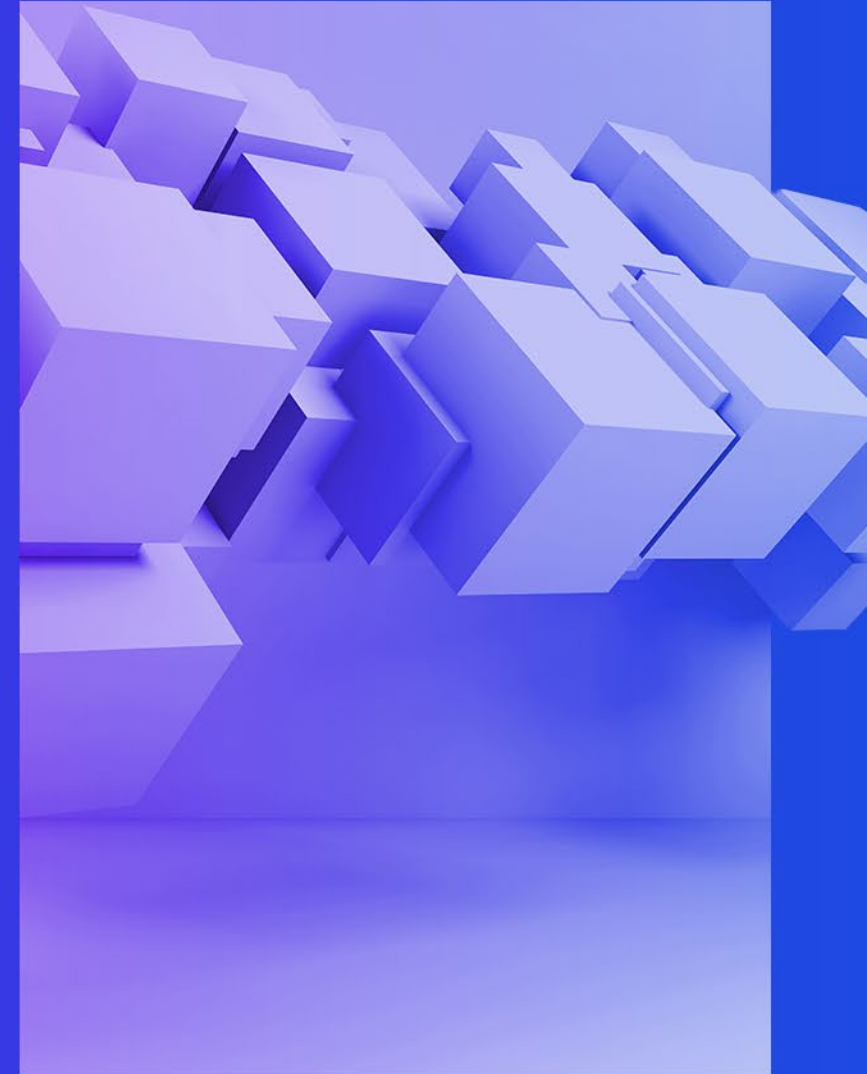




# Economic Outlook

2023 Global Financial Reporting and Valuation Conference

—  
December 12, 2023





# Retail Therapy

The outlook for the U.S. consumer


A soft landing is possible and even probable...but our journey is not yet done.

Meagan Schoenberger

Senior Economist

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December 12, 2023

A close-up photograph of a classical marble statue of the Titan Atlas. The statue is shown from the chest up, with a thick, curly beard and hair. He is looking slightly to the right with a weary expression. A large, smooth, spherical object, representing the world, is resting on his right shoulder. The background is a bright, overexposed sky.

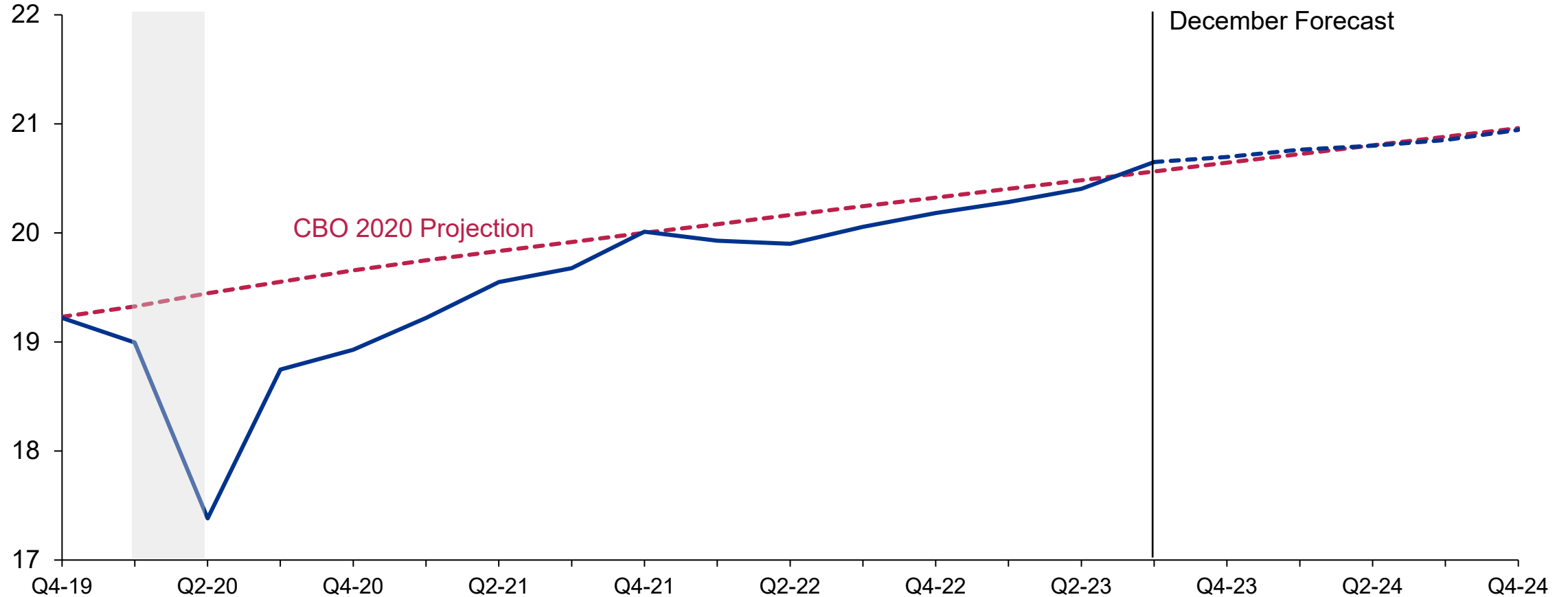
“The story of Atlas is one of endurance,  
not strength alone.”

Diane Swonk, KPMG Chief Economist

# Slow down ahead, but no recession

## Growth stalls below trend

GDP, 2012 \$, Trillions



Note: Forecasts are dated as of December 5, 2023

Source: KPMG Economics, Bureau of Economic Analysis

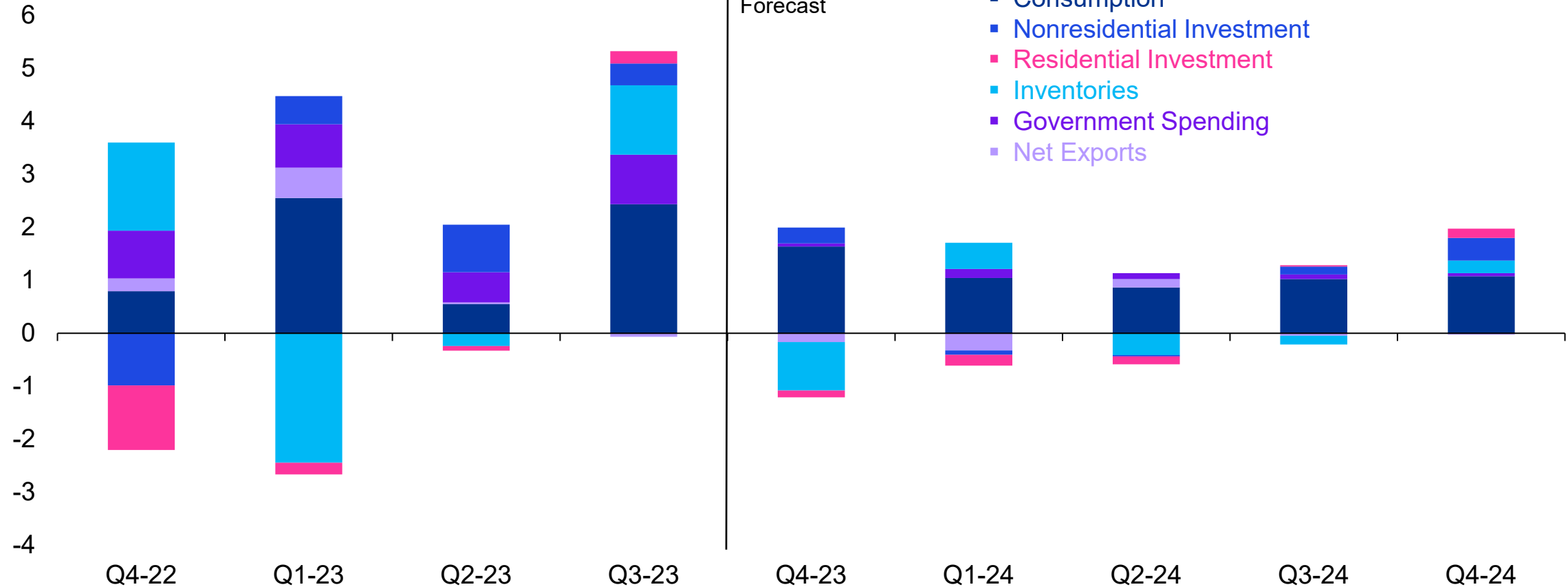


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# Consumer remains resilient

## GDP Growth Components

Percent



Note: Forecasts are dated as of December 5, 2023

Source: KPMG Economics, Bureau of Economic Analysis

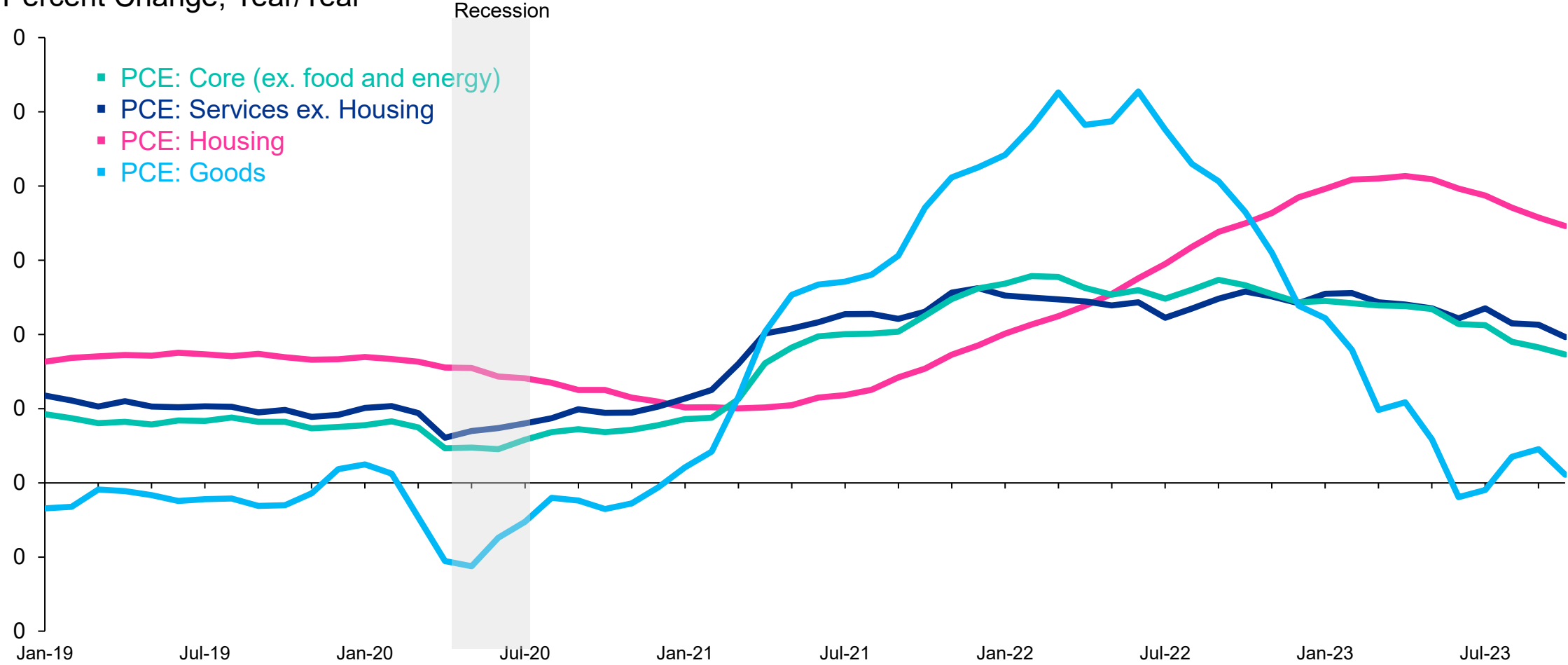


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# Inflation nearly double Fed's target

## Inflation Fueled by Services

Percent Change, Year/Year



Source: KPMG Economics, Bureau of Economic Analysis

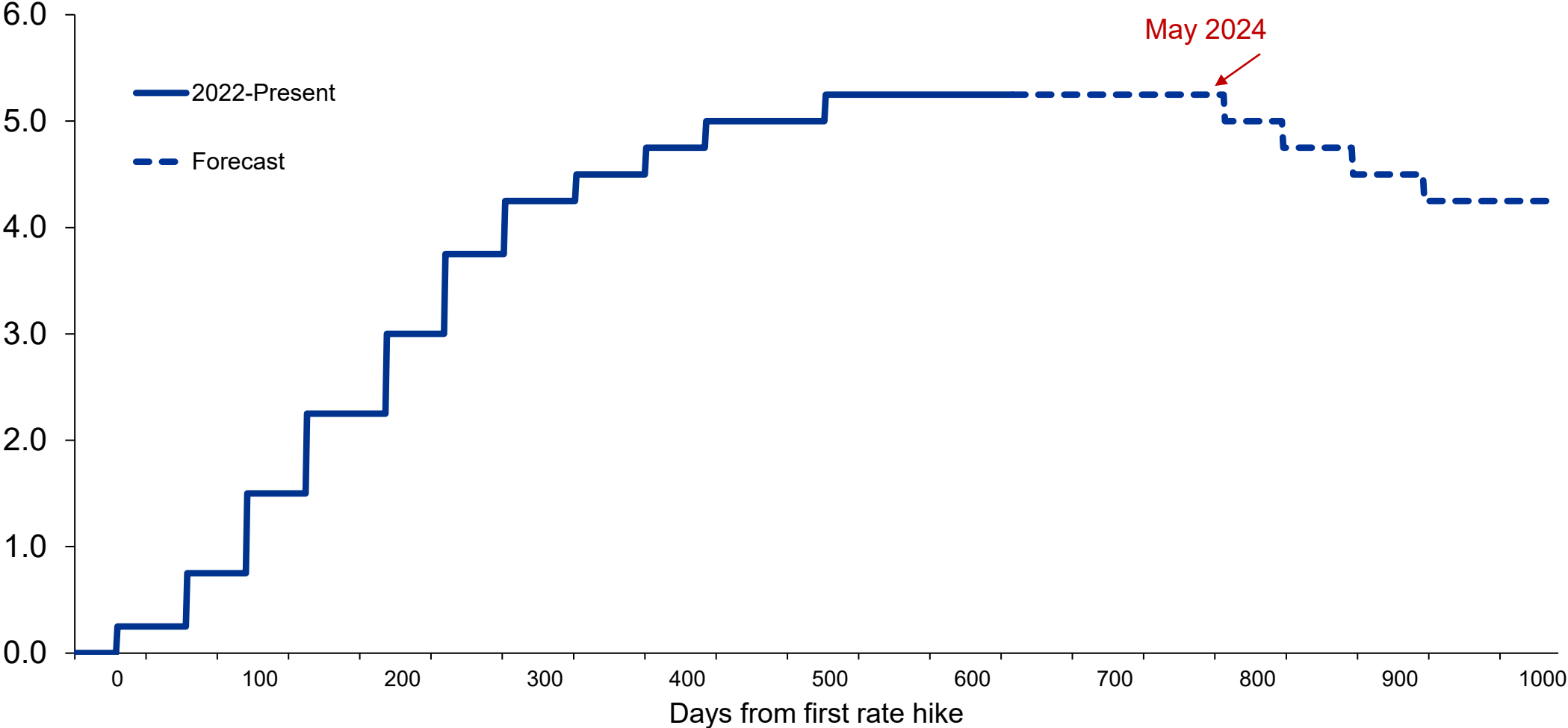


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# Higher for longer

## Fed holds off on cuts

Percentage point change in fed funds rate from first rate hike



Source: KPMG Economics, FOMC

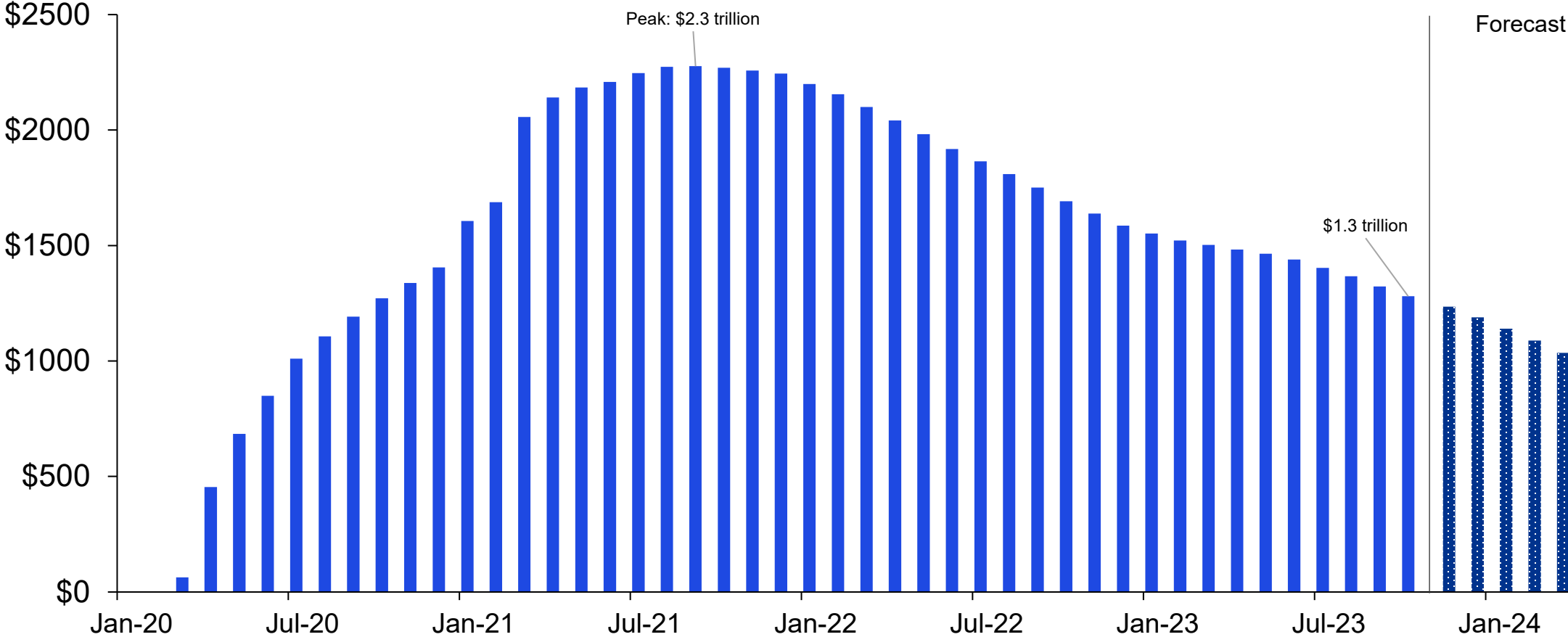


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# Excess saving doubled after revisions

## Excess Savings

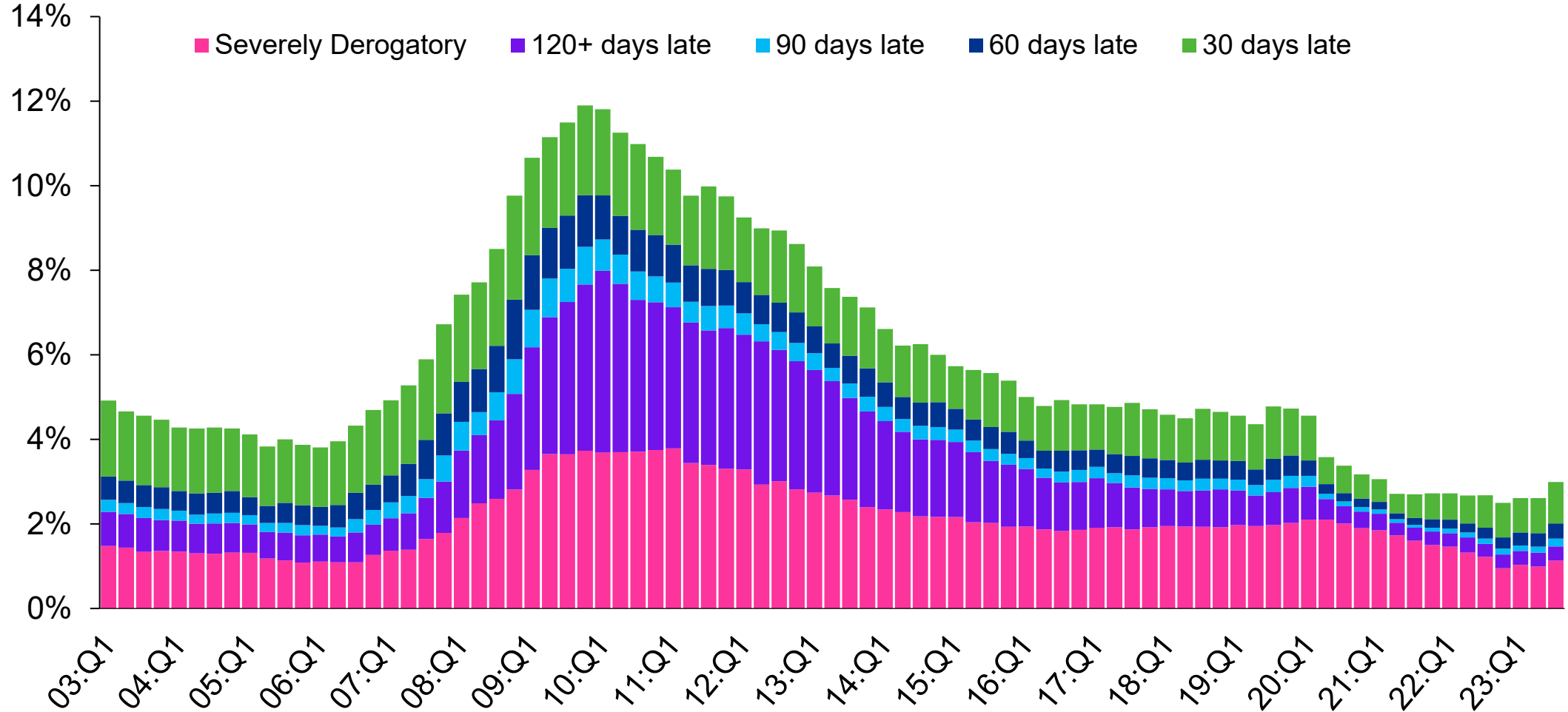
\$ Billions



# Consumer handling higher debt burdens; already paying back student loans

## Total Balance by Delinquency Status

Percent (%)



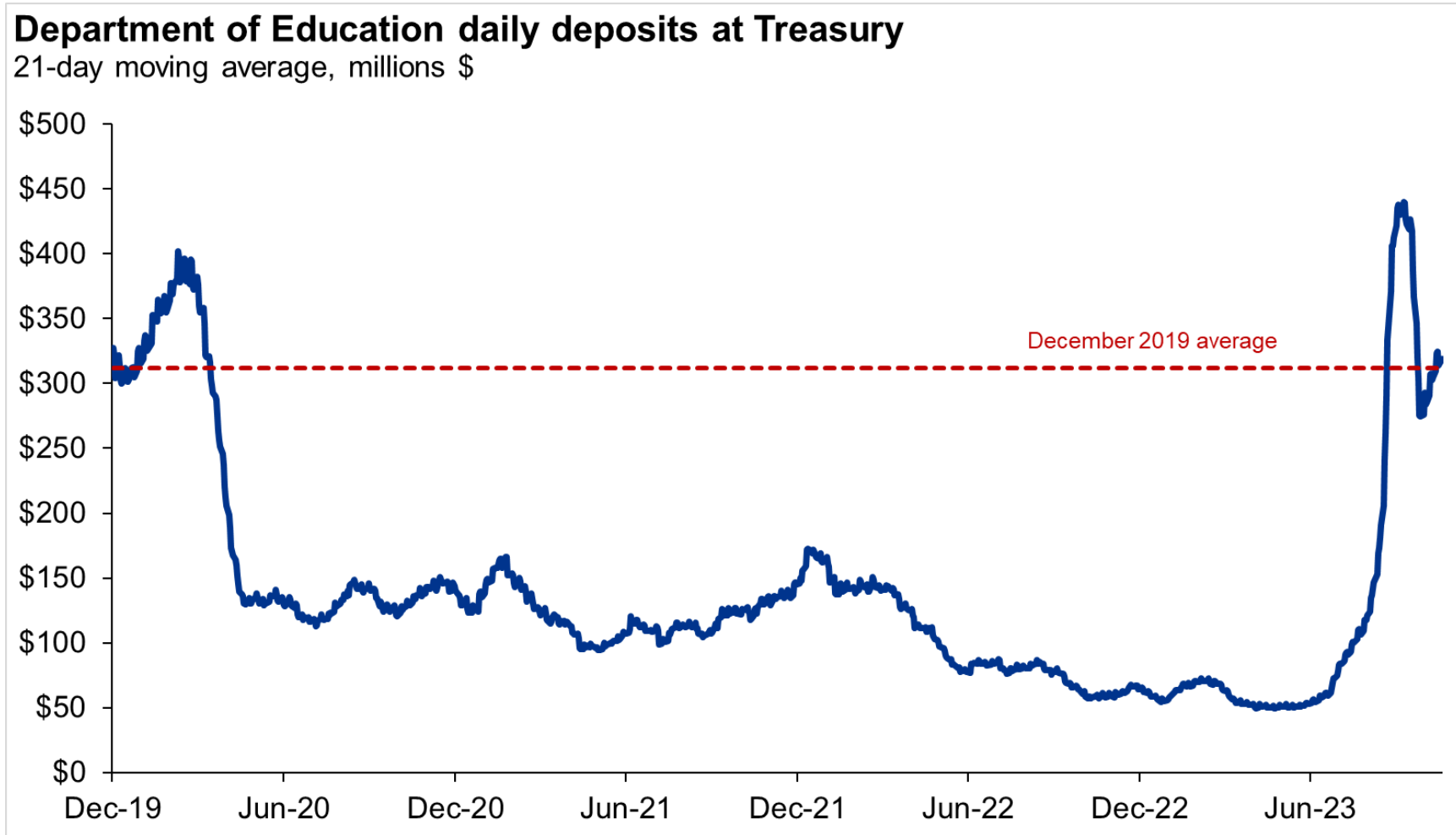
Source: KPMG Economics, New York Fed Consumer Credit Panel/Equifax



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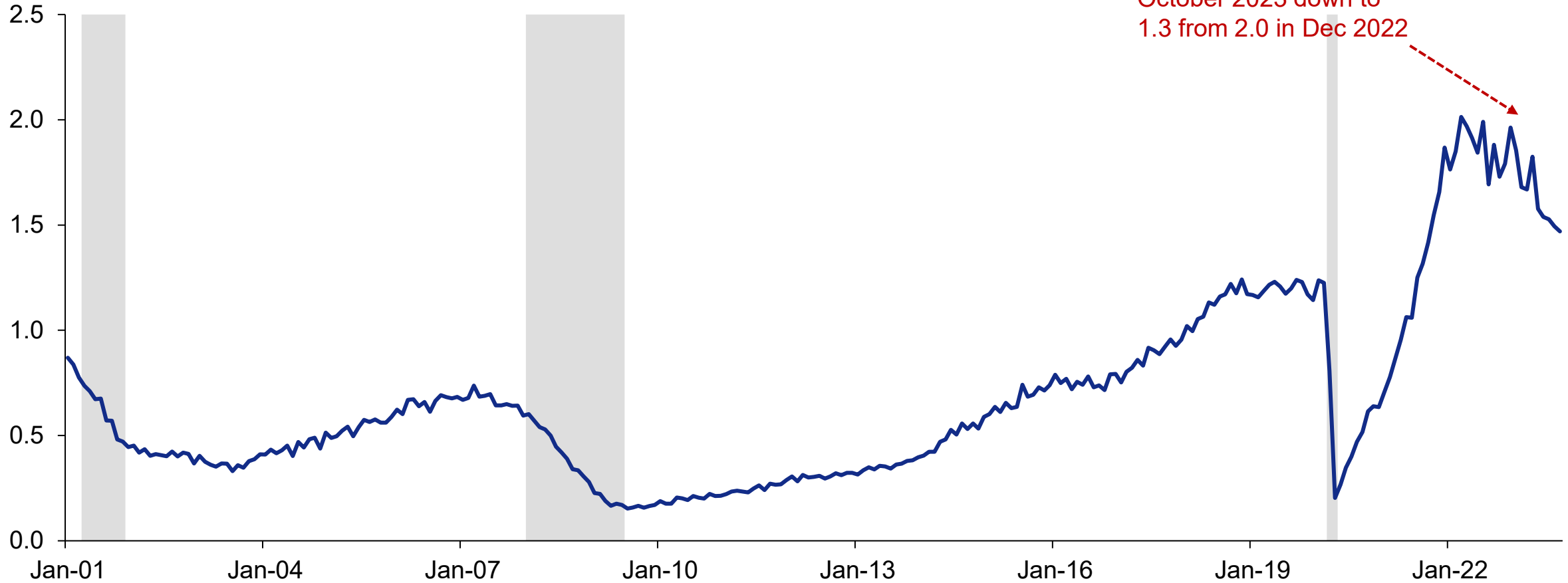
# Student loan repayments back to 2019 levels



# Labor shortages persist

## Openings vs Unemployed Elevated

Ratio of Job Openings to Number Unemployed

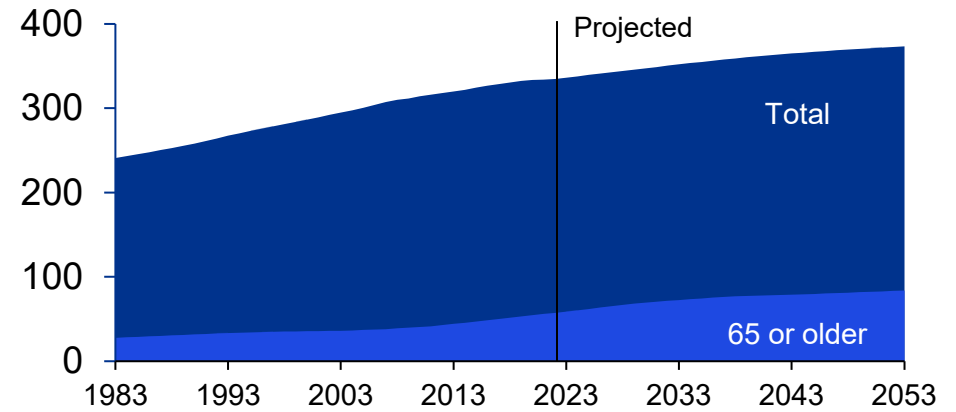
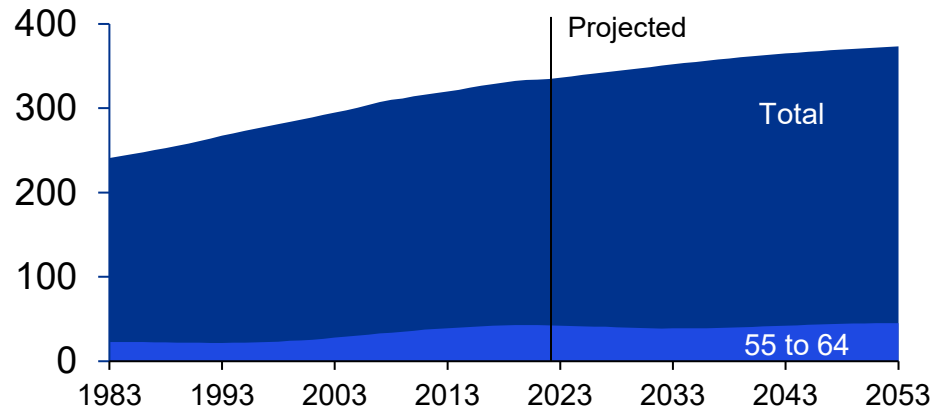
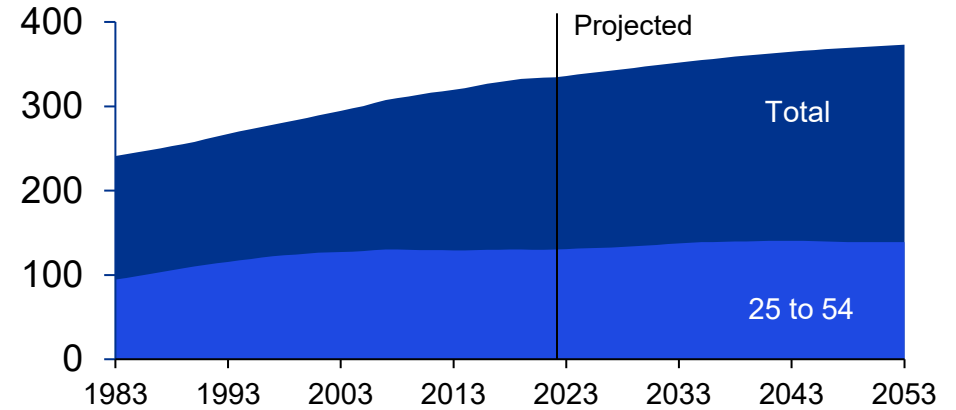
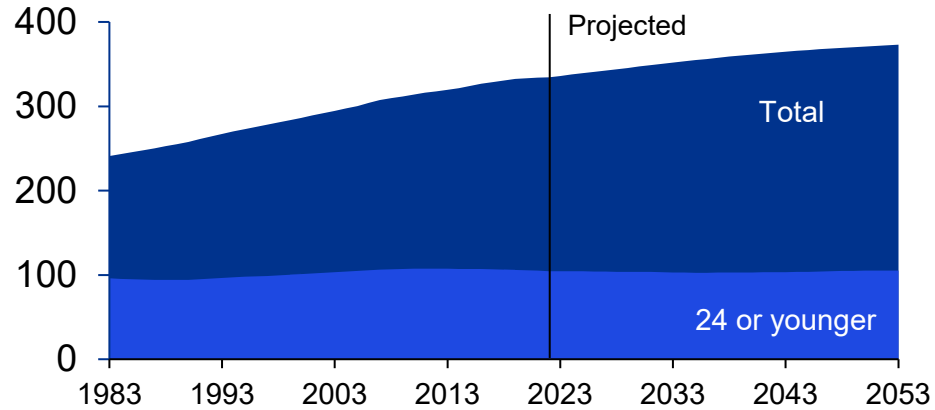


Source: KPMG Economics, Bureau of Labor Statistics

# Our population is becoming older

## Population by Age Group

Millions of people



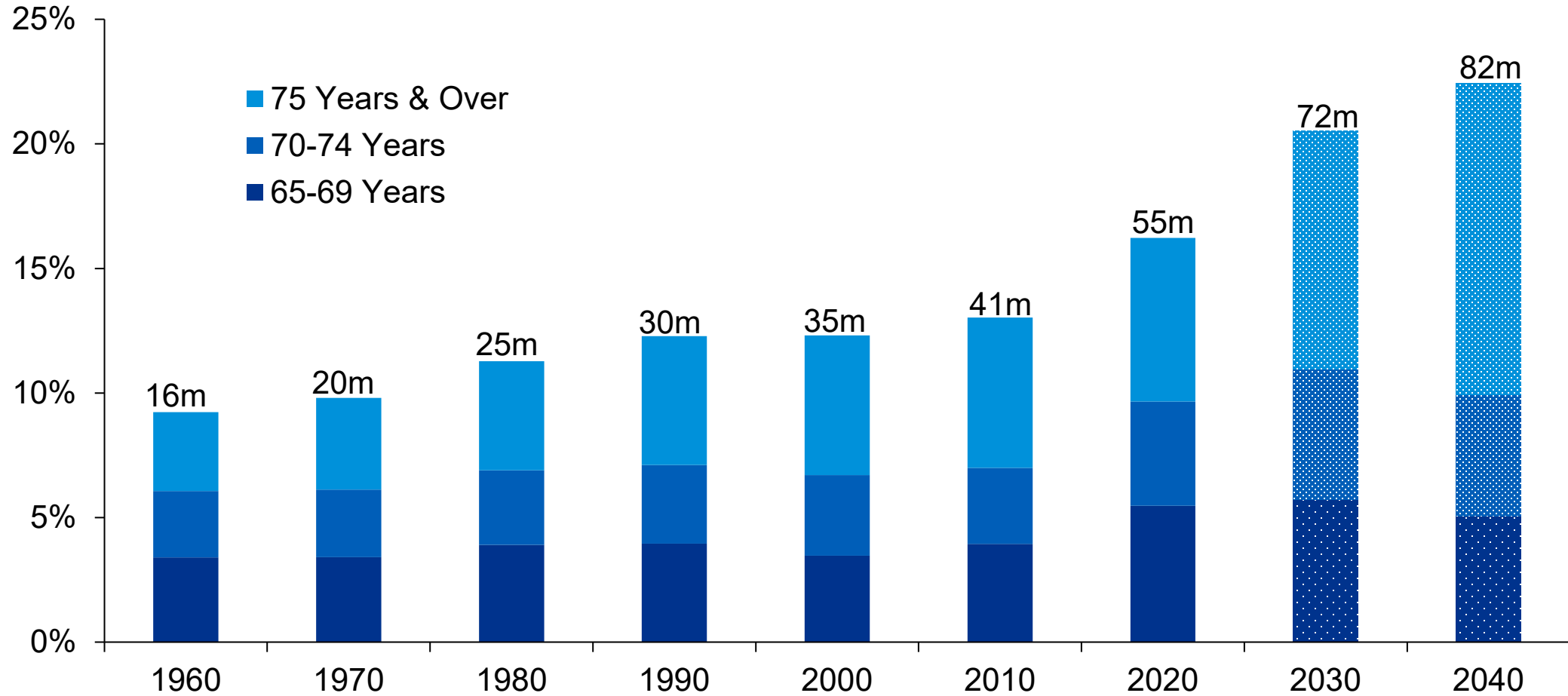
Source: KPMG Economics, CBO (June 2023).



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# 65+ will account for nearly 25% of population

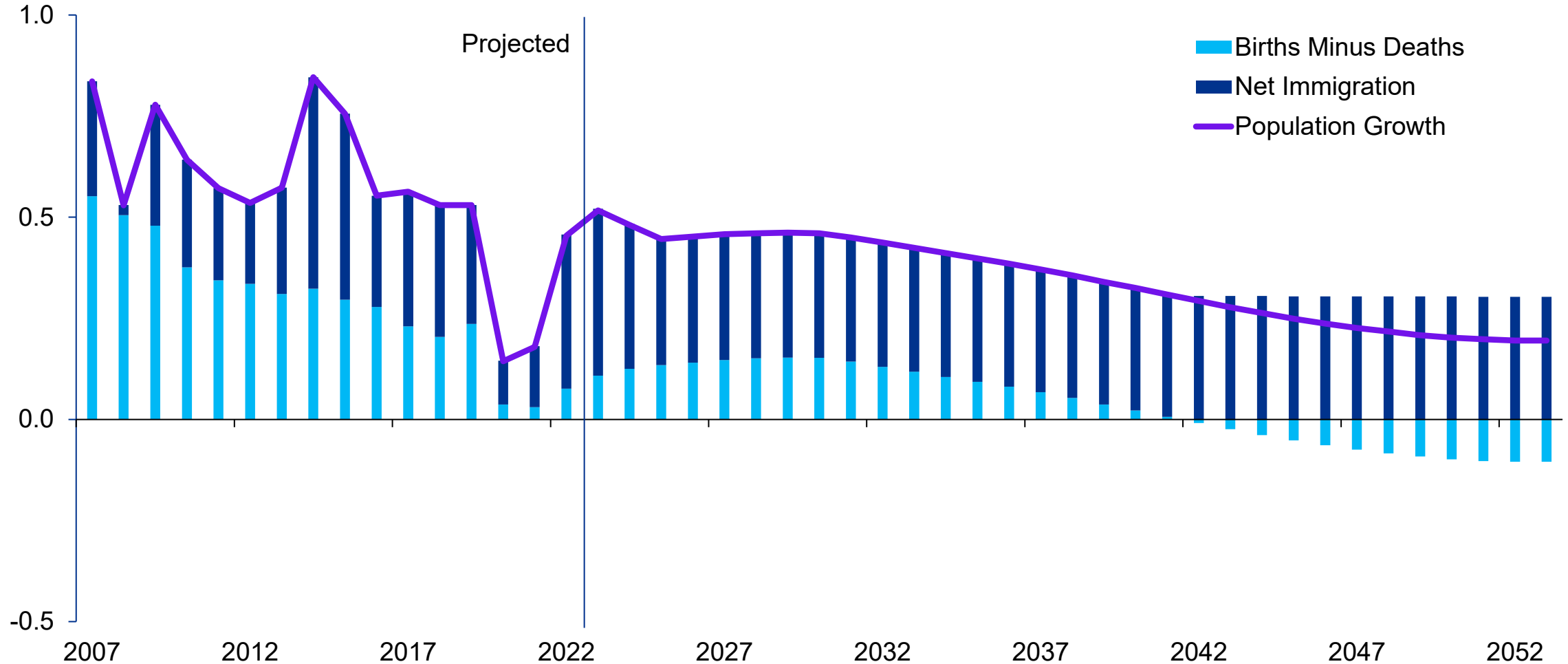
## Share of the U.S. Population



Source: KPMG Economics, United Nations, Haver Analytics

# Immigration sole driver in 20 years

## Population Growth Percentage Contribution



Source: KPMG Economics, CBO (June 2023).

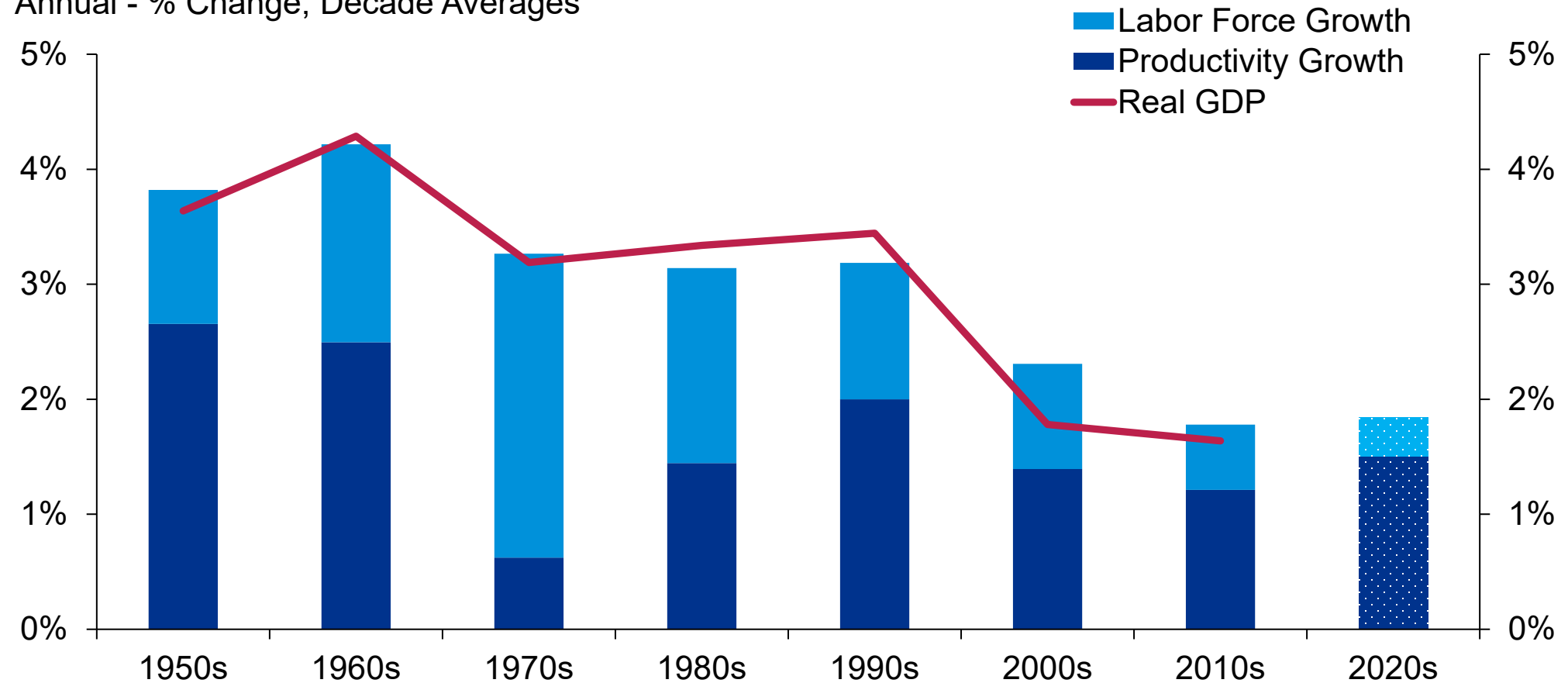


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# For the economy to grow, productivity is key

## Real and Potential GDP Growth

Annual - % Change, Decade Averages



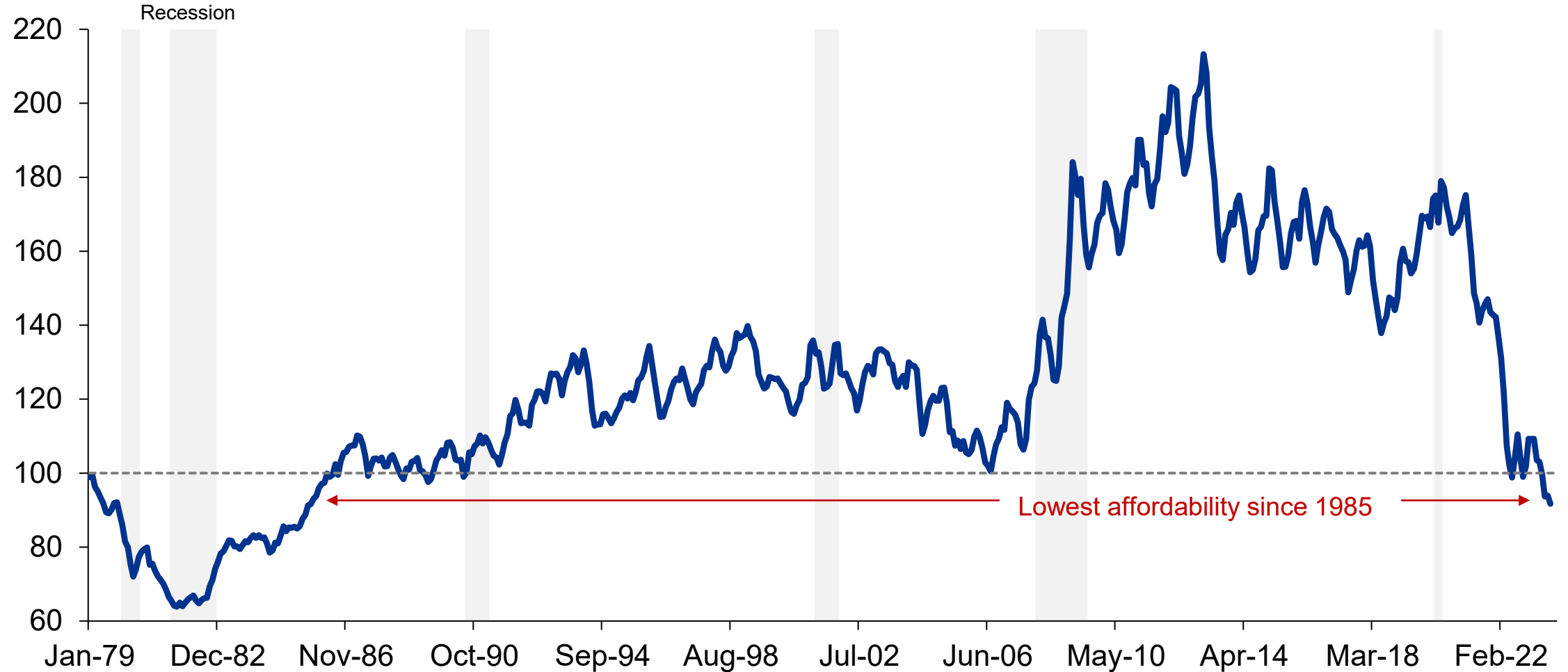
Source: KPMG Economics, BEA, CBO, Haver Analytics



# Arctic blast to the mortgage winter

## Housing affordability tanks

Index, fixed-rate mortgages, 100+ = more affordable



Source: KPMG Economics, National Association of Realtors



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# Manufacturing investments light up the map

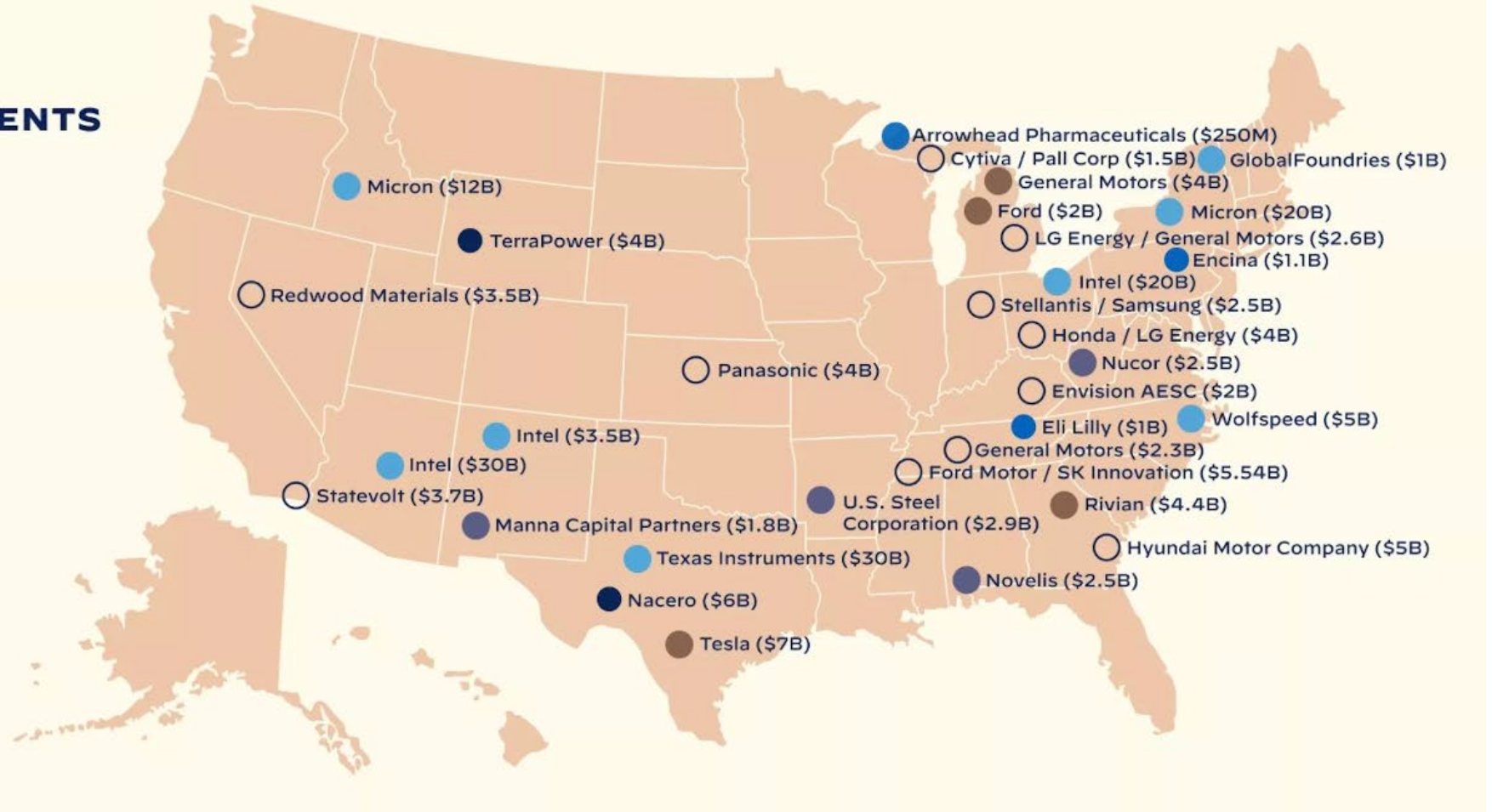
## OTHER \$1B+ INVESTMENTS

(Sites to be determined)

- SK Group (\$22B)
- First Solar (\$1.2B)
- Volkswagen (\$7.1B)

## LEGEND

- Battery Factory
- Auto/Electric Vehicle Plant
- Semiconductor Fab
- Biomanufacturing Facility
- Heavy Industry
- Other Clean Energy



Source: The White House

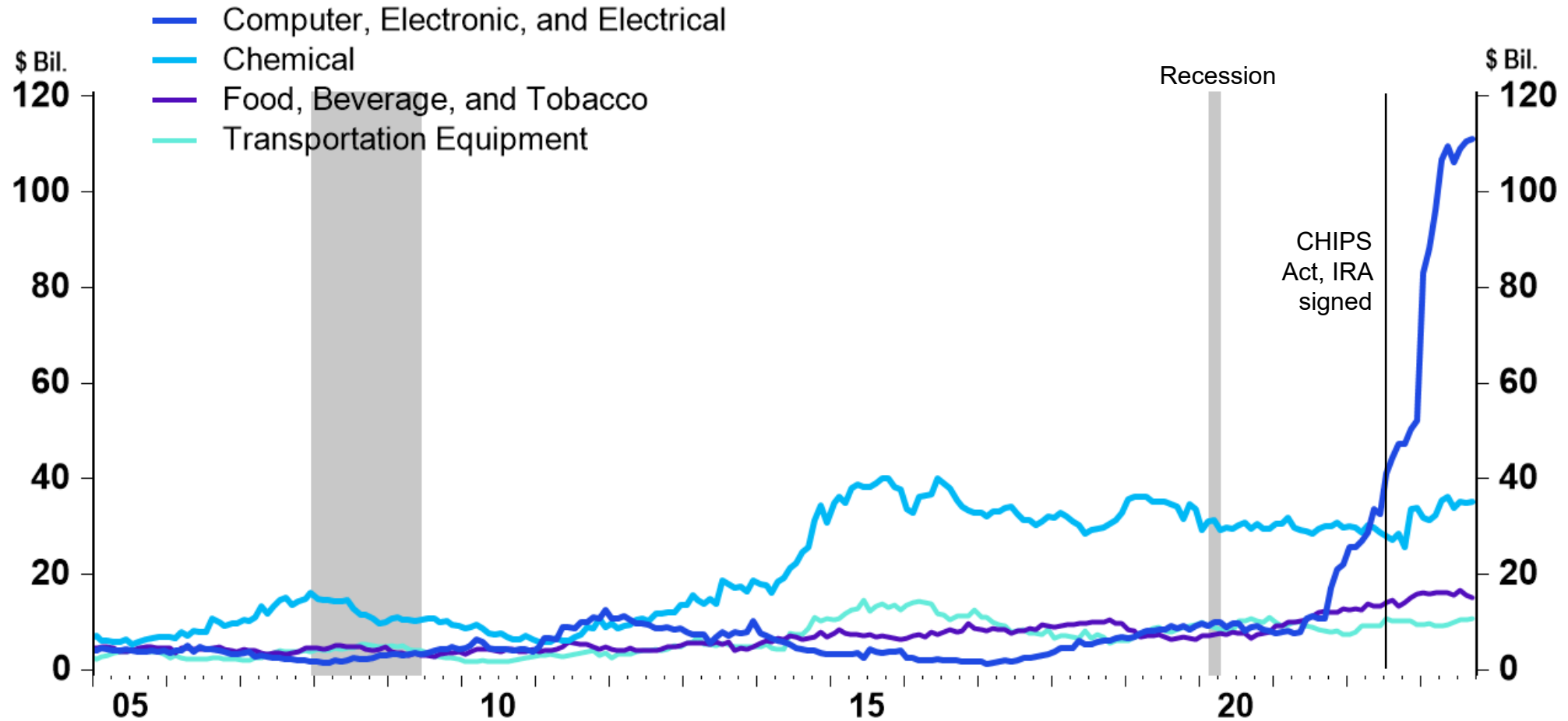


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# Construction boom for computer, electronic and electrical plants

## Construction Spending by Type



Source: KPMG Economics, Census Bureau (September 2023), Haver Analytics



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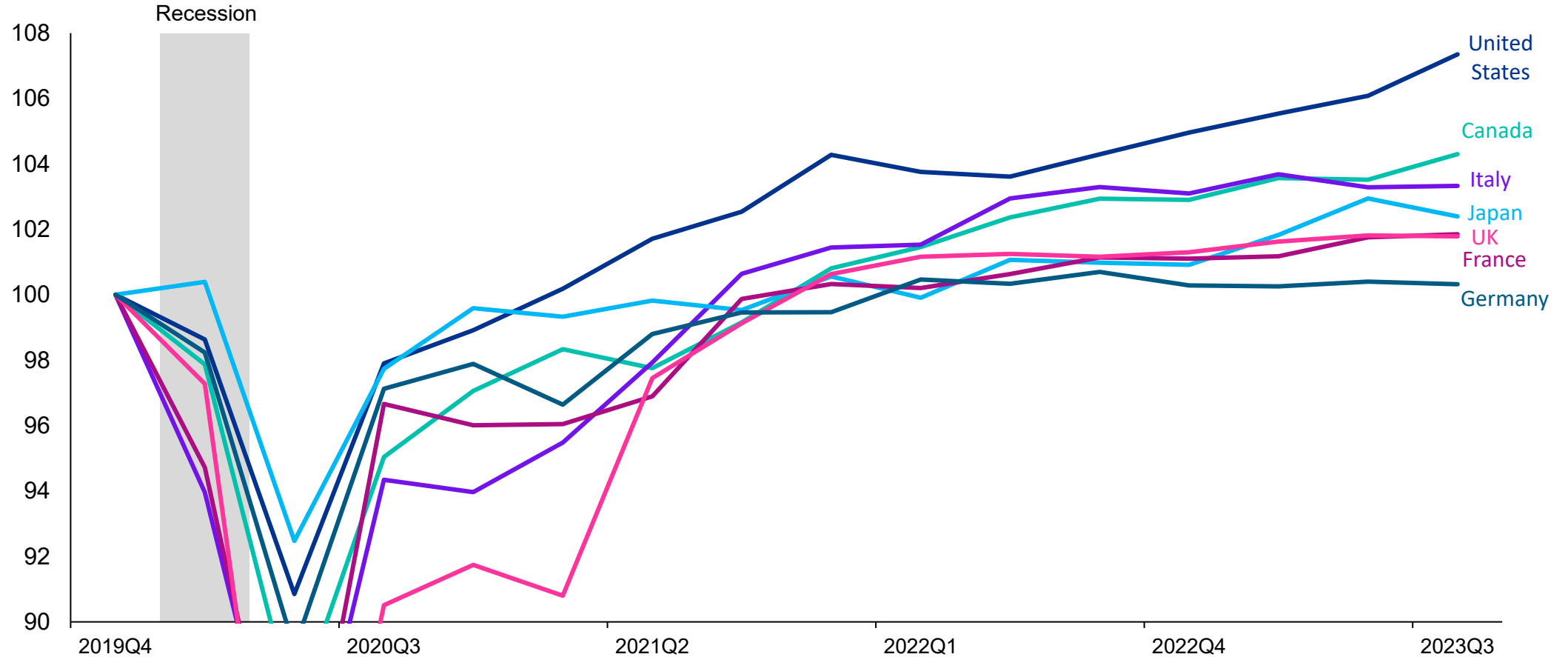


# International economy



# U.S. outperforms its peers

Real GDP (Index: Q4 2019 = 100)



Note: "Real" denotes inflation-adjusted figures.

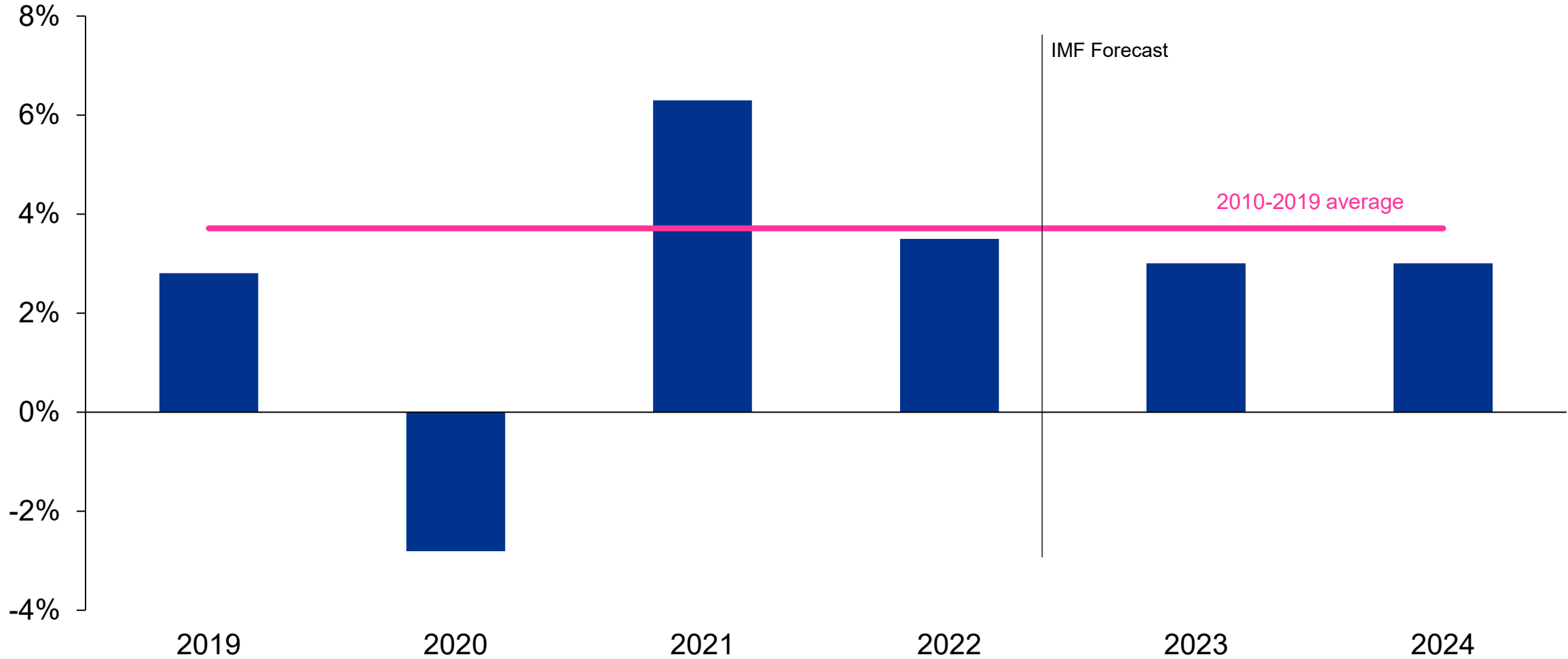
Source: KPMG Economics, Bbk, ONS, INSEE, CAO, ISTAT, StatCan, BEA



# Global economy struggles under higher rates

## Global growth to fall below previous decade

IMF World Economic Outlook, Real GDP growth %



Source: KPMG Economics, IMF

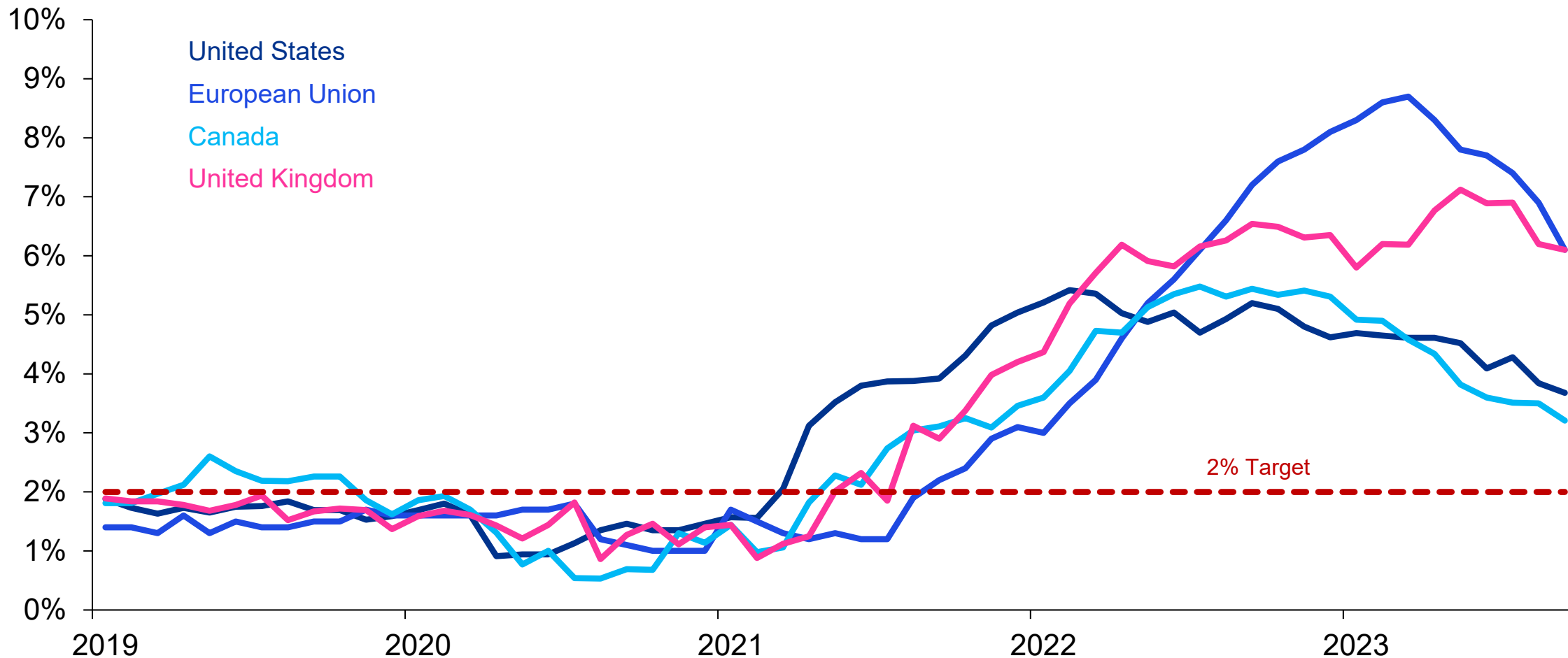


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# U.S. and Canada have made more progress toward 2%

## A long road to inflation targets

Core inflation, year-over-year %



Source: KPMG Economics, U.S. Bureau of Economic Analysis, Statistics Canada, U.K. Office for National Statistics, ESTAT, Haver Analytics

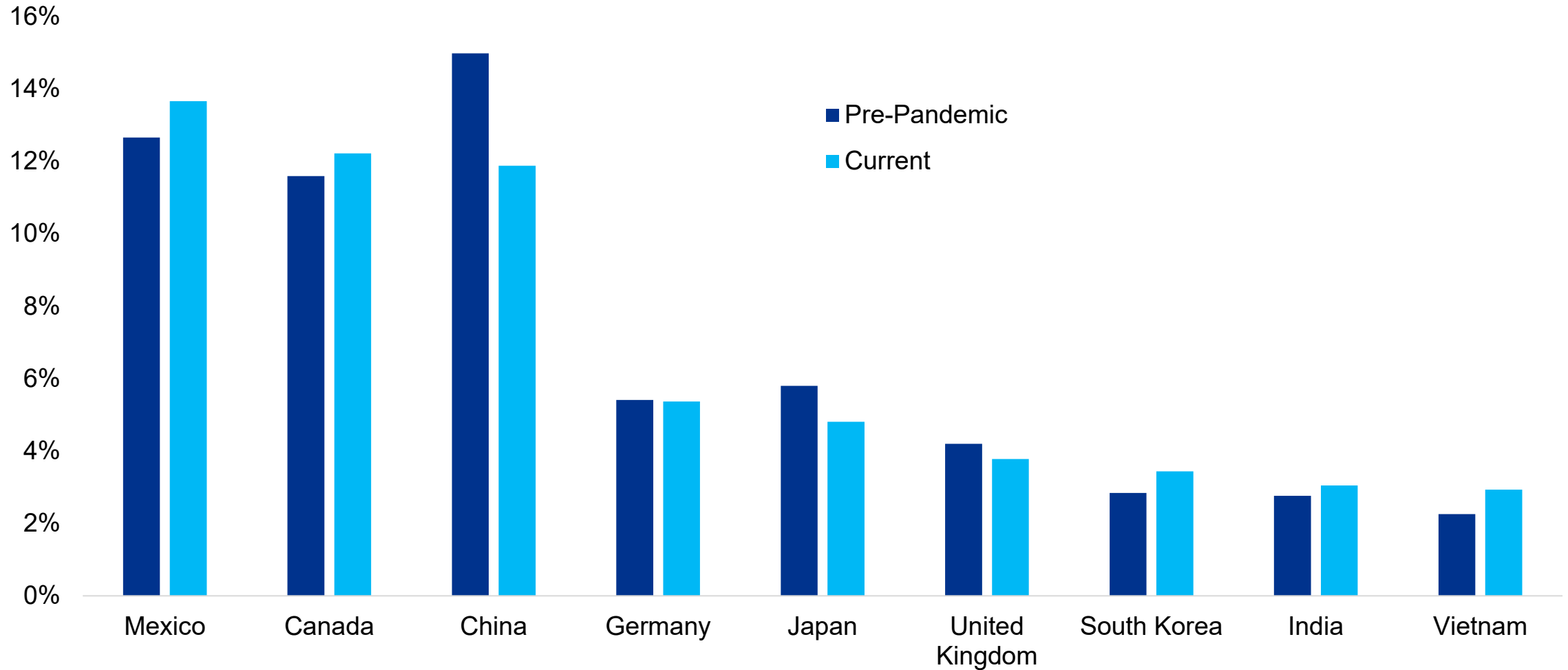


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# US imports have a new leader—Mexico

## Share of US Imports

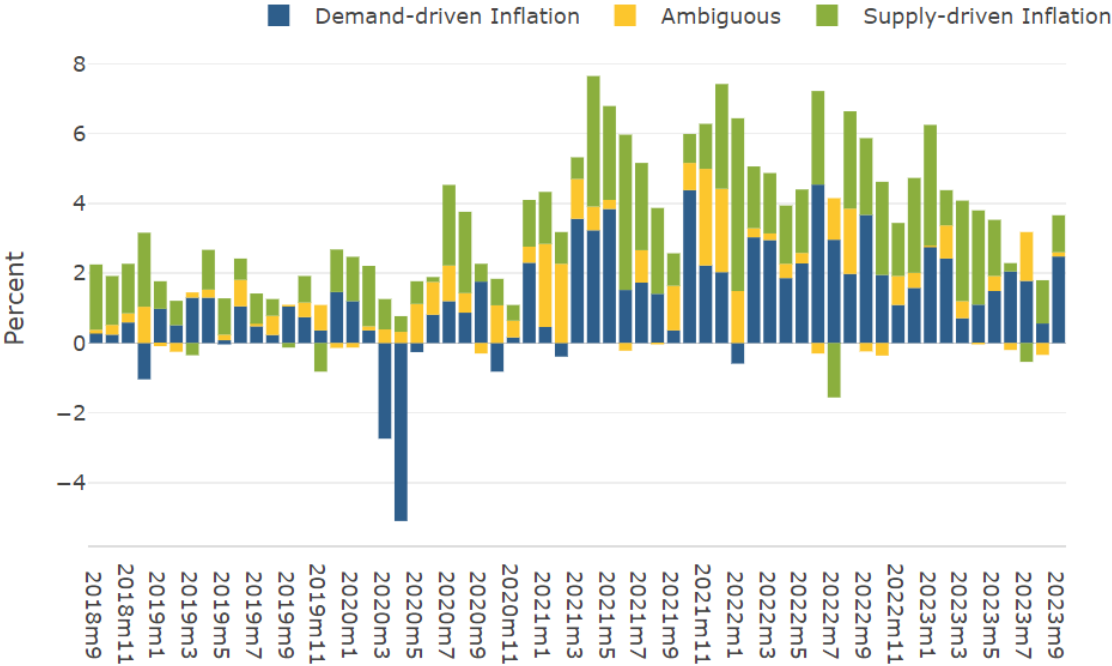
BOP, Percent



Source: KPMG Economics, Census Bureau



# More inflation from supply in third quarter



## Added stress to supply chains in recent months

KPMG supply chain stability index





# Thank you

For more information, please see the KPMG Economics Website:

[KPMG Economics \(kpmg.us\)](https://www.kpmg.us)







[kpmg.com/socialmedia](https://kpmg.com/socialmedia)

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