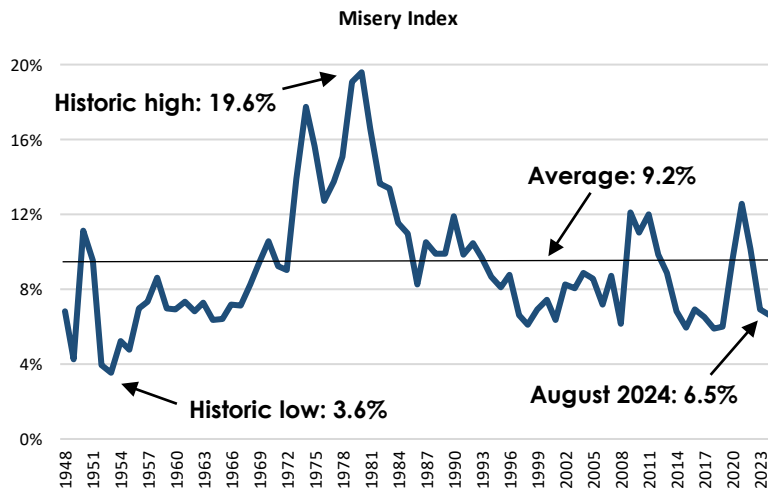


Economic & Market Watch Intelligence Brief

Briefing

- The consensus among the Blue Chip panel of economic forecasters is that unemployment will rise from 4.1% in Q3 to 4.4% in Q4 and hold there through the latter half of 2025, when it will fall (Figure 1).
- Of those forecasters, 95% expect unemployment to land somewhere between 3.7% and 5.0% by Q4 of 2025. Even the high end of this range is well below the 5.8% average from 2011 through 2019, indicating that even the more pessimistic forecasters see labor markets doing better than average for at least the next year (Figure 1).
- The significant disagreement among forecasters may be due to what drove recent upticks in the unemployment rate. From May through June, the unemployment rate rose despite the number of employed persons increasing. This suggests the rising unemployment rate was due less to a decline in the demand for workers and more to an increase in the supply of workers (Figure 2).
- While the fraction of working-age adults either employed or seeking work has been rising since 2020, it remains well below its historic high in 2000. This points to as many as 6 million people (versus the historic high) sitting on the sidelines of labor markets (Figure 3).

Chart of the Week



Commentary

The “Misery Index” measures households’ economic well-being and is calculated by adding the unemployment and inflation rates. A higher index indicates greater economic distress and, in turn, reduced quality of life.

During the 1970s, a combination of oil supply shocks and monetary policy errors contributed to significant economic distress. By 1980, although the unemployment rate was more than a percentage point lower than in the mid-1970s, inflation was five percentage points higher. This drove the misery index to 19.6%—its highest level post World War II.

Despite the record unemployment rate of 24.9% in 1933, 5.1% deflation put 1933’s misery index at 19.8%—only marginally higher than that of 1980. Of course, the economic distress of the Great Depression lasted 10 years versus only two years in the double-dip recessions of 1980 and 1981.

Since World War II, the longest stretch of above-average misery lasted from 1973 to 1989, when the index exceeded its long-run average in 92% of the months. By contrast, since April of 2020, the misery index has been above its long-run average less than half of the time.

Snapshots

Figure 1: Unemployment Forecast

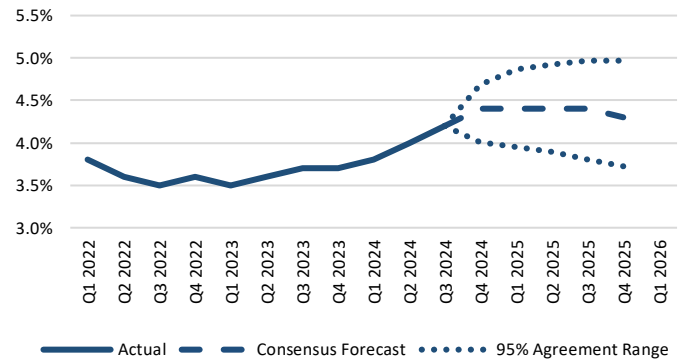


Figure 2: Dissecting the Unemployment Rate

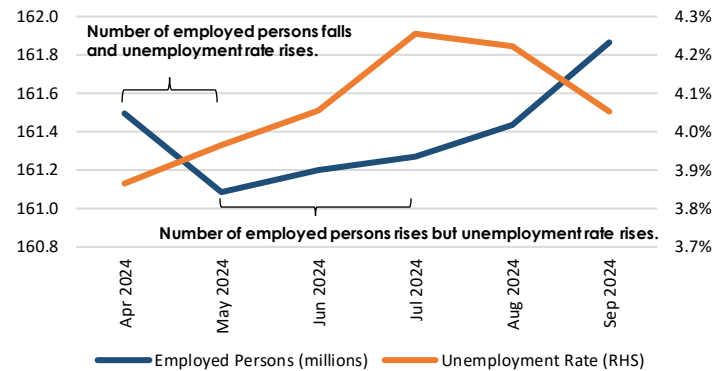
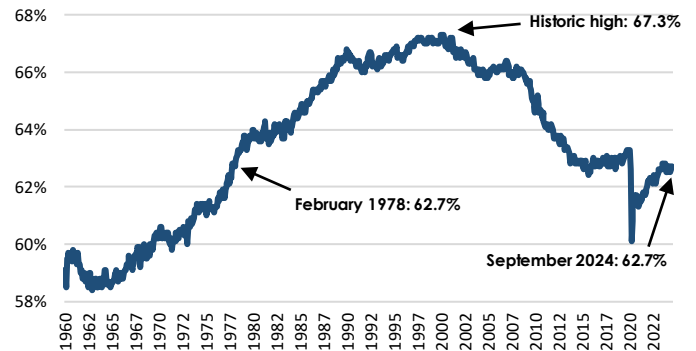


Figure 3: Labor Force Participation Rate



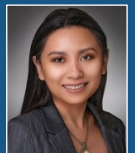
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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES

2024

2025

	Current	Q4	Q1	Q2	Q3	Q4
Fed Funds Target ¹ (%)	5.00	4.50	4.00	3.75	3.75	3.50
SOFR ² (%)	4.82	4.40	4.00	3.65	3.40	3.30
2Y UST ² (%)	3.96	3.50	3.35	3.30	3.25	3.20
5Y UST ² (%)	3.90	3.50	3.45	3.45	3.50	3.45
10Y UST ² (%)	4.10	3.75	3.70	3.70	3.70	3.70
30Y UST ² (%)	4.41	4.05	4.00	4.00	4.05	4.05

ECONOMY

2024

2025

	Current	Q4	Q1	Q2	Q3	Q4
PCE Inflation (%)	2.2	2.0	2.2	2.1	2.0	2.1
CPI Inflation (%)	2.4	2.1	2.2	2.2	2.1	2.1
Real GDP (%)	3.0	1.8	1.7	1.9	2.0	2.1
Unemployment (%)	4.1	4.3	4.3	4.4	4.3	4.3
Consumer Spending (%)	2.8	1.9	2.2	2.1	2.3	2.3
Industrial Production (%)	0.4	1.4	1.2	1.4	1.6	1.8

Equities & Currency

Current

Year ago

DJIA	42,802	33,670
Nasdaq	18,536	13,407
S&P 500	5,841	4,328
US Dollar Index	\$1,245.40	\$1,274.14

Commodities

Current

Year ago

Crude Oil (Per Barrel)	74.65	87.69
Natural Gas (Per MMBtu)	2.56	3.24
Coal (Per Short Ton)	14.20	14.15
Gold (Per Ounce)	2655.30	1927.40
Corn (Per Bushel)	410.75	493.25
Soybean (Per Bushel)	1006.50	1280.25

Industry

Current

Year ago

Natural Gas Storage (Billion Cubic Feet)	3,629	3,626
U.S. Daily Power Consumption (MWh)	10,018,989	9,498,168
World Container Index (Per 40ft)	\$3,349	\$1,369

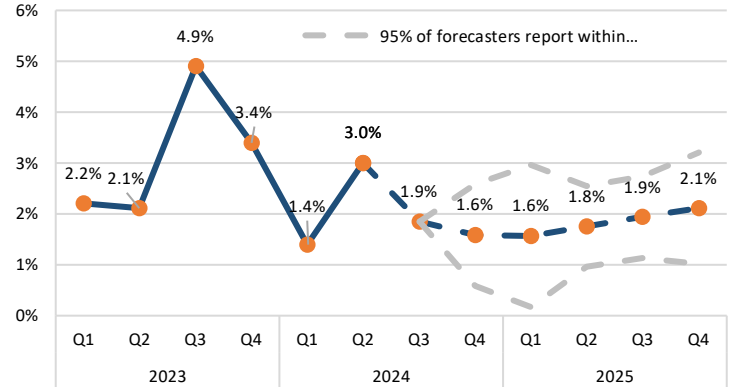
¹ Target rate forecast is based on futures market contracts² Forecast by Blue Chip consensus

Source: Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Trading Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.

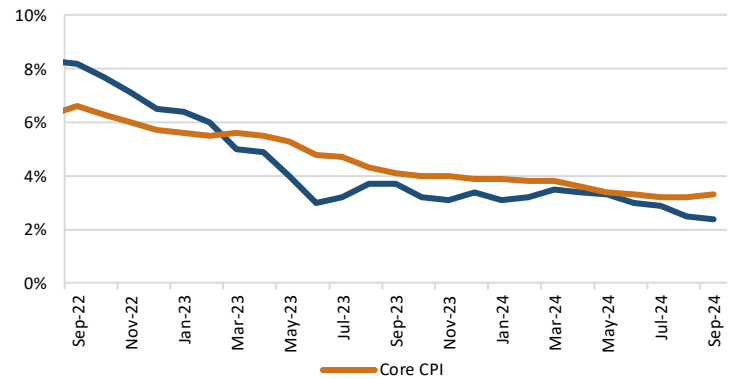
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year U.S. Treasury vs. Fed Funds Trend

