

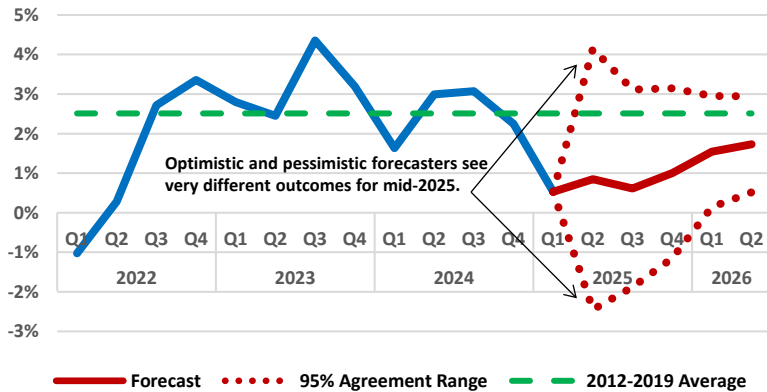
Economic & Market Watch Intelligence Brief

Briefing

- The typical range of disagreement among GDP growth forecasters was smaller before COVID than after (Figure 1). The increased disagreement reflects heightened uncertainty due to the lingering effects of lockdowns, subsequent inflation, Federal Reserve rate hikes and now tariffs.
- Because of the time required to collect economic data, experts aren't aware that a recession has begun until several months after the fact. The Sahm Recession Indicator looks at changes in employment in an attempt to determine, in real-time, whether the economy is in a recession. A measure above 0.5 indicates that the economy is currently in a recession. While the Sahm measure recently halted its downward trajectory, it remains well below its August 2024 peak (Figure 2).
- The New York Fed estimates the probability of a recession based on the difference between 3-month and 10-year Treasury yields. Save for September 2024, the measure has been showing a better than 50% chance of a recession for the past 16 months. The probability of a recession fell from late 2024 until recently, when it started to rise. The probability of a recession is currently projected to rise to above 60% by August and then to fall quickly (Figure 3).

Chart of the Week

Real GDP Growth
(QoQ, annualized)



Commentary

Given data on speed, mass and angle, forecasting where a thrown ball will land is easy and the forecast will be extremely close to where the ball actually lands. Forecasting the economy is much harder—in part because we don't have clean rules, like ballistics, to guide us, in part because the data on which we build economic forecasts are imperfect. This makes it important that we consider more than one economic forecast when thinking about the future.

The Chart of the Week shows the latest forecasts for economic growth. The solid red is the average of a set of forecasts made by professional economists. The dotted red lines show the upper and lower limits, within which 95% of economists fall. These can be regarded as the "optimistic" and "pessimistic" forecasts. Over the past 12 months, not even the pessimistic forecasters saw a recession on the horizon. That changed three weeks ago. While the average forecaster continues to see the economy growing slowly through 2026, the pessimists are now anticipating a recession from Q2 through Q4 of 2025 (lower dotted red line).

This is not to say that a recession is on the way. It is to say that we are no longer solidly confident that one isn't on the horizon.

Snapshots

Figure 1. Real GDP Growth Forecasts (QoQ annualized)

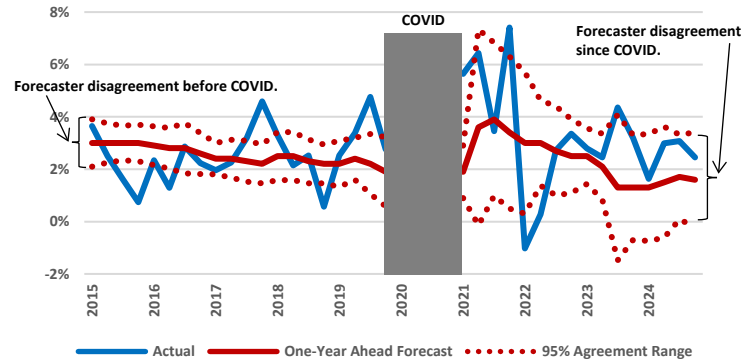


Figure 2. Sahm Real-Time Recession Indicator

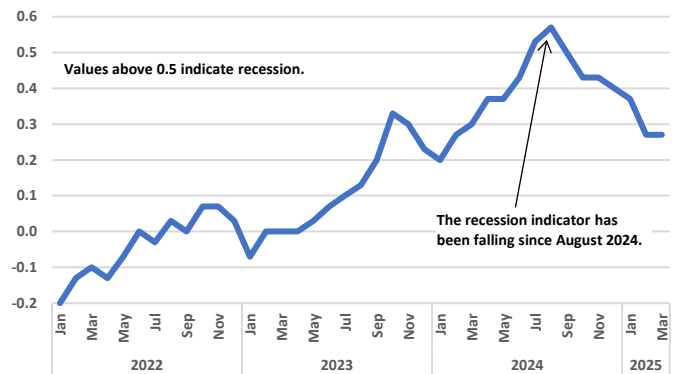
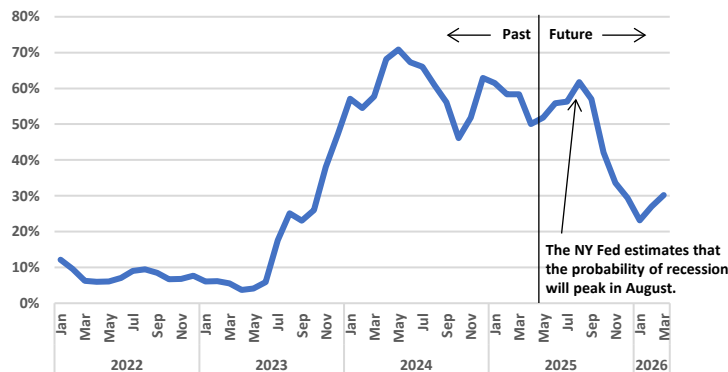


Figure 3. New York Fed Recession Probability Forecast



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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	4.50	4.00	3.50	3.50	3.50	
SOFR (%)	4.36	4.10	3.85	3.60	3.40	3.20	
2Y UST (%)	3.81	3.75	3.60	3.50	3.45	3.35	
5Y UST (%)	3.92	3.85	3.80	3.75	3.70	3.65	
10Y UST (%)	4.32	4.20	4.15	4.10	4.10	4.05	
30Y UST (%)	4.82	4.55	4.50	4.45	4.40	4.40	

ECONOMY

		2025				2026	
	Current	Q2	Q3	Q4	Q1	Q2	
PCE Inflation (YoY %)	2.3	2.6	2.3	2.5	2.4	2.5	
CPI Inflation (YoY %)	2.4	3.2	2.6	2.7	2.8	2.8	
Real GDP (QoQ %)	(0.3)	0.5	0.5	1	1.1	1.6	
Unemployment (%)	4.2	4.0	4.2	4.1	4.1	4.2	
Consumer Spending (QoQ %)	1.8	0.8	0.7	1	1.4	1.6	
Industrial Production (YoY %)	1.3	0.0	(0.4)	(0.2)	1.1	0.7	

Equities & Currency

	Current	Year ago
DJIA	41,254	38,852
Nasdaq	17,869	16,349
S&P 500	5,657	5,181
US Dollar Index	\$1,220.21	\$1,251.55

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$56.79	\$78.48
Natural Gas (Per MMBtu)	\$3.66	\$2.20
Coal (Per Short Ton)	\$9.80	\$14.61
Gold (Per Ounce)	\$3,319.30	\$2,328.60
Corn (Per Bushel)	\$4.53	\$4.69
Soybean (Per Bushel)	\$10.47	\$12.35

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	2,041	2,476
U.S. Daily Power Consumption (MWh)	10,582,804	10,793,862
World Container Index (Per 40ft)	\$2,091	\$2,725

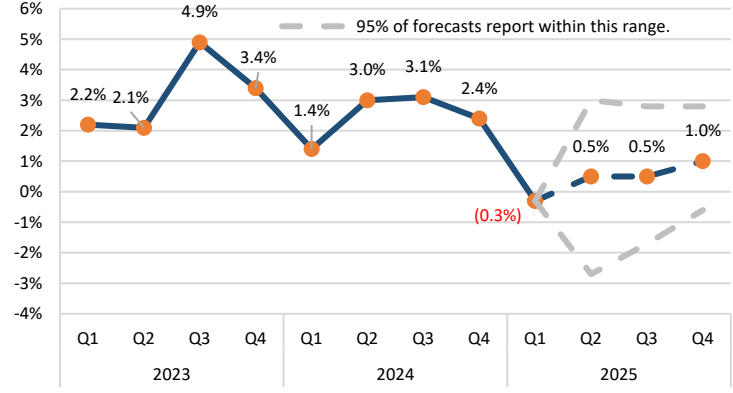
¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.² Target rate forecast is based on futures market contracts.

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.

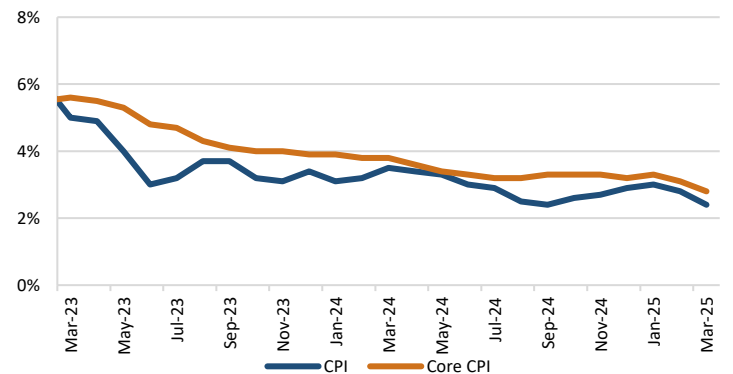
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

