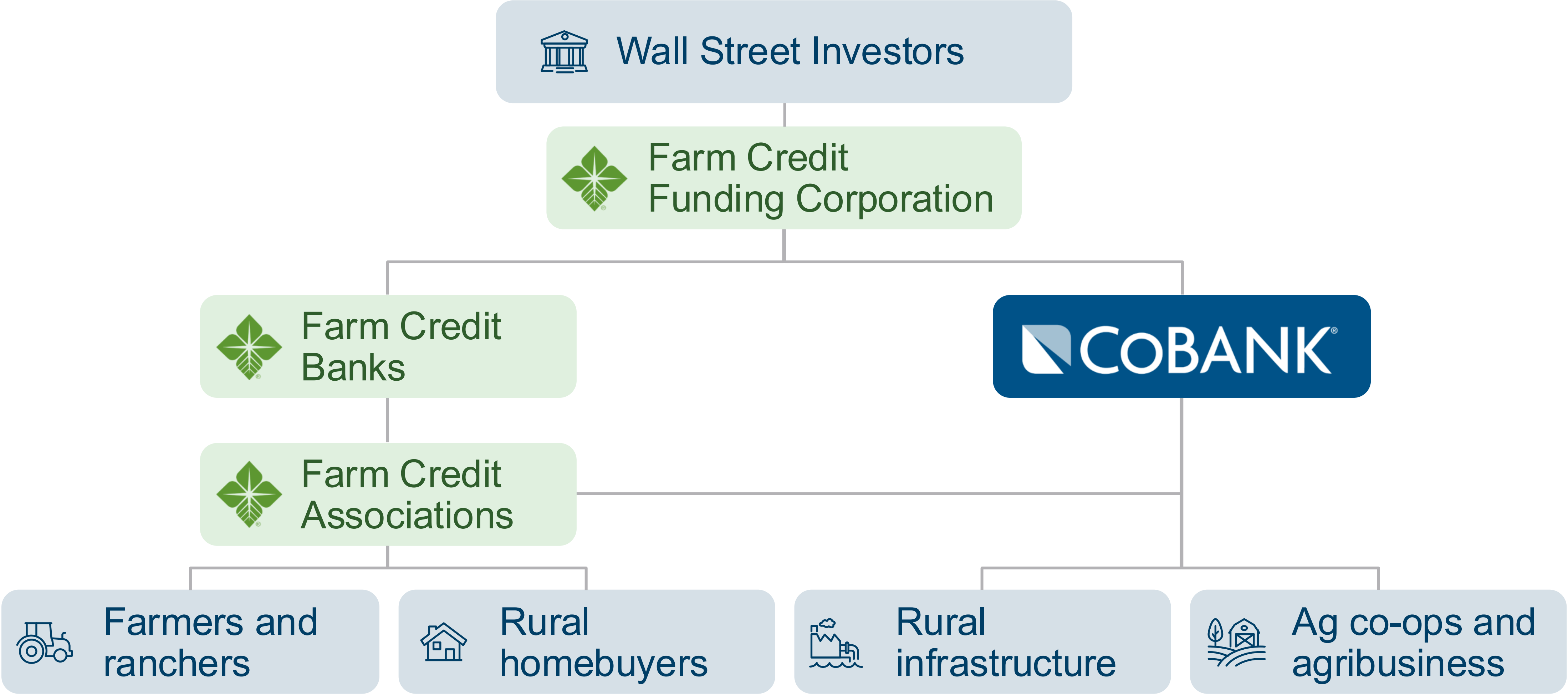
Economic Update and Interest Rate Outlook

Broadband Association of North Dakota

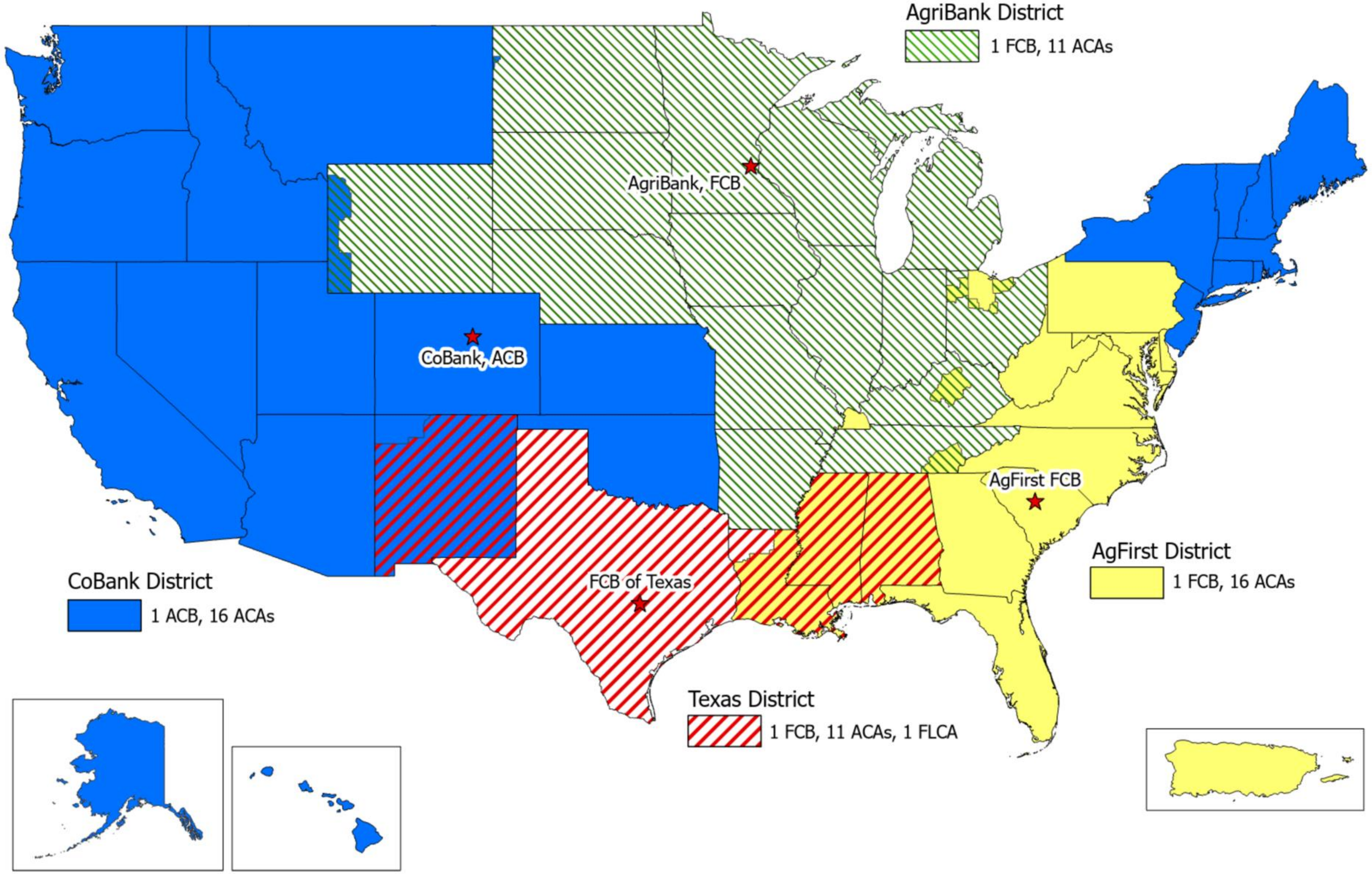
Jeff Burroughs
Associate Vice President

The Farm Credit System



https://farmcredit.com/how-we-are-structured

Farm Credit Districts



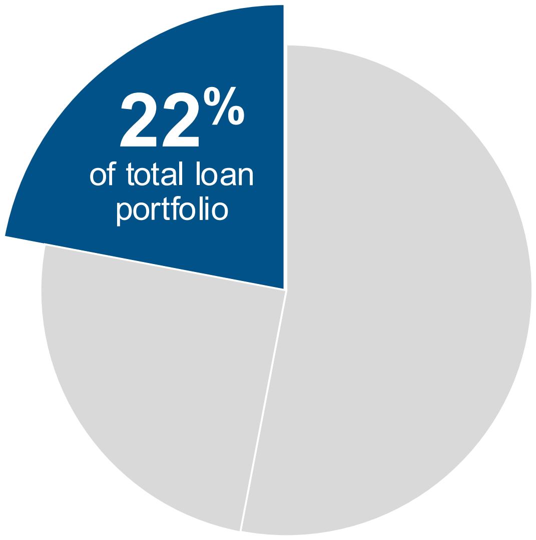
CoBank Loan Portfolio

($ in millions)	Rural Infrastructure		Agribusiness		Farm Credit Banking		Total	
As of March 31,	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Period-End Loans	**$ 35,984**	**$ 34,540**	**$ 44,507**	**$ 44,845**	**$ 87,920**	**$ 83,090**	**$ 168,411**	**$ 162,475**
$ <> YoY	*$ 1,444*		*$ (338)*		*$ 4,830*		*$ 5,936*	
% <> YoY	*4.2%*		*-0.8%*		*5.8%*		*3.7%*	
% of Total Portfolio	**21.4%**	**21.3%**	**26.4%**	**27.6%**	**52.2%**	**51.1%**		

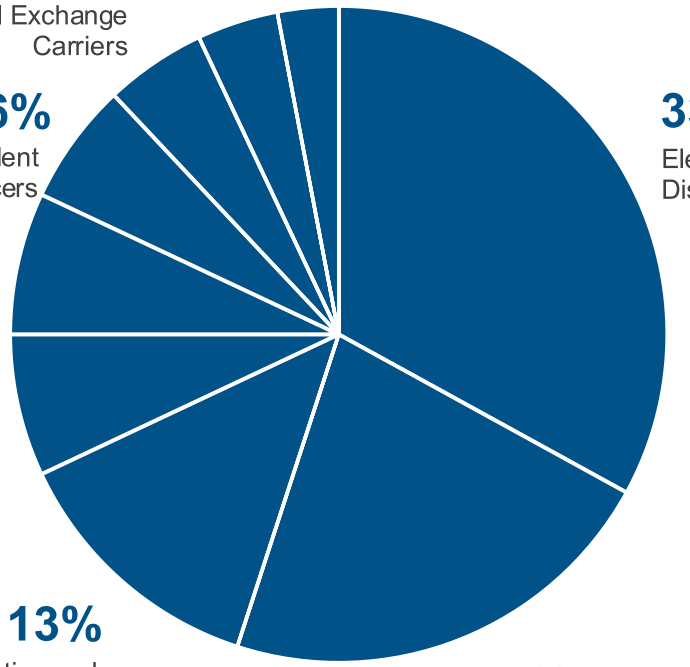
Rural Infrastructure Portfolio

$36B

loans at year-end

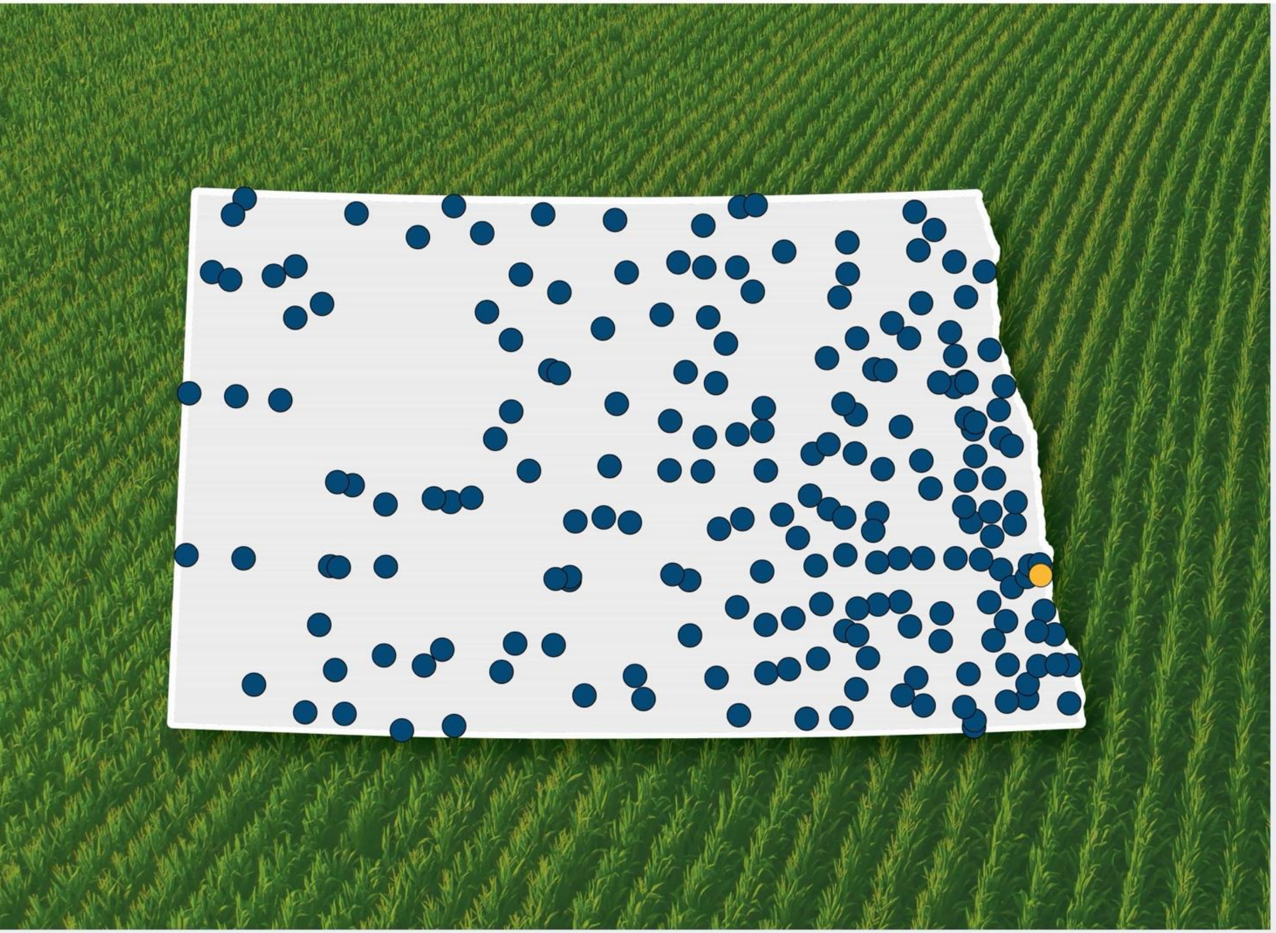


For the year ($ in millions)	**2025**	2024	2023
Period-end loans	**$ 35,893**	$ 34,337	$ 32,572
Average loans	**$ 34,997**	$ 33,325	$ 30,215
Net income	**$ 668**	$ 622	$ 495



COBANK BY THE NUMBERS

NORTH DAKOTA



● CoBank customer locations

447 TOTAL CUSTOMERS IN NORTH DAKOTA

$15.2B Customers' combined **Annual revenue***

$1.1B Customers' combined **Year-end loans**

$124.1M Customers' combined **Year-end leases**

$12M CoBank total **Patronage payments**

$391.9K CoBank total **Charitable contributions**

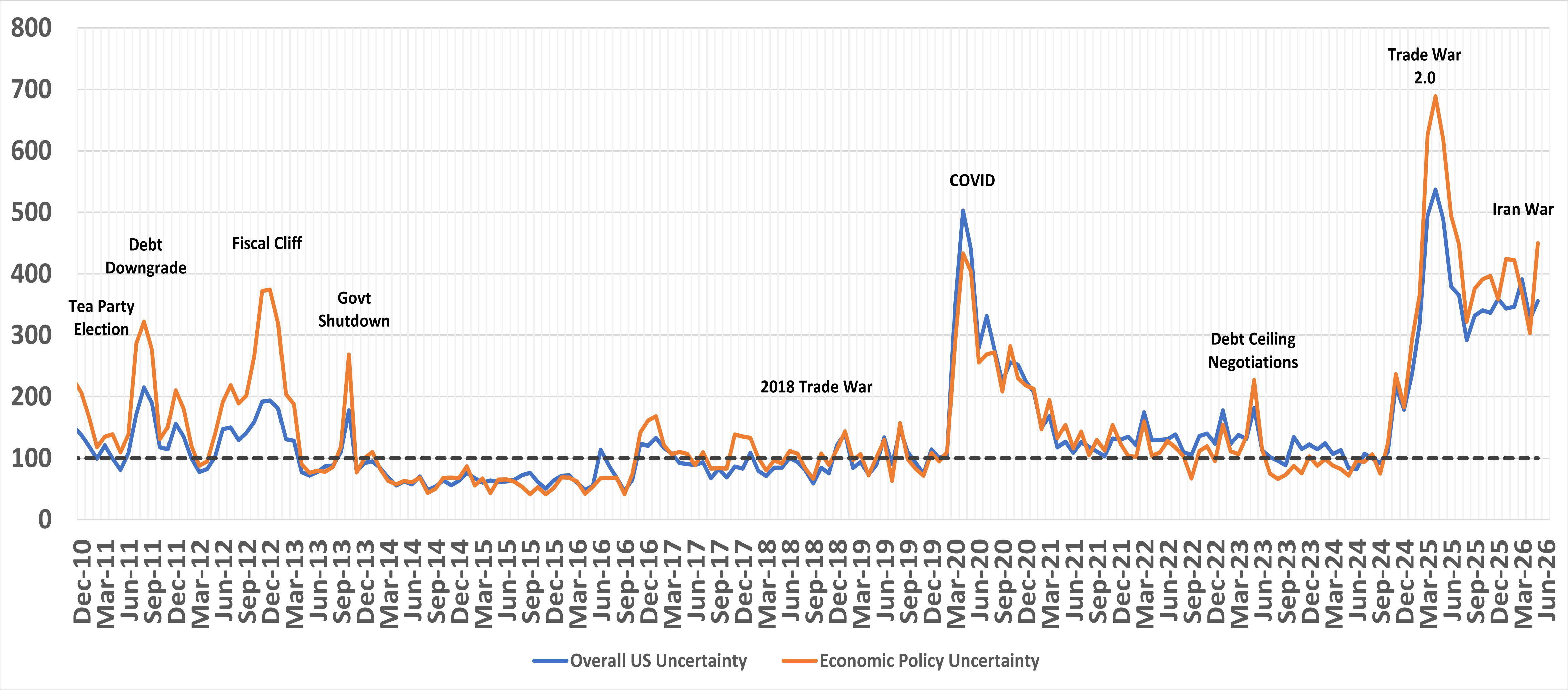
COBANK

Proud Member of the Farm Credit System

Data as of December 31, 2025

** Information provided by customers from 2024 or 2025, as applicable, and received by CoBank as of 12/31/25*

Uncertainty Remains



On This Date: July 8th, 2026

The Washington Post

Trump says ceasefire with Iran is over, calling its leaders 'scum'

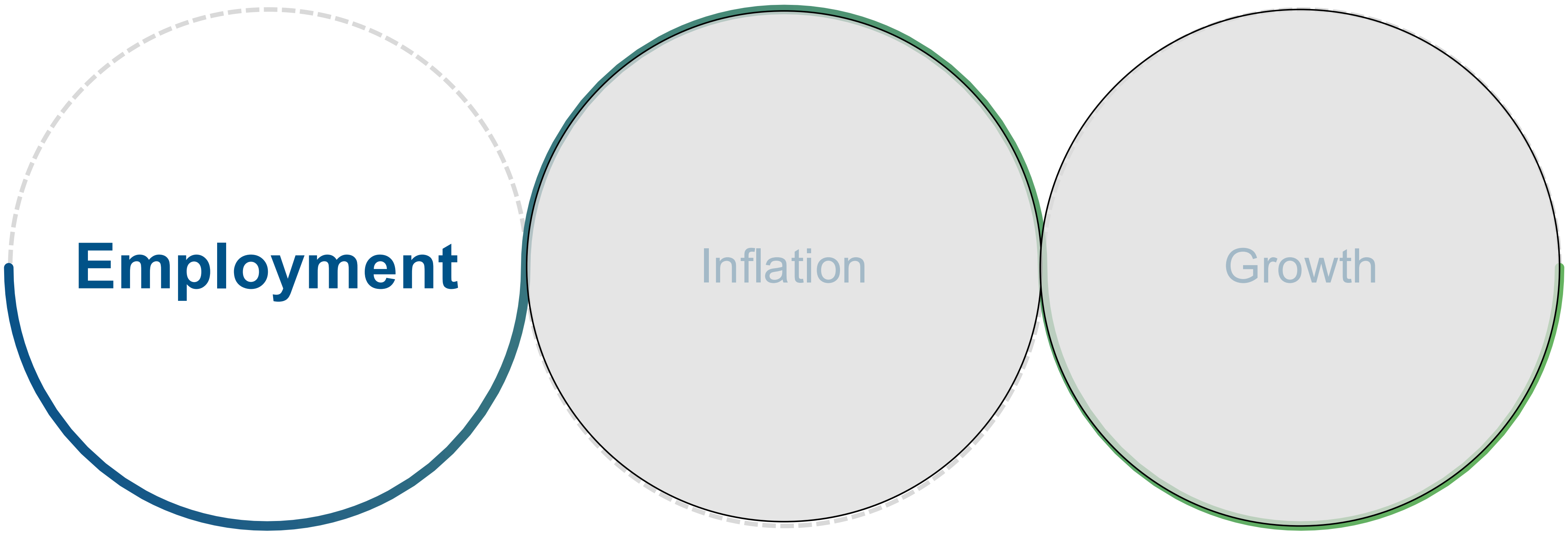
The president declared an end to the truce at a NATO summit in Turkey after the U.S. and Iran exchanged dozens of strikes overnight,...

WSJ

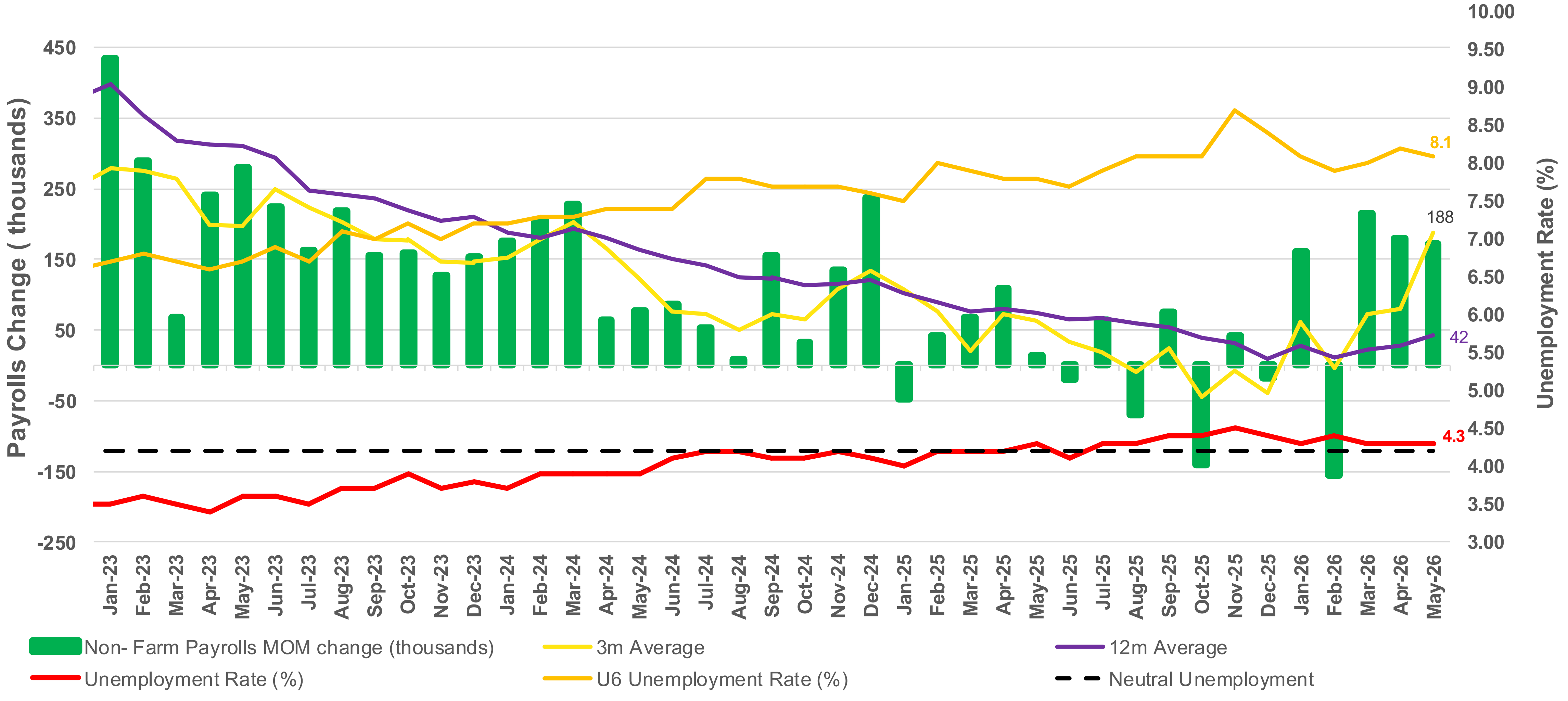
Stock Market Today: Oil Jumps, Global Stocks Slump After Trump Says Iran Ceasefire Is Over for Him — Live Updates

Oil prices are surging this morning after President Trump said his ceasefire with Iran is done. Brent crude futures jumped far above their...

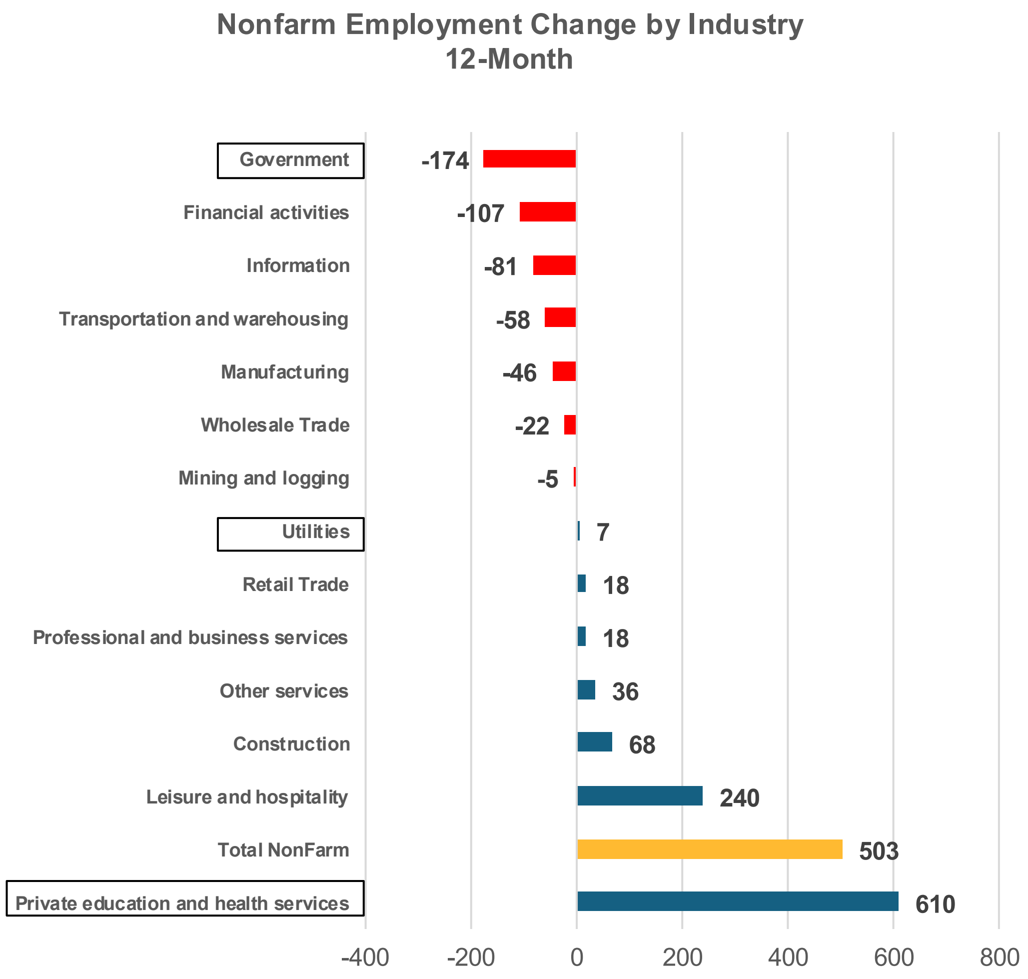
Economic outlook

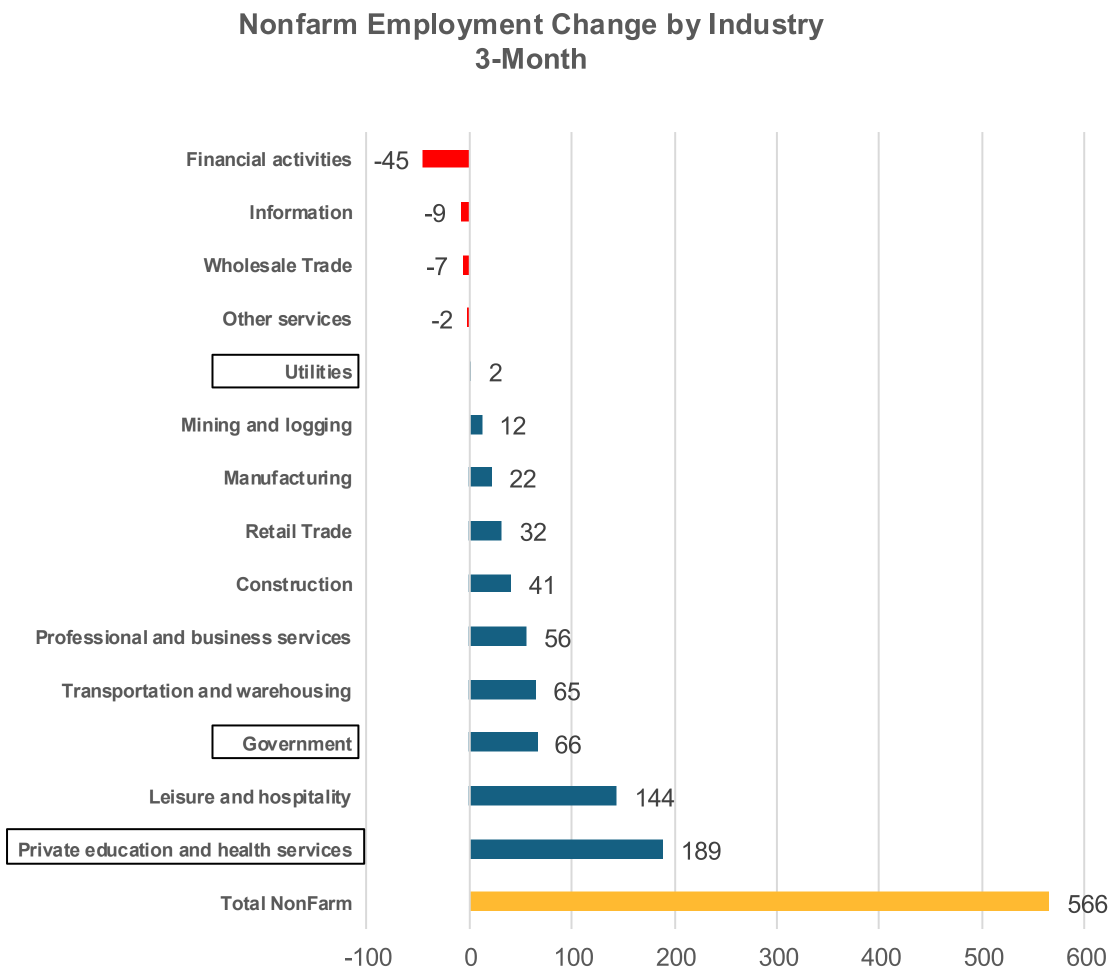


Labor Market

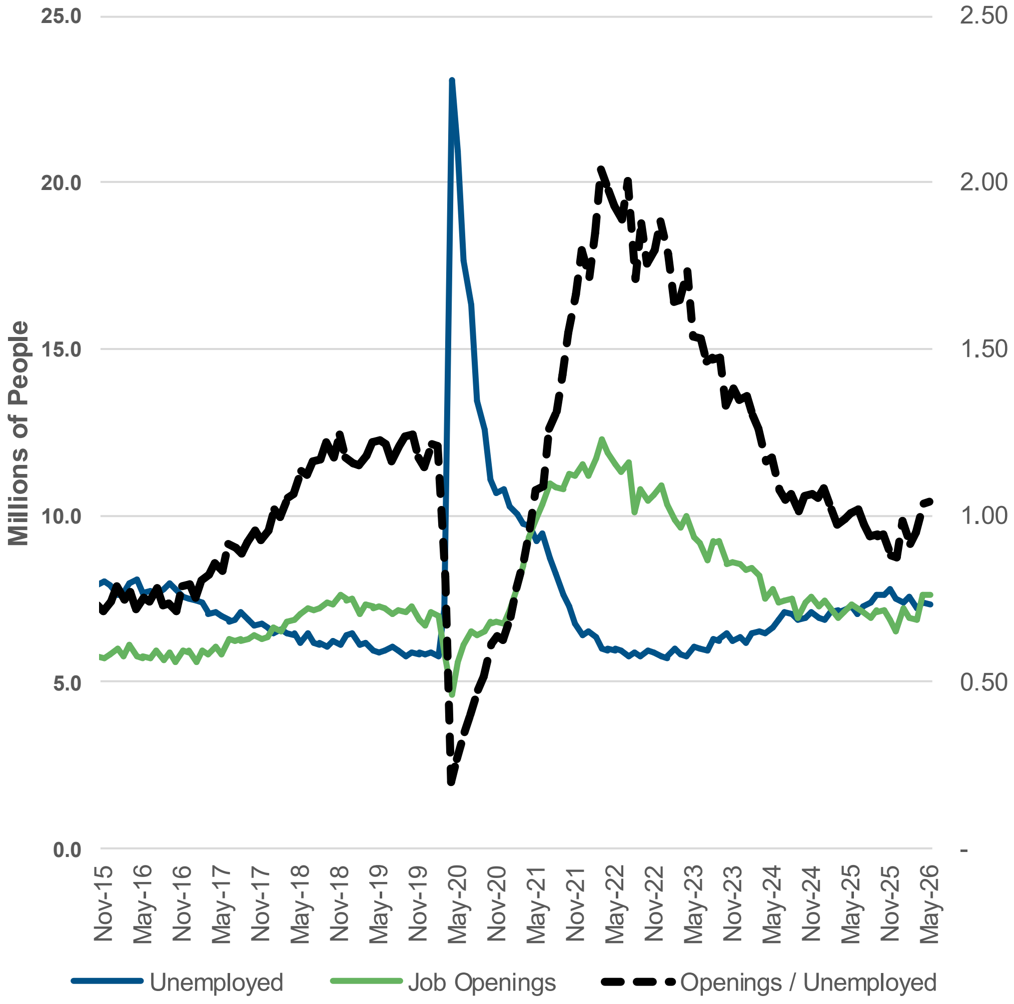


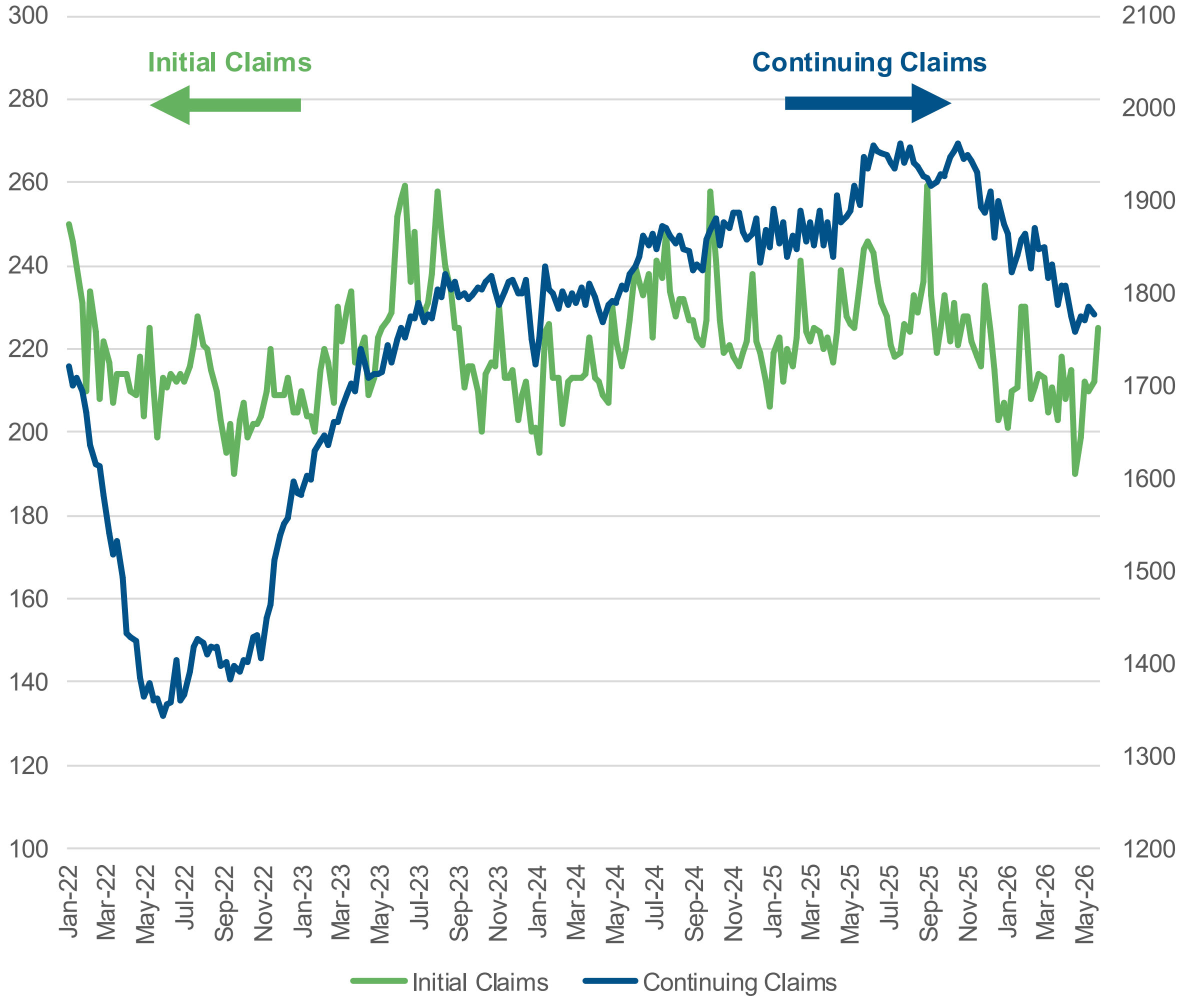
Labor Market



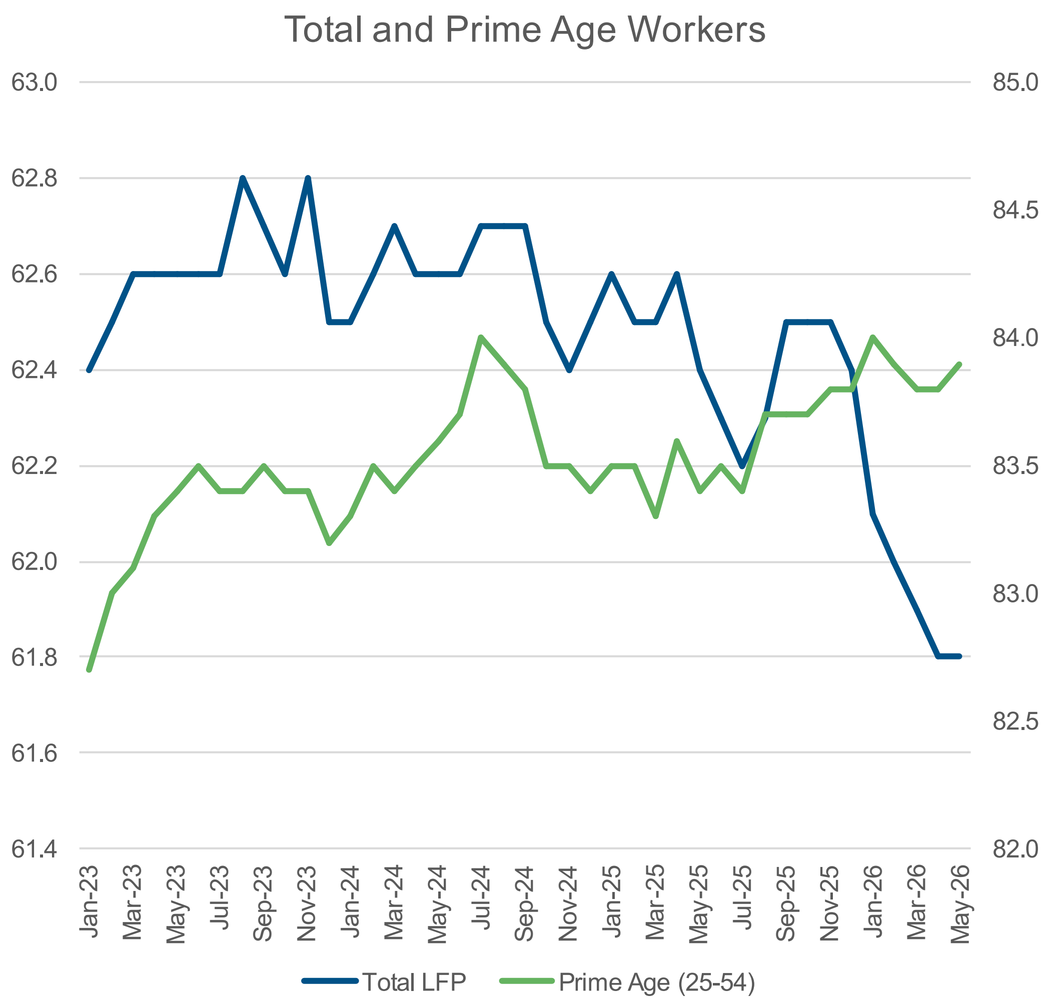


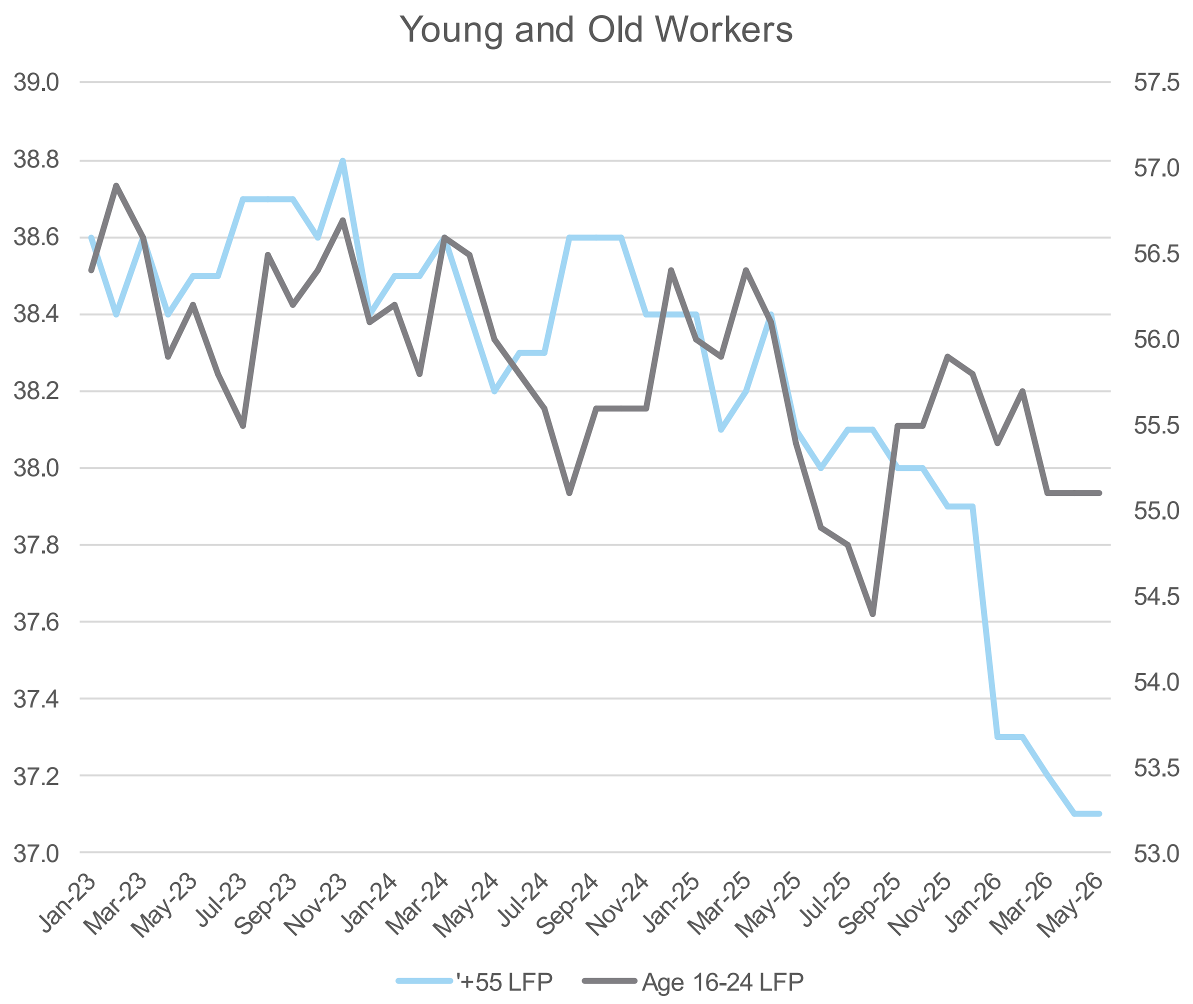
Labor Market





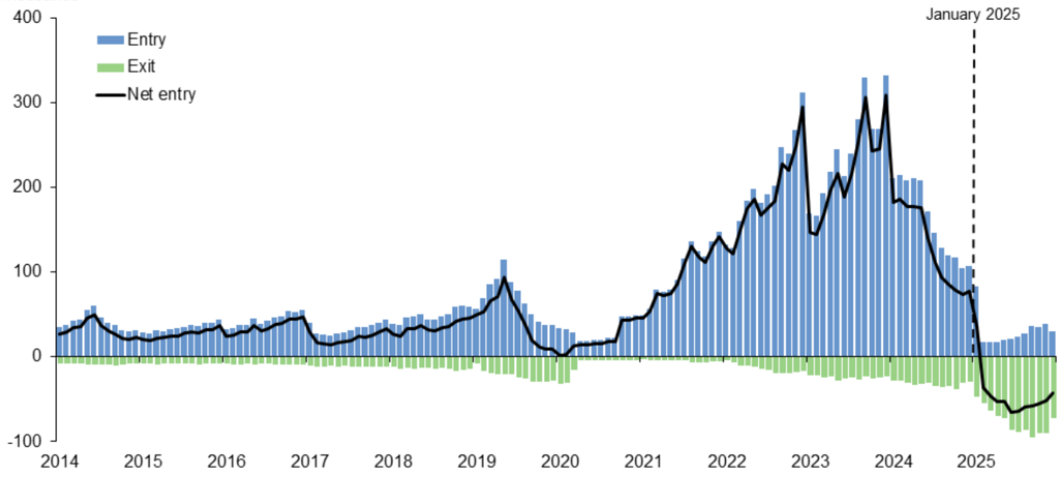
Labor Force Participation





Labor Market Break-evens

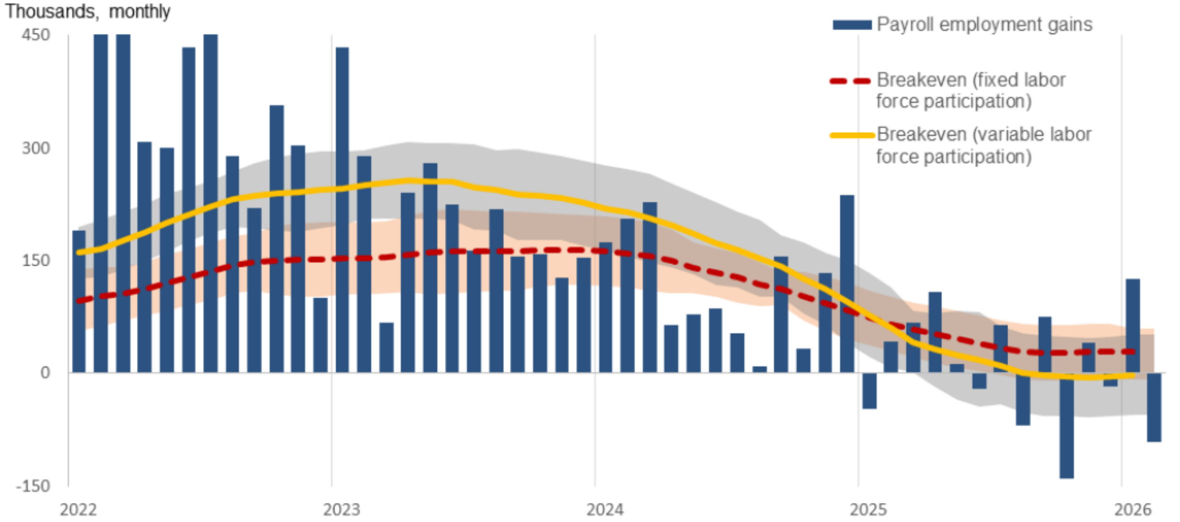
Chart 1
Net outflows of unauthorized immigration continued through 2025



SOURCES: Transactional Records Access Clearinghouse; U.S. Department of Homeland Security; authors' calculations.

Federal Reserve Bank of Dallas

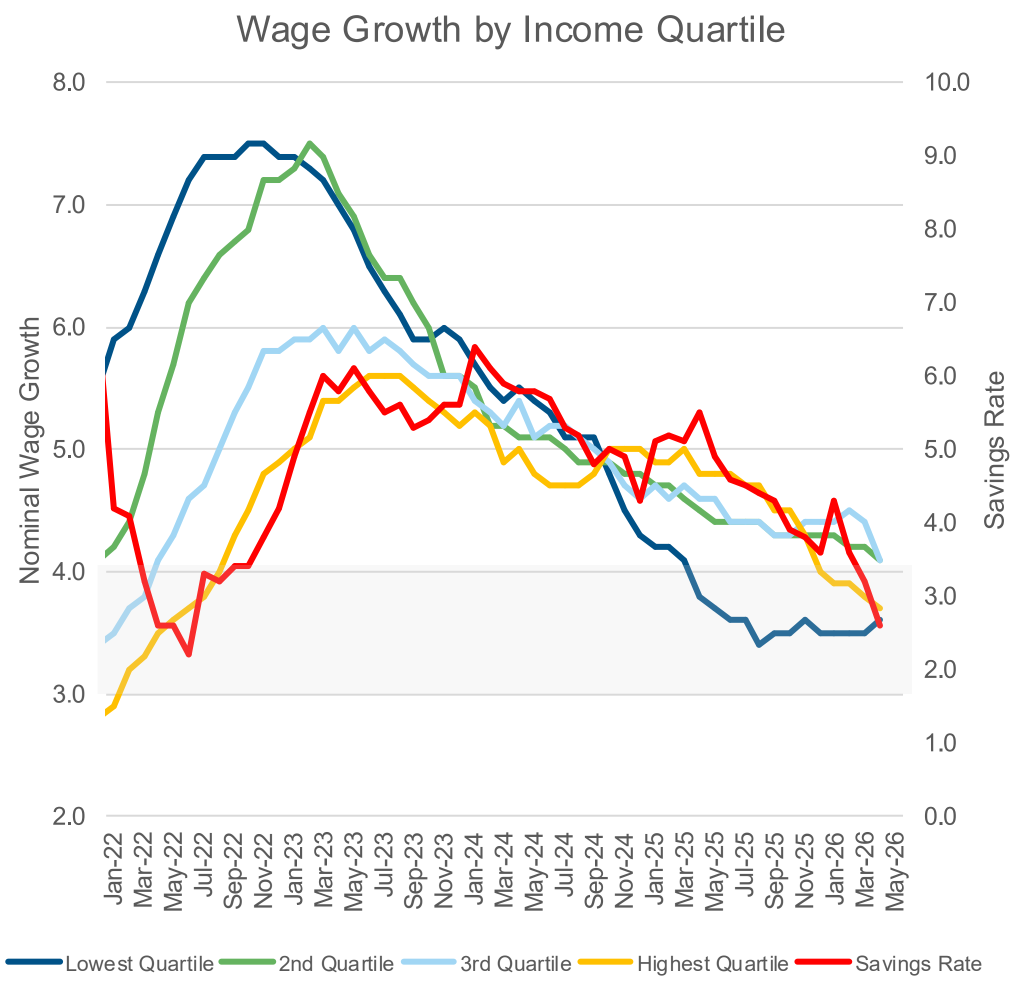
Chart 2
Payroll employment consistent with lower breakevens

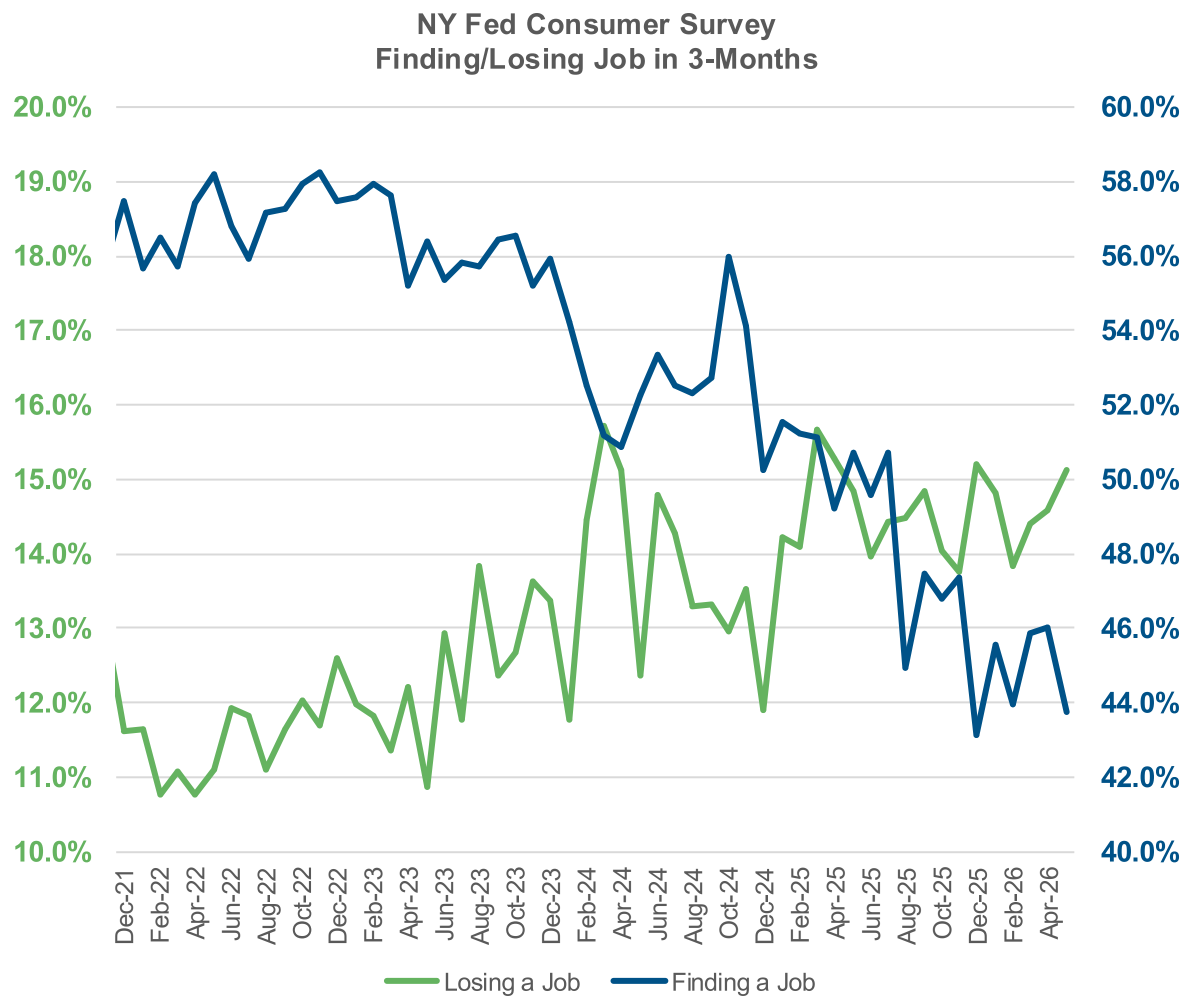


NOTE: Shaded areas show two-standard-deviation error bands.
SOURCES: Bureau of Labor Statistics; authors' calculations.

Federal Reserve Bank of Dallas

Labor Market





Labor Market Summary

Resilient on the surface; participation and job-finding confidence point to cooling.

Payrolls are still positive, but underemployment, sector mix and participation trends warrant caution.

8.1%
U-6 underemployment
Broader slack has moved higher than headline joblessness.

4.3%
Unemployment rate
Headline joblessness remains low but no longer improving.

188k
Latest NFP MoM
Hiring remains positive, though momentum is uneven.

Executive read-through: labor risk is shifting from hiring strength to retention risk.

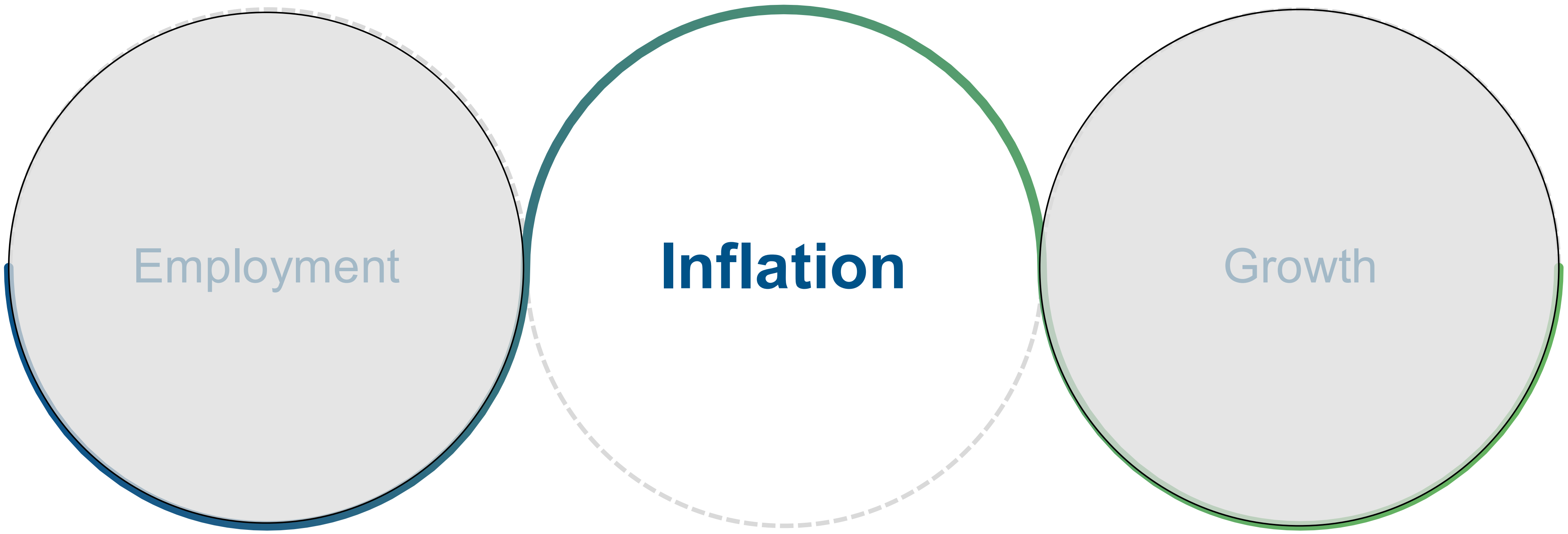
Labor demand	Payroll growth remains positive, though job openings and continuing claims show less tightness.
Participation mix	Prime-age participation is firmer, but total LFP and younger/older cohorts have slipped.
Talent strategy	Job-finding confidence is weaker; replacing high performers may become harder.

Bottom line: Labor is resilient but cooling — protect key talent and watch claims, U-6 and LFP.

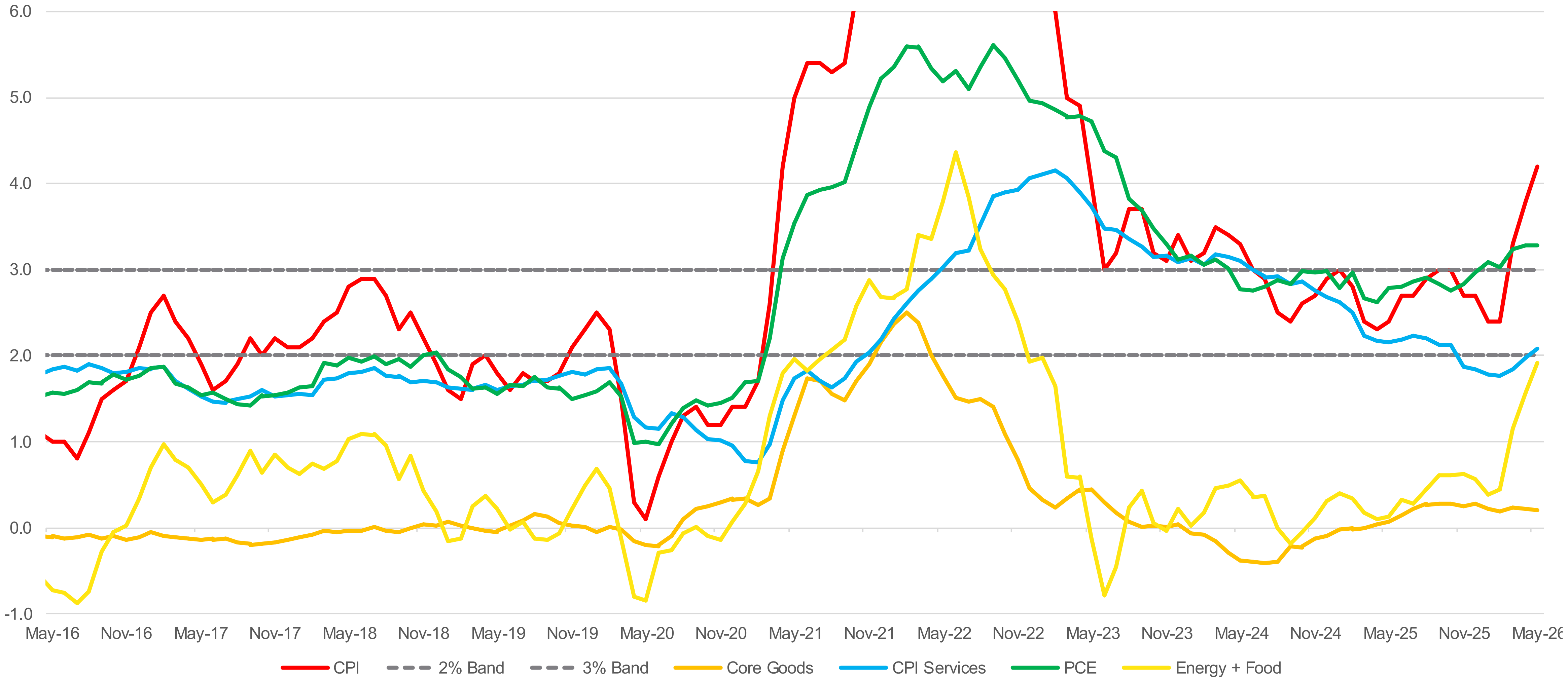
CoBANK

Source: Prior labor market section charts; BLS, NY Fed, Federal Reserve Bank of Dallas

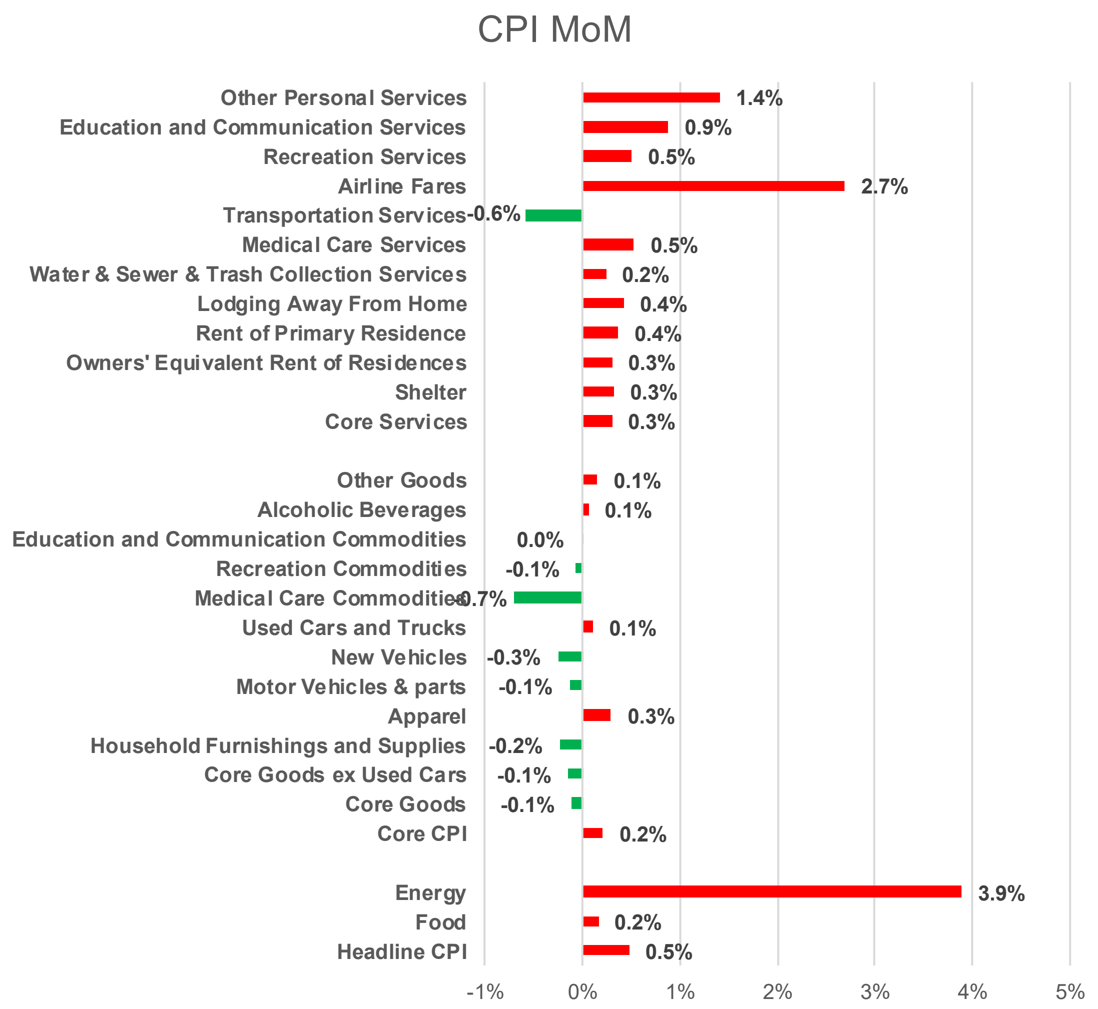
Economic outlook

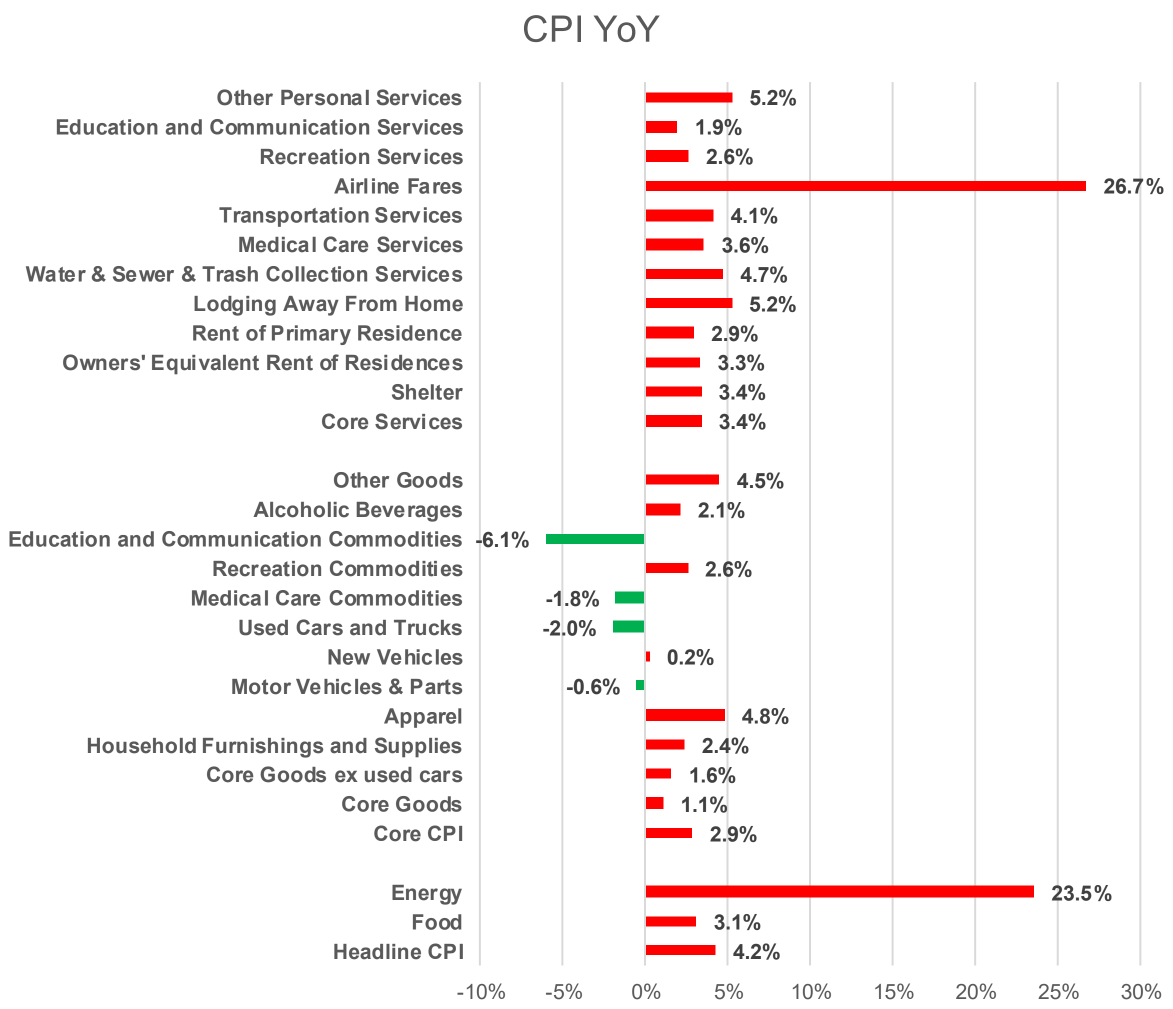


Persistent Inflation?



May CPI


CPI MoM
Other Personal Services 1.4%
Education and Communication Services 0.9%
Recreation Services 0.5%
Airline Fares 2.7%
Transportation Services -0.6%
Medical Care Services 0.5%
Water & Sewer & Trash Collection Services 0.2%
Lodging Away From Home 0.4%
Rent of Primary Residence 0.4%
Owners' Equivalent Rent of Residences 0.3%
Shelter 0.3%
Core Services 0.3%
Other Goods 0.1%
Alcoholic Beverages 0.1%
Education and Communication Commodities 0.0%
Recreation Commodities -0.1%
Medical Care Commodities -0.7%
Used Cars and Trucks 0.1%
New Vehicles -0.3%
Motor Vehicles & parts -0.1%
Apparel 0.3%
Household Furnishings and Supplies -0.2%
Core Goods ex Used Cars -0.1%
Core Goods -0.1%
Core CPI 0.2%
Energy 3.9%
Food 0.2%
Headline CPI 0.5%
-1% 0% 1% 2% 3% 4% 5%


CPI YoY
Other Personal Services 5.2%
Education and Communication Services 1.9%
Recreation Services 2.6%
Airline Fares 26.7%
Transportation Services 4.1%
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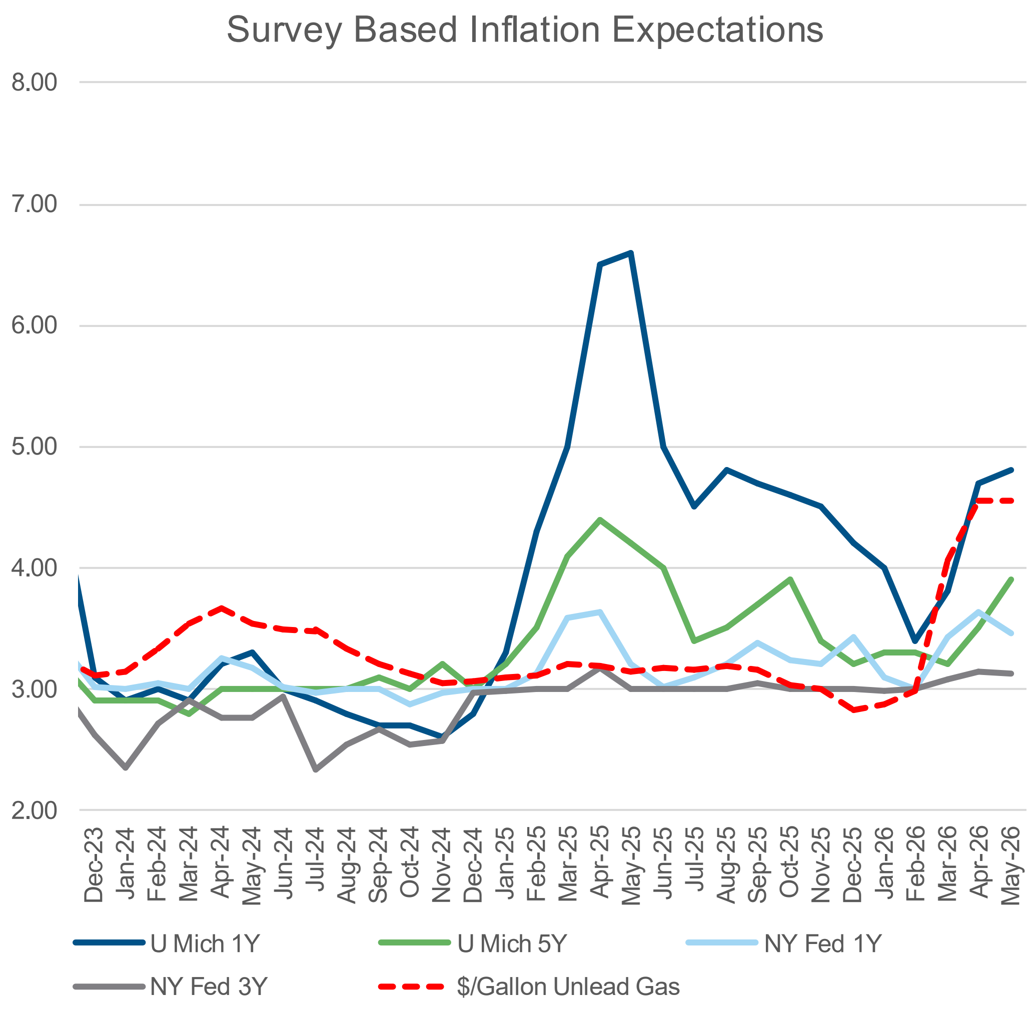
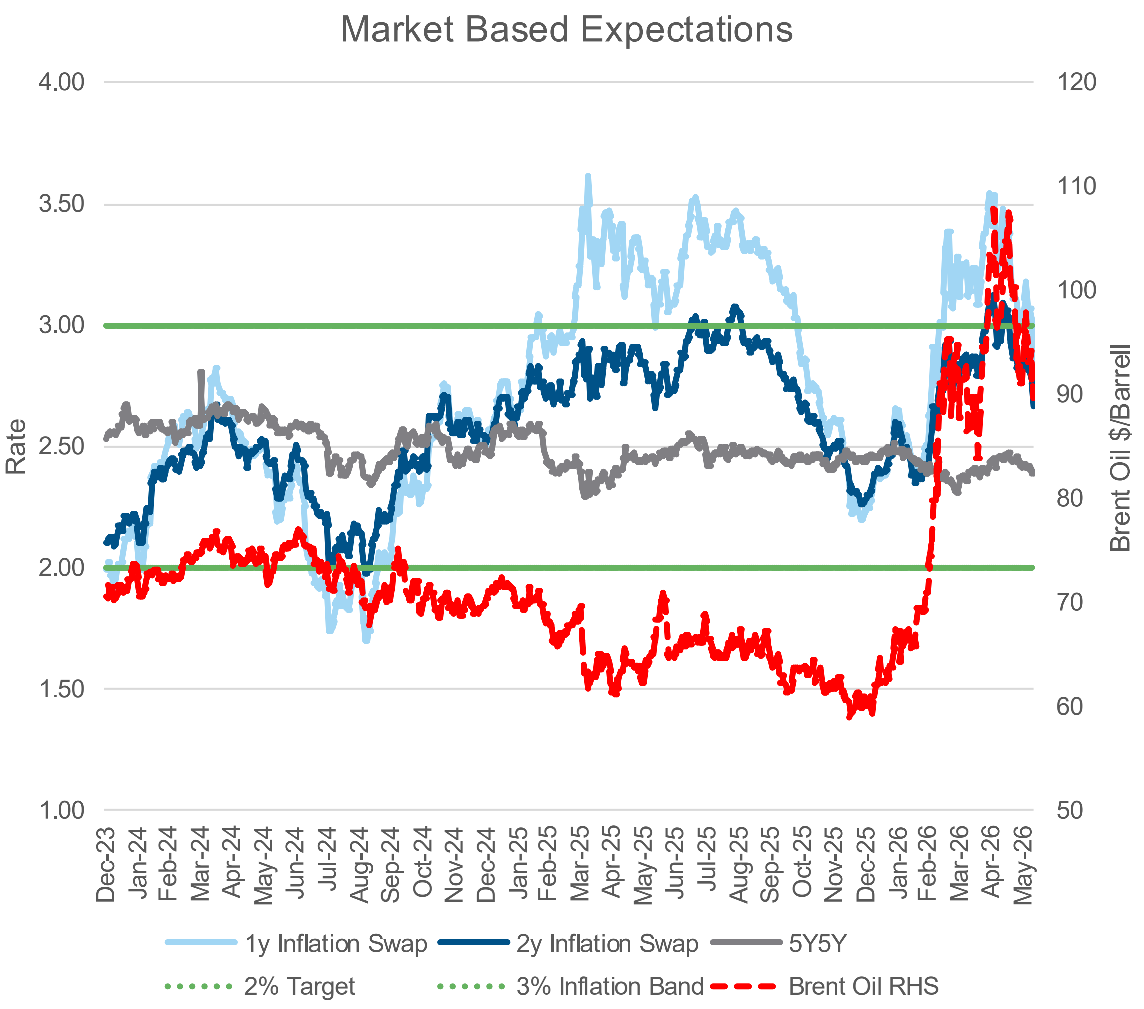
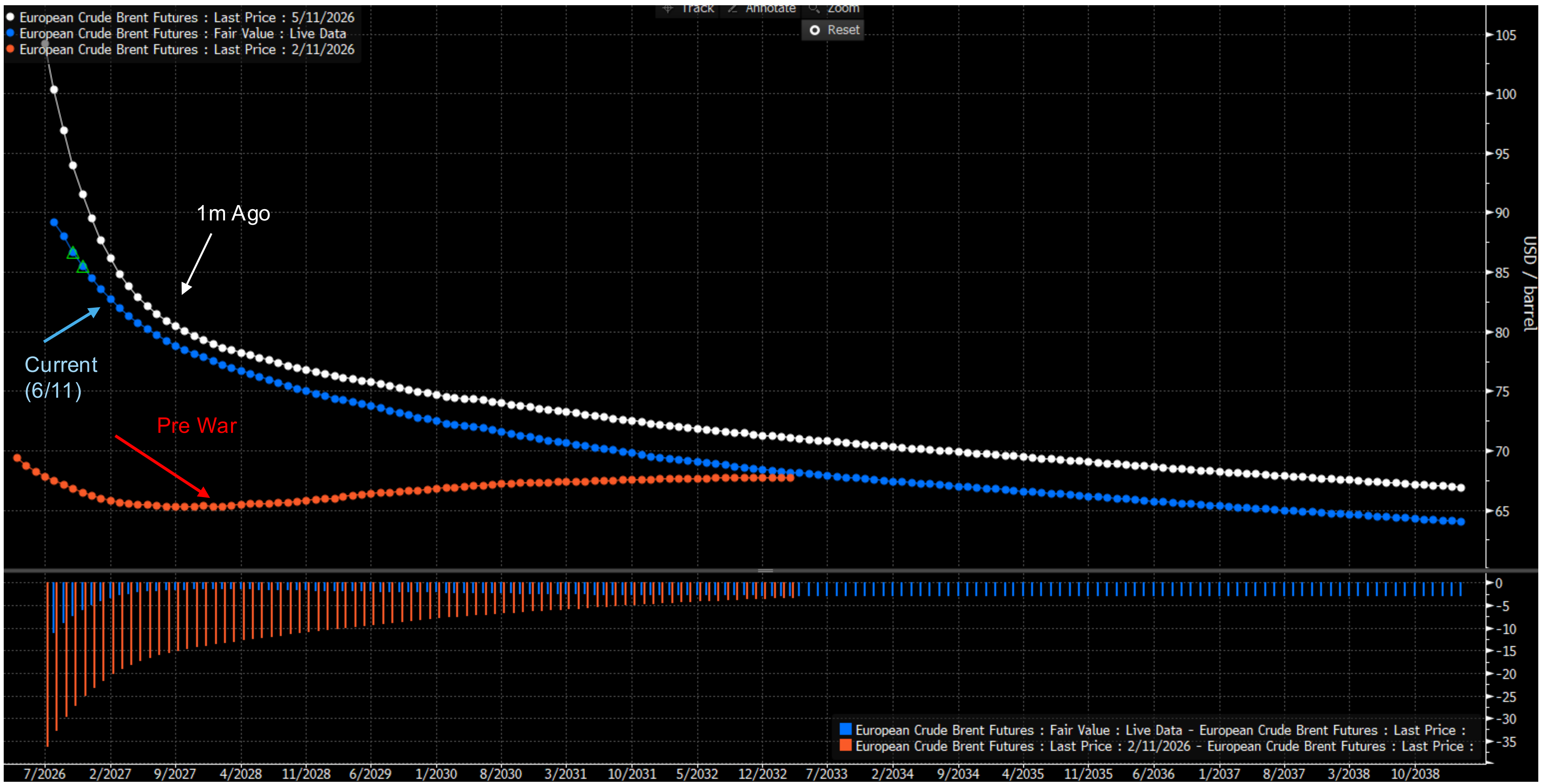
Core Services 3.4%
Other Goods 4.5%
Alcoholic Beverages 2.1%
Education and Communication Commodities -6.1%
Recreation Commodities 2.6%
Medical Care Commodities -1.8%
Used Cars and Trucks -2.0%
New Vehicles 0.2%
Motor Vehicles & Parts -0.6%
Apparel 4.8%
Household Furnishings and Supplies 2.4%
Core Goods ex used cars 1.6%
Core Goods 1.1%
Core CPI 2.9%
Energy 23.5%
Food 3.1%
Headline CPI 4.2%
-10% -5% 0% 5% 10% 15% 20% 25% 30%

Inflation Expectations

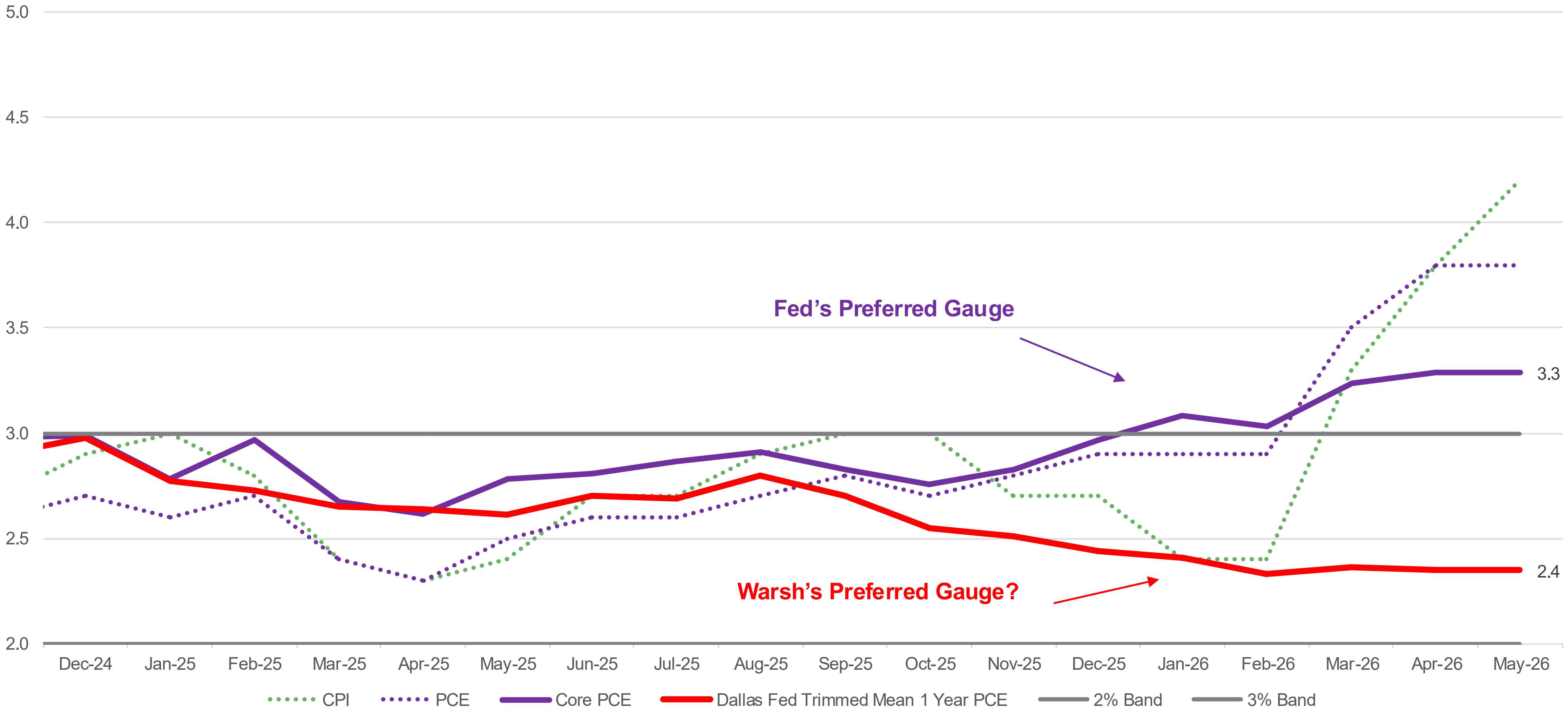




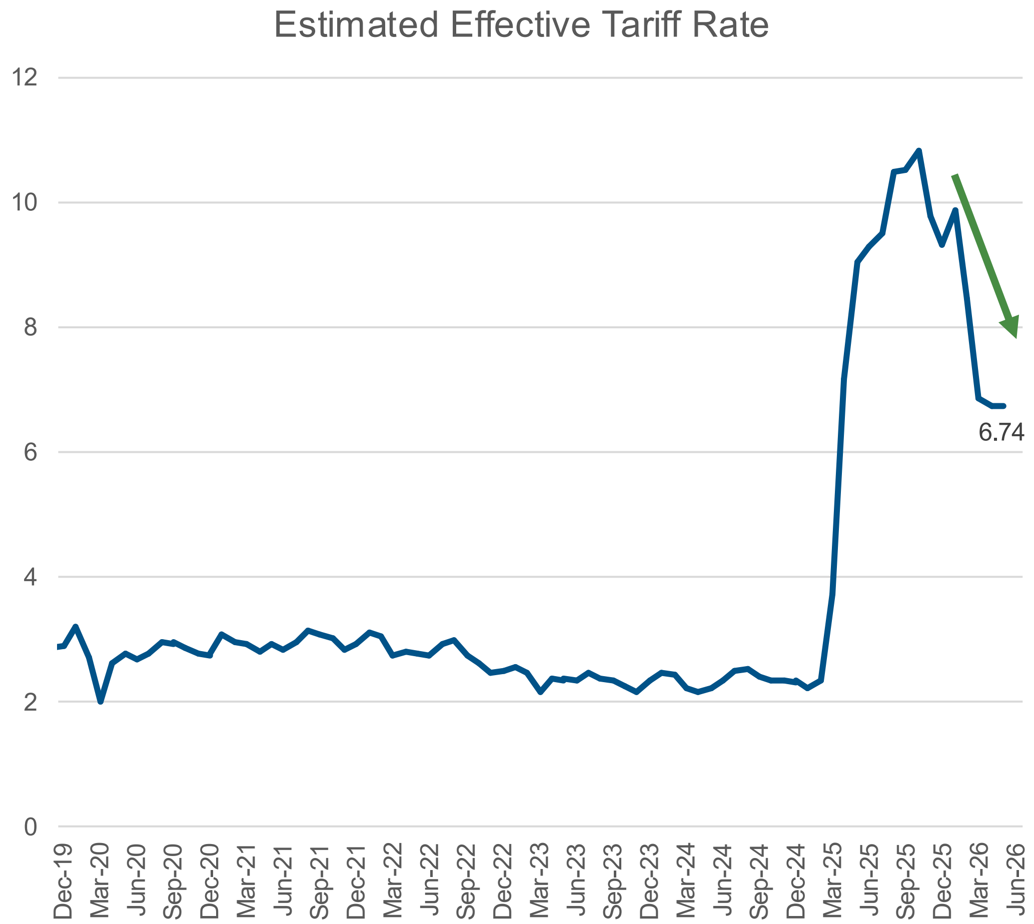
Oil Futures…sign of hope?

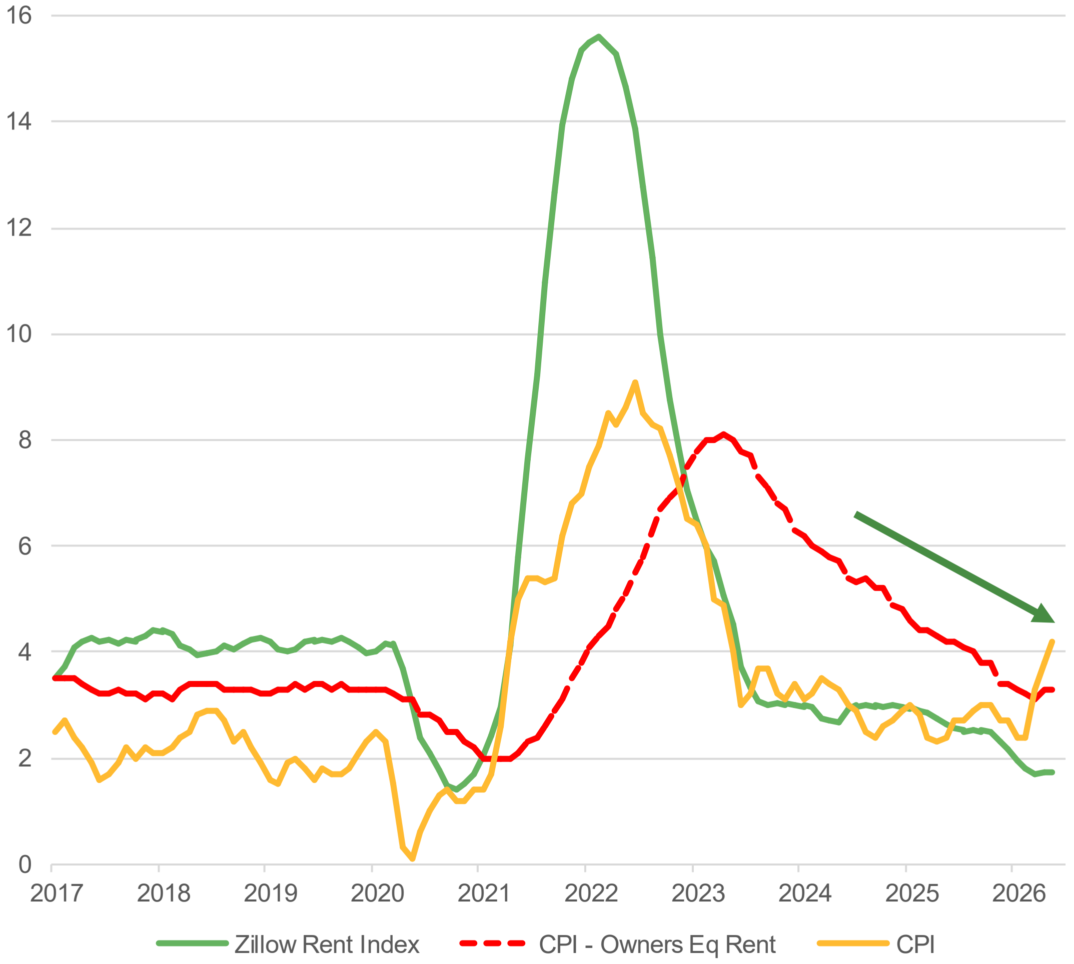


Inflation, New Target?



Not all bad news... Inflation tailwinds?





Sources: Bloomberg

Inflation Summary

Sticky enough to keep the Fed cautious; not yet a runaway inflation story.

Inflation remains above target; expectations are moving higher; relief is partial.

4.2%
Latest CPI YoY
Still materially above the Fed's 2% target.

3.3%
Core PCE
Fed-preferred core gauge remains sticky.

4.8%
1-year survey expectations
Consumers are repricing inflation risk.

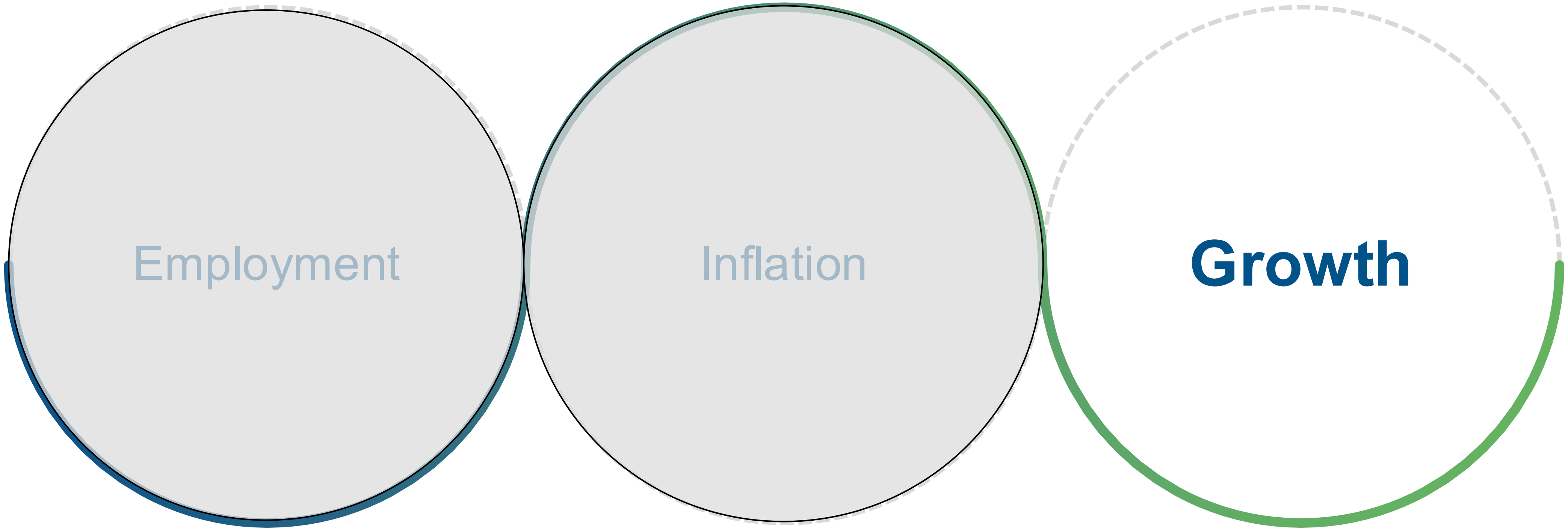
Executive read-through: inflation risk is two-sided, but the bar for rate cuts is higher.

Inflation backdrop	Above-target CPI and sticky core measures keep the disinflation narrative incomplete.
Risk transmission	Oil, tariffs and supply shocks can be looked through initially, but expectations raise second-order risk.
Fed implication	Policy language likely shifts away from cut timing and toward symmetric hike/cut risk.

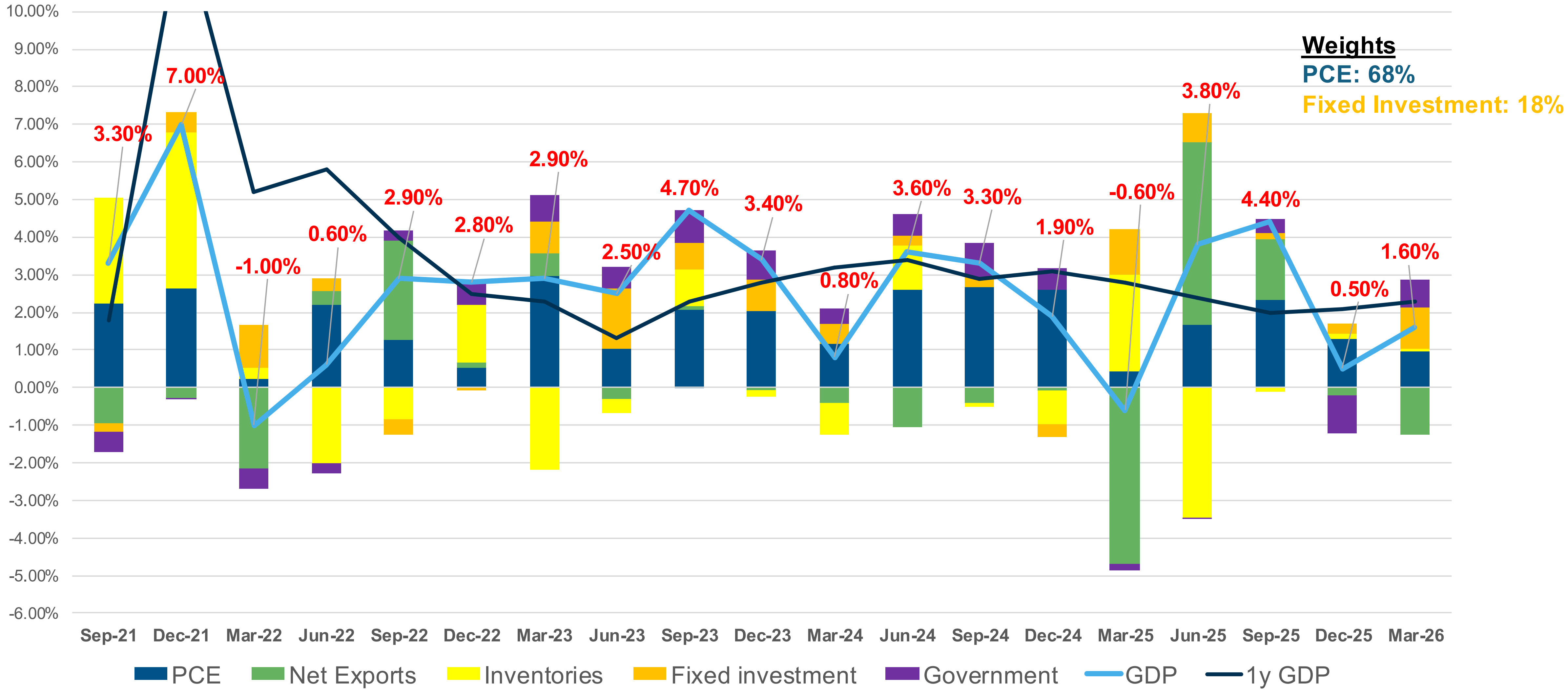
Bottom line: Fed remains patient unless expectations cool and supply shocks fade.

Source: Prior inflation section charts; Bloomberg

Economic outlook



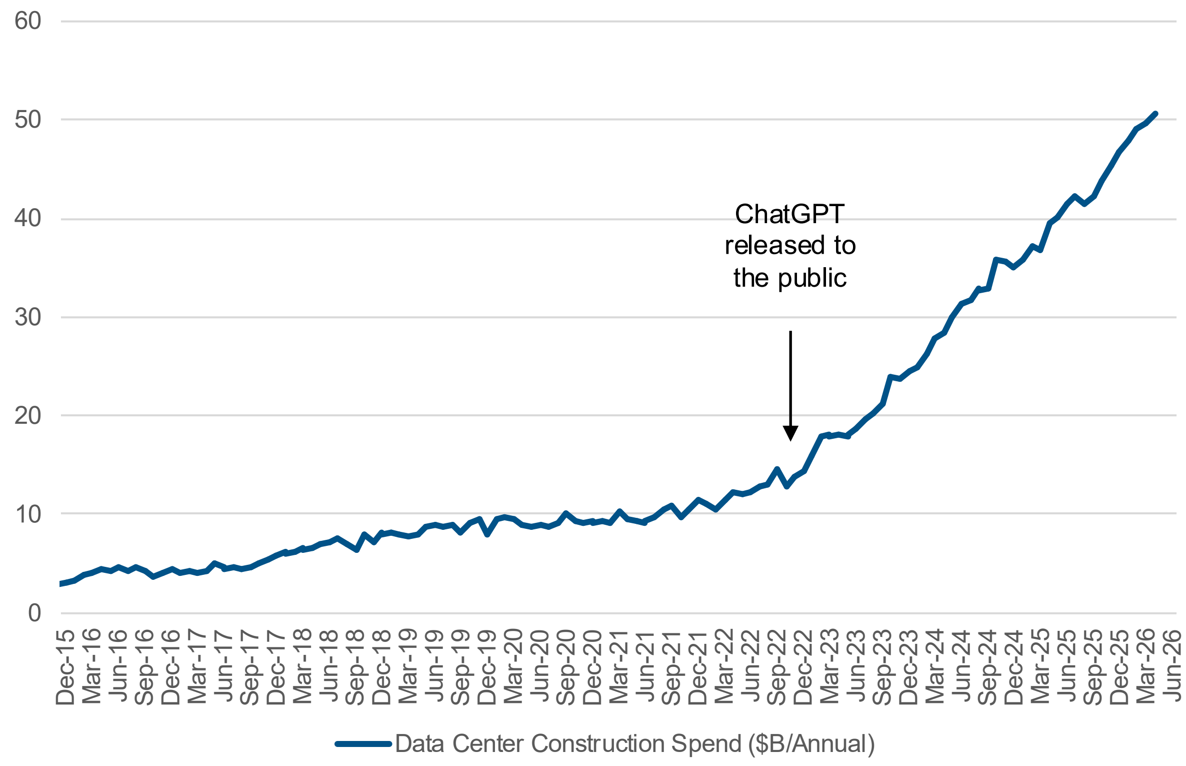
GDP Remains Strong, but volatile



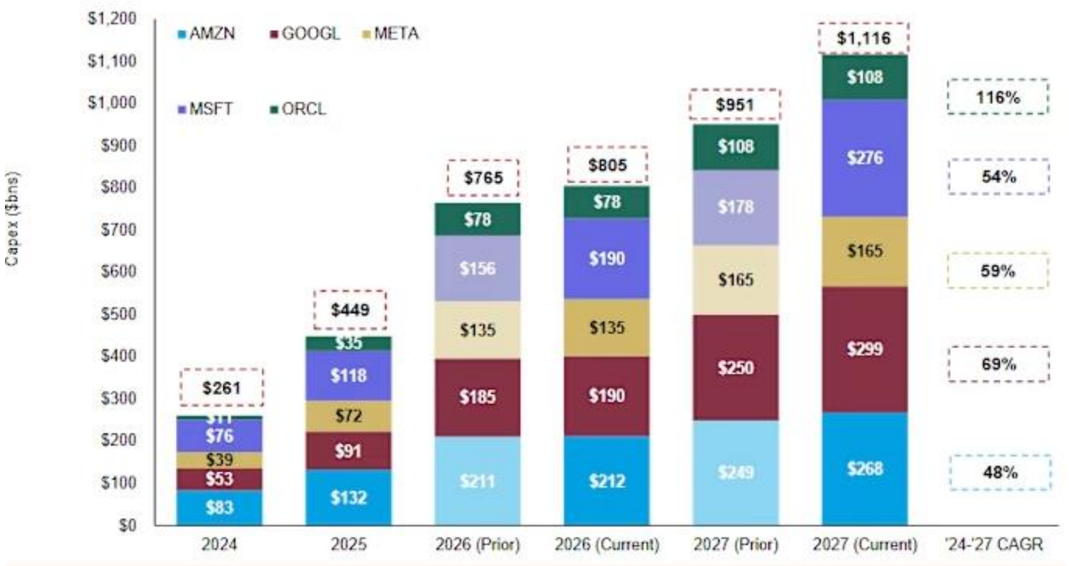
Source: Bloomberg, Federal Reserve Bank of Atlanta

AI / Datacenter Investment Boom

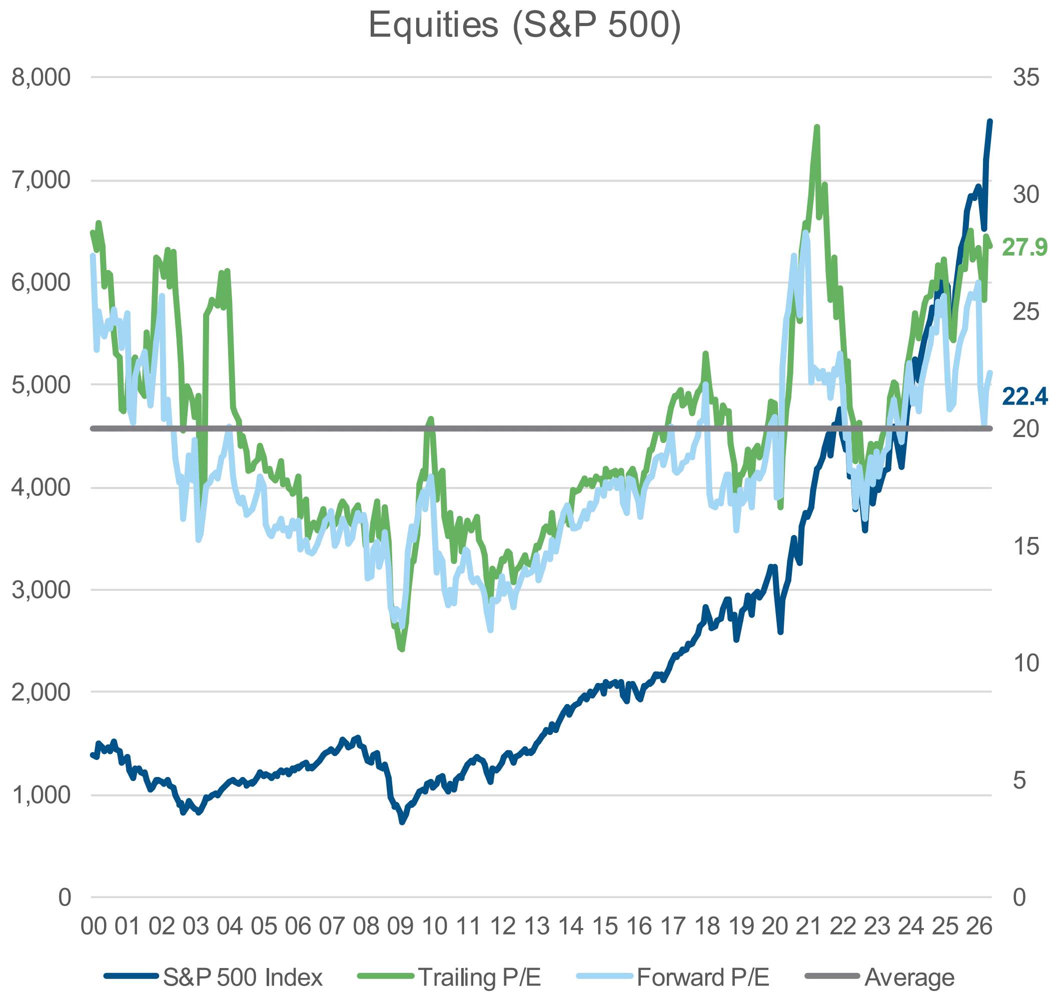
Data Center Construction Spend ($B/Annual)

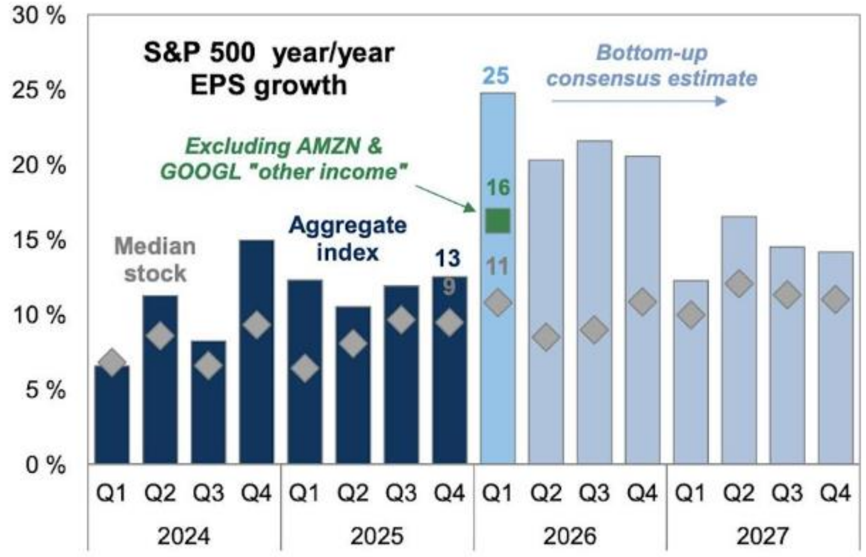


Hyperscaler Cap-Ex

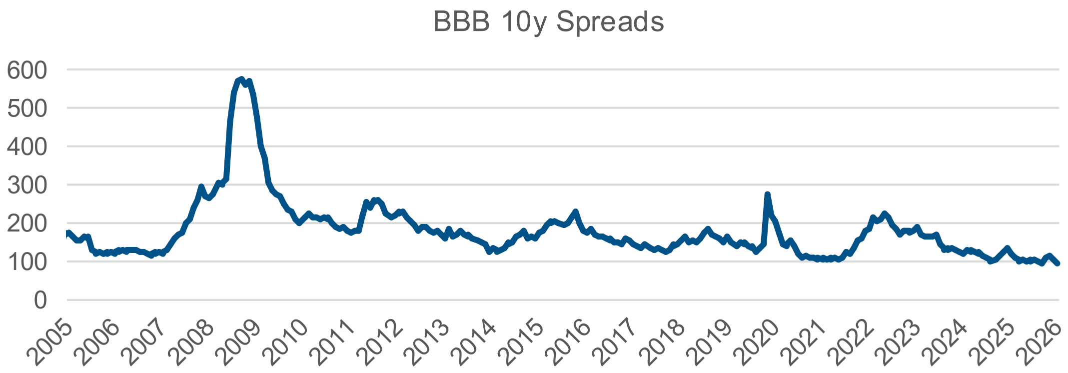


Risk On Continues

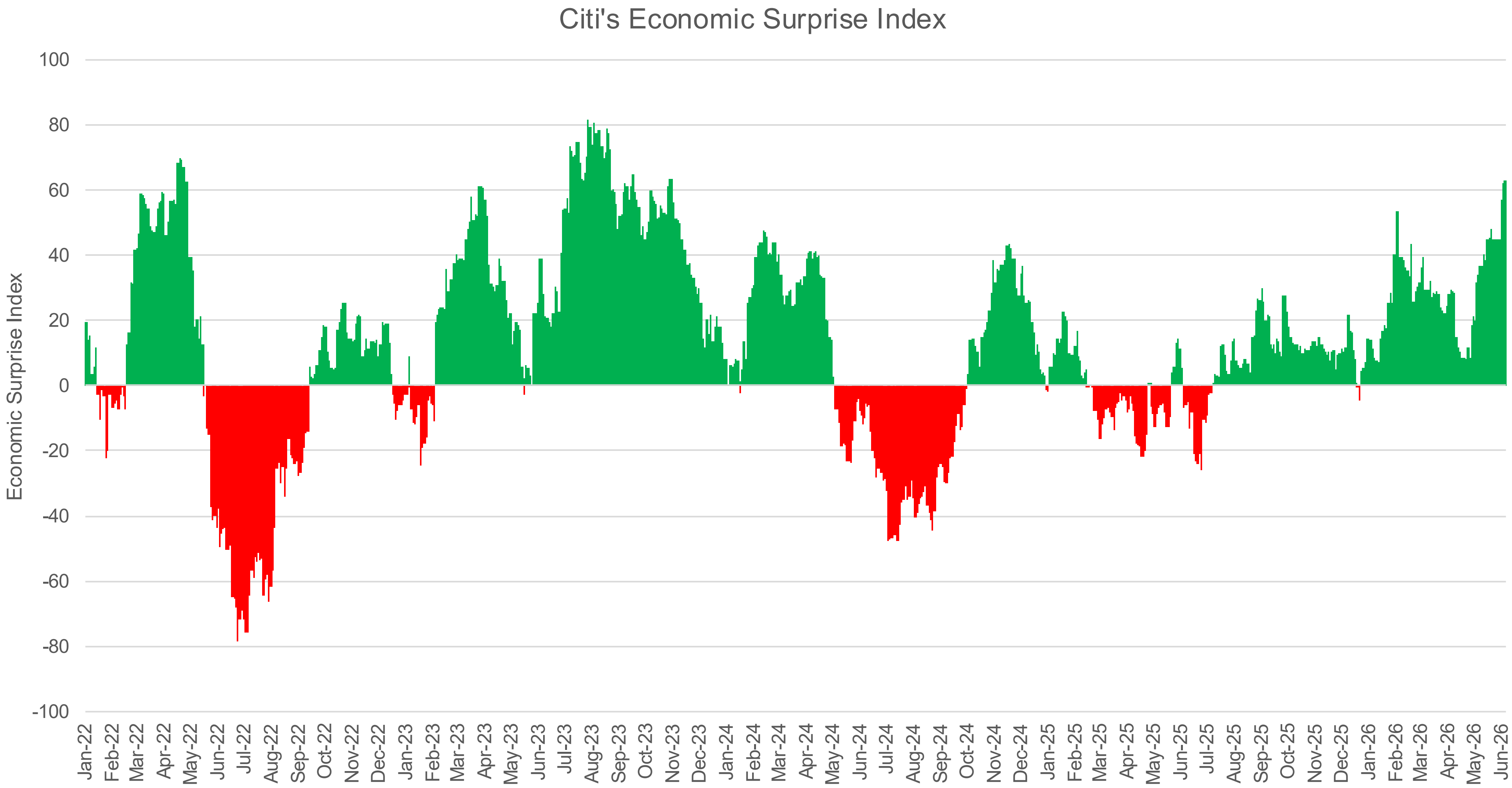




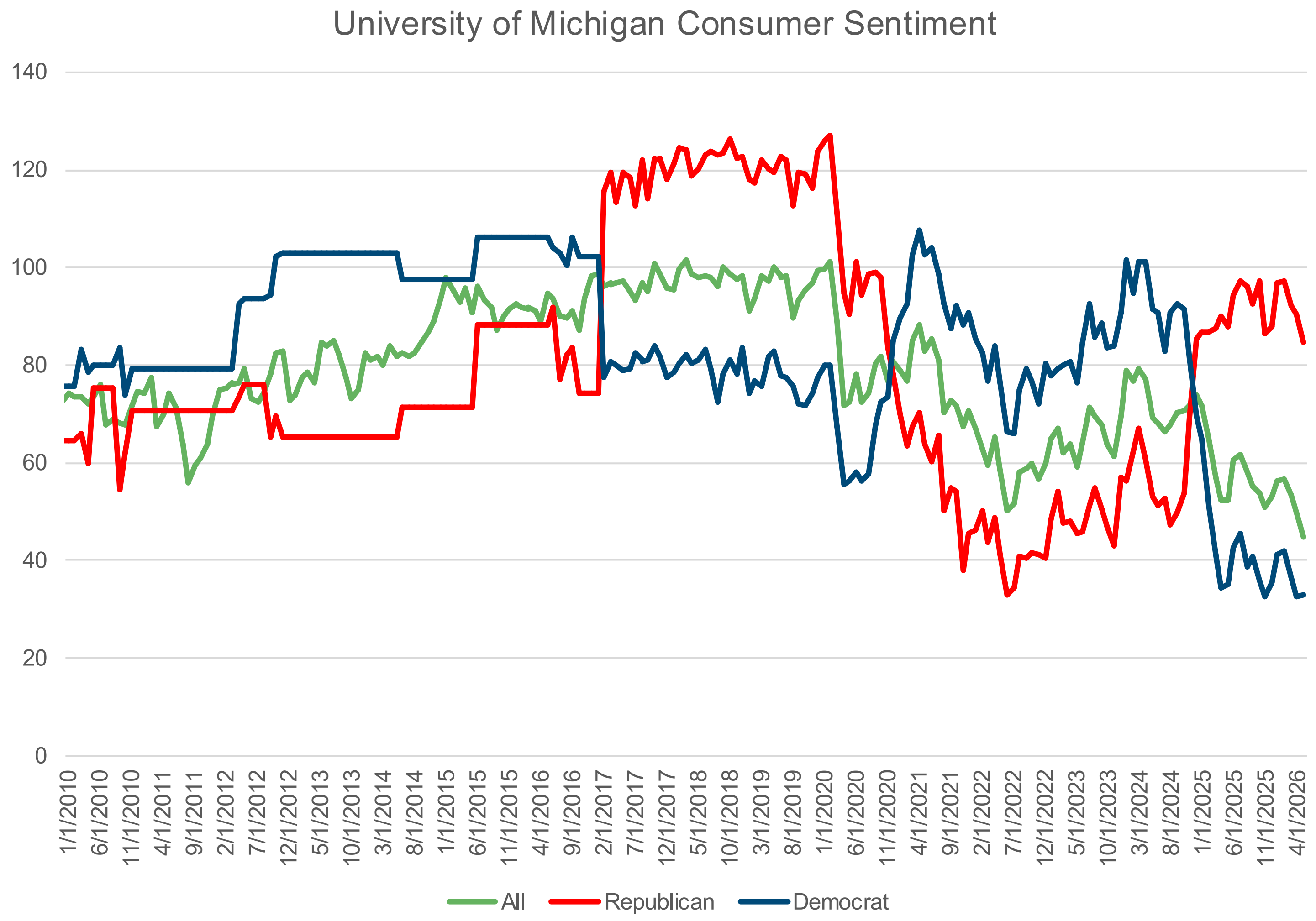
Source: FactSet, Goldman Sachs Global Investment Research



Economic Surprise Index



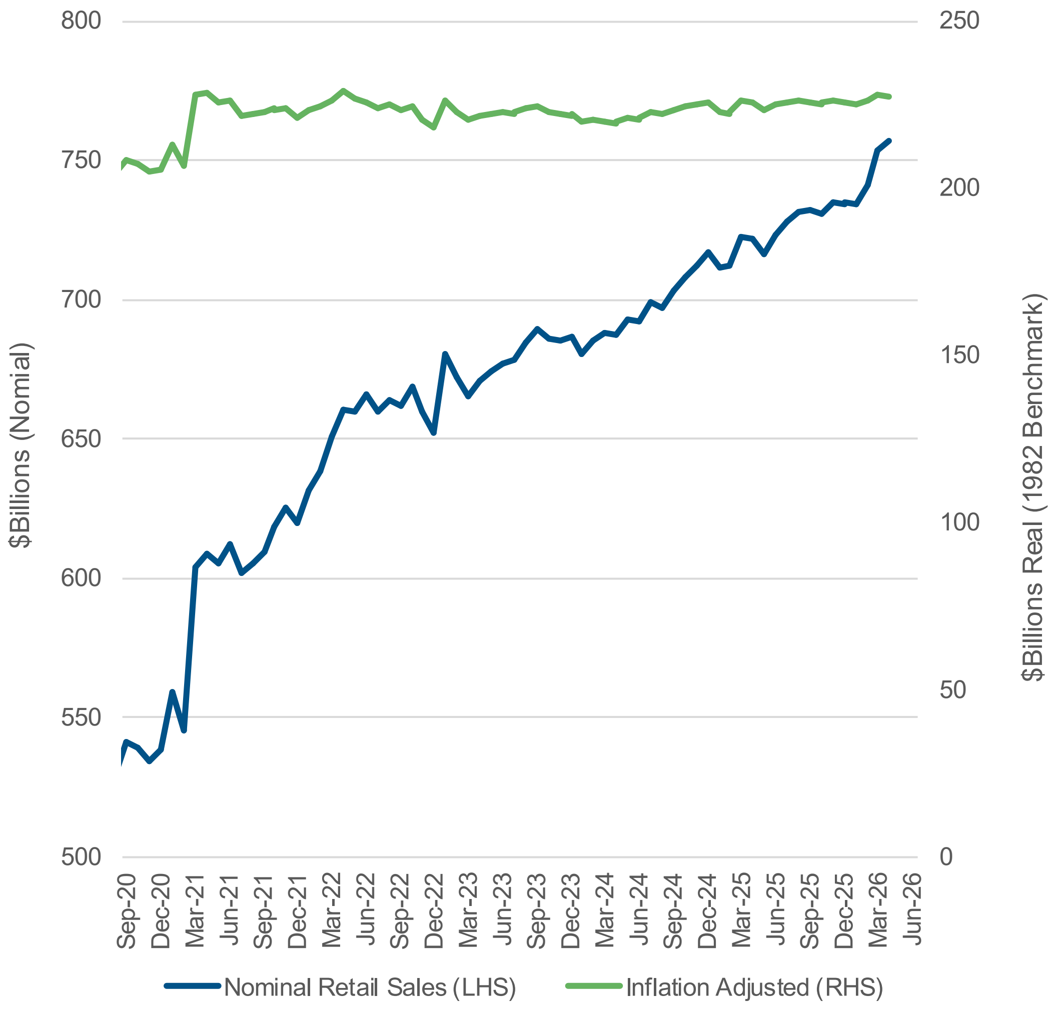
Consumer Confidence

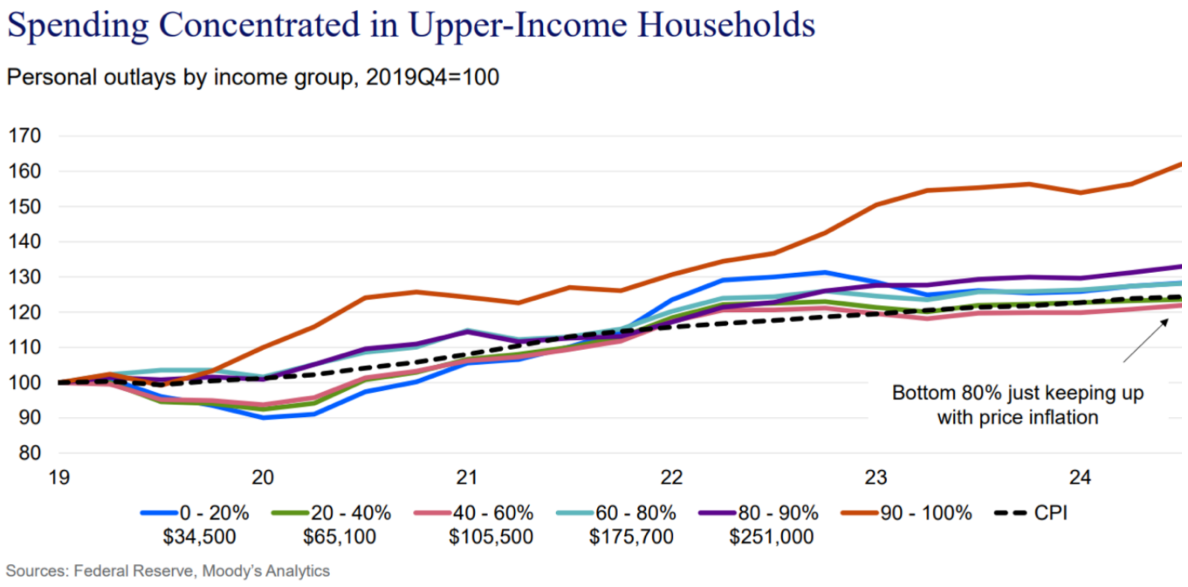


- Economic Uncertainty
- Labor market weakness
- Inflation
- High interest rates
- Affordability
- Savings running off
- Student loans resume

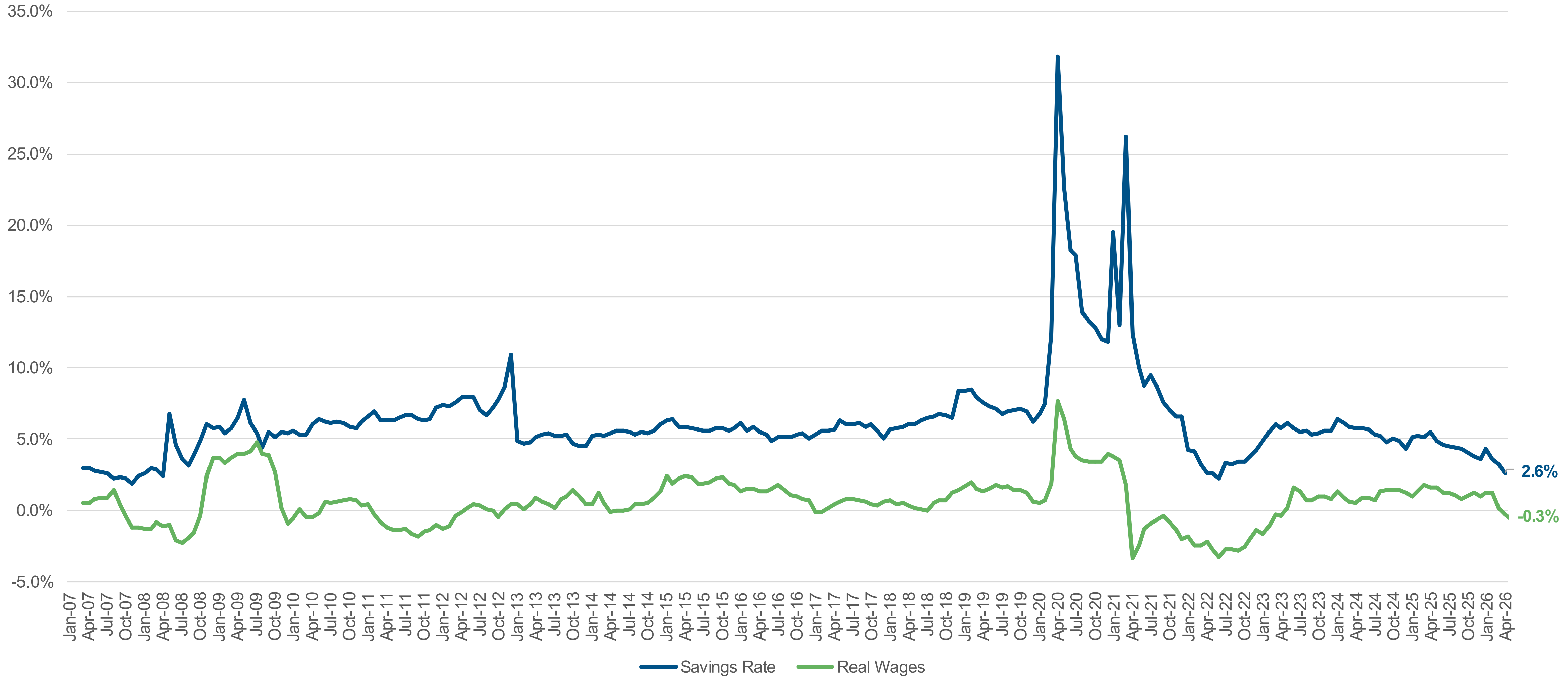
Source: University of Michigan, Bloomberg

Consumer Spending Treading Water

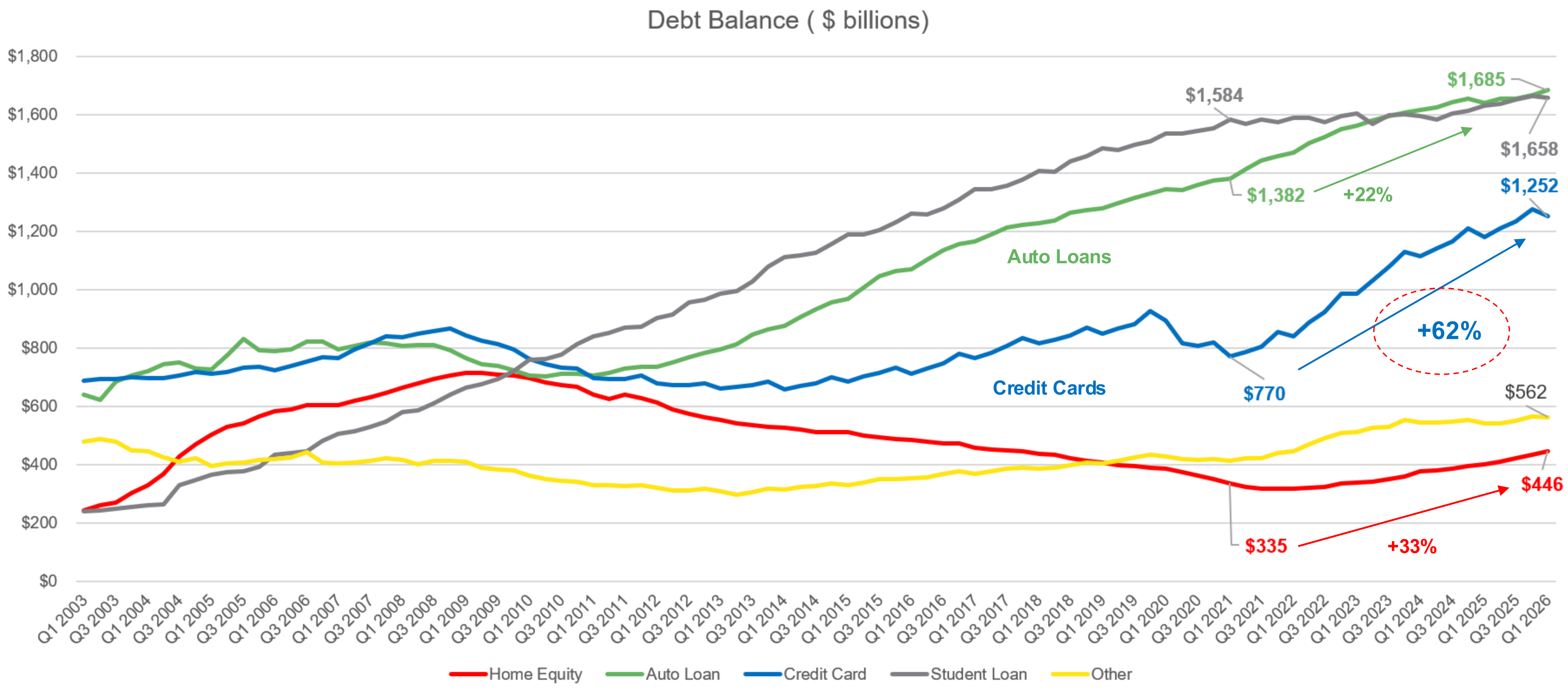




Savings Rate and Real Wage Growth

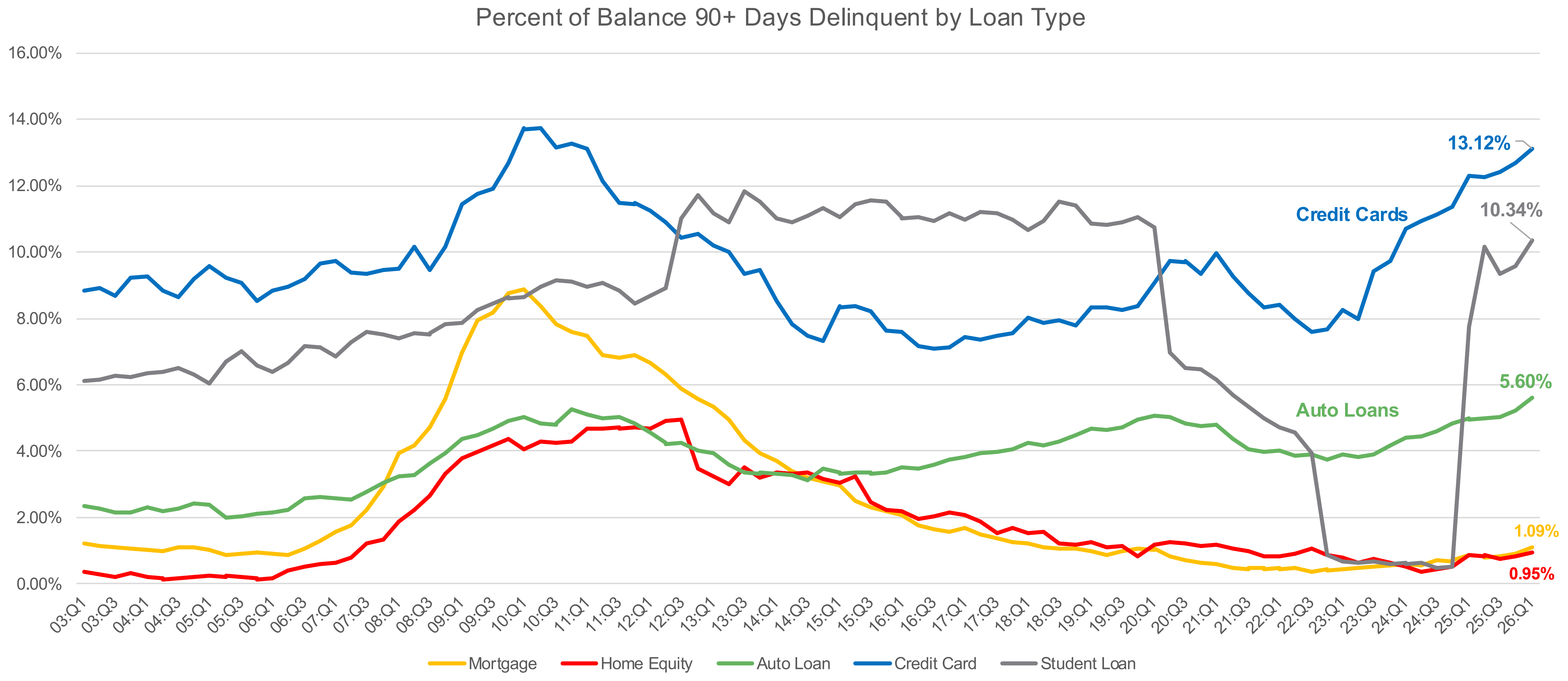


Consumer Credit – Consumers are Stretched



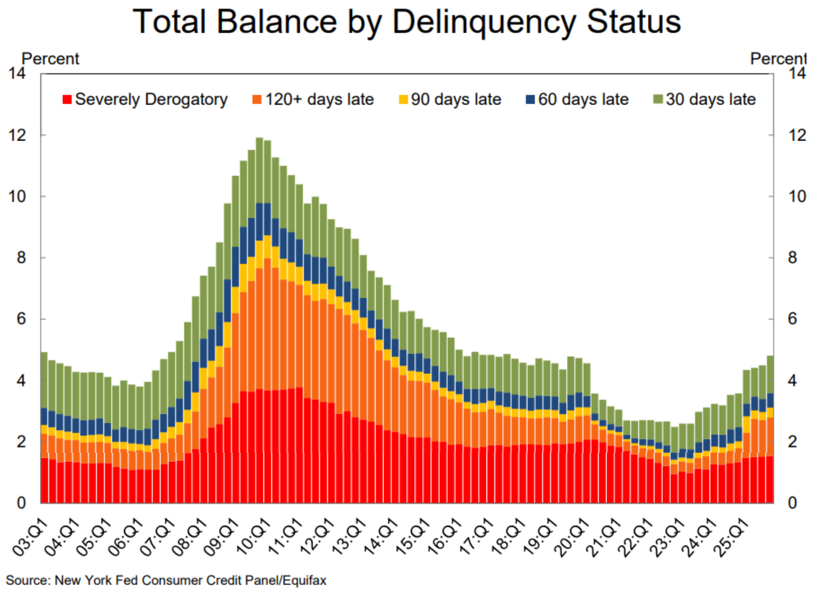
Source: NY Fed Quarterly Report on Household Debt and Credit

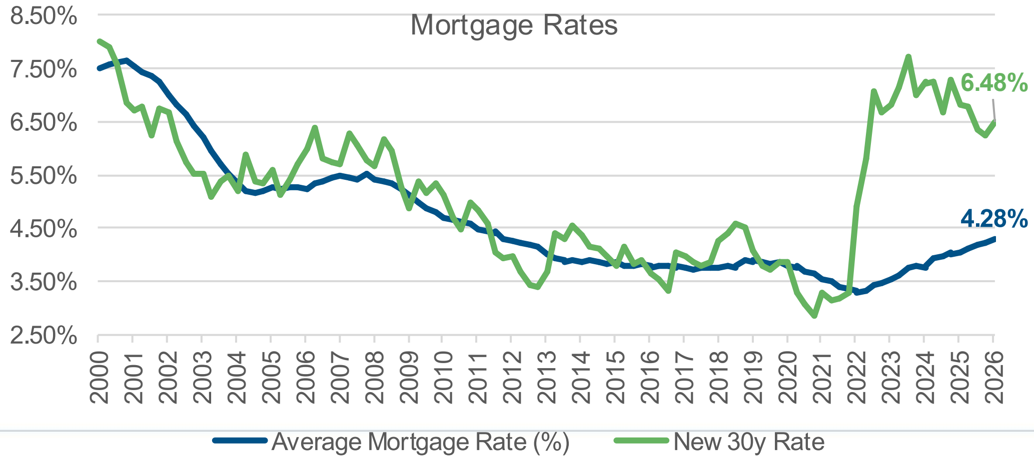
Consumer Credit – Delinquencies are Picking Up

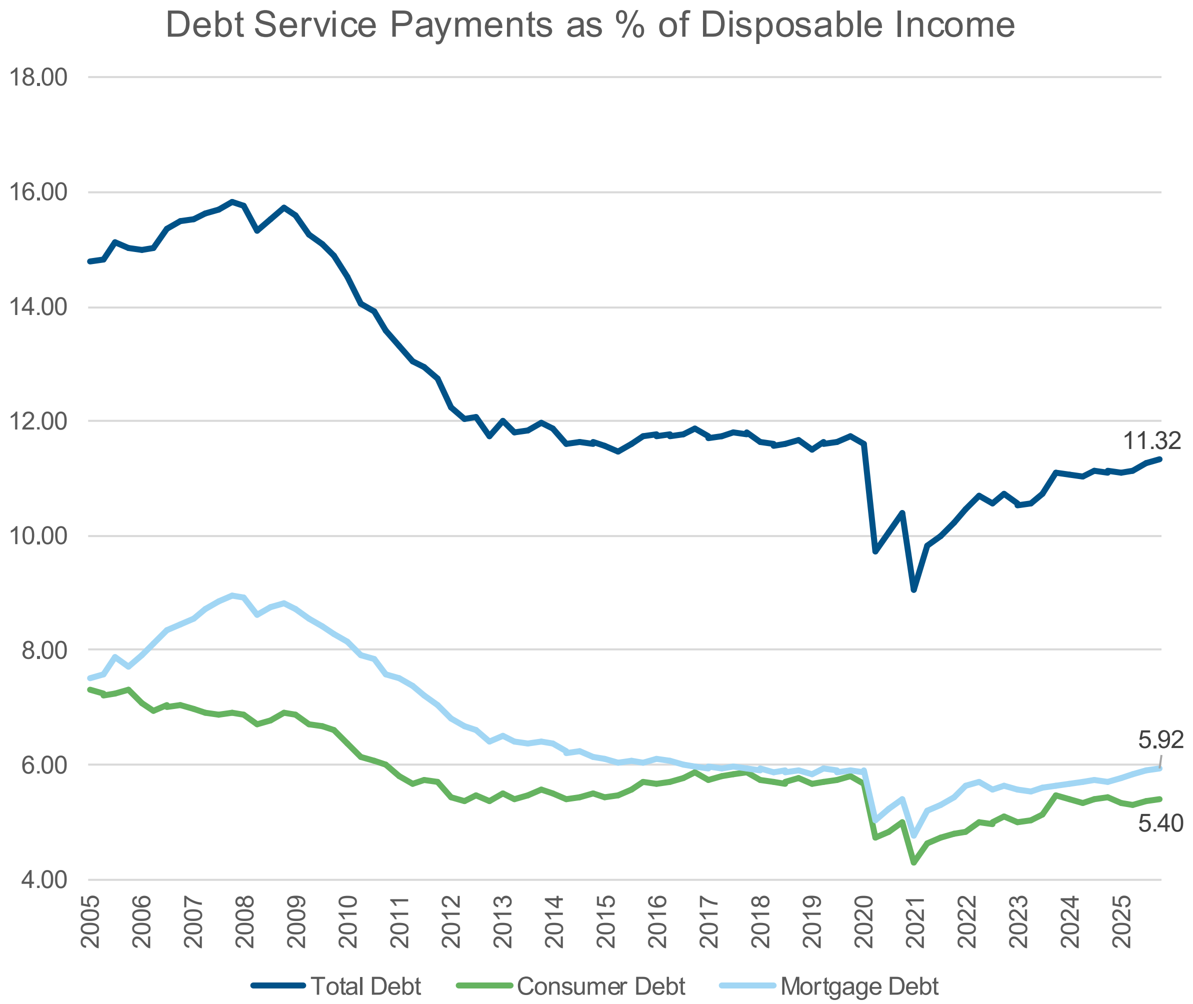


Source: NY Fed Quarterly Report on Household Debt and Credit

But, balance sheets in aggregate are strong







Federal Reserve Bank of NY, Bloomberg

Economic Outlook Summary

Growth is resilient, but the mix is getting narrower.

AI/datacenter investment and positive surprises are offset by weaker consumer fundamentals.

2.3%
Growth run-rate
GDP remains above trend, but volatile.

$50.7B
Hyperscaler capex
AI/datacenter spend is a major tailwind.

44.8
Consumer sentiment
Confidence weakness flags demand fragility.

Executive read-through: above-trend growth is intact, but the consumer is the swing factor.

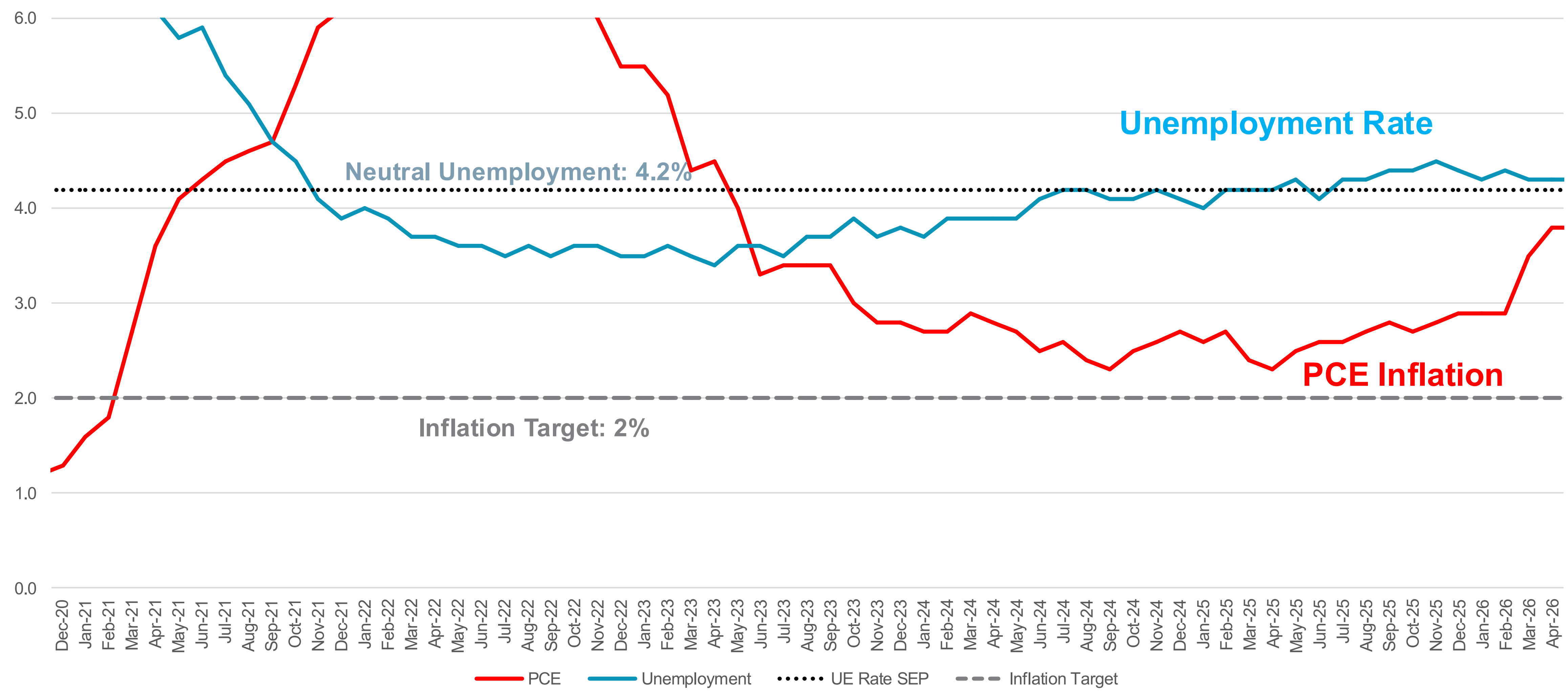
Growth engine	AI/datacenter capex, risk-on conditions and business activity support the expansion.
Consumer drag	Spending is treading water as confidence, savings and real wages soften.
Outlook risk	Aggregate balance sheets are still strong, but stretched credit and rising delinquencies bear watching.

Bottom line: above-trend growth is the base case, but consumer stress could quickly dampen it.

Source: Prior economic outlook section charts; Bloomberg

Interest Rate Outlook

Fed Dual Mandate



FOMC Composition

Chair – Permanent voting seat; Presidential appointment, Senate confirmation when vacant
Board of Governors – Permanent voting seat; Presidential appointment, Senate confirmation when vacant
New York Fed President – Vice Chair of FOMC, Permanent voting seat
Voters (Rotating) – Four voting regional presidents; rotates every year
Non-Voters (Rotating) – Seven non-voting regional presidents; alternate voters denoted with *

2026 FOMC

Board of Governors

- Jerome Powell – Chair FOMC – N
- Philip Jefferson – Vice Chair Board of Governors – N
- Michelle Bowman – Vice Chair for Supervision – D
- Michael Barr – N
- Lisa Cook – D
- Christopher Waller – D
- ~~Stephen Miran – D~~

Chair Kevin Warsh
N

Voting Members

- John Williams – Vice Chair FOMC (New York) – N
- Beth Hammack (Cleveland) – H
- Anna Paulson (Philadelphia) – D
- Lorie Logan (Dallas) – H
- Neel Kashkari (Minneapolis) – N

Non-Voting Members

- Sushmita Shukla** (New York)
- Austan Goolsbee* (Chicago) – N
- Thomas Barkin* (Richmond) – N
- Jeffrey Schmid (Kansas City) – H
- Mary Daly* (San Francisco) – D
- Alberto Musalem (St. Louis) – H
- Susan Collins (Boston) – N
- Cheryl Venable* (Atlanta) – H

Policy inclination designated by Bloomberg as of March 16, 2026
H = Hawk
N = Neutral
D = Dove

2026 Voting Members:
Hawk: 2
Neutral: 6
Dove: 4

Board of Governors Role & Term Expiration Timeline:
***=Board members eligible to be reappointed to another term**

Board Member (Leadership Role)	Leadership Expiration	Board Expiration
Jerome Powell (Chair)	May 2026	Jan 2028
Philip Jefferson (Vice Chair)	Sep 2027	Jan 2036*
Michelle Bowman (Vice Chair of Supervision)	Jun 2029	Jan 2034
Stephen Miran		Jan 2026*
Christopher Waller		Jan 2030*
Michael Barr		Jan 2032*
Lisa Cook		Jan 2038

Federal Reserve Voting Districts Rotation:
*** = Alternates; Districts are alternates year before they vote**
**** = First Vice President of the NY Fed is the alternate voter**

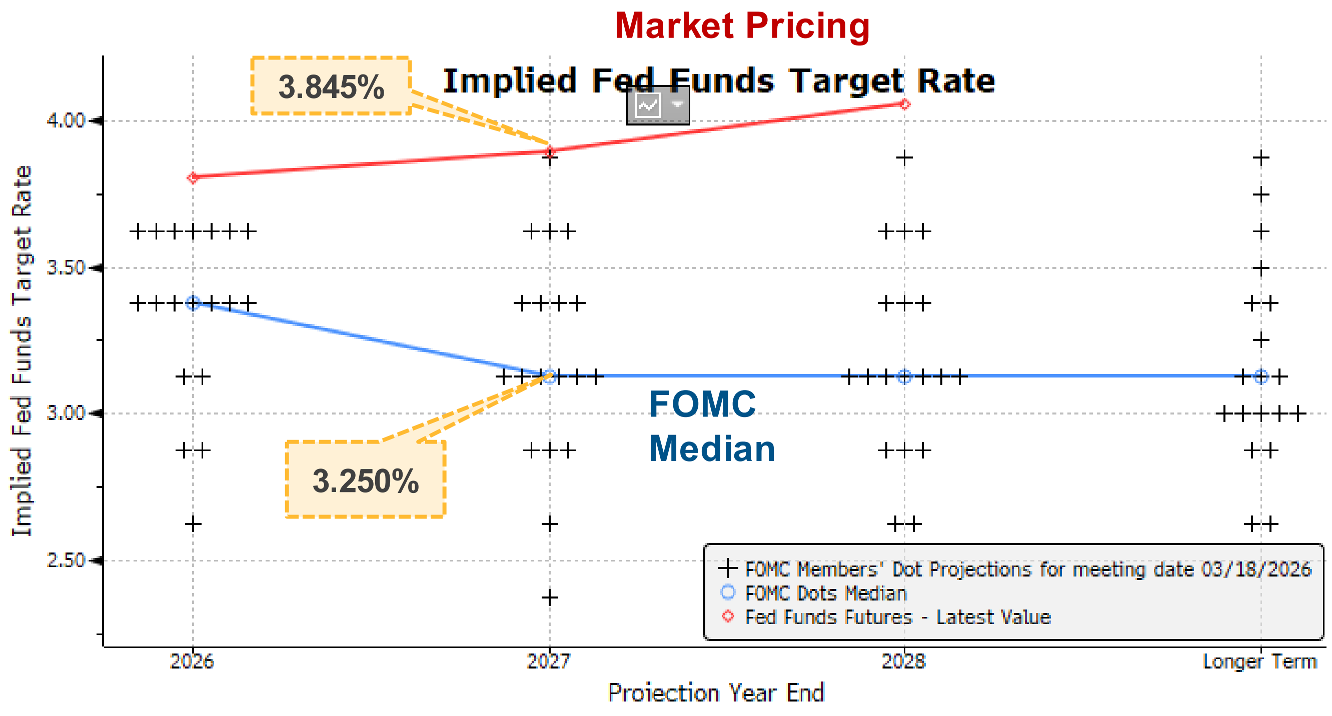
2027	2028	2029
New York**	New York	New York
Chicago*	Cleveland	Chicago
Richmond*	Boston	Dallas
Atlanta*	St. Louis	Minneapolis
San Francisco*	Kansas City	Philadelphia

FOMC Meeting Dates:
*** = FOMC forecast update; Minutes released 3 weeks after**

Apr. 28-29, 2026	Sep. 15-16, 2026*
Jun. 16-17, 2026*	Oct. 27-28,2026
Jul. 28-29, 2026	Dec. 8-9, 2026*

Updated as of March 18, 2026.
Source: Federal Reserve Board, Bloomberg Finance L.P. and Wells Fargo Economics

Path of Fed Policy – March DOT Plot



Show Models »

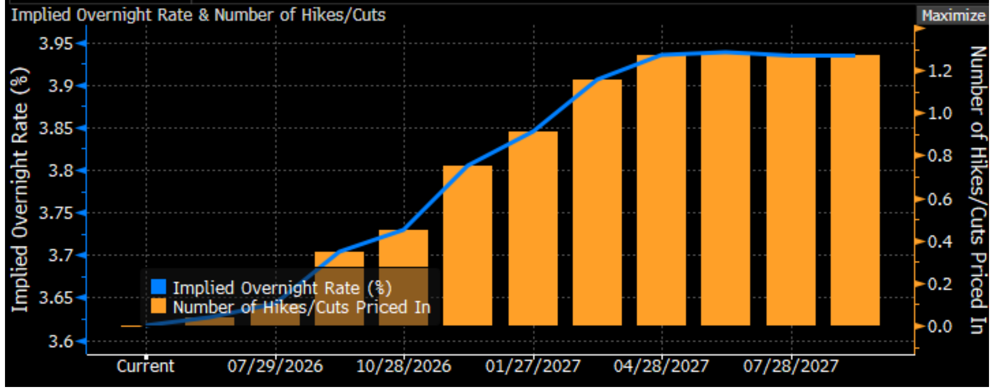
Enable Overrides

Region: United States »

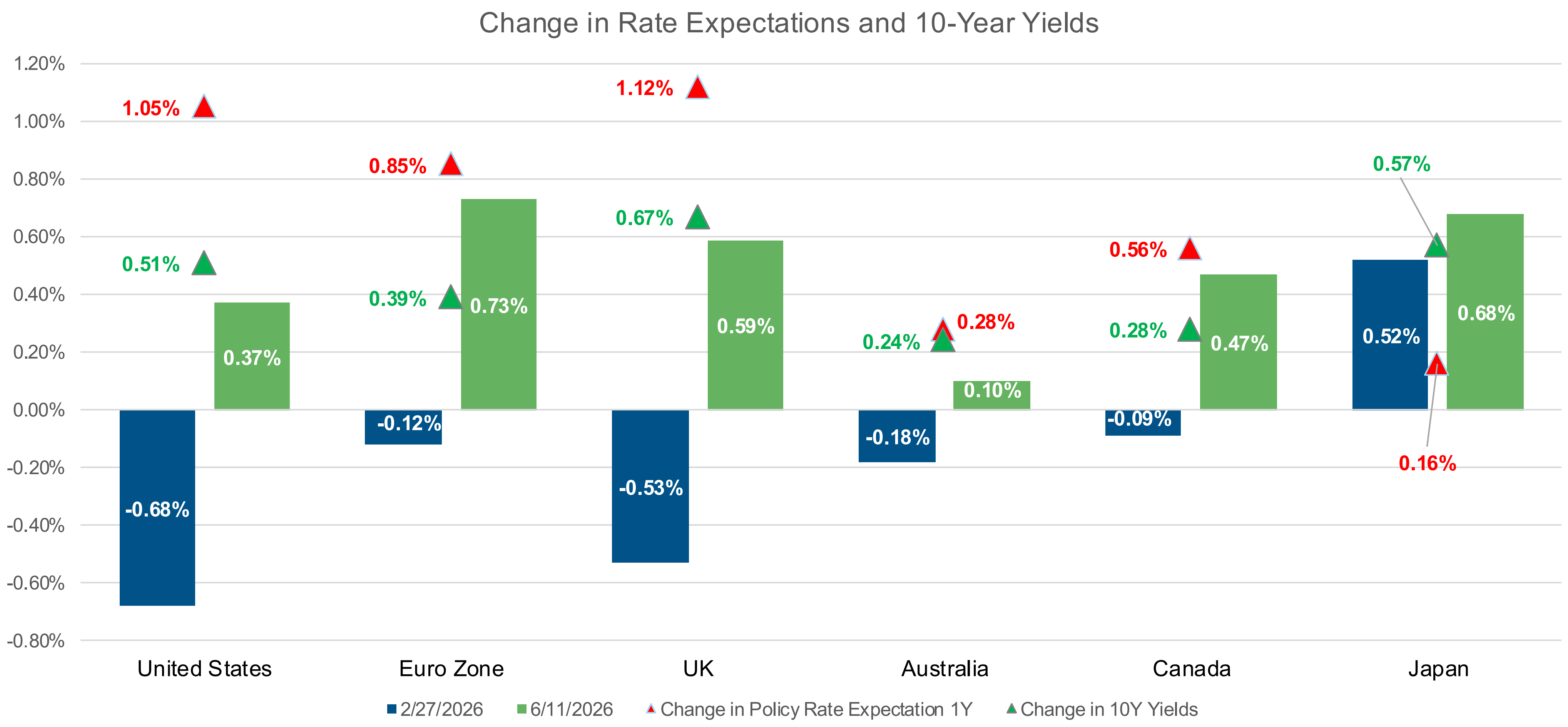
Instrument: Fed Funds Futures »

Target Rate	3.75	Pricing Date	06/11/2026
Effective Rate	3.62	Cur. Imp. O/N Rate	3.617

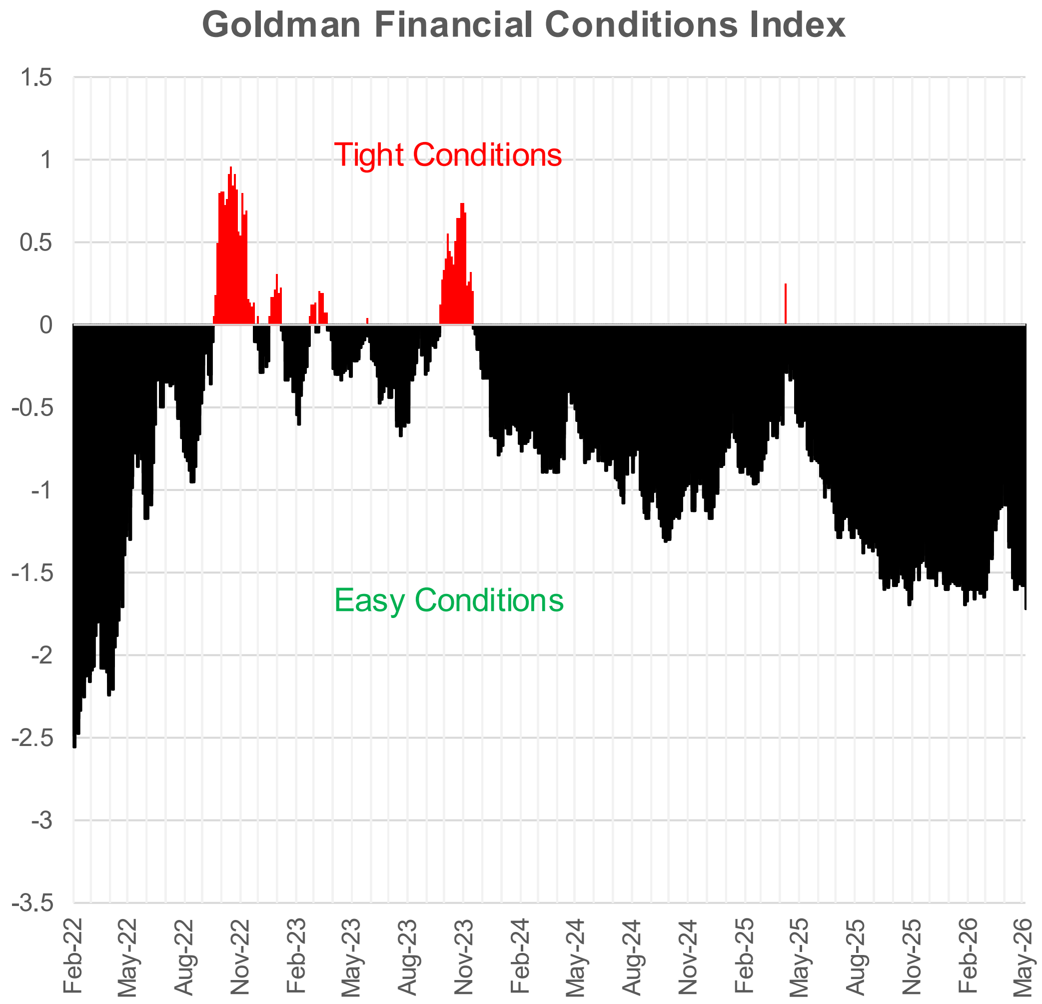
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
06/17/2026	+0.037	+3.7%	+0.009	3.626	0.250
07/29/2026	+0.101	+6.4%	+0.025	3.642	0.250
09/16/2026	+0.344	+24.3%	+0.086	3.703	0.250
10/28/2026	+0.451	+10.7%	+0.113	3.730	0.250
12/09/2026	+0.750	+29.9%	+0.187	3.805	0.250
01/27/2027	+0.911	+16.1%	+0.228	3.845	0.250
03/17/2027	+1.154	+24.3%	+0.288	3.906	0.250
04/28/2027	+1.271	+11.7%	+0.318	3.935	0.250
06/09/2027	+1.284	+1.3%	+0.321	3.938	0.250
07/28/2027	+1.271	-1.3%	+0.318	3.935	0.250
09/15/2027	+1.271	+0.0%	+0.318	3.935	0.250

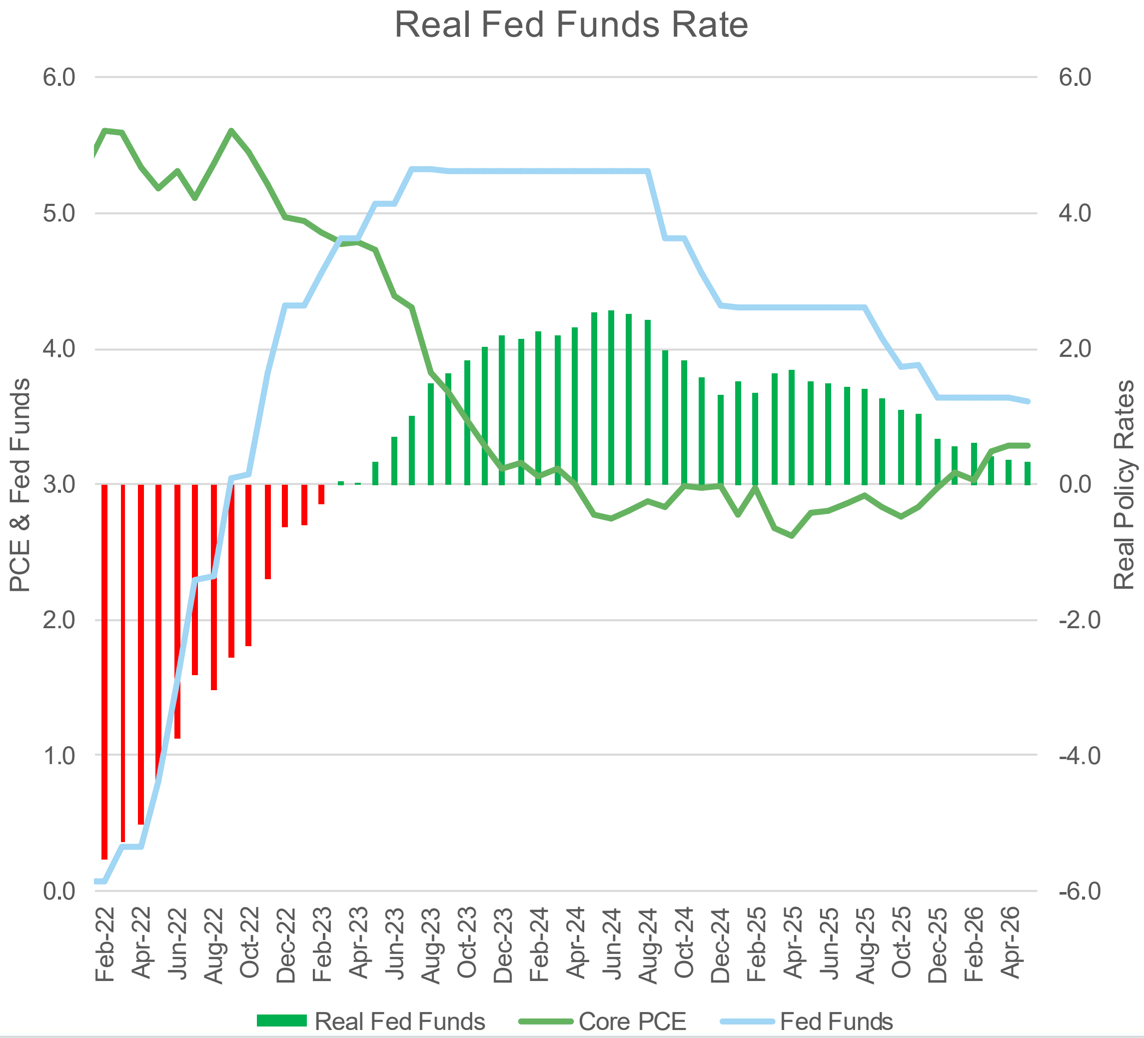


Shifting Rate Expectations Post War Start

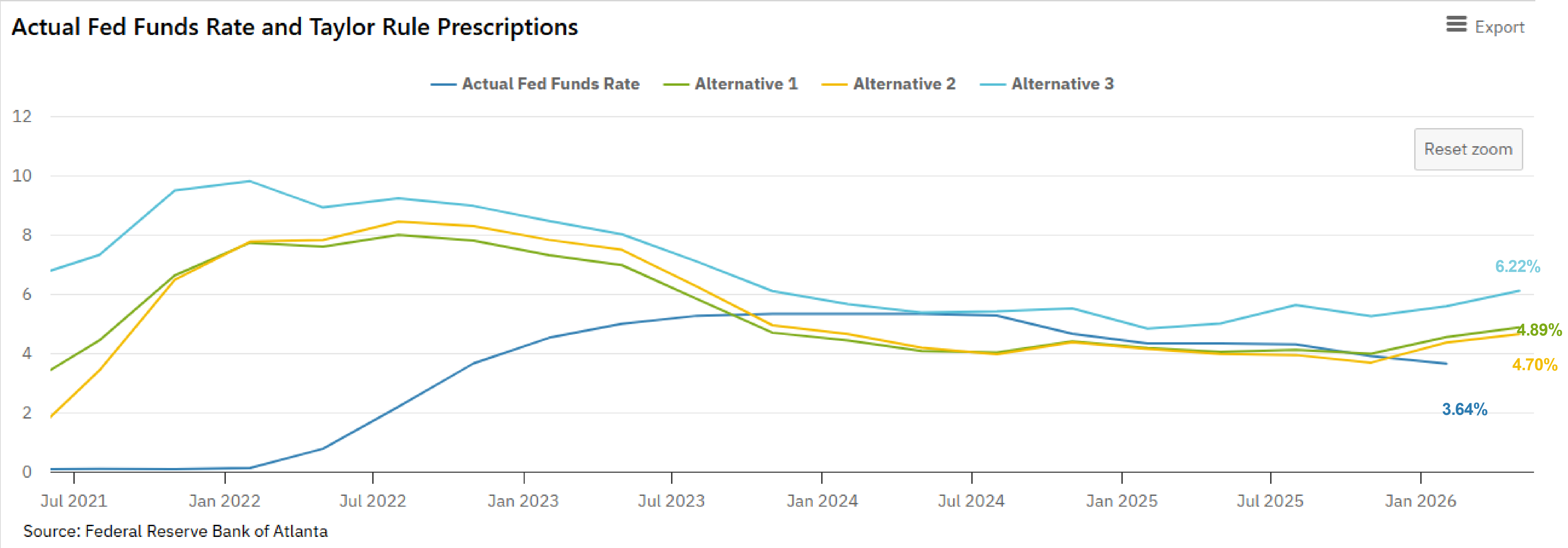


Easy Financial Conditions?





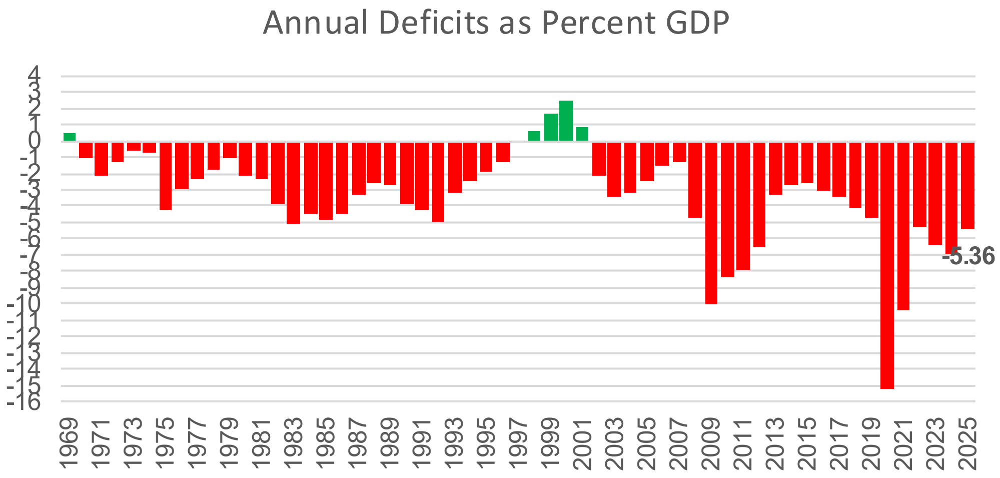
Taylor Rule – Fed Funds

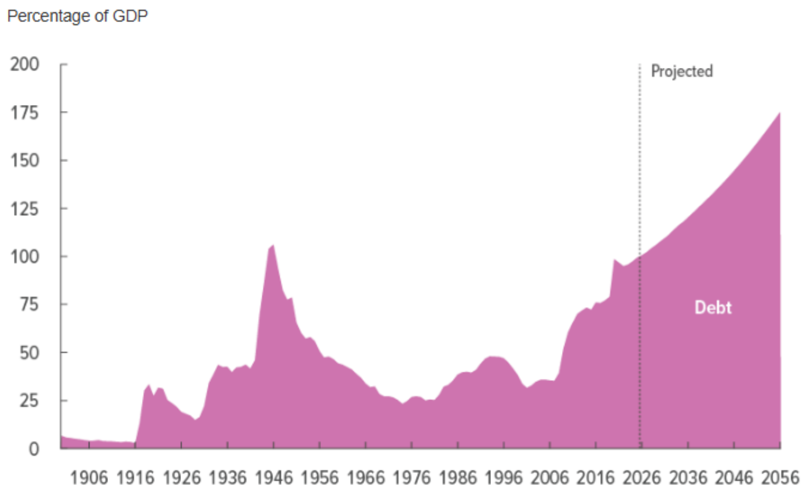


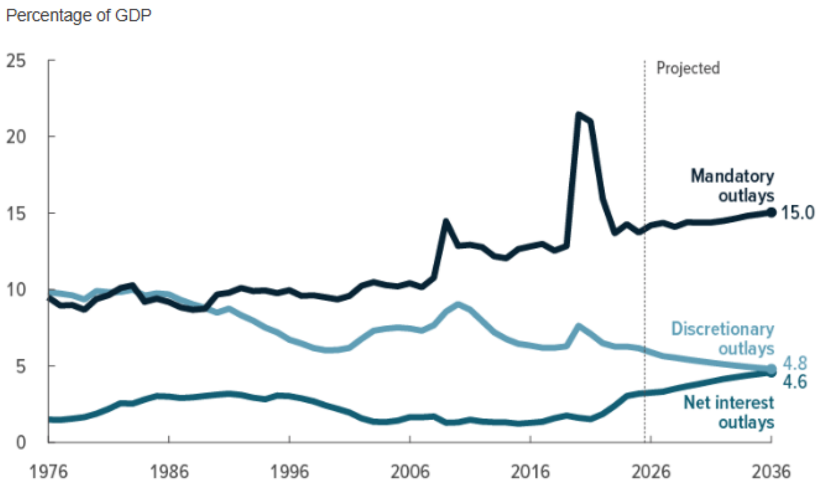
6.10%

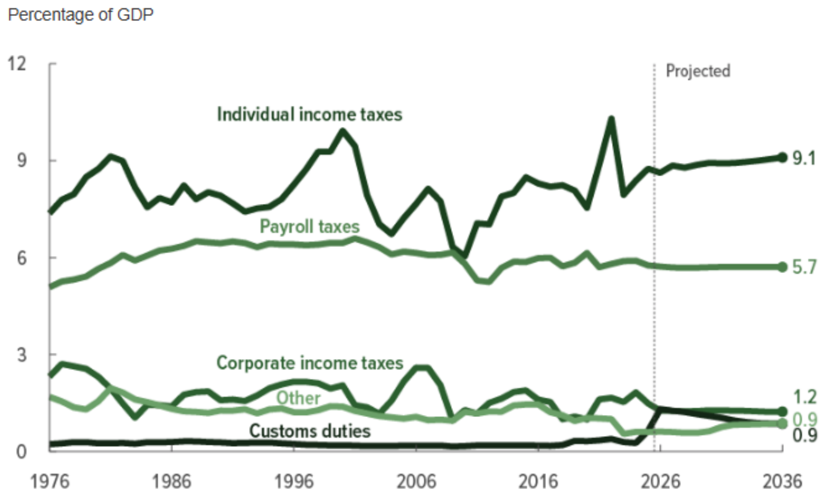
Structural challenges

Federal Debt / Deficits

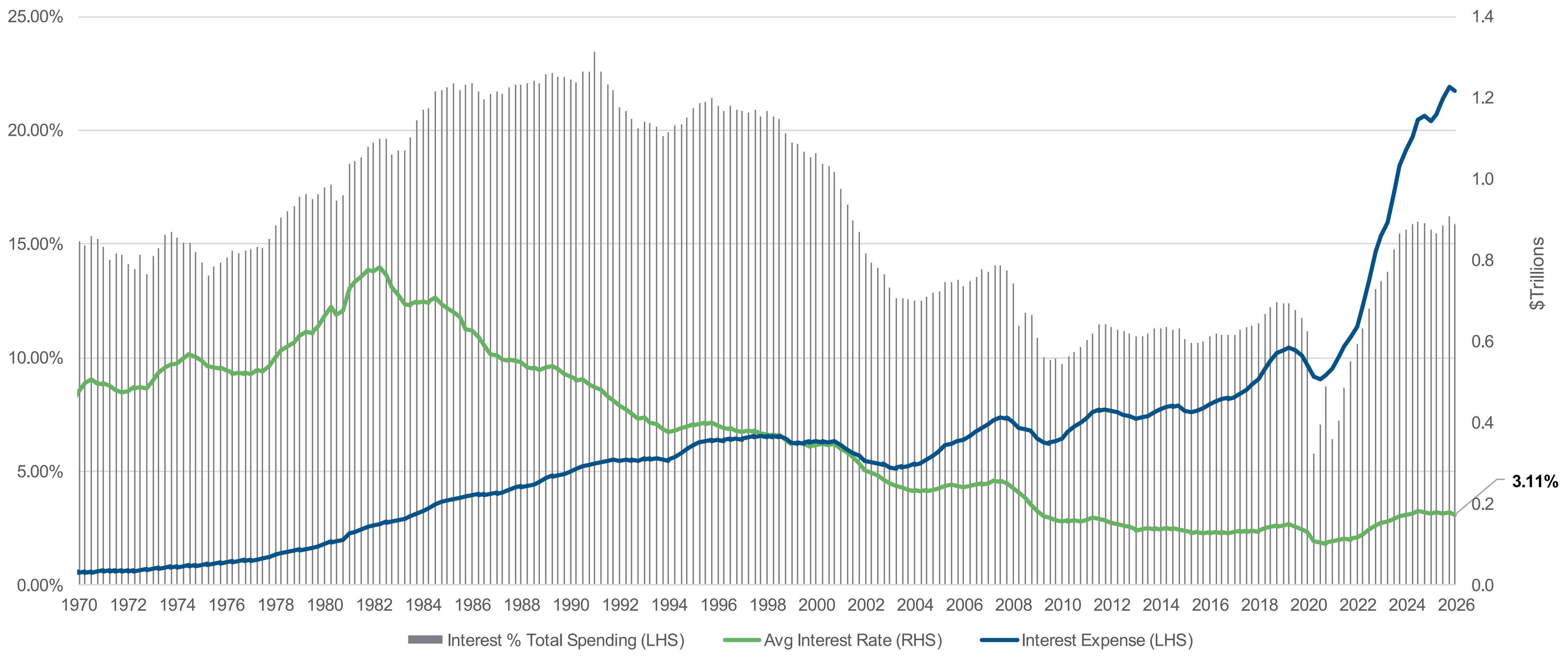






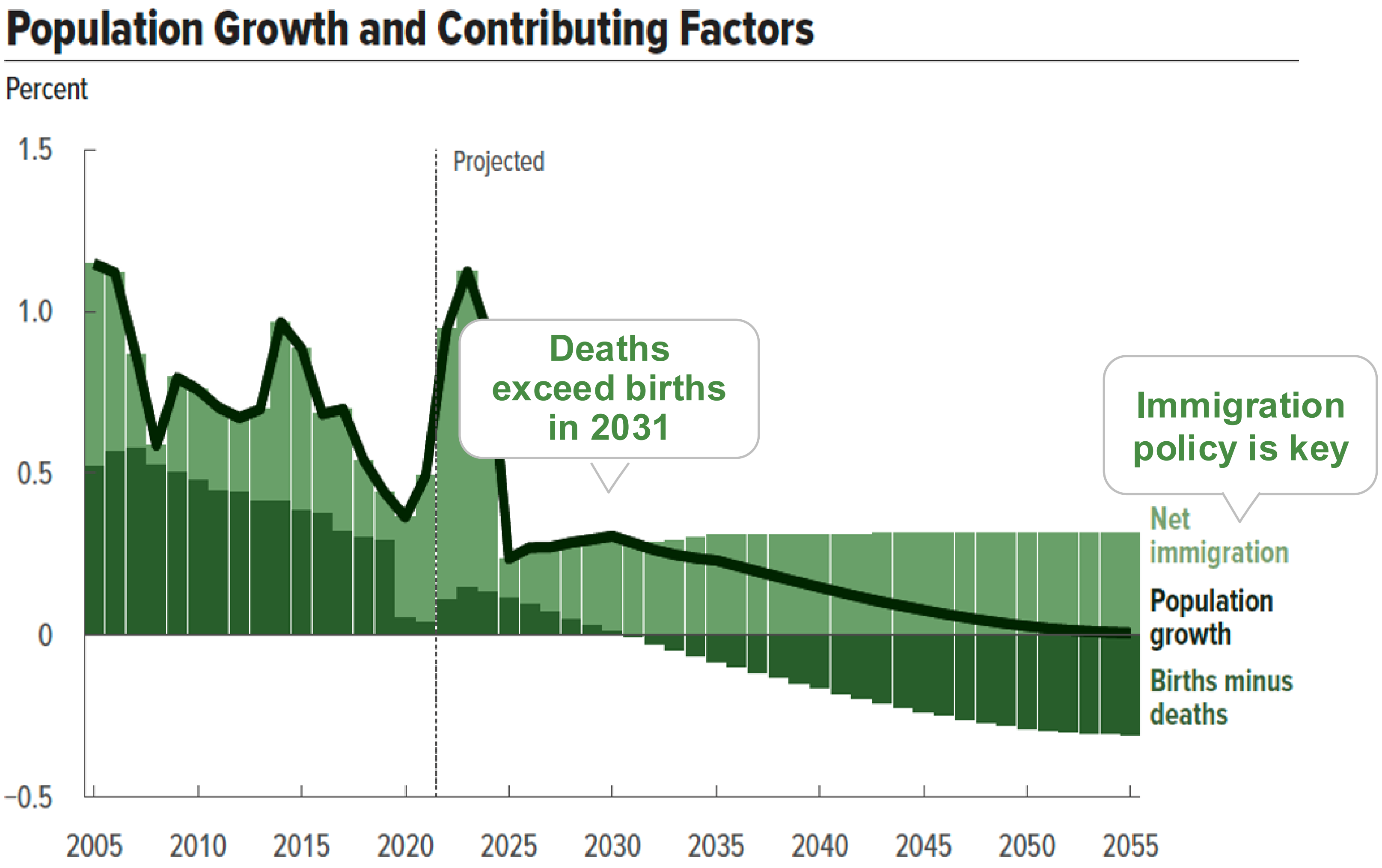


Interest on Debt



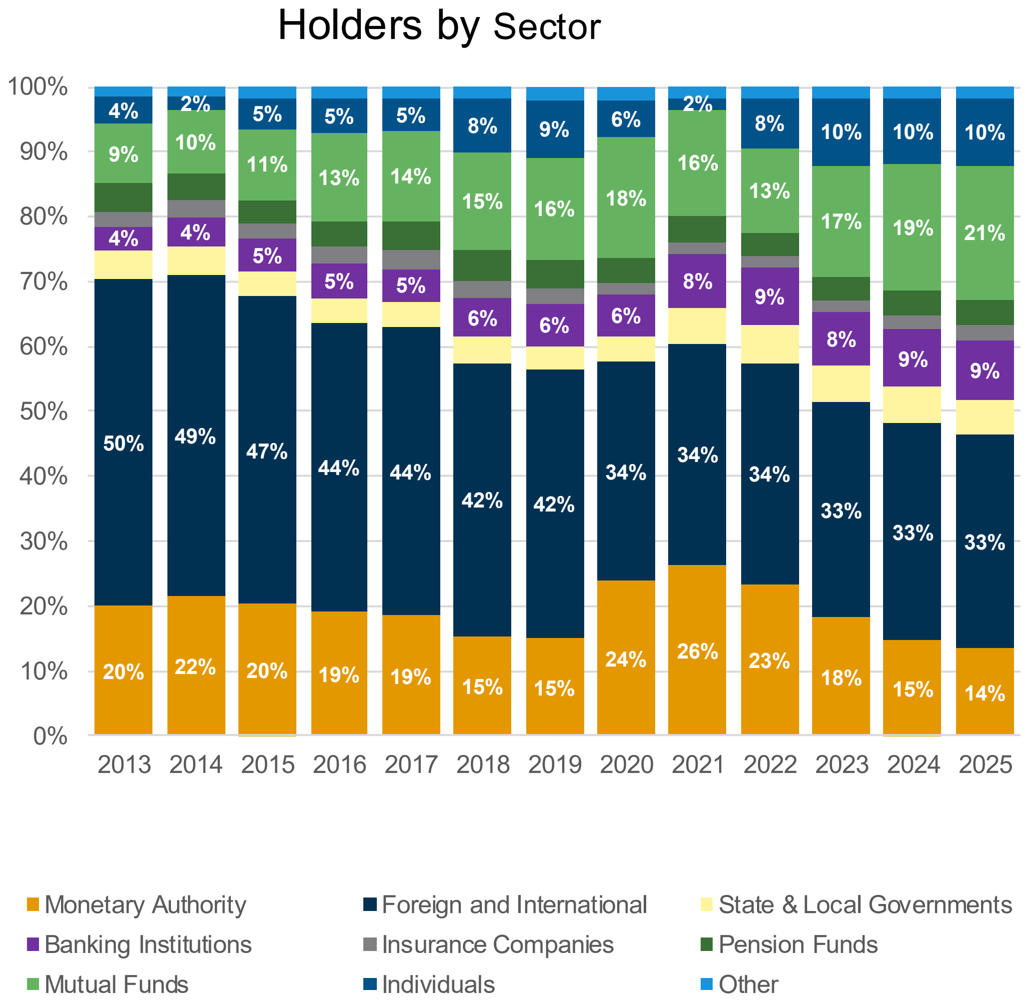
Sources: Bloomberg, Congressional Budget Office

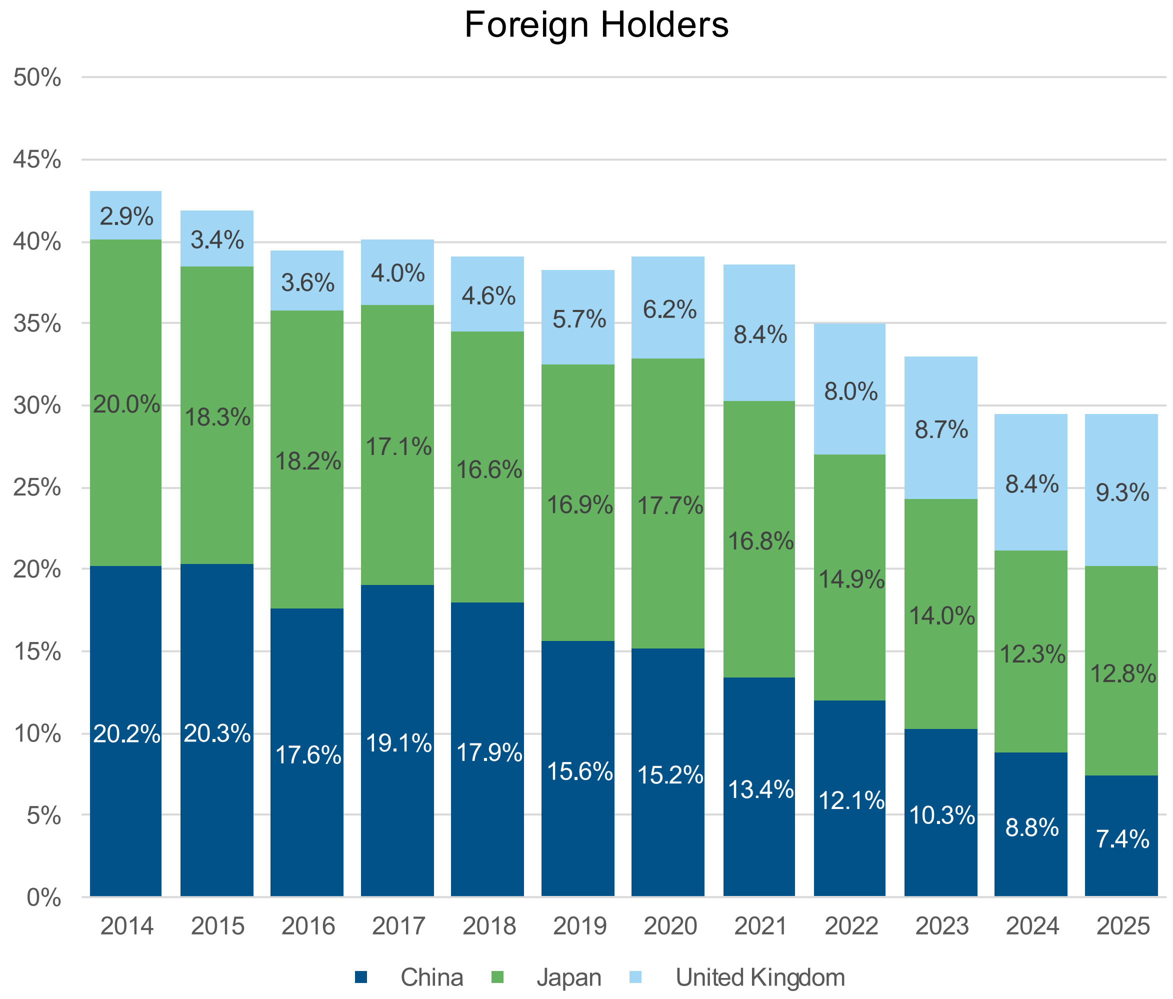
Demographics – United States



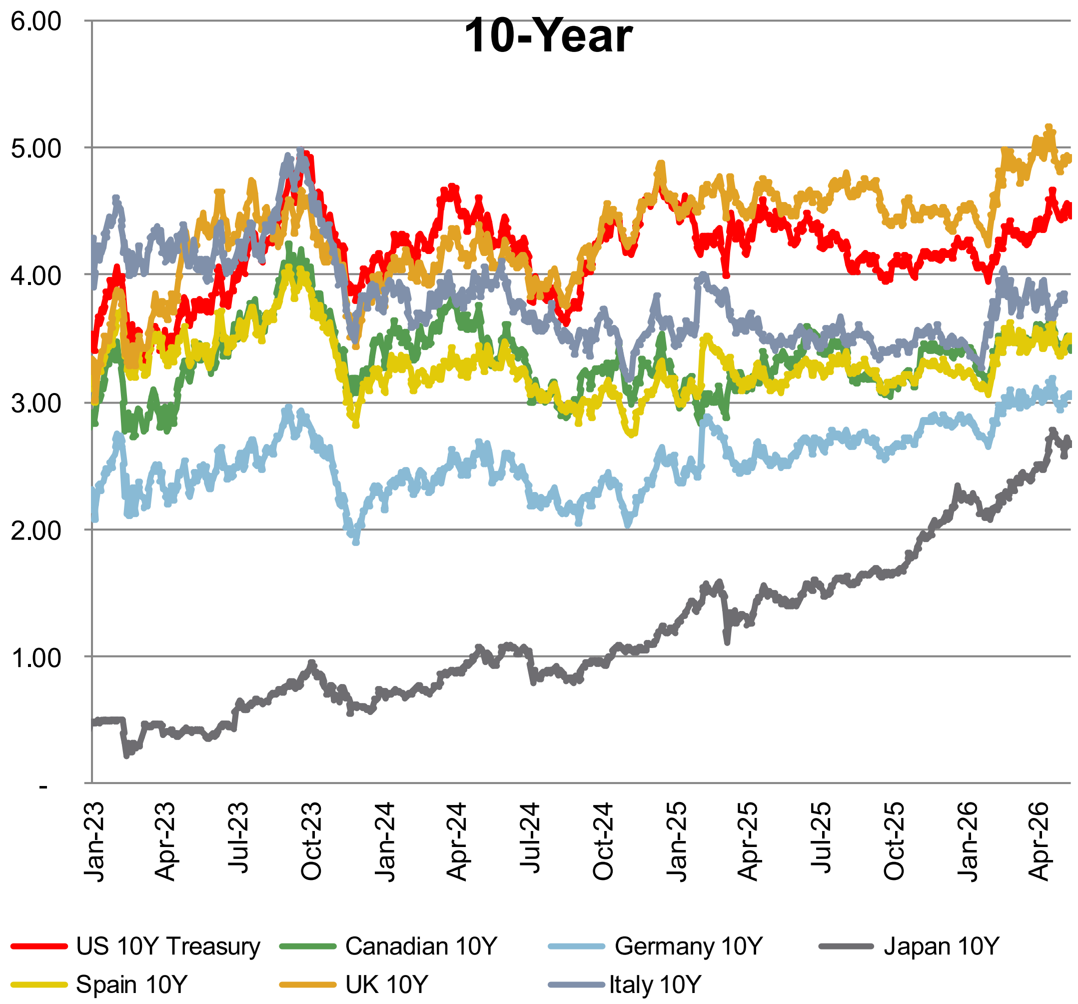
Source: CBO

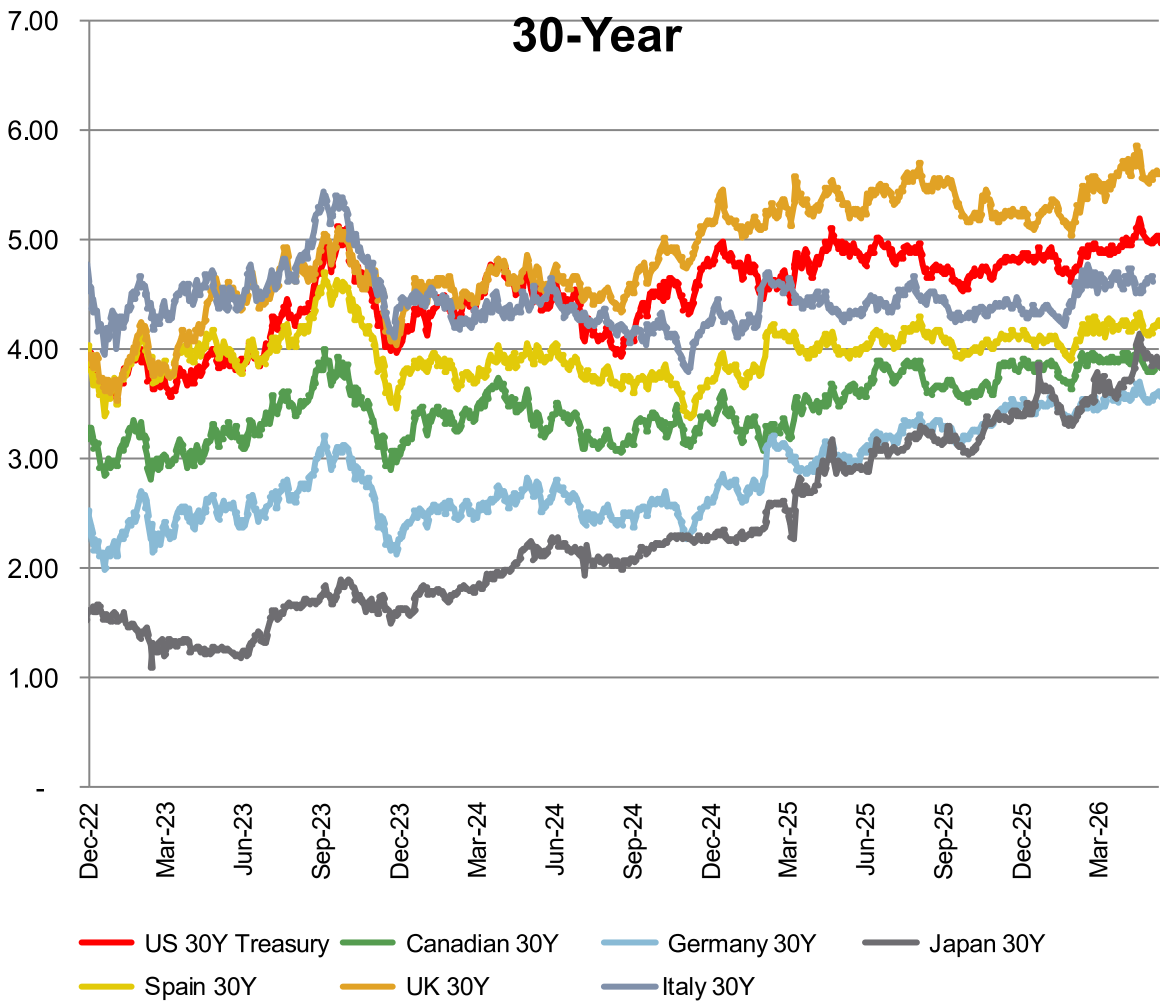
Largest Holders US Debt



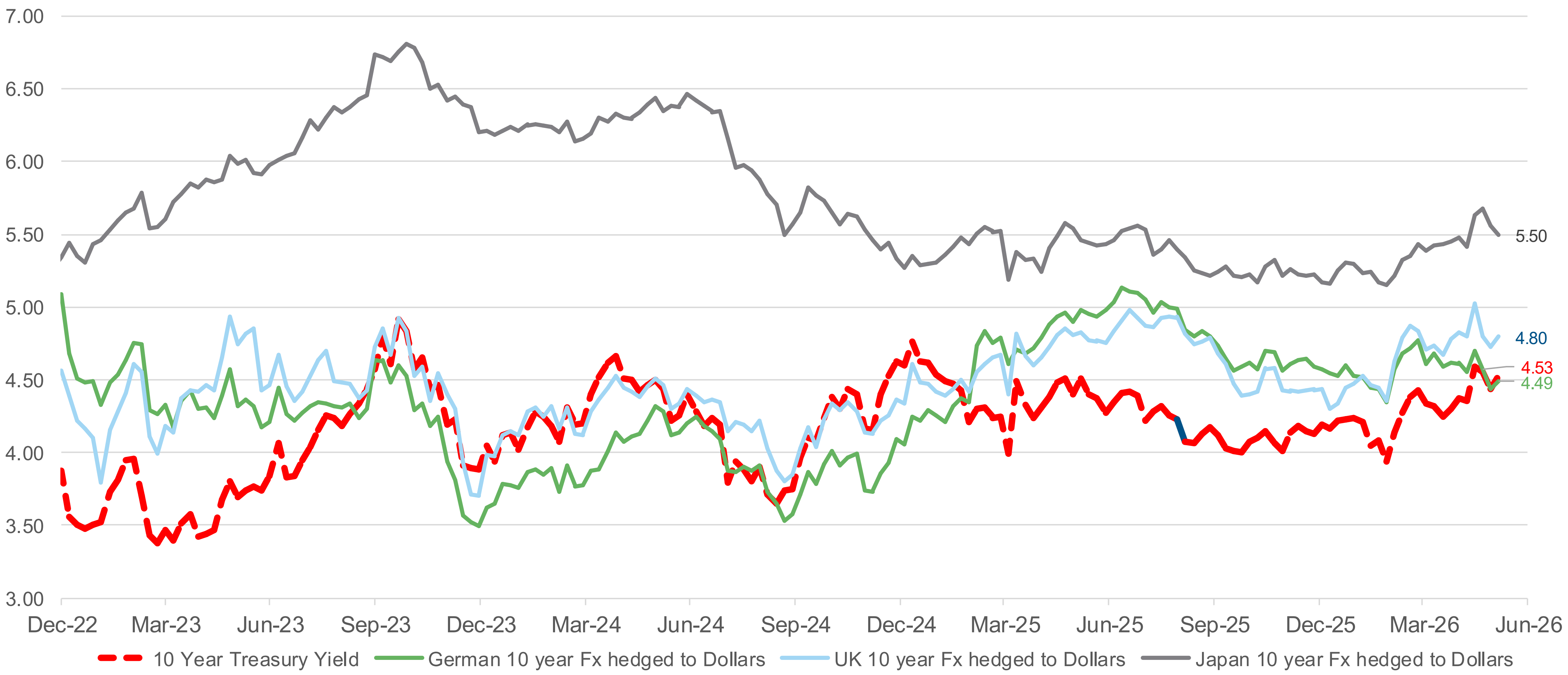


Global Yields

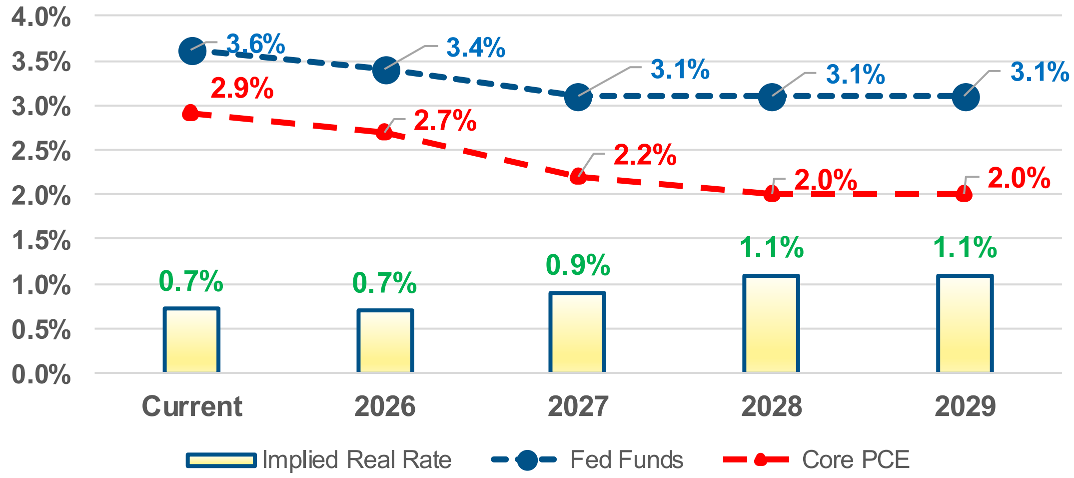


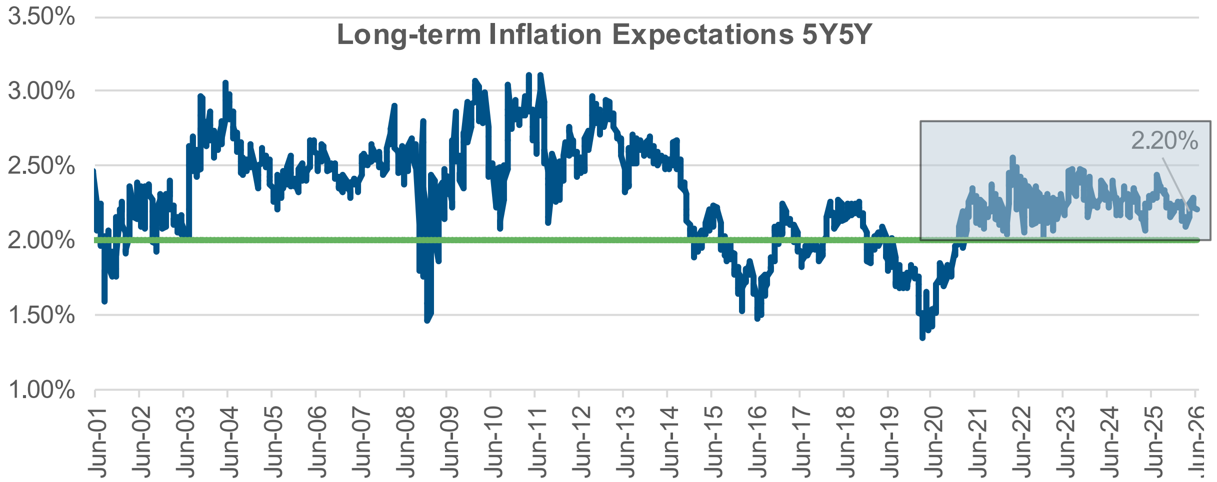


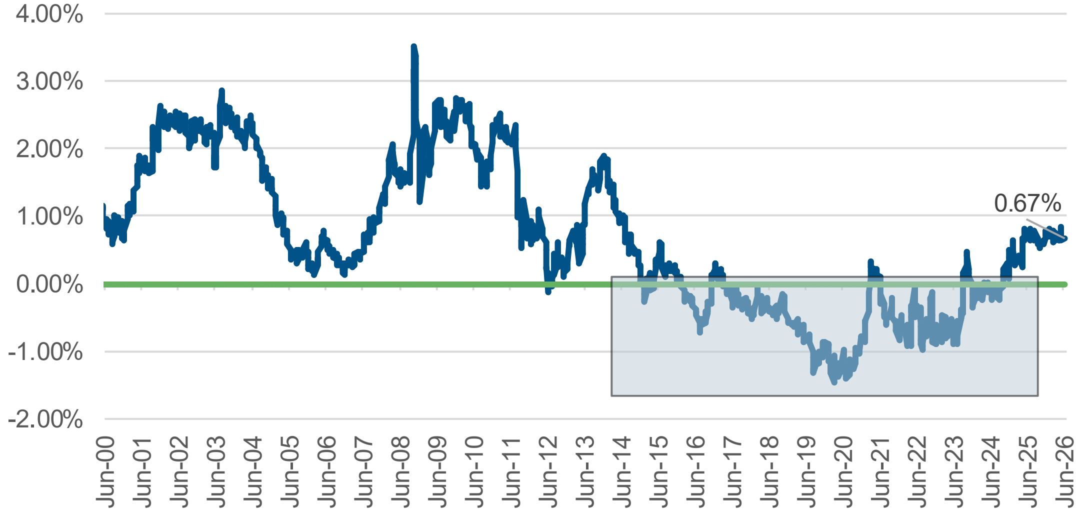
Global Yields FX Hedged



Decomposing 10-year Treasury Yields







Hypothetical 10-Year Range:

- Real Interest Rates: 0.75% – 1.25%
- Inflation Expectations: 2.25% – 3.00%
- Term Premium: 0.50% – 1.00%
- ***10y Range: 3.50% - 5.00%***

Considerations for Telecom Operators

Labor Market:	- Tighter conditions - Employees are sticky, but turnover is a risk
Growth:	- The AI/Boom driving demand for connectivity - Consumer options are abundant
Inflation:	- Still elevated, but strongly correlated to oil/energy - Budgeting process remains a challenge
Interest Rates:	- Growing sentiment that hikes are coming - Fixed rate debt could be attractive near-term
Regulatory:	- Mid-term elections approaching - Cuts appear to be losing popularity

Questions?

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