

KEDA Annual Luncheon

Economic Forecast – by Punxsutawney Phil

Also appearing:

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&

James McCafferty

March 27, 2024



MAKE WAVES.

A Reminder

Forecasts are (almost) always wrong;
Forecasting is still really valuable



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National Outlook

Watch for a reset

- Consumer spending
- Commercial real estate
- Stock indexes

Key metrics & issues

- Inflation and Interest rates
- Geopolitical challenges



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NABE Consensus

GDP growth for 2023 at 2.5%

Growth slowing to 1% between 2023 Q4 and 2024 Q4

Unemployment increasing to roughly 4.5%

Inflation continues to fall, but stays above 2% through 2024

Considerable disagreement on this item...

Rate cuts starting in the second half of 2024

Wide range of views on Funds Rate (5.375 – 3.375% by end of year)

Yield on 10-year U.S. Treasuries little changed from today



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Key Questions

Can consumer spending support a 'soft landing'?

- Lower inflation will help, but is that enough?

Will unemployment increase enough to cause problems?

Will interest rates remain high enough for long enough to create problems in commercial real estate?

Will the fact that it is an election year alter Fed decisions?

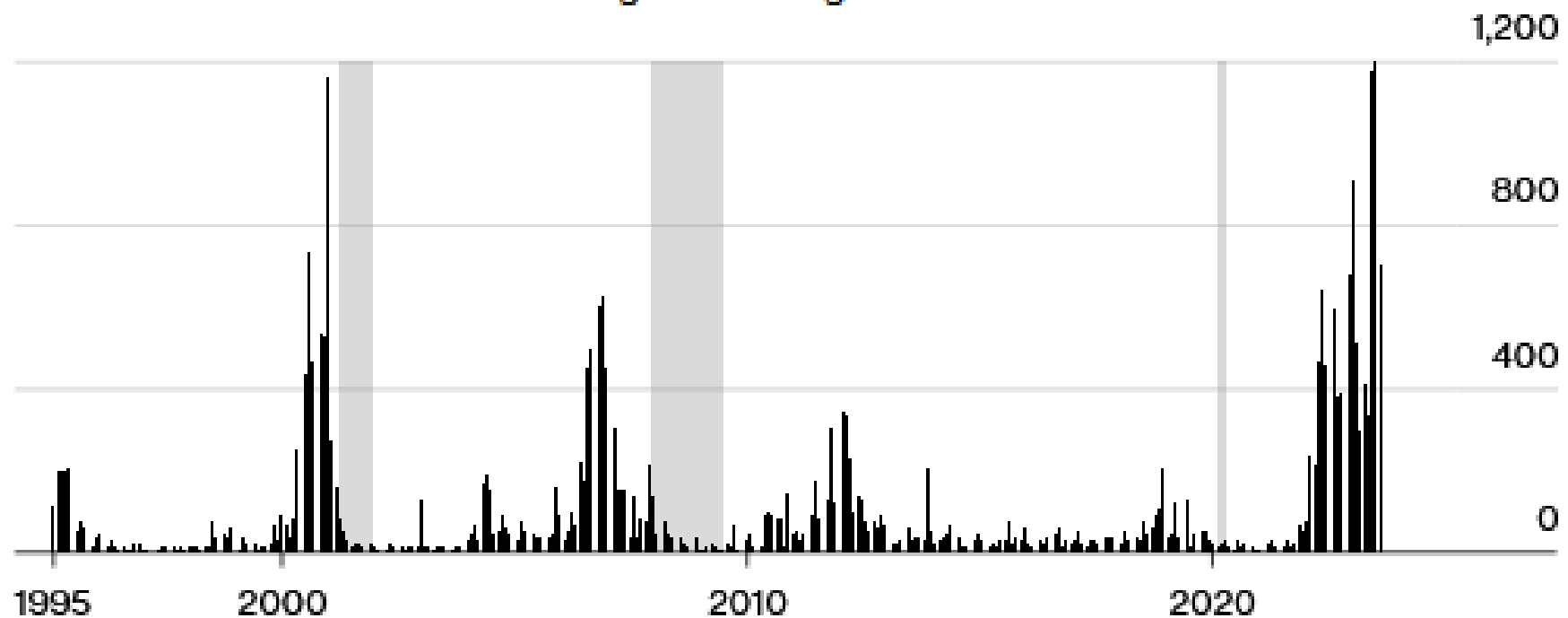
(Be careful with the data and always consider multiple metrics and sources)

Patience?

Soft Landing Hopes and Hard Landing Realities

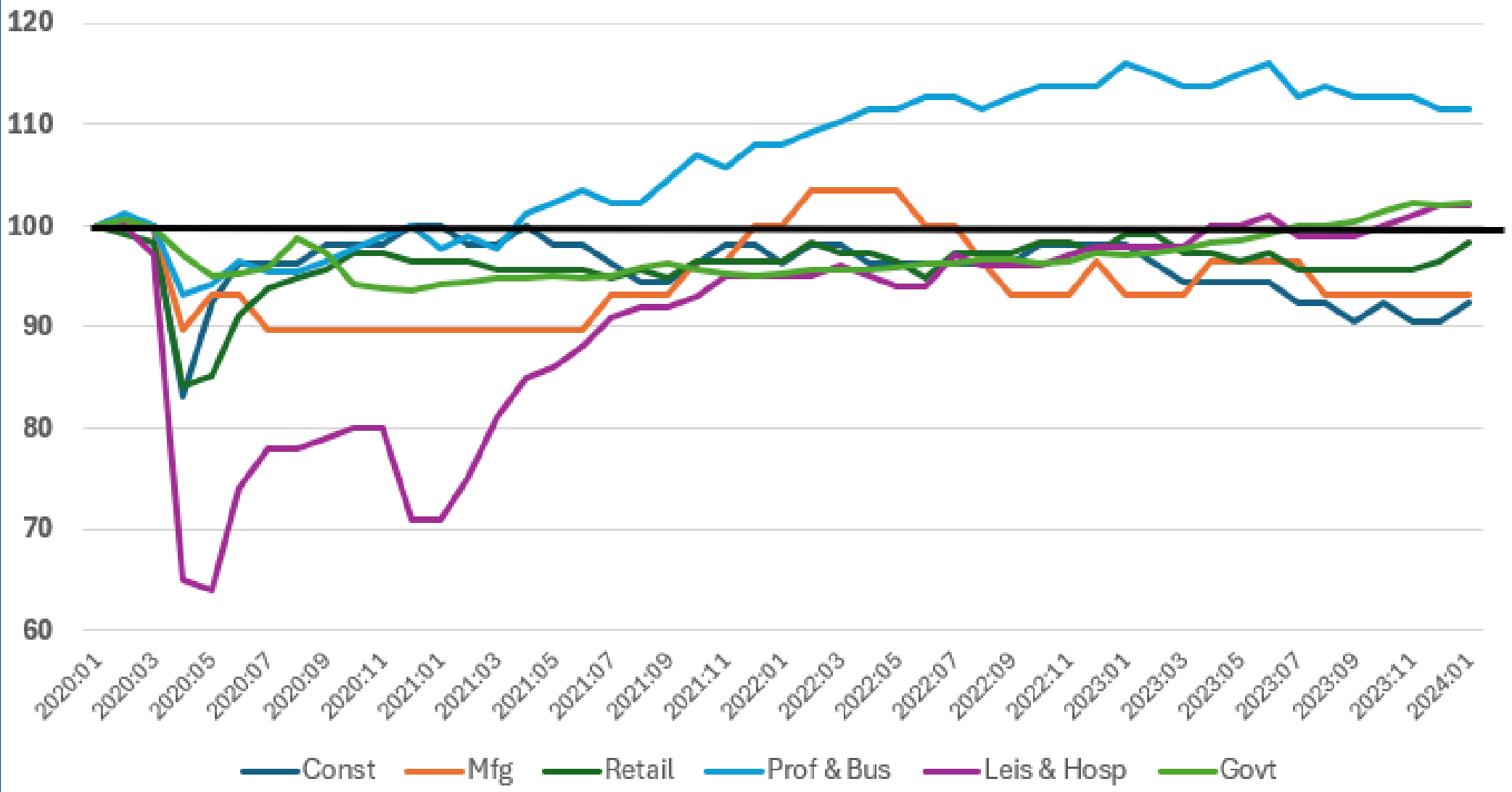
Optimism tends to peak before a downturn hits

■ Number of news articles mentioning 'soft landing' ■ US recessions

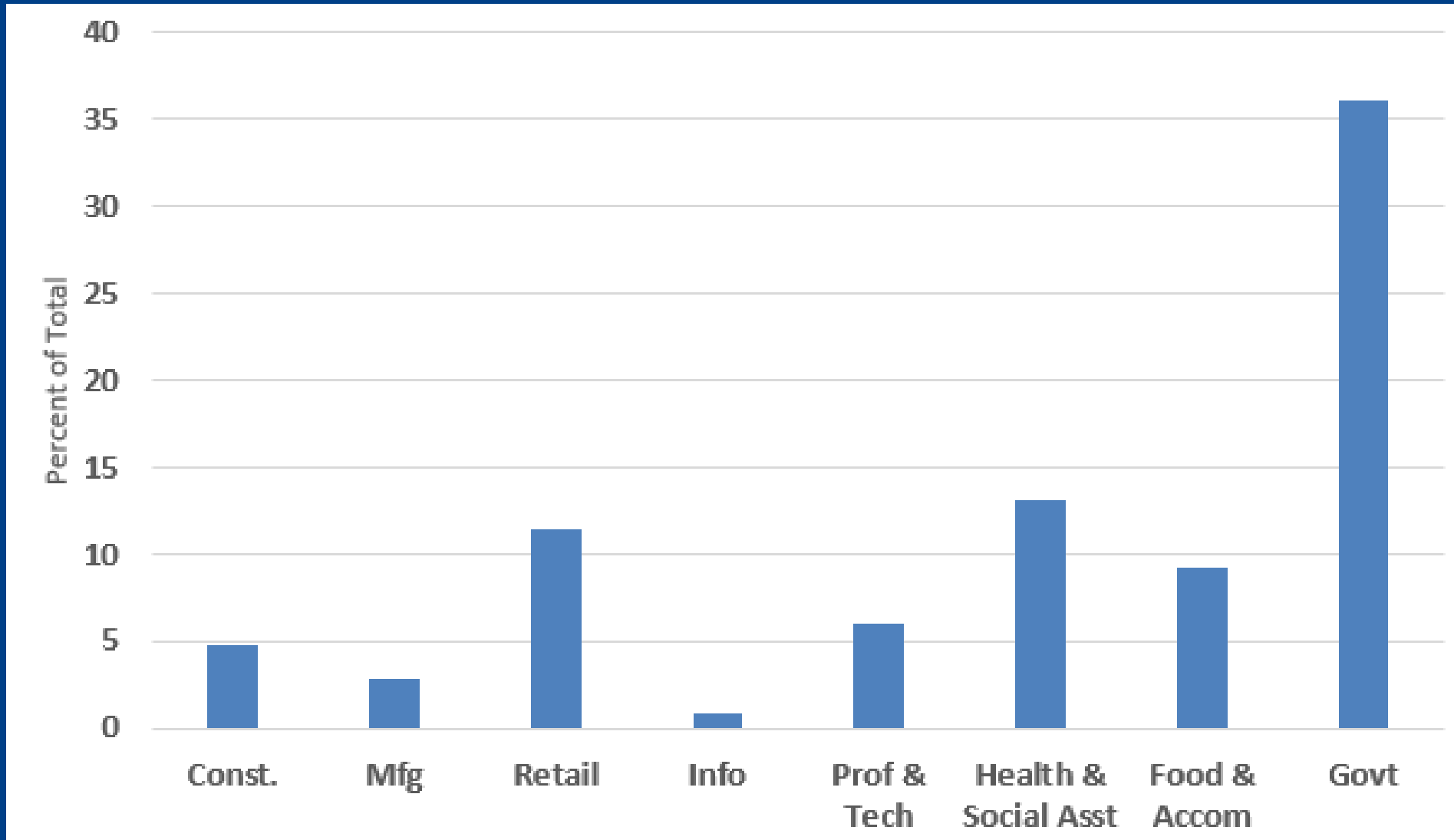


Source: Data compiled from news sources tracked by Bloomberg

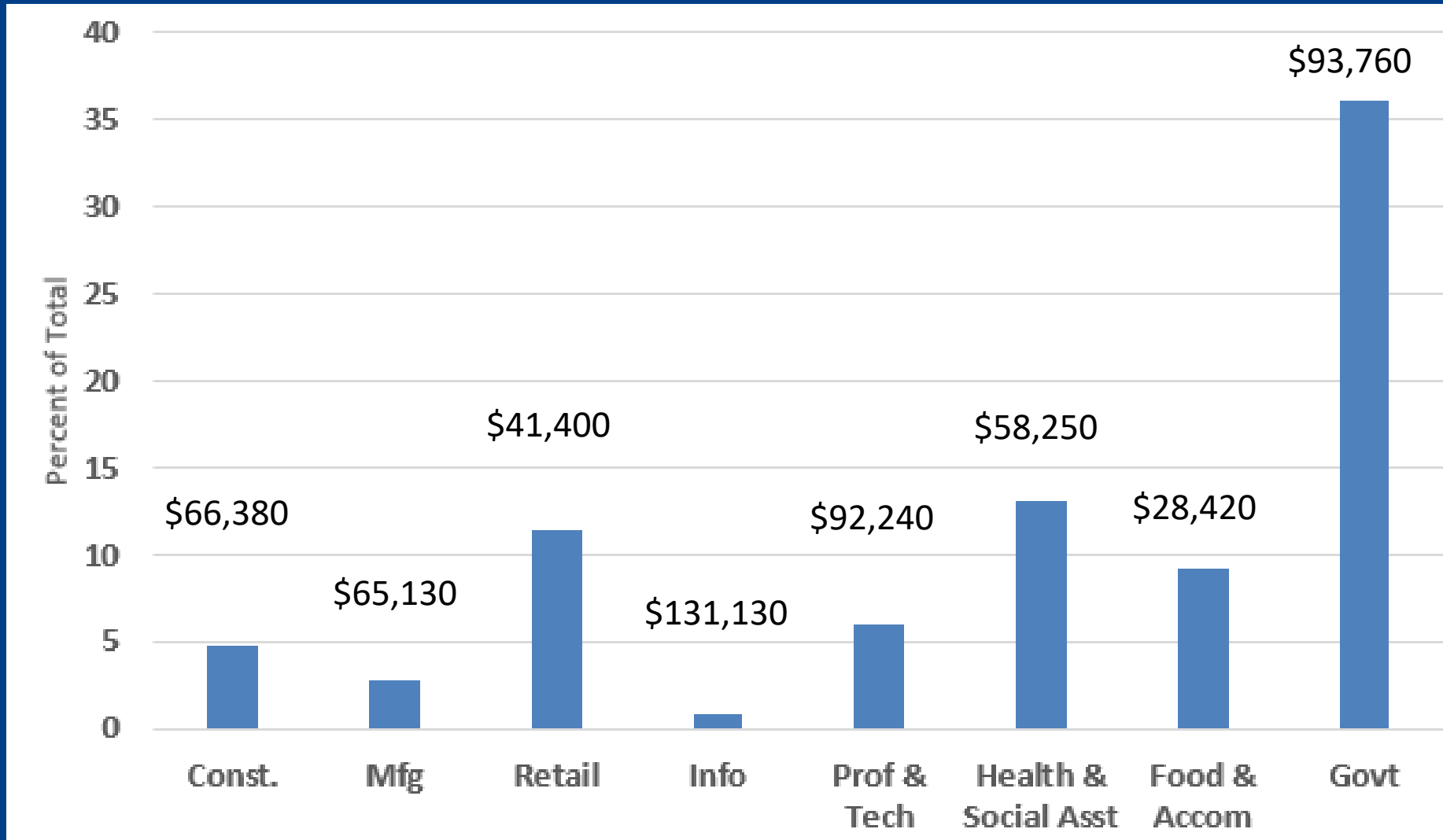
Kitsap Employment – from then to now



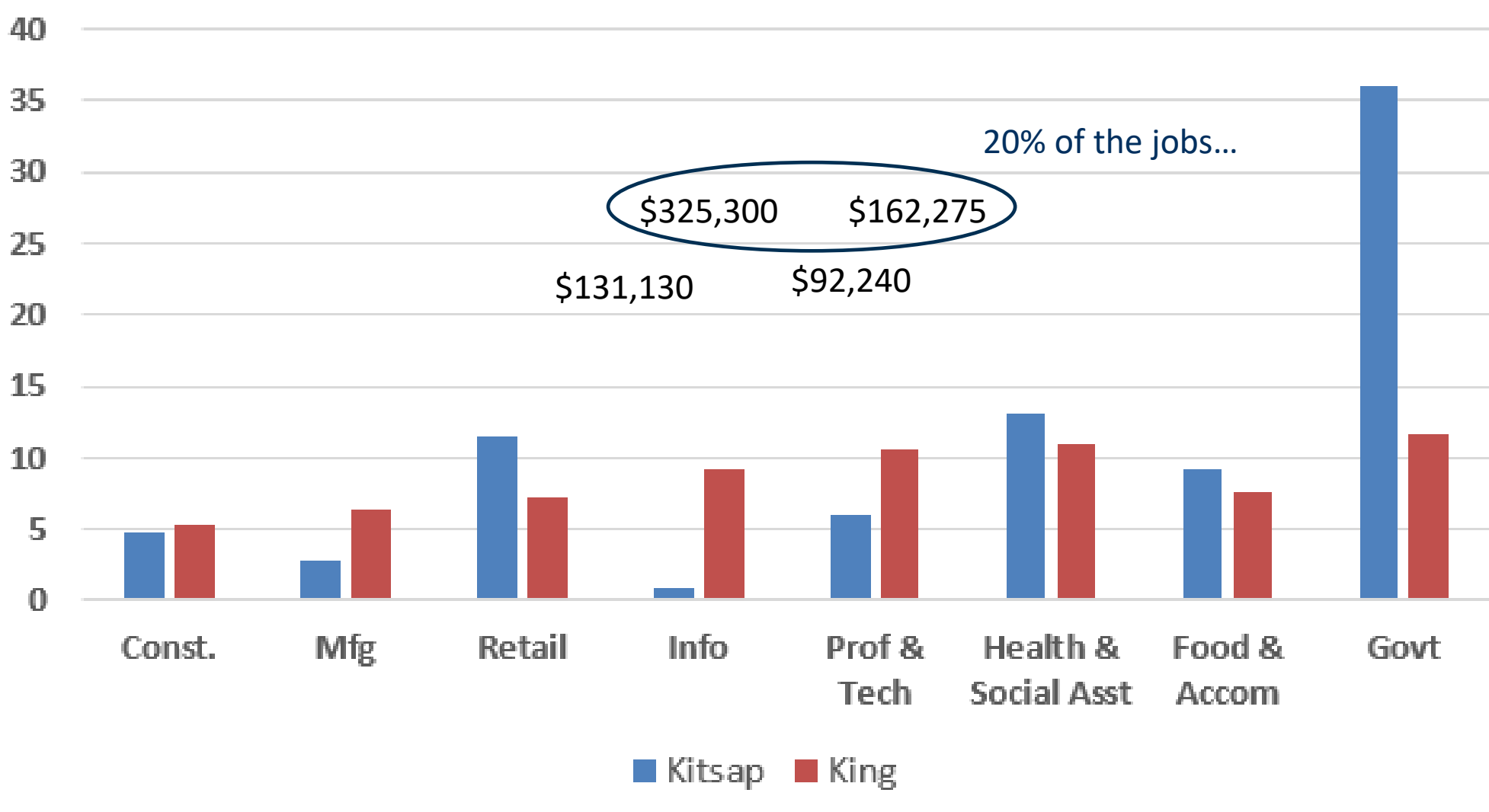
Kitsap Employment – by sector



... with average pay



For Reference



Housing in the Region

County	Avg Annual Wage (202 Q3 prel.)	Housing: Median (2023 Q4)	Affordability Index (2023 Q4)
Kitsap	\$69,540	\$546,00	66.7
King	\$118,950	\$883,300	55.0
Skagit	\$60,610	\$575,900	48.8



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Cost of Living

Metro Area	Cost of Living Index (2023)
Bremerton	117.2
Everett-Kent-Seattle	127.5 – 123.8 – 144.6
Mt. Vernon - Anacortes	117.4
Kennewick-Richland	97.9



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Employment outlook

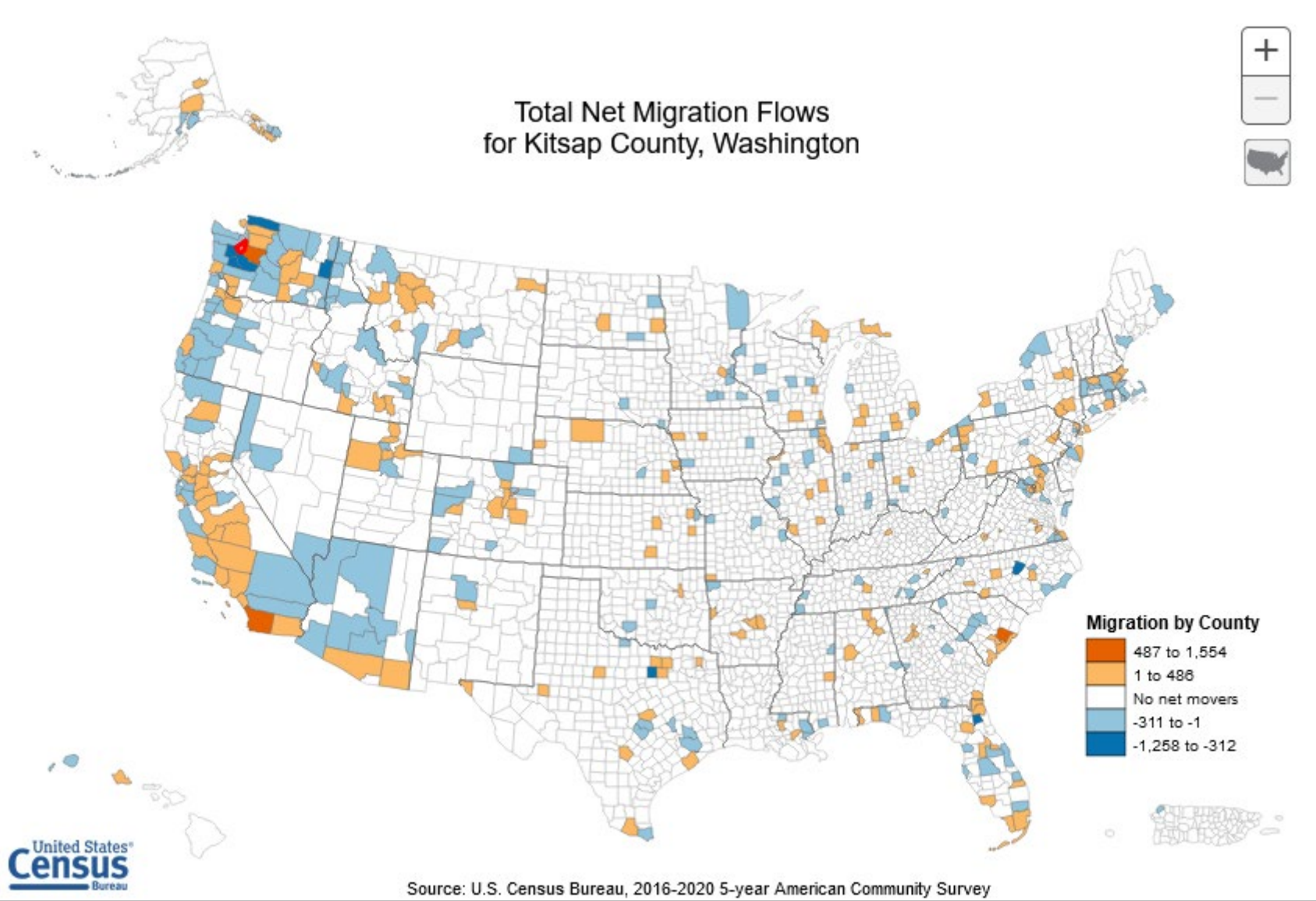
Occupation Area	Mean Annual Wage	5 Year Growth (Ann %)	3 Year Forecast (Ann %)
Healthcare Support	\$44,000	0.7	2.0
Computer and Math	\$112,900	5.0	1.9
Social Service	\$65,000	0.3	1.6
Healthcare practitioners	\$113,600	1.4	1.3



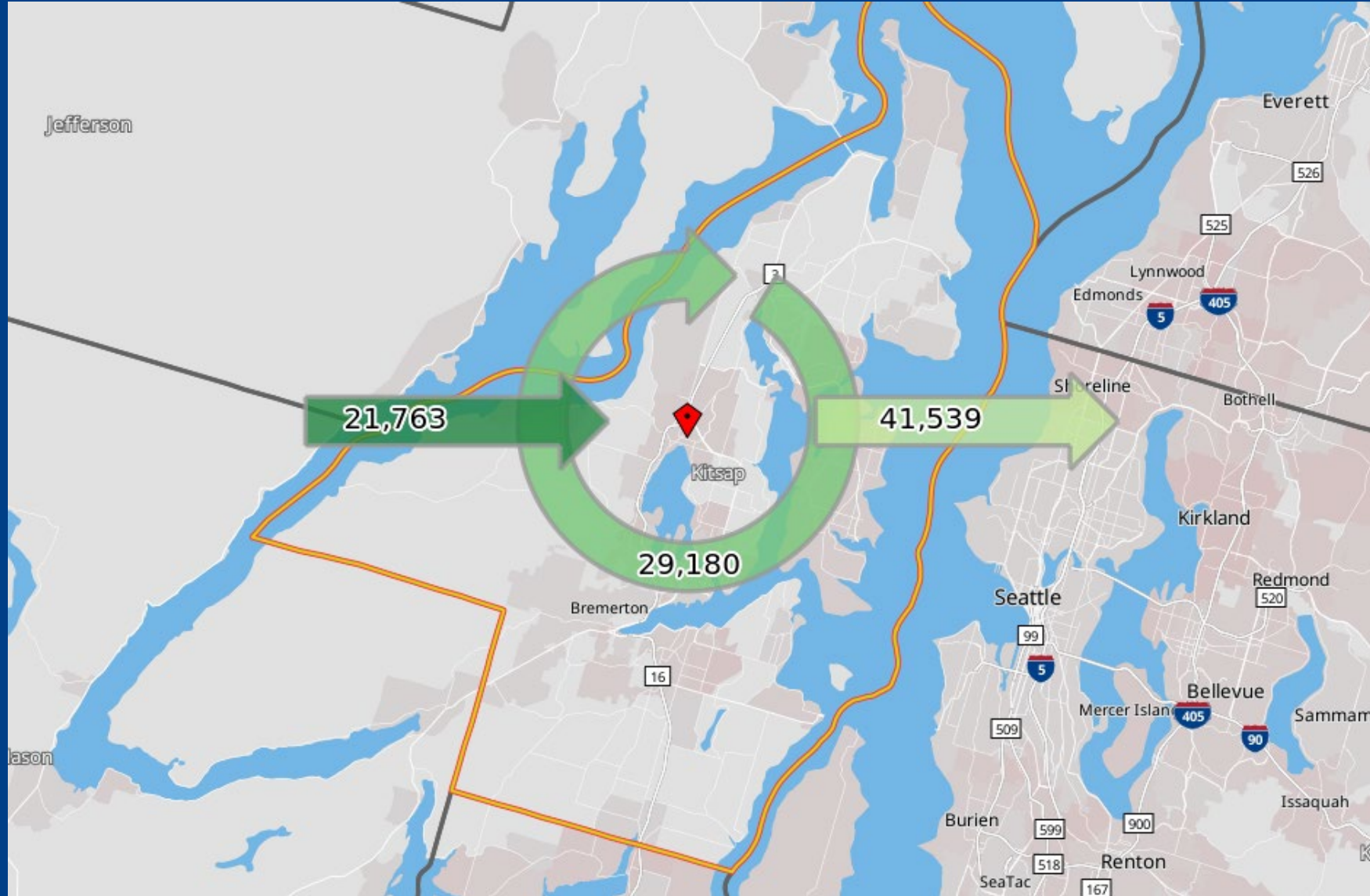
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Migration (2016 – 2020)



Commuting (2021)



So...

A slowing national economy

- **Inflation has slowed significantly, but the higher cost of living is challenging for many.**
- **Fragile is a reasonable word – and that makes things challenging for the Fed**

The local economy should be less cyclical in 2024 and that may be very good... and additional stimulus by 2025.

Thank you!

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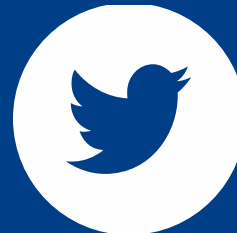
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