



MAYBERRY
INVESTMENTS LIMITED

USA ECONOMIC REVIEW

August 2025

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Research Department

GROSS DOMESTIC PRODUCT

In the second quarter of 2025, the U.S. economy rebounded strongly, with real gross domestic product (GDP) increasing at an annual rate of 3.3%, according to the Bureau of Economic Analysis (BEA). This marks a significant turnaround from the 0.5% contraction in the first quarter. The upward revision from the initial 3.0% estimate was driven by stronger-than-expected consumer spending and investment, although partially offset by higher imports and lower government spending.

The GDP growth was primarily supported by a sharp decline in imports, which added 5.18 percentage points to growth after subtracting 4.66 points in Q1. Consumer spending also accelerated, particularly in durable goods such as automobiles, which surged by 16.3%. However, service consumption remained weak, with notable declines in electricity and air travel spending. Overall, consumption grew at a modest 1.4% rate, bringing the first-half average to just 0.9%, down from 3.4% in 2024.

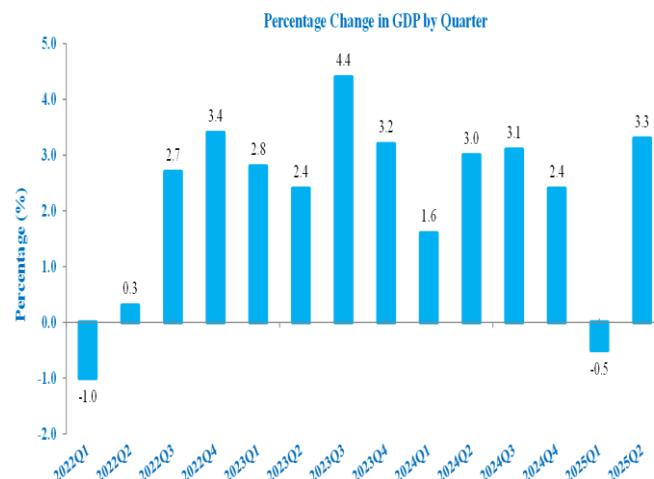
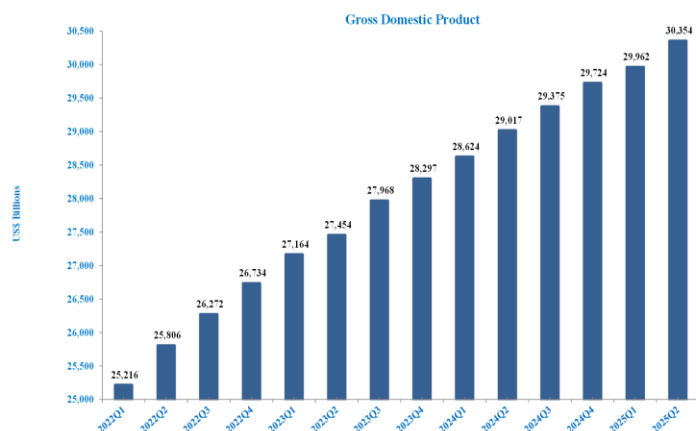
Investment trends were mixed. Non-residential investment rose by 1.3%, led by gains in equipment and intellectual property products, especially software development linked to AI. However, structure investment fell sharply, particularly in factory and hotel construction. Residential investment also declined by 4.6%, reflecting the impact of high interest rates and labour shortages.

Trade dynamics were notable, with the improvement in net exports entirely due to reduced imports. Exports fell by 1.8%, driven by a drop in goods exports and foreign tourism spending. Government spending grew slightly at 0.4%, recovering from a decline in Q1, though federal spending continued to contract.

Inflation indicators showed some moderation. The price index for gross domestic purchases rose by 1.8%, while the personal consumption expenditures (PCE) price index increased by 2.0%. The core PCE, excluding food and energy, remained steady at 2.5%, above the Federal Reserve's 2.0% target.

Corporate profits rebounded, rising by \$65.5 billion in Q2 after a \$90.6 billion decline in Q1. Real gross domestic income (GDI) surged by 4.8%, and the average of real GDP and GDI rose by 4.0%, indicating broad-based economic improvement.

Despite the strong Q2 performance, underlying concerns remain. Consumption growth is weakening, productivity growth is slowing, and trade uncertainties—particularly tariffs—pose risks to future expansion. The BEA will release the third estimate and annual updates on September 25, 2025, which may further refine the economic picture.



NATIONAL EMPLOYMENT

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment rose by 22,000 in August, while the unemployment rate remained relatively stable at 4.3%. Employment saw notable increases in health care and social assistance, whereas federal government, mining, quarrying, and oil and gas extraction experienced declines. These findings are based on two monthly surveys: the household survey, which measures labour force status, including unemployment by demographic characteristics, and the establishment survey, which assesses nonfarm employment, hours, and earnings by industry.

Household Survey Data

In August, the unemployment rate remained steady at 4.3%, with 7.4 million people unemployed. The rates for major worker groups, including adult men (4.1%), adult women (3.8%), teenagers (13.9%), Whites (3.7%), Blacks (7.5%), Asians (3.6%), and Hispanics (5.3%), showed little change.

The number of long-term unemployed remained at 1.9 million, accounting for 25.7% of all unemployed individuals—an increase of 385,000 over the year.

The labour force participation rate (62.3%) and the employment-population ratio (59.6%) showed little change, both down 0.4 percentage points over the year. The number of people employed part-time for economic reasons remained at 4.7 million. 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 remained at 6.4 million, up by 722,000 over the year. Among them, 1.8 million were marginally attached to the labour force, and 514,000 were discouraged workers who believed no jobs were available for them.

Establishment Survey Data

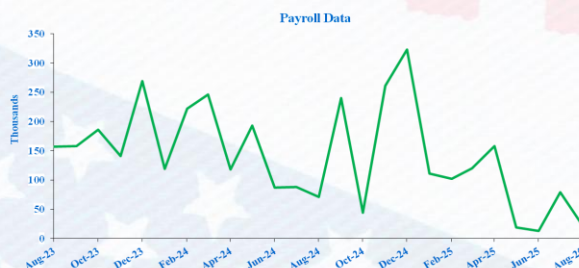
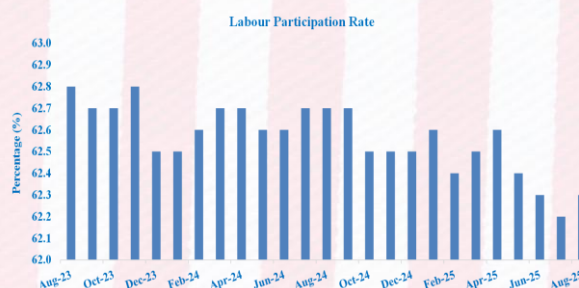
In August, total nonfarm payroll employment increased by 22,000, continuing a trend of minimal change since April. Notable job gains occurred in health care (+31,000), with growth in ambulatory health care services (+13,000), nursing and residential care facilities (+9,000), and hospitals (+9,000). Social assistance employment rose by 16,000, driven by gains in individual and family services.

Federal government employment declined by 15,000 and is down by 97,000 since January. Employment in mining, quarrying, and oil and gas extraction fell by 6,000. Wholesale trade employment also declined by 12,000, while manufacturing employment decreased by 12,000, including a 15,000 drop in transportation equipment manufacturing due in part to strike activity.

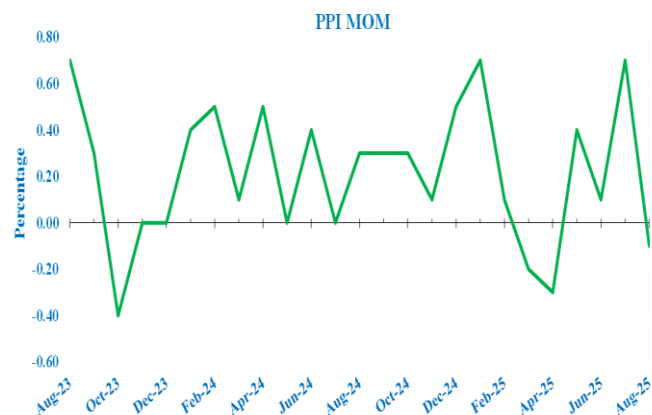
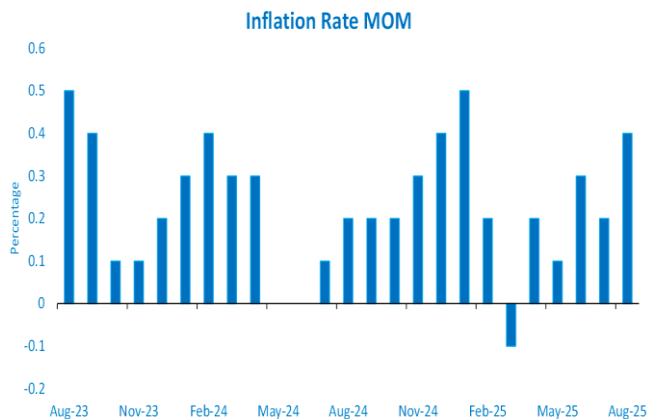
Employment in other major industries—including construction; retail trade; transportation and warehousing; information; financial activities; professional and business services; leisure and hospitality; and other services—showed little change over the month.

Average hourly earnings for all employees on private nonfarm payrolls increased by 10 cents to \$36.53, marking a 3.7% rise over the past year. The average workweek for all employees remained unchanged at 34.2 hours, with production and nonsupervisory employees also seeing no change at 33.7 hours.

Revisions for June and July showed a net decrease of 21,000 jobs, with June's employment revised down by 27,000 to -13,000 and July's revised up by 6,000 to +79,000. 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	475,919
2025	477,483	478,324	319,058	



CONSUMER PRICE INDEX

The U.S. Bureau of Labor Statistics announced that the Consumer Price Index for All Urban Consumers (CPI-U) rose by 0.4% on a seasonally adjusted basis in August 2025, following a 0.2% increase in July. Over the past 12 months, the all items index increased by 2.9% before seasonal adjustment.

The shelter index rose by 0.4% in August, contributing significantly to the overall monthly increase. The food index increased by 0.5%, as the food at home index rose by 0.6% while the food away from home index increased by 0.3%. The energy index rose by 0.7%, driven by a 1.9% increase in the gasoline index.

Excluding food and energy, the all items index increased by 0.3% in August, unchanged from July. Notable increases were observed in airline fares, used cars and trucks, apparel, and new vehicles. The indexes for medical care, recreation, and communication were among the few major indexes that decreased in August.

Over the last 12 months, the all items index rose by 2.9%, up from the 2.7% increase recorded for the 12 months ending in July. The index for all items less food and energy increased by 3.1% over the past year. The energy index increased by 0.2%, while the food index rose by 3.2% 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. edged down 0.1 percent in August on a seasonally adjusted basis. This follows a 0.7 percent increase in July and a 0.1 percent rise in June. On an unadjusted basis, the index for final demand advanced 2.6 percent over the 12 months ended August 2025.

In August, a 0.2 percent decline in prices for final demand services accounted for the overall decrease, while prices for final demand goods inched up 0.1 percent.

Excluding foods, energy, and trade services, the index for final demand rose 0.3 percent in August, marking the fourth consecutive monthly increase. Over the past 12 months, this index has advanced 2.8 percent, the largest 12-month increase since March 2025..

Final demand goods

Notable contributors to the increase included a 2.3 percent rise in prices for tobacco products, along with gains in beef and veal, processed poultry, printed circuit assemblies and related electronics, and electric power. These were partially offset by a 1.8 percent decline in utility natural gas prices, as well as decreases in prices for fresh and dry vegetables, chicken eggs, and copper base scrap.

Final demand services

Key contributors to the decline included a 3.9 percent drop in margins for machinery and vehicle wholesaling, along with decreases in professional and commercial equipment wholesaling, chemicals and allied products wholesaling, furniture retailing, food and alcohol retailing, and data processing services. Offsetting these declines were gains in portfolio management (up 2.0 percent), truck transportation of freight, and apparel wholesaling.

U.S. DOLLAR

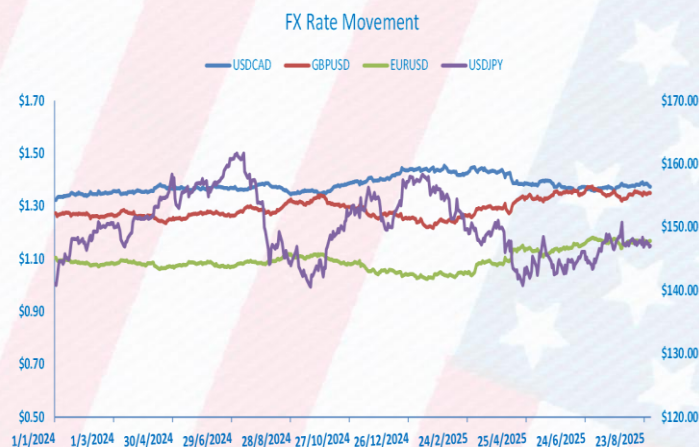
In August 2025, the U.S. dollar extended its decline, reflecting growing concerns over monetary policy direction and political uncertainty. The U.S. Dollar Index (DXY) fell by approximately 1.8%, ending the month near 96.4, and is now down over 8% year-to-date. The dollar's weakness was driven by dovish signals from the Federal Reserve, which hinted at a potential rate cut in September, and by rising investor anxiety over political interference in central bank operations.

Against major currencies, the dollar remained broadly weaker. The Canadian dollar appreciated, with USD/CAD trading around 1.376, supported by firm commodity prices and a stable domestic outlook. The British pound traded near 1.352, with gains capped by persistent inflation and soft economic data. The euro strengthened, with EUR/USD rising to 1.174, buoyed by steady eurozone growth and expectations of ECB policy tightening. The Japanese yen saw modest gains, with USD/JPY easing to 147.1, as speculation around Bank of Japan normalization and safe-haven demand supported the currency.

Overall, August's foreign exchange movements reflected diverging central bank policies and shifting global risk sentiment. The dollar's continued softness aligned with falling U.S. yields and increased expectations of monetary easing. Meanwhile, the relative strength of other major currencies underscored investor preference for economies with clearer policy direction and stronger external balances. As markets approached the final quarter of 2025, FX dynamics remained closely tied to inflation trends, central bank credibility, and geopolitical developments.

The U.S Dollar last traded on August 29, 2025, at the following rates:

USD/CAD: 1.37	EURO/USD: 1.17
GBP/USD: 1.35	USD/YEN: 147.05



U.S. TREASURY YIELD

In August 2025, the U.S. Treasury yield curve remained relatively stable, reflecting a cautious market outlook amid growing expectations of monetary easing. Yields across maturities showed modest declines, particularly at the short end, as investors priced in a potential rate cut by the Federal Reserve in September. The curve retained a normal upward slope, though the spread between short- and long-term rates narrowed slightly, suggesting tempered long-term growth expectations.

The 1-month Treasury bill yielded 4.20%, while the 1-year note settled at 3.62%, indicating a slight inversion at the very short end of the curve. Medium-term maturities such as the 2-year and 5-year notes offered 3.51% and 3.59%, respectively, showing minimal movement from July levels. The 10-year note closed the month at 4.04%, and the 30-year bond yielded 4.65%, maintaining its position as the highest point on the curve.

This configuration suggests that while near-term rate expectations are declining, long-term inflation and fiscal concerns continue to exert upward pressure on longer-dated yields. The curve's shape also reflects investor demand for duration, with modified durations ranging from 0.1 years for short bills to over 16 years for long bonds.

Overall, August's yield curve dynamics were shaped by a mix of monetary policy anticipation, political uncertainty, and global risk sentiment. The modest flattening of the curve aligns with expectations of Fed accommodation, while the resilience of long-term yields underscores persistent structural concerns. As the Federal Reserve prepares for its September meeting, the yield curve remains a key barometer of market sentiment and economic outlook.

Treasury Par Yield Curve Rates closed on August 29, 2025, at the following rates:

· 1 year: 3.83%	· 10 years: 4.23%
· 2 years: 3.59%	· 20 years: 4.86%
· 3 years: 3.58%	· 30 years: 4.92%



The Congressional Budget Office estimates that the federal budget deficit in the first 11 months of fiscal year 2025 was \$2.0 trillion, which is \$92 billion less than the deficit recorded during the same period last fiscal year. Revenues increased by \$299 billion (or 7%), and outlays increased by \$391 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 11 months of that year. Additionally, payments due on September 1 in both fiscal years 2024 and 2025 were made in August due to calendar shifts, with larger amounts advanced in 2025. Without these timing shifts, the deficit so far in fiscal year 2025 would have been \$11 billion (or 1%) more than the shortfall at the same point last year.

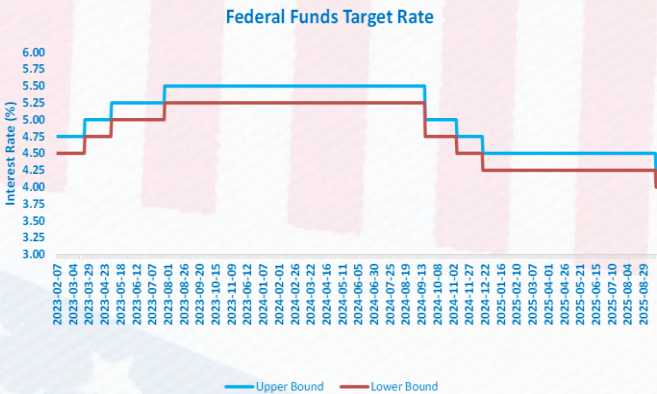
CBO currently projects a full-year deficit of \$1.8 trillion for fiscal year 2025. That estimate reflects actual spending and revenues through August and projections for September, including an expected \$130 billion reduction in outlays later this month due to modifications to the federal student loan program authorized in the 2025 reconciliation act. CBO’s current estimate is slightly lower than its January 2025 projection.

MONTHLY BUDGET REVIEW: AUGUST 2025

Budget Totals, October - August			
Billions of Dollars			
	Actual	Preliminary	Estimated
	FY 2024	FY 2025	Change
Receipts	4,391	4,690	299
Outlays	6,288	6,679	391
Deficit (-)	-1,897	-1,989	-92

FEDERAL RESERVE PRESS RELEASE

At their recent meeting, Federal Reserve Committee members agreed that economic growth slowed in the first half of the year, with job gains moderating and the unemployment rate edging up, though it remains low; meanwhile, inflation has risen and remains somewhat elevated. In response to increased uncertainty and rising risks to employment, the Federal Open Market Committee lowered the federal funds rate target range by 0.25 percentage points to 4.00–4.25%. The Committee remains committed to its dual mandate of maximum employment and 2 percent inflation and will continue reducing its holdings of Treasury and agency securities. Future policy decisions will be guided by incoming data, the evolving economic outlook, and risks to the Fed’s objectives, with close attention paid to labour market conditions, inflation dynamics, financial developments, and global factors.



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 September 17, 2025:

- The Board of Governors of the Federal Reserve System voted unanimously to maintain the interest rate paid on reserve balances at 4.15 percent, effective September 18, 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 September 18, 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 to 4-1/4 percent.
- Conduct standing overnight repurchase agreement operations with a minimum bid rate of 4.25 percent and with an aggregate operation limit of \$500 billion.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 4.00 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 to approve a 1/4 percentage point decrease in the primary credit rate to 4.25 percent, effective September 18, 2025.

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 – SEPTEMBER 2025

Balancing Act: Fiscal Expansion, Tariff Uncertainty, and the Fed's Shifting Strategy

U.S. Economic Outlook 2025–26 — Navigating growth resilience, inflation risks, and policy credibility amid structural and geopolitical headwinds.

The U.S. economy is projected to grow by approximately 2.1% in 2025, slightly above earlier forecasts, with growth moderating to 2.0% in 2026. This trajectory reflects a delicate balance between short-term stimulus and medium-term risks. The One Big Beautiful Bill Act (OBBBA) continues to provide near-term support through expansive tax cuts and investment incentives. According to the Tax Foundation, the average American is expected to receive a \$3,752 tax cut in 2026, with the legislation projected to create 938,000 full-time jobs over the long run.

However, the fiscal boost comes at a cost. The Congressional Budget Office estimates that OBBBA will add \$4.1 trillion to the national debt by 2034, raising concerns about long-term fiscal sustainability and upward pressure on term premia. These risks are compounded by ongoing tariff uncertainty, which continues to disrupt supply chains, elevate input costs, and dampen business investment. While the July WEO baseline assumed lower effective tariff rates, the potential for renewed or expanded tariffs remains a key downside risk.

On the monetary front, the Federal Reserve initiated its easing cycle in September with a 25bp rate cut, lowering the benchmark rate to 4.00%–4.25%, and signalled two additional cuts by year-end, potentially bringing rates to 3.50%–3.75%. The Fed's updated projections reflect stronger-than-expected growth but also rising risks to employment and inflation. Headline and core inflation are expected to remain above the 2% target through 2026, keeping the Fed cautious and data dependent.

Fed Chair Jerome Powell emphasized the “two-sided risk” facing policymakers: a strong labour market coexisting with persistent inflation. This unusual configuration complicates the timing and magnitude of future rate cuts, especially as tariff-driven supply shocks and inventory dynamics blur the distinction between demand and cost-push inflation.

Structural challenges also loom large. The surge in AI and data-centre investment is straining the energy grid, prompting urgent calls for clean-energy upgrades. If unmet, these pressures could lead to higher energy costs and emissions trade-offs. Moreover, the reliance on temporary tariff revenues to fund permanent spending risks narrowing future policy space and undermining macroeconomic flexibility.

The IMF's policy prescription remains clear: make trade policy predictable, pair fiscal support with sunset clauses or offsets, safeguard central bank credibility, and pursue structural reforms to enhance medium-term growth potential. As the U.S. navigates this policy tightrope, the interplay between fiscal expansion, trade uncertainty, and monetary prudence will define its economic trajectory heading into 2026.