

# Economic and Interest Rate Outlook

Norm Plumstead, President & CEO

Shannon Jordan, SVP & CFO

January 29, 2025



## Polling question #1 . . .

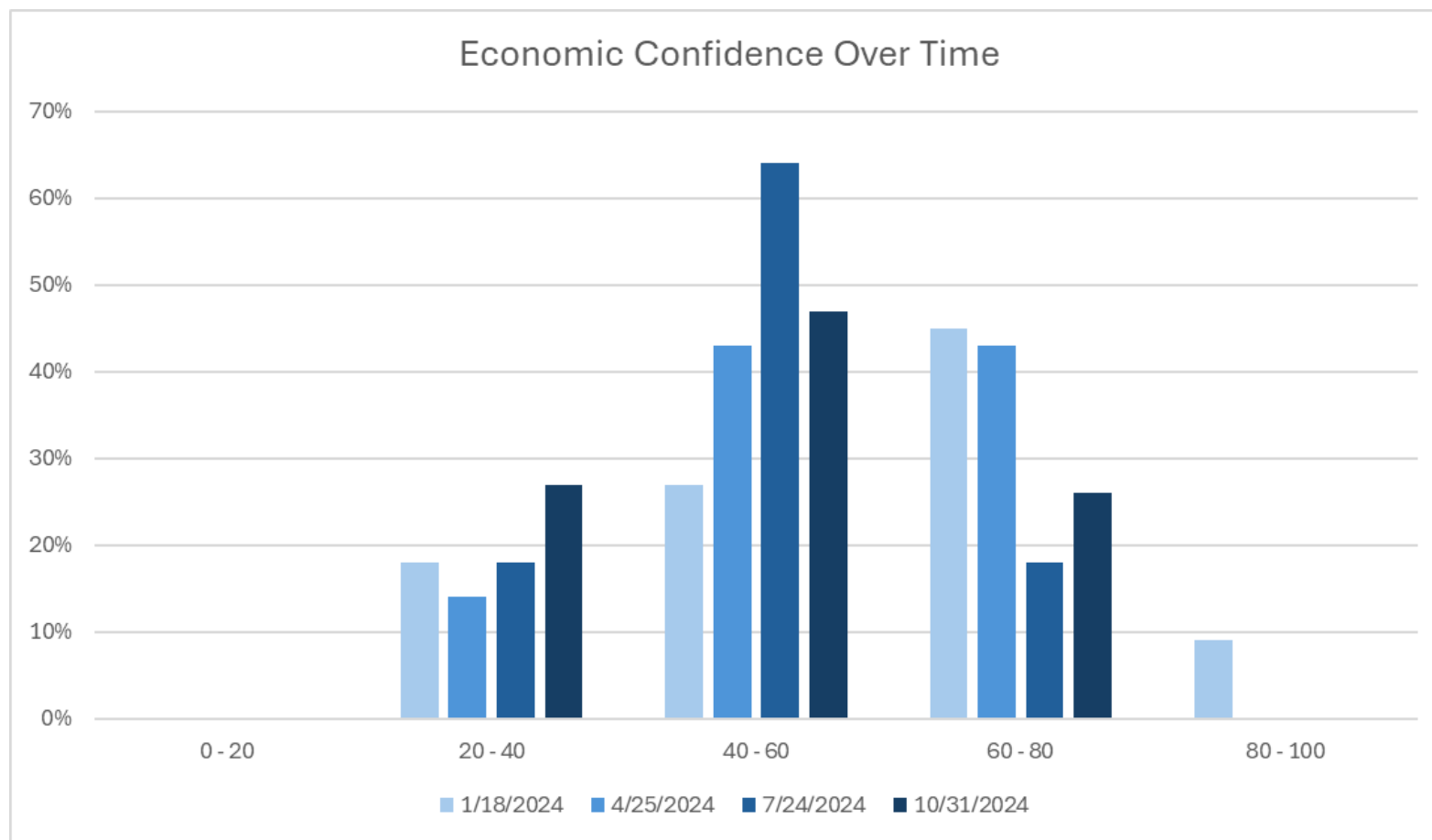
---

On a scale of 0 -100, how confident are you in the U.S. Economy during the next 12 months?

- A. 0 – 20 (Not confident at all)
- B. 20 – 40
- C. 40 – 60
- D. 60 – 80
- E. 80 – 100 (Very confident)

## Historical polling results . . .

---



## Polling question #2 . . .

---

How do you expect your business's financial performance to change in 2025?

- A. Significant decline
- B. Slight decline
- C. Stay the same
- D. Slight growth
- E. Significant growth

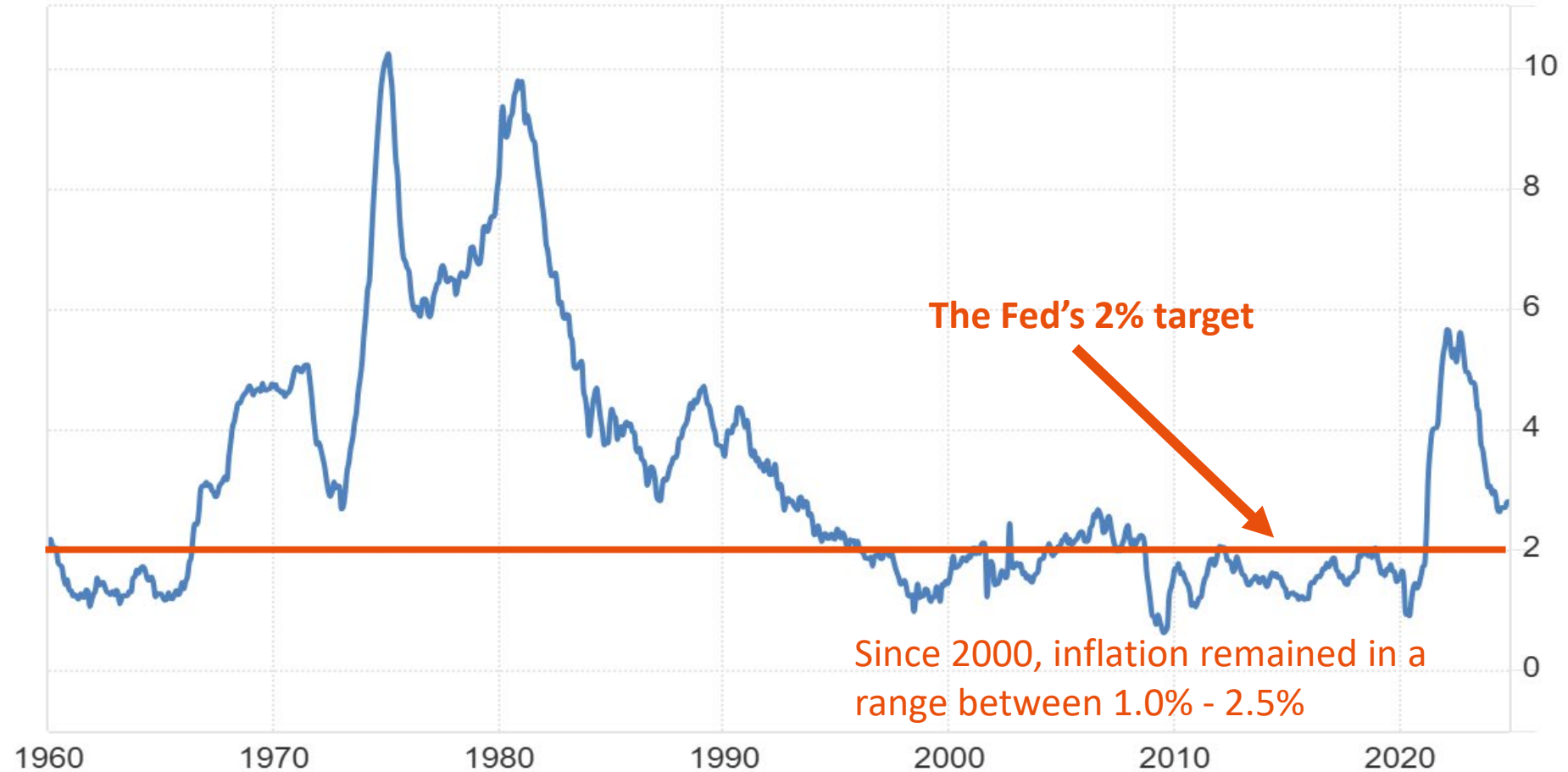
---

# Topic 1

## National Economy

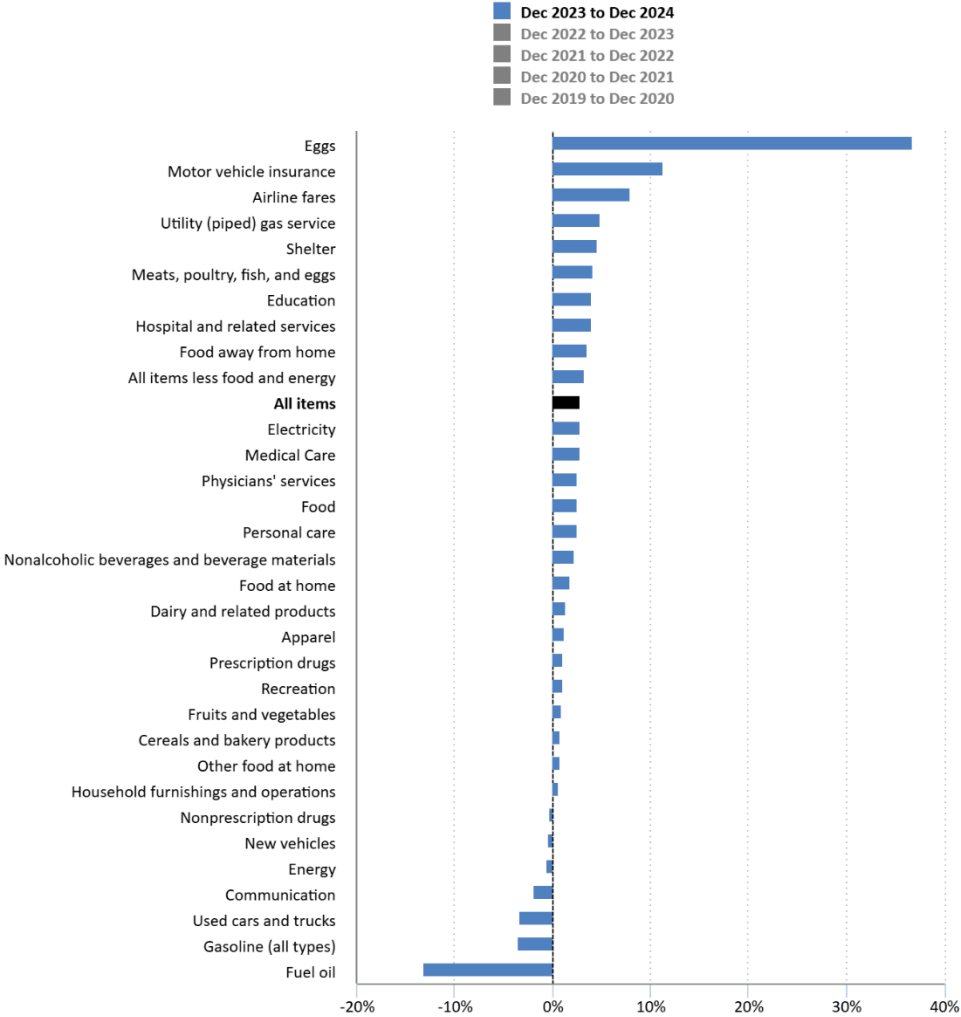
# Core PCE . . .

US Core PCE Price Index Annual Change - percent



# Consumer Price Index . . .

12-month percent change in the Consumer Price Index for All Urban Consumers, selected items



Click legend items to change data display. Hover over chart to view data.  
Note: Data are not seasonally adjusted.  
Source: U.S. Bureau of Labor Statistics.



## Actual prices vs. inflation . . .

Product	Jan-18	Jan-19	Jan-20	Jan-21	Jan-22	Jan-23	%Change	
							Jan-25	2018 - 2025
Eggs (Dozen)	\$ 1.77	\$ 1.55	\$ 1.46	\$ 1.47	\$ 1.93	\$ 4.82	\$ 3.65	106%
Milk (gallon)	\$ 2.96	\$ 2.91	\$ 3.25	\$ 3.47	\$ 3.79	\$ 4.20	\$ 4.14	40%
Gas (gallon)	\$ 2.54	\$ 2.29	\$ 2.57	\$ 2.33	\$ 3.41	\$ 3.45	\$ 3.18	25%
Ground Beef (lb)	\$ 3.64	\$ 3.80	\$ 3.89	\$ 3.97	\$ 4.55	\$ 4.79	\$ 5.63	55%
Plywood (1/2 in)	\$ 29.75	\$ 28.68	\$ 26.35	\$ 37.43	\$ 46.51	\$ 39.20	\$ 44.88	51%
Home Price (Existing)	\$ 240,800	\$ 249,400	\$ 266,300	\$ 303,600	\$ 350,300	\$ 359,000	\$ 406,100	69%
Median Household Income	\$ 63,180	\$ 68,700	\$ 68,010	\$ 70,780	\$ 74,580	\$ 80,610	TBA	28%



# Consumer sentiment . . .

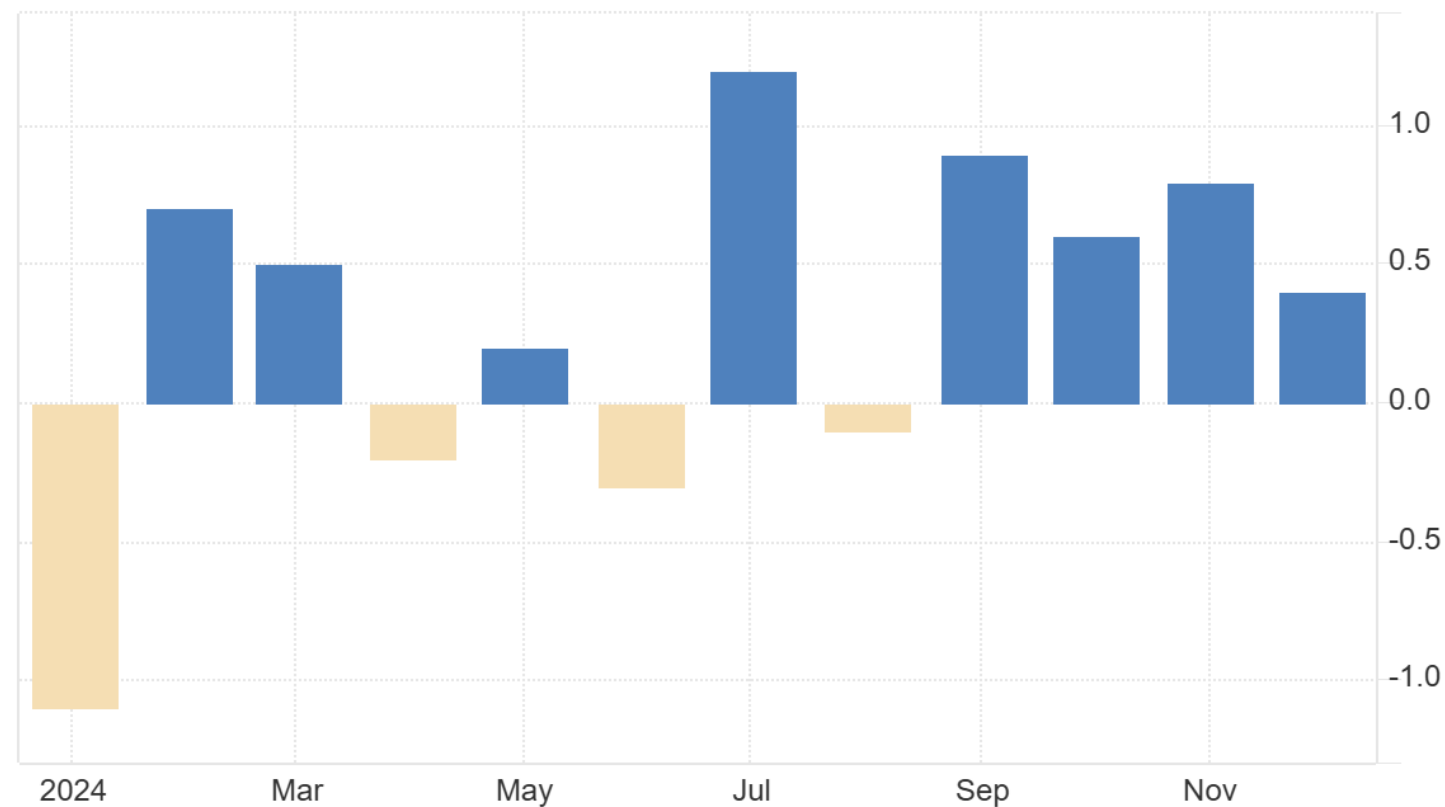
US Consumer Confidence - points



Source: [tradingeconomics.com](https://tradingeconomics.com) | University of Michigan

# U.S. Retail Sales . . .

US Retail Sales MoM - percent



Source: tradingeconomics.com | U.S. Census Bureau

---

## Why Tariffs Are a Key Wild Card for the Fed

A trade war that stokes inflation would be much more complicated for the central bank now than it was during Trump's first term

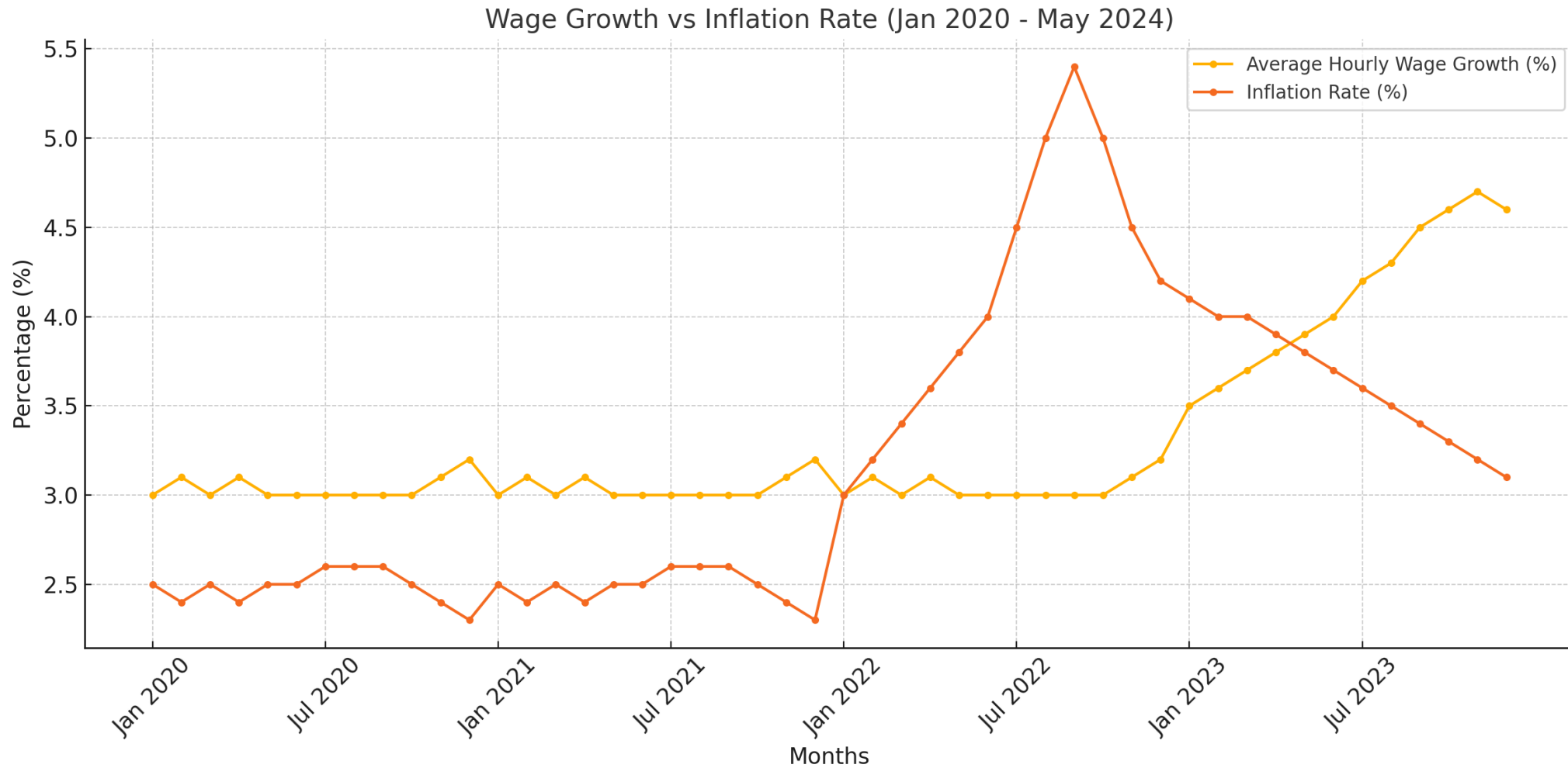
By *Nick Timiraos* [Follow](#)

*Jan. 28, 2025 5:30 am ET*

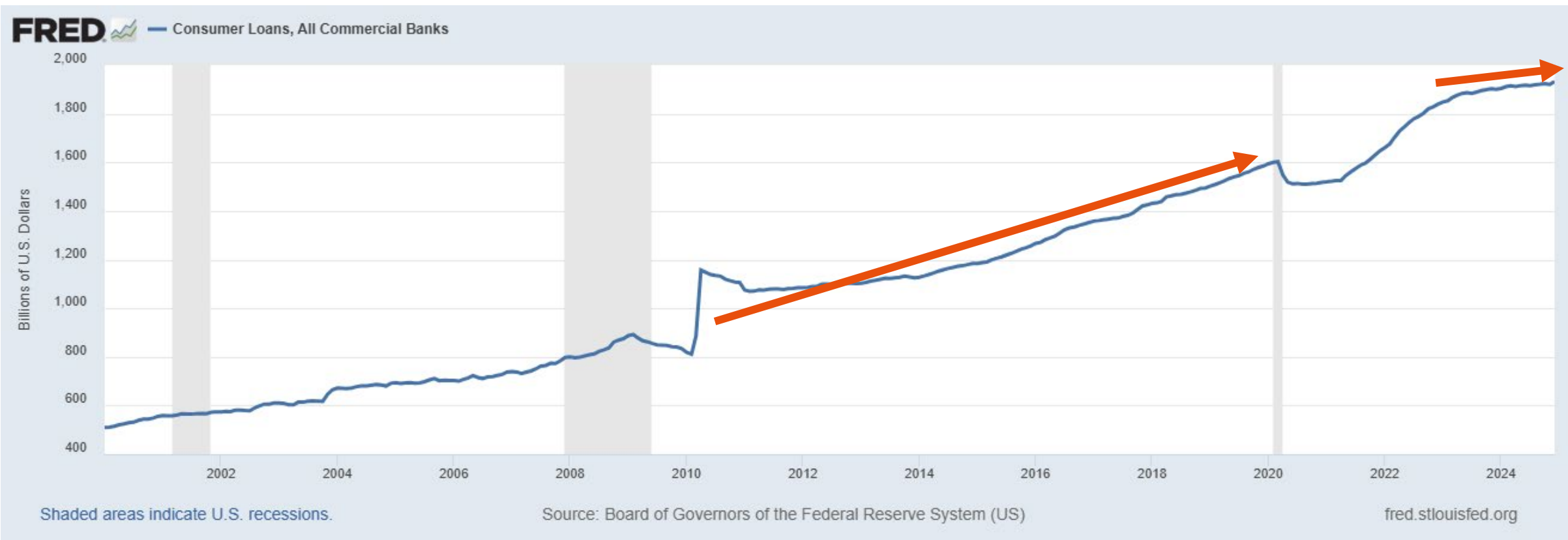
# Inflation expectations have increased from October . . .



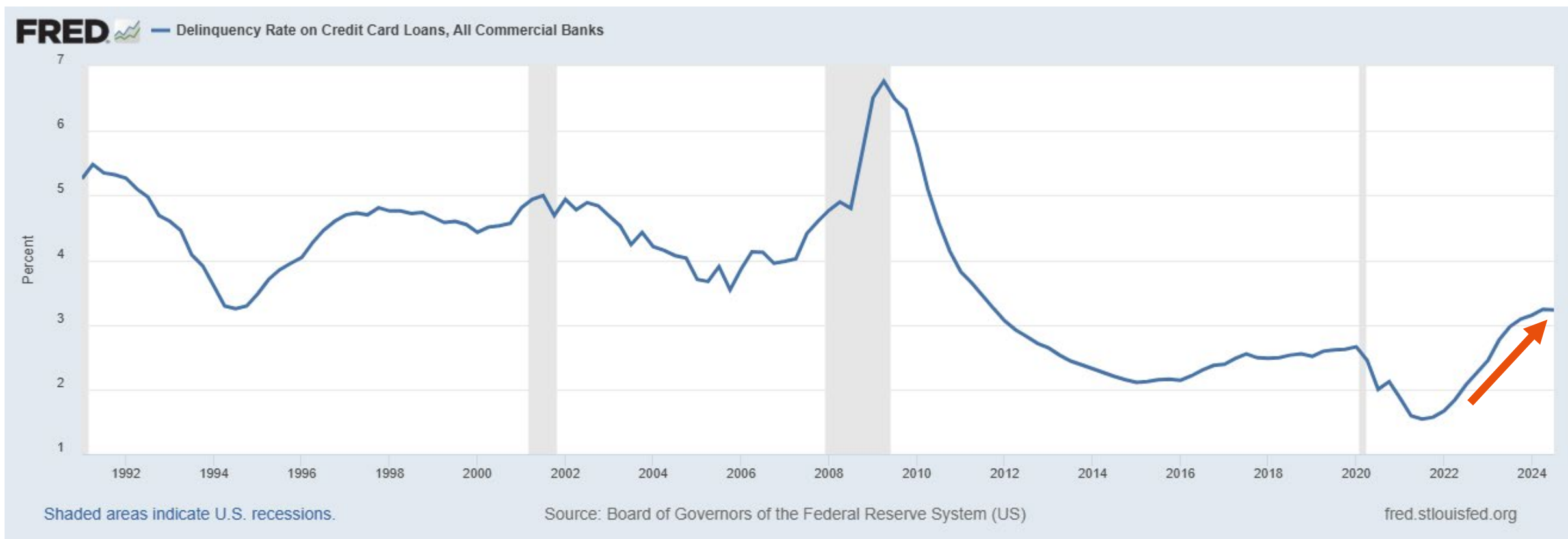
# Hourly wage growth outpacing overall price increases . . .



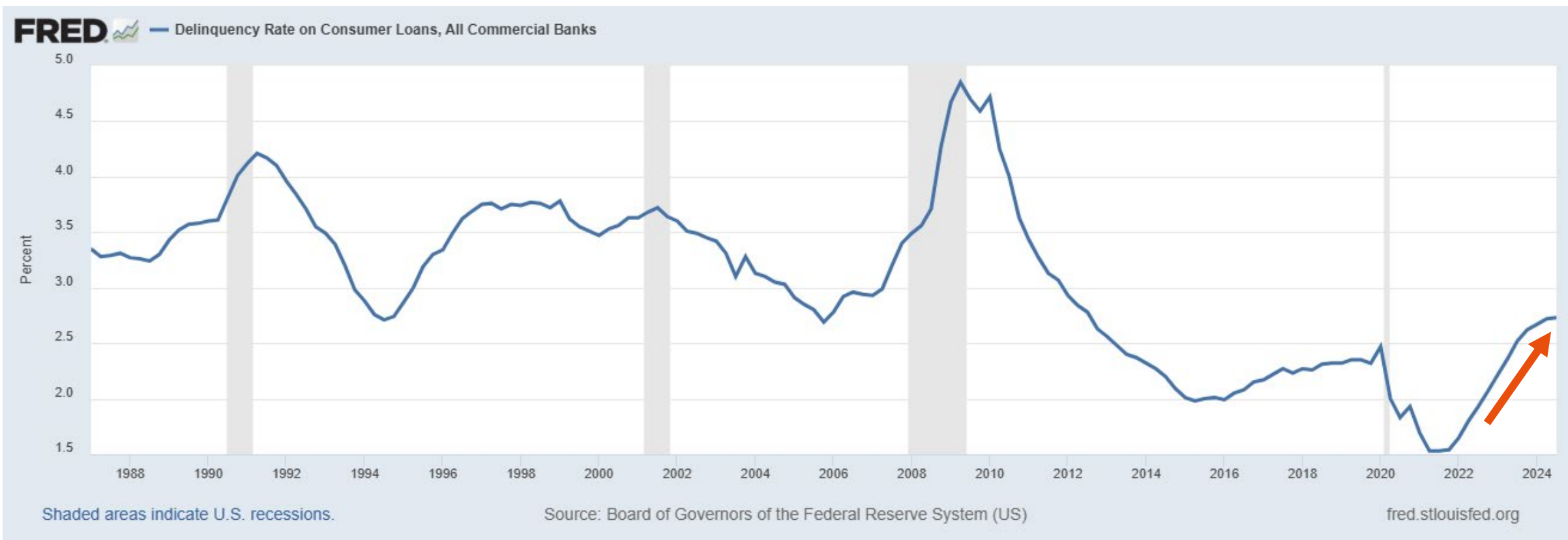
# Consumer debt is now 27% higher than it was at its Pandemic high . . .



## Credit Card delinquency is increasing, but still at historical low levels . . .

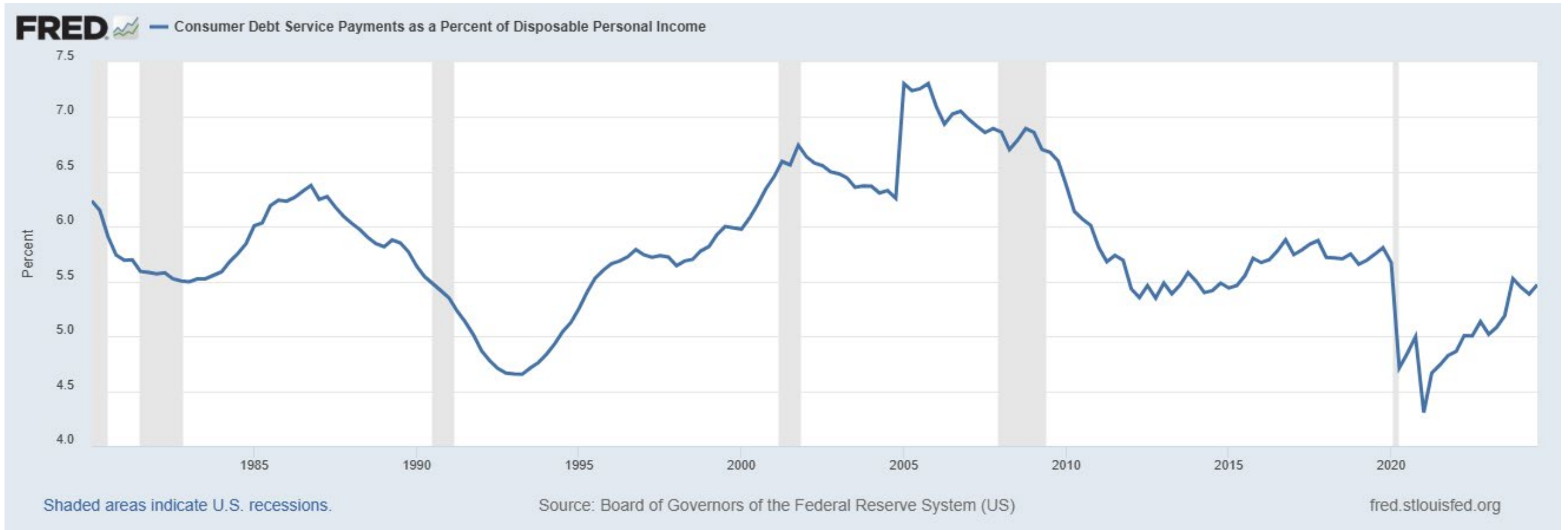


## The same holds true for Consumer Loans . . .

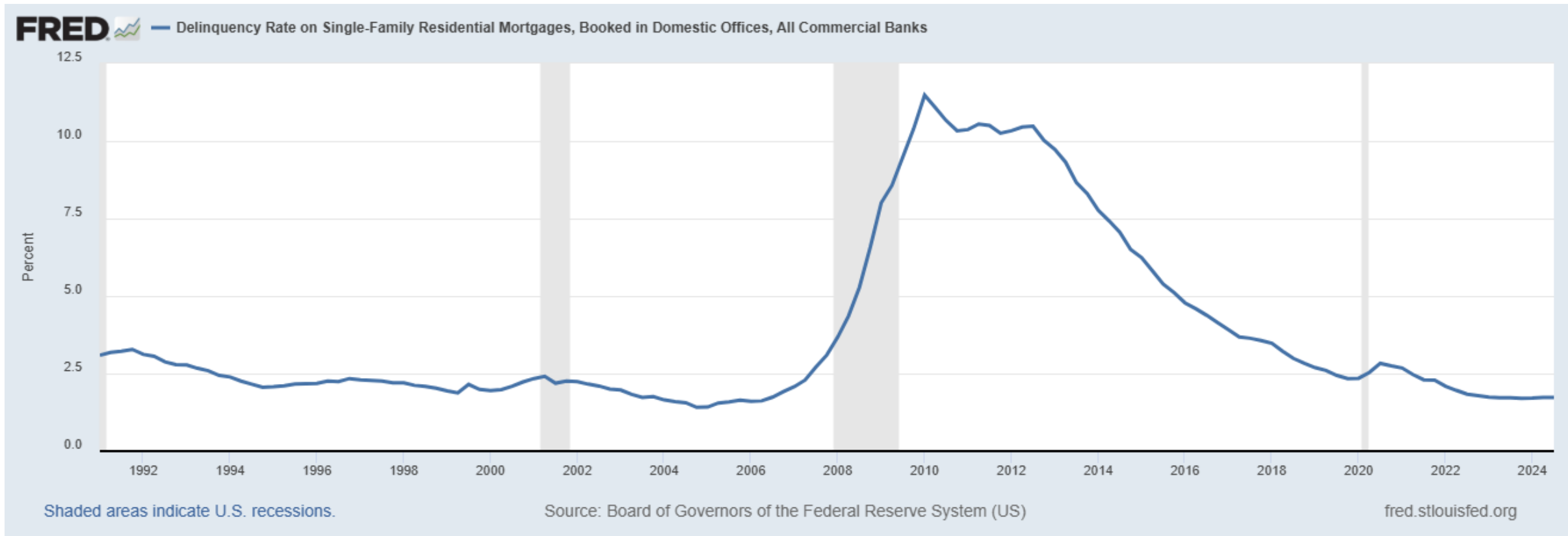




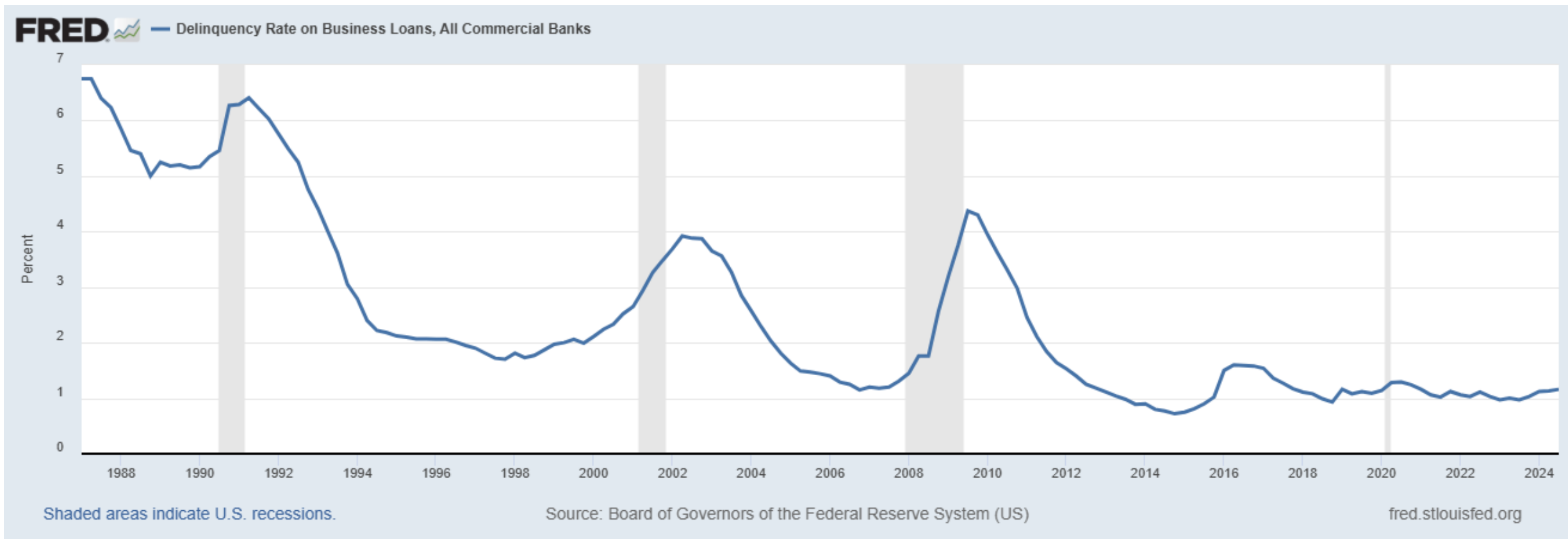
# Consumers are still able to service their debt . . .



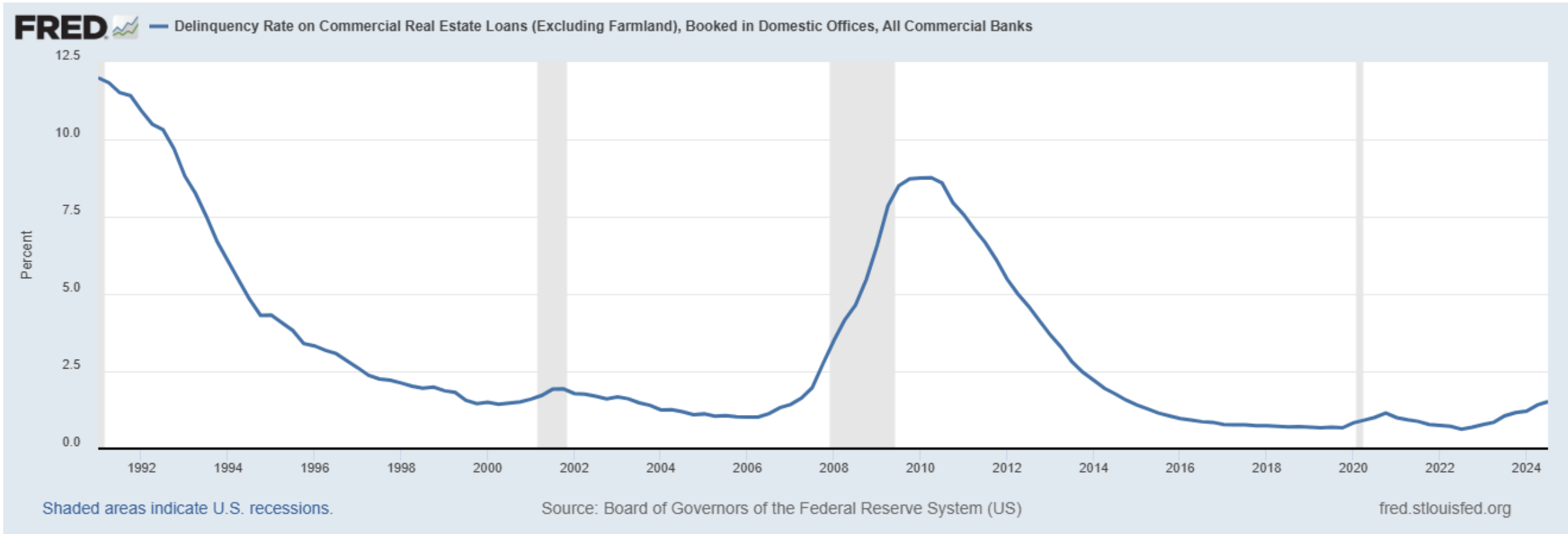
# Residential Mortgage delinquency remains low . . .



## Ditto for Commercial Loans . . .

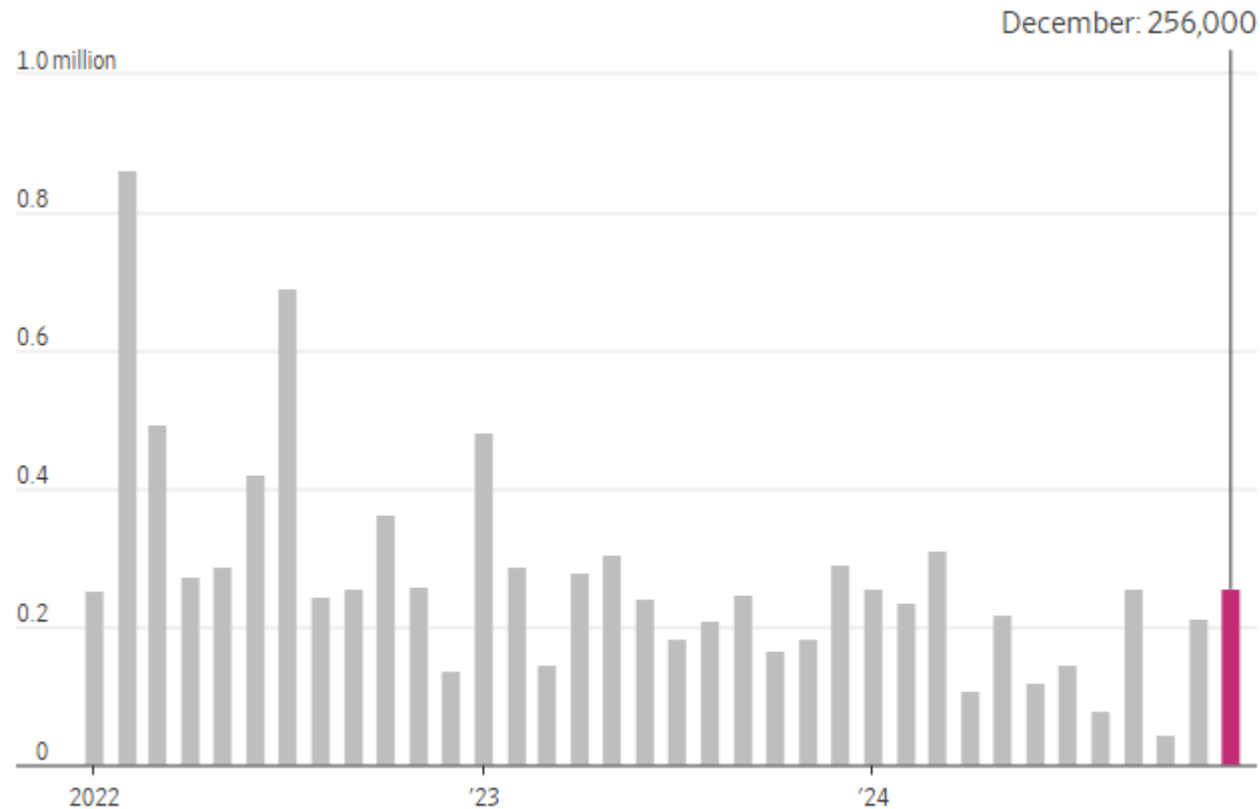


# Commercial Real Estate is affected by vacant office space. . .



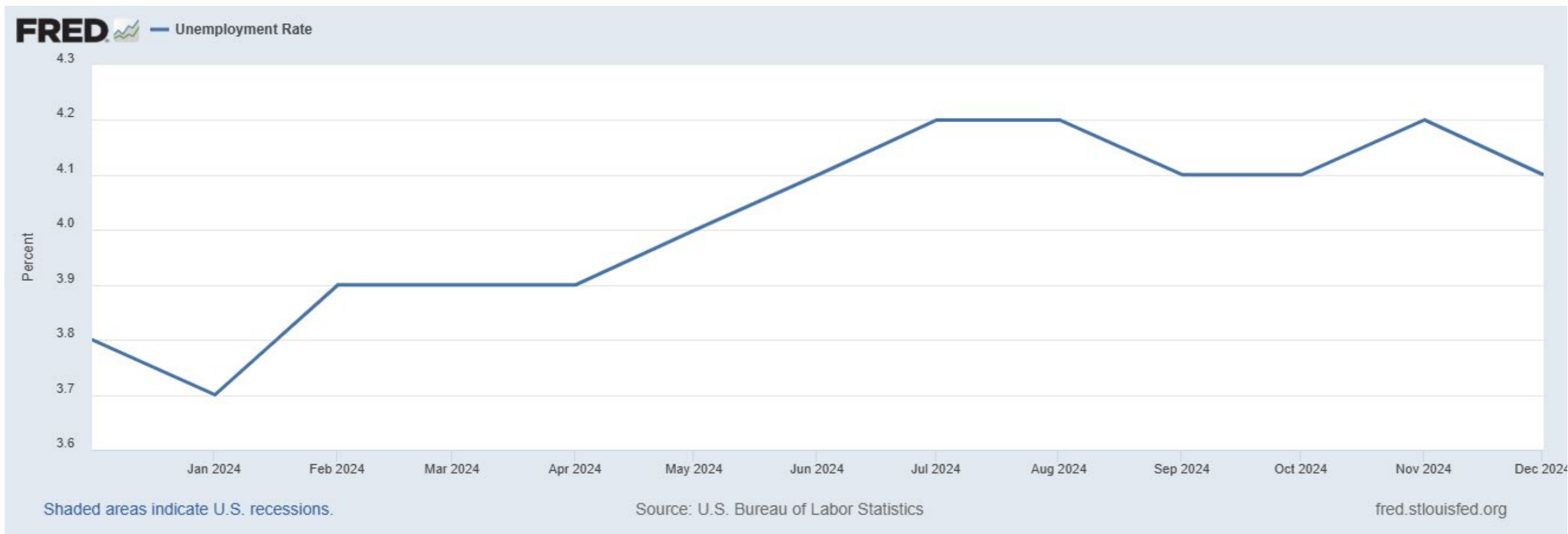
# Employment grows stronger than expected in December . . .

Nonfarm payrolls, change from a month earlier



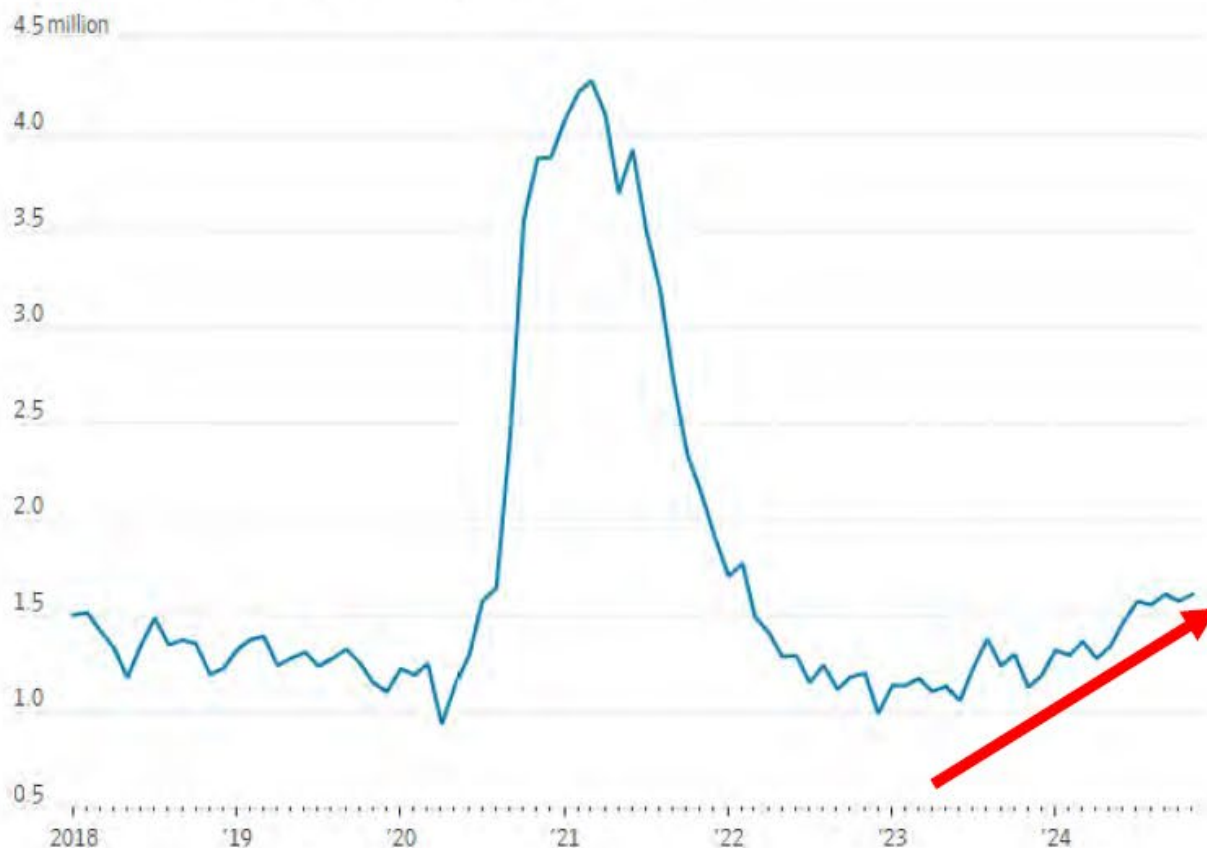
Note: Seasonally adjusted  
Source: Labor Department

# U.S. Unemployment . . .



# It's taking people longer to find jobs in certain industries . . .

U.S. workers unemployed at least 27 weeks



Source: Department of Labor

Hiring rates, selected industries

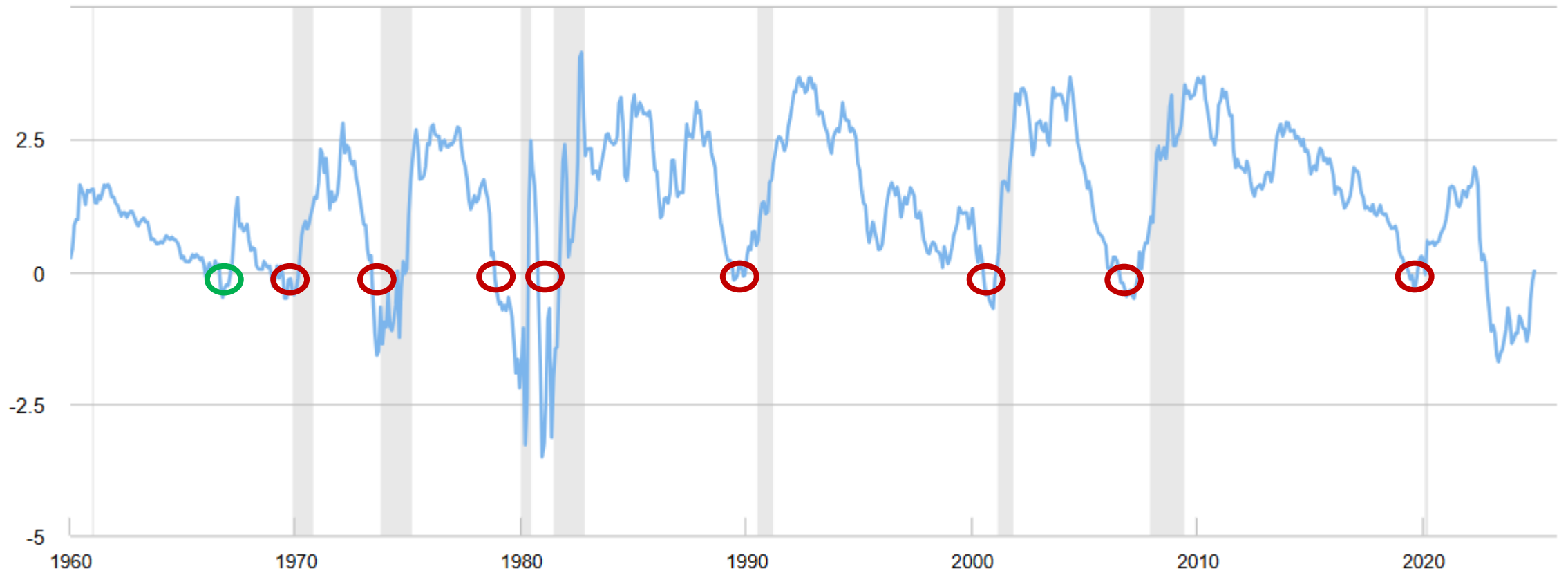


Note: The hiring rate is the number of people hired as a percentage of total industry employment.  
Source: Department of Labor

# Yield curve spread . . .

## Treasury Term Spread: 10 Year Bond Rate - 3 Month Bill Rate

Percentage points (monthly average)



Source: New York Fed,



# What are the financial markets expecting? . . .

CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES			
MEETING DATE	375-400	400-425	425-450
1/29/2025	0.00 %	0.53 %	99.47 %
3/19/2025	0.00 %	24.53 %	75.47 %
5/7/2025	0.00 %	47.56 %	52.44 %
6/18/2025	0.00 %	90.00 %	10.00 %
7/30/2025	6.53 %	93.47 %	0.00 %
9/17/2025	29.71 %	70.29 %	0.00 %
10/29/2025	42.53 %	57.47 %	0.00 %
12/10/2025	55.82 %	44.18 %	0.00 %

Fed Funds remain at 4.25% through the first part of the year.

A 0.25% cut in June, then holds at 4.0% through most of the rest of year.

50% + chance of 3.75% Fed Funds a year from now.

The long end of the yield curve continues to rise. . .

---

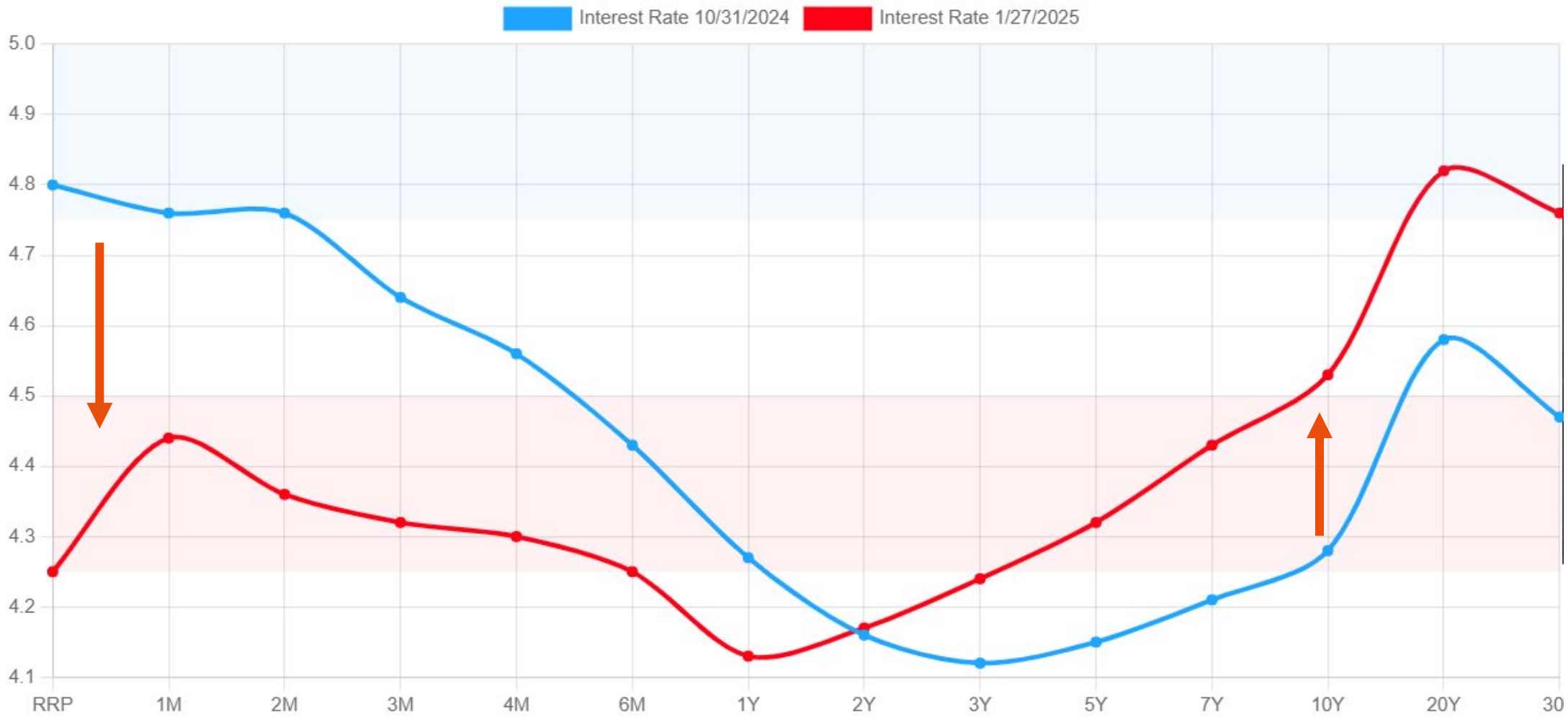
## US bond investors seek safety amid uncertainty about Trump policies, Fed outlook

By Gertrude Chavez-Dreyfuss

January 28, 2025 6:03 AM EST • Updated 10 hours ago



# Treasury yield curve . . .



# Residential mortgage rates . . .

## Mortgage News Daily - Rate Index

Frequency: **Daily** | Data Source: Mortgage News Daily

The MND Rate Index is the best way to follow day-to-day movement in mortgage rates. Our index is driven by real-time changes in actual lender rate sheets. This has two **huge advantages**, timeliness and accuracy. [Read more below](#)

Average Rates	Current	Change				52 Week Range		
		1 day	1 week	1 month	1 year	Low		High
30 Yr. Fixed	7.08%	+0.00% —	-0.05% ↓	+0.04% ↑	+0.21% ↑	6.11%	<div><div></div></div>	7.52%
15 Yr. Fixed	6.50%	-0.01% ↓	-0.02% ↓	+0.07% ↑	+0.27% ↑	5.54%	<div><div></div></div>	6.91%
30 Yr. FHA	6.48%	+0.03% ↑	-0.07% ↓	+0.06% ↑	+0.36% ↑	5.65%	<div><div></div></div>	7.00%
30 Yr. Jumbo	7.35%	+0.00% —	-0.05% ↓	+0.07% ↑	+0.14% ↑	6.37%	<div><div></div></div>	7.68%
7/6 SOFR ARM	6.95%	+0.03% ↑	-0.10% ↓	-0.03% ↓	+0.66% ↑	5.95%	<div><div></div></div>	7.55%
30 Yr. VA	6.49%	+0.02% ↑	-0.09% ↓	+0.06% ↑	+0.36% ↑	5.66%	<div><div></div></div>	7.03%

Last Updated: 1/22/25

Source: Mortgage News Daily as of January 22, 2025

# Historical mortgage rates . . .



Source: Mortgage News Daily as of January 22, 2025

---

# Topic 2

## State & Local Economy

## Polling question #3 . . .

---

What is the single biggest barrier to growing your business?

- A. Workforce housing
- B. Lack of qualified staff
- C. Slowing consumer demand
- D. The cost to service debt
- E. Regulations and red-tape

## Polling question #4 . . .

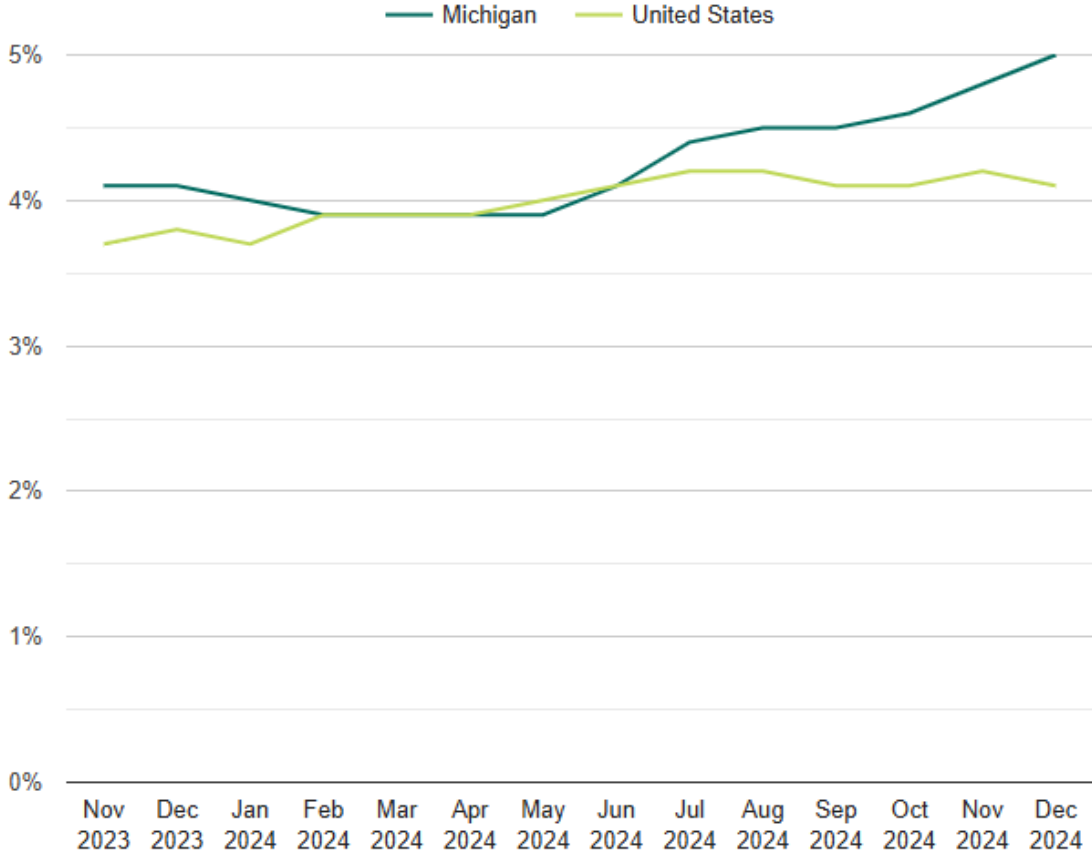
---

What strategies have been most effective for attracting and retaining talent?

- A. Higher wages/benefits
- B. More flexible work arrangements
- C. Training and development programs
- D. Improving workplace culture
- E. None—we are struggling to retain employees



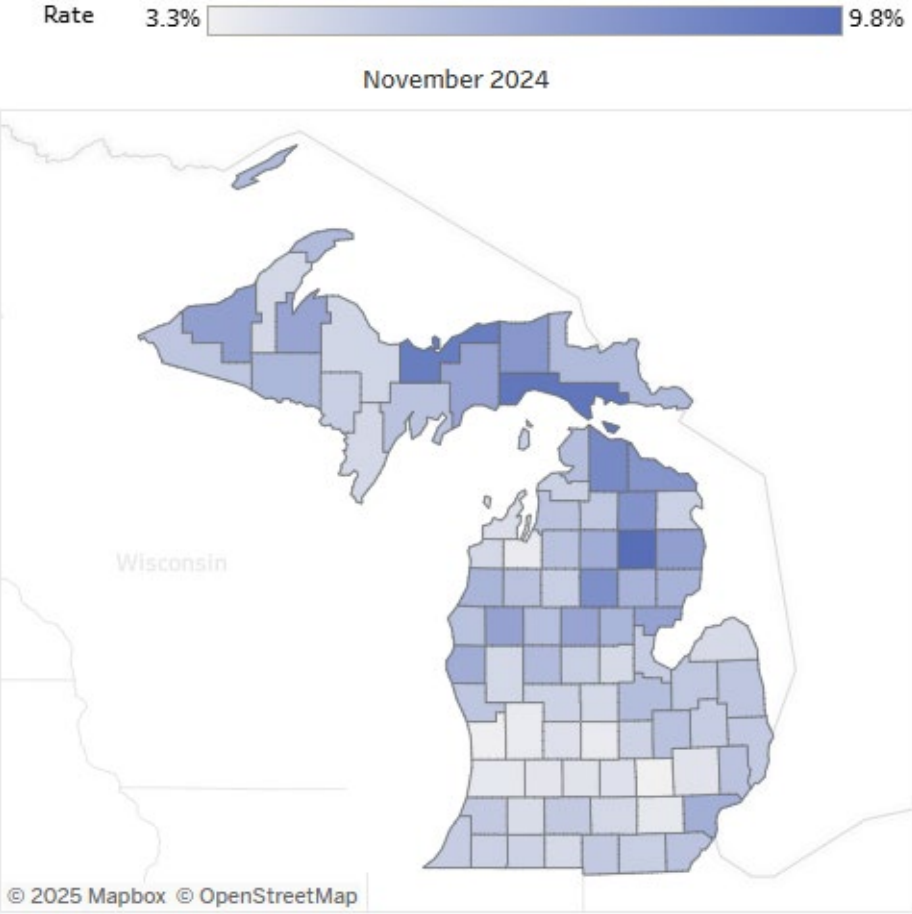
# The gap between Michigan and U.S. jobless rates is expanding . . .



Source: Local Area Unemployment Statistics, Michigan Center for Data and Analytics, Michigan Department of Technology, Management & Budget.

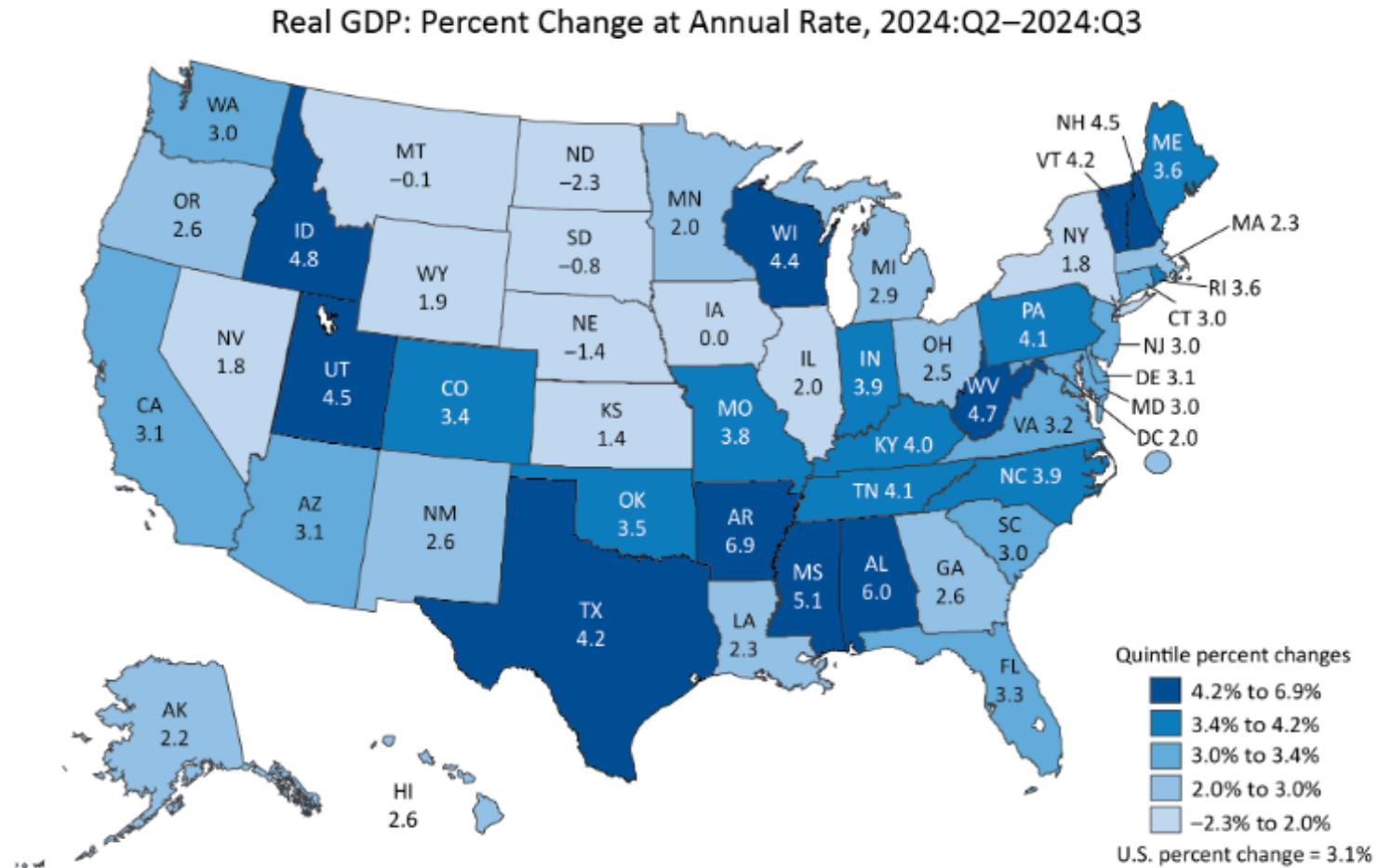
# Jobless Rates by County . . .

Antrim: 5.3%	Benzie: 4.4%
Charlevoix: 4.7%	Emmet: 5.6%
Grand Traverse: 3.6%	Kalkaska: 5.4%
Leelanau: 4.1%	Manistee: 6.0%
Mason: 5.4%	Wexford: 5.4%



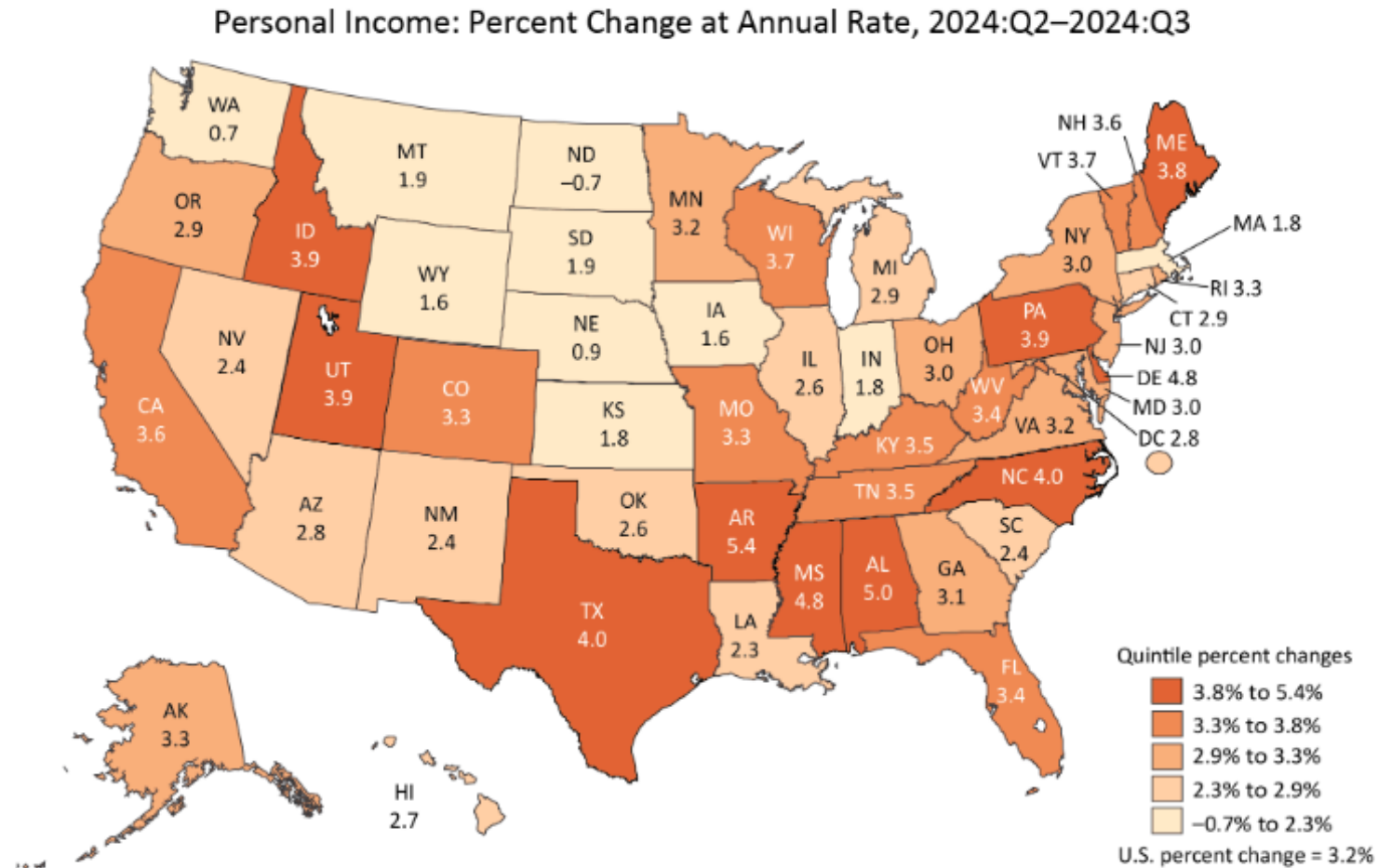
Source: DTMB as of January 23, 2025

# Michigan GDP quarter-over-quarter . . . .



U.S. Bureau of Economic Analysis

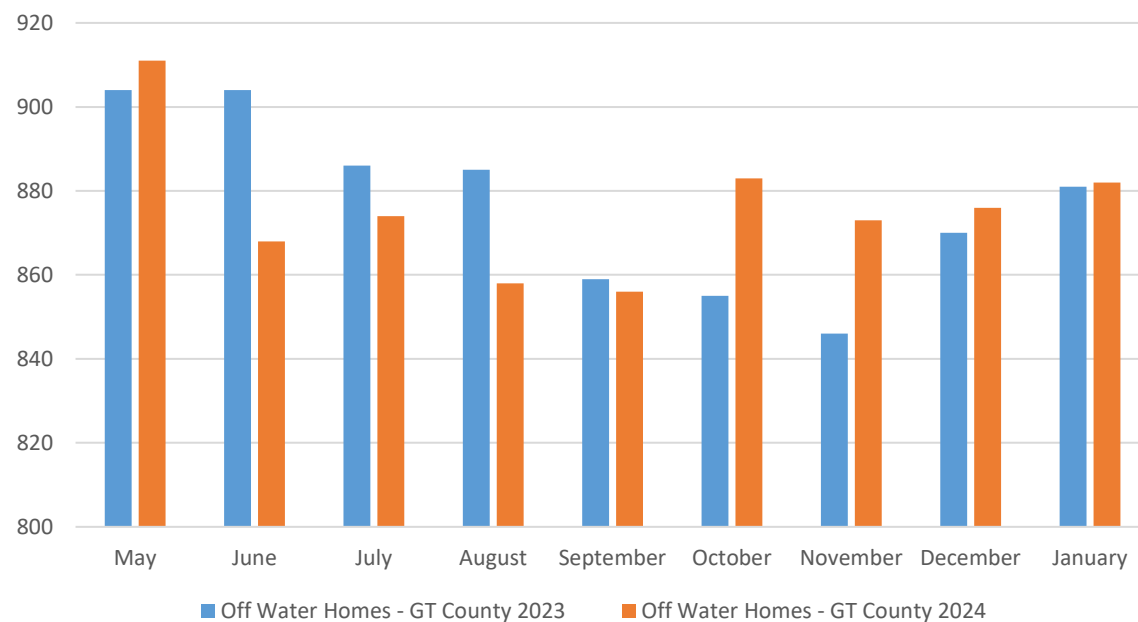
# Michigan personal income quarter-over-quarter . . .



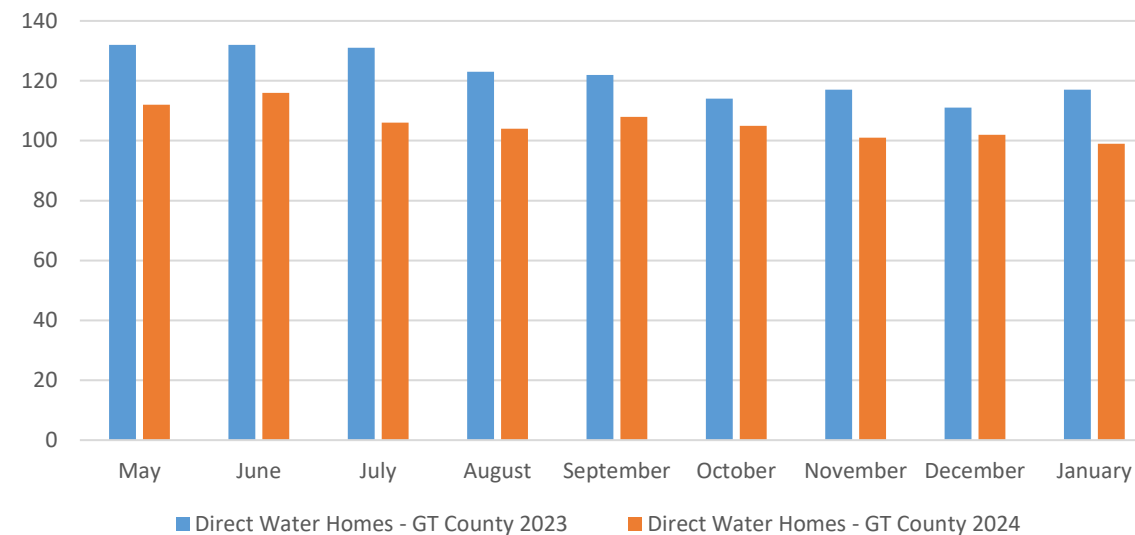
U.S. Bureau of Economic Analysis

# Residential real estate sales . . .

Off Water Home Sales, Grand Traverse County

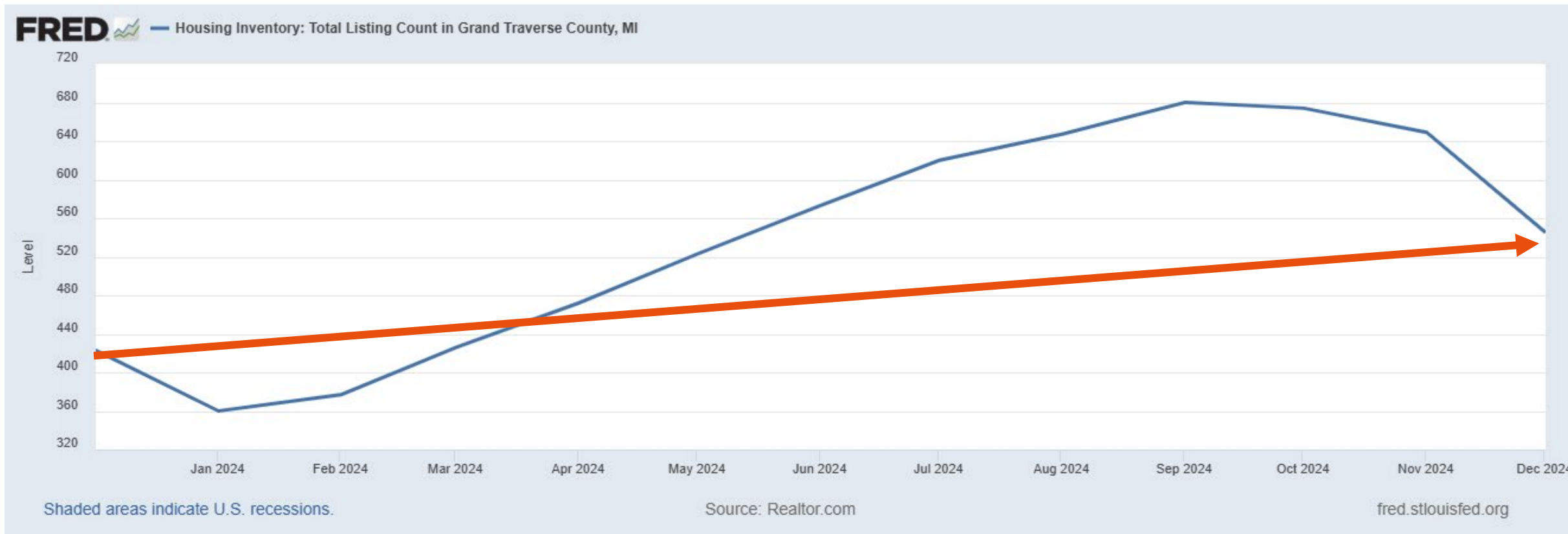


Direct Water Home Sales, Grand Traverse County

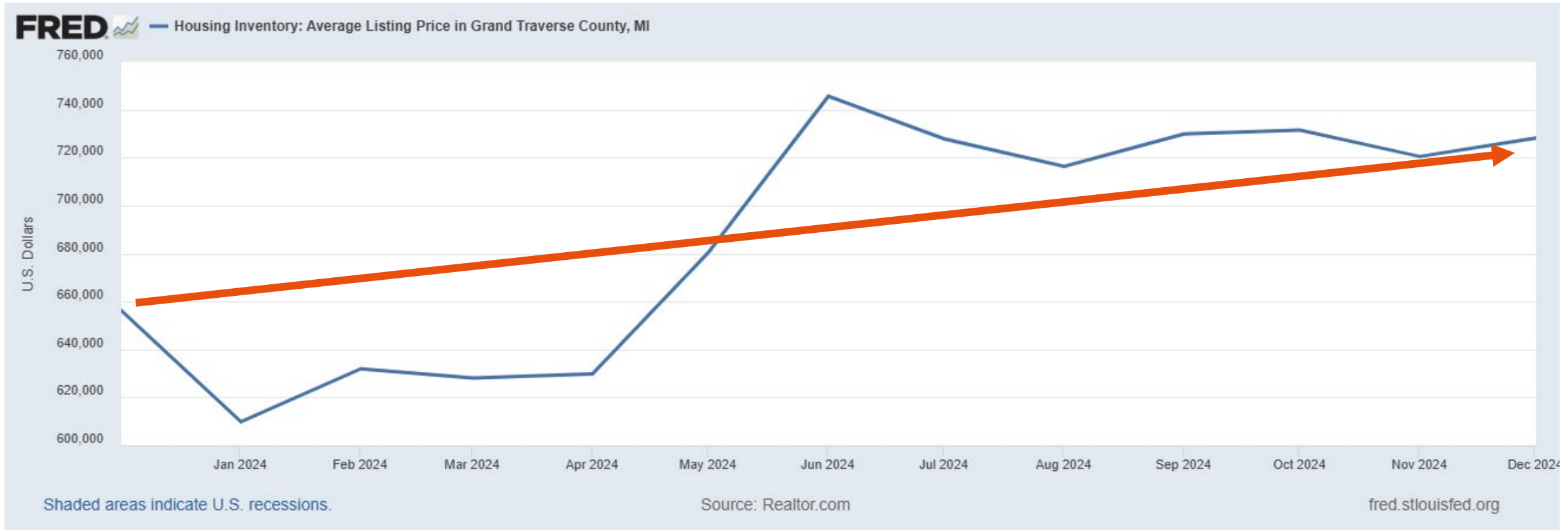


Source: Robert J Reamer Market Report

# Housing inventory is up from last year . . .



# Average listing price is also up from last year . . .



## Commercial Real Estate . . .

---

- **Grand Traverse Commercial Real Estate:** Total sales in 2024 hit \$72.8M (+85%), driven by higher prices and larger buildings. Average price rose to \$157/SF (+11%).
- **Retail & Industrial Growth:** Retail sales and property sizes doubled, while industrial sales and average building sizes also saw significant growth.
- **Office & Multi-Family Challenges:** Office space demand dropped due to hybrid work trends, and multi-family housing faced price declines due to rising interest rates.
- **Leasing Demand High Despite Decline:** Leasing activity fell, but tenant demand drove record-low market time of 77 days for available properties.
- **Surrounding Counties Lagging:** Neighboring counties saw price drops and fewer sales, reflecting a shift toward more affordable properties.



## Polling question #5 . . .

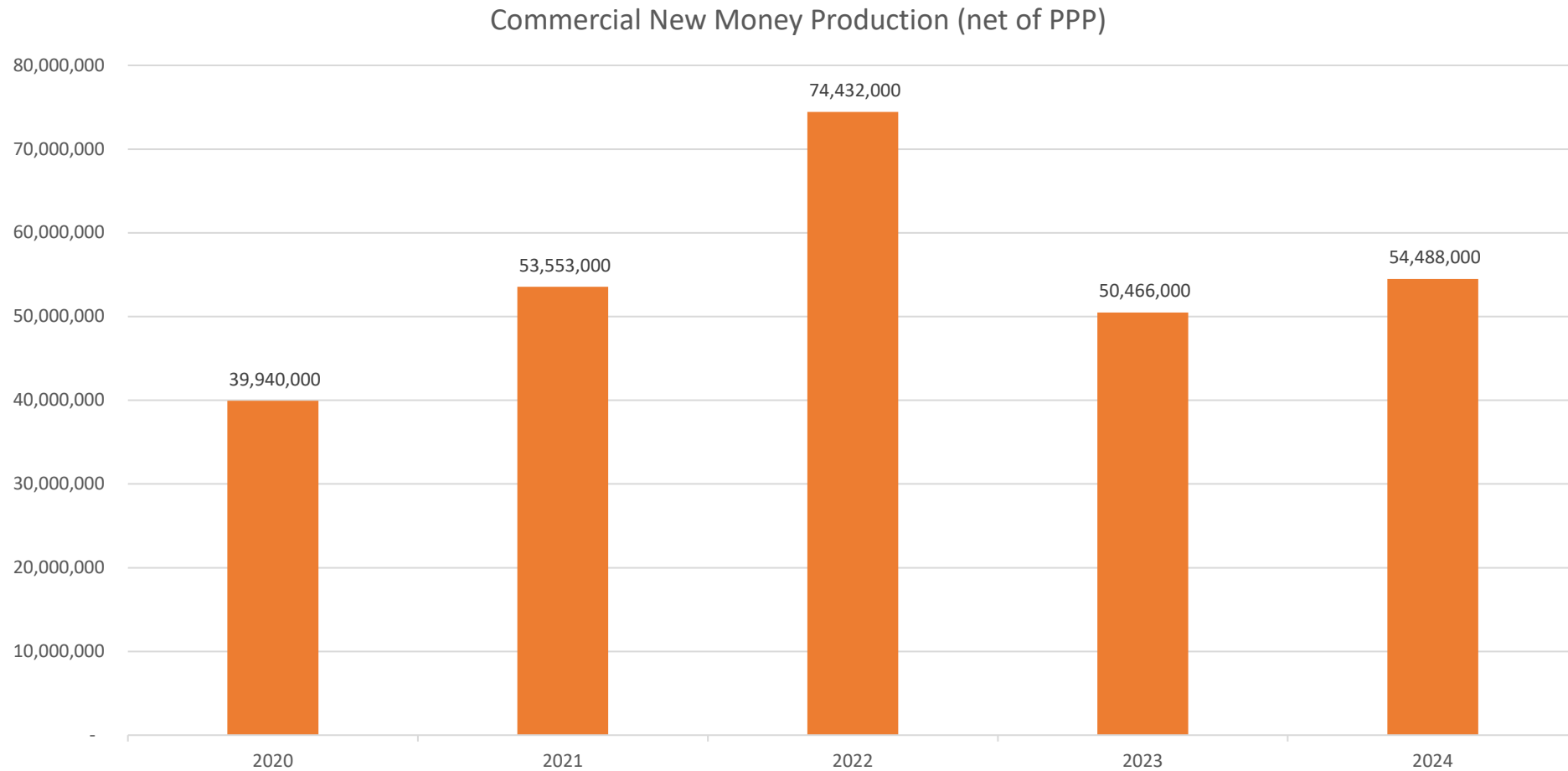
---

What type of financing would be most beneficial to your business right now?

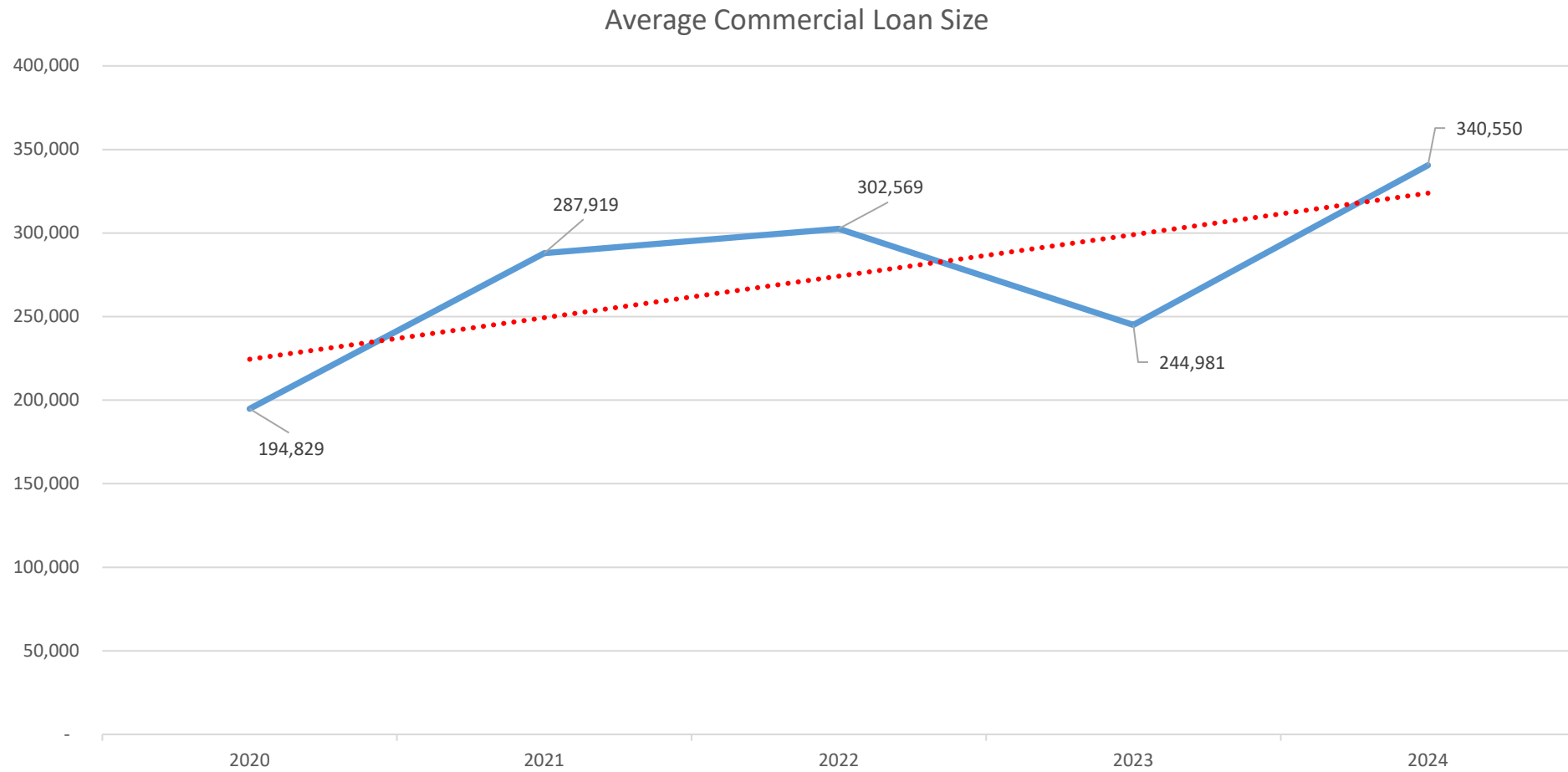
- A. Working capital
- B. Equipment financing
- C. Commercial real estate
- D. Business expansion or acquisition
- E. We don't need financing

# Honor Bank Small Business Lending . . .

---



# Honor Bank Small Business Lending . . .



## Polling question #6 . . .

---

What emerging trend do you see having the biggest impact on your industry in 2025?

- A. Artificial Intelligence
- B. Government policy changes
- C. The cost of doing business
- D. Who the heck knows?
- E. All of the above

## In summary . . .

---

- **Price Pressures Over Inflation:** Price levels remain a primary concern, even as inflation stabilizes.
- **Wage Growth vs. Inflation:** Wages are now rising faster than inflation, impacting labor costs.
- **Housing Affordability:** High mortgage rates and home prices continue to strain affordability.
- **Michigan's Economic Lag:** The state trails the national average in unemployment, GDP growth, and personal income.
- **Fiscal Uncertainty & Interest Rates:** National debt has surged to \$36.2 trillion (123% of GDP), with ongoing fiscal policies likely to push interest rates higher.
- **Local Business Challenges:** Workforce shortages and limited affordable housing remain major barriers to growth.

For more information, please contact . . .

---

**Norm Plumstead**

President & CEO

[normanp@myhonorbank.com](mailto:normanp@myhonorbank.com)

231-346-1814

**Shannon Jordan**

Senior Vice President & CFO

[shannonj@myhonorbank.com](mailto:shannonj@myhonorbank.com)

231-639-1774