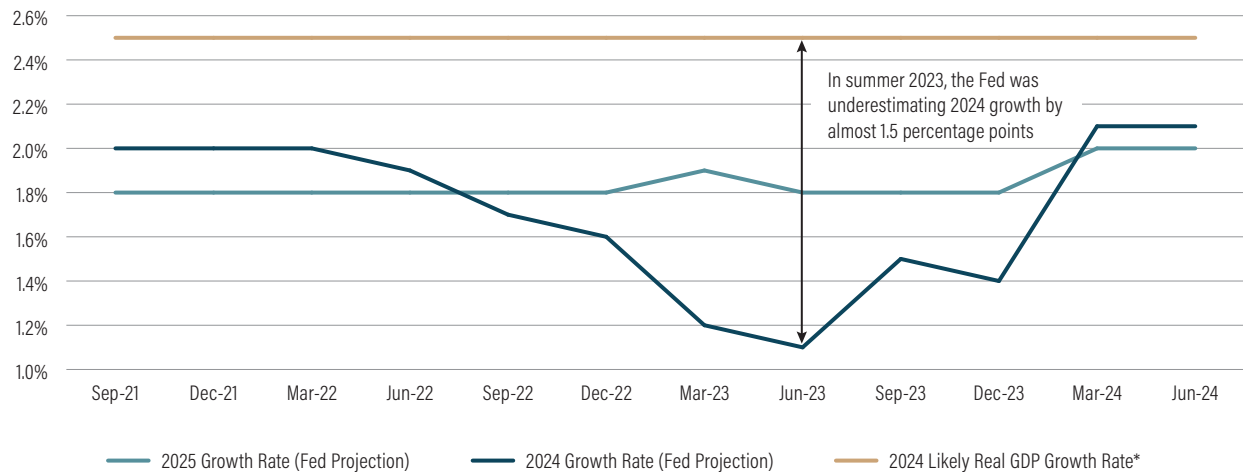


# Solving for 2025

## A Year of Above-Trend Growth

### THE AMAZING DISAPPEARING ECONOMIC SLOWDOWN

U.S. Federal Reserve projections for 2024 and 2025 U.S. real GDP growth, 2021 to 2024



Source: U.S. Federal Reserve, Federal Reserve Bank of Atlanta. Growth projections are the median projections of the members of the Federal Reserve Open Market Committee (FOMC), as reported in the quarterly Summary of Economic Projections. Data as of November 11, 2024. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.** \*Based on realized GDP growth reported for Q1, 2 and 3 2024, and the GDP growth forecast for Q4 2024 by the Federal Reserve Bank of Atlanta's GDPNow model, as of November 7, 2024.

### What does it show?

In June 2023, just before their final rate hike, Fed policymakers thought the U.S. would grow just 1% in 2024. Actual 2024 growth looks likely to be around 2.5%. Fed policymakers expect the U.S. to grow by 2% in 2025.

### What does it mean?

U.S. growth has remained surprisingly resilient even as disinflation has been achieved. Has the growth impact of higher rates merely been delayed until 2025, or are we still underestimating its potential?

### What is our take for 2025?

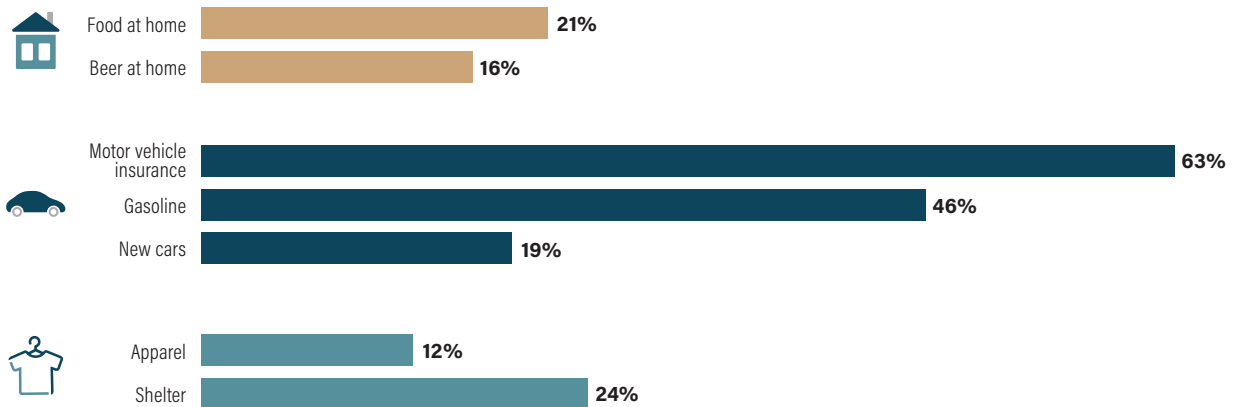
The new U.S. administration campaigned on a platform of pro-growth tax and regulatory policies, alongside protection of U.S. industry. We think the inflationary implications are balanced, allowing the Fed to cut rates, albeit more slowly. The result could be above-trend U.S. growth in 2025, with this year's surprisingly resilient growth turning out to be the cyclical low.

# Solving for 2025

## *Extending the Soft Landing by Broadening Real Income Growth*

### THE SOARING COST OF STAPLES OVER THE PAST FOUR YEARS

Consumer Price Index rises, October 2020 to October 2024



Source: FactSet. Data as of November 18, 2024.

### What does it show?

The cumulative rise in the cost of life's essentials since the eve of the pandemic has been punishing.

### What does it mean?

The disinflation of the past 18 months does not mean that prices are falling, nor does it erase the price rises of recent years. Moreover, analysis by the Federal Reserve Bank of New York suggests that those on lower and middle incomes have experienced higher-than-average inflation because staples make up a large proportion of their shopping basket, helping to explain voting patterns in the recent U.S. election.

### What is our take for 2025?

We expect inflation to remain top-of-mind for political leaders. For those who invest globally, governments that can deliver moderate inflation and broader participation in positive real wage growth should achieve higher consumer confidence, political approval ratings and GDP growth rates.

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