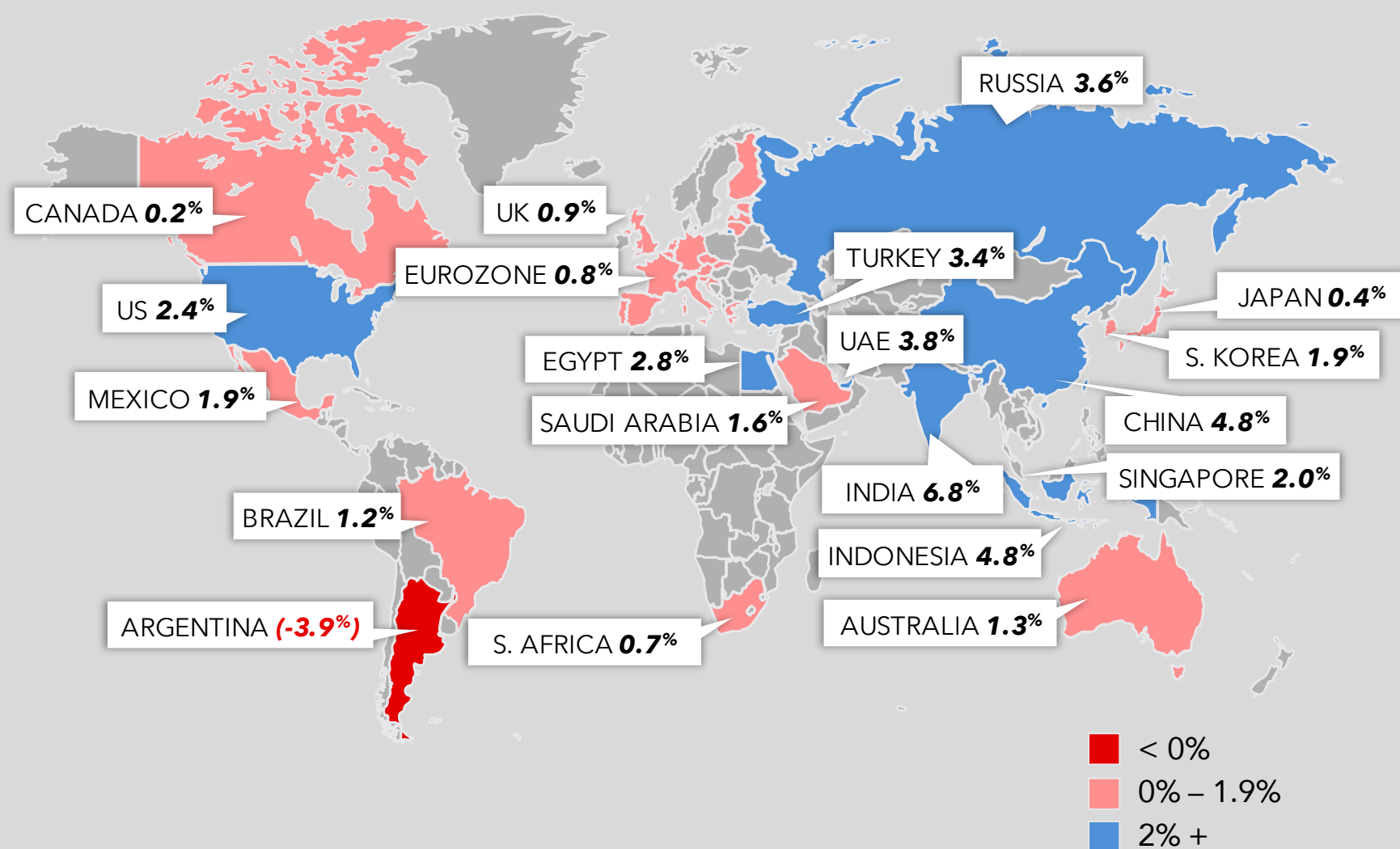


Chart of the Day



Though recent economic data suggests deceleration is underway, the United States economy is nonetheless the only Western economy expected to grow above 2% in 2024. Following lackluster growth in 2023, a subdued recovery is underway in Europe following improved external demand and a mild manufacturing recovery. China's economy has stabilized on export growth and increased gov't stimulus, though the consumer remains tepid. Steady domestic demand and wage growth should keep Japan's economy at or above "potential" growth (i.e., 0.5%) over the next two years. India remains the fastest growing G20 economy, though growth has been moderating on the impact of policy tightening and uncertainty.

2024 GDP growth, y/y



Most high-inflation/ rapid Fed tightening cycles have historically ended in a "hard landing" (i.e., recession). Due largely to COVID-era imbalances and structural dynamics in the US economy, the US has been much more resilient to the tightening cycle this time than other economies and historical US precedent.

Why was the US economy more resilient to the tightening cycle this time?



- COVID era fiscal stimulus: \$10 trillion
- COVID era "excess" consumer savings: \$3 trillion
- Surging asset prices: Housing & stocks
- New business registrations: +53% since 2020 (+8% in Europe)
- US unemployment rate: <4% for 30 months (1st time since 1960s)
- New job creation: 9 million new jobs in 3 years
- US wage inflation: Approximately 4% (higher than inflation)
- US productivity: Above long-term averages of 1.5-2%
- Less rate sensitive consumer: 95% of home mortgages fixed rate
- Less rate sensitive corporates: IG market 95% fixed; HY 99%
- Services driven economy: 80% of US GDP
- Consumer & corporate balance sheets: Strengthened during record low 2020-2021 rates

Source: (1) Oxford Economics. Data as of June 17, 2024.

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Hailey Orr
Managing Director
Hailey.Orr@mufgsecurities.com
(212) 405-7429



Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443



Angela Sun
Analyst
Angela.Sun@mufgsecurities.com
(212) 405 - 6952

"Macro stability isn't everything, but without it, you have nothing."