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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 "advance" estimate of the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 3.3% in the fourth quarter of 2023. The real GDP increased by 4.9% in the third quarter.

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.

Consumer spending rose in both services (food, healthcare) and goods (pharmaceuticals, recreational), with exports (petroleum, financial services) and government spending (local, federal nondefense) also increasing. Non-residential investment grew (intellectual property, structures, equipment), as did inventory investment (wholesale trade), while residential investment saw mixed trends. Imports rose, driven by service imports (travel).

Compared to the third quarter, the decline in real GDP in the fourth quarter primarily reflected slowdowns in consumer spending, private inventory investment and federal government spending. Imports declined.

In the fourth quarter of 2023 current-dollar GDP increased by $328.7 billion (4.8%) at an annual rate to $27.94 trillion. In the third quarter, GDP increased 8.3%, or $547.1 billion.

The price index for gross domestic purchases increased by 1.9% in the fourth quarter of 2023, compared with an increase of 2.9% in the third quarter.

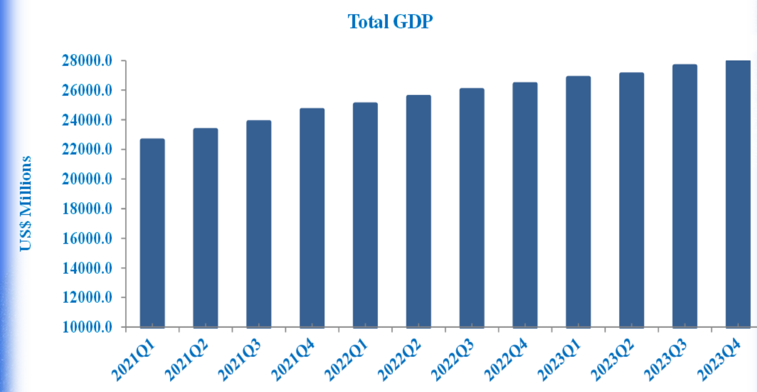
The personal consumption expenditures (PCE) price index rose 1.7%, compared with an increase of 2.6%. Excluding food and energy prices, the PCE price index increased 2.0%, the same change as the third quarter.

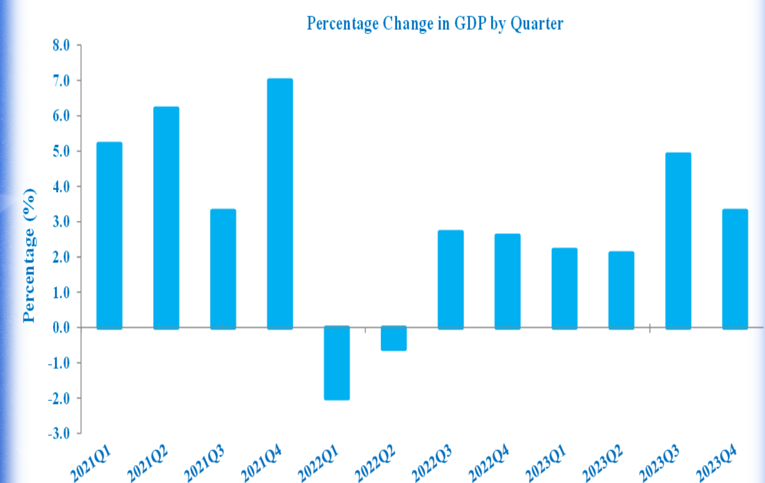
Personal Income

Current-dollar personal income increased $224.8 billion in the fourth quarter, compared with an increase of $196.2 billion in the third quarter. Increases in compensation, 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 $211.7 billion, or 4.2%, in the fourth quarter, compared with an increase of $143.5 billion, or 2.9%, in the third quarter. Real disposable personal income increased 2.5%, compared with an increase of 0.3%.

Personal saving was $818.9 billion in the fourth quarter, compared with $851.2 billion in the third quarter. The personal saving rate as a proportion of disposable personal income was 4.0%, compared with 4.2% in the third quarter.





EMPLOYMENT SITUATION

In January, the U.S. Bureau of Labor Statistics announced a notable increase in total nonfarm payroll employment, rising by 353,000. Despite this growth, the unemployment rate held steady at 3.7 percent. Key sectors experiencing job gains included professional and business services, health care, retail trade, and social assistance. However, there was a decline in employment within the mining, quarrying, and oil and gas extraction industry. The U.S. Bureau of Labor Statistics reported these findings based on two monthly surveys: the household survey, which assesses labor force status, including unemployment by demographic characteristics, and the establishment survey, which measures nonfarm employment, hours, and earnings by industry.

Household Survey Data

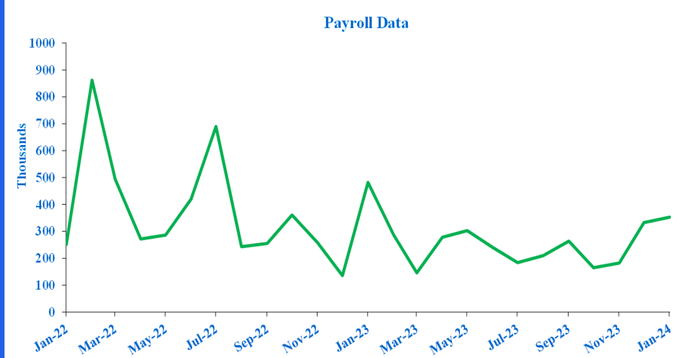
In January, the U.S. unemployment rate remained at 3.7 percent for the third month in a row, with 6.1 million unemployed persons. Among the various demographic groups, the unemployment rate for adult men (3.6 percent), adult women (3.2 percent), teenagers (10.6 percent), Whites (3.4 percent), Blacks (5.3 percent), Asians (2.9 percent), and Hispanics (5.0 percent), showing minimal changes in January. The number of long-term unemployed (27 weeks or more) was slightly change to 1.3 million, accounting for 20.8 percent of all unemployed. The labor force participation rate, at 62.5 percent, was unchanged in January, while the employment-population ratio, at 60.2 percent, was little changed. Part-time employment for economic reasons slightly changed to 4.4 million. The number of individuals not in the labor force but desiring a job rose slightly to 5.8 million. Among them, marginally attached individuals totalled 1.7 million, with discouraged workers growing to 452,000 in January.

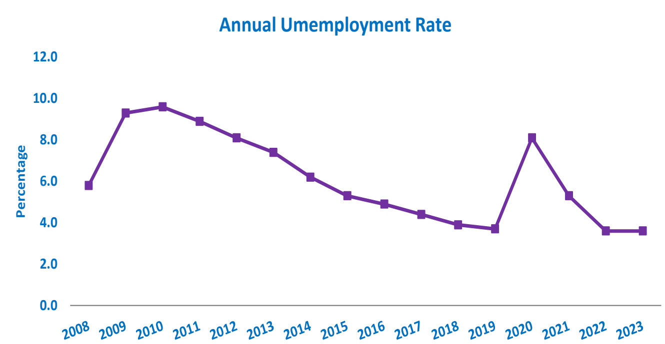
Establishment Survey Data

In January, total nonfarm payroll employment in the US increased by 353,000, similar to the gain seen in December. Key sectors driving this growth included professional and business services, health care, retail trade, and social assistance. Professional and business services notably added 74,000 jobs, well above the monthly average in 2023, while health care saw an increase of 70,000 jobs. However, the mining, quarrying, and oil and gas extraction industry experienced a decline in employment by 5,000 jobs. Despite some fluctuations in specific industries, overall employment remained relatively stable in other major sectors.

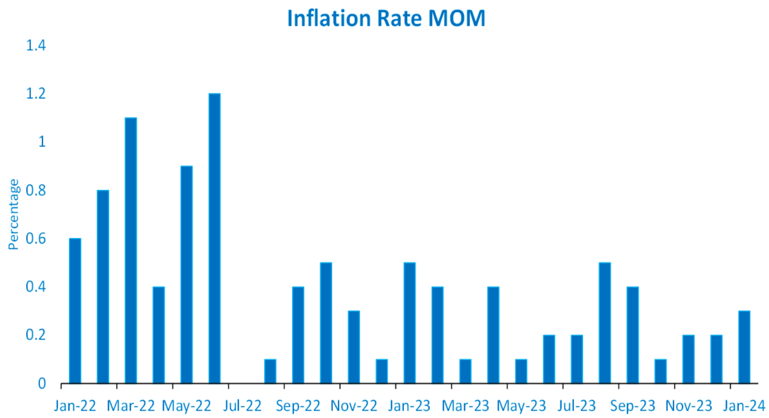
In January, there was a notable increase in average hourly earnings for all employees on private nonfarm payrolls, rising by 19 cents or 0.6 percent to $34.55. Over the past 12 months, average hourly earnings have grown by 4.5 percent, indicating a significant uptick in wages. Similarly, average hourly earnings for private-sector production and nonsupervisory employees also saw an increase, rising by 13 cents or 0.4 percent to $29.66. However, the average workweek for all employees on private nonfarm payrolls slightly decreased by 0.2 hours to 34.1 hours, with a year-over-year decline of 0.5 hours. Despite this, the manufacturing sector maintained stability with an unchanged average workweek at 39.8 hours.

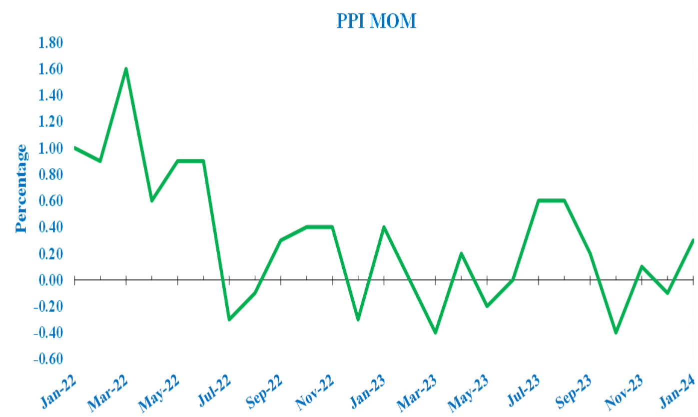
The U.S. Bureau of Labor Statistics reported revisions to total nonfarm payroll employment figures for November and December, resulting in significant adjustments. November's employment change was revised up by 9,000, from +173,000 to +182,000, while December's change was revised up by a substantial 117,000, from +216,000 to +333,000. These revisions indicate stronger job growth than previously reported, with a combined increase of 126,000 jobs for the two months. The revisions are attributed to additional reports received from businesses and government agencies, as well as recalculations of seasonal factors. The annual benchmark process also played a role in these revisions.





Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2014	413,248	415,631	417,897	420,258
2015	422,318	424,436	426,384	428,477
2016	430,273	431,909	434,140	435,667
2017	437,460	439,150	440,678	442,042
2018	444,001	446,149	447,658	448,951
2019	450,423	452,086	453,447	454,916
2020	455,252	401,116	421,834	427,772
2021	430,633	435,459	441,693	447,526
2022	452,260	455,918	459,855	462,343
2023	465,039	467,298	469,299	471,193





CONSUMER PRICE INDEX

In January, the Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.3 percent on a seasonally adjusted basis, following a 0.2 percent increase in December, according to the U.S. Bureau of Labor Statistics. Over the past year, the all items index climbed by 3.1 percent before seasonal adjustment.

The index for shelter saw a notable increase of 0.6 percent, making up over two thirds of the overall monthly rise in all items. Additionally, the food index rose by 0.4 percent, with both food at home and food away from home contributing to this increase. However, there was a contrasting decline in the energy index, which fell by 0.9 percent during the month, largely driven by a decrease in the gasoline index.

In January, the index for all items excluding food and energy experienced a 0.4 percent increase. Several indexes contributed to this rise, notably shelter, motor vehicle insurance, and medical care. However, some indexes saw decreases during the month, including used cars and trucks, as well as apparel.

For the 12-month period ending in January, the all items index increased by 3.1 percent, which is slightly lower compared to the 3.4 percent increase for the previous 12-month period ending in December. However, the all items index, excluding food and energy, maintained a consistent increase of 3.9 percent over the last year, matching the previous 12-month period. Notably, the energy index decreased by 4.6 percent for the 12 months ending in January, while the food index saw a 2.6 percent increase over the same period. These figures indicate some moderation in overall inflation, driven in part by fluctuations in energy prices, while underlying inflation excluding food and energy remained relatively stable.

PRODUCER PRICE INDEX

In January, the Producer Price Index (PPI) for final demand in the United States increased by 0.3 percent, after experiencing a decline of 0.1 percent in December 2023 and an advance of 0.1 percent in November. The unadjusted basis shows a rise of 0.9 percent for the 12-month period ending January 2024. The advance in the index for final demand can be traced to a 0.6-percent rise in prices for final demand services. In contrast, the index for final demand goods decreased 0.2 percent.

The Producer Price Index (PPI) for final demand excluding foods, energy, and trade services rose by 0.6 percent in January 2024, marking the most substantial increase since January 2023 when it also rose by 0.6 percent. Over the 12 months leading up to January 2024, prices for final demand excluding foods, energy, and trade services increased by 2.6 percent.

Final Demand Goods

In January, the Producer Price Index (PPI) for final demand goods experienced a decline of 0.2 percent, marking the fourth consecutive month of decrease. This decline was primarily driven by a significant 1.7-percent drop in prices for final demand energy, alongside a 0.3-percent decrease in prices for final demand foods. However, there was a contrast in prices for final demand goods excluding foods and energy, which increased by 0.3 percent during the same period.

Final Demand Services

In January 2024, the Producer Price Index (PPI) for final demand services increased by 0.6 percent, marking the most significant rise since July 2023 when it climbed by 0.8 percent. The majority of this increase can be attributed to prices for final demand services excluding trade, transportation, and warehousing, which saw a notable increase of 0.8 percent. Meanwhile, the index for final demand trade services also experienced a modest uptick, rising by 0.2 percent.

U.S. DOLLAR

As at the end of January 2024, the US dollar has strengthened against the Canadian dollar (1.30%), the Pound (0.30%), the Euro (2.03%), and the Japanese Yen (4.20%). The US dollar closed on January 31, 2024, at USDCAD 1.3402, GBPUSD 1.2696, EURUSD 1.0843, USDJPY 147.37.

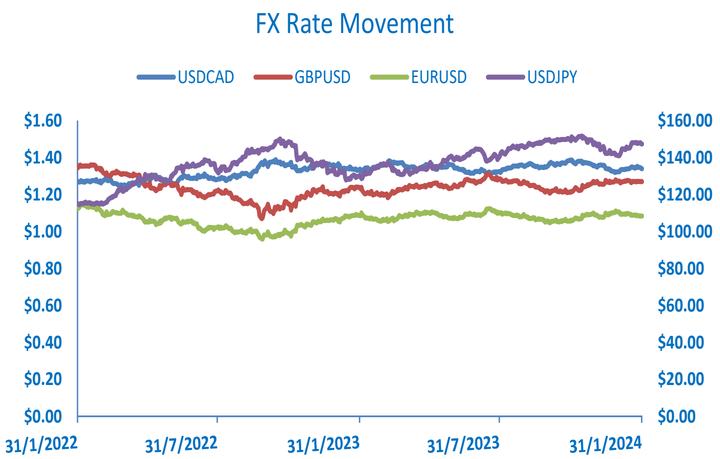
FX Empire highlighted, "Investors are closely monitoring the U.S. Dollar Index in light of recent economic data and Federal Reserve comments. Key insights from labor market statistics and Fed officials' statements are shaping expectations for interest rate movements, with significant implications for the dollar's performance. Considering the stronger-than-expected labor market data and the Federal Reserve's cautious stance on interest rate cuts, a bullish outlook for the U.S. Dollar Index in the short term seems plausible. Investors may favor the dollar due to the perceived delay in interest rate cuts and anticipation of inflation data, which could reinforce the Fed's current policy stance".

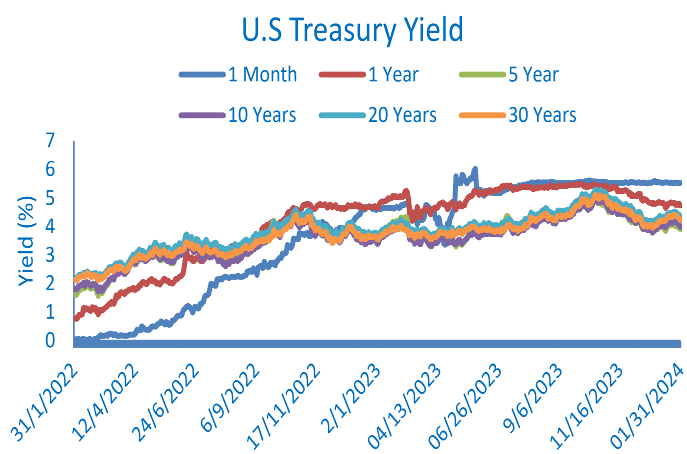
U.S. TREASURY YIELD CURVE

Treasury Par Yield Curve Rates closed January 2024 at the following rates:

- 1 month: 5.53%
- 1 year: 4.73%
- 5 years: 3.91%
- 10 years: 3.99%
- 20 years: 4.34%
- 30 years: 4.22%

U.S. Treasury yields climbed on Thursday as investors digested strong jobs data and Federal Reserve officials' comments indicating no immediate rate cut in March. The 10-year Treasury yield increased by approximately 6 basis points to 4.156%, while the 2-year Treasury yield rose by about 4 basis points to 4.458%. The uptick in yields coincided with encouraging job market indicators, as initial jobless claims dropped to 218,000, signalling ongoing workforce retention by employers and surpassing expectations.





PREPARED BY: RESEARCH DEPARTMENT

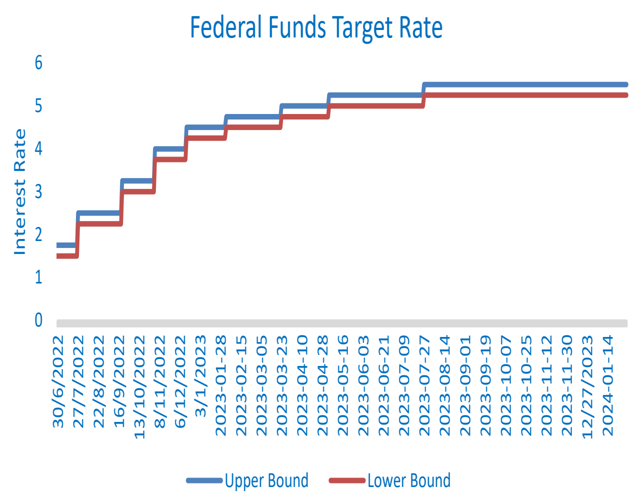
GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office estimates that the federal budget deficit for the first fourth months of fiscal year 2024 was $531 billion, which is $71 billion more than the deficit seen during the same time last fiscal year. In comparison to the period from October through to January of fiscal year 2023, revenues were $112 billion (or 8%) higher and expenses were $183 billion (or 9%) higher. In the first four months of the fiscal year, outlays were decreased by moving certain payments that would have been due on October 1 to September instead. These shifts resulted in a reduction in the deficit for the current fiscal year. Without these shifts, the deficit for this period would have been $604 billion, which is $80 billion more than the deficit for the same period in the previous fiscal year.

Budget Totals, October - January Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	1,473	1,585	112
Outlays	1,933	2,116	183
Deficit (-)	-460	-531	-71

FEDERAL RESERVE MINUTES

In their recent monetary policy meeting, members of the committee acknowledged solid economic expansion with moderated job gains but continued strength in employment and low unemployment. While inflation had eased over the past year, it remained elevated, prompting members to maintain the federal funds rate target range at 5¼ to 5½ percent. They emphasized a cautious approach to rate adjustments, awaiting greater confidence in sustained inflation movement toward 2 percent. The Committee committed to ongoing assessment of economic indicators and risks, including labor market conditions, inflation pressures, and international developments. Additionally, references to banking system resilience and future policy firming were adjusted, reflecting a consensus that the policy rate is likely at its peak for the tightening cycle. At the conclusion of the discussion, the Federal Reserve Bank of New York was 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 is showing resilience in its recovery from the COVID-19 pandemic, despite challenges such as Russia's invasion of Ukraine and the cost-of-living crisis. Inflation, which peaked in 2022, is declining faster than anticipated, with minimal impact on employment and economic activity. This can be attributed to positive supply-side factors and proactive measures by central banks to maintain stable inflation expectations. However, the use of high interest rates to combat inflation and reduced fiscal support due to high debt levels are expected to dampen growth prospects for 2024.

Forecast Highlights

According to the IMF World Economic Outlook Update, Global economic growth is projected to reach 3.1 percent in 2024 and 3.2 percent in 2025, showing a slight improvement from previous forecasts due to better-than-expected performance in the United States and several major emerging economies, along with fiscal support in China. However, these figures still fall below the historical average. Factors contributing to this include high central bank policy rates aimed at curbing inflation, reduced fiscal support due to high debt levels, and sluggish productivity growth. Inflation is decreasing faster than anticipated across most regions, attributed to resolving supply-side issues and the implementation of restrictive monetary policies. Global headline inflation is forecasted to decline to 5.8 percent in 2024 and 4.4 percent in 2025, with the latter figure being revised downwards.

The global economic outlook suggests a reduced risk of a hard landing, with disinflation and steady growth. Risks to global growth are generally balanced, with potential upsides including faster disinflation leading to relaxed financial conditions and strong structural reforms boosting productivity. However, there are downside risks, such as commodity price spikes due to geopolitical tensions, supply disruptions, or prolonged inflationary pressures, which could maintain tight monetary conditions. Additional concerns include deepening property sector issues in China and potential disruptions from tax hikes and spending cuts elsewhere, which could lead to growth setbacks.

United States Outlook

In the United States, growth is projected to fall from 2.5 percent in 2023 to 2.1 percent in 2024 and 1.7 percent in 2025, with the lagged effects of monetary policy tightening, gradual fiscal tightening, and a softening in labour markets slowing aggregate demand. For 2024, an upward revision of 0.6 percentage point since the October 2023 WEO largely reflects statistical carryover effects from the stronger-than-expected growth outcome for 2023.

Forces Shaping the Outlook

Growth resilient in major economies

Economic growth exceeded expectations in the latter half of 2023 in the US and several major emerging economies, fuelled by increased government and private spending, supported by real disposable income gains. Supply-side improvements, including increased labour force participation and resolution of supply chain issues, contributed to the upswing. However, growth remained subdued in the euro area due to weak consumer sentiment, high energy prices, and sluggish manufacturing and business investment. Low-income economies continue to struggle with significant output losses compared to pre-pandemic levels due to high borrowing costs.

High borrowing costs cooling demand

Major central banks raised interest rates in 2023 to combat inflation, leading to higher mortgage costs, challenges for debt refinancing, and tighter credit. Commercial real estate faced pressure amid structural changes post-pandemic. Despite inflation easing, long-term borrowing costs remain high due to rising government debt. Central banks' policies vary, with some, like Brazil and Chile, lowering rates since late 2023 due to falling inflation, while others, like China and Japan, maintain or ease rates.

Inflation subsiding faster than expected

Global inflation falls faster than expected due to improved supply conditions, especially in energy prices. Labor market dynamics ease, with increased labour supply and contained wage growth. Inflation expectations decrease in major economies, maintaining long-term stability.