December 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 "third" estimate of the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 4.9% 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 "second" estimate issued last month. In the second estimate, the increase in real GDP was 5.2 percent. The update primarily reflected 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 higher exports and increases in consumer spending and private inventory investment 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 $547.1 billion (8.3%) at an annual rate to $27.61 trillion, downward revision of $34.3 billion from the previous estimate.

The price index for gross domestic purchases increased by 2.9% in the third quarter of 2023, a downward revision of 0.1 percentage point from the previous estimate.

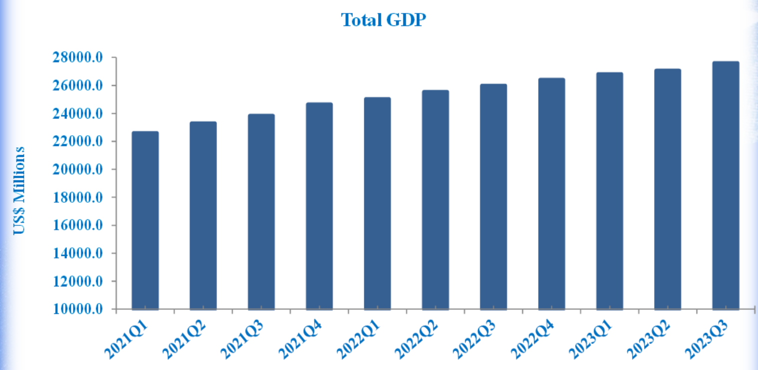
The personal consumption expenditures (PCE) price index rose 2.6 percent, a downward revision of 0.2 percentage point. However, with the exclusion of food and energy prices, the PCE increased 2.0%, a downward revision of 0.3 percentage point.

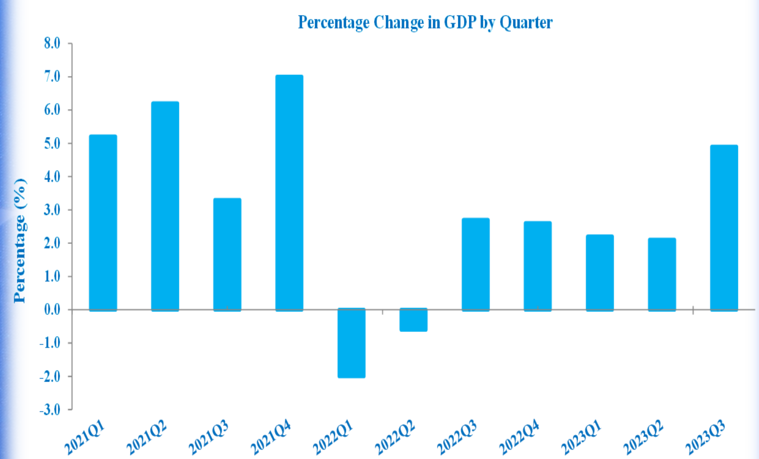
Personal Income

Current-dollar personal income increased $196.2 billion in the third quarter, a downward revision of $22.1 billion from the previous estimate. Increases in compensation, nonfarm proprietors' income and personal interest income were the main factors contributing to the growth, while personal current transfer receipts decreased to party offset the movement.

Disposable personal income rose by $143.5 billion, or 2.9%, in the third quarter, a downward revision of $0.5 billion from the previous estimate. Real disposable personal income increased by 0.3%, an upward revision of 0.2 percentage point.

Personal saving was $851.2 billion in the third quarter, an upward revision of $35.9 billion from the previous estimate. The personal saving rate as a proportion of disposable personal income was 4.2%, an upward revision of 0.2 percentage point.





EMPLOYMENT SITUATION

In December 2023, the U.S. Bureau of Labor Statistics reported a positive trend in total nonfarm payroll employment, showing an increase of 216,000 jobs. The unemployment rate remained steady at 3.7 percent. Job growth was observed in sectors such as government, health care, social assistance, and construction. However, the transportation and warehousing sectors experienced job losses during this period. 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.

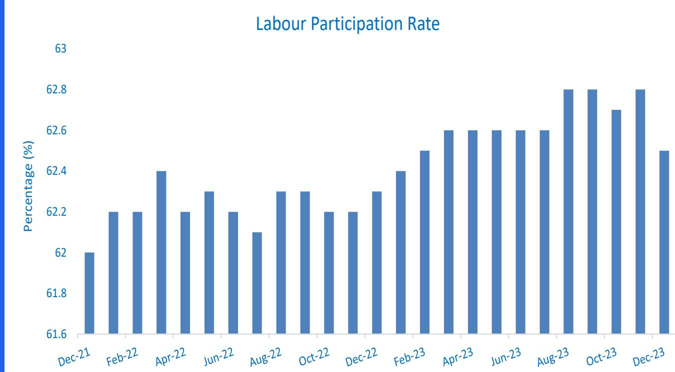
Household Survey Data

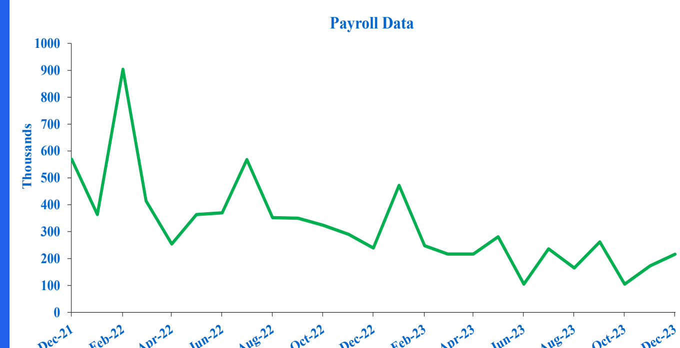
In December, the U.S. unemployment rate remained at 3.7 percent, with 6.3 million unemployed persons. Compared to the previous year, both the unemployment rate and the number of unemployed individuals were higher. Among the various demographic groups, the unemployment rate for adult men (3.5 percent), adult women (3.3 percent), teenagers (11.9 percent), Whites (3.5 percent), Blacks (5.2 percent), Asians (3.1 percent), and Hispanics (5.0 percent), showing minimal changes in December. The number of long-term unemployed (27 weeks or more) was stable at 1.2 million, accounting for 19.7 percent of all unemployed. The labor force participation rate and employment-population ratio each decreased by 0.3 percentage points to 62.5 percent and 60.1 percent, respectively. Part-time employment for economic reasons remained at 4.2 million, increasing by 333,000 over the year. The number of individuals not in the labor force but desiring a job rose to 5.7 million, up by 514,000 over the year. Among them, marginally attached individuals totaled 1.6 million, with discouraged workers at 346,000, both showing little change in December and over the year.

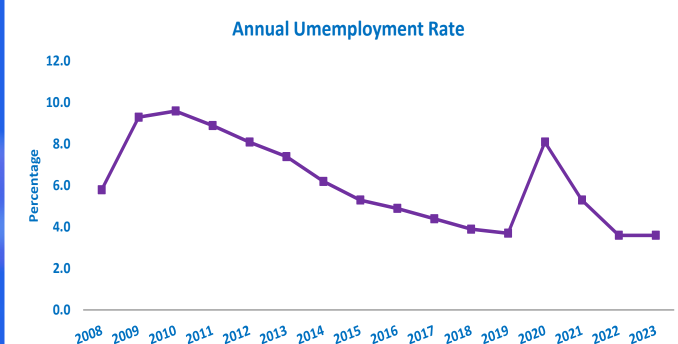
Establishment Survey Data

In December, total nonfarm payroll employment in the U.S. increased by 216,000 jobs. Job growth was notable in government (+52,000), particularly in local and federal government, health care (+38,000) with gains in ambulatory care and hospitals, social assistance (+21,000) focusing on individual and family services, and construction (+17,000), primarily in non-residential building construction. However, the transportation and warehousing sector experienced a decline of 23,000 jobs, driven by losses in couriers and messengers. Employment in leisure and hospitality remained relatively stable (+40,000), and retail trade saw minor changes (+17,000), with notable gains in some subsectors offset by losses in department stores. Professional and business services showed modest growth (+13,000), with continued expansion in professional, scientific, and technical services but declines in temporary help services. Other major industries, including mining, manufacturing, wholesale trade, information, financial activities, and other services, demonstrated little change in employment during the month. Overall, in 2023, payroll employment increased by 2.7 million, with an average monthly gain of 225,000, a slower pace compared to 2022.

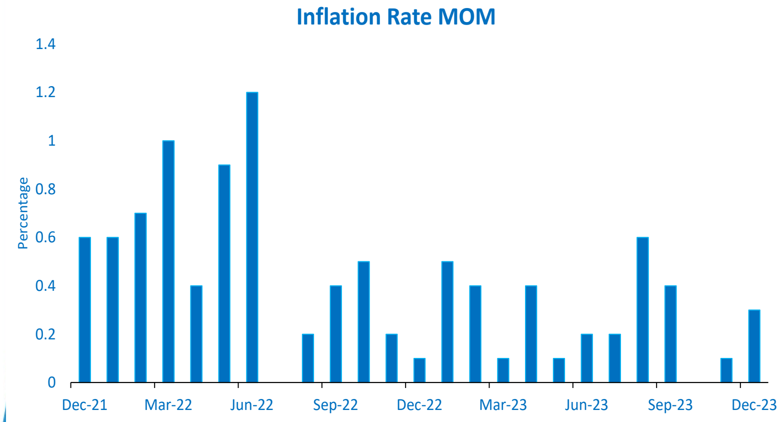
In December, average hourly earnings for all private nonfarm employees increased by 15 cents (0.4%) to reach $34.27, with a 4.1% rise over the past 12 months. For private-sector production and nonsupervisory employees, average hourly earnings grew by 10 cents (0.3%) to $29.42. The average workweek for all private nonfarm employees decreased slightly by 0.1 hour to 34.3 hours, while in manufacturing, it remained stable at 39.8 hours with no change in overtime hours. For production and nonsupervisory employees, the average workweek decreased by 0.1 hour to 33.7 hours.

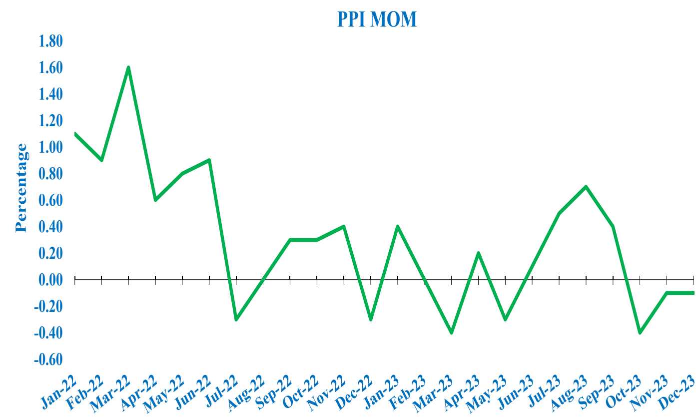






Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2014	413,245	415,632	417,897	420,260
2015	422,315	424,437	426,384	428,478
2016	430,274	431,909	434,140	435,666
2017	437,459	439,149	440,678	442,045
2018	444,009	446,147	447,655	448,953
2019	450,526	451,990	453,308	454,873
2020	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	469,525	471,091





CONSUMER PRICE INDEX

In December, the Consumer Price Index for All Urban Consumers (CPI-U) in the United States rose by 0.3 percent on a seasonally adjusted basis, following a 0.1 percent increase in November. Over the past 12 months, the all items index showed a 3.4 percent increase before seasonal adjustment.

The upward movement was largely driven by a continued rise in the shelter index, which contributed to more than half of the overall monthly increase. Additionally, the energy index increased by 0.4 percent, driven by higher electricity and gasoline prices, although it was partially offset by a decrease in the natural gas index. The food index also saw a 0.2 percent increase in December, mirroring the November trend, with the food at home index rising by 0.1 percent and the food away from home index increasing by 0.3 percent.

In December, the all items index less food and energy saw a 0.3 percent increase, mirroring the same monthly rise observed in November. Key contributors to this uptick included increased indexes for shelter, motor vehicle insurance, and medical care. On the other hand, the indexes for household furnishings and operations, as well as personal care, experienced decreases over the month.

In the 12 months ending in December, the all items index rose 3.4 percent, surpassing the 3.1 percent rise observed for the 12 months ending in November. Meanwhile, the all items less food and energy index rose by 3.9 percent over the last 12 months, slightly lower than the 4.0 percent increase recorded for the 12 months ending in November. During the same period, the energy index decreased by 2.0 percent, contrasting with a 2.7 percent increase in the food index over the last year.

PRODUCER PRICE INDEX

The U.S. Bureau of Labor Statistics revealed that the Producer Price Index (PPI) for final demand experienced a 0.1 percent decline in December 2023, continuing a downward trend observed in November and October. This decrease was primarily driven by a 0.4-percent drop in prices for final demand goods, while the index for final demand services remained unchanged. On an annual basis, the PPI for final demand showed a 1.0 percent increase in 2023, marking a significant deceleration compared to the 6.4 percent rise recorded in 2022.

In December, the index for final demand excluding foods, energy, and trade services increased by 0.2 percent, continuing a modest upward trend observed in the preceding two months. Throughout 2023, prices for final demand excluding these components rose by 2.5 percent, representing a notable deceleration from the 4.7 percent increase recorded in 2022.

Final Demand Goods

In December, the index for final demand goods experienced a 0.4 percent decline, marking the third consecutive month of decrease. The primary contributor to this decline was a 1.2-percent drop in prices for final demand energy, accounting for nearly 60 percent of the overall decrease. Additionally, the index for final demand foods decreased by 0.9 percent, while prices for final demand goods excluding foods and energy remained unchanged during the same period.

Final Demand Services

The index for final demand services showed no change in December, mirroring the stability observed in both November and October. Within this category, prices for final demand services excluding trade, transportation, and warehousing increased by 0.4 percent in December. In contrast, the indexes for final demand trade services and final demand transportation and warehousing services experienced declines of 0.8 percent and 0.4 percent, respectively, during the same period.

U.S. DOLLAR

As at the end of December 2023, the US dollar has weakened against the Canadian dollar (-2.65%), the Pound (-0.30%), the Euro (-0.86%), and the Japanese Yen (-3.81%). The US dollar closed on December 29, 2023 at USDCAD 1.3230, GBPUSD 1.2734, EURUSD 1.1068, USDJPY 141.43.

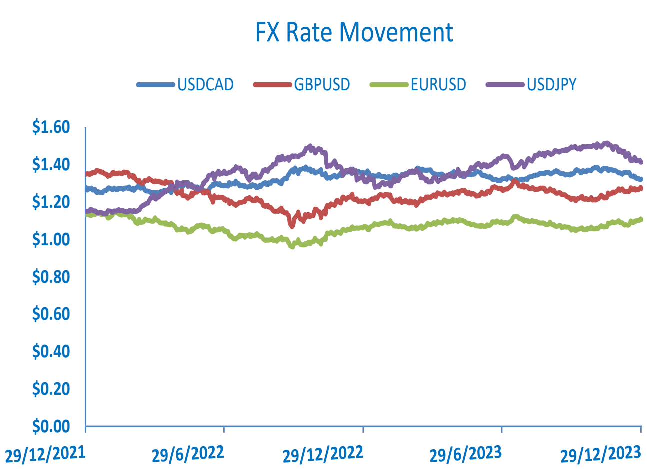
FX Empire highlighted, "The US Dollar weakened after the Federal Reserve decided to maintain unchanged interest rates at the 22-year high of 5.5%. Fed Chair Jerome Powell indicated a balanced approach to rate hikes, and the decline in U.S. Treasury yields suggests the possibility that rate increases for the year may have concluded. 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".

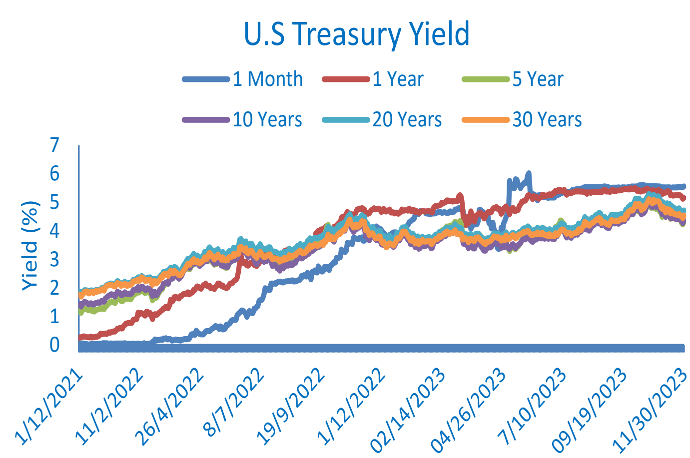
U.S. TREASURY YIELD CURVE

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

- 1 month: 5.60%
- 1 year: 4.79%
- 5 years: 3.84%
- 10 years: 3.88%
- 20 years: 4.20%
- 30 years: 4.03%

In 2023, Treasury yields experienced significant fluctuations due to the Federal Reserve's aggressive interest rate hikes amid concerns about high inflation and a looming recession. The 2-year yield inched down 3 basis points to 4.25%, while The 10-year yield having surpassed 5% in October, a level not seen since 2007, dropped below 3.9% in recent weeks. This comes in conjunction with investor speculation on a possible halt to rate increases and anticipated cuts in the coming year. The year marked a period of volatility and uncertainty in the bond market.



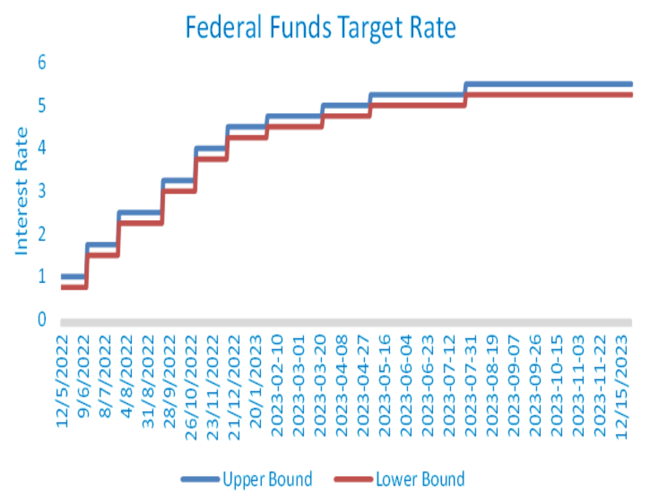


GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office estimates that the federal budget deficit for the first quarter of fiscal year 2024 was $509 billion, which is $87 billion more than the deficit seen during the same time last fiscal year. In comparison to the period from October through to December of fiscal year 2023, revenues were $83 billion (or 8%) higher and expenses were $170 billion (or 12%) higher. As such, in fiscal years 2023 and 2024, shifts in the timing of federal payments impacted the budget. Certain payments due on October 1 were made in September, reducing first-quarter outlays. Conversely, some payments scheduled for January 1 were shifted to December. Without these shifts, the current deficit would have been $553 billion, $94 billion higher than the same period in fiscal year 2023.

Budget Totals, October - December Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	1,026	1,108	83
Outlays	1,447	1,617	170
Deficit (-)	-421	-509	-87

FEDERAL RESERVE MINUTES



In their recent monetary policy discussions, members of the Committee acknowledged a slowdown in the growth of economic activity from the robust pace in the third quarter, while job gains remained strong, and the unemployment rate stayed low. Despite easing inflation over the past year, it remained elevated. Members expressed concern that tighter financial conditions for households and businesses could impact economic activity, hiring, and inflation, though the extent of these effects was uncertain. To achieve maximum employment and a 2 percent inflation target over the longer run, members agreed to maintain the federal funds rate target range at 5¼ to 5½ percent. They committed to monitor incoming information for economic implications and be prepared to adjust monetary policy as necessary, considering a wide range of factors, including labor market conditions and international developments. Members modified their post meeting statement to reflect the economic slowdown and elevated but eased inflation, emphasizing their commitment to returning inflation to the 2 percent objective while leaving room for potential further increases in the target range if warranted by evolving data and 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 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 in December 2023. This decision has led traders to anticipate swift rate cuts in the future.

U.S. Economic Outlook

Federal Reserve officials, based on minutes from their December meeting, indicated that interest rate cuts are likely in 2024, with three quarter-percentage point cuts expected by the end of the year. However, there is considerable uncertainty about the timing and extent of these cuts, and officials emphasized a data-dependent approach. The minutes highlighted progress in addressing inflation and a more balanced labour market but acknowledged challenges. The "dot plot" projections revealed a consensus among participants for a lower target range for the federal funds rate by the end of 2024, aiming to bring it back to around 2%. Despite the caution expressed by the Fed, markets anticipate aggressive rate cuts in 2024, with Fed funds futures indicating six quarter-point cuts this year, potentially lowering the rate to a range between 3.75% and 4%.

Inflation is 'moving in the right direction'

In December, the annual inflation rate in the United States increased to 3.4%, up from 3.1% in November and 3.2% in October, as reported by the U.S. Department of Labor. Despite this uptick, economists like Sarah House from Wells Fargo Economics suggest that it is not a cause for concern and may be somewhat misleading. The consumer price index has halved since December 2022 when the inflation rate was 6.5%, and it has significantly dropped from the pandemic-era peak of 9.1% in June 2022. Additionally, consumers' buying power improved over the past year, with hourly wages, adjusted for inflation, increasing by 0.8% from December 2022 to December 2023, according to the Labor Department. Overall, economists believe that progress is still being made in the ongoing fight against inflation.