November 2023

MAYBERRY INVESTMENTS LIMITED

1985-2022 37 CELEBRATING 37 YEARS

USA ECONOMIC REVIEW

Prepared by: Research Department

Sales Inquiries: sales@mayberryinv.com
1 1/2 Oxford Road, Kingston 5, Jamaica
facebook.com/mayberryinvja
linkedin.com/company/mayberry-investments-ltd
General Sales Inquires: 876. 929. 1908-9
876. 929. 1501
www.mayberryinv.com
MayberryInvJa

GROSS DOMESTIC PRODUCT

According to the "second" estimate of the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 5.2% in the third quarter of 2023. The real GDP increased by 2.1% in the second quarter.

The latest GDP estimate released is based on more complete source data than were available for the "advance" estimate issued last month. In the advance estimate, the increase in real GDP was 4.9 percent. The update primarily reflected upward revisions to non-residential fixed investment and state and local government spending that were partly offset by a downward revision to consumer spending. Imports, which are a subtraction in the calculation of GDP, were revised down.

The rise in real GDP reflected increases in consumer spending, private inventory investment, exports, state and local government spending, federal government spending, residential fixed investment and non-residential fixed investment. Imports increased.

Compared to the second quarter, the rise in real GDP in the third quarter primarily reflected increases in consumer spending, private inventory investment, and higher exports that were partly offset by a decline in non-residential fixed investment. Imports turned up.

In the third quarter of 2023 current-dollar GDP increased by $581.5 billion (8.9%) at an annual rate to $27.64 trillion, relative to a $249.4 billion (3.8%)increase in the second quarter.

The price index for gross domestic purchases increased by 3.0% in the third quarter of 2023, relative to an increase of 1.4% in the second quarter.

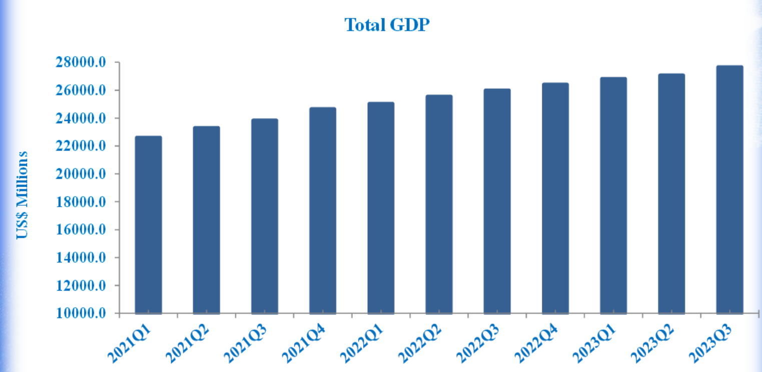
The personal consumption expenditures (PCE) price index rose 2.8 percent, compared with an increase of 2.5 percent. However, with the exclusion of food and energy prices, the PCE increased 2.3%, relative to an increase of 3.7%.

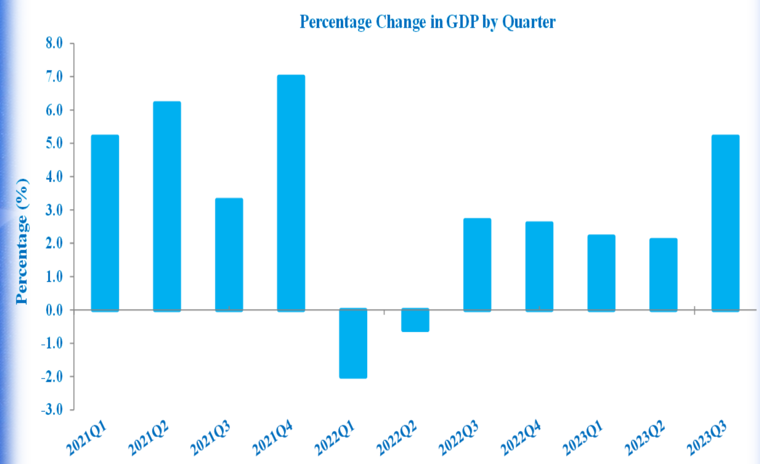
Personal Income

Current-dollar personal income increased $218.3 billion in the third quarter, relative to an increase of $239.6 in the second quarter. Increases in compensation, proprietors' income and personal income receipts on assets were the main factors contributing to the growth, while personal current transfer receipts decreased to party offset the movement.

Disposable personal income rose by $144.0 billion, or 2.9%, in Q3 2023, compared to an increase of $296.5 billion, or 6.1%, in Q2 2023. Real disposable personal income increased by 0.1%, relative to an increase of 3.5%.

Personal saving was $815.4 billion in the third quarter, compared with $1.04 trillion in the second quarter. The personal saving rate as a proportion of disposable personal income was 4.0% versus 5.2% in the second quarter.





EMPLOYMENT SITUATION

In November, total nonfarm payroll employment in the United States increased by 199,000, and the unemployment rate edged down to 3.7 percent. Job gains were observed in the health care, and government, while employment in manufacturing also increased due to the return of workers from a strike. The U.S. Bureau of Labor Statistics reported these findings based on two monthly surveys: the household survey, which assesses labour force status, including unemployment by demographic characteristics, and the establishment survey, which measures nonfarm employment, hours, and earnings by industry.

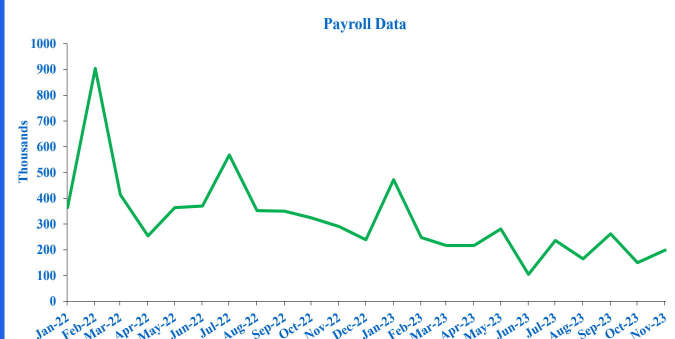
Household Survey Data

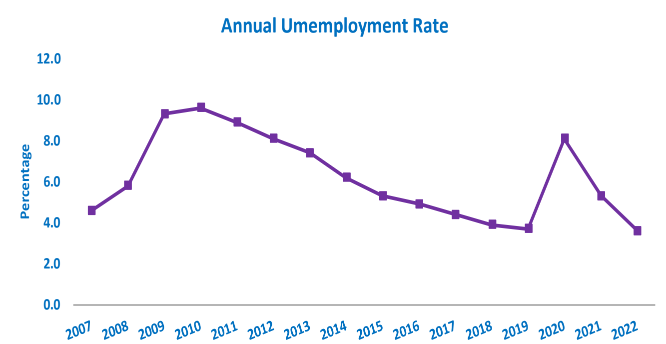
In November, the U.S. unemployment rate declined to 3.7 percent, with 6.3 million unemployed individuals. Unemployment rates for different demographic groups edged down slightly in November, with adult men at 3.7 percent, adult women at 3.1 percent, teenagers at 11.4 percent, Whites at 3.3 percent, Blacks at 5.8 percent, Asians at 3.5 percent, and Hispanics at 4.6 percent. The number of long-term unemployed (jobless for 27 weeks or more) declined to 1.2 million, accounting for 18.3 percent of all unemployed persons. The labor force participation rate remained largely unchanged at 62.8 percent, while the employment-population ratio increased to 60.5 percent. There were 4.0 million individuals employed part-time for economic reasons, which means they preferred full-time work but were working part-time due to reduced hours or the inability to find full-time employment. Additionally, there were 5.3 million persons not in the labor force who wanted a job, and 1.6 million of them were marginally attached to the labor force. These individuals wanted to work and had looked for a job sometime in the prior 12 months but had not actively searched for work in the past four weeks. The number of discouraged workers, a subset of the marginally attached who believed that no jobs were available for them, remained largely unchanged at 421,000.

Establishment Survey Data

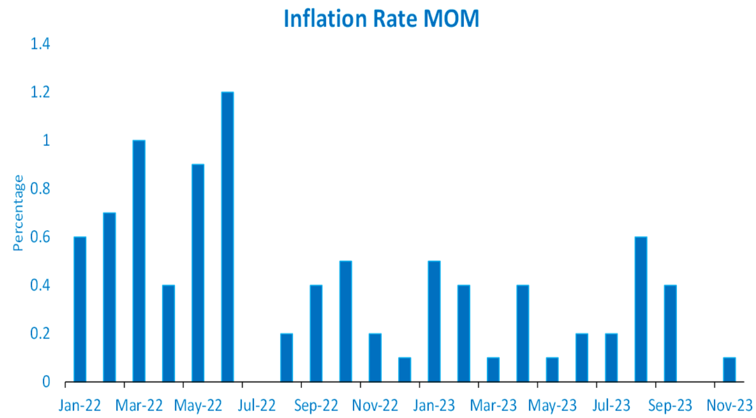
In November, total nonfarm payroll employment in the United States increased by 199,000 jobs, which was below the average monthly gain of 240,000 jobs over the previous 12 months. Job gains were observed in the health care sector (77,000 jobs), government (49,000 jobs), and manufacturing employment (28,000 jobs). However, retail trade employment declined by (38,000 jobs), particularly in department stores and furniture/electronics retailers. Other notable sectors with positive employment trends included leisure and hospitality, social assistance, and information, though the latter experienced an overall decline since its peak in November 2022. Meanwhile, transportation and warehousing employment remained relatively stable, with a slight decline of (5,000 jobs) in November.

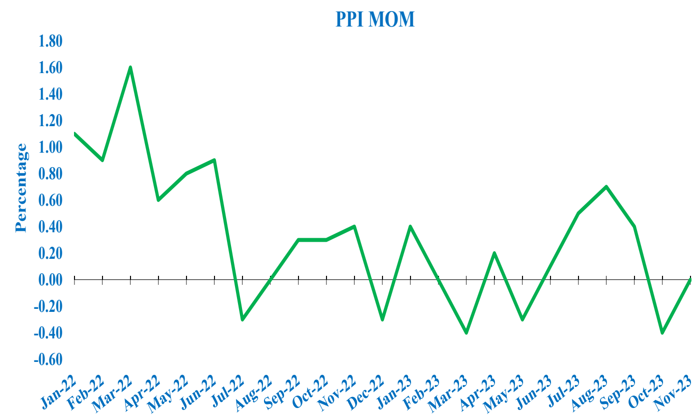
In addition to the employment figures, the average hourly earnings for all employees on private nonfarm payrolls increased by 0.4 percent to $34.10 in November, reflecting a 4.0 percent increase over the past 12 months. The average workweek for all employees edged up by 0.1 hour to 34.4 hours, with manufacturing maintaining a steady average workweek of 40.0 hours. The revision of September's total nonfarm payroll employment figures resulted in a downward adjustment of 35,000 jobs, bringing the combined employment figures for September and October 35,000 lower than initially reported. These revisions are standard and result from additional reports received from businesses and government agencies since the last published estimates, as well as the recalculation of seasonal factors.





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	469,560	-





CONSUMER PRICE INDEX

In November, the U.S. Consumer Price Index for All Urban Consumers (CPI-U) showed a slight 0.1% increase, following October's stagnant figures, as reported by the U.S. Bureau of Labor Statistics. Over the preceding 12 months, the all items index rose by 3.1%, showcasing a consistent upward trend. The index for shelter continued its upward trajectory in November, counterbalancing a decrease in the gasoline index. Energy costs decreased by 2.3% during the month, primarily due to a significant 6.0% drop in the gasoline index, which overshadowed rises in other energy component indexes.

Food prices experienced a 0.2% increase in November, with food at home rising by 0.1% and food away from home by 0.4%. Meanwhile, the index for all items excluding food and energy showed a 0.3% increase, driven by surges in categories like rent, owners' equivalent rent, medical care, and motor vehicle insurance. Conversely, indexes for apparel, household furnishings, communication, and recreation declined during the same period.

Over the year ending in November, the all items index saw a 3.1% increase, slightly lower than the 3.2% recorded in October for the same duration. However, the index excluding food and energy maintained a consistent upward trend, rising by 4.0% over the past 12 months, mirroring the trend observed in the preceding year. Energy costs saw a marked decrease of 5.4% over this period, contrasting with the 2.9% rise in food prices. These figures provide insight into both short-term fluctuations and longer-term trends, illustrating how various factors, particularly in energy and food sectors, have influenced overall consumer spending patterns.

PRODUCER PRICE INDEX

According to the U.S. Bureau of Labor Statistics, the Producer Price Index (PPI) for final demand in the United States remained unchanged on a seasonally adjusted basis In November. This follows a 0.4 percent decrease in October and a 0.4 percent increase in September. On an unadjusted basis, the index for final demand showed a 0.9 percent increase over the 12 months ending in November. This information suggests stability in producer prices for final demand in November, with a modest increase over the past year

In November, the Producer Price Index (PPI) for final demand, excluding the impact of foods, energy, and trade services, increased by 0.1 percent. This marks the sixth consecutive monthly advance for this specific index. Over the 12 months ending in November, prices for final demand, excluding foods, energy, and trade services, rose by 2.5 percent.

Final Demand Goods

In November, the Producer Price Index (PPI) for final demand goods remained unchanged, following a 1.4 percent drop in October. In the same month, there was a 0.6 percent increase in prices for final demand foods and a 0.2 percent increase for final demand goods excluding foods and energy. These increases helped offset a 1.2 percent decrease in the index for final demand energy.

Final Demand Services

In November, the Producer Price Index (PPI) for final demand services showed no change compared to October. Within this category, prices for final demand services, excluding trade, transportation, and warehousing, increased by 0.1 percent. However, there were declines in the indexes for final demand trade services (0.2 percent decrease) and final demand transportation and warehousing services (0.5 percent decrease) during the same period.

U.S. DOLLAR

As at the end of November 2023, the US dollar has weakened against the Canadian dollar (-1.73%), the Pound (4.36%), the Euro (3.38%), and the Japanese Yen (-1.39%). The US dollar closed on November 30, 2023 at USDCAD 1.3590, GBPUSD 1.2696, EURUSD 1.0974, USDJPY 147.04.

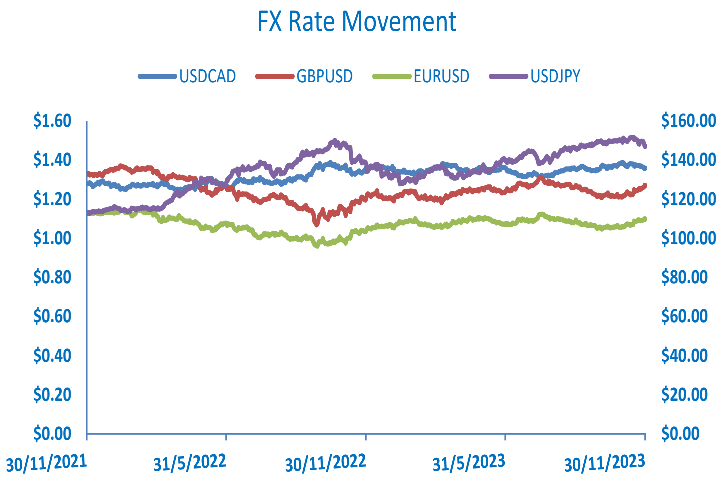
According to FX Empire, "In a surprising turn of events, the US Dollar faltered as hopes for a peak in US interest rates grew stronger, following the Federal Reserve's decision to leave them unchanged. While the funds rate target ceiling stands at a 22-year high of 5.5%, Fed Chair Jerome Powell implied that the risks of hiking rates too aggressively or being overly cautious have now balanced out. This sentiment was further emphasized by the decline in U.S. Treasury yields, hinting that rate hikes for the year might be over. In light of these factors, the near-term outlook for the U.S. Dollar Index appears bearish, with potential for further downside as markets digest the implications of a halted rate-hiking cycle by the Federal Reserve."

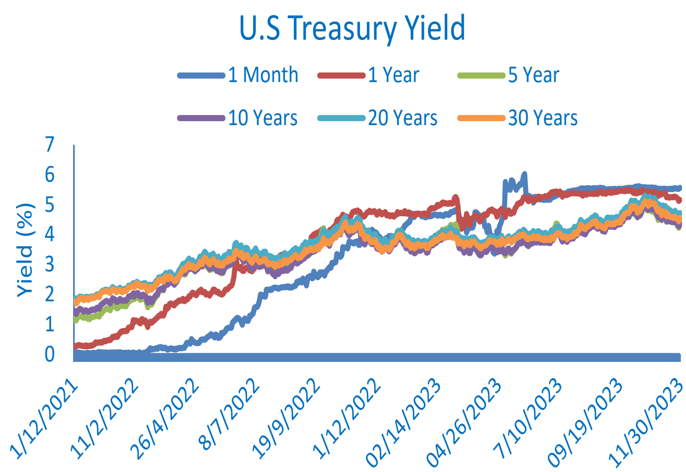
U.S. TREASURY YIELD CURVE

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

- 1 month: 5.56%
- 1 year: 5.16%
- 5 years: 4.31%
- 10 years: 4.37%
- 20 years: 4.72%
- 30 years: 4.54%

Throughout November 2023, the U.S Treasury yield curve continued to slope downward. This shows that bonds of longer maturities are currently providing a lower yield, relative to short term bonds. As at November 30, 2023, the yield for a one-year U.S government bond was 5.16%, as opposed to 4.37%, 4.72% and 4.54% being the yield for a ten-year, twenty-year and thirty-year bond, respectively.



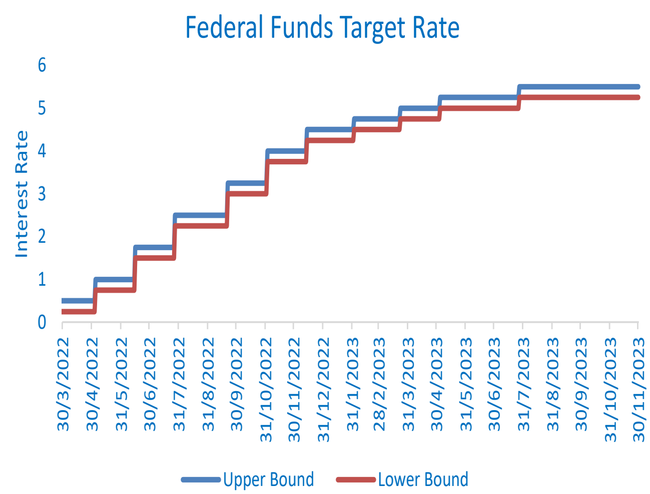


GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office estimates that the federal budget deficit for the first two months of fiscal year 2024 was $383 billion, which is $47 billion more than the deficit seen during the same time in fiscal year 2023. In comparison to the period from October through to November of fiscal year 2023, revenues were $108 billion (or 19%) higher and expenses were $155 billion (or 17%) higher. As a result of October 1 (the first day of fiscal years 2022 and 2023) falling on a weekend, certain payments were shifted to September 2022 and September 2023, respectively. Consequently, expenditures declined. If not for those shifts, outlays would have been $164 billion higher this fiscal year than in the same period last year, and the deficit thus far in fiscal year 2024 would have been $456 billion, $56 billion more than the shortfall at this time last year.

Budget Totals, October - November Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	571	679	108
Outlays	907	1,062	155
Deficit (-)	-336	-383	-47

FEDERAL RESERVE MINUTES



In the recent monetary policy meeting, members of the MPC acknowledged a robust expansion in economic activity during the third quarter, though job gains had moderated. The unemployment rate remained low, while inflation remained elevated. Members recognized the soundness and resilience of the U.S. banking system but expressed concerns about the potential impact of tighter financial and credit conditions on economic activity, hiring, and inflation, noting uncertainty about the extent of these effects. Committed to achieving maximum employment and 2 percent inflation over the longer run, members opted to maintain the federal funds rate target range at 5¼ to 5½ percent. They pledged to assess incoming information and its implications for monetary policy, considering the cumulative tightening of policy, lags in its effects, and economic and financial developments. Additionally, they agreed to continue reducing the Federal Reserve's holdings of securities. Emphasizing a strong commitment to returning inflation to the 2 percent objective, members committed to monitoring various indicators, including labor market conditions and international developments, and expressed readiness to adjust monetary policy as needed to address emerging risks to the Committee's goals.

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 percent and with an aggregate operation limit of $500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 5.3 percent 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.

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 global financial markets are currently reflecting a significant shift in sentiment regarding monetary policy. After an extensive and noteworthy series of interest rate hikes aimed at combating high inflation, major central banks, including the U.S. Federal Reserve, the European Central Bank (ECB), and the Bank of England (BoE), have decided to maintain high interest rates. This decision has led traders to anticipate swift rate cuts in the future.

Federal Reserve Chairman Jerome Powell expressed a belief that the central bank has taken sufficient action to address economic challenges. The ECB and the BoE, both on Thursday, opted to keep rates unchanged. However, the BoE resisted expectations for rate cuts, and notably, the central bank of Norway surprised the markets by implementing a rate hike. This overall indicates a cautious approach by central banks, with some resisting the pressure for immediate rate cuts, and others, like Norway, taking unexpected tightening measures.

U.S. Economic Outlook

The Federal Reserve maintained its key interest rate for the third consecutive time, keeping it in the 5.25%-5.5% range as inflation eased and the economy remained stable. In a unanimous decision, the Federal Open Market Committee hinted at a more dovish stance by projecting at least three rate cuts in 2024, with quarter percentage point increments, diverging from earlier market expectations and signalling a more aggressive approach than previously suggested by officials.

Inflation ‘eased over the past year’

The Federal Reserve's decision to maintain the current interest rate comes in the wake of improving inflationary conditions, following a spike to a 40-year high in mid-2022. Chair Jerome Powell noted the positive news that inflation has eased without a significant rise in unemployment. The post-meeting statement acknowledged the inflationary improvement, stating that inflation has "eased over the past year" while still characterizing prices as "elevated." Fed officials project a decline in core inflation to 3.2% in 2023, 2.4% in 2024, and reaching the 2% target in 2026. Recent economic data indicates stability in both consumer and wholesale prices for November, with the Fed approaching its 2% inflation target according to Bank of America's calculations.