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MAYBERRY INVESTMENTS LIMITED

1985-2022 37 CELEBRATING 37 YEARS

USA ECONOMIC REVIEW

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GROSS DOMESTIC PRODUCT

According to the "third" estimate of the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 2.1% in the second quarter of 2023. The first quarter witnessed a 2.2% expansion in the real GDP. The released GDP estimate is derived from a more comprehensive set of source data in comparison to the "second" estimate that was released the previous month. The second estimate attributed a 2.1% increase in real GDP.

The majority of the adjustment was attributable to decreased consumer expenditure, which was partially mitigated by increases in non-residential fixed investment, exports, and inventory investment. The amount of imports deducted from the calculation of GDP decreased.

Real GDP increased as a result of consumer spending, non-residential fixed investment, and state and local government expenditures, all of which were partially offset by a decline in exports.

Compared to the first quarter, the decline in real GDP in the second quarter primarily reflected decreases in consumer spending, lower exports, and a contraction in federal government spending. These movements were partly offset by a upturn in private inventory investment, an acceleration in non-residential fixed investments, and a small decrease in residential investment. Imports turned down.

In the second quarter of 2023 current-dollar GDP increased by $249.4 billion (3.8%) at an annual rate to $27.06 trillion, a $19.4 billion downward revision from the previous estimate.

The price index for gross domestic purchases increased by 1.4% in the second quarter of 2023, a 0.3 percentage point downward revision from the previous estimate.

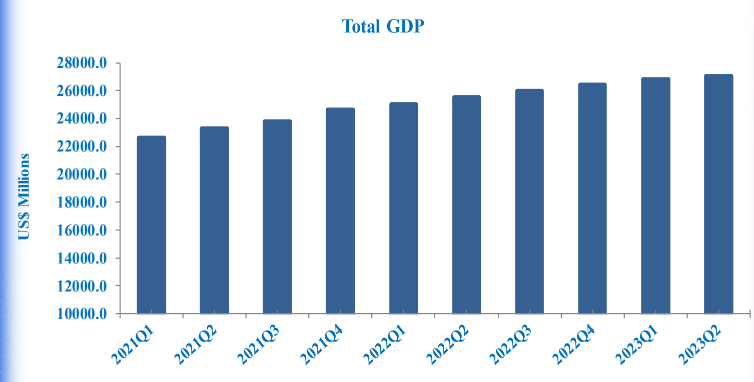
The PCE price index rose 2.5%, the same as the previous estimate. However, with the exclusion of food and energy prices, the PCE increased 3.7%, also unchanged.

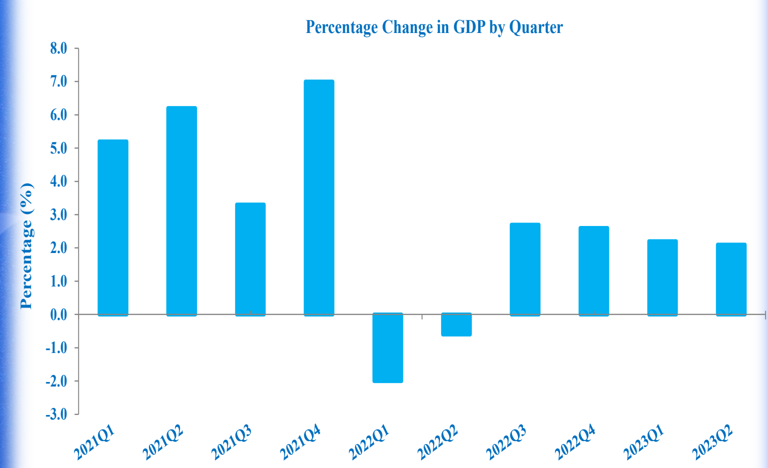
Personal Income

Current-dollar personal income increased $239.6 billion in the second quarter, an upward revision of $7.4 billion from the previous estimate. Increases in remuneration (driven by private earnings and salaries), social benefits provided by the government, and both personal interest and dividend income were the main factors contributing to the growth.

Disposable personal income rose by $296.5 billion, or 6.1%, in Q2 2023, an upward revision of $12.1 billion on the previous estimate. Real disposable personal income increased by 3.5% in the Second quarter, a 0.2 percentage point upward revision.

Personal saving revised upward by $40.5 billion to total $1.04 trillion in the second quarter. In the second quarter, the personal saving rate as a proportion of disposable personal income revised upward by 0.7pp to 5.2%.





UNEMPLOYMENT

U.S. Unemployment rate was 3.8% in September

In September, the U.S. Bureau of Labor Statistics reported that total nonfarm payroll employment increased by 336,000 jobs, surpassing the average monthly gain of 267,000 over the past year. Key sectors that experienced job growth included leisure and hospitality (+96,000), government (+73,000), health care, professional, scientific, and technical services, and social assistance. Leisure and hospitality, in particular, added a significant number of jobs, with food services and drinking places returning to pre-pandemic levels. Government employment also saw gains, primarily in state government education and local government, excluding education.

Household Survey Data

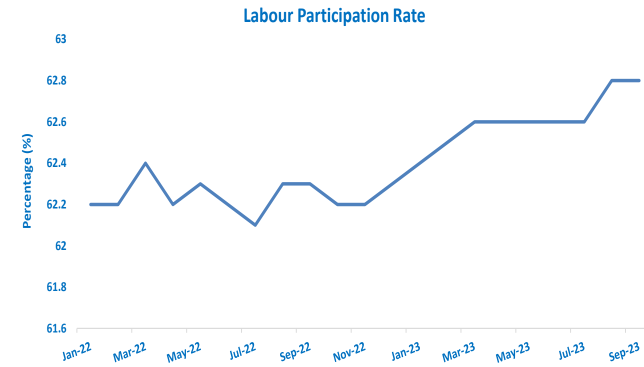
In September, major labor market indicators from the household survey remained stable. The unemployment rate held steady at 3.8%, with no significant change in the number of unemployed individuals, which stood at 6.4 million. Among various worker groups, unemployment rates for different demographics showed little to no change. Adult men, adult women, teenagers, Whites, Blacks, Asians, and Hispanics all experienced stable unemployment rates. The number of long-term unemployed individuals (jobless for 27 weeks or more) remained relatively unchanged at 1.2 million, accounting for 19.1 percent of all unemployed persons. The labor force participation rate and the employment-population ratio remained the same, at 62.8% and 60.4%, respectively. The number of individuals employed part-time for economic reasons also showed little change, totaling 4.1 million. Additionally, the number of individuals not in the labor force but wanting a job remained consistent at 5.5 million. Among those not in the labor force who desired employment, the number of marginally attached individuals held steady at 1.5 million, with 367,000 classified as discouraged workers.

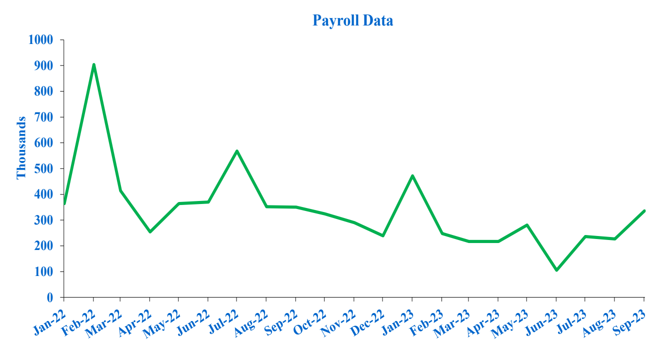
Establishment Survey Data

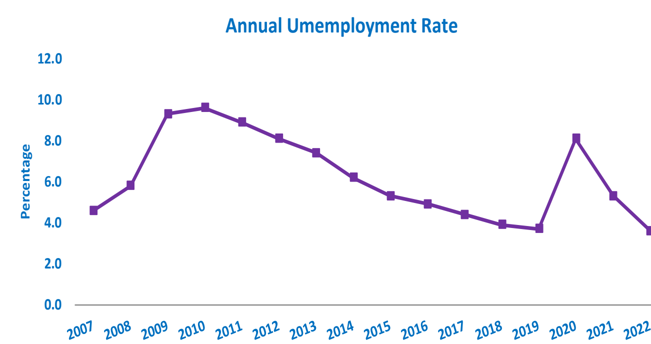
In September, the U.S. Bureau of Labor Statistics reported robust job growth in the nonfarm payroll employment sector, with an increase of 336,000 jobs, surpassing the 12-month average gain of 267,000. Significant gains occurred in several sectors, including leisure and hospitality (+96,000), government (+73,000), health care (+41,000), professional, scientific, and technical services (+29,000), and social assistance (+25,000). Notably, leisure and hospitality added a substantial number of jobs, particularly in food services and drinking places, which returned to pre-pandemic employment levels. Government employment saw an uptick, driven by gains in state government education and local government (excluding education). Health care, professional services, and social assistance also experienced job growth.

Transportation and warehousing employment remained relatively stable in September (+9,000), with gains in truck transportation offsetting the previous month's decline. The information sector experienced little change (-5,000), primarily due to ongoing reductions in motion picture and sound recording industries related to labor disputes. In other major industries, including mining, construction, manufacturing, wholesale trade, retail trade, financial activities, and other services, employment showed minimal fluctuations.

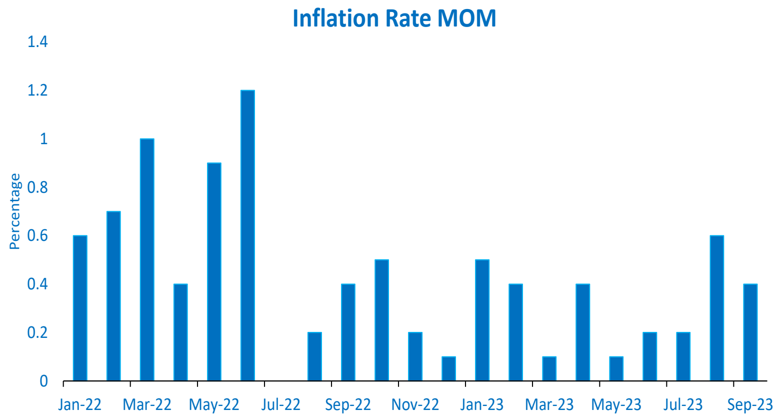
Average hourly earnings for all employees on private nonfarm payrolls increased by 7 cents (0.2%) in September, reaching $33.88, reflecting a 4.2% increase over the past 12 months. For private-sector production and nonsupervisory employees, average hourly earnings rose by 6 cents (0.2 percent) to $29.06. The average workweek for all employees remained steady at 34.4 hours, with little change in manufacturing and production and nonsupervisory employee workweeks. Finally, the report included revisions for July and August, reflecting a combined employment increase of 119,000 jobs higher than previously reported due to additional data and seasonal factor recalculations.

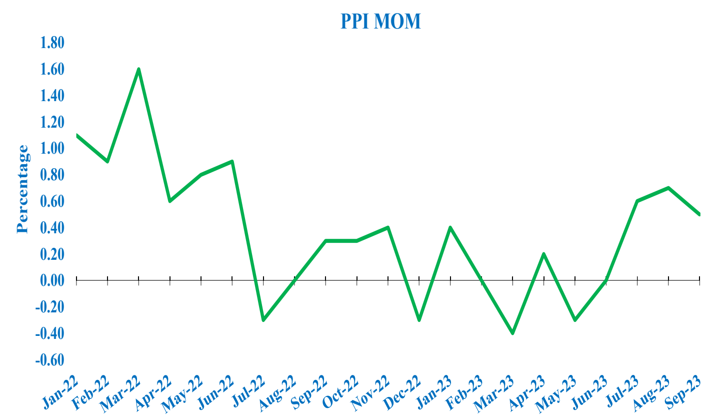






Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2014	413,245	415,632	417,897	420,260
2015	422,315	424,437	426,384	428,478
2016	430,274	431,909	434,140	435,666
2017	437,459	439,149	440,678	442,045
2018	444,009	446,147	447,655	448,953
2019	450,526	451,990	453,308	454,873
2020	455,413	401,105	421,623	427,697
2021	430,841	435,499	441,557	447,474
2022	452,540	456,132	459,994	462,837
2023	465,734	467,734	469,723	-





CONSUMER PRICE INDEX

In September, the Consumer Price Index for All Urban Consumers (CPI-U) increased by 0.4% on a seasonally adjusted basis, following a 0.6% increase in August. Over the past 12 months, the overall price index for all items increased by 3.7% before seasonal adjustment.

The main contributors to the monthly increase in all items were the index for shelter, accounting for over half of the increase, and an increase in the gasoline index. Energy components showed mixed trends in September, but the overall energy index rose by 1.5% for the month. The food index increased by 0.2% in September, consistent with the previous two months, with the index for food at home rising by 0.1% and the index for food away from home increasing by 0.4%.

Excluding food and energy, the index for all items increased by 0.3% in September, the same as in August. Some of the notable increases in this category included rent, owners' equivalent rent, lodging away from home, motor vehicle insurance, recreation, personal care, and new vehicles. However, the indexes for used cars and trucks and for apparel saw decreases in September.

Over the 12 months ending in September, the overall all items index increased by 3.7%, which was the same as the 12-month increase in August. The all items index, excluding food and energy, rose by 4.1% over the last year. The energy index decreased by 0.5% over the 12 months ending in September, while the food index increased by 3.7% during the same period.

PRODUCER PRICE INDEX

In September, the U.S. Bureau of Labor Statistics reported a 0.5 percent increase in the Producer Price Index for final demand, which is seasonally adjusted. This follows a 0.7 percent rise in August and a 0.6 percent increase in July. On an unadjusted basis, the final demand index advanced by 2.2% over the 12 months ending in September, marking the largest increase since a 2.3% rise in the 12 months ending in April.

The increase in the final demand index in September was primarily driven by a 0.9 percent rise in prices for final demand goods, while the index for final demand services increased by 0.3%.

Excluding the impact of food, energy, and trade services, prices for final demand increased by 0.2% in September, marking the fourth consecutive monthly advance. Over the 12 months ending in September, the index for final demand, excluding foods, energy, and trade services, moved up by 2.8%.

Final Demand Goods

In September, the Producer Price Index for final demand goods increased by 0.9 percent, marking the third consecutive monthly increase. The significant portion of this increase, around 75 percent, can be attributed to a 3.3% rise in prices for final demand energy. Additionally, the indexes for final demand foods and final demand goods, excluding foods and energy, also saw increases of 0.9 percent and 0.1 percent, respectively.

Final Demand Services

In September, the Producer Price Index for final demand services increased by 0.3%, following a 0.2% rise in August. More than 60 percent of this September increase is attributed to prices for final demand services, excluding trade, transportation, and warehousing, which rose by 0.3%. The index for final demand trade services increased by 0.5 percent, measuring changes in margins received by wholesalers and retailers. On the other hand, prices for final demand transportation and warehousing services declined by 0.4%.

U.S. DOLLAR

As at September 29, 2023 the US dollar has strengthened against the Pound, Euro, and Yen, closing the month at GBPUSD 1.22, EURUSD 1.06, and YEN 149.34, respectively. The USDCAD closed September at 1.35, same as it did to close the prior month.

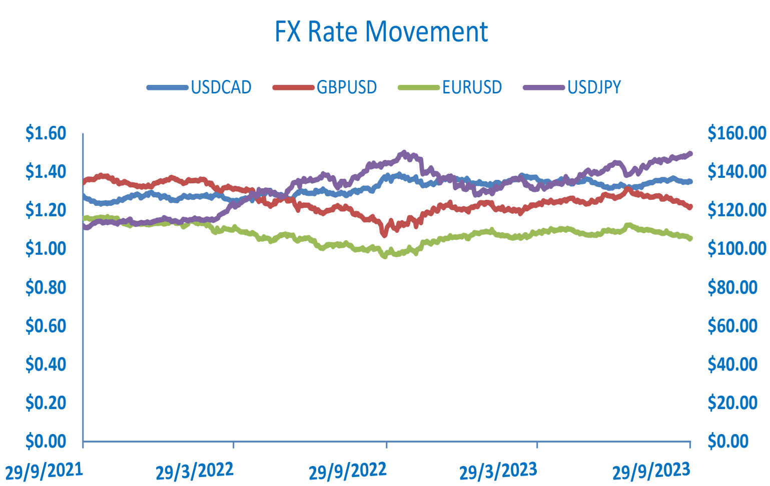
Although the federal reverse rate was maintained in September, borrowing cost forecasts for 2024 and 2025 were raised from 4.6% to 5.1% and 3.1% to 3.9%, respectively; Indicating only two rate cuts instead of four projected in the previous outlook. As such, The US dollar is expected to maintain its strength for an extended period. Also, a number of risks could lead to the dollar appreciating further, including Euro area concerns, changes in Chinese currency policy, and how markets interpret US growth prospects.

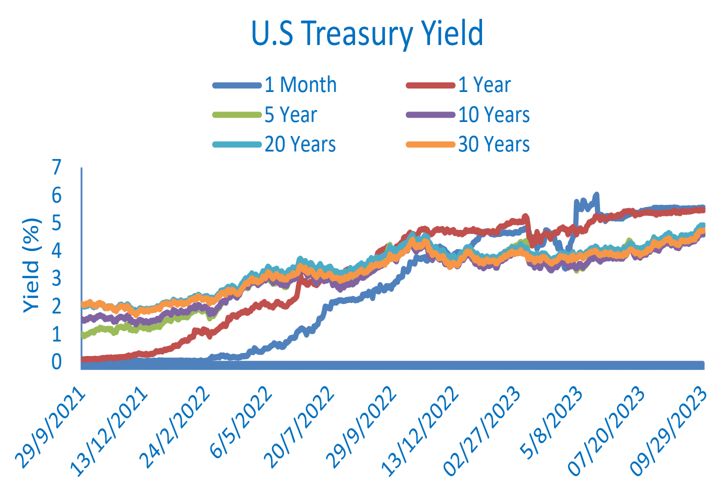
U.S. TREASURY YIELD CURVE

Treasury Par Yield Curve Rates closed September 2023 at the following rates:

- 1 month: 5.55%
- 1 year: 5.46%
- 5 years: 4.6%
- 10 years: 4.59%
- 20 years: 4.92%
- 30 years: 4.73%

Throughout September 2023, the U.S Treasury yield curve continued to slope downward. This shows that bonds of longer maturities are currently providing a lower yield, whilst those of shorter maturities yield a higher return. As at September 29, 2023, the yield for a one-year U.S government bond was 5.46%, as opposed to 4.59%, 4.92% and 4.73% being the yield for a ten-year, twenty-year and thirty-year bond, respectively.



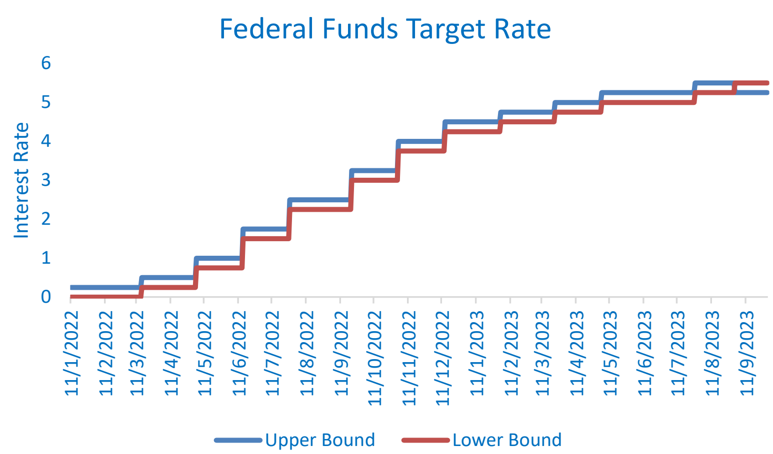


GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office estimates that the federal budget deficit for the first eleven months of fiscal year 2023 was $1.7 trillion, which is $0.3 trillion more than the deficit seen during the same time in fiscal year 2022. In comparison to the period from October through to September of fiscal year 2022, revenues were $455 billion (or 9%) lower and expenses were $141 billion (or 2%) Lower. As a result of October 1 (the first day of fiscal years 2023 and 2024, respectively) falling on a weekend, certain payments were shifted into the prior fiscal year; $63 billion from 2023 into 2022 and $72 billion from 2024 into 2023. Consequently, Expenditures increased at the end of 2022 and 2023.

Budget Totals, October 2022 – September 2023 Billions of Dollars			
	Actual, FY 2022	Preliminary, FY 2023	Estimated Change
Receipts	4,896	4,441	-455
Outlays	6,272	6,131	-141
Deficit (-)	-1,376	-1,690	-314

FEDERAL RESERVE MINUTES



In September's monetary policy meeting, members of the Federal Open Market Committee agreed that the U.S. economy was growing solidly and decided to change the language in the post meeting statement accordingly. They noted that job gains had slowed but remained strong, and inflation remained elevated. The committee emphasized the importance of a sound banking system but recognized potential negative impacts of tighter credit conditions on the economy. They committed to maintaining the federal funds target rate at 5¼ to 5½ and would consider various factors, including the cumulative impact of monetary policy tightening, when deciding on future policy moves. They also reiterated their commitment to achieving a 2 percent inflation target and would remain vigilant in assessing economic data and emerging risks.

The Federal Reserve Bank of New York has been authorized and directed by the Committee to carry out transactions in the SOMA in line with the following domestic policy directive, until otherwise directed:

- undertake open market operations as necessary to maintain the federal funds rate in a target range of 5¼ to 5½ percent.
- Conduct standing overnight repurchase agreement operations with a minimum bid rate of 5.5% and with an aggregate operation limit of $500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 5.3% and with a per-counterparty limit of $160 billion per day.
- Roll over at auction the amount of principal payments from the Federal Reserve's holdings of Treasury securities maturing in each calendar month that exceeds a cap of $60 billion per month. Redeem Treasury coupon securities up to this monthly cap and Treasury bills to the extent that coupon principal payments are less than the monthly cap.
- Reinvest into agency mortgage-backed securities (MBS) the amount of principal payments from the Federal Reserve's holdings of agency debt and agency MBS received in each calendar month that exceeds a cap of $35 billion per month.
- Allow modest deviations from stated amounts for reinvestments, if needed for operational reasons.
- Engage in dollar roll and coupon swap transactions as necessary to facilitate settlement of the Federal Reserve's agency MBS transactions.

GLOBAL ECONOMIC REVIEW

The Global Economy

The global economy has been facing multiple challenges, including the impact of the pandemic, Russia's invasion of Ukraine, and a cost-of-living crisis. Despite these disruptions and the turmoil in energy and food markets due to the war, as well as significant global efforts to combat high inflation, the global economy has not come to a standstill. However, the recovery has been slow and uneven, and there are noticeable divergences among countries. In essence, the global economy is showing resilience but is far from running at full speed.

Global economic activity hit its lowest point at the end of the previous year, and there is gradual progress in controlling both headline and underlying (core) inflation. Nevertheless, a complete return to pre-pandemic growth trends seems increasingly unlikely, particularly for emerging market and developing economies. The road to recovery remains challenging, and the global economy is still struggling to regain its pre-pandemic momentum, suggesting that the journey ahead will continue to be a slow and uncertain one.

Forecast Highlights

According to the IMF latest projections, global economic growth is expected to slow down in the coming years. After reaching 3.5 percent in 2022, global growth is forecasted to decline to 3 percent in the current year and further to 2.9 percent in the following year, marking a 0.1 percentage point downgrade for 2024 compared to previous projections made in July. This trajectory indicates that global economic performance will remain well below the historical average, reflecting ongoing challenges and uncertainties in the global landscape.

In terms of inflation, headline inflation is on a decelerating path, dropping from 9.2 percent in 2022 to 5.9 percent in the current year and further to 4.8 percent in 2024, measured on a year-over-year basis. Core inflation, which excludes food and energy prices, is also expected to decline, albeit at a more gradual pace compared to headline inflation, reaching 4.5 percent in 2024. These trends suggest a gradual easing of inflationary pressures, aligning with a scenario referred to as a "soft landing," where inflation is brought under control without triggering a major downturn in economic activity.

These projections indicate a relatively stable economic environment, particularly in the United States, where the increase in unemployment is expected to be modest, with a forecasted rise from 3.6 to 3.9 percent by 2025. This suggests that policymakers are aiming for a balance between controlling inflation and sustaining economic growth, aiming for a smooth transition that avoids sharp disruptions in the economy. However, the overall global economic outlook remains uncertain, with many factors at play that could influence these projections as events unfold in the coming years.

Policy Rates Movement

The Federal Reserve (Fed), after hiking its rates in July has opted to maintain the policy rate at 5.50% at its meeting ended September 20, 2023, with the target range being 5.25%-5.50%. This decision is rooted in the resilience of the U.S. economy, a robust labour market, and persistent inflationary pressures. However, The fed signalled considerably higher interest rates in its 2024 and 2025 projections. Similarly, The Bank of England (BOE) also maintained its bank rate, holding firm at 5.25%. The European Central Bank (ECB) raised rates by another 25bp in September, increasing the MRO rate to 4.50%.

Given September's pause in rate hikes seen in China, Japan, Australia, Canada, and Switzerland, interest rate predictions for developed economies have generally eased to reflect declining headline inflation. Emerging markets show a similar scenario, with rate projections lowered for several countries.

USA Economic Outlook as at October 2023

IMF raises U.S. growth forecast for 2023

In the United States, economic growth is projected to reach 2.1 percent in 2023 and then slow to 1.5 percent in 2024. This marks an upward revision of 0.3 percentage points for 2023 and 0.5 percentage points for 2024 compared to previous projections made in July 2023. The improved outlook is attributed to stronger business investment during the second quarter and resilient consumption growth, which reflects the ongoing tight labor market. Additionally, an expansionary fiscal stance by the general government is anticipated to contribute to growth in 2023. However, factors such as slowing wage growth, the depletion of pandemic-related savings, and the Federal Reserve's commitment to a tight monetary policy are expected to lead to a slowdown in economic growth in the latter half of 2023 and in 2024.

Despite the anticipated slowdown, the unemployment rate in the United States is projected to increase from 3.6 percent in the second quarter of 2023 to a peak of 4.0 percent by the last quarter of 2024. This peak is notably lower than previous projections, such as 5.2 percent in April 2023 and 5.6 percent in October 2022. This more favorable unemployment rate trajectory suggests a softer landing for the U.S. economy than initially expected, indicating that policymakers are aiming to manage the economic slowdown in a way that minimizes the impact on employment.