

# We would like to thank the following sponsors of our 72<sup>nd</sup> Annual Economic Outlook Conference

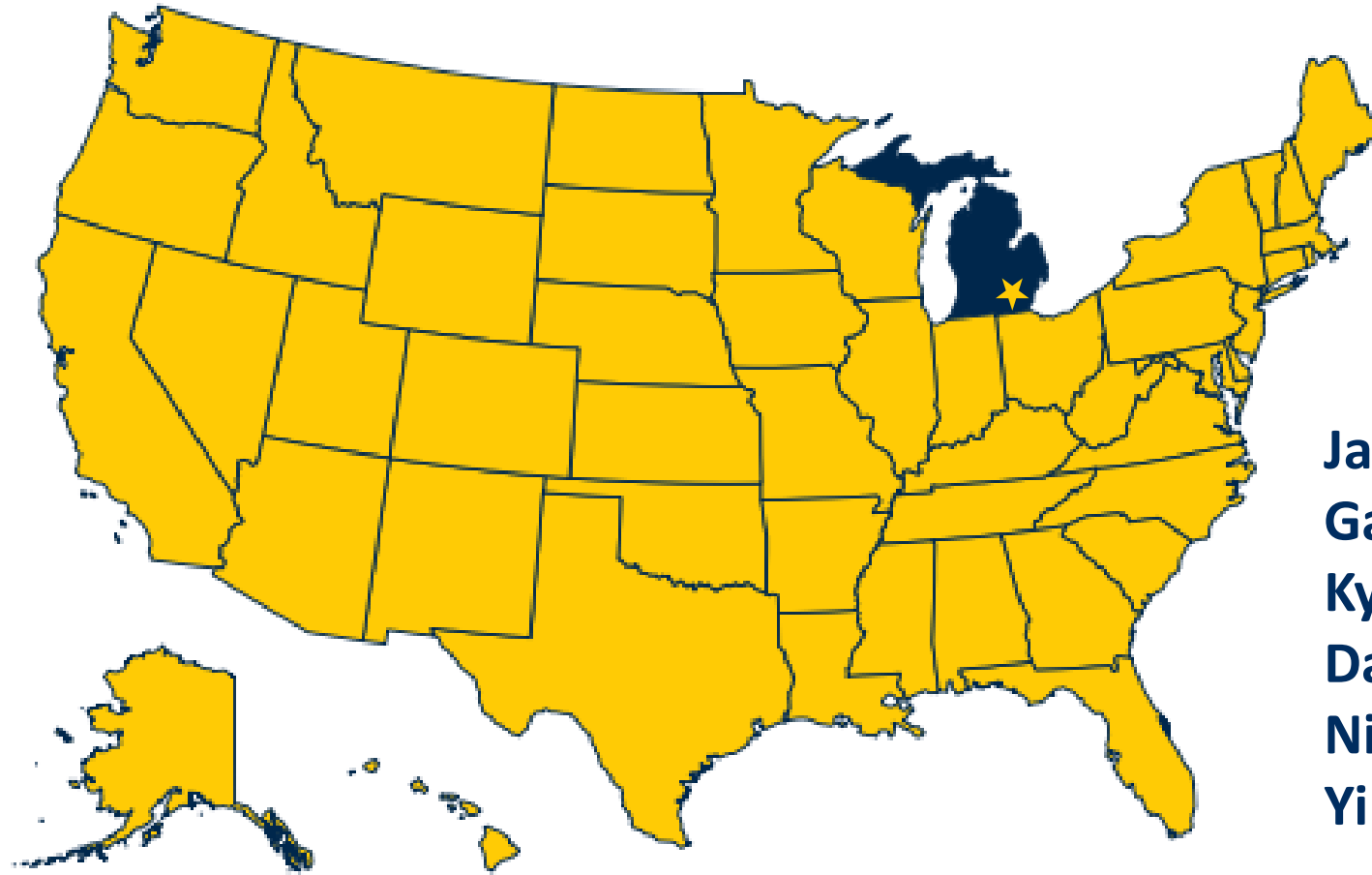


BRIGHTON • HOWELL • HARTLAND  
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# The U.S. Economic Outlook 2025–2026

November 21, 2024



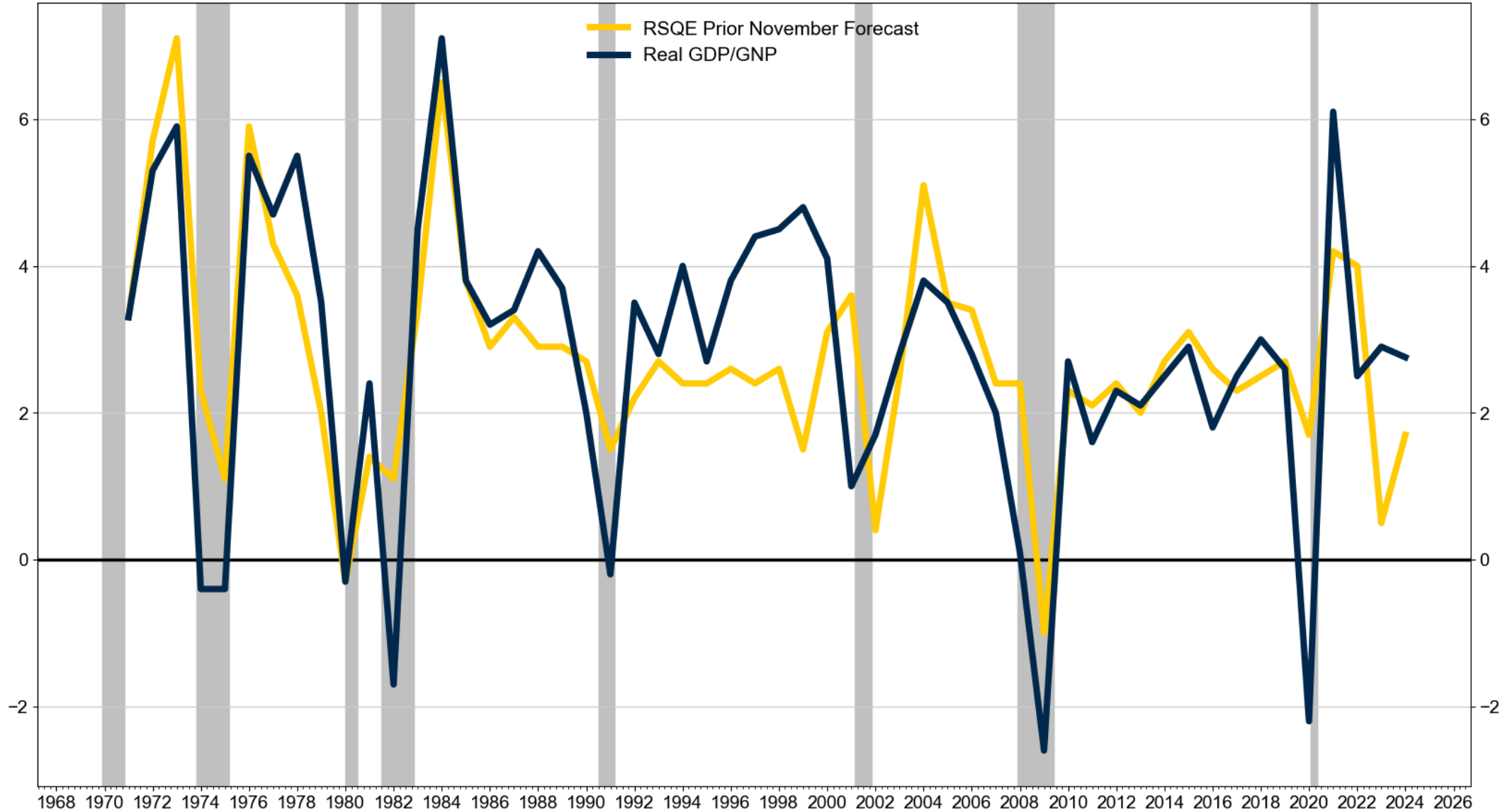
Jacob T. Burton  
Gabriel M. Ehrlich  
Kyle W. Henson  
Daniil Manaenkov  
Niaoniao You  
Yinuo Zhang

**Research Seminar in Quantitative Economics**



# RSQE Forecasting Record

Percent Change, Real GNP before 1992, Real GDP after 1992 \*

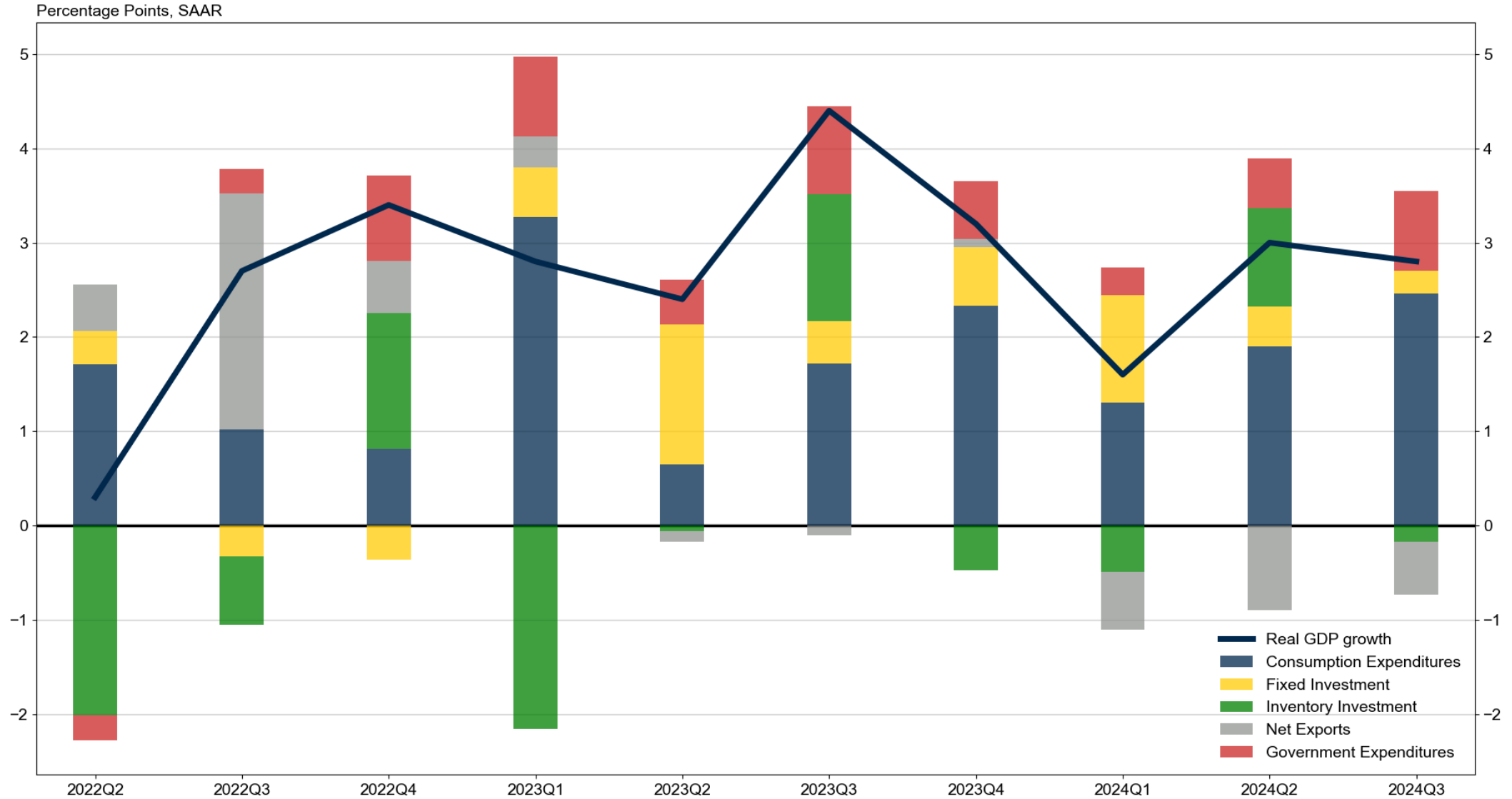


\* Includes current 2024 forecast

RSQE: November 2024

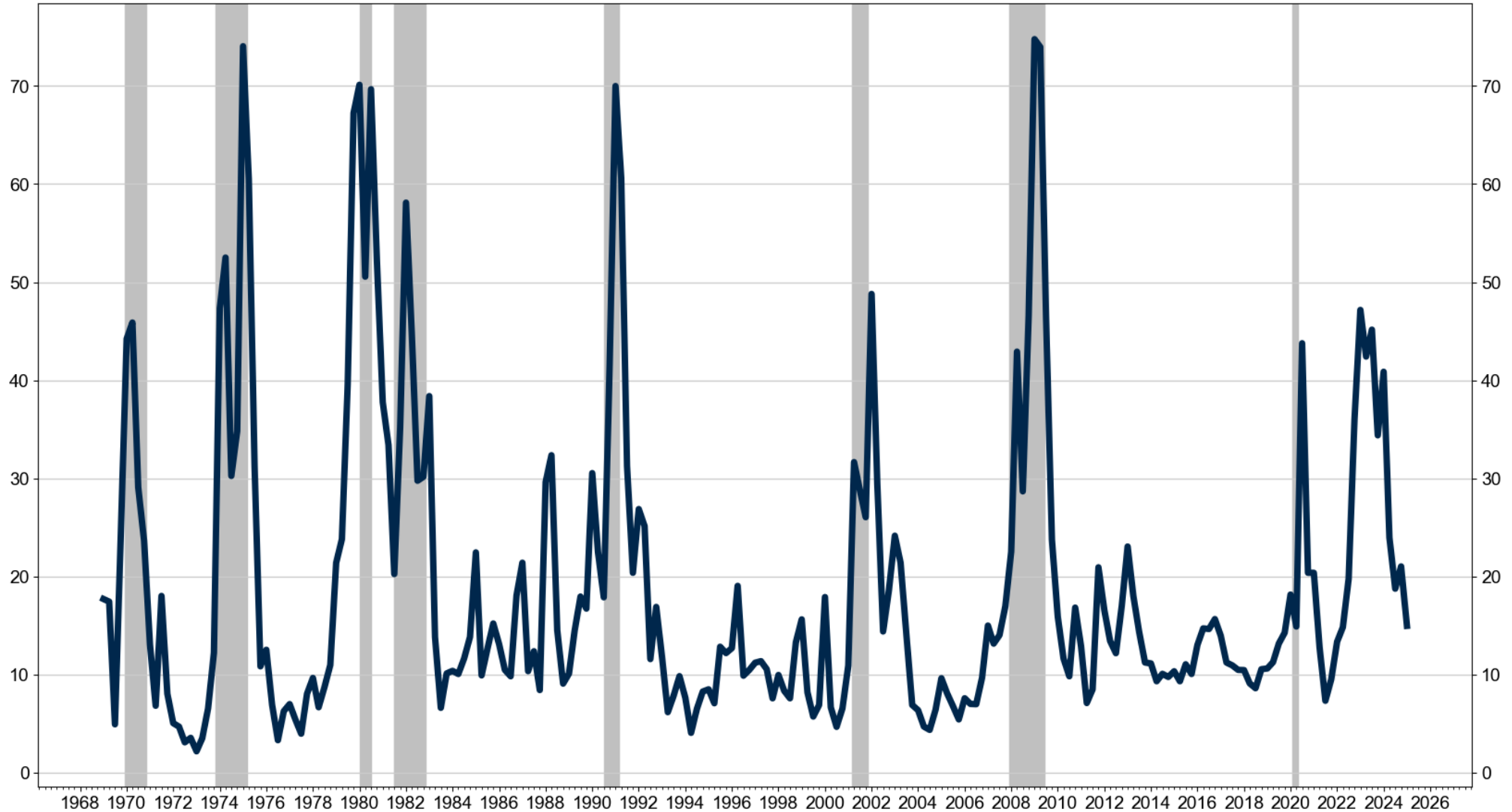
# Current State of the Economy

# Real GDP Growth Composition



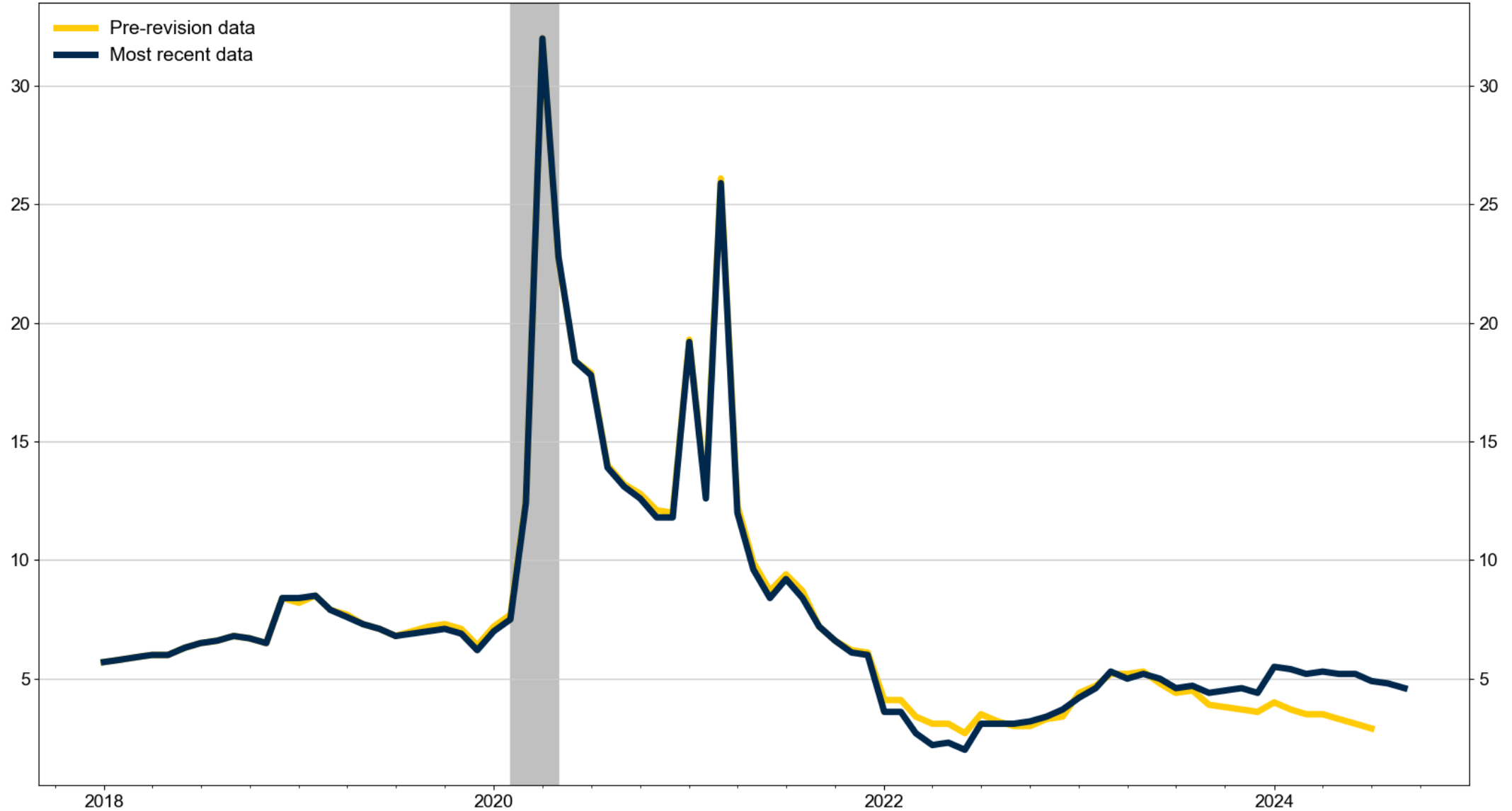
# Survey of Professional Forecasters: The Anxious Index

% Probability of Real GDP decline, Next Quarter

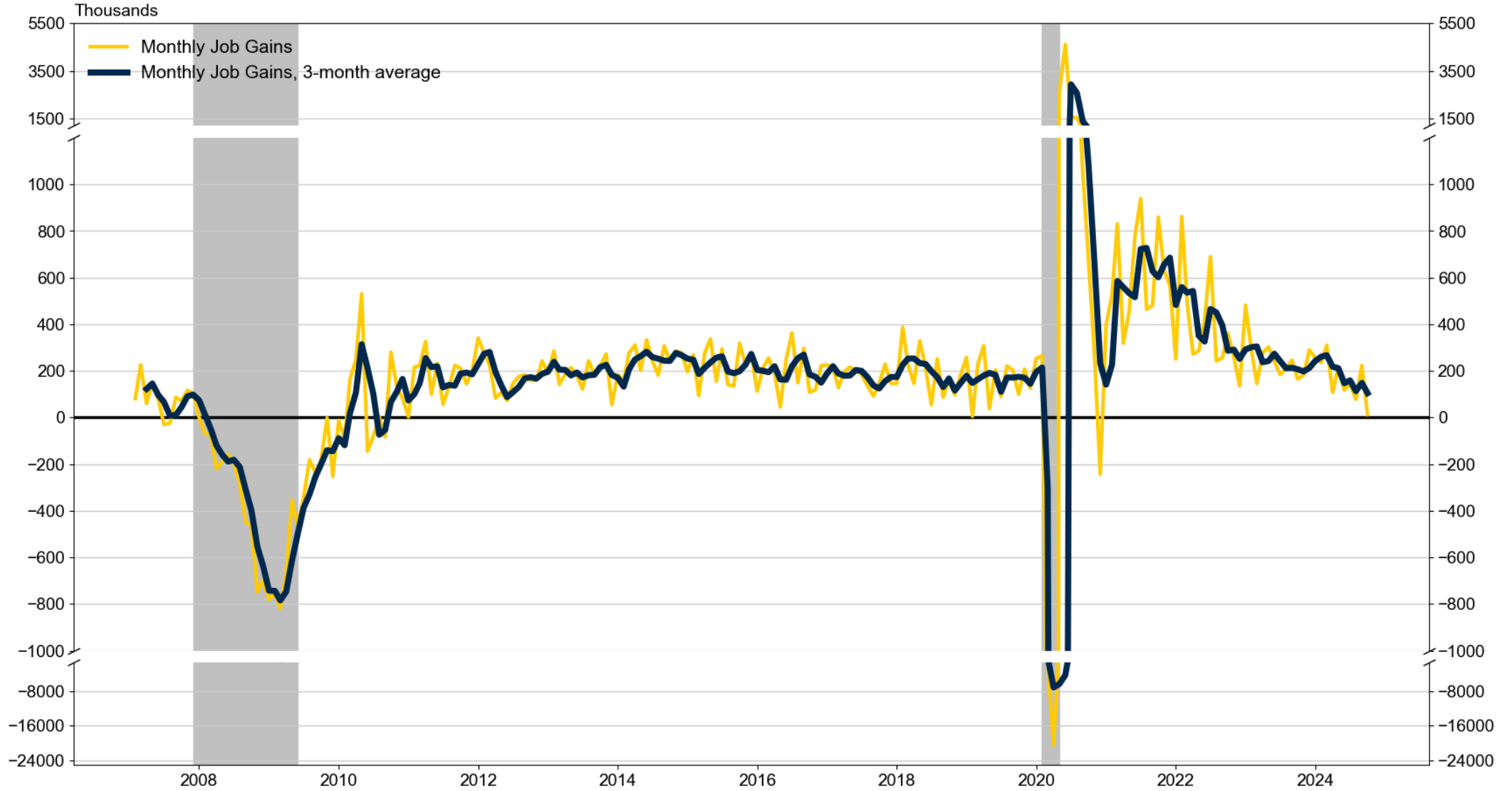


# Personal Saving Rate Revision

Percent of Disposable Personal Income

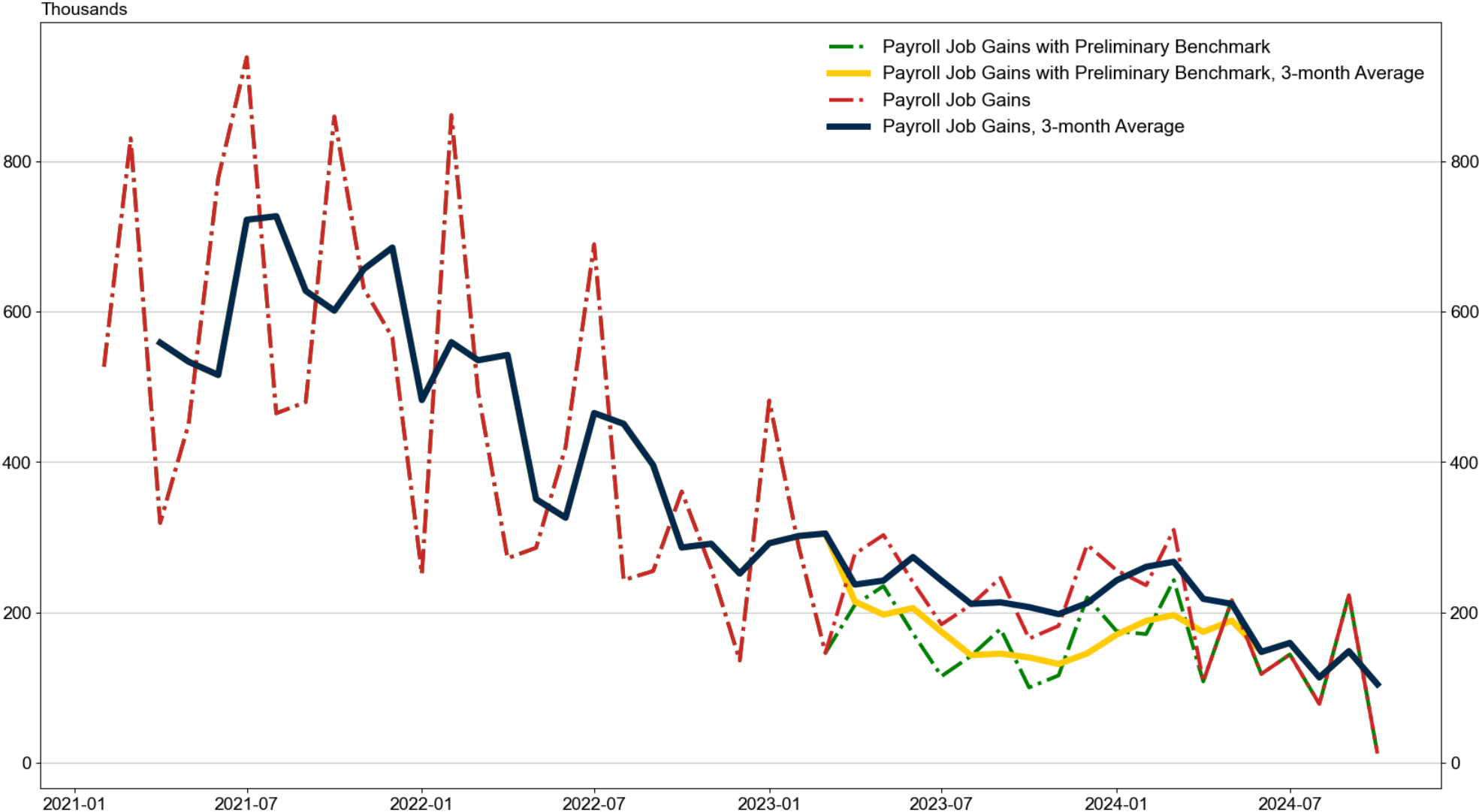


# Monthly Payroll Job Gains

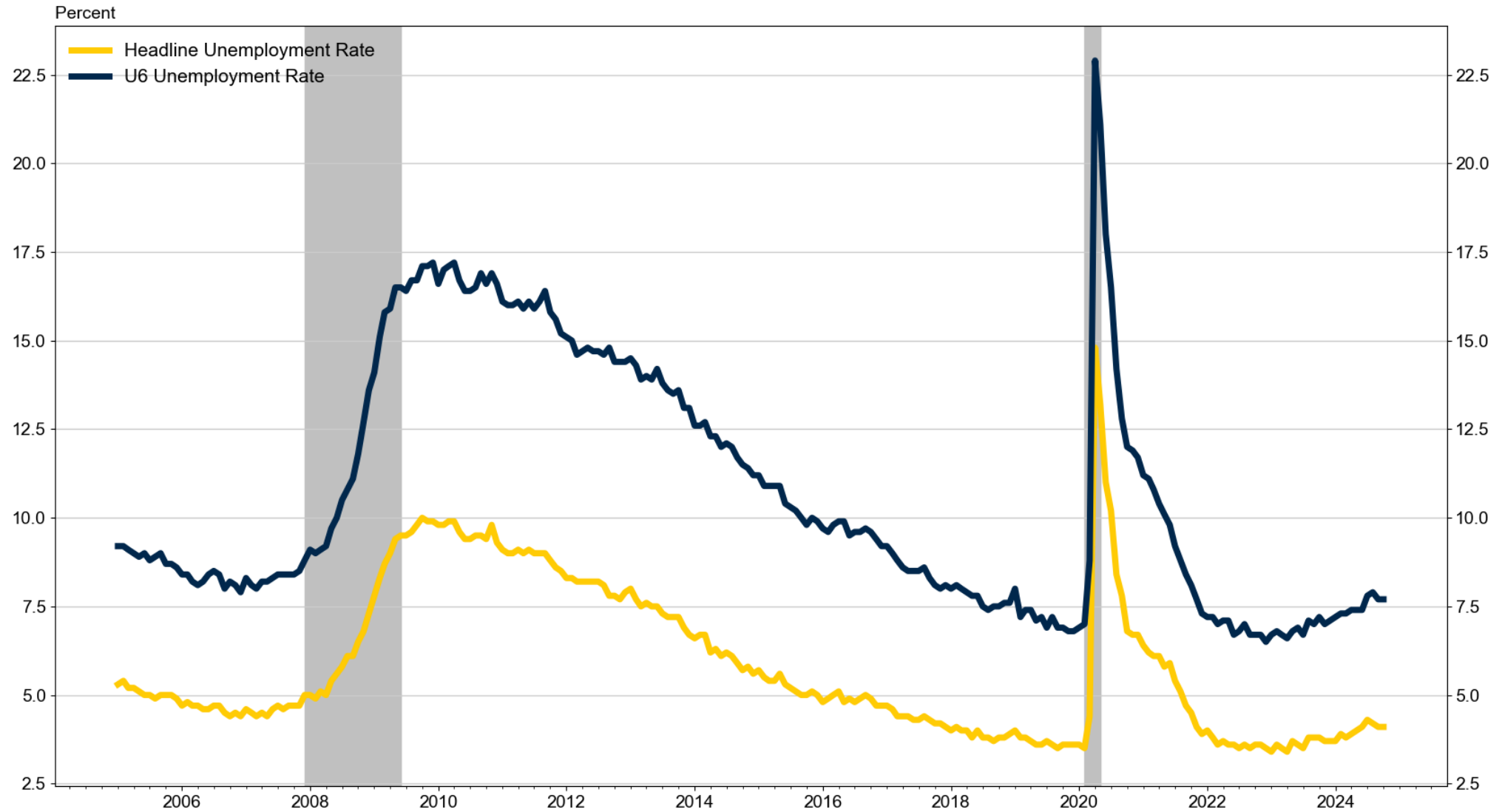




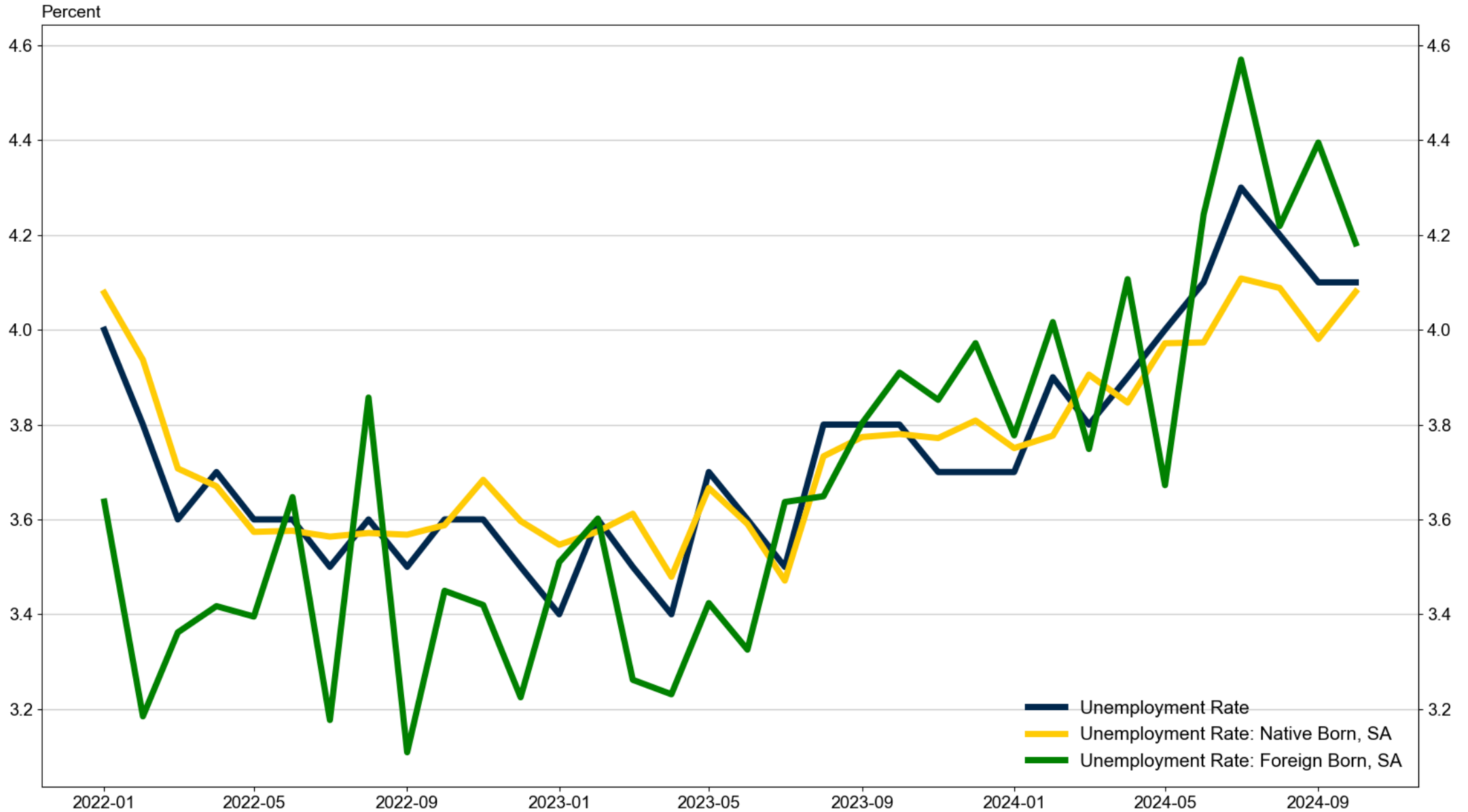
# Monthly Job Gains and Upcoming Benchmark Revision



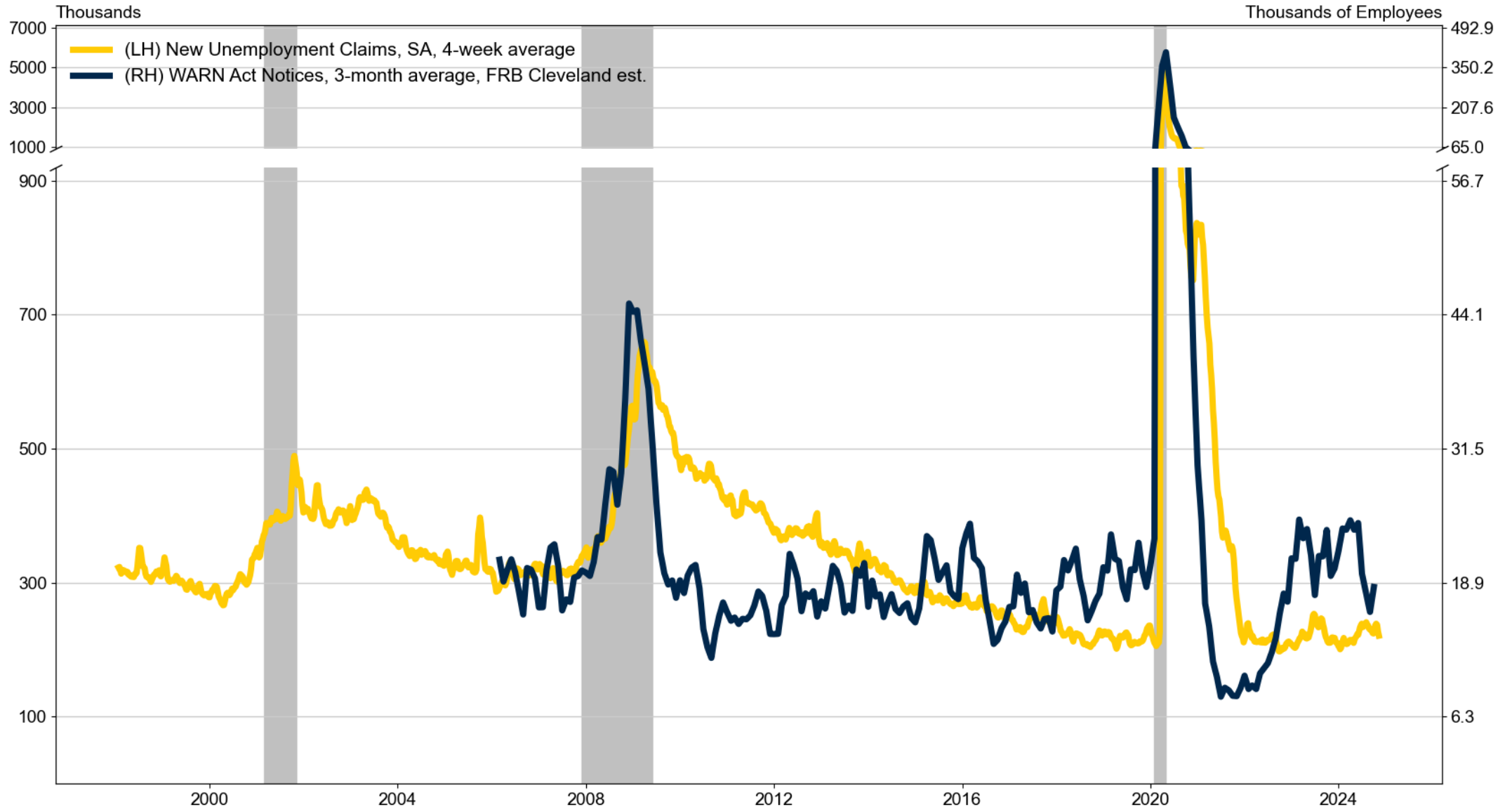
# Unemployment Rate Inching Up



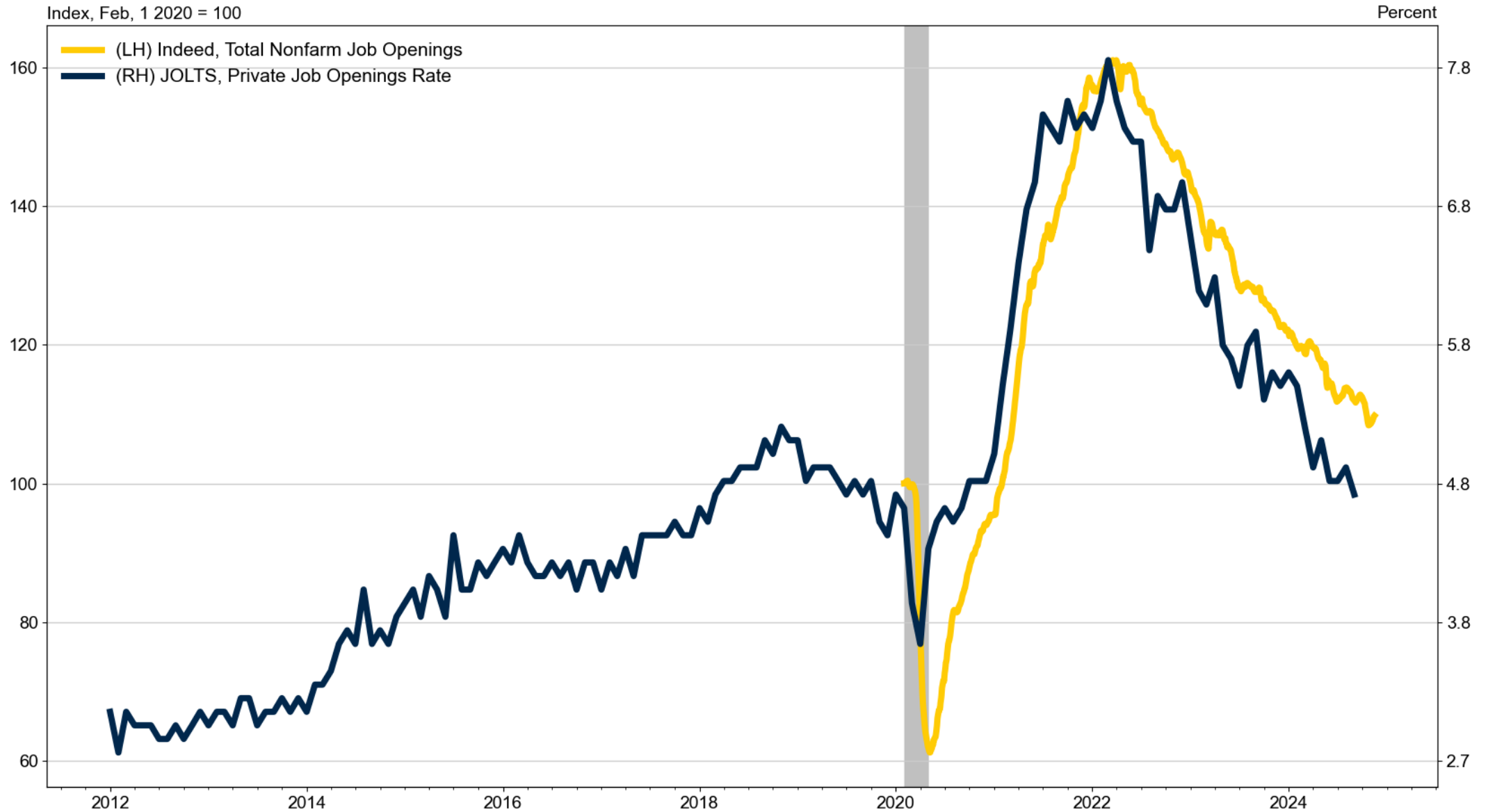
# Unemployment Rate: Native and Foreign Born



# Initial Unemployment Claims and WARN Notices

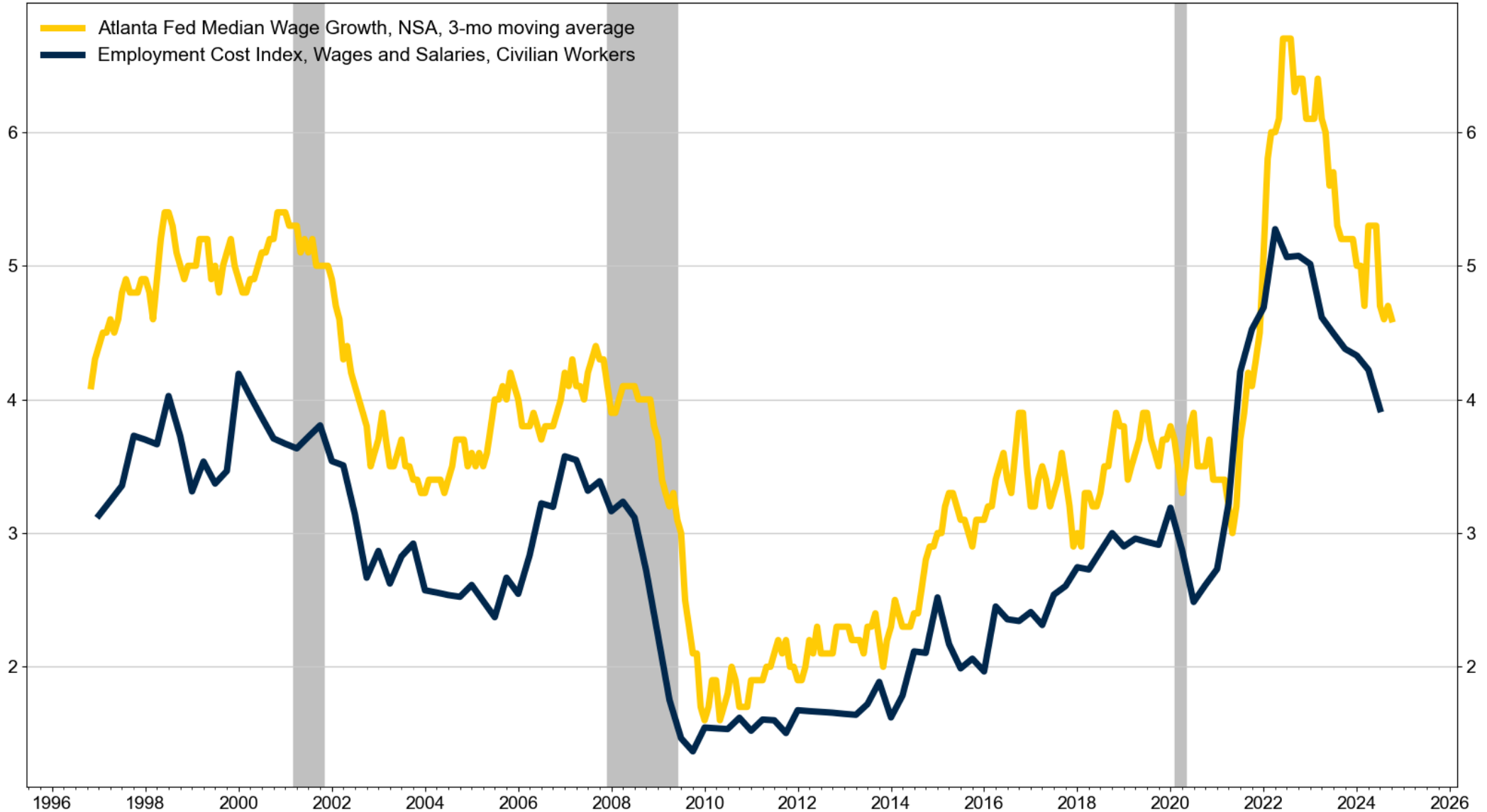


# Job Openings

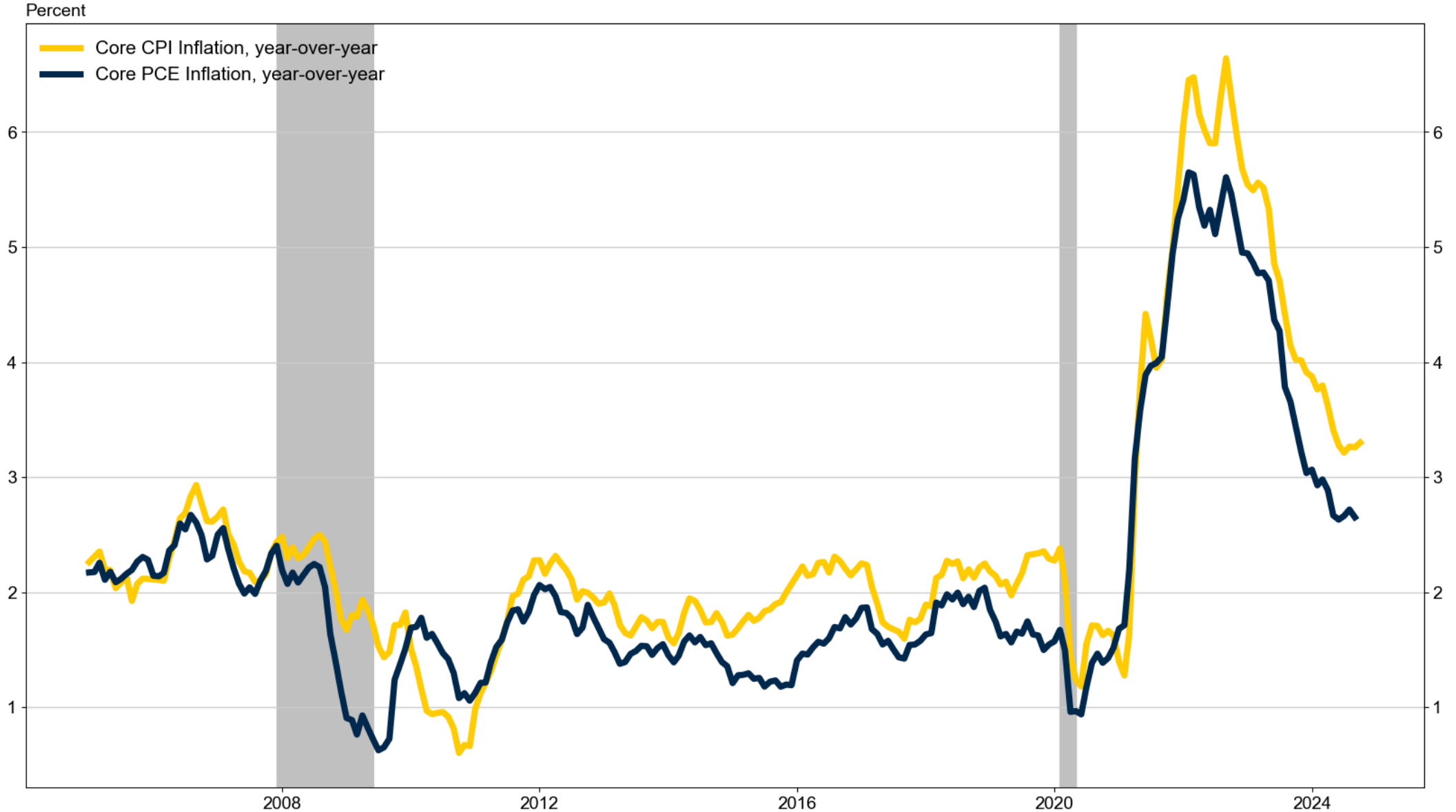


# Wage Growth

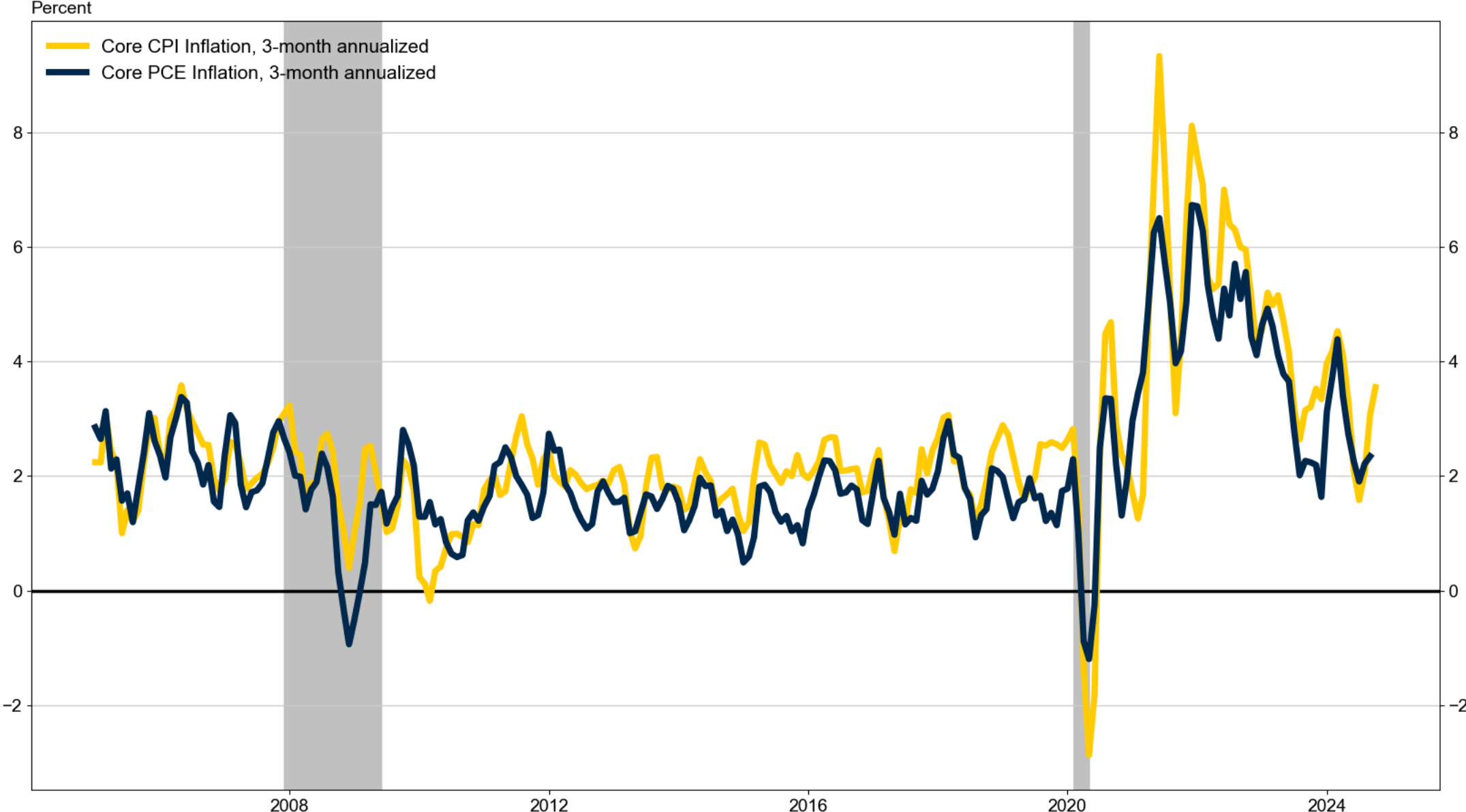
Percent Change, Year-over-Year



# Core CPI and PCE Price Index Inflation

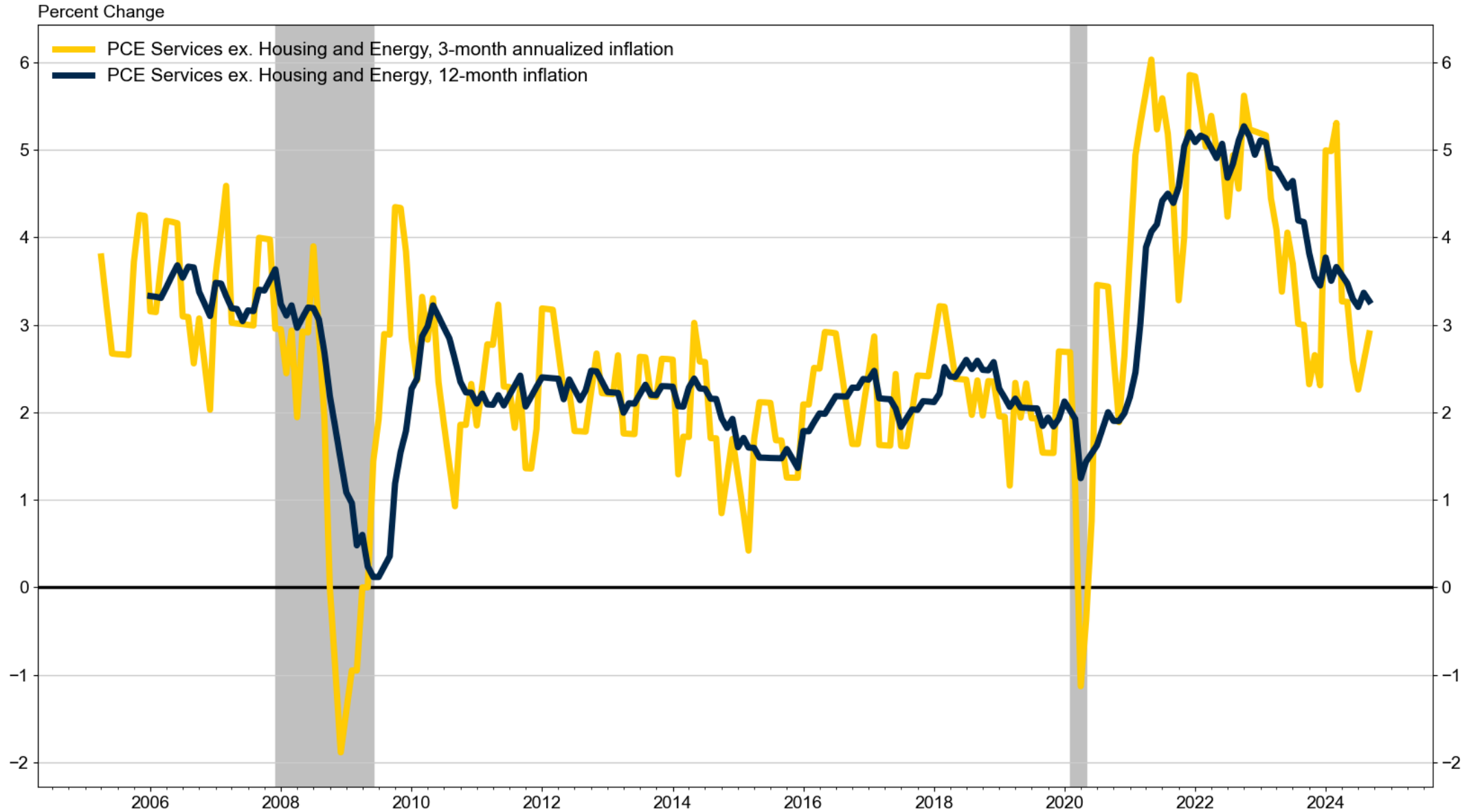


# Recent Core Inflation

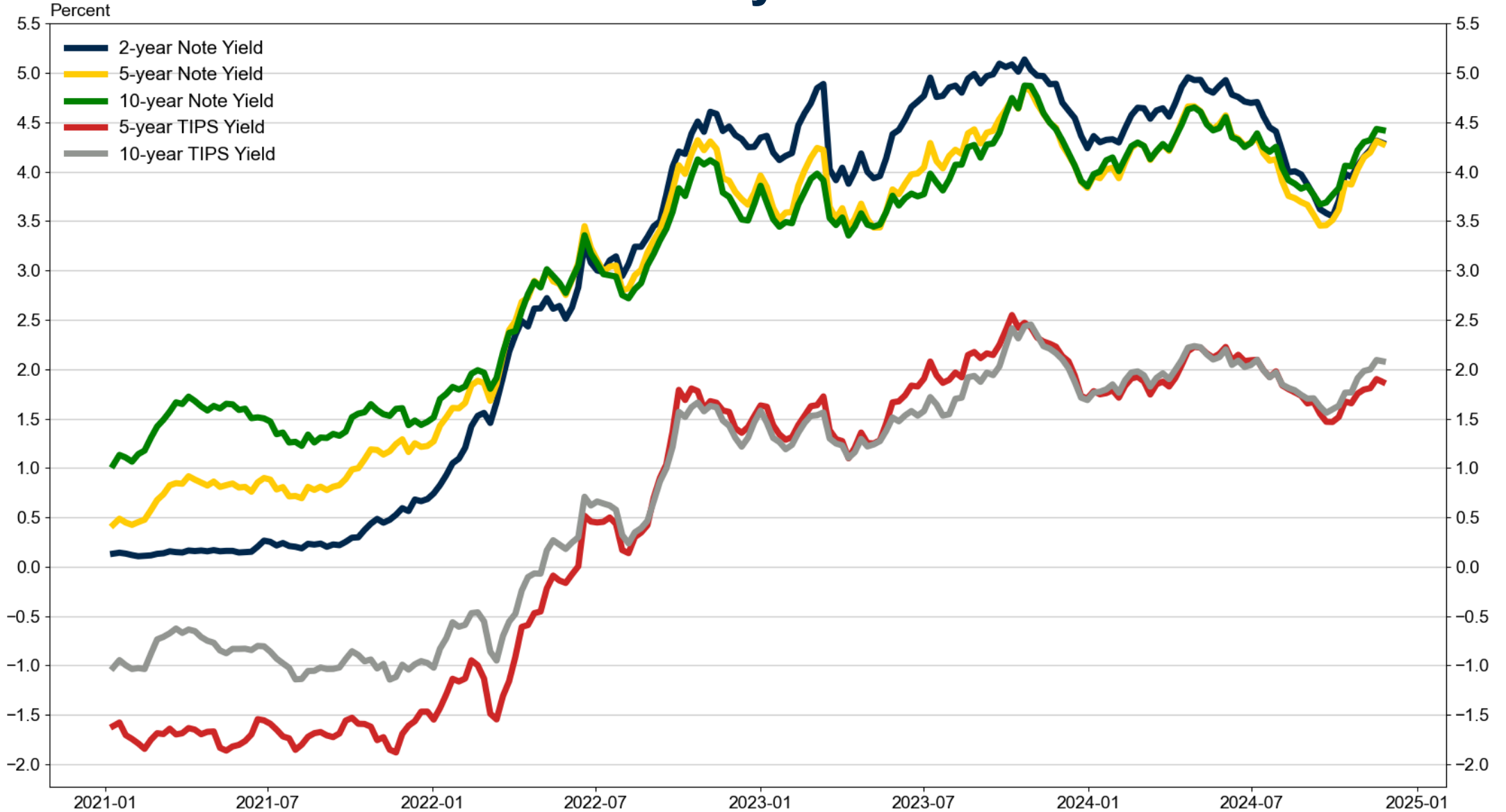




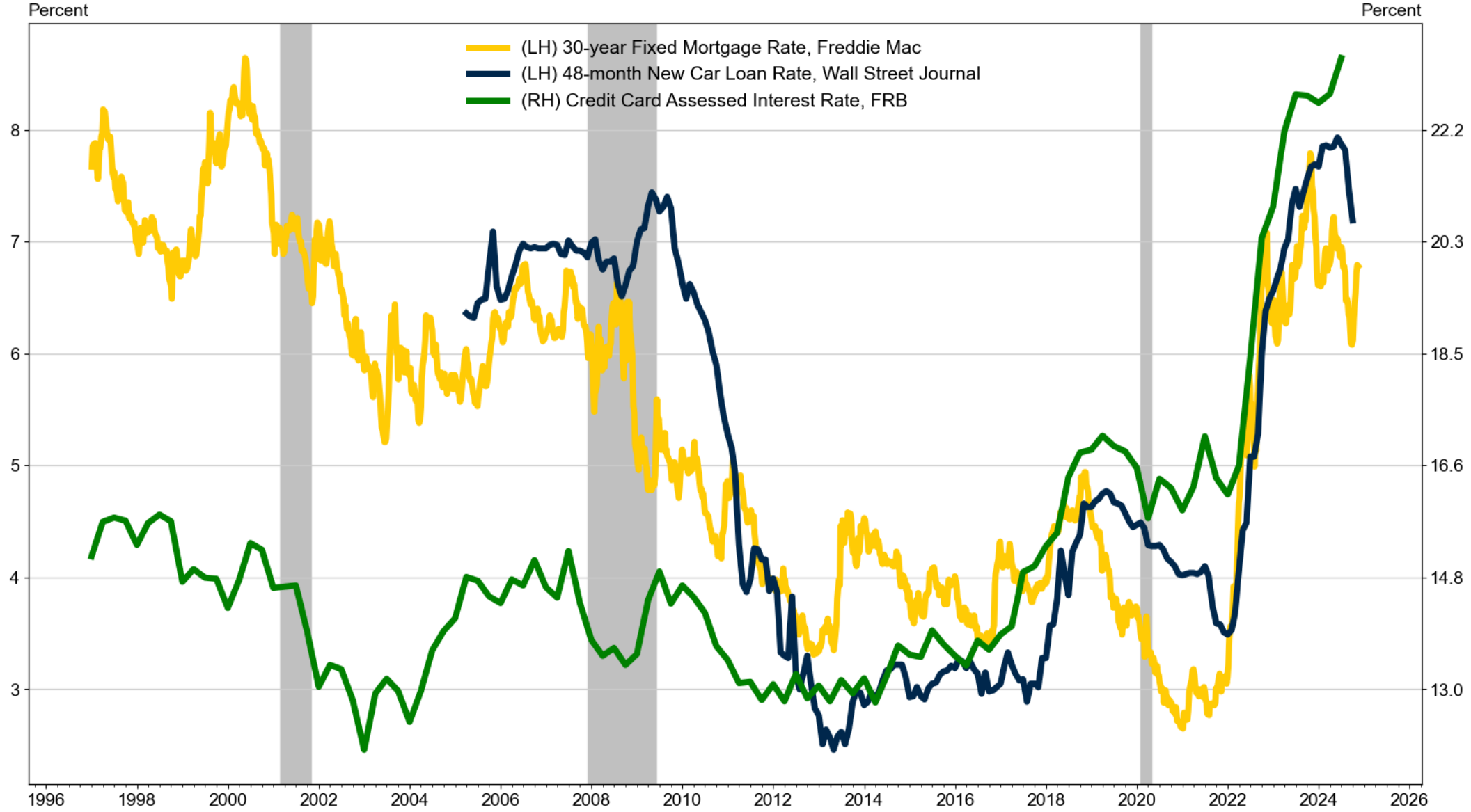
# Core PCE Services Inflation excl. Housing



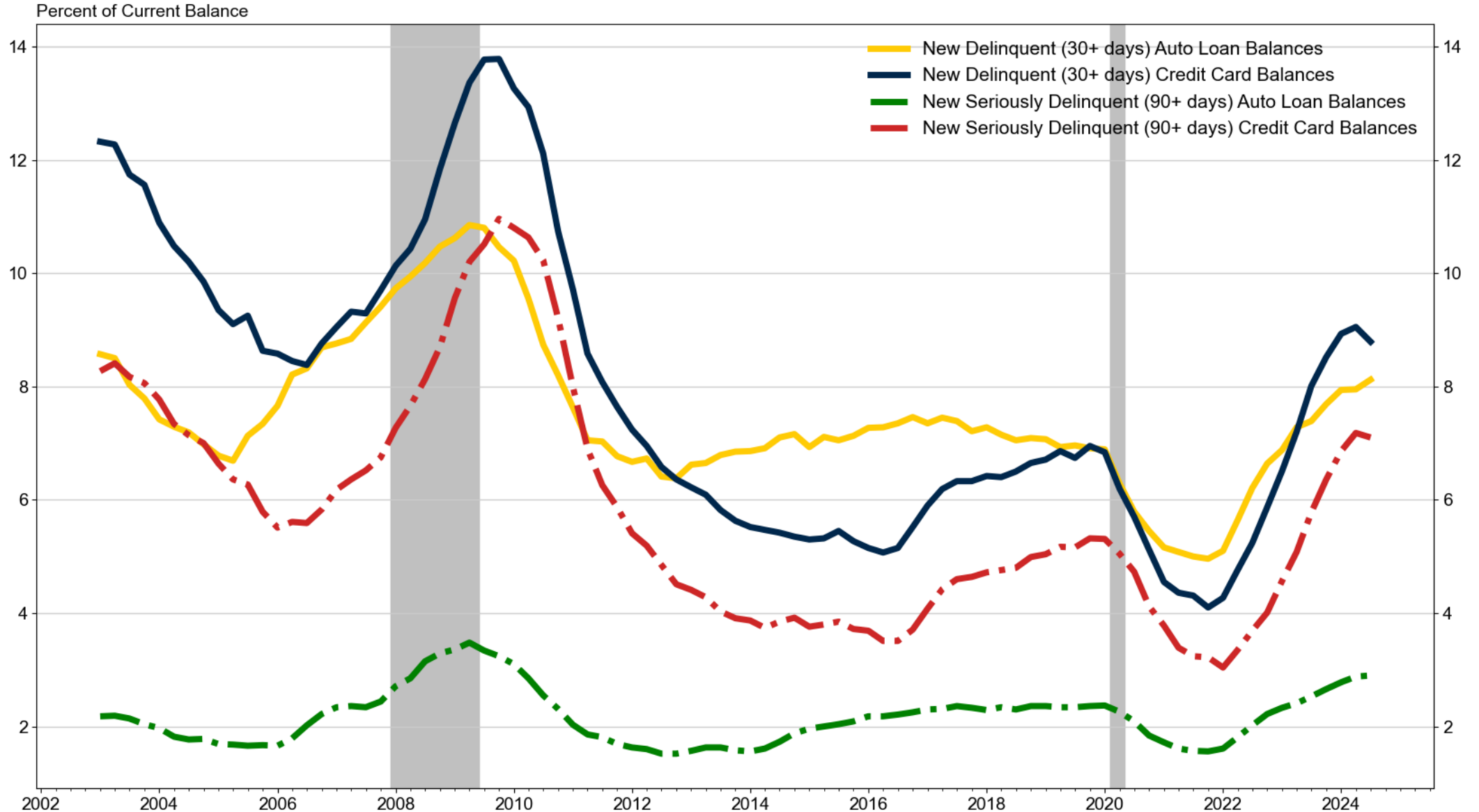
# Treasury Yields



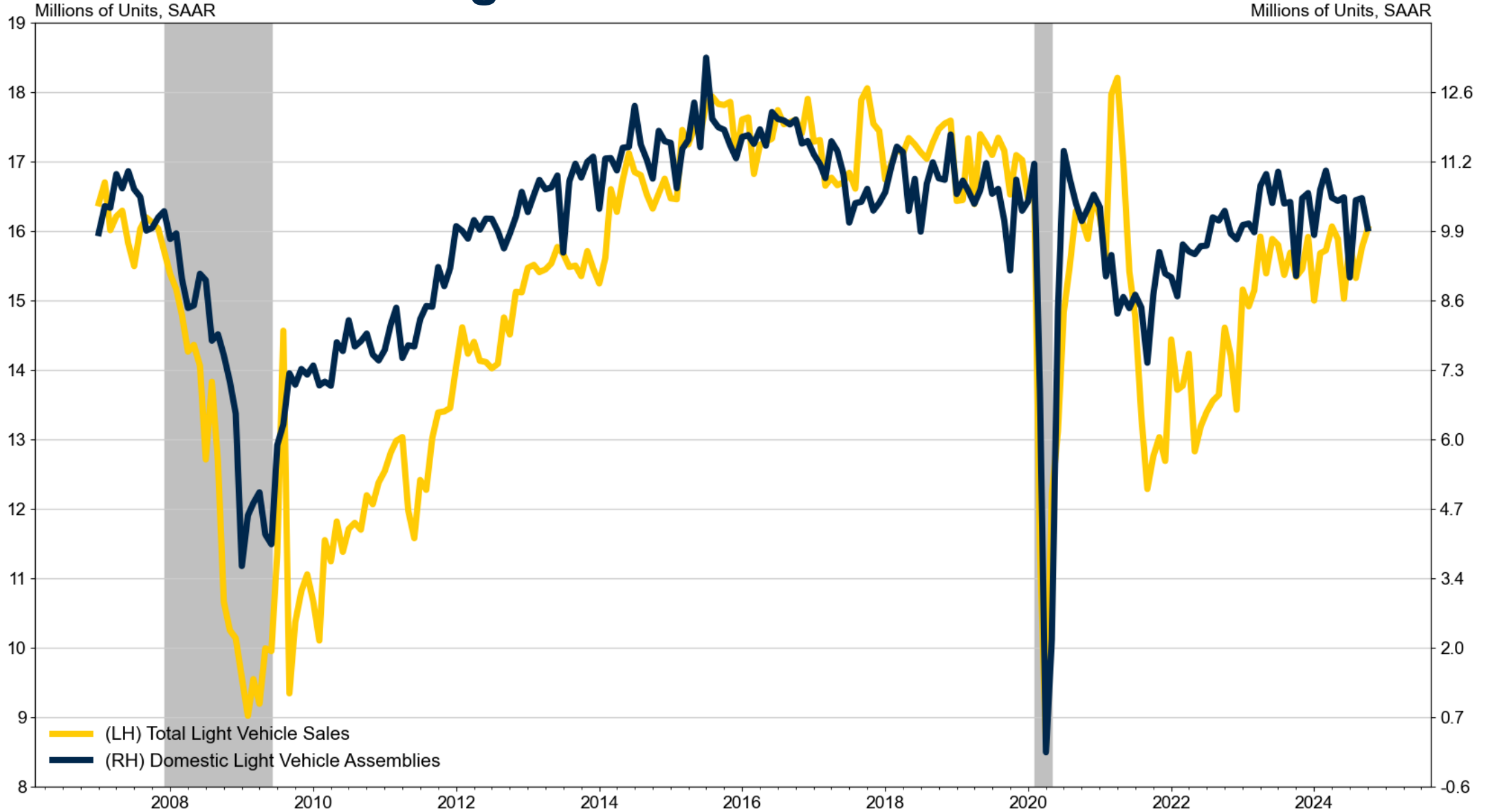
# Select Consumer Interest Rates



# NY Fed Credit Panel



# Domestic Light Vehicle Sales and Assemblies



# Light Vehicle Affordability



**Inputs**

# Key Policy Implications of the Federal Elections

- TCJA largely extended (was our baseline already)
- 15% Corporate rate for domestic manufacturing
- Higher SALT deduction cap
- Sizeable tax cut on Social Security, tips, and overtime income
- \$7,500 EV tax credit gone soon, most IRA provisions expire on schedule
- Tariffs on imports from China will jump in 2026, eventually ~triple
  - Limited retaliation from China through 2026
  - No significant/lasting new tariffs on the rest of the world
- A deportation program of limited scope



# Monetary Policy

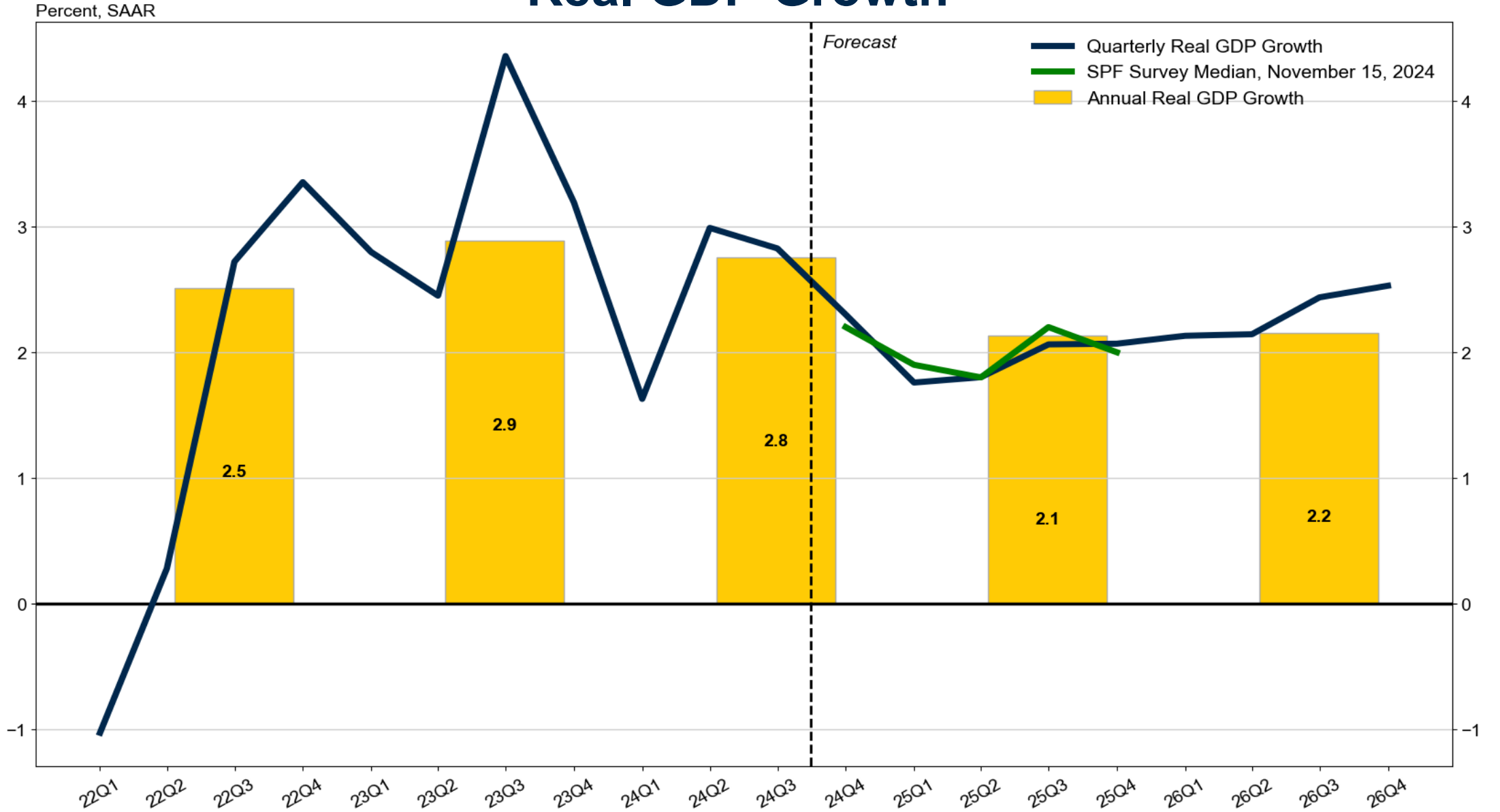
- Inflation progress stalling a bit
- Labor market likely still softening, yet fear of rapid deterioration has subsided
- But, long-term interest rates up considerably since mid-September
- We expect a December cut, but then a much slower pace of cuts
- We think the terminal rate is around 3.25%, the Fed gets there by 2025Q4
- Uptick of inflation in 2026 due to tariffs/tax cuts, but no Fed action
  - One-time effects
  - Concerns about negative growth effects of tariffs were important for 2019 rate cuts

# Fiscal Policy

- Slim House majority will prevent major cuts to spending
- About \$200 billion/year of personal and corporate tax cuts starting in 2026
- Tariff revenues rise by annualized \$86bn between 2026Q1 and 2026Q4
- Strong growth of federal defense expenditures continues
- Historic Deficits outside of the recent pandemic, World War II, the Great Recession
  - Federal NIPA Deficit widens to 6.8 percent of GDP in fiscal 2026
  - Primary NIPA deficit near 3 percent of GDP

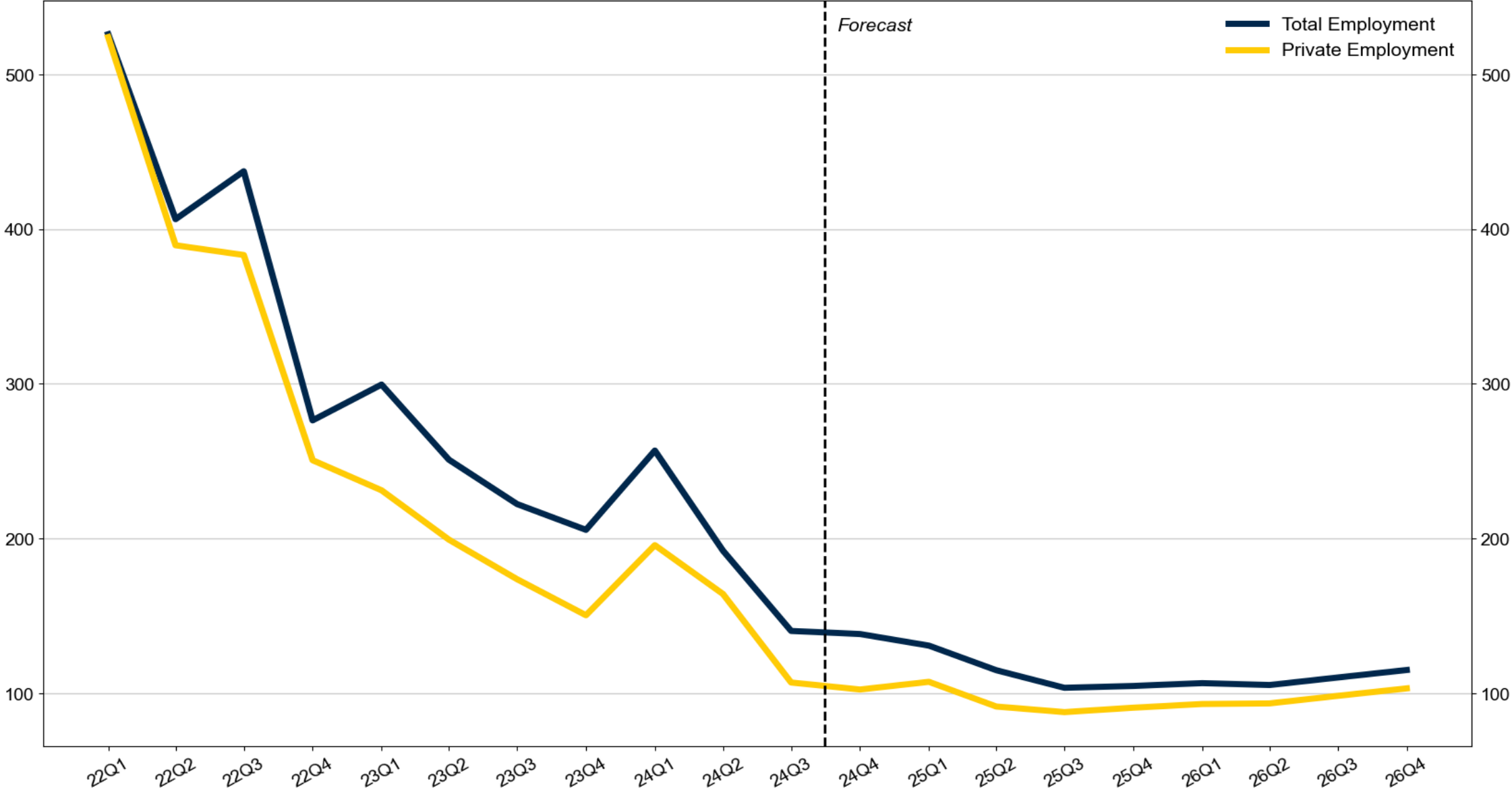
# U.S. Forecast

# Real GDP Growth

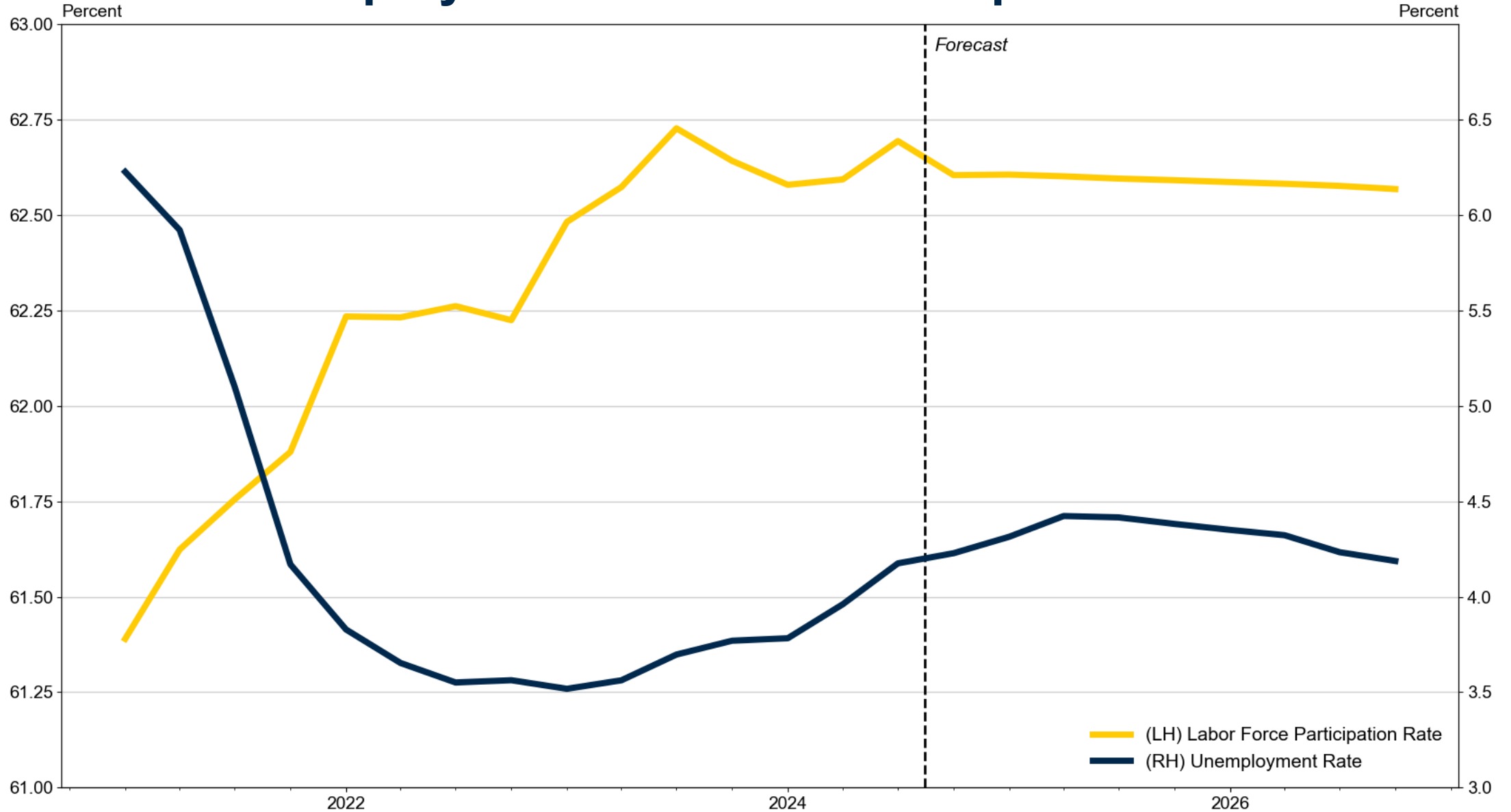


# Payroll Employment Growth

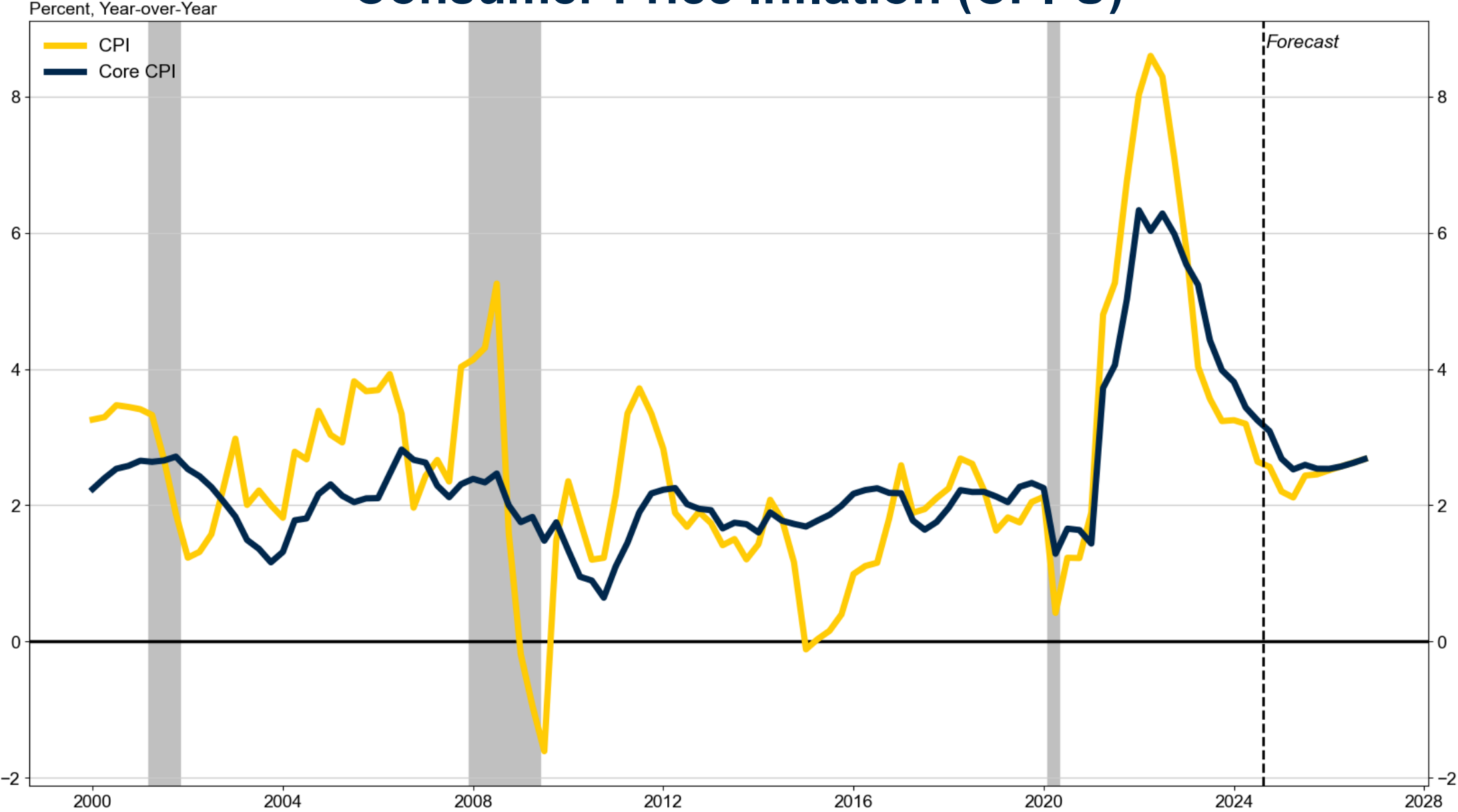
Thousands of Jobs per Month, Quarterly Average



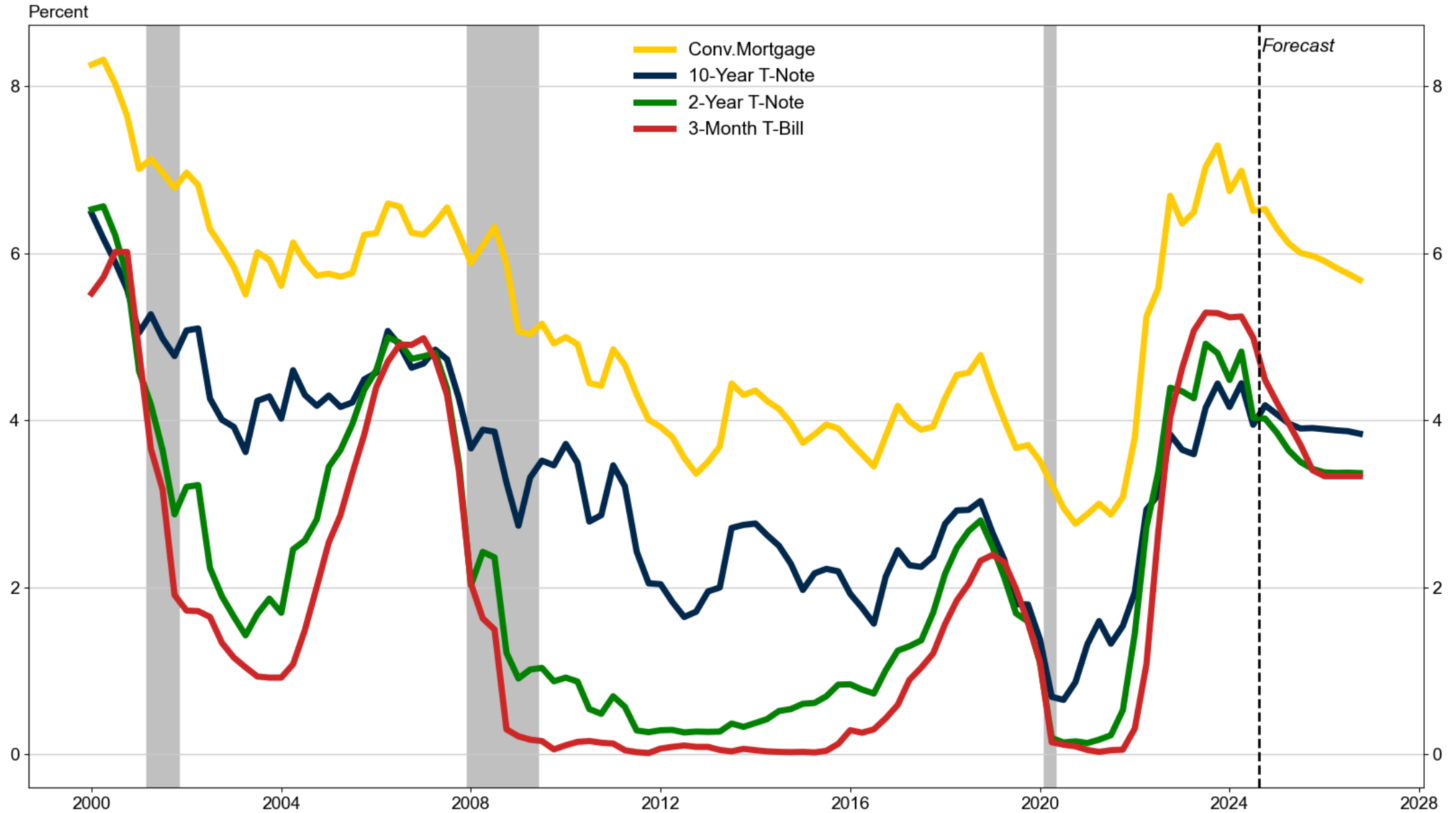
# Unemployment Rate and Participation Rate



# Consumer Price Inflation (CPI-U)

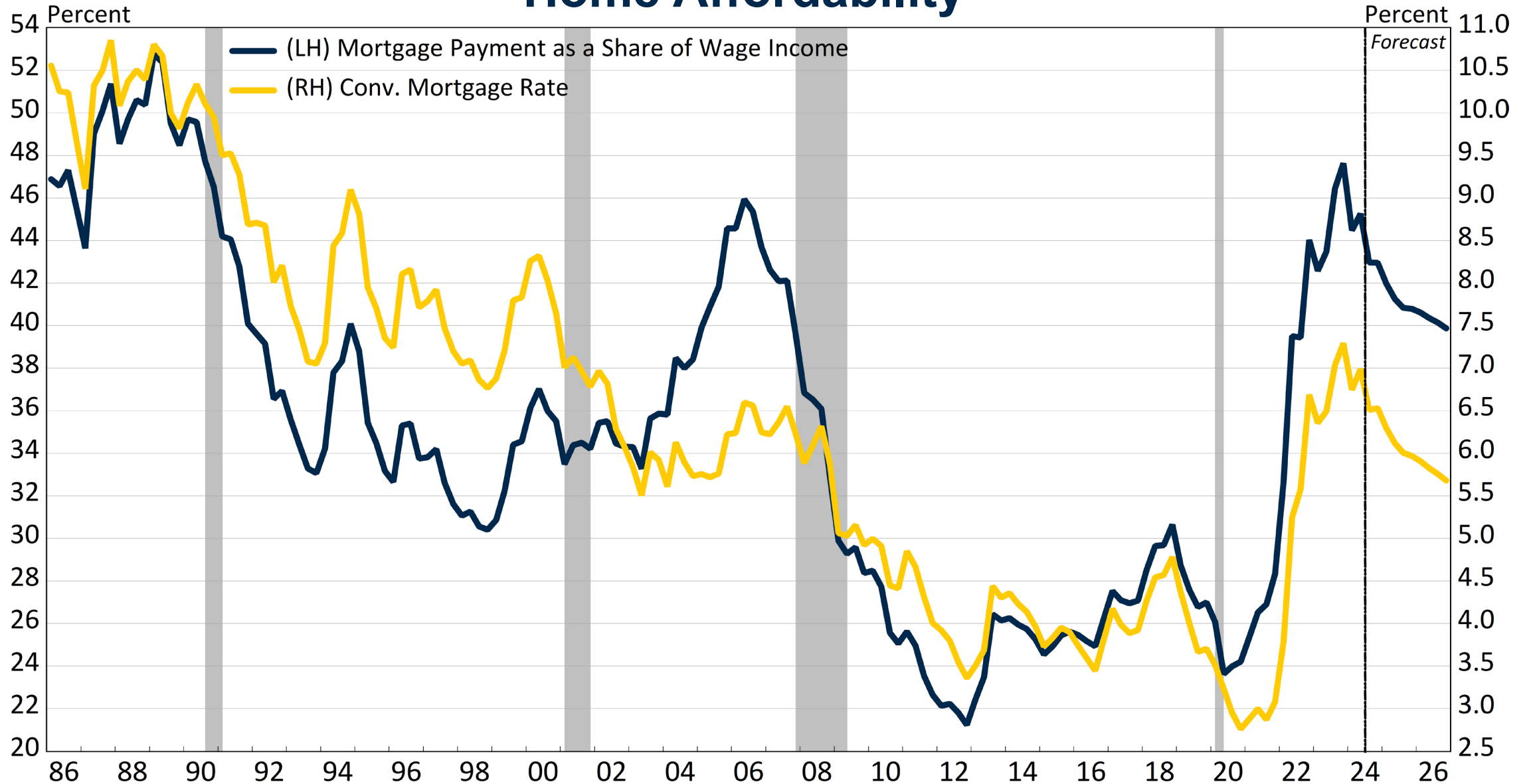


# Interest Rates

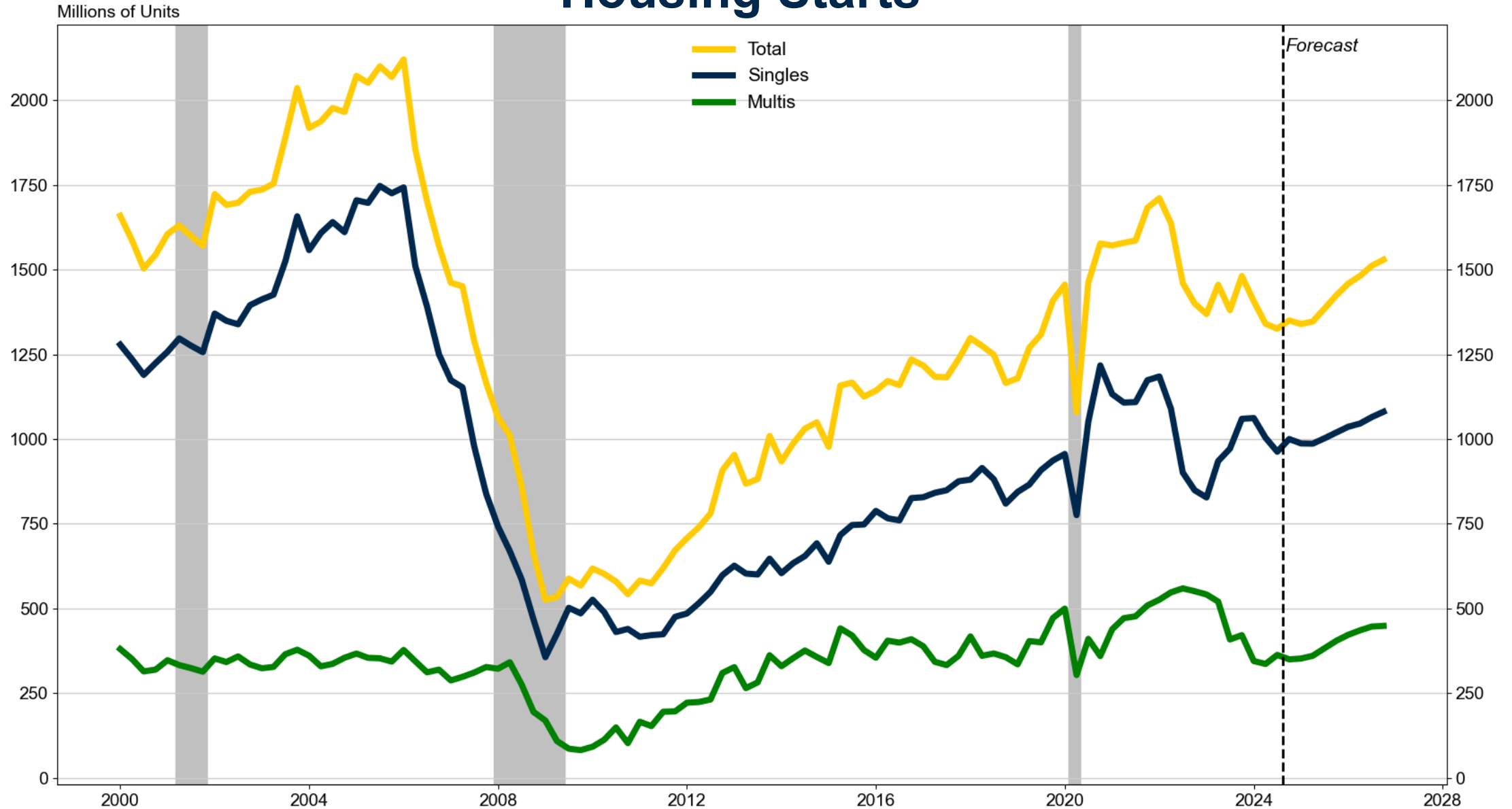




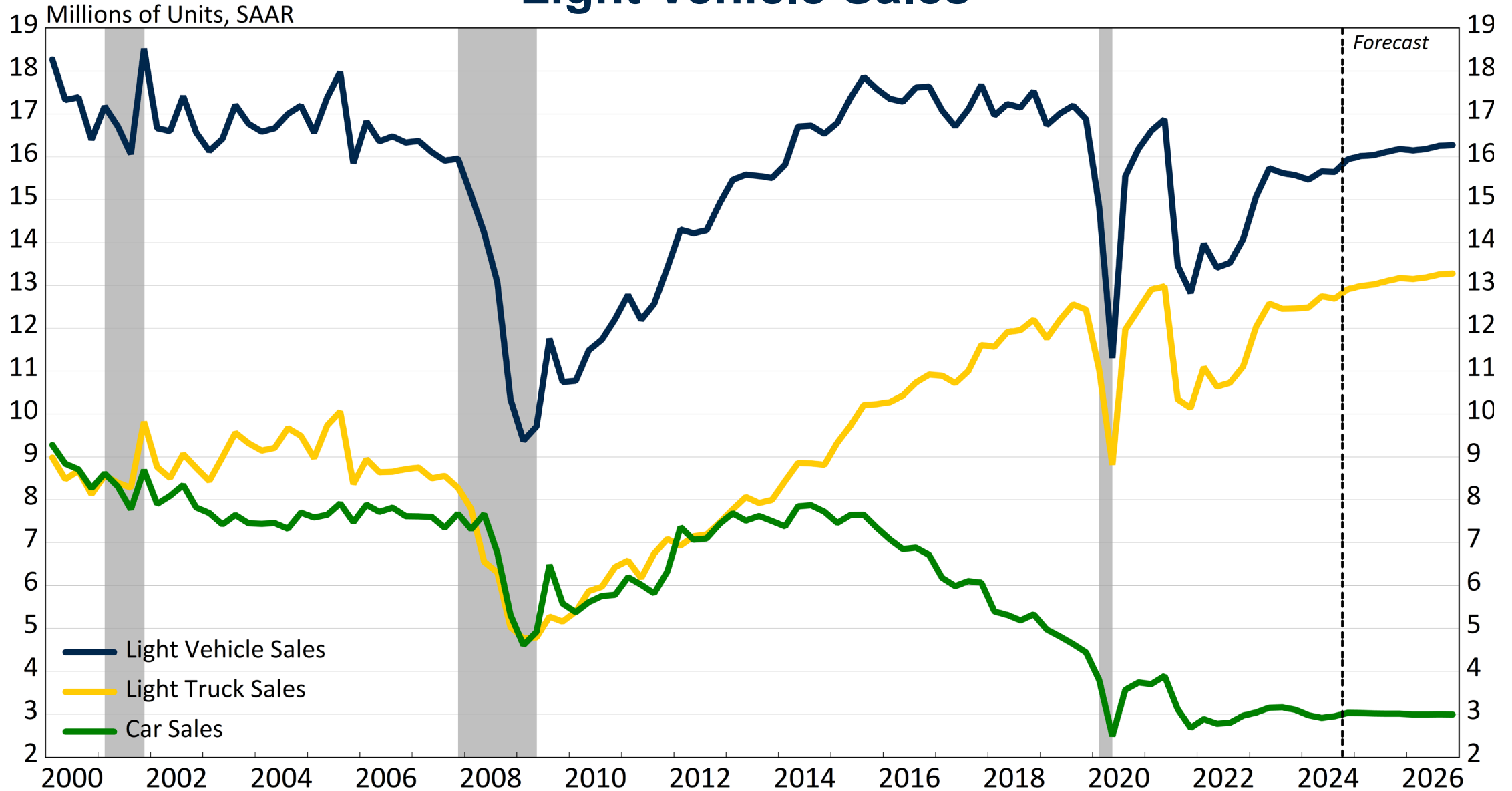
# Home Affordability



# Housing Starts



# Light Vehicle Sales



# Risks

- Sudden Changes in Economic Trends
- Monetary Policy/Inflation
- Foreign Policy
  - Geopolitical Situation
  - Broader Tariffs
- Fiscal Trajectory
- Population Growth/Deportation Policy

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