

Economic Update

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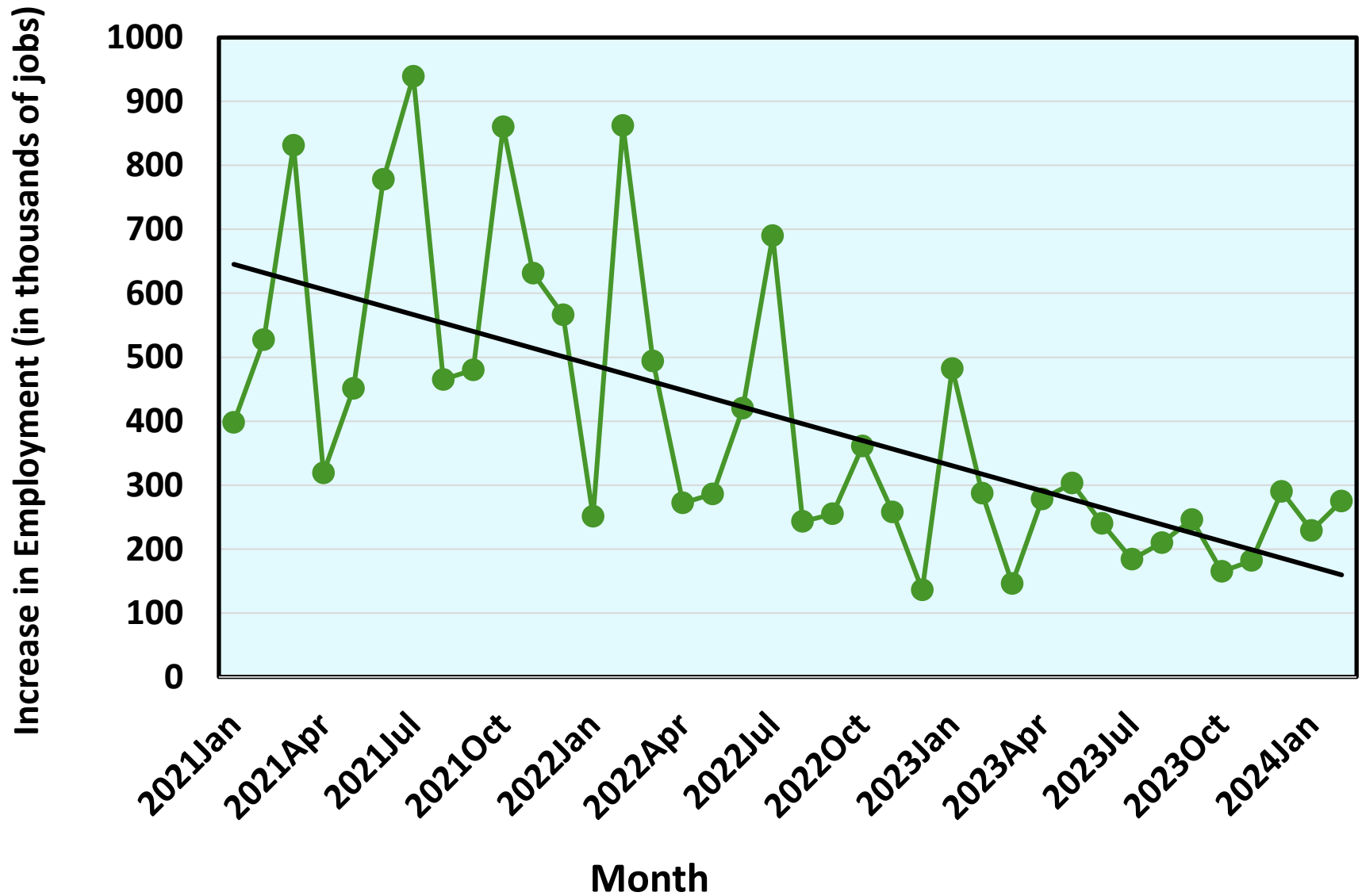
Last Friday's Jobs Report:

The U.S. economy continued to perform very impressively by adding 275,000 jobs in February.

In the last two years, the U.S. economy has performed substantially better than most economists (including me) had expected.

Employment growth has slowed down since the middle of 2022, but it has been remarkably strong in recent months.

Monthly Increase in Employment in the United States, January 2021 - February 2024

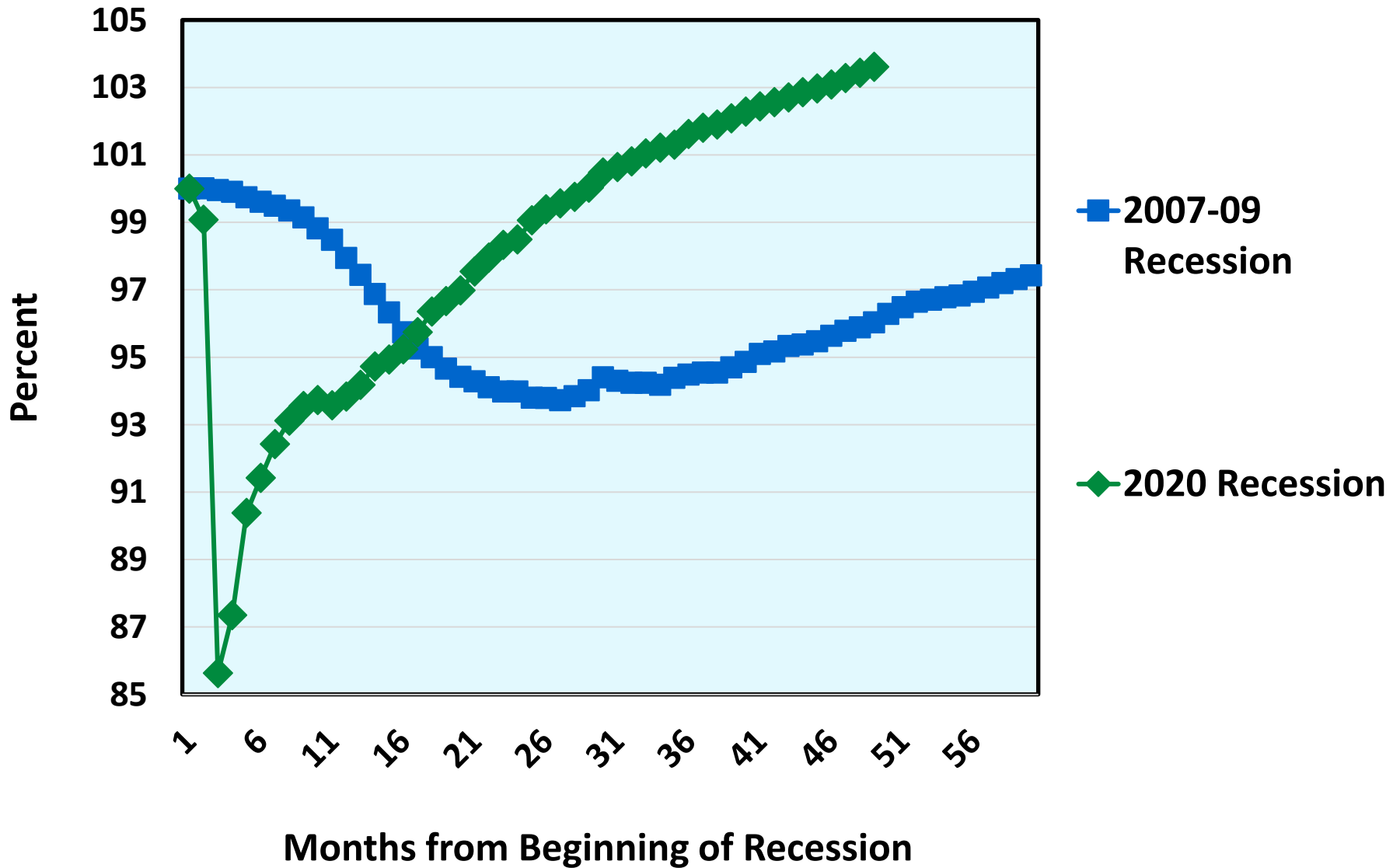


Four years after the COVID recession, employment continues to grow, and is now 5.5 million above the pre-pandemic peak.

The unemployment rate has been below 4% for 25 consecutive months, which equals the best streak since 1967-1970.

The recovery from the COVID recession of 2020 compares very favorably with the recovery from the Great Recession of 2007-2009.

Employment in the United States, as Percent of Employment at the Beginning of Selected Recessions

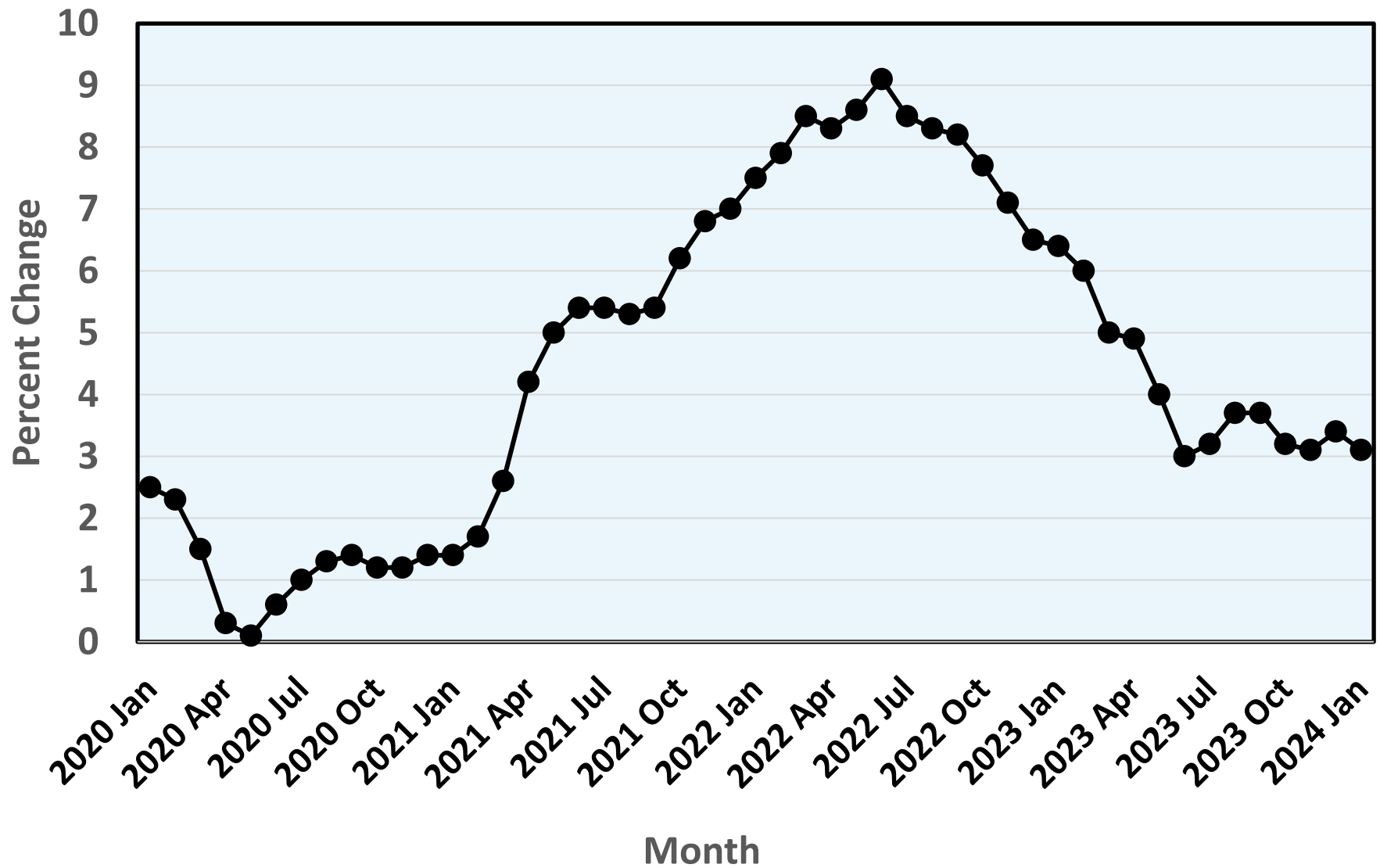


When inflation began to increase in 2021, the Federal Reserve had to respond by raising interest rates.

Many feared that this would lead to a recession.

**So far, however, we are
nowhere close to
recession, and inflation
has moderated very
substantially.**

Percent Change in the Consumer Price Index From One Year Earlier, January 2021 - January 2024



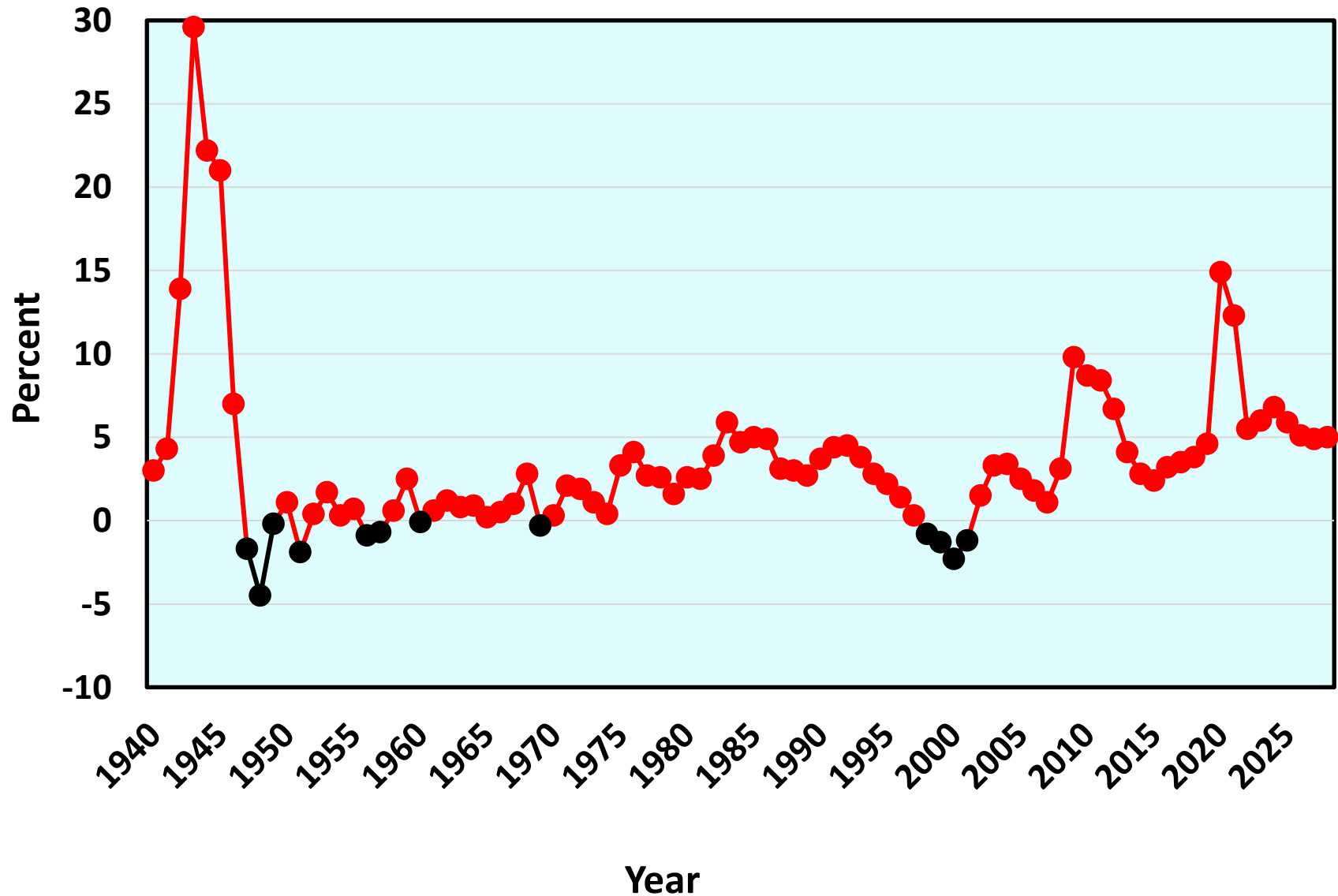
One factor contributing to these successes is that productivity grew rapidly in the second and third quarters of 2023.

Despite an overall picture that most economists say is pretty good, public-opinion surveys indicate that much of the public is grumpy about the economy. Why?

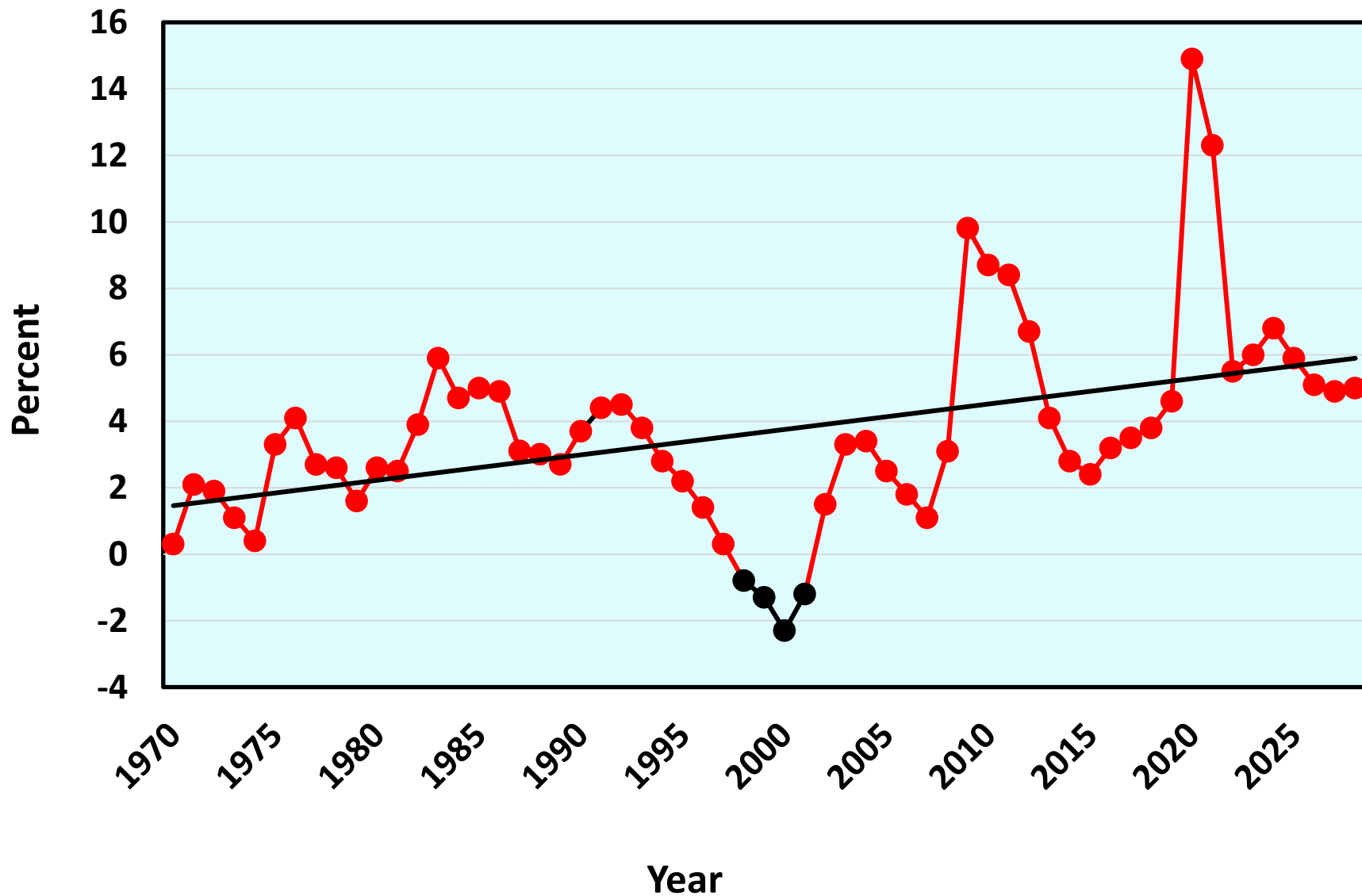
- 1. Even if inflation is much reduced, higher prices still weigh heavily on many people.**
- 2. Even if their current situation is pretty good, many express a sense of insecurity for the long term.**
- 3. In a deeply polarized country, many are generally grumpy if their own party is not in the White House.**

The long-term trend is for federal deficits and debt to increase relative to Gross Domestic Product. That worries me a lot.

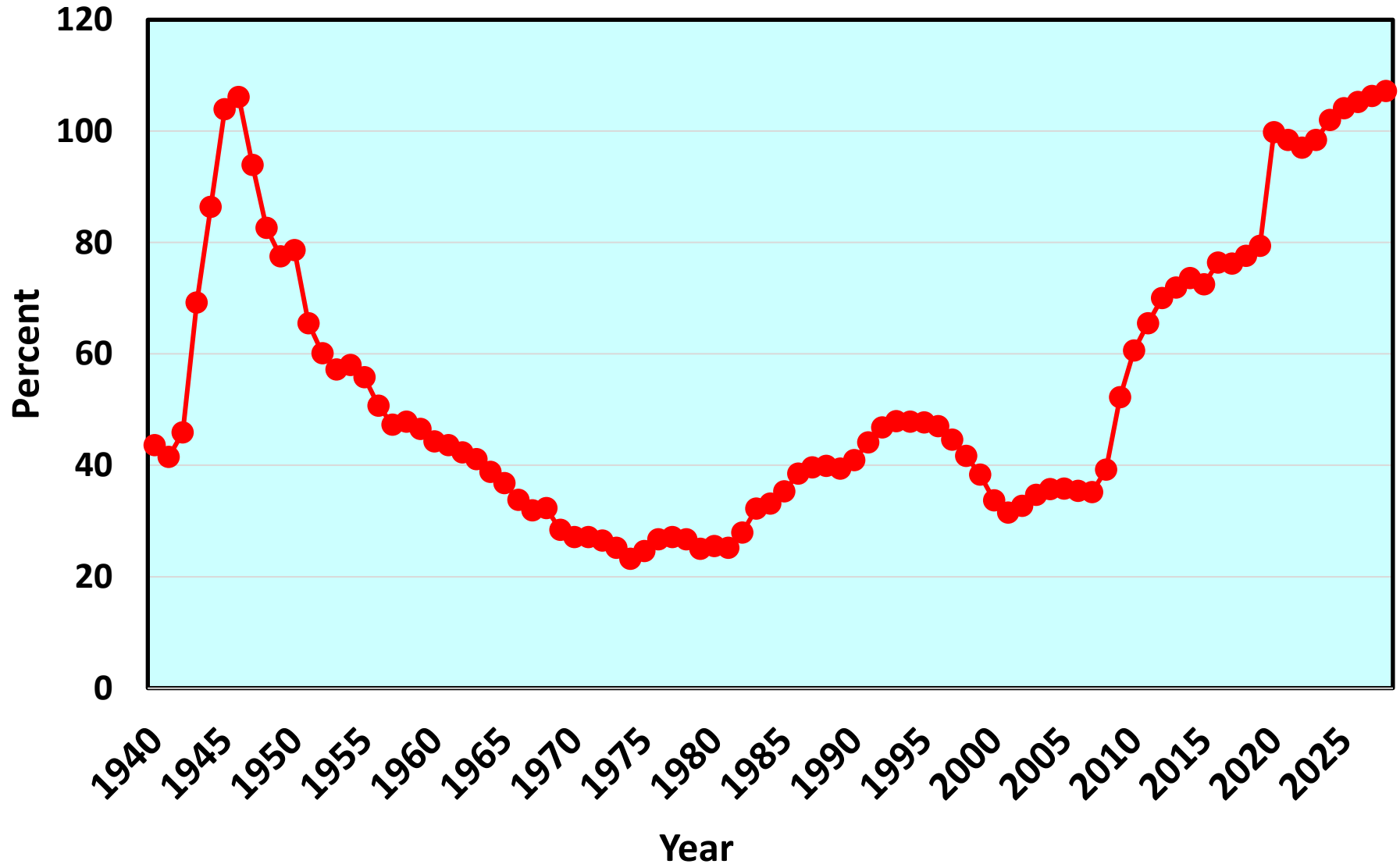
Federal Government Budget Deficits as Percent of GDP, Fiscal Years 1940-2022, with Projections to 2028



Federal Government Budget Deficits as Percent of GDP,
Fiscal Years 1970-2022, with Projections to 2028



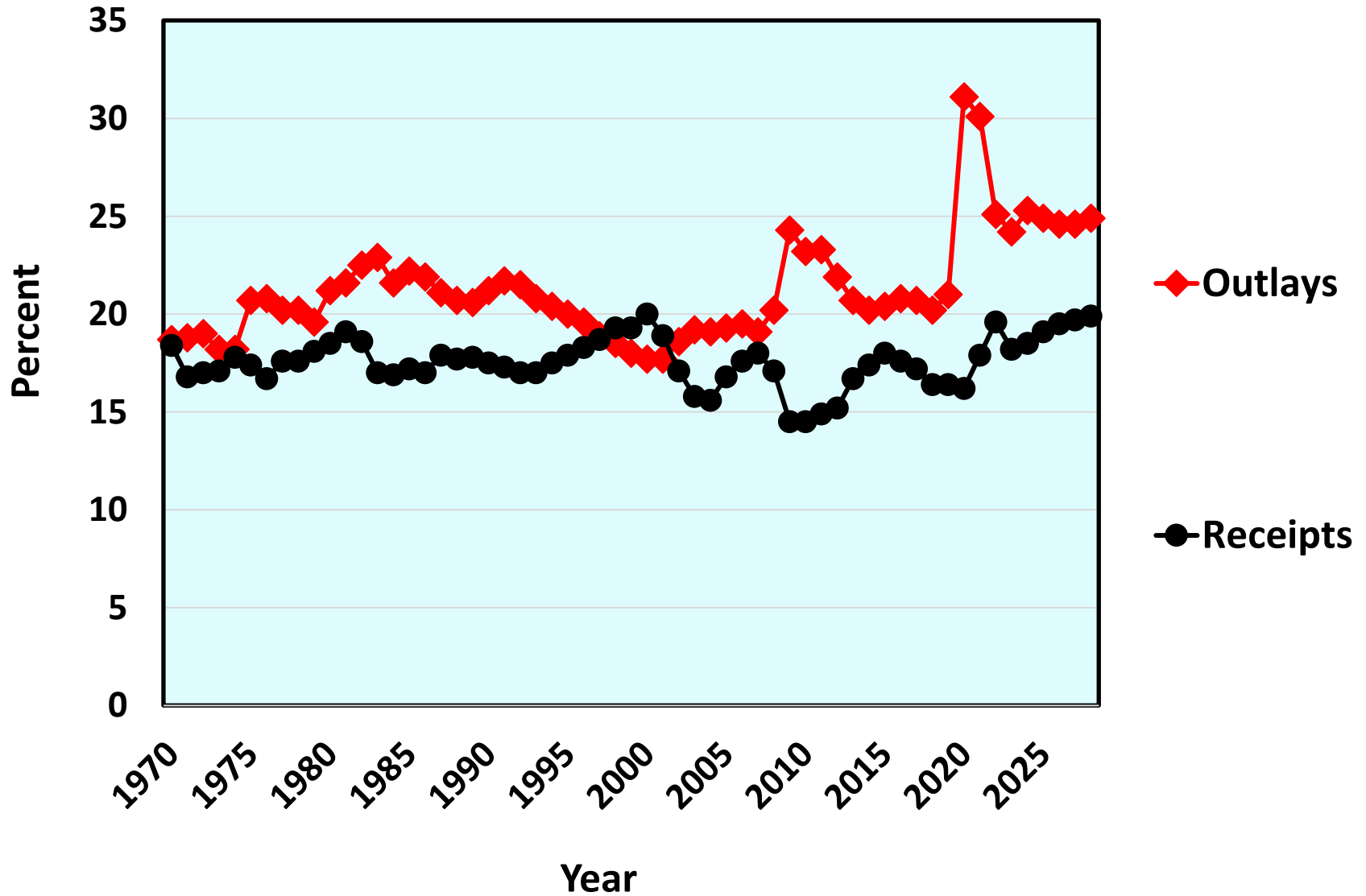
**Federal Debt Held by the Public as Percent of GDP,
At the End of the Fiscal Year, 1950-2022, with Projections to 2028**



**If ever there was a time
to move back toward
fiscal discipline, it's now.**

**It isn't easy politically,
but it can be done.**

Federal Government Outlays and Receipts as Percent of GDP, Fiscal Years 1970-2022, with Projections to 2028



**On those wary but
hopeful notes,
let's sing!**

Michigan, My Michigan

A song to thee, fair State of mine,
Michigan, my Michigan.

But greater song than this is thine,
Michigan, my Michigan.

The whisper of the forest tree,
The thunder of the inland sea,
Unite in one grand symphony
Of Michigan, my Michigan.