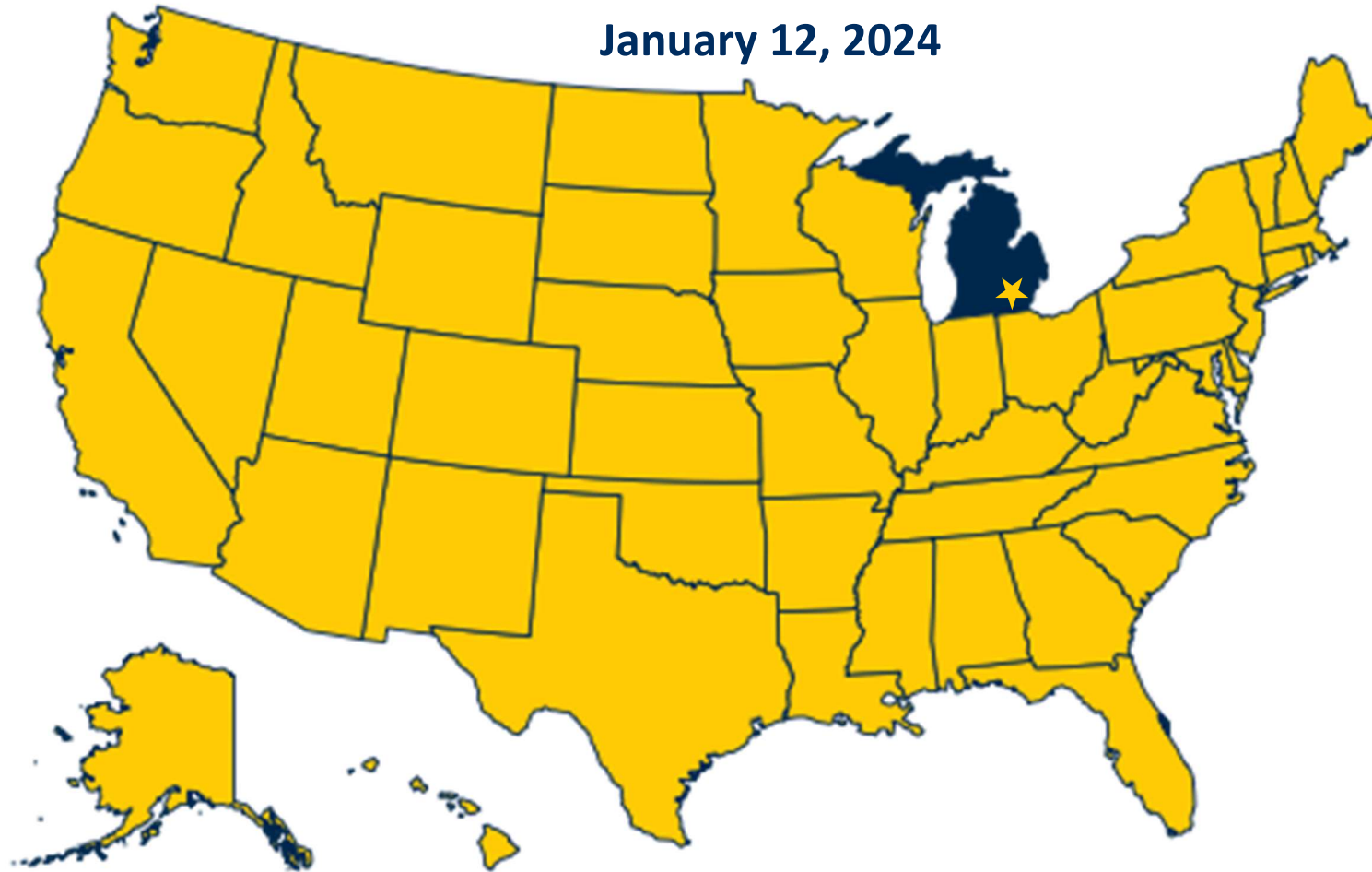


The U.S. and Michigan Outlook for 2024–2026

Consensus Revenue Estimating Conference

Lansing, Michigan

January 12, 2024

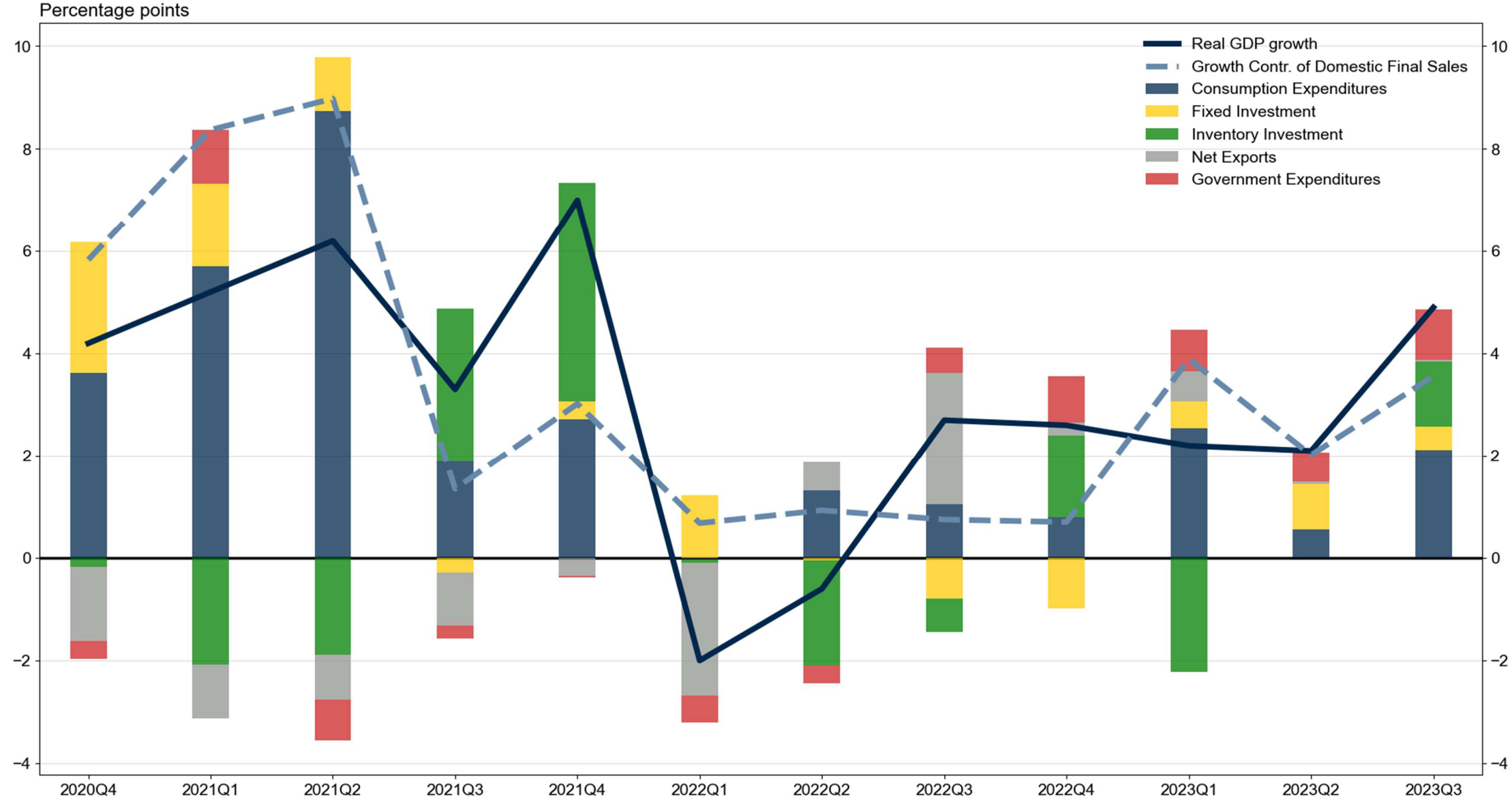


Research Seminar in Quantitative Economics

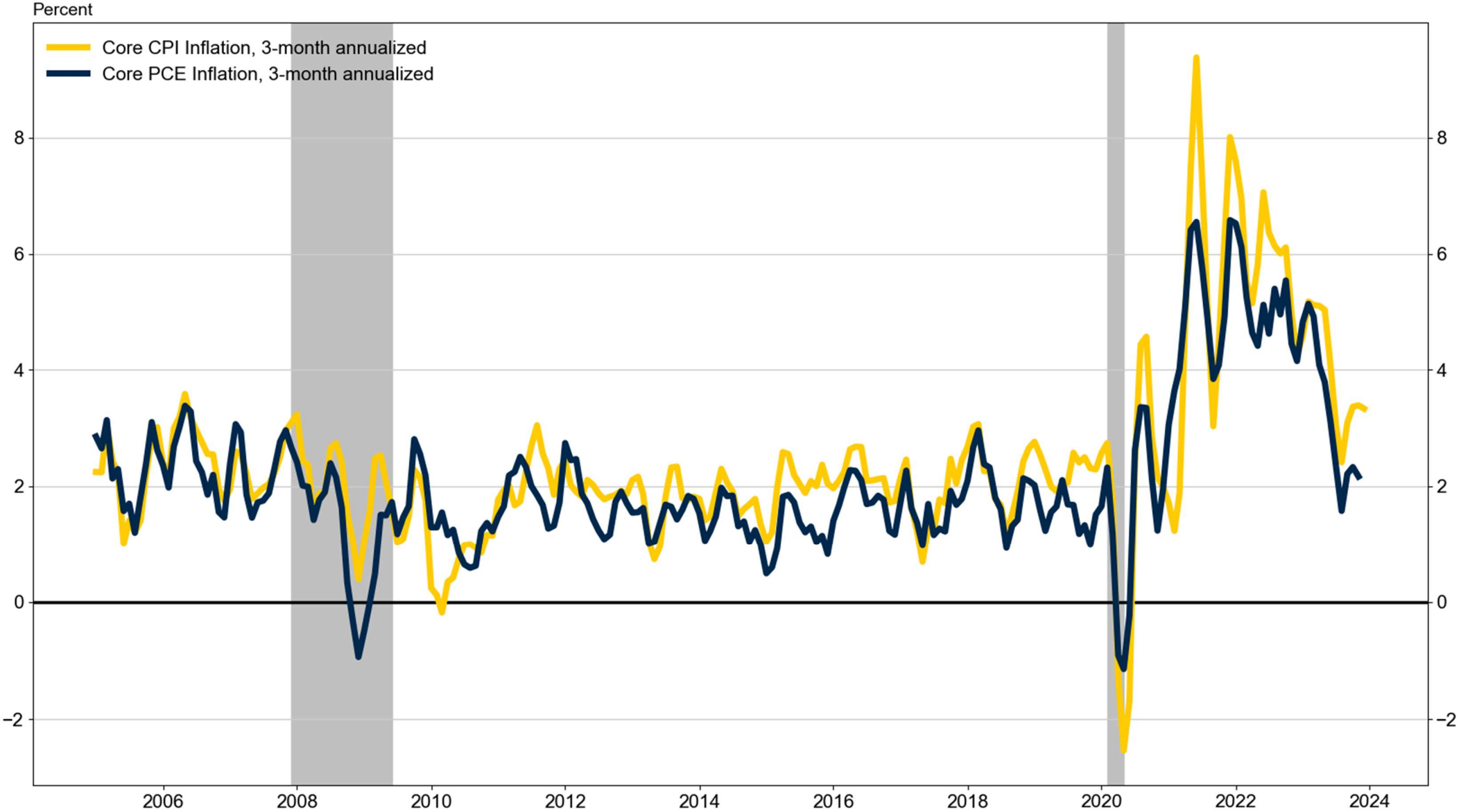


Current State of the U.S. Economy

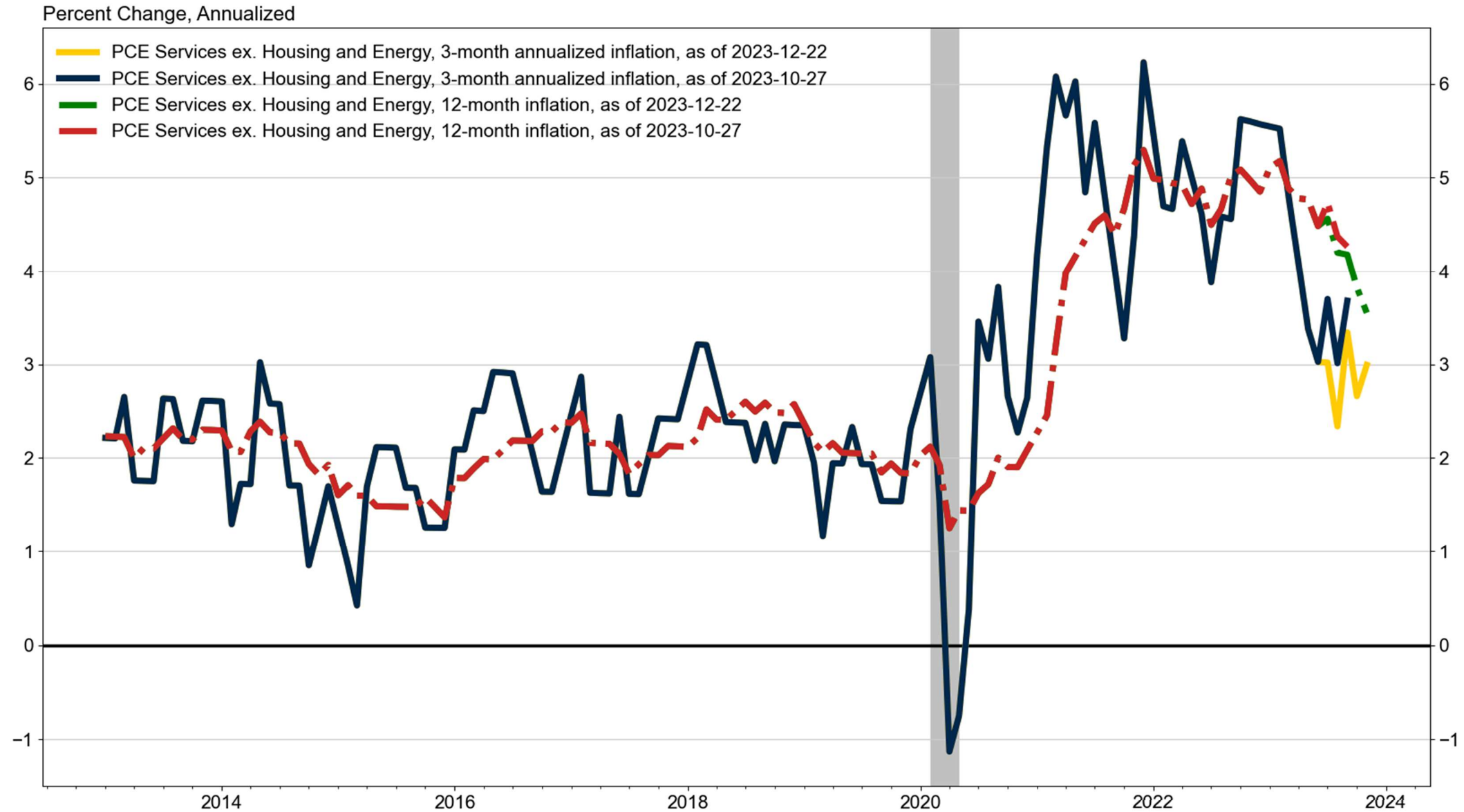
Real GDP Growth Composition



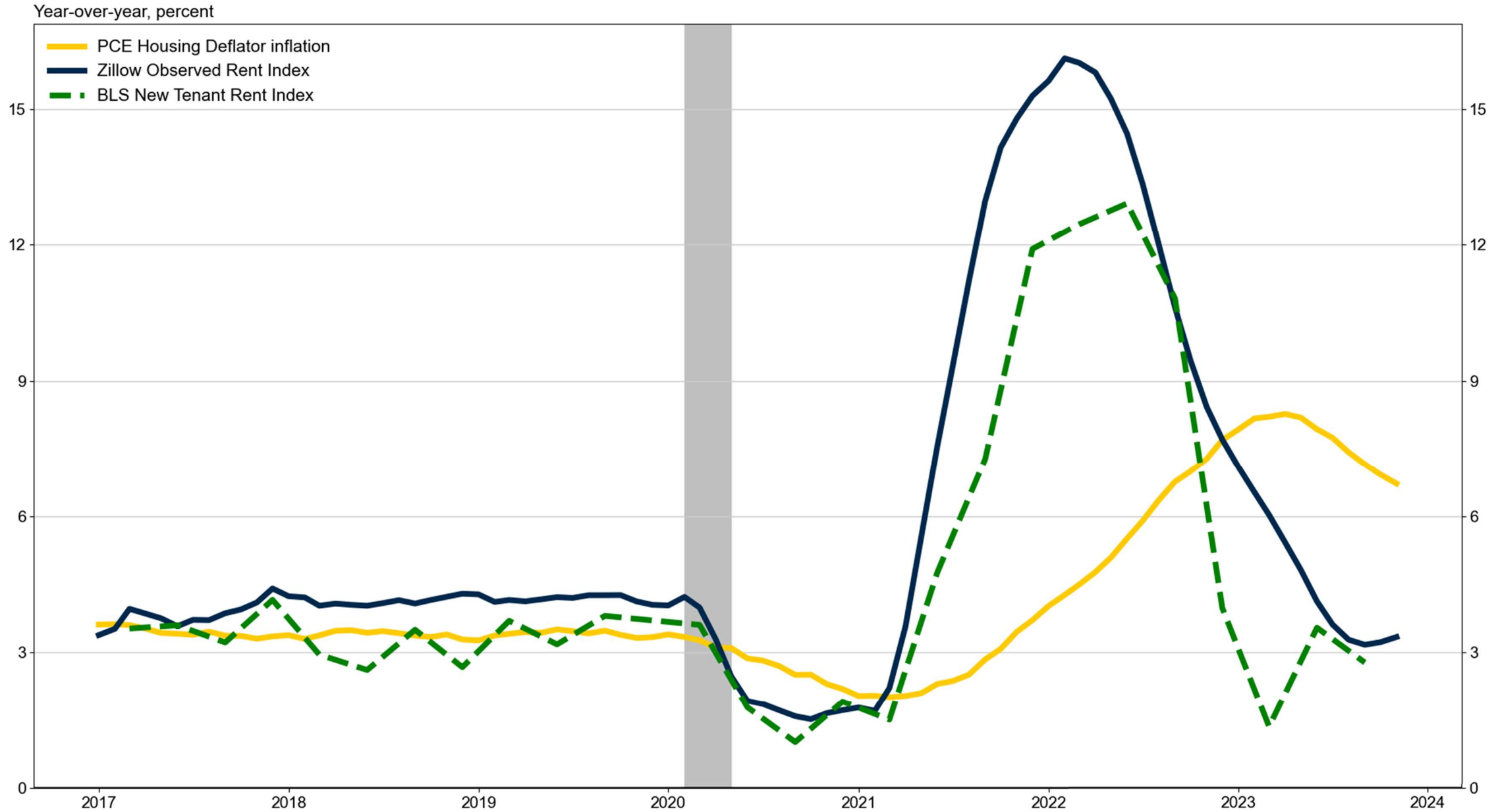
Recent Core Inflation



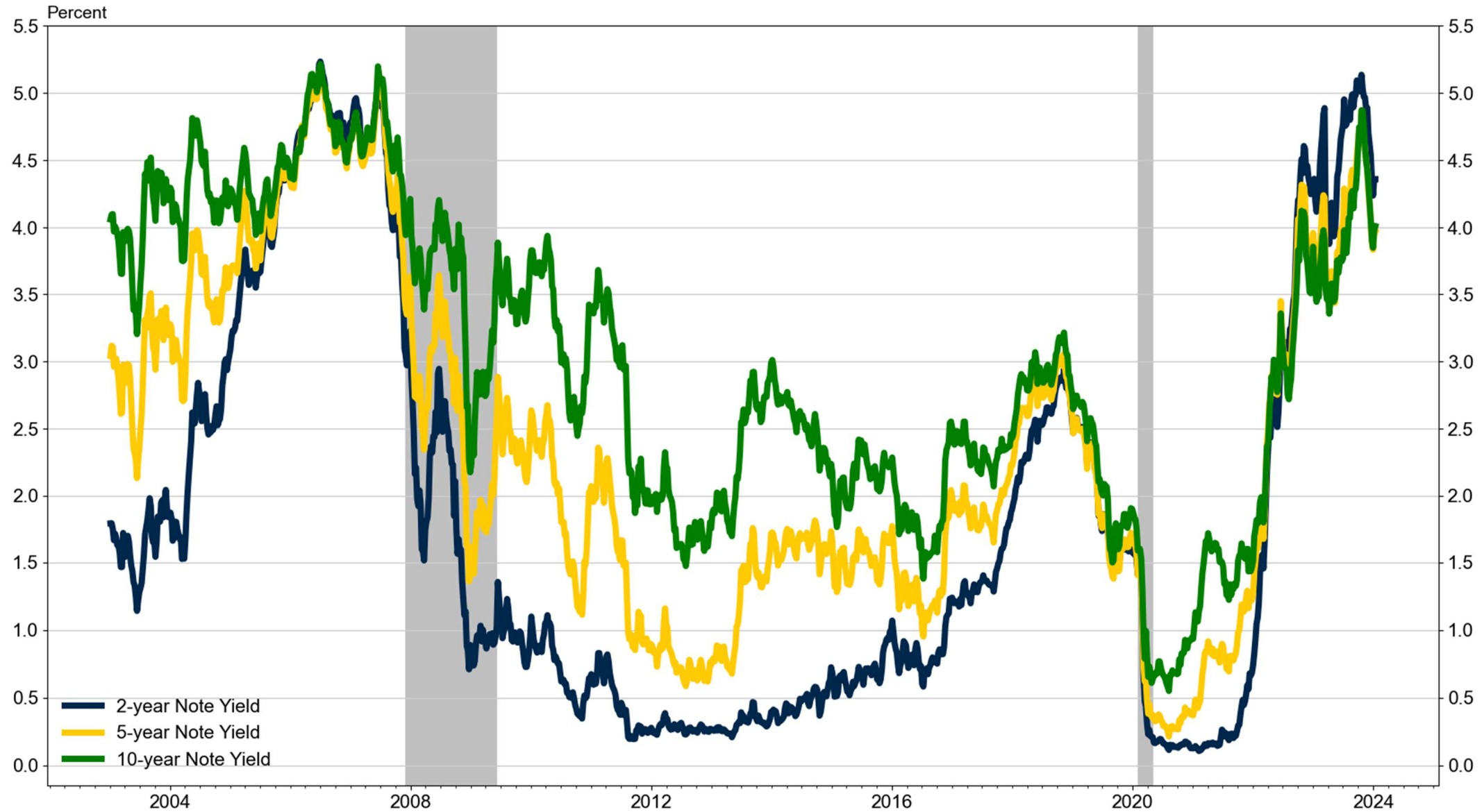
PCE Services Inflation excl. Housing and Energy



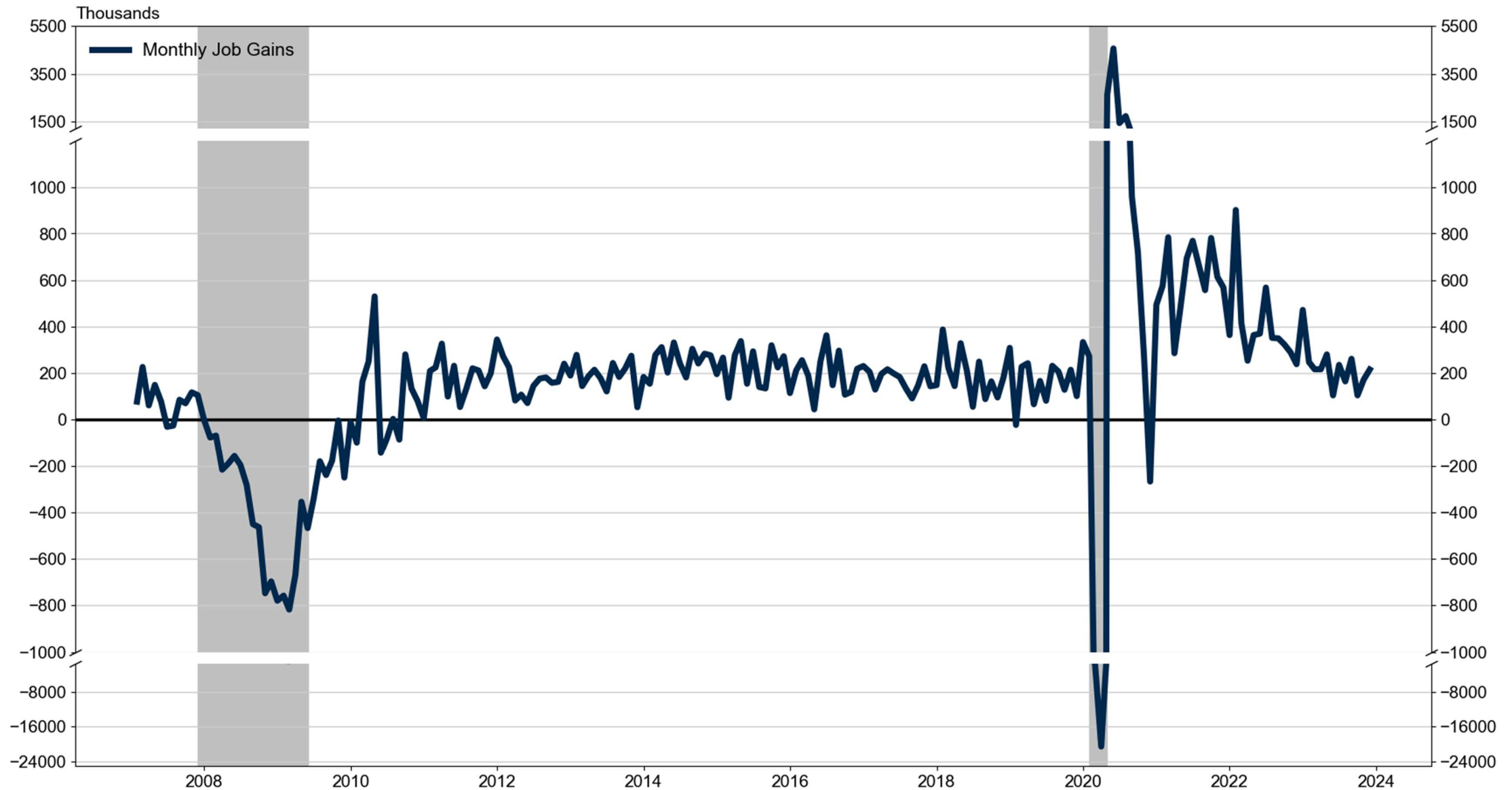
PCE Housing Deflator Inflation



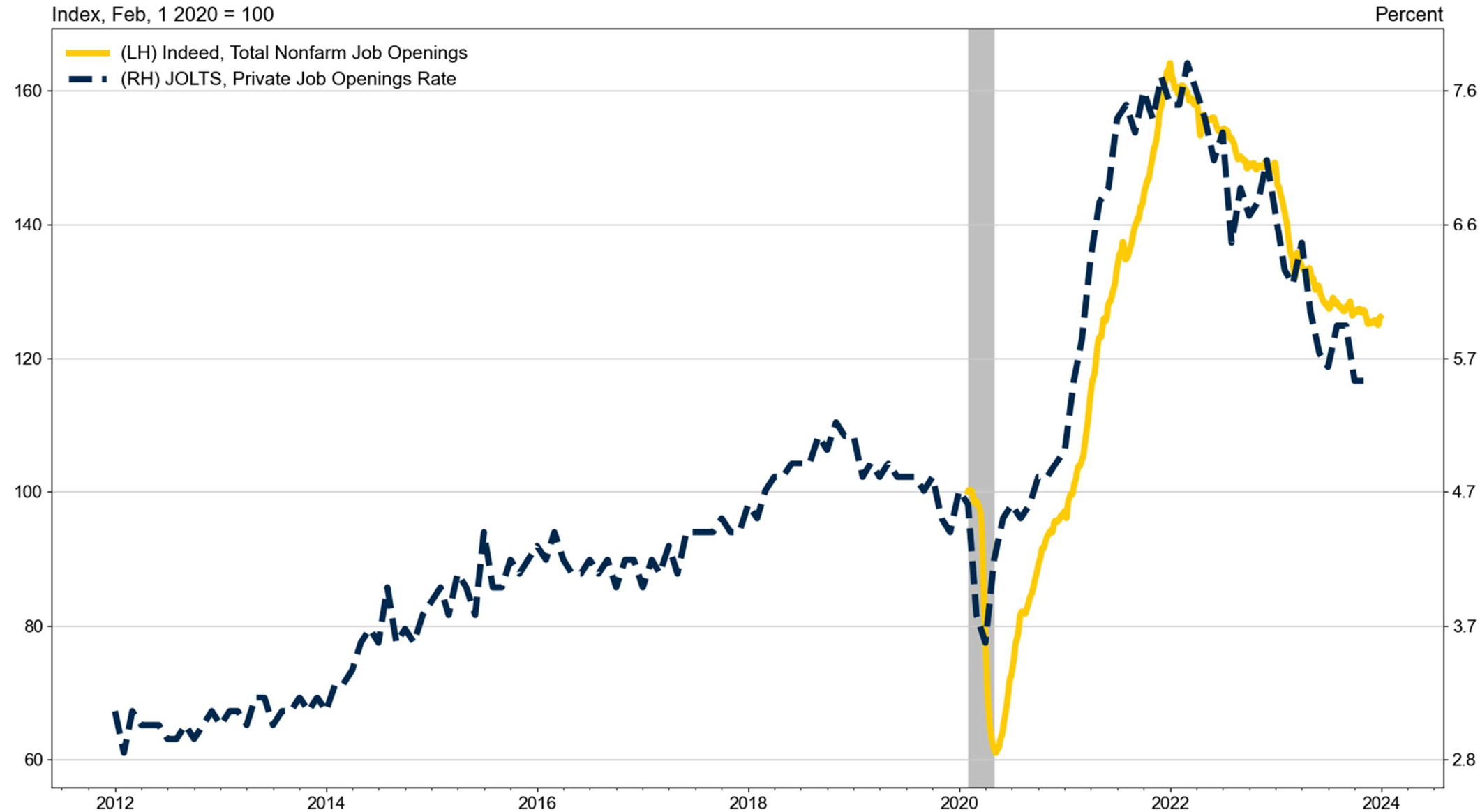
Treasury Yields



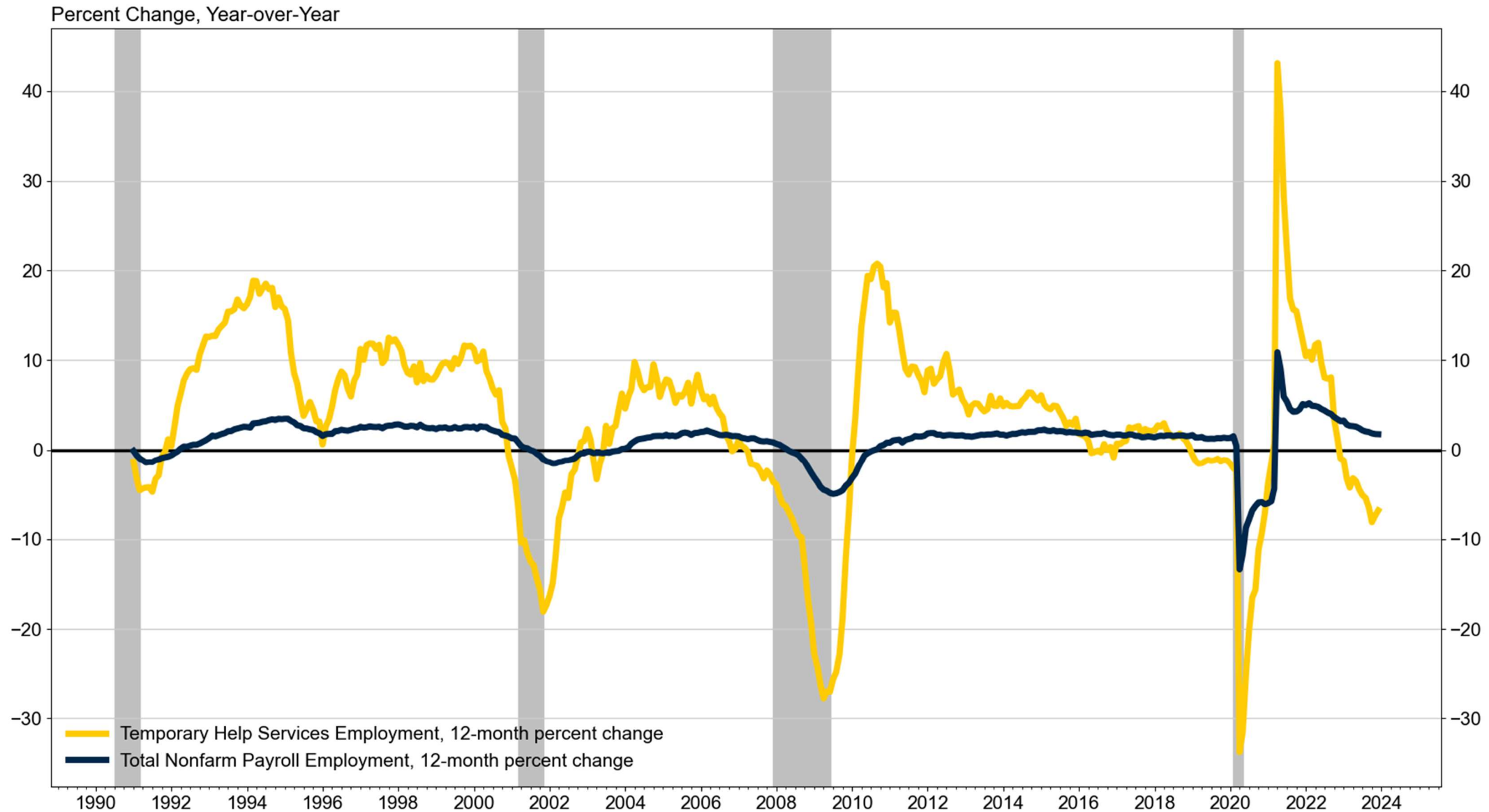
Monthly Payroll Job Gains



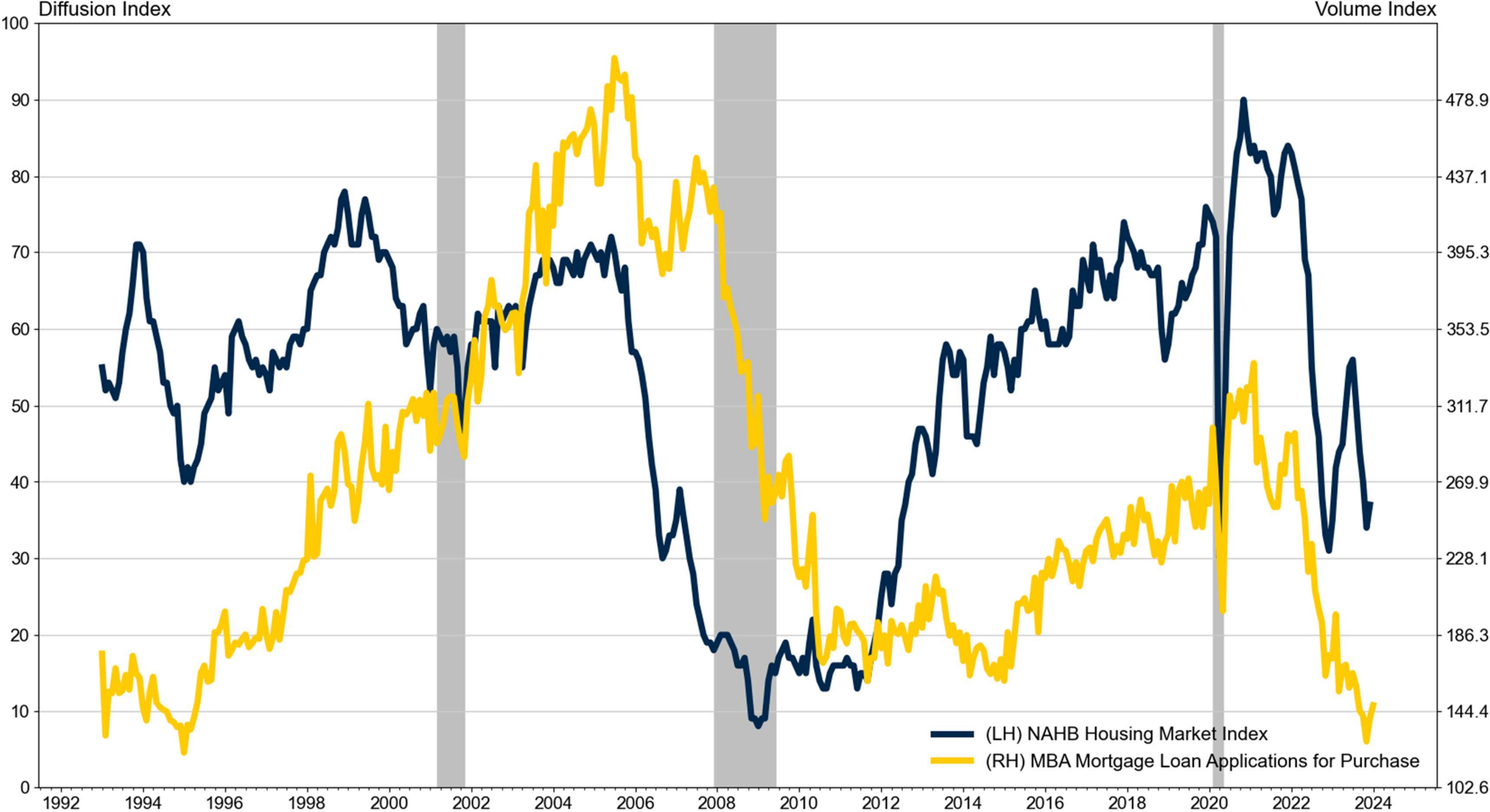
Job Openings



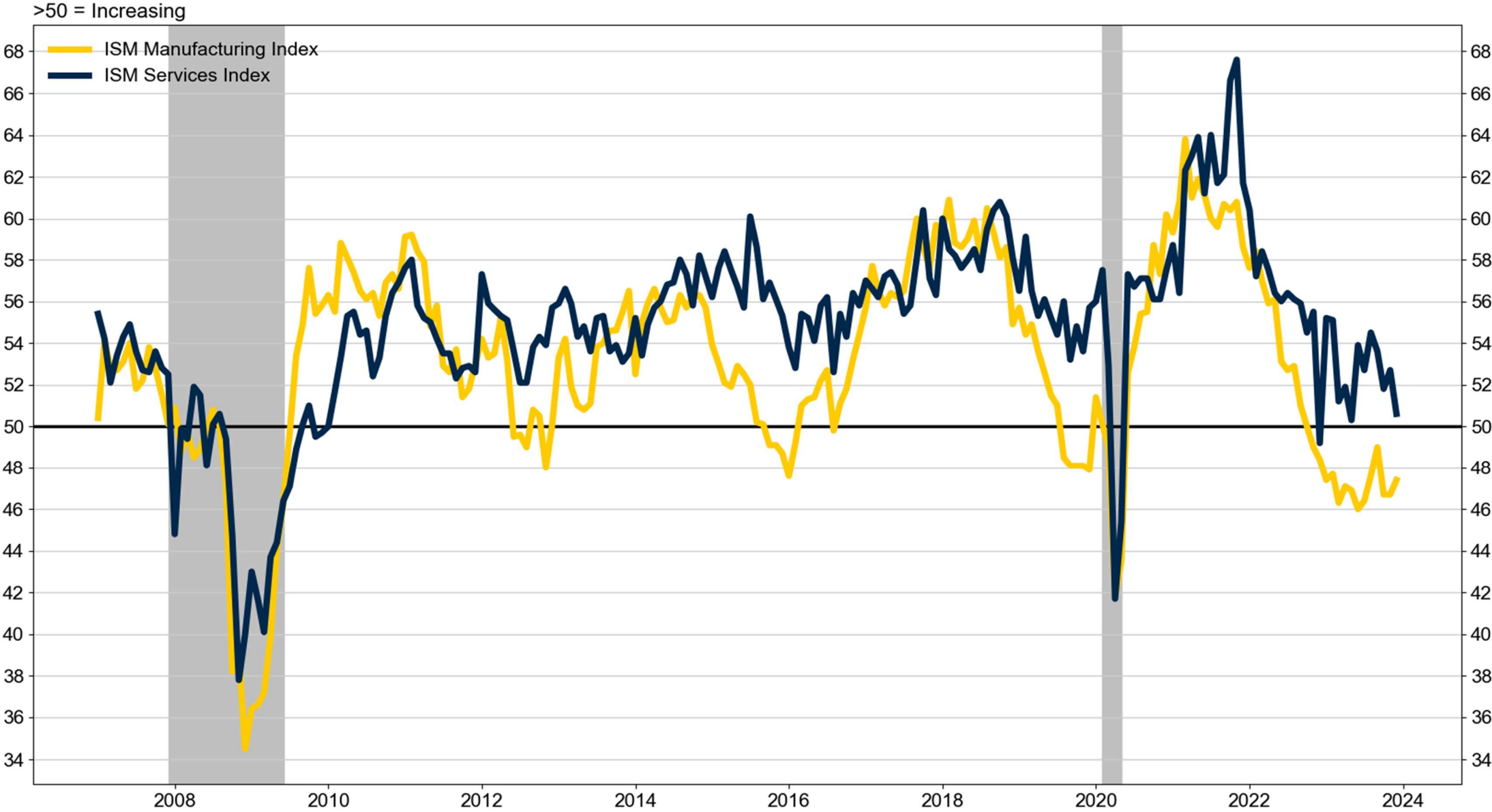
Temporary Help Services Employment



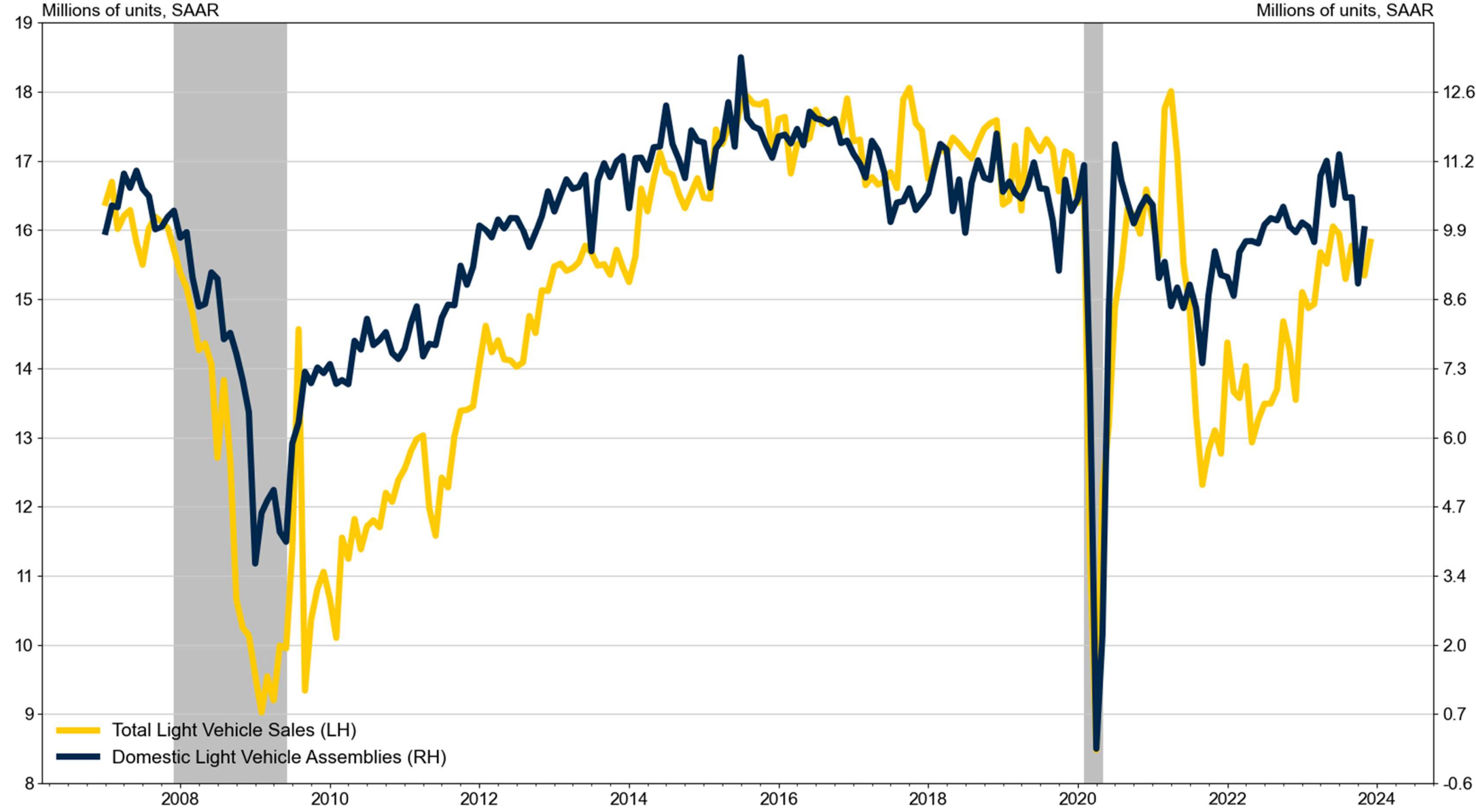
Residential Housing Market Metrics



Institute for Supply Management Diffusion Indices



Domestic Light Vehicle Sales and Assemblies

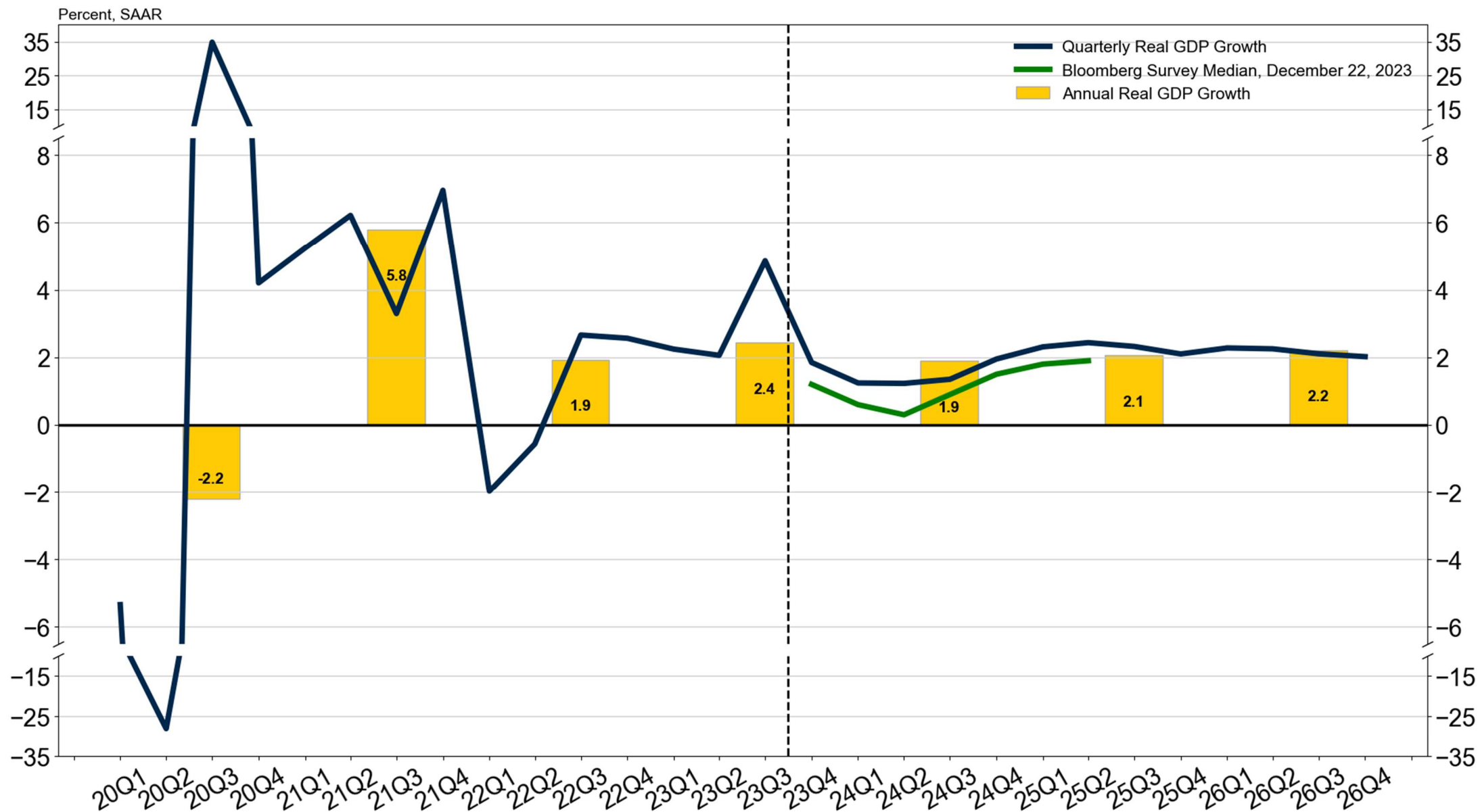


Monetary and Fiscal Policy

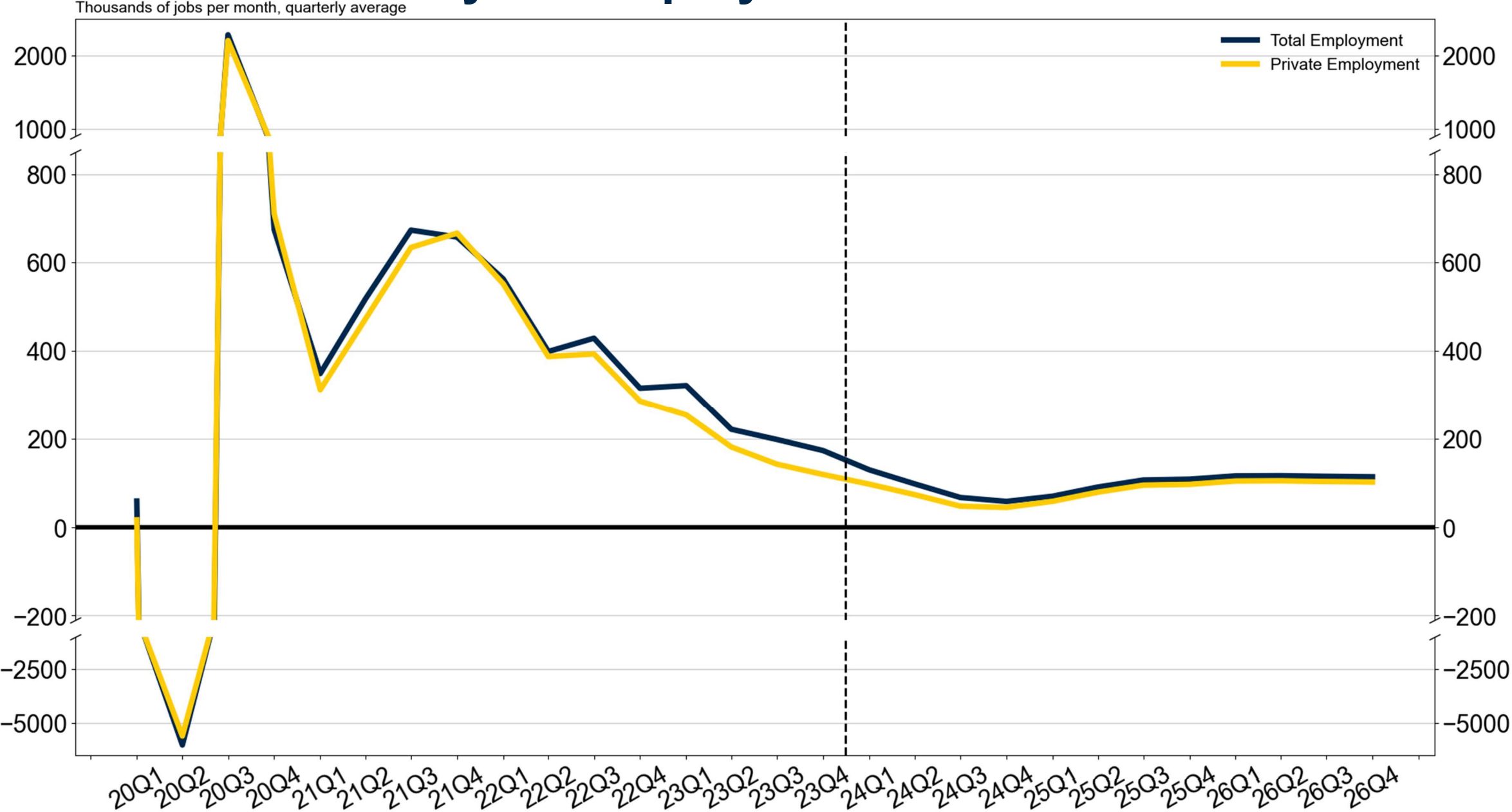
- Inflation has decelerated sharply, with core near target
- Unless inflation reaccelerates, the Fed can focus on avoiding a recession
- We project gradual fed funds rate range cuts throughout the forecast
 - Rate cuts start this spring, and accumulate to ~200bps through 2026Q4
- We expect divided government to last beyond 2024 elections
- Only modest federal spending restraint for fiscal 2024–26
- Overall deficit stays around 6.0 percent of GDP, as interest expenses grow

U.S. Forecast

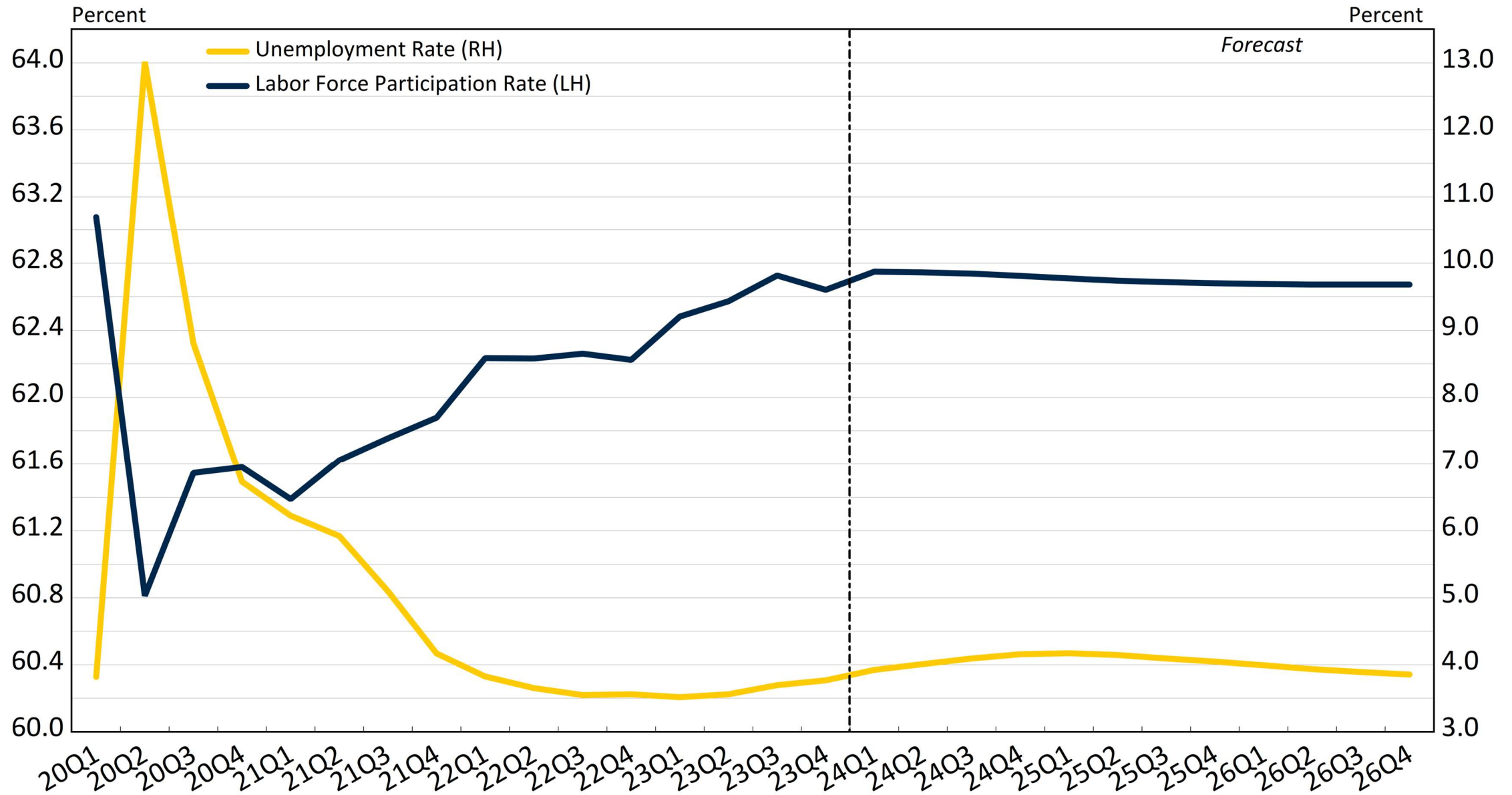
Real GDP Growth



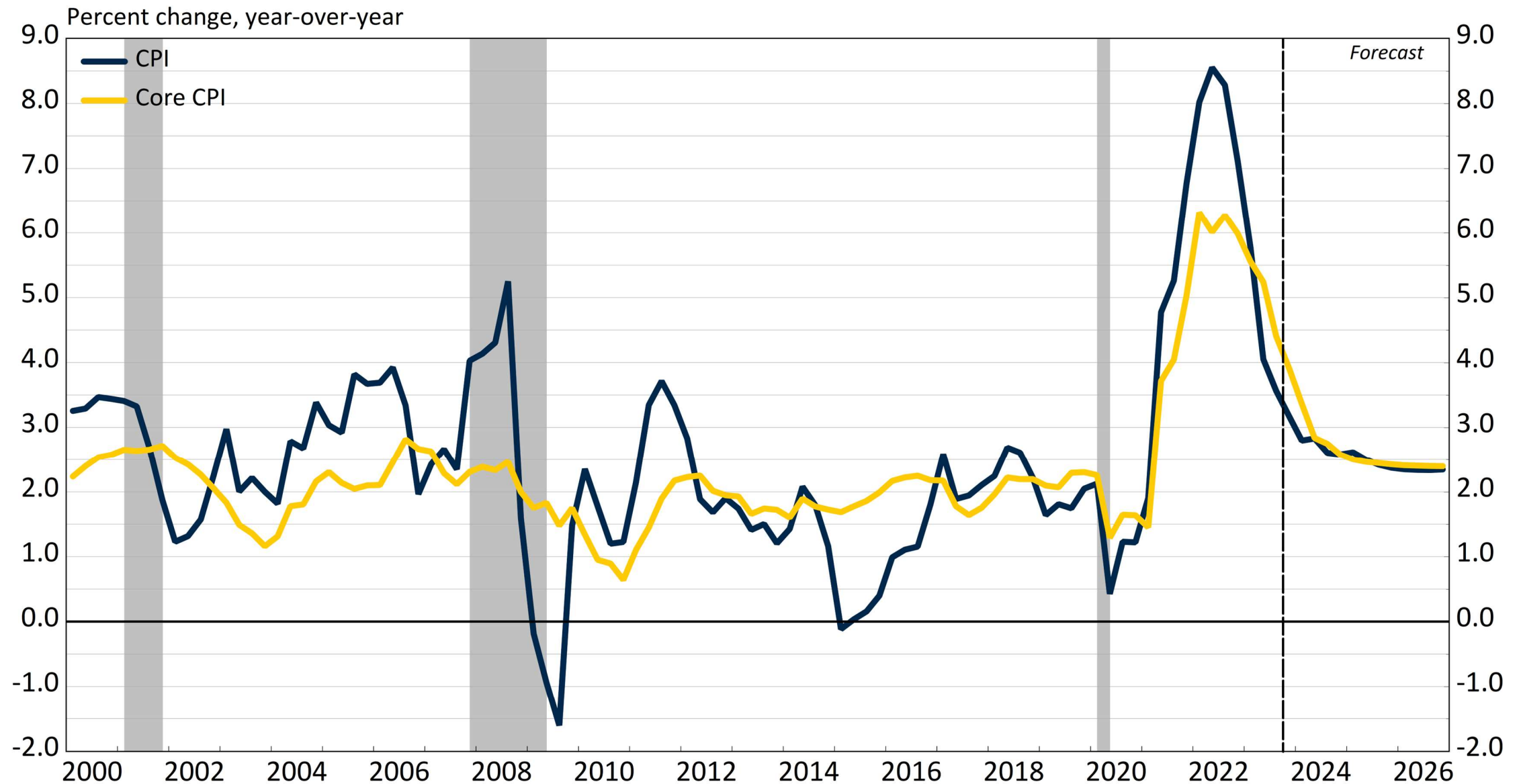
Payroll Employment Growth



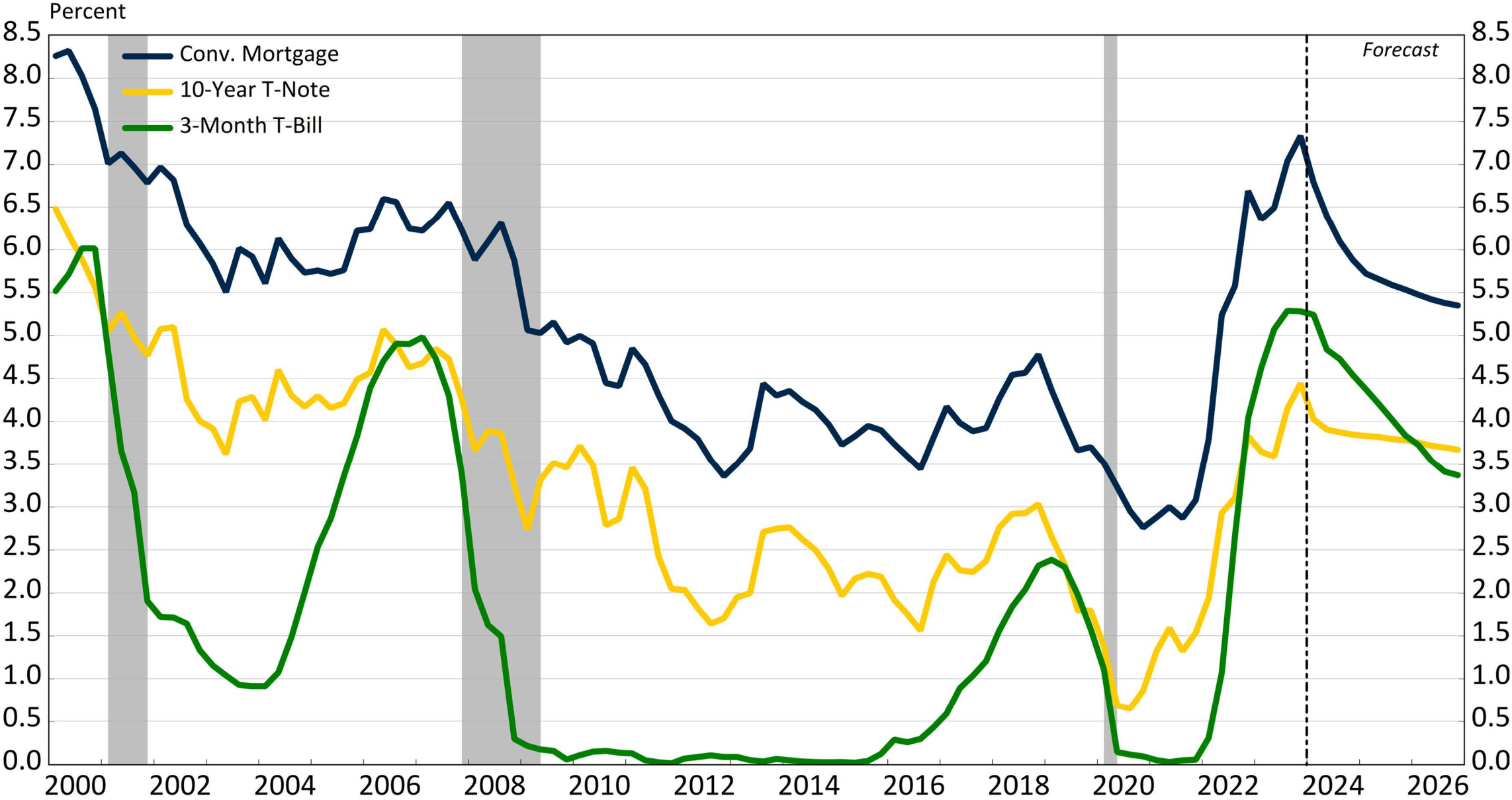
Unemployment Rate and Participation Rate



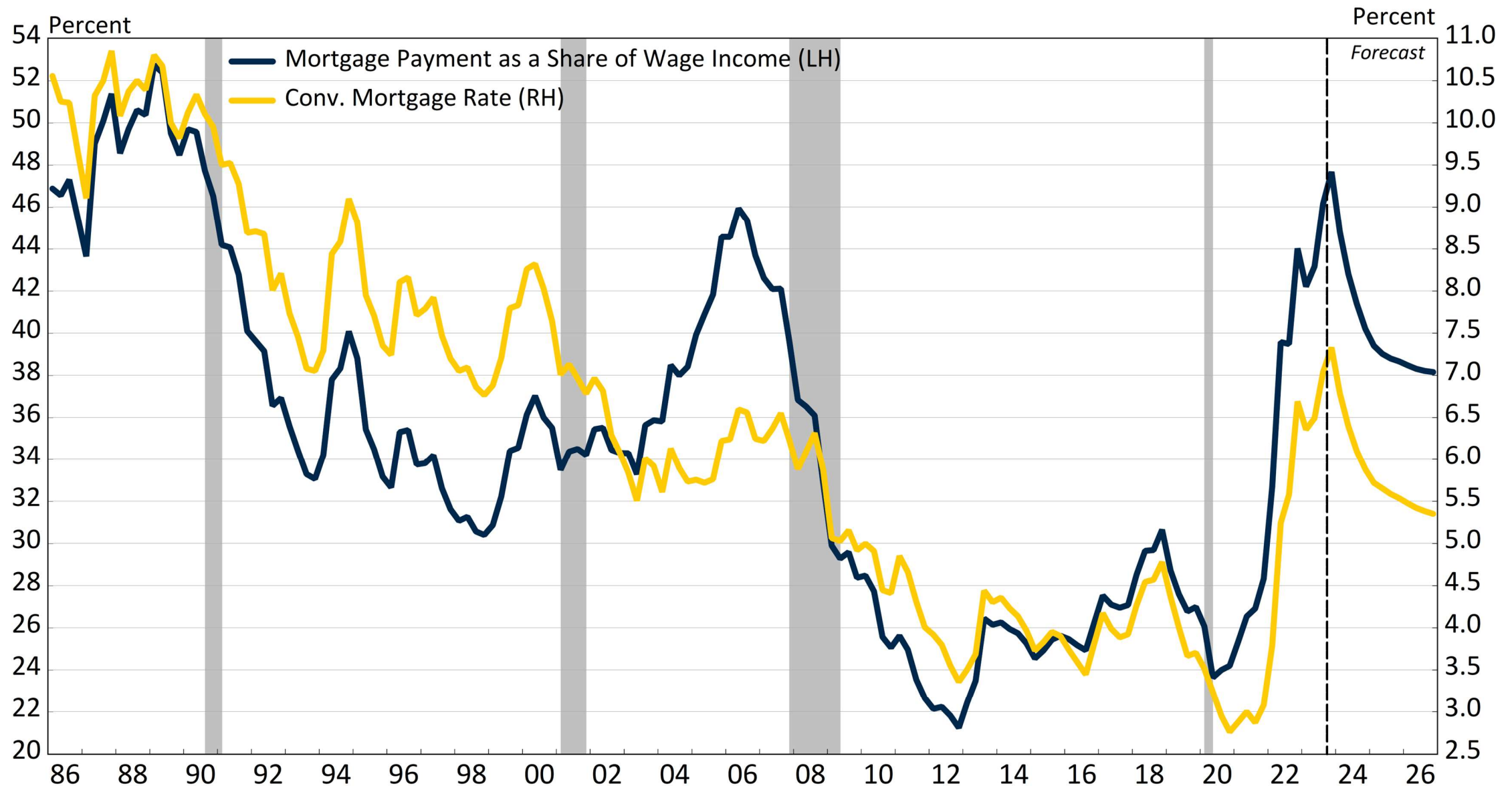
Consumer Price Inflation (CPI-U)



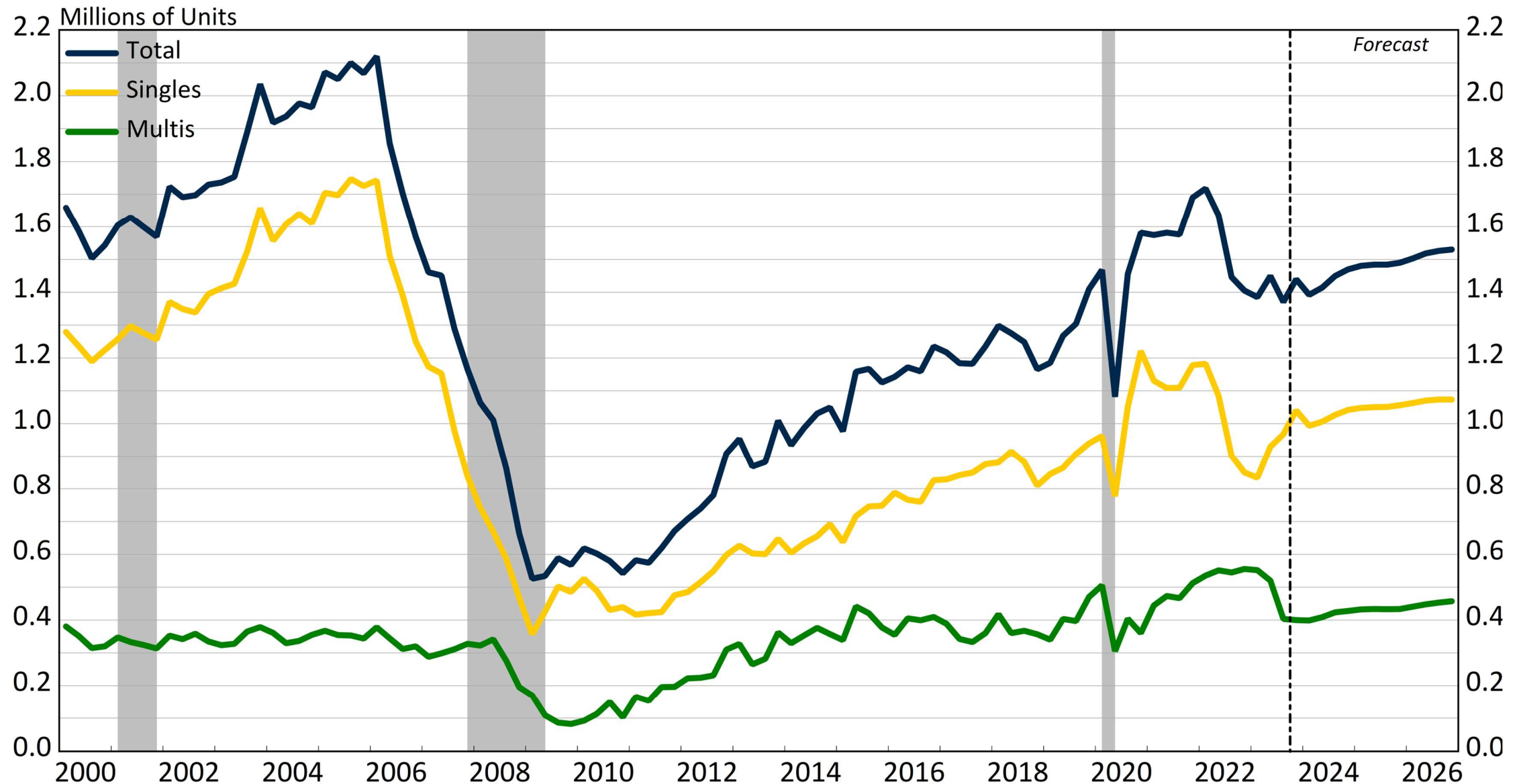
Interest Rates



Home Affordability



Housing Starts



Risks

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

The Michigan Economic Outlook for 2024–2026



Consensus Revenue Estimating Conference

January 12, 2024

Research Seminar in Quantitative Economics



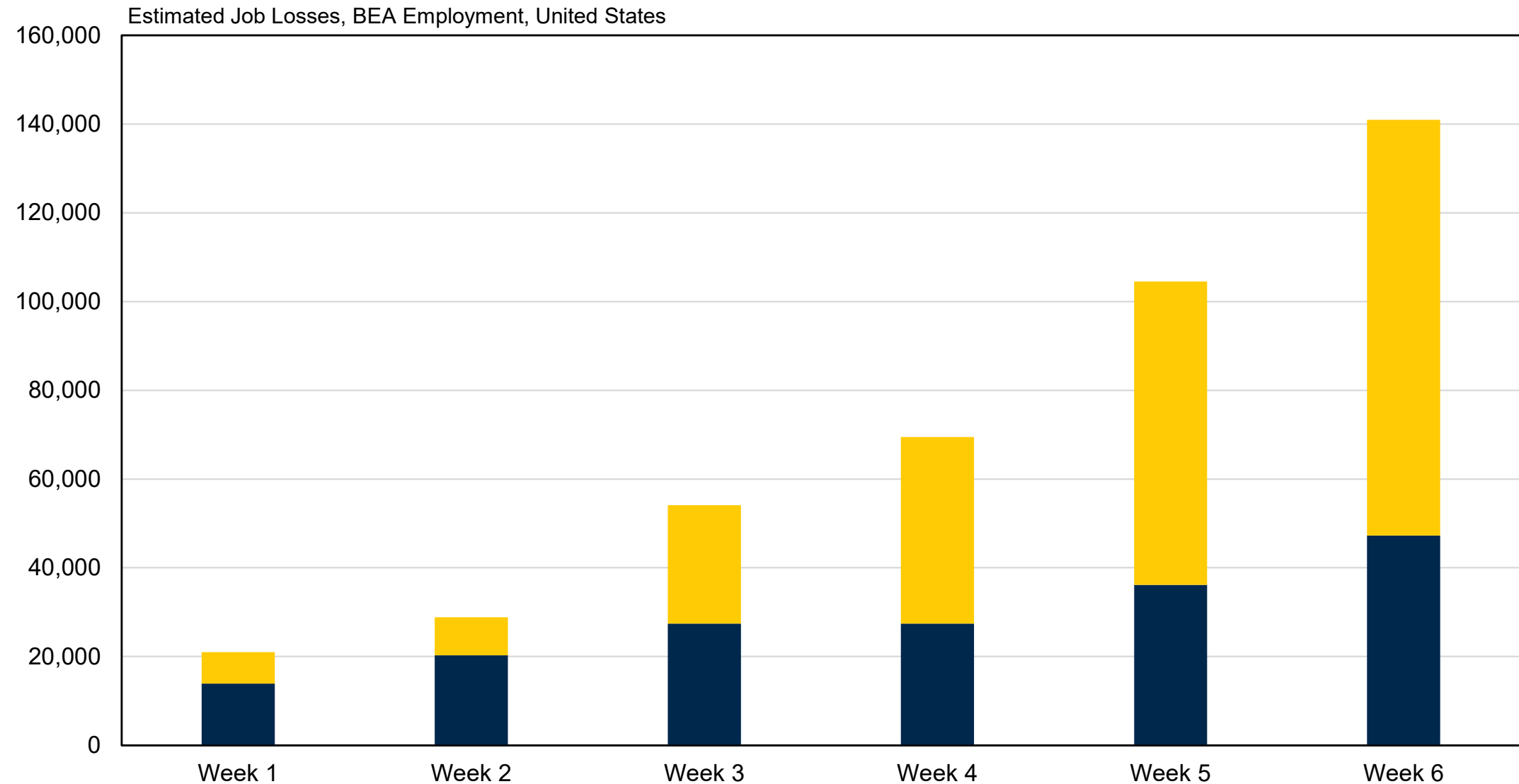
The “Stand Up Strike” Revisited

Timeline of the 2023 UAW Strike

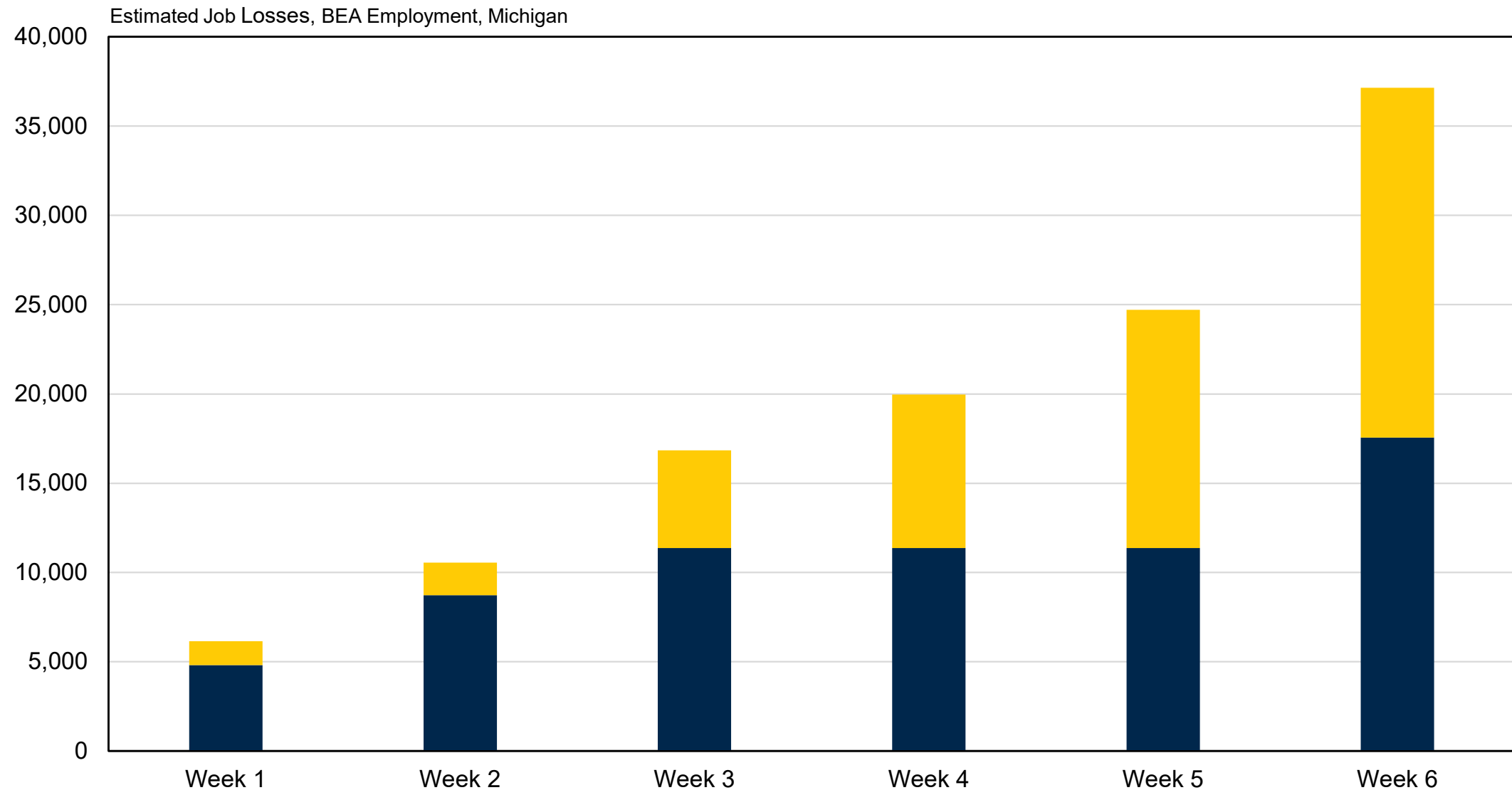
Date	Company	Plant	State	Striking Workers	Products
9/15/2023	Ford	Michigan Assembly	MI	4,800	Ford Ranger and Bronco
9/15/2023	GM	Wentzville Assembly	MO	3,900	Chevrolet Colorado and Express; GMC Canyon and Savana
9/15/2023	Stellantis	Toledo Assembly	OH	5,300	Jeep Gladiator, Wrangler, and Wrangler 4xe
9/22/2023	GM and Stellantis		MI	3,900	Warehousing/shipping of parts for customer repairs to dealerships and other retailers
	Part Distribution Centers		Rest of U.S.	2,400	
9/29/2023	Ford	Chicago Assembly	IL	4,500	Ford Explorer; Police Interceptor Utility; Lincoln Aviator
9/29/2023	GM	Lansing Delta	MI	2,600	Buick Enclave; Chevy Traverse
10/11/2023	Ford	Kentucky Truck	KY	8,700	Ford F-250–F-550, Expedition; Lincoln Navigator
10/23/2023	Stellantis	Sterling Heights Assembly	MI	6,200	Ram 1500
10/24/2023	GM	Arlington Assembly	TX	5,000	Tahoe/Suburban; Yukon/Yukon XL; Escalade/Escalade-V
10/28/2023	GM	Spring Hill Assembly	TN	3,600	Cadillac XT5, XT6, Lyriq; GMC Arcadia

Note: Estimates of the number of striking workers are calculated from information on the automaker websites.

The Strike's Impact on National Employment Grew over Time



Impact on Michigan Was Roughly One-Quarter of Total



Income and Fiscal Impacts of the Strike

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
United States						
Total Employment Loss (BEA Measure)	21,000	28,900	54,100	69,500	104,600	141,000
Striking UAW Workers	13,900	20,300	27,400	27,400	36,100	47,300
Cumulative Personal Income Loss (\$ millions)	\$20	\$43	\$101	\$182	\$312	\$485
Michigan						
Total Employment Loss (BEA Measure)	6,100	10,600	16,800	20,000	24,700	37,100
Striking UAW Workers	4,800	8,700	11,400	11,400	11,400	17,600
Cumulative Personal Income Loss (\$ millions)	\$5	\$12	\$27	\$46	\$73	\$114
Cumulative Non-Business Tax Revenue Loss (\$ millions)	\$0.4	\$0.8	\$1.8	\$3.0	\$4.7	\$7.2

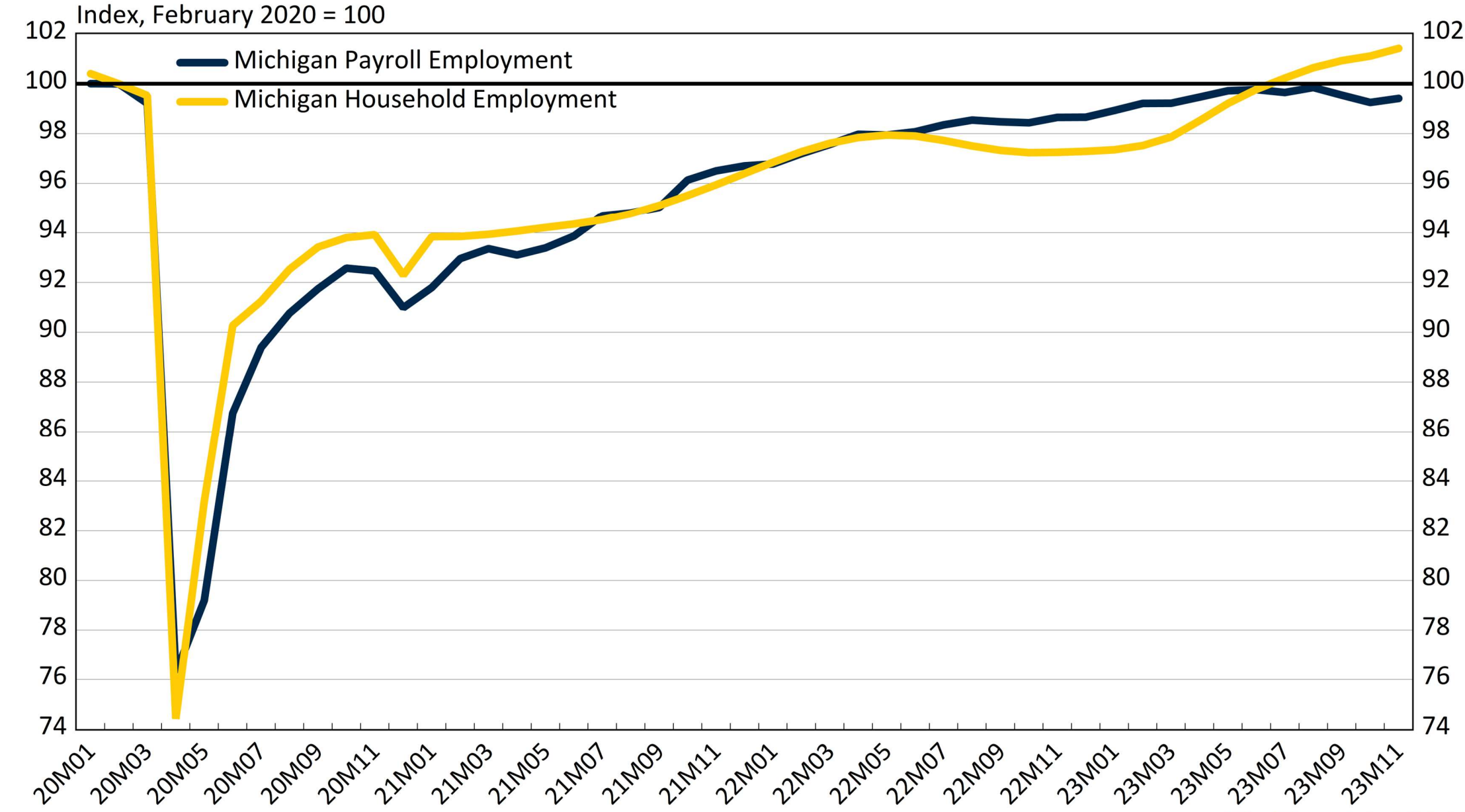
Notes: Simulated employment results and the number of striking workers are rounded to the nearest 100 workers.

Estimates of the number of striking workers are calculated from information on the automaker websites.

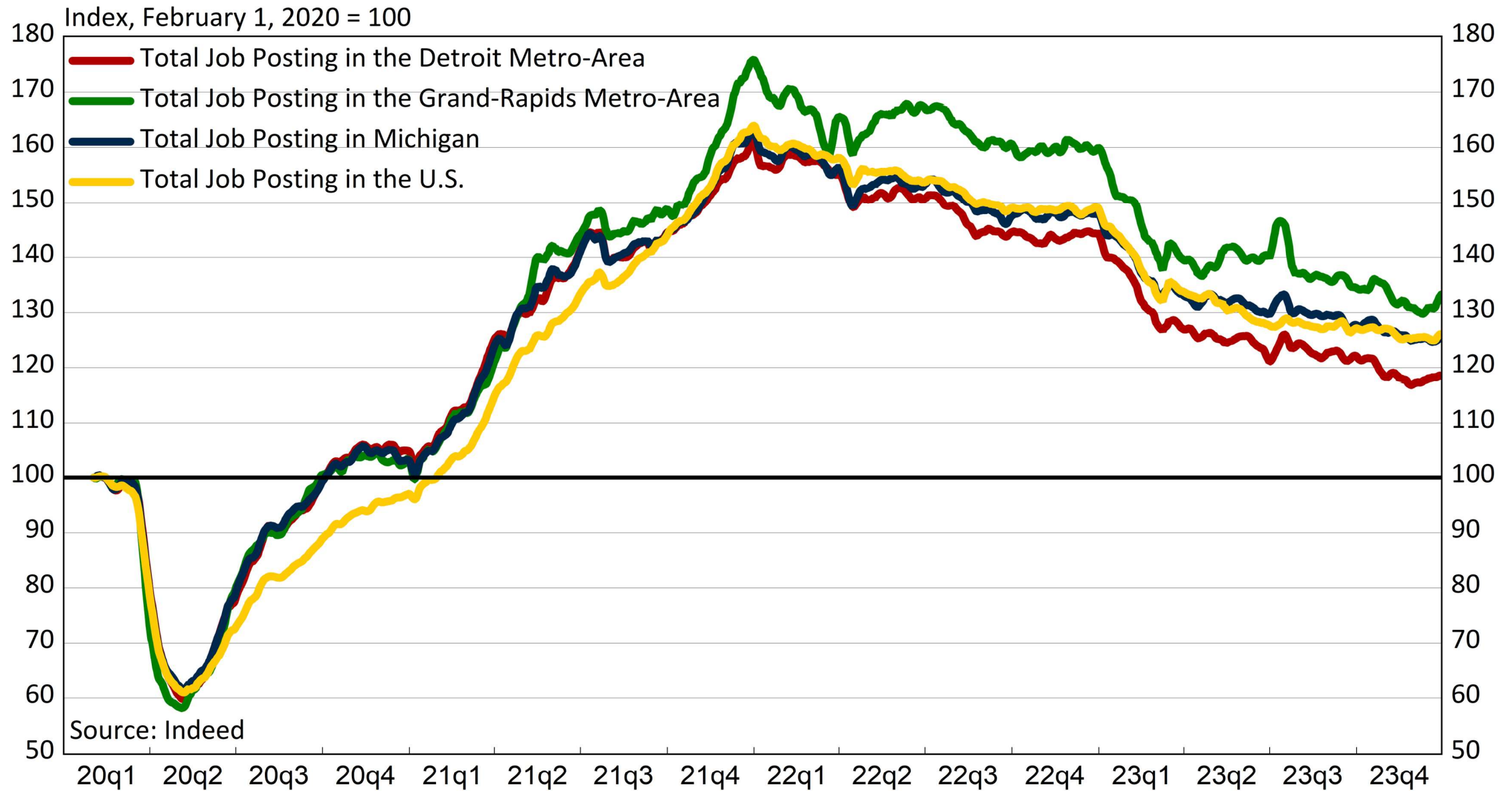
Impacts estimated by RSQE using the REMI PI+ model

Current State of the Michigan Economy

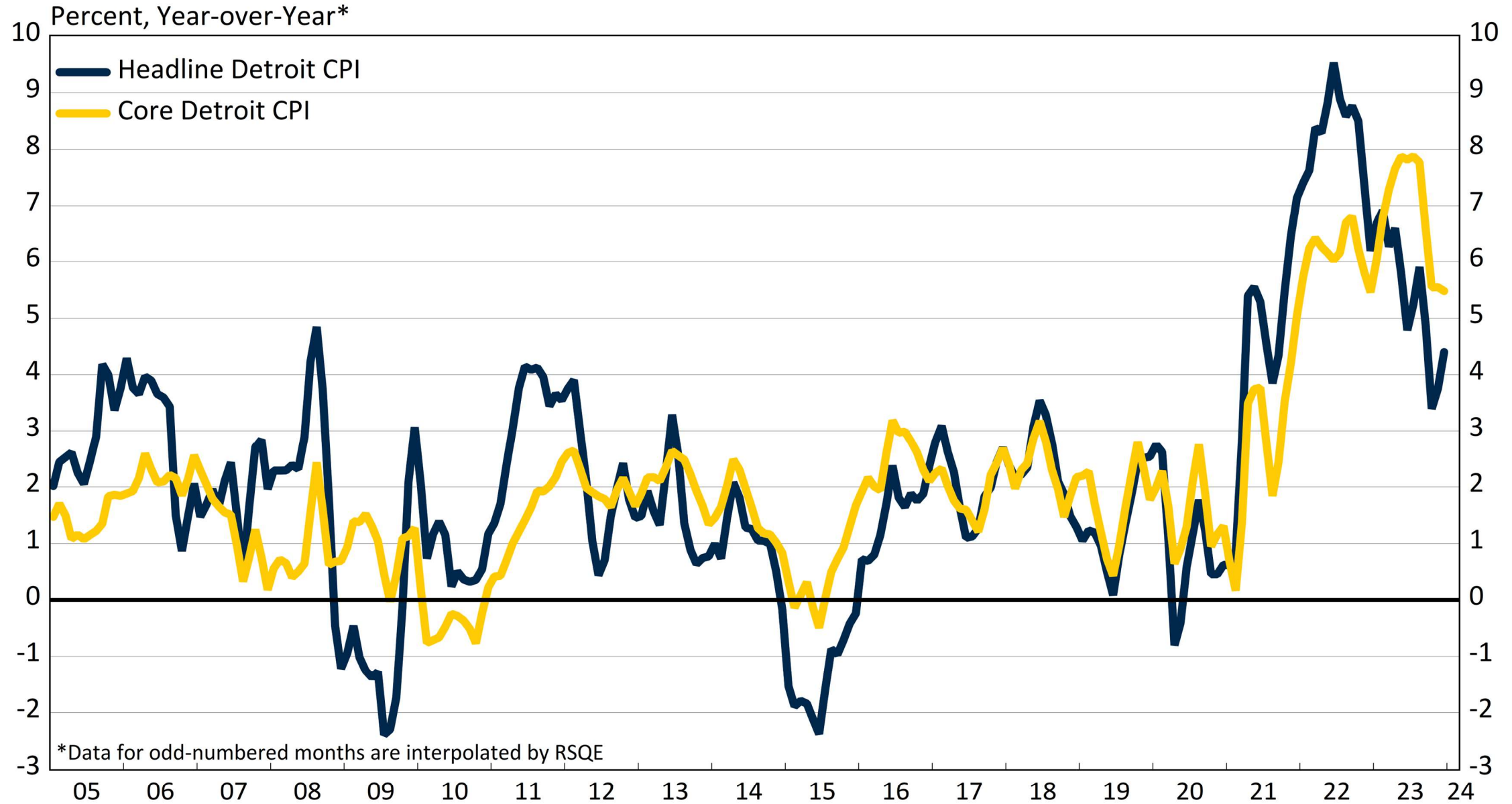
Michigan Household Employment Back Above Pre-Pandemic Level



Labor Demand Is Cooling Off

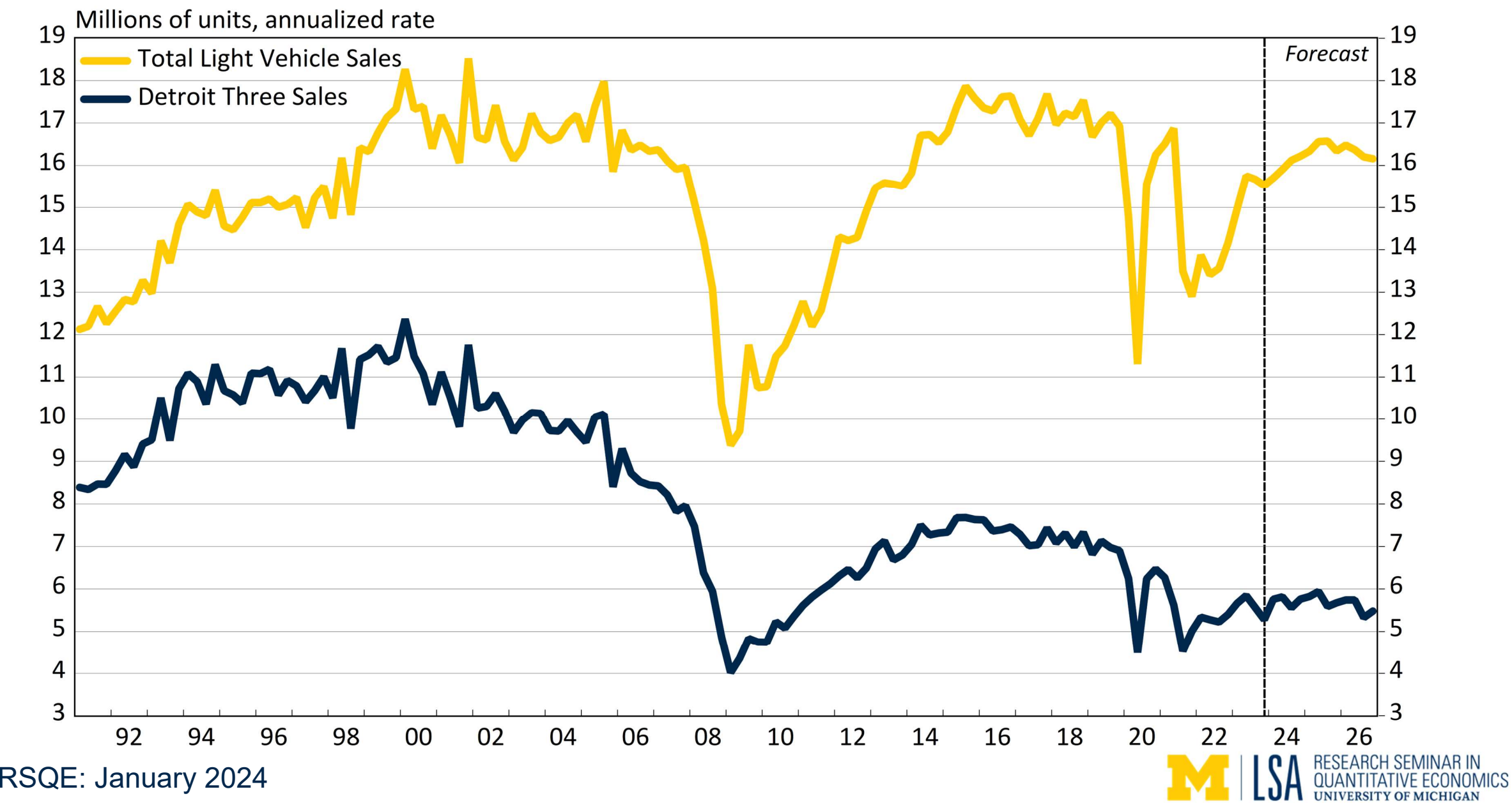


Local Inflation Is Turning Around ... Slowly

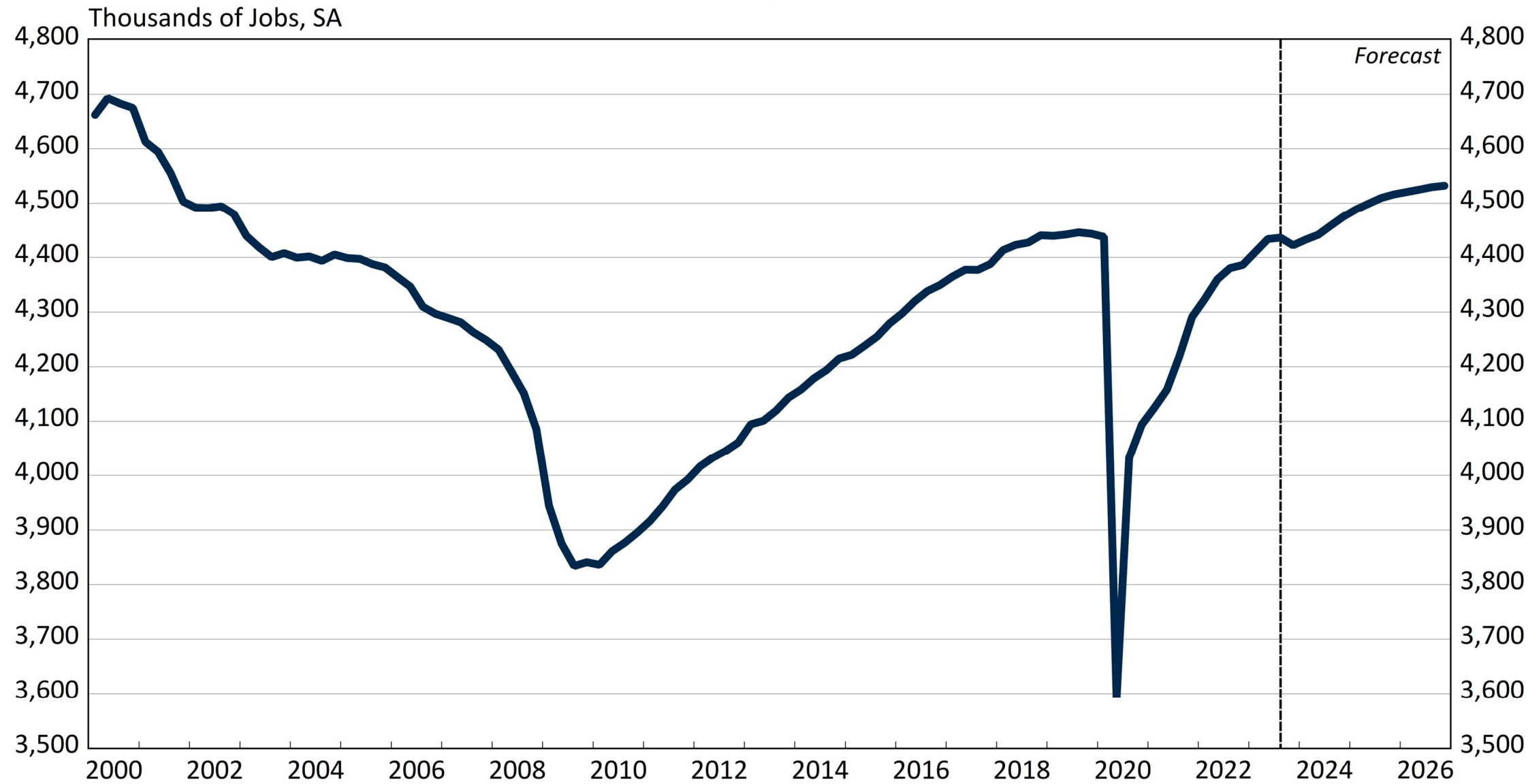


Michigan Economic Outlook

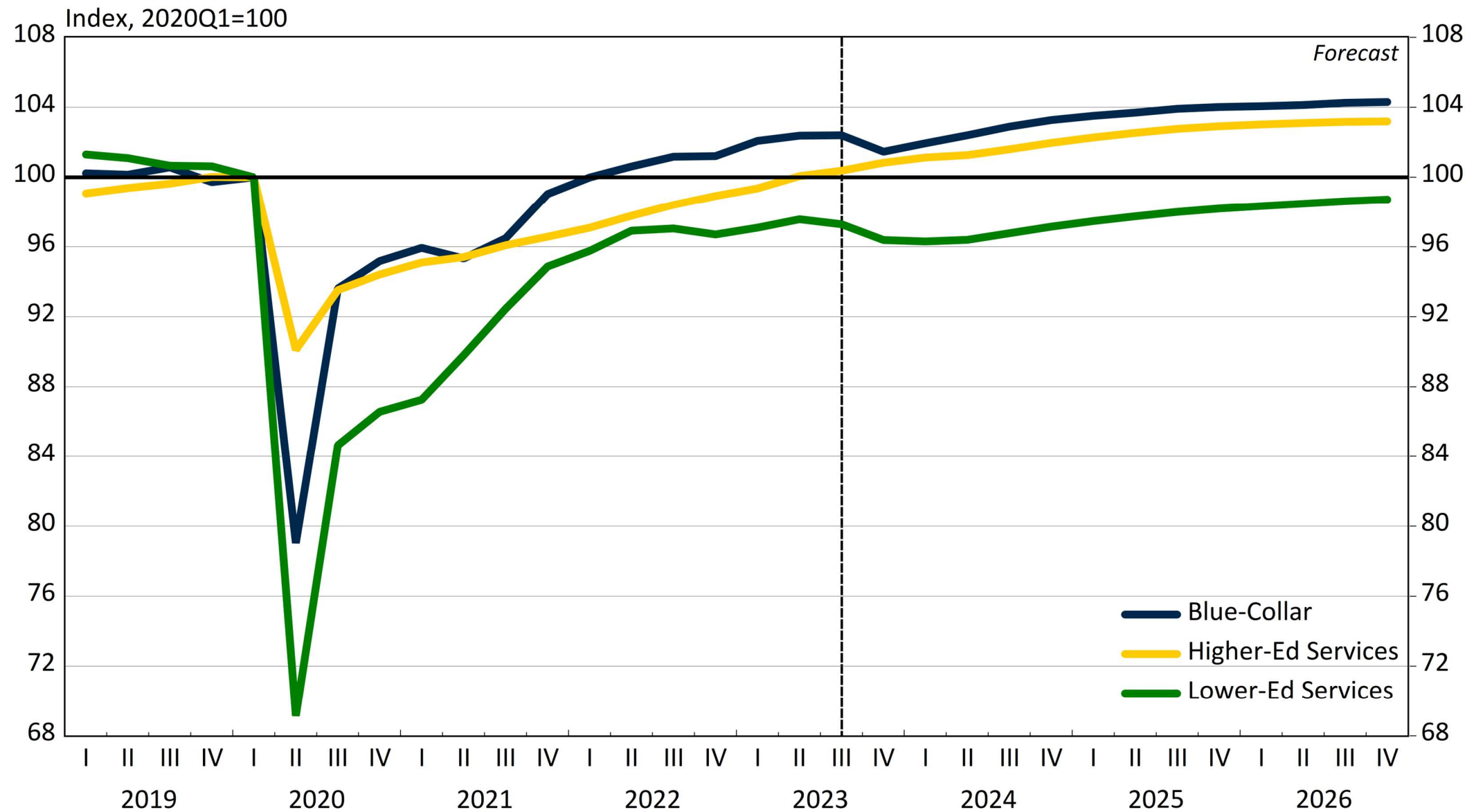
Light Vehicle Sales Pick Up a Bit More



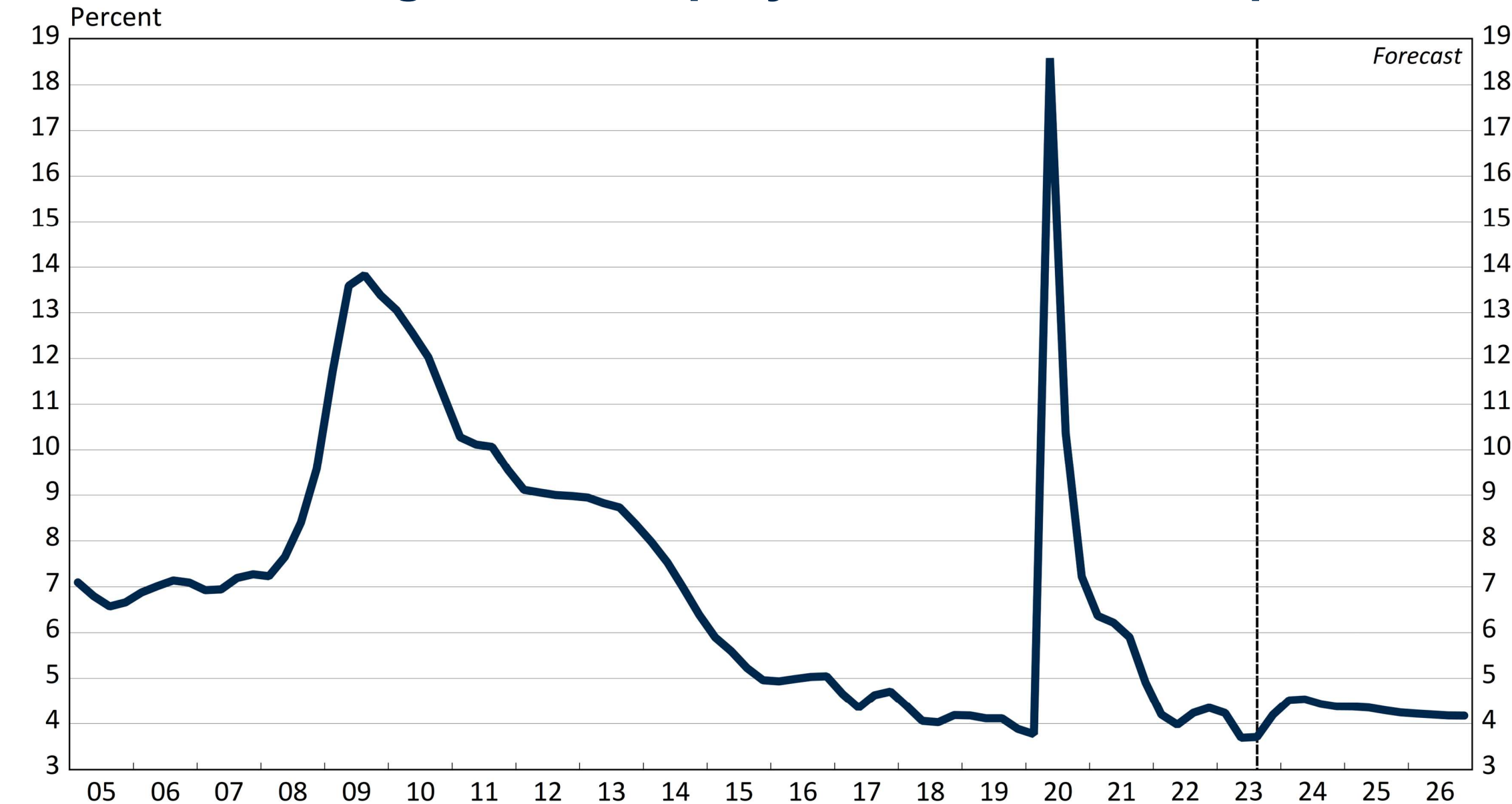
Michigan Employment Grows at a Moderate Pace



Fastest Growth in White-Collar Industries



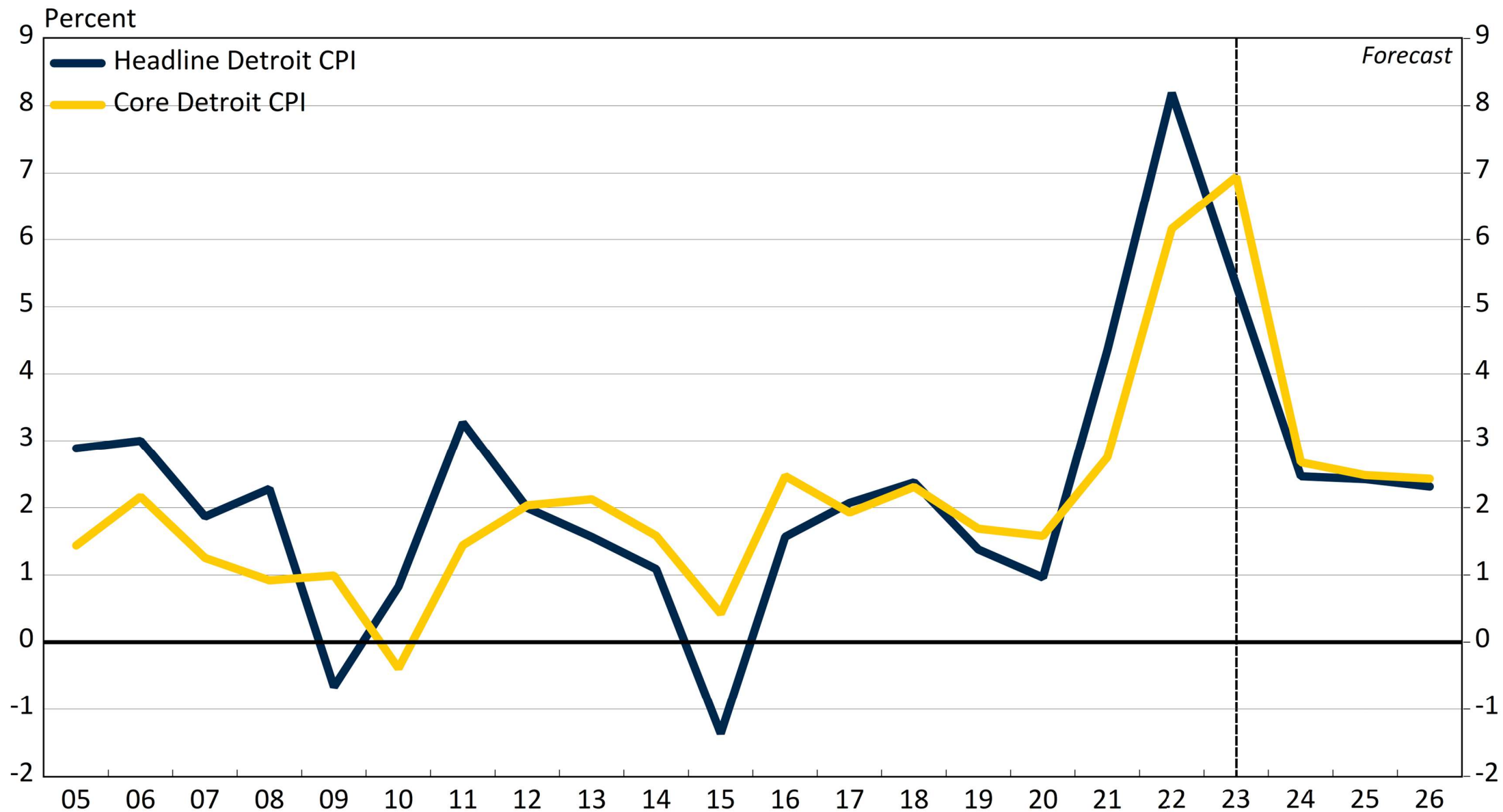
Michigan's Unemployment Rate Ticks Up



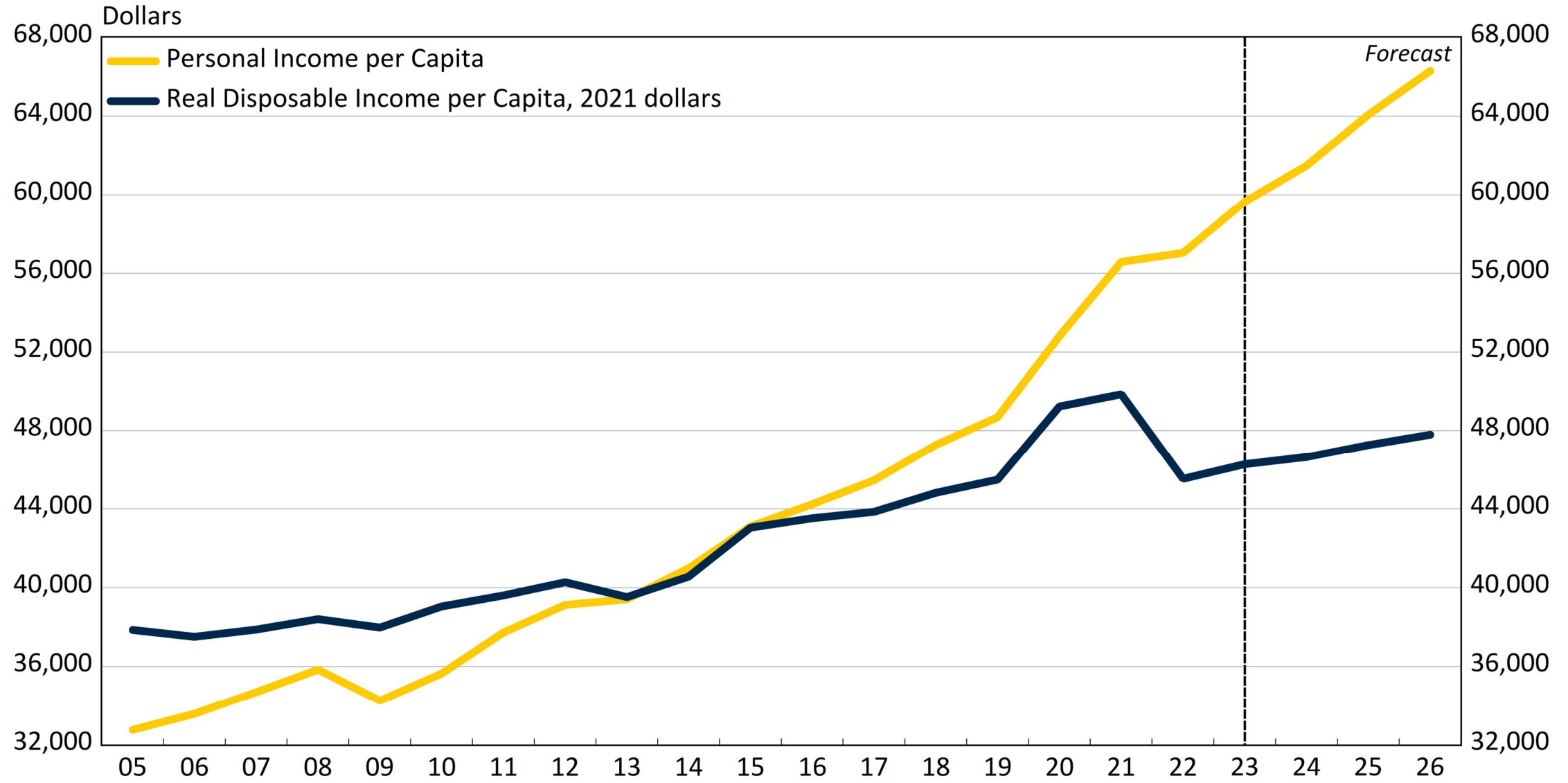
Michigan's Labor Force Participation Makes a Round Trip



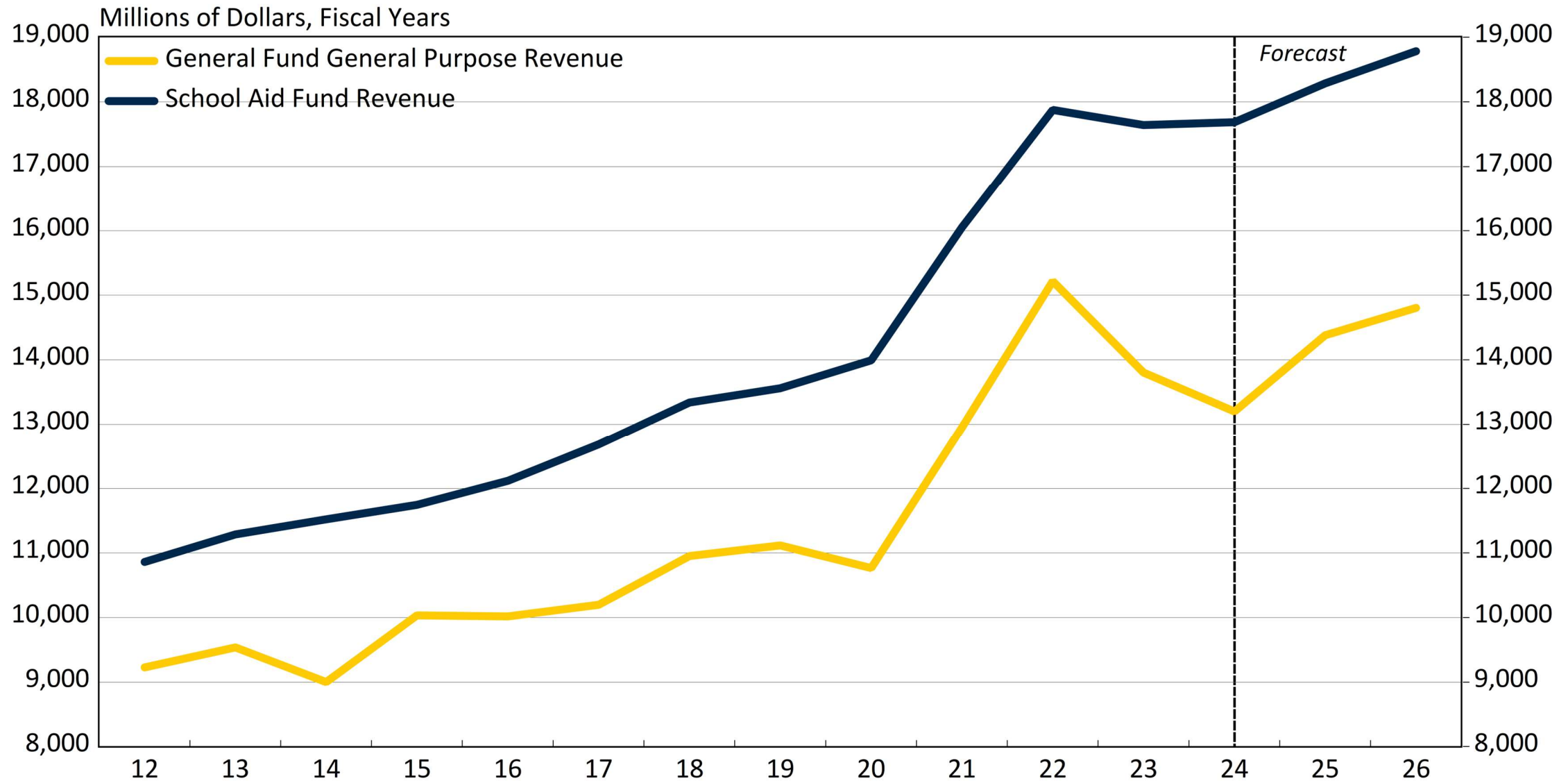
Local Inflation Normalizes At Last



Michigan's Living Standards Rise Slowly but Steadily



State Tax Revenues Take a Breather But Remain above Trend



Concluding Thoughts

- We are forecasting a slowdown in employment growth this year before growth picks up a bit in 2025–26
- The unemployment rate settles tops out at 4.5 percent in the first half of this year before edging down to 4.2 percent in 2026
- Real disposable income per capita in Michigan grows slowly but steadily over the next few years
- State tax revenue in fiscal 2026 is nearly \$9 billion higher than in 2019, but that is only 5.5% growth after adjusting for local inflation
- High interest rates and announced layoffs in the auto industry pose a significant near-term risk to the outlook



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