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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 3.4% 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, state and local government spending, non-residential fixed investment, federal government spending, and residential fixed investment that were partly offset by a decrease in private inventory investment. Imports increased.

Compared to the third quarter of 2023, the deceleration in real GDP in the fourth quarter primarily reflected a downturn in private inventory investment and slowdowns in federal government spending and residential fixed investment. Imports decelerated.

Current dollar GDP increased 5.1 percent at an annual rate, or $346.9 billion, in the fourth quarter to a level of $27.96 trillion, an upward revision of $12.4 billion from the previous estimate.

The price index for gross domestic purchases increased 1.9 percent in the fourth quarter, the same as in the previous estimate.

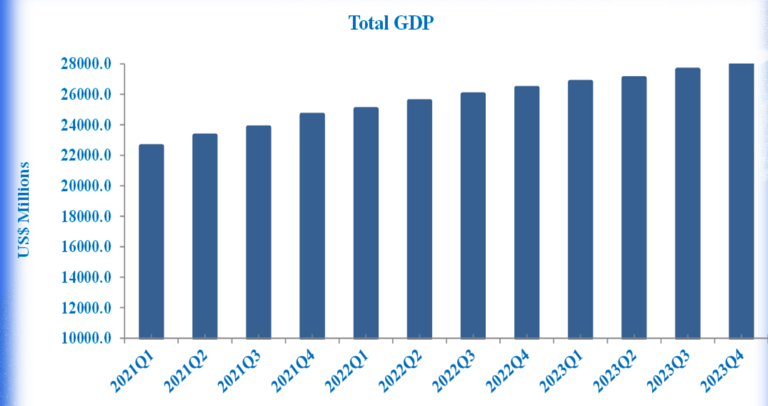
The personal consumption expenditures (PCE) price index increased 1.8 percent, the same as in the previous estimate. Excluding food and energy prices, the PCE price index increased 2.0 percent, a downward revision of 0.1 percentage point.

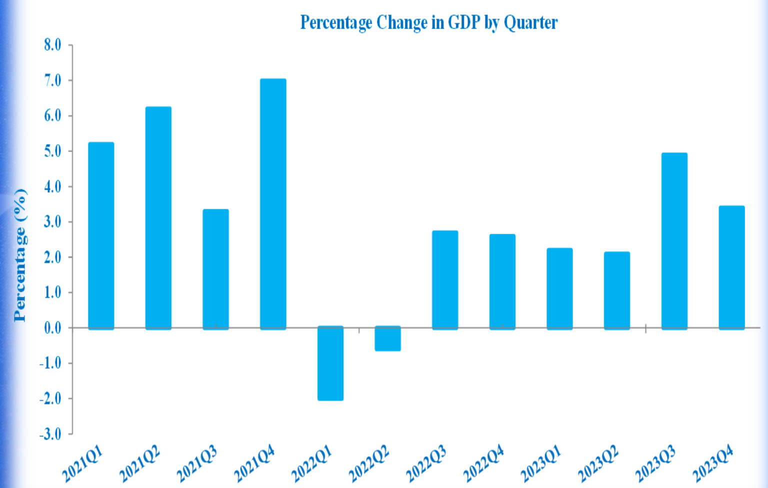
Personal Income

Current-dollar personal income increased $230.2 billion in the fourth quarter, an upward revision of $10.7 billion from the previous estimate. The increase primarily reflected increases in compensation, personal income receipts on assets, and proprietors' income.

Disposable personal income rose $190.4 billion, or 3.8 percent, in the fourth quarter, a downward revision of $12.1 billion from the previous estimate. Real disposable personal income increased 2.0 percent, a downward revision of 0.2 percentage point.

Personal saving was $815.5 billion in the fourth quarter, an upward revision of $6.3 billion from the previous estimate. The personal saving rate—personal saving as a percentage of disposable personal income—was 4.0 percent in the fourth quarter, an upward revision of 0.1 percentage point.





EMPLOYMENT SITUATION

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment experienced an increase of 303,000 in March, while the unemployment rate remained relatively stable at 3.8 percent. Noteworthy job gains were observed particularly in sectors such as health care, government, and construction.

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

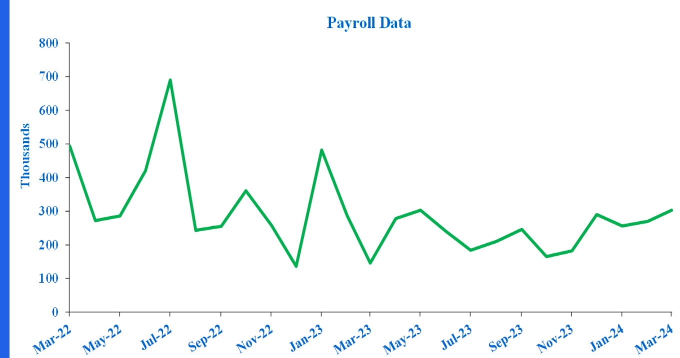
In March, the U.S. labour market displayed stability, with the unemployment rate holding steady at 3.8 percent, and the number of unemployed individuals remaining at 6.4 million. These figures have remained within a narrow range since August 2023. Among various demographic groups, the unemployment rate for Blacks increased, while it decreased for Asians and Hispanics. However, rates for adult men, adult women, teenagers, and Whites saw minimal fluctuations. The number of long-term unemployed remained relatively unchanged, accounting for about 19.5 percent of the total unemployed population. Additionally, key metrics such as the labour force participation rate and the employment-population ratio showed little variation both over the month and compared to the previous year, indicating overall steadiness in the labour market.

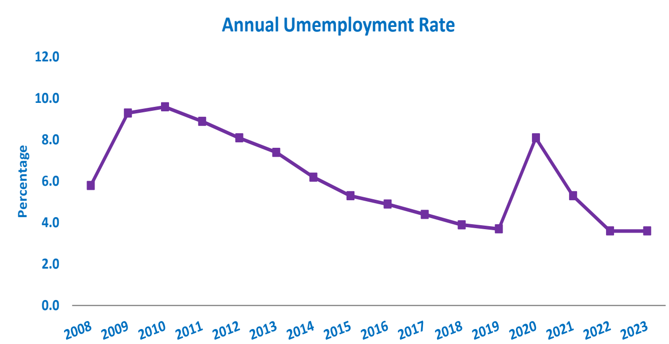
In March, the number of individuals employed part-time for economic reasons remained relatively stable at 4.3 million, indicating little change in their situation of desiring full-time employment but working fewer hours or unable to secure full-time jobs. Additionally, the number of people not in the labour force but seeking employment saw minimal fluctuation, with 5.4 million individuals expressing a desire for a job but not actively looking for work. Among this group, the number of marginally attached individuals, who were available and seeking work but hadn't actively searched in the past month, remained unchanged at 1.6 million, with 337,000 of them being discouraged workers who believed no jobs were available for them.

Establishment Survey Data

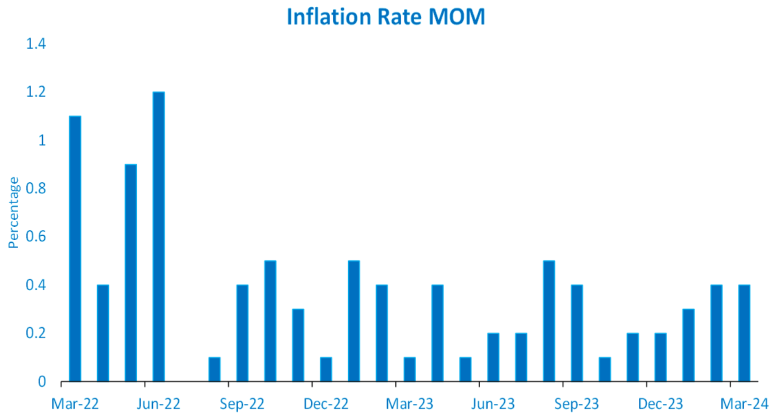
In March, total nonfarm payroll employment in the United States surged by 303,000, surpassing the average monthly gain of 231,000 observed over the past year. Notably, job growth was prominent in key sectors such as health care, government, and construction. Health care saw an addition of 72,000 jobs, with notable gains in ambulatory health care services, hospitals, and nursing and residential care facilities. Government employment rose by 71,000, primarily driven by increases in local and federal government positions. Construction added 39,000 jobs, double the average monthly gain, largely attributed to growth in nonresidential specialty trade contractors. Sectors such as leisure and hospitality, other services, and social assistance also experienced employment increases. However, industries like retail trade saw minimal change in employment, with some subsectors reporting gains offset by losses. Overall, employment remained relatively stable in other major industries.

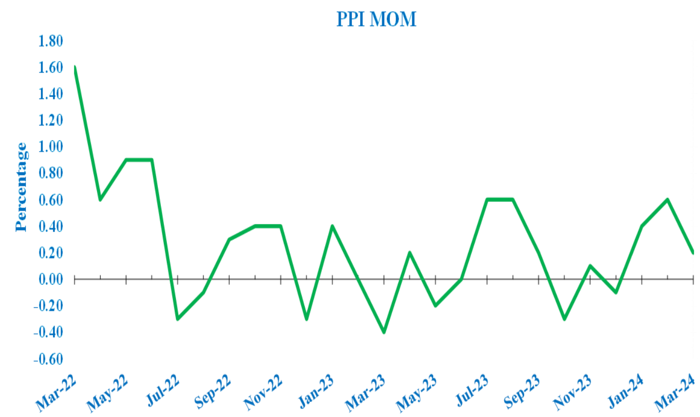
In March, there was a notable increase in average hourly earnings for all employees on private nonfarm payrolls, rising by 12 cents or 0.3 percent to $34.69. Over the past year, there has been a significant uptick of 4.1 percent in average hourly earnings. Similarly, average hourly earnings for private-sector production and nonsupervisory employees also saw a modest increase, rising by 7 cents or 0.2 percent to $29.79. Additionally, the average workweek for all employees on private nonfarm payrolls edged up slightly by 0.1 hour to 34.4 hours, while manufacturing saw no change in the average workweek, remaining at 40.0 hours. Overtime in manufacturing decreased slightly by 0.1 hour to 2.9 hours.





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	471,150
2024	473,523	-	-	-





CONSUMER PRICE INDEX

The Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.4 percent on a seasonally adjusted basis in March 2024, the same increase as in February 2024, according to the U.S. Bureau of Labor Statistics. Over the past year, the all items index climbed by 3.5 percent before seasonal adjustment.

In March, The Consumer Price Index (CPI) saw a notable rise driven primarily by increases in the shelter and gasoline indexes, which together accounted for over half of the overall monthly increase. The shelter index, indicative of housing costs, experienced a surge alongside a rise in gasoline prices. Additionally, the energy index increased by 1.1 percent during the same period. However, the food index saw a more modest uptick of 0.1 percent, with no change in the food at home index and a slight increase of 0.3 percent in the food away from home index.

In March, the Consumer Price Index (CPI) for all items excluding food and energy continued its steady rise, increasing by 0.4 percent for the third consecutive month. Key contributors to this increase were notable rises in indexes such as shelter, motor vehicle insurance, medical care, apparel, and personal care. Conversely, certain indexes experienced decreases, including used cars and trucks, recreation, and new vehicles.

Over the 12-month period ending in March, the Consumer Price Index (CPI) saw a notable acceleration in inflation, with the all items index rising by 3.5 percent, surpassing the 3.2-percent increase observed in the previous 12-month period ending in February. Particularly significant was the 3.8-percent increase in the all items index excluding food and energy. This surge was accompanied by a 2.1-percent rise in the energy index, marking the first 12-month increase since February 2023, while the food index increased by 2.2 percent over the same period.

PRODUCER PRICE INDEX

In March, the Producer Price Index (PPI) for final demand in the United States showed a modest increase of 0.2 percent, following larger jumps of 0.6 percent in February and 0.4 percent in January. This marks the highest 12-month advance since April 2023, with a 2.1 percent increase. The rise primarily stemmed from a 0.3 percent uptick in prices for final demand services, while prices for final demand goods experienced a slight dip of 0.1 percent. These fluctuations suggest a mixed picture for inflationary pressures, with services driving the overall increase while goods prices remained relatively stable.

The index for final demand excluding foods, energy, and trade services increased by 0.2 percent, following a 0.3 percent rise in February. Over the 12 months ending in March, prices for final demand excluding foods, energy, and trade services increased by 2.8 percent.

Final Demand Goods

The prices for final demand goods in the U.S. dropped by 0.1 percent in March, following a notable 1.2 percent increase in February. This decline was chiefly driven by a 1.6 percent drop in the index for final demand energy. Conversely, prices for final demand foods rose by 0.8 percent, while prices for final demand goods excluding foods and energy saw a slight uptick of 0.1 percent.

Final Demand Services

The index for final demand services in the U.S. continued its upward trend with a 0.3 percent increase in March, marking the third consecutive rise. This broad-based increase was primarily led by a 0.2 percent advance in prices for final demand services excluding trade, transportation, and warehousing. Within the service sector, the indexes for final demand trade services and final demand transportation and warehousing services also saw gains, with increases of 0.3 percent and 0.8 percent, respectively.

U.S. DOLLAR

As at the end of March 2024, the US dollar weakened slightly against the Canadian dollar (-1.31%), whilst strengthening against the Pound (0.29%), the Euro (0.41%), and the Japanese Yen (0.52%). The dollar closed on March 29, 2024, at USDCAD 1.3536, GBPUSD 1.2626, EURUSD 1.0794, USDJPY 151.44.

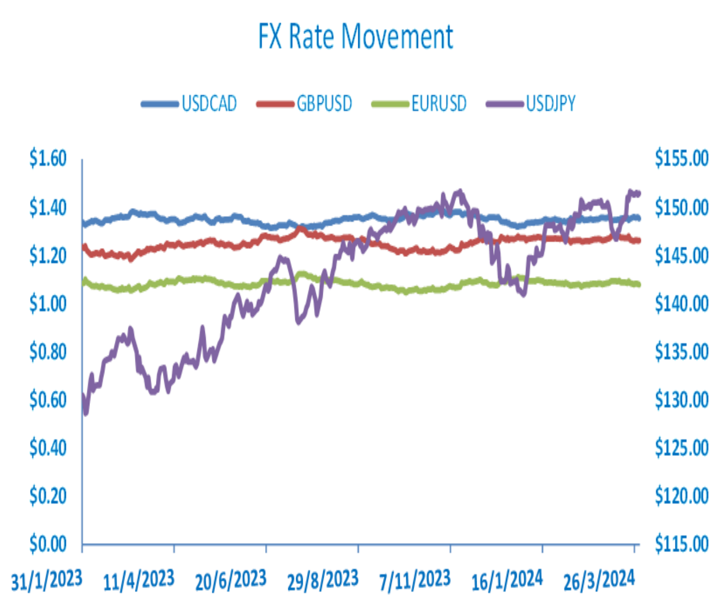
FX Daily highlighted, “The DXY index, reflecting the U.S. dollar's performance, saw a decline after a three-week climb, closing at 104.28 due to euro strength. Despite this setback, the dollar's potential resurgence hinges on the March U.S. inflation report, with expectations for a possible rebound. Consensus forecasts indicate a slight uptick in CPI, potentially influencing the dollar's trajectory. Fed Chair Powell's reaffirmation of the FOMC's policy outlook tempered the dollar's momentum towards the week's end. However, Given the evolving inflation outlook, the U.S. central bank may lean towards a more hawkish stance, potentially delaying interest rate reductions and implementing shallow cuts later in the year. The strength of the labor market provides policymakers with flexibility to exercise patience before adjusting their approach, suggesting a cautious transition to a looser monetary policy stance.

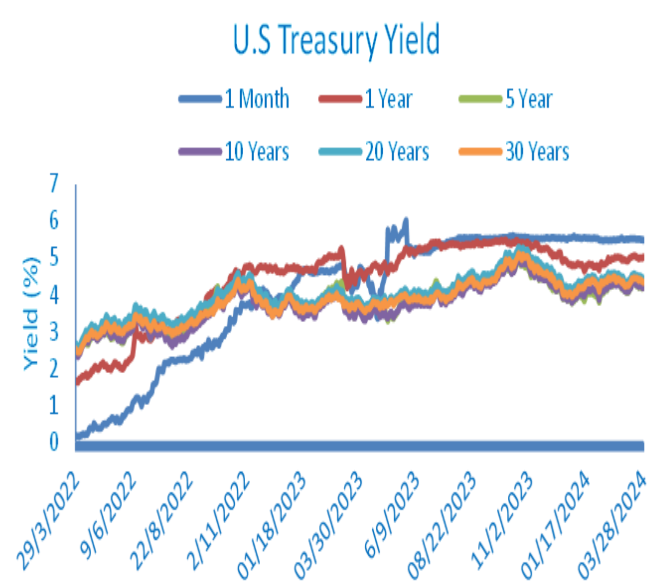
U.S. TREASURY YIELD CURVE

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

- 1 month: 5.49%
- 1 year: 5.03%
- 5 years: 4.21%
- 10 years: 4.20%
- 20 years: 4.45%
- 30 years: 4.34%

Treasury yields surged as investors commenced the second quarter and analysed the latest U.S. inflation data. The 10-year Treasury note rate climbed by nearly 13 basis points to 4.319%, while the 2-year note rate increased by 9 basis points to 4.711%. This uptick in yields followed remarks by Federal Reserve Chair Jerome Powell, who indicated that there was no rush to implement an interest rate cut, emphasizing the current strength of the economy and labour market, alongside a gradual decline in inflation. Traders also responded to the release of the core PCE inflation index, which, though in line with expectations, remained above the central bank's 2% target.



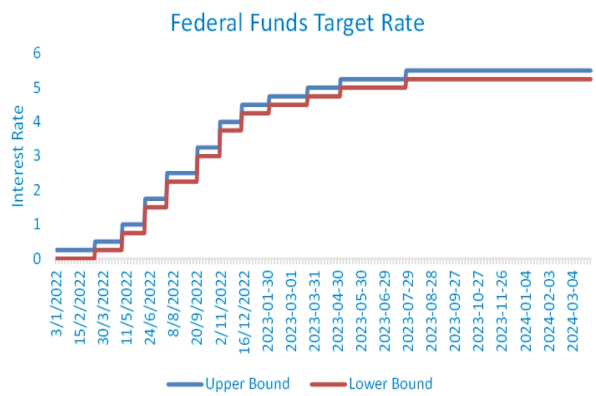


GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office estimates that the federal budget deficit for the first half of fiscal year 2024 was $1.1 trillion, which is $37 billion less than the deficit seen during the same time last fiscal year. Revenues this year were $140 billion (or 7 percent) higher, while outlays rose more—by $103 billion (or 3 percent). The comparison of fiscal year outlays is complicated by shifts in payment timing, particularly regarding the first six months of each fiscal year. In fiscal years 2022 and 2023, payments due on October 1 were made in September due to the weekend timing, reducing outlays for those periods. Conversely, in fiscal year 2023, payments were shifted into March due to April 1 falling on a weekend, boosting outlays for that period. These shifts contributed to a $46 billion increase in the fiscal year 2024 deficit compared to the same period in fiscal year 2023. Without these timing shifts, the fiscal year 2024 deficit would have been $1,136 billion, $46 billion higher than fiscal year 2023.

Budget Totals, October - March Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	2,048	2,188	140
Outlays	3,149	3,252	103
Deficit (-)	-1,101	-1,064	37

FEDERAL RESERVE MINUTES



During their discussion of monetary policy, members agreed that the economy had been growing steadily, with strong job gains and a low unemployment rate. Despite a recent easing in inflation, it remained relatively high. However, they noted that risks to achieving the Committee's employment and inflation goals were becoming more balanced. Acknowledging uncertainty in the economic outlook, members remained vigilant regarding inflation risks. To support the Committee's goals of maximum employment and 2 percent inflation over the longer term, they decided to maintain the federal funds rate target range at 5¼ to 5½ percent. They emphasized the importance of carefully assessing incoming data, the evolving outlook, and risk balances when considering adjustments to the target range, with a focus on achieving sustainable inflation toward the 2 percent objective. Additionally, members affirmed their commitment to reducing the Federal Reserve's holdings of Treasury securities and agency debt and agency MBS, as previously announced. They reiterated their dedication to returning inflation to the Committee's 2 percent target and pledged to monitor various economic indicators and be prepared to adjust monetary policy stance as needed to support their goals. 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, effective March 21, 2024, 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.