

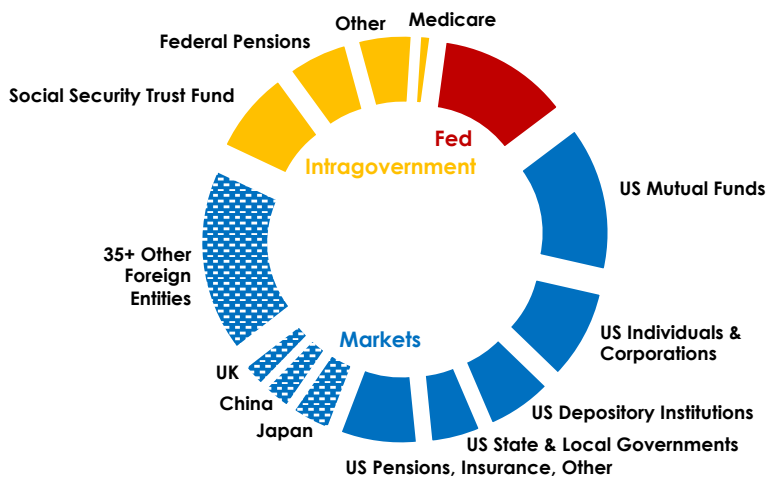
Economic & Market Watch Intelligence Brief

Briefing

- The Congressional Budget Office projects federal revenue to be \$4.9 trillion in 2024. Almost 85% of the revenue will come from individual income and payroll taxes. Corporate taxes are projected to comprise only 11% of revenue. Keep in mind, however, that corporate taxes are ultimately paid by people—either in the form of higher consumer prices, reduced worker compensation or reduced investor returns (Figure 1).
- The projected \$1.5 trillion deficit is so large that politically viable cuts have little effect. For example, the 2025 House Appropriations Bill proposes \$300 million in cuts to Amtrak. If enacted, those cuts would fund federal spending for less than half an hour. More meaningful cuts are less politically viable, which contributes to the debt's exponential growth (Figure 2).
- Historically, tax revenue (relative to GDP) tended to be constant regardless of what Congress taxed and at what rate. For example, from 1947 to 1963 when the top income tax rate averaged 90%, federal tax revenue (all taxes combined) was 17% of GDP. From 1964 to 1986 when the top tax rate averaged 67% and from 1987 to 2023 when it averaged 37%, federal tax revenue was 18% of GDP. Given that 18% of GDP is the answer, the way to raise tax revenue appears to be to increase GDP (Figure 3).

Chart of the Week

Who Owns the \$35.7 Trillion of Federal Debt?



Commentary

As of October 2024, the federal government owed \$35.7 trillion to three groups: Markets, intragovernmental entities and the Federal Reserve. Markets choose whether to invest in Treasuries based, in part, on the interest yield. Intragovernmental entities are required by law to invest in Treasuries. The Fed invests in Treasuries as a consequence of conducting monetary policy.

Two-thirds of the federal debt is owed to markets, and almost two-thirds of that is owed to U.S. investors. The three largest foreign investors (Japan, China and the United Kingdom) each own between 2% and 4% of the debt.

Some argue that debt held by intragovernmental entities shouldn't count because it is money that the government "owes to itself." That is only partially correct in law, and mostly incorrect in practice. Federal employees are legally entitled to their pensions, which means the government owes the pensions to retirees. While people are not legally entitled to Social Security benefits (see the Supreme Court decision in *Flemming v. Nestor*, 1960), practically speaking, it would be politically infeasible for Congress to refuse the promised benefits. This makes money loaned to intragovernmental entities, from a practical perspective, indistinguishable from the rest of the debt.

Snapshots

Figure 1: 2024 Federal Budget (trillions)

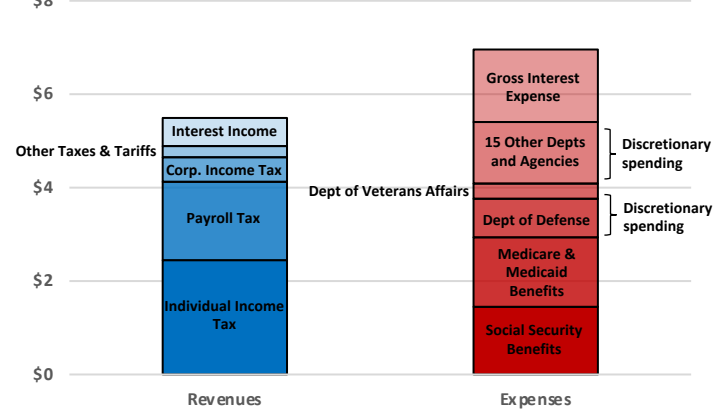


Figure 2: Federal Debt (trillions)

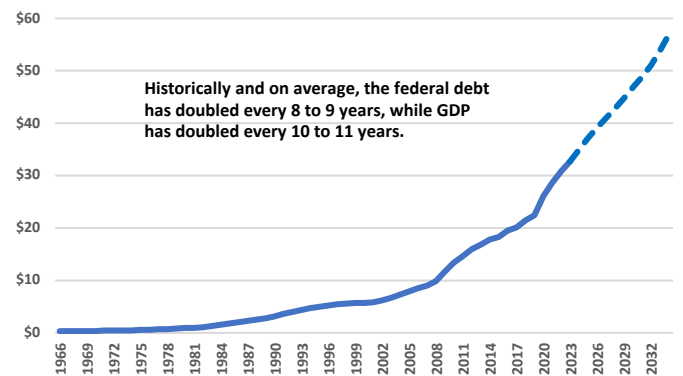
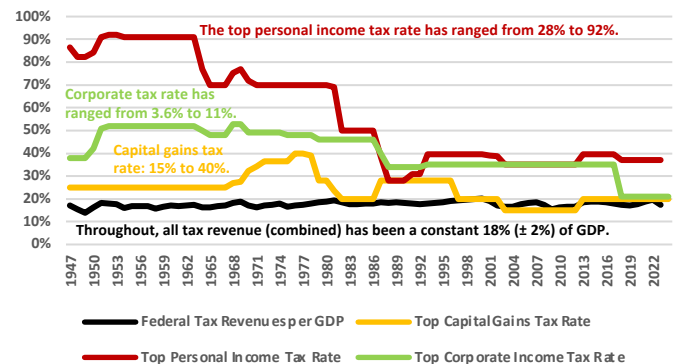


Figure 3: Federal Tax Revenue vs. Rates



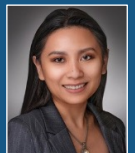
The Economic & Financial Research Team



John Suter, VP



Antony Davies, Director



Sam Kem, Sr. Analyst

Email: EconomicResearch@nrucfc.coop

Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES¹

	2024		2025			
	Current	Q4	Q1	Q2	Q3	Q4
Fed Funds Target ² (%)	5.00	4.50	4.00	3.75	3.75	3.50
SOFR (%)	4.84	4.40	4.00	3.65	3.40	3.30
2Y UST (%)	3.99	3.50	3.35	3.30	3.25	3.20
5Y UST (%)	3.93	3.50	3.45	3.45	3.50	3.45
10Y UST (%)	4.14	3.75	3.70	3.70	3.70	3.70
30Y UST (%)	4.45	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	43,212	33,127
Nasdaq	18,493	12,984
S&P 500	5,859	4,224
US Dollar Index	\$1,254.48	\$1,272.85

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$70.59	\$88.75
Natural Gas (Per MMBtu)	\$2.30	\$2.90
Coal (Per Short Ton)	\$14.20	\$14.10
Gold (Per Ounce)	\$2,726.50	\$1,982.50
Corn (Per Bushel)	\$407.25	\$495.50
Soybean (Per Bushel)	\$979.00	\$1,302.25

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,705	3,700
U.S. Daily Power Consumption (MWh)	9,913,716	10,143,739
World Container Index (Per 40ft)	\$3,216	\$1,364

¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.

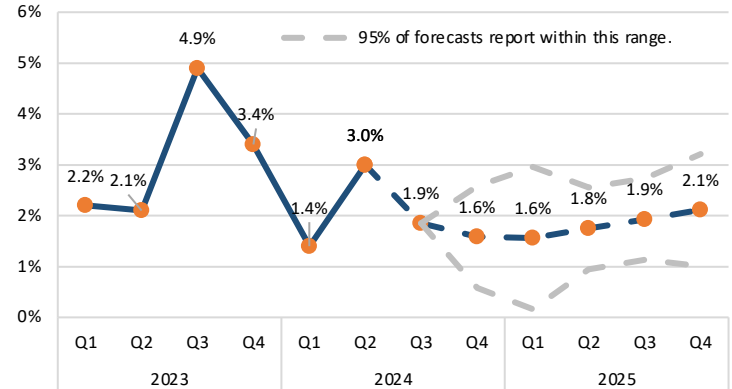
² Target rate forecast is based on futures market contracts.

Sources: 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.

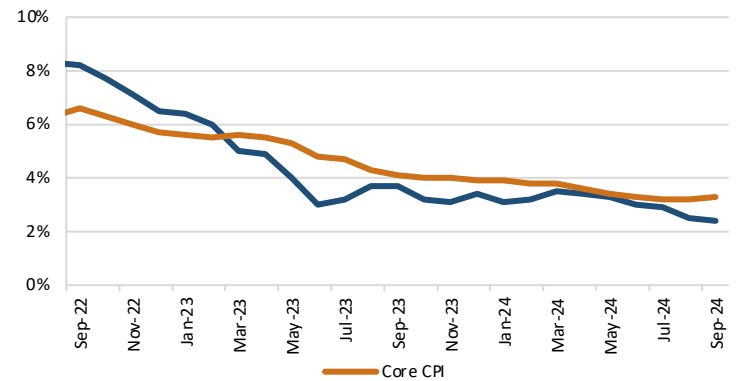
Disclaimer: These materials are being provided to you as a service to our members for informational purposes only, and are not advice or recommendations of any kind. By receiving these materials, you agree not to share the materials outside of you cooperative, that CFC is not providing any representation or warranty regarding the information in these materials, and that CFC is not responsible for the consequences of any decisions made or actions taken in reliance on these materials. SOFR and EFFR are subject to the Terms of Use posted at [newyorkfed.org](https://www.newyorkfed.org). The New York Fed is not responsible for publication of SOFR or EFFR by CFC, does not sanction or endorse any particular republication, and has no liability for your use.

Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



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

