



# **Economic Outlook Task Force Update**

## **GLWA Audit Committee**

May 2025

Public Sector Consultants



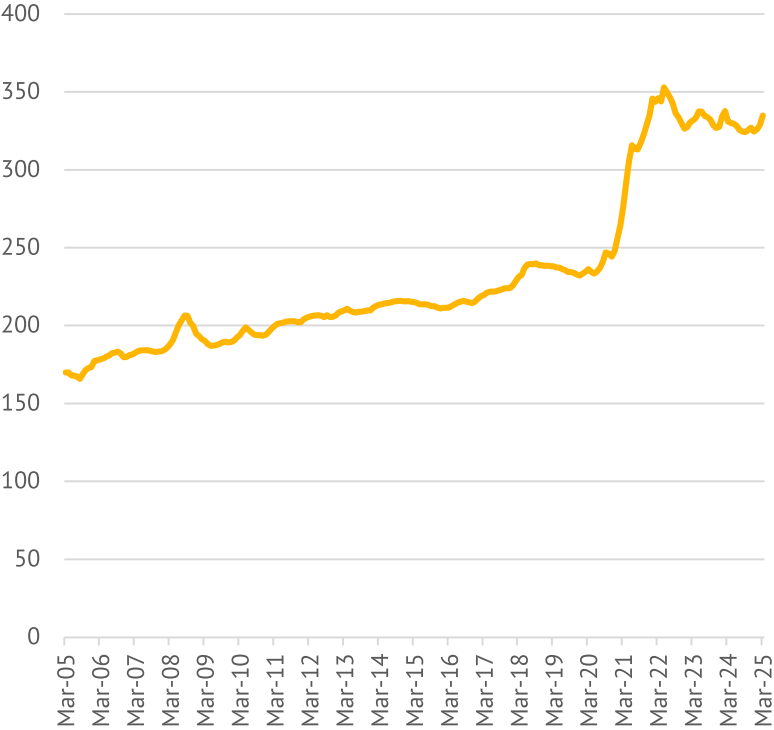
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# Executive Summary: 2025 Q1 in Review

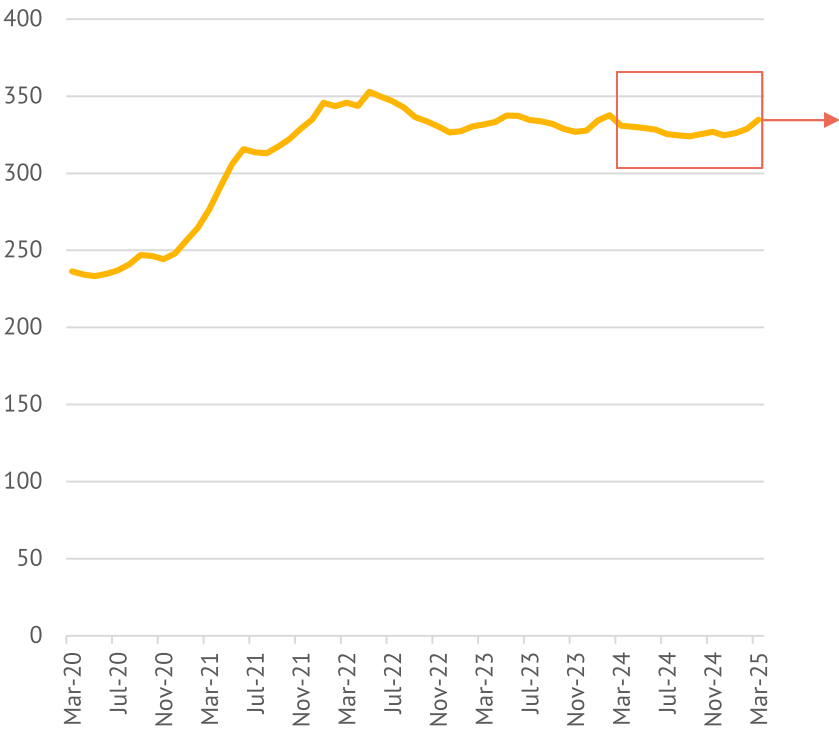
- The national economy is showing signs of cracks—lower production, supply chain issues—that particularly impact the auto industry. The federal administration's tariff policies have created uncertainty:
  - Impact on prices has not shown up in inflation reports, but we expect a lag
  - Commodity prices and availability will be impacted depending on which countries they are imported from primarily
- GDP contracted in Q1 of 2025 with a 0.3% decline, the first contraction since Q1 of 2022. April jobs report showed that hiring held steady.
- As predicted, inflation for 2024 lowered to 2.9% and continued a downward trend reaching 2.4% in March 2025; however, tariffs and supply chain interruptions could reverse this progress
  - Fed has signaled a wait-and-see approach as it monitors the Trump Administration's policy announcements
  - Trade negotiations during the 90 day pause on tariffs will be crucial to the ultimate impact

# Construction Materials: Producer Price Index

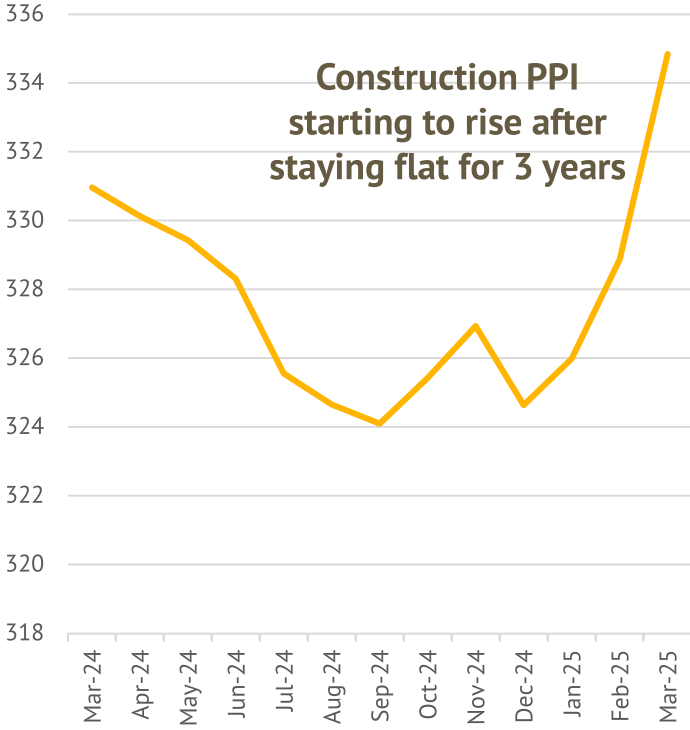
20 YR



5 YR



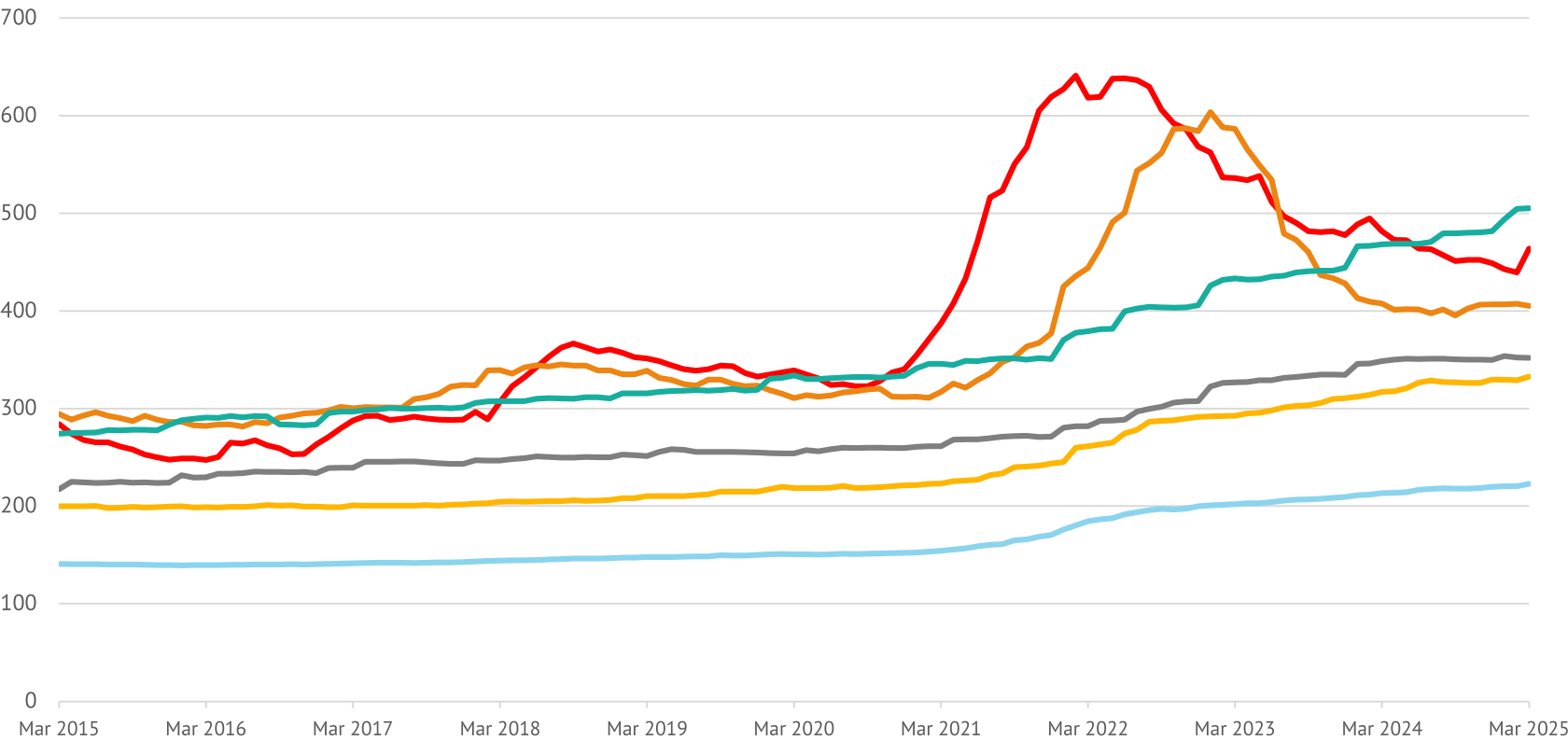
1 YR\*



Source: Bureau of Labor Statistics, Producer Price Index  
\*Note the different vertical axis for 1YR



# Priority Materials: Producer Prices



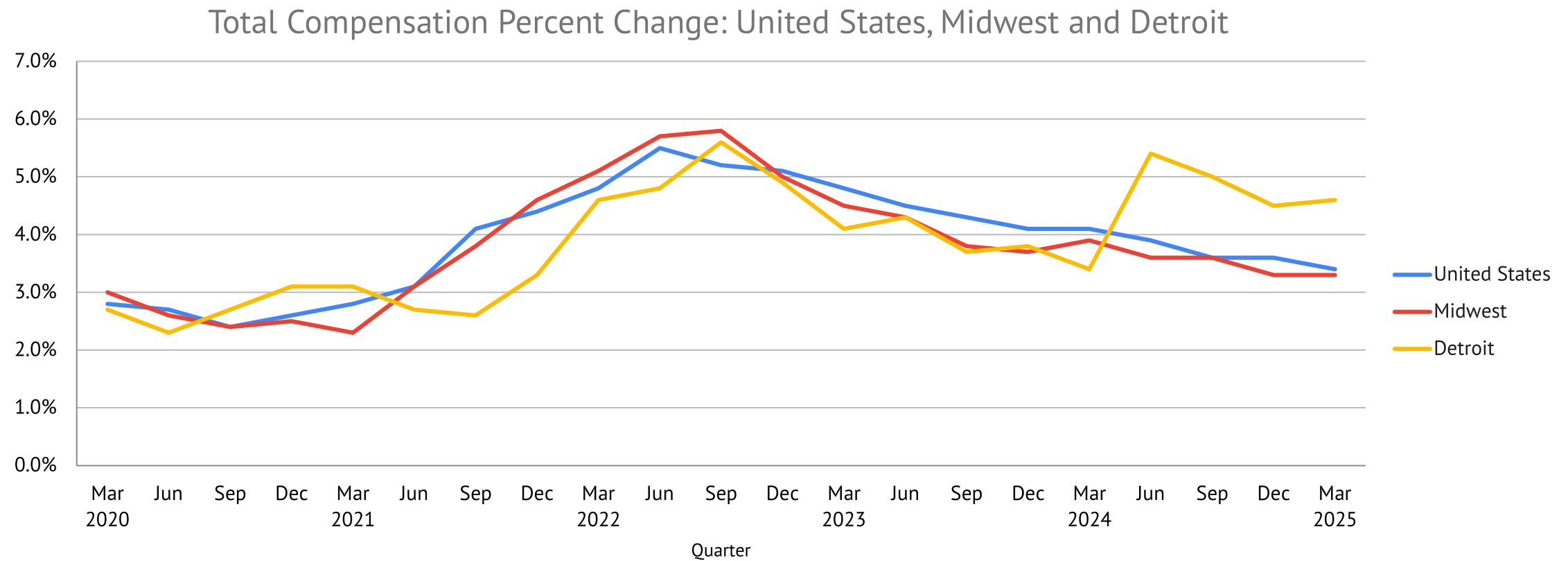
Percent Change	10YR	5YR	1YR
Iron and Steel Pipes and Tubes	63%	37%	-4%
Chlorine	38%	30%	-1%
Aggregates	84%	51%	8%
Cement	62%	39%	1%
Electrical Switch Gear/Board	66%	52%	5%
Elect Equipment	58%	48%	4%



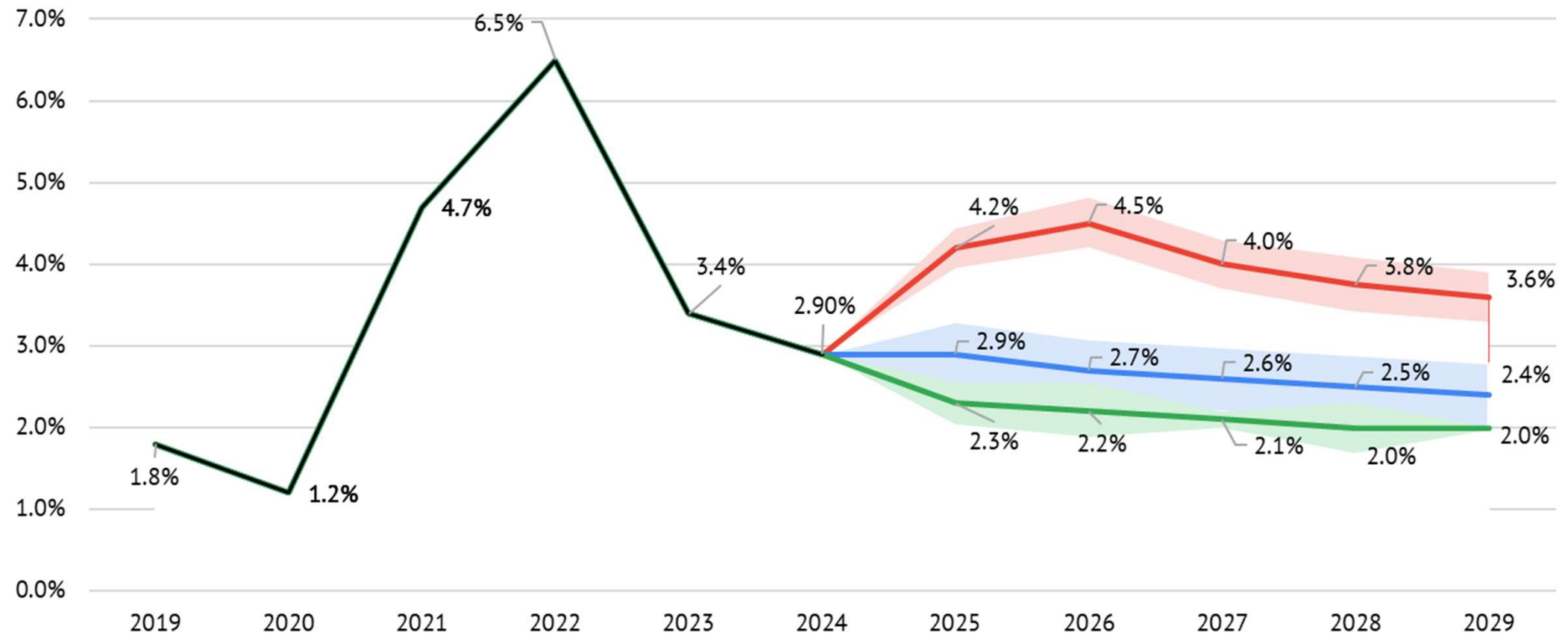
Source: Bureau of Labor Statistics, Producer Price Index



# Wages: Total Compensation



# Southeast Michigan Inflation Forecast



# Looking Ahead in 2025: Key Drivers to Watch

- The impact of fluid policies remains uncertain, but we expect downward pressure on economic growth and upward pressure on inflation
- Trade War and negotiations during the 90 day pause on most new tariffs
- Inflationary pressures could delay or reverse interest rate reductions
  - The Fed only lowered rates 100 bps in 2024 and expectations for further cuts in 2025 are volatile as the Fed weighs recessionary risk versus inflation
- Cuts to federal spending programs and staff
- Labor market exhibiting some cautionary indicators: slowdown in hiring and slight decrease in labor force participation
- Consumer sentiment has dropped to lowest levels since the pandemic
- Local economy more exposed than national economy due to concentration of the auto industry
  - Risk of higher prices and lower employment