SOLUTIONS
Economic & Market Watch
October 20, 2025

Economic & Market Watch Intelligence Brief

Briefing

- The U.S. Census Bureau's official poverty rate only counts money income—money earned from market activities (e.g., wages, capital gains, interest). It excludes money received from tax credits and means-tested transfers (e.g., SNAP, SSI, TANF, Medicaid, WIC, etc.).
- The Congressional Budget Office (CBO) maintains a separate measure of the poverty rate that does include tax credits and means-tested transfers. By this measure, the poverty rate has been cut in half since 1979 (**Figure 1**).
- Income inequality figures vary depending on whether you measure income before or after taxes and whether you include means-tested transfers. Ignoring the effects of taxes and transfers, income inequality has risen 35% over the past 46 years. Accounting for taxes and transfers, income inequality has risen 25% over the past 46 years (**Figure 2**).
- Age influences income inequality. Households headed by 45- to 54-year-olds earn 25% of all income but comprise just 16% of households (**Figure 3**).
- Location also matters. Adjusted for cost of living, Utah has the highest median household income and Mississippi the lowest. Among the states, there is a 94% difference between the highest and lowest median household income. That falls to 58% after adjusting for cost of living (**Figure 4**).

Chart of the Week

Distribution of Household Income and Taxes

	Poorest 20%	Next 20%	Middle 20%	Next 20%	Highest 20%	Top 1%
Income Before Taxes and Transfers						
	$22,500	$53,600	$86,500	$132,500	$418,100	$3,126,400
Federal Taxes	($5,153)	$161	$6,747	$18,418	$103,689	$931,667
Transfers	$21,038	$10,988	$6,488	$3,710	$2,091	$3,126
Income After Taxes and Transfers						
	$48,690	$64,427	$86,241	$117,793	$316,502	$2,197,859
Average Effective Federal Tax Rate						
	(116%)	(20%)	0%	11%	24%	30%

Source: Congressional Budget Office, The Distribution of Household Income, 2024. Figures are for 2021 and are the latest available.

Commentary

Taxes and means-tested transfers can help the poor and mitigate income inequality. Means-tested transfers are money or money-equivalents that the government gives to qualifying households to alleviate poverty.

The combination of progressive tax rates (i.e., rates that increase as one's income rises) and tax credits further aids lower-income households. For example, the average household among the bottom 20% (by income) receives more in tax credits than it incurs in federal tax liabilities. The result is a negative net tax of more than $5,000 (**Chart of the Week**).

By subtracting federal taxes and adding back federal transfers, we can calculate average effective tax rates. Statutory tax rates are the tax rates as stated in the law. Effective tax rates are the net rates that households actually pay after accounting for deductions, exemptions, tax credits and transfers.

While effective rates for individual households will vary, the average household in the bottom 20% (by income) pays an effective federal tax rate of negative 116%, while the average household among the top 1% (by income) pays an effective federal tax rate of 30%.

Snapshots

Figure 1: Poverty Rates—Census vs. CBO

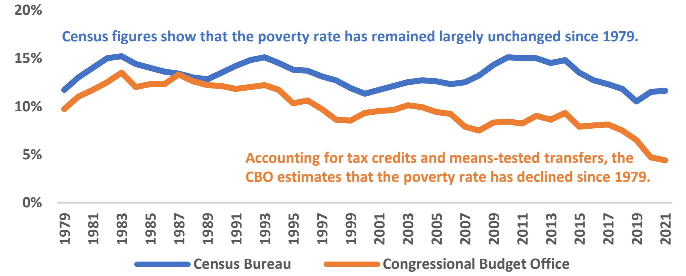


Figure 2: Income Inequality (0 = Perfect Equality; 100 = Perfect Inequality)

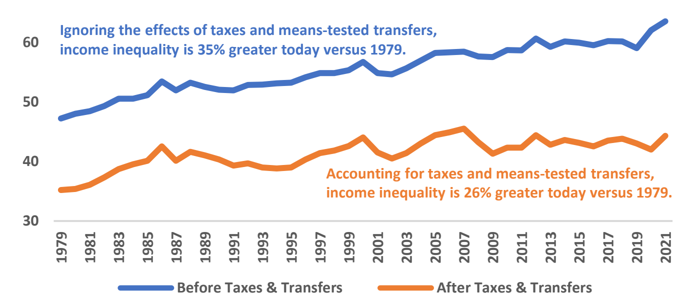


Figure 3: Fraction of Income Earned by Age (2023)

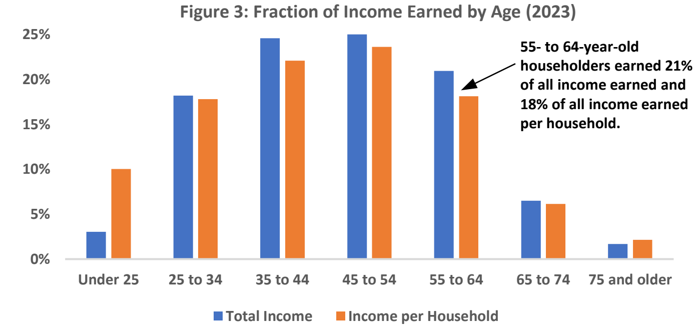
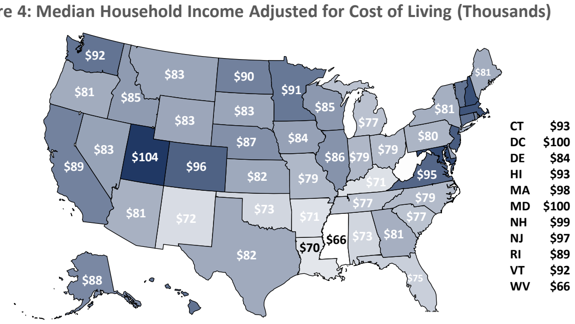


Figure 4: Median Household Income Adjusted for Cost of Living (Thousands)



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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES[1]		2025		2026		
	Current	Q4	Q1	Q2	Q3	Q4
Fed Funds Target[2] (%)	4.25	3.75	3.50	3.25	3.00	3.00
SOFR (%)	4.18	3.62	3.42	3.29	3.20	3.16
2Y UST (%)	3.47	3.41	3.37	3.35	3.33	3.32
5Y UST (%)	3.59	3.63	3.62	3.63	3.63	3.63
10Y UST (%)	4.00	4.10	4.09	4.10	4.10	4.09
30Y UST (%)	4.58	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	46,409	43,276
Nasdaq	22,917	18,490
S&P 500	6,708	5,865
US Dollar Index	$1,209.24	$1,251.88

Commodities

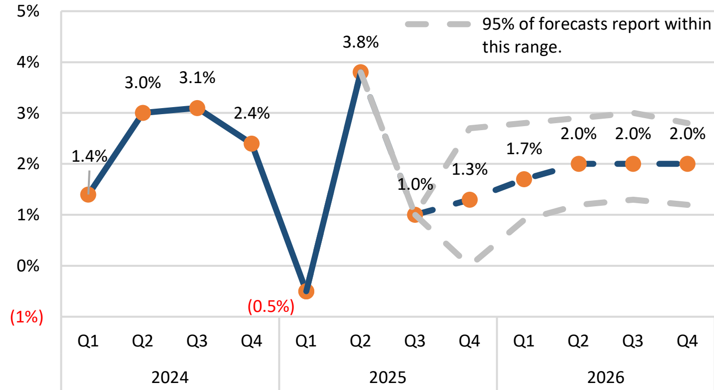
	Current	Year ago
Crude Oil (Per Barrel)	$56.99	$69.22
Natural Gas (Per MMBtu)	$3.28	$2.26
Coal (Per Short Ton)	$14.75	$14.20
Gold (Per Ounce)	$4,255.10	$2,713.70
Corn (Per Bushel)	$4.21	$4.05
Soybean (Per Bushel)	$10.28	$9.70

Industry

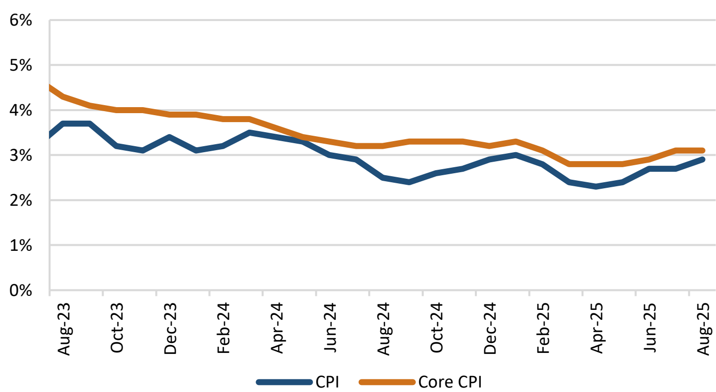
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,721	3,785
U.S. Daily Power Consumption (MWh)	10,697,156	10,313,738
World Container Index (Per 40ft)	$1,687	$3,216

Forecasts

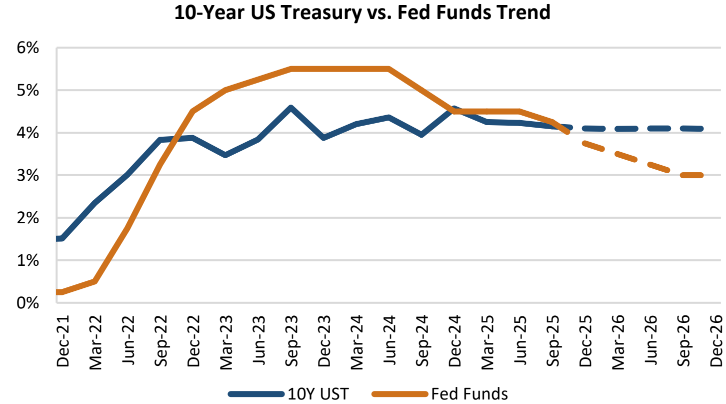
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend



[1] Unless otherwise indicated, forecasts are from the Blue Chip Professional 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.