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Economic Outlook: B Balance of Risks:

Economy Hit an Air Pocket in January, Lowering 2025's Growth Prospects; Tariffs Are Likely to Keep Inflation Above Fed's Target This Year

Monthly economic data disappointed in January, with declines in retail sales, auto sales, housing sales, and manufacturing production. A number of one-off drags weighed on the month: The LA wildfires, a bad flu season, and (likely having the largest impact) severe winter weather across much of the continental United States. Even as these headwinds faded in February, new drags appeared. The DOGE cuts to federal headcount and suspended payments for federal programs pushed up jobless claims, and will likely translate to a 250,000 to 500,000 cumulative drag on payroll growth in the next six months. Consumer sentiment jumped after the election, but reversed and weakened in January and February. The University of Michigan's consumer survey (Which breaks out sentiment by political affiliation) shows the drop is concentrated among Democrat-leaning consumers, who are the most downbeat since 2008. Republican-leaning sentiment is considerably better. But even surveys whose respondents lean right show growing concern about economic uncertainty, in particular related to higher tariffs. The tariff increases proposed in February and March would be equivalent to a tax increase of between 0.5% and 1.0% of U.S. GDP, equivalent to about half of U.S. corporate tax receipts—in other words, a substantial hike. Whether they end up at those levels, higher, or lower, tariff hikes promise to raise prices in 2025 and 2026.

Inflation entered 2025 trending in the right direction. The core PCE index excluding food and energy slowed in January to the smallest year-over-year increase since March 2021. However, the Fed's focus has shifted from the rearlooking data flow to the forward-looking outlook as tariffs raise goods prices, and as more aggressive immigration enforcement reduces the number of immigrants entering the job market. The Fed also is watching upside pressures on inflation from egg and meat prices as the avian flu sweeps agricultural flocks, and from higher gasoline, diesel, and natural gas prices in January and February. These shocks in combination seem set to keep inflation above the Fed's two percent target in 2025.

The Fed held rates steady at their January decision and signaled they are in 'no hurry' to make further interest rate cuts near-term. Since their decision, financial markets have become unsettled by the January macro slowdown, DOGE, and tariff noise, and have started to price in the possibility of the Fed pivoting to substantial rate cuts by the end of 2025. However, Comerica continues to forecast for the Fed to cut the federal funds target by only a quarter of a percent by year-end, since inflation will remain a source of frustration for them. In addition, Washington will likely start discussions soon on plans to repurpose DOGE's spending cuts and tax revenues from tariffs to pay for tax cuts in 2026, which the Fed would see as a reason to look past a near-term slowdown. Separately, the Fed is forecast to end the run-off of their balance sheet (a.k.a. "Quantitative Tightening" or QT) in July.

| U.S. Economic Outlook, Summary | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|
| a = actual f = forecast | 2Q'24a | 3Q'24a | 4Q'24p | 1Q'25f | 2Q'25f | 3Q'25f | 4Q'25f | 2023a | 2024p | 2025f | 2026f |
| Real GDP (Percent Change Annualized) | 3.0 | 3.1 | 2.3 | 2.0 | 2.4 | 2.5 | 2.8 | 2.9 | 2.8 | 2.5 | 2.8 |
| CPI (Percent Change Year-over-Year) | 3.2 | 2.7 | 2.7 | 2.8 | 3.2 | 3.8 | 3.9 | 4.1 | 3.0 | 3.4 | 3.1 |
| Payroll Jobs (Average Monthly Diff., Ths.) | 171 | 113 | 168 | 189 | 124 | 140 | 145 | 213 | 161 | 149 | 139 |
| Unemployment Rate (Percent) | 4.0 | 4.2 | 4.1 | 4.0 | 4.1 | 4.0 | 3.8 | 3.6 | 4.0 | 4.0 | 3.7 |
| Federal Funds Rate (Period Average) | 5.33 | 5.26 | 4.65 | 4.33 | 4.33 | 4.12 | 4.08 | 5.02 | 5.14 | 4.21 | 3.87 |
| 10-Yr. Treasury Rate (Period Average) | 4.44 | 3.95 | 4.28 | 4.63 | 4.69 | 4.60 | 4.47 | 3.96 | 4.21 | 4.60 | 4.20 |
| a - actual n - preliminary f - forecast | ÷ | | | | | | | | | | |

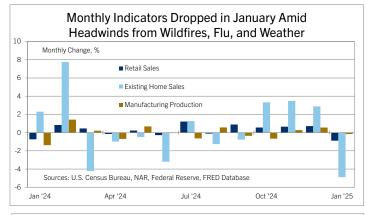
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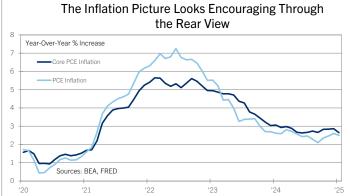
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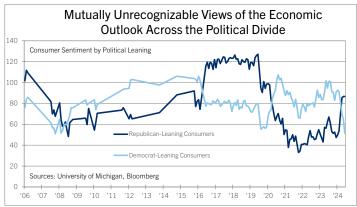
U.S. Economic Outlook

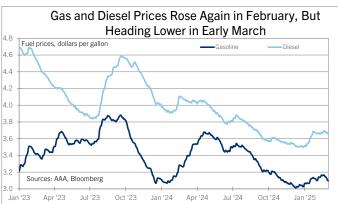
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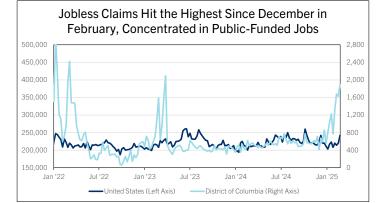


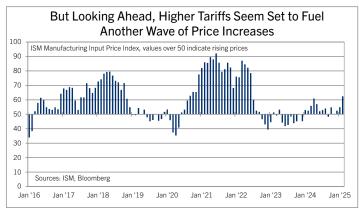




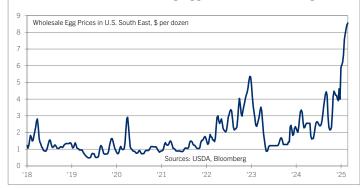


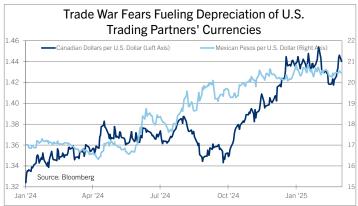






Bird Flu Still Pushing Egg Prices to Record Highs





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U.S. Economic Outlook March 2025



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| Government Expenditues 3.917 3.966 3.994 3.973 3.947 | Change in Private Inventories | | | 10 | | | | | | | | |
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| Industrial Production CPU02-1702 Procest Data Data <thdata< th=""></thdata<> | Government Expenditures | 3,917 | 3,966 | 3,994 | 3,973 | 3,948 | 3,937 | 3,932 | 3,812 | 3,941 | 3,948 | 3,919 |
| Parcent Change Annualkand 2.4 -0.6 -1.4 4.8 2.3 1.1 1.4 0.2 -0.3 1.7 1.2 Prices 77.6 77.7 77.7 77.7 77.7 77.7 77.7 77.7 77.7 77.7 77.7 77.7 77.7 | Percent Change Annualized | 3.1 | 5.1 | 2.9 | -2.1 | -2.5 | -1.1 | -0.5 | 3.9 | 3.4 | 0.2 | -0.7 |
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| Labor Markets Faynoll Jobs (Avardes Monthly Difference, Ths.) 171 113 168 189 124 140 145 213 161 149 139 Diemployment Rate (Percent) 4.0 4.2 4.1 4.0 4.1 4.0 3.8 3.6 4.0 4.0 3.7 Labor Force Participation Rate (Percent) 52.6 62.6 | | | | | | | | | | | | |
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| Personal Income 34.88 35.21 35.60 35.93 36.25 36.54 36.86 33.70 35.06 36.40 37.77 Percent Change Annualized 3.8 3.8 4.5 3.8 3.6 3.2 3.6 4.4 4.0 3.8 3.8 3.8 Real Disp. Income (2017 Billions \$ Annualized 17,497 17,506 17,617 17,695 17,759 17,789 17,868 17,052 17,518 17,773 18,304 Percent Change Annualized 1.0 0.2 2.5 1.8 1.2 0.9 1.6 5.1 2.7 1.5 3.0 Personal Swing Rate (Percent) 4.9 4.1 3.8 4.1 4.4 4.6 4.8 4.7 4.5 4.4 5.2 Housing Starts (Ths., Annual Rate) 1,330 1,332 1,388 1,367 1,386 1,405 1,421 1,367 3,483 396 473 344 384 408 New S Home Sales (Ths., Annual Rate) 8.50 8.57 | Labor Force Participation Rate (%) | 62.6 | 62.7 | 62.5 | 62.6 | 62.6 | 62.6 | 62.6 | 62.6 | 62.6 | 62.6 | 62.5 |
| Average Houry Earnings (\$) Percent Change Annualized 34.88 35.21 35.60 35.93 36.25 36.54 36.86 33.70 35.06 36.40 37.77 Percent Change Annualized Personal Saving Rate (Percent) 17,497 17,505 17,789 17,289 17,858 17,052 17,789 17,858 17,052 17,758 <td< td=""><td>Average Weekly Hours</td><td>34.3</td><td>34.2</td><td>34.3</td><td>34.2</td><td>34.3</td><td>34.2</td><td>34.2</td><td>34.4</td><td>34.3</td><td>34.2</td><td>34.2</td></td<> | Average Weekly Hours | 34.3 | 34.2 | 34.3 | 34.2 | 34.3 | 34.2 | 34.2 | 34.4 | 34.3 | 34.2 | 34.2 |
| Percent Change Annualized 3.8 3.8 4.5 3.8 3.6 3.2 3.6 4.4 4.0 3.8 3.8 Real Disp. Income (2017 Billions \$ Annualized) 17,097 17,506 17,617 17,695 17,750 17,789 17,858 17,052 17,518 17,773 18,304 Percent Change Annualized 1.0 0.2 2.5 1.8 1.2 0.9 1.6 5.1 2.7 1.5 3.0 Personal Saving Rate (Percent) 4.9 4.1 3.8 1.367 1.376 1.386 1.405 1.421 1.367 1.384 1.430 Single-Family Housing Starts 1.004 971 1.016 990 995 1.002 1.009 949 1.013 999 1.022 Multifamily Housing Starts 3.63 3.65 3.757 3.818 3.89 3.66 3.663 3.793 4.080 New SF Home Sales (Ths., Annual Rate) 6.69 6.93 708 6.75 6.81 6.87 6.93 | | | | | | | | | | | | |
| Real Disp. Income (2017 Billions \$ Annualized) 17,497 17,506 17,617 17,695 17,789 17,888 17,052 17,518 17,73 18,304 Percont Change Annualized 4.9 4.1 3.8 4.1 4.4 4.6 4.8 4.7 4.5 4.4 5.2 Housing Rate (Percent) 4.9 4.1 3.8 4.1 4.4 4.6 4.8 4.7 4.5 4.4 5.2 Housing Starts (Ths, Annual Rate) 1,340 1,332 1,388 1,367 1,376 1,386 1,405 1,421 1,367 1,384 1,430 Single-Family Housing Starts 1,004 971 10,16 990 995 5,102 1,009 949 1,013 363 365 3,676 3,673 3,733 4,08 New SF Home Sales (Ths, Annual Rate) 693 708 675 681 687 683 666 686 684 706 Case/Shiller One-Family HPI (Annual % Charge) 5.9 4.4 3.8 3.5 3.5 3.1 2.5 7.1 3.4 2.8 | | | | | | | | | | | | |
| Parcent Change Annualized 1.0 0.2 2.5 1.8 1.2 0.9 1.6 5.1 2.7 1.5 3.0 Personal Saving Rate (Parcent) 4.9 4.1 3.8 4.1 4.4 4.6 4.8 4.7 4.5 4.4 5.2 Housing Starts (Ths., Annual Rate) 1,340 1,332 1,388 1,367 1,376 1,386 1,405 1,421 1,367 1,384 1,430 Single-Farnily Housing Starts 336 361 372 377 381 384 396 473 354 365 408 Kultifamily Housing Starts 336 361 372 377 3818 3,899 3,676 3,673 3,793 4,080 New St Home Sales (Ths., Annual Rate) 693 708 679 675 681 687 693 666 686 684 706 PLFA Purchase-Only HPI (Annual % Change) 5.9 4.4 3.8 3.5 3.1 2.5 5.1 3.4 | | | | | | | | | | | | |
| Personal Saving Rate (Percent) 4.9 4.1 3.8 4.1 4.4 4.6 4.8 4.7 4.5 4.4 5.2 Housing Starts (Ths., Annual Rate) 1,340 1,332 1,388 1,367 1,376 1,386 1,405 1,421 1,367 1,384 1,400 Single-Family Housing Starts 336 361 372 377 381 384 396 473 354 385 408 West Home Sales (Ths., Annual Rate) 693 708 679 675 681 687 693 666 686 684 708 679 675 681 687 693 666 686 684 708 728 73 728 73 738 330 499 54 3.7 2.8 Consumer Consumer 703.1 712.4 725.3 728.9 736.0 746.4 758.5 692.0 710.1 742.5 793.0 Percent Change Annual Xet (Millons) 15.9 15.7 16.7 16.1 16.3 16.5 16.6 15.6 16.4 17. | | | | | | | | | | | | |
| Housing Housing Starts 1,340 1,332 1,388 1,367 1,376 1,386 1,405 1,421 1,367 1,384 1,430 Single-Family Housing Starts 1,004 971 1,016 990 995 1,002 1,009 949 1,013 999 1,022 Multifamily Housing Starts 3,630 3,557 3,767 3,695 3,759 3,818 3,899 3,676 3,673 3,793 4,080 New SF Home Sales (Ths., Annual Rate) 693 708 679 675 681 687 693 666 686 684 706 FHFA Purchase-Only HPI (Annual % Change) 5.9 4.4 3.8 3.5 3.5 3.1 2.5 5.1 3.4 2.8 Consumer Retail & Food Service Sales (Monthly Avg., Bns) 703.1 712.4 725.3 728.9 736.0 746.4 758.5 692.0 710.1 742.5 793.0 Percent Change Annualized 2.0 5.4 7.4 2.0 4.0 5.7 6.7 3.5 2.6 4.6 6.8 <td< td=""><td>·</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></td<> | · | | | | | | | | | | | |
| Housing Starts (<i>Ths., Annual Rate</i>) 1,340 1,332 1,388 1,367 1,376 1,386 1,405 1,421 1,367 1,384 1,430 Single-Family Housing Starts 336 361 372 377 381 384 396 473 354 385 408 Sext. SF Home Sales (<i>Ths., Annual Rate</i>) 3,630 3,557 3,767 3,685 3,759 3,818 3,899 3,676 3,673 3,73 4,080 New SF Home Sales (<i>Ths., Annual Rate</i>) 693 708 675 681 687 693 666 686 684 706 Consumer Configences (Conference Board) 5.9 4.5 4.2 3.9 3.8 3.0 4.9 5.4 3.7 2.8 Consumer Configences (Conference Board) 5.9 4.4 3.8 3.5 3.5 3.1 2.5 5.1 3.4 2.8 Consumer Configences (Conference Board) 5.9 4.4 7.4 2.0 4.0 5.7 6.7 3.5 6.6 6.6 6.8 6.92.0 710.1 742.5 793.0 | | 4.5 | 4.1 | 5.0 | 4.1 | 4.4 | 4.0 | 4.0 | 7.7 | 4.5 | 4.4 | 5.2 |
| Single-Family Housing Starts 1,004 971 1,016 990 995 1,002 1,009 949 1,013 999 1,022 Multifamily Housing Starts 336 361 372 377 381 384 396 473 354 385 408 Sext. SF Home Sales (Ths., Annual Rate) 693 5,670 3,676 3,675 6,681 687 693 666 686 684 706 New SF Home Sales (Ths., Annual Rate) 59 4.5 4.2 3.9 3.8 3.0 4.9 5.4 3.7 2.8 Case/Shiller One-Family HPI (Annual % Change) 5.9 4.4 3.8 3.5 3.5 3.1 2.5 5.1 3.4 2.8 Consumer Consumer 703.1 712.4 725.3 728.9 736.0 746.4 758.5 692.0 710.1 742.5 793.0 Percent Change Annualized 2.0 5.4 7.4 2.0 4.0 5.7 6.7 3.5 2.6 4.6 6.8 Consumer Confidence* (Conference Board) 9.9 <t< td=""><td></td><td>1,340</td><td>1,332</td><td>1,388</td><td>1,367</td><td>1,376</td><td>1,386</td><td>1,405</td><td>1,421</td><td>1,367</td><td>1,384</td><td>1,430</td></t<> | | 1,340 | 1,332 | 1,388 | 1,367 | 1,376 | 1,386 | 1,405 | 1,421 | 1,367 | 1,384 | 1,430 |
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| New SF Home Sales (Ths., Annual Rate) 693 708 679 675 681 687 693 666 686 684 706 FHFA Purchase-Only HPI (Annual % Change) 5.9 4.5 4.5 4.2 3.9 3.8 3.0 4.9 5.4 3.7 2.8 Case/Shiller One-Family HPI (Annual % Change) 5.9 4.4 3.8 3.5 3.5 3.1 2.5 5.1 3.4 2.8 Case/Shiller One-Family HPI (Annual % Change) 5.9 4.4 3.8 3.5 3.5 3.1 2.5 5.1 3.4 2.8 Consumer Consumer State 703.1 712.4 725.3 728.9 736.0 746.4 758.5 692.0 710.1 742.5 793.0 Percent Change Annualized 2.0 5.4 7.4 2.0 4.0 5.7 6.7 3.5 2.6 4.6 6.8 Consumer Confidence* (Conference Board) 98.9 102.2 110.6 99.8 97.7 98.5 100.8 105.6 16.0 16.4 17.0 Financial Indicators (Pe | | | 361 | | | | | | | | | |
| FHFA Purchase-Only HPI (Annual % Change) 5.9 4.5 4.5 4.2 3.9 3.8 3.0 4.9 5.4 3.7 2.8 Case/Shiller One-Family HPI (Annual % Change) 5.9 4.4 3.8 3.5 3.5 3.5 3.1 2.5 5.1 3.4 2.8 Consumer Retail & Food Service Sales (Monthly Avg, Bns) 703.1 712.4 725.3 728.9 736.0 746.4 758.5 692.0 710.1 742.5 793.0 Percent Change Annualized 2.0 5.4 7.4 2.0 4.0 5.7 6.7 3.5 2.6 4.6 6.8 Consumer Confidence* (Conference Board) 98.9 102.2 110.6 99.8 97.7 98.5 100.8 105.4 104.5 99.2 101.7 Financial Indicators (Period Average) 5.33 5.26 4.65 4.33 4.33 4.12 4.08 5.02 5.14 4.21 3.87 Prime Rate 5.33 5.26 4.65 4.33 4.33 4.10 4.06 5.09 5.11 4.19 3.83 | Exst. SF Home Sales (Ths., Annual Rate) | | | | | | | | | | | |
| Case/Shiller One-Family HPI (Annual % Change) 5.9 4.4 3.8 3.5 3.5 3.5 3.1 2.5 5.1 3.4 2.8 Consumer Retail & Food Service Sales (Monthly Avg, Bns) 703.1 712.4 725.3 728.9 736.0 746.4 758.5 692.0 710.1 742.5 793.0 Percent Change Annualized 2.0 5.4 7.4 2.0 4.0 5.7 6.7 3.5 2.6 4.6 6.8 Consumer Confidence * (Conference Board) 2.0 5.4 7.4 2.0 4.0 5.7 6.7 3.5 2.6 4.6 6.8 Car and Light Truck Sales (Millions) 15.9 15.7 16.7 16.1 16.3 16.6 15.6 16.0 16.4 17.0 Francial Indicators (Period Average) 5.33 5.26 4.65 4.33 4.33 4.12 4.08 5.02 5.14 4.21 3.87 Friancial Indicators (Period Average) 5.33 5.26 4.65 4.33 4.33 4.12 4.08 5.02 5.14 4.21 3.87 | New SF Home Sales (<i>Ths., Annual Rate</i>) | | | | | | | | | | | |
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| Percent Change Annualized 2.0 5.4 7.4 2.0 4.0 5.7 6.7 3.5 2.6 4.6 6.8 Consumer Confidence* (Conference Board) 98.9 102.2 110.6 99.8 97.7 98.5 100.8 105.4 104.5 99.2 101.5 Car and Light Truck Sales (Millions) 15.9 15.7 16.7 16.1 16.3 16.5 16.6 15.6 16.0 16.4 17.0 Financial Indicators (Period Average) 5.33 5.26 4.65 4.33 4.33 4.12 4.08 5.02 5.14 4.21 3.87 Prime Rate 8.50 8.43 7.82 7.50 7.50 7.29 7.25 8.19 8.31 7.38 7.04 1-Month Term SOFR 5.33 5.21 4.59 4.30 4.10 4.06 5.09 5.11 4.19 3.85 3-Month Term SOFR 5.33 5.27 4.50 4.31 4.24 4.07 4.06 5.16 5 | | 703 1 | 710 <i>I</i> | 725 3 | 728 0 | 736 0 | 7 <u>4</u> 6 / | 752 5 | 602.0 | 710 1 | 7 <u>/</u> 2 5 | 792 N |
| Consumer Confidence* (Conference Board)98.9102.2110.699.897.798.5100.8105.4104.599.2101.5Car and Light Truck Sales (Millions)15.915.716.716.116.316.516.615.616.016.417.0Financial Indicators (Period Average)Federal Funds Rate (Effective)5.335.264.654.334.334.124.085.025.144.213.87Prime Rate8.508.437.827.507.507.297.258.198.317.387.041-Month Term SOFR5.335.074.504.314.244.074.065.095.114.193.853-Month Term SOFR5.335.074.504.314.244.074.065.165.054.173.801-Yr. Treasury Rate5.144.454.254.164.103.993.925.084.694.043.695-Yr. Treasury Rate4.463.794.134.384.334.214.094.064.134.253.7710-Yr. Treasury Rate6.657.007.046.856.646.806.726.886.15Corporate Profits After Tax (Billions \$ Annualized)3,4133,4033,4533,4823,5123,5483,5853,0693,3963,5323,783Percent Change Annualized12.4-1.26.03.43.54.24.2 | | | | | | | | | | | | |
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| Prime Rate8.508.437.827.507.297.258.198.317.387.041-Month Term SOFR5.335.214.594.304.304.104.065.095.114.193.853-Month Term SOFR5.335.074.504.314.244.074.065.165.054.173.801-Yr. Treasury Rate5.144.454.254.164.103.993.925.084.694.043.695-Yr. Treasury Rate4.463.794.134.384.334.214.094.064.134.253.7710-Yr. Treasury Rate4.443.954.284.634.694.604.473.964.214.604.2030-Yr. Fixed Rate Mortgage6.996.516.657.007.046.856.646.806.726.886.15Corporate Profits After Tax (Billions \$ Annualized)3,4133,4033,4533,4823,5123,5483,5853,0693,3963,5323,783Percent Change Annualized12.4-1.26.03.43.54.24.24.010.74.07.1 | Financial Indicators (Period Average) | | | | | | | | | | | |
| 1-Month Term SOFR5.335.214.594.304.304.104.065.095.114.193.853-Month Term SOFR5.335.074.504.314.244.074.065.165.054.173.801-Yr. Treasury Rate5.144.454.254.164.103.993.925.084.694.043.695-Yr. Treasury Rate4.463.794.134.384.334.214.094.064.134.253.7710-Yr. Treasury Rate4.443.954.284.634.694.604.473.964.214.604.2030-Yr. Fixed Rate Mortgage6.996.516.657.007.046.856.646.806.726.886.15Corporate Profits After Tax (Billions \$ Annualized)3,4133,4033,4533,4823,5123,5483,5853,0693,3963,5323,783Percent Change Annualized12.4-1.26.03.43.54.24.24.010.74.07.1 | Federal Funds Rate (Effective) | 5.33 | 5.26 | 4.65 | 4.33 | 4.33 | | | | | | |
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| 1-Yr. Treasury Rate5.144.454.254.164.103.993.925.084.694.043.695-Yr. Treasury Rate4.463.794.134.384.334.214.094.064.134.253.7710-Yr. Treasury Rate4.443.954.284.634.694.604.473.964.214.604.2030-Yr. Fixed Rate Mortgage6.996.516.657.007.046.856.646.806.726.886.15Corporate Profits After Tax (Billions \$ Annualized)3,4133,4033,4533,4823,5123,5483,5853,0693,3963,5323,783Percent Change Annualized12.4-1.26.03.43.54.24.24.010.74.07.1 | | | | | | | | | | | | |
| 5-Yr. Treasury Rate 4.46 3.79 4.13 4.38 4.33 4.21 4.09 4.06 4.13 4.25 3.77 10-Yr. Treasury Rate 4.44 3.95 4.28 4.63 4.69 4.60 4.47 3.96 4.21 4.60 4.20 30-Yr. Fixed Rate Mortgage 6.99 6.51 6.65 7.00 7.04 6.85 6.64 6.80 6.72 6.88 6.15 Corporate Profits After Tax (Billions \$ Annualized) 3,413 3,403 3,453 3,482 3,512 3,548 3,585 3,069 3,396 3,532 3,783 Percent Change Annualized 12.4 -1.2 6.0 3.4 3.5 4.2 4.2 4.0 10.7 4.0 7.1 | | | | | | | | | | | | |
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| | a = actual $p = preliminary$ $f = forecast$ | | 112 | 5.0 | <u> </u> | 5.0 | | | | | | |

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