

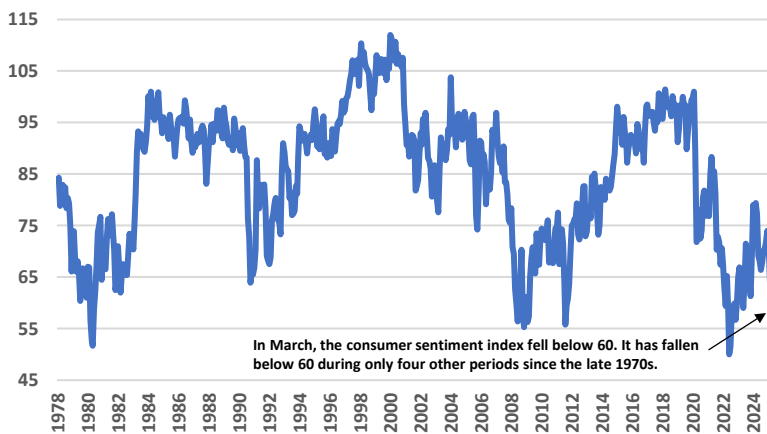
Economic & Market Watch Intelligence Brief

Briefing

- Headline unemployment (U3) has held relatively constant since May 2024, is down from its recent peak last August and remains well below its pre-COVID average of 5.4%. The broadest measure of unemployment (U6) spiked at 8% in February, its highest level since October 2021 (Figure 1). U6 unemployment includes discouraged workers and people who are underemployed (i.e., those who want full-time jobs but can only find part-time work).
- In February, the fraction of workers holding both full- and part-time jobs reached its highest point since 1999 (Figure 2). This can explain why U6 unemployment spiked but U3 did not (Figure 1). Full-time workers who also take part-time jobs encourage employers to split full-time jobs into multiple part-time jobs (which increases the number of underemployed workers) and reduce the availability of part-time work (which puts upward pressure on the number of discouraged workers).
- A combination of inflation and higher interest rates is causing households to be less certain of their ability to meet debt obligations (Figure 3). The effect is most pronounced among younger households, who show the highest likelihood of expected delinquency (apart from 2020) since 2016.

Chart of the Week

Consumer Sentiment Index



Commentary

Consumer spending comprises two-thirds of the U.S. economy. As today's consumer spending is driven by households' expectations about the future, those expectations can become a self-fulfilling prophecy. Regardless of how well (from an objective perspective) the economy is doing, if households fear a recession, they will cut back on spending now. That will put downward pressure on economic growth and can bring about the very recession that households feared. Despite solid economic growth and low unemployment, it is possible that we face the risk of such a "psychologically induced" recession now.

The University of Michigan's Consumer Sentiment Index is a monthly measure based on a survey of 500 U.S. households. It is designed to gauge consumers' perceptions of current economic conditions and their expectations for the next six months.

The index has fallen from a recent high of 74 in December to 58 in March. Since the late 1970s, there have been only four other periods in which consumer confidence has fallen below 60: the post-COVID inflation (March through December 2022), the first-ever downgrade of federal debt (August through September 2011), the subprime mortgage crisis (late 2008 through early 2009) and the Federal Reserve's fight against stagflation (March through June 1980).

Snapshots

Figure 1. Unemployment

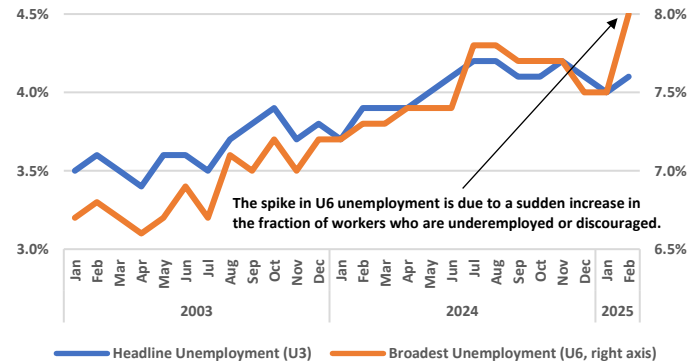


Figure 2. Workers Holding Both Full- and Part-Time Jobs

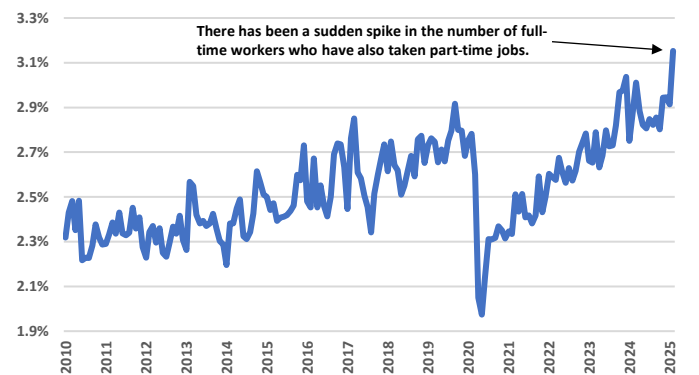
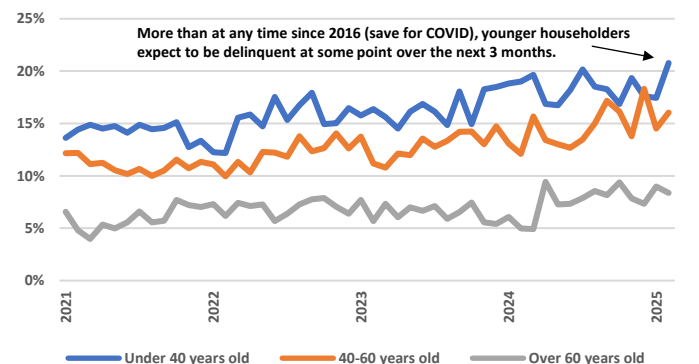


Figure 3. Likelihood of Delinquency Over the Next 3 Months



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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES¹

		2025					2026
	Current	Q1	Q2	Q3	Q4	Q1	
Fed Funds Target ² (%)	4.50	4.50	4.25	4.00	4.00	3.75	
SOFR (%)	4.30	4.20	4.00	3.90	3.80	3.75	
2Y UST (%)	3.99	4.15	3.95	3.90	3.90	3.75	
5Y UST (%)	4.05	4.25	4.15	4.10	4.05	4.00	
10Y UST (%)	4.32	4.45	4.40	4.40	4.35	4.25	
30Y UST (%)	4.63	4.70	4.70	4.70	4.65	4.55	

ECONOMY

		2025					2026
	Current	Q1	Q2	Q3	Q4	Q1	
PCE Inflation (YoY %)	2.5	2.8	2.6	2.5	2.5	2.5	
CPI Inflation (YoY %)	2.8	2.8	2.7	2.6	2.6	2.8	
Real GDP (QoQ %)	2.3	2.3	2.0	1.9	1.9	2.0	
Unemployment (%)	4.1	4.3	4.3	4.3	4.3	4.3	
Consumer Spending (QoQ %)	4.2	2.1	2.1	2.0	2.0	2.0	
Industrial Production (YoY %)	1.4	0.8	0.6	1.3	1.7	1.5	

Equities & Currency

	Current	Year ago
DJIA	42,451	39,476
Nasdaq	18,076	16,429
S&P 500	5,668	5,234
US Dollar Index	\$1,269.84	\$1,246.50

Commodities

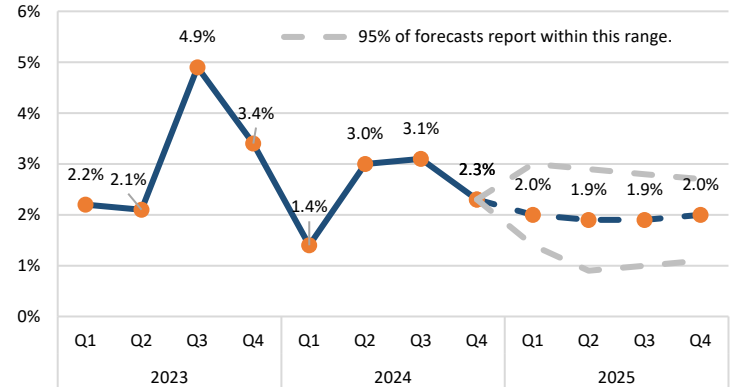
	Current	Year ago
Crude Oil (Per Barrel)	\$68.52	\$80.63
Natural Gas (Per MMBtu)	\$3.98	\$1.66
Coal (Per Short Ton)	\$14.20	\$13.85
Gold (Per Ounce)	\$3,026.70	\$2,160.00
Corn (Per Bushel)	\$4.63	\$4.39
Soybean (Per Bushel)	\$10.07	\$11.93

Industry

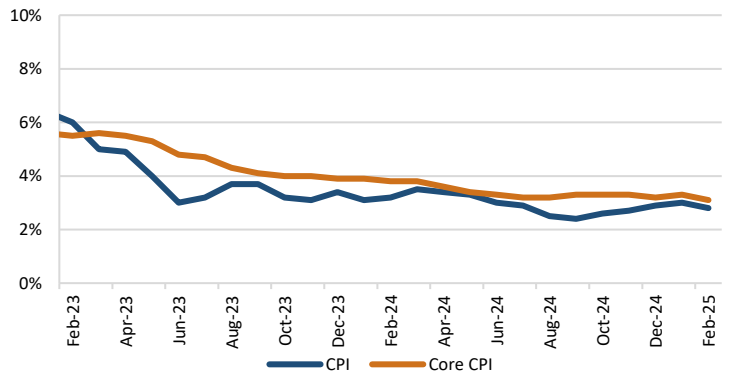
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	1,707	2,296
U.S. Daily Power Consumption (MWh)	9,768,363	9,812,953
World Container Index (Per 40ft)	\$2,264	\$3,010

Forecasts

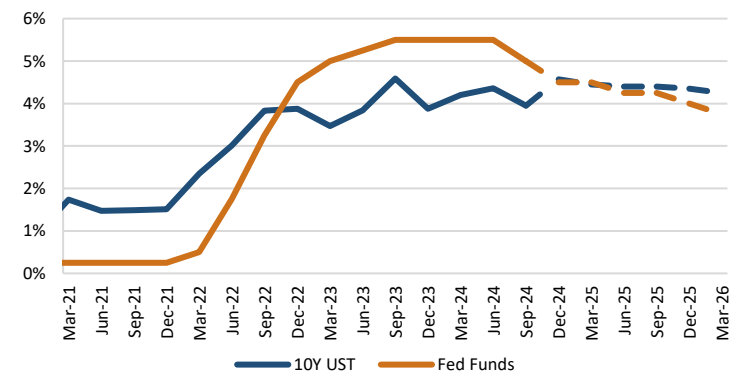
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters² 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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