



**MAYBERRY**  
INVESTMENTS LIMITED

# **USA**

## **ECONOMIC REVIEW**

**July 2025**

Prepared by:  
**Research Department**

# GROSS DOMESTIC PRODUCT

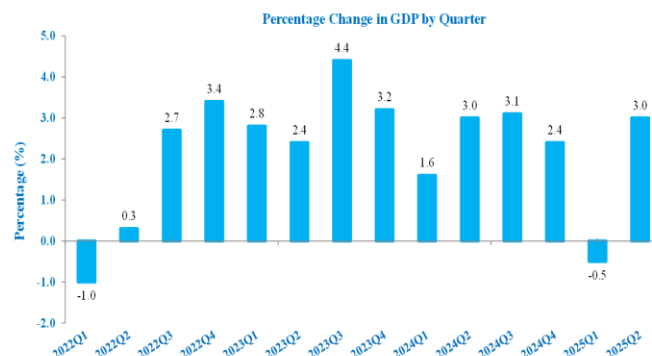
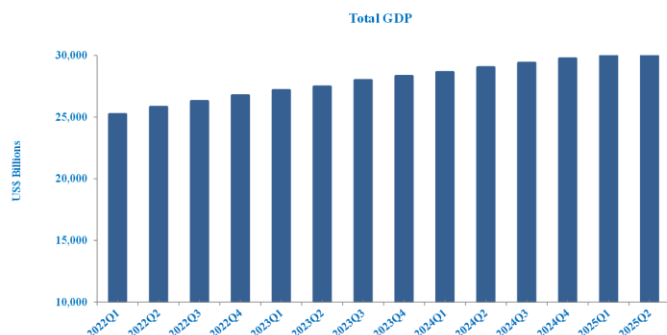
According to the advance estimate released by the Bureau of Economic Analysis (BEA), real gross domestic product (GDP) increased at an annual rate of 3.0% in the second quarter of 2025. This marks a strong rebound from the 0.5% decline recorded in the first quarter and reflects a notable upturn in economic activity.

The increase in GDP was primarily driven by a decrease in imports—which are subtracted in GDP calculations—and an acceleration in consumer spending. These positive contributions were partially offset by declines in private investment and exports. The downturn in investment was largely due to reduced private inventory investment, particularly in nondurable goods manufacturing and wholesale trade.

Compared to the previous quarter, the economic acceleration was influenced by a sharp drop in imports and stronger consumer spending, especially in services such as health care, food services, and financial services. However, investment contracted, and exports declined, tempering the overall growth. Real final sales to private domestic purchasers rose by 1.2%, down from a 1.9% increase in the first quarter, indicating a more moderate pace of underlying domestic demand.

From an inflation standpoint, pressures eased somewhat. The price index for gross domestic purchases rose by 1.9%, down from 3.4% in the first quarter. The personal consumption expenditures (PCE) price index increased by 2.1%, and the core PCE index—excluding food and energy—rose by 2.5%, both showing deceleration from the prior quarter.

Corporate profits and gross domestic income (GDI) figures were not included in this advance estimate and are expected in the next release on August 28, 2025.





## NATIONAL EMPLOYMENT

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment increased by 73,000 in July 2025, while the unemployment rate remained relatively stable at 4.2%. Employment growth was concentrated in health care and social assistance, while federal government employment continued to decline.

### Household Survey Data

In July, the number of unemployed people stood at 7.2 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 7.2%, while it increased to 3.7% for both adult women and White workers. The rates for adult men (4.0%), teenagers (15.2%), Asians (3.9%), and Hispanics (5.0%) showed little or no change. The number of long-term unemployed—those jobless for 27 weeks or more—increased by 179,000 to 1.8 million, representing 24.9% of the total unemployed population.

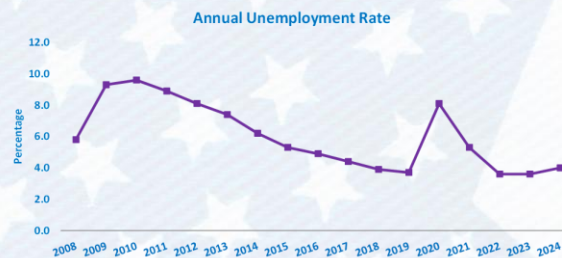
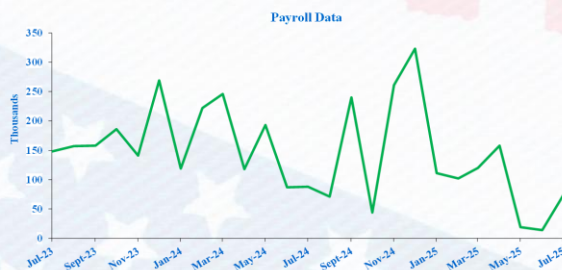
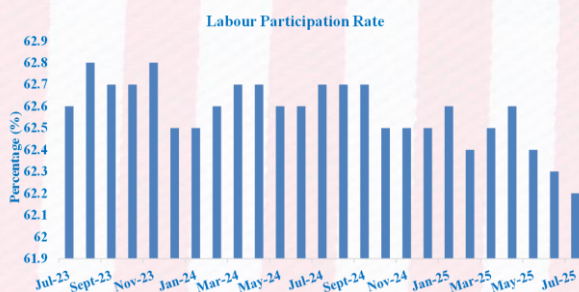
The labour force participation rate edged down to 62.2%, and the employment-population ratio declined slightly to 59.6%. The number of people employed part-time for economic reasons rose to 4.7 million. These individuals preferred full-time work but were working part-time due to reduced hours or the inability to find full-time employment. The number of people not in the labour force who wanted a job remained essentially unchanged at 6.2 million. Within this group, 1.7 million were marginally attached to the labour force, while the number of discouraged workers fell by 212,000 to 425,000.

### Establishment Survey Data

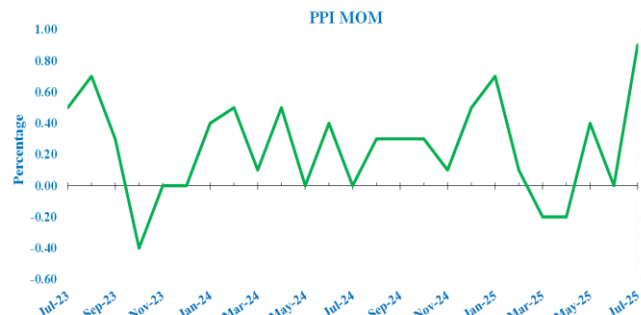
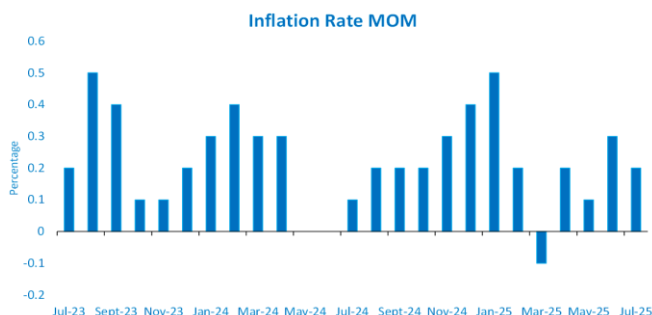
Total nonfarm payroll employment rose by 73,000 in July, continuing the trend of modest gains seen since April. Health care employment increased by 55,000, with ambulatory services adding 34,000 jobs and hospitals contributing 16,000. Social assistance employment rose by 18,000, primarily in individual and family services. Federal government employment declined by 12,000 and is down by 84,000 since January.

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 July. Average hourly earnings for all employees on private nonfarm payrolls rose by \$0.12, or 0.3%, to \$36.44, marking a 3.9% increase over the past year. For production and nonsupervisory employees, average hourly earnings increased by \$0.08 to \$31.34. The average workweek for all employees edged up by 0.1 hour to 34.3 hours, while the average for production and nonsupervisory employees rose to 33.7 hours.

Revisions to previous months' data showed a net decrease of 258,000 jobs. May's employment gain was revised down by 125,000 to 19,000, and June's was revised down by 133,000 to 14,000. 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	478,351	159,539	



## 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 July 2025, following a 0.3% increase in June. Over the past 12 months, the all items index increased by 2.7% before seasonal adjustment.

The shelter index rose by 0.2% in July, contributing significantly to the overall monthly increase. The food index was unchanged, as the food away from home index rose by 0.3% while the food at home index declined by 0.1%. The energy index fell by 1.1%, driven by a 2.2% decrease in the gasoline index.

Excluding food and energy, the all items index increased by 0.3% in July, following a 0.2% increase in June. Notable increases were observed in medical care, airline fares, recreation, household furnishings and operations, and used cars and trucks. The indexes for lodging away from home and communication were among the few major indexes that decreased in July.

Over the last 12 months, the all items index rose by 2.7%, unchanged from the increase recorded for the 12 months ending in June. The index for all items less food and energy increased by 3.1% over the past year. The energy index decreased by 1.6%, while the food index increased by 2.9% 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. rose by 0.9 percent in July on a seasonally adjusted basis. This follows no change in June and a 0.4 percent increase in May. On an unadjusted basis, the index for final demand advanced 3.3 percent over the 12 months ended July 2025, marking the largest 12-month increase since February 2025.

In July, a 1.1 percent increase in prices for final demand services accounted for more than three-quarters of the overall rise, while prices for final demand goods increased 0.7 percent.

Excluding foods, energy, and trade services, the index for final demand rose 0.6 percent in July, the largest monthly increase since March 2022. Over the past 12 months, this index has advanced 2.8 percent.

### Final demand goods

Notable contributors to the increase included a 38.9 percent surge in prices for fresh and dry vegetables. Additional gains were observed in prices for meats, diesel fuel, jet fuel, nonferrous scrap, and eggs for fresh use. These increases were partially offset by a 1.8 percent decline in gasoline prices, along with decreases in prices for canned and prepared poultry and plastic resins and materials.

### Final demand services

Key contributors to the rise included a 3.8 percent increase in margins for machinery and equipment wholesaling, along with gains in portfolio management, securities brokerage and investment services, traveller accommodation services, automobile retailing, and truck transportation of freight. Offsetting these gains were declines in prices for hospital outpatient care (down 0.5 percent), furniture retailing, and pipeline transportation of energy products.



## U.S. DOLLAR

In July 2025, the U.S. dollar showed a modest rebound, partially reversing its steep decline from earlier in the year. The U.S. Dollar Index (DXY) rose by approximately 3.2% during the month, ending near 98.0, though it remained down over 7% year-to-date. This recovery was driven by stronger-than-expected U.S. economic data, including job creation, which temporarily eased concerns about the impact of tariffs and policy uncertainty. However, broader trends still point to dollar weakness due to slowing growth, elevated fiscal risks, and increasing foreign investor hedging against U.S. assets.

Against major currencies, the dollar remained broadly weaker on a year-to-date basis. The Canadian dollar appreciated, with USD/CAD trading around 1.388, supported by stable oil prices and a resilient domestic outlook. The British pound strengthened further, with GBP/USD reaching 1.345, reflecting investor confidence in the UK economy and expectations of a dovish shift by the Bank of England. The euro also gained, with EUR/USD climbing to 1.164, buoyed by steady eurozone growth and a cautious but consistent ECB stance. The Japanese yen traded near 147.4 against the dollar, as safe-haven demand and speculation around Bank of Japan policy normalization kept the currency relatively stable.

Overall, July's foreign exchange movements reflected diverging central bank policies and shifting global risk sentiment. The dollar's partial recovery aligned with a temporary stabilization in U.S. yields, as the Federal Reserve held its policy rate steady at 4.25% to 4.5%. However, the broader outlook remains tilted toward further dollar weakness, especially if the Fed begins easing later in the year. Meanwhile, the relative strength of other major currencies underscores investor preference for economies with clearer policy direction and stronger external balances. The evolving FX landscape continues to influence trade competitiveness, inflation dynamics, and capital flows as markets head into the second half of 2025.

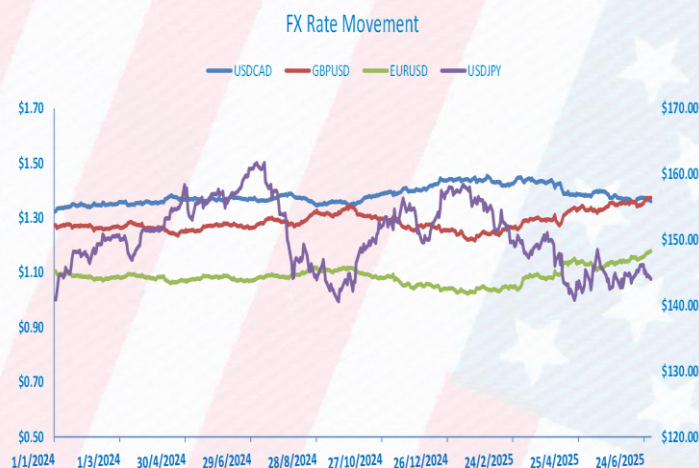
The U.S Dollar last traded on July 31, 2025, at the following rates:

USD/CAD: 1.39

EURO/USD: 1.14

GBP/USD: 1.32

USD/YEN: 150.75



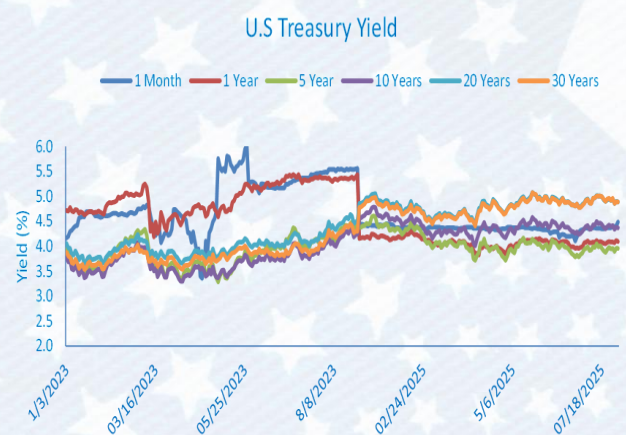
## U.S. TREASURY YIELD

As of the end of July 2025, the U.S. Treasury yield curve continued to reflect a nuanced economic outlook shaped by resilient labour data, persistent inflationary pressures, and fiscal uncertainty. Long-term yields remained elevated, with the 30-year yield ending the month at 4.90%, while the 10-year yield settled at 4.38%, slightly higher than June's level. Investor demand for long-dated securities remained subdued due to concerns over rising deficits and the projected impact of the "One Big Beautiful Bill Act," which is expected to add \$3.4 trillion to the federal deficit over the next decade. Short-term yields also rose, with the 2-year yield climbing to 3.96%, and the 8-week Treasury bill yield reaching 4.275% mid-month, reflecting increased short-term issuance and market sensitivity to near-term funding strategies.

The Federal Reserve held the federal funds rate steady at 4.25% to 4.5%, citing moderated growth and elevated inflation, though two members dissented in Favor of a rate cut. The yield curve steepened modestly, signalling market optimism about potential rate cuts later in the year, tempered by long-term caution over fiscal sustainability and inflation risks. This dynamic continues to influence borrowing costs and investor preferences, with implications for credit markets and capital allocation heading into the second half of 2025.

Treasury Par Yield Curve Rates closed on July 31, 2025, at the following rates:

- |                  |                   |
|------------------|-------------------|
| · 1 year: 4.10%  | · 10 years: 4.37% |
| · 2 years: 3.94% | · 20 years: 4.89% |
| · 3 years: 3.89% | · 30 years: 4.89% |





The Congressional Budget Office estimates that the federal budget deficit in the first ten months of fiscal year 2025 was \$1.6 trillion, which is \$109 billion more than the deficit recorded during the same period last fiscal year. Revenues increased by \$263 billion (or 6%), and outlays increased by \$372 billion (or 7%).

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 ten months of that year. Without this timing shift, the deficit so far in fiscal year 2025 would have been \$37 billion (or 2%) more than the shortfall at the same point last year.

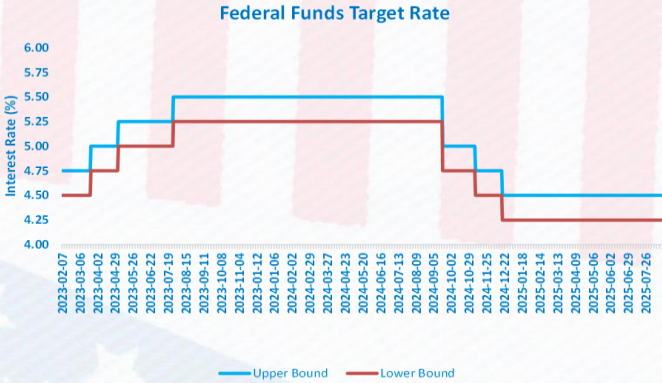
In January 2025, CBO projected a full-year deficit of \$1.9 trillion. Updated projections, reflecting actual spending and revenues through August and estimates for September, will be released in the Monthly Budget Review: August 2025. The next edition of The Budget and Economic Outlook, covering fiscal years 2026 through 2036, will assess the budgetary and economic impacts of recent reconciliation legislation, tariffs, immigration policy changes, and other developments.

MONTHLY BUDGET REVIEW: JULY 2025

Budget Totals, October - July			
Billions of Dollars			
	Actual	Preliminary	Estimated
	FY 2024	FY 2025	Change
Receipts	4,085	4,347	263
Outlays	5,602	5,974	372
Deficit (-)	-1,517	-1,626	-109

FEDERAL RESERVE PRESS RELEASE

At their recent meeting, the Federal Reserve Committee members agreed that while net export fluctuations had influenced the data, economic growth had moderated in the first half of the year, with labour market conditions remaining solid and unemployment low, though inflation stayed somewhat elevated. Despite heightened uncertainty around the economic outlook, nearly all members supported maintaining the federal funds rate at 4.25% to 4.5%, while a couple favoured a 25-basis point cut due to signs of weakening labour market momentum and inflation nearing the 2% target when excluding tariff effects. The Committee reaffirmed its commitment to its dual mandate of maximum employment and 2% inflation, emphasizing a data-dependent approach and readiness to adjust policy as needed based on a broad range of indicators including labour market trends, inflation expectations, and global developments.



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 July 30, 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 July 31, 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

### At the Crossroads: Global Growth, Trade Frictions, and the AI Energy Pivot

*IMF July 2025 WEO Update — A concise review of near-term growth dynamics, trade-policy risks, demographic headwinds, and the energy implications of rapid AI adoption.*

The global economy is at a critical juncture. The July 2025 WEO projects world GDP growth of 3.0% in 2025 and 3.1% in 2026, reflecting a small upward revision from April driven by front-loaded imports and investment, somewhat easier global financial conditions, and lower effective tariff assumptions relative to earlier baselines. Although these forces supported activity in the near term, they are temporary and risks remain concentrated on the downside. In particular, re-escalation of tariffs or the wider use of non-tariff restrictions could quickly reverse gains by disrupting supply chains, raising input costs, and denting business confidence.

Trade-policy uncertainty is the chief near-term risk. The WEO highlights how tariff actions and targeted restrictions raise production costs and force firms to reconfigure supply chains—an adjustment that can amplify volatility and reduce investment. IMF staff simulations indicate that moving to higher tariff schedules would shave meaningful growth from the global outlook; even relatively modest tariff increases can have outsized effects once firms begin to relocate production or adjust inventories. Non-tariff measures that target critical inputs would compound these effects.

Beyond near-term trade dynamics, three structural forces shape medium-term prospects. First, demographic change—an ageing global population—poses a persistent drag unless offset by policies that raise labour-force participation (including closing gender gaps), raise effective retirement ages, and invest in lifelong learning. Second, uneven productivity growth means many countries will struggle to regain pre-pandemic growth paths without reforms to boost innovation, competition and investment. Third, rapid technological adoption (notably AI) offers productivity upside but creates new macro and infrastructure challenges: data-centre energy demand, grid modernization, and the environmental trade-offs of rising electricity consumption. The WEO stresses targeted public investments—especially in renewables and grid upgrades—and policies that support worker transition and re-skilling.

Policy guidance from the WEO is pragmatic and sequenced. Short-run responses should focus on restoring predictability and reducing uncertainty (particularly in trade), while fiscal policy should aim to protect the vulnerable with temporary, targeted support and then rebuild buffers through growth-friendly consolidation once cyclical conditions allow. Monetary and macroprudential authorities should preserve price and financial stability, using clear, country-specific reaction functions and contingency planning for downside scenarios. For analysts, the watchlist includes the durability of the front-loading effect (the risk of inventory overhangs), the path of headline and core inflation across regions, fiscal trajectories in large economies that could affect global term-premia, and whether rising technology-driven energy demand is met with clean, affordable supply.

## U.S. ECONOMIC OUTLOOK

### Policy Tightrope: Tariffs, Fiscal Expansion, and the Fed's Dilemma

*U.S. Economic Outlook 2025–26 — How tariff-driven uncertainty, recent fiscal measures (OBBBA), and evolving inflation dynamics shape monetary and fiscal tradeoffs.*

The United States is projected to slow to about 1.9% growth in 2025 and 2.0% in 2026 in the WEO July baseline. That profile reflects a mix of countervailing forces: near-term support from fiscal expansion (the recently enacted One Big Beautiful Bill Act, OBBBA) and front-loaded imports and investment, offset by rising policy uncertainty from tariffs and medium-term fiscal vulnerabilities. While the OBBBA provides a modest lift to output over the WEO horizon, the IMF flags that the package raises deficits and debt pressures that could push term-premia higher if markets question medium-term fiscal sustainability.

Tariff and trade policy are central to the U.S. outlook. Tariff-driven cost increases have raised input and consumer prices for affected goods, complicated supply-chain decisions and increased the risk that businesses defer or relocate investment. The July Update assumes lower effective tariff rates than some earlier scenarios—partly explaining the modest upward revision from April—but the risk of renewed or broadened tariffs remains an important downside scenario. Analysts should monitor tariff announcements, implementation timelines and any retaliatory measures from trading partners, since these developments can rapidly change the baseline for growth and inflation.

On inflation and monetary policy, the WEO expects headline and core inflation to ease gradually but to remain above the 2% objective through 2026 in baseline scenarios, leaving the Federal Reserve sensitive to incoming labour-market and price data. Market pricing and staff assessments suggest possible policy easing in the latter half of 2025 if disinflation continues, but the timing and magnitude of cuts depend on whether the slowdown reflects demand weakness, tariff-driven supply shocks, or transitory inventory dynamics tied to front-loading. Clear communication and credible contingency planning are therefore essential to maintain inflation expectations and financial stability.

Cross-cutting structural risks deserve attention. The surge in AI and data-centre investment is raising electricity demand and creating urgency for grid upgrades and clean-energy investment; failure to meet that demand affordably and sustainably could lead to higher energy costs and emissions trade-offs. Fiscal choices—particularly any tendency to finance permanent spending with temporary or uncertain tariff revenues—could constrain future policy space and complicate the macroeconomic policy mix. The WEO's tailored prescription for the U.S. echoes the global message: make trade policy predictable, pair temporary fiscal support with clear sunset clauses or offsets, safeguard central-bank credibility, and pursue structural reforms and targeted investments to raise medium-term potential growth.