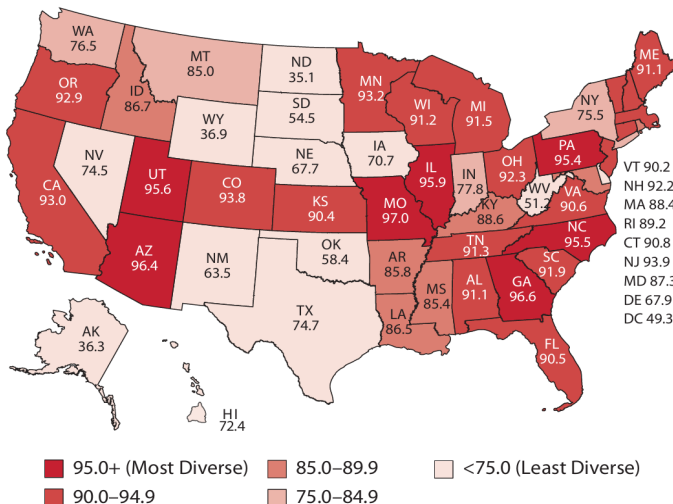


Economic & Market Watch Intelligence Brief

Briefing

- The broader the range of industries on which a U.S. state's economy is based, the greater the state's "economic diversification." Greater economic diversification accompanies higher economic growth (Figure 1).
- States that exhibit greater economic diversification also tend to exhibit less economic volatility. Economic volatility is measured as the average year-to-year change in economic growth (Figure 2). Lower economic volatility results in a less pronounced "boom-bust" cycle for the state's economy. These less pronounced "boom-bust" business cycles allow households and businesses to more easily plan for the future and make the state more attractive for businesses and households to move to, contributing to increased economic growth (Figure 1).
- The economic growth and stability that accompanies economic diversification creates more jobs and opportunities, which also spurs population growth (Figure 3). While many factors influence population growth (from weather to education), economic diversification, at least indirectly, encourages population growth. As the overall U.S. population growth rate approaches zero, economic diversification will become even more important to states' economies.

Chart of the Week: Economic Diversity



Commentary

In the same way that a person mitigates investment risk by diversifying their portfolio across many different securities, a society mitigates its economic risk by diversifying its resources across many different industries.

The Hachman Index measures a state's economic diversification relative to the country (Chart of the Week). A state with a Hachman Index of 100 has an economy that is as diversified as the entire U.S. For example, Georgia's economy (96.6) spans advanced manufacturing, film and digital media, aerospace, logistics, professional services, fintech and life sciences. Atlanta is home to a collection of Fortune 500 headquarters, research universities and venture-backed tech startups, while Savannah's port drives export-oriented supply chain activity. No single sector dominates the state's economy.

By contrast, Wyoming's economy (36.9) depends heavily on extractive industries (e.g., oil, coal and natural gas). Tourism and wind energy offer some diversification, but remain too small to dilute the state's reliance on the fossil fuel sector. This leaves Wyoming exposed to commodity price swings, regulatory shifts and long-run decarbonization trends.

As with the return on a person's portfolio, a more diversified economy is less likely to endure wild swings in employment and economic growth.

Snapshots

Figure 1. Economic Diversification and Economic Growth

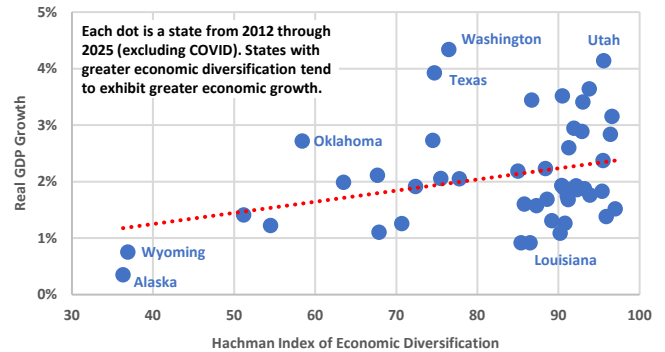


Figure 2. Economic Diversification and Economic Volatility

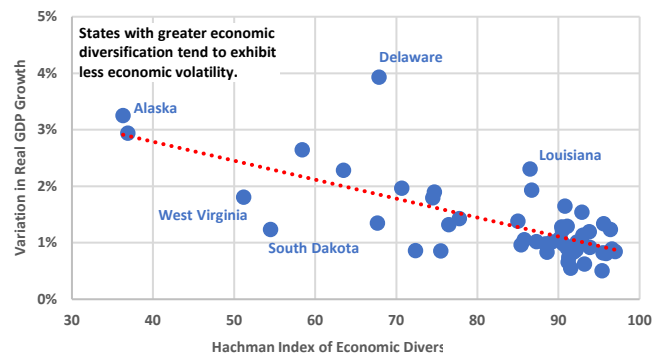
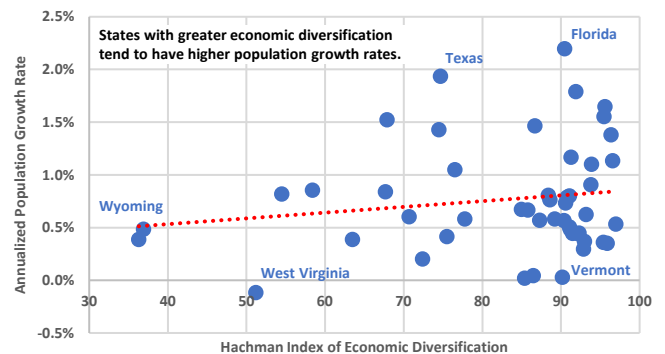


Figure 3. Economic Diversification and Population Growth



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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES¹

		2025				2026	
	Current	Q2	Q3	Q4	Q1	Q2	
Fed Funds Target ² (%)	4.50	4.25	4.00	3.50	3.50	3.25	
SOFR (%)	4.33	4.15	4.00	3.80	3.65	3.45	
2Y UST (%)	3.75	3.95	3.90	3.85	3.75	3.65	
5Y UST (%)	3.89	4.10	4.05	4.00	3.95	3.85	
10Y UST (%)	4.27	4.30	4.30	4.25	4.20	4.15	
30Y UST (%)	4.74	4.60	4.55	4.50	4.50	4.45	

ECONOMY

		2025				2026	
	Current	Q2	Q3	Q4	Q1	Q2	
PCE Inflation (YoY %)	2.5	2.6	2.3	2.5	2.4	2.5	
CPI Inflation (YoY %)	2.8	3.2	2.6	2.7	2.8	2.8	
Real GDP (QoQ %)	2.4	0.8	0.6	1	1.5	1.7	
Unemployment (%)	4.1	4.0	4.2	4.1	4.1	4.2	
Consumer Spending (QoQ %)	4.0	0.8	0.7	1	1.4	1.6	
Industrial Production (YoY %)	1.4	0.0	(0.4)	(0.2)	1.1	0.7	

Equities & Currency

	Current	Year ago
DJIA	40,263	38,386
Nasdaq	17,366	15,983
S&P 500	5,531	5,116
US Dollar Index	\$1,224.76	\$1,258.31

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$62.38	\$82.53
Natural Gas (Per MMBtu)	\$3.26	\$2.06
Coal (Per Short Ton)	\$9.54	\$13.78
Gold (Per Ounce)	\$3,296.60	\$2,332.7
Corn (Per Bushel)	\$4.72	\$4.48
Soybean (Per Bushel)	\$10.42	\$11.58

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	1,934	2,412
U.S. Daily Power Consumption (MWh)	10,507,738	10,018,164
World Container Index (Per 40ft)	\$2,157	\$2,706

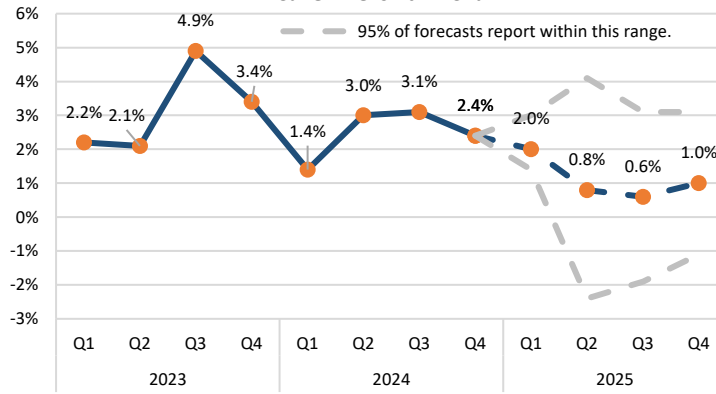
¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.² Target rate forecast is based on futures market contracts.

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.

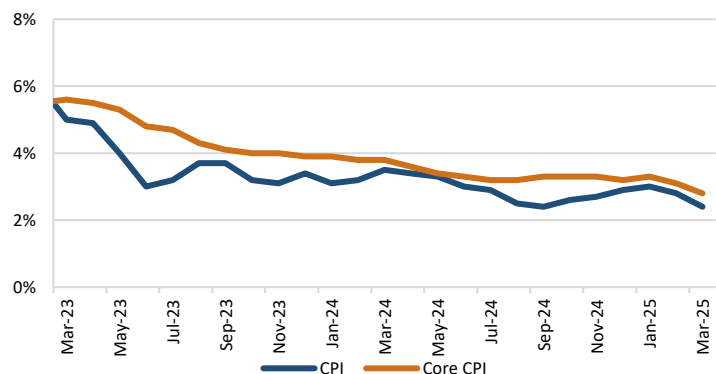
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

