August 2024

MAYBERRY INVESTMENTS LIMITED

1985-2022 37 CELEBRATING 37 YEARS

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 3.0% in the second quarter of 2024. The real GDP increased by 1.4% in the first quarter of 2024.

The increase in real GDP primarily reflected increases in consumer spending, private inventory investment, and non-residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Compared to the first quarter, the acceleration in real GDP in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in consumer spending. These movements were partly offset by a downturn in residential fixed investment.

Current dollar GDP increased 5.5 percent at an annual rate, or $383.2 billion, in the second quarter to a level of $28.65 trillion, an upward revision of $23.2 billion.

The price index for gross domestic purchases increased 2.4 percent in the second quarter, an upward revision of 0.1 percentage point.

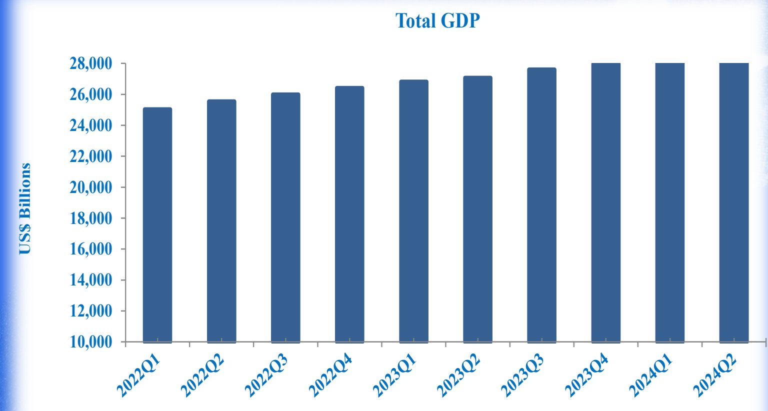
The personal consumption expenditures (PCE) price index increased 2.5 percent, a downward revision of 0.1 percentage point. Excluding food and energy prices, the PCE price index increased 2.8 percent, a downward revision of 0.1 percentage point.

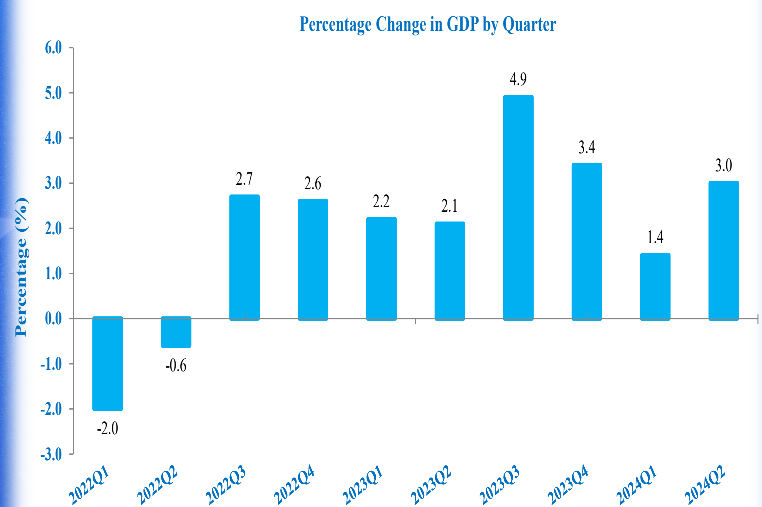
Personal Income

Current-dollar personal income increased $233.6 billion in the second quarter, a downward revision of $4.0 billion from the previous estimate. The increase primarily reflected increases in compensation and personal current transfer receipts.

Disposable personal income increased $183.0 billion, or 3.6 percent, in the second quarter, a downward revision of $3.2 billion from the previous estimate. Real disposable personal income increased 1.0 percent, unrevised from the prior estimate.

Personal saving was $686.4 billion in the second quarter, a downward revision of $34.1 billion from the previous estimate. The personal saving rate—personal saving as a percentage of disposable personal income—was 3.3 percent in the second quarter, a downward revision of 0.2 percentage point.





NATIONAL EMPLOYMENT

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment increased by 142,000 in August, and the unemployment rate changed little at 4.2 percent. Notable, job gains occurred in health care 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 August, the U.S. labour market showed minimal change in key indicators compared to the previous month. The unemployment rate held steady at 4.2%, reflecting stability in the number of unemployed individuals at 7.1 million, which is higher than a year ago. Among different demographic groups, unemployment rates remained largely unchanged: adult men at 4.0%, adult women at 3.7%, teenagers at 14.1%, Whites at 3.8%, Blacks at 6.1%, Asians at 4.1%, and Hispanics at 5.5%. The number of people on temporary layoff decreased notably by 190,000, offsetting previous increases, while the number of permanent job losers remained steady at 1.7 million.

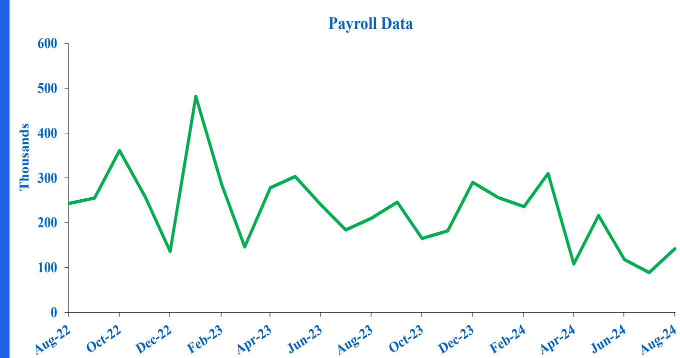
Labor force participation and employment-population ratios remained unchanged at 62.7% and 60.0%, respectively, over the past year. The number of part-time workers who would prefer full-time jobs held steady at 4.8 million, up from the previous year's 4.2 million. Additionally, 5.6 million individuals not in the labour force desired employment but were not actively seeking work, with 1.4 million marginally attached to the labour force. Among the marginally attached, 367,000 were discouraged workers who believed no jobs were available to them, reflecting little change from previous months.

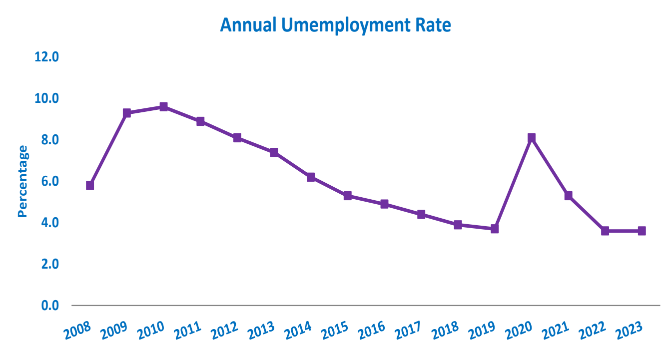
Establishment Survey Data

In August, total nonfarm payroll employment increased by 142,000, consistent with recent monthly trends but below the 12-month average gain of 202,000. Job growth was led by the construction and health care sectors, with construction adding 34,000 jobs, surpassing its prior monthly average of 19,000. Heavy and civil engineering construction contributed 14,000 new jobs, and non-residential specialty trade contractors saw a similar increase. The health care sector added 31,000 jobs, which was below its prior average monthly gain of 60,000, with significant contributions from ambulatory health care services (+24,000) and hospitals (+10,000). Social assistance also continued its upward trend with 13,000 new jobs, though this growth was slower compared to the previous year.

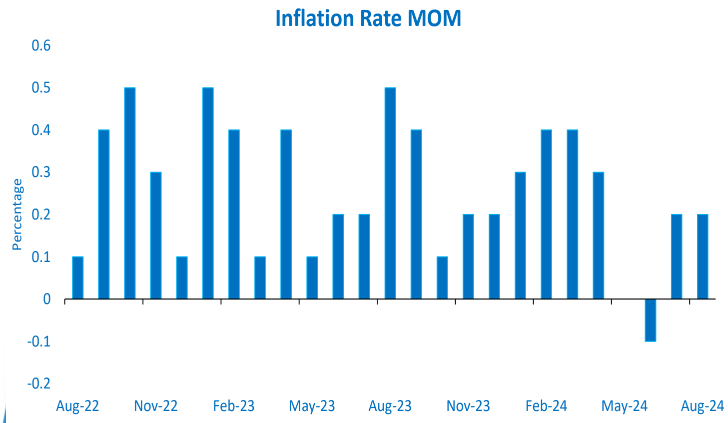
Manufacturing employment declined by 24,000, with durable goods industries losing 25,000 jobs, marking a slight downward trend for the sector over the year. Other major industries, such as mining, retail, and financial activities, saw little change in employment levels. Meanwhile, average hourly earnings for all private nonfarm employees increased by 0.4% to $35.21 in August, and earnings for production and nonsupervisory employees rose to $30.27. The average workweek for all private employees edged up to 34.3 hours, while overtime in manufacturing increased slightly to 3.0 hours.

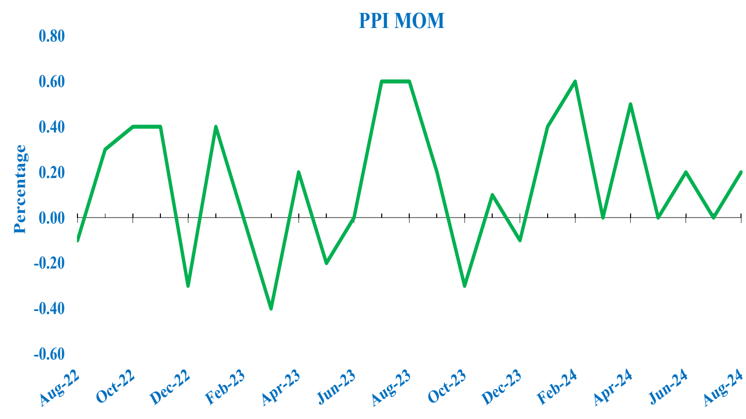
The total nonfarm payroll employment figures for June and July were revised downward, with June's job growth reduced by 61,000, from 179,000 to 118,000, and July's revised down by 25,000, from 114,000 to 89,000. As a result, combined employment gains for these two months are 86,000 lower than previously reported. These revisions are due to updated data from businesses and government agencies, as well as adjustments for 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	475,192	317,416	





CONSUMER PRICE INDEX

The U.S. Bureau of Labor Statistics announced that the Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.2% on a seasonally adjusted basis in August, the same increase as in July. Over the past 12 months, the overall CPI-U has increased by 2.5% before seasonal adjustment, marking the smallest 12-month increase since February 2021.

In August, the shelter index experienced a 0.5% increase, being the main contributor to the rise in the all-items index. The energy index fell by 0.8% after remaining unchanged the previous month. The food index increased by 0.1% in August, slightly lower than the 0.2% increase in July. The food away from home component rose by 0.3%, while the food at home component remained unchanged.

Excluding the food and energy categories, the CPI-U for all other items climbed by 0.3% in August, compared to the 0.2% increase in July. Contributing indexes include shelter, airline fares, motor vehicle insurance, education, and apparel. Meanwhile, the indexes for used cars and trucks, household furnishings and operations, medical care, communication, and recreation saw declines during the month.

Over the 12 months ending in August, the index for all items excluding food and energy rose by 3.2%, marking the smallest year-over-year increase since early 2021. The energy index decreased by 4.0% over the past year, while the food index recorded a 2.1% increase.

PRODUCER PRICE INDEX

The Producer Price Index (PPI) for final demand in the U.S. increased by 0.2 percent in August on a seasonally adjusted basis, as reported by the U.S. Bureau of Labor Statistics. Final demand prices remained unchanged in July and rose by 0.2 percent in June. Over the 12 months leading up to August, the index for final demand advanced by 1.7 percent on an unadjusted basis.

The August increase in the index for final demand was driven by a 0.4-percent rise in prices for final demand services, while prices for final demand goods remained unchanged.

Excluding the volatile categories of foods, energy, and trade services, the index for final demand less foods, energy, and trade services also increased by 0.3 percent in August, matching the increase seen in July. Over the 12 months ending in August, this core index rose by 3.3 percent.

Product Details:

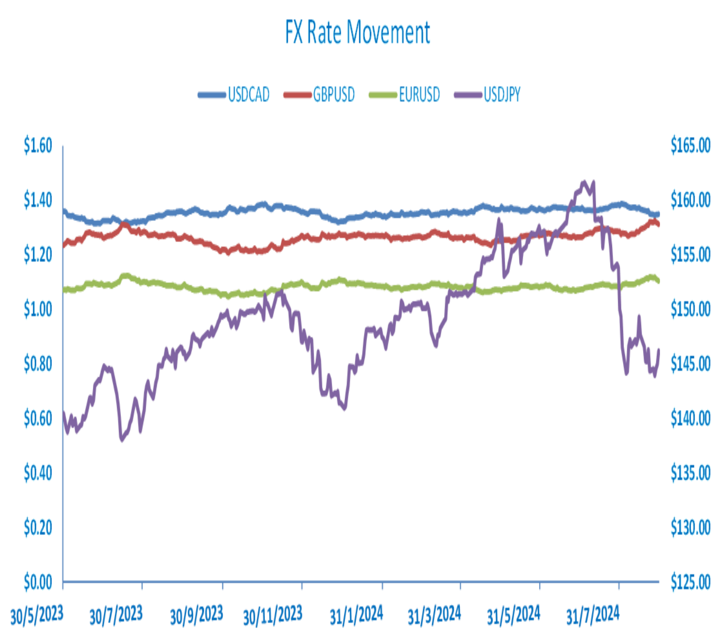
Regarding specific products, the index for non-electronic cigarettes rose by 2.3 percent in August. Prices also increased for chicken eggs, gasoline, diesel fuel, and drugs and pharmaceuticals. On the other hand, the index for jet fuel dropped significantly by 10.5 percent, and prices fell for meats, electric power, hay, hayseeds, oilseeds, and nonferrous scrap.

A 4.8 percent increase in the index for guestroom rental significantly contributed to the rise in prices for final demand services in August. Other notable increases were seen in machinery and vehicle wholesaling, automotive fuels and lubricants retailing, residential real estate loans, professional and commercial equipment wholesaling, and furniture retailing. On the other hand, prices for airline passenger services dropped by 0.8 percent, with decreases also noted in food and alcohol retailing, as well as membership dues, admissions, and recreational facility use fees.

U.S. DOLLAR

On a month over month basis, August 2024 relative to July 2024, the US dollar has weakened against the Canadian dollar (-2.29%), the Great British Pound (-2.11%), the Euro (-2.05%) and the Japanese Yen (-2.54%). The US dollar closed on August 30, 2024, at USDCAD 1.3492, GBPUSD 1.3127, EURUSD 1.1048, USDJPY 146.17.

In August 2024, the U.S. dollar (USD) experienced significant volatility. Early in the month, weak economic data, including a disappointing jobs report, led to a decline in the USD as market participants anticipated more aggressive interest rate cuts by the Federal Reserve. Mid-month, the USD saw some recovery due to stable retail sales data, but overall, it remained under pressure. The Japanese yen (JPY) strengthened against the USD due to concerns about the U.S. economy and an unexpected rate hike by Japan's central bank. The euro (EUR) also gained against the USD, supported by signs of economic improvement in the Eurozone. By the end of the month, the USD was poised to weaken further as the market continued to expect rate cuts from the Federal Reserve.

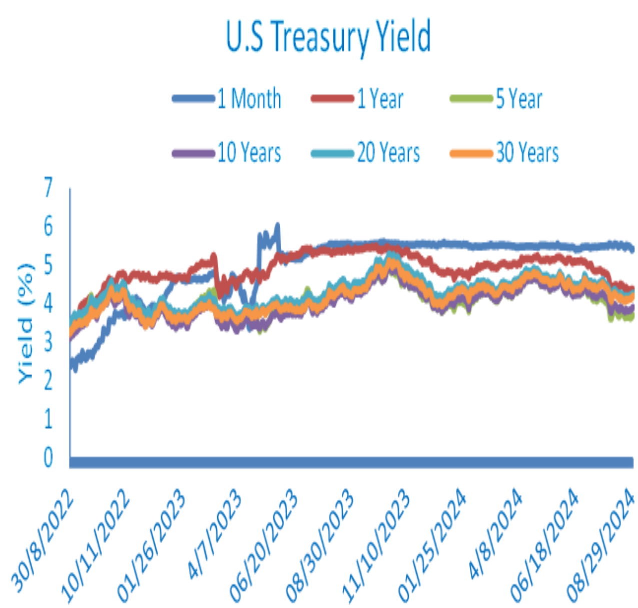


U.S. TREASURY YIELD CURVE

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

- 1 month: 5.41%
- 1 year: 4.38%
- 5 years: 3.71%
- 10 years: 3.91%
- 20 years: 4.28%
- 30 years: 4.20%

In August 2024, U.S. Treasury yields experienced notable fluctuations. Early in the month, yields fell to some of their lowest levels in two years, influenced by weak economic data, including a soft jobs report. However, mid-month retail sales data indicated a stable economy, causing a slight rebound in yields. The 2-year Treasury yield rose to 3.59%, while the 10-year yield increased to 3.64%. Despite these movements, yields remained relatively low, reflecting ongoing market uncertainty and anticipation of potential Federal Reserve interest rate cuts.



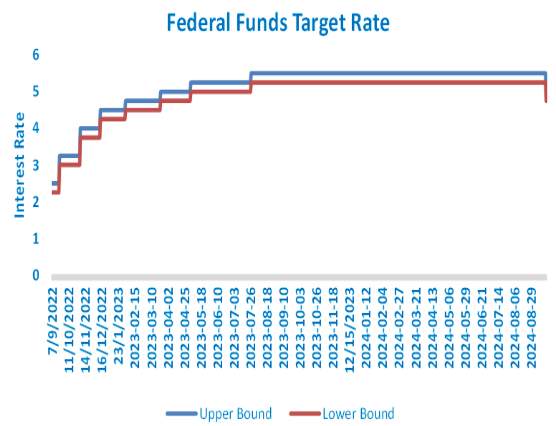
GOVERNMENT DEBT/ DEFICIT

The Congressional Budget Office estimates that the federal budget deficit for the first nine months of fiscal year 2024 was $1.9 trillion, which is $373 billion more than the deficit seen during the same period last fiscal year. Revenues were $420 billion (or 11 percent) higher, while outlays were $793 billion (or 14 percent) higher from October through August than during the same period in fiscal year 2023. Shifts in the timing of certain payments affect that comparison. Outlays in the first nine 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 $302 billion larger than the shortfall for the same period in fiscal year 2023.

Budget Totals, October - August Billions of Dollars			
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change
Receipts	3,972	4,392	420
Outlays	5,496	6,289	793
Deficit (-)	-1,524	-1,897	-373

FEDERAL RESERVE MINUTES

On September 18, 2024, the Federal Reserve announced a significant monetary policy adjustment, lowering the target range for the federal funds rate by 0.5 percentage points to 4.75-5%. This decision reflects progress in reducing inflation, which remains somewhat elevated but is moving towards the 2% target. The Fed also noted that economic activity continues to expand at a solid pace, though job gains have slowed and the unemployment rate has risen slightly. The Fed remains committed to supporting maximum employment and achieving its inflation goals, and will continue to monitor economic conditions and adjust policies as necessary.



On September 18, 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 September 19, 2024:

- Undertake open market operations as necessary to maintain the federal funds rate in a target range of 4-3/4 to 5 percent.
- Conduct standing overnight repurchase agreement operations with a minimum bid rate of 5 percent and with an aggregate operation limit of $500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 4.8 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 $25 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 the amount of principal payments from the Federal Reserve's holdings of agency debt and agency mortgage-backed securities (MBS) received in each calendar month that exceeds a cap of $35 billion per month into Treasury securities to roughly match the maturity composition of Treasury securities outstanding.
- 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

Global trade and activity strengthened early in the year, driven by robust technology exports from Asia. Despite positive growth surprises in many countries relative to the April 2024 WEO, Japan and the United States faced notable slowdowns due to supply disruptions and moderating consumption, respectively. Europe showed recovery signs through improved services activity, while China's domestic consumption and temporary export surge boosted its economy. These developments have reduced output divergences across economies. However, global disinflation momentum has slowed, with persistent services inflation and brisk wage growth impacting policy decisions. The U.S. experienced a delay in policy normalization due to increased inflation, while other advanced economies like the euro area and Canada are progressing in the easing cycle. Emerging market central banks remain cautious about rate cuts due to external risks and currency depreciation against the dollar.

Forecast Highlights

Global growth is projected to align with the April 2024 World Economic Outlook forecast, at 3.2 percent in 2024 and 3.3 percent in 2025. Varied activity momentum has narrowed output divergences as economies align with potential. Services price inflation is hindering disinflation, complicating monetary policy normalization, and increasing inflation risks, potentially leading to prolonged higher interest rates amid rising trade tensions and policy uncertainty. To manage these risks and sustain growth, a carefully sequenced policy mix is necessary to achieve price stability and rebuild economic buffers.

Risks to the global outlook

Risks to the global economic outlook remain balanced, but some near-term risks have gained prominence. Upside risks to inflation arise from persistent services inflation and renewed trade or geopolitical tensions. High nominal wage growth and weak productivity may lead to sticky inflation, while escalating trade tensions could increase import costs. These factors raise the likelihood of prolonged higher interest rates, which could disrupt capital flows, impede monetary easing, and affect growth and financial stability. Election-related policy shifts could worsen debt dynamics and increase protectionism, while multilateralism and macrostructural reforms could enhance productivity and growth globally.

U.S. Economic Outlook

As of September 19, 2024, the U.S. economy is navigating a period of cautious optimism. The Federal Reserve’s recent decision to lower the federal funds rate by 0.5 percentage points to 4.75-5% reflects a proactive approach to sustaining economic growth amid moderating inflation. This move is expected to provide relief to consumers and businesses facing high borrowing costs, potentially boosting spending and investment. Despite these positive steps, the labour market shows signs of softening, with job gains slowing and the unemployment rate inching upward.

Economic growth remains solid, with real GDP projected to grow by 2.0% in 2024. Consumer spending and business investment are anticipated to drive this growth, supported by lower interest rates and reduced economic uncertainty. However, the outlook is tempered by concerns over potential economic headwinds, including geopolitical tensions and fluctuating global markets, which could impact trade and investment flows.

Overall, the U.S. economy is on a path towards a “soft landing,” where inflation is brought under control without triggering a recession. The Federal Reserve’s actions, coupled with resilient consumer and business activity, suggest a cautiously optimistic outlook for the remainder of 2024. Policymakers will continue to monitor economic indicators closely, ready to adjust strategies to maintain stability and growth.