



MAYBERRY  
INVESTMENTS LIMITED

# USA ECONOMIC REVIEW

**December 2025**

Prepared by:  
**Research Department**

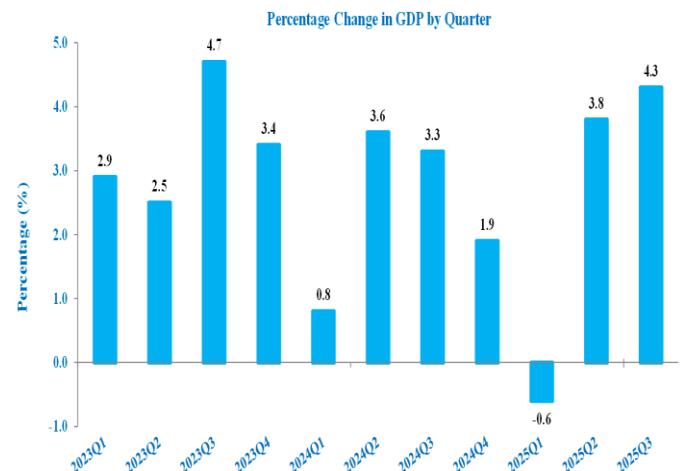
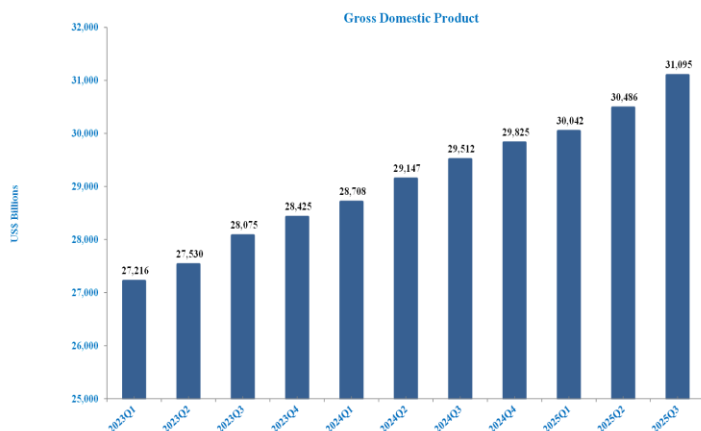
# GROSS DOMESTIC PRODUCT

The U.S. economy expanded at a robust pace in the third quarter of 2025, with real gross domestic product (GDP) increasing at an annualized rate of 4.3%, according to the Bureau of Economic Analysis (BEA) initial estimate. This marks a significant acceleration from the revised 3.8% growth in Q2 and exceeded most economists' expectations, which had projected growth closer to 3.2%. The report reflects a more balanced and broad-based expansion compared to earlier quarters, signalling improved momentum in domestic activity.

Consumer spending was a key driver of growth, supported by resilient household demand and easing inflationary pressures. Government expenditures also contributed positively, while exports provided an additional lift amid modest improvements in global demand. Private domestic investment showed tentative signs of recovery, contrasting with the weakness observed earlier in the year. These factors combined to deliver the strongest quarterly performance since early 2023, suggesting that the economy is moving beyond the trade-related distortions that characterized the first half of the year.

Corporate profits increased by approximately 4.4%, indicating healthier business conditions and improved margins. While detailed inflation data for Q3 are pending, earlier trends point to continued disinflation, with price pressures moderating across key measures. This dynamic supports the view that the Federal Reserve can maintain its current policy stance without immediate adjustments, as inflation remains above but closer to the 2% target.

Looking ahead, analysts caution that sustainability remains uncertain. Despite the strong headline figure, risks persist from tighter credit conditions, fading fiscal support, and ongoing global trade headwinds. The Federal Reserve is expected to keep its policy rate in the 4.25%–4.50% range, adopting a data-dependent approach as it monitors labor market resilience and inflation trends. While Q3's performance offers a welcome boost, underlying fundamentals—particularly business investment and external demand—will determine whether this momentum can be maintained into 2026.





## NATIONAL EMPLOYMENT

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment increased by 64,000 in November, while the unemployment rate remained relatively stable at 4.6%. Employment saw notable increases in health care, construction, and social assistance, whereas transportation and warehousing and federal government 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 November, the unemployment rate held at 4.6%, with 7.8 million people unemployed, little changed from September but higher than a year earlier (4.2%, 7.1 million). Among major worker groups, jobless rates showed little change: adult men (4.1%), adult women (4.1%), Whites (3.9%), Blacks (8.3%), Asians (3.6%), and Hispanics (5.0%). Teenagers saw an increase to 16.3%.

The number of long-term unemployed remained at 1.9 million, accounting for 24.3% of all unemployed individuals. The labour force participation rate (62.5%) and the employment-population ratio (59.6%) were little changed. The number of people employed part-time for economic reasons rose to 5.5 million, up by 909,000 since September. Those not in the labour force who wanted a job totalled 6.1 million, including 1.8 million marginally attached and 651,000 discouraged workers.

### Establishment Survey Data

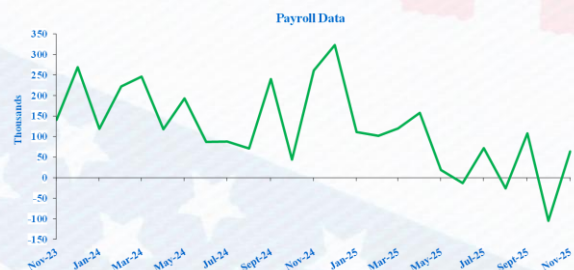
Total nonfarm payroll employment increased by 64,000, continuing a trend of minimal change since April. Notable job gains occurred in:

- Health care (+46,000), including ambulatory health care services (+24,000), hospitals (+11,000), and nursing and residential care facilities (+11,000).
- Construction (+28,000), led by non-residential specialty trade contractors (+19,000).
- Social assistance (+18,000), primarily in individual and family services (+13,000).

Employment declined in transportation and warehousing (-18,000), driven by losses in couriers and messengers (-18,000). Federal government employment fell by 6,000, following a sharp October decline of 162,000; federal employment is down 271,000 since January. Other major industries—including mining, manufacturing, retail trade, information, financial activities, professional and business services, leisure and hospitality—showed little change.

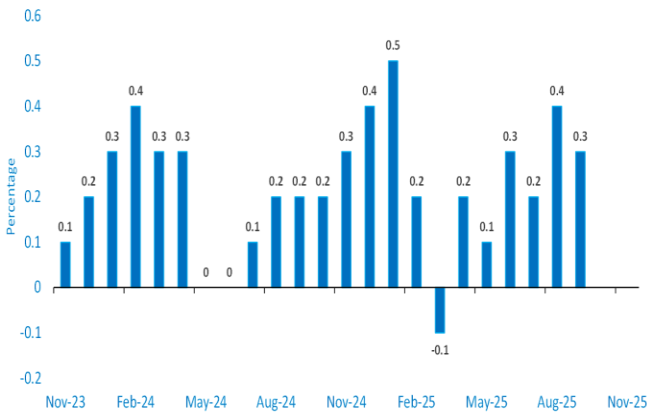
Average hourly earnings for all employees on private nonfarm payrolls edged up by 5 cents to \$36.86, a 3.5% increase over the year. The average workweek rose slightly to 34.3 hours, while production and nonsupervisory employees' hours were unchanged at 33.7.

Revisions for prior months: August was revised down by 22,000 (to -26,000), and September down by 11,000 (to +108,000), resulting in a combined net decrease of 33,000 jobs.

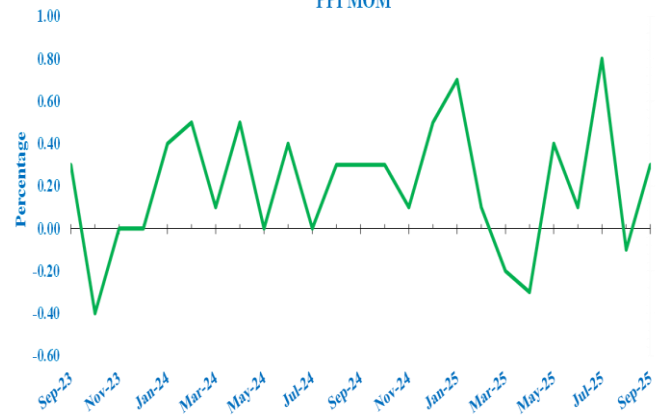


Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Year	Q1	Q2	Q3	Q4
2014	413,248	415,631	417,897	420,258
2015	422,318	424,443	426,391	428,464
2016	430,279	431,901	434,149	435,657
2017	437,445	439,137	440,698	442,046
2018	443,994	446,121	447,657	448,952
2019	450,419	452,053	453,472	454,923
2020	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	478,589	319,040

Inflation Rate MOM



PPI MOM



## CONSUMER PRICE INDEX

The U.S. Bureau of Labor Statistics reported that the Consumer Price Index for All Urban Consumers (CPI-U) increased by 0.2% on a seasonally adjusted basis over the two-month period from September to November 2025. Over the past 12 months, the all items index rose by 2.7% before seasonal adjustment, down from the 3.0% increase recorded for the year ending in September. Data for October was not collected due to a lapse in appropriations.

Excluding food and energy, the all items index advanced 0.2% over the two months ending in November. The shelter index rose 0.2%, while the energy index climbed 1.1% and the food index edged up 0.1% during the same period. Other categories posting gains included household furnishings and operations, communication, and personal care. Conversely, lodging away from home, recreation, and apparel registered declines.

For the 12 months ending in November, the all items less food and energy index increased 2.6%. The energy index rose 4.2% year-over-year, while the food index advanced 2.6%.

## PRODUCER PRICE INDEX

According to the U.S. Bureau of Labor Statistics, the Producer Price Index (PPI) for final demand in the U.S. increased 0.3 percent in September on a seasonally adjusted basis. This follows a 0.1 percent decline in August and a 0.8 percent rise in July. On an unadjusted basis, the index for final demand advanced 2.7 percent over the 12 months ended September 2025.

In September, a 0.9 percent increase in prices for final demand goods accounted for the overall rise, while prices for final demand services were unchanged.

Excluding foods, energy, and trade services, the index for final demand edged up 0.1 percent in September after a 0.3 percent increase in August. Over the past 12 months, this index has advanced 2.9 percent.

### Final demand goods

The index for final demand goods rose 0.9 percent in September, the largest increase since February 2024. Two-thirds of this gain was driven by a 3.5 percent rise in energy prices. Food prices advanced 1.1 percent, while goods excluding foods and energy increased 0.2 percent.

Notable contributors included an 11.8 percent surge in gasoline prices, along with increases in meats, residential electric power, natural gas liquids, motor vehicles and equipment, and ethanol. Offsetting these gains were declines in prices for fresh and dry vegetables (down 1.8 percent), nonferrous metal ores, and residual fuels.

### Final demand services

The index for final demand services was unchanged in September after falling 0.3 percent in August. A 0.8 percent rise in transportation and warehousing services and a 0.1 percent increase in services excluding trade, transportation, and warehousing offset a 0.2 percent decline in margins for trade services.

Key contributors included a 4.0 percent increase in airline passenger services, along with gains in food wholesaling, chemicals and allied products wholesaling, deposit services (partial), and furniture retailing. Declines were noted in margins for machinery and equipment wholesaling (down 3.5 percent), as well as in automobile retailing (partial), apparel and accessories retailing, portfolio management, and long-distance motor carrying.



## U.S. DOLLAR

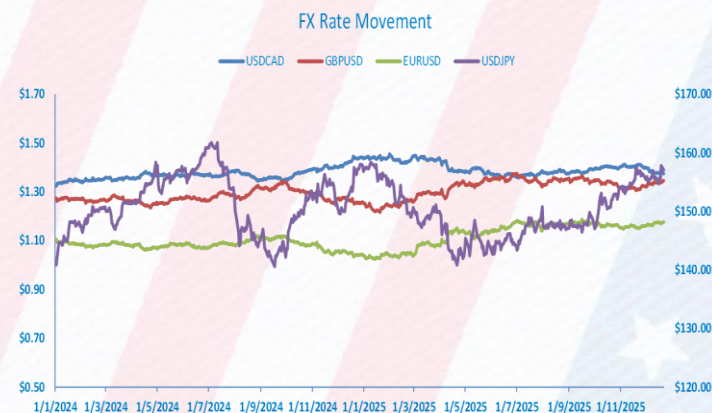
In 2025, the U.S. dollar experienced a broad downward trend, influenced by evolving monetary policy expectations and political concerns.

In December, the U.S. Dollar Index (DXY) stabilized near 98.08, marking a 9.6% year-to-date decline, as markets anticipated Federal Reserve easing and reflected waning confidence in U.S. monetary credibility following political tensions.

Against major currencies, December exchange rates stood as follows:

- USD/CAD traded around 1.3661 by December 29, benefiting from resilient commodity prices and a relatively clear Bank of Canada outlook.
- GBP/USD hovered near 1.3505 at the end of the month, with British currency gains tempered by persistent inflation and mixed UK economic data.
- EUR/USD strengthened to approximately 1.1755 by December 30, supported by firm eurozone growth and expectations of ECB tightening.
- USD/JPY averaged around 155.86 in mid-December, as the yen gained modestly amid speculation of Bank of Japan normalization and safe-haven demand.

Overall, 2025's foreign exchange dynamics reflect diverging monetary paths: a softer Greenback amid anticipated Fed rate cuts and political concerns, contrasted with relatively stronger peers backed by firmer growth or tighter central bank stances. As the year closed, FX markets remained highly sensitive to inflation trends, central bank credibility, and geopolitical developments.



## U.S. TREASURY YIELD

In December 2025, the U.S. Treasury yield curve remained broadly upward-sloping, although modest flattening persisted amid growing expectations of monetary easing by the Federal Reserve and prudent investor positioning.

Yields across maturities showed slight declines from early-month levels, particularly at the front end. The 1-month Treasury bill yield averaged 3.69%–3.98% throughout December, ending the month at 3.69% (12/29). The 1-year note yield ranged from 3.48% to 3.62%, closing at approximately 3.48% on December 29.

Medium-term rates remained relatively stable, with the 2-year note at around 3.45%, and the 5-year note finishing near 3.67% on December 29. Longer-end yields held firm: the 10-year note yielded about 4.12%, and the 30-year bond was near 4.80% on the final trading day.

This yield configuration—short-term rates trending lower, while long-duration rates stayed elevated—suggests market expectations of Fed rate cuts tempered by persistent concerns about inflation, fiscal deficits, and long-term economic resilience. The slope of the curve, though normal, narrowed modestly, signalling somewhat more cautious long-term growth sentiment.

Overall, December's curve dynamics reflected a delicate balance between loose monetary policy expectations and underlying structural uncertainties. The shape of the curve continued to act as a telling indicator of market sentiment on inflation, monetary policy credibility, and economic trajectory heading into 2026.





## MONTHLY BUDGET REVIEW: NOVEMBER 2025

The Congressional Budget Office estimates that the federal budget deficit reached \$439 billion during October and November 2025, the first two months of fiscal year 2026. This figure is \$185 billion smaller than the deficit recorded over the same period in the previous fiscal year. The improvement reflects outlays that were \$73 billion (6%) lower and revenues that were \$112 billion (18%) higher.

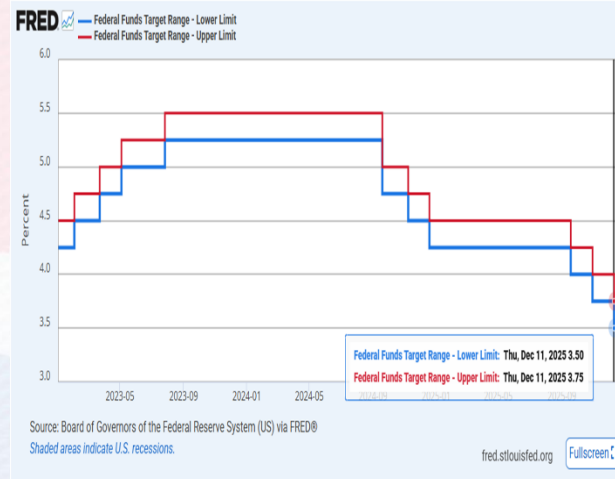
In November 2024, certain payments originally scheduled for December 1 were shifted to November because December 1 fell on a Saturday, inflating last year's outlays. Without that timing shift, the current year's deficit would be \$103 billion less than last year's shortfall, and outlays would have been \$9 billion higher.

Budget Totals, October - November			
Billions of Dollars			
	Actual FY 2025	Preliminary FY 2026	Estimated Change
Receipts	629	741	112
Outlays	1,253	1,180	-73
Deficit (-)	-624	-439	185

## FEDERAL RESERVE PRESS RELEASE

The Federal Reserve has observed that overall economic growth remains moderate. Although job creation has decelerated during the year, and the unemployment rate has slightly increased through September, more recent data are consistent with these trends. Inflation has risen compared to earlier this year and continues to be somewhat high. The Committee aims to fulfil its dual mandate of achieving maximum employment and maintaining a 2% inflation rate over the long term. Uncertainty about the economic outlook remains high, and recent developments suggest increased downside risks to employment.

Considering this revised risk balance and to support its goals, the Committee decided to reduce the federal funds rate target range by 25 basis points, bringing it to 3.50%–3.75%. Future adjustments to this range will depend on incoming economic data, evolving projections, and risk assessments. The Committee affirmed its strong commitment to promoting maximum employment and steering inflation toward its 2% objective. To determine an appropriate policy stance, it will continue monitoring economic indicators and is prepared to make further adjustments if emerging risks threaten its goals. These assessments will consider labour market trends, inflation pressures, and expectations, as well as developments in financial markets and internationally.



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 December 10, 2025:

- The Board of Governors of the Federal Reserve System voted unanimously to lower the interest rate paid on reserve balances to 3.65 percent, effective December 11, 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 3-1/2 to 3-3/4 percent.
- Conduct standing overnight repurchase agreement operations at a rate of 3.75 percent.
- Conduct standing overnight reverse repurchase agreement operations at an offering rate of 3.5 percent and with a per-counterparty limit of \$160 billion per day.
- Increase the System Open Market Account holdings of securities through purchases of Treasury bills and, if needed, other Treasury securities with remaining maturities of 3 years or less to maintain an ample level of reserves.
- Roll over at auction all principal payments from the Federal Reserve's holdings of Treasury securities. Reinvest all principal payments from the Federal Reserve's holdings of agency securities into Treasury bills."
- In a related action, the Board of Governors of the Federal Reserve System voted unanimously to approve a 1/4 percentage point decrease in the primary credit rate to 3.75 percent, effective December 11, 2025. In taking this action, the Board approved requests to establish that rate submitted by the Boards of Directors of the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco.



## GLOBAL ECONOMIC REVIEW

### At the Crossroads: Trade Fragmentation, Fiscal Strains, and the AI Productivity Gambit

*IMF October 2025 WEO — A concise review of near-term growth dynamics, tariff shocks, fiscal vulnerabilities, and structural forces shaping medium-term prospects.*

The global economy is navigating a fragile recovery amid heightened uncertainty. The October 2025 WEO projects world GDP growth of 3.2% in 2025 and 3.1% in 2026, down from 3.3% in 2024 and well below the pre-pandemic average of 3.7%. These figures reflect modest upward revisions from mid-year but remain 0.2 percentage point below pre-tariff forecasts, as temporary boosts from front-loaded trade and investment fade. On a Q4-over-Q4 basis, growth slows sharply to 2.6% in 2025, before rebounding to 3.3% in 2026.

Trade-policy uncertainty and protectionism dominate near-term risks. Elevated tariffs—US effective rates near 19%—and nontariff measures are fragmenting supply chains, raising costs, and depressing investment. While early resilience was supported by inventory buildup and trade diversion, these offsets are unwinding, exposing structural weaknesses. IMF simulations show that prolonged uncertainty and higher tariffs could cut global GDP by 1.2% by 2026, while a breakthrough in trade negotiations could lift output by 0.7% near term.

Beyond trade, three structural forces shape the medium-term outlook:

1. **Demographics:** Aging populations and restrictive immigration policies threaten labour supply and potential output unless offset by reforms to boost participation and extend working lives.
2. **Fiscal fragility:** Debt ratios remain elevated—US debt projected at 143% of GDP by 2030—amid rising interest costs and new spending pressures. Fiscal buffers are thin, leaving economies vulnerable to shocks.
3. **Technology:** The AI investment boom offers upside for productivity but raises risks of financial exuberance and energy demand surges. A sharp repricing of tech assets could spill over to broader markets, while grid modernization and renewable investment become urgent.

Policy priorities are clear and sequenced:

- **Trade:** Restore predictability through transparent, rules-based agreements; modernize trade frameworks for digital flows and services.
- **Fiscal:** Rebuild buffers via credible medium-term consolidation, reprioritize spending toward high-multiplier investments, and strengthen debt transparency.
- **Monetary:** Calibrate easing cautiously; safeguard central bank independence to anchor inflation expectations.
- **Structural:** Accelerate reforms—labour mobility, digitalization, governance—and Favor horizontal policies over costly industrial interventions.

For analysts, the watchlist includes:

- The durability of front-loading effects and risk of inventory overhangs.
- Inflation trajectories amid tariff pass-through and labour supply shocks.
- Fiscal sustainability under rising term premiums.
- Whether AI-driven energy demand is met with clean, affordable



## U.S. ECONOMIC OUTLOOK – 2025/26

### 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 2.0% in 2025 and 2.1% in 2026, broadly unchanged from mid-year forecasts but marking a notable slowdown from 2024. This trajectory reflects a delicate balance between near-term fiscal stimulus and medium-term risks. The One Big Beautiful Bill Act (OBBBA) continues to provide short-term support through expansive tax cuts and investment incentives, though the IMF underscores that this fiscal boost comes at the cost of rising debt vulnerabilities. Under current policies, U.S. public debt is expected to climb from 122% of GDP in 2024 to 143% by 2030, 15 percentage points higher than projected a year ago, despite tariff revenues providing a modest offset.

Tariff uncertainty remains a key downside risk. While effective tariff rates have moderated from their April highs, they remain elevated—near 19%—and trade policy uncertainty is assumed to persist through 2026. These measures have begun to weigh on investment and supply-chain efficiency, with IMF simulations indicating that prolonged uncertainty and higher tariffs could shave 0.3–0.5 percentage point off global GDP by 2026.

On the monetary front, the IMF baseline assumes a gradual easing path, with the federal funds rate projected to average 4.3% in 2025 and 3.7% in 2026, reaching its terminal range of 2.75–3.0% by 2028. This is slightly more front-loaded than earlier expectations, reflecting slowing growth and fading inflation momentum. However, risks remain two-sided: headline and core inflation are expected to stay above the 2% target through 2026, with tariff pass-through and labour supply constraints complicating disinflation.

Fed policymakers face an unusual configuration: a cooling labour market alongside persistent price pressures. This dynamic complicates the timing and magnitude of rate cuts, especially as tariff-driven supply shocks blur the line between demand and cost-push inflation. The IMF stresses that monetary policy should remain data-dependent and transparent, preserving central bank independence to anchor expectations.

Structural challenges loom large. The surge in AI-related investment continues to strain energy infrastructure, raising concerns about grid modernization and clean-energy deployment. If unmet, these pressures could elevate energy costs and emissions trade-offs. Meanwhile, reliance on temporary tariff revenues to fund permanent spending risks narrowing future policy space and undermining macroeconomic flexibility.

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.