



The broken window fallacy: Hurricanes and the economy

Spending on repairs and clean-up will partially offset the disruption to businesses.

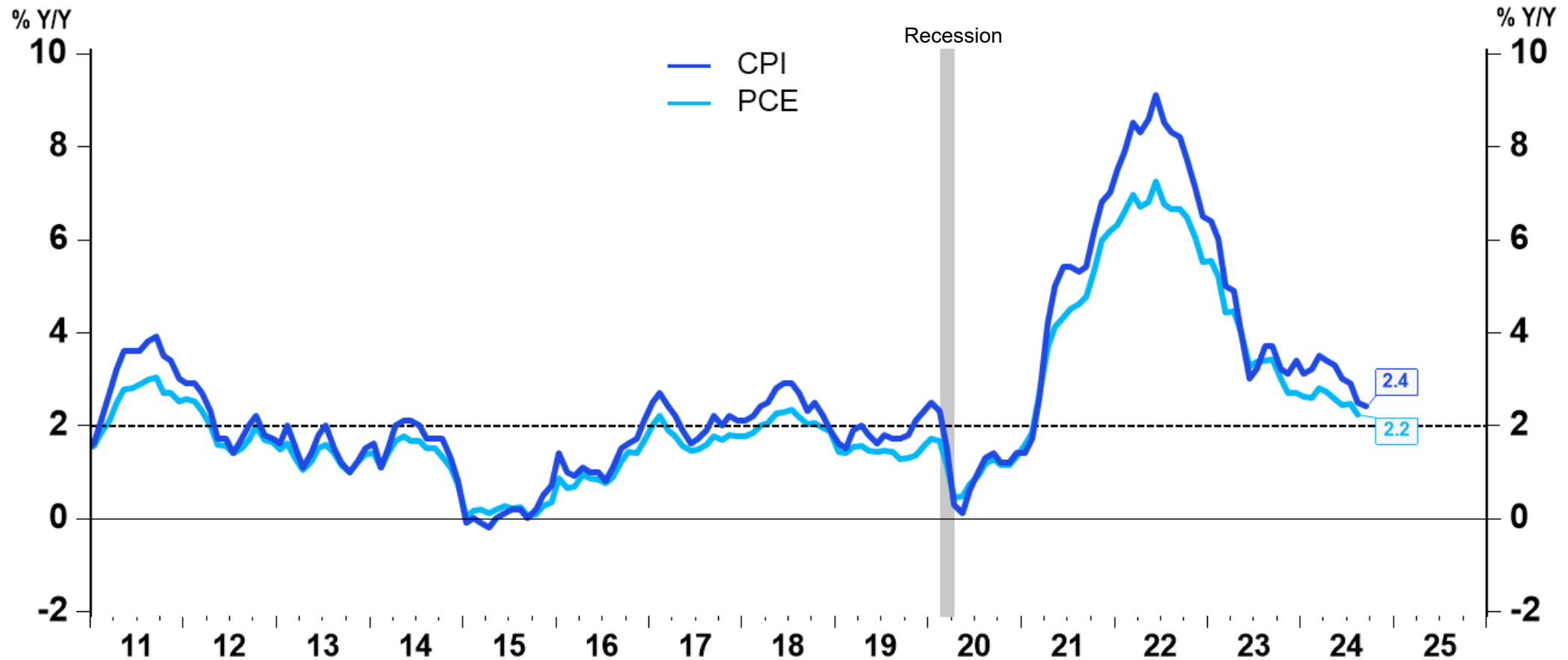
Kenneth Kim, CFA, CBE
Senior Economist

—
October 16, 2024



Inflation progress ongoing but...

Inflation



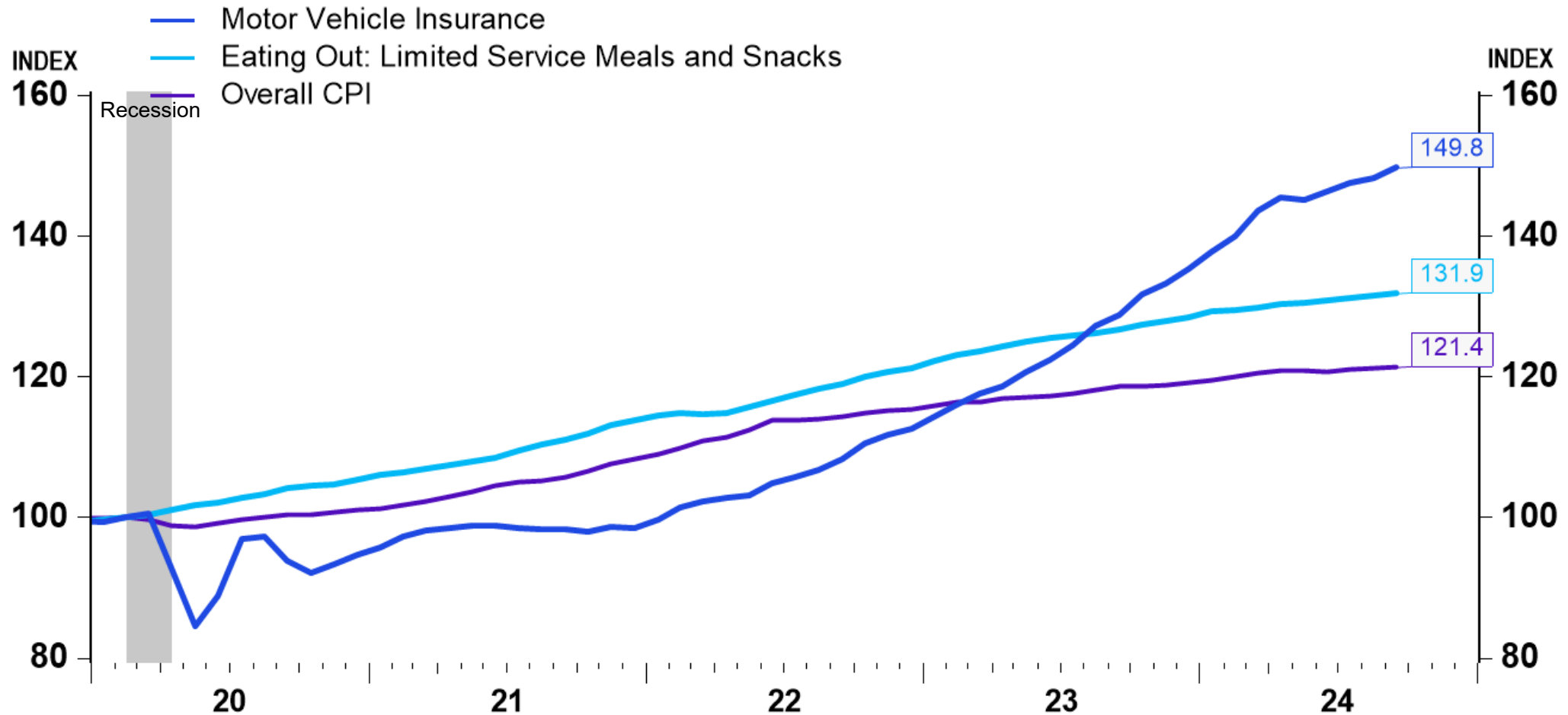
Source : KPMG Economics, BLS (September 2024), BEA (August 2024), Haver Analytics



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...my gyro costs +50% more and so does vehicle insurance!

Inflation since COVID



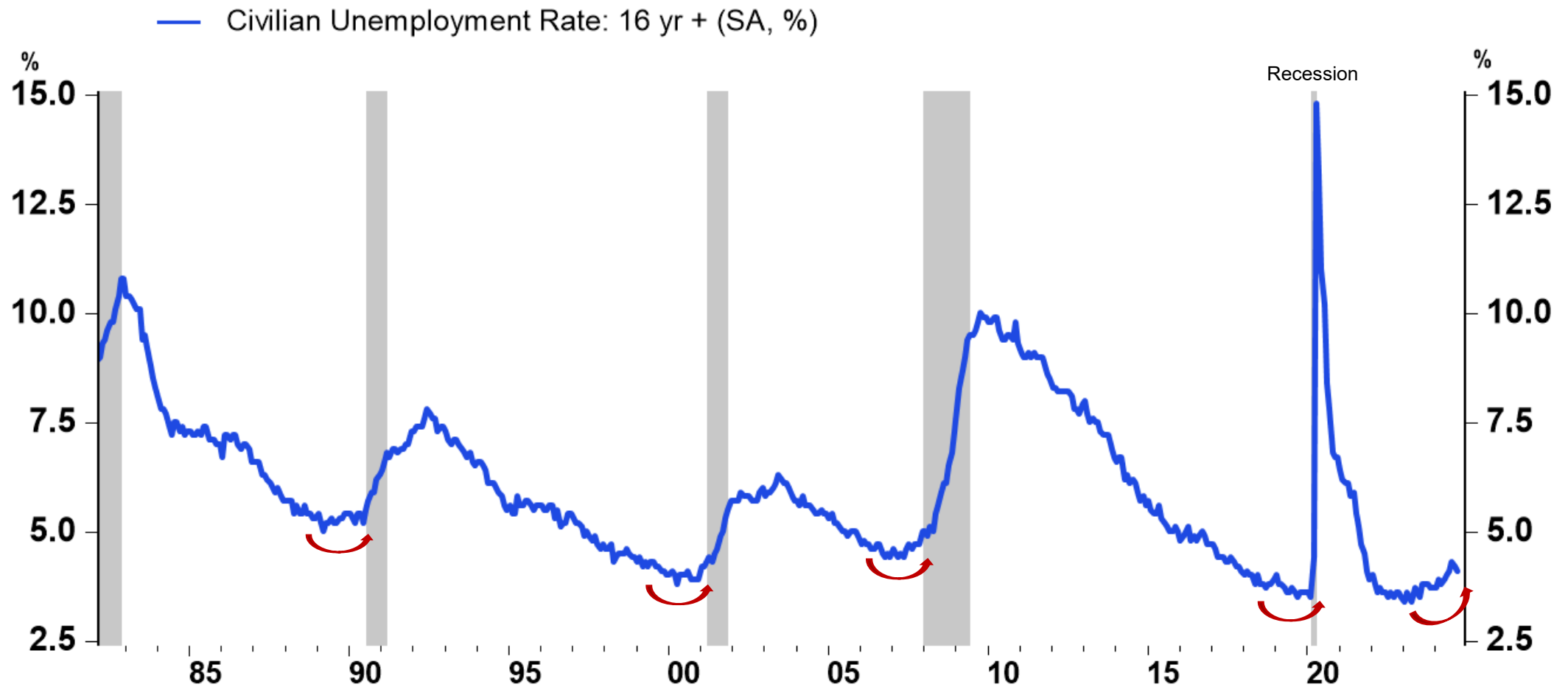
Source: KPMG Economics, BLS (September 2024), Haver Analytics



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Economic expansion at risk from rising unemployment

Unemployment Rate



Source: KPMG Economics, BLS (September 2024), Haver Analytics

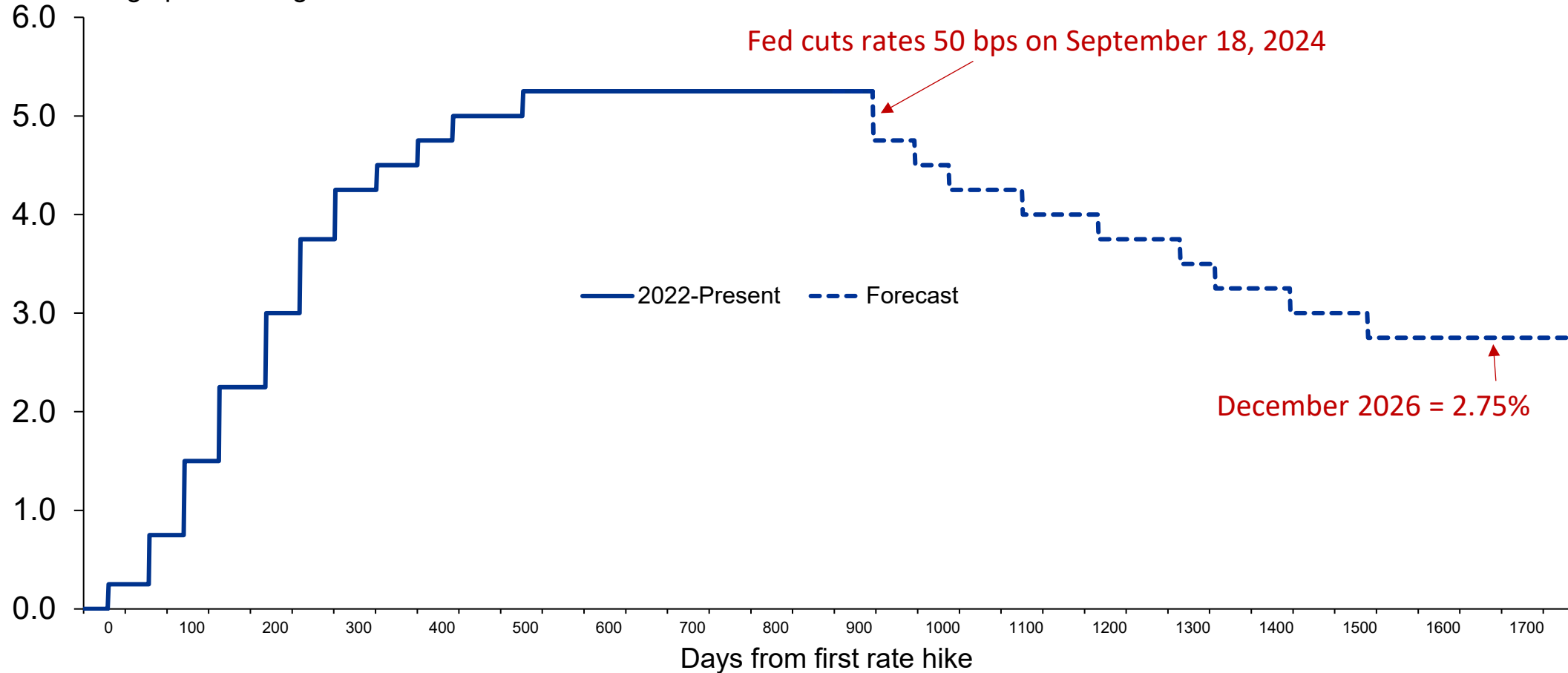


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Fed kicks off with bold 50 bps cut! Nov -> 20 bps from 35 bps

Federal Funds Rate

Percentage point change in fed funds rate from first rate hike



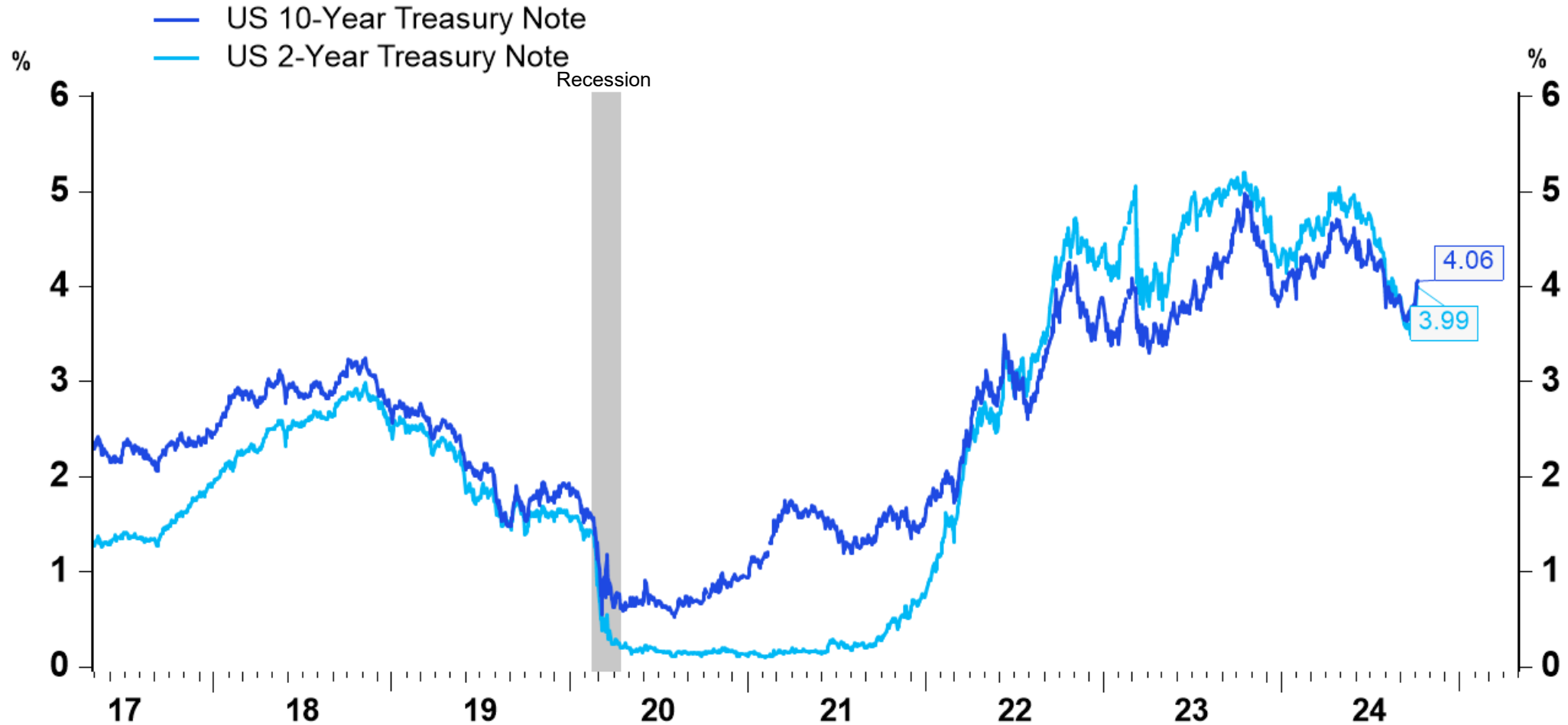
Source: KPMG Economics, Federal Reserve, Haver Analytics



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Yield curve disinverts

Interest Rates



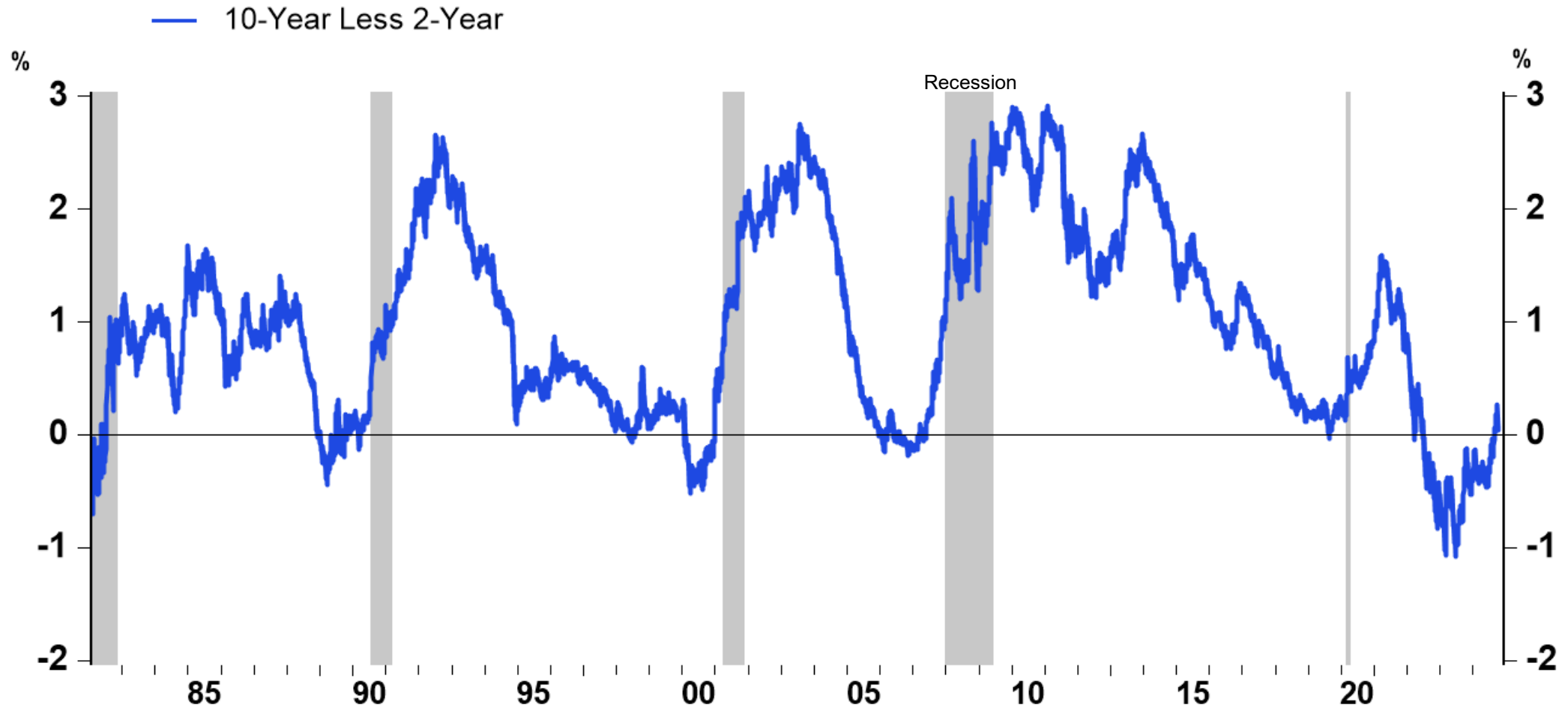
Source: KPMG Economics, US Treasury (October 9, 2024), Haver Analytics



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Inversion -> disinversion -> what's next? 🤔

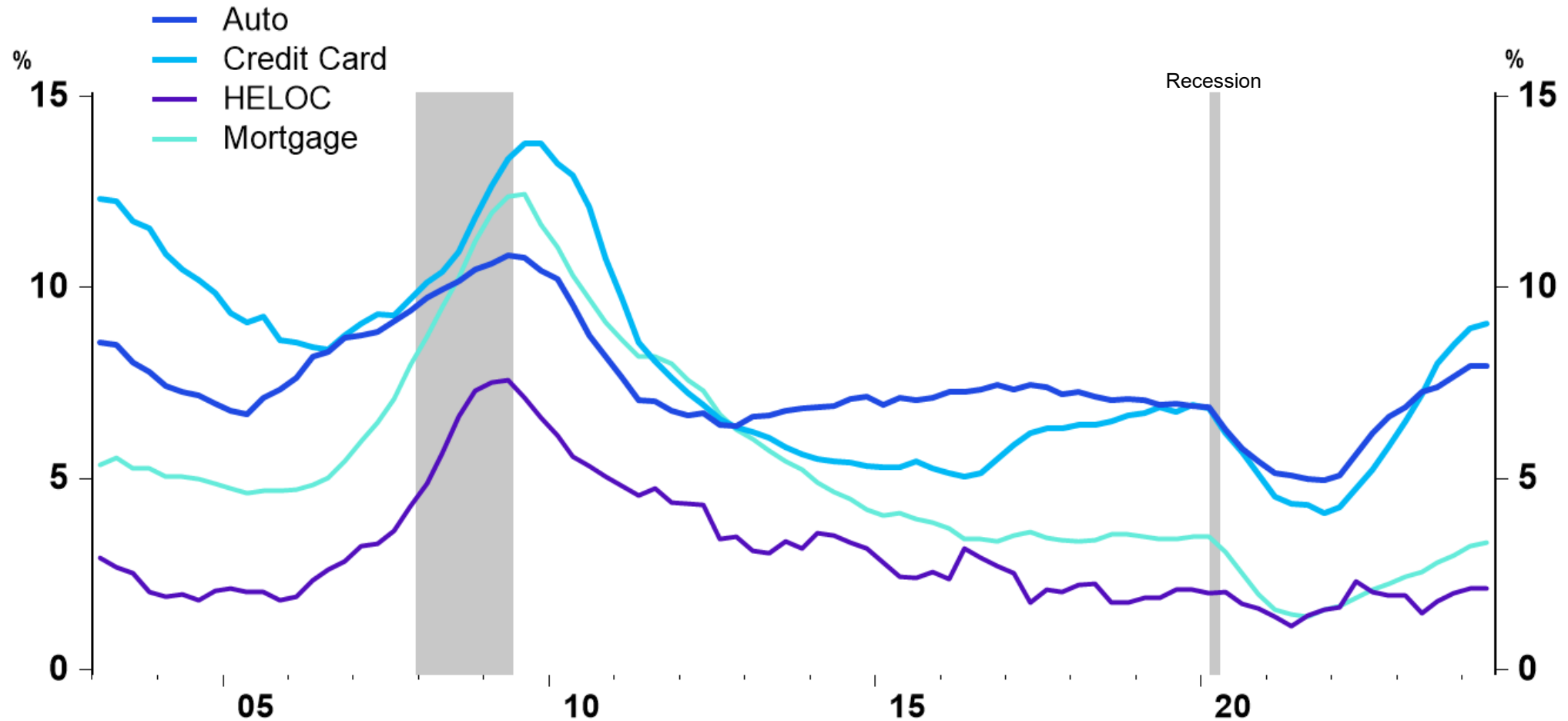
Interest Rate Spread



Source: KPMG Economics, US Treasury (October 9, 2024), Haver Analytics

Can't come soon enough as late payments pick up

Newly Delinquent Consumer Loans By Type, +30 Days



Source: KPMG Economics, FRBNY (Q2 2024), Haver Analytics



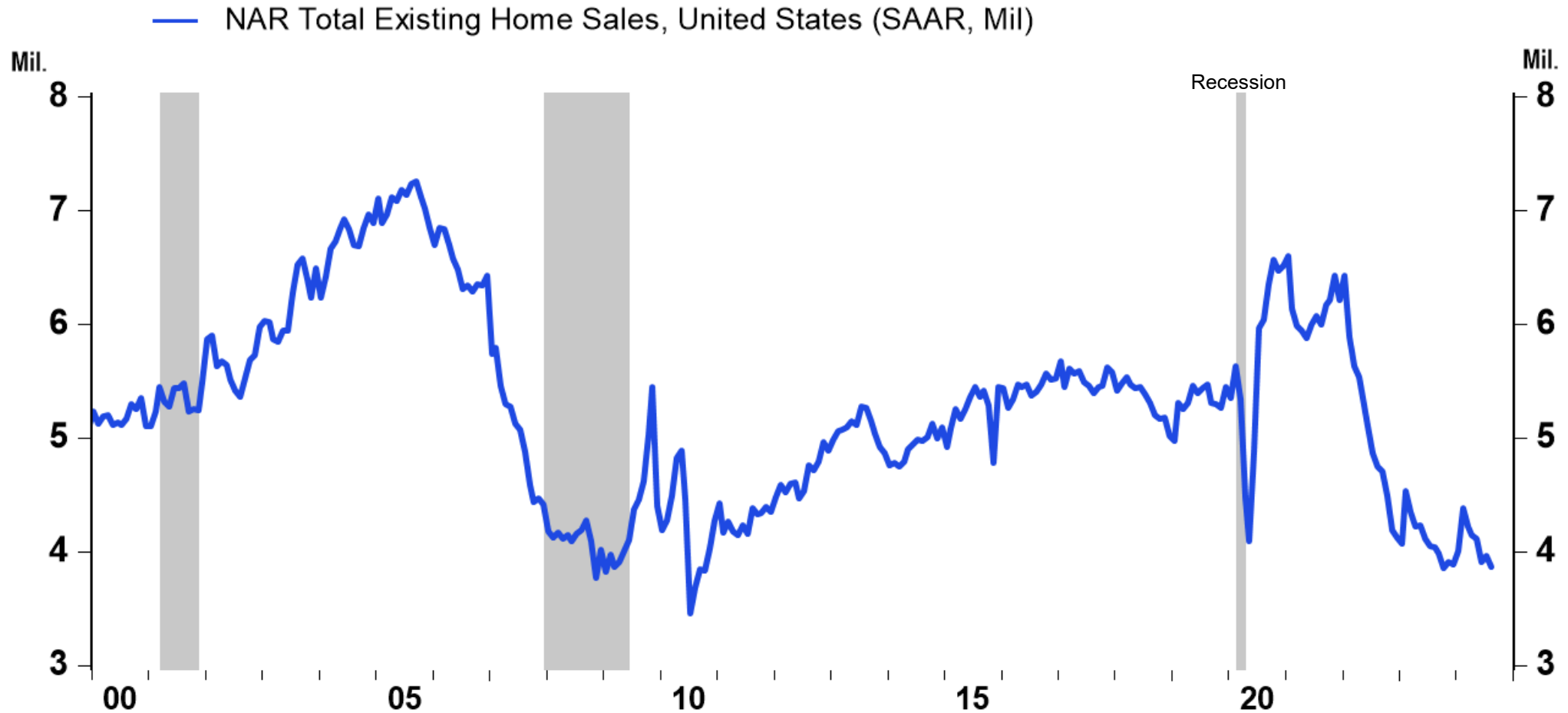
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P&C impacts

Not many housing transactions taking place

Existing Home Sales



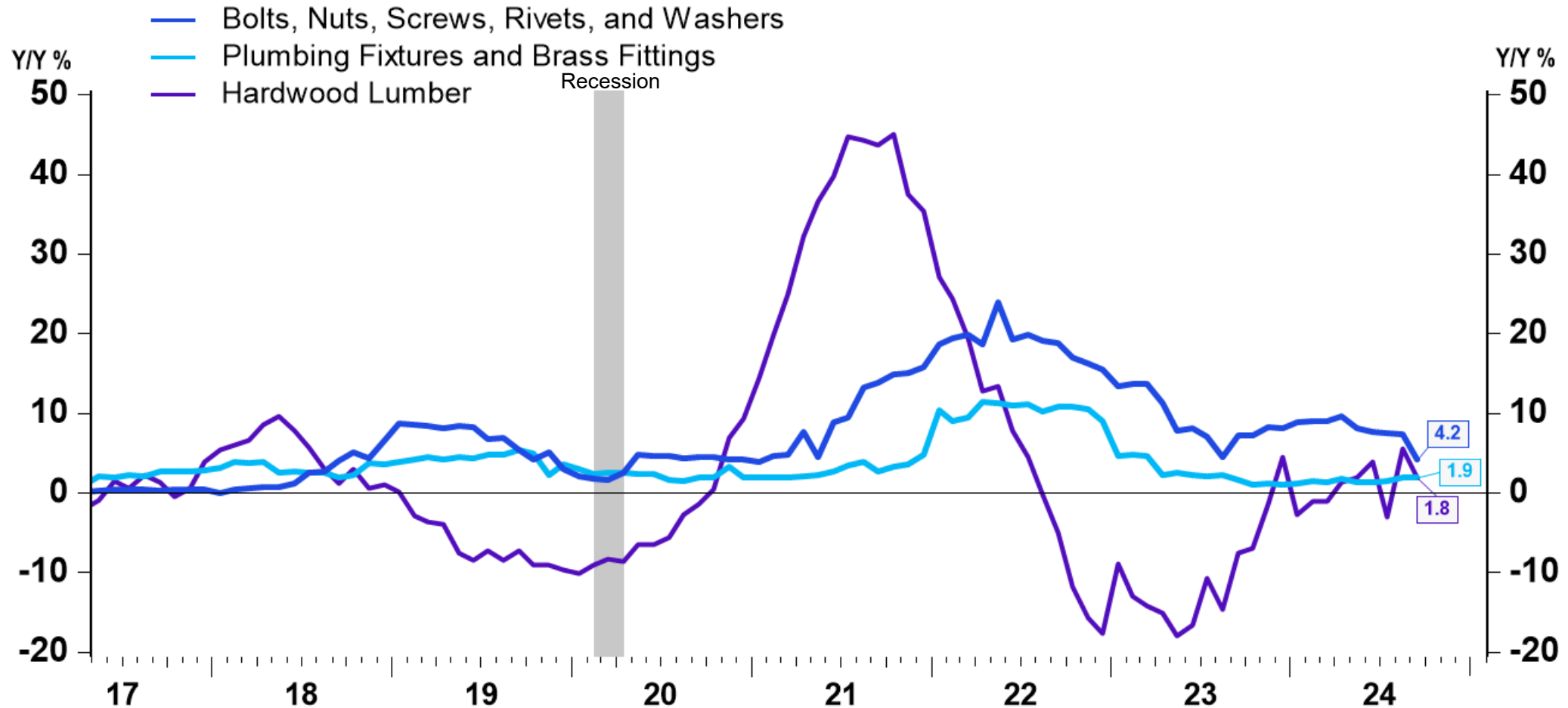
Source: KPMG Economics, National Association of Realtors (August 2024), Haver Analytics



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Building supply costs moderate

PPI for Building Supplies



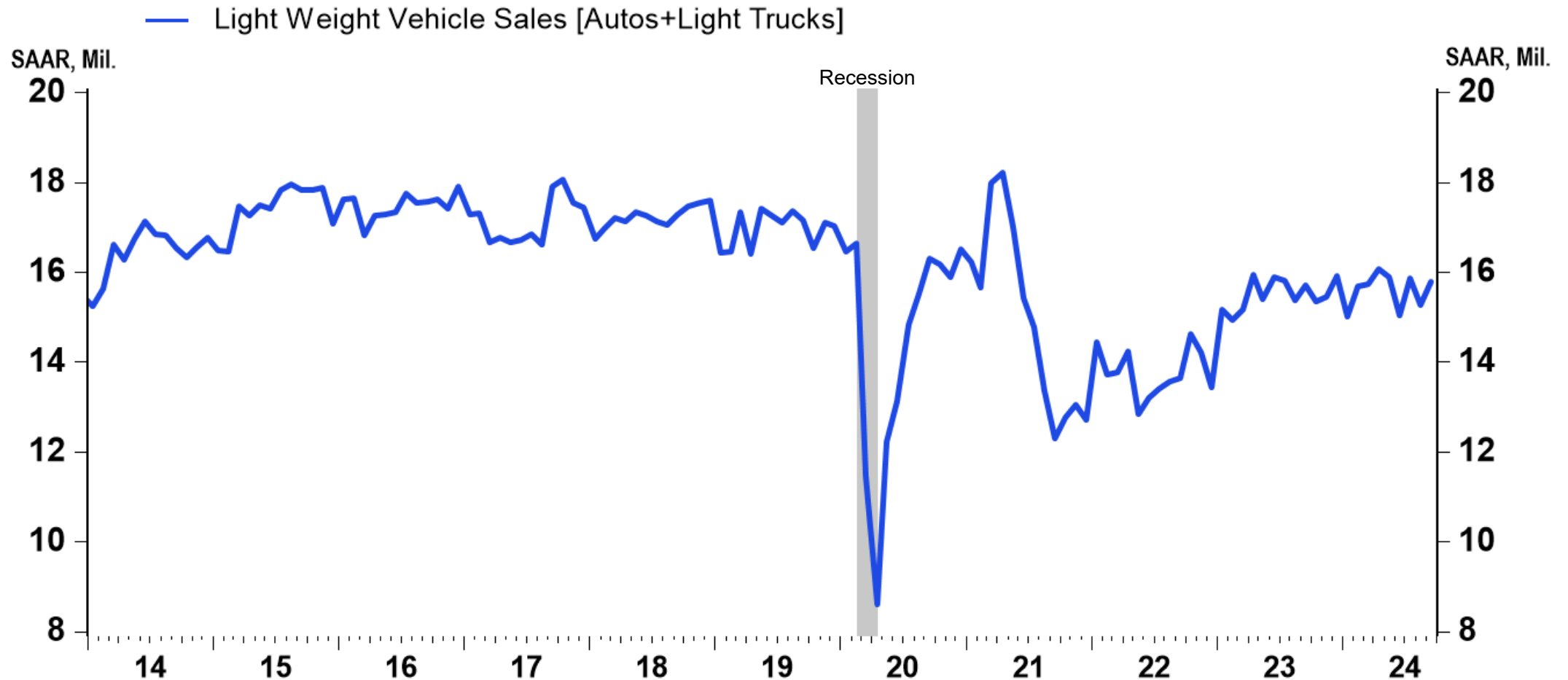
Source : KPMG Economics, BLS (September 2024), Haver Analytics



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Consumers still purchasing new vehicles

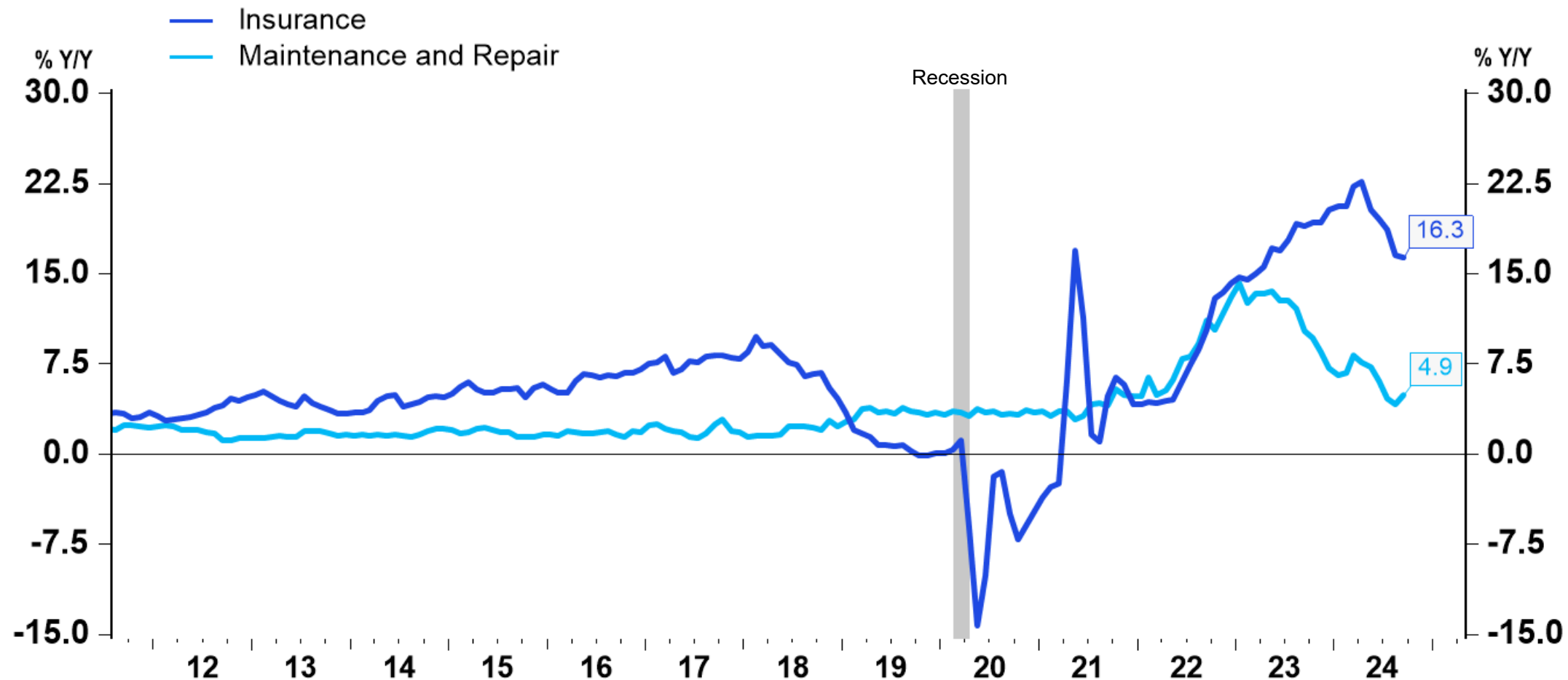
New Vehicle Sales



Source : KPMG Economics, BEA (September 2024), Haver Analytics

Vehicle insurance and repair costs decelerating

CPI for Motor Vehicle Services



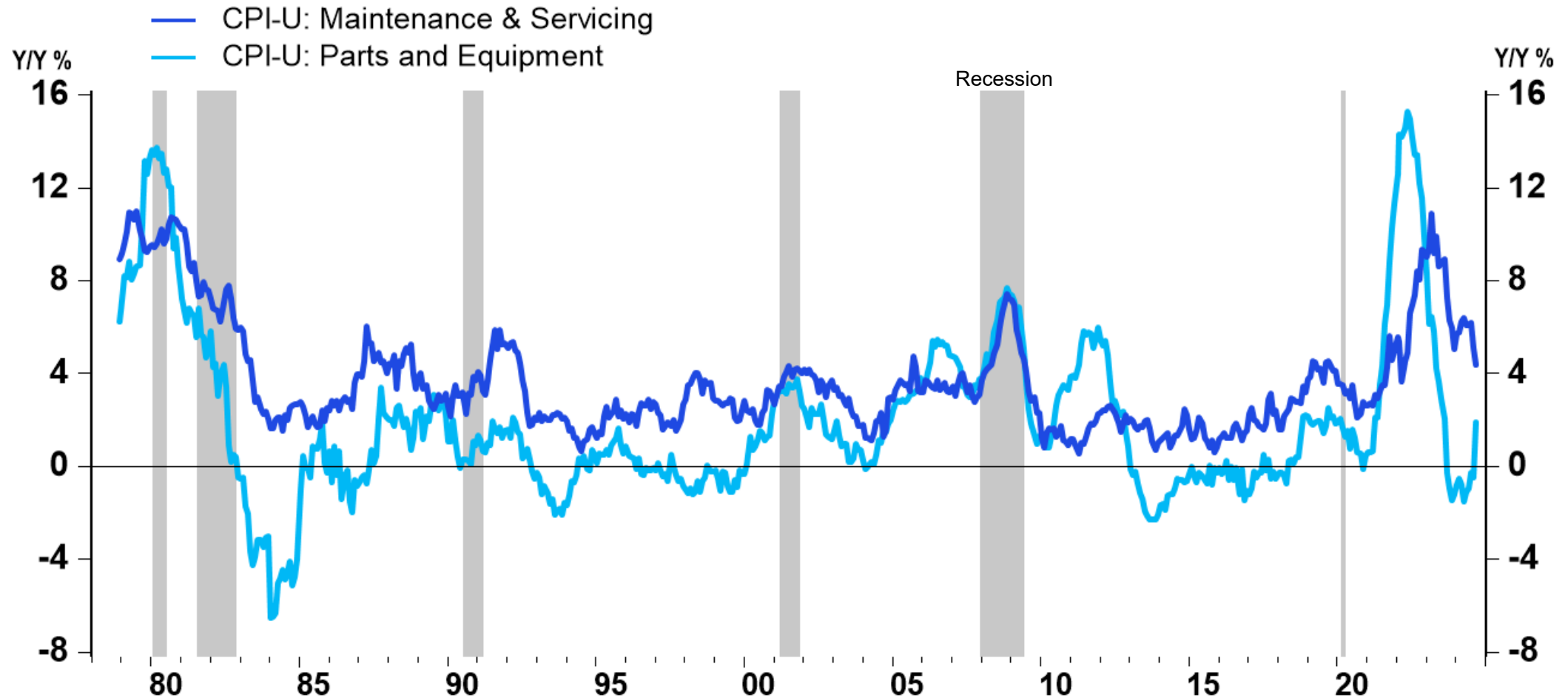
Source : KPMG Economics, BLS (September 2024), Haver Analytics



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Parts costs could claw their way back lower but not maintenance

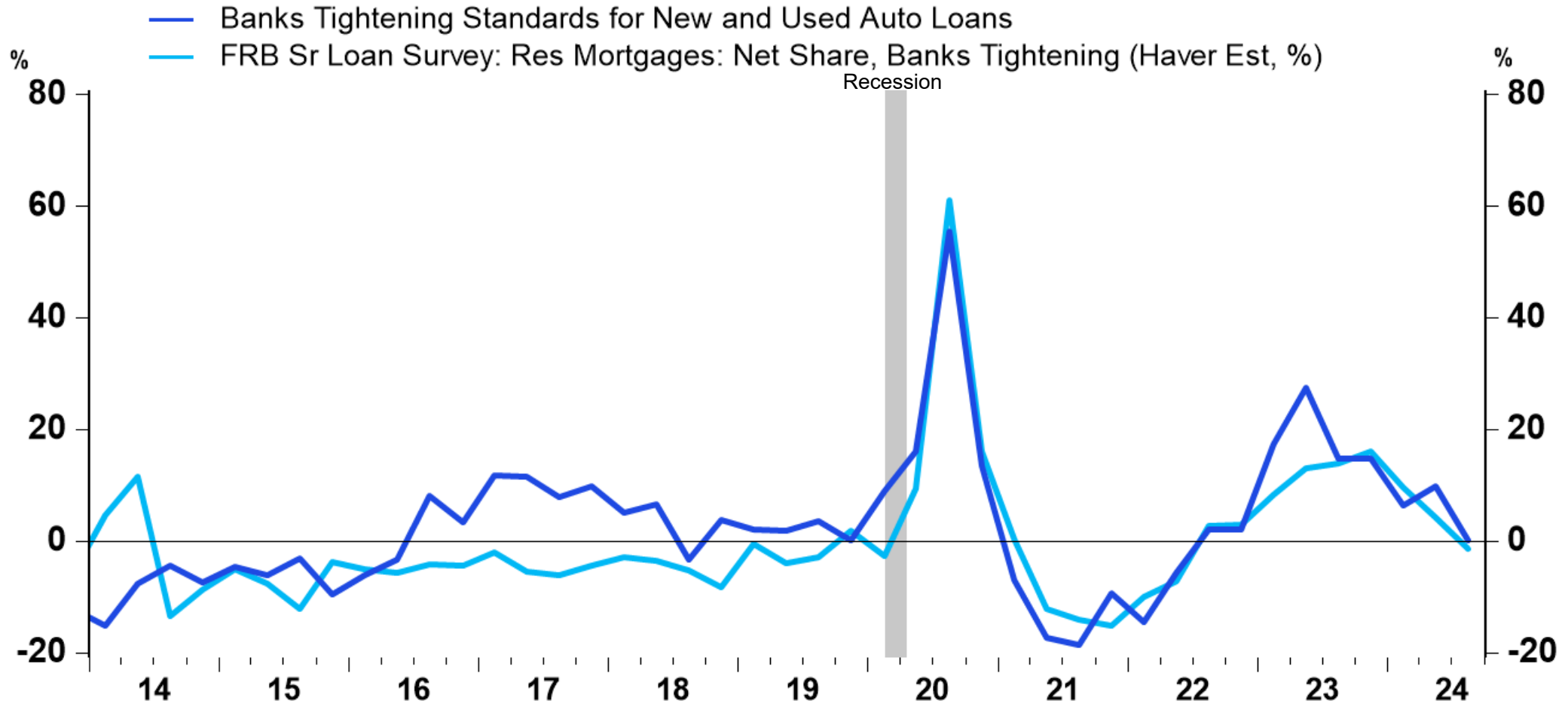
Motor Vehicle Inflation



Source : KPMG Economics, BLS (September 2024), Haver Analytics

Banks of verge of easing standards for big ticket items

Credit Conditions for Autos and Housing



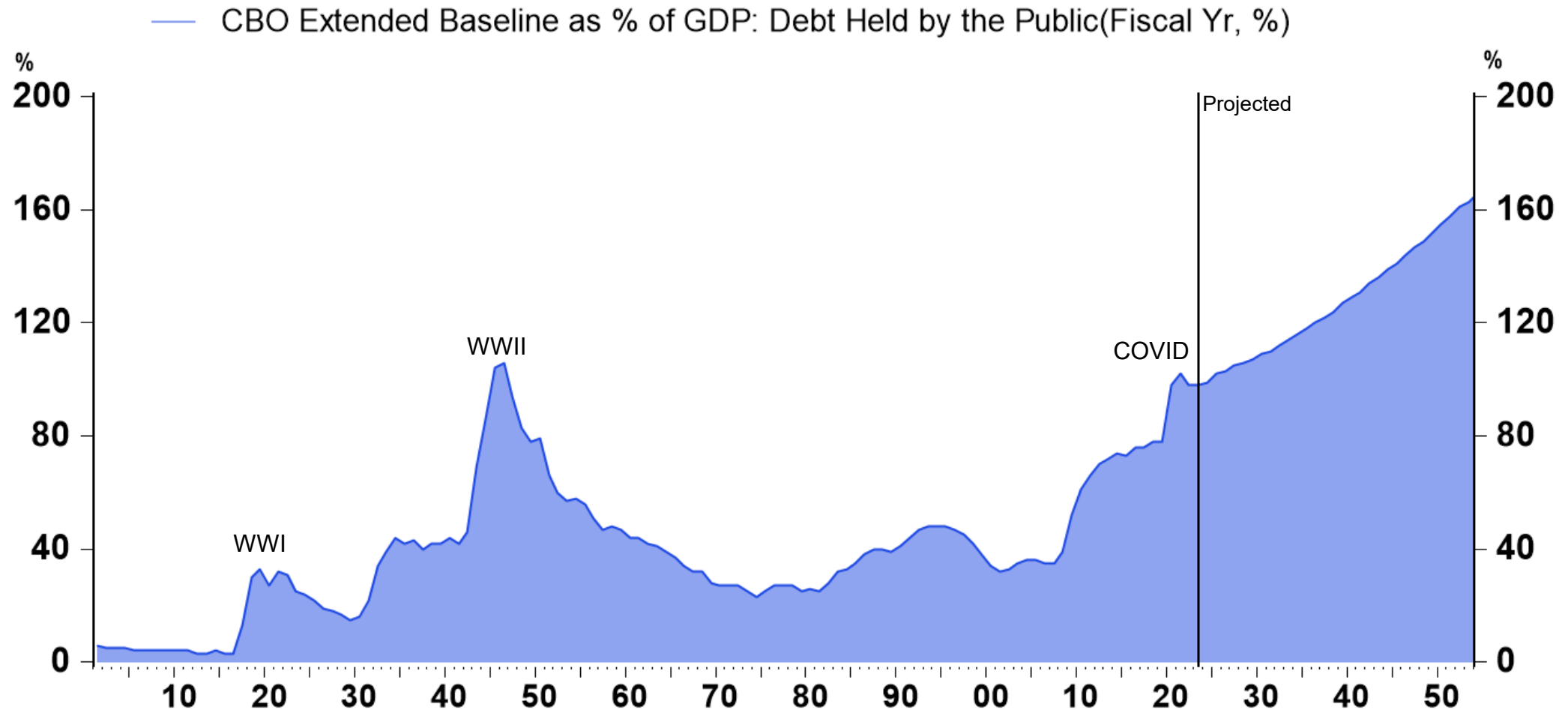
Source : KPMG Economics, FRB (Q2 2024), Haver Analytics



Longer-
term

When is too much? When will markets balk?

Federal Debt Held By Public



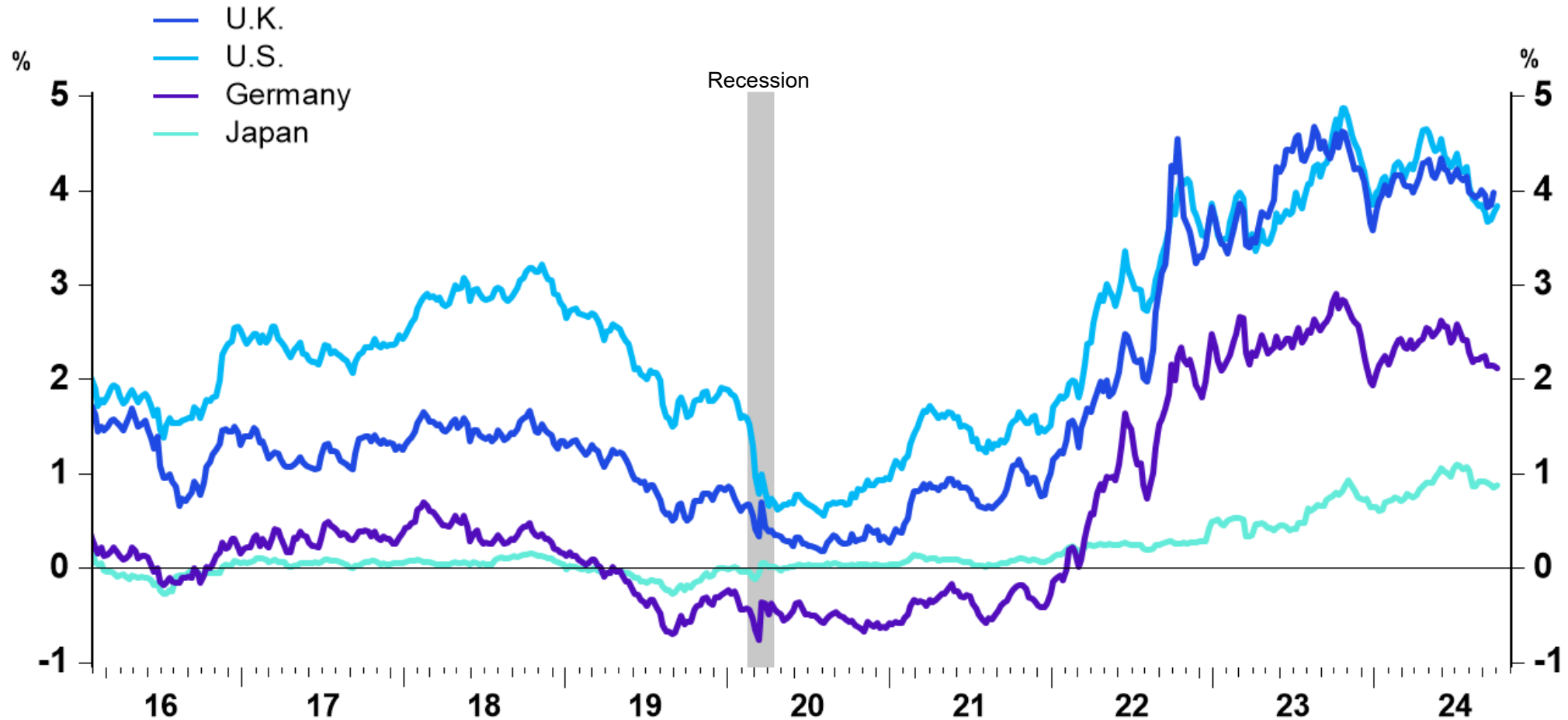
Source: KPMG Economics, CBO (March 2024), Haver Analytics



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Global rates higher

Global 10-Year Sovereign Bond Yields

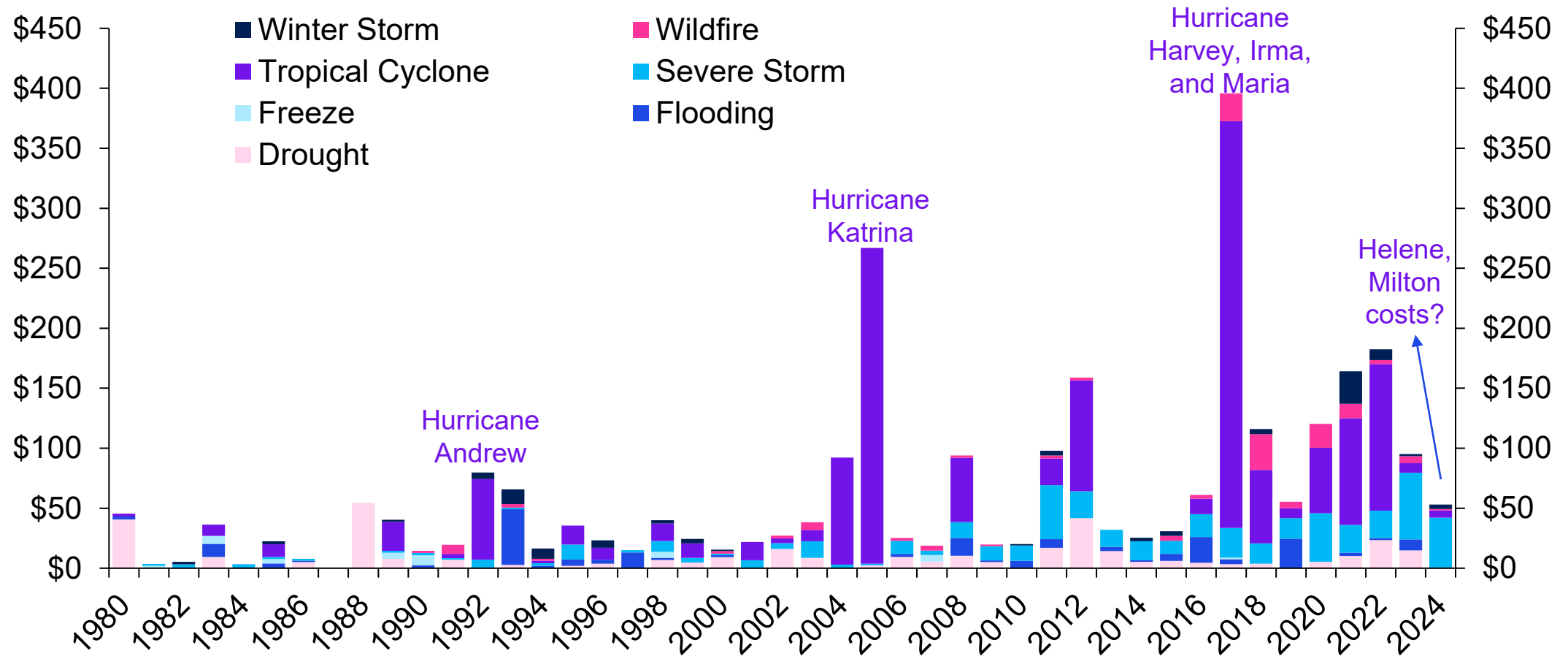


Source: KPMG Economics, BoE, FRB, BbK, MoFJ (October 4, 2024), Haver Analytics

More wildfires, hurricanes, severe storms

Billion-Dollar Disaster Event Costs

CPI-Adjusted, Billions of US\$



Source: NOAA (September 10, 2024)

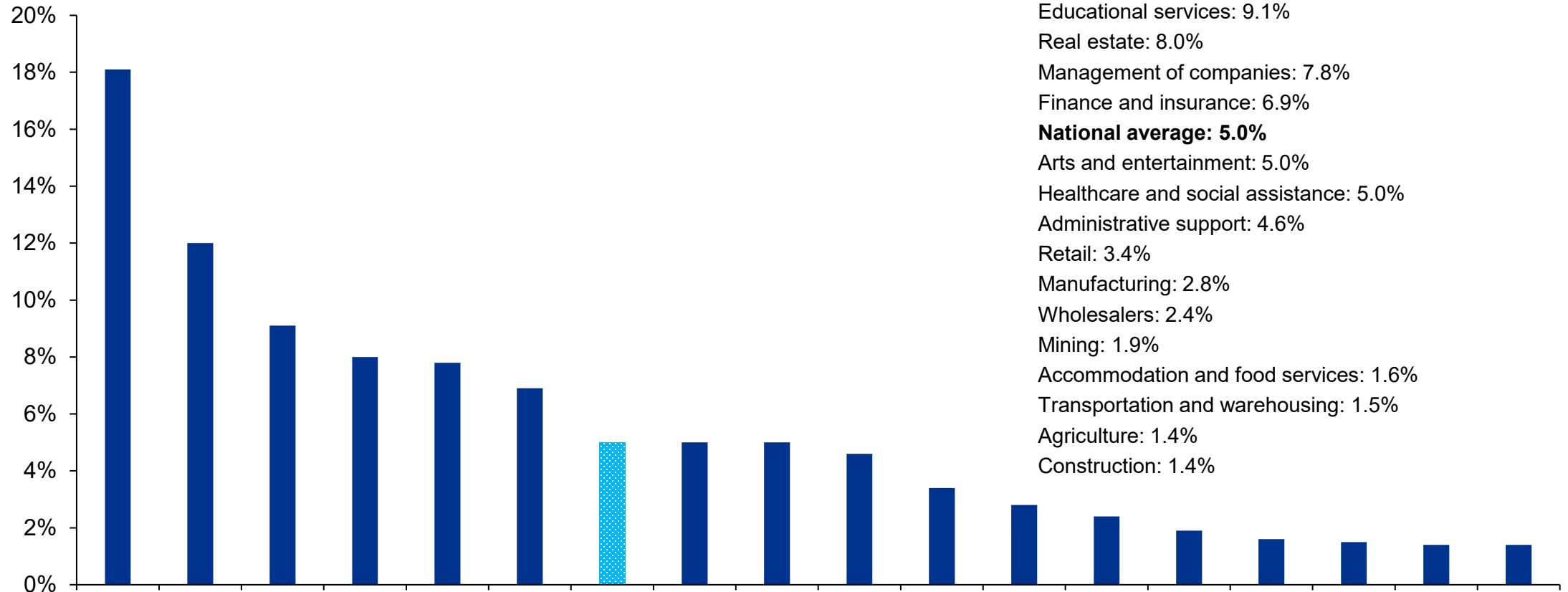


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Artificial intelligence and productivity

AI adoption is rising

Percent of businesses reporting usage of AI tools



Note: Question is as follows “In the last two weeks, did this business use Artificial Intelligence (AI) in producing goods or services? (Examples of AI: machine learning, natural language processing, virtual agents, voice recognition, etc.)”

Source: KPMG Economics, Census Business Trends and Outlook Survey (May 9, 2024).



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Hi-tech investments

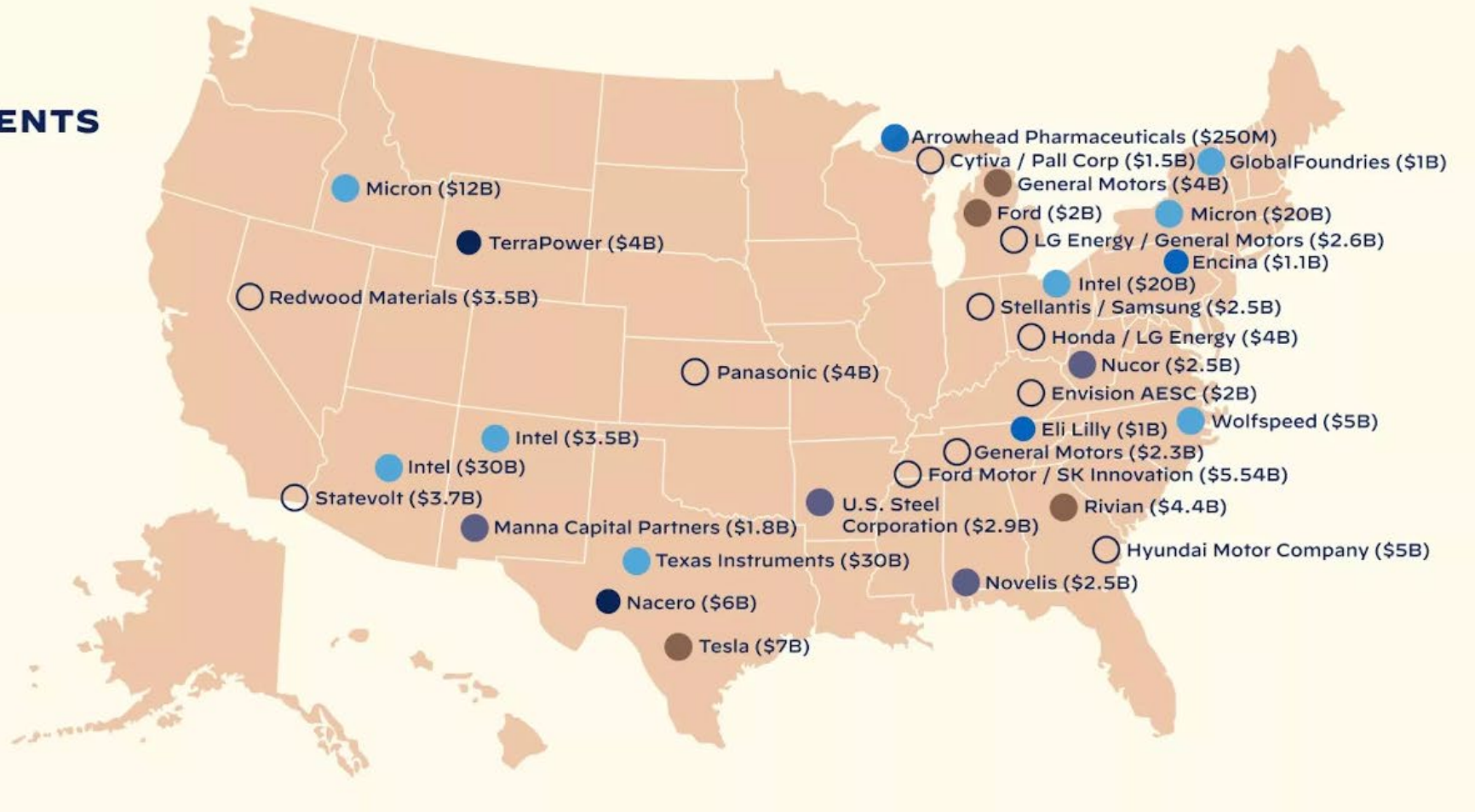
OTHER \$1B+ INVESTMENTS

(Sites to be determined)

- SK Group (\$22B)
- First Solar (\$1.2B)
- Volkswagen (\$7.1B)

LEGEND

- Battery Factory
- Auto/Electric Vehicle Plant
- Semiconductor Fab
- Biomanufacturing Facility
- Heavy Industry
- Other Clean Energy

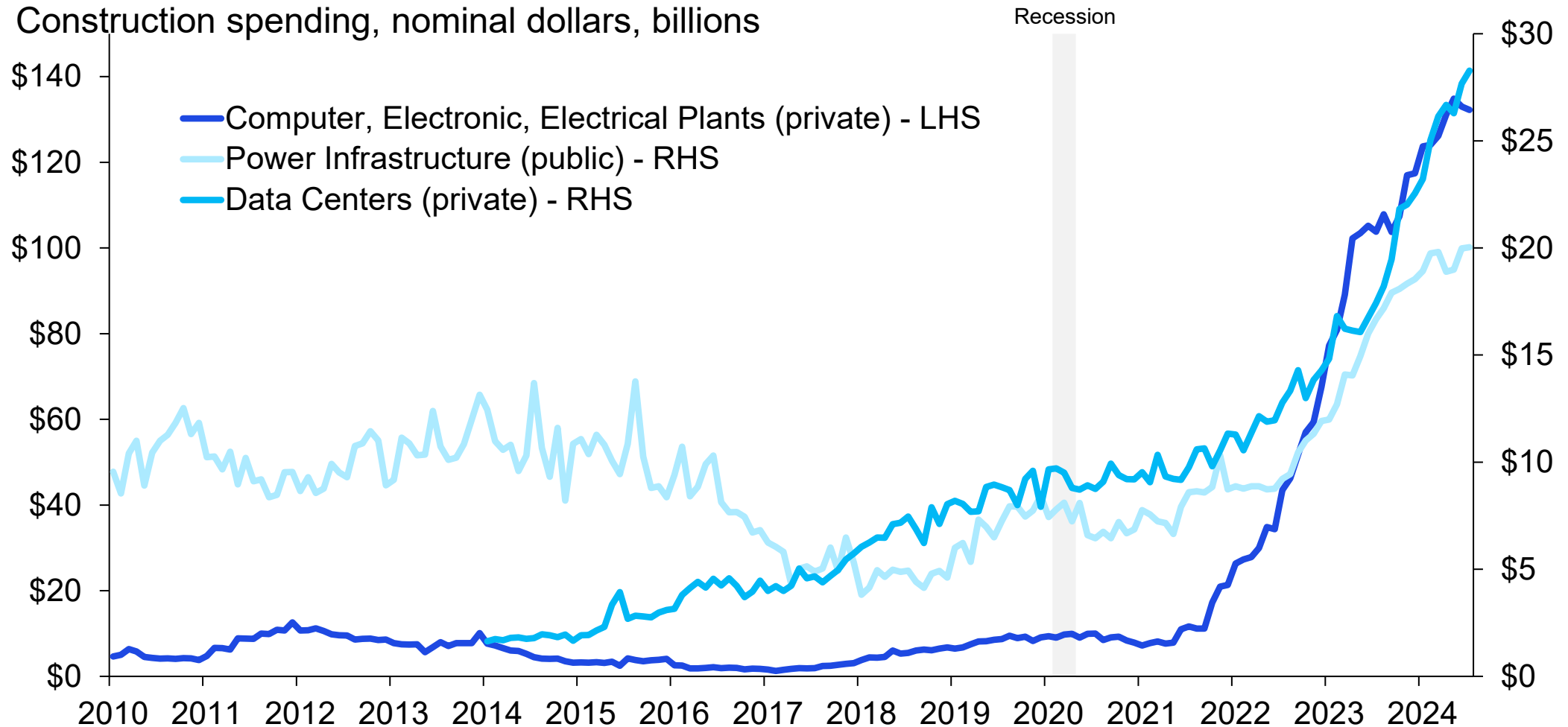


Source: The White House

Construction boom for high-tech manufacturing

Boom in investment since 2022

Construction spending, nominal dollars, billions

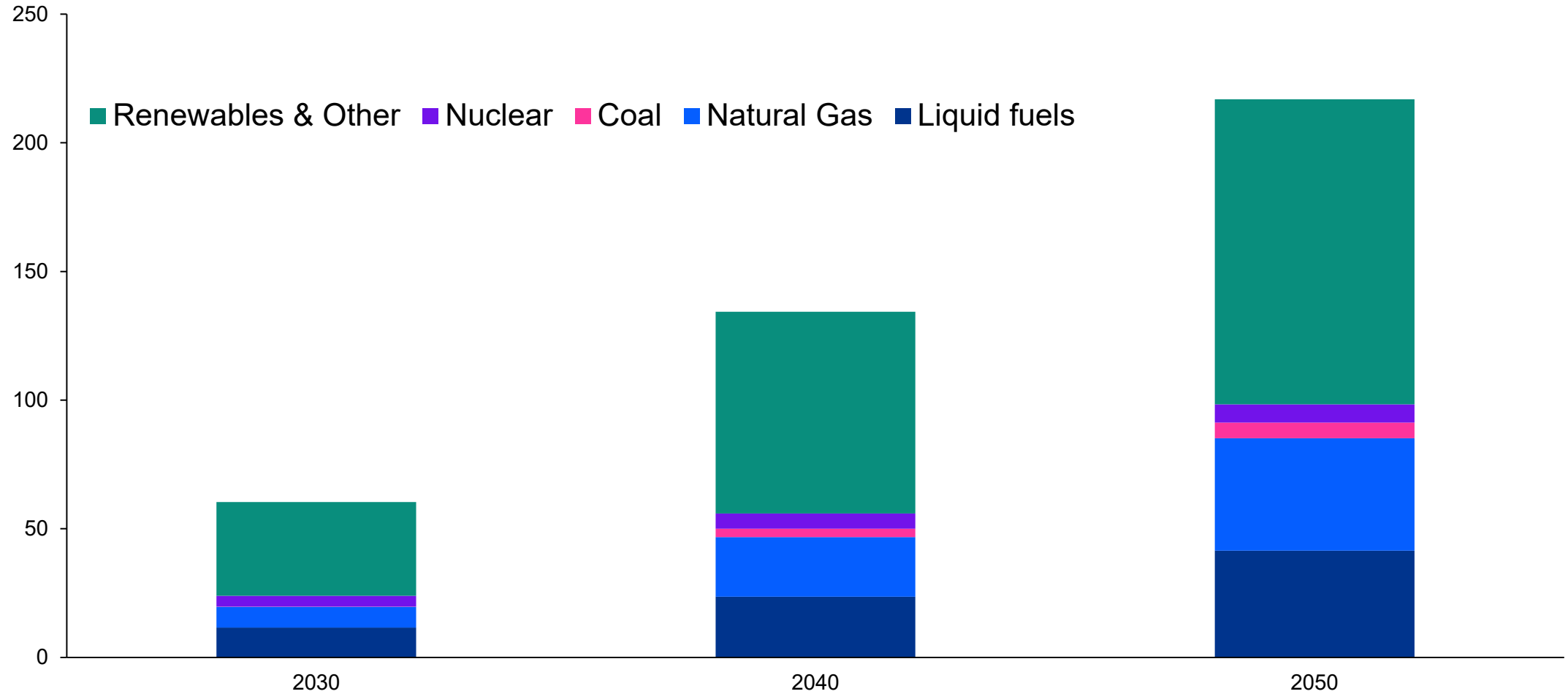


Source: KPMG Economics, Census Bureau (August 2024), Haver Analytics

Green investments

Global energy demand expected to surge

Forecasted change from 2022, quadrillion British thermal units



Source: KPMG Economics, EIA International Energy Outlook



Thank you

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





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