CFC SOLUTIONS
Economic & Market Watch

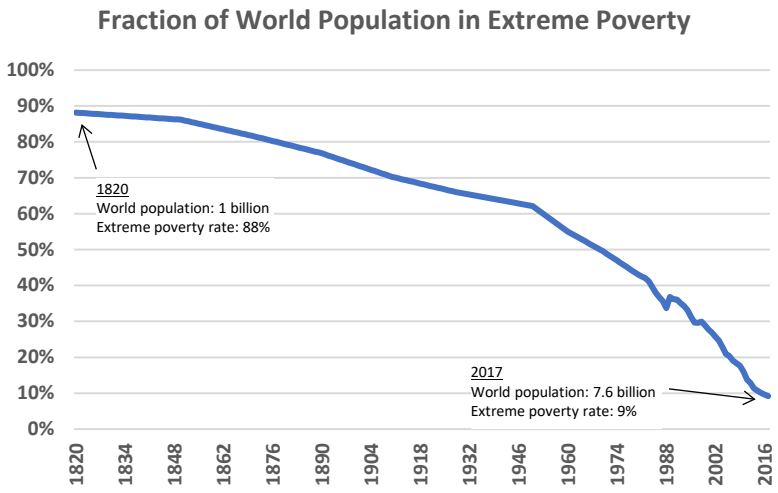
December 9, 2024

Economic & Market Watch Intelligence Brief

Briefing

- Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a year. People's economic well-being arises from three things: (1) how hard they must work to produce the GDP, (2) how much of the GDP they consume and (3) how much of the GDP the government uses to generate publicly provided goods and services.
- Since the 1970s, annual hours worked per worker have declined by more than 10% among foreign countries, versus 5% within the U.S. (Figure 1). The difference is partially due to the U.S. having experienced industrialization and related labor-saving gains earlier in its history.
- Government consumption is government spending less transfers for all levels of government, where "transfers" is money the government redistributes (e.g., welfare, Social Security benefits). Since 1970, government consumption has fallen from 18% of GDP to less than 14% in the U.S. (Figure 2). In part, the decline is due to transfers comprising a greater portion of total government spending.
- Outside the U.S., households consume 63% of their countries' GDPs. In the U.S., that fraction rose from 60% in the 1970s to over 68% today (Figure 3).

Chart of the Week



Commentary

In the late 1700s, the philosopher Thomas Malthus predicted that, because of population growth, humans would soon use up all of Earth's resources. At the time, more than 90% of people in the world lived in poverty. From this, Malthus concluded that mass starvation was imminent.

The rate of population growth was (and still is) shocking. It took 300,000 years for the world population to cross the 1 billion mark. It took just 100 years to reach the second billion, 30 years for the third and 15 years for the fourth. Since then, we've been adding another billion people to our numbers about every 10 years.

Yet, Malthus was wrong. His error lay in underestimating humans' abilities to create new resources. While specific resources are finite, resources in general appear to be infinite. For example, coal wasn't a resource until humans figured out how to extract and use it. Then we figured out how to harvest and use whale oil and that became a resource. We then discovered kerosene, then natural gas, then oil, then nuclear power, then solar. Humans create resources by discovering how to use things that previously weren't resources, making human ingenuity the ultimate resource.

As humans created new resources and discovered better ways to use existing resources, we cut the world poverty rate from 90% down to 10% while, at the same time, our numbers increased ten-fold (Chart of the Week).

Snapshots

Figure 1. Annual Hours Worked per Worker

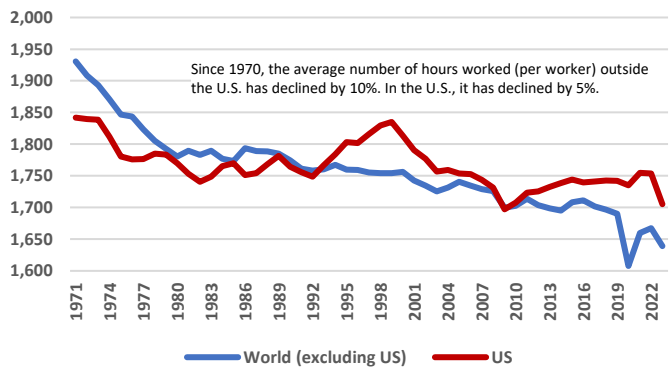


Figure 2. Government Consumption per GDP

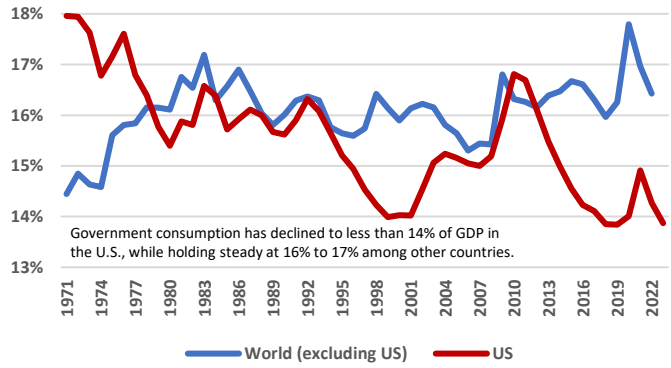
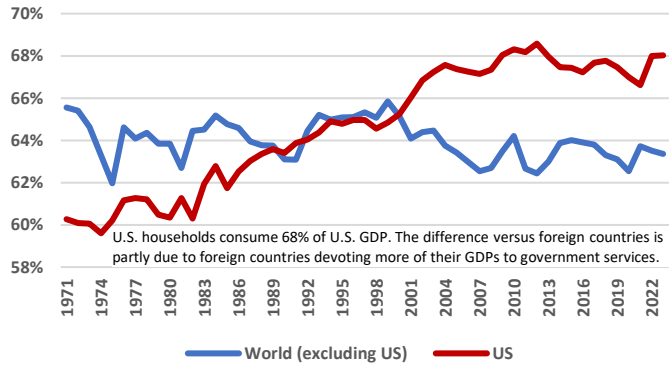


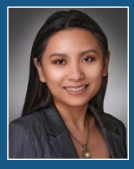
Figure 3. Household Consumption per GDP



The Economic & Financial Research Team


John Suter, VP


Antony Davies, Director


Sam Kem, Sr. Analyst

Email: EconomicResearch@nrucfc.coop

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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES[1]	2024		2025			
	Current	Q4	Q1	Q2	Q3	Q4
Fed Funds Target[2] (%)	4.75	4.50	4.25	4.25	4.00	4.00
SOFR (%)	4.60	4.45	4.15	3.85	3.60	3.45
2Y UST (%)	4.12	4.10	3.90	3.60	3.65	3.60
5Y UST (%)	4.06	4.10	4.05	3.95	3.85	3.80
10Y UST (%)	4.18	4.30	4.25	4.15	4.15	4.15
30Y UST (%)	4.37	4.50	4.45	4.40	4.40	4.40

ECONOMY	2024		2025			
	Current	Q4	Q1	Q2	Q3	Q4
PCE Inflation (%)	2.3	2.1	2.2	2.1	2.1	2.1
CPI Inflation (%)	2.6	2.3	2.4	2.4	2.2	2.3
Real GDP (%)	2.8	2.1	2.0	2.0	2.0	2.0
Unemployment (%)	4.2	4.2	4.3	4.3	4.3	4.3
Consumer Spending (%)	3.5	2.3	2.0	1.9	2.0	2.0
Industrial Production (%)	(0.3)	0.8	1.3	1.2	1.3	1.5

Equities & Currency

	Current	Year ago
DJIA	44,634	36,248
Nasdaq	19,866	14,404
S&P 500	6,082	4,604
US Dollar Index	$1,282.87	$1,234.11

Commodities

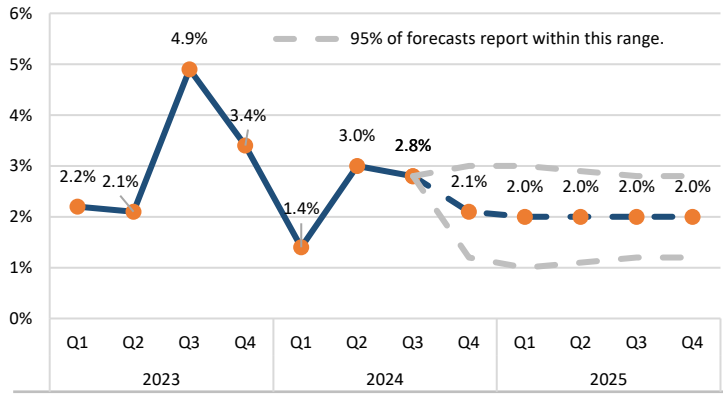
	Current	Year ago
Crude Oil (Per Barrel)	$68.80	$74.07
Natural Gas (Per MMBtu)	$3.21	$2.81
Coal (Per Short Ton)	$14.05	$13.95
Gold (Per Ounce)	$2,646.40	$2,071.00
Corn (Per Bushel)	$422.25	$464.50
Soybean (Per Bushel)	$984.50	$1,325.00

Industry

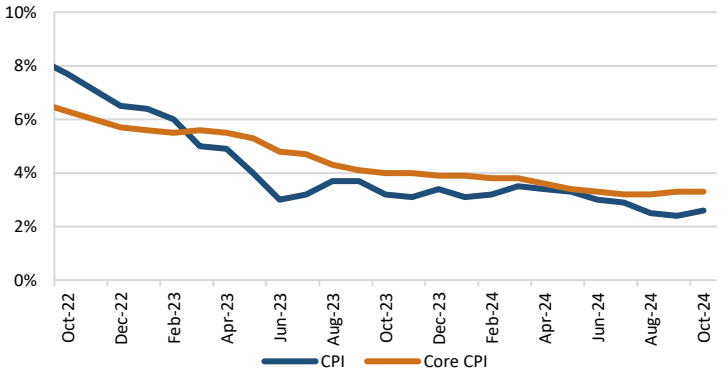
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,967	3,719
U.S. Daily Power Consumption (MWh)	9,978,390	11,374,326
World Container Index (Per 40ft)	$3,331	$1,382

Forecasts

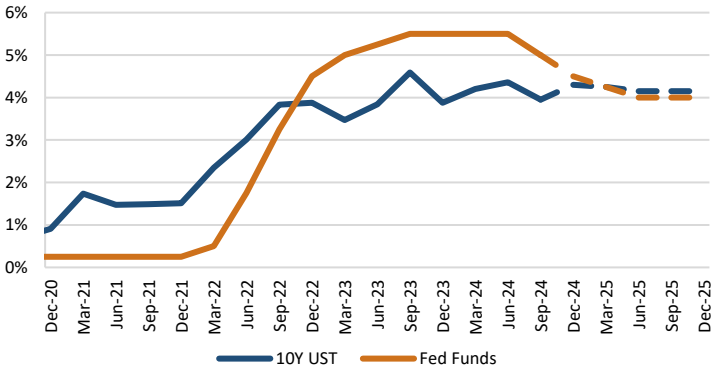
Real GDP Growth Trend



Headline vs. Core Inflation



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



[1] *Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters*
[2] *Target rate forecast is based on futures market contracts*

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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