



# **Economic Outlook Task Force Update**

## **GLWA Board of Directors: Audit Committee**

August 25, 2023

Public Sector Consultants



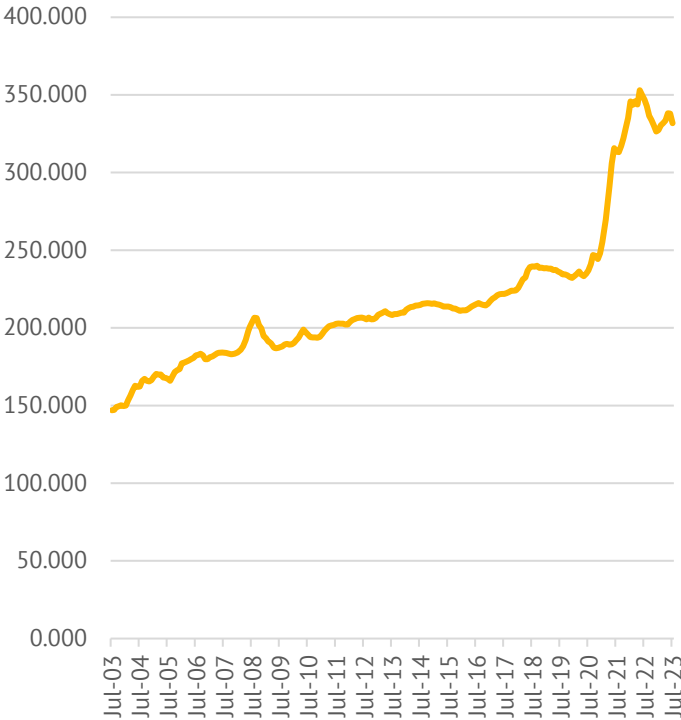
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# Executive Summary

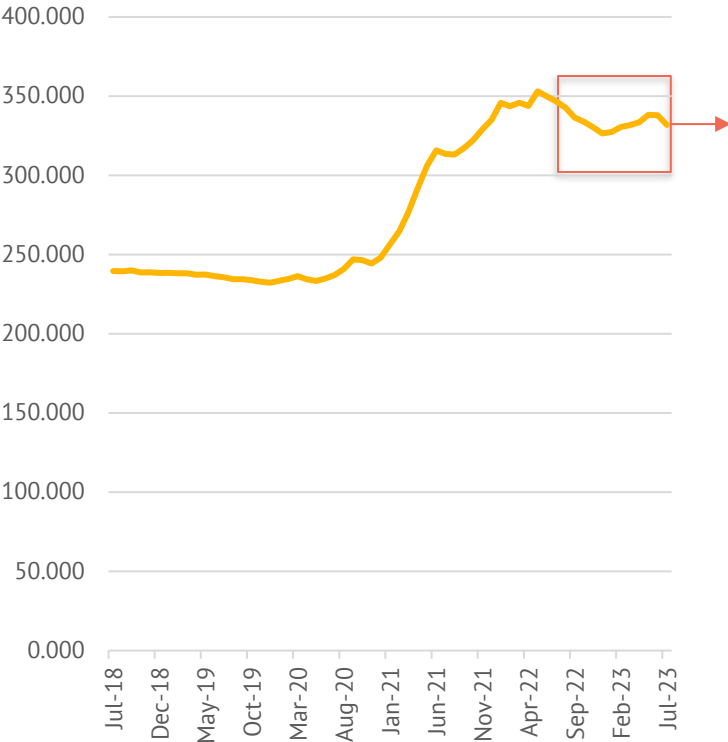
- As expected, overall inflation and cost pressures are more stable this year than in 2022
  - Inflation rose from 2% pre-pandemic, to nearly 7% last year, and is currently running around 4%.
  - The decline from 7% to 4% was mostly driven by reverses in food, oil, and supply bottlenecks.
  - Moving from the 4% inflation to the Federal Reserve target of 2% will be much harder
- Inflation forecast suggests slightly lower annual inflation rate than last report
  - **Jun. 2023:** Forecast projects 2023 12-month inflation at 4.2%
  - **Current (August 2023):** Forecast projects 2023 12-month inflation at 3.6% with updated data
    - Bank failures have created some uncertainty in markets and in the broader economy
    - Nationally, risk for a recession remains elevated
    - Low unemployment, combined with inflation, are continuing to put pressure on construction industries
    - Construction bids in SE MI are high and likely to remain high in 2023
      - These prices typically escalate quickly can be slow to come down
- Material prices are up from last spring, but not at the rate seen during the spike in 2020-2021
  - Price increases for core GLWA materials appear to have slowed but rising faster than overall inflation and remain high

# Construction Materials: Producer Price Index

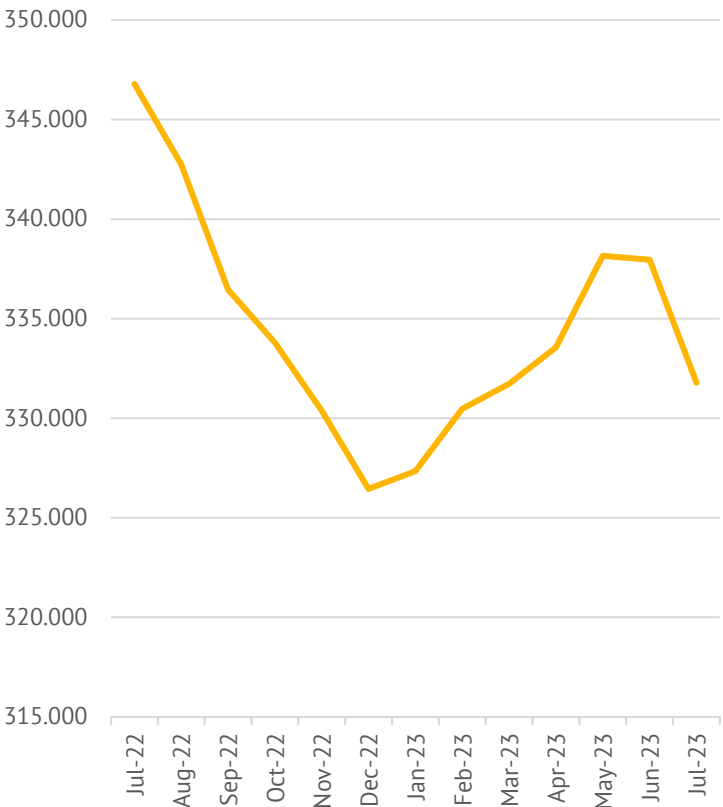
20 YR



5 YR



1 YR\*



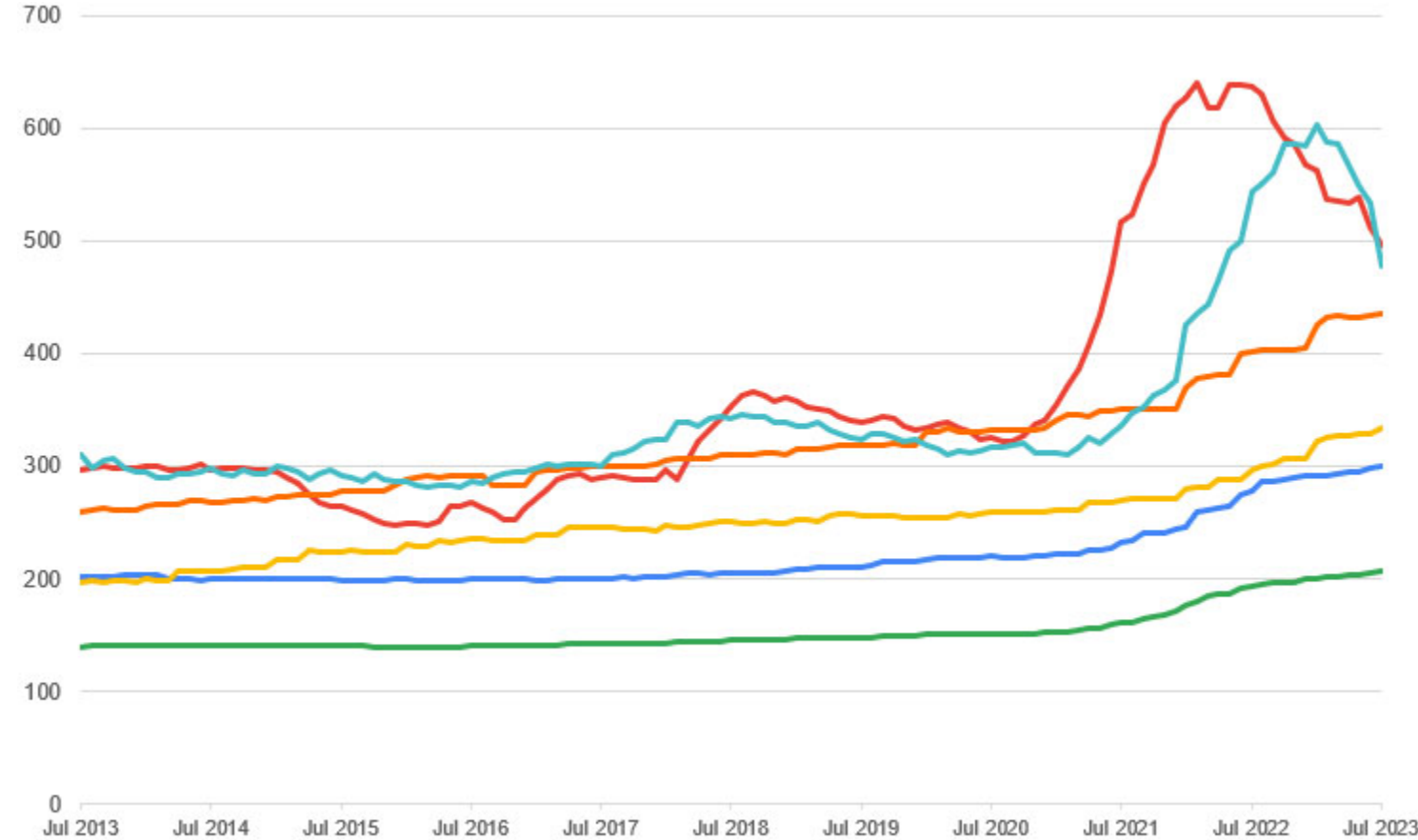
Source: Bureau of Labor Statistics, Producer Price Index

\*Note the different vertical axis for 1YR



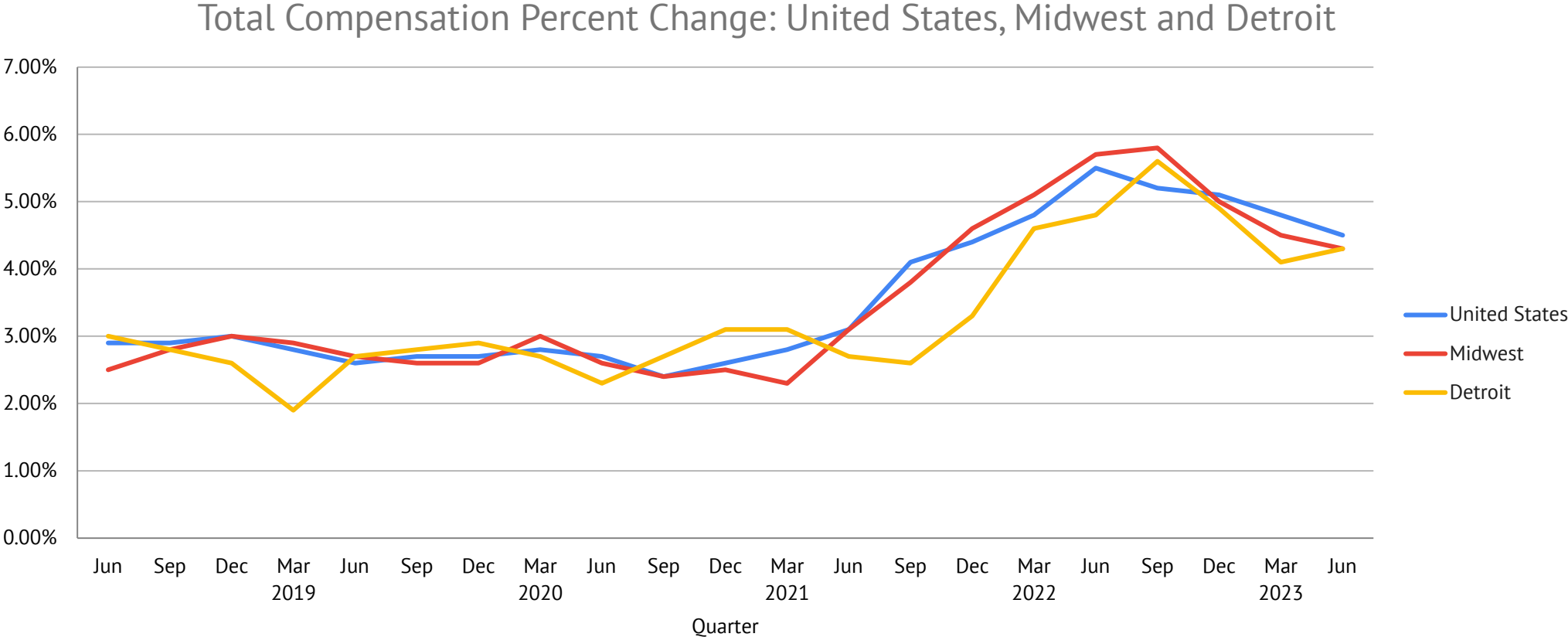
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# Priority Materials: Producer Prices



Percent Change	10YR	5YR	1YR
Iron and Steel Pipes and Tubes	67%	41%	-22%
Chlorine	54%	39%	-12%
Aggregates	68%	40%	8%
Cement	69%	34%	13%
Electrical Switch Gear/Board	49%	46%	8%
Elect Equipment	47%	42%	7%

# Wages: Total Compensation



# Southeast Michigan Inflation Forecast (Update)

