Economic overview and forecast for

2024 Q2

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I. General Economic Overview, Industry Overview and Company Outlook

Historical Economic Data 2019 – 2023 and Forecasts 2024 – 2034

						Consensus Forecasts**						
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030-2034
Real GDP*	2.5	-2.2	5.8	1.9	2.5	2.3	1.7	2.1	1.9	1.9	1.9	1.8
Industrial production*	-0.7	-7.2	4.4	3.4	0.2	0.1	1.5	2.3	2.1	2.0	1.9	1.9
Consumer spending*	2.0	-2.5	8.4	2.5	2.2	2.3	1.7	2.0	2.0	2.0	2.0	1.9
Real disposable personal income*	3.1	6.4	3.2	-6.0	4.1	1.8	2.5	2.5	2.3	2.1	2.1	2.0
Business investment*	3.7	-4.7	5.9	5.2	4.5	3.0	2.6	3.5	3.2	3.0	2.9	2.9
Nominal pretax corp. profits*	4.4	-3.5	22.6	9.8	1.5	4.9	2.8	3.4	3.0	3.4	3.6	3.6
Total government spending*	3.9	3.2	-0.3	-0.9	4.1	2.5	0.9	N/A	N/A	N/A	N/A	N/A
Consumer Price Index*	1.8	1.2	4.7	8.0	4.1	3.2	2.4	2.3	2.2	2.2	2.2	2.2
Core PCE	1.6	1.3	3.6	5.2	4.1	2.8	2.3	N/A	N/A	N/A	N/A	N/A
3-month Treasury bill rate	1.5	0.1	0.1	4.3	5.3	4.9	3.8	3.1	3.0	2.9	3.0	3.0
10-year Treasury bond yield	1.9	0.9	1.6	3.9	3.9	4.2	3.9	3.6	3.6	3.6	3.7	3.7
Unemployment rate	3.7	8.1	5.4	3.6	3.6	4.0	4.1	N/A	N/A	N/A	N/A	N/A
Housing starts (millions)	1.3	1.4	1.6	1.6	1.4	1.4	1.5	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, June 2024.

Summary of General Economic Overview – United States[1]

Domestic production exceeded expectations in the second quarter of 2024, signaling a still-strong economy despite slower-than-expected progress on inflation and a slight softening in the labor market. In response, the Federal Reserve forecasted a more moderate approach to loosening its hawkish monetary policy over time, citing ongoing economic strength in the face of high interest rates. Broad increases in personal spending, private investment and government spending all contributed to robust GDP growth in the second quarter.

Inflation continued to moderate at a glacial pace, due in part to lower gasoline prices. Soft demand for fuels also held crude oil prices lower in the second quarter of 2024.

A frequent bright spot for the economy in recent years, the job market dimmed slightly in the quarter, with unemployment rising, labor force participation inching down, and uneven nonfarm employment growth. Still, the labor market remains well within the bounds of full employment. Capital markets posted a mixed second quarter despite the continued tailwind in the tech sector provided by emerging AI tools.

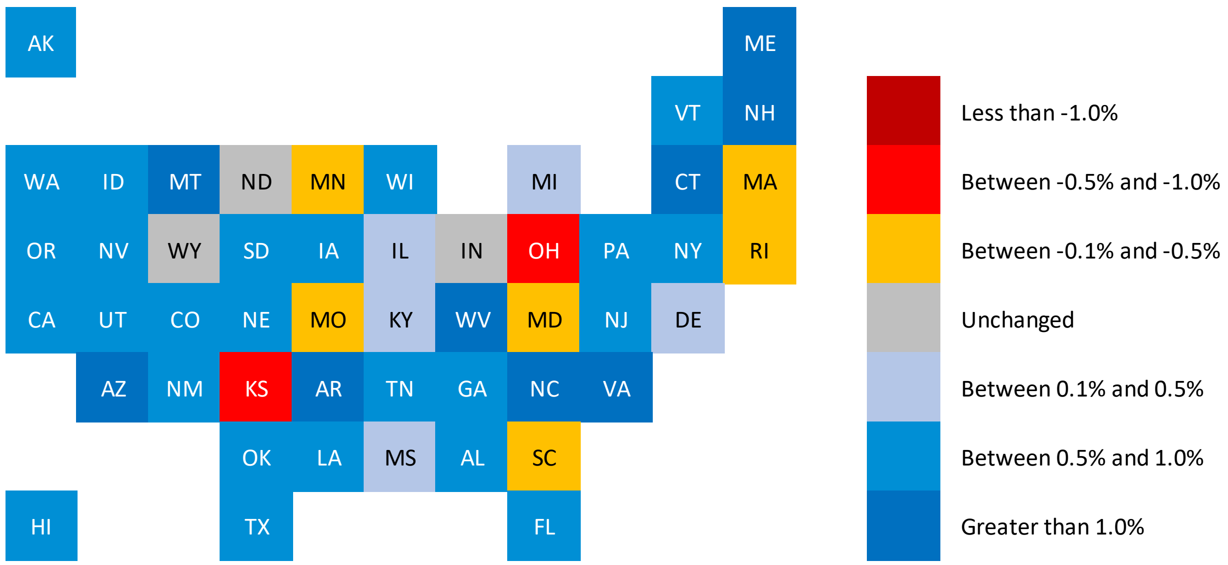
Housing market data indicated some softening. As sales continued to be constrained by elevated interest rates, unsold housing inventory rose in the second quarter. Prices in major cities continued to rise.

FOMC members' projections of domestic production and inflation reflected the data, both revised upward in the near term. Unemployment expectations changed little, as did projections of longer-term economic performance across all three measures.

A multifactor indicator of economic strength, the Philadelphia Fed's coincident index[2] of economic activity in the U.S. rose 0.2% in June and 0.6% during the second quarter. For the quarter, coincident indexes increased in 39 states, decreased in eight states and remained unchanged in three states. Coincident indexes reflect unemployment, payroll employment, manufacturing hours, and wages and salaries.

[1] Economic Outlook Update™ Q2 2024 published by TagniFi, LLC, © 2024.
[2] 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, Jul 26, 2024.*

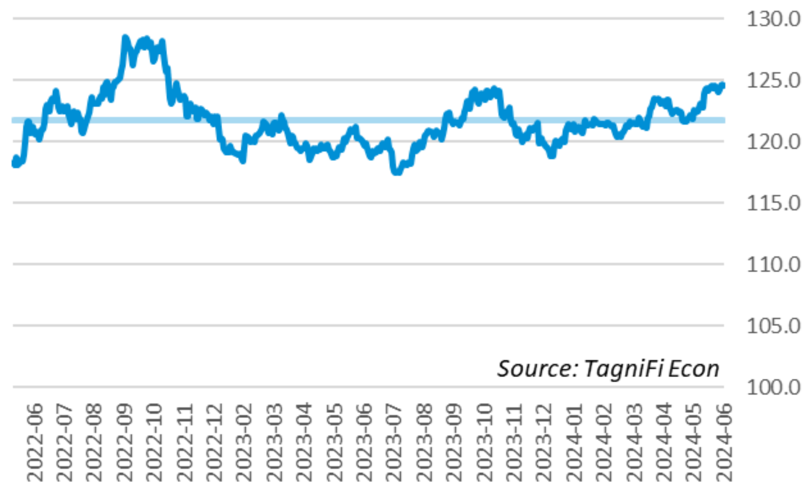
June 2024 State Coincident Indexes: 3-Month Change



Source: TagniFi Econ

The U.S. dollar index for goods and services[3] rose 2.6% during the second quarter of 2024. The dollar was up 4.1% from the prior year, primarily reflecting the Fed's cautious approach to easing hawkish policy.

Trade Weighted U.S. Dollar Index



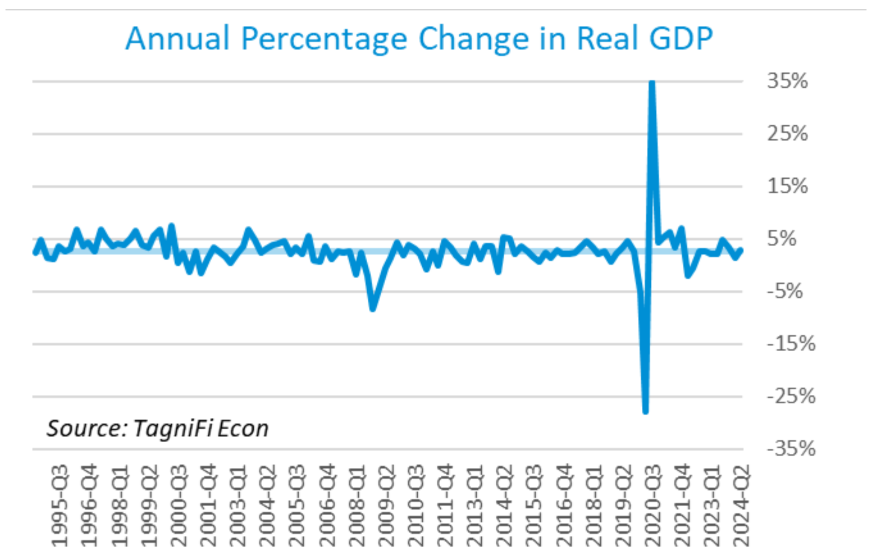
[3] Board of Governors of the Federal Reserve System (US), Trade Weighted U.S. Dollar Index: Broad, Goods and Services [DTWEXBGS], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DTWEXBGS, Jul 26, 2024.*

Economic Highlights

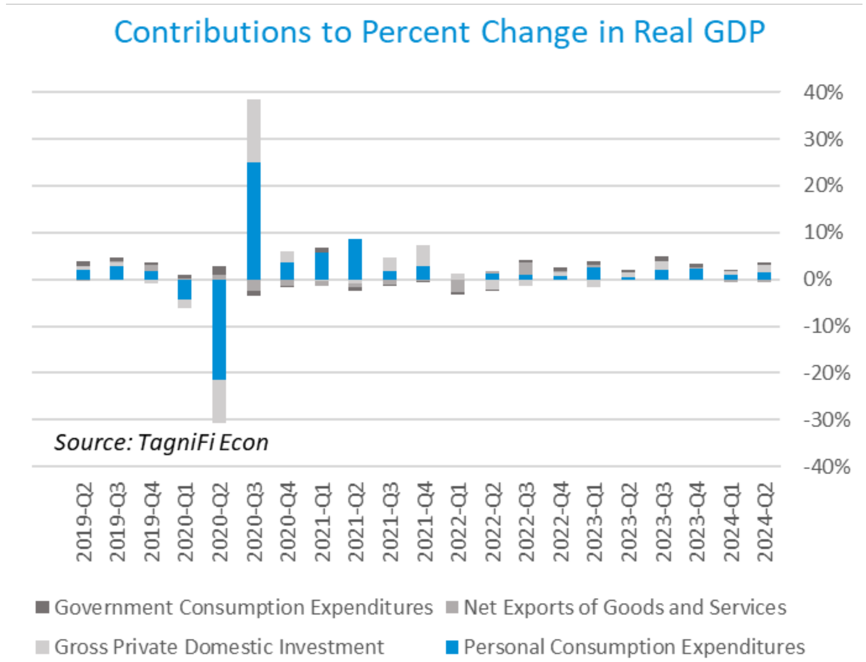
- The Philadelphia Fed's coincident index of economic activity in the U.S. rose 0.2% in June 2024 and 0.6% during the second quarter.
- The U.S. dollar index rose 2.6% during the second quarter and was up 4.1% from the prior year.
- Real GDP grew at an annualized rate of 2.8% during the second quarter.
- The effective federal funds rate was unchanged at 5.33% during the second quarter, holding at the 23-year high reached in the third quarter of 2023.
- The 1-year and 2-year annual treasury yields ended the second quarter at 5.09% and 4.71%, respectively. The benchmark 10-year treasury yielded 4.36% at the end of the quarter, while the 30-year treasury yielded 4.51%.
- The unemployment rate ended the second quarter at 4.1%, up from the prior quarter. Nonfarm payrolls grew by 0.5 million jobs in the second quarter.
- The Consumer Price Index for all items rose 3.0% for the year ended June 2024. Excluding volatile energy prices, the annual increase was 3.1%.
- Crude oil prices ended the second quarter at $82.83 per barrel, down 1.3% from the prior quarter but up 17.2% year over year.
- New home starts rose 4.2% during the second quarter to a level of 1.35 million in June. Total new home starts were down 4.4% year over year.
- The NASDAQ Composite climbed 8.3% during the second quarter. The S&P 500 rose 3.9%, while the Dow Jones Transportation, Composite, and Industrial Averages were down 4.9%, 2.1%, and 1.7%, respectively, during the quarter.

Business Activity

Real gross domestic product (GDP)[4] grew at an annualized rate of 2.8% during the second quarter of 2024, climbing more than expected from a 1.4% increase in the first quarter. Gains in consumer spending, private inventory investment, and nonresidential fixed investment were tempered by declining net exports. Government spending also increased in the second quarter. The scale and makeup of the second quarter GDP growth encouraged economists and investors.



[4] 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, July 26, 2024.*



Personal consumption expenditures[5] (PCE) had a positive 1.6% effect on real GDP in the second quarter. A rise in spending on services, especially for health care, housing and utilities, and recreation services, led PCE growth. Spending on goods also rose, led by motor vehicles and parts, recreational goods and vehicles, furnishings and durable household equipment, and gasoline and other energy goods.

Gross domestic private investment[6] contributed 1.5% to the increase in the second quarter real GDP estimate. Private inventory investment rose, particularly in the wholesale trade and retail trade industries. The increase in nonresidential fixed investment reflected increases in equipment and intellectual property products, partly offset by a decrease in structures.

Government expenditures[7] also rose at the state and local level, contributing 0.5% to the second quarter GDP gain. Higher government expenditures were led by state and local government consumption and national defense investment.

Net exports[8] had a negative 0.7% effect on real GDP in the quarter as growth of imports (which have a negative effect on GDP) far outpaced that of exports. Import gains were seen primarily in capital goods, excluding automotive.

Economists polled by the Livingston Survey[9] 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.

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[5] 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, *Jul 26, 2024.*

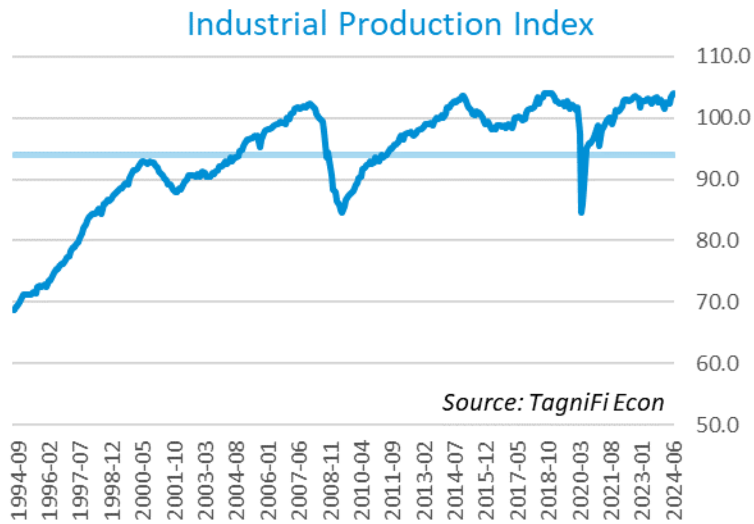
[6] U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Gross private domestic investment [A006RY2Q224SBEA], *retrieved from FRED, Federal Reserve Bank of St. Louis;* https://fred.stlouisfed.org/series/A006RY2Q224SBEA, *Jul 26, 2024.*

[7] 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, *Jul 26, 2024.*

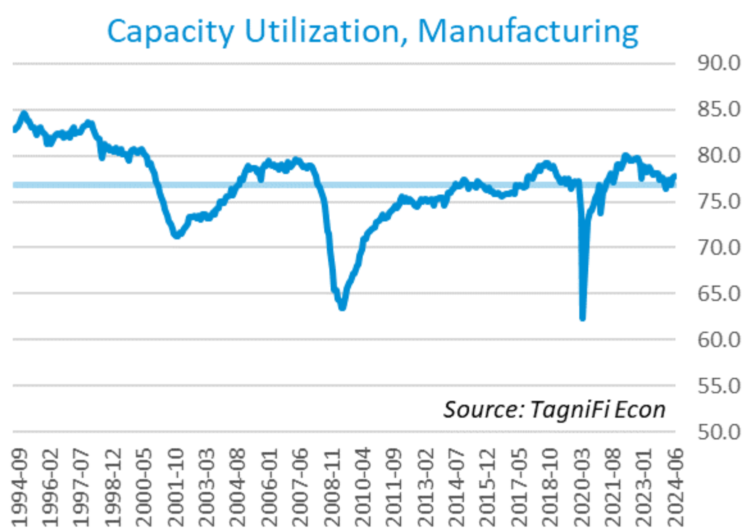
[8] U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Net exports of goods and services [A019RY2Q224SBEA], *retrieved from FRED, Federal Reserve Bank of St. Louis;* https://fred.stlouisfed.org/series/A019RY2Q224SBEA, *Jul 26, 2024.*

[9] 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, Jul 26, 2024.

The Industrial Production Index[10] is an economic indicator that measures real output for all facilities located in the United States manufacturing, mining, and electric, and gas utilities. The index stood at 104.0 at the end of the second quarter, up 1.6% from the first quarter.



The Capacity Utilization Index[11], which attempts to capture industrial output as a percentage of the economy's maximum production capacity, ended the second quarter at 77.8%. June 2024's level was above the 30-year average of 76.9% for this metric and up 0.5% from the previous quarter.

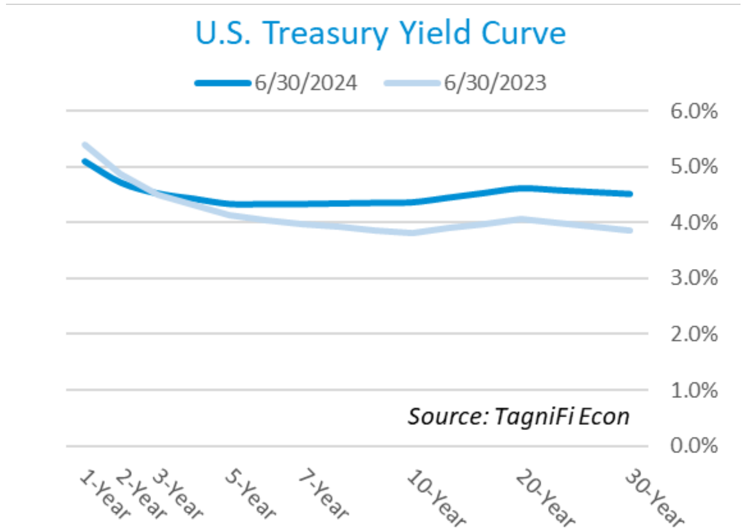


[10] Board of Governors of the Federal Reserve System (US), Industrial Production Index [INDPRO], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/INDPRO, Jul 26, 2024.*

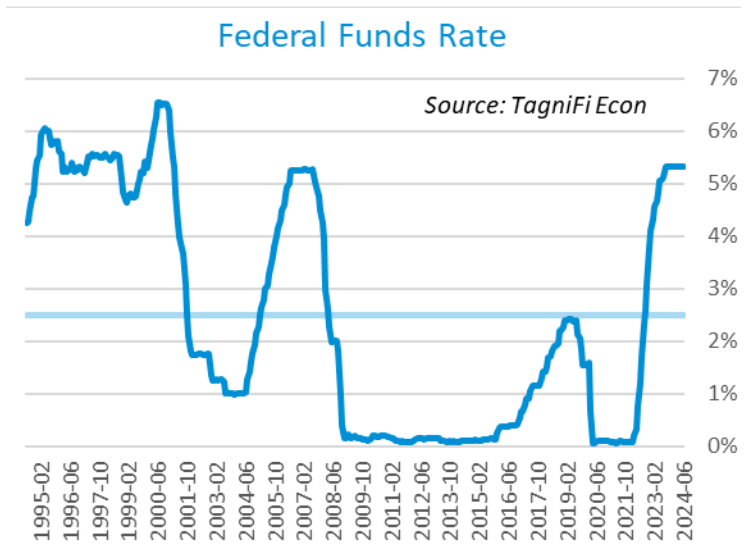
[11] Board of Governors of the Federal Reserve System (US), Capacity Utilization, Manufacturing (NAICS), *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MCUMFN, Jul 26, 2024.*

Interest Rates

The effective federal funds rate[12] was unchanged at 5.33% during the second quarter, holding steady at the 23-year high reached in the third quarter of 2023. Treasury bond yields[13] for periods of one year and up rose slightly during the second quarter, with the yield curve remaining inverted. The closely watched two- and 10-year rates have been inverted since July 2022. The one-year and two-year annual treasury yields ended the second quarter at 5.09% and 4.71%, respectively. The benchmark 10-year treasury yielded 4.36% at the end of the quarter, while the 30-year treasury yielded 4.51%. See Appendix – Selected Interest Rates for detailed interest rate data.



In the second quarter of 2024, the Federal Reserve continued to hold the federal funds target rate[14] steady throughout the quarter at a range of 5.25% to 5.50% — the highest in over 23 years. With inflation still above the Fed's goal despite making slow progress, and economic conditions remaining strong, the FOMC remains cautious in its approach to monetary policy, signaling just one expected rate cut in 2024 and raising its long-term interest rate projection.

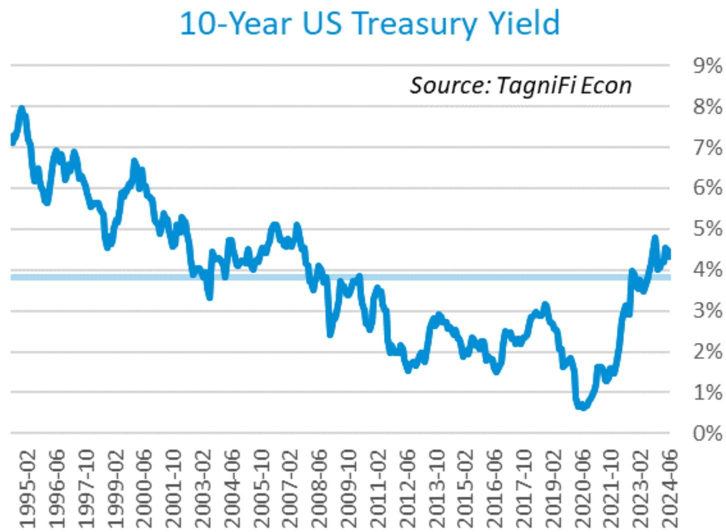


[12] Board of Governors of the Federal Reserve System (US), Federal Funds Effective Rate [FEDFUNDS], *retrieved from FRED, Federal Reserve Bank of St. Louis;* https://fred.stlouisfed.org/series/FEDFUNDS, *Jul 26, 2024.*

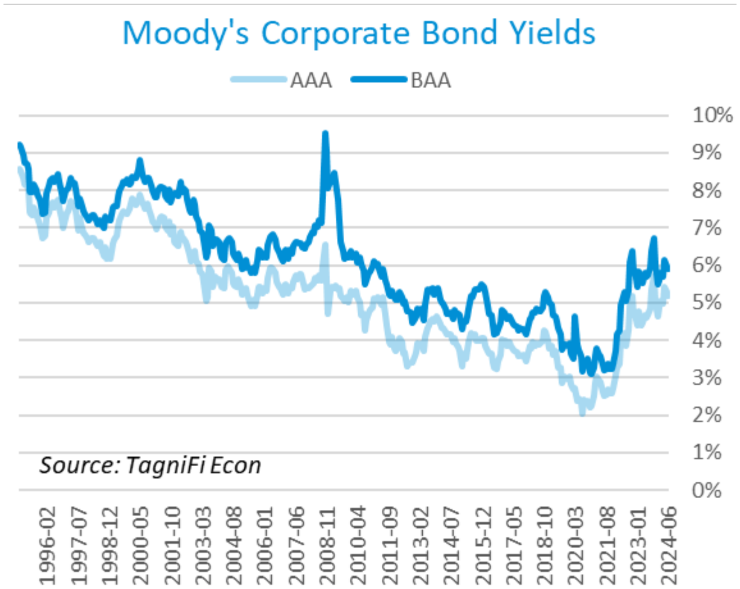
[13] Selected Interest Rates Instruments, Yields in percent per annum, *retrieved from FRED, Federal Reserve Bank of St. Louis;* https://fred.stlouisfed.org/release/tables?rid=18&eid=289&od=2024-06-28#, *Jul 26, 2024.*

[14] 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, *Jul 26, 2024.*

The yield on the benchmark 10-year U.S. treasury[15] ended the second quarter at 4.36%, up 0.16 percentage points from the previous quarter and above the average yield of 3.80% over the last 30 years.



Moody's Baa Corporate Bond Yield Index[16] ended the second quarter at 5.91%, up 0.21 percentage points since the previous quarter. Moody's less-risky Aaa[17] Index rose 0.22 percentage points during the quarter to a level of 5.19%.



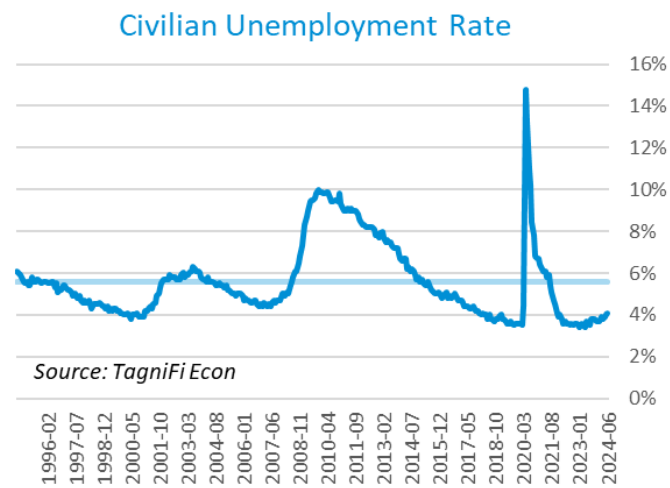
[15] Board of Governors of the Federal Reserve System (US), 10-Year Treasury Constant Maturity Rate [DGS10], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DGS10, Jul 26, 2024.*

[16] 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, Jul 26, 2024.*

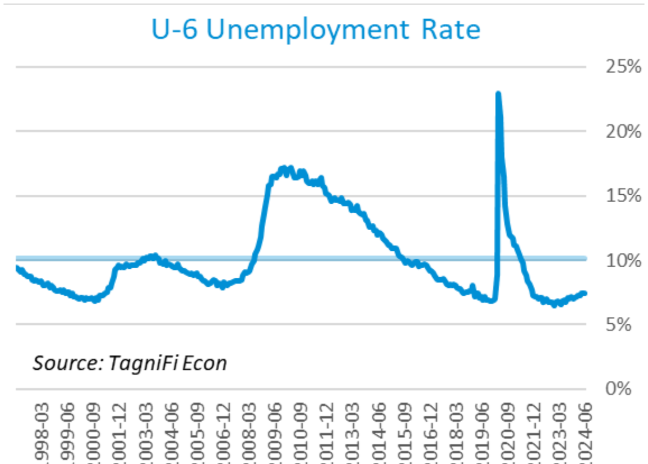
[17] Moody's, Moody's Seasoned Aaa Corporate Bond Yield [DAAA], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DAAA, Jul 26, 2024.*

Employment

The jobs market, which has been a bright spot in the U.S. economy throughout the pandemic recovery, waned slightly in the second quarter of 2024. The official unemployment rate[18] ended the quarter at 4.1%, up 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[19] rose by 100,000 workers during the quarter. The labor force participation rate[20] inched down to 62.6% in June 2024, 0.7 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 May 2024, nonfarm worker quits[21] stood at 3.5 million, up 0.2% over the month but down 13.7% over the year. Job openings[22] totaled 8.1 million in May 2024, 2.4 times the number of resignations. The job openings count was up 2.8% from April but down 12.6% from May 2023.



The U-6 unemployment rate[23] 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 7.4% in June 2024.

[18] 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, Jul 26, 2024.*

[19] 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, Jul 26, 2024.*

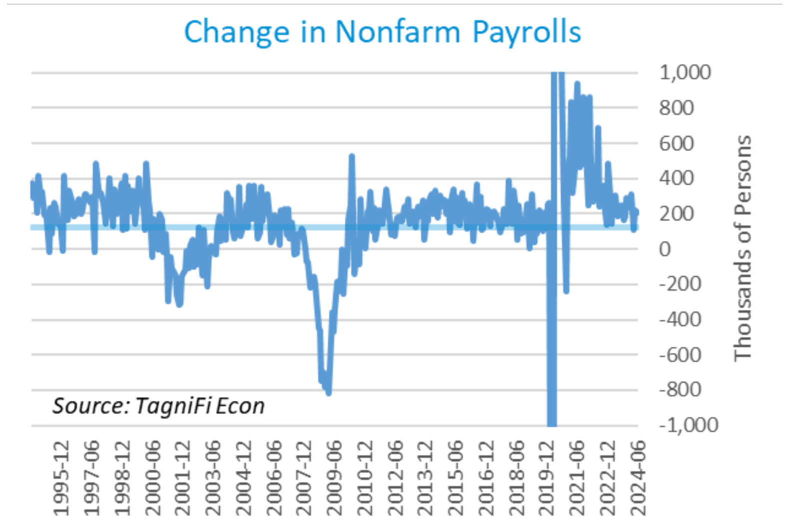
[20] U.S. Bureau of Labor Statistics, Labor Force Participation Rate [CIVPART], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CIVPART, Jul 26, 2024.*

[21] 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, Jul 26, 2024.*

[22] 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, Jul 26, 2024.*

[23] 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, Jul 26, 2024.*

Nonfarm payrolls[24] grew by 500,000 jobs in the second quarter. U.S. nonfarm payrolls in June 2024 totaled 158.6 million jobs, up 2.6 million from the prior June. June's job market growth was highly concentrated in health care and social assistance and government, especially education. Several other sectors gained jobs, such as construction and wholesale trade, while three sectors lost jobs — professional and business services, retail trade, and manufacturing.



Inflation

In the second quarter of 2024, inflation kept a more moderate pace than much of 2021 and 2022. The Consumer Price Index[25] for all items rose 3.0% for the year ended June 2024. Since last June, notable price increases included shelter, motor vehicle insurance, medical care, personal care, recreation and food. Prices for energy goods also rose, except for gasoline. Excluding volatile energy prices[26], the annual increase was 3.1%. The average price of a gallon of gas[27] in the U.S. rose 0.6% during the second quarter to $3.60. June's average price was 3.0% lower than one year prior.

In the month of June 2024, prices fell for energy, especially gasoline. Moderating the decline were higher prices for shelter, as well as motor vehicle insurance, household furnishings and operations, medical care and personal care. Prices also rose for food, both away from home and at home.

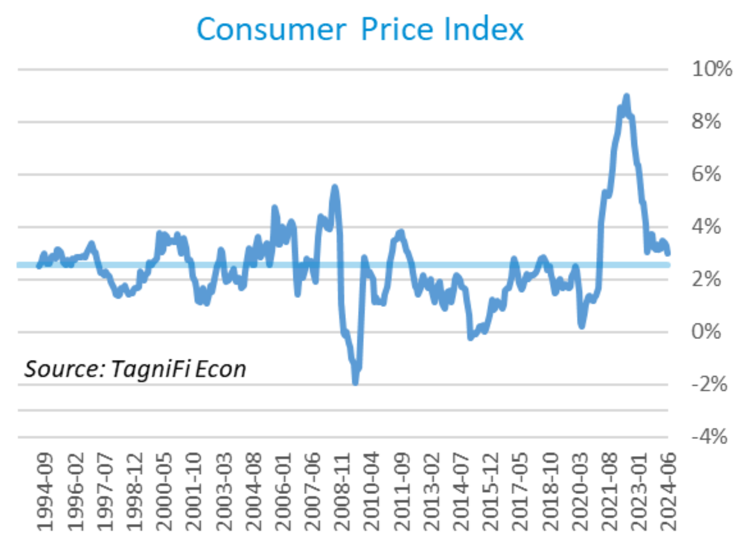
[24] U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm Payrolls [PAYEMS], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS, Jul 26, 2024.*

[25] 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, Jul 26, 2024.*

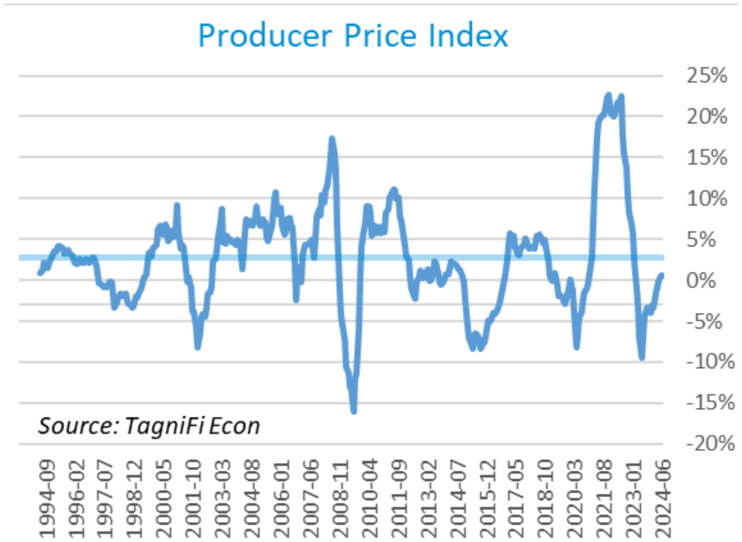
[26] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Energy in U.S. City Average [CPILEGSL], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CPILEGSL, Jul 26, 2024.*

[27] 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, Jul 26, 2024.*

The Federal Reserve, which has taken aggressive action to curb inflation with a series of target interest rate hikes totaling 5.25 percentage points from March 2022 to July 2023, continued to hold the target rate steady throughout the second quarter of 2024. While multiple rate cuts had been expected in 2024, sluggish cooling of inflation data and continued economic strength in the first half prompted the Fed to leave target rates at their current level and revise predictions of future target rates upward.

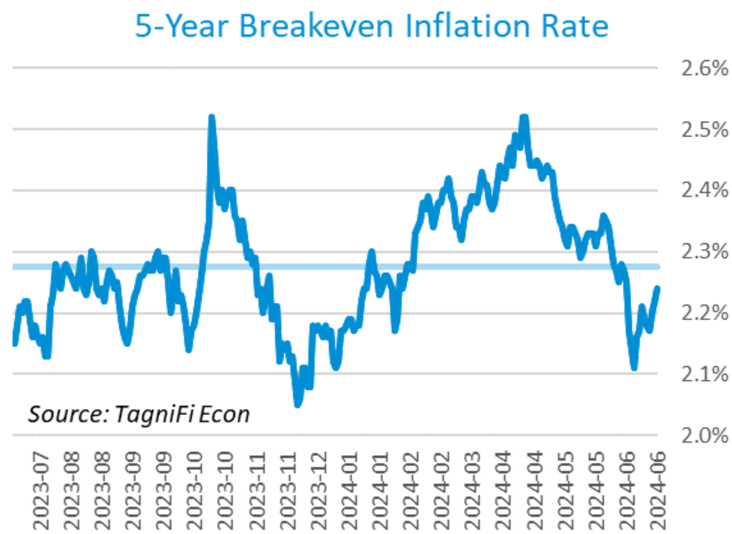


Wholesale inflation has been quicker to regulate than consumer inflation. The Producer Price Index[28] rose 0.2% in the second quarter and 0.6% since June 2023. The average annual increase over the last 30 years was 2.8%.

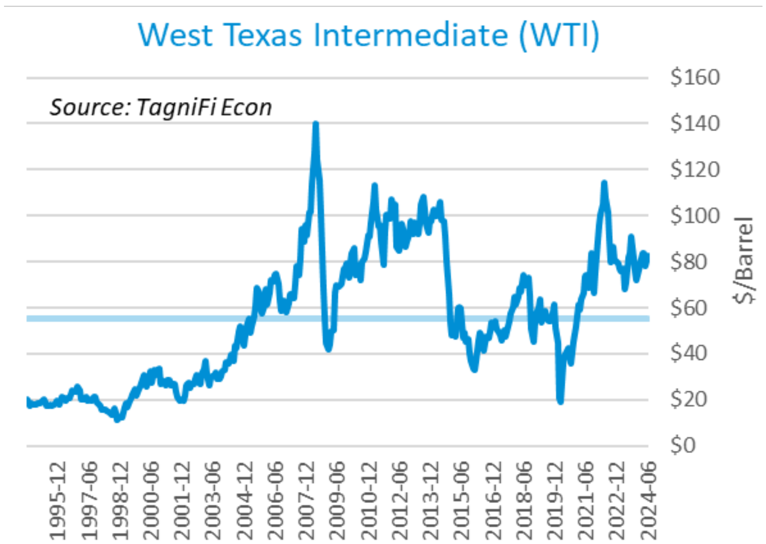


[28] U.S. Bureau of Labor Statistics, Producer Price Index for All Commodities [PPIACO], *retrieved from FRED, Federal Reserve Bank of St. Louis;* *https://fred.stlouisfed.org/series/PPIACO, Jul 26, 2024.*

The five-year breakeven inflation rate[29], an indicator for the market's inflation expectations for the period, declined to 2.24% at the end of the second quarter from 2.38% at the end of the first quarter.



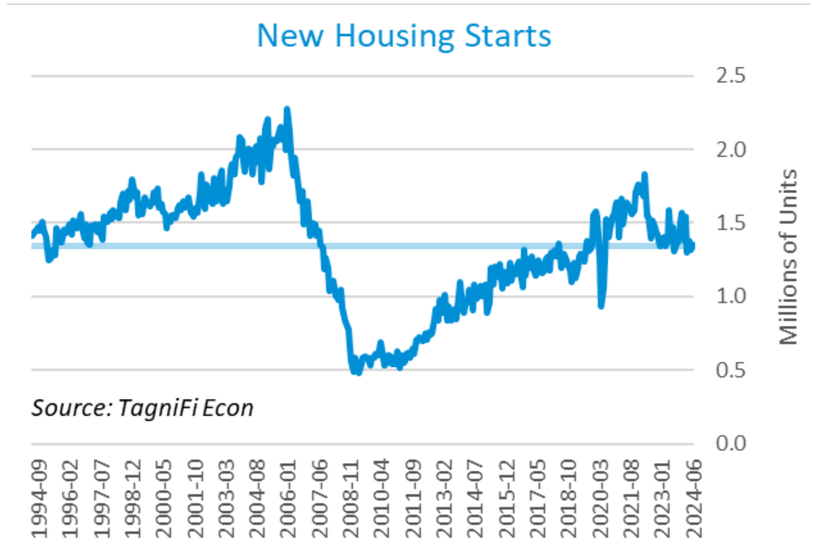
U.S. crude oil[30] prices fell in the second quarter, settling at $82.83 per barrel amid relatively soft US demand, partly attributed to the Fed foreshadowing plans to keep interest rates high for longer than expected. U.S. crude and gasoline inventories climbed in June and demand further softened due to coastal flooding. Hopes for a summer rebound in fuel demand and escalating tensions in the Middle East tempered the price declines. Crude prices ended the second quarter down 1.3% from the prior quarter but up 17.2% year over year.



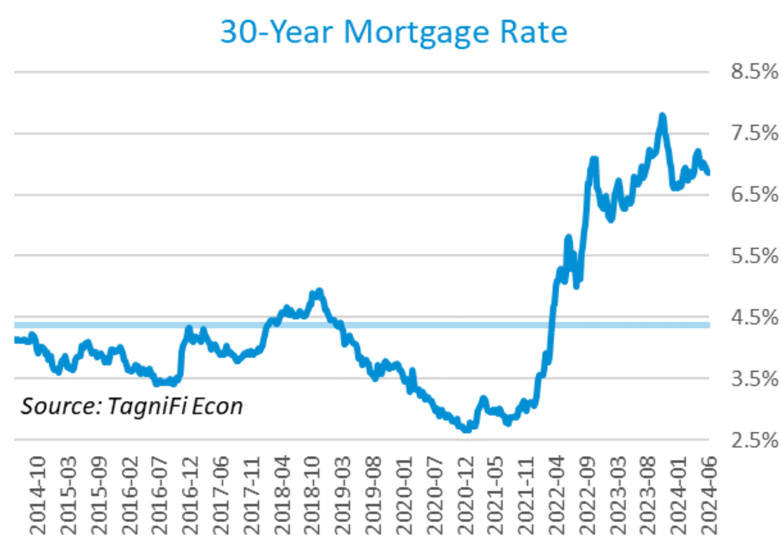
[29] *Federal Reserve Bank of St. Louis, 5-Year Breakeven Inflation Rate [T5YIE], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/T5YIE, Jul 26, 2024.*
[30] U.S. Energy Information Administration, Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma [DCOILWTICO], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DCOILWTICO, July 26, 2024.*

Housing

Persistently elevated mortgage rates continued to constrain sales in the housing market during the second quarter of 2024, and unsold inventory rose closer to pre-pandemic levels. Home prices in major cities continued to rise. New home starts[31] rose 4.2% during the second quarter to a level of 1.35 million in June due to a jump in multi-family home starts; single-family home starts declined. Total new home starts were down 4.4% year over year but stood slightly above their 30-year average of 1.34 million.



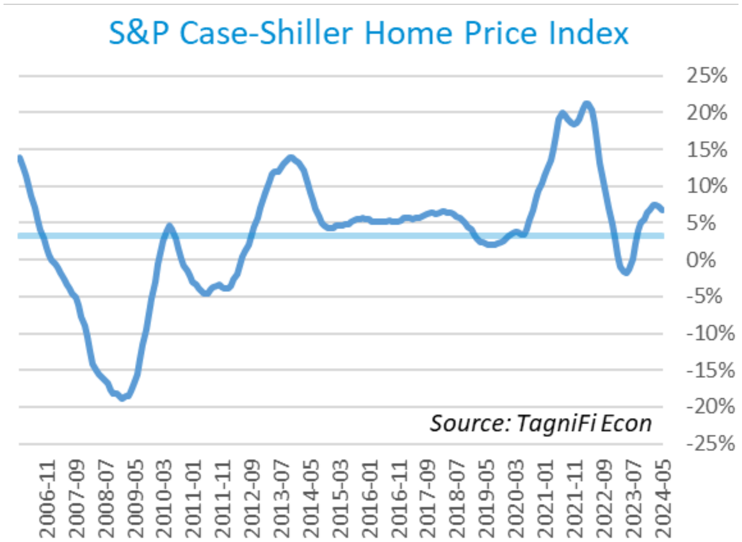
The cost of financing for would-be homebuyers rose during the second quarter, with the 30-year fixed-rate mortgage[32] up 1.00 percentage points to an average of 6.86% at the end of June 2024. The average rate was still lower than its peak of 7.79% in late October.



[31] 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, Jul 26, 2024.*

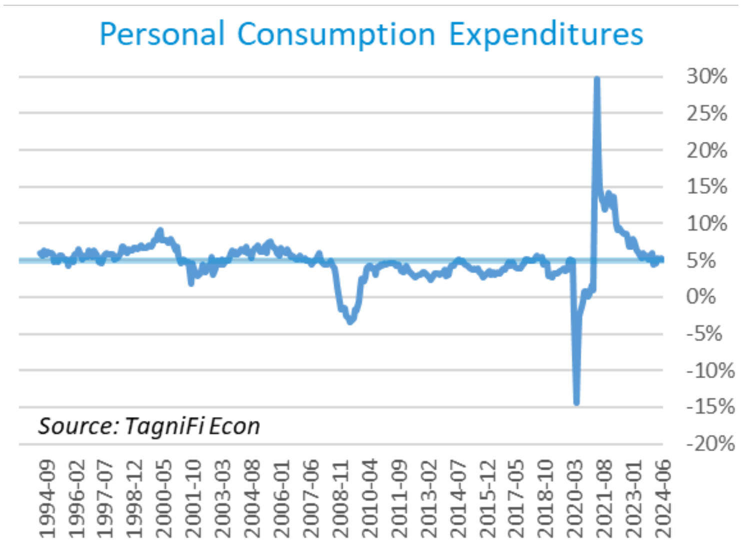
[32] Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MORTGAGE30US, Jul 26, 2024.*

The S&P Case-Shiller Home Price Index (20-city)[33] was 1.1% higher quarter over quarter and 6.7% higher since May 2023. Led by New York, San Diego, Las Vegas and Los Angeles, all of the 20 cities experienced one-year price increases.



Consumer Spending

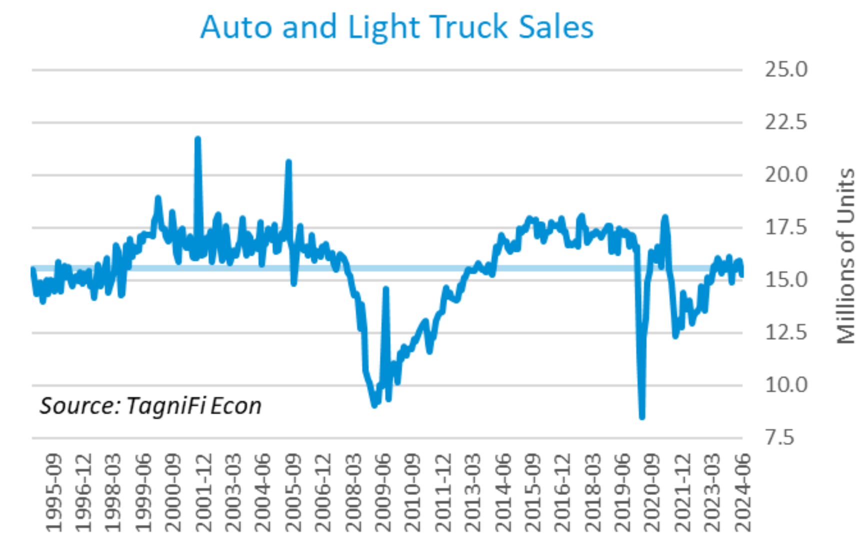
Personal Consumption Expenditures (PCE)[34] rose 0.9% in the second quarter to $19.4 trillion and 5.2% over the same quarter last year. Spending increased in June for services such as other services (led by international travel) and housing and utilities (led by housing). Goods spending also increased, especially for other nondurable goods (led by pharmaceutical and other medical products) and recreational goods and vehicles; however, goods spending was moderated by decreases in motor vehicles and parts (led by new motor vehicles) and gasoline and other energy goods.



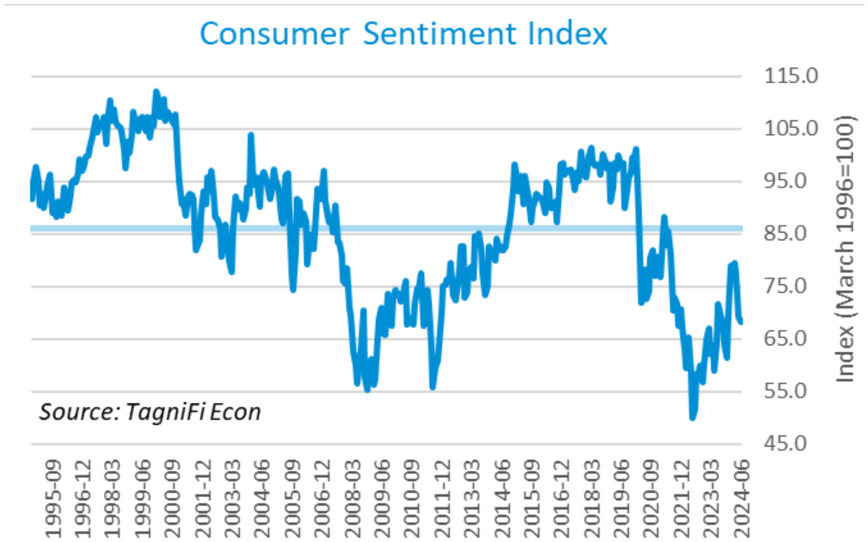
[33] S&P Dow Jones Indices LLC, S&P/Case-Shiller 20-City Composite Home Price Index [SPCS20RSA], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/SPCS20RSA, Jul 26, 2024.*

[34] 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, Jul 26, 2024.*

Auto manufacturers reported autos and light trucks sold[35] at an annual rate of 15.3 million in June 2024, down 1.3% from March. New vehicle prices[36] remained near their record high, inching down 0.1% during the second quarter. Used car prices[37] fell 2.3% from March to June.



The University of Michigan's consumer sentiment index[38] stood at 68.2 in June 2024, down from 79.4 in March but still above its all-time low of 50.0 in June 2022. The continued elevation in prices has been an important factor in consumer sentiment in recent months, especially for lower-income Americans. The index was up 6.2% year over year yet still well below its 30-year average of 86.1.



[35] 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, Jul 26, 2024.*

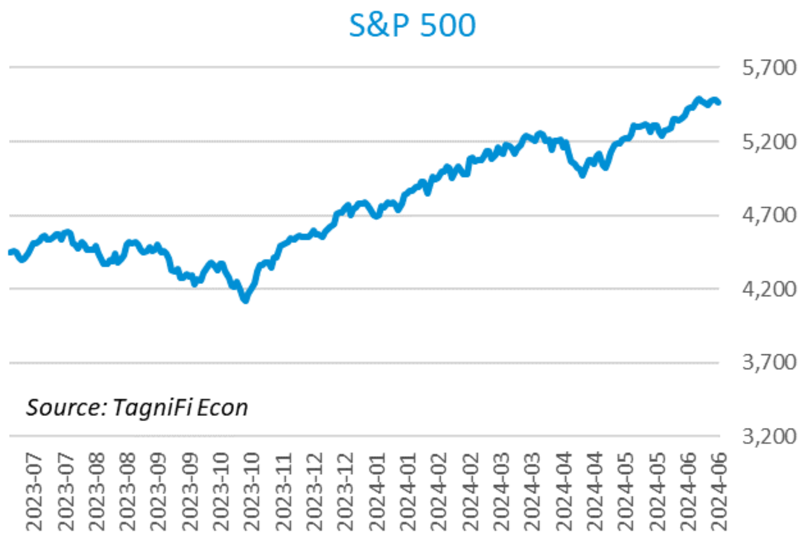
[36] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: New Vehicles in U.S. City Average [CUUR0000SETA01], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CUUR0000SETA01, Jul 26, 2024.*

[37] 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, Jul 26, 2024.*

[38] *University of Michigan, University of Michigan: Consumer Sentiment [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UMCSENT, Jul 26, 2024.*

Capital Markets

The table below shows the quarterly, year-to-date, and 12-month performance of major U.S. equity indices. Capital markets posted mixed results in the second quarter of 2024 as expectations of interest rate cuts were met with Fed caution; still, AI's boost to technology-sector stocks pushed markets to a positive first half. AI's influence was evident in second-quarter results among major market indices, as the tech-heavy NASDAQ Composite and NASDAQ 100 climbed 8.3% and 7.8%, respectively, during the quarter. The broader S&P 500 rose 3.9%, and the Dow Jones Utility Average rose 2.8%. Other blue-chip-focused Dow Jones averages — Transportation, Composite and Industrial — were down 4.9%, 2.1%, and 1.7%, respectively, during the second quarter.



Equity Index	Closing Value	% Change Quarter	YTD	12-Mo.
S&P 500	5,460.48	3.9%	14.5%	22.7%
Dow Jones Industrial Average	39,118.86	-1.7%	3.8%	13.7%
Dow Jones Composite Average	12,473.19	-2.1%	1.8%	7.9%
Dow Jones Transportation Average	15,415.23	-4.9%	-3.0%	-0.7%
Dow Jones Utility Average	906.67	2.8%	2.8%	0.0%
NASDAQ Composite	17,732.60	8.3%	18.1%	28.6%
NASDAQ 100	19,682.87	7.8%	17.0%	29.7%

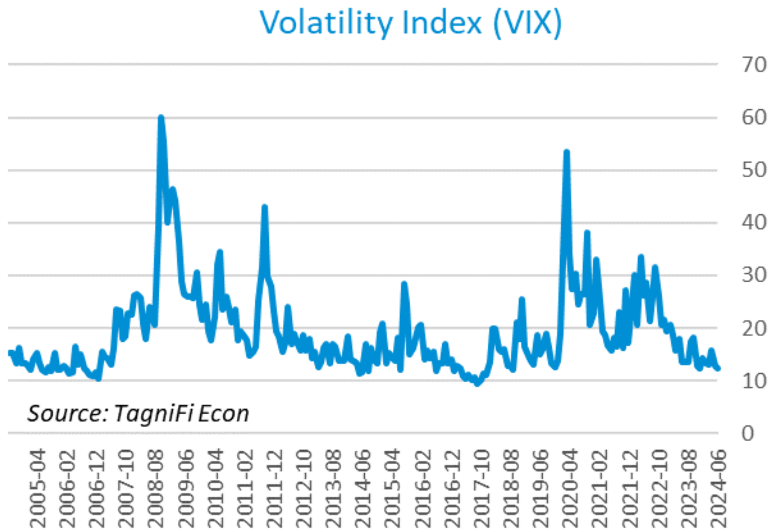
Corporate debt issuances were up in the second quarter, with the ICE BofA US Corporate Index[39] inching up 0.1% and the ICE BofA US High Yield Index[40] increasing 1.1%.

Bond Index	Closing Value	% Change Quarter	YTD	12-Mo.
ICE BofA US Corporate Bond Index	3,240.08	0.1%	0.0%	5.0%
ICE BofA US High Yield Bond Index	1,631.92	1.1%	2.6%	10.4%

[39] *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, Jul 31, 2024.*

[40] *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, Jul 31, 2024.*

Stock market volatility, as measured by the VIX[41], ended the second quarter of 2024 at 12.4, down 4.4% since the prior quarter and 8.5% since the 2nd quarter of 2023. The VIX rose in April before receding in May and June.



Outlook

In June 2024, the FOMC revised its near-term PCE inflation projections upward and real GDP projections slightly downward; minimal adjustments were made to unemployment rate projections or to longer-term projections for any of the three indicators.

The FOMC revised its projections for Personal Consumption Expenditures (PCE) inflation[42] upward for 2024 to 2.70%, moderating to 2.30% in 2025; projections for 2026 held steady at 2.05%. The committee members revised real GDP[43] projections downward slightly to 2.1% in 2024 and 2.00% in 2025, while 2026 projections were unchanged at 1.95%. They expected that the unemployment rate[44] would be 4.05% in 2024, 4.05% in 2025 and 4.10% in 2026. The board raised projections of future target rates[45] to 5.15% in 2024, 4.15% in 2025 and 3.25% in 2026. The committee again emphasized a willingness to hold rates steady as long as warranted, and it decreased the number of predicted rate cuts in 2024 from three to one.

FOMC Summary of Economic Projections

Year	Real GDP	PCE	Unemployment	Fed Funds
2024	2.10%	2.70%	4.05%	5.15%
2025	2.00%	2.30%	4.05%	4.15%
2026	1.95%	2.05%	4.10%	3.25%

[41] *Chicago Board Options Exchange, CBOE Volatility Index: VIX [VIXCLS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/VIXCLS, Jul 26, 2024.*

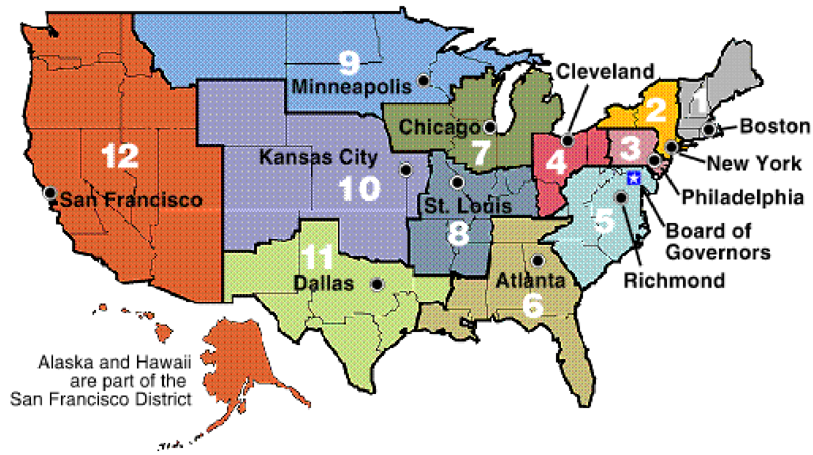
[42] *Federal Reserve Bank of St. Louis, FOMC Summary of Economic Projections for the Personal Consumption Expenditures Inflation Rate, Central Tendency, Midpoint [PCECTPICTM], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PCECTPICTM, Jul 26, 2024.*

[43] *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, Jul 26, 2024.*

[44] *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, Jul 26, 2024.*

[45] *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, Jul 26, 2024.*

Midwest Economy[46]



Economic activity in the Seventh District increased slightly overall in late May and June, and contacts generally expected a similar rate of increase over the next year. Employment was up modestly; business and consumer spending rose slightly; nonbusiness contacts saw little change in activity; and manufacturing and construction and real estate activity edged down. Prices were up modestly, wages rose moderately, and financial conditions loosened a bit. Prospects for 2024 farm income declined somewhat.

Labor Markets

Employment rose modestly over the reporting period, and contacts expected growth to continue at that pace over the next 12 months. Most contacts indicated the labor market remains tight, with some respondents, particularly in manufacturing, continuing to have difficulty filling higher-skilled positions. However, there were signs of cooling, with several contacts noting sizeable layoffs in the heavy machinery industry and reports of increases in the number and quality of applicants. Wages and benefits costs rose moderately, with some of the increases resulting from new union contracts.

Prices

Prices rose modestly overall in late May and June, and contacts expected a similar rate of increase over the next 12 months. Producer prices moved up modestly. Nonlabor input costs continued to rise, with manufacturing contacts highlighting increases in the costs of energy and some raw materials, notably copper. Still, many contacts said overall inflationary pressures had subsided. One heavy machinery manufacturer reported that high interest rates were helping push down prices. Consumer prices again rose moderately overall, though retail contacts reported a slowdown in price growth, including flat or falling prices in a range of spending categories.

Consumer Spending

Consumer spending increased slightly over the reporting period. Nonauto retail sales were unchanged overall. Several contacts indicated that foot traffic was up more than sales. For example, a contact in the grocery industry said there were more consumers (across all income groups) shopping at multiple stores, which he interpreted as a signal of greater price sensitivity. Leisure and hospitality activity rose modestly overall. Restaurant sales grew modestly, largely driven by higher income households. Light vehicle sales moved up slightly. However, contacts said the cyberattack on CDK Global made completing transactions much more onerous and slowed the sales pace some. New vehicle transaction prices fell, incentives rose, and used vehicle prices trended lower.

Business Spending

Business spending increased slightly in late May and June. The pace of new capital expenditures ticked up, with contacts highlighting investments in HVAC units and furniture. Despite high interest rates, many contacts said they were moving forward with capital spending projects and that rates staying higher than they had expected earlier in the year was unlikely to affect their decision making. Demand for truck transportation remained flat at a low

[46] Primary Source: Federal Reserve, Beige Book – July 17, 2024, "Summary of Commentary on Current Economic Conditions" Extracted wholly or largely verbatim and/or substantially paraphrased.

level and freight rates remained low as well. Auto dealer inventories were largely at comfortable levels, though one contact noted rising light truck inventories. Manufacturing stocks were also comfortable overall, but a heavy truck manufacturer indicated inventories were moderately elevated. There were isolated reports of supply-chain issues. Several contacts said a low supply of switchgears (used for regulating the flow of electricity) was causing headaches for electric utilities.

Construction and Real Estate

Construction and real estate activity decreased slightly on balance over the reporting period. Residential construction was up some overall, though contacts noted that an increasing number of homeowners had deferred home renovations because of high interest rates. Residential real estate transactions decreased slightly, with little change in prices or rents. One contact noted that time on the market had grown. Nonresidential construction activity was unchanged, as were sales prices. Several contacts said the industry had adjusted to high interest rates. The number of new projects was solid and unchanged, though across all segments developers of new buildings were cutting back on the size of projects and amenities. Office tenants were downsizing but updating their spaces. Demand for retail store remodeling was also solid. Commercial real estate activity decreased slightly. Prices were unchanged, rents fell slightly, and vacancy rates were unchanged. Contacts reported that several local restaurants near office buildings had closed recently because of an ongoing lack of weekday traffic. In Southeast Michigan, contacts noted ample availability of industrial floor space because of lower-than-expected battery electric vehicle production.

Manufacturing

Manufacturing demand decreased slightly on balance in late May and June. Orders for steel were down slightly, with contacts noting slower demand from construction. Fabricated metals sales were steady overall, with higher demand from utilities but lower demand from the auto industry. One manufacturer linked a significant decline in demand from the auto sector during the first half of the year to lower-than-expected electric vehicle production. Machinery sales decreased modestly, with reports of slower demand from the construction, agriculture and aerospace industries. Auto industry contacts saw little change in demand on balance.

Banking and Finance

Financial conditions loosened slightly over the reporting period. Bond and equity values both increased, and volatility was little changed. Business loan demand fell modestly, with contacts highlighting slower demand for commercial real estate loans. Rates were stable, but lending terms tightened slightly. Loan quality was little changed. Contacts continued to note strong competition among lenders, especially for making loans to the most creditworthy borrowers. Consumer loan demand was down slightly, while rates were flat. Loan quality fell slightly with contacts noting some deterioration in their credit card, auto and mortgage loan portfolios. Consumer loan terms tightened slightly.

Agriculture

Farm income expectations for the district waned in late May and June as key crop prices declined. Contacts indicated that farmers were slow to sell crops from storage and were holding back on selling ahead from their anticipated fall harvest in part because of low prices. Although recent flooding covered some acres, corn and soybean planting recovered from earlier weather-related challenges across much of the district, and overall crop conditions were off to a better start than in recent years. Corn, soybean and wheat prices were lower, with a strong wheat harvest already underway. A contact noted that an early wheat harvest would free up fields for second-crop soybeans sooner than usual, allowing the soybeans to mature for longer. Milk and egg prices were higher, while hog prices faltered. Cattle prices were flat at a high level.

Community Conditions

Community, nonprofit and small business contacts reported little change in economic conditions over the reporting period. State government officials again saw steady growth in tax revenue. Small business intermediaries continued to speak about the hiring and retention challenges of smaller employers, including nonprofits, that struggle to compete for employees in a tight labor market. Community Development Finance Institutions (CDFIs) reported that new sources of capital were creating opportunities for investment but were also challenging the capacity of CDFIs to administer the loans and the capacity of borrowers to find skilled trades people to do the work. Although inflation has moderated, higher prices continued to be a challenge for businesses and nonprofits (especially those with narrow margins or fixed revenue streams), as well as for low- and moderate-income families. The limited supply of affordable housing remains a persistent point of concern for many contacts.