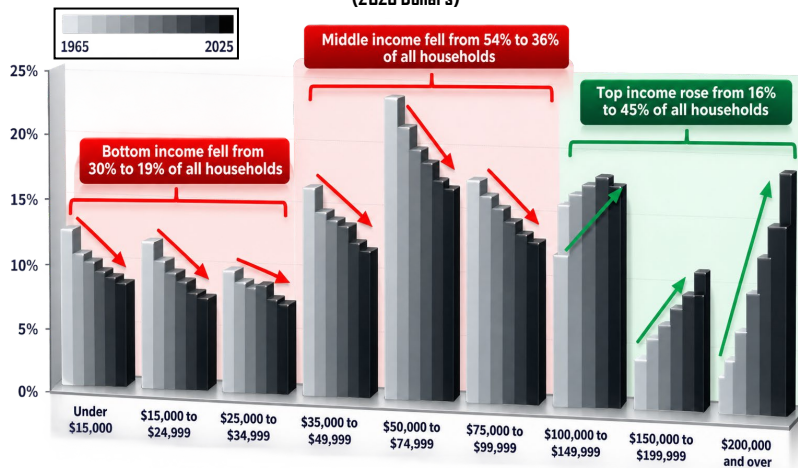


Briefing

- Inflation-adjusted family income has risen steadily over the past 60 years, though the average has risen faster than the median (**Figure 1**). The growing gap between the average and median is due to a small number of families with very high incomes. That disparity is, in part, a statistical artifact that arises because income is bounded by zero on one end but unbounded on the other. Whereas household income measures the incomes of people living together, regardless of familial connection, family income measures the incomes of people who are both related and living together.
- Higher-income consumers necessarily comprise a larger fraction of total spending than do lower-income consumers. The top 30% of consumers by income account for half of all consumer spending in the U.S. The bottom 50% by income account for about one-third (**Figure 2**).
- Our standards of living rise slowly but steadily. What were once luxuries we quickly come to regard as necessities and then forget that they were once uncommon. In 1960, 7% of U.S. households owned dishwashers, only 12% had air conditioning and none owned microwaves. Today, 75% have dishwashers, 91% have air conditioning and almost 100% have microwaves (**Figure 3**). Wired telephone service has fallen from 95% in 2000 to 20% today, but cell phone ownership has grown from 40% in 2000 to 99% today.

Chart of the Week: The Disappearing Middle Class

Fraction of American Households in Each Income Group by Decade
(2025 Dollars)



Commentary

People repeat the phrase, “the middle class is disappearing.” The unspoken assumption is that the middle class is falling into poverty. It turns out that the middle class is disappearing, but the truth beyond that is more complicated.

The U.S. Census Bureau tracks nine categories of household purchasing power (measured in 2025 dollars). In 1965, 54% of U.S. households landed in the middle three income categories. By 2025, only 36% of U.S. households landed there (**Chart of the Week**). The middle classes are disappearing. But they aren’t falling into poverty. In 1965, 30% of households landed in the bottom three income categories. By 2025, and adjusting for inflation, that fraction had fallen to 19%. It turns out that the poor classes are declining also.

Where have all these households gone? Many have become wealthier. In 1965, 16% of U.S. households earned at least \$100,000 in today’s dollars. By 2025, 45% of households landed in these top three income categories. What our grandparents considered solidly middle class, we now call poor.

Snapshots

Figure 1. Family Income
(2025\$)

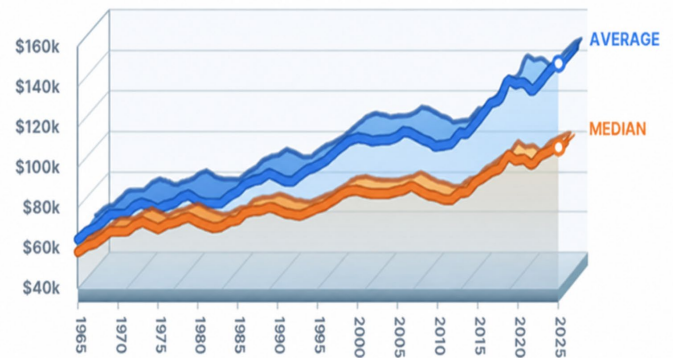


Figure 2. Fraction of Consumer Spending (in parentheses)
by Income Bracket

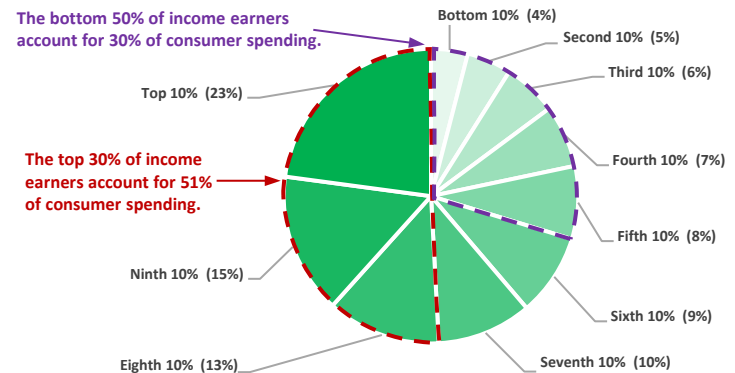
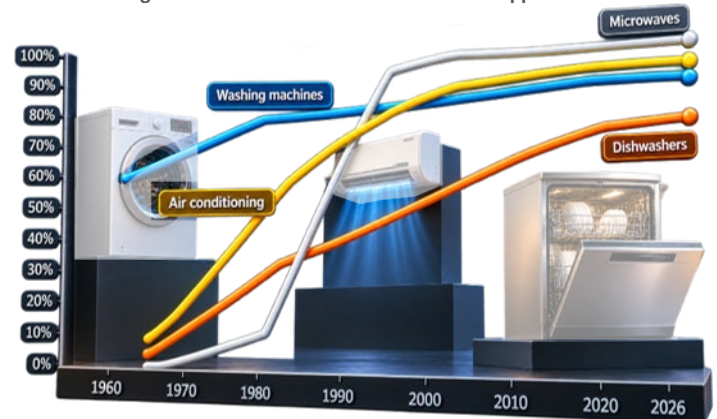


Figure 3. Fraction of US Households with Appliances



The Economic & Financial Research Team



John Suter, VP



Antony Davies, Director



Sam Kem, Sr. Analyst

Email: EconomicResearch@nrucfc.coop

Key Indicators

INTEREST RATES¹

	Current	2026		2027		
		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 (%)	4.75	4.60	4.54	4.44	4.32	4.18
5Y UST (%)	4.90	4.75	4.68	4.59	4.48	4.35
10Y UST (%)	5.10	4.97	4.90	4.82	4.76	4.67
30Y UST (%)	5.44	5.37	5.31	5.24	5.17	5.09

ECONOMY

	Current	2026		2027		
		Q4	Q1	Q2	Q3	Q4
PCE Inflation (YoY %)	3.4	3.0	2.6	2.4	2.2	2.3
CPI Inflation (YoY %)	3.7	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	51,951	46,707	11.2%
Nasdaq	26,388	22,954	14.8%
S&P 500	7,816	6,735	14.3%
US Dollar Index	\$1,222.33	\$1,209.08	1.2%

Commodities

	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	\$100.70	\$57.02	76.9%
Natural Gas (Per MMBtu)	\$3.10	\$3.40	(8.8%)
Coal (Per Short Ton)	\$15.04	\$10.40	76.7%
Gold (Per Ounce)	\$4,149.50	\$4,357.80	1.5%
Corn (Per Bushel)	\$4.69	\$4.23	10.8%
Soybean (Per Bushel)	\$12.54	\$10.32	21.6%

Industry

	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	3,567	3,710	(3.9%)
U.S. Daily Power Consumption (MWh)	9,887,831	9,961,697	(0.7%)
World Container Index (Per 40ft)	\$4,485	\$1,687	165.9%

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

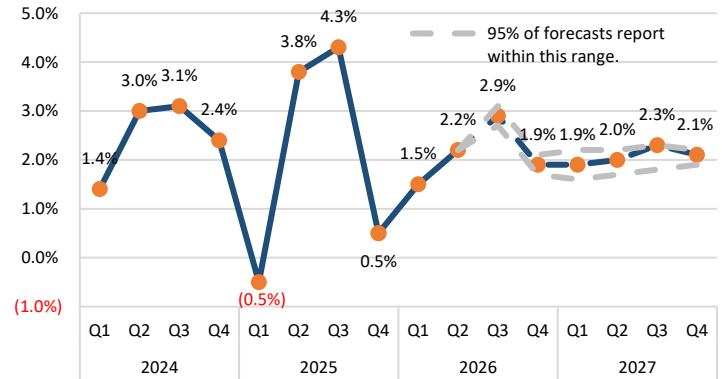
² Target rate forecast is based on futures market contracts.

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.

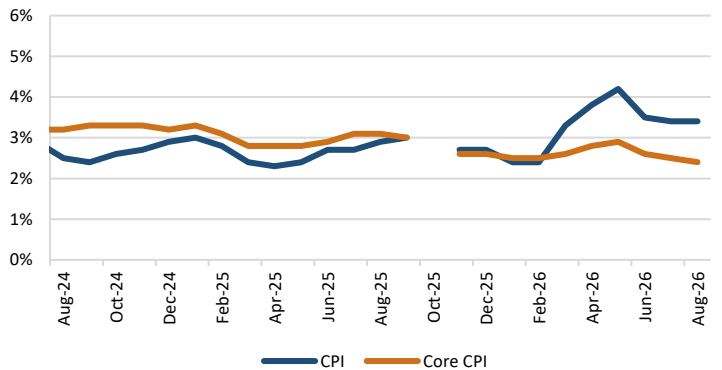
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

