



The Economic Outlook

MEREDA 2017 Annual Real Estate Forecast Conference

James Marple

Director & Senior Economist

TD Economics

January 19, 2017

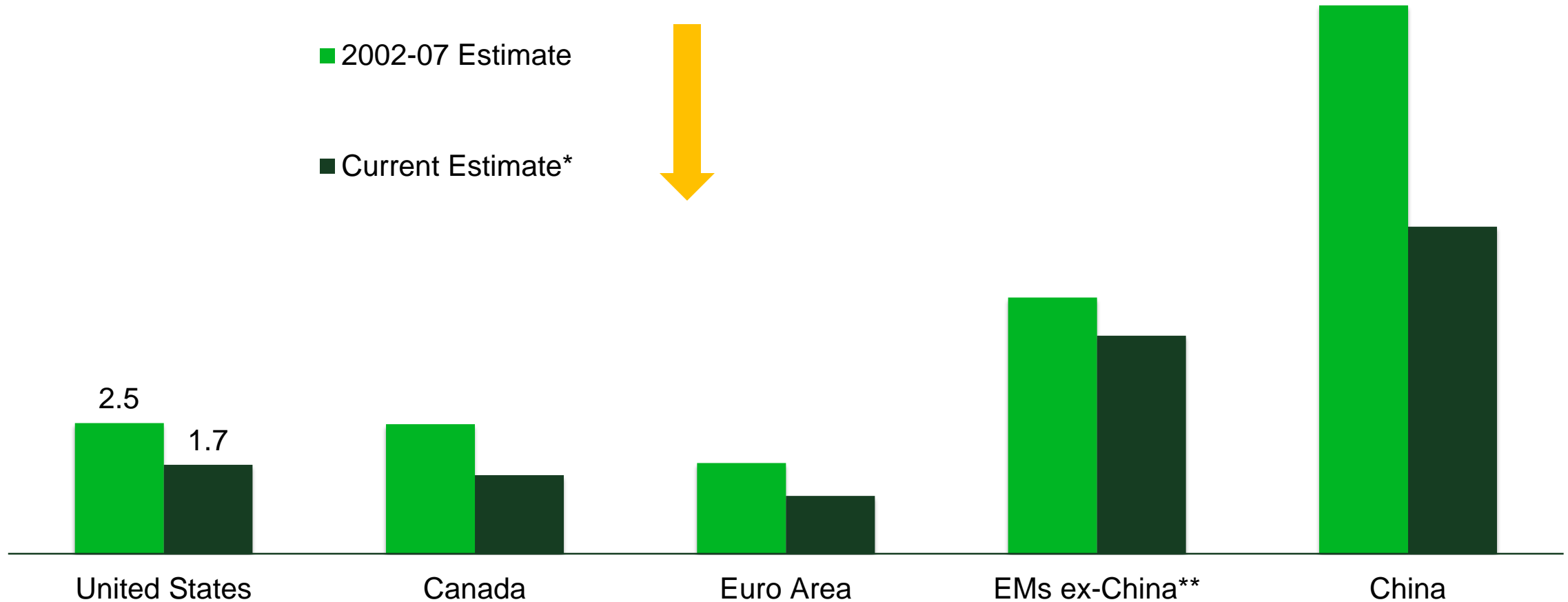


Economic & Financial Themes



- Financial markets are optimistic about economic prospects
 - Equity prices up, bond prices down (yields up)
- Dollar to remain strong (anti-trade rhetoric only raises these odds)
- Inflation to move gradually higher
- Federal Reserve to continue normalizing policy
- Long-term interest rates to see modest upside (from here)
- Economy to maintain modestly above-trend economic growth
 - Healthy household spending and business investment rebound
- Unemployment rate can't fall much further

Running Speed Of Key Economies: Slowing Down



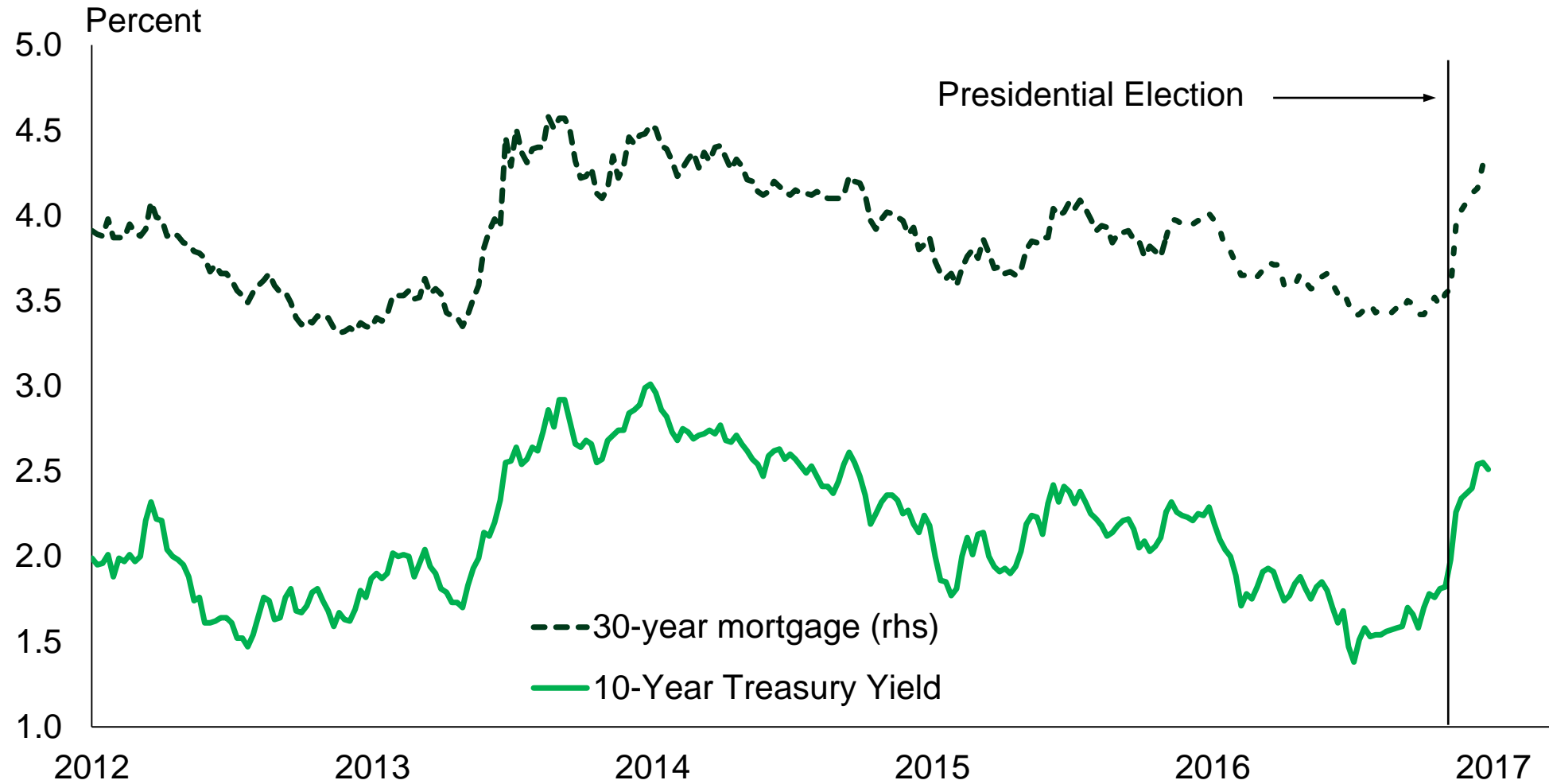
Source: OECD November 2007 & 2016 June Outlook & May 2014 Long-Term Baseline Projection. *Estimate for 2015-20. Calculations by TD Economics. ** 10 EMs comprising about 21% of global output.

Dollar Lifted By Election Result, Will Likely Remain Lofty



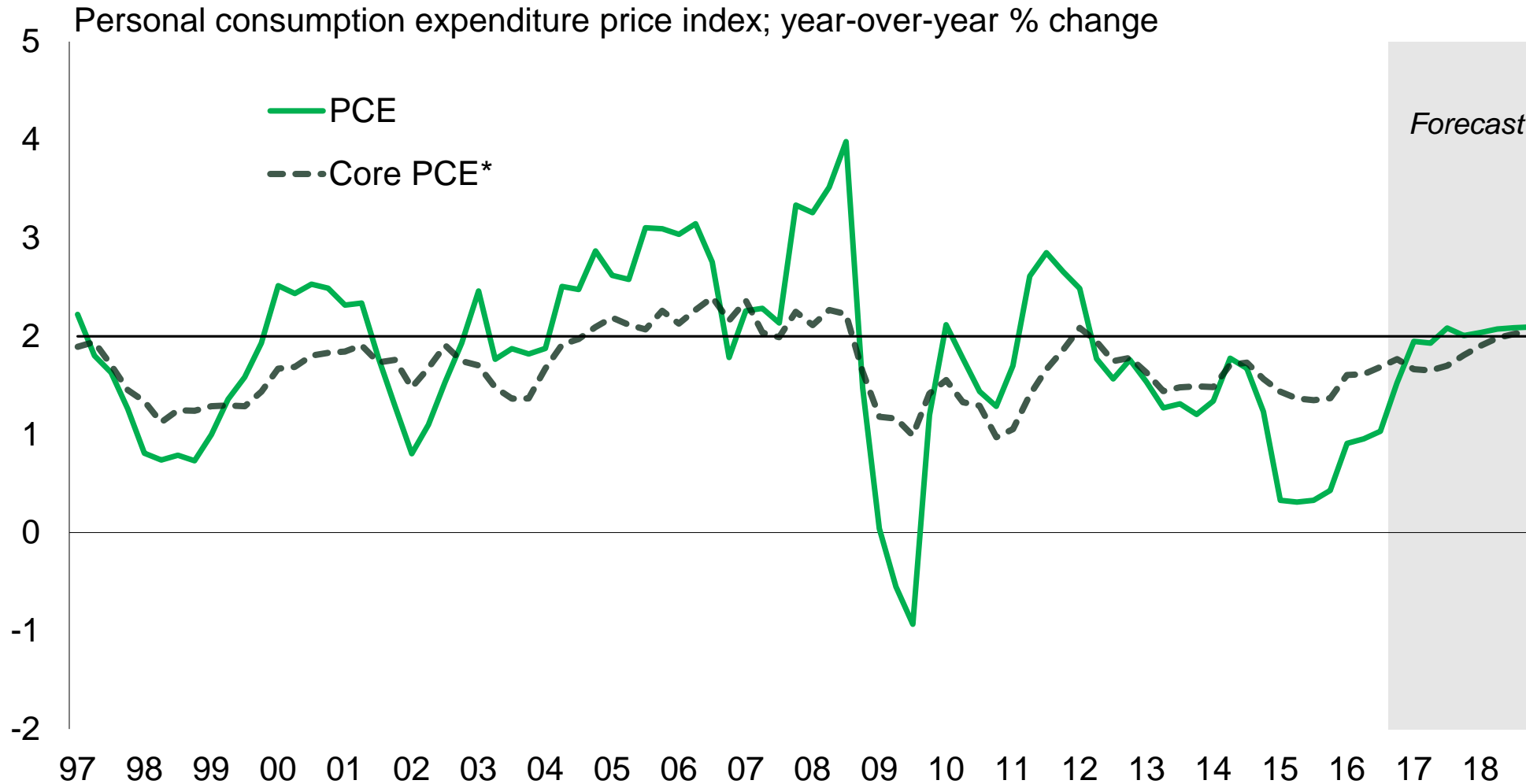
Source: Federal Reserve Board. Forecast by TD Economics

Interest Rates Have Retraced



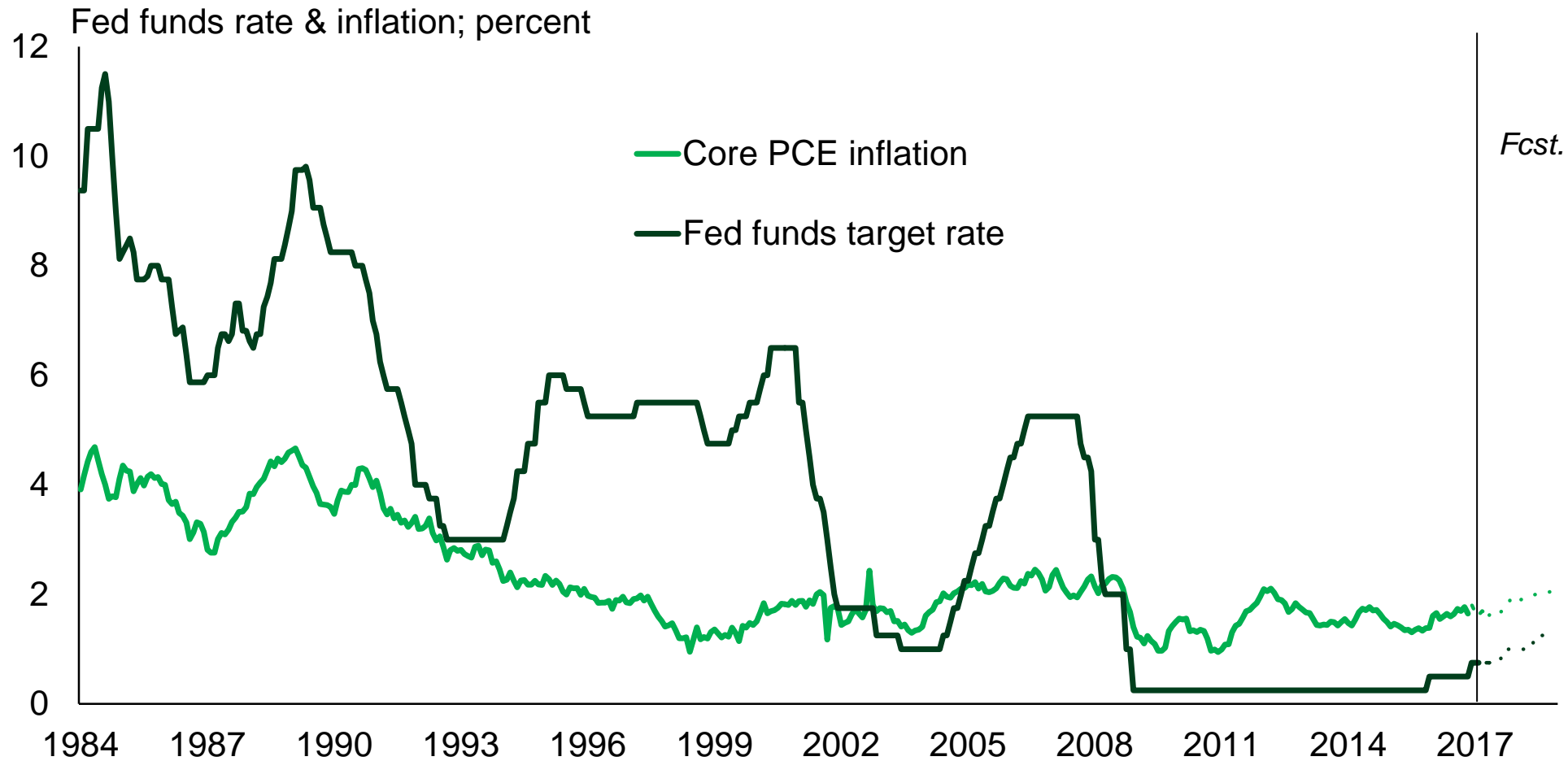
Source: Federal Reserve Board

Inflation Heading Higher



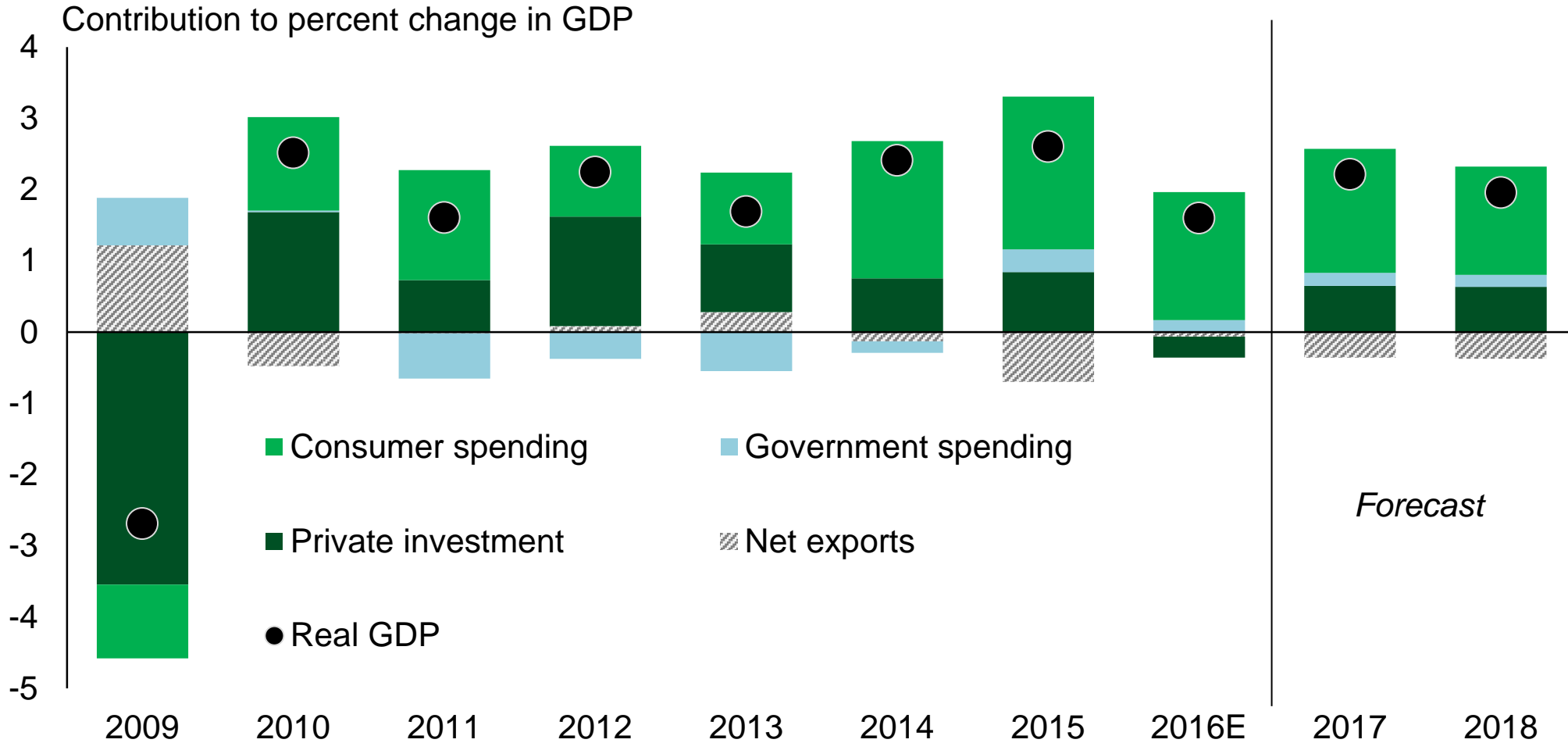
*Excluding food and energy. Source Bureau of Economic Analysis. Forecast by TD Economics

Federal Reserve Will Continue Gradually Hiking Rates



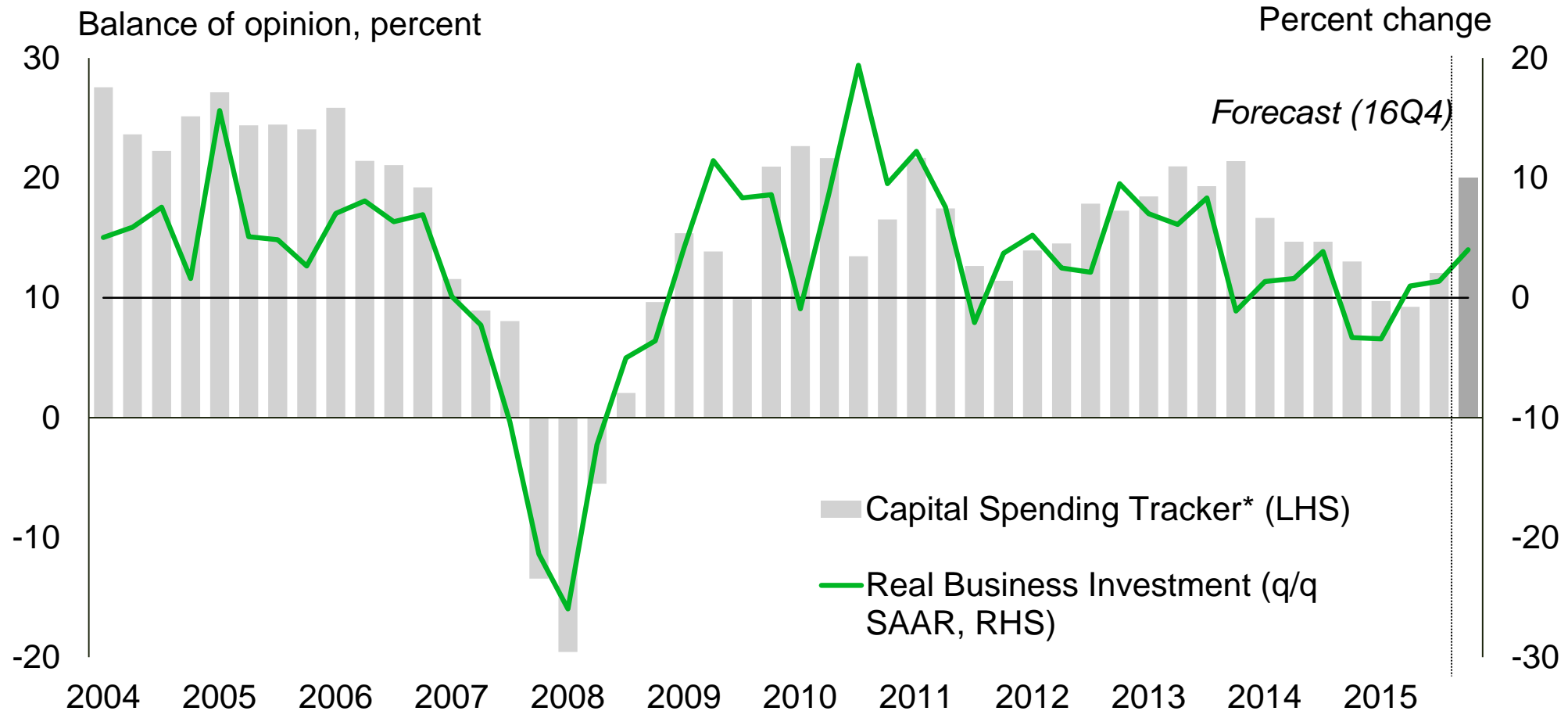
Core inflation excludes food and energy prices.
Source: BEA, Federal Reserve, TD Economics.

Trump Inherits A Solid Economy



Forecast by TD Economics. Source Bureau of Economic Analysis

Investment Poised for Rebound



Source: BEA, Federal Reserve Boards, TD Economics.

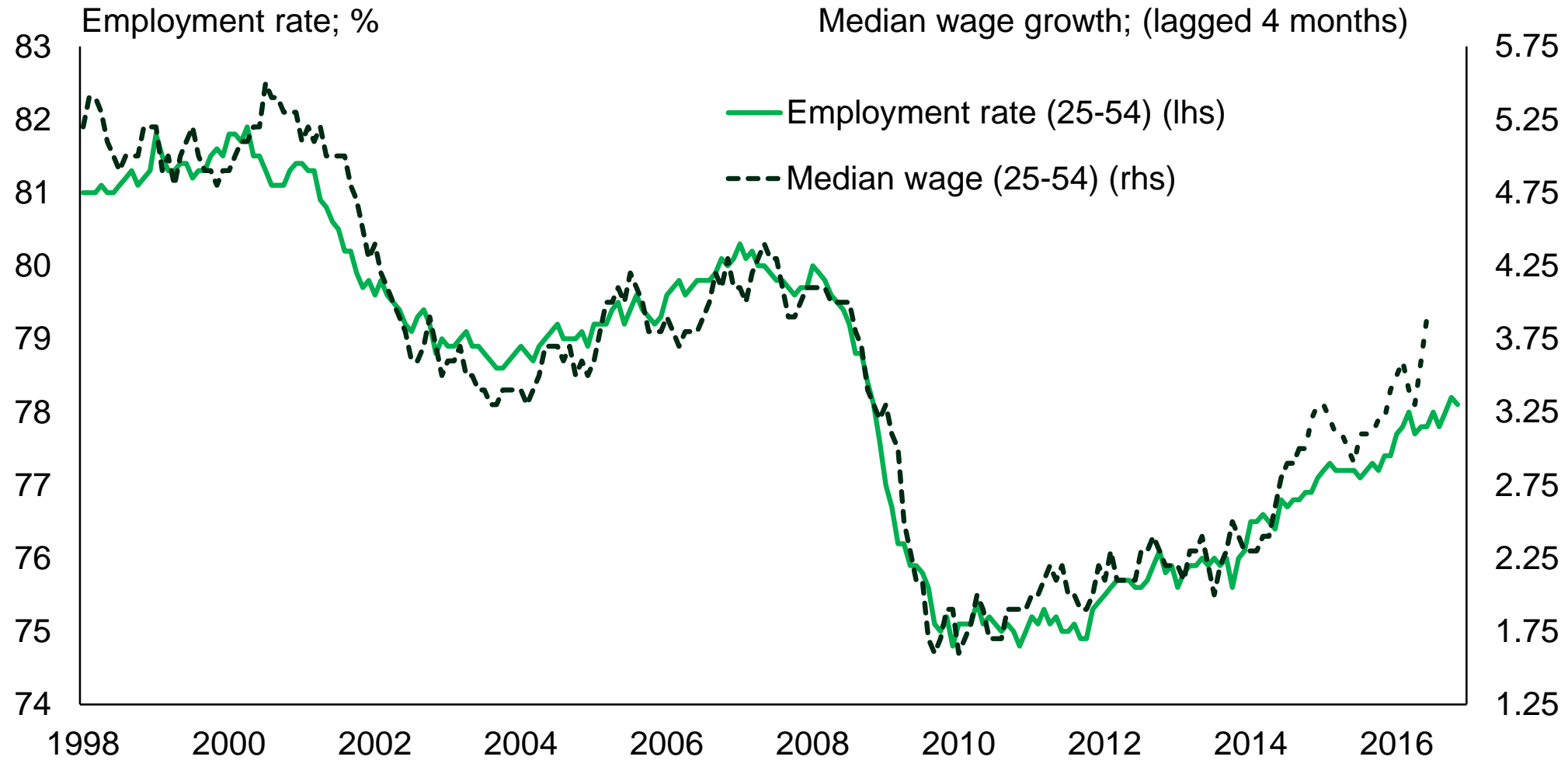
*Tracker is a combination of 5 regional Fed surveys of firms investment intentions over the next 6 months

Whither Fiscal Stimulus?



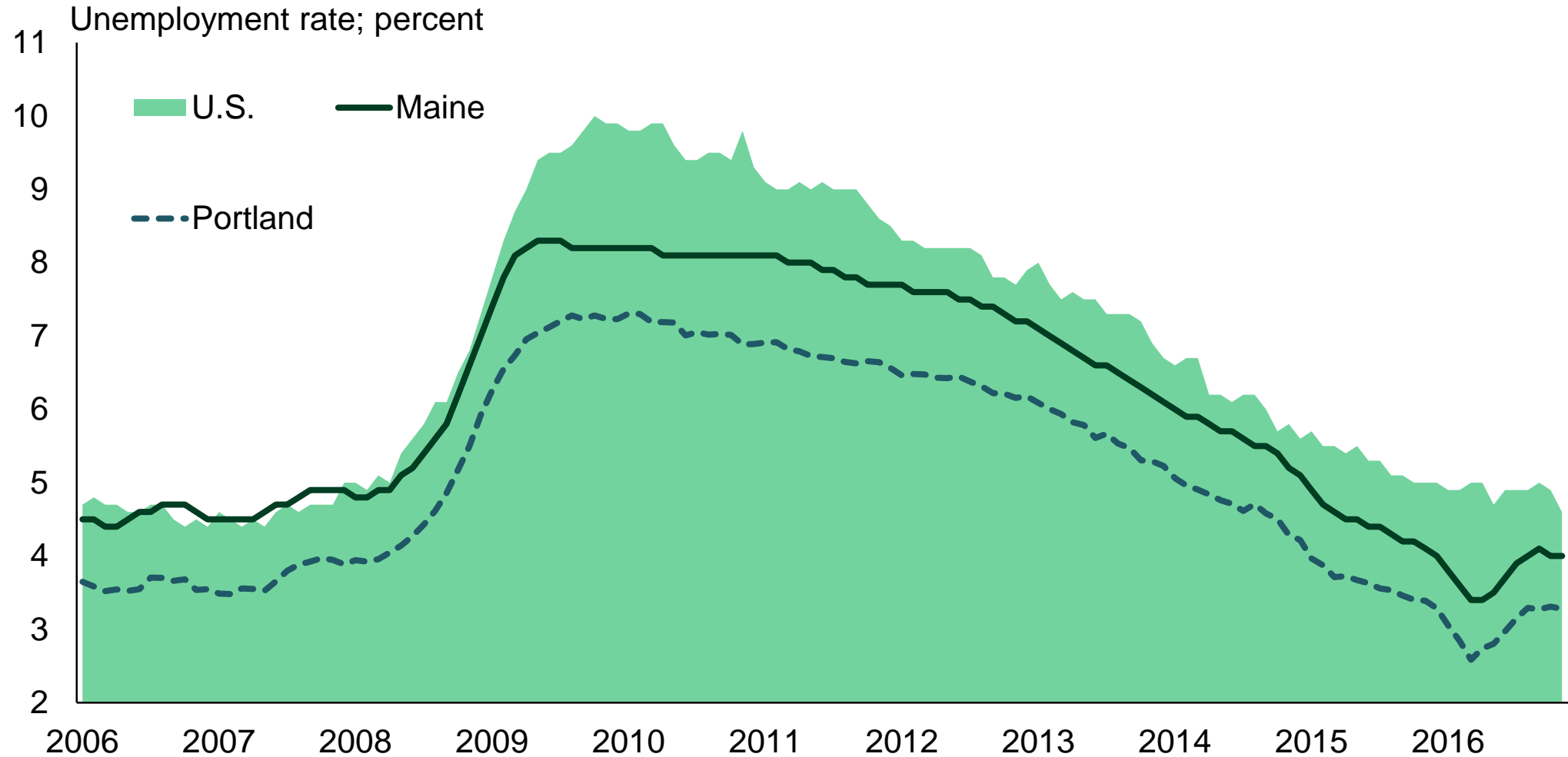
- Tax reform appears likely:
 - Lower the marginal tax rates, broaden the base; and simplify the tax code
(lower corporate tax rate to 20%)
- Infrastructure spending (\$500 billion?)
- Reduced regulation
- But...what spending cuts in return?
- Stable deficit means movement around the edges, not major fiscal support.
Reduced deficit at least modestly growth negative.

Job Market Momentum Continuing



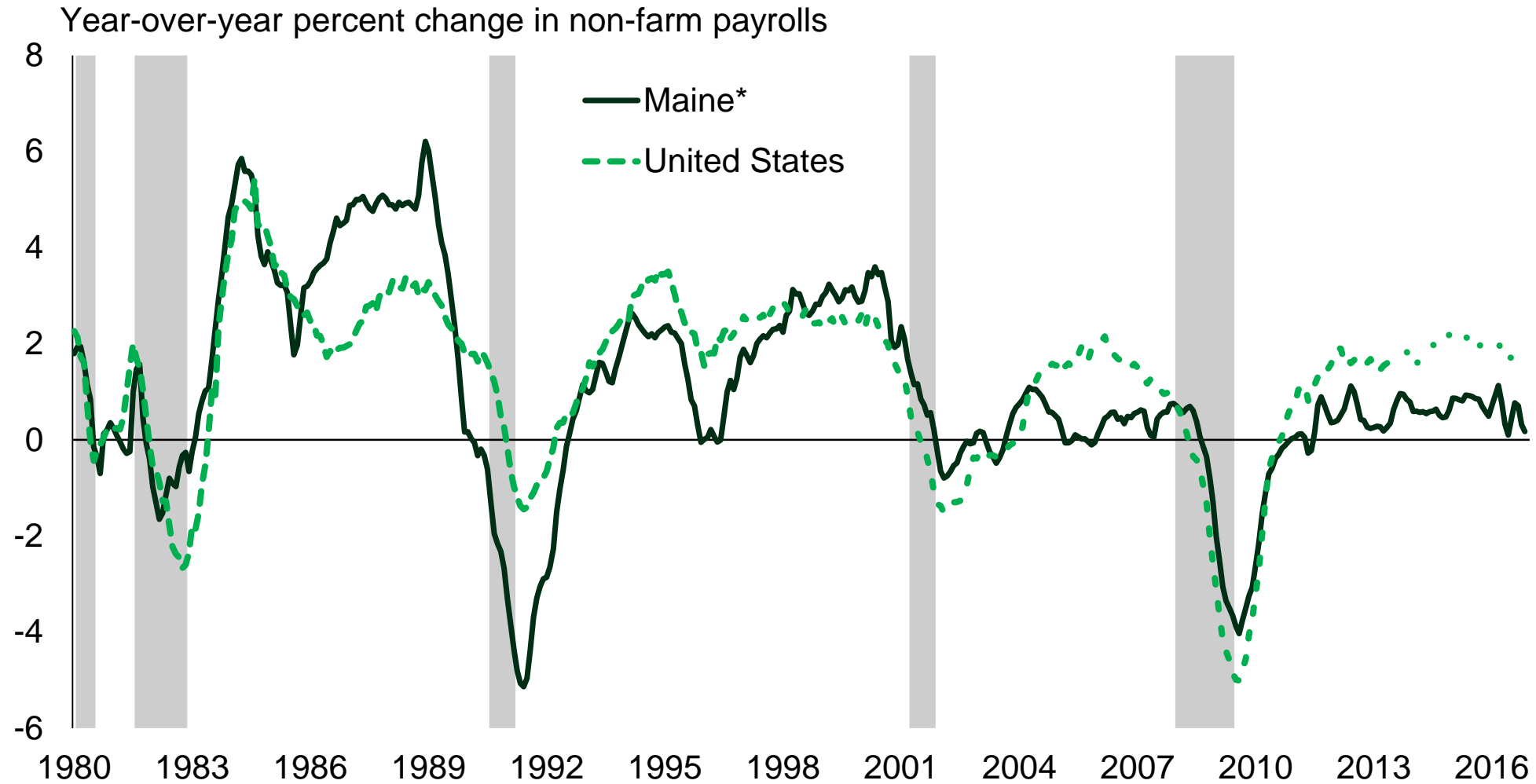
Source: Atlanta Fed, Bureau of Labor Statistics

Unemployment Rate Can't Get Much Lower



Source: Bureau of Labor Statistics

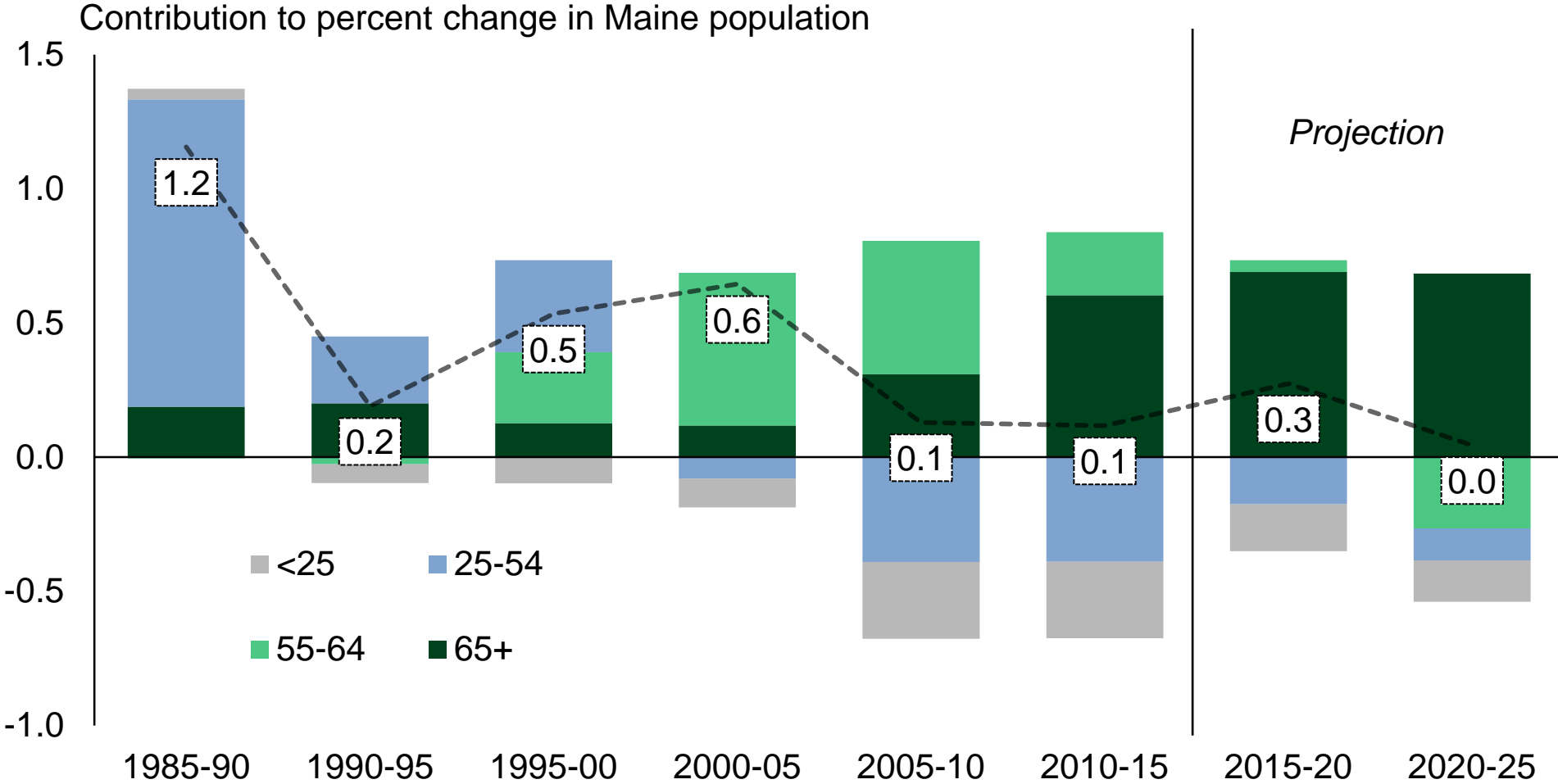
Maine Is Adding Jobs...



*Three-month-moving average. Source: Bureau of Labor Statistics

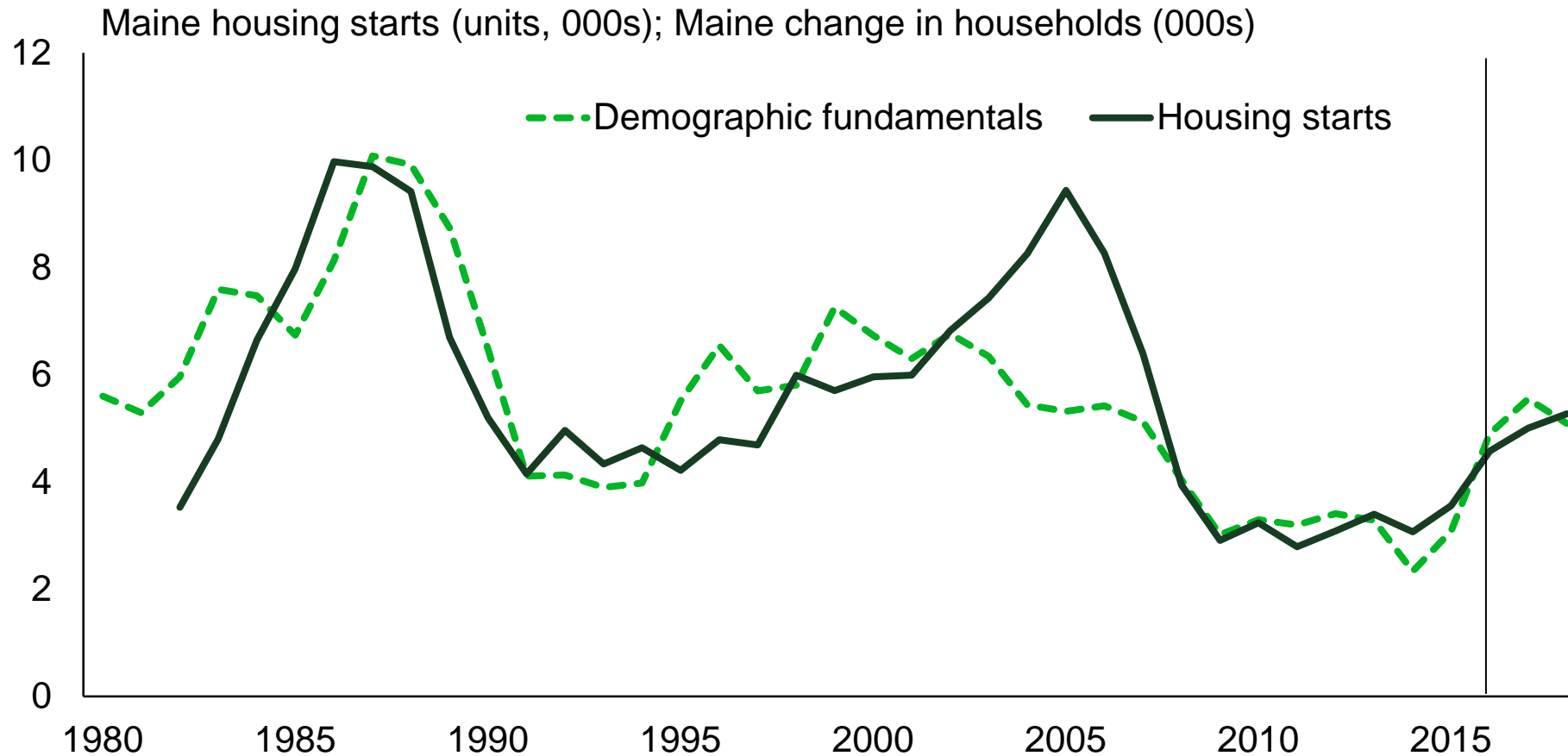


...But Demographics Are A Challenge



Source: U.S. Census Bureau, TD Economics

Still Enough Household Growth To Fuel Ongoing Construction



*Demographically adjusted households plus regular depreciation.

Source: U.S. Census Bureau, Economy.com, TD Economics



www.td.com/economics



@TD_Economics

This report is provided by TD Economics for customers of TD Bank Group. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. The report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.