

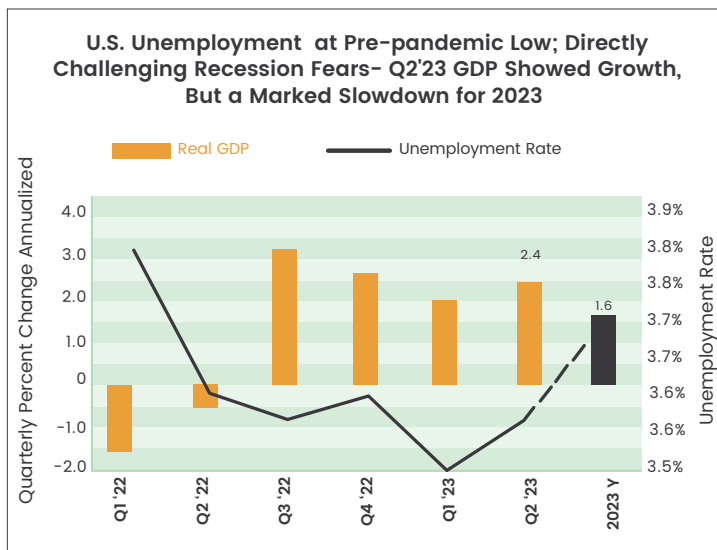


2nd Quarter 2023 Economic Update

The U.S. economy is resilient despite ongoing challenges and worries about the outlook

The U.S. economy remained in gear during the first half of 2023, with more momentum than many expected. As such, the U.S. economy continues to show resilience despite ongoing challenges and worries about the outlook.

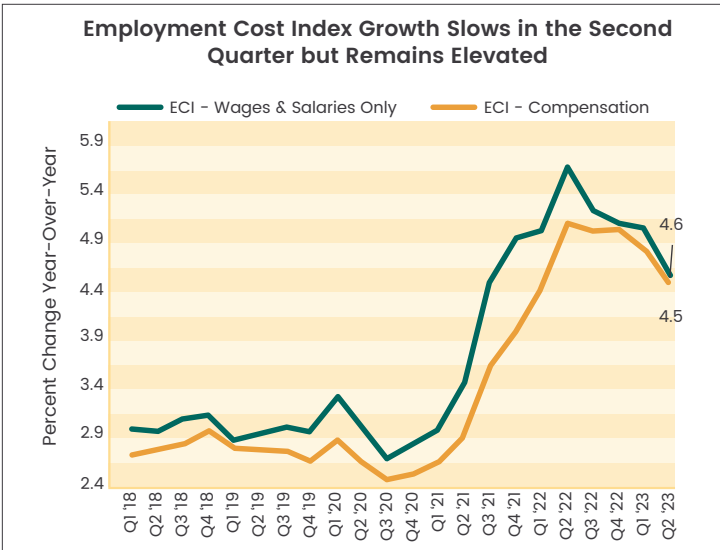
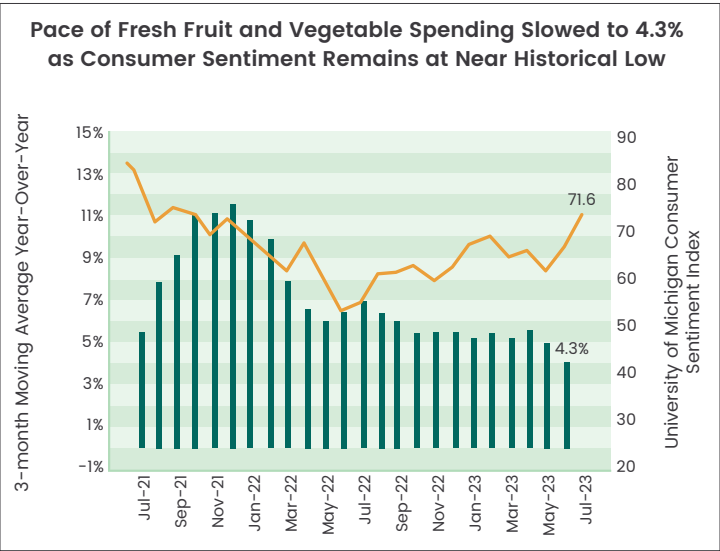
While first-quarter consumer spending which accounts for 70% of economic activity was decent, it decelerated in the second quarter. Consumer spending grew at an annual rate of 1.6% in the second quarter, down from 4.2% in the prior quarter. The modest increase in consumer spending reflected increases in both services and goods. Although goods spending was positive, spending continues to shift slowly from goods to service. Looking forward, Blue Chip economists in July now predict GDP growth to be 1.6% this year from the previous consensus of a 1.2% rate.



Real gross domestic product (GDP) increased at an annual rate of 2.4% in the second quarter of 2023 building on the 2.0% in the first quarter, according to the Bureau of Economic Analysis.

Economic activity and inflation haven't eased as much as Fed officials and many analysts desired. We are seeing progress on inflation although the pressure of higher prices remains. The personal consumption price index – the Fed's preferred inflation measure – declined to a 3.7% annual rate in the second quarter from the 4.9 % pace in the first quarter. The core PCE index which excludes volatile food and energy prices eased a bit from 4.7% on a year-over-year basis in the prior quarter to 4.4% in the second quarter. Inflation is still well above the Fed's 2% target.

The growth of fresh fruit and vegetable sales was steady during the second quarter averaging 5.0 percent on a year-over-year three-month moving average easing up from the first quarter's growth rate of 5.5 percent. Fruit and vegetable prices at the store may remain elevated but their inflation rates have declined from the 6 to 10 percent year-over-year rates posted in 2022. Supporting the ongoing strength of the labor market and consumer spending is the recent Index of Consumer Sentiment. It rose from 64.4 in June to 71.6 in July, the best reading since October 2021, according to final data from the University of Michigan's Survey of Consumers. The improvement in confidence over the past year largely reflects the deceleration in inflation since last Summer. Consumers felt more positive in their assessments of both current and future conditions.

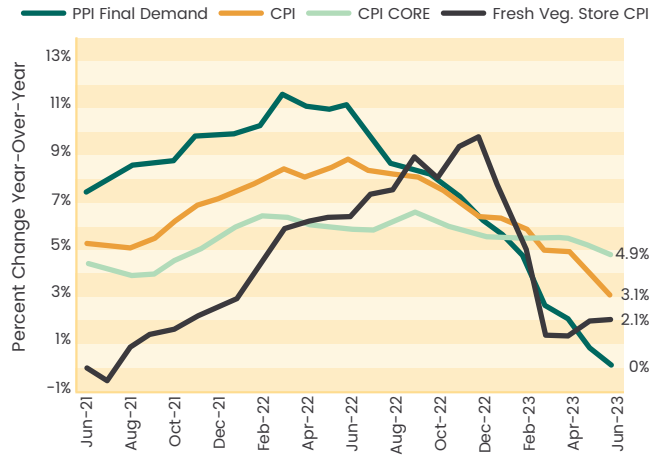


In June, vegetable prices eased to a 2.1 percent inflation rate and fruits a 0.3 percent rate compared to the same month a year ago. In contrast, fruit and vegetable price inflation is well below the 3.1 CPI inflation rate. Fresh produce and floral employment declined during the second quarter to 1,151,477 yet is 0.2 percent ahead of employment from this time last year.

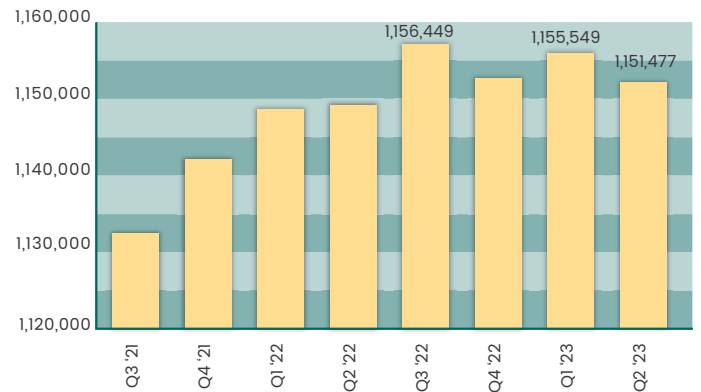
Recent reports show the labor market remains resilient as inflation levels decline. The economy added 209,000 nonfarm payroll jobs in June, according to the Bureau of Labor Statistics. It was down from 306,000 in May (revised from 339,000 in the prior release). June's job growth was the slowest since December 2020, when employment fell during the pandemic's first winter wave. Companies of all sizes are hiring, albeit at a slower pace. During the second quarter an average of 244,000 were added. The unemployment rate edged down to 3.6% in June from 3.7%. It jumped to 3.7% in May from 3.4% in April, which tied January for a 50-year low.

The U.S. economy is in a stronger and more resilient than most expected for the first half of the year. Economic activity continues albeit slowing. The Employment cost index indicates that workers' compensation is equaling or exceeding the rate of inflation which might have led to the recent confidence boost.

Fresh Vegetable Inflation Index is 1% Below CPI



Fresh Produce and Floral Employment Gains Year-over-Year by 0.2% adding 2,728 jobs, but jobs slipped 4,072



Gains in Fresh Produce & Floral in Q2 '23 vs Q1 '23 came in Grocery Store, Restaurants, and Entertainment Venues

