

Economic & Market Watch Intelligence Brief

Briefing

- The most recent Blue Chip forecaster consensus is that unemployment will rise from around 4.3% today to 4.5% by the end of the year, then peak at 4.6% in the first quarter of 2026 (**Figure 1**).
- About 95% of forecasters expect unemployment to end the year somewhere between 4.2% and 4.7%. Even the high end of this range is well below the 5.4% average from 2012 through 2019, indicating that even the more pessimistic forecasters see labor markets continuing to do better than the pre-COVID historical average (**Figure 1**).
- The unemployment rate doesn't include people who want jobs but have given up looking for work and people who are working part time but want full-time work. Instead, these people are included in the underemployment rate. The gap between the two measures has increased over time, indicating that the rise in the unemployment rate is not fully reflecting growing weakness in labor markets (**Figure 2**).
- The fraction of working-age adults either working or seeking work (the participation rate) is well below its historic high in 2000. This points to as many as 6 million people (versus the historic high) sitting on the sidelines of the labor market (**Figure 3**).

Chart of the Day: Unemployment Classifications

Category	Description	Current	12-Mo. Avg
U1	Unemployed for 15+ weeks.	1.7%	1.6%
U2	Lost a job.	2.0%	2.0%
U3	Headline unemployment.	4.3%	4.2%
U4	Unemployed or discouraged.	4.6%	4.4%
U5	Unemployed, discouraged or marginally attached.	5.3%	5.1%
U6	Unemployed, discouraged, marginally attached or underemployed.	8.1%	7.8%

Unemployed	Actively looking for work.
Discouraged	Wants to work but has given up looking.
Marginally Attached	Wants to work but can't due to non-economic reasons.
Underemployed	Wants to work full time but working part time.

Commentary

There are numerous fine points involved with counting the number of unemployed people. The U.S. Bureau of Labor Statistics (BLS) maintains the official labor market definitions and classifies unemployment into categories U1 through U6.

Headline unemployment numbers quoted in the media are BLS's unemployment category U3 (**Chart of the Week**). This category includes those who don't have jobs but are actively looking. Actively looking means that the person has searched, applied or interviewed for a job within the previous four weeks. If the person is not actively looking, how that person is classified by BLS depends on why the person isn't looking.

People who are not actively looking because they believe there are no jobs available are classified as discouraged and included in U4. People not actively looking for non-economic reasons (e.g., no child care) are considered marginally attached (included in U5). People who can't get full-time work and have taken part-time jobs as a fallback are underemployed (included in U6). People not looking for work because they do not want jobs (e.g., the retired, homemakers, full-time students) are not counted as part of the labor force.

Snapshots

Figure 1: Unemployment Forecast

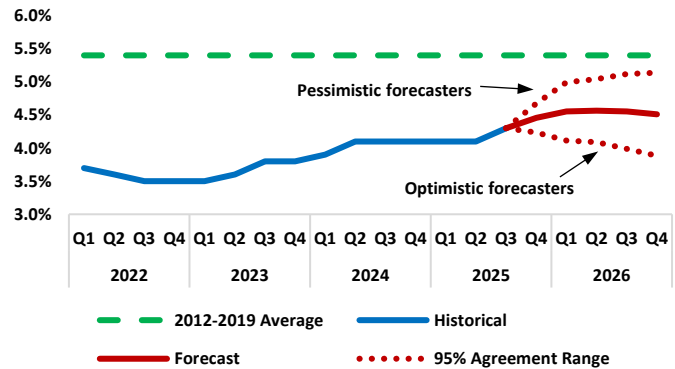


Figure 2: Underemployment vs. Unemployment

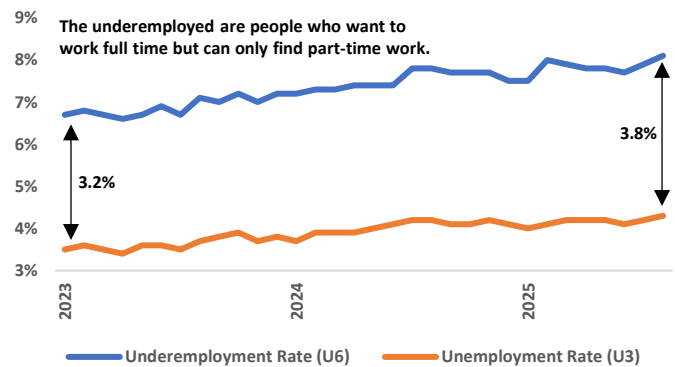
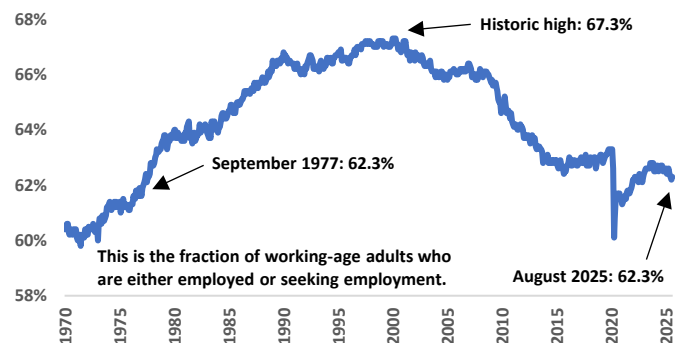


Figure 3: Labor Force Participation Rate



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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES¹

2025

2026

	Current	Q4	Q1	Q2	Q3	Q4
Fed Funds Target ² (%)	4.25	4.00	3.50	3.25	3.25	3.00
SOFR (%)	4.13	3.62	3.42	3.29	3.20	3.16
2Y UST (%)	3.58	3.41	3.37	3.35	3.33	3.32
5Y UST (%)	3.73	3.63	3.62	3.63	3.63	3.63
10Y UST (%)	4.14	4.10	4.09	4.10	4.10	4.09
30Y UST (%)	4.73	4.65	4.64	4.65	4.64	4.60

ECONOMY

2025

2026

	Current	Q4	Q1	Q2	Q3	Q4
PCE Inflation (YoY %)	2.7	3.0	2.7	2.5	2.4	2.3
CPI Inflation (YoY %)	2.9	3.1	2.9	3.1	2.9	2.6
Real GDP (QoQ %)	3.8	1.3	1.7	2	2	2
Unemployment (%)	4.3	4.5	4.6	4.6	4.5	4.5
Consumer Spending (QoQ %)	2.5	1.2	1.5	1.9	1.9	2
Industrial Production (YoY %)	0.9	1.4	0.9	1.0	1.2	1.5

Equities & Currency

	Current	Year ago
DJIA	45,952	43,065
Nasdaq	22,646	18,503
S&P 500	6,645	5,860
US Dollar Index	\$1,215.58	\$1,246.84

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$59.82	\$73.83
Natural Gas (Per MMBtu)	\$3.08	\$2.49
Coal (Per Short Ton)	\$10.46	\$15.09
Gold (Per Ounce)	\$4,096.30	\$2,649.40
Corn (Per Bushel)	\$4.11	\$4.08
Soybean (Per Bushel)	\$10.07	\$9.96

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,641	3,618
U.S. Daily Power Consumption (MWh)	10,951,913	10,545,628
World Container Index (Per 40ft)	\$1,651	\$3,489

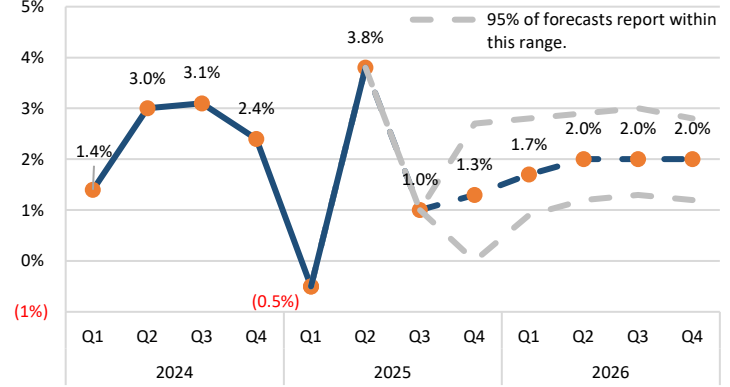
¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.² Target rate forecast is based on futures market contracts.

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.

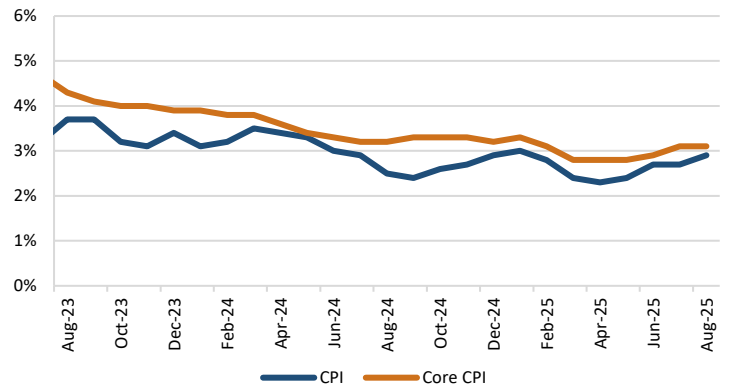
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

