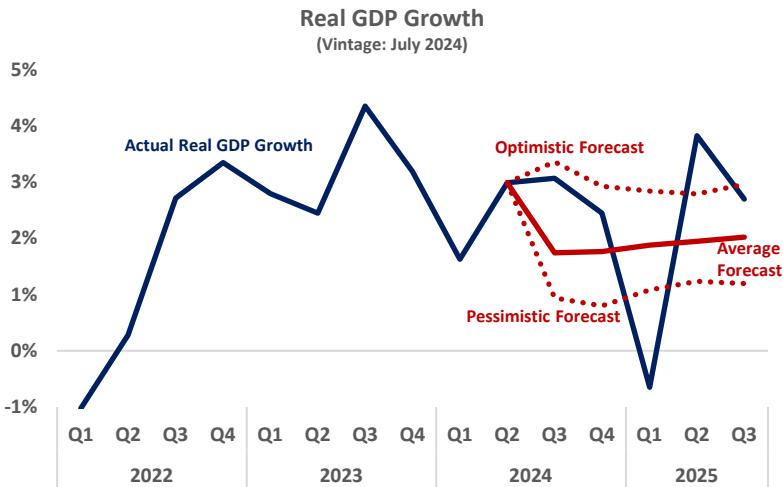


Economic & Market Watch Intelligence Brief

Briefing

- Throughout 2024, the average prices of imported goods and domestic goods that competed with imported goods steadily fell (these are the unweighted averages of imported goods, not inflation, which is the weighted average of all goods and services). When the tariffs were imposed, the decline turned around (**Figure 1**). Tariffs put upward pressure on domestic goods because, in making imports more expensive, tariffs remove competitive pressures, thereby allowing prices of competing domestic goods to increase.
- Exports of U.S. agricultural products grew an average of 3.6% faster than inflation from 2007 through 2020 (**Figure 2**). Supply chain and productivity disruptions during COVID caused agricultural exports to decline. The decline turned around in 2023 only to reverse again as tariffs disrupted U.S. trade.
- Tariffs are costing farmers by putting upward pressure on prices of imported inputs (e.g., fertilizer), on domestic inputs that compete with foreign inputs (e.g., U.S.-produced machinery) and on domestic inputs manufactured using foreign inputs (e.g., U.S.-produced pesticides). Meanwhile, tariffs reduce U.S. purchases of foreign goods, which means that foreigners earn fewer dollars and so have fewer dollars with which to purchase U.S. exports, like U.S. agricultural goods (**Figure 3**).

Chart of the Week



Commentary

We can use disagreement among forecasters to build a range of forecasts from pessimistic to optimistic. The future reality will likely be somewhere between the two extremes.

The **Chart of the Week** shows a comparison of what forecasters were saying about the future in July of 2024 (red lines) to what happened (blue). In July 2024, the average forecaster said that economic growth would be 1.7% (annualized) in Q3 2024 and 1.8% in Q4 2024. Optimists said 3.4% and 2.9%. Pessimists said 0.9% and 0.8%. Actual economic growth was 3.1% and 2.5%—closer to the optimists but trending toward the average forecast.

Typically, actual growth falls somewhere between the optimists and pessimists. But sometimes something unforeseen happens. The Trump Administration's tariffs were such a thing (economists call it a "gray swan" event—a low probability, high impact, explicable-in-foresight event). In July 2024, forecasters did not foresee the Trump tariffs and so missed the 0.7% contraction in Q1 2025 and 3.8% rebound in Q2 2025. However, the drop and rebound together averaged 1.6% growth. That is very close to the 1.9% average forecast for that period.

Snapshots

Figure 1. Import and Competing Domestic Goods Prices

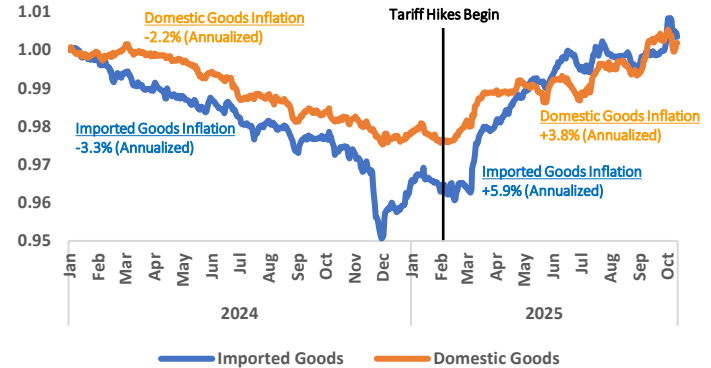


Figure 2. Real Exports of Agricultural Goods (2017 Dollars)

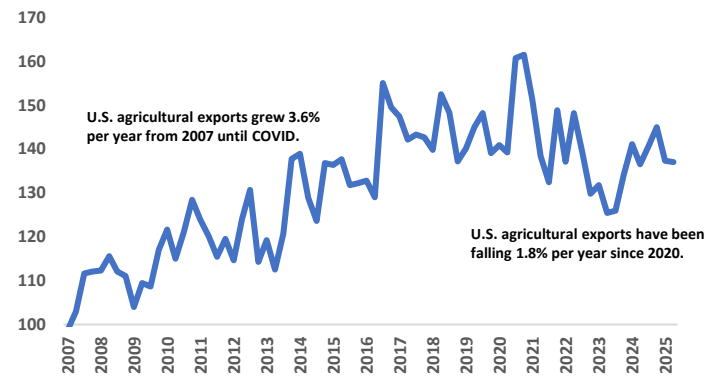
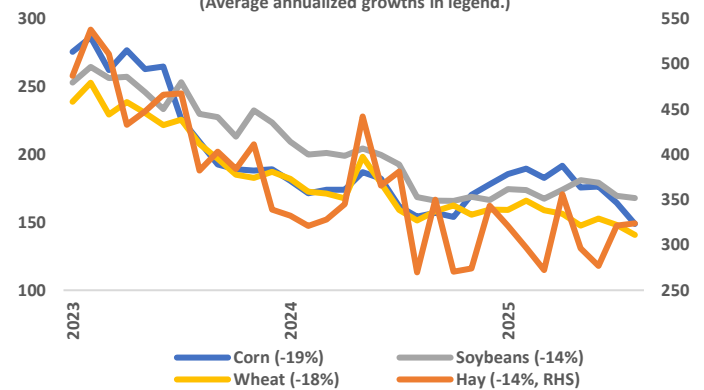


Figure 3. Farm-Level Price Indices
(Average annualized growths in legend.)



The Economic & Financial Research Team



John Suter, VP



Antony Davies, Director



Sam Kem, Sr. Analyst

Email: EconomicResearch@nrucfc.coop

Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES¹

2025

2026

	Current	Q4	Q1	Q2	Q3	Q4
Fed Funds Target ² (%)	4.00	3.75	3.75	3.50	3.25	3.25
SOFR (%)	4.12	3.54	3.33	3.19	3.11	3.06
2Y UST (%)	3.53	3.40	3.34	3.31	3.29	3.27
5Y UST (%)	3.65	3.59	3.57	3.57	3.57	3.56
10Y UST (%)	4.09	4.08	4.07	4.08	4.08	4.07
30Y UST (%)	4.74	4.61	4.60	4.60	4.58	4.55

ECONOMY

2025

2026

	Current	Q4	Q1	Q2	Q3	Q4
PCE Inflation (YoY %)	2.7	3.0	2.7	2.4	2.3	2.3
CPI Inflation (YoY %)	3.0	3.0	2.9	3.1	2.9	2.6
Real GDP (QoQ %)	3.8	1.2	1.7	1.9	2	1.2
Unemployment (%)	4.3	4.4	4.5	4.5	4.5	4.4
Consumer Spending (QoQ %)	2.5	1.3	1.5	1.7	1.8	2.0
Industrial Production (YoY %)	0.9	1.4	0.9	1.0	1.2	1.5

Equities & Currency

	Current	Year ago
DJIA	47,508	44,782
Nasdaq	23,141	19,404
S&P 500	6,805	6,047
US Dollar Index	\$1,217.41	\$1,281.17

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$59.45	\$73.92
Natural Gas (Per MMBtu)	\$4.82	\$3.21
Coal (Per Short Ton)	\$11.04	\$13.60
Gold (Per Ounce)	\$4,242.00	\$2,642.2
Corn (Per Bushel)	\$4.35	\$4.25
Soybean (Per Bushel)	\$11.36	\$9.85

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,935	3,967
U.S. Daily Power Consumption (MWh)	11,242,224	11,247,080
World Container Index (Per 40ft)	\$1,806	\$3,413

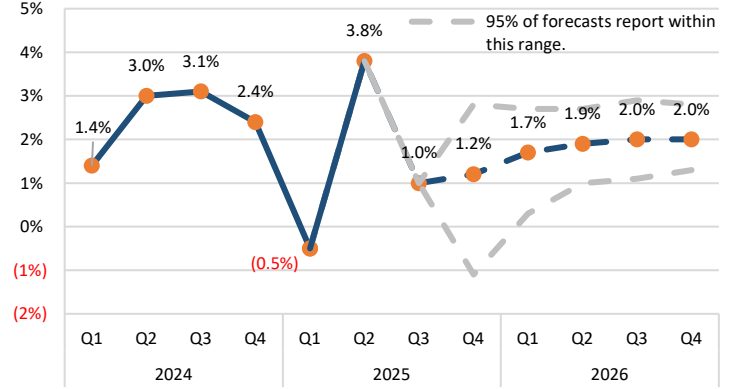
¹ Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.² Target rate forecast is based on futures market contracts.

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.

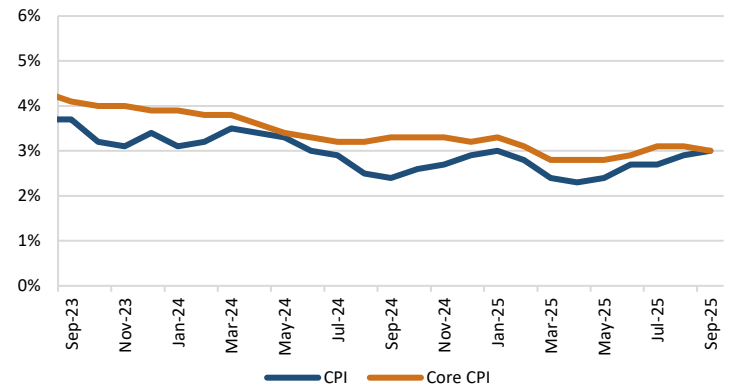
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

