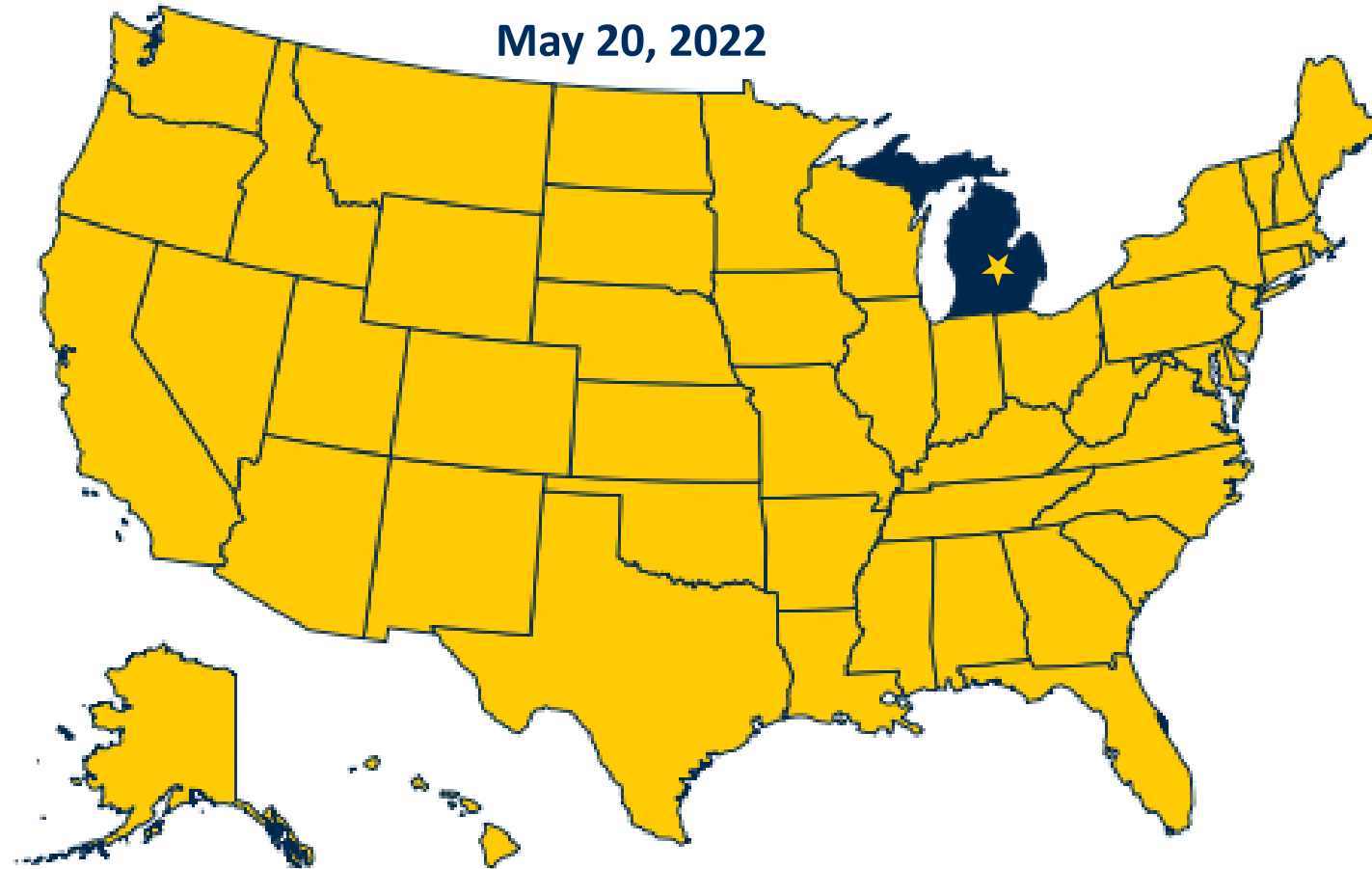


The U.S. and Michigan Outlook for 2022–2024
Consensus Revenue Estimating Conference
Lansing, Michigan

May 20, 2022

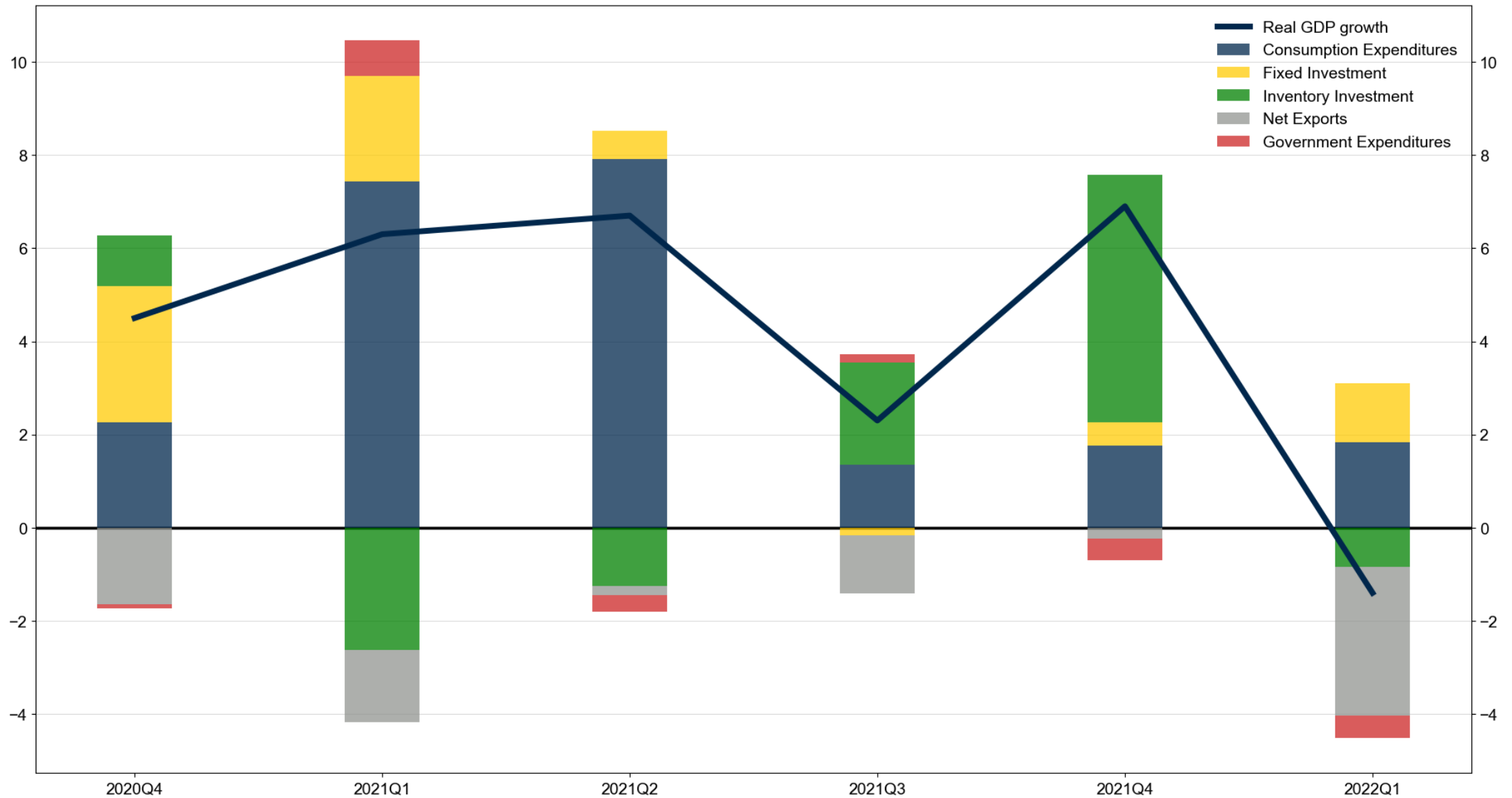


Research Seminar in Quantitative Economics

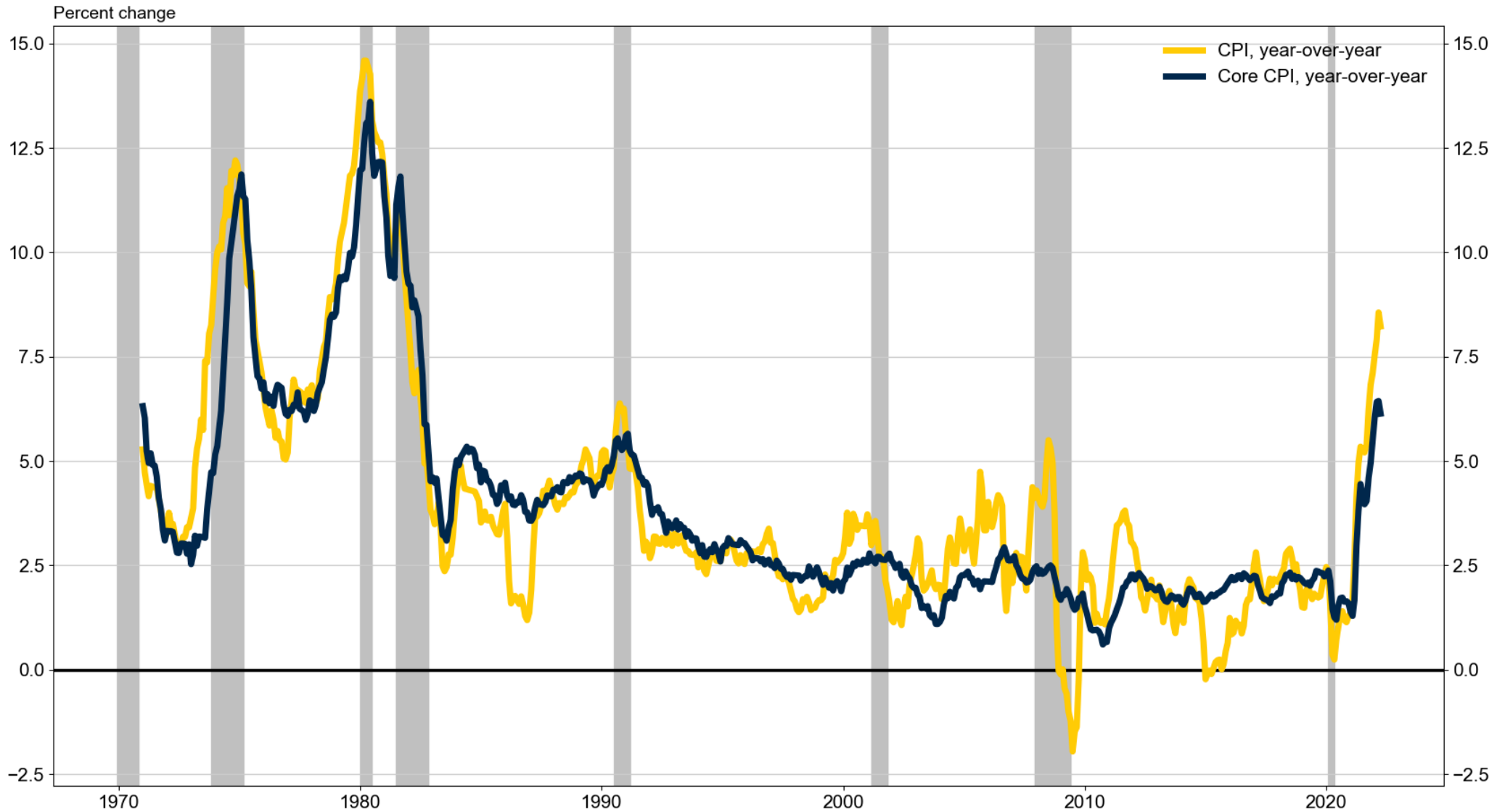


Current State of the U.S. Economy

Real GDP Growth Composition



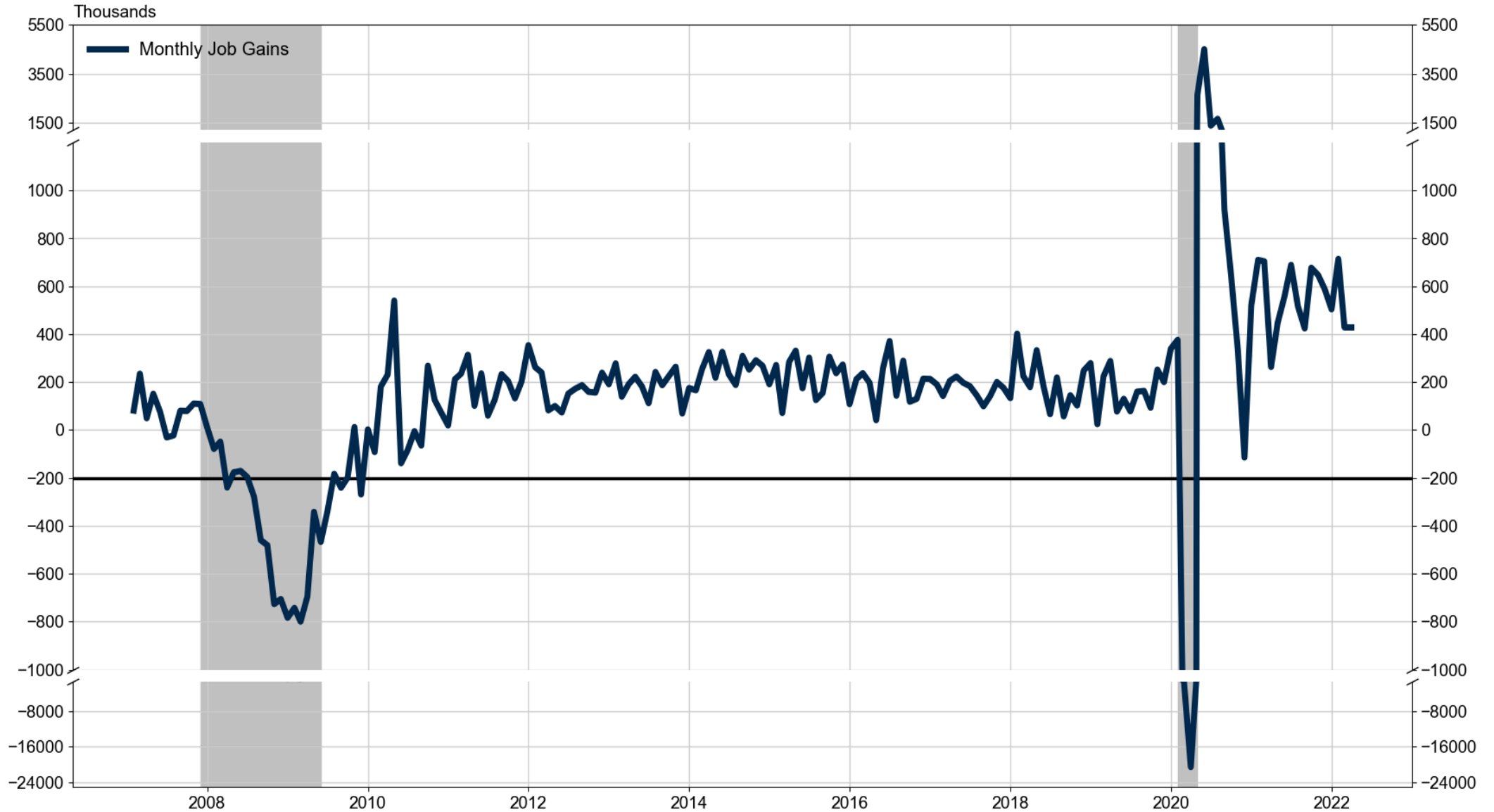
Consumer Price Index



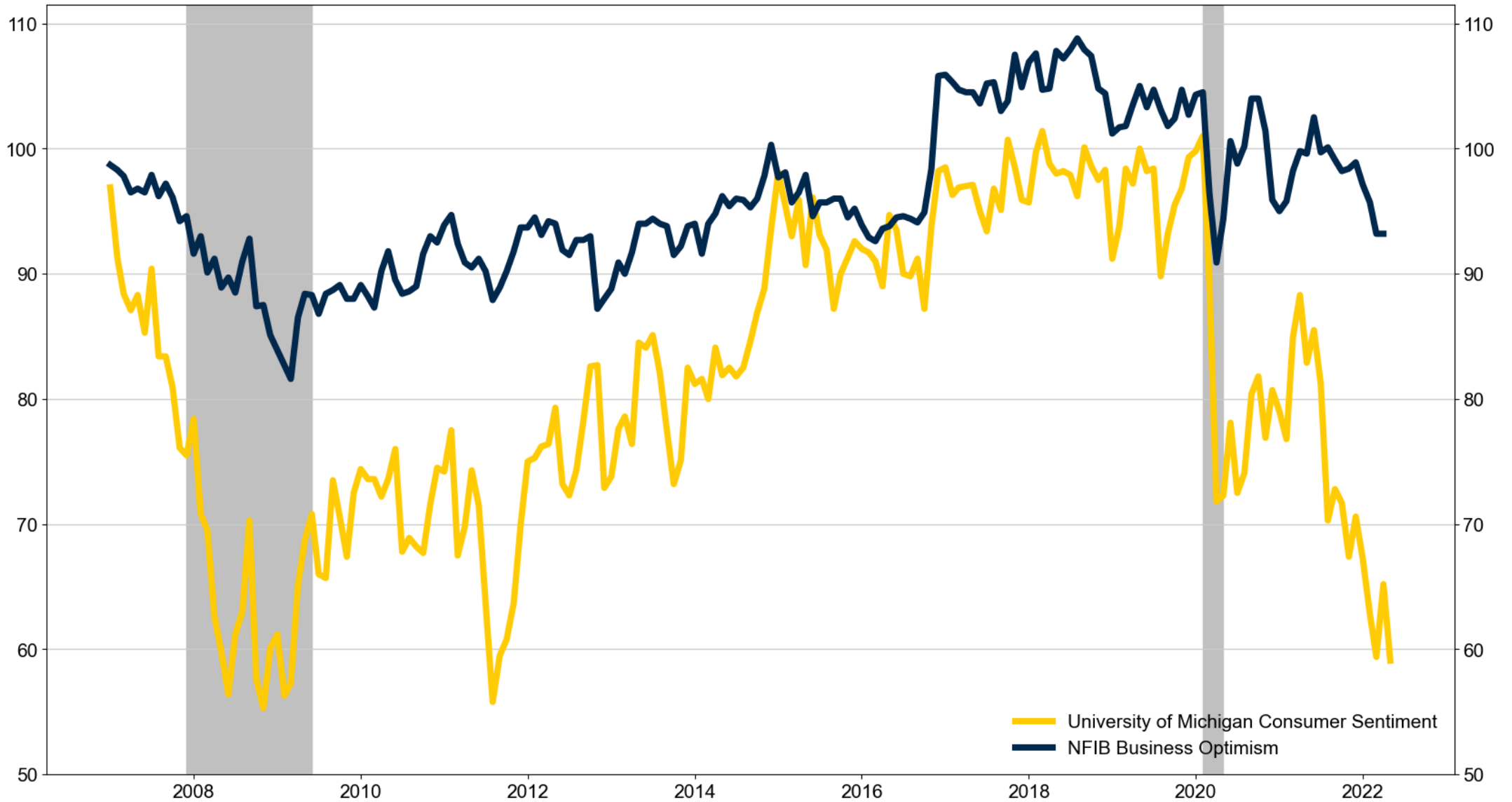
Stock Market Performance



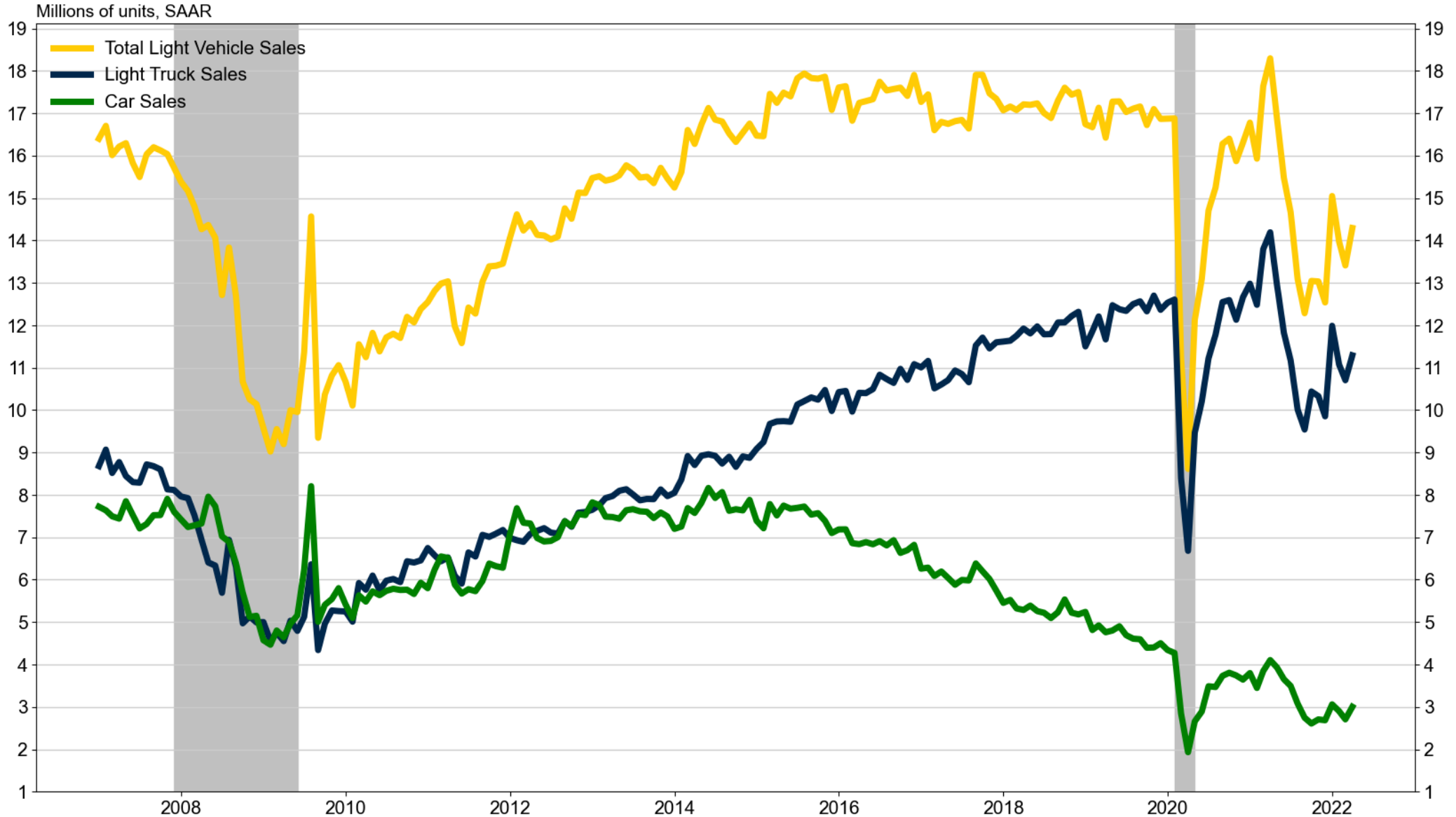
Monthly Payroll Job Gains



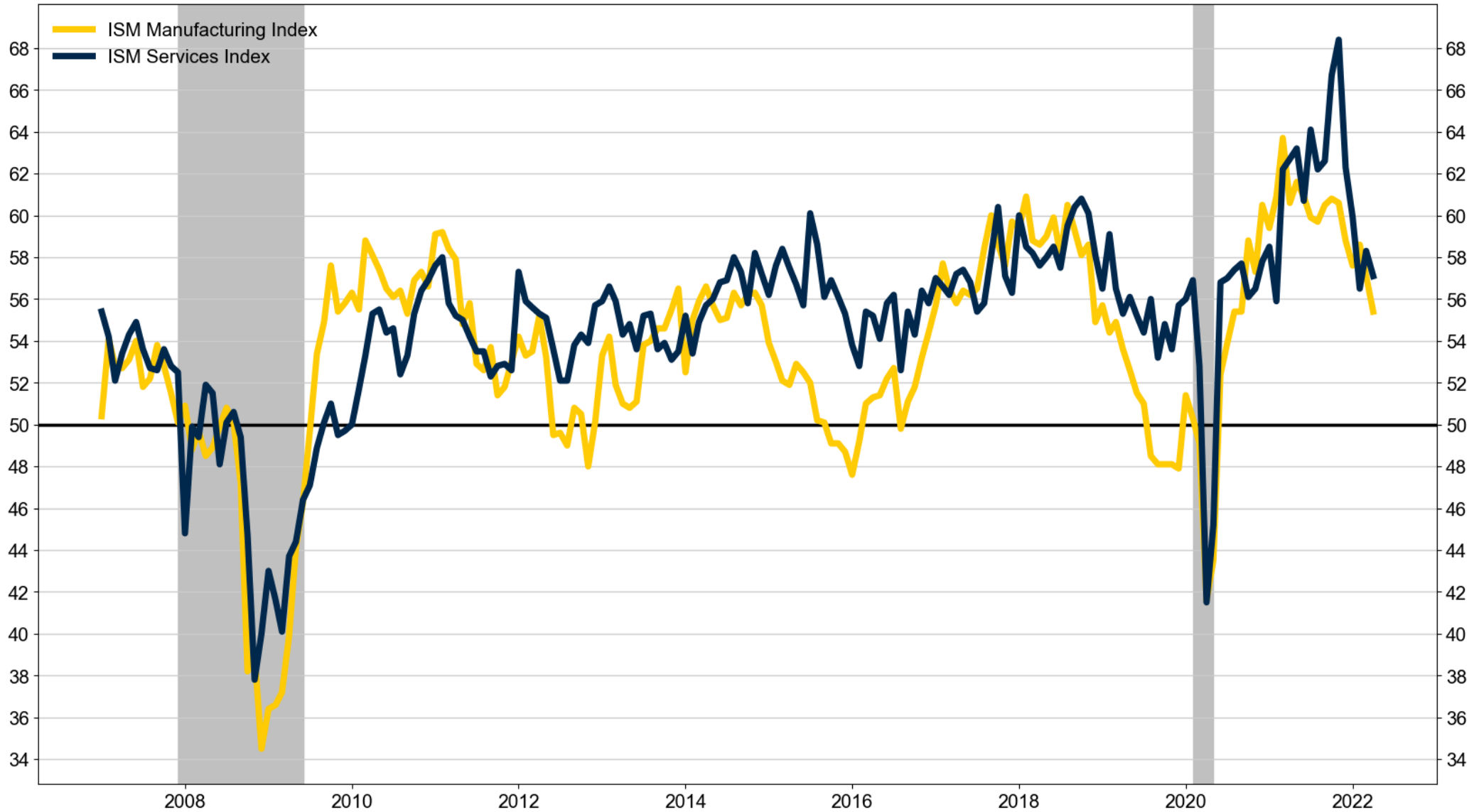
Consumer and Small Business Sentiment



Monthly Light Vehicle Sales

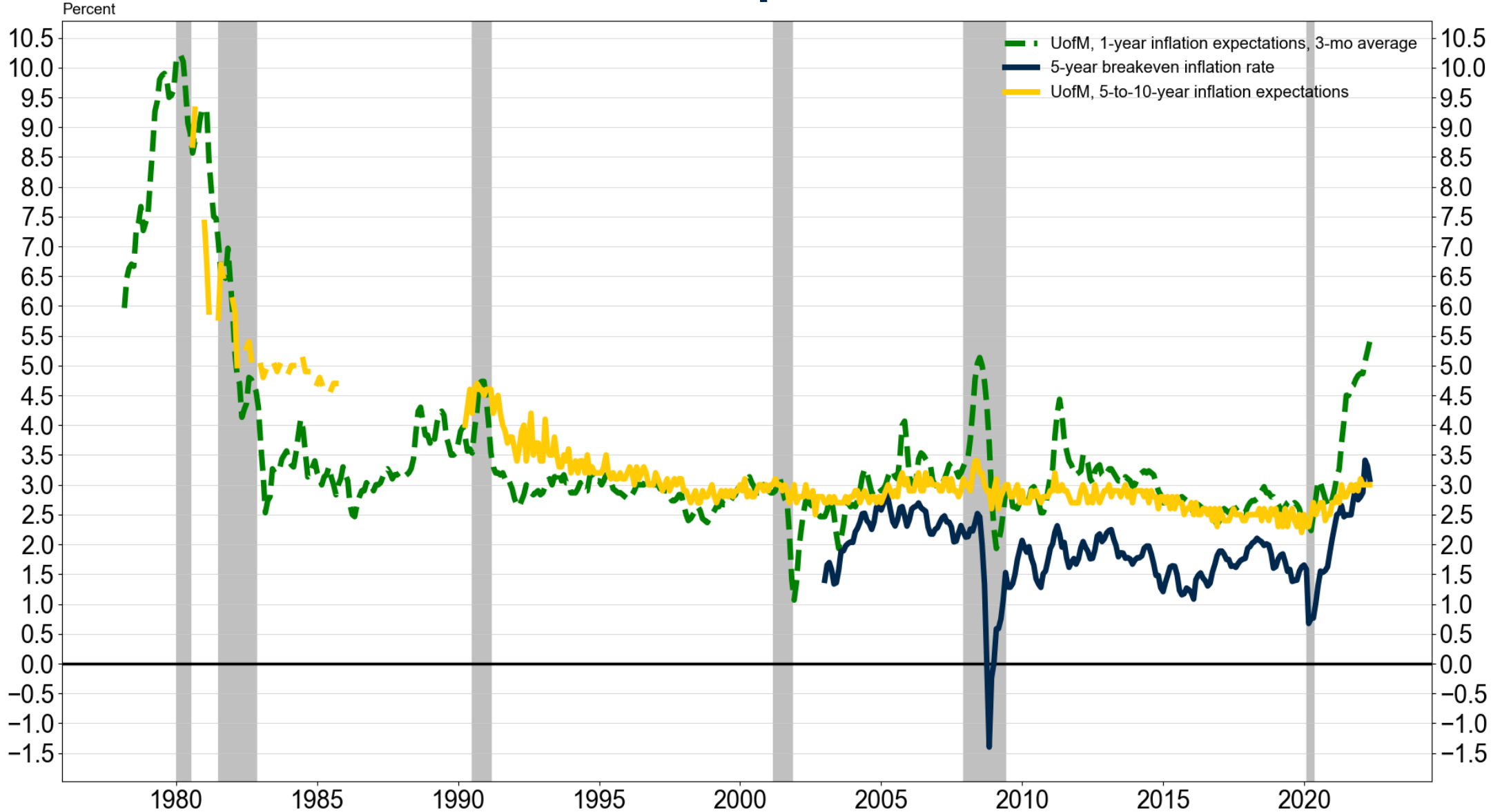


ISM PMIs



Inputs

Inflation Expectations



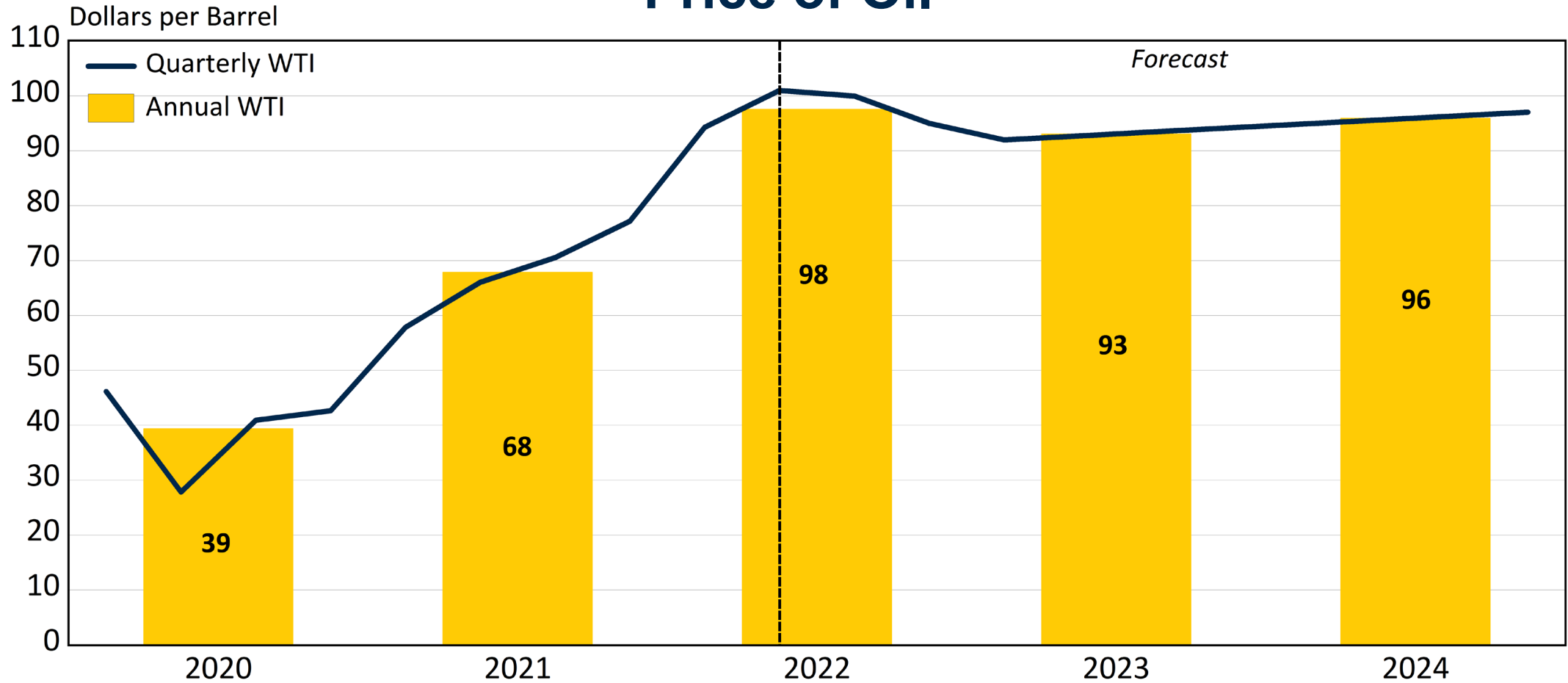
Monetary Policy

- Inflation very high, supply chain stress lingers, tight labor market
- Near-term inflation expectations high, but long-term expectations still reasonable
- Monetary policy is tightening quickly
 - Fed funds rate expectations have been moving up rapidly since last fall
 - 75bps increase in the fed funds rate since March
 - 200bps more expected through December 2022, 50bps more through mid-2023
- Engineering a 'soft landing' will be very hard
- After inflation cools, we expect the fed funds rate to come down toward long-run neutral rate of around 2.5 percent

Fiscal Policy

- Remaining Biden agenda stalled
- Ukraine-related spending at \$50bln in just 3 months
 - More spending likely, but the pace will likely slow
- Fiscal 2022 budget passed in March
 - Discretionary spending increases just enough to keep up with inflation
- The return of divided government seems likely
- Debt ceiling suspended through mid-December 2022
 - Replay of the 2011 debt ceiling/spending path stand-off possible but unlikely

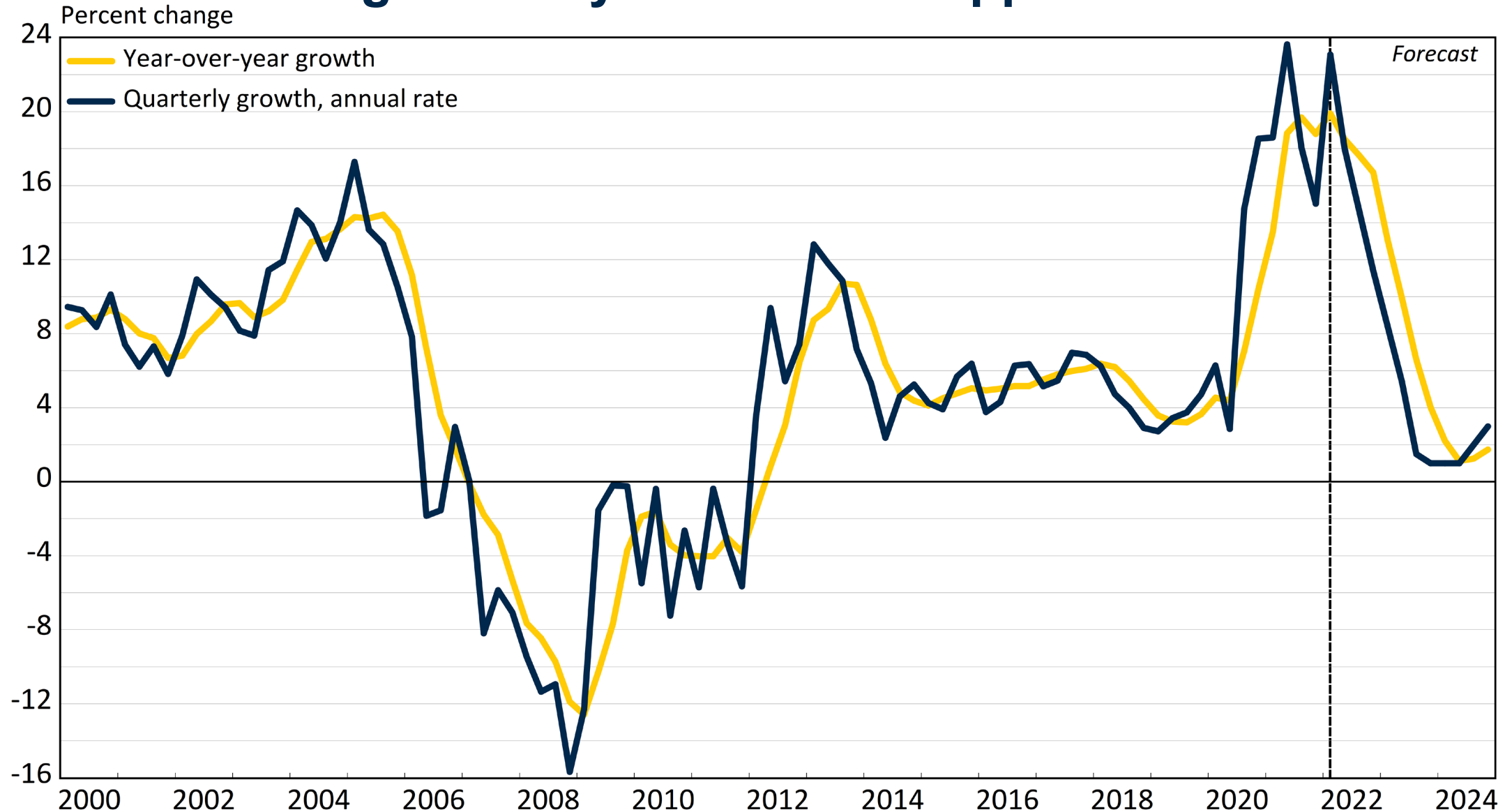
Price of Oil



	4th Quarter to 4th Quarter % Change				
WTI	-25.1	80.9	23.1	-0.9	3.0
Imports*	-9.0	86.8	24.6	-2.1	3.0

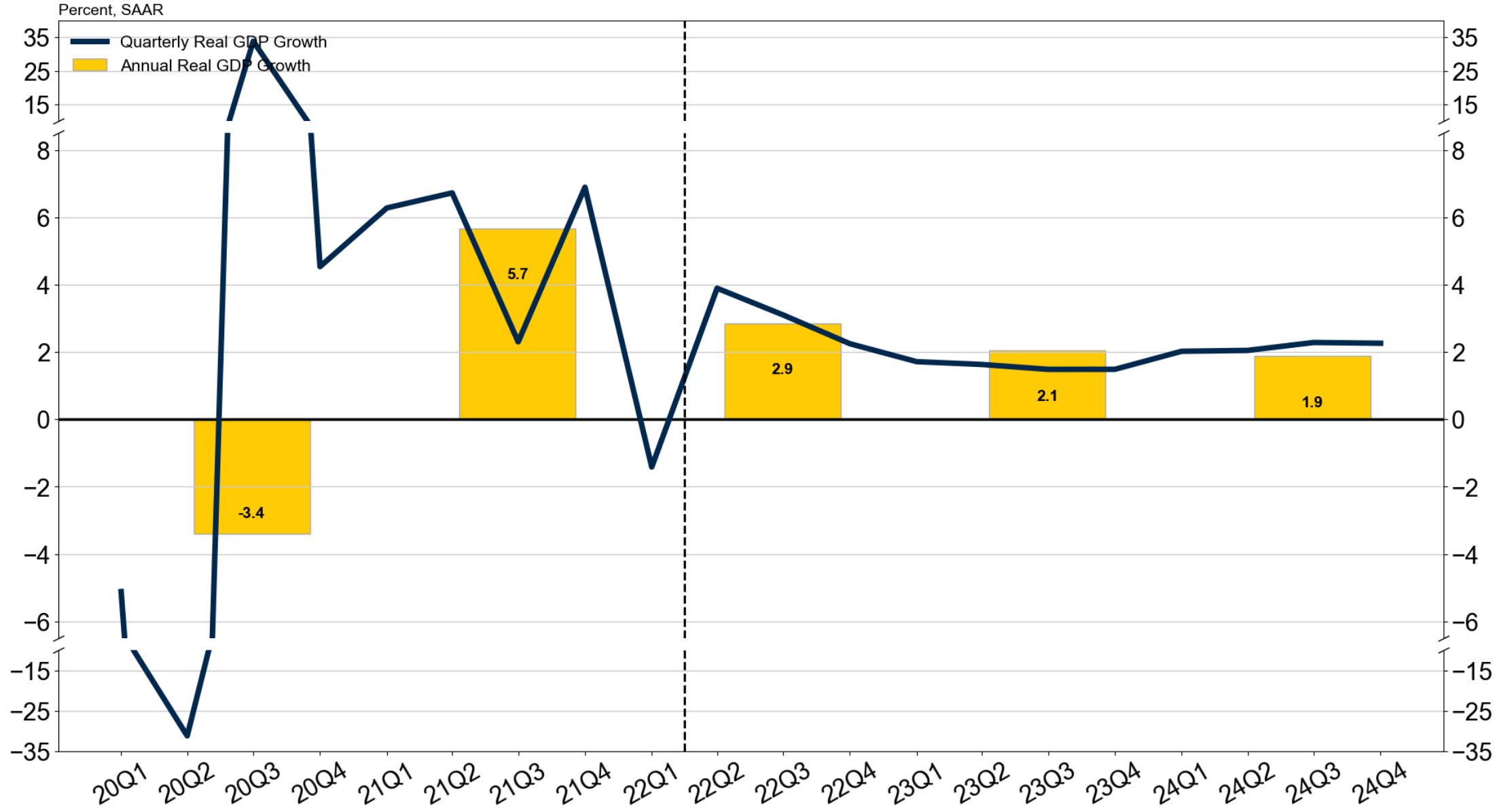
*Implicit deflator for petroleum & products

Single-Family Home Price Appreciation



U.S. Forecast

Real GDP Growth

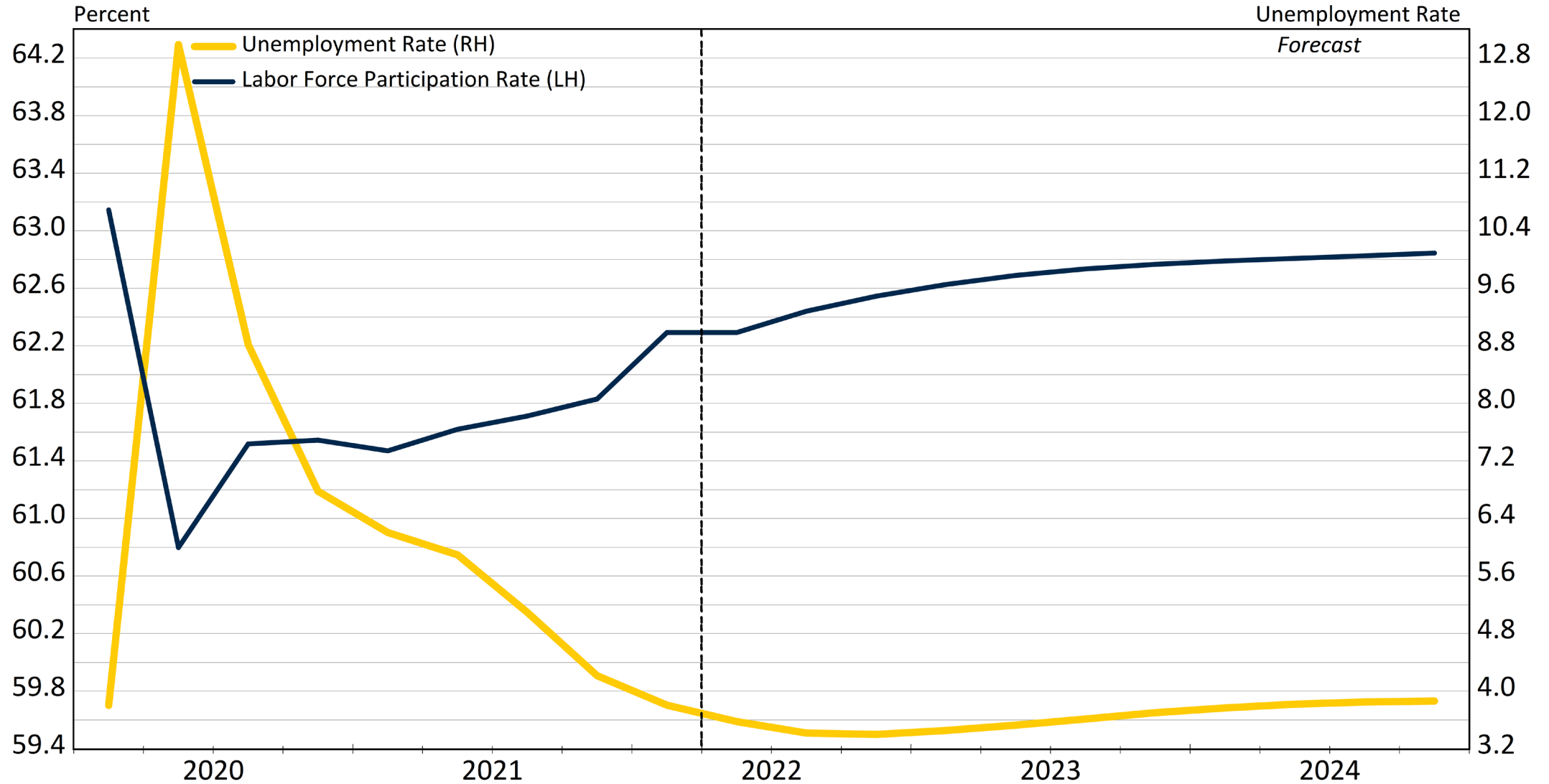


Payroll Employment Growth

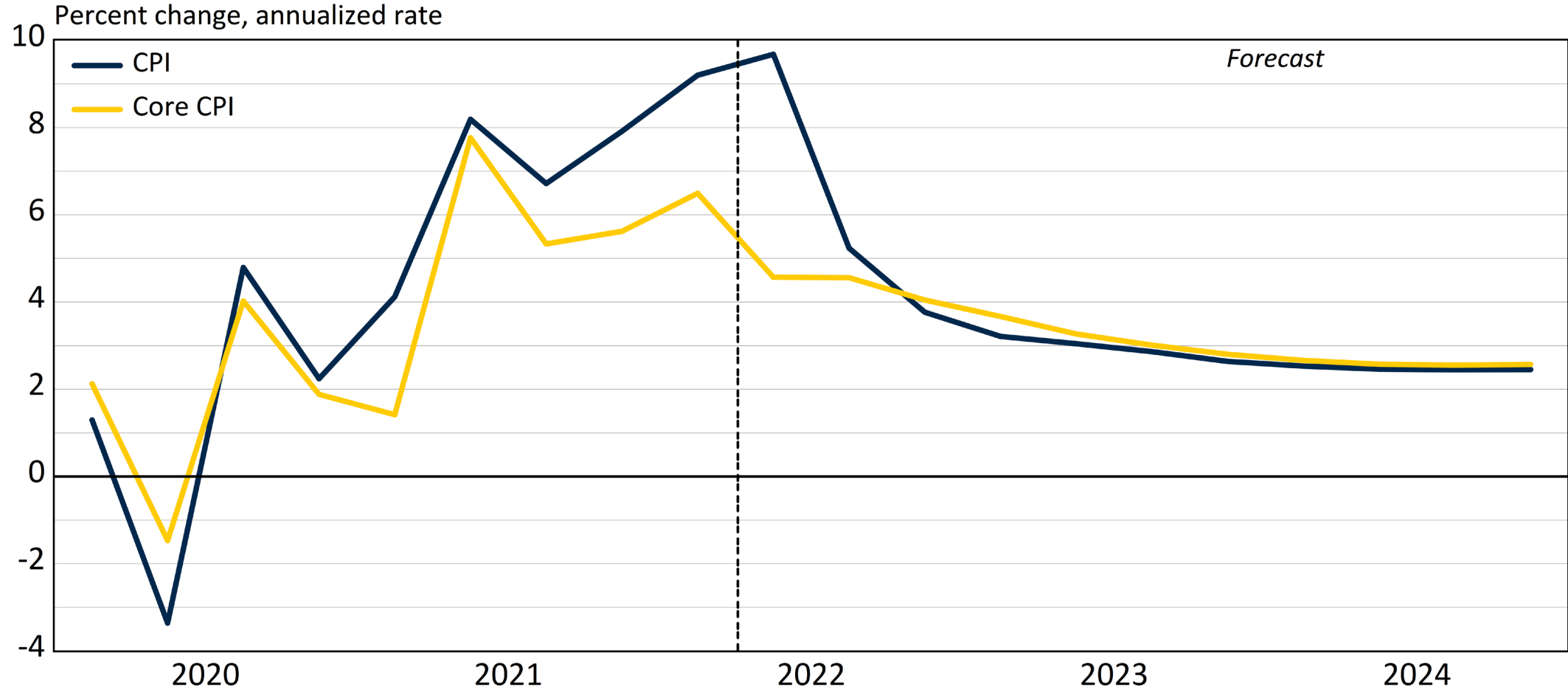


RSQE: May 2022

Unemployment Rate and Participation Rate

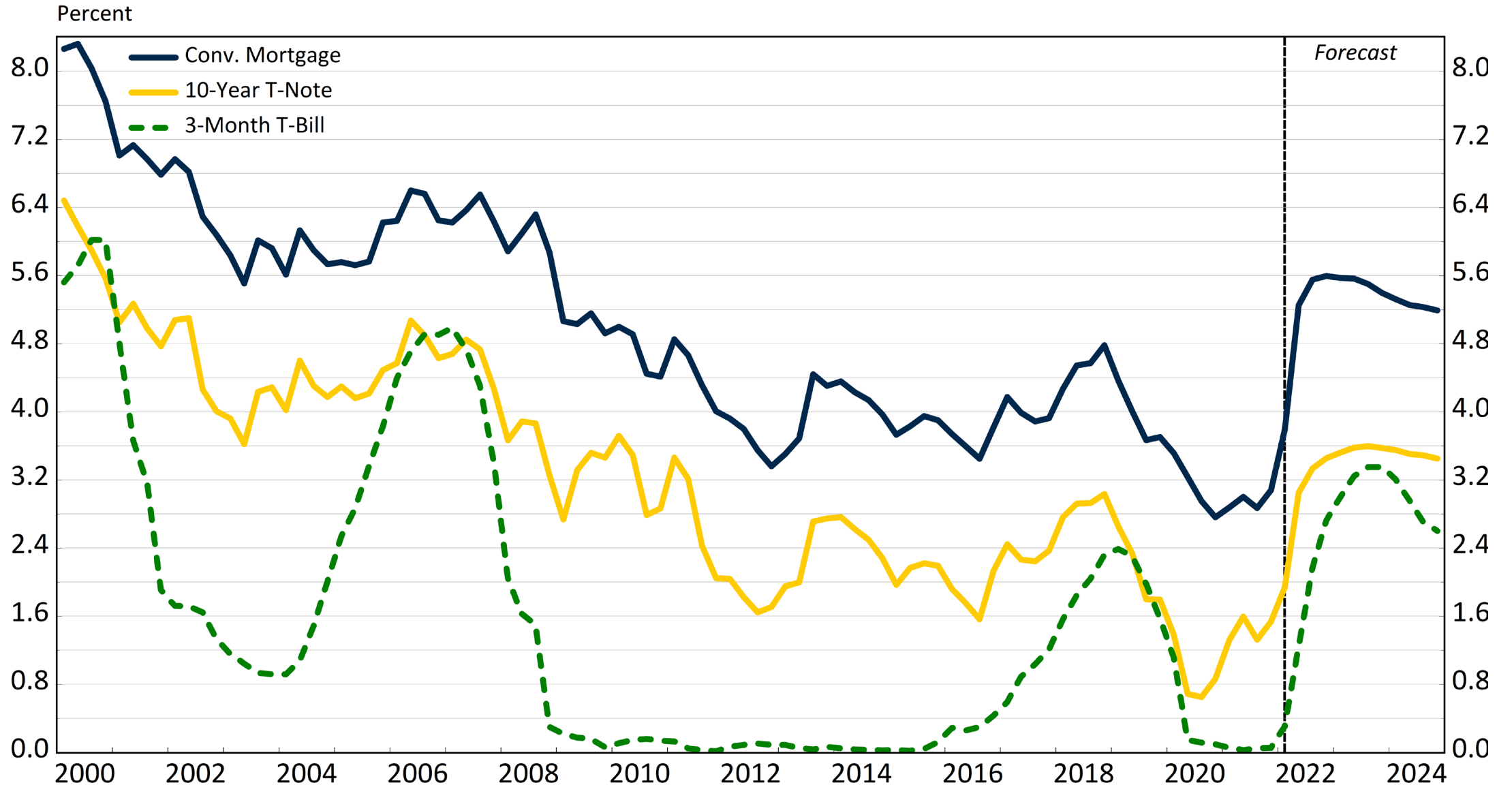


Consumer Price Inflation (CPI-U)

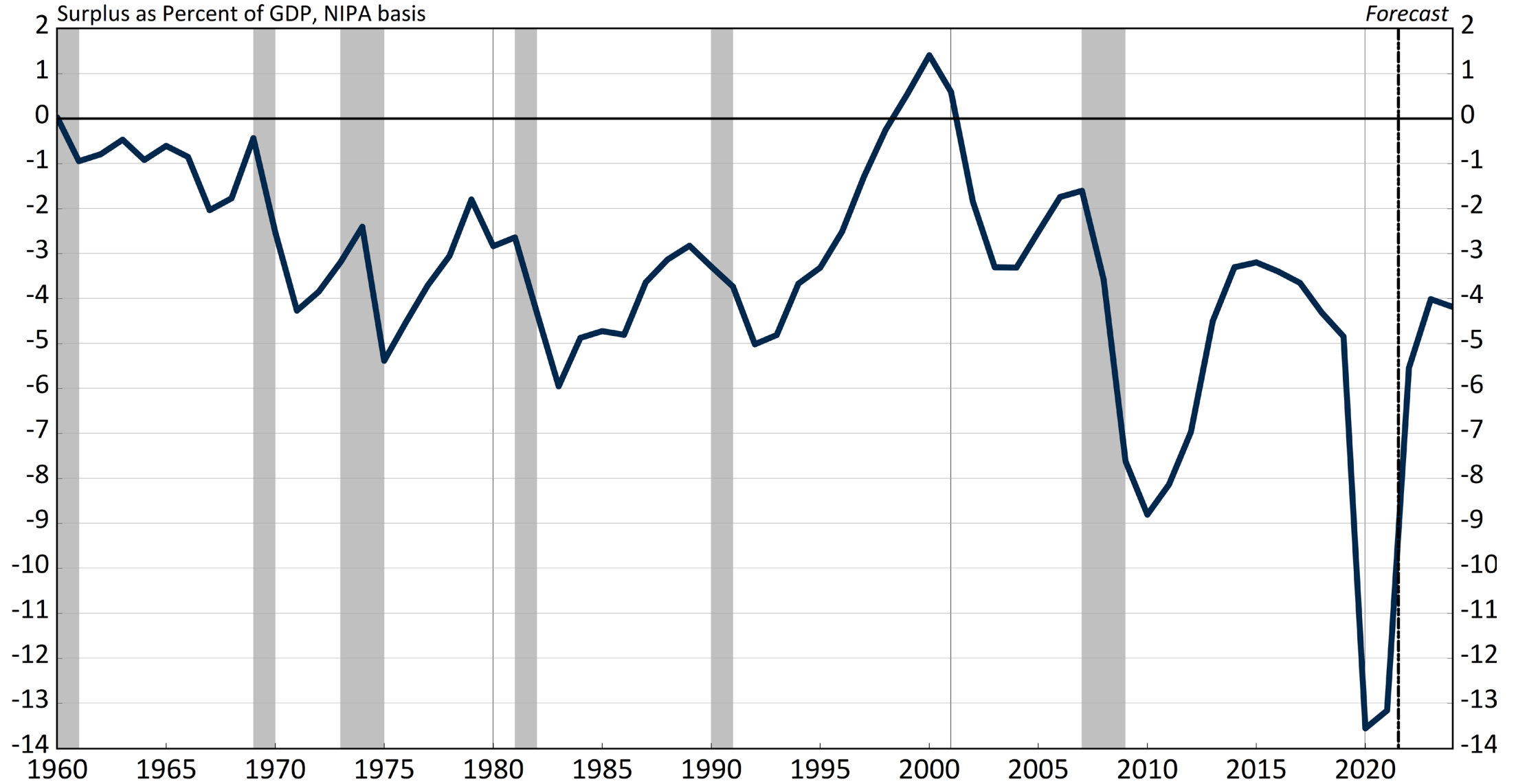


	4th Quarter to 4th Quarter % Change				
Core CPI	1.62	5.01	4.91	3.19	2.59
CPI	1.20	6.72	6.94	2.94	2.47

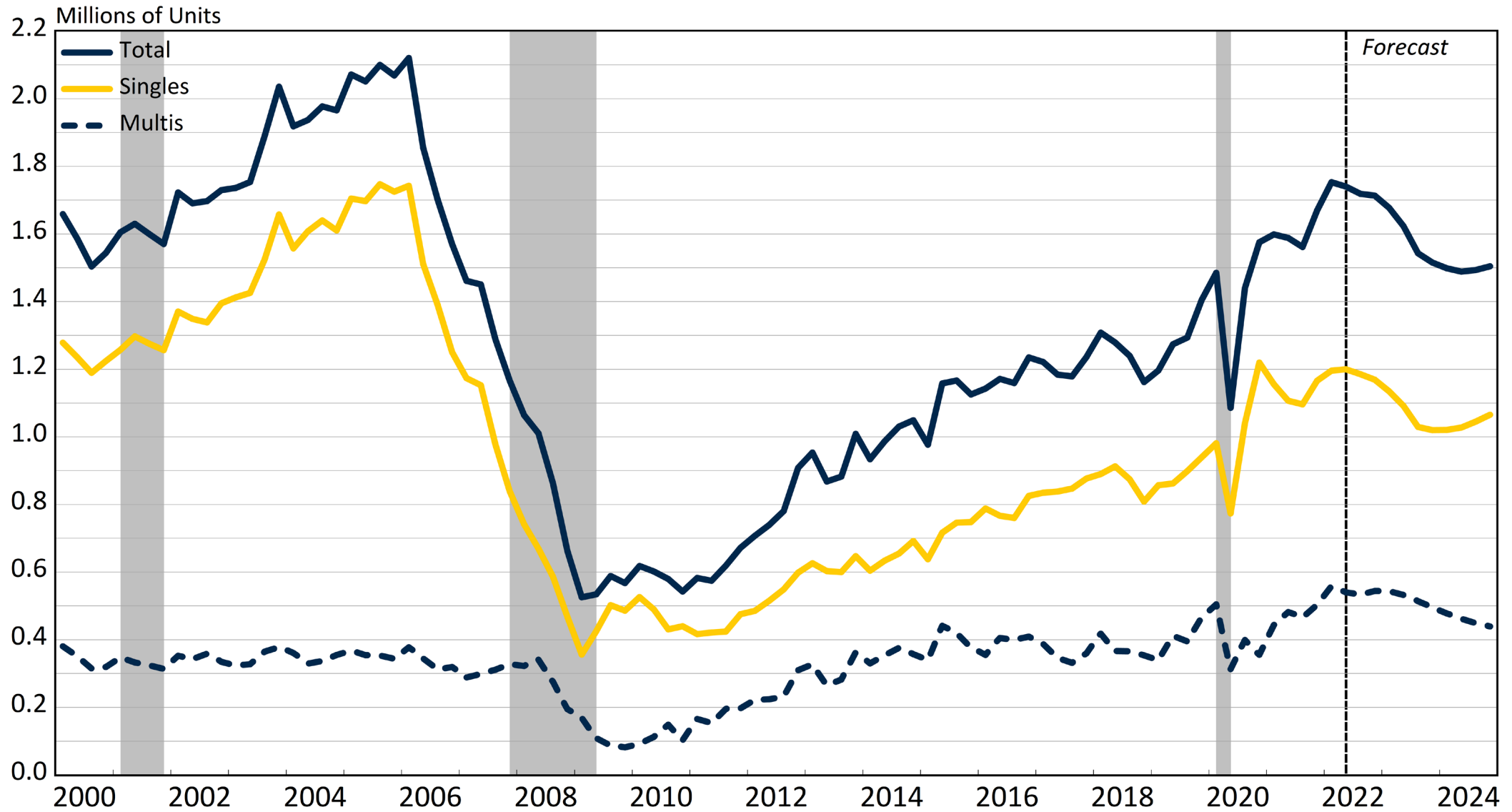
Interest Rates



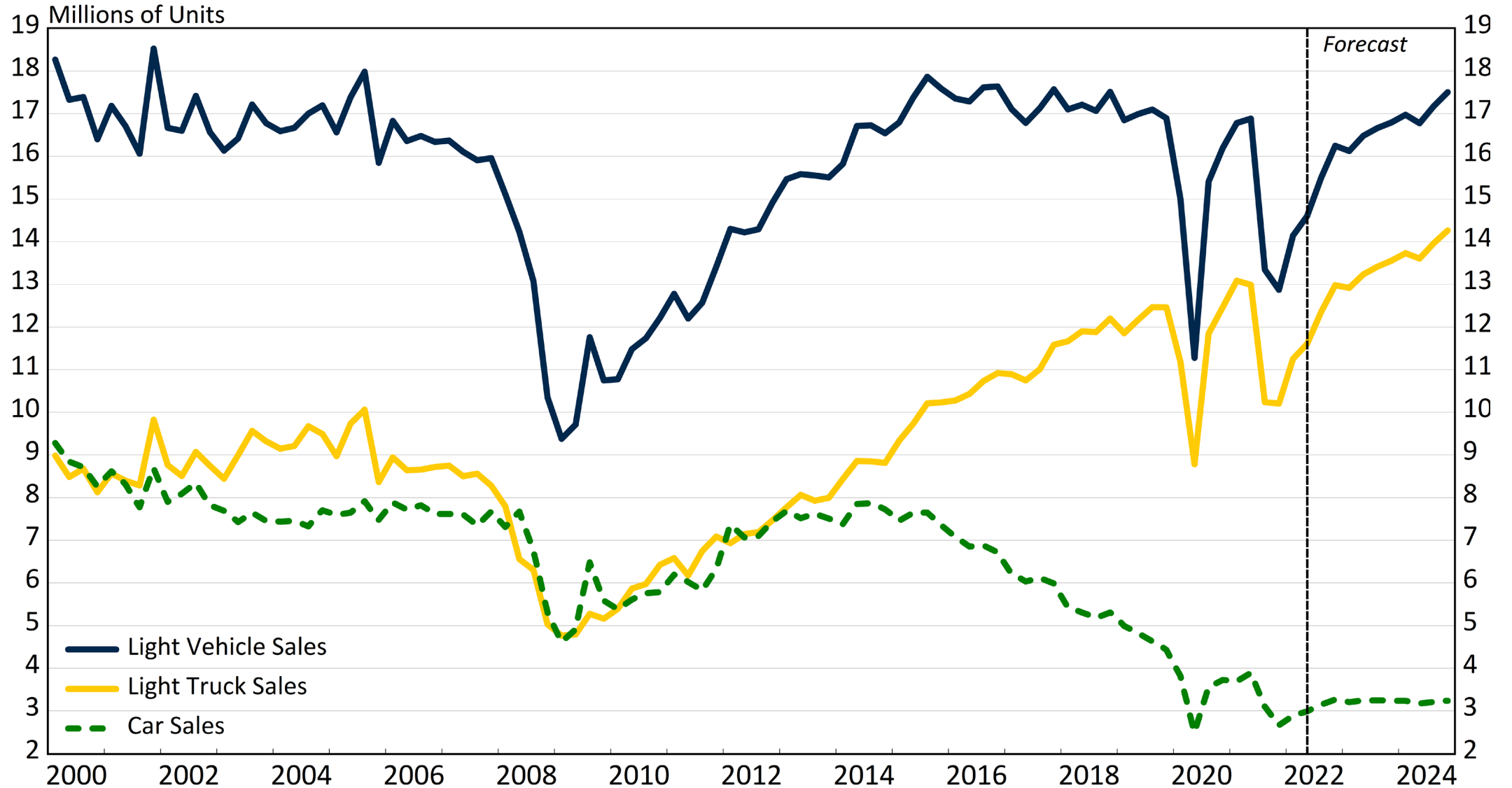
Federal Budget Balance, Fiscal Year



Housing Starts



Light Vehicle Sales



Risks

- War in Ukraine
 - Duration, possible escalation
- Inflation Dynamics
- Monetary Policy
- Fiscal path
 - Elections
- Housing Sector
- Pandemic

The Economic Outlook for Michigan for 2022–2024



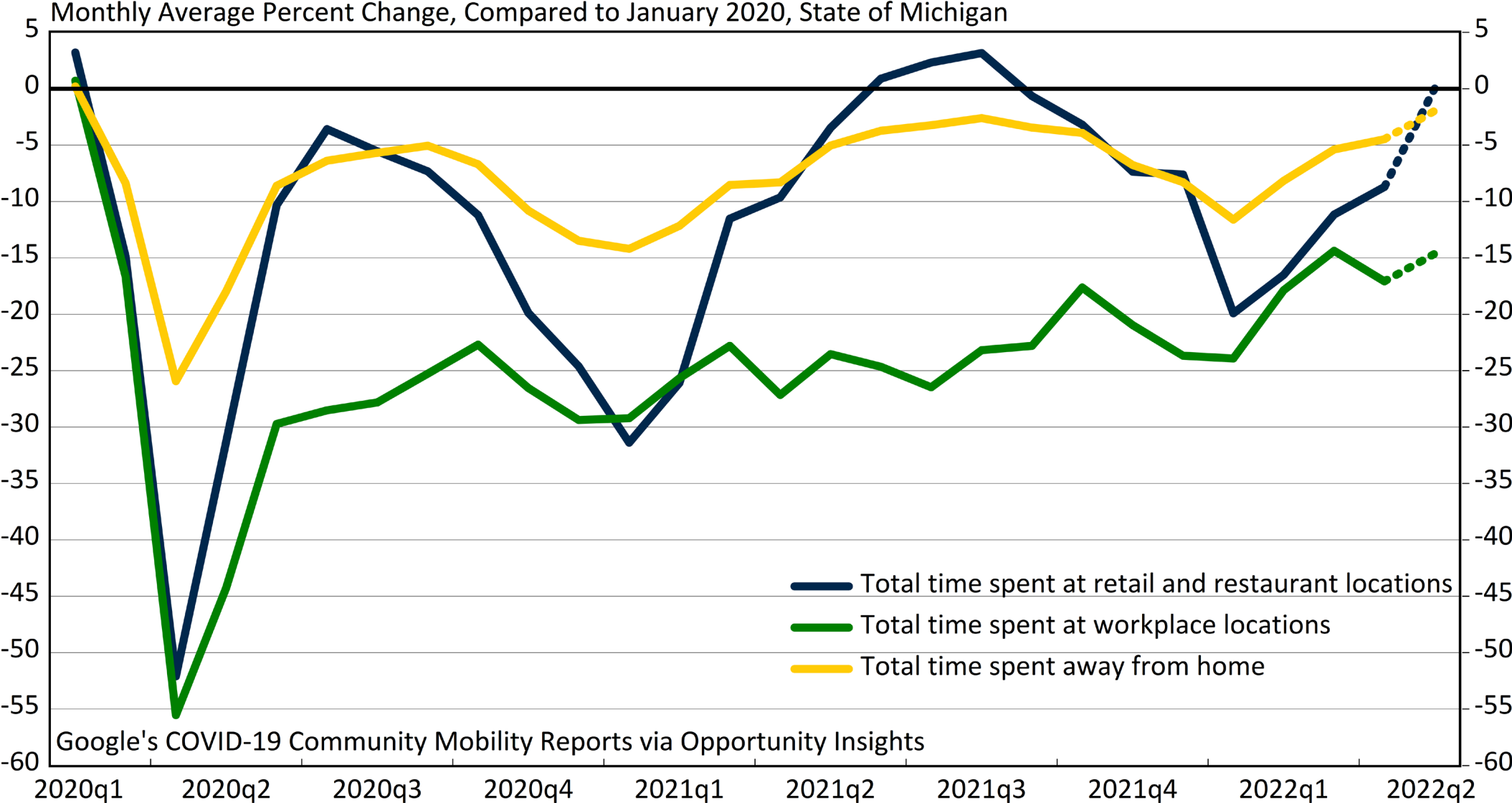
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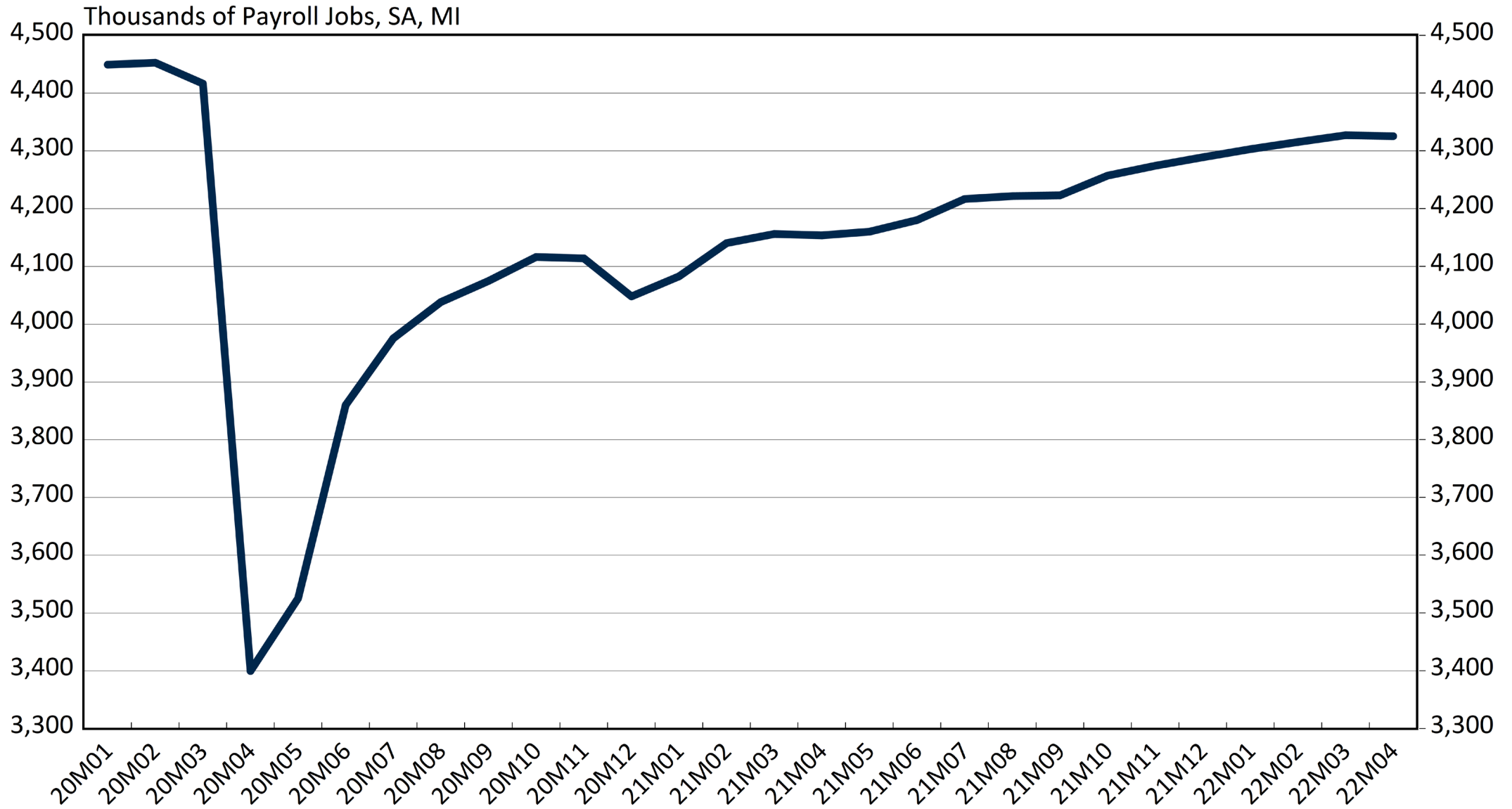


High-Frequency Indicators: Michigan

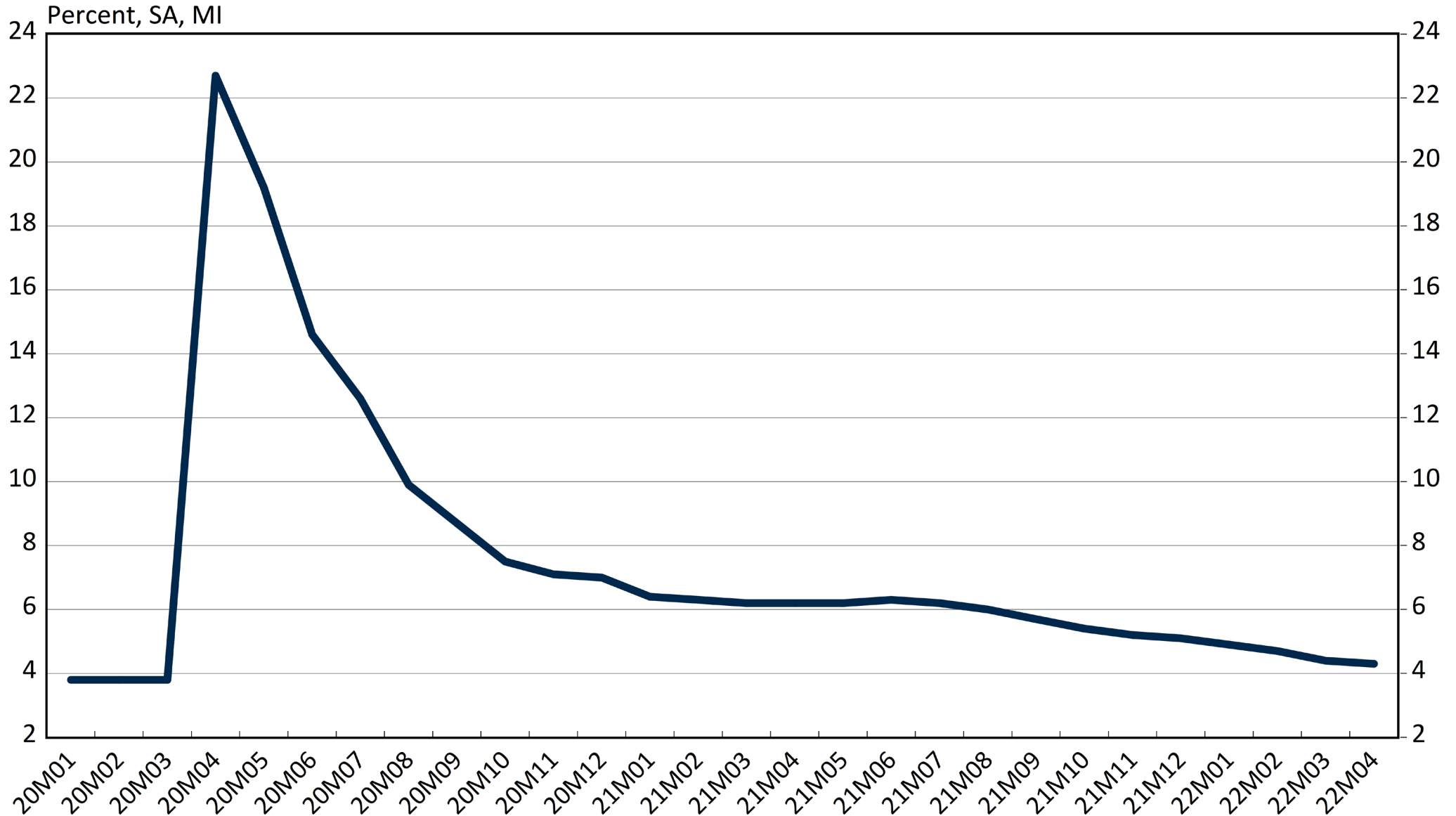
Getting Back to Normal?



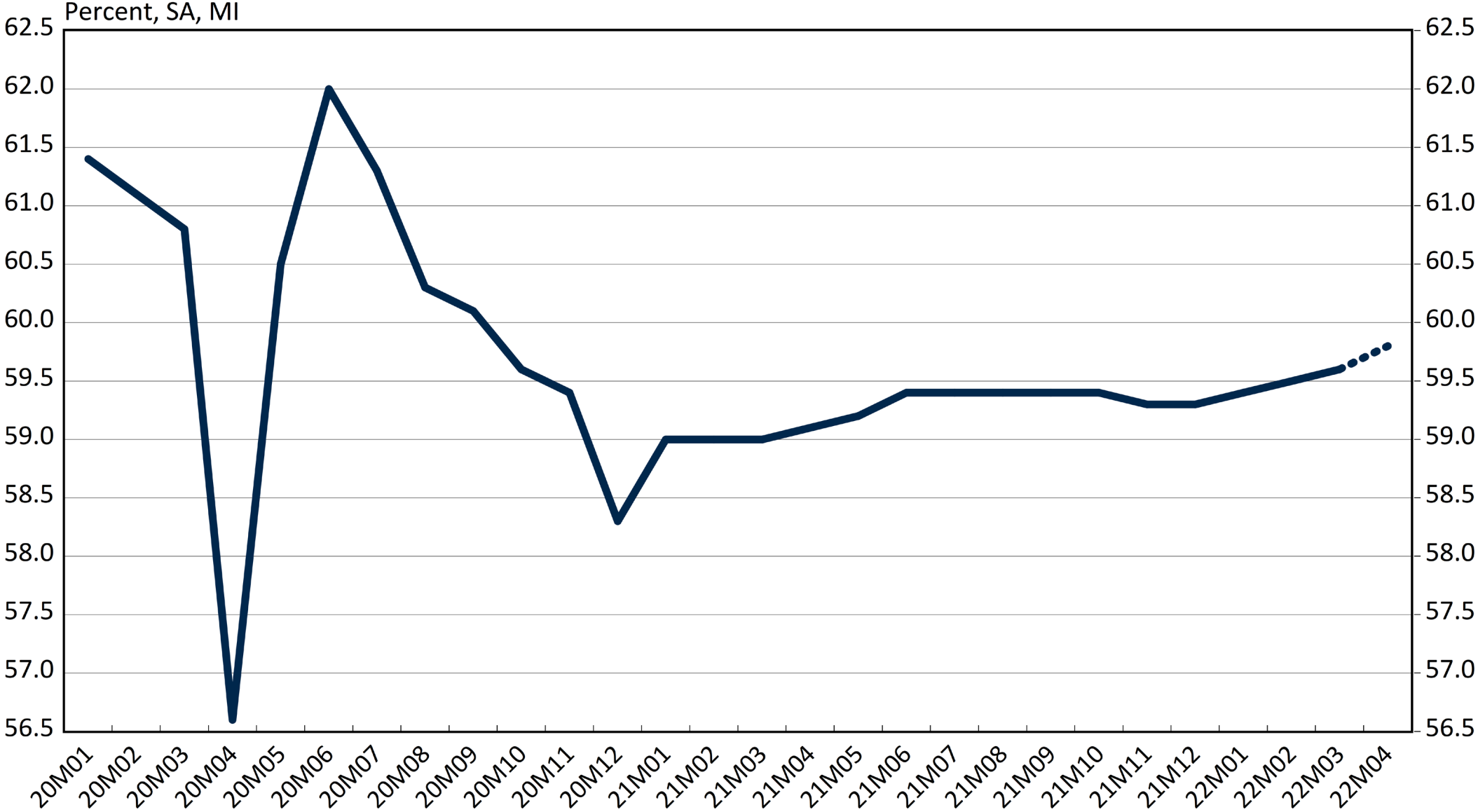
Almost Out of a Deep Jobs Hole



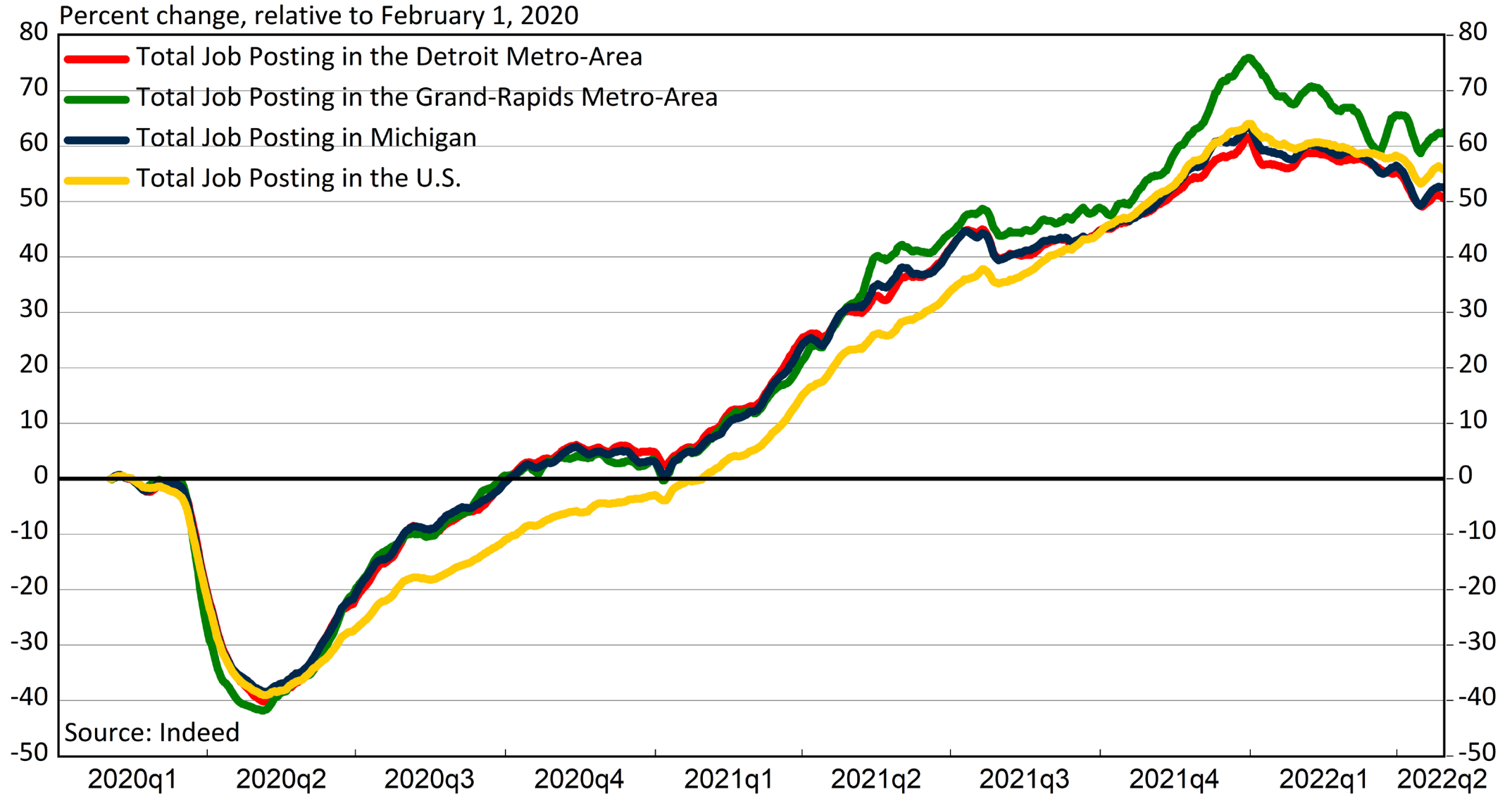
Unemployment Keeps Falling



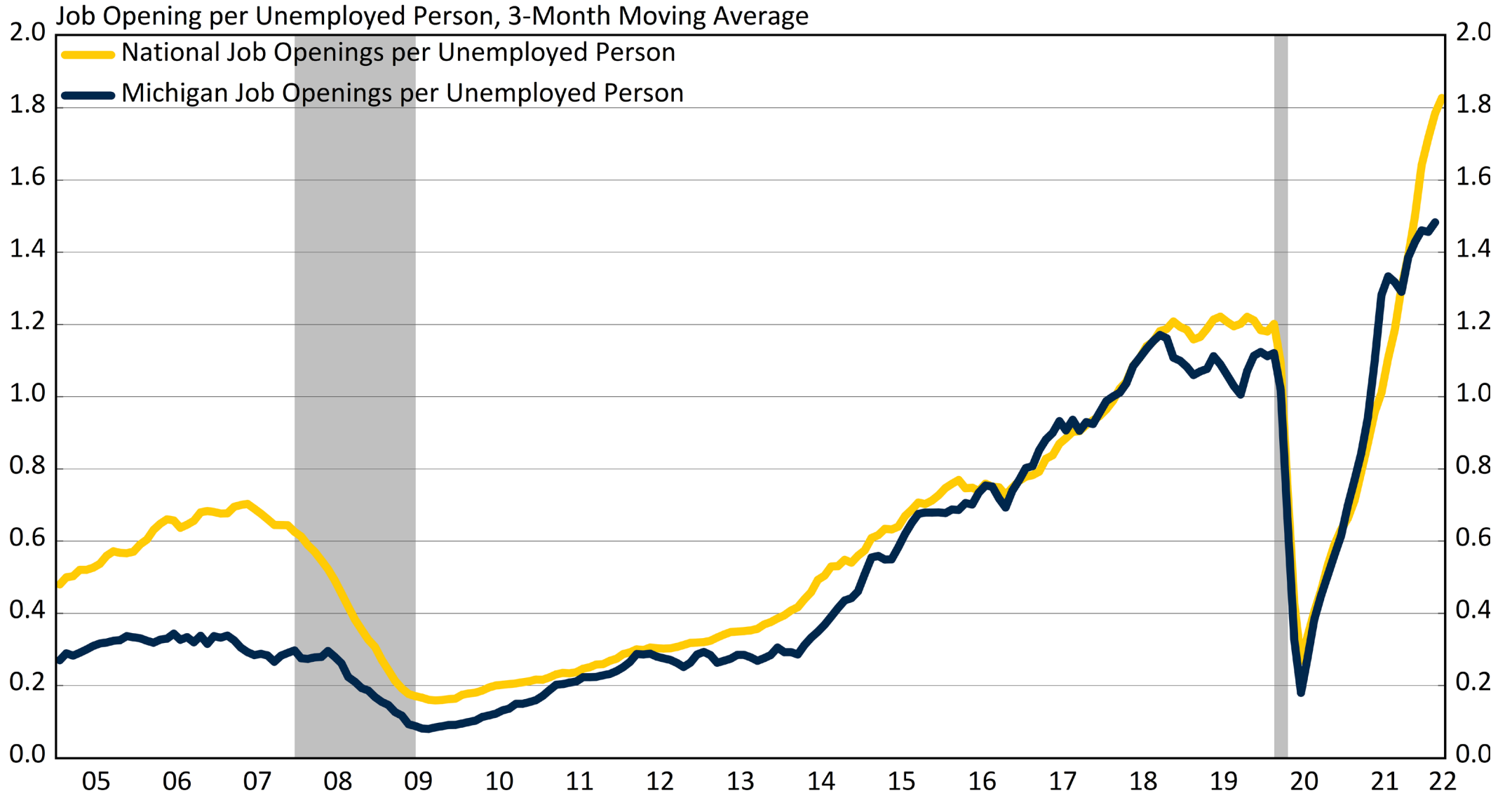
Slow Progress on the Labor Force



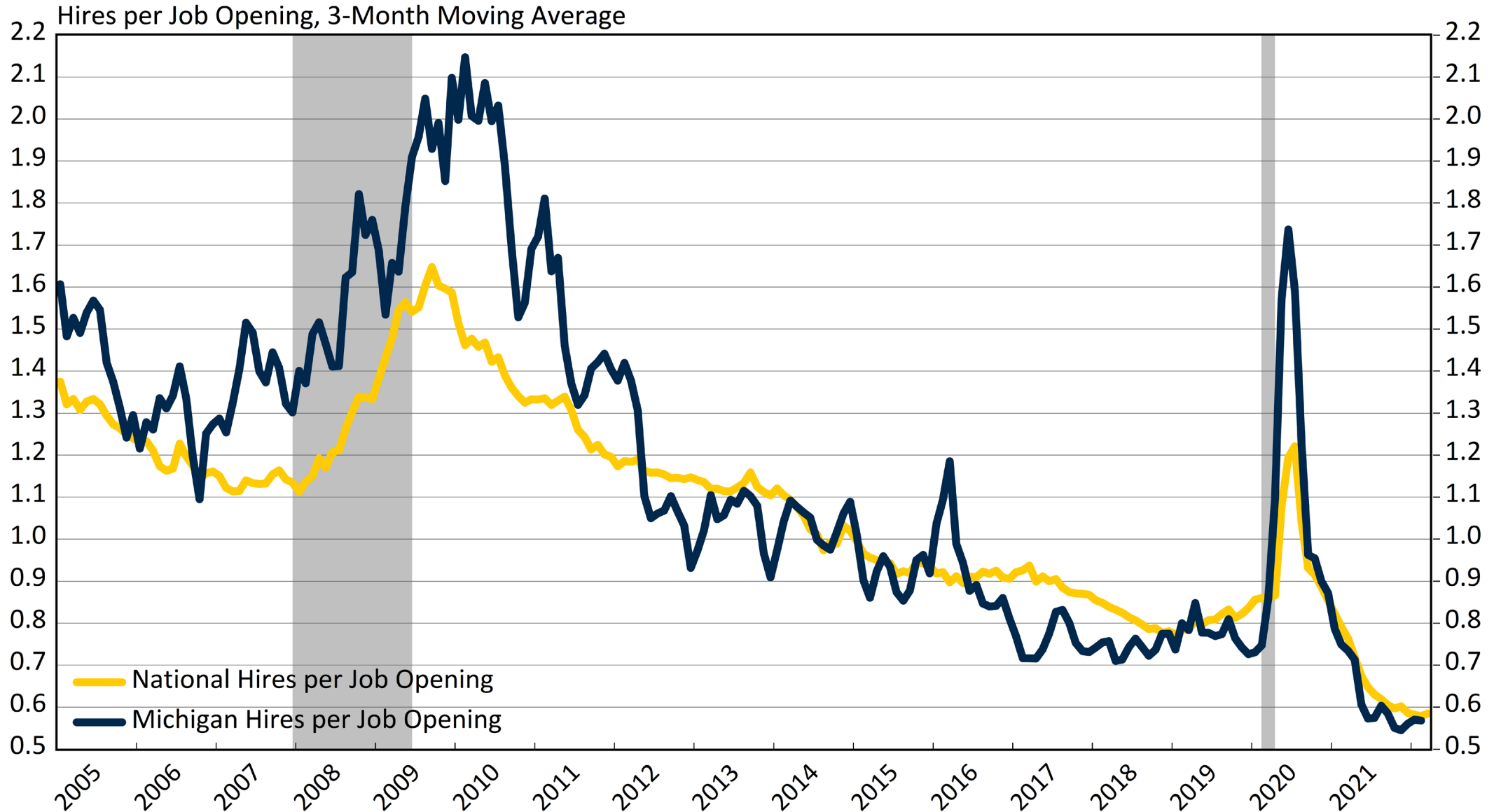
Job Openings Cooling Off...



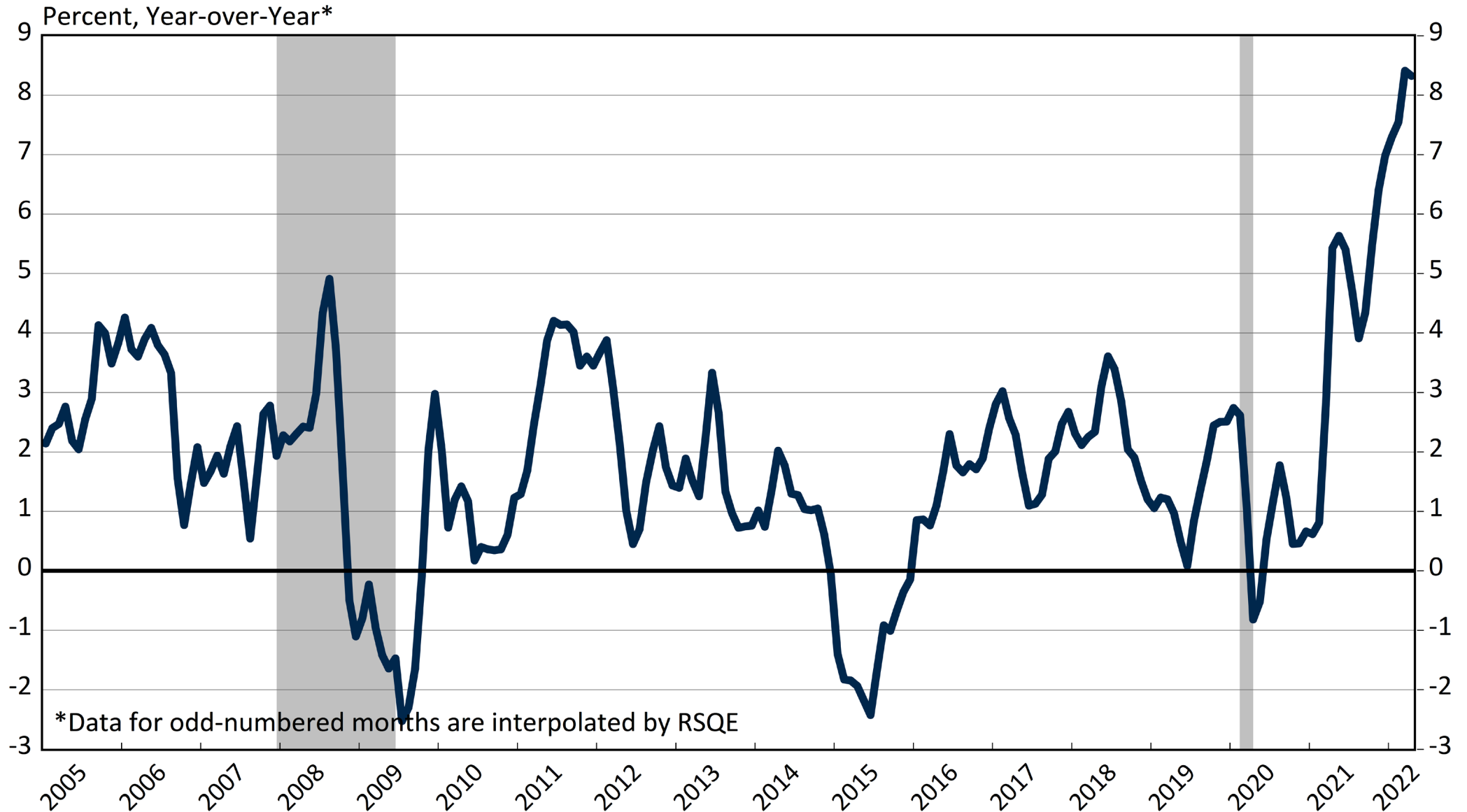
...but the Labor Market Remains Tight



Filling Jobs Remains Difficult

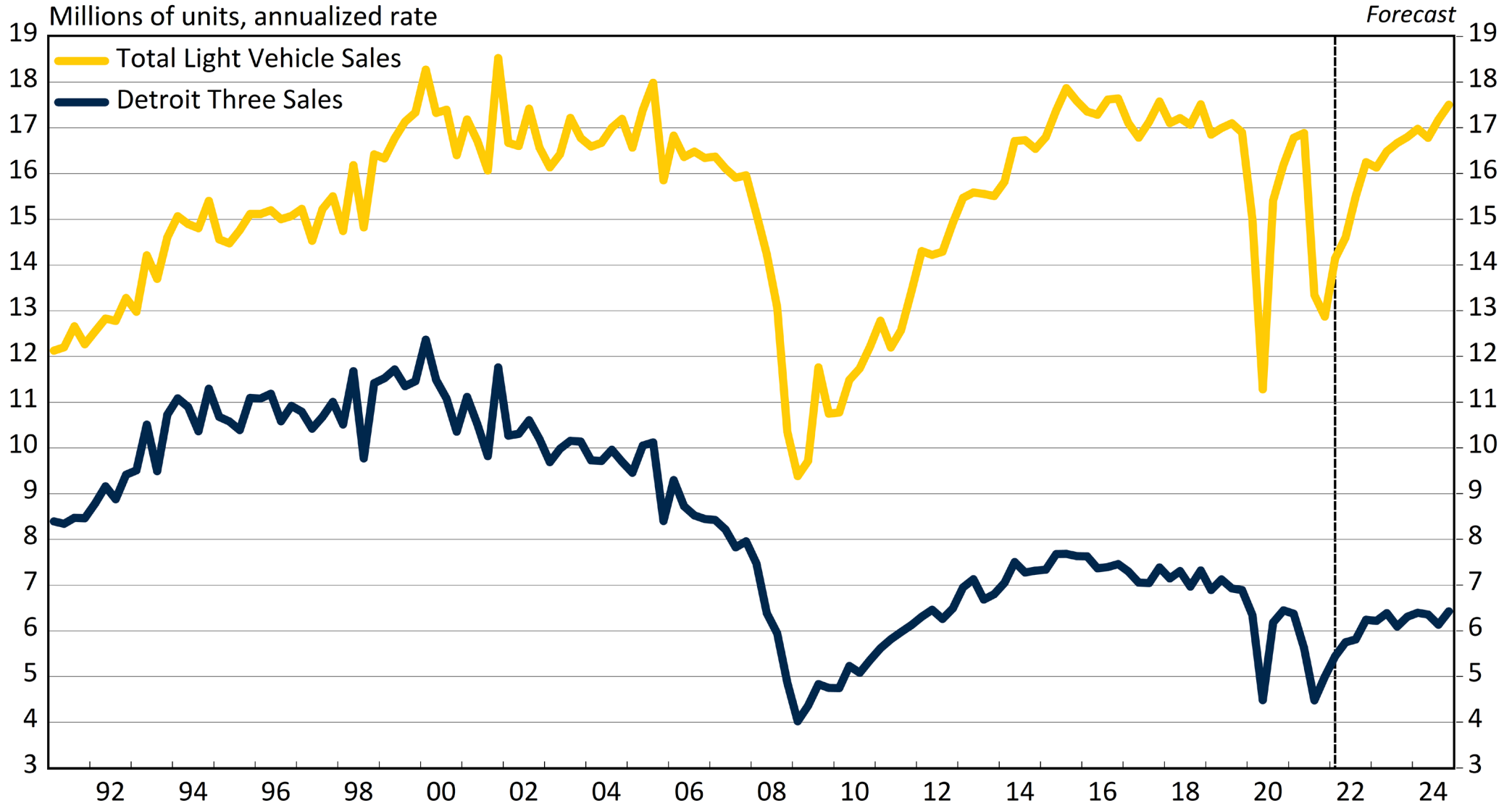


Local Inflation: No Relief Yet

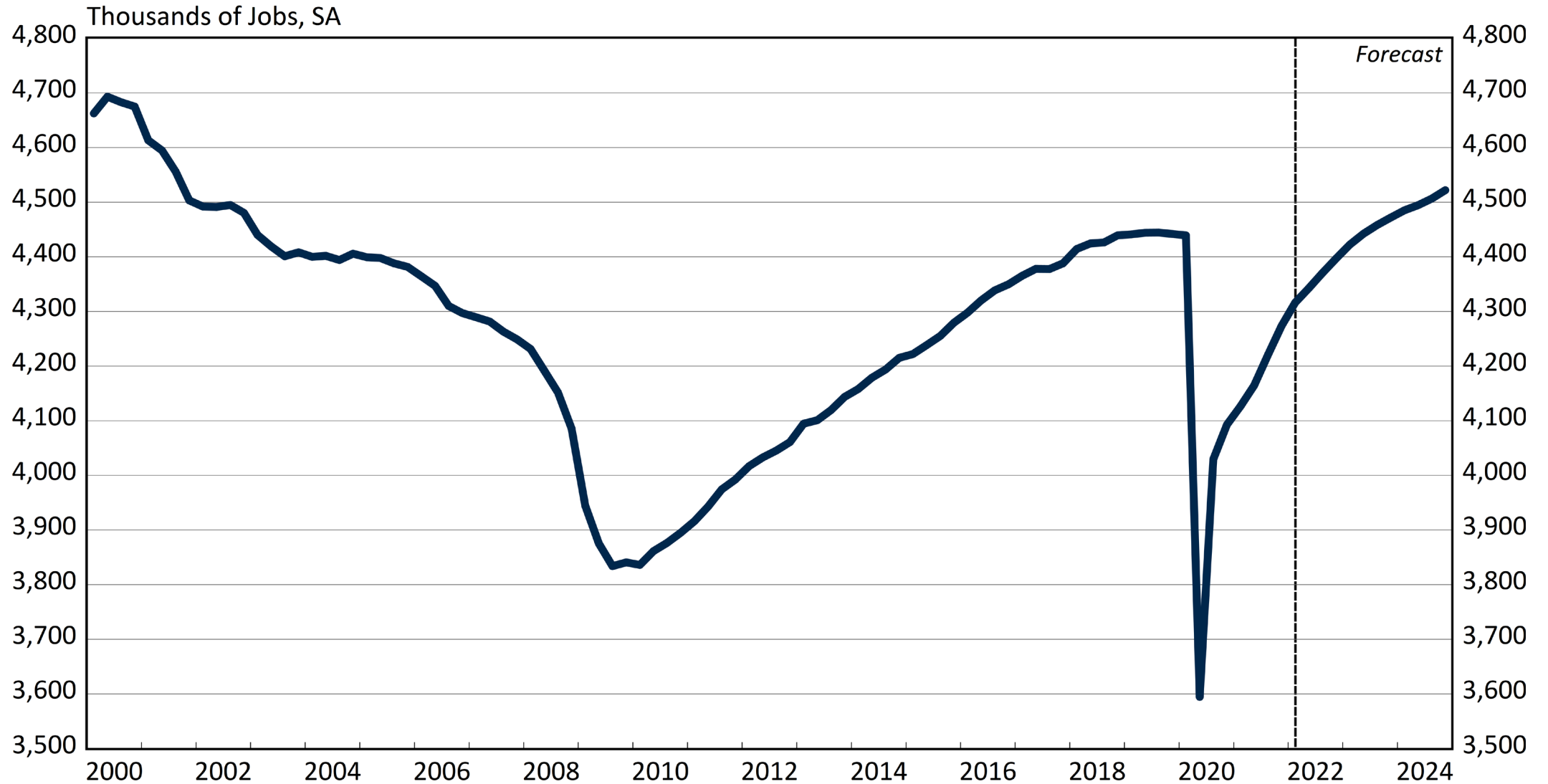


Michigan Economic Outlook

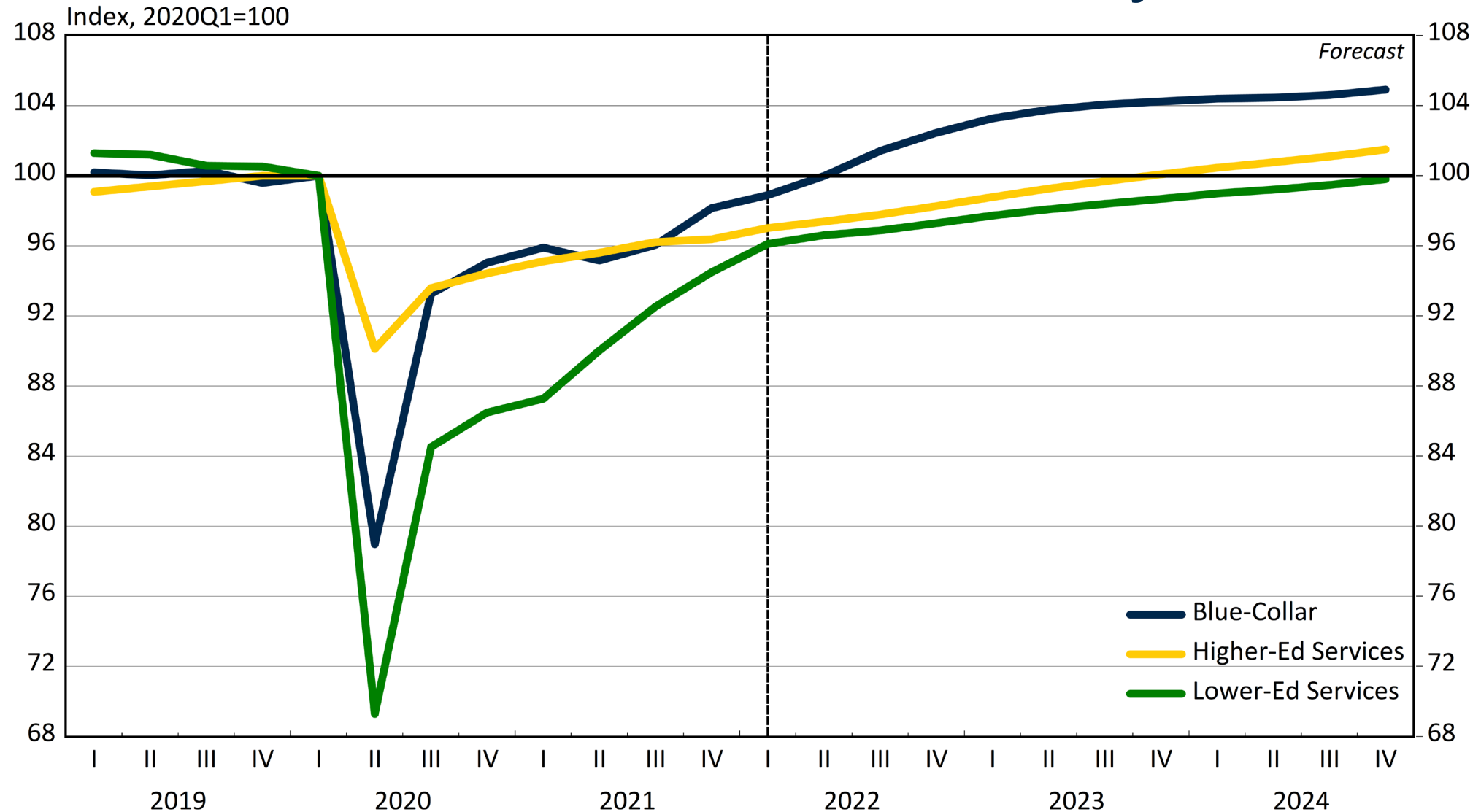
Quarterly Light Vehicle Sales: Recovery on the Way



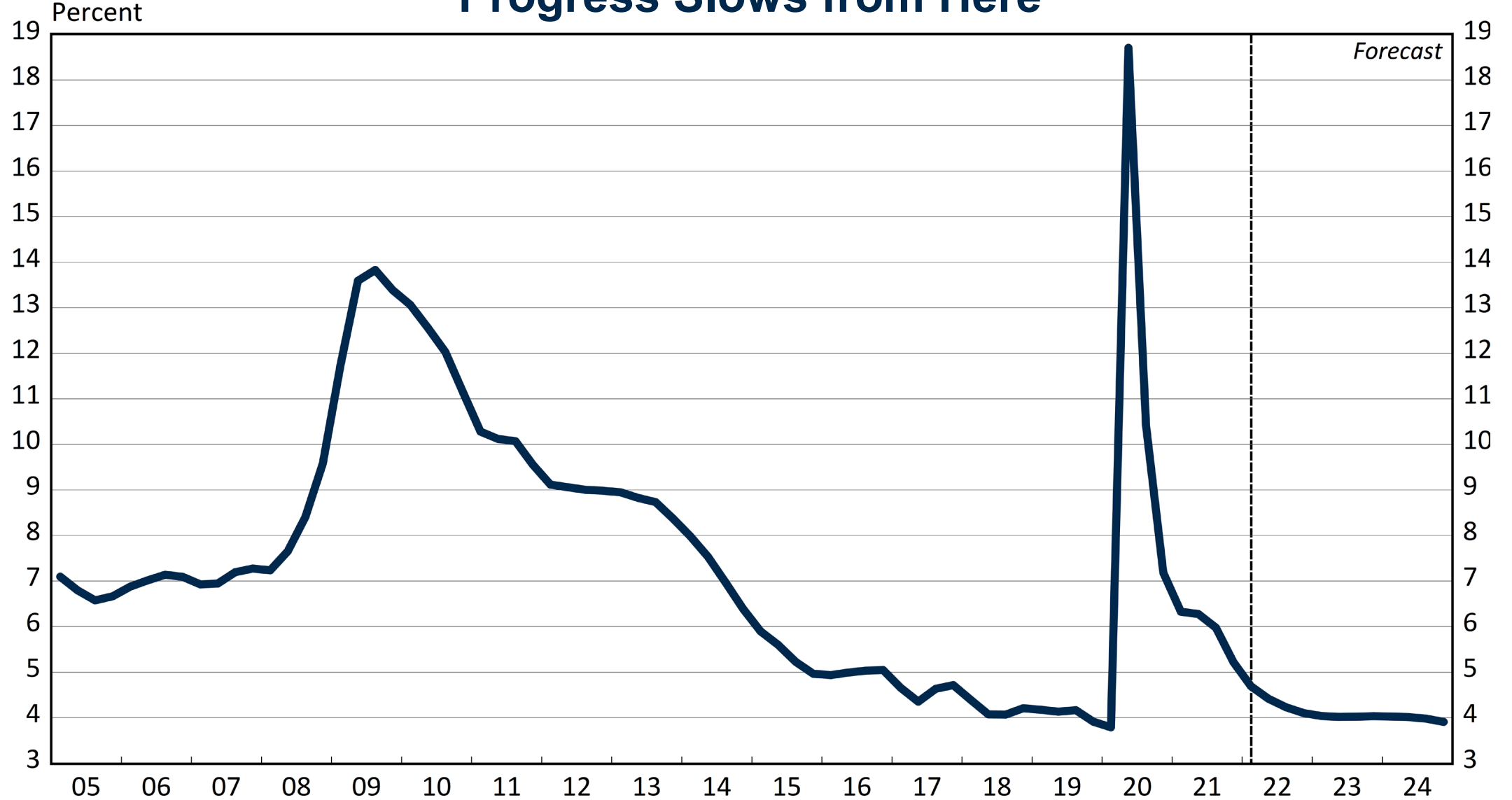
Quarterly Michigan Payroll Employment: Full Recovery in Mid-2023



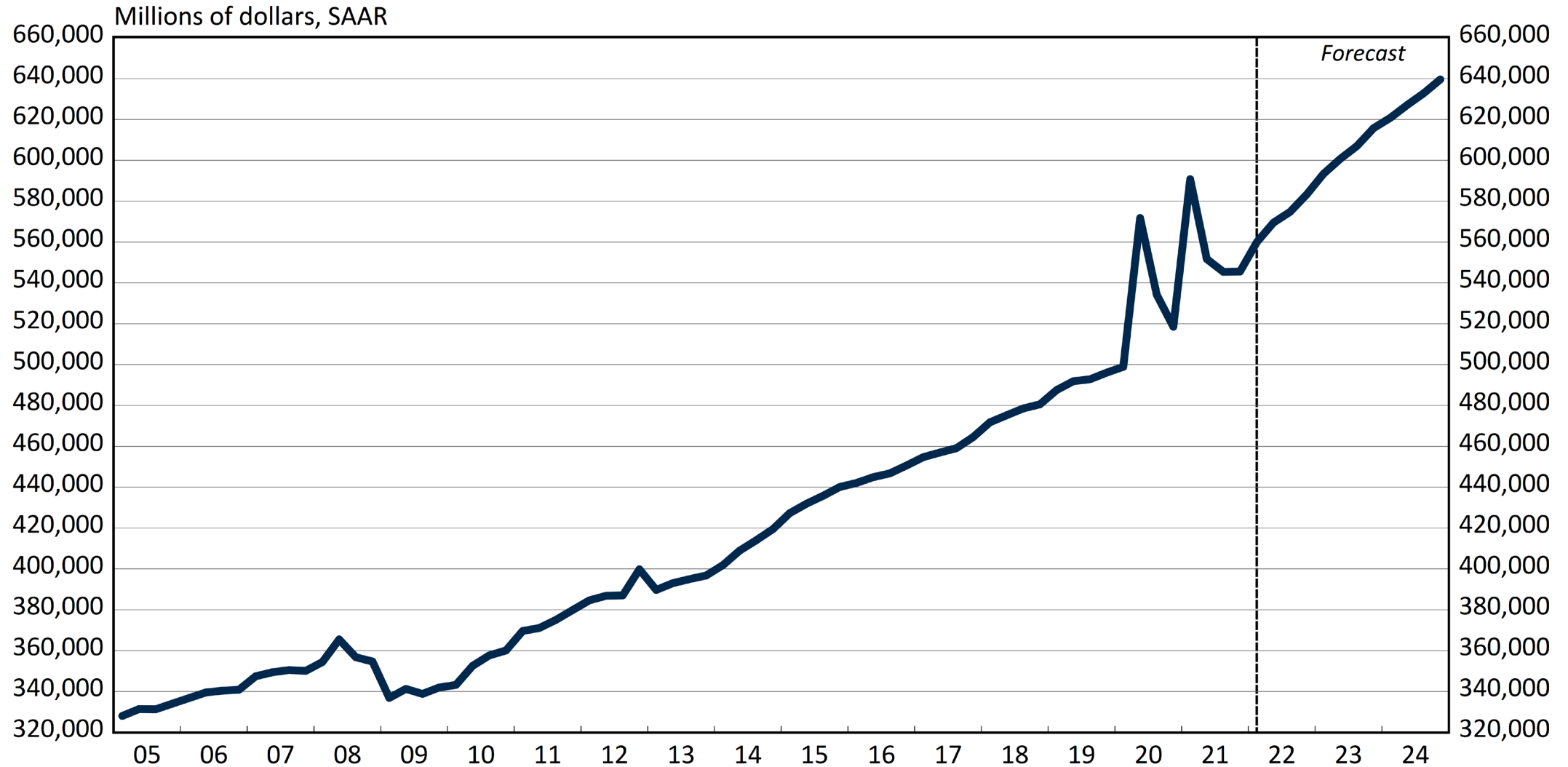
Employment Outlook by Industry Group: Blue-Collar Industries Lead the Way



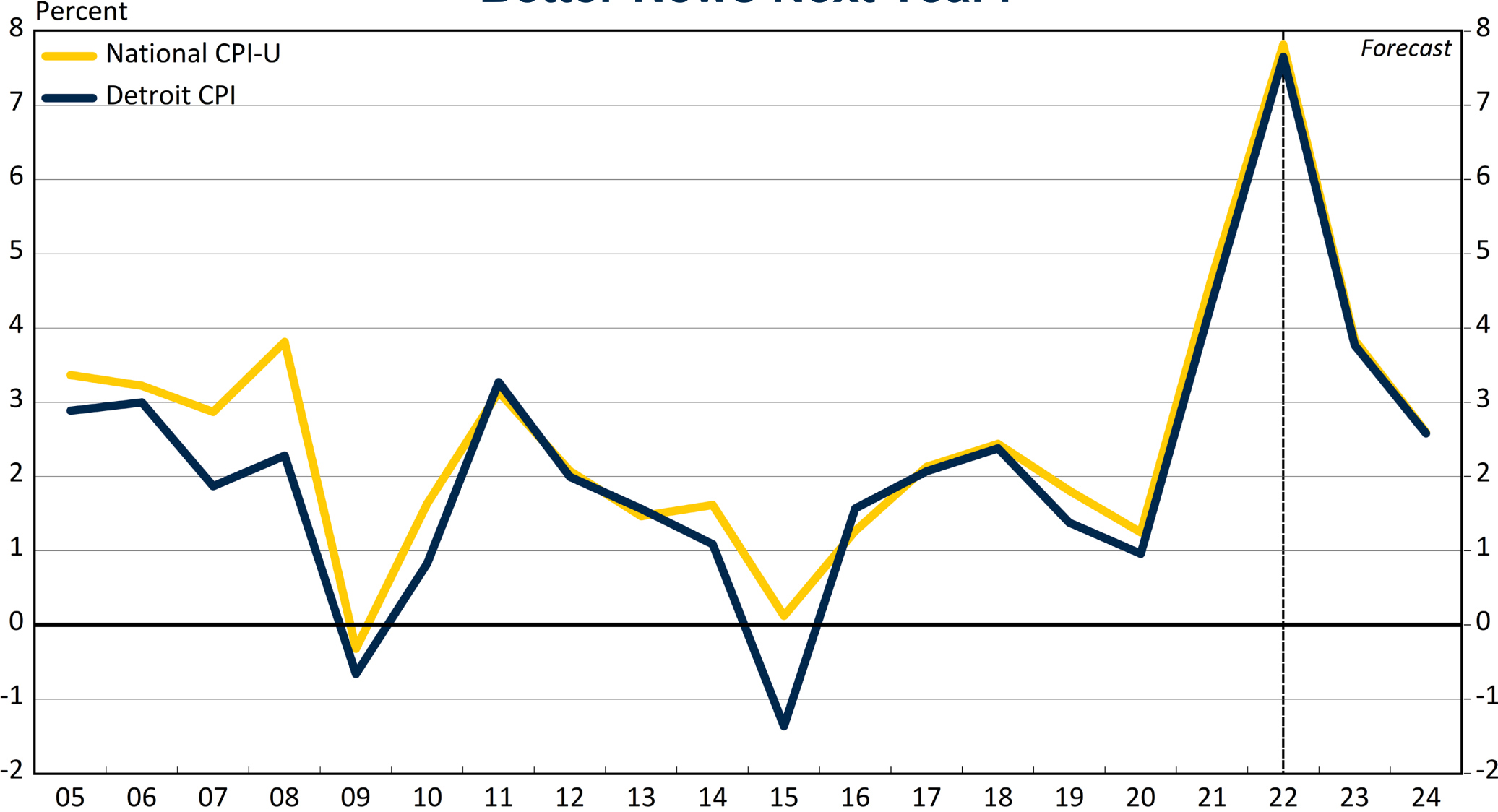
Quarterly Michigan Unemployment Rate: Progress Slows from Here



Quarterly Michigan Personal Income: Back to Steady Growth



National and Local Inflation: Better News Next Year?





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