MAYBERRY
INVESTMENTS LIMITED

USA ECONOMIC REVIEW

June 2025

Prepared by:
Research Department

GROSS DOMESTIC PRODUCT

According to the third estimate released by the Bureau of Economic Analysis (BEA), real gross domestic product (GDP) decreased at an annual rate of 0.5% in the first quarter of 2025. This marks a downward revision from the second estimate of a 0.2% decline and contrasts with the 2.4% increase recorded in the fourth quarter of 2024. The sharper contraction reflects a more pronounced slowdown in economic activity than previously anticipated.

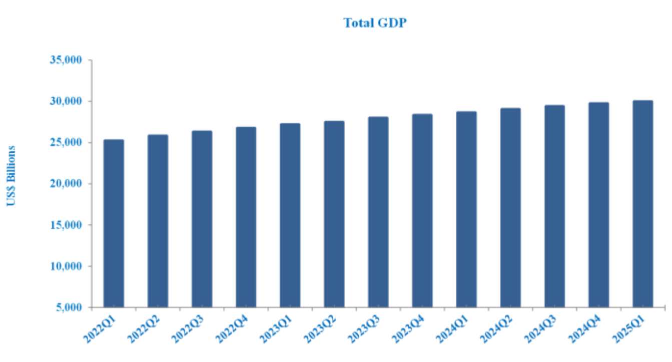
The decline in GDP was primarily driven by a significant increase in imports, which are subtracted in GDP calculations, and a decrease in government spending. These negative contributions were only partially offset by gains in consumer spending and private investment. The downward revision from the second estimate was largely due to weaker-than-expected consumer spending and exports, though this was somewhat cushioned by a downward revision to imports.

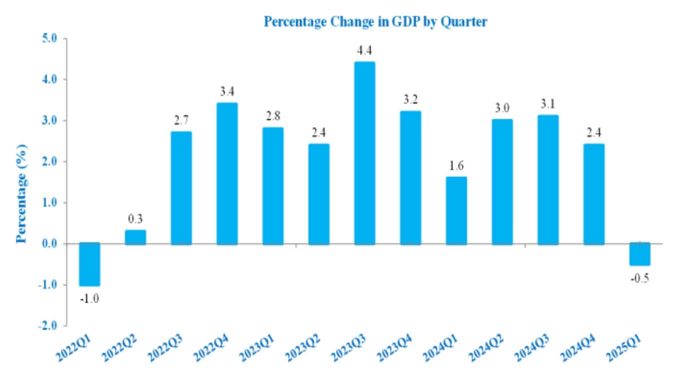
Compared to the previous quarter, the economic deceleration was influenced by an upturn in imports, a slowdown in consumer spending, and a decline in government expenditures. However, private investment showed improvement, helping to mitigate the overall downturn. Real final sales to private domestic purchasers rose by 1.9%, revised down from the earlier estimate of 2.5%, indicating a more modest pace of underlying domestic demand.

From an industry perspective, the decrease in real GDP reflected a 2.8% decline in private goods-producing industries and a 0.3% decline in private services-producing industries, partially offset by a 2.0% increase in government value added. Meanwhile, real gross output increased by 0.6%, driven by a 1.1% increase in private services-producing industries.

Inflationary pressures remained elevated. The price index for gross domestic purchases rose by 3.4%, revised up by 0.1 percentage point. The personal consumption expenditures (PCE) price index increased by 3.7%, and the core PCE index—excluding food and energy—rose by 3.5%, both up 0.1 percentage point from previous estimates. These figures suggest that inflation continues to challenge both consumers and policymakers.

Corporate profits declined by $90.6 billion in the first quarter, though this was an upward revision of $27.5 billion from the prior estimate. In contrast to GDP, real gross domestic income (GDI) increased by 0.2%, revised up from a previously reported decline, offering a slightly more optimistic view of income-based economic activity.





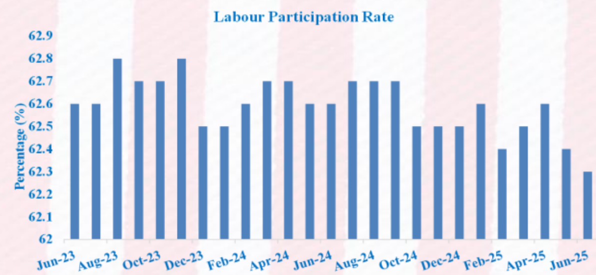
NATIONAL EMPLOYMENT

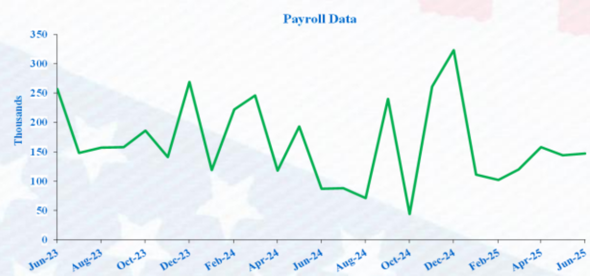
According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment increased by 147,000 in June 2025, while the unemployment rate remained relatively stable at 4.1%. Employment growth was concentrated in state government and health care, while federal government employment continued to decline.

Household Survey Data

In June, the number of unemployed people stood at 7.0 million, with the unemployment rate holding within a narrow range of 4.0% to 4.2% since May 2024. Among major demographic groups, the unemployment rate for Black workers rose to 6.8%, while it declined to 3.6% for both adult women and White workers. The rates for adult men (3.9%), teenagers (14.4%), Asians (3.5%), and Hispanics (4.8%) showed little or no change. The number of long-term unemployed—those jobless for 27 weeks or more—increased by 190,000 to 1.6 million, representing 23.3% of the total unemployed population.

The labour force participation rate remained unchanged at 62.3%, and the employment-population ratio held steady at 59.7%. The number of people employed part-time for economic reasons was little changed at 4.5 million. These individuals preferred full-time work but were working part-time due to reduced hours or the inability to find full-time employment. The number of people not in the labour force who wanted a job remained essentially unchanged at 6.0 million. Within this group, 1.8 million were marginally attached to the labour force—an increase of 234,000—while the number of discouraged workers rose by 256,000 to 637,000.





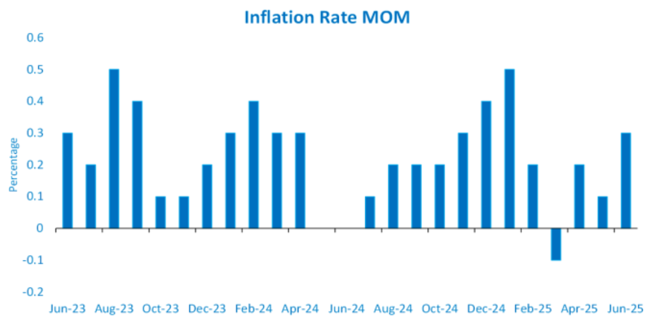
Establishment Survey Data

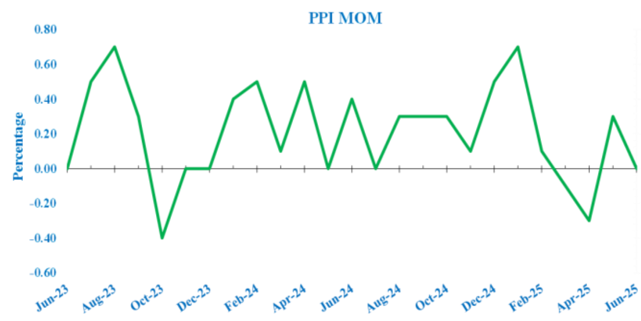
Total nonfarm payroll employment rose by 147,000 in June, aligning with the average monthly gain of 146,000 over the past year. Government employment increased by 73,000, driven by a 47,000-job gain in state government, including 40,000 in education. Local government education also added 23,000 jobs. However, federal government employment declined by 7,000 and has fallen by 69,000 since January. Health care employment grew by 39,000, with hospitals adding 16,000 jobs and nursing and residential care facilities contributing 14,000. Social assistance employment continued to trend upward, increasing by 19,000, primarily in individual and family services.

Employment in other major industries—including mining, construction, manufacturing, wholesale and retail trade, transportation and warehousing, information, financial activities, professional and business services, leisure and hospitality, and other services—showed little or no change in June. Average hourly earnings for all employees on private nonfarm payrolls rose by $0.08, or 0.2%, to $36.30, marking a 3.7% increase over the past year. For production and nonsupervisory employees, average hourly earnings increased by $0.09 to $31.24. The average workweek for all employees edged down by 0.1 hour to 34.2 hours, while the average for production and nonsupervisory employees declined by 0.2 hour to 33.5 hours.

Revisions to previous months' data showed a net increase of 16,000 jobs. April's employment gain was revised up by 11,000 to 158,000, and May's was revised up by 5,000 to 144,000. These adjustments reflect additional reports from businesses and government agencies, as well as updated 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	475,919
2025	477,483	478,734		





CONSUMER PRICE INDEX

The U.S. Bureau of Labor Statistics announced that the Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.3% on a seasonally adjusted basis in June 2025, following a 0.1% increase in May. Over the past 12 months, the all items index increased by 2.7% before seasonal adjustment.

The shelter index rose by 0.2% in June, contributing significantly to the overall monthly increase. The food index also increased by 0.3%, with the food at home index rising by 0.3% and the food away from home index increasing by 0.4%. The energy index rose by 0.9%, driven by a 1.0% increase in the gasoline index.

Excluding food and energy, the all items index increased by 0.2% in June, following a 0.1% increase in May. Notable increases were observed in household furnishings and operations, medical care, recreation, apparel, and personal care. The indexes for used cars and trucks, new vehicles, and airline fares were among the major indexes that decreased in June.

Over the last 12 months, the all items index rose by 2.7%, up from the 2.4% increase recorded for the 12 months ending in May. The index for all items less food and energy increased by 2.9% over the past year. The energy index decreased by 0.8%, while the food index increased by 3.0% over the same period.

PRODUCER PRICE INDEX

According to the U.S. Bureau of Labor Statistics , The Producer Price Index (PPI) for final demand in the U.S. was unchanged in June on a seasonally adjusted basis. This follows a 0.3 percent increase in May and a 0.3 percent decline in April. Over the 12 months ended June 2025, the index for final demand rose by 2.3 percent on an unadjusted basis.

In June, a 0.3 percent increase in prices for final demand goods was offset by a 0.1 percent decline in prices for final demand services.

Excluding foods, energy, and trade services, the index for final demand was unchanged in June, following a 0.1 percent increase in May. Over the past 12 months, this index has advanced by 2.5 percent.

Final demand goods

Notable contributors to the increase included a 0.8 percent rise in prices for communication and related equipment. Prices also rose for gasoline, residential electric power, prepared poultry, meats, and tree nuts. These gains were partially offset by a sharp 21.8 percent drop in chicken egg prices, along with declines in natural gas liquids and thermoplastic resins and plastics materials.

Final demand services

More than half of the overall decline was due to a 4.1 percent drop in prices for traveller accommodation services. Other decreases were seen in automobile retailing, deposit services, airline passenger services, and food and alcohol wholesaling. Offsetting these declines were gains in portfolio management (up 2.2 percent), as well as increases in machinery and equipment wholesaling, furniture retailing, and apparel and accessories retailing.

U.S. DOLLAR

In June 2025, the U.S. dollar continued its downward trajectory, deepening the decline seen earlier in the year. The U.S. Dollar Index (DXY) fell to approximately 97.7 by mid-month, marking a notable 3.2% drop from May levels and extending its year-to-date decline to over 10%. This weakness was largely driven by growing expectations that the Federal Reserve would begin cutting interest rates as early as September, amid moderating inflation, weakening growth indicators, and speculation about potential changes in Fed leadership. Dovish sentiment surrounding U.S. monetary policy, coupled with broader concerns about fiscal stability and slowing economic momentum, weighed heavily on the greenback throughout the month.

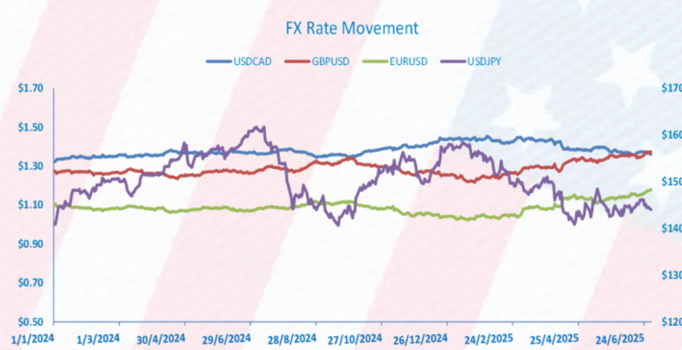
Against major currencies, the dollar broadly depreciated. The Canadian dollar strengthened, with the USD/CAD pair ending June near 1.36, supported by a rebound in oil prices, stable domestic conditions, and relative policy stability from the Bank of Canada. The British pound also gained, with GBP/USD rising to around 1.37 by month-end. The move reflected continued investor confidence in the UK economy and a resilient labour market, even as speculation around potential Bank of England rate cuts persisted. The euro advanced sharply against the dollar, with the EUR/USD pair reaching as high as 1.18 during the month, boosted by steady eurozone growth and a cautious but consistent stance from the European Central Bank. The Japanese yen, meanwhile, traded within a stable range, with USD/JPY averaging around 144.65, as safe haven demand and expectations of gradual Bank of Japan policy normalization supported the currency.

Overall, June's foreign exchange movements mirrored broader market themes of diverging central bank trajectories and shifting global risk sentiment. The dollar's decline aligned with bond market signals, where falling short-term yields and easing rate expectations reflected a softening U.S. outlook. At the same time, the relative strength of other major currencies highlighted growing investor confidence in non-U.S. economies and a preference for markets with firmer policy anchors or stronger external positions. The weaker dollar helped ease U.S. import costs but raised questions about export competitiveness, while stronger foreign currencies reduced inflationary pressures abroad but could weigh on their export sectors. Looking ahead, foreign exchange markets will remain sensitive to Fed communications, economic data surprises, and geopolitical developments that could alter the current trend of U.S. dollar weakness.

The U.S Dollar last traded on June 30, 2025, at the following rates:

USD/CAD: 1.36 EURO/USD: 1.18

GBP/USD: 1.37 USD/YEN: 144.03



U.S. TREASURY YIELD

In June 2025, the U.S. Treasury yield curve continued to reflect a complex economic outlook, marked by a mix of optimism around potential Federal Reserve rate cuts and growing fiscal concerns. After surging in April and May, long-term yields began to ease slightly, with the 30-year yield retreating from above 5% to just under that level. However, investor appetite for long-dated securities remained weak, as concerns over rising government deficits and large-scale fiscal packages kept term premiums elevated. The 10-year yield hovered around 4.48%, with projections suggesting a moderate decline to approximately 4.35% in the coming months, aligning with expectations of monetary policy easing later in the year.

Short-term yields, particularly at the very front end, exhibited renewed volatility. The 1-month Treasury bill yield fluctuated around 4.22% in June, driven by a surge in short-term debt issuance and uncertainty surrounding the federal government's near-term funding strategies. While short-term rates had remained relatively stable in previous months, June's movements signalled some front-end stress and market sensitivity to shifts in Treasury supply. Nonetheless, the broader economic data showed signs of inflation moderation, reinforcing the market's belief that the Fed may begin cutting rates by September, which has helped anchor short-term rate expectations despite the temporary volatility.

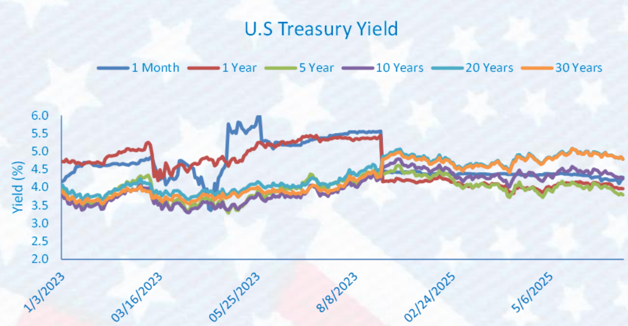
Overall, the yield curve remained upward-sloping and became slightly steeper, as short-term yields struggled to keep pace with still-elevated long-term rates. This steepening reflects a divergence between near-term optimism about inflation control and rate cuts, and long-term caution about structural fiscal imbalances and potential inflationary pressures down the road. The market's demand for higher yields on longer-term debt highlights a preference for lower-duration risk, with investors wary of how evolving economic policies may affect long-run growth and price stability. As a result, borrowing costs for long-duration assets remain high, with potential implications for investment, credit markets, and overall financial conditions heading into the second half of the year.

Treasury Par Yield Curve Rates closed on June 30, 2025, at the following rates:

· 1 year: 3.96% · 10 years: 4.24%

· 2 years: 3.72% · 20 years: 4.79%

· 3 years: 3.68% . 30 years: 4.78%



MONTHLY BUDGET REVIEW: JUNE 2025

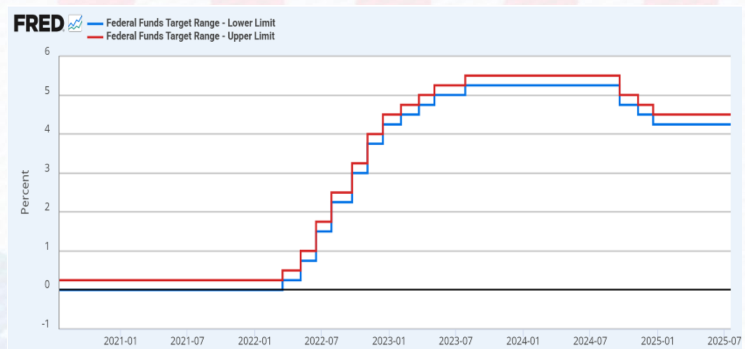
The Congressional Budget Office estimates that the federal budget deficit in the first nine months of fiscal year 2025 was $1.3 trillion, which is $65 billion more than the deficit recorded during the same period last fiscal year. Revenues increased by $254 billion (or 7%), and outlays increased by $320 billion (or 6%).

The timing of outlays significantly influenced the year-over-year change. In fiscal year 2024, payments due on October 1, 2023 (a Sunday), were made in September, reducing outlays for the first nine months of that year. Without this timing shift, the deficit so far in fiscal year 2025 would have been $7 billion (or 1%) less than the shortfall at the same point last year.

Budget Totals, October - June Billions of Dollars			
	Actual FY 2024	Preliminary FY 2025	Estimated Change
Receipts	3,754	4,009	254
Outlays	5,027	5,347	320
Deficit (-)	-1,273	-1,339	65

FEDERAL RESERVE PRESS RELEASE

At their recent meeting, the Federal Reserve Committee agreed to maintain the target range for the federal funds rate at 4.25% to 4.5%, citing solid economic activity, a low unemployment rate, and persistent but somewhat elevated inflation. While acknowledging that uncertainty about the economic outlook had lessened—partly due to a decline in expected tariff levels—they emphasized that risks to both sides of their dual mandate remain. The Committee reaffirmed its strong commitment to maximum employment and a 2% inflation target, and agreed to closely monitor incoming data, economic conditions, and global developments to determine any future policy adjustments.



The Federal Reserve has made the following decisions to implement the monetary policy stance announced by the Federal Open Market Committee in its statement on June 18, 2025:

- The Board of Governors of the Federal Reserve System voted unanimously to maintain the interest rate paid on reserve balances at 4.4 percent, effective June 20, 2025.
- As part of its policy decision, the Federal Open Market Committee voted to direct the Open Market Desk at the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:

"Effective June 20, 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 $5 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."

- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve the establishment of the primary credit rate at the existing level of 4.5 percent.

GLOBAL ECONOMIC REVIEW

World Economic Outlook at a Critical Juncture

The April 2025 edition of the IMF's World Economic Outlook (WEO), titled "A Critical Juncture amid Policy Shifts," presents a sobering assessment of the global economy, emphasizing the challenges posed by trade tensions, demographic shifts, and technological disruption. The report forecasts a significant slowdown in global growth, with world output expected to expand by just 2.8% in 2025 and 3.0% in 2026, down from 3.3% in 2024 and well below the pre-pandemic average of 3.7%. This deceleration is attributed to rising geopolitical risks, policy uncertainty, and structural headwinds.

Advanced economies are projected to grow at a modest 1.4% in 2025, with the United States slowing to 1.8%, reflecting a sharp downgrade due to trade disruptions and policy ambiguity. The euro area is expected to grow by only 0.8%, while other major economies like Canada, Japan, and the UK also face downward revisions. Emerging market and developing economies are forecast to grow at 3.7%, with regional disparities. Emerging Asia is projected to grow at 4.5%, though China's outlook has been revised down to 4.0% due to property sector weaknesses and trade pressures. India, however, remains resilient at 6.2%. Latin America and the Caribbean are expected to slow to 2.0%, particularly due to a downgrade for Mexico, while other regions like emerging Europe, the Middle East, and sub-Saharan Africa also face softer growth due to tighter global financial conditions.

A central theme of the report is the escalation of trade tensions, especially between the U.S. and China. The imposition of sweeping tariffs—raising the effective U.S. tariff rate on Chinese goods to 115%—and retaliatory measures from China have disrupted global supply chains, dampened investment, and heightened market volatility. The IMF warns that if trade wars intensify, global GDP could shrink by up to 1.9% in 2026 compared to the baseline.

The WEO also explores demographic transformations, highlighting the aging global population. The average global age is projected to rise by 11 years by century's end. While this trend poses challenges such as slower growth and labour shortages, the report emphasizes the potential of "healthy aging." Improved cognitive and physical health among older adults is enabling longer working lives and higher labour force participation. The IMF recommends policies that promote lifelong health and education, raise retirement ages, and close gender gaps in labour markets. These measures could boost global output growth by up to 0.6 percentage points annually over the next 25 years, offsetting much of the demographic drag.

The report also addresses the macroeconomic implications of AI, particularly its impact on energy demand. As AI adoption accelerates, electricity consumption is expected to surge, potentially rivalling that of entire nations like India by 2030. This raises concerns about energy prices, emissions, and infrastructure needs. The IMF calls for targeted energy policies and investments in renewables to align technological progress with environmental goals.

In conclusion, the IMF underscores the need for coordinated policy responses, structural reforms, and international cooperation. It urges clarity in trade policy, vigilance from central banks, and fiscal prudence. The report paints a picture of a global economy at a crossroads, where prudent choices today will shape the economic landscape for decades to come.

U.S. Outlook Mid-2025: Growth Cools, Policy Risks Rise

The U.S. economy is experiencing a sharper-than-expected slowdown in 2025, with real GDP growth now projected between 1.3% and 1.6%, down from 2.8% in 2024. The reintroduction of sweeping tariffs—targeting imports from China, Mexico, and Brazil—has significantly increased costs for consumers and businesses, dampened investment sentiment, and raised the risk of stagflation. While tariffs have generated over $100 billion in revenue year-to-date, they have also provoked retaliatory trade measures and led to rising concerns about supply chain fragmentation and long-term competitiveness.

The Federal Reserve has kept interest rates steady at 4.25%–4.50%, maintaining a cautious, data-driven approach amid conflicting signals. While some policymakers, such as Governor Waller, have advocated for rate cuts as early as July due to signs of softening in job growth and consumer demand, others like New York Fed President Williams remain wary of lingering inflation, with June CPI at 2.7% and core inflation at 2.8%. The Fed still projects two rate cuts by the end of 2025, but divisions within the Committee reflect uncertainty about the trajectory of both inflation and growth.

On the fiscal front, the recent passage of the $4–$5 trillion "One Big Beautiful Bill Act" has reshaped the policy landscape, introducing tax cuts, social spending reforms, and major outlays in defence and immigration. The administration has leaned heavily on tariffs as a funding source, even as fiscal pressures mount. Treasury Secretary Scott Bessent has floated unconventional proposals—including broader digital asset use and deregulation—to manage the growing deficit. Meanwhile, the geopolitical environment remains tense, with the U.S. continuing strategic military and diplomatic engagement in Europe, the Indo-Pacific, and the Middle East, though no new escalations have occurred since early 2025.

In the energy and technology sectors, the surge in artificial intelligence infrastructure is creating unprecedented demand for electricity, particularly in the commercial sector. Data centre power usage is expected to rise 3% this year and 5% in 2026, prompting urgent calls for investments in renewable energy and grid modernization. Globally, the U.S.'s assertive policy stance is contributing to a fragmented economic landscape, as trade partners adjust supply chains and monetary authorities recalibrate strategies in response to shifting capital flows and inflation dynamics. The combination of protectionism, fiscal expansion, and technological acceleration is redefining the contours of globalization and testing the resilience of international cooperation.