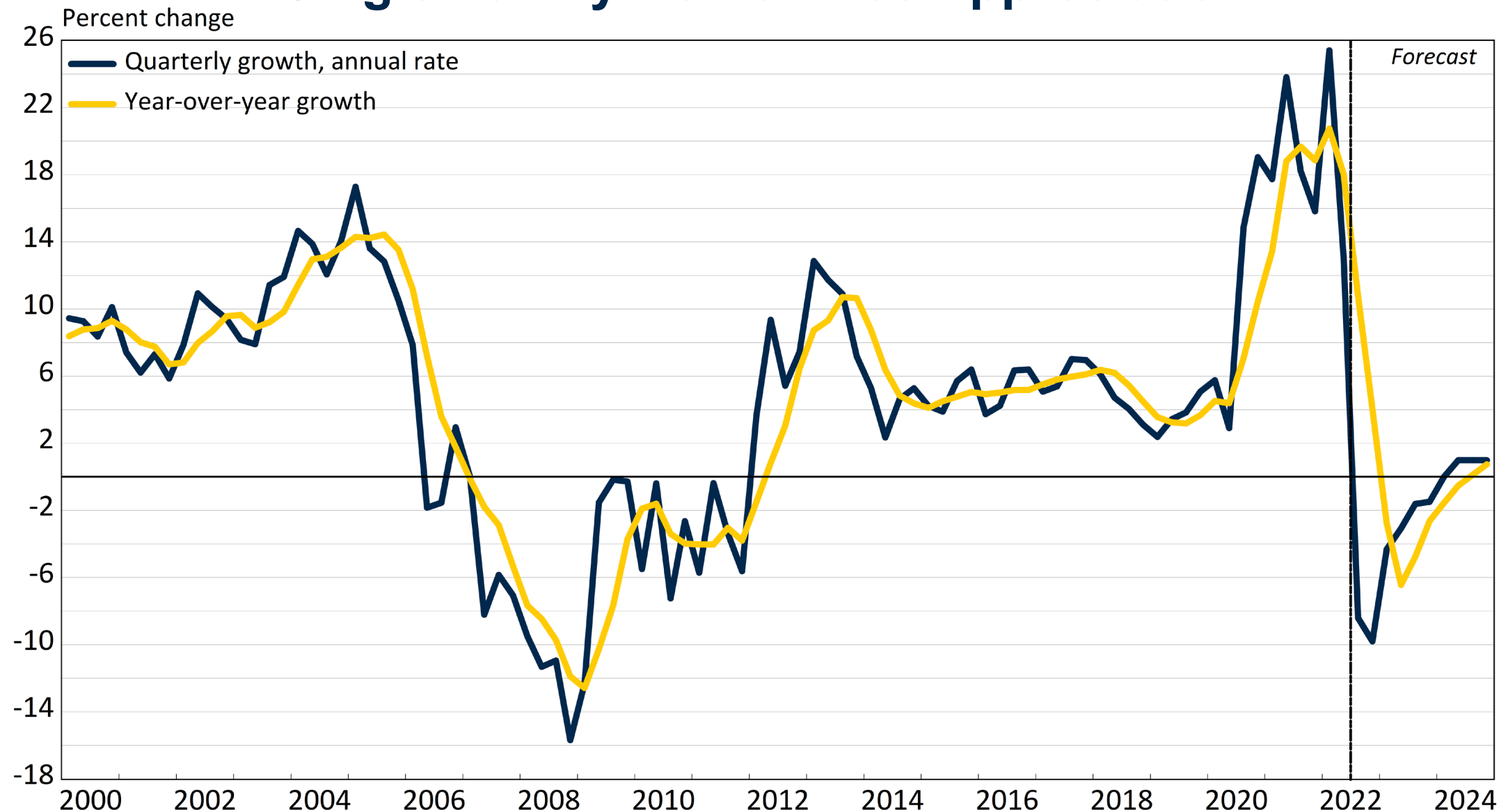
➤ Monetary Policy:

- Terminal fed funds rate range at **5.25–5.5** percent, peaking in 2023Q2
- The Fed starts easing in early 2024, once PCE inflation forecasts show imminent return to 2.0 percent inflation
- Gradual fed funds rate range cuts through rest of 2024

➤ Fiscal Policy:

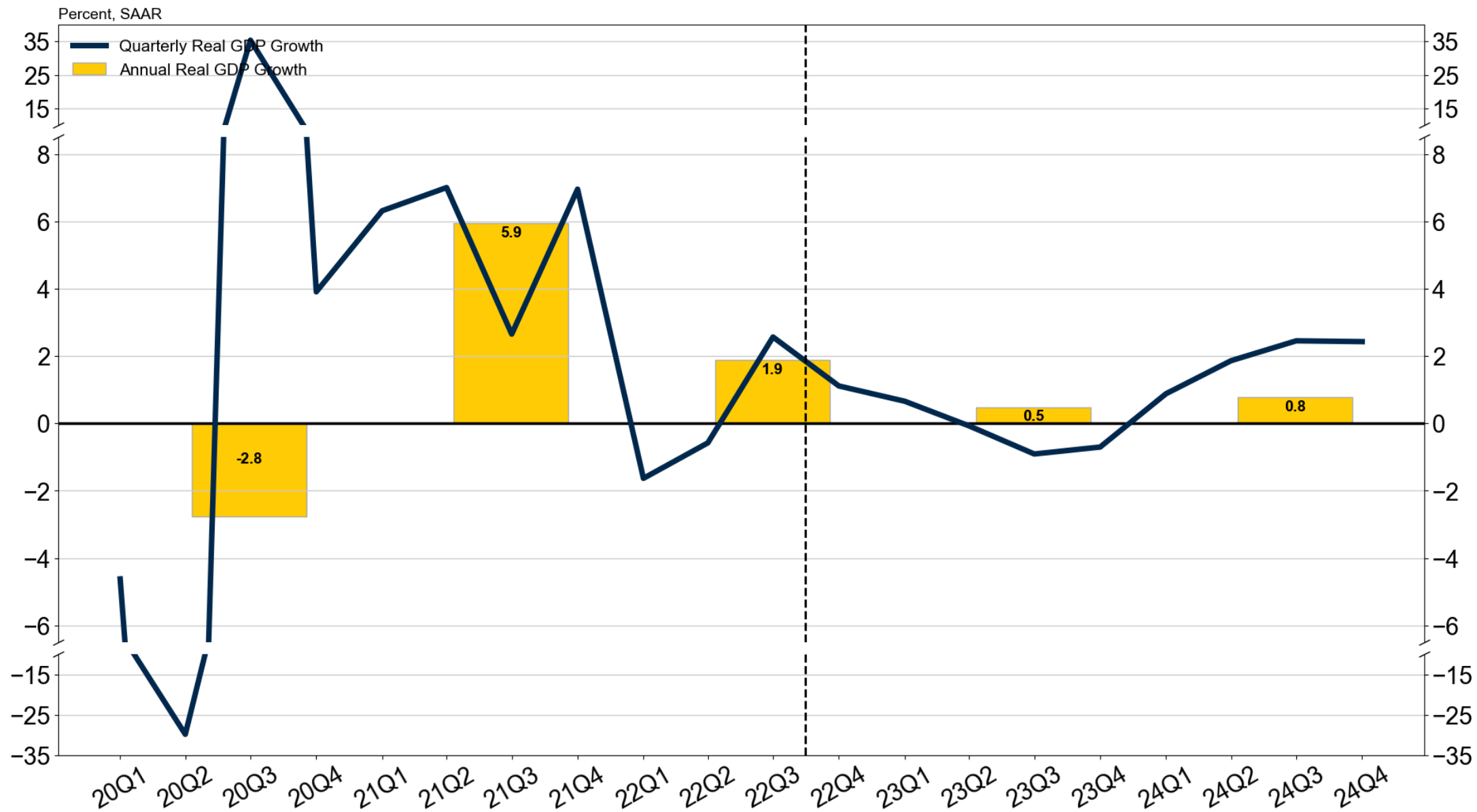
- Divided Government is back
- Defense spending set for brisk growth
- Slow growth of discretionary nondefense spending likely

Single-Family Home Price Appreciation



U.S. Forecast

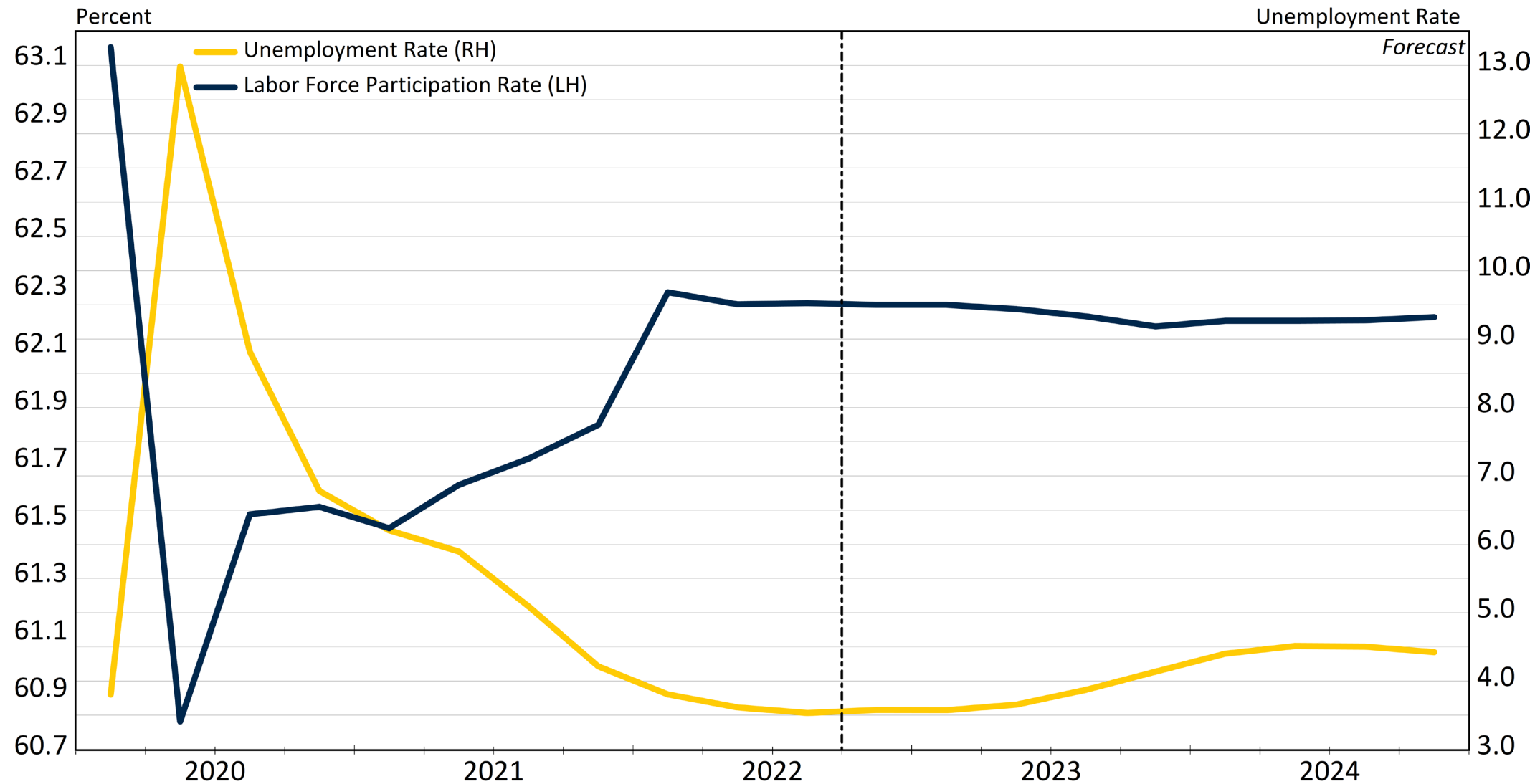
Real GDP Growth



Payroll Employment Growth

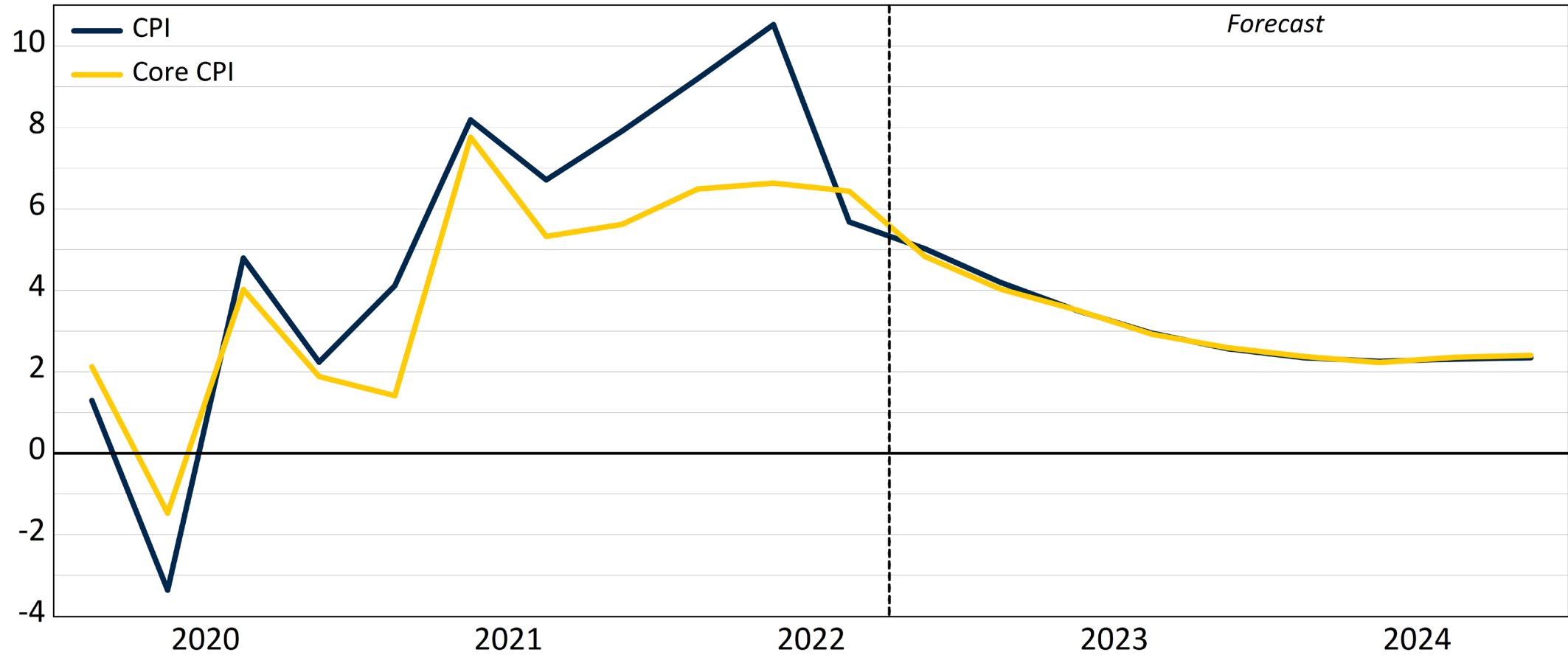


Unemployment Rate and Participation Rate



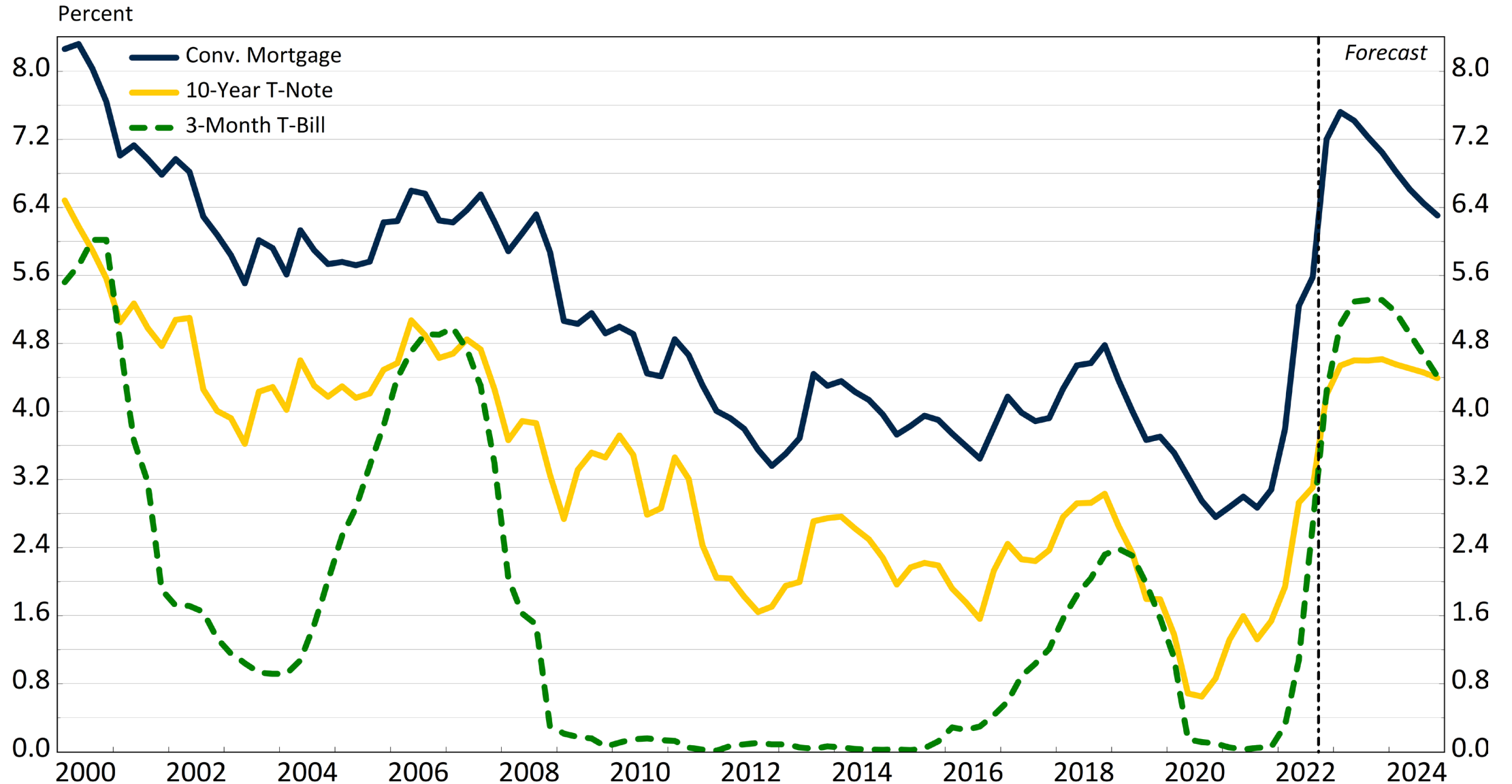
Consumer Price Inflation (CPI-U)

Percent change, annualized rate

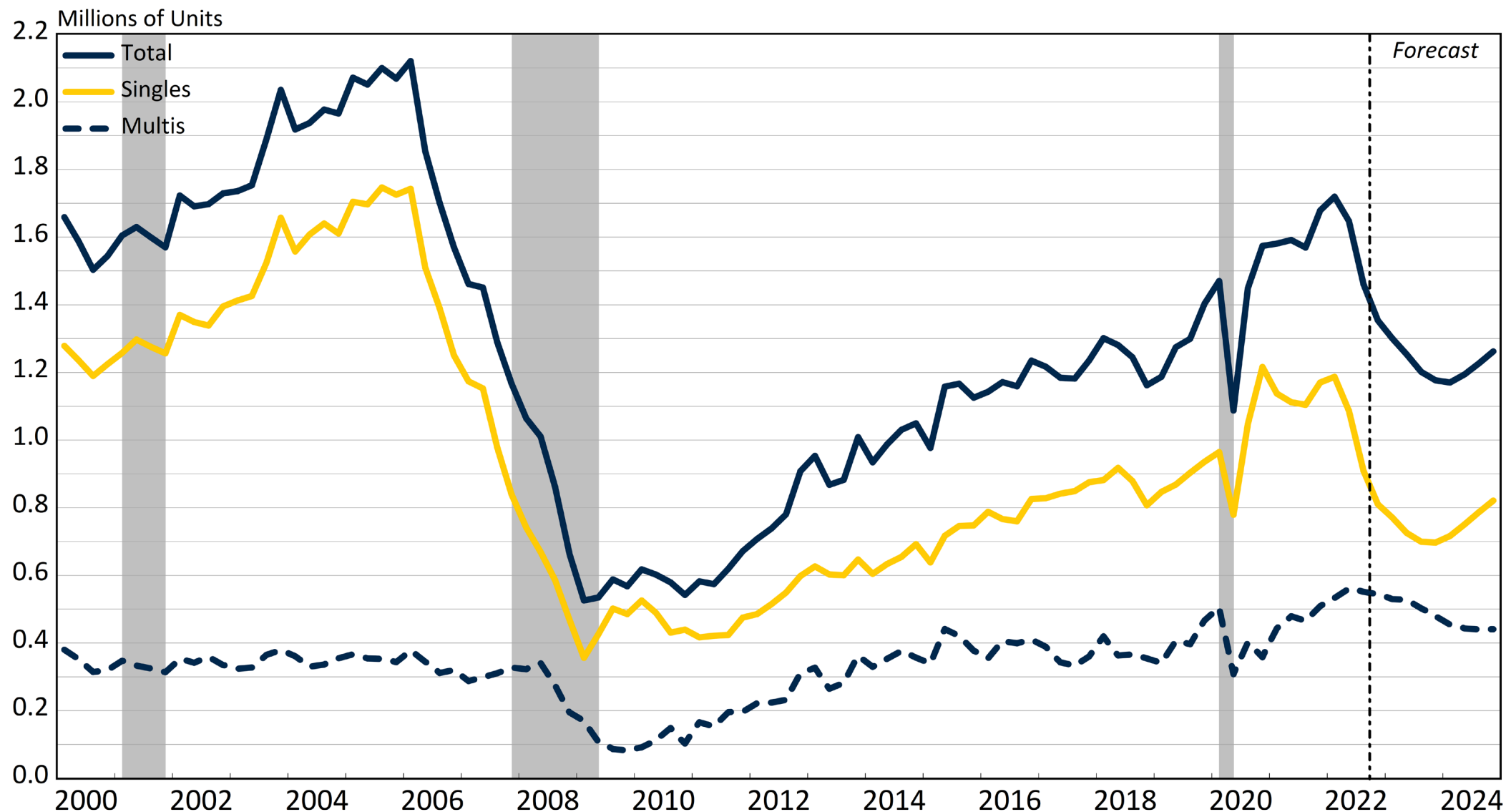


4th Quarter to 4th Quarter % Change					
Core CPI	1.62	5.01	6.10	3.27	2.34
CPI	1.20	6.72	7.59	2.31	2.32

Interest Rates

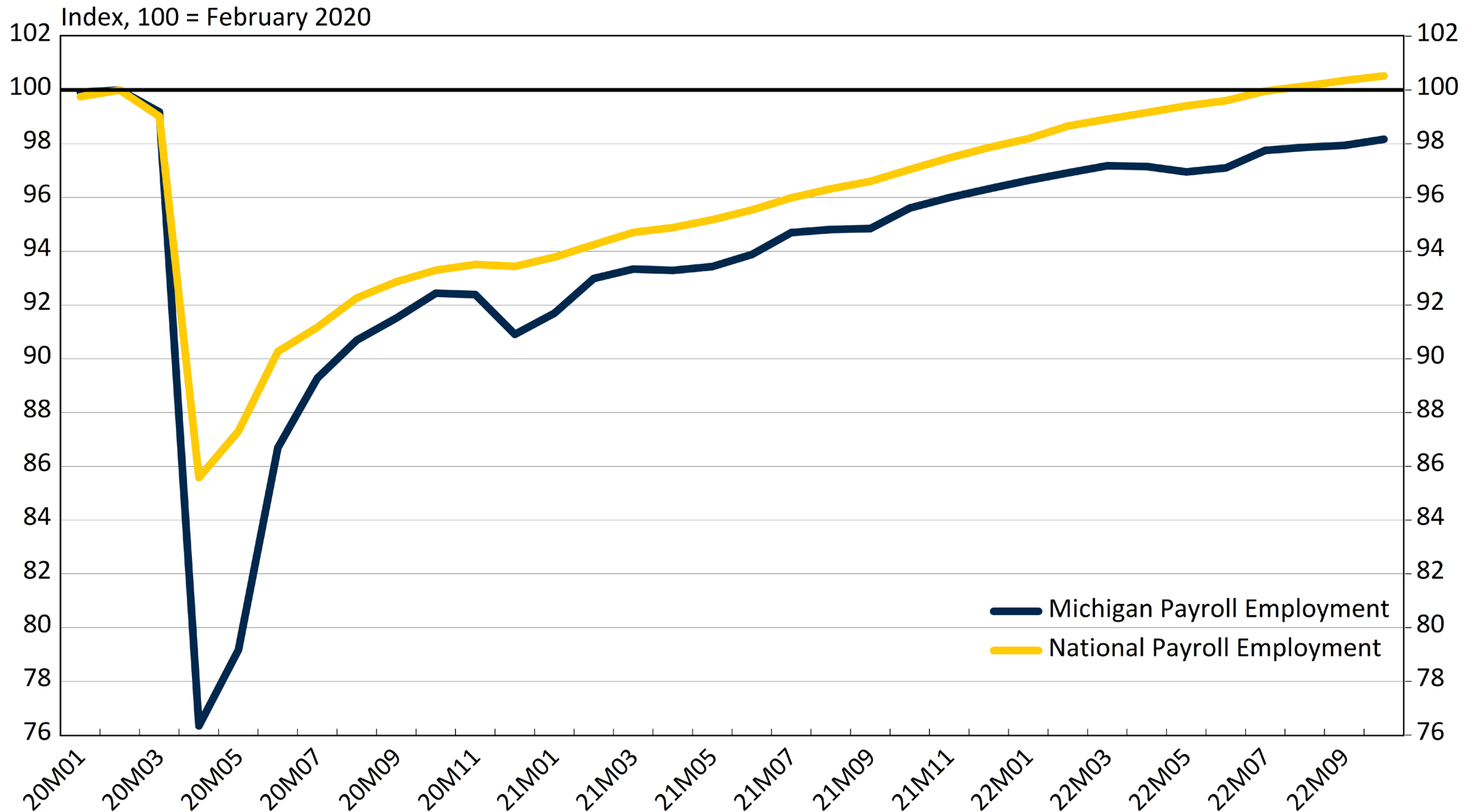


Housing Starts

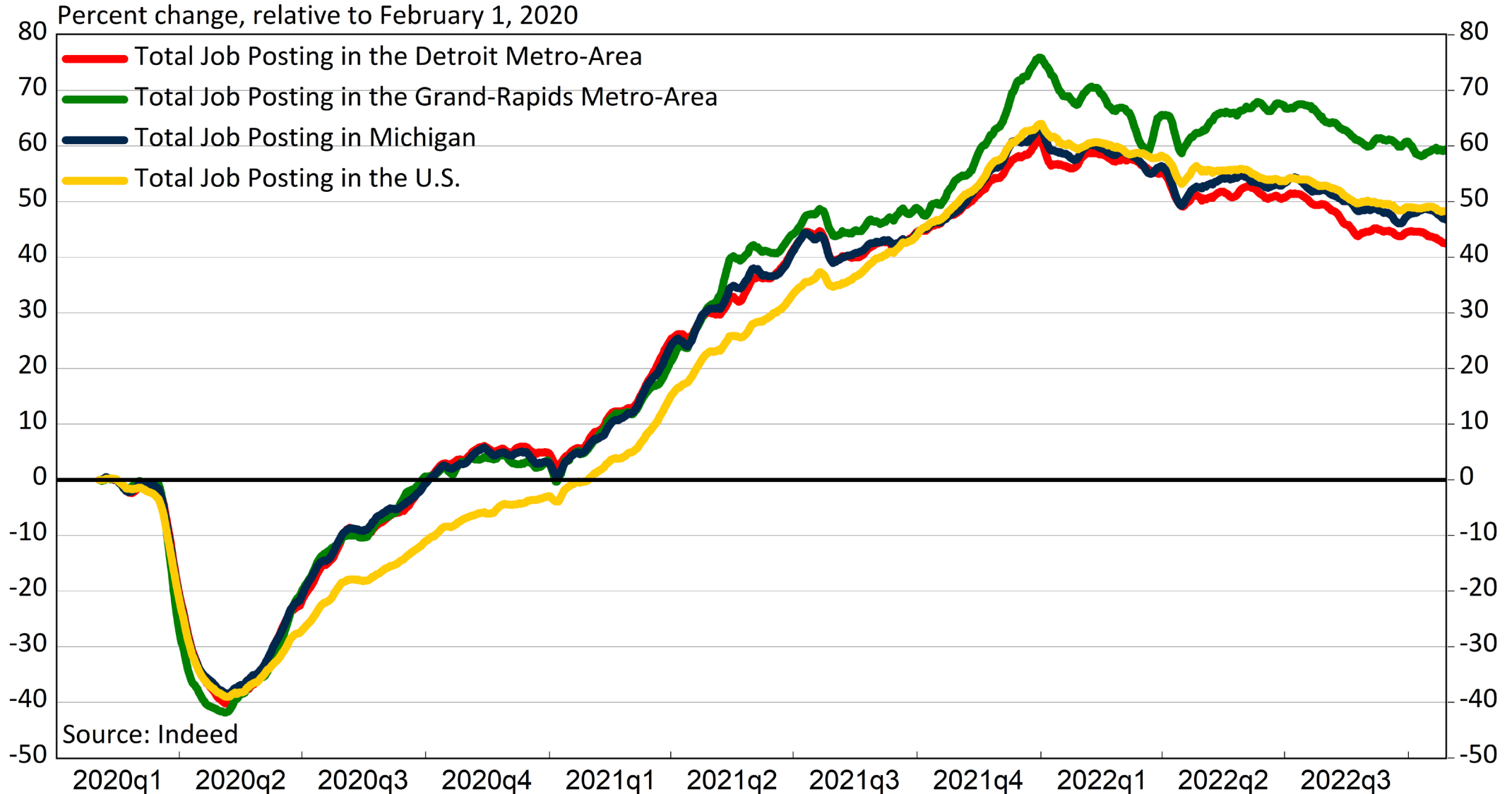


Current State of the Michigan Economy

Michigan is Still Climbing Out of a Deep Jobs Hole

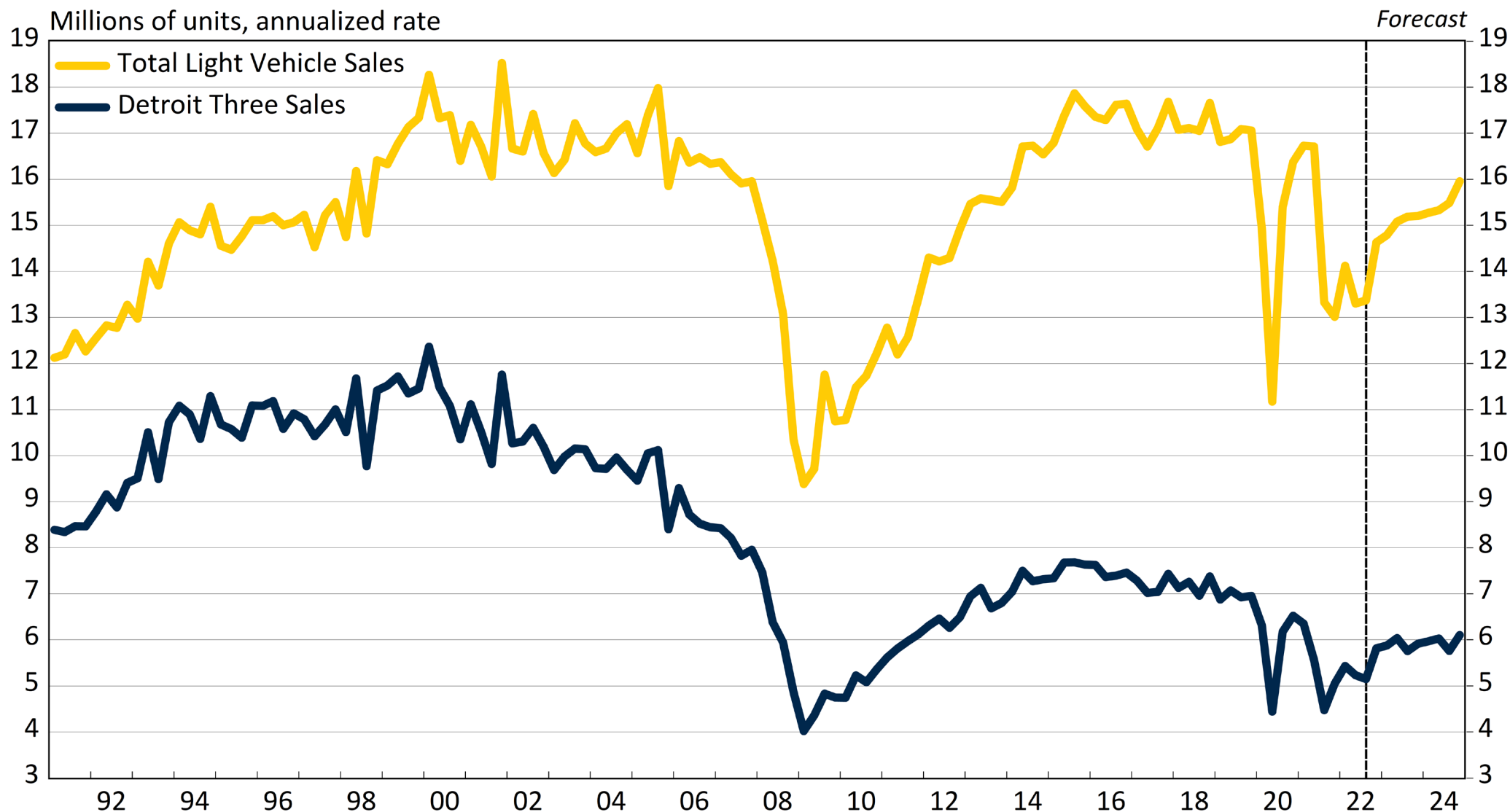


Labor Demand Continues to Soften but Remains High

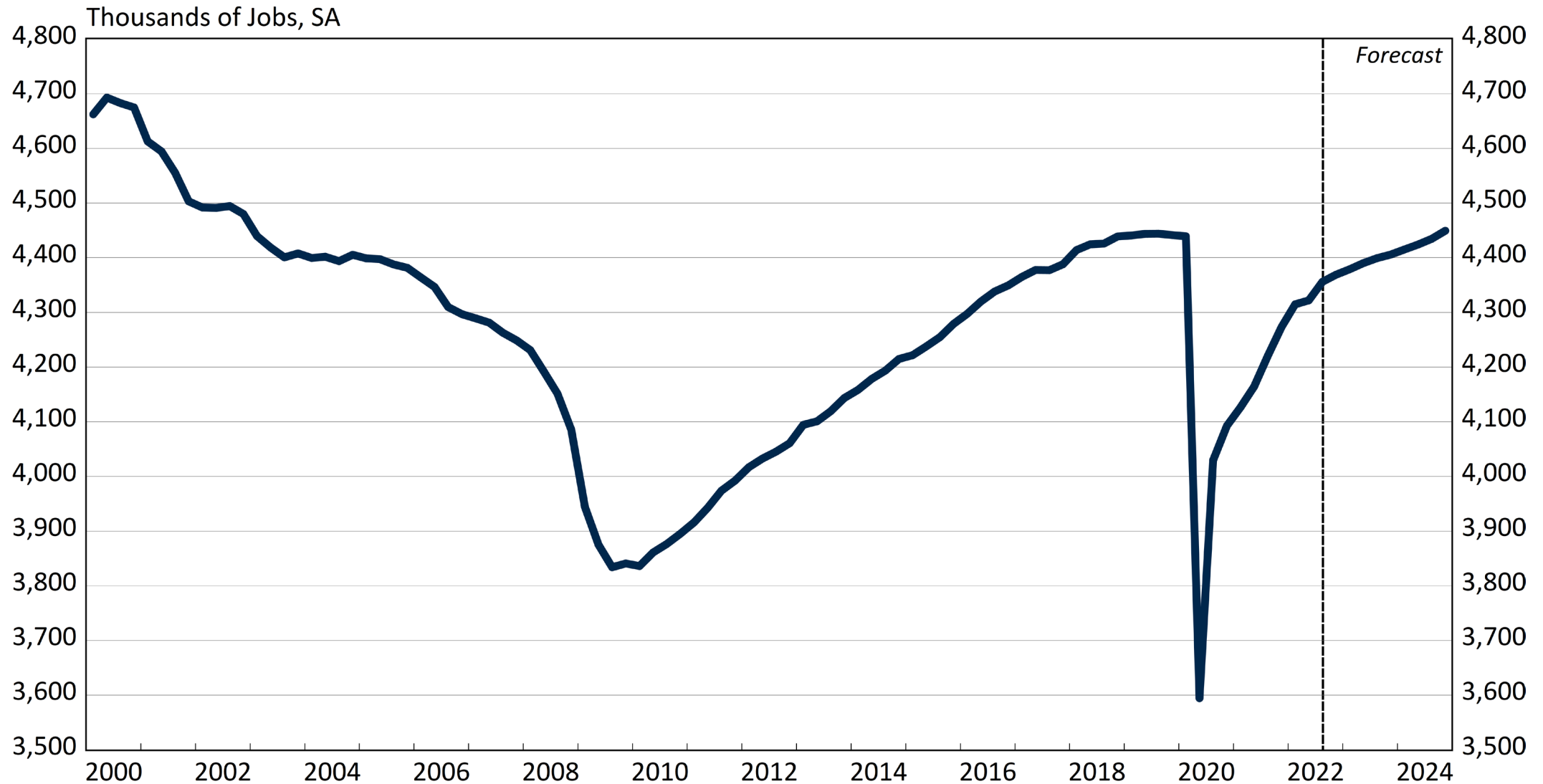


Michigan Economic Outlook

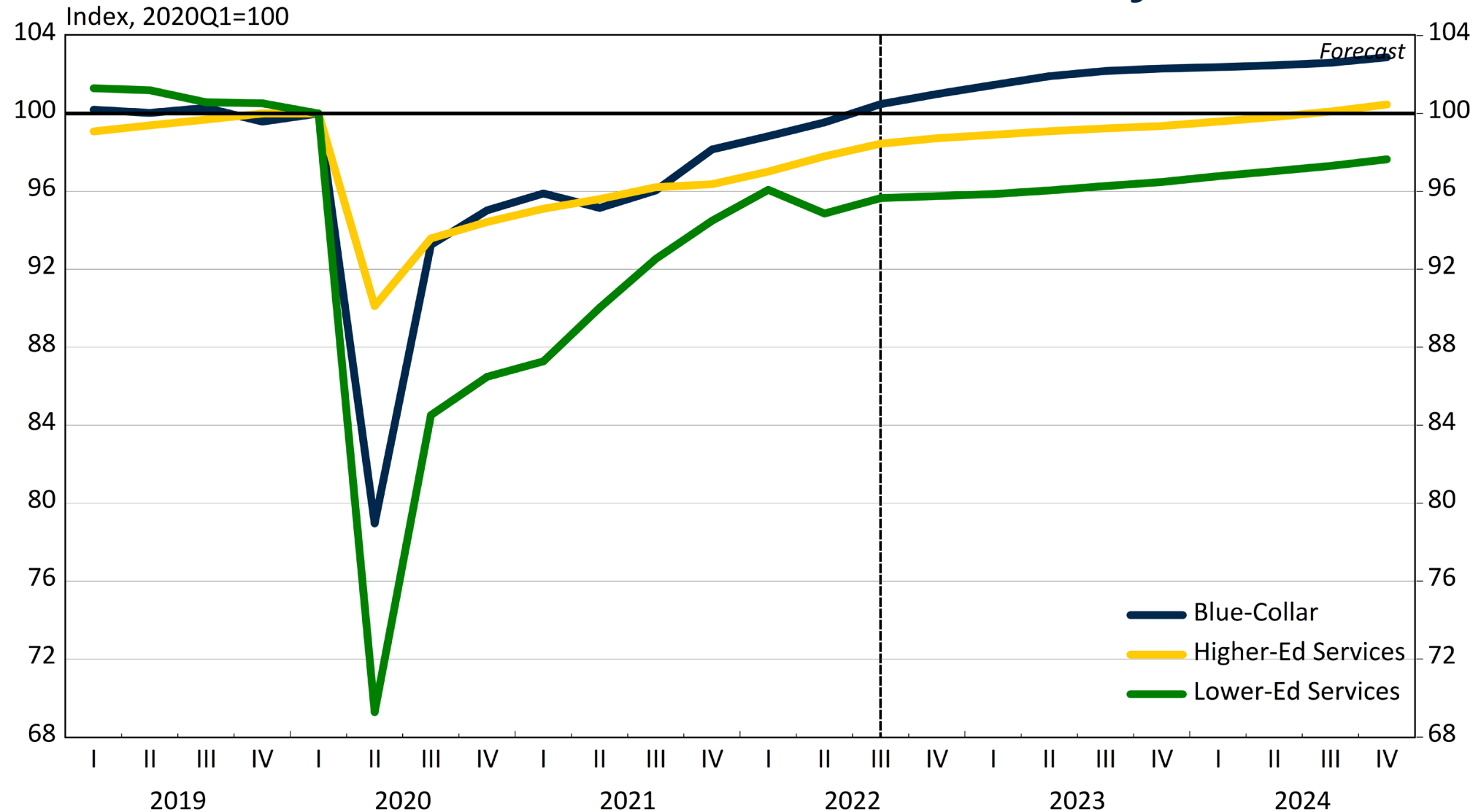
Quarterly Light Vehicle Sales: Slow Recovery Ahead



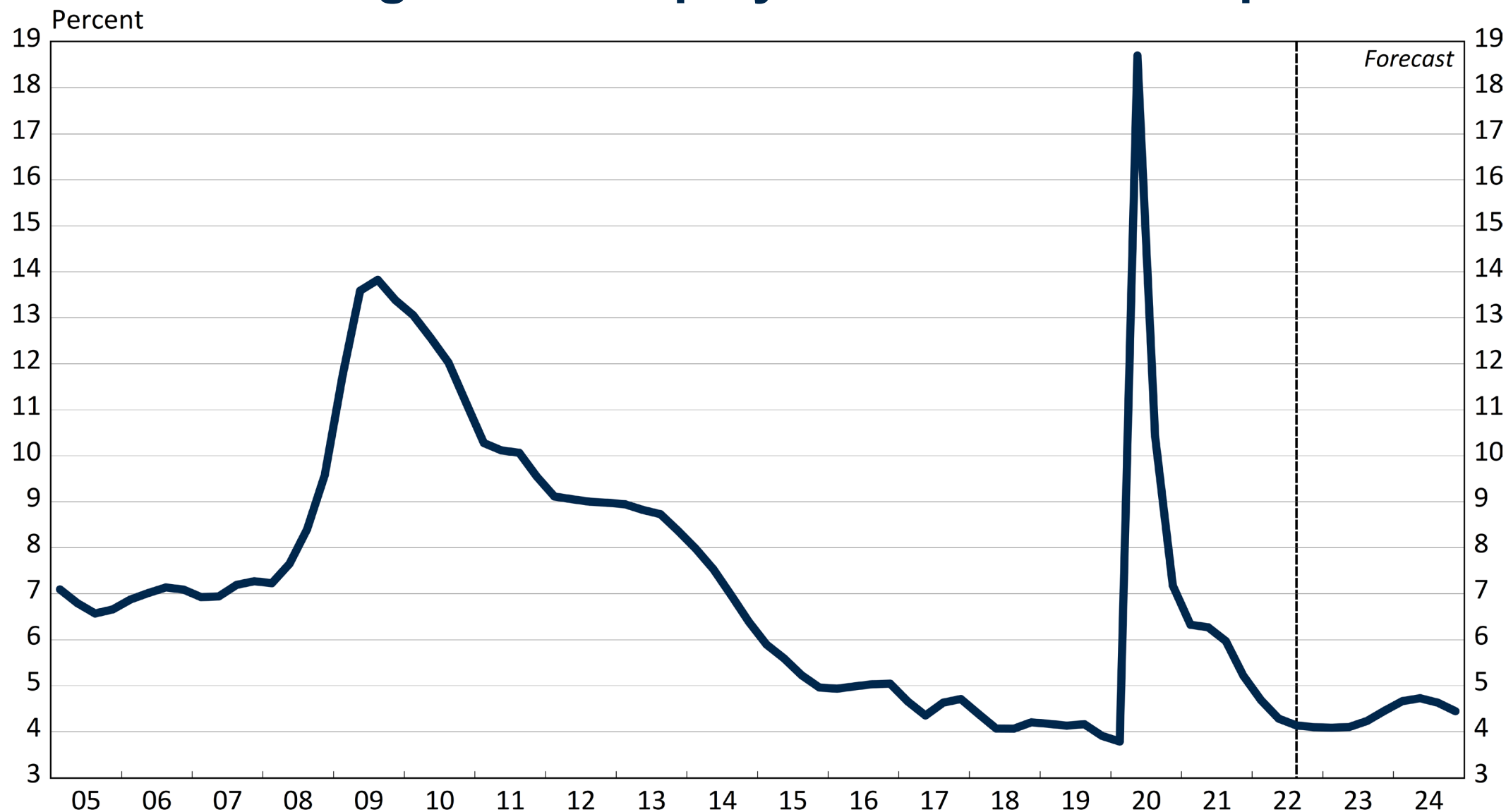
Quarterly Michigan Payroll Employment: Full Recovery by End of 2024



Employment Outlook by Industry Group: Blue-Collar Industries Lead the Way



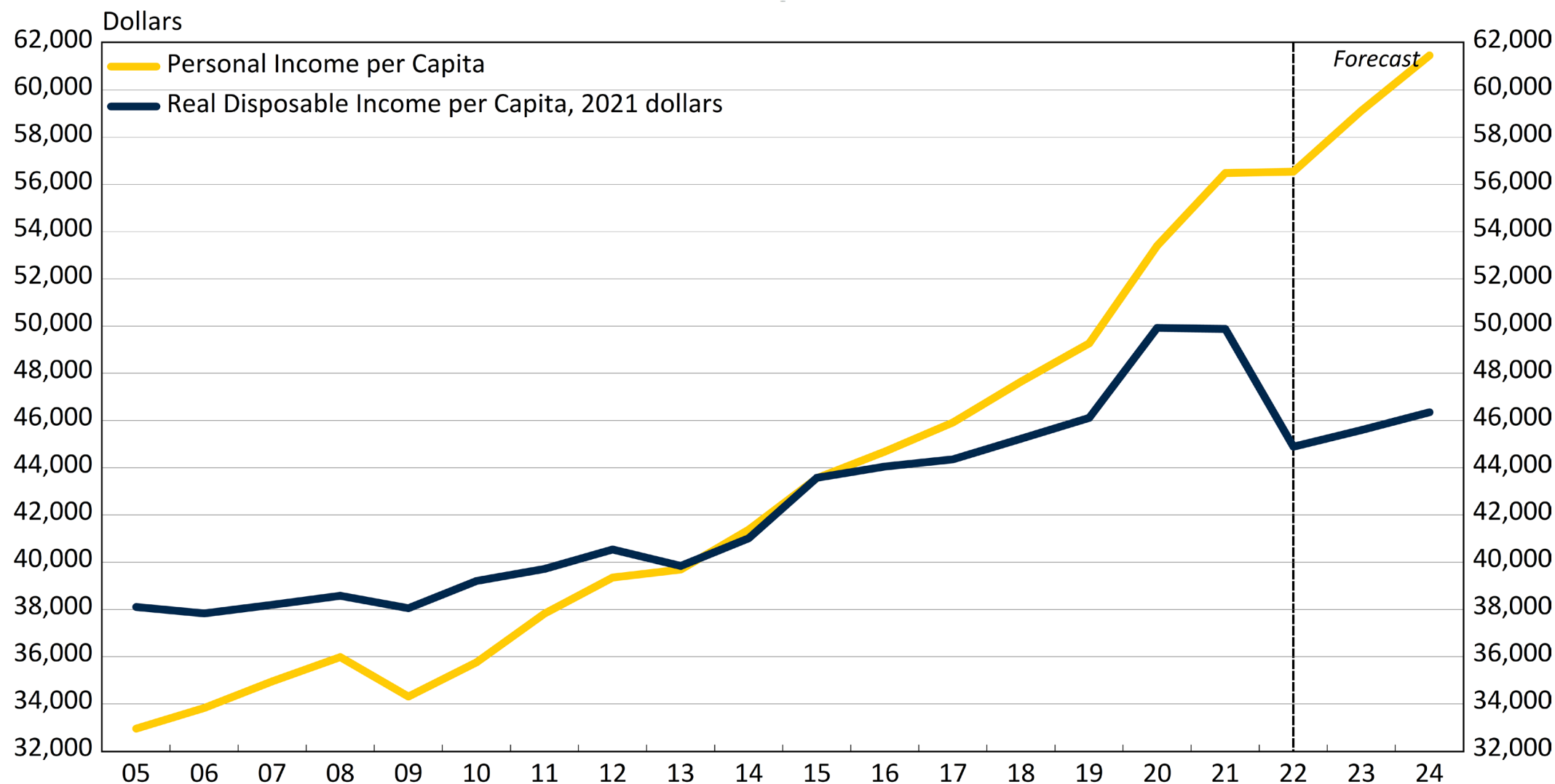
Michigan's Unemployment Rate Ticks Up



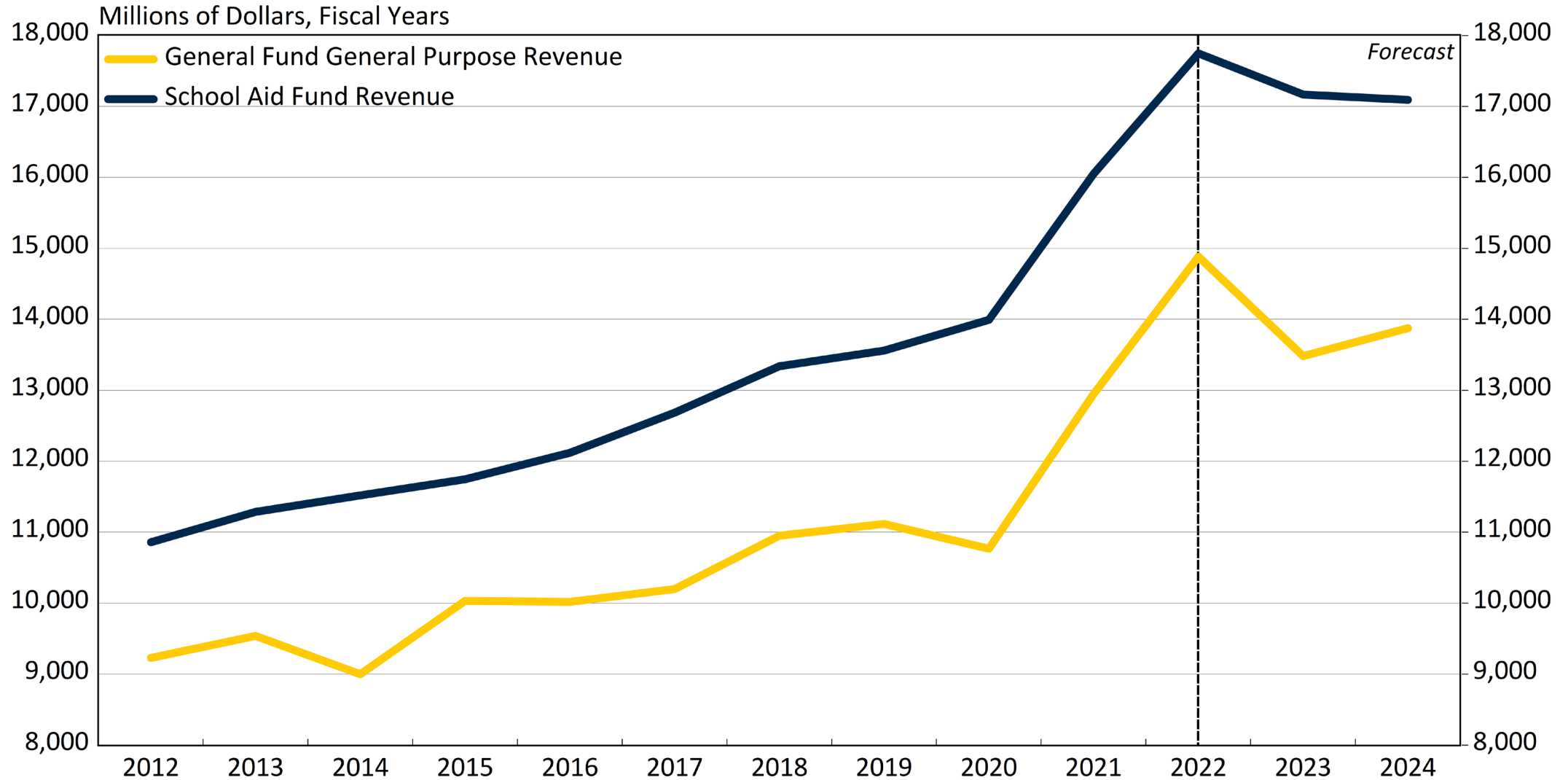
Labor Force Participation Recovers Modestly



Michigan Personal Income...Inflation Takes a Bite

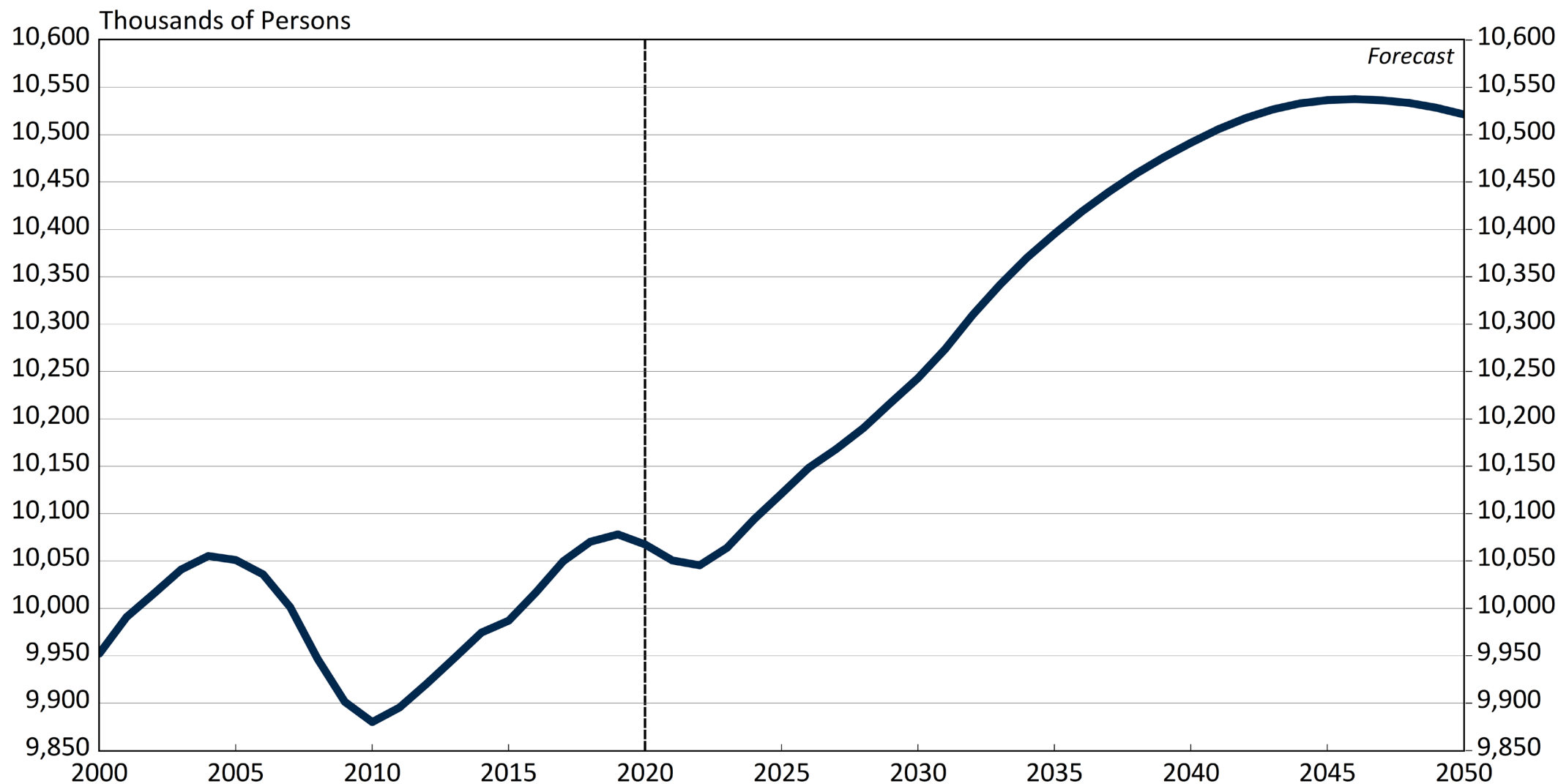


State Tax Revenues: A Partial Decline Toward Trend

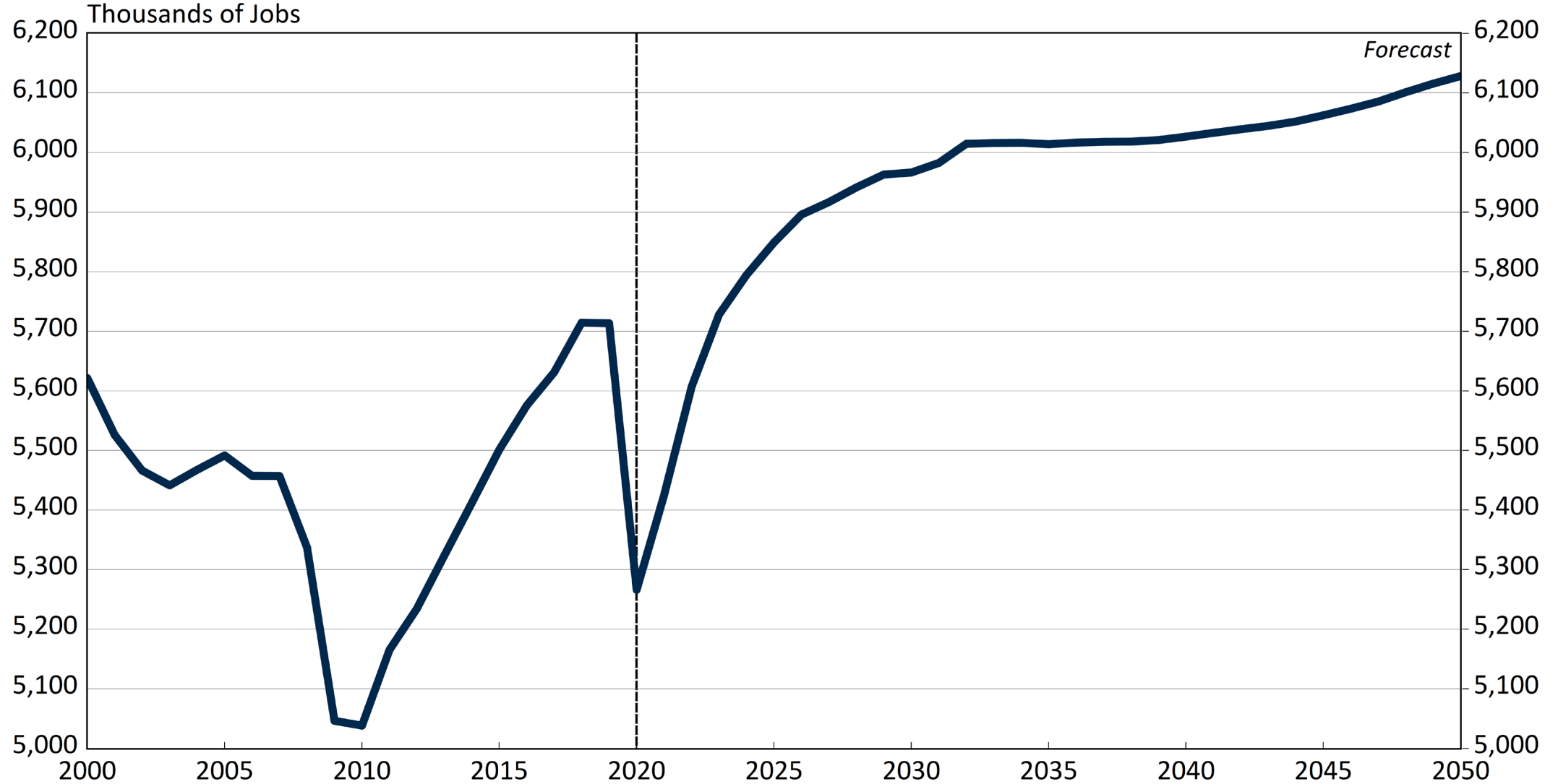


Michigan's Long-Run Outlook

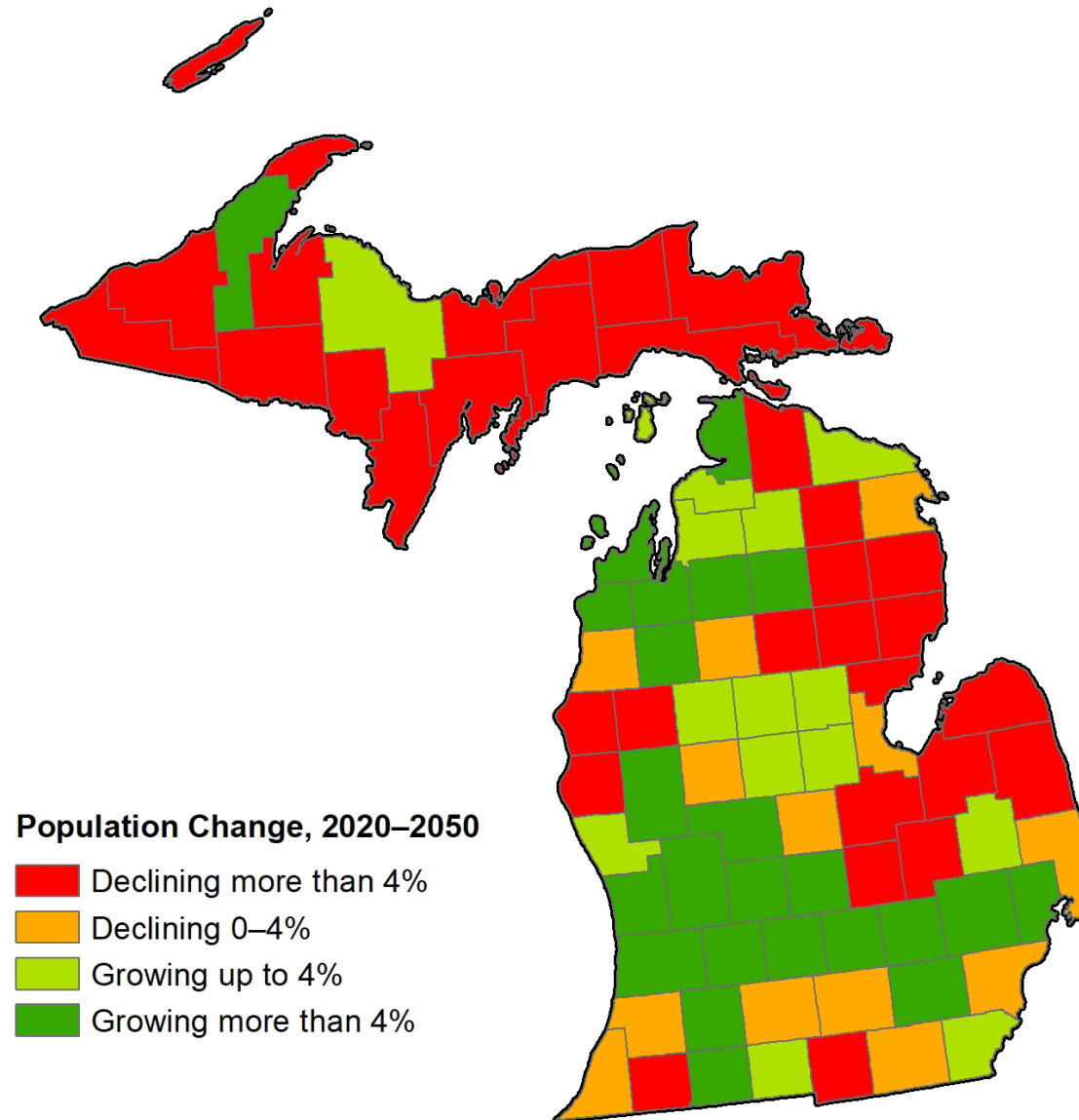
Michigan Population Peaks in mid-2040's



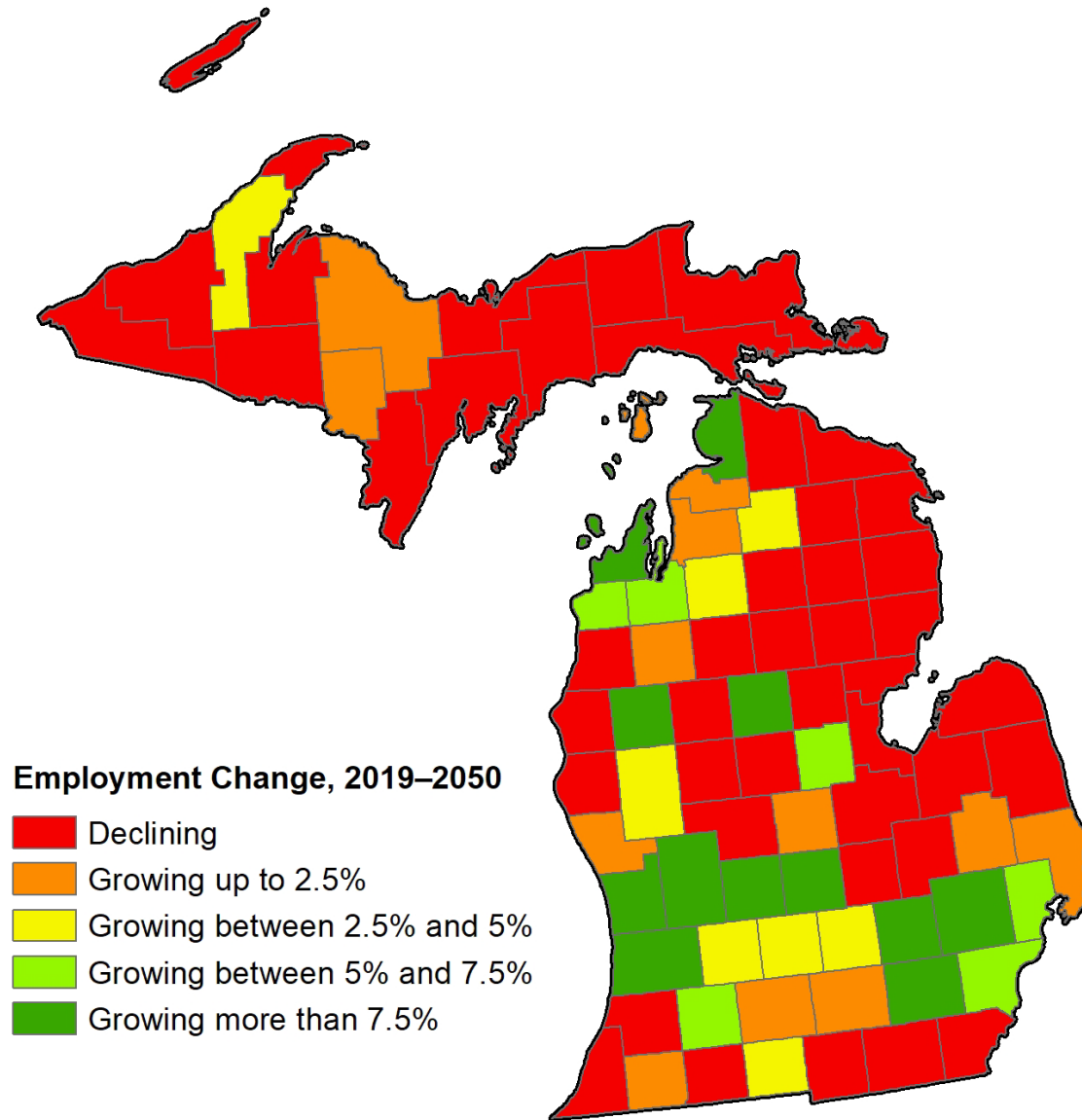
Michigan Employment (BEA Measure)



County-Level Total Population Change, 2020–2050



County-Level Total Employment Change, 2019–2050



Concluding Thoughts

- We are forecasting a complete recovery in payroll employment by the end of 2024
- The unemployment rate rises to 4.7% by early 2024 before declining
- Personal income per capita in 2024 is 25% higher than in 2019
 - But inflation eats away almost all of those gains
- State tax revenue declines \$2 billion in fiscal 2023 following the boom of the past two years
- Major risks are tilted to the downside, including:
 - Inflation remaining elevated
 - Demand for autos falling
 - Job losses in construction



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