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Economic & Market Watch

Economic & Market Watch Intelligence Brief

March 16, 2026

Briefing

- In an economy as large as the United States, prices lose some of their meaning because they become subject to state-specific conditions. For example, looking at average wages across states (**Figure 1**), one would conclude that the best jobs are in New York, California and Washington. But looking at wages alone hides important differences in state and local taxes and costs of living.
- An added complication in attempting to adjust for differences in taxes is that taxes differ not just by state, but by locality and by target. Some states focus their taxes on sales (Louisiana, Tennessee), some on property (New Jersey) and others on income (California). Average tax burden measures all these taxes (along with federal taxes) as a fraction of income (**Figure 2**). Some states with the highest wages also have the highest tax burdens.
- The recent Forbes study "Examining the Cost of Living by State" calculates cost of living to include what the average household spends on housing, healthcare, food and transportation (**Figure 3**). Again, some states with high wages also have high costs of living.
- A more meaningful comparison of standards of living across states compares discretionary income, rather than total income.

Chart of the Week

Median Discretionary Income Adjusted for Cost of Living

Commentary

Disposable income is income minus taxes. Discretionary income is disposable income minus spending on necessities like food, housing and medical care. Discretionary income is the margin that determines financial flexibility—the ability of a household to save, invest and weather shocks. Two states with similar incomes can generate very different discretionary incomes if taxes and costs of living diverge.

The **Chart of the Week** shows that high-income states do not uniformly translate income advantages into greater financial slack. Elevated costs of living can counteract greater income levels. For example, the average wage in California is 28% greater than the median across states, but discretionary income adjusted for cost of living is more than 25% below. Meanwhile, the average wage in Missouri is 4% below the median for the country, yet cost-of-living adjusted discretionary income is around 10% more.

Households with thinner discretionary margins are more sensitive to interest rate increases, employment volatility and unexpected expenses. States where housing and healthcare costs crowd out income may exhibit higher vulnerability in downturns, even if headline incomes appear solid.

Snapshots

Figure 1. Average Annual Wage

Figure 2. Average Tax Burden

Figure 3. Cost of Living Index

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Economic & Market Watch Dashboard

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Key Indicators

INTEREST RATES[1]

		2026				2027
	Current	Q1	Q2	Q3	Q4	Q1
Fed Funds Target[2] (%)	3.75	3.75	3.75	3.75	3.50	3.50
SOFR (%)	3.65	3.54	3.38	3.23	3.16	3.14
2Y UST (%)	3.67	3.49	3.46	3.43	3.38	3.35
5Y UST (%)	3.80	3.70	3.69	3.68	3.66	3.65
10Y UST (%)	4.22	4.18	4.17	4.17	4.16	4.16
30Y UST (%)	4.86	4.78	4.77	4.76	4.74	4.73

ECONOMY

		2026				2027
	Current	Q1	Q2	Q3	Q4	Q1
PCE Inflation (YoY %)	2.8	2.9	2.7	2.5	2.3	2.3
CPI Inflation (YoY %)	2.4	2.8	2.7	2.6	2.4	2.5
Real GDP (QoQ %)	0.7	2.2	2.0	2.0	2.1	2.1
Unemployment (%)	4.4	4.5	4.4	4.4	4.3	4.3
Consumer Spending (QoQ %)	2.0	1.3	1.5	1.7	1.8	2.0
Industrial Production (YoY %)	1.4	1.4	1.2	1.1	1.9	1.8

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	47,083	41,842	12.5%
Nasdaq	22,438	17,809	26.0%
S&P 500	6,720	5,675	18.4%
US Dollar Index	$1,211.33	$1,262.44	(4.5%)

Commodities

	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	$92.24	$67.37	36.9%
Natural Gas (Per MMBtu)	$3.62	$4.02	(9.9%)
Coal (Per Short Ton)	$13.73	$9.88	36.3%
Gold (Per Ounce)	$5,035.50	$3,006.10	67.4%
Corn (Per Bushel)	$4.60	$4.61	(0.2%)
Soybean (Per Bushel)	$11.77	$10.16	15.9%

Industry

	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	1,848	1,707	8.3%
U.S. Daily Power Consumption (MWh)	10,418,094	9,743,444	6.9%
World Container Index (Per 40ft)	$2,123	$2,368	(10.3%)

Forecasts

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

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