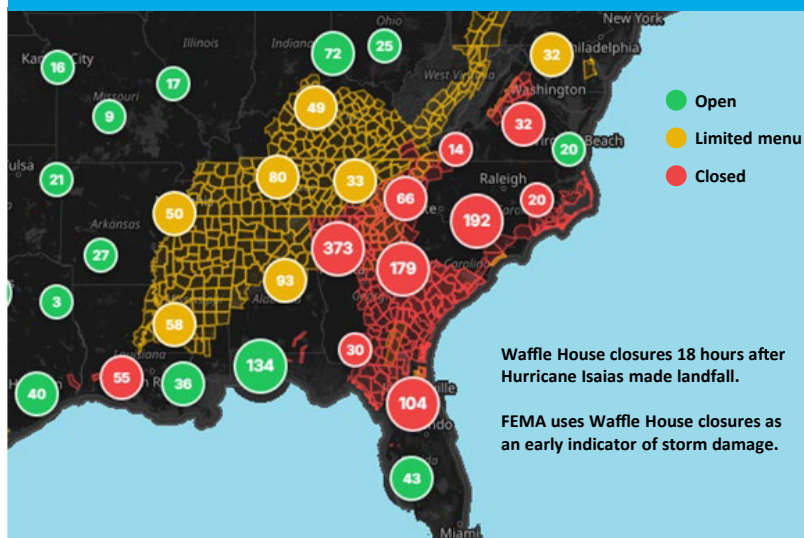


Briefing

- On Sept. 30, the U.S. Bureau of Economic Analysis (BEA) revised second-quarter real gross domestic product (GDP) growth from 1.5% to 2.2% annualized (**Figure 1**). BEA releases an advance, a second and a third estimate as more data become available. The third estimate is generally more reliable than the earlier releases but remains subject to subsequent annual and benchmark revisions. The 2.2% growth for Q2 is down slightly from 2.5% in the first quarter. The Blue Chip consensus is that Q3 growth will come in around 2.9%, but that Q4 will decline to 1.9%, and that growth will remain muted through 2027.
- Government and hyperscaler spending get the headlines, but consumer spending accounts for almost 70% of GDP. Annualized consumer spending is up 6.6% so far in 2026 versus 4.6% in 2025. Critics claim that consumer spending is only up because prices are higher. The data disagree. Inflation-adjusted spending is up 3.3% on an annualized basis so far in 2026, versus 2.1% in 2025 (**Figure 2**). However, forecasters are anticipating a muted fourth quarter. If they are correct, real spending growth could come in at a more moderate 2.8% for the year.
- Growth conceals variation: second quarter economic growth ranged from 1.5% in the Rocky Mountain states to 2.9% in the Mid-Atlantic states (**Figure 3**).

Chart of the Week: Waffle House Index



Commentary

Some economic numbers, like economic growth, can't be measured immediately. Others, like consumer expectations and disaster severity, either can't be directly observed or aren't well-defined enough for a definitive measure. Proxies are measures we can easily observe that are related to the measures we'd like to observe.

Waffle House has a reputation for being open 24/7, so closed Waffle Houses can signal damaged infrastructure (**Chart of the Week**). Artificial light accompanies economic activity, so satellite pictures taken at night can reveal changes to and differences in economic activity across time and geographic regions. Big Macs are almost identical everywhere, so differences in the price of Big Macs can reflect differences in purchasing power between cities. Google searches can predict activity from voting to economic downturns. Treasury breakevens (Treasury yield minus the inflation-protected yield) reflect perceptions about future inflation.

Proxies provide quick and easy information but come at the cost of measurement error. A single closed Waffle House signals nothing useful. Some closures might or might not signal a problem. But when many close in the same area, it's likely due to something serious having happened.

Snapshots

Figure 1. Economic Growth
(Annualized, QoQ)

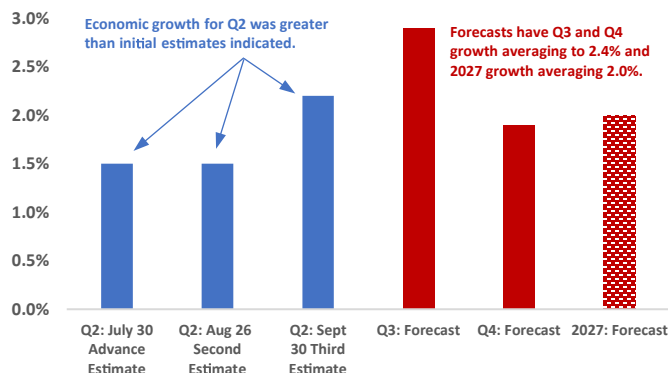


Figure 2. Growth in Consumer Spending (YoY)

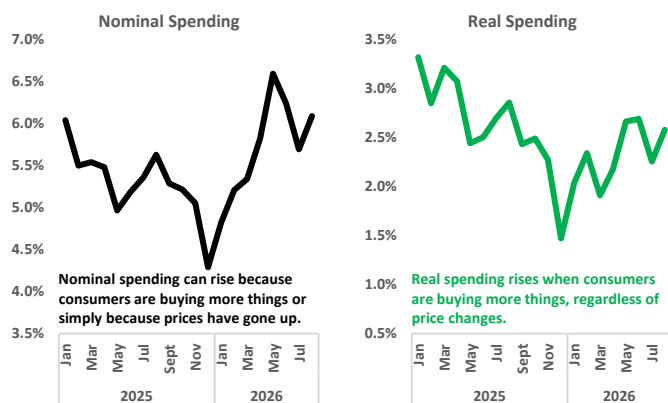
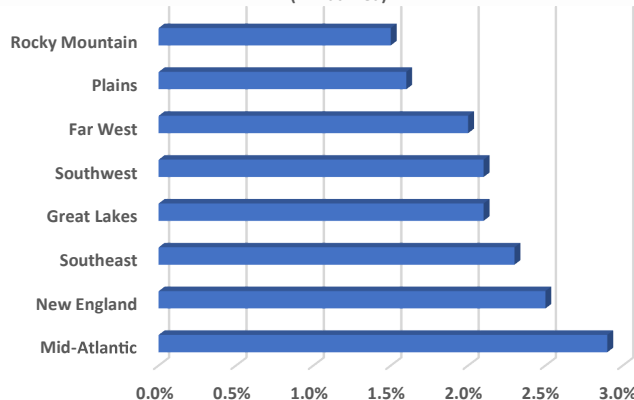


Figure 3. Q2 Economic Growth by Region
(Annualized)



The Economic & Financial Research Team



John Suter, VP



Antony Davies, Director



Sam Kem, Sr. Analyst

Email: EconomicResearch@nrucfc.coop

Key Indicators

INTEREST RATES ¹	2026			2027		
	Current	Q4	Q1	Q2	Q3	Q4
Fed Funds Target ² (%)	4.00	4.25	4.50	4.75	4.75	4.75
SOFR (%)	3.88	4.06	4.17	4.16	4.11	4.05
2Y UST (%)	4.82	4.60	4.54	4.44	4.32	4.18
5Y UST (%)	5.05	4.75	4.68	4.59	4.48	4.35
10Y UST (%)	5.29	4.97	4.90	4.82	4.76	4.67
30Y UST (%)	5.56	5.37	5.31	5.24	5.17	5.09

ECONOMY	2026			2027		
	Current	Q4	Q1	Q2	Q3	Q4
PCE Inflation (YoY %)	3.4	3.0	2.6	2.4	2.2	2.3
CPI Inflation (YoY %)	3.4	3.3	2.4	2.3	2.1	2.3
Real GDP (QoQ %)	2.2	1.9	1.9	2.0	2.1	2.1
Unemployment (%)	4.2	4.2	4.2	4.3	4.3	4.2
Consumer Spending (QoQ %)	3.8	2.3	2.5	2.0	1.8	1.9
Industrial Production (QoQ %)	2.5	1.6	1.5	1.8	1.8	1.8

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	51,764	46,068	12.4%
Nasdaq	27,325	22,695	20.5%
S&P 500	7,816	6,655	17.5%
US Dollar Index	\$1,226.23	\$1,215.64	1.0%

Commodities

	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	\$93.75	\$49.59	57.6%
Natural Gas (Per MMBtu)	\$3.13	\$3.12	(0.5%)
Coal (Per Short Ton)	\$14.89	\$10.44	42.4%
Gold (Per Ounce)	\$4,174.00	\$4,111.00	1.5%
Corn (Per Bushel)	\$4.82	\$4.11	17.3%
Soybean (Per Bushel)	\$12.84	\$10.08	27.4%

Industry

	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	3,500	3,630	(3.6%)
U.S. Daily Power Consumption (MWh)	10,974,367	10,134,727	8.3%
World Container Index (Per 40ft)	\$4,351	\$1,651	163.5%

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

² Target rate forecast is based on futures market contracts.

Sources: © Oxford Economics, Blue Chip Financial Forecasts, Trading Economics, Moody’s Analytics, Statista, Oxford 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

