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USA ECONOMIC REVIEW

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GROSS DOMESTIC PRODUCT

According to the Bureau of Economic Analysis, B.E.A.)"second" estimate, real gross domestic product (GDP) decreased at an annual rate of 1.5% in the first quarter of 2022. Real GDP increased by 6.9% in the fourth quarter of 2021.

The GDP estimate released on May 26, 2022 is based on a more complete source data than were available relate to the "advance" estimate issued last month, reporting a 1.4% decrease. However, the update primarily reflects downward revisions to private inventory investment and residential investment that were partly offset by an upward revision to consumer spending. The drop in real GDP reflected decreases in "private inventory investment, exports, federal government spending, and state and local government spending, while imports, which are a subtraction in the calculation of GDP, increased." Additionally, personal consumption expenditures (PCE), nonresidential fixed investment, and residential fixed investment increased.

According to the Bureau of Economic Analysis, the ongoing economic impact of the COVID-19 pandemic was evident in the increase in first-quarter GDP. In some part of the country the increase in the Omicron variant result in continued disruption in operations of establishments. Payments to businesses in the form of forgivable loans, grants to state and local governments, and social benefits to households also decreased, as provisions of several federal programs expired or tapered off.

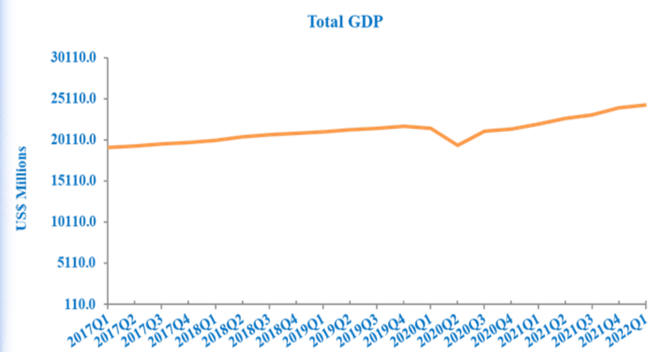
The decline in private inventory investment was due to a decrease in wholesale trade (mainly motor vehicles) as well as mining, utilities, and construction (notably, utilities). The decrease in exports reflected decreases in nondurable goods, however; offset by a rise in "other" business services (mainly financial services). While the decrease in federal government spending was mainly due to a decline in defense spending on intermediate goods and services.

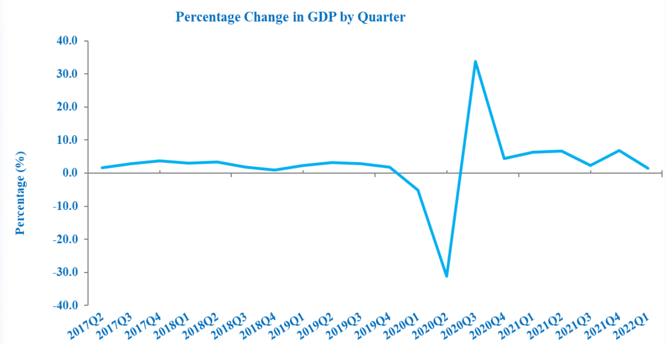
The increase in PCE was due to an increase in services, led by health care and offset by a decline in goods. Notably, the decline in goods is due to a decrease in gasoline and other energy goods, this decline was offset by an increase in nondurable goods (mainly motor vehicles and parts). The increase in imports "was led by increases in durable goods (notably, nonfood and nonautomotive consumer goods)," according to BEA. The increase in non-residential fixed investment was mainly due to a rise in intellectual property products and equipment.

In the first quarter, current-dollar GDP increased 6.5% on an annual basis, or $381.5 billion, to $24.38 trillion. GDP increased by 14.5%, or $800.5 billion, in the first quarter. Furthermore, the price index for gross domestic purchases revised up to 8% for the first quarter, in contrast to a 7.0% increase in the fourth quarter. The PCE price index increased 7%, compared with an increase of 6.4%. Excluding food and energy prices, the PCE price index increased 5.1%, compared with an increase of 5%.

Personal Income

Current-dollar personal income climbed $248.3 billion (revised) in the first quarter, compared with an increase of $186.3 billion (revised) in the fourth quarter. While, disposable personal income increase revised down to $7.5 billion, or 0.2%, in the first quarter, compared with an increase of $72.4 billion (revised), or 1.6%, in the fourth quarter. Real disposable personal income decreased 6.7%, compared with a decrease of 4.5% (revised). While, personal savings was $1.03 trillion (revised) in the first quarter, compared with $1.45 trillion (revised) in the fourth quarter.





UNEMPLOYMENT

In May, total nonfarm payroll employment increased by 390,000. The unemployment rate was stable at 3.6%, for the third month in a row, which is 6.0 million persons in May 2022. Notably, these measures are little different from their values in February 2020 (3.5% and 5.7 million, respectively), prior to the coronavirus (COVID-19) pandemic. The job growth was spread across various industries, with leading gains in leisure and hospitality, in professional and Business services, and in transportation and warehousing. Employment in retail trade declined. However, nonfarm employment is down by 1.2 million, or 0.8%, from its pre-pandemic level in February 2020.

Furthermore, among the major worker groups, the unemployment rates for Asians (2.4%) declined in May. The jobless rates for adult men (3.4%), adult women (3.4 percent), teenagers (10.4%), Whites (3.2%), Blacks (6.2%), and Hispanics (4.3%) showed little change over the month.

According to the BEA, among the unemployed, the number of permanent job losers was unchanged at 1.4 million persons in May. The number of persons on temporary layoff was little changed over the month at 810,000. Additionally, the long-term unemployed accounted for 23.2% of all unemployed persons in May. The number of long-term unemployed (those jobless for 27 weeks or more) is 235,000 higher than February 2020. While the number of persons on temporary layoff was at 810,000 in April.

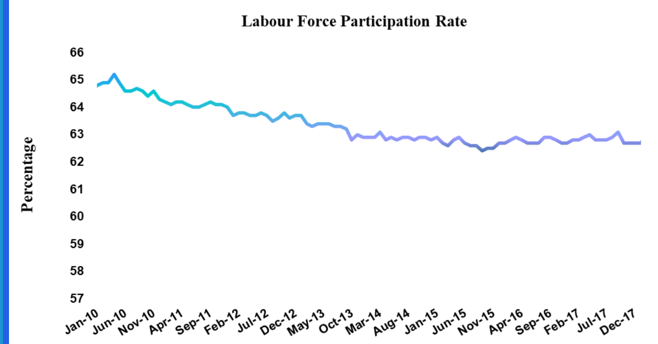
The labour force participation rate for May 2022 stood at 62.3%, while the employment-population ratio also stood at 60.1%. The number of persons not in the labor force who currently want a job changed little to 5.7 million in May, "This measure is above its February 2020 level of 5.0 million". A total of 1.5 million individuals were slightly attached to the labour force. Of the marginally attached, 415,000 persons were classified as discouraged workers in May.

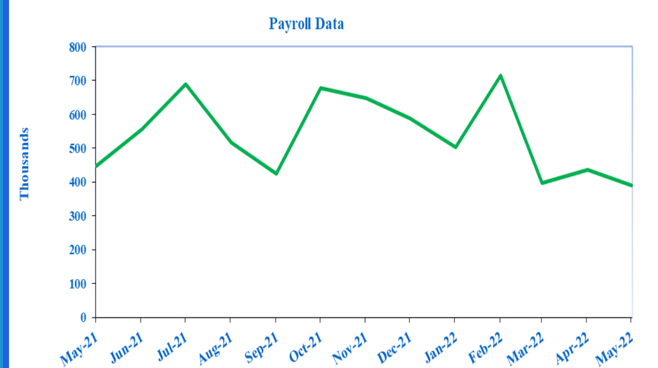
"In May, 1.8 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic–that is, they did not work at all or worked fewer hours at some point in the 4 weeks preceding the survey due to the pandemic. This measure is little unchanged from the previous month. Among those who reported in May that they were unable to work because of pandemic-related closures or lost business, 19.9% received at least some pay from their employer for the hours not worked, little different from the prior month," as per U.S Bureau of Labor Statistics.

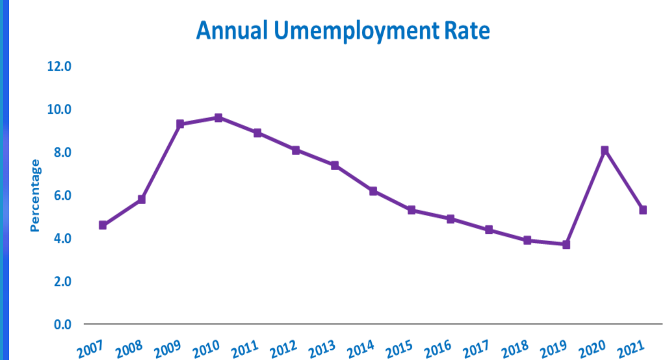
Nonetheless, persons employed part-time for economic reasons increased by 295,000 to 4.3 million in May, showing little change from its February 2020 level. Based on BLS assessment, "these individuals, who would have preferred full-time employment, were working part time because their hours had been reduced or they were unable to find full-time jobs."

Total nonfarm payroll employment rose by 390,000 in May but is down by 822,000, or 0.5%, from pre-pandemic level in February 2020.

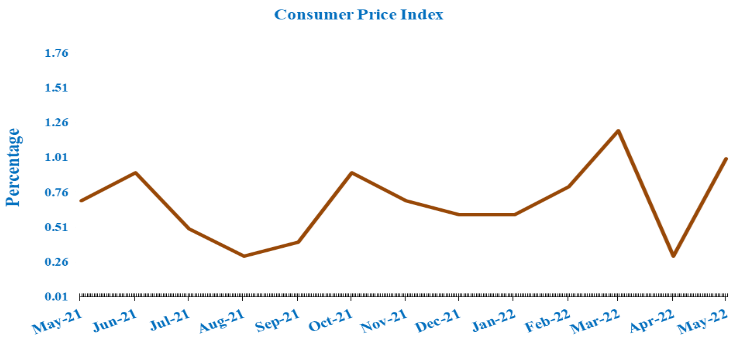
In the pass month Professional and business services added 75,000 jobs in May 2022. Employment in leisure and hospitality continued to trend up in May (+84,000). Employment in retail trade declined by 61,000 over the month. Additionally, state government education added 36,000, private education added 33,000, but local government education changed very little (+14,000). Other sectors such as health care (+28,000), construction (+36,000), and Manufacturing services (+18,000) added to total employment. While employment in transportation and warehousing rose by 47,000, wholesale trade and mining went up 14,000 and 6,000, respectively. Also, there was little changed shown in information, financial activities and other services.

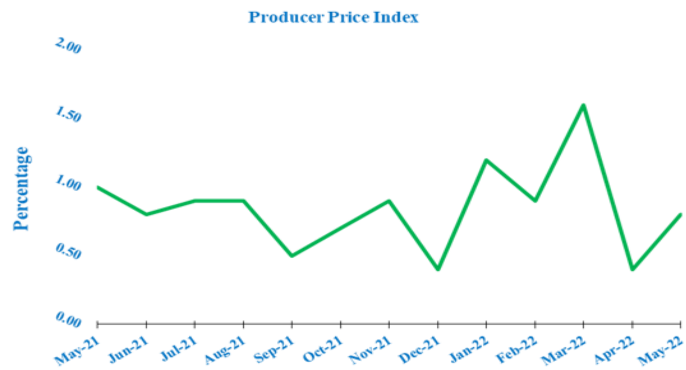






Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2017	437,406	439,138	440,693	442,035
2018	444,015	446,253	447,645	448,865
2019	450,572	452,192	453,246	454,715
2020	455,638	401,328	421,393	427,388
2021	431,175	435,533	440,619	445,897
2022	451,163	-	-	-





CONSUMER PRICE INDEX

The Consumer Price Index for All Urban Consumers (CPI-U) rose 1.0% in May 2022, on a seasonally adjusted basis, according to U.S. Bureau of Labour Statistics (BLS) after a 0.3% increase in April. The all-items index rose 8.6% before seasonal adjustment over the last year to an index level of 282.296 (1982-84=100).

The all-items less food and energy index climbed 0.6% in May 2022, the same increase as in April. Notably, this was due to indexes for shelter, airline fares, used cars and trucks, and new vehicles. The indexes for medical care, recreation, household furnishings and operations, and apparel all increased in May. The all items less food and energy index increased 6.0% for the 12 months ending May 2022.

The increase was broad-based, with the indexes for shelter, gasoline, and food being the largest contributors. Despite a decline in April, the energy index rose 3.9% month over month, with the gasoline index rising 4.1% and other major component indexes also increasing. The food index rose 1.2% in May as the food at home index increased 1.4%.

Under all items less food and energy, the index shelter monthly increase was 0.6% in May (April 0.5%). The rent index increased 0.6% over the month, the same increase as in April, and owners' equivalent rent index increased 0.6%, while there was a 0.9% increase in lodging away from home after advancing 1.7% in April. The index for airline fares continued to rise month over month, there was a sharp 12.6% increase in May, compared to 18.6% in the prior month.

Other major component indexes that experience an increase in May are, new vehicles (1.0%), used cars and trucks (1.8%), and Medical care (0.4%) due to a 0.5% increase in hospital services and a 0.1% decline in both the physicians' services and prescription drugs indexes. Also, the index for recreation (0.4%), Household furnishings and operations (+0.4%), apparel (0.7%), motor vehicle insurance (+0.5%), personal care (+0.4%), education (+0.3%), alcoholic beverages (+0.5%) and tobacco (+0.9%) rose in May.

The index for all items less food and energy rose 6.0% over the past 12 months. This increase was broad-based, with increases in almost all major component indexes. The shelter index rose 5.5% over the last year, which is the largest 12 month increase since the period ending February 1991. Other major indexes that experience an increase over the last 12 months include household furnishings and operations (+8.9%), new vehicles (12.6%), used cars and trucks (+16.1%), and airline fares (37.8%).

The index for food rose 1.2% in May, after a 0.9% increase in April. The index for food at home increased 1.4%, after a 1.0% increase in April, marking the fifth consecutive increase of at least 1.0%. The index for food away from home rose 0.7% in May. Over the last 12 months, the index for food at home and food away from home increased 11.9% and 7.4%, respectively.

Furthermore, Under the index for food at home, all six major store food group indexes increased in May, meats, poultry, fish and eggs (+1.1%), cereals and bakery products (+1.5%), dairy and related products (+2.9), non -alcoholic beverages (+1.7%), and other food at home (1.6%). Fruits and vegetables increased 0.6% over the month.

The food away from home 0.7% increase was mainly due to the index for full-service meals which rose 0.8% and the index for limited-service meals 0.7% increase in May.

Over the last 12 months, the food at home index rose 11.9%, the largest 12-month increase since the period ending April 1979. All six indexes for food at home increased notably, with five of the six rising more than 10%. The index for meats, poultry, fish, and eggs increased 14.2% over the last year, with the index for eggs increasing 32.2%. The other major grocery store food group indexes also rose over the past year, with increases ranging from 8.2% (fruits and vegetables) to 12.6% (other food at home)," according to the Bureau of Labor Statistics. The index for food away from home rose 7.4% over the last year, the largest 12-month change since the period ending November 1981. Furthermore, "the index for full-service meals rose 9.0% over the last 12 months and the index for limited service meals rose 7.3% over the last year, while the index for food at employee sites and schools fell 30.5%, reflecting widespread free lunch programs."

The index for energy increased 3.9% in May, after falling 2.7% in April. This movement was due to a 4.1% increase the gasoline index after declining in April. Meanwhile, the index for natural gas increased 8%, the largest monthly increase since October 2005, whereas the electricity index increased 1.3% in May.

The energy index rose 34.6% over the past 12 months with all major energy component indexes increasing. The gasoline index increased 48.7% during this period while the index for fuel oil increase 106.7%, "the largest increase in the history of the series, which dates to 1935." The electricity index rose 12.0 percent while the index for natural gas increased 30.2% over the last 12 months.

PRODUCER PRICE INDEX

According to the US Bureau of Labor Statistics, the seasonally adjusted Producer Price Index for final demand gained 0.8% in May 2022. Following gains of 0.4% in May and 1.6% in March 2022. Final demand prices increased 10.8% for the 12 months ended May 2022 on an unadjusted basis.

Two-thirds of the increase in the final demand index in May can be attributed to a 1.4% increase in final demand goods prices. Notably, " the index for final demand goods moved up 1.4% in May, the fifth consecutive rise. Over 70% of the increase in May can be traced to a 5% advance in prices for final demand energy. The index for final demand goods less foods and energy moved up 0.7%, while prices for final demand foods were unchanged," according to the U.S Bureau of Labor Statistics.

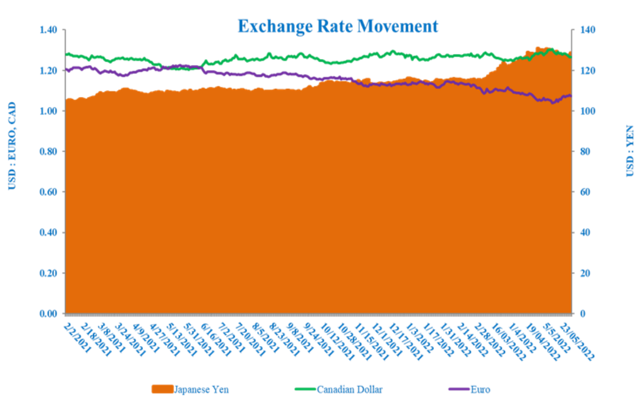
Following a 0.2% decrease in April 2022, prices for final demand services increased 0.4% in May 2022. Notably, in May, Over half of the broad-based advance can be traced to a 2.9% increase in prices for final demand transportation and warehousing services. The indexes for final demand trade services and for final demand services less trade, transportation, and warehousing also moved higher, 0.4% and 0.1%, respectively.

Month over month the final demand foods index was unchanged (April 1.4%) and the index for energy rose 5.0% (April 1.6%). Prices for final demand products, excluding food, energy and trade services increased by 0.5% in May after an increase of 0.4% in April. For the 12 months ended in May, the index for final demand less foods, energy, and trade services increased 6.8% (April 6.8%).

U.S. DOLLAR

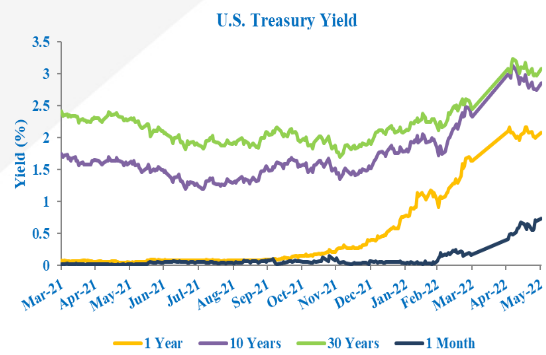
For May 2022, the EUR/USD pair closed at $1.0734 versus $1.0507 at the start of the month, a 2.16% increase. The FX empire, highlights of the "EUR/USD is, "if we do break it down, the 1.05 level should be supported. On the other hand, if we were to rally from here, and get above the 1.08 level, it's not until we get above the 1.09 level that it will have shown a significant change in attitude. Until then, I still look at this as a potential "sell the rallies" type of marketplace."

Looking ahead, "the Euro is edging lower early as U.S. Treasury yields rose for a third session. The move helped underpin the U.S. Dollar. Nonetheless, the single currency is still on course for its best month in a year as traders reposition in anticipation of European Central Bank (ECB) rate hikes and indications the U.S. Federal Reserve may slow the pace of its rate hikes."



U.S. TREASURY YIELD CURVE

The 3-month Treasury bill rate stood at 1.16% up from April's 0.85%. The 5-year rate declined to 2.81% in May 2022 relative to 2.92%, a month earlier. The 10-year rate (also constant maturity) decreased to 2.85%, from April's 2.89%, however greater than March's 2.32%.



GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office (CBO) indicated that the federal budget deficit amounted to $423 billion for the first eight months of fiscal year 2022.

Furthermore, for the first eight months of the fiscal year 2022, CBO estimates receipts to amount to $3,375 billion, $768 billion more than in the similar period in 2021.

However, based on CBO estimates for the first eight months of the fiscal year 2022, outlays are estimated to total $3,798 billion, a $873 billion less relative to the same period last year.

Budget Totals, October-May

Billions of Dollars

	Actual, FY2021	Preliminary, FY 2022	Estimated Change
Receipts	2,607	3,375	768
Outlays	4,671	3,798	-873
Deficit (-)	-2,064	-423	1,641

FEDERAL RESERVE MINUTES

Overall economic activity has seemingly improved when compared the first quarter of 2022, with increased job gains and low unemployment. Inflation, however, remains elevated due to supply and demand imbalances from the pandemic, higher energy prices, and broader price pressures.

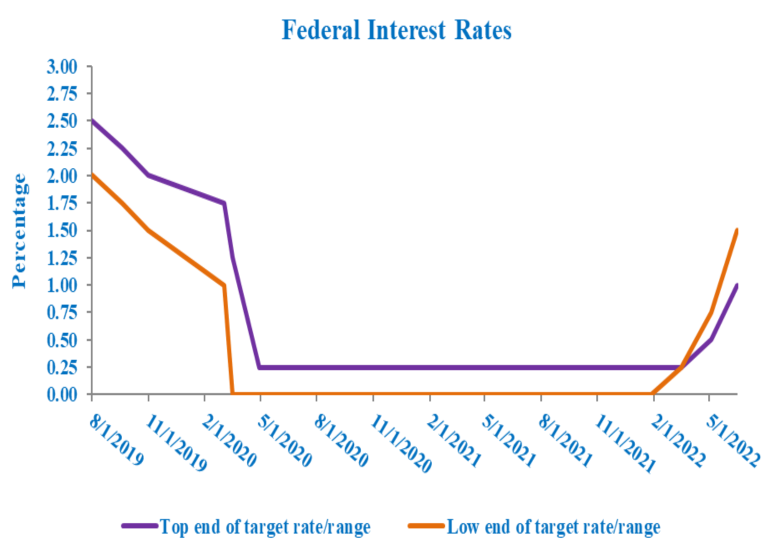
The invasion of Ukraine by Russia has led to upward inflationary pressures as well as the recent COVID-19 lockdowns in China are expected to lead to further supply chain disruptions.

The long-term goals are maximum employment and inflation at a rate of 2 percent over the longer run. To achieve this and reduce inflation, the Committee has raised the target range for the federal funds rate to 1.5% to 1.75% and anticipates future increases to the target rate. Furthermore, the committee will continue to reduce the money supply of the economy by reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities.

The Committee will be assessing a wide range of information including public health, labor market, inflation as well as financial and international developments to evaluate an appropriate stance of monetary policy.

Decisions regarding the Monetary Policy Implementation;

- The Interest rates paid on reserve balances will be raised to 1.65%, effective June 16, 2022.
- Undertake open market operations to maintain a federal funds rate in the range of 1.5% to 1.75%.
- Conduct an overnight repurchase agreement operation with a minimum bid rate of 1.75% and an aggregation operation limit of $500 billion which can be temporarily increased at the discretion of the chair.
- Principal payments from Treasury securities maturing in June and July which exceed the $30 billion per month cap will be rolled over at auction.
- Reinvest the amount of principal payments from the holding of agency debt and agency Mortgage-backed securities (MBS) received in June and July that exceed the $17.5 Billion per month cap back into agency MBS.
- Principal payments from the holding of agency debt and agency mortgage-based securities (MBS) received in June and July which exceed the $17.5 Billion per month cap should be reinvested back into Agency MBS.
- Allow Modest deviations from the stated amounts for reinvestments, if needed for operational reasons.
- Use dollar roll and coupon swap transactions to facilitate settlement of the Fed's MBS transactions.
- The Board Governors of the Federal Reserve System voted to increase the primary credit rate by 0.75% to 1.75%, effective June 16, 2022.



Global Stagflation

Global inflation has risen sharply from its lows in mid-2020, on rebounding global demand, supply bottlenecks, and soaring food and energy prices, especially since Russia's invasion of Ukraine. Markets expect inflation to peak in mid-2022 and then decline, but to remain elevated even after these shocks subside and monetary policies are tightened further. Global growth has been moving in the opposite direction: it has declined sharply since the beginning of the year and, for the remainder of this decade, is expected to remain below the average of the 2010s. In light of these developments, the risk of stagflation—a combination of high inflation and sluggish growth—has risen. The recovery from the stagflation of the 1970s required steep increases in interest rates by major advanced-economy central banks to quell inflation, which triggered a global recession and a string of financial crises in EMDEs. If current stagflationary pressures intensify, EMDEs would likely face severe challenges again because of their less well-anchored inflation expectations, elevated financial vulnerabilities, and weakening growth fundamentals. This makes it urgent for EMDEs to shore up their fiscal and external buffers, strengthen their monetary policy frameworks, and implement reforms to reinvigorate growth

Forecast Highlights

Just over two years after COVID-19 caused the deepest global recession since World War II, the world economy is again in danger. This time it is facing high inflation and slow growth at the same time. Even if a global recession is averted, the pain of stagflation could persist for several years— unless major supply increases are set in motion. Amid the war in Ukraine, surging inflation, and rising interest rates, global economic growth is expected to slump in 2022. Several years of above-average inflation and below-average growth are now likely, with potentially destabilizing consequences for low- and middle-income economies. It's a phenomenon—stagflation—that the world has not seen since the 1970s. Our forecasts reflect a sizable downgrade to the outlook: global growth is expected to slow sharply from 5.7 percent in 2021 to 2.9 percent this year. This also reflects a nearly one-third cut to our January 2022 forecast for this year of 4.1 percent. The surge in energy and food prices, along with the supply and trade disruptions triggered by the war in Ukraine and the necessary interest rate normalization now underway, account for most of the downgrade. COVID-19 already dealt a major setback to income growth and poverty reduction in developing economies. The fallout from the war in Ukraine compounds the challenges for many of them. They are expected to grow 3.4 percent in 2022—barely half the rate in 2021 and well below the average from 2011 through 2019. Middle-income countries will see a sharp downgrade to growth in 2022, losing 1.3 percentage points relative to the January forecast. Because of the adverse shocks of the past two years, real income per capita in 2023 will remain below pre-COVID-19 levels in about 40 percent of developing economies. For many countries, recession will be hard to avoid. With the supply of natural gas constrained, especially for use in fertilizer and electricity grids in poorer countries, announcements of major production increases worldwide will be essential for breaking out of stagflation and restoring noninflationary growth. This edition of the Global Economic Prospects report offers the first systematic assessment of how current global economic conditions compare with the era of stagflation of the 1970s—with a particular emphasis on how stagflation could affect developing economies. The insights are sobering: the interest rate increases that were required to control inflation at the end of the 1970s were so steep that they touched off a global recession, along with a string of debt crises in developing economies, ushering in a "lost decade" in some of them. The danger of stagflation is considerable today. Between 2021 and 2024, global growth is projected to have slowed by 2.7 percentage points—more than twice the deceleration between 1976 and 1979. Subdued growth will likely persist throughout the decade because of weak investment in most of the world. With inflation now running at multidecade highs in many countries and supply expected to grow slowly, there is a risk that inflation will remain higher for longer than currently anticipated. External public debt in developing economies is at record levels today. Most of it is owed to private creditors, and much of it involves variable interest rates that could spike suddenly. As global financing conditions tighten and currencies depreciate, debt distress—previously confined to low-income economies—is spreading to middleincome countries. The removal of monetary accommodation in the United States and other advanced economies, along with the ensuing increase in global borrowing costs, represents another significant headwind for the developing world. In addition, over the next two years, most of the fiscal support provided in 2020 to fight the pandemic will have been unwound. Despite this consolidation, debt levels will remain elevated.

Reducing the risk of stagflation will require targeted and impactful measures by policy makers across the world. This report spells out what they can do to avoid the worst outcomes—and why that work must begin immediately. In an extraordinary era of overlapping global crises, policy makers across the world will need to focus their efforts in five key areas:

- First, limit the harm to people affected by the war in Ukraine by coordinating the crisis response, including delivery of emergency food, medical, and financial aid to war-torn areas. It will also be necessary to share the burden of housing, supporting, and possibly relocating refugees and internally displaced people.
- Second, counter the spike in oil and food prices. It's essential to boost the supply of key food and energy commodities. Markets look forward, so even mere announcements of future supply would help reduce prices and inflation expectations. In the poorest nations at greatest risk of a food crisis, social safety nets should be buttressed. It's also crucial to avoid export and import restrictions that magnify the rise in prices.
- Third, step up debt relief efforts. Debt vulnerabilities were acute for low-income countries even before the pandemic. As debt distress spreads to middle-income countries, the risk for the global economy is growing. Debt relief needs to be rapid, comprehensive, and sizable in order to minimize debt overhang and risks to future growth.
- Fourth, strengthen health preparedness and efforts to contain COVID-19. Expanding vaccination coverage in low-income countries, including that for COVID-19 vaccinations, must be a global priority.
- Fifth, speed the transition to low-carbon energy sources. Reducing dependency on fossil fuels will need more investments in electricity grids, cleaner energy sources, and greater energy efficiency. National policy makers should create climate-smart regulatory frameworks, adjust incentive structures, and strengthen land use regulations.

Global outlook as at June 2022

Following more than two years of pandemic, spillovers from the Russian Federation's invasion of Ukraine are set to sharply hasten the deceleration of global economic activity, which is now expected to slow to 2.9 percent in 2022. The war in Ukraine is leading to high commodity prices, adding to supply disruptions, increasing food insecurity and poverty, exacerbating inflation, contributing to tighter financial conditions, magnifying financial vulnerability, and heightening policy uncertainty. Growth in emerging market and developing economies (EMDEs) this year has been downgraded to 3.4 percent, as negative spillovers from the invasion of Ukraine more than offset any near-term boost to some commodity exporters from higher energy prices. Despite the negative shock to global activity in 2022, there is essentially no rebound projected next year: global growth is forecast to edge up only slightly to a still-subdued 3 percent in 2023, as many headwinds—in particular, high commodity prices and continued monetary tightening—are expected to persist. Moreover, the outlook is subject to various downside risks, including intensifying geopolitical tensions, growing stagflationary headwinds, rising financial instability, continuing supply strains, and worsening food insecurity.

These risks underscore the importance of a forceful policy response. The global community needs to ramp up efforts to mitigate humanitarian crises caused by the war in Ukraine and conflict elsewhere and alleviate food insecurity, as well as expand vaccine access to ensure a durable end of the pandemic. Meanwhile, EMDE policy makers need to refrain from implementing export restrictions or price controls, which could end up magnifying the increase in commodity prices. With rising inflation, tightening financial conditions, and elevated debt levels sharply limiting policy space, spending can be reprioritized toward targeted relief for vulnerable households. Over the long run, policies will be required to reverse the damage inflicted by the dual shocks of the pandemic and the war on growth prospects, including preventing fragmentation in trade networks, improving education, and raising labor force participation.

NB: Information about the global outlook is taken from the World Bank Group report 'June 2022—Global Economic Prospects'. Kindly see link for more information, https://www.worldbank.org/en/publication/global-economic-prospects