



State of the Economy

Price Stability | Higher Rates | Rising Unemployment

KPMG Economics
Kenneth Kim, CFA, CBE
Senior Economist

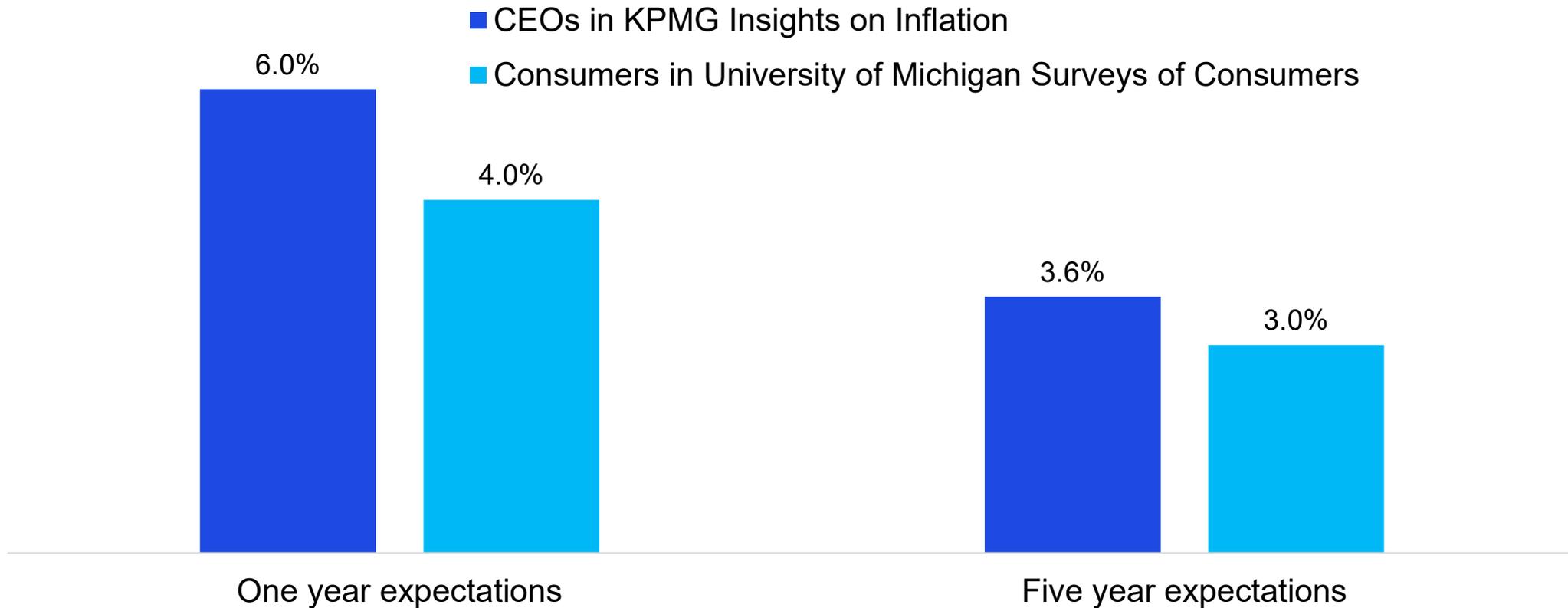
Twitter: @KenKim_1
kennethkim2@kpmg.com

January 30, 2023

CEOs expect higher inflation than consumers

Comparison of median inflation expectations in two surveys

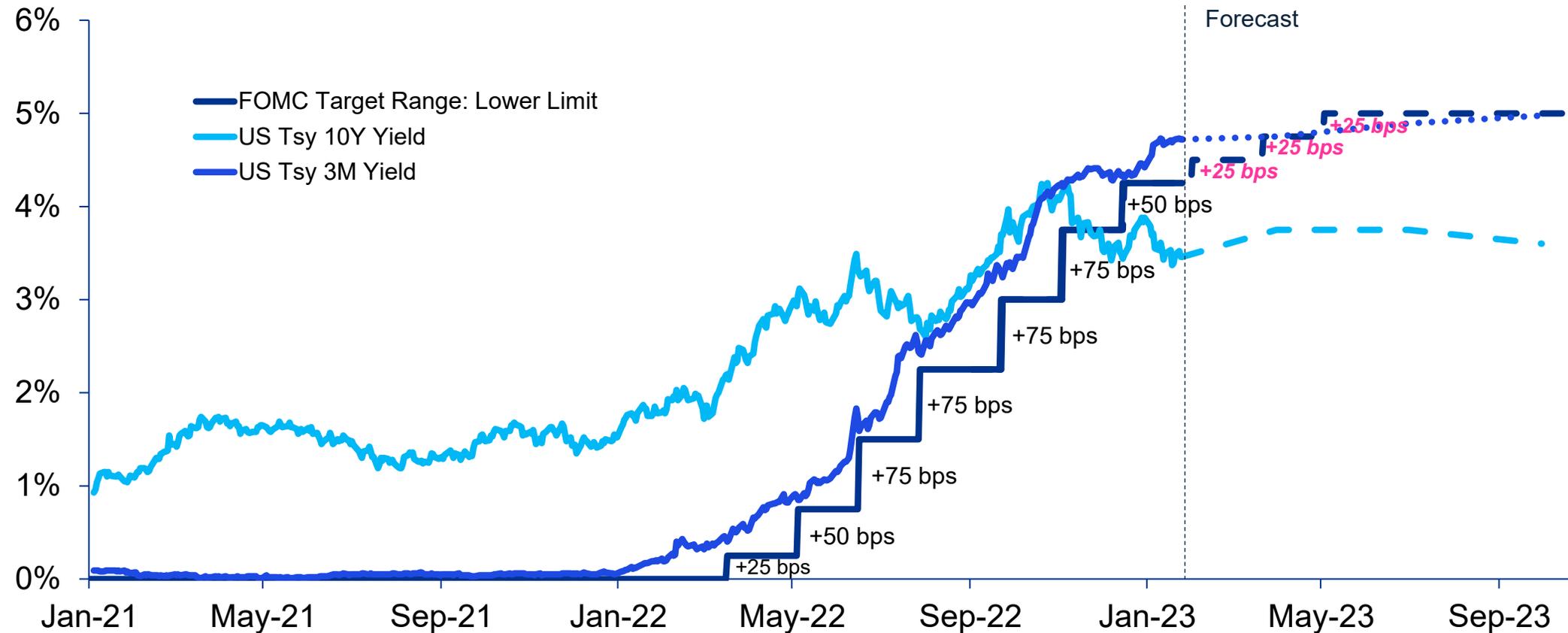
CEOs vs consumer expectations



Source: KPMG Economics, KPMG Insights on Inflation (Q4 2022), University of Michigan (January 2023), Haver Analytics

Terminal Fed Funds to reach 5.25% in 2023

Fed Funds Target and U.S. Treasury Yields



Source: KPMG Economics, Federal Reserve, Haver Analytics.

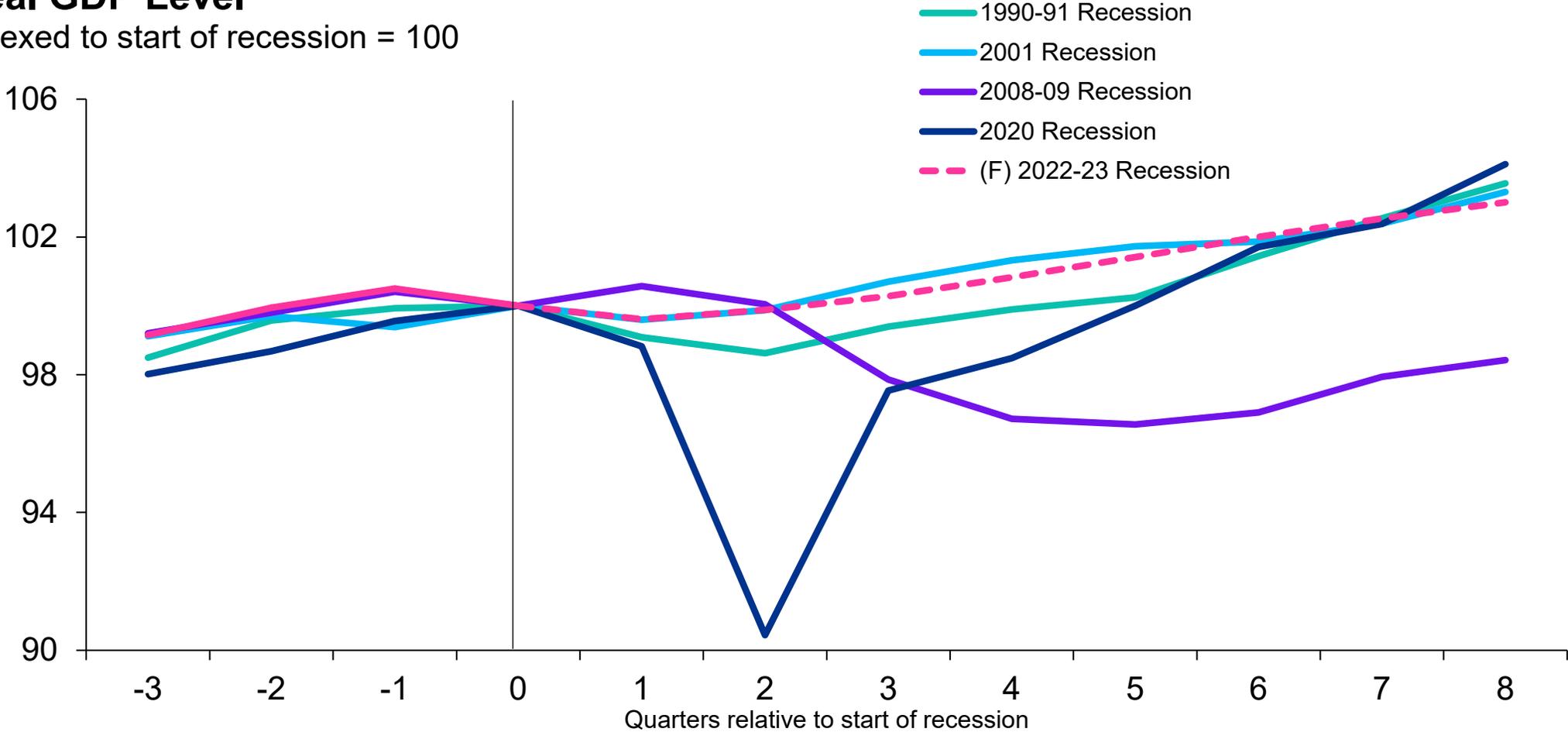


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Mild recession ahead

Real GDP Level

Indexed to start of recession = 100



Note: Forecasts are inherently time sensitive and dated as of January 6, 2023
Source: KPMG Economics, Bureau of Economic Analysis



U.S. accounts for 24% share of global GDP

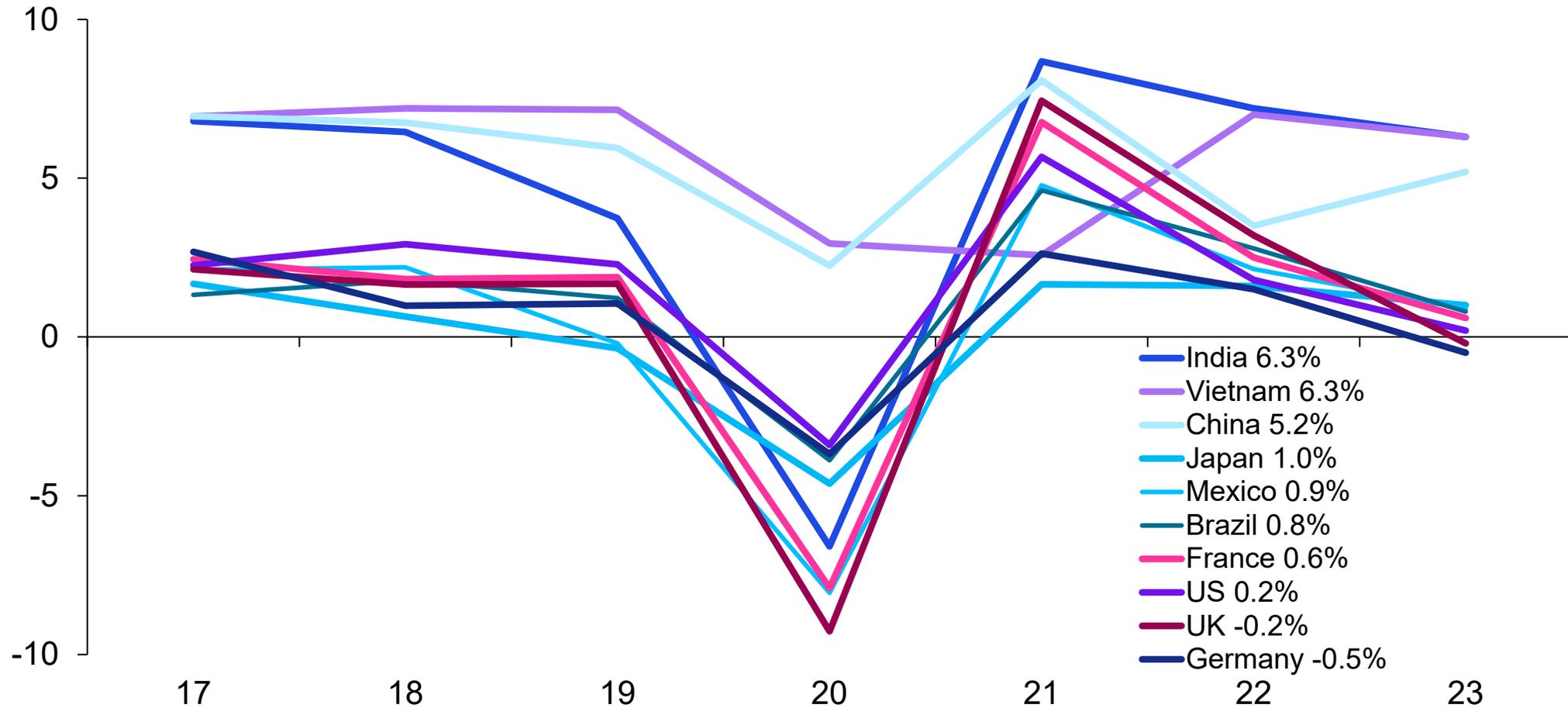
Real GDP Growth Rates %				
Top 10 Countries by GDP		Q3 & Q4* 2022		
		SAAR%	Q/Q%	Y/Y%
1	U.S.*	2.9	0.7	1.0
2	China*	0.0	0.0	2.9
3	Japan	-0.8	-0.2	1.7
4	Germany	1.6	0.4	1.3
5	India	19.3	4.5	6.7
6	U.K.	-1.2	-0.3	1.9
7	France	0.7	0.2	1.0
8	Italy	1.9	0.5	2.6
9	Canada	2.9	0.7	3.9
10	South Korea*	-1.5	-0.4	1.3
		Country reporting standard		

Note: *Q4 2022

Source: KPMG Economics, Respective Countries' National Statistics Office, IMF, Haver Analytics

Not all countries forecast to contract in 2023

2023 Global GDP Forecasts

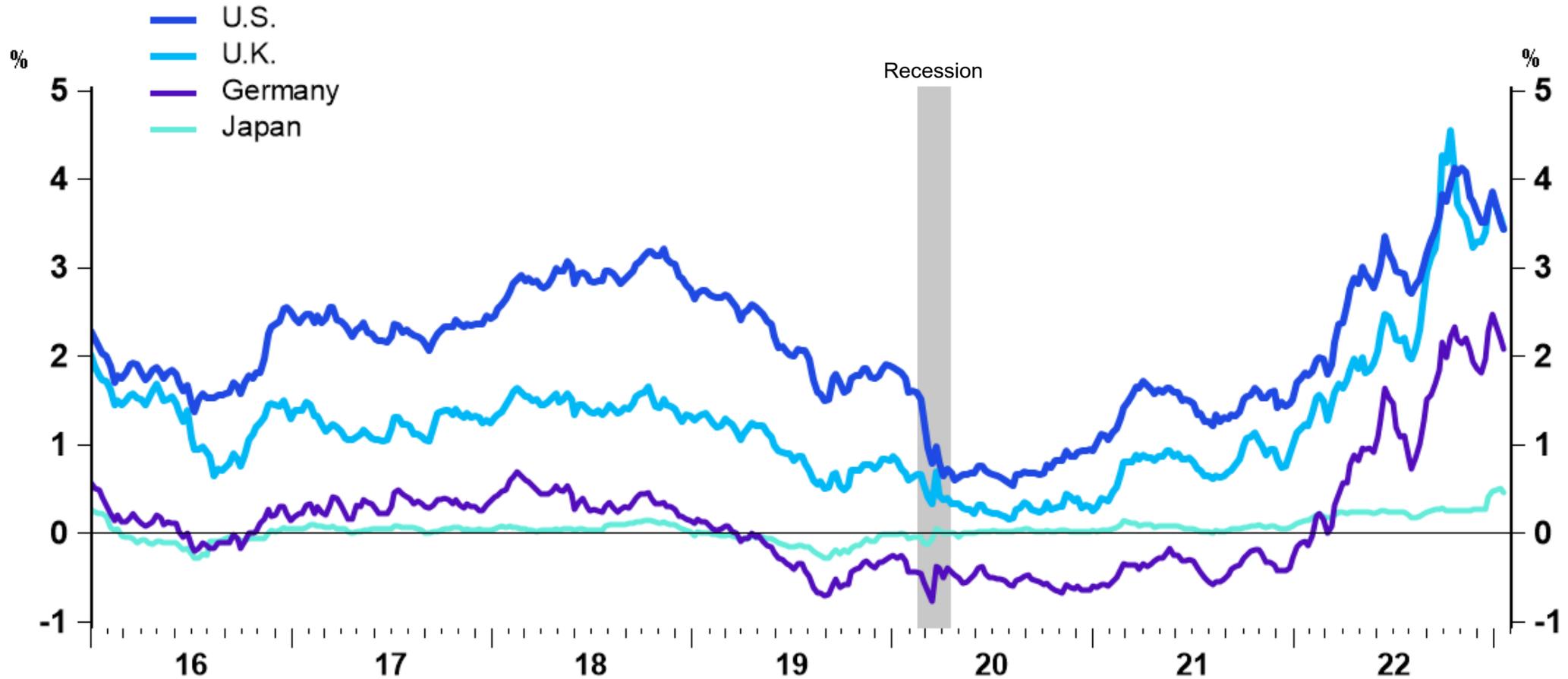


Note: Vietnam forecast (IMF)

Source: KPMG Economics, KPMG GEO, Haver Analytics.

JGB yields rise as BOJ adjusts policy

Global 10-Year Sovereign Bond Yields



Source: KPMG Economics, FRB, CFETS, Bbk, MoFJ (January 20, 2023), Haver Analytics



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USD strength was a huge headwind in 2022



Source: KPMG Economics, Bloomberg



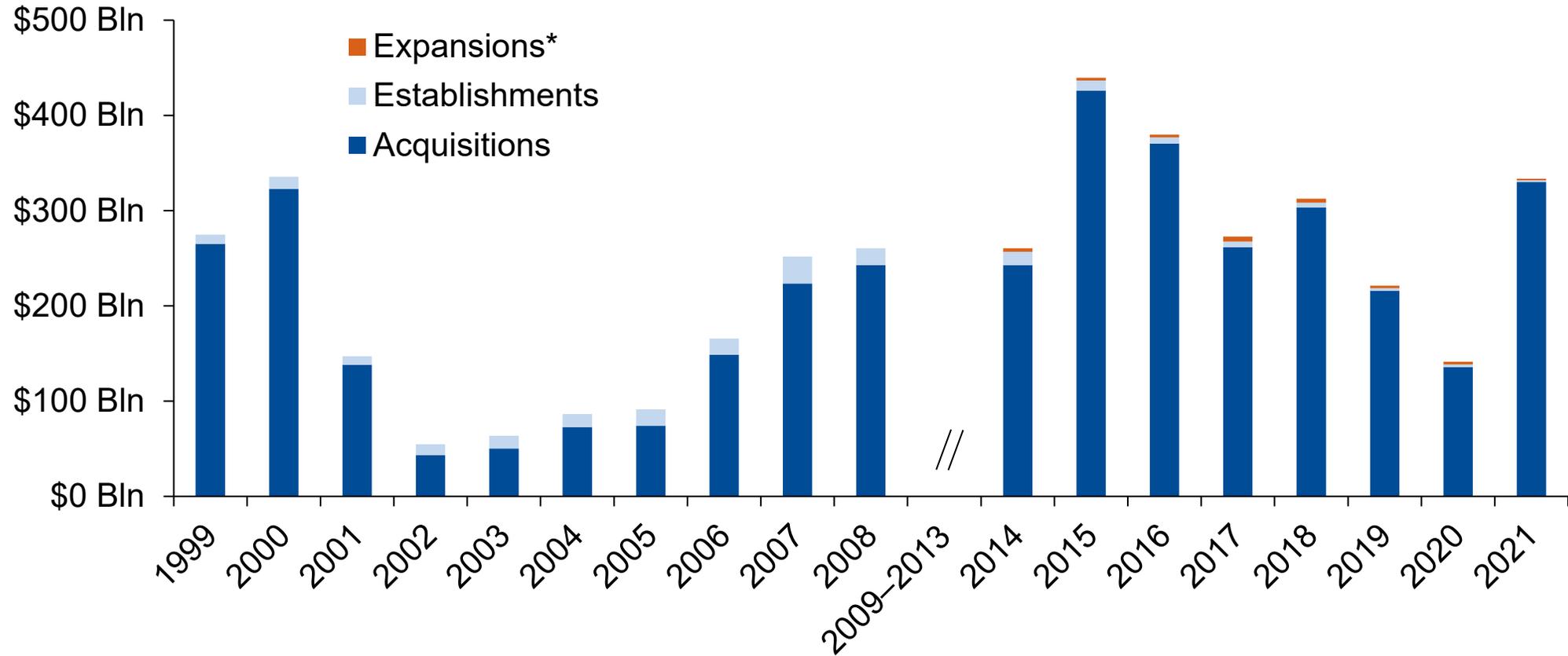


Foreign direct investment



U.S. bound FDI recovers in 2021

New Foreign Direct Investment



Note: Survey not conducted 2009-2013;
*Expansions included 2014 to present
Source: KPMG Economics, BEA

Top 5 states receiving FDI – MA, NY, PA account for \$120 Bln

	First-year expenditures in 2021 (\$ Mln)			
	Total	By type of investment		
		U.S. businesses acquired	Greenfield investment	
			U.S. businesses established	U.S. businesses expanded
Total	333,567	330,165	1,640	1,761
California	64,068	63,860	196	12
Massachusetts	53,815	53,778	33	4
New York	34,181	(D)	(D)	186
Pennsylvania	30,445	30,406	(D)	(D)
Illinois	21,158	(D)	17	(D)

(D) Suppressed to avoid disclosure of data on individual companies.

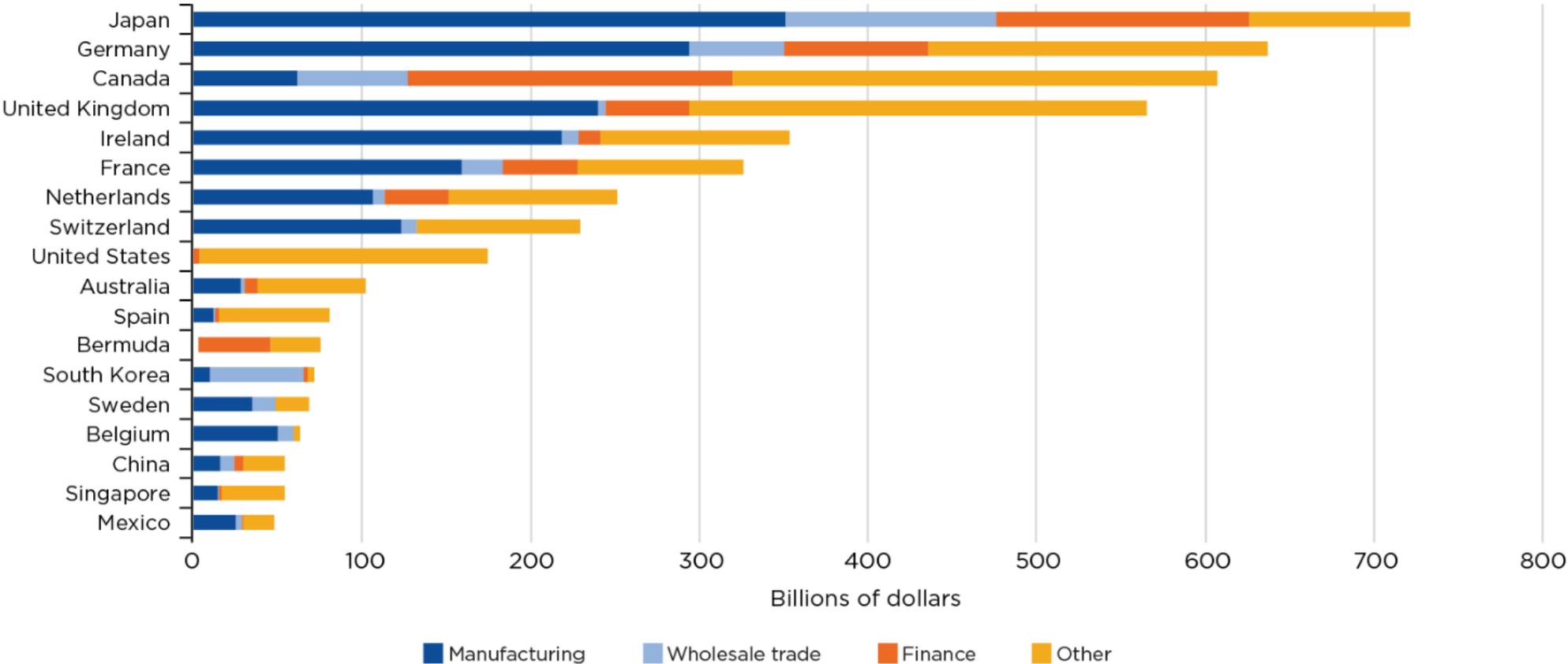
Source: KPMG Economics, BEA



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2021 U.S. FDI – top 10 countries account for 80%

Foreign Direct Investment Position in the United States by Country of Ultimate Beneficial Owner and Industry of U.S. Affiliate, 2021



U.S. Bureau of Economic Analysis

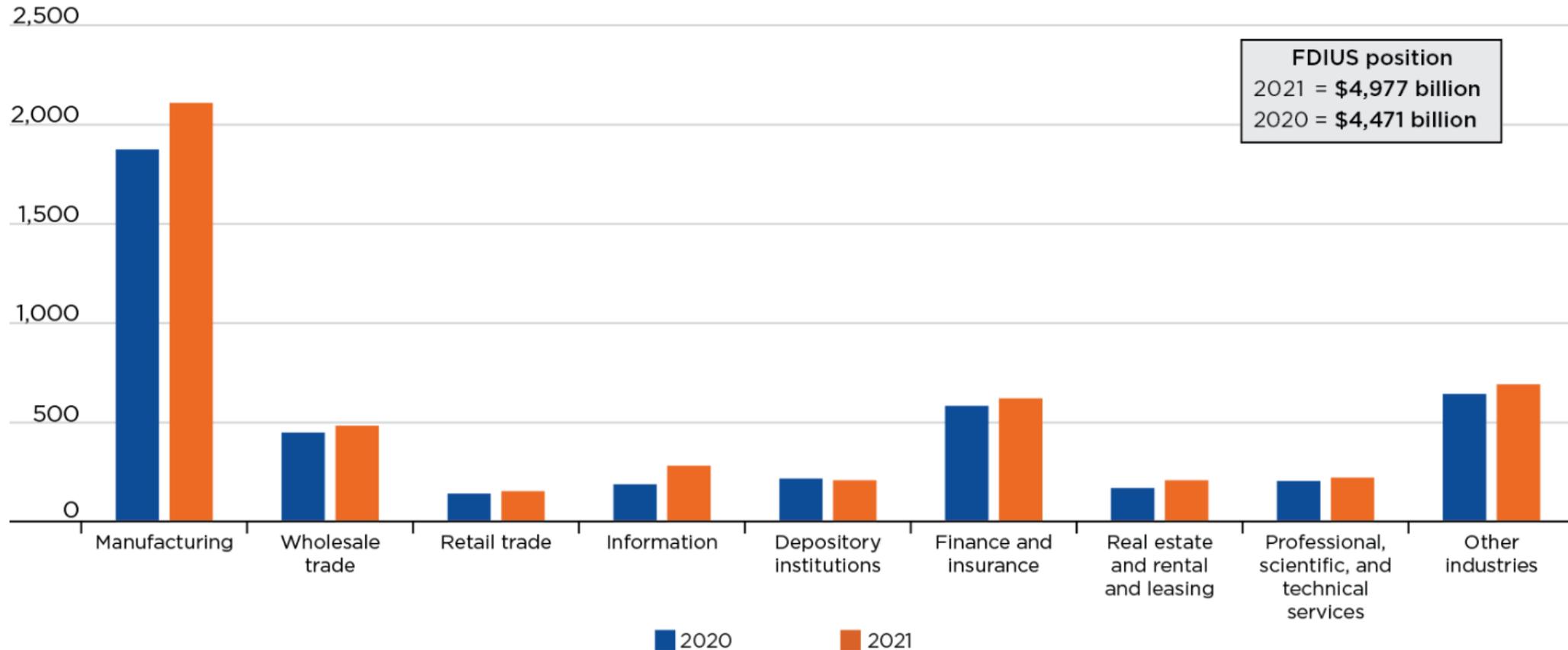


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U.S. FDI by industry

Foreign Direct Investment Position in the United States by Industry, 2020-2021

Billions of dollars



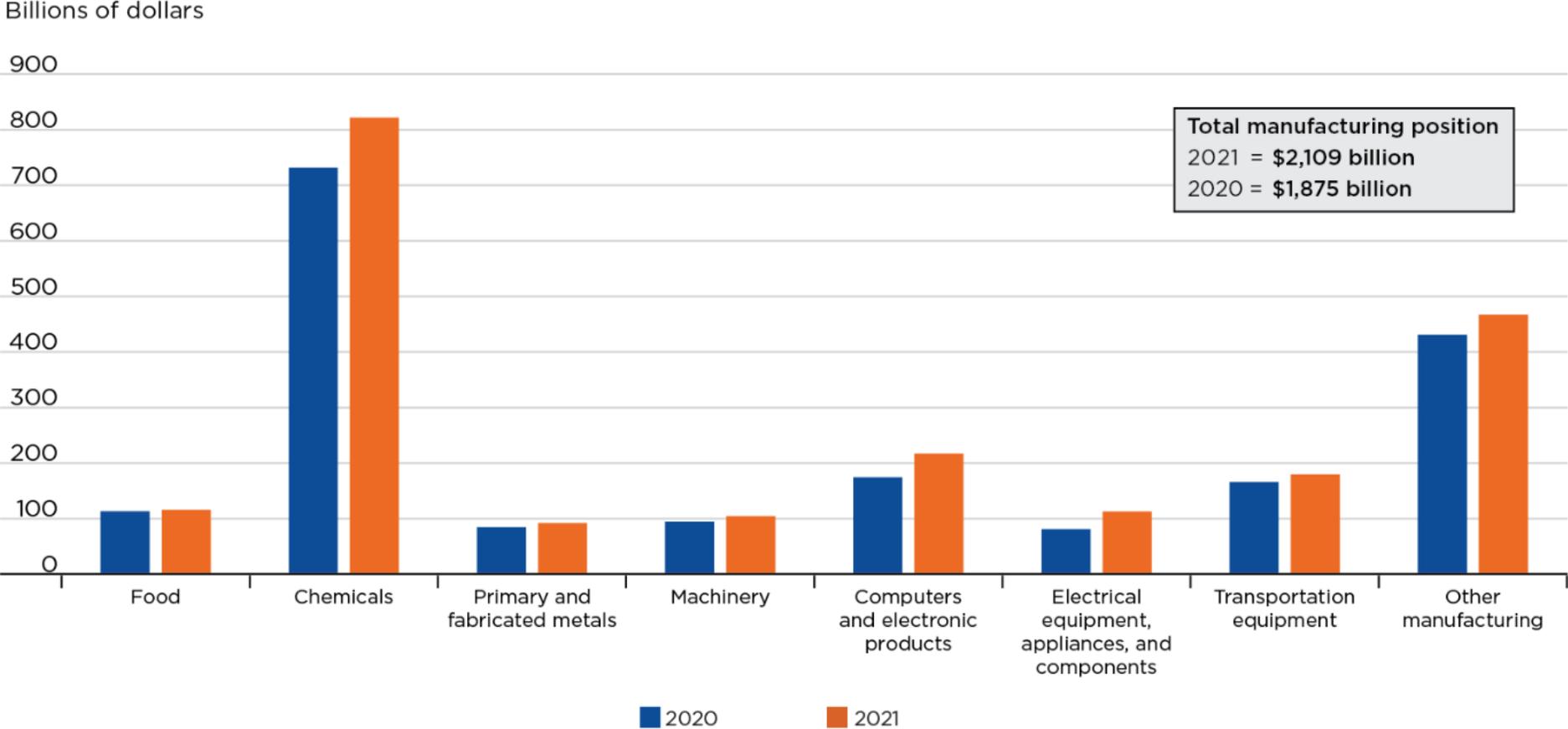
U.S. Bureau of Economic Analysis



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Chemicals 38.9% of total; pharmaceuticals 2/3's of chemical

Foreign Direct Investment Position in the United States Manufacturing Industry, 2020-2021



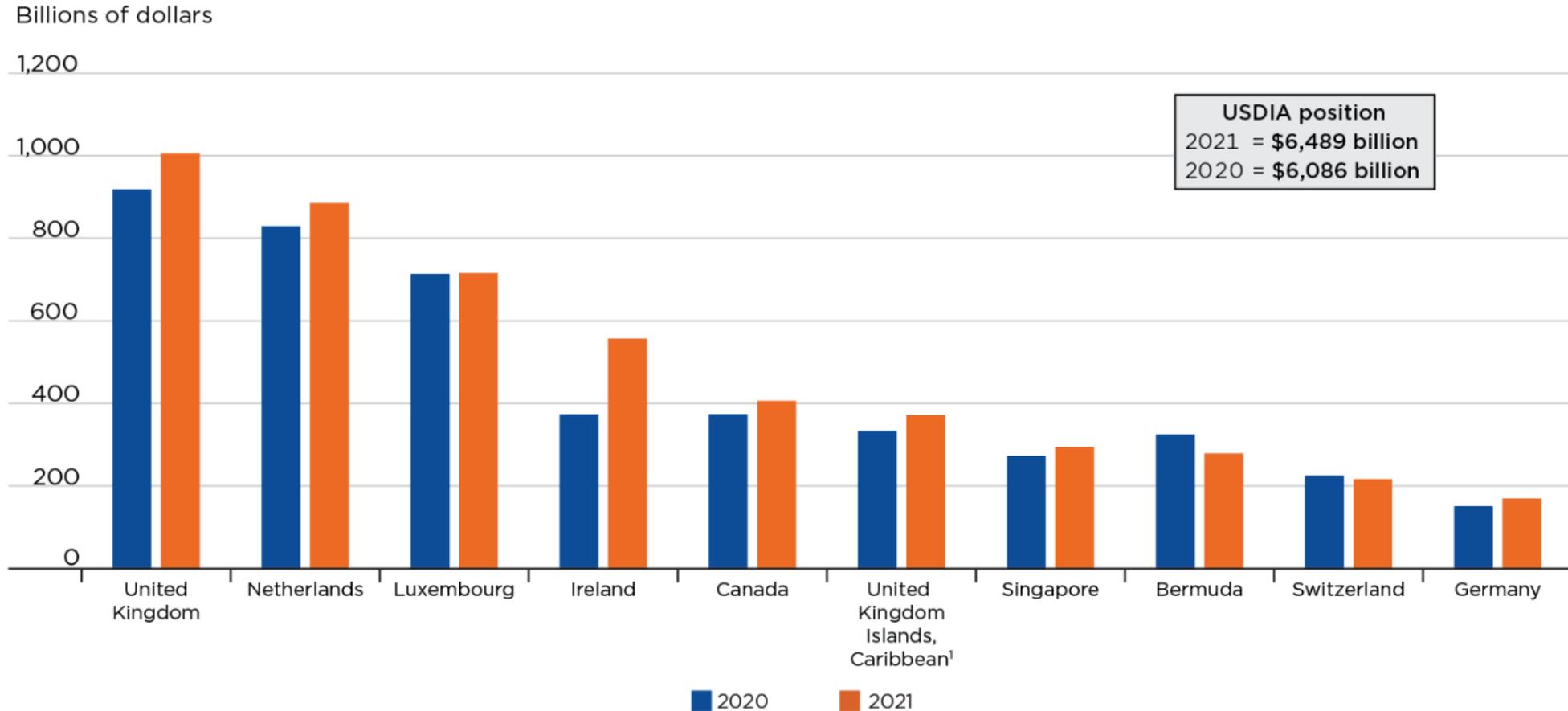
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U.S. direct investment abroad largest in the U.K. at \$1 trillion

Top Ten Countries for U.S. Direct Investment Position Abroad, 2020–2021



1. The "United Kingdom Islands, Caribbean" consists of the British Virgin Islands, the Cayman Islands, Montserrat, and the Turks and Caicos Islands.

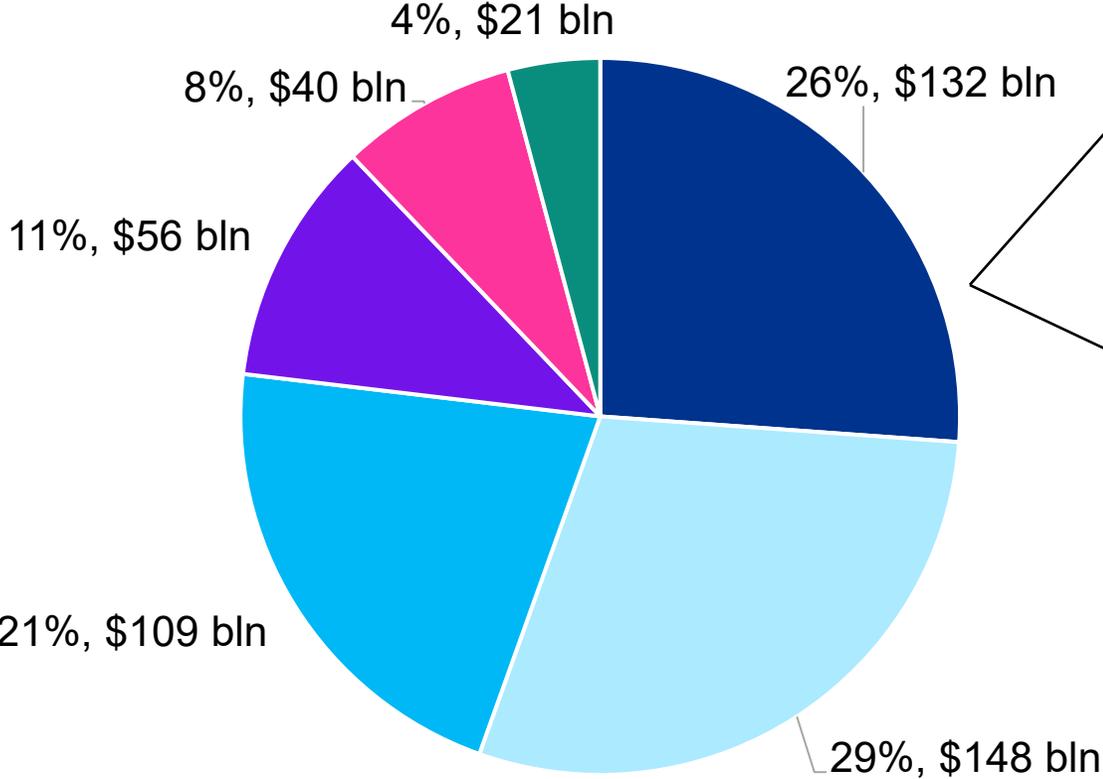
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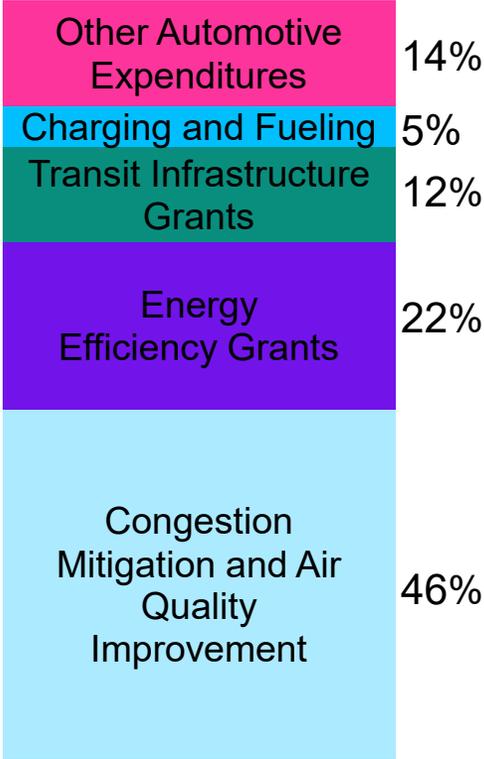
IJA places Automotives, Public Transport as top priorities

Infrastructure Investment and Jobs Act Appropriations, By Mode of Transportation

- Automotive
- General Appropriations
- Commuter Rail
- Rail
- Other (i.e., Energy and Public Works, Maritime, Bus)
- Aircraft

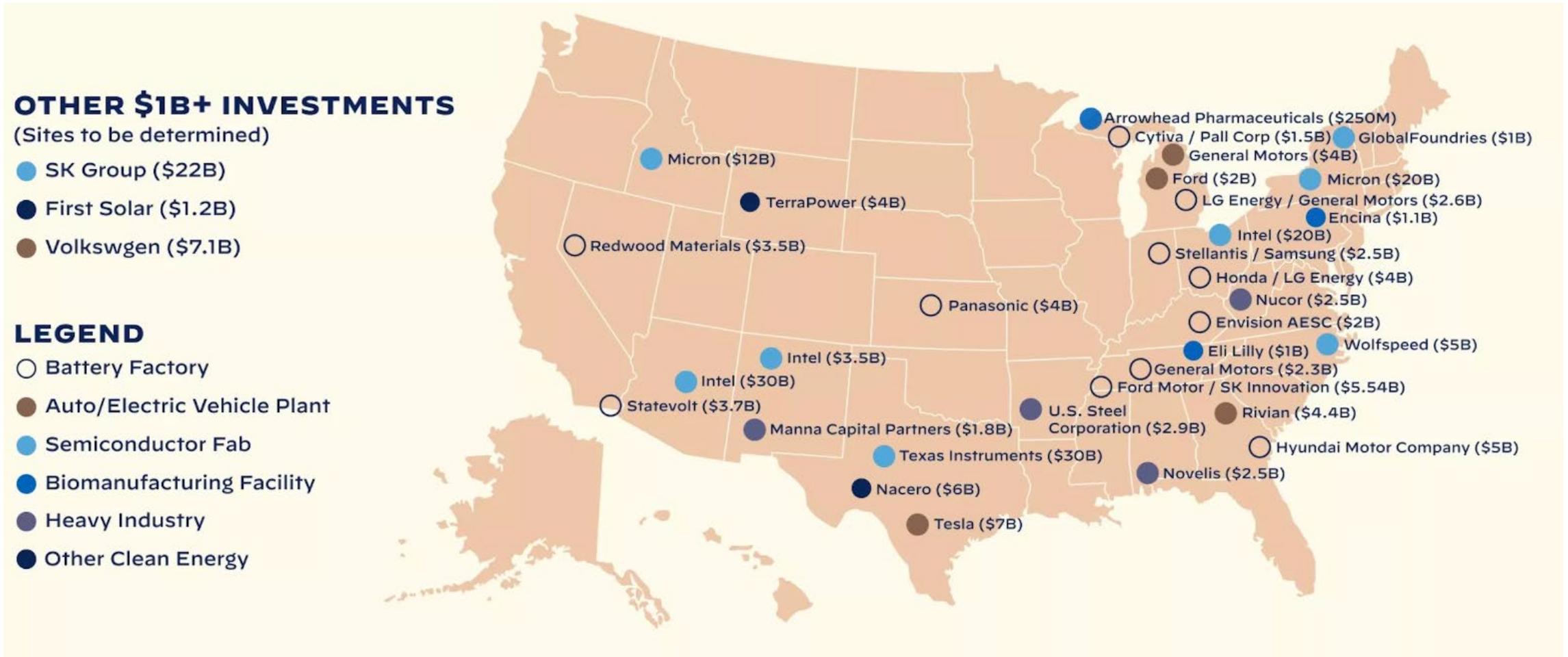


Selected Automotive Appropriations \$27.5 bln



Source: KPMG Economics, Infrastructure Investment and Jobs Act of 2021, H.R. 3684, 117th Congress (2021).

Hi-tech investments



Source: The White House



Longer-term trends



Major California ports' backlog of vessels

slowly recovers

Record Level Vessels Waiting to Enter The L.A.-Long Beach Ports

Total Container Vessel Backup, 7-day Moving Average

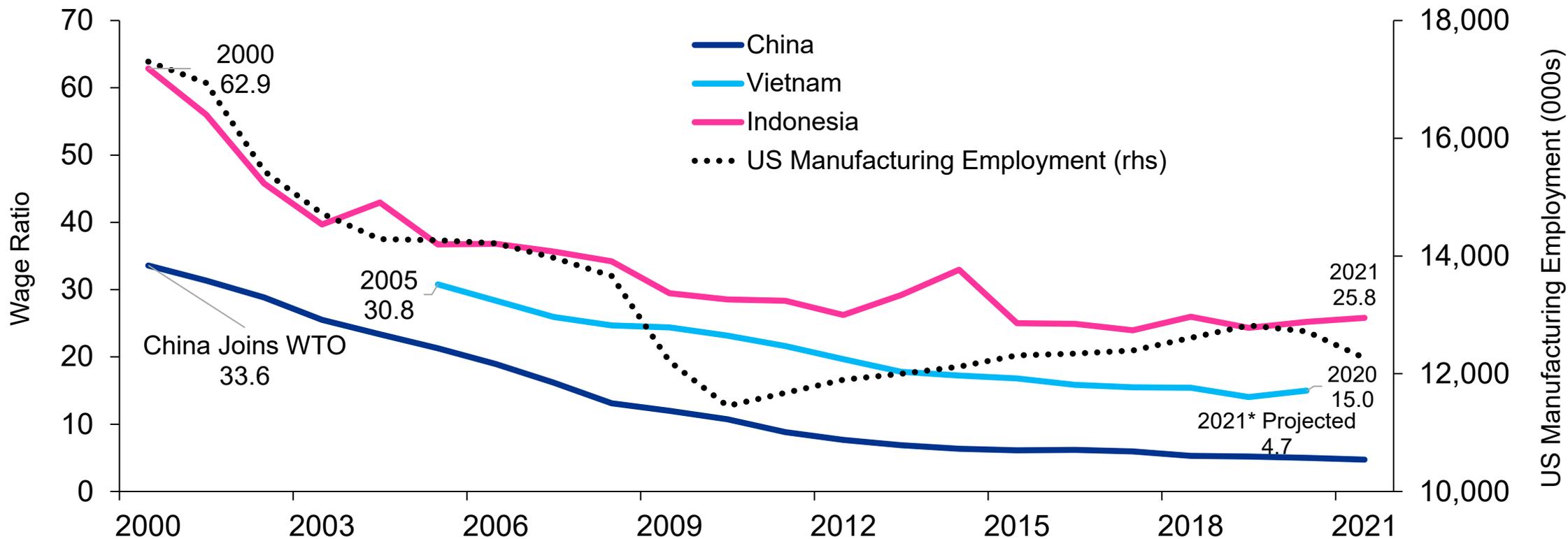


Source: KPMG Economics, Marine Exchange of Southern California & Vessel Traffic Service L.A./Long Beach (January 26, 2023), Haver Analytics.

Reshoring anyone? China and SE Asia's wage advantage narrows

Wage Gap

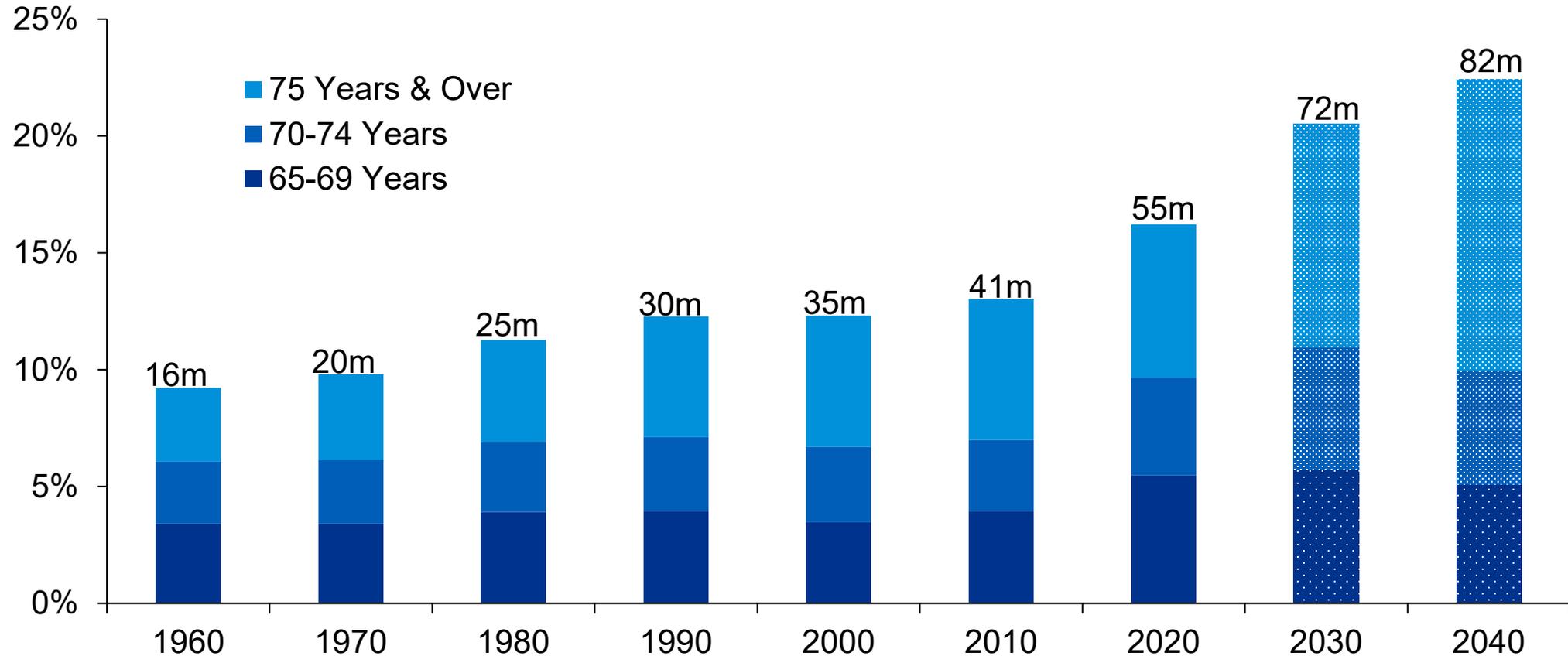
Ratio of US Manufacturing Wages to Manufacturing Wages in Asia



Source: KPMG Economics, Bureau of Labor Statistics, Federal Reserve Bank of Atlanta, Ministry of Labor and Social Security (China), General Statistics Office of Vietnam, Badan Pusat Statistik (Indonesia), Haver Analytics (2021).

65+ will account for nearly 25% of population by 2040

Share of the U.S. Population



Source: KPMG Economics, United Nations, Haver Analytics

Top 10 fastest growing occupations in coming decade

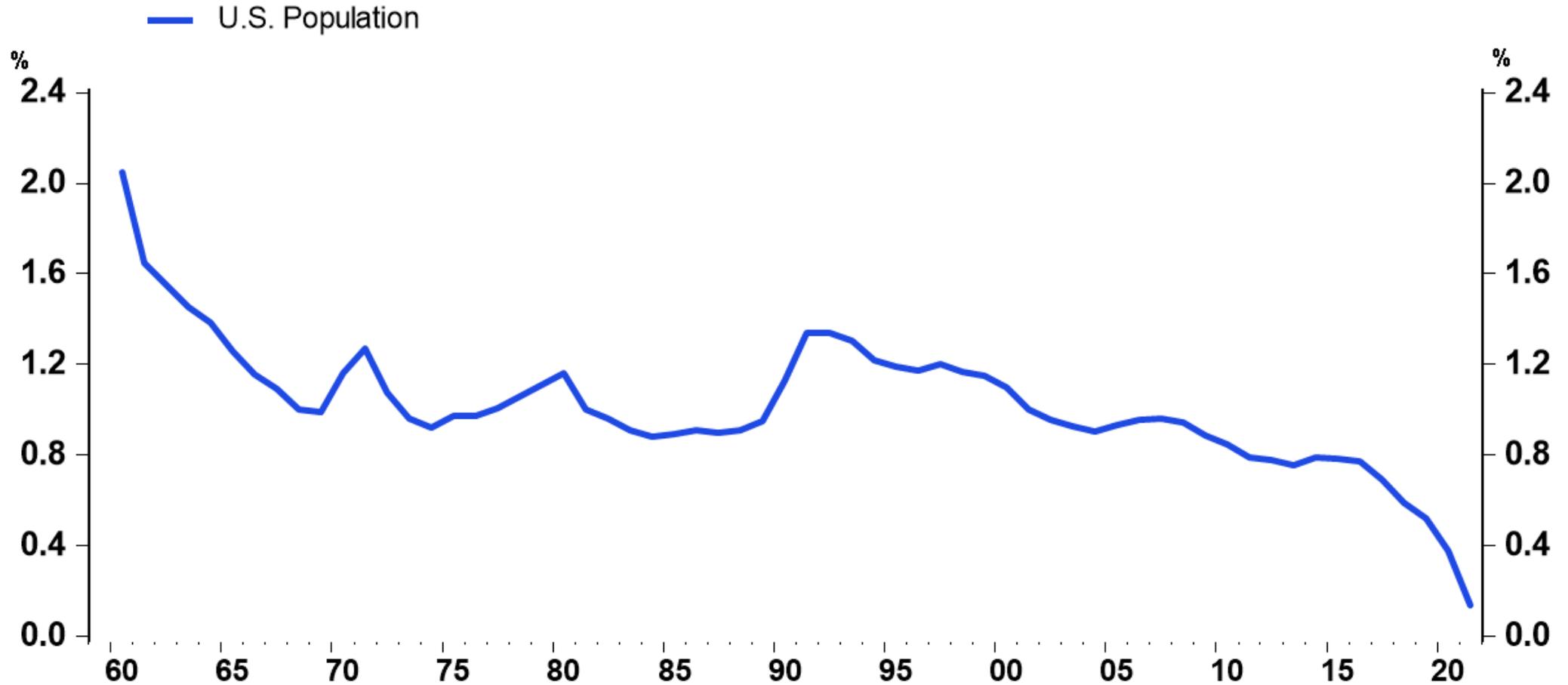
	Percent change, projected 2021–31	Employment change, projected 2021–31 (in thousands)	Median annual wage, May 2021
Nurse practitioners	45.7%	112.7	\$120,680
Wind turbine service technicians	44.3%	4.9	\$56,260
Ushers, lobby attendants, and ticket takers	40.5%	25.6	\$24,440
Motion picture projectionists	40.3%	0.8	\$29,350
Cooks, restaurant	36.6%	459.9	\$30,010
Data scientists	35.8%	40.5	\$100,910
Athletes and sports competitors	35.7%	5.7	\$77,300
Information security analysts	34.7%	56.5	\$102,600
Statisticians	32.7%	11.2	\$95,570
Umpires, referees, and other sports officials	31.7%	4.2	\$35,860

Note: Wage data from Occupational Employment and Wage Statistics program

Source: KPMG Economics, BLS

Where will future workers come from?

Annual Population Growth



Source: KPMG Economics, BEA, Haver Analytics

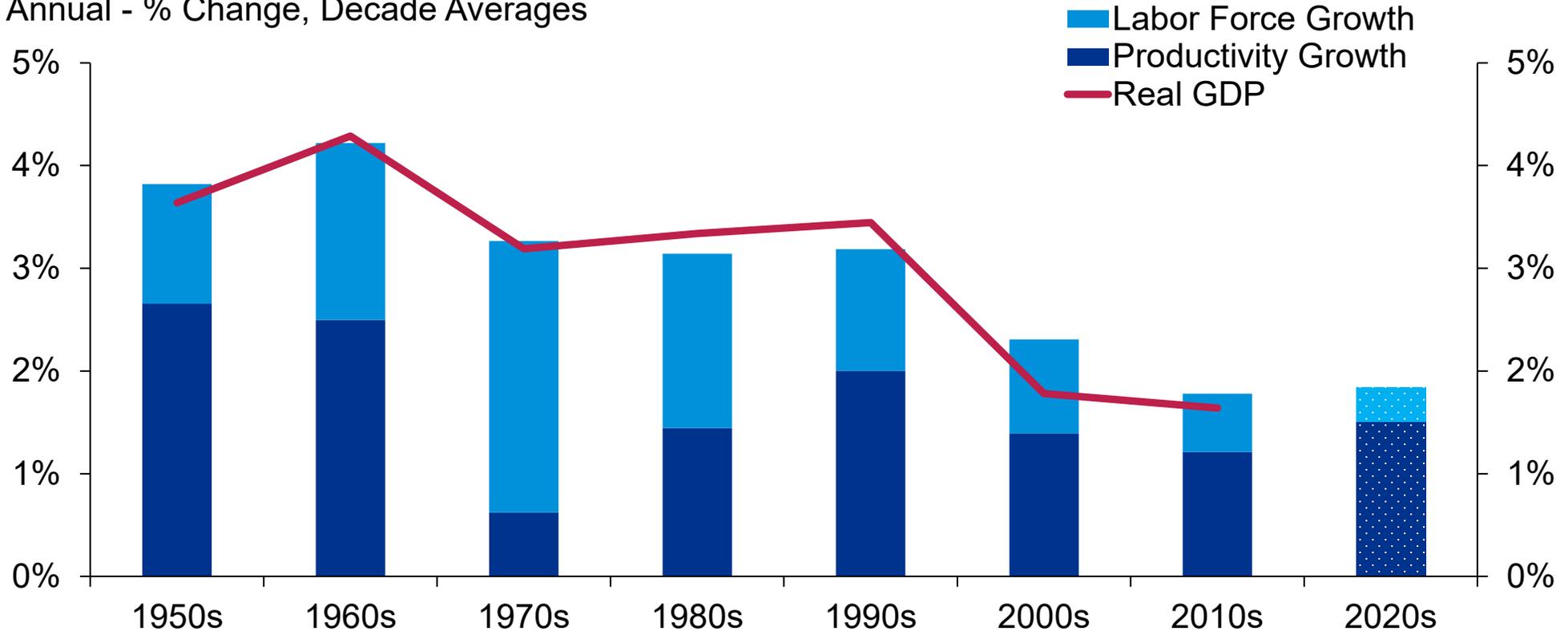


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For the economy to grow, productivity will have to be the driver

Real and Potential GDP Growth

Annual - % Change, Decade Averages



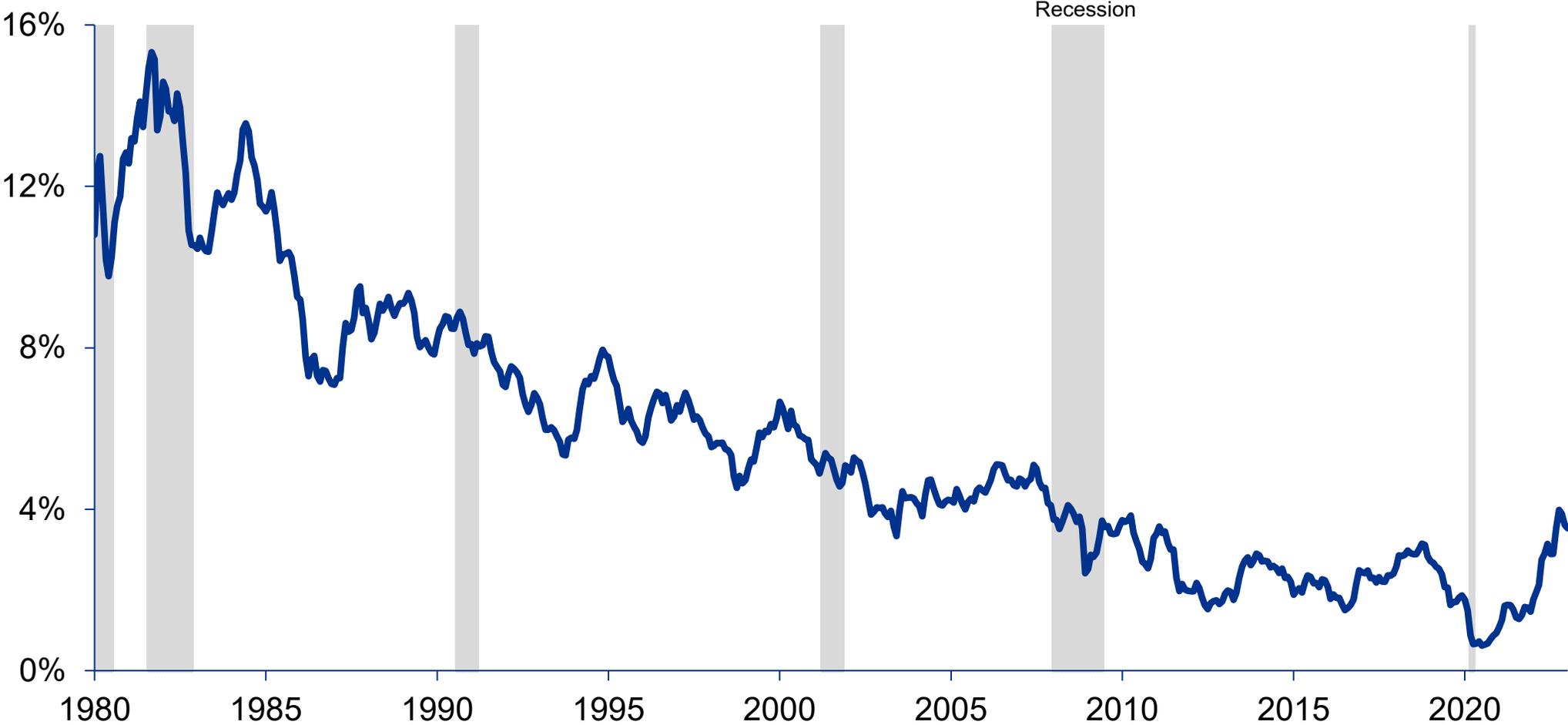
Source: KPMG Economics, BEA, CBO, Haver Analytics



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Inflation back to the 80s but yields will not

US Treasury 10-Year Yield



Source: KPMG Economics, Federal Reserve Board (January 27, 2023), Haver Analytics



Thank you

For more information, please see KPMG Economics Website:
[KPMG Economics](#)

