

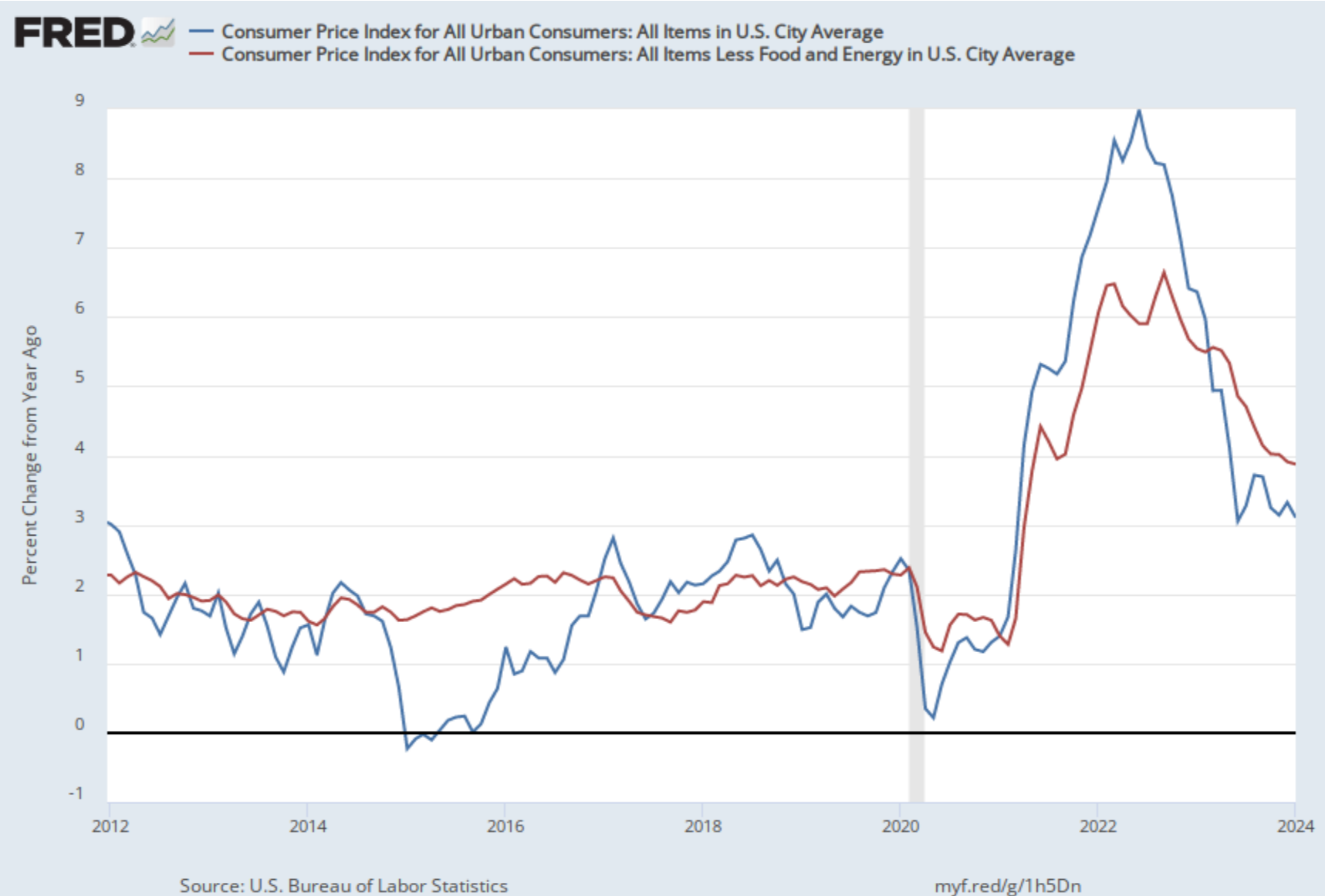
Economic outlook

Dr. Ira Kalish

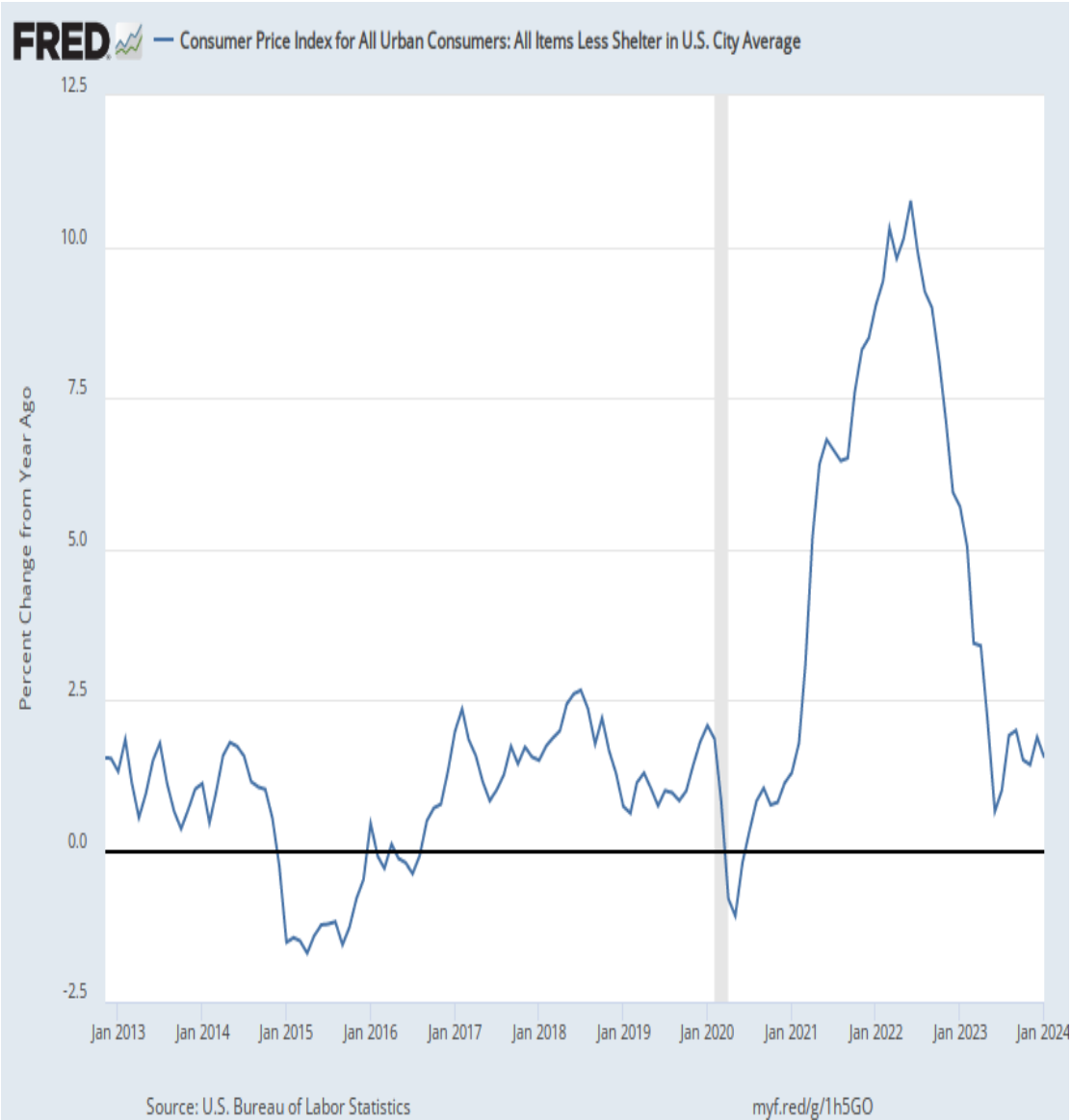
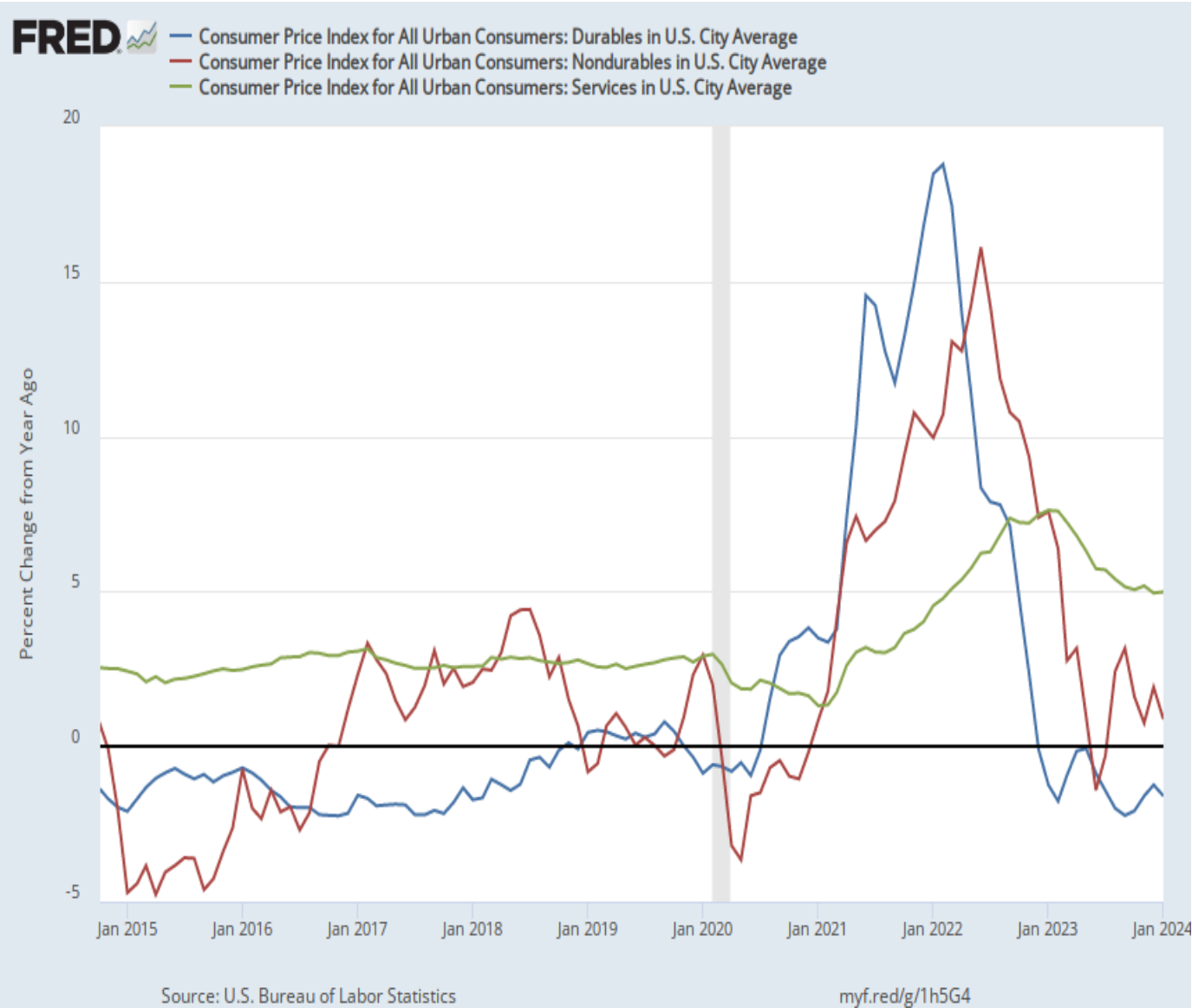
Chief Global Economist



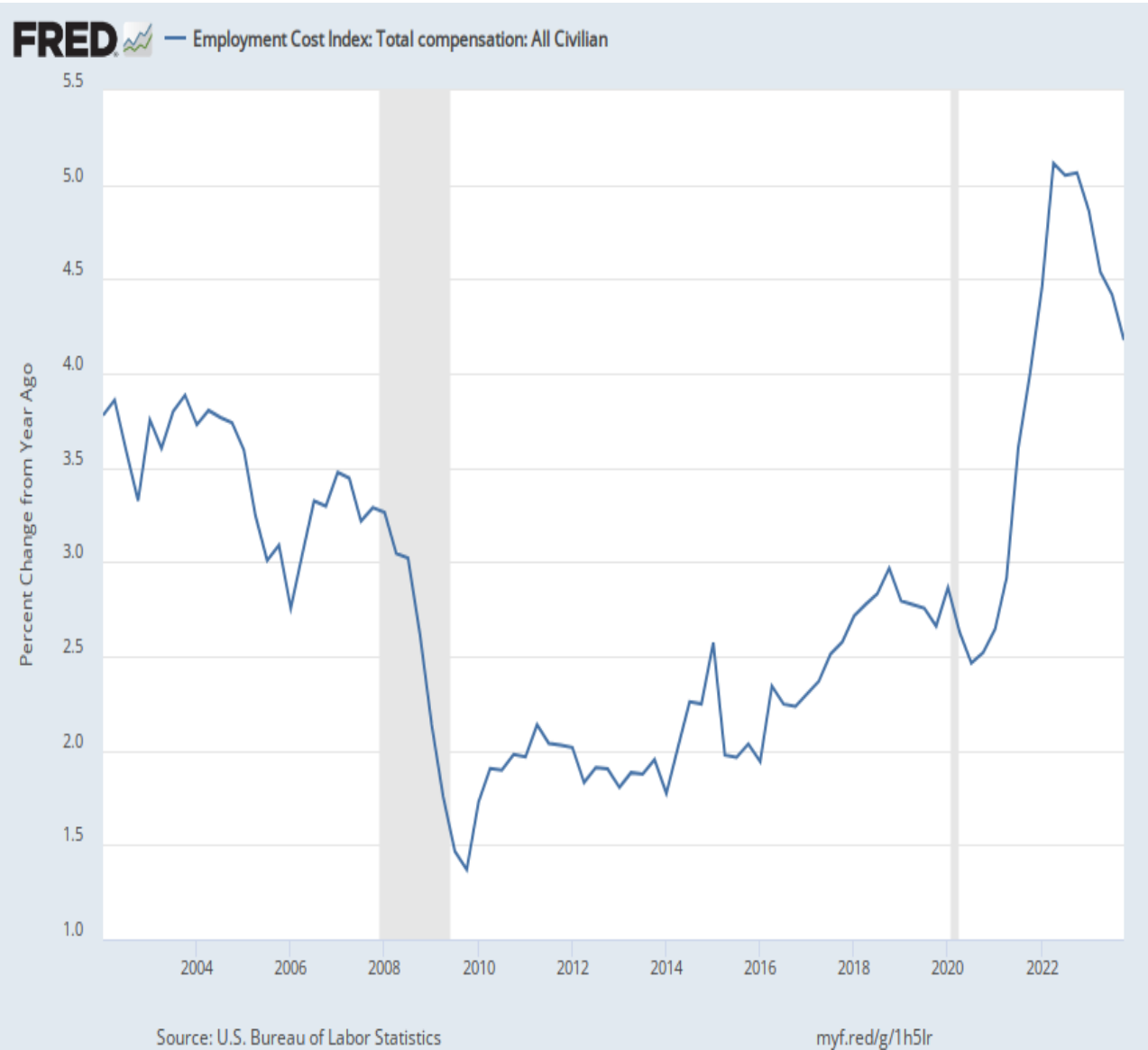
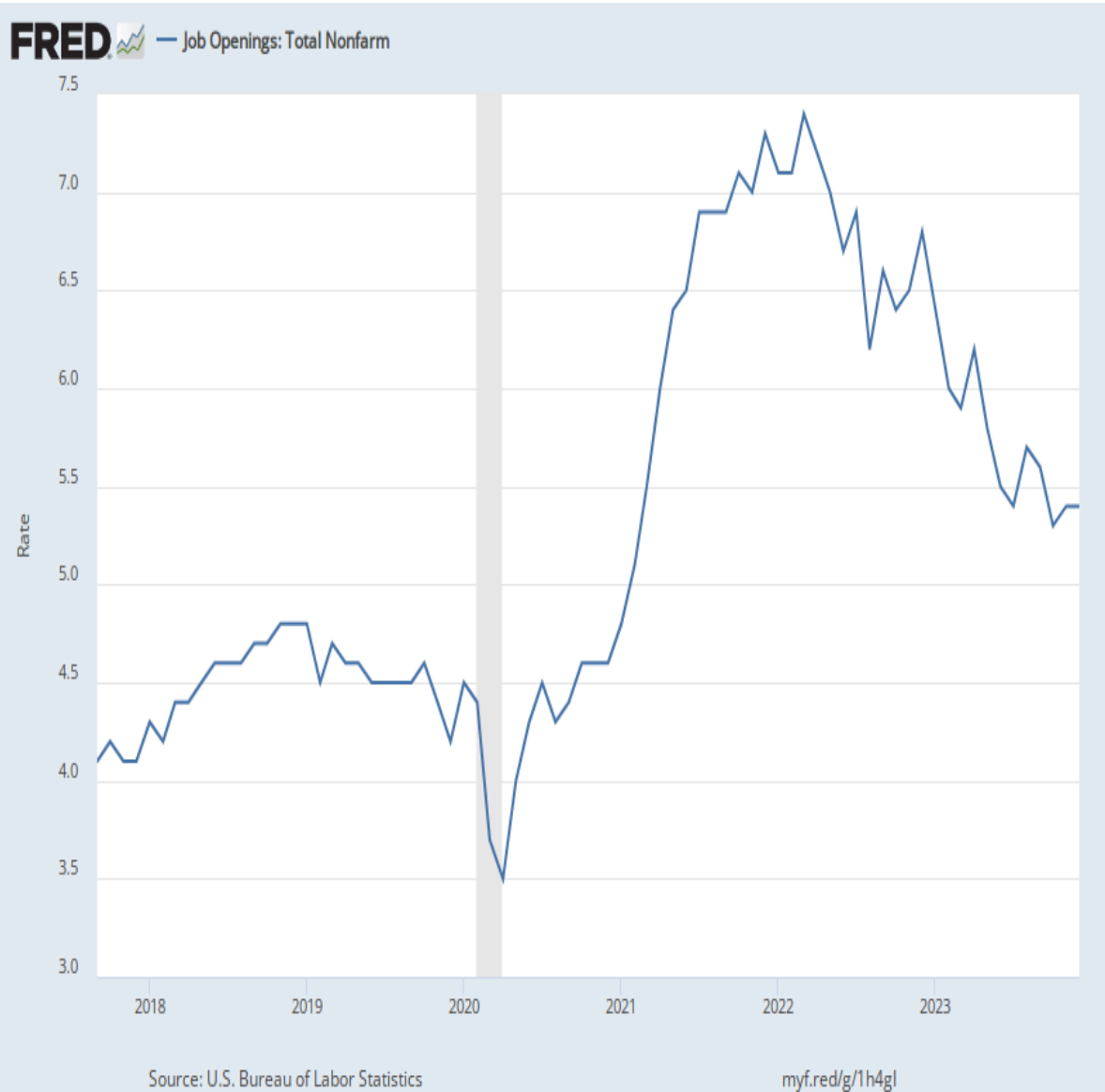
Inflation



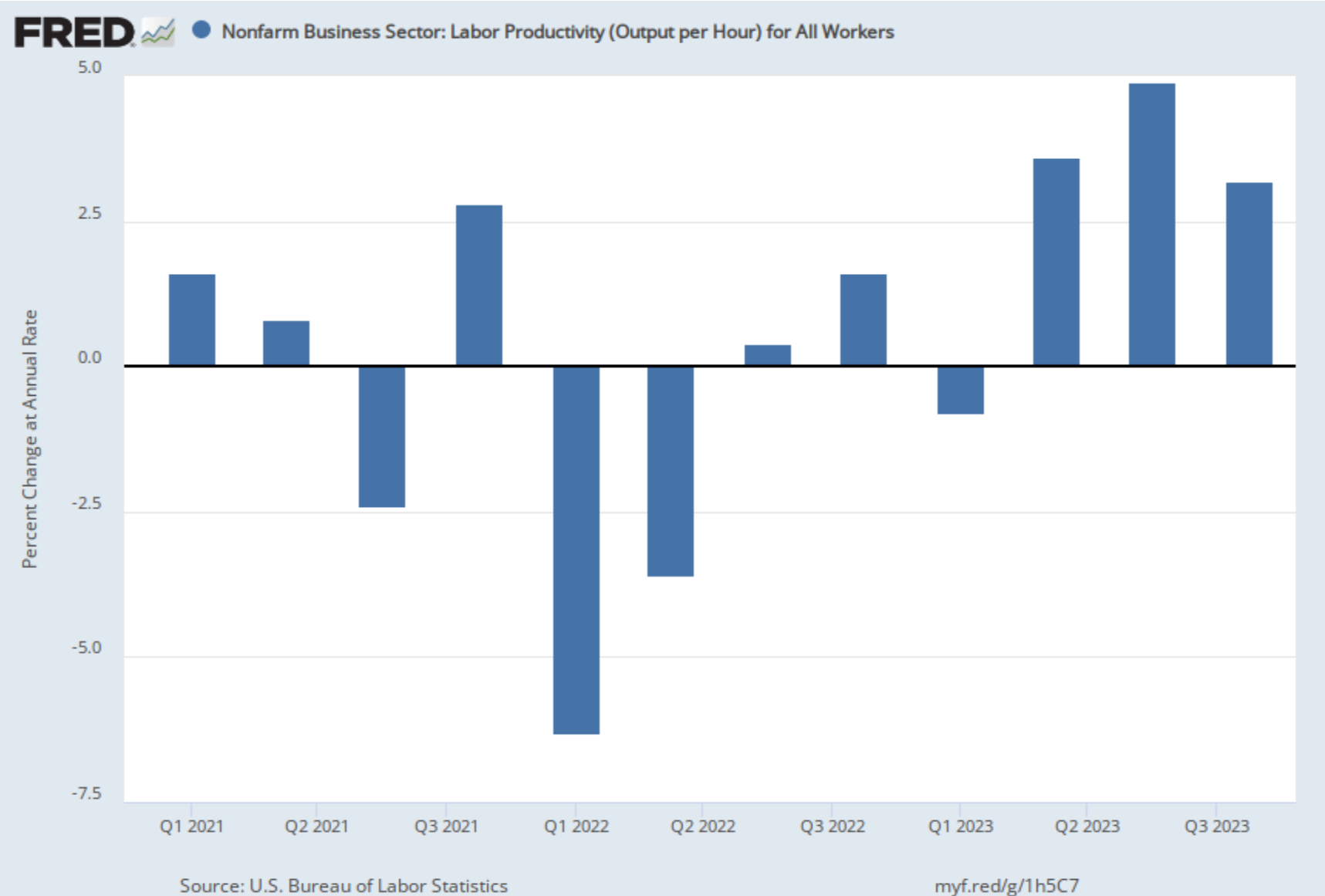
Inflation details



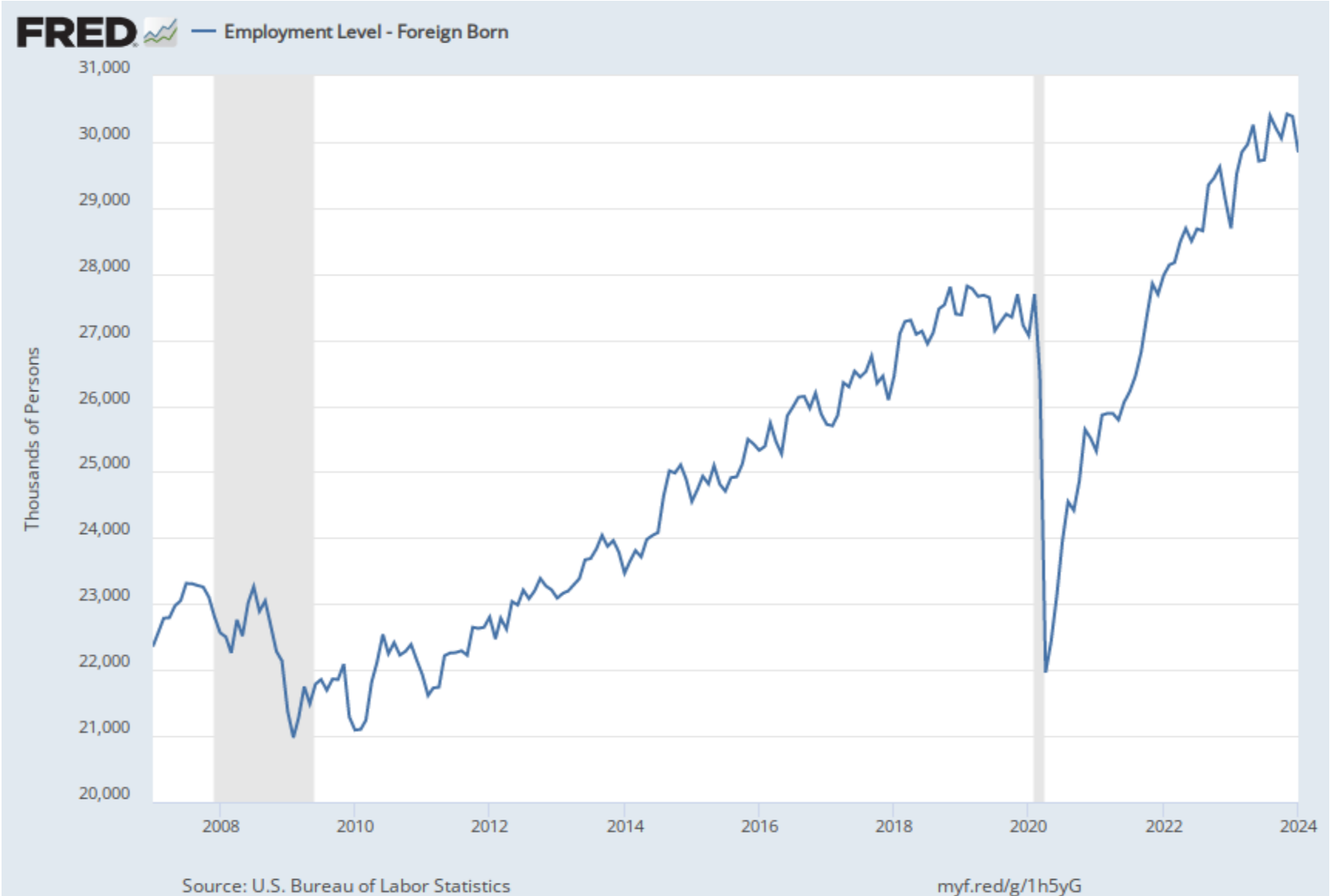
Labor market conditions



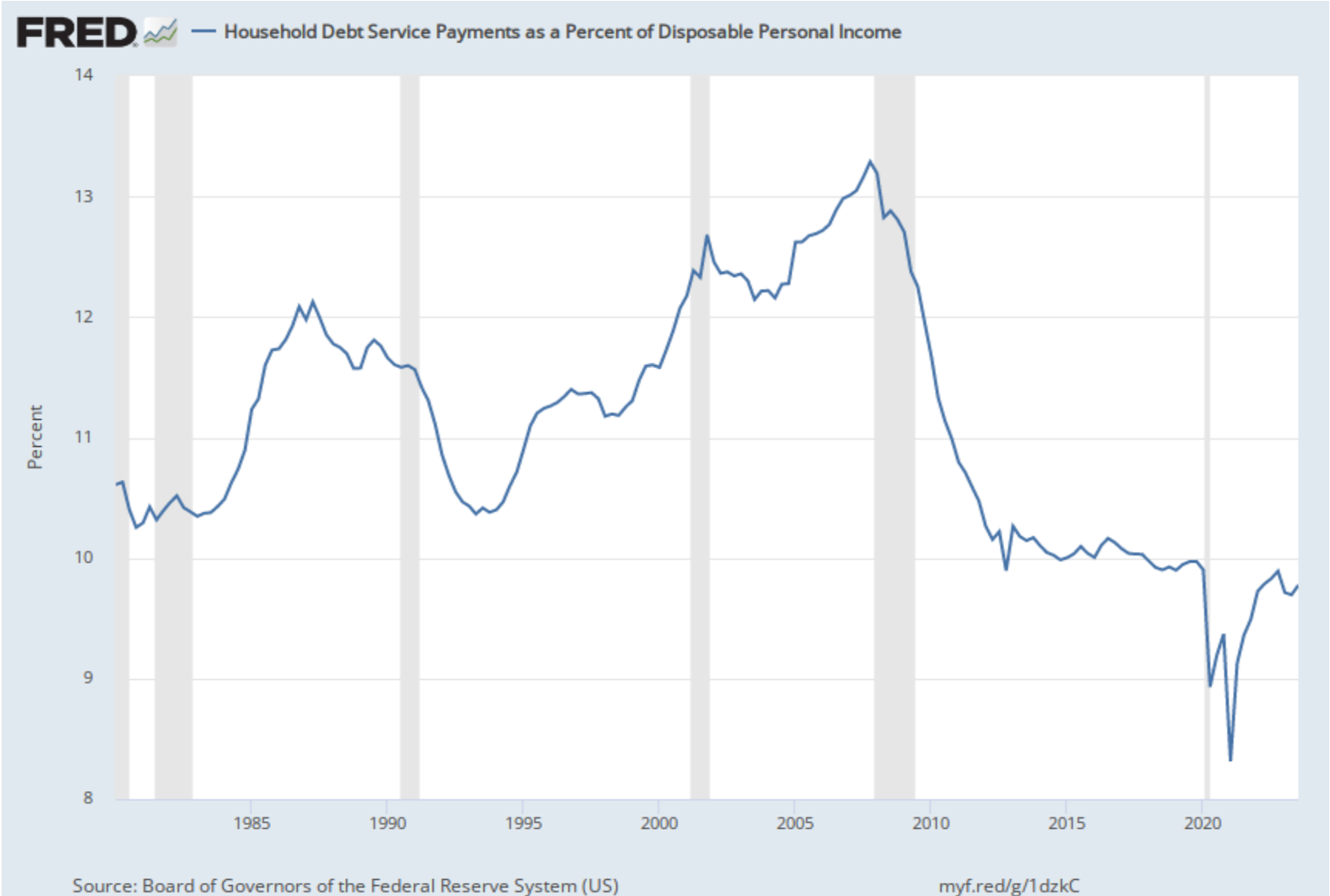
Labor productivity



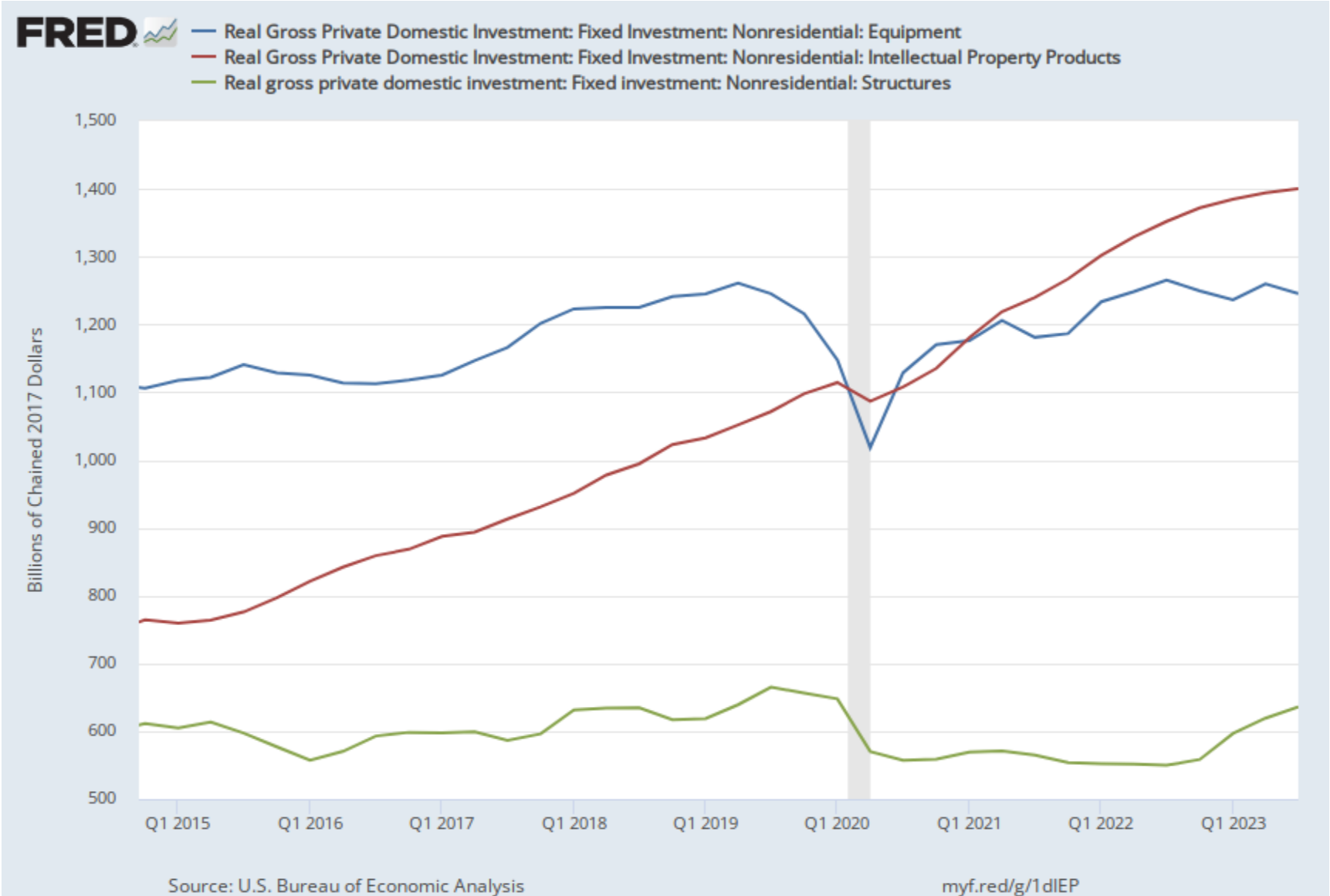
Immigration



Household debt service payments as share of disposable income



Business investment



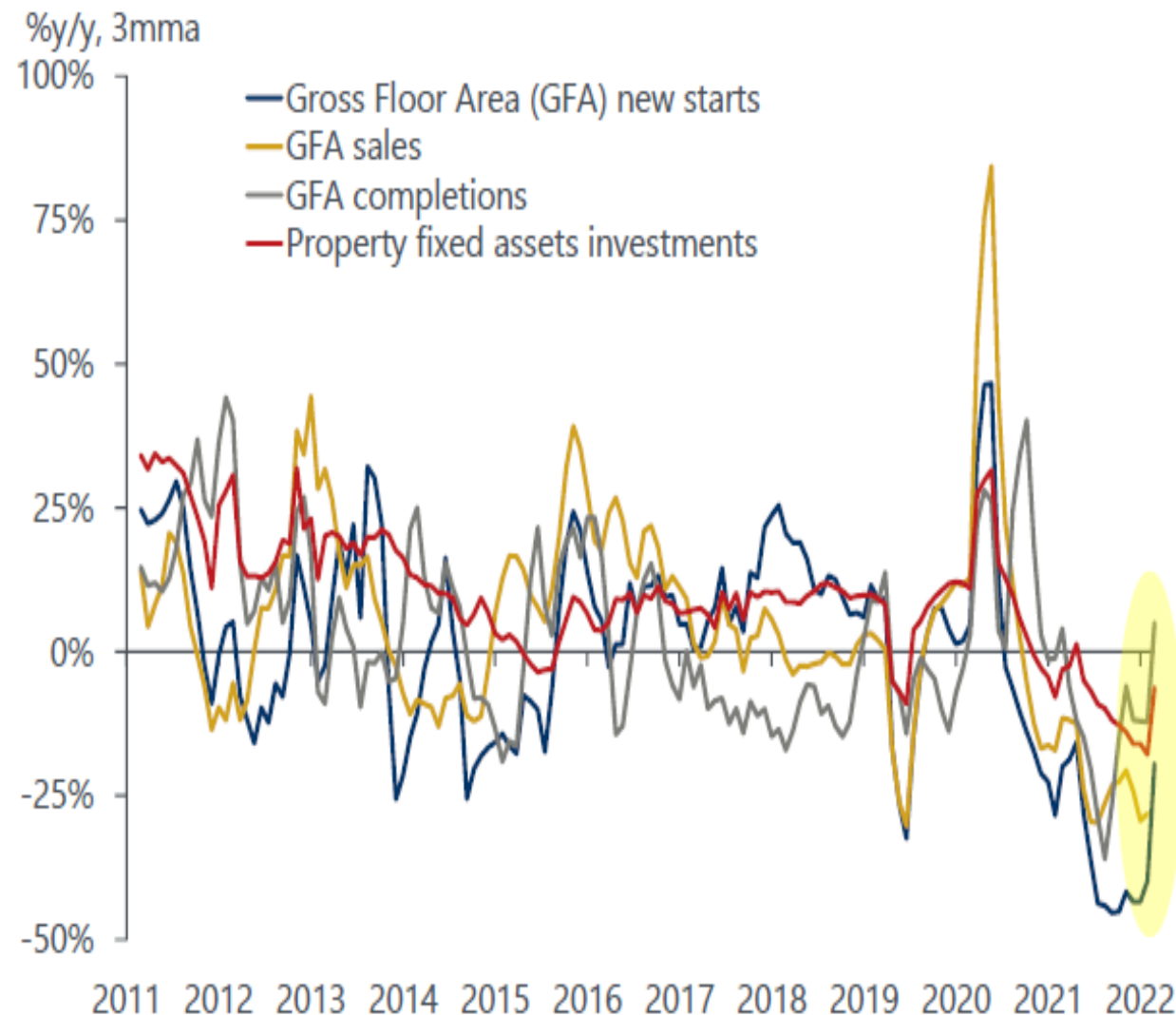
Resilient US economy in 2024

- Consumer balance sheets strong
- Mortgage payments immune to higher mortgage rates
- Growing employment
- Rising real wages
- Business investment strong due to:
 - Improved credit conditions
 - Plenty of cash
 - Long-term financing
 - Impact of CHIPS Act and Inflation Reduction Act

China faces significant headwinds

- Property crisis reduces investment, hurts local government finances, and spurs consumers to save
- Government policy on state versus private sector inhibits investment
- Fraught geopolitics reduces inbound FDI
- China faces headwinds from weak global economy, trade disputes, demographics, internal migration

China: Property sector activity



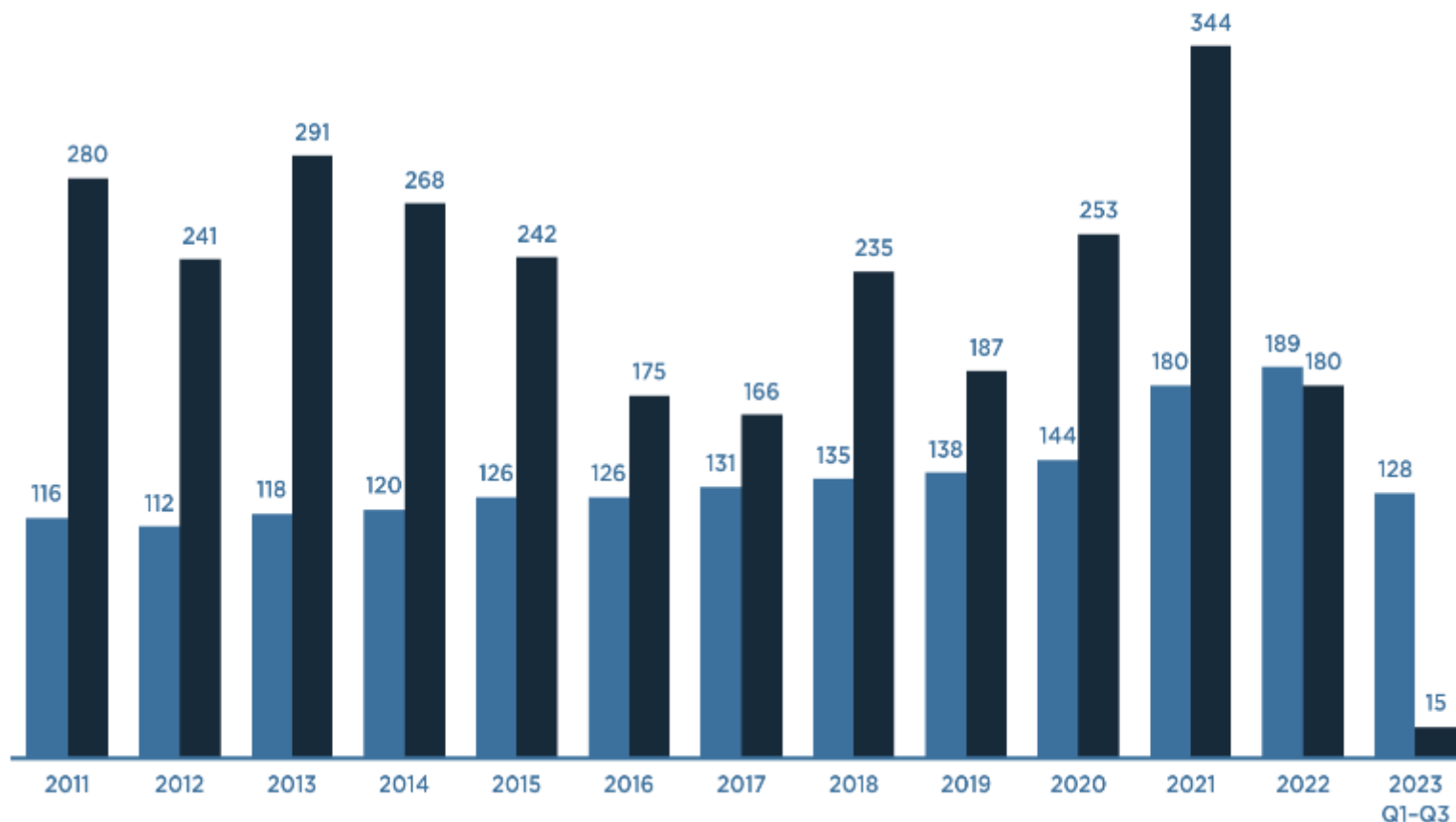
Globalization

- Decline in investment into China
- Increased diversification of supply chains
- Particular focus on Southeast Asia, India, Mexico
- Trade patterns shift
- Industrial policies lead to reshoring of tech manufacturing

Foreign investments in China have declined in recent years

Chinese foreign direct investment inflows by measuring agency, billions USD, 2011-2023 Q3

■ MOFCOM ■ SAFE



MOFCOM = Ministry of Commerce; SAFE = State Administration of Foreign Exchange

Source: Ministry of Commerce of China and State Administration of Foreign Exchange of China.

Geopolitical risk

	What could go wrong?	Economic implications
Middle East	War expands to include other players, especially Iran.	<ul style="list-style-type: none"> • Price of oil surges • Inflation accelerates, central banks stop loosening • Consumer purchasing power shrinks • Global recession becomes more likely
China-West	Relations become more fraught, leading to more restrictions	<ul style="list-style-type: none"> • US and allies impose more restrictions on trade and cross-border investment. China retaliates. • Trade declines, supply chains disrupted
Russia/Ukraine	West reduces support for Ukraine, leading to Russian victory	<ul style="list-style-type: none"> • Business confidence in Europe undermined • NATO and EU undermined • Putin emboldened • US-Europe relations hurt • China emboldened



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