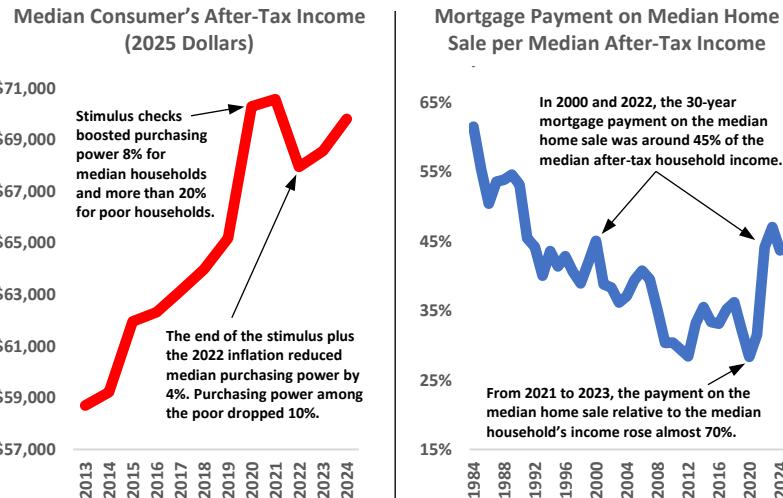


Briefing

- Despite the inflation of 2022, households have seen solid growth in their purchasing power. In 2024, the poorest 20% of consumers earned an average after-tax income of \$17,300. That's a 22% increase in purchasing power versus 2014. By contrast, the richest 20% of consumers gained an average of 14% in purchasing power versus 2014 (Figure 1).
- In 1984, the median home was 1,600 square feet and cost \$80,000. The median after-tax income at the time was \$17,000, making the median home, on a per-thousand-square-foot basis, 2.9 times the median buyer's after-tax income. By 2024, the median home price had risen to \$420,000. But its size had grown to 2,150 square feet, making its size-adjusted price 2.8 times the median consumer's \$70,000 after-tax income (Figure 2).
- The pain people are feeling has less to do with the price of houses than it does with mortgage rates. From 1992 to 2021, the price of the median home rose more than 60% faster than inflation. But, because mortgage rates fell from 8% to 3% over the same period, the median monthly payment on a 30-year mortgage stayed around \$2,000 (in today's dollars), fluctuating between a low of \$1,600 in 2012 to a high of \$2,500 in 2006. For over 30 years, a \$2,000 mortgage payment was typical. When interest rates rose sharply, the median monthly mortgage payment suddenly jumped to \$3,000 by 2023 (Figure 3).

Chart of the Week



Commentary

The famous quote from the early 1990s, "It's the economy, stupid!" warned that people's primary concern is the economy. Today, we could turn the phrase around: "Is it the economy?"

Consumer surveys show Americans to be dissatisfied with the economy. That's puzzling to some economists because the economy looks remarkably resilient. People complain about inflation, but the poorest 20% of Americans have 13% more purchasing power today than in 2019 and median Americans have 7% more. People complain about housing prices, but adjusted for size, the median home today costs less relative to the median after-tax income than in 1984.

Two things that do explain consumers' dissatisfaction are both holdovers from the COVID era. First, stimulus spending boosted the median American's purchasing power 8% almost overnight and held it there long enough for households to get used to higher standards of living. When the "free checks" stopped, median household income dropped. That put more of a squeeze on household budgets than if the bumps had never happened (Chart of the Week, left panel). Second, the stimulus helped ignite inflation, which raised home prices. To fight inflation, the Federal Reserve raised interest rates, further increasing mortgage payments (Chart of the Week, right panel).

Snapshots

Figure 1. Inflation-Adjusted After-Tax Consumer Incomes (2025 Dollars)
(Growth vs. 10 Years Earlier)

	Bottom 20%	Next 20%	Middle 20%	Next 20%	Top 20%
1984	\$9,500	\$29,400	\$51,500	\$79,200	\$150,500
1994	\$12,100 (+27%)	\$32,200 (+10%)	\$53,600 (+4%)	\$83,500 (+5%)	\$168,500 (+12%)
2004	\$15,300 (+26%)	\$39,400 (+22%)	\$67,800 (+26%)	\$104,400 (+25%)	\$207,100 (+23%)
2014	\$14,200 (-7%)	\$36,600 (-7%)	\$59,200 (-13%)	\$91,600 (-12%)	\$185,100 (-11%)
2024	\$17,300 (+22%)	\$42,800 (+17%)	\$69,800 (+18%)	\$108,900 (+19%)	\$211,000 (+14%)

Figure 2. Median Home Price (per 1000 sq ft)
Relative to Median Consumer's After-Tax Income

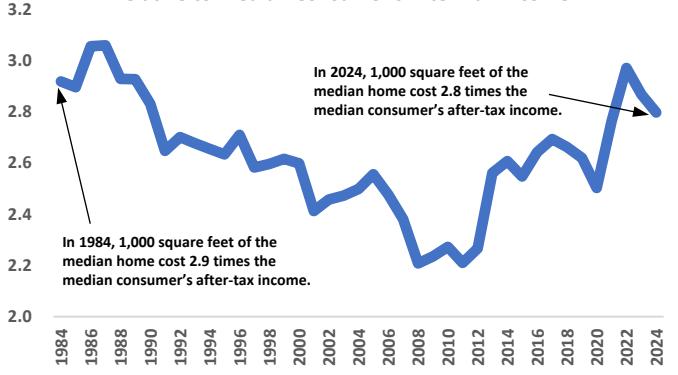
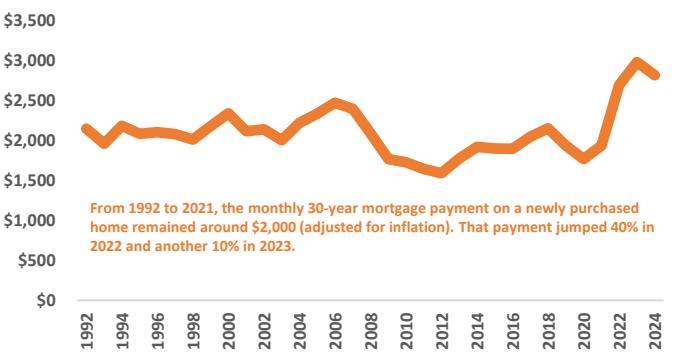


Figure 3. 30-Year Monthly Mortgage Payment on the Median House Sold in Each Year (2025 Dollars)



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Key Indicators

INTEREST RATES¹

	Current	Q1	Q2	Q3	Q4	2027
Fed Funds Target² (%)	3.75	3.75	3.50	3.50	3.25	3.25
SOFR (%)	3.65	3.36	3.22	3.15	3.12	3.08
2Y UST (%)	3.60	3.42	3.40	3.39	3.36	3.33
5Y UST (%)	3.82	3.66	3.66	3.67	3.67	3.67
10Y UST (%)	4.21	4.10	4.11	4.11	4.10	4.08
30Y UST (%)	4.80	4.69	4.68	4.67	4.65	4.64

ECONOMY

	Current	Q1	Q2	Q3	Q4	2027
PCE Inflation (YoY %)	2.8	2.7	2.5	2.3	2.3	2.2
CPI Inflation (YoY %)	2.7	2.8	2.6	2.5	2.4	2.3
Real GDP (QoQ %)	4.4	2.1	2.0	2.1	2.1	2.0
Unemployment (%)	4.4	4.6	4.6	4.5	4.5	4.5
Consumer Spending (QoQ %)	3.5	1.3	1.5	1.7	1.8	2.0
Industrial Production (YoY %)	2.0	0.9	1.0	1.2	1.5	1.5

Equities & Currency

	Current	Year ago
DJIA	49,276	44,714
Nasdaq	23,602	19,342
S&P 500	6,941	6,012
US Dollar Index	\$1,188.75	\$1,296.84

Commodities

	Current	Year ago
Crude Oil (Per Barrel)	\$60.82	\$73.17
Natural Gas (Per MMBtu)	\$6.30	\$3.25
Coal (Per Short Ton)	\$10.90	\$11.45
Gold (Per Ounce)	\$5,088.2	\$2,741.50
Corn (Per Bushel)	\$4.29	\$4.82
Soybean (Per Bushel)	\$10.65	\$10.45

Industry

	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	3,065	3,379
U.S. Daily Power Consumption (MWh)	13,777,021	11,854,890
World Container Index (Per 40ft)	\$2,212	\$3,855

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

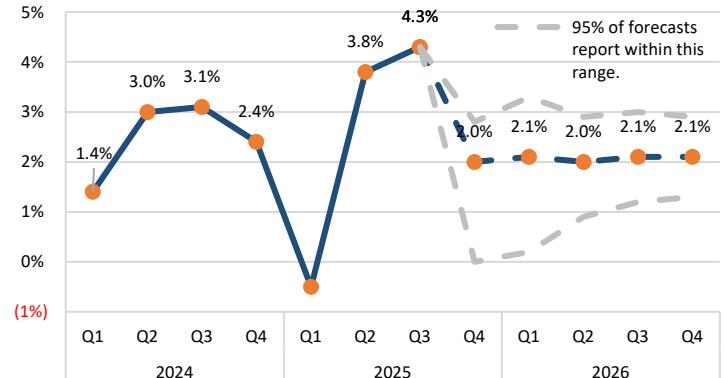
² Target rate forecast is based on futures market contracts.

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.

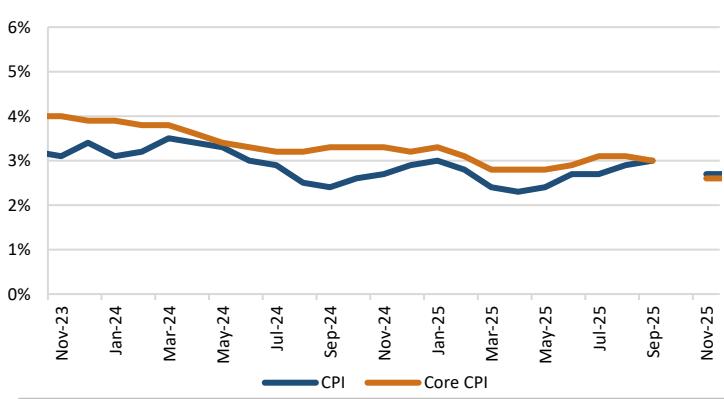
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Forecasts

Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend

