



# FHLB DES MOINES

## Quarterly Economic Overview

Member Strategies Department

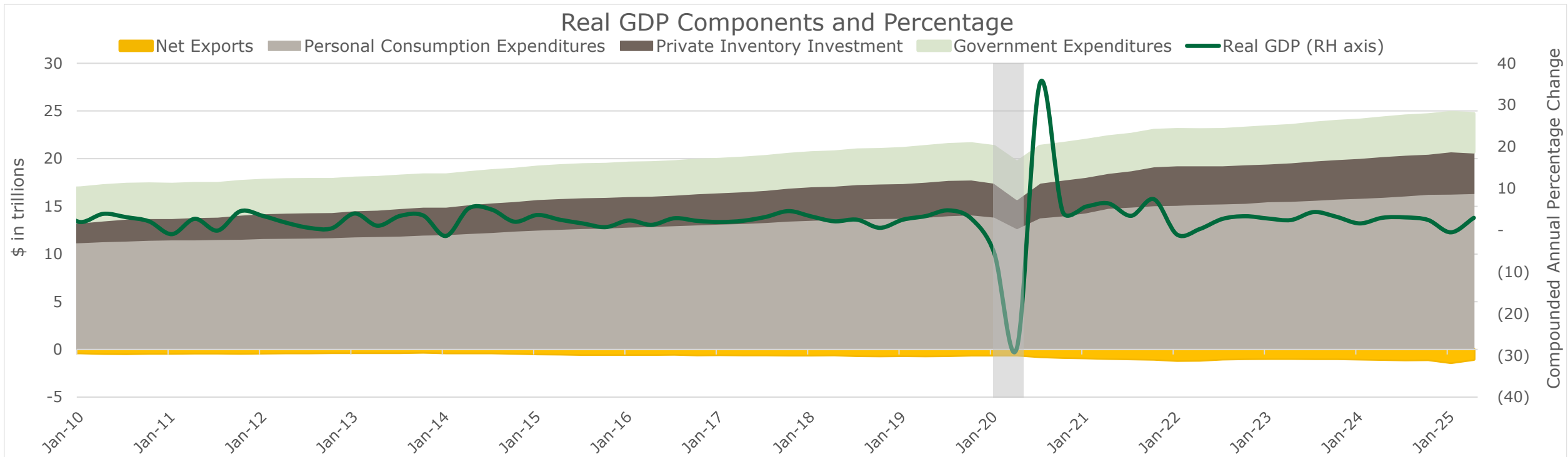
Second Quarter, 2025



# Gross Domestic Product

**The U.S. Economy Bounced Back During The Second Quarter**

# U.S. Gross Domestic Product



## First-quarter (third estimate) Real GDP

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

## Second-quarter (advance estimate) Real GDP

- The advance estimate for second-quarter real GDP was 3.0%. The increase primarily reflected a decrease in imports, which are a subtraction in the calculation of GDP, and an increase in consumer spending. These movements were partly offset by decreases in investment and exports.
- Within imports, the decrease primarily reflected a decrease in goods, led by nondurable consumer goods, except food and automotive (mainly medicinal, dental, and pharmaceutical preparations, including vitamins). Within exports, the decrease primarily reflected a decrease in goods, led by automotive vehicles, engines, and parts.
- The increase in consumer spending reflected increases in both services and goods. Within services, the leading contributors were health care, food services and accommodations, and financial services and insurance. Within goods, the leading contributors were motor vehicles and parts and other nondurable goods.
- The largest contributor to the decrease in investment was private inventory investment, led by decreases in nondurable goods manufacturing (mainly, chemical manufacturing) and in wholesale trade (reflecting widespread decreases in durable goods industries).

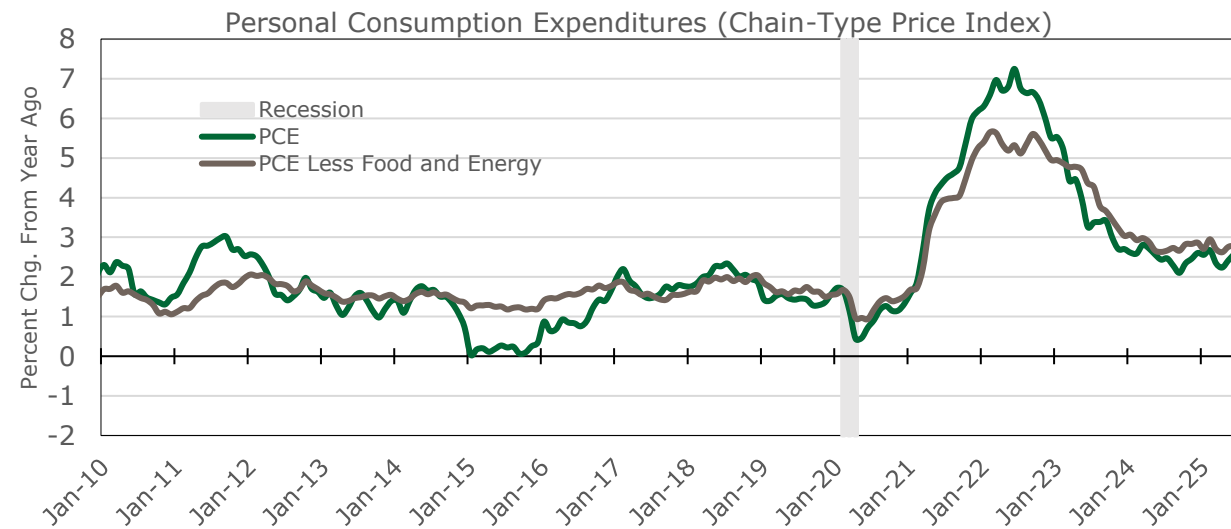


# Prices

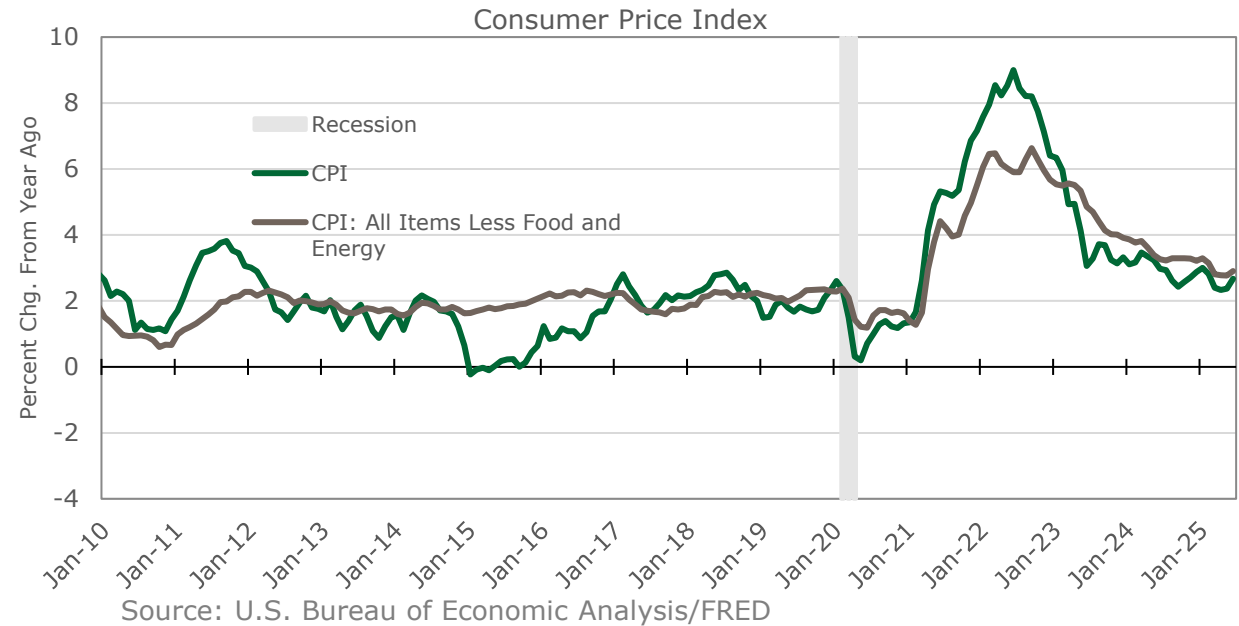
**Inflation Crept Higher During The Second Quarter**

# Consumer Prices

- The all-items index rose 2.7% for the 12 months ending June, up from 2.4% in May. The energy index decreased 0.8% over the past year, while the food index rose 3.0%.
- On a month-over-month basis, the all-items index increased 0.3%, after rising 0.1% in May. The energy index rose 0.9% during the month. The food index increased 0.3%, with the food at home index rising 0.3% and food away increasing 0.4%.
- The index for all items less food and energy rose 2.9% for the 12 months ending June.
- The index for all items less food and energy rose 0.2% in June, following a 0.1% increase in May. Indexes that increased over the month include household furnishings and operations, medical care, recreation, apparel, and personal care. The indexes for used cars and trucks, new vehicles, and airline fares were among the major indexes that decreased in June.



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

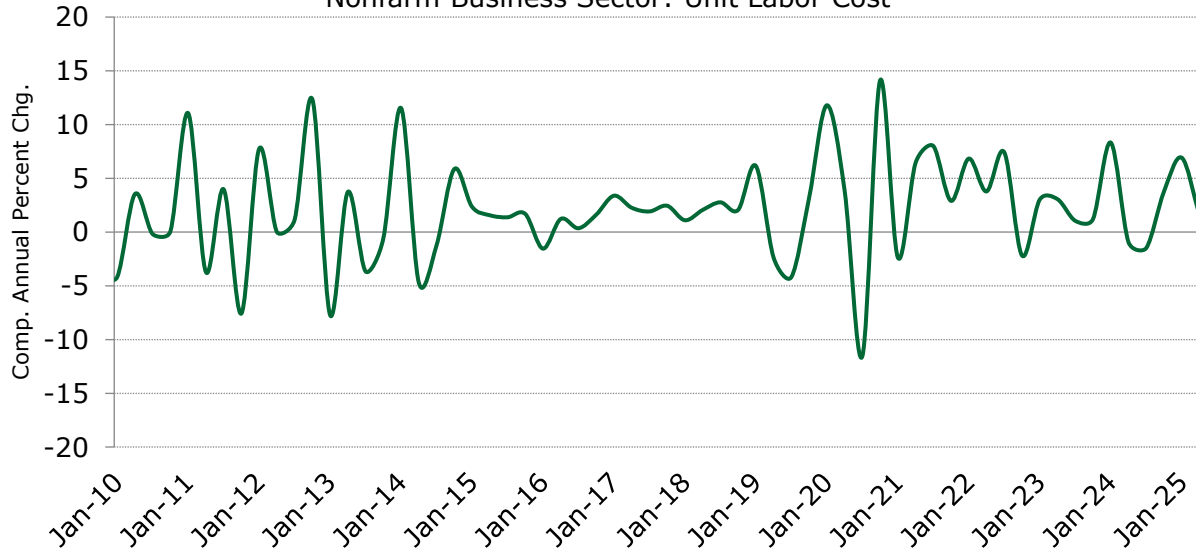


- The price index for PCE posted a year-over-year increase of 2.6% in June. When backing out food and energy, Core PCE was up 2.8%.
- On a month-over-month basis, June's PCE increased \$69.9 billion. Breaking it down, goods increased \$29.9 billion and services increased \$40.0 billion.
- Personal income increased by \$71.4 billion (0.3%) and outlays increased by \$69.5 billion in June.

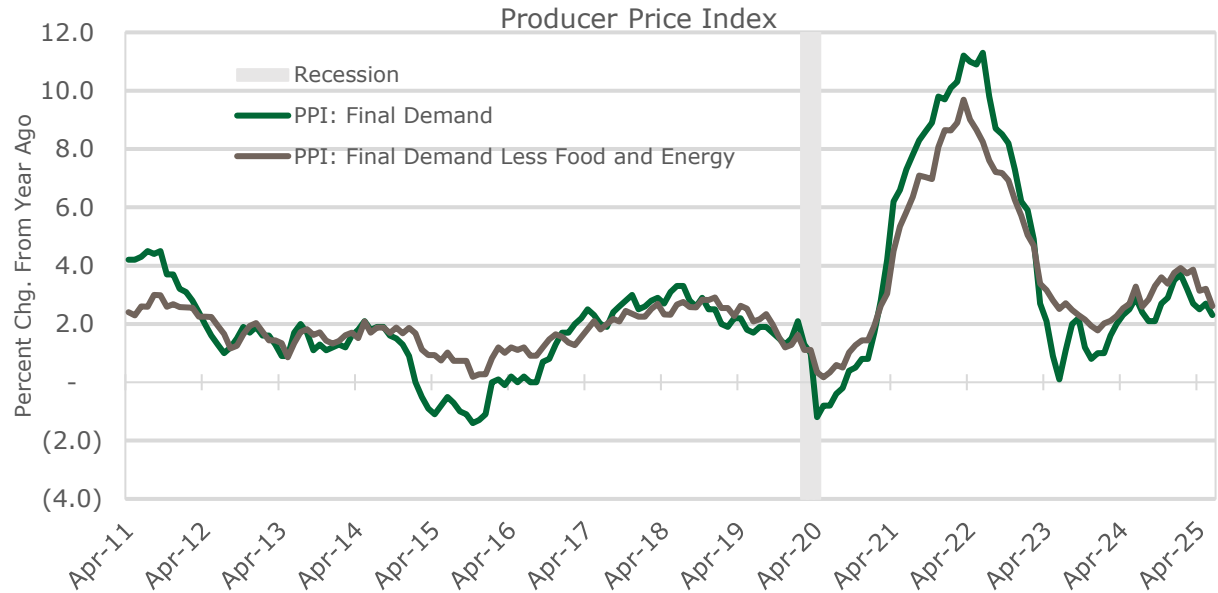
# Producer Prices

- The PPI for final demand rose 2.3% over the last 12 months ending in June (on an unadjusted basis). The index for final demand less food, energy and trade services rose 2.5% over the same period.
- Month-over-month, the final demand index (seasonally adjusted) was unchanged in June. A 0.3% advance in goods offset a 0.1% decline in services. Prices for final demand less foods, energy, and trade services were also unchanged.
- Within the index for final demand goods in June, prices for communication and related equipment increased 0.8%. The indexes for gasoline; residential electric power; canned, cooked, smoked, or prepared poultry; meats; and tree nuts also moved higher. In contrast, prices for chicken eggs dropped 21.8%. The indexes for natural gas liquids and for thermoplastic resins and plastics materials also declined.
- Over half of the June decline in the index for final demand services can be attributed to prices for traveler accommodation services, which fell 4.1%. The indexes for automobiles and automobile parts retailing, deposit services (partial), airline passenger services, and food and alcohol wholesaling also decreased. Conversely, prices for portfolio management advanced 2.2%. The indexes for machinery, equipment, parts, and supplies wholesaling; furniture retailing; and apparel, jewelry, footwear, and accessories retailing also rose.

Nonfarm Business Sector: Unit Labor Cost



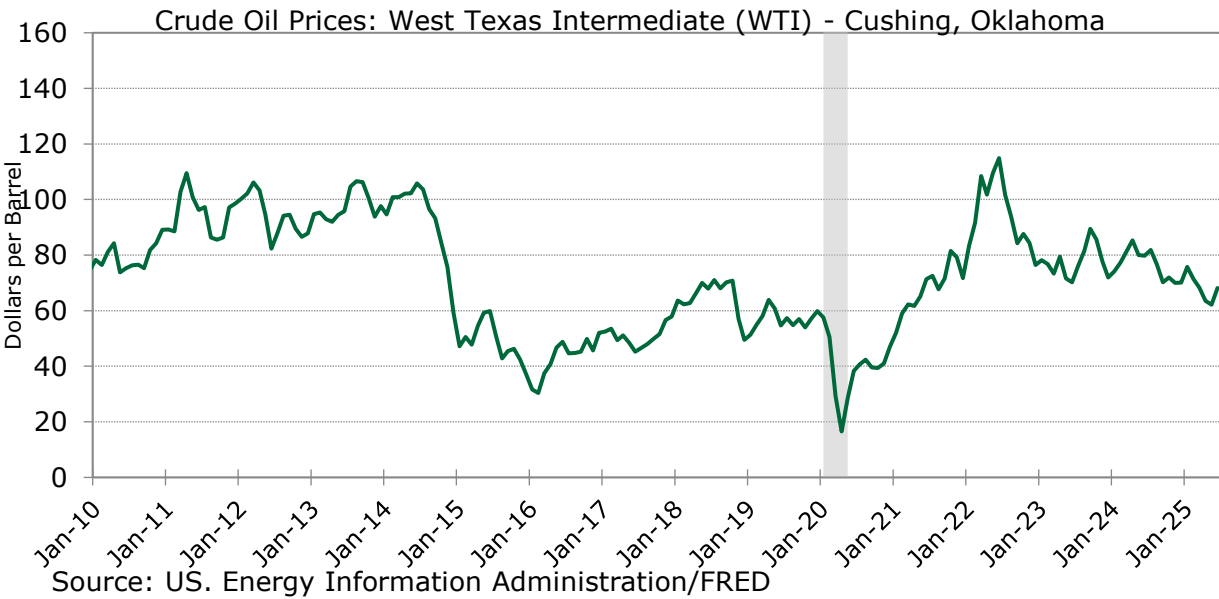
Source: U.S. Bureau of Labor Statistics/FRED



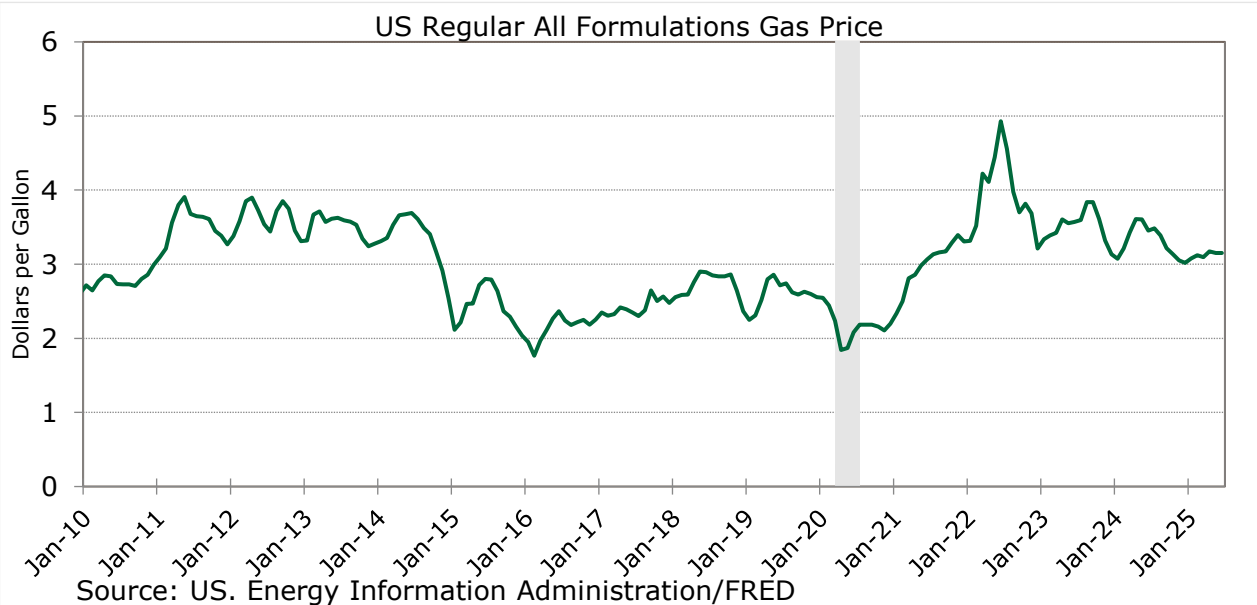
- Unit labor costs increased at an annual rate of 1.6% (preliminary) in the second quarter of 2025, the combined effect of a 4.0% increase in hourly compensation and a 2.4% increase in productivity. Unit labor costs increased 2.6% over the last four quarters.
- The manufacturing sector unit labor costs increased 1.7% in the second quarter of 2025, as hourly compensation increased 3.8% and a 2.1% increase in productivity. Over the last four quarters, manufacturing unit labor costs increased 2.5%.
- 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 will reach a record-high of nearly 13.6 million barrels per day (b/d) in December of 2025 and then decline to 13.1 million (b/d) by the fourth quarter of 2026. The EIA estimates U.S. crude oil production will average 13.4 million (b/d) in 2025 and 13.3 (b/d) in 2026.
- The EIA estimates Brent crude oil prices to decline from \$71 per barrel (b) to \$58/b in the fourth quarter of 2025. EIA expects oil inventories to build and Brent prices to average \$67/b in 2025 and \$51/b in 2026.



- The EIA estimates U.S. retail gasoline price will average \$3.10 per gallon (gal) in 2025 and \$2.90/gal in 2026.





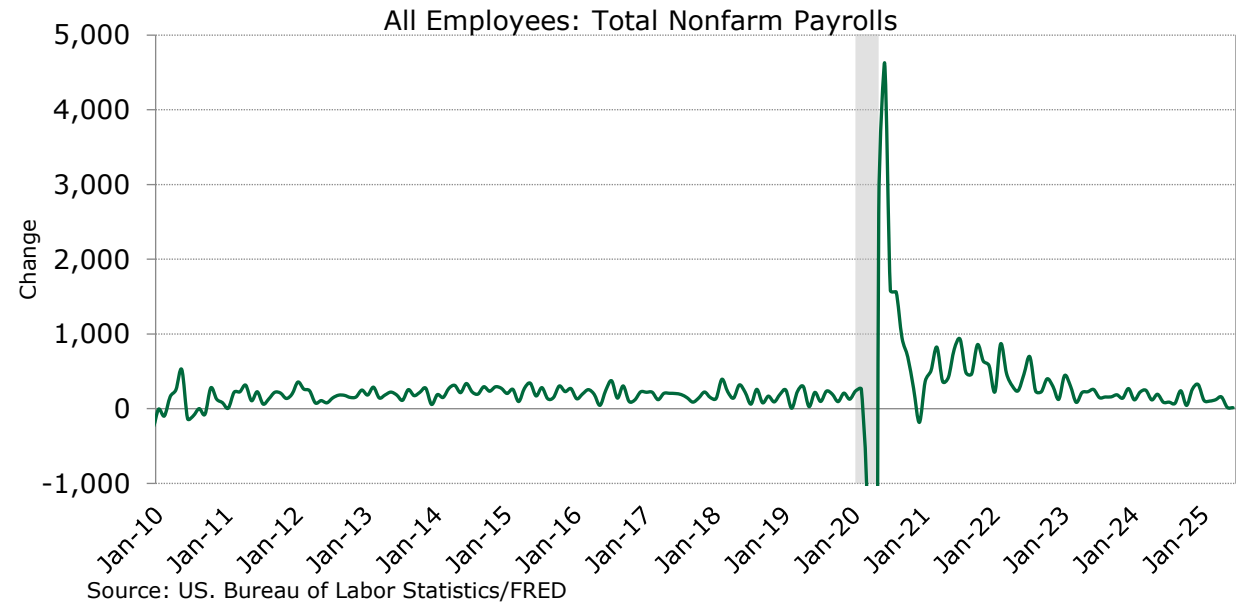
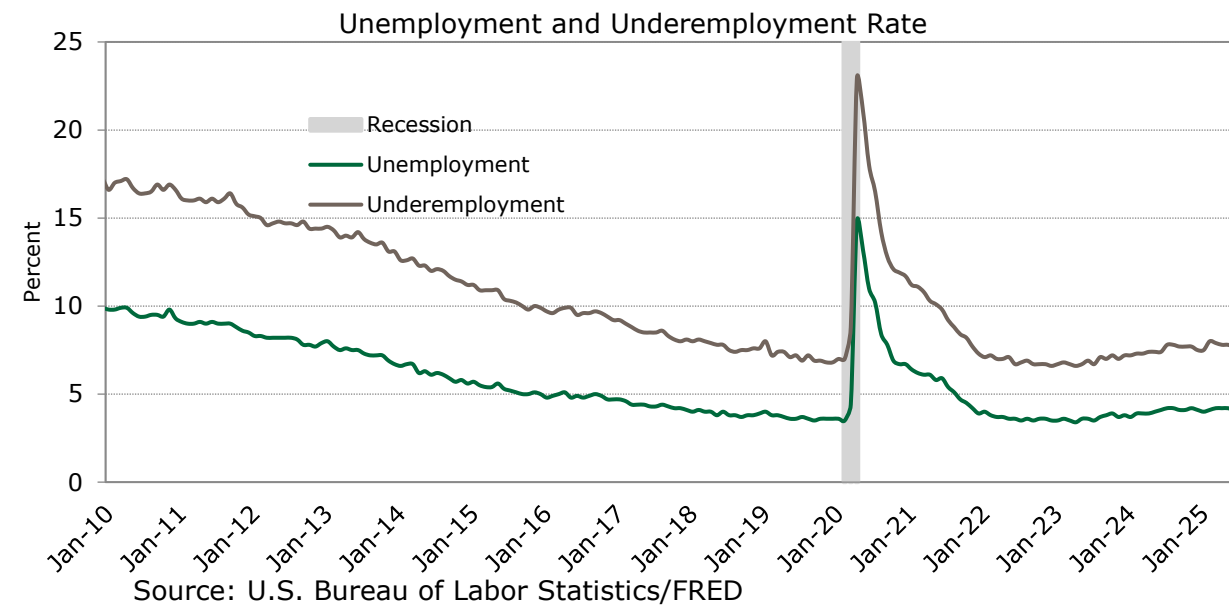
# Employment

**The Labor Market Remained Steady**



# Employment

- Total nonfarm payroll employment for June increased by 147,000, around the previous 12-month average 146,000 per month.
- In June, employment trended up in state government, largely in education, and health care.
- Nonfarm employment in April was revised up 11,000 to 158,000 and May was revised up 5,000 to 139,000.
- It should be noted that the high and low points of the pandemic are excluded from the graph.



- The June unemployment rate was little changed at 4.1%. The unemployment rate has ranged from 4.0% to 4.2% since May 2024. The number of unemployed persons was 7.0 million.
- The number of long-term unemployed (those jobless for 27 weeks or more) increased by 190,000 to 1.6 million in June.
- The seasonally adjusted underemployed rate, or the U-6 rate, was 7.7% in June.

# Employment

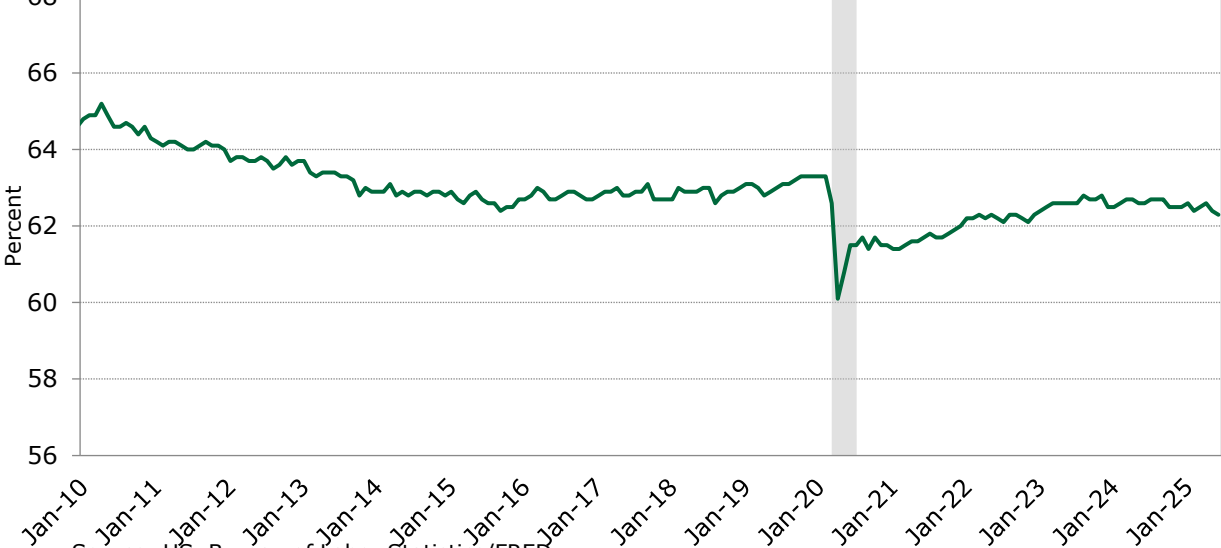
- The labor force participation rate was at 62.3%, little changed from the prior month. The employment-population ratio (not shown in graphs) was at 59.7%, unchanged from the previous month.
- At the current participation rate and population growth rate, maintaining an unemployment rate of 4.1% suggests the economy needs to add 133,107 jobs on average each month over the next twelve months. (Source: Federal Reserve Bank of Atlanta/Jobs Calculator)

4-Week Moving Average of Initial Claims



Source: U.S. Employment and Training Administration/FRED

Civilian Labor Force Participation Rate



Source: US. Bureau of Labor Statistics/FRED

- The 4-week moving average for initial claims was 241,250 as of the week of June 28.
- The weekly initial claims for the week ending June 28 were 232,000.
- It should be noted, the high point of the pandemic have been excluded from the graph.

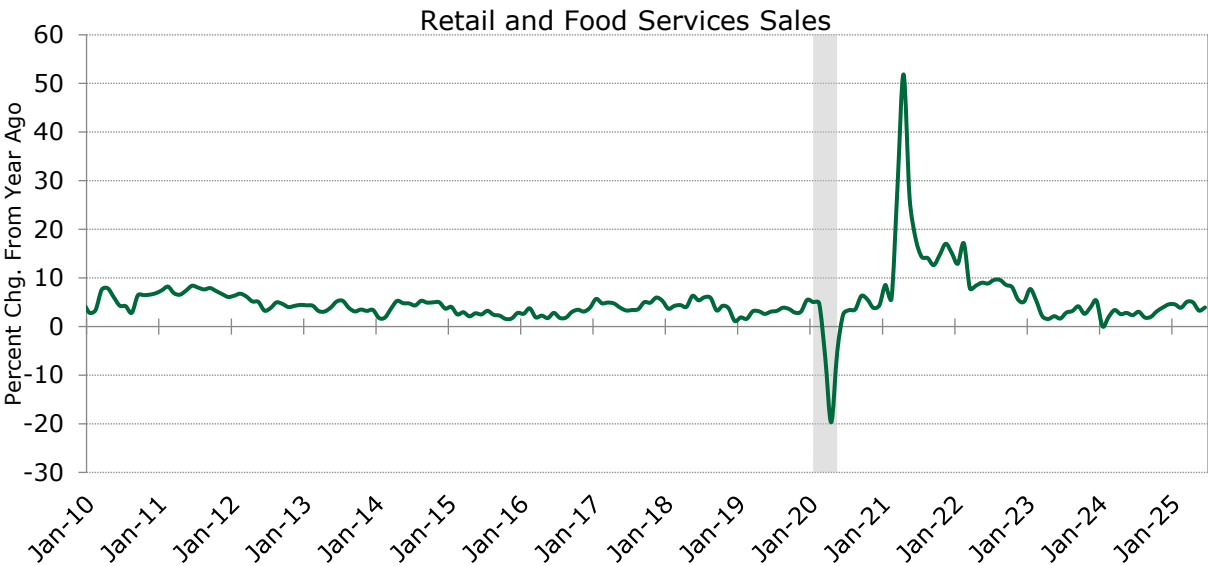


# Consumer

**Consumers Continued To Spend During The Quarter**

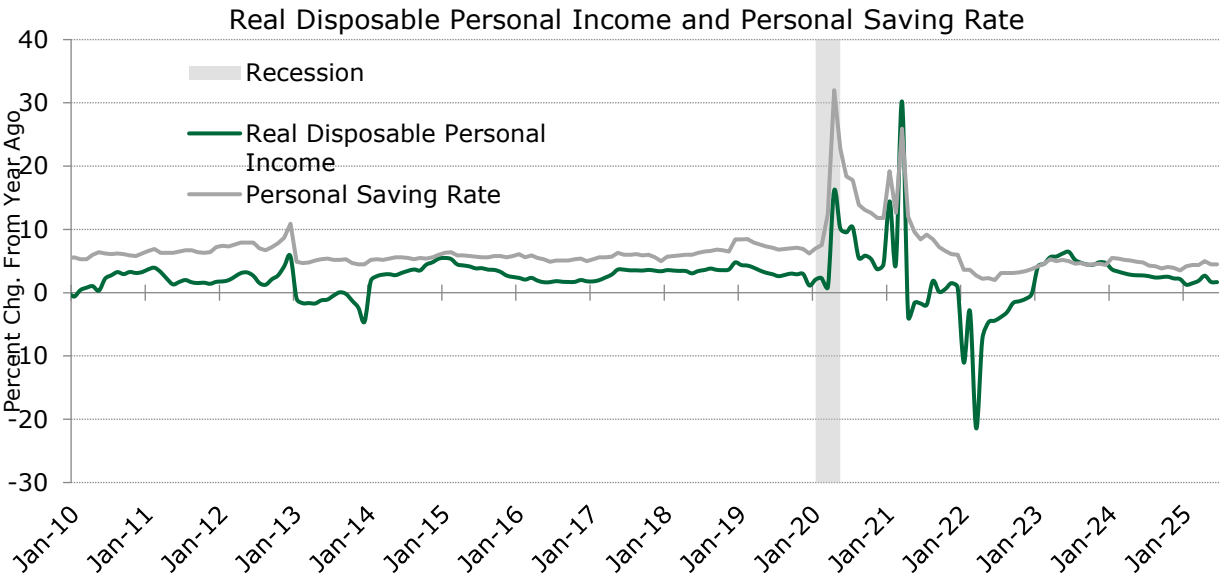
# Consumer

- 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 June rose 0.6% month-over-month and is 3.9% higher than June 2024.
- When excluding motor vehicles and gasoline stations, retail sales increased 3.3% since June 2024.



Source: US. Bureau of the Census/FRED

- Real disposable personal income was unchanged in June and was up 1.7% year-over-year.
- Personal savings was \$1.01 trillion in June. The personal savings rate was 4.5%.



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



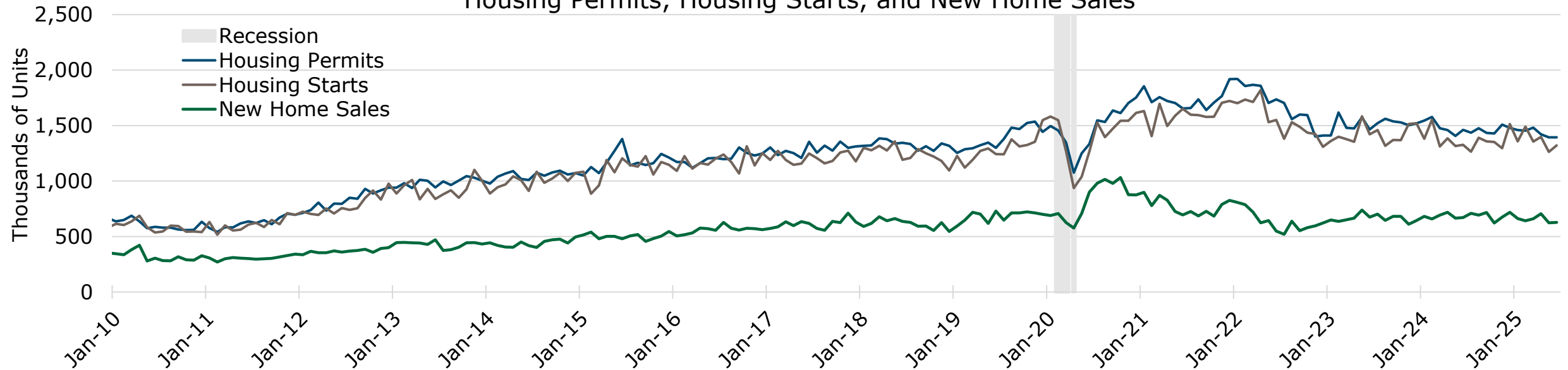
# Housing

**The Housing Sector Showed Signs of Slowing, Price Gains Continue To Fall**

# Housing

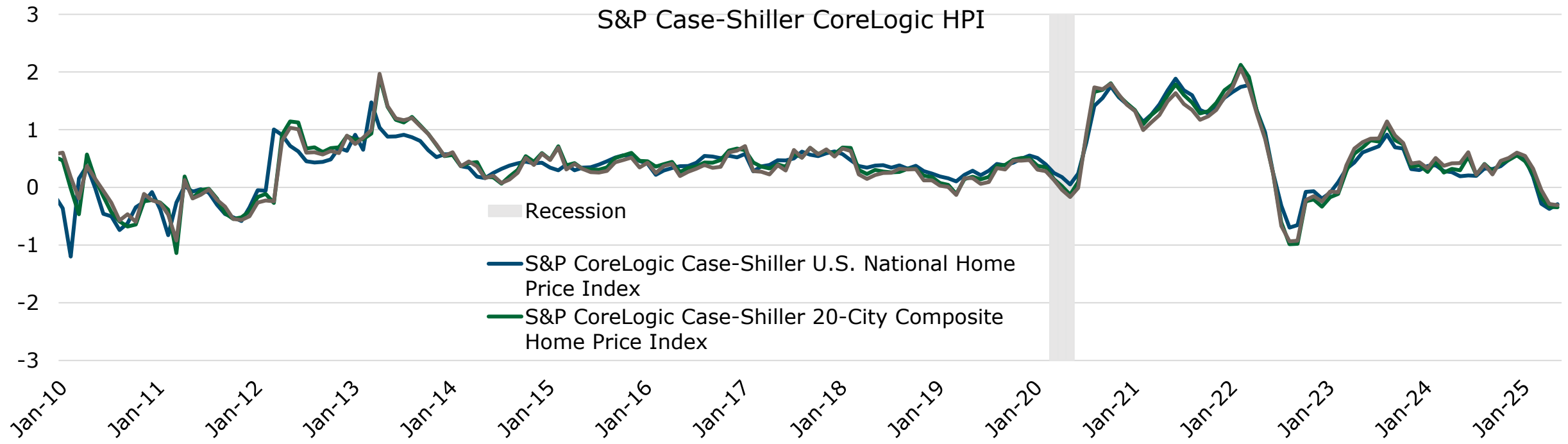
- Building permits, which lead housing starts by 1-3 months and are subject to less volatility, in June were at a seasonally adjusted annual rate of 1,397,000, 0.2% above the revised May rate but 4.4% below the June 2024 level. Single-family building permits were at a rate of 866,000, 3.7% below the revised May rate. Building permits for 5+ units were at a rate of 478,000 in June.
- Housing starts in June were at a seasonally adjusted rate of 1,321,000, 4.6% above the revised May rate, but 0.5% below the June 2024 rate. Single-family housing starts in June were at a rate of 883,000, 4.6% below the revised May rate. Housing Starts for 5+ units was 414,000 in June.
- New home sales in June were at a seasonally adjusted rate of 627,000, 0.6% above the revised May rate and 6.6% above the June 2024 rate. The median sales price of new houses sold in June was \$401,800. The average sales price was \$501,000. The seasonally adjusted estimate of new houses for sale at the end of June was 511,000, which represents a supply of 9.8 months at the current sales rate.
- Existing-home sales (not graphed), as reported by the National Association of Realtors, fell 2.7% in June, to a seasonally adjusted annual rate of 3.93 million. Sales were unchanged from a year ago.
- The median price for existing-home sales was \$435,300, up 2.0% from a year ago.
- Supply was at 1.53 million in June, up 15.9% from one year ago. Relative to sales, supply is at 4.7 months, up from 4.6 months last month and 4.0 months a year ago.
- Existing-home sales in the Midwest were down 4.0% in June, but up 2.2% year-over-year. The median price was \$337,600, up 3.4% from a year ago. Sales in the West were up 1.4% in June, but down 4.1% year-over-year. The median price was \$636,100, up 1.0% year-over-year.

Housing Permits, Housing Starts, and New Home Sales



# 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 May of 2.3%, down from 2.7% the prior month. The National Index rose 0.4% in the month of May before seasonal adjustments and decreased 0.3% after seasonal adjustments.
- The S&P CoreLogic Case-Shiller U.S. 10-City reported an annual increase in May of 3.4%, down from 4.1% the prior month. The 10-City Composite rose 0.4% in May before seasonal adjustments and decreased 0.3% after seasonal adjustments.
- The S&P CoreLogic Case-Shiller U.S. 20-City Composite reported an annual increase in May of 2.8%, down from 3.4% the prior month. The 20-City Composite rose 0.4% in the month of May before seasonal adjustments and decreased 0.3% after seasonal adjustments.
- The FHFA House Price Index (not pictured but data can be found in the appendix) decreased 0.2% in May. Prices were up 2.8% year-over-year.
- For the nine census divisions, seasonally adjusted monthly house price changes from April 2025 to May 2025 ranged from -0.8% in the Middle Atlantic division to 0.3% in the West South Central division. The 12-month changes ranged from 0.6 percent in the Pacific division to 5.9 percent in the Middle Atlantic division





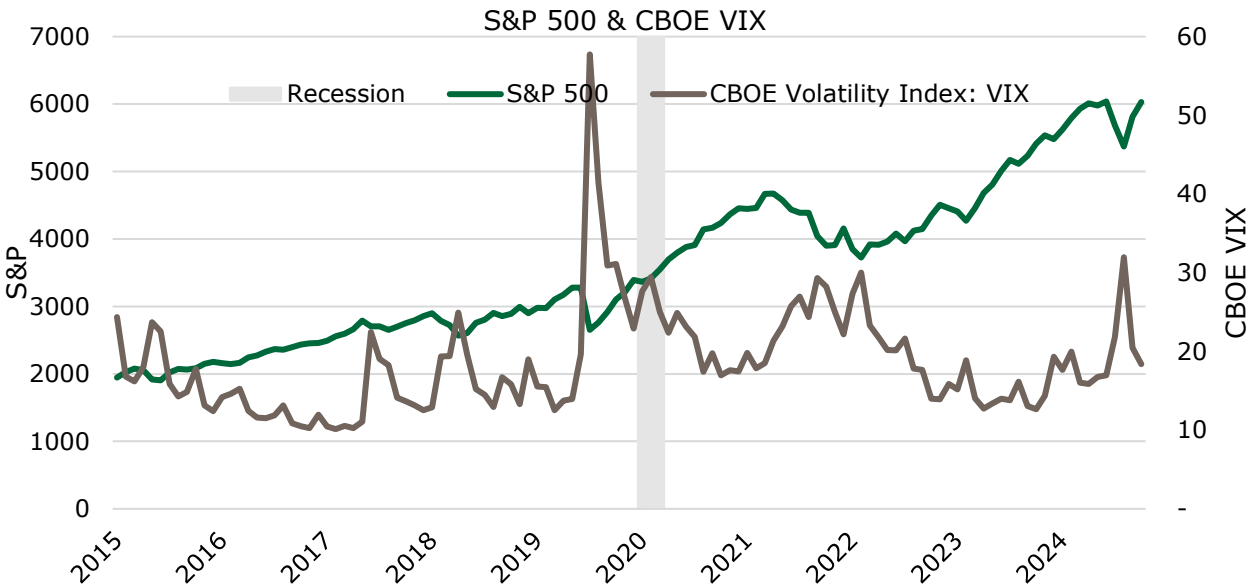
# Market Indices

**Equities Plummeted To Begin The Quarter But Were Able To Recover**



# Market Indices

- S&P 500 closed June at 6,173, up 12.75% 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 to be 18.4. Overnight SOFR, not pictured, ended June at 4.45%.



- The spread between the 2-year and 10-year U.S. Treasury yield widened during the second quarter. The 10-year Treasury Note minus 2-year Treasury Note spread ended June at 0.49%, still well below the 1.12% median dating back to the start of the century.



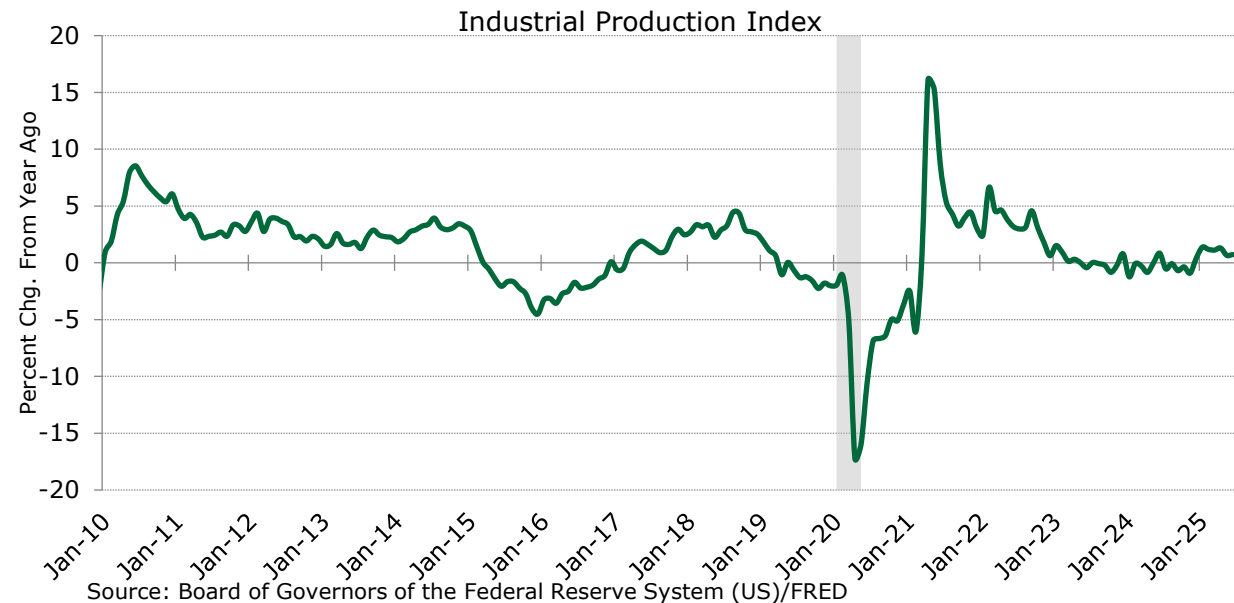
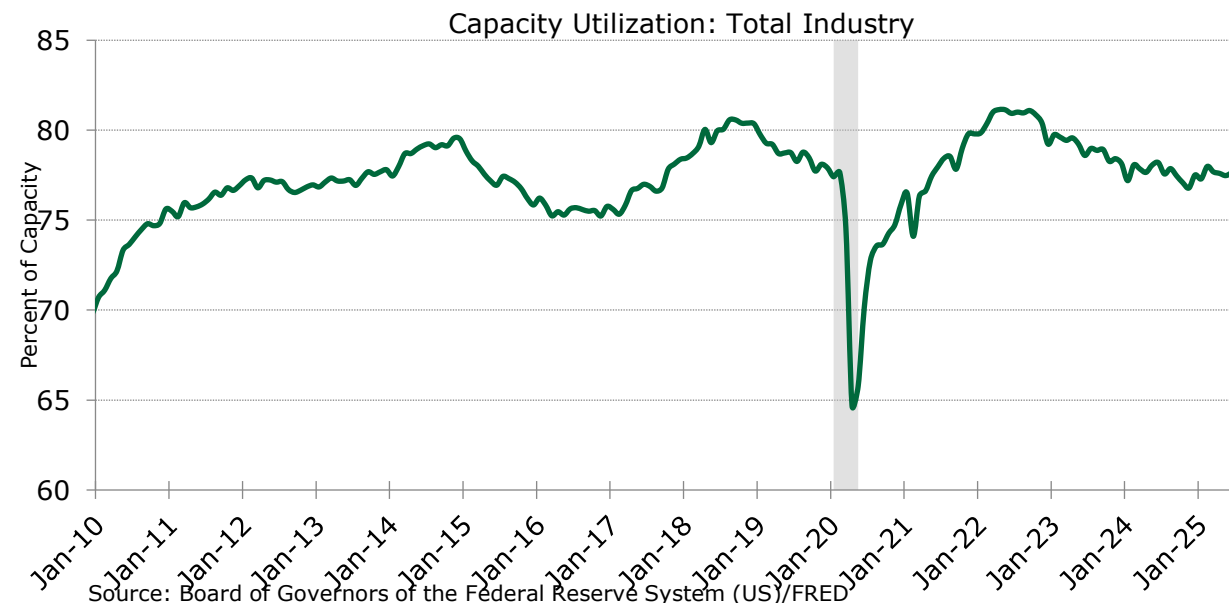


# Economic Activity

**Industrial Activity Was Higher For The Quarter**

# Economic Activity

- Industrial production increased 0.3% in June and was up 1.1% over the last year. Output growth in June for manufacturing, mining, and utilities, posted month-over-month changes of 0.1%, -0.3%, and 2.8%, respectively. Year-over-year, industrial production rose 0.7% with manufacturing, mining, and utilities changing by 0.8%, 1.6%, and -0.8%, respectively.
- Manufacturing increased two of the three months during the quarter.
- Mining fell 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 June, below the long-run average of 79.6.
- The manufacturing component was at 76.9%, below the long-run average of 78.2.
- Utilization for mining was at 90.6%, above its long-run average of 86.5%.
- The operating rate for utilities was at 70.1%, well below its long-run average of 84.2%.

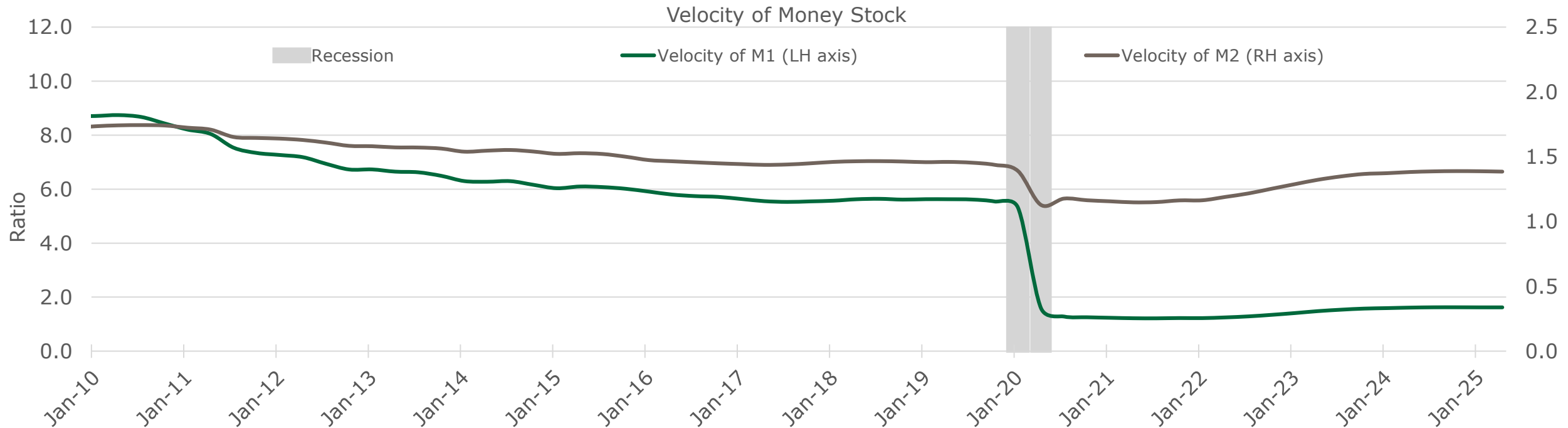


# Money Supply and Velocity

**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 1.39, 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 1.62 versus the peak reading of 10.68 in the 4<sup>th</sup> quarter 2007. The latest reading was unchanged from the previous quarter.

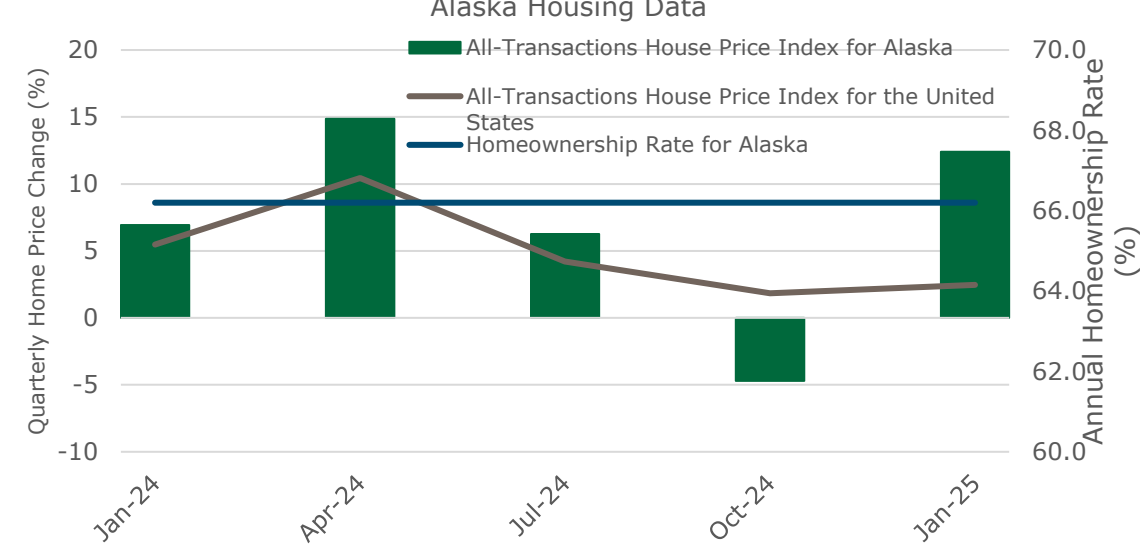
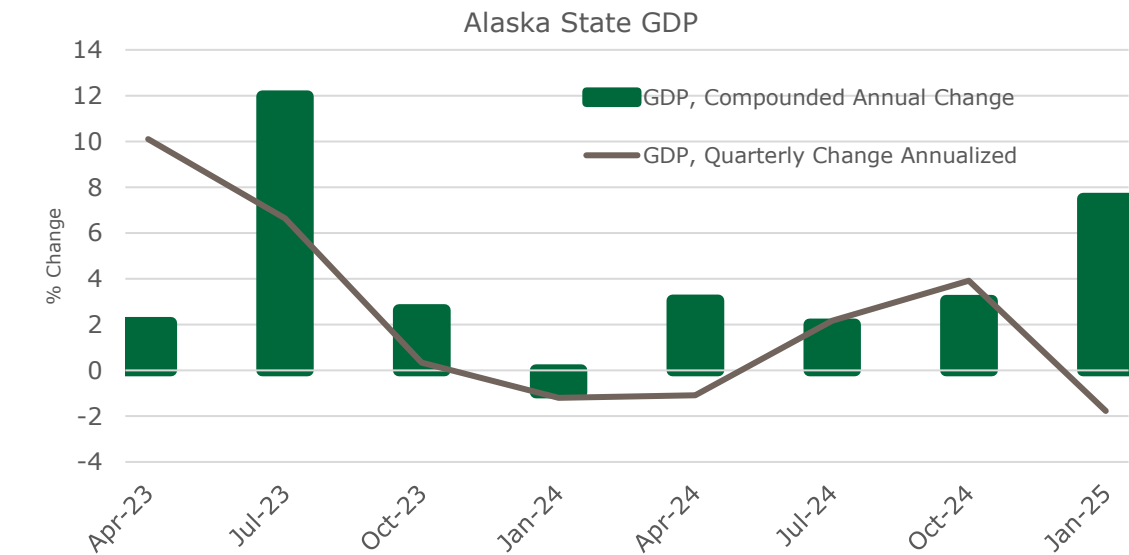
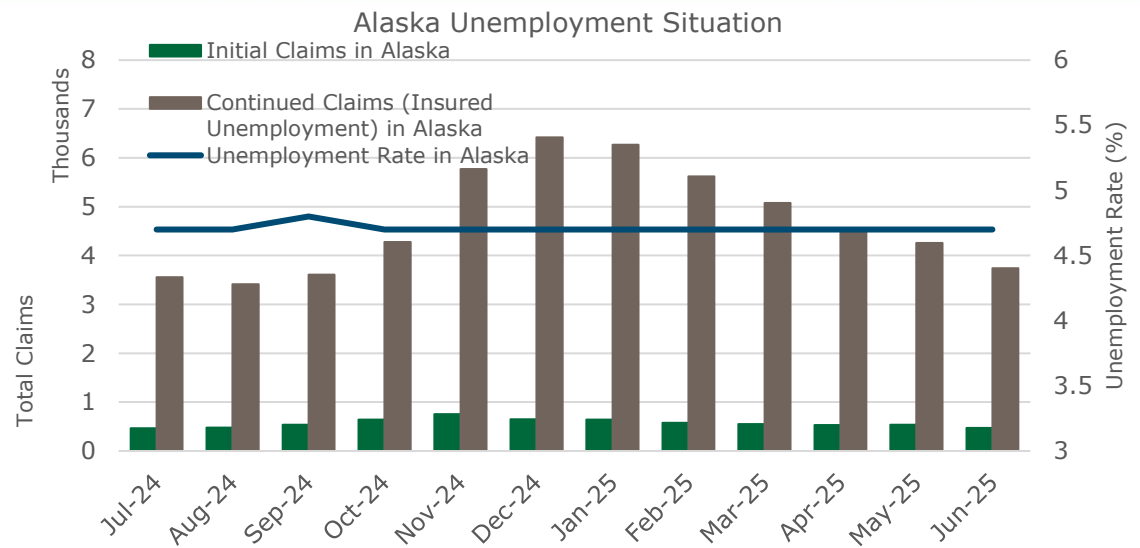
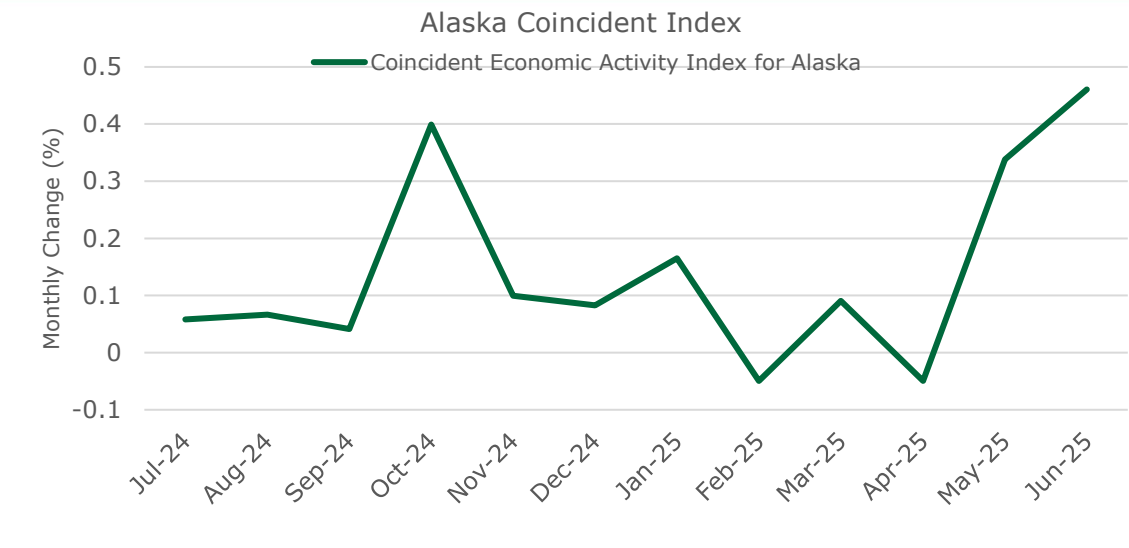




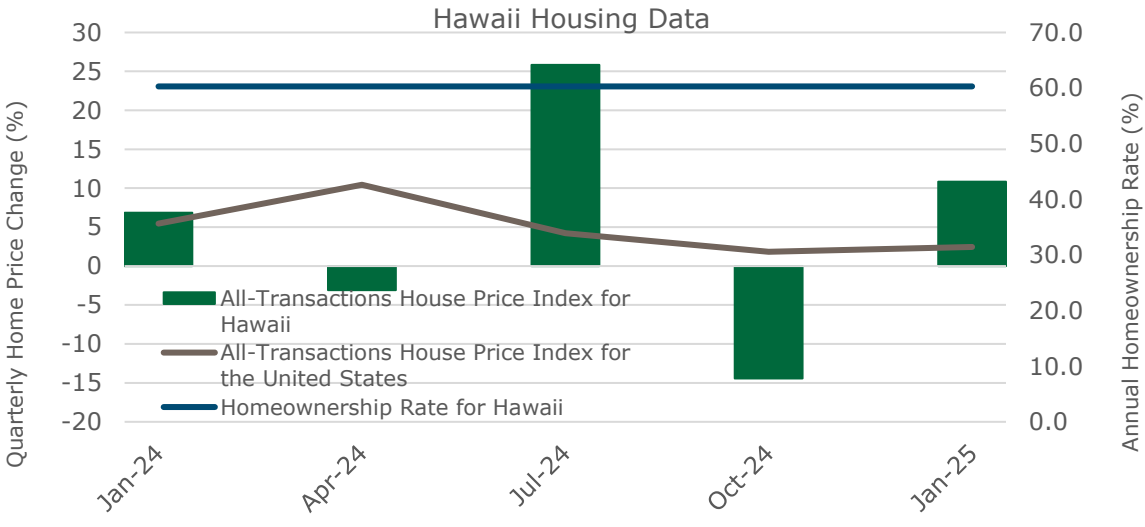
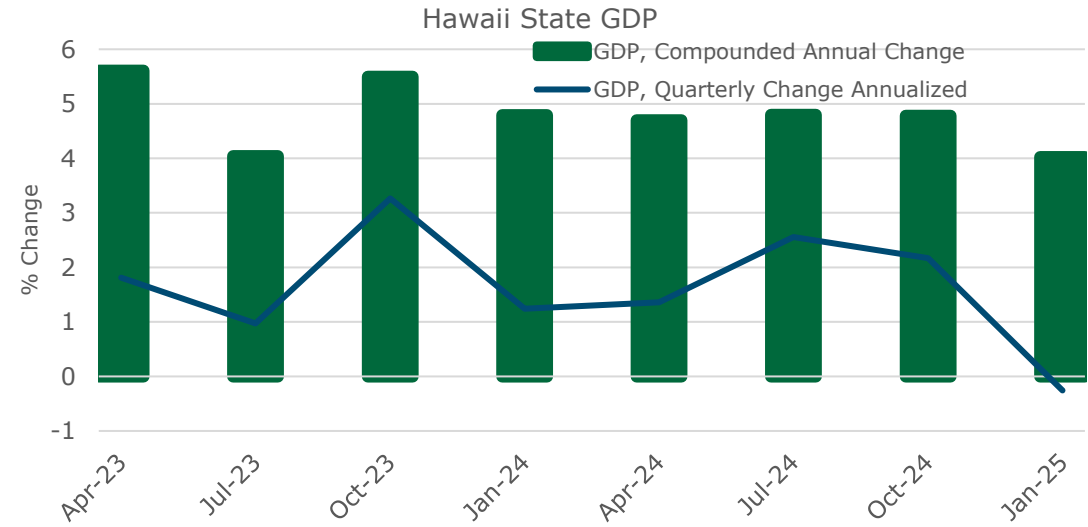
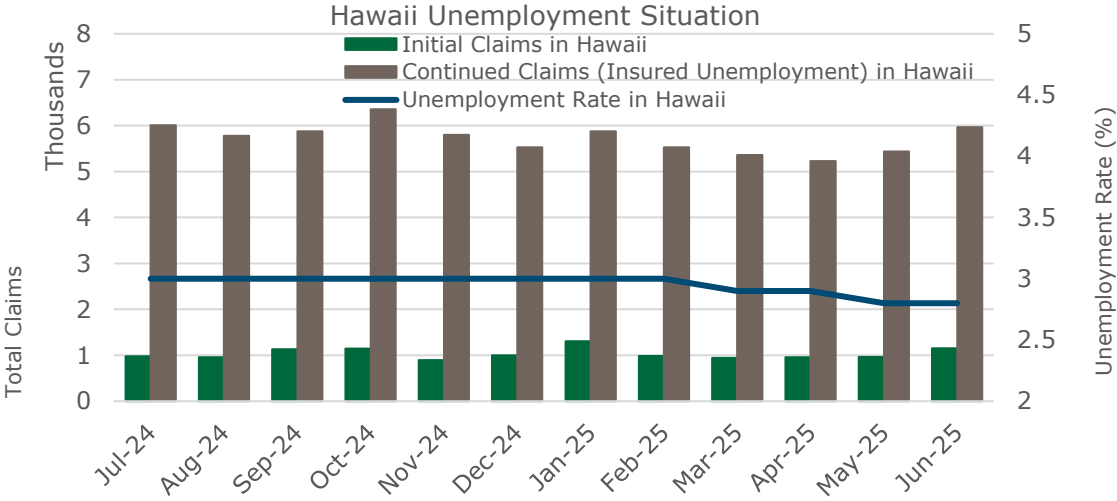
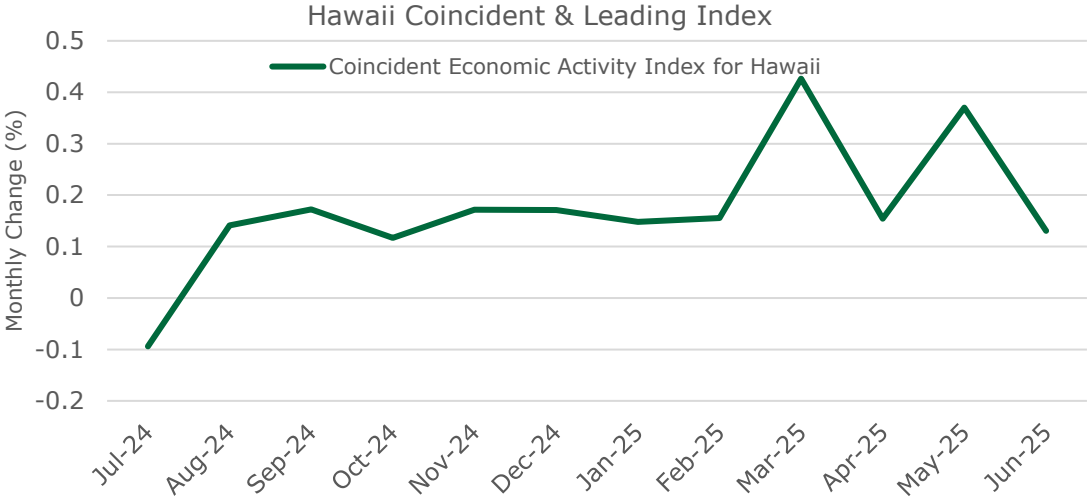
# Appendix

## State Level Data

# Alaska

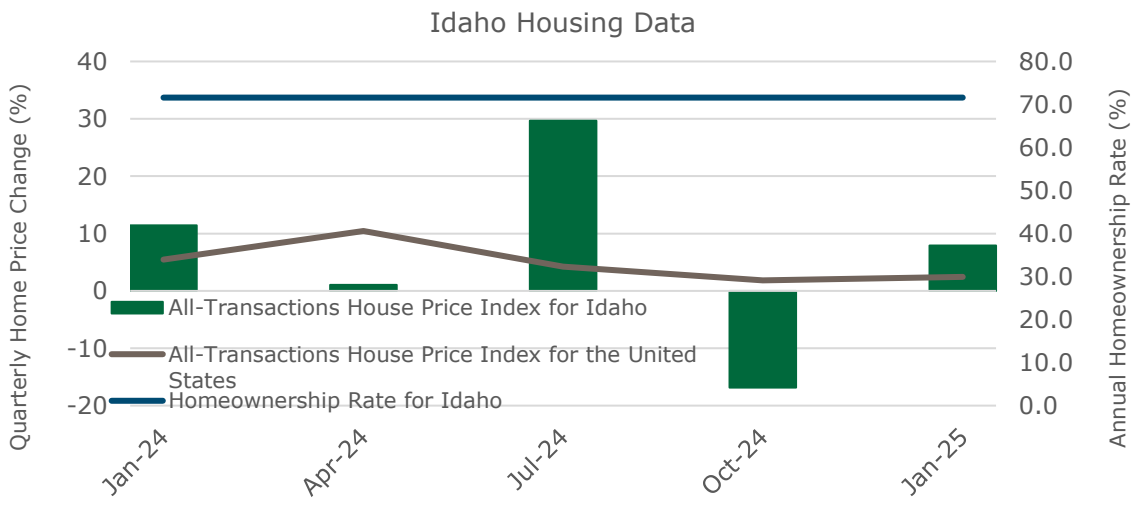
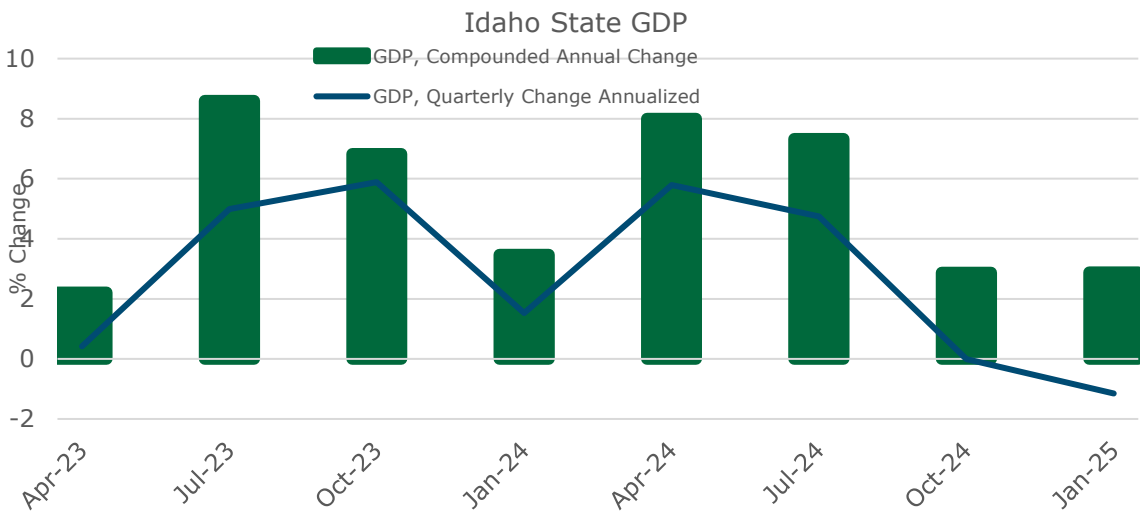
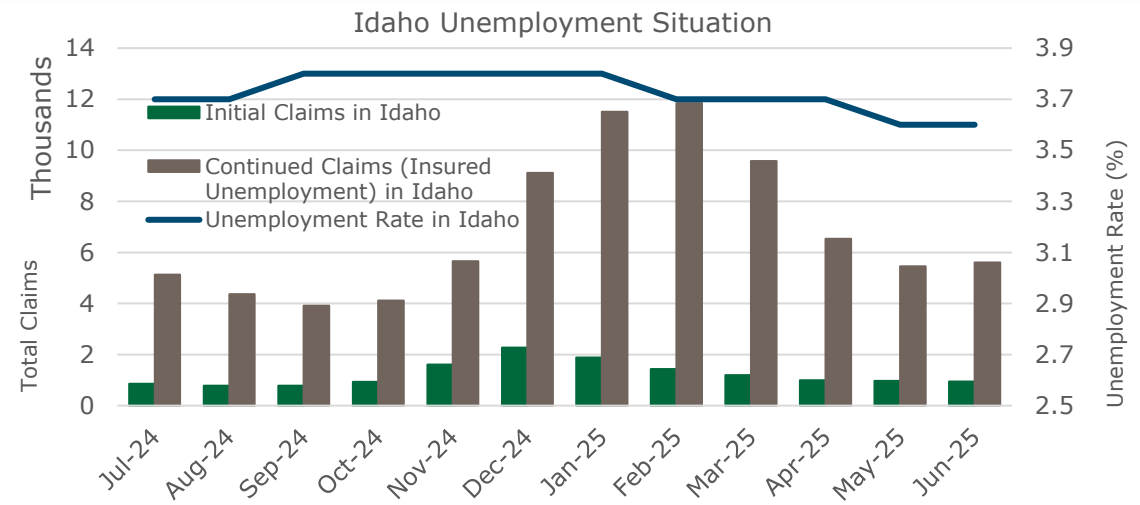
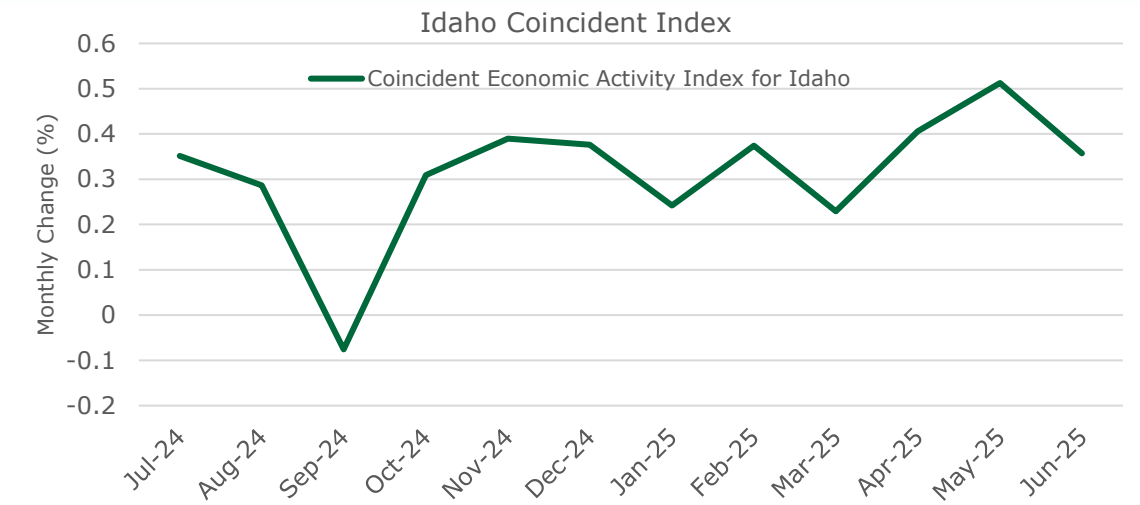


# Hawaii

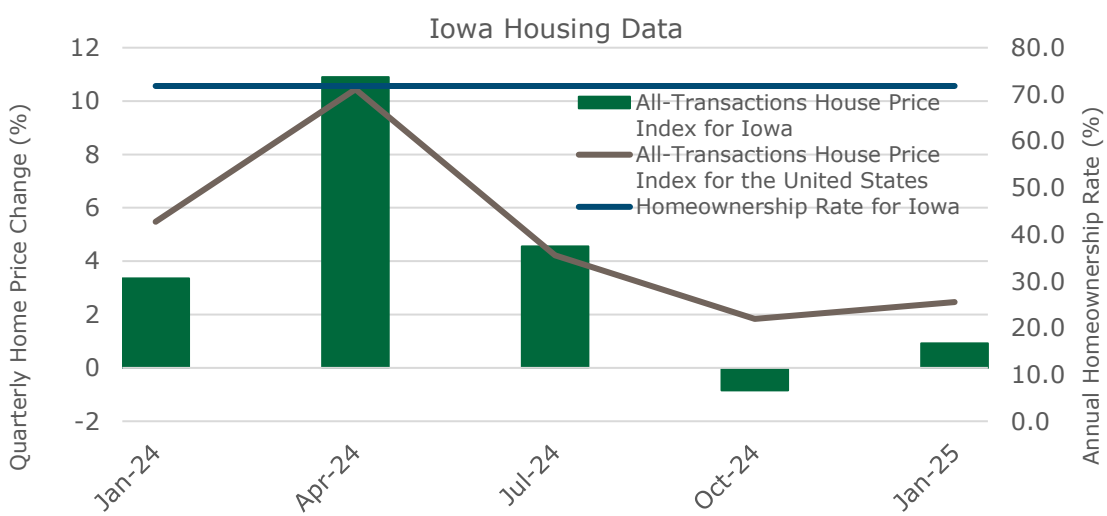
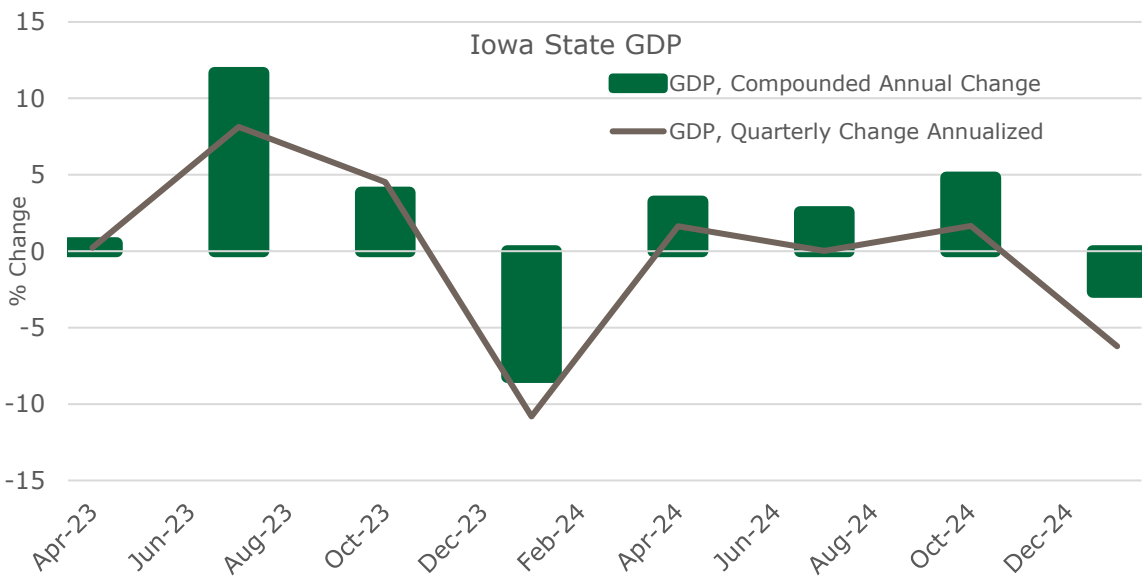
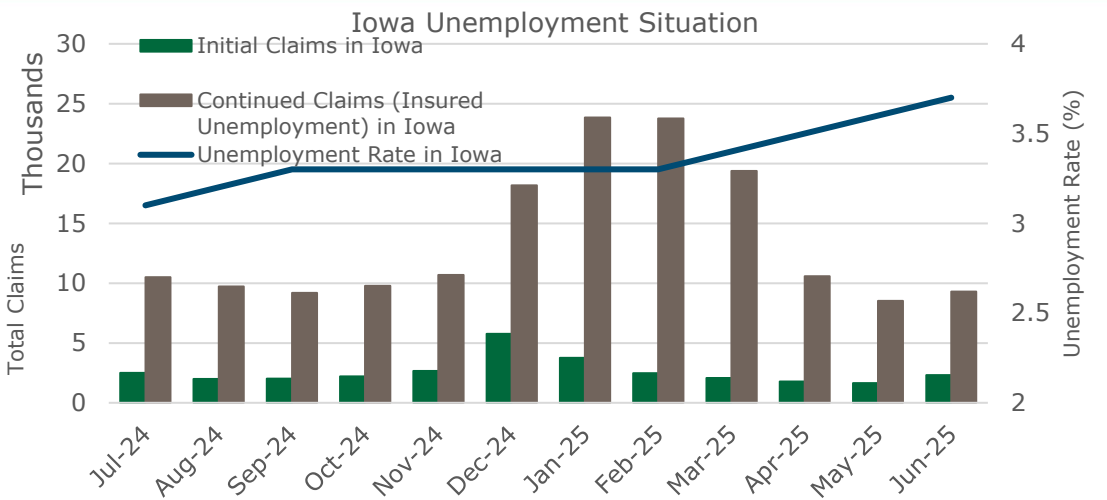
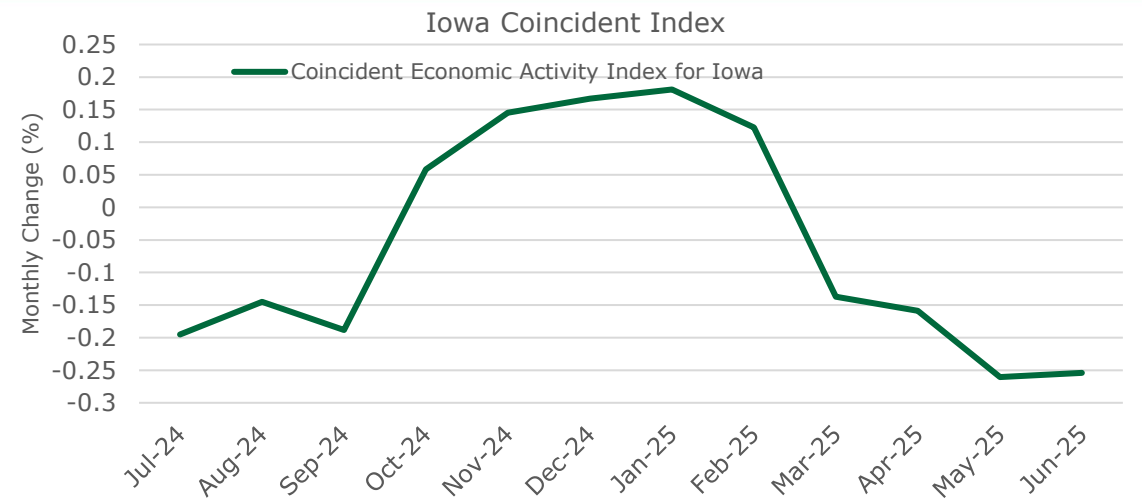




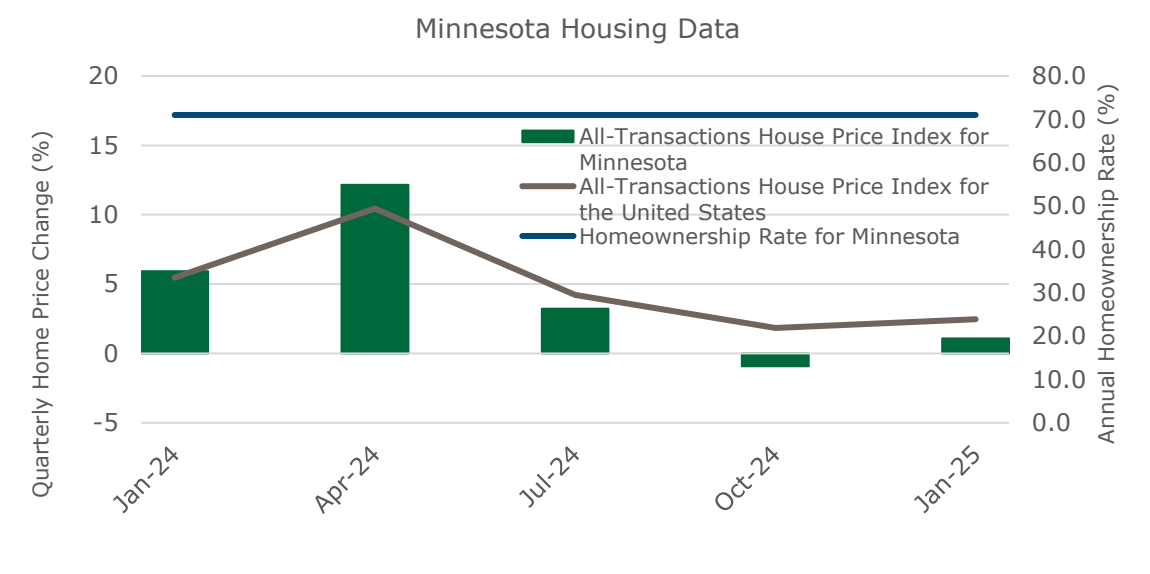
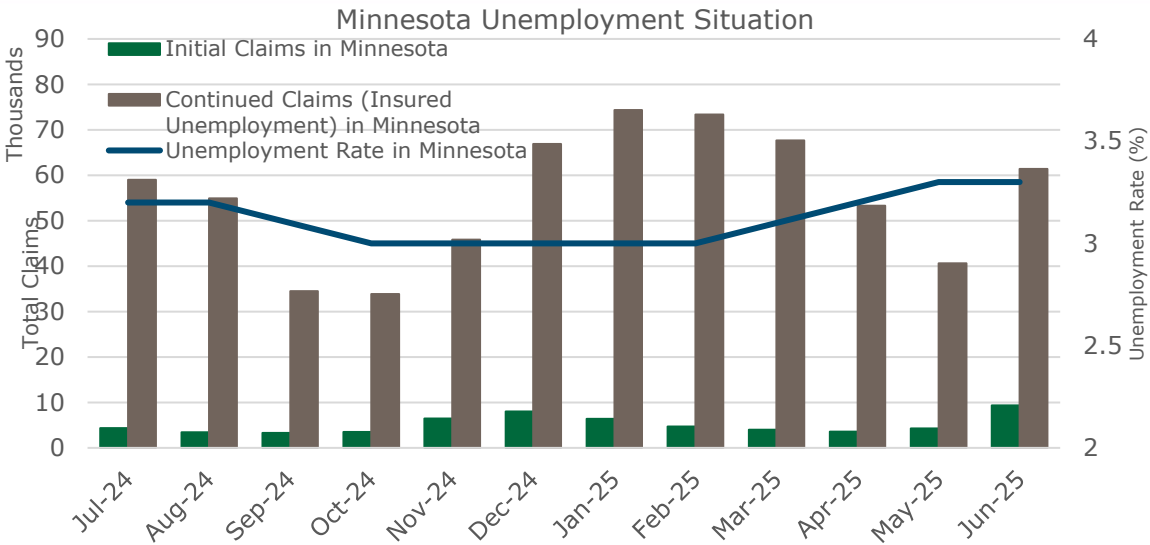
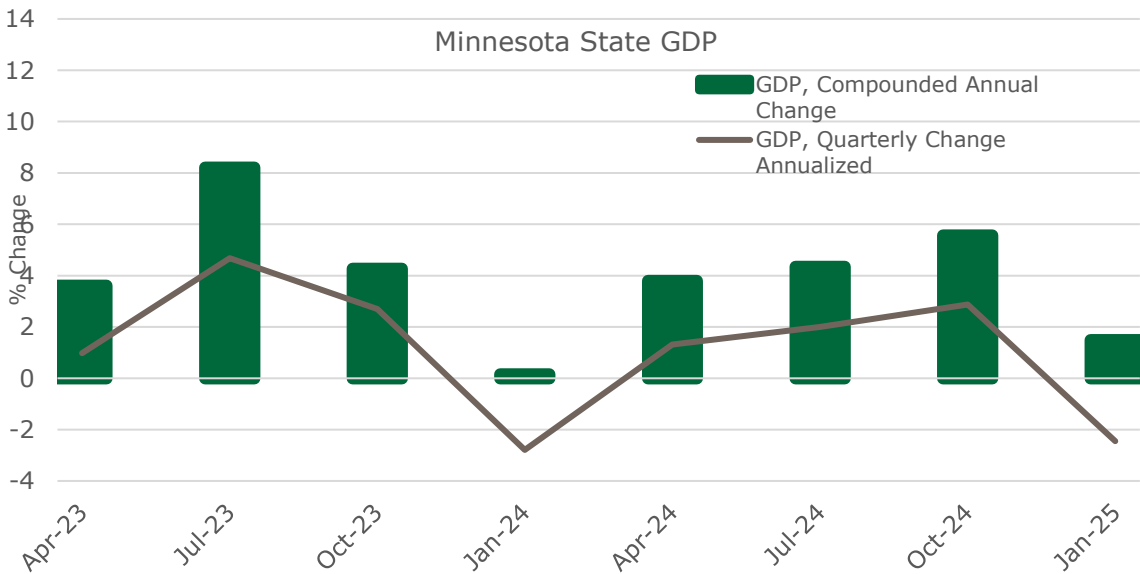
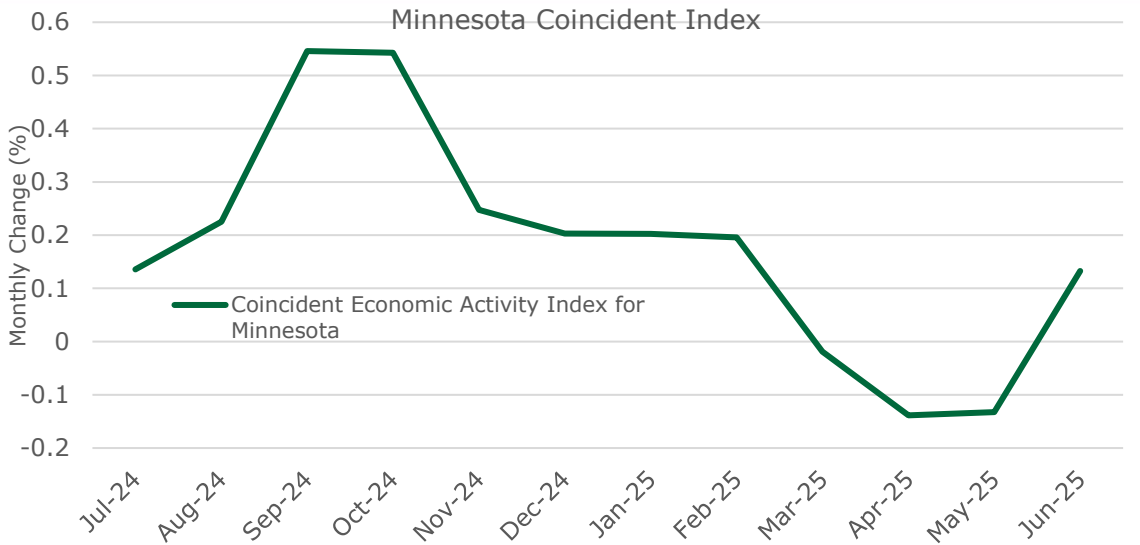
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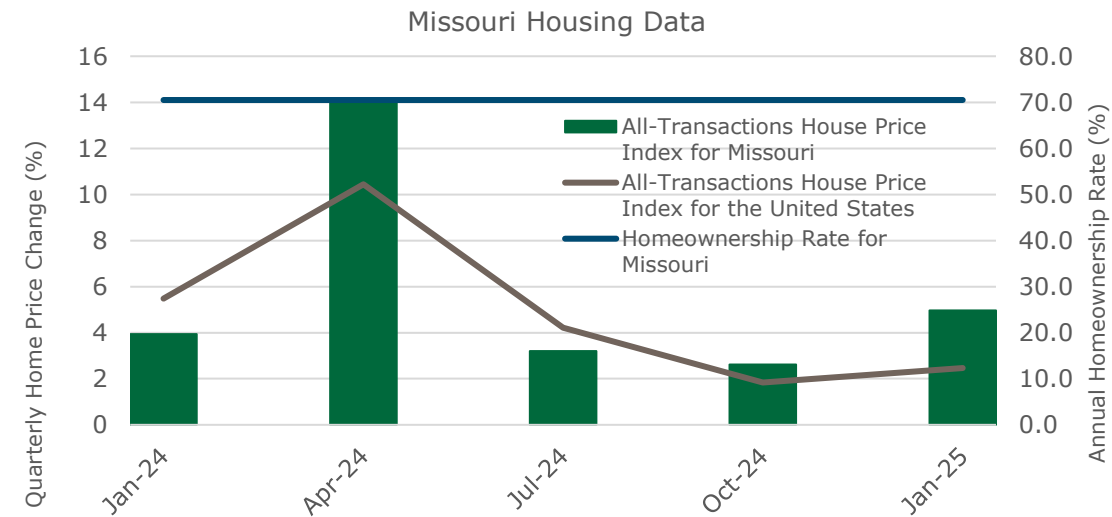
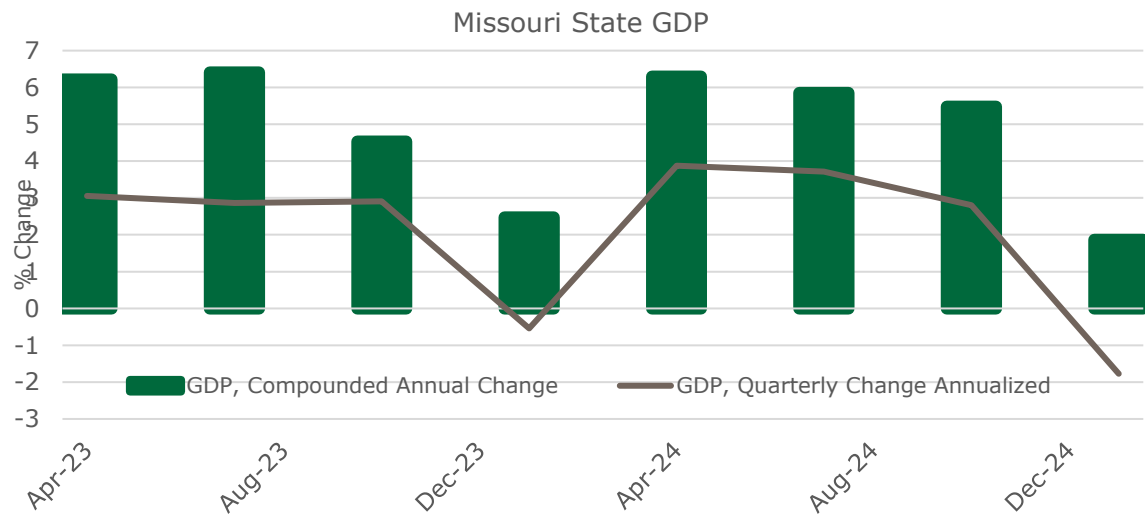
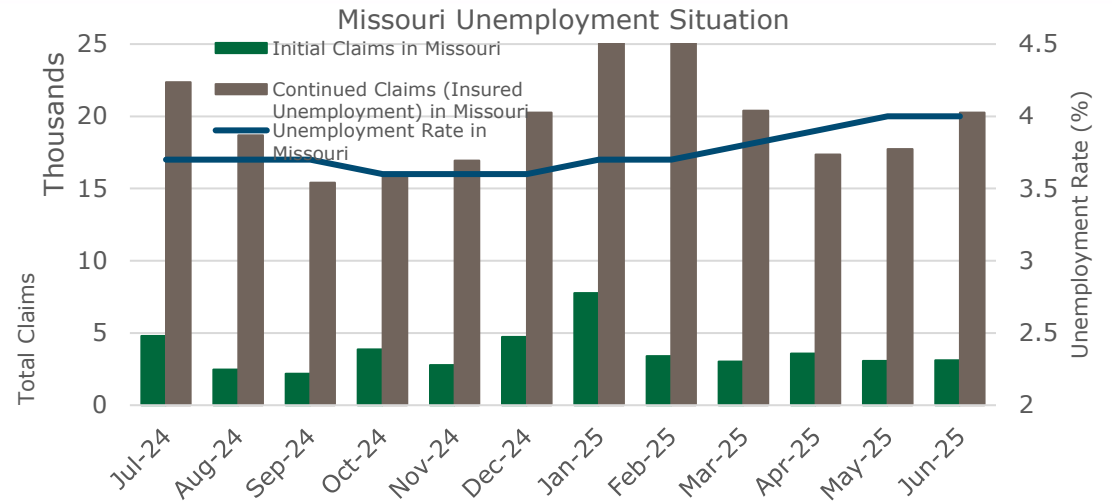
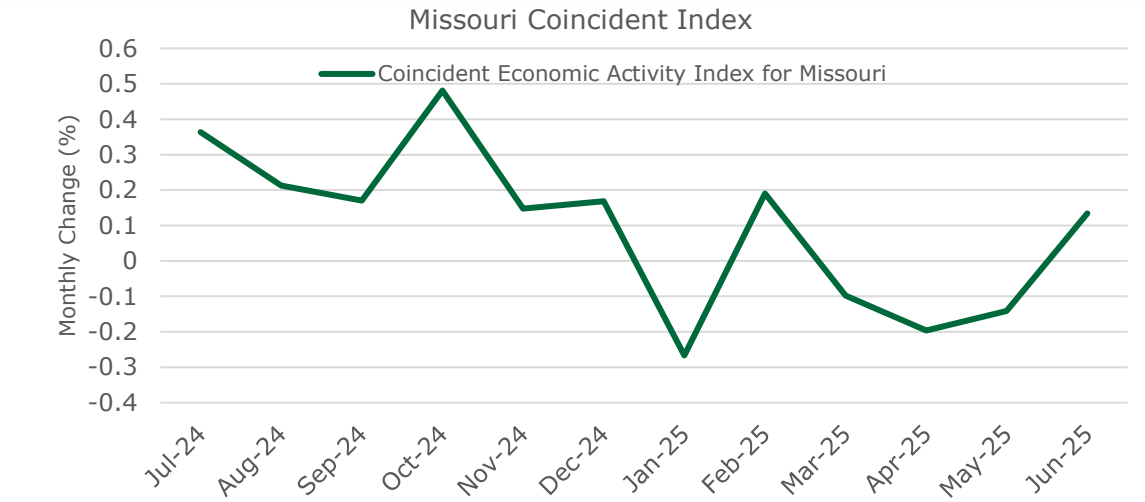
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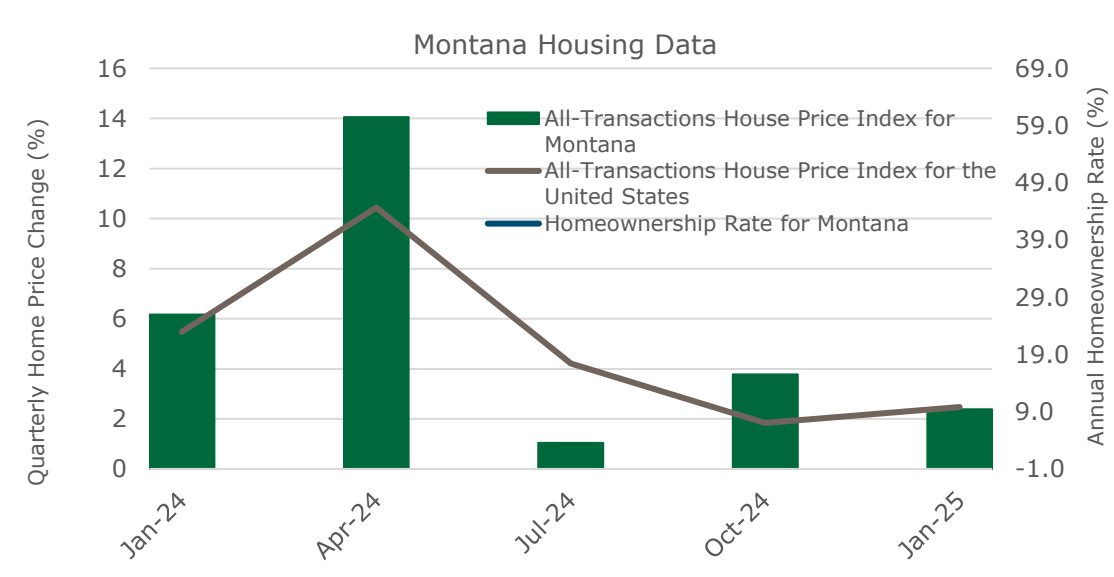
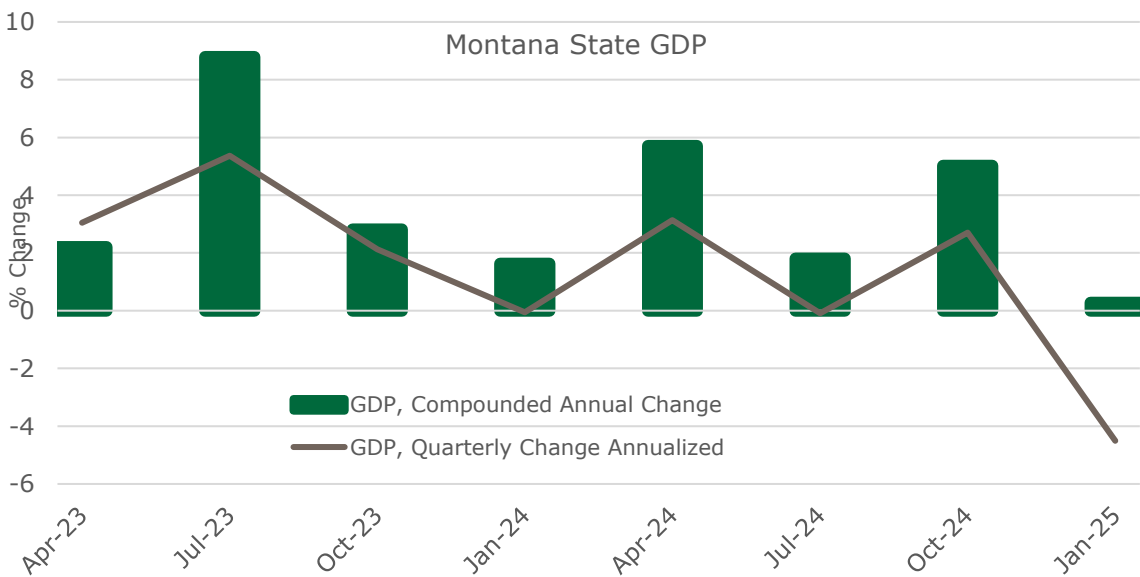
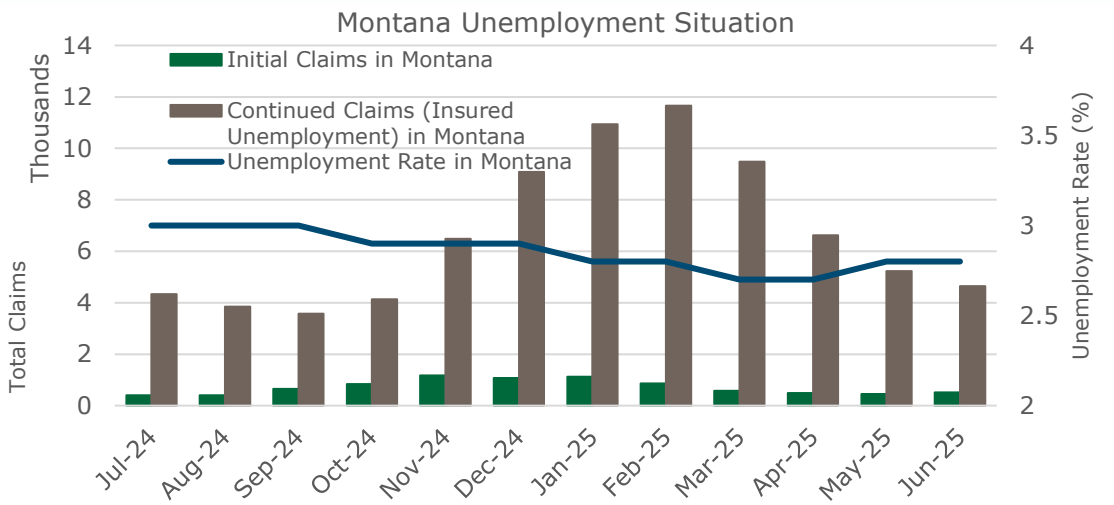
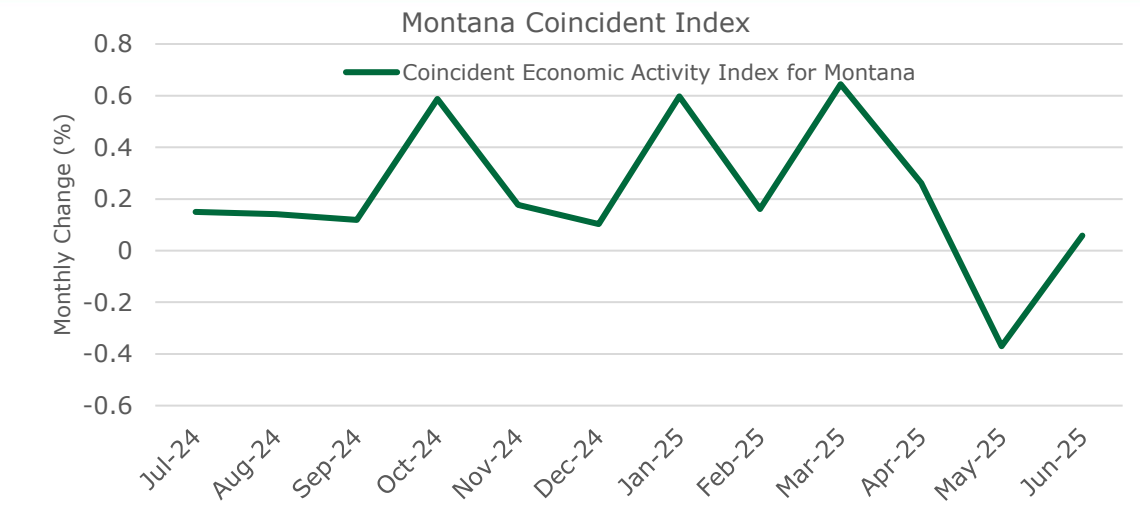
# Minnesota



# Missouri

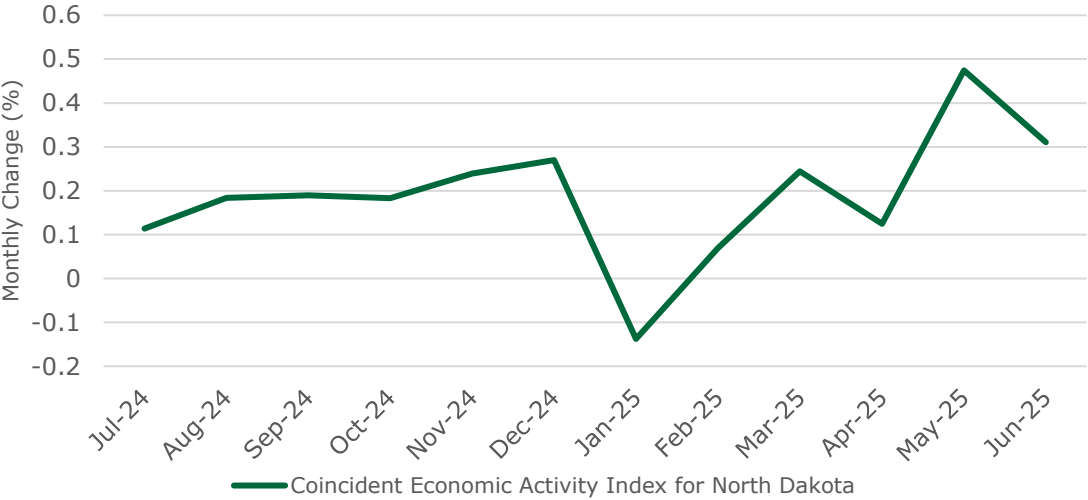


# Montana

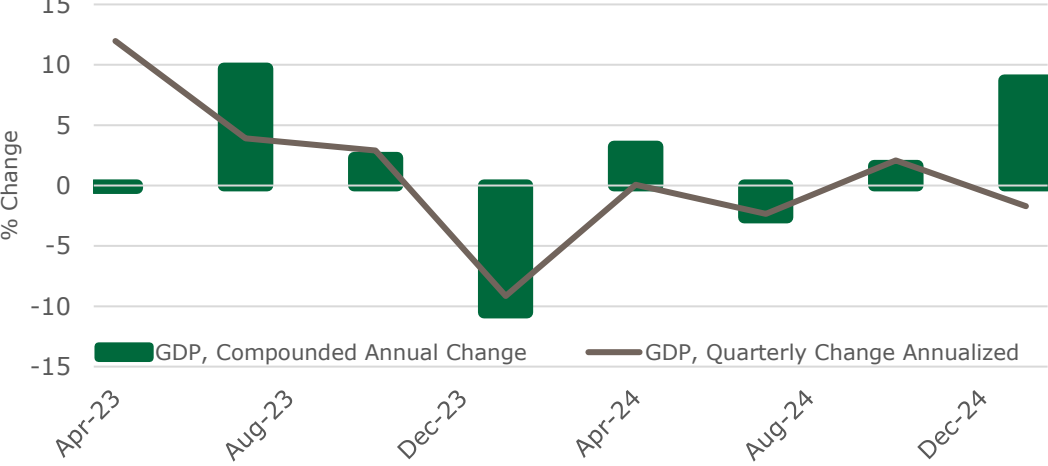


# North Dakota

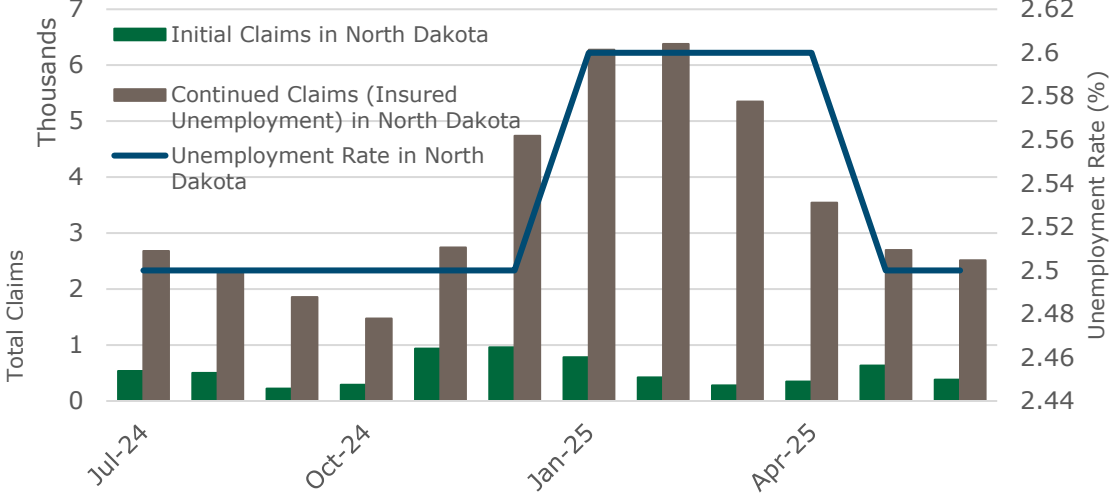
North Dakota Coincident Index



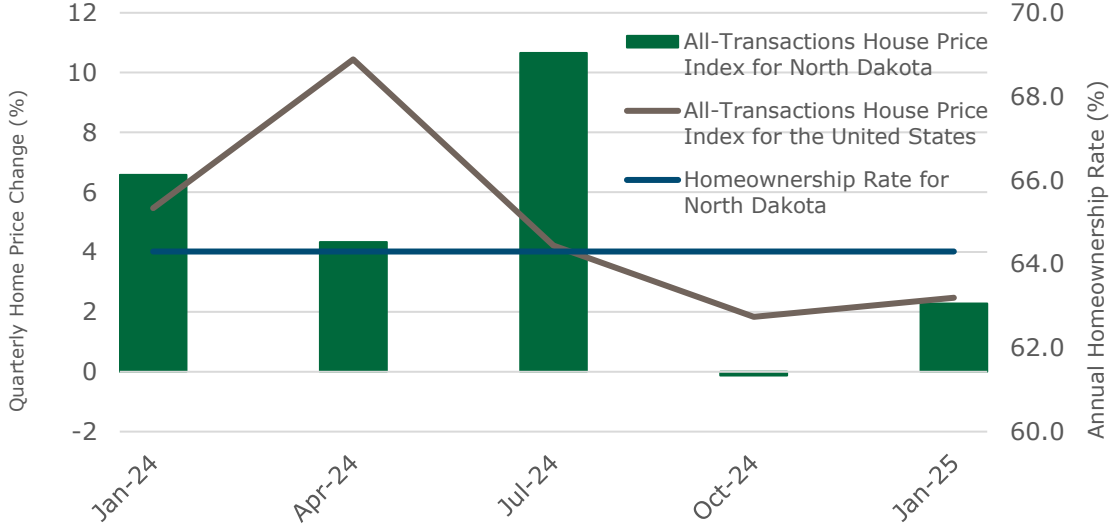
North Dakota State GDP



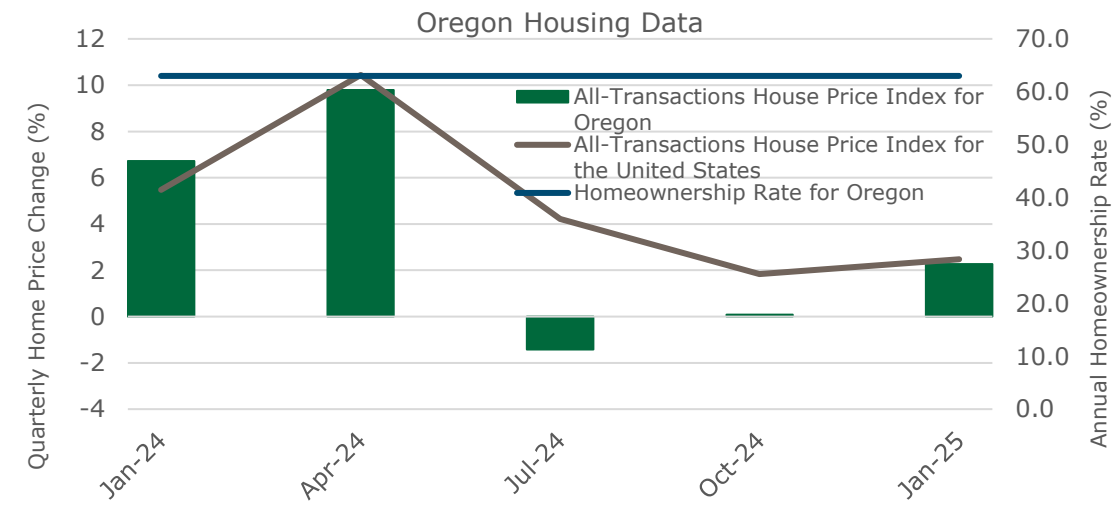
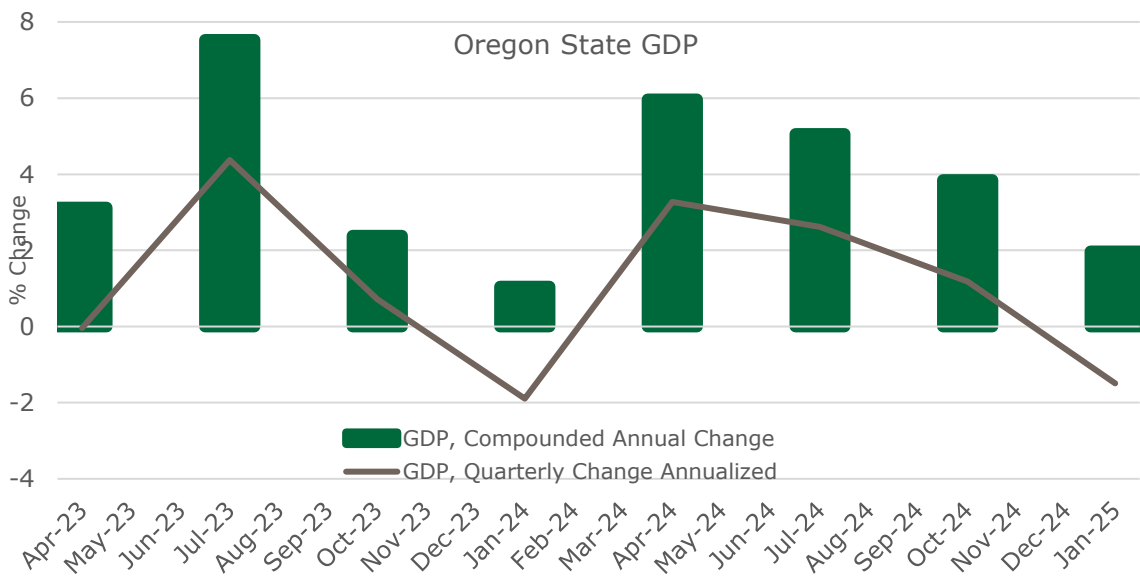
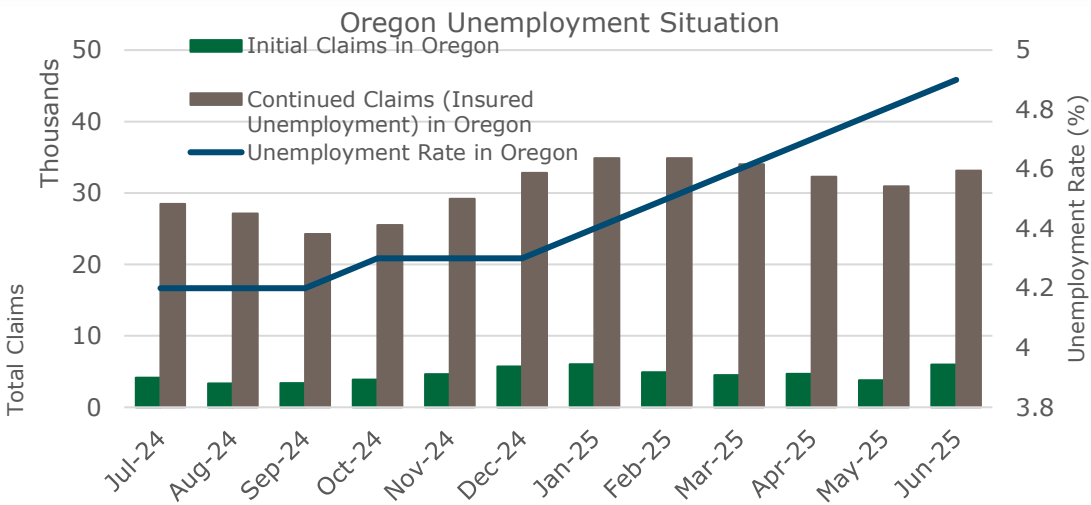
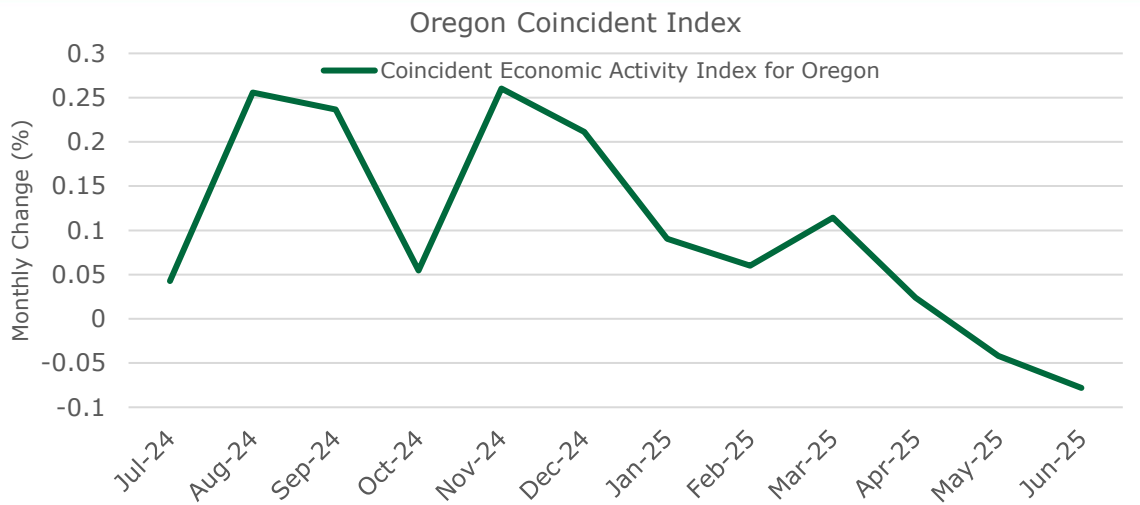
North Dakota Unemployment Situation



North Dakota Housing Data

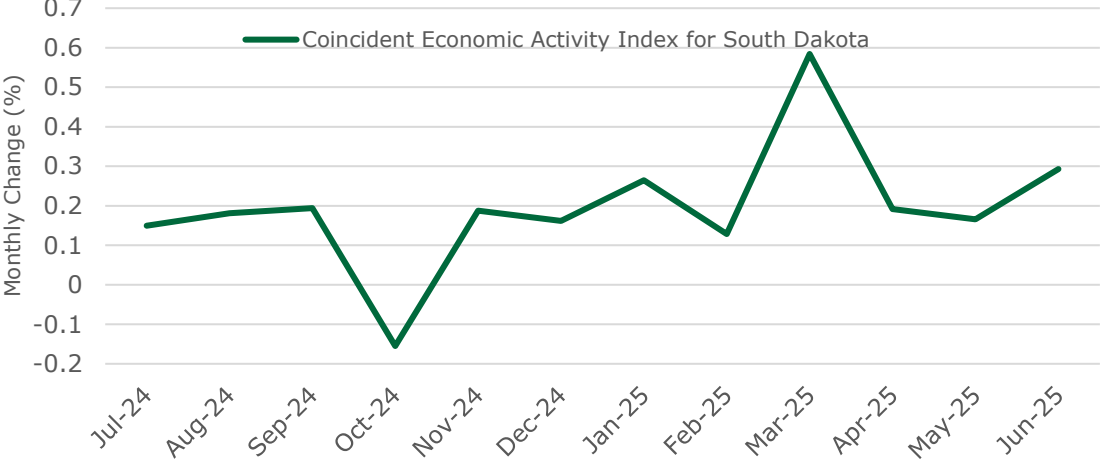


# Oregon

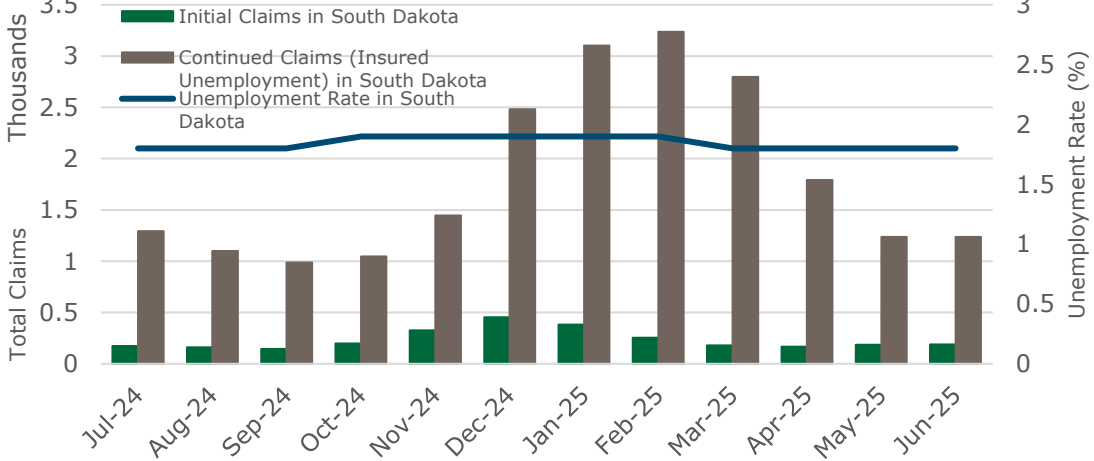


# South Dakota

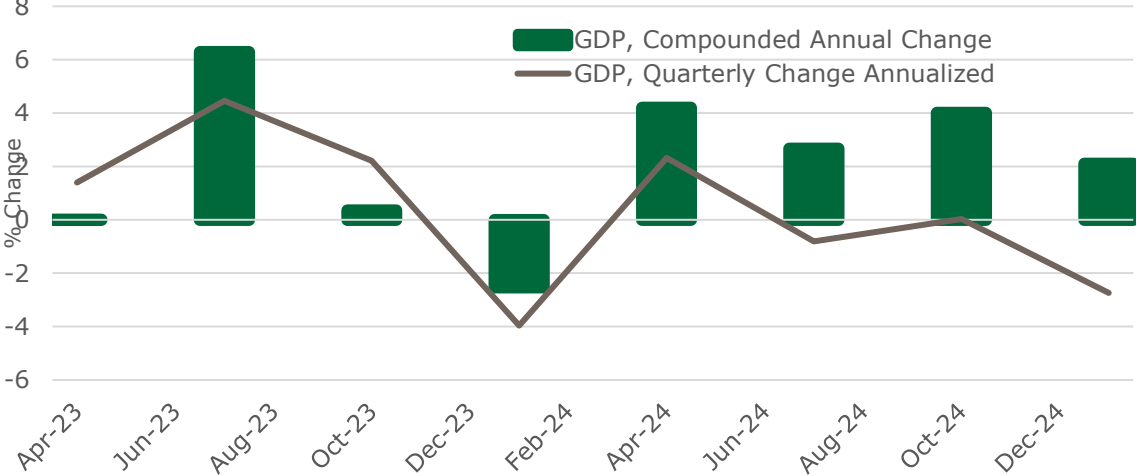
South Dakota Coincident Index



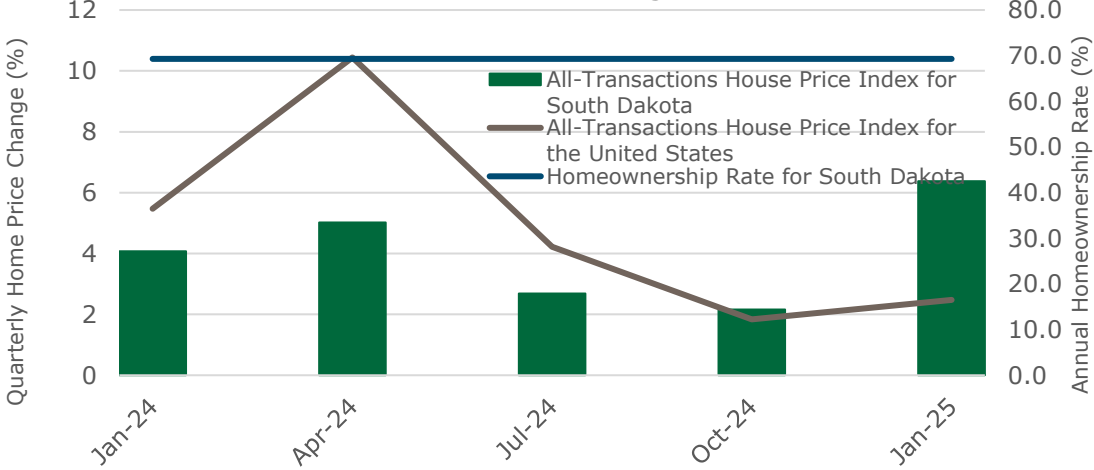
South Dakota Unemployment Situation



South Dakota State GDP



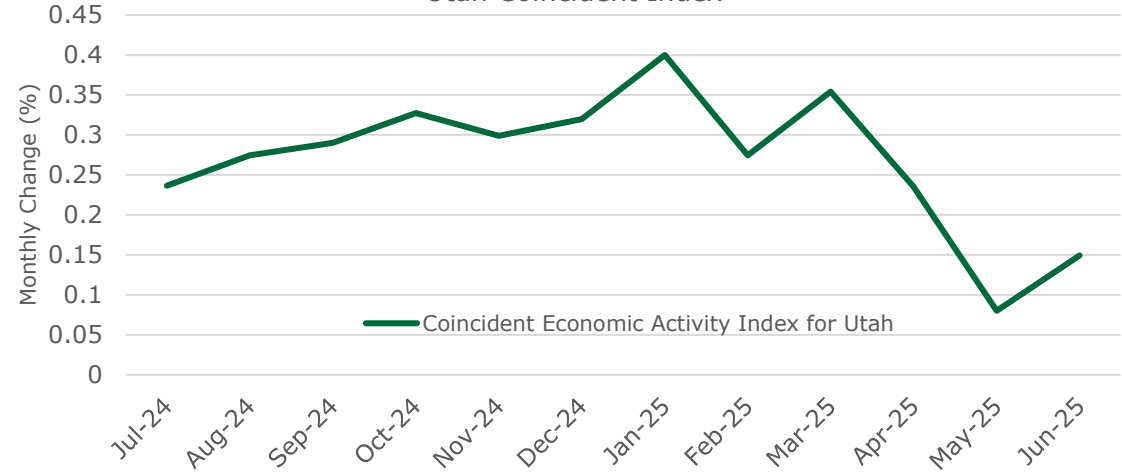
South Dakota Housing Data



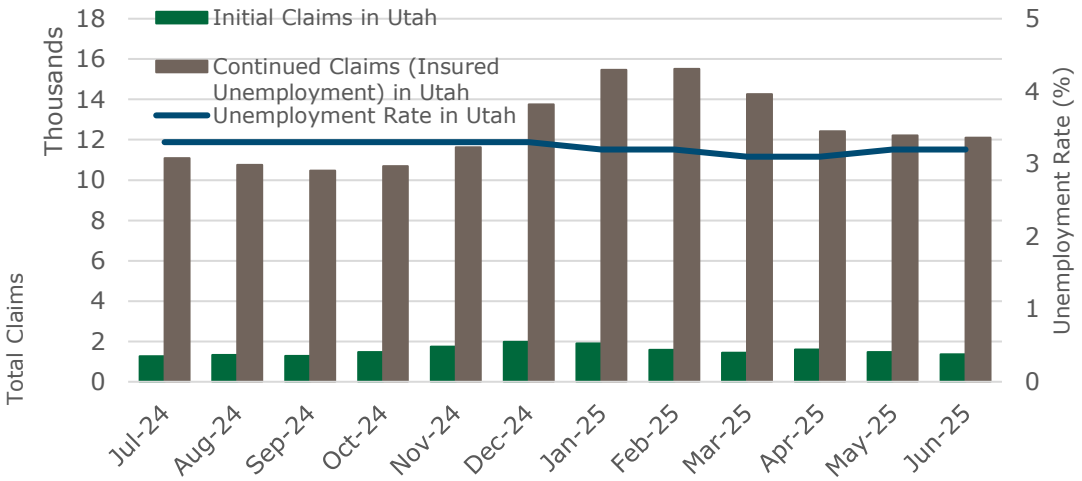


# Utah

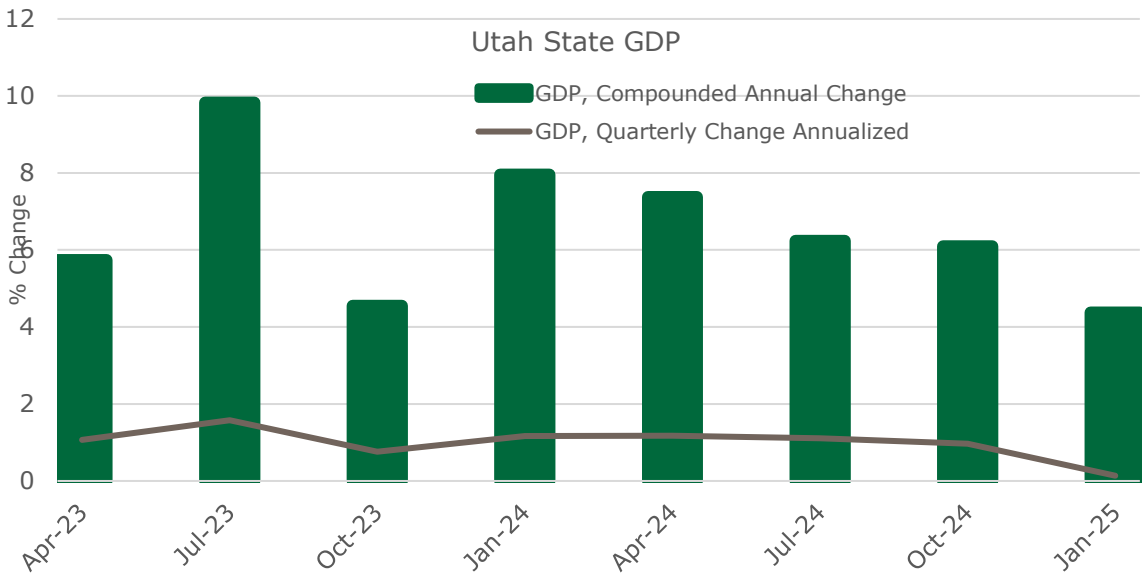
Utah Coincident Index



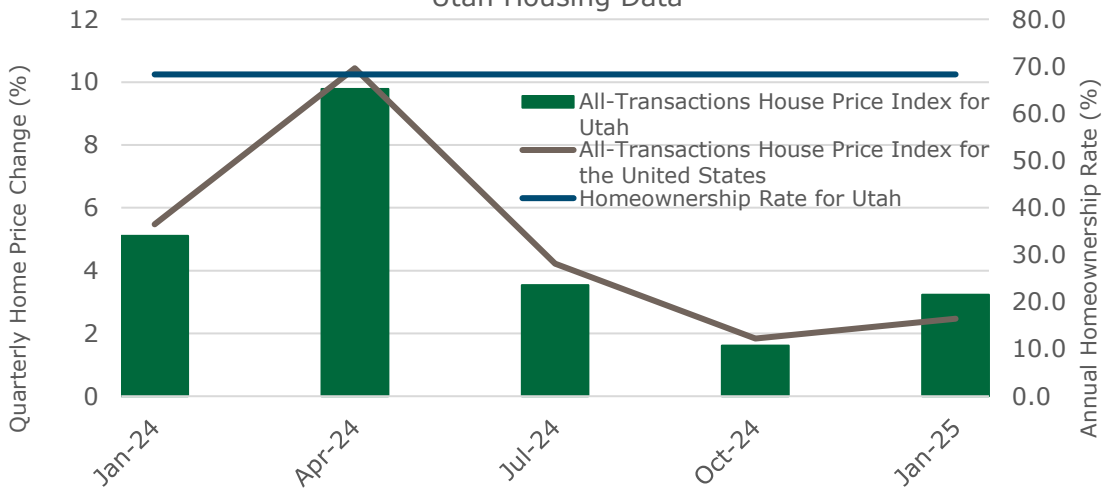
Utah Unemployment Situation



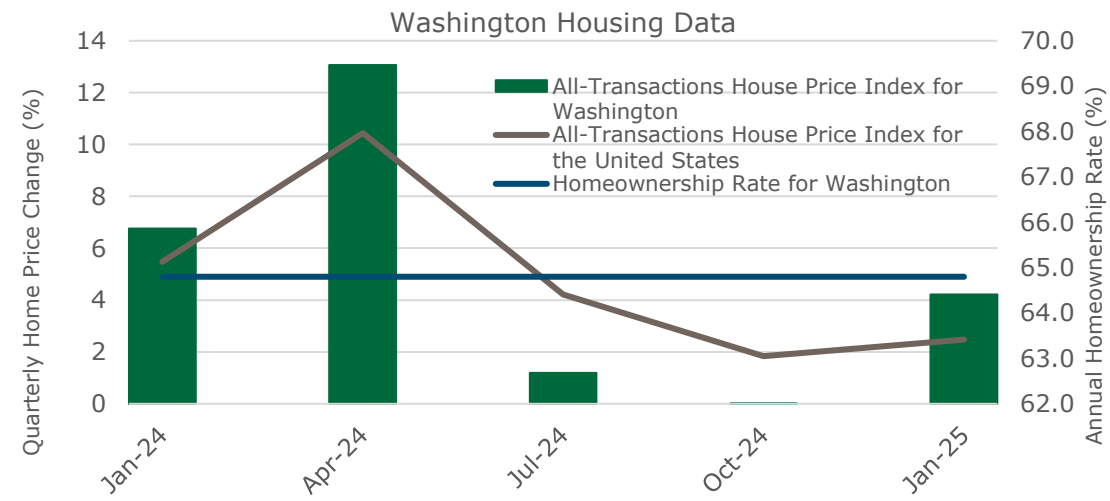
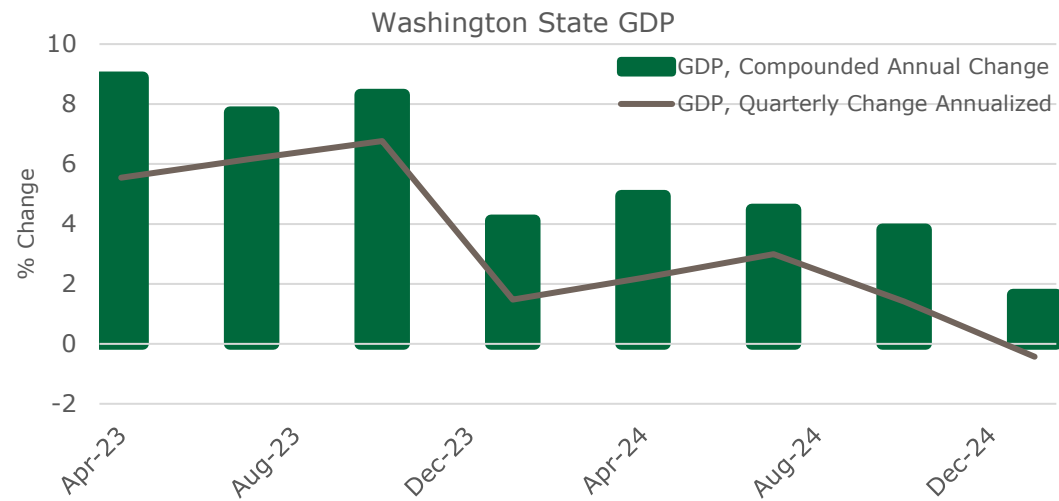
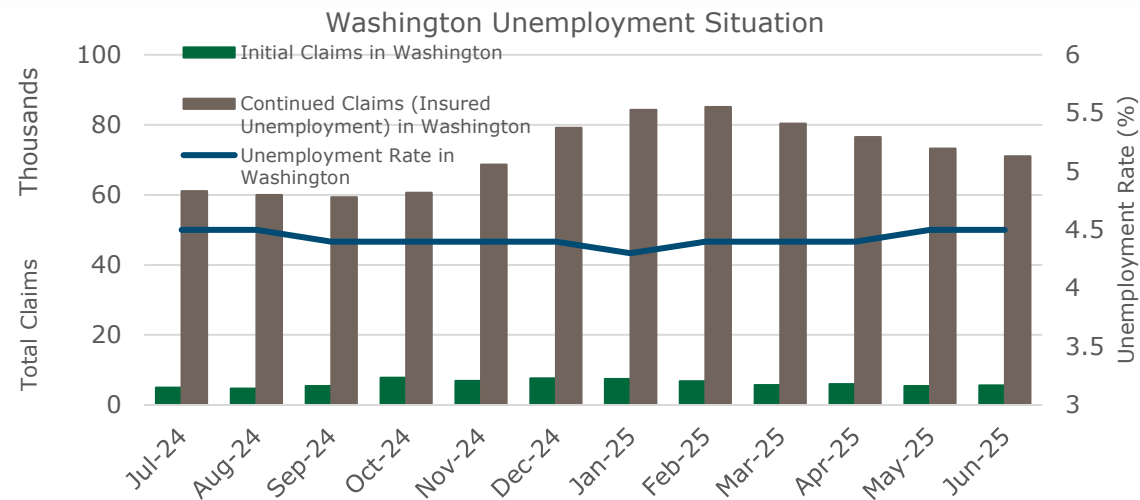
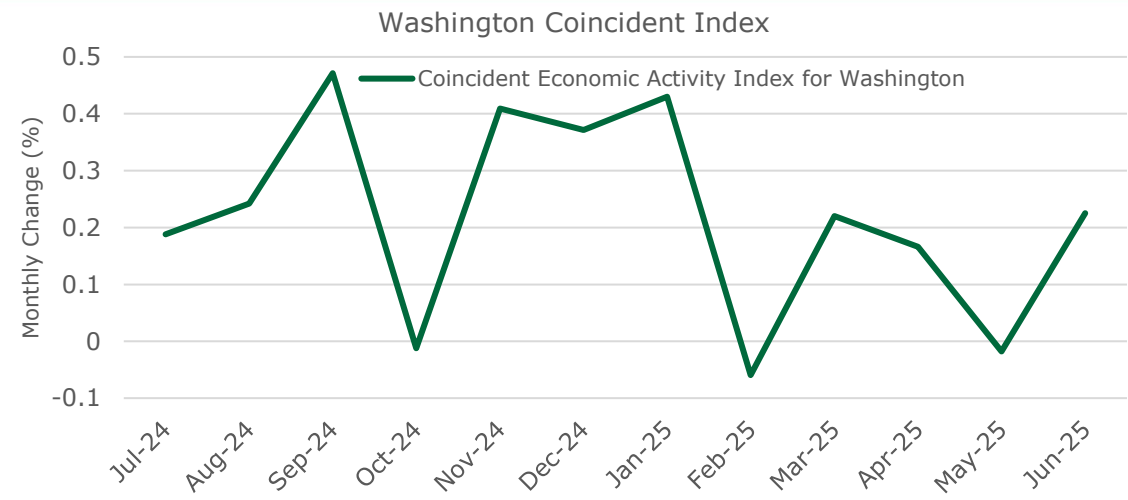
Utah State GDP



Utah Housing Data

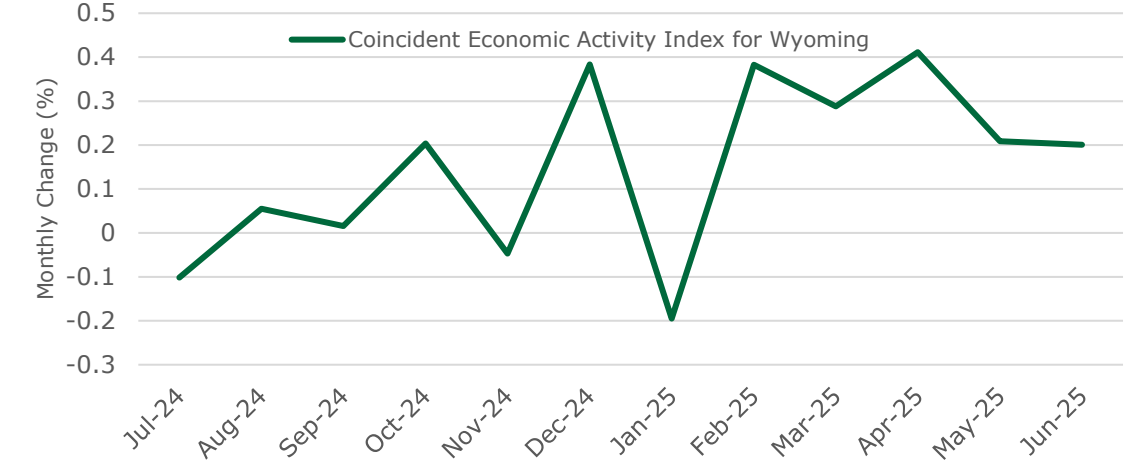


# Washington

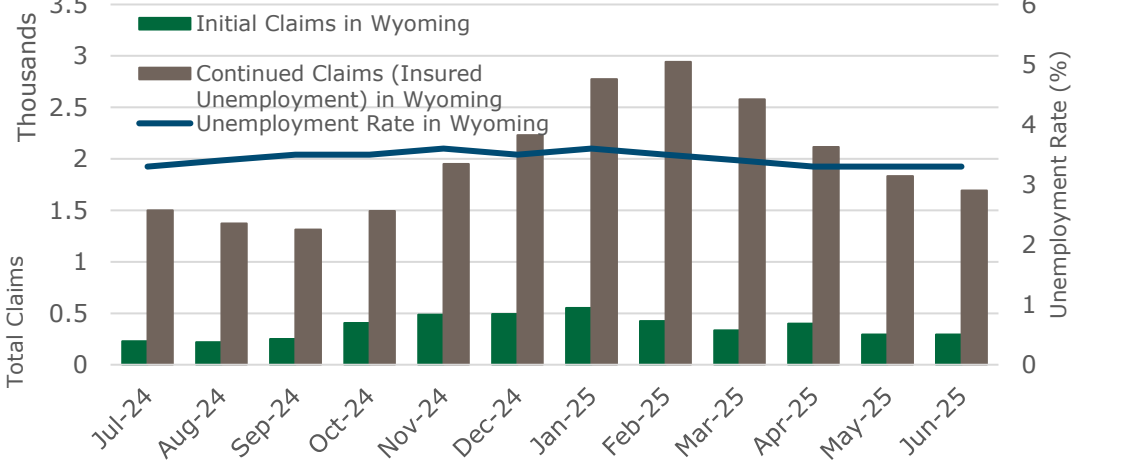


# Wyoming

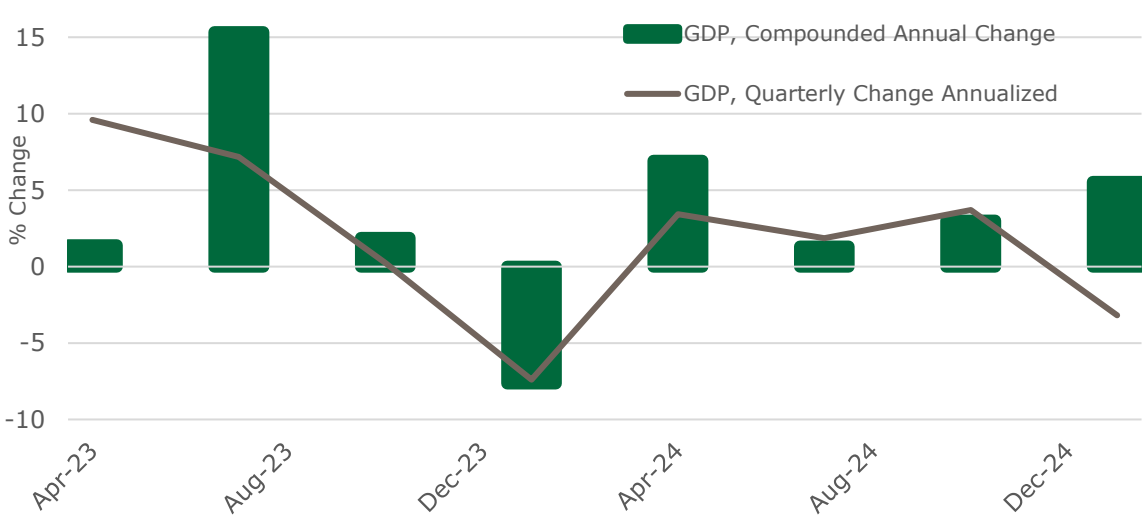
Wyoming Coincident Index



Wyoming Unemployment Situation



Wyoming State GDP



Wyoming Housing Data

