

Economic Outlook: U.S. & Michigan

February 13th, 2025

Presenter

Charley McQueen – President & CEO

Charley McQueen is the President of McQueen Financial Advisors, which he founded in 1999. He oversees McQueen Financial Advisors core services of Investment Portfolio Management, Asset/Liability Management, Mortgage Servicing Rights Valuations, Merger Valuations, and tactical consultation. Charley regularly presents on topics such as Profitability, Liquidity Planning, Investment Management, Asset Liability Management, and CECL. He also provides clients with strategic consulting services, which include Board of Directors education, management team challenges, and long-term financial success.





Welcome

Join us for an analysis of current economic conditions and our forward forecast.

Key Topics

- Tariffs
- Inflation
- Employment
- Home sales
- Stock market
- Other Indicators
- USA Debt & SOM





Trade & Tariffs



Trade & Tariffs

Tariffs: (so far)

25% Mexico – On Hold

25% Canada – On Hold

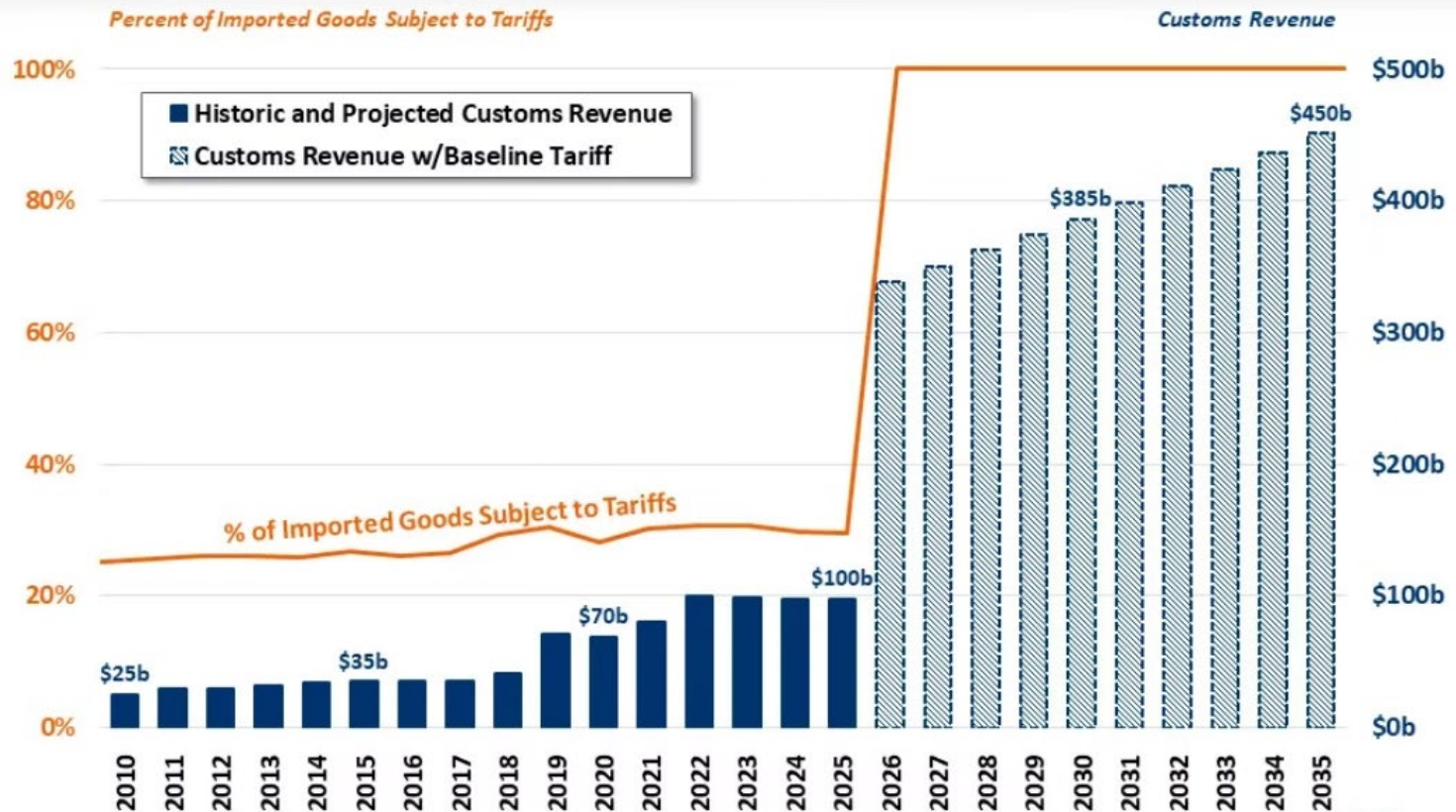
10% China - Additional

25% Steel & Aluminum (made outside of USA)

Reciprocal Tariffs – April 1 kick off

Trade & Tariffs

Proposal Will Sharply Increase Customs Revenue



Sources: Congressional Budget Office, Census Bureau, Bureau of Economic Analysis, United States International Trade Commission, Tax Foundation, Committee for a Responsible Federal Budget

CRFB.org



Trade & Tariffs

25% Tariff

5% cost reduction by producer
5% margin removal
5% lower sales price

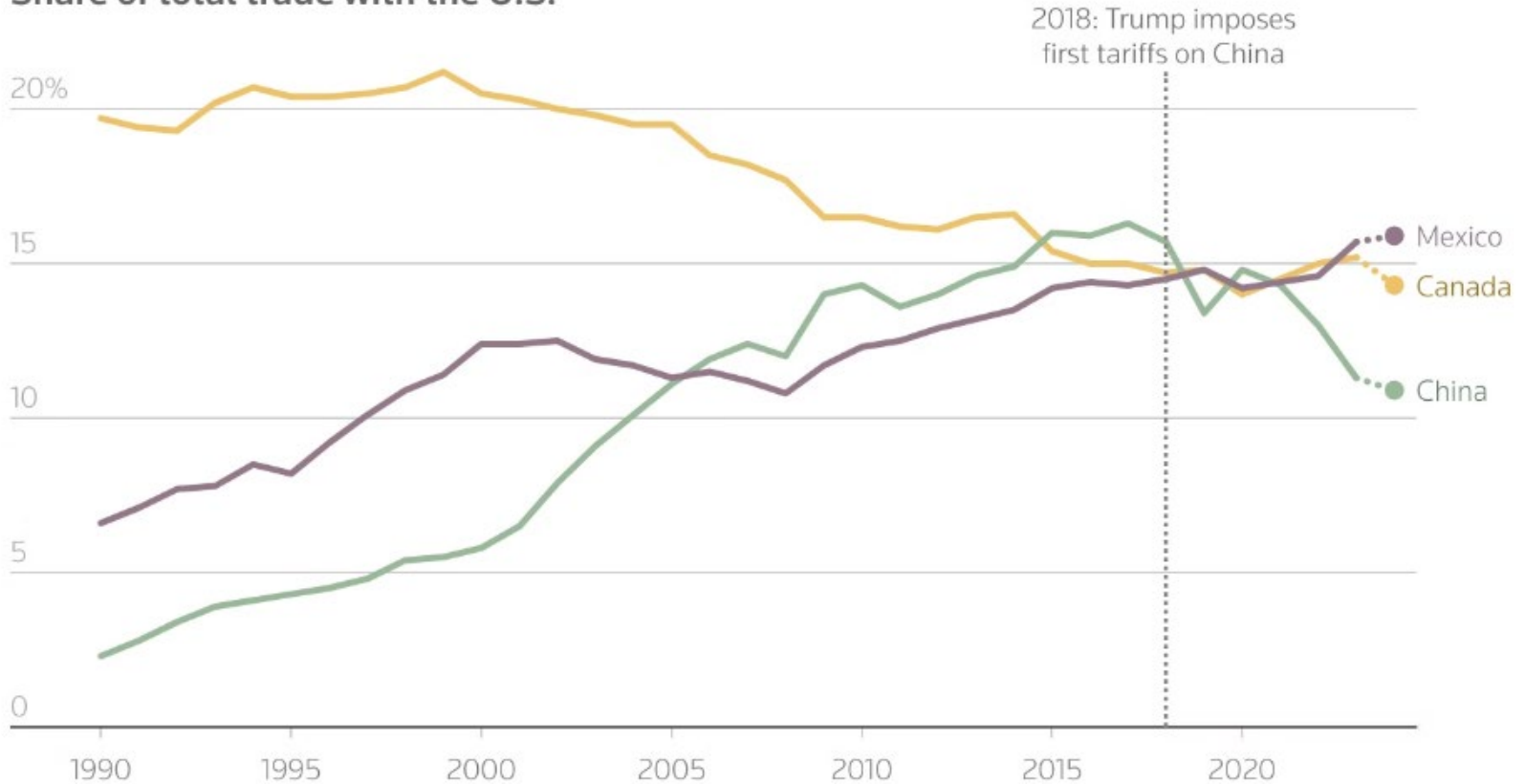
10% net price increase

Term of tariffs?

America's biggest trade partners

Top three trade partners, Mexico, Canada and China, account for about 40% of U.S. trade.

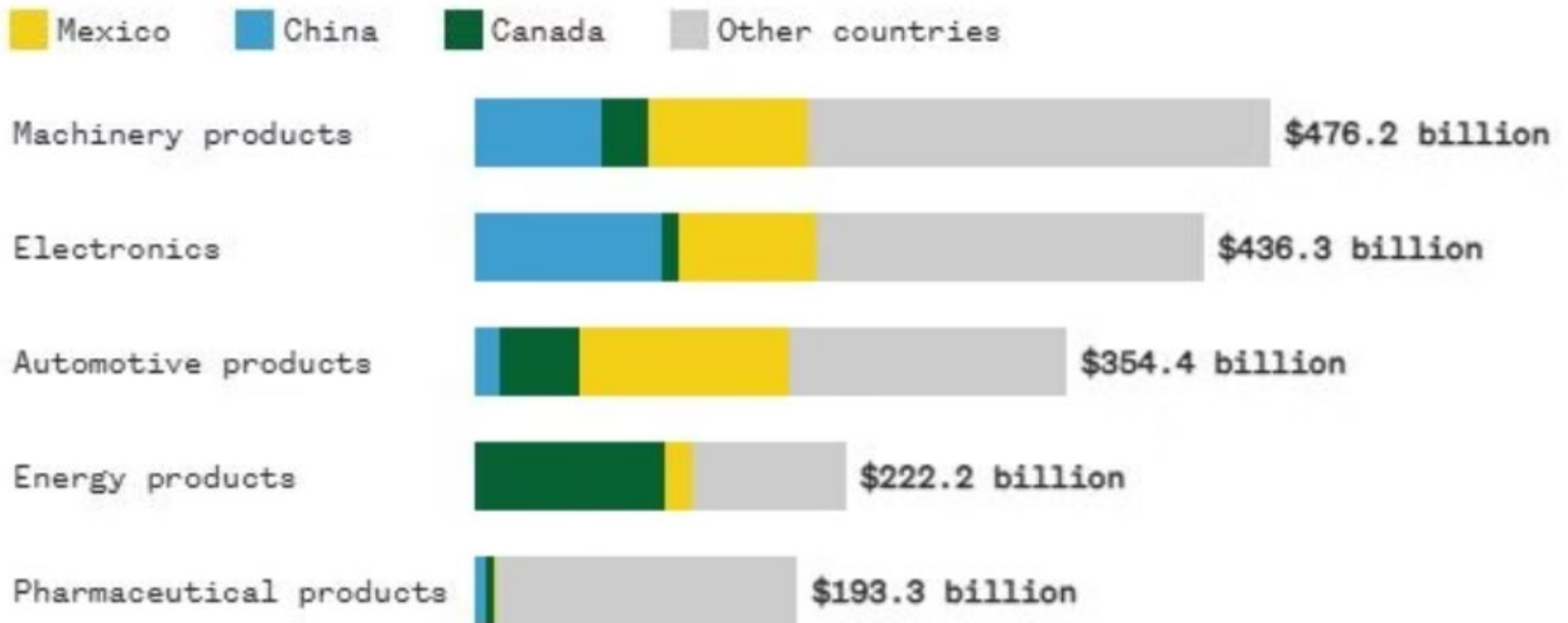
Share of total trade with the U.S.



Note: Data is for goods only. Data is annual and through 2023 except 2024 which is through November 2024. Total trade is the sum of exports and imports.

Source: U.S. Census Bureau | Reuters, Feb. 1, 2025 | By Kripa Jayaram

Top five goods imported by the U.S. worldwide in 2024



Notes: Data as of November

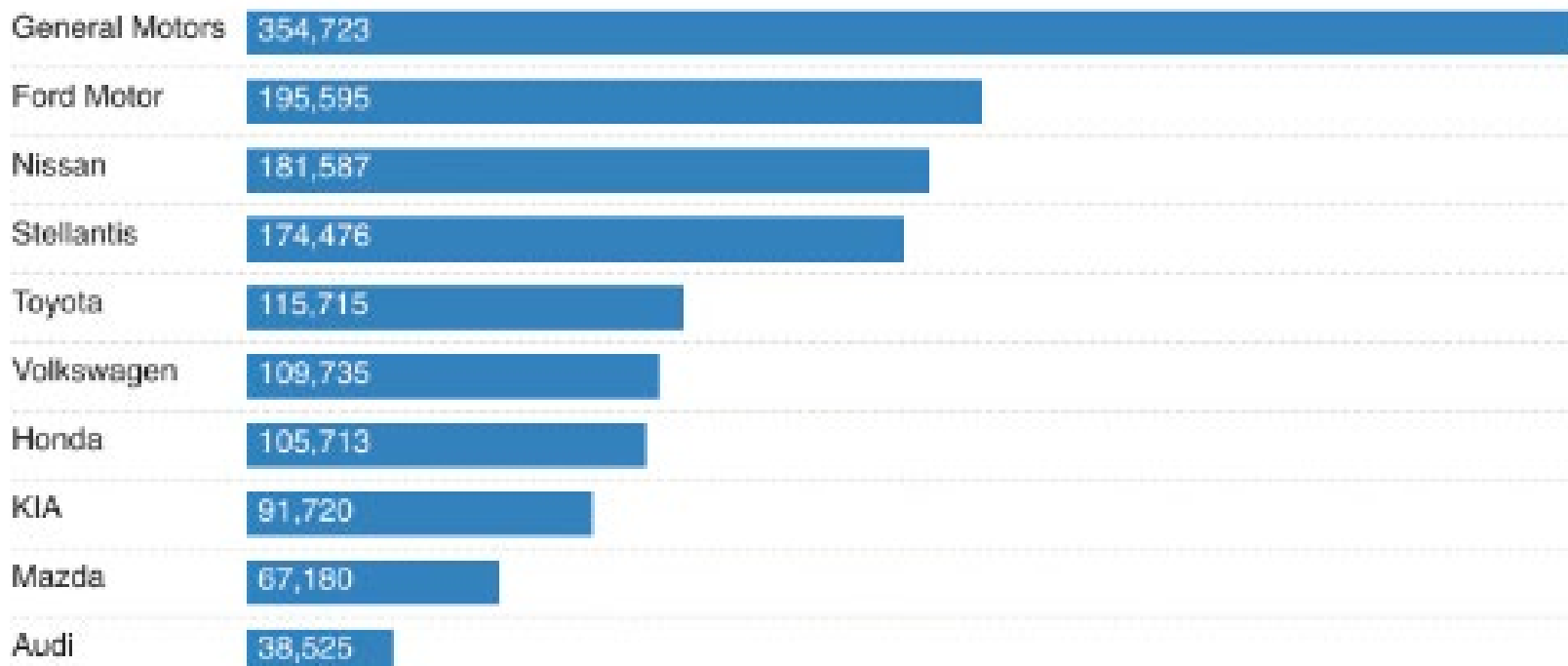
Source: U.S. Census Bureau

Graphic: Jiachuan Wu / NBC News

U.S. firms lead car exports from Mexico to North America

Exports of light vehicles from Mexico to North America from January to July 2024, 90% of which went to the United States.

● Exports



Note: Data compiled and published by AMIA from Mexico's statistics agency INEGI.

Source: Asociación Mexicana de la Industria Automotriz (Mexican Automotive Manufacturers Association)

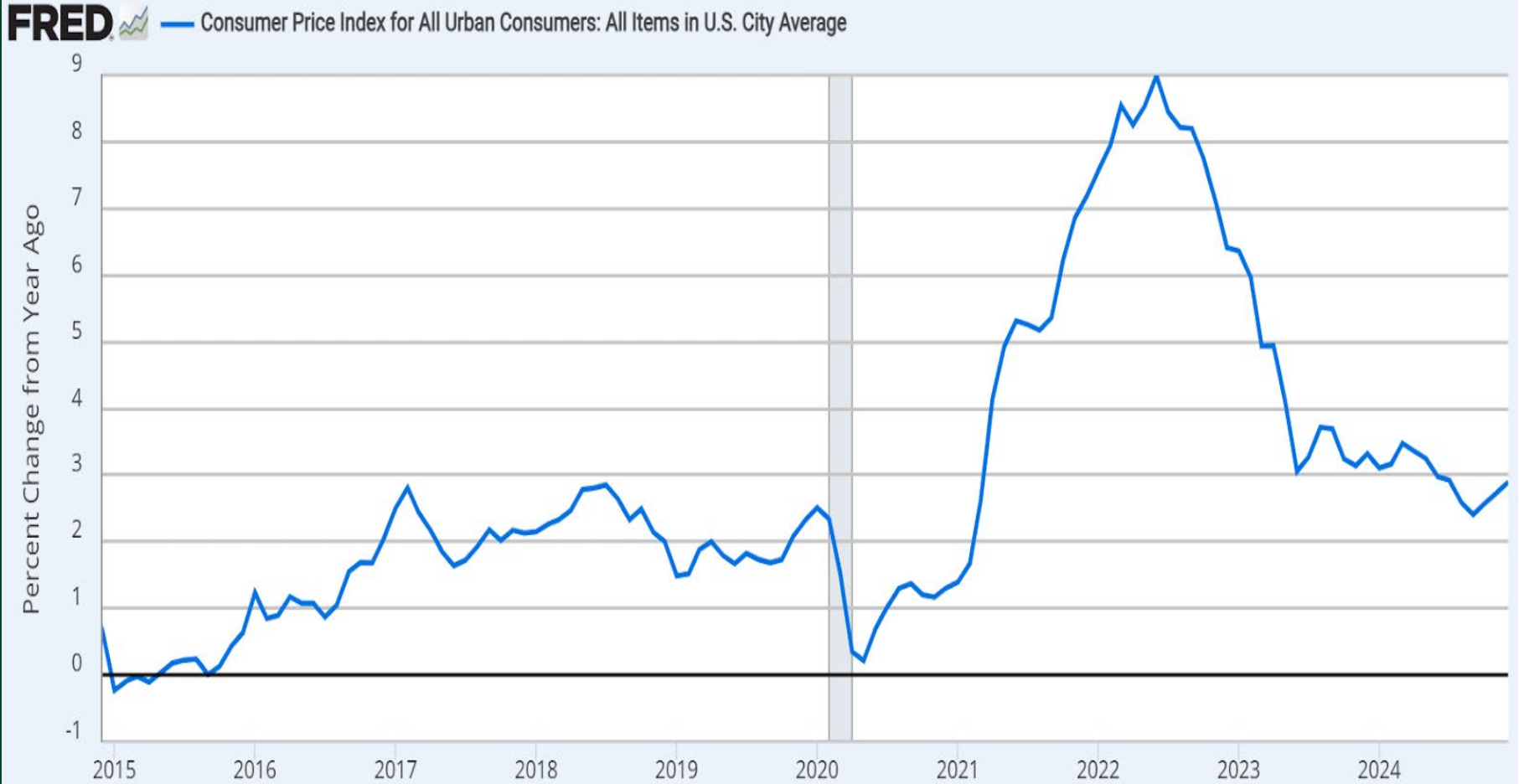


Inflation

Where are we looking at inflation:

- **Food**
- **Energy**
- **Housing**

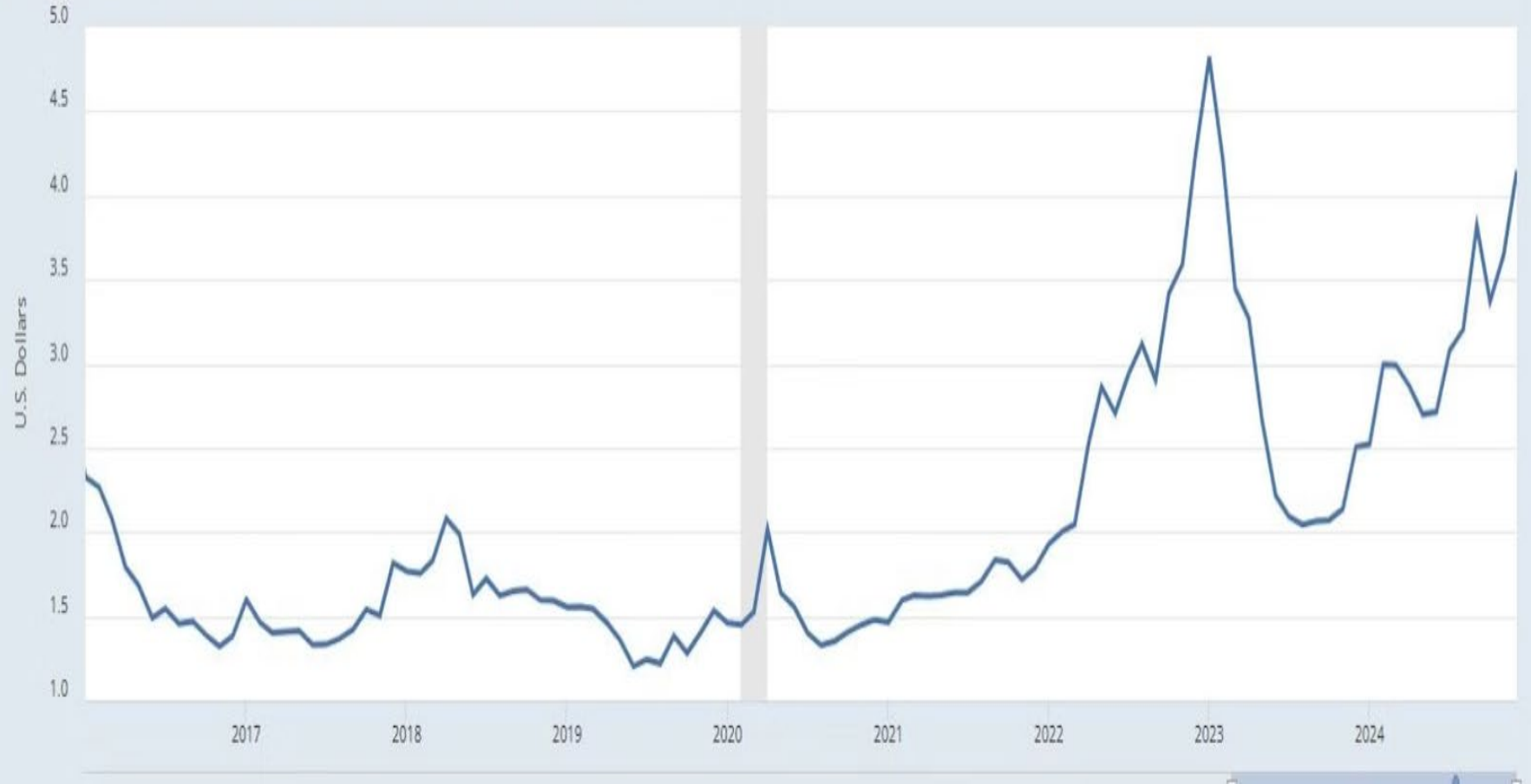
Inflation – All Items



CPI = 3.00% CPI X = 3.30% PCE = 2.60%

Egg Prices

FRED — Average Price: Eggs, Grade A, Large (Cost per Dozen) in U.S. City Average



Source: FRED

Oil Prices



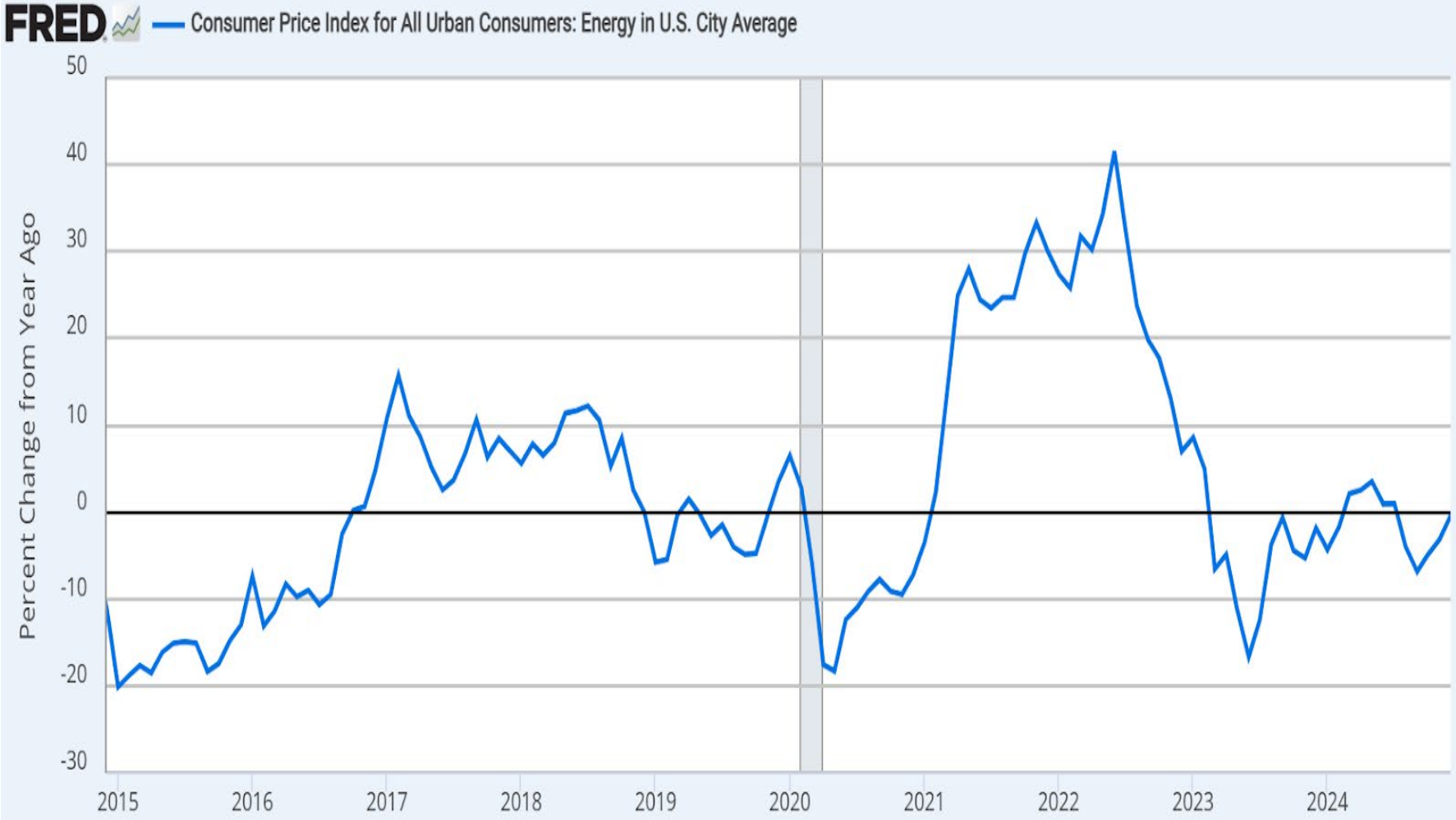
Source: FRED

Gas Prices



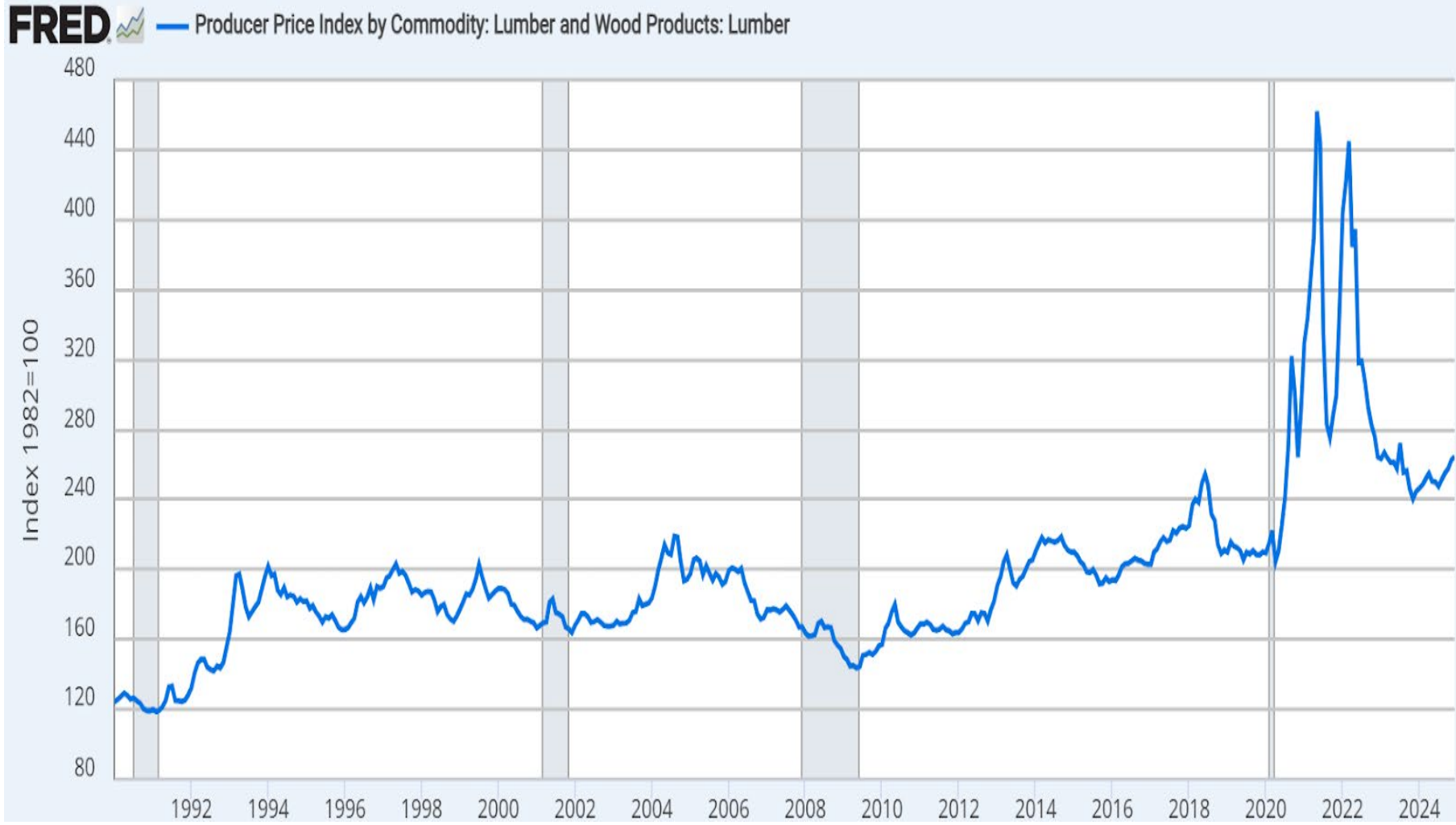
Source: FRED

Energy Prices



Source: FRED

Lumber Prices



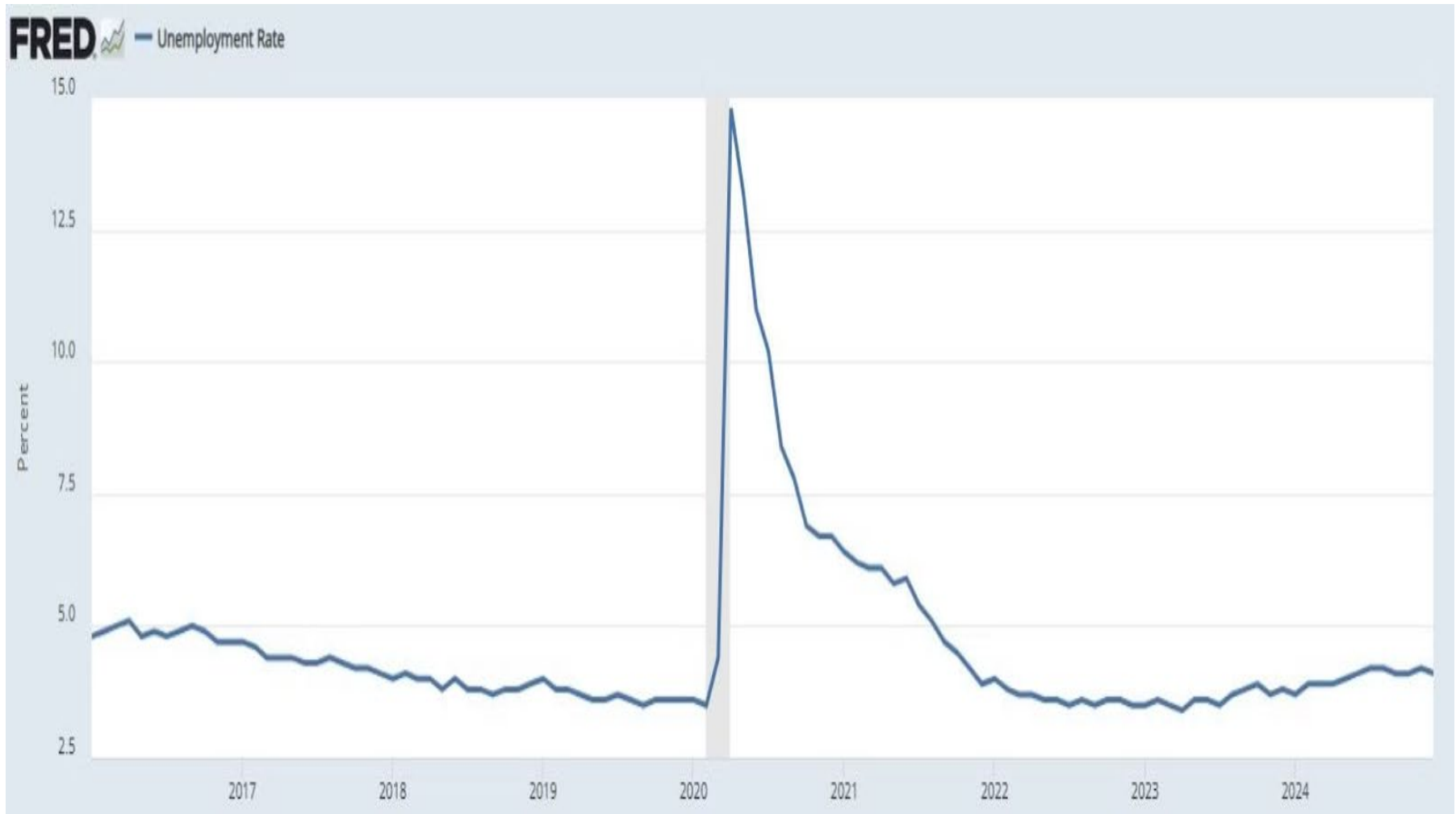
Source: FRED

Employment

Where are we with employment:

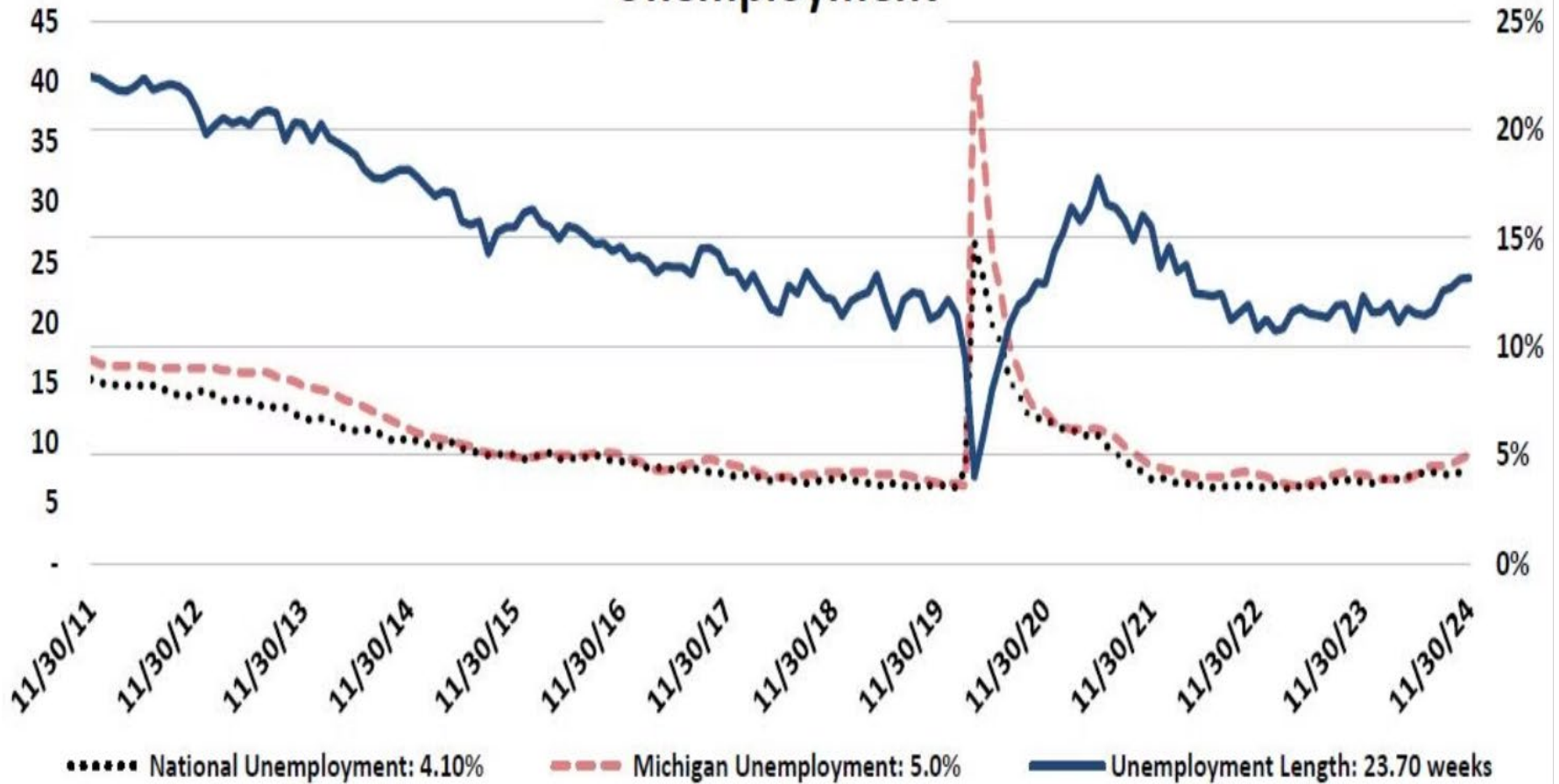
- **Unemployed**
- **Time to get a new job**
- **Quality of the data**
- **AI**

National Unemployment



Unemployment Trends

Unemployment



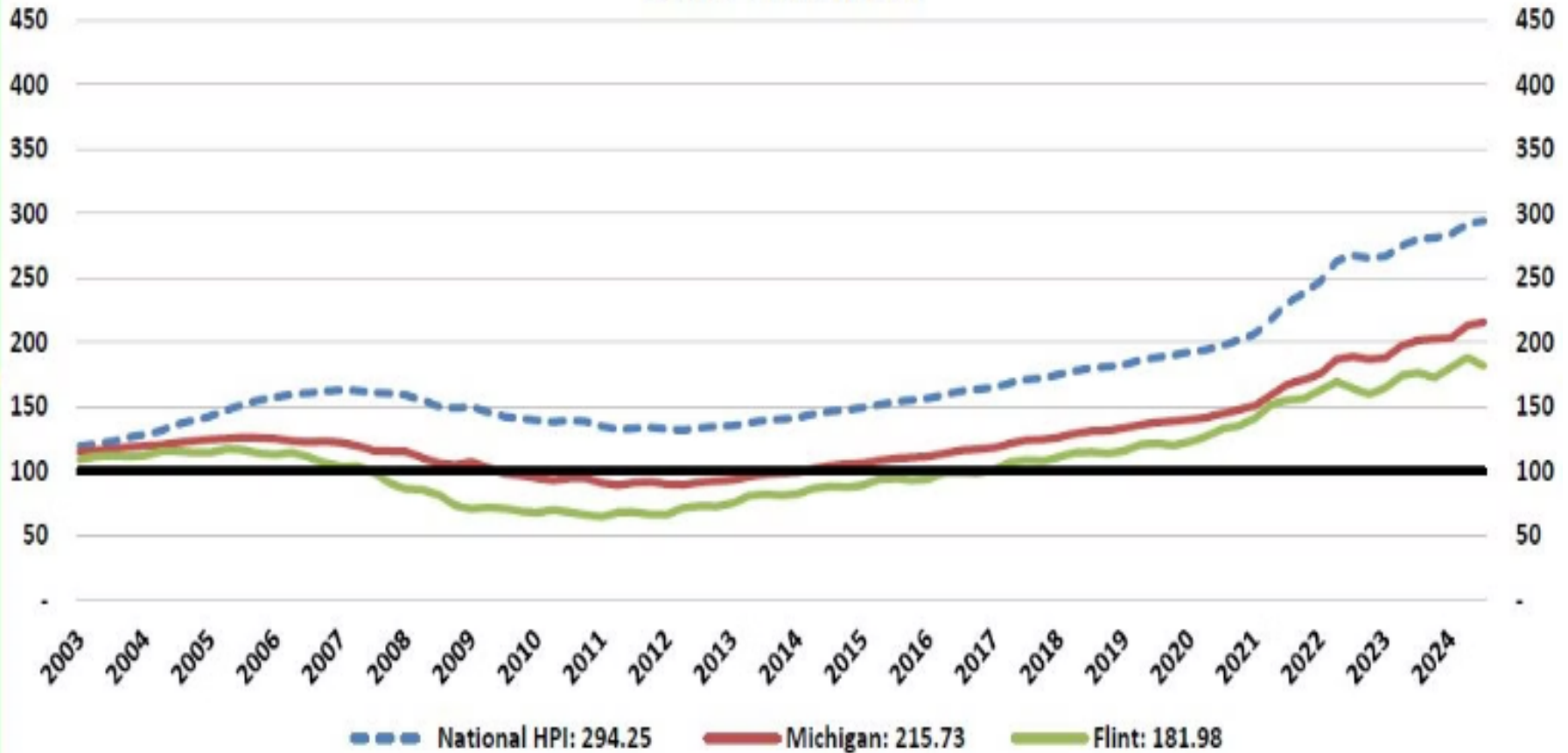
Housing

Where are we with:

- **Prices**
- **Affordability / Interest Rates**
- **Used vs. New Home sales**

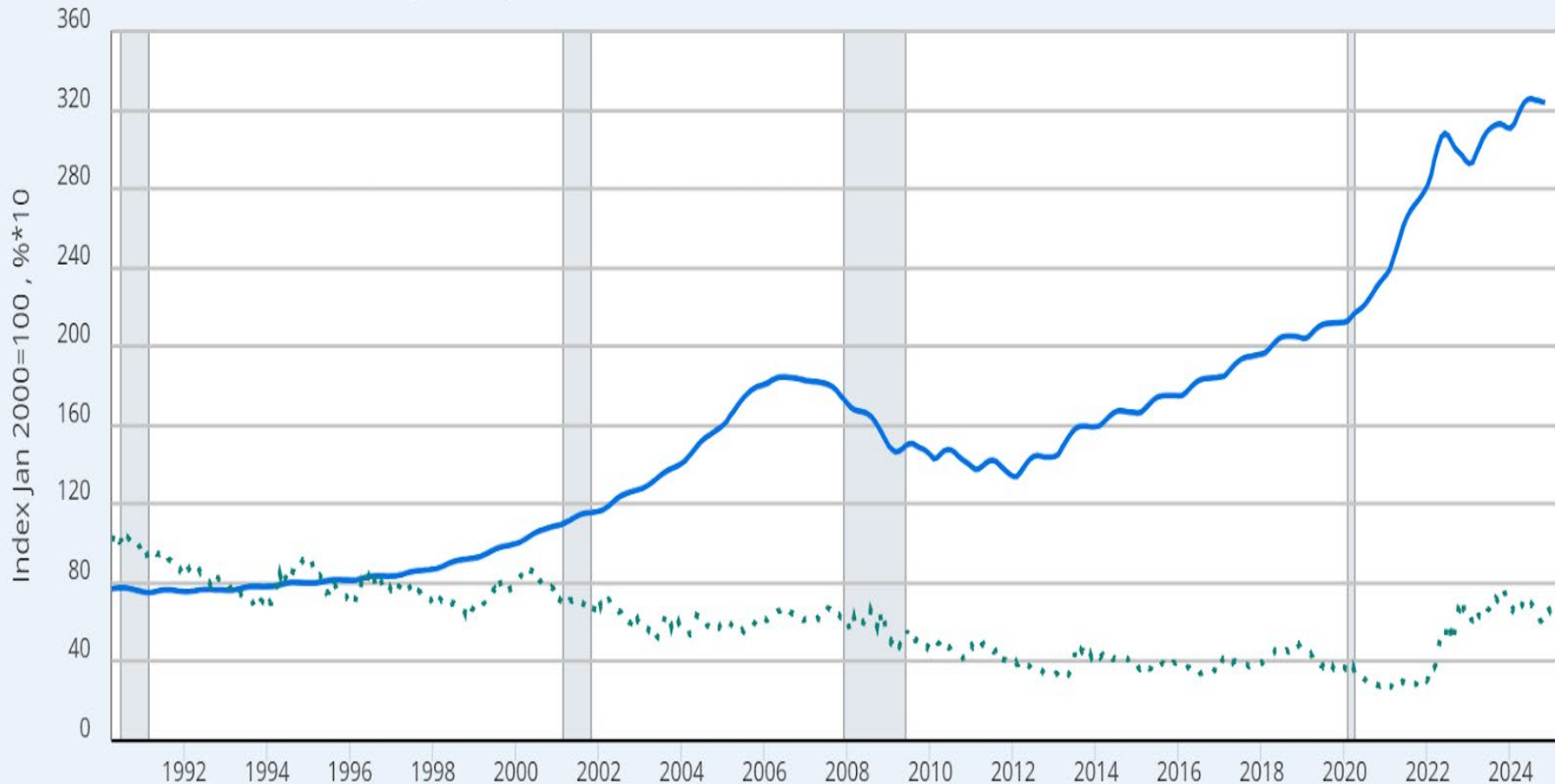
Housing Market Value

Home Price Index

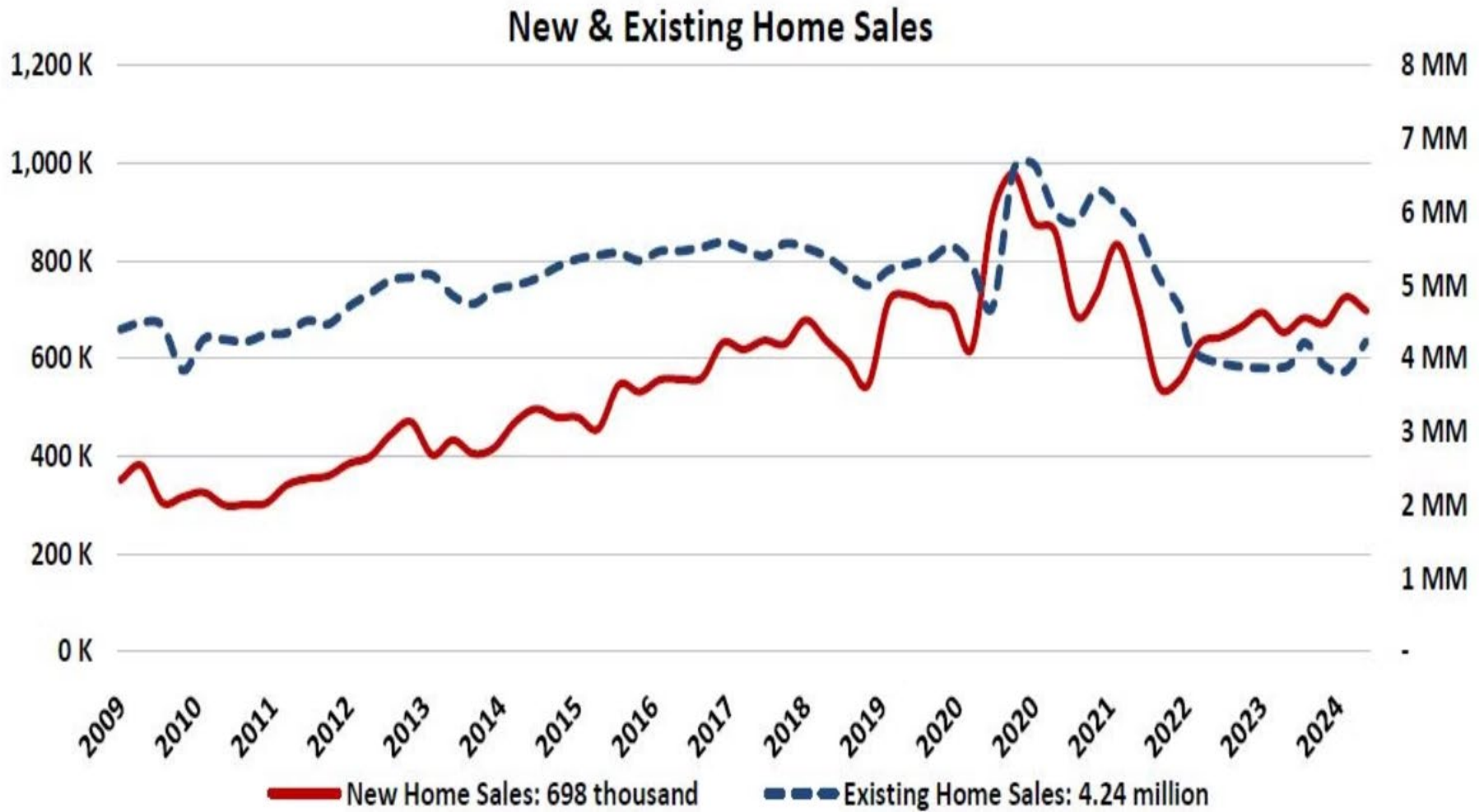


Value vs. 30 Yr Mtg. Rate

FRED  — S&P CoreLogic Case-Shiller U.S. National Home Price Index
••• 30-Year Fixed Rate Mortgage Average in the United States*10



New and Used Home Sales



Time in a House

- 2005: 6.5 Years
- 2012: 10.0 years
- 2020: 13.4 years
- 2022: 12.3 years
- 2023: 13.7 years



Auto Sales

AUTO SALES

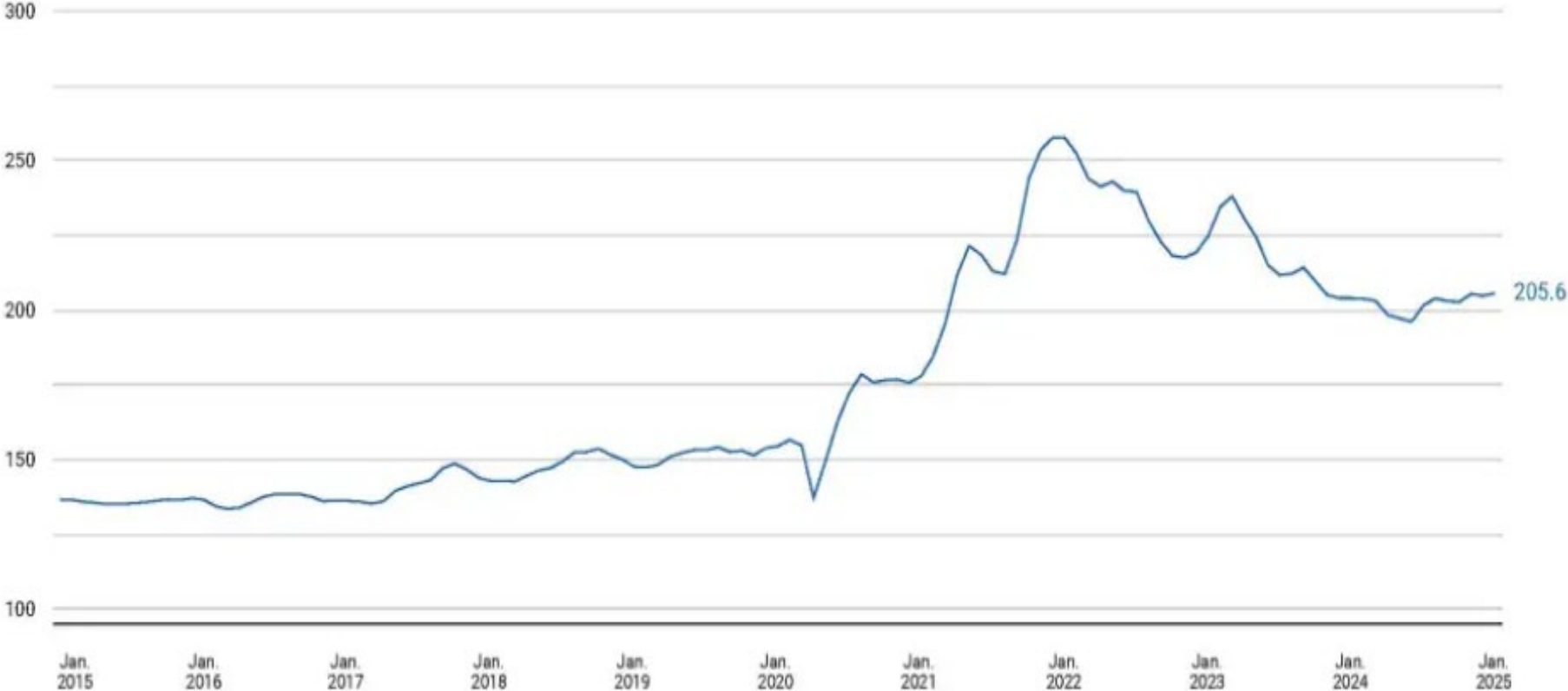
FRED

— Light Weight Vehicle Sales: Autos and Light Trucks



AUTO VALUES

MANHEIM USED VEHICLE VALUE INDEX
January 2025





Stock Market

S&P 500



NASDAQ



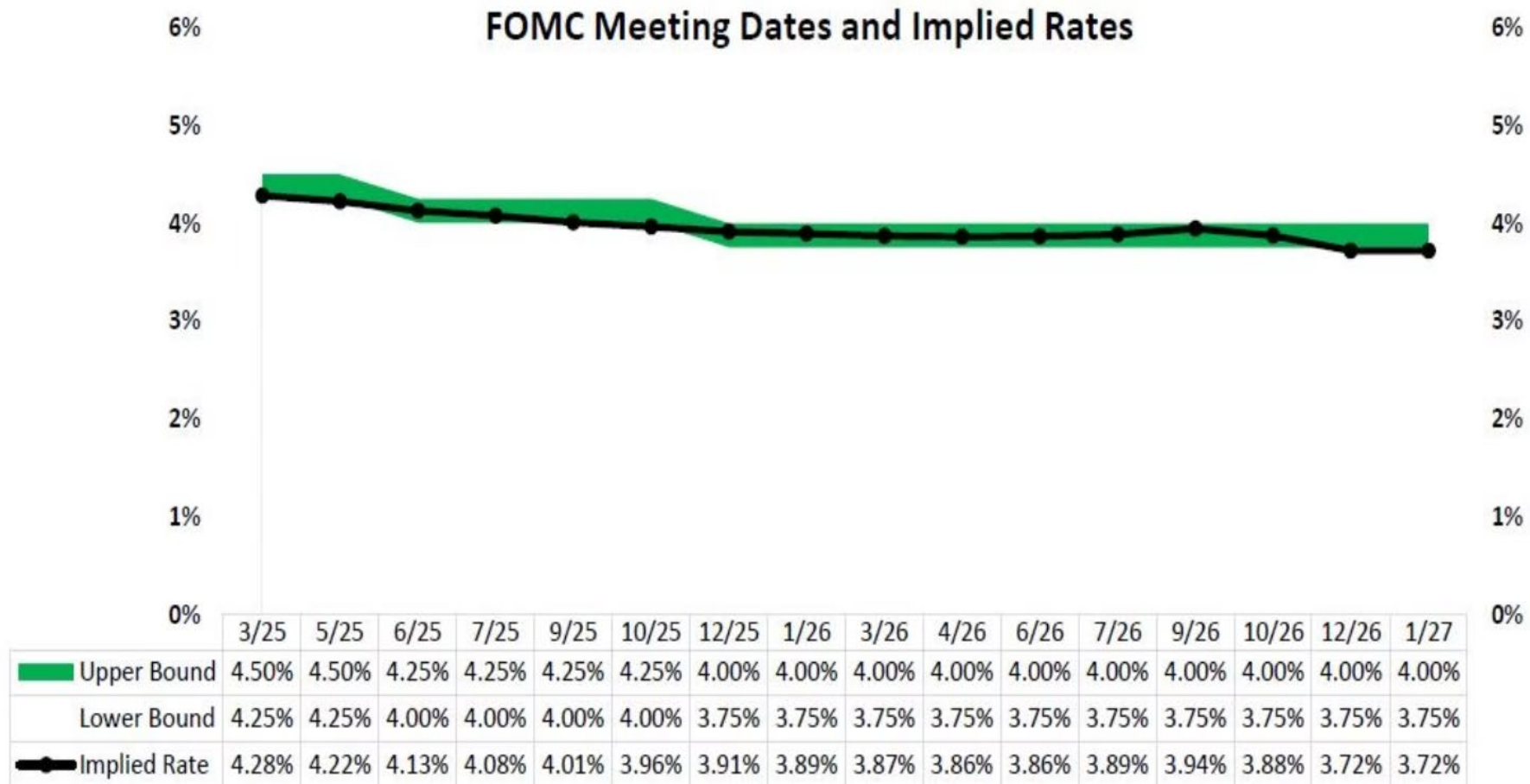


FOMC

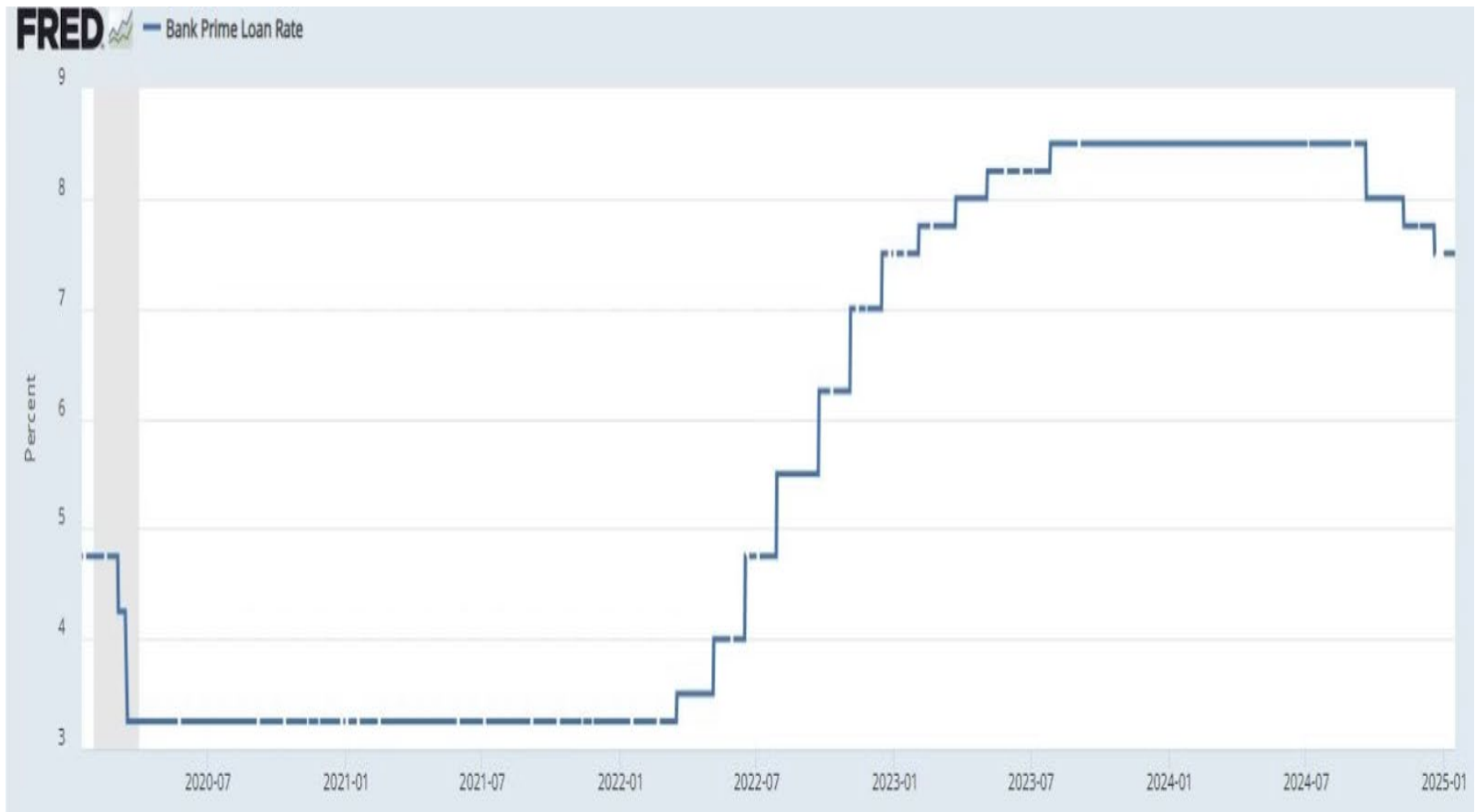
What do we see the Federal Open Market Committee doing with interest rates?



FOMC Implied Rates



Prime Rate

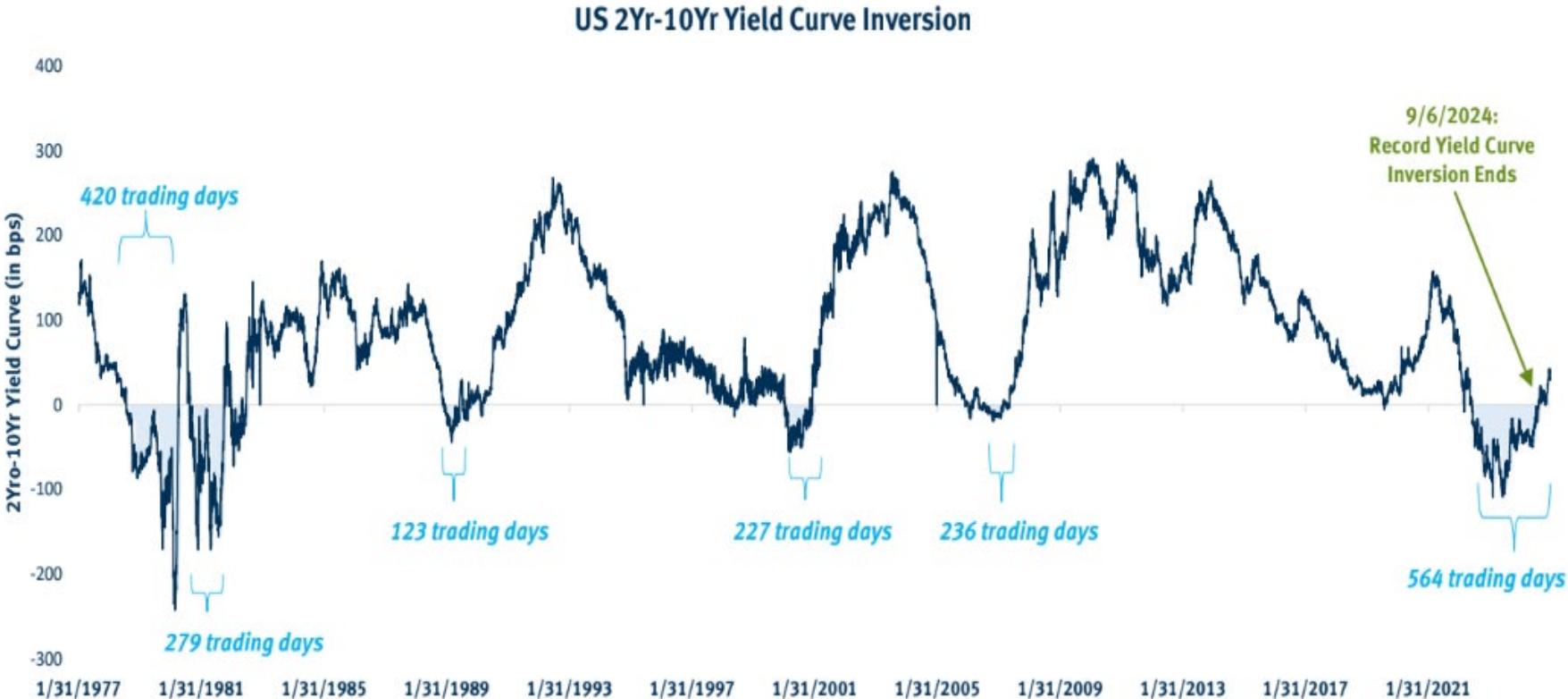




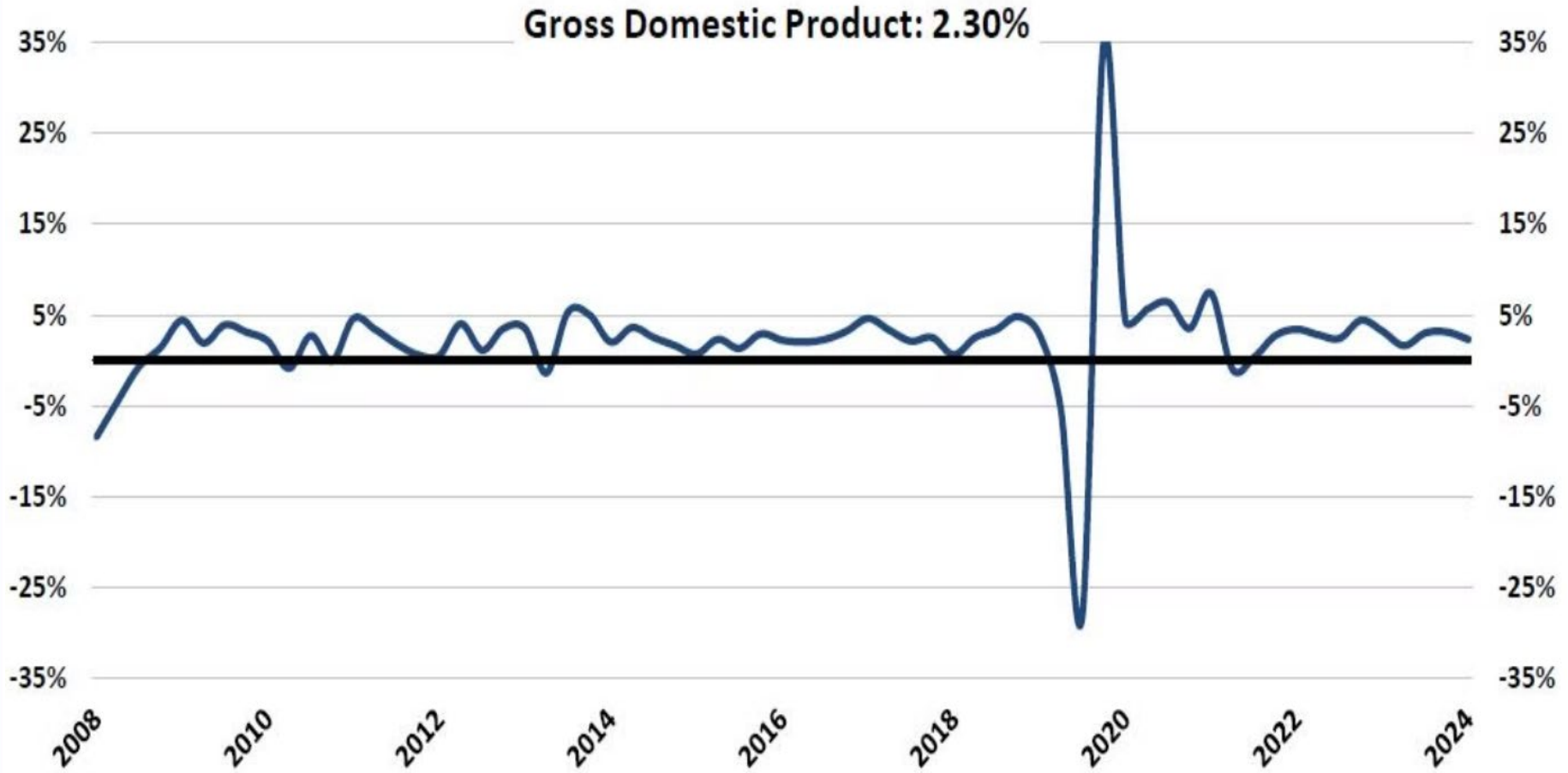
Economic Indicators



Yield Curve is Not Inverted

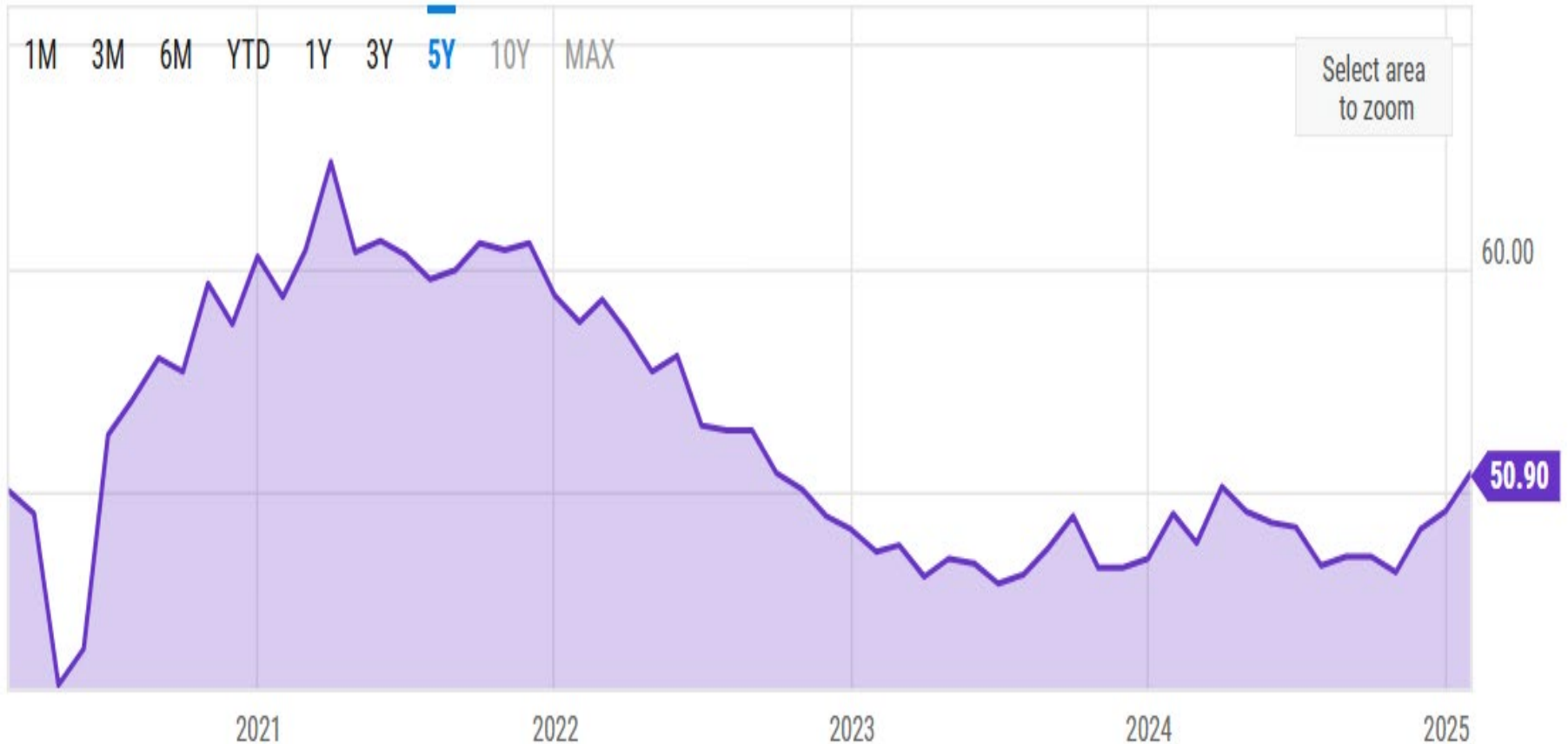


GDP Growth Trends



ISM Manufacturing

- Business New Orders



Source: Bloomberg

Commercial Loans – Delinquency

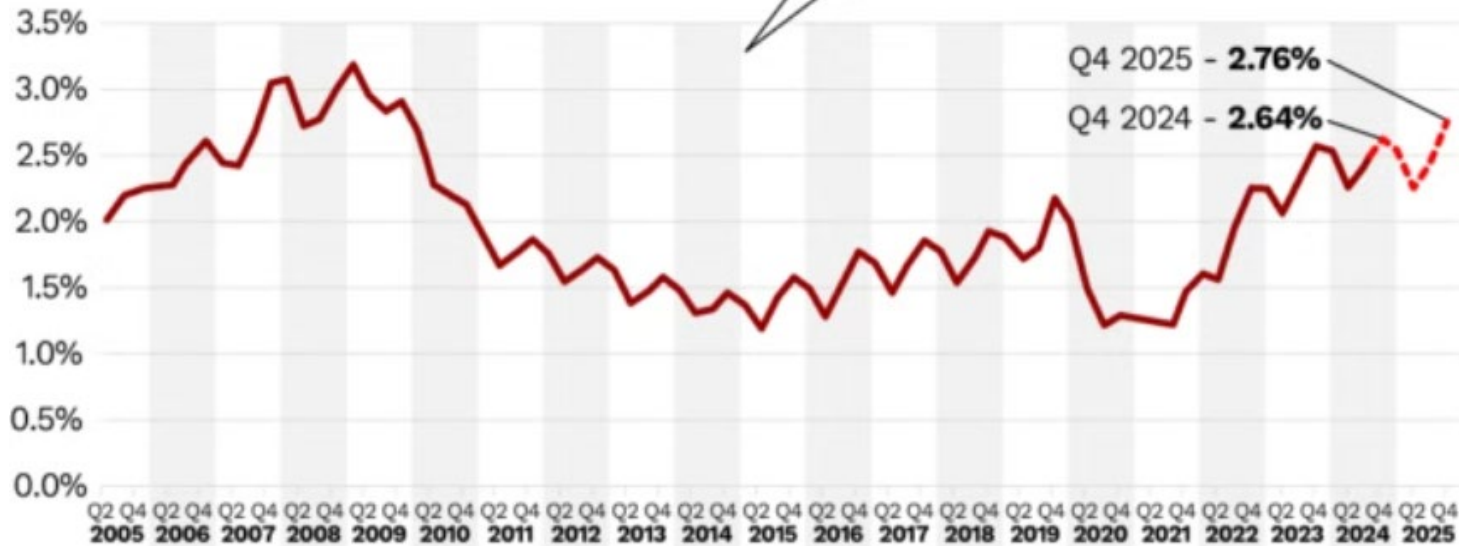


Credit Card Delinquency

Card delinquencies forecast to grow more slowly than in recent past

Card delinquency (% Consumers 90+ DPD)

— Actual - - - Forecast

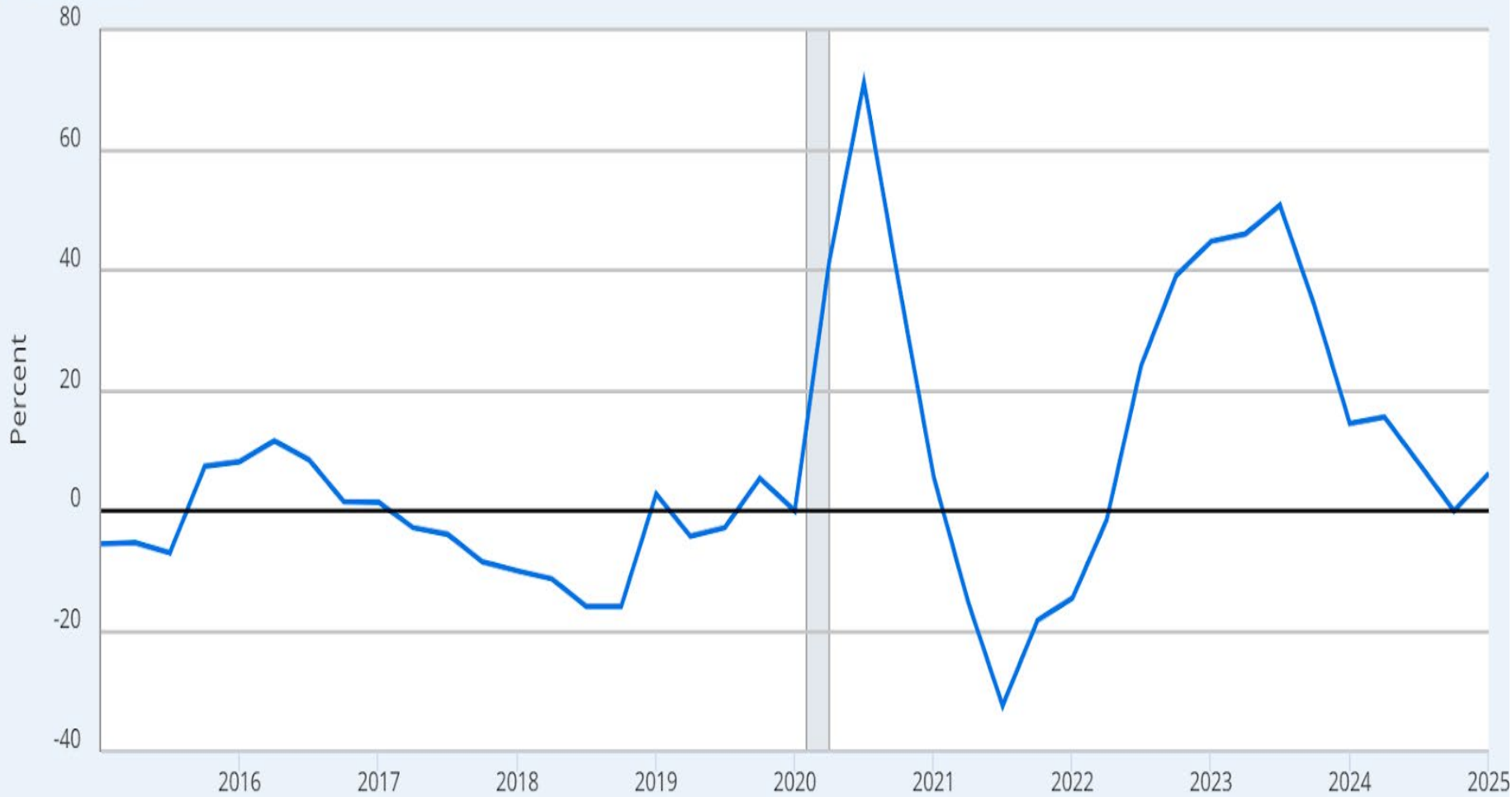


	2019	2020	2021	2022	2023	2024 (F)	2025 (F)
Year end delinquency rate	2.19%	1.30%	1.48%	2.26%	2.59%	2.64%	2.76%
YoY % Change	12.9%	-40.4%	13.6%	52.8%	14.3%	2.1%	4.4%

C&I Credit Standards

FRED

— Net Percentage of Domestic Banks Tightening Standards for Commercial and Industrial Loans to Large and Middle-Market Firms





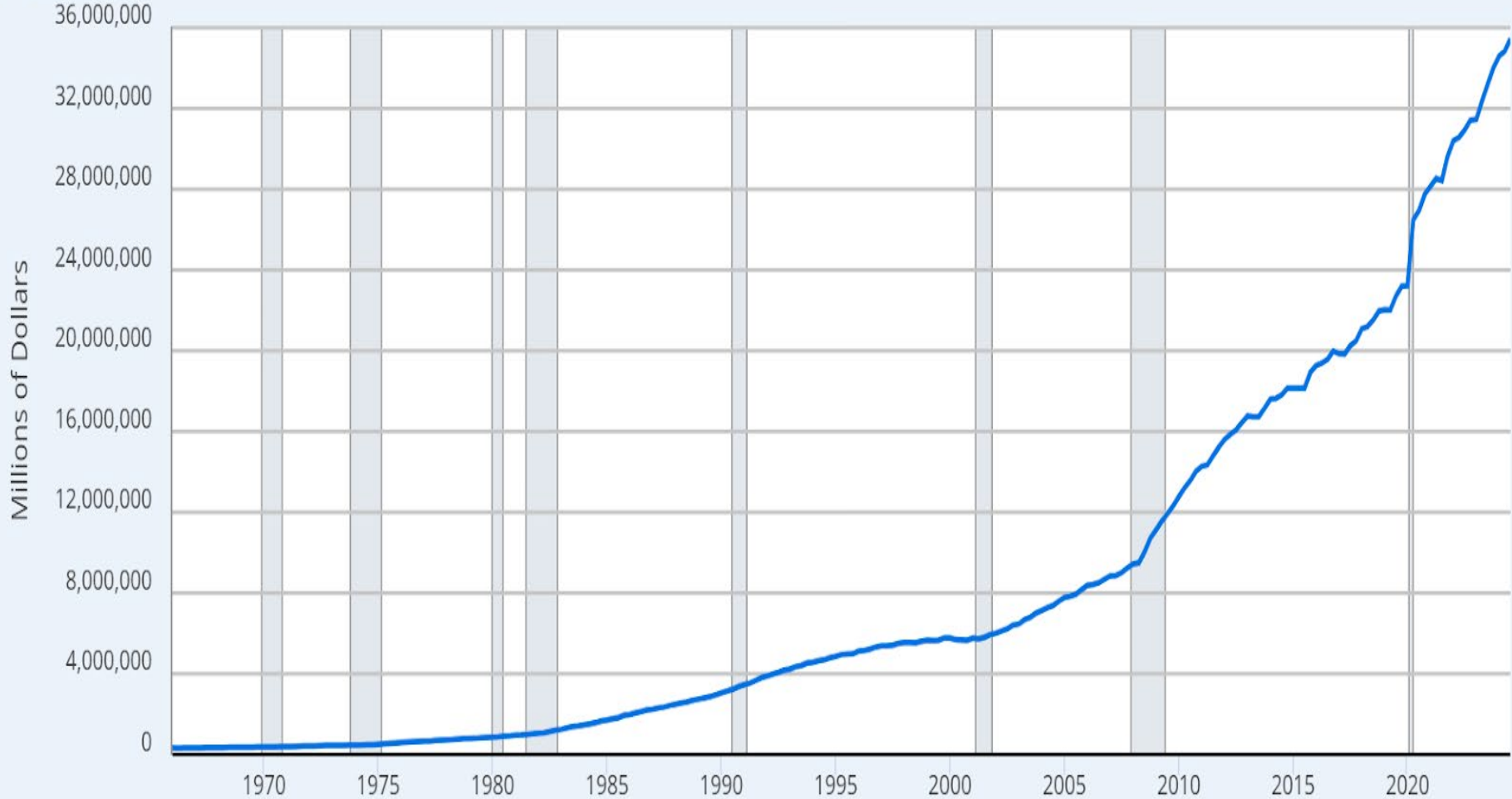
USA & DOGE



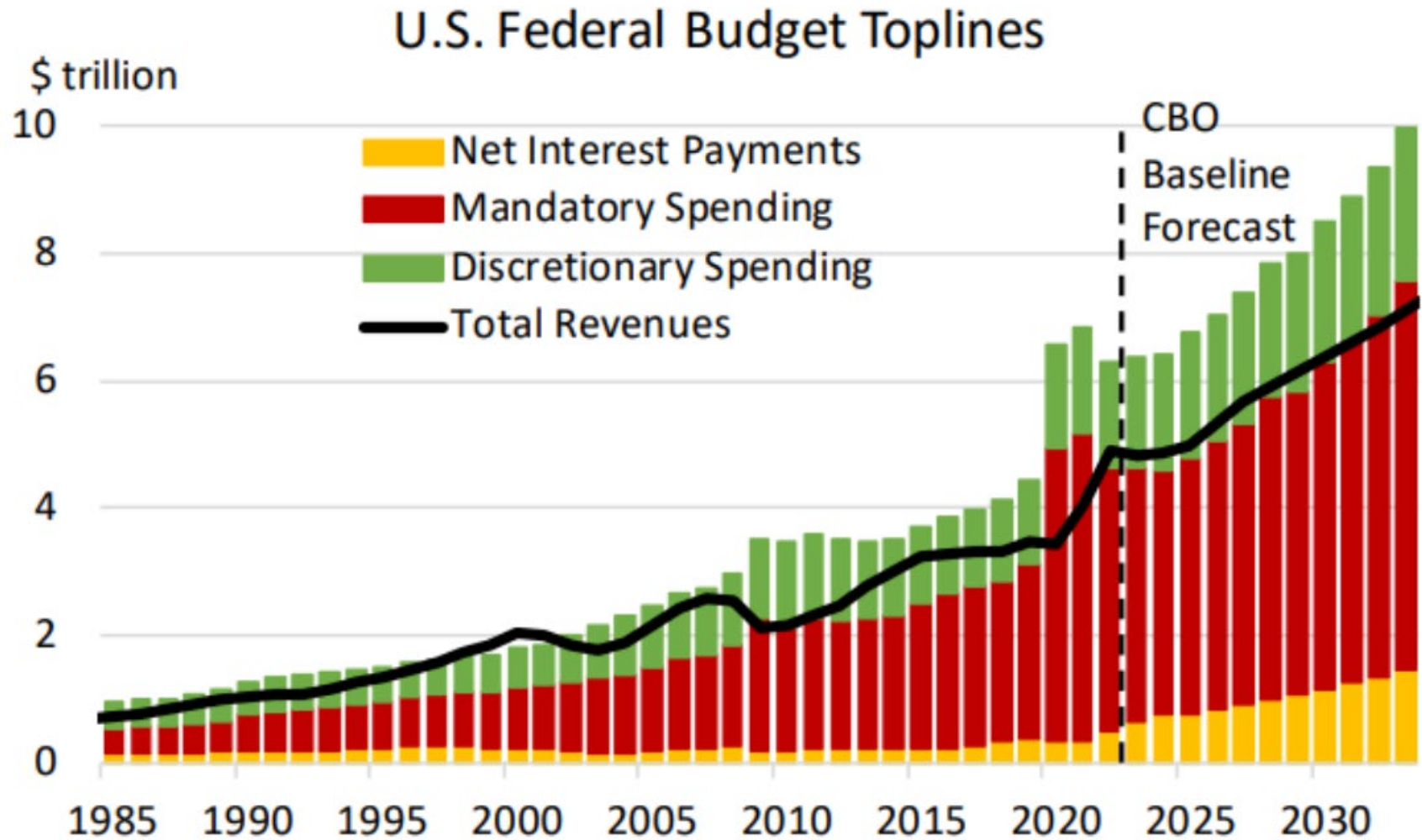
Federal Debt

FRED 

Federal Debt: Total Public Debt



Debt Service





Michigan



New employment laws in Michigan in 2025

Unemployment benefits

- The maximum number of weeks of unemployment benefits increases from 20 to 26 weeks
- The maximum weekly benefit increases to \$446 in 2025, \$530 in 2026, and \$614 in 2027
- The weekly benefit will adjust based on the Consumer Price Index in future years

Paid sick leave

- All Michigan employers must provide paid sick leave
- All employees are eligible for paid sick leave
- Employees can accrue up to 72 hours of sick leave per year
- Employees receive one hour of paid sick leave for every 30 hours worked

Minimum wage

- The minimum wage increases, adjusted for inflation
- The tip credit is eliminated as of February 21, 2029
- Tipped employees transition to standard minimum wage

Other changes

- The 2013 right-to-work bill is repealed, allowing employers to condition employment on whether the employee pays union dues or service fees



Future Economic Projections



Business Thoughts - 2025:

- Interest rates – unchanged = High interest rates for longer
- Inflation – high & slowing
- Consumer - Slowing due to debt
- Unemployment – Higher
- Labor – Continued higher cost
- Geo-Political - Wars
- Debt - US debt unsustainable

Lots of positive views with the election results

Personal Thoughts - 2025:

- **Housing:**
 - Values flat to down – unaffordable
 - Mortgage rates remain high
 - Home equity / Prime rate remain high
- **Jobs** – Harder to find
- **Cars** - Prices remain high
- **Technology** - Great environment for disruption, automation, and AI
- **DOGE** - The news of the year

People have a positive view

THANK YOU & QUESTIONS

Charley McQueen

charley@m-f-a.com

248.548.8400

The entire MFA team is here to help!