

TD ECONOMICS

# Landing The Plane

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## OUT

High Inflation

Recession calls

Excess savings

Vehicle shortages

Lower for longer

## IN

Rate cuts

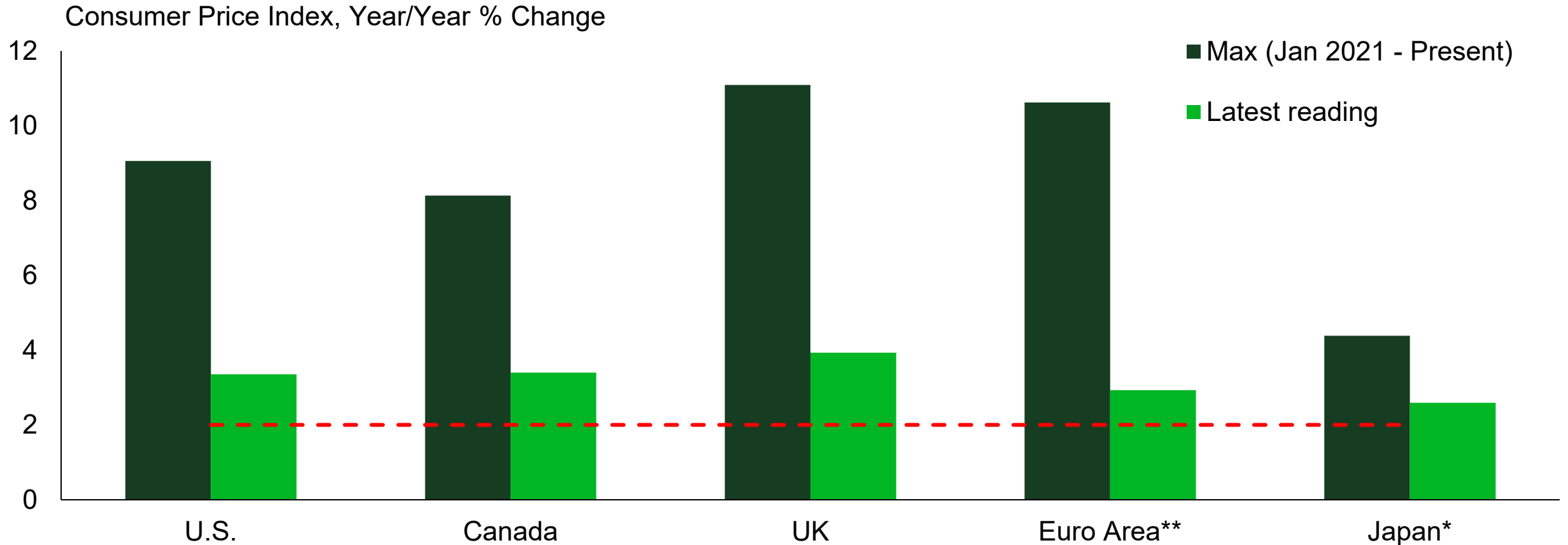
Soft landing

Frugal consumers

Election uncertainty

Higher for longer

# Global Inflation has Eased



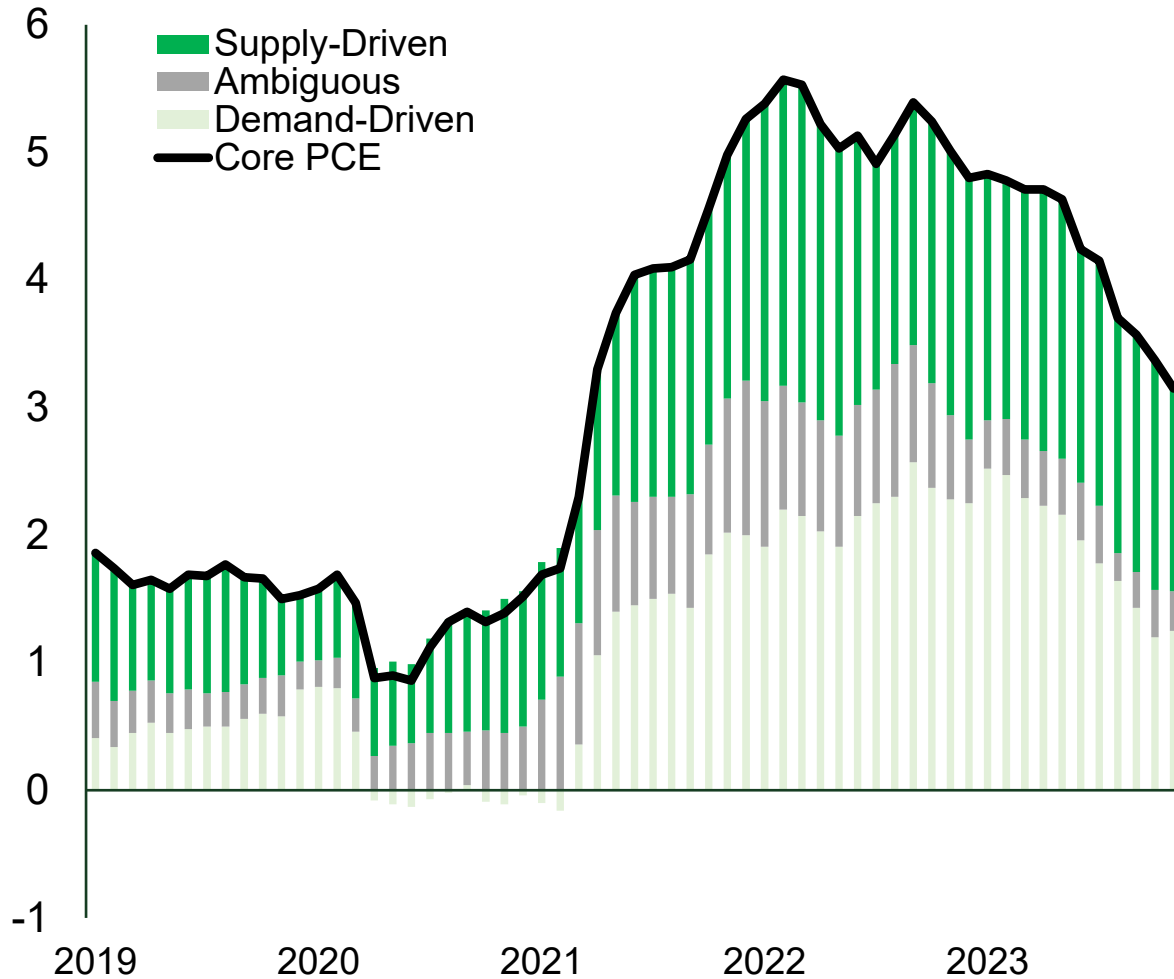
\*CPI Including Homeowners' Equivalent Rent. \*\*Harmonized CPI.

Source: National Statistical Agencies, TD Economics.

# Easing Supply-Chain Bottlenecks Have Helped...

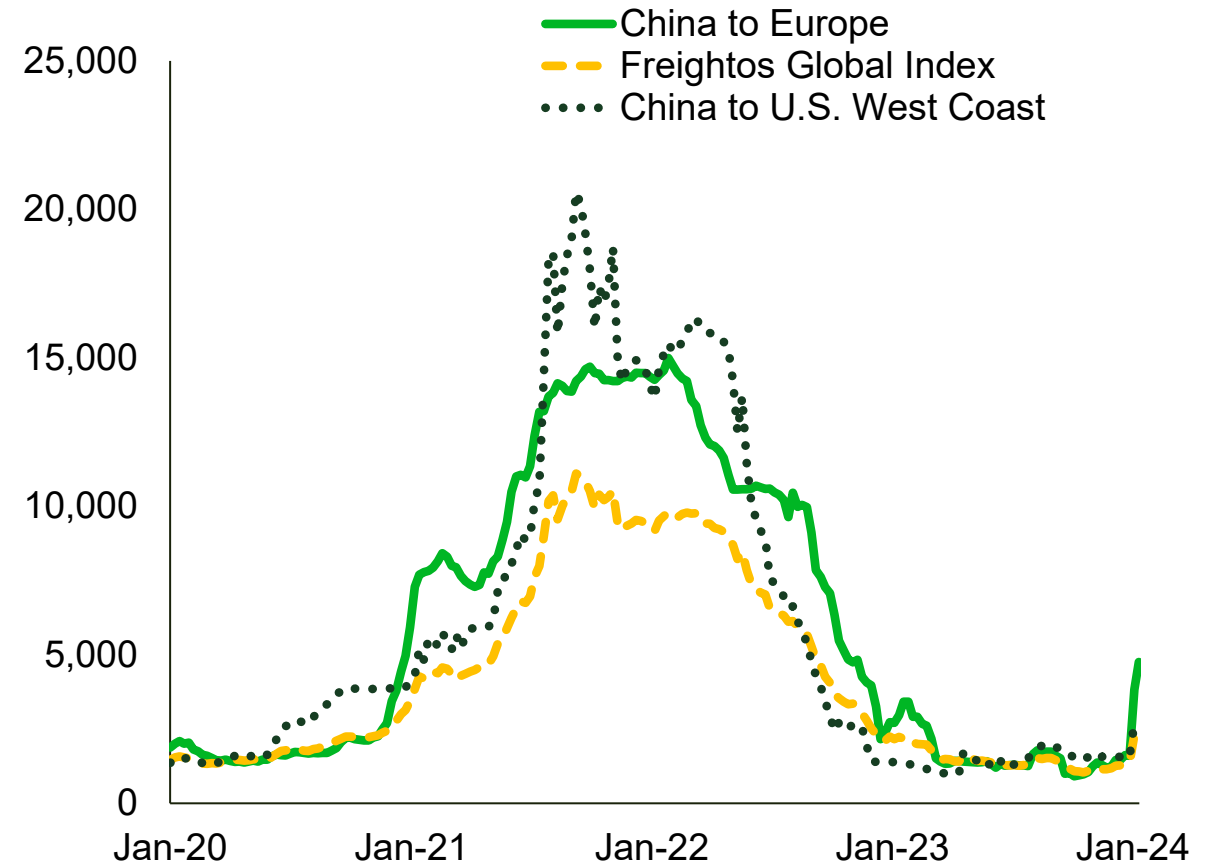


Contributions to Core PCE Inflation, Annualized % Change



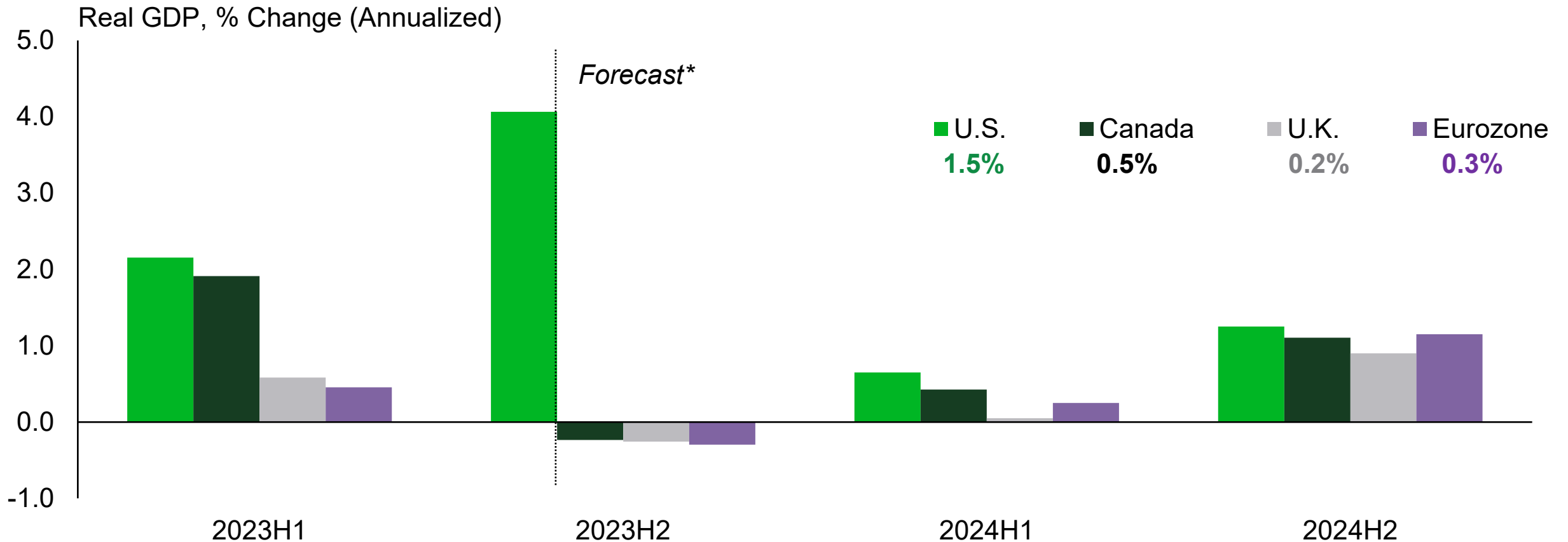
Source: San Francisco Federal Reserve, TD Economics.

\$ per 40 ft. container



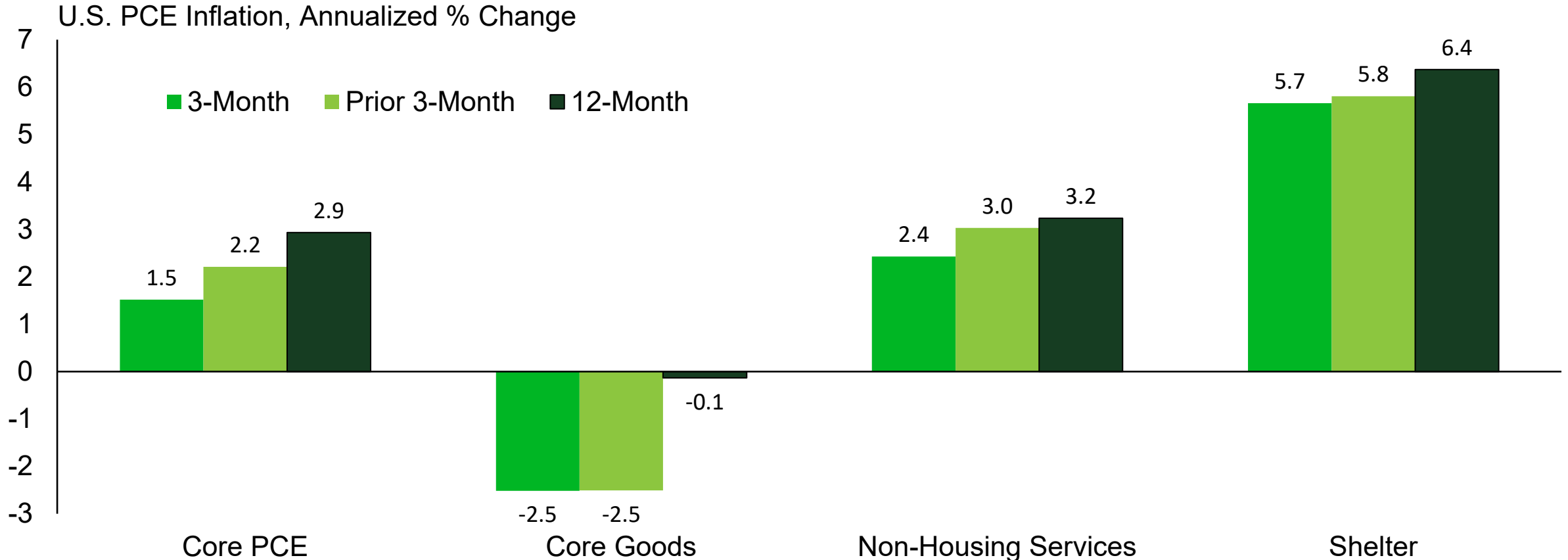
Last Observation: Jan. 17, 2024. Source: Freightos, Bloomberg, TD Economics.

# The U.S. Economy...And The Rest



\* \*2023H2 reports actuals for U.S. Source: The Bureau of Economic Analysis, Statistics Canada, Eurostat, Office for National Statistics, TD Economics.

# Yet, Inflation Pulls a Disappearing Act!

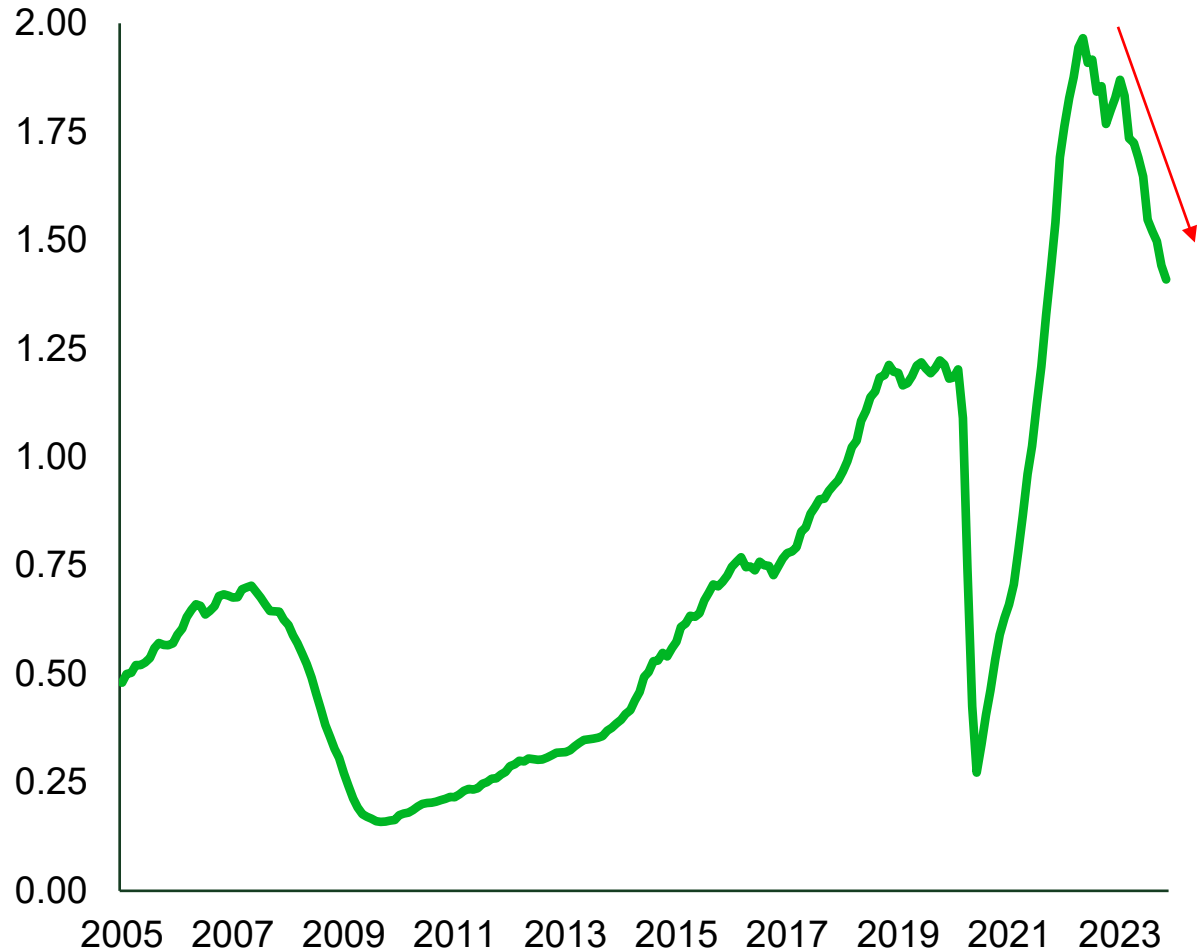


Source: Bureau of Economic Analysis, TD Economics. Data as of December 2023.

# Labor Market Strength Presents an Upside Risk to Inflation Outlook

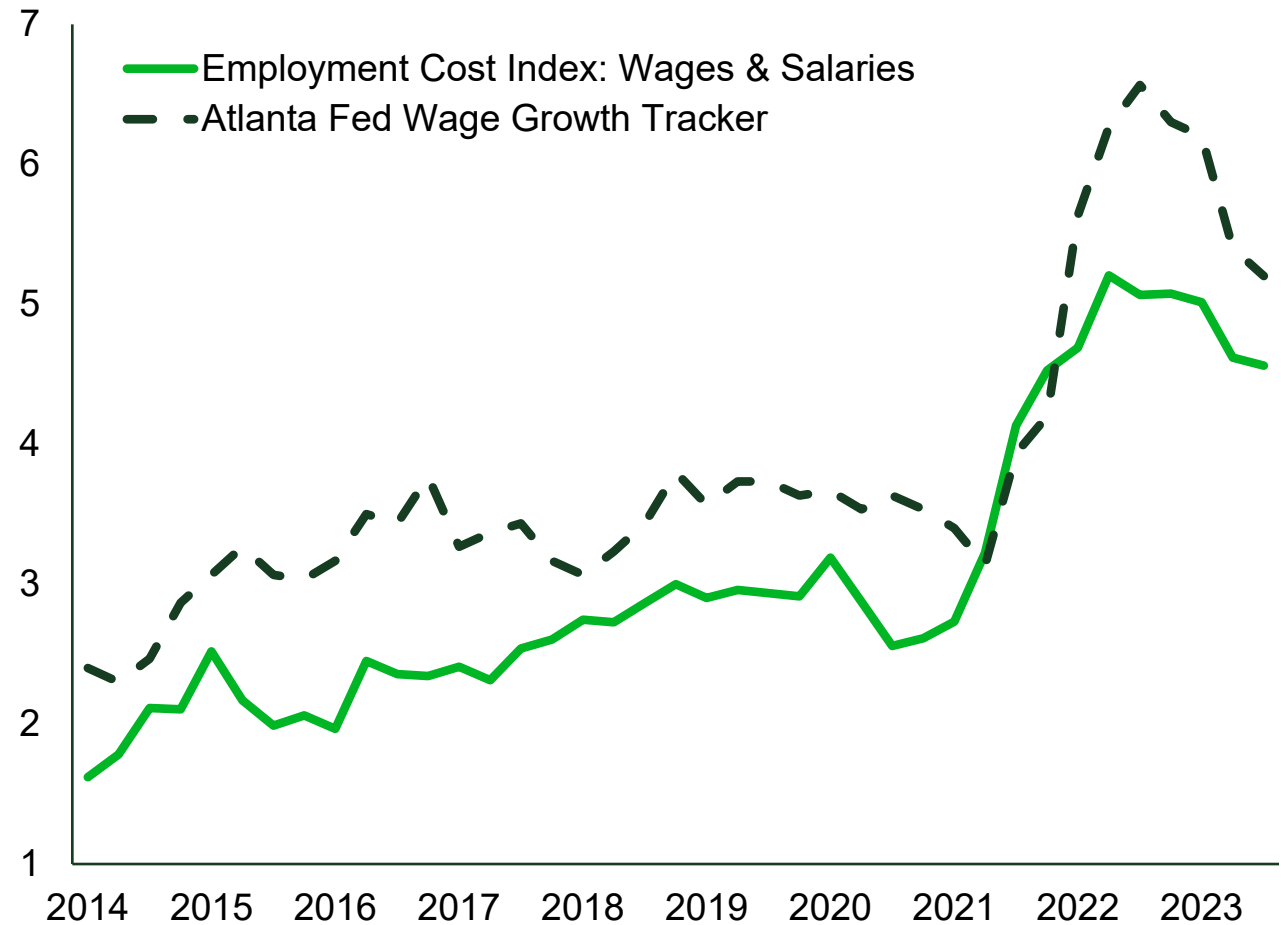


### Ratio of Job Openings to Labor Supply



Source: Bureau of Labor Statistics, TD Economics

### Year/Year % Change

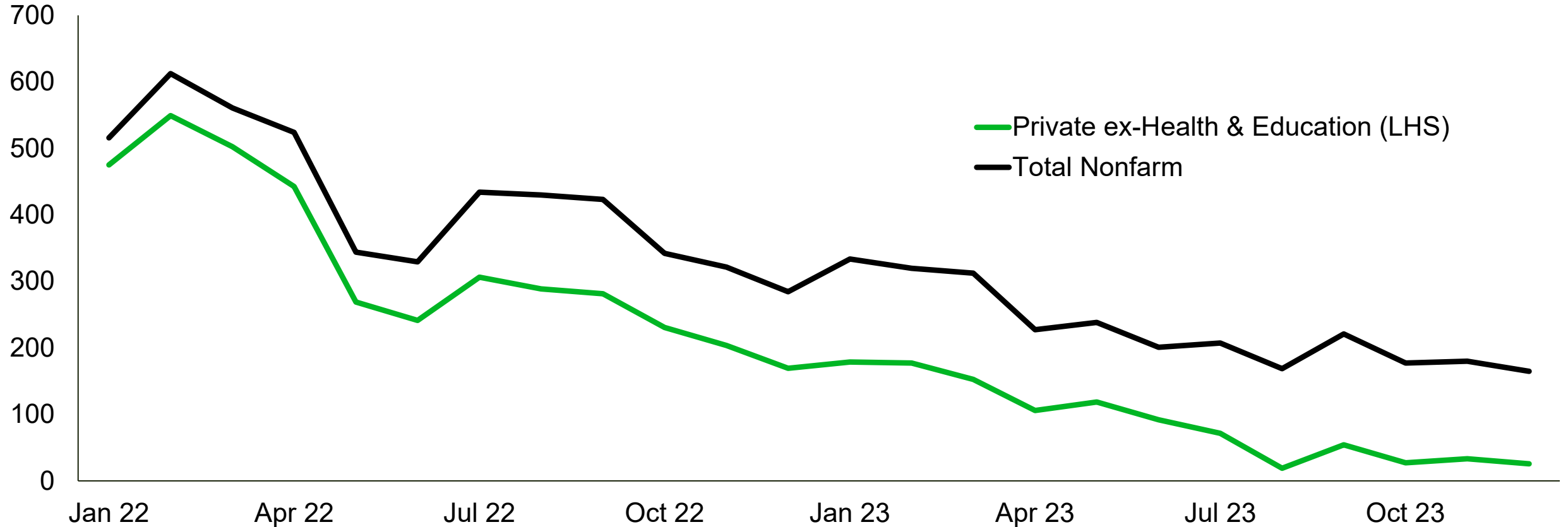


Source: Bureau of Economic Analysis, Federal Reserve, TD Economics

# Job Gains Boosted by Catch-up in Non-Cyclical Sectors



Employment Change, 3-Month Moving Average (Thousands)



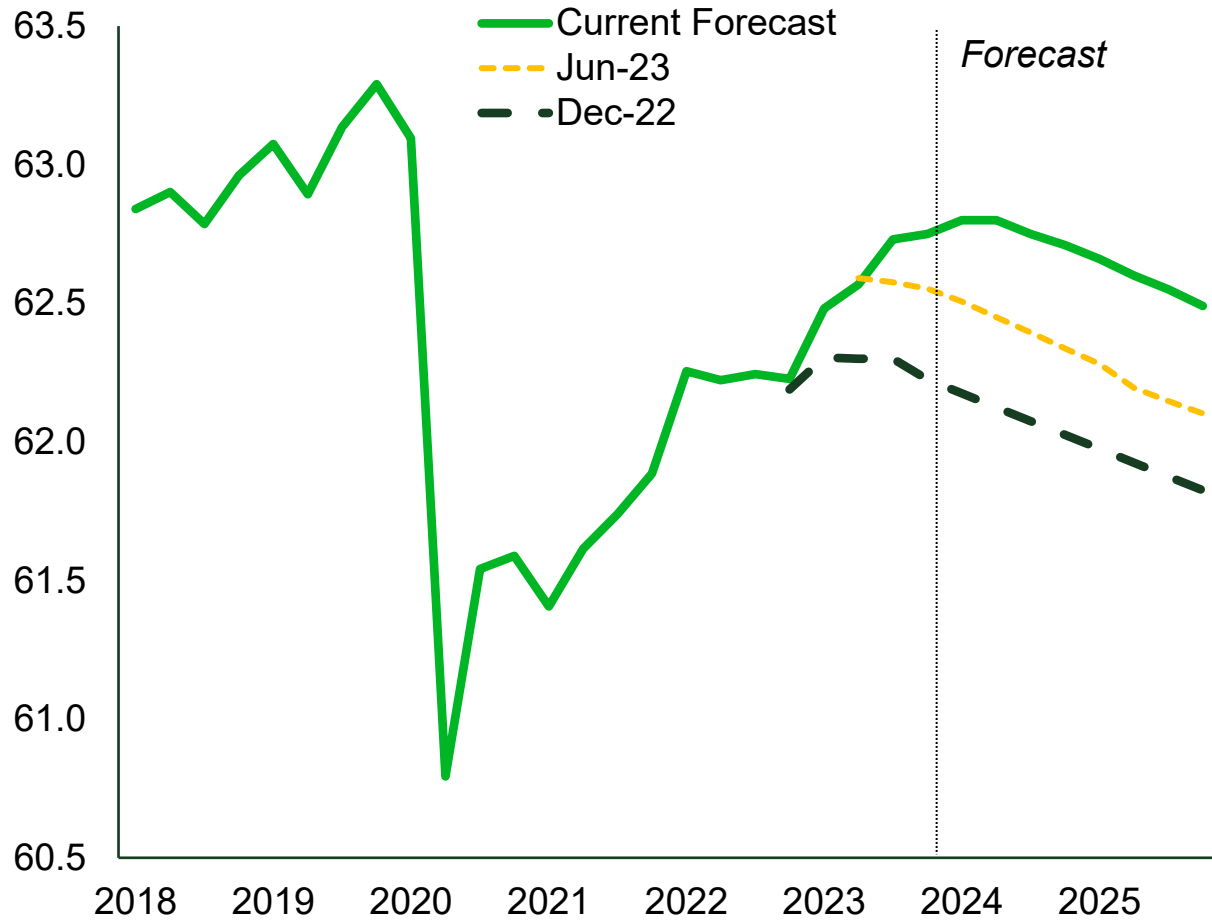
Source: Bureau of Labor Statistics, TD Economics



# Labor Force Participation Surprised to the Upside in 2023

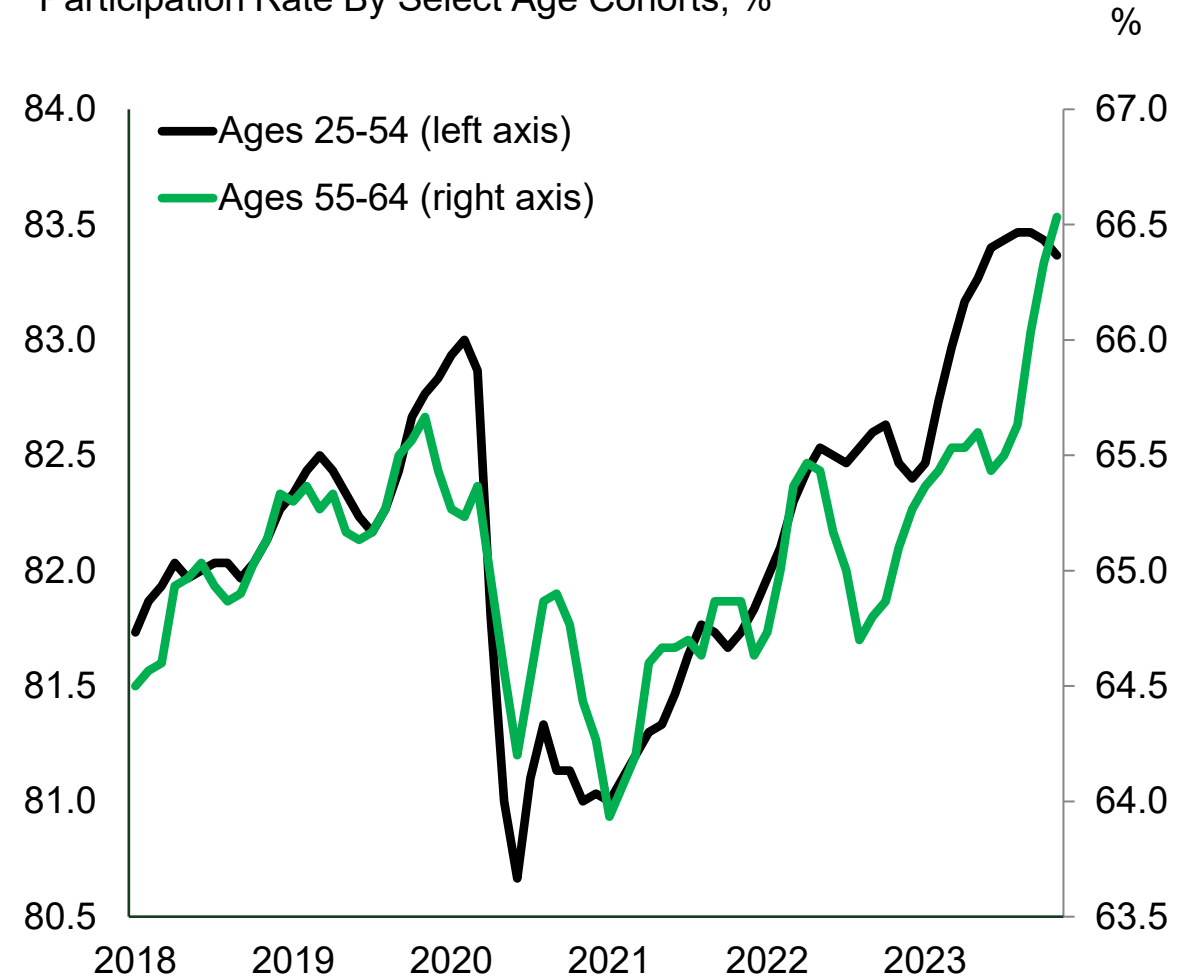


Labor Force Participation Rate, %



Source: Bureau of Labor Statistics, TD Economics.

Participation Rate By Select Age Cohorts, %

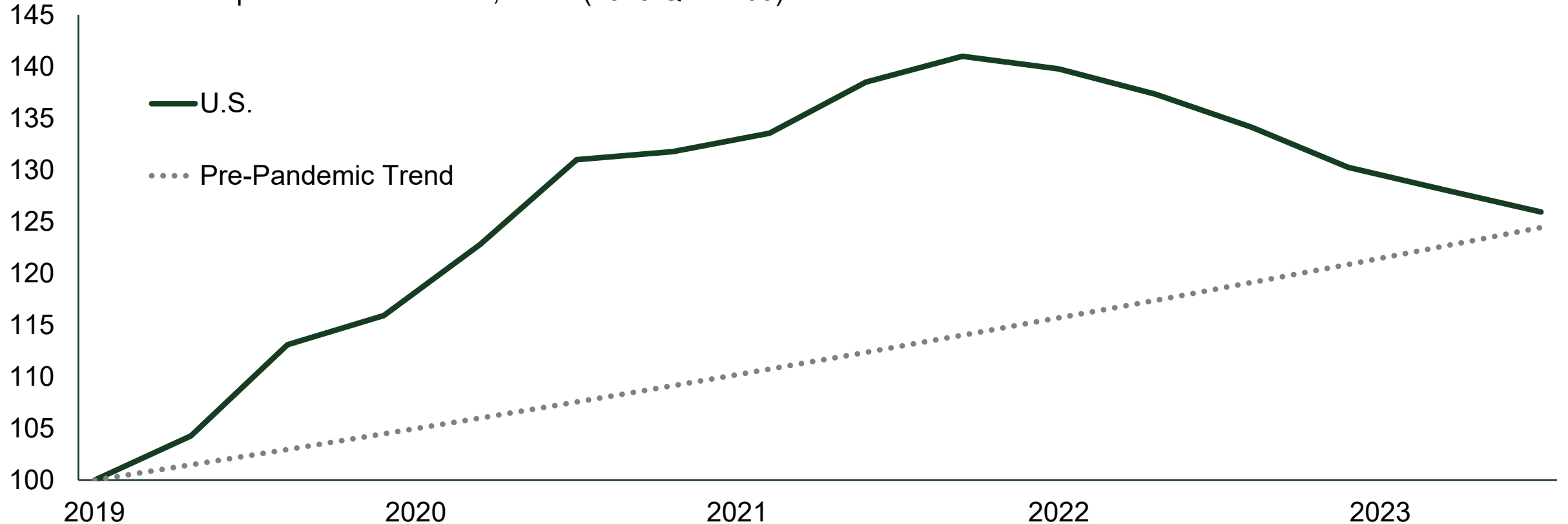


Source: Bureau of Labor Statistics, TD Economics

# The Case for a More Frugal Consumer



Domestic Deposits of Households, Index (2019 Q4 = 100)



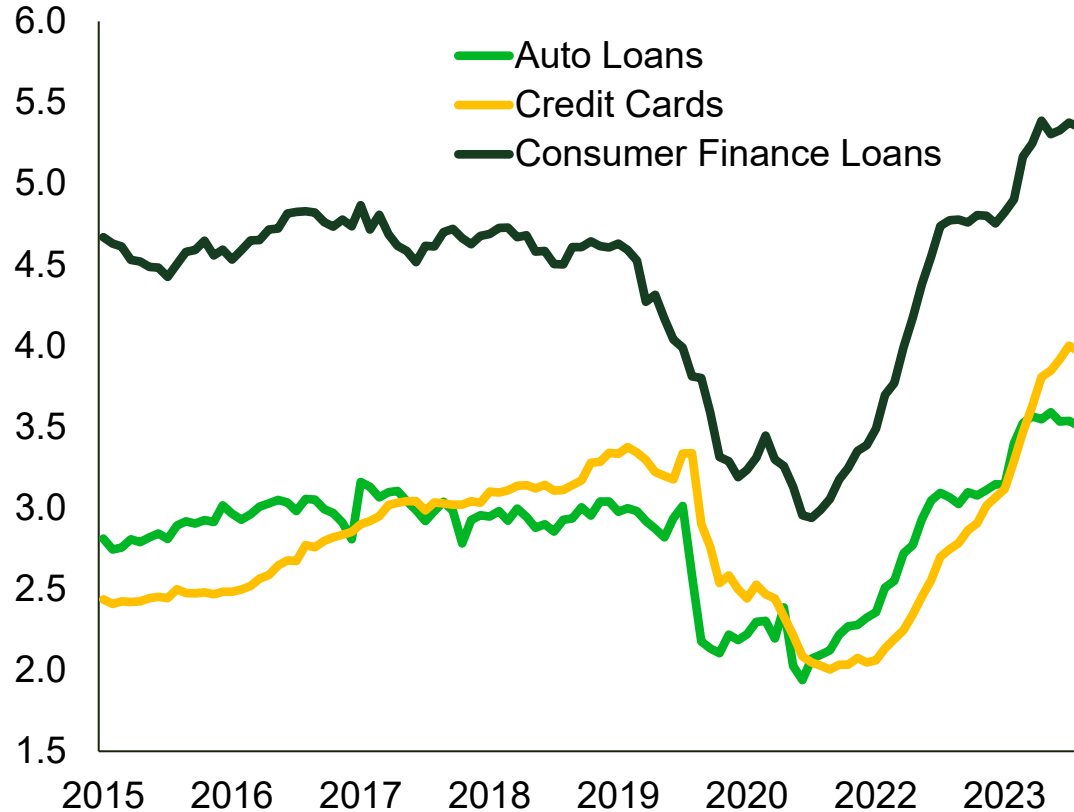
\*U.S. = Checkable Deposits & Currency + Time & Savings Deposits, Canada = Canadian Currency & Deposits.

Source: TD Economics.

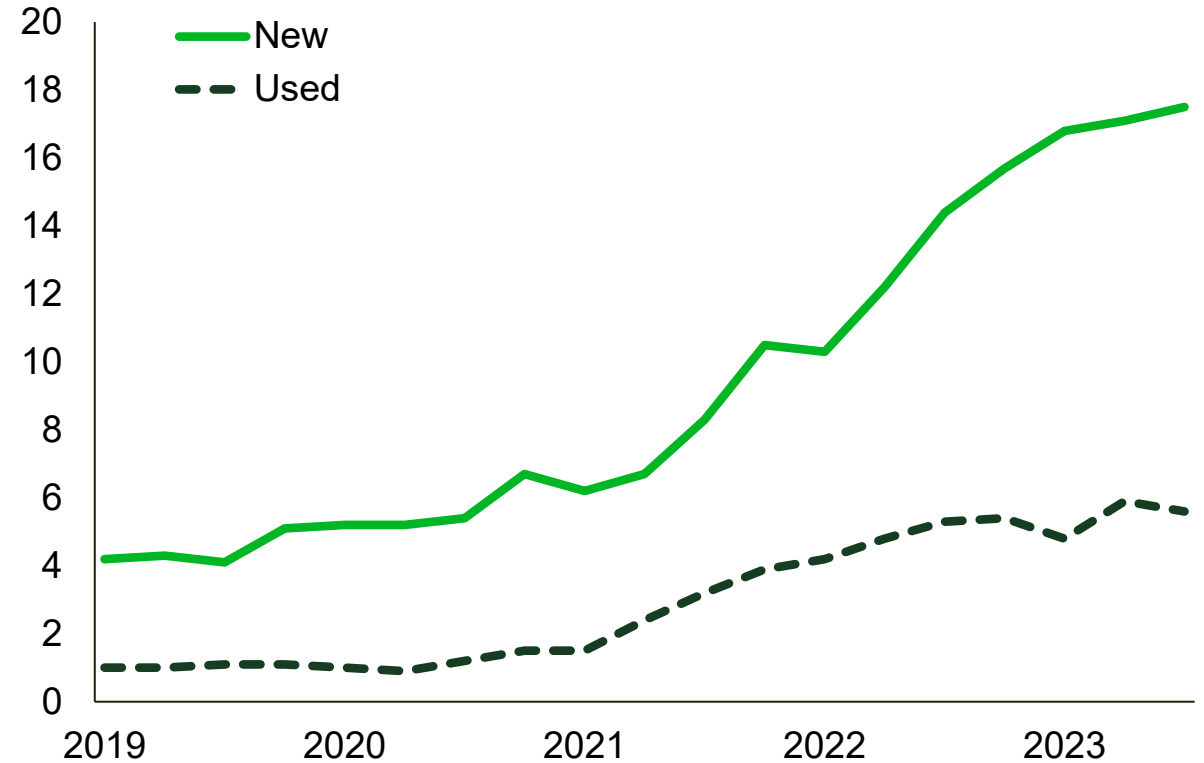
# Rising Consumer Delinquencies Show Pockets of Strain



Delinquency Rate, %



Share of Car Loans with Payments more than \$1000, %



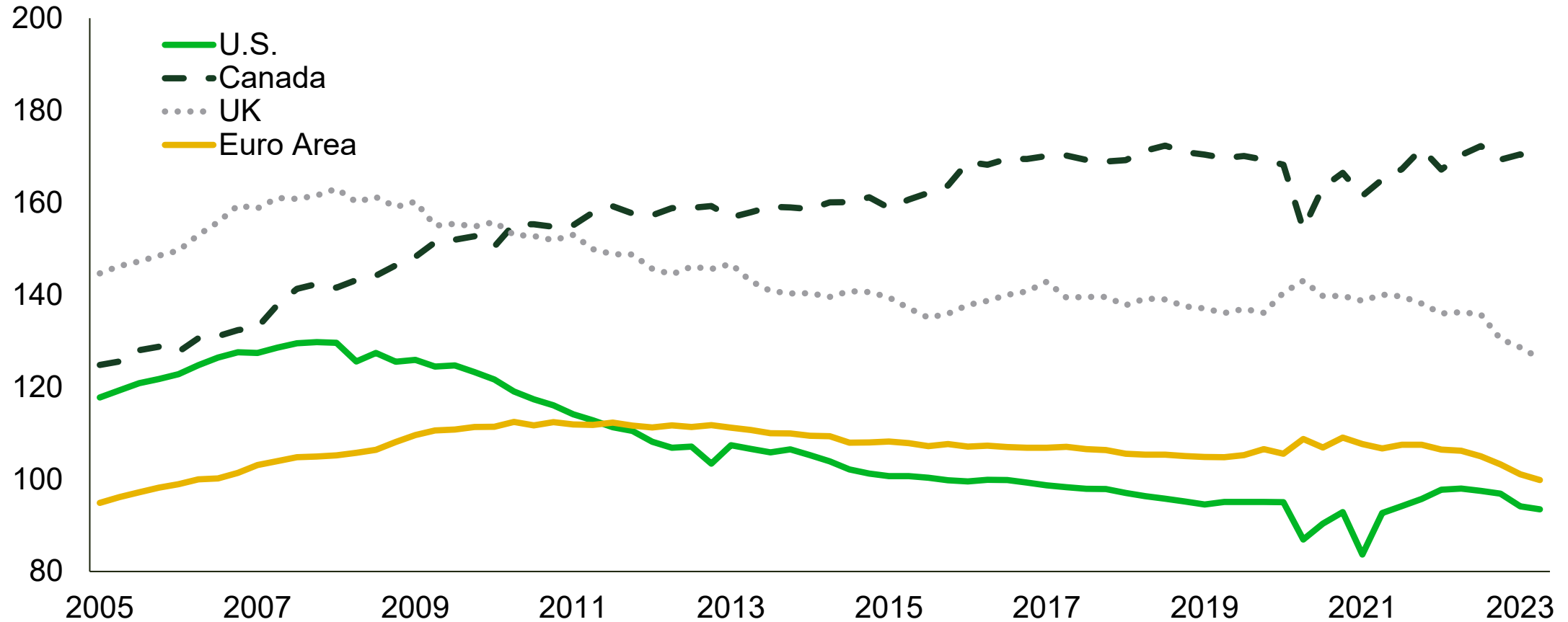
Source: Equifax, TD Economics.

Source: Edmunds, TD Economics.

# U.S. Debt-to-Income Ratios Remain Low Compared to Peers



Household Debt Outstanding as a % of Disposable Income

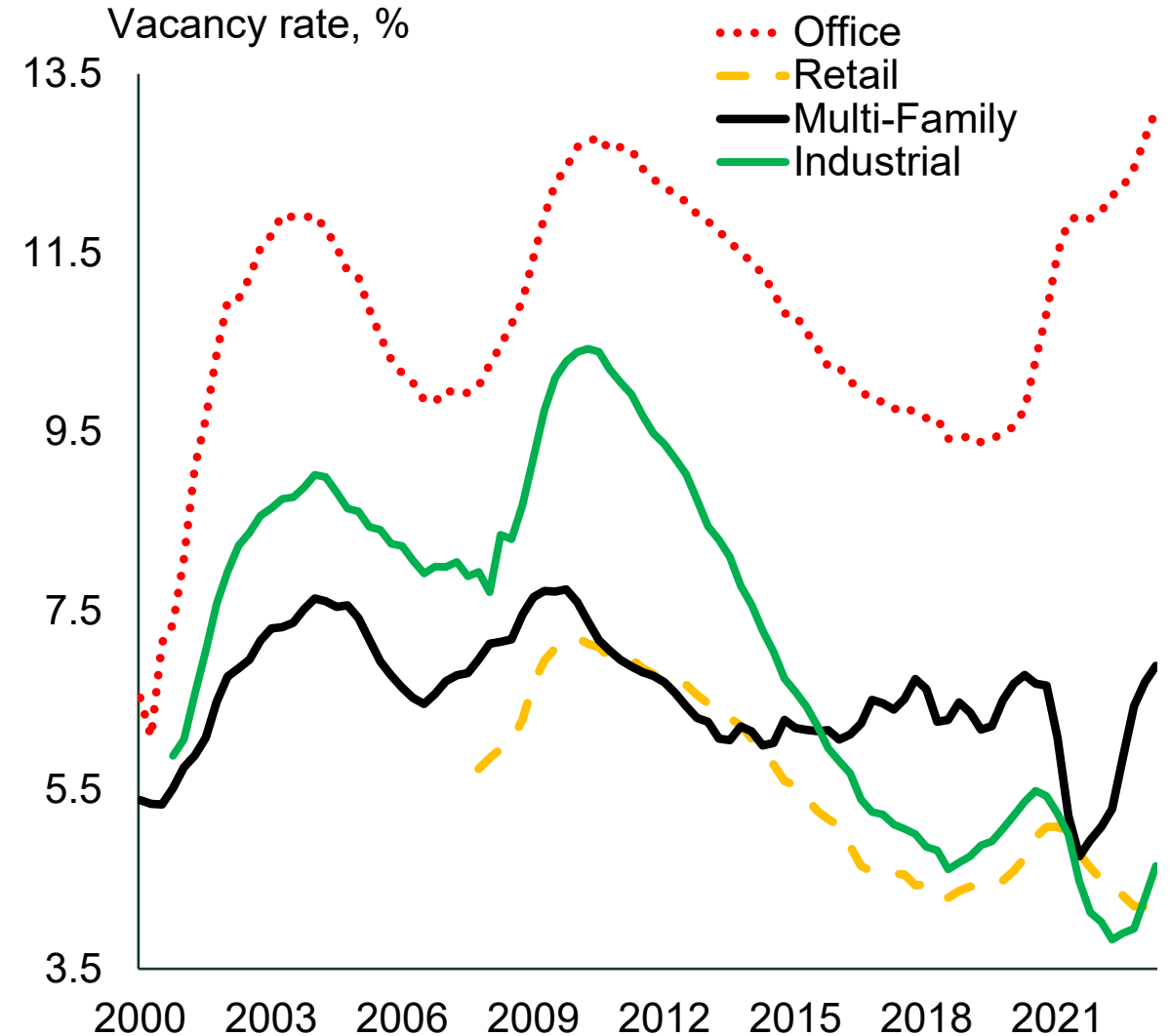
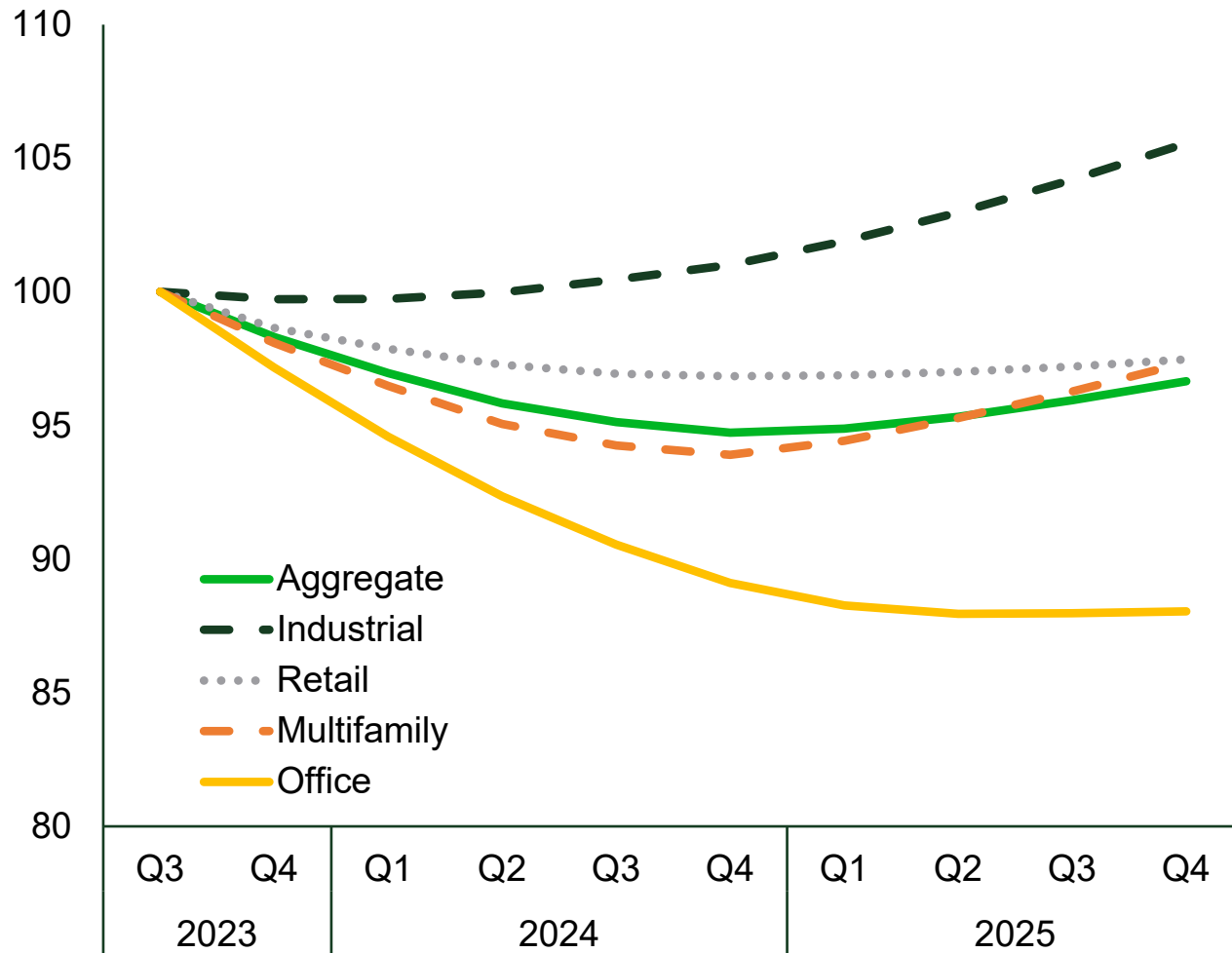


Source: National Statistical Agencies, TD Economics.

# CRE A Downside Risk



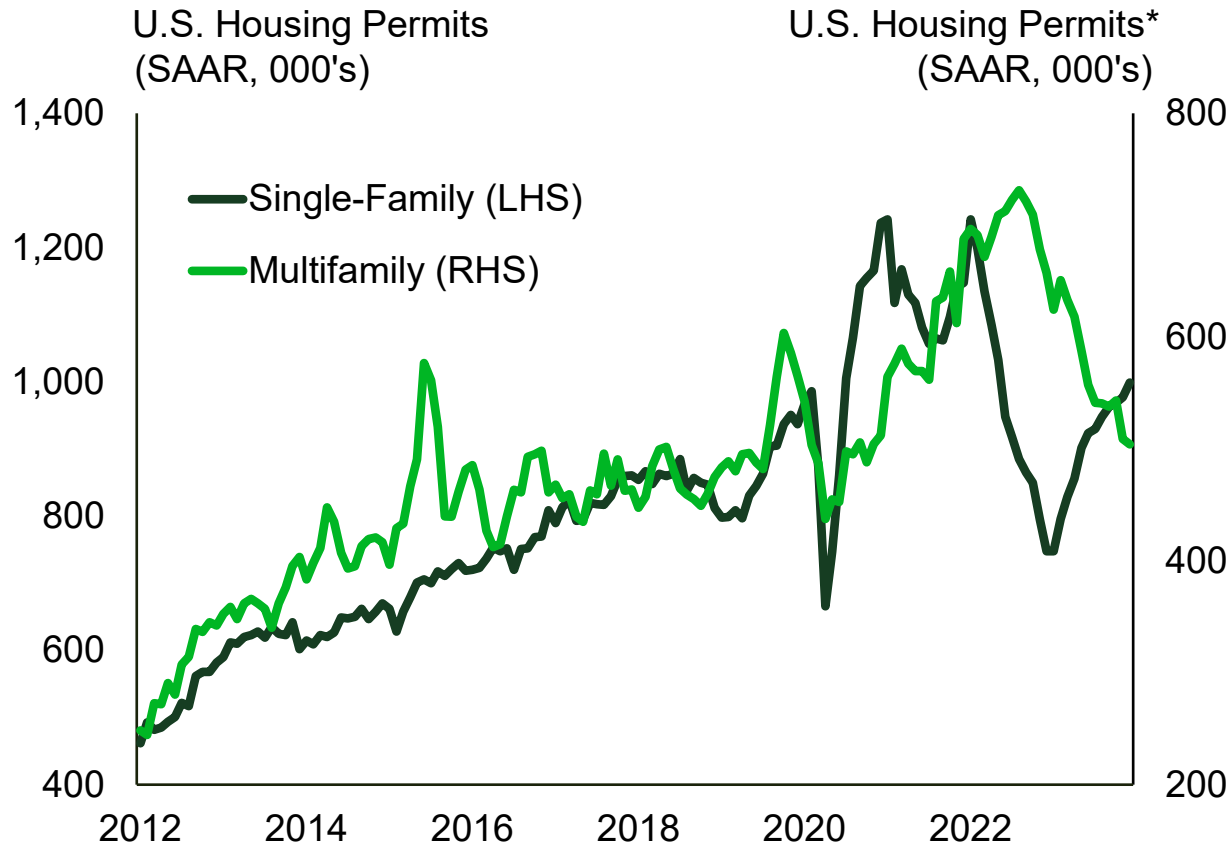
**Baseline** CRE Price Forecast By Segment, Q3'2023=100



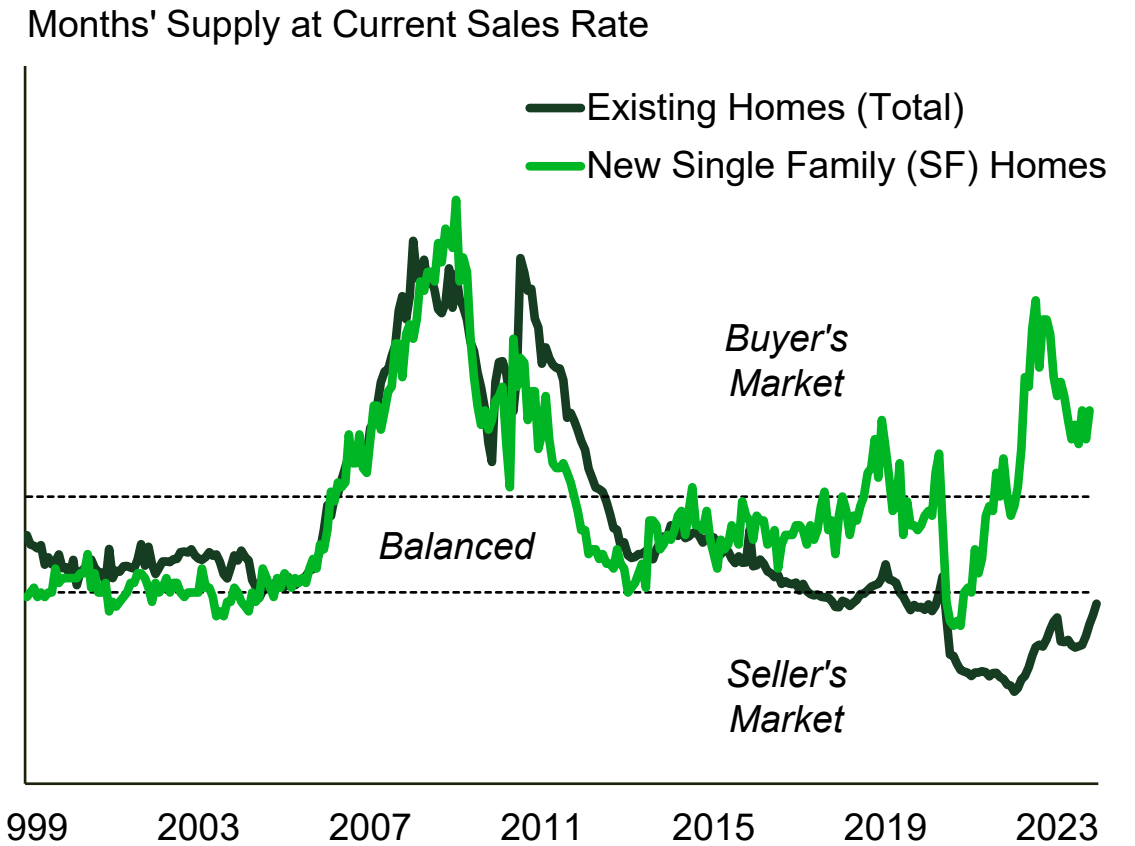
Source: CoStar, TD Economics

Source: CoStar, TD Economics

# Crosscurrents in U.S. Housing Market



\*3-month moving average.  
Source: Census Bureau, National Association of Home Builders, TD Economics.

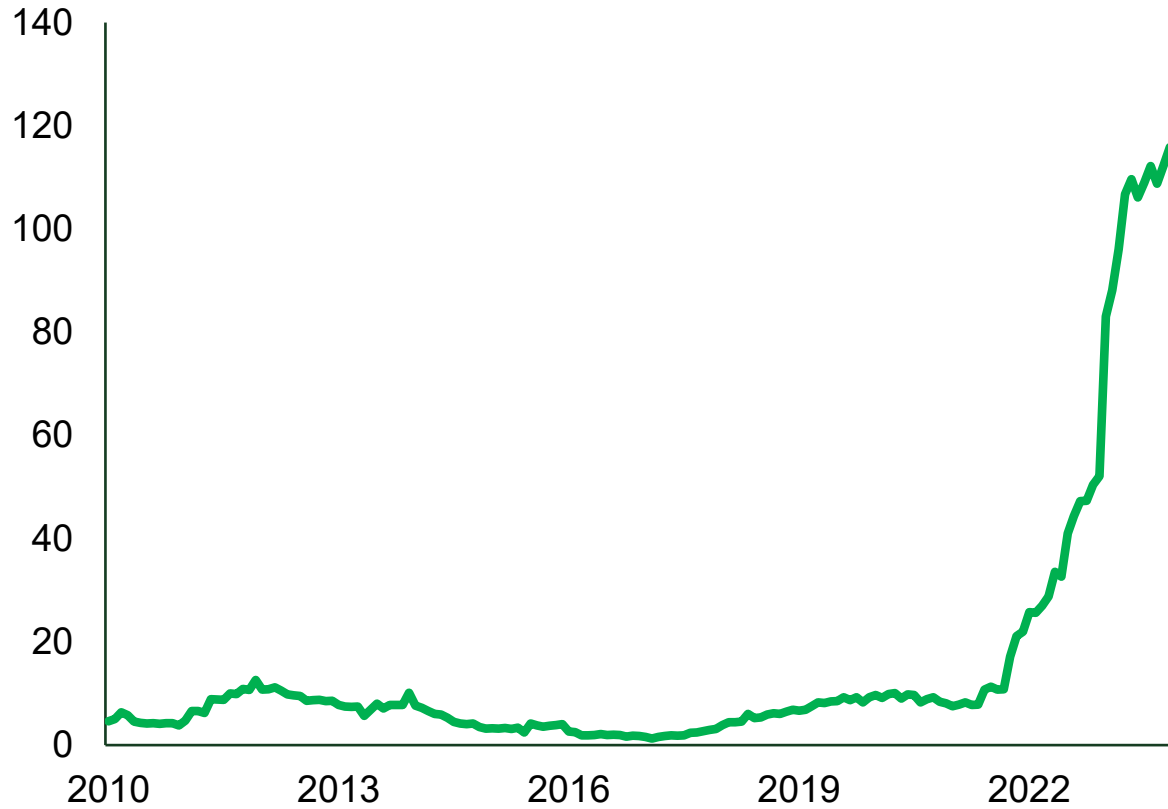


Source: NAR, Census Bureau, TD Economics.

# Fiscal Policy Likely to Remain Supportive of Growth

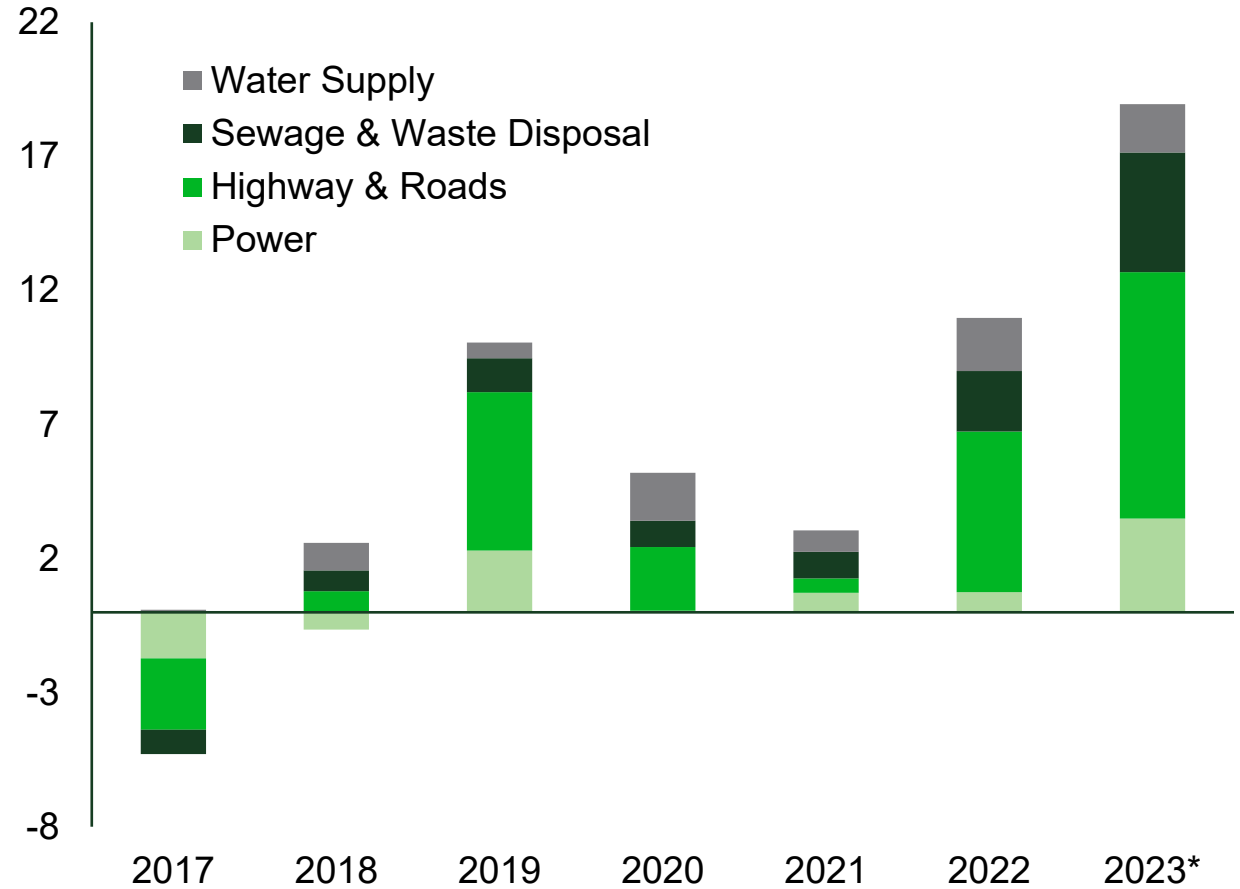


Construction Spending on Electronic & Electrical Facilities  
Billions of dollars, SAAR



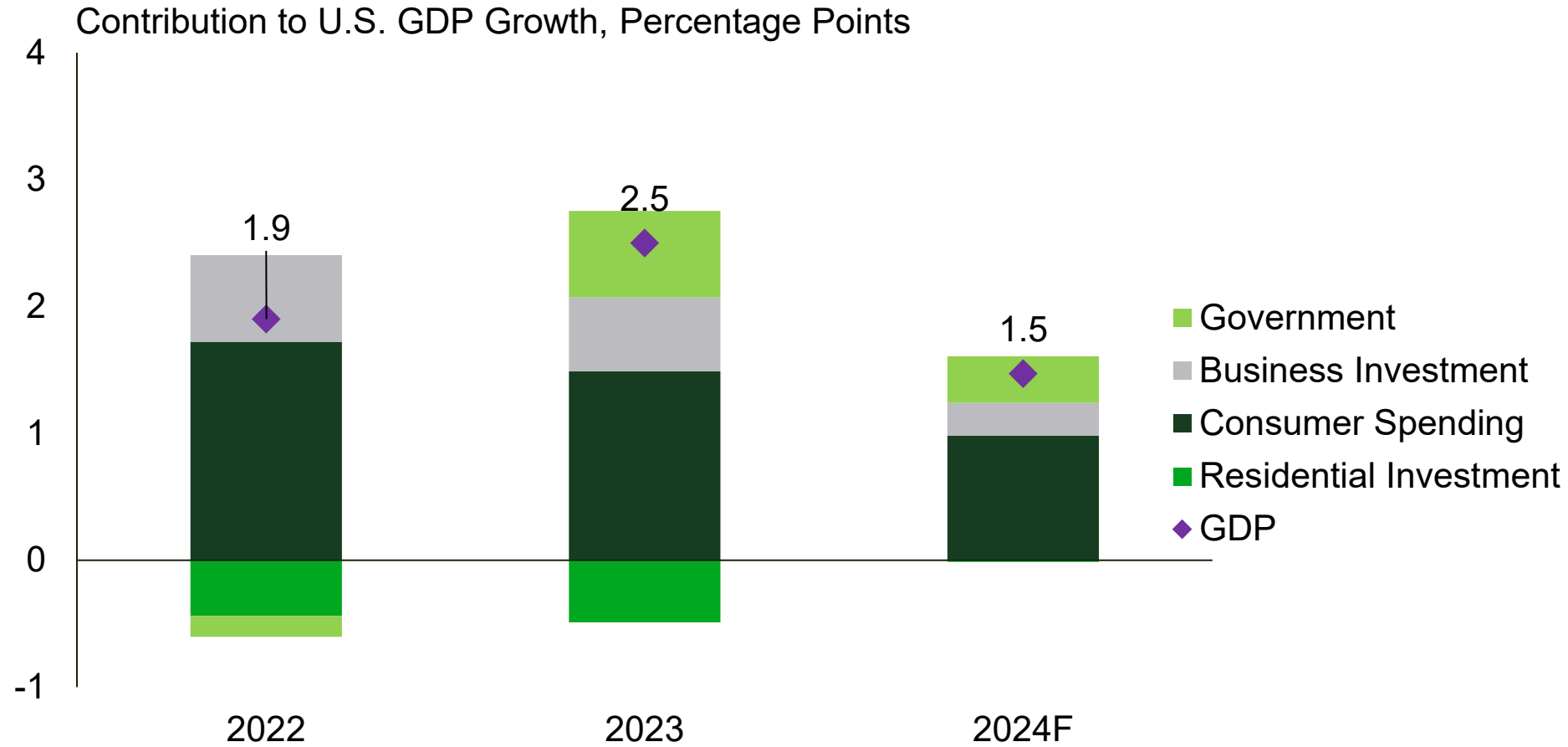
Source: Census Bureau, TD Economics

Public Infrastructure Spending Contribution to Year/Year % Change



\*2023 YTD values annualized. Source: Census Bureau, TD Economics.

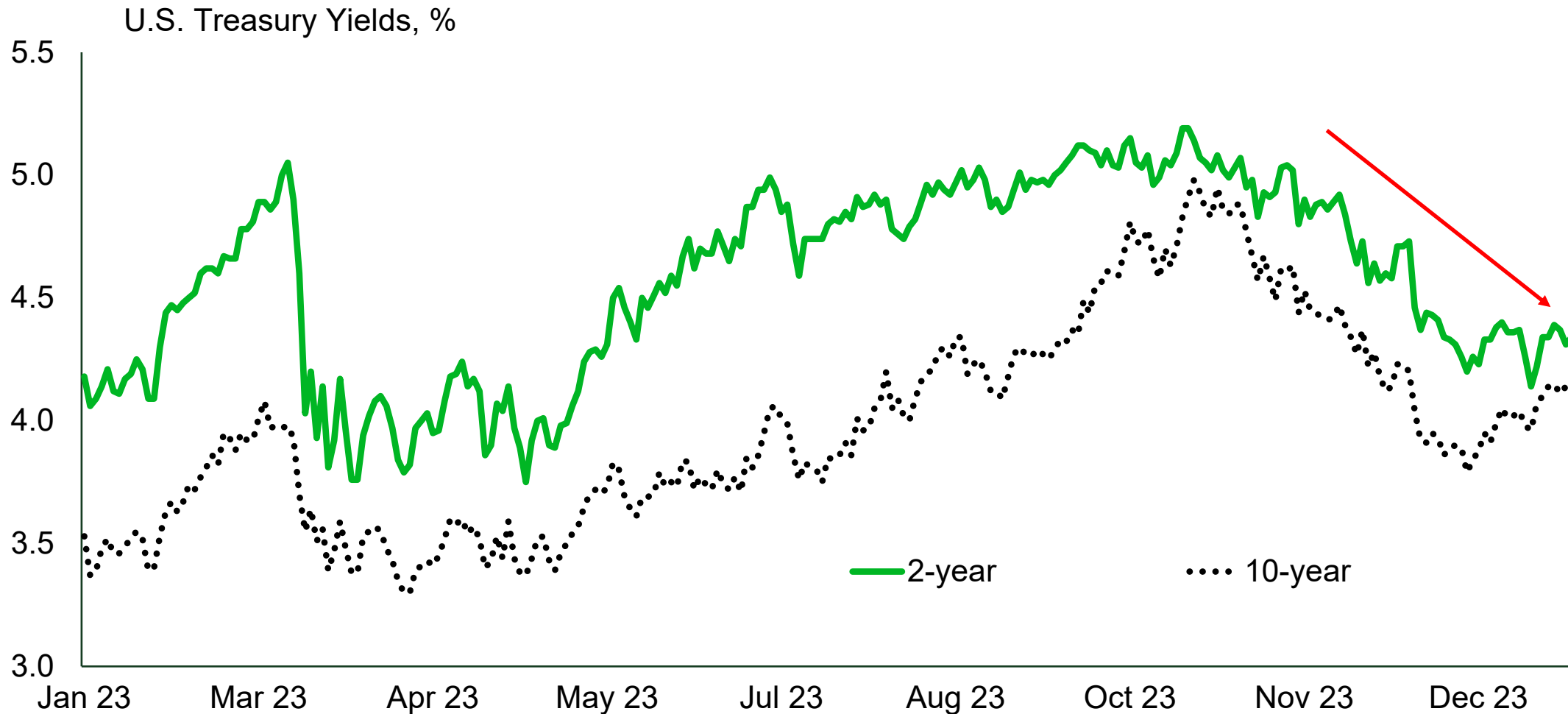
# U.S. Growth to Slow, But Remain Resilient



Source: Bureau of Economic Analysis, TD Economics.

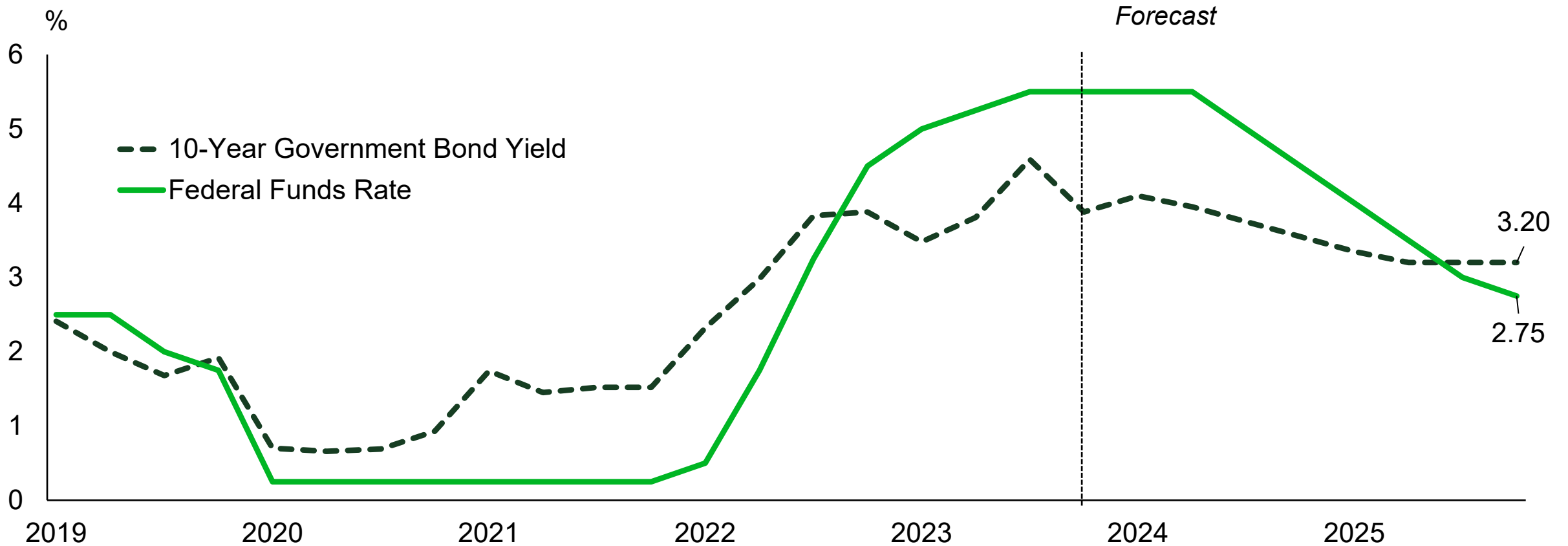


# Easing Financial Conditions Could Boost Aggregate Demand



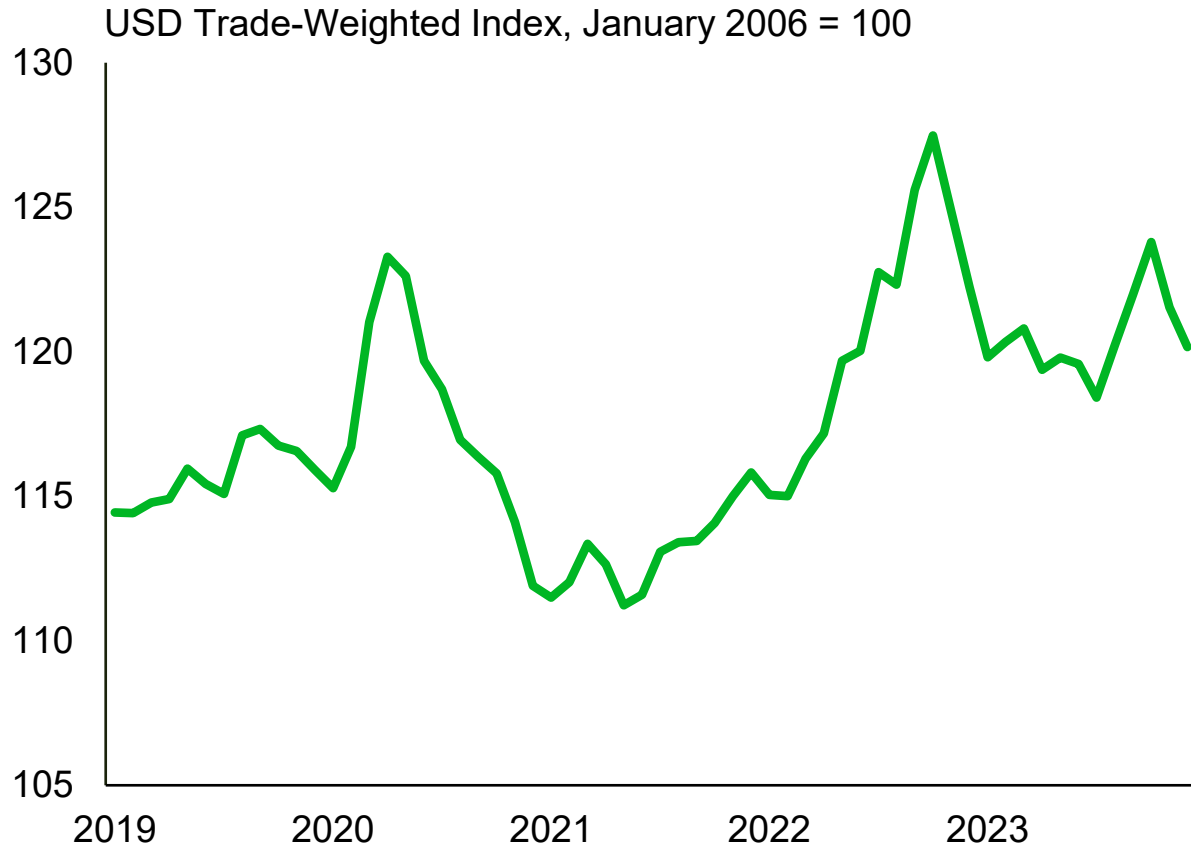
Source: Federal Reserve, TD Economics

# Rate Cuts on the Horizon, But Rates to Remain Higher for Longer

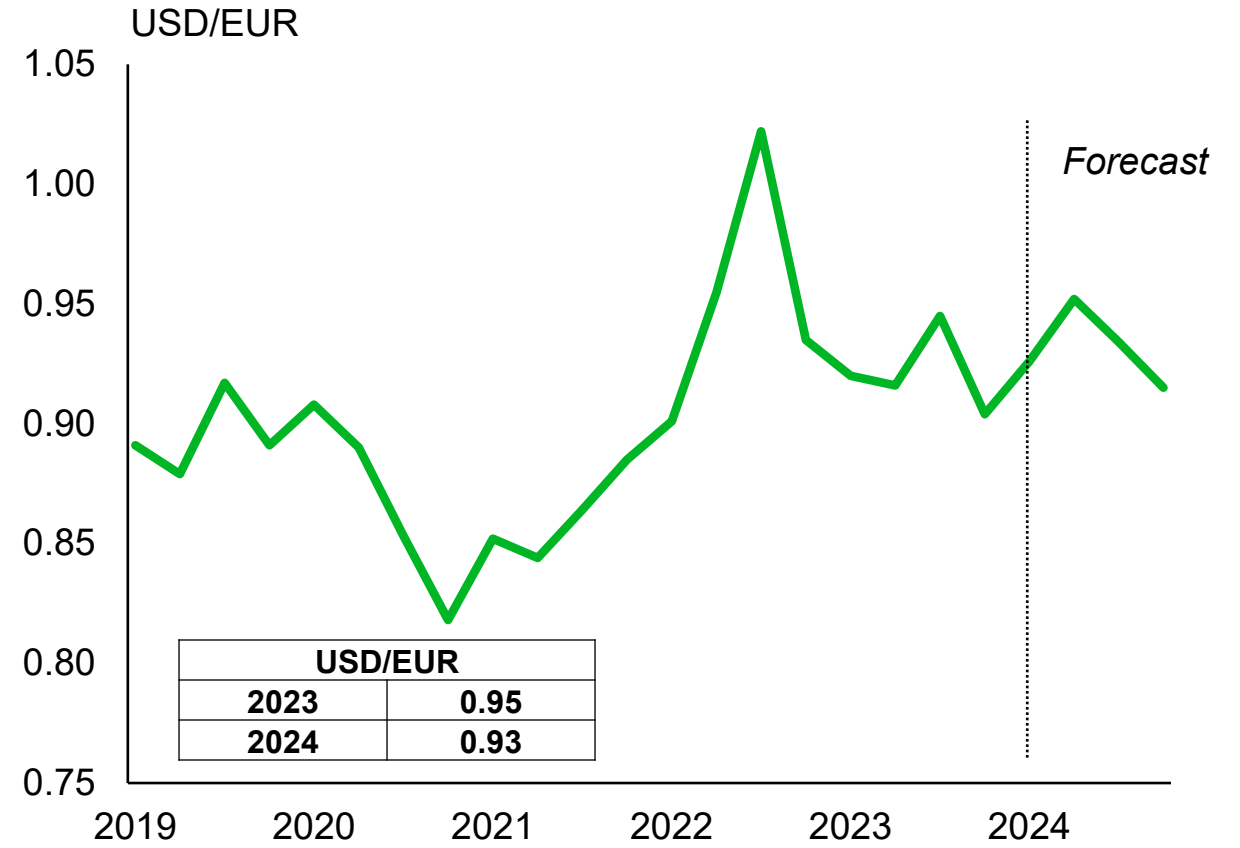


Source: Federal Reserve, TD Economics.

# Reign of King US Dollar To Extend Into 2024



Source: Federal Reserve Board, TD Economics.



Source: TD Economics.

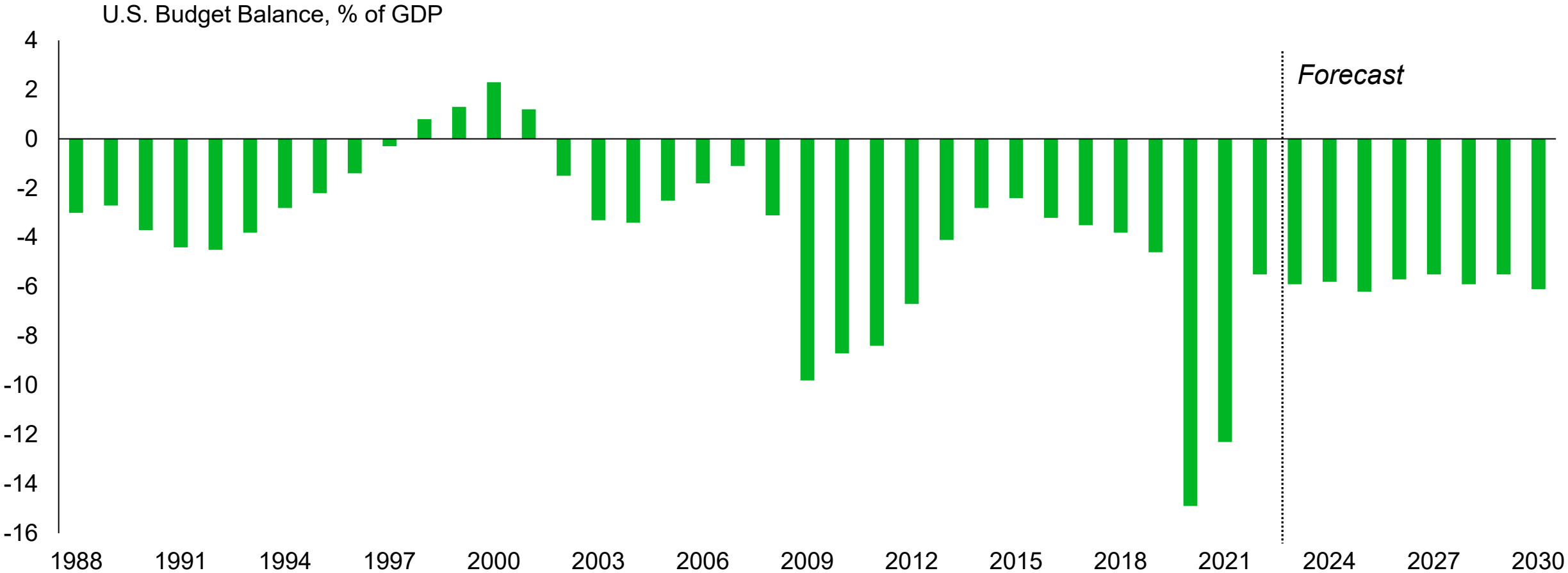
## Biden

- Maintain tax cuts for households earning <\$400k but allow tax breaks for higher income earners to expire
- Increase corporate tax rate from 21% to 28%
- Estimated to reduce deficit by ~\$3T over next decade
- De-risk but not decouple U.S. trade linkages with China

## Trump

- Make permanent 2017 tax breaks for households and businesses, requiring ~\$3.5T of revenue offsets
- Potentially lower corporate tax rate to 15%
- Automatic 10% tariff on all imports

# 2024 Election - Winner Faces Constrained Fiscal Background



Source: Congressional Budget Office, TD Economics.



***Website: [economics.td.com](http://economics.td.com)***

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