July 2023

Economic Overview

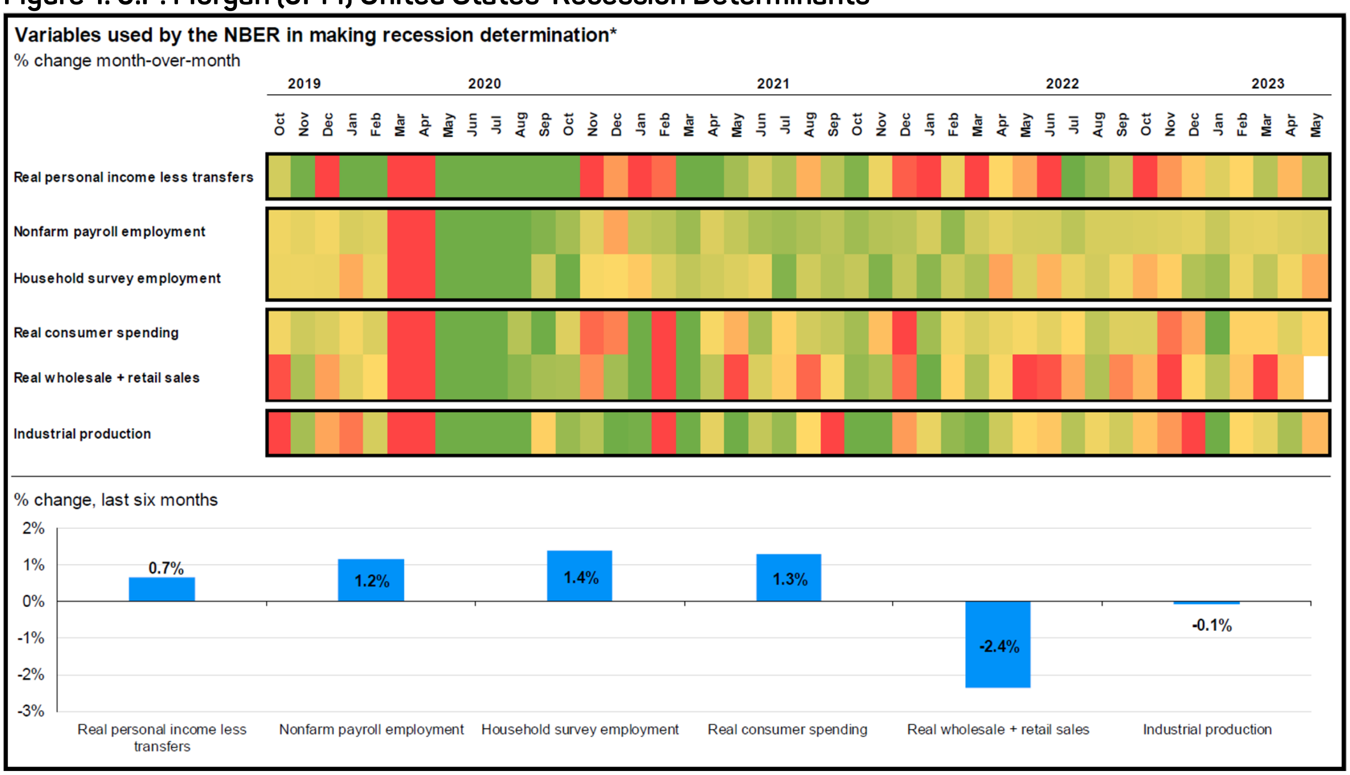
By Richard Frankel

Overview:

- Current Economic conditions
  - ➢ We are not currently in a recession.
  - ➢ Consumer confidence is at an extreme low compared to the 50-year average.
- Economic Outlook
  - ➢ The economy is unlikely to recover fully until after 2026.
- GDP Projections
  - ➢ GDP will be slow to recover to its 2% trend.
  - ➢ A recovery to the 2% trend level is extremely unlikely in the next few years, according to consensus reports.
- Inflation Outlook
  - ➢ Inflation is likely to fall to its 2% trend by 2027, according to consensus reports.
- Employment and Wages
  - ➢ More people are holding onto their jobs.
  - ➢ Wage growth has slowed.
  - ➢ Unemployment is stagnating at a low level.
  - ➢ Purchasing power has fallen greatly in many countries.

Section 1: Current U.S. Economic Conditions

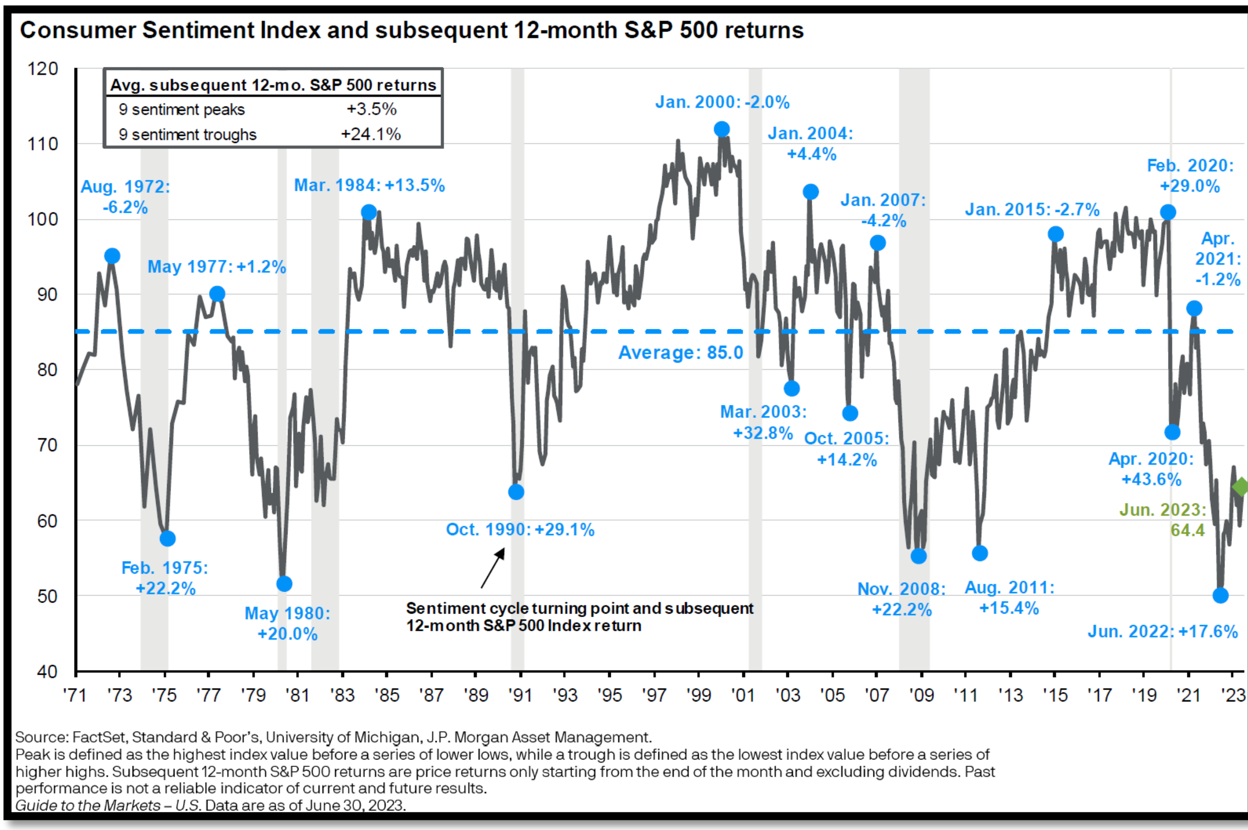
Figure 1: J.P. Morgan (JPM) United States' Recession Determinants



Recession is defined by the National Bureau of Economic Research (NBER) as a broad decline in six economic variables, which lasts more than a few months, throughout the country. In Figure 1 above, green means expansion and red means we are in a recession. The shading or boldness of the color illustrates how strong the gain or loss was relative to history. As shown in Figure 1, there were four orange categories in May 2023, which signals very slow growth – or possibly the start of a recession.

Only two recession indicators were negative (red) over the past six months – Real Wholesale + Retail Sales and Industrial Production. While Industrial Production was only slightly negative at -0.1%, Real Wholesale + Retail Sales were significantly negative at -2.4%. The sharp fall in this category can be attributed to multiple statistics that will be discussed in this report, including very low consumer confidence, relatively high inflation, a decline in real wages in the US, and a sharp fall in real household disposable income in the US.

Figure 2. JMP U.S. Consumer Confidence and the Stock Market



As shown in Figure 2, consumer confidence has bounced off of the bottom, although it remains at a low level from a historical perspective. Even though we are not in a recession and are unlikely to enter one in the near term, the consumer sentiment index recovering slowly from a low in June 2022 that has not been seen in the past 50 years. Currently, consumer sentiment is sitting at 64.4, a full 25.6 points below the 50-year average.

A key question is, why is consumer confidence so low when the economy is not doing that poorly. A significant reason for this low in consumer confidence is fear. People fear what the economy is going to do next considering relatively high inflation, low purchasing power, decelerating wage growth, and the widespread fear of recession. Faltering wage growth, especially amid high inflation rates, means consumers have less purchasing power.

Section 2: U.S. Economic Outlook - Overview

Figure 3a: S&P Global Ratings' U.S. Economic Forecast Heat Map Through 2026 – Key Indicators

Key indicator	2019	2020	2021	2022	2023f	2024f	2025f	2026f
Real GDP (annual average % change)	2.3	(2.8)	5.9	2.1	1.7	1.3	1.5	1.8
Real consumer spending (annual average % change)	2.0	(3.0)	8.3	2.8	2.0	1.2	1.4	2.1
Real equipment investment (annual average % change)	1.3	(10.5)	10.3	4.3	(0.7)	1.4	2.0	2.7
Real nonresidential structures investment (annual average % change)	2.3	(10.1)	(6.4)	(6.5)	8.0	0.2	(0.3)	1.1
Real residential investment (annual average % change)	(1.0)	7.2	10.7	(10.5)	(11.5)	1.1	4.4	1.8
Core CPI (annual average % change)	2.2	1.7	3.6	6.2	5.0	3.3	2.4	2.2
Unemployment rate (%)	3.7	8.1	5.4	3.6	3.5	4.0	4.5	4.6
Housing starts (annual total in mil.)	1.3	1.4	1.6	1.6	1.4	1.3	1.4	1.4
Light-vehicle sales (annual total in mil.)	17.0	14.5	15.0	13.8	15.1	15.1	15.9	16.0
10-year Treasury (%)	2.1	0.9	1.4	3.0	3.7	3.6	3.4	3.3

As of June 15, 2023. All percentages are annual averages, unless otherwise noted. Core CPI is consumer price index excluding energy and food components. f--forecast.
Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, The Federal Reserve, Oxford Economics, S&P Global Economics' forecasts.

Figure 3a above shows key economic indicators as forecast by Standard and Poor's (S&P) through 2026. Real GDP is not projected to return to the Fed's 2% target until 2026, suggesting we are likely in for a few years of slow economic growth overall. The good news is that Real GDP is projected to move in the direction of 2%, moving from its current 1.7%, dipping for two years, then moving to around 1.8% in 2026.

Real Consumer Spending is set to be low for the next few years as well, showing a low dip in 2024 and 2025; as a large part of US GDP, this will affect overall economic growth. This is not ideal, as consumer spending is directly tied to a healthy economy.

Real Equipment Investment is at a low in 2023 but will likely see a rise in the next few years back to normal levels which means we are likely to see domestic business growth accelerate. Real Nonresidential Structure Investment is currently at a high in 2023 but is likely to drop significantly in upcoming years as spending for warehouses and other structures levels off. Real Residential Investment is currently at an extreme low but will likely see slow growth in years to come which means we are likely to see an acceleration in housing creation in the next few years. Overall, we will not see much new investment in nonresidential real estate development in coming years.

Core CPI is likely to take time to fall to the Fed's target of 2% or less. The good news is that inflation is projected to drop each year, so hopefully it will be back to 2% or less by 2027.

S&P forecasts the unemployment rate could rise in coming years, with its low in 2023 and high targeted at 4.6% in 2026. The 50-year average sits at 6.2% (Figure 12), suggesting it is possible unemployment will continue this upward trend in the years beyond 2026. Housing Starts will remain relatively stable over the coming years at a level of around 1.4 million units annually or less, supporting the theory that the housing market will grow in coming years. As CPI falls and interest rates stabilize, housing starts are unlikely to decline further. Light-Vehicle Sales are forecast to rise in the coming years from their current level of 15.1 million units annually to 16 million units annually.

The 10-Year Treasury note is unlikely to move below 3% by 2026. While it is at a high currently in 2023, it is projected to slowly move to 3.3% in 2026. Before the pandemic interest rates were in the 2% range. This is directly tied to mortgage rates, meaning that taking out a mortgage in the next few years will remain an expensive task, albeit not as expensive as currently. Many are likely to wait to buy all the houses that will be being built in coming years due to this.

Figure 3b: S&P Global Ratings' U.S. Economic Forecast Heat Through 2026 – Key Statistics

	Quarterly average					Annual average							
	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2019	2020	2021	2022	2023f	2024f	2025f	2026f
Unemployment rate (%)	3.5	3.5	3.5	3.6	3.8	3.7	8.1	5.4	3.6	3.5	4.0	4.5	4.6
Payroll employment (mil.)	155.3	156.1	156.6	156.6	156.6	150.9	142.2	146.3	152.6	156.1	156.5	156.3	156.7
Federal funds rate (%)	4.5	5.0	5.4	5.4	5.4	2.2	0.4	0.1	1.7	5.1	5.2	3.6	2.7
10-year Treasury note yield (%)	3.7	3.7	3.8	3.7	3.6	2.1	0.9	1.4	3.0	3.7	3.6	3.4	3.3
Mortgage rate (30-year conventional, %)	6.4	6.4	6.4	6.2	6.0	4.1	3.2	3.0	5.4	6.3	5.8	5.2	4.9
Three-month Treasury bill rate (%)	4.6	5.2	5.3	5.3	5.2	2.1	0.4	-	2.0	5.1	4.6	3.4	2.7
S&P 500 Index	4,112.5	4,338.3	4,297.7	4,288.8	4,294.7	3,230.8	3,756.1	4,766.2	3,842.7	4,288.8	4,295.4	4,382.8	4,561.5
S&P 500 operating earnings (bil. $)	1,753.5	1,742.0	1,753.5	1,736.3	1,748.6	1,304.8	1,019.0	1,762.8	1,657.9	1,746.3	1,736.3	1,749.3	1,813.8
Effective Exchange rate index, nominal	127.2	126.5	126.2	125.8	125.5	121.8	123.9	119.0	127.6	126.5	124.6	122.5	121.0
Current account (bil. $)	(844.6)	(841.4)	(767.1)	(775.2)	(763.1)	(446.0)	(619.7)	(846.4)	(945.4)	(807.1)	(800.4)	(832.2)	(812.1)
Saving rate (%)	4.2	4.3	4.6	4.6	5.1	8.8	16.8	11.9	3.5	4.4	5.5	6.3	6.6
Housing starts (mil.)	1.4	1.4	1.3	1.3	1.3	1.3	1.4	1.6	1.6	1.4	1.3	1.4	1.4
Unit sales of light vehicles (mil.)	15.3	15.4	15.0	14.8	14.7	17.0	14.5	15.0	13.8	15.1	15.1	15.9	16.0
Federal surplus (fiscal year unified, bil. $)	(2,712.9)	(714.5)	(1,411.3)	(1,829.8)	(2,369.0)	(1,022.0)	(3,348.2)	(2,580.4)	(1418.1)	(1,667.1)	(1,698.8)	(1,847.0)	(1,900.7)

As of June 15, 2023. Quarterly percent change represents annualized growth rate; annual percent change represents average annual growth rate from a year ago. Quarterly levels represent average during the quarter; annual levels represent average levels during the year. Quarterly levels of housing starts and unit sales of light vehicles are in annualized millions. Quarterly levels of CPI and core CPI represent year-over-year growth rate during the quarter. Exchange rate represents the nominal trade-weighted exchange value of U.S. dollar versus major currencies. f--forecast.
Sources: S&P Global Ratings' Forecasts, S&P Global Market Intelligence Global Linked Model.

Figure 3b above shows more key economic statistics as forecasted by S&P through 2026 and gives a more in depth look into key drivers of economic activity. As previously stated, the unemployment rate is projected to rise in coming years. Payroll Employment is also set to rise over the next few years as labor force participation increases. Alongside rising unemployment rates rising, this likely means wages will rise in the next few years – albeit at a slower pace.

The Federal Funds Rate is projected to remain high for 2023 and 2024 but will begin falling in 2025. As previously stated, the 10-Year Treasury Note is projected to decline in coming years but will remain high. Mortgage Rates in coming years will lower from current highs but will remain high in comparison to previous years until 2026 or beyond. The 3-Month Treasury Bill Rate is set to decline in coming years but will remain high in comparison to previous years.

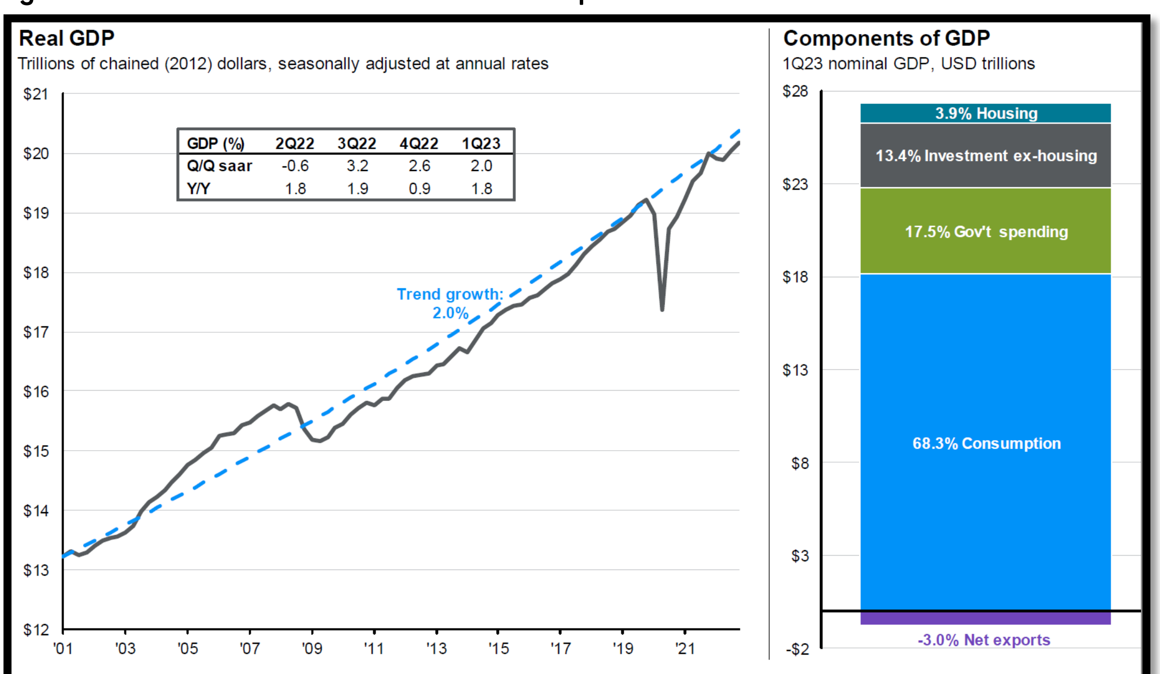
The S&P 500 Index is projected to rise in coming years, signaling positive growth in the market. This is corroborated by the S&P 500 Operating Earnings, which are also projected to rise in coming years. The US Effective Exchange Rate Index is set to fall in the coming years. This means that the US dollar is set to weaken in coming years in comparison to other major currencies in the world.

The US Current Account is projected to remain stable in the next few years, meaning US net trade in goods and services will likely remain level in the coming years. The US Saving Rate is projected to rise in the coming years, meaning that in coming years people in the US are likely to have more disposable income than they do at present.

Housing Starts are projected to remain stable in the coming years, with a slight dip in 2024. This means that new residential construction will likely remain stable over the next few years. Units of Light Vehicle Sales Are projected to rise in the next few years, showing an increase in demand. The Federal Surplus, or rather the Federal Deficit, is set to grow larger in the coming years from its low in 2022.

Section 3: Consensus GDP Projections

Figure 4: JPM Economic Growth and the Composition of U.S. GDP



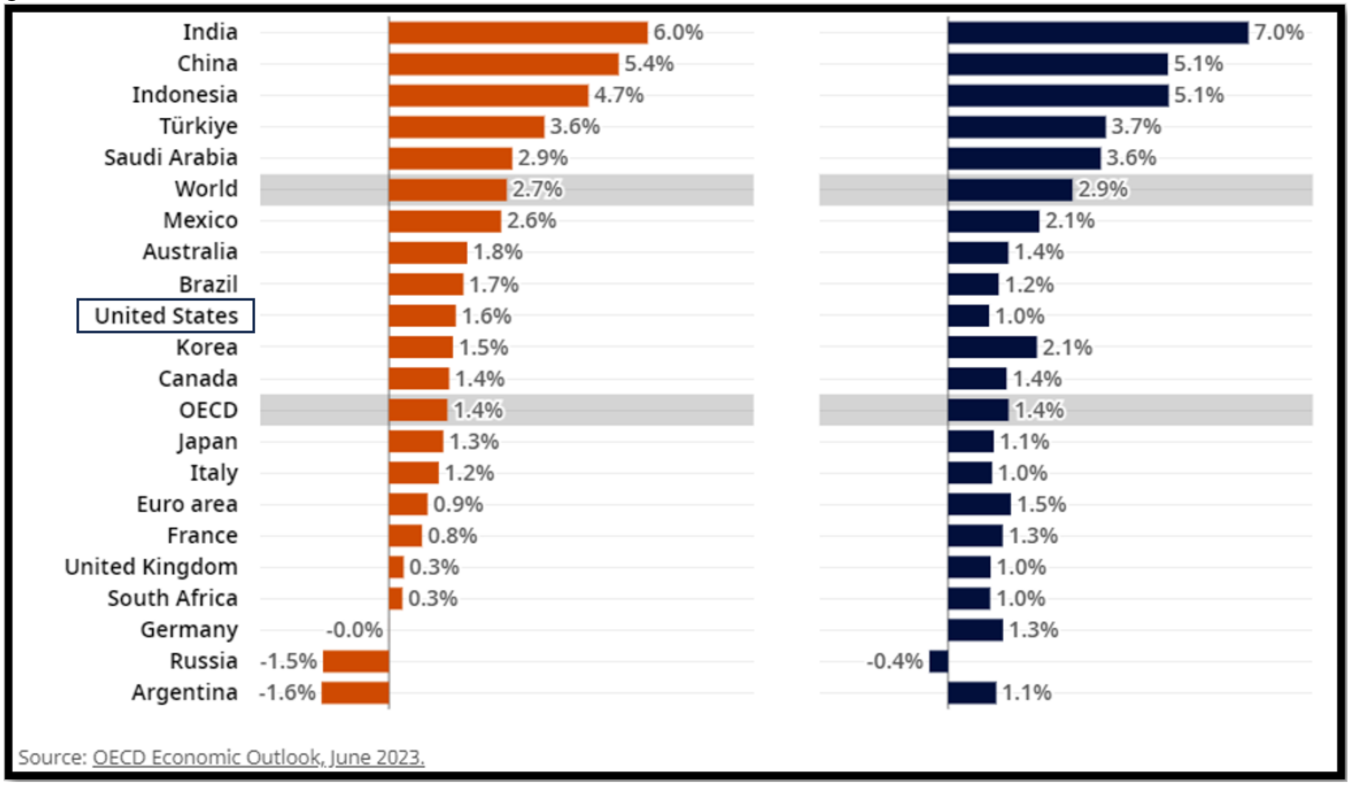
Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.
Guide to the Markets – U.S. Data are as of June 30, 2023.

The chart on the left of Figure 4 shows real US GDP in dollars over the past 20 years. GDP is not expected to return to 2% trend target in 2023, as predicted in previous commentaries. According to consensus data from

S&P and the Organization for Economic Cooperation and Development (OECD), GDP is unlikely to recover to this growth trend for a long while (Figures 3A, 5, 6, and 7).

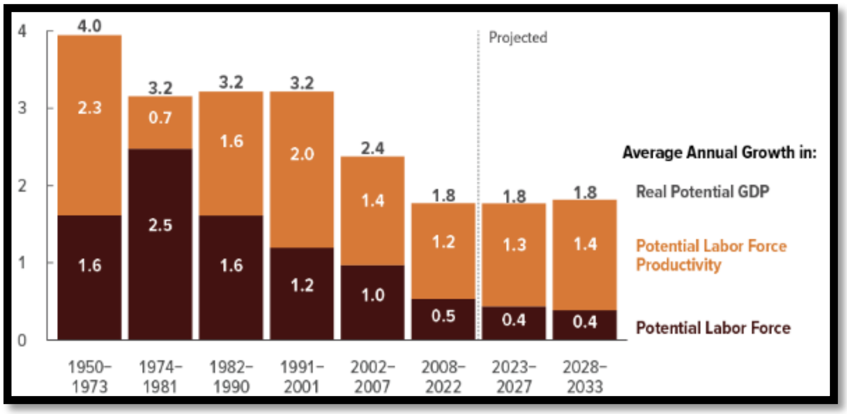
To the right, the components of this quarter's GDP are shown in a basic breakdown. Consumption is the largest factor in US GDP at present, which is not good if we are heading for a period of slow growth with low consumer confidence in the market. If this is the case, consumption is likely to fall, slowing the GDP growth recovery. In this section we will be discussing multiple consensus GDP reports and projections to discuss why growth is likely to be slow over the next couple of years.

Figure 5: Global OECD Real GDP Growth Projections for 2023 (Orange) and 2024 (Blue) (%, year-on-year)



Above in Figure 5, GDP projections are shown for 2023 (in orange) and 2024 (in blue) for 20 countries globally, the world, and the OECD. As can be seen in the forecast chart, with GDP growth of 1.6% the US is currently doing better than the OECD, the Euro Area, and many large economies such as Japan and Germany at present. However, it is currently doing worse than the world as a whole. This pattern is projected to change in the next year, though. In 2024, the projection for US GDP growth is 1.0%, which is lower than the OECD's projection, the world's projection, the Euro Area's projection, and the projections for many of the countries the US was previously outgrowing, including Japan, Germany, Korea, and Argentina. Compared to the rest of the world, US growth in 2024 is projected to remain stunted.

Figure 6: CBO Growth of U.S. Real GDP and its Components Projected Through 2033 (%)



Source: Congressional Budget Office https://www.cbo.gov/publication/58957

Figure 6 above shows the Congressional Budget Office's (CBO) projection of US Real GDP growth, along with its components, through 2033. This is an official government projection of where our GDP is likely to be in ten years, and despite the government's goal being a 2.0% growth rate, we are unlikely to see that in the next ten years according to this bar chart. This chart shows GDP's growth stagnating at around 1.8%, on average, for the foreseeable future, a full 0.2% off the goal. If this comes to pass, the US would be hard-pressed to return to their GDP trend-line as seen in Figure 4.

Figure 7: S&P U.S. GDP Component Outlook Heat Map Through 2026 (% change)

	Quarterly average					Annual average							
	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2019	2020	2021	2022	2023f	2024f	2025f	2026f
Real GDP	1.3	1.8	0.9	0.9	1.3	2.3	(2.8)	5.9	2.1	1.7	1.3	1.5	1.8
GDP components (in real terms)													
Domestic demand	0.8	2.3	0.5	0.7	1.1	2.3	(2.6)	7.0	2.4	1.2	1.1	1.4	1.8
Consumer spending	3.8	1.3	0.6	1.2	1.2	2.0	(3.0)	8.3	2.8	2.0	1.2	1.4	2.1
Equipment investment	(7.0)	2.0	0.7	1.0	1.5	1.3	(10.5)	10.3	4.3	(0.7)	1.4	2.0	2.7
Intellectual property investment	5.1	3.0	-	-	0.1	7.3	4.8	9.7	8.8	4.3	0.2	(0.4)	(0.2)
Nonresidential construction	11.0	19.2	3.1	(1.0)	(1.8)	2.3	(10.1)	(6.4)	(6.5)	8.0	0.2	(0.3)	1.1
Residential construction	(5.5)	(2.0)	1.3	0.6	(0.1)	(1.0)	7.2	10.7	(10.5)	(11.5)	1.1	4.4	1.8
Federal govt. purchases	7.5	(0.4)	2.2	(0.1)	0.4	3.9	6.2	2.3	(2.5)	3.4	0.6	0.6	0.4
State and local govt. purchases	3.8	2.6	2.2	0.9	0.9	3.0	0.4	(0.5)	0.7	2.7	1.1	0.8	0.8
Exports of goods and services	5.2	(1.9)	5.5	4.7	4.7	0.5	(13.3)	6.0	7.1	3.7	4.3	4.6	4.1
Imports of goods and services	4.0	3.5	2.0	2.0	2.7	1.2	(9.0)	14.1	8.1	0.2	2.7	3.3	3.2
Headline CPI	5.8	4.2	3.8	3.5	3.1	1.8	1.3	4.7	8.0	4.3	2.7	2.3	2.1
Core CPI	5.6	5.3	4.8	4.4	4.0	2.2	1.7	3.6	6.2	5.0	3.3	2.4	2.2
Labor productivity	(1.2)	(0.4)	(0.3)	0.8	1.3	0.9	3.3	2.9	(2.1)	(0.6)	1.1	1.6	1.6

As of June 15, 2023. Quarterly percent change represents annualized growth rate; annual percent change represents average annual growth rate from a year ago. Quarterly levels represent average during the quarter; annual levels represent average levels during the year. Quarterly levels of housing starts and unit sales of light vehicles are in annualized millions. Quarterly levels of CPI and core CPI represent year-over-year growth rate during the quarter. Exchange rate represents the nominal trade-weighted exchange value of U.S. dollar versus major currencies. f--forecast.
Sources: S&P Global Ratings' Forecasts, S&P Global Market Intelligence Global Linked Model.

The heat map above in figure 7 shows the forecast for US Real GDP through 2026, along with a breakdown of US Real GDP components' projections through 2026. Real GDP growth is projected to dip to a low of 1.3% in 2024, moving back to 1.7% in 2025, and moving up to 1.8% in 2026. With Real GDP growth projected to be lower than the 2% trend goal in coming years in this consensus, we are going to be in for a period slow economic growth for a while. We can further examine why this is likely to happen by looking at the components of US Real GDP and their projections.

After a period of slow growth in 2024, US Domestic Demand is set to start on a higher growth trend starting in 2025, which is likely a large contributing factor in Real GDP beginning to experience more growth in those years. As previously stated (Figure 4), consumption is a massive piece of our GDP, and domestic demand is a driver of consumption. US Consumer Spending is set to fall in 2024, slowly rising back to current levels by 2026. Directly related to domestic consumption, Consumer Spending is a key indicator of how growth will look in a given year due to consumption's large part in US GDP.

US Equipment Investment is set to rise in coming years from its current negative 0.7% in 2023 to 2.7% in 2026. This is more good news for GDP, as domestic businesses' investment in equipment will encourage greater growth. US Intellectual Property Investment is projected to fall precipitously in the coming years from a current level of 4.3% growth to negative 0.2% growth in 2026. This will have a massively negative effect on GDP as a whole and is likely a large contributor to slow growth in approaching years.

US Nonresidential Construction's growth rate is predicted to fall from 8.0% in 2023 to a negative growth rate of 0.3% in 2025, moving back to a positive, albeit low, growth rate of 1.1% in 2026. This contraction of US Nonresidential Construction's growth rates over the next few years is likely to be a massive contributor to low Real GDP growth rate overall. US Residential Construction's growth rate is actually set to move in a positive direction over the next few years, which will help combat extreme lows in Real GDP growth rate. It is set to move from a negative 11.5% growth rate in 2023 to a growth rate high of 4.4% in 2025, then moving back down to a rate of 1.8% in 2026.

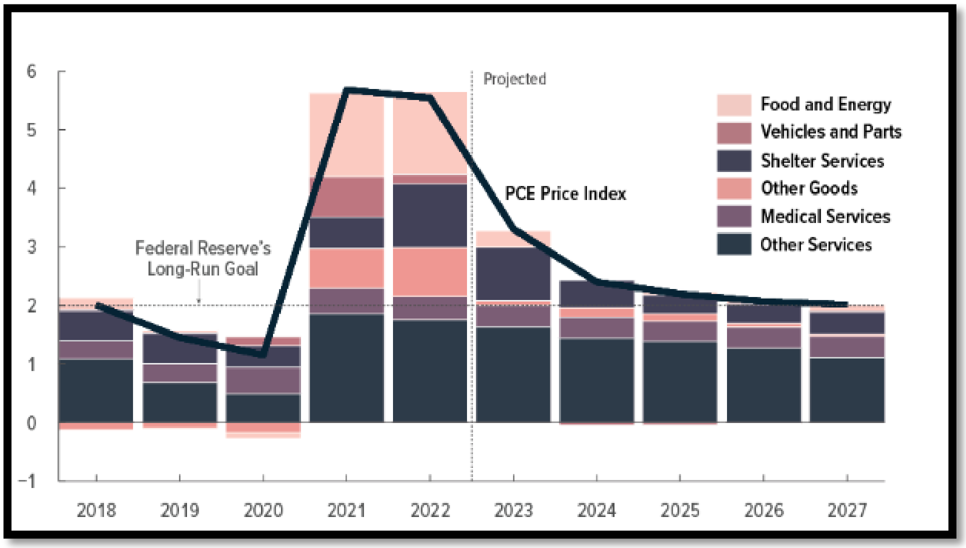
US Federal Government Purchases' growth rates are projected to stagnate in coming years. They begin at a high in 2023 of 3.4% but linger between 0.4% and 0.6% in the years after until 2026. This stagnation in Federal Government spending growth will contribute negatively towards the United States' goal of 2.0% overall GDP growth in coming years. US State and Local Government Purchases growth rates are set to fall and stagnate at that lower level in coming years as well. In 2023 it comes in around 2.7% growth, but then for the next year it only experiences projected growth of 1.1%, then for two years after that it is projected to fall to 0.8% growth. This will undoubtably pull the overall US Real GDP further down from its goal of 2% growth.

US Exports of Goods and Services growth rate will remain relatively stable in coming years, starting at 3.7% in 2023, moving to 4.3% in 2024, moving to 4.6% in 2025, then to 4.1% in 2026. This number is going to bolster Real GDP in years to come, as its growth rate remains well above the 2.0% goal of Real GDP growth for the predicted time period. US Imports of Goods and Services growth rates are currently at 0.4% in 2023, but this rate is projected to rise greatly between 2023 and 2026. In 2024, the forecasted growth rate is 2.2%, rising to 3.3% in 2025, then falling slightly to 3.1% in 2026.

US Headline CPI's growth rate is projected at a whopping 4.3% in 2023, showing how high the inflation rate currently is within the US. Thankfully, this is set to drop to numbers much closer to 2% in the coming years. Headline CPI is forecasted to grow 2.7% in 2024, 2.3% in 2025, and 2.1% in 2026. The FED's long-term goal with inflation is to keep it at the level of 2% growth (Figure 8), and in coming years the US is projected to be moving back towards that growth goal. US Core CPI, or US Headline CPI excluding food and energy, has a growth rate that is projected to fall in coming years as well, although not quite as quickly as Headline CPI's growth decrease. Starting at 5.0% in 2023, the growth rate is projected to move down to 3.3% in 2024, 2.4% in 2025, and 2.2% in 2026. Overall, CPI is set to decline.

Section 4: Inflation Forecasts

Figure 8: CBO Overall U.S. Headline Inflation and Price Growth for Various Categories of Goods and Services (%)



Source: Congressional Budget Office https://www.cbo.gov/publication/58957

Figure 8 above shows the CBO's projections for Headline Inflation, along with its components, through 2027. This government Headline Inflation projection shows inflation falling back to goal levels (2.0%) by around 2026-2027. Currently, "food and energy" and "shelter services" are at extreme highs, meaning people are currently having to spend a lot of money on their essentials for living. As these two issue categories fall back to more expected levels (see graph before 2021) inflation will fall precipitously along with them.

Figure 9: Global OECD Headline Inflation Projections Through 2024 (%, year-over-year)

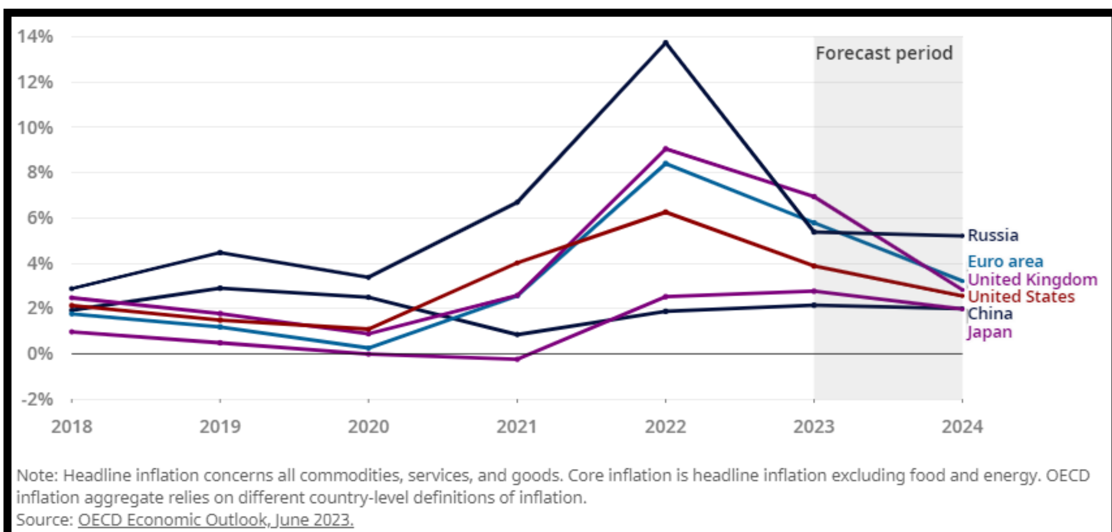
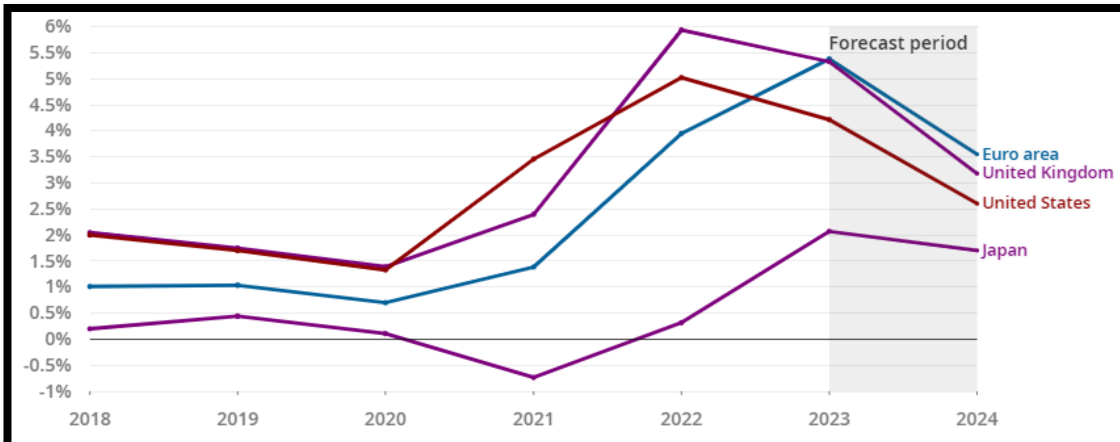


Figure 9 above shows the OECD's headline inflation projections through 2024 for 6 key economies globally for comparison. Currently, many countries are struggling with high inflation rates, but over the next year most will see a deceleration in the pace of inflation according to the OECD. Of the six geographic areas surveyed in this chart, four out of the six will see a fall in their inflation rates over the next year, with Russia and China being the outliers in this data. Most countries see themselves moving closer to that 2.0% sweet spot for inflation by the end of 2024, according to this projection, including the US.

Figure 10: Global OECD Core Inflation Projections Through 2024 (%, year-to-year)

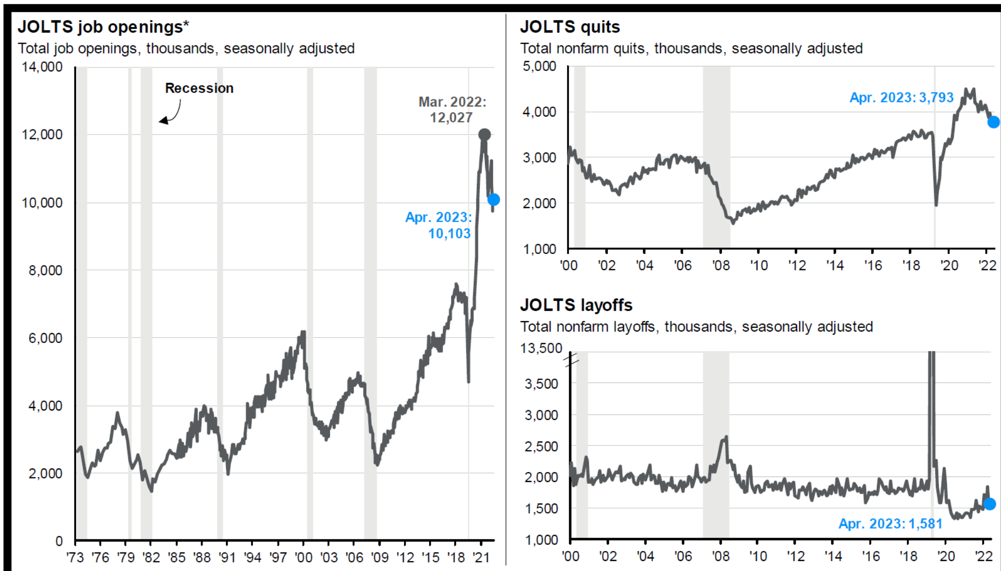


Note: Headline inflation concerns all commodities, services, and goods. Core inflation is headline inflation excluding food and energy. OECD inflation aggregate relies on different country-level definitions of inflation.
Source: OECD Economic Outlook, June 2023.

Figure 10 above shows the OECD's Core Inflation projections through 2024 for 4 key economies globally for comparison. China and Russia's data were unavailable for Core Inflation, and as such they were not included in the graph. This graph corroborates the information shown in Figure 9 except for Core Inflation as opposed to Headline Inflation. Once food and energy are factored out of inflation, which as previously stated are massive reasons for current inflation, the economies in this survey come much closer to the 2.0% goal for inflation. This shows just how great an effect food and energy have on inflation globally.

Section 5: Employment and Wages

Figure 11: JPM U.S. Labor Demand Graphs



Source: U.S. Department of Labor, J.P. Morgan Asset Management. *JOLTS job openings from February 1974 to November 2000 are J.P. Morgan Asset Management estimates.
Guide to the Markets – U.S. Data are as of June 30, 2023.

Figure 11 (above) shows the current number of job openings in the US on the left. On the top right, there is a chart showing how many workers are quitting their jobs. On the bottom right, there is a chart showing how many layoffs are currently happening in the US. Currently, job openings are down from their extreme high in 2022. Although job openings are decreasing at present, they are still at a high seldom seen in the past 50 years (outside of the past few years). The number of people quitting their jobs is also decreasing from a 20 year high, although it remains high. Meanwhile, layoffs remain around a low not seen in the past 20 years. Altogether this paints a picture that there are a lot of open job opportunities in the US at present, that there are a lot of people quitting their jobs in search of new opportunities, of which there are a lot, and that companies are doing their best to retain workers.

Figure 12: JPM U.S. Civilian Unemployment Rate and Year-Over-year Wage Growth (%)

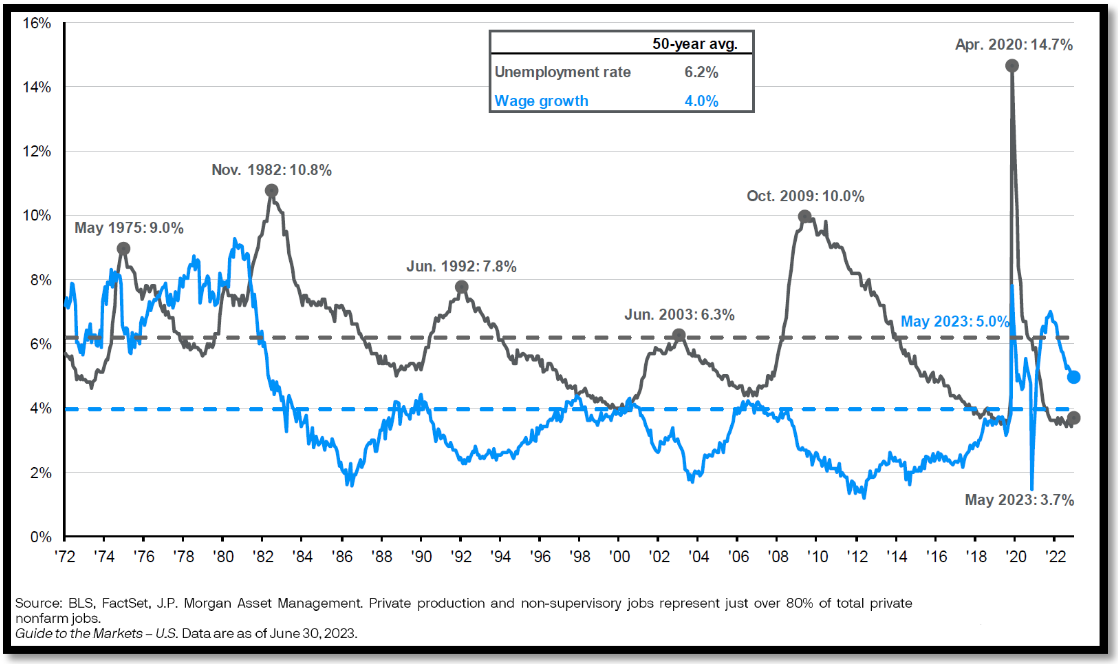


Figure 12 above shows the US Unemployment Rate and its 50-year average in gray, and US Wage Growth along with its 50-year average in blue. Currently, wage growth is falling, although it is still above the 50-year average. Wage growth is currently high as businesses attempt to wrestle with inflation and keep their workers happy and working for them. Once inflation cools to levels around 2.0%, we will likely see wage growth moving back down.

The unemployment rate is currently 3.7%, well below the 50-year average of 6.2%. This will likely rise in coming years, according to consensus opinions (figure 3B), although we are unlikely to see levels over 5% in coming years. This means we are likely to stay below the 50-year average in the foreseeable future.

Figure 13: OECD's Change in Real Wage Globally (%, 2nd Half of 2022 v. 2nd Half of 2021)

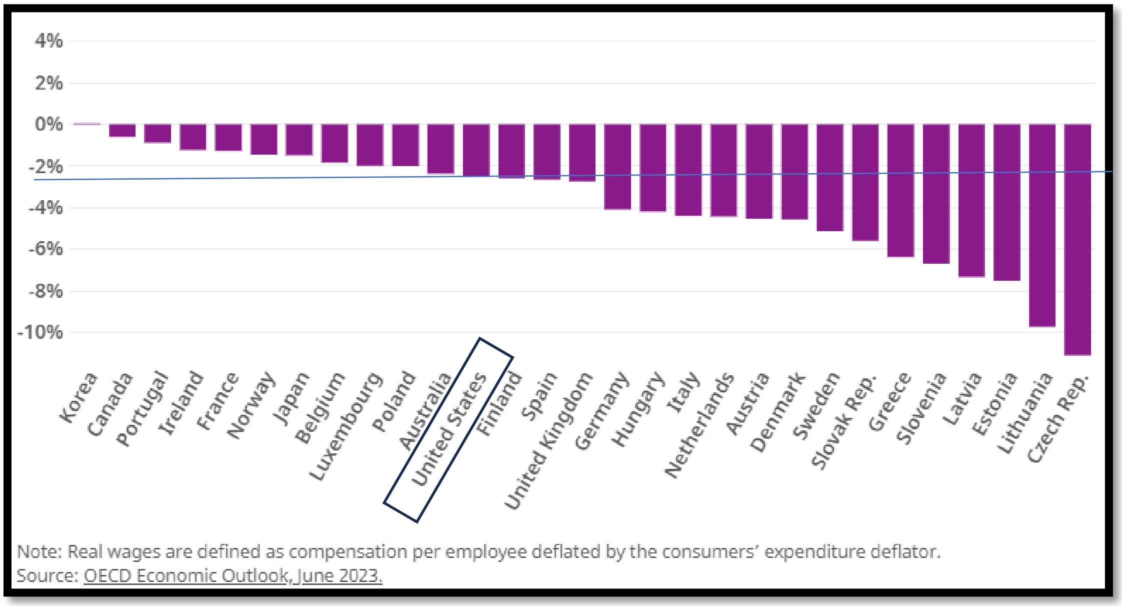


Figure 13 above shows the OECD's composite of 29 countries' change in Real Wage Growth between the second half of 2021 and the second half of 2022. The blue line on the graph was added to show how the US Real Wage Growth over this time compares to the other countries in the survey. Due to inflation, most countries around the world have had to deal with a decrease in Real Wages over the past year. Despite wages growing rapidly as shown in Figure 12, Real US wages fell at a rate of 2.2% over this time period.

Figure 14: OECD's Change in Real Household Disposable Income Globally (%, 2nd Half of 2022 v. 2nd Half of 2021)

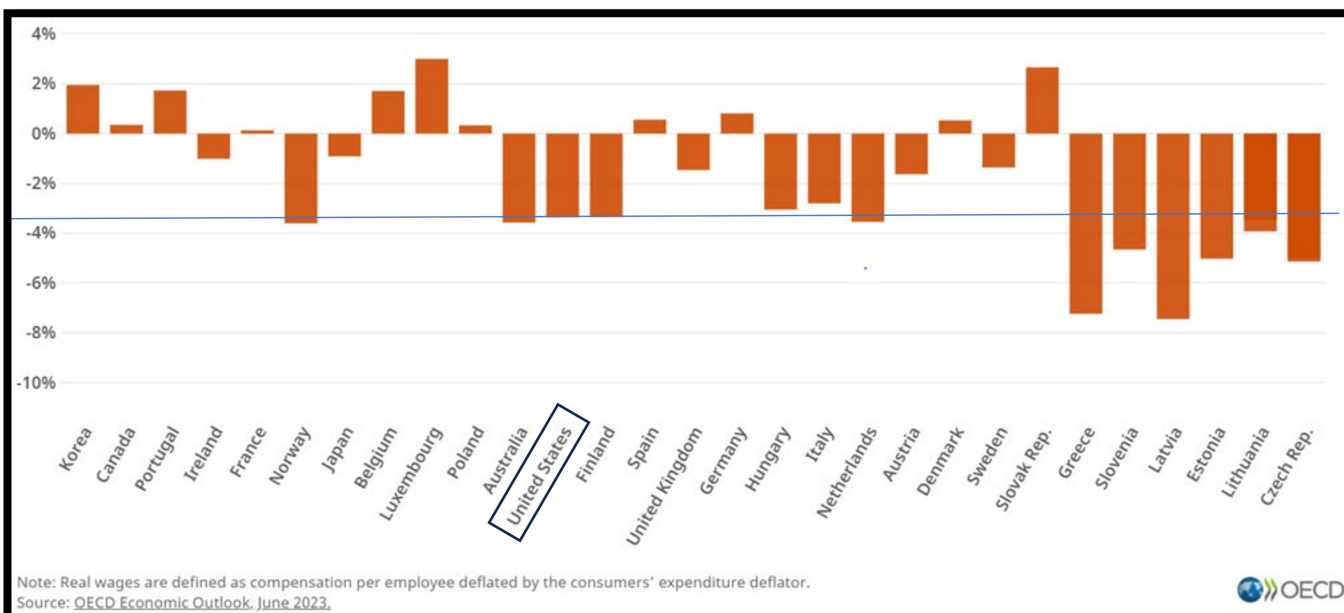


Figure 14 above shows the OECD's composite of 29 countries' change in Real Household Disposable Income between the second half of 2021 and the second half of 2022. The blue line on the graph was added to show how the US Real Household Disposable Income over this period compares to the other countries in the survey.

Again, due to inflation over the past few years, many countries around the world had a negative blow to their Real Household Disposable Income despite wage growth being high, the US included. In the US, a 3.8% decline in Real Household Disposable Income was seen, meaning people had to spend much more on their essentials during this time period.

Things to Watch Out For:

- We should be looking forward to a period of slow growth, not recession.
- Do not expect a full economic recovery until after 2026.
- GDP will be slow growing over the next few years, not returning to its 2% trend in the foreseeable future.
- Inflation is likely to be back to its 2% goal by 2027.

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