

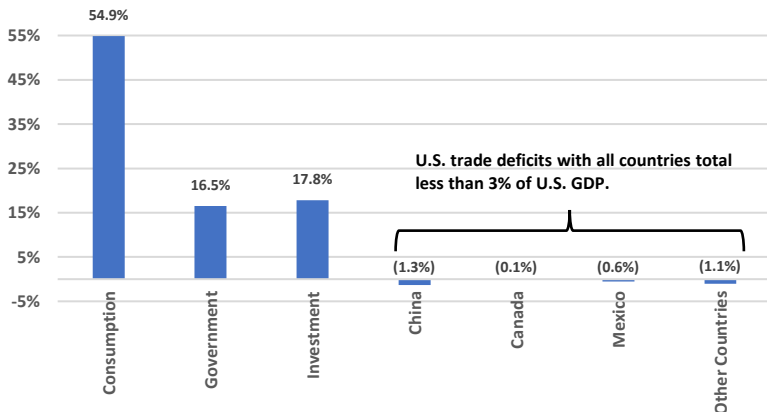
## Economic & Market Watch Intelligence Brief

### Briefing

- Since 2021, U.S. imports and exports have steadily risen, reflecting both recovery from the COVID-19 pandemic and evolving global supply chains. Imports have consistently outpaced exports, resulting in persistent trade deficits. A growing deficit, now around 3% of U.S. GDP, indicates significant reliance on international suppliers and highlights a strong domestic demand exceeding domestic production capabilities. China, Mexico and Canada are the top three suppliers, together accounting for around 40% of U.S. imports (**Figure 1**).
- Canada and Mexico together represent almost one-third of U.S. export markets (**Figure 2**). This is largely due to the strength of North American economic integration, which has been driven by long-standing trade agreements and geographic proximity.
- The U.S.-China trade balance skewed heavily in China's favor from 1985 to 2016 before reversing somewhat in recent years (**Figure 3**). Trade balances between the U.S. and any specific country can have exchange rate effects but are largely meaningless regarding the overall U.S. trade deficit. Where the overall trade deficit is concerned, what truly matters is total exports compared to total imports.

### Chart of the Week

**Spending and Trade Deficits as a Percentage of US GDP (2024)**



### Commentary

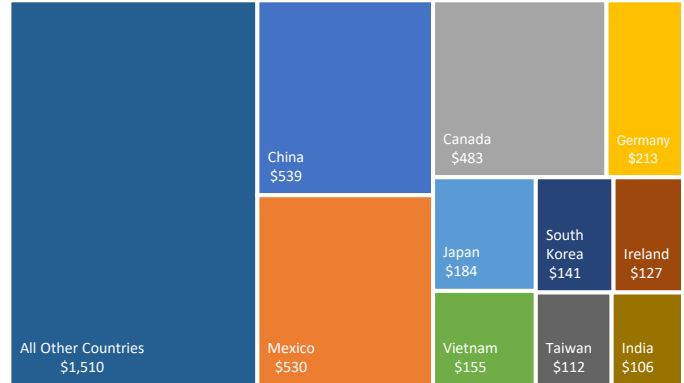
While there is much hand-wringing in the media over the trade deficit—and the trade deficit with China, specifically—the deficit is relatively small. The total U.S. trade deficit is only around 3% of our GDP, and the U.S. trade deficit with China is only 1.3% of our GDP (**Chart of the Week**).

To further complicate the story, a trade deficit isn't necessarily a bad thing as it reflects U.S. consumer's robust purchasing power and their preference for diverse goods and services produced abroad. Additionally, every dollar that leaves the U.S. via the trade deficit comes back into the U.S. via the capital surplus—dollars that foreigners invest in U.S. financial assets, real estate and businesses. This means that trade deficits can end up financing American entrepreneurship.

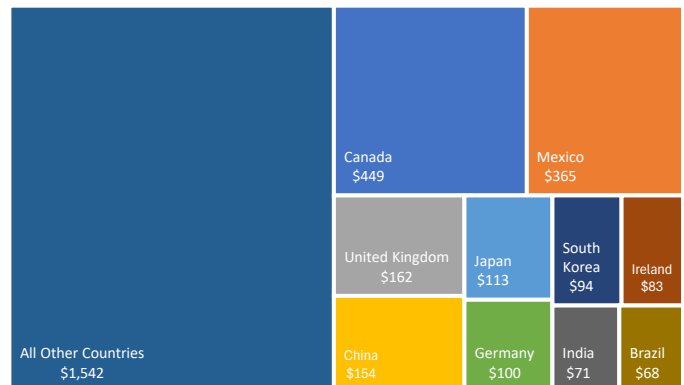
Historically, periods of economic growth in the U.S. have accompanied larger U.S. trade deficits, as strong domestic consumption outpaces domestic production. However, persistently large deficits can highlight non-economic vulnerabilities. For example, reliance on foreign production in strategic sectors, like rare earth elements, risks giving bad actors the ability to threaten the U.S. by denying needed imports.

### Snapshots

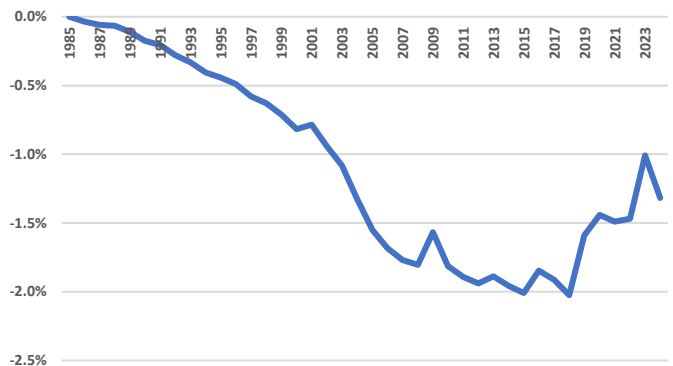
**Figure 1. US Imports by Origin (billions, 2024)**



**Figure 2. US Exports by Destination (billions, 2024)**



**Figure 3. Trade Balance with China as Fraction of US GDP**



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## Economic &amp; Market Watch Dashboard

## Key Indicators

INTEREST RATES<sup>1</sup>

	Current	2025			2026		
		Q3	Q4	Q1	Q2	Q3	
Fed Funds Target <sup>2</sup> (%)	4.50	4.25	4.00	3.75	3.50	3.50	
SOFR (%)	4.29	3.95	3.70	3.48	3.28	3.17	
2Y UST (%)	3.89	3.68	3.55	3.47	3.39	3.33	
5Y UST (%)	3.92	3.87	3.79	3.73	3.68	3.65	
10Y UST (%)	4.34	4.27	4.22	4.19	4.16	4.14	
30Y UST (%)	4.86	4.65	4.61	4.58	4.54	4.51	

## ECONOMY

	Current	2025			2026		
		Q3	Q4	Q1	Q2	Q3	
PCE Inflation (YoY %)	2.1	3.6	3.0	2.8	2.4	2.3	
CPI Inflation (YoY %)	2.4	3.7	3.2	2.9	2.6	2.5	
Real GDP (QoQ %)	(0.2)	0.5	0.8	1.4	1.7	1.9	
Unemployment (%)	4.2	4.4	4.6	4.7	4.7	4.7	
Consumer Spending (QoQ %)	1.2	0.7	0.8	1.5	1.7	1.8	
Industrial Production (YoY %)	0.6	0.9	0.8	1.1	0.6	0.7	

## Equities &amp; Currency

	Current	Year ago
DJIA	42,254	39,150
Nasdaq	19,429	17,689
S&P 500	5,968	5,465
US Dollar Index	\$1,215.36	\$1,268.09

## Commodities

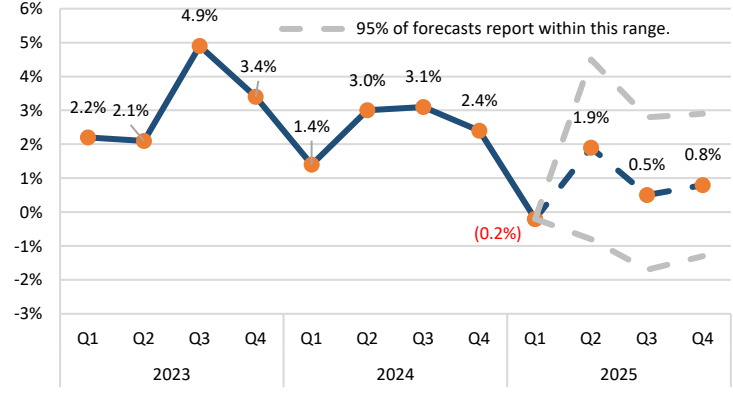
	Current	Year ago
Crude Oil (Per Barrel)	\$73.63	\$80.73
Natural Gas (Per MMBtu)	\$3.76	\$2.71
Coal (Per Short Ton)	\$14.30	\$13.55
Gold (Per Ounce)	\$3,350.00	\$2,316.40
Corn (Per Bushel)	\$423.75	\$435.00
Soybean (Per Bushel)	\$10.65	\$11.61

## Industry

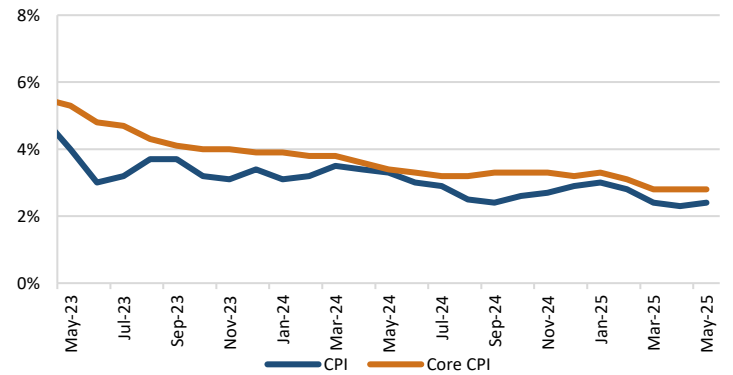
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	2,802	3,102
U.S. Daily Power Consumption (MWh)	13,603,725	13,530,404
World Container Index (Per 40ft)	\$3,279	\$5,117

## Forecasts

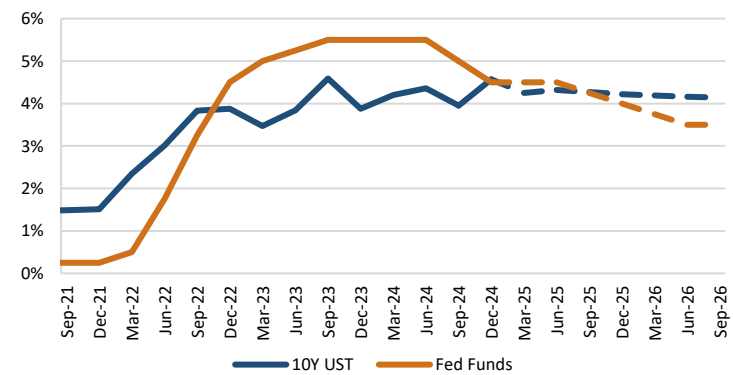
## Real GDP Growth Trend



## Headline vs. Core Inflation



## 10-Year US 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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