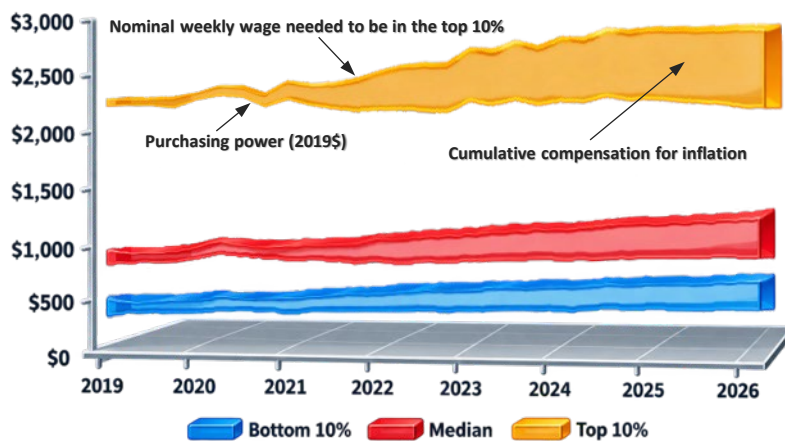


## Briefing

- Unlike temperature or speed, a single metric can't capture inflation. Each of the numerous inflation measures gives a different view of price changes. "Headline" or "consumer" inflation is the growth in the Consumer Price Index (CPI). It measures the growth in the weighted average of prices of things consumers purchase, where weights reflect the amount consumers spend on items. For example, the price of gasoline is up 40% versus last year. However, gasoline constitutes only 4% of consumer spending, therefore that 40% growth has a smaller impact on overall consumer inflation. Personal Consumption Expenditures (PCE) inflation better reflects the actual impact on consumer spending by accounting for consumers' adjustments to their spending patterns in reaction to price changes (**Figure 1**).
- Subtracting energy from CPI shows how much energy prices (gasoline, diesel, natural gas, propane, electricity) contribute to overall inflation. From 2024 through 2025, energy prices tended to rise more slowly than other prices, cutting overall inflation by a fraction of a percentage point (**Figure 2**). This year, consumer inflation has averaged 3.3%. The faster growth in energy prices contributes around 1 percentage point to that.
- The Producer Price Index (PPI) measures prices further up the production chain and can predict the CPI. Current PPI inflation indicates that CPI inflation over the next six months will be elevated (**Figure 3**).

## Chart of the Week

### Full-Time Worker's Weekly Wage



## Commentary

Inflation erodes the purchasing power of people's wages. However, wages typically rise over time by at least as much as inflation. From 2019 to 2026, the median worker's weekly wage rose from \$900 to \$1,260 (**Chart of the Week, top of the red area**). However, over the same period, inflation reduced the purchasing power of that \$360 per week increase by 75% to \$86 (**bottom of the red area**). A common but incorrect conclusion is that, were it not for inflation, the median worker would now be earning \$360 more per week than in 2019. Rather, had it not been for inflation, the median worker would now be earning \$86 more per week than in 2019. The \$274 difference is compensation for inflation. In the short run, wages typically adjust more slowly than inflation rises, resulting in a short-term loss of purchasing power to the worker. In the long-run, competition among employers typically pushes wages up to compensate for inflation.

Since 2019, nominal wages at the bottom 10% cutoff (for workers age 25 and older) increased \$200 per week. Of that, \$140 compensated for inflation, leaving a \$60 per week increase in purchasing power. In contrast, nominal wages at the top 10% cutoff increased \$660 per week. But inflation consumed all of that, leaving virtually no change in purchasing power versus 2019.

## Snapshots

Figure 1. Inflation Measures (YoY)

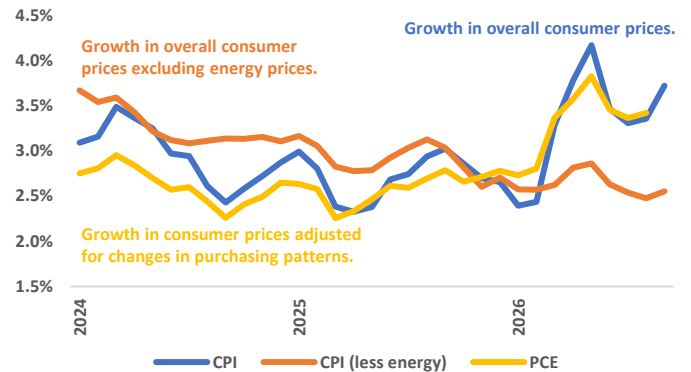


Figure 2. Energy Prices Contribution to Consumer Inflation

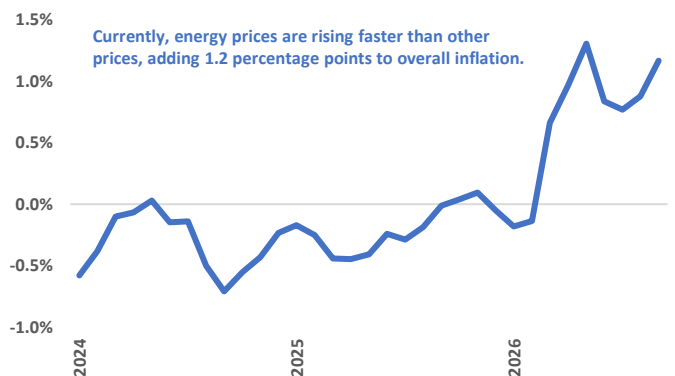
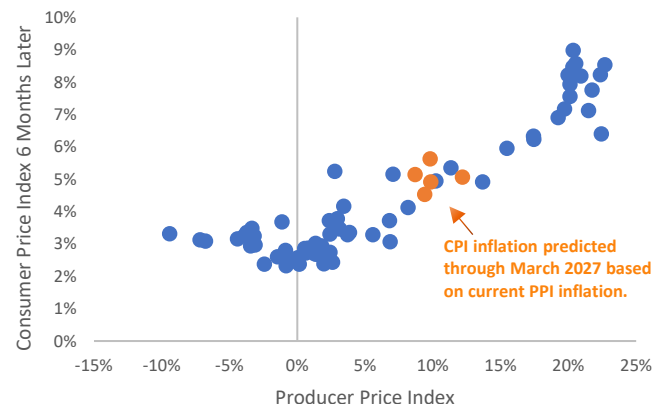


Figure 3. PPI Inflation Predicts CPI Inflation 6 Months in the Future



## The Economic & Financial Research Team



John Suter, VP



Antony Davies, Director



Sam Kem, Sr. Analyst

Email: [EconomicResearch@nrucfc.coop](mailto:EconomicResearch@nrucfc.coop)

Key Indicators

| INTEREST RATES <sup>1</sup>       | 2026    |      |      | 2027 |      |      |
|-----------------------------------|---------|------|------|------|------|------|
|                                   | Current | Q4   | Q1   | Q2   | Q3   | Q4   |
| Fed Funds Target <sup>2</sup> (%) | 4.00    | 4.25 | 4.50 | 4.75 | 4.75 | 4.75 |
| SOFR (%)                          | 3.92    | 4.06 | 4.17 | 4.16 | 4.11 | 4.05 |
| 2Y UST (%)                        | 4.70    | 4.60 | 4.54 | 4.44 | 4.32 | 4.18 |
| 5Y UST (%)                        | 4.81    | 4.75 | 4.68 | 4.59 | 4.48 | 4.35 |
| 10Y UST (%)                       | 4.98    | 4.97 | 4.90 | 4.82 | 4.76 | 4.67 |
| 30Y UST (%)                       | 5.30    | 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 %)         | 3.7     | 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            | 52,412     | 47,545     | 10.2% |
| Nasdaq          | 26,031     | 23,637     | 10.1% |
| S&P 500         | 7,662      | 6,875      | 11.5% |
| US Dollar Index | \$1,223.25 | \$1,211.54 | 0.8%  |

Commodities

|                         | Current    | Year ago   | YoY Δ   |
|-------------------------|------------|------------|---------|
| Crude Oil (Per Barrel)  | \$101.65   | \$61.31    | 65.9%   |
| Natural Gas (Per MMBtu) | \$2.53     | \$4.00     | (36.4%) |
| Coal (Per Short Ton)    | \$15.04    | \$10.43    | 44.8%   |
| Gold (Per Ounce)        | \$4,149.50 | \$4,357.80 | 1.5%    |
| Corn (Per Bushel)       | \$4.52     | \$4.29     | 5.2%    |
| Soybean (Per Bushel)    | \$12.33    | \$10.67    | 15.7%   |

Industry

|                                          | Current    | Year ago  | YoY Δ  |
|------------------------------------------|------------|-----------|--------|
| Natural Gas Storage (Billion Cubic Feet) | 3,644      | 3,796     | (4.0%) |
| U.S. Daily Power Consumption (MWh)       | 10,012,862 | 9,910,713 | 1.0%   |
| World Container Index (Per 40ft)         | \$4,485    | \$1,746   | 156.9% |

<sup>1</sup> Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.

<sup>2</sup> 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.

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 you 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 EFFR are subject to the Terms of Use posted at newyorkfed.org. The New York Fed is not responsible for publication of SOFR or EFFR by CFC, does not sanction or endorse any particular republication, and has no liability for your use.

Forecasts

