

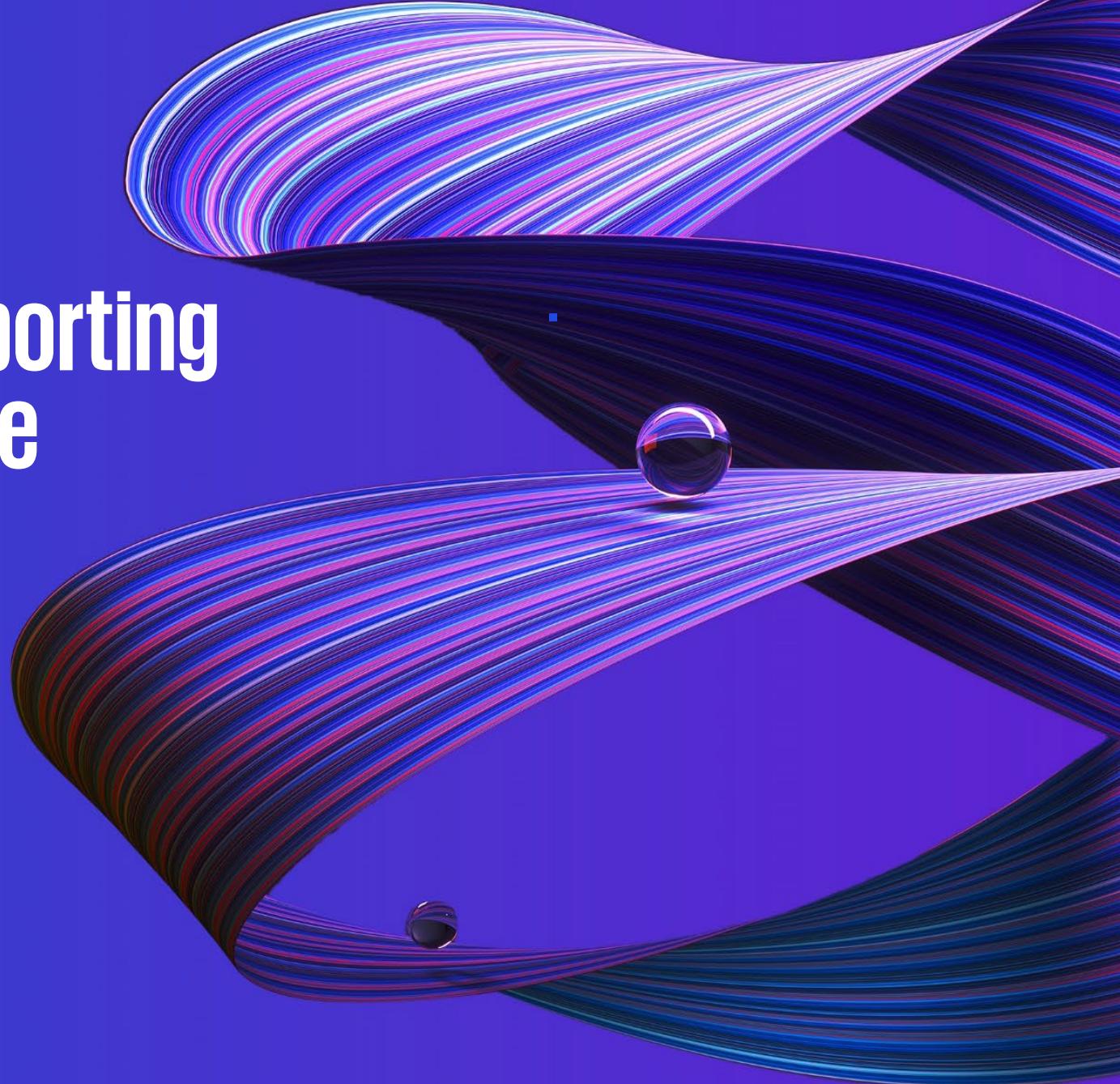


# 2024 Global Financial Reporting and Valuation Conference

Global Economy

---

December 8-10 | Fontainebleau Miami Beach, Florida



# Agenda

01

**US Economy**

02

**International Economy**

03

**Long-Run Trends**

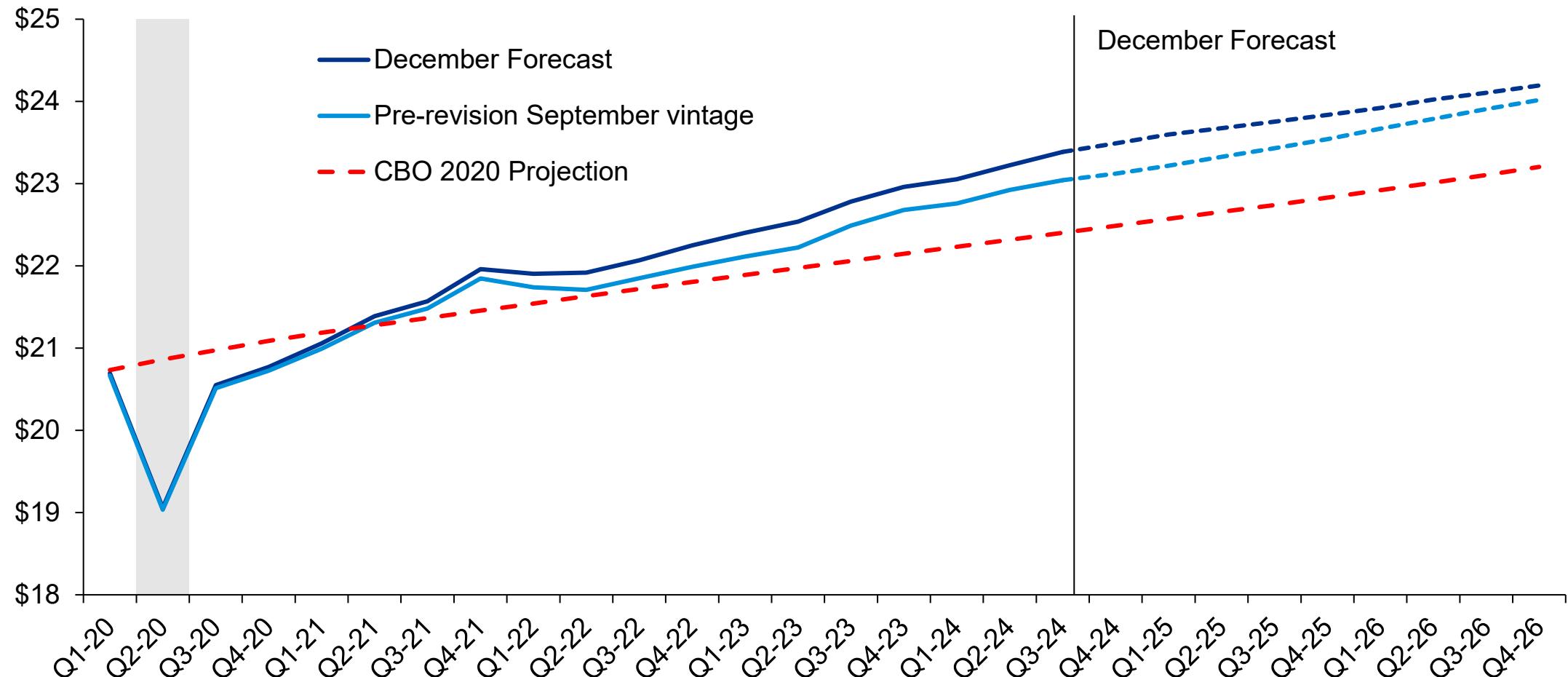


# US Economy

# Soft landing a possibility in 2025

## GDP revised higher

GDP, 2017\$, trillions

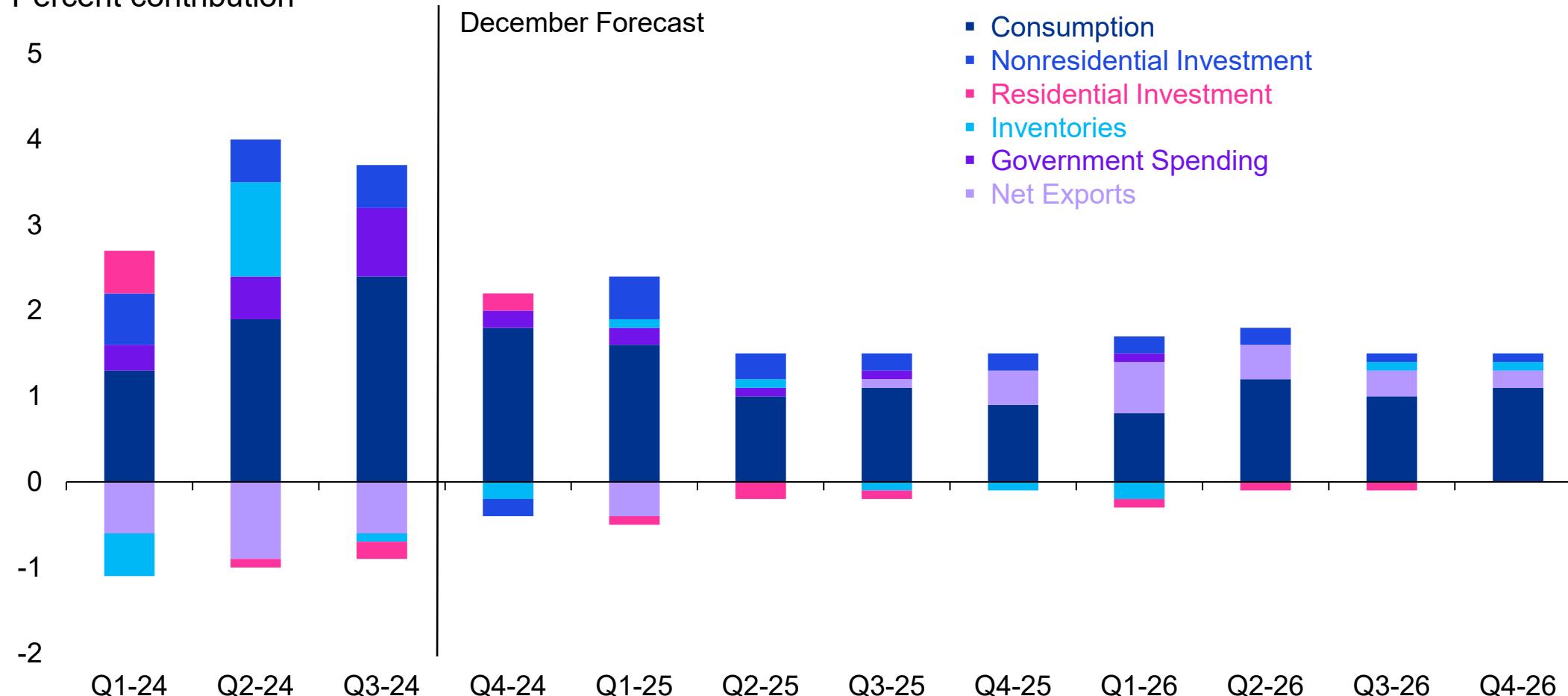


Source: KPMG Economics, Bureau of Economic Analysis

# Consumers slip after long boom

## GDP growth components

Percent contribution

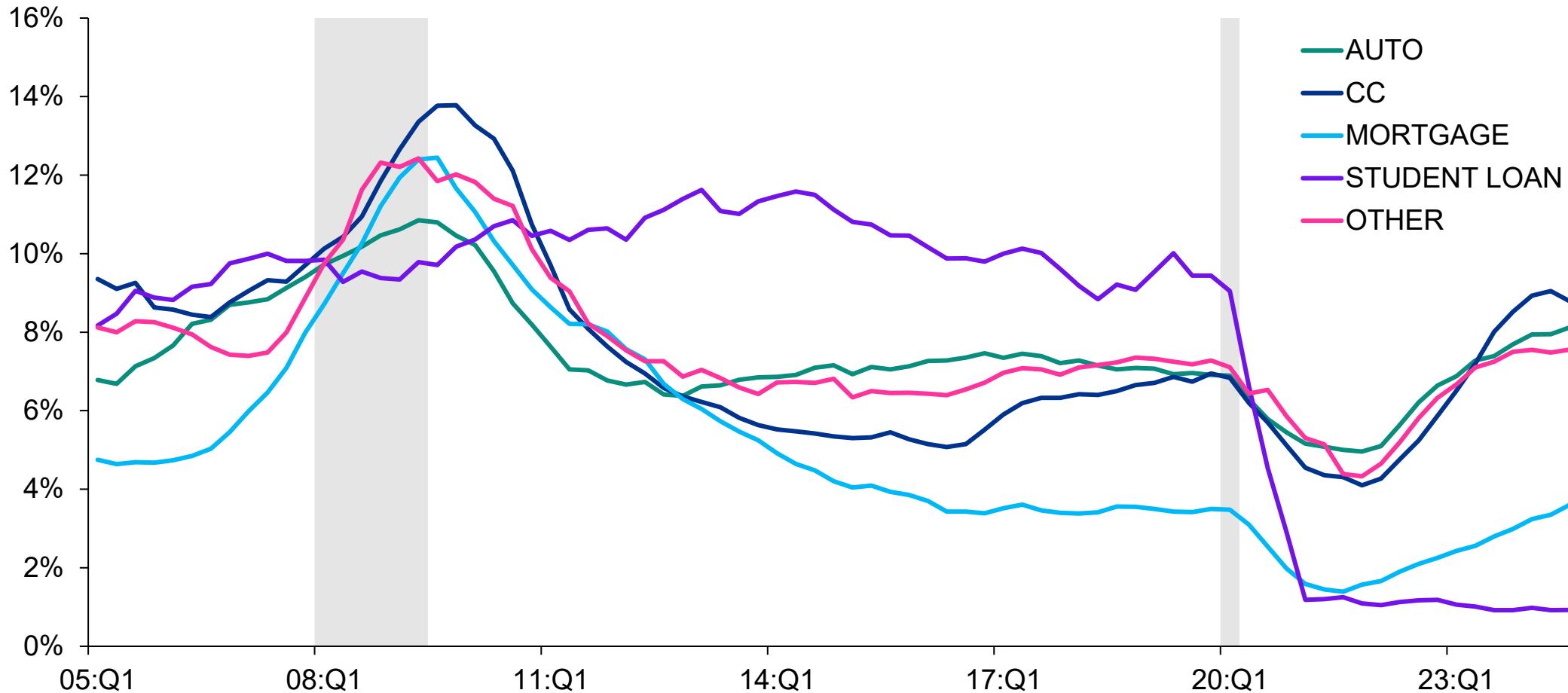


Source: KPMG Economics, Bureau of Economic Analysis

# 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



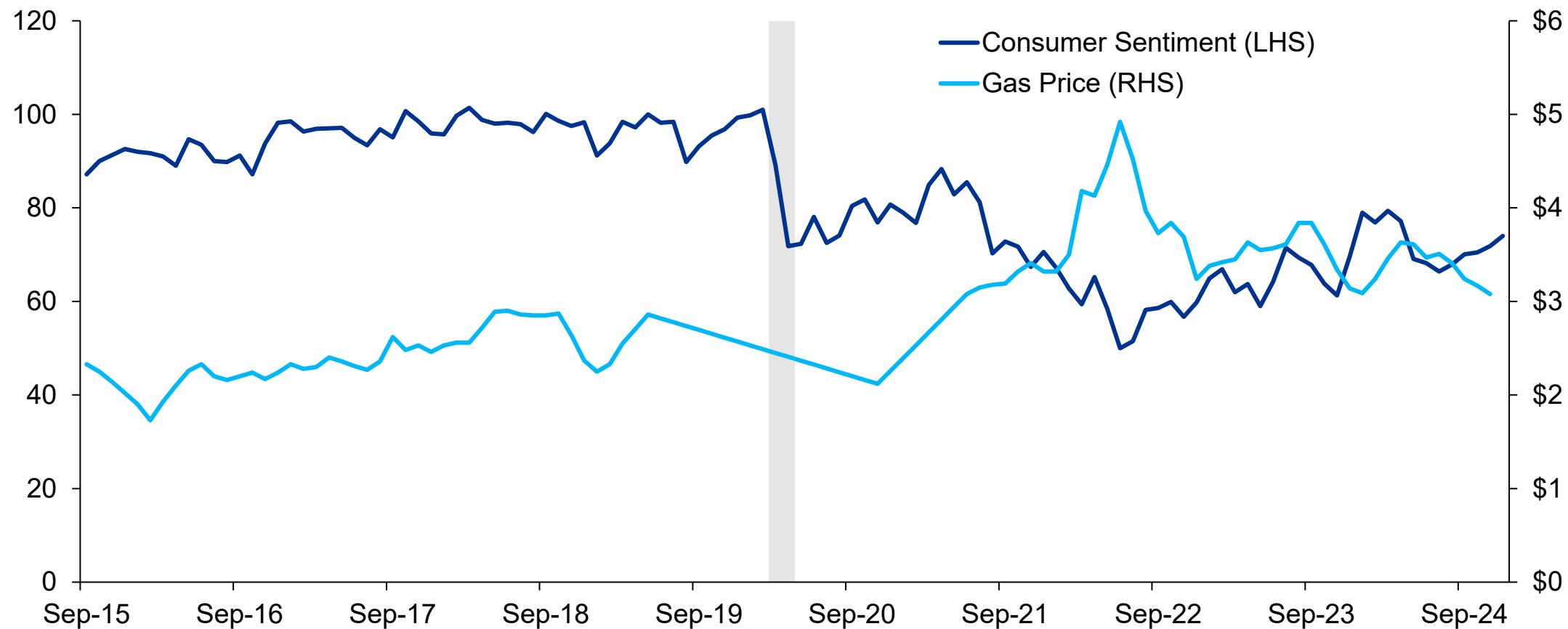
© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# Price at the pump drives sentiment

## Inverse relationship between consumer sentiment and gas prices

University of Michigan Consumer Sentiment: 1966 = 100, NSA

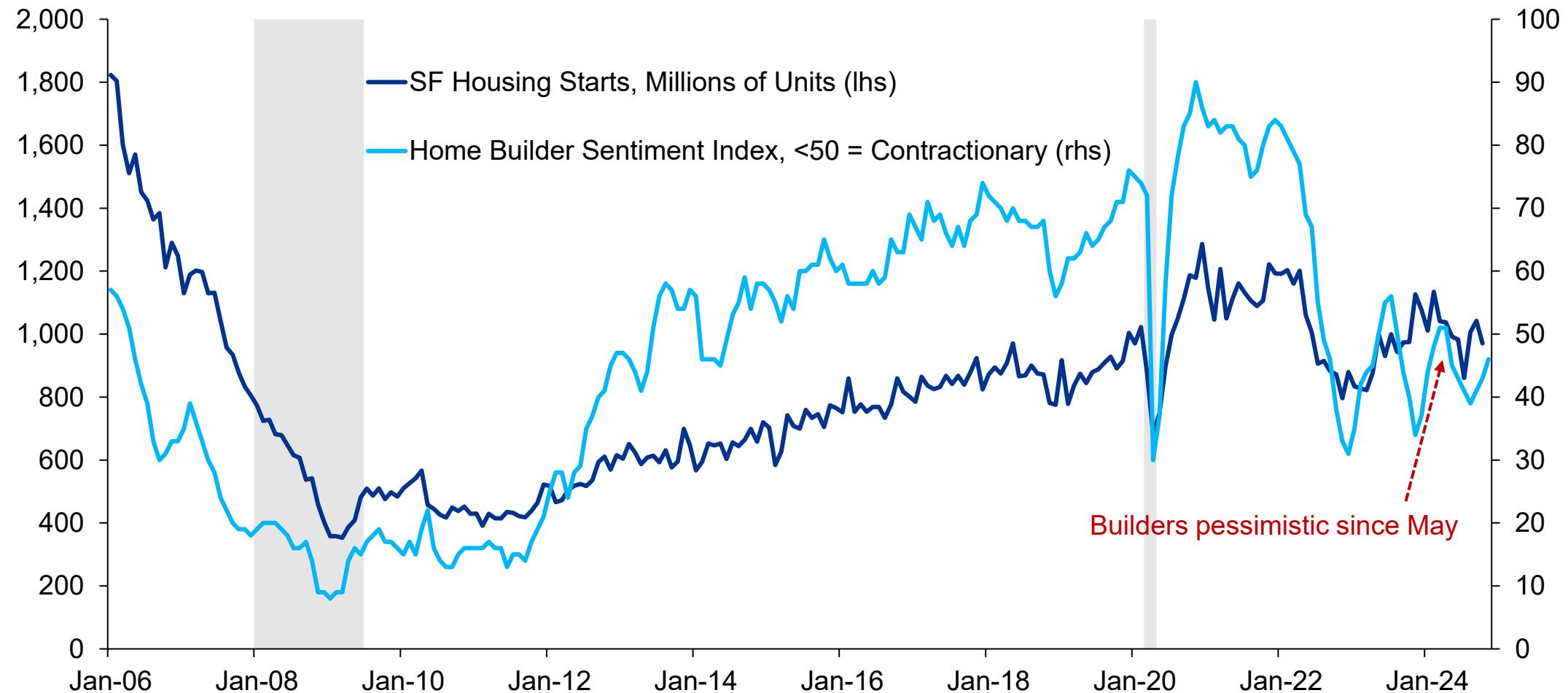
Gas: Average price per gallon



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

# Housing construction at risk from high interest rates

Homebuilder sentiment remains weak

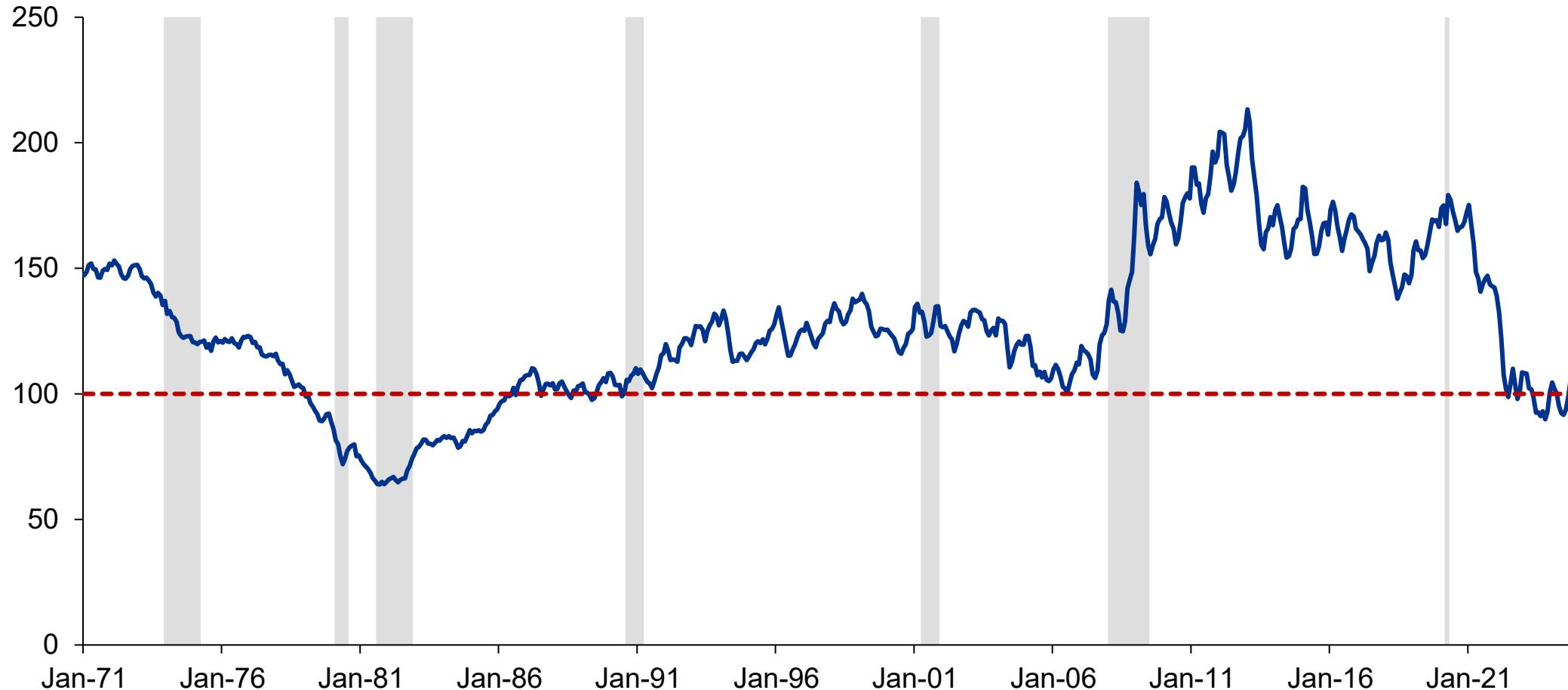


Source: KPMG Economics, NAHB/WF, Census Bureau

# Lower rates hoped to offset low home supply

## Affordability worst since 1985

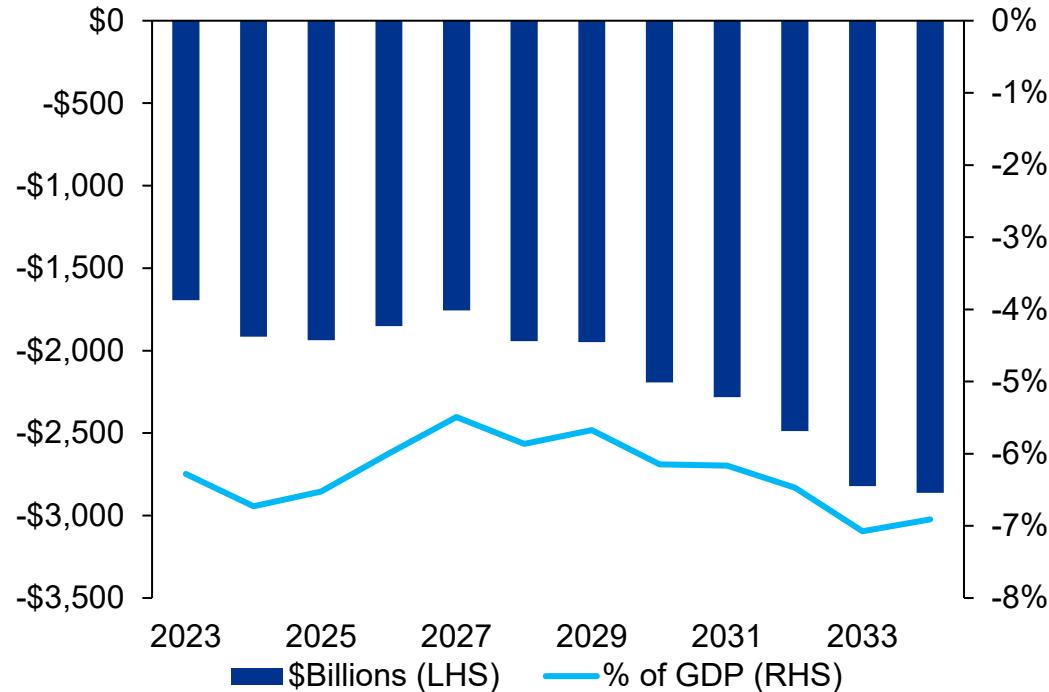
Index, Fixed-rate mortgages, 100+ = more affordable



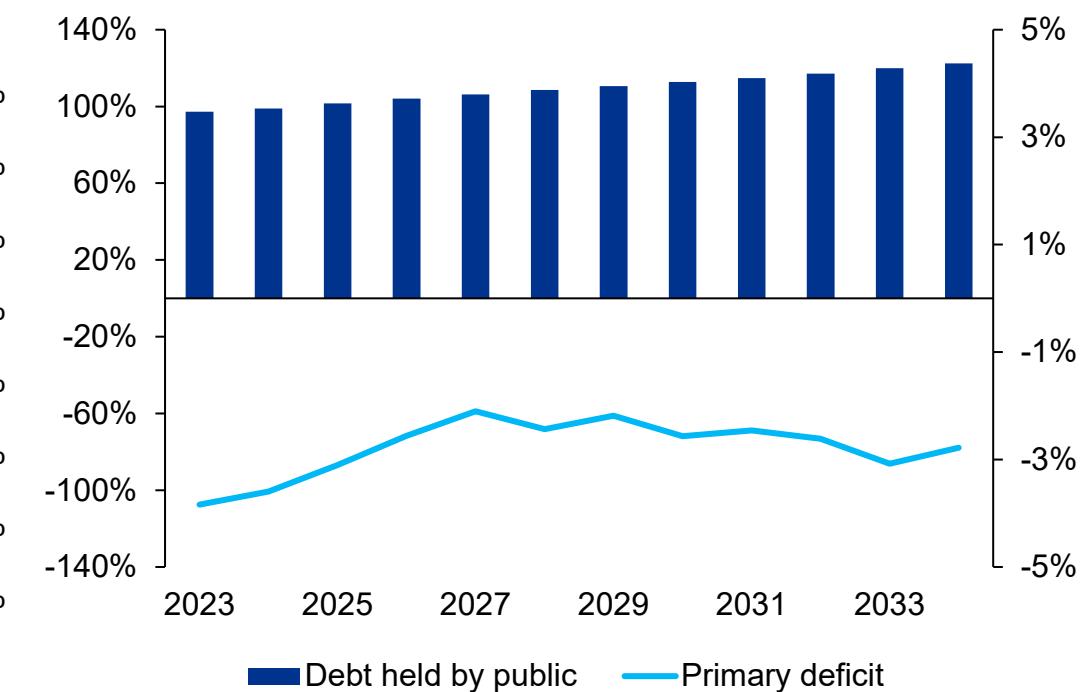
Source: KPMG Economics, National Association of Realtors, Haver Analytics

# Federal debt tops 100% of GDP

**CBO Deficit Forecast**



**CBO Forecast as % of GDP**



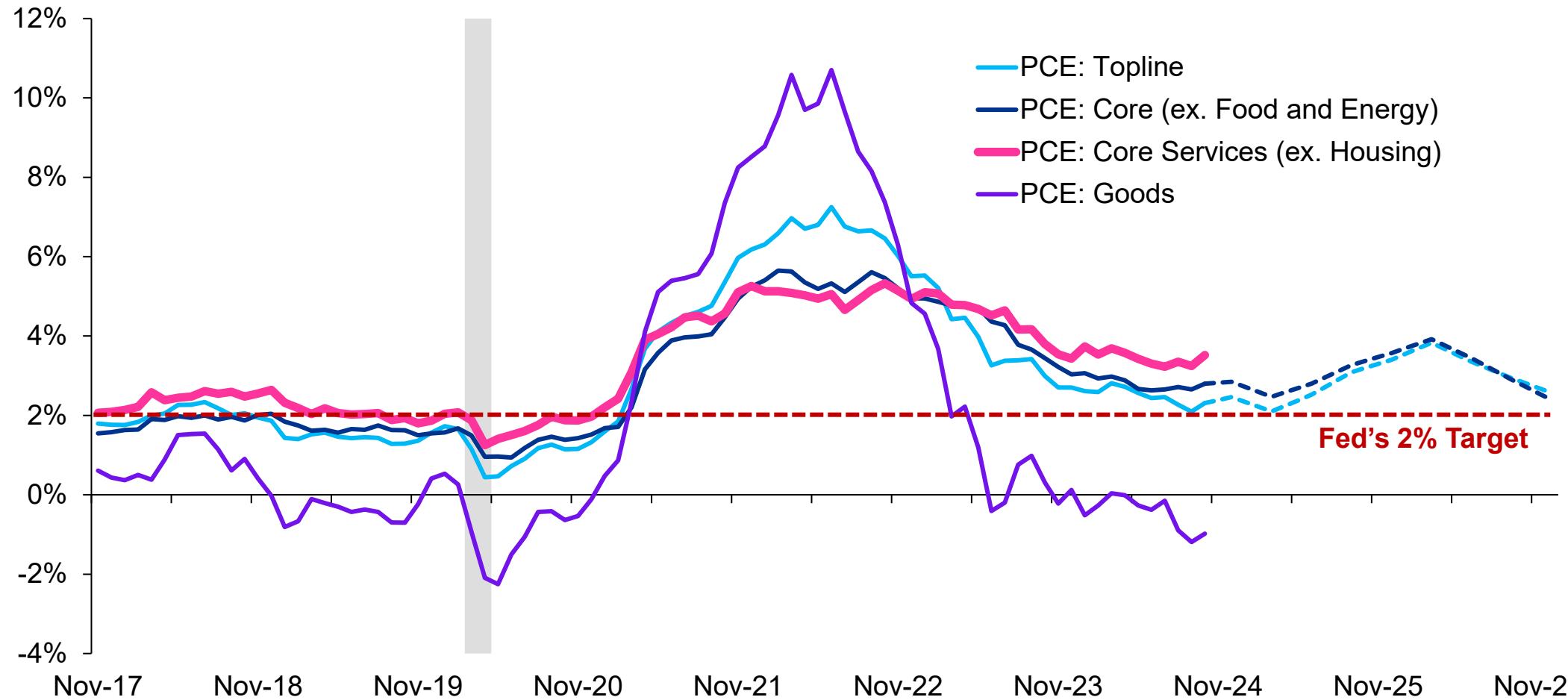
- The CBO projects that debt held by the public will be \$28.2 trillion by 2024, increasing to \$50.3 trillion by 2034.
- Debt to GDP increases from 99% to 122%, but the annual primary deficit shrinks

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

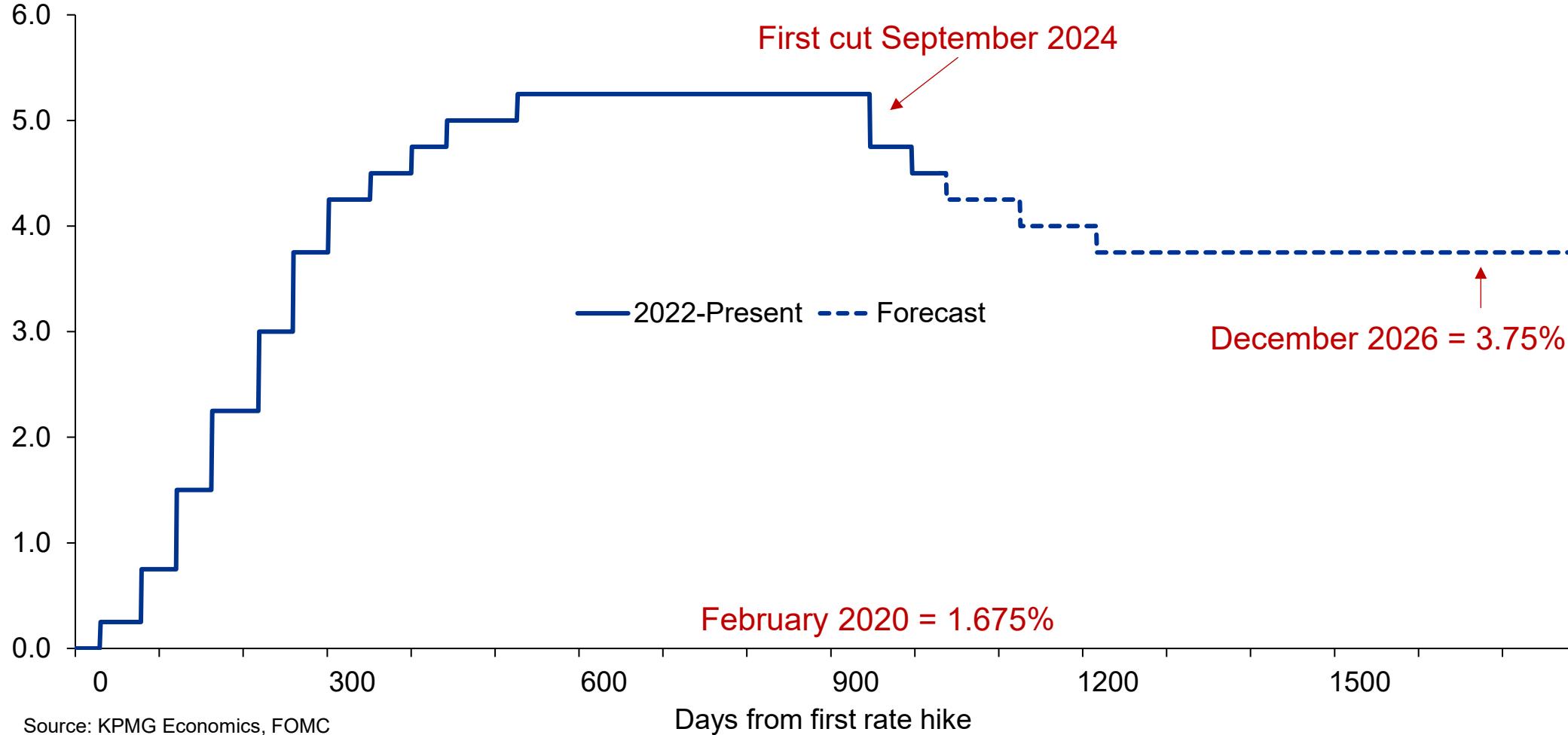


Source: KPMG Economics, Bureau of Economic Analysis, Haver Analytics

# 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



# 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

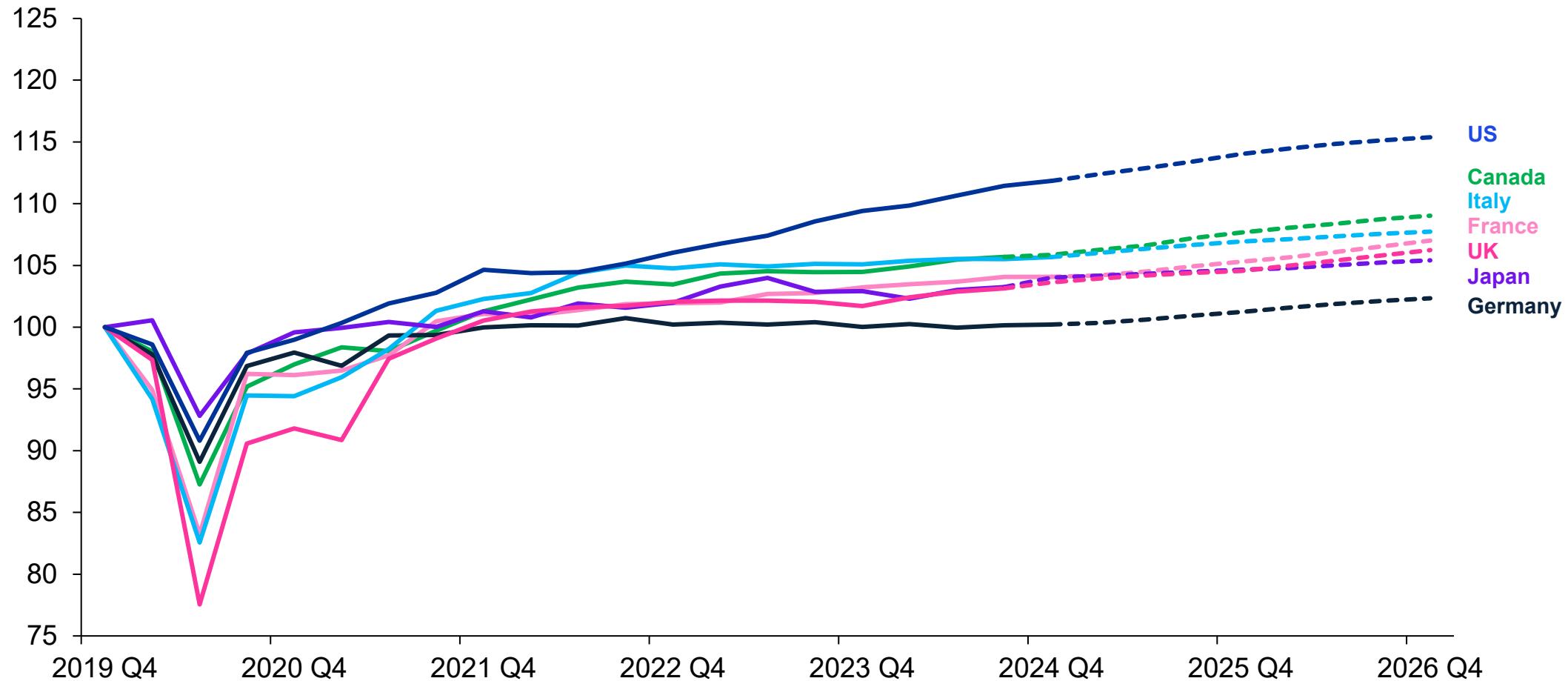


© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

# US outpacing G7 growth

## Growth variation across the G7

Real GDP, Index, 2019 = 100

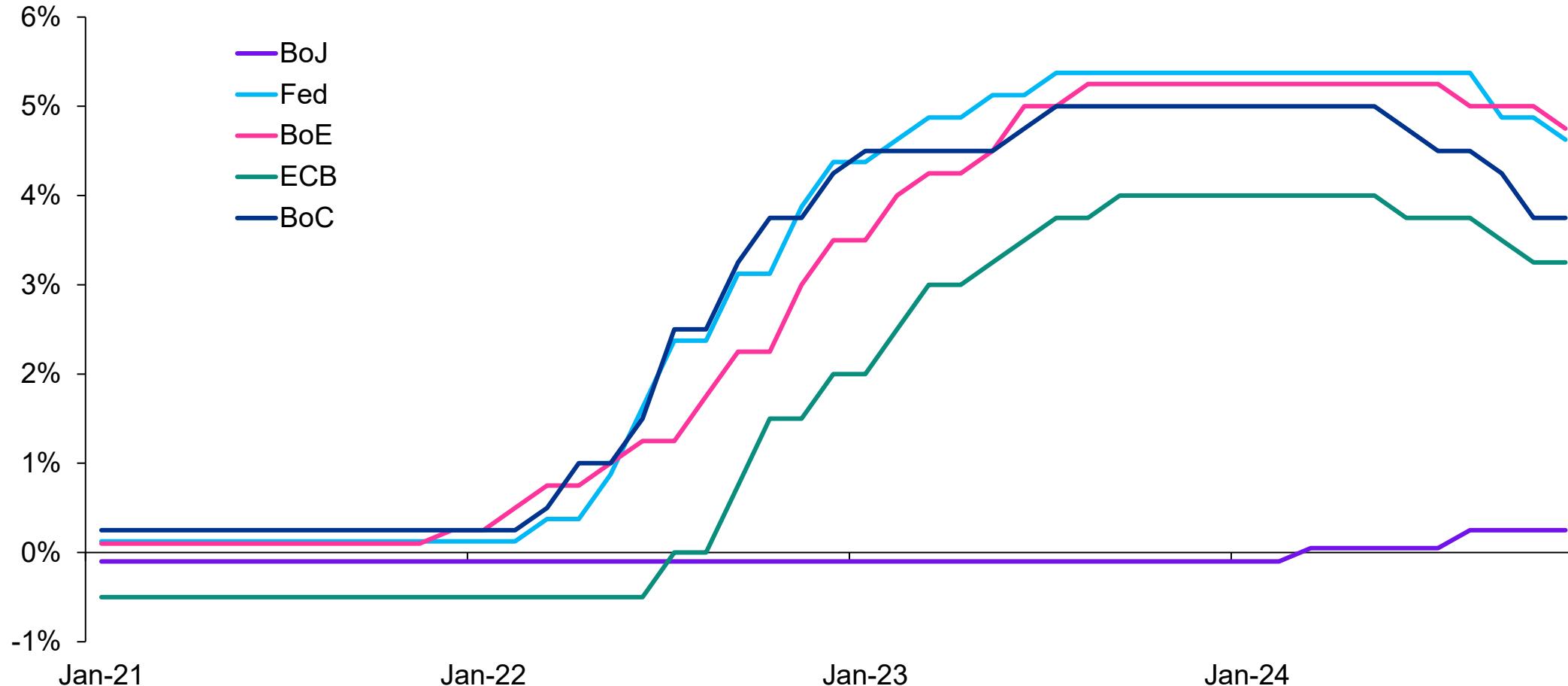


Source: KPMG Economics, Various

# Major central banks are loosening policy- except for Japan

## Central banks' key monetary policy rate

Policy rate, Percent



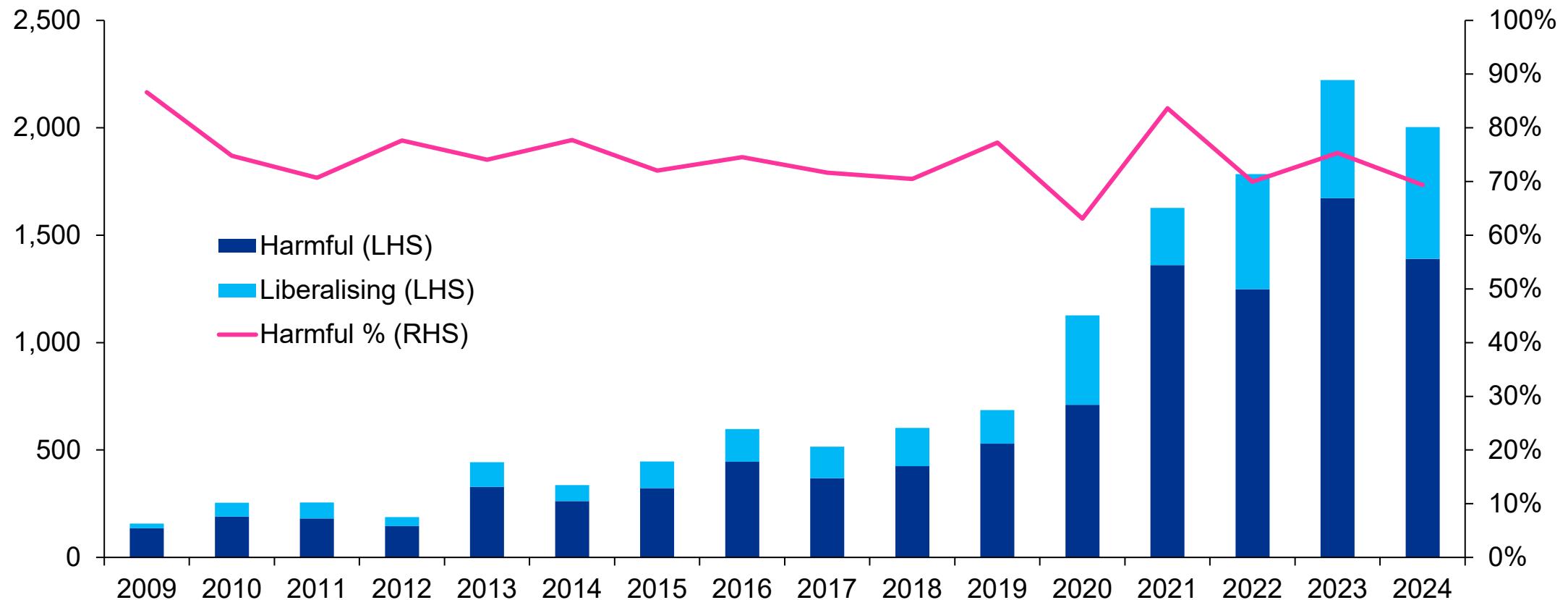
Source: KPMG Economics, BoJ, FRB, BoE, ECB, BoC, Haver Analytics

# Global trade interventions have skyrocketed since 2020

## Global trade interventions

Number of harmful and liberalising interventions\*

Harmful % = Percentage of all interventions that are harmful



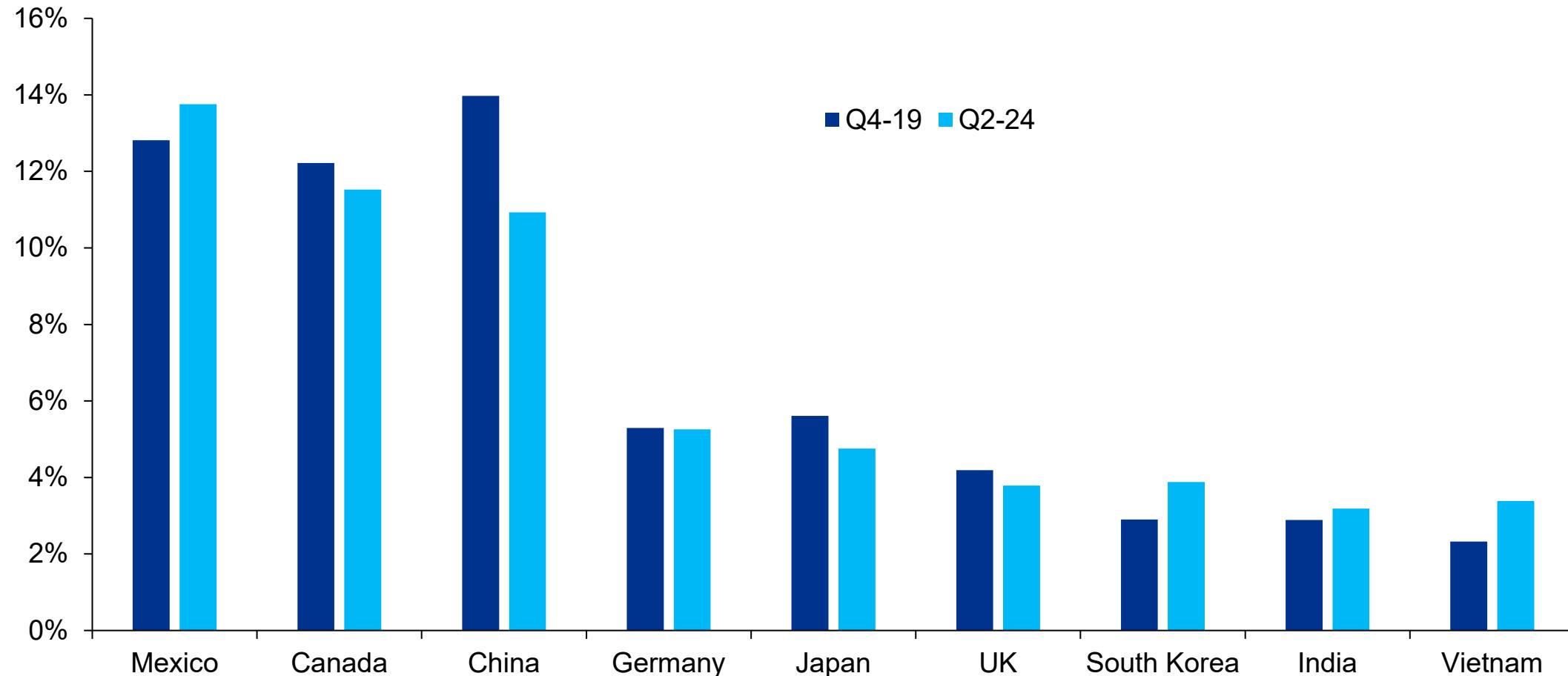
\*Number of goods trade interventions as of September 5 of each year

Source: KPMG Economics, Global Trade Alert

# US imports have a new leader—Mexico

## Share of US Imports

BOP, Percent

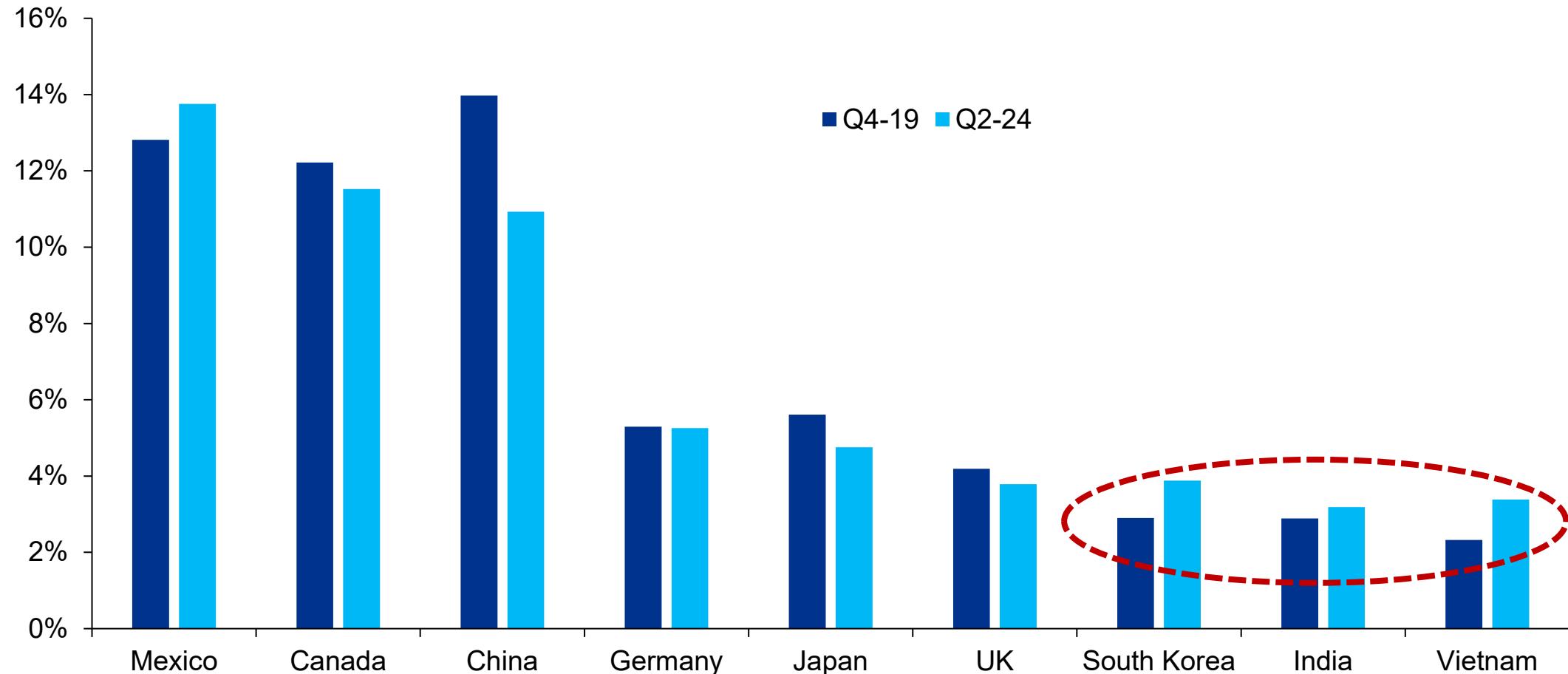


Source: KPMG Economics, Census Bureau, Haver Analytics

# US imports have a new leader—Mexico

## Share of US Imports

BOP, Percent

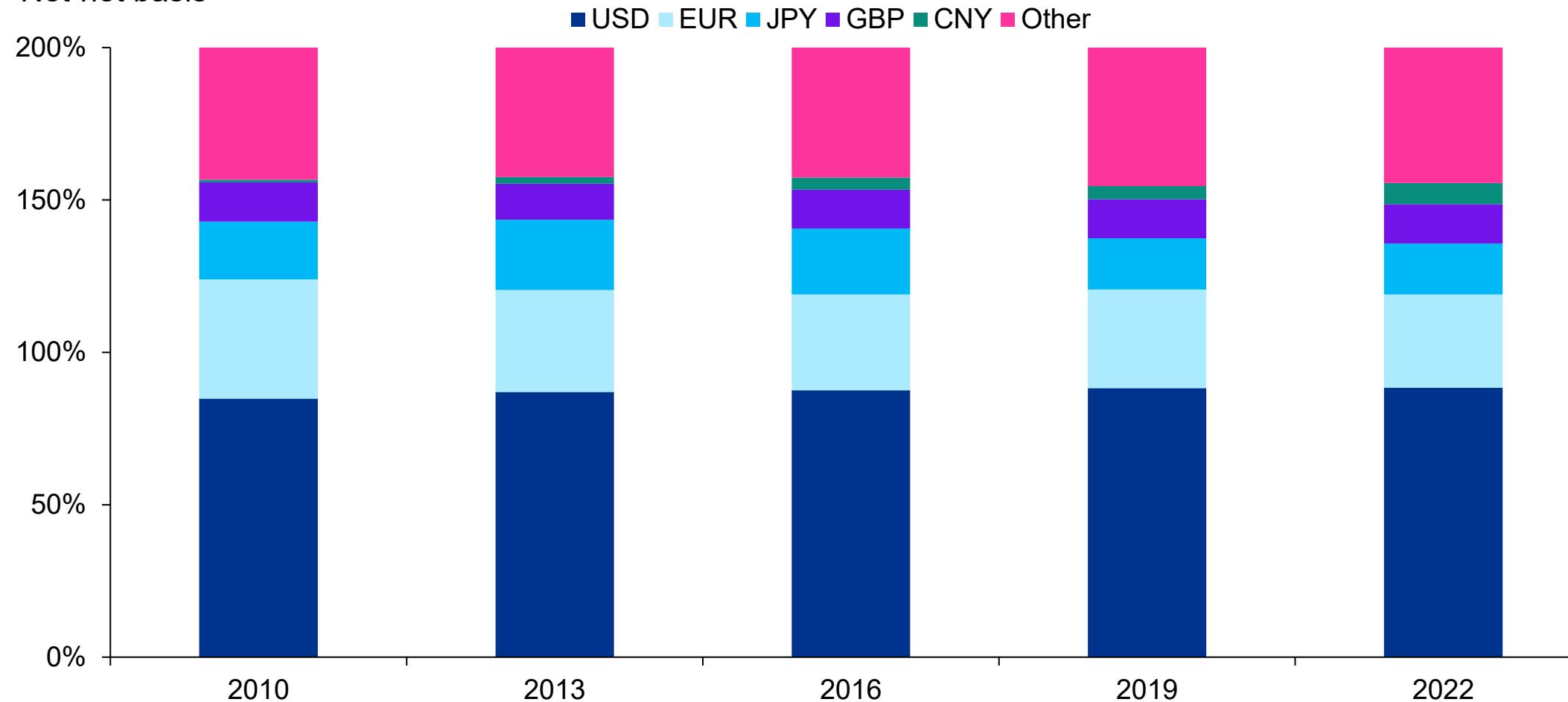


Source: KPMG Economics, Census Bureau, Haver Analytics

# The end of the dollar? Not likely

## Share of OTC FX Transactions

Net-net basis

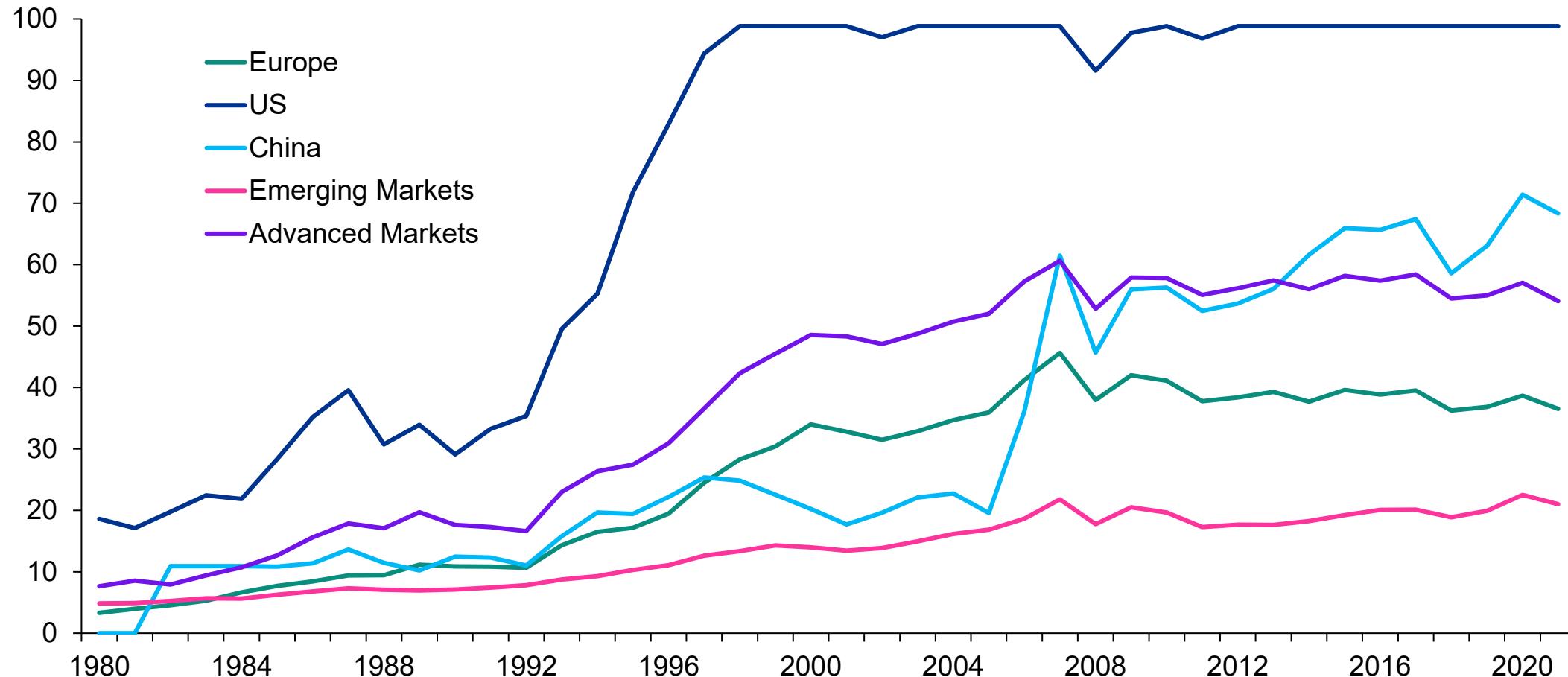


Source: KPMG Economics, Bank of International Settlements

# Chinese markets are gaining ground, but face headwinds

## Financial Markets Depth Index

Index



Source: KPMG Economics, International Monetary Fund, Haver Analytics

# The good, the bad, and the ugly

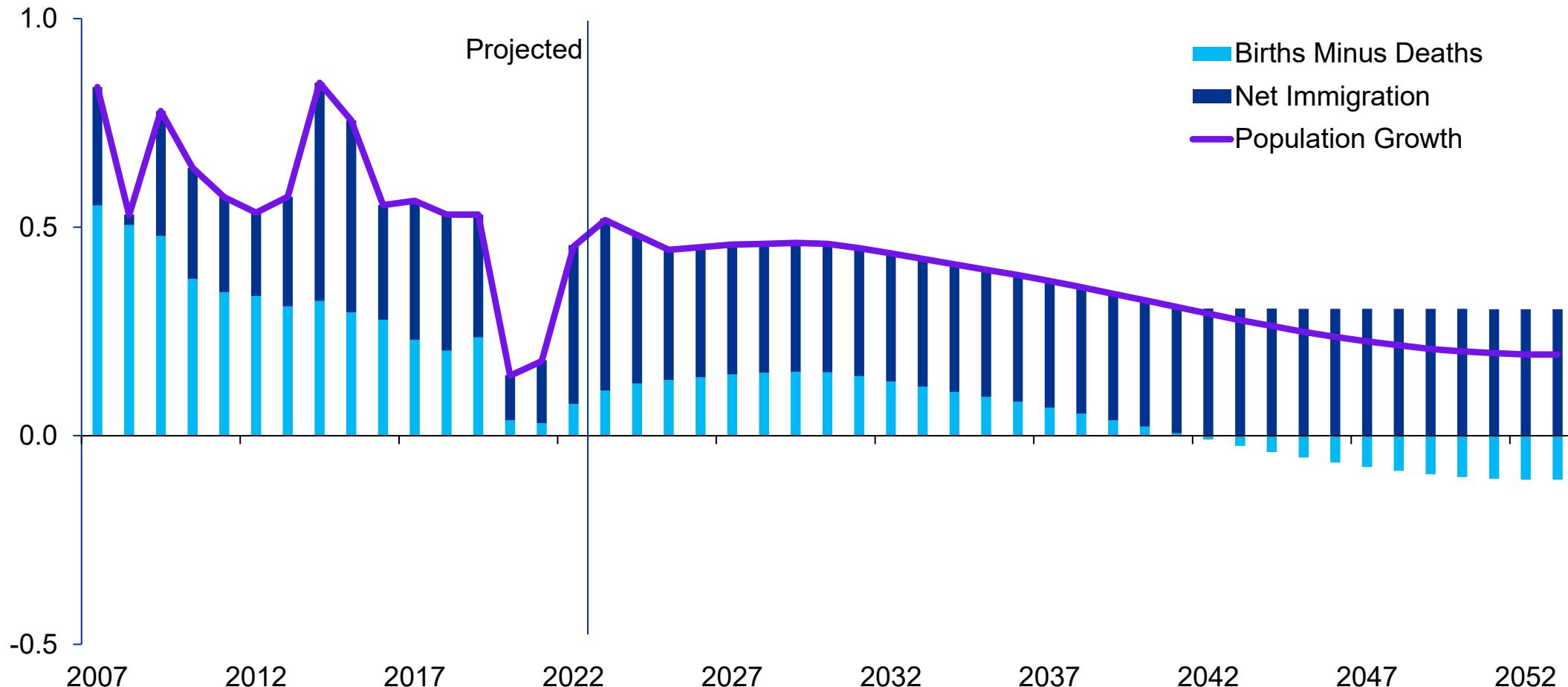
	Tailwinds	Risks	Headwinds
Short Run	Interest rate cuts Disinflation & real wage gains M&A activity picking up	Post-election policy changes USMCA renegotiation Oil price shock Geopolitical risk Climate change Cyber attacks	Ongoing conflicts Trade protectionism Demand slowdown Pre-election investment pause 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

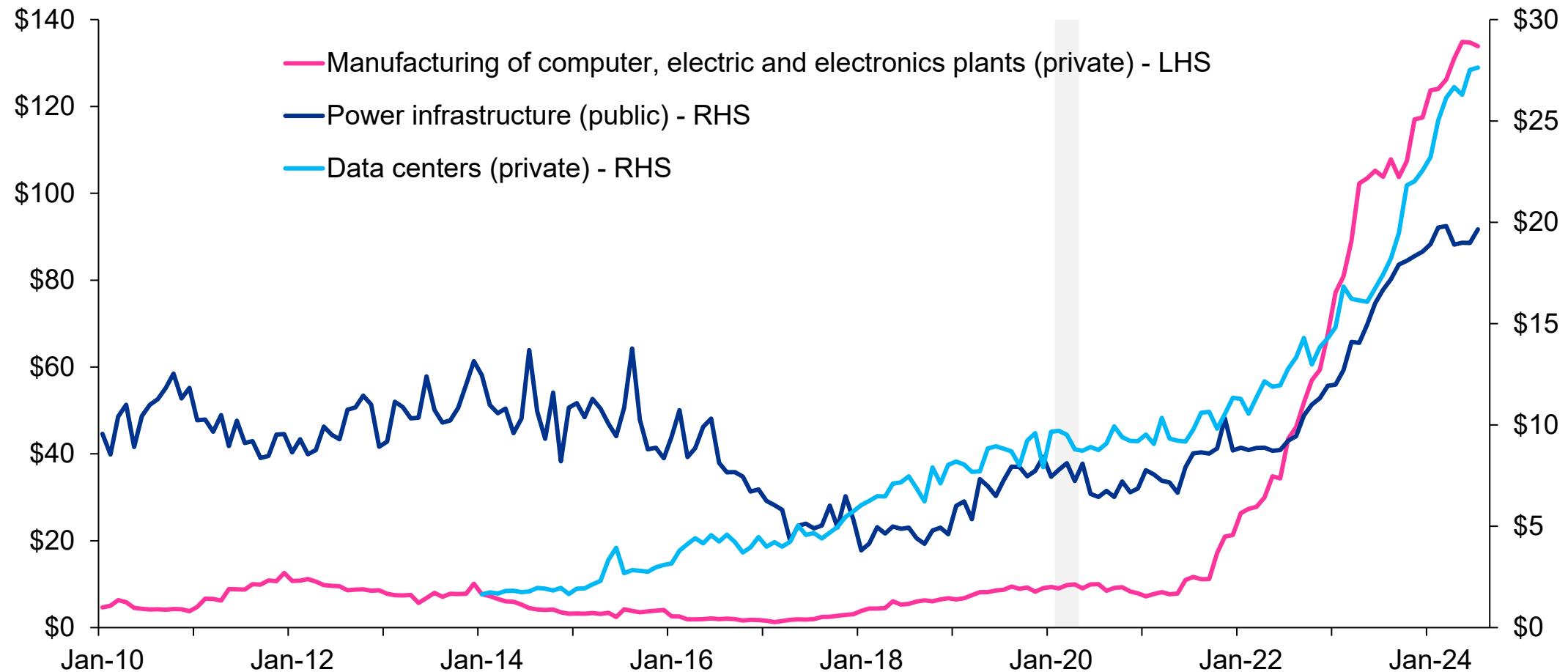


Source: KPMG Economics, CBO (June 2023).

# Construction boom for high-tech manufacturing

## Boom in investment since 2022

Construction spending, nominal dollars, billions

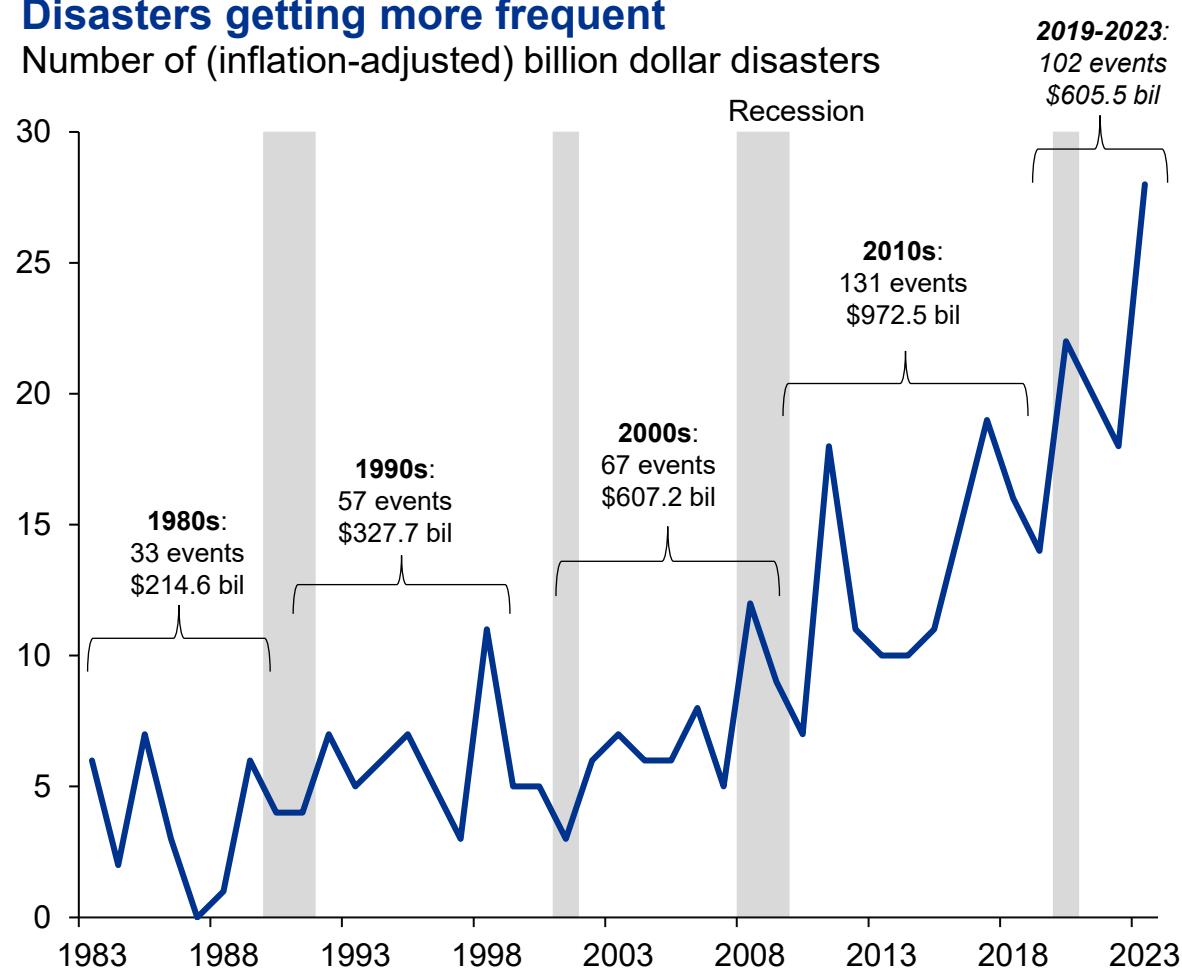


Source: KPMG Economics, Census Bureau

# Risks to supply chains are costly

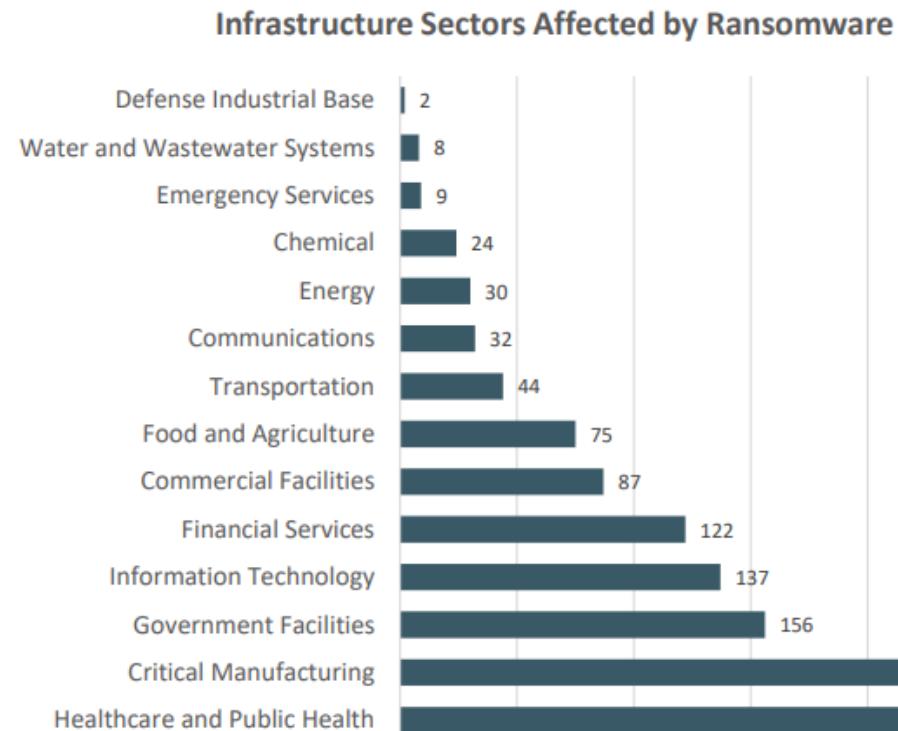
## Disasters getting more frequent

Number of (inflation-adjusted) billion dollar disasters



Source: KPMG Economics, NOAA

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

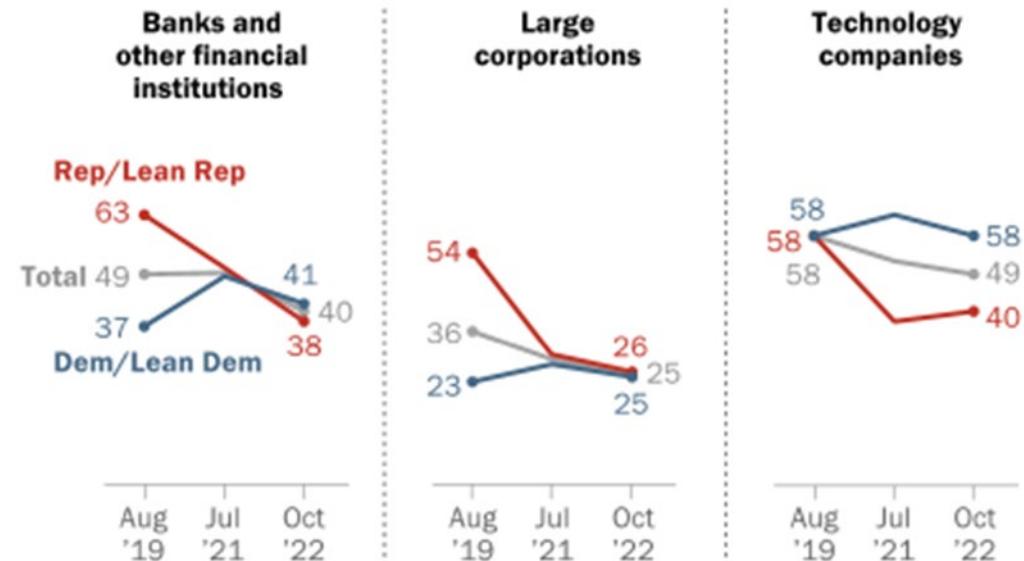


Source: FBI Internet Crime Complaint Center

# 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

For more information, please see the KPMG Economics Website:  
[KPMG Economics \(kpmg.us\)](http://kpmg.us)



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



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

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.