



ECONOMIC UPDATE VLGMA 2024 WINTER CONFERENCE

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VIRGINIA TECH

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OVERVIEW

U.S. & Virginia Economic Conditions December 2023–January 2024



Federal Reserve Actions Since 2022

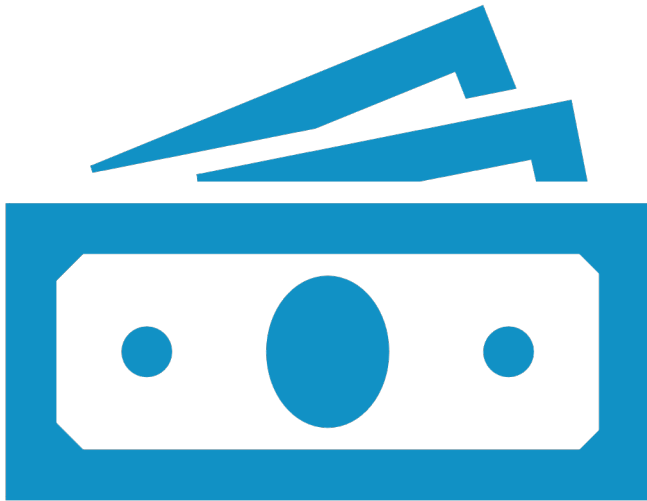


U.S. Economic Outlook



Key Considerations for Organizations

WHAT ARE YOUR MAIN CONCERNS FOR THE FY2025 BUDGET?



- A. Revenue projections
- B. Inflationary cost increases
- C. Wages and salaries
- D. Staff recruitment and retention
- E. Other considerations

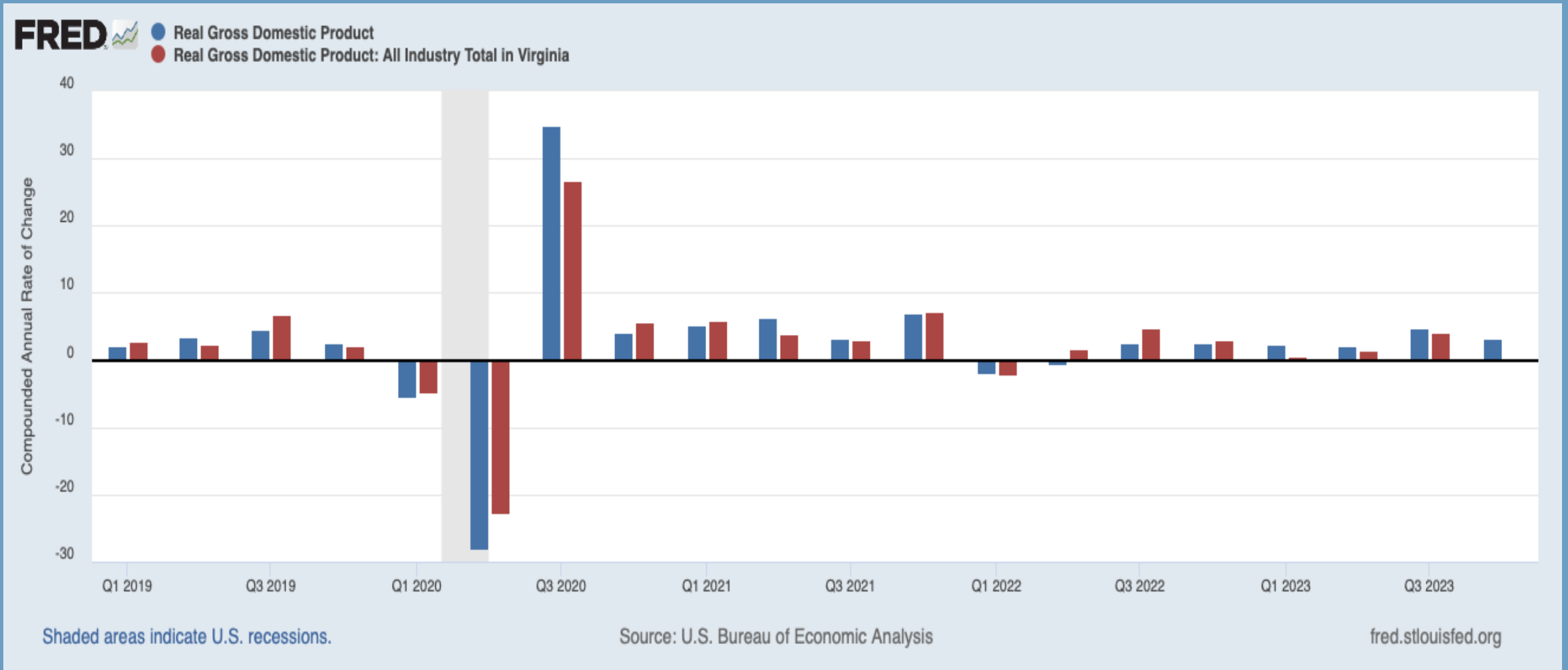
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ECONOMIC CONDITIONS DEC. 2023 – JAN. 2024

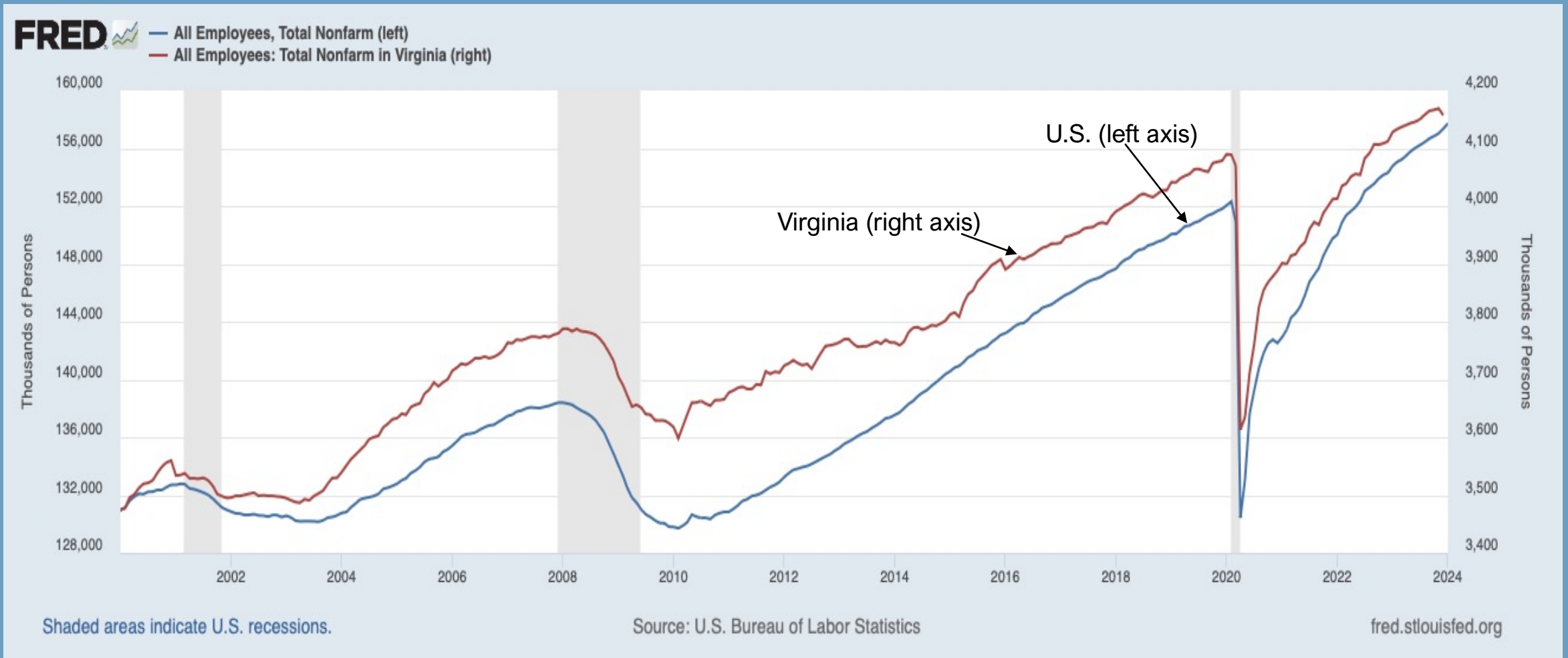
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U.S. & VIRGINIA REAL GDP (RATE OF GROWTH)




Seasonally adjusted annual rate

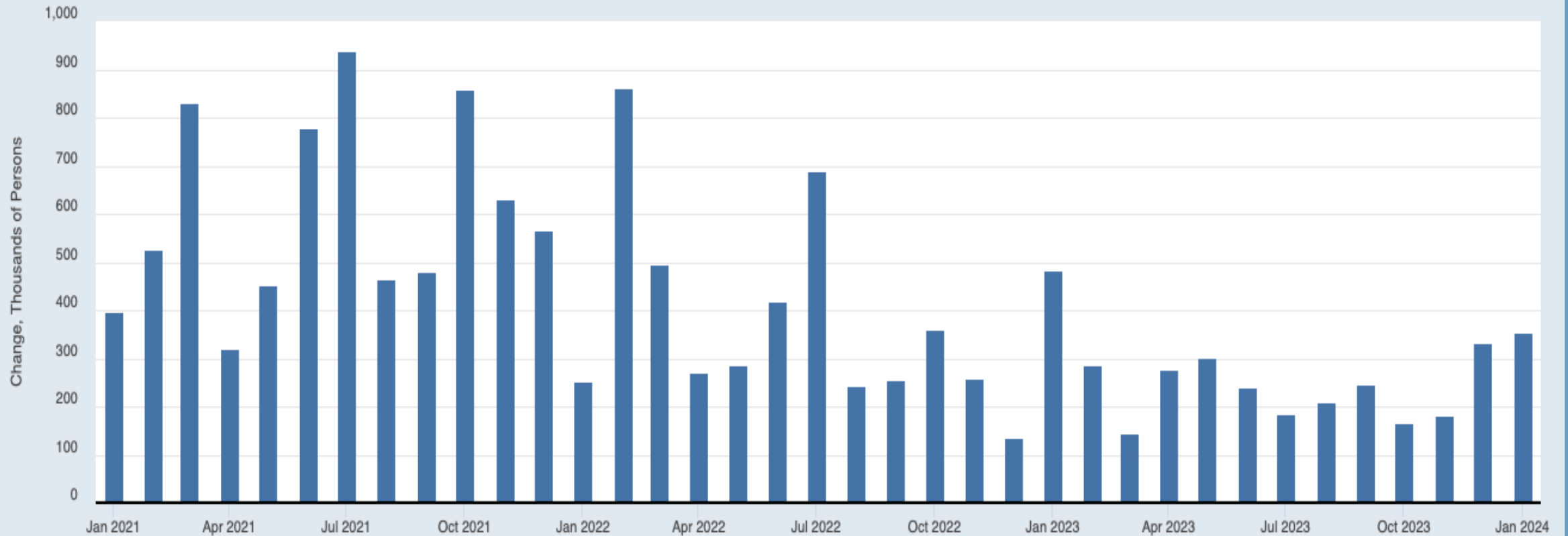
U.S. & VIRGINIA TOTAL NONFARM PAYROLL JOBS (#)



BLS establishment survey, seasonally adjusted

U.S. JOB GROWTH (M/M)

FRED  ● All Employees, Total Nonfarm



Shaded areas indicate U.S. recessions.

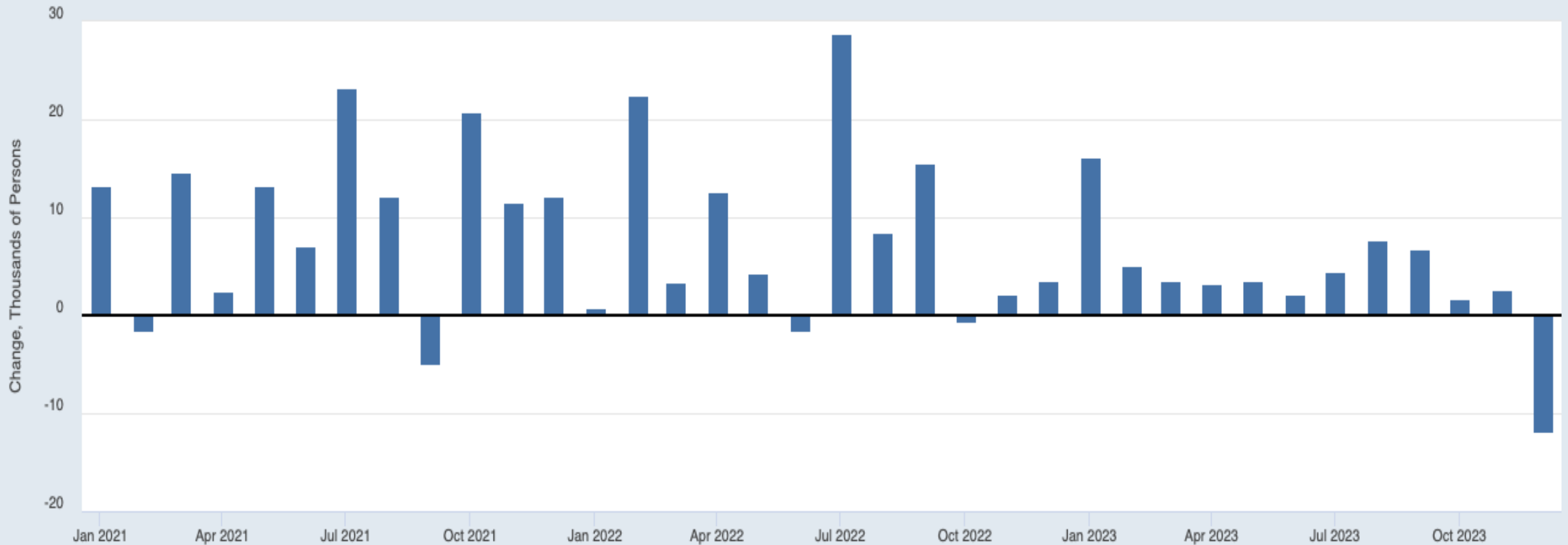
Source: U.S. Bureau of Labor Statistics

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BLS establishment survey, seasonally adjusted

VIRGINIA JOB GROWTH (M/M)

FRED  ● All Employees: Total Nonfarm in Virginia



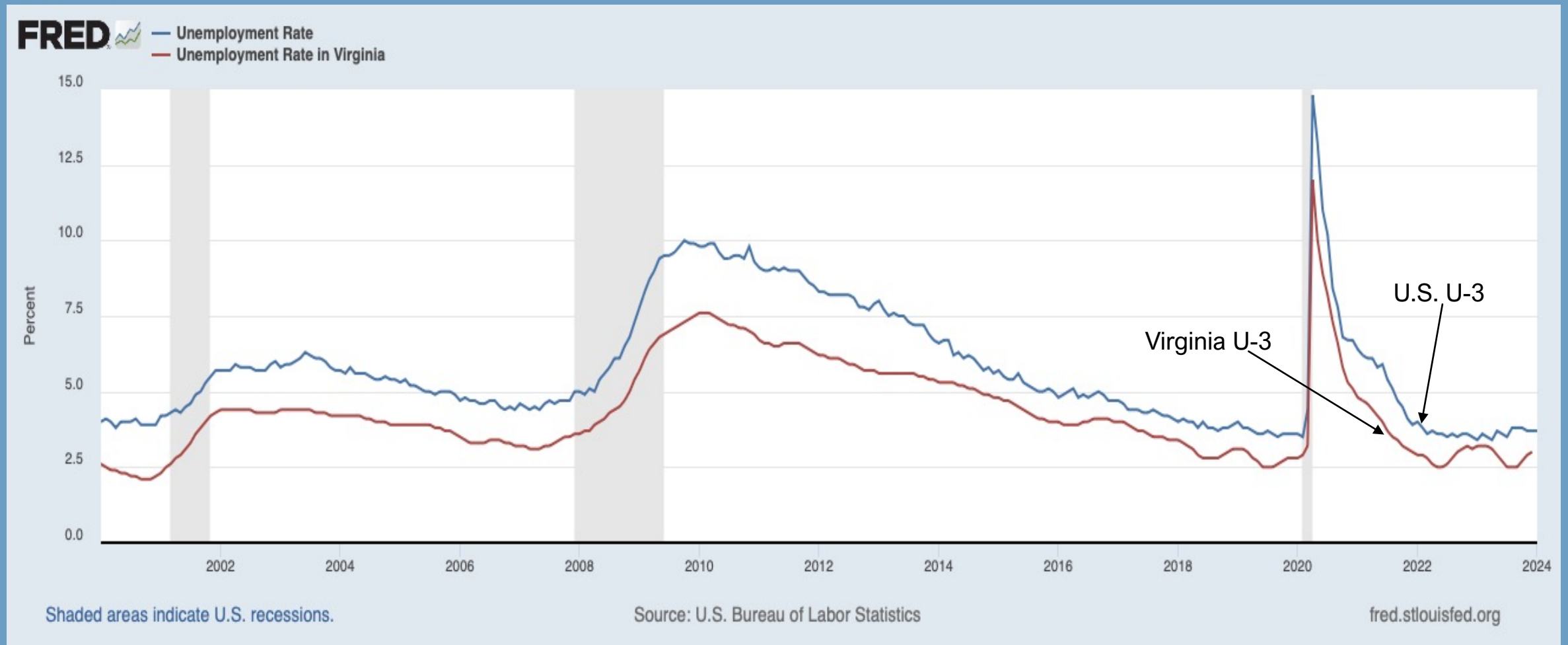
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org

BLS establishment survey, seasonally adjusted

U.S. & VIRGINIA “OFFICIAL” UNEMPLOYMENT RATE (U-3) (%)



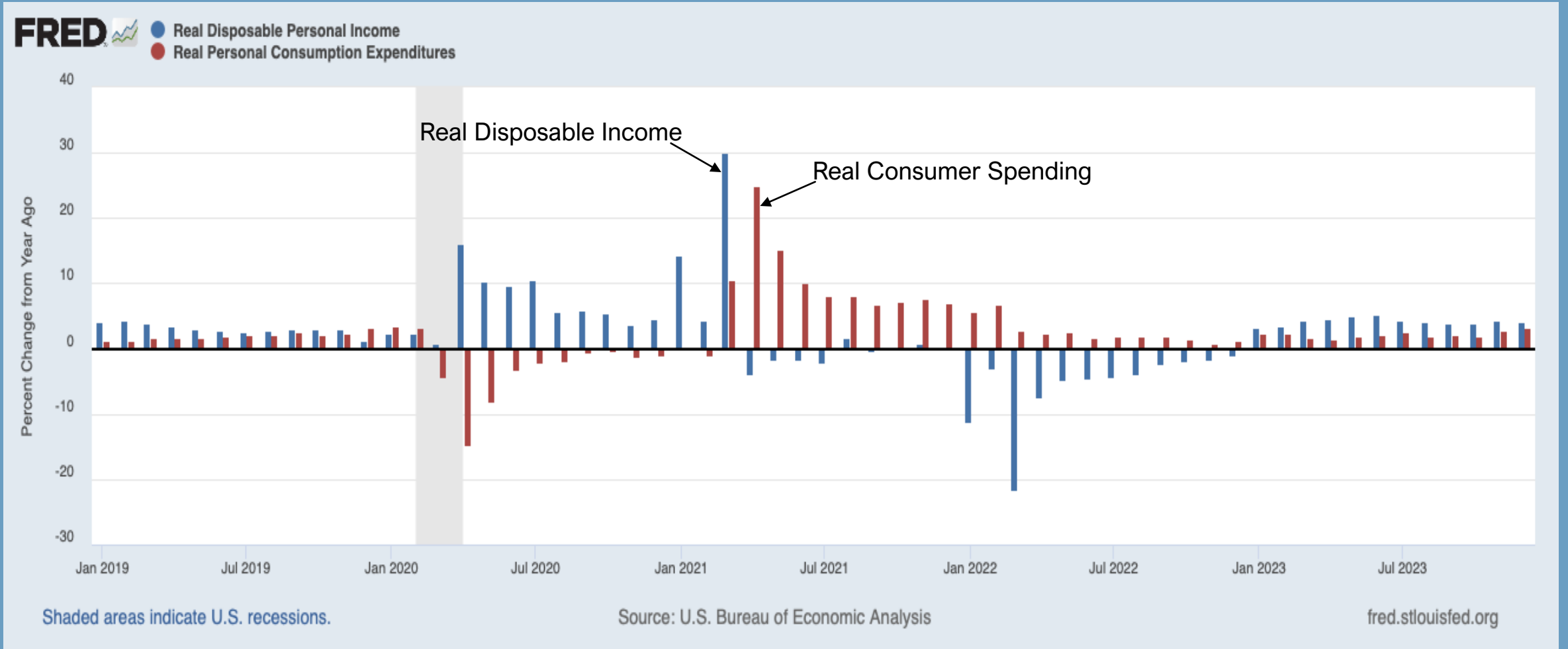
BLS household survey; seasonally adjusted

U.S. AVERAGE HOURLY WAGE GROWTH (Y/Y%)



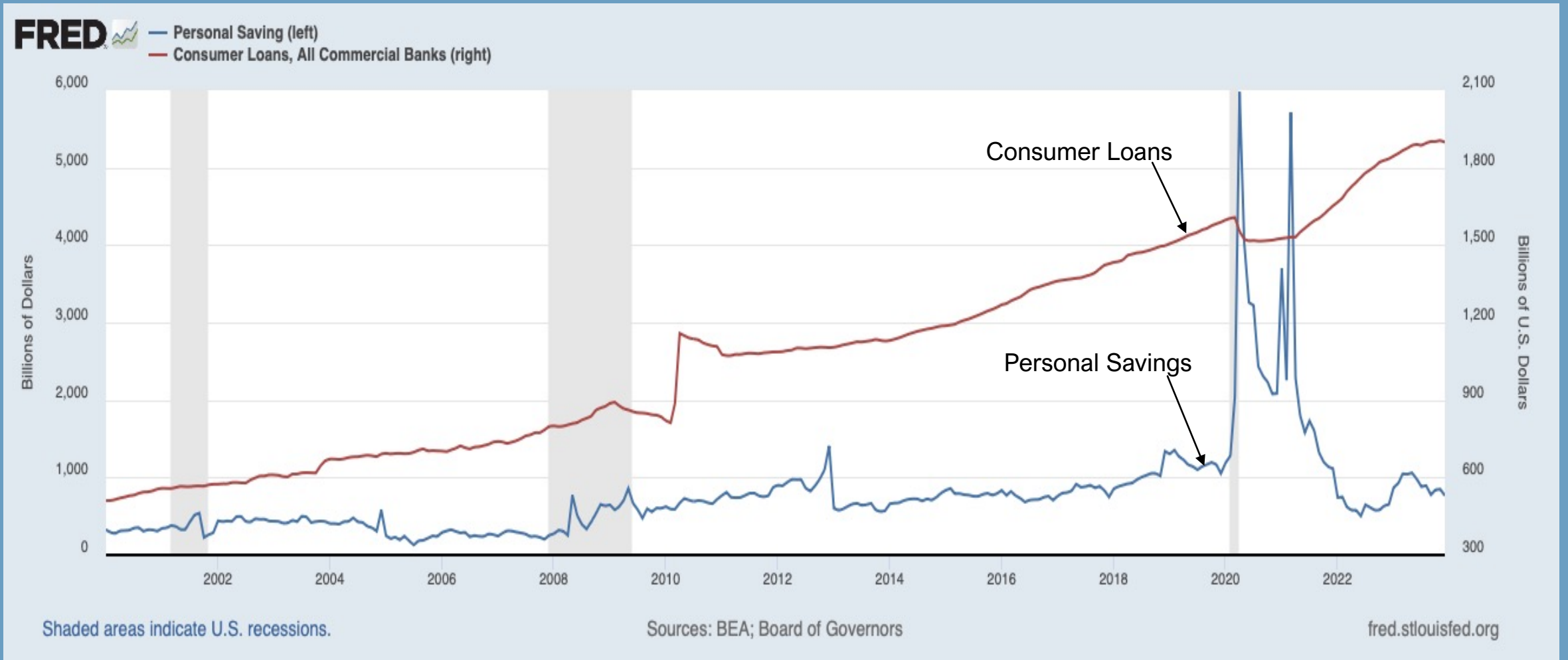
BLS establishment survey; seasonally adjusted

U.S. REAL DISPOSABLE INCOME & CONSUMER SPENDING (Y/Y%)



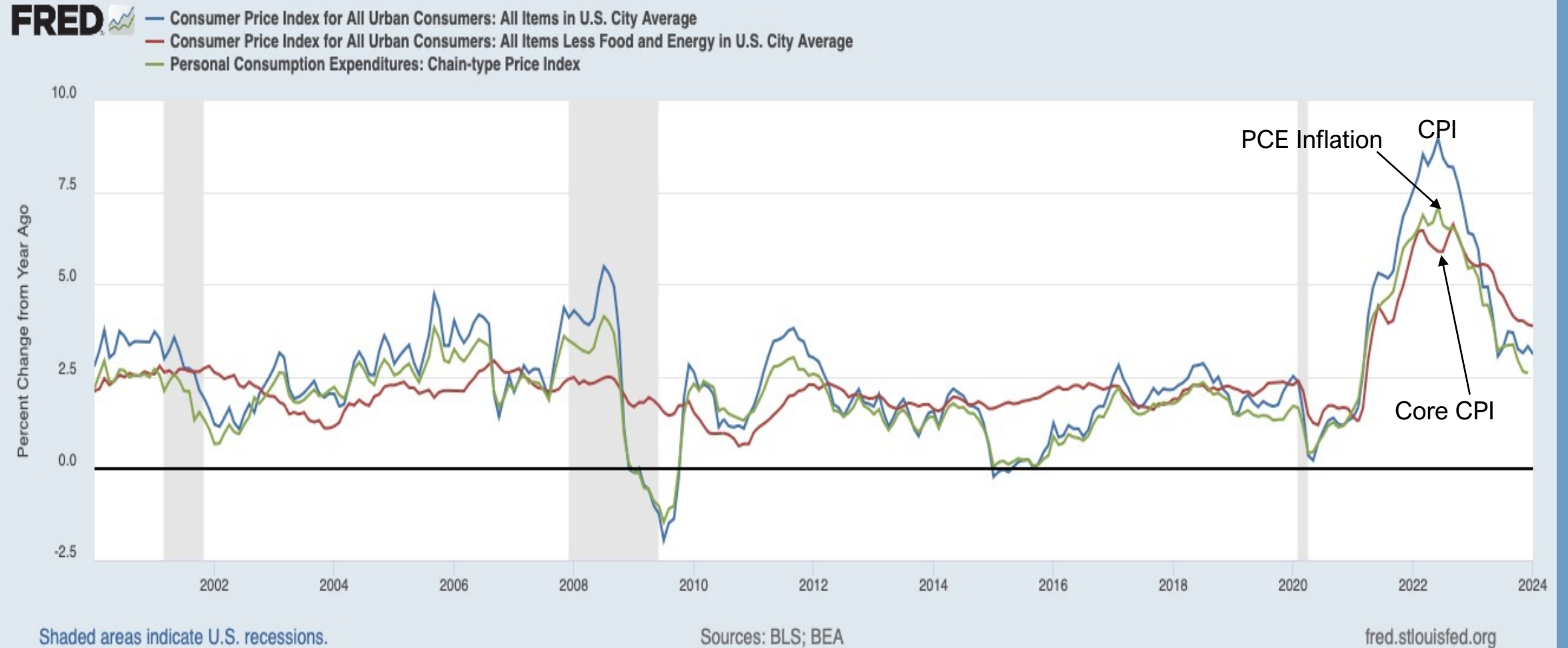
Seasonally adjusted annual rate

U.S. PERSONAL SAVINGS & CONSUMER DEBT (\$) (\$)



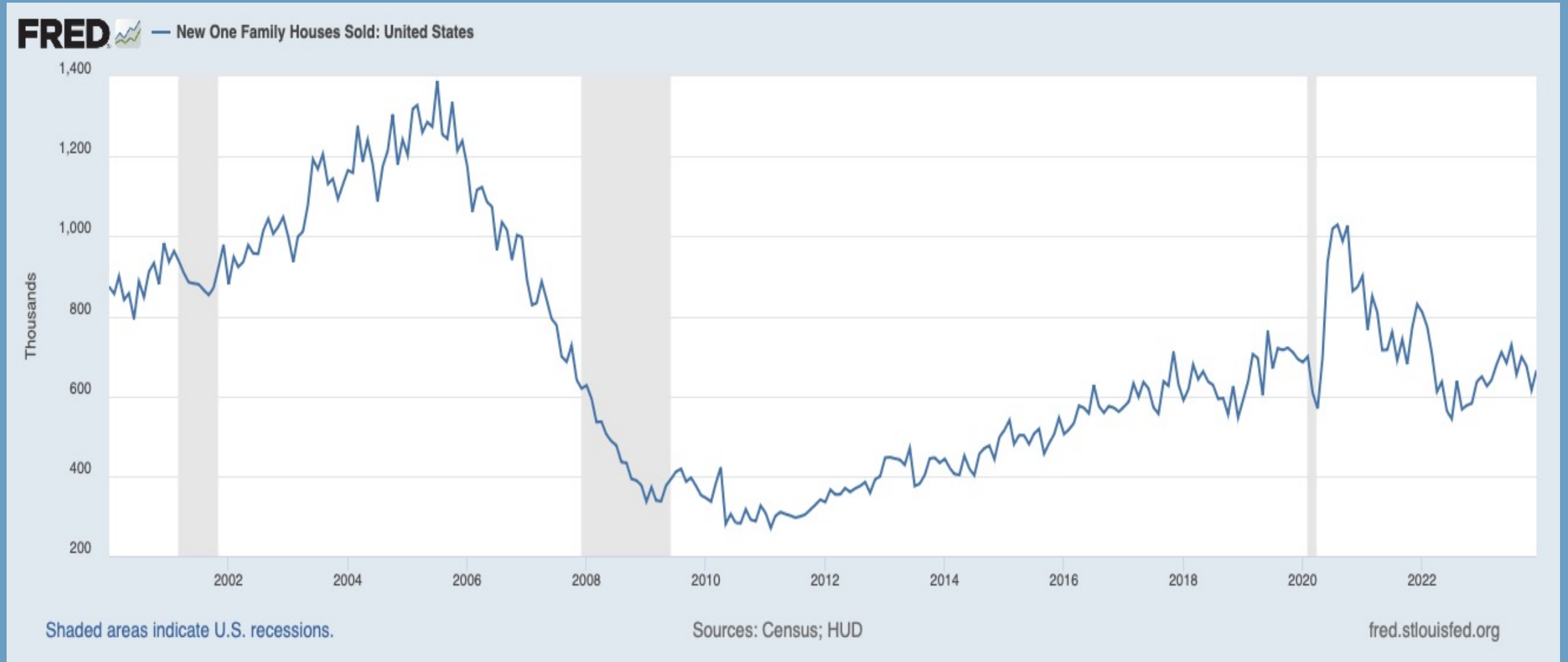
Seasonally adjusted annual rate

U.S. INFLATION (Y/Y%)



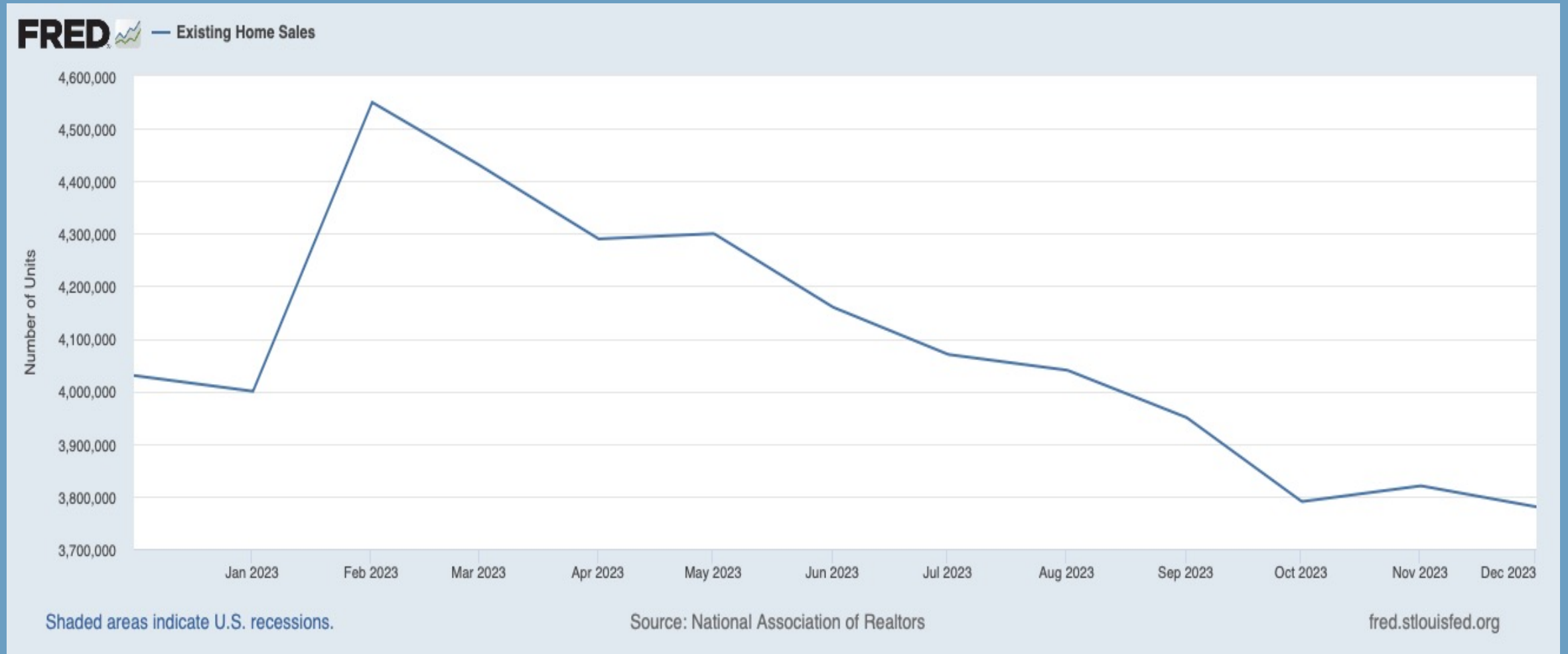
Seasonally adjusted

U.S. NEW HOME SALES (UNITS)



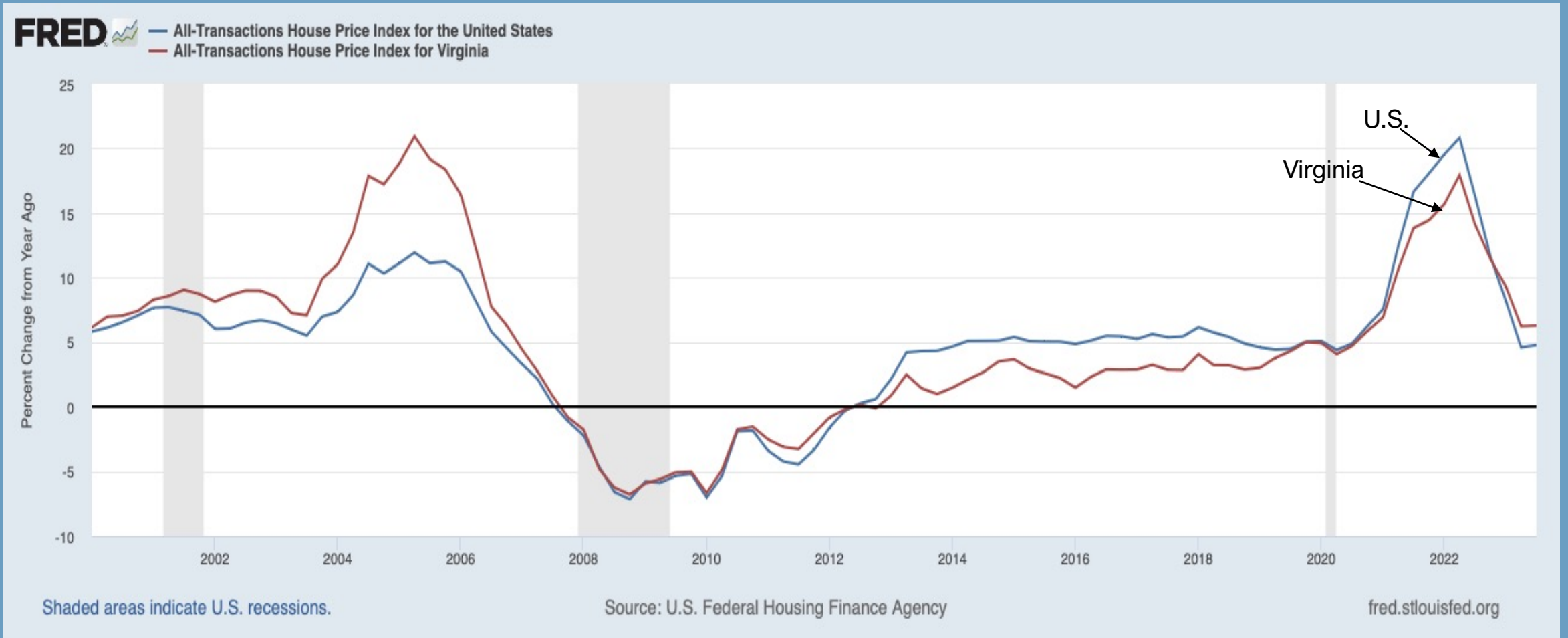
Seasonally adjusted annual rate

U.S. EXISTING HOME SALES (UNITS)



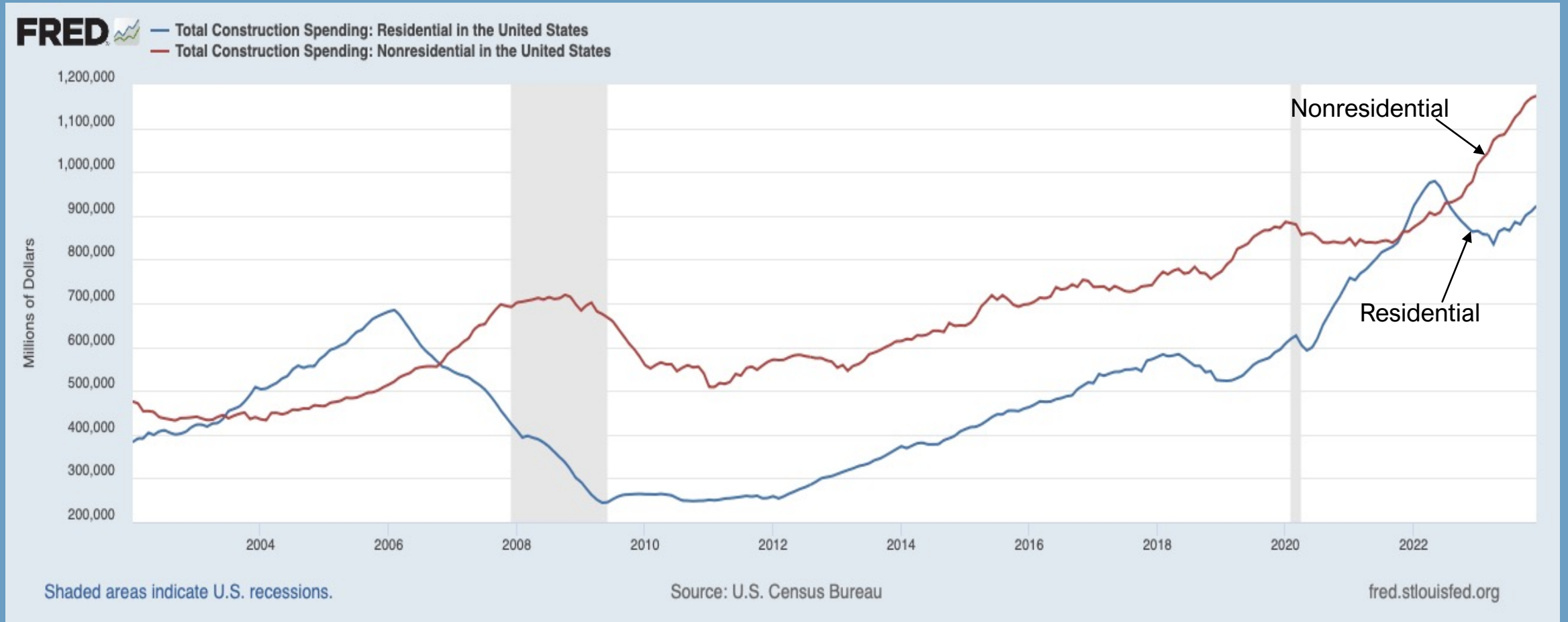
Seasonally adjusted annual rate

SINGLE FAMILY HOME PRICE RATE OF GROWTH: U.S. & VIRGINIA (Y/Y%, FHFA)



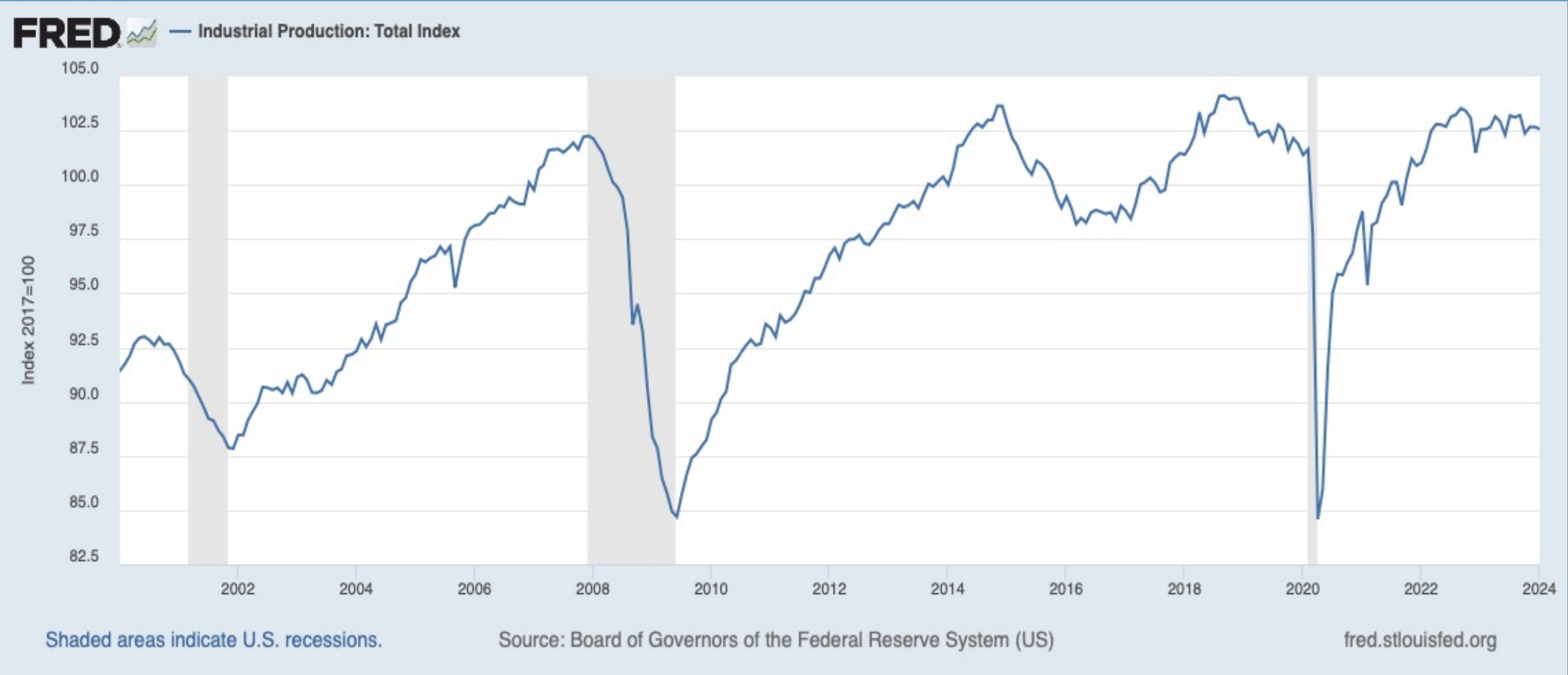
Not seasonally adjusted

U.S. TOTAL CONSTRUCTION: RESIDENTIAL & NONRESIDENTIAL (\$)



Seasonally adjusted annual rate

U.S. INDUSTRIAL PRODUCTION (INDEX)



Seasonally adjusted

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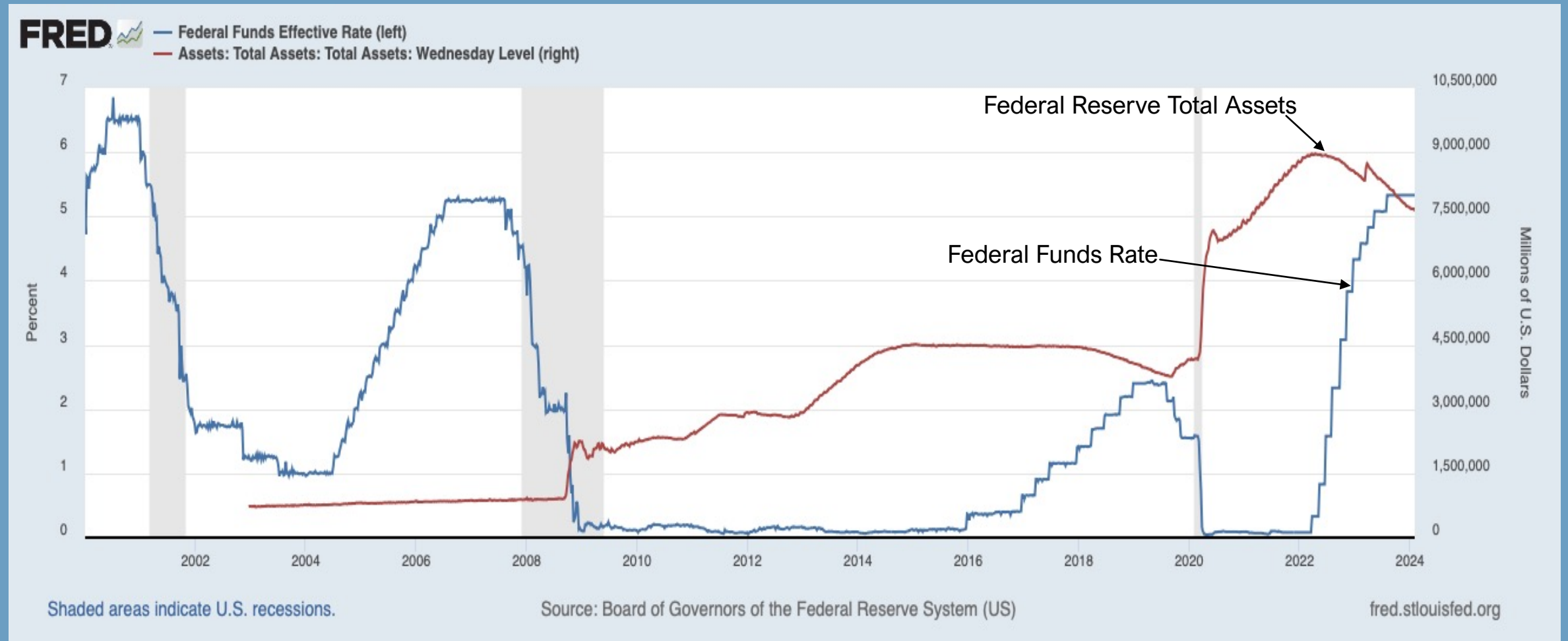
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FEDERAL RESERVE ACTIONS SINCE 2022

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FEDERAL RESERVE CONTINUED RAISING INTEREST RATES & DECREASING ITS BALANCE SHEET TO TAME INFLATION* (% & \$)



*Excluding the Bank Term Funding Program established in March 2023 in response to the selected bank failures in March-April 2023

CAN THE FED
THREAD THE
NEEDLE: TAME
INFLATION,
MAINTAIN
FINANCIAL
STABILITY &
AVOID
RECESSION



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U.S. ECONOMIC OUTLOOK

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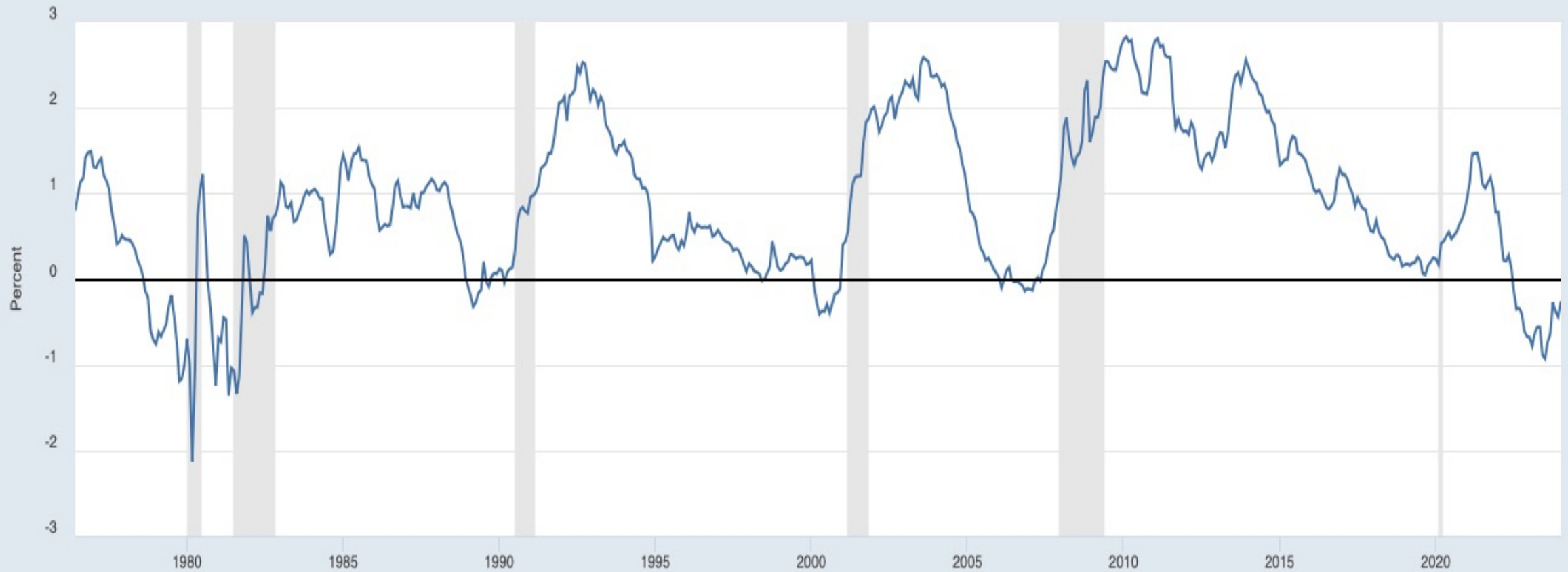
U.S. LEADING INDICATORS (INDEX)



Seasonally adjusted

U.S. TREASURY YIELD CURVE (10-YEAR MINUS 2-YEAR) (%)

FRED — 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity



Shaded areas indicate U.S. recessions.

Source: Federal Reserve Bank of St. Louis

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Selected U.S. Economic Forecasts for 2024 – 2026 (annual % change)

Organization	Actual U.S. Real GDP					Forecast U.S. Real GDP		
	2019	2020	2021	2022	2023	2024	2025	2026
Federal Open Market Committee (Federal Reserve), December 13, 2023	2.5%	-2.2%	5.8%	1.9%	2.5%	1.4%	1.8%	1.9%
National Association for Business Economics, December 2023	2.5%	-2.2%	5.8%	1.9%	2.5%	1.3%		
Moody's Analytics, February 8, 2024	2.5%	-2.2%	5.8%	1.9%	2.5%	2.4%	1.6%	2.1%
S&P Global, November 27, 2023	2.5%	-2.2%	5.8%	1.9%	2.5%	1.5%	1.4%	1.8%
Wells Fargo, U.S. Economic Outlook, February 8, 2024	2.5%	-2.2%	5.8%	1.9%	2.5%	2.4%	1.7%	
KPMG Economics, Economic Compass, February 5, 2024	2.5%	-2.2%	5.8%	1.9%	2.5%	2.6%	1.8%	
Conference Board, February 14, 2024	2.5%	-2.2%	5.8%	1.9%	2.5%	1.9%	1.5%	
University of Michigan, November 16, 2023	2.5%	-2.2%	5.8%	1.9%	2.5%	1.7%	2.0%	

Selected U.S. Inflation Forecasts for 2024 – 2025 (annual % change)

Organization	Actual U.S. CPI					Forecast U.S. CPI	
	2019	2020	2021	2022	2023	2024	2025
National Association Business Economics, December 2023	1.8%	1.3%	4.7%	8.0%	4.1%	2.6%	
Moody's Analytics, December 7, 2023	1.8%	1.3%	4.7%	8.0%	4.1%	2.3%	
Wells Fargo, U.S. Economic Outlook, February 8, 2024	1.8%	1.3%	4.7%	8.0%	4.1%	2.6%	2.2%
KPMG Economics, February 5, 2024	1.8%	1.3%	4.7%	8.0%	4.1%	2.9%	2.0%
University of Michigan, November 2023	1.8%	1.3%	4.7%	8.0%	4.1%	3.0%	2.6%

SWIRLING WINDS FACING THE U.S. ECONOMY

Sticky core
inflation in the
U.S. & abroad

Tight labor
market and wage
pressures

Tight credit
conditions &
lending standards
worldwide

Commercial real
estate market
challenges

Pressured real
personal income

Cooling consumer
and business
demand

Geopolitical risks
Russia-Ukraine,
Middle East & Asia

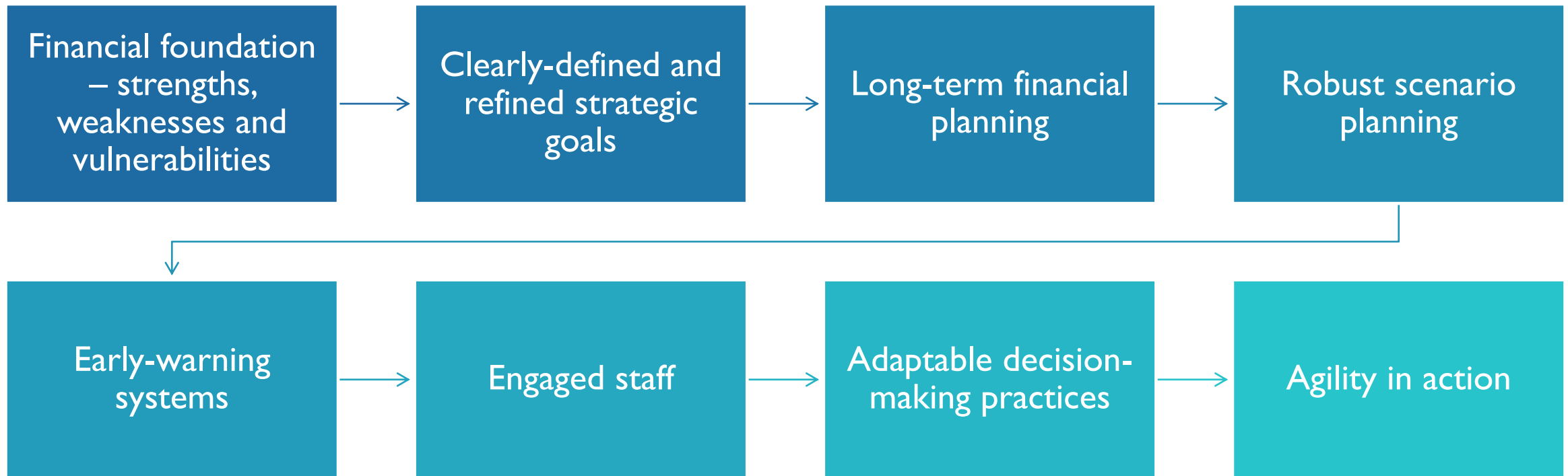
Higher global
energy, food &
commodity prices

Continued supply-
chain challenges

Shifting global
trade flows

Slower global
growth

DR. BAILEY'S KEY CONSIDERATIONS FOR ORGANIZATIONS



KEY REFERENCES

- Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis
- Federal Open Market Committee
- Federal Deposit Insurance Corporation
- U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Research, U.S. Census Bureau, Federal Housing Finance Agency
- University of Michigan, Surveys of Consumers & Economic Forecasts
- National Bureau of Economic Research
- National Association for Business Economics, *NABE Outlook Survey*, December 2023
- Moody's Analytics, *Weekly Market Outlook: Job Market in Focus*, December 7, 2023
- Moody's Analytics, *Weekly Market Outlook: The Roaring Twenties?*, February 8, 2024
- S&P Global, *U.S. Economic Outlook: U.S. Q1 2024: Cooling Off But Not Breaking*, November 27, 2023
- KPMG Economics, *Economic Compass: Navigating an Election-Year Maze: Policy Uncertainty and the Economic Outlook*, February 5, 2024
- Wells Fargo, *U.S. Economic Outlook*, February 8, 2024
- Conference Board, *U.S. Economic Outlook*, January 2024

CONTACT INFORMATION

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