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MAYBERRY INVESTMENTS LIMITED

1985-2022 37 CELEBRATING 37 YEARS

USA
ECONOMIC REVIEW

Prepared by: Research Department

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GROSS DOMESTIC PRODUCT

According to the "advance" estimate released by the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 1.6% in the first quarter of 2024. The real GDP increased by 3.4% in the fourth quarter of 2023.

The rise in real GDP was driven by increases in consumer spending, residential and non-residential fixed investment, and state and local government spending, despite a decrease in private inventory investment. Consumer spending surged, primarily led by increased spending on services like healthcare and financial services, partially offset by a decline in goods, particularly motor vehicles and energy products. Residential fixed investment saw growth due to higher commissions and new housing construction, while non-residential fixed investment rose mainly due to intellectual property products. State and local government spending increased, largely due to higher employee compensation. However, inventory investment declined, particularly in wholesale trade and manufacturing. Imports, though subtracted from GDP, increased, indicating a rise in both goods and services imported.

Compared to the fourth quarter of 2023, the deceleration in real GDP in the first quarter of 2024 primarily reflected a downturn in consumer spending, exports, and state and local government spending and a decline in federal government spending. These movements were partly offset by an acceleration in residential fixed investment. Imports accelerated.

Current dollar GDP increased 4.8 percent at an annual rate, or $327.5 billion, in the first quarter to a level of $28.28 trillion. In the fourth quarter, GDP increased 5.1 percent, or $346.9 billion.

The price index for gross domestic purchases increased 3.1 percent in the first quarter, compared with an increase of 1.9 percent in the fourth quarter.

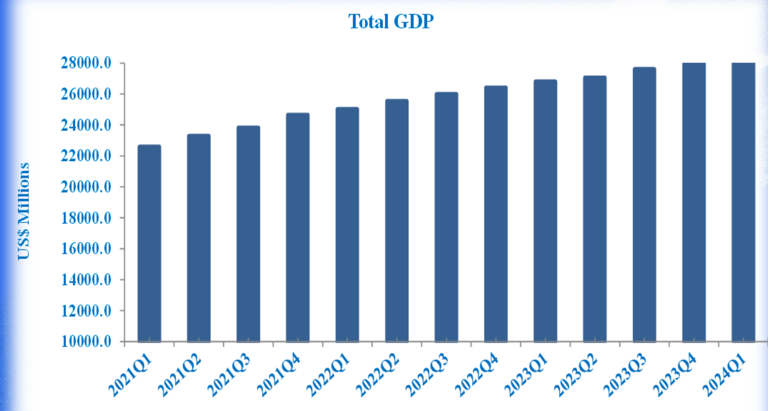
The personal consumption expenditures (PCE) price index increased 3.4 percent, compared with an increase of 1.8 percent. Excluding food and energy prices, the PCE price index increased 3.7 percent, compared with an increase of 2.0 percent.

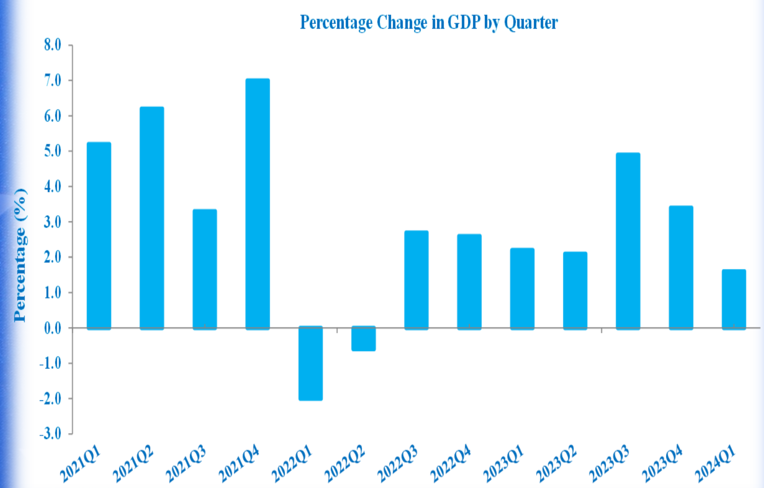
Personal Income

Current-dollar personal income increased $407.1 billion in the first quarter, relative to an increase of $230.2 billion in the fourth quarter.

Disposable personal income rose $226.2 billion in the first quarter, relative to an increase of $190.4 billion in the fourth quarter.

Personal saving was $755.7 billion in the first quarter, compared with $815.5 billion in the fourth quarter. The personal saving rate was 3.6 percent in the first quarter, compared with 4.0 percent in the fourth quarter.





EMPLOYMENT SITUATION

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment increased by 175,000 in April, while the unemployment rate remained relatively stable at 3.9 percent. Noteworthy job gains were observed particularly in sectors such as health care, social assistance, transportation, and warehousing.

Household Survey Data

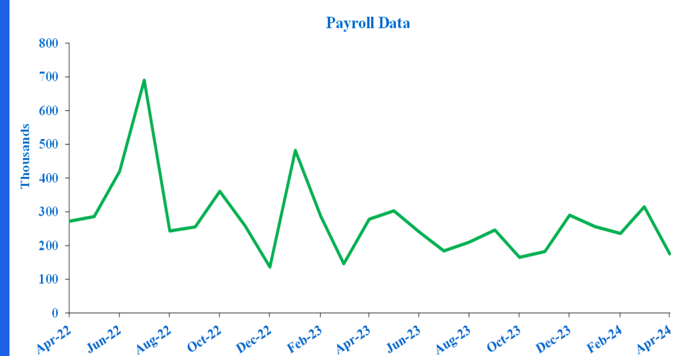
In April, the U.S. unemployment rate held steady at 3.9%, with minimal change in the number of unemployed individuals, which stood at 6.5 million. This stability has persisted since August 2023, with the rate fluctuating between 3.7% and 3.9%. Among different demographic groups, adult men saw a slight increase in unemployment, while the rate for Blacks decreased, offsetting a prior month's increase. Jobless rates for adult women, teenagers, Whites, Asians, and Hispanics remained largely unchanged. The number of long-term unemployed individuals, at 1.3 million, remained essentially the same, accounting for 19.6% of all unemployed. Additionally, the labour force participation rate and employment-population ratio showed little variation over the month and year, holding at 62.7% and 60.2%, respectively.

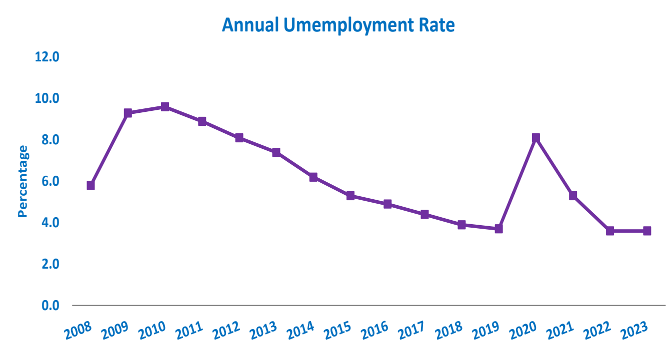
In April, the number of individuals employed part-time for economic reasons remained steady at 4.5 million, reflecting those who desired full-time employment but were constrained to working part-time due to reduced hours or the inability to secure full-time positions. Similarly, the count of individuals not in the labour force but actively seeking employment, totalling 5.6 million, saw minimal change. These individuals were not classified as unemployed because they weren't actively seeking work in the past four weeks or were unavailable to take on a job. Among this group, the number of marginally attached individuals, comprising those willing and available to work but not actively seeking employment in the preceding month, remained relatively constant at 1.6 million. This group included discouraged workers, numbering 362,000, who believed no suitable jobs were available for them, indicating little change in their situation over the month.

Establishment Survey Data

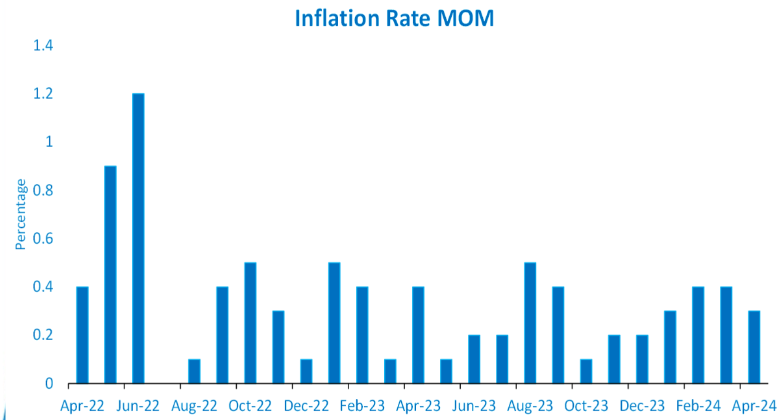
In April, nonfarm payroll employment in the U.S. increased by 175,000 jobs, marking a slight decline from the average monthly gain of 242,000 over the previous 12 months. Job growth was notable in health care, adding 56,000 jobs, primarily in ambulatory health care services, hospitals, and nursing and residential care facilities. Social assistance saw an increase of 31,000 jobs, driven by gains in individual and family services. Transportation and warehousing sectors added 22,000 jobs, particularly in couriers, messengers, and warehousing and storage. Retail trade continued its upward trend with 20,000 new jobs, while construction employment remained relatively stable after a notable increase in March. Government employment saw minimal change, especially in local government. Other major industries, including manufacturing, wholesale trade, and leisure and hospitality, showed little change in employment levels for the month.

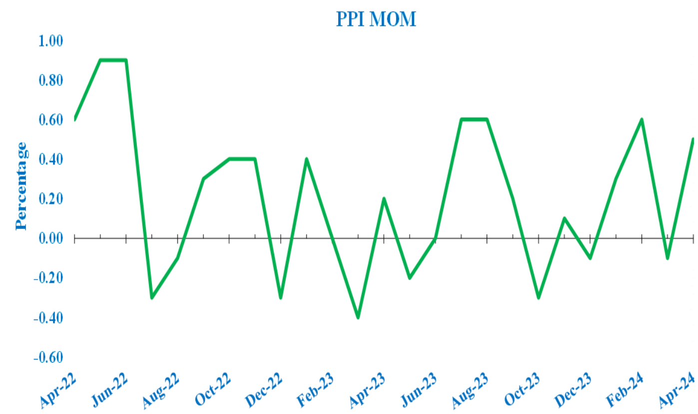
In April, there was a slight increase in average hourly earnings for all employees on private nonfarm payrolls, rising by 7 cents or 0.2 percent to $34.75. Over the past year, average hourly earnings have seen a significant uptick, growing by 3.9 percent. Similarly, average hourly earnings for private-sector production and nonsupervisory employees increased by 6 cents or 0.2 percent to $29.83. However, the average workweek for all employees on private nonfarm payrolls dipped slightly by 0.1 hour to 34.3 hours, with manufacturing workweek remaining unchanged at 40.0 hours. Overtime hours in manufacturing also held steady at 2.9 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	413,248	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	473,467	-	-	-





CONSUMER PRICE INDEX

The Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.3 percent in April on a seasonally adjusted basis, following a 0.4 percent increase in March, according to the U.S. Bureau of Labor Statistics. Over the past 12 months, the all items index surged by 3.4 percent before seasonal adjustment.

In April, the CPI-U saw a notable rise primarily due to increases in the shelter and gasoline indexes, which together accounted for over seventy percent of the overall monthly increase in the all items index. The energy index also experienced a 1.1 percent increase during the month. However, the food index remained unchanged in April, with a slight decline of 0.2 percent in the food at home index, offset by a 0.3 percent rise in the food away from home index.

In April, the index for all items excluding food and energy increased by 0.3 percent, following a consistent 0.4 percent rise in each of the three preceding months. Among the indexes that saw increases in April were shelter, motor vehicle insurance, medical care, apparel, and personal care. Conversely, indexes for used cars and trucks, household furnishings and operations, and new vehicles experienced decreases over the month.

For the 12 months ending in April, the all items index increased by 3.4 percent, showing a slight deceleration compared to the 3.5 percent increase recorded for the 12 months ending in March. However, the all items index excluding food and energy rose by 3.6 percent over the same period. The energy index experienced a 2.6 percent increase for the 12 months ending in April, while the food index saw a rise of 2.2 percent over the last year.

PRODUCER PRICE INDEX

In April, the Producer Price Index (PPI) for final demand in the United States increased by 0.5 percent, as per the U.S. Bureau of Labor Statistics. This follows a slight decline of 0.1 percent in March and a prior rise of 0.6 percent in February. The 12-month analysis shows a notable uptick, with the index for final demand climbing by 2.2 percent, marking the most significant increase since April 2023, when it rose by 2.3 percent over the previous 12 months.

The index for final demand, excluding foods, energy, and trade services, increased by 0.4 percent, following a 0.2 percent rise in March. Over the 12 months leading up to April, prices for final demand, excluding these categories, surged by 3.1 percent. This marks the most substantial increase since April 2023, when it climbed by 3.4 percent over the preceding 12 months.

Final Demand Goods

In April, prices for final demand goods experienced a 0.4 percent increase, rebounding from a 0.2 percent decrease in March. This growth was primarily driven by a notable 2.0 percent rise in the index for final demand energy, indicating an uptick in energy-related costs. Meanwhile, prices for final demand goods excluding foods and energy saw a more moderate increase of 0.3 percent during the same period. Conversely, the index for final demand foods declined by 0.7 percent, suggesting a decrease in food-related prices.

Final Demand Services

In April, the index for final demand services saw a significant increase of 0.6 percent, marking the largest rise since July 2023, when it surged by 0.8 percent. Seventy percent of this April increase was attributed to prices for final demand services excluding trade, transportation, and warehousing, which also advanced by 0.6 percent. Meanwhile, margins for final demand trade services rose by 0.8 percent, with trade indexes reflecting changes in margins received by wholesalers and retailers. However, prices for final demand transportation and warehousing services experienced a decrease of 0.6 percent during the same period.

U.S. DOLLAR

As at April 30, 2024, the US dollar has strengthened against the Canadian dollar (0.97%), the Pound (0.53%), the Euro (0.73%), and the Japanese Yen (3.22%). The dollar closed the month at USDCAD 1.3667, GBPUSD 1.2560, EURUSD 1.0716, USDJPY 156.31.

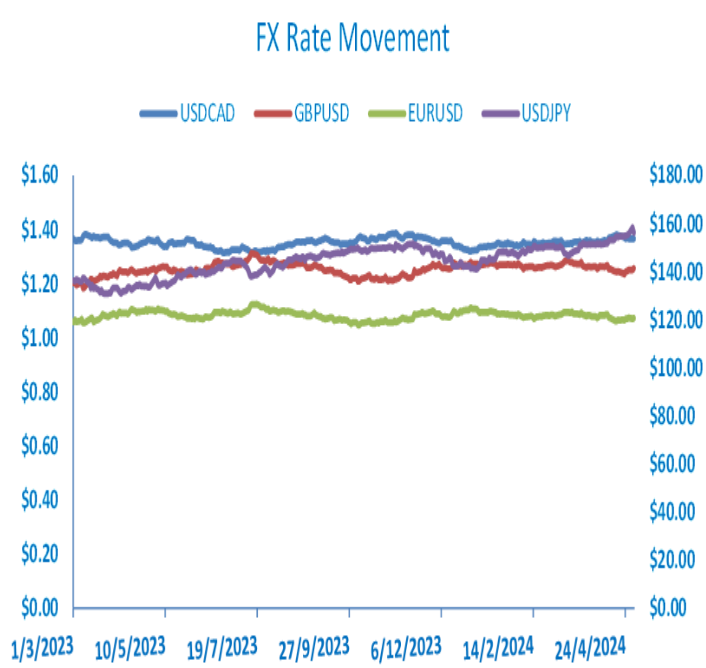
FX Daily highlighted, "The U.S. dollar depreciated over 0.6% following the Federal Reserve's decision to maintain interest rates, despite acknowledging inflation concerns. The unexpected reduction in the quantitative tightening program and Chair Powell's dovish tone in the press conference surprised traders, leading to a shift in market expectations. With bond yields likely to stabilize and limited upside potential for the dollar, its near-term trajectory may be neutral to slightly negative, contingent upon the actions of other major central banks like the ECB and Bank of England."

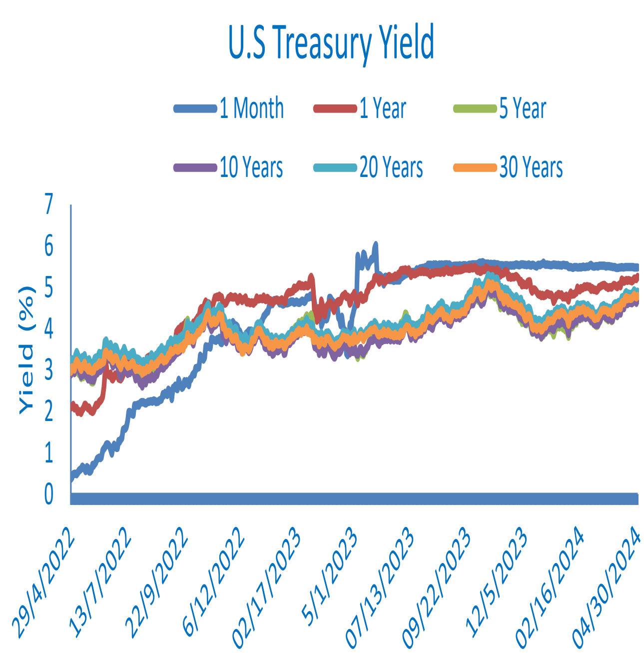
U.S. TREASURY YIELD CURVE

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

- 1 month: 5.48%
- 1 year: 5.25%
- 5 years: 4.72%
- 10 years: 4.69%
- 20 years: 4.90%
- 30 years: 4.79%

U.S. Treasury yields dipped on Tuesday as investors assessed the Federal Reserve's stance on monetary policy in light of recent economic data and statements from central bank officials. The yield on the 10-year Treasury fell over 5 basis points to 4.435%, while the 2-year Treasury saw marginal movement, up less than one basis point at 4.814%. Richmond Federal Reserve President Tom Barkin suggested that the Fed could afford to wait for clearer signs of inflation easing before considering rate cuts, aligning with the Fed's current cautious approach. This followed a disappointing April jobs report, which raised expectations for rate cuts. With more Fed policymakers scheduled to speak this week, and consumer sentiment data on the horizon, investors are closely monitoring for further insights into the Fed's policy direction.





GOVERNMENT DEBT/ DEFICIT

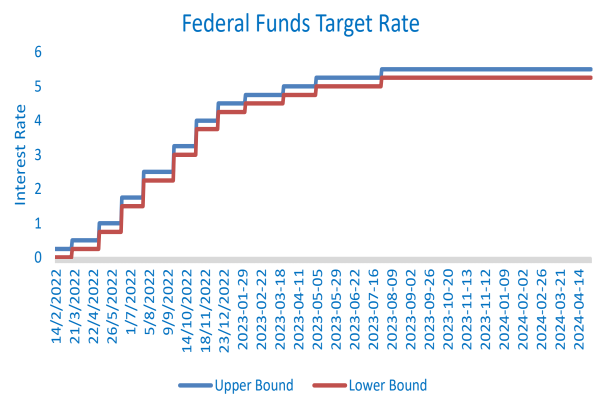
The Congressional Budget Office estimates that the federal budget deficit for the first seven months of fiscal year 2024 was $857 billion, which is $68 billion less than the deficit seen during the same period last year. Revenues were $278 billion (or 10 percent) higher, while outlays were $210 billion (or 6 percent) higher from October through April than during the same period in fiscal year 2023.

Shifts in the timing of certain payments affect that comparison. Outlays in the first seven months of each fiscal year were reduced by shifts of some payments to September that otherwise would have been due on October 1, which fell on a weekend in both years. If not for that, the deficit so far in fiscal year 2024 would have been $929 billion—$59 billion less than the shortfall for the same period in fiscal year 2023.

Budget Totals, October - April Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	2,687	2,965	278
Outlays	3,612	3,821	209
Deficit (-)	-925	-857	68

FEDERAL RESERVE MINUTES

The Federal Reserve has decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent, citing ongoing solid economic expansion with strong job gains and low unemployment. While inflation remains elevated, recent progress toward the 2 percent target has been lacking. The Committee aims for maximum employment and 2 percent inflation over the longer run, assessing risks to achieving these goals as moving toward better balance. It plans to continue reducing its securities holdings but will adjust its stance on monetary policy as needed based on incoming data and evolving economic conditions, with a focus on returning inflation to its target.



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 May 2, 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.

GLOBAL ECONOMIC REVIEW

The Global Economy

Despite enduring significant challenges, the global economy has demonstrated remarkable resilience, maintaining steady growth even amidst supply-chain disruptions stemming from the pandemic aftermath, a war between Russia and Ukraine leading to global energy and food crises, and a substantial inflation surge prompting synchronized monetary policy tightening worldwide. Contrary to dire predictions, the world successfully evaded a recession, with the banking system proving largely robust, and major emerging markets avoiding sudden economic halts. Despite the severity of the inflation surge and its impact on cost of living, uncontrolled wage-price spirals were averted, as global inflation has begun to recede nearly as swiftly as it ascended, showcasing the economy's adaptability and capacity for stabilization.

Forecast Highlights

As per the IMF World Economic Outlook, April 2024: The baseline forecast indicates a continuation of global economic growth at a steady pace of 3.2 percent for both 2024 and 2025, mirroring the rate observed in 2023. Advanced economies are anticipated to experience a slight uptick in growth, with rates climbing from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025, while emerging market and developing economies are expected to undergo a modest deceleration from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. However, the projection for global growth five years ahead, at 3.1 percent, is the lowest in decades. Inflation is forecasted to decrease gradually, with a decline from 6.8 percent in 2023 to 5.9 percent in 2024 and further to 4.5 percent in 2025, with advanced economies anticipated to return to their inflation targets sooner than emerging market and developing economies. Core inflation is expected to follow a similar trajectory of gradual decline.

Risks to the global outlook

The global economic outlook faces balanced risks, with potential downsides including new price spikes due to geopolitical tensions, persistent core inflation, and diverging disinflation speeds among major economies, which could strain financial sectors and lead to higher interest rates. Challenges in China's property sector could also dampen growth. Additionally, high government debt poses risks of disruptive fiscal measures, while geoeconomic fragmentation could slow supply chains. On the upside, looser fiscal policies might temporarily boost economic activity, while faster-than-expected inflation decline and advancements in artificial intelligence and structural reforms could enhance productivity.

Forecast for Advanced Economies

Growth in advanced economies is projected to rise from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025. The forecast is revised upward by 0.2 percentage point for 2024 compared with the January 2024 WEO Update projections and remains the same for 2025. The 2024 upgrade reflects a revision to US growth, while an upward revision to the US broadly offsets a similar downward revision to the euro area in 2025.

In the **United States**, growth is projected to increase to 2.7 percent in 2024, before slowing to 1.9 percent in 2025, as gradual fiscal tightening and a softening in labour markets slow aggregate demand. For 2024, an upward revision of 0.6 percentage point since the January 2024 WEO Update reflects largely statistical carryover effects from a stronger-than-expected growth outcome in the fourth quarter of 2023, with, in addition, some of the stronger momentum expected to persist into 2024.

Growth in the **euro area** is projected to recover from its low rate of an estimated 0.4 percent in 2023, which reflected relatively high exposure to the war in Ukraine, to 0.8 percent in 2024 and 1.5 percent in 2025. Stronger household consumption, as the effects of the shock to energy prices subside and a fall in inflation supports growth in real income, is expected to drive the recovery. The pace of recovery is revised downward by 0.3 percentage point for Germany for both 2024 and 2025 amid persistently weak consumer sentiment, although this adjustment is largely offset by upgrades for several smaller economies, including Belgium and Portugal.

Among other advanced economies, growth in the **United Kingdom** is projected to rise from an estimated 0.1 percent in 2023 to 0.5 percent in 2024, as the lagged negative effects of high energy prices wane, then to 1.5 percent in 2025, as disinflation allows financial conditions to ease and real incomes to recover.

PREPARED BY: RESEARCH DEPARTMENT