



Investors for a new now

Regional Economic Maps

Research Report – November 2023

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IMF expects global growth to remain near 3% in 2024, well below the historical (2000–19) average of 3.8%

Add geopolitical events into an uncertain global economic outlook

U.S. economy remains resilient, but risks loom

- Despite high interest rates, current conditions are positive, benefitting from a solid labor market and slowing inflation.
- The U.S. consumer continues to spend, boosting retail sales well above expectations; sales rose 3.8% in September on a year-over-basis, compared to the 3.7% increase for headline CPI.
- The U.S. Leading Economic Index declined in September, marking a year and a half of consecutive monthly declines, indicating the economy could be heading into a challenging growth period.
- We expect economic activity will decelerate in the coming months & experience a shallow recession in 2024. DWS forecasts GDP growth will slow to 0.4% from 4% in 2023.
- Inflation cooling in recent months is an indication that the Fed's 11 rate hikes are working their way through the economy. Though upside risks remain, DWS expects core CPI to be 4.1% by the close of 2023 and stay on a gradual trajectory to 2.6% by YE 2024.
- We believe that the Fed is moving away from tightening to data-dependent mode, though we don't expect any early promises of rate cuts.

Weak growth raises prospect of 2024 rate cuts

- Having made it through a difficult winter, European economic activity ground to a halt during the second quarter of the year. With few signs of improvement, annual GDP growth in the region is expected to be less than 1% in 2023.
- The Flash PMIs for October showed a continued reduction in private sector growth going into the final quarter of the year. The Eurozone figure showed a notable fall, reaching a 35-month low, as both manufacturing and services reported falling levels of output.
- Weaker growth has not yet had a material impact on jobs. Unemployment has started to tick higher in the UK but has been broadly flat across the Eurozone over the past twelve months.
- This slowdown in part reflects central bank tightening. The ECB raised rates again in September, pushing the deposit rate to 4%, the highest level since the launch of the Euro. It now looks increasingly likely rates in the Eurozone and the UK are at peak.
- Eurozone inflation continues to moderate, rising at an annual rate of 4.3% in September. While still well ahead of target, price growth is clearly trending lower, giving central banks room to potentially cut rates in 2024.

Rebound in consumption looks to slow

- Asia Pacific's economy benefited from a post-COVID rebound in retail expenditure in the first half of 2023, but private consumption has weakened since along with exports, pointing to softer economic conditions in 2024.
- China's growth outlook appears mixed, with latest PMI figures suggesting recovering output levels for larger enterprises, while smaller private firms continued to struggle. Property debt issues remains a major downside risk though the government is stepping up efforts to ease the crisis.
- Inflationary pressures continued to ease with August readings for North Asia and most of Southeast Asia falling below 4% and could improve further with regional GDP growth slowing from 4.0% this year to 3.6% in 2024.
- Current consensus suggests APAC has reached a peak in monetary tightening. Japan maintains negative interest rates while navigating between declining real wages and rising bond yields.

Source: DWS CIO View, IMF (World Economic Outlook), Conference Board, U.S. Commerce Dept., U.S. Bureau of Economic Advisors, U.S. Bureau of Labor Statistics, U.S. U.S. Federal Reserve, Wall Street Journal, Moody's Analytics, Reuters, , Bloomberg, World Bank, Eurostat, Oxford Economics, Financial Times, Markit, Bank of Japan, Bank of Korea, People's Bank of China, Reserve Bank of Australia, EIU. As of November 2023.

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UNITED STATES REGIONAL ECONOMIC MAP

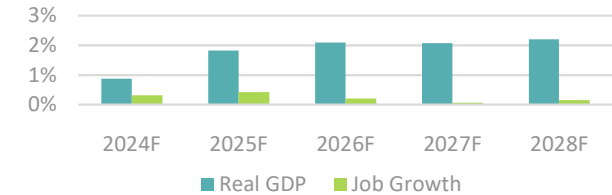


November 2023

REGIONAL ECONOMIC HIGHLIGHTS AND PERSPECTIVE

- U.S. payrolls increased by 150,000 jobs in October, notching another solid month of gains and bringing the total number of jobs created to a healthy 2.4 million year-to-date in 2023. The unemployment rate rose to 3.9% from 3.8%.
- GDP rose at a 4.9% annualized pace in the July-September period, up from a 2.1% pace in the second quarter. Buoyed by a strong U.S. consumer, the sharp increase in economic growth marked the biggest gain since the fourth quarter of 2021.
- The Federal Reserve's preferred inflation measure (core PCE) fell to 3.7% y/y in September and averaged 2.5% (annualized) during the third quarter.
- With mortgage rates topping 8% for the first since 2000, the monthly National Association of Home Builders/Wells Fargo Housing Market Index dropped to 40 in October - anything below 50 is considered negative.

REAL GDP & JOB GROWTH



Source: Moody's Analytics (Consensus View), DWS, October 2023.

EMPLOYMENT GROWTH: 2024 – 2025F

- Below national average
- Near national average
- Above national average

Seattle: According to Real Estate analyst Point2, Seattle is the most future-ready city in the country, ranking high in areas such as number of startups, invention patents, annual median income, education & bikeability.

Silicon Valley: Many Bay Area tech firms that staffed up heavily during the pandemic continue to cut jobs, although AI-related activities are a bright spot.

Ports of Los Angeles & Long Beach: The twin ports are committed to a zero-emissions truck fleet by 2035, as well as entirely zero-emissions cargo equipment by 2030.

Los Angeles: Hollywood is anxious to restart TV and feature productions; the movie & television writers' strike is over, but an actors strike drags on.

San Diego: Crediting a "robust ecosystem," San Diego's life science industry has, for the most part, remained resilient.

Phoenix: Phoenix has spent the past half-century establishing itself as the "semiconductor desert." Arizona has led the nation in chip investment since 2020.

Austin: A rapid increase in population & business migration has reshaped Austin's skyline, but about 87% of new office space is expected to open vacant.

Salt Lake City: While the job market has cooled, Utah's strong fiscal position will provide SLC with a buffer in the event of a recession.

Denver: Denver's economy is stuck in neutral, with employment growth of just 0.1% y/y in August.

Chicago: Ranked the #1 American city for meetings & events in April, May, and June, Chicago saw record tourism numbers in first half of 2023.

Boston: Boston's life science market continues to feel pain as the biotech industry cuts jobs and real estate footprints.

New York: Industrial space in New York City's outer boroughs has reclaimed the top spot as the most expensive in the country, overtaking the San Francisco Peninsula,

Wall Street: Wall Street has quietly cut 20,000 jobs in 2023 due to high interest rates and fears of a possible recession next year.

Washington DC/NOVA: Though the pace of job growth trails the national averages, the DC metro is finally closing in on a full recovery as total employment is nearing its early-2020 level.

North Carolina: The economy is still shining. In August, payrolls expanded 3.3% y/y and 3.7% y/y in Raleigh and Charlotte, respectively.

Nashville: Music City fended off challenges from Phoenix and Las Vegas to rank highest in ULI/PwC's annual "Emerging Trends in Real Estate" for 2024 - the first market to be No. 1 for three straight years.

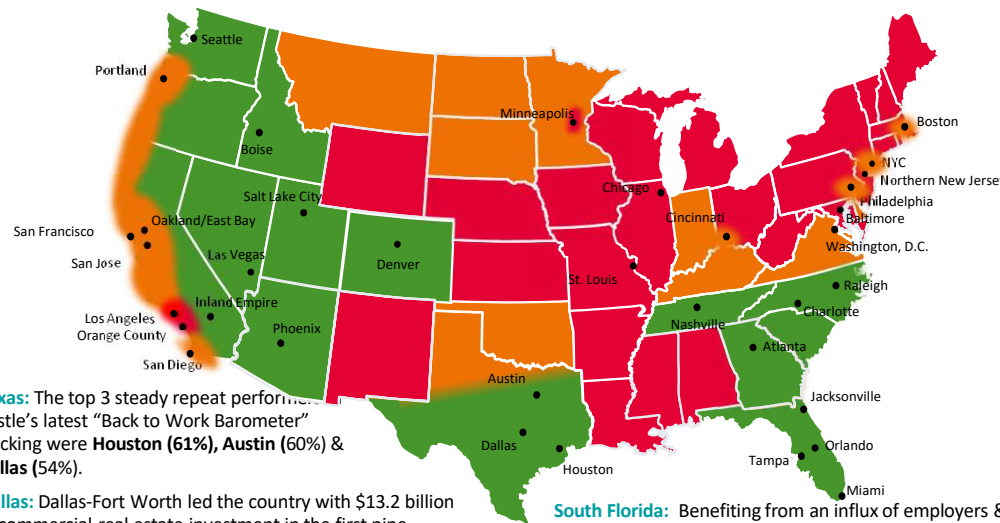
Atlanta: Atlanta's economy has slowed more than that of the U.S. with logistics and tech facing increasing headwinds - though growth is expected to rebound over the near term.

Central Florida: Favorable migration patterns will continue to propel Orlando's & Tampa's economies & help ensure the "I-4 Corridor" outperforms other large markets even as the nation's economy slows.

Texas: The top 3 steady repeat performers in Kastle's latest "Back to Work Barometer" tracking were **Houston (61%), Austin (60%) & Dallas (54%).**

Dallas: Dallas-Fort Worth led the country with \$13.2 billion in commercial real estate investment in the first nine months of 2023., according to MSCI.

South Florida: Benefiting from an influx of employers & employees since the pandemic, South Florida office rents keep rising while they languish in much of the nation.



Sources: DWS, U.S. Dept. of Commerce, U.S. Census Bureau, U.S. Dept. of Labor, U.S. Bureau of Economic Advisors, U.S. Conference Board, Moody's Analytics, Wall Street Journal, National Assoc of Home Builders, Bloomberg, CNBC, Forbes, Reuters, CBRE, Jones Lang LaSalle, CoStar, Bisnow, ULI/PwC, NY Post, Cushman & Wakefield, Point2, Kastle Systems, Real Page, Mercury News, Market Watch, Axios Phoenix, MSCI, Knowland, Commercial Observer, LA Daily News, San Diego Business Journal, Commercial Property Executive. As of November 2023. F- forecast.

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EUROPEAN REGIONAL ECONOMIC MAP

November 2023

REGIONAL ECONOMIC HIGHLIGHTS AND PERSPECTIVE

- European economic growth ground to a halt during the second quarter of the year and is likely to have remained weak through the summer months.
- Headline inflation has continued to moderate across the Eurozone, falling to 4.3% in September. With price growth moderating, central banks interest rates look to be around peak.
- Recent PMI figures suggest that economic growth will remain weak going into the final part of the year, increasing the probability of higher unemployment and a technical recession.

EMPLOYMENT GROWTH: 2024 – 2025F:

- Lagging European Average
- Near European Average
- Leading European Average

London: Despite evidence of an economic slowdown, the UK's capital continues to outperform its regional peers, supported by healthy employment and population growth.

Regional UK: Retailers are likely to be wary in the run-up to Christmas. Consumer confidence and retail sales have taken a further hit as higher interest rates start to bite.

Regional France: Public spending cuts are on the agenda as rising bond yields are putting pressure on the national government to reduce the fiscal deficit.

Dublin: The Irish capital continues to surprise to the upside with GDP growth exceeding other European cities and employment growth prospects remaining favourable.

Paris: The city has enjoyed a strong economic recovery since the pandemic and looks to the future with a new Urban Plan aimed at increasing resilience to climate change.

German Top 7: Deepening economic downswing, turning Germany into an economic laggard (again). A change in approach in Berlin is expected after strong results for the AfD in two federal elections.

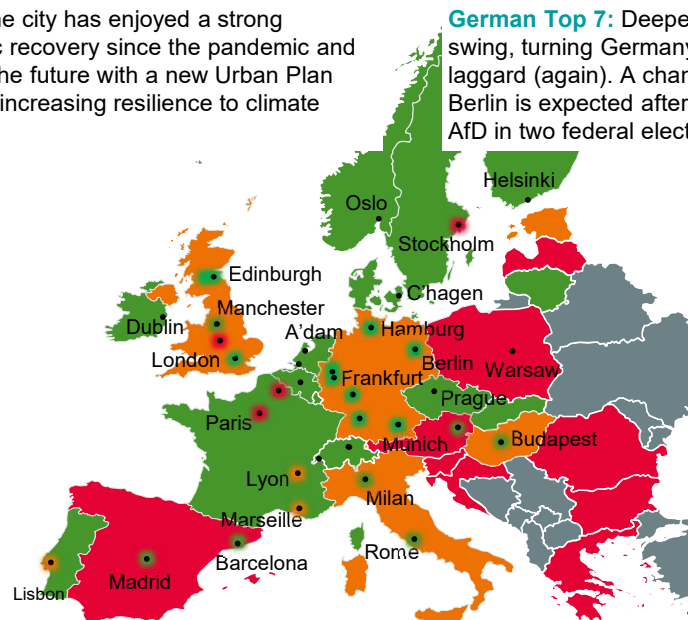
Benelux: The Netherlands entered a technical recession in Q2 2023, and unemployment is expected to rise. Au contraire, Belgium has a growing economy and healthy labour market

Stockholm: The Swedish economy faces notable short-term headwinds and whilst Stockholm may well prove more resilient, the city is certainly not immune.

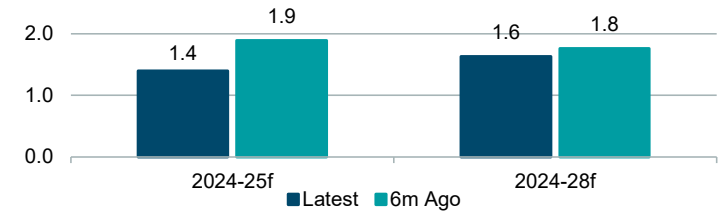
Other Nordics: With its booming pharmaceutical industry, Denmark stands out as an economic outperformer in the Nordic region, particularly in the short-term.

Madrid and Barcelona: National elections in the summer failed to produce a decisive result. Unless PSOE forms a new coalition, fresh elections are likely in 2024.

Milan and Rome: Budget now agreed, incl. tax cuts for lower income households and support for families. Debt-funded spending plans caused Italy bond yield spread to rise.



EUROPEAN REAL GDP GROWTH (% P.A)



Source: Oxford Economics, DWS, November 2023

Source: DWS, Oxford Economics, Eurostat, ONS, FT, Markit, Trading Economics, As of November 2023. f = forecast.

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ASIA PACIFIC REGIONAL ECONOMIC MAP

November 2023



REGIONAL ECONOMIC HIGHLIGHTS AND PERSPECTIVE

- Weakening trade showed up in declining exports and imports in recent months, while the post-COVID rebound in consumption appears to be moderating.
- On a positive note, the recovery in inbound tourism has been strong, while core inflation across the region continue to ease.
- Most developed Asian economies are projected to avoid recession this year though growth expectations for 2024 remain subdued amid higher interest rates and a weakening external environment.

EMPLOYMENT GROWTH: 2024 – 2025F

- Below APAC Average
- Near APAC Average
- Above APAC Average

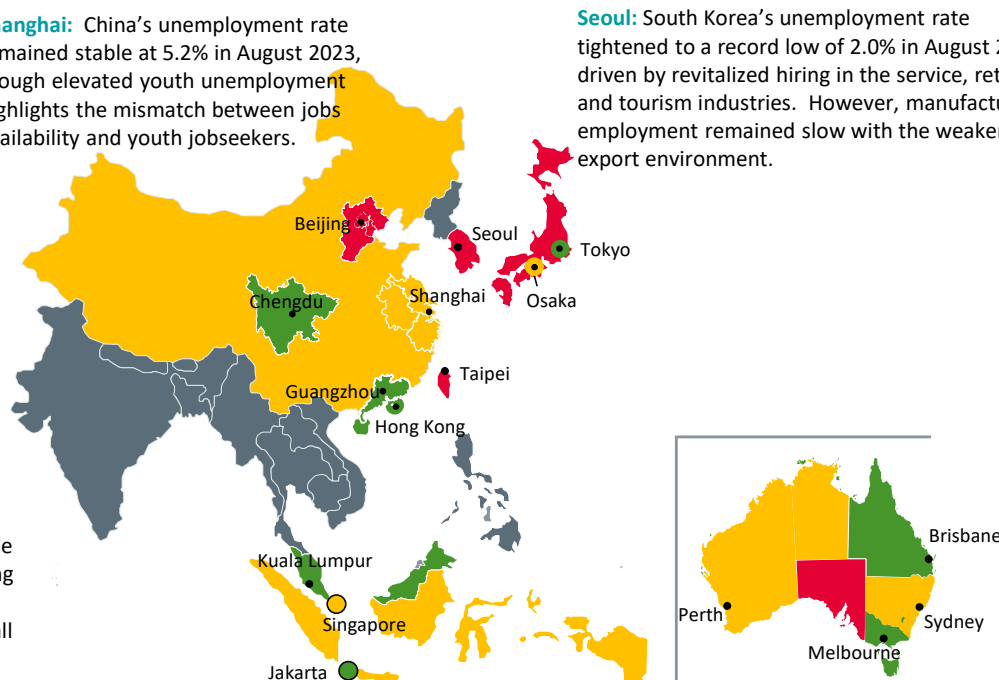
Beijing: China's recent monetary easing through rate cuts occurred as growth indicators show stabilization. Nonetheless, stresses in the property market remain a major concern.

Shanghai: China's unemployment rate remained stable at 5.2% in August 2023, though elevated youth unemployment highlights the mismatch between jobs availability and youth jobseekers.

Hong Kong: Unemployment rate fell to a four-year low of 2.8% in August 2023, underpinned by a recovery in inbound tourism and local consumption.

Kuala Lumpur: Employment strengthened amid a broad-based economic recovery, while the unemployment rate fell further to a three-year low of 3.4% in June 2023.

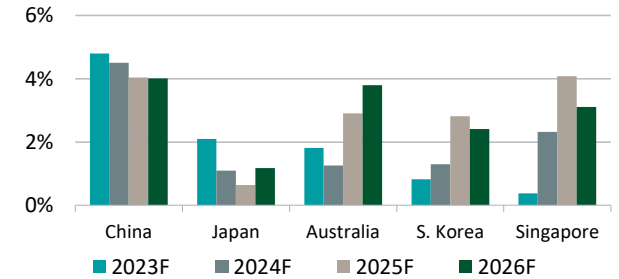
Singapore: Employment levels expanded in the second quarter, but there were signs of cooling labour demand given the weak external environment, with GDP growth expected to fall below 1% this year.



Source: DWS, Oxford Economics, Bank of Japan, Bank of Korea, People's Bank of China, Reserve Bank of Australia, EIU. As of November 2023. F= forecast.

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APAC REAL GDP GROWTH



Source: Oxford Economics, DWS, November 2023

Seoul: South Korea's unemployment rate tightened to a record low of 2.0% in August 2023, driven by revitalized hiring in the service, retail and tourism industries. However, manufacturing employment remained slow with the weakening export environment.

Tokyo: Core CPI moderated from 4.2% in January to 3.1% in August 2023, though it remained above 2% in consecutive months.

Osaka: The unemployment rate remained low at 2.7% in August 2023, underpinned by a structural labor shortage and strong hiring in the hospitality, dining and tourism industries.

Sydney: Nationwide labour conditions remained relatively tight with the unemployment rate at 3.7% in August 2023. However, the Reserve Bank of Australia forecast that it would rise to 4.5% in mid-2024 amid a subdued growth outlook.

Melbourne: While the RBA has kept the cash rate unchanged at 4.1% in recent months, inflation continues to hover around 5%, adding to concerns of mortgage stress among locals.

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