MAYBERRY INVESTMENTS LIMITED

USA ECONOMIC REVIEW

JANUARY 2025

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Research Department

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 2.3% in the fourth quarter of 2024. The real GDP increased by 3.1% in the third quarter of 2024.

The increase in real GDP primarily reflected increases in consumer spending and government spending that were partly offset by a downturn in investments. Imports, which are a subtraction in the calculation of GDP, decreased.

Consumer spending increased due to rises in both services and goods. Health care, particularly hospital and outpatient services, led the increase in services. Recreational goods, vehicles, and motor vehicles, especially new light trucks, drove the rise in goods. Government spending also grew, with state and local spending boosted by employee compensation, and federal spending by defence expenditures.

Compared to the third quarter, the deceleration in real GDP in the fourth quarter primarily reflected downturns in investment and exports. Imports declined.

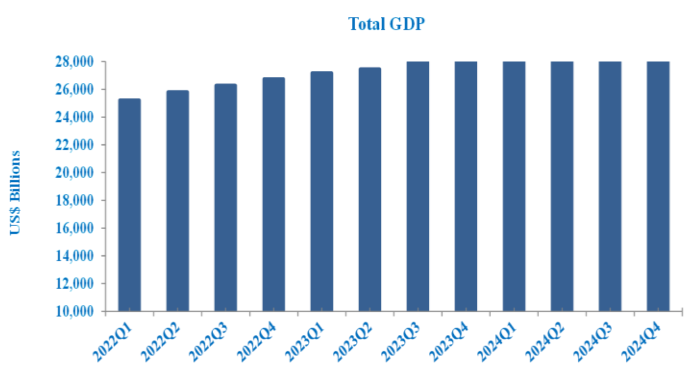
The price index for gross domestic purchases increased 2.2 percent in the fourth quarter, compared with an increase of 1.9 percent in the third quarter.

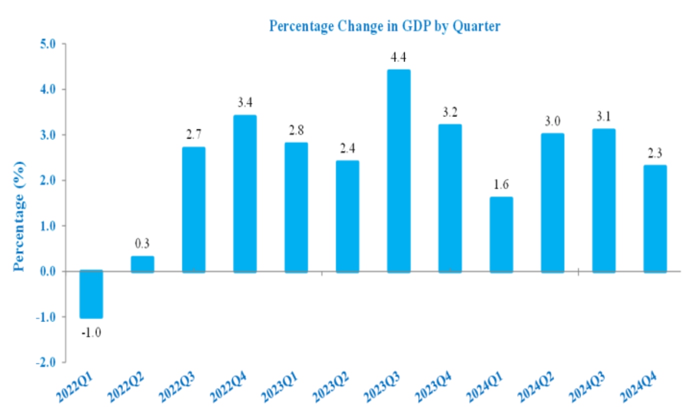
The personal consumption expenditures (PCE) price index increased 2.3 percent, compared with an increase of 1.5 percent. Excluding food and energy prices, the PCE price index increased 2.5 percent, compared with an increase of 2.2 percent.

GDP for 2024

Real GDP increased 2.8 percent in 2024 (from the 2023 annual level to the 2024 annual level), compared with an increase of 2.9 percent in 2023. The increase in real GDP in 2024 reflected increases in consumer spending, investment, government spending, and exports. Imports increased.

The price index for gross domestic purchases increased 2.3 percent in 2024, compared with an increase of 3.3 percent in 2023. The **PCE price index** increased 2.5 percent, compared with an increase of 3.8 percent. Excluding food and energy prices, the PCE price index increased 2.8 percent, compared with an increase of 4.1 percent.





NATIONAL EMPLOYMENT

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment rose by 143,000 in January, and the unemployment rate declined to 4.0%. Notably, employment trended up in health care, retail trade, and social assistance. Job losses occurred in the mining, quarrying, and oil and gas extraction industry. The U.S. Bureau of Labor Statistics reported these findings based on two monthly surveys: the household survey, which assesses labour force status, including unemployment by demographic characteristics, and the establishment survey, which measures nonfarm employment, hours, and earnings by industry.

Household Survey Data

In January, the unemployment rate decreased slightly to 4.0%, with 6.8 million people unemployed. The rates for major worker groups, including adult men, adult women, teenagers, Whites, Blacks, Asians, and Hispanics, showed little change. The number of long-term unemployed remained at 1.4 million, making up 21.1% of all unemployed individuals.

Both the labour force participation rate (62.6%) and the employment-population ratio (60.1%) remained unchanged. The number of people employed part-time for economic reasons was 4.5 million, indicating no significant change. These individuals preferred full-time jobs but were working part-time due to reduced hours or inability to find full-time employment.

The number of people not in the labour force who wanted a job was 5.5 million, with 1.6 million marginally attached to the labour force. Among them, 592,000 were discouraged workers who believed no jobs were available for them. These figures showed little change from the previous month.

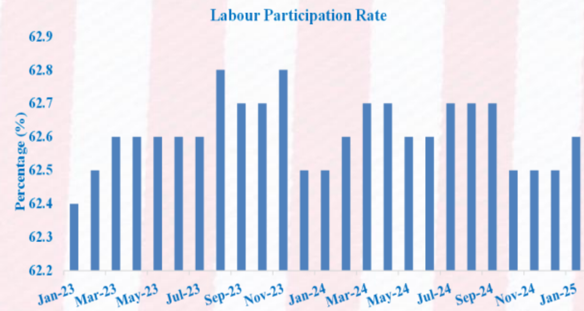
Establishment Survey Data

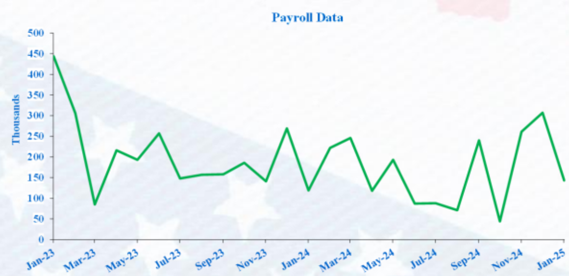
In January, total nonfarm payroll employment increased by 143,000, with notable job gains in health care, retail trade, and social assistance. Health care added 44,000 jobs, particularly in hospitals, nursing and residential care facilities, and home health care services. Retail trade saw an increase of 34,000 jobs, mainly in general merchandise and furniture stores, despite a loss in electronics and appliance retailers. Social assistance employment rose by 22,000, driven by individual and family services.

Government employment continued its upward trend with an addition of 32,000 jobs. However, the mining, quarrying, and oil and gas extraction industry experienced a decline of 8,000 jobs, primarily in support activities for mining. Other major industries, including construction, manufacturing, and transportation, showed little change in employment over the month.

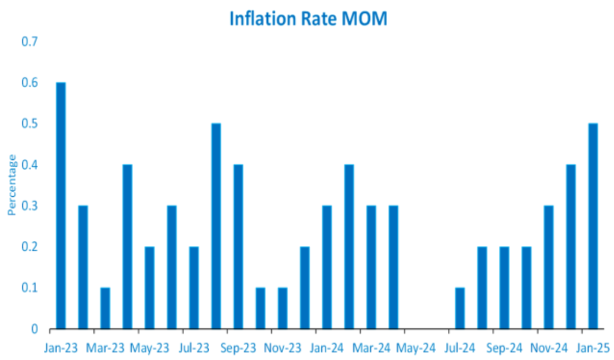
Average hourly earnings for all employees on private nonfarm payrolls increased by 17 cents to $35.87, marking a 4.1 percent rise over the past year. The average workweek for all employees edged down by 0.1 hour to 34.1 hours, with production and nonsupervisory employees seeing a decrease of 0.2 hour to 33.5 hours.

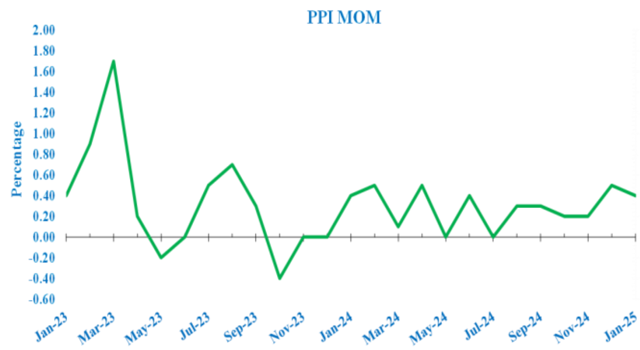
Revisions for November and December showed an additional 100,000 jobs combined, with November's employment revised up by 49,000 to 261,000 and December's by 51,000 to 307,000. These revisions resulted from additional reports and recalculations of seasonal factors.





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	424,443	426,391	428,464
2016	430,279	431,901	434,149	435,657
2017	437,445	439,137	440,698	442,046
2018	443,994	446,121	447,657	448,952
2019	450,419	452,053	453,472	454,923
2020	455,218	401,135	421,844	427,740
2021	430,581	435,471	441,717	447,556
2022	452,227	455,896	459,848	462,459
2023	465,037	466,872	468,529	470,111
2024	471,837	473,378	474,391	475,903
2025	159,069			





CONSUMER PRICE INDEX

The U.S. Bureau of Labor Statistics announced that the Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.5% on a seasonally adjusted basis in January 2025, following a 0.4% increase in December 2024. Over the past 12 months, the all items index surged by 3.0% before seasonal adjustment.

The shelter index rose by 0.4 percent in January, contributing to nearly 30 percent of the overall monthly increase. The energy index went up by 1.1 percent, with the gasoline index specifically increasing by 1.8 percent. Food prices also saw a rise, with the food at home index up by 0.5 percent and the food away from home index up by 0.2 percent.

Excluding food and energy, the all items index increased by 0.4 percent in January. Notable increases were observed in motor vehicle insurance, recreation, used cars and trucks, medical care, communication, and airline fares. Conversely, indexes for apparel, personal care, and household furnishings and operations saw decreases.

Over the last 12 months, the all items index rose by 3.0 percent, slightly higher than the 2.9 percent increase recorded for the 12 months ending in December 2024. The index for all items less food and energy increased by 3.3 percent over the past year. The energy index saw a 1.0 percent rise, while the food index increased by 2.5 percent over the same period.

PRODUCER PRICE INDEX

The Producer Price Index (PPI) for final demand in the U.S. increased by 0.4 percent in January on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics. Prior to this, final demand prices had increased by 0.5 percent in December 2024 and 0.2 percent in November. Over the 12 months ended January 2025, the index for final demand rose by 3.5 percent on an unadjusted basis.

In January, the index for final demand saw a notable increase, driven primarily by a 0.3 percent rise in prices for final demand services and a 0.6 percent increase in the index for final demand goods.

Excluding foods, energy, and trade services, the index for final demand rose by 0.3 percent in January, following a 0.4 percent increase in December. Over the past 12 months, this index has advanced by 3.4 percent.

Product Details:

In January, the index for final demand goods rose by 0.6 percent, driven by a 1.7 percent increase in energy prices and notable rises in the indexes for chicken eggs, beef and veal, gas fuels, jet fuel, and communication equipment, despite a sharp 22.3 percent drop in fresh and dry vegetable prices. Concurrently, the index for final demand services increased by 0.3 percent, with significant contributions from a 5.7 percent rise in traveller accommodation services and increases in automobile retailing, truck transportation, and food and alcohol retailing, while margins for fuels and lubricants retailing fell by 9.8 percent.

U.S. DOLLAR

In January 2025, the U.S. dollar exhibited a mixed performance relative to December 2024. The dollar index (DXY) showed a slight increase, reflecting the Federal Reserve's decision to maintain the federal funds rate at 4¼ to 4½ percent and ongoing economic conditions. The dollar's strength was supported by robust economic growth and higher interest rates compared to other major economies. However, the announcement of new tariffs by President Trump on major trading partners, including China, Mexico, and Canada, added to economic uncertainty and influenced the dollar's movements.

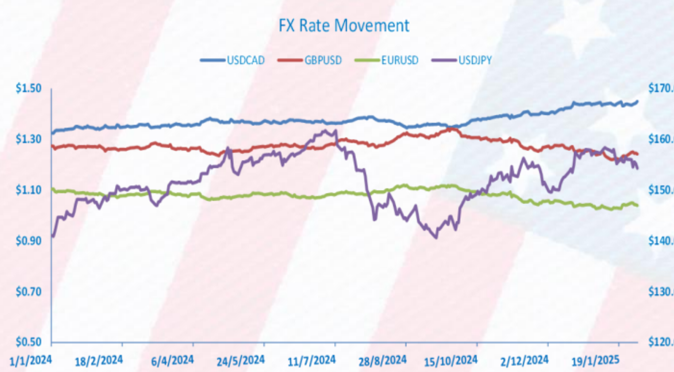
Against the Canadian dollar (USDCAD), the U.S. dollar saw a modest decline. The pair moved below the 1.4200 level as demand for commodity-related currencies, like the Canadian dollar, increased due to rising oil prices. The Canadian economy benefited from higher energy prices, which supported the loonie despite the looming tariffs.

The British pound (GBPUSD) experienced weakness against the U.S. dollar, with the pair testing resistance at the 1.2600 level. The general strength of the U.S. dollar, coupled with concerns about the UK's economic outlook, contributed to the pound's decline. The market's focus on the Federal Reserve's policies and the impact of tariffs on global trade also played a role in the pound's performance.

The euro (EURUSD) moved higher against the U.S. dollar, climbing above the 1.0450 level. This movement was driven by better-than-expected Euro Area Consumer Confidence data and a slight improvement in the eurozone's economic outlook. However, the euro's gains were limited by the broader strength of the U.S. dollar and ongoing concerns about the impact of tariffs on the eurozone economy.

The Japanese yen (USDJPY) showed resilience against the U.S. dollar, with the pair testing new lows around the 149.00 level. The yen's strength was supported by falling U.S. Treasury yields and expectations of a more hawkish stance from the Bank of Japan. The market's reaction to the Federal Reserve's policies and the uncertainty surrounding the new tariffs also influenced the yen's performance.

Overall, the U.S. dollar's movements in January 2025 were shaped by a combination of domestic economic policies, including the Federal Reserve's interest rate decisions, and external factors such as President Trump's tariffs. These developments created a complex environment for the dollar, leading to varied performances against major currencies like the Canadian dollar, British pound, euro, and Japanese yen.



U.S. TREASURY YIELD CURVE

Treasury Par Yield Curve Rates closed January 2025 at the following rates:

· 1 month: 4.37% · 10 years: 4.58%

· 1 year: 4.17% · 5 years: 4.36%

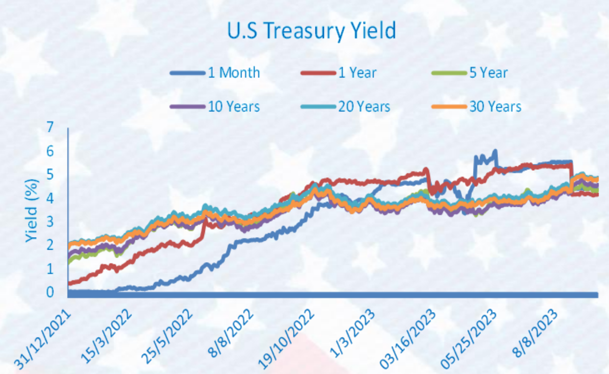
· 20 years: 4.88% · 30 years: 4.83%

In January 2025, the U.S. Daily Treasury Par Yield Curve Rates experienced a slight upward shift compared to December 2024. This movement reflects the Federal Reserve's decision to maintain the federal funds rate at 4¼ to 4½ percent, as well as ongoing economic conditions. Short-term yields, particularly for 1-month to 1-year maturities, saw a modest increase, indicating market expectations of continued monetary tightening and cautious optimism about economic growth.

The U.S. economy showed mixed performance during this period. Real GDP growth slowed to an annual rate of 2.3 percent in the fourth quarter of 2024, down from 3.1 percent in the third quarter. Consumer spending and government expenditures contributed positively, while investment declined. Personal income and outlays also increased, with personal income rising by 0.4 percent in December 2024. However, the current-account deficit widened, reflecting ongoing trade imbalances.

President Trump's recent announcement of new tariffs on major trading partners, including China, Mexico, and Canada, added to the economic uncertainty. These tariffs, aimed at protecting domestic industries, have raised concerns about potential inflationary pressures and disruptions in global trade relations. The market's reaction to these tariffs is evident in the yield curve, as investors seek safer, short-term investments amidst the uncertainty.

Overall, the yield curve's upward shift in January 2025 indicates a cautious yet resilient market response to the Federal Reserve's policies and the broader economic environment, including the impact of new tariffs and ongoing economic challenges.



The Congressional Budget Office estimates that the federal budget deficit in the first four months of fiscal year 2025 was $838 billion, which is $306 billion more than the deficit recorded during the same period last fiscal year. Outlays increased by $317 billion (or 15%), and revenues increased by $11 billion (or 1%).

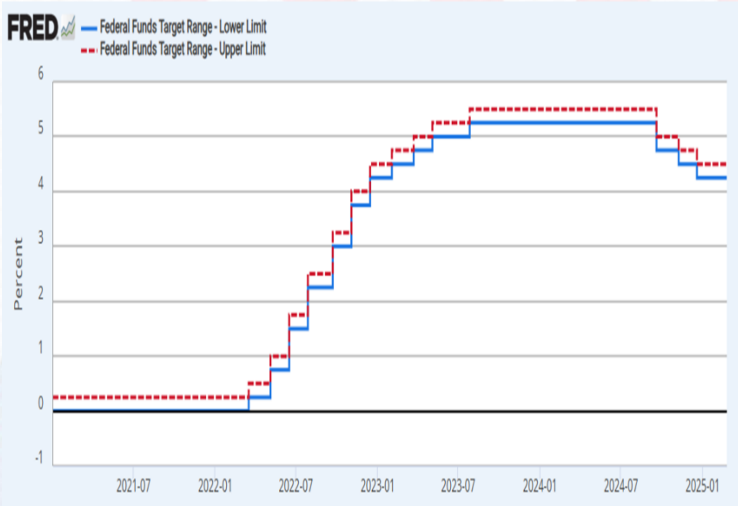
The timing of outlays and revenues significantly influenced the deficit changes, decreasing it during the first four months of fiscal year 2024 but increasing it in the same period this fiscal year. Payments due on October 1, 2023, were made in September, reducing outlays for October 2023. Conversely, payments due on February 1, 2025, were made in January, increasing outlays for the first four months of 2025. Without these timing shifts, the deficit this fiscal year would have been $750 billion, $146 billion more than the previous year. Additionally, the postponement of some tax deadlines from 2023 to 2024 boosted receipts in 2024, contributing to the deficit increase in 2025.

MONTHLY BUDGET REVIEW: JANUARY 2025

Budget Totals, October - January Billions of Dollars			
	Actual FY 2024	Preliminary FY 2025	Estimated Change
Receipts	1,585	1,596	11
Outlays	2,117	2,434	317
Deficit (-)	-532	-838	-306

FEDERAL RESERVE PRESS RELEASE

The Federal Reserve Committee observed that economic activity continued to grow at a solid pace, with the unemployment rate stabilizing at a low level and labour market conditions remaining strong. However, inflation was still somewhat elevated. Almost all members agreed that the risks to achieving the Committee's employment and inflation goals were balanced, though the economic outlook remained uncertain. To support its goals, the Committee decided to maintain the federal funds rate target range at 4¼ to 4½ percent and continue reducing the Federal Reserve's holdings of Treasury securities and agency debt. They emphasized their strong commitment to supporting maximum employment and returning inflation to the 2 percent objective. The Committee agreed to carefully assess incoming data, the evolving outlook, and the balance of risks when considering future adjustments to the federal funds rate. They also agreed to monitor a wide range of information, including labour market conditions, inflation pressures, inflation expectations, and financial and international developments, and to adjust monetary policy as necessary to achieve their goals.



At the conclusion of the discussion, the Committee voted to direct the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the SOMA in accordance with the following domestic policy directive. Effective January 30, 2025, the Federal Open Market Committee directs the Desk to:

· Undertake open market operations as necessary to maintain the federal funds rate in a target range of 4-1/4 to 4-1/2 percent.

· Conduct standing overnight repurchase agreement operations with a minimum bid rate of 4.5 percent and with an aggregate operation limit of $500 billion.

· Conduct standing overnight reverse repurchase agreement operations at an offering rate of 4.25 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.

GLOBAL ECONOMIC REVIEW

World Econ Outlook

The IMF's January 2025 World Economic Outlook (WEO) update paints a picture of steady yet subdued global growth, with the projection for 2025 and 2026 set at 3.3%, below the historical average of 3.7% from 2000–2019. This stability masks divergent performances among economies. Robust growth in the United States contrasts with deceleration in other advanced economies and continued challenges in China, where the real estate market and weak consumer confidence have restrained activity. Inflation is expected to ease globally, reaching 4.2% in 2025 and 3.5% in 2026, but progress remains uneven across regions, with persistent core inflation in services and pockets of high inflation in some emerging markets.

The report highlights the uncertainty and divergence shaping the global outlook. While U.S. growth benefits from strong consumption and investment, geopolitical tensions, elevated policy uncertainty, and trade frictions weigh on confidence and activity elsewhere, particularly in Europe and China. Central banks face contrasting challenges, with some raising rates to combat sticky inflation, while others cautiously ease monetary policy. Financial conditions remain broadly accommodative but tighter in regions under fiscal strain or facing currency depreciation due to a strong U.S. dollar.

Policy priorities emphasize balancing inflation control with growth, restoring fiscal buffers, and fostering medium-term dynamism. Structural reforms, trade policy clarity, and multilateral cooperation are critical to countering risks like protectionism, geopolitical tensions, and financial vulnerabilities. The report urges decisive global and domestic actions to sustain stability and growth amid these diverging and uncertain economic conditions.

Growth forecasts; advanced, emerging & developing economies

The growth forecast for ***advanced economies*** shows modest improvement, with projections of 1.9% in 2025 and 1.8% in 2026, reflecting a mixed performance. The United States leads with robust growth of 2.7% in 2025, supported by strong domestic demand and favourable financial conditions, while the euro area lags at 1.0%, constrained by geopolitical tensions and subdued manufacturing. Japan and the United Kingdom are expected to see mild recoveries, while Canada's growth is projected at 2.0%, despite fiscal tightening.

For ***emerging market*** and ***developing economies***, growth remains stable at 4.2% in both 2025 and 2026. China is projected to grow at 4.6% in 2025, driven by fiscal support and a gradual recovery in investment, while India continues to lead with a solid 6.5% growth rate. However, geopolitical risks, trade uncertainties, and structural challenges weigh on several regions, including Latin America, which sees modest acceleration to 2.5% growth, and emerging Europe, where growth slows to 2.2%.

In sub-Saharan Africa, growth is forecast to improve to 4.2% in 2025, supported by recovering demand and structural reforms, while the Middle East and Central Asia are expected to see a modest recovery to 3.6%, constrained by OPEC+ production cuts and regional conflicts. These projections highlight disparities across regions, influenced by external shocks, policy adjustments, and structural conditions.