

# Economic overview and forecast for 2024 Q3

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# I. General Economic Overview, Industry Overview and Company Outlook

## Historical Economic Data 2019 – 2023 and Forecasts 2024 – 2034

	Historical Data					Consensus Forecasts							
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030-2034	
<b>Real GDP</b>	2.5	-2.2	6.1	2.5	2.9	2.5	1.7	2.1	1.9	1.9	1.9	1.8	
<b>Industrial production</b>	-0.7	-7.1	4.4	3.4	0.2	0.2	1.2	2.3	2.1	2.0	1.9	1.9	
<b>Consumer spending</b>	2.0	-2.5	8.8	3.0	2.5	2.3	1.8	2.0	2.0	2.0	2.0	1.9	
<b>Real disposable personal income</b>	3.1	6.3	3.5	-5.6	5.1	1.4	2.3	2.5	2.3	2.1	2.1	2.0	
<b>Business investment</b>	3.7	-4.6	6.0	7.0	6.0	3.7	2.7	3.5	3.2	3.0	2.9	2.9	
<b>Nominal pretax corp. profits</b>	4.4	-2.4	27.6	7.8	6.9	5.2	2.5	3.4	3.0	3.4	3.6	3.6	
<b>Total government spending</b>	3.9	3.4	-0.3	-1.1	3.9	2.9	1.1	N/A	N/A	N/A	N/A	N/A	
<b>Consumer Price Index</b>	1.8	1.2	4.7	8.0	4.1	3.0	2.2	2.3	2.2	2.2	2.2	2.2	
<b>Core PCE</b>	1.6	1.3	3.6	5.4	4.1	2.7	2.2	N/A	N/A	N/A	N/A	N/A	
<b>3-month Treasury bill rate</b>	1.5	0.1	0.1	4.3	5.3	4.6	3.5	3.1	3.0	2.9	3.0	3.0	
<b>10-year Treasury bond yield</b>	1.9	0.9	1.6	3.9	3.9	3.8	3.7	3.6	3.6	3.6	3.7	3.7	
<b>Unemployment rate</b>	3.7	8.1	5.4	3.6	3.6	4.1	4.4	N/A	N/A	N/A	N/A	N/A	
<b>Housing starts (millions)</b>	1.3	1.4	1.6	1.6	1.4	1.4	1.4	N/A	N/A	N/A	N/A	N/A	

Source of historical data: U.S. Department of Commerce, U.S. Department of Labor, U.S. Census Bureau and The Federal Reserve Board.

Source of forecasts: Consensus Forecasts - USA, September 2024.

### Summary of General Economic Overview – United States<sup>1</sup>

Overall, the U.S. economy experienced solid growth in the third quarter of 2024, but unemployment data pointed to a cooling economy and a softening labor market.

Domestic production growth was slightly below expectations in the quarter. Broad increases in personal spending, exports and government spending contributed to GDP growth while a downturn in private inventory investment and rising imports was a drag on GDP.

Inflation continued to moderate due in part to lower gasoline prices. Soft fuel demand and OPEC’s expected increase in production led to lower crude oil prices. In response, the Federal Reserve cut the interest rate by 0.5% and signaled that additional gradual rate cuts are expected.

A frequent bright spot for the economy in recent years, the job market sent mixed signals in the third quarter of 2024, with unemployment unchanged, labor force participation inching up, and uneven nonfarm employment growth. Still, the labor market remains well within the bounds<sup>1</sup> of full employment.

Capital markets posted strong gains in the quarter, fueled by the Fed’s interest rate cut and easing concerns about inflation. The broader S&P 500 and Dow Jones Industrial indexes outperformed the tech-heavy NASDAQ indexes.

Housing market data indicated some softening. As sales continued to be constrained by elevated interest rates, unsold housing inventory rose in the third quarter. Prices in major cities continued to rise year over year.

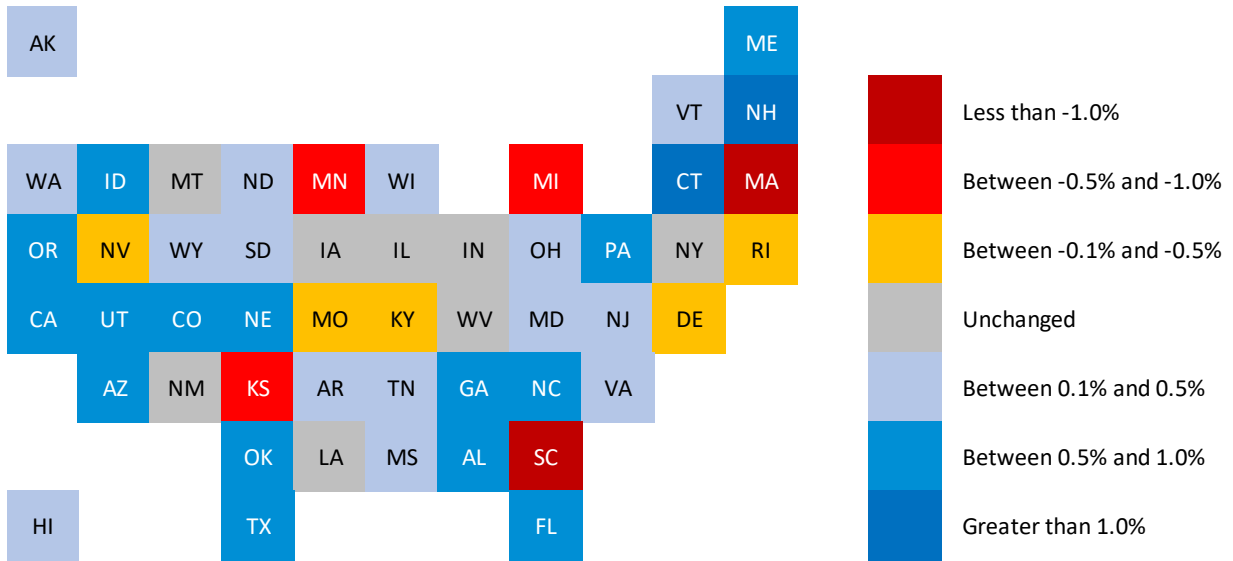
FOMC members’ short-term domestic production and inflation projections were revised slightly downward. Unemployment expectations were revised slightly up, while forecasts of longer-term economic performance were minimally changed across all three measures.

<sup>1</sup> Economic Outlook Update™ Q3 2024 published by TagniFi, LLC, © 2024.



A multifactor indicator of economic strength, the Philadelphia Fed’s coincident index<sup>2</sup> of economic activity in the U.S. rose 0.3% in September 2024 and 0.7% during the third quarter. For the quarter, coincident indexes increased in 34 states, decreased in 10 states, and remained unchanged in 6 states. Coincident indexes reflect unemployment, payroll employment, manufacturing hours, and wages and salaries.

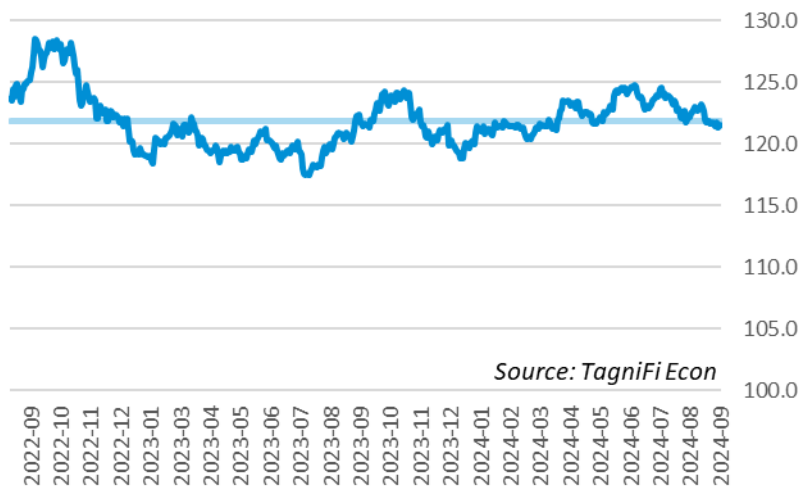
### September 2024 State Coincident Indexes: 3-Month Change



Source: TagniFi Econ

The U.S. dollar index for goods and services<sup>3</sup> declined by 2.4% during the third quarter of 2024, reflecting the expectation of the Fed’s rate cuts. The dollar index was down 0.9% from the prior year.

### Trade Weighted U.S. Dollar Index



Source: TagniFi Econ

<sup>2</sup> Federal Reserve Bank of Philadelphia, Coincident Economic Activity Index for the United States [USPHCI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/USPHCI>, November 4, 2024.

<sup>3</sup> Board of Governors of the Federal Reserve System (US), Trade Weighted U.S. Dollar Index: Broad, Goods and Services [DTWEXBGS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DTWEXBGS>, November 4, 2024.



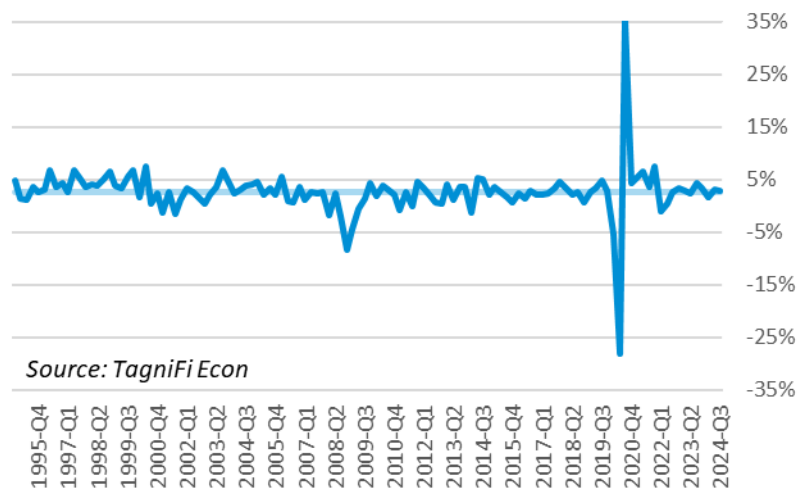
## Economic Highlights

- The Philadelphia Fed's coincident index of economic activity in the U.S. rose 0.3% in September 2024 and 0.7% during the third quarter.
- The U.S. dollar index declined 2.4% during the third quarter and was down 0.9% from the prior year.
- Real GDP grew at an annualized rate of 2.8% during the third quarter.
- The effective federal funds rate declined to 5.13% during the quarter, the first decline since the 23-year high reached in the third quarter of 2023.
- The one-year and two-year annual treasury yields ended the third quarter at 3.98% and 3.66%, respectively. The benchmark 10-year treasury yielded 3.81% at the end of the quarter, while the 30-year treasury yielded 4.14%.
- The unemployment rate ended the third quarter at 4.1%, unchanged from the prior quarter. Nonfarm payrolls grew by 400,000 jobs in the third quarter.
- The Consumer Price Index for all items rose 3.4% for the year ended September 2024. Excluding volatile energy prices, the annual increase was 3.1%.
- Crude oil prices ended the third quarter at \$68.75 per barrel, down 17.0% from the prior quarter and down 24.3% year over year.
- New home starts rose 1.9% during the third quarter to 1.54 million in September. Total new home starts were down 0.7% year over year.
- The NASDAQ Composite climbed 2.6% during the third quarter. The S&P 500 rose 5.5%, while the Dow Jones Transportation, Composite, and Industrial Averages were up 5.7%, 8.6%, and 8.2%, respectively, during the quarter.

## Business Activity

Real gross domestic product (GDP)<sup>4</sup> grew at an annualized rate of 2.8% during the third quarter of 2024, slightly lower than expected, and down from 3.0% in the second quarter. Gains in consumer spending and exports were tempered by the downturn in private inventory investment, a larger decline in residential fixed investment, and increasing imports. Government spending also increased in the third quarter. The scale and makeup of the third-quarter GDP growth pointed to continued economic expansion.

## Annual Percentage Change in Real GDP



<sup>4</sup> U.S. Bureau of Economic Analysis, Real Gross Domestic Product [GDPC1], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDPC1>, November 4, 2024.



Personal consumption expenditures<sup>5</sup> (PCE) had a positive 2.5% effect on real GDP in the third quarter. A rise in spending on services, especially for health care as well as food services and accommodations, contributed to PCE growth. Spending on goods also rose, led by other nondurable goods (such as prescription drugs) and motor vehicles and parts.

Gross domestic private investment<sup>6</sup> contributed 0.1% to the increase in the third-quarter real GDP estimate. Private inventory investment declined, particularly in wholesale and retail industries. The increase in the total of nonresidential fixed investment

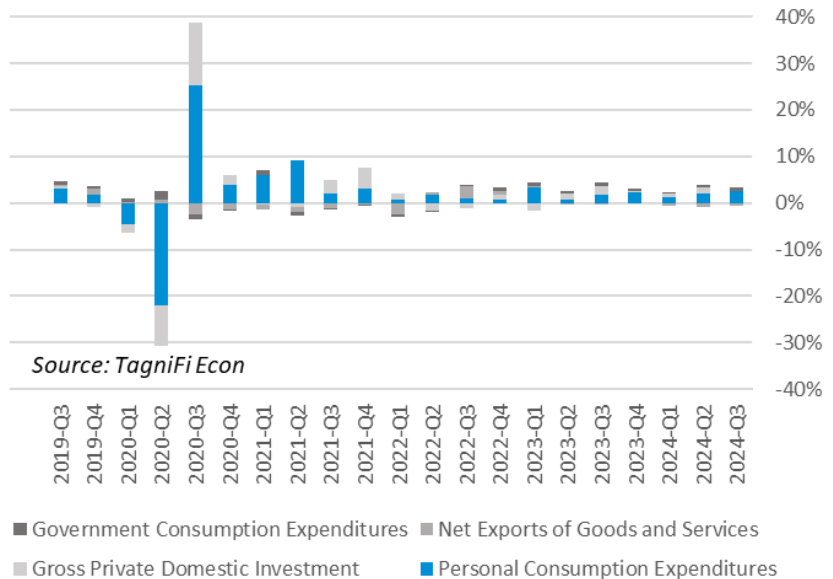
reflected increases in equipment and intellectual property products, partially offset by a decrease in structures. Residential fixed investment declined in the third quarter.

Government expenditures<sup>7</sup> also rose, contributing 0.9% to the third-quarter GDP gain. State and local government consumption and national defense investment contributed to higher government expenditures.

Net exports<sup>8</sup> had a negative 0.6% effect on real GDP in the third quarter as the growth of imports (which have a negative impact on GDP) far outpaced that of exports. Import and export gains were seen primarily in capital goods, excluding automotive.

Economists polled by the Livingston Survey<sup>9</sup> in June 2024 projected real GDP to rise to an annual rate of 2.0% in the first half of 2024, then moderating to an annual rate of 1.7% in the second half of 2024 before rebounding to 2.0% in the first half of 2025.

### Contributions to Percent Change in Real GDP



<sup>5</sup> U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Personal consumption expenditures [DPCERY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DPCERY2Q224SBEA>, November 4, 2024.

<sup>6</sup> U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Gross private domestic investment [A006RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A006RY2Q224SBEA>, November 4, 2024.

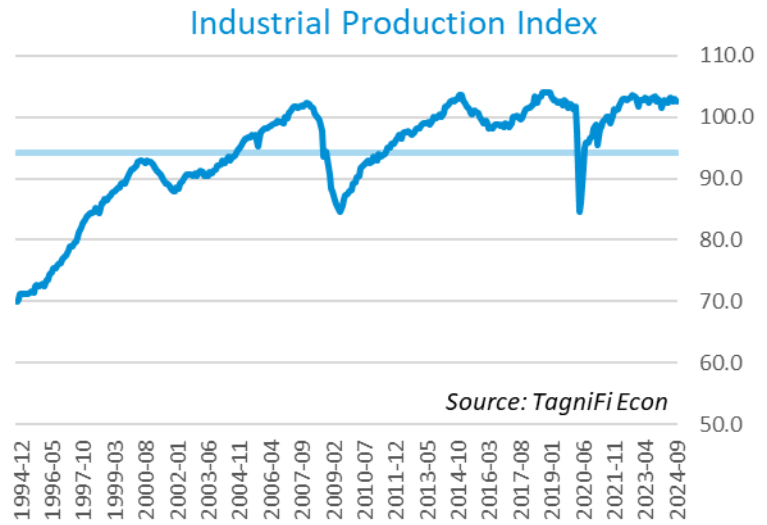
<sup>7</sup> U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Government consumption expenditures and gross investment [A822RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A822RY2Q224SBEA>, November 4, 2024.

<sup>8</sup> U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Net exports of goods and services [A019RY2Q224SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A019RY2Q224SBEA>, November 4, 2024.

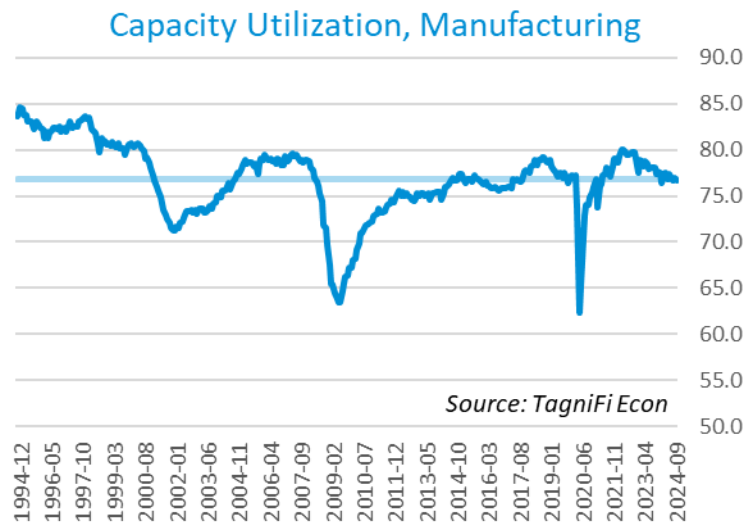
<sup>9</sup> Federal Reserve Bank of Philadelphia, The Livingston Survey December 2023, [economic release], retrieved from <https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/livingston-survey>, November 4, 2024.



The Industrial Production Index<sup>10</sup> is a economic indicator that measures real output for all facilities located in the United States manufacturing, mining, and electric and gas utility sectors. The index stood at 102.6 at the end of the third quarter, down 0.6% from the second quarter.



The Capacity Utilization Index<sup>11</sup>, which attempts to capture industrial output as a percentage of the economy’s maximum production capacity, ended the third quarter of 2024 at 76.6%. September 2024’s level was slightly below the 30-year average of 76.9% for this metric, and it was down 0.7% from the previous quarter.



<sup>10</sup> Board of Governors of the Federal Reserve System (US), Industrial Production Index [INDPRO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/INDPRO>, November 4, 2024.

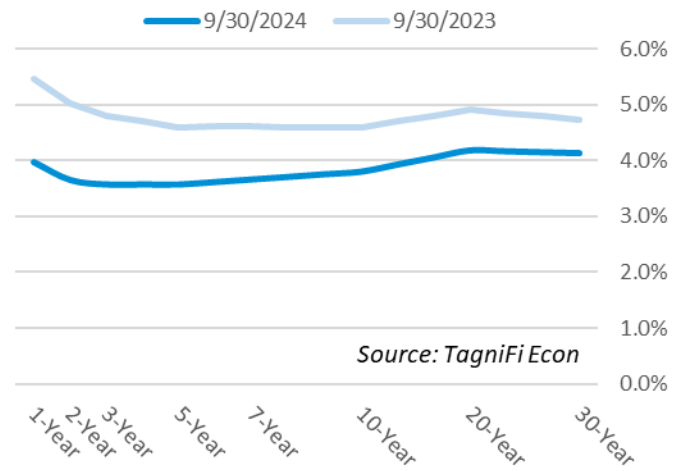
<sup>11</sup> Board of Governors of the Federal Reserve System (US), Capacity Utilization, Manufacturing (NAICS), retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MCUMFN>, November 4, 2024.



### Interest Rates

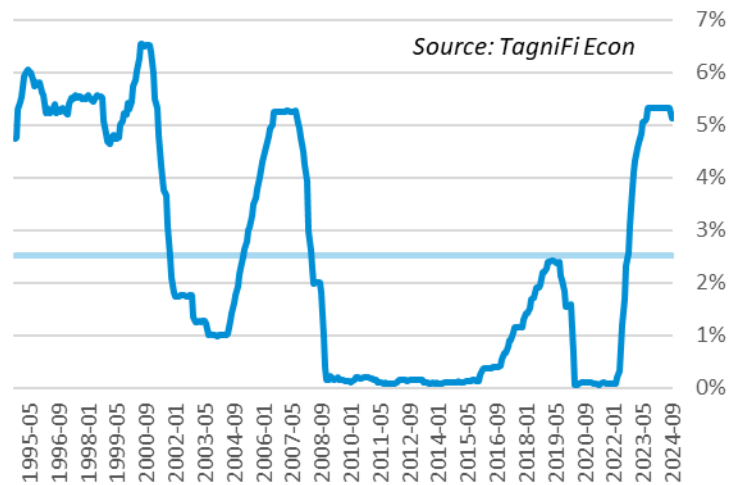
The effective federal funds rate<sup>12</sup> stood at 5.13% in the third quarter, down from 5.33% during the second quarter, a first decline since the 23-year high reached in the third quarter of 2023. Treasury bond yields<sup>13</sup> for periods of one year and up declined during the third quarter. The closely watched two-year yield fell below the 10-year rate, signaling the end of the inverted yield curve that was observable since July 2022. The one-year and two-year annual treasury yields ended the third quarter at 3.98% and 3.66%, respectively. The benchmark 10-year treasury yielded 3.81% at the end of the quarter, while the 30-year treasury yielded 4.14%.

### U.S. Treasury Yield Curve



In the third quarter of 2024, the Federal Reserve cut the federal funds target rate<sup>14</sup> to a range of 4.75% to 5.00%, the first cut in four years and a sharp decline from the 23-year high of 5.25% to 5.50%. With the inflation outlook cooling off and the employment market softening, the FOMC signaled that additional rate cuts are likely in the upcoming months.

### Federal Funds Rate



<sup>12</sup> Board of Governors of the Federal Reserve System (US), Federal Funds Effective Rate [FEDFUNDS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FEDFUNDS>, November 4, 2024.

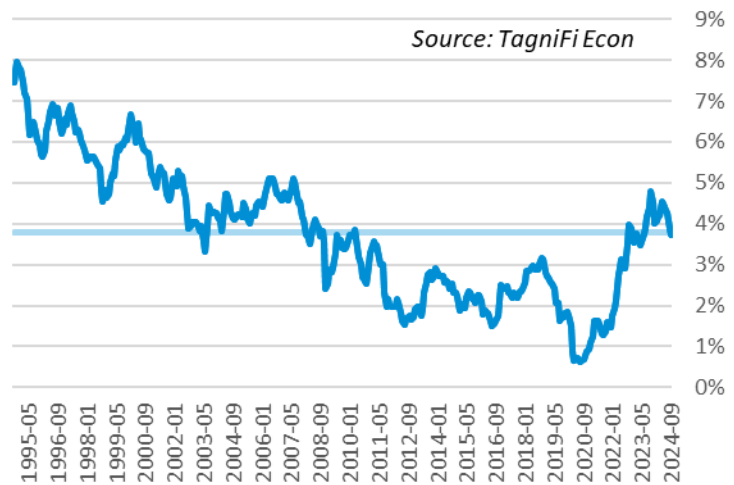
<sup>13</sup> Selected Interest Rates Instruments, Yields in percent per annum, retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/release/tables?rid=18&eid=289&od=2024-06-28#>, November 4, 2024.

<sup>14</sup> Board of Governors of the Federal Reserve System (US), Federal Funds Target Range - Upper Limit [DFEDTARU], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DFEDTARU>, November 4, 2024.



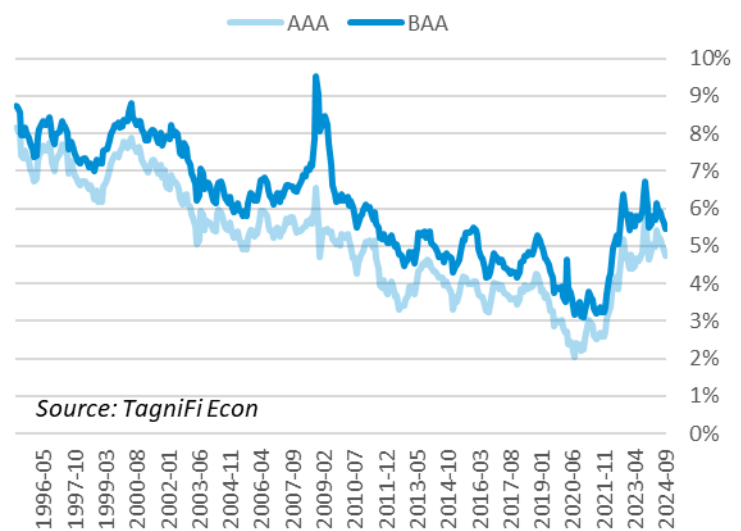
The yield on the benchmark 10-year U.S. treasury<sup>15</sup> ended the third quarter at 3.81%, down 0.55 percentage points from the previous quarter and slightly above the average yield of 3.78% over the last 30 years.

### 10-Year US Treasury Yield



Moody's Baa Corporate Bond Yield Index<sup>16</sup> ended the third quarter at 5.44%, down 0.47 percentage points since the previous quarter. Moody's less-risky Aaa<sup>17</sup> Index also declined 0.47 percentage points during the quarter to 4.72%.

### Moody's Corporate Bond Yields



<sup>15</sup> Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DGS10>, November 4, 2024.

<sup>16</sup> Moody's, Moody's Seasoned Baa Corporate Bond Yield [DBAA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DBAA>, November 4, 2024.

<sup>17</sup> Moody's, Moody's Seasoned Aaa Corporate Bond Yield [DAAA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DAAA>, November 4, 2024.



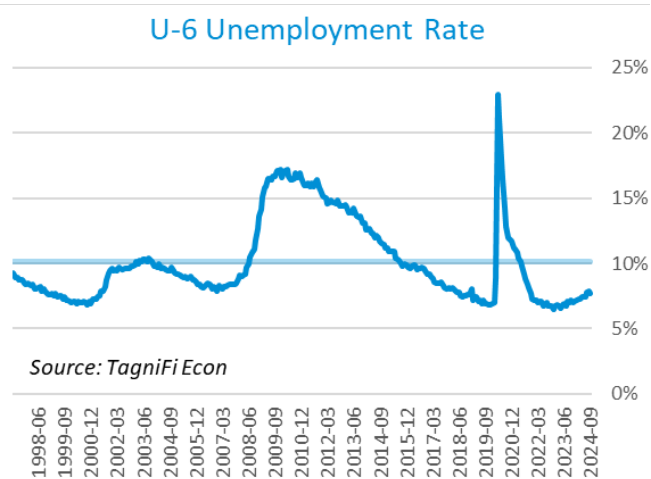
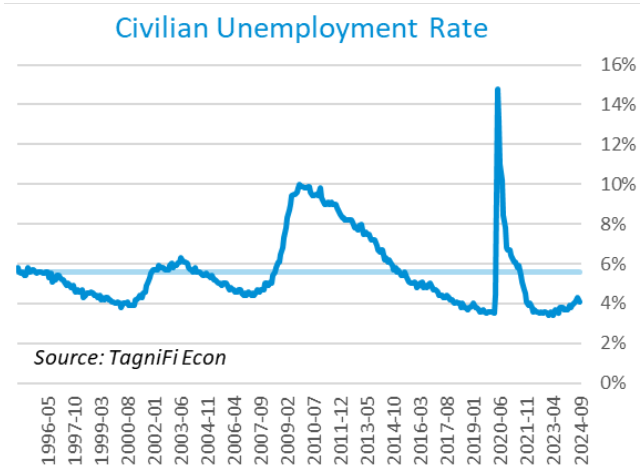


### Employment

The jobs market, a bright spot in the U.S. economy throughout the pandemic recovery, remained steady in the third quarter. The official unemployment rate<sup>18</sup> ended the quarter at 4.1%, unchanged from the prior quarter but well below the 30-year historical average of 5.6% and within the 4.0% to 5.0% range accepted as an equilibrium level of “full employment.” The labor force<sup>19</sup> rose by 700,000 workers during the quarter while the labor force participation rate<sup>20</sup> inched up to 62.7% in September 2024, 0.6 percentage points below its pre-pandemic level. Economists polled by the Livingston Survey in June 2024 projected the unemployment rate to be 3.9% in June, rising slightly to 4.0% in December 2024 and 4.1% in June 2025.

In September 2024, nonfarm worker quits<sup>21</sup> stood at 3.1 million, down 3.4% over the month and 14.6% over the year. Job openings<sup>22</sup> totaled 7.4 million in September 2024, 2.4 times the number of resignations. The job openings count declined 5.3% from August 2024 and down more than 20% from September 2023.

The U-6 unemployment rate<sup>23</sup> is an alternative measure of unemployment with a broader definition, including such groups as discouraged workers who are not actively searching for jobs but want full-time work and part-time workers who want full-time work. The U-6 unemployment rate has generally followed the same pattern as the official rate and stood at 7.7% in September 2024.



<sup>18</sup> U.S. Bureau of Labor Statistics, Civilian Unemployment Rate [UNRATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATE>, November 4, 2024.

<sup>19</sup> U.S. Bureau of Labor Statistics, Civilian Labor Force Level [CLF16OV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CLF16OV>, November 4, 2024.

<sup>20</sup> U.S. Bureau of Labor Statistics, Labor Force Participation Rate [CIVPART], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CIVPART>, November 4, 2024.

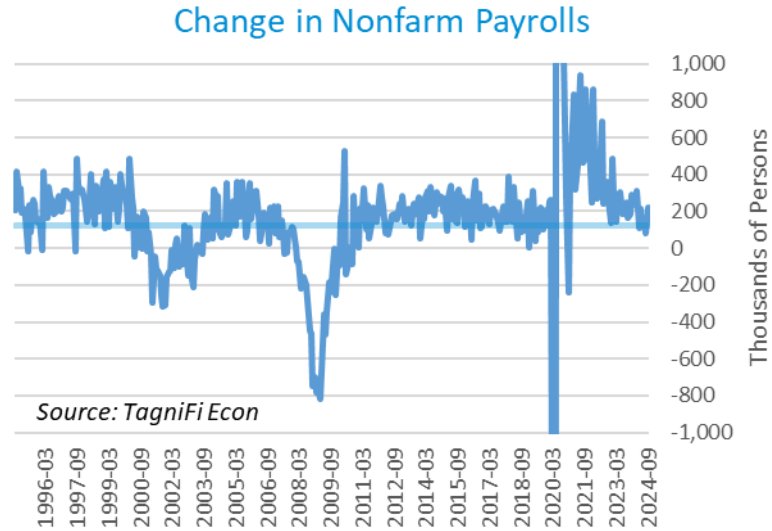
<sup>21</sup> U.S. Bureau of Labor Statistics, Quits: Total Nonfarm [JTSQUL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/JTSQUL>, November 4, 2024.

<sup>22</sup> U.S. Bureau of Labor Statistics, Job Openings: Total Nonfarm [JTSJOL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/JTSJOL>, November 4, 2024.

<sup>23</sup> U.S. Bureau of Labor Statistics Total Unemployed, Plus All Persons Marginally Attached to the Labor Force, Plus Total Employed Part Time for Economic Reasons, as a Percent of the Civilian Labor Force Plus All Persons Marginally Attached to the Labor Force (U-6) [U6RATE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/U6RATE>, November 4, 2024.



Nonfarm payrolls<sup>24</sup> grew by 400,000 jobs in the third quarter. U.S. nonfarm payrolls in September 2024 totaled 159.0 million jobs, up 2.3 million from the prior September. September’s job market growth was highly concentrated in health care and social assistance government. Several other major sectors, such as construction and food services, also gained jobs, while the majority of industries experienced little change.



### Inflation

In the third quarter of 2024, inflation kept a more moderate pace than in 2021 and 2022. The Consumer Price Index<sup>25</sup> for all items rose 2.4% for the year ended September 2024. Since last September, notable price increases have included shelter, medical care (including medical care services), motor vehicle insurance, and food. Prices for motor gasoline and fuel declined. Excluding volatile energy prices<sup>26</sup>, the annual increase was 3.1%. The average price of a gallon of gas<sup>27</sup> in the U.S. declined 7.14% during the third quarter of 2024 to \$3.34. September’s average price was 16.15% lower than one year prior.

In the month of September 2024, prices fell for energy, especially gasoline. Higher prices for shelter, motor vehicle insurance, medical care, apparel, and airline travel moderated the decline in energy prices. Prices also rose for food, both away from home and at home.

<sup>24</sup> U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm Payrolls [PAYEMS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PAYEMS>, November 4, 2024.

<sup>25</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>, November 4, 2024.

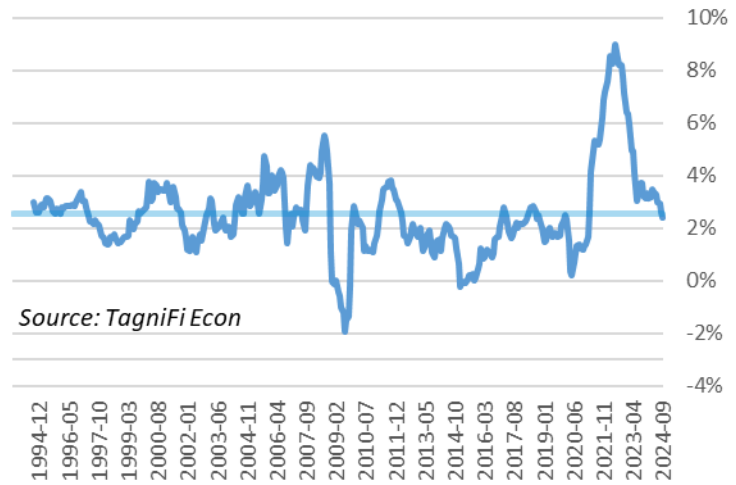
<sup>26</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Energy in U.S. City Average [CPILEGSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPILEGSL>, November 4, 2024.

<sup>27</sup> U.S. Bureau of Labor Statistics, Average Price: Gasoline, Unleaded Regular (Cost per Gallon/3.785 Liters) in U.S. City Average [APU000074714], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/APU000074714>, November 4, 2024.



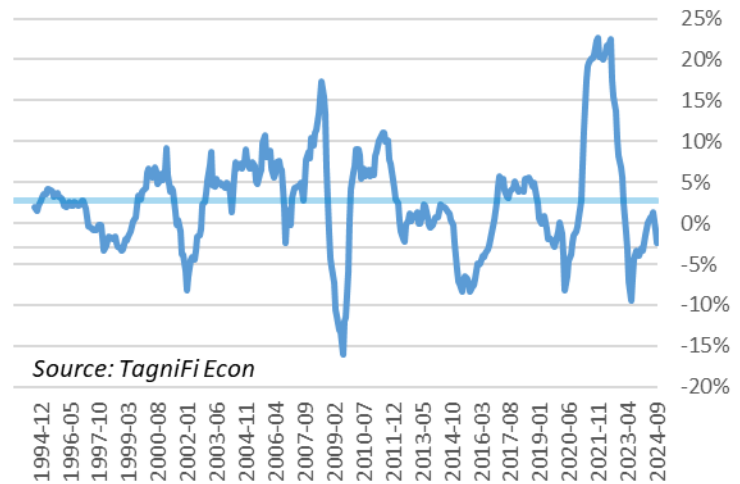
The Federal Reserve, which had been taking aggressive action to curb inflation with a series of target interest rate hikes totaling 5.25 percentage points from March 2022 to July 2023, cut the target rate during the third quarter of 2024. While additional rate cuts are expected by the end of 2024, the Fed indicated that the size of the cuts would depend on the inflation and economic data readings.

### Consumer Price Index



Wholesale inflation has been quicker to regulate than consumer inflation. The Producer Price Index<sup>28</sup> declined 1.3% in the third quarter and 2.5% since September 2023. The average annual increase over the last 30 years was 2.8%.

### Producer Price Index

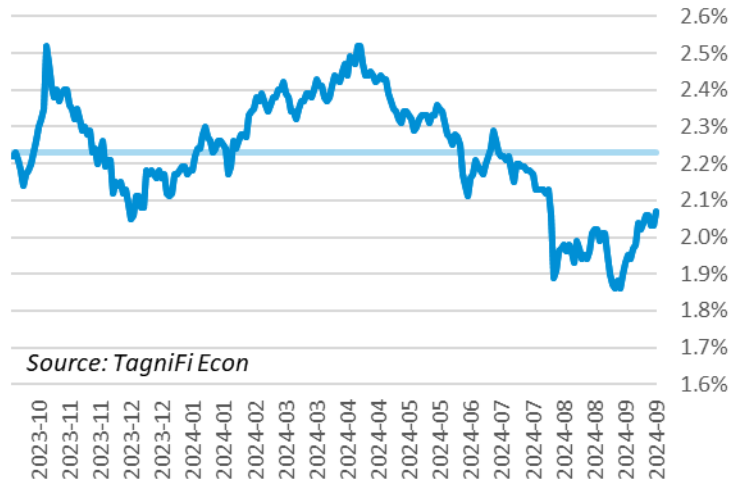


<sup>28</sup> U.S. Bureau of Labor Statistics, Producer Price Index for All Commodities [PPIACO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PPIACO>, November 4, 2024.



The 5-year breakeven inflation rate<sup>29</sup>, an indicator of the market’s inflation expectations for the period, declined to 2.07% at the end of the third quarter from 2.24% at the end of the second quarter.

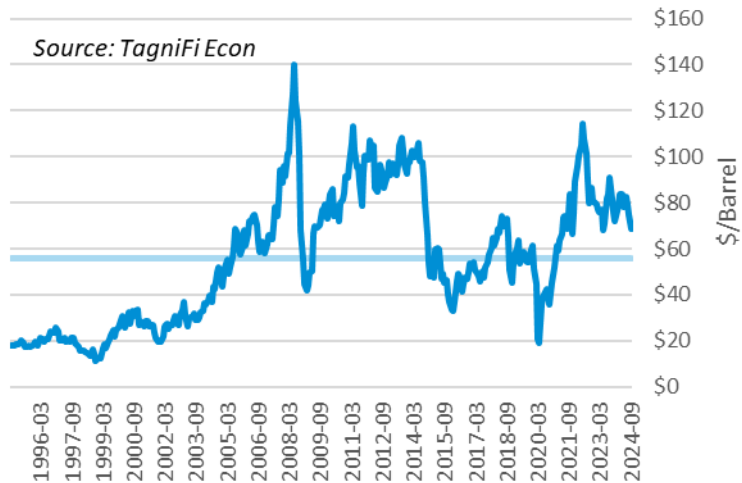
### 5-Year Breakeven Inflation Rate



Source: TagniFi Econ

U.S. crude oil<sup>30</sup> prices fell in the third quarter, settling at \$68.75 per barrel amid relatively soft U.S. demand, OPEC’s plans to increase production, and softening international demand. Meanwhile, crude prices ended the third quarter down 17.0% from the prior quarter and down 24.3% year over year.

### West Texas Intermediate (WTI)



Source: TagniFi Econ

<sup>29</sup> Federal Reserve Bank of St. Louis, 5-Year Breakeven Inflation Rate [T5YIE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/T5YIE>, November 4, 2024.

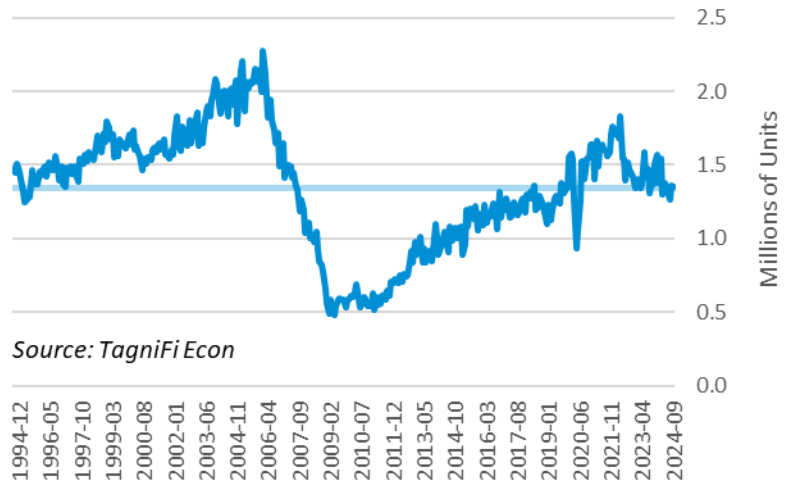
<sup>30</sup> U.S. Energy Information Administration, Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma [DCOILWTICO], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/DCOILWTICO>, November 4, 2024.



### Housing

The inventory of unsold homes increased by 1.5% in September compared to the previous month and increased by 23.0% from September 2023. The median existing-home sales price was up 3% compared to last year. The median sales price increased year over year in all four U.S. regions.<sup>31</sup> New home starts<sup>32</sup> rose 1.9% during the third quarter to 1.35 million in September, primarily due to an uptick in multifamily home starts during the quarter. Total new home starts were down 0.7% year over year but remained slightly above their 30-year average of 1.34 million.

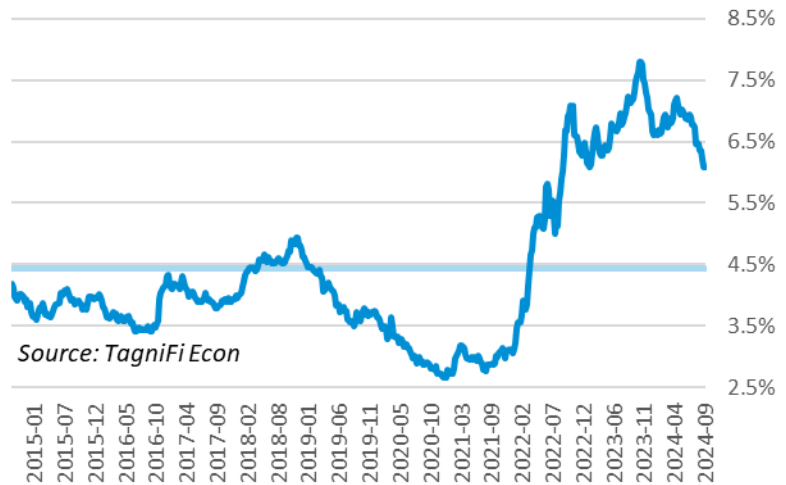
#### New Housing Starts



Source: TagniFi Econ

The cost of financing for would-be homebuyers declined during the recent third quarter, with the 30-year fixed-rate mortgage<sup>33</sup> decreasing 0.78 percentage points to an average of 6.08% at the end of September 2024. The average rate was 1.71% lower than its peak of 7.79% in late October 2023.

#### 30-Year Mortgage Rate



Source: TagniFi Econ

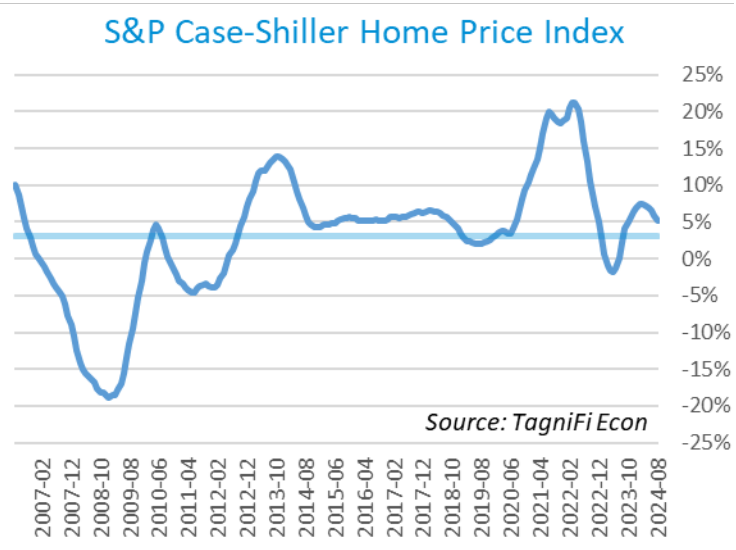
<sup>31</sup> National Association of Realtors (NAR): Existing-Home Sales Slid 1.0% in September, *retrieved from NAR* <https://www.nar.realtor/newsroom/existing-home-sales-slid-1-0-in-september>, November 4, 2024.

<sup>32</sup> U.S. Bureau of the Census, Housing Starts: Total: New Privately Owned Housing Units Started [HOUST], *retrieved from FRED, Federal Reserve Bank of St. Louis*; <https://fred.stlouisfed.org/series/HOUST>, November 4, 2024.

<sup>33</sup> Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], *retrieved from FRED, Federal Reserve Bank of St. Louis*; <https://fred.stlouisfed.org/series/MORTGAGE30US>, November 4, 2024.

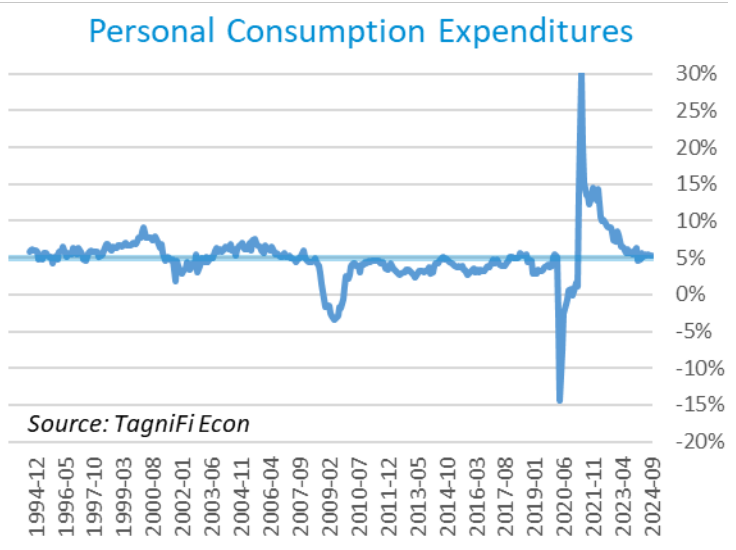


The S&P Case-Shiller Home Price Index (20-city)<sup>34</sup> for August 2024 was 1.1% higher compared to May 2024 and 5.2% higher since August 2023. While all 20 cities recorded a year-over-year increase, only New York, Las Vegas and Chicago market readings were at an all-time high, signaling that the housing market could be softening.<sup>35</sup>



### Consumer Spending

Personal Consumption Expenditures (PCE)<sup>36</sup> rose 1.4% in the third quarter to \$20.0 trillion, and 5.3% over the same quarter last year. Spending increased in September for services such as health care services and housing and utilities (led by housing).<sup>37</sup> Goods spending also increased, especially for other nondurable goods (led by prescription drugs), food and beverages, and motor vehicles and parts (led by new light trucks); however, goods spending was moderated by gasoline and other energy goods.



<sup>34</sup> S&P Dow Jones Indices LLC, S&P/Case-Shiller 20-City Composite Home Price Index [SPCS20RSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/SPCS20RSA>, November 4, 2024.

<sup>35</sup> S&P Global, S&P CORELOGIC CASE-SHILLER INDEX RECORDS 4.2% ANNUAL GAIN IN AUGUST 2024, retrieved from S&P Global: <https://press.spglobal.com/2024-10-30-S-P-CORELOGIC-CASE-SHILLER-INDEX-RECORDS-4-2-ANNUAL-GAIN-IN-AUGUST-2024#:~:text=NEW%20YORK%2C%20Oct.%2030%2C.from%20previous%20levels%20in%202024.>, November 4, 2024.

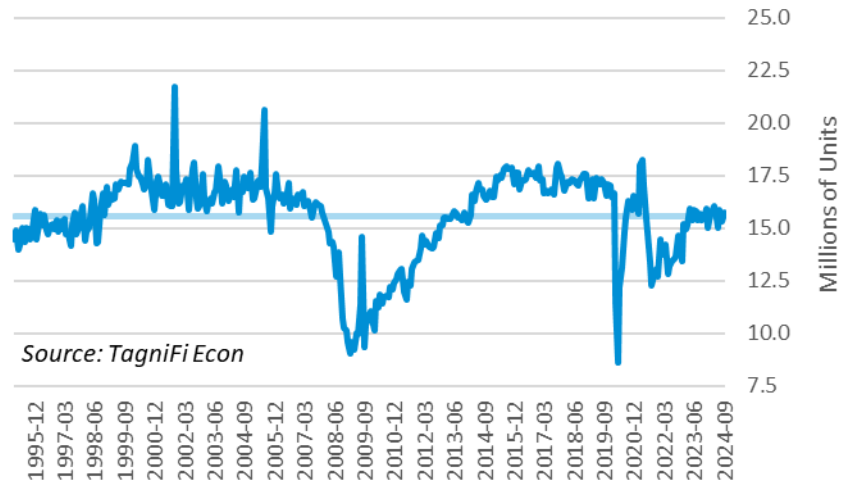
<sup>36</sup> U.S. Bureau of Economic Analysis, Personal Consumption Expenditures [PCE], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCE>, November 4, 2024.

<sup>37</sup> U.S. Bureau of Economic Analysis, Personal Income and Outlays, September 2024; <https://www.bea.gov/news/2024/personal-income-and-outlays-september-2024>; November 4, 2024.



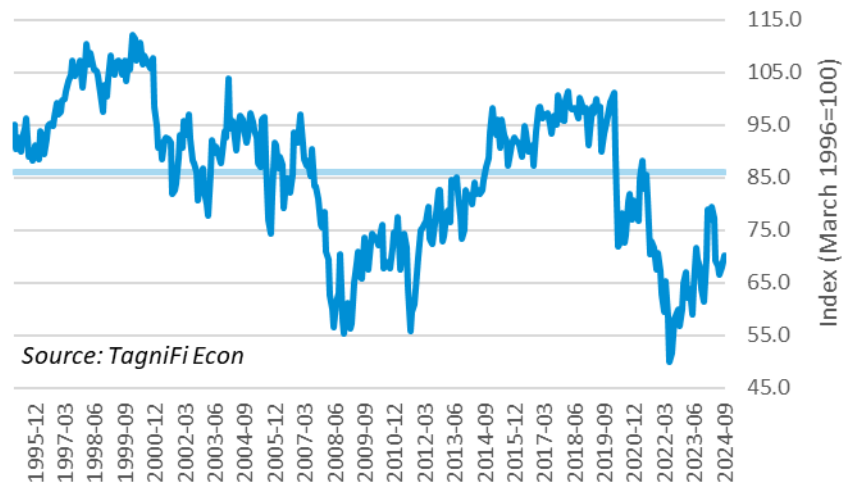
Auto manufacturers reported autos and light trucks sold<sup>38</sup> at an annual rate of 15.8 million in September 2024, up 4.9% from June. New vehicle prices<sup>39</sup>, while declining 0.3% during the third quarter, remained near their record high. Used car prices<sup>40</sup> fell 2.9% from June to September.

### Auto and Light Truck Sales



The University of Michigan's consumer sentiment index<sup>41</sup> stood at 70.1 in September 2024, up from 68.2 in June and above its all-time low of 50.0 in June 2022. The softening inflation likely contributed to a slightly improved sentiment index. The index was up 3.4% year-over-year yet still well below its 30-year average of 85.9.

### Consumer Sentiment Index



<sup>38</sup> U.S. Bureau of Economic Analysis, Light Weight Vehicle Sales: Autos and Light Trucks [ALTSALES], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/ALTSALES>, November 4, 2024.

<sup>39</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: New Vehicles in U.S. City Average [CUUR0000SETA01], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUUR0000SETA01>, November 4, 2024.

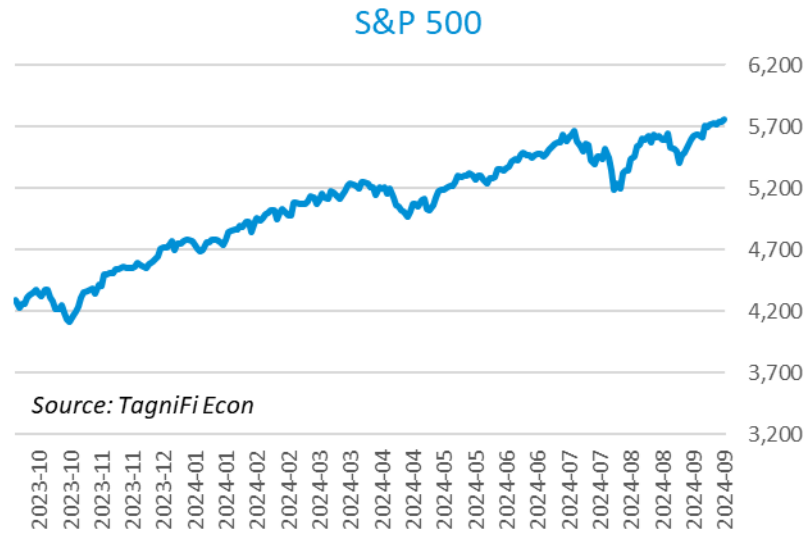
<sup>40</sup> U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average [CUSR0000SETA02], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CUSR0000SETA02>, November 4, 2024.

<sup>41</sup> University of Michigan, University of Michigan: Consumer Sentiment [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UMCSENT>, November 4, 2024.



### Capital Markets

The table below shows major U.S. equity indices' quarterly, year-to-date, and 12-month performance. In contrast to the mixed second quarter results, where AI-related stocks led gains, the third quarter rally was broad-based. Fed's 0.5% rate cut and easing inflation concerns were among the primary factors contributing to market optimism. During the quarter, the tech-heavy NASDAQ Composite and NASDAQ 100 climbed 1.9% and 2.6%, respectively. The broader S&P 500 rose 5.5%, and the Dow Jones Utility Average rose 16.9%. Other blue-chip-focused Dow Jones averages — Transportation, Composite, and Industrial — were up 5.7%, 8.6%, and 8.2%, respectively, during the third quarter.



Equity Index	Closing Value	% Change		
		Quarter	YTD	12-Mo.
S&P 500	5,762.48	5.5%	20.8%	34.4%
Dow Jones Industrial Average	42,330.15	8.2%	12.3%	26.3%
Dow Jones Composite Average	13,543.57	8.6%	10.6%	21.8%
Dow Jones Transportation Average	16,294.50	5.7%	2.5%	8.9%
Dow Jones Utility Average	1,060.00	16.9%	20.2%	29.8%
NASDAQ Composite	18,189.17	2.6%	21.2%	37.6%
NASDAQ 100	20,060.69	1.9%	19.2%	36.3%

Corporate debt issuances were up in the third quarter, with the ICE BofA US Corporate Index<sup>42</sup> inching up 5.7% and the ICE BofA US High Yield Index<sup>43</sup> increasing 5.3%.

Bond Index	Closing Value	% Change		
		Quarter	YTD	12-Mo.
ICE BofA US Corporate Bond Index	3,425.50	5.7%	5.8%	14.1%
ICE BofA US High Yield Bond Index	1,718.04	5.3%	8.0%	15.7%

<sup>42</sup> Ice Data Indices, LLC, ICE BofA US Corporate Index Total Return Index Value [BAMLCC0A0CMTRIV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BAMLCC0A0CMTRIV>, November 4, 2024.

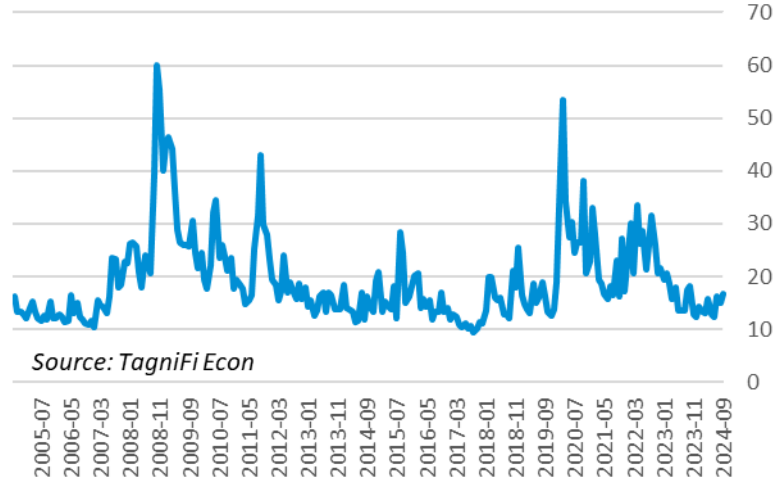
<sup>43</sup> Ice Data Indices, LLC, ICE BofA US High Yield Index Total Return Index Value [BAMLHYH0A0HYM2TRIV], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/BAMLHYH0A0HYM2TRIV>, November 4, 2024.





## Volatility Index (VIX)

Stock market volatility, as measured by the VIX<sup>44</sup>, ended the third quarter of 2024 at 16.7, up 34.5% over the prior quarter and down 5% since the third quarter of 2023. The VIX rose in August before receding in September.



Source: TagniFi Econ

### Outlook

In September 2024, the FOMC cut interest rate by 0.5% and signaled additional gradual adjustments of the interest rate in the upcoming months while cautioning that the interest rate may not go back to the pre-pandemic levels. The Fed revised its near-term PCE inflation projections slightly downward and unemployment rate projections slightly upward. The median projection for real GDP was revised slightly downward. Minimal adjustments were made to longer-term projections for any of the three indicators.

The FOMC revised their projections for Personal Consumption Expenditures (PCE) inflation<sup>45</sup> to 2.30% and 2.15% in 2024 and 2025, respectively. The updated 2026 and 2027 projections stood at 2.00%. The real GDP<sup>46</sup> projections stood at 2.00% for 2024 and 2025, and 2.10% and 1.95% for 2026 and 2027, respectively. The expected unemployment rate<sup>47</sup> stood at 4.35% for 2024 and 2025, and 4.2% for 2026 and 2027. The board updated projections of future target rates<sup>48</sup> to 4.5% in 2024, 3.35% in 2025, and 3.10% in 2026 and 2027. The committee emphasized a willingness to cut rates gradually in the upcoming periods but cautioned that the size of the cuts would depend on the data.

FOMC Summary of Economic Projections					
Year	Real GDP	PCE	Unemployment	Fed Funds	
2024	2.00%	2.30%	4.35%	4.50%	
2025	2.00%	2.15%	4.35%	3.35%	
2026	2.10%	2.00%	4.20%	3.10%	
2027	1.95%	2.00%	4.20%	3.10%	

<sup>44</sup> Chicago Board Options Exchange, CBOE Volatility Index: VIX [VIXCLS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/VIXCLS>, November 4, 2024.

<sup>45</sup> Federal Reserve Bank of St. Louis, FOMC Summary of Economic Projections for the Personal Consumption Expenditures Inflation Rate, Central Tendency, Midpoint [PCECTPICTM], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCECTPICTM>, November 4, 2024.

<sup>46</sup> Federal Reserve Bank of St. Louis, FOMC Summary of Economic Projections for the Growth Rate of Real Gross Domestic Product [GDPC1CTM], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDPC1CTM>, November 4, 2024.

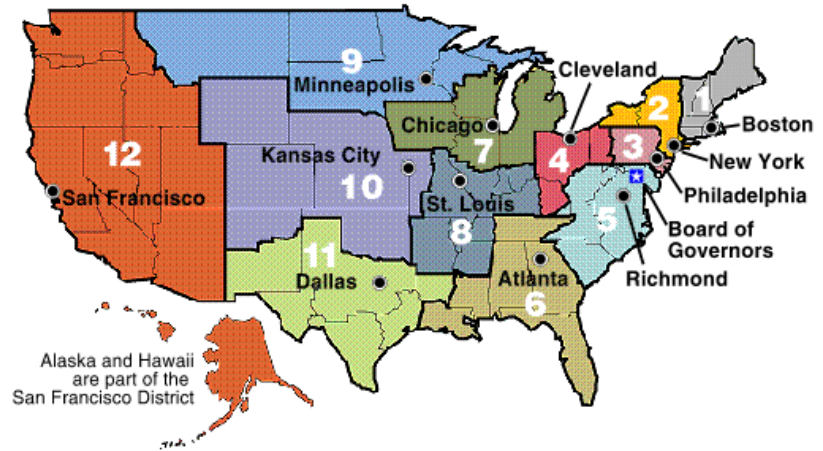
<sup>47</sup> Federal Reserve Bank of St. Louis, FOMC Summary of Economic Projections for the Civilian Unemployment Rate, Central Tendency, Midpoint [UNRATECTM], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/UNRATECTM>, November 4, 2024.

<sup>48</sup> U.S. Federal Open Market Committee and Federal Reserve Bank of St. Louis, FOMC Summary of Economic Projections for the Fed Funds Rate, Range, Midpoint [FEDTARCTM], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FEDTARCTM>, November 4, 2024.



## Midwest Economy<sup>49</sup>

Economic activity in the Seventh District increased slightly overall over the reporting period, and contacts expected a similar increase in activity over the next year. Consumer spending rose modestly; employment was up slightly; construction and real estate activity was flat; nonbusiness contacts saw little change in activity; and business spending and manufacturing activity edged down. Prices were up modestly, wages rose moderately, and financial conditions loosened slightly. Prospects for 2024 farm income were unchanged.



### Labor Markets

Employment rose slightly, and contacts expected growth to continue at a similar pace over the next 12 months. There were continued reports of difficulty filling higher-skilled positions, particularly from manufacturers. Some contacts were also concerned that construction workers were going to be pulled away from projects to support rebuilding after the recent hurricanes. However, many contacts noted softening in the labor market, with several of these reporting an increase in the number of applicants to open positions. A staffing firm contact saw a slowdown in hiring, particularly by auto and furniture manufacturers. Additionally, a number of contacts in finance and construction said they were not hiring or replacing employees who leave. Wages and benefits costs continued to rise moderately, though contacts indicated growth was noticeably slower than a year or two ago. One machinery manufacturing contact said prospective employees haven't been negotiating over wages for about a year.

### Prices

Prices increased modestly overall over the reporting period, and contacts expected a similar rate of increase over the next 12 months. Producer prices moved up modestly. Nonlabor input costs continued to rise, including for energy, raw materials and shipping. Several contacts also noted a pickup in the cost of insurance and complying with new regulations. Consumer prices again rose modestly overall.

### Consumer Spending

Consumer spending increased modestly overall. Contacts noted that customers across all income segments were "trading down." For example, low- and moderate-income consumers were picking cheaper value meals over more expensive combo meals at fast food restaurants, while high-income consumers were choosing more affordable furniture and appliances. Nonauto retail sales increased modestly. Declines in sales of appliances and home-improvement items were more than offset by greater sales at discount stores and of streaming services and expensive sports equipment, such as boats and snowmobiles. Leisure and hospitality spending was unchanged. Light vehicle sales increased slightly, with growth in both the affordable and luxury segments, but a decline in mid-size SUVs and trucks. Dealers in Iowa and Wisconsin noted that to save money, farmers were opting for used heavy trucks over new ones.

<sup>49</sup> Primary Source: Federal Reserve, Beige Book – October 23, 2024, "Summary of Commentary on Current Economic Conditions" Extracted wholly or largely verbatim and/or substantially paraphrased.



## Business Spending

Business spending decreased slightly on balance over the reporting period. Capital expenditures moved down slightly. Demand for truck transportation declined further, though truck freight rates held steady. Retail inventories were a little elevated. Many retailers had built up inventory in anticipation of the International Longshoreman's Association strike at East and Gulf coast ports. Because the strike ended quickly, contacts expected minimal disruptions. Auto inventories were a bit low, and one contact noted that their used vehicle inventory was down significantly. Manufacturing inventories were a little high. There were few reports of input shortages, though contacts said there was the potential for shortages of building materials given the need for rebuilding after recent hurricanes in other Districts.

## Construction and Real Estate

Construction and real estate activity was unchanged on net. Residential construction activity was flat. In a recent homebuilders' survey, a majority of respondents expected national housing starts to end the year higher than last year and expected a further increase in 2025. Residential real estate activity was little changed overall, though rent and home prices increased slightly. Demand for starter homes was up, while demand for middle-market homes eased. Contacts indicated that higher property taxes and homeowner insurance rates were barriers to buyers entering the market. Nonresidential construction increased slightly. Contacts highlighted ongoing health care, data center, and electric vehicle battery plant projects. Commercial real estate activity was unchanged, as prices held steady and rents decreased a bit. Vacancy rates and the availability of sublease space ticked up.

## Manufacturing

Manufacturing demand decreased slightly over the reporting period. Orders for steel ticked down on balance, as decreases from the heavy equipment, energy, and automotive sectors outpaced increased demand for infrastructure and data center construction. Fabricated metals orders were down slightly, in part due to slowdowns in residential construction and heavy machinery manufacturing. That said, several contacts noted increases in demand from the defense sector as well as for products destined for rebuilding efforts after the hurricanes. Machinery sales decreased slightly, auto industry contacts saw a dip in demand, and heavy truck demand fell modestly. A contact in the heavy truck industry expected a further drop in demand over the next few months.

## Banking and Finance

Financial conditions loosened slightly on balance. Bond values were up some, as were equity values. Volatility increased slightly on net. Business loan demand edged up, though one banking contact highlighted a decline in lending to the heavy equipment sector. Business loan rates decreased modestly, but terms were unchanged. Business loan quality moved down slightly. Consumer loan volumes rose slightly, in part due to greater mortgage demand. Consumer loan rates edged down, and terms were stable. Consumer loan quality decreased slightly.

## Agriculture

Farm income expectations for the district were stable over the reporting period despite prospects for above-average corn and soybean harvests. Dry weather helped reduce crop drying costs but also led to lower crop weights, cutting into potential revenue. Corn and soybean prices increased slightly, and farmers were maximizing crop storage in hopes of selling later at higher prices. Cattle prices increased as the inventory of cattle continued to fall, reaching its lowest point since the 1950s. Dairy prices rose some, while egg prices ticked down. Hog prices were steady. Agriculture transportation faced several logistical disruptions, including constrained rail traffic to Mexico and barge slowdowns from low water levels on the Mississippi River. There were reports of agriculture equipment and input sellers offering low- and even zero-interest loans to spur sales.



## Community Conditions

Community, nonprofit and small business contacts saw little change in economic activity but were slightly optimistic about future economic conditions. State government officials again saw healthy growth in tax revenues. Small business contacts in affordable housing development commented that persistent high costs, including labor and insurance, continued to squeeze profit margins and disrupt project plans. Philanthropic leaders noted increases in grant requests, as nonprofit grantees sought to manage higher operating costs and meet basic community needs, including food. Community contacts also reported increases in homelessness as well as utility arrearages, both indicators of the housing challenges faced by low-income community members.