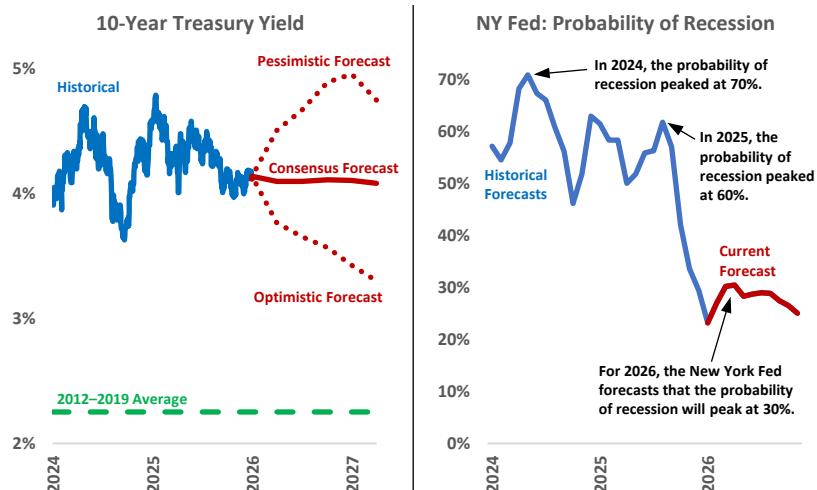


Briefing

- As of January 1, the Blue Chip consensus (the average of 33 professional forecasters) is that the economy will average 2.0% real gross domestic product (GDP) growth in 2026—about the same as in 2025. The magnitude of disagreement between the pessimists and optimists has gradually declined since March as the effects of the tariffs have materialized. Currently, even the pessimists see no sign of recession through mid-2027 (Figure 1).
- The consensus forecast is that Personal Consumption Expenditures (PCE) inflation will continue to fall through mid-2027, though at a slower pace. Even the optimistic forecasters don't see inflation returning to its pre-COVID average. The difference between the long-run consensus forecast (2.1%) and the pre-COVID average (1.4%) is, perhaps not coincidentally, the same as the inflationary impact the Fed estimates is being caused by the tariffs (Figure 2).
- The consensus is that unemployment will decline starting mid-2026. That would mark the first decline in unemployment since 2022 (Figure 3). In 2025, college-educated workers felt the unemployment effects more. From January through November, the unemployment rate among college-educated workers rose 0.7 percentage points, while unemployment among high school educated workers fell 0.3 percentage points and unemployment among workers with an associate degree fell 1.1 percentage points.

Chart of the Week



Commentary

The 2025 government shutdown blacked out data from Oct. 1 through Nov. 12, as statistical agencies like the Bureau of Labor Statistics, the Bureau of Economic Analysis and the Census Bureau stopped collecting data. Because of the time required to collect and process data, even in the best of times freshly released data are a month old or more. The first major economic data release following the shutdown didn't arrive until Nov. 20. Even then, the data were of lower quality given frictions involved in shutting down and restarting the data collection apparatus. Many of the data that should have been released during the blackout will be permanently lost. Once data are released, forecasters require time to process the data. This time around, that included adjusting their models to account for missing data. The forecasts you see on this page are among the first reliable forecasts to come out following the blackout.

As of Jan. 1, the Blue Chip consensus is that 10-year Treasury yields will hold around 4% through mid-2027. Optimists see the yield falling to 3.3% and pessimists see it rising to 4.7% (Chart of the Week, left panel).

The New York Fed, which estimates the probability of recession based on interest rate spreads, puts the likelihood of a recession in 2026 at around half of what it was in 2025 (Chart of the Week, right panel).

Snapshots

Figure 1. Real GDP Growth
(QoQ, Annualized)

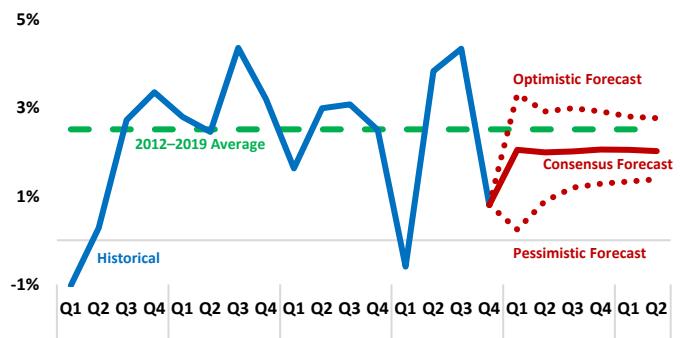


Figure 2. PCE Inflation
(QoQ, Annualized)

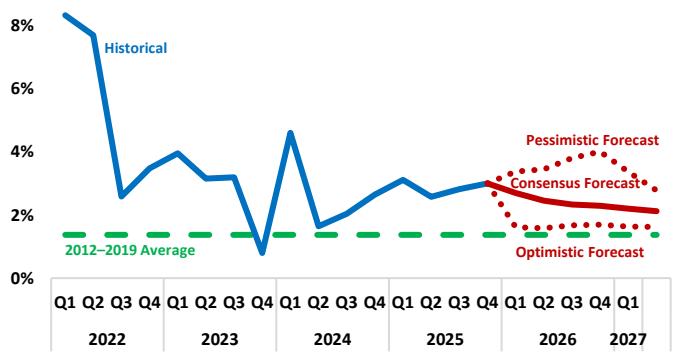
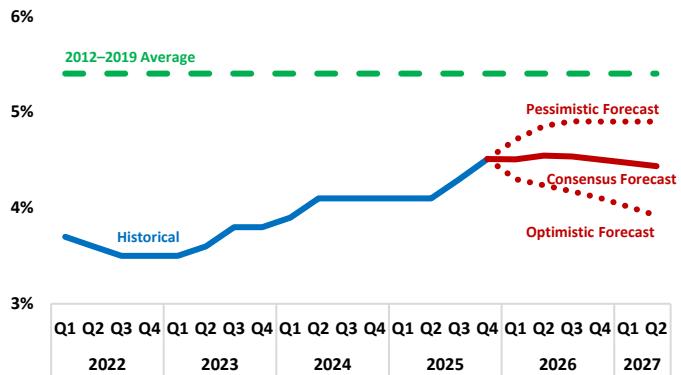


Figure 3. Unemployment Rate



The Economic & Financial Research Team



Email: EconomicResearch@nrucfc.coop

Key Indicators

INTEREST RATES¹

	Current	Q1	Q2	Q3	Q4	2027
Fed Funds Target² (%)	3.75	3.75	3.50	3.50	3.25	3.25
SOFR (%)	3.64	3.36	3.22	3.15	3.12	3.08
2Y UST (%)	3.55	3.42	3.40	3.39	3.36	3.33
5Y UST (%)	3.77	3.66	3.66	3.67	3.67	3.67
10Y UST (%)	4.19	4.10	4.11	4.11	4.10	4.08
30Y UST (%)	4.85	4.69	4.68	4.67	4.65	4.64

ECONOMY

	Current	Q1	Q2	Q3	Q4	2027
PCE Inflation (YoY %)	2.8	2.7	2.5	2.3	2.3	2.2
CPI Inflation (YoY %)	2.7	2.8	2.6	2.5	2.4	2.3
Real GDP (QoQ %)	4.3	2.1	2.0	2.1	2.1	2.0
Unemployment (%)	4.4	4.6	4.6	4.5	4.5	4.5
Consumer Spending (QoQ %)	3.5	1.3	1.5	1.7	1.8	2.0
Industrial Production (YoY %)	2.5	0.9	1.0	1.2	1.5	1.5

Equities & Currency

	Current	Year ago
DJIA	49,251	42,297
Nasdaq	23,670	19,088
S&P 500	6,959	5,836
US Dollar Index	\$1,208.62	\$1,314.06

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$59.00	\$78.65
Natural Gas (Per MMBtu)	\$3.27	\$3.93
Coal (Per Short Ton)	\$10.73	\$11.45
Gold (Per Ounce)	\$4,624.50	\$2,667.90
Corn (Per Bushel)	\$4.47	\$4.77
Soybean (Per Bushel)	\$10.52	\$10.53

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,256	3,379
U.S. Daily Power Consumption (MWh)	11,173,041	12,246,447
World Container Index (Per 40ft)	\$2,557	\$3,905

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

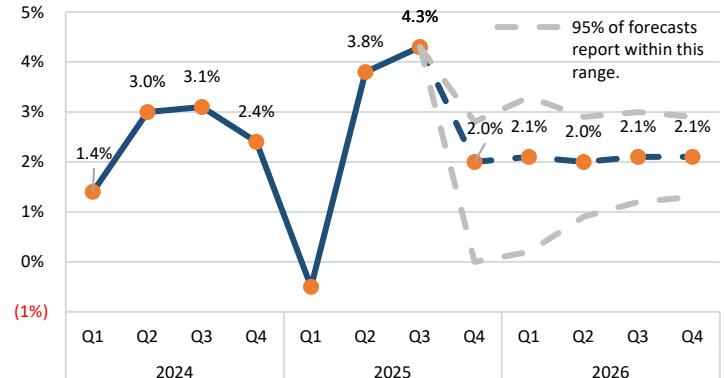
² Target rate forecast is based on futures market contracts.

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.

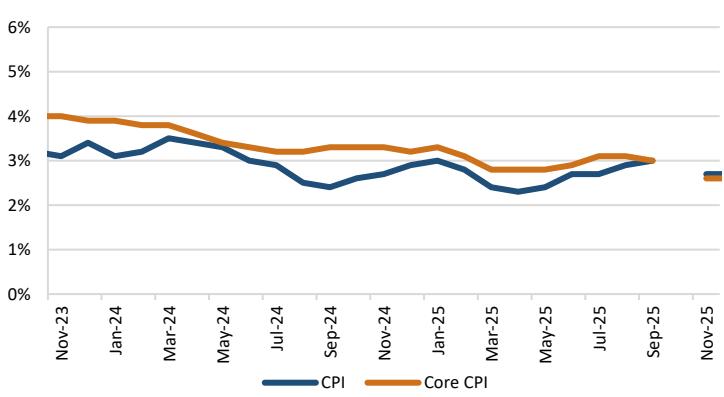
Disclaimer: These materials are being provided to you as a service to our members for informational purposes only, and are not advice or recommendations of any kind. By receiving these materials, you agree not to share the materials outside of your cooperative, that CFC is not providing any representation or warranty regarding the information in these materials, and that CFC is not responsible for the consequences of any decisions made or actions taken in reliance on these materials. SOFR and EFR are subject to the Terms of Use posted at newyorkfed.org. The New York Fed is not responsible for publication of SOFR or EFR by CFC, does not sanction or endorse any particular republication, and has no liability for your use.

Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

