



FHLB DES MOINES

Quarterly Economic Overview

Member Strategies Department

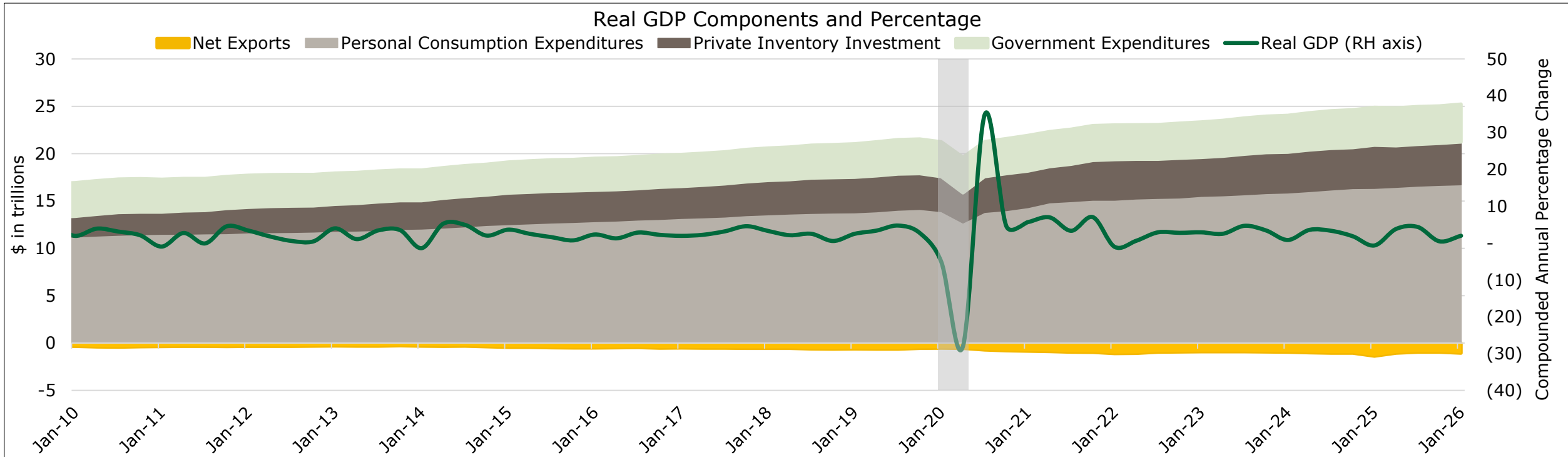
First Quarter 2026



Gross Domestic Product

The Economy Grew at a Faster Pace During the First Quarter After Multiple Downward Revisions to the Fourth Quarter

U.S. Gross Domestic Product



Fourth-quarter (third estimate) Real GDP

- The third estimate for fourth-quarter real GDP came in at 0.5%.

First-quarter (advance estimate) Real GDP

- The advance estimate for first-quarter real GDP was 2.0%. The contributors to the increase were investment, exports, consumer spending, and government spending. Imports, which are a subtraction in the calculation of GDP, also increased.
- The increase in consumer spending reflected an increase in services, led by health care. Within health care, both hospital and nursing home services as well as outpatient services increased.
- The increase in investment reflected increases in equipment, intellectual property products, and private inventory investment that were partly offset by decreases in residential and nonresidential structures.
- The increase in government spending was led by an increase in federal government nondefense spending, mainly federal employee compensation.

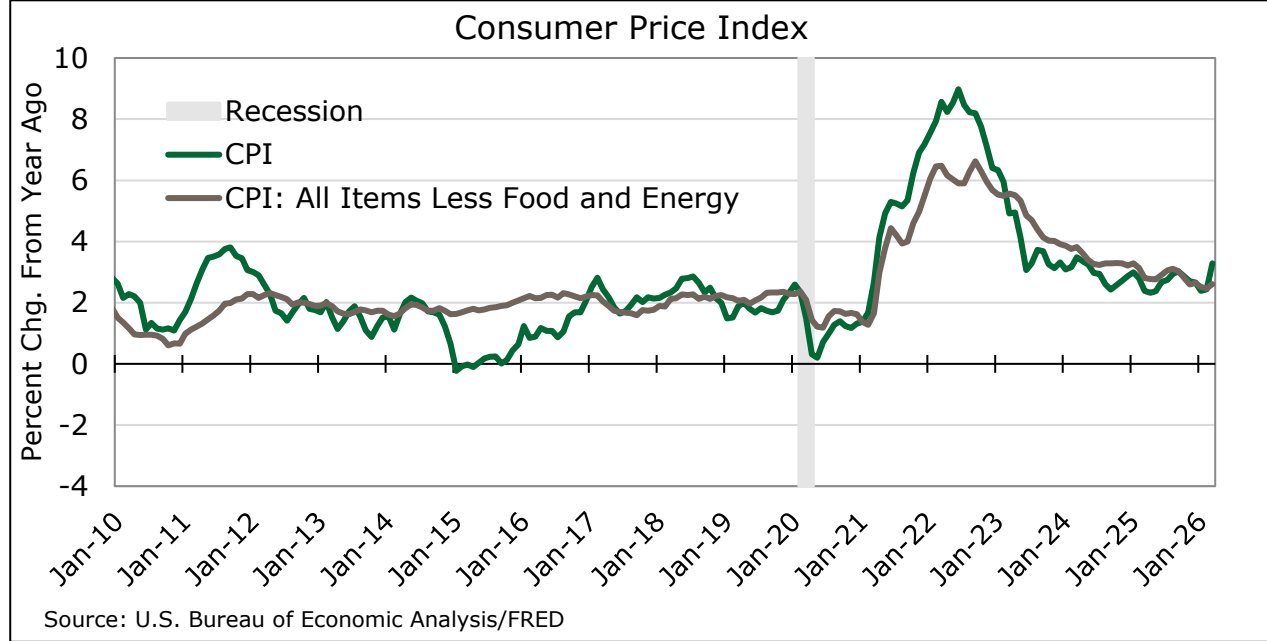


Prices

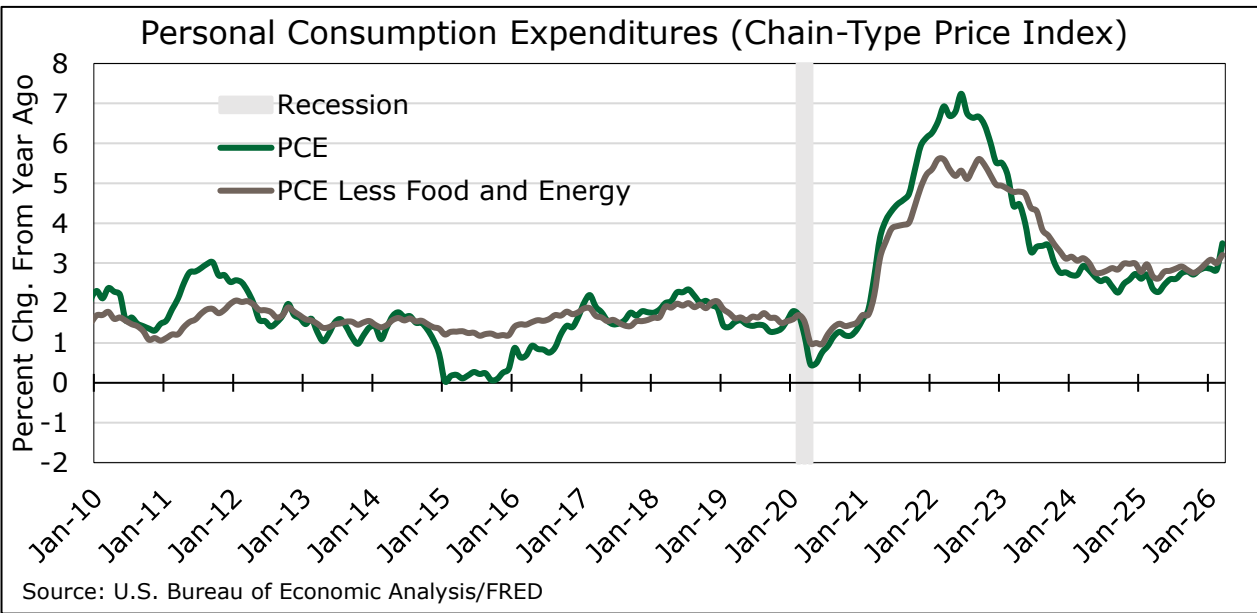
Inflation Jumped as a Result of the Conflict Between the U.S. and Iran

Consumer Prices

- The all-items index rose 3.3% for the 12 months ending in March, up from 2.4% in February. The energy index increased 12.5% over the past year, while the food index rose 2.5%.
- On a month-over-month basis, the all-items index increased 0.9% in March. The energy index rose 10.9% during the month. The food index was unchanged, with the food at home index rising 0.2%, while the food away from home index fell 0.2%.
- The index for all items less food and energy rose 2.6% for the 12 months ending in March, up from 2.5% in February.
- The index for all-items less food and energy increased 0.2% in March. Indexes that increased over the month include airline fares, apparel, household furnishings and operations, education, and new vehicles. Conversely, the indexes for medical care, personal care, and used cars and trucks were among the major indexes that decreased in March.

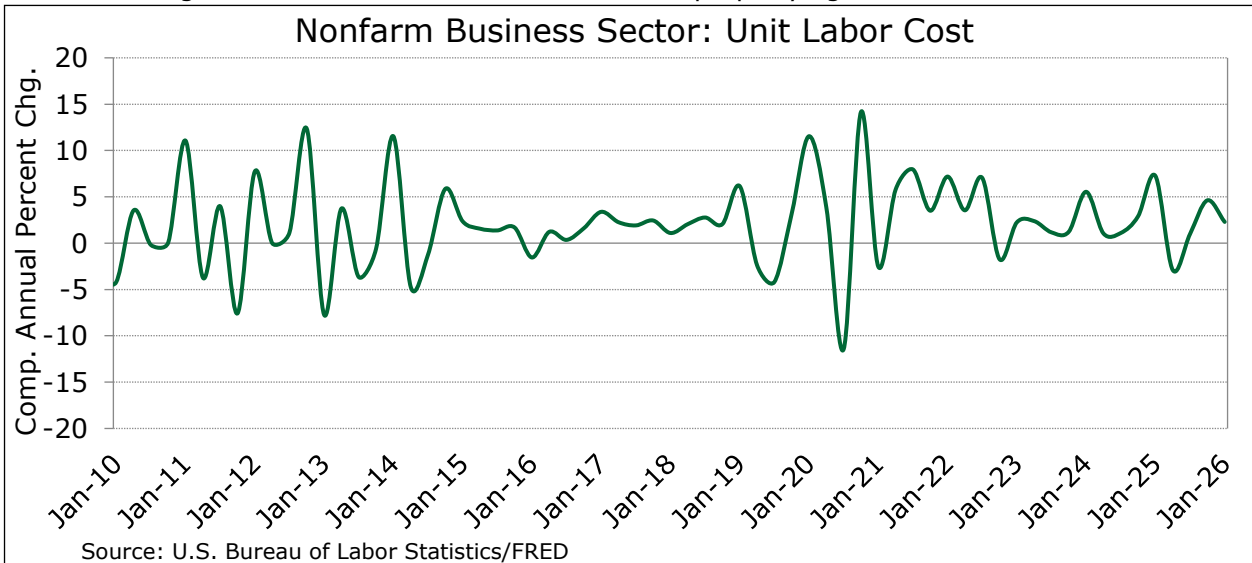
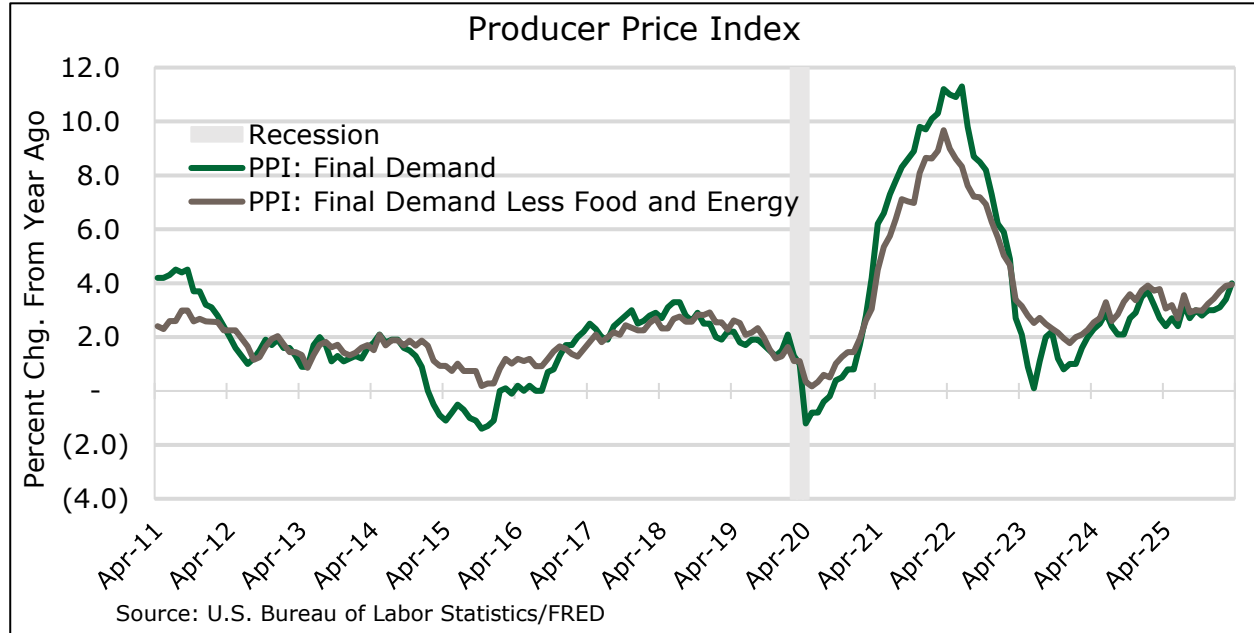


- The price index for PCE posted a year-over-year increase of 3.5% in March. When backing out food and energy, Core PCE was up 3.2%.
- On a month-over-month basis, March's PCE increased \$149.2 billion. Breaking it down, services increased \$62.9 billion and goods increased \$132.6 billion.
- Disposable personal income increased by \$142.5 billion (0.6%) and outlays increased by \$198.6 billion in March.



Producer Prices

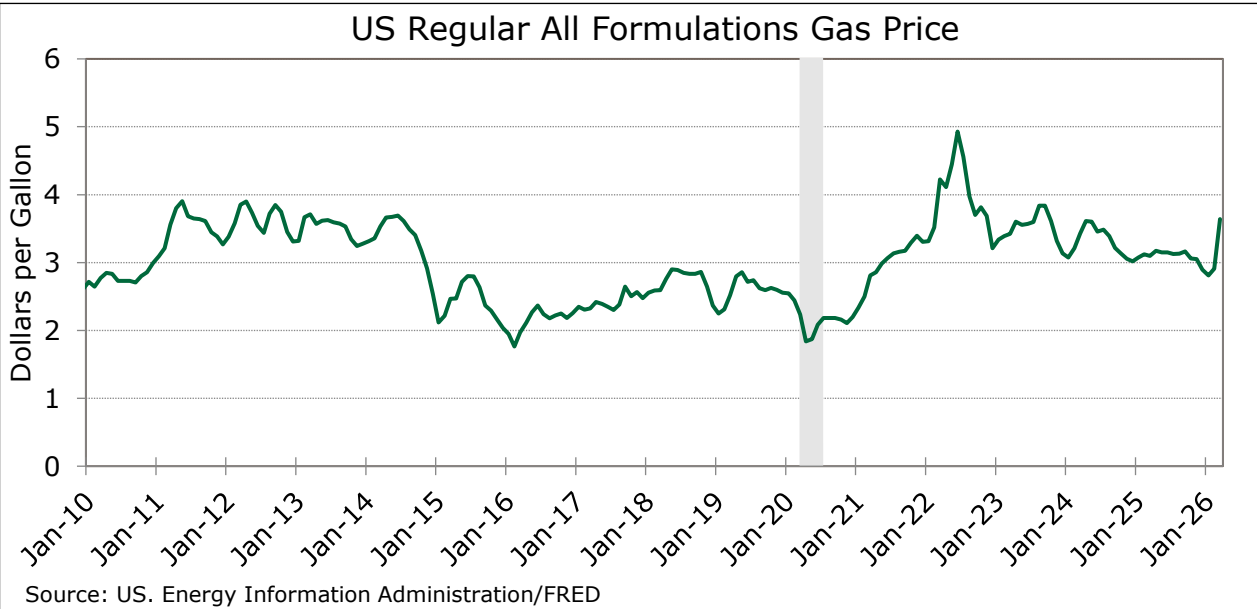
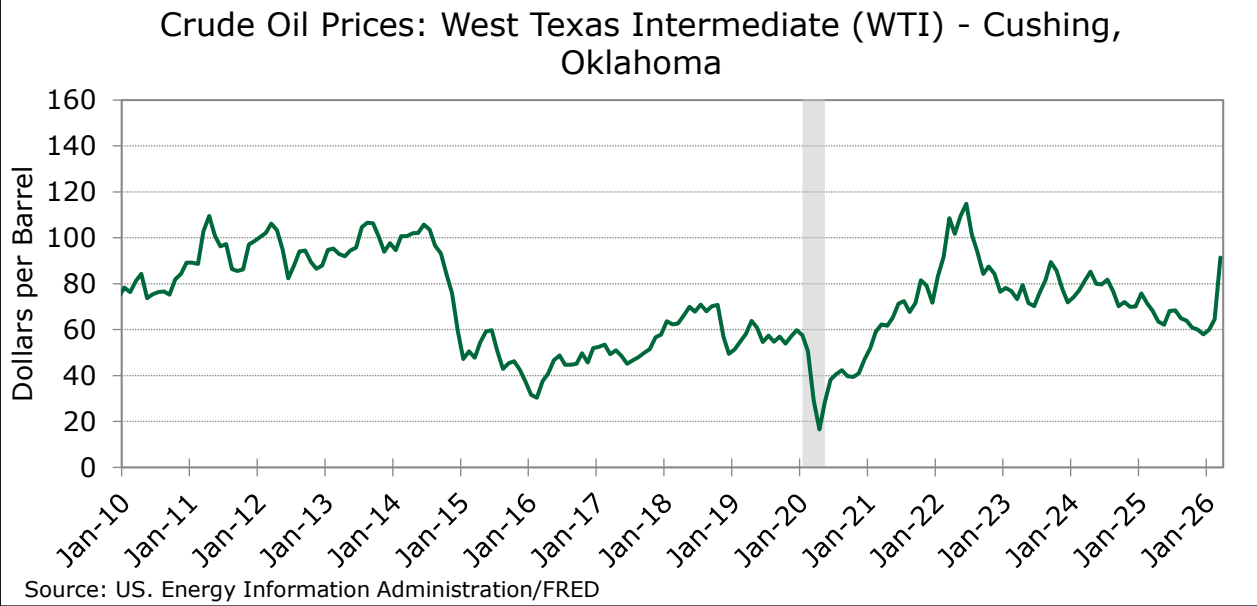
- The PPI for final demand rose 4.0% over the 12 months ending in March, the largest 12-month increase since February 2023. The index for final demand less foods, energy, and trade services increased 3.6% over the same period.
- Month-over-month, the final demand index increased 0.5% in March. This rise was driven by a 1.6% increase in final demand goods, while prices for final demand services were unchanged. Prices for final demand less foods, energy, and trade services increased 0.2% in March.
- Nearly half of the March increase in final demand goods is attributable to a 15.7% rise in gasoline prices. The indexes for diesel fuel, jet fuel, home heating oil, meats, and primary basic organic chemicals also increased. Conversely, prices for fresh and dry vegetables fell 10.7%. The indexes for natural gas and for carbon steel scrap also decreased.
- Within final demand services in March, prices for airline passenger services rose 2.8%. The indexes for food retailing; apparel, jewelry, footwear, and accessories retailing; outpatient care (partial); and truck transportation of freight also moved higher. In contrast, margins for food and alcohol wholesaling fell 6.0%. The indexes for fuels and lubricants retailing; securities brokerage, dealing, and investment advice; deposit services (partial); and brokerage fees and commissions for residential property agreements also decreased.



- Nonfarm business sector unit labor costs increased 2.3% in the first quarter of 2026, reflecting a 3.1% increase in hourly compensation and a 0.8% increase in productivity. Over the last four quarters, unit labor costs rose 1.2%.
- In the manufacturing sector, unit labor costs rose 2.4% in the first quarter of 2026, driven by a 6.1% increase in hourly compensation and a decline in productivity of 3.6%. Over the last four quarters, manufacturing unit labor costs increased 3.7%.
- An overall unit labor cost of 3.0% and above is widely seen as feeding overall inflation.

Oil Prices

- The U.S. Energy Information Administration (EIA) estimates U.S. crude oil production averaged 13.6 million barrels per day (b/d) in 2025 and is projected to average 13.5 million b/d in 2026 and 13.8 million b/d in 2027.
- The EIA estimates Brent crude oil prices averaged \$103 per barrel (b) in March, \$32/b higher than February due to the closure of the Strait of Hormuz. The EIA forecast that the Brent spot price will peak at \$115/b in the second quarter of 2026 before falling to \$90/b in the fourth quarter and \$76/b in 2027.



- The EIA estimates U.S. retail gasoline price averaged \$3.10 per gallon (gal) in 2025 and will average \$3.70/gal in 2026 and \$3.46/gal in 2027.

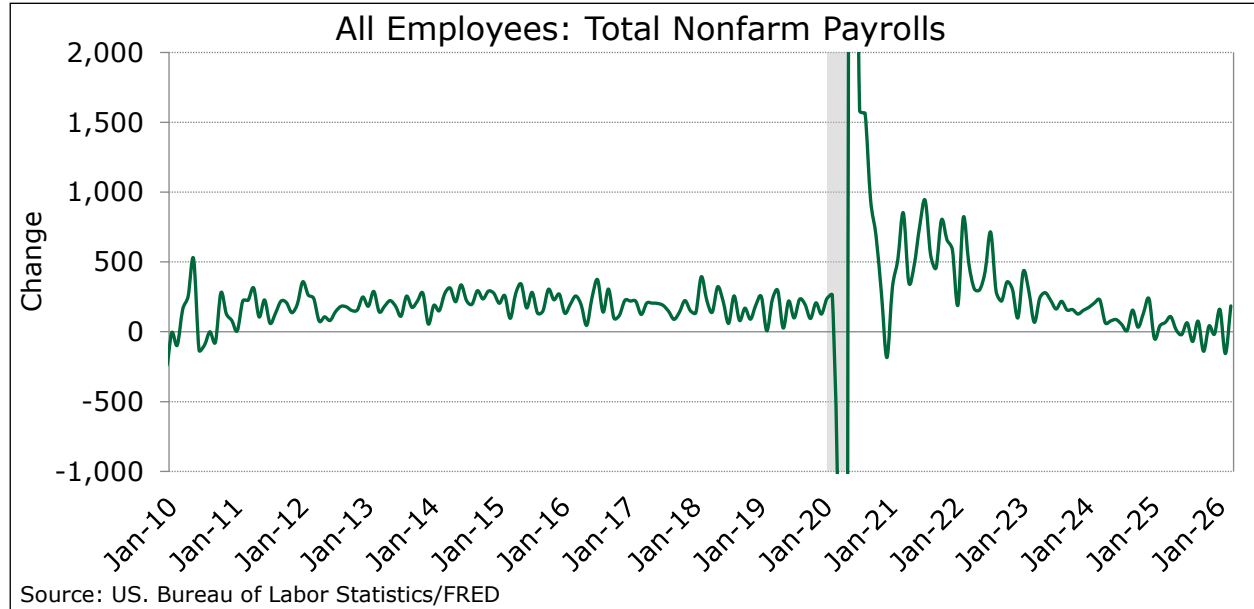


Employment

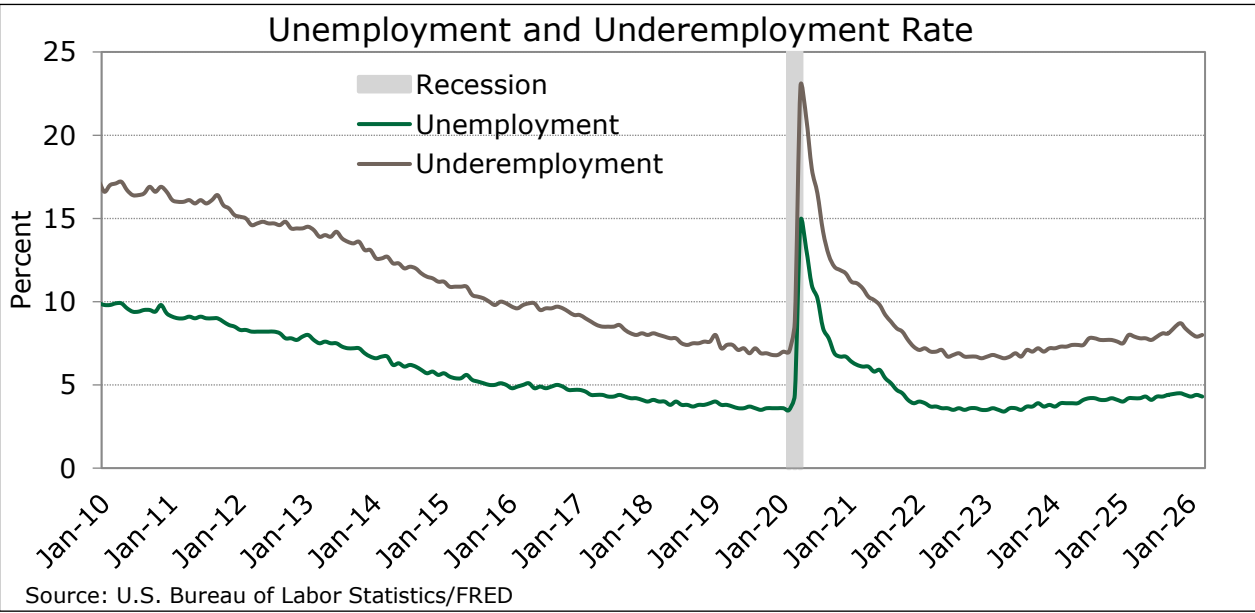
Labor Market was Stable, Though Hiring was Subdued

Employment

- Total nonfarm payroll employment for March increased by 178,000. Payroll employment was little changed over the last 12 months.
- In March, job gains occurred in health care, in construction, and in transportation and warehousing. Federal government employment continued to decline.
- Revisions for prior months' estimates include February revised down to a loss of 133,000 (down 41,000) and January revised up to a gain of 160,000 (up 34,000).
- It should be noted that the high and low points of the pandemic are excluded from the graph.

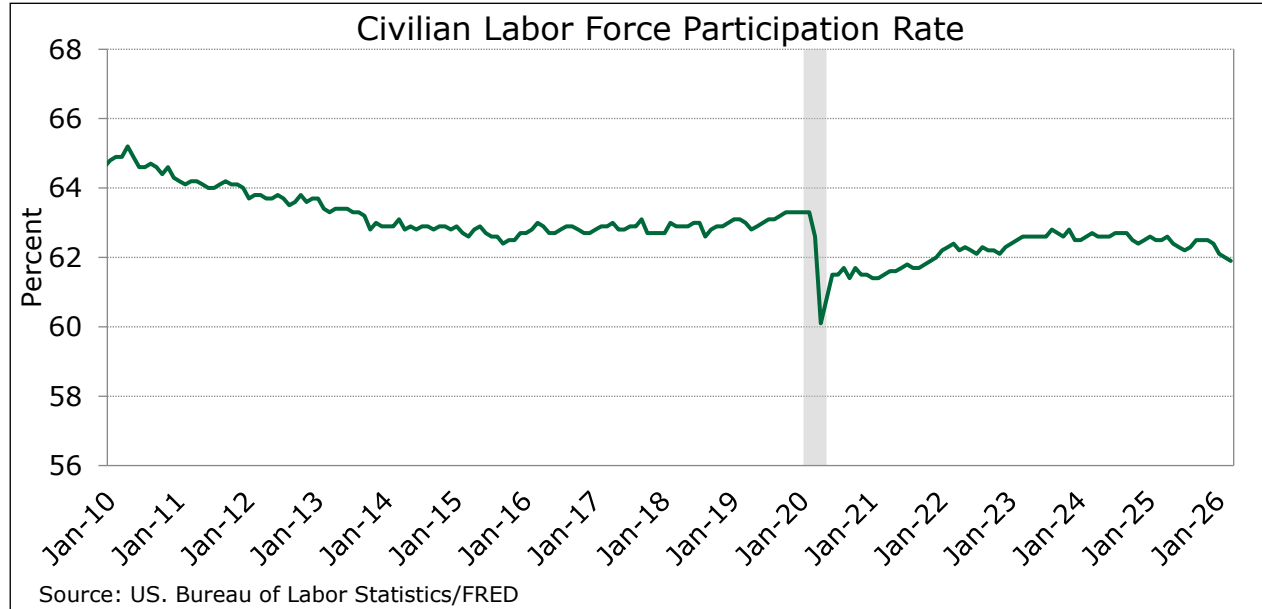


- The March unemployment rate was little changed at 4.3%. The number of unemployed persons was also little changed at 7.2 million.
- The number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 1.8 million in March, though the number is up 322,000 over the last year.
- The seasonally adjusted underemployed rate, or the U-6 rate, was 8.0% in March.

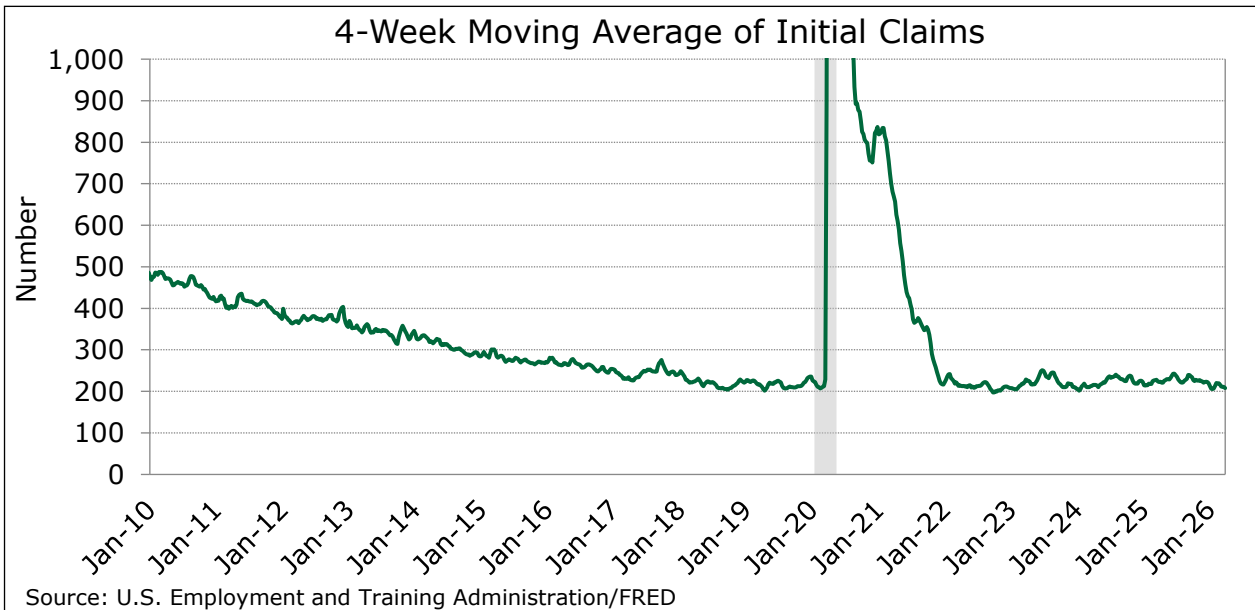


Employment

- The labor force participation rate was at 61.9%, little changed from the prior month. The employment-population ratio (not shown in graphs) was at 59.2%, also little changed from the previous month.
- At the current participation rate and population growth rate, maintaining an unemployment rate of 4.3% suggests the economy needs to add 120,930 jobs on average each month over the next twelve months. (Source: Federal Reserve Bank of Atlanta/Jobs Calculator)



- The 4-week moving average for initial claims was 208,000 as of the week of March 28.
- The weekly initial claims for the week ending March 27 were 202,000.
- It should be noted, the high point of the pandemic has been excluded from the graph.



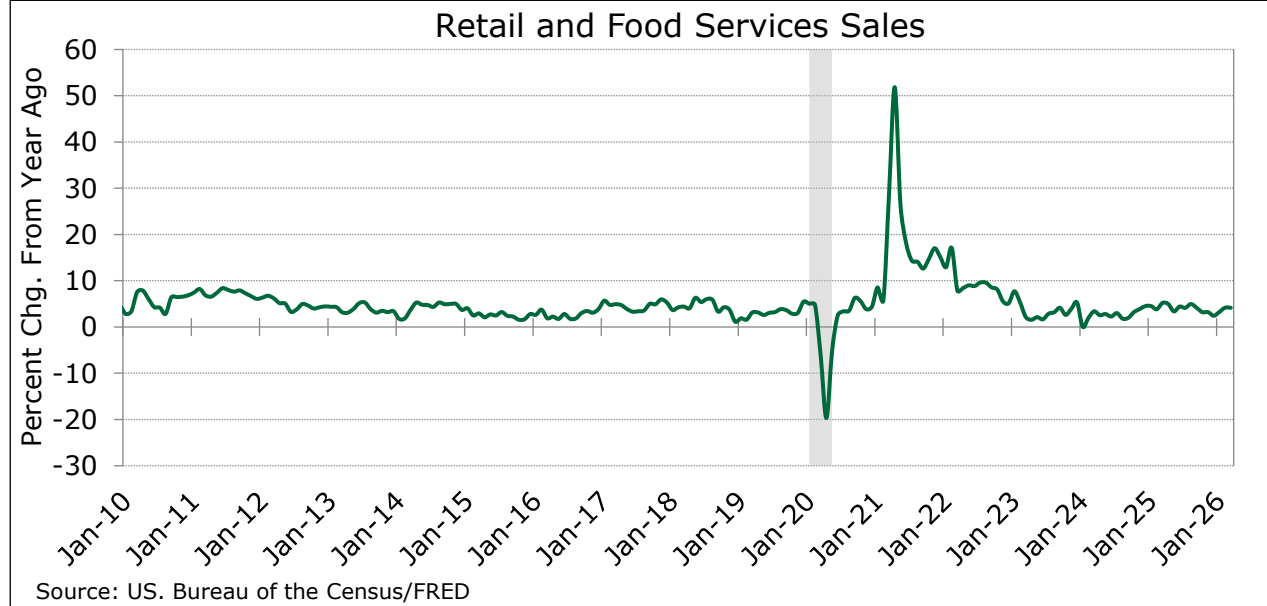


Consumer

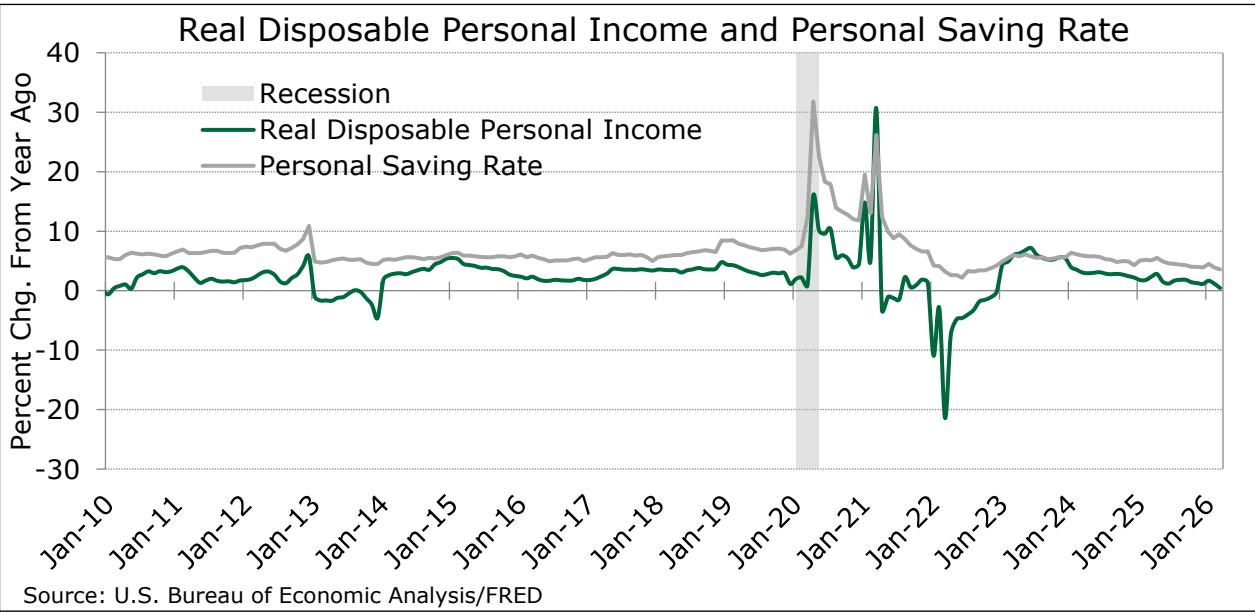
Spending Slowed During the Quarter as Incomes and Savings Fell

Consumer

- Advance estimates of U.S. retail and food services sales, which is adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, for March were up 1.6% month-over-month and 4.0% higher than March 2025.
- When excluding motor vehicles and gasoline stations, retail sales increased 4.2% since March 2025.



- Real disposable personal income increased \$142.5 billion (0.6%).
- Personal savings were \$857.3 billion in March. The personal savings rate was 3.6%.



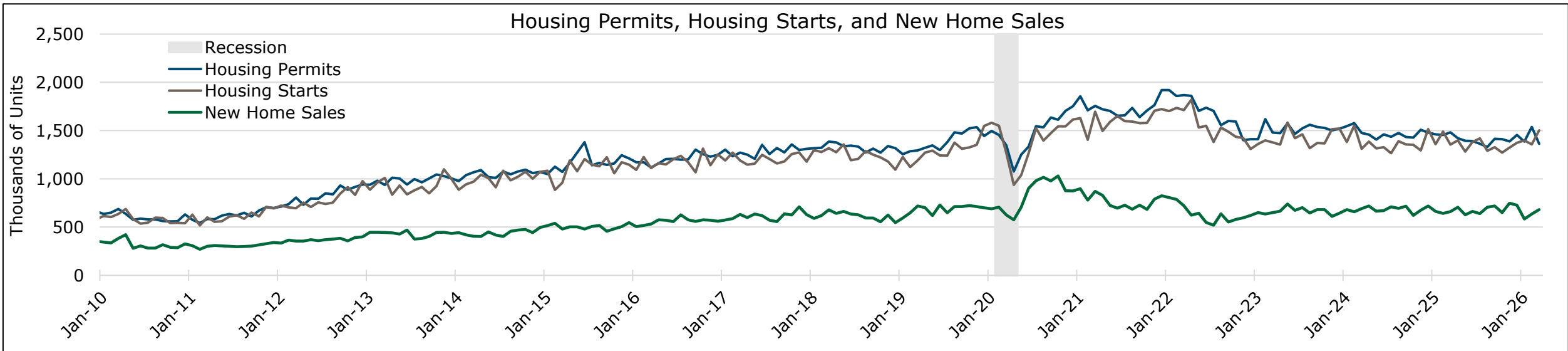


Housing

Housing Market Struck a Cautious Tone During the First Quarter

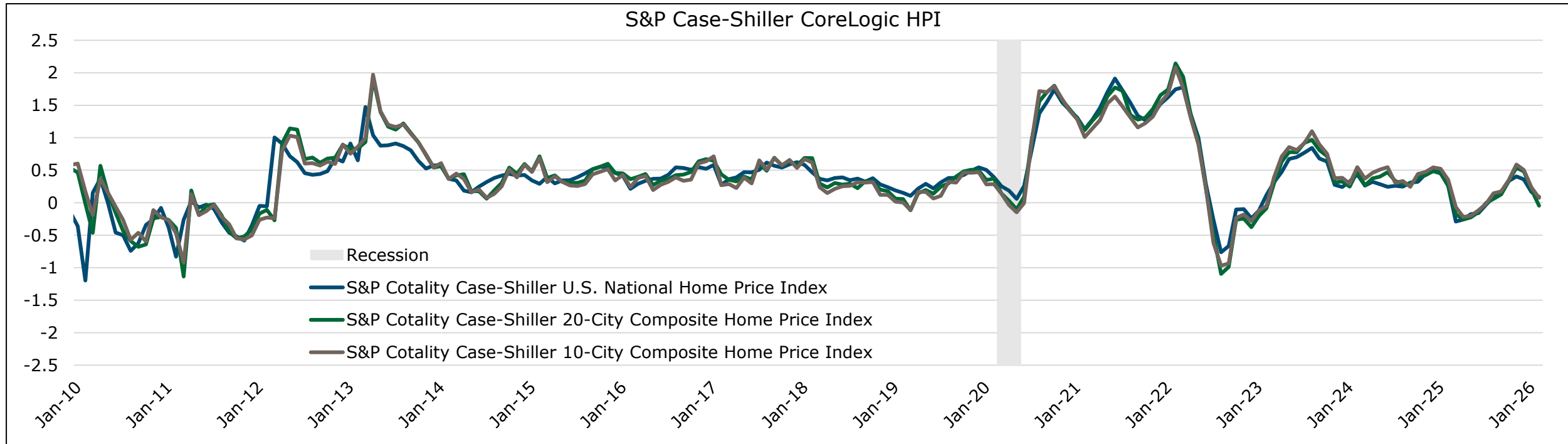
Housing

- Building permits in March were at a seasonally adjusted annual rate of 1,372,000, 10.8% below the revised February rate and 7.4% below the March 2025 level. Single-family authorizations were at a rate of 895,000, 3.8% below the revised February figure. Authorizations for buildings with five units or more were at a rate of 427,000 in March.
- Housing starts in March were at a seasonally adjusted annual rate of 1,502,000, 10.8% above the revised February estimate and 10.8% above the March 2025 rate. Single-family housing starts in March were at a rate of 1,032,000, 9.7% above the revised February figure. Housing starts for buildings with five units or more were at a rate of 446,000 in March.
- New home sales in March were at a seasonally adjusted annual rate of 682,000, 7.4% above the revised February rate and 3.3% above the March 2025 level. The median sales price of new houses sold in March was \$387,400, down 6.2% from March 2025, while the average sales price was \$503,100, down 1.2% from March 2025. The seasonally adjusted estimate of new houses for sale at the end of March was 481,000, representing a supply of 8.5 months at the current sales rate.
- Existing-home sales (not graphed), as reported by the National Association of Realtors, in March were at a seasonally adjusted annual rate of 3.98 million, a decrease of 3.6% from February and a 1.1% decrease from March 2025.
- The median price for existing-home sales was \$408,800, up 1.4% from a year ago.
- Supply was at 1.36 million in March, up 2.3% from one year ago. Relative to sales, supply is at 4.1 months, up from 3.8 months last month and 4.0 months a year ago.
- In the Midwest, existing-home sales fell 4.2% in March and 3.2% from one year ago. The median price in the region was \$315,500, an increase of 4.9% year-over-year. In the West, sales decreased 1.3% in March, though they remained 1.3% above the prior year's level; the median price in the West was \$613,400, down 1.3% year-over-year.



Housing

- The S&P CoreLogic Case-Shiller U.S. National Home Price Index increased 0.7% year-over-year in February. On a non-seasonally adjusted basis, the National Index declined 0.3% in February, while after seasonal adjustment the index rose 0.1%.
- The 10-City Composite posted a 1.5% annual increase in February, down from 1.7% in January. Before seasonal adjustment, the 10-City Composite rose 0.6% in February; after seasonal adjustment, it increased 0.1%.
- The 20-City Composite recorded a 0.9% annual gain in February, down from 1.2% the month prior. On a non-seasonally adjusted basis, the 20-City Index increased 0.1% in February, while after seasonal adjustment it fell 0.5%.
- The FHFA House Price Index (not pictured but data can be found in the appendix) was unchanged in February. Prices were up 1.7% year-over-year.
- For the nine census divisions, seasonally adjusted monthly home price changes ranged from -1.1 percent in the Mountain division to +0.6 percent in the South Atlantic division. The 12-month changes ranged from -0.7 percent in the Mountain division to +4.2 percent in the Middle Atlantic division.



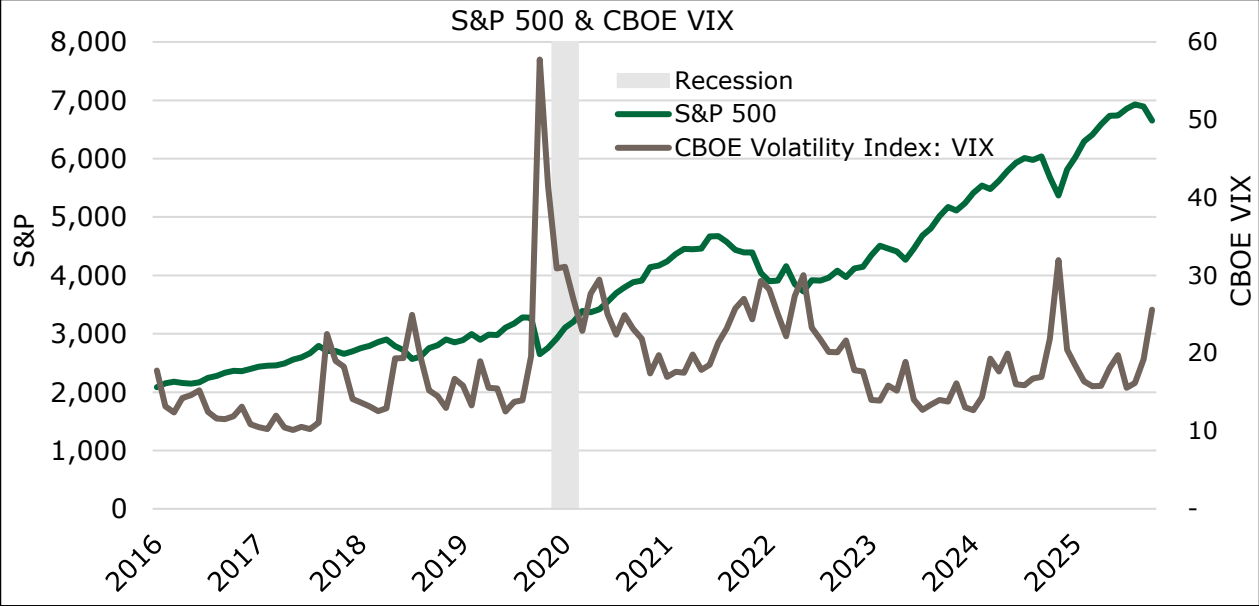


Market Indices

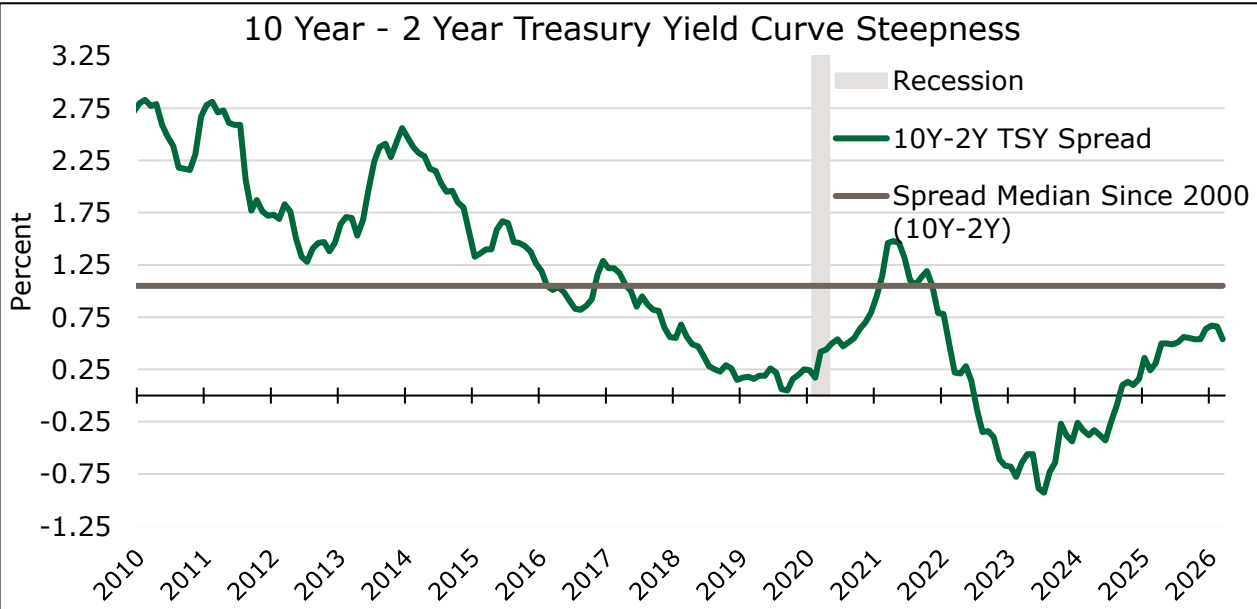
Despite an Early Stumble, 2025 Was Another Solid Year for Stocks

Market Indices

- S&P 500 closed March at 6,528, up 16.3% over the last year. The CBOE Volatility Index, a measure representing the market's expectation of stock market volatility, indicates that the market expects the range of movement, up or down, in the S&P 500 index over the next year, finished March at 25.6. Overnight SOFR, not pictured, ended March at 3.68%.



- The spread between the 2-year and 10-year U.S. Treasury yield widened during the fourth quarter. The 10-year Treasury Note minus 2-year Treasury Note spread ended March at 0.54%, still well below the 1.05% median dating back to the start of the century.



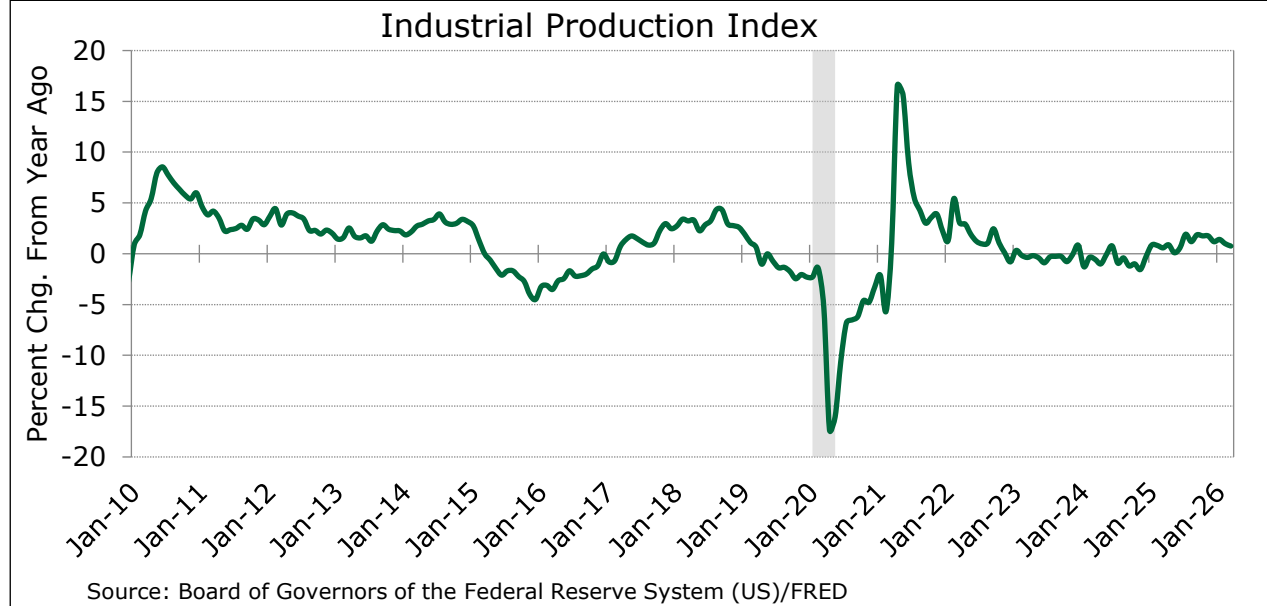


Economic Activity

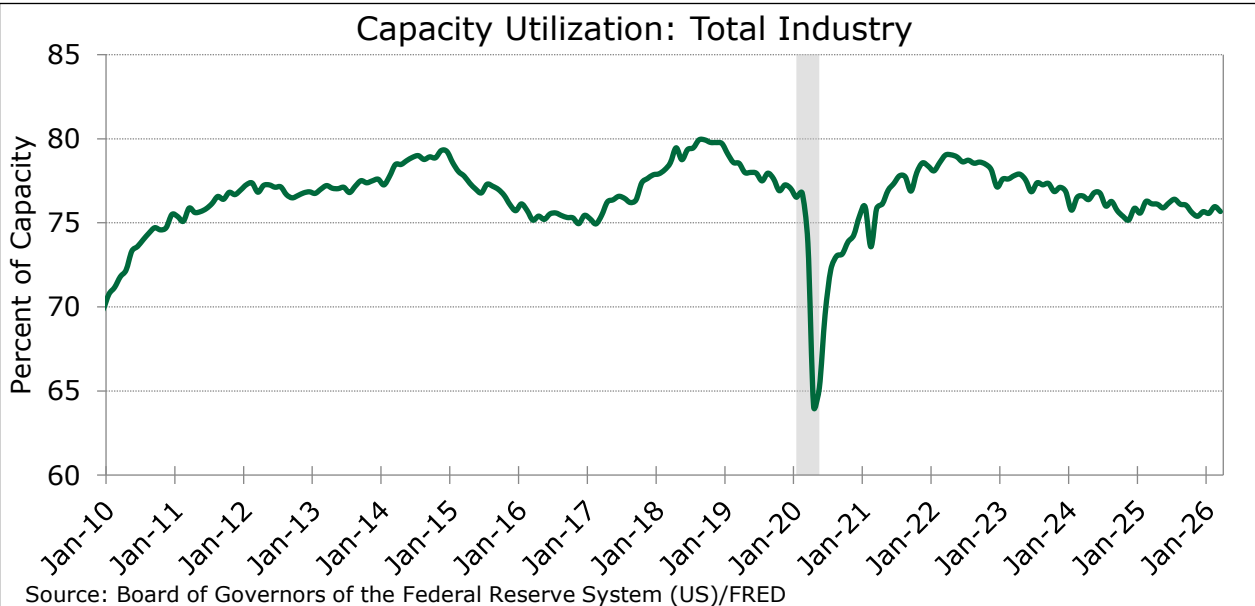
Industrial Activity Continued to Move Higher During the Quarter

Economic Activity

- Industrial production decreased 0.5% in March but was up 2.4% at an annual rate during the first quarter. Output growth in March for manufacturing, mining, and utilities, posted month-over-month changes of -0.1%, -1.2%, and -2.3%, respectively. Year-over-year, industrial production rose 0.7% with manufacturing, mining, and utilities changing by 0.5%, -0.2%, and 3.1%, respectively.
- Manufacturing increased in two of the three months during the quarter.
- Mining fell in two of three months during the quarter.
- The utilities index fell in two of three months during the quarter.



- Capacity utilization was at 75.7% in March, below the long-run average of 79.4.
- The manufacturing component was at 75.3%, below the long-run average of 78.2.
- Utilization for mining was at 84.5%, below its long-run average of 85.2%.
- The operating rate for utilities was at 70.3%, well below its long-run average of 84.0%.



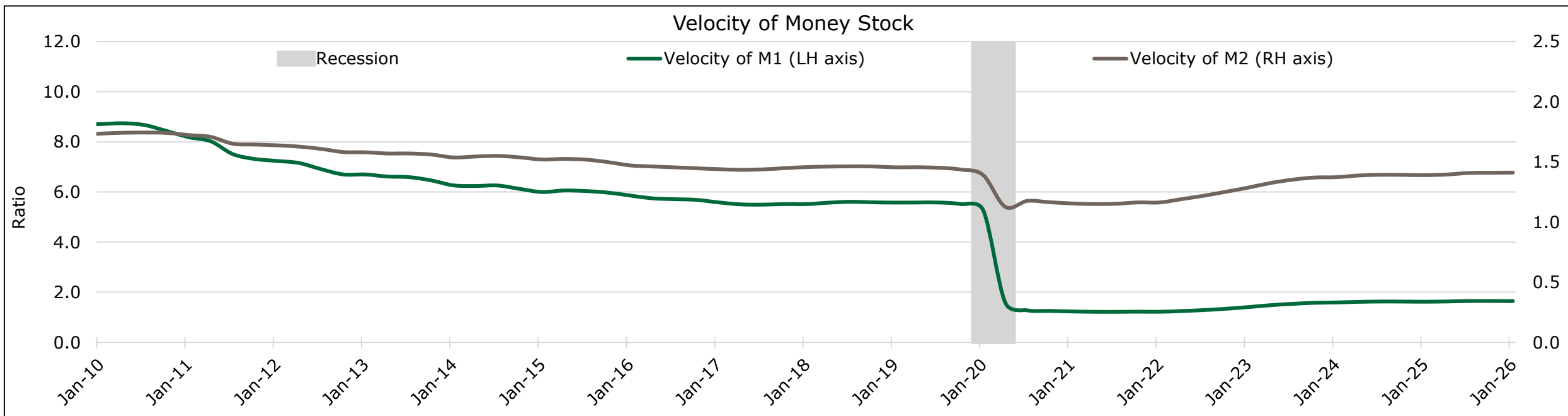


Money Supply and Velocity

Supply and Velocity Was Little Changed

Money Supply and Velocity

- The velocity of M2, which includes M1 and savings deposits, CDs, and money market deposits, is the most common measurement referenced for the velocity of money and provides some insight into how quickly the economy is spending versus saving when compared to the velocity of M1.
- The velocity of M2 was higher at 1.41, unchanged from the previous quarter.
- The velocity of M1, which is the money supply of currency in circulation and represents everyday short-term consumption transactions, is 1.65 versus the peak reading of 10.68 in the 4th quarter 2007. The latest reading was unchanged from the previous quarter.

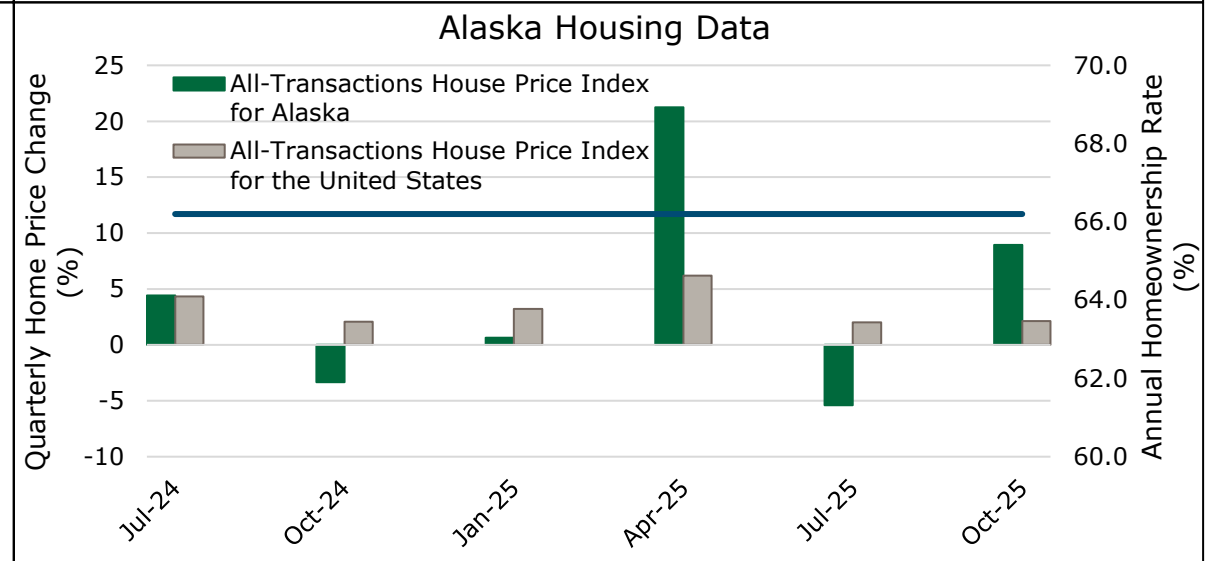
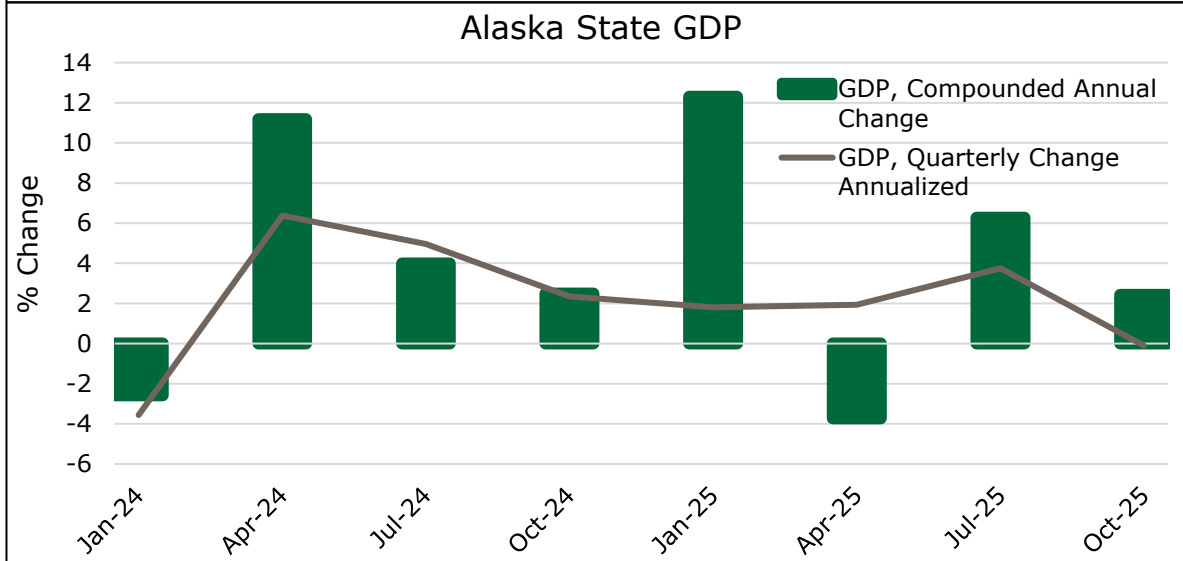
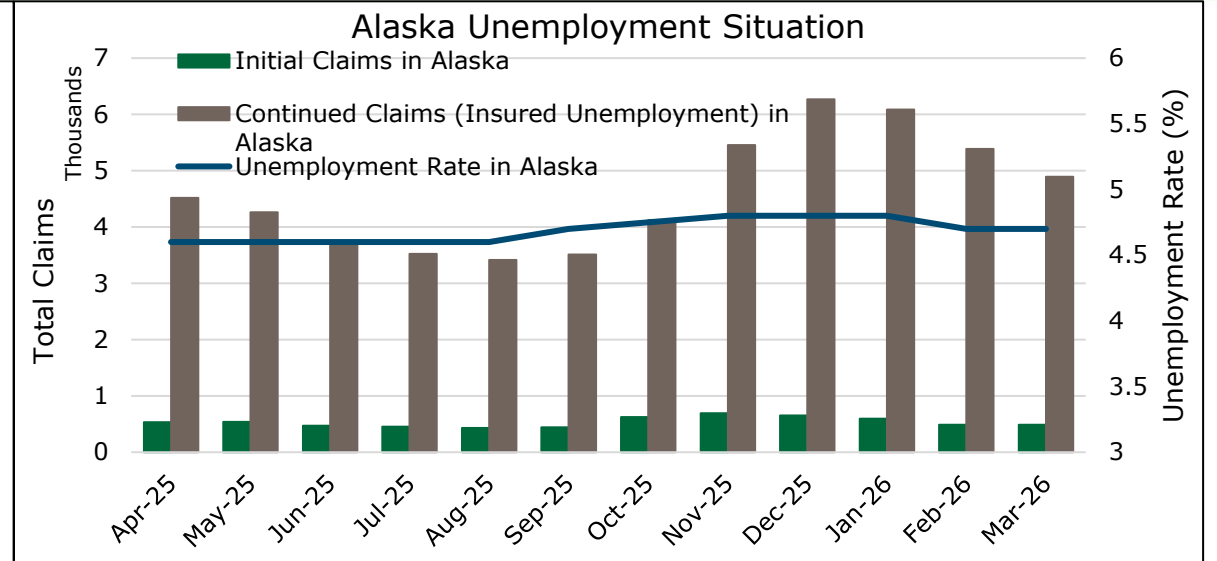
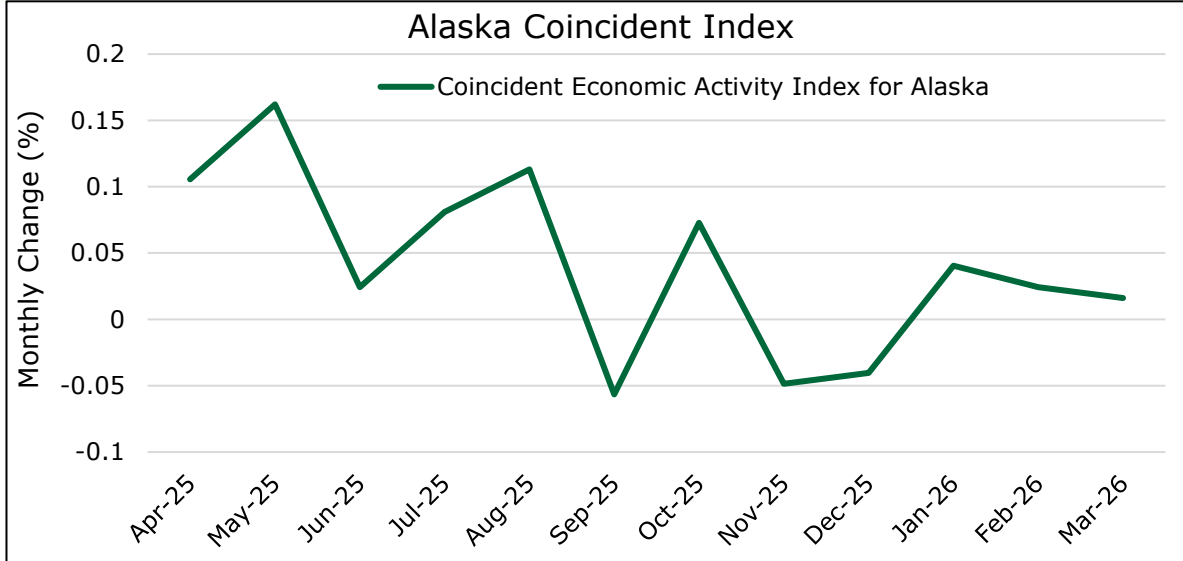




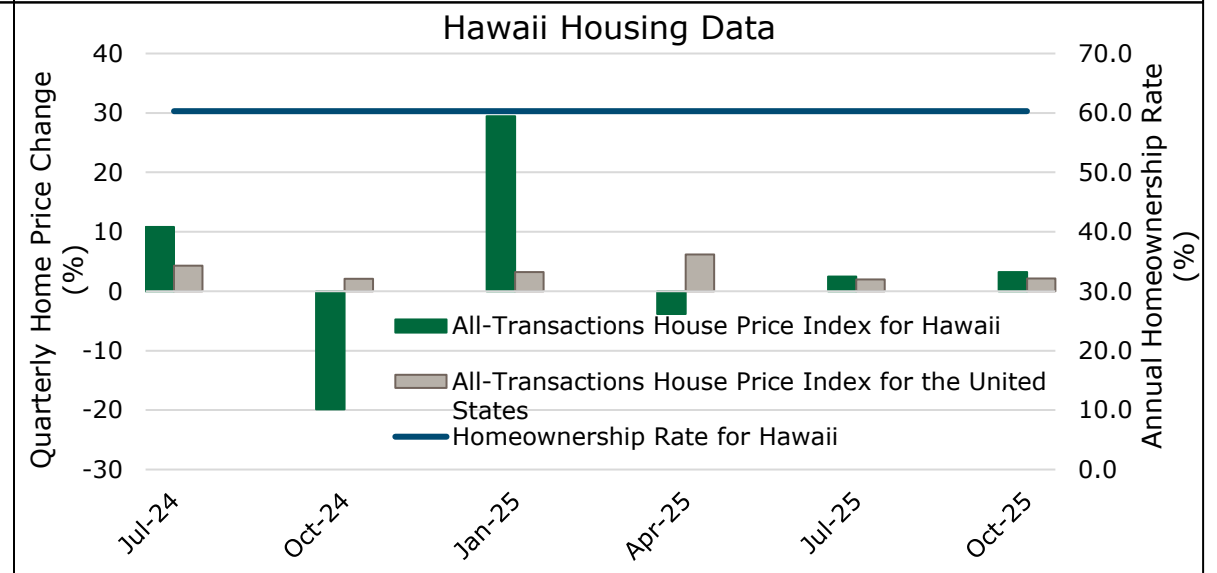
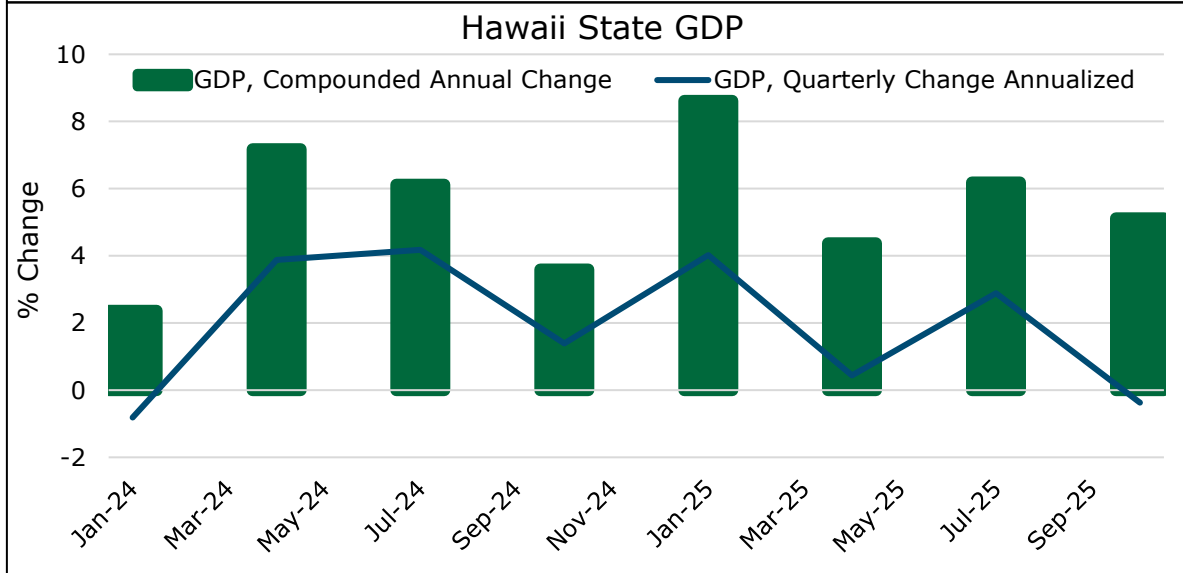
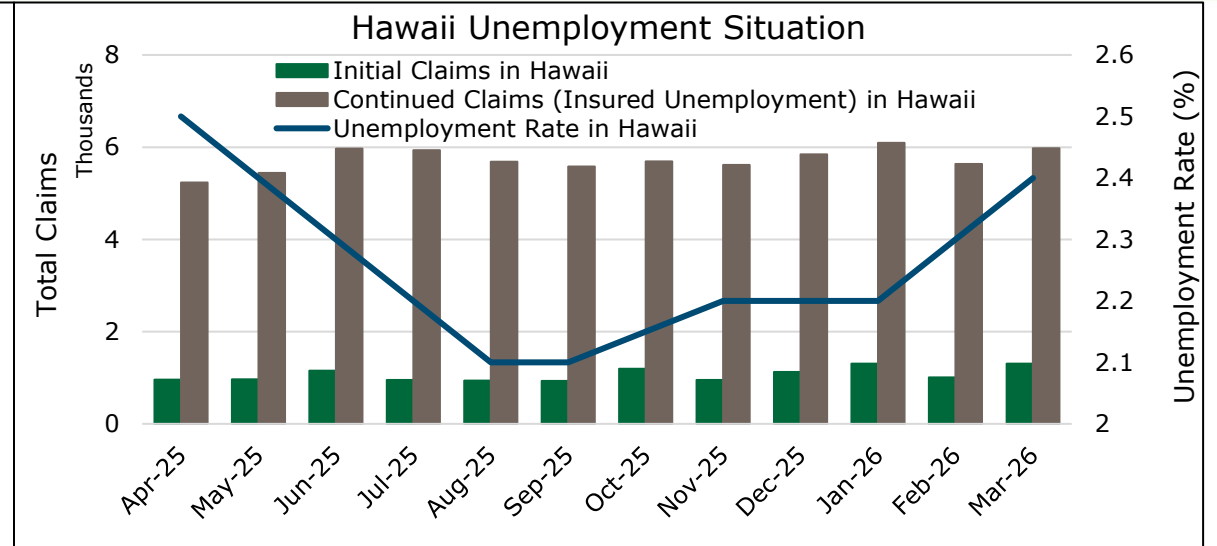
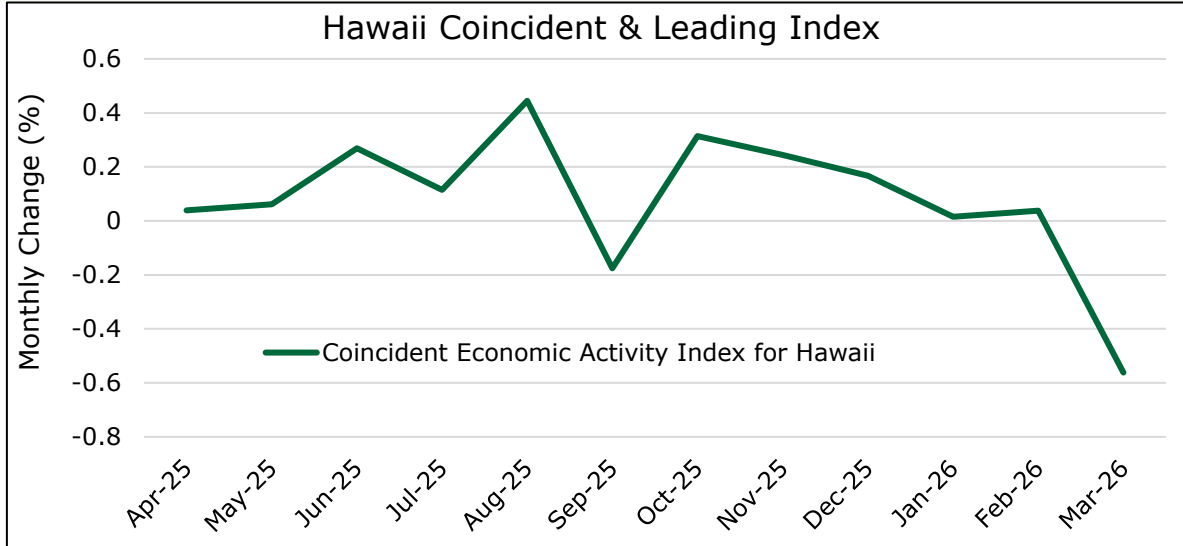
Appendix

State Level Data

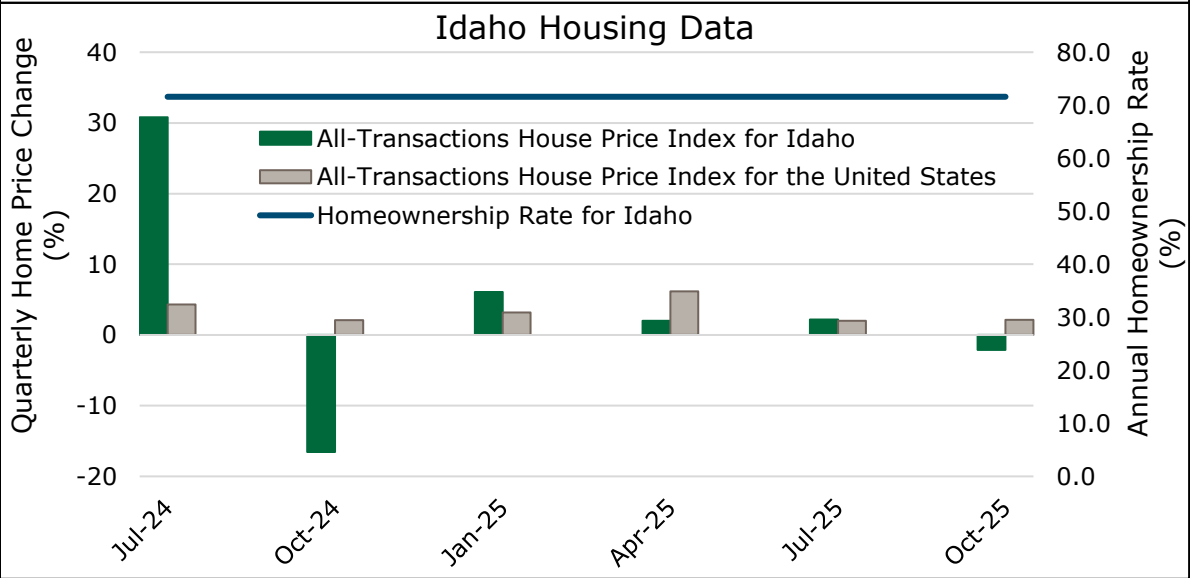
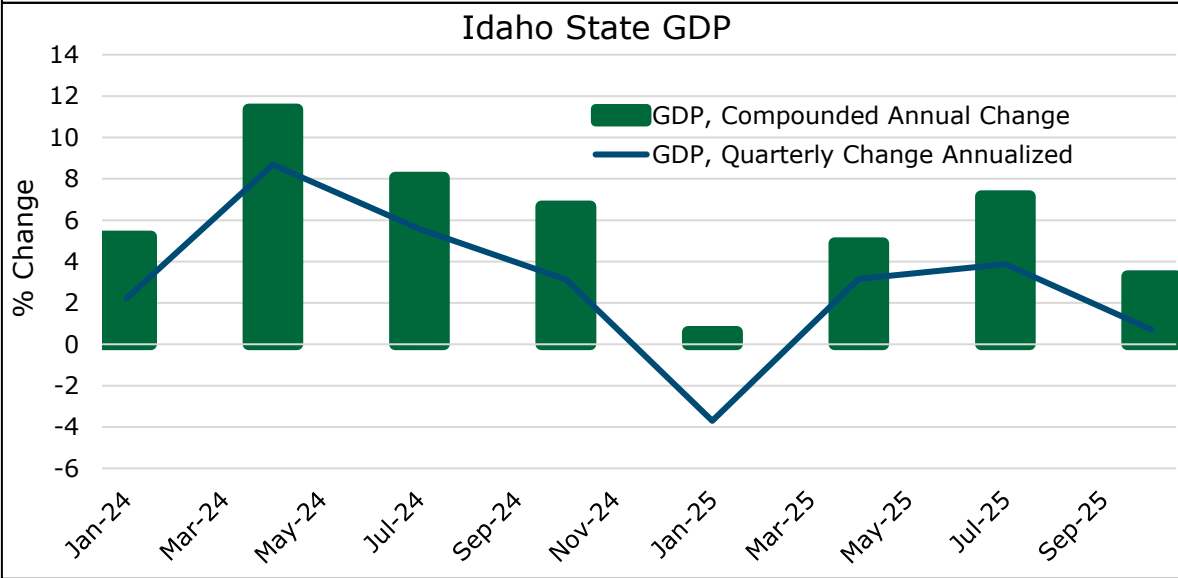
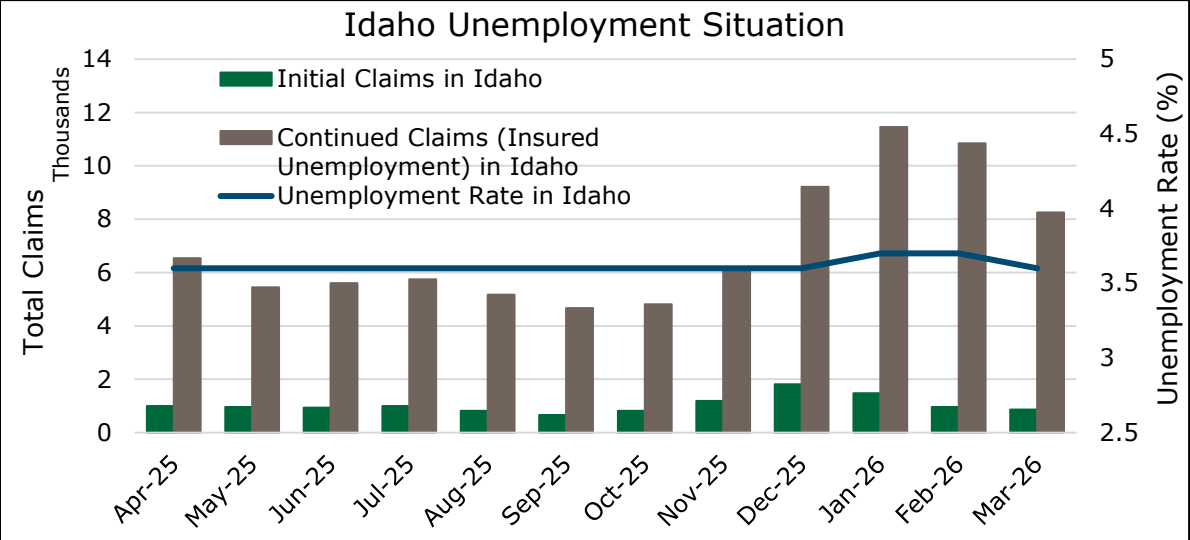
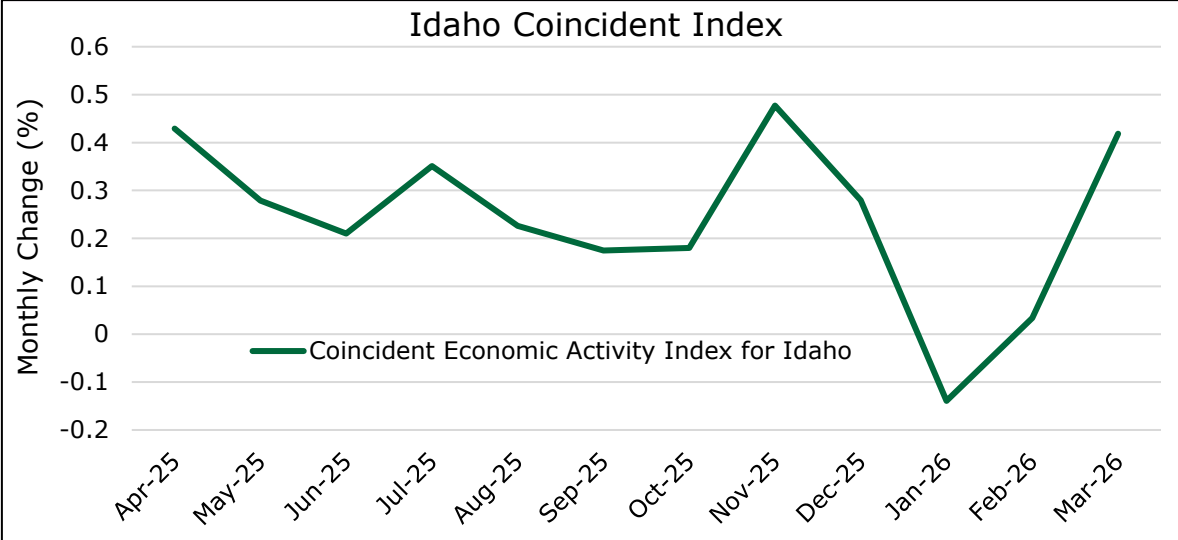
Alaska



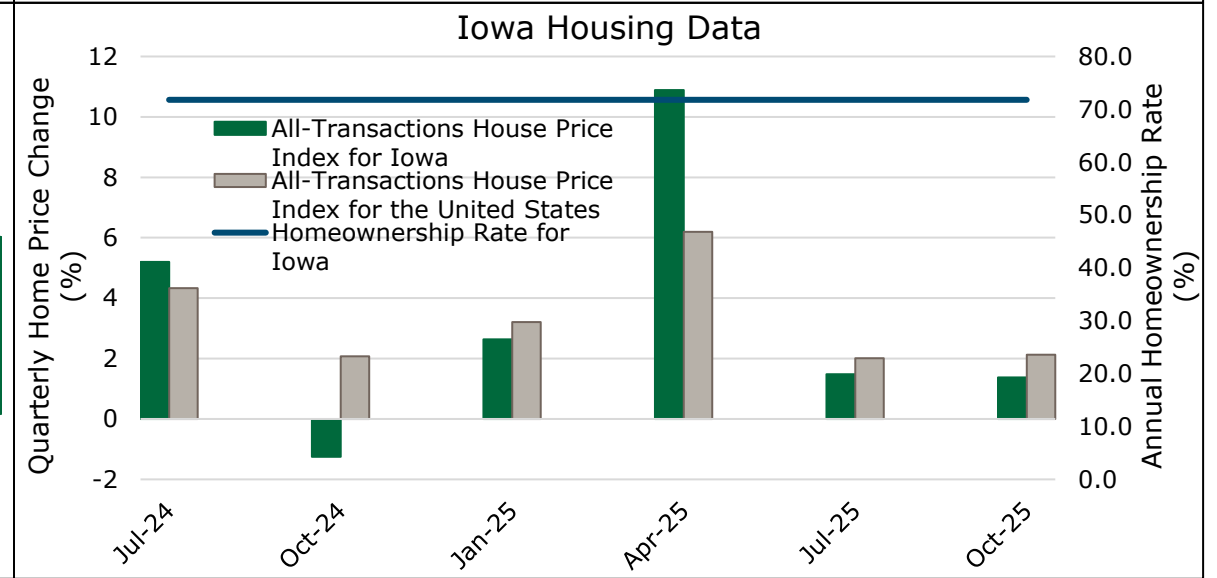
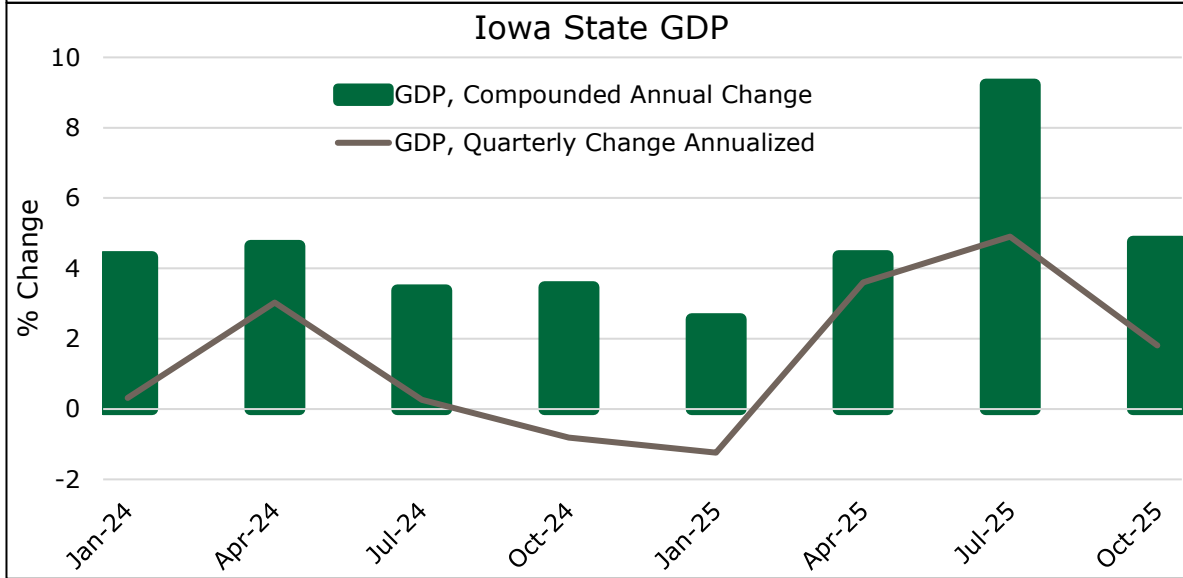
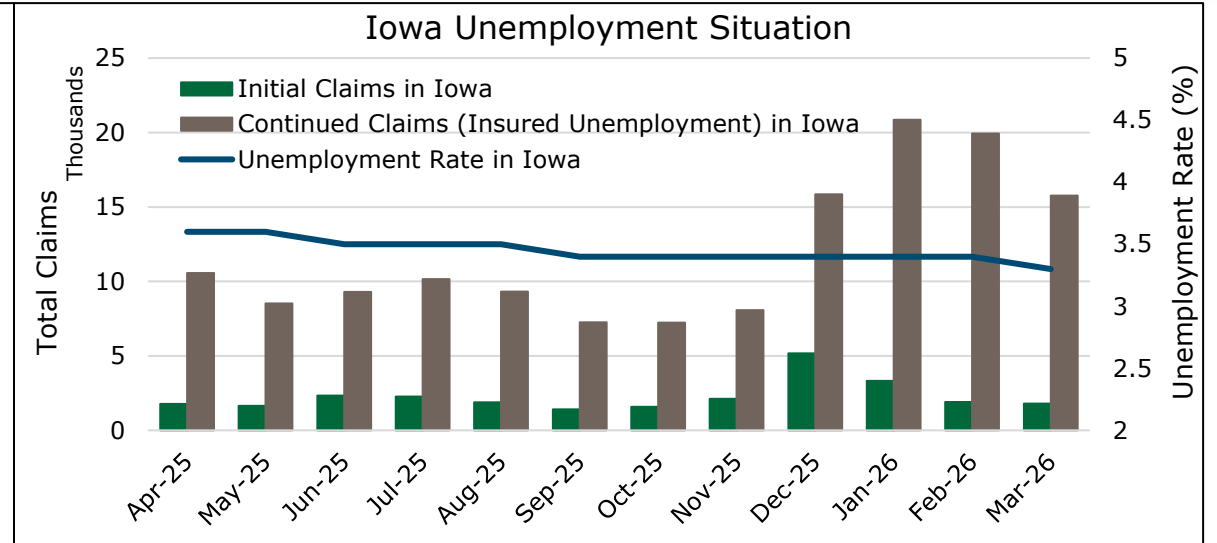
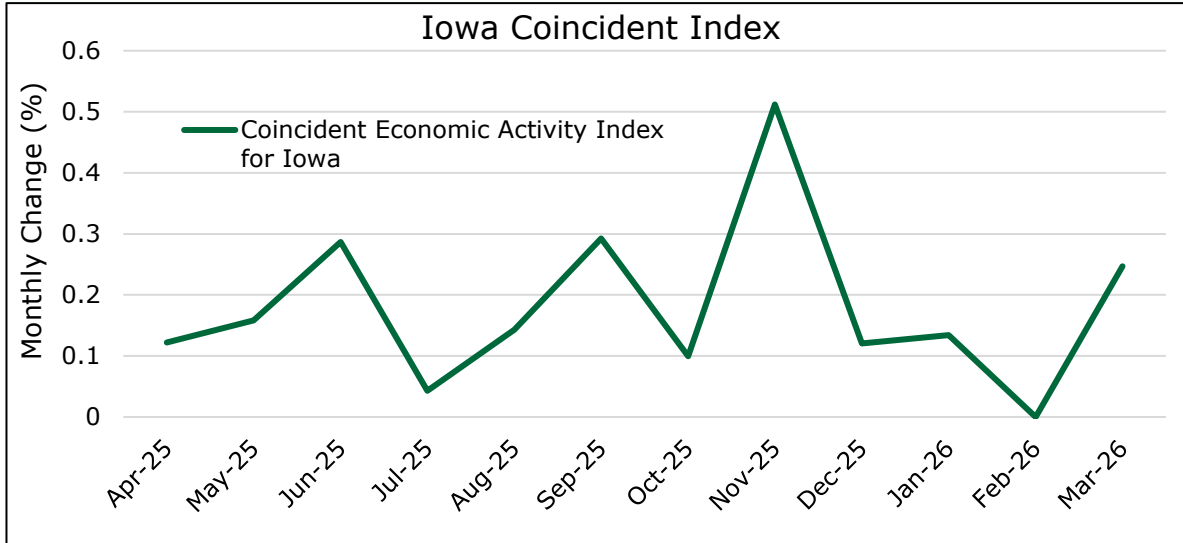
Hawaii



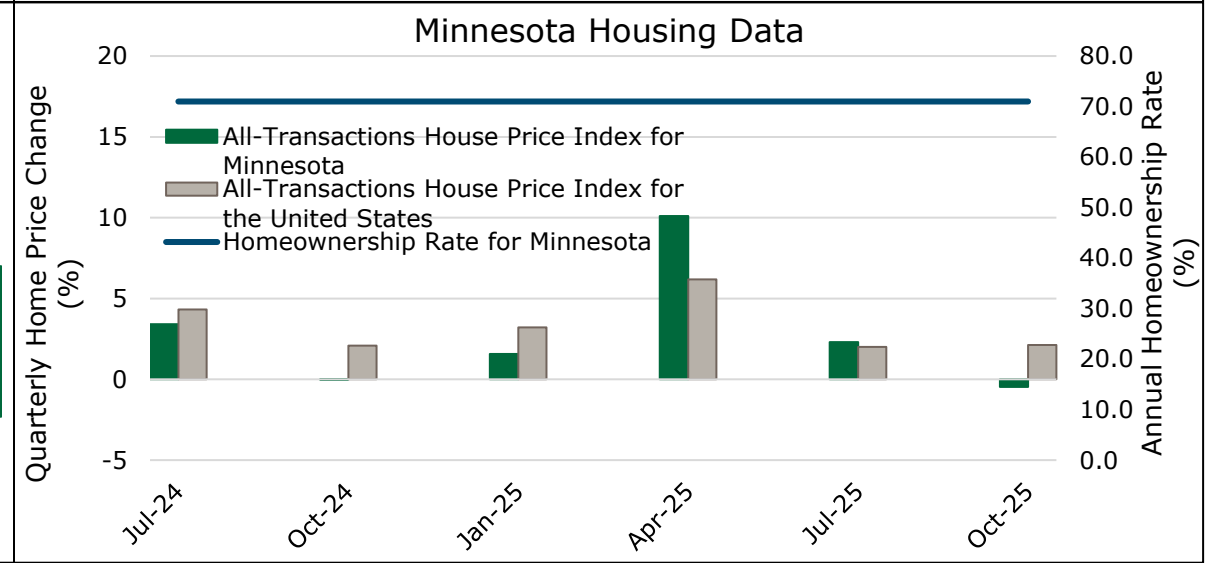
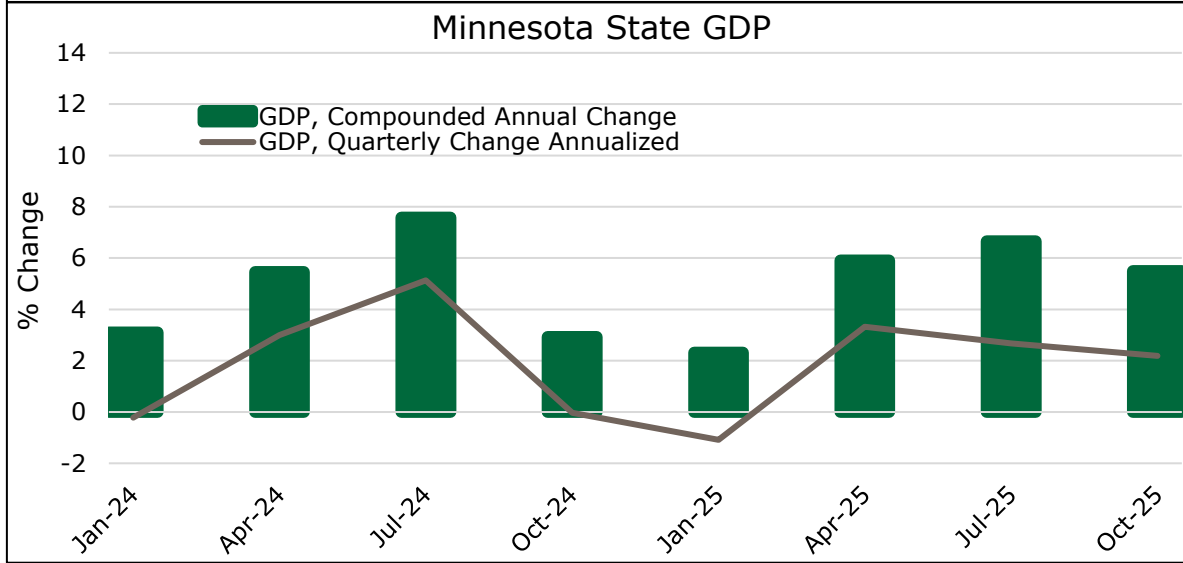
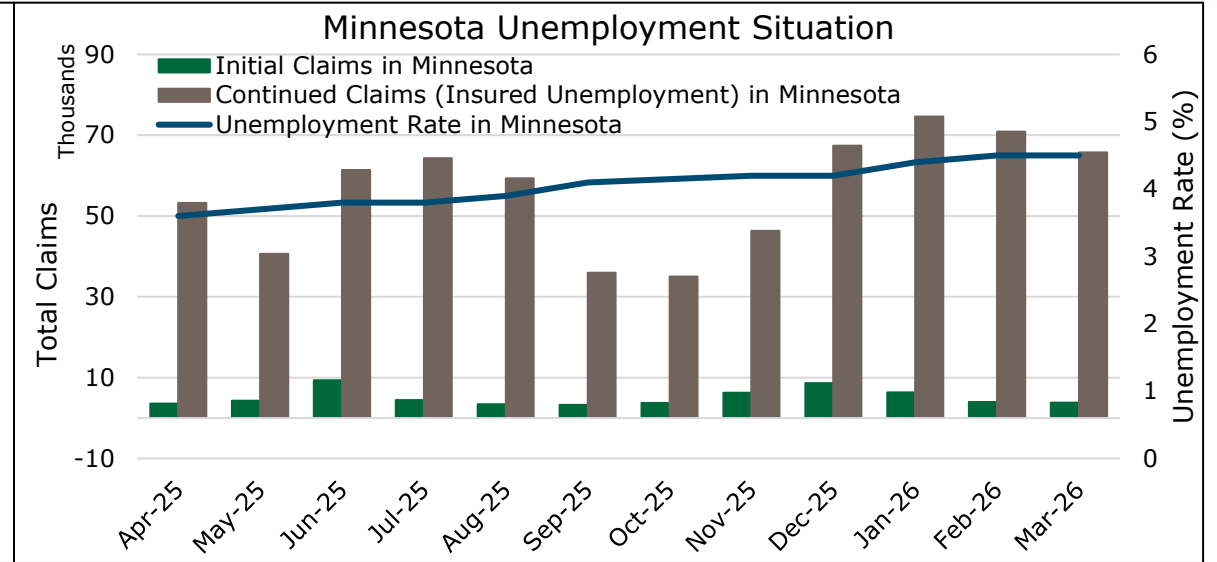
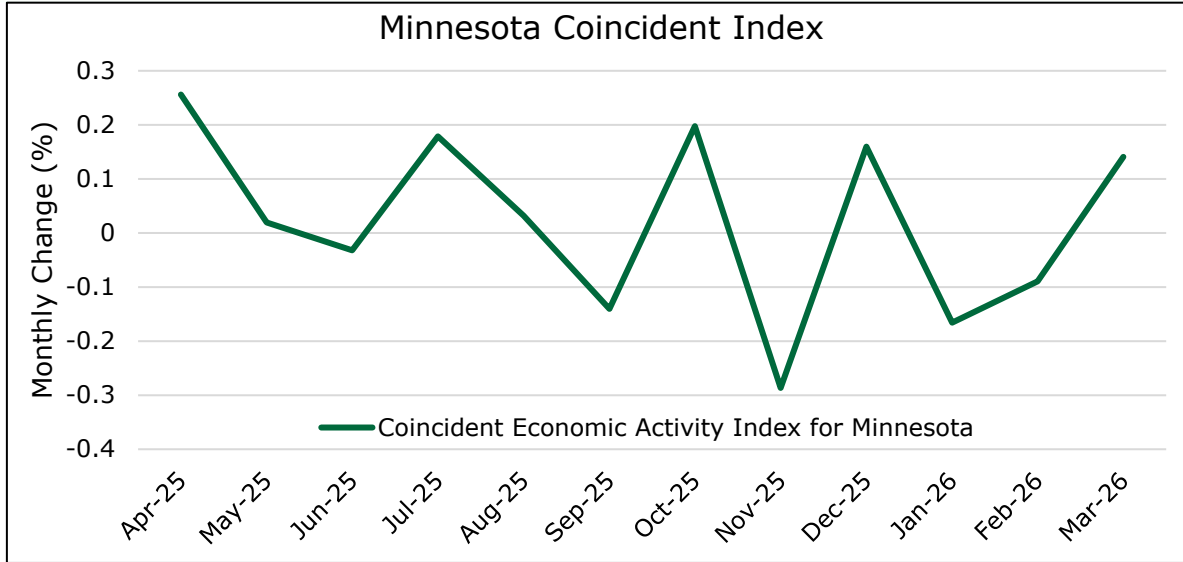
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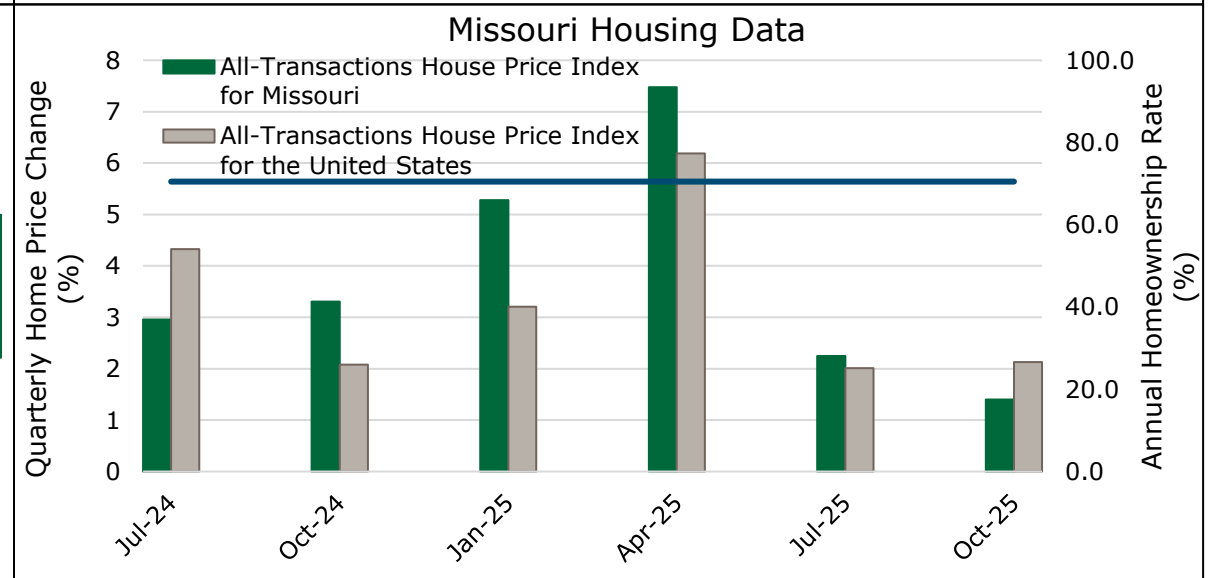
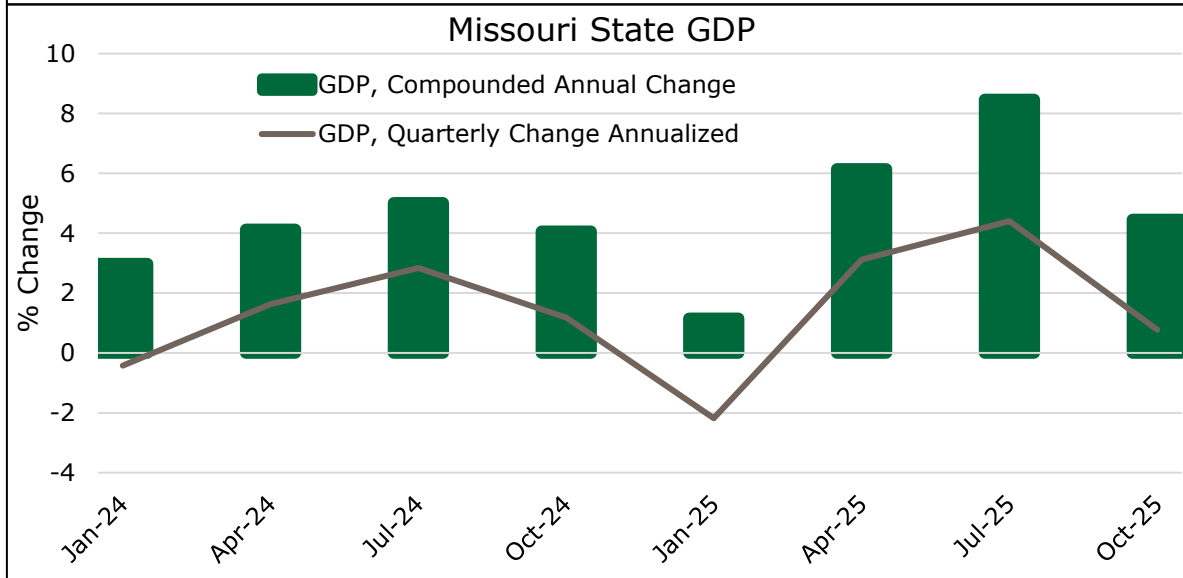
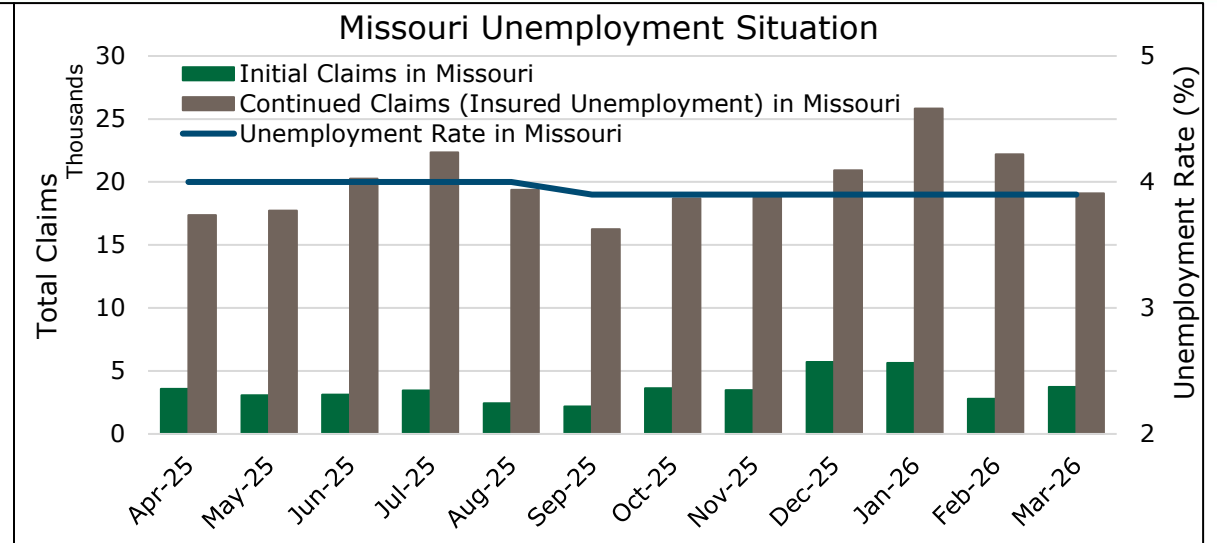
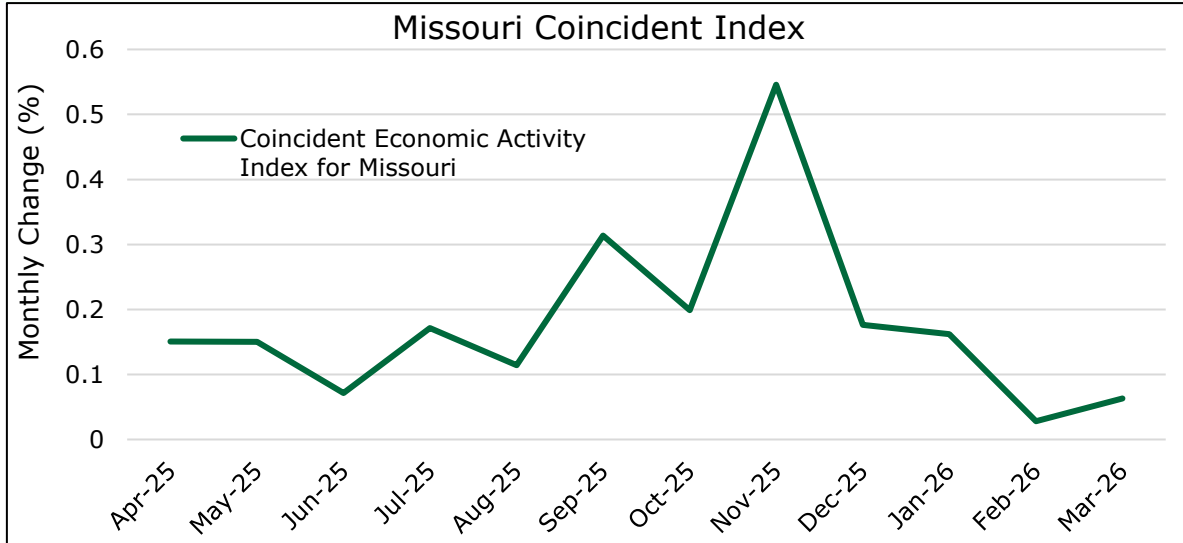
Iowa



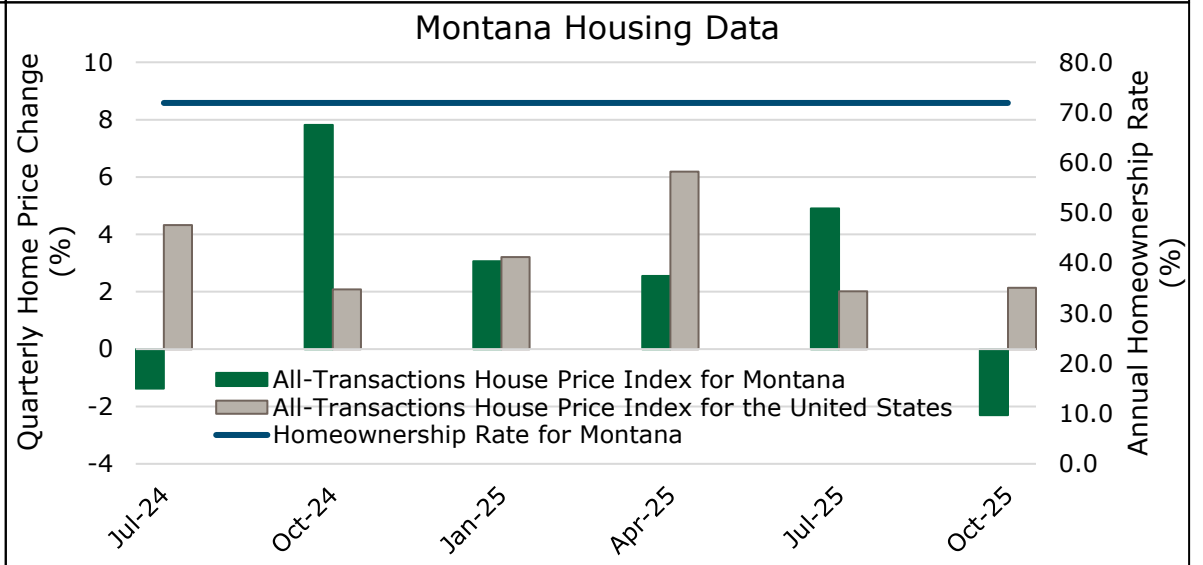
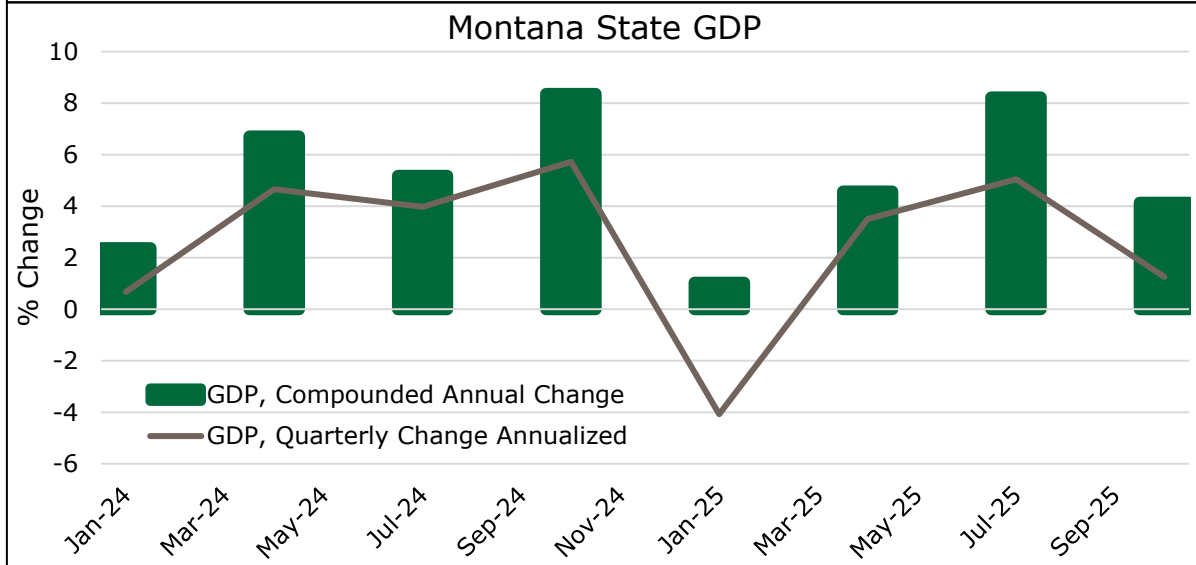
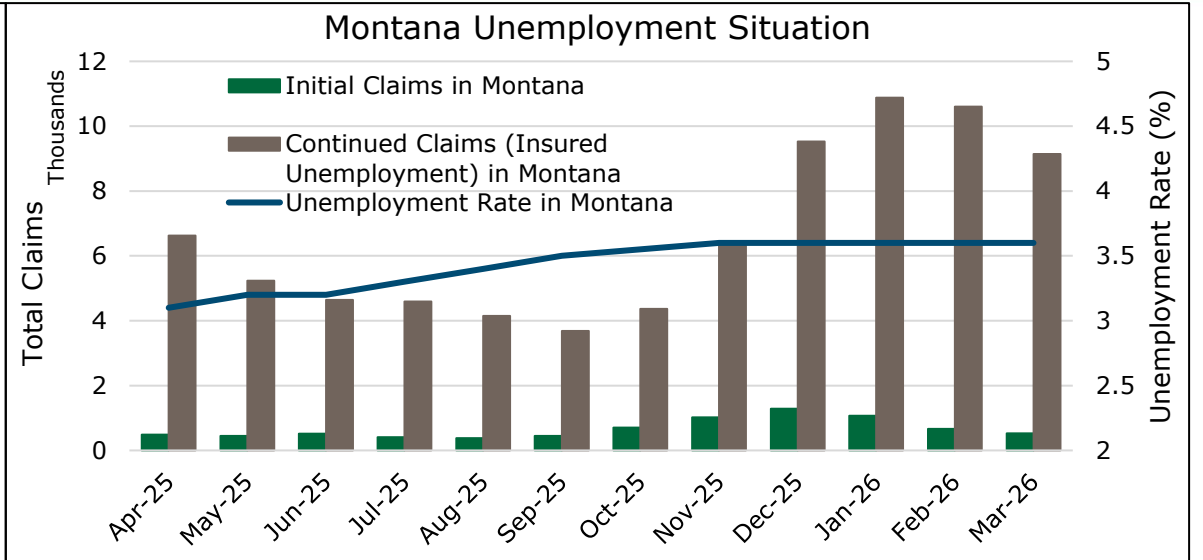
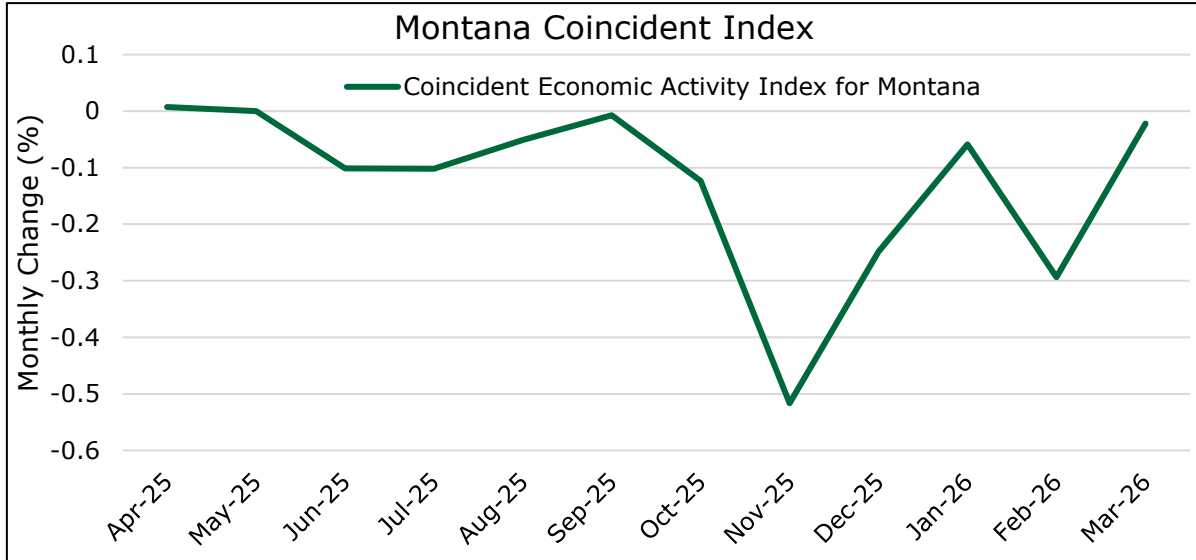
Minnesota



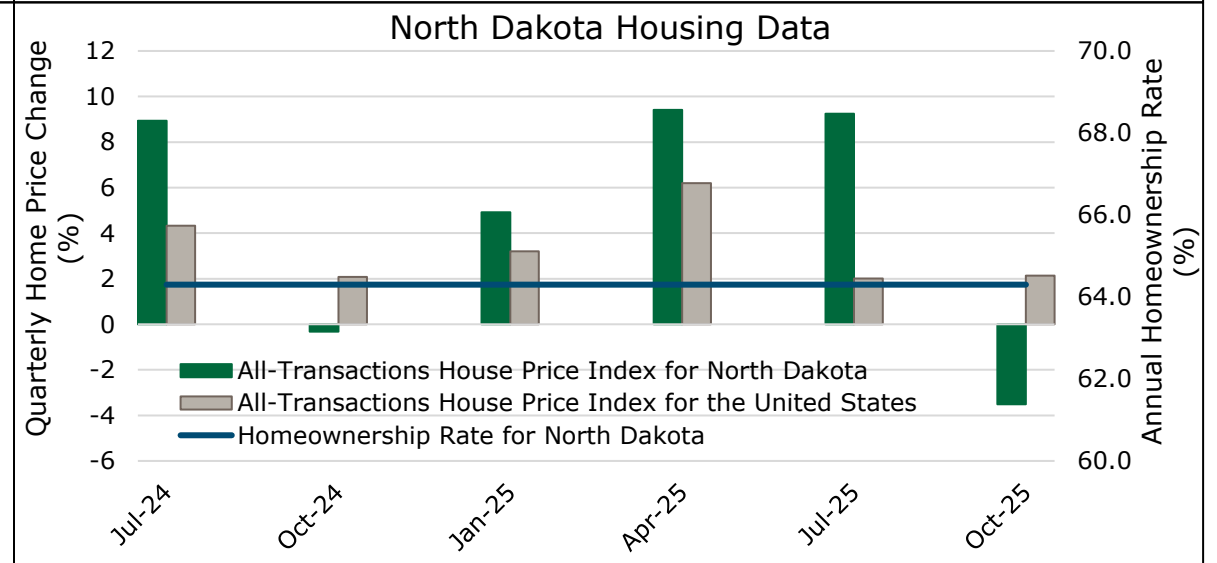
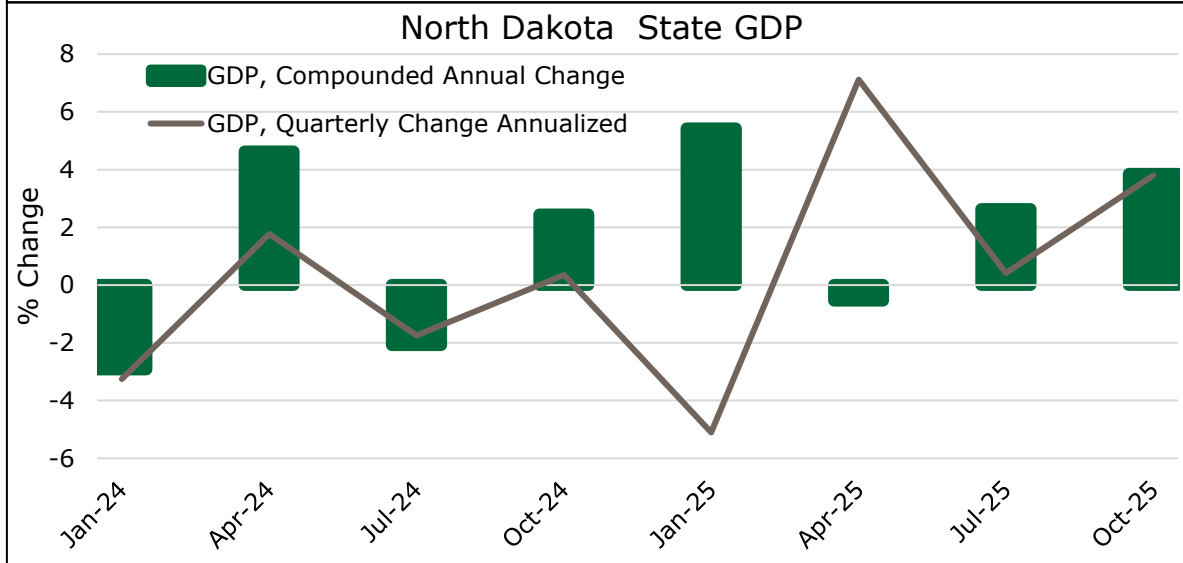
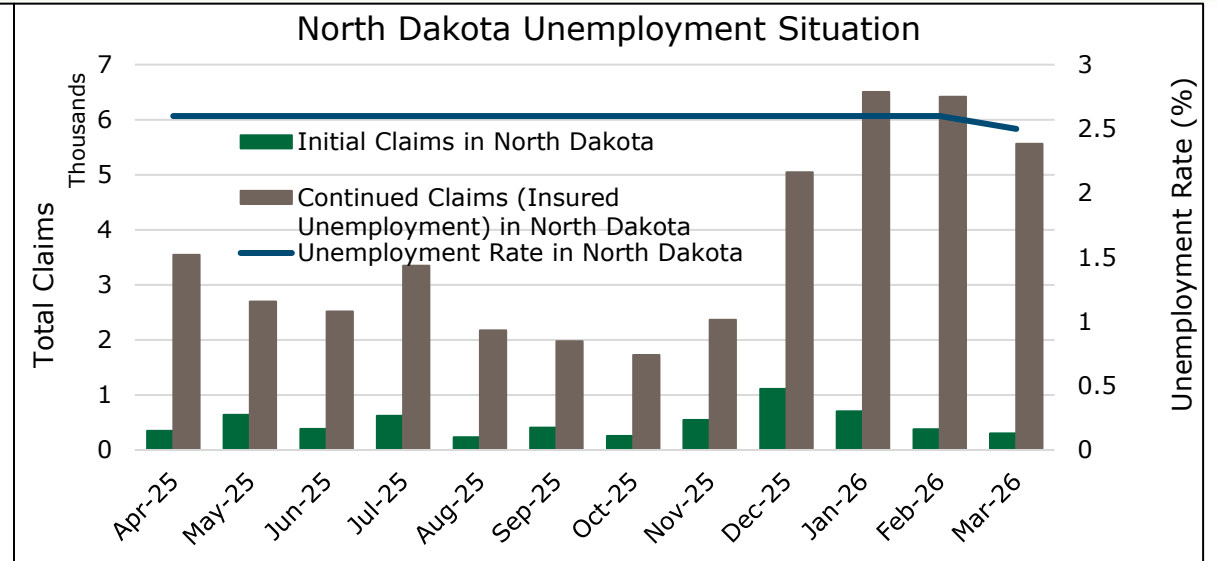
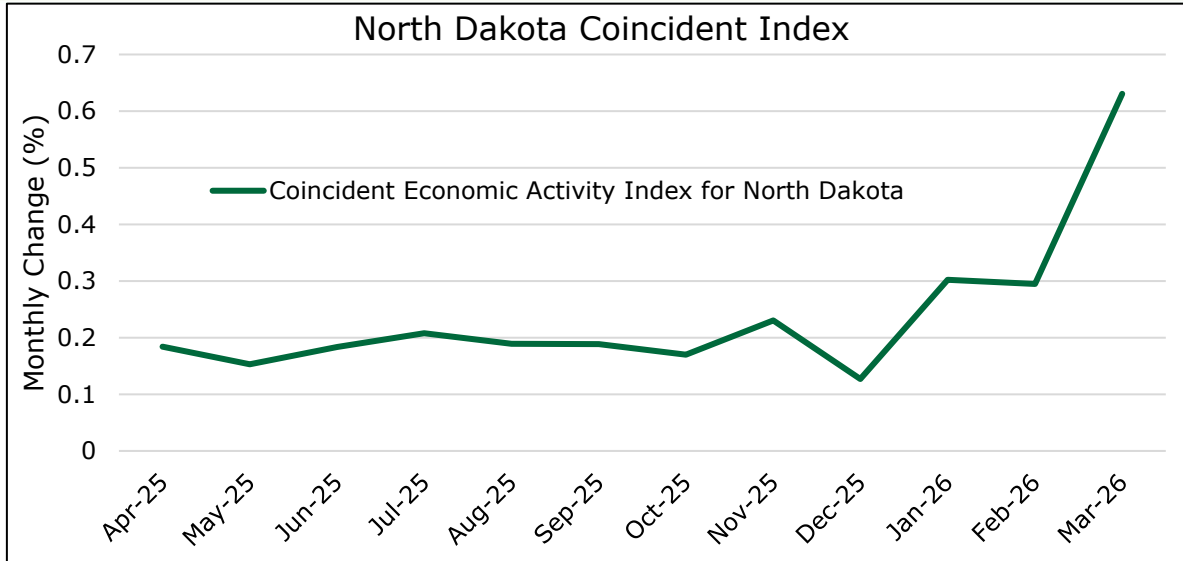
Missouri



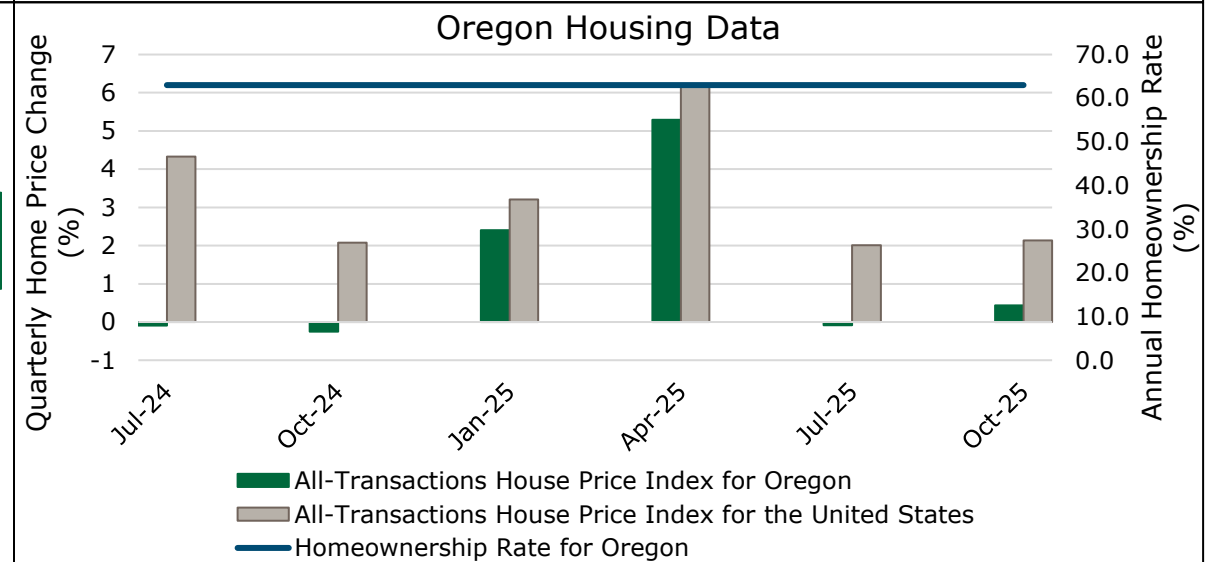
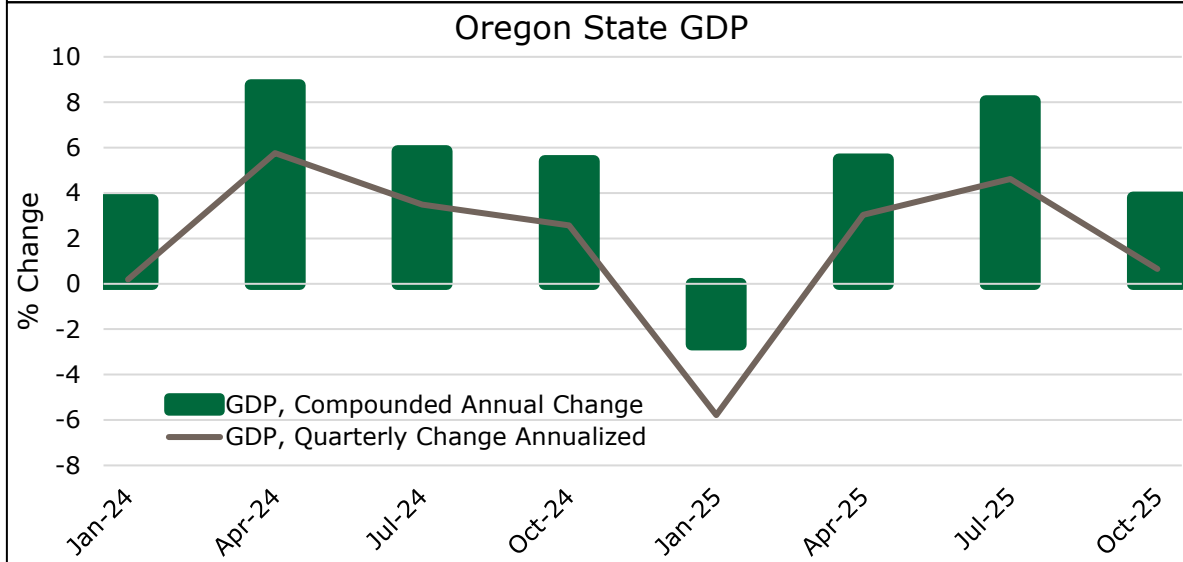
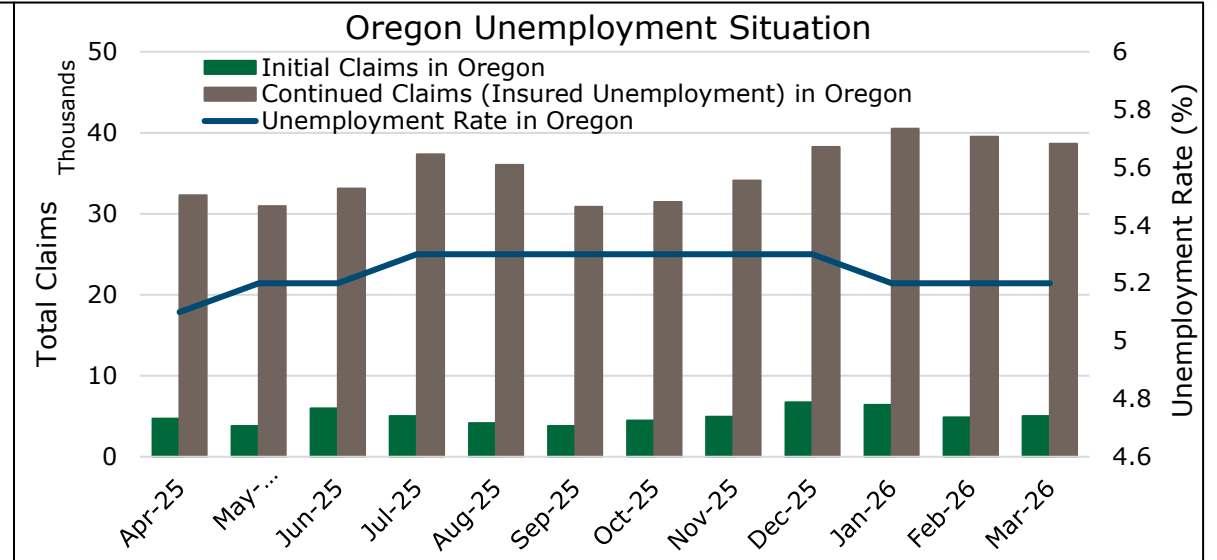
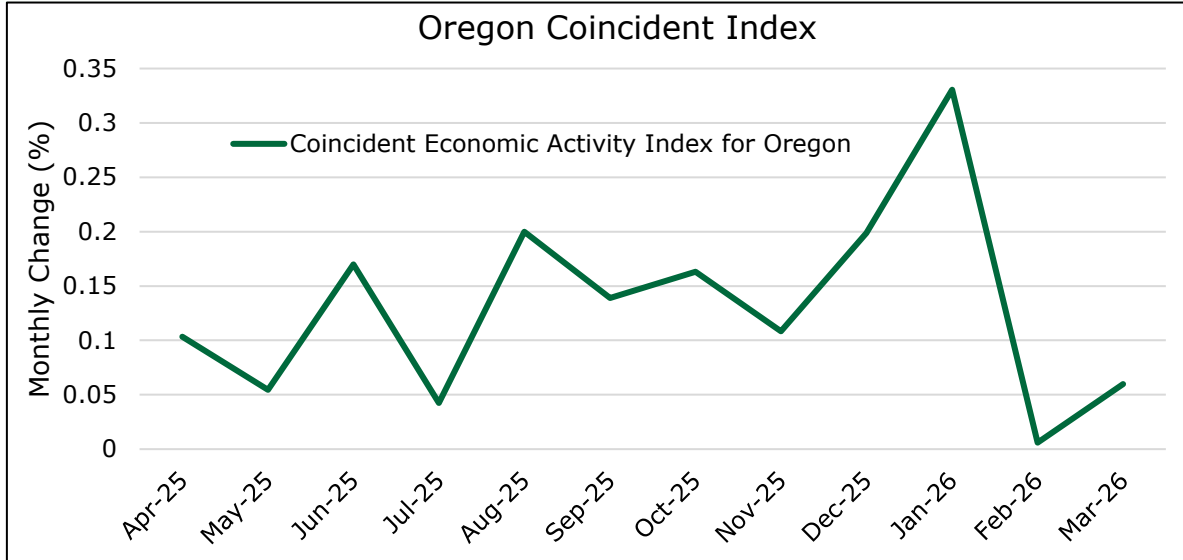
Montana



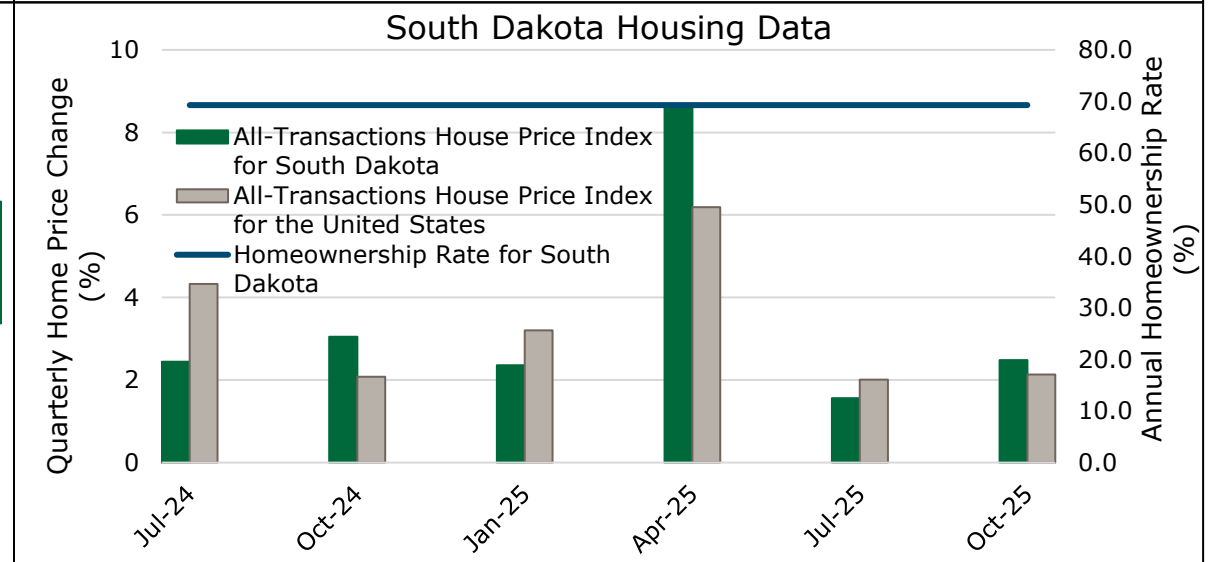
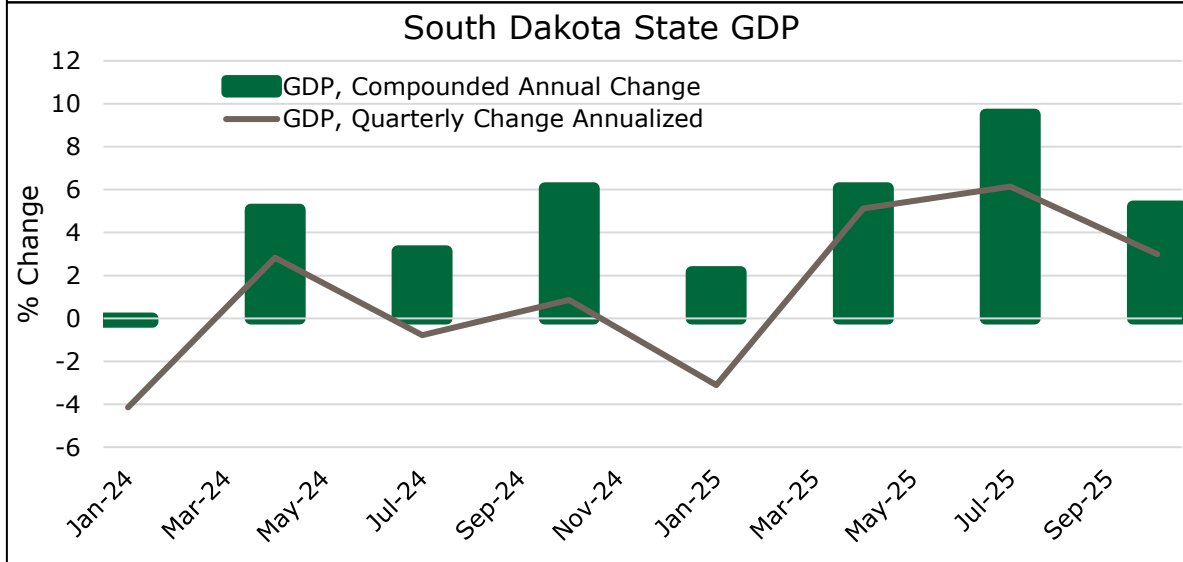
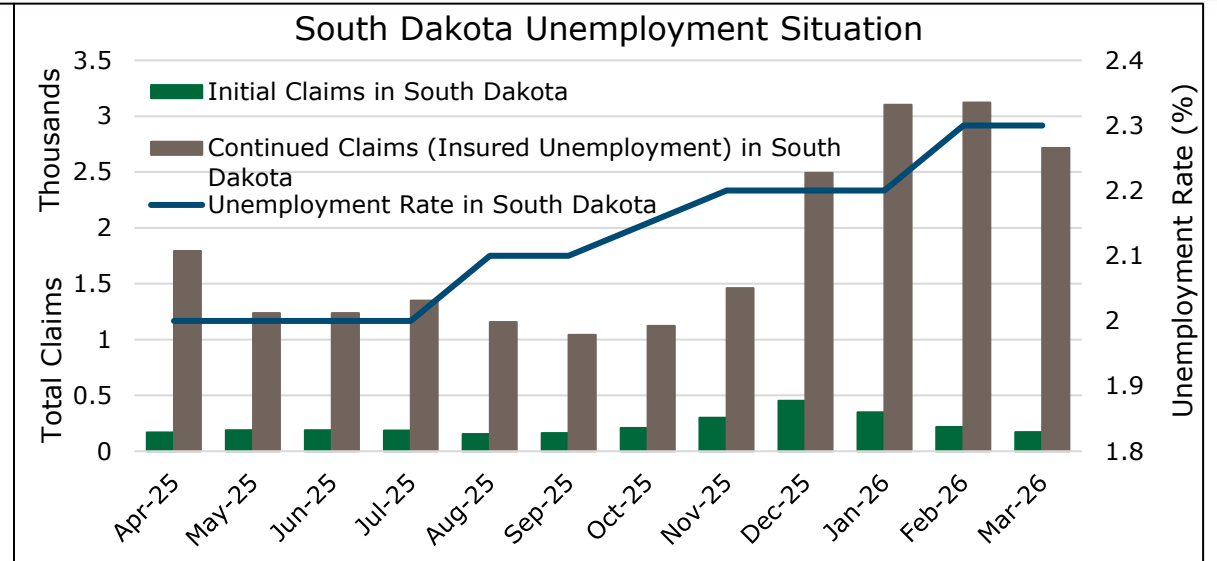
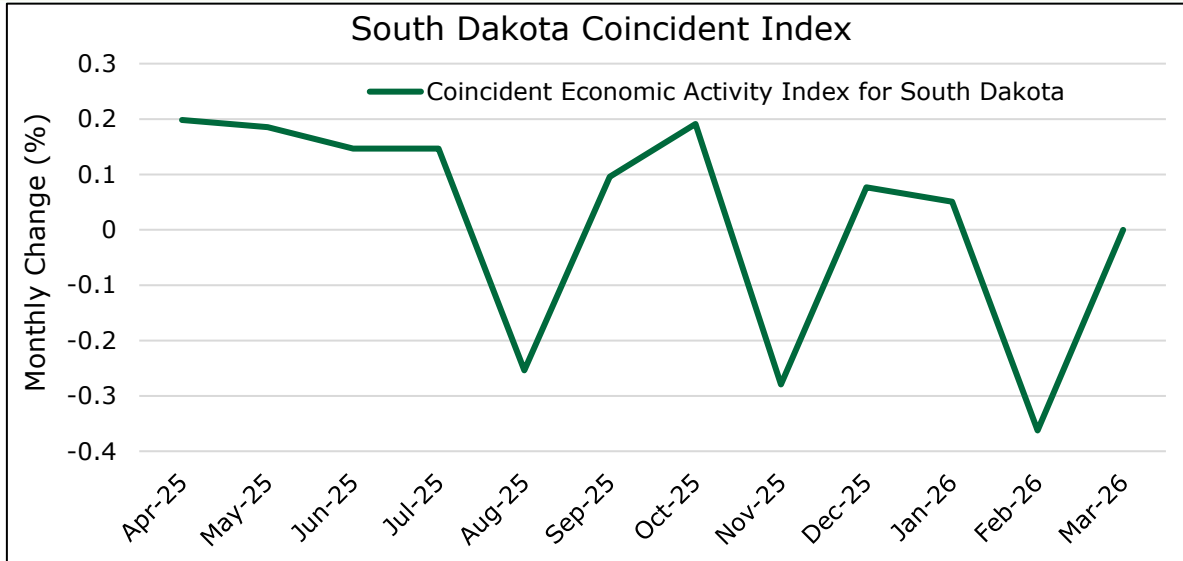
North Dakota



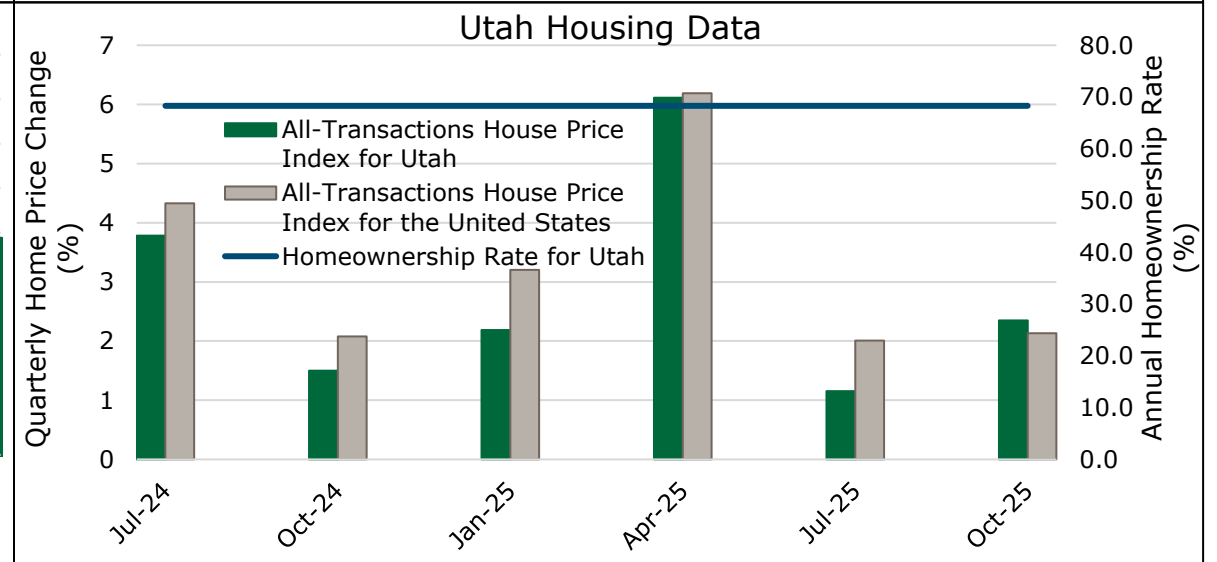
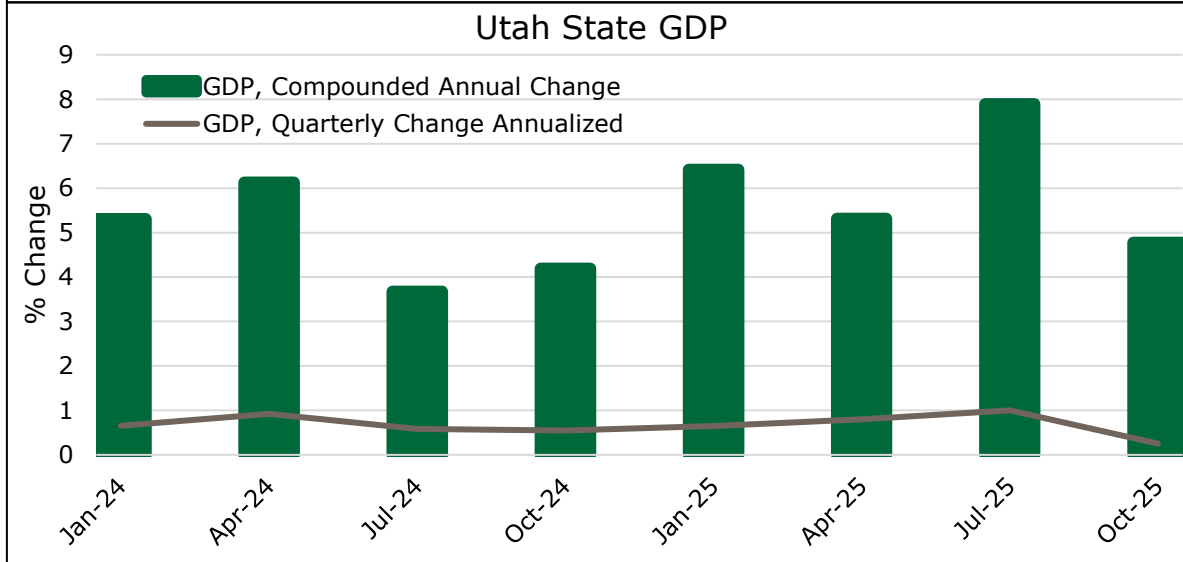
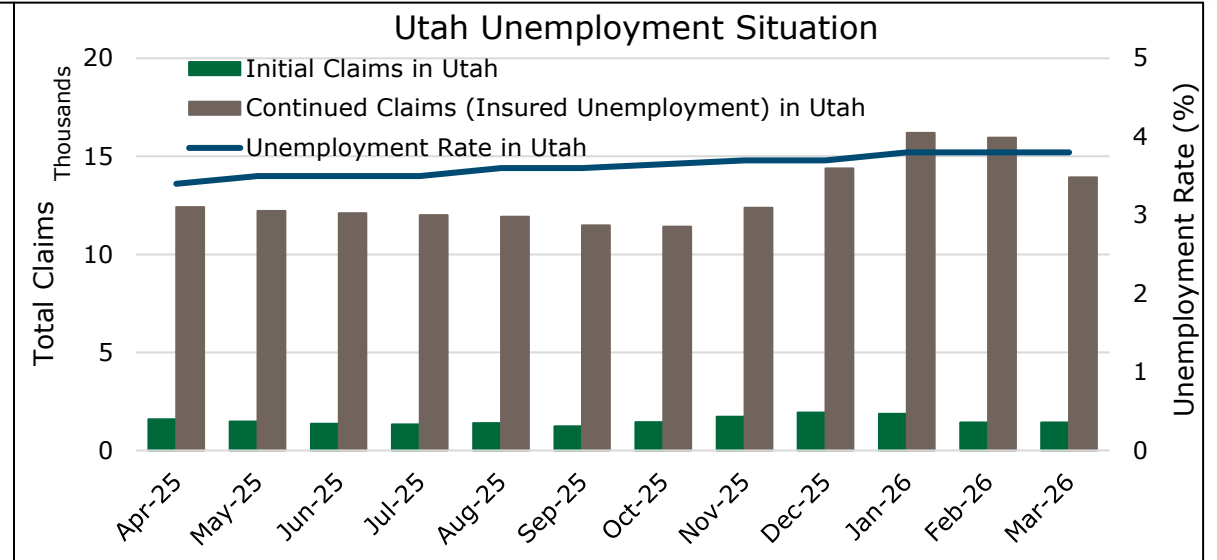
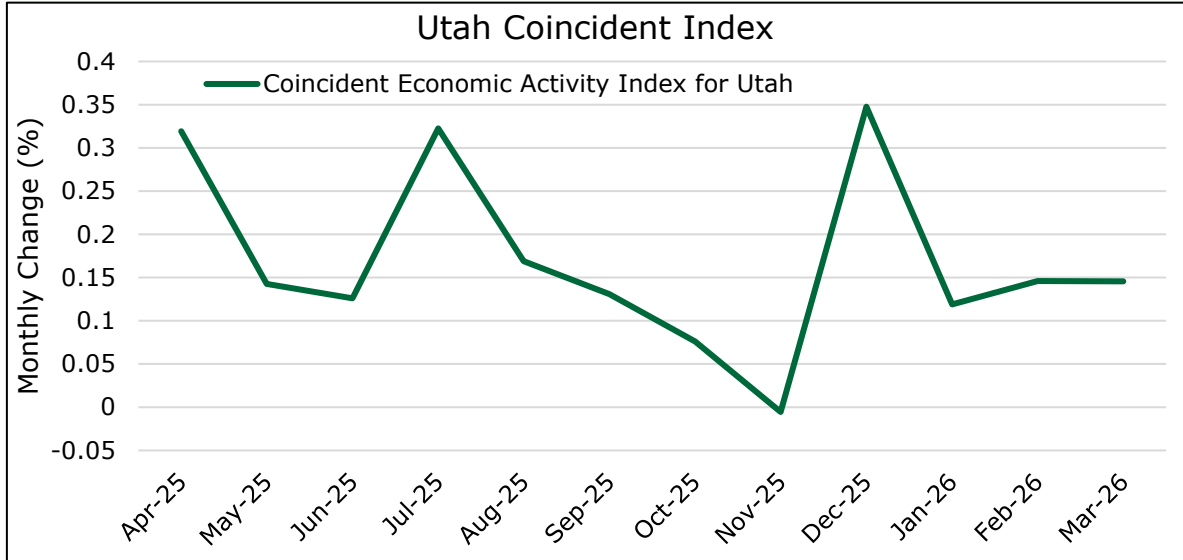
Oregon



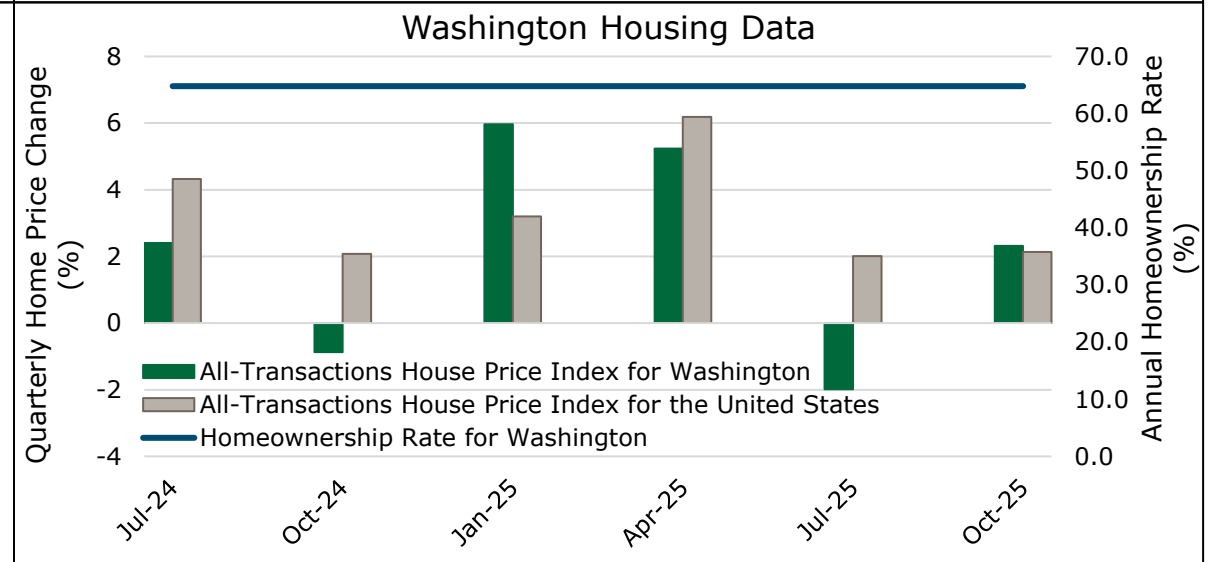
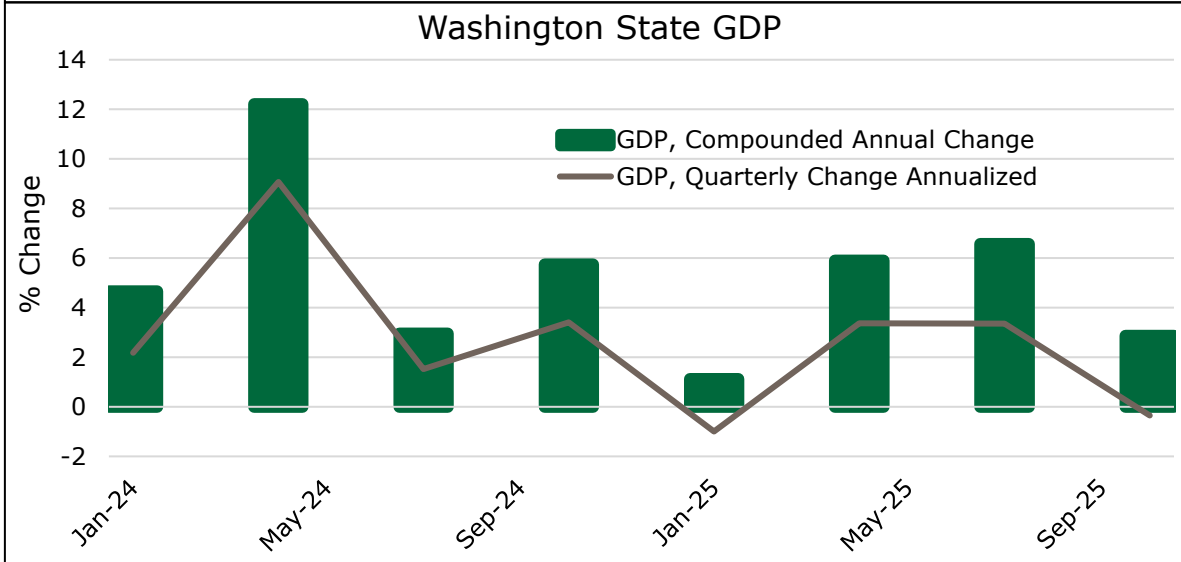
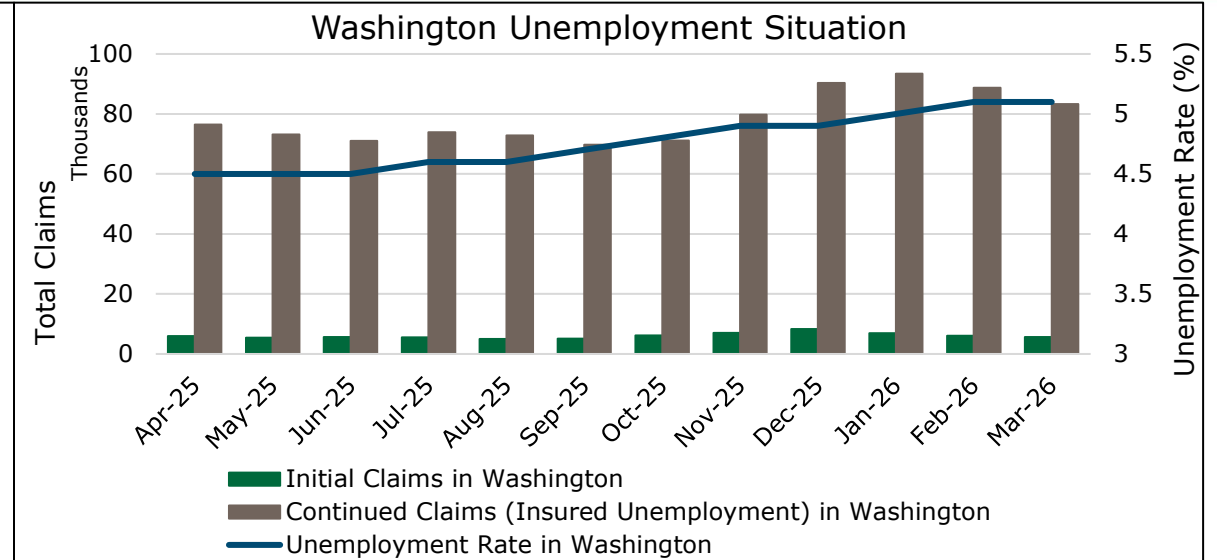
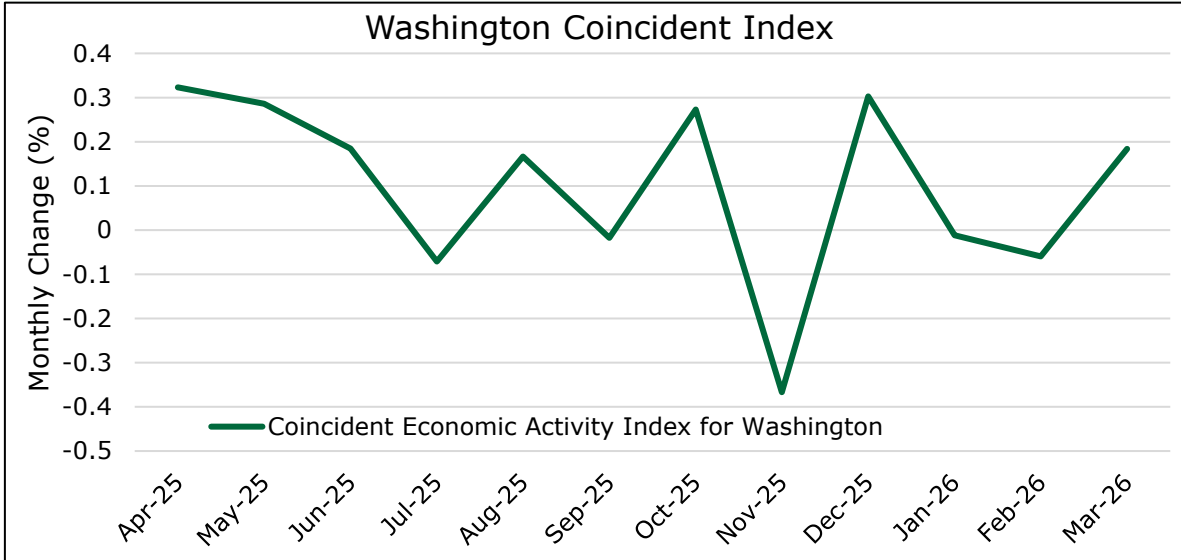
South Dakota



Utah



Washington



Wyoming

