

TD ECONOMICS

U.S. Economic Outlook

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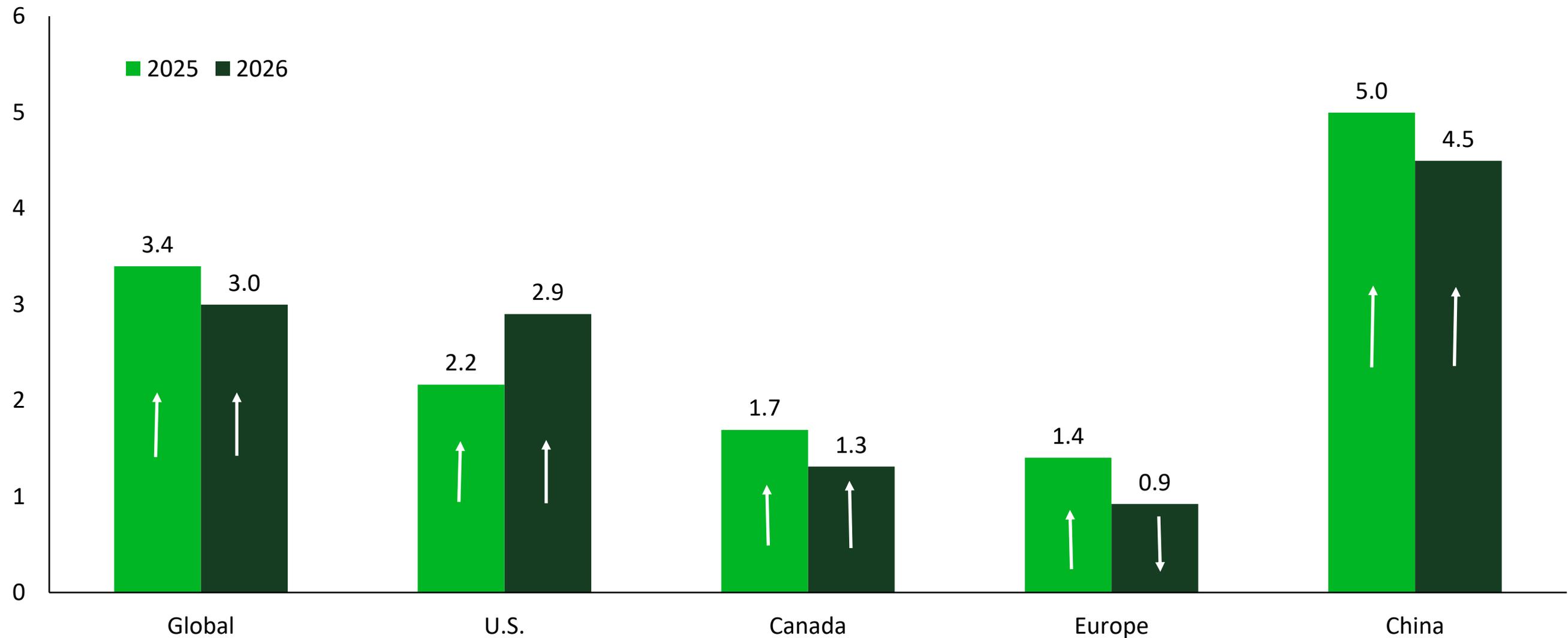
January 2026



World Economy Has Shown Its Mettle Amid Trade Policy Swings



Annual % Growth Forecast, Real GDP



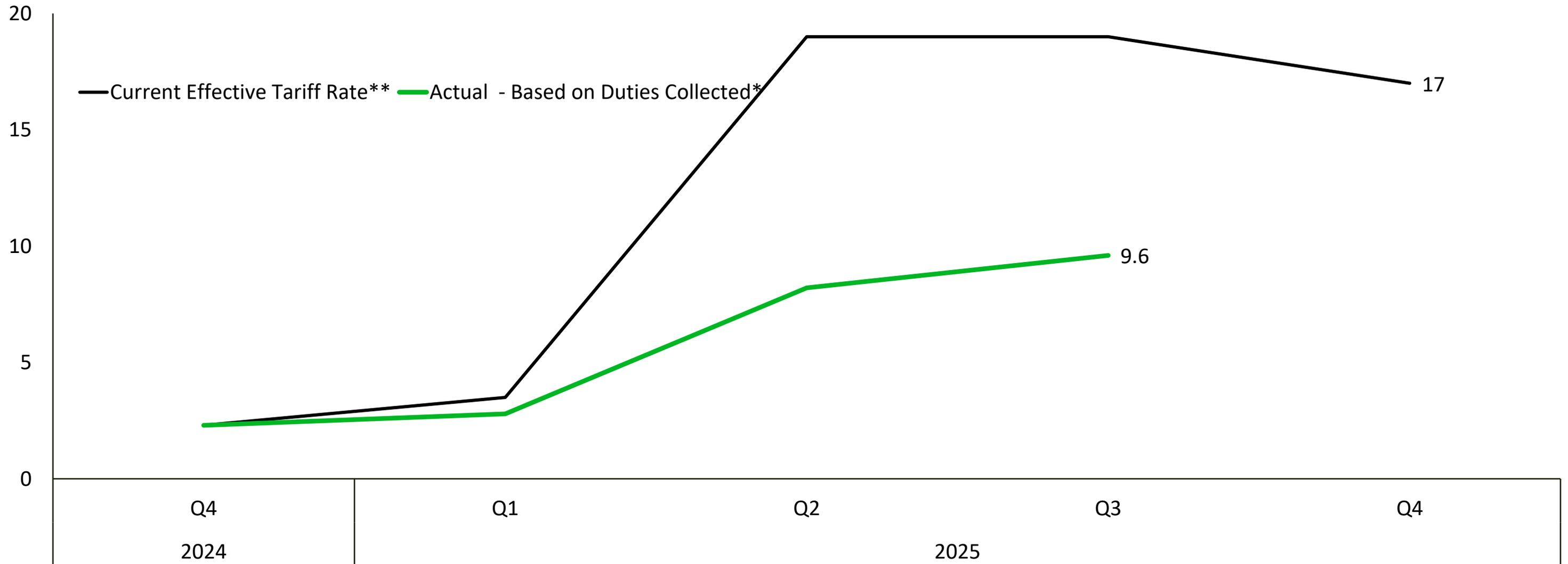
Source: TD Economics.

Note: Arrows denote upgrade/downgrade relative to March 2025 forecast.

Tariffs Paid Not As High As The "Sticker Price"



U.S. Effective Tariff Rate, %

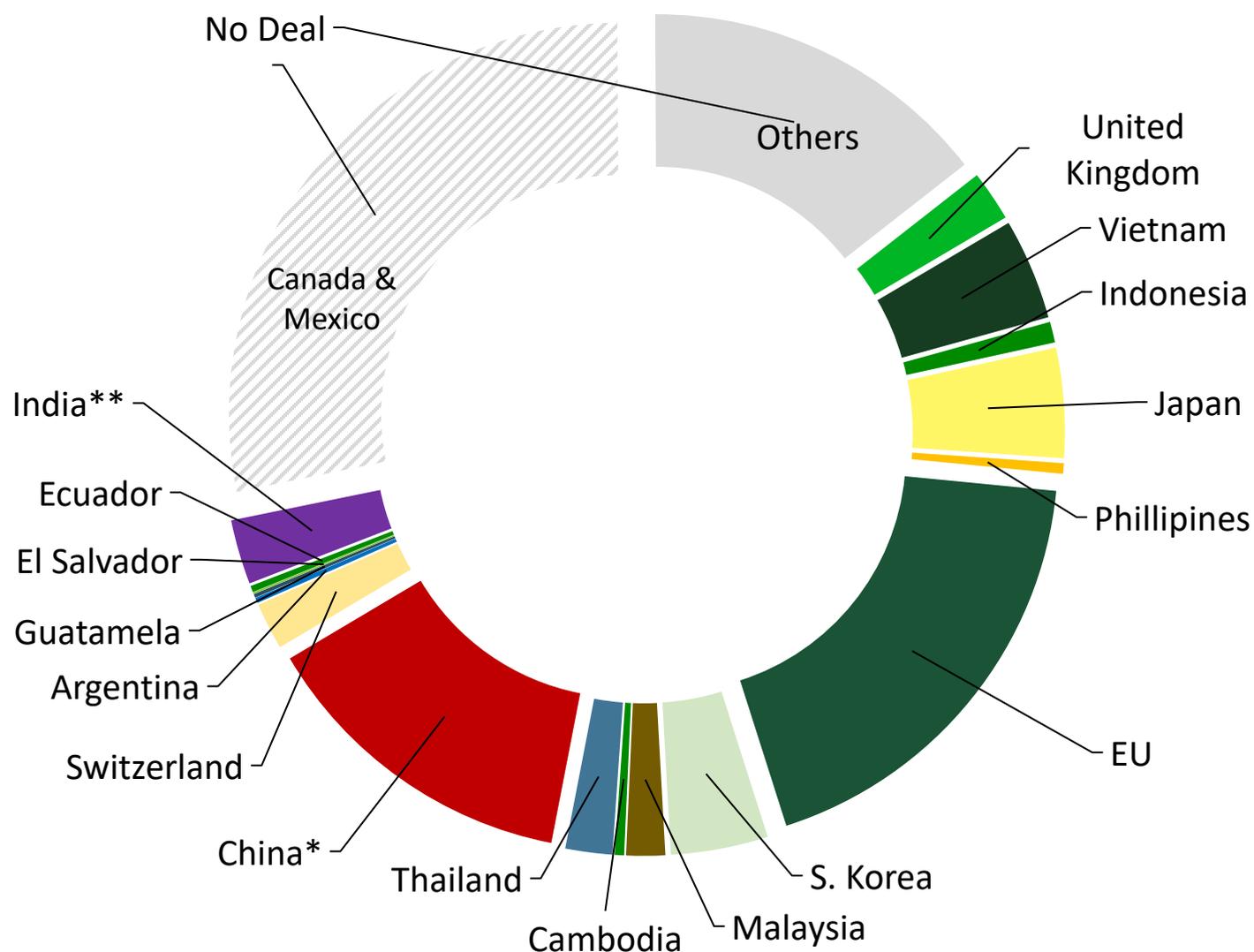


*Q3 data inclusive of July. **Q4 data inclusive through October
Source: U.S. Census Bureau, TD Economics.

Who's Left On The Wheel of Trade Fortunes? Canada and Mexico!



Share of 2024 U.S. Imports



Common Features in U.S. "Deals":

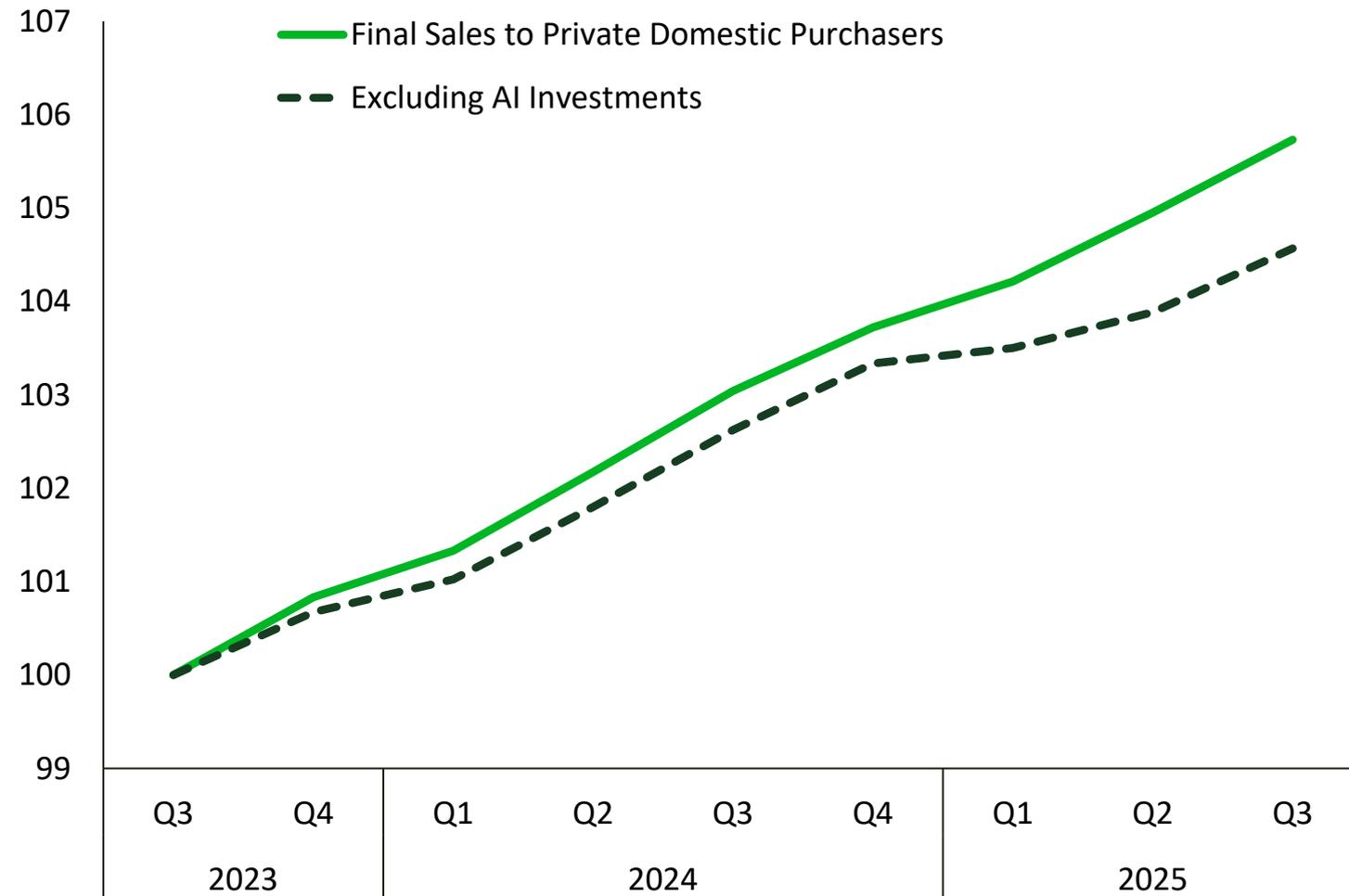
1. 10-15% base tariff rate
+ removal of retaliatory tariffs
+ lower barriers to US companies (tariffs and regulation)
2. Purchase agreements & Investment commitments
3. (Some) Section 232 tariff relief
4. **New feature?**
 - **Short timeframe on the tariff-truce (i.e. China)**

*A one year suspension of tariffs. **Nearing completion. Source: White House, U.S. Census Bureau, TD Economics.

Businesses Look To Technology As The U.S. Growth Impulse



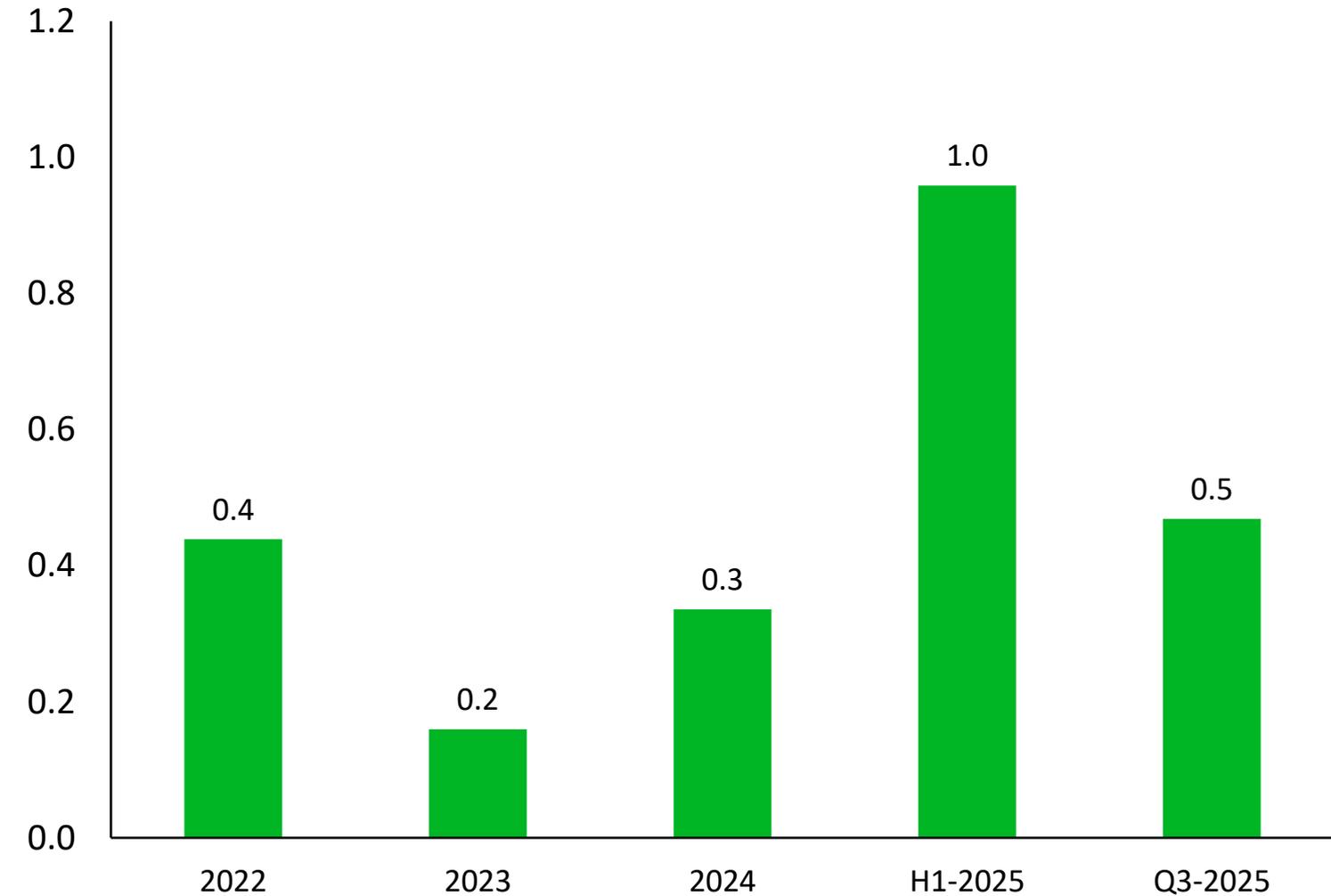
Index (2023:Q3 = 100)



Source: Bureau of Economic Analysis, TD Economics.

*AI investments include all spending on computers and other peripheral equipment, software, and manufacturing structures (including data centers and semiconductor facilities).

AI Investments Contribution to Annualized Real GDP, Percentage Points

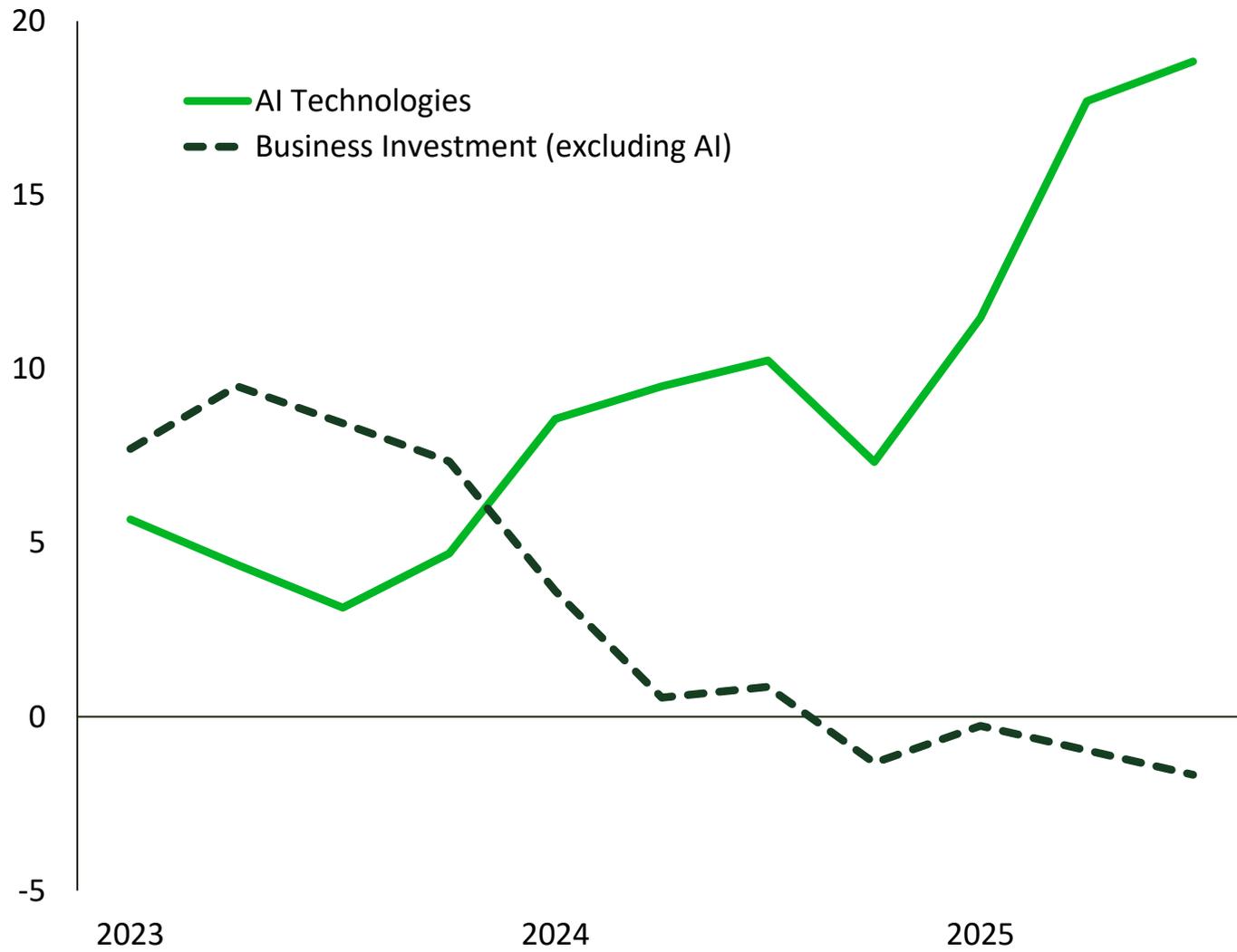


Source: Bureau of Economic Analysis, TD Economics.

But Most Other Areas of Investment Remain Weak

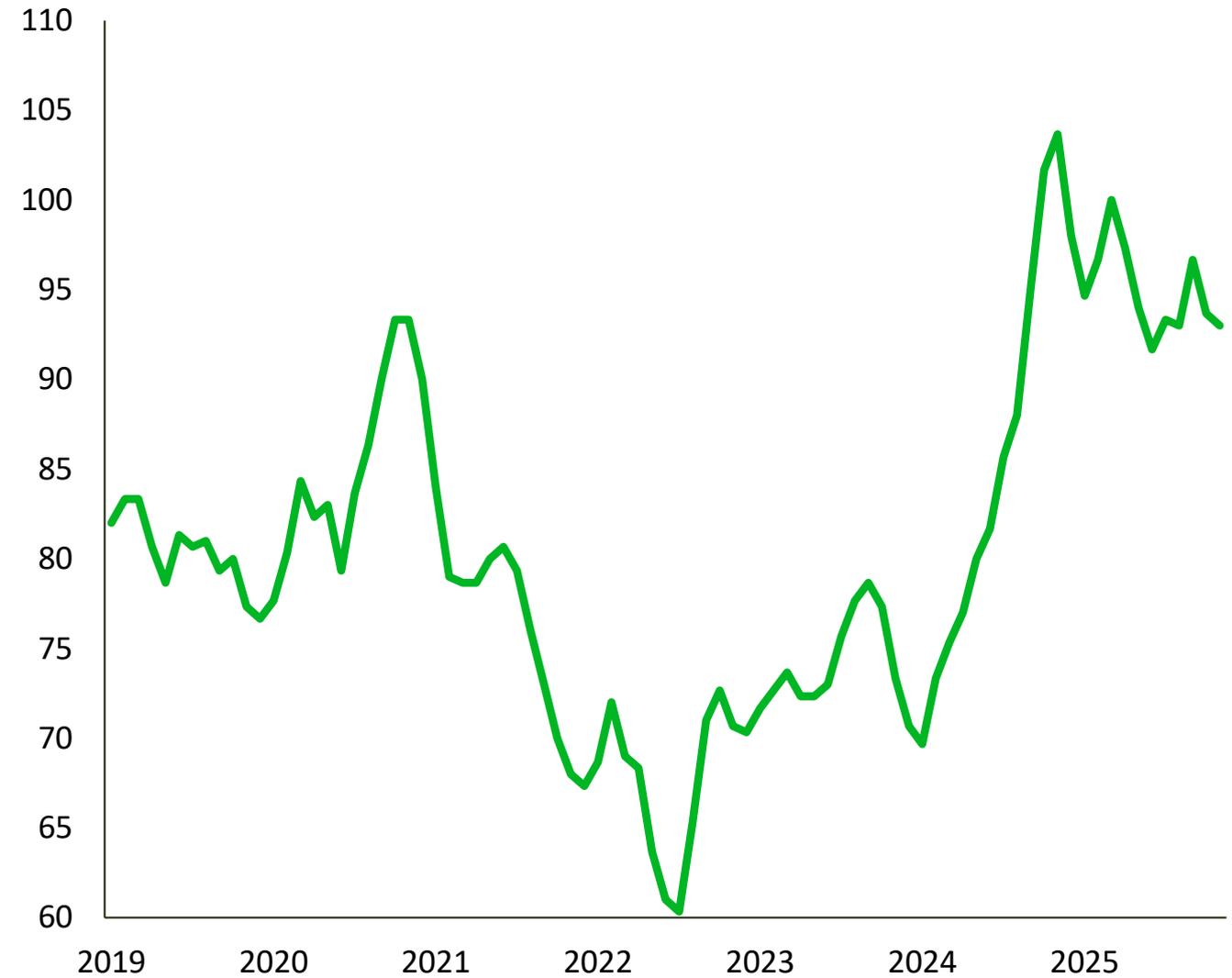


Real Business Fixed Investment, Year/Year % Change



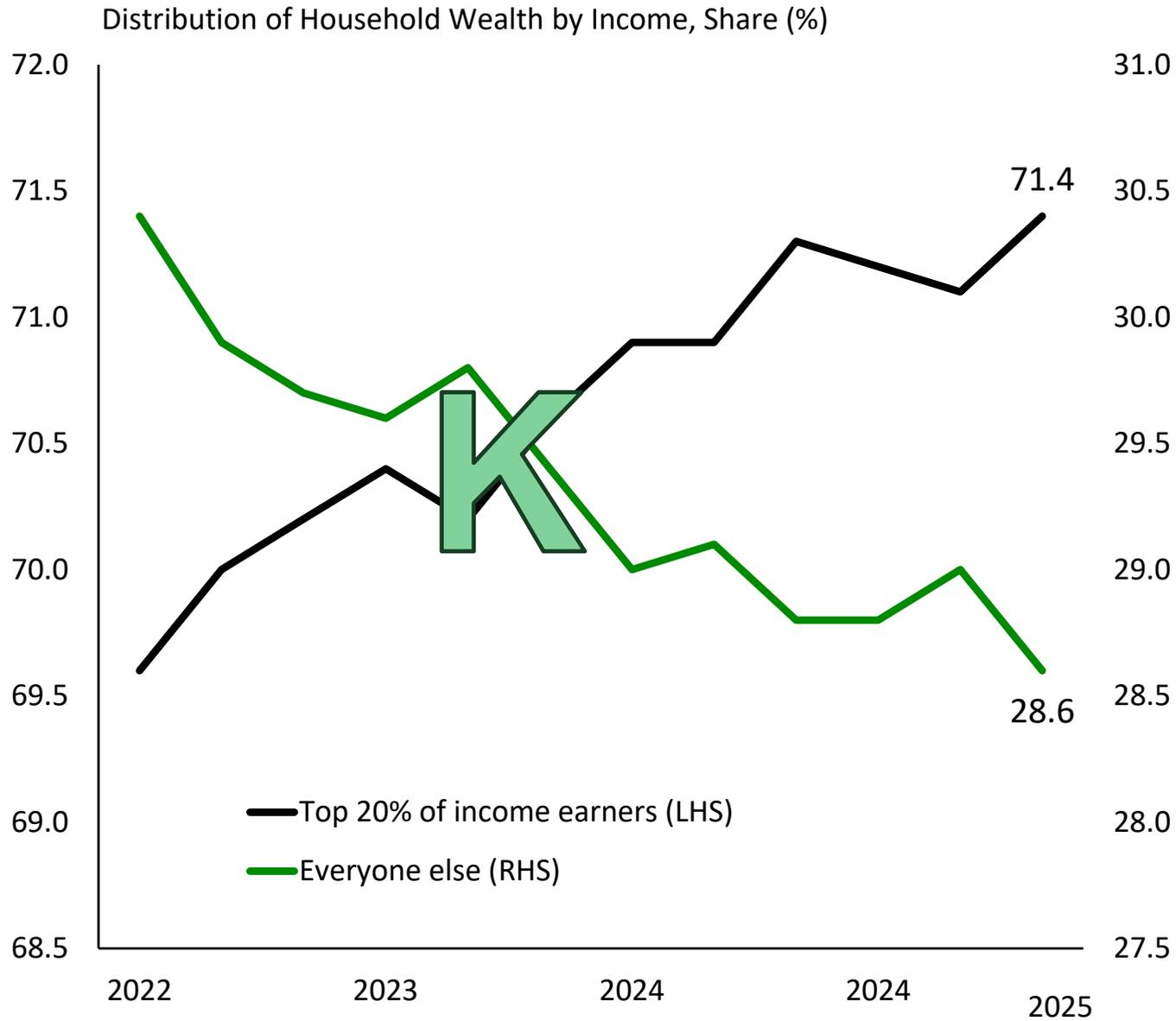
Source: Bureau of Economic Analysis, TD Economics.

Small Business Uncertainty Index, 3MMA

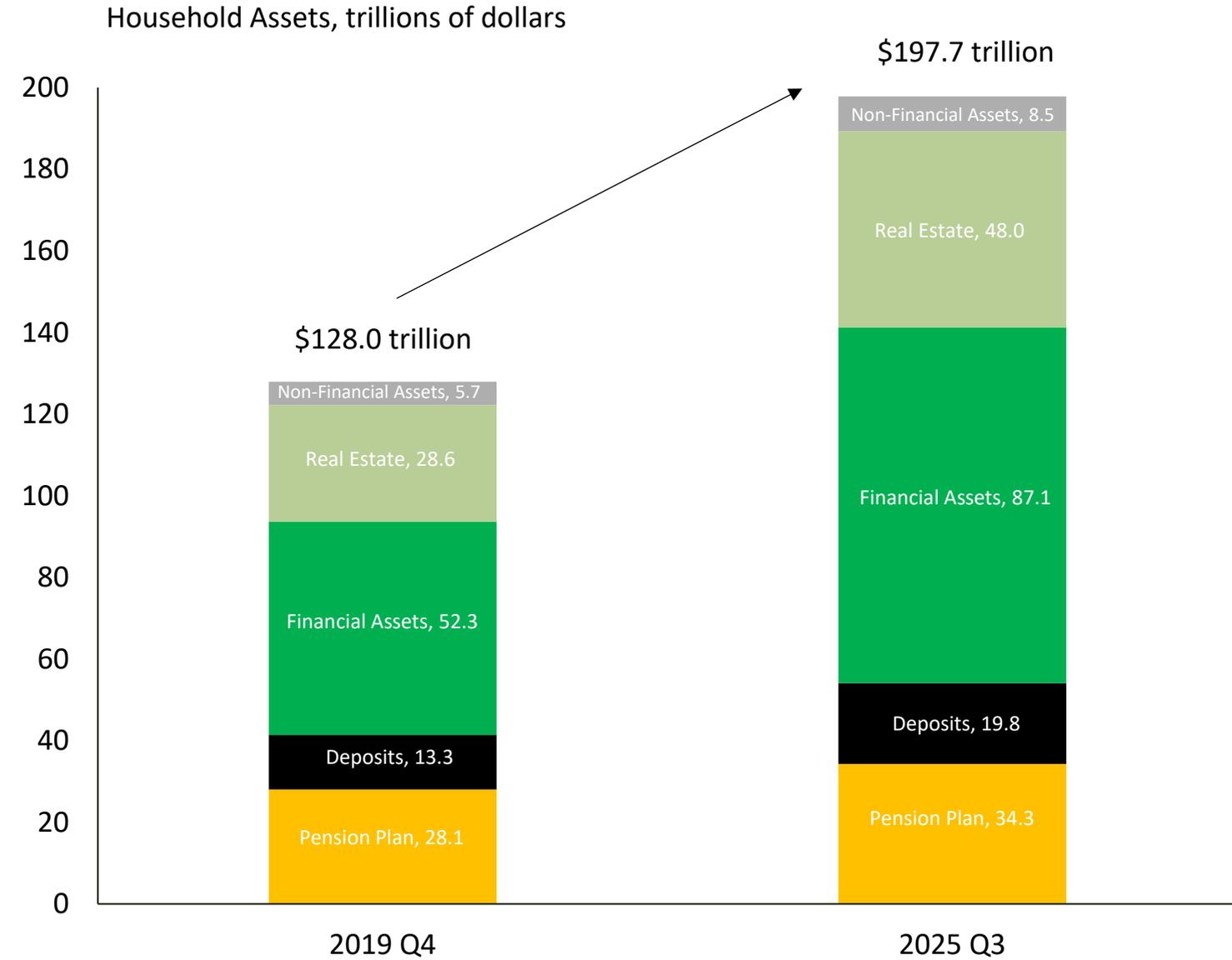


Source: National Federation of Independent Business, TD Economics.

Wealth Concentration Deepens Among Higher Income Households



Source: Federal Reserve, TD Economics.



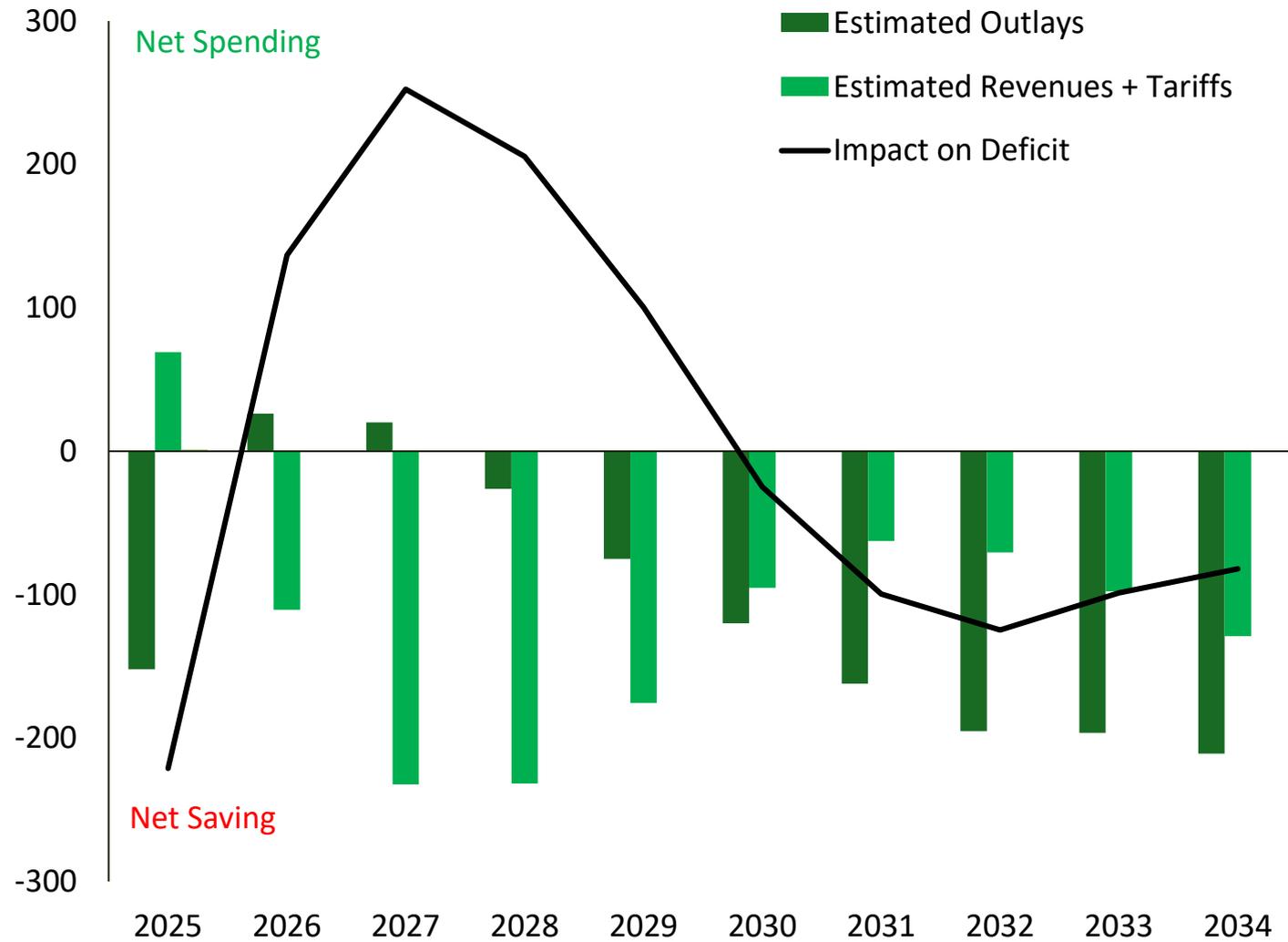
Source: Federal Reserve, TD Economics.

Notes: Financial assets include stock and debt securities, equity in non-corporate businesses and other miscellaneous assets.

OBBBA Deficit Spending a Tailwind For Households

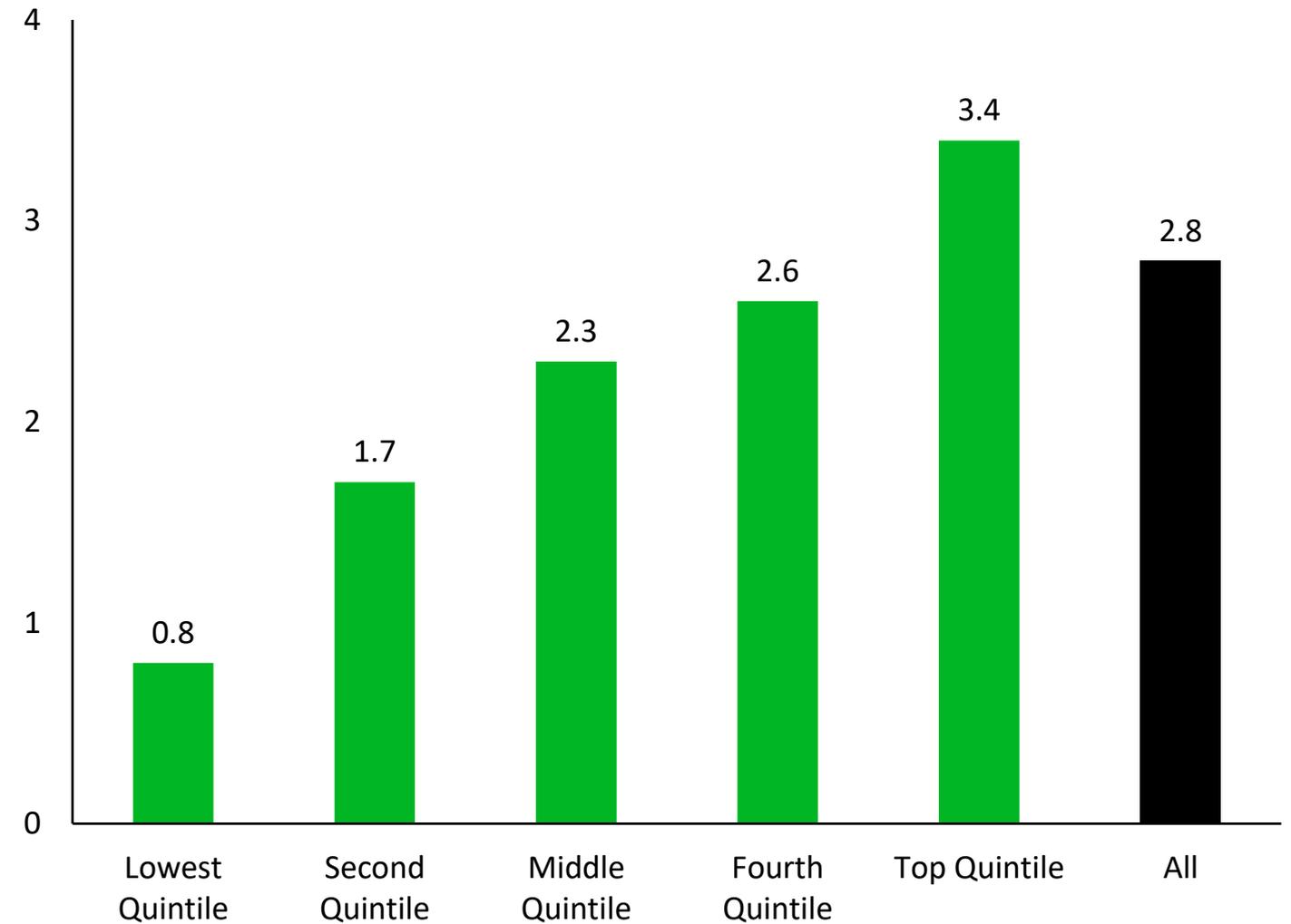


OBBBA estimated impact on U.S. deficit, billions of dollars



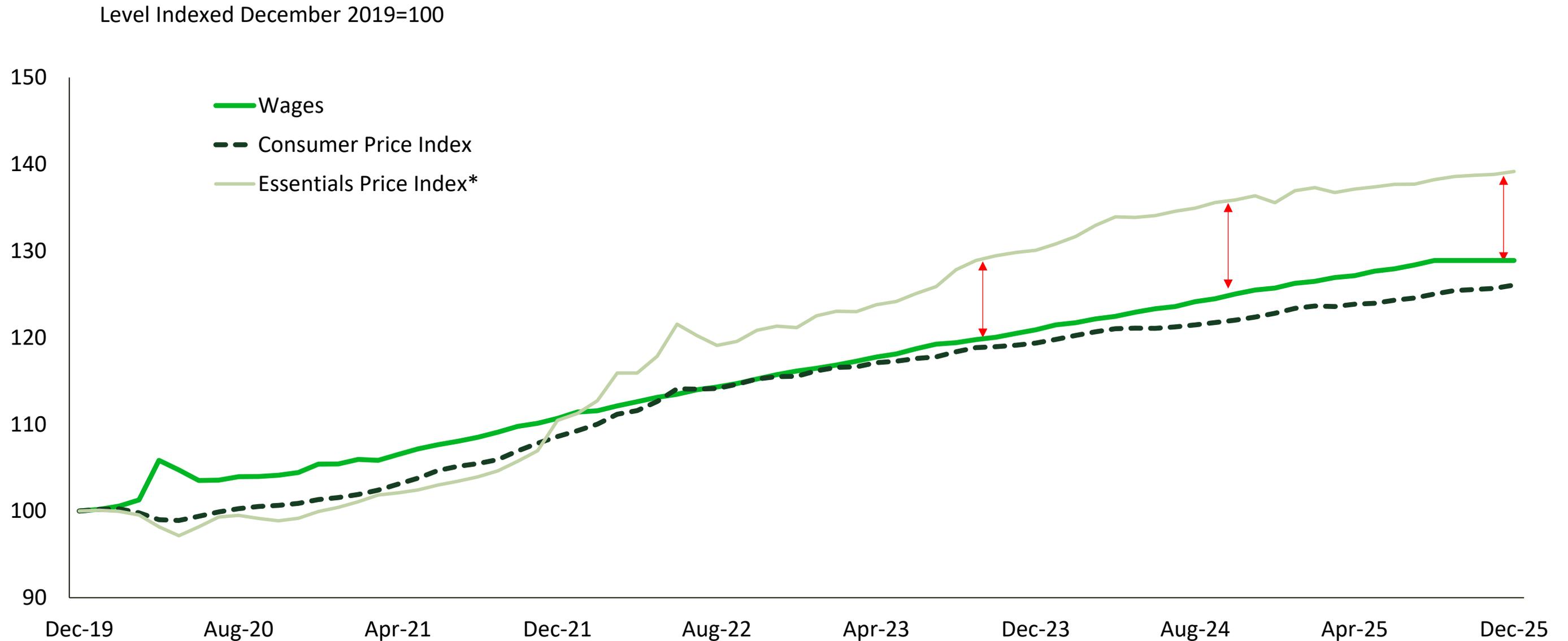
Source: Congressional Budget Office, TD Economics.

OBBBA % change in after-tax income



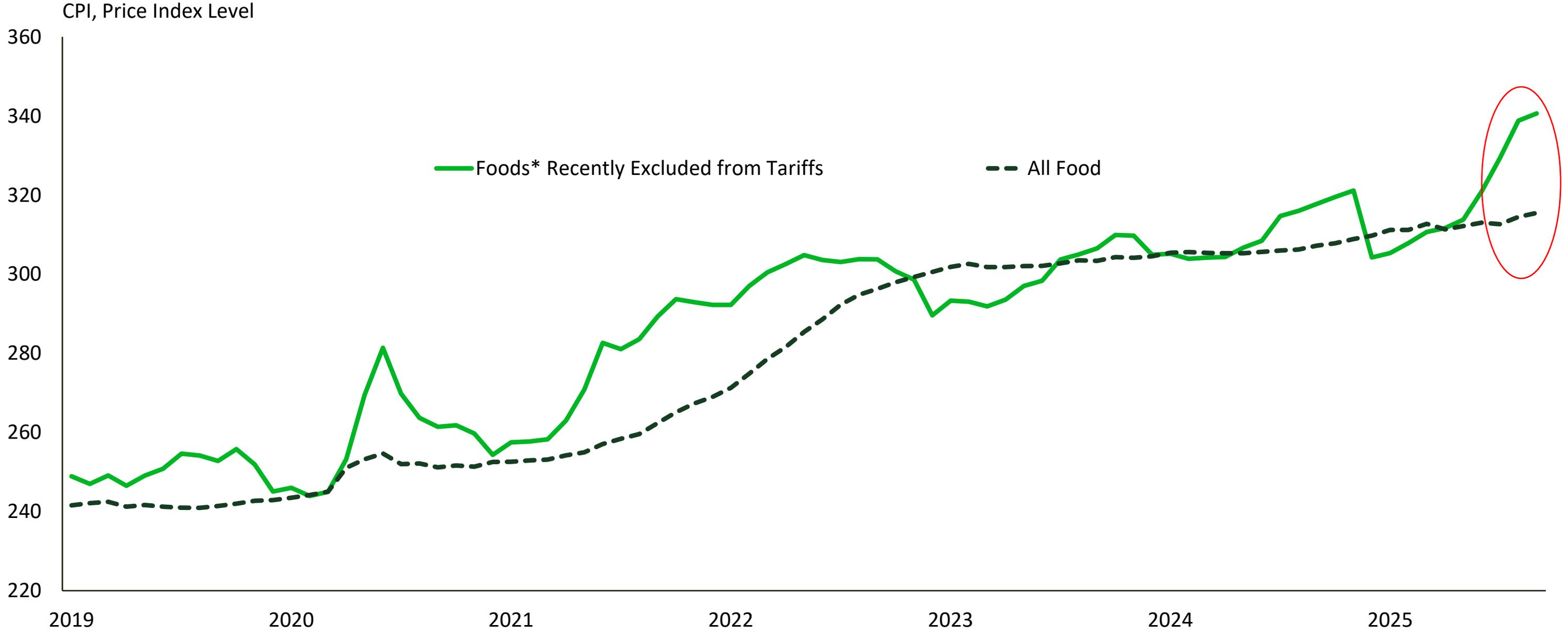
Source: Tax Policy Center, TD Economics.

Inflation Feels Higher - Wages Not Keeping Up With Essentials



*Includes rent, utilities, groceries, household supplies, child care, public transit, vehicle operation, health insurance and medical needs, cell phone and home internet
Source: BLS, TD Economics.

Policy Shift #1 – Tariffs Removed On 200+ Food Items

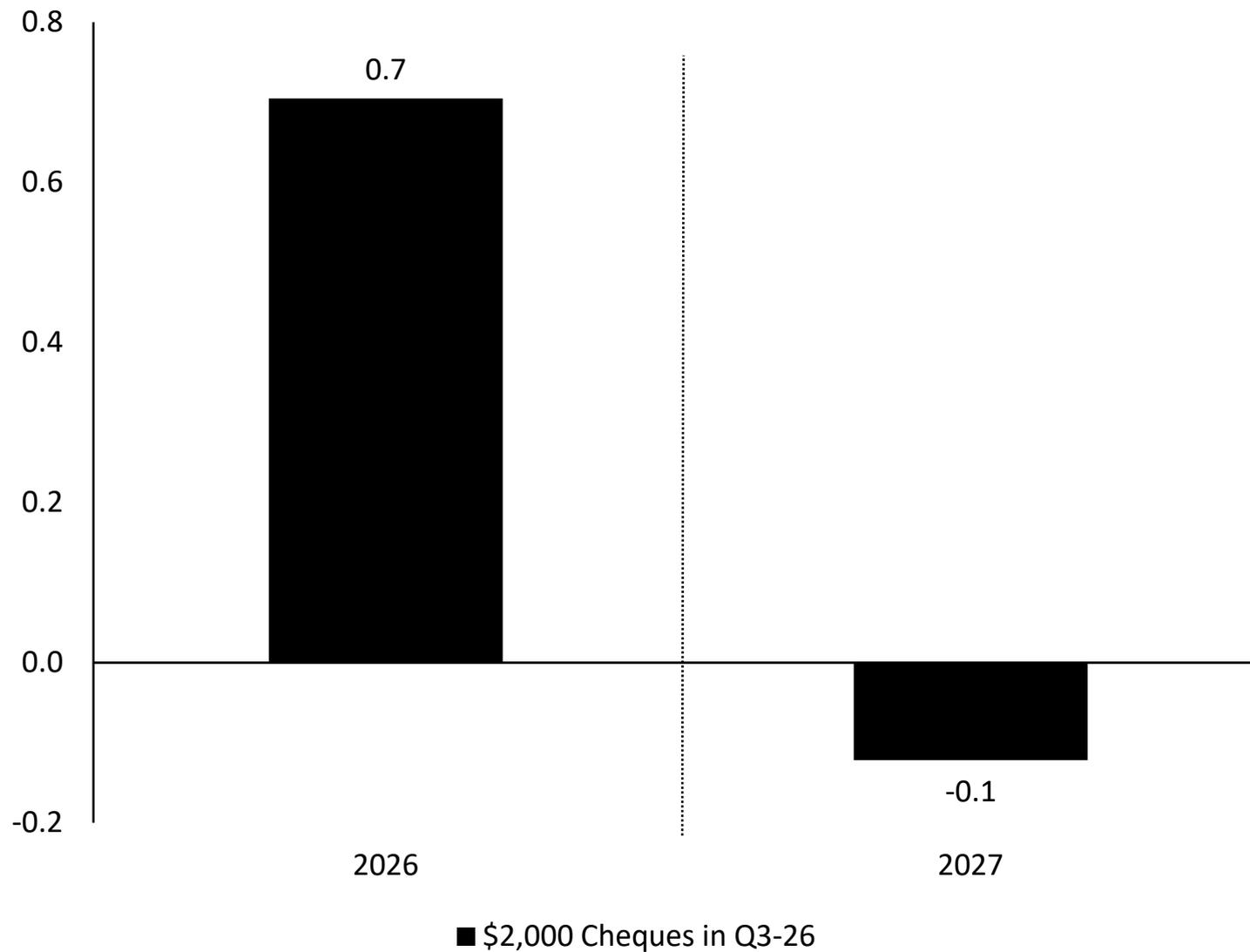


*Beef, coffee, bananas, tomatoes, citrus fruits, other beverages including tea, nonfrozen noncarbonated juices & drinks. Source: U.S. Bureau of Labor Statistics, TD Economics.

Policy Shift #2 – Housing Affordability and "Tariff Dividends"

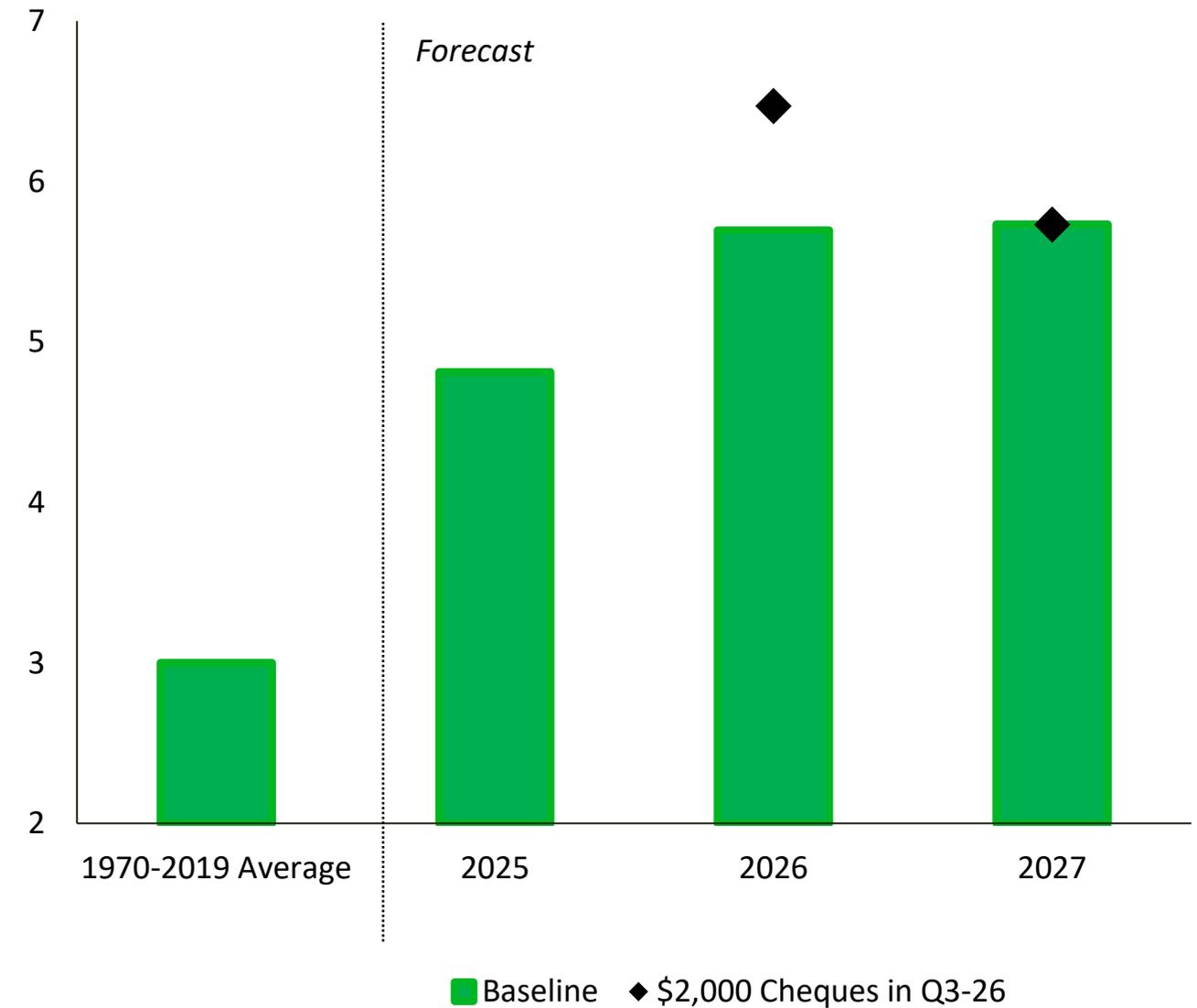


Real PCE Q4/Q4 Difference From Baseline, Percentage Points



Source: Bureau of Economic Analysis, TD Economics.

Deficit Measured as Share of GDP, %

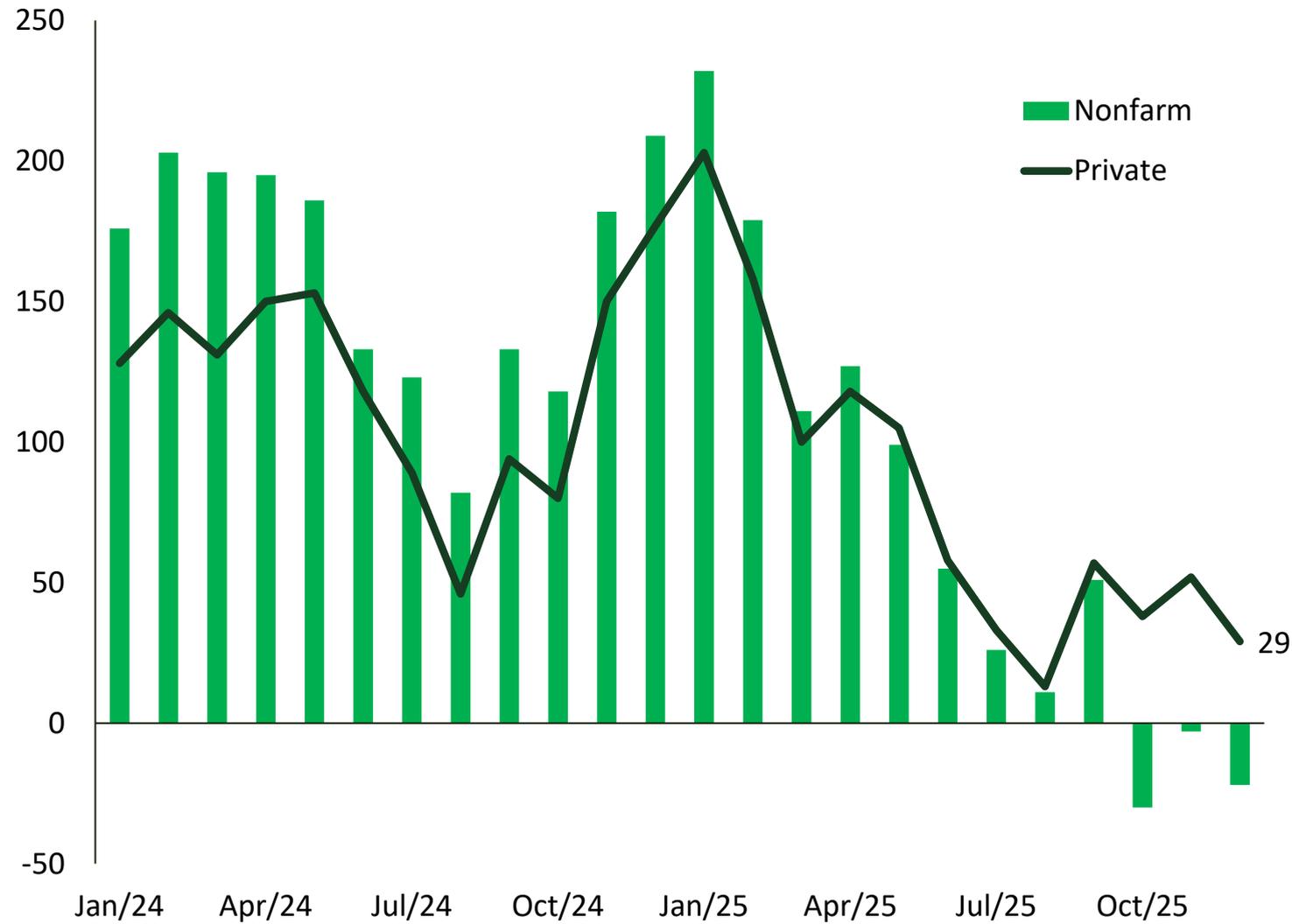


Source: Congressional Budget Office, TD Economics.

Labor Market Cooled Considerably in 2025

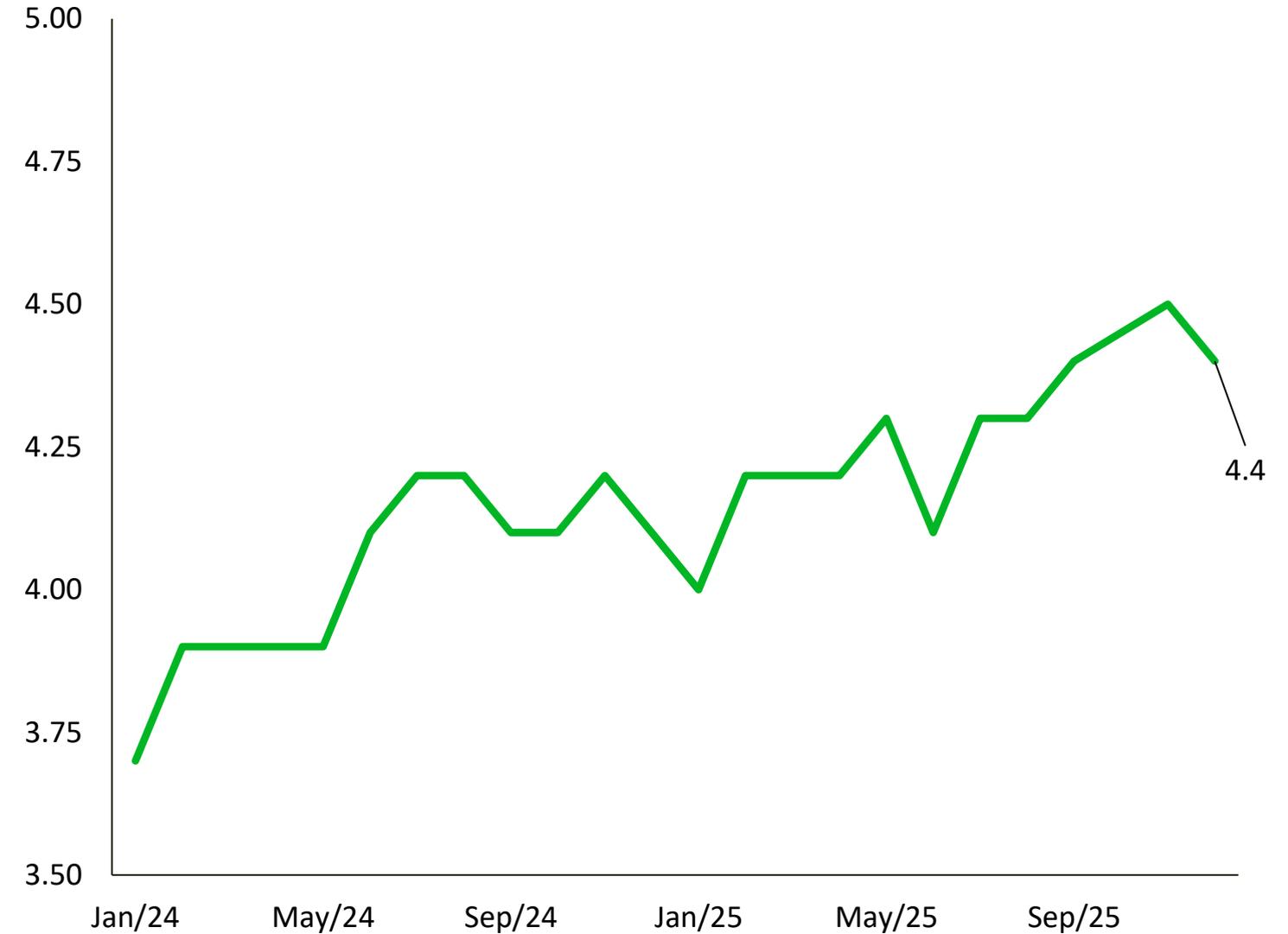


Change in Monthly Employment (3-Month Moving Average), thousands



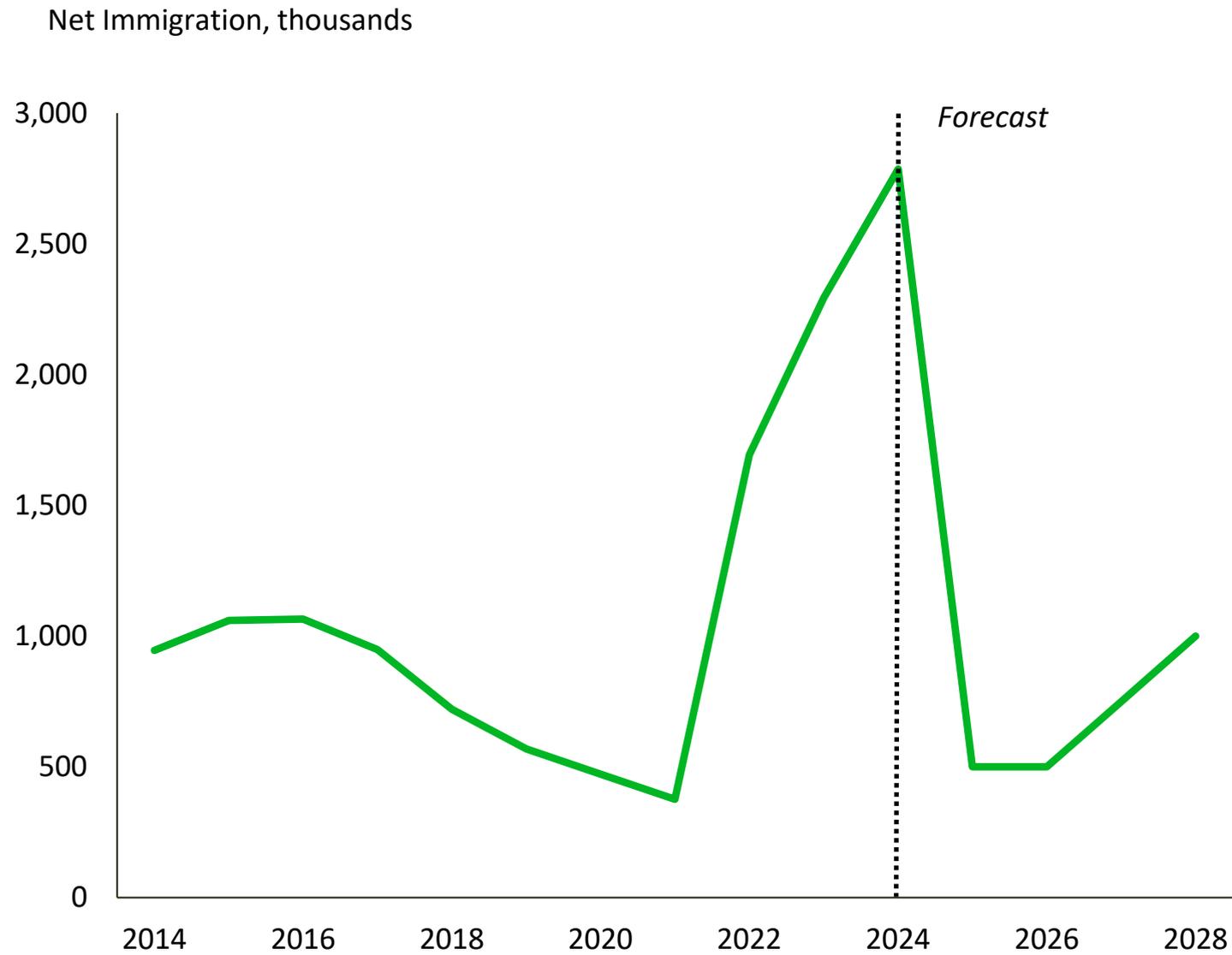
Source: Bureau of Labor Statistics, TD Economics.

Unemployment Rate, %

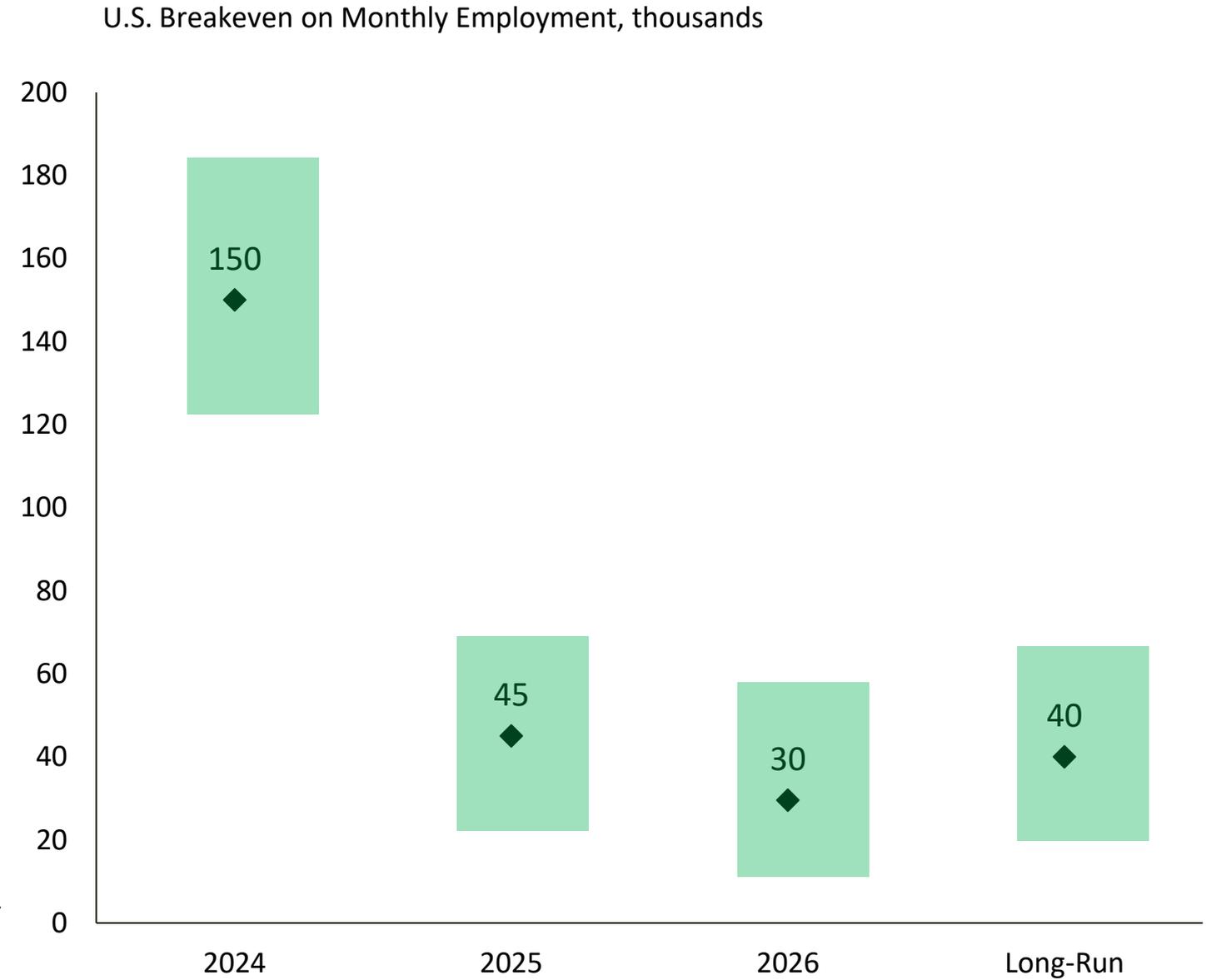


Source: Bureau of Labor Statistics, TD Economics.

Tighter Immigration Has Constrained Labor Supply



Source: Census Bureau, TD Economics.

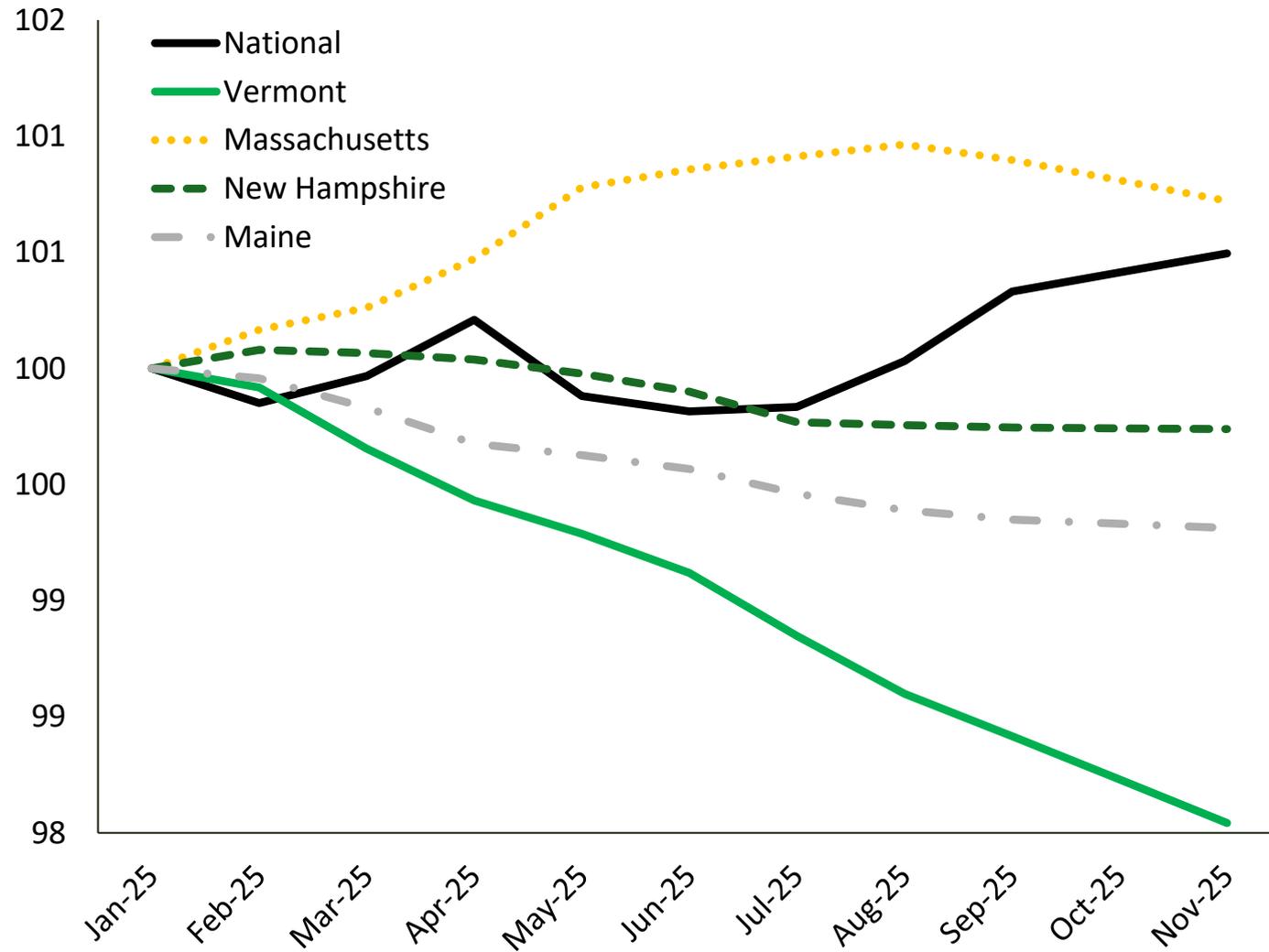


Source: Bureau of Labor Statistics, TD Economics.

Vermont's Demographics Hit by Multiple Headwinds

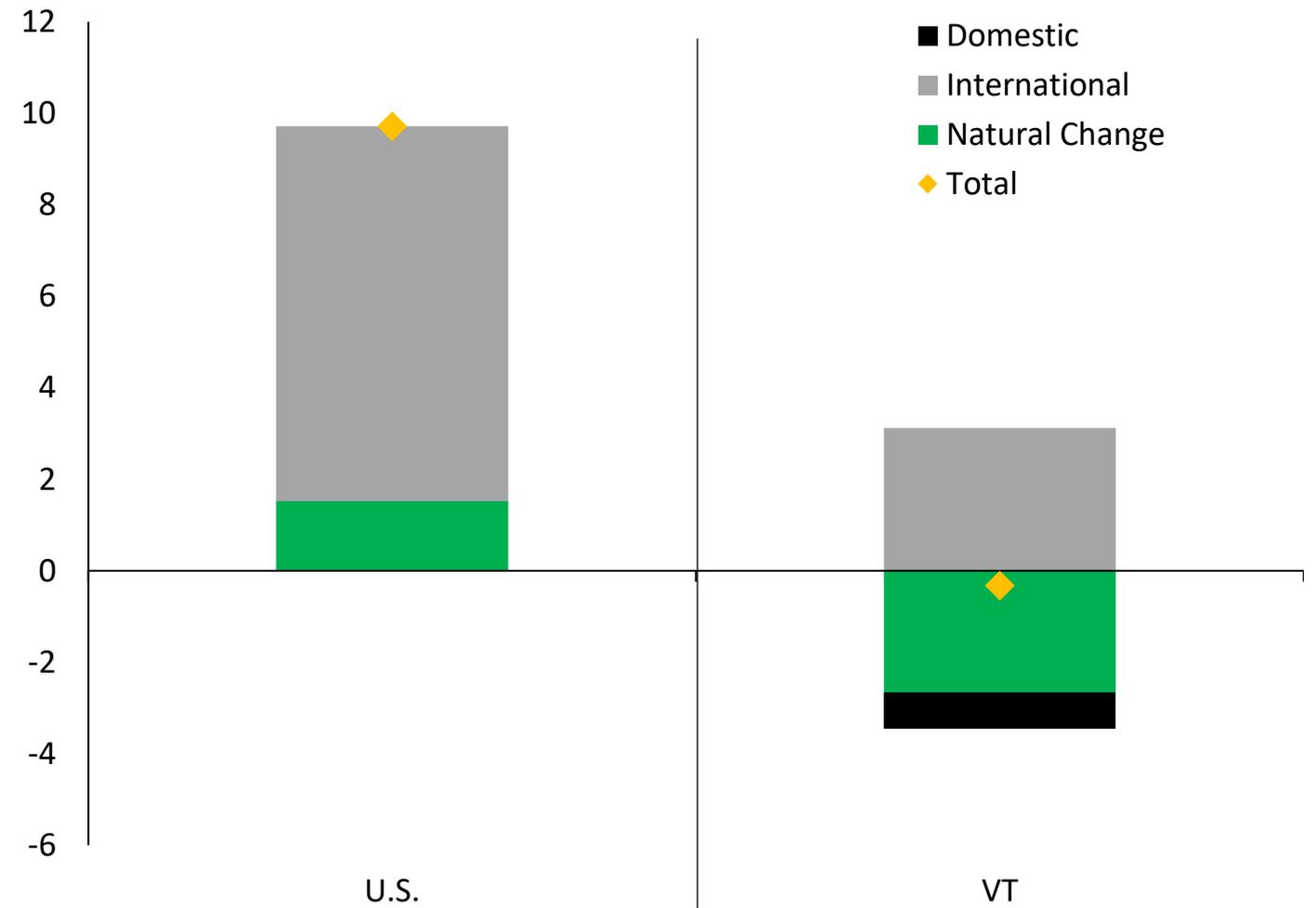


Labor Force, Index (January 2025=100)



Source: Bureau of Labor Statistics, TD Economics.

Components of 2024 Population Change (Per 1,000 Residents)

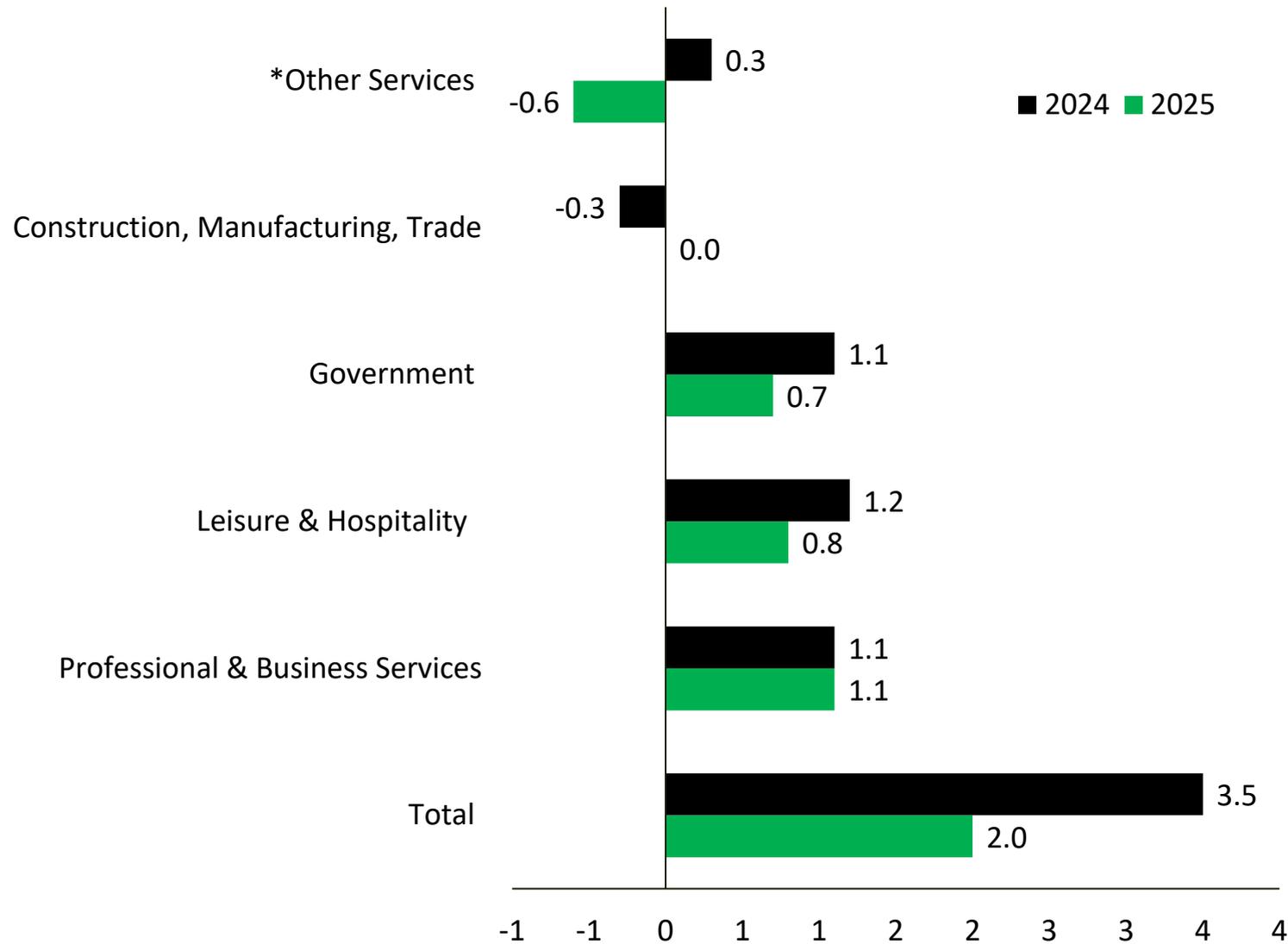


Source: U.S. Census Bureau, TD Economics.

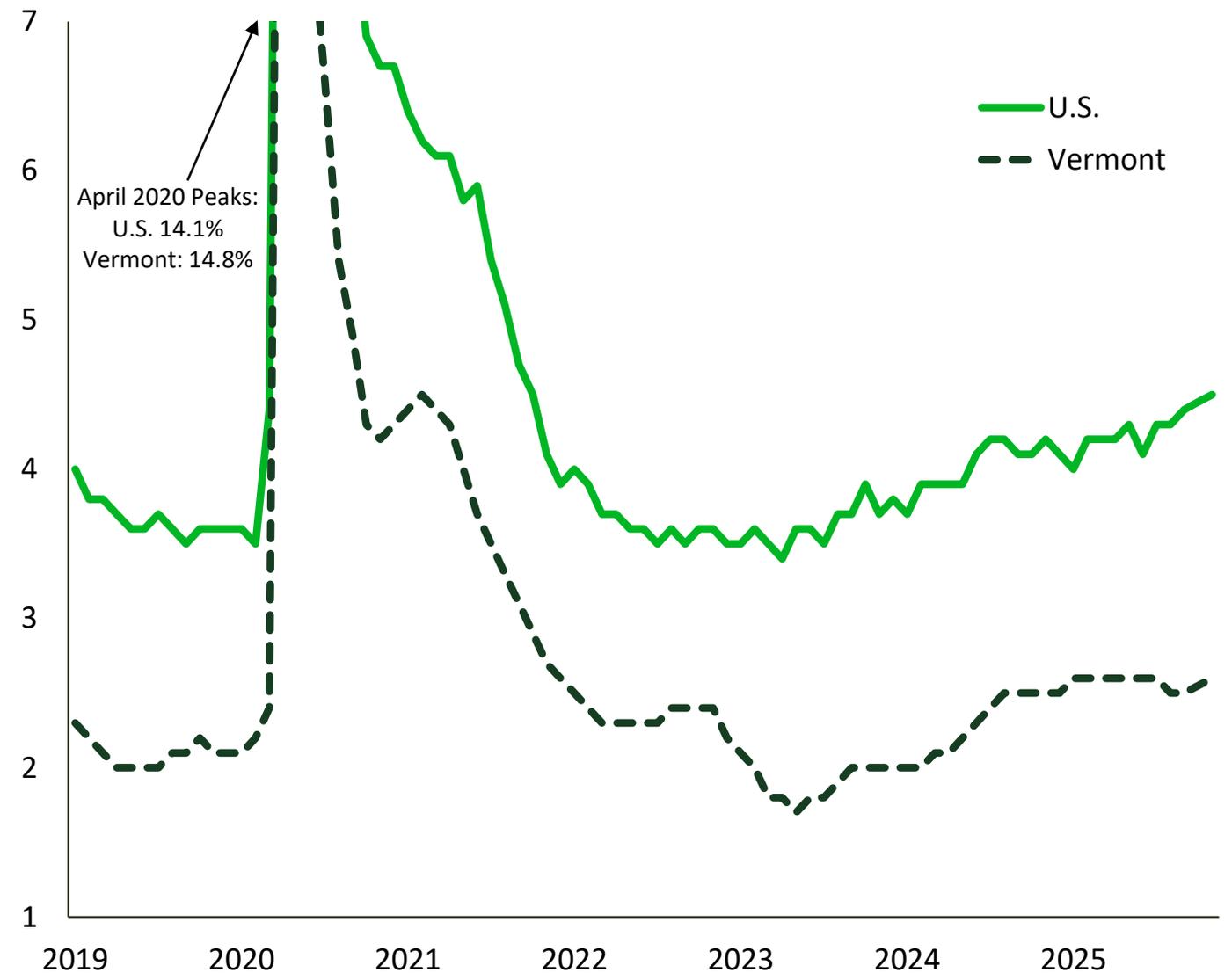
Vermont's Job Market Has Also Cooled



Vermont Employment By Industry, November Year/Year Difference, thousands



Unemployment Rate, %



Source: Bureau of Labor Statistics, TD Economics.

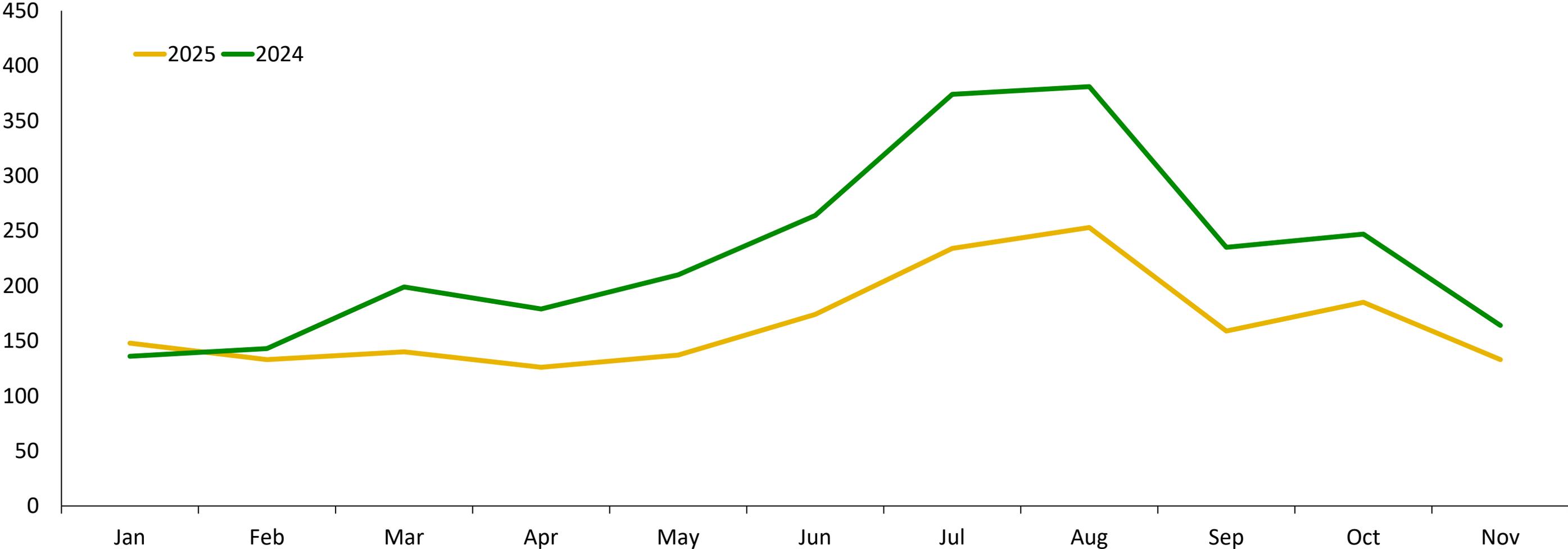
* Includes financial, information technology, health care & social assistance and other personal services.

Source: Bureau of Labor Statistics, TD Economics.

Greater Exposure to Tourism a Headwind for Vermont's Economy

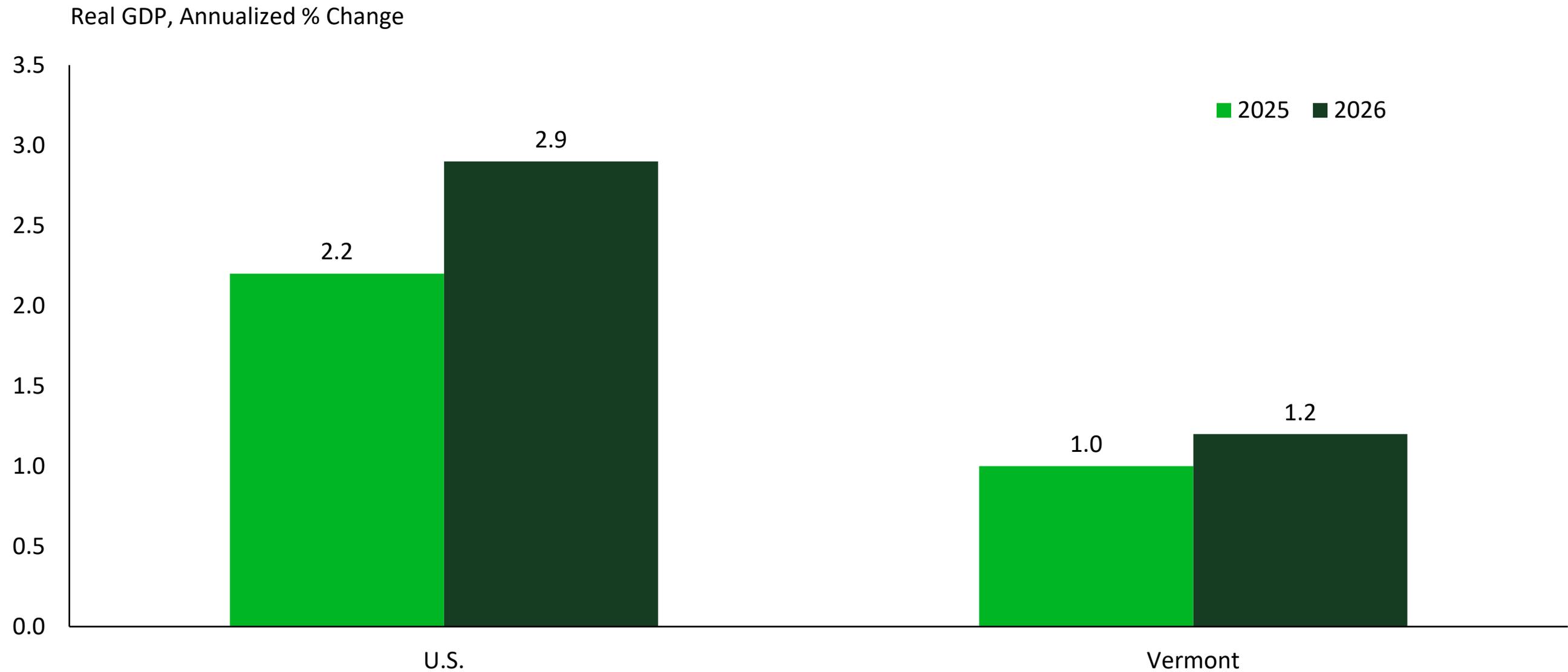


Monthly International Traveler Arrivals to Vermont, Thousands



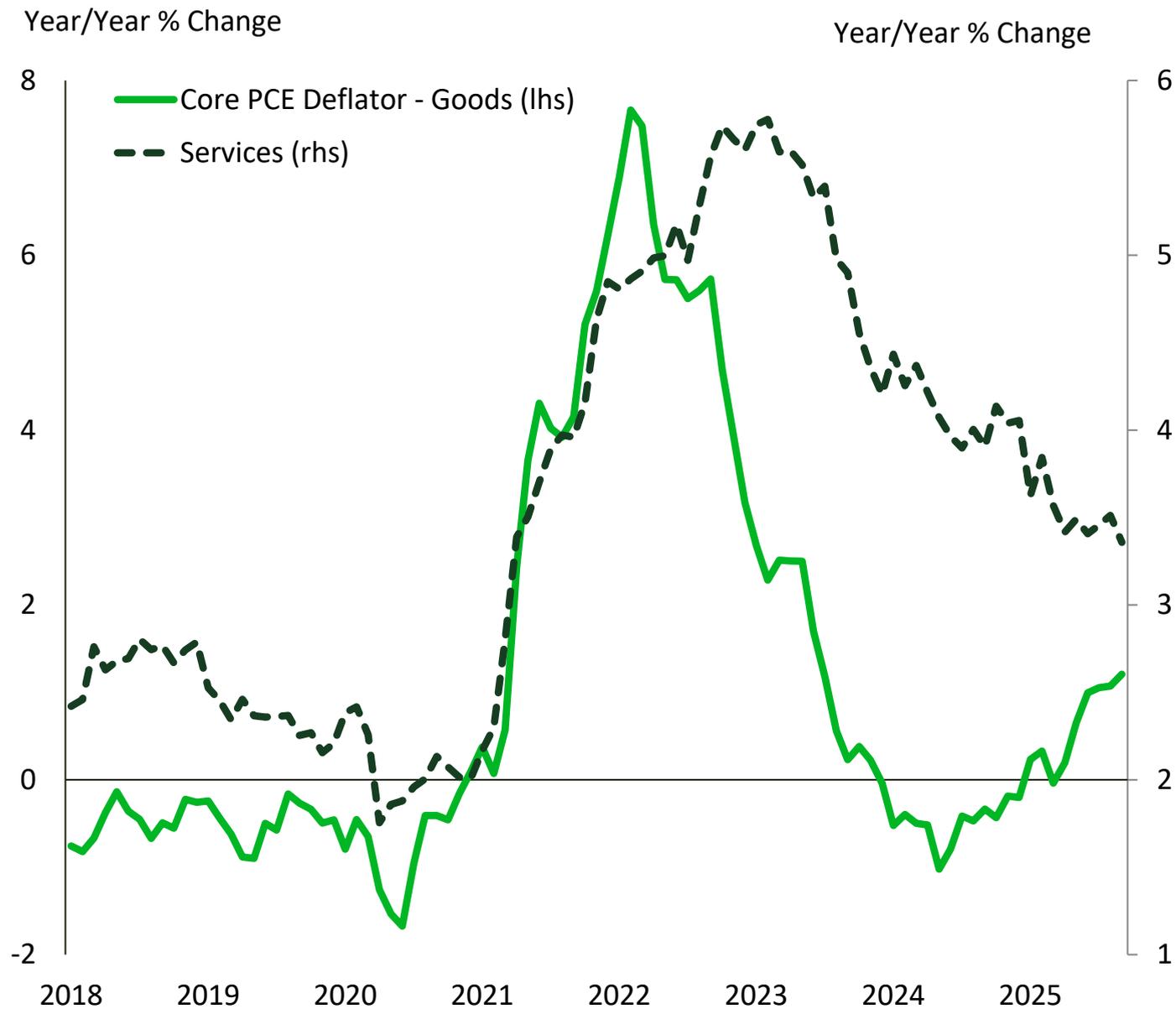
Source: U.S. Customs & Border Protection, TD Economics.

Vermont Economy Expected to Underperform the Nation

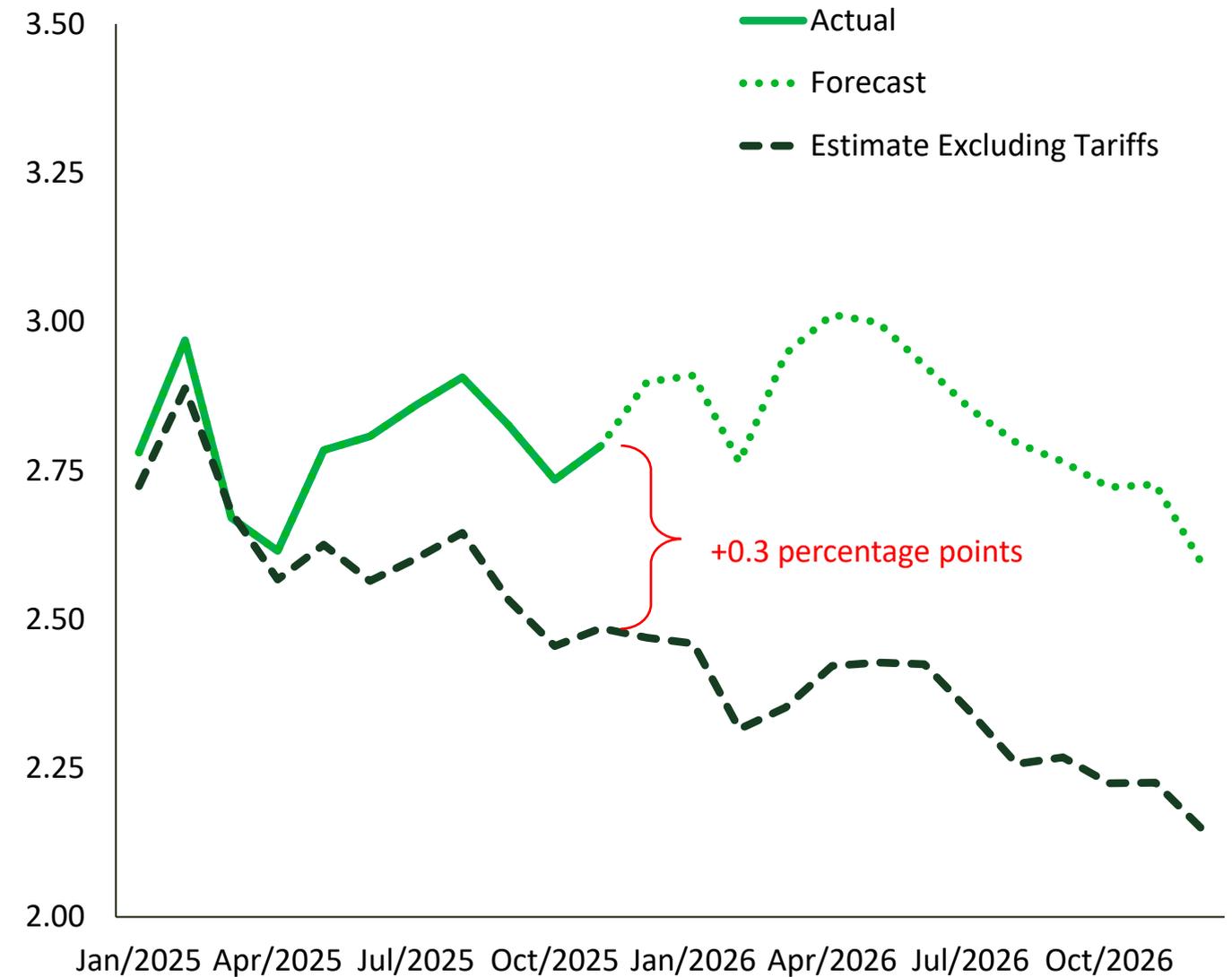


Source: Bureau of Economic Analysis, TD Economics.

Tariff Pass-Through Keeping Upward Pressure on Inflation



Core PCE Inflation, Year/Year % Change



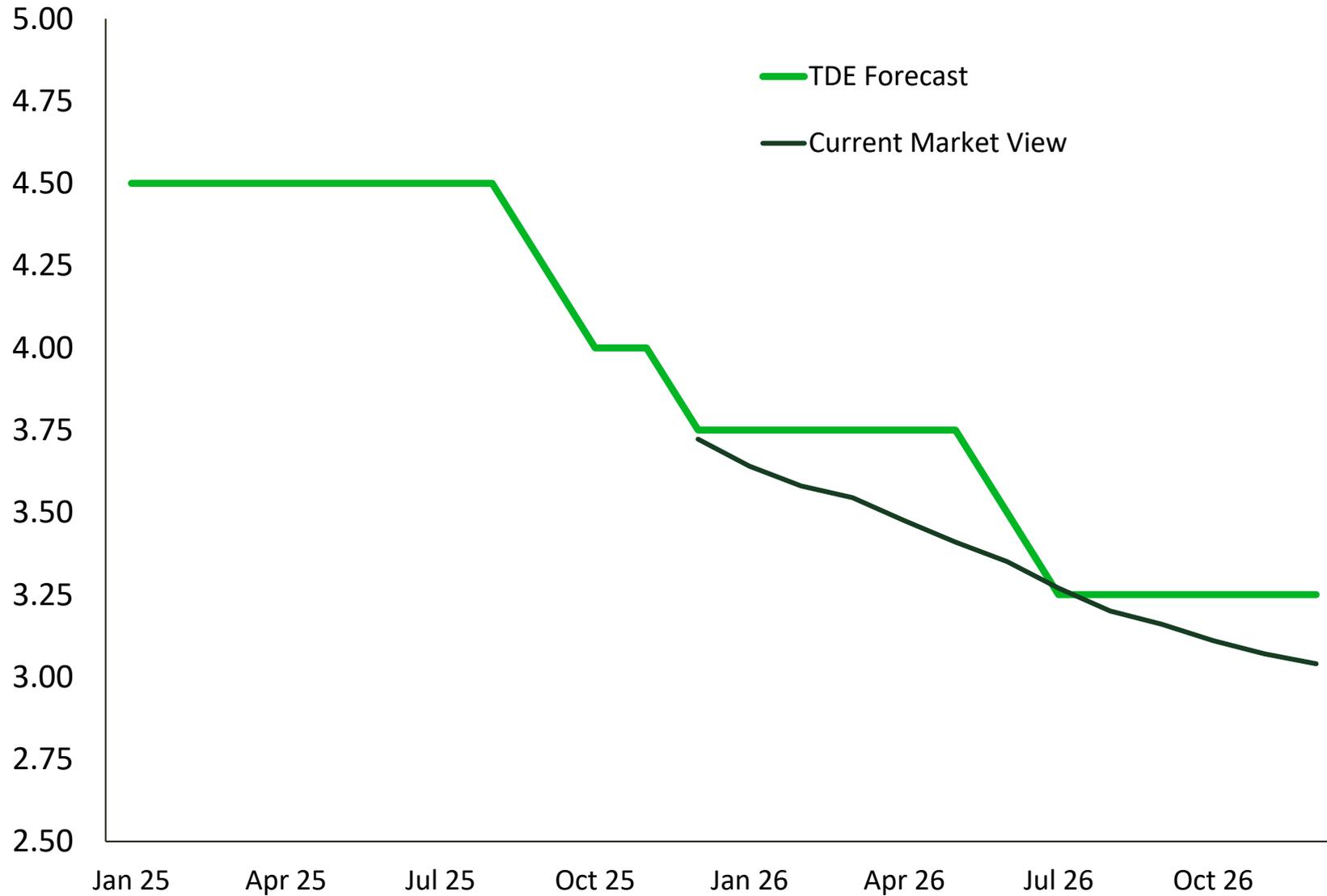
Source: Bureau of Economic Analysis, TD Economics.

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Path Toward Neutral Means More Room For Dollar Downside

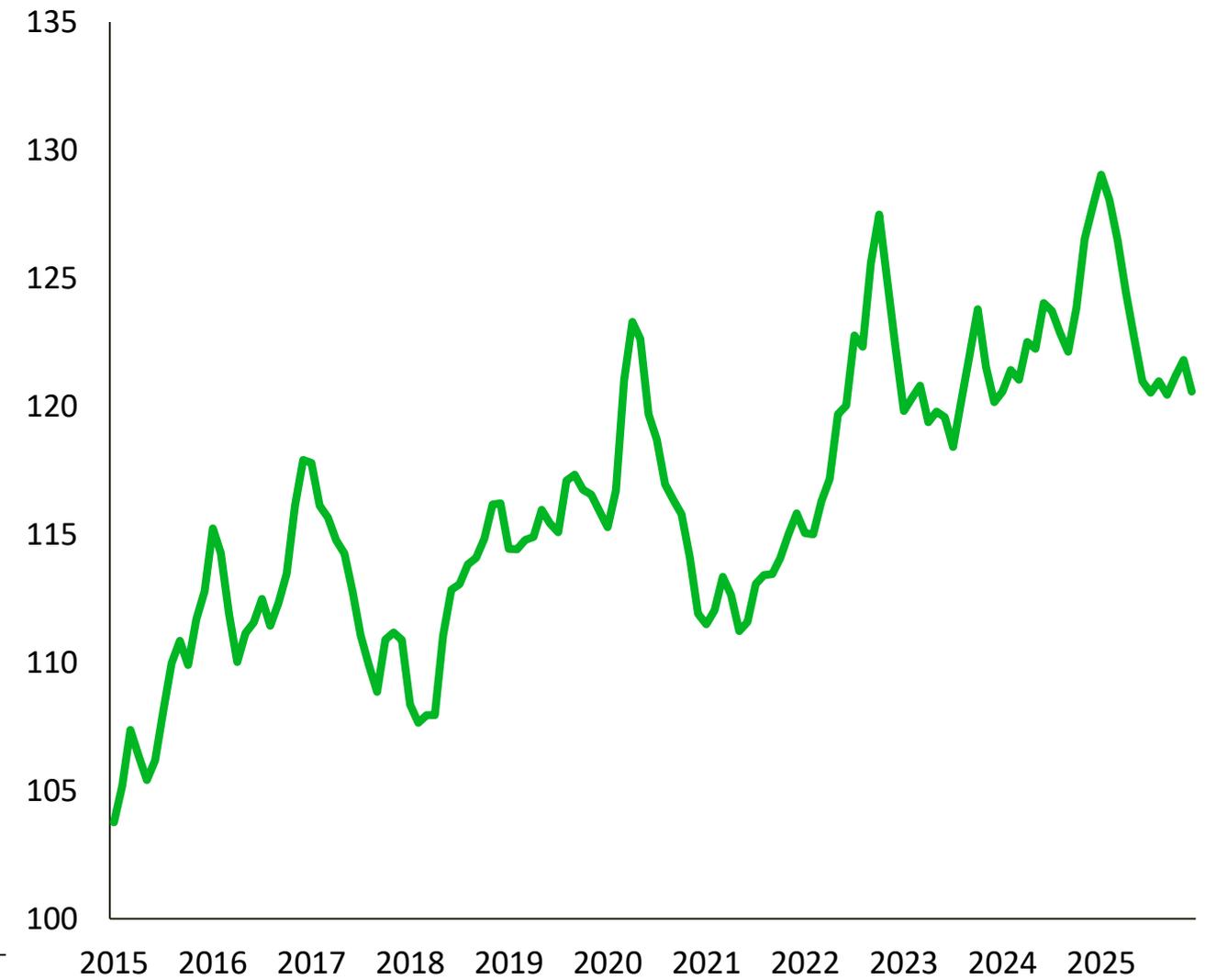


U.S. Federal Funds Rate Futures, Yields (%)



Note: Monthly data. Source: Bloomberg, TD Economics.

U.S. Broad Trade Weighted Dollar, Index



Source: Federal Reserve Board, TD Economics.



Website: economics.td.com

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