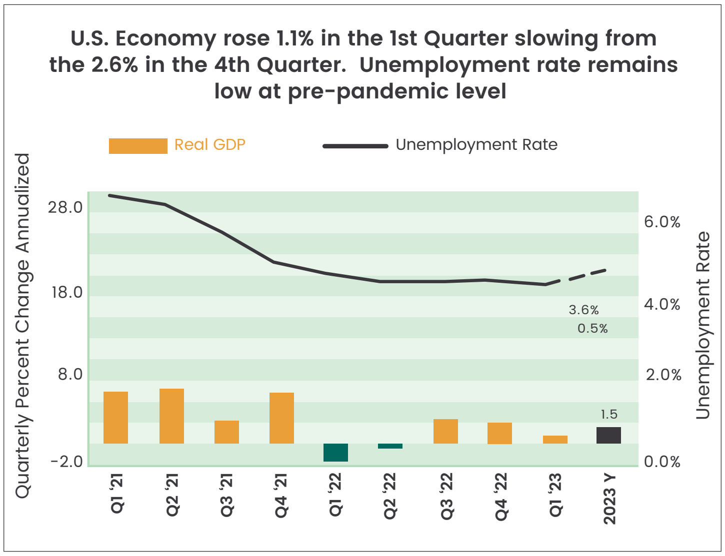
INTERNATIONAL FRESH PRODUCE ASSOCIATION℠

1st Quarter 2023 Economic Update

Economic Activity Slowing While Inflation Pressure Persists

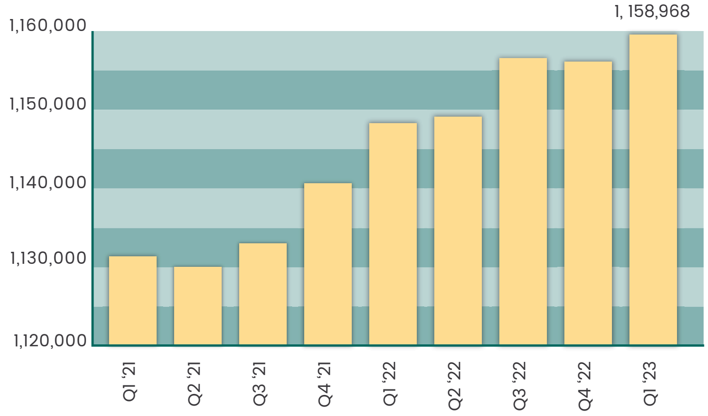
The expansion in the U.S. economy continued in the first quarter of 2023, but the pace of growth slowed. According to the Federal Bureau of Economic Release, gross domestic product (GDP) rose 1.1%, following a 2.6% gain in the fourth quarter. The increase in the first quarter primarily reflected an increase in consumer spending that was partly offset by a decrease in inventory investment. – Robert Gunther



Consumer spending remained a driver of growth, logging a 3.7% annual rate last quarter, better than the fourth quarter's 1%. Most of the household spending came from durable goods. The decrease in inventory investment primarily reflected decreases in wholesale trade and manufacturing.

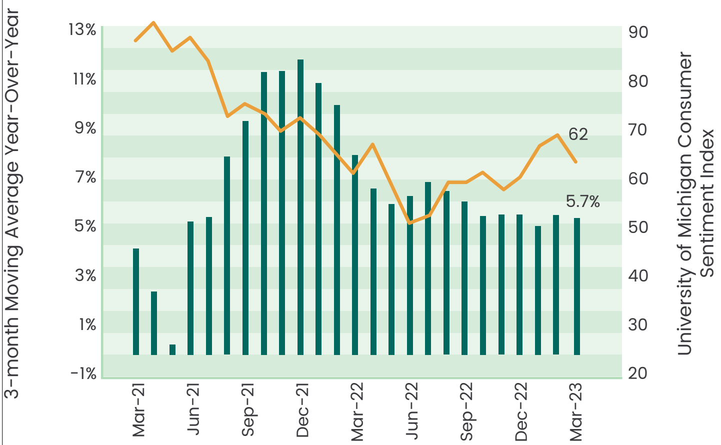
Aggregate economic activity has held up well despite restrictive monetary policy intended to curb inflation. Consumers remain resilient and have been supported by a strong labor market and wage growth, excess savings built up during the pandemic, and lower energy costs. But higher rates have weighed on housing, trade, and business investment. Looking forward, the Federal Reserve Bank of Atlanta's initial GDP estimate on April 28th for real GDP growth in the second quarter is 1.7%.

Fresh Produce and Floral Employment Increased in First Quarter, Posting 1.0 % Year-Over-Year Gain



Inflation remains high as the personal consumption price index - the Fed's preferred inflation measure - increased at a 4.2% annual rate in the first quarter, up from the 3.9 % pace in the fourth quarter. The core PCE index, which excludes volatile food and energy prices, rose 4.9 % from a year earlier. Inflation is still well above the Fed's 2% target.

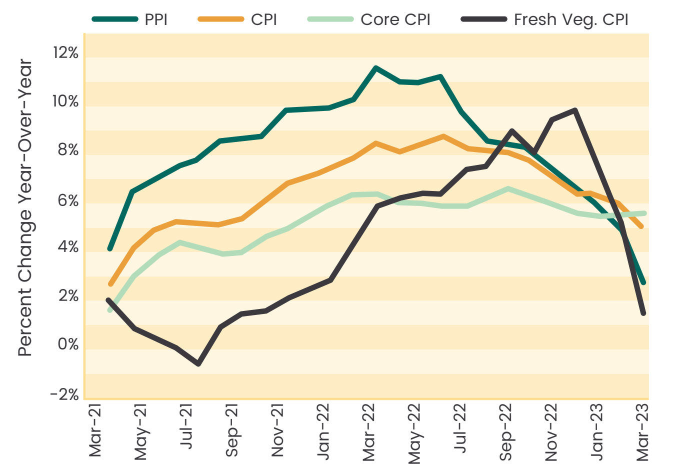
Pace of Fresh Fruit and Vegetable spending slowed as consumer sentiment remains at near historical low



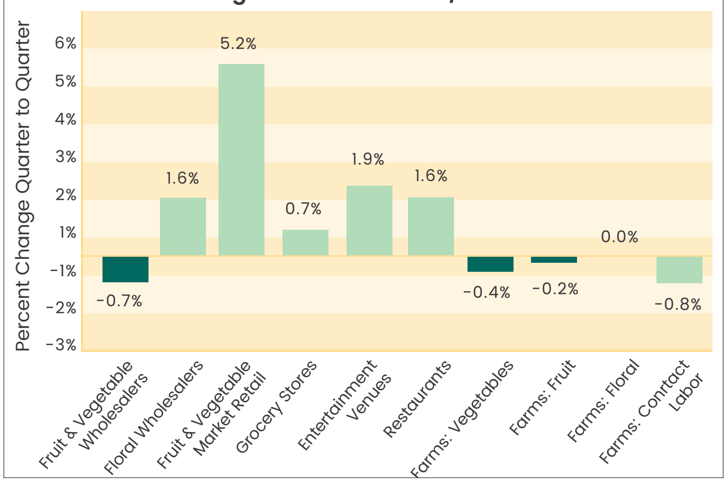
The pace of fresh fruit and vegetable sales was steady during the first quarter averaging 5.7 percent on a year-over-year three-month moving average. It matched the pace measured in the prior quarter. Fruit and vegetable prices remain elevated, but the CPI and the PPI price indexes declined sharply throughout the first quarter of 2023. In March, the Fresh Vegetable Consumer Price Index measured a 1.4 percent year-over-year growth, well below the broader CPI measure of 5.0 percent. Fresh produce and floral employment increased during the first quarter to 1,158,968, up 1 percent from this time last year.

The Federal Reserve Bank of New York's March 2023 Survey of Consumer Expectations shows that inflation expectations increased at the short-term and medium-term horizons but decreased slightly at the longer-term horizon. One year ahead, the current outlook for inflation increased by 0.5 percentage points to 4.7%. Inflation expectations increased by 0.1 percentage point at the three-year-ahead horizon to 2.8%. Still, they decreased by 0.1 percentage point at the five-year-ahead horizon to 2.5%.

Fresh Vegetable Inflation Index Falls Faster than Broader Inflation Indexes



Mixed IFPA EmploymentGains for First Quarter; Strongest Gains in Retail/End-use



The labor market continues to shape the outlook for the economy and is holding relatively well despite corporate layoffs and financial turmoil. The labor market remains tight, wage gains remain at or near 5%. Payroll employment rose by 236,000 in March, with the U.S. economy adding 1,034,000 workers through the first three months of 2023, a healthy pace. The labor force participation rate increased from 62.5% to 62.6%, its best rate since March 2020. Worker filings for unemployment benefits decreased by 16,000 to a seasonally adjusted 230,000 in the week ending April 22nd.

The Fed is caught between an economic rock and a monetary policy hard place: as the Fed attempts to adjust monetary policy, it faces the dangers of continued inflation if it doesn't do enough, and yet if it goes too far, a recession occurs. History is not in the Fed's favor, as there have been eight recessions in the last 11 cycles of economic tightening. Consumer reaction to interest rate hikes and credit tightening related to banking sector turmoil is hardly predictable, making it difficult to judge the effect of the Fed's actions.

The Conference Board's Leading Economic Index Fell for a 12th Consecutive Month Signalling Further Slowing of Economic Growth