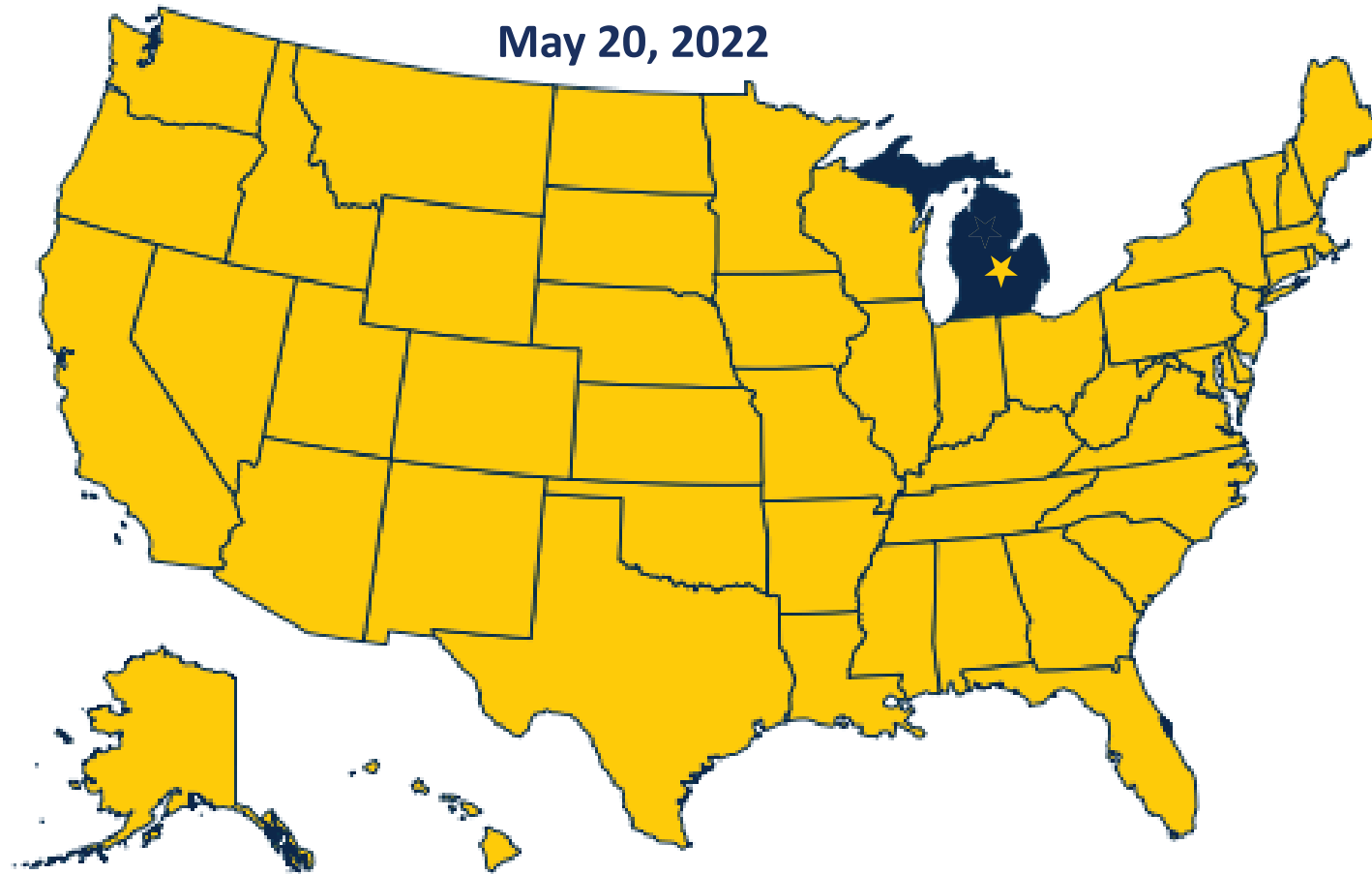


**The U.S. and Michigan Outlook for 2022–2024**  
**Consensus Revenue Estimating Conference**  
**Lansing, Michigan**

May 20, 2022

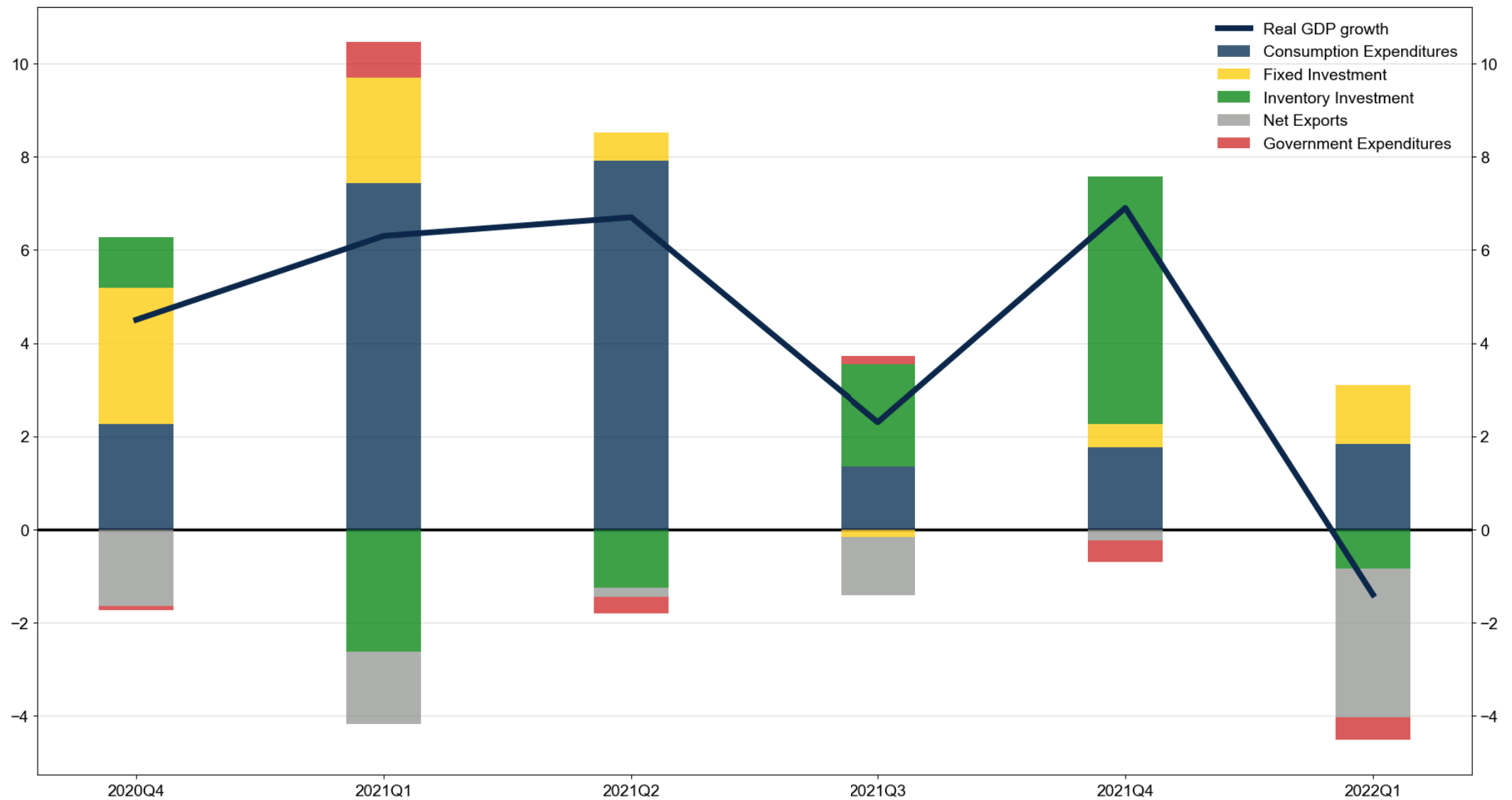


**Research Seminar in Quantitative Economics**

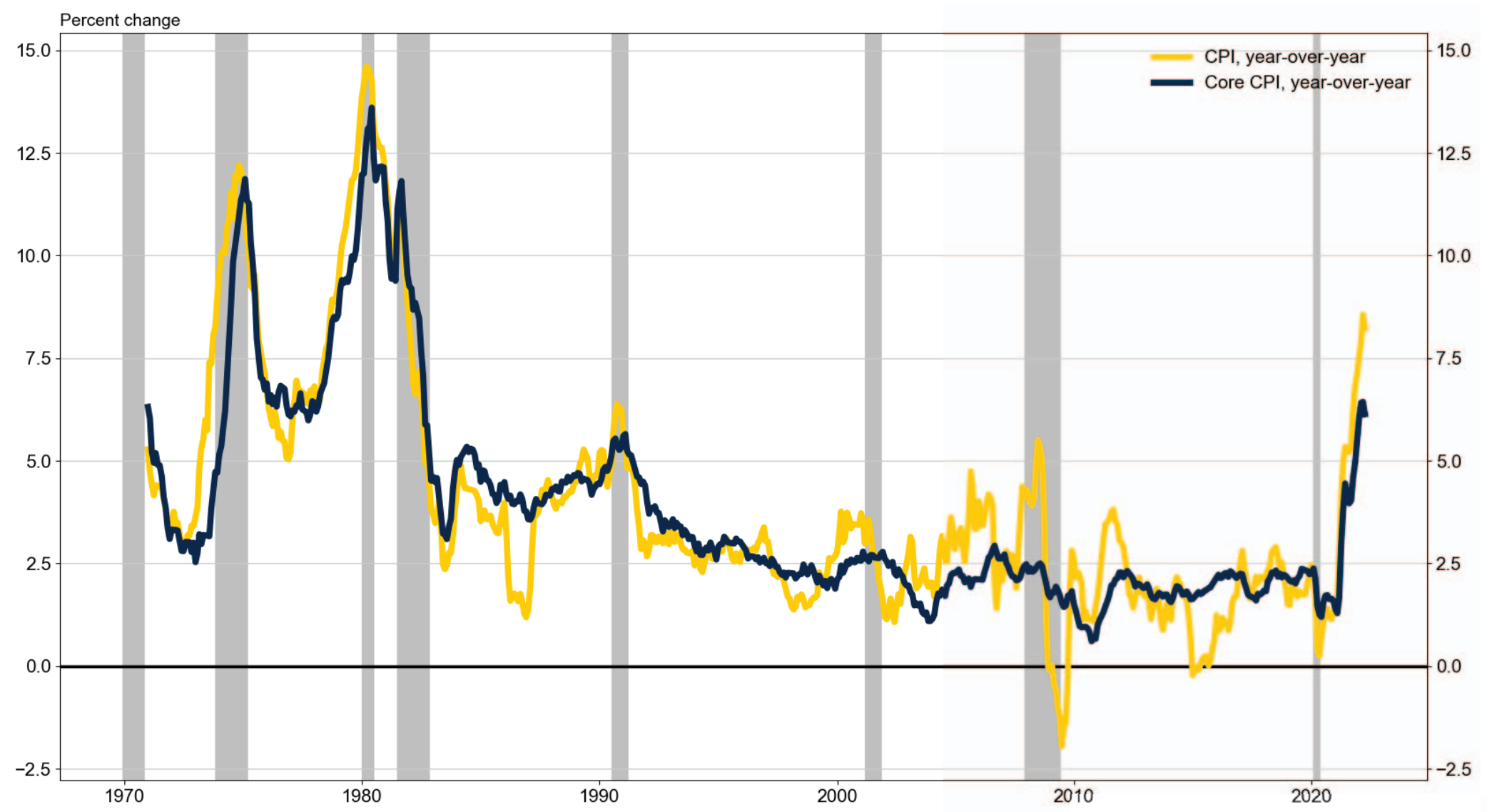


# **Current State of the U.S. Economy**

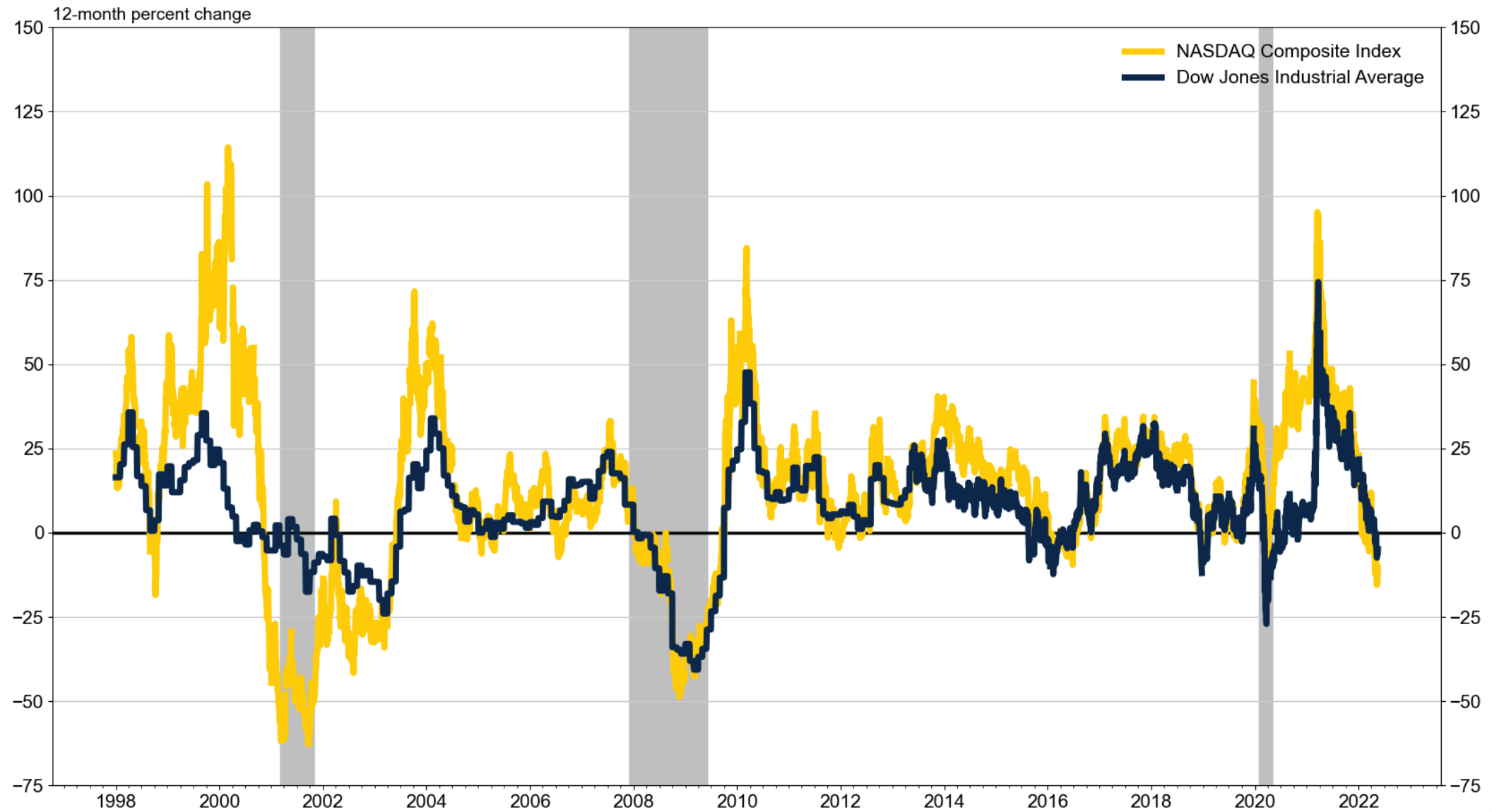
# Real GDP Growth Composition



# Consumer Price Index



# Stock Market Performance

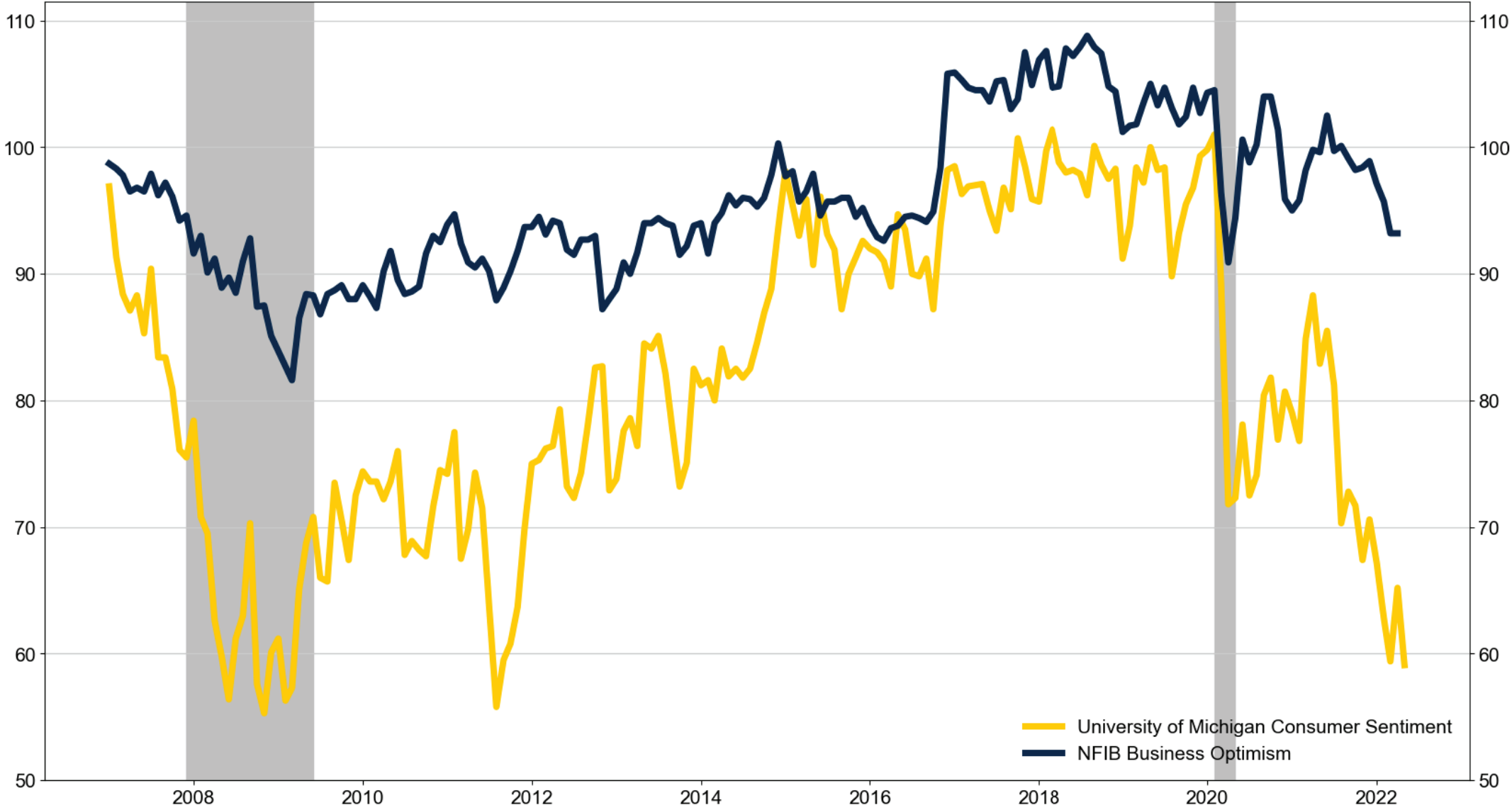


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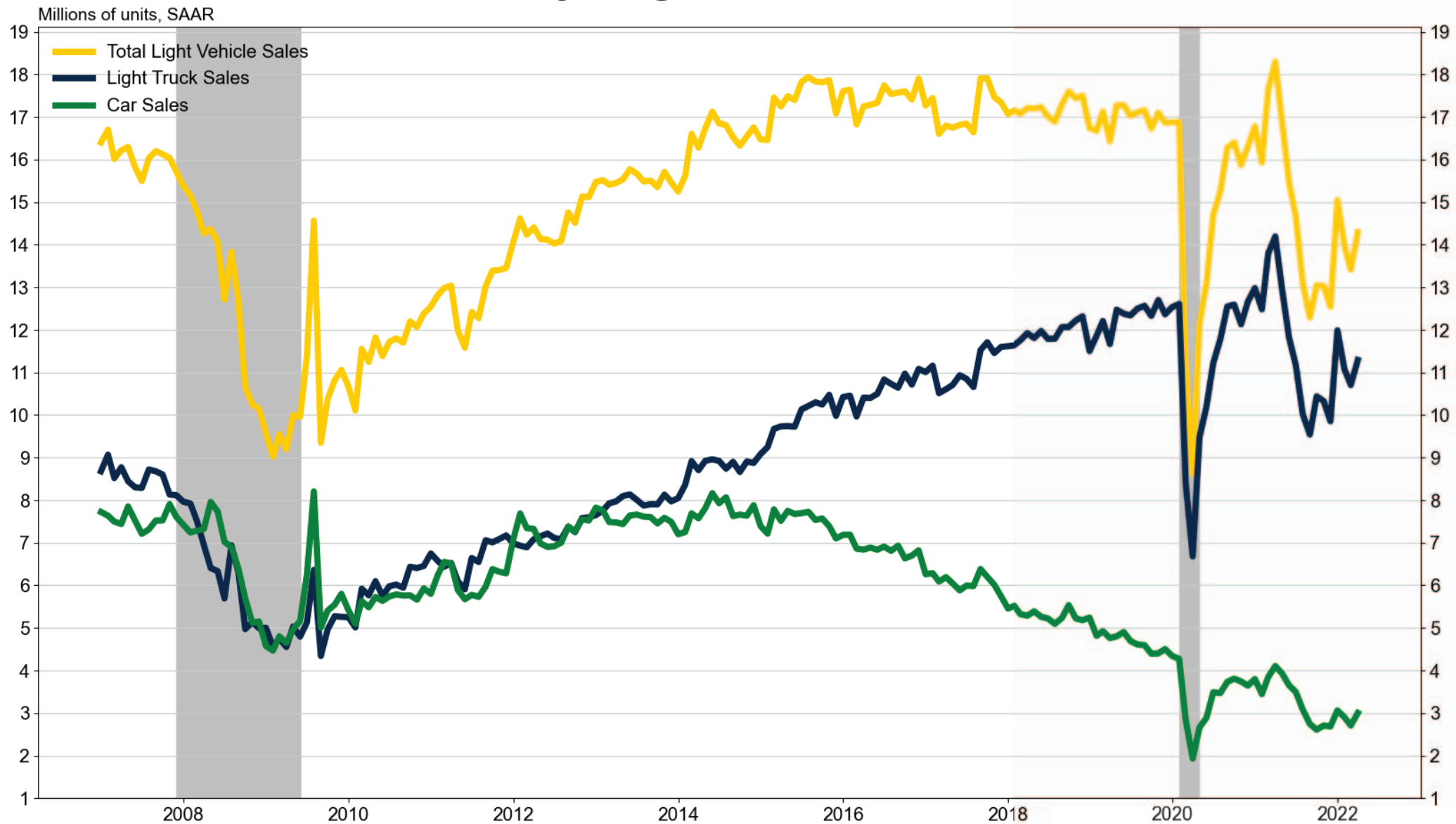
# Monthly Payroll Job Gains



# Consumer and Small Business Sentiment

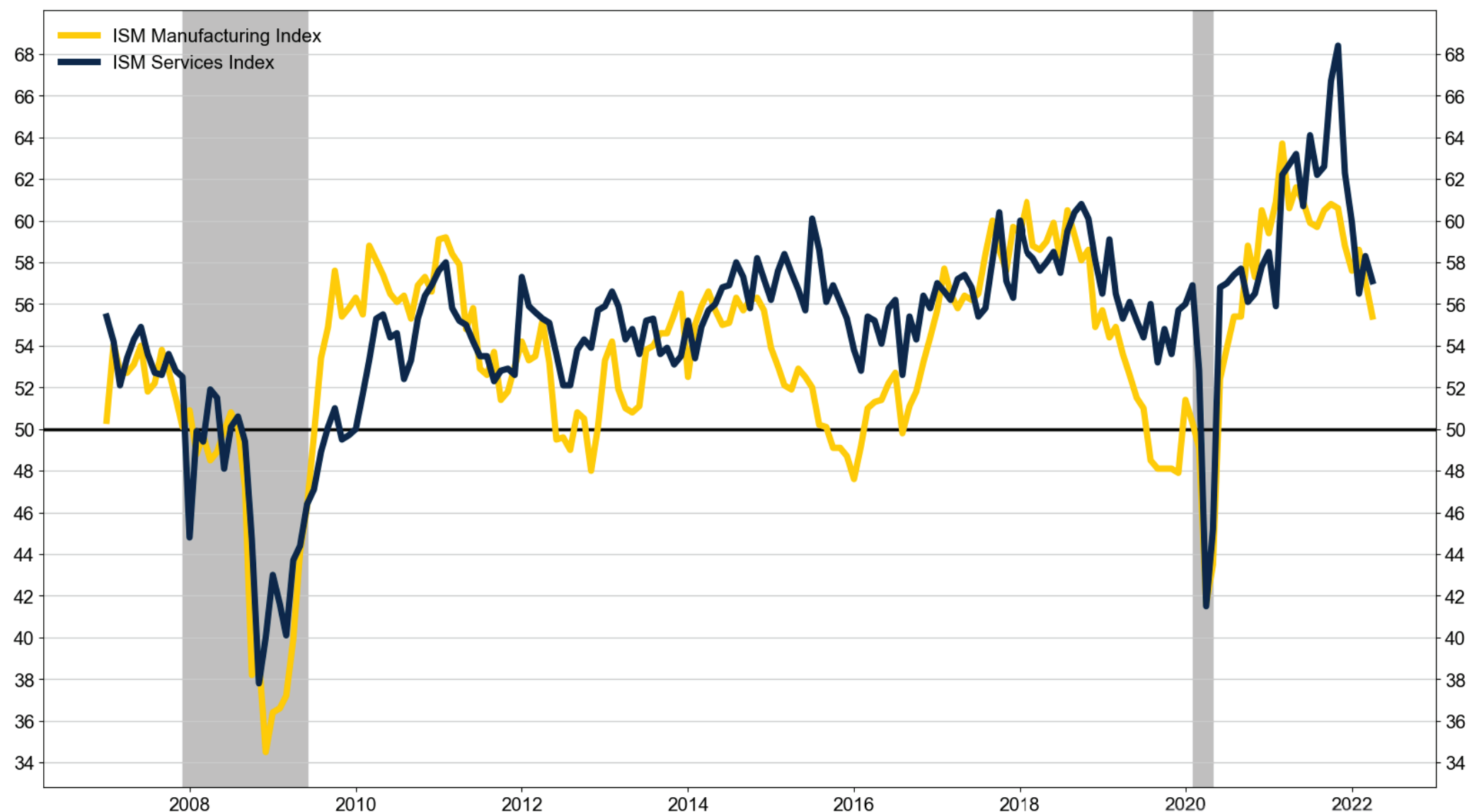


# Monthly Light Vehicle Sales



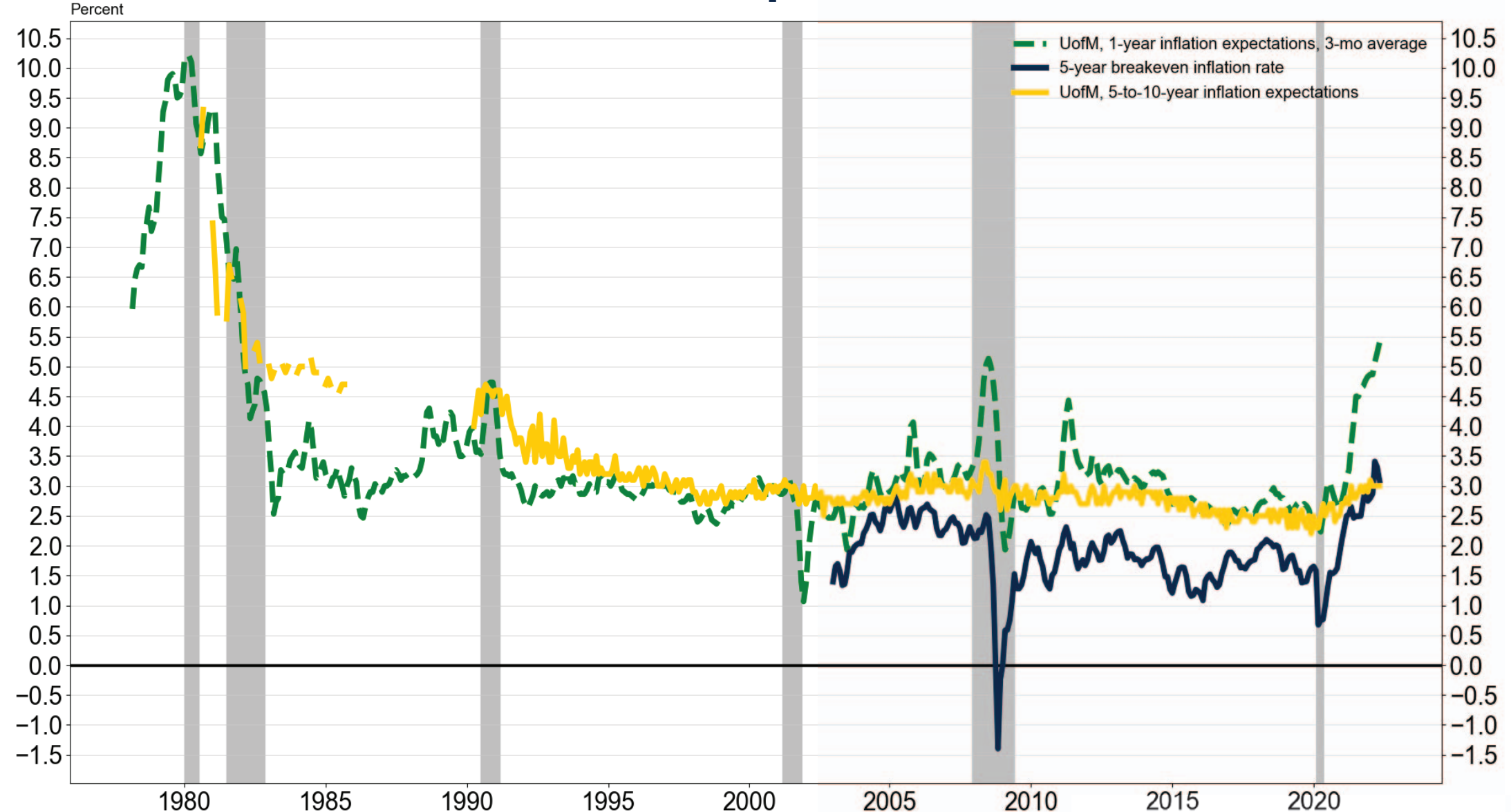


# ISM PMIs



**Inputs**

# Inflation Expectations



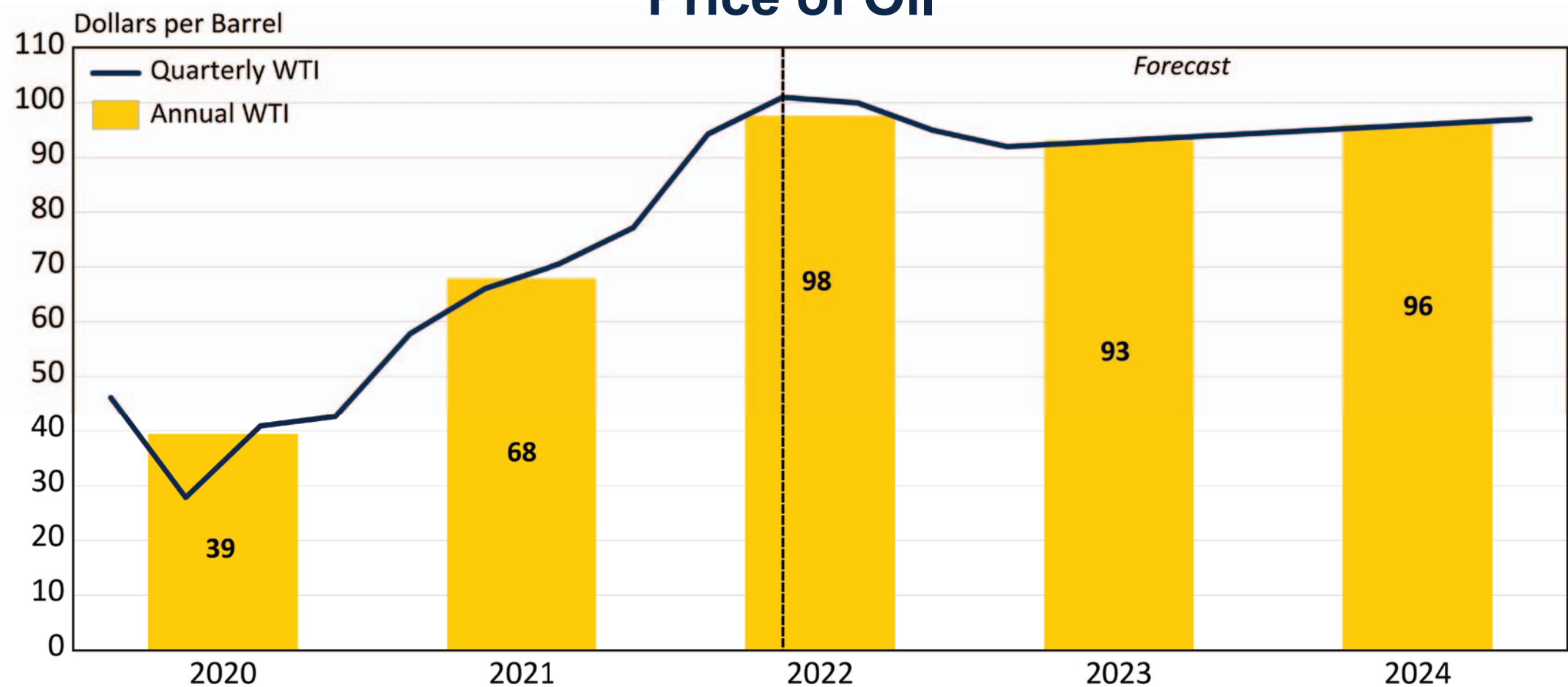
# Monetary Policy

- 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

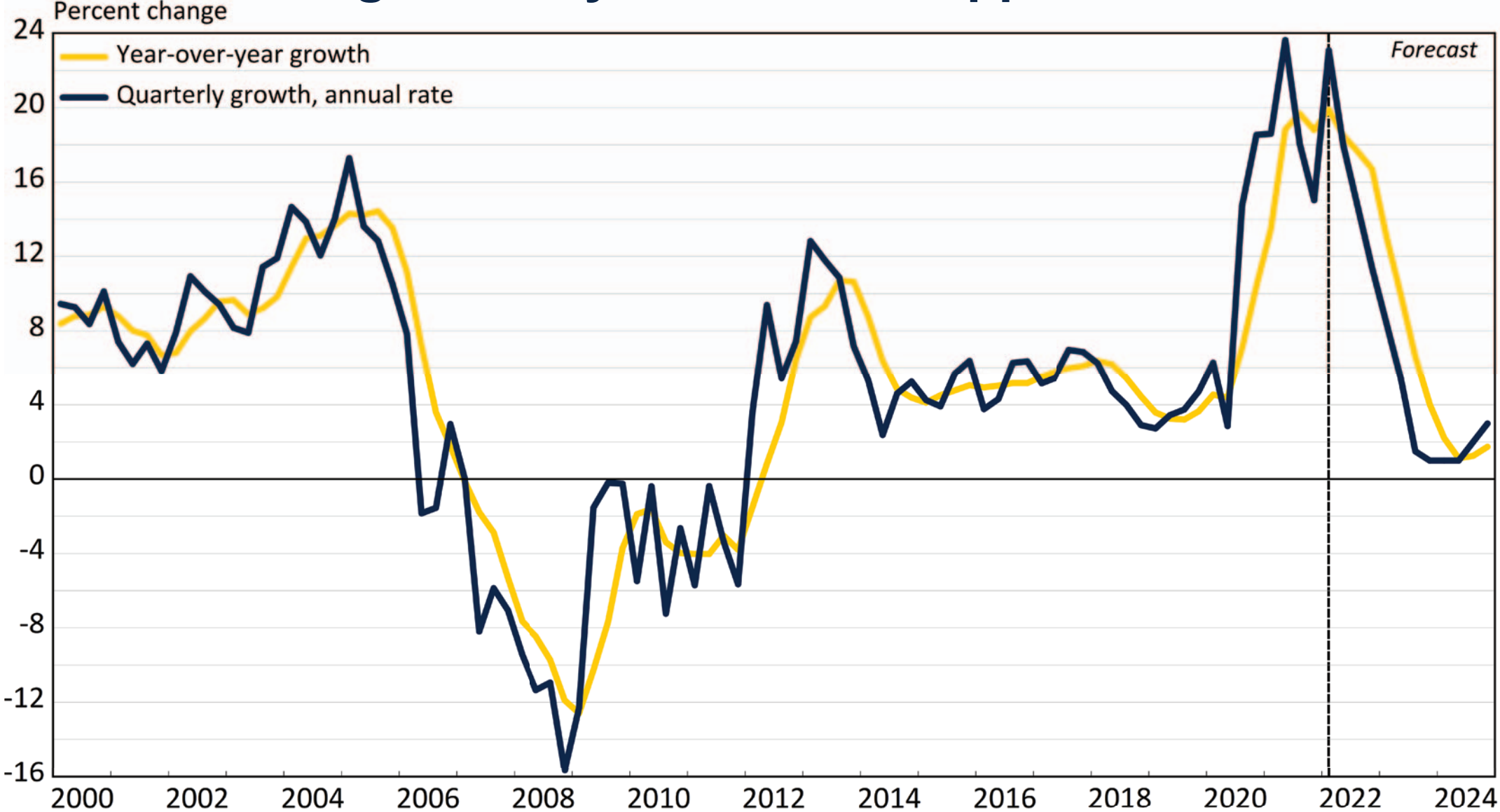
# Price of Oil



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

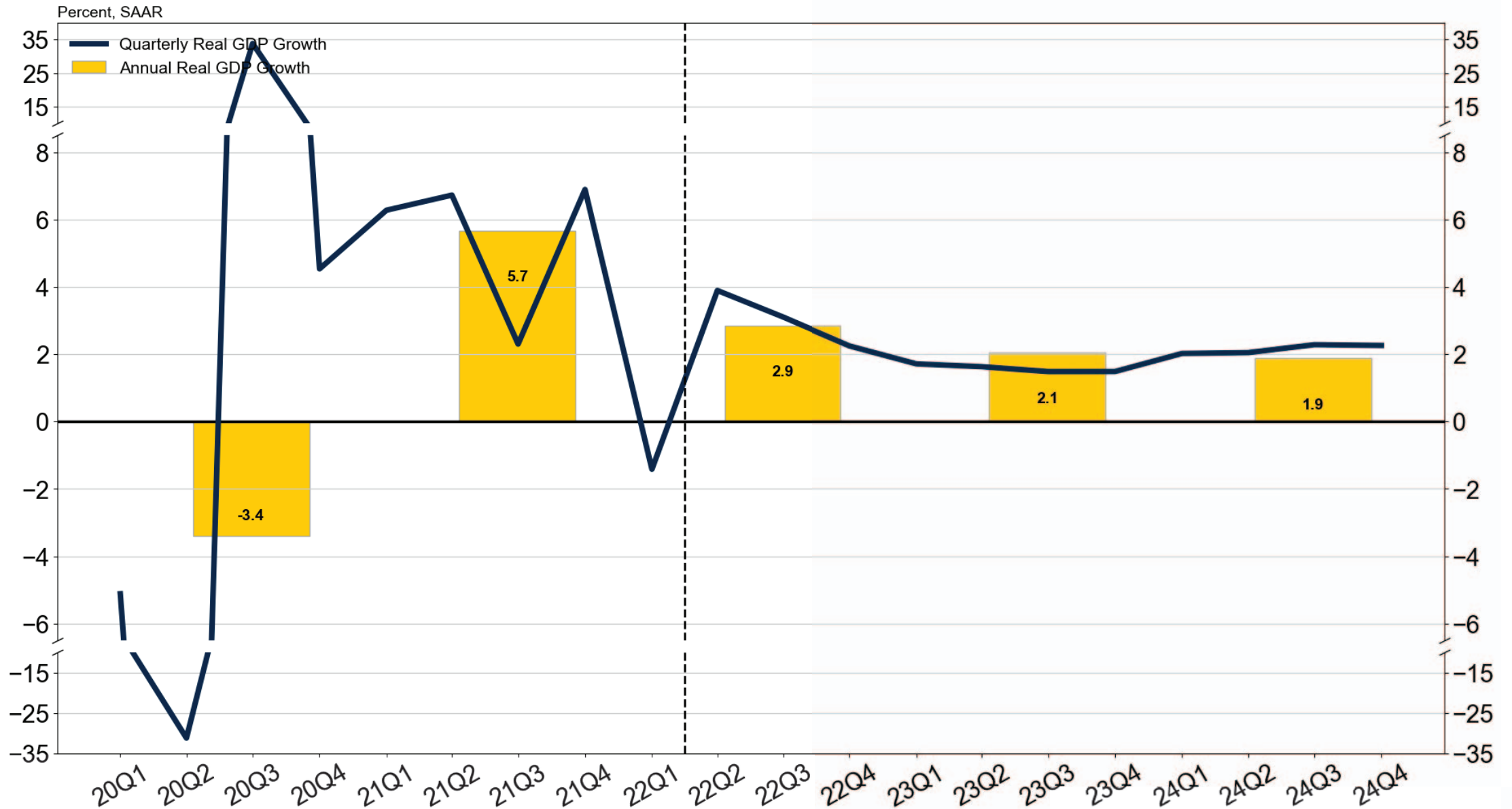
# Single-Family Home Price Appreciation



# U.S. Forecast

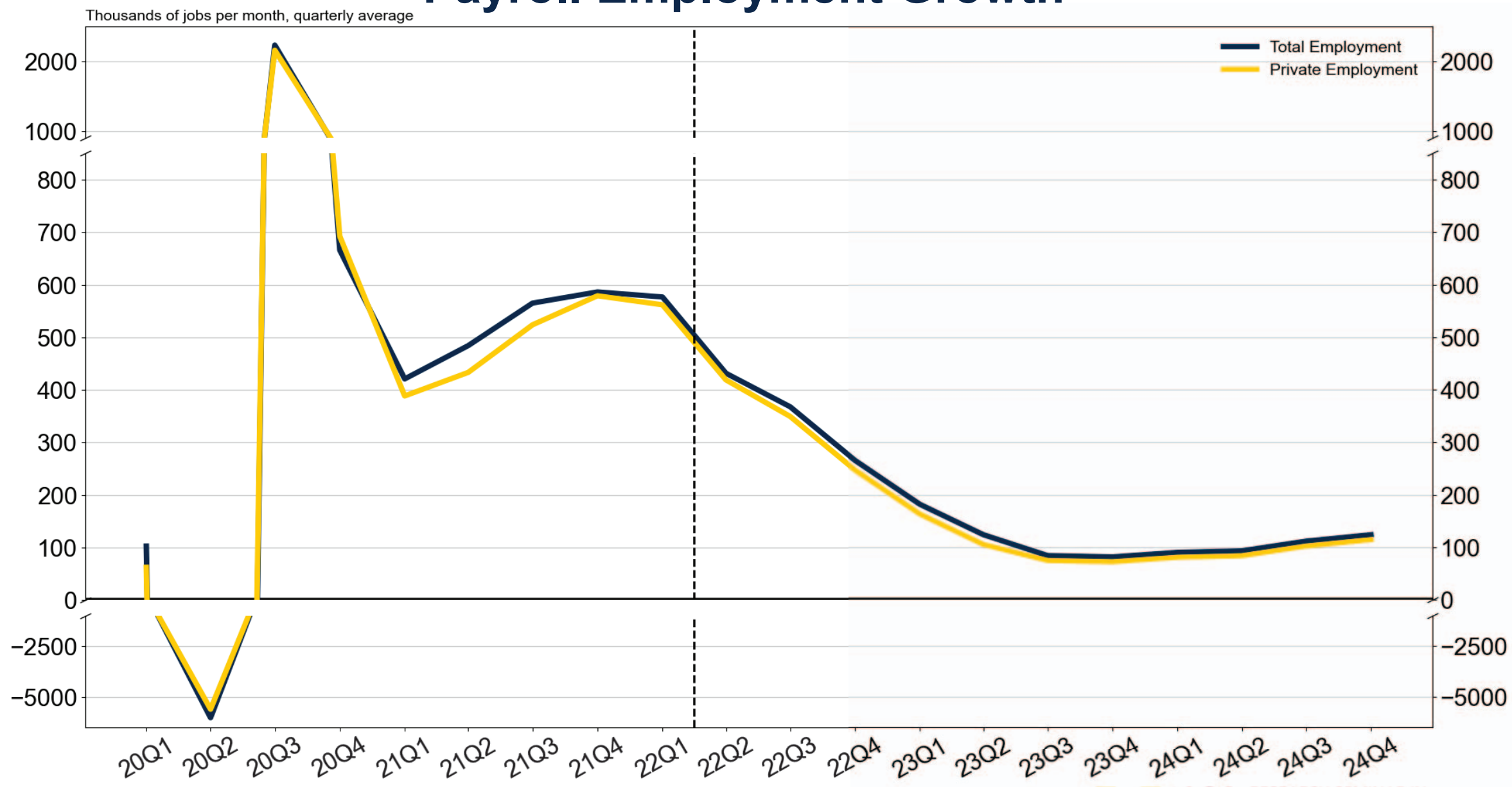


# Real GDP Growth



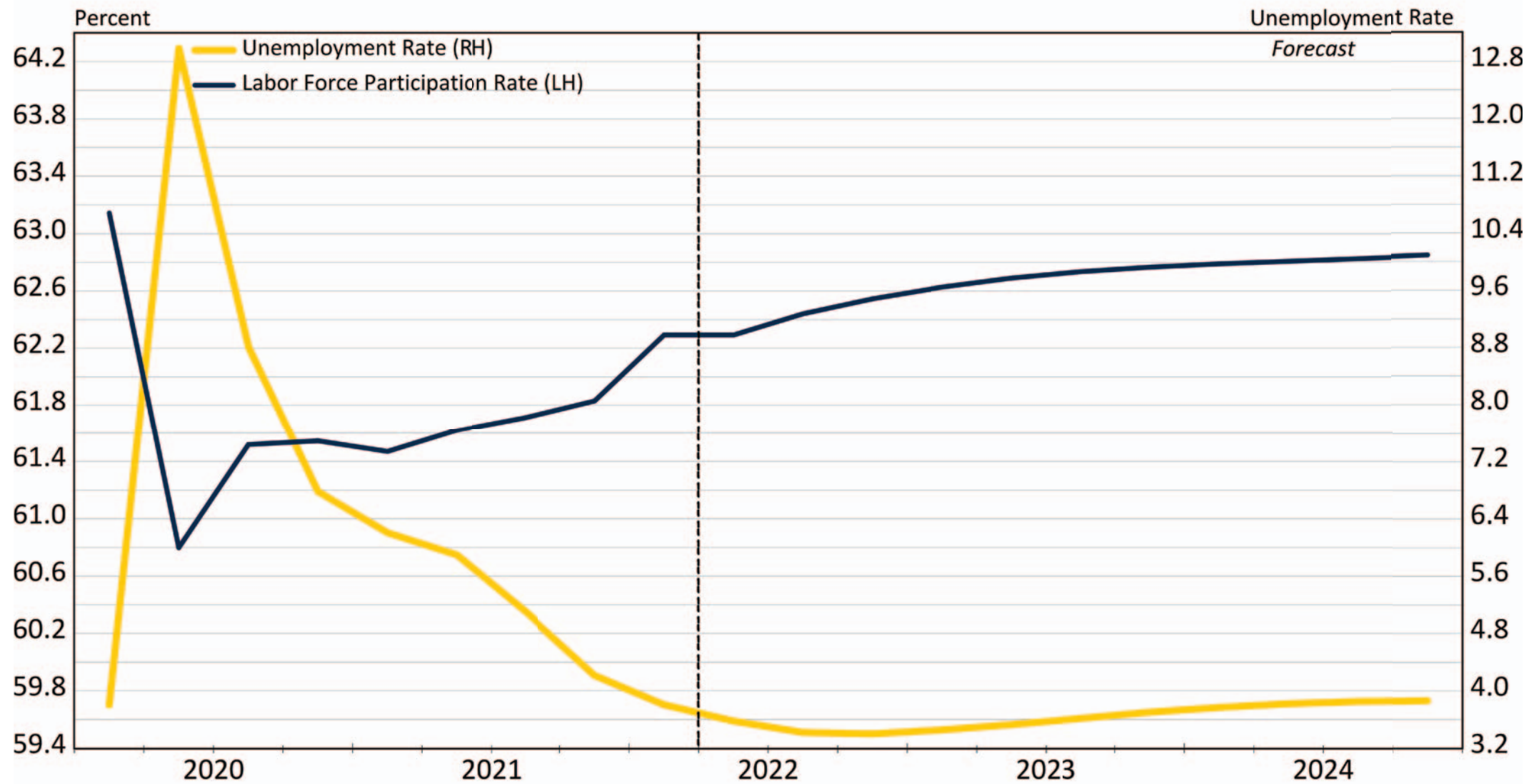
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# Payroll Employment Growth

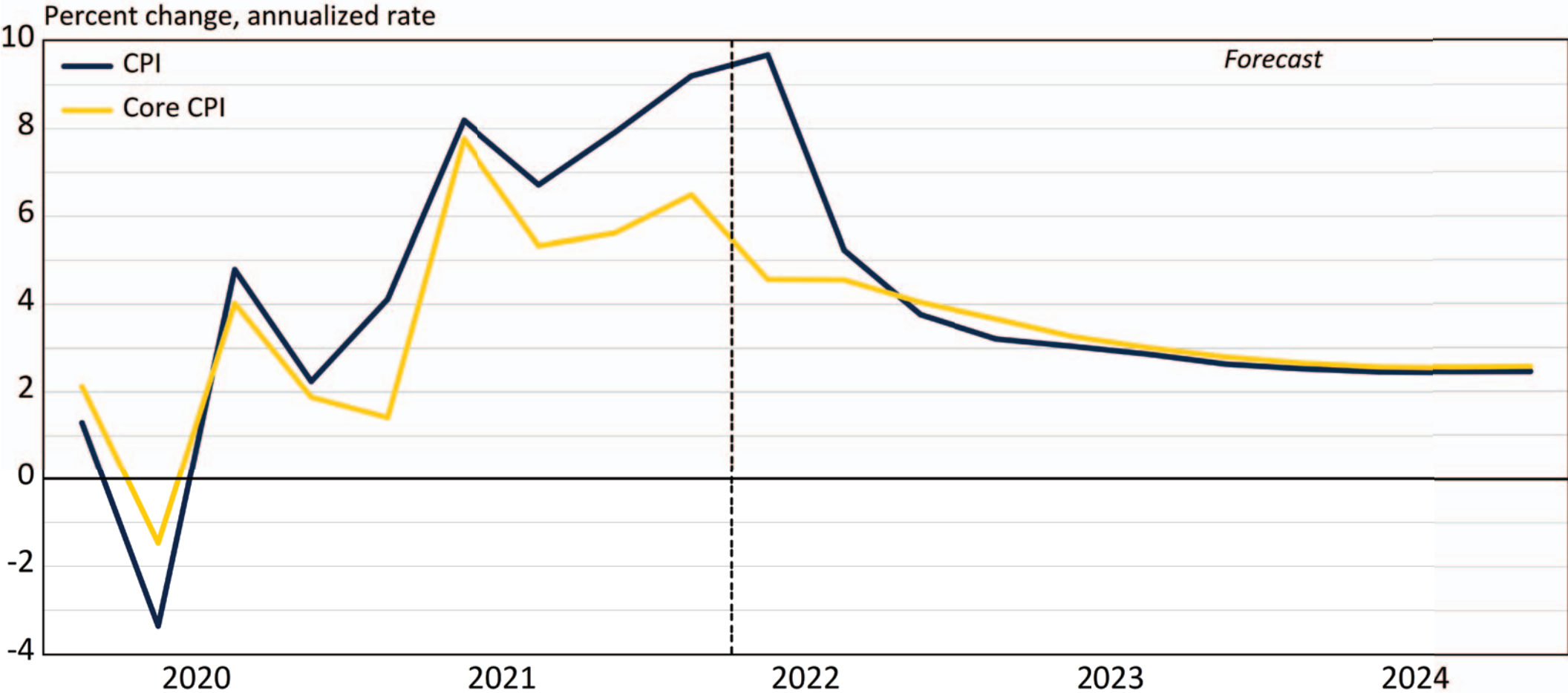


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# Unemployment Rate and Participation Rate

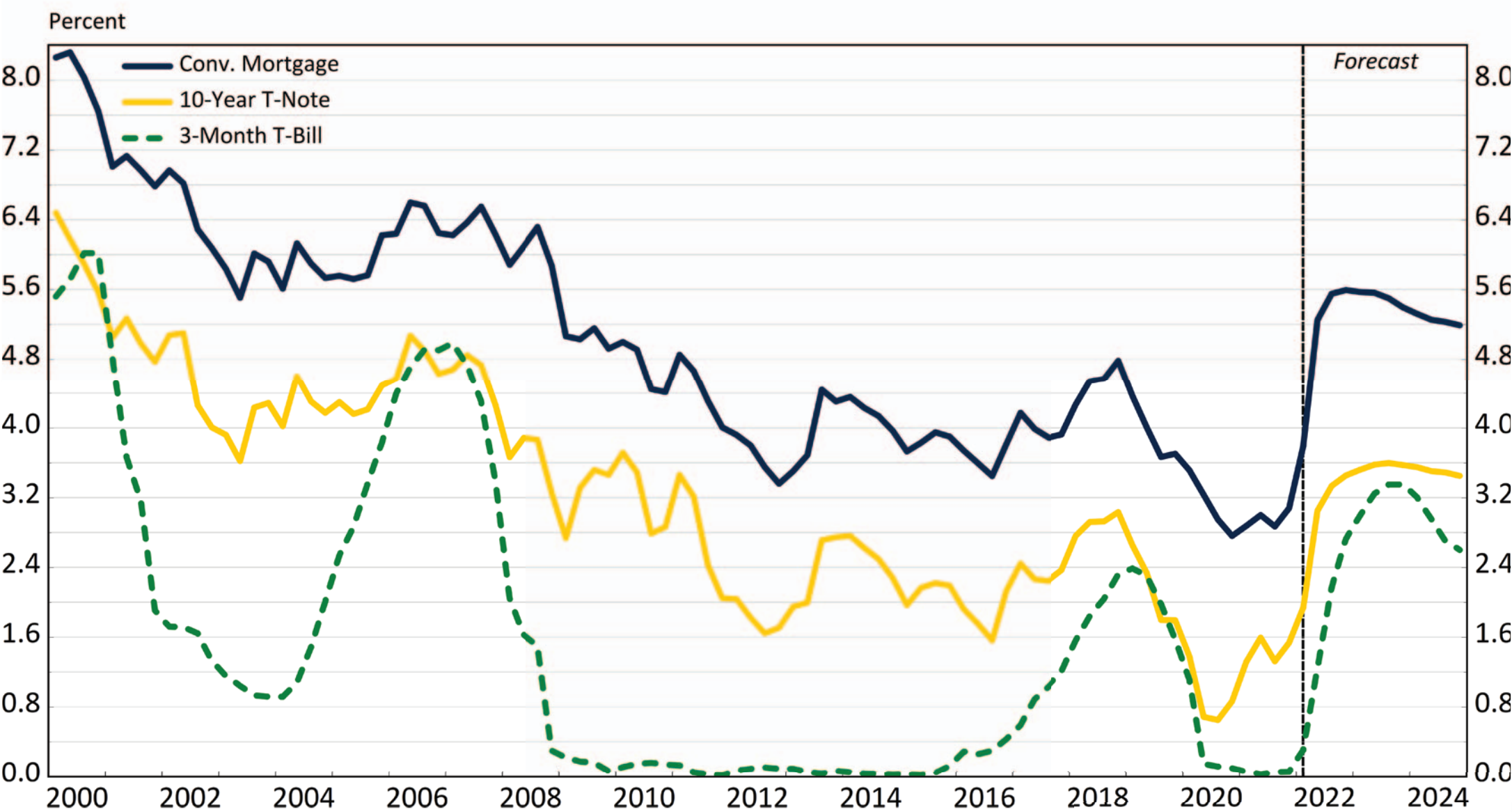


# Consumer Price Inflation (CPI-U)

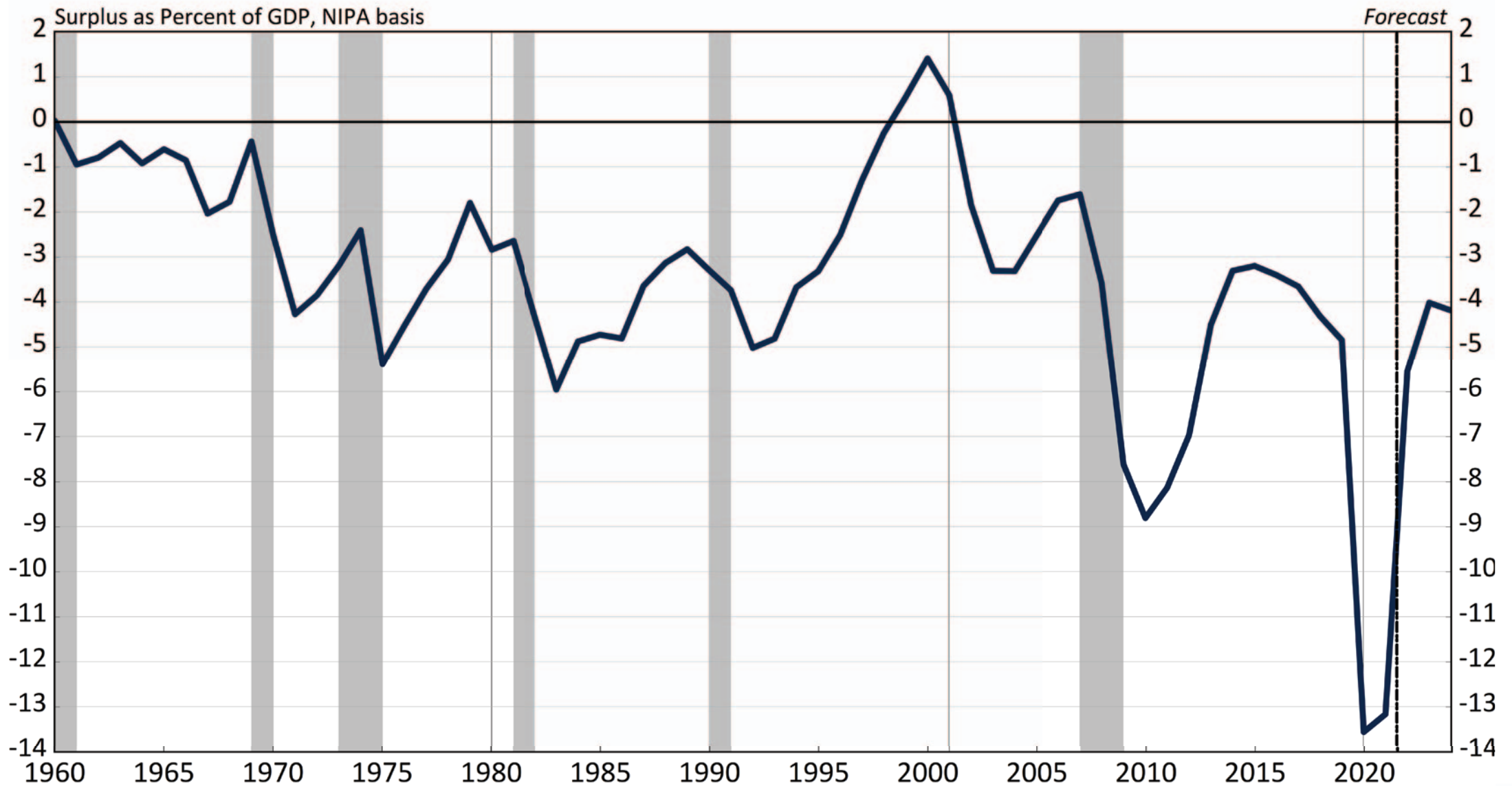


4th Quarter to 4th Quarter % Change					
Core CPI	1.62	5.01	4.91	3.19	2.59
CPI	1.20	6.72	6.94	2.94	2.47

# Interest Rates

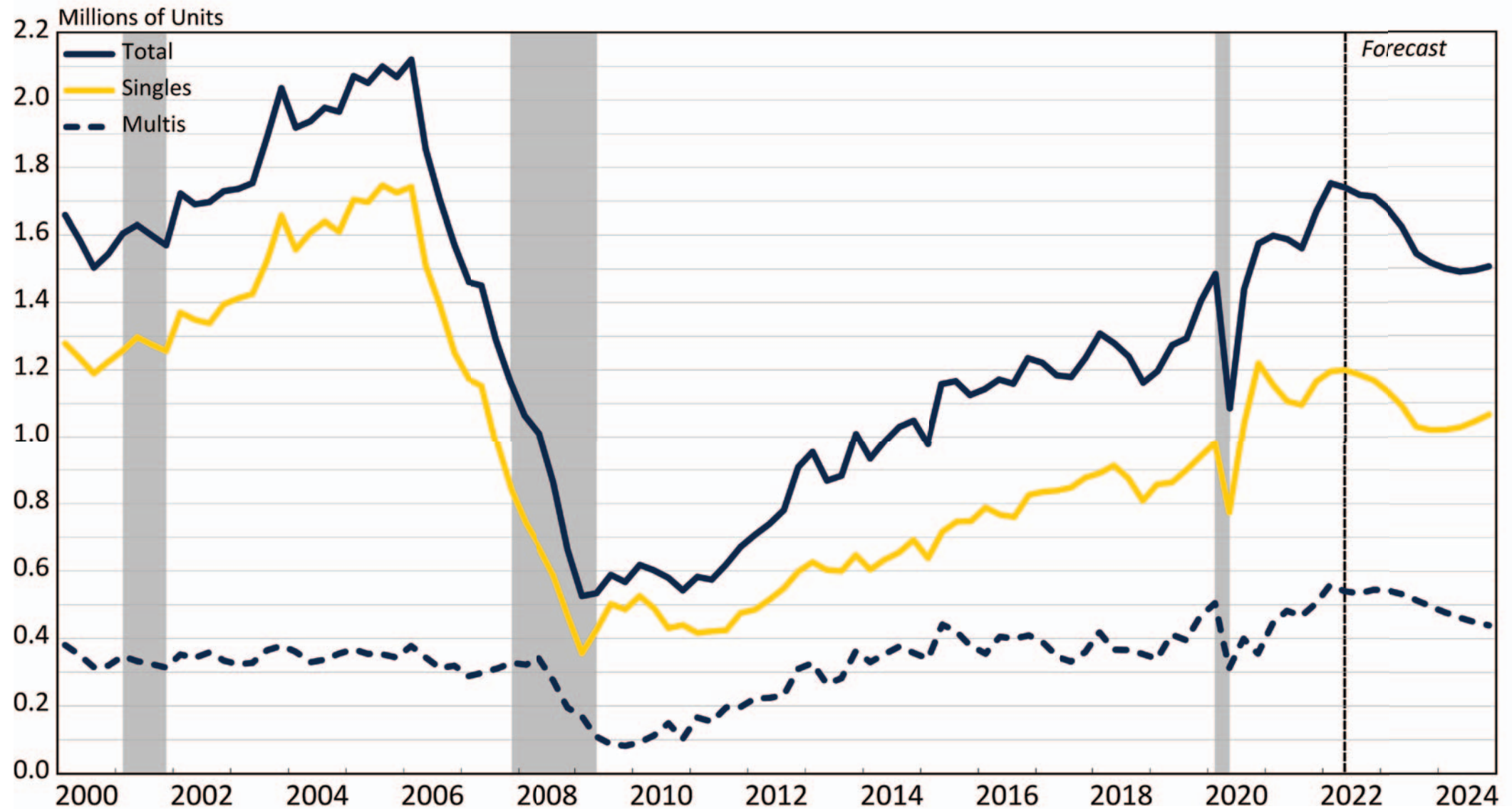


# Federal Budget Balance, Fiscal Year



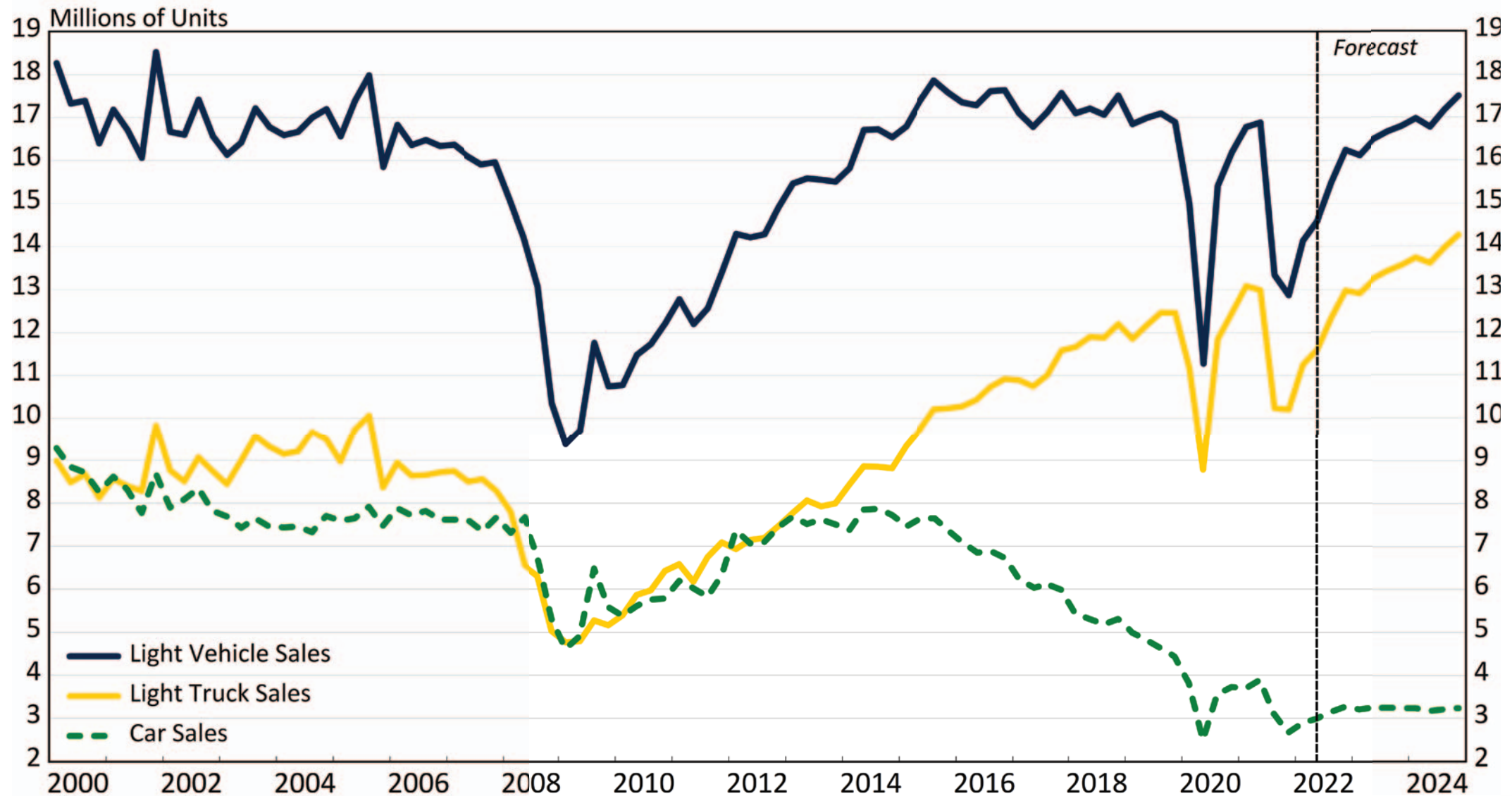


# Housing Starts



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# 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



Consensus Revenue Estimating Conference

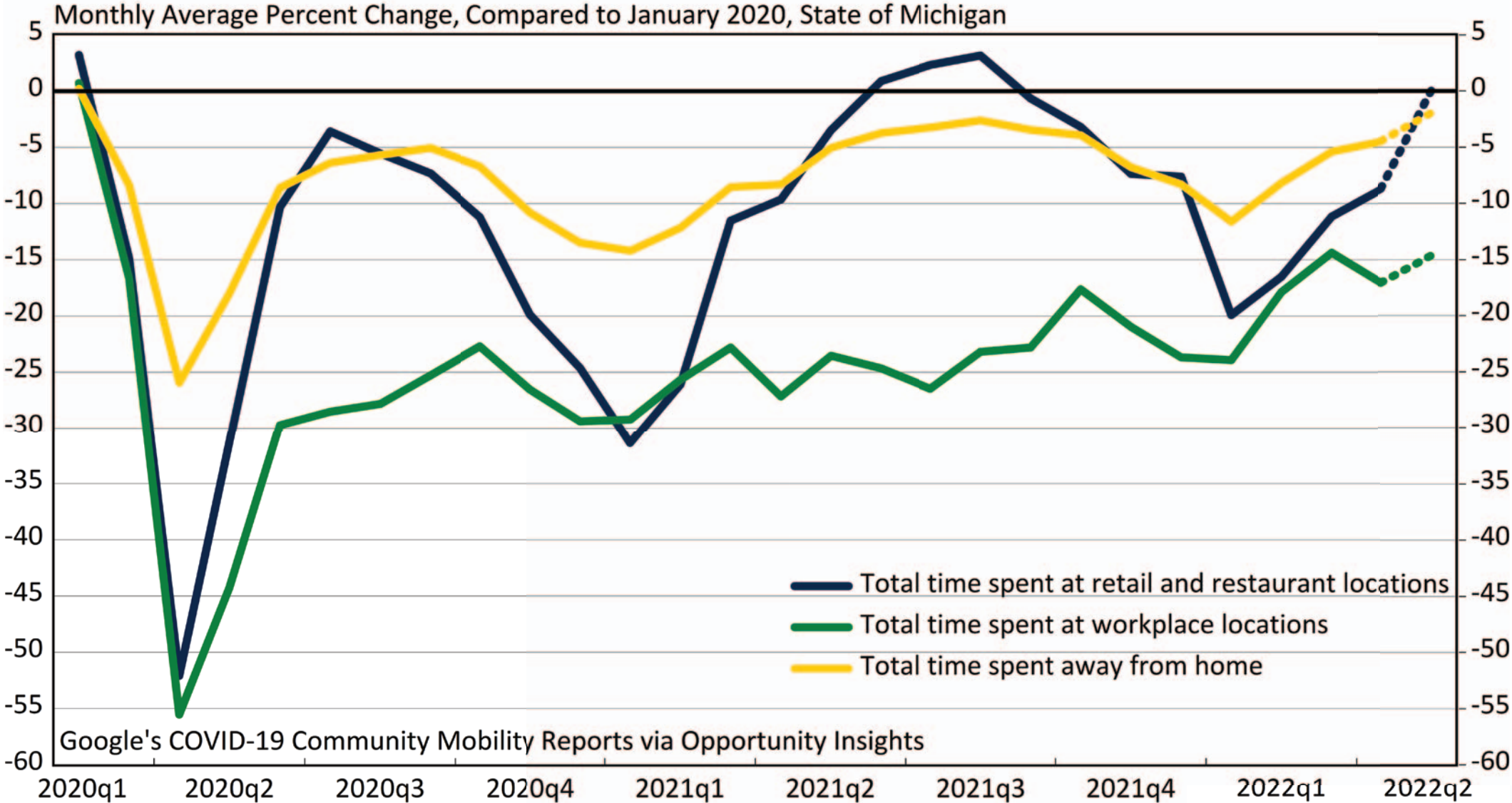
May 20, 2022

Research Seminar in Quantitative Economics

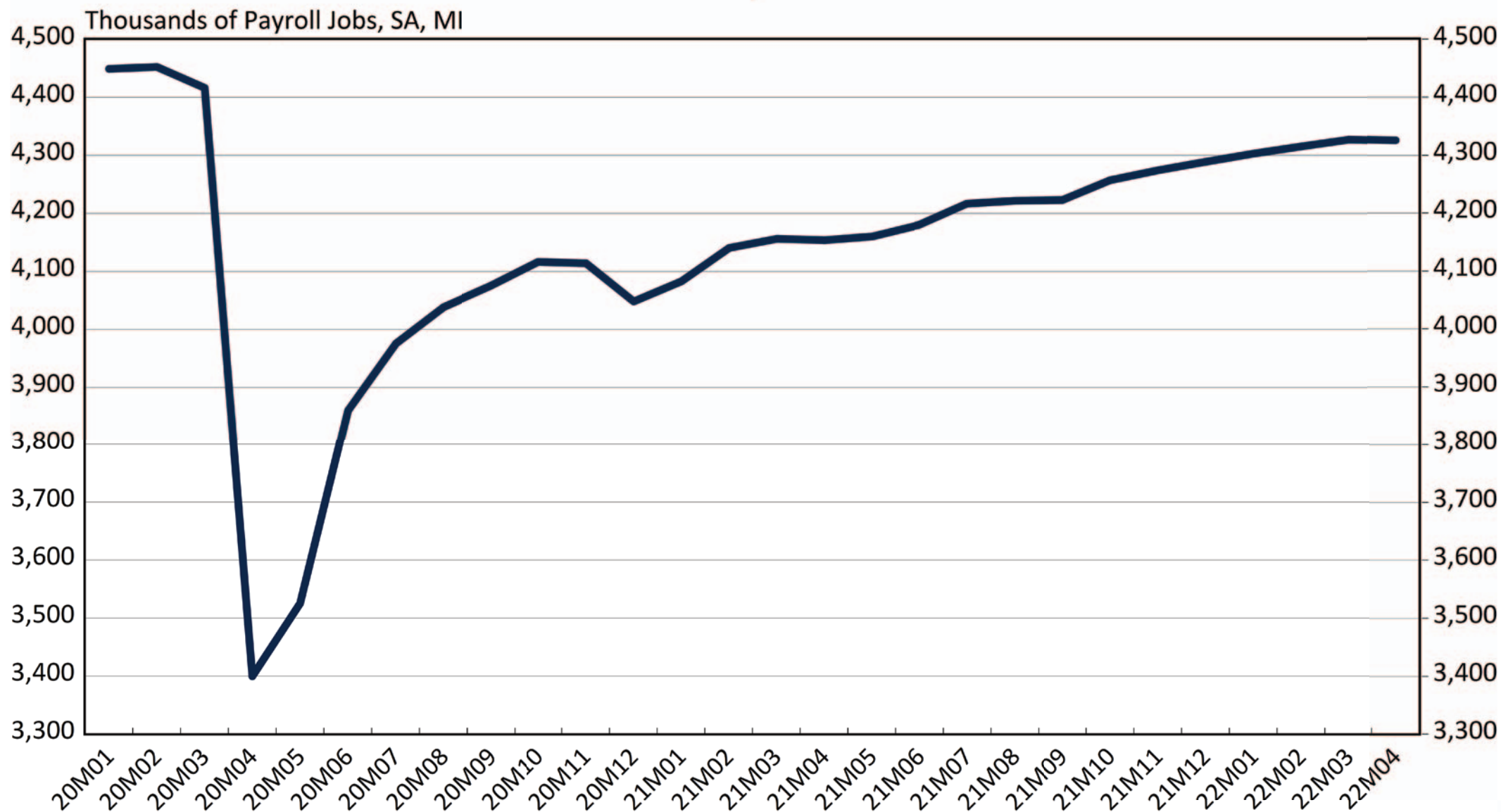


# High-Frequency Indicators: Michigan

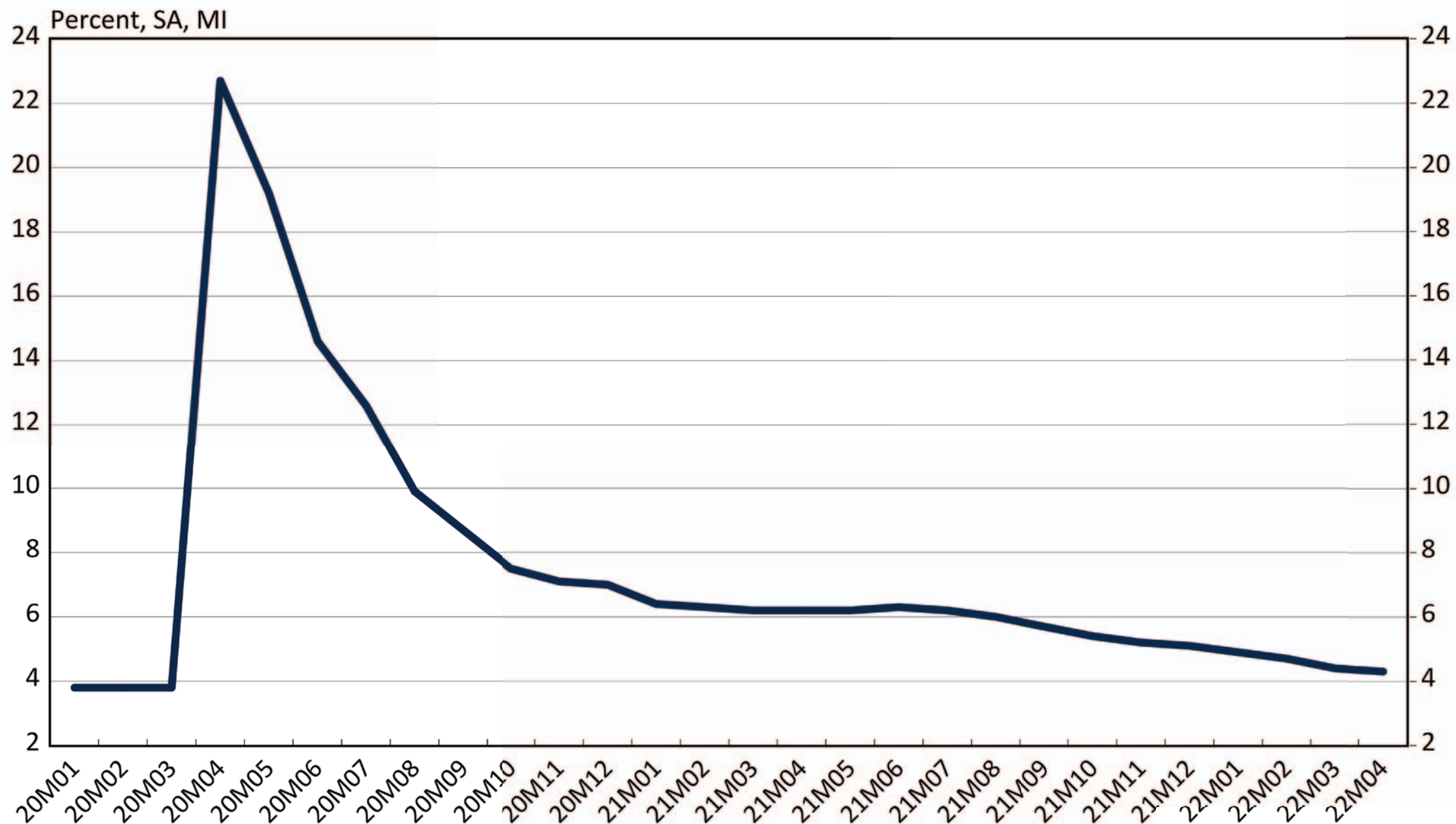
# Getting Back to Normal?



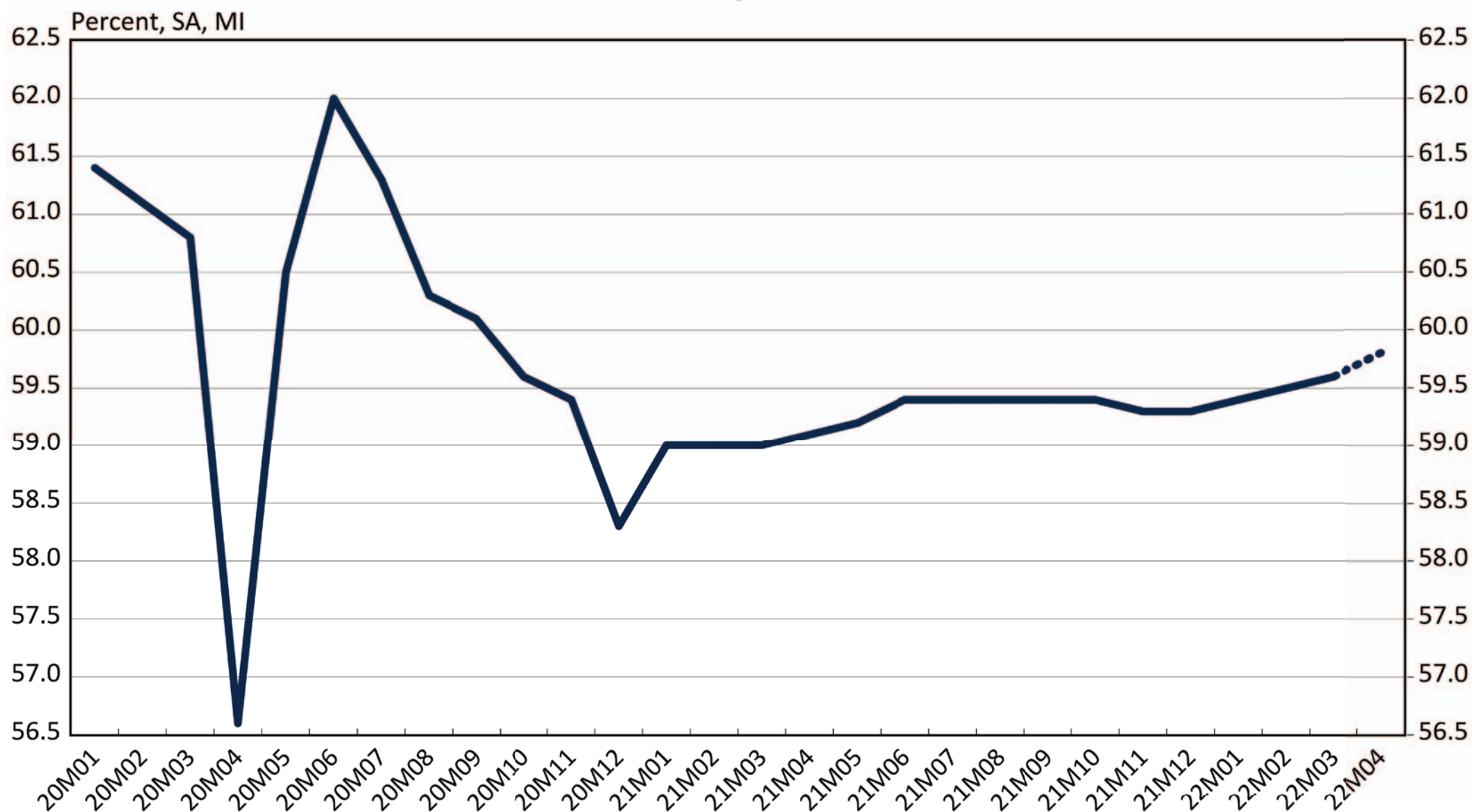
# Almost Out of a Deep Jobs Hole



# Unemployment Keeps Falling

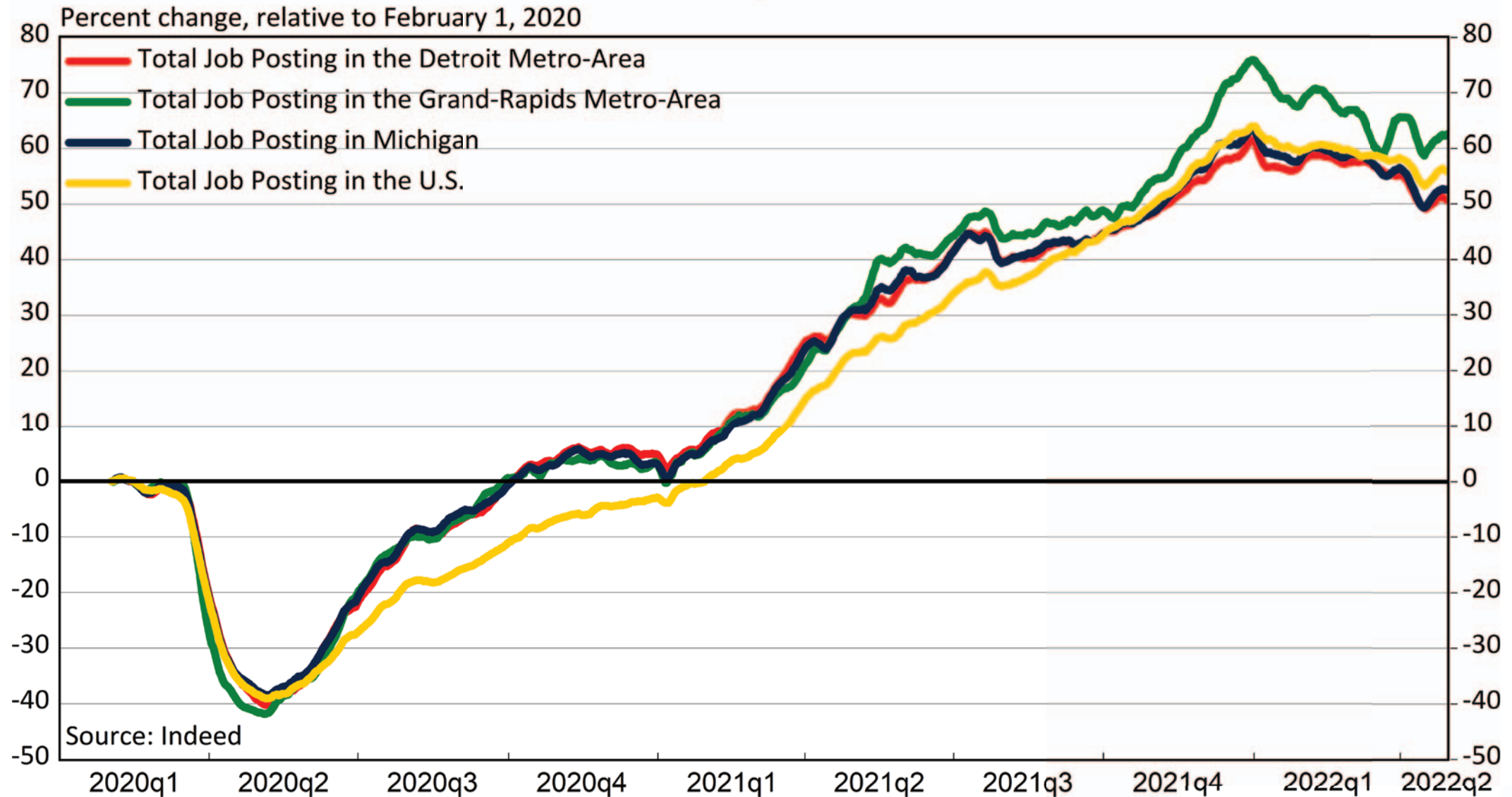


# Slow Progress on the Labor Force



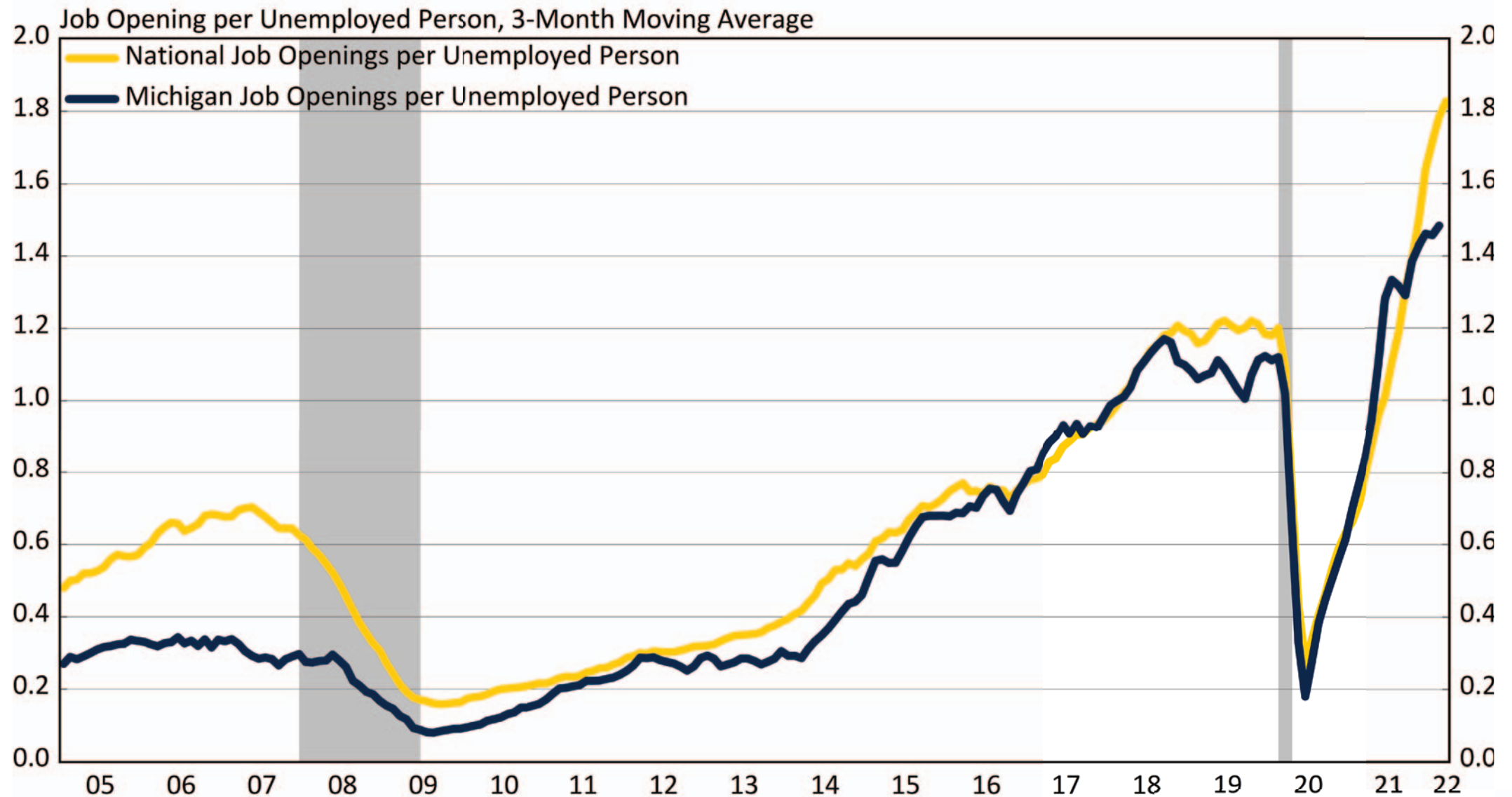


# Job Openings Cooling Off...

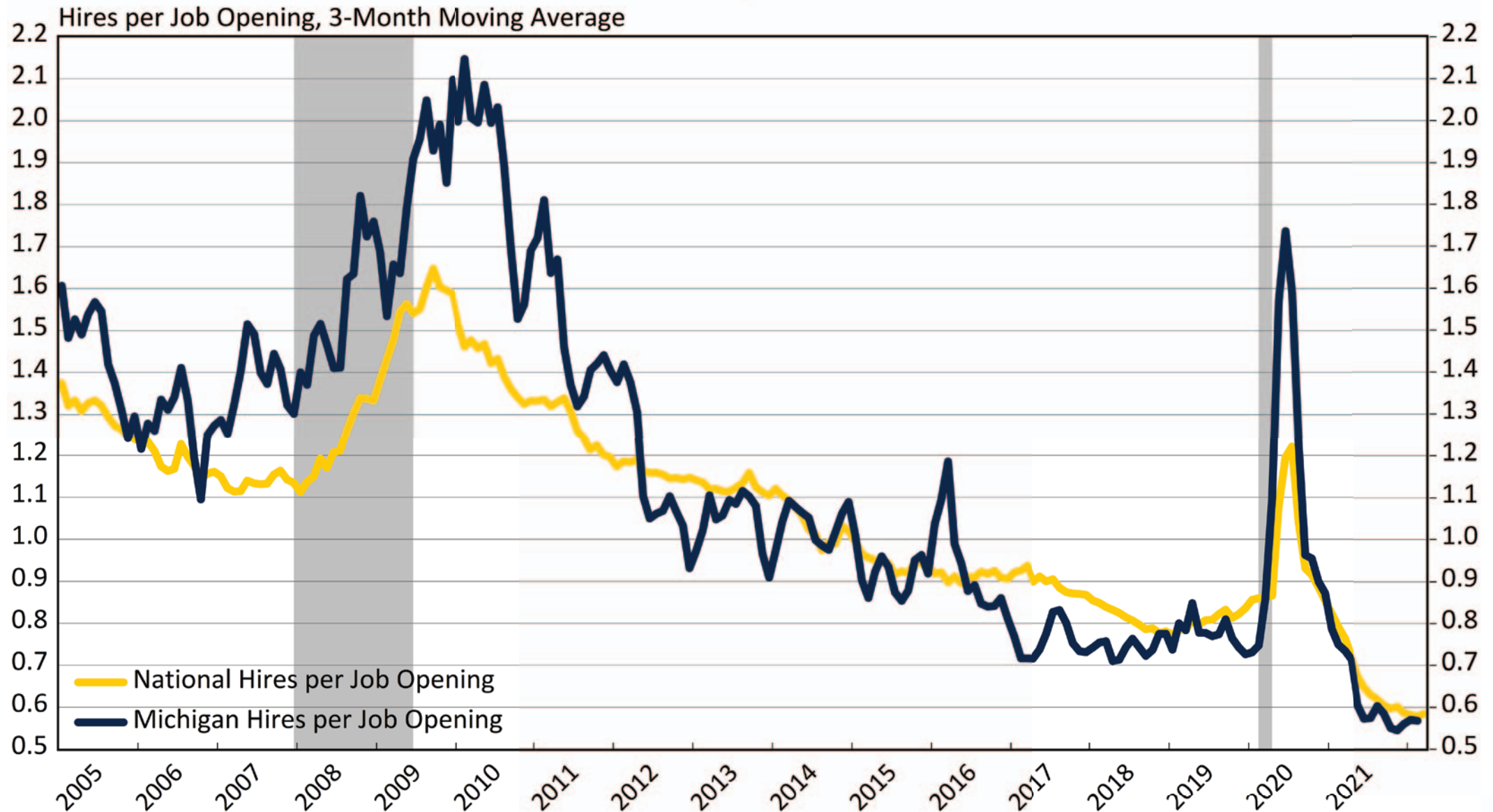




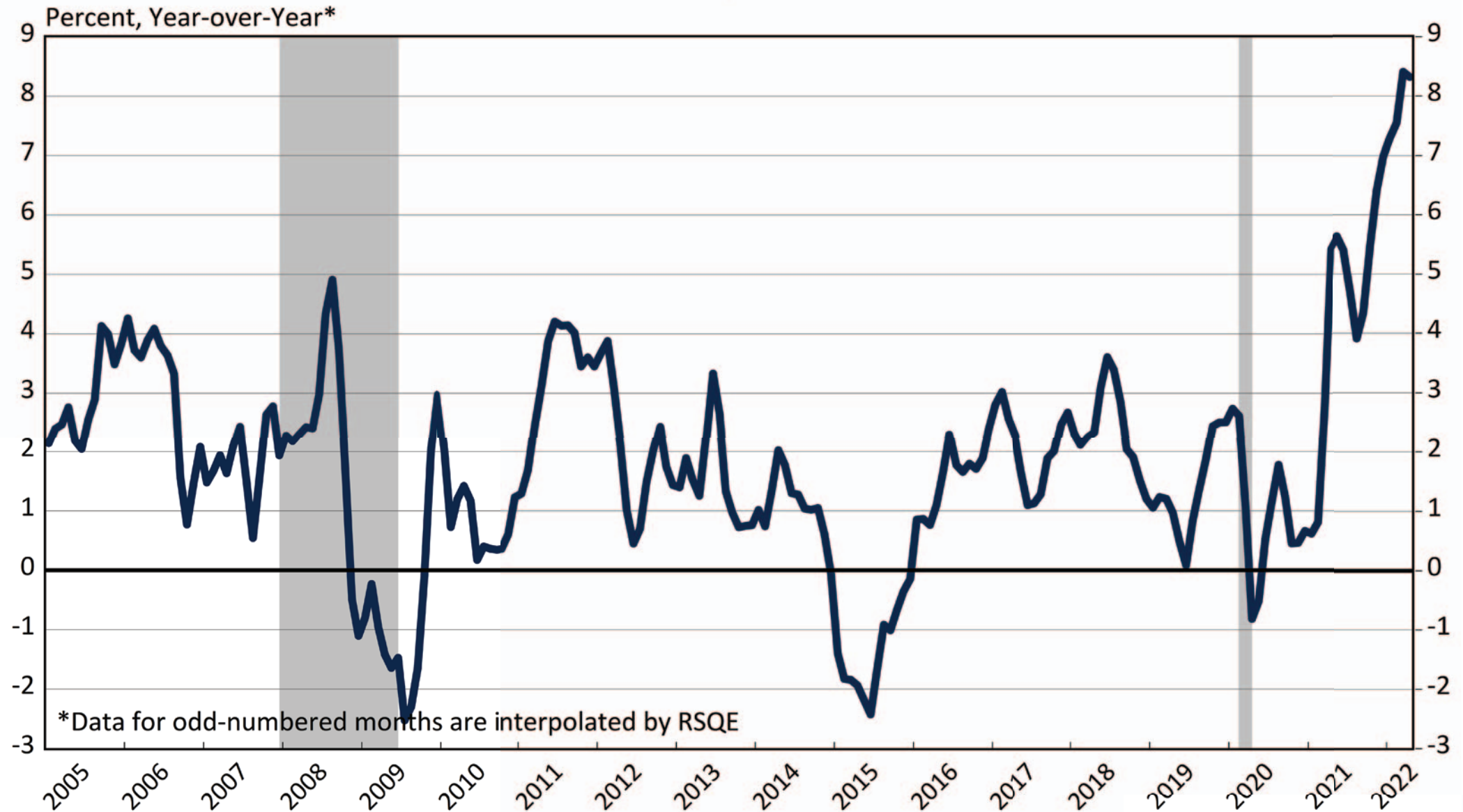
## ...but the Labor Market Remains Tight



# Filling Jobs Remains Difficult

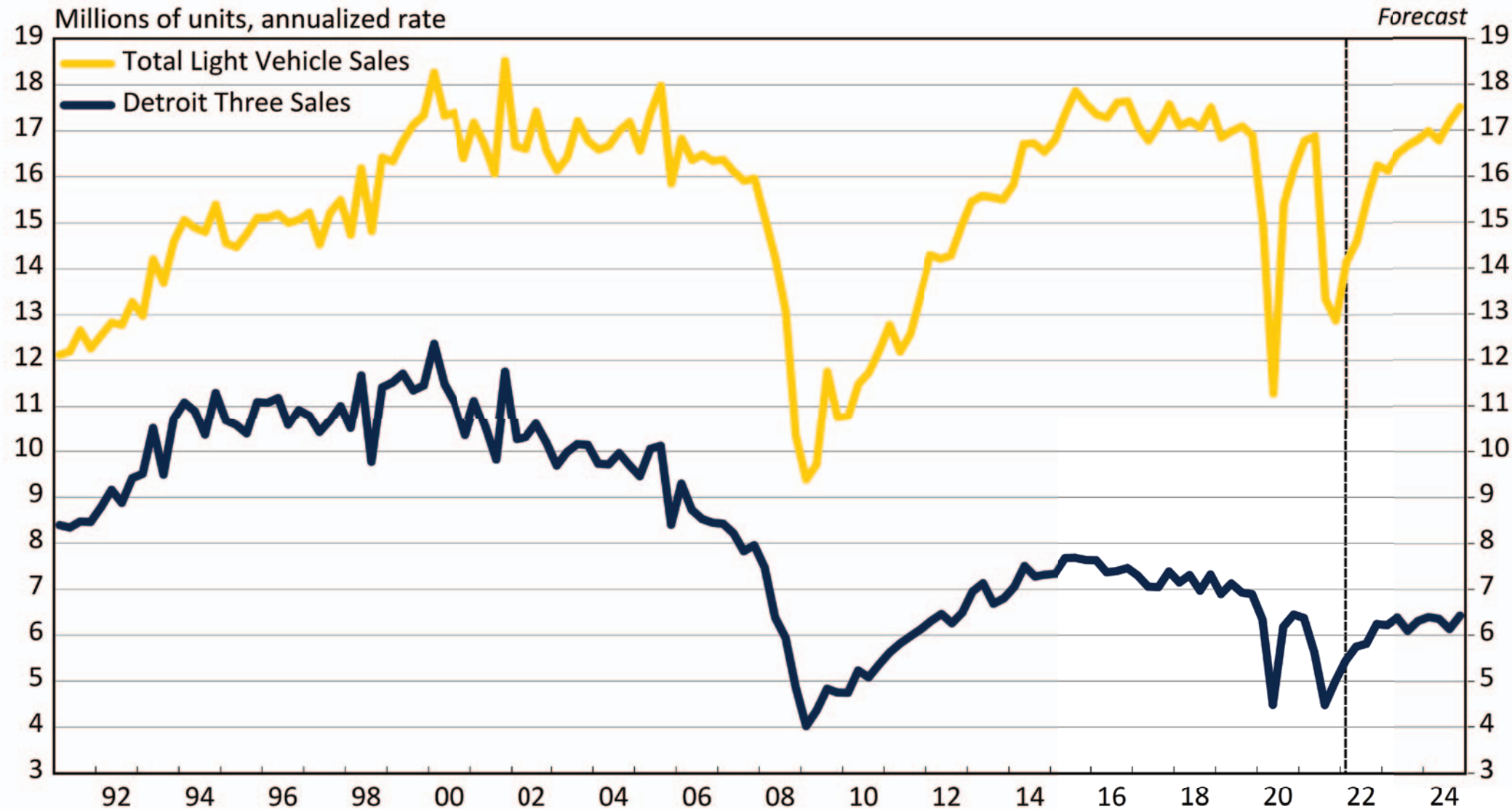


# Local Inflation: No Relief Yet



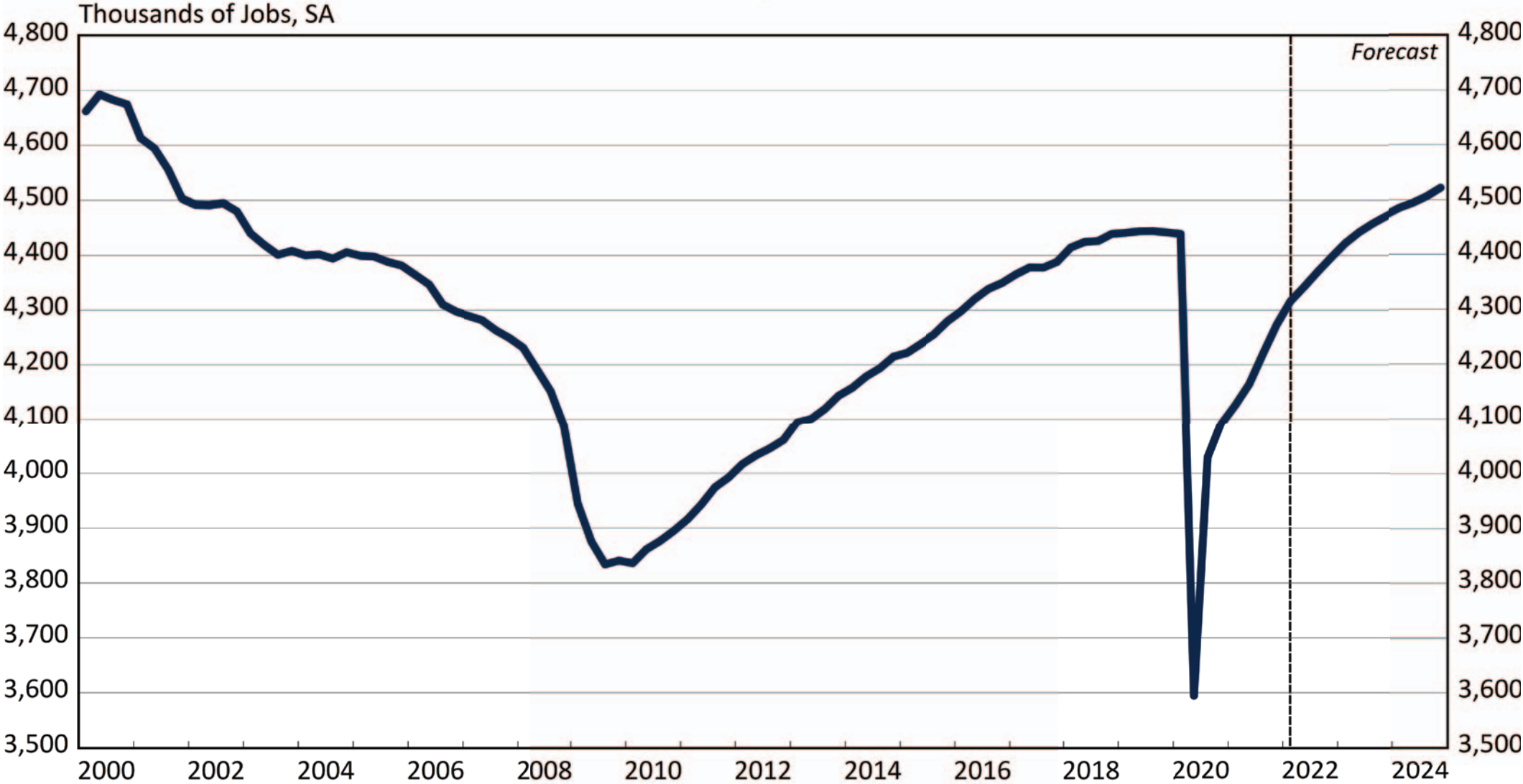
# Michigan Economic Outlook

# Quarterly Light Vehicle Sales: Recovery on the Way



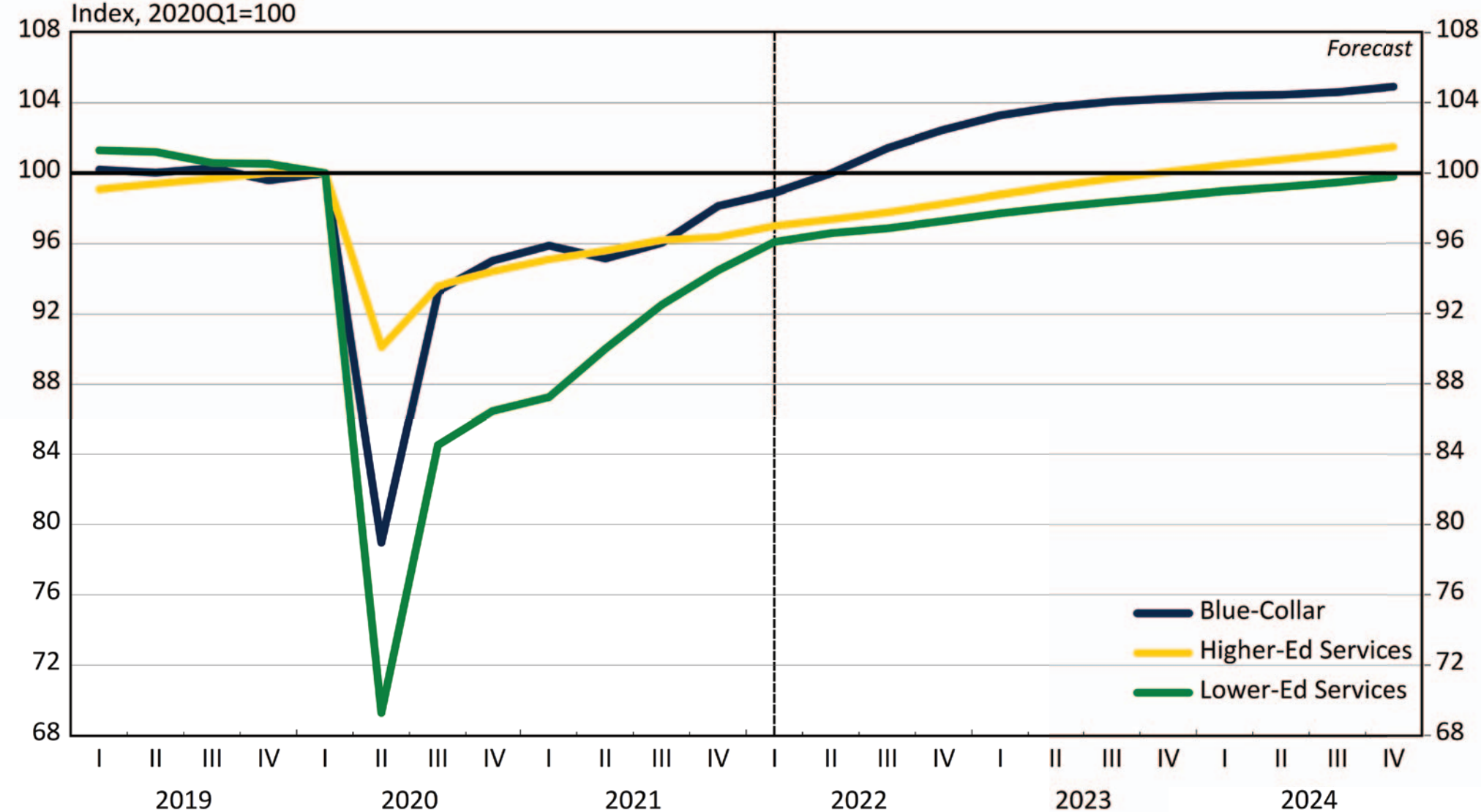


# Quarterly Michigan Payroll Employment: Full Recovery in Mid-2023

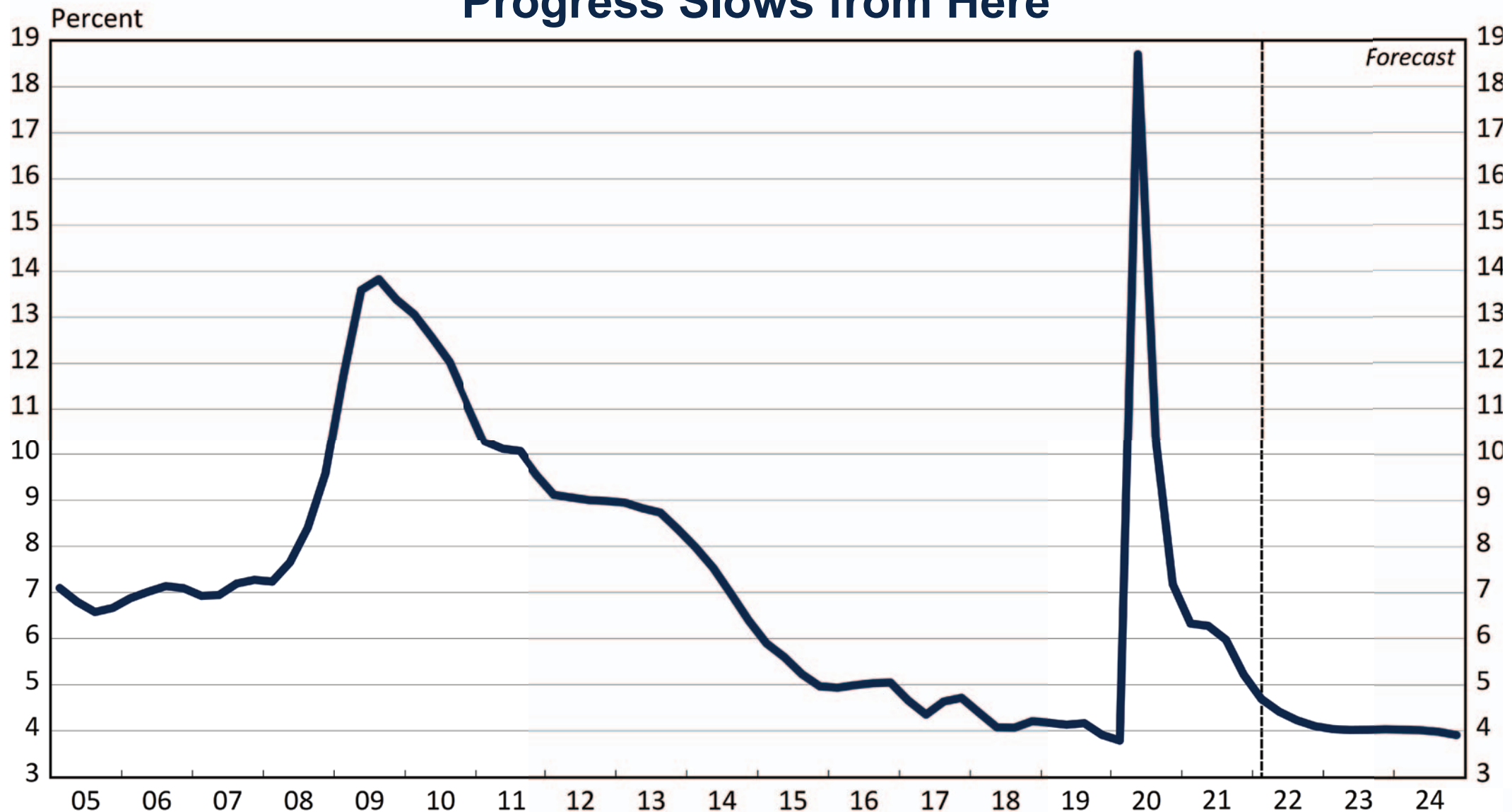


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# Employment Outlook by Industry Group: Blue-Collar Industries Lead the Way



## Quarterly Michigan Unemployment Rate: Progress Slows from Here



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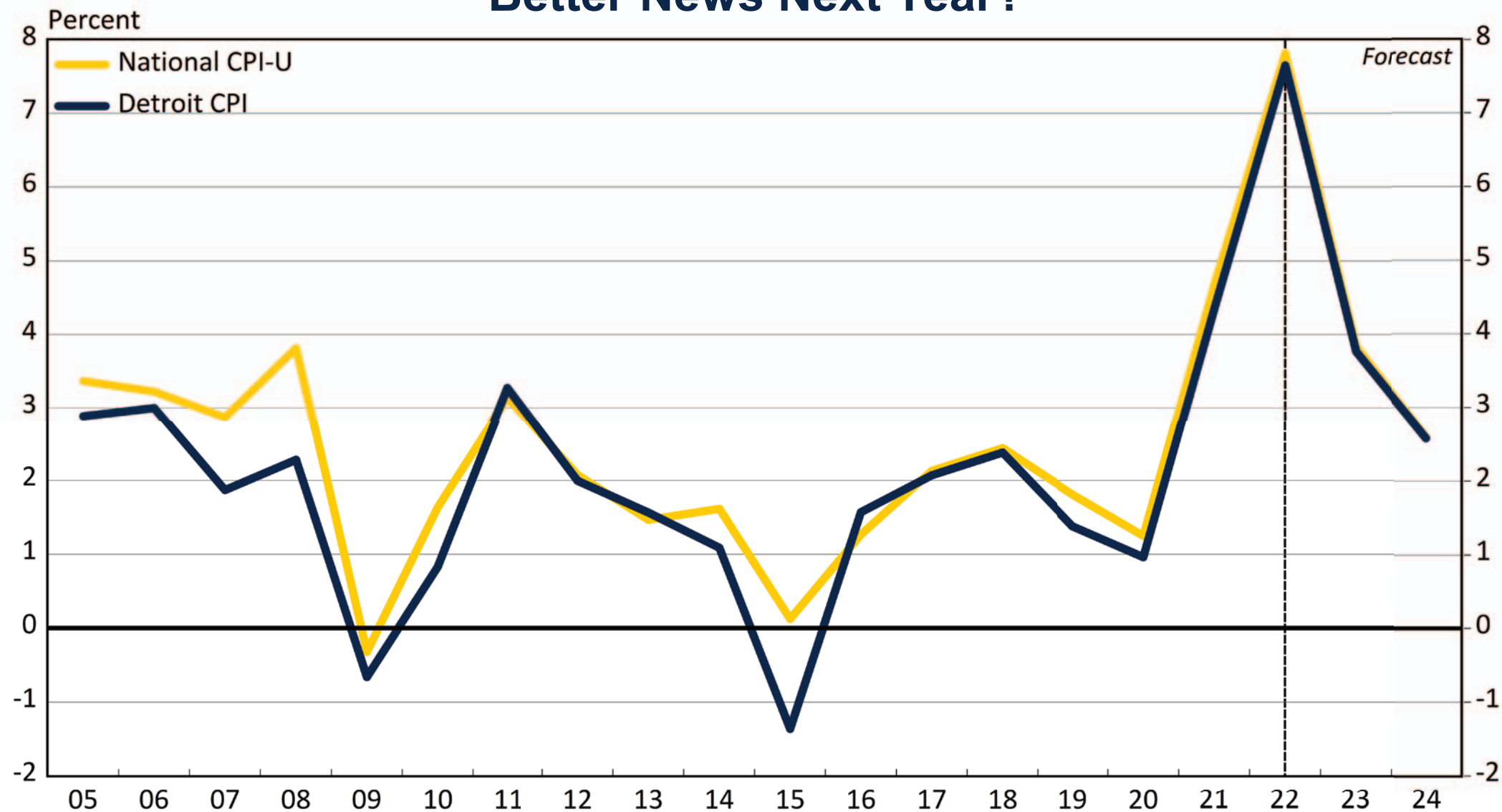


# Quarterly Michigan Personal Income: Back to Steady Growth



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# National and Local Inflation: Better News Next Year?





[lsa.umich.edu/econ/rsqe](https://lsa.umich.edu/econ/rsqe)