SOLUTIONS
Economic & Market Watch
January 13, 2025

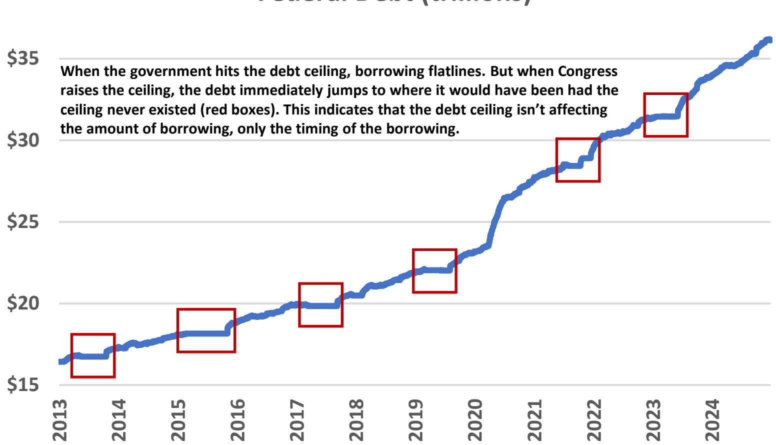
Economic & Market Watch Intelligence Brief

Briefing

- *Federal receipts* include all sources of income to the federal government (income taxes, payroll taxes, capital gains taxes, estate and gift taxes, excise taxes, tariffs and duties, fees and fines and all other sources of income). Federal receipts have grown an average of 6.3% per year since 1970, and 5.4% per year since 2012 (Figure 1). *Federal outlays*, which include all things on which the government spends money, have grown an average of 6.7% per year since 1970, and 5.1% per year since 2012.
- *Gross federal debt* is the total amount of money the federal government has borrowed. This has risen from 35% of GDP in 1970 to more than 120% today (Figure 2). *Federal debt held by the public* excludes money the government has borrowed from intragovernmental entities like the Social Security trust fund and the federal employee pension fund.
- The debt-to-GDP ratio (Figure 2) is useful for comparing government debts across countries. But as the government does not own the GDP, this ratio is less meaningful for evaluating the government's fiscal solvency. A more relevant measure is debt-to-receipts. In 1970, the federal government's debt was twice the size of its annual receipts. Today, the government's debt is almost seven times its annual receipts (Figure 3). That level is higher than it was after each of the world wars and after the Civil War.

Chart of the Week

Federal Debt (trillions)



Commentary

The *debt ceiling* is a limit on the total amount of debt the federal government may have outstanding at any given time. Since Congress both decides how much to borrow and sets the debt ceiling, the debt ceiling is much less like a credit card limit and much more like a New Year's resolution.

When the government hits the debt ceiling, it risks having to shutdown. While threats, and realities, of shutdowns make for good headlines, hitting the debt ceiling is quite common. Since it first instituted a debt ceiling in 1940, Congress has raised or suspended the ceiling more than 100 times. On average, that's once every 10 months.

While called a "shutdown," certain categories of spending (for example, Social Security benefits) continue. Most federal employees are not allowed to work and do not receive paychecks during shutdowns. However, they receive their missed pay retroactively when Congress eventually raises the ceiling. Consequently, the debt ceiling doesn't prevent the government from borrowing so much as alter when it borrows. When the ceiling is raised following a shutdown, the federal debt jumps to the level at which it would have been had the shutdown never occurred (Chart of the Week).

Snapshots

Figure 1. Federal Budget (Trillions, Annualized)

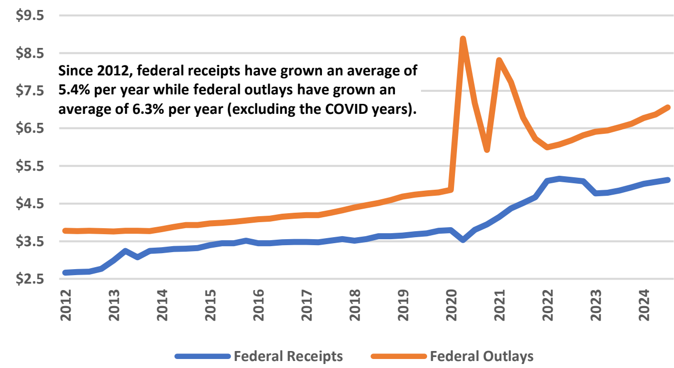


Figure 2. Federal Debt as Fraction of GDP

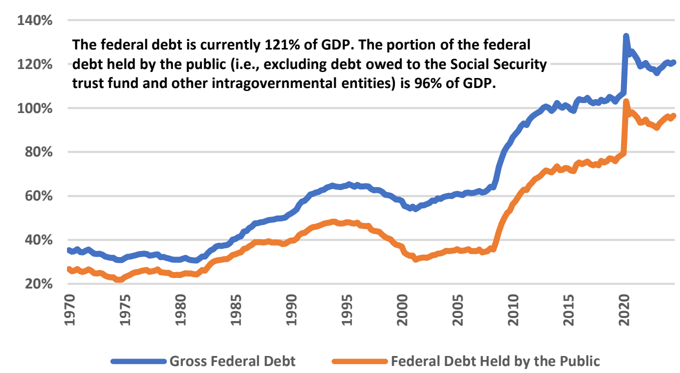
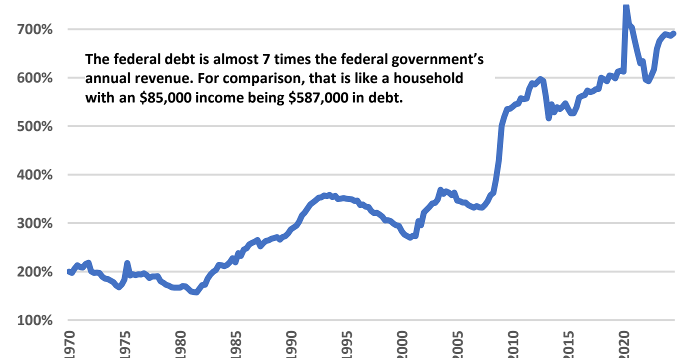


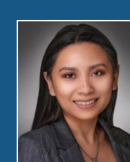
Figure 3. Gross Federal Debt as Fraction of Federal Receipts



The Economic & Financial Research Team


John Suter, VP


Antony Davies, Director


Sam Kem, Sr. Analyst

Email: EconomicResearch@nrucfc.coop

CFC SOLUTIONS

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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES[1]

	Current	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
Fed Funds Target[2] (%)	4.50	4.50	4.50	4.25	4.25	4.00
SOFR (%)	4.30	4.20	4.00	3.85	3.75	3.60
2Y UST (%)	4.39	4.05	3.95	3.85	3.80	3.75
5Y UST (%)	4.60	4.15	4.05	4.00	4.00	4.05
10Y UST (%)	4.78	4.30	4.30	4.30	4.30	4.25
30Y UST (%)	4.96	4.55	4.50	4.50	4.50	4.45

ECONOMY

	Current	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
PCE Inflation (%)	2.4	2.1	2.2	2.1	2.1	2.1
CPI Inflation (%)	2.7	2.4	2.4	2.2	2.3	2.3
Real GDP (%)	3.1	2.1	2.0	2.0	2.0	2.0
Unemployment (%)	4.1	4.3	4.3	4.3	4.3	4.3
Consumer Spending (%)	3.5	2.0	1.9	2.0	2.0	2.0
Industrial Production (%)	(0.9)	1.2	1.3	1.5	1.5	1.5

Equities & Currency

	Current	Year ago
DJIA	42,087	37,361
Nasdaq	18,953	14,944
S&P 500	5,803	4,766
US Dollar Index	$1,321	$1,234

Commodities

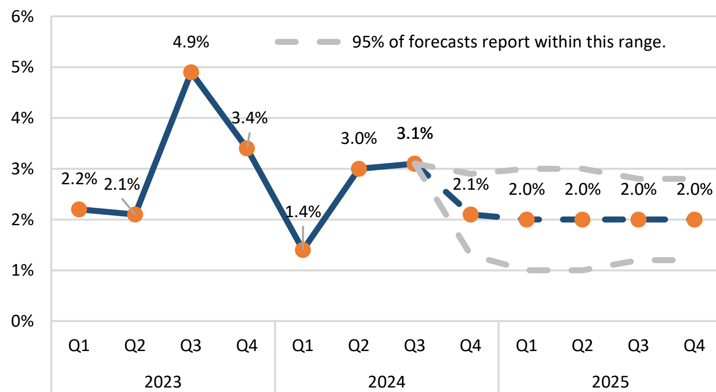
	Current	Year ago
Crude Oil (Per Barrel)	$77.58	$72.40
Natural Gas (Per MMBtu)	$4.08	$3.05
Coal (Per Short Ton)	$11.35	$12.99
Gold (Per Ounce)	$2,691	$2,042
Corn (Per Bushel)	$473.33	$443.50
Soybean (Per Bushel)	$1,027.50	$1,227.30

Industry

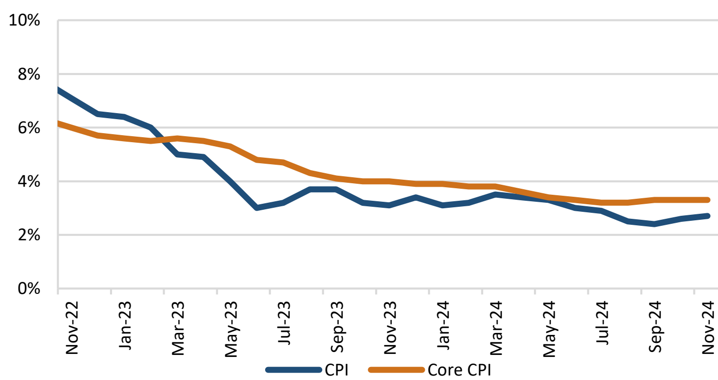
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,373	3,376
U.S. Daily Power Consumption (MWh)	12,454,612	11,729,353
World Container Index (Per 40ft)	$3,986	$3,072

Forecasts

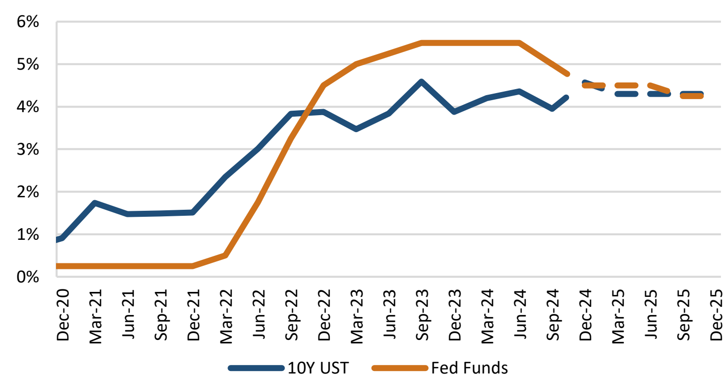
Real GDP Growth Trend



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.