

Economic and Interest Rate Outlook

Norm Plumstead, President & CEO

Shannon Jordan, SVP & CFO

July 24, 2025



Presenting today . . .



Norm Plumstead
Honor Bank
President & CEO



Shannon Jordan
Honor Bank
Senior Vice President & CFO

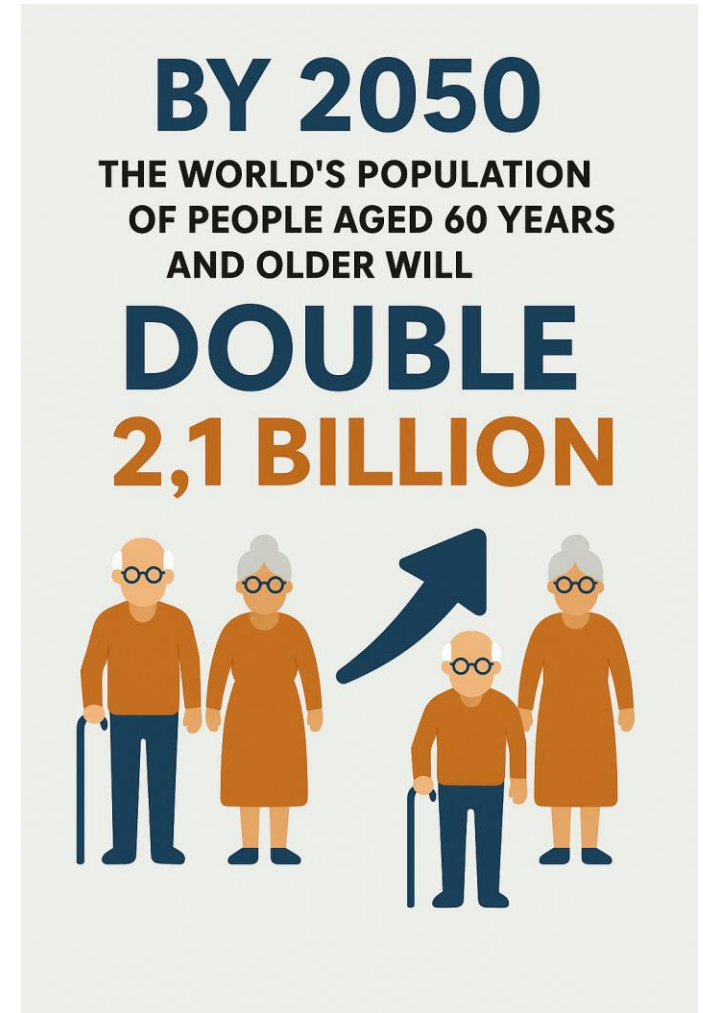
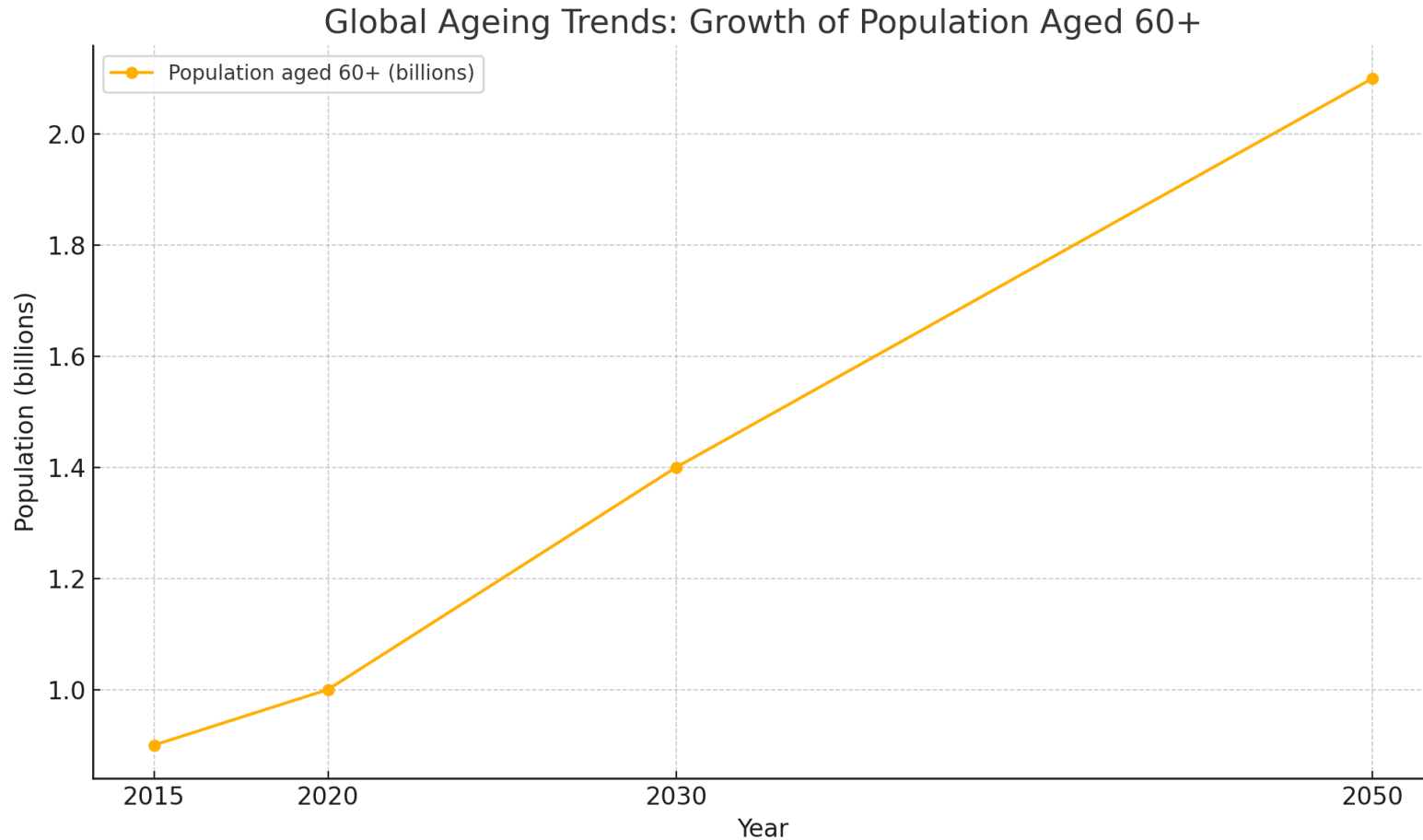
Today's guest: Warren Call, President & CEO of Traverse Connect



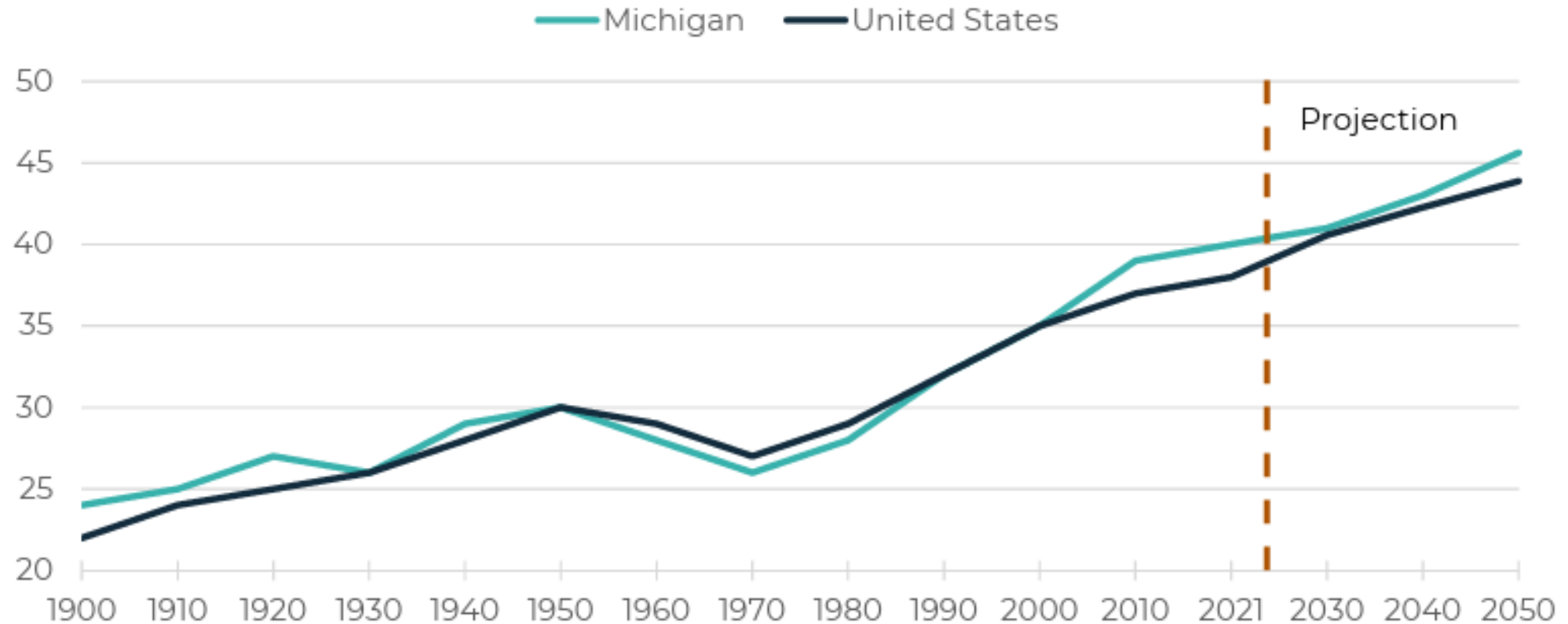
Warren Call is President & CEO of Traverse Connect (since March 2019), steering regional economic strategy, business advocacy, and partnerships across local, state, and national levels. He holds an MBA in International Finance (St. John's University) and a BA in History (Michigan State). Earlier roles span Crystal Mountain (Institutional Sales Manager), Merrill Lynch (Private Client Advisor), and multiple leadership posts at Huntington National Bank, building a strong record in revenue growth, financial management, and thought leadership.

Talent & Workforce Development

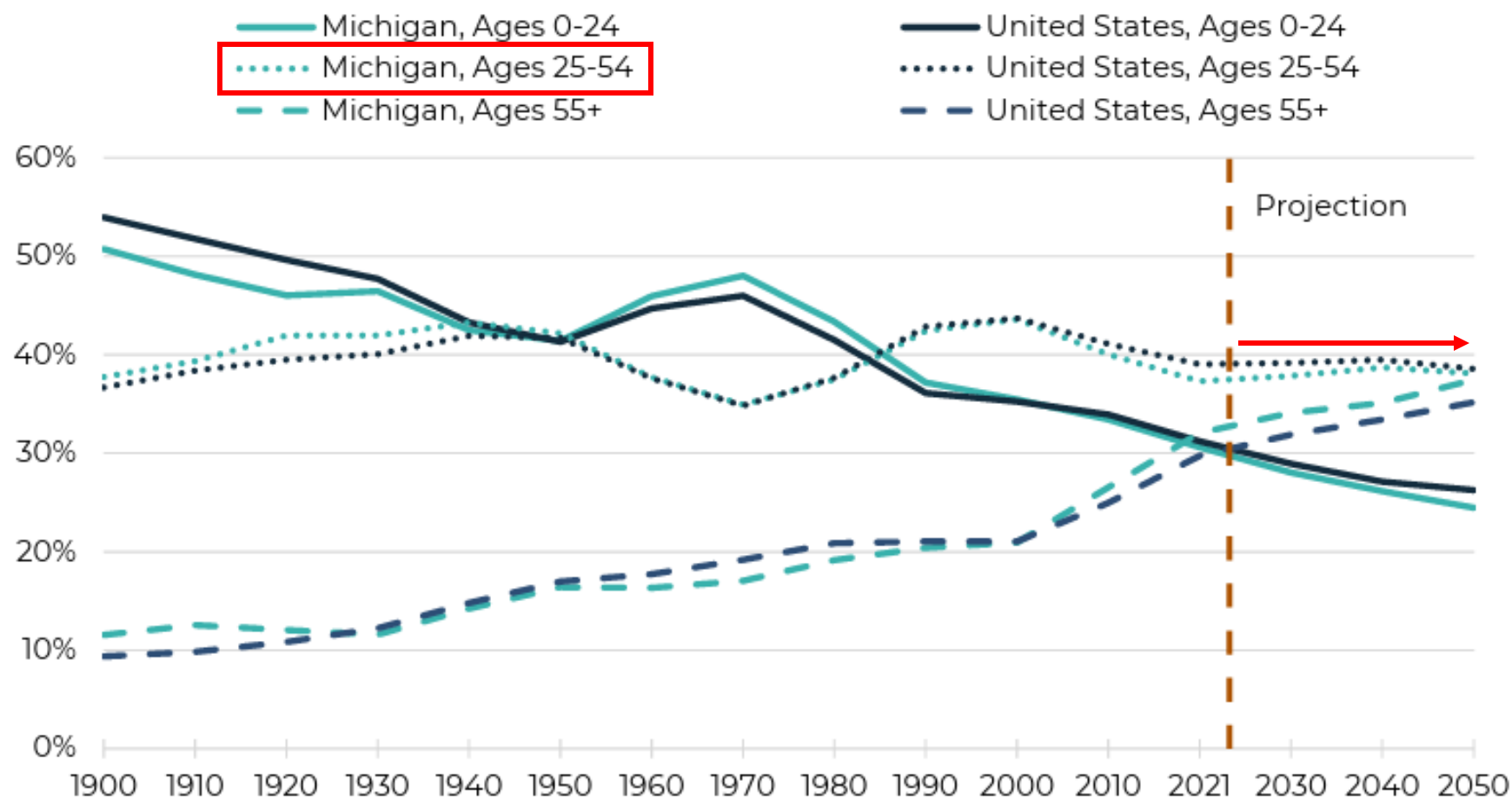
The pace of the population ageing is much faster than in the past . . .



The median age will continue increasing in Michigan and the U.S. . . .



The share of the working age individuals is projected to remain flat . . .



Change in prime working age population (35-49) over the last decade . . .

Geography	2010 Census	2023 ACS	Δ 2010-2023
Benzie Co.	3,480	2,872	-17.5 %
Grand Traverse Co.	16,610	17,324	+4.3 %
Michigan	1,779,141	1,796,409	+1.0 %

REGIONAL ECONOMIC DEVELOPMENT DASHBOARD

TALENT ATTRACTION & DEVELOPMENT

BACHELOR'S DEGREE
OR POST-SECONDARY
CERTIFICATE
2030 GOAL: 60%

53%



GROWTH OF PRIME
WORKING AGE
POPULATION (35-49)
2030 GOAL: 5%

8%



SCIENTIFIC,
PROFESSIONAL,
TECHNICAL, & IT JOBS
2030 GOAL: 3,200

2,825



ECONOMIC DEVELOPMENT

ANNUAL GDP PER
EMPLOYEE
2030 GOAL: \$84,000

\$73,767



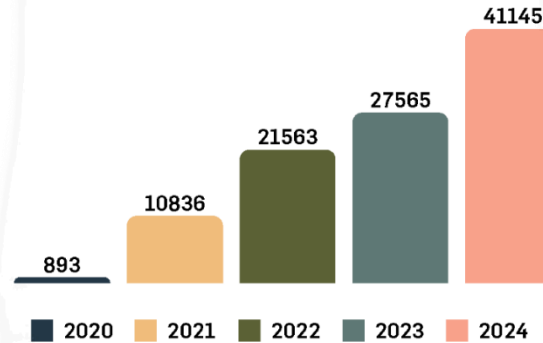
STATE AVERAGE WAGE
PERCENTAGE
2030 GOAL: 90%

87%



MICHIGAN'S CREATIVE COAST JOB BOARD

JOB VIEWS OVER TIME



3,418
AVG. JOB
VIEWS/MONTH

#1
MOST VIEWED
PAGE

108,225
PAGE VIEWS
IN 2024

JOB VIEWS PER MAJOR EMPLOYER



Munson Healthcare	9,442
Interlochen	6,825
Britten Inc.	4,117
Northwestern Michigan College	5,622

Barriers to Growth

Labor issues dominate business concerns . . .

Largest challenges for companies

46%

Labor
(including shortages,
retaining, recruiting
and hiring talent)

39%

Revenue/
sales growth

37%

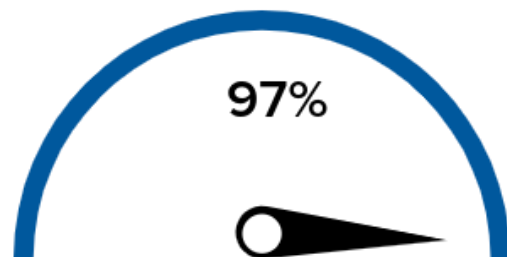
Uncertain
economic
conditions

26%

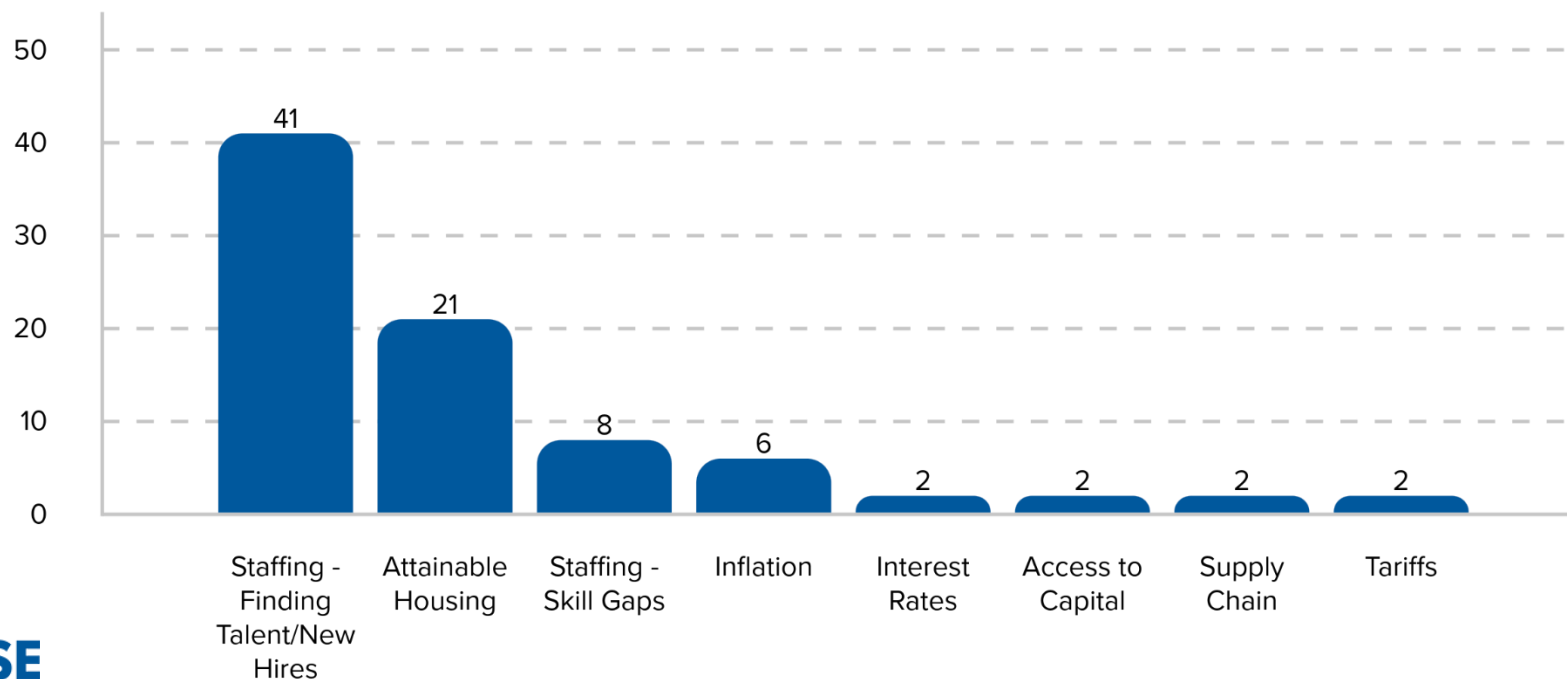
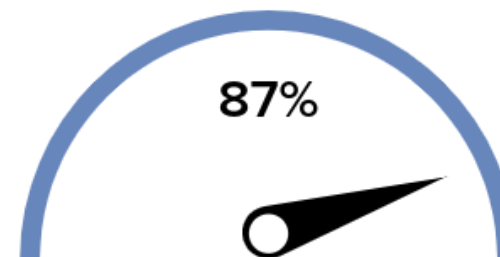
Elevated
interest rates

Q2 2025 GROWTH BAROMETER RESULTS

IS OUR REGION A GOOD PLACE TO GROW YOUR BUSINESS?



IS OUR REGION IMPROVING AS A PLACE TO GROW YOUR BUSINESS?

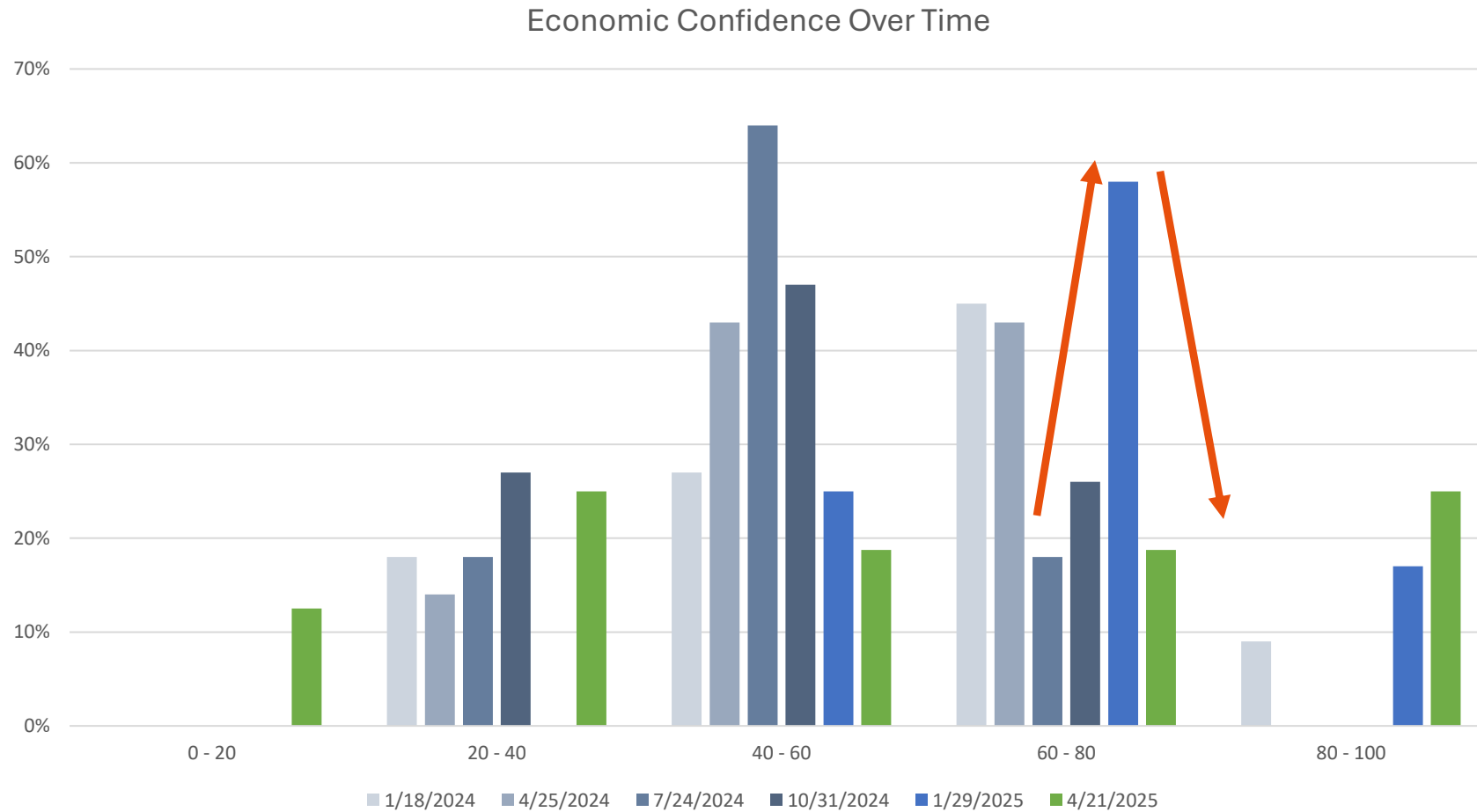


Polling question #1 . . .

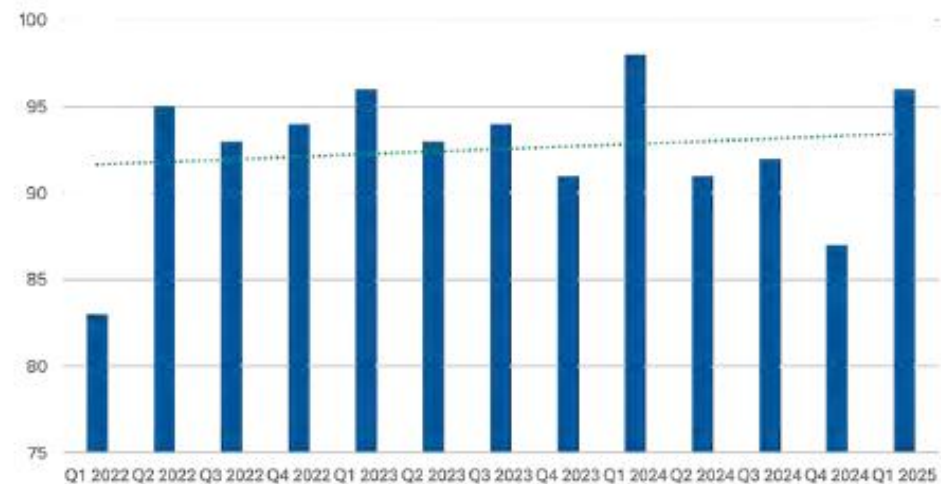
On a scale of 0 -100, how confident are you in the economy over the next 12 months?

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

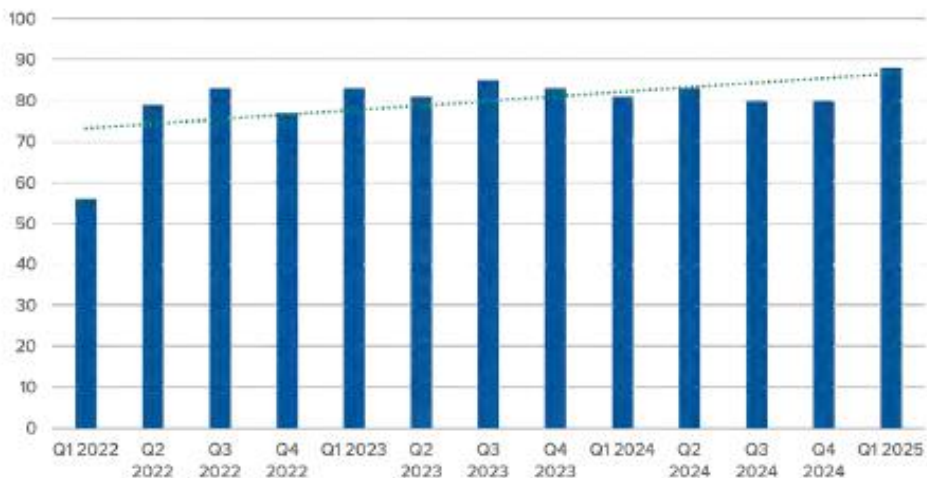
Historical polling results . . .



GROWTH BAROMETER REGIONAL OUTLOOK



1) Is our region a good place to grow your business?



2) Is our region improving as a place to grow your business?

Impact of National Trends (e.g. Tariffs, Supply Chains)

The Tariff Tug-of-War . . .

Economists See Lower Recession Risk and Stronger Job Growth: WSJ Survey

Forecasters nudge up growth, trim inflation estimates as tariffs prove lower, less costly than expected in April.

By [Paul Kiernan](#) [Follow](#) and [Anthony DeBarros](#) [Follow](#)

July 12, 2025 9:00 pm ET

Trump Effect Starts to Show Up in Economy

New data reflect that president's tariff and immigration policies are boosting inflation and weighing on jobs

By [David Uberti](#) [Follow](#)

July 15, 2025 9:00 pm ET

The U.S. Economy Is Regaining Its Swagger

Consumers spending again after spring's tariff chill but some expect growth to be slow

By [Rachel Wolfe](#) [Follow](#) and [Konrad Putzier](#) [Follow](#)

July 20, 2025 9:00 pm ET

The Global Economy Is Powering Through a Historic Increase in Tariffs

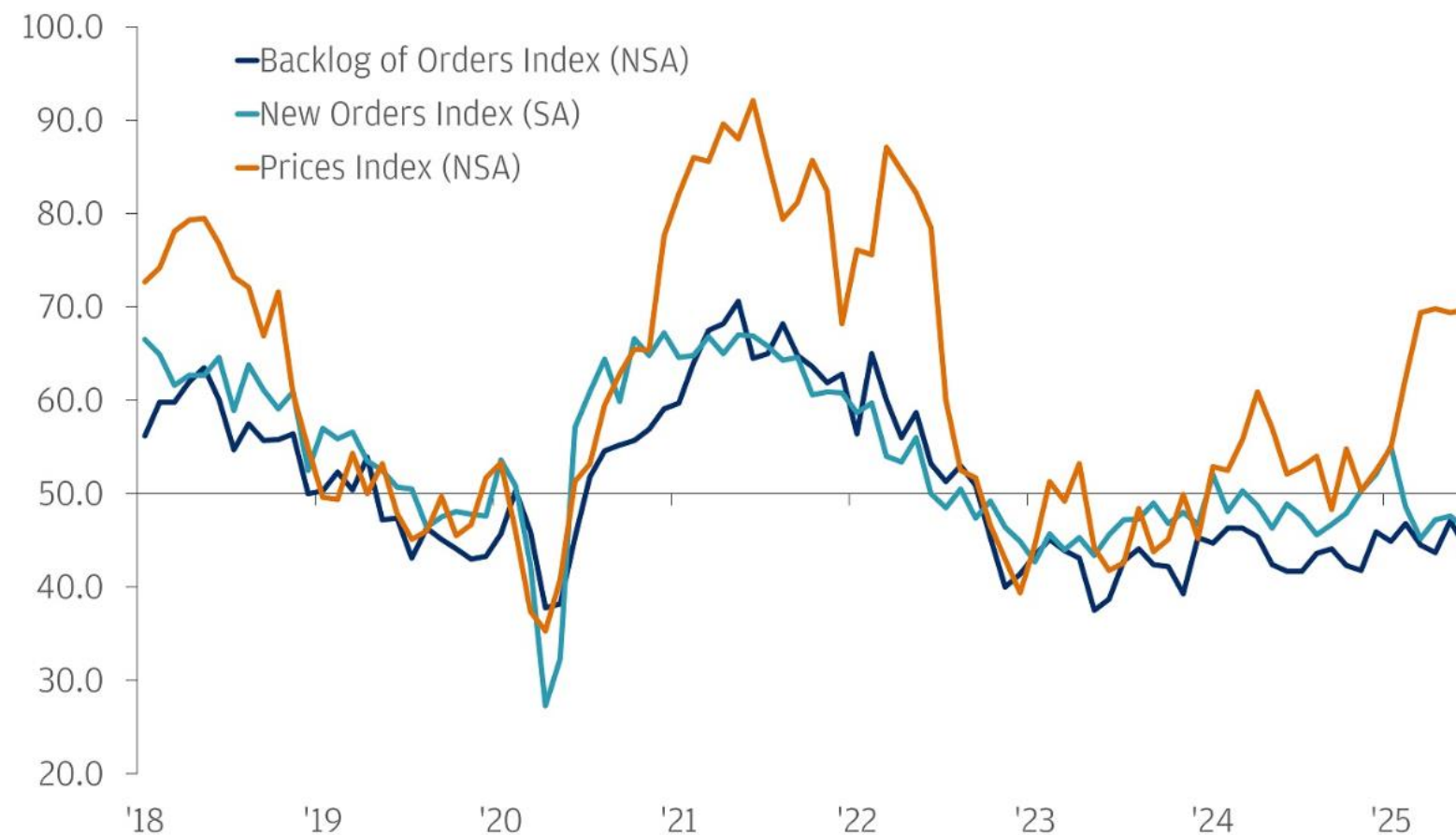
Trade, production, growth and other global economic vitals are proving resilient almost four months after President Trump's 'Liberation Day' tariffs

By [Tom Fairless](#) [Follow](#)

July 21, 2025 9:00 pm ET

Businesses are seeing rising prices and falling demand due to tariffs...

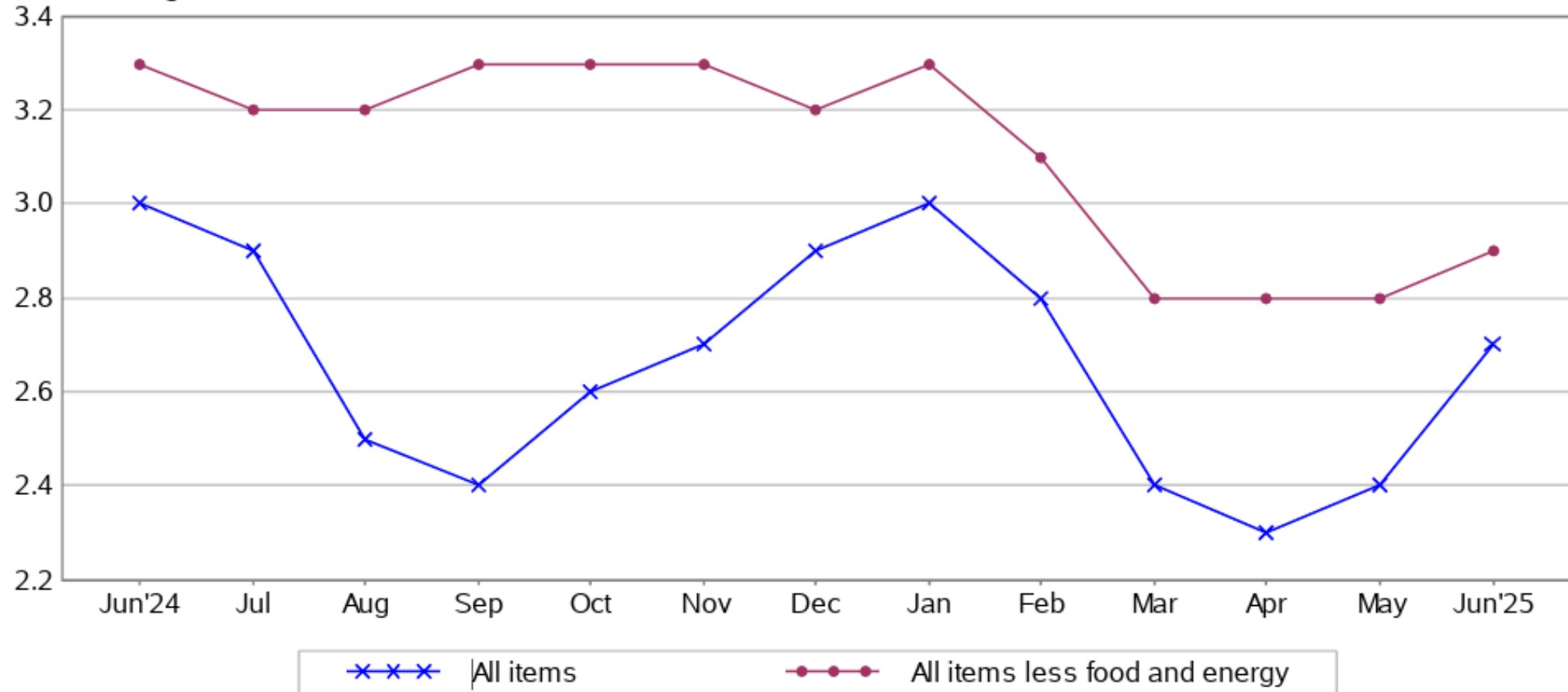
Institute of Supply Management, level, 50+ = increasing



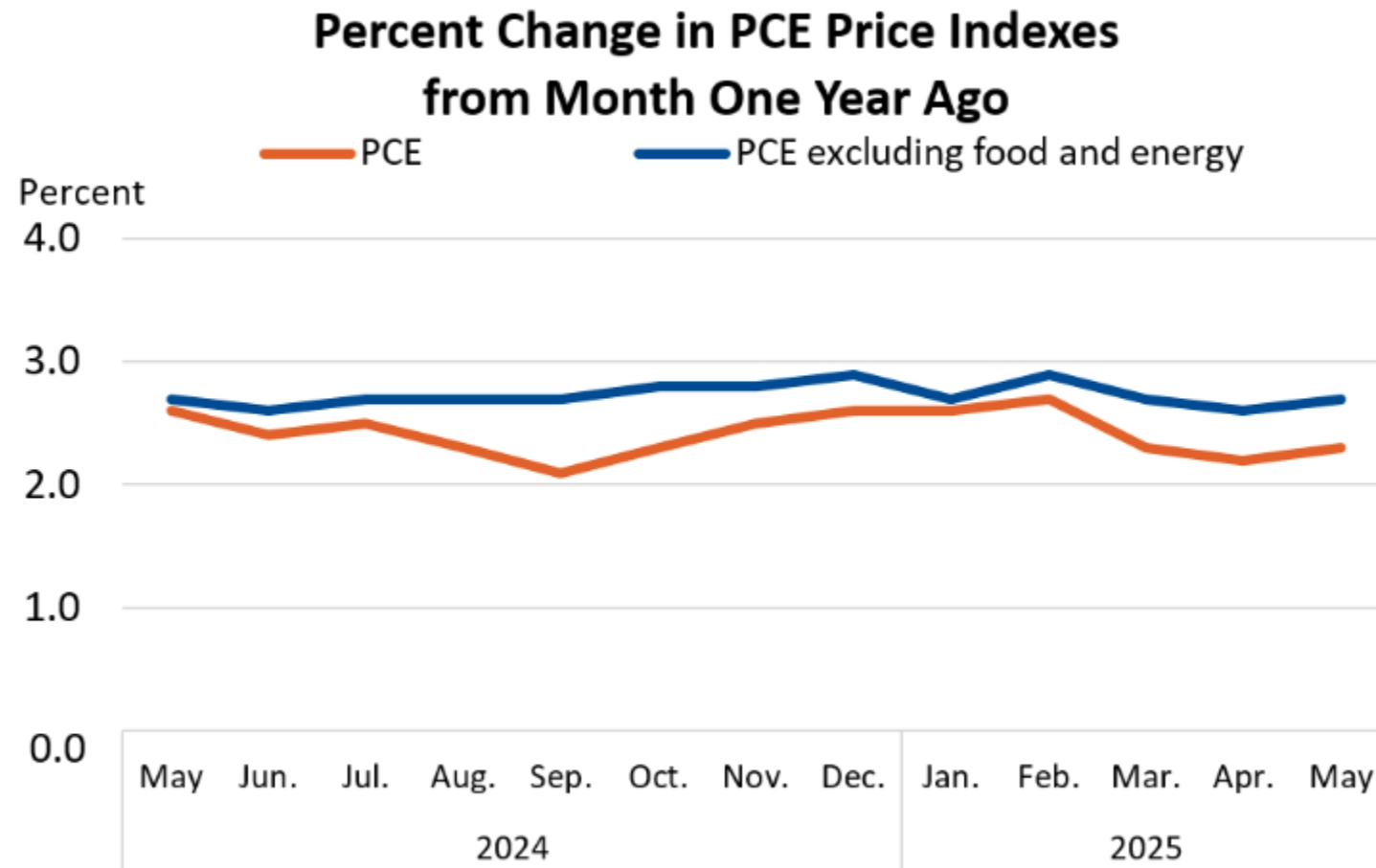
The all-items CPI index rose 2.7%. All-items less food and energy rose 2.9%.

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, June 2024 - June 2025

Percent change



PCE price index for May increased 0.1%, excluding food and energy the PCE price index increased 0.2%...



U.S. Bureau of Economic Analysis

Seasonally adjusted

Polling question #2 . . .

Over the next 12 months, what impact do you expect tariffs to have on the revenue and income generated by your business?

- A. Significant increase in revenue/income
- B. Minimal to no change in revenue/income
- C. Significant decrease in revenue/income
- D. Too hard to say

Tourism vs. Diversification

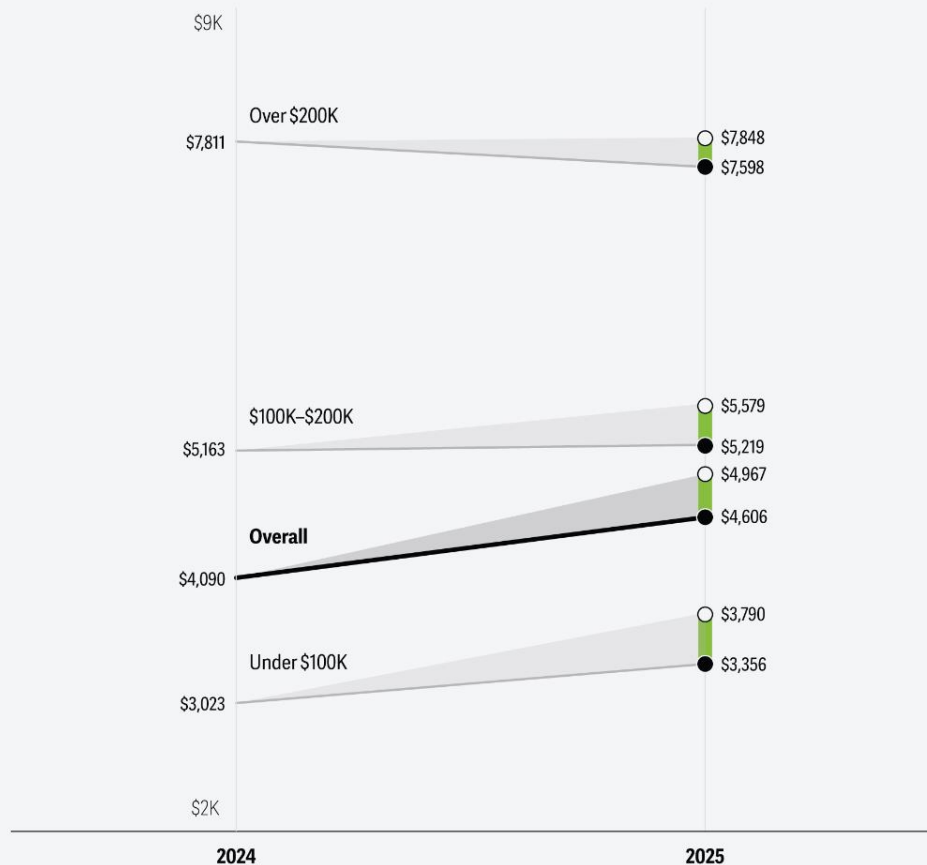
Tourism Fuels Growth—But It's Not Enough

Figure 1

US consumers expect to spend 13% more on summer travel in 2025, even after trimming plans from March to April

Estimated total travel budget for US travelers by annual household income, in US\$

○ March 2025 ● April 2025



Notes: n = 1,936 in 2024; 1,794 in March; 1,064 in April; Question: What is your total estimated travel budget for your trips this summer?

Source: 2025 Deloitte summer travel survey.

Deloitte | deloitte.com/us/en/insights/research-centers/consumer-industry-center.html

Even with the increasing trend in travel plans, many tourism-centric economies struggle to build resilience through year-round, diversified industries.

Advanced Aerial Mobility (Drones)

AAM in Michigan . . .



MICHIGAN ECONOMIC
DEVELOPMENT CORPORATION

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Advanced Aerial Mobility Activation Fund

The State of Michigan is committed to accelerating the development and deployment of Advanced Aerial Mobility (AAM) technologies and infrastructure that have the potential to drive measurable benefits for all Michiganders and strengthen the state's economy. To further this commitment, the State has launched the AAM Activation Fund.

Governor Whitmer Signs Executive Directive to Create the Advanced Air Mobility Initiative, Supporting Good-Paying Jobs Across Michigan

July 17, 2025

FOR IMMEDIATE RELEASE

July 17, 2025

Contact: press@michigan.gov

Governor Whitmer Signs Executive Directive to Create the Advanced Air Mobility Initiative, Supporting Good-Paying Jobs Across Michigan

Funding coincides with Gov. Whitmer's executive directive to advance the testing, production and integration of uncrewed aircraft systems technologies

LANSING, Mich. -- Today, Governor Gretchen Whitmer announced a new executive directive to establish the Michigan Advanced Air Mobility (AAM) Initiative, designed to scale Michigan's AAM capabilities, ensure safe and efficient integration of these technologies across public and private sectors, and position our workforce, manufacturers and infrastructure as national assets in the deployment of these technologies. In conjunction, four new projects will receive over \$4.1 million in total funding to scale AAM research and infrastructure through the second round of the state's [AAM Activation Fund](#).

Author:

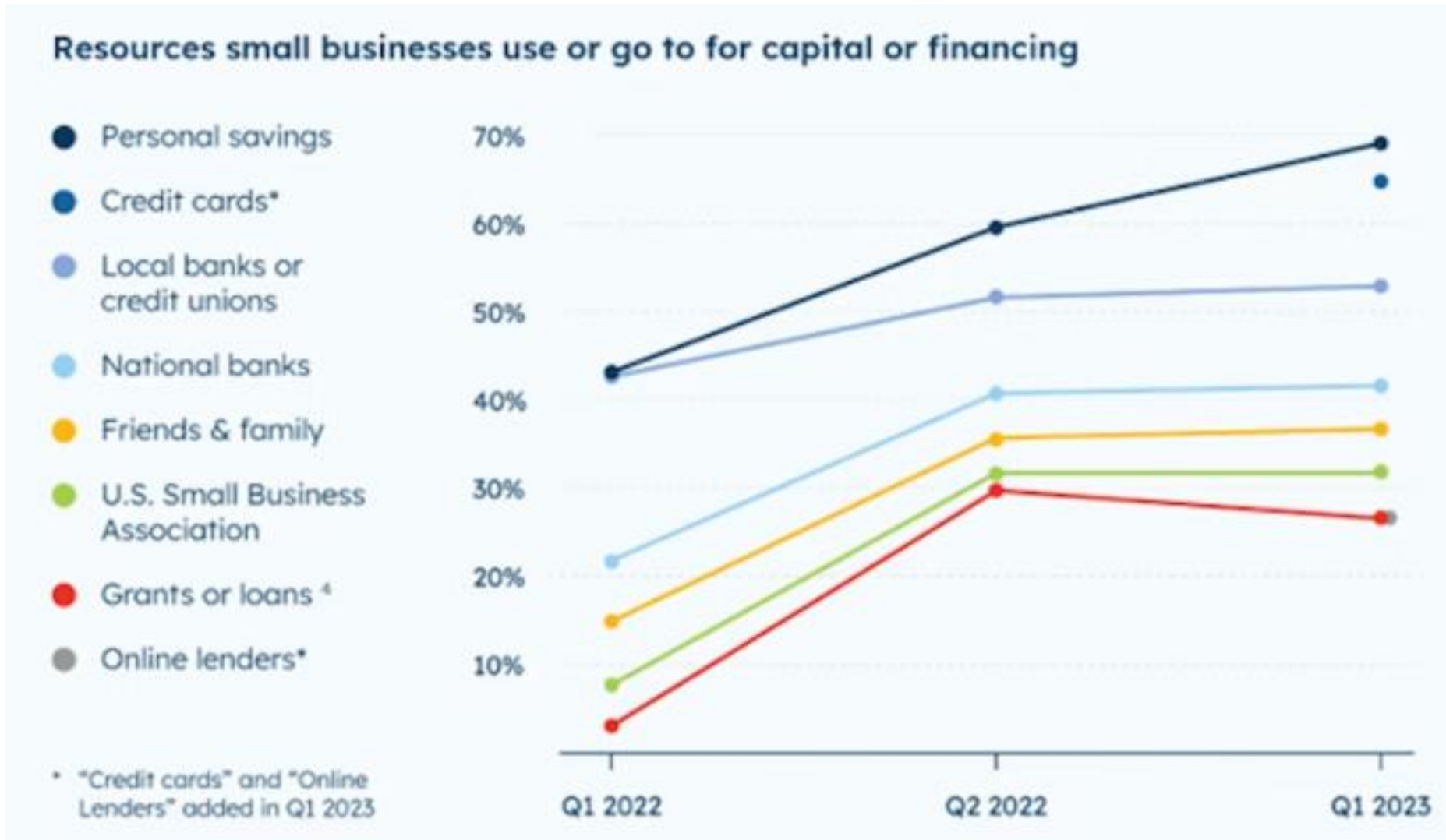
Executive Office of the Governor

Communications Division

press@michigan.gov

Entrepreneurship + Startups

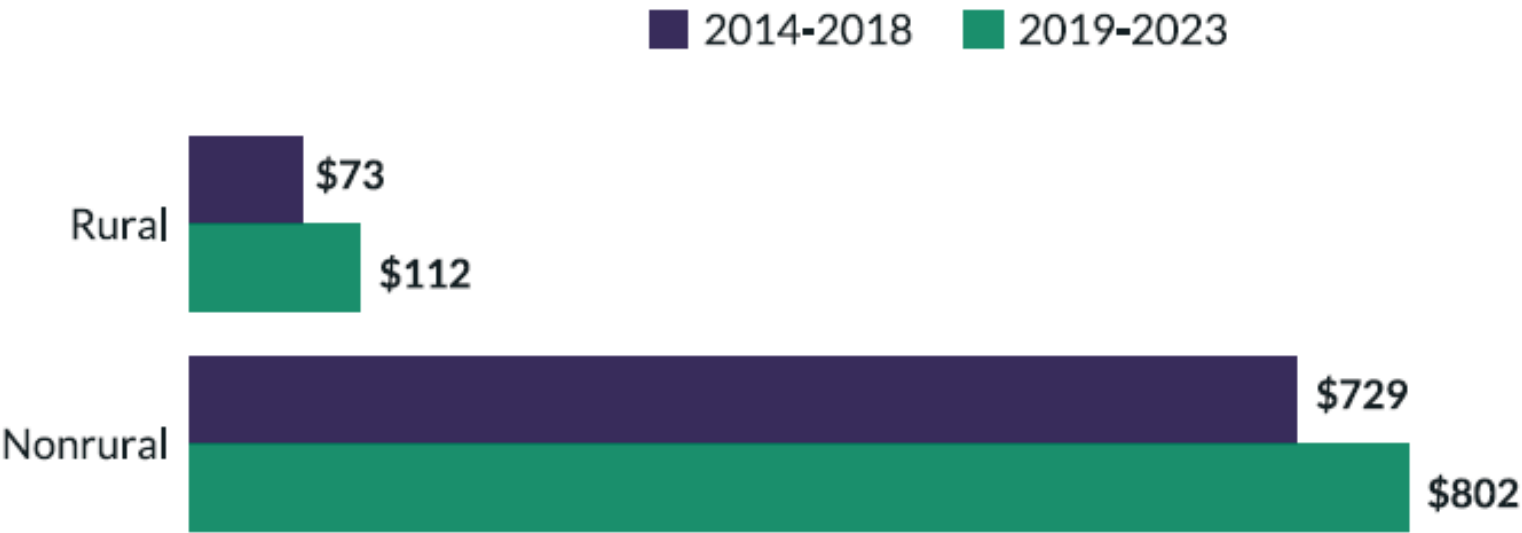
More than half of all businesses use personal or family savings for startup capital . . .



Beyond funding, venture capital can also provide expertise, industry connections, monitoring, and strategic guidance helping small businesses build their reputation and scale.

Private investment in rural areas lags nonrural but is on the rise

Private investment per capita, 5-year averages



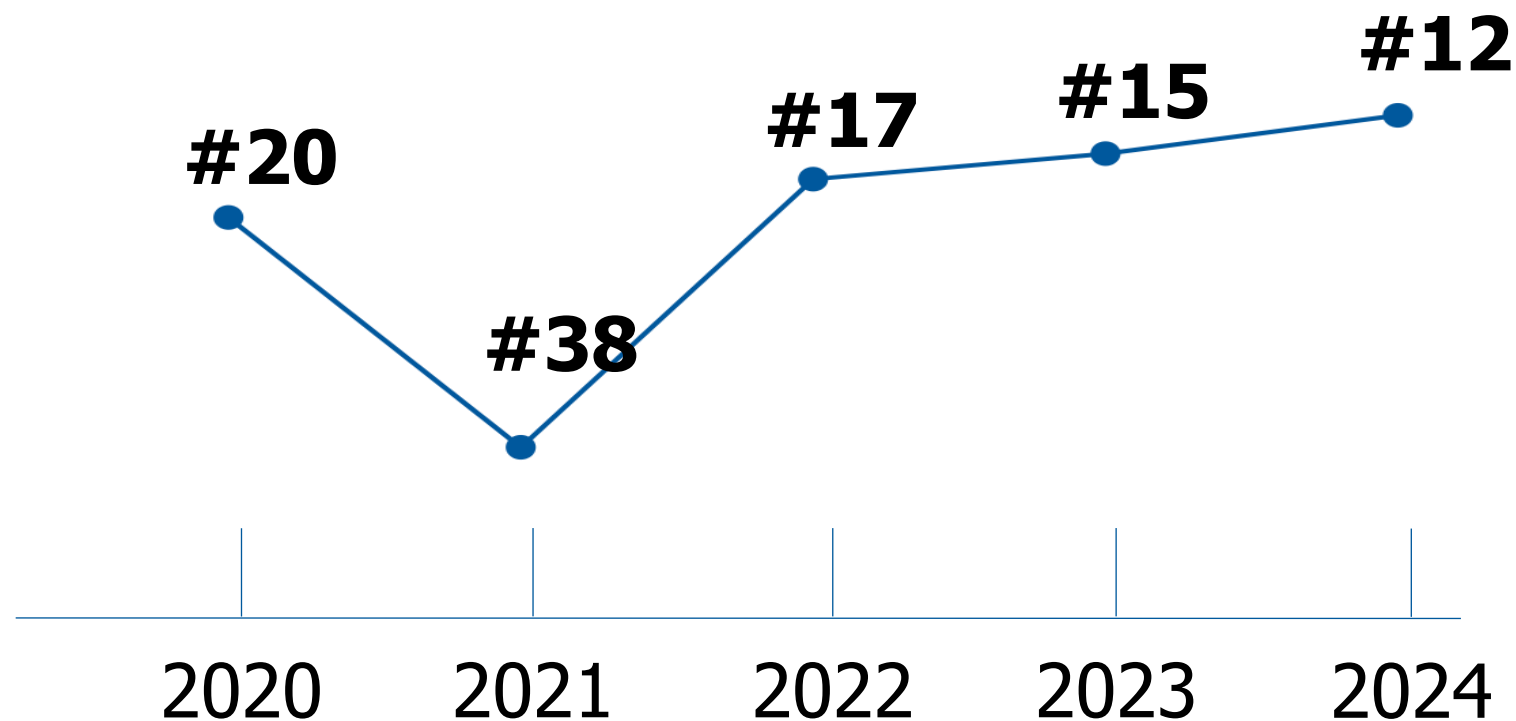
Source: CORI analysis of Form D filings; American Community Survey 5-year estimates
Note: "Rural" refers to the nonmetro definition which includes all nonmetro counties.

Metrics + Measurement

NATIONAL ECONOMIC STRENGTH RANKING

BASED ON SUSTAINED GROWTH ACROSS INDUSTRIES, WAGES, AND
EMPLOYMENT

MICROPOLITAN STATISTICAL AREAS (543 TOTAL)
POLICOM ECONOMIC ANALYSIS



Interest Rates

What are the financial markets expecting the Fed to do? . . .

CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES						
MEETING DATE	300-325	325-350	350-375	375-400	400-425	425-450
7/30/2025	0.00 %	0.00 %	0.00 %	0.00 %	4.65 %	95.35 %
9/17/2025	0.00 %	0.00 %	0.00 %	0.00 %	63.34 %	36.65 %
10/29/2025	0.00 %	0.00 %	0.00 %	14.65 %	85.35 %	0.00 %
12/10/2025	0.00 %	0.00 %	0.00 %	84.15 %	15.85 %	0.00 %
1/28/2026	0.00 %	0.00 %	30.65 %	69.35 %	0.00 %	0.00 %
3/18/2026	0.00 %	0.00 %	93.41 %	6.59 %	0.00 %	0.00 %
4/29/2026	0.00 %	30.65 %	69.35 %	0.00 %	0.00 %	0.00 %
6/17/2026	0.00 %	89.17 %	10.83 %	0.00 %	0.00 %	0.00 %
7/29/2026	27.65 %	72.35 %	0.00 %	0.00 %	0.00 %	0.00 %
9/16/2026	68.04 %	31.96 %	0.00 %	0.00 %	0.00 %	0.00 %
10/28/2026	84.65 %	15.35 %	0.00 %	0.00 %	0.00 %	0.00 %
12/9/2026	87.47 %	12.53 %	0.00 %	0.00 %	0.00 %	0.00 %

Probability of a 25 bps rate cut this fall.

Probability of a second 25 bps cut this winter

Almost 100% chance of 3.75% Fed Fund by early 2026

Treasury Secretary Bessent calls for a review of 'the entire' Federal Reserve

PUBLISHED MON, JUL 21 2025 8:44 AM EDT | UPDATED MON, JUL 21 2025 3:07 PM EDT



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- Treasury Secretary Bessent doesn't make idle comments.
 - This is a warning shot, and the review is probably already underway
- What Treasury is seeking is better coordination between the Fed and Treasury. They talk, but it sounds like Treasury is looking for more influence to be able to maneuver and end the traditional confrontation that often takes place between the two bodies.
- 10Y Treasury Slides ~ 4.35%: **Below the 200-day moving average** (which is critical in setting mortgage and other types of long-term borrow rates). The market still needs to see yield rates approach 4% before many consumers jump into the refi markets.

In summary . . .

- **Aging demographics are reshaping Michigan's labor supply:** Workforce participation among prime-age workers (35–49) is flat or declining in key counties—talent attraction is now a growth constraint.
- **Labor shortages remain the top challenge for businesses:** 46% of firms cite hiring difficulty as their #1 issue—outpacing concerns over sales or interest rates.
- **Despite national volatility, local confidence remains strong:** 97% believe this region is a good place to grow; however, housing and skills gaps could limit upside.
- **Interest rates are poised to decline, but timing is uncertain:** Markets expect at least two Fed cuts by early 2026—businesses should prepare to capitalize on refinancing or investment windows.
- **Tourism can't carry the economy alone:** Long-term resilience depends on diversifying into tech, startups, and year-round industries—with regional support and venture capital access.

For more information, please contact . . .

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