

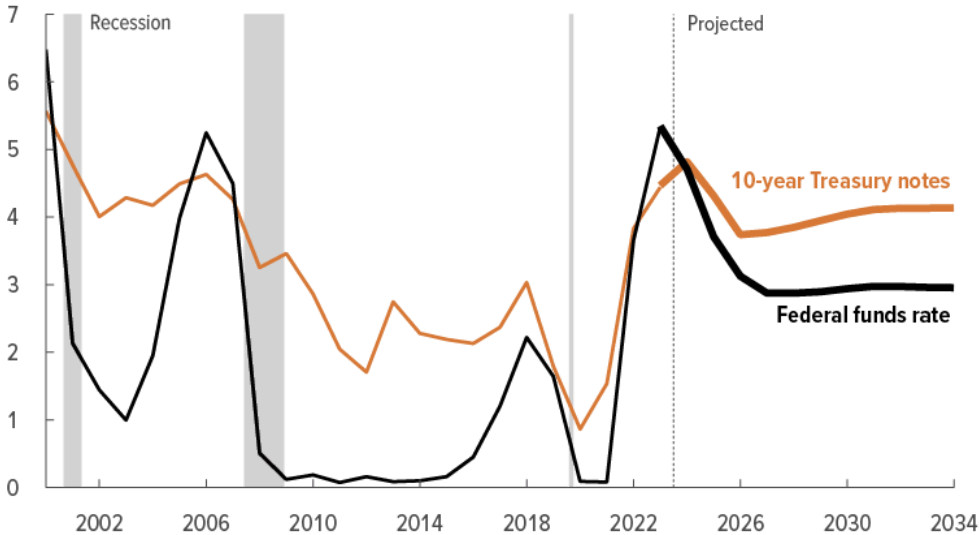
# October 2024: Inflation, Workforce, and Financial Resources Update



## Inflation Report

Consumers, suppliers, and businesses have endured several years of high inflation. While the causes and mechanisms that drive inflation are many and complex, people feel inflation in their everyday lives. When inflation is high, supply costs increase. Business owners must raise prices in order to deliver the same goods and services. Higher prices means lower buying power for both consumers and businesses.

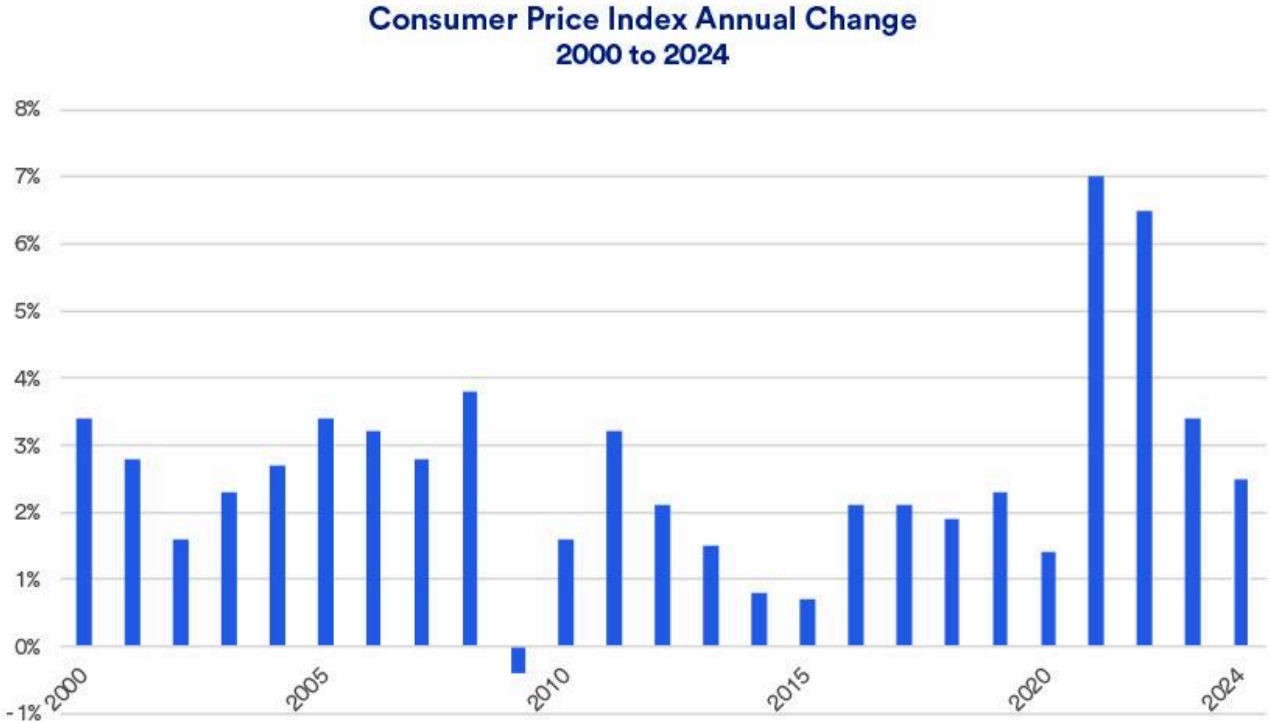
The straightforward effect of inflation is reduced buying power. Knock-on effects include reduced hours for workers, increased unemployment, rent hikes for both residents and businesses, and supply chain disruptions. Banks generally raise interest rates when inflation is high, putting further pressure on buying power as borrowing becomes more expensive.



Source: Congressional Budget Office, The Budget and Economic Outlook: 2024 to 2034

# Consumer Price Index Comparison

The Consumer Price Index (CPI) is used to gauge how expensive everyday items are for consumers to purchase now compared to last year. The CPI compares the cost of a representative basket of goods and services a year ago to the same representative basket of goods today. In 2022, the annual change peaked at 9.1%. This is a significant increase in cost in a short period of time.



Source: U.S. Bureau of Labor Statistics, U.S. Bank Asset Management Group. 2024 data point based on Consumer Price Index for 12-month period ending August 2024.

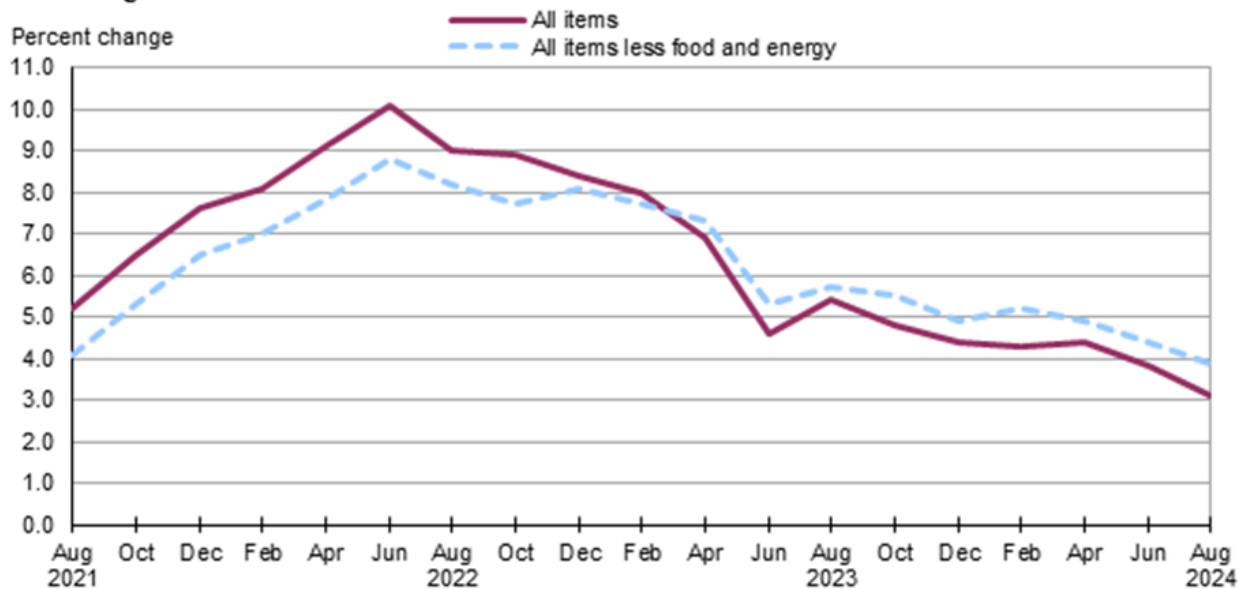
The national CPI peaked at 9.1% in June, 2022. In 2024, the national CPI is down to 2.5%.



The Seattle-Tacoma-Bellevue, WA metropolitan area CPI peaked just over 10% in June 2022 and has come back down to about 3.0% in August 2024.

Source: U.S. Bureau of Labor Statistics, U.S. Bank Asset Management Group, August 2024.

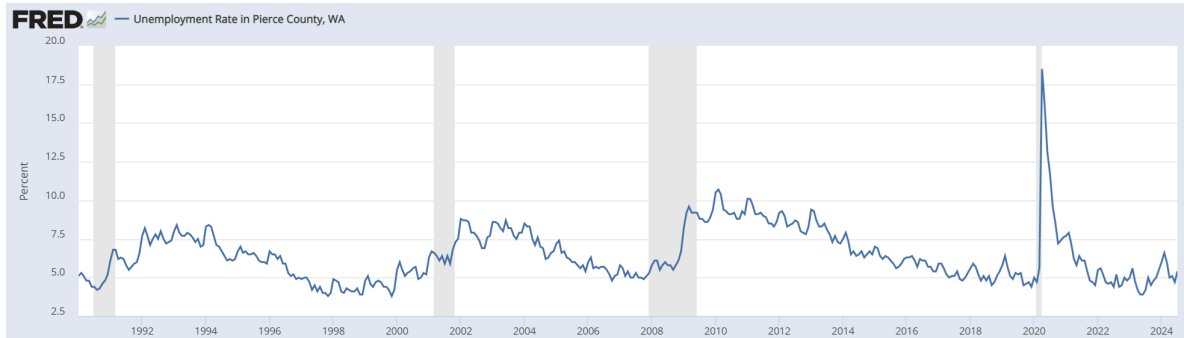
**Chart 1. Over-the-year percent change in CPI-U, Seattle-Tacoma-Bellevue, WA, August 2021–August 2024**



Source: U.S. Bureau of Labor Statistics.

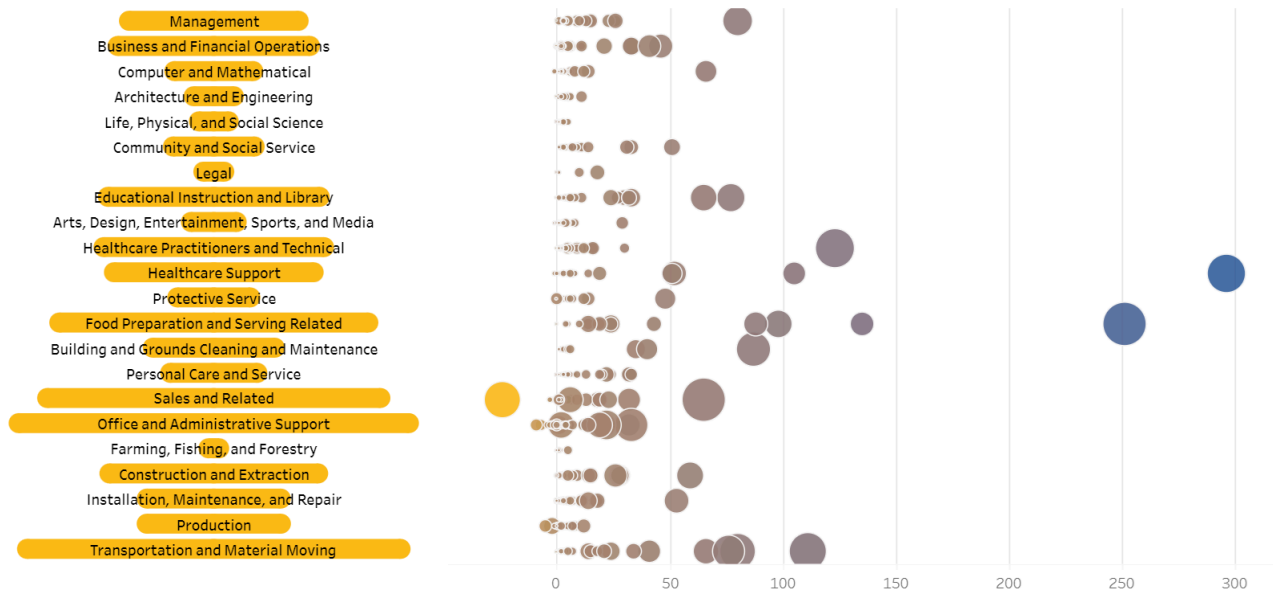
# Workforce Report

High inflation tends to drive high unemployment. As businesses tighten their purse strings, workers see their hours reduced and positions eliminated. Though we have experienced higher than usual inflation recently, unemployment was not greatly affected. Unemployment from 2022-2024 peaked at around 6.5%. In comparison, the COVID 19 emergency saw unemployment rates as high as 17.5% and the 2008 recession brought on unemployment rates around 11.0%



Source: U.S. Bureau of Labor Statistics, Unemployment Rate in Pierce County, WA 1990-2024

Employment forecasts are optimistic moving towards 2025. Workforce Central reports that most categories of employment will be adding jobs over the next year. Several categories are expected to shrink slightly, including Retail Sales, Office and Administrative Support, and Production. (Click the image below to link to the original data for more detail)



Source: Workforce Central, Pierce County Workforce Data - Occupation Employments (1 yr Forecasted Employment Growth)

# Government Response

## Inflation Reduction Act

The Biden-Harris Administration signed the [Inflation Reduction Act \(IRA\)](#) into law on August 16, 2022. The IRA provides tax credits and incentives for clean energy and manufacturing, lowers healthcare costs, and introduces tax reforms.

## Clean Energy and Manufacturing Incentives

- Clean Vehicle purchasing credits (new, used, commercial)
- Alternative Fuel Vehicle Refueling Property Credits
- Energy Generation
- Carbon Capture
- Clean and Advanced Manufacturing Credits
- Residential & Commercial Energy Efficiency Credits

## Healthcare Cost Reductions

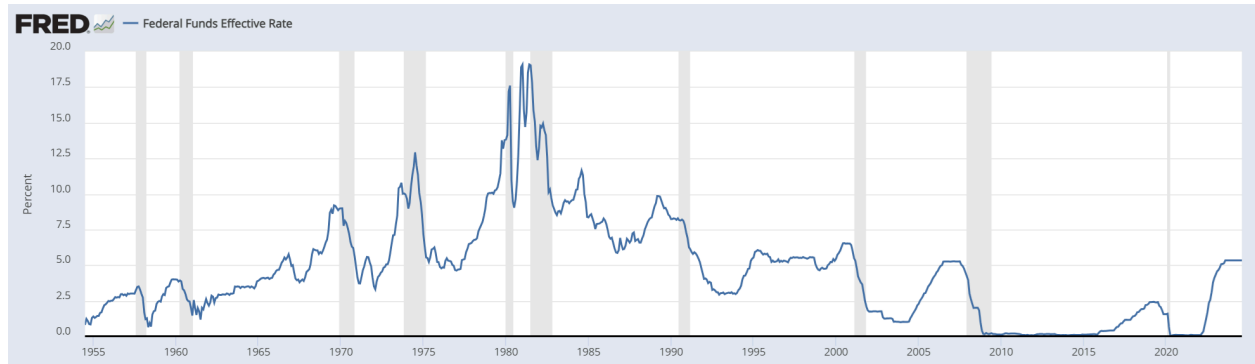
- Establishes the Medicare Prescription Drug Price Negotiation Program

## Tax Reforms (effective 2024)

- Increase corporate income tax rate from 21% to 28%
- Increase corporate alternative minimum tax from 15% to 21%
- Increase stock buyback tax from 1% to 4%
- Increase top individual tax rate to 39.6% above \$400,000 (single)/\$450,000 (joint)
- Introduce 25% 'billionaire' income tax rate
- Extend American Rescue Plan Act (ARPA) child tax credit through 2025
- Extend ARPA earned income tax credit expansion

## Federal Reserve Interest Rate Cut

The Federal Reserve cut its benchmark interest rate by one half-point, an unusually large rate cut. Announced on September 18, 2024, this adjustment marks the first rate cut in over four years. The Fed has used several tools to move the CPI towards its goal of 2%, though this recent rate cut is the most significant. The current CPI is down to 2.5% from a high of 9.1% in June, 2022.



Source: Board of Governors of the Federal Reserve System (US), Federal Funds Effective Rate (FEDFUNDS)

## Business Finance Resources

### State Trade Expansion Program (STEP)

[The STEP grant program](#) has helped thousands of small businesses obtain grants and find customers in the international marketplace since 2011. Through awards to U.S. states and territories, STEP helps small businesses overcome obstacles to exporting by providing grants to cover costs associated with entering and expanding into international markets.

STEP financial support helps U.S. small businesses:

- Learn to export
- Participate in foreign trade missions
- Design international marketing products and campaigns
- Support website globalization and e-commerce capabilities
- Pay for subscriptions to services provided by the U.S. Department of Commerce and other federal agencies
- Participate in export trade show exhibits and training workshops
- Cover AI-related expenses in support of export-related activities

Click here to view the [SBA Grants for Global Expansion webinar](#) to learn more about the STEP program.

## U.S. Small Business Administration Loans

Created in 1953, the [U.S. Small Business Administration \(SBA\)](#) continues to help small business owners and entrepreneurs pursue the American dream. SBA is the only cabinet-level federal agency fully dedicated to small business and provides counseling, capital, and contracting expertise as the nation's only go-to resource and voice for small businesses.

The SBA helps small businesses get funding by setting guidelines for loans and reducing lender risk. These [SBA-backed loans](#) make it easier for small businesses to get the funding they need.

- [7\(a\) loans](#)
  - Up to \$5,000,000 for businesses that meet small business size regulations
- [504 loans](#)
  - Up to \$5,500,000 for businesses with a tangible net worth less than \$15M
- [Microloans](#)
  - Up to \$50,000 through designated intermediary lenders which are nonprofit community-based organizations with experience in lending as well as management and technical assistance

## Small Business Flex Fund 2

Supported by the Washington State Department of Commerce, the [Small Business Flex Fund 2](#) helps small businesses and nonprofits access affordable loans they need to thrive.

Small businesses and nonprofits can borrow up to \$250,000 and the money can be spent flexibly, including on payroll, utilities & rent, supplies, marketing & advertising, building improvements or repairs, and other business expenses.

With competitive interest rates and flexible repayment options, the new Washington Small Business Flex Fund 2 is designed to help small businesses and nonprofits access funds to grow and thrive.

- Borrow up to \$250,000
- Interest rates currently range from 9-12% depending on the length of the loan
- Fixed interest rate for the life of the loan
- 36- to 72-month loan terms

## Other Business Resources

[Click here to view the Lakewood business resources page](#)