



FHLB DES MOINES

Quarterly Economic Overview

Member Strategies Department

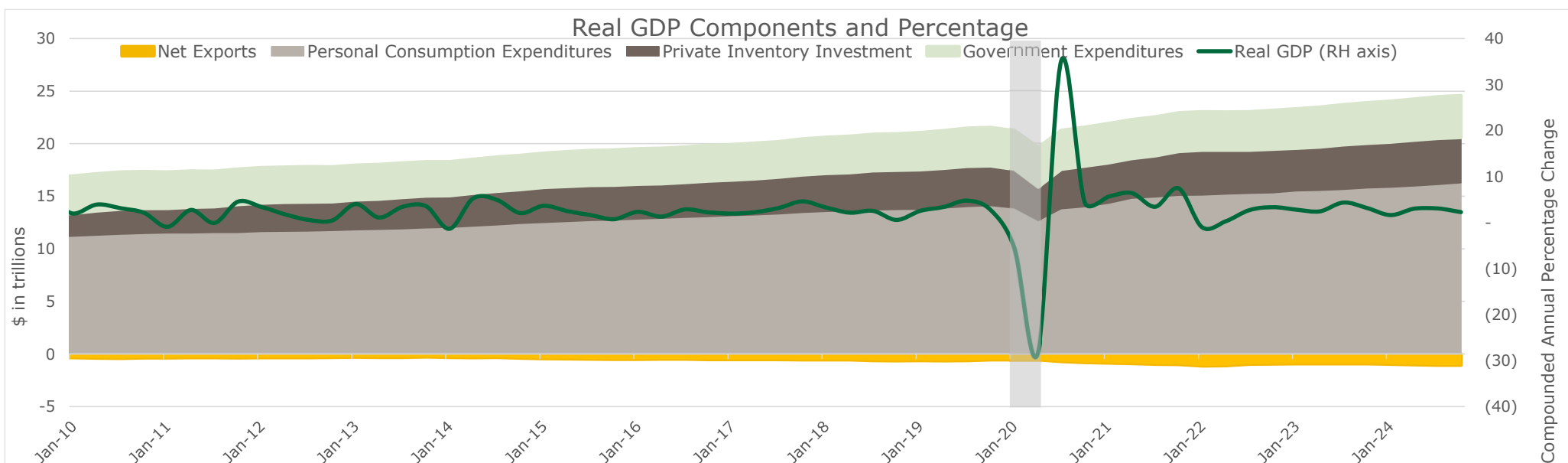
Fourth Quarter, 2024



Gross Domestic Product

The U.S. Economy Expanded at a Slower Pace During the Quarter

U.S. Gross Domestic Product



Third-quarter (third estimate) Real GDP

- The third estimate for third-quarter real GDP came in at 3.1%.

Fourth-quarter (advance estimate) Real GDP

- The advance estimate for fourth-quarter real GDP was 2.3%. The fourth quarter increase reflected increases in consumer spending and government spending that were partly offset by a decrease in investment. Imports, which are a subtraction in the calculation of GDP, decreased.
- The increase in consumer spending reflected increases in both services and goods. Within services, the leading contributor to the increase was health care. Within goods, the leading contributors to the increase were recreational goods and vehicles as well as motor vehicles and parts. Within health care, hospital and nursing home services (notably hospital services) and outpatient services increased. The increase in recreational goods and vehicles was led by information processing equipment. The increase in motor vehicles and parts was led by new light trucks. The increase in government spending reflected increases in state and local as well as federal government spending. Within state and local government spending, the increase was led by compensation of employees. Within federal government spending, the increase was led by defense consumption expenditures.

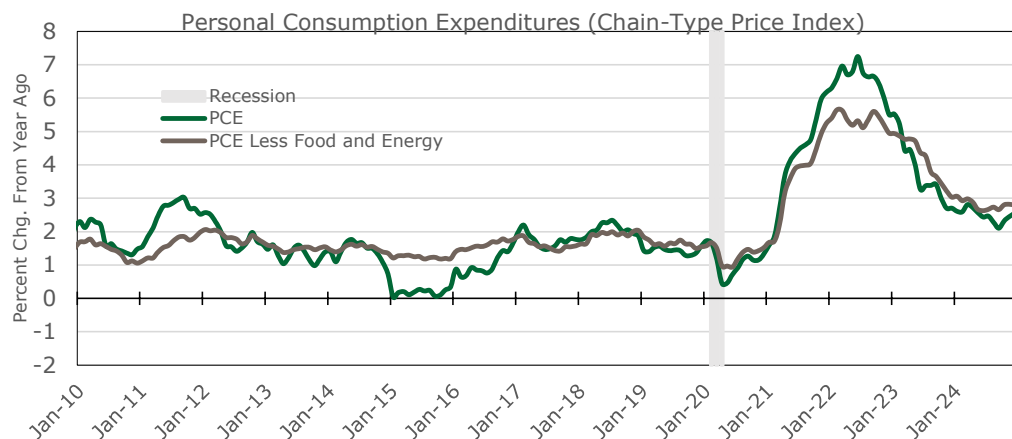


Prices

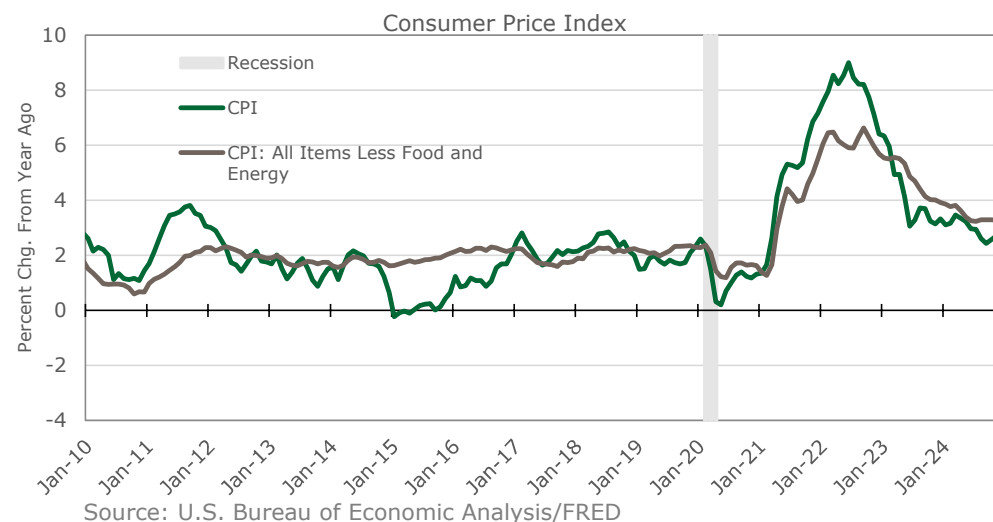
Inflation Began to Stagnate to End the Year

Consumer Prices

- The all-items index rose 2.9% for the 12 months ending December, up from 2.7% in November. The energy index decreased 0.5% over the past year, while the food index rose 2.5%.
- On a month-over-month basis, the all-items index with the gasoline index increasing 4.4%. The food index increased 0.3%, with both the food away and food at home index from home index rising 0.3%.
- The index for all items less food and energy rose 3.2% for the 12 months ending December.
- The index for all items less food and energy rose 0.2% in December, after increasing 0.3% the previous four months. Indexes which increased in December include shelter, airline fares, used cars and trucks, new vehicles, motor vehicle insurance, and medical care. The indexes for personal care, communication, and alcoholic beverages were among the few major indexes that decreased.



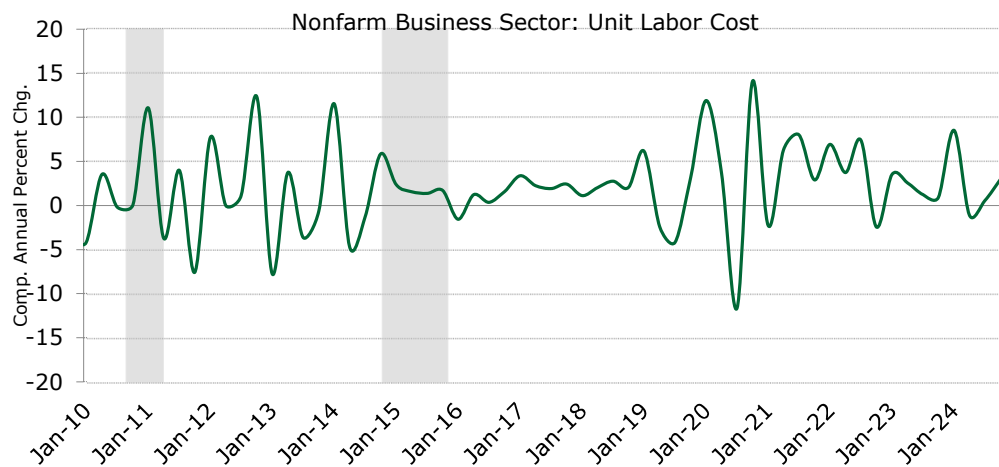
Source: U.S. Bureau of Economic Analysis/FRED



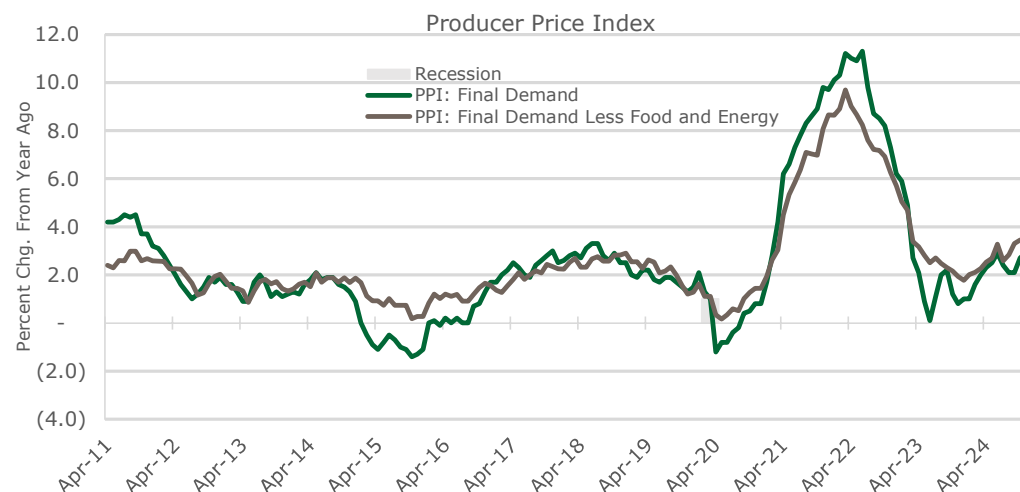
- The price index for PCE posted a year-over-year increase of 2.5% in December. When backing out food and energy, Core PCE was up 2.6%.
- On a month-over-month basis, December's PCE decreased \$30.7 billion. Breaking it down, goods decreased \$76.6 billion, while services increased \$46.0 billion.
- Personal income increased by \$194.3 billion (0.9%) and outlays decreased by \$52.7 billion in December.

Producer Prices

- The PPI for final demand rose 3.3% in 2024 (on an unadjusted basis) after increasing 1.1% in 2023. The index for final demand less food, energy and trade services rose 3.3% over the same period.
- Month-over-month, the final demand index (seasonally adjusted) rose 0.2% in December. The increase is due to a 0.6% increase in goods, while services remained unchanged. Prices for final demand less foods, energy, and trade services were 0.1% higher.
- Leading the December increase in prices for final demand goods, the index for gasoline advanced 9.7%. Prices for residential electric power, meats, motor vehicles, gas fuels, and fresh fruits and melons also rose. Conversely, the index for fresh and dry vegetables declined 14.7%. Prices for carbon steel scrap and for residual fuels also fell.
- Within the index for final demand services in December, prices for transportation of passengers (partial) jumped 7.2%. The indexes for deposit services (partial), automotive fuels and lubricants retailing, food retailing, and chemicals and allied products wholesaling also advanced. In contrast, prices for traveler accommodation services fell 6.9%. The indexes for machinery and vehicle wholesaling, loan services (partial), food wholesaling, and furniture retailing also decreased.



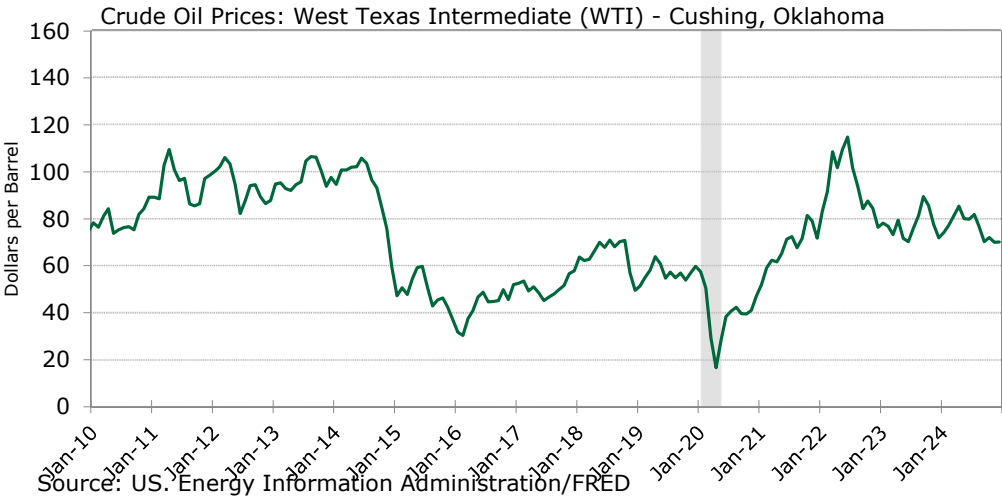
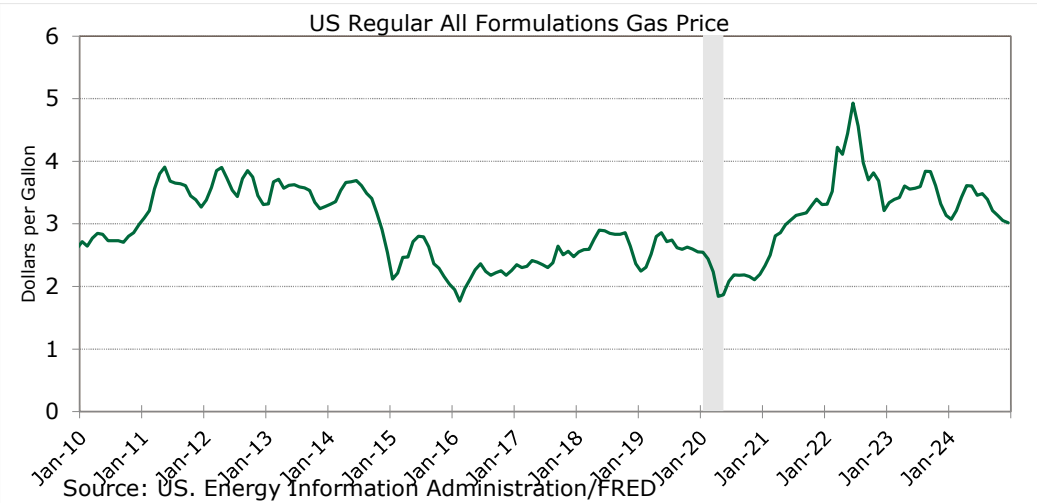
Source: U.S. Bureau of Labor Statistics/FRED



- Unit labor costs increased at an annual rate of 3.0% (preliminary) in the fourth quarter of 2024, the combined effect of a 4.2% increase in hourly compensation and a 1.2% increase in productivity. Unit labor costs increased 2.7% over the last four quarters.
- The manufacturing sector unit labor costs increased 3.3% in the fourth quarter of 2024, as hourly compensation increased 4.1% and productivity increased 0.8%. Over the last four quarters, manufacturing unit labor costs increased 1.5%.
- 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 13.2 million barrels per day (b/d) in 2024, up from 12.9 million (b/d) in 2023. The EIA estimates U.S. crude oil production will average 13.5 million (b/d) in 2025.
- The EIA estimates Brent crude oil prices to average \$74 per barrel (b) during the 2025, close to the current level of December. EIA expects Brent prices averaged \$80/b in 2024, down from \$82/b in 2023.



- The EIA estimates U.S. retail gasoline prices averaged \$3.30 per gallon (gal) in 2024 and will average \$3.20/gal in 2025.

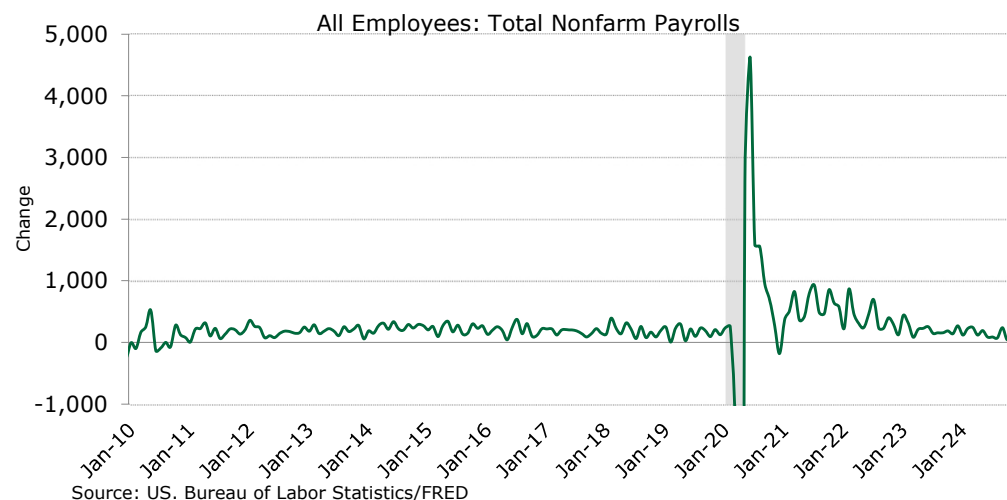
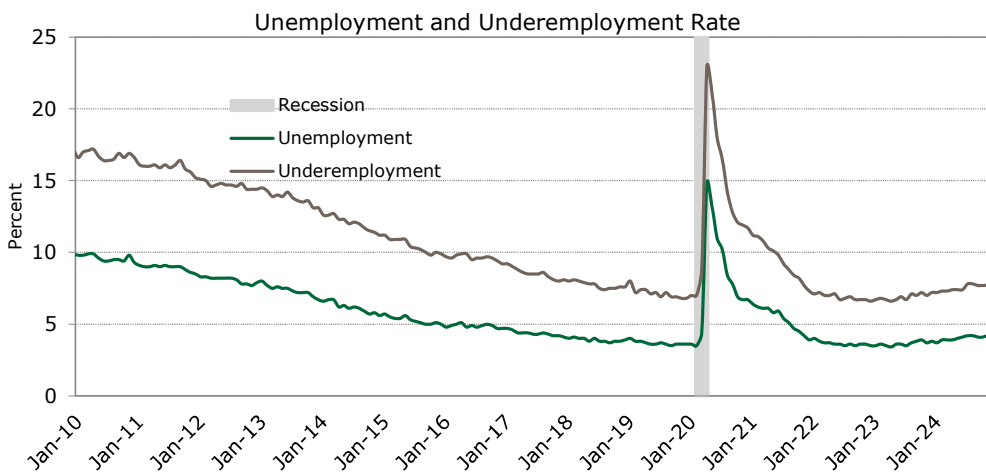


Employment

Labor Market Rebounded After Slow Start to Quarter

Employment

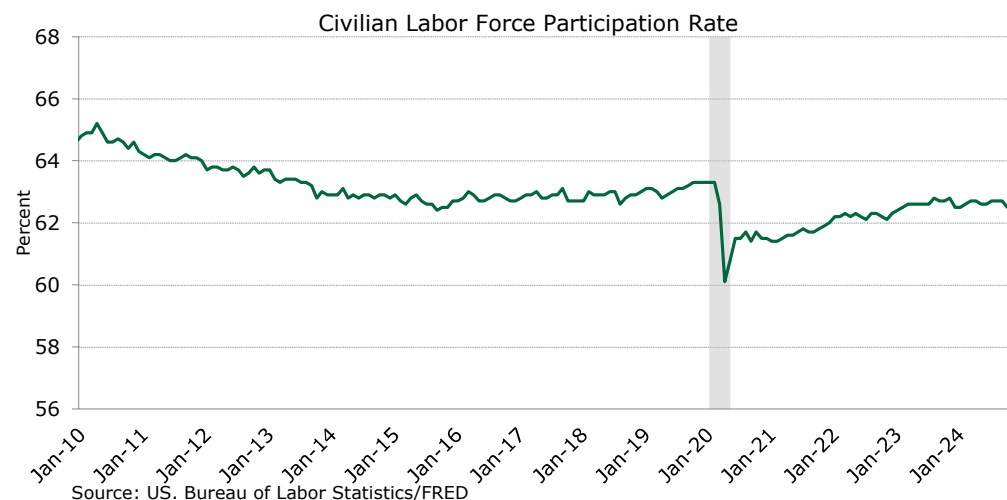
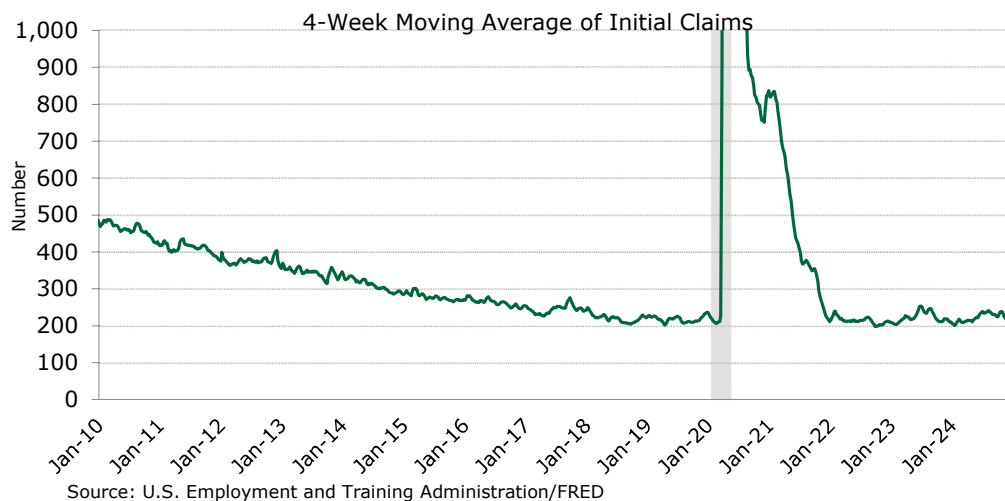
- Total nonfarm payroll employment for December increased by 256,000 and payrolls increased by 2.2 million in 2024, down from 3.0 million in 2023.
- In December, employment trended up in health care, government, and social assistance.
- Nonfarm employment in October was revised up 7,000 to 43,000 and November was revised down 15,000 to 212,000.
- It should be noted that the high and low points of the pandemic are excluded from the graph.



- The December unemployment rate was little changed at 4.1%. The unemployment rate has been either 4.1% or 4.2% for the last seven months. The number of unemployed persons was 6.9 million.
- The number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 1.6 million in December.
- The seasonally adjusted underemployed rate, or the U-6 rate, was 7.5% in December.

Employment

- The labor force participation rate was at 62.5%, unchanged from the prior month. The employment-population ratio (not shown in graphs), was at 60.0%, up from 59.8% the previous month.
- At the current participation rate and population growth rate, maintaining an unemployment rate of 4.1% suggests the economy needs to add 78,345 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 223,250 as of the week ending December 28.
- The weekly initial claims for the week ending December 28 were 211,000, the lowest level since April.
- It should be noted, the high point of the pandemic have been excluded from the graph.

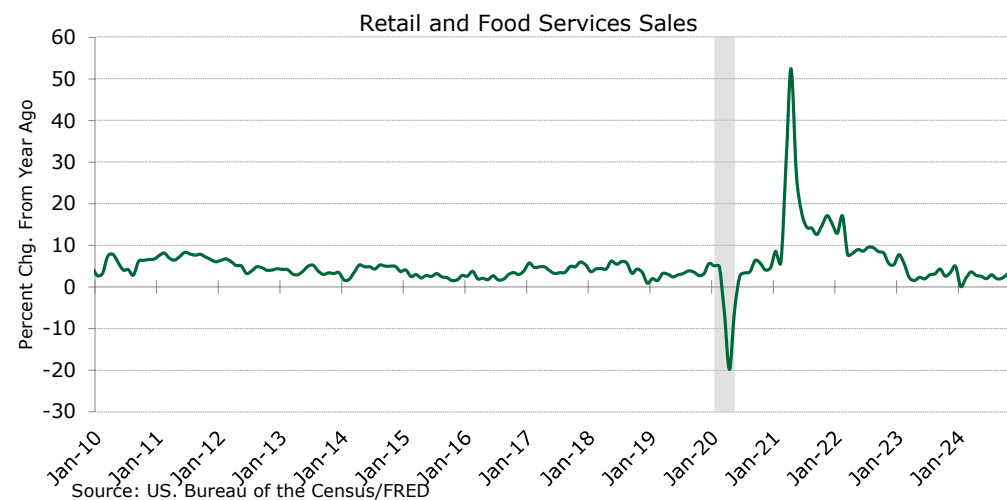


Consumer

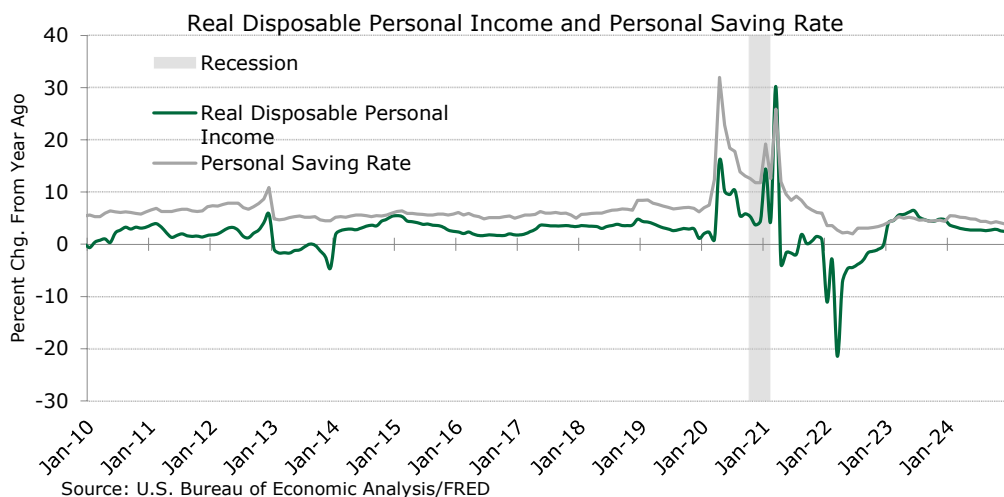
Both Spending and Savings Were Higher During the Fourth Quarter

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 December rose 0.4% month-over-month and is 3.9% higher than December 2023.
- When excluding motor vehicles and gasoline stations, retail sales increased 3.8% since December 2023.



- Real disposable personal income rose 0.1% in December and was up 2.4% year-over-year.
- Personal savings was \$843.2 billion in December. The personal savings rate was 3.8%.



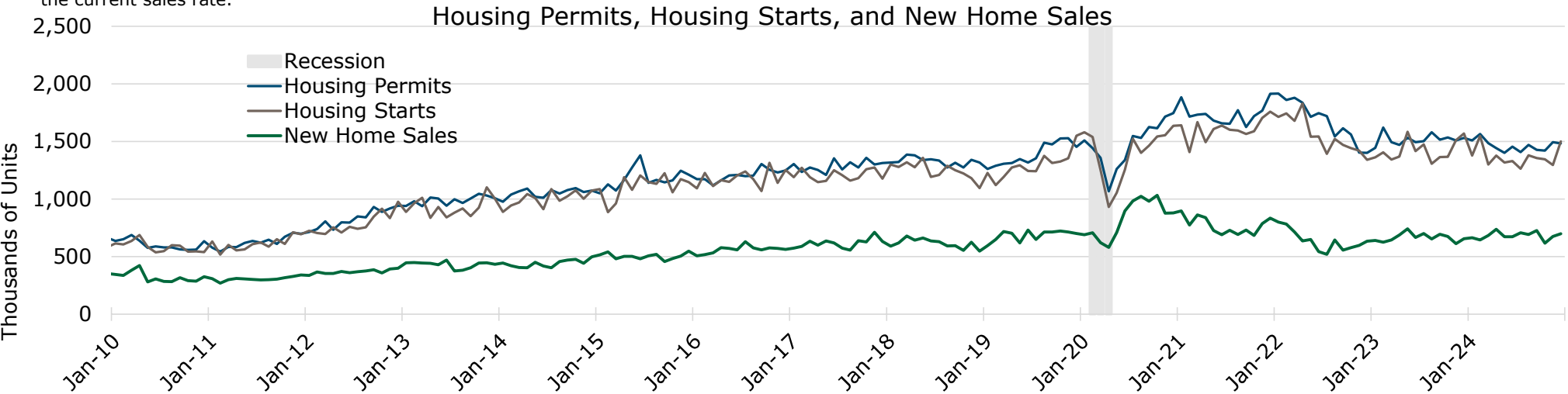


Housing

The Housing Sector was Mixed During the Fourth Quarter

Housing

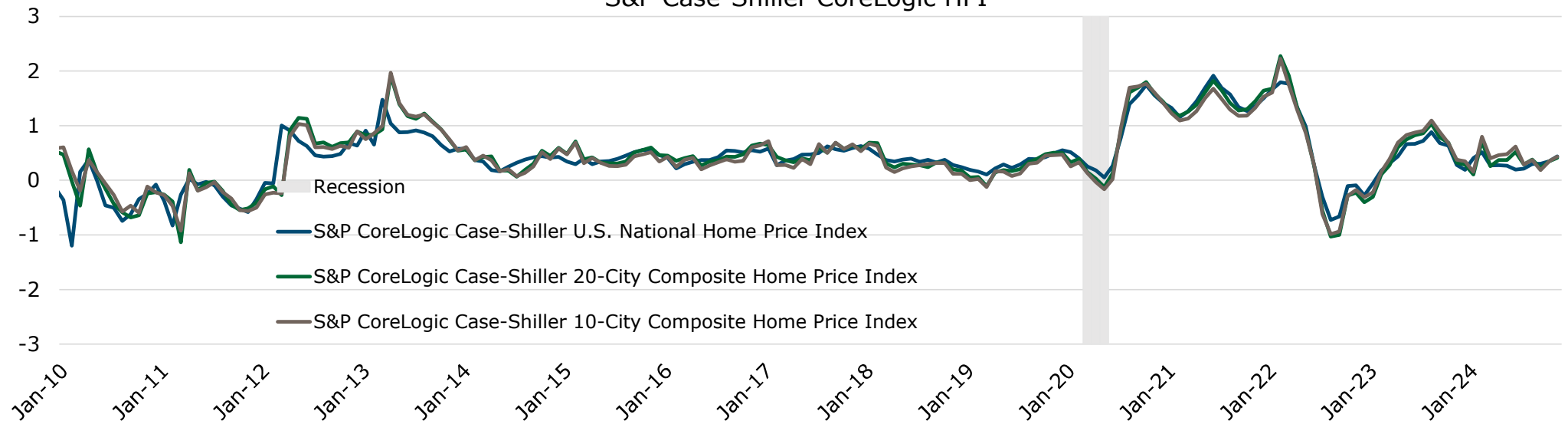
- Building permits, which lead housing starts by 1-3 months and are subject to less volatility, in December were at a seasonally adjusted annual rate of 1,483,000, 0.7% below the revised November rate and 3.1% below the December 2023 level. Single-family building permits were at a rate of 992,000, 1.6% above the revised November rate. Building permits for 5+ units were at a rate of 437,000 in December.
- Housing starts in December were at a seasonally adjusted rate of 1,499,000, 15.8% above the revised November rate, but 4.4% above the December 2023 rate. Single-family housing starts in December were at a rate of 1,050,000, 3.3% above the revised November rate. Housing Starts for 5+ units was 418,000 in December.
- New home sales in December were at a seasonally adjusted rate of 698,000, 3.6% above the revised November rate and 6.7% above the December 2023 rate. The median sales price of new houses sold in December was \$427,000. The average sales price was \$513,600. The seasonally adjusted estimate of new houses for sale at the end of December was 494,000, which represents a supply of 8.5 months at the current sales rate.
- Existing-home sales (not graphed), as reported by the National Association of Realtors, rose 2.2% in December, to a seasonally adjusted annual rate of 4.24 million. Sales are up 9.3% from a year ago.
- The median price for existing-home sales was \$404,400, up 6.0% from a year ago.
- Supply was at 1.33 million in December, up 16.2% from one year ago. Relative to sales, supply is at 3.3 months, down from 3.8 months last month, but up from 3.1 months a year ago.
- Existing-home sales in the Midwest were down 1.0% in December but up 6.5% year-over-year. The median price was \$298,600, up 9.0% from a year ago. Sales in the West were up 2.6% in December and 12.9% year-over-year. The median price was \$614,500, up 6.0% year-over-year.



Housing

- The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported an annual increase in November of 3.8%, up from 3.6% the prior month. The National Index fell 0.1% in the month of November before seasonal adjustments and increased 0.4% after seasonal adjustments.
- The S&P CoreLogic Case-Shiller U.S. 10-City reported an annual increase in November of 4.9%, unchanged from the prior month. The 10-City Composite was unchanged in November before seasonal adjustments and increased 0.4% after seasonal adjustments.
- The S&P CoreLogic Case-Shiller U.S. 20-City Composite reported an annual increase in November of 4.3%, up from 4.2% the prior month. The 20-City Composite fell 0.1% in the month of November before seasonal adjustments and increased 0.4% after seasonal adjustments.
- The FHFA House Price Index (not pictured but data can be found in the appendix) increased 0.4% in November. Prices were up 4.5% year-over-year.
- For the nine census divisions, seasonally adjusted monthly house price changes from October 2023 to November 2023 ranged from -0.4% in the Pacific division to 2.3% in the West South Central division. The 12-month changes ranged from 2.3 percent in the Pacific division to 7.0 percent in the Middle Atlantic division

S&P Case-Shiller CoreLogic HPI



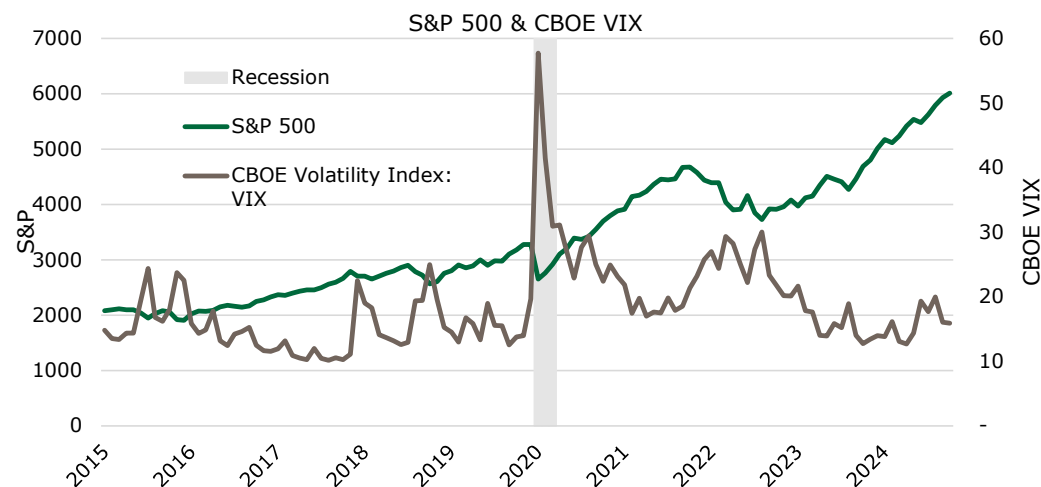


Market Indices

Equities Were On the Rise, Treasuries Remained Flat

Market Indices

- S&P 500 closed December at 5,881, up 25% for 2024. 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 to be 15.9%, which is right around pre-pandemic levels. Overnight SOFR, not pictured, ended December at 4.49%.



- The spread between the 2-year and 10-year U.S. Treasury yield slightly widened during the fourth quarter. The 10-year Treasury Note minus 2-year Treasury Note spread ended December at 0.33%, still well below the 1.15% median dating back to the start of the century.



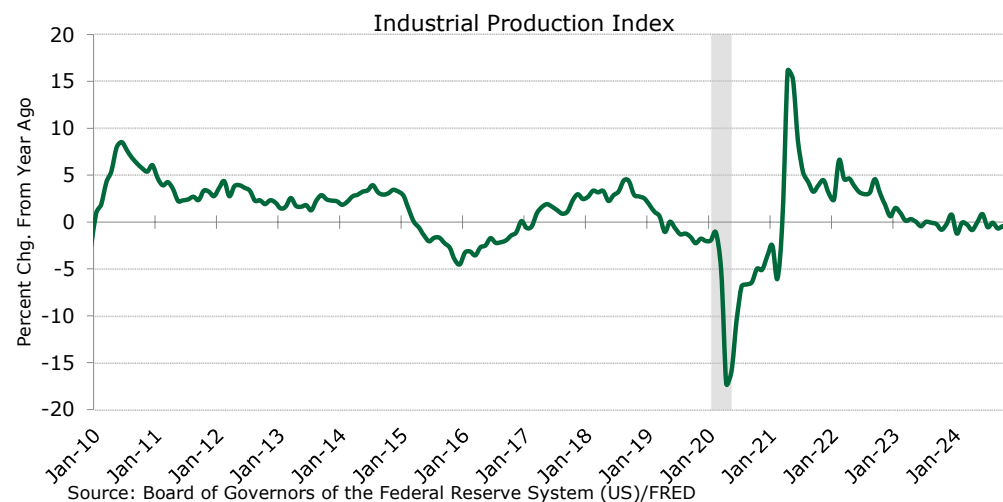
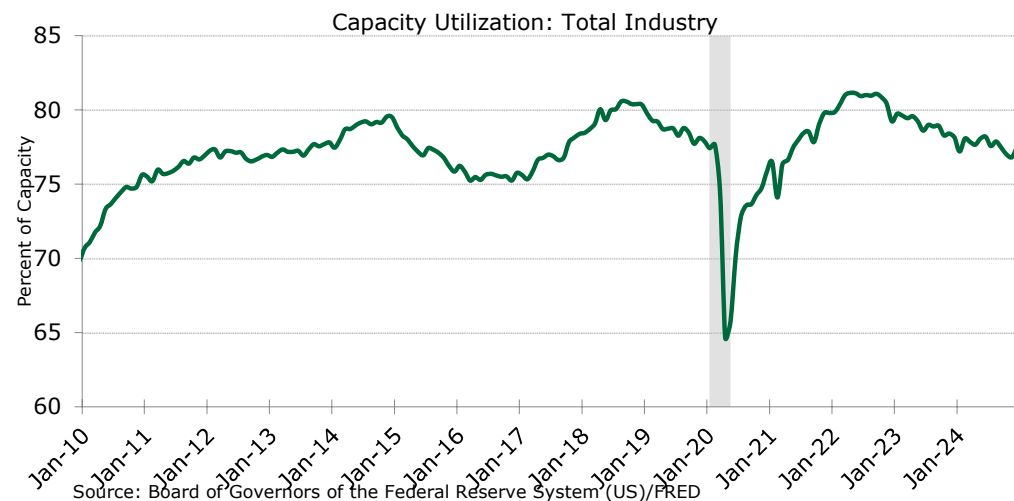


Economic Activity

Industrial Activity Was Higher for the Quarter

Economic Activity

- Industrial production rose 0.9% in December after moving up 0.2% in November. Output growth in December for manufacturing, mining, and utilities, posted month-over-month changes of 0.6%, 1.8%, and 2.1%, respectively. Year-over-year, industrial production rose 0.5% with manufacturing, mining, and utilities changing by 0.0%, 0.3%, and 4.3%, respectively.
- Manufacturing rose the last two months of the quarter.
- Mining rose two of three months during the quarter.
- The utilities index rose two of three months during the quarter.



- Capacity utilization was at 77.6% in December, below the long-run average of 79.7.
- The manufacturing component was at 76.6%, below the long-run average of 78.3.
- Utilization for mining was at 90.8%, below its long-run average of 86.5%.
- The operating rate for utilities was at 71.1%, well below its long-run average of 84.5%.

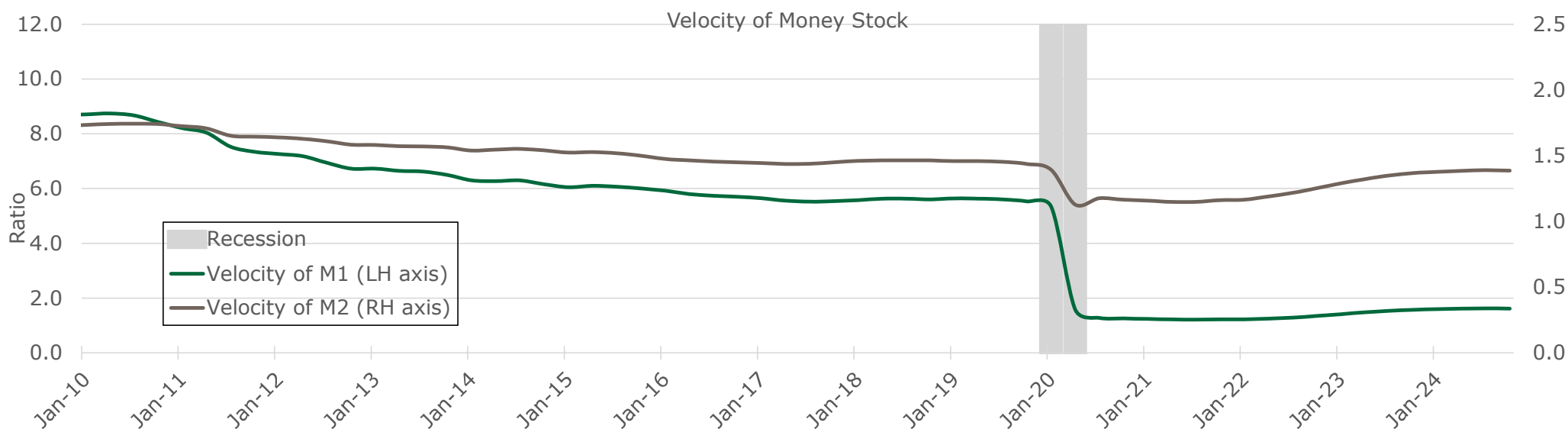


Money Supply and Velocity

Supply and Velocity Continued to Edge Higher

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 1.39, continuing to inch closer to pre-pandemic levels.
- The velocity of M1, which is the money supply of currency in circulation and represents everyday short-term consumption transactions, is 1.62 versus the peak reading of 10.68 in the 4th quarter 2007. The latest reading continues to move up from the lowest level since 1959.

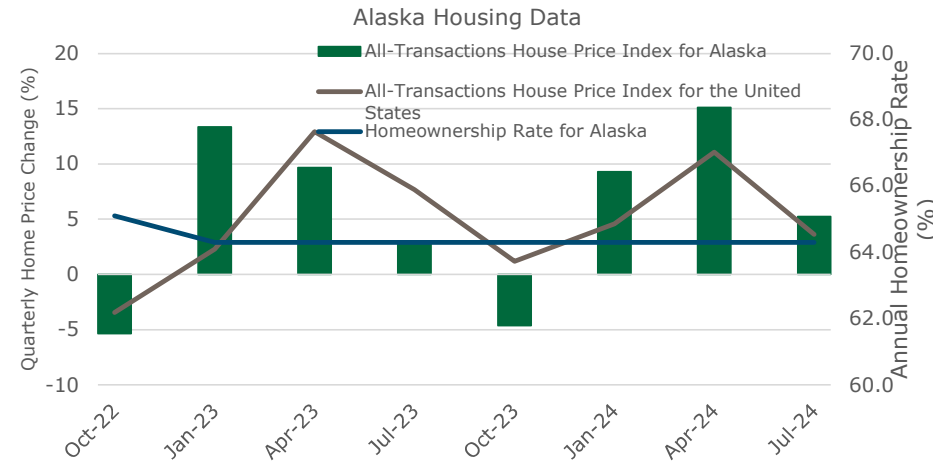
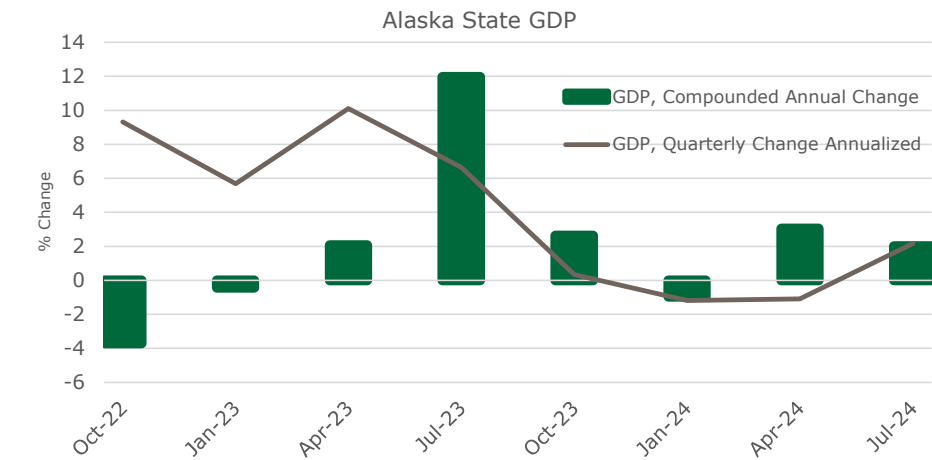
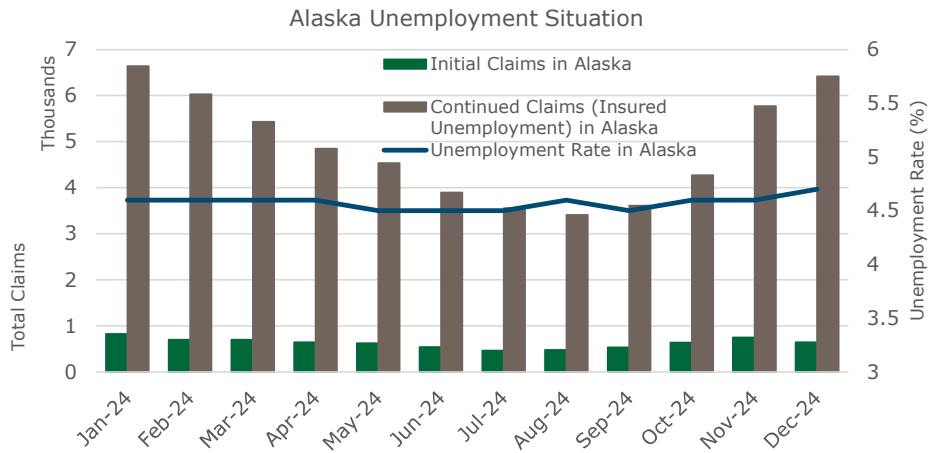
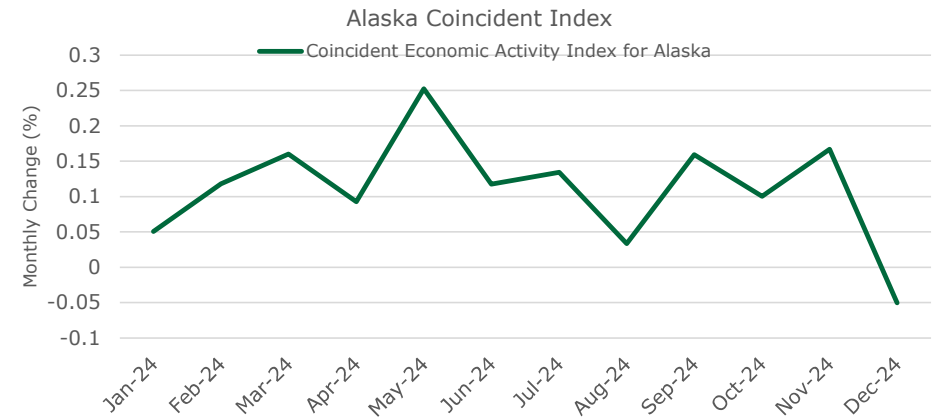




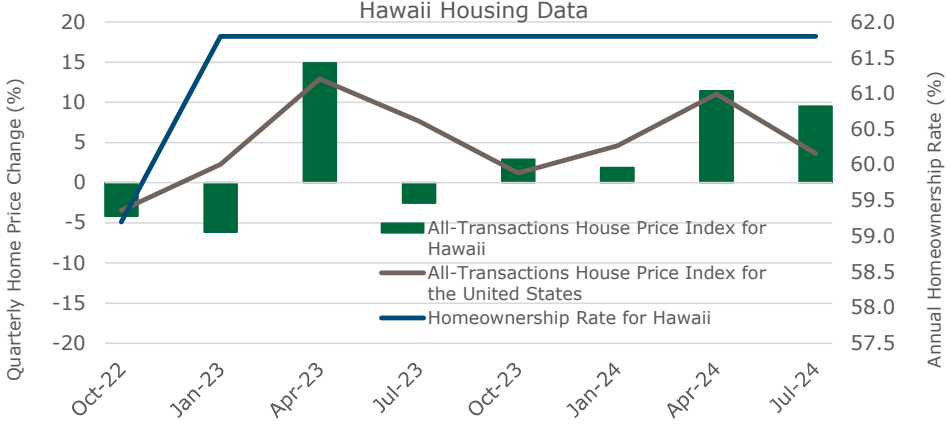
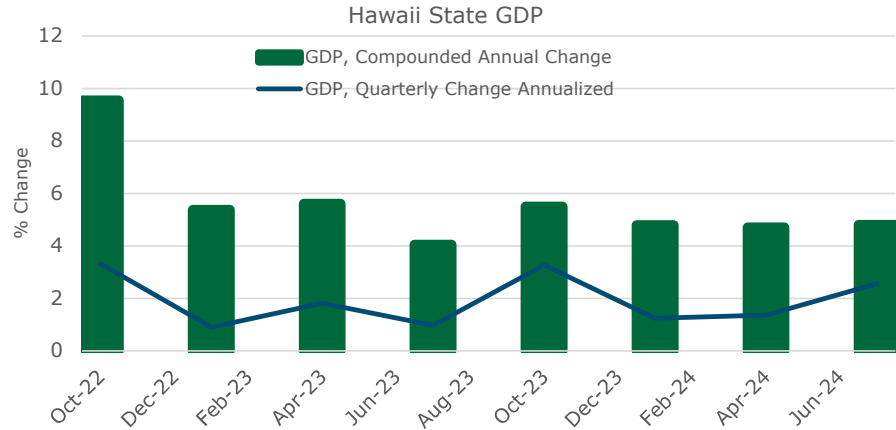
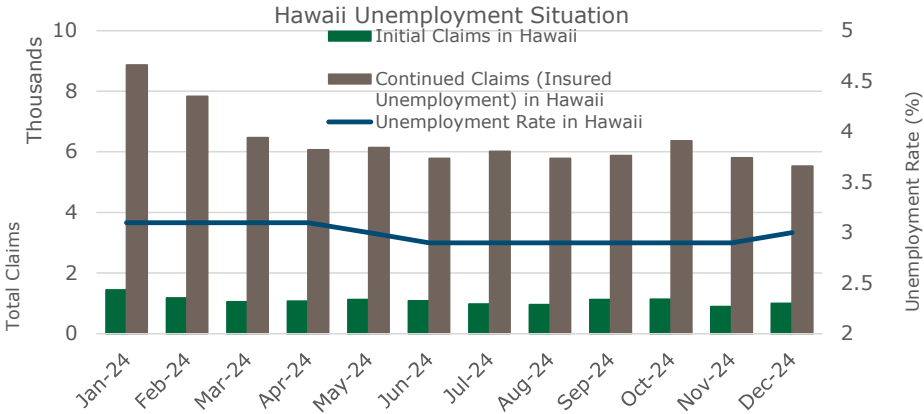
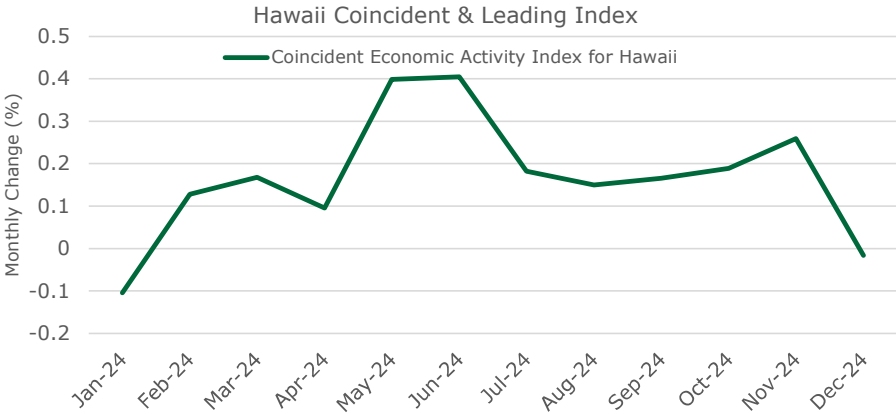
Appendix

State Level Data

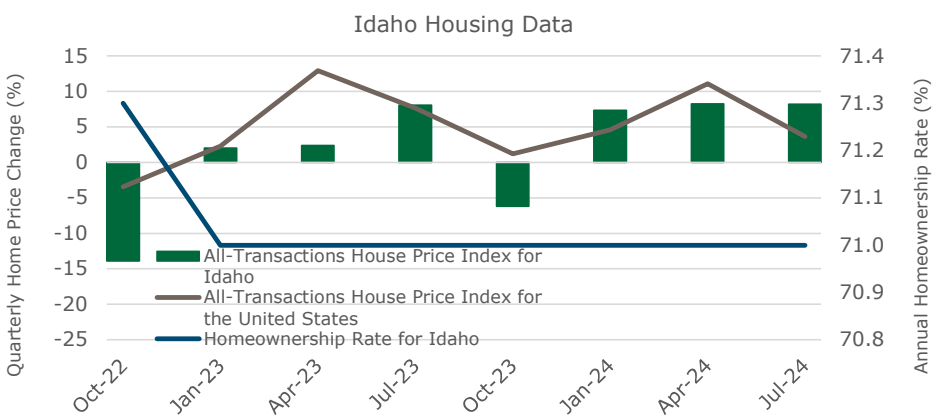
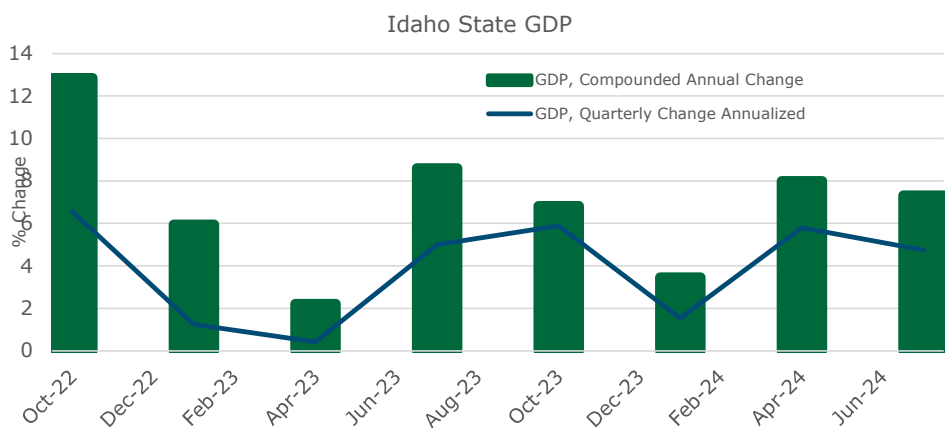
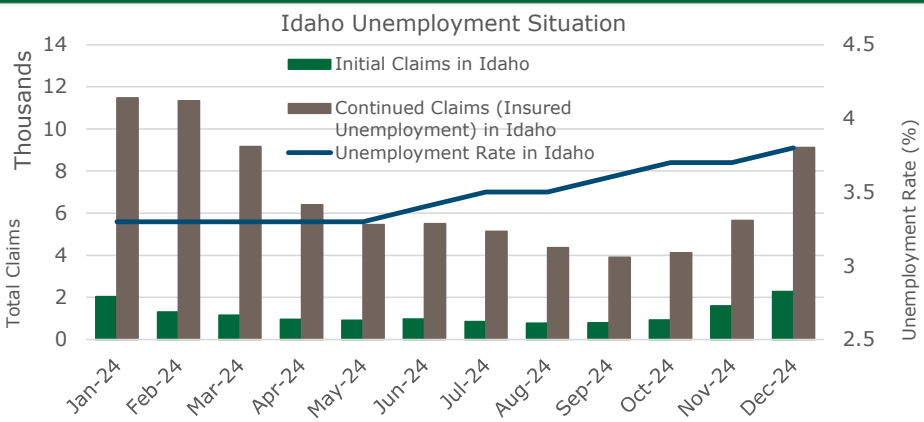
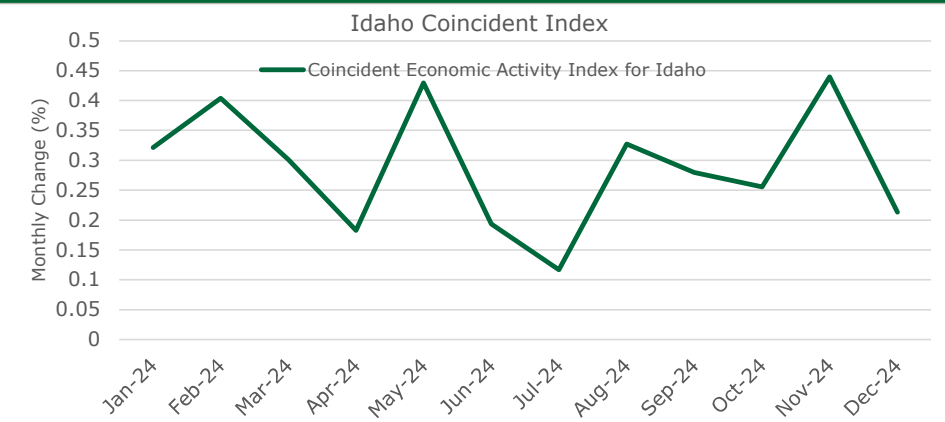
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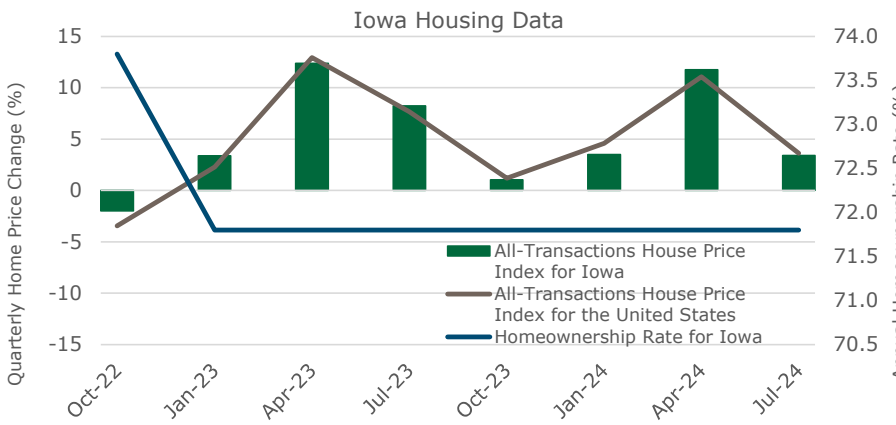
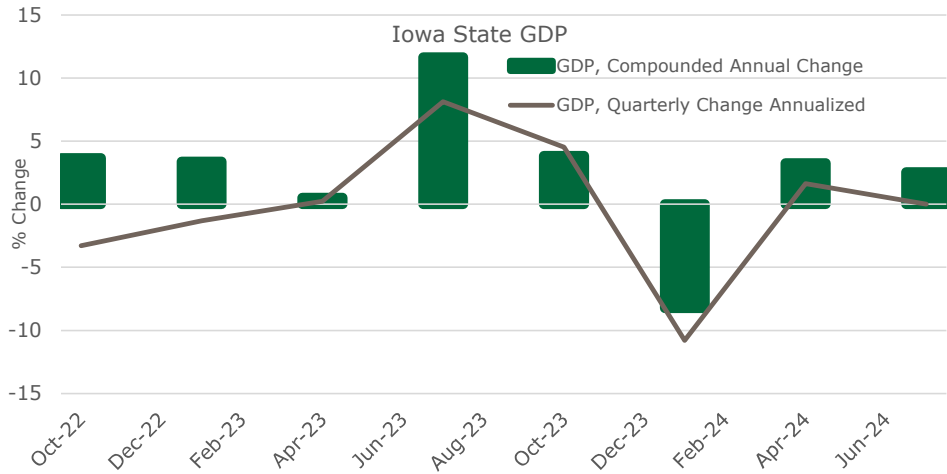
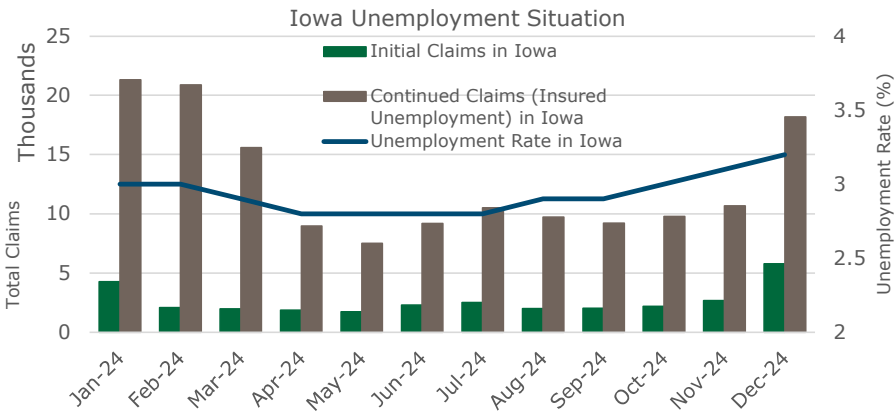
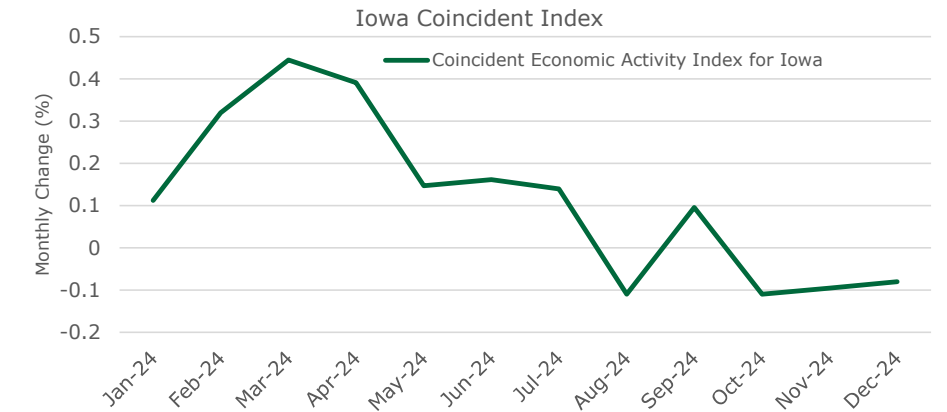
Hawaii



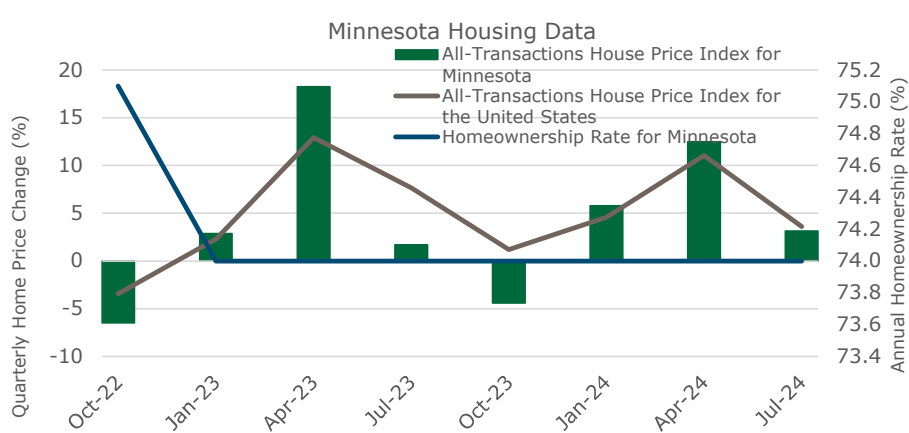
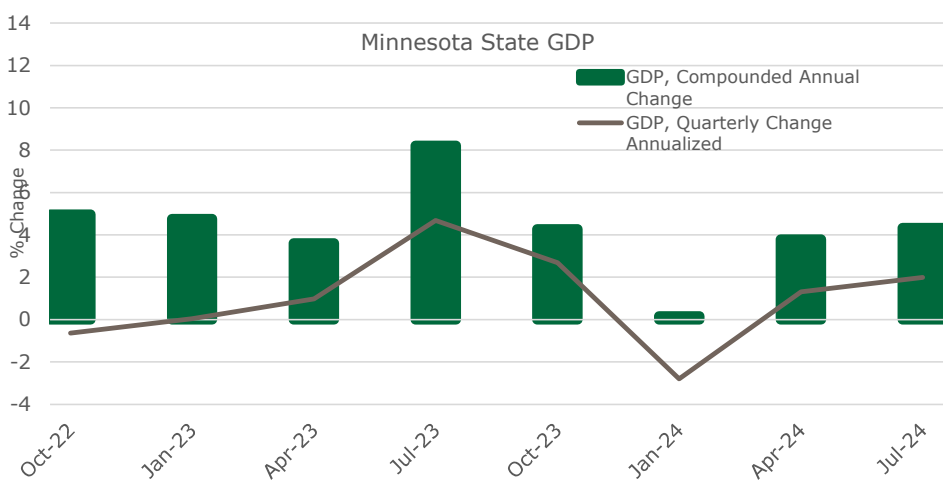
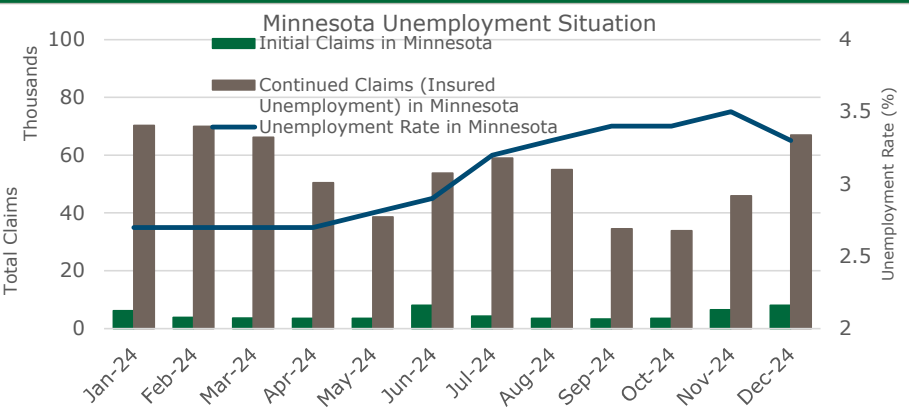
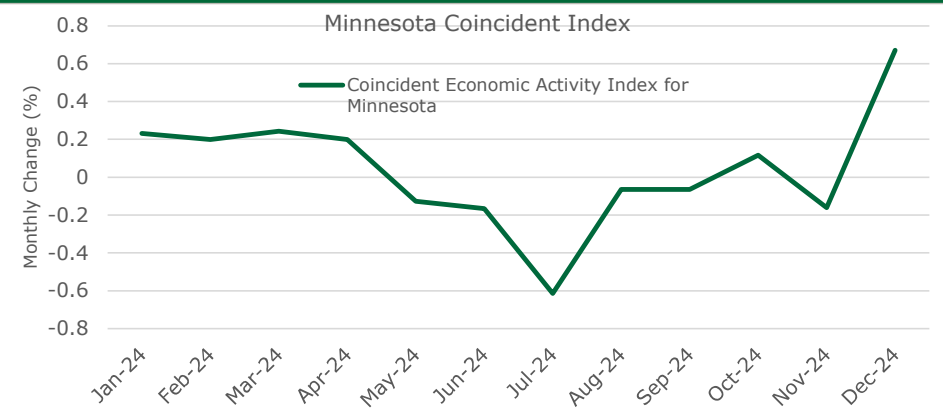
Idaho



Iowa

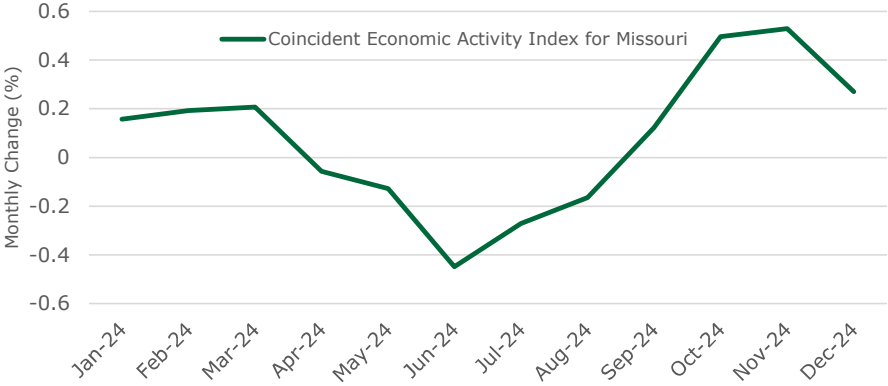


Minnesota

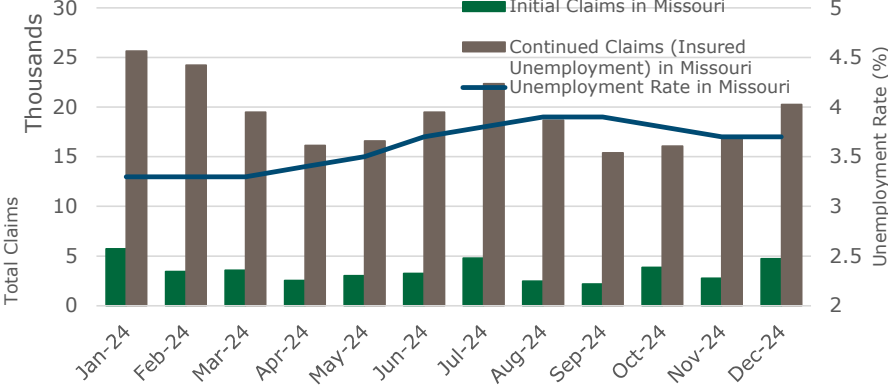


Missouri

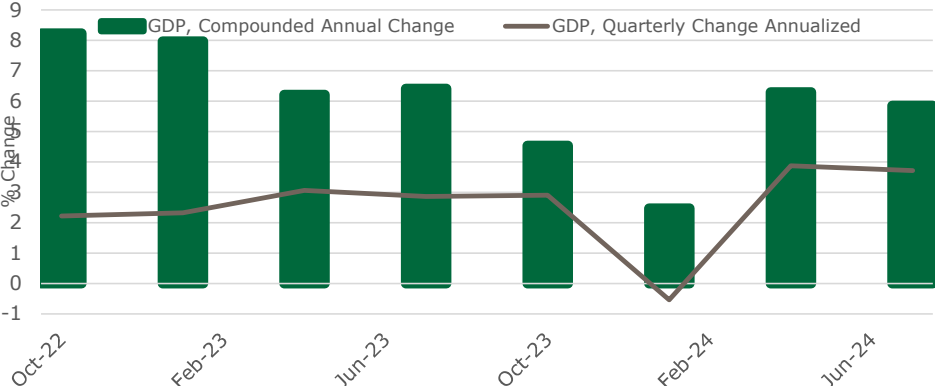
Missouri Coincident Index



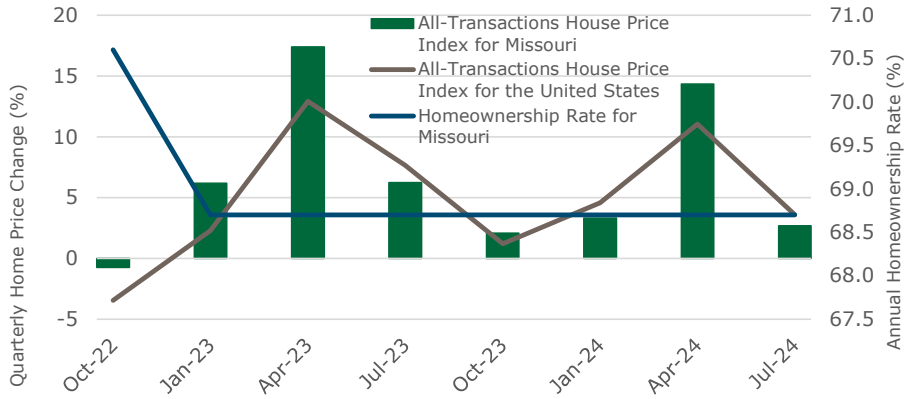
Missouri Unemployment Situation



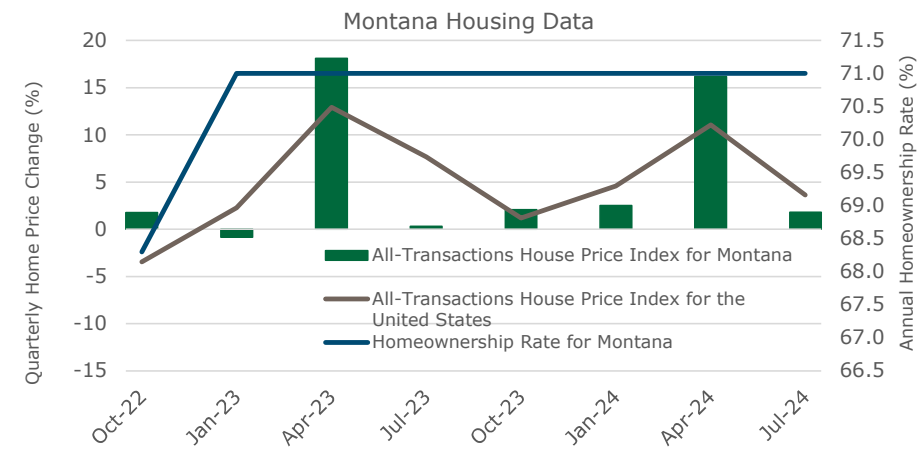
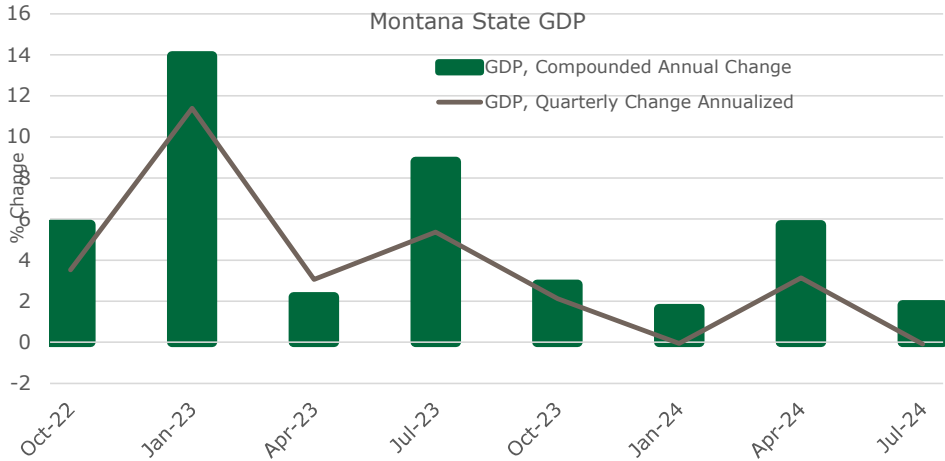
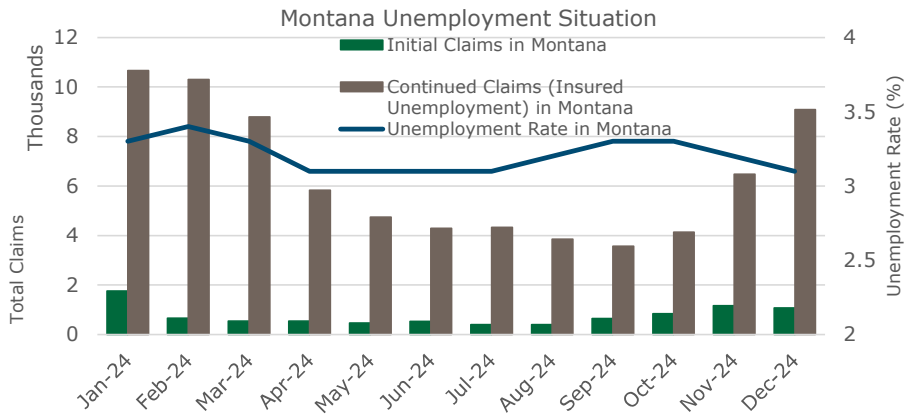
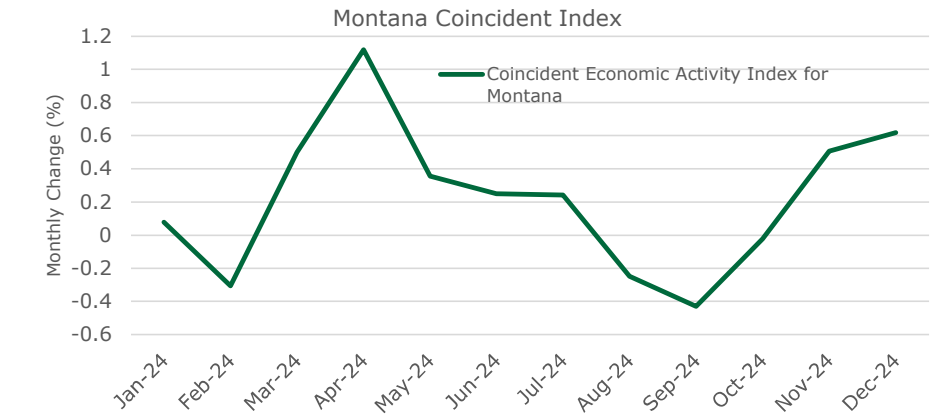
Missouri State GDP



Missouri Housing Data

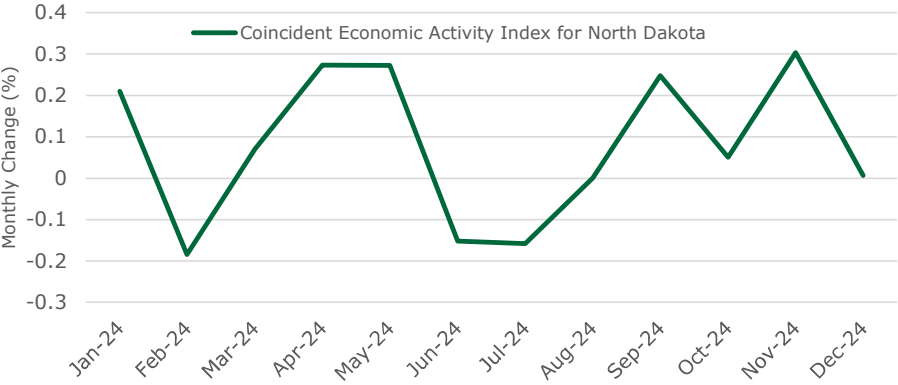


Montana

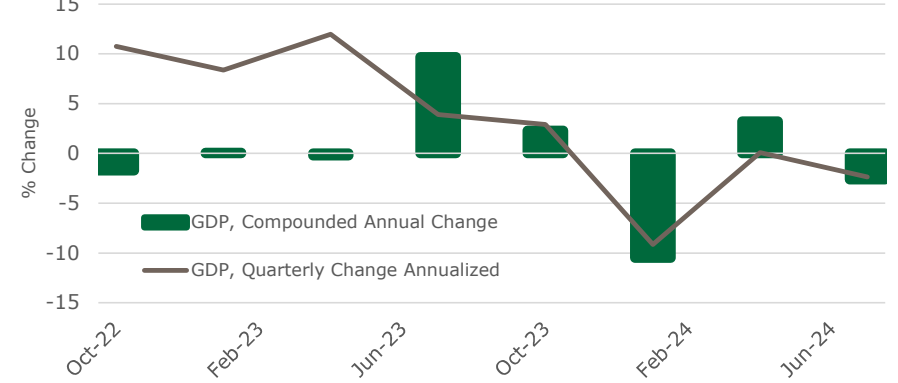


North Dakota

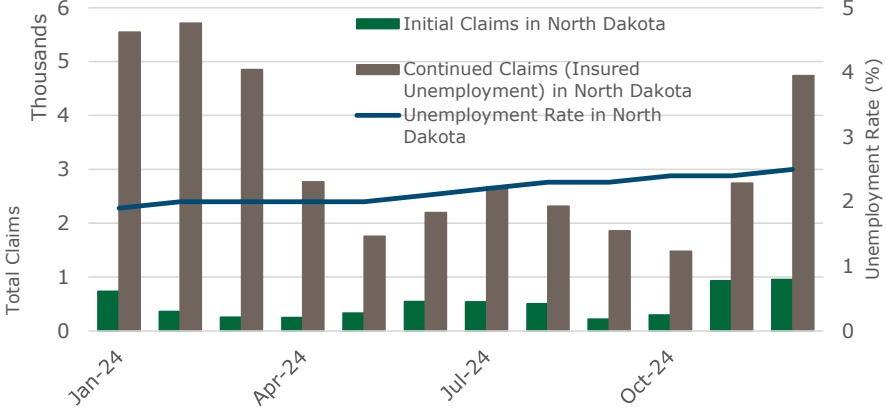
North Dakota Coincident Index



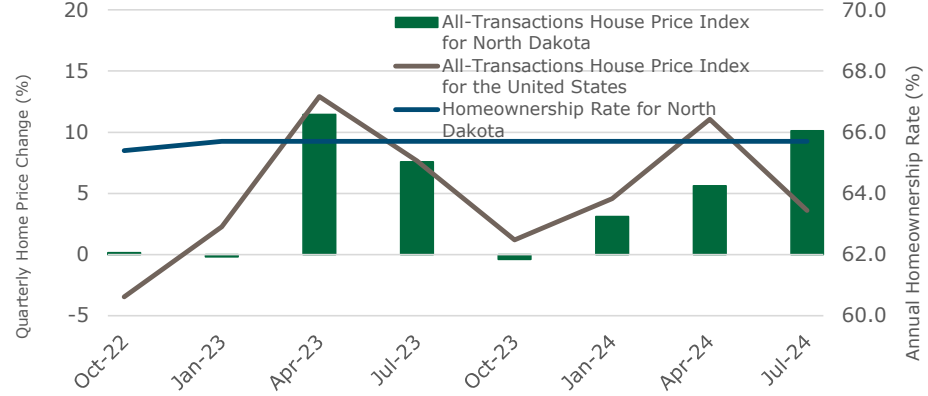
North Dakota State GDP



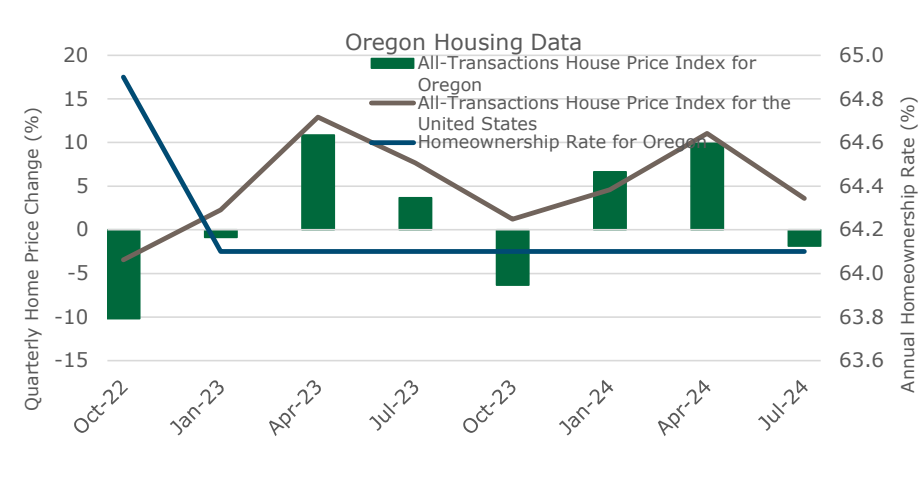
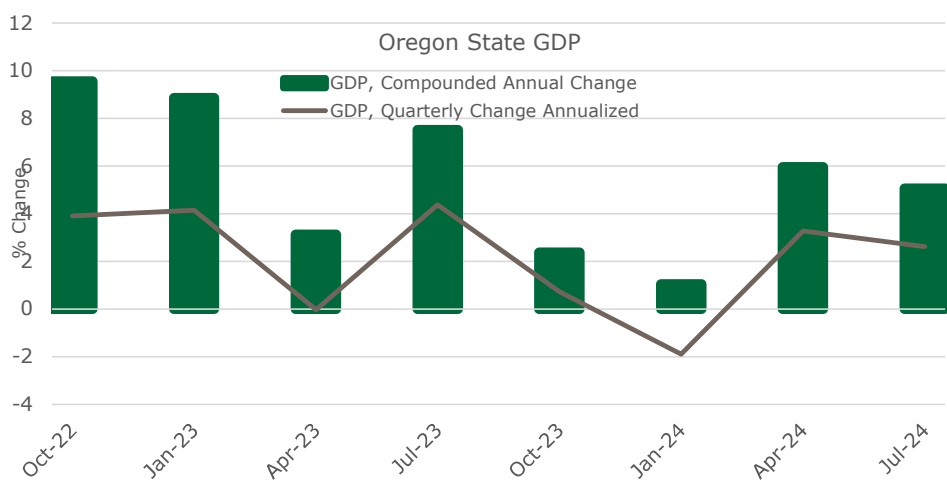
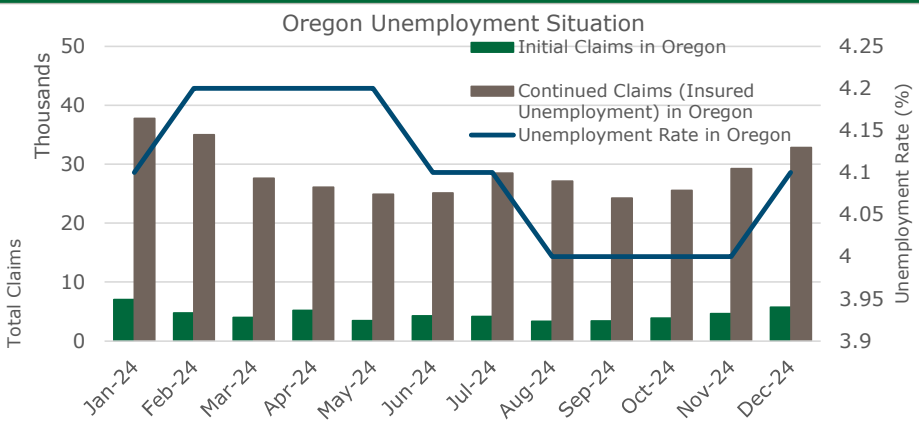
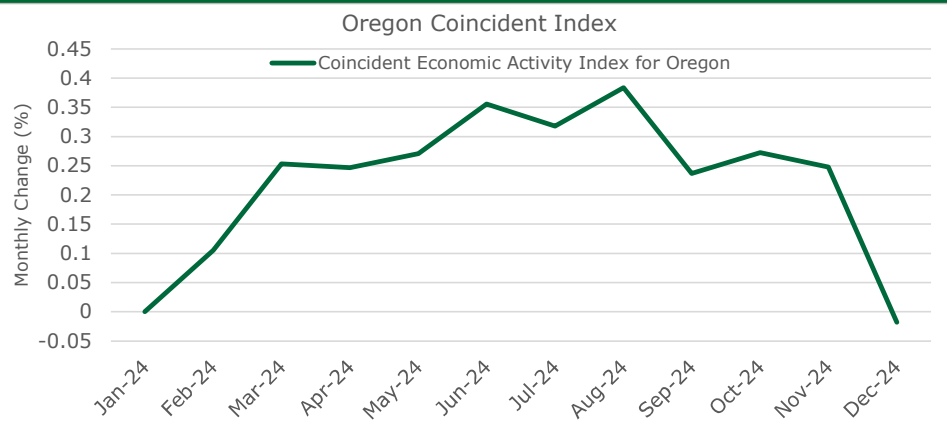
North Dakota Unemployment Situation



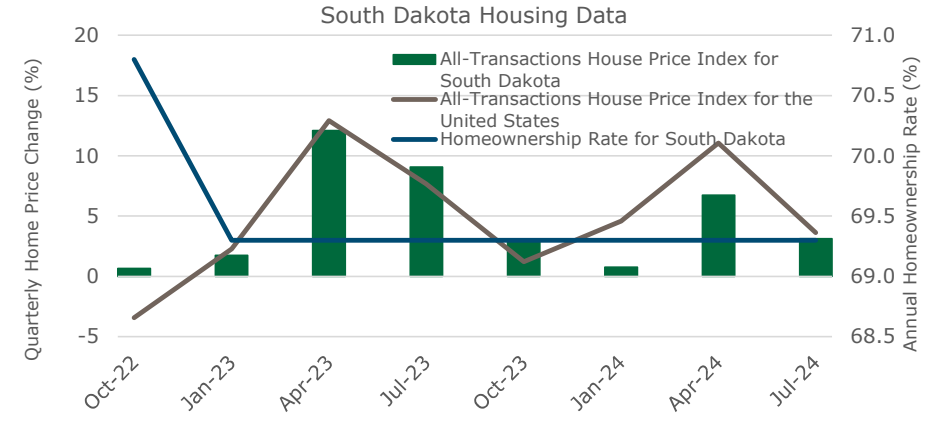
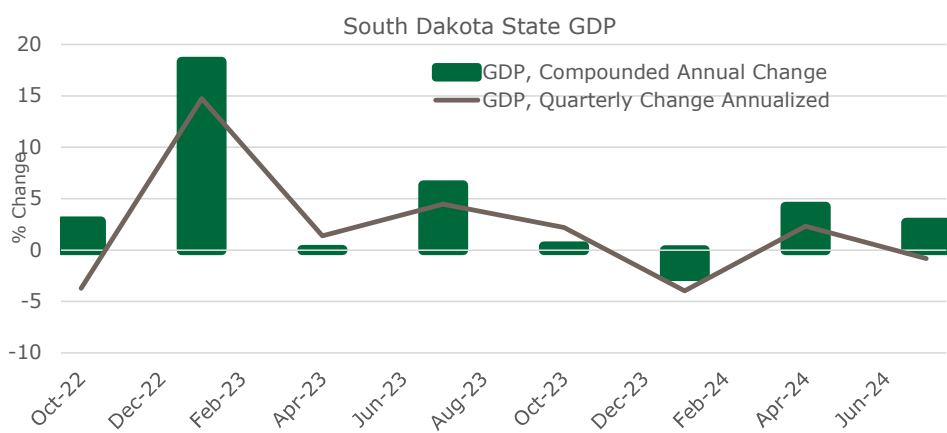
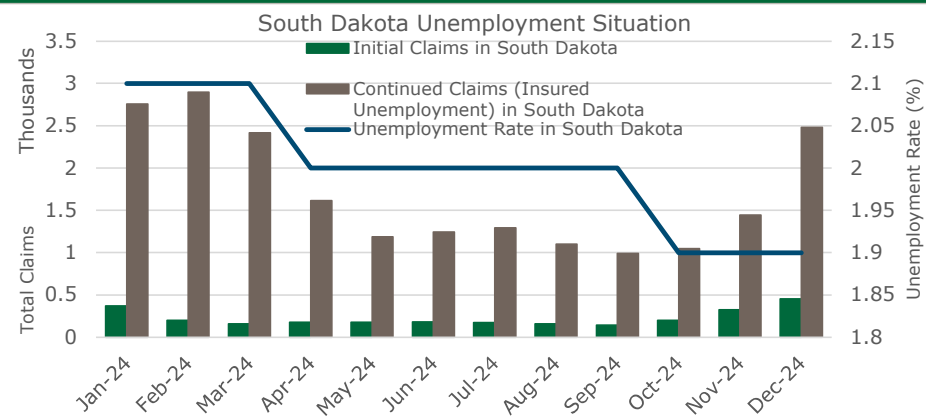
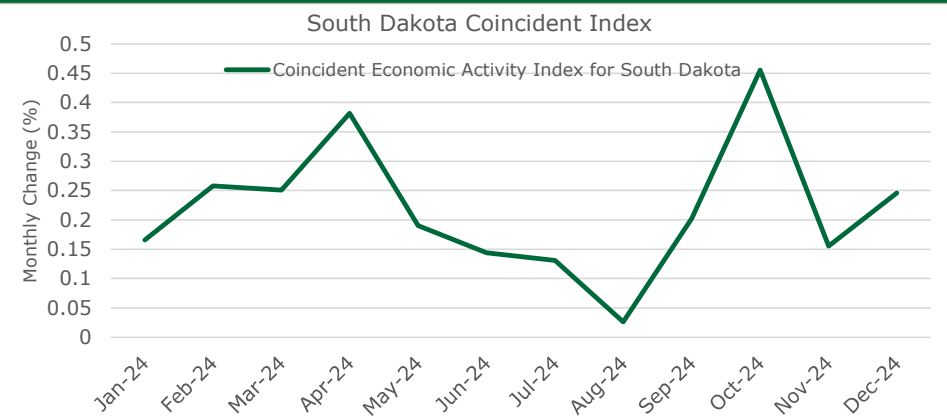
North Dakota Housing Data



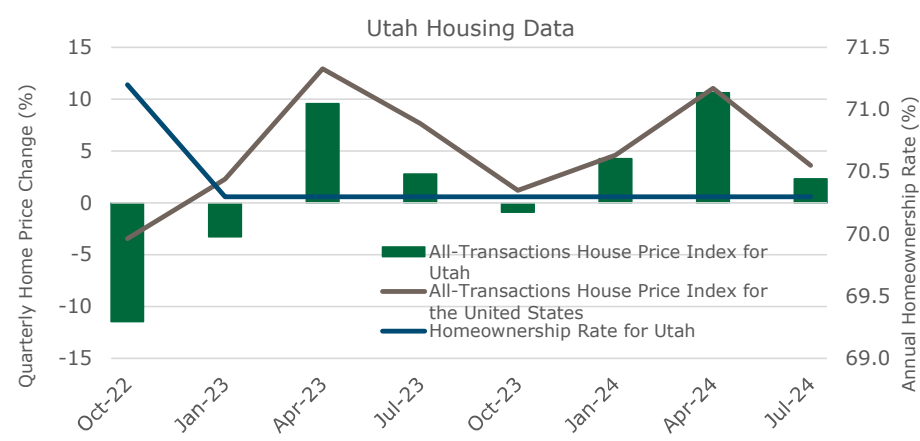
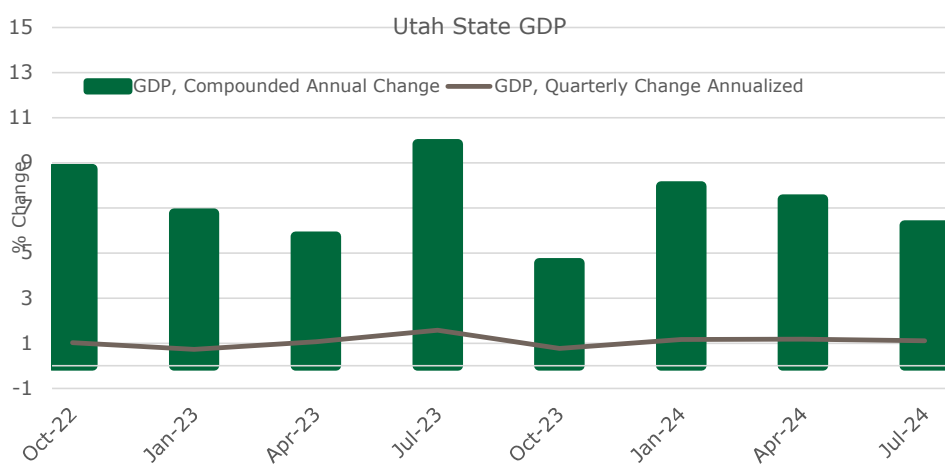
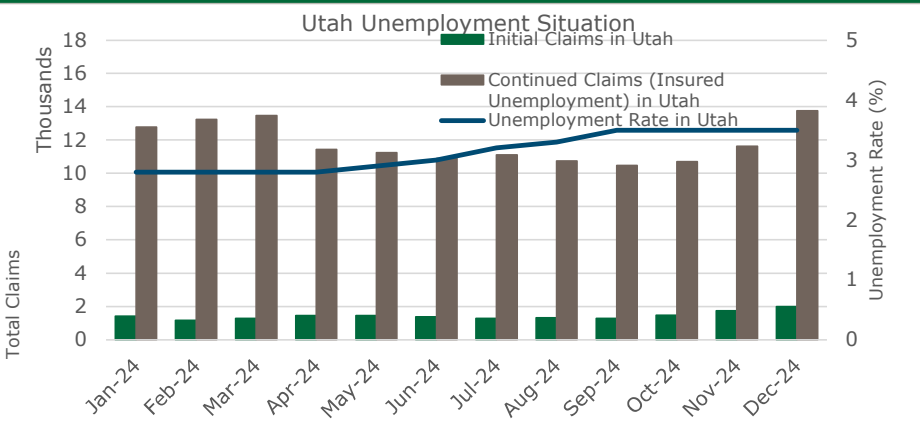
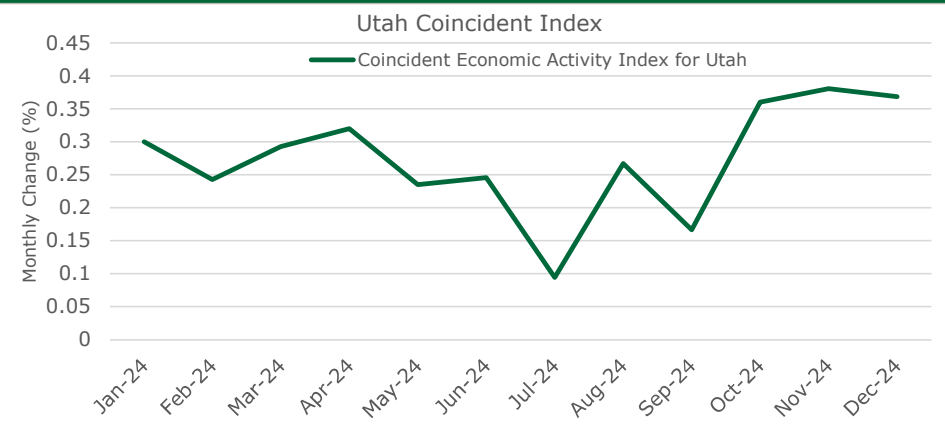
Oregon



South Dakota

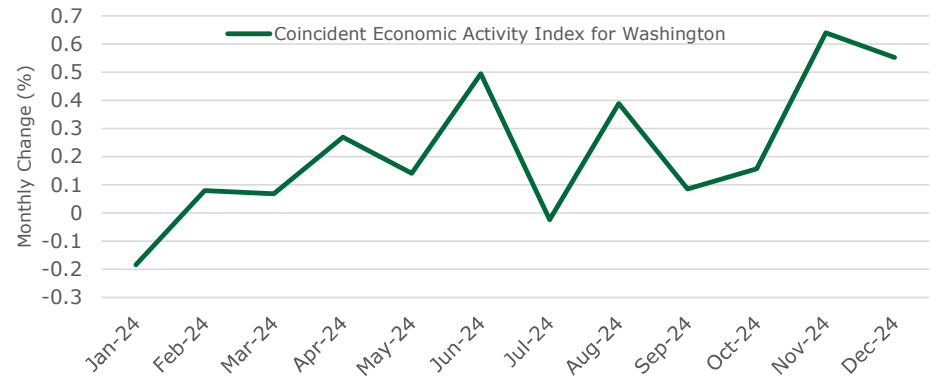


Utah

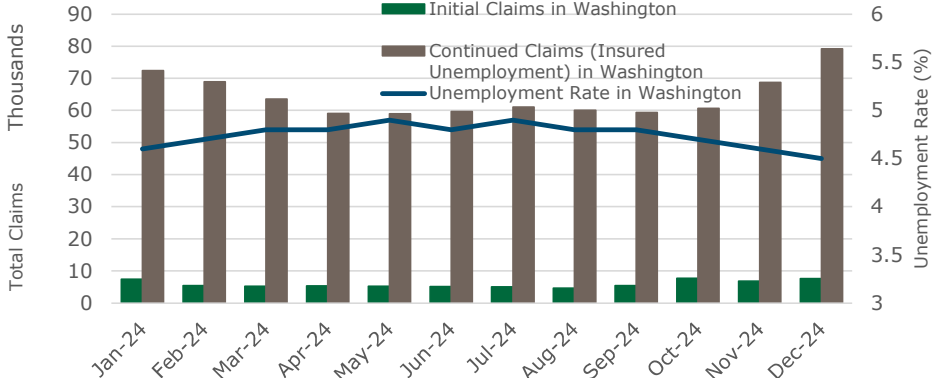


Washington

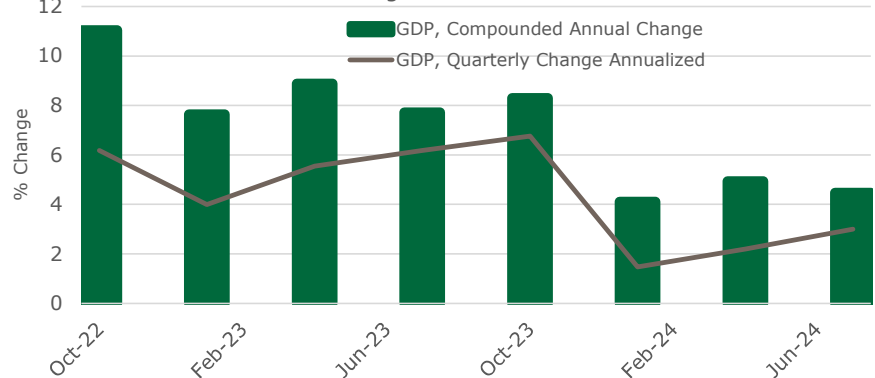
Washington Coincident Index



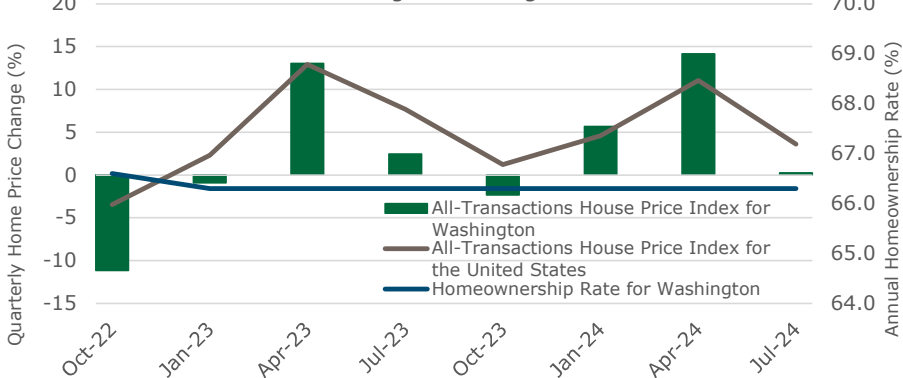
Washington Unemployment Situation



Washington State GDP



Washington Housing Data



Wyoming

