



FHLB DES MOINES

Quarterly Economic Overview

Member Strategies Department

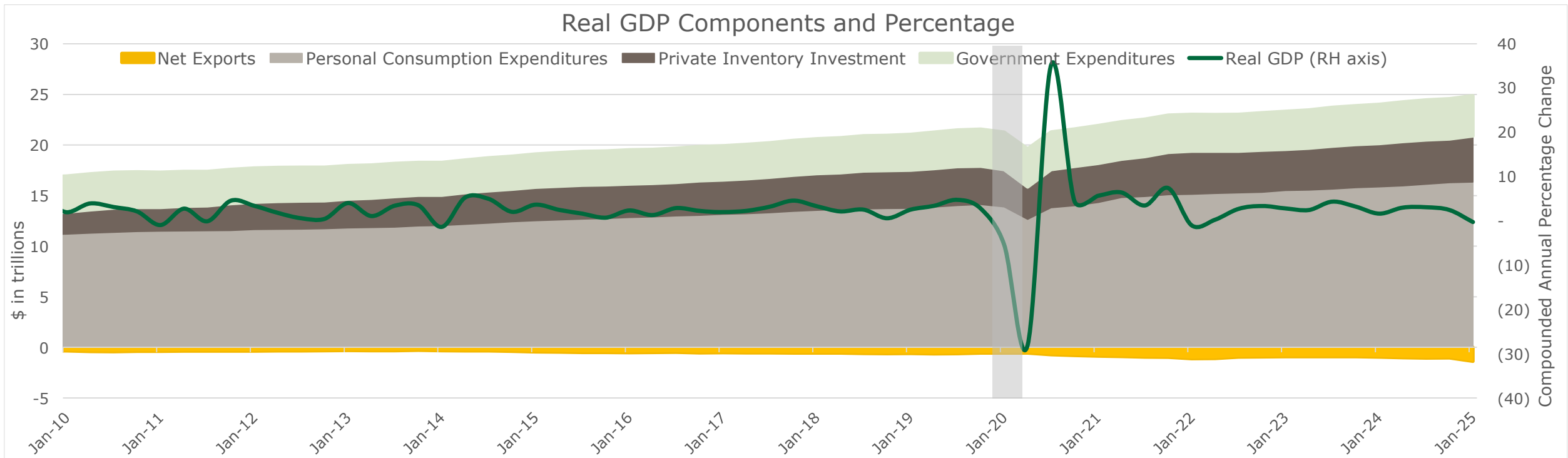
First Quarter, 2025



Gross Domestic Product

The U.S. Economy Contracted During the First Quarter

U.S. Gross Domestic Product



Fourth-quarter (third estimate) Real GDP

- The third estimate for fourth-quarter real GDP came in at 2.4%.

First-quarter (advance estimate) Real GDP

- The advance estimate for first-quarter real GDP was -0.3%. The first quarter decrease primarily reflected an increase in imports, which are a subtraction in the calculation of GDP, and a decrease in government spending. These movements were partly offset by increases in investment, consumer spending, and exports.
- The increase in imports primarily reflected an increase in imported goods, led by consumer goods, except food and automotive (mainly medicinal, dental, and pharmaceutical preparations, including vitamins); and by capital goods, except automotive (mainly computers, peripherals, and parts). Within health care, hospital and nursing home services (notably hospital services) and outpatient services increased.
- The increase in consumer spending reflected increases in both services and goods. Within services, increases were widespread, led by spending on health care as well as housing and utilities. Within goods, an increase in nondurable goods was partly offset by a decrease in durable goods.

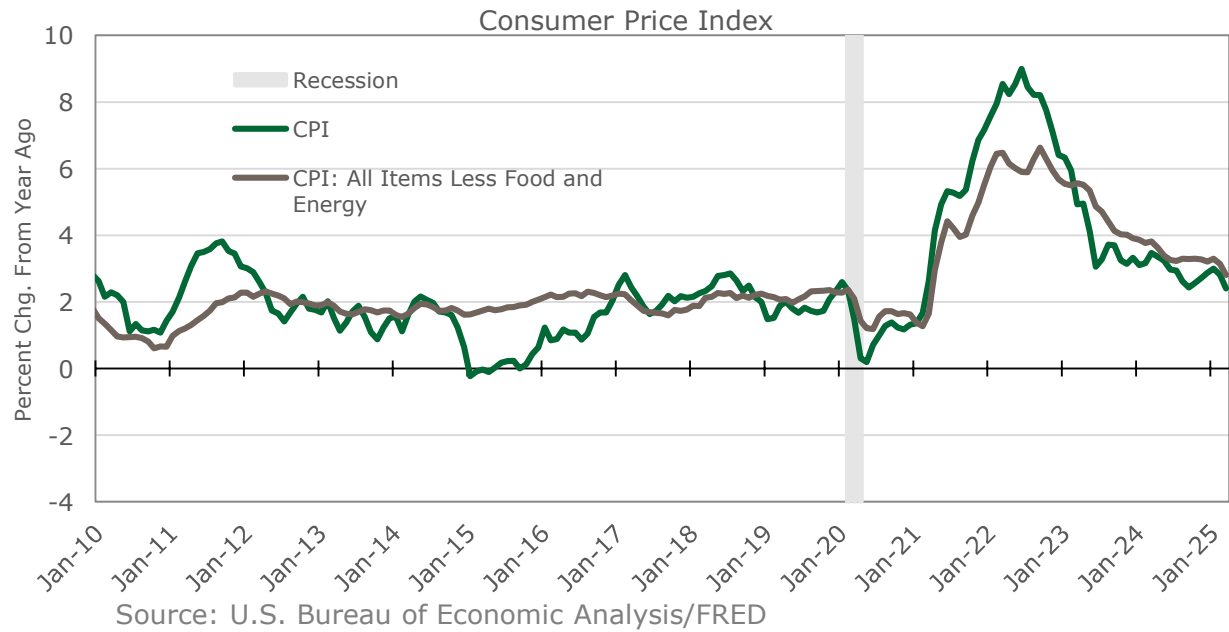
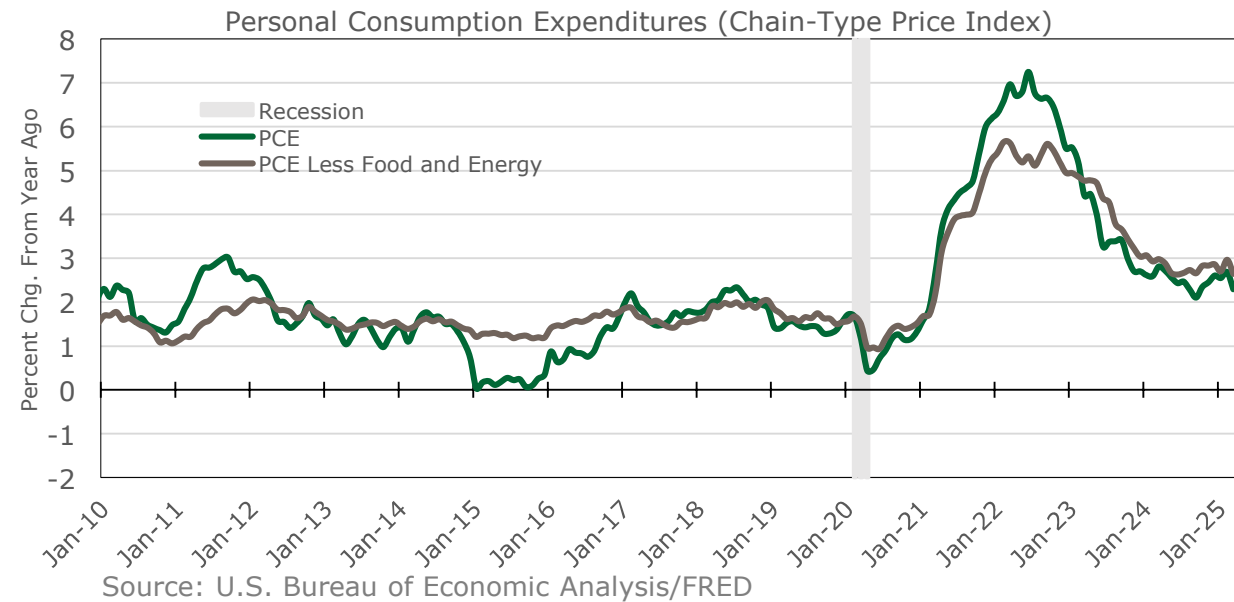


Prices

Inflation Readings Were Mostly Lower During the First Quarter

Consumer Prices

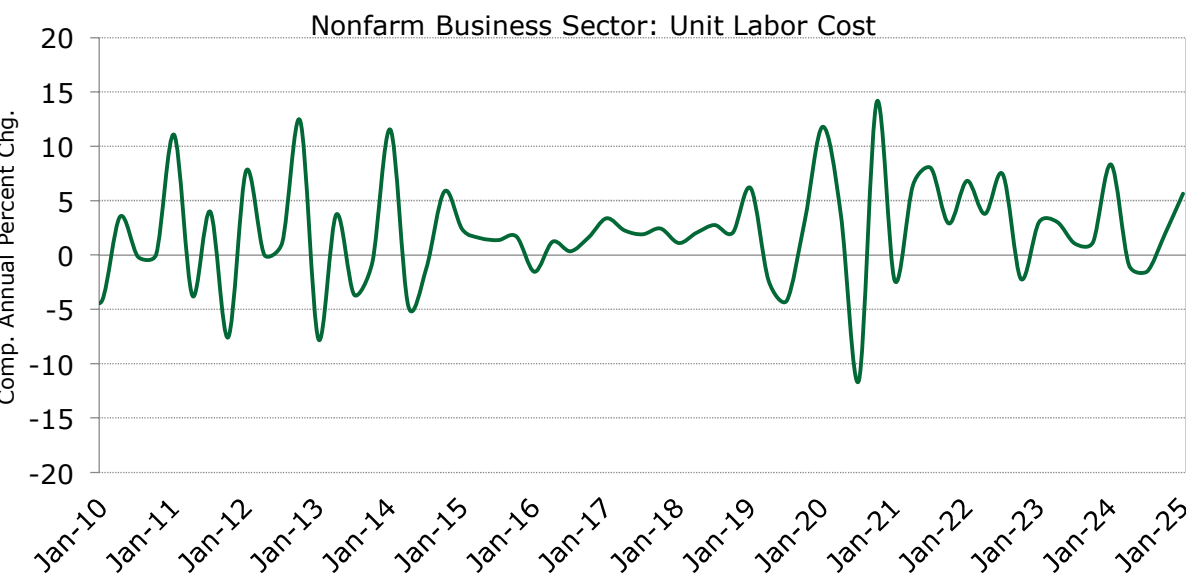
- The all-items index rose 2.4% for the 12 months ending March, down from 2.8% in February. The energy index decreased 3.3% over the past year, while the food index rose 3.0%.
- On a month-over-month basis, the all-items index decreased 0.1%, after rising 0.2% in February. The energy index fell 2.4% during the month. The food index increased 0.4%, with the food at home index rising 0.5% and food away increasing 0.4%.
- The index for all items less food and energy rose 2.8% for the 12 months ending March, the smallest annual increase since March 2021.
- The index for all items less food and energy rose 0.1% in March, after increasing 0.2% in February. Indexes that increased over the month include personal care, medical care, education, apparel, and new vehicles. The indexes for airline fares, motor vehicle insurance, used cars and trucks, and recreation were among the major indexes that decreased in March.



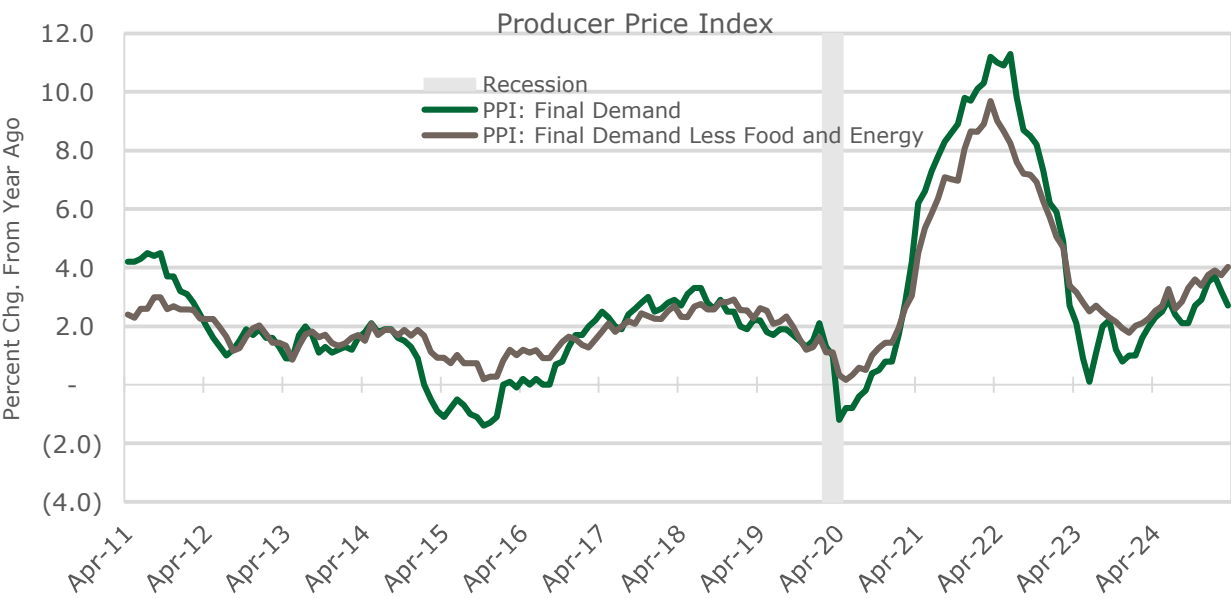
- The price index for PCE posted a year-over-year increase of 2.3% in March. When backing out food and energy, Core PCE was up 2.6%.
- On a month-over-month basis, March's PCE increased \$134.5 billion. Breaking it down, goods increased \$54.5 billion and services increased \$79.9 billion.
- Personal income increased by \$116.8 billion (0.5%) and outlays increased by \$136.6 billion in March.

Producer Prices

- The PPI for final demand rose 2.7% over the last 12 months ending in March (on an unadjusted basis). The index for final demand less food, energy and trade services rose 3.4% over the same period.
- Month-over-month, the final demand index (seasonally adjusted) fell 0.4% in March. The decrease is due to a 0.9% drop in goods, while services fell 0.2%. Prices for final demand less foods, energy, and trade services were 0.1% higher.
- Two-thirds of the March decline in the index for final demand goods can be traced to an 11.1% drop in prices for gasoline. The indexes for chicken eggs, beef and veal, fresh and dry vegetables, diesel fuel, and jet fuel also moved lower. Conversely, prices for steel mill products increased 7.1%. The indexes for residential electric power and for processed young chickens also advanced.
- A 1.3% decrease in the index for machinery and vehicle wholesaling was a major factor in the March decline in prices for final demand services. The indexes for airline passenger services; food retailing; apparel, jewelry, footwear, and accessories retailing; automobiles retailing (partial); and guestroom rental also moved lower. Conversely, prices for legal services rose 1.5%. The indexes for chemicals and allied products wholesaling and for long-distance motor carrying also advanced.



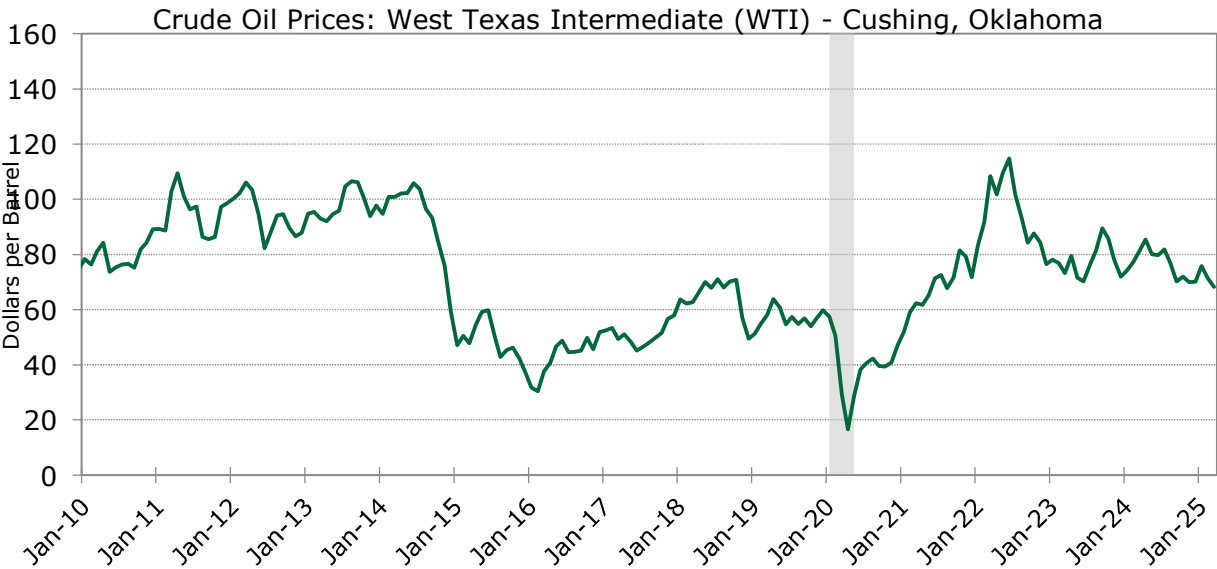
Source: U.S. Bureau of Labor Statistics/FRED



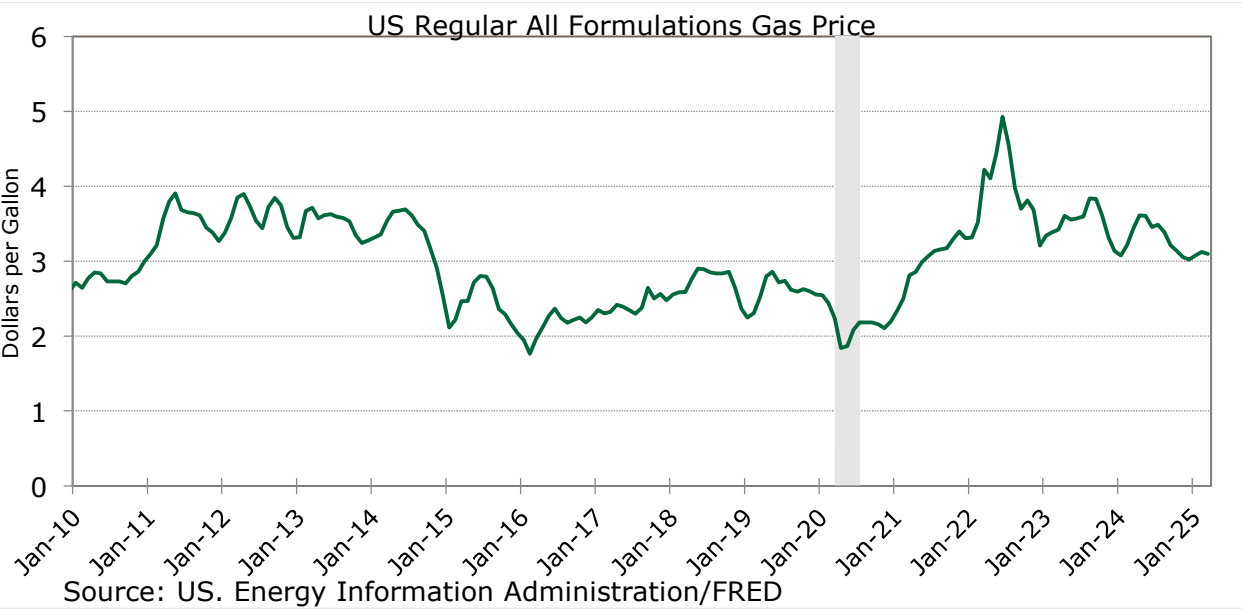
- Unit labor costs increased at an annual rate of 5.7% (preliminary) in the first quarter of 2025, the combined effect of a 4.8% increase in hourly compensation and a 0.8% decrease in productivity. Unit labor costs increased 1.3% over the last four quarters.
- The manufacturing sector unit labor costs increased 1.6% in the first quarter of 2025, as hourly compensation increased 6.2% and productivity increased 4.5%. Over the last four quarters, manufacturing unit labor costs increased 0.7%.
- 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 will average 13.6 million barrels per day (b/d) in 2025, up from 13.2 million (b/d) in 2024. The EIA estimates U.S. crude oil production will average 13.8 million (b/d) in 2026.
- The EIA estimates Brent crude oil prices to average \$75 per barrel (b) by the third quarter of 2025, up from \$70/b. EIA expects oil inventories to build and Brent prices to average \$74/b in 2025 and \$68/b in 2026.



- The EIA estimates U.S. retail gasoline price will average \$3.20 per gallon (gal) in 2025 and 2026.



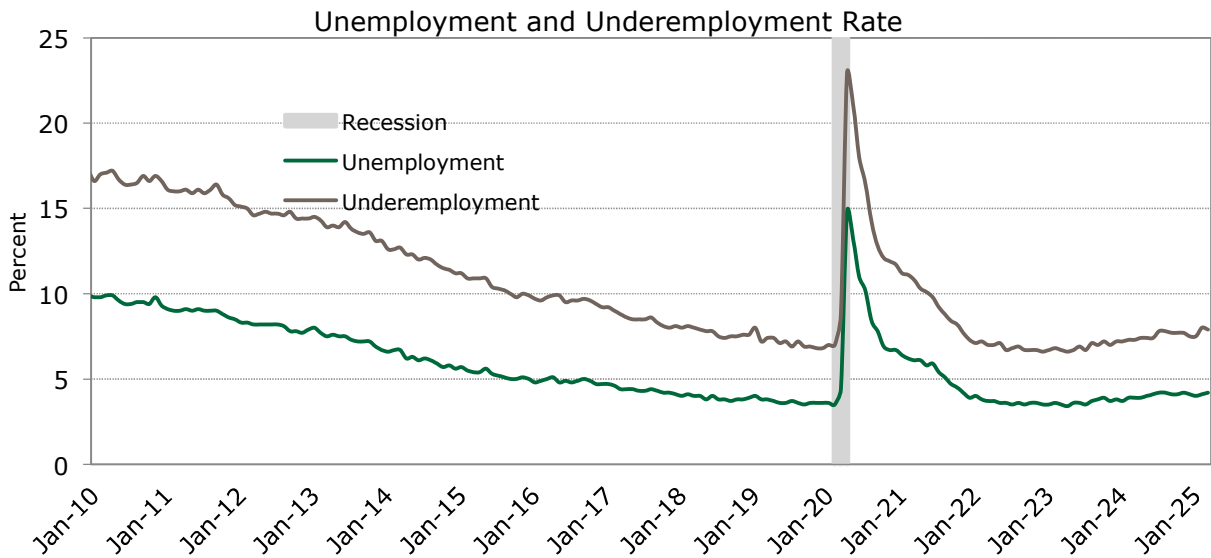


Employment

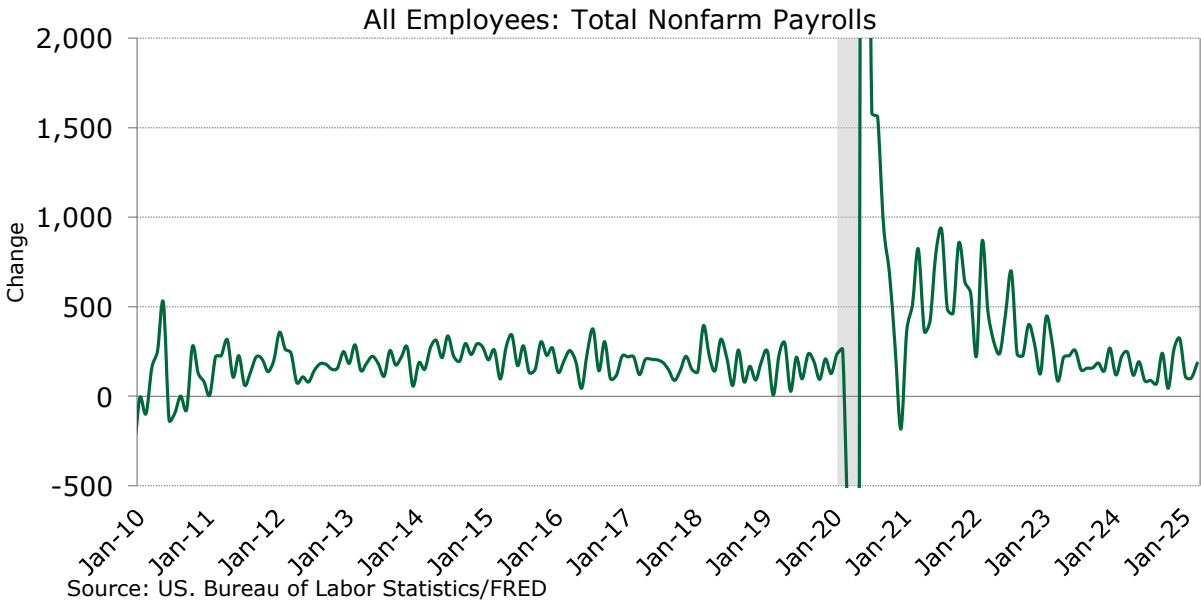
Labor Market Remained Steady, Unemployment Rates Crept Higher

Employment

- Total nonfarm payroll employment for March increased by 228,000, above the previous 12-month average 158,000 per month.
- In March, employment trended up in health care, social assistance, and transportation and warehousing.
- Nonfarm employment in January was revised down 14,000 to 111,000 and February was revised down 34,000 to 117,000.
- It should be noted that the high and low points of the pandemic are excluded from the graph.



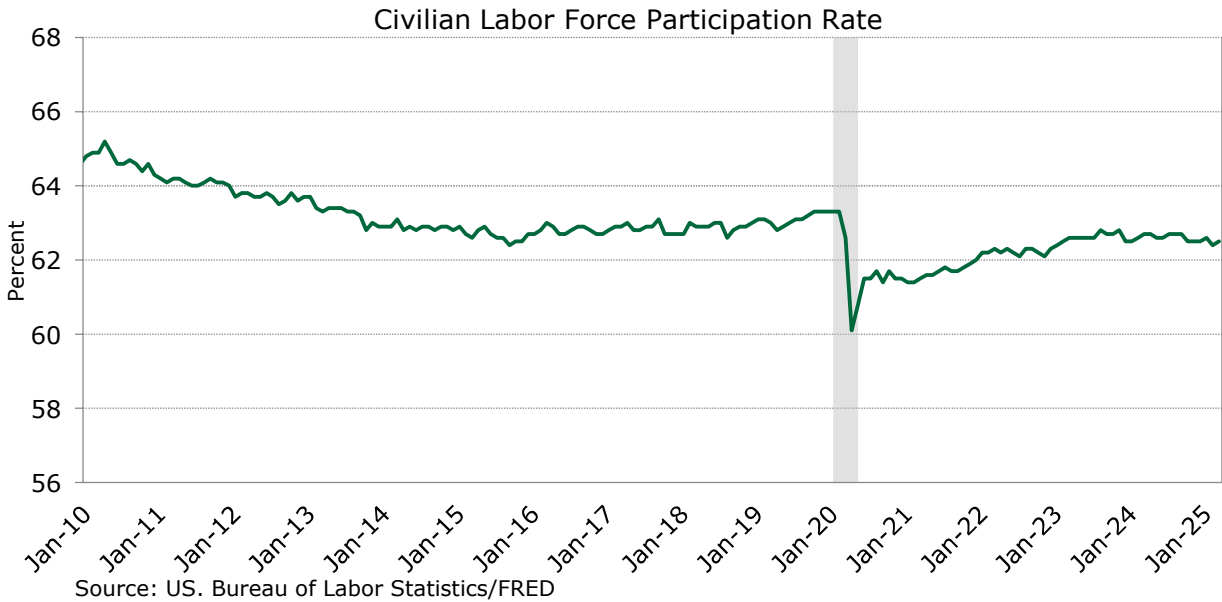
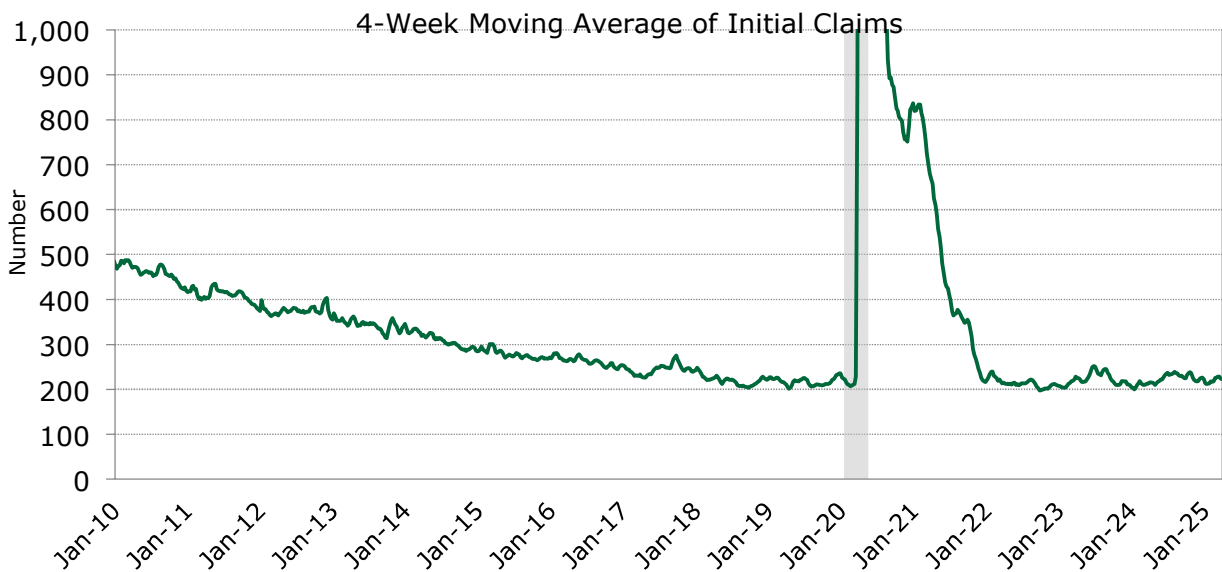
Source: U.S. Bureau of Labor Statistics/FRED



- The March unemployment rate was little changed at 4.2%. The unemployment rate has ranged from 4.0% to 4.2% since May 2024. The number of unemployed persons was 7.1 million.
- The number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 1.5 million in March.
- The seasonally adjusted underemployed rate, or the U-6 rate, was 7.9% in March.

Employment

- The labor force participation rate was at 62.5%, little changed from the prior month. The employment-population ratio (not shown in graphs) was at 59.9%, unchanged from 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 90,654 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 223,000 as of the week March 29.
- The weekly initial claims for the week ending March 28 were 200,081, the second lowest level since September.
- It should be noted, the high point of the pandemic have been excluded from the graph.

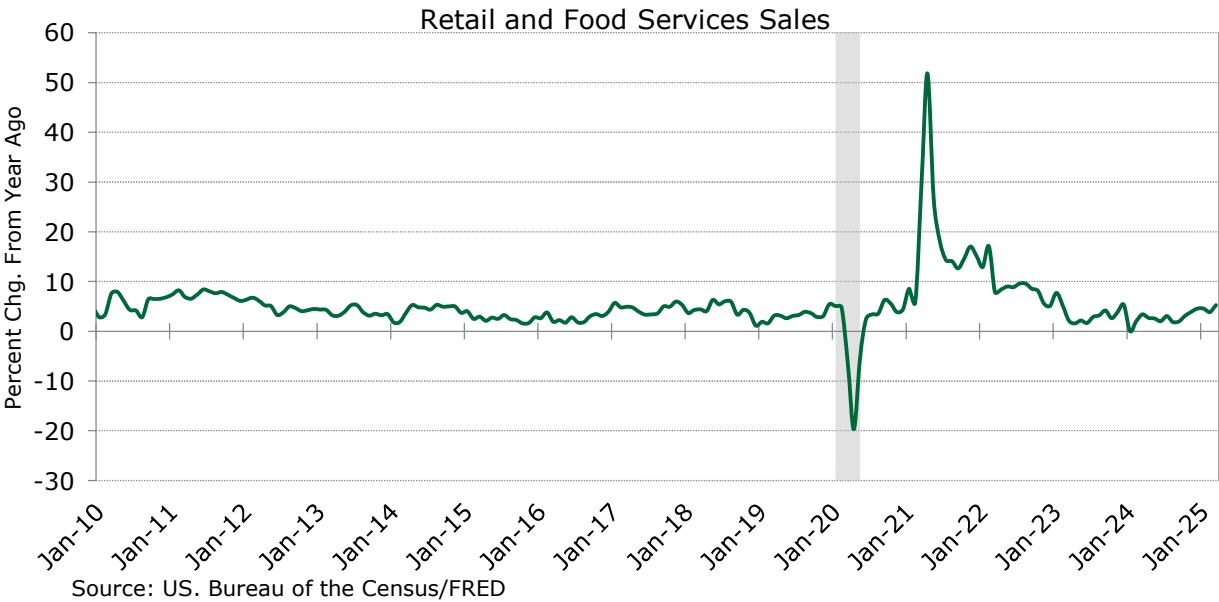


Consumer

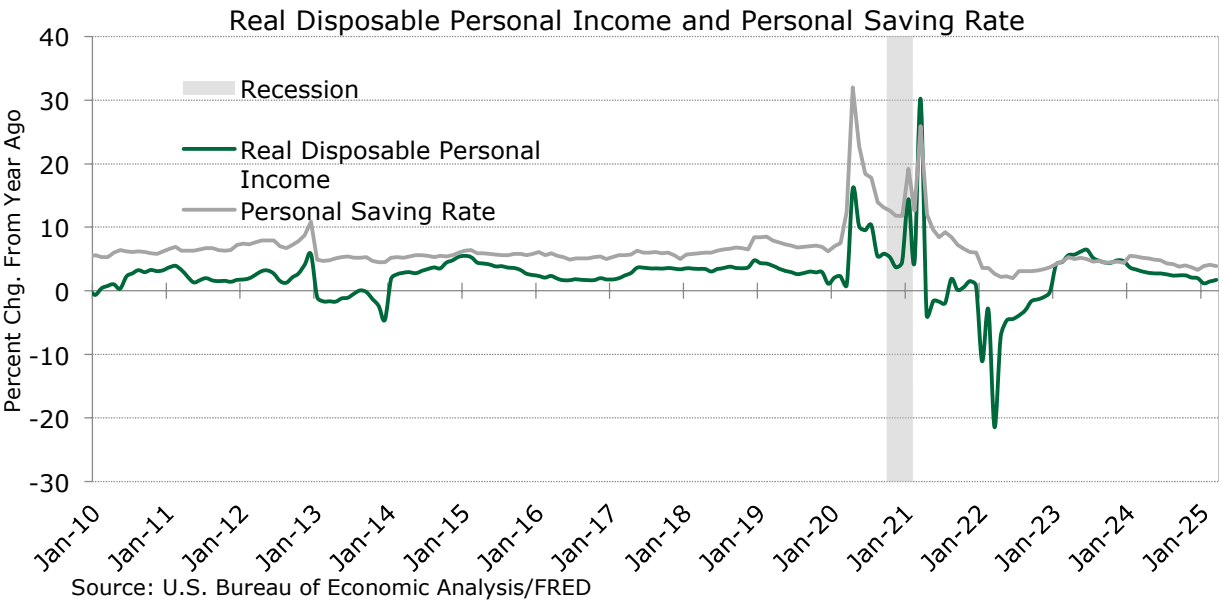
Retail Sales Were Higher, Savings and Disposable Income Remained Steady

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 rose 1.4% month-over-month and is 4.4% higher than March 2024.
- When excluding motor vehicles and gasoline stations, retail sales increased 5.3% since March 2024.



- Real disposable personal income rose 0.5% in March and was up 1.7% year-over-year.
- Personal savings was \$872.3 billion in March. The personal savings rate was 3.9%.



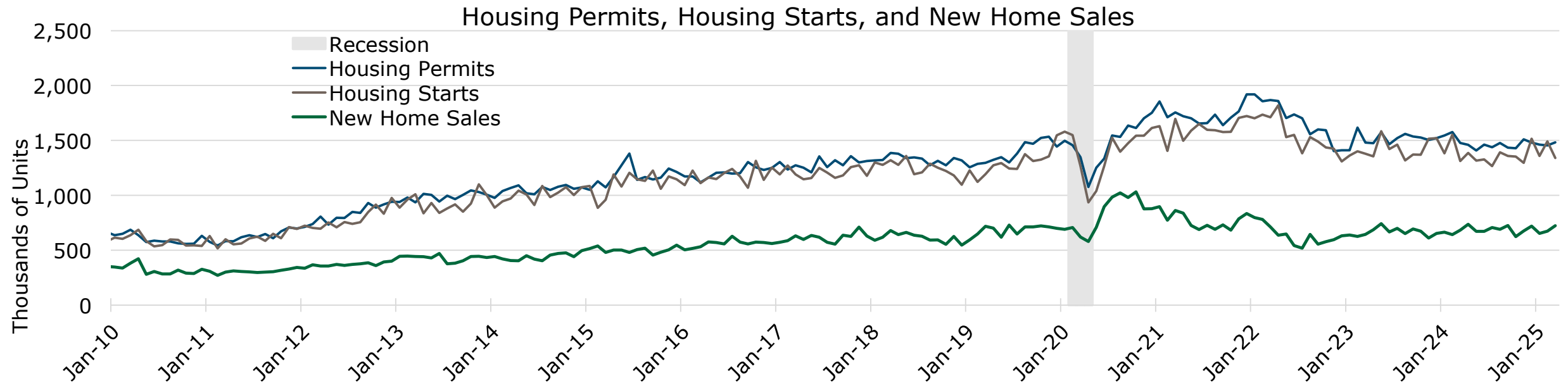


Housing

The Housing Sector Began to Stagnate During the First Quarter

Housing

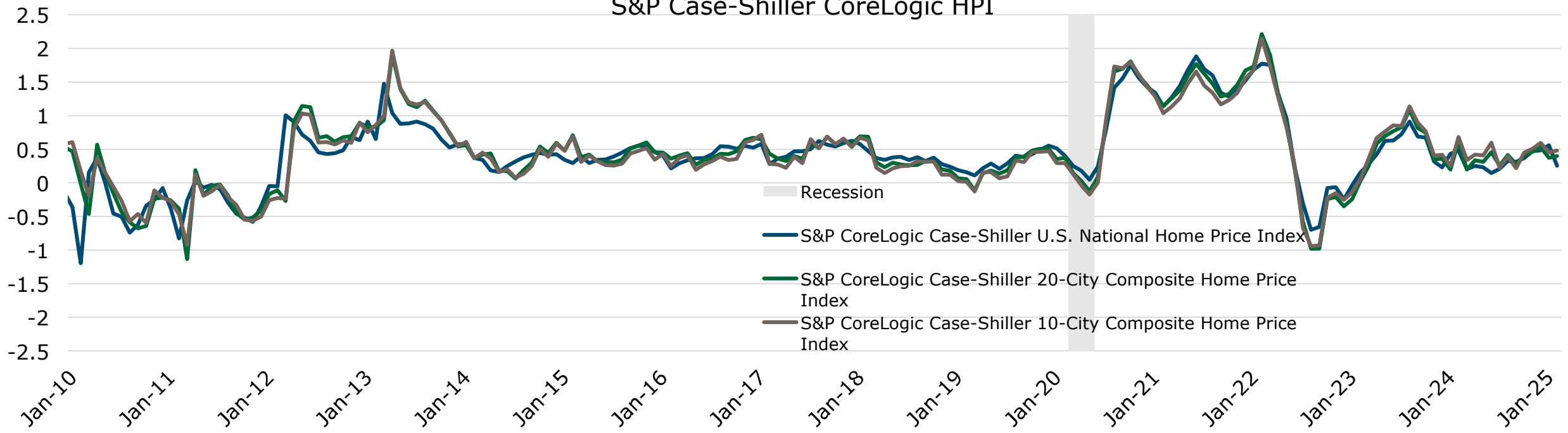
- Building permits, which lead housing starts by 1-3 months and are subject to less volatility, in March were at a seasonally adjusted annual rate of 1,482,000, 1.6% above the revised February rate but 0.2% below the March 2024 level. Single-family building permits were at a rate of 978,000, 2.0% below the revised February rate. Building permits for 5+ units were at a rate of 445,000 in March.
- Housing starts in March were at a seasonally adjusted rate of 1,324,000, 11.4% below the revised February rate, but 1.9% above the March 2024 rate. Single-family housing starts in March were at a rate of 940,000, 14.2% below the revised February rate. Housing Starts for 5+ units was 371,000 in March.
- New home sales in March were at a seasonally adjusted rate of 724,000, 7.4% above the revised February rate and 6.0% above the March 2024 rate. The median sales price of new houses sold in March was \$403,600. The average sales price was \$497,700. The seasonally adjusted estimate of new houses for sale at the end of March was 503,000, which represents a supply of 8.3 months at the current sales rate.
- Existing-home sales (not graphed), as reported by the National Association of Realtors, fell 5.9% in March, to a seasonally adjusted annual rate of 4.02 million. Sales are down 2.4% from a year ago.
- The median price for existing-home sales was \$403,700, up 2.7% from a year ago.
- Supply was at 1.33 million in March, up 8.1% from one year ago. Relative to sales, supply is at 4.0 months, up from 3.5 months last month and 3.2 months a year ago.
- Existing-home sales in the Midwest were down 5.0% in March and 3.1% year-over-year. The median price was \$302,100, up 3.5% from a year ago. Sales in the West were down 9.4% in March, but up 1.3% year-over-year. The median price was \$621,200, up 2.6% 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 February of 3.9%, down from 4.1% the prior month. The National Index rose 0.4% in the month of February before seasonal adjustments and increased 0.3% after seasonal adjustments.
- The S&P CoreLogic Case-Shiller U.S. 10-City reported an annual increase in February of 5.2%, down from 5.4% the prior month. The 10-City Composite rose 0.8% in February before seasonal adjustments and increased 0.5% after seasonal adjustments.
- The S&P CoreLogic Case-Shiller U.S. 20-City Composite reported an annual increase in February of 4.5%, down from 4.7% the prior month. The 20-City Composite rose 0.7% in the month of February 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 0.1% in February. Prices were up 3.9% year-over-year.
- For the nine census divisions, seasonally adjusted monthly house price changes from January 2025 to February 2025 ranged from -0.8% in the Pacific division to 1.3% in the New England division. The 12-month changes ranged from 0.9 percent in the Pacific division to 7.0 percent in the Middle Atlantic division

S&P Case-Shiller CoreLogic HPI



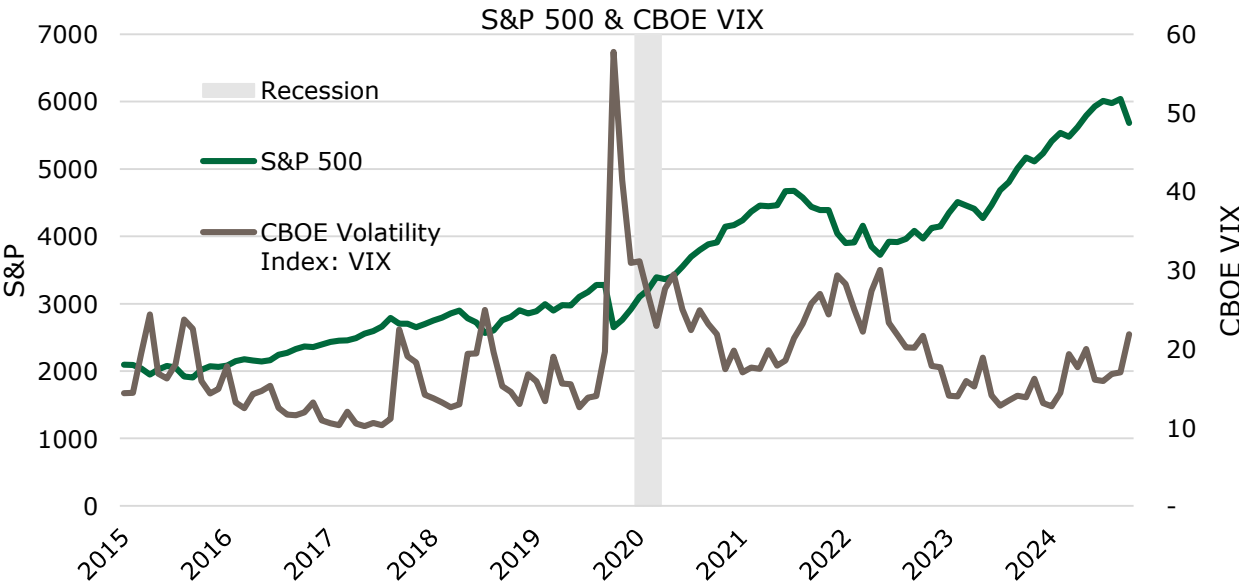


Market Indices

Equities Began To Fall As Uncertainty Was On The Rise

Market Indices

- S&P 500 closed March at 5,612, up 6.8% for 2025. 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 21.8%, the highest level since 2023. Overnight SOFR, not pictured, ended March at 4.41%.



- The spread between the 2-year and 10-year U.S. Treasury yield widened during the first quarter. The 10-year Treasury Note minus 2-year Treasury Note spread ended March at 0.31%, still well below the 1.13% median dating back to the start of the century.



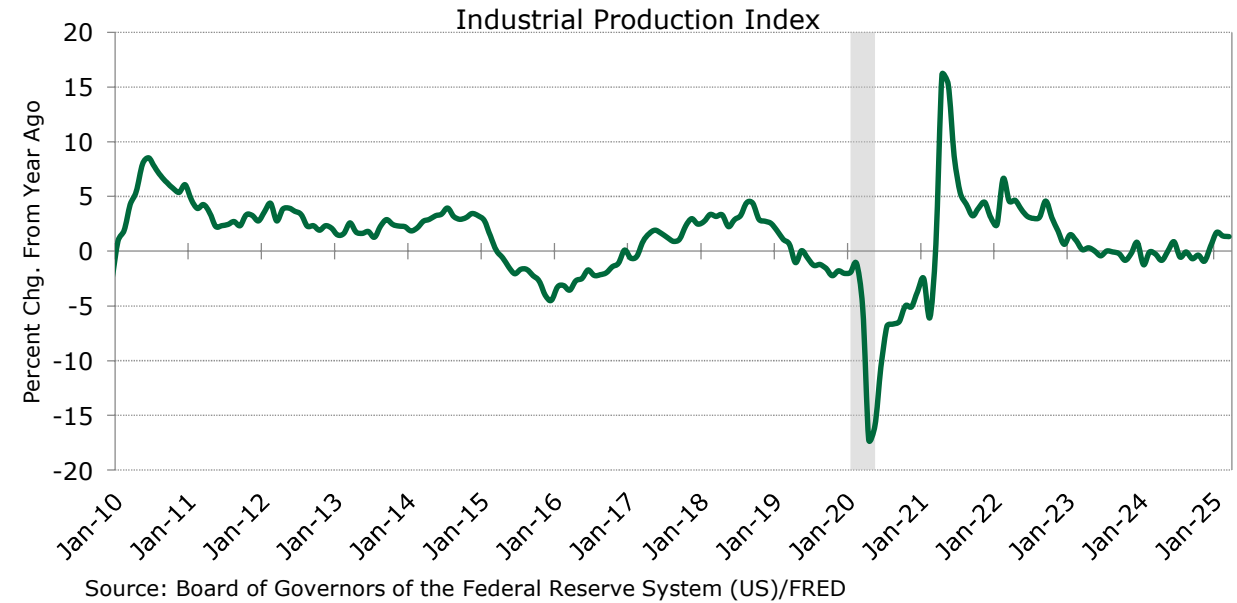
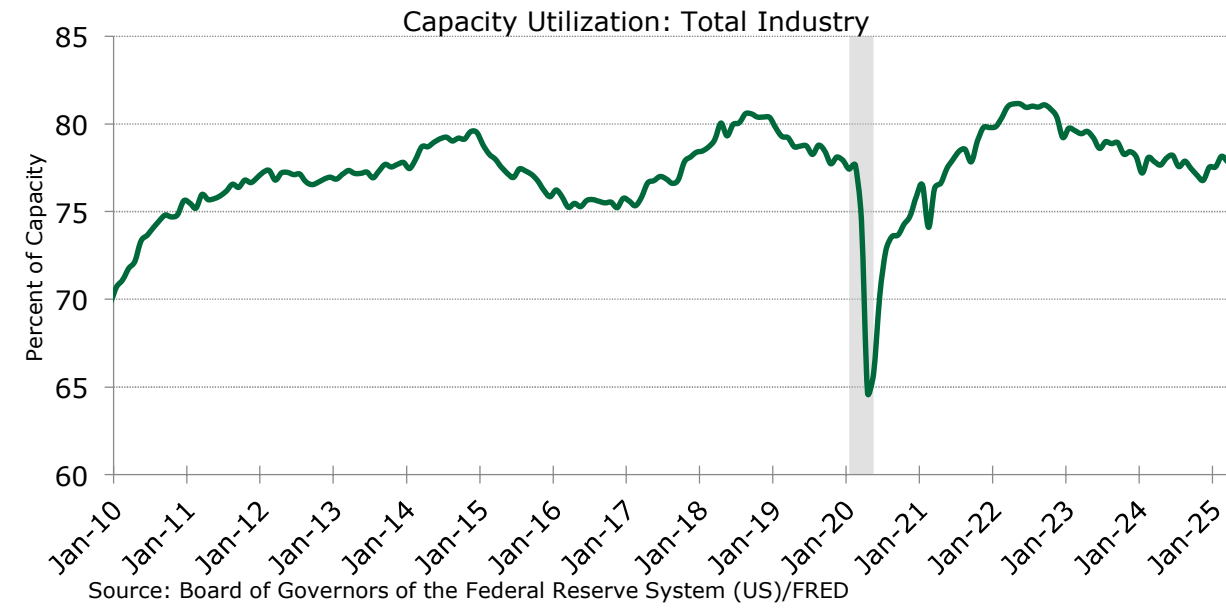


Economic Activity

Industrial Activity Was Higher for the Quarter

Economic Activity

- Industrial production fell 0.3% in March but increased at an annual rate of 5.5% during the first quarter. Output growth in March for manufacturing, mining, and utilities, posted month-over-month changes of 0.3%, 0.6%, and -5.8%, respectively. Year-over-year, industrial production rose 0.5% with manufacturing, mining, and utilities changing by 1.0%, 1.0%, and 4.4%, respectively.
- Manufacturing has risen for the last five months.
- Mining rose two of three months during the quarter.
- The utilities index fell two of three months during the quarter.



- Capacity utilization was at 77.8% in March, below the long-run average of 79.6.
- The manufacturing component was at 77.5%, below the long-run average of 78.2.
- Utilization for mining was at 89.2%, above its long-run average of 86.5%.
- The operating rate for utilities was at 68.6%, well below its long-run average of 84.2%.

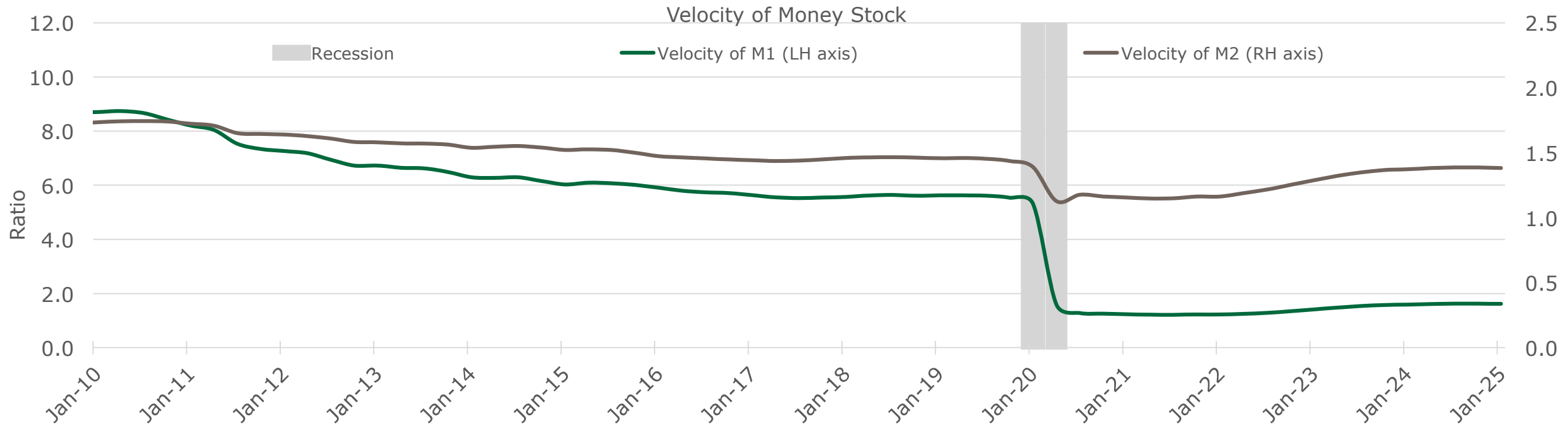


Money Supply and Velocity

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 1.38, edging lower 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 1.62 versus the peak reading of 10.68 in the 4th quarter 2007. The latest reading was unchanged from the previous quarter.

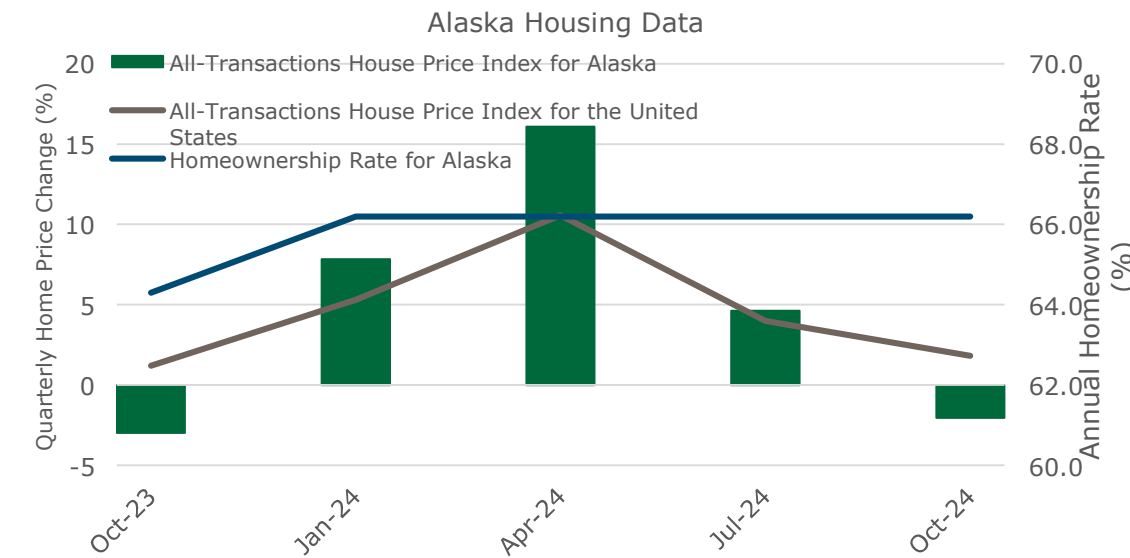
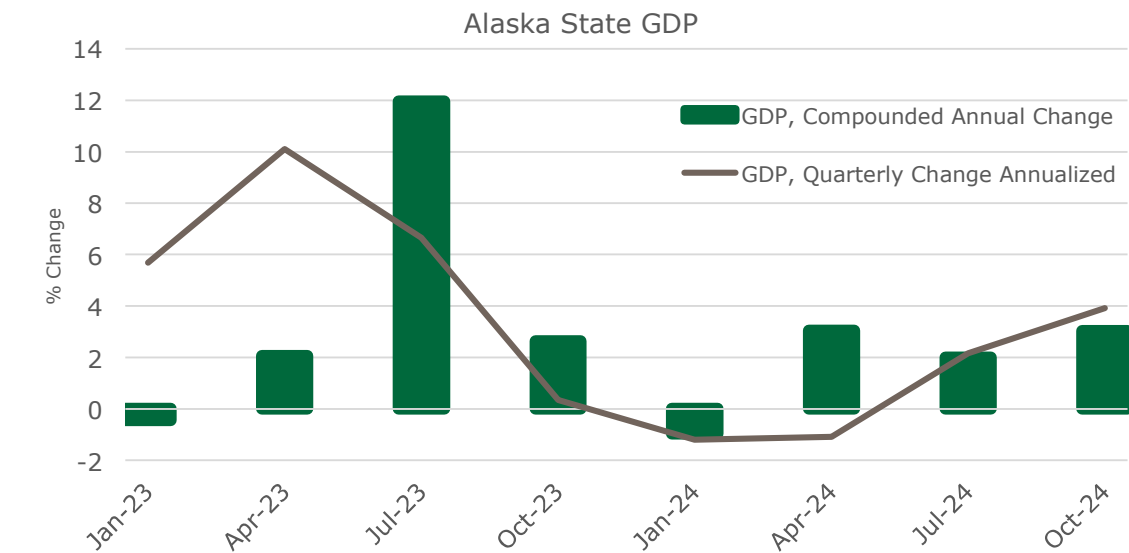
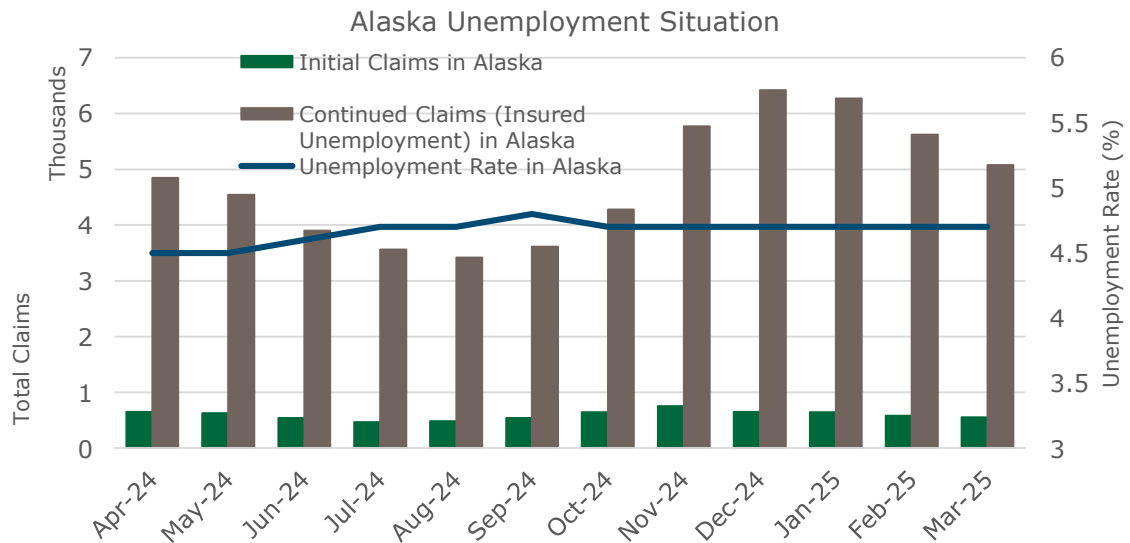
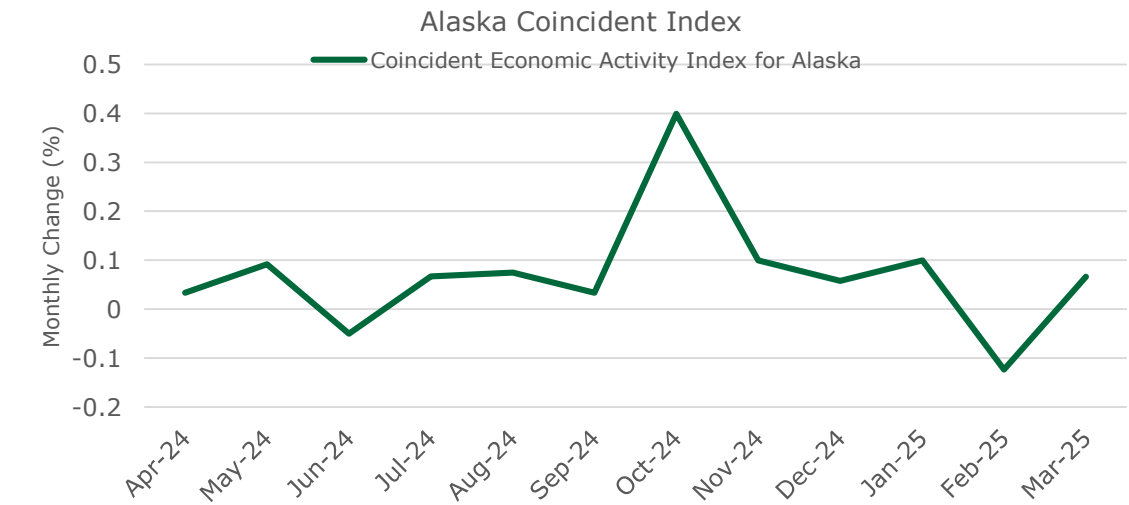




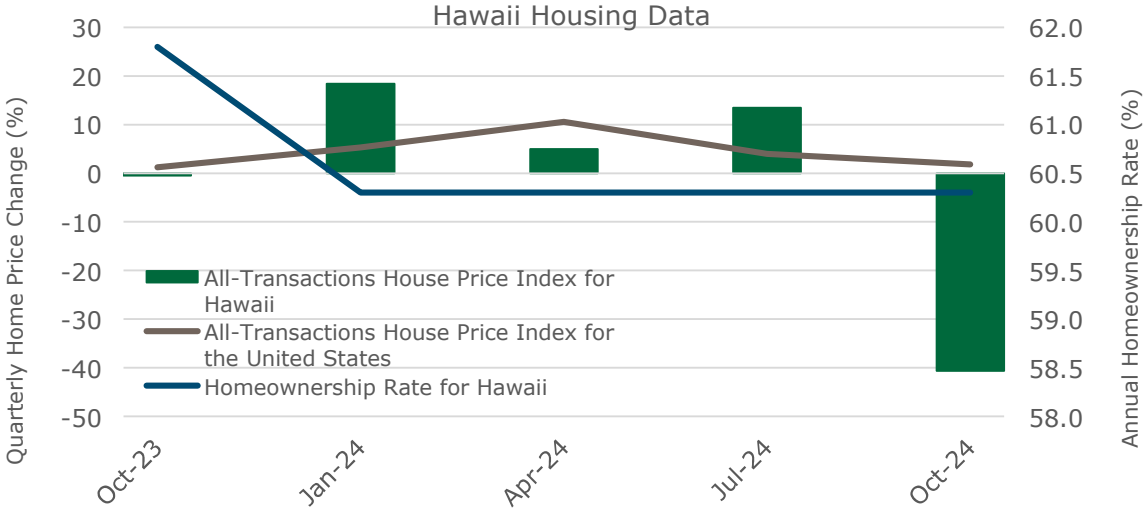
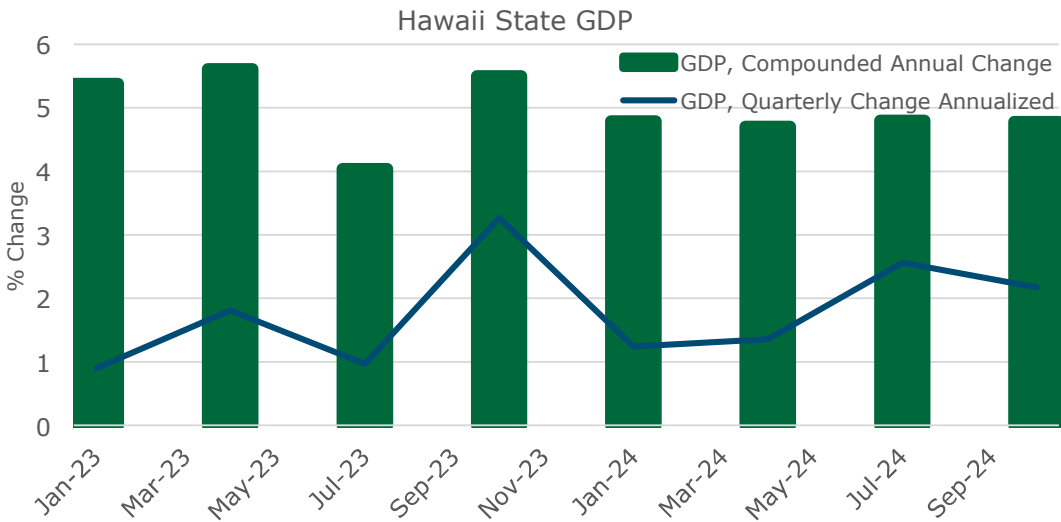
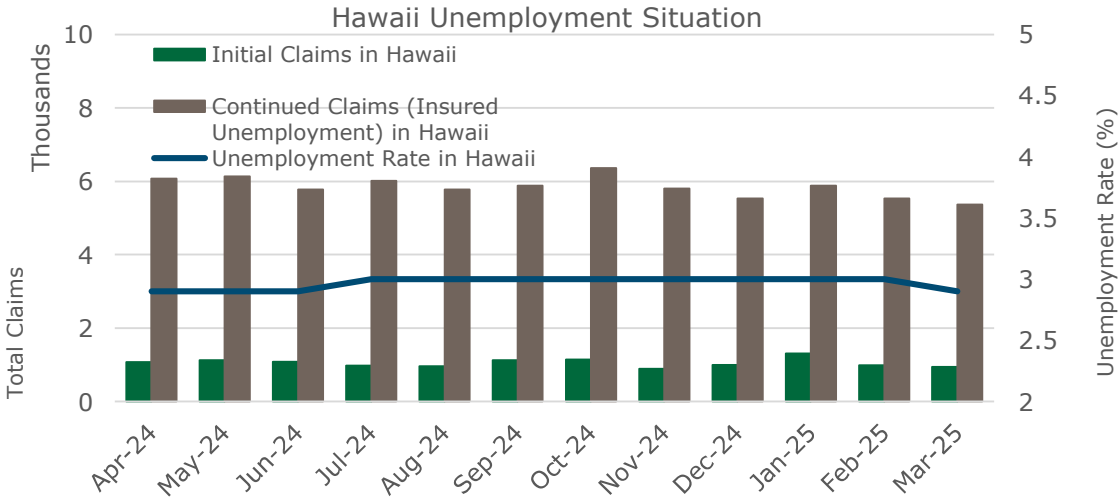
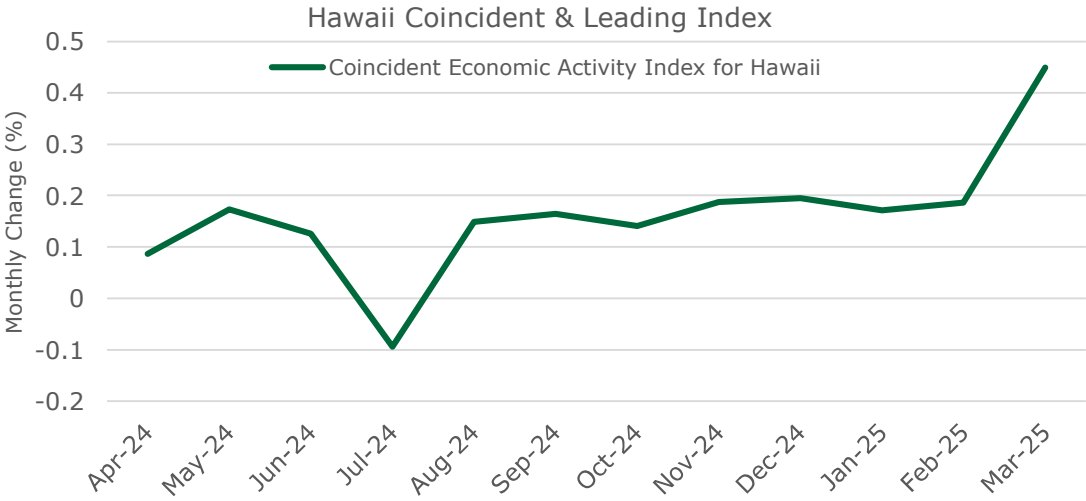
Appendix

State Level Data

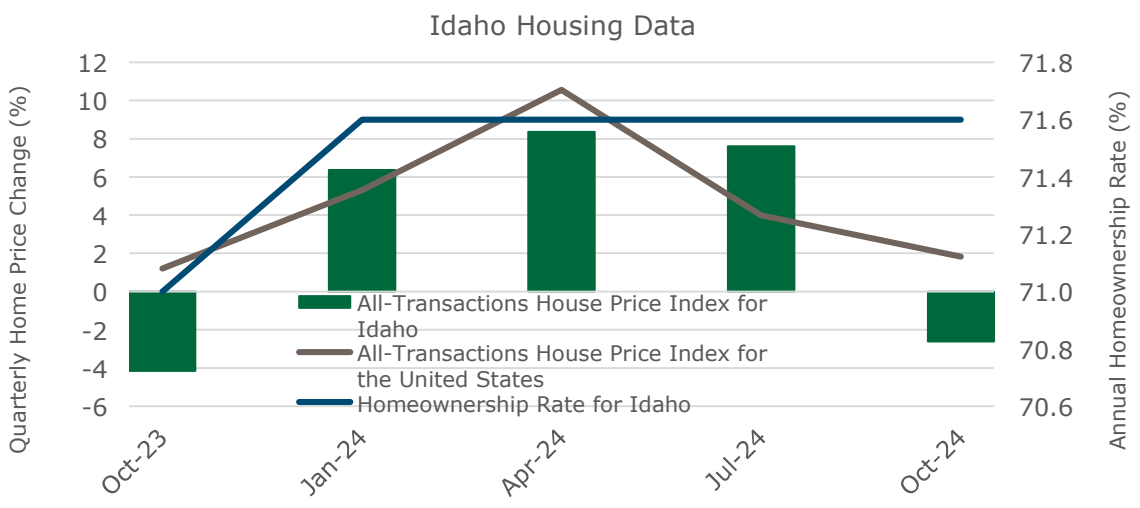
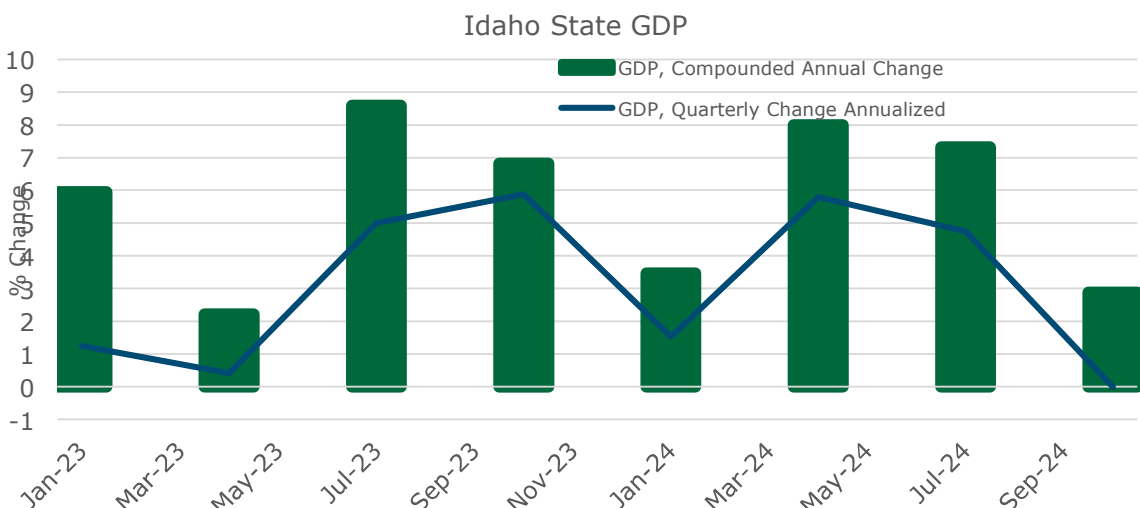
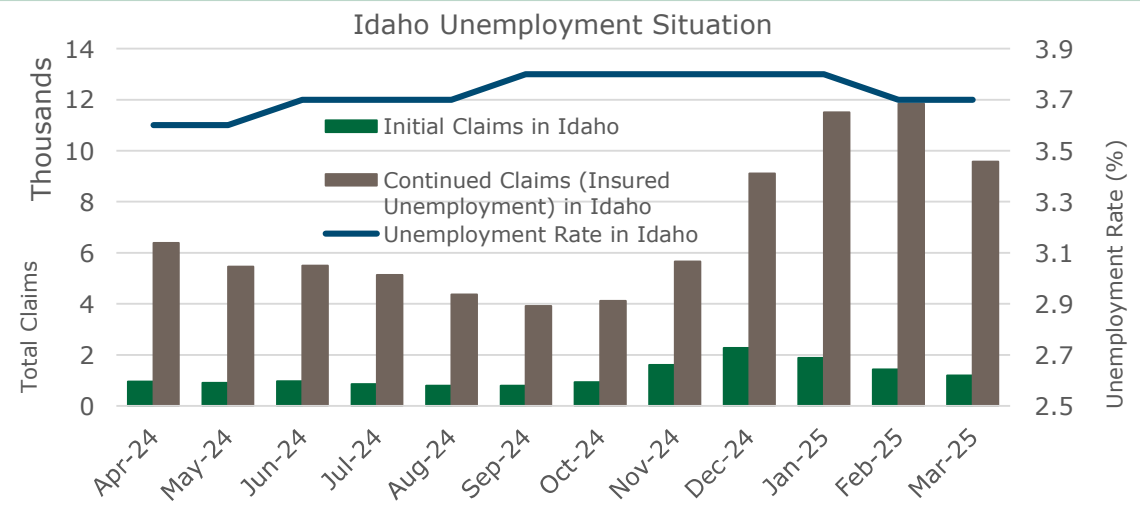
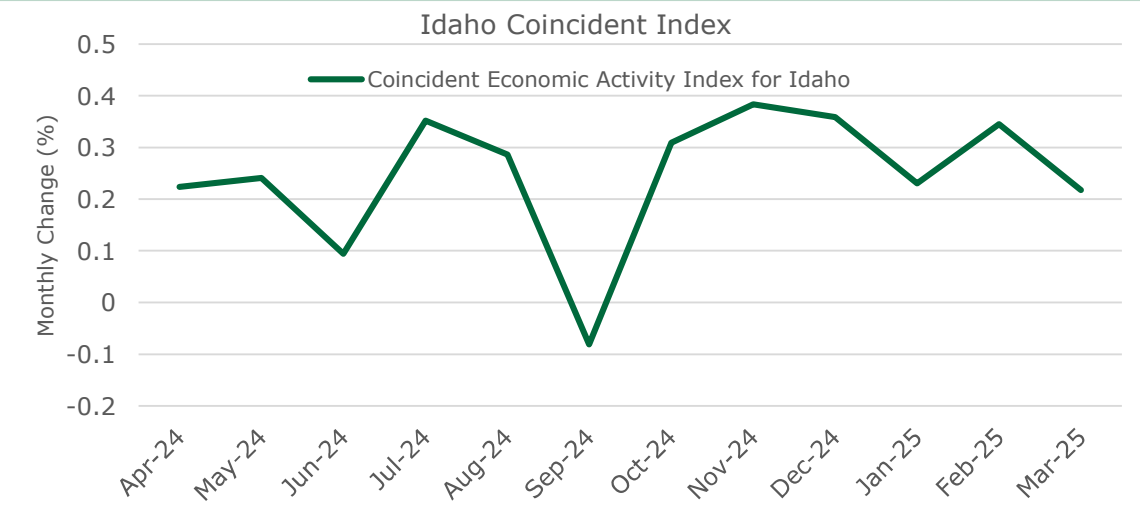
Alaska



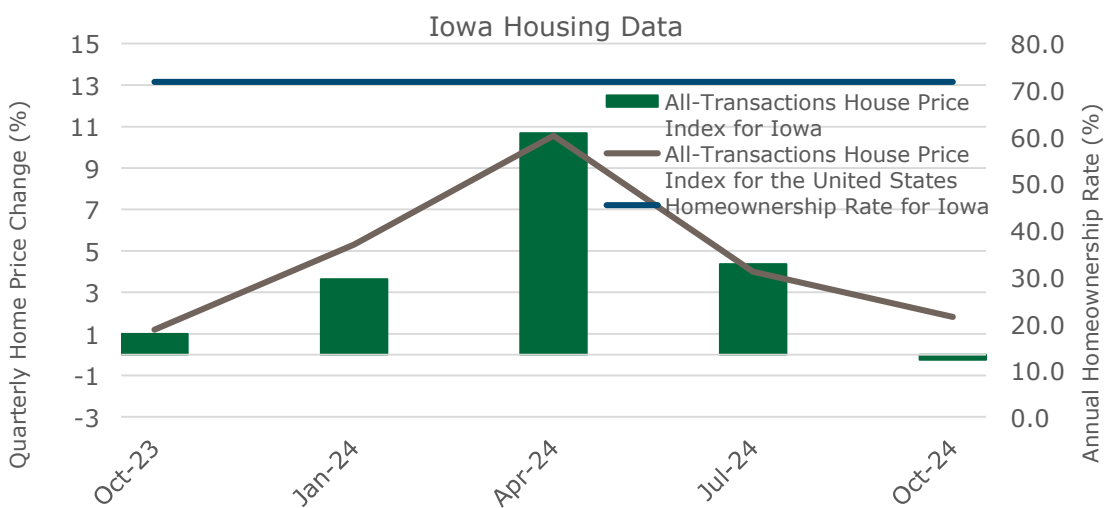
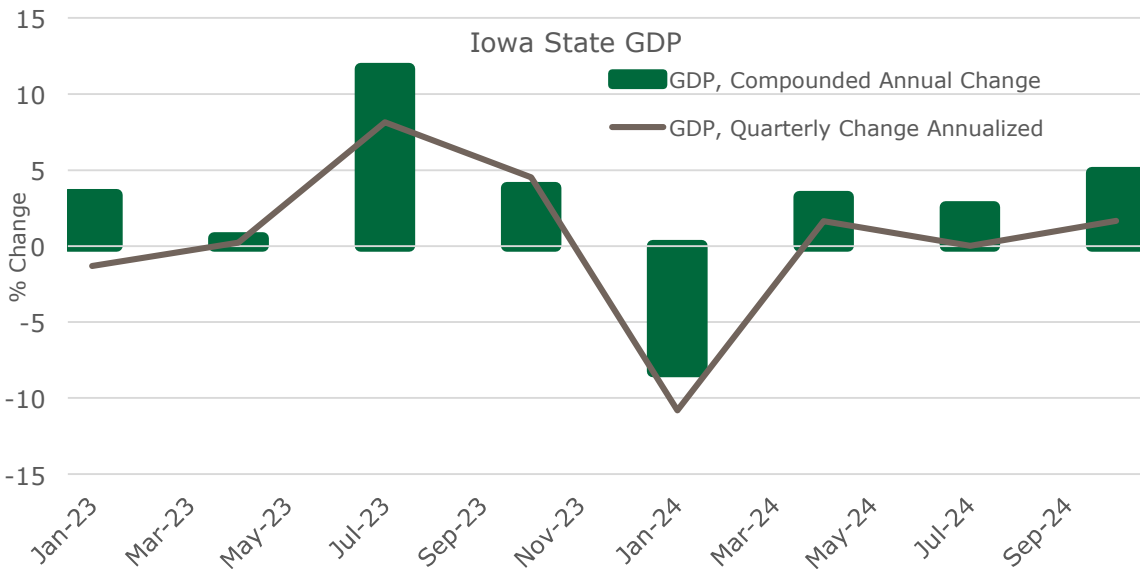
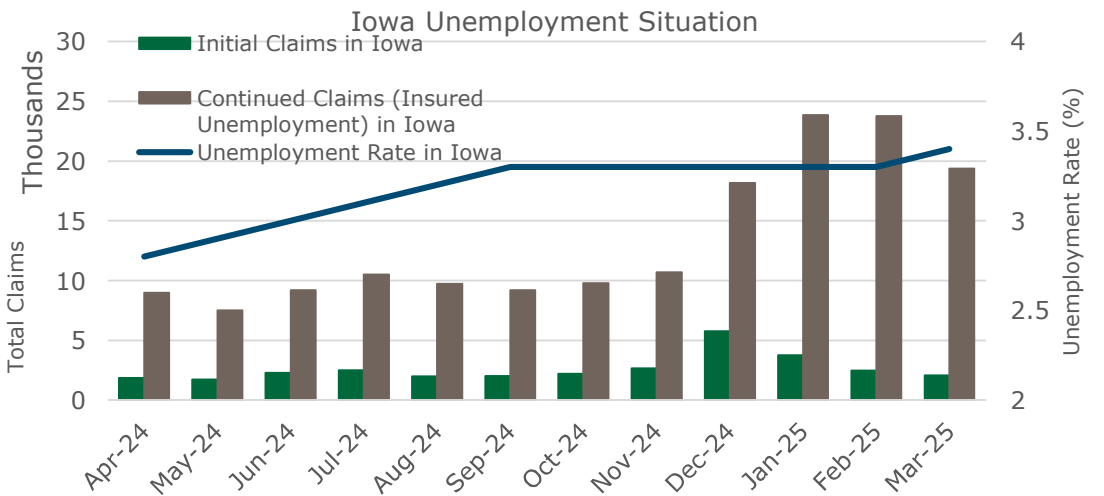
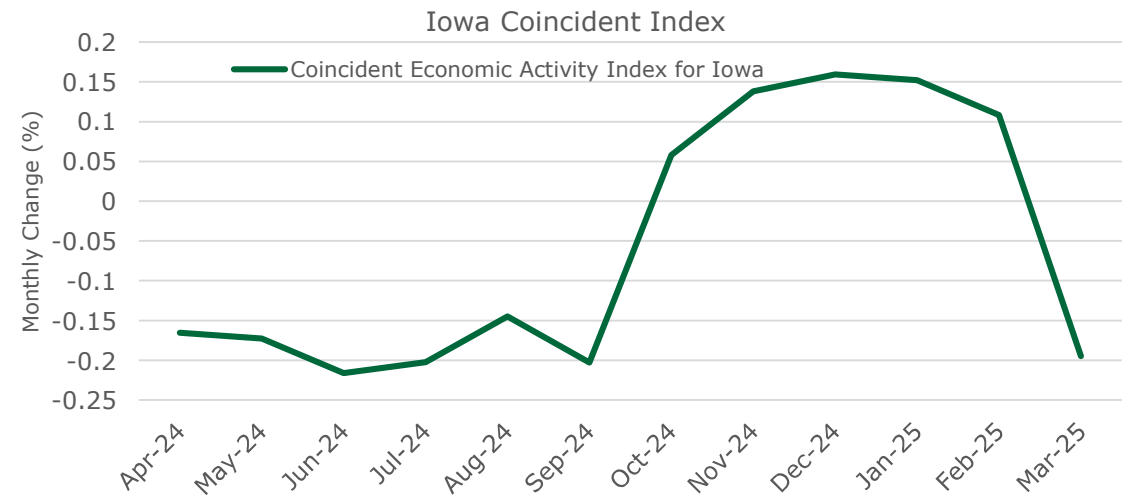
Hawaii



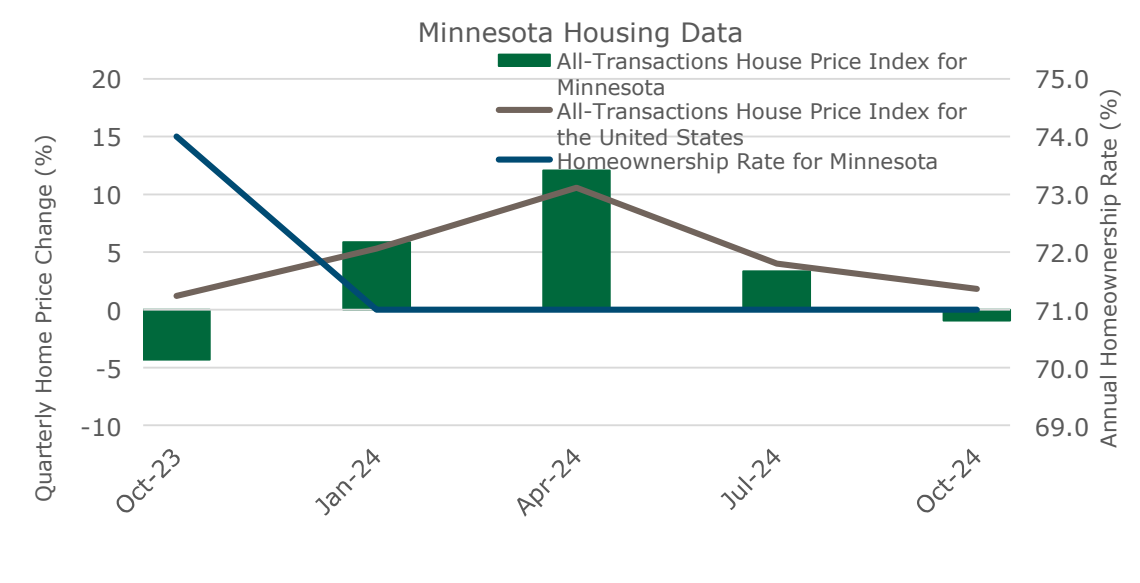
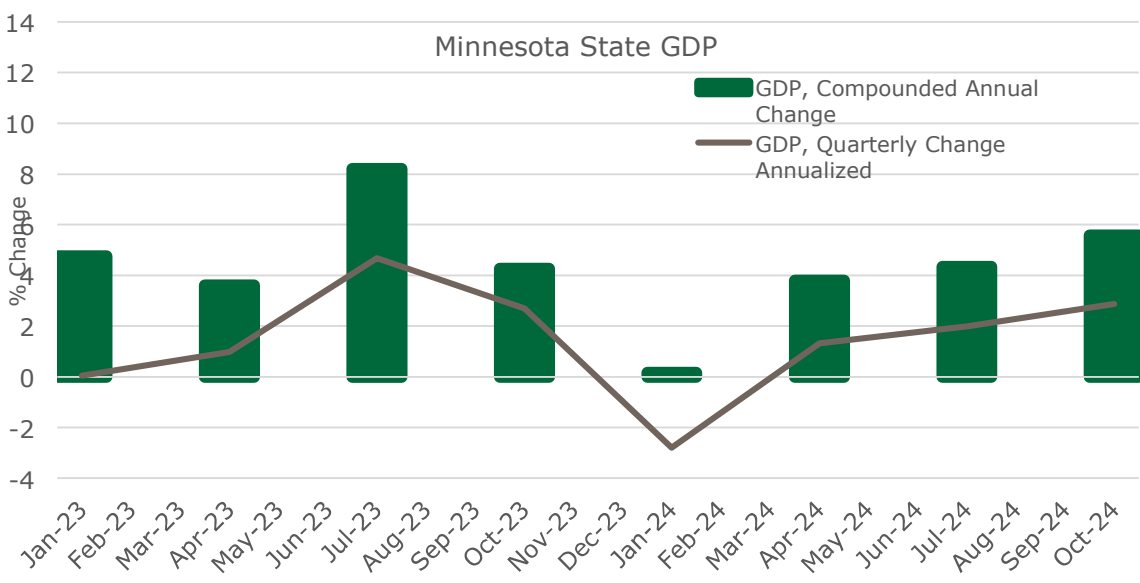
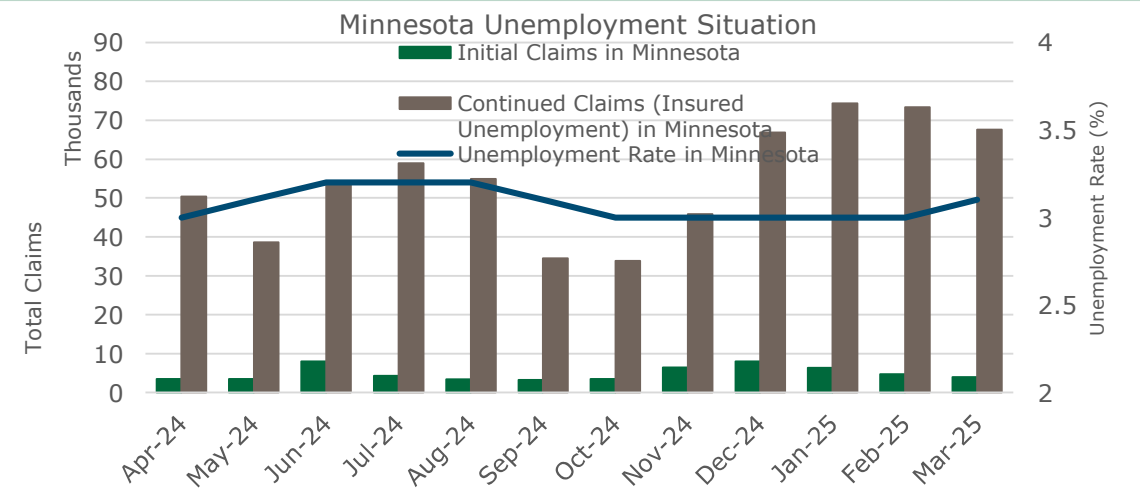
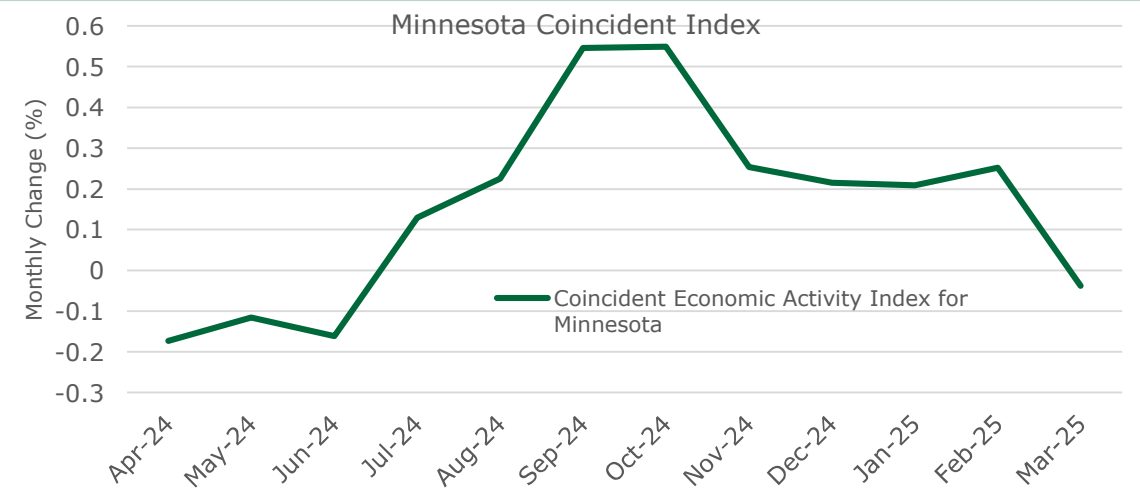
Idaho



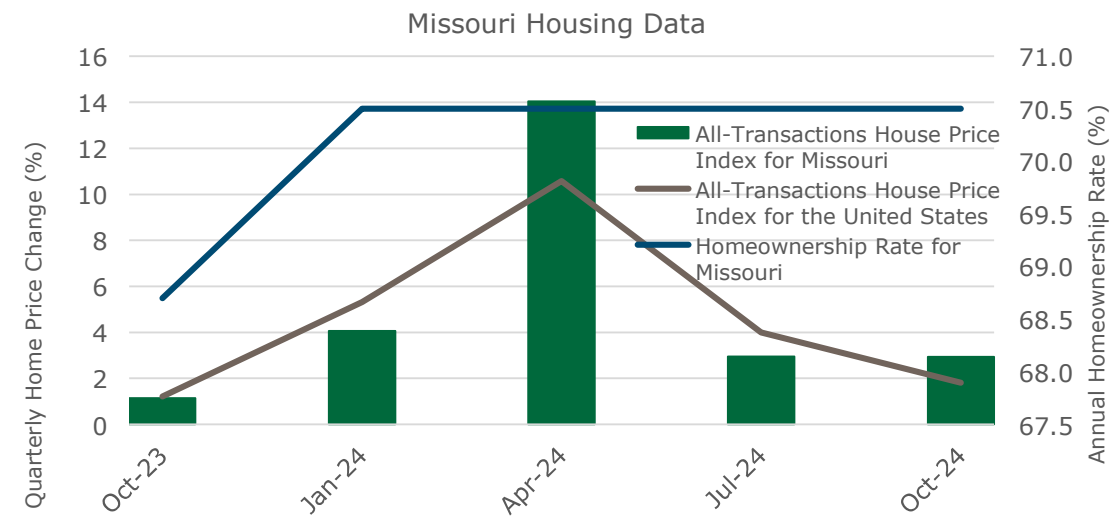
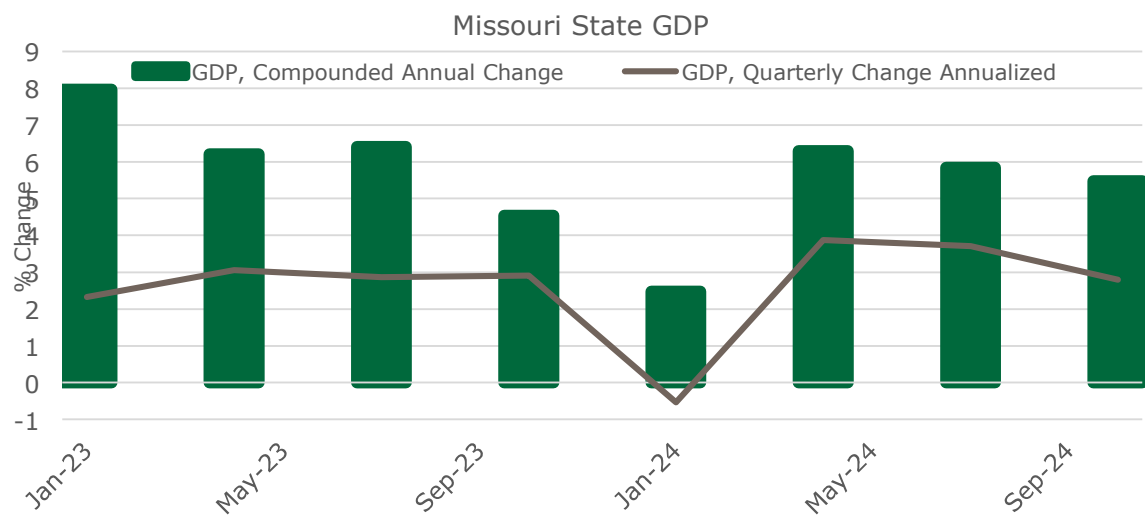
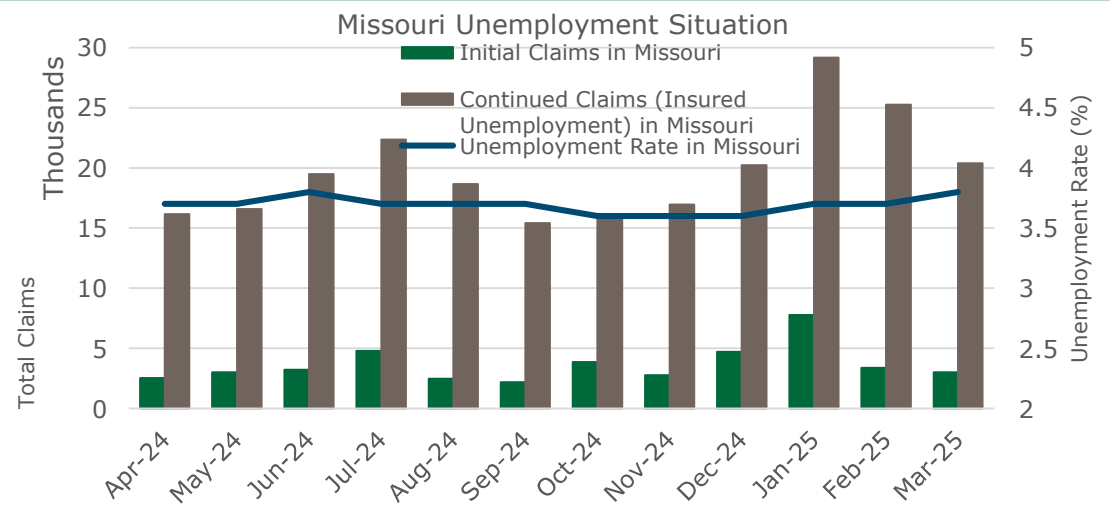
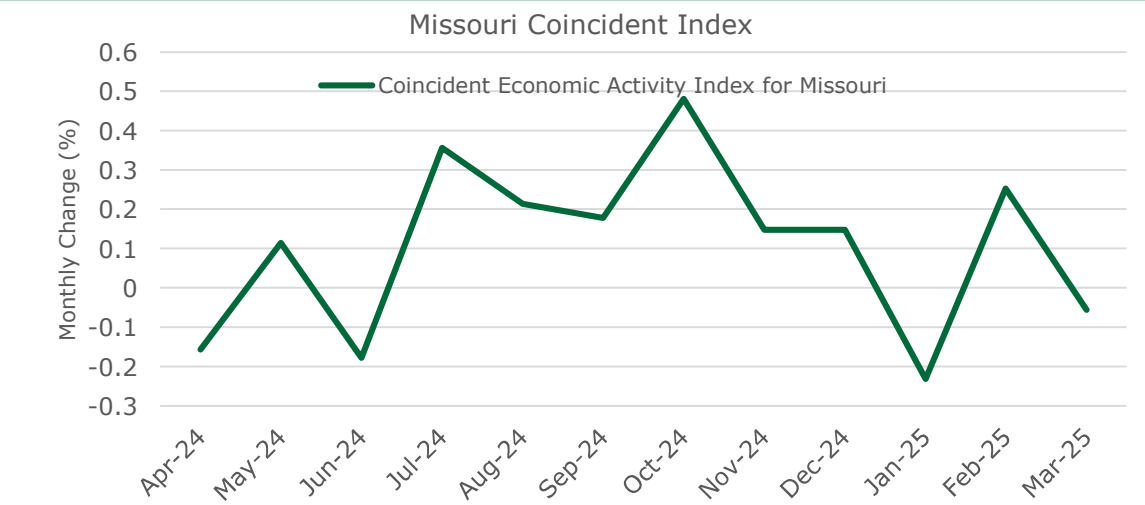
Iowa



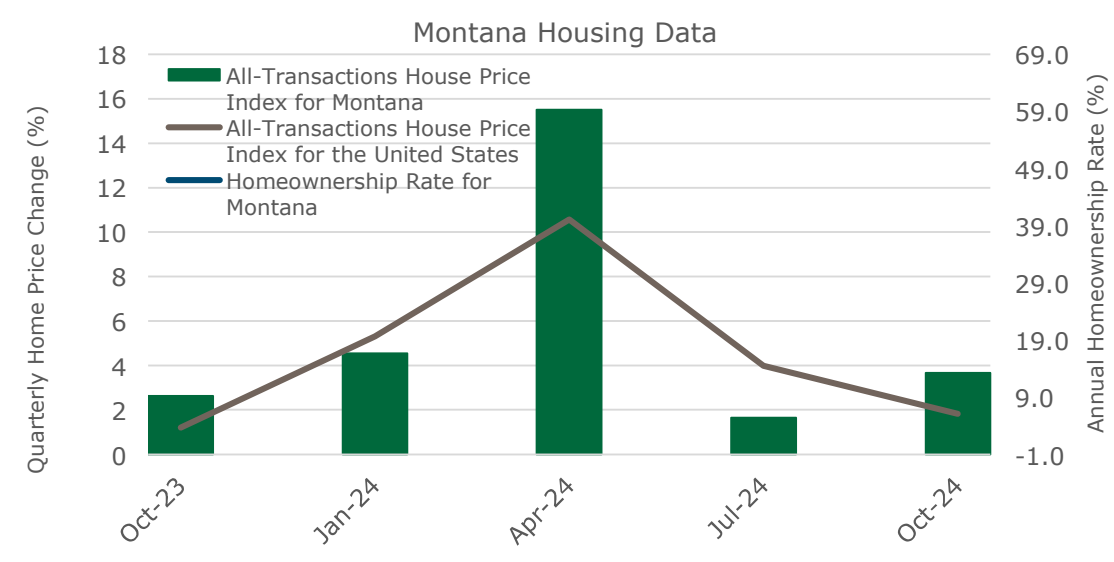
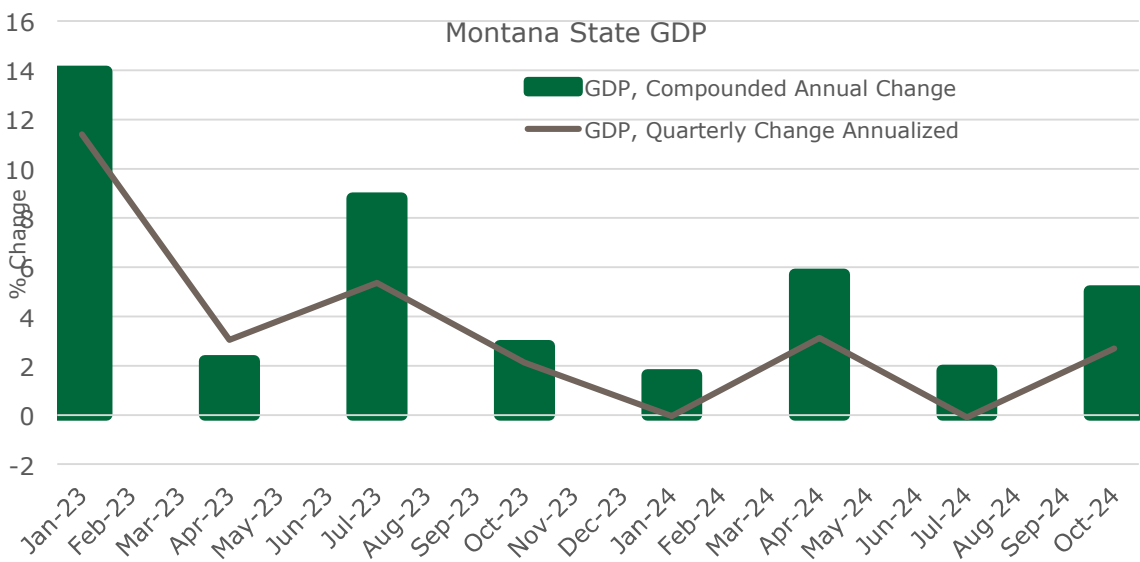
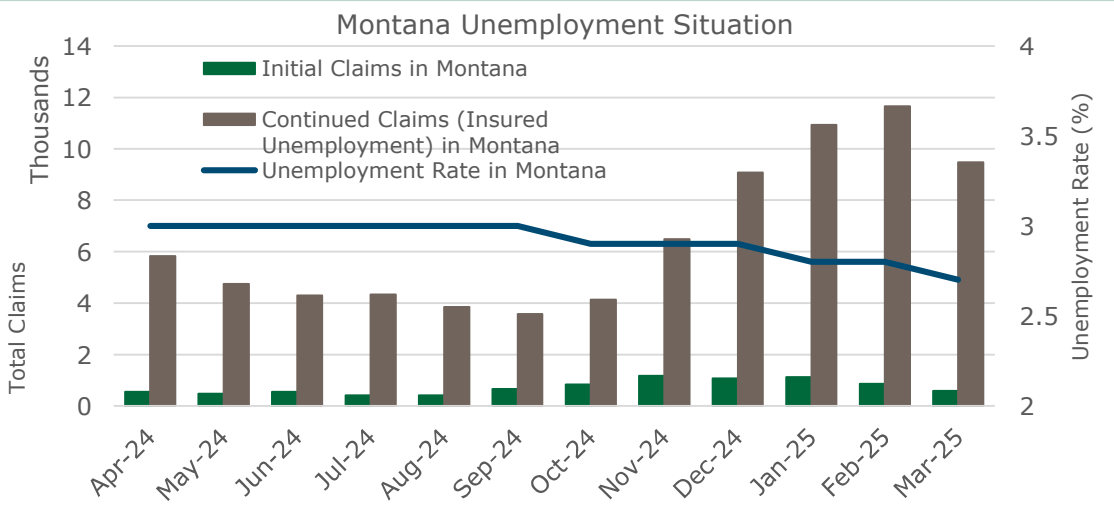
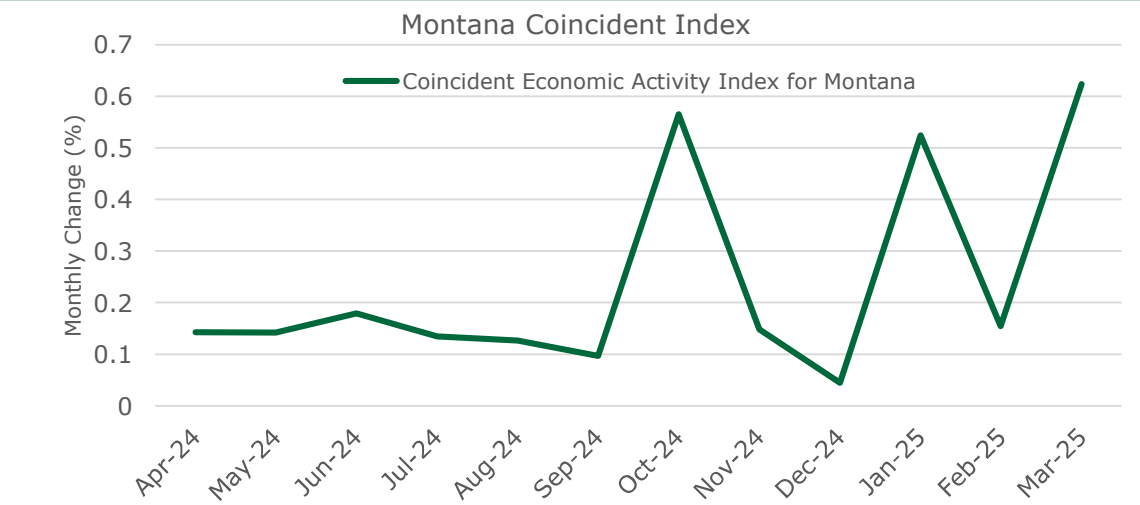
Minnesota



Missouri

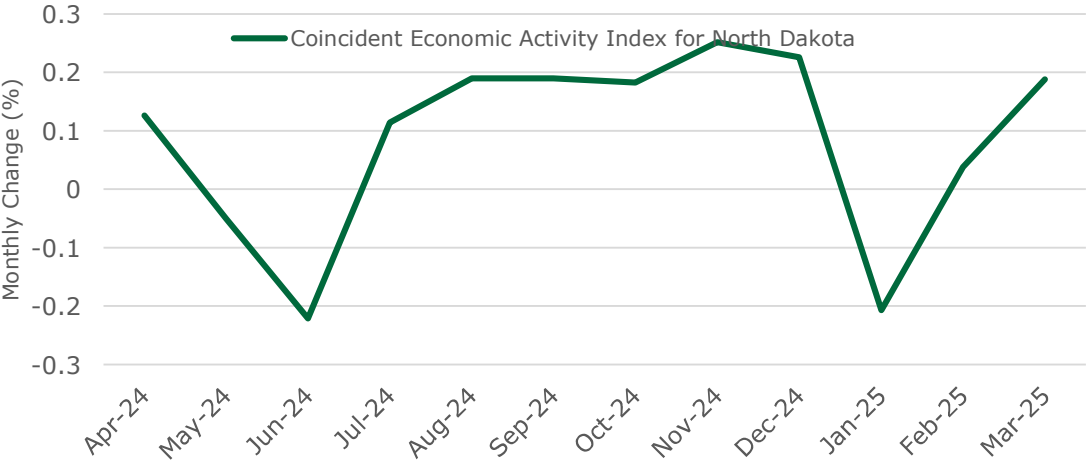


Montana

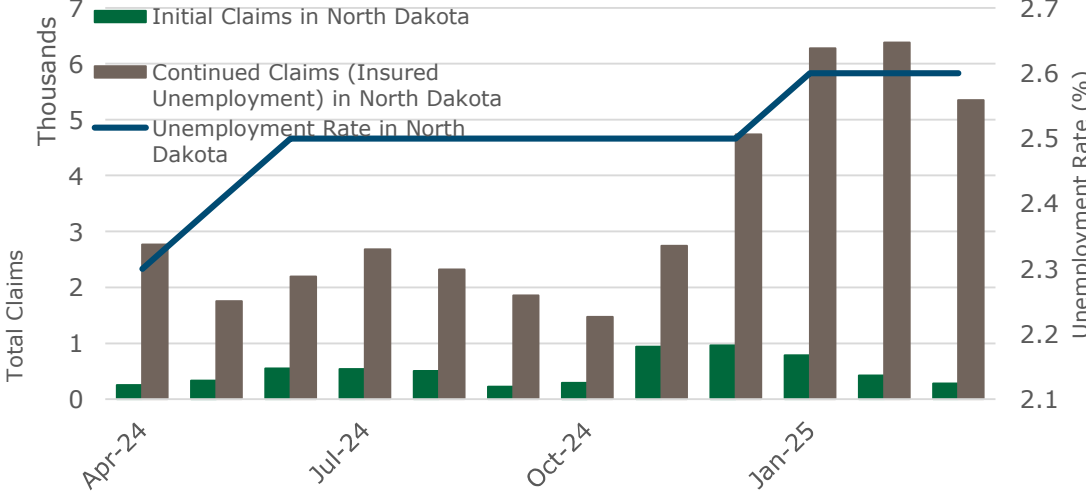


North Dakota

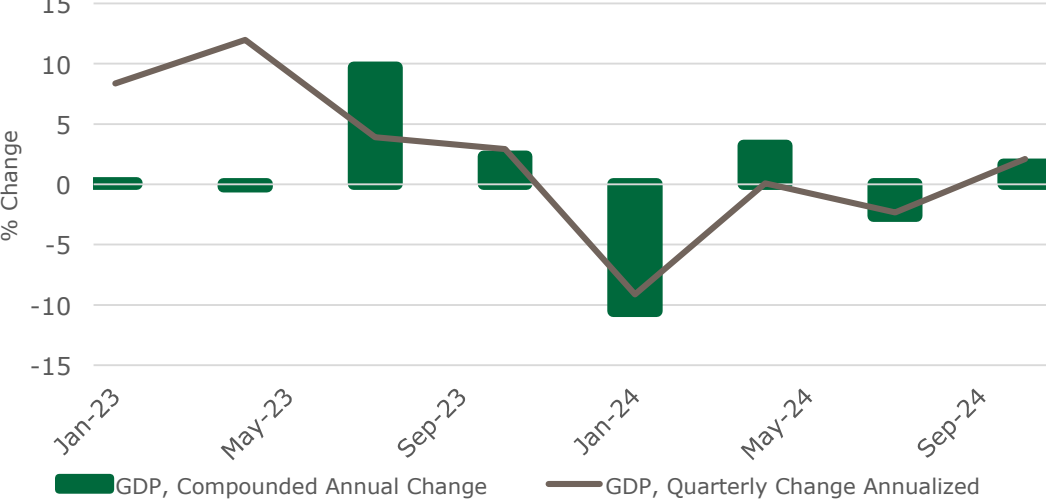
North Dakota Coincident Index



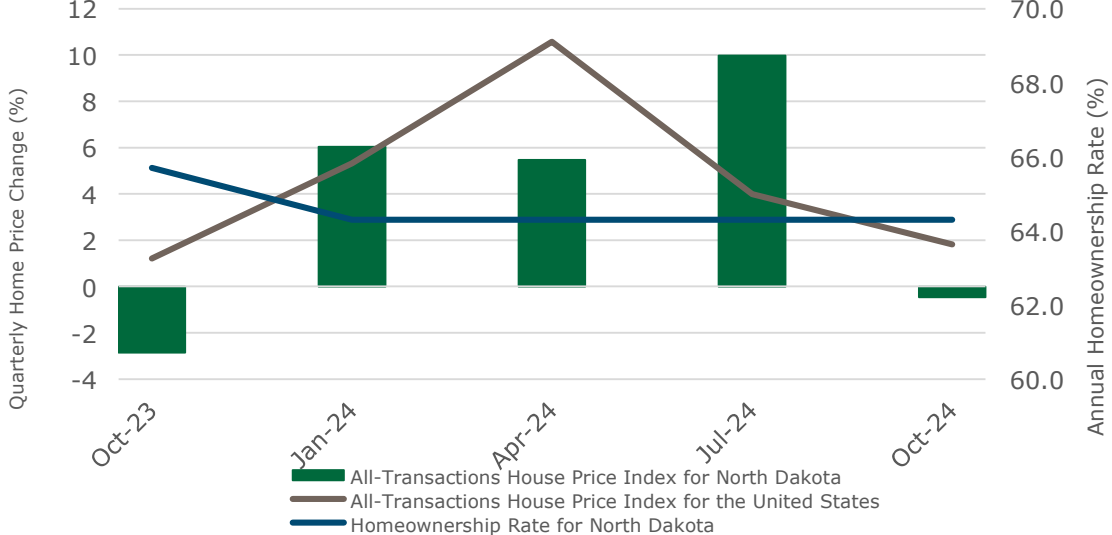
North Dakota Unemployment Situation



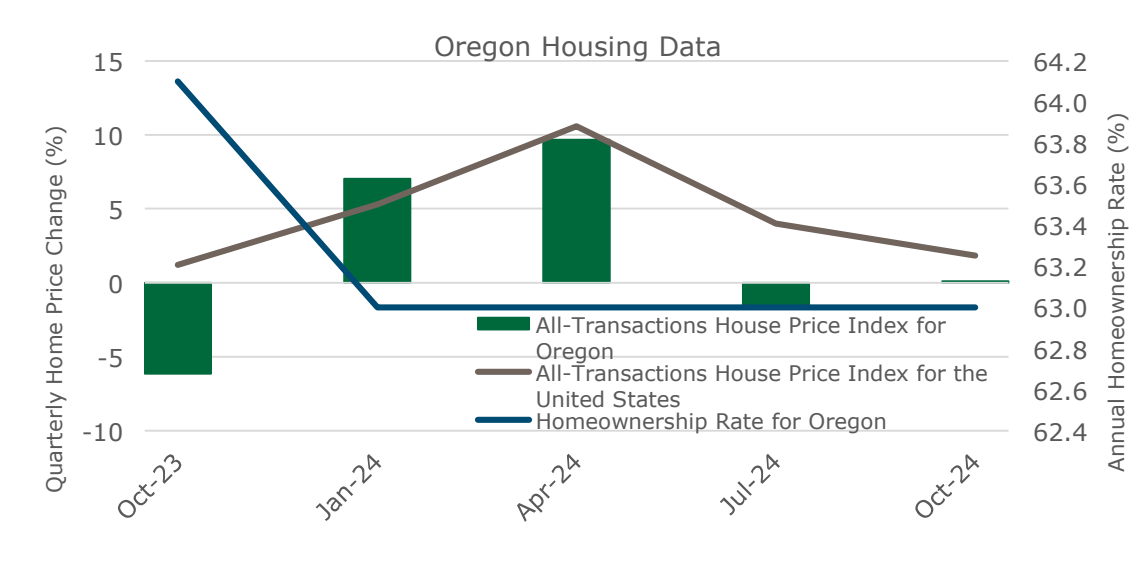
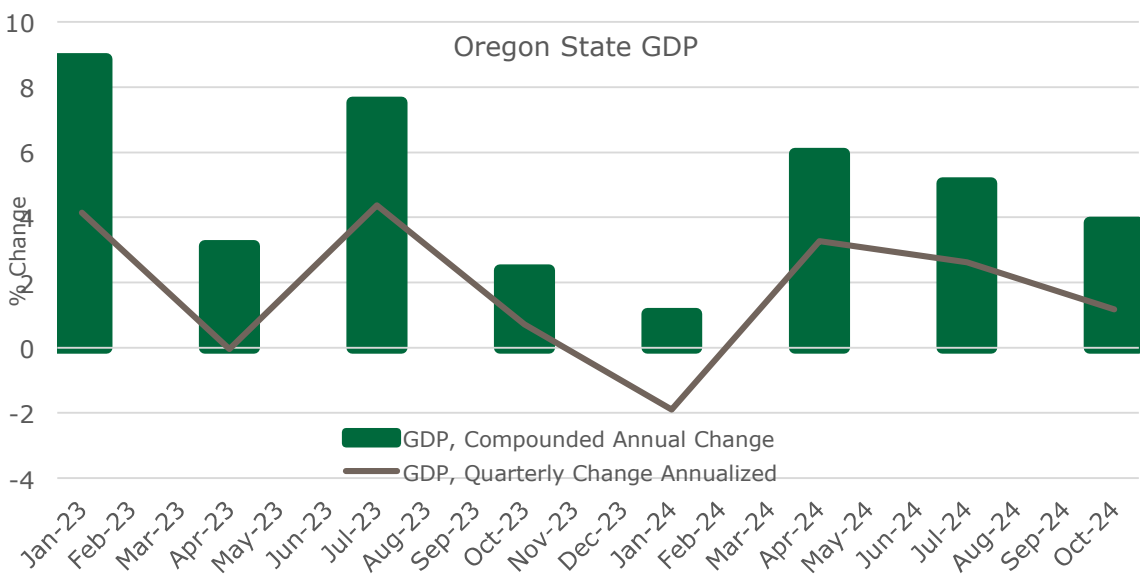
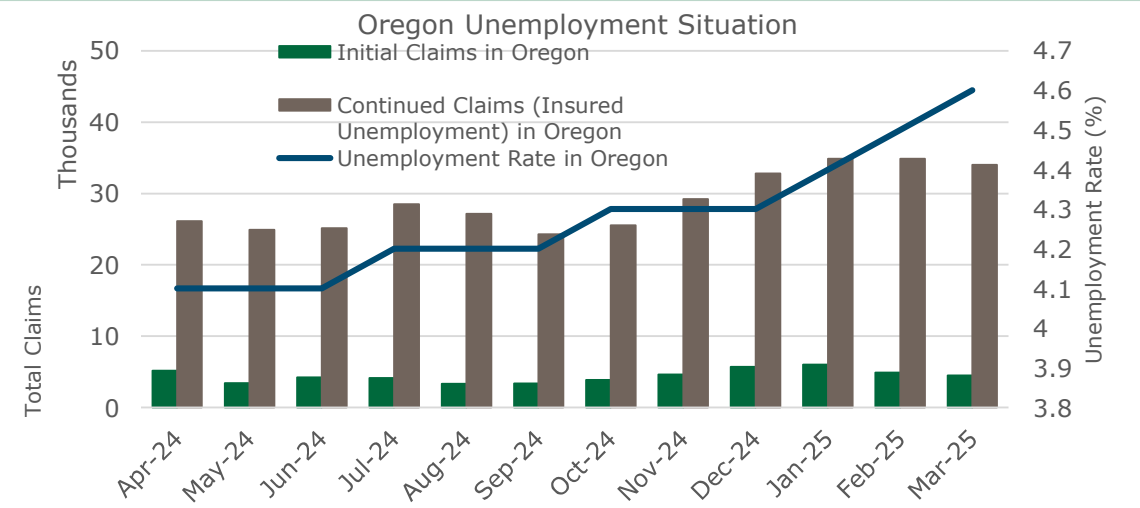
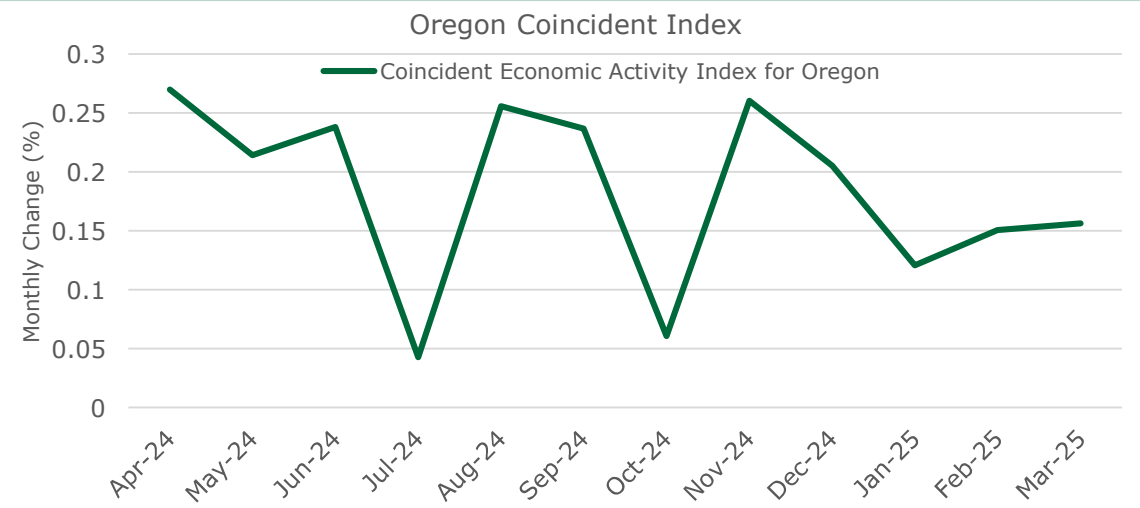
North Dakota State GDP



North Dakota Housing Data

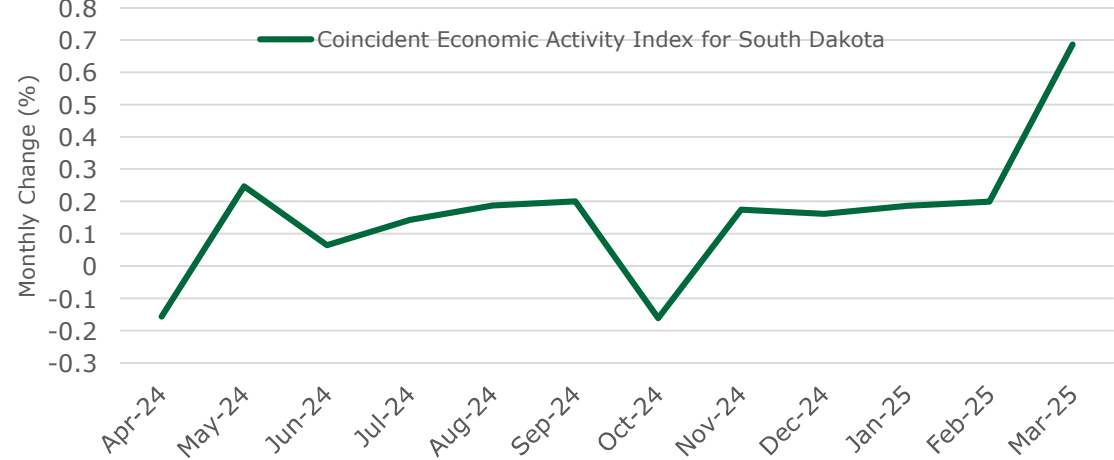


Oregon

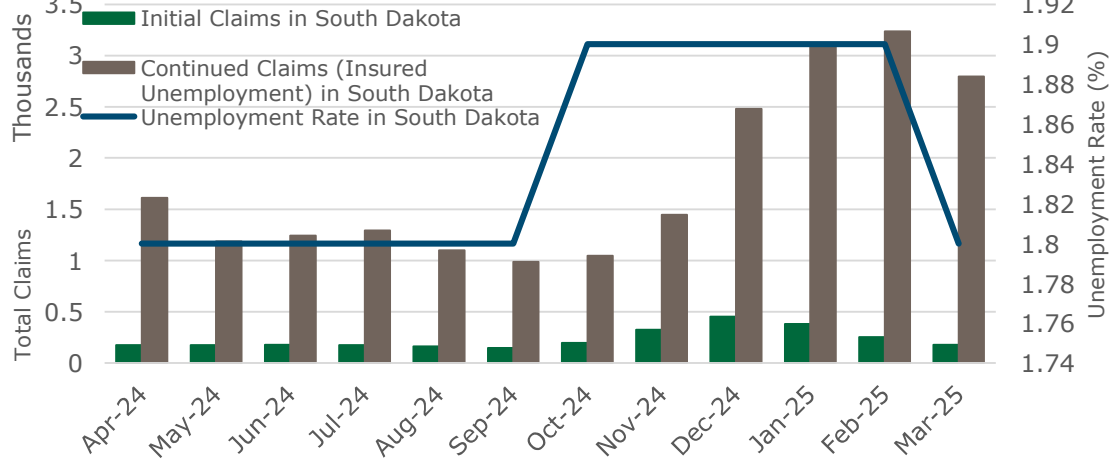


South Dakota

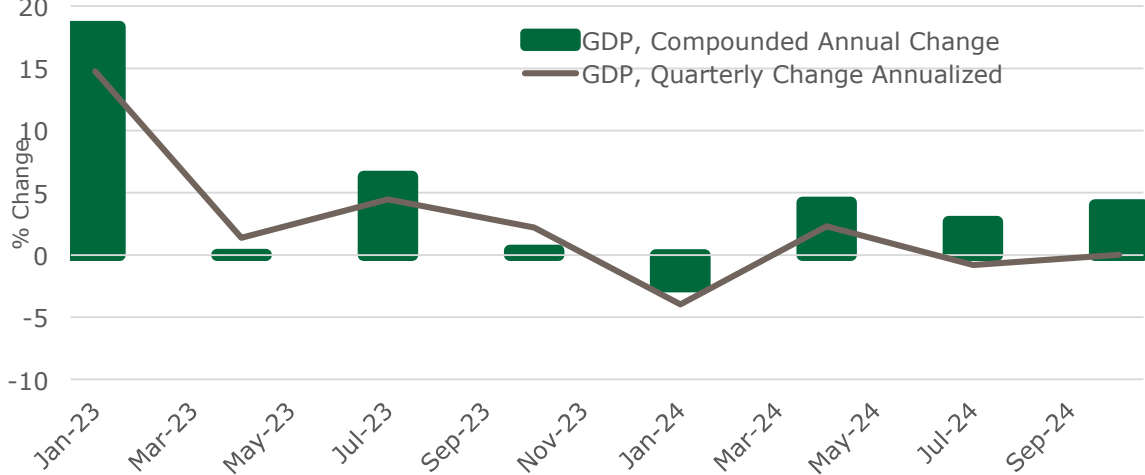
South Dakota Coincident Index



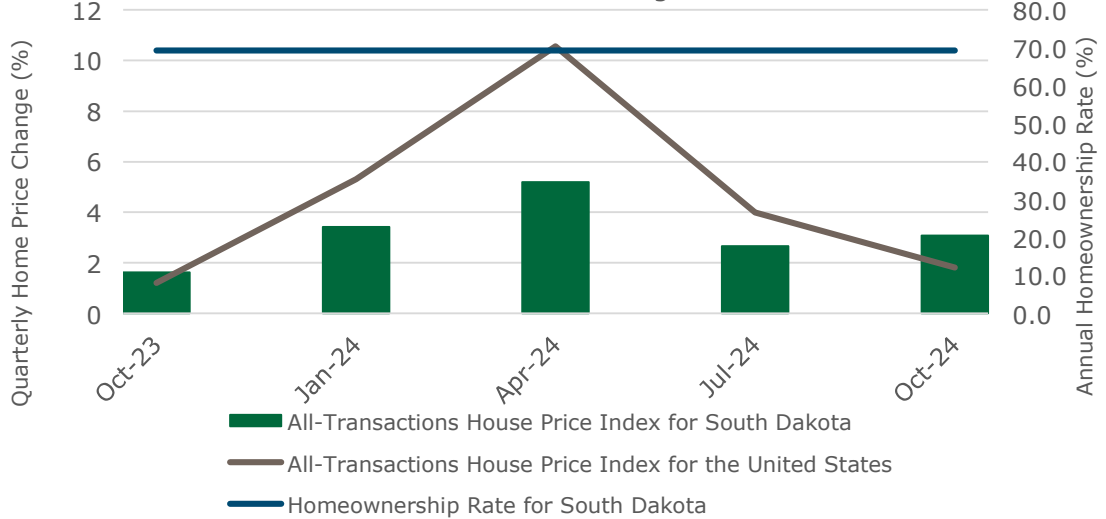
South Dakota Unemployment Situation



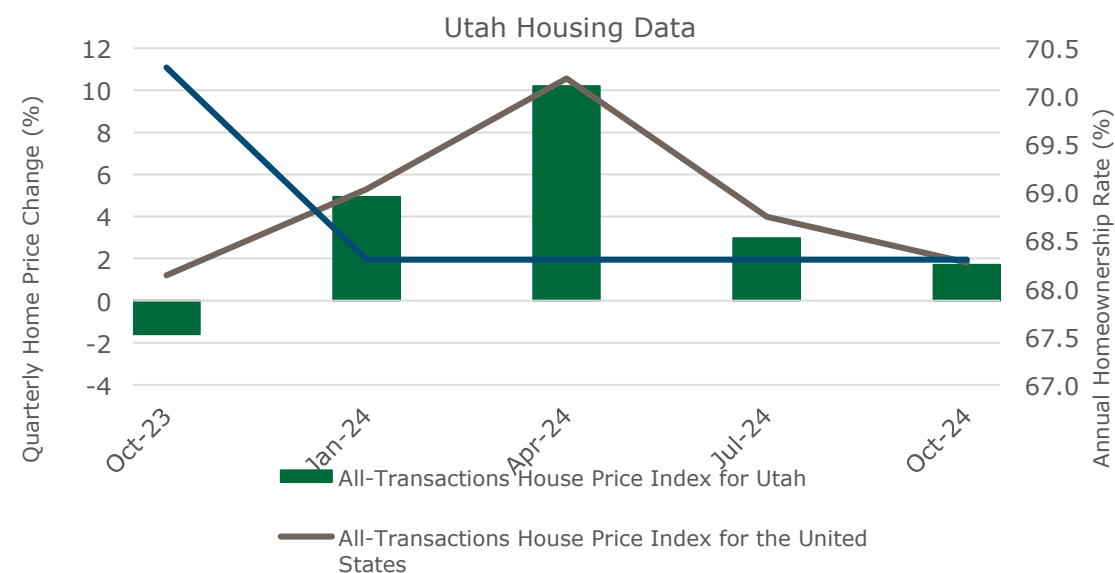
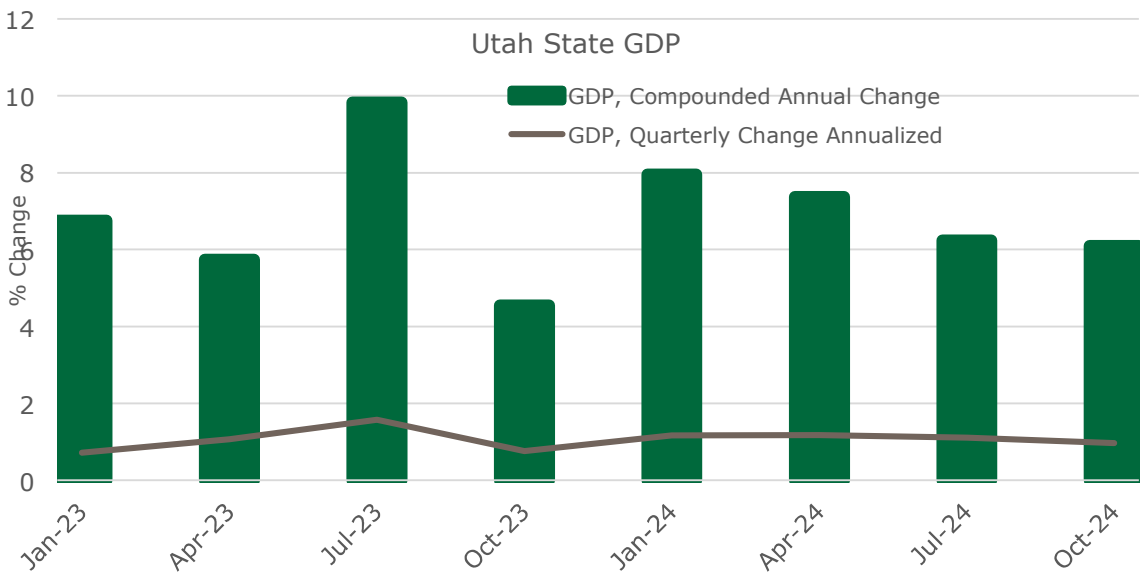
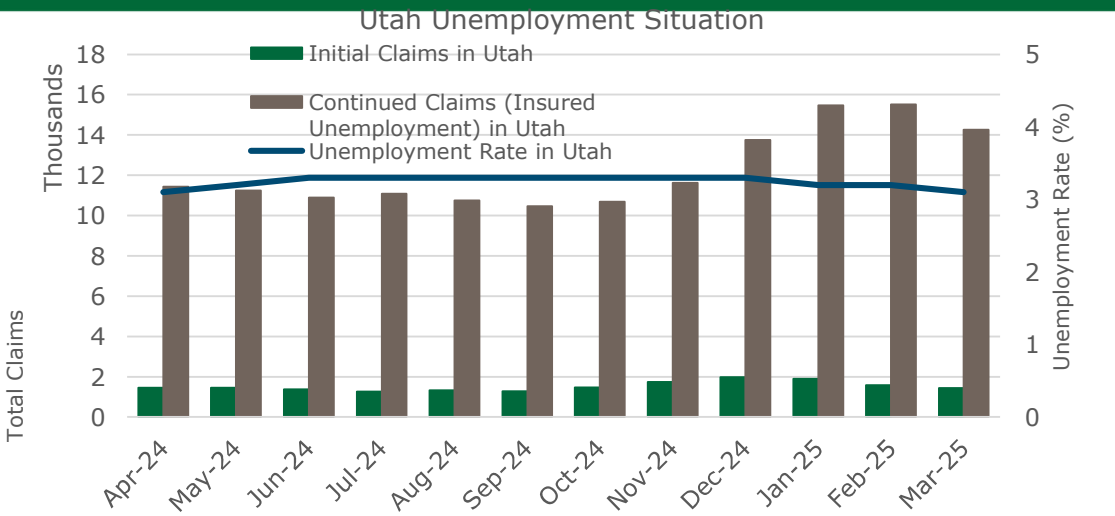
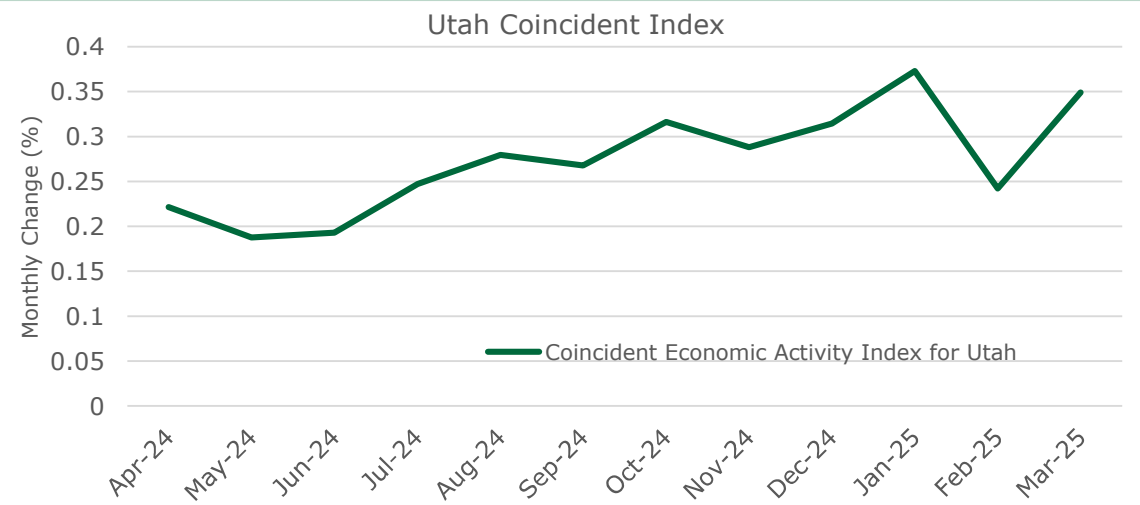
South Dakota State GDP



South Dakota Housing Data

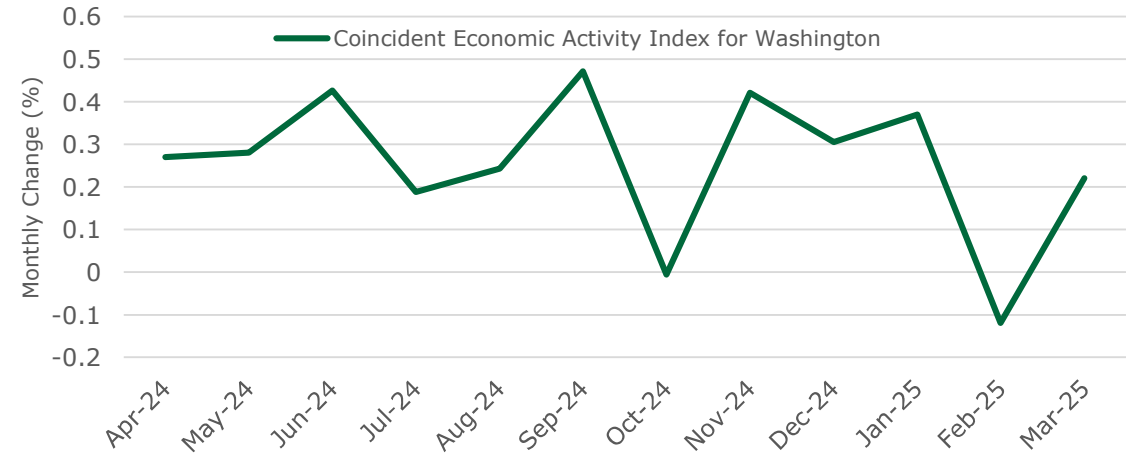


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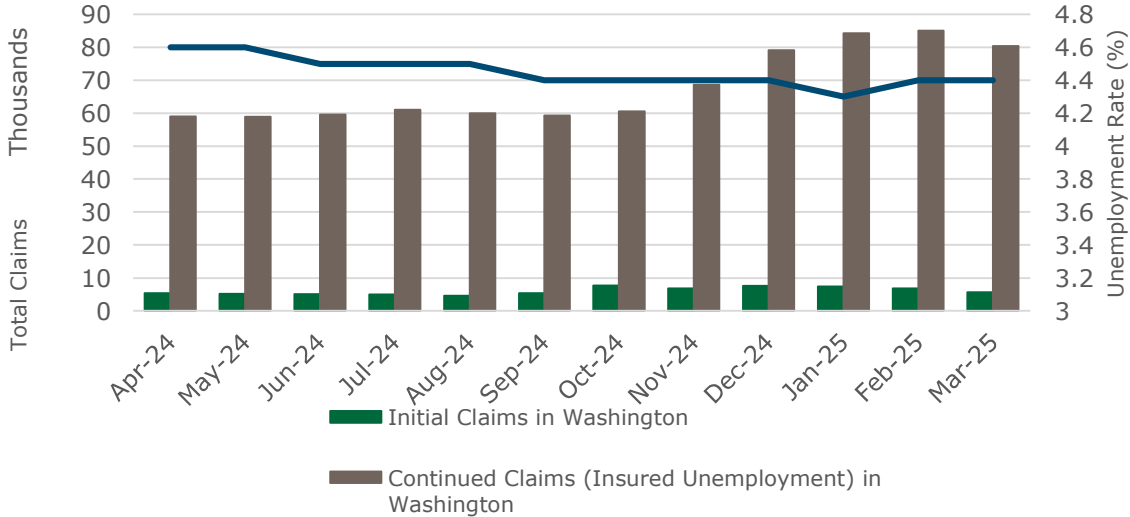


Washington

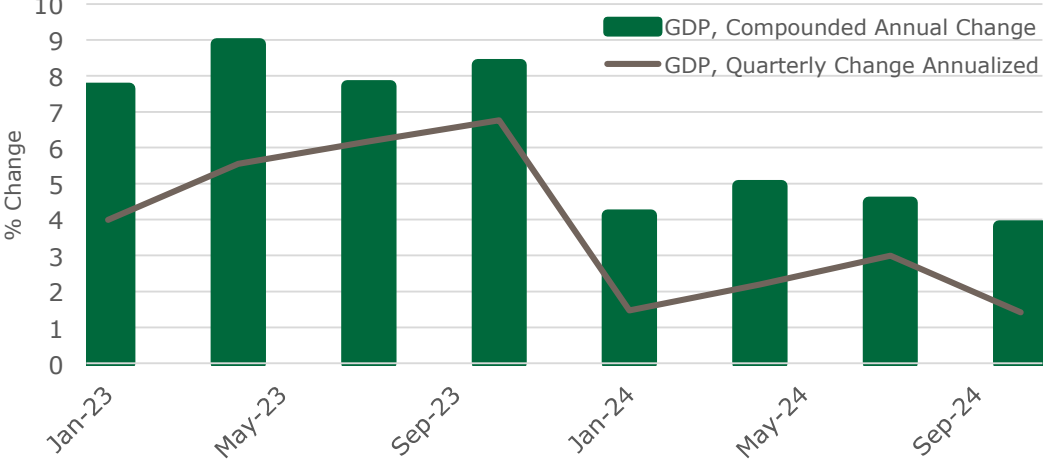
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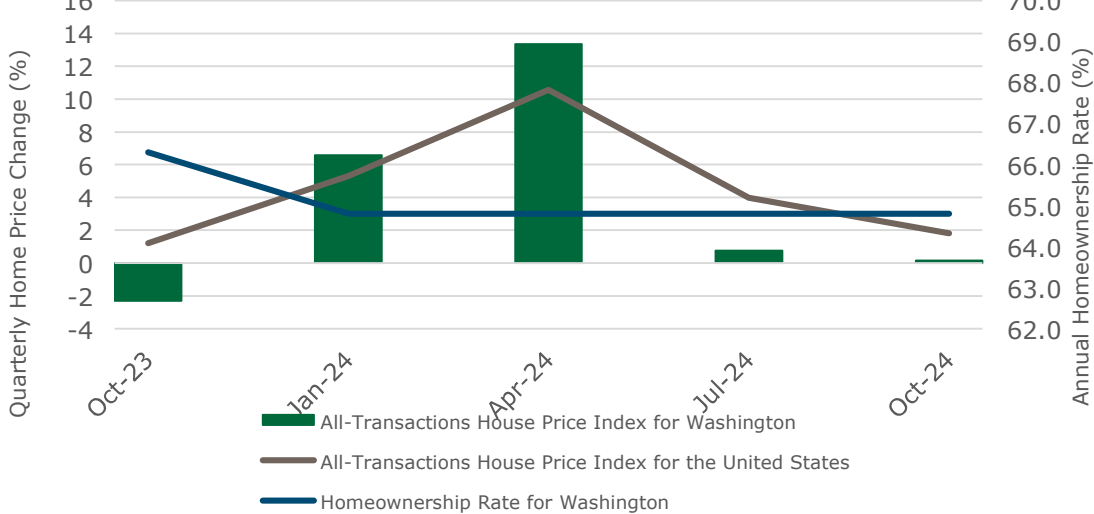
Washington Unemployment Situation



Washington State GDP

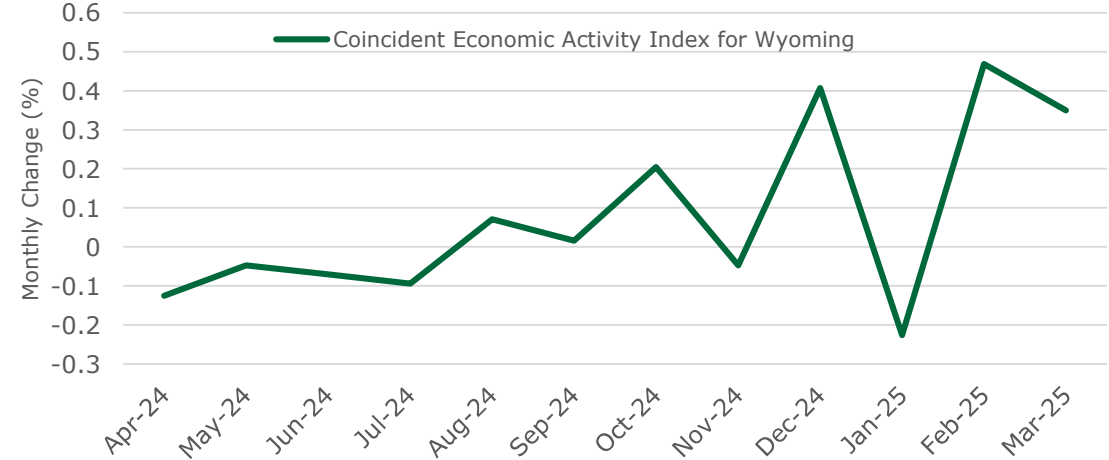


Washington Housing Data

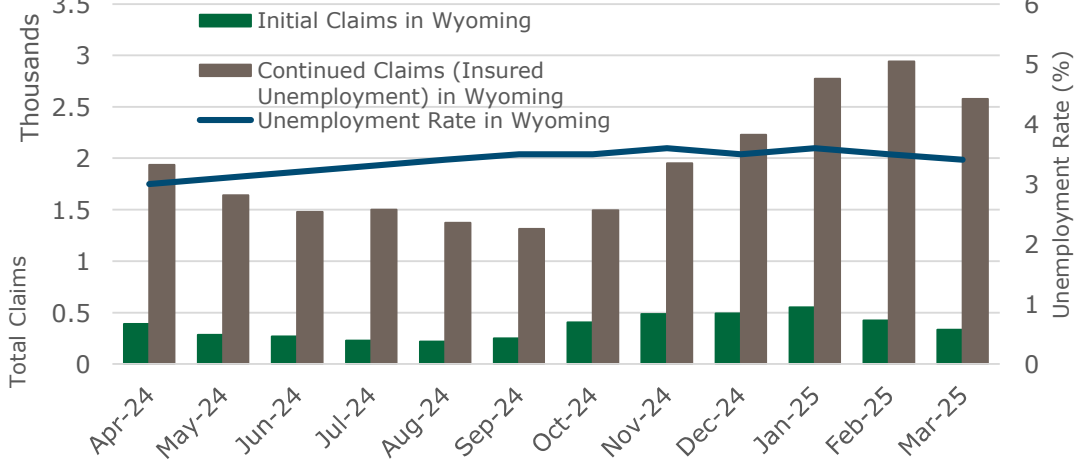


Wyoming

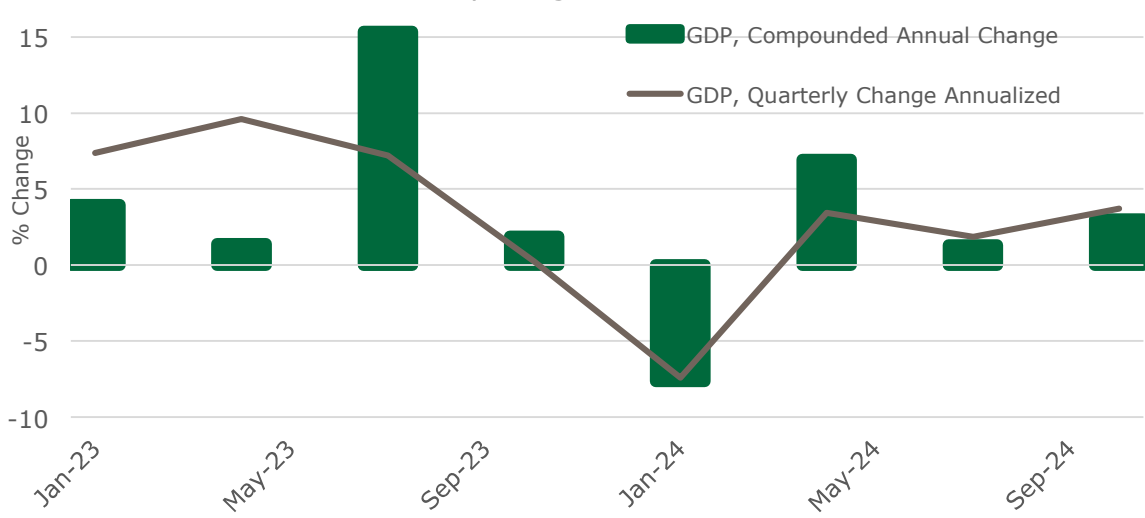
Wyoming Coincident Index



Wyoming Unemployment Situation



Wyoming State GDP



Wyoming Housing Data

