
MAYBERRY
INVESTMENTS LIMITED

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# ECONOMIC SUMMARY

# UNITED STATES

## *GROSS DOMESTIC PRODUCT*

Real gross domestic product (GDP) rose at an annual rate of 2.1% for the third quarter of 2021 according to the advance estimate released by the Bureau of Economic Analysis (BEA). This follows an increase of 6.7% in the second quarter.

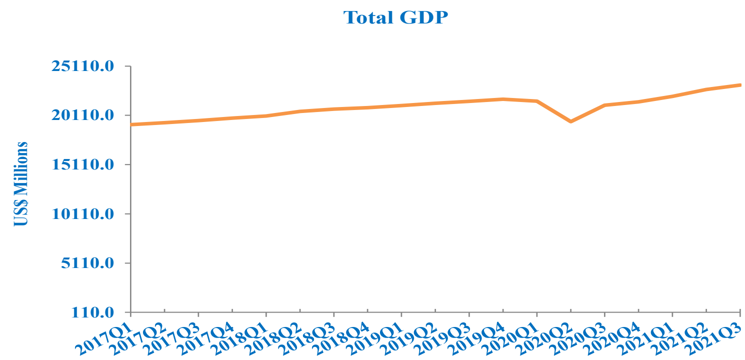
The third quarter GDP increase reflected continued economic impact of the COVID-19 pandemic. BLS noted, "a resurgence of COVID-19 cases resulted in new restrictions and delays in the reopening of establishments in some parts of the country. Government assistance payments in the form of forgivable loans to businesses, grants to state and local governments, and social benefits to households all decreased."

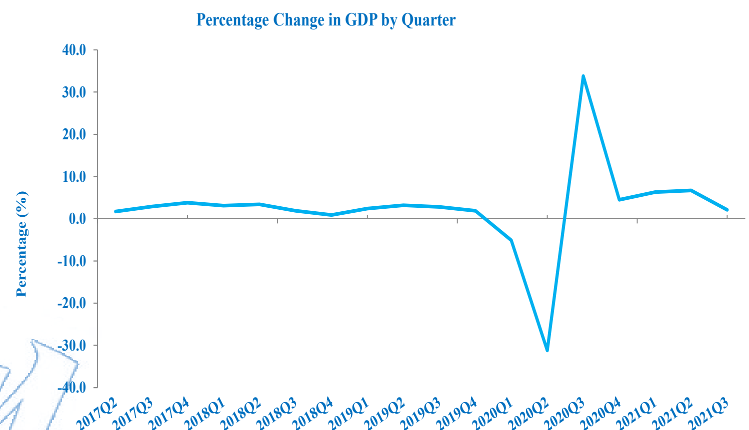
The upward movement in real GDP for the third quarter was mainly attributed to increases in private inventory investment, personal consumption expenditures (PCE), state and local government spending, and nonresidential fixed investment but was partly offset by declines in residential fixed investment, federal government spending, and exports. Moreover, imports increased.

The increase in private inventory investment reflected increases in both wholesale trade (driven by nondurable goods industries) and retail trade (led by motor vehicles and parts dealers). The rise in PCE was due to a rise in services, which was somewhat offset by a drop in goods. Within services, gains were widespread, with "other" services (mostly international travel), transportation services, and health care contributing the most. The decline in goods was mostly due to lower spending on motor vehicles and parts. Employee compensation drove the increase in state and local government spending (notably, education). Nonresidential fixed investment increased due to an increase in intellectual property products (headed by software and research and development), which was somewhat offset by losses in structures and equipment.

Furthermore, the drop in residential fixed investment was mostly due to fewer improvements and new single-family homes. BEA noted, "The decrease in federal government spending primarily reflected a decrease in nondefense spending on intermediate goods and services after the processing and administration of Paycheck Protection Program loan applications by banks on behalf of the federal government ended in the second quarter. The decrease in exports reflected a decrease in goods that was partly offset by an increase in services. The increase in imports primarily reflected an increase in services (led by travel and transport)."

Current dollar GDP rose 8.1% at an annual rate, or $446.0, in the third quarter to a level of $23.19 trillion. In the third quarter of 2021, the price index for gross domestic purchases went up 5.8%. In addition, the PCE price index rose 5.3%. With the exception of the food and energy prices, the PCE price index climbed 4.5%.




## *UNEMPLOYMENT*

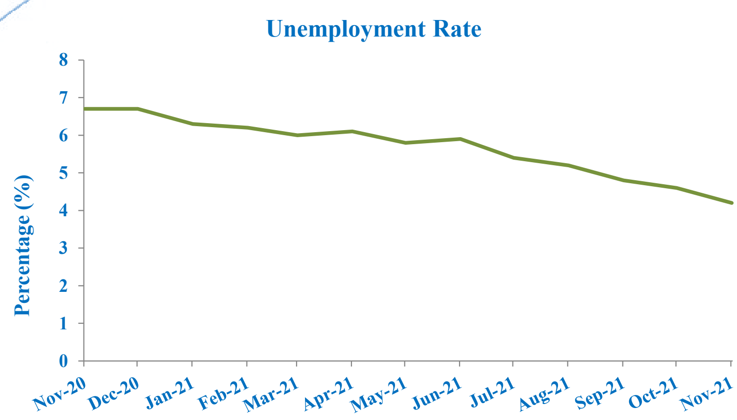
In November, total nonfarm payroll employment increased by 210,000. The unemployment rate ticked down to 4.2% in November. The job growth was spread across various industries, with notable gains in n professional and business services, transportation and warehousing, construction, and manufacturing. Employment in retail trade decreased over the month.

Professional and business services added 90,000 jobs in November 2021. Transportation and warehousing added 50,000, construction (+31,000) and manufacturing (+31,000) over the month. Additionally, employment in financial activities added 13,000, retail trade added 20,000, leisure and hospitality added 23,000 and health care grew 2,000 jobs. According to BLS, "In November, employment showed little change in other major industries, including mining, wholesale trade, information, other services, and public and private education."

Notably, the number of persons on temporary layoff fell by 255,000 at 801,000 in November. The number of permanent job losers declined to 1.9 million. While the number of long-term unemployed (those jobless for 27 weeks or more) little changed at 2.2 million. Moreover, the number of unemployed persons who were jobless less than 5 weeks in November was 1.97 million.

The labour force participation rate for November stood at 61.8%, while the employment population ratio rose to 59.2%. Nonetheless, persons employed part-time for economic reasons stood at 4.3 million in November. Based on BLS assessment, "these individuals, who would have preferred full-time employment, were working part-time because their hours had been reduced or they were unable to find full-time jobs."

In November, a total of 1.6 million individuals were slightly attached to the labour force. These persons were not in the labour force, wanted and were available for work, and had looked for a job in the last year. Of the marginally attached, 450,000 persons were classified as discouraged workers in November, little changed over the month. These persons are not currently seeking work as they believe no jobs are available for them.




| Labour Force in Thousands | Jan-Mar | Apr-Jun | Jul-Sep | Oct - Dec |
|---|---|---|---|---|
| Year | Q1 | Q2 | Q3 | Q4 |
| 2016 | 430,276 | 431,893 | 434,138 | 435,687 |
| 2017 | 437,341 | 438,955 | 440,624 | 442,216 |
| 2018 | 443,964 | 445,945 | 447,653 | 449,152 |
| 2019 | 450,503 | 451,747 | 453,350 | 455,201 |
| 2020 | 455,597 | 400,995 | 422,580 | 427,857 |
| 2021 | 430,065 | 435,168 | 442,324 | |

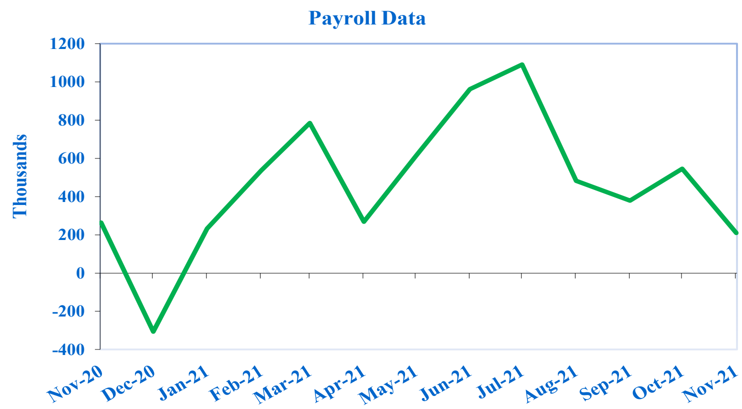
## CONSUMER PRICE INDEX

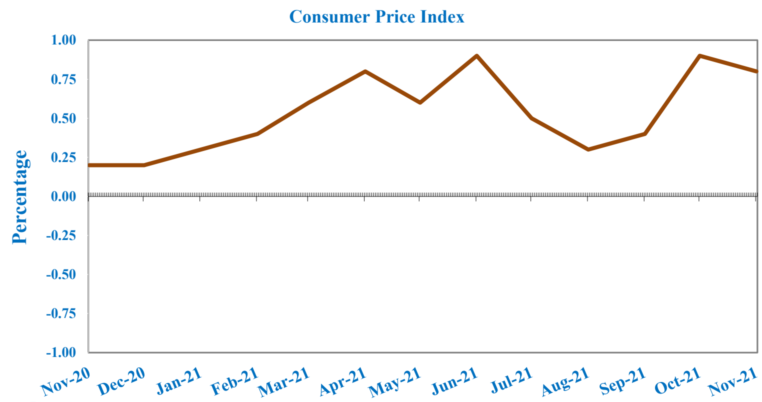
The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.8% for November 2021, on a seasonally adjusted basis, according to U.S. Bureau of Labour Statistics (BLS). The all-items index rose 6.8% before seasonal adjustment over the last year.

The all-items less food and energy index climbed 0.5% in November. The index shelter index increased by 0.5%. The indexes for new vehicles and used cars and trucks rose 1.1% and 2.5%, respectively. The prices for medical care rose 0.2%, household furnishings and operations rose 0.8% and apparel rose 1.3%. The indexes for airline fares (4.7%) and medical care (0.2%) increased in November. Whereas the motor vehicle insurance index, communication index and recreation index fell in November by 0.8%, 0.2% and 0.2%, respectively. One of the few indexes to fall was airline fares, which rose 4.7%.

The index for food rose 0.7% in November, while the index for food at home increased 0.8%. The index for meats, poultry, fish, and eggs rose 0.9% in November. Within this group, the index for pork increased by 2.2% in November, while the index for eggs decreased by 2.7% The non-alcoholic beverages index increased 0.2% in November. The food away from home index rose 0.6% while the index for other food at home increased by 1.0% over the month. The index for fruits and vegetables climbed 1.0% in November. The index for dairy and related products climbed 0.2% and the index for cereals and bakery products rose 0.8% in November.

The index for energy rose 3.5% in November. A 6.1% increase was recorded in the gasoline index. Meanwhile, the index for natural gas increased 0.6% and the electricity index increased 0.3% in November.



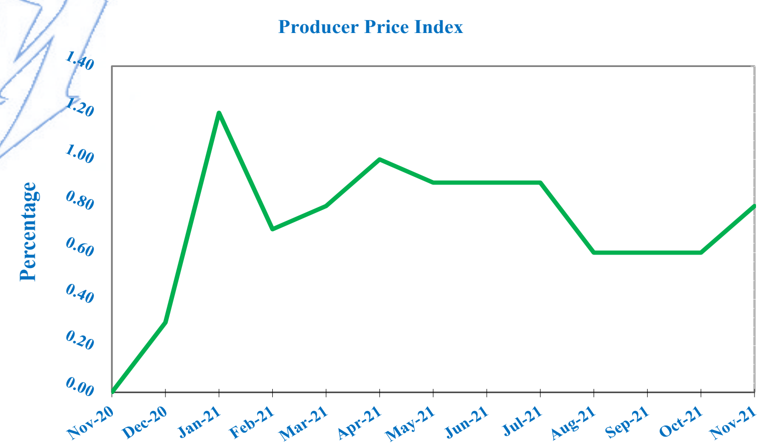

## PRODUCER PRICE INDEX

In November, the seasonally adjusted Producer Price Index for final demand climbed by 0.8%. Final demand prices increased by 0.6% in each of the 3 prior months. There was a 9.6% increase in prices for final demand.

Prices for final demand less foods, energy, and trade services climbed 0.7% in the month of November after increasing 0.2% in October. For the 12 months ended in November, the index for final demand less foods, energy, and trade services rose 6.9%.

In November, prices for final demand services increased by 0.7%, marking the eleventh consecutive increase. The index for final demand services less trade, transportation, and warehousing rose 0.6%. The index for final demand trade services gained 0.6% in November. Final demand transportation and warehousing services saw a 1.9% increase in price.

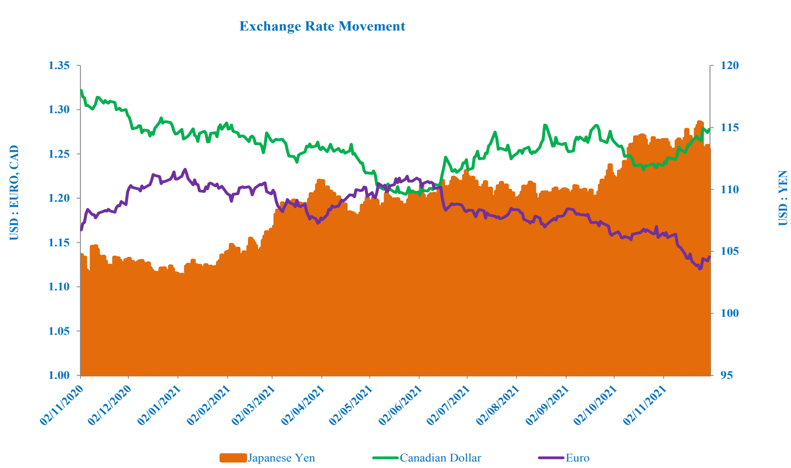
Following a 1.3% increase in October, the final demand goods index increased by 1.2% in November. Prices for final demand goods less foods and energy climbed 0.8%, the index for final demand energy increased 2.6%, and prices for final demand foods moved up 1.2%.




## U.S. Dollar

For November 2021, the EUR/USD pair closed at $1.1338 versus $1.1606 at the start of the month, a 2.33% decrease. According to FX empire, "euro faced strong resistance after Fed Chair Jerome Powell highlighted inflation risks and indicated that Fed may start to aggressively reduce its asset purchase program."

Looking ahead, "the recently hawkish FOMC statement and forecasted plan will push the dollar to trend bullish in the coming months. On top of that, ECB seems to be more dovish and whilst the Fed is considerable responding to its high inflation levels," as per FX Empire.



## FEDERAL RESERVE MINUTES

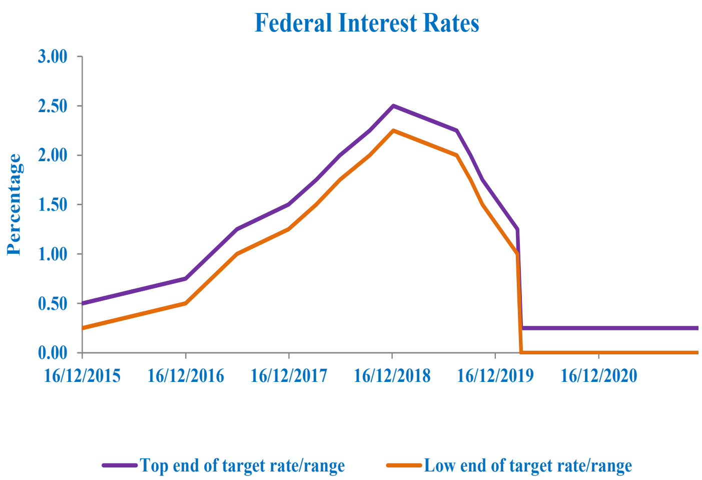
On December 15, 2021, the Federal Reserve decided to maintain its benchmark interest rate at 0 and 0.25% after the Federal Open Market Committee concluded its two-day meeting. This target range is expected to be maintained until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment.

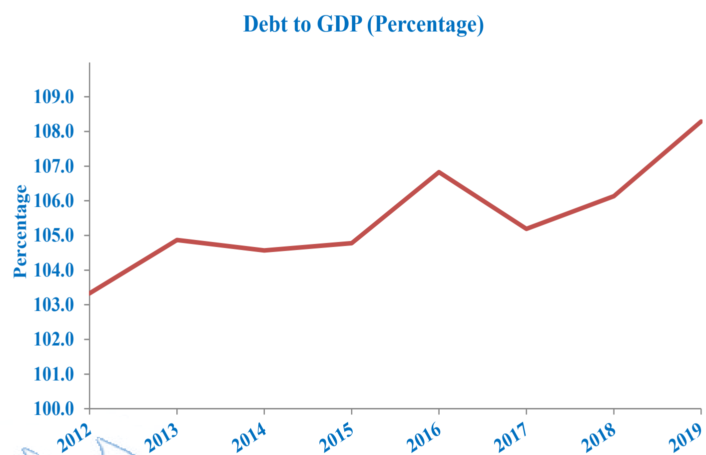
With progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months, but COVID-19 cases has slowed their recovery. In recent months, job growth has been strong, and the unemployment rate has dropped significantly. The pandemic's supply and demand imbalances, as well as the economy's reopening, have continued to contribute to high inflation rates. Overall financial conditions are still accommodating, owing in part to policy measures aimed at bolstering the economy and the supply of credit to U.S. households and businesses.

The Federal Reserve cites, "the path of the economy continues to depend on the course of the virus. Progress on vaccinations and an easing of supply constraints are expected to support continued gains in economic activity and employment as well as a reduction in inflation. Risks to the economic outlook remain, including from new variants of the virus." The Committee's long-term aim is to maintain maximum employment and inflation at 2%.

The Committee agreed to cut the monthly pace of its net asset purchases by $20 billion for Treasury securities and $10 billion for agency mortgage-backed securities in light of inflation developments and continued labor market strengthening. The Committee will expand its Treasury securities holdings by at least $40 billion each month, and its agency mortgage-backed securities holdings by at least $20 billion per month, starting in January. The FOMC stated, "The Committee judges that similar reductions in the pace of net asset purchases will likely be appropriate each month, but it is prepared to adjust the pace of purchases if warranted by changes in the economic outlook. The Federal Reserve's ongoing purchases and holdings of securities will continue to foster smooth market functioning and accommodative financial conditions, thereby supporting the flow of credit to households and businesses."

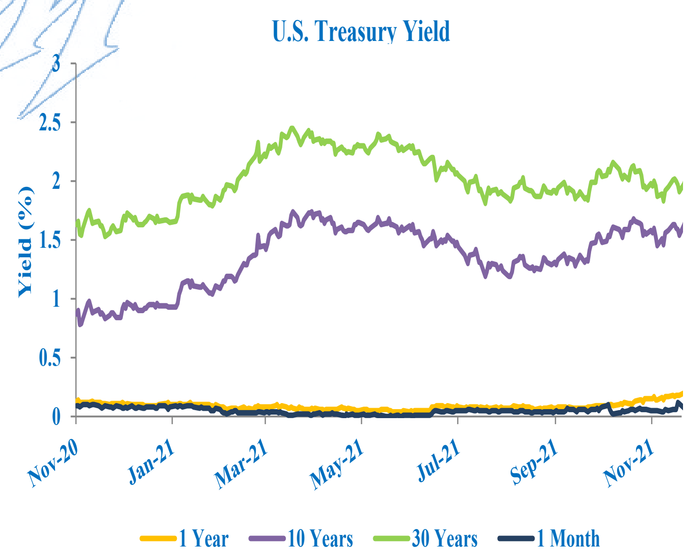
Furthermore, these asset purchases promote smooth market functioning and accommodative financial conditions, thus facilitating the flow of credit to households and businesses. The Committee will continue to monitor the implications of incoming information for the economic outlook and is prepared to adjust the stance of monetary policy if risks emerge that could impede the attainment of the Committee's goals.




## U.S. TREASURY YIELD CURVE

The 3-month Treasury bill rate stood at 0.05% from October's 0.05%. The 5-year rate fell to 1.14% in November 2021 relative to 1.18%, a month earlier. The 10-year rate (also constant maturity) decreased to 1.43%, from October's 1.55% and September's 1.52%.




## *GOVERNMENT DEBT/ DEFICIT*

The Congressional Budget Office (CBO) indicated that the federal budget deficit amounted to $358 billion for the first two months of fiscal year 2022.

Furthermore, for first two months of the fiscal year 2022, CBO estimates receipts to amount to $565 billion, $107 billion more than in the similar period in 2021.

However, based on CBO estimates for first two months of the fiscal year 2022, outlays are estimated to total $923 billion, a $37 billion increase relative to the same period last year.

**Budget Totals, October-November**

**Billions of Dollars**

| | Actual, FY2021 | Preliminary, FY 2022 | Estimated Change |
|---|---|---|---|
| Receipts | 457 | 565 | 107 |
| Outlays | 887 | 923 | 37 |
| Deficit (-) | -429 | -358 | 71 |