

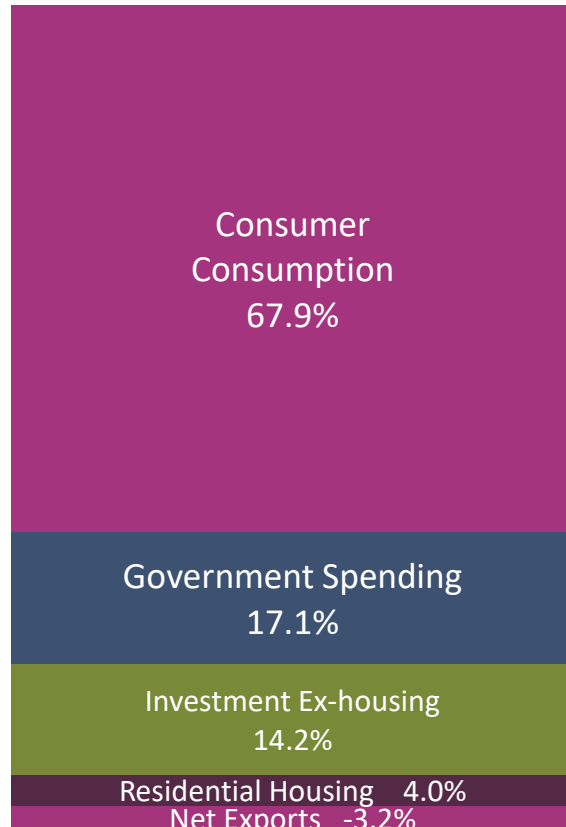


FEI Madison Chapter Economic Update and Outlook

January 14, 2025
Nancy E. Johnshoy, CFA

Composition of GDP

Components of 3Q 2024 Nominal GDP



3Q Nominal GDP: \$29,374.9 billion

Consumer Consumption: \$19,938.4 billion

Services - \$13,673.3 billion

Durable Goods - \$2,168.4 billion

Non-durable Goods - \$4,096.7 billion

Government Spending: \$5,035.0 billion

State and Local - \$3,141.6 billion

Federal Government - \$1,893.4 billion

Fixed Investment (ex-residential): \$4,089.4 billion

Intellectual Property Products - \$1,632.8 billion

Equipment - \$1,548.1 billion

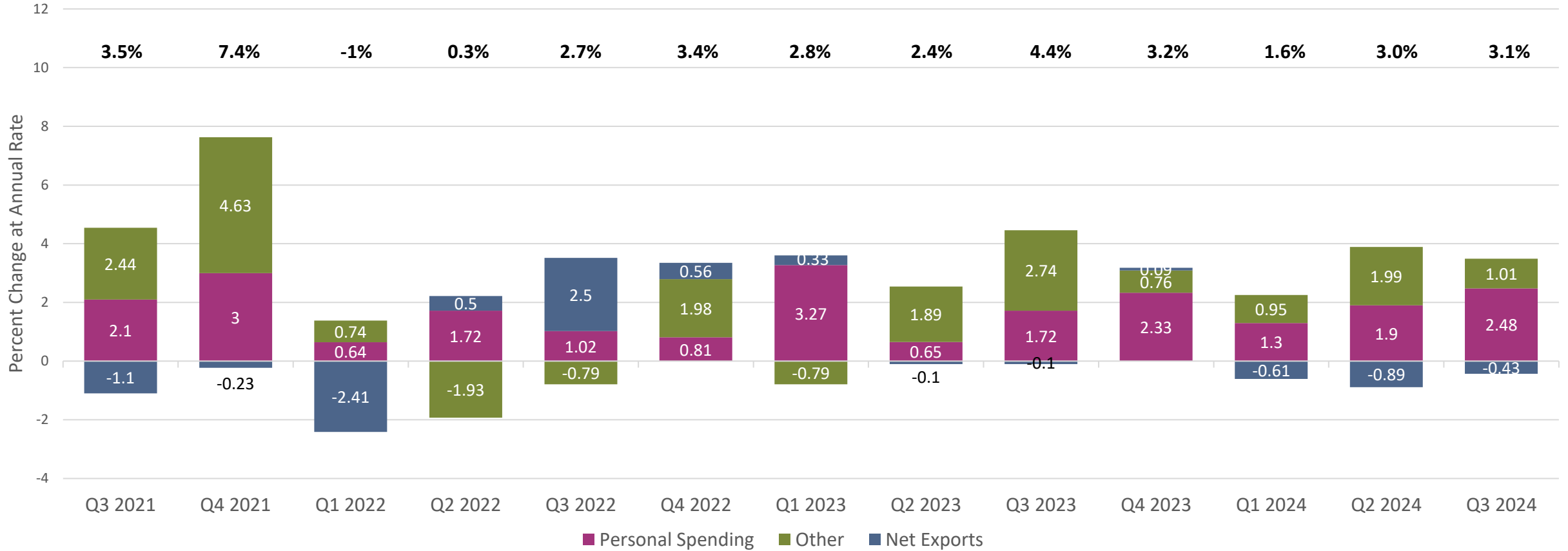
Structures - \$908.6 billion

Residential Housing: \$1,179.7 billion

Source: US Bureau of Economic Analysis

Real GDP Solid in 2024

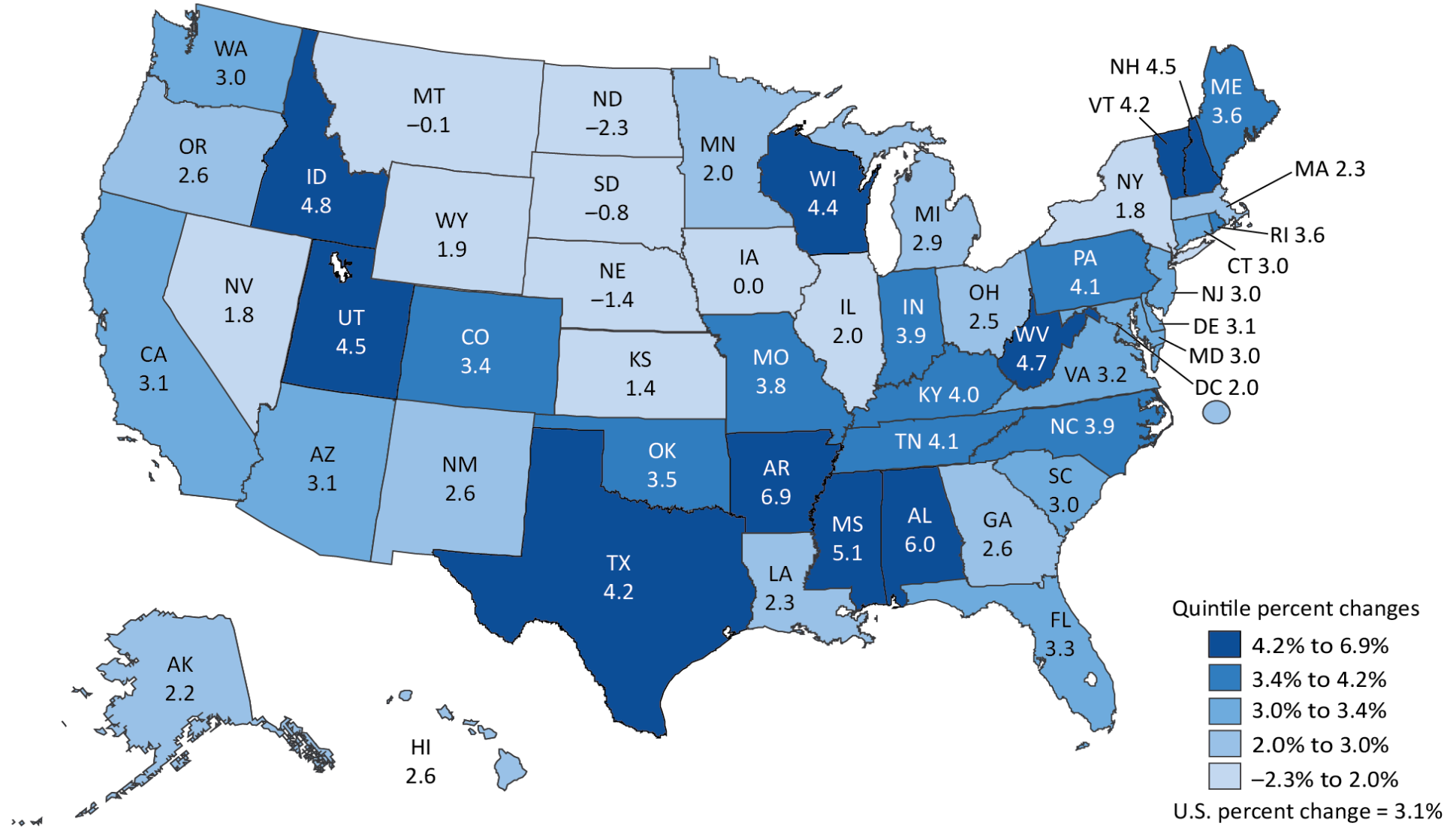
Contributions to Percent Change in Real GDP



Source: U.S. Bureau of Economic Analysis

“Other” category includes nonresidential and residential fixed investment, change in private inventories, and government expenditures.

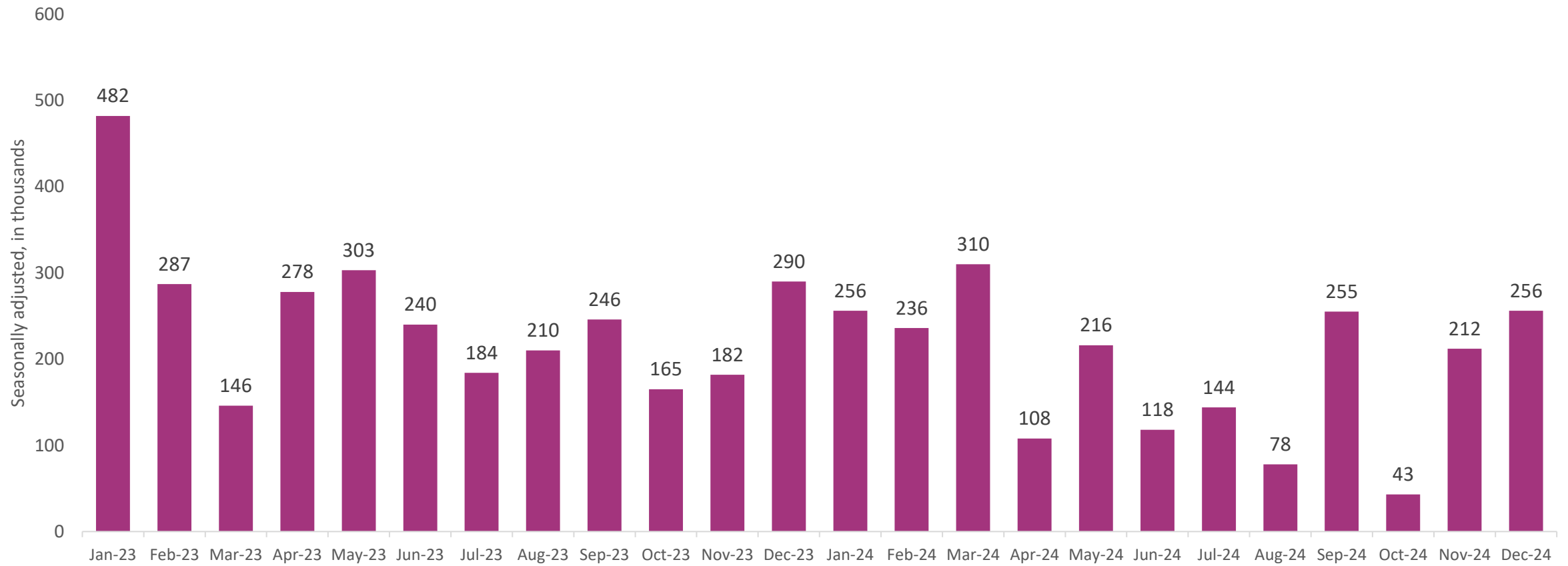
Real GDP: Percent Change at Annual Rate, 2024:Q2–2024:Q3



U.S. Bureau of Economic Analysis

Pace of Hiring Rebounds

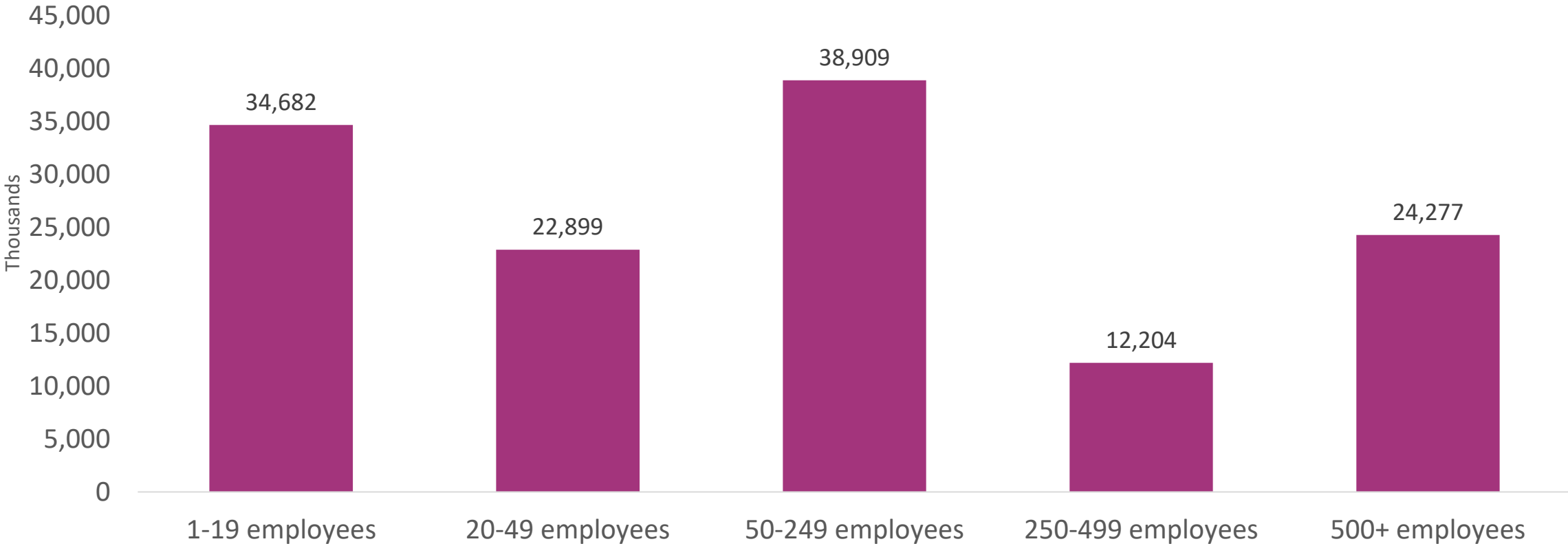
Monthly Job Creation in the U.S.
December 2024 Unemployment Rate 4.1%



Source: U.S. Bureau of Labor Statistics

Distribution of Private Employment by Size

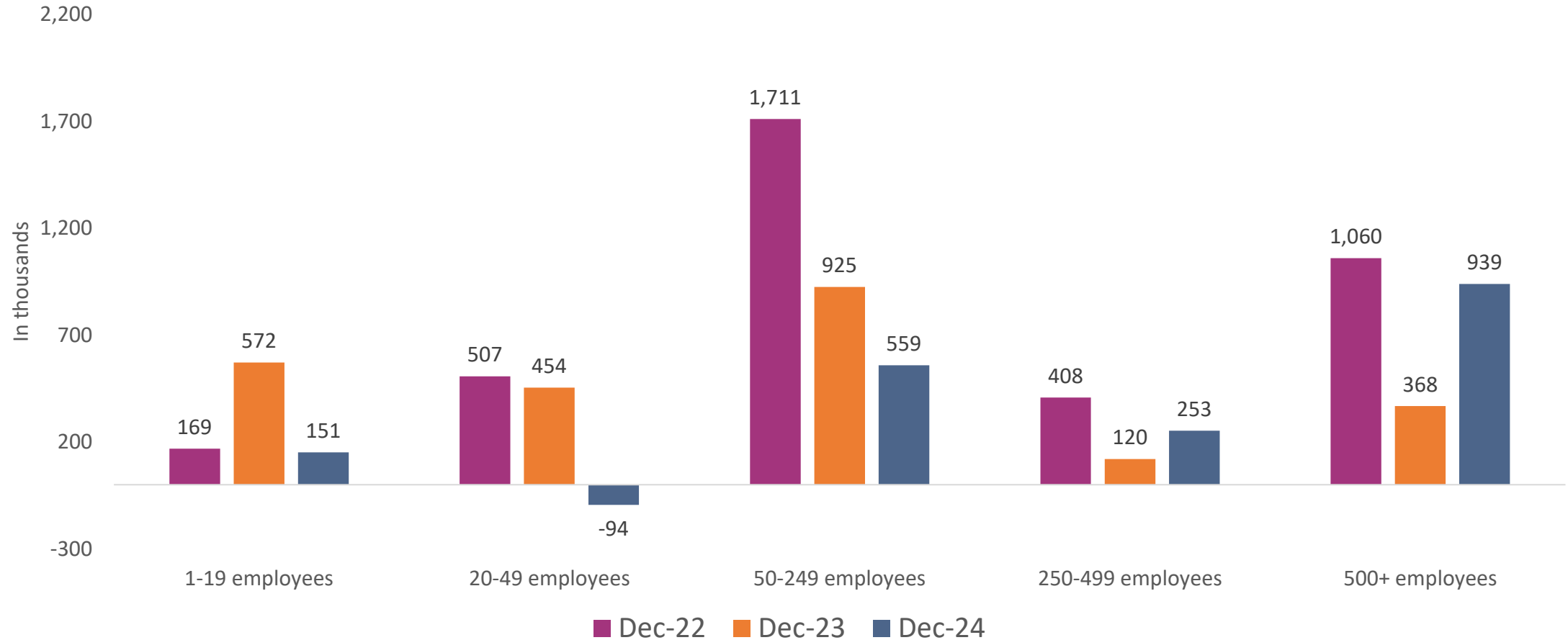
U.S. Private Employment, By Establishment Size



Source: ADP, Data as of December 2024

Large Businesses Add to Payrolls

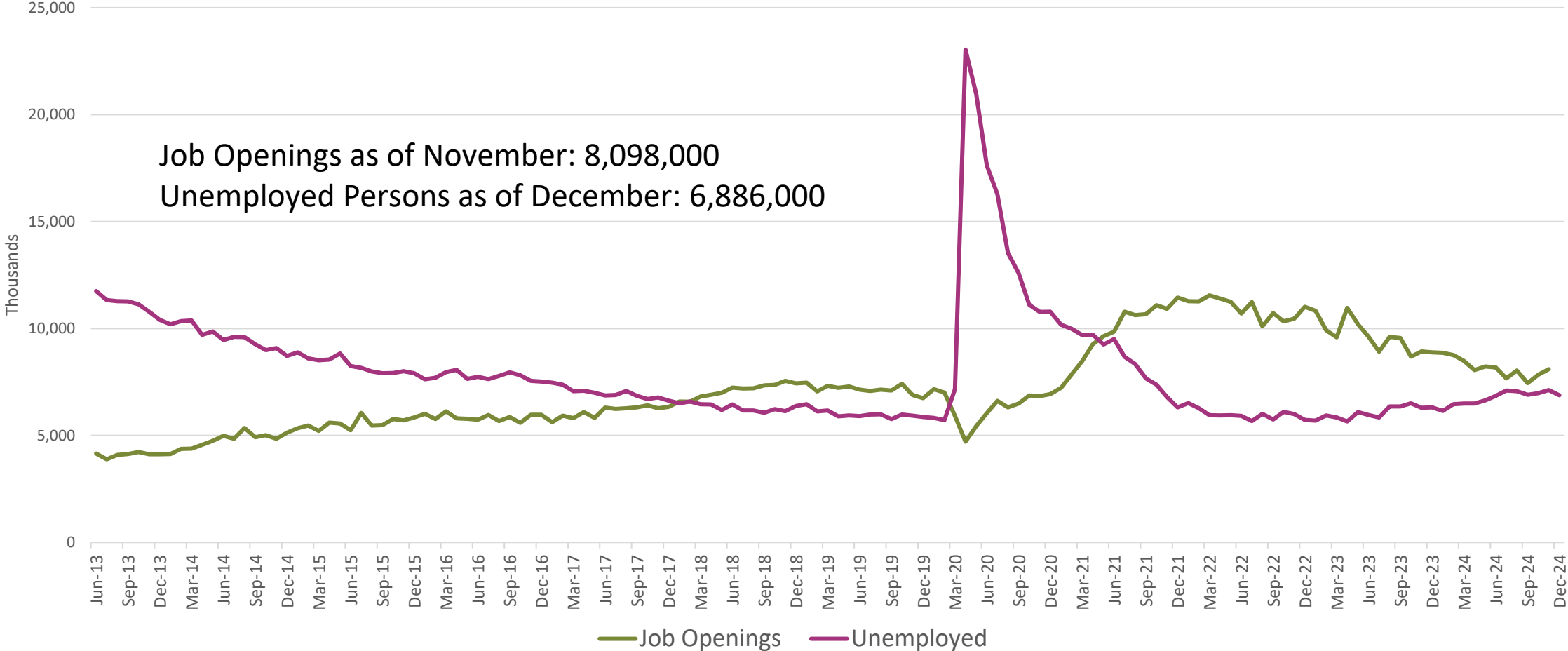
Year-Over-Year Change in Employment, By Establishment Size



Source: ADP

Labor Shortage Abating

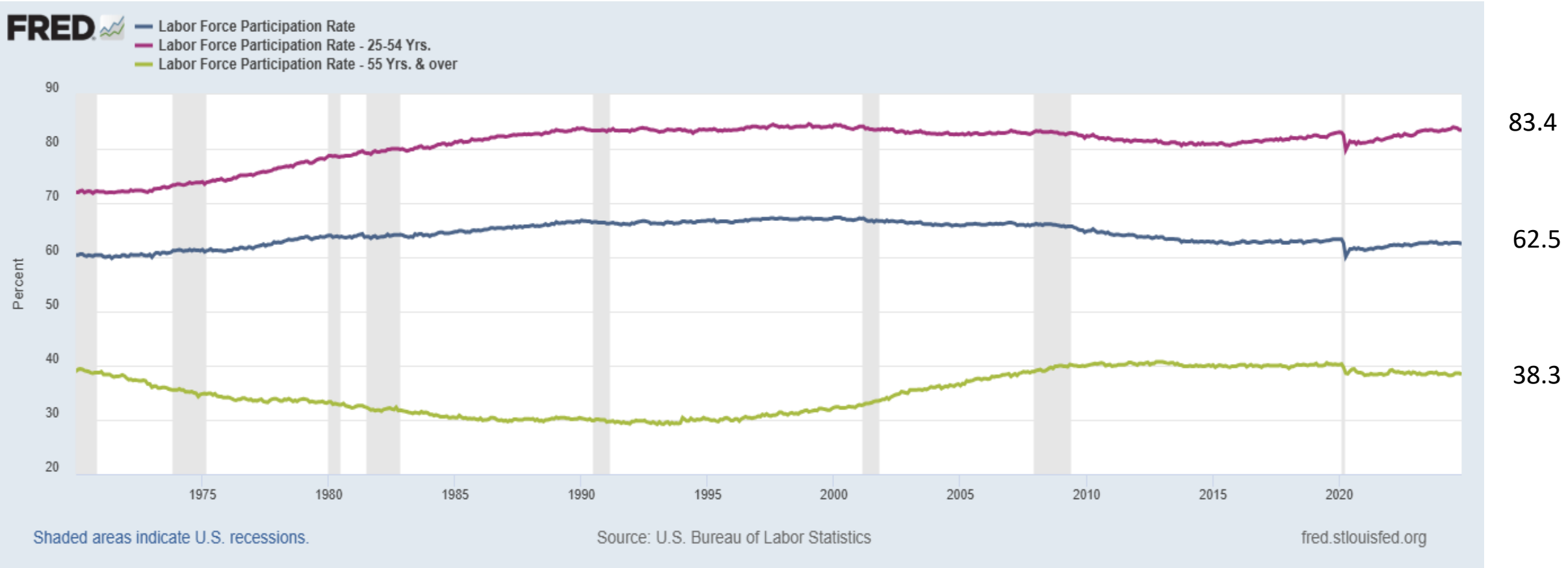
U.S. Total Nonfarm Job Openings and Unemployment



Job Openings as of November: 8,098,000
 Unemployed Persons as of December: 6,886,000

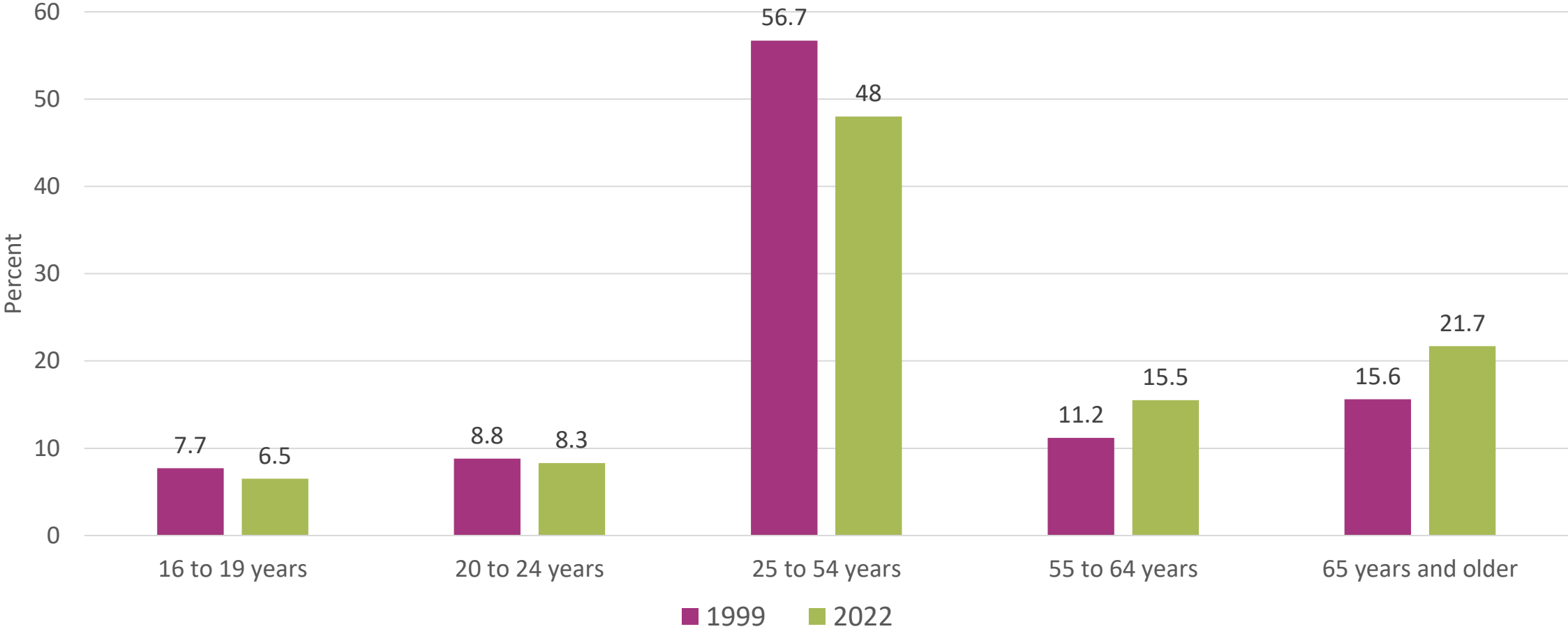
Source: U.S. Bureau of Labor Statistics

Labor Force Participation by Age



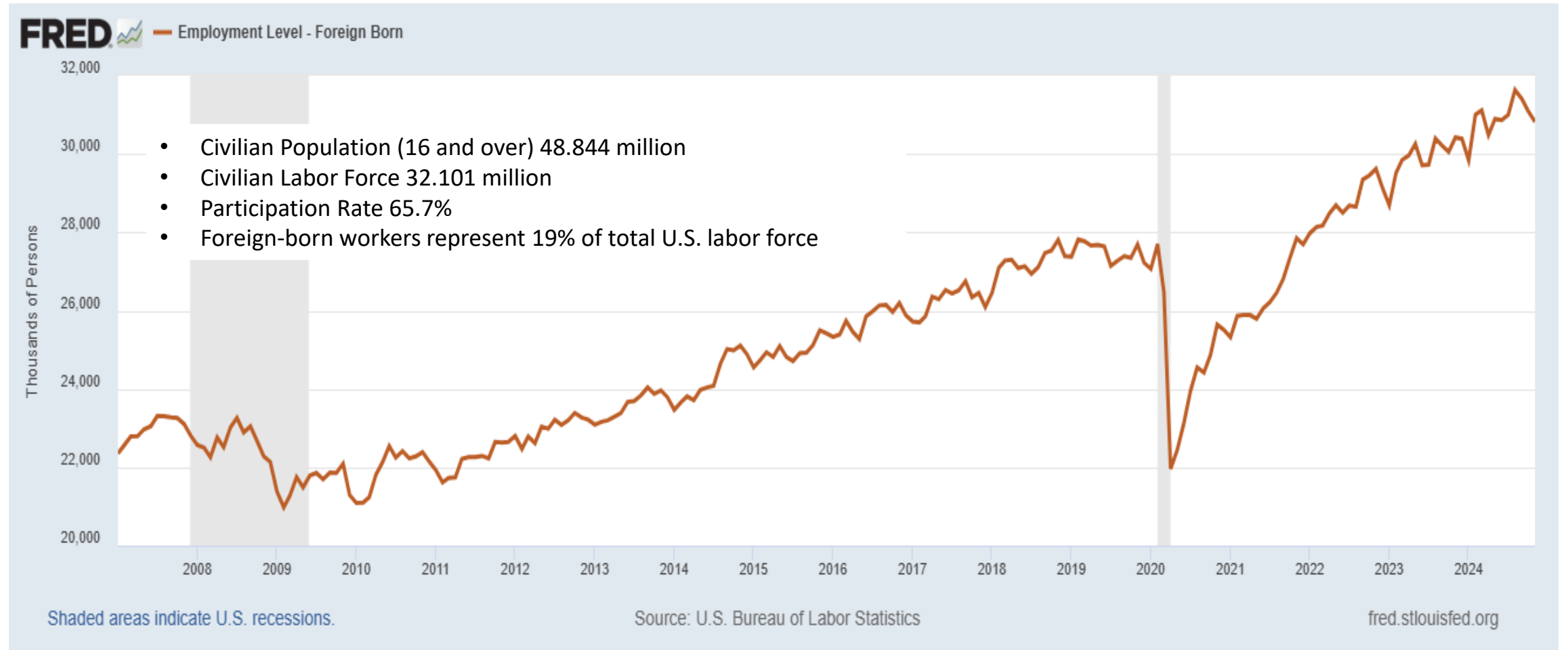
Impact of an Aging Population

Percent distribution of civilian population 16 and older, by age



Source: Annual Social and Economic Supplement (ASEC) to the Current Population Survey

Foreign-Born Workforce is Significant



Wisconsin at a Glance

Labor Force Data as of November 2024

(in thousands):

Civilian Labor Force	3,165.3
Employment	3,073.9
Private Employment	2,629.5
Unemployment	91.4
Unemployment Rate	2.9%
National Unemployment Rate	4.2%

Economic Data for the State of Wisconsin

- Real GDP, Q/Q annualized as of Q3 2024: 4.4%
- Ranks as eighth highest in the U.S. and best in the Great Lakes region
- Positive contributors include:
 - Agriculture, fishing/hunting (+1.18%)
 - Retail trade (+1.02%)
 - State and local government (.53%)
 - Wholesale trade (+.49%)
 - Durable goods manufacturing (+.46%)
 - Nondurable goods manufacturing (+.25%)

Midwest Labor Force Statistics

Civilian Labor Force

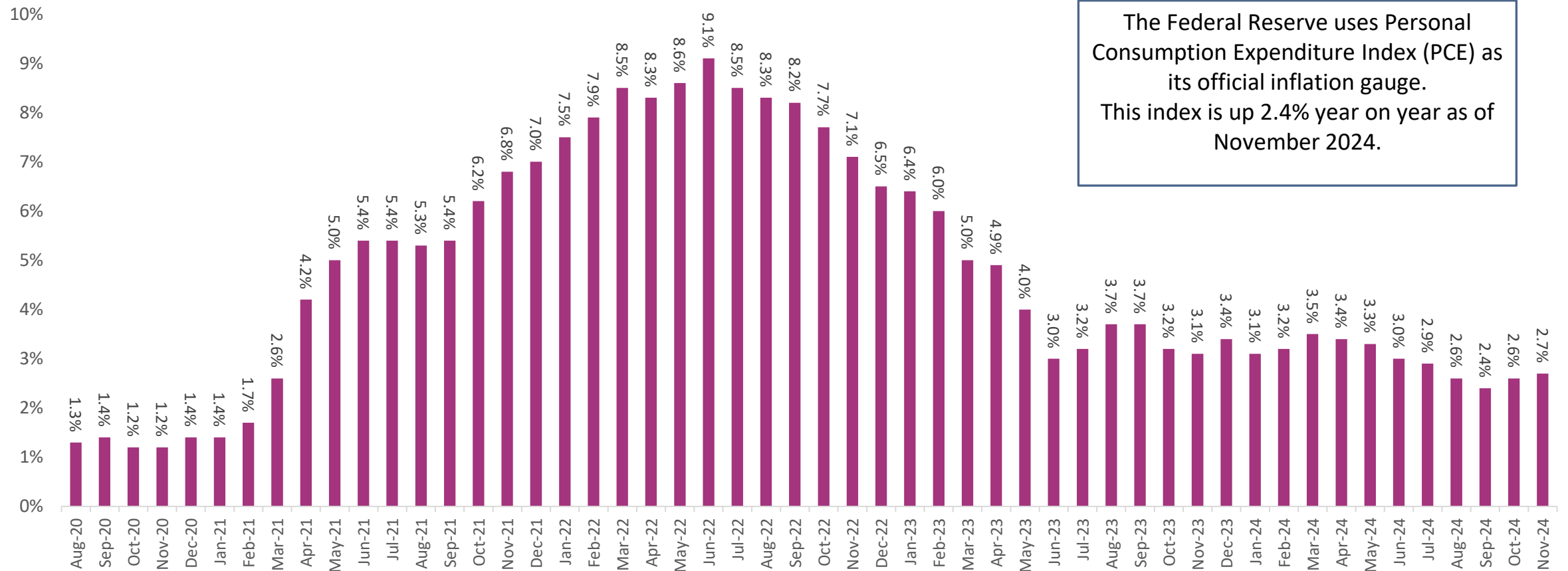
	<u>Nov</u> <u>2024</u>	<u>YOY</u> <u>Change</u>	<u>%</u> <u>Change</u>
Midwest	35,225.9	159.0	0.1
Illinois	6,471.1	75.8	1.2
Indiana	3,409.2	33.1	1.0
Iowa	1,705.8	-20.1	-1.2
Kansas	1,507.8	12.4	0.8
Michigan	5,044.5	9.3	0.2
Minnesota	3,095.2	6.8	0.2
Missouri	3,099.0	57.6	1.9
Nebraska	1,056.0	1.9	0.2
North Dakota	417.0	3.2	0.8
Ohio	5,793.4	104.2	1.8
South Dakota	481.7	4.5	0.9
Wisconsin	3,150.6	14.7	0.5

Unemployment Data

	<u>Nov</u> <u>2024</u>	<u>YOY %</u> <u>Change</u>	<u>Unemp.</u> <u>Rate</u>
Midwest	1,470.0	16.1	4.1
Illinois	346.4	13.1	5.3
Indiana	152.8	29.2	4.4
Iowa	53.0	1.4	3.1
Kansas	53.7	37.0	3.5
Michigan	243.9	17.2	4.8
Minnesota	107.3	26.6	3.5
Missouri	118.4	16.7	3.7
Nebraska	29.6	12.1	2.8
North Dakota	10.2	28.6	2.4
Ohio	255.0	21.0	4.3
South Dakota	9.2	-7.6	1.9
Wisconsin	91.4	-13.9	2.9

CPI Trending Back Toward Target

U.S. Inflation Rate (CPI)
Year-over-Year Change



The Federal Reserve uses Personal Consumption Expenditure Index (PCE) as its official inflation gauge. This index is up 2.4% year on year as of November 2024.

Inflation Heat Map

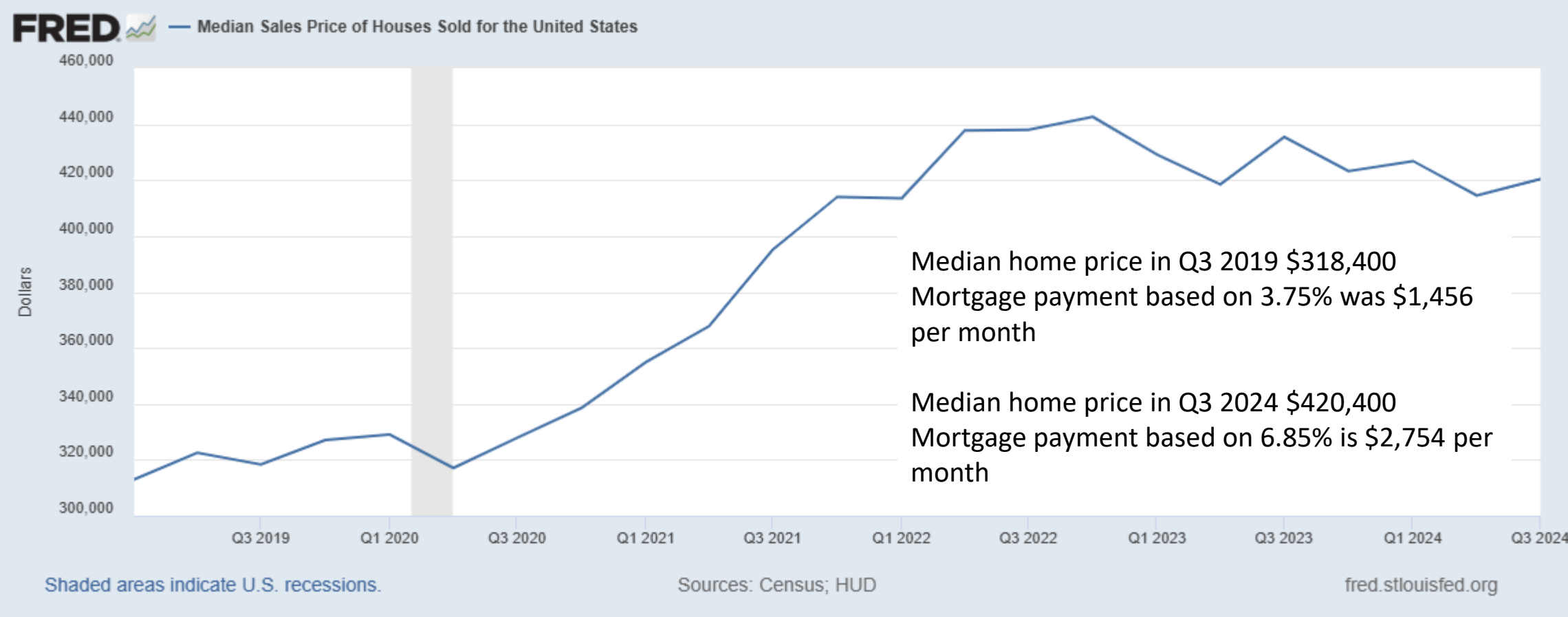
Consumer Price Index, components

m/m % change, seasonally adjusted

	Weight	2022	2023												2024										
		Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov
Headline CPI, year-over-year	100.0	6.4%	6.3%	6.0%	5.0%	5.0%	4.0%	3.0%	3.2%	3.7%	3.7%	3.2%	3.1%	3.4%	3.1%	3.2%	3.5%	3.4%	3.3%	3.0%	2.9%	2.6%	2.4%	2.6%	2.7%
Core CPI, year-over-year	80.0	5.7%	5.5%	5.5%	5.6%	5.5%	5.3%	4.8%	4.7%	4.4%	4.1%	4.0%	4.0%	3.9%	3.9%	3.8%	3.8%	3.6%	3.4%	3.3%	3.2%	3.2%	3.3%	3.3%	3.3%
Headline CPI, month-over-mon	100.0	0.1%	0.5%	0.4%	0.1%	0.4%	0.1%	0.2%	0.2%	0.5%	0.4%	0.1%	0.2%	0.2%	0.3%	0.4%	0.4%	0.3%	0.0%	-0.1%	0.2%	0.2%	0.2%	0.2%	0.3%
Core CPI, month-over-month	80.0	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.2%	0.2%	0.2%	0.3%	0.2%	0.3%	0.3%	0.4%	0.4%	0.4%	0.3%	0.2%	0.1%	0.2%	0.3%	0.3%	0.3%	0.3%
Energy	6.6	-3.1%	2.0%	-0.6%	-3.5%	0.6%	-3.6%	0.6%	0.0%	4.4%	1.2%	-2.1%	-1.6%	-0.2%	-0.9%	2.3%	1.1%	1.1%	-2.0%	-2.0%	0.0%	-0.8%	-1.9%	0.0%	0.2%
Gasoline	3.2	-7.0%	2.4%	1.0%	-4.6%	3.0%	-5.6%	1.0%	-0.2%	8.3%	1.6%	-4.3%	-4.0%	-0.6%	-3.3%	3.8%	1.7%	2.8%	-3.6%	-3.8%	0.0%	-0.6%	-4.1%	-0.9%	0.6%
Electricity	2.5	1.3%	0.5%	0.5%	-0.7%	-0.7%	-1.0%	0.9%	-0.4%	0.2%	0.8%	0.4%	1.0%	0.6%	1.2%	0.3%	0.9%	-0.1%	0.0%	-0.7%	0.1%	-0.7%	0.7%	1.2%	-0.4%
Utility Gas	0.1	3.5%	6.7%	-8.0%	-7.1%	-4.9%	-2.6%	-1.7%	1.5%	-0.3%	-1.4%	0.3%	1.2%	-0.6%	2.0%	2.3%	0.0%	-2.9%	-0.8%	2.4%	-0.7%	-1.9%	0.7%	0.3%	1.0%
Food	13.4	0.4%	0.5%	0.4%	0.0%	0.0%	0.2%	0.1%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.4%	0.0%	0.1%	0.0%	0.1%	0.2%	0.2%	0.1%	0.4%	0.2%	0.4%
Food at Home	8.1	0.5%	0.4%	0.3%	-0.3%	-0.2%	0.1%	0.0%	0.2%	0.2%	0.1%	0.3%	0.0%	0.1%	0.4%	0.0%	0.0%	-0.2%	0.0%	0.1%	0.1%	0.0%	0.4%	0.1%	0.5%
Food away from home	5.4	0.4%	0.6%	0.6%	0.6%	0.4%	0.5%	0.4%	0.2%	0.3%	0.4%	0.4%	0.4%	0.3%	0.5%	0.1%	0.3%	0.3%	0.4%	0.4%	0.2%	0.3%	0.3%	0.2%	0.3%
Core Goods	18.4	-0.1%	0.1%	0.0%	0.2%	0.6%	0.6%	0.2%	-0.3%	-0.2%	-0.2%	0.0%	-0.2%	-0.1%	-0.3%	-0.1%	0.4%	0.3%	0.2%	0.1%	0.2%	0.3%	0.3%	0.3%	0.3%
Apparel	2.6	0.2%	0.8%	0.8%	0.3%	0.3%	0.3%	0.3%	0.1%	0.2%	-0.3%	0.0%	-0.6%	0.0%	-0.7%	0.6%	0.7%	1.2%	-0.3%	0.1%	-0.4%	0.3%	1.1%	-1.5%	0.2%
New vehicles	3.6	0.6%	0.2%	0.2%	0.4%	-0.2%	-0.1%	0.0%	0.0%	0.2%	0.2%	-0.1%	0.0%	0.2%	0.0%	-1.0%	-0.2%	-0.4%	-0.5%	-0.2%	-0.2%	0.0%	0.2%	0.0%	0.6%
Used Cars	1.9	-2.0%	-1.9%	-2.8%	-0.9%	4.4%	4.4%	-0.5%	-1.5%	-1.9%	-1.8%	-0.4%	1.4%	0.6%	-3.4%	0.5%	-1.1%	-1.4%	0.6%	-1.5%	-2.3%	-1.0%	0.3%	2.7%	2.0%
Medical care commodities	1.5	0.1%	1.1%	0.1%	0.6%	0.5%	0.6%	0.2%	0.5%	0.6%	-0.3%	0.4%	0.5%	-0.1%	-0.6%	0.1%	0.2%	0.4%	1.3%	0.2%	0.2%	-0.2%	-0.7%	-0.2%	-0.1%
Core services	61.6	0.6%	0.5%	0.6%	0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.5%	0.3%	0.5%	0.4%	0.7%	0.4%	0.5%	0.4%	0.2%	0.1%	0.3%	0.4%	0.4%	0.3%	0.3%
Shelter	36.6	0.8%	0.7%	0.8%	0.6%	0.4%	0.6%	0.4%	0.5%	0.3%	0.6%	0.3%	0.4%	0.4%	0.6%	0.4%	0.4%	0.4%	0.4%	0.2%	0.4%	0.5%	0.2%	0.4%	0.3%
Rent of primary residanc	7.7	0.8%	0.7%	0.8%	0.5%	0.6%	0.5%	0.5%	0.4%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.3%	0.5%	0.4%	0.3%	0.3%	0.2%
Owners equivalent rent	27.1	0.8%	0.7%	0.7%	0.5%	0.5%	0.5%	0.4%	0.5%	0.4%	0.6%	0.4%	0.5%	0.5%	0.6%	0.4%	0.4%	0.4%	0.4%	0.3%	0.4%	0.5%	0.3%	0.4%	0.2%
Medical care services	6.5	0.3%	-0.7%	-0.7%	-0.5%	-0.1%	-0.1%	0.0%	-0.3%	0.0%	0.2%	0.2%	0.5%	0.5%	0.7%	-0.1%	0.6%	0.4%	0.3%	0.2%	-0.3%	-0.1%	0.7%	0.4%	0.4%
Transportation services	6.6	0.6%	0.9%	1.1%	1.4%	-0.2%	0.8%	0.1%	0.8%	1.6%	0.7%	0.9%	1.0%	0.1%	1.0%	1.4%	1.5%	0.9%	-0.5%	-0.5%	0.4%	0.9%	1.4%	0.4%	0.0%

Source: Bureau of Labor Statistics. Heatmap shading is relative to the two-year period shown.

Housing Affordability Has Declined



Bond Futures Signal A Gradual Descent

FOMC Meeting Probabilities

<u>Meeting Date</u>	300-325	325-350	350-375	375-400	400-425	425-450
Jan 29, 2025	0.0%	0.0%	0.0%	0.0%	6.4%	93.6%
March 19, 2025	0.0%	0.0%	0.0%	2.6%	41.3%	56.2%
May 7, 2025	0.0%	0.0%	0.5%	10.5%	44.3%	44.7%
June 18, 2025	0.0%	0.2%	4.4%	23.7%	44.5%	27.3%
July 30, 2025	0.0%	1.0%	8.0%	27.5%	41.3%	22.2%
Sep 17, 2025	0.2%	2.5%	12.1%	30.4%	37.2%	17.5%
Oct 29, 2025	0.5%	3.7%	14.5%	31.3%	34.7%	15.3%
Dec 10 2025	0.9%	5.0%	16.5%	31.7%	32.4%	13.4%

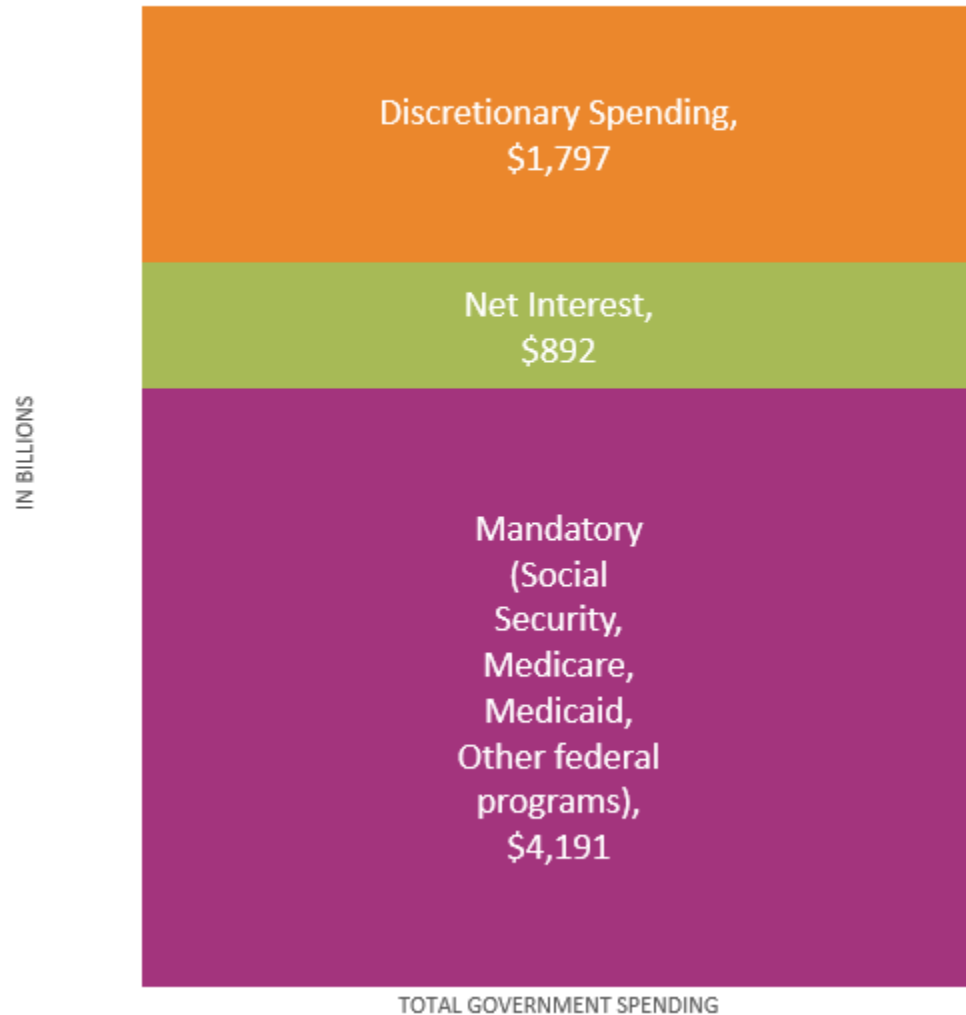
Current Rate highlighted in Green
As of January 10, 2025

30-Day Fed Funds futures pricing data currently point to a reduction of 25 basis points in 2025.

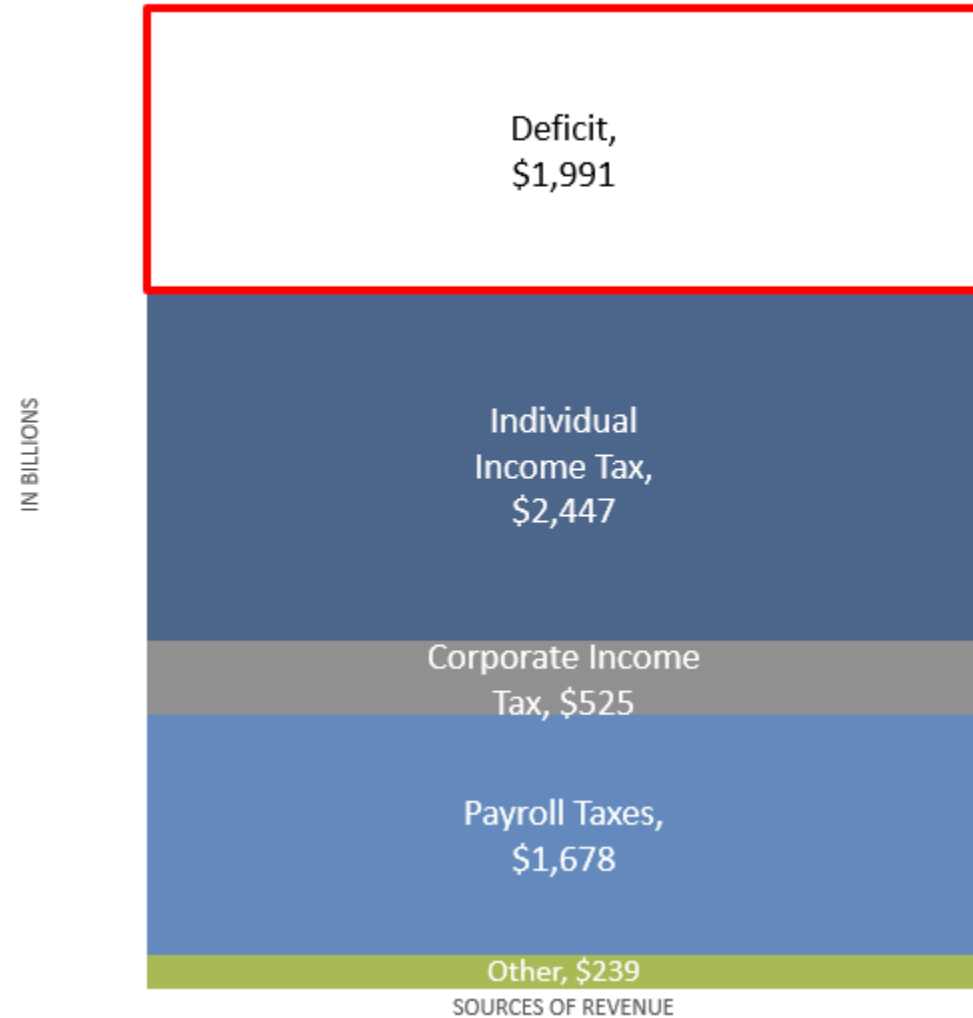
Source: CME FedWatch Tool

Federal Finances

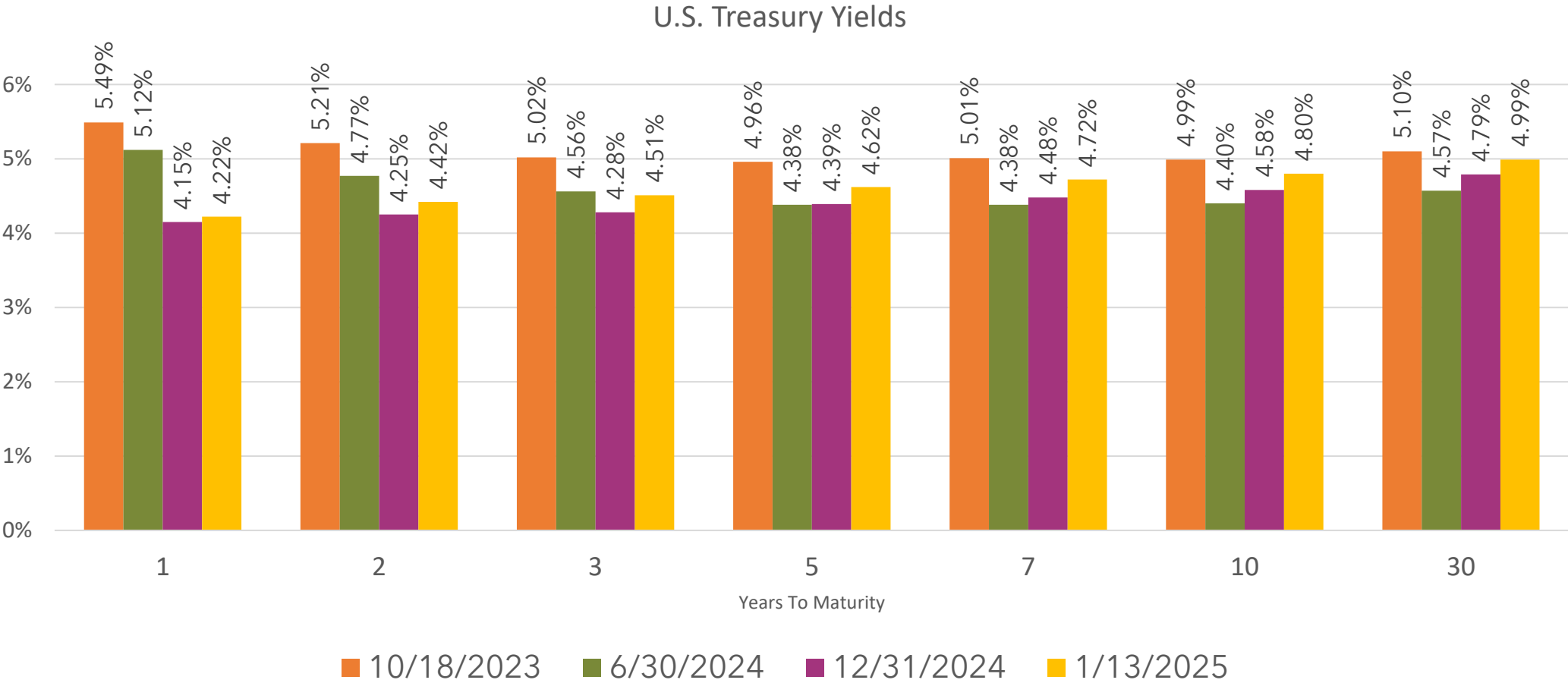
TOTAL SPENDING \$6.88 TRILLION



FEDERAL DEFICIT \$1.9 TRILLION

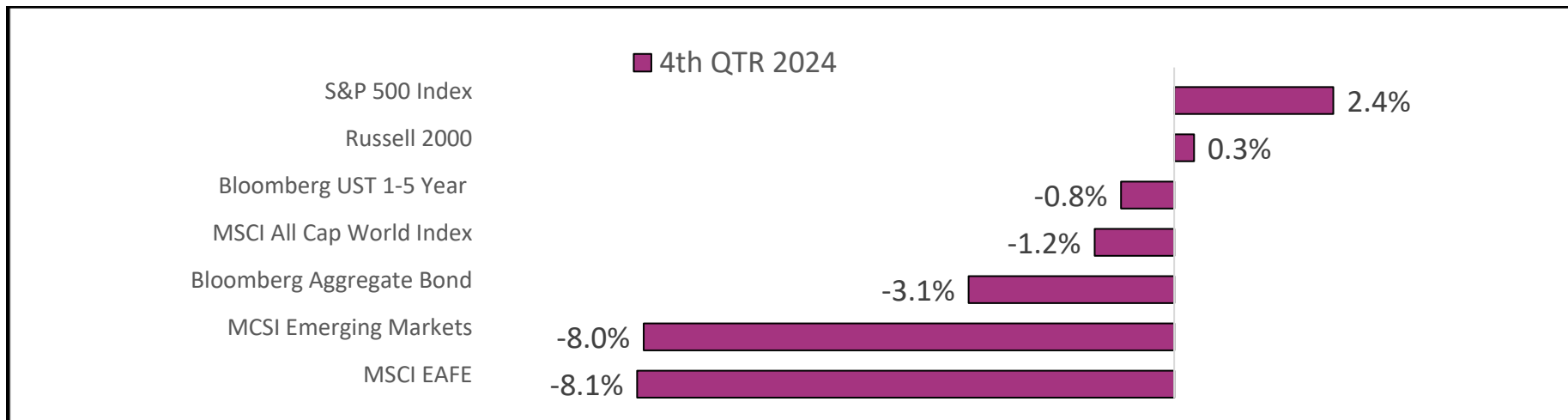
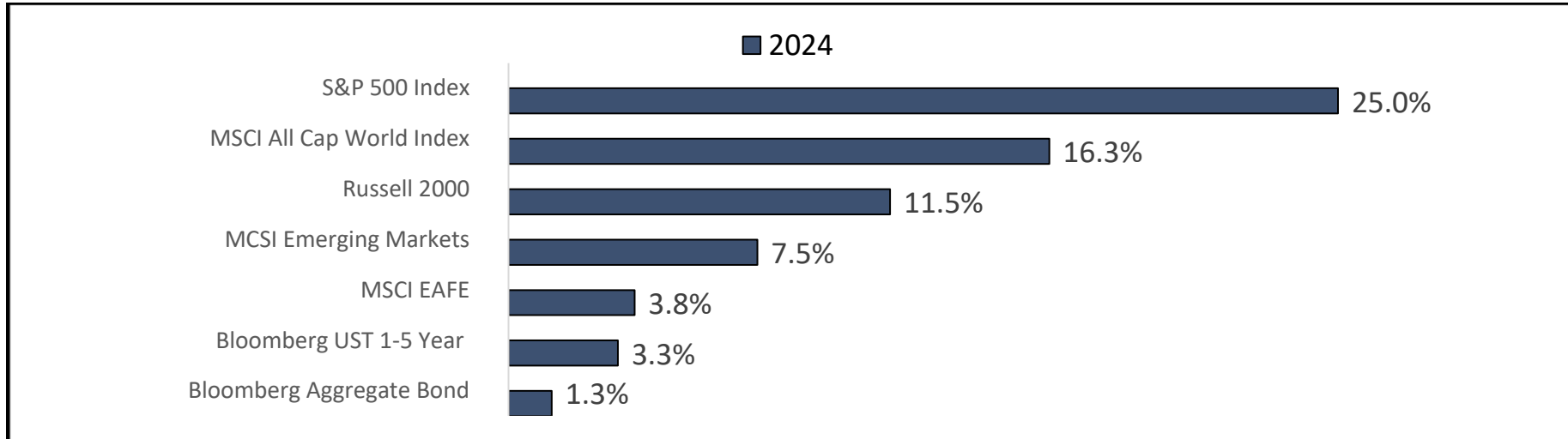


Curve Reflects Market Outlook



Source Data: Wall Street Journal

Strong Year for Large Cap Equities



Source: Morningstar Direct

Base Case Scenario

- The economy is currently leaning toward a “soft landing.” Reasonable job opportunities and rising wages have helped consumers stay afloat amid higher costs. Measures of the commercial and industrial economy generally remain at levels consistent with modest growth.
- Inflation has declined in recent months, trending closer to the Federal Reserve’s 2% target.
- The job market is showing some signs of softening, with a rising unemployment rate and moderately softer job growth. The rise in unemployment will be tempered by a systemic worker shortage.
- Risks to the base case include policy missteps, geopolitical conflict, weather-related events, and a resurgence in inflation. A significant longer-term headwind to the U.S. economy is the federal deficit.



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