



2024 Global Financial Reporting and Valuation Conference

Global Economy

December 8-10 | Fontainebleau Miami Beach, Florida



Agenda

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US Economy

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Long-Run Trends

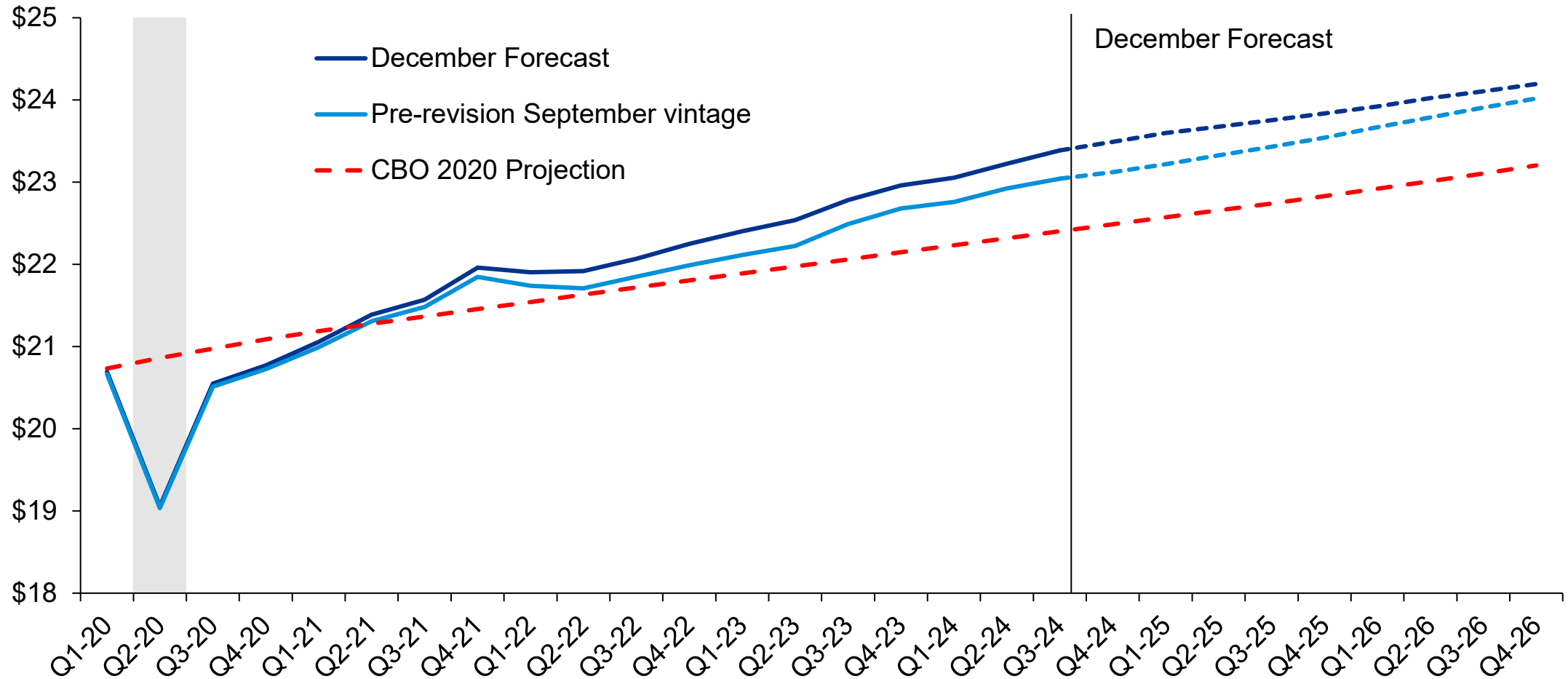


US Economy

Soft landing a possibility in 2025

GDP revised higher

GDP, 2017\$, trillions



Source: KPMG Economics, Bureau of Economic Analysis

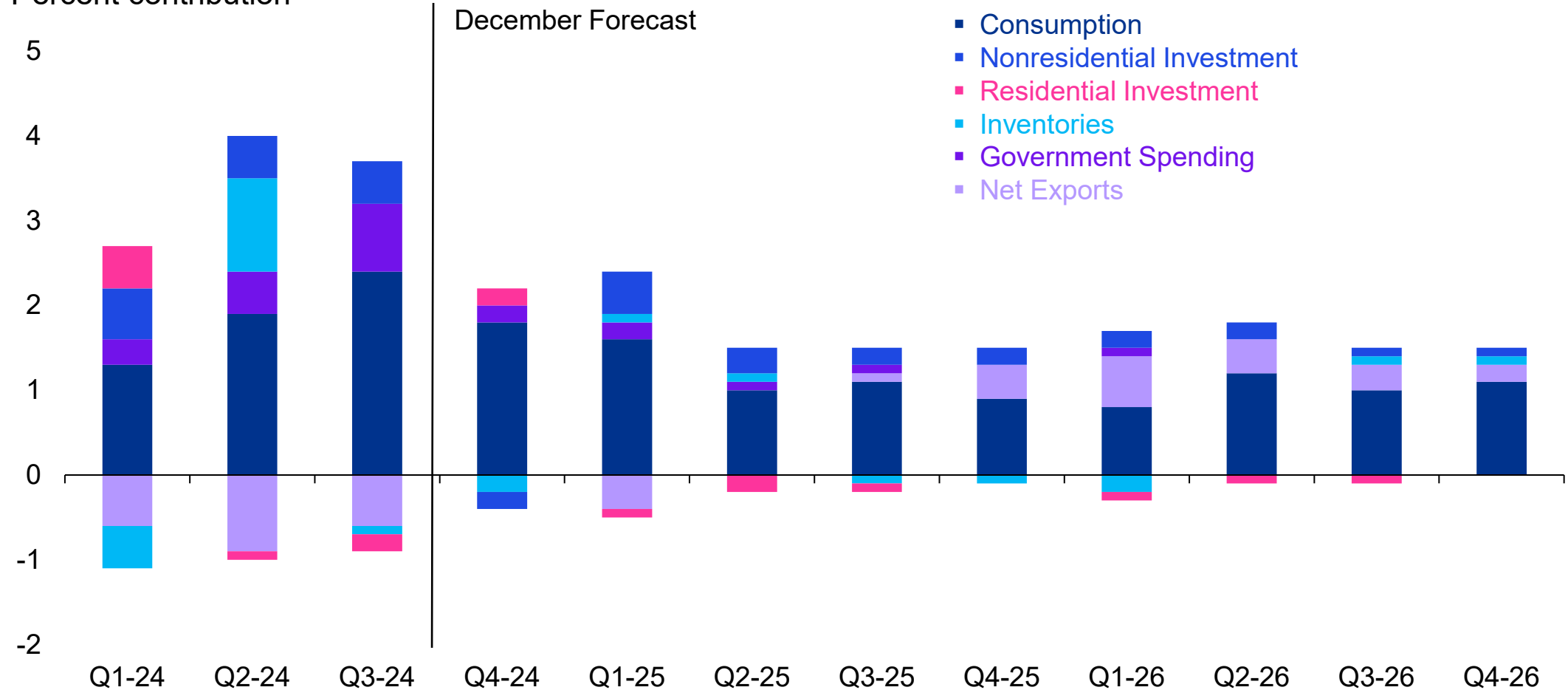


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Consumers slip after long boom

GDP growth components

Percent contribution



Source: KPMG Economics, Bureau of Economic Analysis

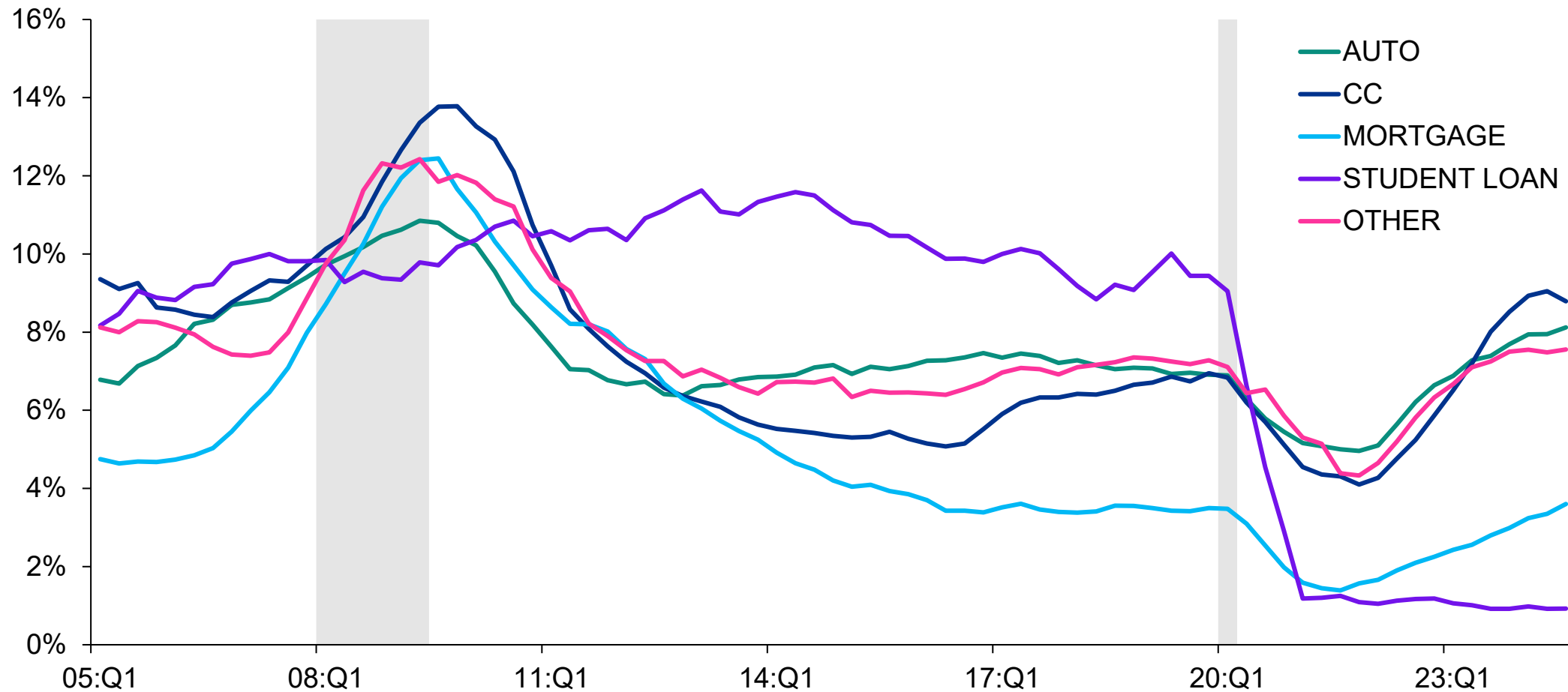


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Most delinquencies above pre-pandemic rates

New Delinquent Balances by Product Type

30 or more days delinquent, Percent



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



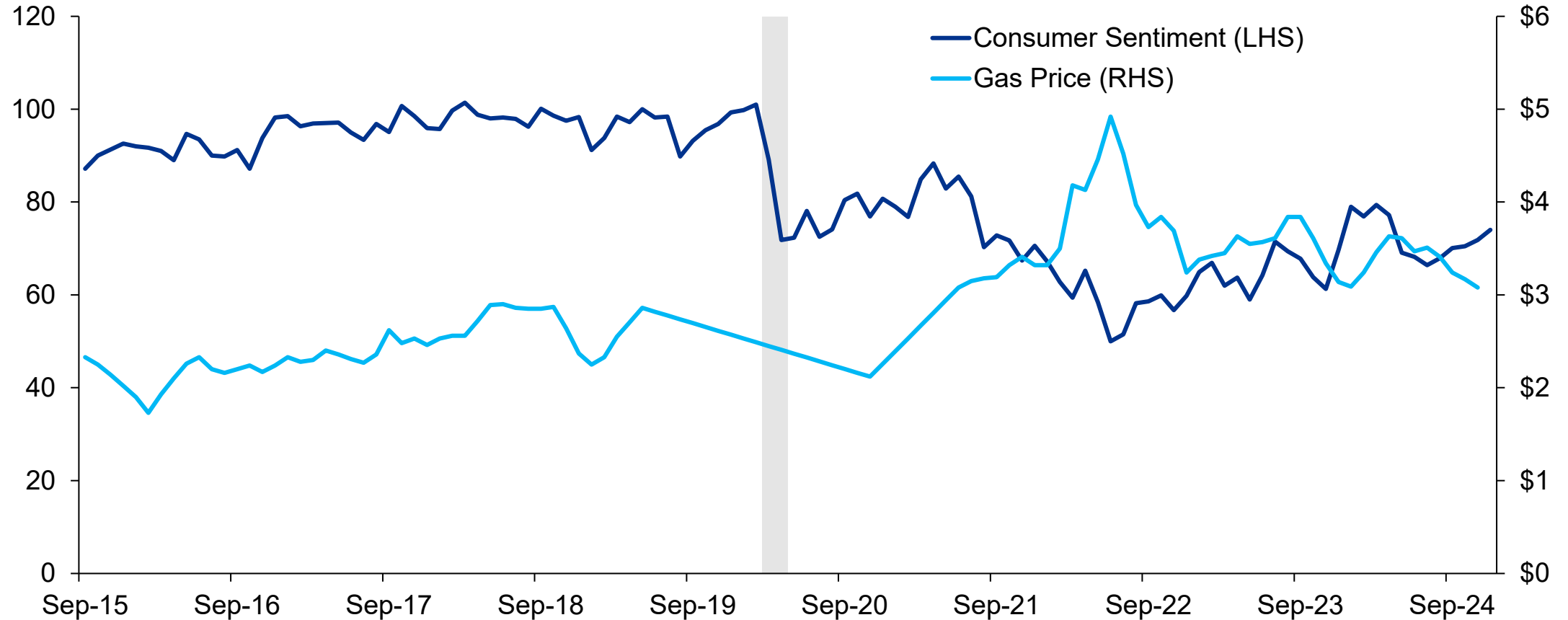
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Price at the pump drives sentiment

Inverse relationship between consumer sentiment and gas prices

University of Michigan Consumer Sentiment: 1966 = 100, NSA

Gas: Average price per gallon



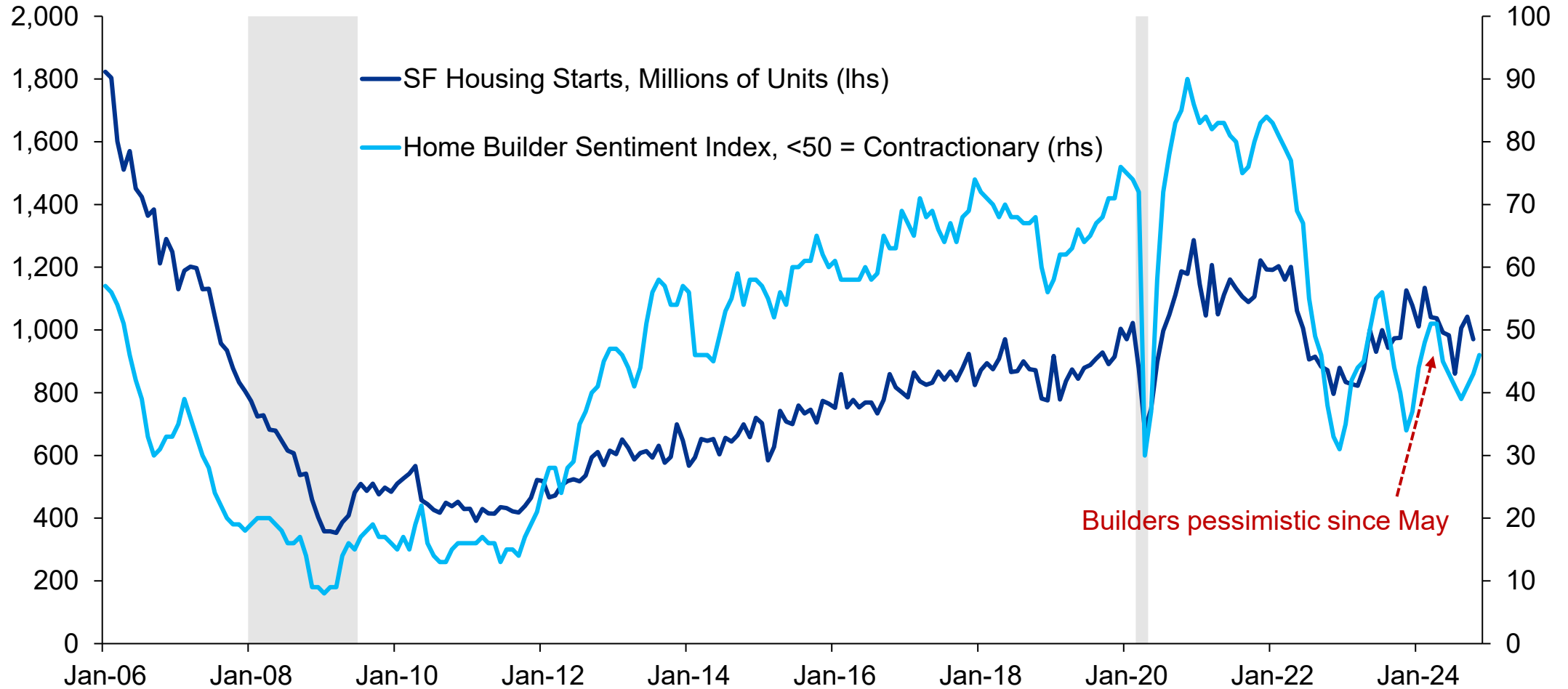
Source: KPMG Economics, University of Michigan, Bureau of Labor Statistics, Haver



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Housing construction at risk from high interest rates

Homebuilder sentiment remains weak



Source: KPMG Economics, NAHB/WF, Census Bureau

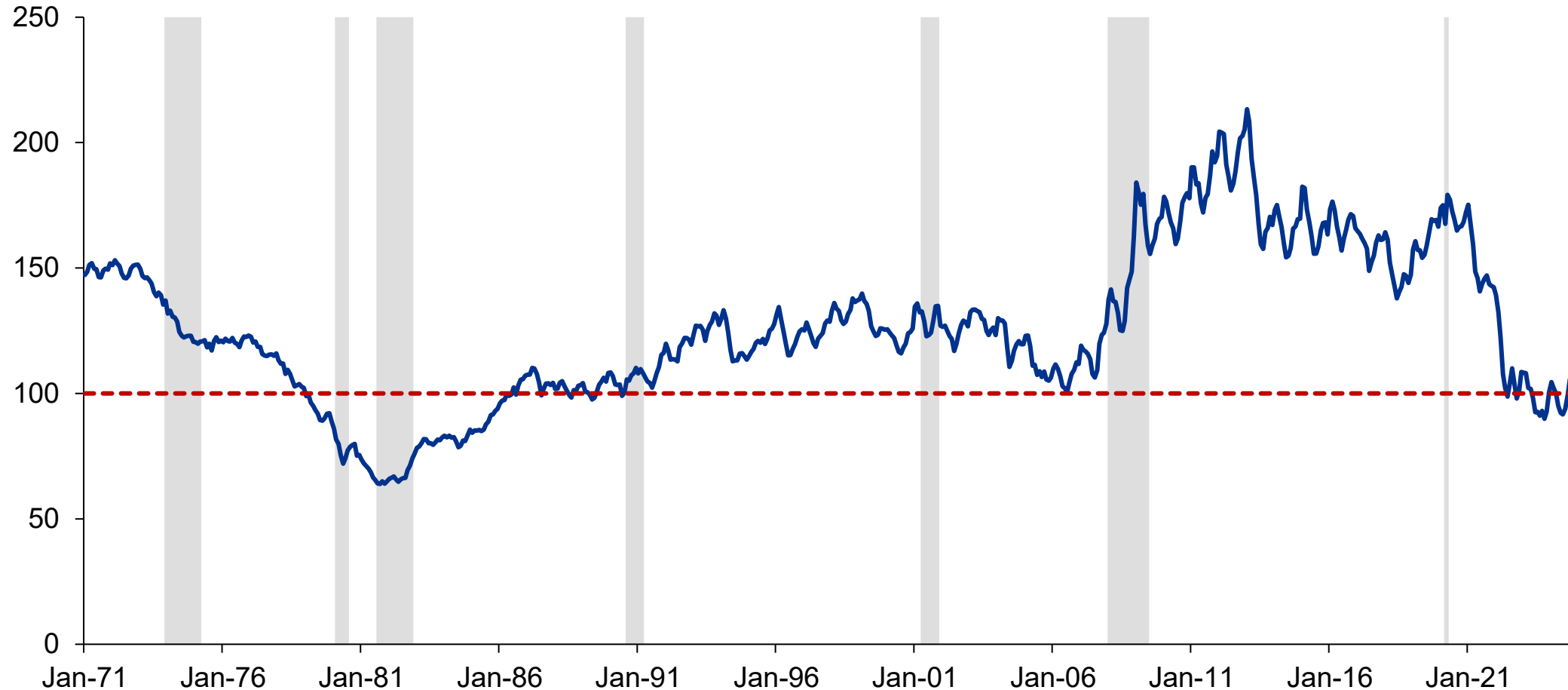


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Lower rates hoped to offset low home supply

Affordability worst since 1985

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



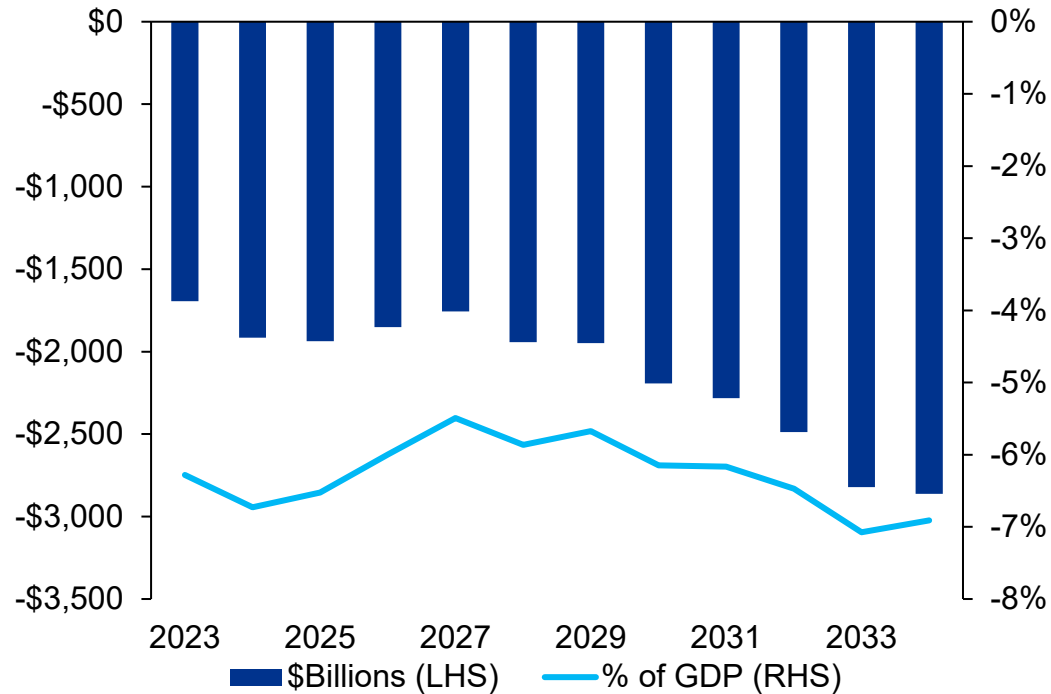
Source: KPMG Economics, National Association of Realtors, Haver Analytics



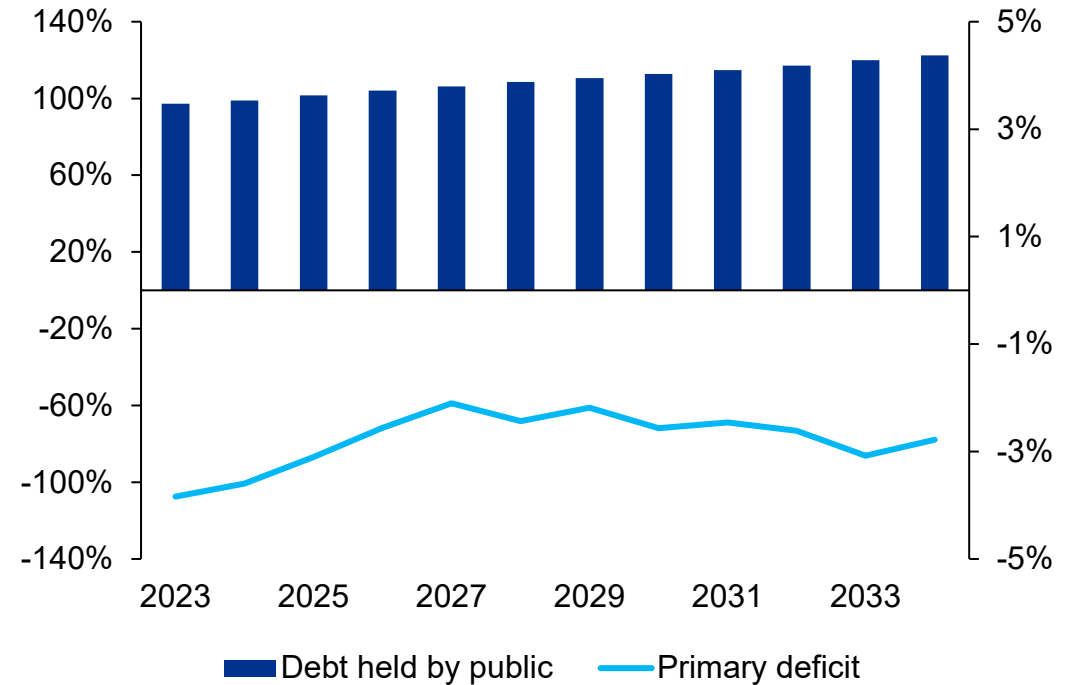
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Federal debt tops 100% of GDP

CBO Deficit Forecast



CBO Forecast as % of GDP



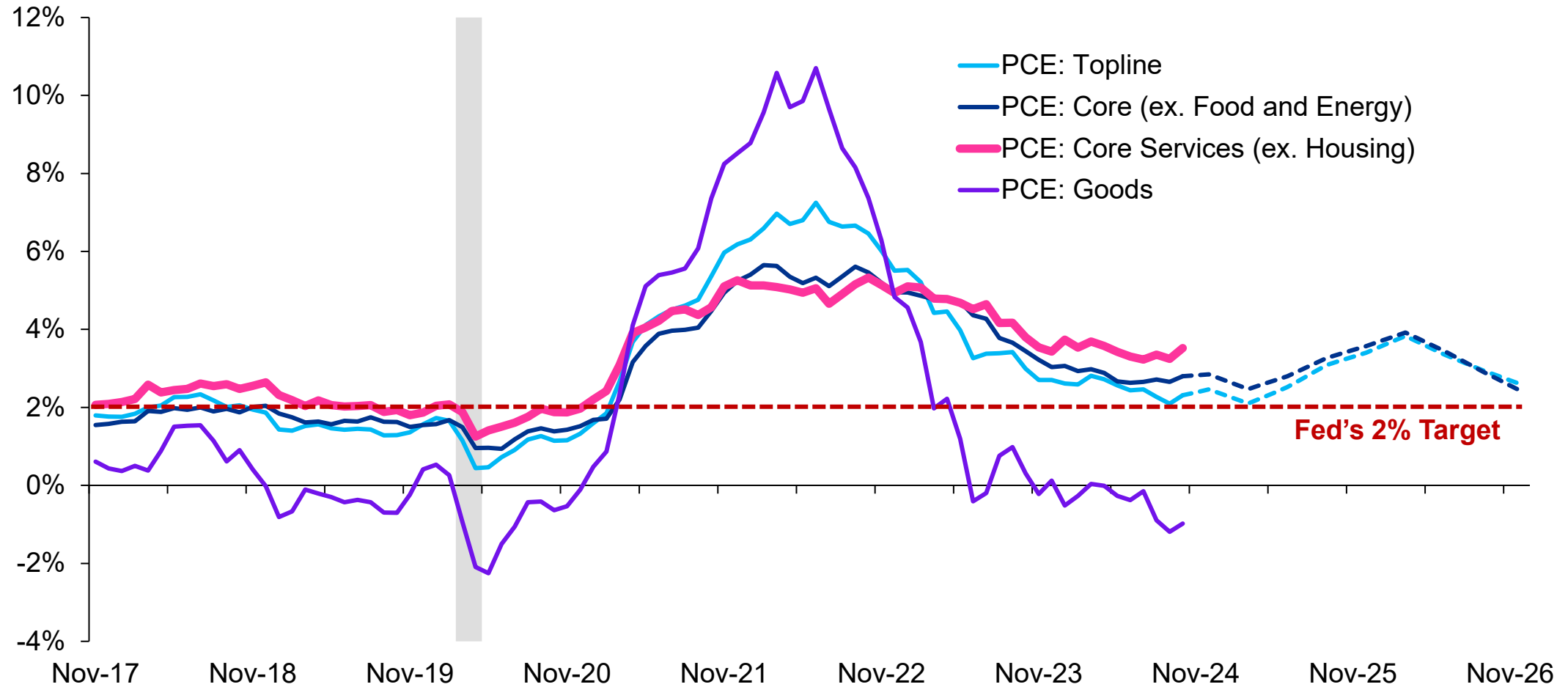
- The CBO projects that debt held by the public will be \$28.2 trillion by 2024, increasing to \$50.3 trillion by 2034.
- Debt to GDP increases from 99% to 122%, but the annual primary deficit shrinks

Source: KPMG Economics, Congressional Budget Office

Auto insurance is 50+% more expensive... and so is my burrito

Inflation Fueled by Services

Percent Change, Year/Year



Source: KPMG Economics, Bureau of Economic Analysis, Haver Analytics

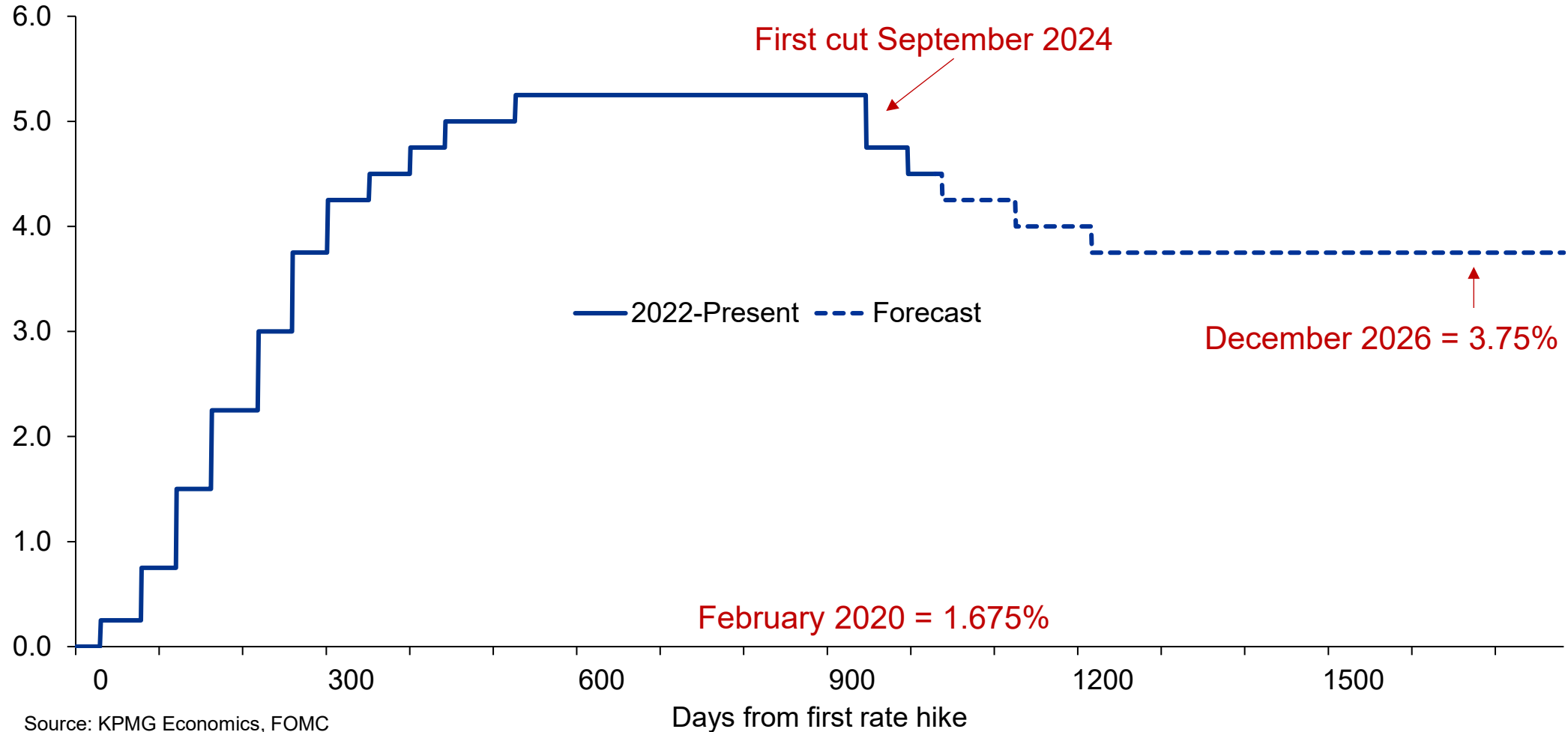


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One more rate cut in 2024, though a coin-flip

Fed started rate cuts in September

Percentage point change in fed funds rate from first rate hike



Source: KPMG Economics, FOMC



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International Economy

Geopolitical risk remains elevated

World Geopolitical Risk Index

Index, 365-day MA, 1985-2019=100



Source: KPMG Economics, Caldara and Iacoviello, Haver Analytics

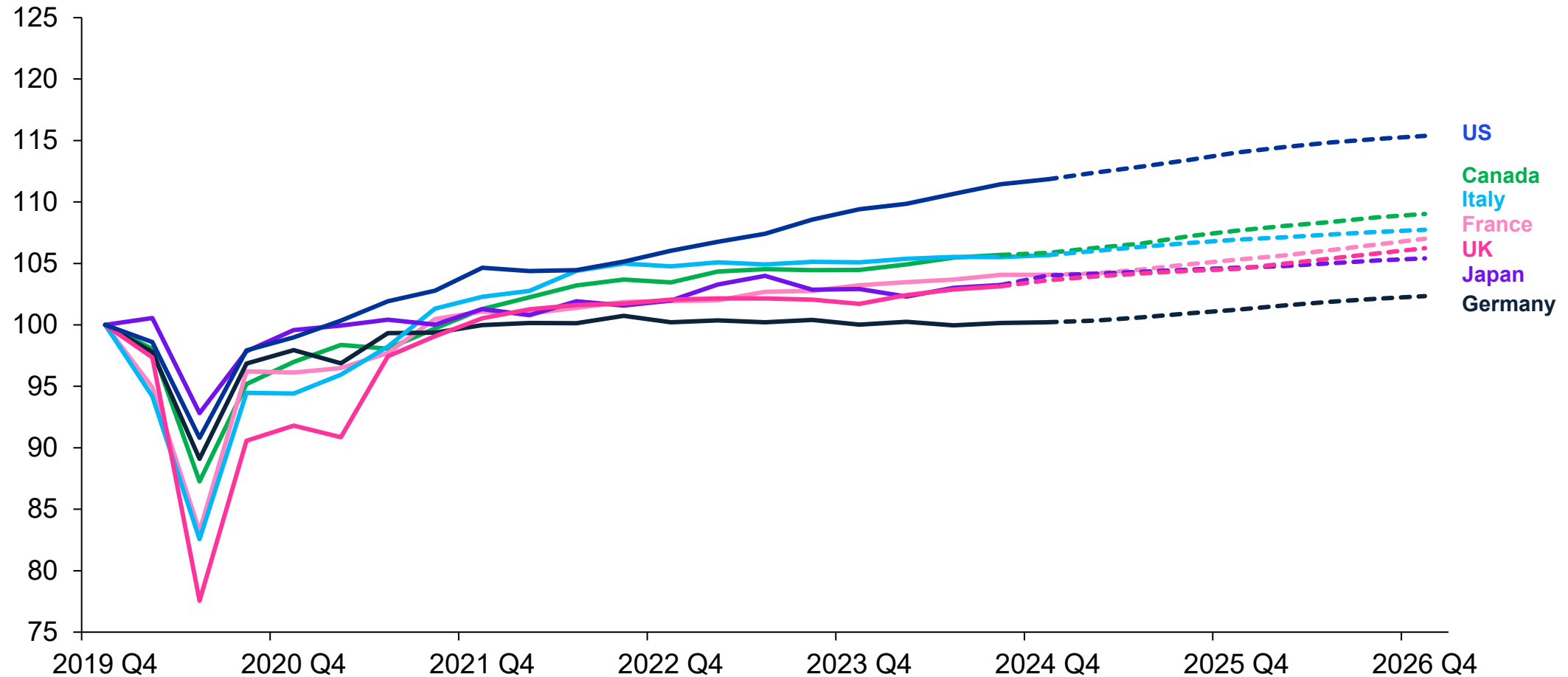


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US outpacing G7 growth

Growth variation across the G7

Real GDP, Index, 2019 = 100



Source: KPMG Economics, Various

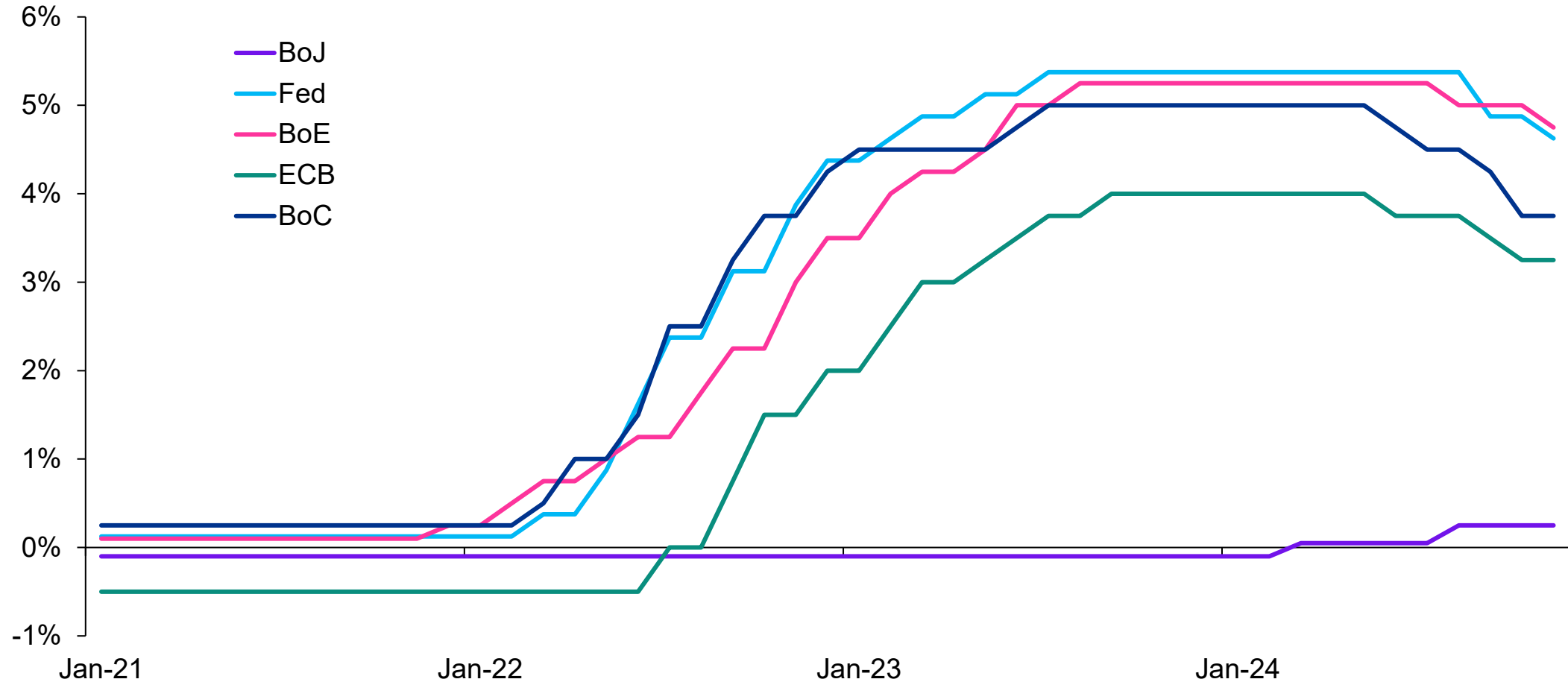


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Major central banks are loosening policy– except for Japan

Central banks' key monetary policy rate

Policy rate, Percent



Source: KPMG Economics, BoJ, FRB, BoE, ECB, BoC, Haver Analytics



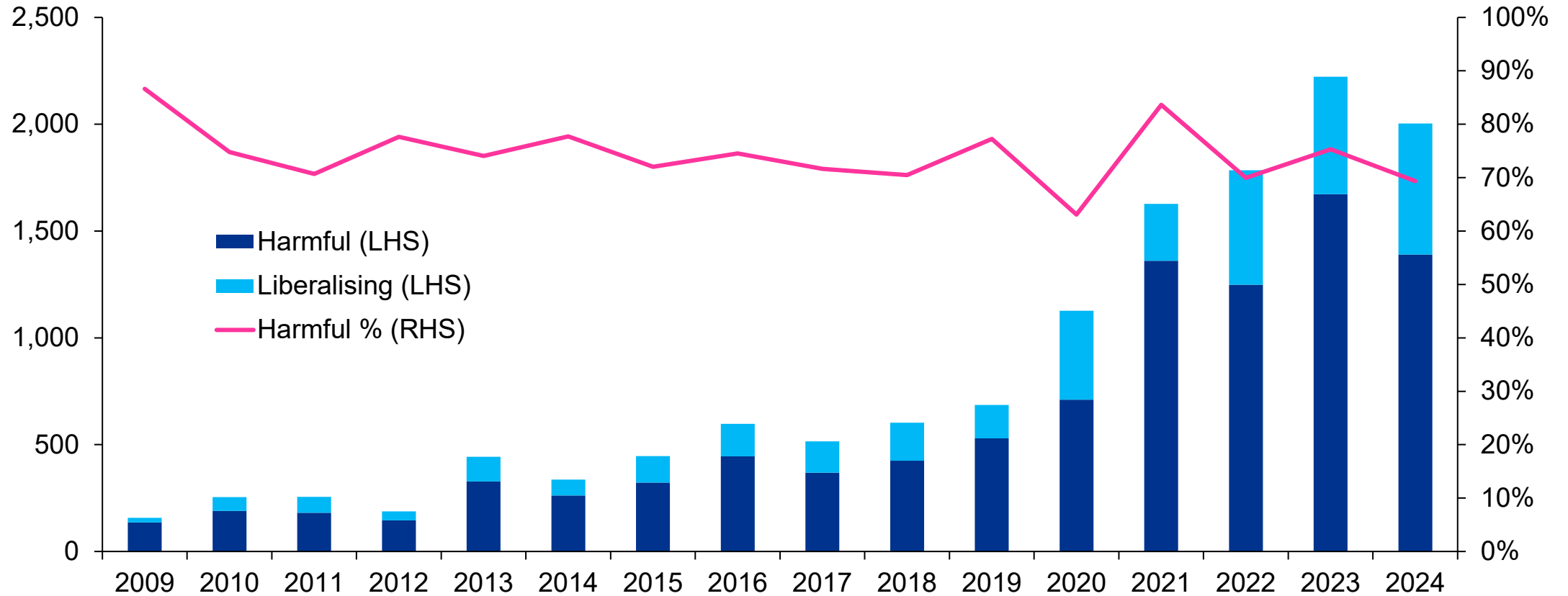
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Global trade interventions have skyrocketed since 2020

Global trade interventions

Number of harmful and liberalising interventions*

Harmful % = Percentage of all interventions that are harmful



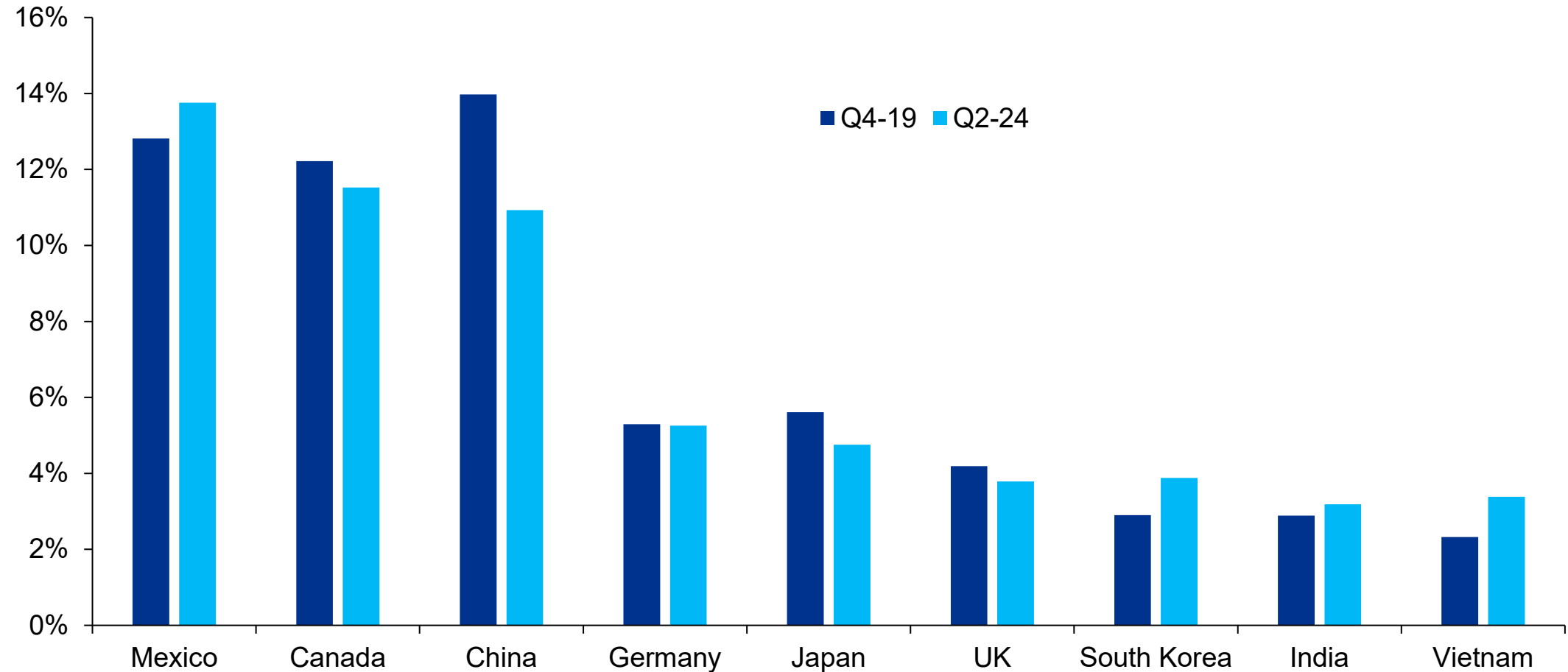
*Number of goods trade interventions as of September 5 of each year

Source: KPMG Economics, Global Trade Alert

US imports have a new leader—Mexico

Share of US Imports

BOP, Percent



Source: KPMG Economics, Census Bureau, Haver Analytics

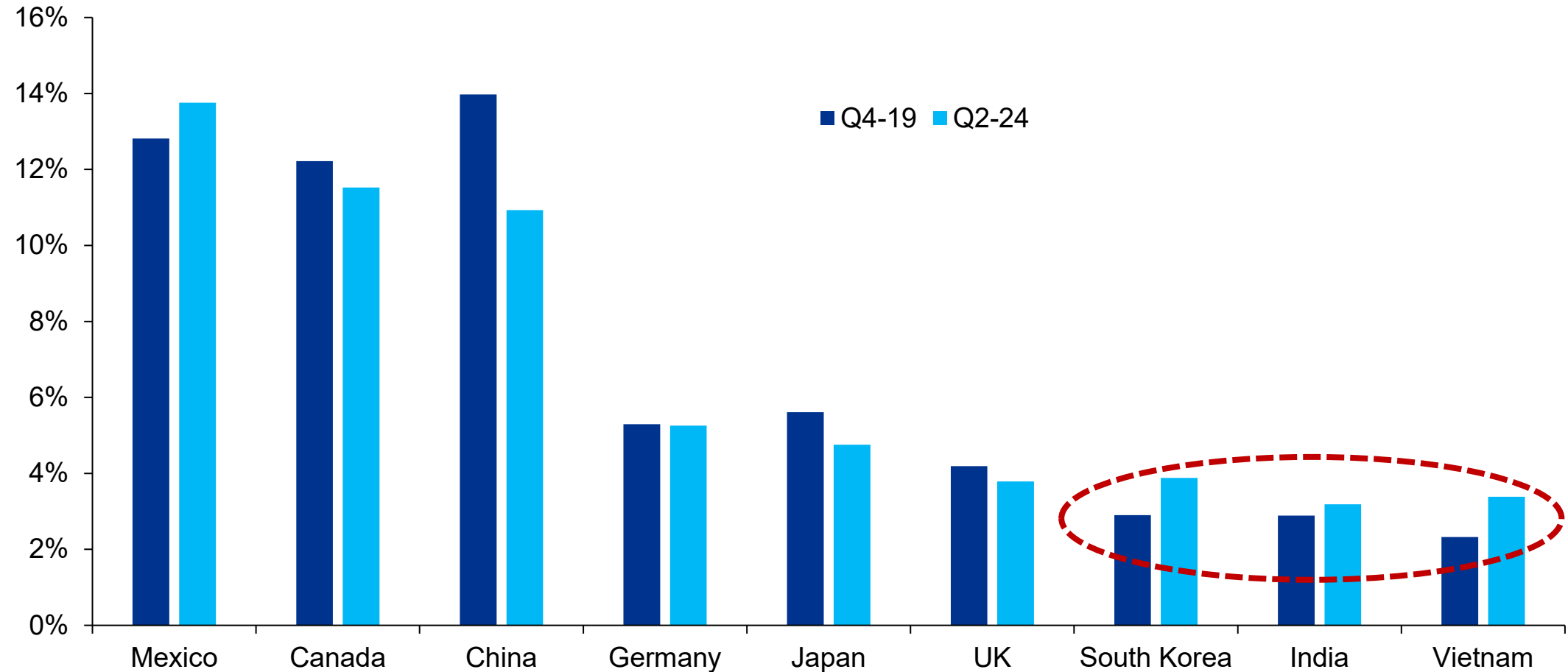


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US imports have a new leader—Mexico

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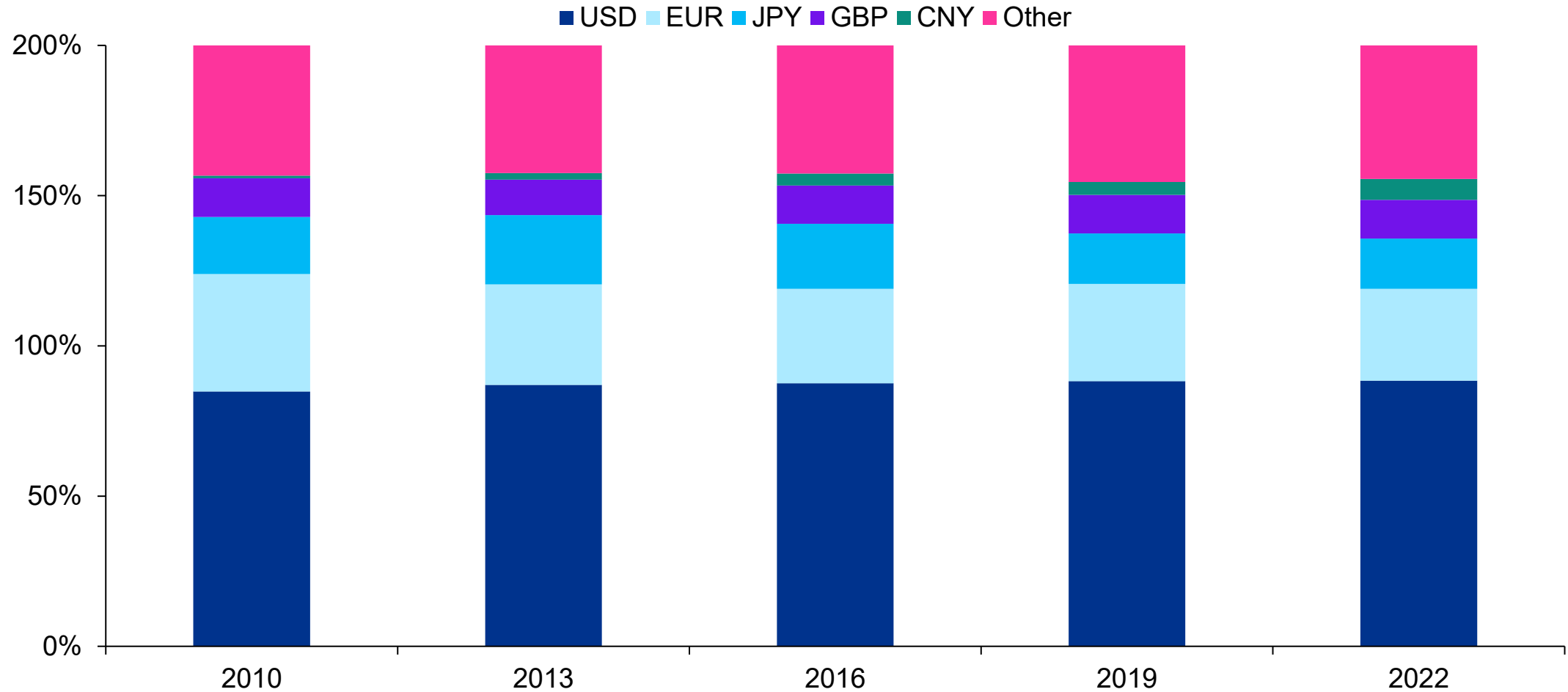


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The end of the dollar? Not likely

Share of OTC FX Transactions

Net-net basis

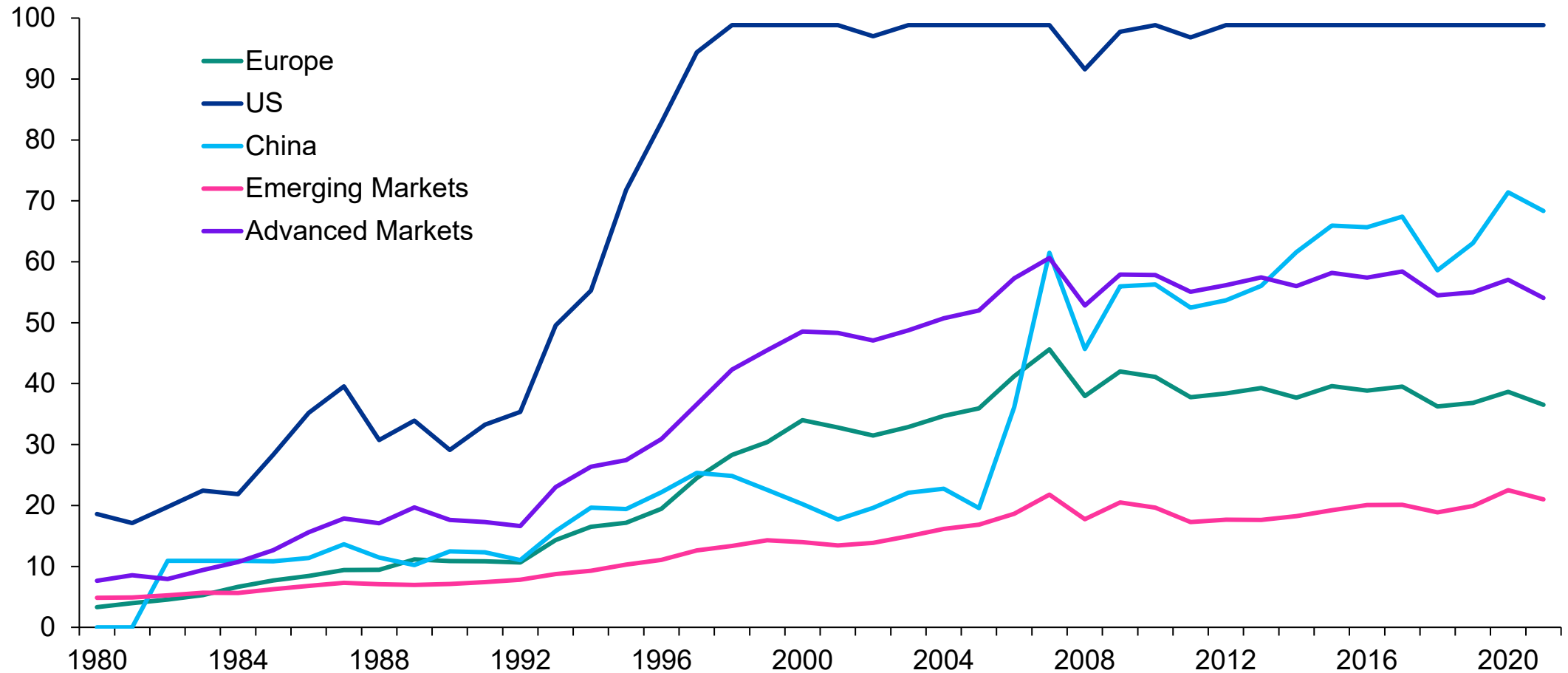


Source: KPMG Economics, Bank of International Settlements

Chinese markets are gaining ground, but face headwinds

Financial Markets Depth Index

Index



Source: KPMG Economics, International Monetary Fund, Haver Analytics



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The good, the bad, and the ugly

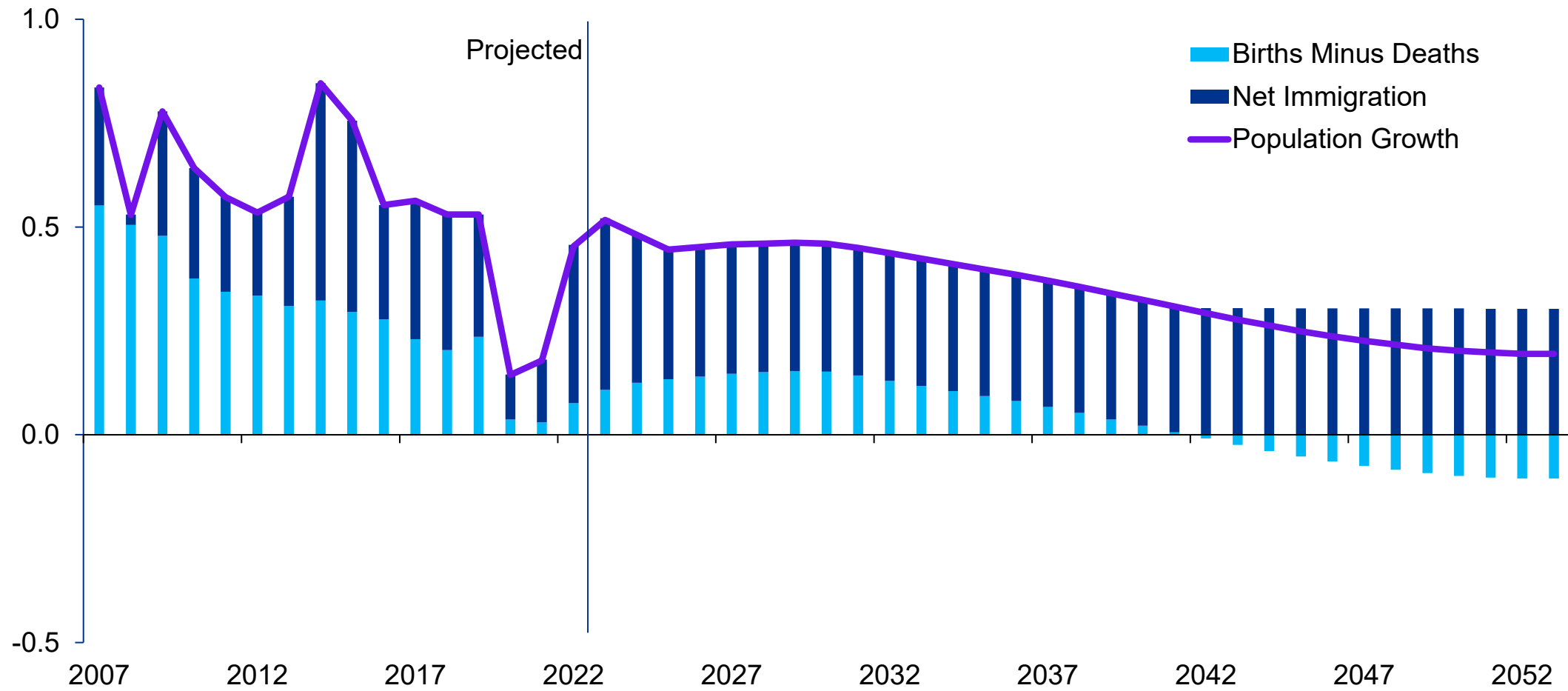
	Tailwinds	Risks	Headwinds
Short Run	Interest rate cuts Disinflation & real wage gains M&A activity picking up	Post-election policy changes USMCA renegotiation Oil price shock Geopolitical risk Climate change Cyber attacks	Ongoing conflicts Trade protectionism Demand slowdown Pre-election investment pause Limited fiscal stimulus
Long Run	Supply chain reorganization Generative AI		Energy grid inadequacy Supply chain reorganization



Long-Run Trends

Immigration sole driver of population growth in 20 years

Population Growth Percentage Contribution



Source: KPMG Economics, CBO (June 2023).

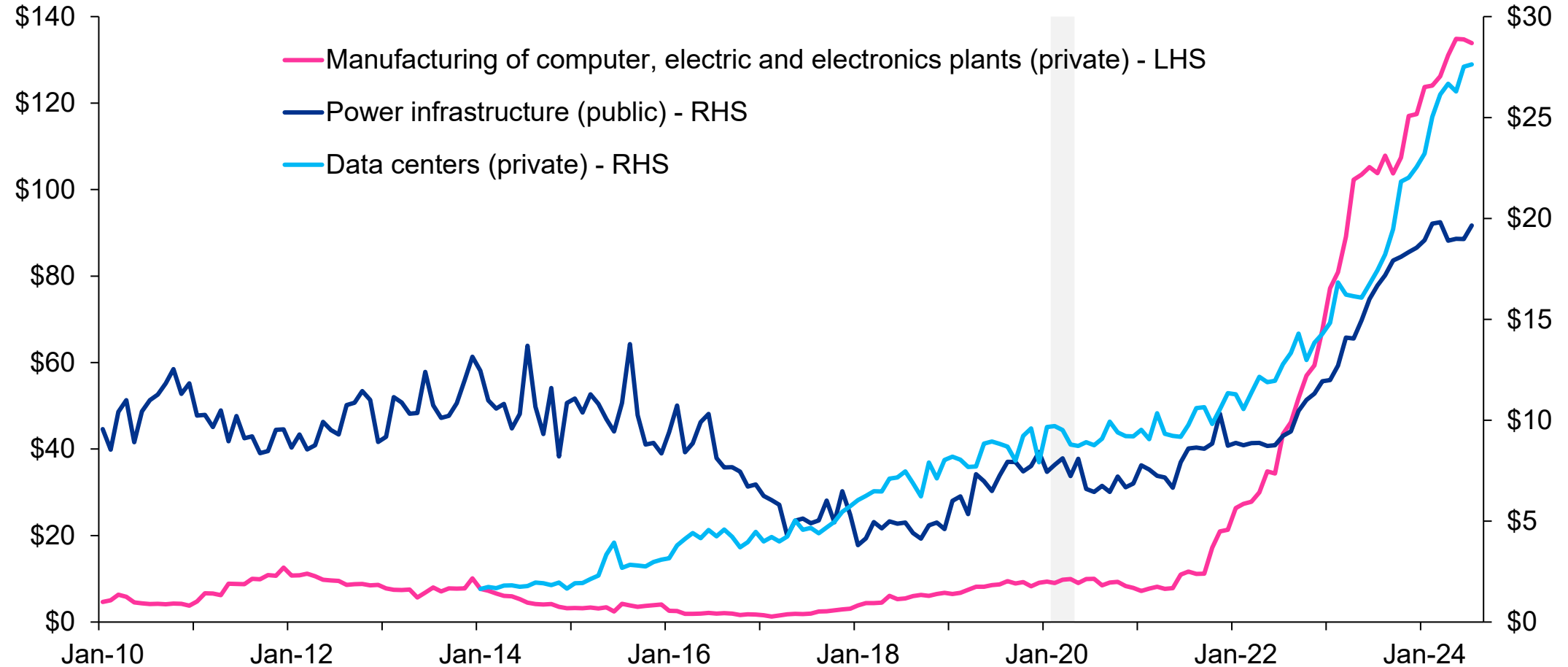


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Construction boom for high-tech manufacturing

Boom in investment since 2022

Construction spending, nominal dollars, billions



Source: KPMG Economics, Census Bureau

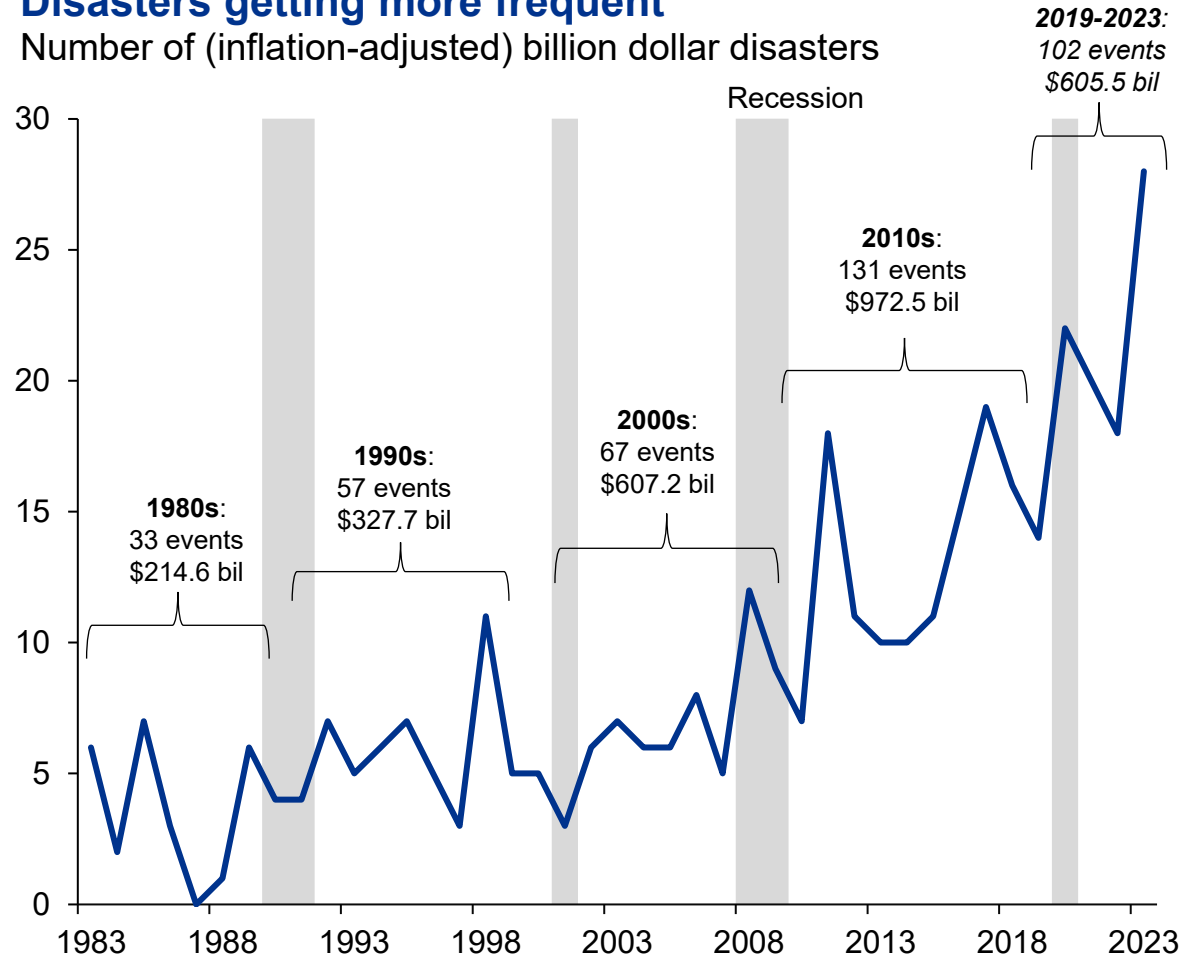


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Risks to supply chains are costly

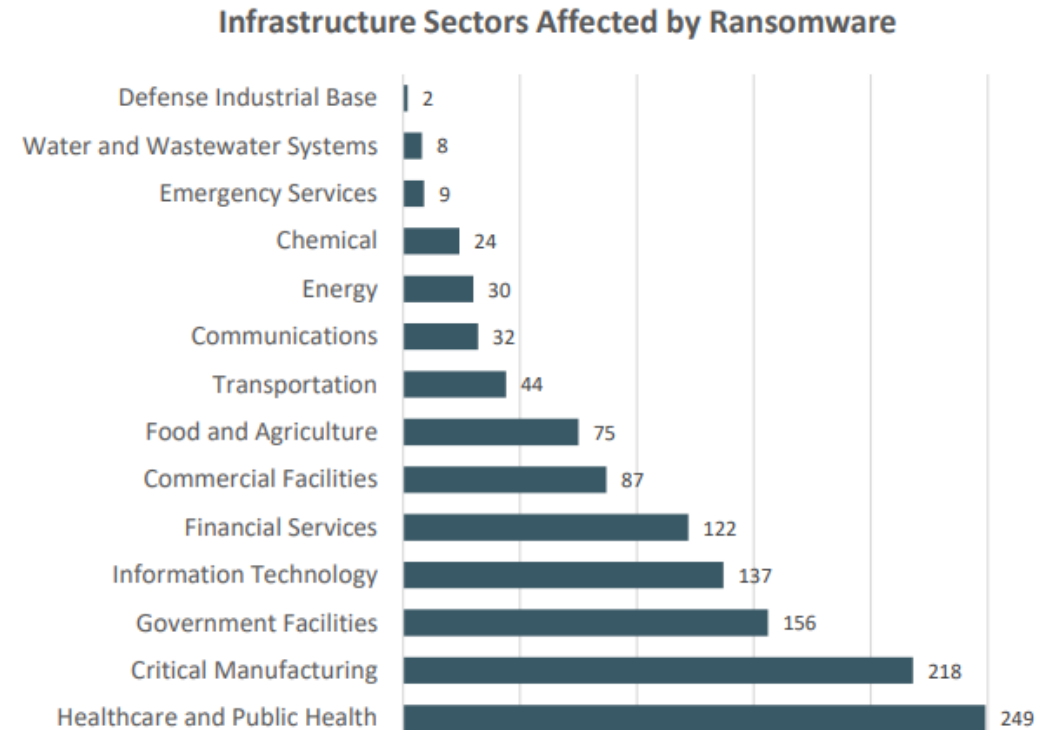
Disasters getting more frequent

Number of (inflation-adjusted) billion dollar disasters



Source: KPMG Economics, NOAA

1,193 critical infrastructure companies affected by cyber strikes in 2023

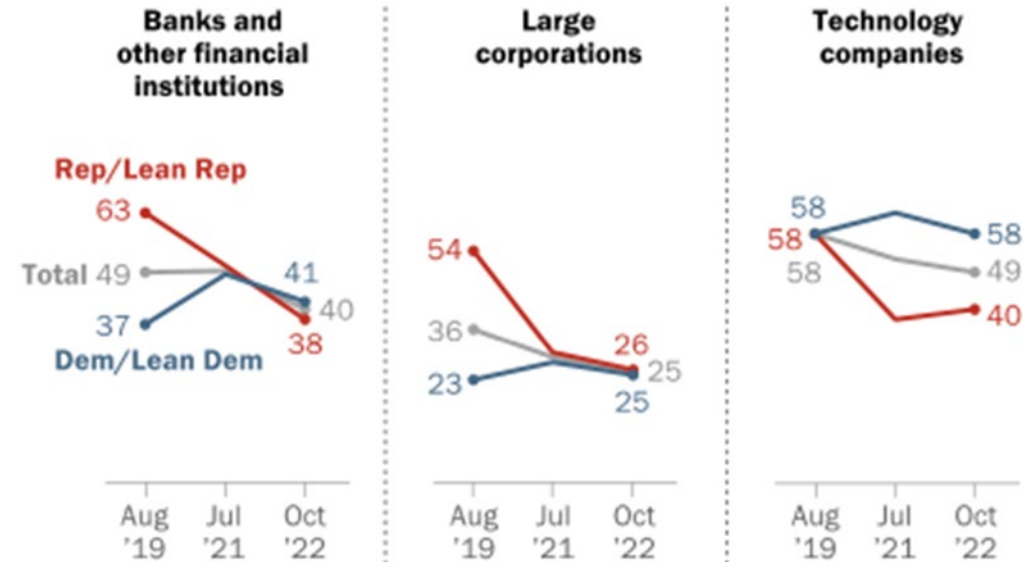


Source: FBI Internet Crime Complaint Center

Anti-corporate sentiment soars across party affiliation

Republicans' views of banks, large corporations have become much less positive since 2019

% who say ____ have a positive effect on the way things are going in the country these days



Source: Survey of U.S. adults conducted Oct. 10-16, 2022.

PEW RESEARCH CENTER

Thank you

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