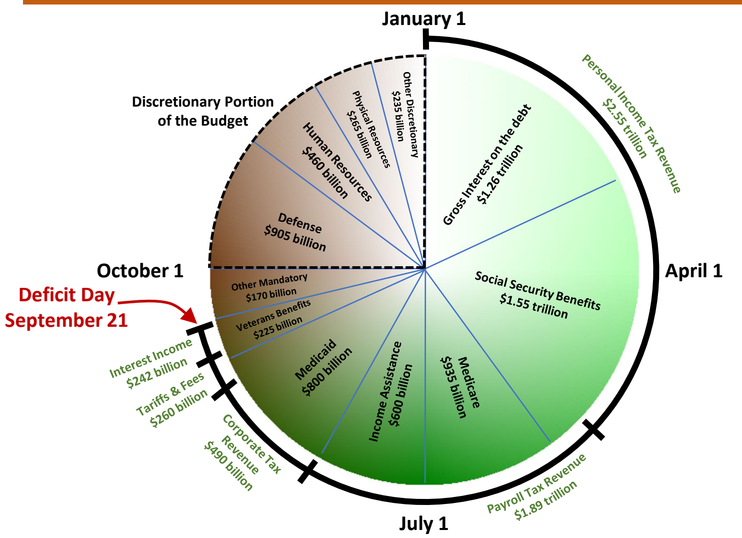
CFC SOLUTIONS
Economic & Market Watch
September 22, 2025

Economic & Market Watch Intelligence Brief

Briefing

- Adjusted for inflation, the government's debt doubles every 13 years, while the economy doubles every 30. In 1981, the debt was around one-third the size of the economy. Today, it is 20% larger than the economy (**Figure 1**).
- Showing the debt as a fraction of gross domestic product (GDP) is useful for comparing debt across countries. For example, while the federal debt is 120% the size of the U.S. economy, Japan's government debt is more than 230% the size of Japan's economy. Debt-to-GDP, however, is not useful for measuring the government's ability to afford its debt. A more appropriate measure is the government's debt divided by its annual tax revenue, which is debt per receipts (**Figure 2**). This measure has risen from less than two in 1981 to over seven today. By comparison, today's median home price is only five times the median household's income.
- Since 1981, the official deficit has averaged 25% less than the actual deficit. The official deficit implicitly treats the Social Security trust fund, federal worker pensions and other intragovernmental accounts as assets belonging to the government rather than obligations owed to retirees. Consequently, government accounting allows intragovernmental surpluses to offset spending, causing the deficit to appear smaller (**Figure 3**).

Chart of the Week: Deficit Day



Commentary

The circle (**Chart of the Week**) shows all federal spending for 2025. Gross interest on the debt, Social Security benefits and Medicare payments comprise about half of federal spending. Total mandatory spending (spending that occurs automatically unless Congress stops it) comprises 75% of the budget. Discretionary spending (spending that doesn't occur unless Congress initiates it) comprises the remaining 25%. Of that, almost half is defense spending.

Imagine that the government collected all its tax revenue for the year in one lump sum on January 1 and then started spending at a constant rate. The dark curve around the circle shows how long the tax revenue will last.

The money collected from personal income taxes would run out in mid-May. That will cover the interest on the debt and almost all of Social Security. Payroll tax revenue will keep the government going until around August 1, paying for the remainder of Social Security, Medicare and income assistance for the poor. Corporate tax revenue will just about pay for Medicaid.

In total, tax revenue is large enough to fund federal spending from January 1 through September 21. On September 21, the money runs out. That's "Deficit Day." Every day's spending, from September 22 to the end of the year, goes on the government's credit card.

Snapshots

Figure 1: Inflation-Adjusted Debt (Trillions)

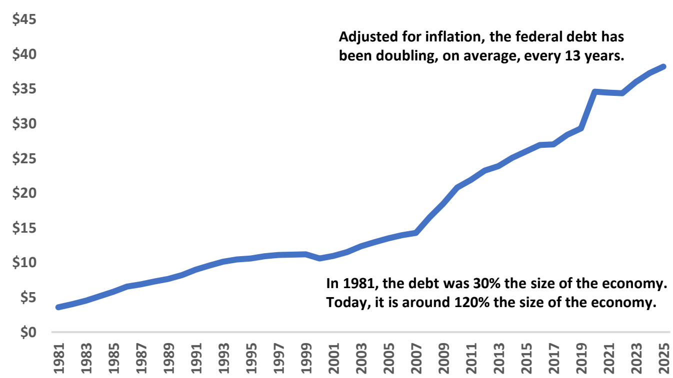


Figure 2: Debt per Receipts

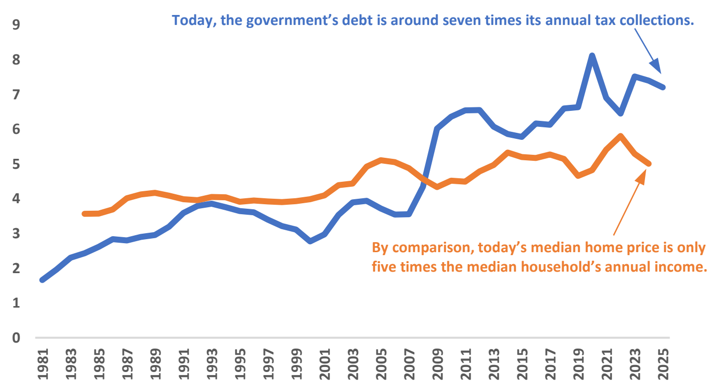
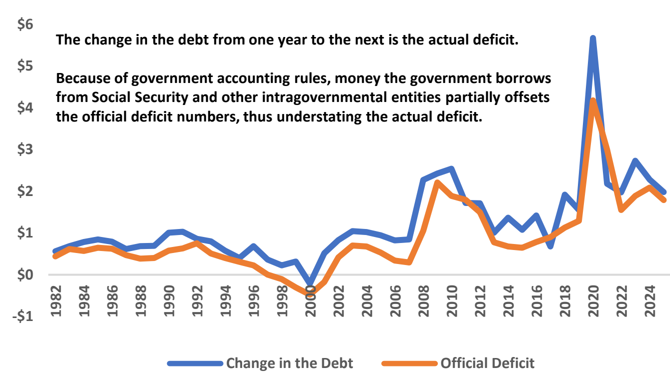


Figure 3: Inflation-Adjusted Deficit (Trillions)



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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES[1]		2025		2026		
	Current	Q3	Q4	Q1	Q2	Q3
Fed Funds Target[2] (%)	4.25	4.25	3.75	3.50	3.25	3.25
SOFR (%)	4.14	4.06	3.80	3.56	3.37	3.20
2Y UST (%)	3.57	3.72	3.61	3.53	3.48	3.44
5Y UST (%)	3.68	3.89	3.83	3.79	3.75	3.71
10Y UST (%)	4.13	4.30	4.24	4.21	4.19	4.17
30Y UST (%)	4.77	4.76	4.70	4.67	4.65	4.64

ECONOMY		2025		2026		
	Current	Q3	Q4	Q1	Q2	Q3
PCE Inflation (YoY %)	2.6	3.2	2.8	2.5	2.3	2.2
CPI Inflation (YoY %)	2.9	2.9	3.0	2.9	3.0	2.8
Real GDP (QoQ %)	3.3	0.8	1.3	1.8	2.0	2.9
Unemployment (%)	4.3	4.4	4.6	4.7	4.7	4.7
Consumer Spending (QoQ %)	1.6	0.6	0.8	1.4	1.7	1.8
Industrial Production (YoY %)	0.9	1.1	1.4	1.0	1.0	1.4

Equities & Currency

	Current	Year ago
DJIA	46,211	42,063
Nasdaq	22,643	17,948
S&P 500	6,652	5,703
US Dollar Index	$1,197.12	$1,223.93

Commodities

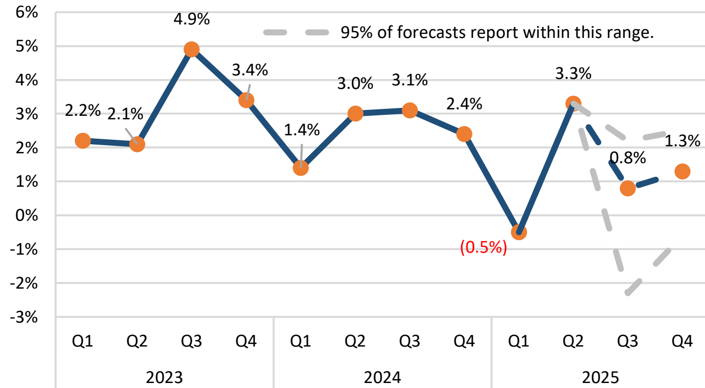
	Current	Year ago
Crude Oil (Per Barrel)	$62.25	$71.92
Natural Gas (Per MMBtu)	$2.92	$2.43
Coal (Per Short Ton)	$14.40	$13.95
Gold (Per Ounce)	$3,718.60	$2,622.40
Corn (Per Bushel)	$4.20	$4.02
Soybean (Per Bushel)	$10.10	$10.12

Industry

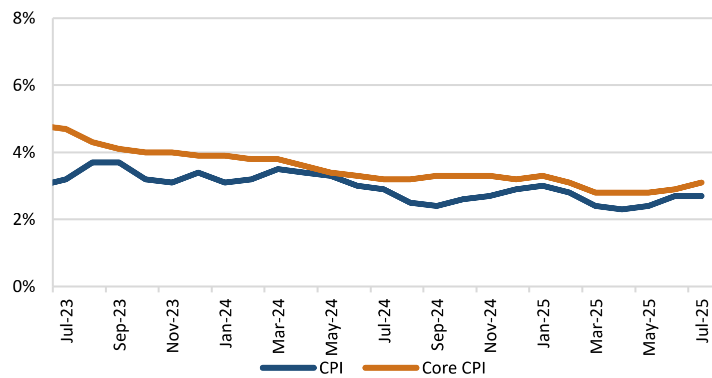
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,433	3,493
U.S. Daily Power Consumption (MWh)	12,404,934	12,103,928
World Container Index (Per 40ft)	$1,913	$3,970

Forecasts

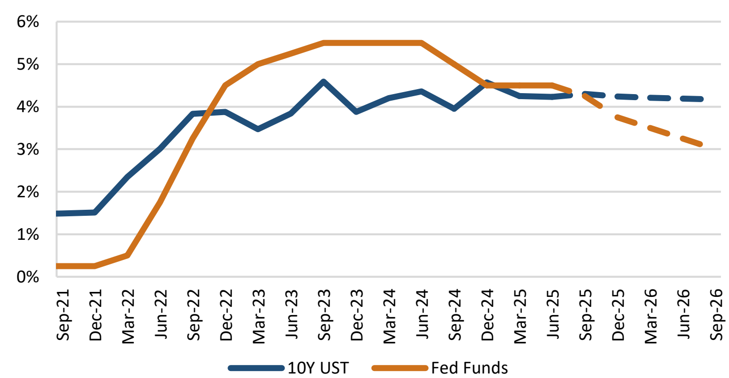
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend



[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.