



The Economic Outlook

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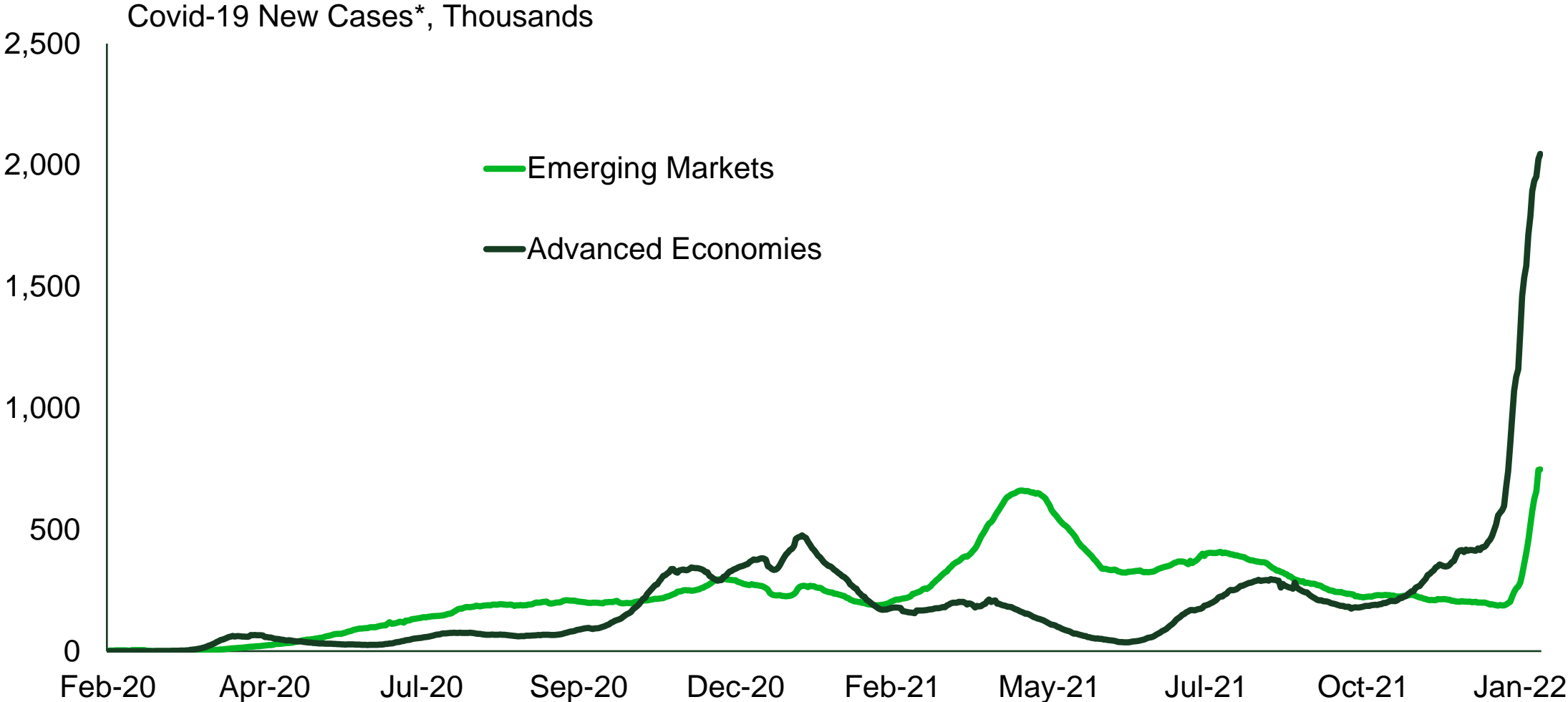


From Historic Rebound to "Stagflation" Worries



- The Omicron variant has led Covid-19 case to skyrocket, but good reason to expect it to be nasty, brutish and short
- Demand remains healthy
- Supply is not
 - Global supply chain disruption likely worsened by Omicron
 - Labor supply slower to rebound
- Inflation proving persistent
- The Federal Reserve is "tapering," rate hikes to follow in 2022
- Infrastructure bill signed into law; rest of Biden agenda on the rocks

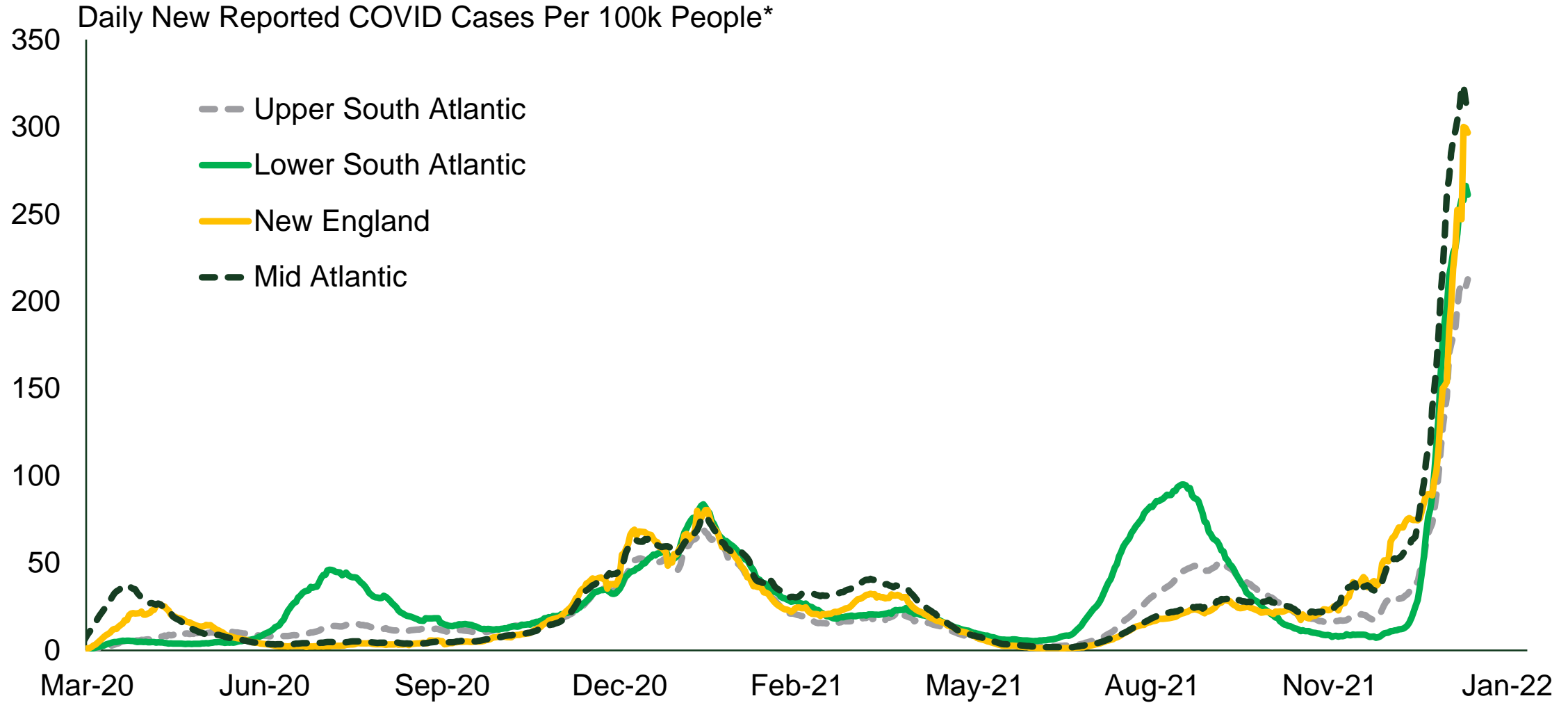
Omicron a Whole New Ball Game



*7-day moving average.
OWID, TD Economics. Last observation: January 13, 2022.

Source:

Cases Have Skyrocketed, but May Have Peaked

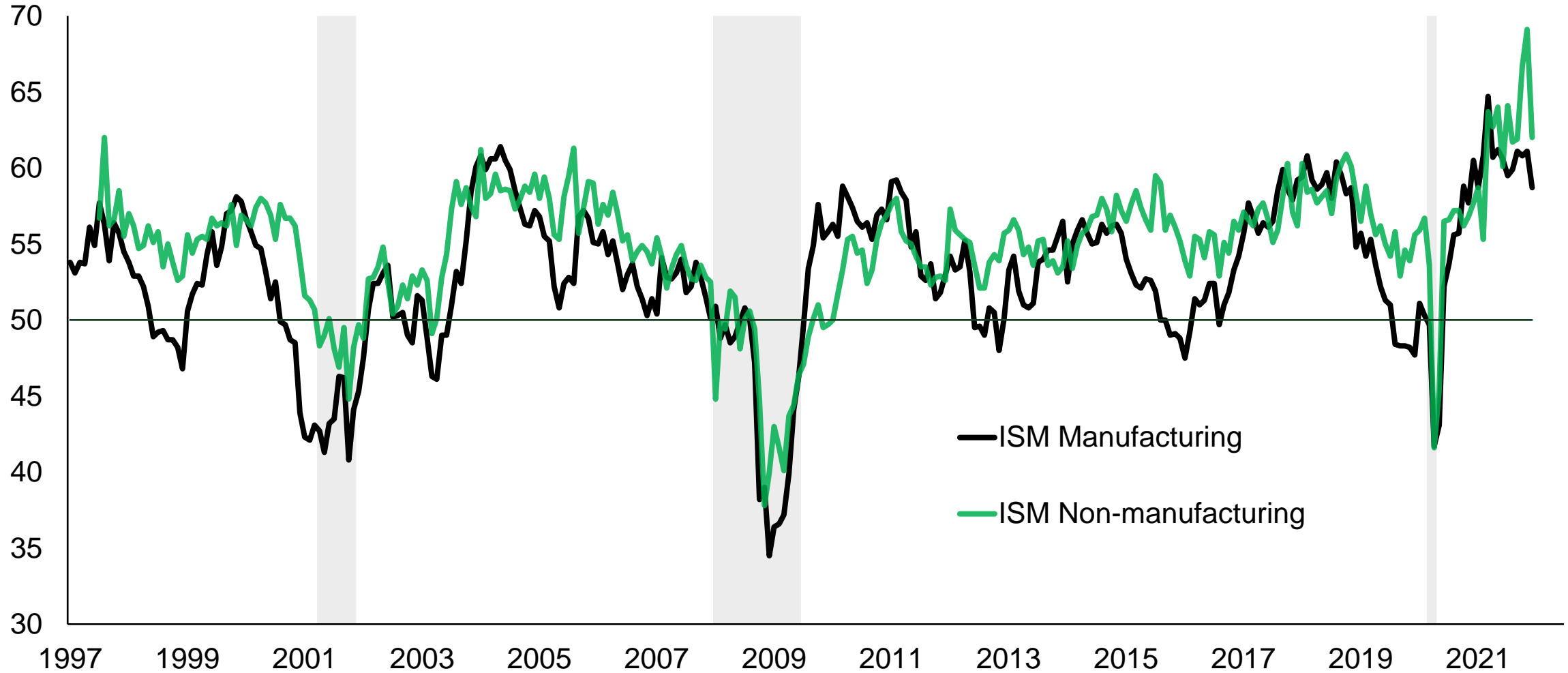


*7-day moving average. Note: Data covers four regions; New England (CT, MA, ME, NH, RI, VT); Mid Atlantic (NJ, NY, PA); Upper South Atlantic (DC, DE, MD, NC, VA, WV); Lower South Atlantic (FL, GA, SC). Source: Moody's Analytics, TD Economics. Last observation: January 9, 2021.

Leading Indicators Show Strong Demand

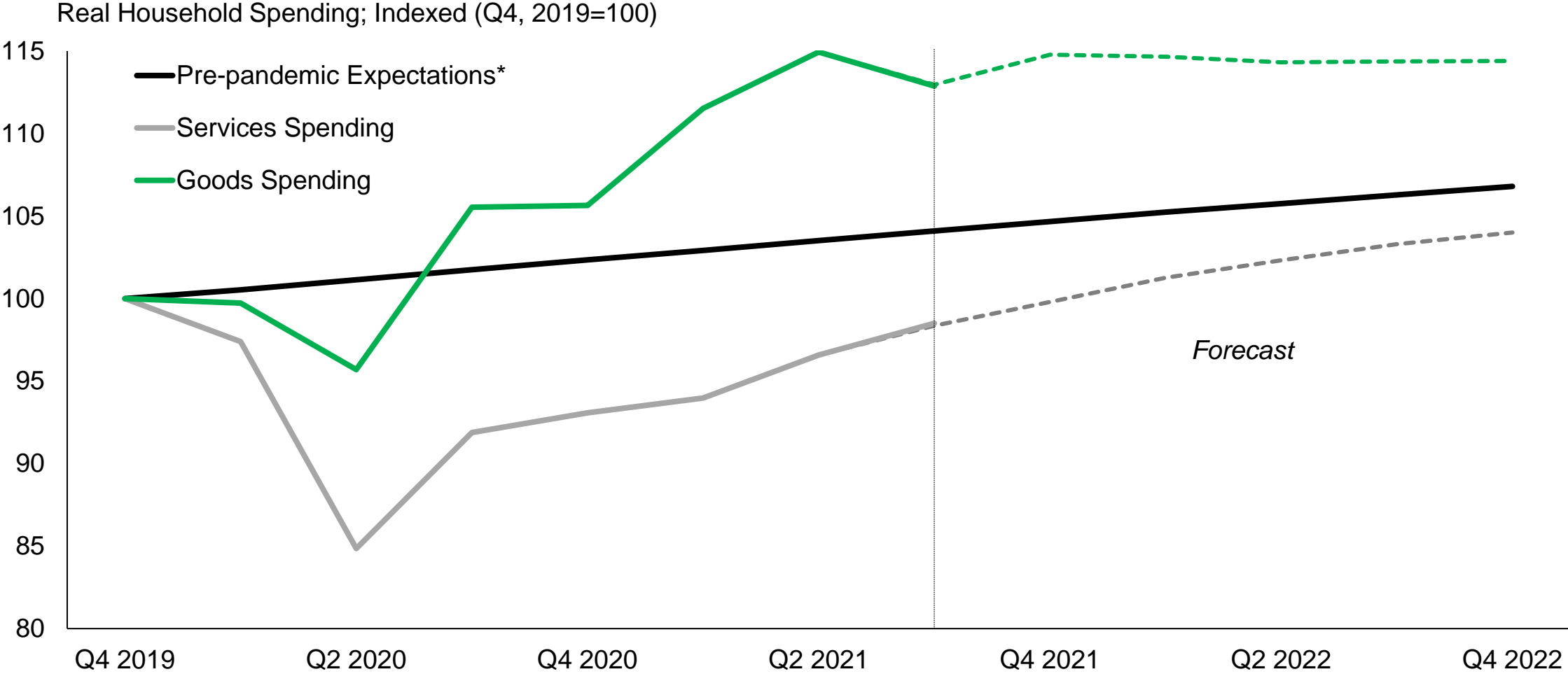


ISM Report on Business: 50+ = Increasing



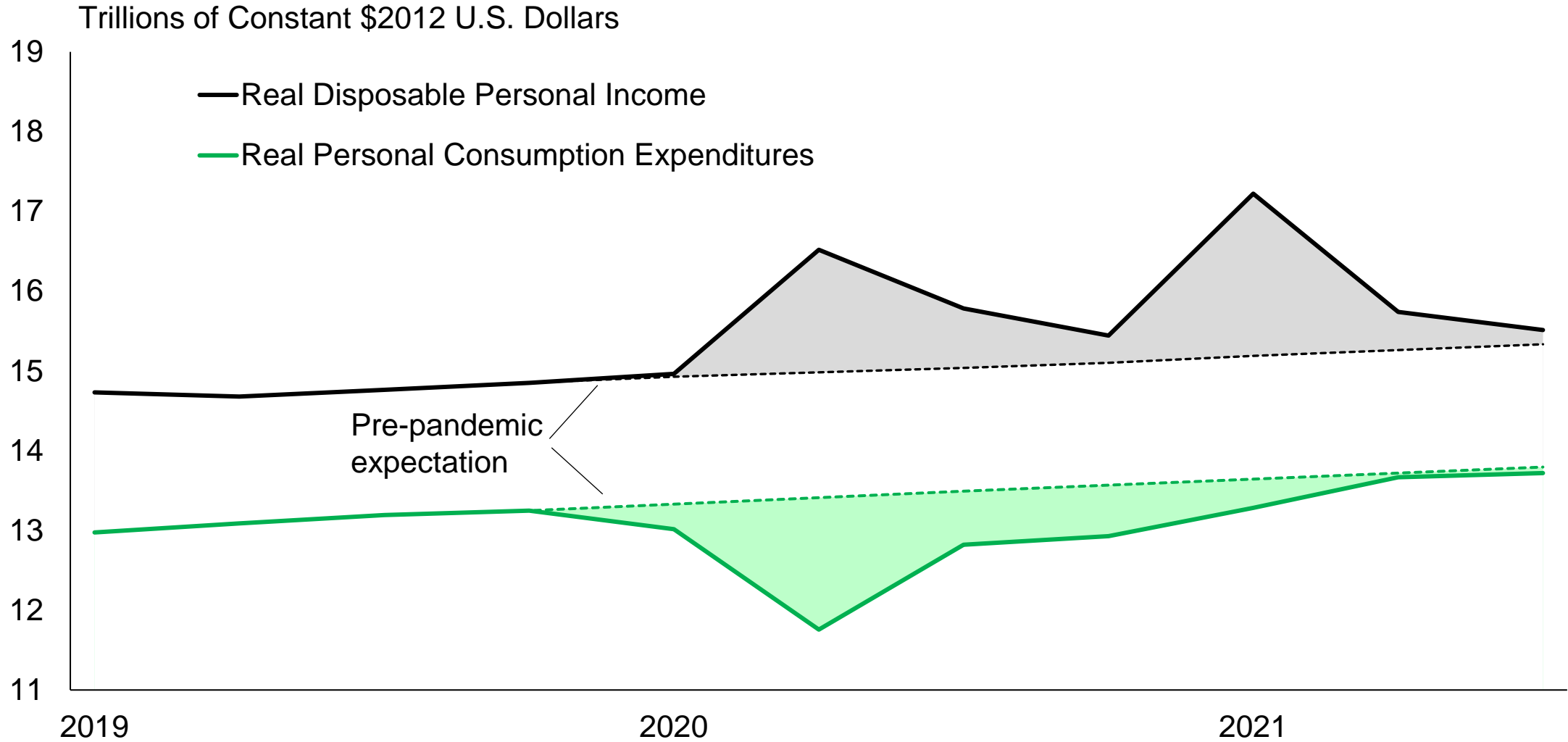
Source: Institute for Supply Management

Composition of Demand Has Shifted Dramatically



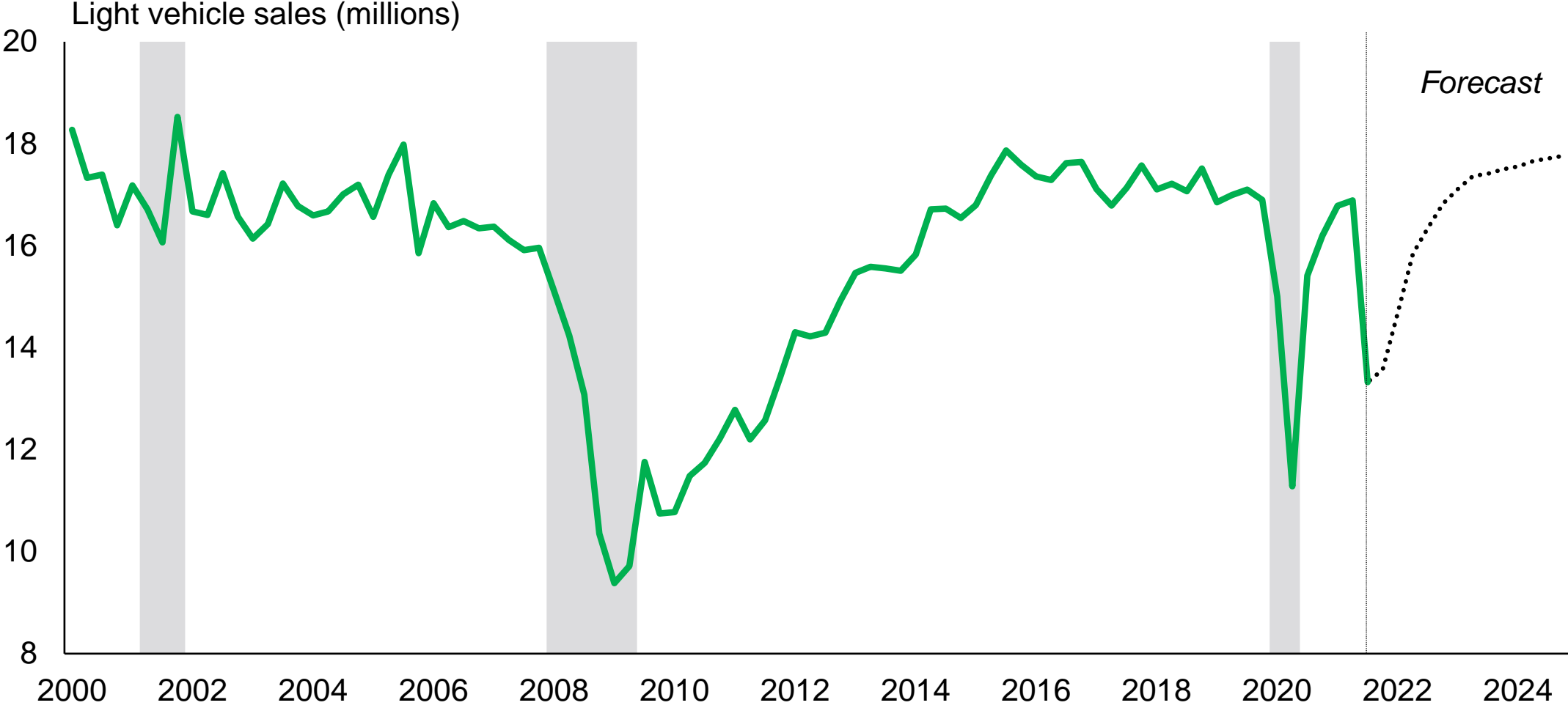
*Goods and services expected to grow at similar rate prior to pandemic. Source: Bureau of Economic Analysis, TD Economics

Lots of Gas Left in the Tank



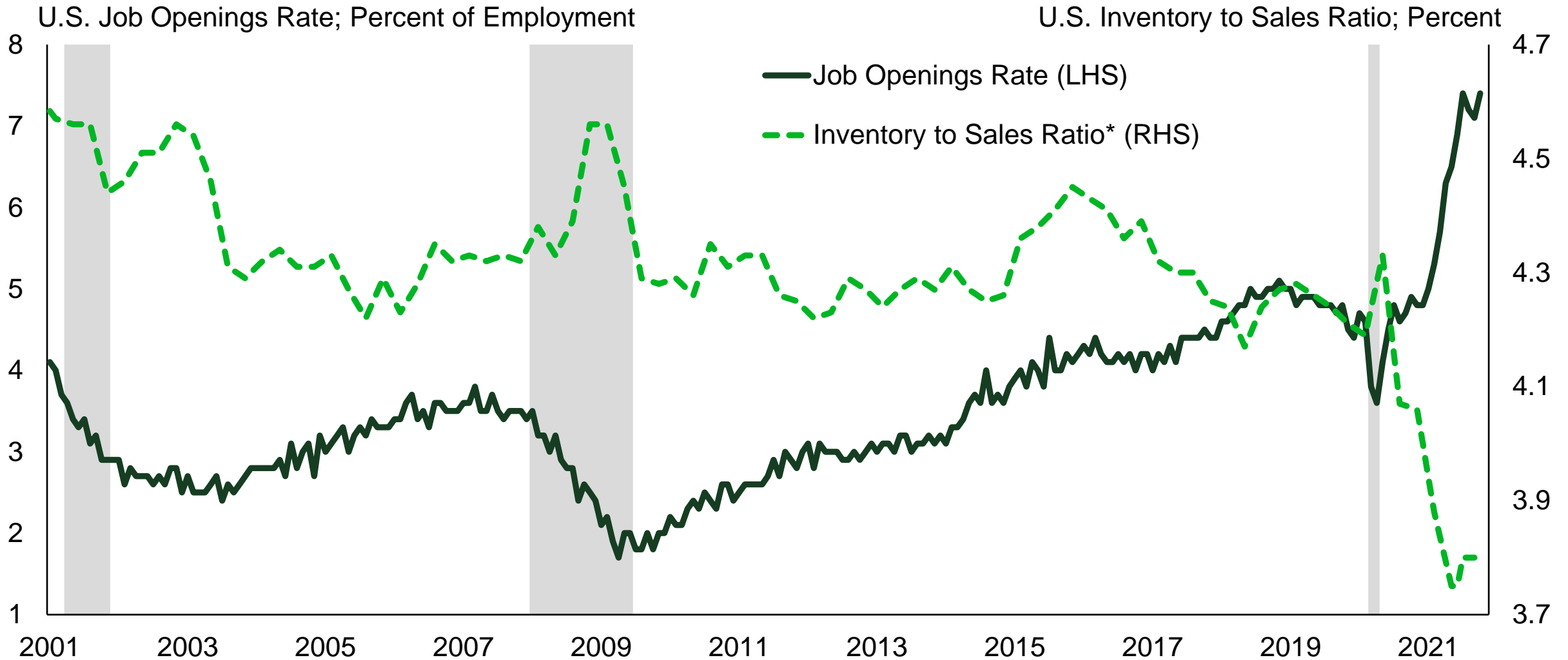
Source: Bureau of Economic Analysis, TD Economics

Auto Sales Hit by Global Chip Shortage



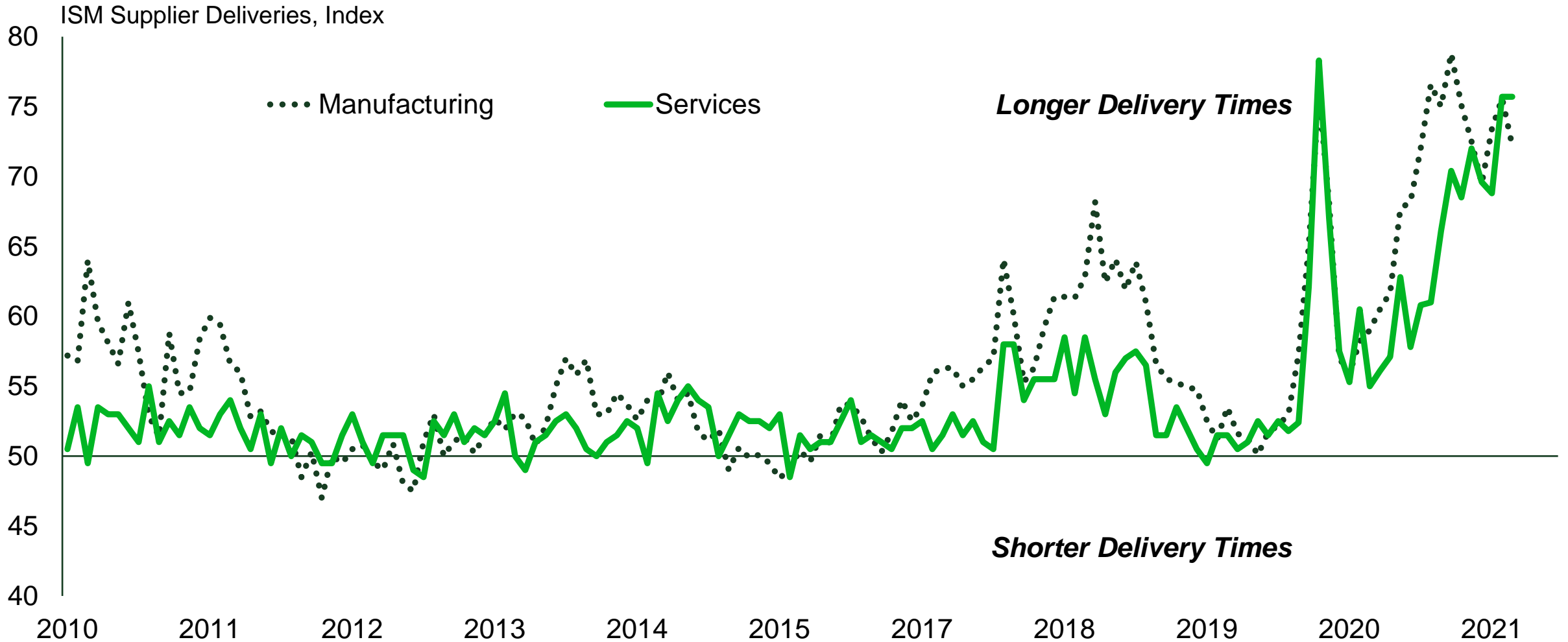
Source: Bureau of Economic Analysis, TD Economics

Economic Growth is Constrained by Supply



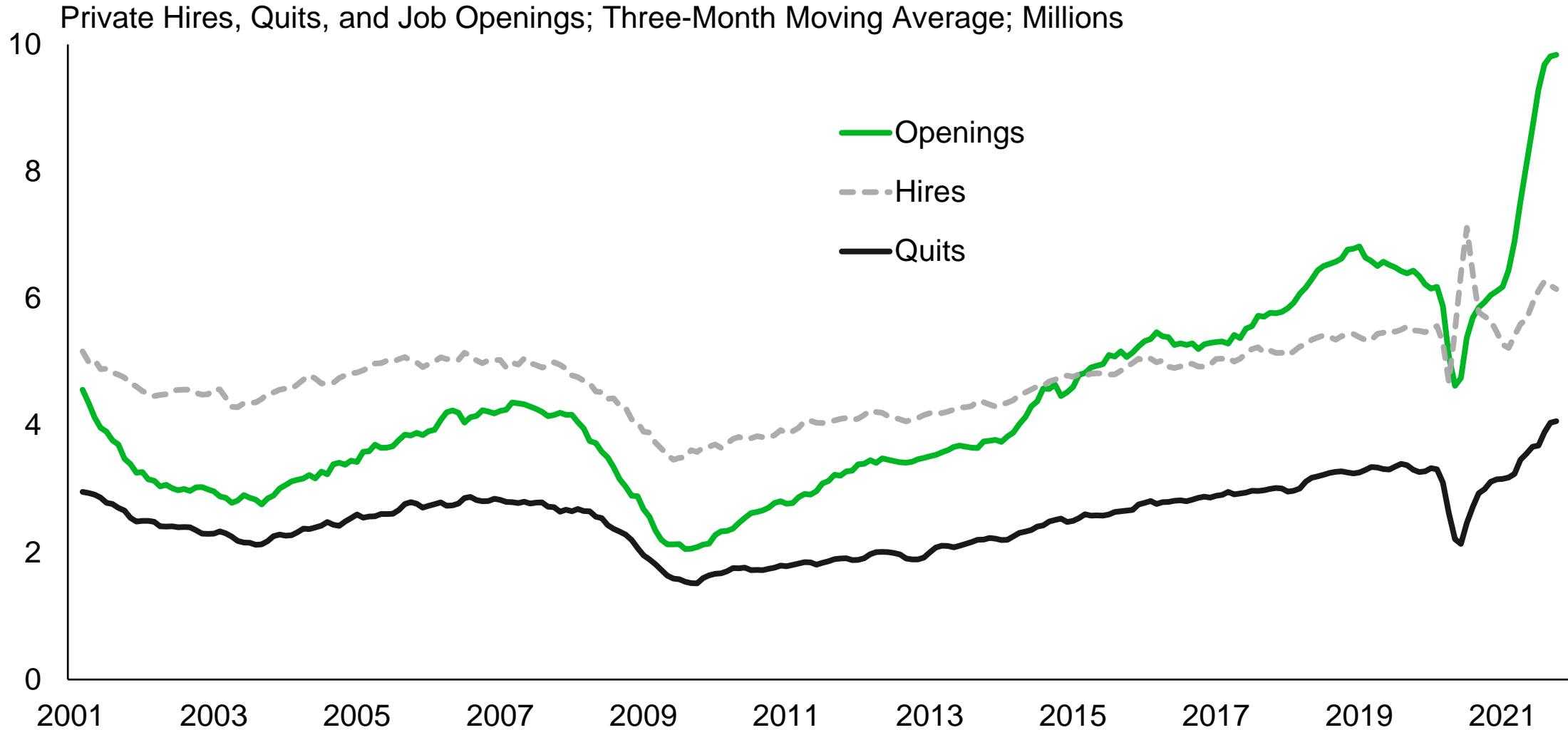
Source: BLS, BEA, TD Economics. Last observation: August 2021.

Bottlenecks Proving Less "Transitory"



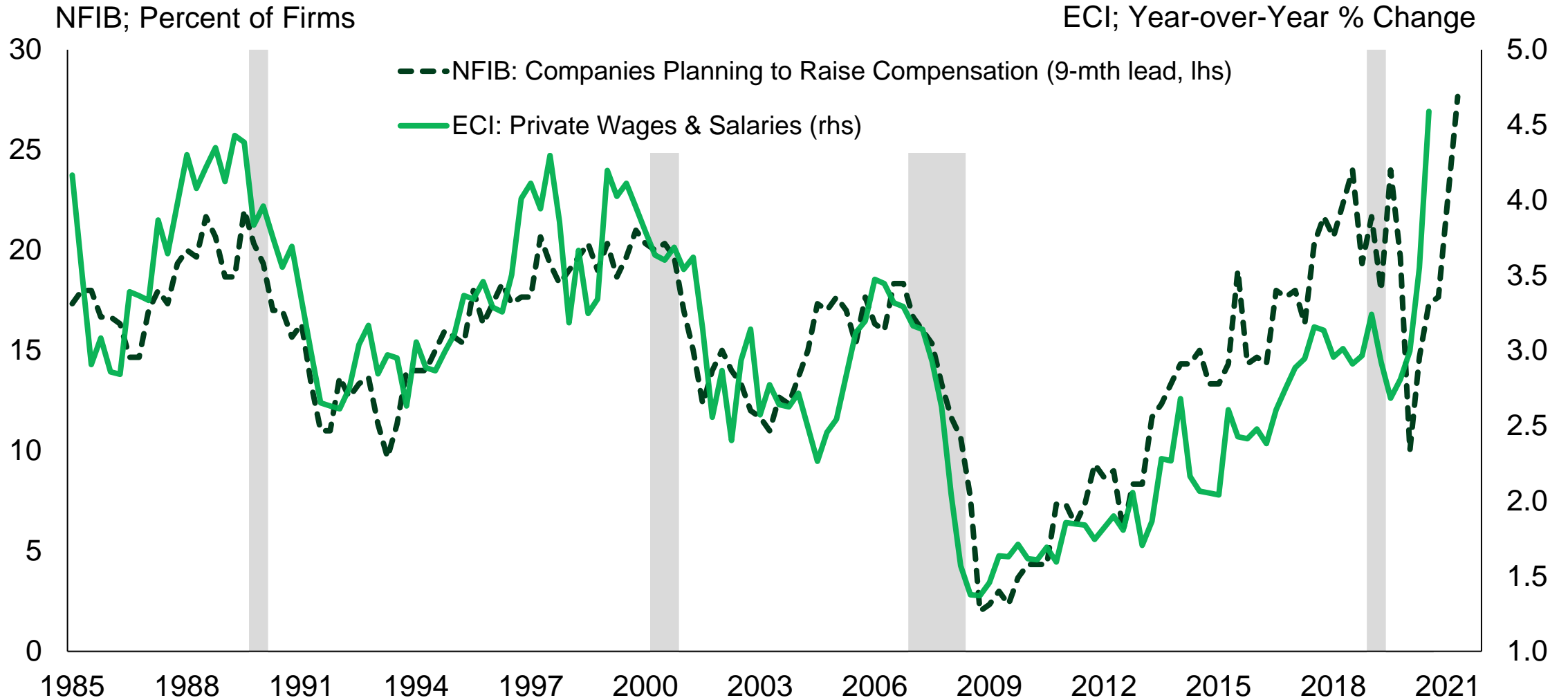
Source: ISM, TD Economics. Last observation: November 2021

People are Leaving Jobs in Record Numbers



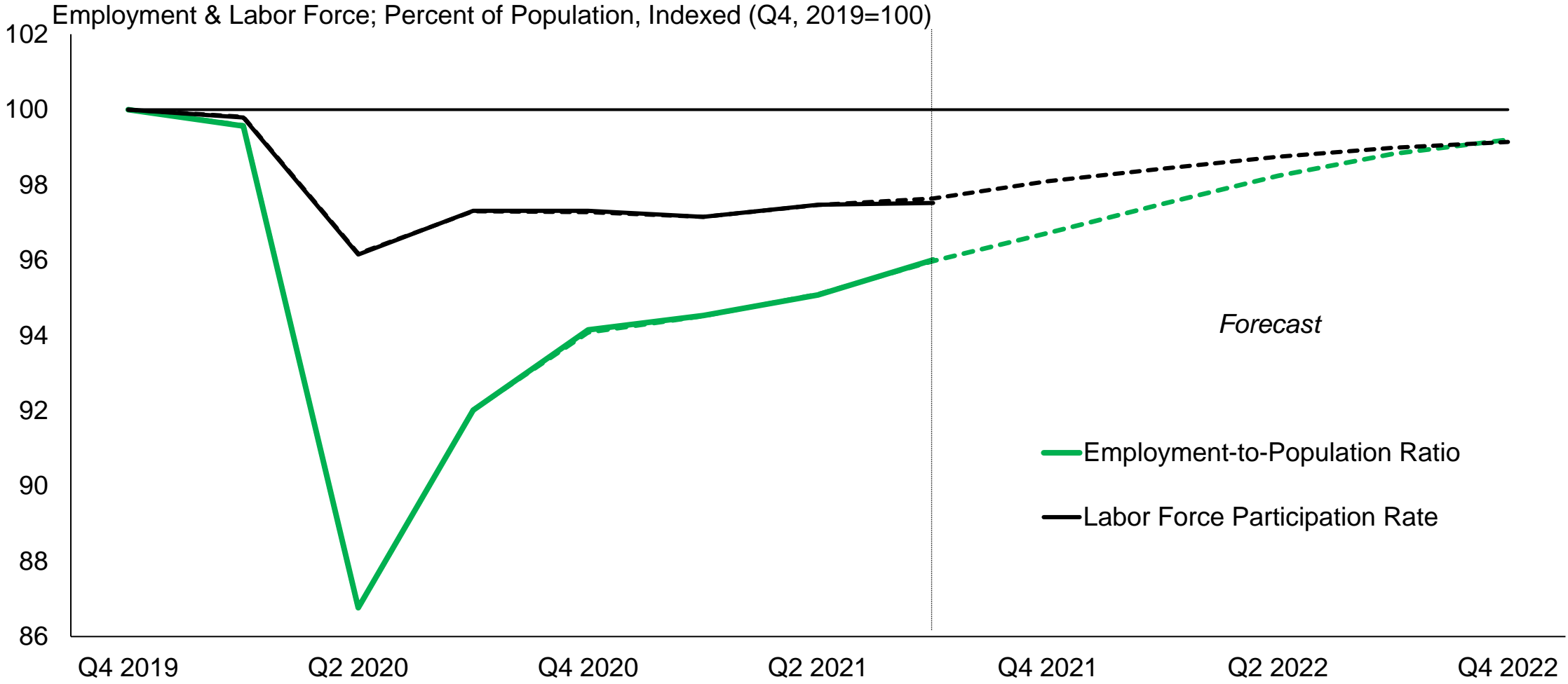
Source: BLS - Job Openings and Labor Turnover Survey

Wage Pressures Are Picking Up



Source: Bureau of Labor Statistics, National Federation of Independent Business

Higher Wages, Waning Pandemic Should Draw People Back to the Workforce

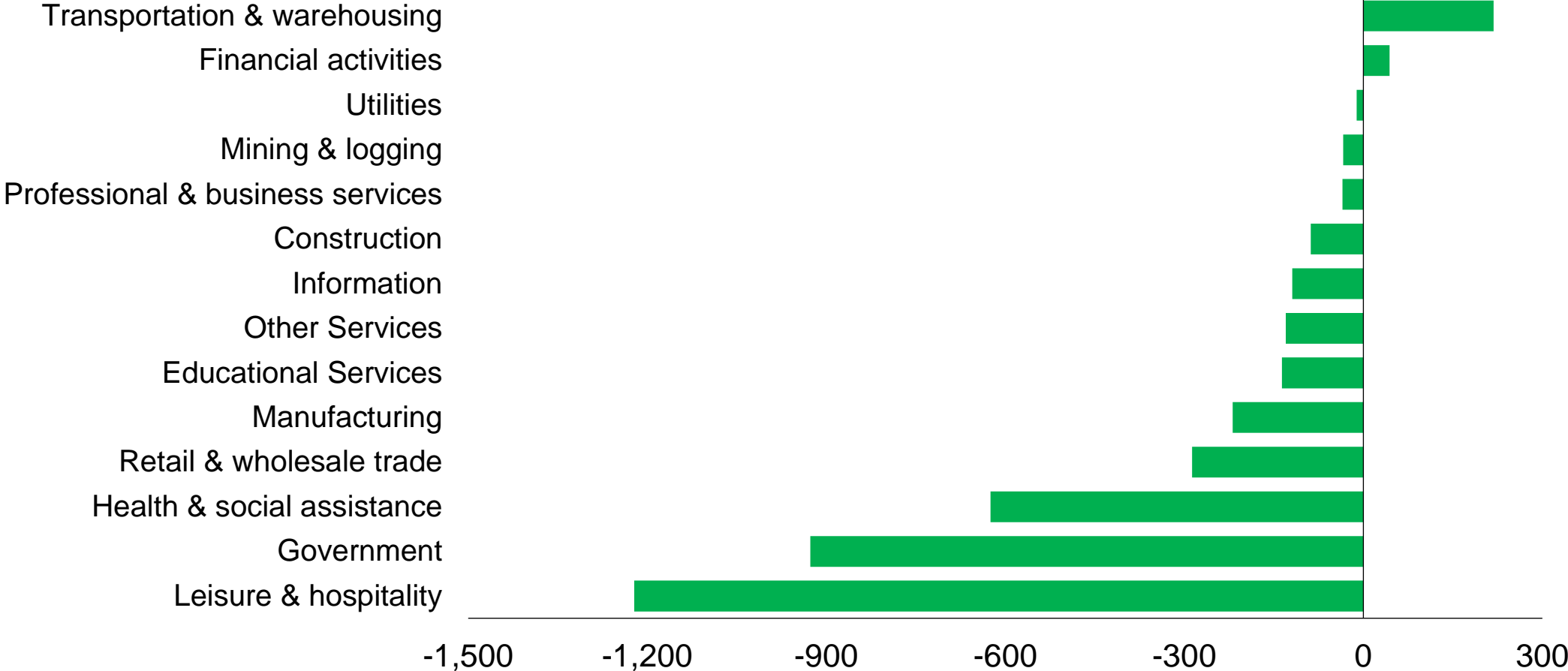


Source: Bureau of Economic Analysis, TD Economics

Largest Job Deficits in High-Contact Sectors

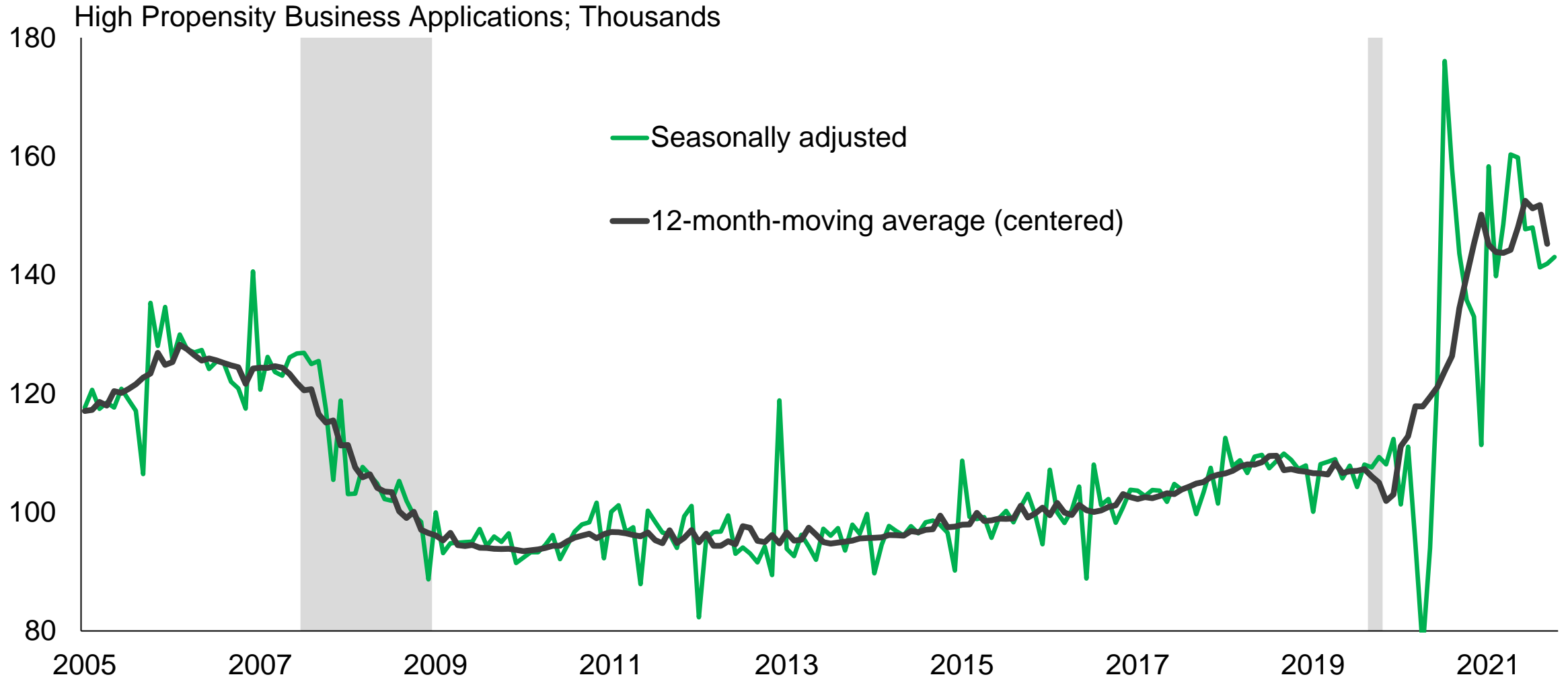


Change in Employment by Sector*; Thousands of People



*December 2021 from February 2020.
Source: Bureau of Labor Statistics, TD Economics.

Business Startups Got a Shot in the Arm

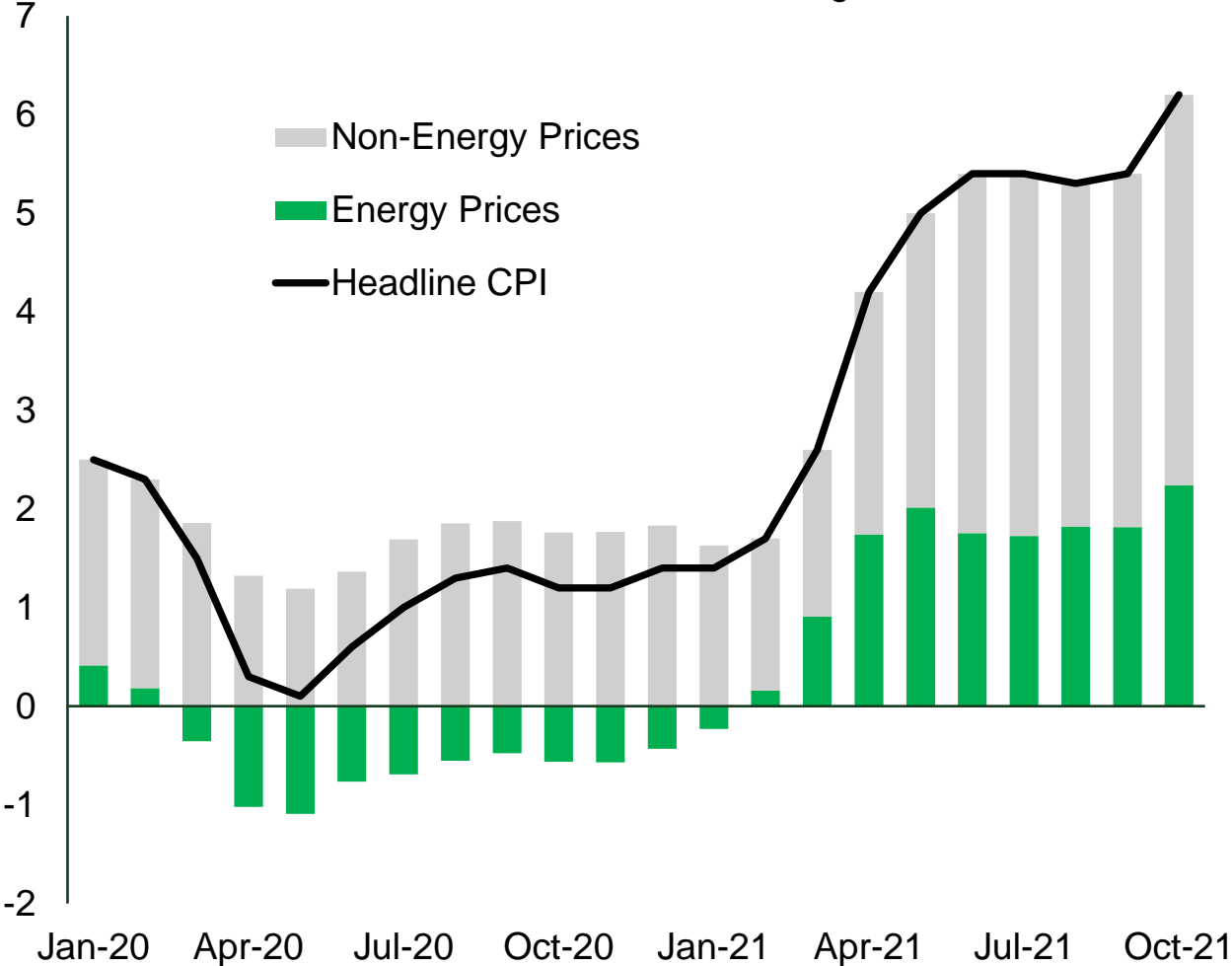


Source: U.S. Census Bureau

Inflation Lift from Energy Prices Likely to Reverse in 2022

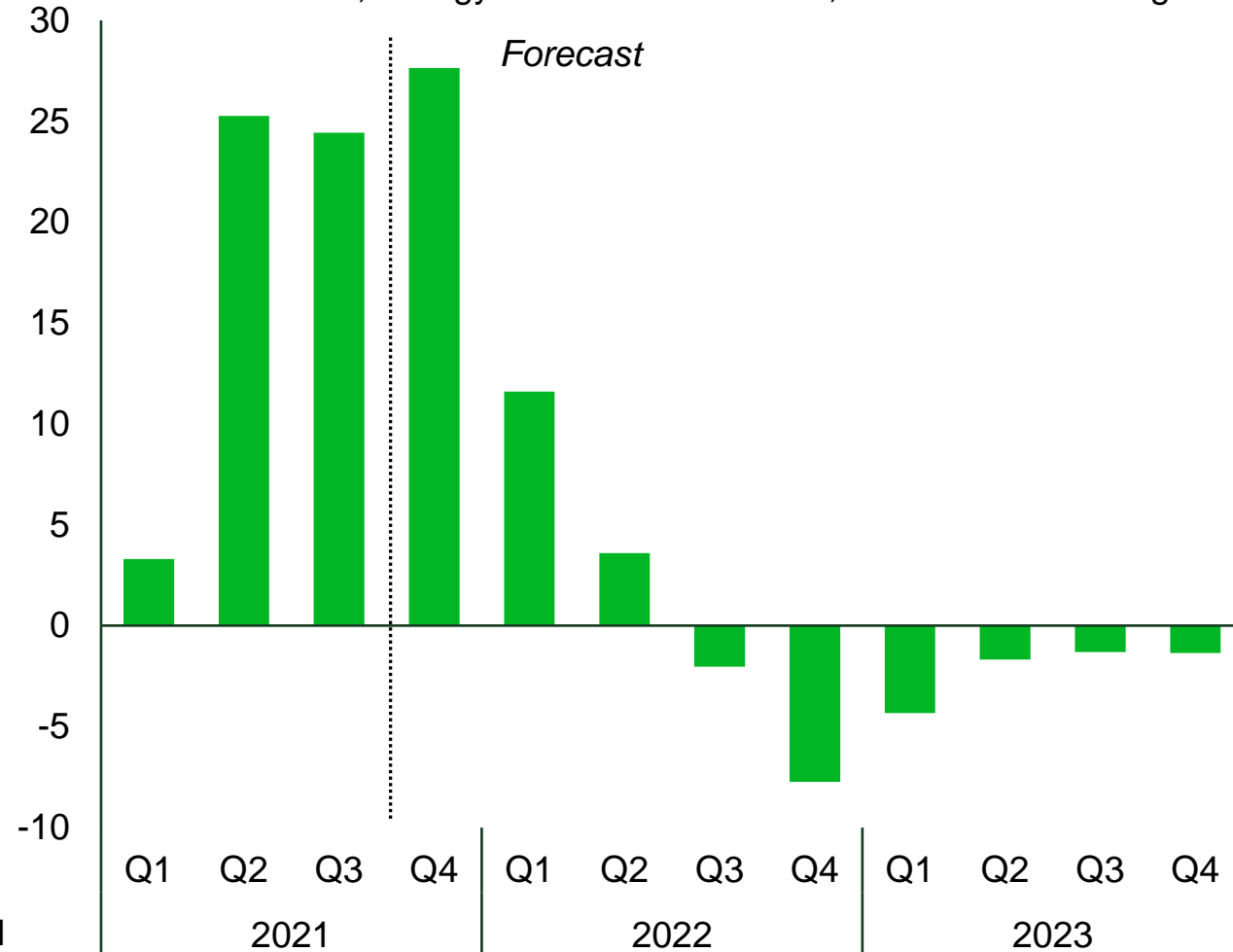


U.S. Consumer Price Index, Year/Year % Change



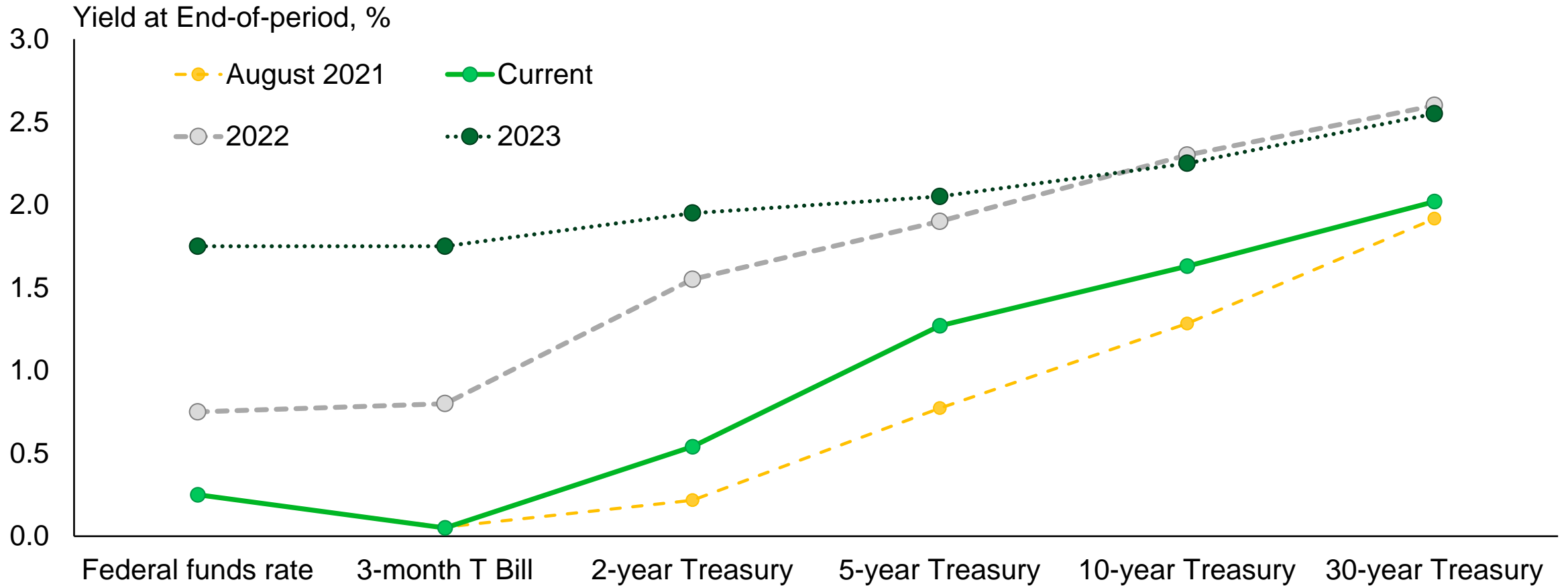
Source: BLS, TD Economics.

U.S. Price Index, Energy Goods and Services, Year/Year % Change



Source: BLS, TD Economics.

A Higher, Flatter Yield Curve



Note: Current is daily value on November 16, August is average of daily values. Source: Federal Reserve, Bloomberg. Forecast by TD Economics.

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