



FHLB DES MOINES

Quarterly Economic Overview

Member Strategies Department

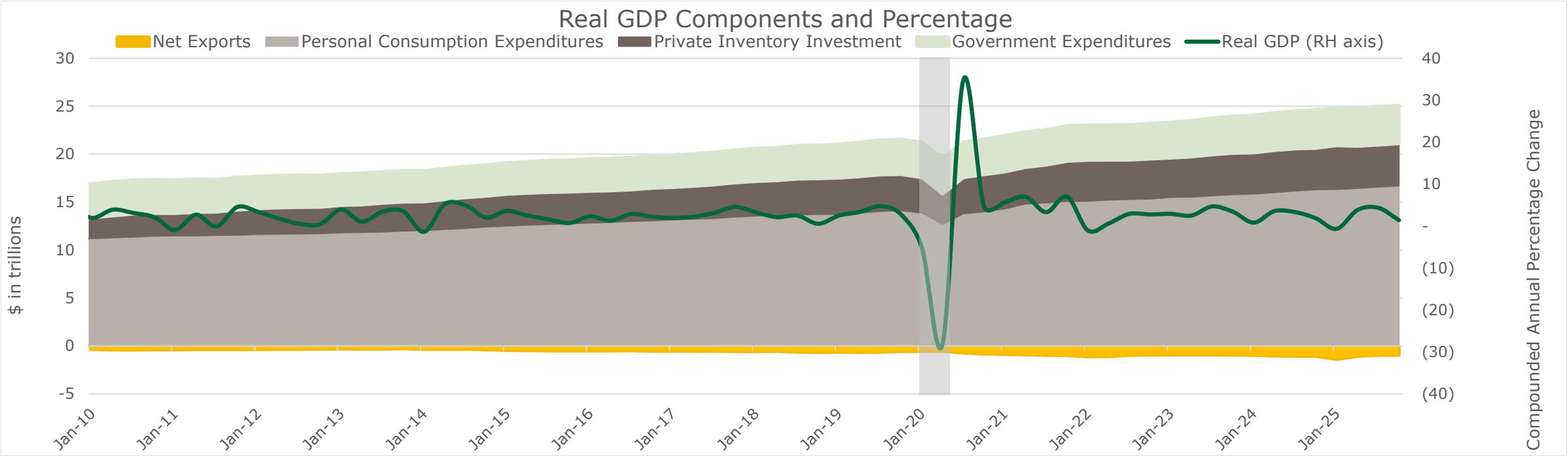
Fourth Quarter, 2025



Gross Domestic Product

Growth Slowed During The Fourth Quarter For The U.S. Economy

U.S. Gross Domestic Product



Third-quarter (third estimate) Real GDP

- The third estimate for third-quarter real GDP came in at 4.4%.

Fourth-quarter (advance estimate) Real GDP

- The advance estimate for fourth-quarter real GDP was 1.4%. The contributors to the increase in real GDP in the fourth quarter were increases in consumer spending and investment. These movements were partly offset by decreases in government spending and exports. Imports, which are a subtraction in the calculation of GDP, decreased.
- The increase in consumer spending reflected an increase in services that was partly offset by a decrease in goods. Within services, the leading contributors to the increase were health care and other services.
- The increase in investment primarily reflected increases in intellectual property products, private inventory investment, and equipment.
- The decrease in government spending reflected a decrease in federal government spending. Both nondefense and defense consumption expenditures for employee compensation declined.

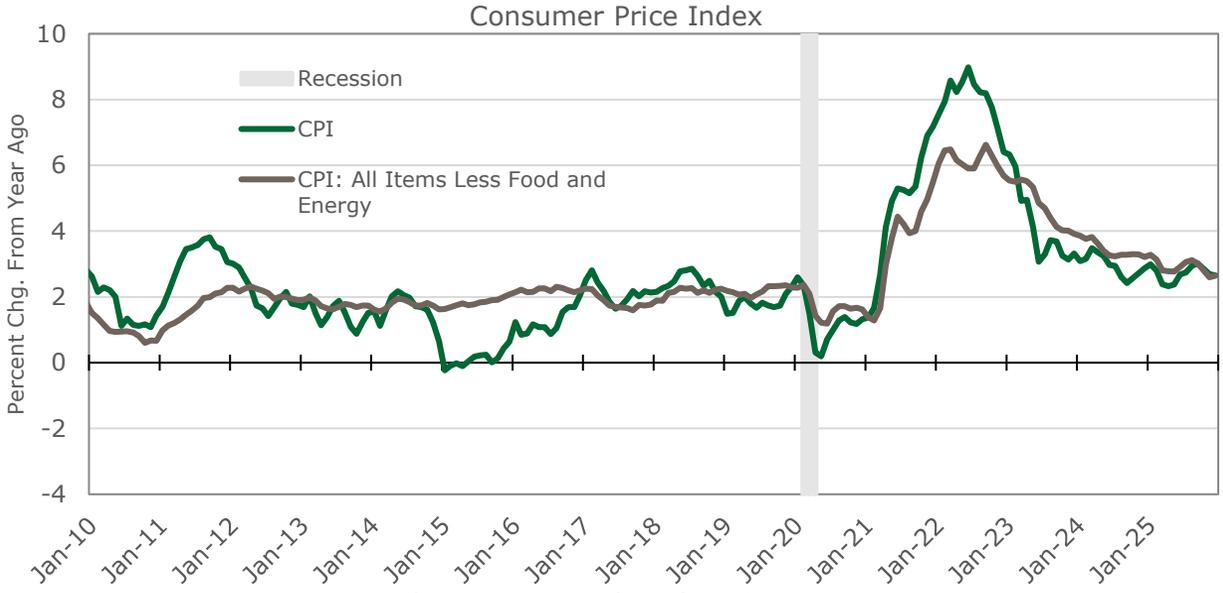


Prices

Inflation Remained Stubborn, Stalled During The Fourth Quarter

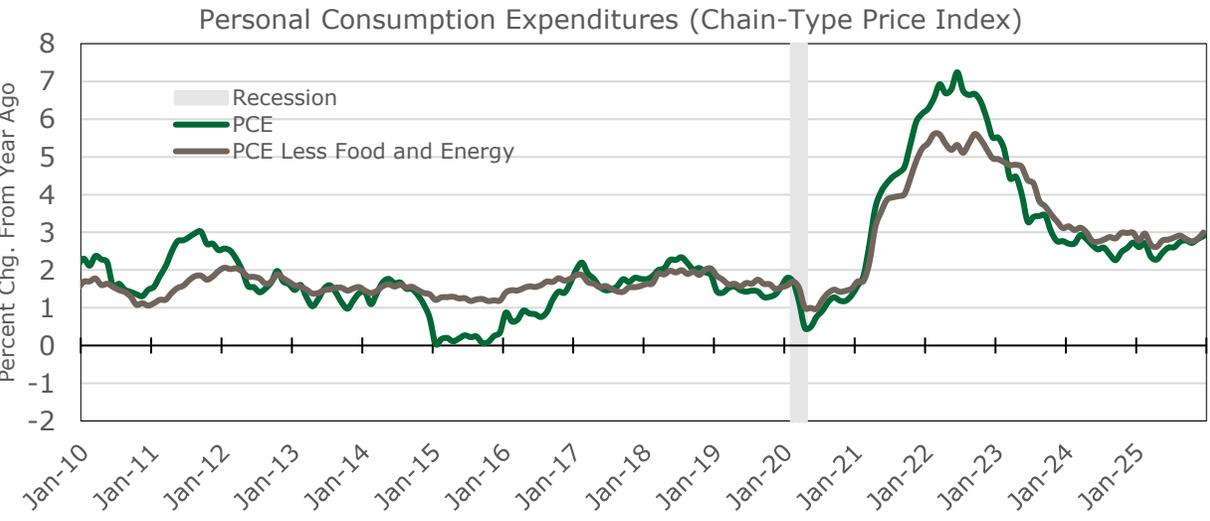
Consumer Prices

- The all-items index rose 2.7% for the 12 months ending December, the same increase as in November. The energy index increased 2.3% over the past year, while the food index rose 3.1%.
- On a month-over-month basis, the all-items index increased 0.3% in December. The energy index rose 0.3% during the month. The food index increased 0.7%, with the food at home index rising 0.7% and the food away from home index also increasing 0.7%.
- The index for all items less food and energy rose 2.6% for the 12 months ending December.
- The index for all items less food and energy increased 0.2% in December. Indexes that increased over the month include recreation, airline fares, medical care, apparel, personal care, and education. The indexes for communication, used cars and trucks, and household furnishings and operations were among those that decreased in December.



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

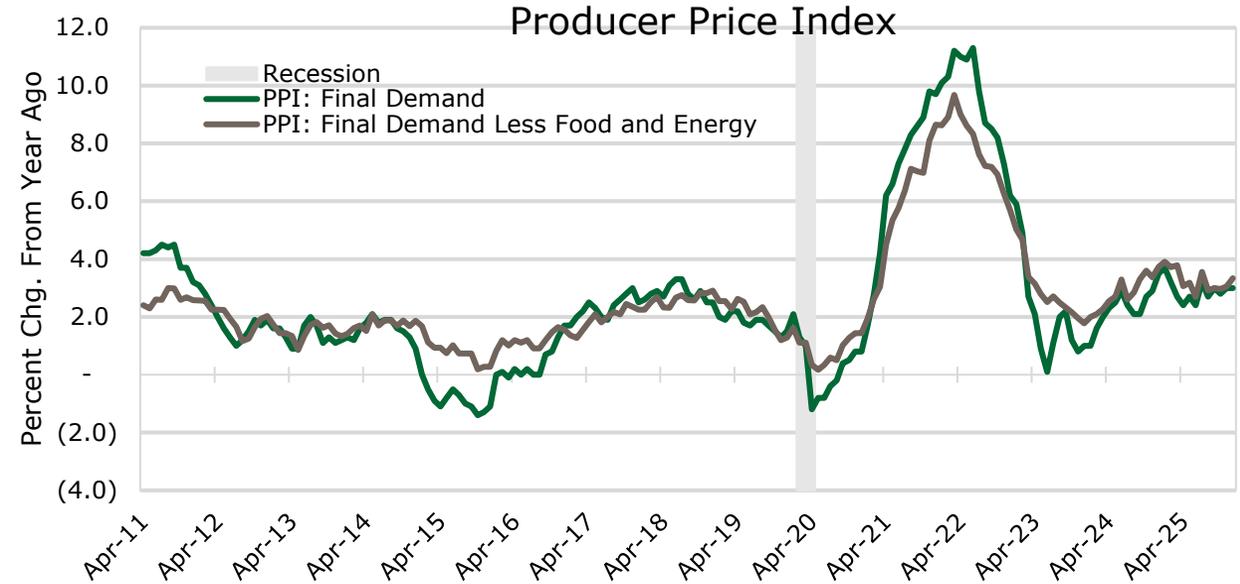
- The price index for PCE posted a year-over-year increase of 2.9% in December. When backing out food and energy, Core PCE was up 3.0%.
- On a month-over-month basis, December's PCE increased \$91.0 billion. Breaking it down, services increased \$98.5 billion and goods decreased \$7.5 billion.
- Personal income increased by \$86.2 billion (0.3%) and outlays increased by \$90.2 billion in December.



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

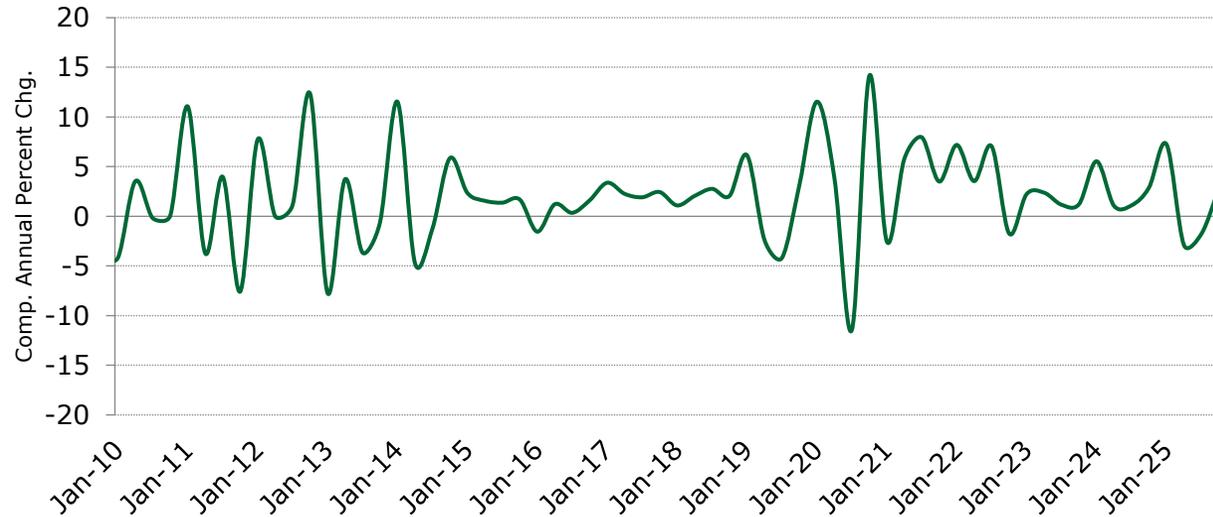
Producer Prices

- The PPI for final demand rose 3.0% over the 12 months ending in December, following a 3.5% increase in 2024. The index for final demand less food, energy, and trade services increased 3.5% over the same period.
- Month-over-month, the final demand index increased 0.5% in December. This rise was driven by a 0.7% increase in final demand services, while prices for final demand goods were unchanged. Prices for final demand less foods, energy, and trade services increased 0.4% in December.
- Within final demand goods, a 0.4% increase in goods less foods and energy offset declines in energy of 1.4% and foods of 0.3%. The index for nonferrous metals rose 4.5%.
- Within final demand services, over 40% of the monthly increase reflected higher margins for machinery and equipment wholesaling, which increased 4.5%. Additional increases occurred in guestroom rental; food and alcohol retailing; health, beauty, and optical goods retailing; portfolio management; and airline passenger services. Offsetting these gains, prices declined for bundled wired telecommunications access services by 4.4%, along with decreases in automotive fuels and lubricants retailing and long-distance motor carrying.



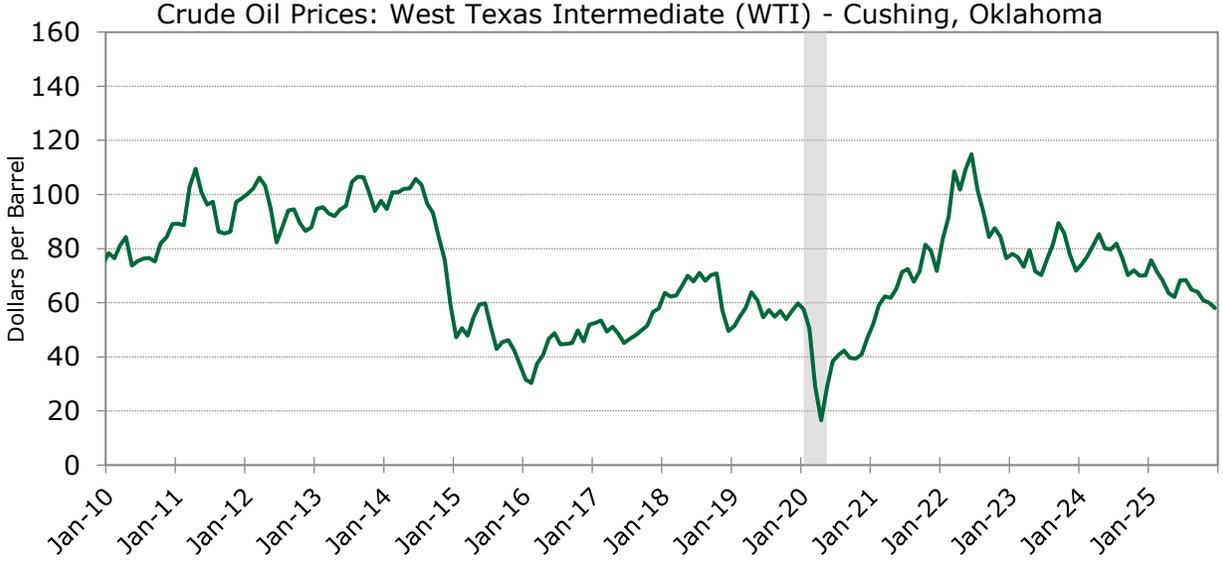
- Nonfarm business sector unit labor costs increased 2.8% in the fourth quarter of 2025, reflecting a 5.7% increase in hourly compensation and a 2.8% increase in productivity. Over the last four quarters, unit labor costs rose 1.3%.
- In the manufacturing sector, unit labor costs rose 8.3% in the fourth quarter of 2025, driven by a 6.2% increase in hourly compensation and a decline in productivity of 1.9%. Over the last four quarters, manufacturing unit labor costs increased 2.6%.
- An overall unit labor cost of 3.0% and above is widely seen as feeding overall inflation.

Nonfarm Business Sector: Unit Labor Cost



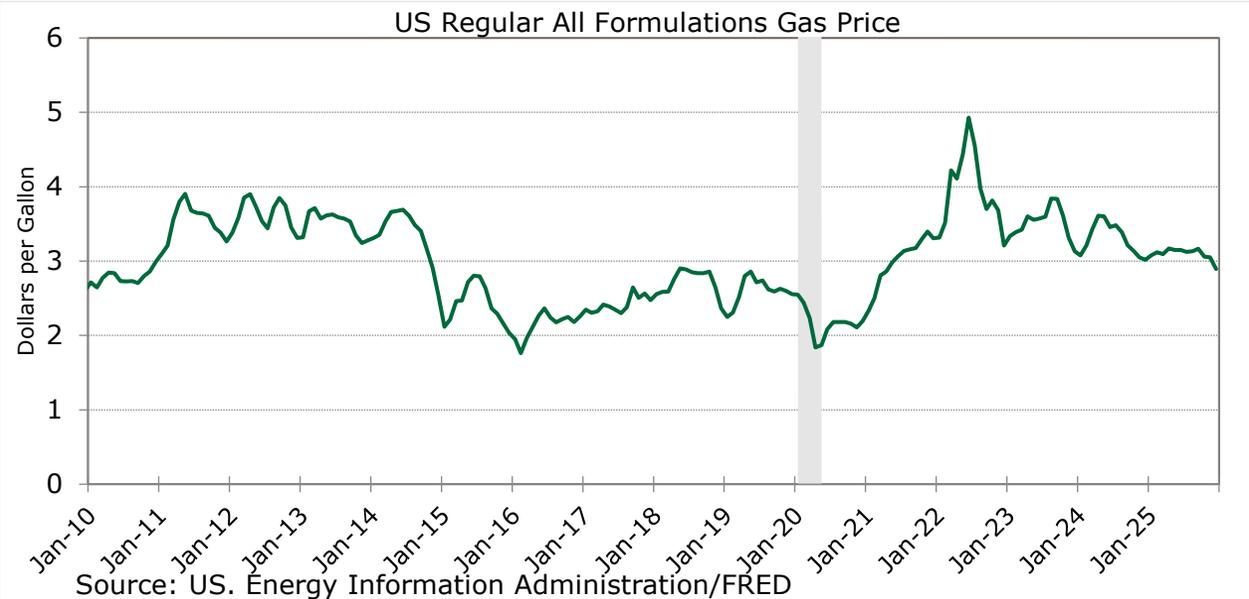
Oil Prices

- The U.S. Energy Information Administration (EIA) estimates U.S. crude oil production averaged 13.6 million barrels per day (b/d) in 2025, up from an estimated 13.2 million b/d in 2024 and is projected to average 13.6 million b/d in 2026.
- The EIA estimates Brent crude oil prices averaged \$63 per barrel (b) in December, \$11/b lower than December 2024. The EIA forecast that the Brent spot price will average \$56/b in 2026 and \$54/b in 2027, compared with an average of \$69/b in 2025.



Source: US. Energy Information Administration/FRED

- The EIA estimates U.S. retail gasoline price averaged \$3.10 per gallon (gal) in 2025 and will average \$2.92/gal in 2026 and \$2.95/gal in 2027.



Source: US. Energy Information Administration/FRED

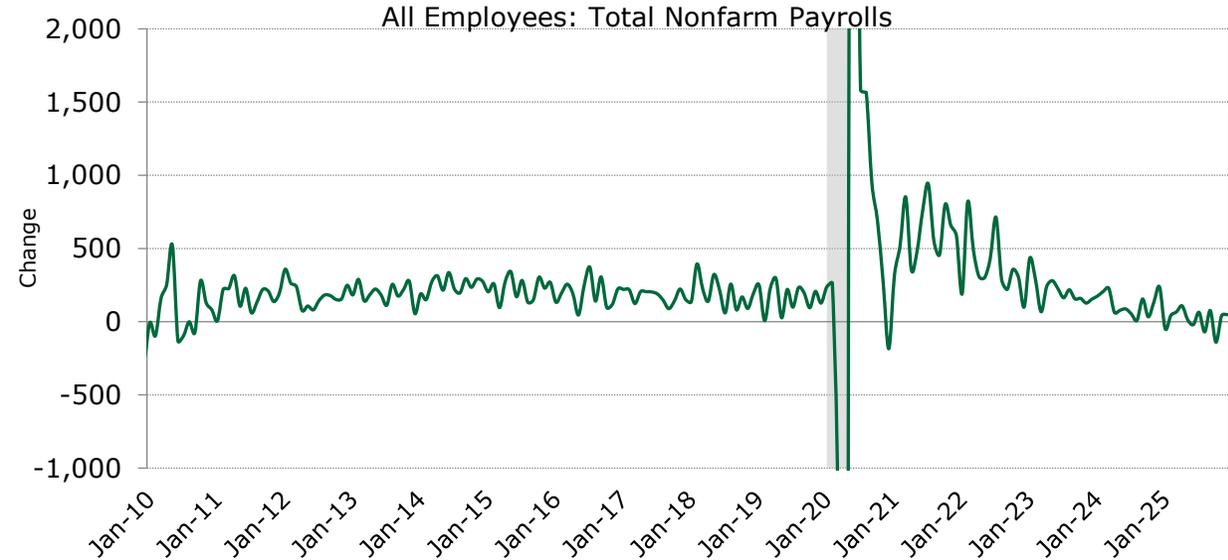


Employment

Some Cracks Began To Show In The Labor Market

Employment

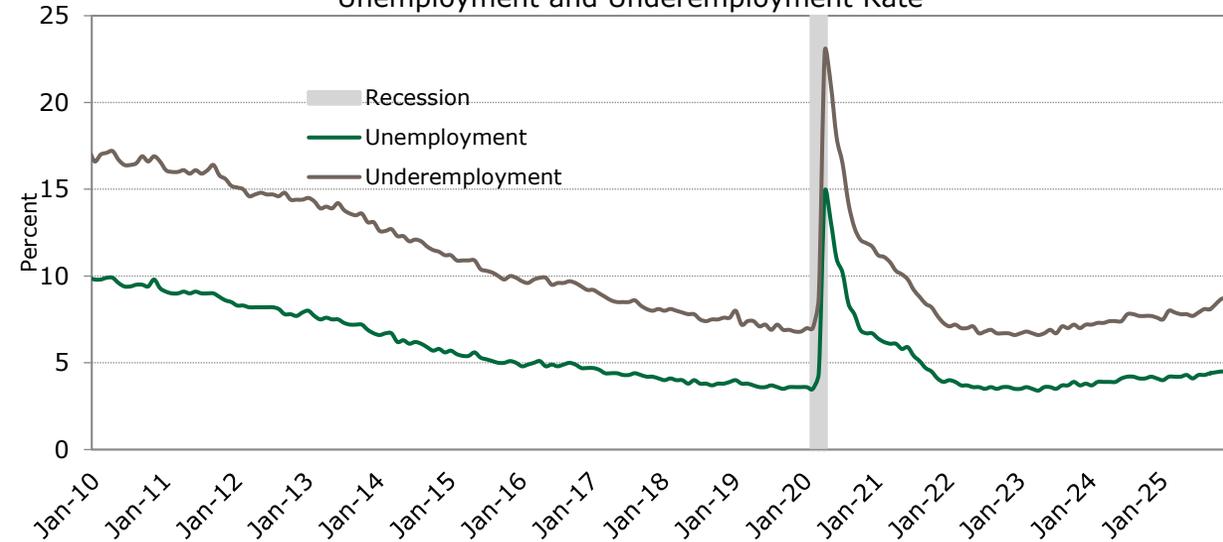
- Total nonfarm payroll employment for December increased by 50,000. Payroll employment rose by 584,000 in 2025 (an average monthly gain of 49,000), less than the increase of 2.0 million in 2024 (an average monthly gain of 168,000).
- In December, employment trended up in food services and drinking places, health care, and social assistance, while retail trade declined.
- Revisions lowered prior months' estimates, with November revised down to 56,000 (down 8,000) and October revised down to a loss of 173,000 (down 68,000).
- It should be noted that the high and low points of the pandemic are excluded from the graph.



Source: US. Bureau of Labor Statistics/FRED

- The December unemployment rate was little changed at 4.4%. The number of unemployed persons was also little changed at 7.5 million.
- The number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 1.9 million in December, though the number is up 397,000 for 2025.
- The seasonally adjusted underemployed rate, or the U-6 rate, was 8.4% in December.

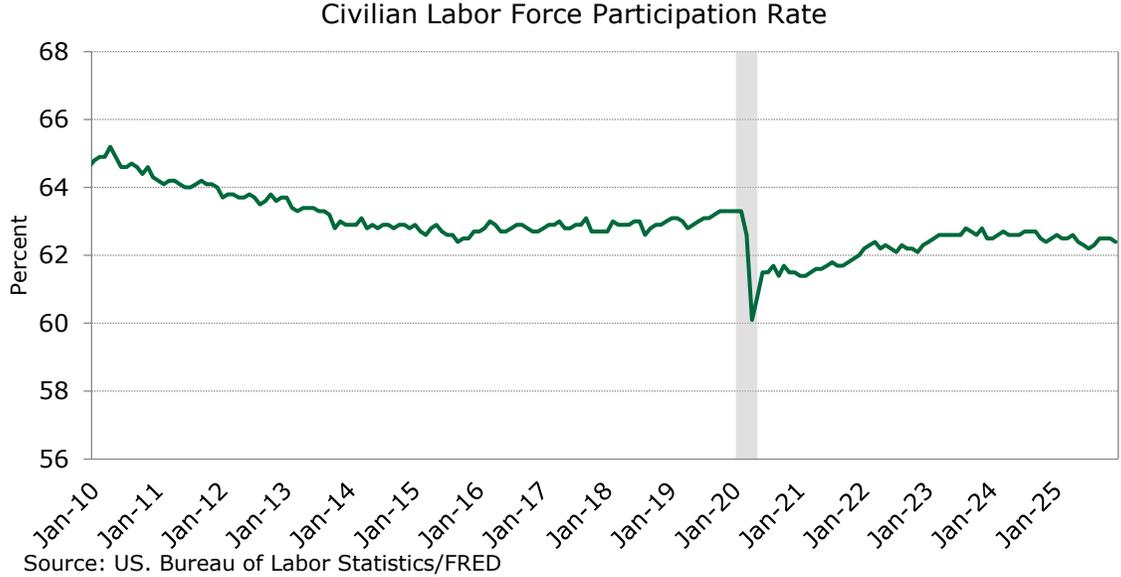
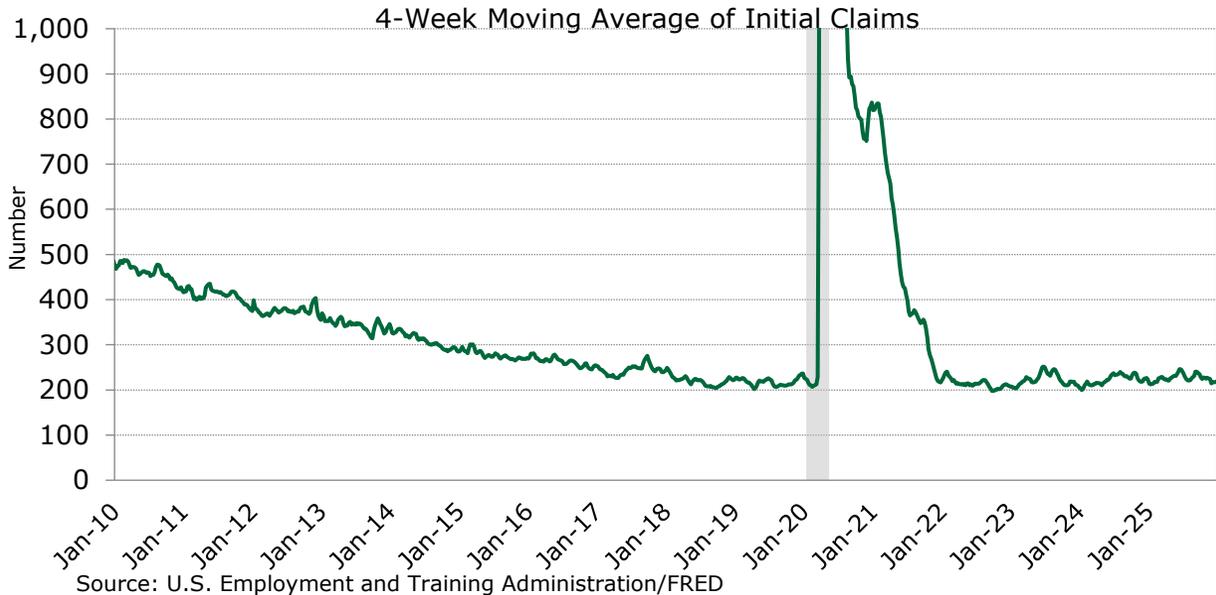
Unemployment and Underemployment Rate



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

Employment

- The labor force participation rate was at 62.4%, little changed from the prior month. The employment-population ratio (not shown in graphs) was at 59.7%, also little changed from the previous month.
- At the current participation rate and population growth rate, maintaining an unemployment rate of 4.4% suggests the economy needs to add 107,311 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 218,750 as of the week of December 27.
- The weekly initial claims for the week ending December 27 were 199,000.
- It should be noted, the high point of the pandemic have been excluded from the graph.



Consumer

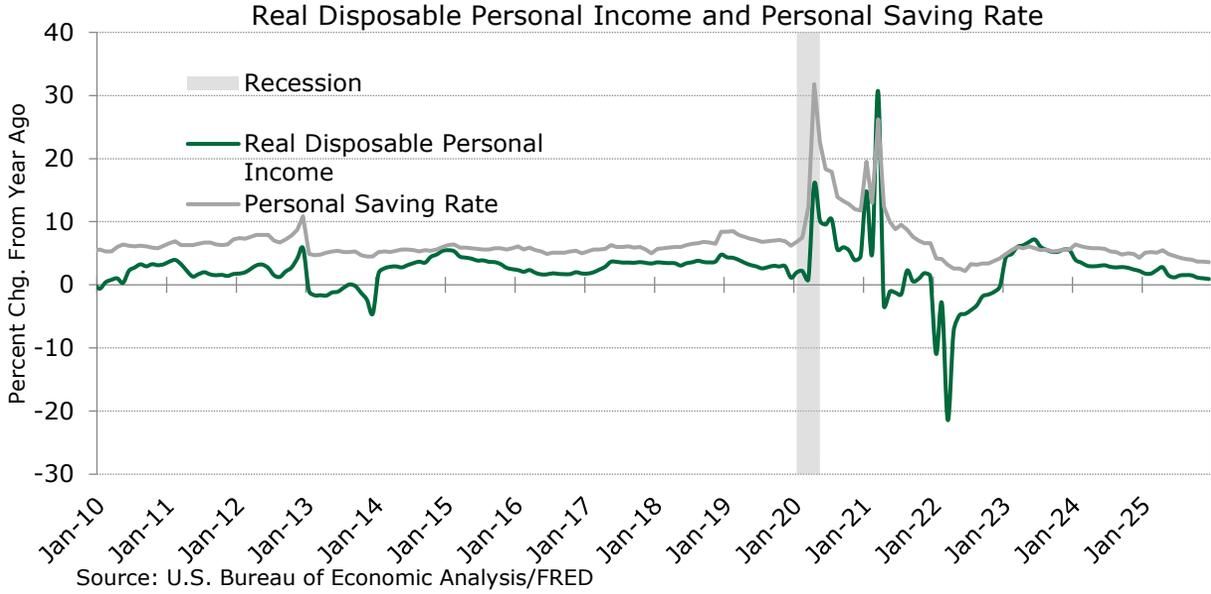
Consumers Began To Spend Less During The Quarter

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 December were flat month-over-month, but 2.4% higher than December 2024.
- When excluding motor vehicles and gasoline stations, retail sales increased 3.3% since December 2024.



- Real disposable personal income increased \$75.7 billion (0.3%).
- Personal savings was \$830.8 billion in December. The personal savings rate was 3.6%.





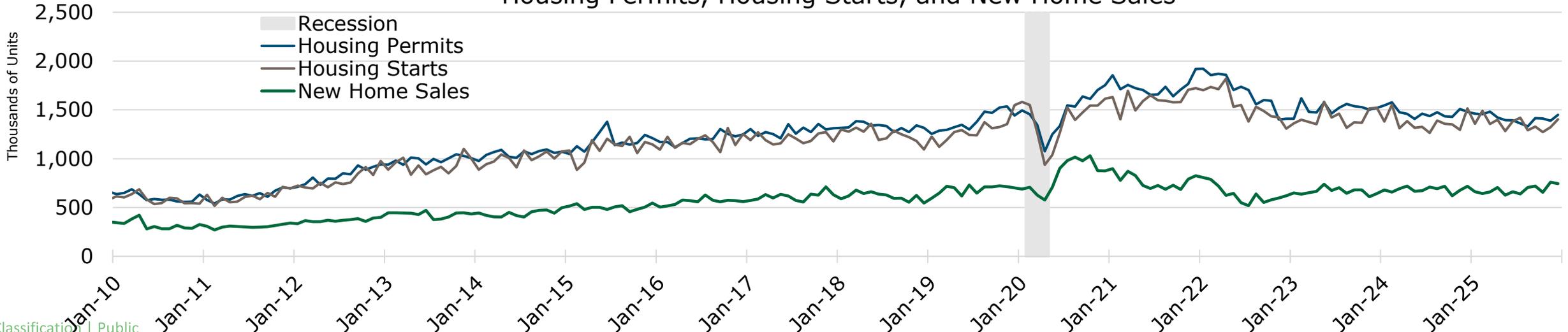
Housing

2025 Was Somewhat Of A Down Year For The Housing Sector

Housing

- Building permits in December were at a seasonally adjusted annual rate of 1,448,000, 4.3% above the revised November rate but 2.2% below the December 2024 level. Single-family authorizations were at a rate of 881,000, 1.7% below the revised November figure. Authorizations for buildings with five units or more were at a rate of 515,000 in December.
- Housing starts in December were at a seasonally adjusted annual rate of 1,404,000, 6.2% above the revised November estimate but 7.3% below the December 2024 rate. Single-family housing starts in December were at a rate of 981,000, 4.1% above the revised November figure. Housing starts for buildings with five units or more were at a rate of 402,000 in December.
- New home sales in December were at a seasonally adjusted annual rate of 745,000, 1.7% below the revised November rate but 3.8% above the December 2024 level. An estimated 679,000 new homes were sold in 2025. This is 1.1% below the 2024 figure of 686,000. The median sales price of new houses sold in December was \$414,400, while the average sales price was \$532,600. The seasonally adjusted estimate of new houses for sale at the end of December was 472,000, representing a supply of 7.6 months at the current sales rate.
- Existing-home sales (not graphed), as reported by the National Association of Realtors, in December were at a seasonally adjusted annual rate of 4.35 million, an increase of 5.1% from November and up 1.4% from December 2024.
- The median price for existing-home sales was \$405,400, up 0.4% from a year ago.
- Supply was at 1.18 million in December, up 3.5% from one year ago. Relative to sales, supply is at 3.3 months, down from 4.2 months last month but up from 3.2 months a year ago.
- In the Midwest, existing-home sales rose 2.0% in December and were unchanged from one year ago. The median price in the region was \$306,000, an increase of 3.1% year-over-year. In the West, sales increased 1.4% in December, though they remained 4.1% below the prior year's level; the median price in the West was \$636,100, up 1.0% year-over-year.

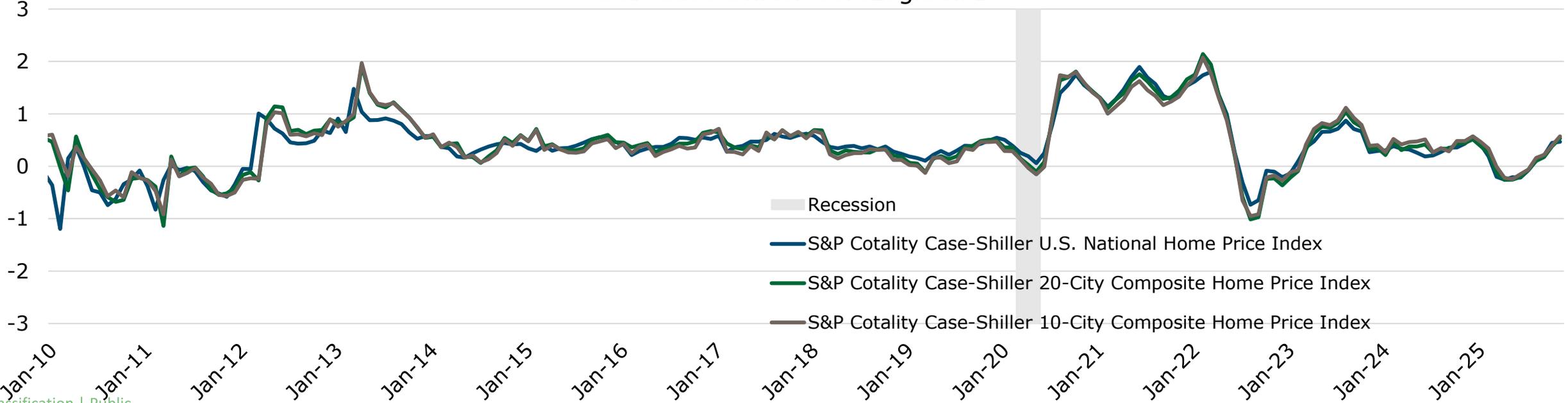
Housing Permits, Housing Starts, and New Home Sales



Housing

- The S&P CoreLogic Case-Shiller U.S. National Home Price Index increased 1.4% year-over-year in November, unchanged from the previous month. On a non-seasonally adjusted basis, the National Index declined 0.1% in November, while after seasonal adjustment the index rose 0.4%.
- The 10-City Composite posted a 2.0% annual increase in November, up slightly from 1.9% in October. Before seasonal adjustment, the 10-City Composite declined 0.1% in November; after seasonal adjustment, it increased 0.5%.
- The 20-City Composite recorded a 1.4% annual gain in November, rising from 1.3% the month prior. On a non-seasonally adjusted basis, the 20-City Index declined 0.1% in November, while after seasonal adjustment it rose 0.5%.
- The FHFA House Price Index (not pictured but data can be found in the appendix) increased 0.6% in November. Prices were up 1.9% year-over-year.
- For the nine census divisions, seasonally adjusted monthly home price changes ranged from 0.0 percent in the Middle Atlantic division to +1.1 percent in the East South Central division. The 12-month changes ranged from -0.4 percent in the Pacific division to +5.1 percent in the East North Central division.

S&P Case-Shiller CoreLogic HPI



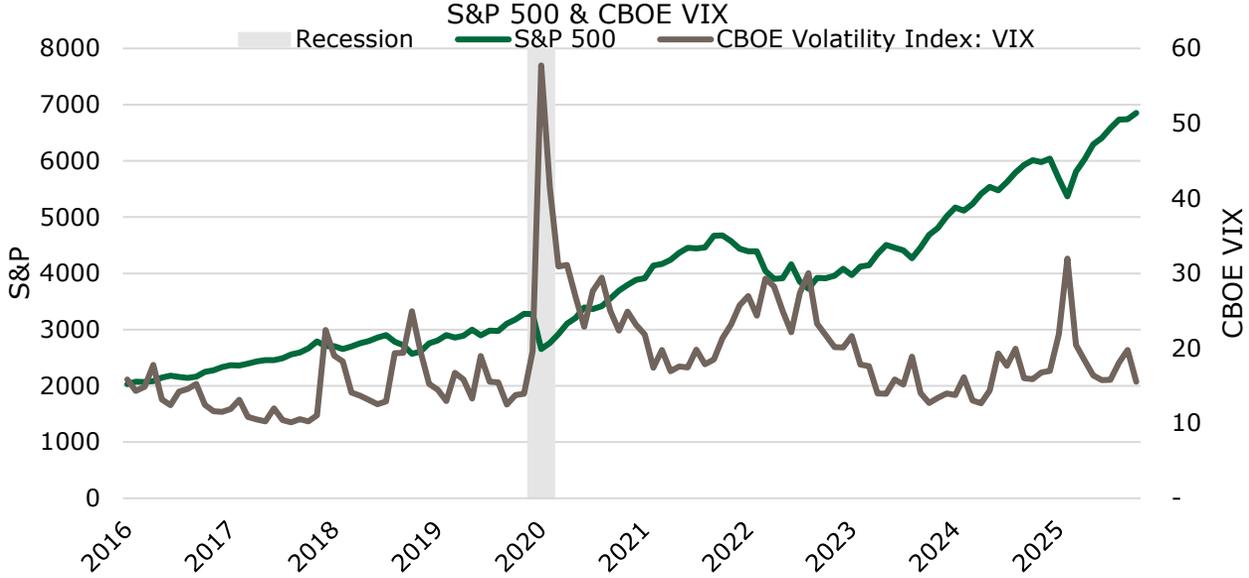


Market Indices

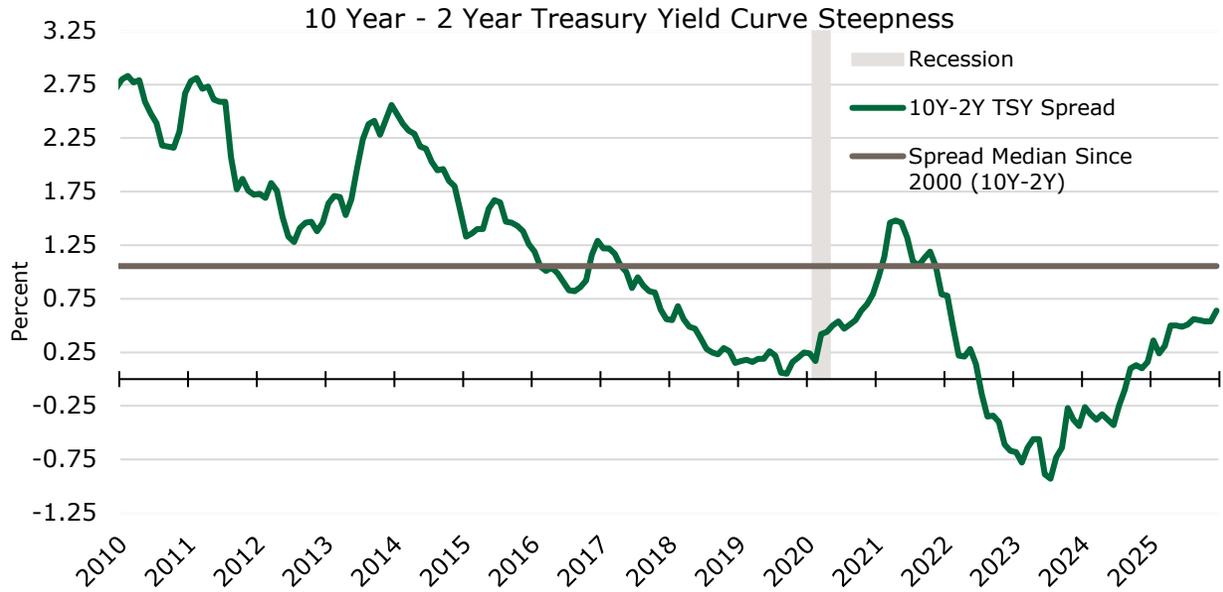
Despite An Early Stumble, 2025 Was Another Solid Year For Stocks

Market Indices

- S&P 500 closed December at 6,846, up 16.4% 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 they year at 14.8. Overnight SOFR, not pictured, ended December at 3.87%.



- 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 December at 0.71%, still well below the 1.06% median dating back to the start of the century.



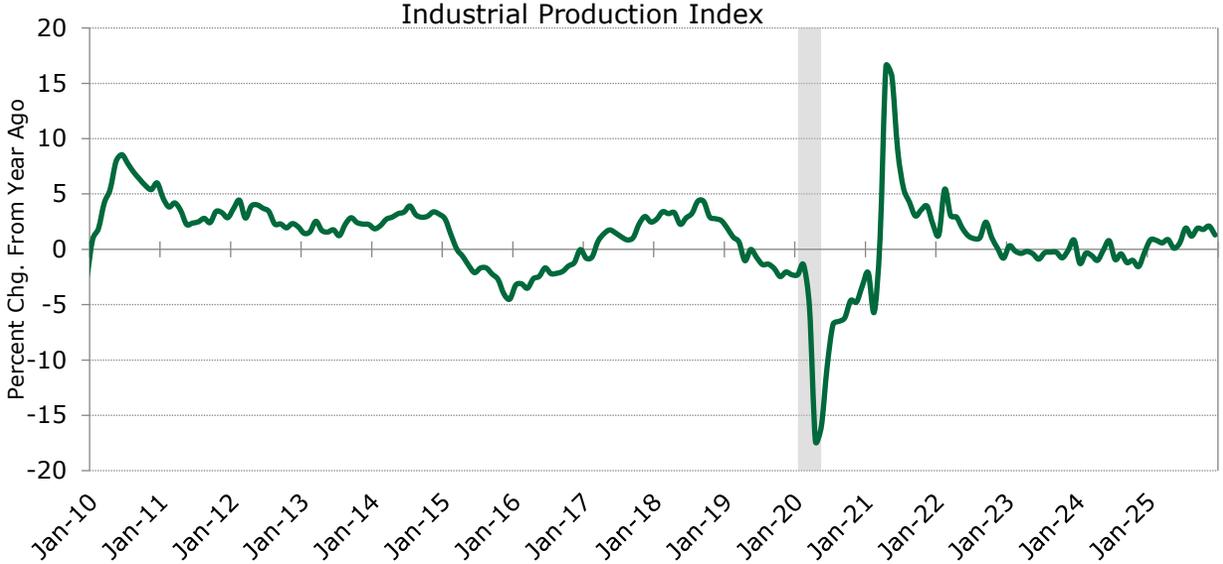


Economic Activity

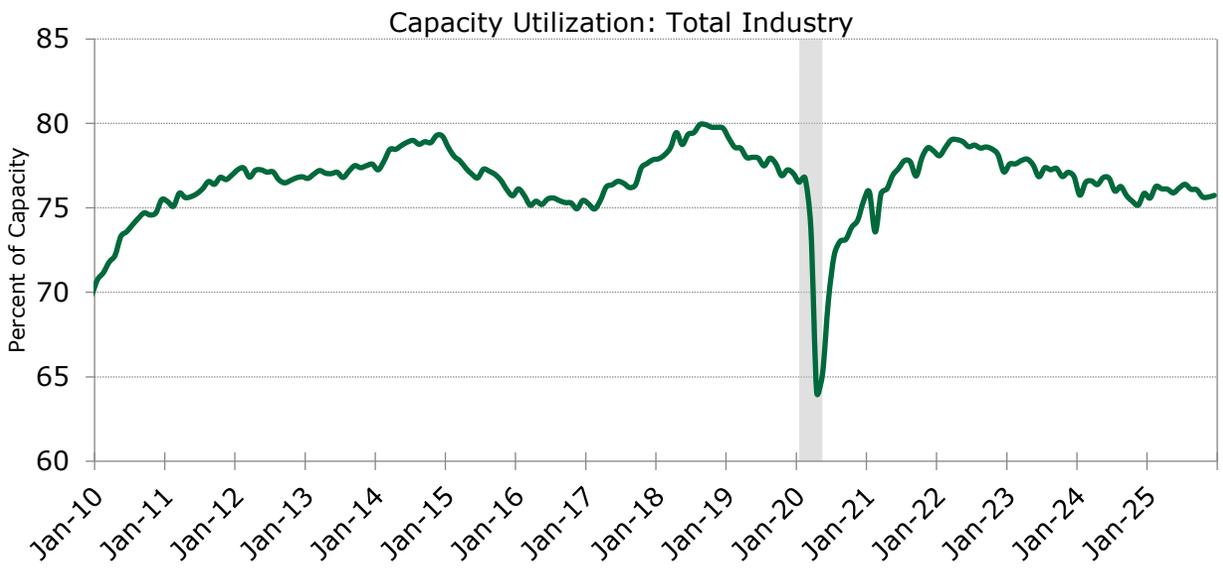
Industrial Activity Was Higher For The Quarter

Economic Activity

- Industrial production increased 0.4% in December and was up 2.0% over the last year. Output growth in December for manufacturing, mining, and utilities, posted month-over-month changes of 0.2%, -0.7%, and 2.6%, respectively. Year-over-year, industrial production rose 0.7% with manufacturing, mining, and utilities changing by 2.0%, 1.7%, and 2.3%, 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.



Source: Board of Governors of the Federal Reserve System (US)/FRED



Source: Board of Governors of the Federal Reserve System (US)/FRED

- Capacity utilization was at 76.2% in December, below the long-run average of 79.5.
- The manufacturing component was at 75.6%, below the long-run average of 78.2.
- Utilization for mining was at 85.7%, above its long-run average of 85.2%.
- The operating rate for utilities was at 72.3%, well below its long-run average of 84.3%.

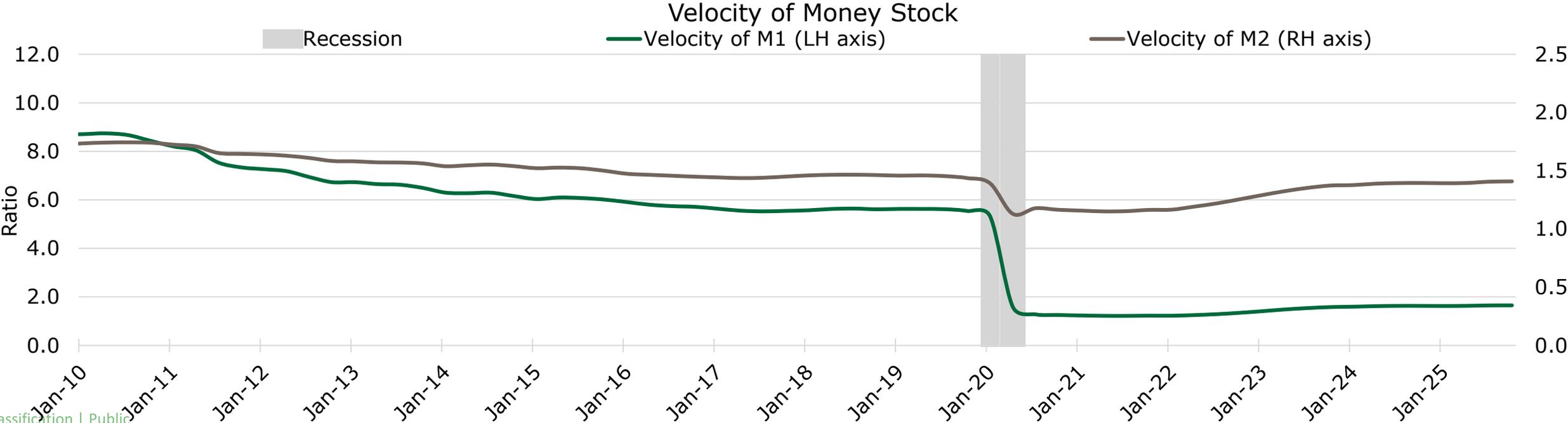


Money Supply and Velocity

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.

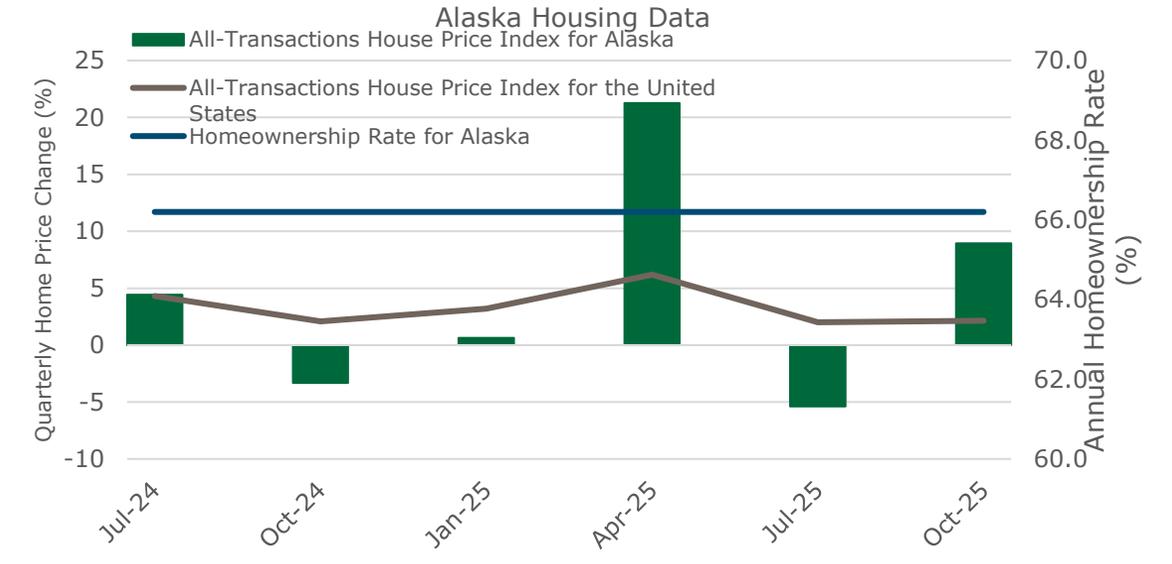
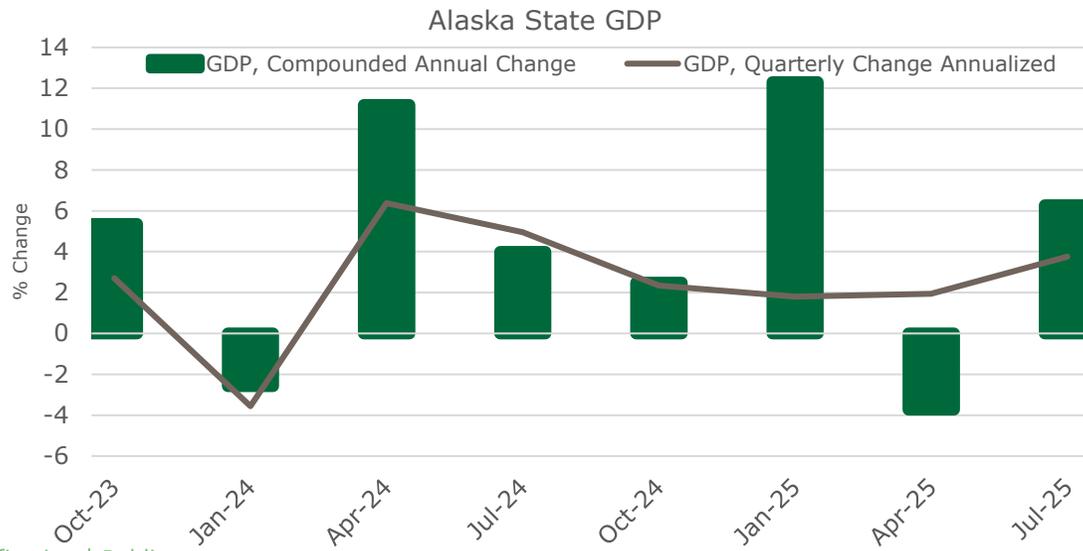
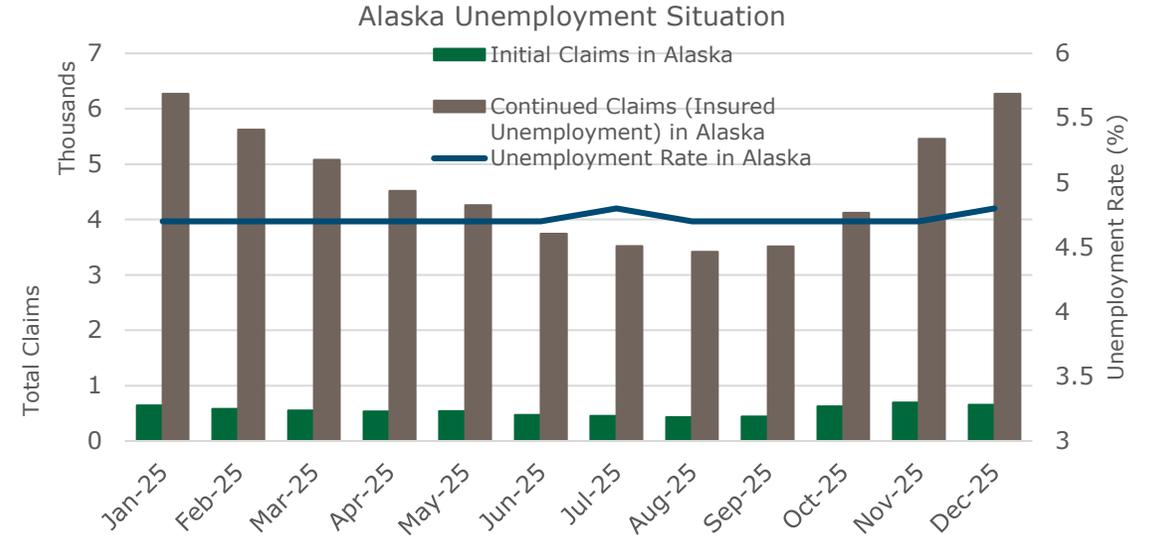
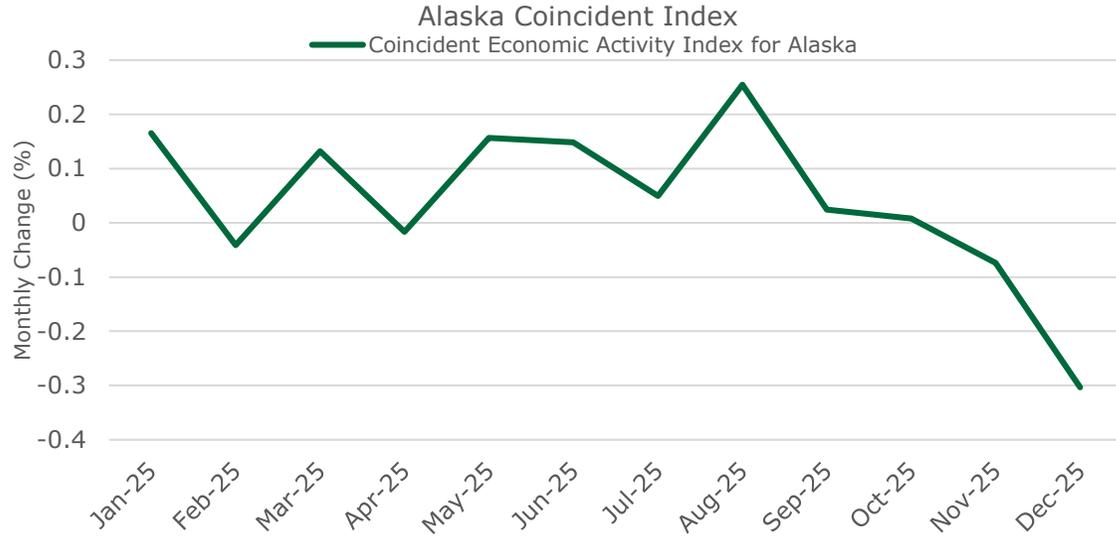




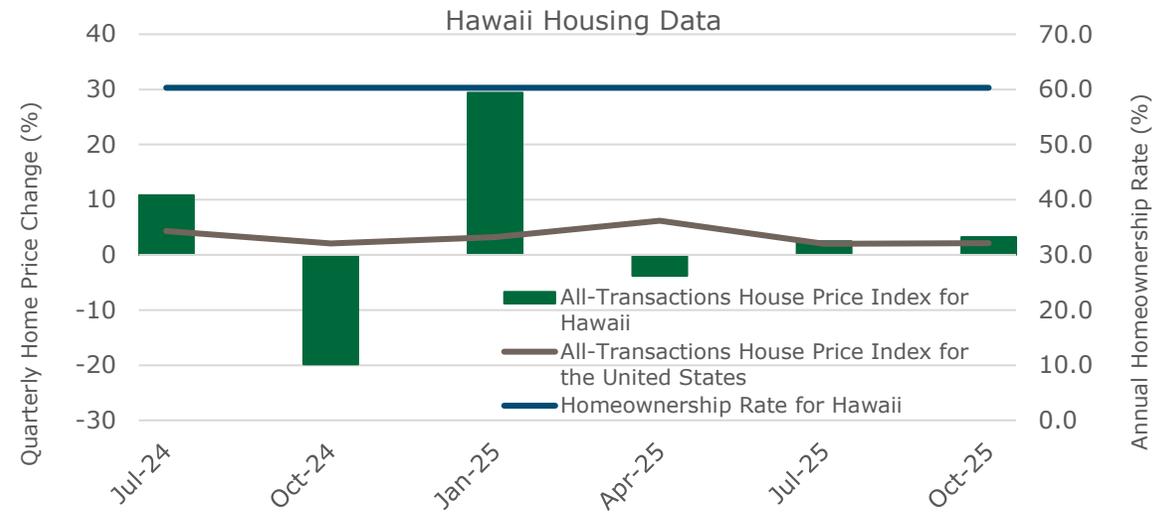
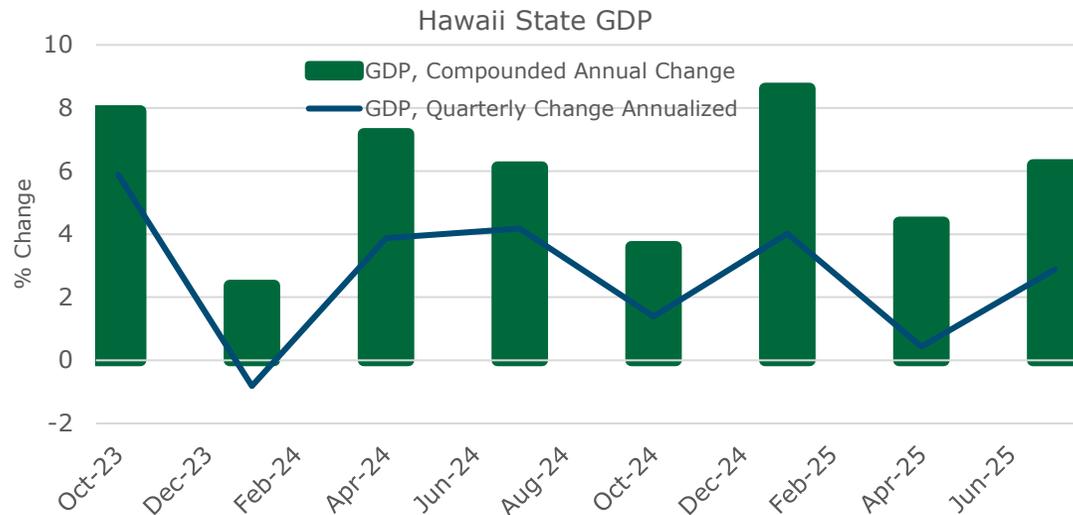
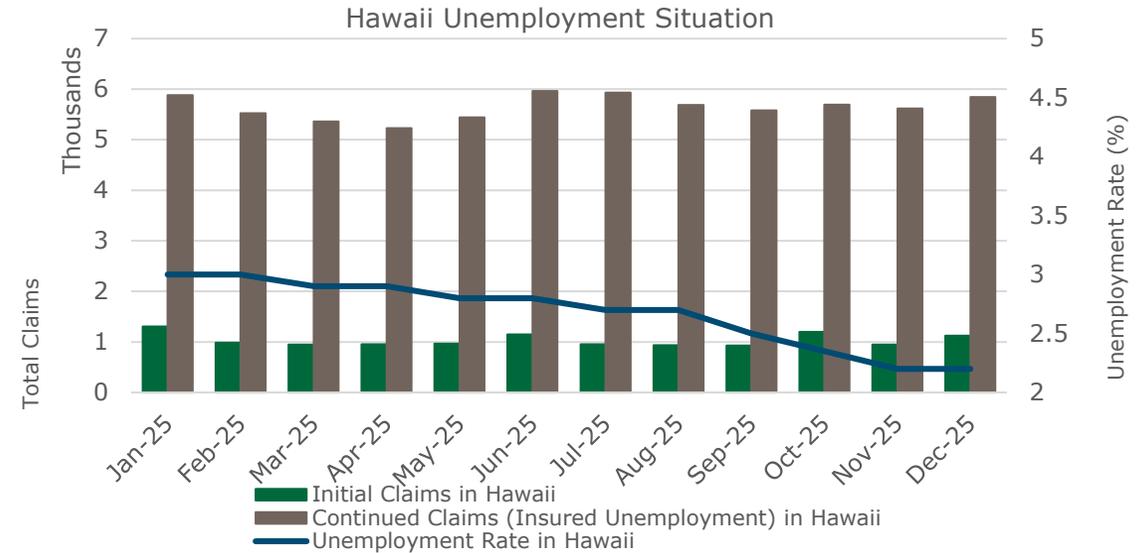
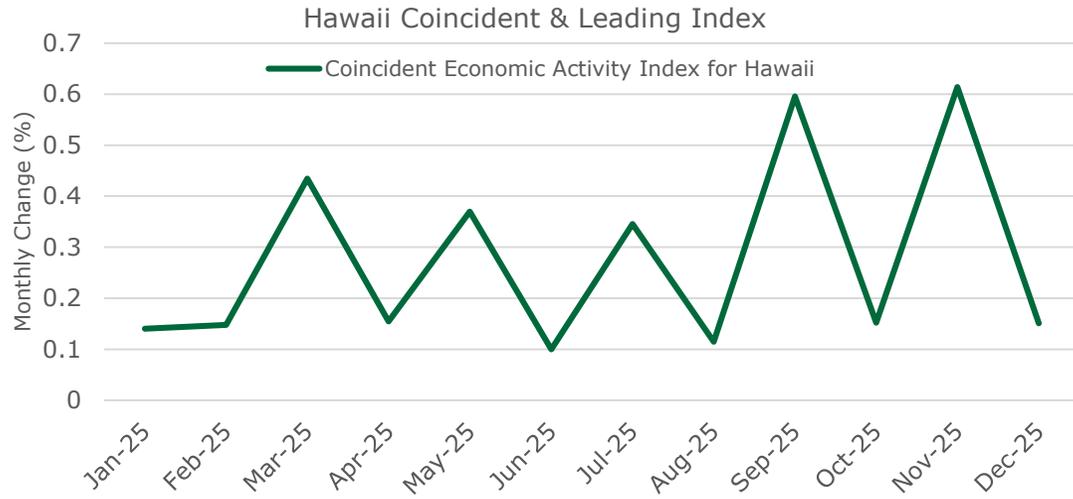
Appendix

State Level Data

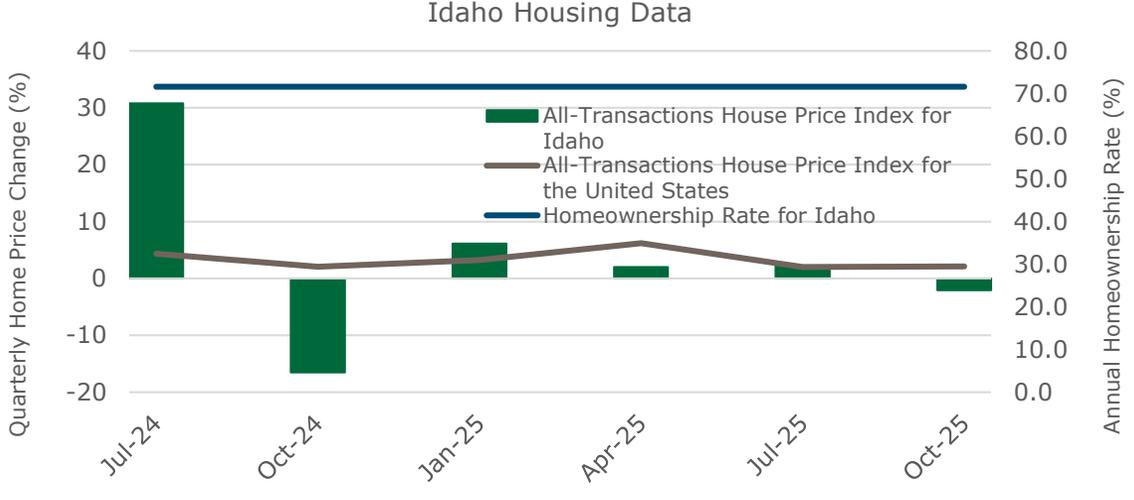
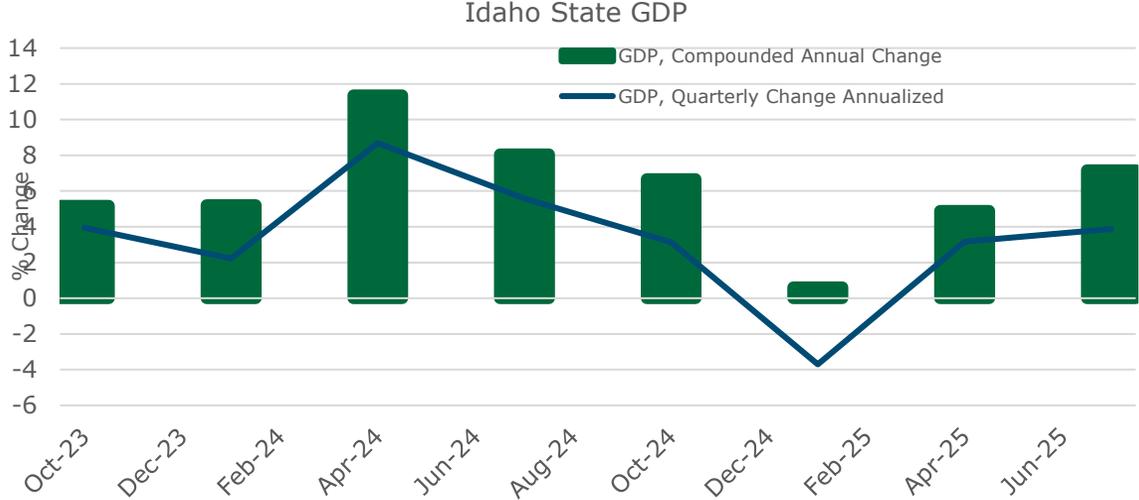
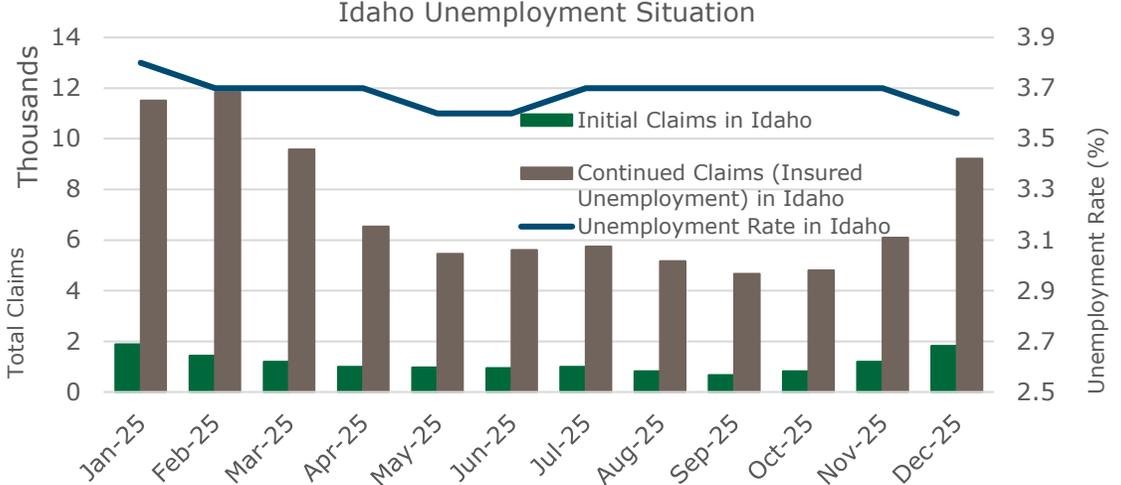
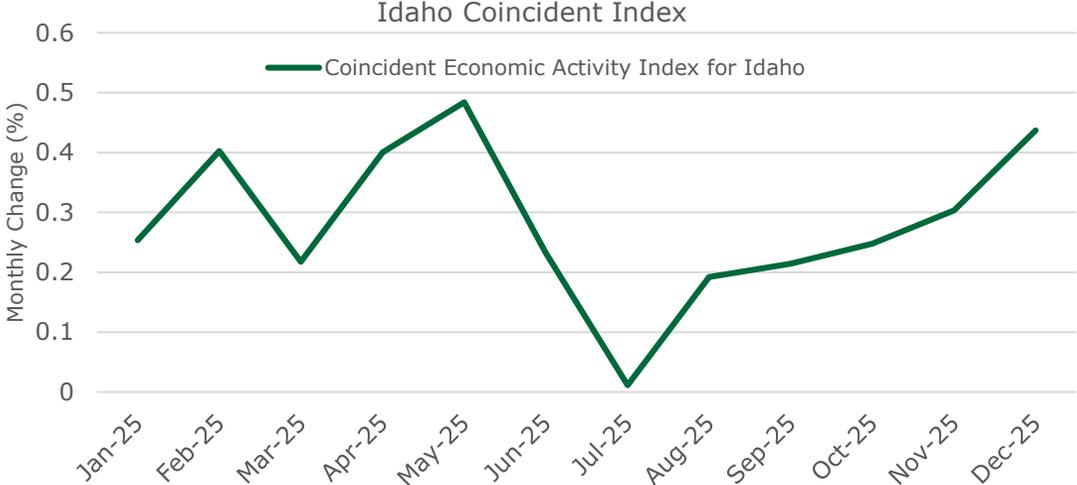
Alaska



Hawaii

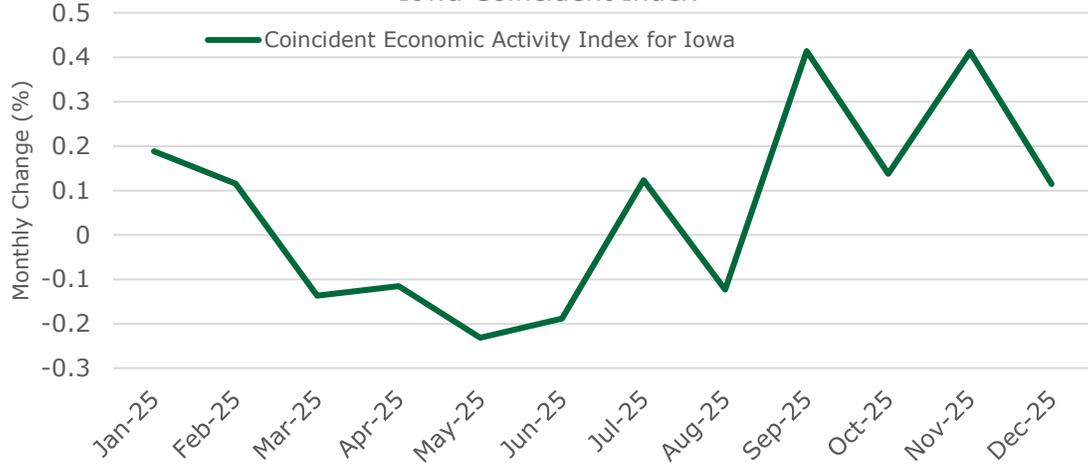


Idaho

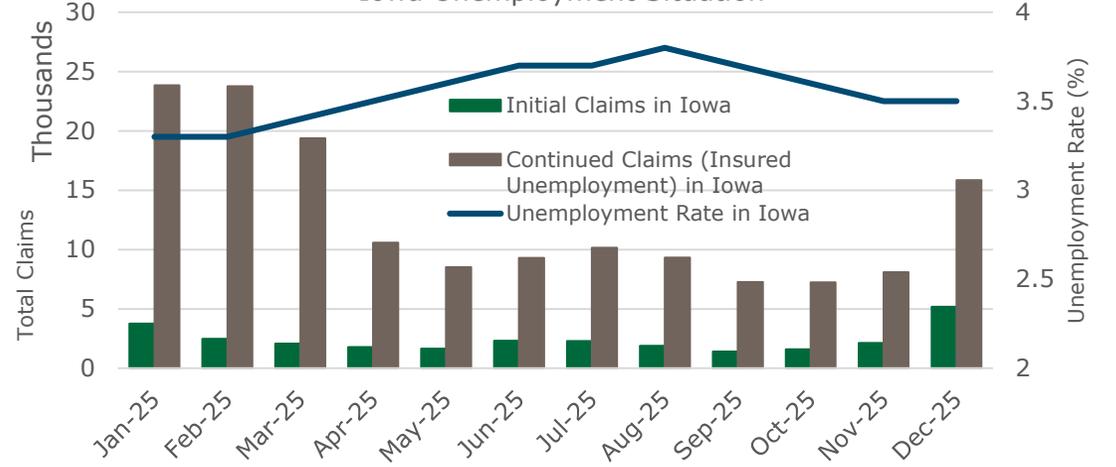


Iowa

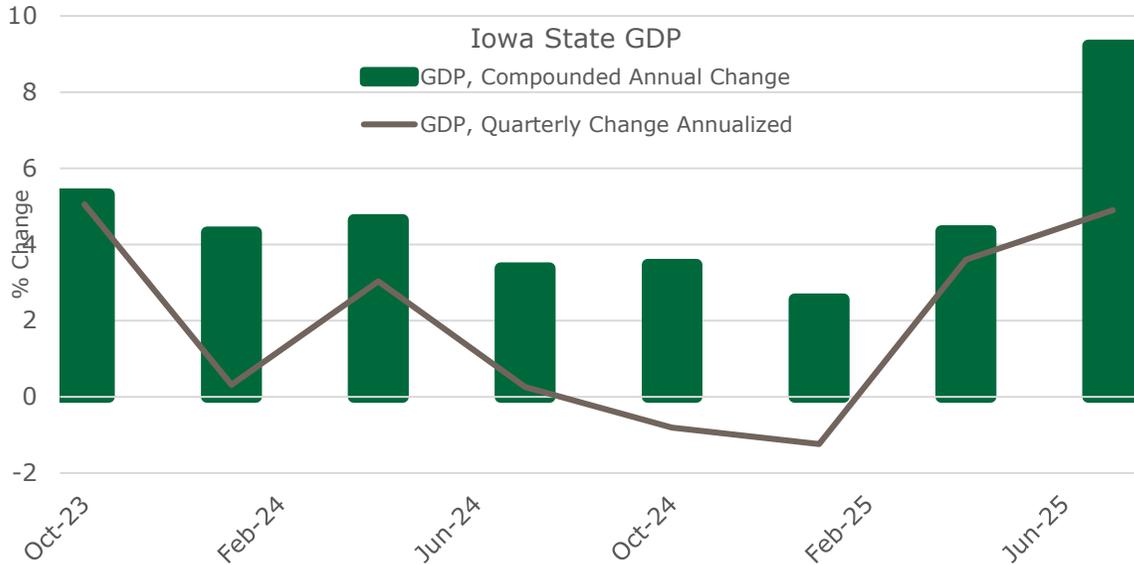
Iowa Coincident Index



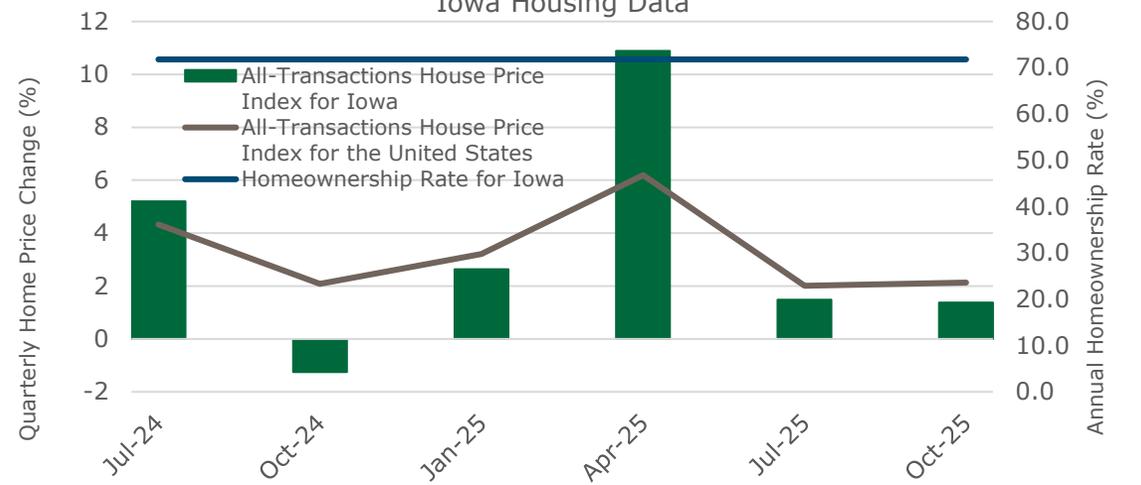
Iowa Unemployment Situation



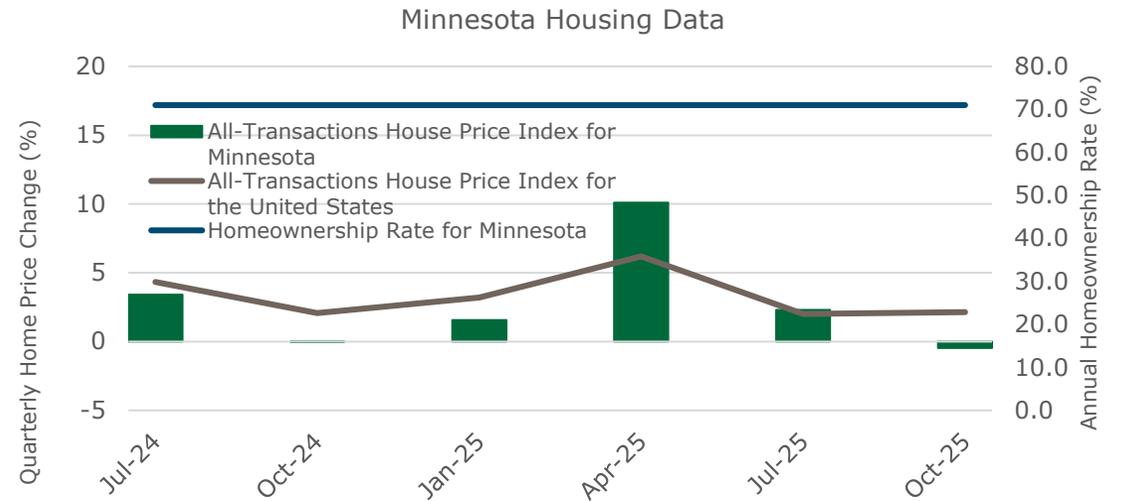
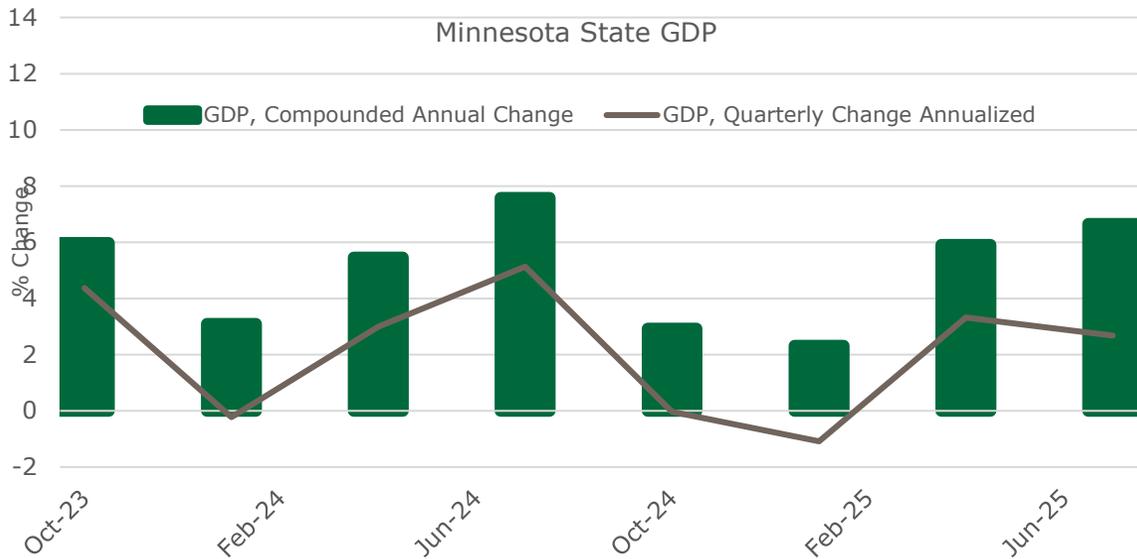
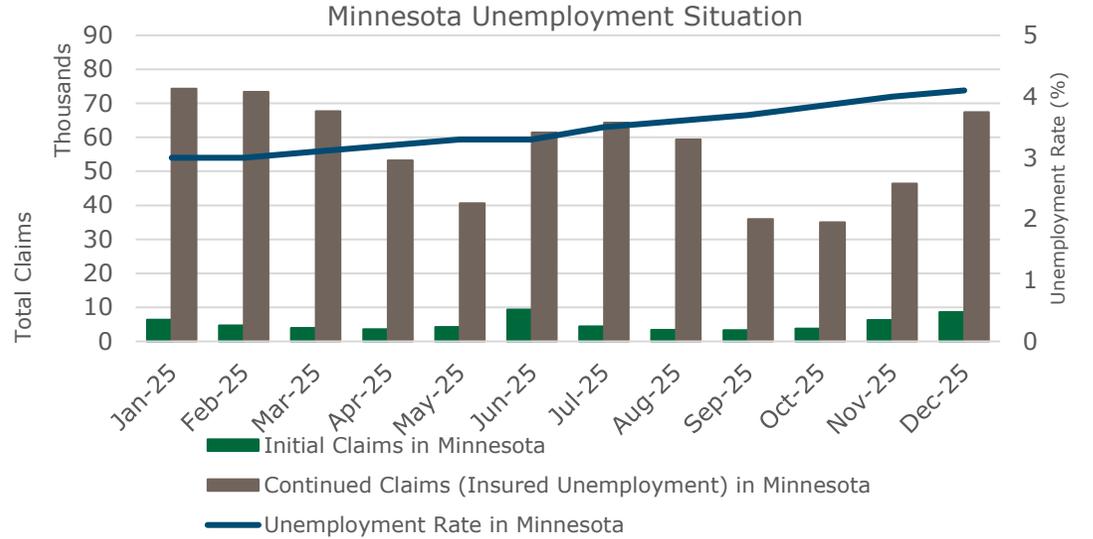
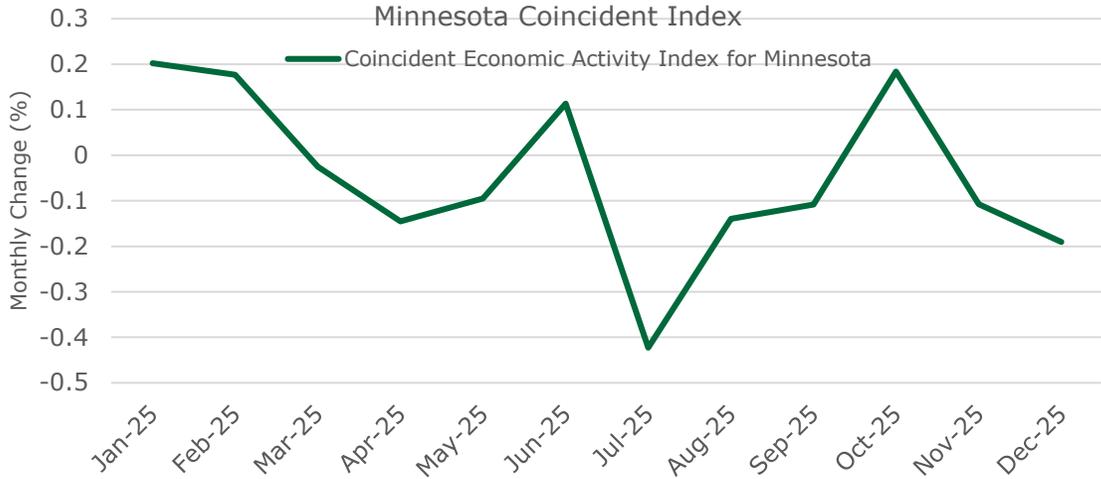
Iowa State GDP



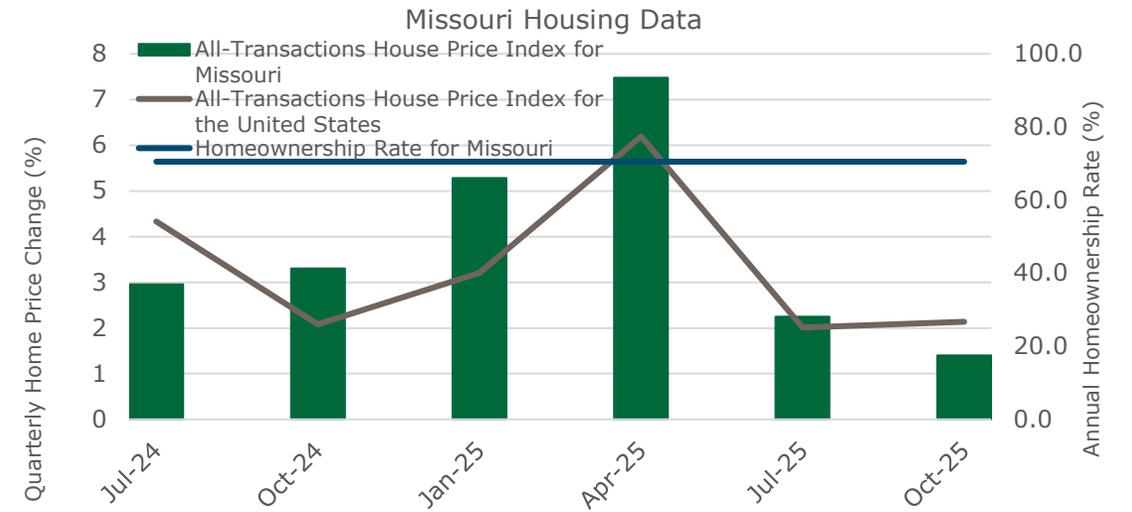
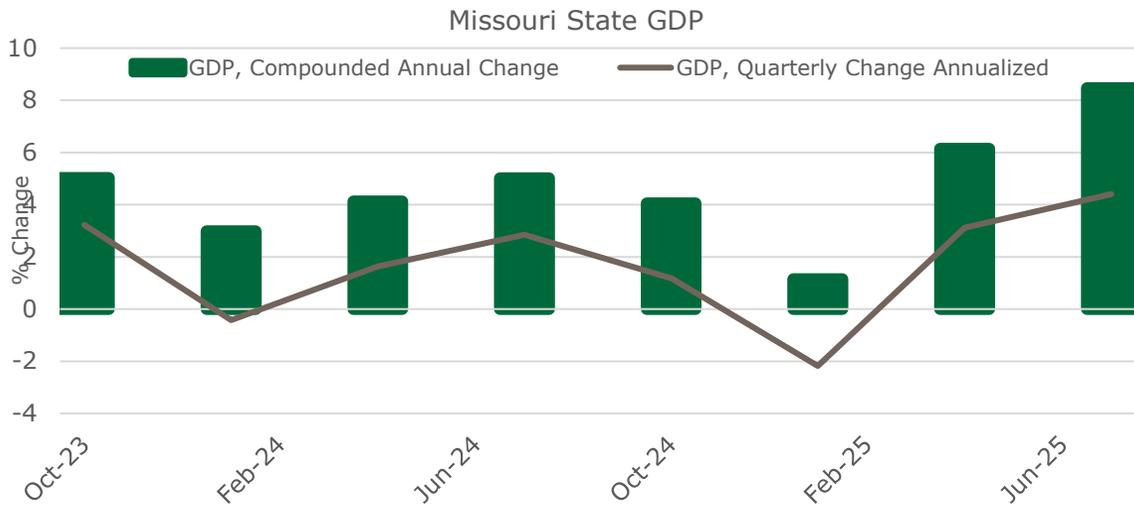
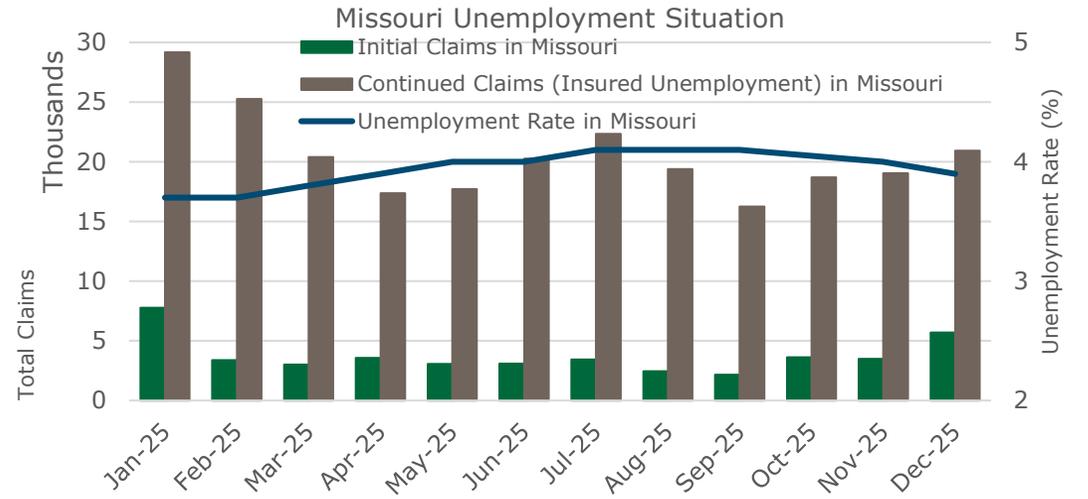
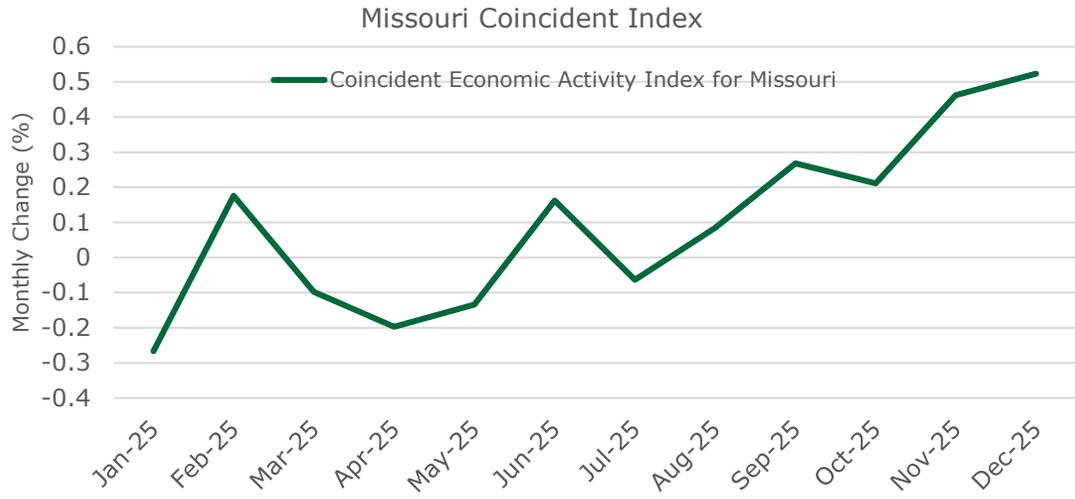
Iowa Housing Data



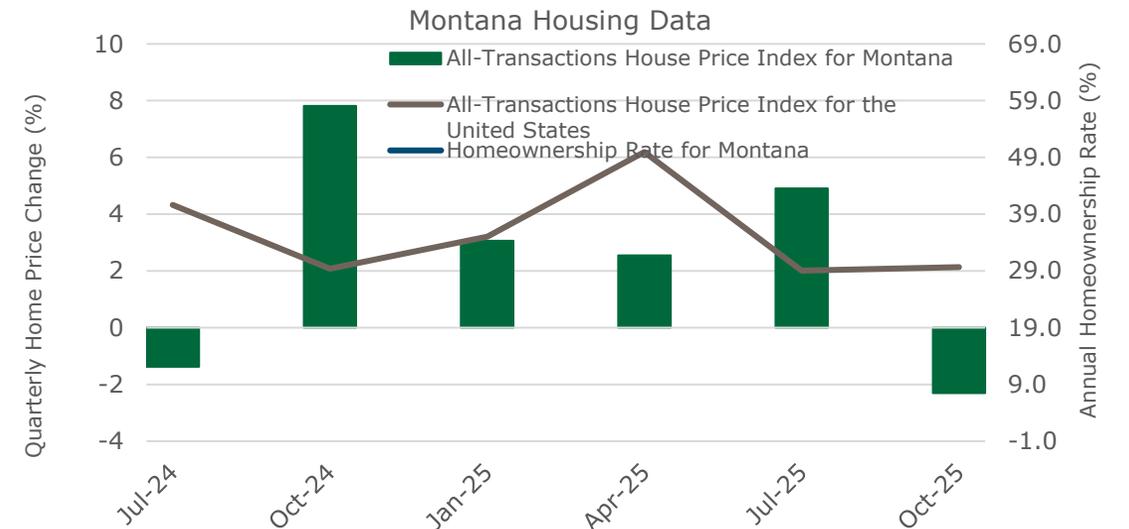
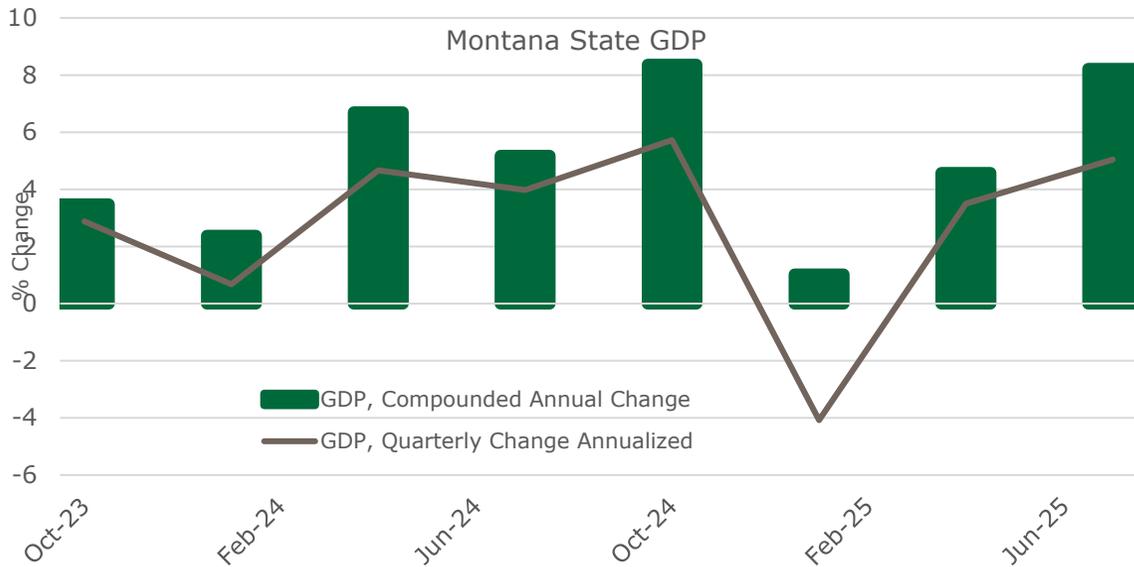
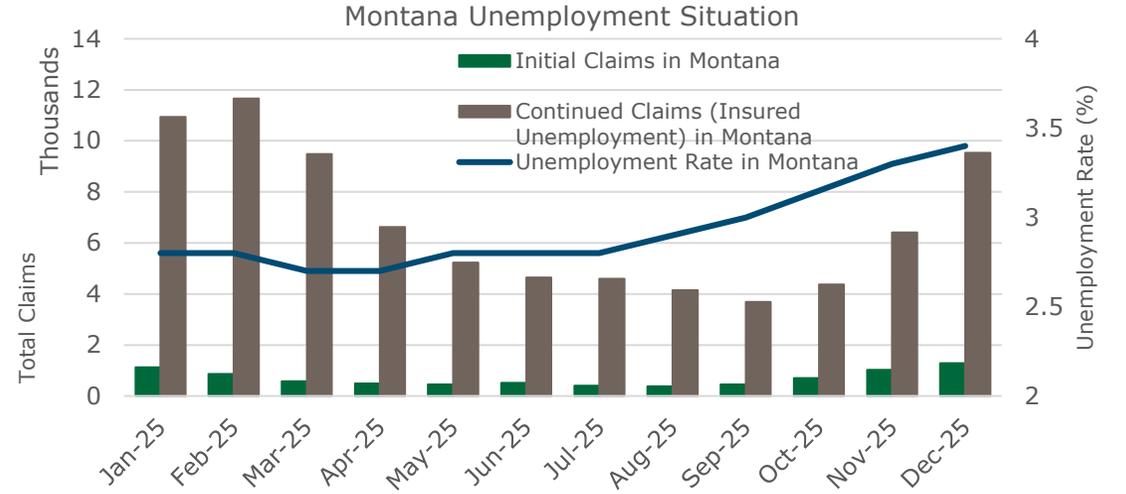
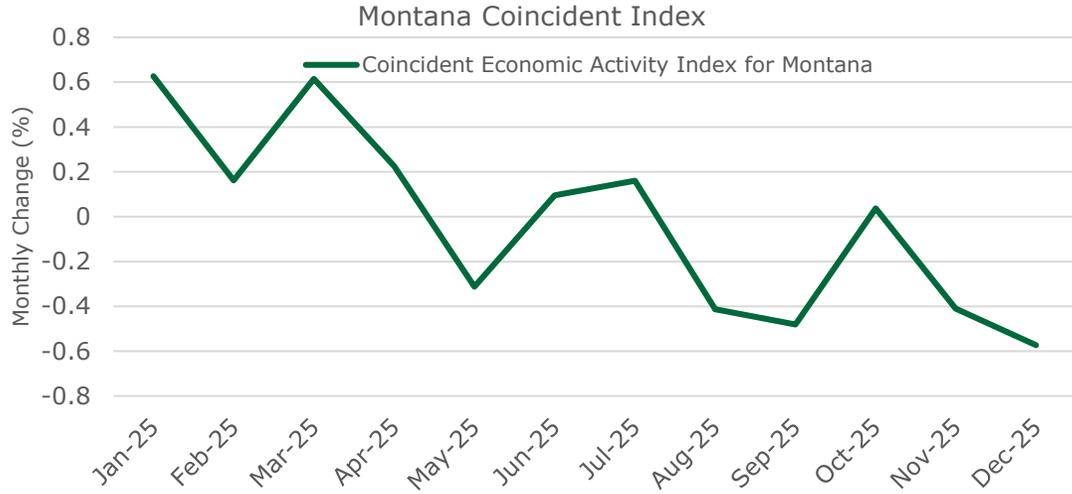
Minnesota



Missouri



Montana

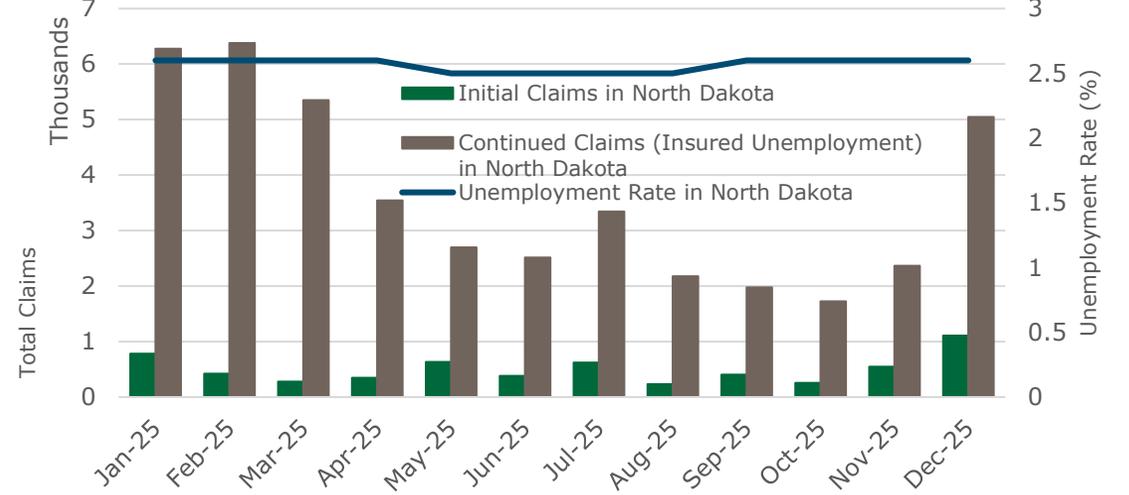


North Dakota

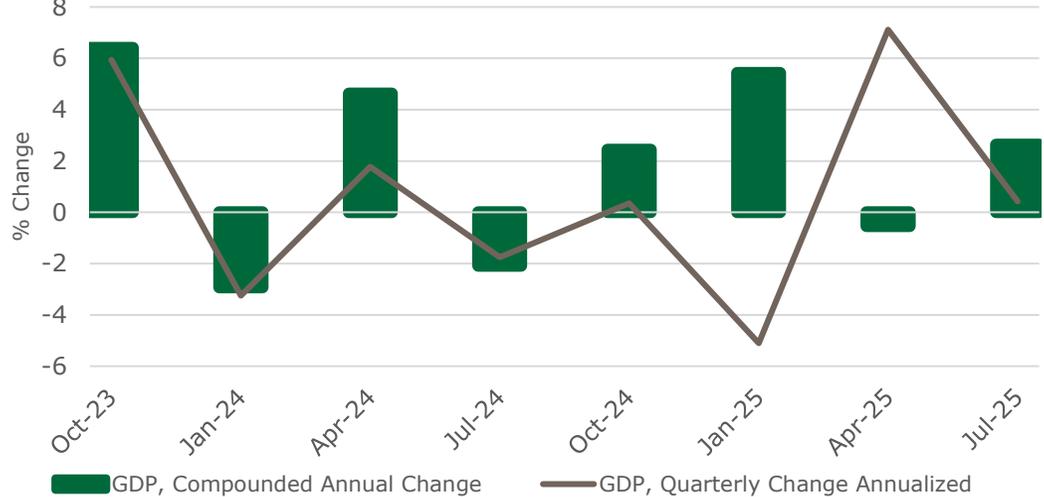
North Dakota Coincident Index



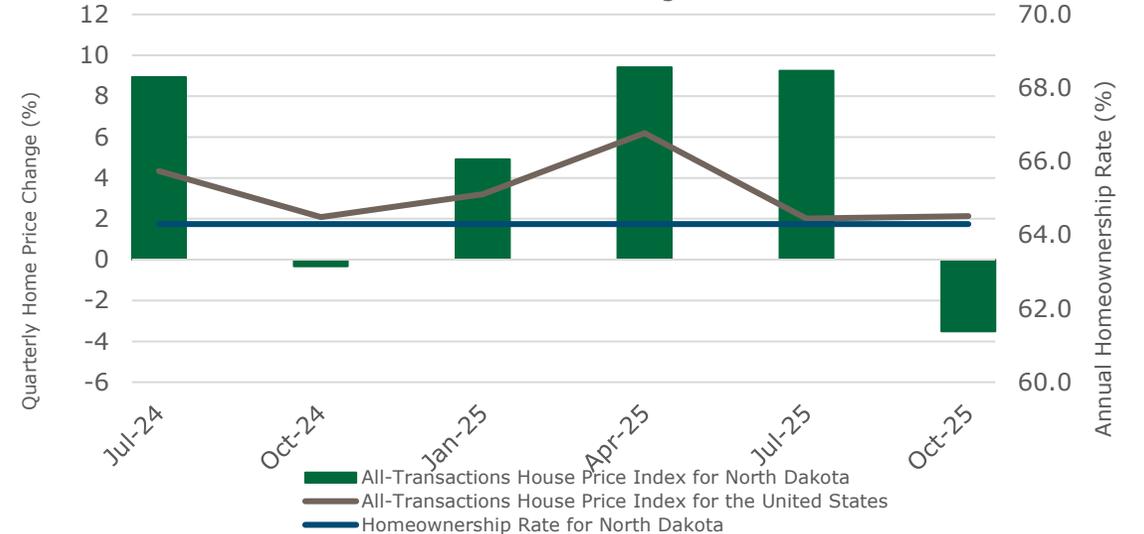
North Dakota Unemployment Situation



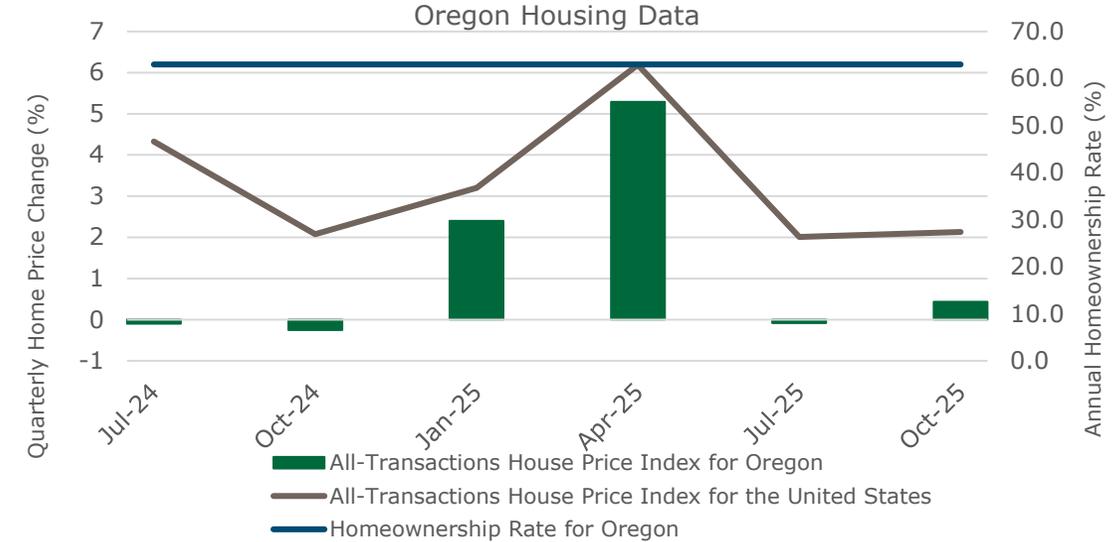
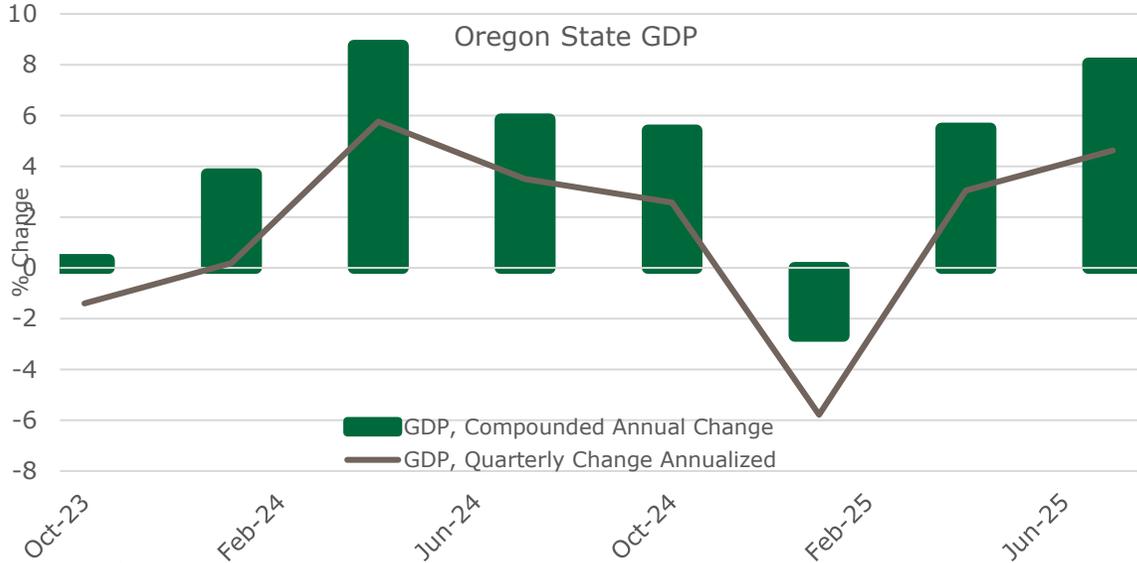
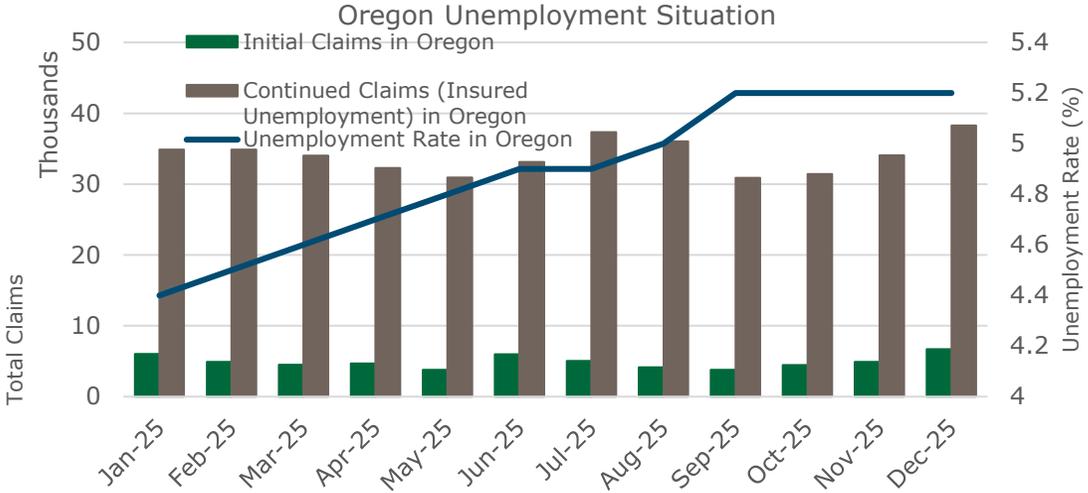
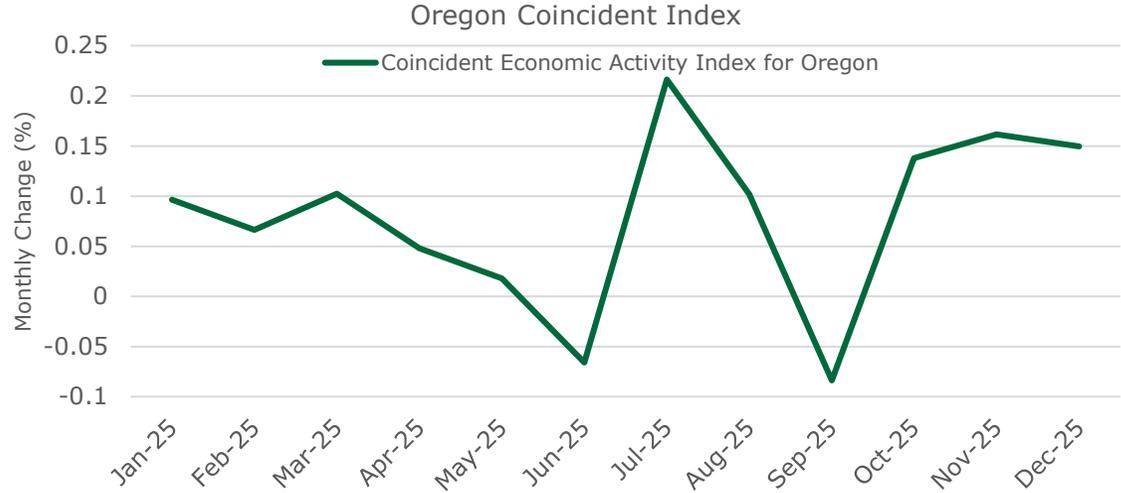
North Dakota State GDP



North Dakota Housing Data

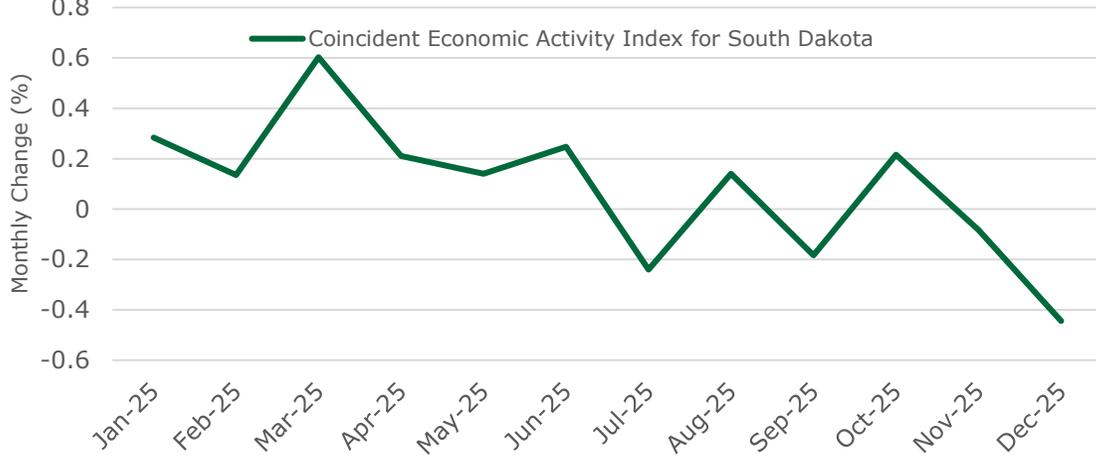


Oregon

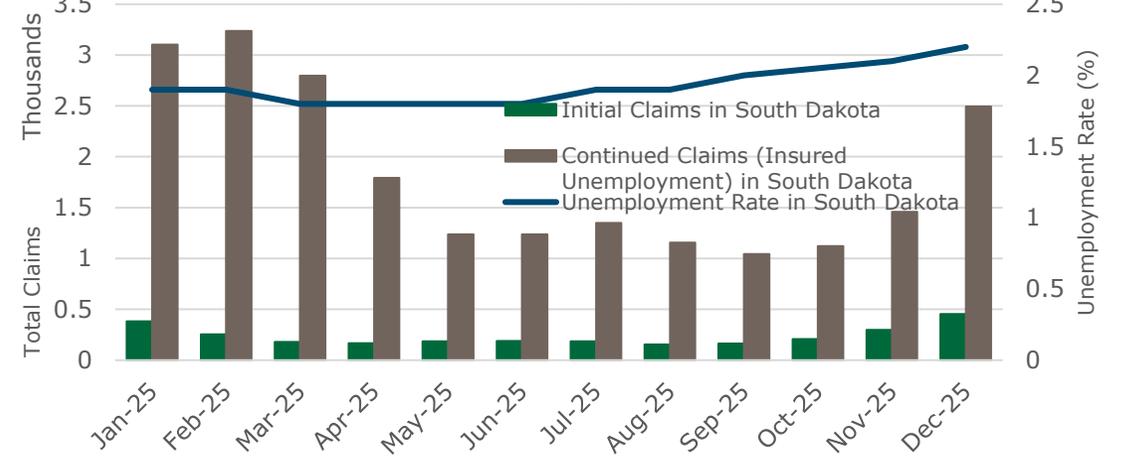


South Dakota

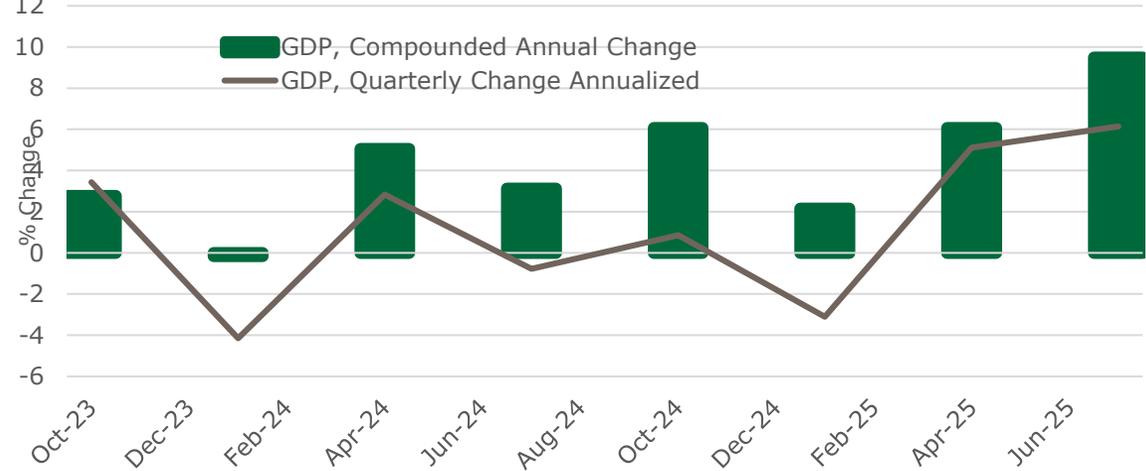
South Dakota Coincident Index



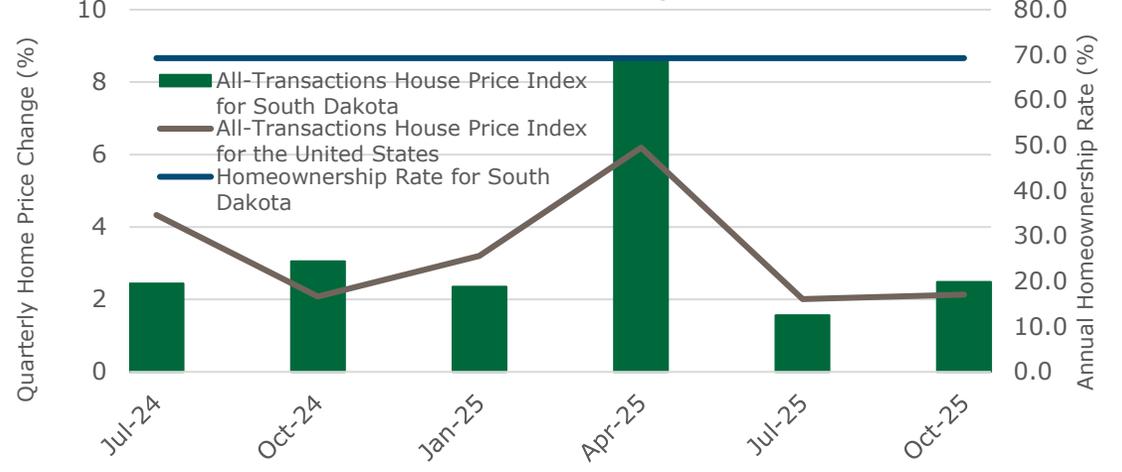
South Dakota Unemployment Situation



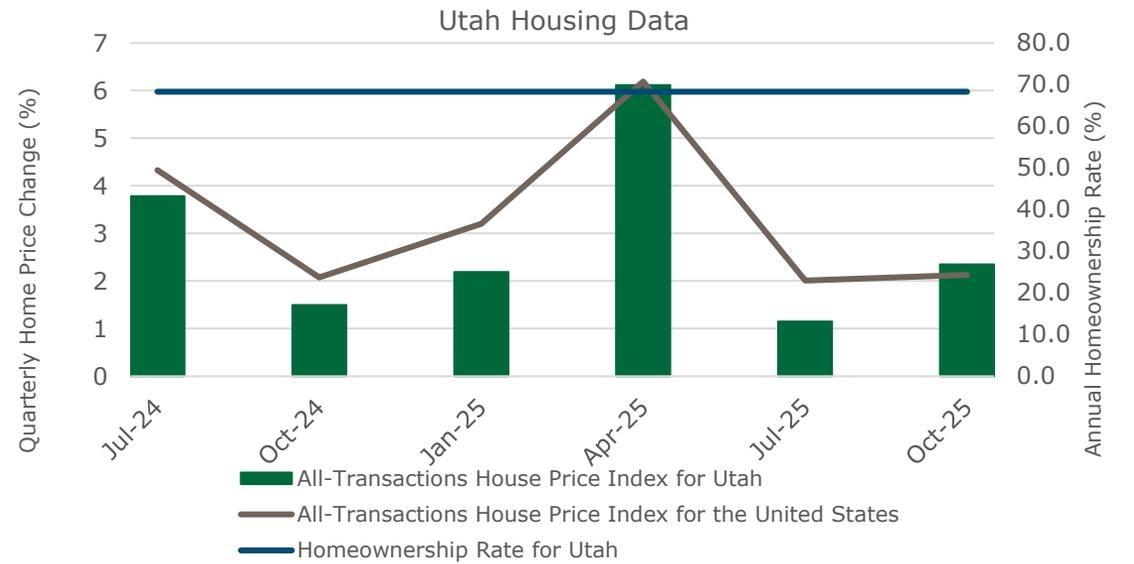
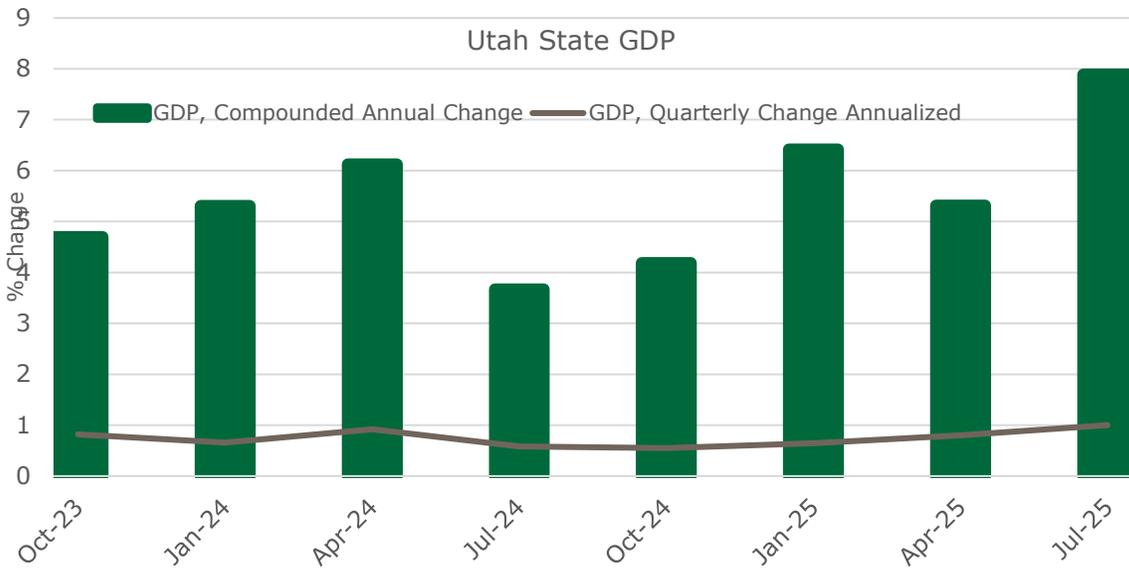
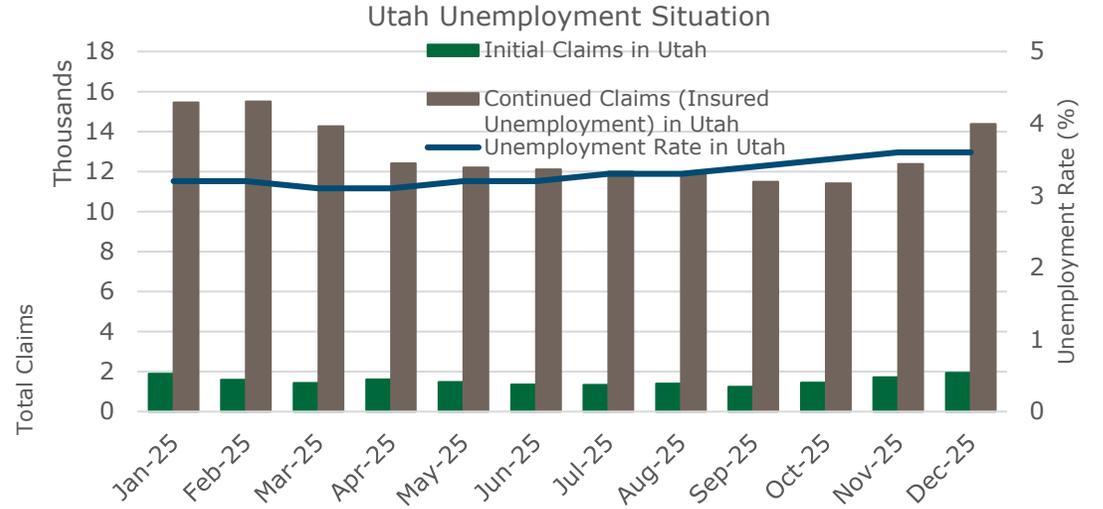
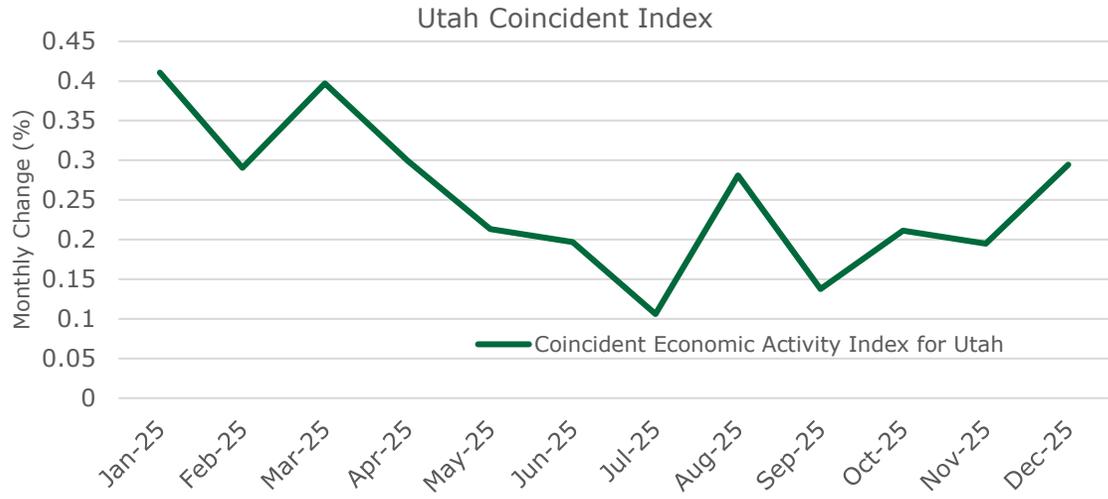
South Dakota State GDP



South Dakota Housing Data

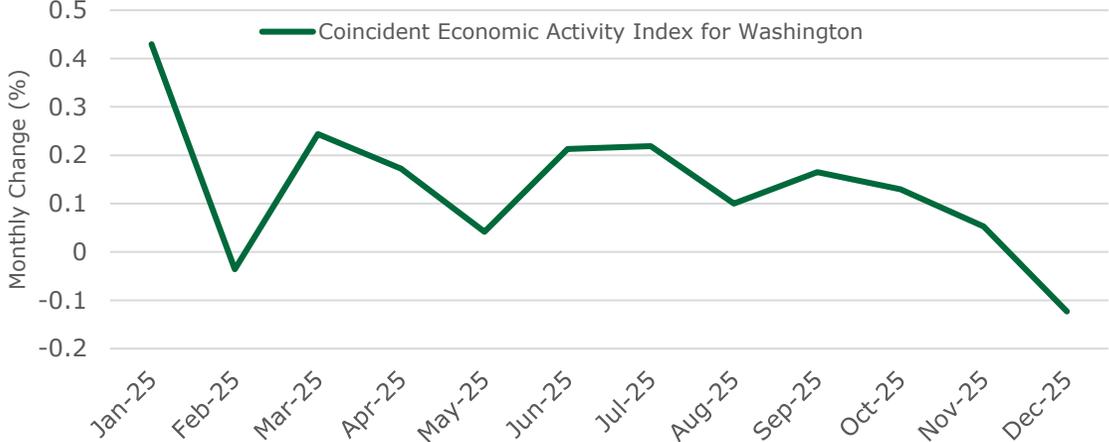


Utah

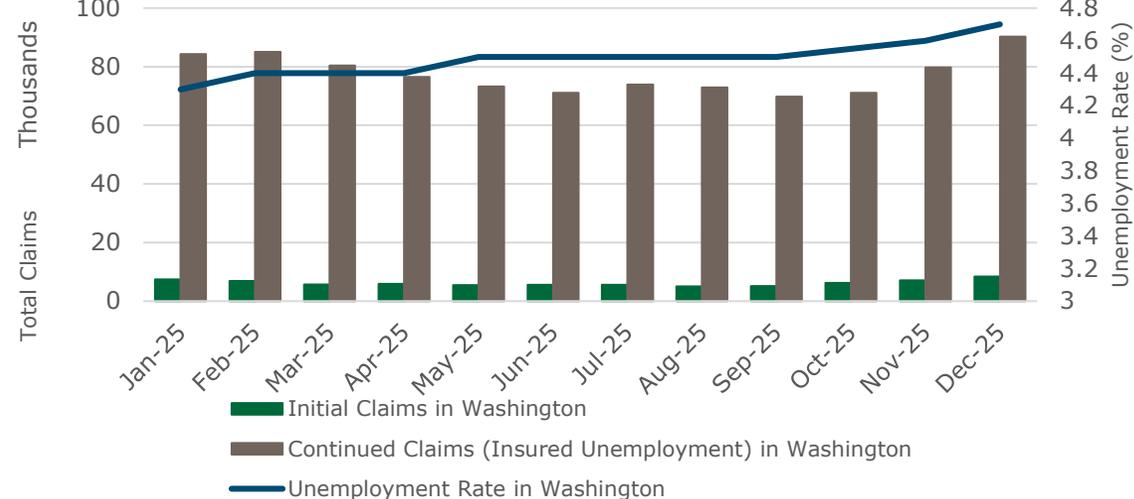


Washington

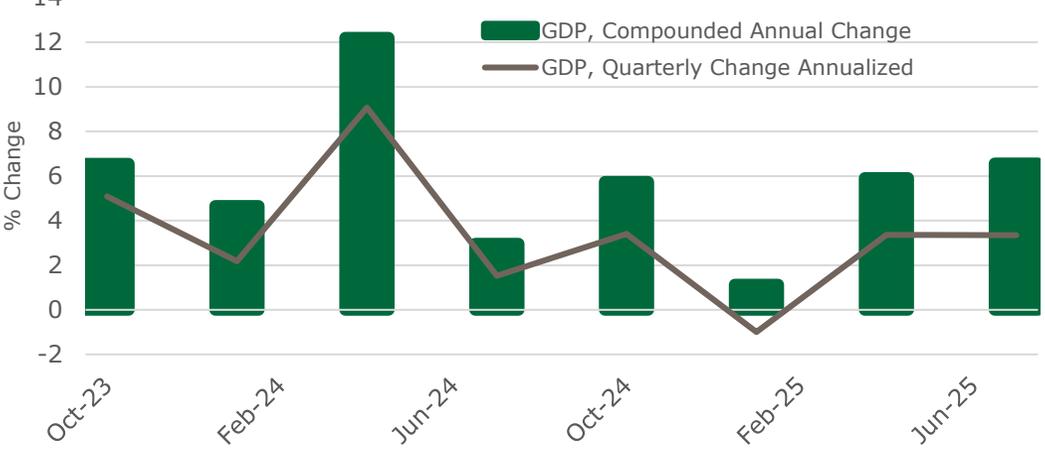
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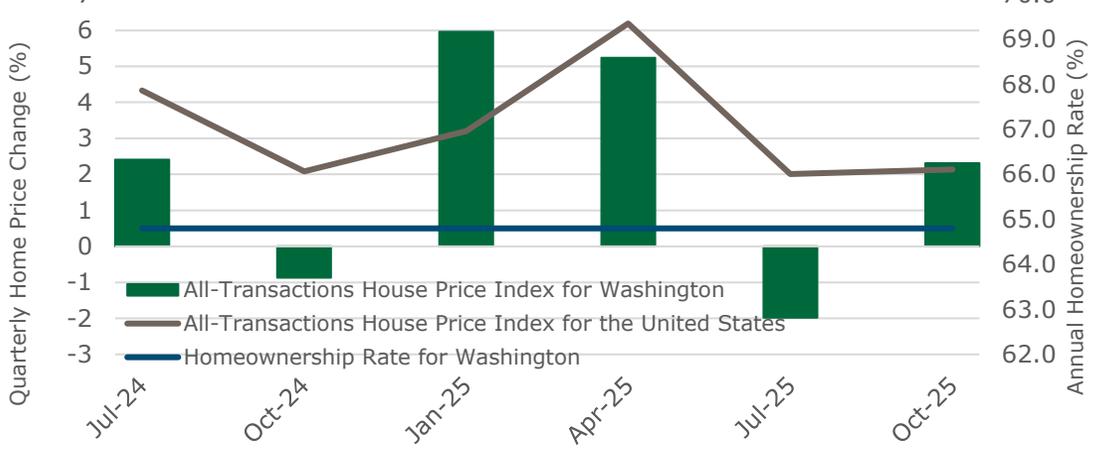
Washington Unemployment Situation



Washington State GDP

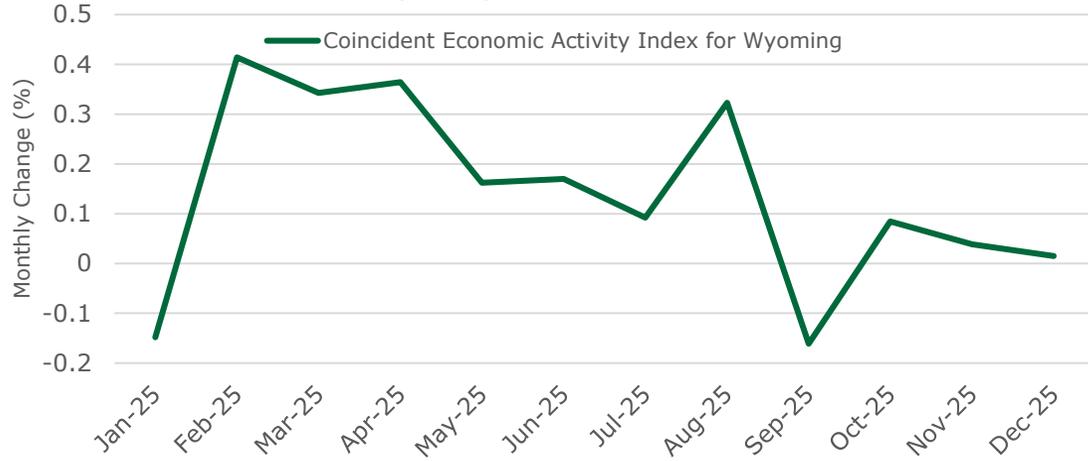


Washington Housing Data

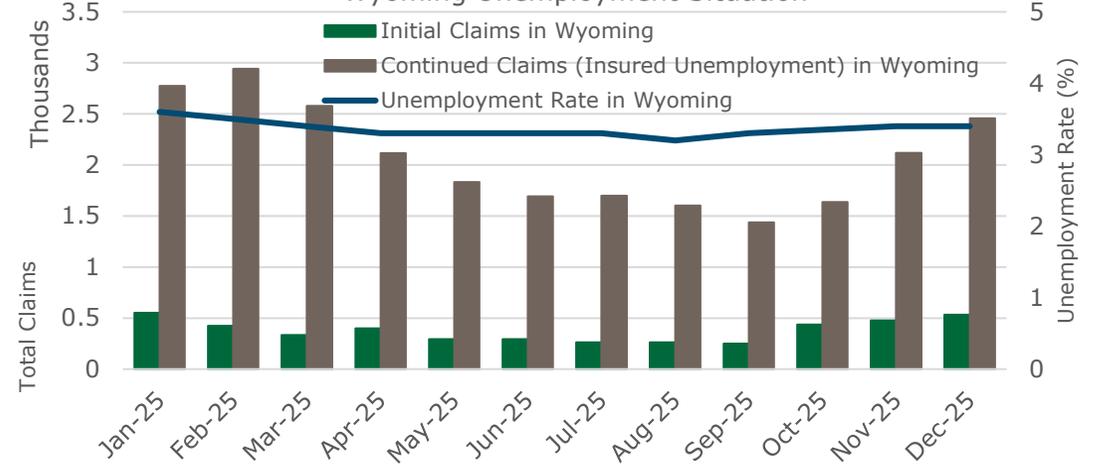


Wyoming

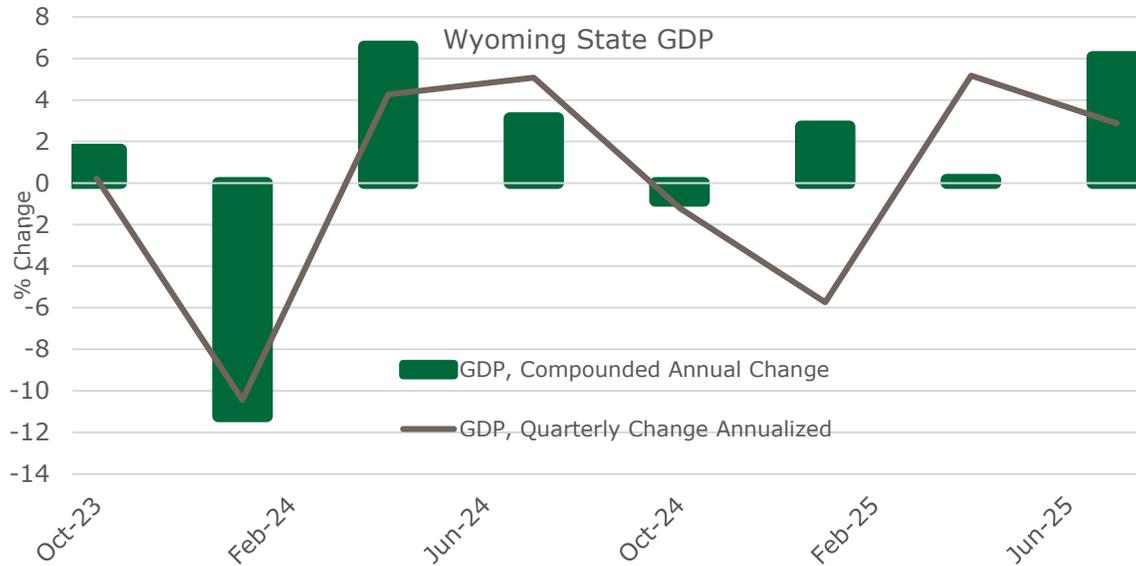
Wyoming Coincident Index



Wyoming Unemployment Situation



Wyoming State GDP



Wyoming Housing Data

