Economic overview and forecast for

2024 Q4

Robert J. Leibfried, CPA, ABV, CDFA | Shareholder | Honkamp, P.C.

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I. General Economic Overview, Industry Overview and Company Outlook

Historical Economic Data 2020 – 2024 and Forecasts 2025 – 2034

						Consensus Forecasts**					
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030-2034
Real GDP	-2.2	6.1	2.5	2.9	2.8	2.0	2.1	1.9	1.9	1.9	1.8
Industrial production	-7.1	4.4	3.4	0.2	-0.2	1.0	2.3	2.1	2.0	1.9	1.9
Consumer spending	-2.5	8.8	3.0	2.5	2.8	2.3	2.0	2.0	2.0	2.0	1.9
Real disposable personal income	6.3	3.5	-5.6	5.1	2.9	2.2	2.5	2.3	2.1	2.1	2.0
Business investment	-4.6	6.0	7.0	6.0	3.7	2.6	3.5	3.2	3.0	2.9	2.9
Nominal pretax corp. profits	-2.4	27.6	7.8	6.9	6.8	2.7	3.4	3.0	3.4	3.6	3.6
Total government spending	3.4	-0.3	-1.1	3.9	3.4	1.6	N/A	N/A	N/A	N/A	N/A
Consumer Price Index	1.2	4.7	8.0	4.1	3.0	2.4	2.3	2.2	2.2	2.2	2.2
Core PCE	1.3	3.6	5.4	4.1	2.8	2.4	N/A	N/A	N/A	N/A	N/A
3-month Treasury bill rate	0.1	0.1	4.3	5.3	4.5	3.6	3.1	3.0	2.9	3.0	3.0
10-year Treasury bond yield	0.9	1.6	3.9	3.9	4.6	4.0	3.6	3.6	3.6	3.7	3.7
Unemployment rate	8.1	5.4	3.6	3.6	4.0	4.3	N/A	N/A	N/A	N/A	N/A
Housing starts (millions)	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, December 2024.

Summary of General Economic Overview – United States[1]

Overall, the U.S. economy experienced solid growth in the fourth quarter of 2024, with GDP increasing and unemployment remaining low. While the economic growth remained solid, the short-term inflation outlook increased, leading the Federal Reserve Board to take a cautious stance on future interest rate cuts.

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

Inflation remained moderate despite higher fuel prices compared to the previous quarter. Colder weather and continuing geopolitical tension led to higher crude oil prices. In response, the Federal Reserve cut the target interest rate by 0.5% and signaled that the board may slow the pace of future cuts.

A frequent bright spot for the economy in recent years, the job market sent mixed signals in the fourth quarter of 2024, with unemployment unchanged, labor force participation decreasing, and uneven nonfarm employment growth. Still, the labor market remained well within the bounds of full employment.

Capital markets posted solid gains in the quarter, fueled by the strong economy, earnings growth, the Fed's interest rate cut, and expectations of more business-friendly government policy. The tech-heavy NASDAQ indexes outperformed the broader S&P 500 and Dow Jones Industrial indexes.

Housing market data remained mixed, with some encouraging signs of possible recovery. As sales continued to be constrained by elevated interest rates, unsold housing inventory declined in the fourth quarter. Prices in most major cities continued to rise year over year.

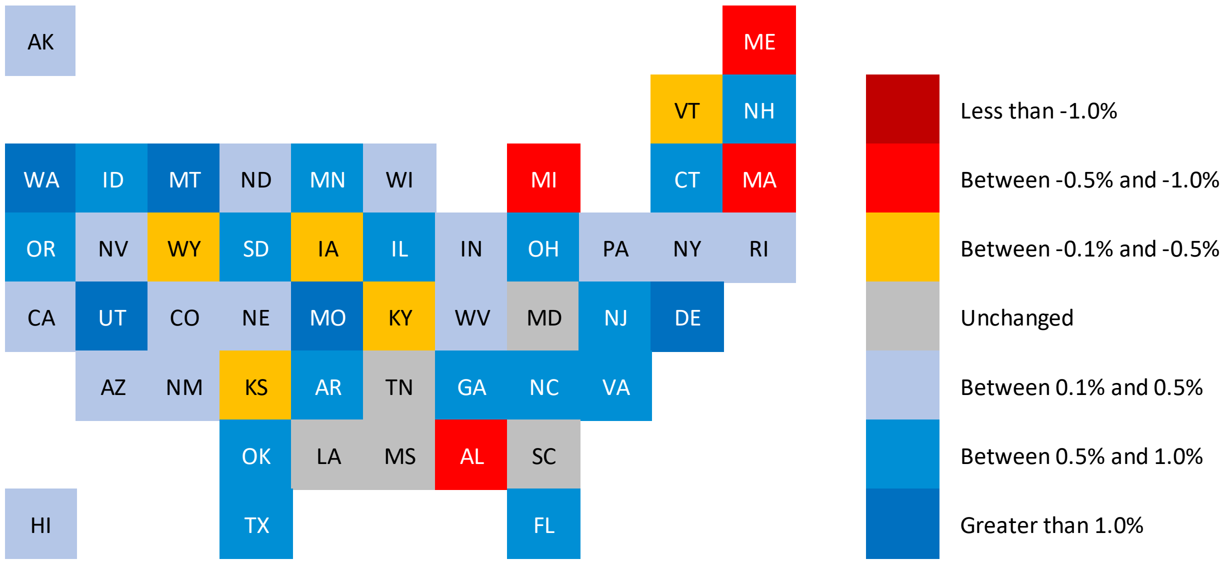
FOMC members' short-term domestic production and inflation projections were revised slightly upward. Unemployment expectations were revised slightly downward, while forecasts of longer-term economic performance were minimally changed across all three measures.

A multifactor indicator of economic strength, the Philadelphia Fed's coincident index[2] of economic activity in the U.S. rose 0.3% in December 2024 and 0.6% during the quarter. For the quarter, the index increased in thirty-six states, decreased in nine states, and remained unchanged in five. Coincident indexes reflect unemployment, payroll employment, manufacturing hours, and wages and salaries.

[1] Economic Outlook Update™ Q4 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, February 2, 2025.*

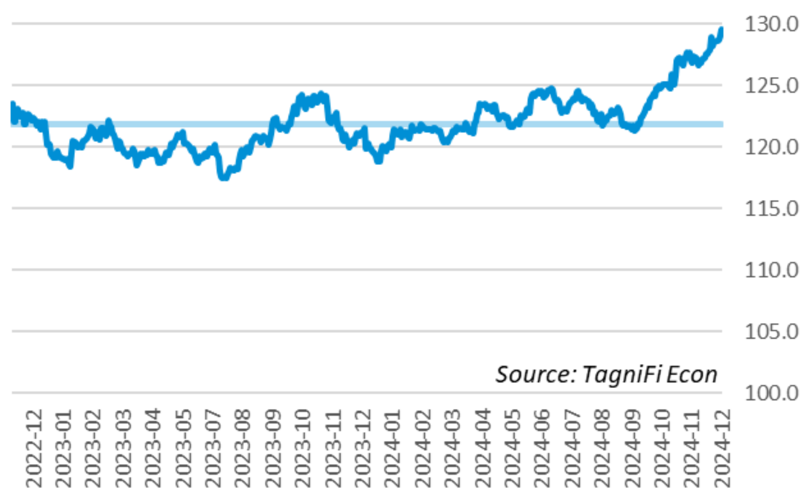
December 2024 State Coincident Indexes: 3-Month Change



Source: TagniFi Econ

The U.S. dollar index for goods and services[3] added a solid 6.7% during the fourth quarter of 2024, reflecting the expectation of stronger growth in the U.S. economy compared to other developed markets and expectations of slower future interest rate cuts. The dollar index was up 8.3% over the prior year.

Trade Weighted U.S. Dollar Index



Source: TagniFi Econ

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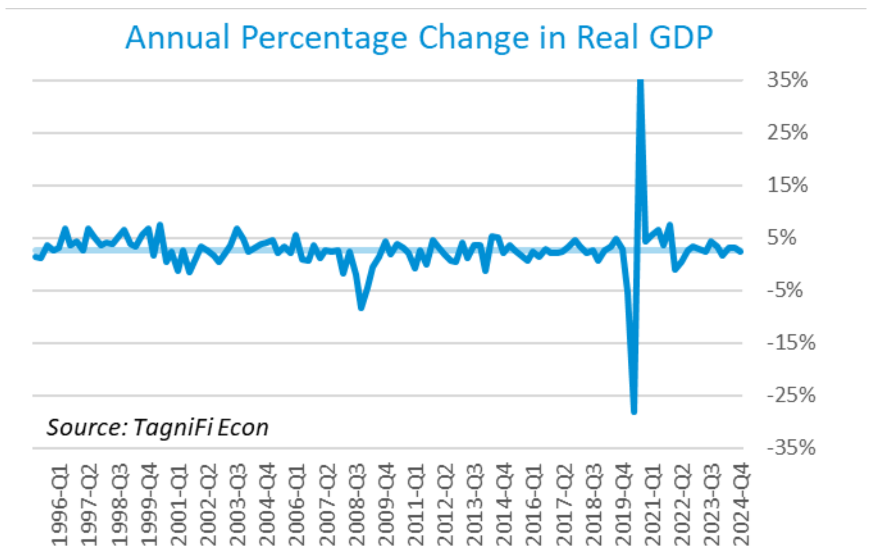
[3] Board of Governors of the Federal Reserve System (US), Trade Weighted U.S. Dollar Index: Broad, Goods and Services [DTWEXBGS], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DTWEXBGS, February 2, 2025.*

Economic Highlights

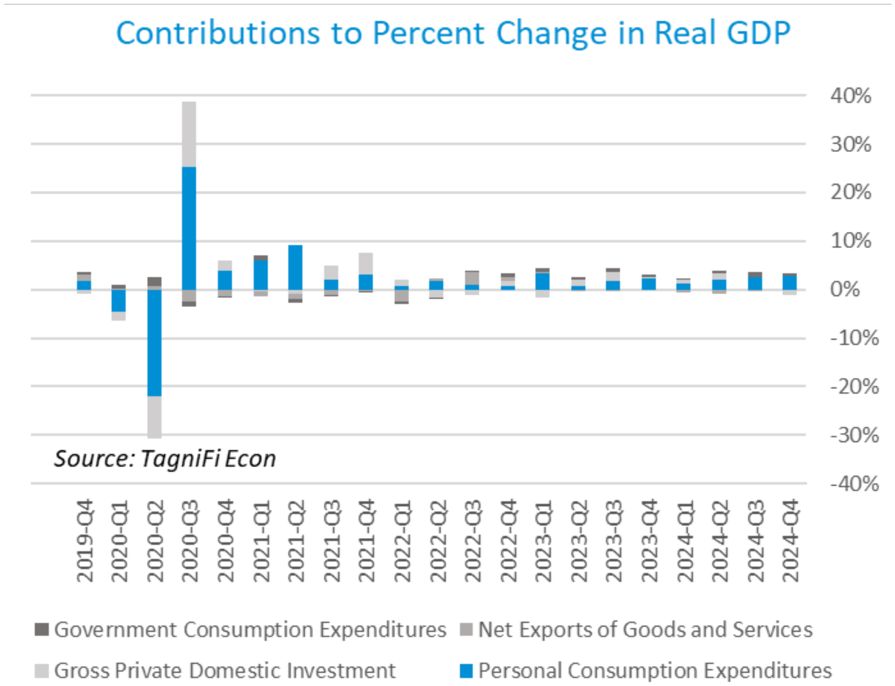
- The Philadelphia Fed's coincident index of economic activity in the U.S. rose 0.3% in December 2024 and 0.6% during the fourth quarter.
- The U.S. dollar index rose 6.6% during the fourth quarter of 2024 and was up 8.3% from the prior year.
- Real GDP grew at an annualized rate of 2.3% during the fourth quarter of 2024.
- The effective federal funds rate declined to 4.48% during the fourth quarter following 0.25% cuts by the Fed in November and December.
- The one-year and two-year annual treasury yields ended the fourth quarter at 4.16% and 4.25%, respectively. The benchmark 10-year treasury yielded 4.58% at the end of the quarter, while the 30-year treasury yielded 4.78%.
- The unemployment rate ended the quarter at 4.1%, unchanged from the prior quarter. Nonfarm payrolls grew by 500,000 jobs in the quarter.
- The Consumer Price Index for all items rose 2.9% for the year ended December 2024. Excluding volatile energy prices, the annual increase was 3.1%.
- Crude oil prices ended the fourth quarter at $72.44 per barrel, up 5.4% from the prior quarter and 0.8% year over year.
- New home starts rose 10.6% during the fourth quarter to 1.5 million in December. Total new home starts were down 4.4% year over year.
- The NASDAQ Composite climbed 6.2% during the fourth quarter. The S&P 500 rose 2.1%, and Dow Jones Industrial Average added 0.5%, while the Dow Jones Transportation and Composite Averages were down 2.4% and 1.1%, respectively, during the quarter.

Business Activity

Real gross domestic product (GDP)[4] grew at an annualized rate of 2.3% during the fourth quarter of 2024, slightly lower than expected, and down from 3.1% in the third quarter. GDP grew 2.8% for the full year, compared with 2.9% in 2023. Gains in fourth-quarter consumer spending were tempered by a downturn in private investment. Both exports and imports decreased during the quarter, with the net exports unchanged from the third quarter. Government spending also increased in the fourth quarter. The scale and makeup of the fourth-quarter GDP growth pointed to continued economic expansion.



[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, February 2, 2025.*



Personal consumption expenditures[5] (PCE) had a positive 2.8% effect on real GDP in the fourth quarter. A rise in spending on services, especially for health care (including hospital and outpatient services), housing and utilities, and financial services and insurance, contributed to PCE growth. Spending on goods also rose, led by recreational goods and vehicles, and motor vehicles and parts.

Gross domestic private investment[6] had a negative impact on the GDP, decreasing the fourth-quarter real GDP estimate by 1.0%. Both the wholesale and retail sectors experienced negative changes in inventory. The decrease in nonresidential fixed investment reflected decreases in information processing and transportation equipment categories, partially offset by increased intellectual property products. Residential fixed investment increased in the quarter.

Government expenditures[7] rose in the quarter, contributing 0.4% to the GDP gain. Increased state and local employee compensation and national defense investment contributed to higher government expenditures.

Net exports[8] were effectively unchanged in the fourth quarter as imports (which have a negative impact on GDP) declined slightly more than exports. The decline in exports was led by decreases in capital and consumer goods, except automotive. The decline in imports was primarily explained by lower imports of capital goods, automotive vehicles, and industrial supplies and materials, partially offset by increased imports of nondurable consumer goods.

Economists polled by the Livingston Survey[9] in December 2024 projected real GDP to rise to an annual rate of 2.5% in the second half of 2024, moderating to an annual rate of 1.9% in the first and second half of 2025.

[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, February 2, 2025.*

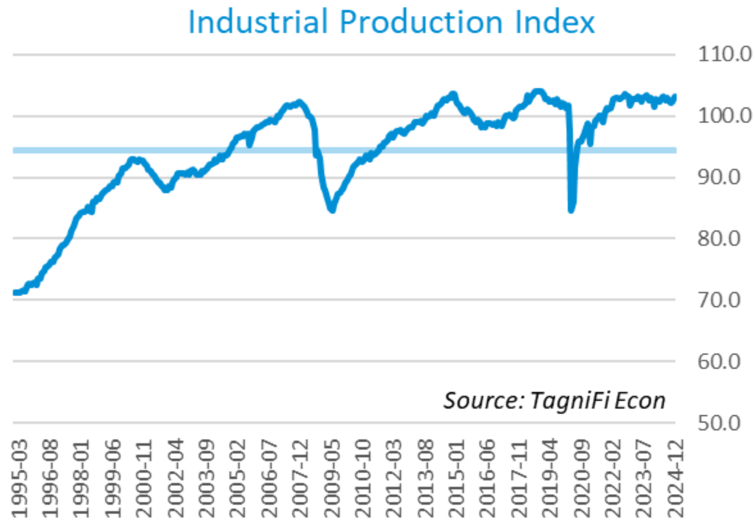
[6] U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Gross private domestic investment [A006RY2Q224SBEA], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/A006RY2Q224SBEA, February 2, 2025.*

[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, February 2, 2025.*

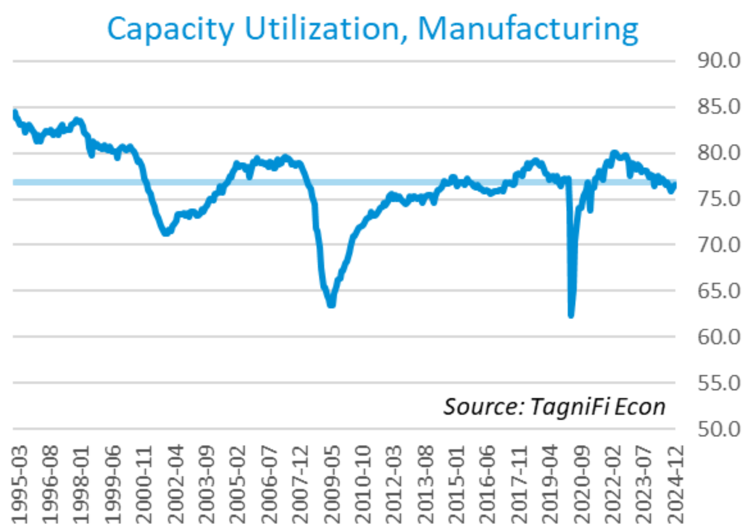
[8] U.S. Bureau of Economic Analysis, Contributions to percent change in real gross domestic product: Net exports of goods and services [A019RY2Q224SBEA], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/A019RY2Q224SBEA, February 2, 2025.*

[9] Federal Reserve Bank of Philadelphia, The Livingston Survey December 2024, [economic release], retrieved from https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/livingston-survey, *February 2, 2025.*

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 utility sectors. The index stood at 103.2 at the end of the fourth quarter, up 0.6 from the third quarter.



The Capacity Utilization Index[11], which attempts to capture industrial output as a percentage of the economy's maximum production capacity, ended the fourth quarter of 2024 at 76.5%. December 2024's level was slightly below the 30-year average of 76.8% for this metric and down slightly from the previous quarter.

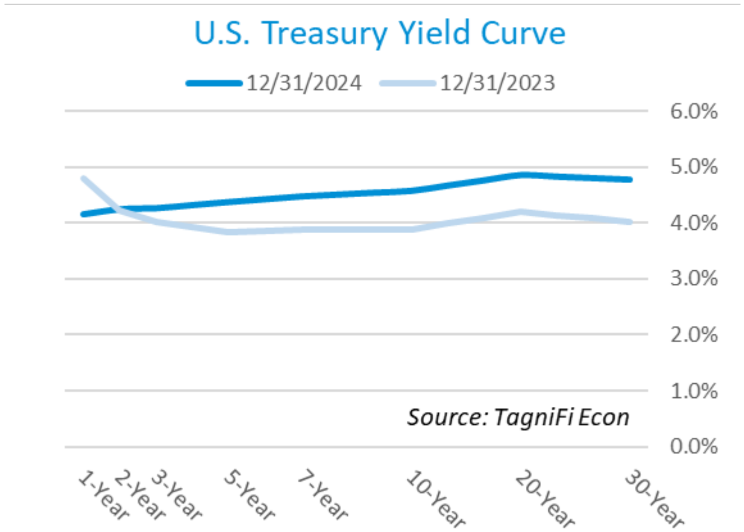


[10] Board of Governors of the Federal Reserve System (US), Industrial Production Index [INDPRO], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/INDPRO, February 2, 2025.*

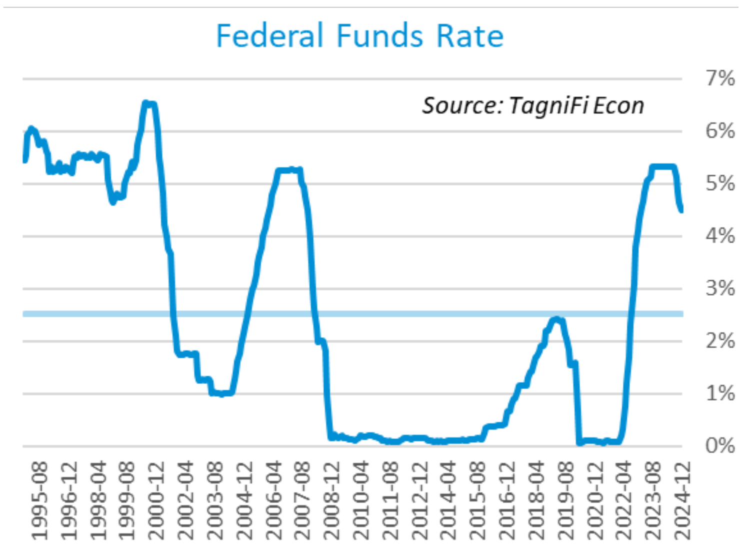
[11] Board of Governors of the Federal Reserve System (US), Capacity Utilization, Manufacturing (NAICS), *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MCUMFN, February 2, 2025.*

Interest Rates

Treasury yields[12] for periods of one year and up increased during the fourth quarter. The closely watched two-year yield remained below the 10-year rate for the second consecutive quarter, signaling the end of the inverted yield curve that was observable between July 2022 and the first half of 2024. The 1-year and 2-year annual treasury yields ended the fourth quarter at 4.16% and 4.25%, respectively. The benchmark 10-year treasury yielded 4.58% at the end of the quarter, while the 30-year treasury yielded 4.78%.

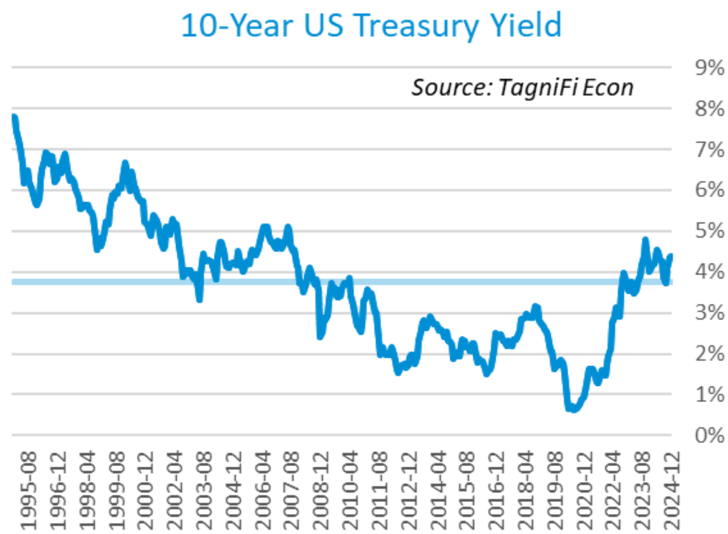


In the fourth quarter of 2024, the Federal Reserve cut the federal funds target rate[13] to a range of 4.25% to 4.50%, the second consecutive quarterly cut, and a sharp decline from the 23-year high of 5.25% to 5.50%. With the inflation outlook remaining above the Fed's optimal rate of 2% and the employment market strong, the FOMC signaled that it may take a more cautious approach to additional rate cuts in the upcoming months.

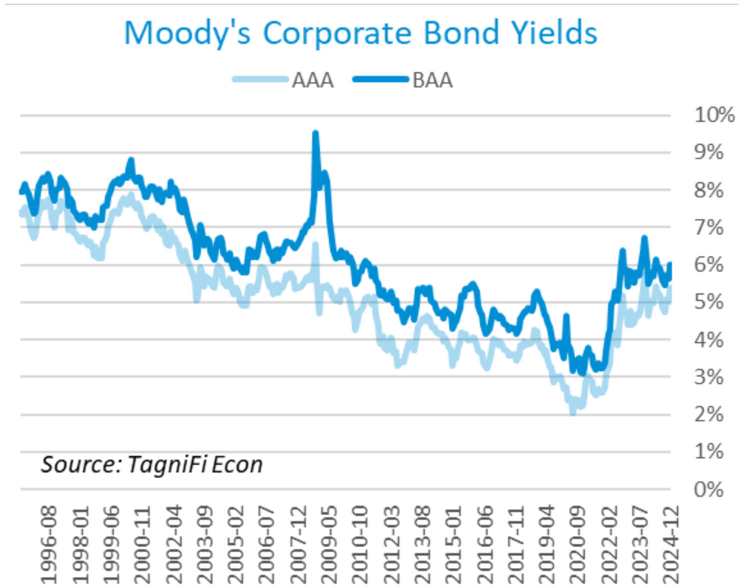


[12] Selected Interest Rates Instruments, Yields in percent per annum, *retrieved from FRED, Federal Reserve Bank of St. Louis;* https://fred.stlouisfed.org/release/tables?rid=18&eid=289&od=2024-06-28#, *February 2, 2025.*
[13] Board of Governors of the Federal Reserve System (US), Federal Funds Target Range - Upper Limit [DFEDTARU], *retrieved from FRED, Federal Reserve Bank of St. Louis;* https://fred.stlouisfed.org/series/DFEDTARU, *February 2, 2025.*

The yield on the benchmark 10-year U.S. treasury[14] ended the fourth quarter at 4.58%, up 0.67 percentage points from the previous quarter and above the average yield of 3.76% over the last 30 years.



Moody's Baa Corporate Bond Yield Index[15] ended the fourth quarter at 6.00%, up 0.56 percentage points compared to the previous quarter. Moody's less-risky Aaa[16] Bond Yield Index increased by 0.68 percentage points during the quarter to 5.40%.



[14] 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, February 2, 2025.*

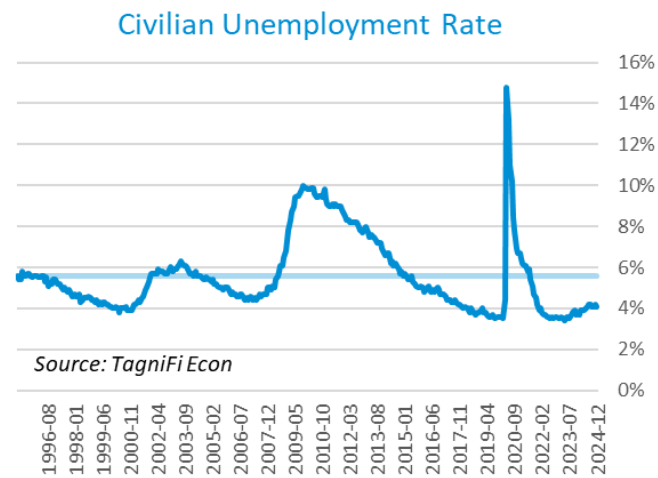
[15] Moody's, Moody's Seasoned Baa Corporate Bond Yield [DBAA], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DBAA, February 2, 2025.*

[16] 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, February 2, 2025.*

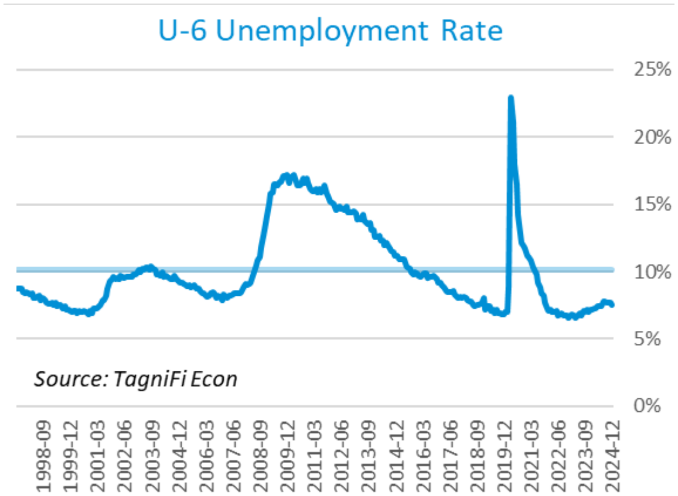
Employment

The jobs market, a bright spot in the U.S. economy throughout the pandemic recovery, showed mixed results in the fourth quarter. The official unemployment rate[17] 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[18] declined by 160,000 workers during the quarter, while the labor force participation rate[19] inched down to 62.5% in December 2024, 0.8 percentage points below its pre-pandemic level. Economists polled by the Livingston Survey in December 2024 projected the unemployment rate to be 4.2% in December, rising slightly to 4.3% in June 2025 and remaining steady at 4.3% in December 2025.

In December 2024, nonfarm worker quits[20] stood at 3.2 million, up 2.1% over the month and down 7.0% over the year. Job openings[21] totaled 7.6 million in December 2024, 2.4 times the number of resignations. The job openings count decreased by 6.8% from November 2024 and was down more than 14% from December 2023.



The U-6 unemployment rate[22] 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 7.5% in December 2024.



[17] 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, February 2, 2025.*

[18] 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, February 2, 2025.*

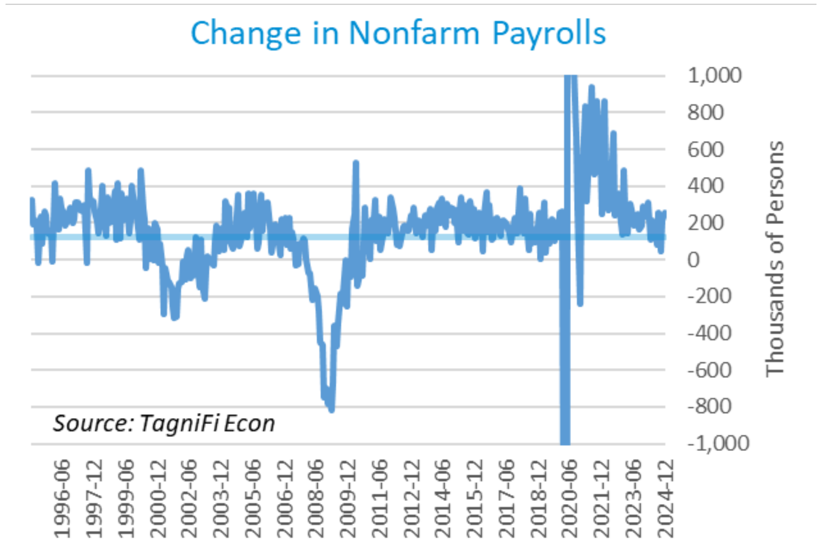
[19] U.S. Bureau of Labor Statistics, Labor Force Participation Rate [CIVPART], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CIVPART, February 2, 2025.*

[20] 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, February 2, 2025.*

[21] 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, February 2, 2025.*

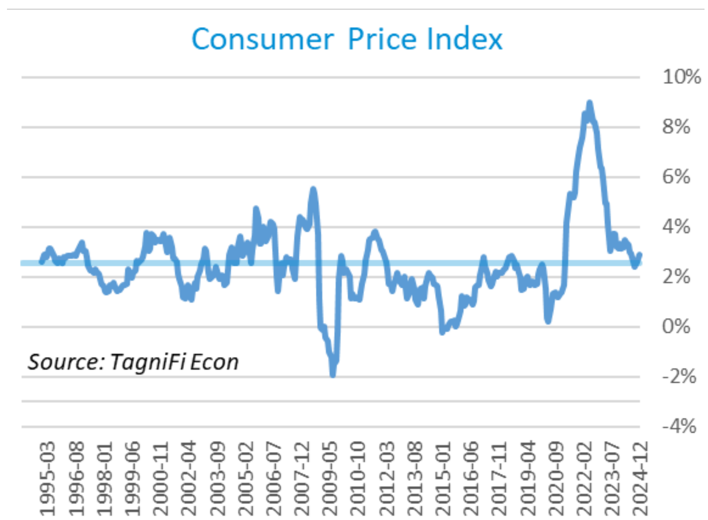
[22] U.S. Bureau of Labor Statistics Total Unemployed, Plus All Persons Marginally Attached to the Labor Force, Plus Total Employed Part Time for Economic Reasons, as a Percent of the Civilian Labor Force Plus All Persons Marginally Attached to the Labor Force (U-6) [U6RATE], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/U6RATE, February 2, 2025.*

Nonfarm payrolls[23] grew by 500,000 jobs in the fourth quarter. U.S. nonfarm payrolls in December 2024 totaled 159.5 million jobs, up 2.2 million from the prior December. December's job market growth was primarily concentrated in health care, government and social assistance. The retail sector also gained jobs, while most industries experienced little change.



Inflation

In the fourth quarter of 2024, inflation kept a more moderate pace than in 2021 and 2022. The Consumer Price Index[24] for all items rose 2.9% for the year ended December 2024. Since last December, notable price increases have included shelter, medical care (including medical care services), transportation services, and food. Prices for used cars and trucks, motor gasoline, and fuel declined. Excluding volatile energy prices[25], the annual increase was 3.1%. The average price of a gallon of gas[26] in the U.S. declined 6.0% during the fourth quarter of 2024 to $3.15. December's average price was 4.4% lower than one year prior.



In the month of December 2024, prices increased for energy (including gasoline and fuel), airline fares, utilities, used cars and trucks, new vehicles, and medical care. Prices also rose for food, both away from home and at home.

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 in both November and December, bringing the total rate cut to 1.00% in 2024. While additional rate cuts are expected in 2025, the Fed indicated that the size of the cuts would depend on the inflation and economic data readings.

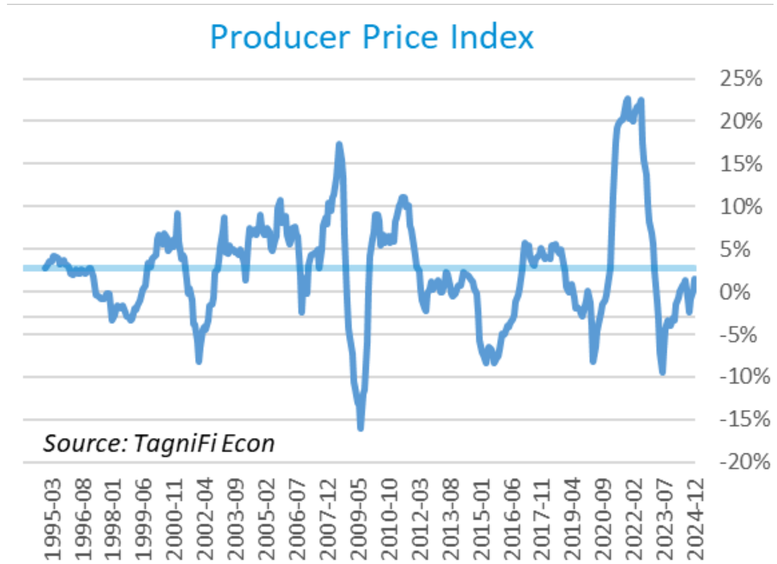
23 U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm Payrolls [PAYEMS], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/PAYEMS, February 2, 2025.*

24 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, February 2, 2025.*

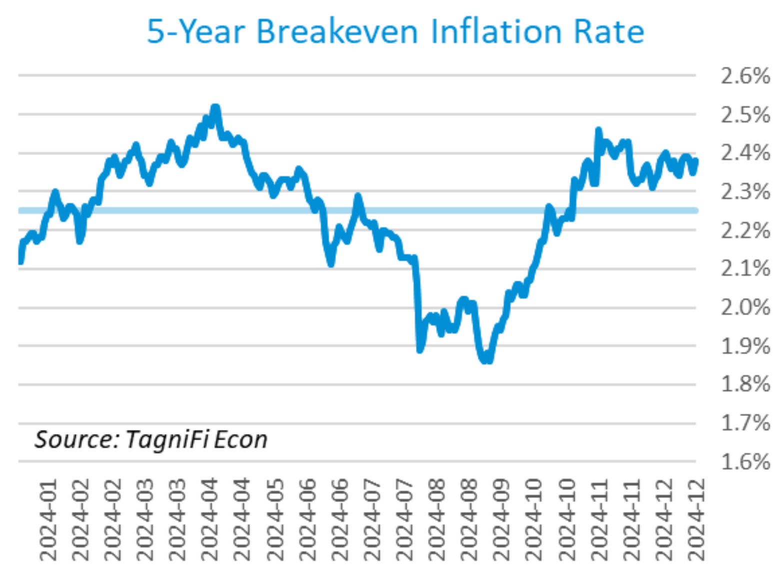
25 U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items Less Energy in U.S. City Average [CPILEGSL], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CPILEGSL, February 2, 2025.*

26 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, February 2, 2025.*

Wholesale inflation has been quicker to regulate than consumer inflation. The Producer Price Index[27] increased 0.3% in the fourth quarter and 1.5% since December 2023. The average annual increase over the last 30 years was 2.8%.



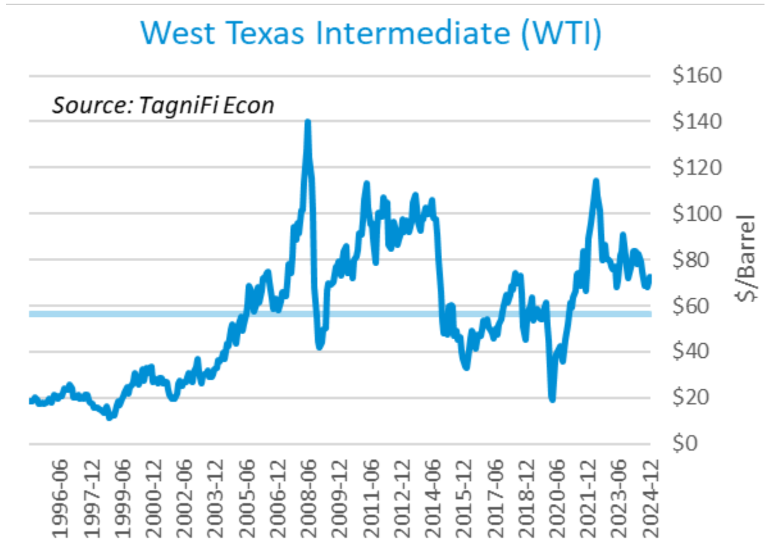
The five-year breakeven inflation rate[28], an indicator of the market's inflation expectations for the period, increased to 2.38% at the end of the fourth quarter from 2.07% at the end of the third quarter.



[27] 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, February 2, 2025.*

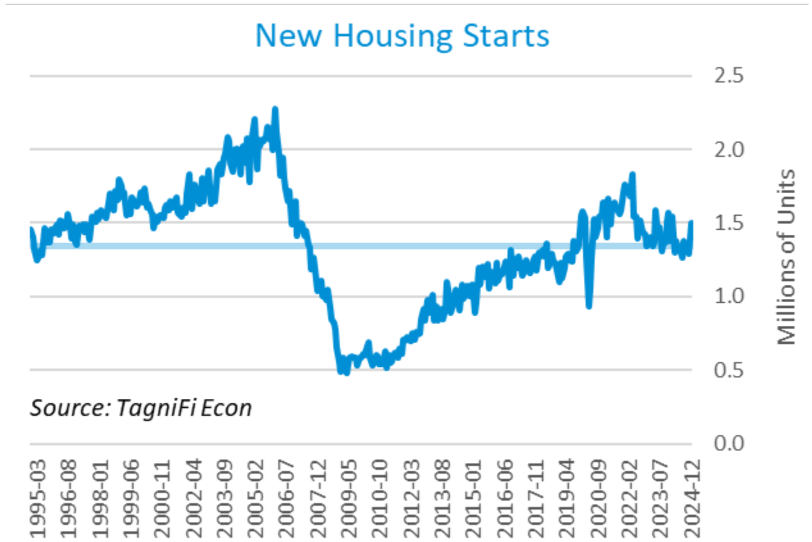
[28] *Federal Reserve Bank of St. Louis, 5-Year Breakeven Inflation Rate [T5YIE], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/T5YIE, February 2, 2025.*

U.S. crude oil[29] prices increased in the fourth quarter, settling at $72.44 per barrel amid a seasonal increase in demand and continued geopolitical tension. Crude prices ended the quarter up 5.4% from the prior quarter and up 0.8% year over year.



Housing

The inventory of unsold homes decreased by 13.5% in December compared to the previous month and increased by 16.2% from December 2023. The median existing home sales price was up 6% compared to last year. The median sales price increased year over year in all four U.S. regions.[30] New home starts[31] rose 10.6% during the fourth quarter to 1.5 million in December, primarily due to an uptick in multifamily home starts during the fourth quarter. Total new home starts were down 4.4% year over year but remained slightly above their 30-year average of 1.3 million.

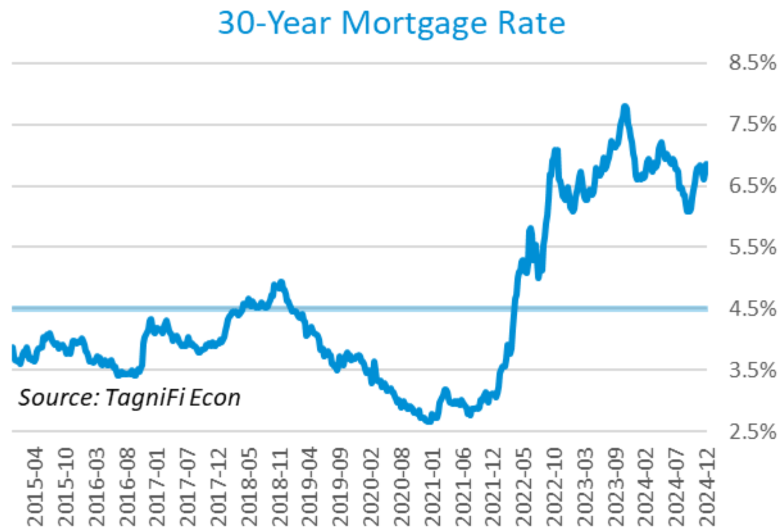


[29] U.S. Energy Information Administration, Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma [DCOILWTICO], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DCOILWTICO, February 2, 2025*

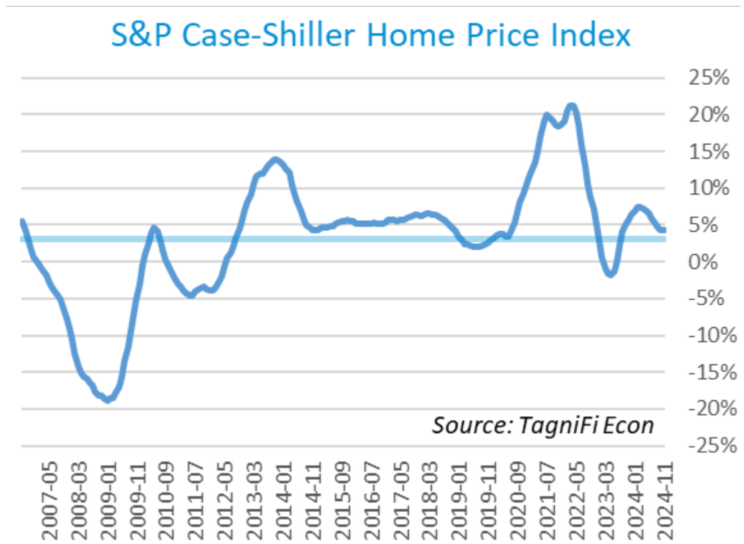
[30] National Association of Realtors (NAR): Existing-Home Sales Slid 1.0% in September, *retrieved from NAR hhttps://www.nar.realtor/newsroom/existing-home-sales-ascended-2-2-in-december, February 2, 2025.*

[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, February 2, 2025.*

The cost of financing for would-be homebuyers increased during the fourth quarter, with the 30-year fixed-rate mortgage[32] up 0.77 percentage points to an average of 6.85% at the end of December 2024. The average rate was 0.94% lower than its peak of 7.79% in late October 2023.



The S&P Case-Shiller Home Price Index (20-city)[33] for November 2024 was 1.0% higher compared to August 2024 and 4.4% higher since November 2023. While 19 of the 20 cities recorded a year-over-year increase, the Tampa index fell 0.4%. According to S&P Dow Jones Indices (S&P DJI), only New York, Washington, D.C., and Chicago are performing above historical norms, signaling that the housing market could be softening.[34]



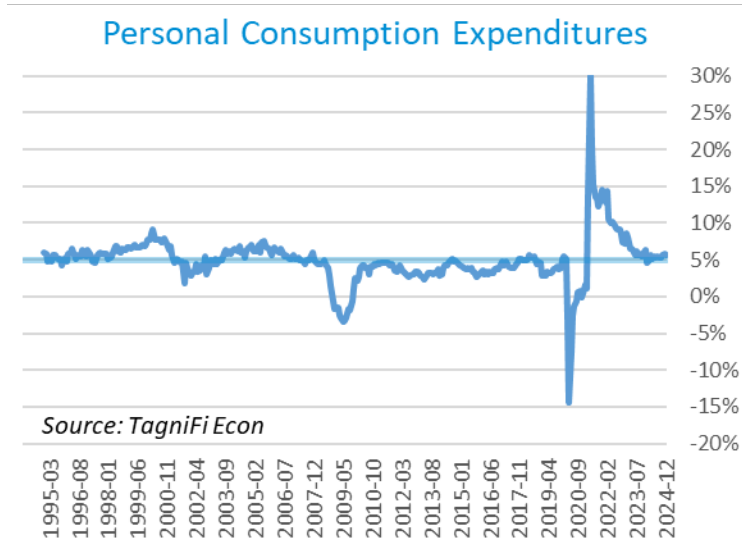
[32] Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], *retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/MORTGAGE30US, February 2, 2025.*

[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, February 2, 2025.*

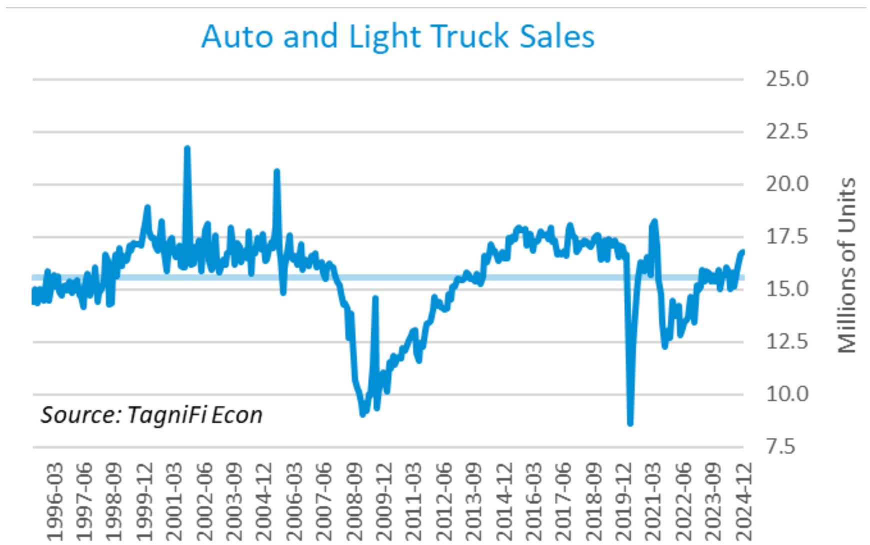
[34] S&P Global, S&P CORELOGIC CASE-SHILLER INDEX RECORDS 4.2% ANNUAL GAIN IN AUGUST 2024, retrieved from S&P Global: https://press.spglobal.com/2025-01-29-S-P-CORELOGIC-CASE-SHILLER-INDEX-RECORDS-3-8-ANNUAL-GAIN-IN-NOVEMBER-2024, *February 2, 2025.*

Consumer Spending

Personal Consumption Expenditures (PCE)[35] rose 1.7% in the fourth quarter to $20.4 trillion and 5.7% over the same quarter last year. Spending increased in December for services such as health care services, transportation, and housing and utilities (led by housing).[36] Goods spending also increased, especially for gasoline and other energy goods, food and beverages, and motor vehicles and parts.



Auto manufacturers reported autos and light trucks sold[37] at an annual rate of 16.8 million in December 2024, up 6.5% from September. New vehicle prices[38] increased 0.1% during the fourth quarter, remaining near their record high. Used car prices[39] increased 6.0% from September to December.



35 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, *February 2, 2025.*

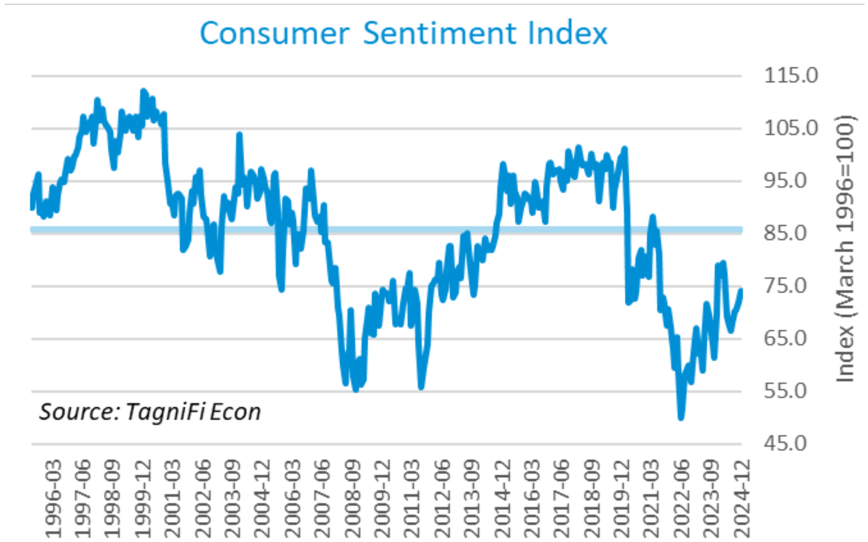
36 U.S. Bureau of Economic Analysis, Personal Income and Outlays, September 2024; https://www.bea.gov/news/2025/personal-income-and-outlays-december-2024, *February 2, 2025.*

37 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, *February 2, 2025.*

38 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, *February 2, 2025.*

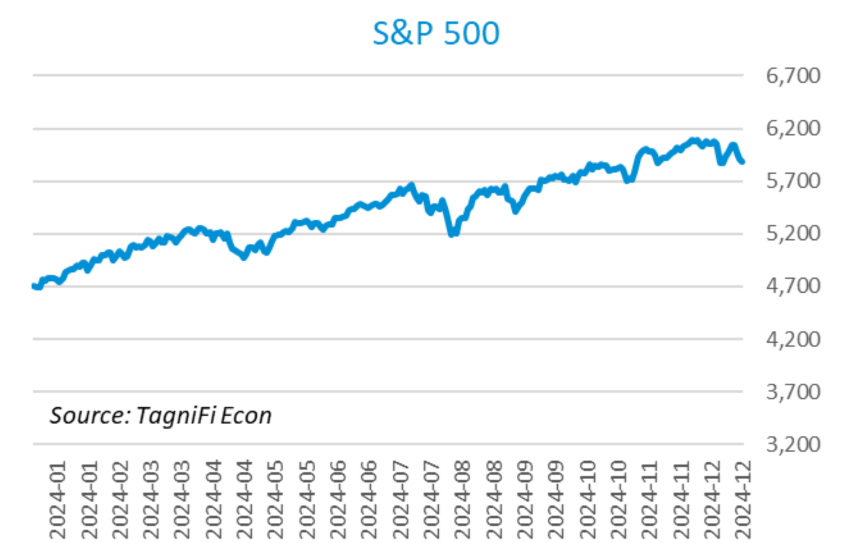
39 U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average [CUSR0000SETA02], *retrieved from FRED, Federal Reserve Bank of St. Louis;* https://fred.stlouisfed.org/series/CUSR0000SETA02, *February 2, 2025.*

The University of Michigan's consumer sentiment index[40] stood at 74.0 in December 2024, up from 70.1 in September, marking a fifth consecutive increase in the sentiment index. The index bottomed at 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 6.2% year over year yet still well below its 30-year average of 85.7.



Capital Markets

The table below shows major U.S. equity indices' quarterly, year-to-date, and 12-month performance. The stock market ended the year on a positive note, with a strong economy, the Fed's interest rate cuts, and an expectation of pro-business government policies among the primary factors contributing to market optimism. Increasing inflation expectations and the Fed's more careful approach to future interest rate cuts likely took some steam off the year-end rally.



[40] *University of Michigan, University of Michigan: Consumer Sentiment [UMCSENT], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/UMCSENT, February 2, 2025.*

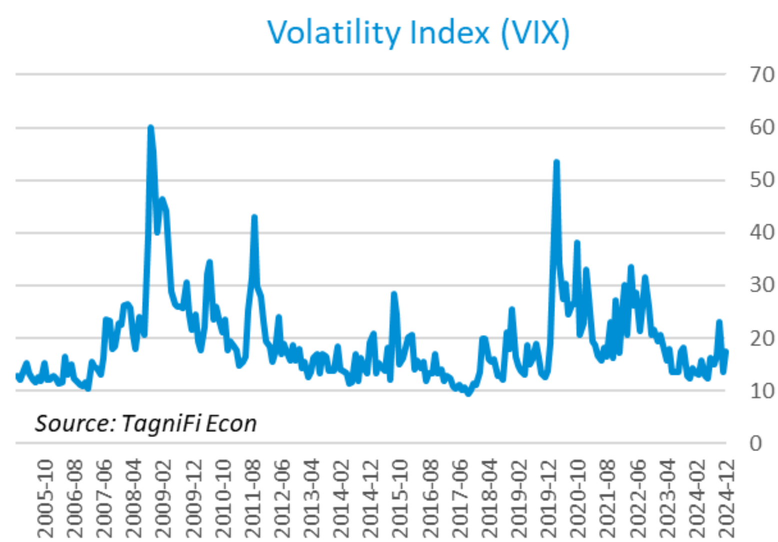
In contrast to the broad-based third-quarter gains, the technology sector led the market gains in the fourth quarter. During the quarter, the tech-heavy NASDAQ Composite and NASDAQ 100 climbed 6.2% and 4.7%, respectively. The broader S&P 500 rose 2.1%, while the Dow Jones Industrial Average rose a modest 0.5%. Other blue-chip-focused Dow Jones averages — Transportation, Composite, and Utility — were down 2.4%, 1.1% and 7.3%, respectively, during the fourth quarter.

	Closing	% Change		
Equity Index	**Value**	**Quarter**	**YTD**	**12-Mo.**
S&P 500	5,881.63	2.1%	23.3%	23.3%
Dow Jones Industrial Average	42,544.22	0.5%	12.9%	12.9%
Dow Jones Composite Average	13,391.71	-1.1%	9.3%	9.3%
Dow Jones Transportation Average	15,895.75	-2.4%	0.0%	0.0%
Dow Jones Utility Average	982.74	-7.3%	11.5%	11.5%
NASDAQ Composite	19,310.79	6.2%	28.6%	28.6%
NASDAQ 100	21,012.17	4.7%	24.9%	24.9%

With increasing yields on corporate debt, bond prices struggled in the fourth quarter. The ICE BofA US Corporate Index[41] declined 2.8%, while the ICE BofA US High Yield Index[42] inched higher by 0.2%.

	Closing	% Change		
Bond Index	**Value**	**Quarter**	**YTD**	**12-Mo.**
ICE BofA US Corporate Bond Index	3,328.30	-2.8%	2.8%	2.8%
ICE BofA US High Yield Bond Index	1,720.74	0.2%	8.2%	8.2%

As measured by the VIX[43], stock market volatility ended the fourth quarter of 2024 at 17.3, up 3.7% over the prior quarter and up 39.4% year over year. The VIX rose in October before receding after the election in November.



[41] *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, February 2, 2025.*
[42] *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, February 2, 2025.*
[43] *Chicago Board Options Exchange, CBOE Volatility Index: VIX [VIXCLS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/VIXCLS, February 2, 2025.*

Outlook

The FOMC cut interest rates by 0.25% in November and December while signaling a more cautious approach to future interest rate cuts and implying that the interest rate may not return to the pre-pandemic level. The Fed revised its near-term PCE inflation projections slightly upward and unemployment rate projections slightly downward. The median projection for real GDP was revised slightly upward. Minimal adjustments were made to longer-term projections for any of the three indicators.

The FOMC revised its projections for Personal Consumption Expenditures (PCE) inflation[44] to 2.45% in 2024 and 2025, respectively. The updated 2026 and 2027 projections stood at 2.10% and 2.00%, respectively. Real GDP[45] projections stood at 2.45% for 2024, 2.00% for 2025, and 2.00% and 1.90% for 2026 and 2027, respectively. The forecast unemployment rate[46] stood at 4.20% for 2024 and 4.35% for 2025, and 4.25% and 4.20% for 2026 and 2027, respectively. The Board updated projections of future target rates[47] to stand at 4.5% in 2024, 3.85% in 2025, and 3.35% and 3.25% in 2026 and 2027, respectively. The committee emphasized its long-term goal of maximal employment and 2% inflation but cautioned that future cuts are contingent on the economic data.

FOMC Summary of Economic Projections

Year	Real GDP	PCE	Unemployment	Fed Funds
2024	2.45%	2.45%	4.20%	4.50%
2025	2.00%	2.45%	4.35%	3.85%
2026	2.00%	2.10%	4.25%	3.35%
2027	1.90%	2.00%	4.20%	3.25%

[44] *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, February 2, 2025.*

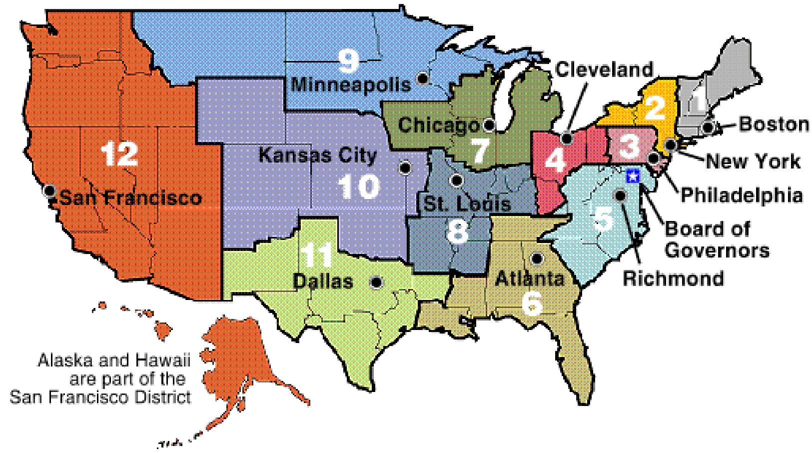
[45] *Federal Reserve Bank of St. Louis, FOMC Summary of Economic Projections for the Growth Rate of Real Gross Domestic Product [GDPC1CTM], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/GDPC1CTM, February 2, 2025.*

[46] *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, February 2, 2025.*

[47] *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, February 2, 2025.*

Midwest Economy[48]

Economic activity in the Seventh District increased slightly overall over the reporting period and contacts expected a similar increase over the next year. Consumer spending rose modestly; employment increased slightly; construction and real estate was flat; nonbusiness contacts saw little change in activity; and manufacturing and business spending decreased slightly. Prices increased modestly, wages rose moderately, and financial conditions loosened some. Farm incomes in 2024 were below those of 2023.



Labor Markets

Employment increased slightly over the reporting period, and contacts expected growth to continue at a similar pace over the next 12 months. Some contacts continued to mention difficulty finding higher-skilled workers. However, there were also signs of softening in the labor market. One machinery manufacturer noted that labor had been easier to source recently, in part because nearby competitors were reducing hours or instituting layoffs. A fabricated metals manufacturer also said it was easier to hire and noted that absenteeism was down, while another planned to lay off some non-production workers should demand not pick up in the next few months. A retail contact noted that compared with last holiday season, stores were open about the same number of hours but hired fewer temporary workers and relied on existing staff to work more hours. Wages and benefits costs continued to rise moderately overall. Many contacts reported an increase in health insurance costs as new plans take effect in the new year.

Prices

Prices increased modestly overall in late November and December, and contacts expected a similar rate of increase over the next 12 months. Producer prices moved up slightly. Nonlabor input costs edged up, driven by increases in energy and overall shipping costs (truck freight rates were down). While most contacts reported some increases in raw materials prices over the last year, some highlighted flat or lower prices for certain inputs. Consumer prices again rose modestly overall. A retail contact indicated that they had not seen any anticipatory price changes in response to the potential for higher tariffs.

Consumer Spending

Consumer spending increased modestly over the reporting period. Nonauto retail sales were up modestly and close to expectations. Apparel, laptops, home entertainment electronics, and jewelry all showed strong sales growth. Retailers indicated that promotional offerings were similar to last year and that full-price sales were greater than expected. Leisure and hospitality spending ticked up, boosted by greater demand for air travel and at fast casual restaurants. Both new and used light vehicle sales rose slightly, as did leasing activity. Subcompact and compact vehicles continued to gain market share, though at a slower pace as excess inventories of mid- and full-size vehicles led to larger incentives on these alternatives. Contacts also reported a bump in electric vehicle sales.

Business Spending

Business spending decreased slightly in November and early December. Capital expenditures were down some, though expectations for spending over the next year moved up. Demand for truck transportation fell further, contributing to lower truck freight rates. Inventories at both nonauto retailers and auto dealers were comfortable overall, while manufacturing inventories were slightly elevated. There were few mentions of materials shortages, though several contacts again noted long lead times for power supply equipment.

[48] Primary Source: Federal Reserve, Beige Book – January 15, 2025, "Summary of Commentary on Current Economic Conditions" Extracted wholly or largely verbatim and/or substantially paraphrased.

Construction and Real Estate

Construction and real estate demand was unchanged over the reporting period. Residential construction was stable, and demand for home renovation projects remained soft. The size of renovation projects continued to shrink. Residential real estate activity decreased slightly, held back by the recent rise in mortgage rates and ongoing tight inventory levels. Prices were unchanged, while rents increased slightly. Nonresidential construction activity was flat overall, though project pricing increased modestly in recent weeks. Commercial real estate activity was unchanged, as were prices, rents and vacancy rates.

Manufacturing

Manufacturing demand decreased slightly in late November and December, and several manufacturers expected January and February orderbooks to continue to be soft. Demand for steel was at a low level as sales to the construction and machinery sectors remained subdued. Sales of steel for renewable energy products were a bright spot in 2024 but slowed toward the end the year. Fabricated metals sales decreased modestly overall, though there were reports of increased demand from the medical equipment industry. Machinery orders edged down, with several contacts noting decreases from the automotive industry. Auto production slowed some, while demand for heavy trucks rose.

Banking and Finance

Financial conditions loosened slightly in late November and December. Bond values ticked down, while equities were flat. Volatility was unchanged on net over the reporting period, though there was a large spike in mid-December. Business loan demand rose modestly, with several contacts noting increased M&A activity. Business loan quality remained flat on balance, though one contact noted deterioration among manufacturers. Business loan rates fell slightly, and terms were again unchanged. Consumer loan demand increased slightly, while loan quality decreased some. Consumer loan rates edged down, and terms loosened a bit.

Agriculture

Seventh District farm income for 2024 was down from 2023, despite stronger-than-expected corn and soybean yields. Compared with an average year, income was about average for agriculture operations overall, but low for crop farmers. Contacts expected a further decline in income in 2025, with overall input costs expected to be roughly unchanged and product prices expected to be flat or down. Prices for corn, cattle and cheese increased over the reporting period, while prices for soybeans, wheat and dairy were flat. Hog prices declined. Egg prices jumped along with flock liquidations due to avian influenza, and there were concerns about avian flu spreading beyond the poultry sector. Slow farm equipment sales led manufacturers to offers of interest-free payment plans to entice borrowers. Contacts expected that smaller margins in 2024 and 2025 would require many farmers to borrow more; they also indicated that many loans made three to five years ago will soon reprice to higher interest rates. The farm sector will receive additional payments from the federal government to help cover disaster losses and lower product prices.

Community Conditions

Community, nonprofit and small business contacts saw little change in economic conditions over the reporting period. Contacts were less likely to mention inflation than in prior periods and more likely to mention softening in the labor market. State government officials saw mixed growth in tax revenues. Concerns around the lack of supply of affordable housing remained top of mind for community contacts, especially in the district's smaller markets, with some observing increases in homelessness and "couch-hopping." While nonprofit contacts reported healthy year-end donations, they also noted significant increases in operating costs, especially for insurance, and persistent high demand for their services. Higher costs led some nonprofits to close, leaving others to fill the gap by increasing efforts to find new sources of funding and support.