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# USA ECONOMIC REVIEW

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## GROSS DOMESTIC PRODUCT

According to the "second" estimate released by the Bureau of Economic Analysis, real gross domestic product (GDP) expanded at an annual rate of 1.3% in the first quarter of 2024. The real GDP increased by 3.4% in the fourth quarter of 2023.

The increase in real GDP primarily reflected increases in consumer spending, residential fixed investment, non-residential fixed investment, and state and local government spending that were partly offset by a decrease in private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

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 4.3 percent at an annual rate, or $298.9 billion, in the first quarter to a level of $28.26 trillion, a downward revision of $28.6 billion from the previous estimate.

The price index for gross domestic purchases increased 3.0 percent in the first quarter, a downward revision of 0.1 percentage point from the previous estimate.

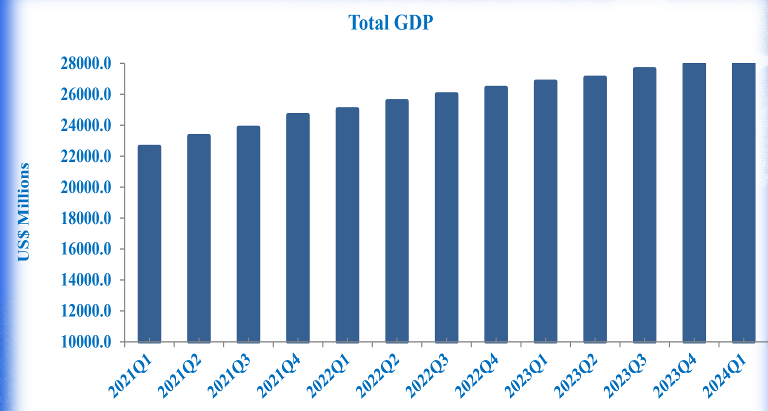
The personal consumption expenditures (PCE) price index increased 3.3 percent, a downward revision of 0.1 percentage point from the previous estimate. Excluding food and energy prices, the PCE price index increased 3.6 percent, a downward revision of 0.1 percentage point from the previous estimate.

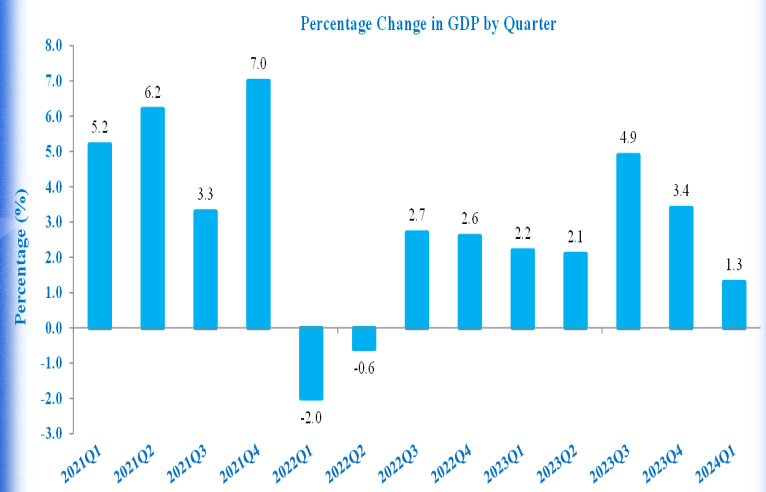
**Personal Income**

Current-dollar personal income rose $404.4 billion in the first quarter, a downward revision of $2.6 billion from the previous estimate. The increase in the first quarter primarily reflected increases in compensation.

Disposable personal income rose $266.7 billion, or 5.3 percent, in the first quarter, an upward revision of $40.5 billion from the previous estimate. Real disposable personal income increased 1.9 percent, an upward revision of 0.8 percentage point.

Personal saving was $796.6 billion in the first quarter, an upward revision of $96.6 billion from the previous estimate. The personal saving rate— personal saving as a percentage of disposable personal income—was 3.8 percent in the first quarter, an upward revision of 0.2 percentage point.



# EMPLOYMENT SITUATION

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment increased by 272,000 in May, and the unemployment rate changed little at 4.0 percent. Noteworthy job gains continued to trend up in several industries, led by health care; government; leisure and hospitality; and professional; scientific; and technical services. 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 May, the unemployment rate remained steady at 4.0 percent, with 6.6 million unemployed individuals, compared to 3.7 percent and 6.1 million a year earlier. Unemployment rates among major worker groups, including adult men (3.8 percent), adult women (3.4 percent), teenagers (12.3 percent), Whites (3.5 percent), Blacks (6.1 percent), Asians (3.1 percent), and Hispanics (5.0 percent), showed little change. The number of long-term unemployed remained at 1.4 million, making up 20.7 percent of the unemployed. Both the labour force participation rate (62.5 percent) and the employment-population ratio (60.1 percent) also showed minimal change.

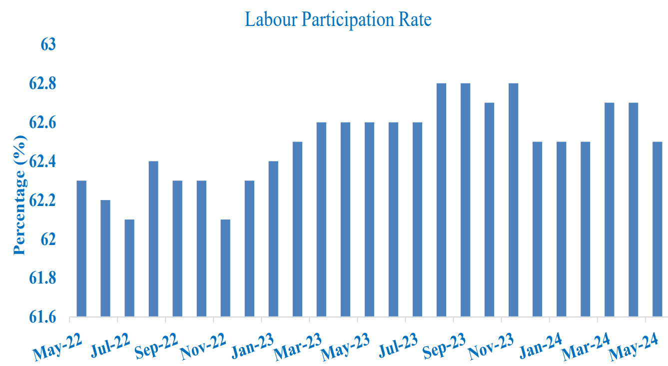
In May, the number of people employed part-time for economic reasons remained at 4.4 million, as they were unable to find full-time work or had their hours reduced. Additionally, 5.7 million people not in the labour force but wanting a job saw little change, as they were not actively seeking work in the past 4 weeks or were unavailable. Among these, 1.5 million were marginally attached to the labour force, having sought employment in the past 12 months but not in the last 4 weeks. The number of discouraged workers, those who believed no jobs were available for them, slightly increased to 462,000.

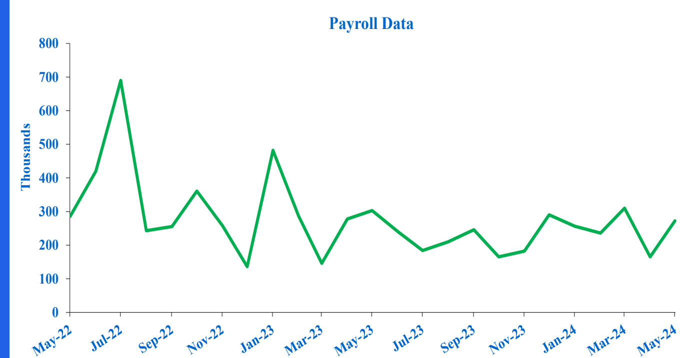
## Establishment Survey Data

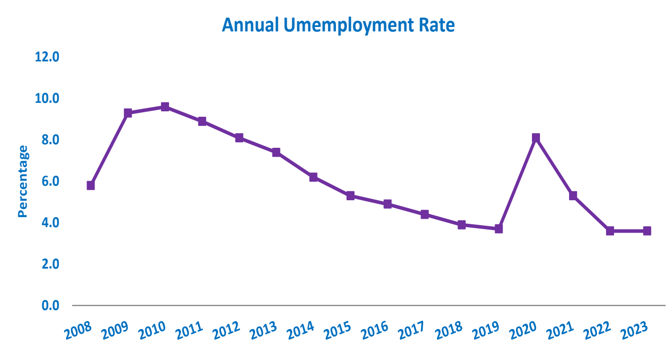
In May, total nonfarm payroll employment rose by 272,000, surpassing the average monthly gain of 232,000 over the past year. Employment increases were led by health care (+68,000), government (+43,000), leisure and hospitality (+42,000), and professional, scientific, and technical services (+32,000). Notable gains within these sectors included ambulatory health care services (+43,000), food services and drinking places (+25,000), and management, scientific, and technical consulting services (+14,000). Social assistance and retail trade also saw growth, while industries such as mining, construction, and manufacturing showed little change.

In May, average hourly earnings for all private nonfarm payroll employees increased by 14 cents (0.4 percent) to $34.91, reflecting a 4.1 percent rise over the past year. Earnings for private-sector production and nonsupervisory employees also rose by 14 cents (0.5 percent) to $29.99. The average workweek for all private nonfarm employees remained steady at 34.3 hours, with manufacturing unchanged at 40.1 hours and a slight increase in overtime to 3.0 hours. The workweek for production and nonsupervisory employees edged up by 0.1 hour to 33.8 hours.

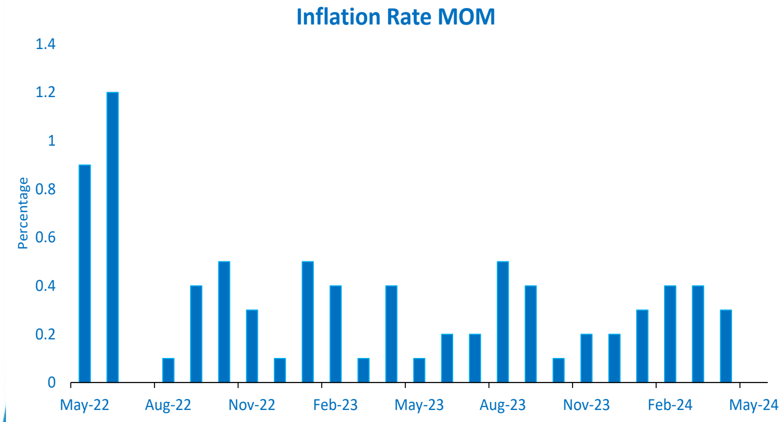
Revisions to total nonfarm payroll employment figures for March and April resulted in a combined decrease of 15,000 jobs from previously reported numbers. March's employment change was revised down by 5,000 (from +315,000 to +310,000) and April's by 10,000 (from +175,000 to +165,000). These adjustments are due to additional reports from businesses and government agencies and recalculations of seasonal factors.

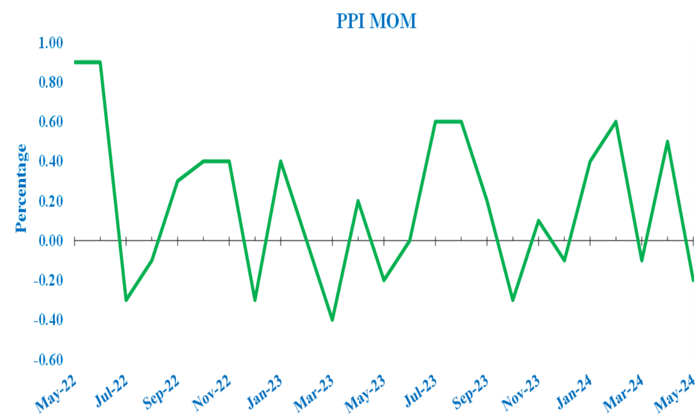




| Labour Force in Thousands | Jan-Mar | Apr-Jun | Jul-Sep | Oct - Dec |
|---|---|---|---|---|
| Year | Q1 | Q2 | Q3 | Q4 |
| 2014 | 413,248 | 415,631 | 417,897 | 420,258 |
| 2015 | 422,318 | 424,436 | 426,384 | 428,477 |
| 2016 | 430,273 | 431,909 | 434,140 | 435,667 |
| 2017 | 437,460 | 439,150 | 440,678 | 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 | 473,462 | 316,814 | - | - |




## CONSUMER PRICE INDEX

The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in May on a seasonally adjusted basis, following a 0.3 percent increase in April, according to the U.S. Bureau of Labor Statistics. Over the past 12 months, the all items index surged by 3.3 percent before seasonal adjustment.

In May, the index for shelter rose by 0.4 percent, marking the fourth consecutive month of increase, more than offsetting the decline in the gasoline index. The overall food index saw a modest increase of 0.1 percent, with food away from home rising by 0.4 percent, while the food at home index remained unchanged. On the other hand, the energy index experienced a decline of 2.0 percent, primarily due to a significant 3.6-percent decrease in the gasoline index.

The index for all items excluding food and energy rose by 0.2 percent in May, following a 0.3-percent increase in the previous month. Notable increases were observed in the indexes for shelter, medical care, used cars and trucks, and education. Conversely, the indexes for airline fares, new vehicles, communication, recreation, and apparel experienced declines over the same period.

Over the 12 months ending in May, the all items index increased by 3.3 percent, slightly lower than the 3.4-percent increase recorded for the 12 months ending in April. The all items index excluding food and energy saw a 3.4-percent rise over the past year. The energy index showed a 3.7-percent increase, while the food index rose by 2.1 percent over the same period.

## PRODUCER PRICE INDEX

In May, the Producer Price Index (PPI) for final demand decreased by 0.2 percent on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics. This follows a 0.5 percent increase in April and a slight 0.1 percent decline in March. Over the 12 months ending in May, the unadjusted final demand index rose by 2.2 percent, indicating an overall upward trend despite the recent monthly decline.

The decline in final demand prices in May was primarily driven by a significant 0.8 percent drop in the index for final demand goods. Meanwhile, the prices for final demand services remained unchanged, providing a stabilizing effect on the overall PPI. This indicates that the fluctuation in goods prices had a more pronounced impact on the overall index compared to services.

When excluding the more volatile categories of foods, energy, and trade services, the index for final demand remained flat in May, after having increased by 0.5 percent in April. For the year ending in May, this core index, which provides a clearer picture of underlying inflation trends by omitting these volatile components, increased by 3.2 percent.

**Product Details:**

In May, final demand goods prices fell significantly, driven largely by a 7.1 percent drop in gasoline prices and declines in diesel fuel, chicken eggs, electric power, jet fuel, and basic organic chemicals, although prices for cigarettes, hay, hayseeds, oilseeds, and residual fuels increased.

In the services sector, prices remained flat overall despite a 12.2 percent surge in margins for fuels and lubricants retailing and rises in food and alcohol retailing, outpatient care, and automobile retailing. However, notable declines occurred in airline passenger services, machinery and vehicle wholesaling, professional and commercial equipment wholesaling, portfolio management, and truck transportation of freight, reflecting varied pricing dynamics.

## U.S. DOLLAR

As at the end of May 2024, the US dollar has strengthened against the Canadian dollar (+0.12%) and the Japanese Yen (+0.41%), whilst weakening against the Pound (-1.36%) and the Euro (-1.12%). The US dollar closed on May 31, 2024, at USDCAD 1.3683, GBPUSD 1.2730, EURUSD 1.0835, USDJPY 156.95.

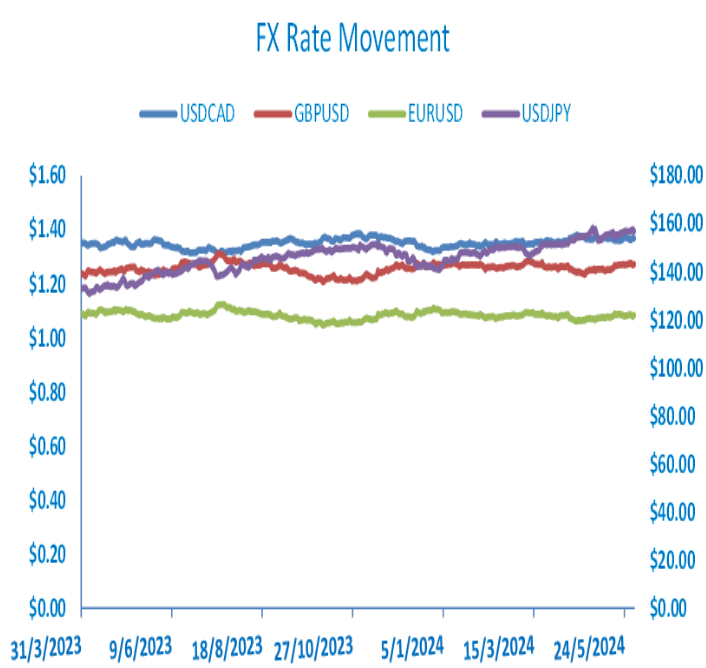
FXSTREET Daily highlighted, "The US Dollar is gaining against most major currencies following a strong Nonfarm Payrolls report and political shifts in Europe, where Far Right parties made significant gains, prompting snap elections in France. The US Dollar Index (DXY) has broken key technical levels, trading above the 55-day Simple Moving Average at 105.04. This week's focus is on the US Consumer Price Index release and the Federal Reserve's FOMC meeting, where new economic projections and a hawkish stance could drive the DXY towards 106.00, potentially reaching a new 2024 high depending on Fed Chair Jerome Powell's guidance."

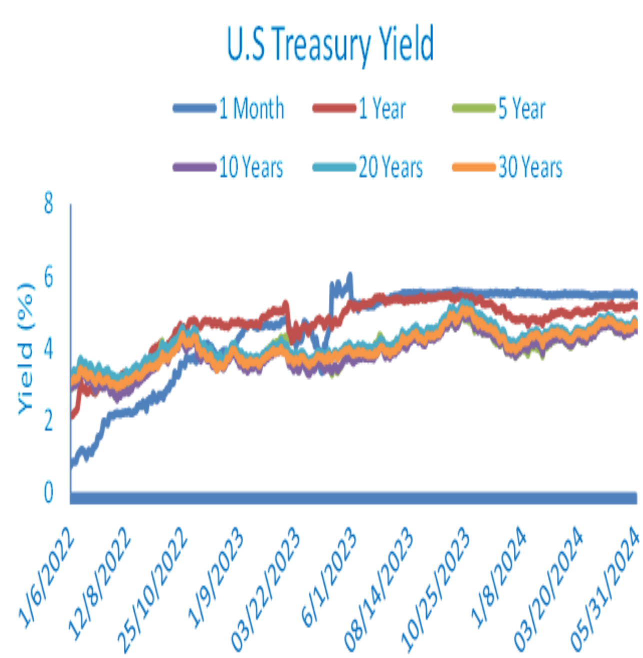
## U.S. TREASURY YIELD CURVE

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

- 1 month: 5.48%
- 1 year: 5.18%
- 5 years: 4.52%
- 10 years: 4.51%
- 20 years: 4.73%
- 30 years: 4.65%

The yield on the 10-year Treasury surged to 4.43% as nonfarm payrolls increased by 272,000 in May, surpassing expectations and raising concerns that the Federal Reserve may delay rate cuts. The 2-year Treasury yield also rose to 4.885%. Despite hopes for a slowing labour market, the strong jobs data suggests economic resilience, though the unemployment rate ticked up to 4%. The Fed, set to meet in June, is expected to keep rates unchanged, with traders pricing a 68% chance of a rate cut in September. Meanwhile, the European Central Bank cut rates for the first time since 2019. Investors will watch upcoming inflation data and Fed guidance closely for future rate indications.



## GOVERNMENT DEBT/ DEFICIT

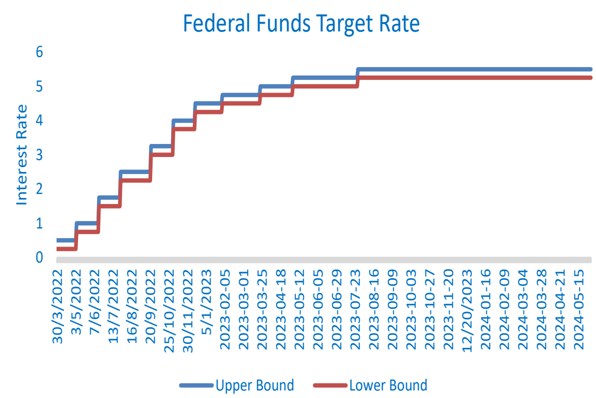
The Congressional Budget Office estimates that the federal budget deficit for the first eight months of fiscal year 2024 was $1.2 trillion, which is $38 billion more than the deficit seen during the same period last fiscal year. Revenues were $294 billion (or 10 percent) higher, while outlays were $332 billion (or 8 percent) higher from October through May than during the same period in fiscal year 2023.

Shifts in the timing of certain payments affect that comparison. Outlays in the first eight 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 $46 billion less than the shortfall for the same period in fiscal year 2023.

| Budget Totals, October - May<br>Billions of Dollars | | | |
|---|---|---|---|
| | Actual, FY 2023 | Preliminary, FY 2024 | Estimated Change |
| Receipts | 2,994 | 3,288 | 294 |
| Outlays | 4,159 | 4,492 | 332 |
| Deficit (-) | -1,165 | -1,203 | -38 |

### FEDERAL RESERVE MINUTES

The Federal Reserve, in its meeting ended June 12, 2024, reports solid economic growth with strong job gains and low unemployment, though inflation remains elevated despite some recent progress toward their 2 percent target. The Fed decided to maintain the federal funds rate at 5.25 -5.5 percent, with no expected rate reductions until inflation trends more sustainably toward 2 percent. They will continue reducing holdings of Treasury and agency securities and remain vigilant, ready to adjust monetary policy as needed based on labor market conditions, inflation pressures, and other economic indicators.




On June 12, 2024, The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement, effective June 13, 2024:

- 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

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 global economy is projected to maintain a growth rate of 3.2 percent in 2024 and 2025, consistent with 2023 levels. Advanced economies are expected to see a slight growth increase from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025, while emerging market and developing economies will experience a minor slowdown from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. The long-term global growth forecast, at 3.1 percent, is the lowest in decades. Global inflation is anticipated to decrease from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies reaching their inflation targets more quickly than emerging markets. Core inflation is expected to decline more gradually.

## 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.