

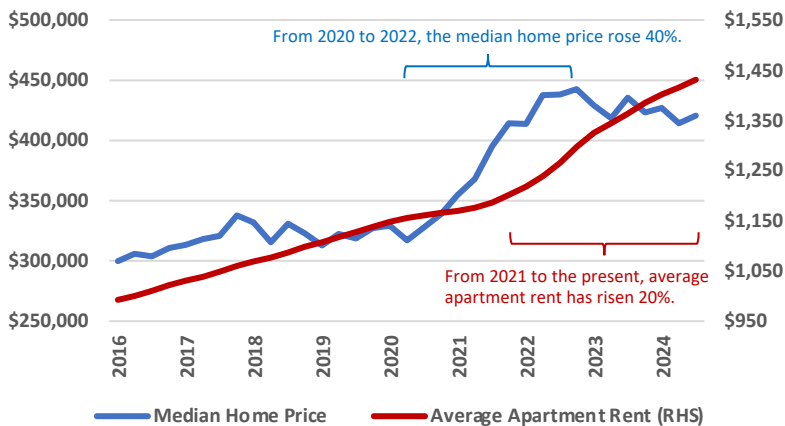
## Economic & Market Watch Intelligence Brief

### Briefing

- The housing affordability index measures the degree to which the median household's income exceeds the income required to qualify for a mortgage. For example, an affordability index of 10% indicates that the median household income in a state is 10% more than the minimum required to qualify for a mortgage on the median single-family home in that state. In 2025, all states are expected to experience at least some improvement in housing affordability (Figure 1).
- The greatest economic growth in 2025 is expected to be concentrated in the Mountain West and South Atlantic states and in Texas. No states are expected to experience negative growth in 2025, though fewer than half of state economies are expected to grow faster than the 2% average for 2012–2019 (Figure 2).
- Unemployment rates in 30 states are expected to be at or below the 2024 U.S. average of 4% (Figure 3). States with the lowest expected unemployment rates (at or below 3.0%) include the Dakotas, Nebraska, Vermont and Hawaii. States with the highest expected unemployment rates (at or above 5.0%) include Alaska, Mississippi, Michigan and Nevada. All states are expected to be below the 5.8% average for 2012–2019.

### Chart of the Week

#### Cost of Housing



### Commentary

While the inflation of 2022 has abated, a return to low inflation only means that prices are no longer rocketing upward—not that they have returned to their previous levels. Making households whole following a bout of inflation requires a long enough period when incomes rise faster than inflation. While we have not seen prices fall, we have seen incomes catch up. Usual weekly earnings for the median full-time worker grew from \$983 in Q1 2021 to \$1,165 in Q3 2024, or 19% over 14 quarters. Over the same period, the consumer price index also rose 19%. This means that the median worker's purchasing power today is the same as it was before the 2022 inflation.

Yet inflation remains on people's minds, largely in the form of housing costs. Since 2020, the median home price has risen twice as fast as the median apartment rental. Average rent didn't start rising until over a year after housing prices, but while housing prices had stabilized by the end of 2022, rent continued to rise. The difference may be due to how landlords and home sellers react to higher mortgage rates. Home sellers have an incentive to reduce asking prices in the face of higher mortgage rates, while landlords have an incentive to pass on the cost of higher rates to renters.

### Snapshots

Figure 1. Forecasted Changes in Housing Affordability for 2025 (percentage points)

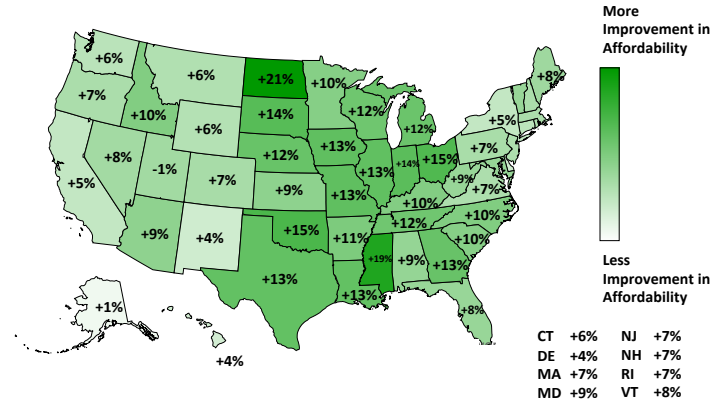


Figure 2. Forecasted Real GDP Growth for 2025

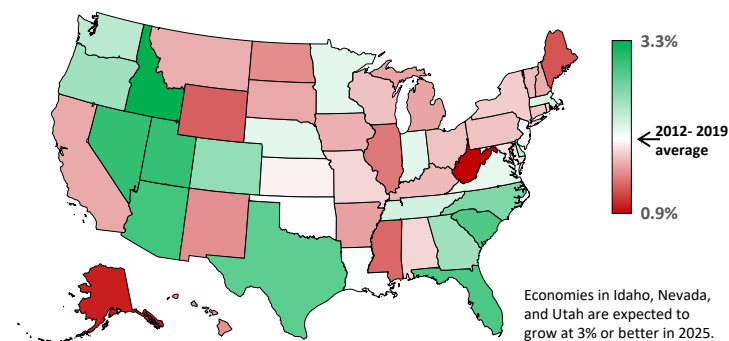
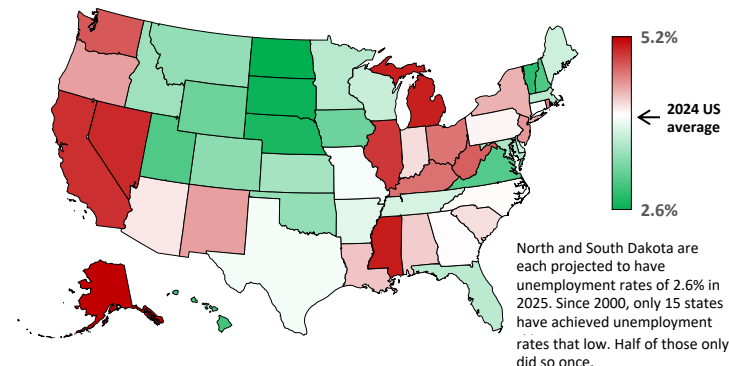


Figure 3. Forecasted Unemployment Rates for 2025



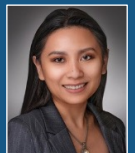
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## Economic &amp; Market Watch Dashboard

## Key Indicators

INTEREST RATES<sup>1</sup>

2024

2025

|                                   | Current | Q4   | Q1   | Q2   | Q3   | Q4   |
|-----------------------------------|---------|------|------|------|------|------|
| Fed Funds Target <sup>2</sup> (%) | 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 (%)                        | 4.23    | 4.10 | 3.90 | 3.60 | 3.65 | 3.60 |
| 5Y UST (%)                        | 4.22    | 4.10 | 4.05 | 3.95 | 3.85 | 3.80 |
| 10Y UST (%)                       | 4.37    | 4.30 | 4.25 | 4.15 | 4.15 | 4.15 |
| 30Y UST (%)                       | 4.58    | 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 ( %)        | 2.7     | 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 &amp; Currency

Current

Year ago

|                 |            |            |
|-----------------|------------|------------|
| DJIA            | 43,828     | 37,305     |
| Nasdaq          | 19,927     | 14,814     |
| S&P 500         | 6,051      | 4,719      |
| US Dollar Index | \$1,289.03 | \$1,226.42 |

## Commodities

Current

Year ago

|                         |            |            |
|-------------------------|------------|------------|
| Crude Oil (Per Barrel)  | \$70.70    | \$71.43    |
| Natural Gas (Per MMBtu) | \$3.18     | \$2.49     |
| Coal (Per Short Ton)    | \$14.20    | \$14.00    |
| Gold (Per Ounce)        | \$2,663.30 | \$2,021.10 |
| Corn (Per Bushel)       | \$444.00   | \$483.00   |
| Soybean (Per Bushel)    | \$991.25   | \$1,315.75 |

## Industry

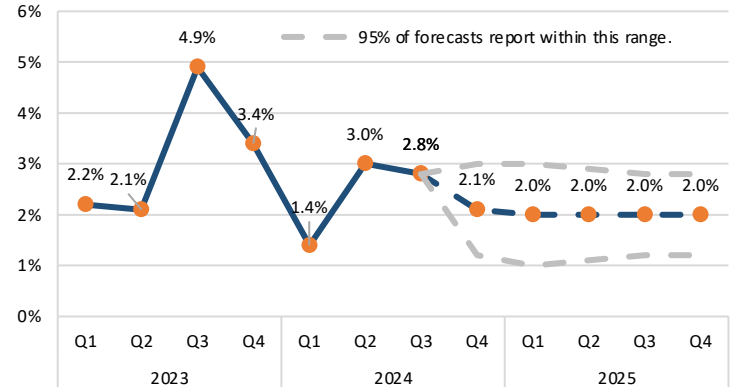
Current

Year ago

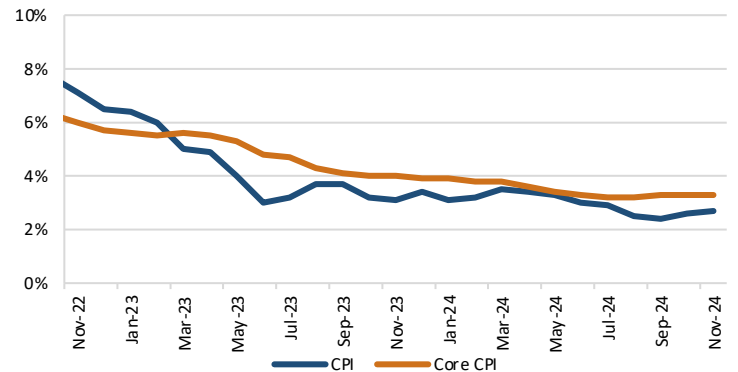
|  |           |            |
|--|-----------|------------|
| Natural Gas Storage (Billion Cubic Feet) | 3,747     | 3,577      |
| U.S. Daily Power Consumption (MWh)       | 9,754,654 | 11,452,490 |
| World Container Index (Per 40ft)         | \$3,529   | \$1,521    |

## Forecasts

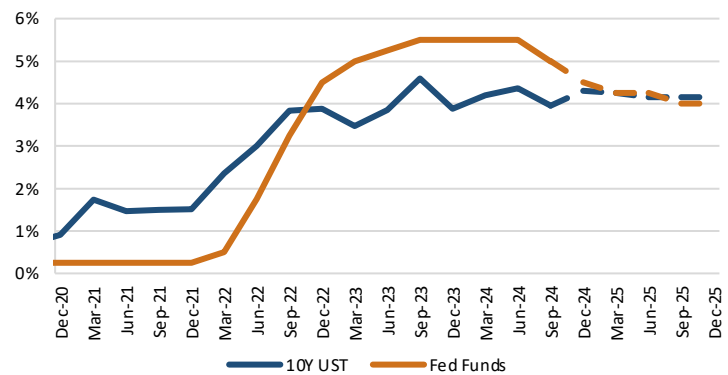
## Real GDP Growth Trend



## Headline vs. Core Inflation



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

<sup>1</sup> Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters<sup>2</sup> 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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