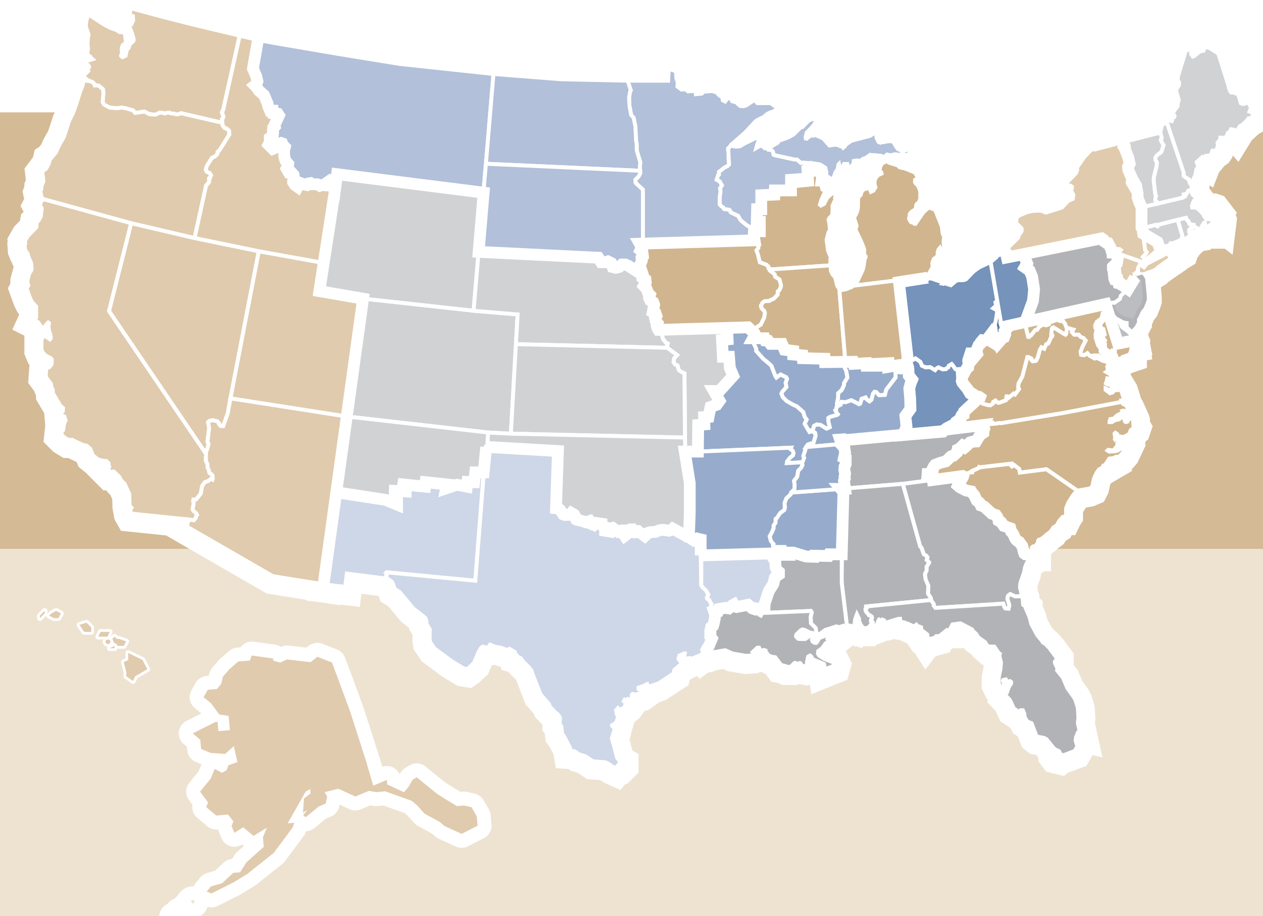
The Beige Book

Summary of Commentary on Current Economic Conditions by Federal Reserve District

October 2025



FEDERAL RESERVE SYSTEM

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About This Publication

What is the Beige Book?

The Beige Book is a Federal Reserve System publication about current economic conditions across the 12 Federal Reserve Districts. It characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from each District's sources. Reports are published eight times per year.

What is the purpose of the Beige Book?

The Beige Book is intended to characterize the change in economic conditions since the last report. Outreach for the Beige Book is one of many ways the Federal Reserve System engages with businesses and other organizations about economic developments in their communities. Because this information is collected from a wide range of contacts through a variety of formal and informal methods, the Beige Book can complement other forms of regional information gathering. The Beige Book is not a commentary on the views of Federal Reserve officials.

How is the information collected?

Each Federal Reserve Bank gathers information on current economic conditions in its District through reports from Bank and Branch directors, plus interviews and online questionnaires completed by businesses, community organizations, economists, market experts, and other sources. Contacts are not selected at random; rather, Banks strive to curate a diverse set of sources that can provide accurate and objective information about a broad range of economic activities. The Beige Book serves as a regular summary of this information for the public.

How is the information used?

The information from contacts supplements the data and analysis used by Federal Reserve economists and staff to assess economic conditions in the Federal Reserve Districts. The qualitative nature of the Beige Book creates an opportunity to characterize dynamics and identify emerging trends in the economy that may not be readily apparent in the available economic data. This infor-

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Note: The Federal Reserve officially identifies Districts by number and Reserve Bank city. In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii. The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System in February 1996.

mation enables comparison of economic conditions in different parts of the country, which can be helpful for assessing the outlook for the national economy.

The Beige Book does not have the type of information I'm looking for. What other information is available?

The Federal Reserve System conducts a wide array of recurring surveys of businesses, households, and community organizations. A list of statistical releases compiled by the Federal Reserve Board is available here, links to each of the Federal Reserve Banks are available here, and a summary of the System's community outreach is available here. In addition, Fed Listens events have been held around the country to hear about how monetary policy affects peoples' daily lives and livelihoods. The System also relies on a variety of advisory councils—whose members are drawn from a wide array of businesses, nonprofit organizations, and community groups—to hear diverse perspectives on the economy in carrying out its responsibilities.

National Summary

Overall Economic Activity

Economic activity changed little on balance since the previous report, with three Districts reporting slight to modest growth in activity, five reporting no change, and four noting a slight softening. Overall consumer spending, particularly on retail goods, inched down in recent weeks, although auto sales were boosted in some Districts by strong demand for electric vehicles ahead of the expiration of a federal tax credit at the end of September. Demand for leisure and hospitality services by international travelers fell further over the reporting period, while demand by domestic consumers was largely unchanged. Nevertheless, spending by higher-income individuals on luxury travel and accommodation was reportedly strong. Several reports highlighted that lower- and middle-income households continued to seek discounts and promotions in the face of rising prices and elevated economic uncertainty. Manufacturing activity varied by District, and most reports noted challenging conditions due to higher tariffs and waning overall demand. Activity in agriculture, energy, and transportation was generally down among reporting Districts. Conditions in the financial services sector and other interest rate-sensitive sectors, such as residential and commercial real estate, were mixed; some reports noted improved business lending in recent weeks due to lower interest rates, while other reports continued to highlight muted activity. The outlook for future economic growth varied by District and sector. Sentiment reportedly improved in a few Districts, with some contacts expecting an uptick in demand over the next 6 to 12 months. However, many others continued to expect elevated uncertainty to weigh down activity. One District report highlighted the downside risk to growth from a prolonged government shutdown.

Labor Markets

Employment levels were largely stable in recent weeks, and demand for labor was generally muted across Districts and sectors. In most Districts, more employers reported lowering head counts through layoffs and attrition, with contacts citing weaker demand, elevated economic uncertainty, and, in some cases, increased investment in artificial intelligence technologies. Employers that reported hiring generally noted improved labor availability, and some favored hiring temporary and part-time workers over offering full-time employment opportunities. Nevertheless, labor supply in the hospitality, agriculture, construction, and manufacturing sectors was reportedly strained in several Districts due to recent changes to immigration policies. Wages grew across all reporting Dis-

Note: This report was prepared at the Federal Reserve Bank of San Francisco based on information collected on or before October 6, 2025. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

tricts, generally at a modest to moderate pace, and labor cost pressures intensified in recent weeks due to outsized increases in employer-sponsored health insurance expenses.

Prices

Prices rose further during the reporting period. Several District reports indicated that input costs increased at a faster pace due to higher import costs and the higher cost of services such as insurance, health care, and technology solutions. Tariff-induced input cost increases were reported across many Districts, but the extent of those higher costs passing through to final prices varied. Some firms facing tariff-induced cost pressures kept their selling prices largely unchanged to preserve market share and in response to pushback from price-sensitive clients. However, there were also reports of firms in manufacturing and retail trades fully passing higher import costs along to their customers. Waning demand in some markets reportedly pushed prices down for some materials, such as steel in the Sixth District and lumber in the Twelfth District.

Highlights by Federal Reserve District

Boston

Economic activity expanded slightly, with modest growth in consumer spending. Employment was flat, as both hiring and layoffs increased modestly. Prices increased at a moderate pace, although certain cost pressures intensified. Home sales were flat from a year earlier. The outlook was neutral to cautiously optimistic, but contacts saw mostly downside risks.

New York

Economic activity continued to decline slightly. Employment held steady, and wage growth remained modest. The pace of price increases remained elevated but was little changed. Manufacturing activity held steady after a summer uptick. Consumer spending increased modestly, buoyed by mid- to upper-income households. Businesses did not expect activity to increase much in the months ahead.

Philadelphia

Business activity increased slightly in the current Beige Book period. Employment levels increased slightly, and wages again rose at modest pre-pandemic rates. Prices continued to rise moderately. Activity increased slightly for nonmanufacturers and moderately for manufacturers. Generally, firms expect modest growth over the next six months, but heightened economic uncertainty remains.

Cleveland

Fourth District business activity was flat in recent weeks, but contacts expected activity to increase modestly in months ahead. Commercial construction and financial services contacts noted an uptick in demand because of lower interest rates. Contacts said that cost growth remained robust, while their selling prices increased modestly.

Richmond

The regional economy grew modestly in recent weeks. Consumer spending continued to grow modestly and import activity rose. Manufacturing activity declined slightly and growth in the remaining industries was largely flat. Employment levels were largely unchanged and wage growth remained moderate. Price growth remained moderate, overall, despite some pickup in price growth in the manufacturing sector.

Atlanta

The Sixth District economy was unchanged. Employment levels were steady, and wages grew modestly. Prices increased moderately. Consumer spending fell, and leisure travel softened. Home sales declined, and commercial real estate was unchanged. Transportation declined. Manufacturing grew slightly. Energy grew moderately, and agriculture was healthy.

Chicago

Economic activity in the Seventh District was flat. Consumer spending increased modestly; construction and real estate activity increased slightly; employment was flat; nonbusiness contacts saw no change in activity; business spending declined slightly; and manufacturing activity declined modestly. Prices rose moderately, wages were up modestly, and financial conditions loosened slightly. Prospects for 2025 farm income were unchanged.

St. Louis

Economic activity and employment levels have remained unchanged since our previous report. Contacts continue to report that immigration policies have been resulting in labor shortages. Prices have increased moderately, with contacts reporting that inflation is eroding consumer purchasing power. Banking activity has remained unchanged since our previous report, with overall credit conditions remaining strong. Agriculture conditions are strained and have further deteriorated. The outlook remains slightly pessimistic.

Minneapolis

District economic activity contracted slightly. Labor demand softened, according to firms and job seekers, though wage growth remained moderate. Price increases remained modest, but input price pressures increased. Manufacturing and commercial real estate were flat, but most other sectors contracted. Agricultural contacts were concerned about China's elimination of soybean purchases.

Kansas City

Economic activity in the Tenth District fell slightly over the past month. Employment levels declined slightly, and bankers noted consumer loan portfolios deteriorated moderately. Though activity fell recently, expectations for sales and employment in 2026 were broadly optimistic. Expectations for the pace of price growth in 2026 were similarly above 2025 levels.

Dallas

Economic activity was flat. Service sector activity contracted mildly. Retail sales fell, while the pace of manufacturing output growth moderated. Loan demand grew, but the housing market remained weak, and drilling and well completion activity was flat. Employment dipped, and wage growth was modest. Price pressures were subdued in services but remained elevated in the manufacturing sector. Outlooks deteriorated with slowing demand, policy uncertainty, and inflation highlighted as the top concerns for businesses.

San Francisco

Economic activity edged down slightly. Employment levels were little changed. Wages grew slightly, and prices rose modestly. Activity in retail trade, agriculture, and residential real estate decreased somewhat while commercial real estate activity was unchanged. Manufacturing and lending activity remained stable. Conditions in consumer and business services were mixed.

Federal Reserve Bank of Boston

Summary of Economic Activity

Economic activity ticked up overall, led by modest increases in consumer spending and manufacturing sales. Commercial real estate activity increased slightly, beating expectations. Software and IT services firms reported small increases in revenues and strong demand. Home sales were flat, while housing inventory increased notably. Employment was unchanged, but layoffs became more common, and wage increases remained modest. Prices rose at a moderate pace, as contacts mentioned tariff-related and other cost pressures. The outlook among business contacts brightened somewhat overall, with most now either neutral or cautiously optimistic. Non-business contacts, in contrast, expressed growing concerns about the economic security of lower-income households.

Labor Markets

Employment was flat overall, as both hiring and layoffs increased modestly. Manufacturing employment was unchanged on balance, as some firms added workers to meet demand, some kept head counts steady because of uncertainty, and one shed workers to offset tariff-related cost increases. Cuts to federal grant funding contributed to layoffs in the education and health-care sectors. Employment in IT services increased modestly, with hiring in sales and technical positions. Retail and tourism employment was unchanged, as contacts noted modest improvements in worker availability but worried about next summer's labor supply given expected reductions in seasonal visas. Contacts in Maine and Vermont said labor market slack in those states increased, even though certain hiring challenges persisted. Wages rose at a modest pace on average, and some contacts described wage pressures as more muted compared with a year earlier. Manufacturing wages were mixed, but up modestly on average. Salaries at IT firms were unchanged, with moderate annual increases expected at the turn of the year. With isolated exceptions, hiring plans remained limited, owing to rising cost pressures and elevated uncertainty. No major layoffs were expected in the near term, but the longer-term outlook was less secure.

Prices

Prices rose moderately on average, as certain cost pressures increased. Construction costs, energy prices, and wholesale food prices all increased by at least moderate margins, and liability insurance rates rose sharply. Restaurants' profitability declined in response to rising costs, as menu prices were mostly unchanged. Average hotel prices declined modestly in August from a year earlier, and prices for IT services rose moderately over the same period. Manufacturers' output prices increased modestly on average, with contacts noting increases in the prices of copper and certain tools. Smaller manufacturers passed through a larger share of tariff-induced cost increases to customers. Most contacts expected to face at least modest further cost pressures moving forward, and some were concerned about a possible acceleration of prices in 2026.

Retail and Tourism

First District retail and tourism contacts reported modest increases in activity on balance. Tourism contacts noted a widening gap in demand between luxury and budget-friendly accommodations, where overall growth was fueled almost entirely by the former. Hotel occupancy rates for greater Boston and Cape Cod increased slightly in August from a year earlier. Retailers and restaurants across Cape Cod, coastal New Hampshire, and Maine reported that summer spending totals rose moderately from the previous year owing to an increase in the number of day trips. The number of Canadian travelers to New England remained down sharply from the previous year, and certain parts of Cape Cod and Maine experienced weaker summer tourism activity (from the previous year) as a result. Nonetheless, tourism-related spending increased modestly overall, as domestic and other international travel compensated for the decline in Canadian visitors. Auto sales in New Hampshire increased modestly from last month, driven by the rush to purchase electric vehicles before the expiration of tax credits. The outlook shifted from pessimistic to neutral among retail and tourism contacts, although contacts said that considerable uncertainty remained.

Manufacturing and Related Services

Manufacturing sales rose modestly since the last report, on average. One firm's revenues declined slightly from a year earlier but nonetheless exceeded projections made at the start of 2025. Various contacts reported increased demand coming from medical, retail, wholesale, and/or restaurant market segments. Capital expenditures were unchanged. Uncertainty remained elevated, presenting challenges for some in making pricing, production, and/or advertising plans. Contacts were mostly optimistic about their prospects through the end of the year, but the outlook for 2026 was slightly weaker on balance, with headwinds related to tariffs, inflation, and uncertainty.

Software and IT Services

Demand for software and IT services remained strong among First District contacts; revenues rose slightly from last quarter on average, and one contact reported very strong revenue growth from a year earlier. Contacts attributed the strong demand to the increasingly essential nature of the services they provide, as well as to spillover IT investments related to AI adoption. Firms' prices increased moderately from the previous year on average, and costs were stable, resulting in higher profit margins. Capital and technology spending was unchanged. Contacts were quite optimistic, expecting further healthy revenue growth in the coming months.

Commercial Real Estate

Commercial real estate activity was up slightly net of seasonal factors. Contacts were encouraged by the seasonal uptick in leasing activity after Labor Day, as some were not sure it would materialize, and the Boston market was buoyed by some large office deals. Nonetheless, office rents were flat, while operating costs continued to rise. The retail sector experienced stable leasing activity, with modest rent growth and low vacancies. Industrial leasing and sales activity were stable. Apartment rents rose only slightly, representing a slowdown from earlier in the year. Construction costs continued to face upward pressure from tariffs and labor shortages, and construction activity remained limited. The outlook was cautiously optimistic on balance, representing an improvement from the summer. Contacts expected that more widespread return-to-office policies would boost office leasing going forward, and the recent reduction in the federal funds rate lifted sentiment somewhat. Still, pessimism lingered concerning rents.

Residential Real Estate

Closed sales of single-family homes were flat or down slightly overall (as of August), despite rising by modest to large margins in the northern New England states, all compared with the previous August. Condo sales increased slightly across the First District on average, but results varied widely across states. House prices rose moderately on average from a year earlier, representing somewhat slower growth than in the previous report, and condo prices fell modestly in some areas. Inventories increased sharply from the previous August, extending a trend that began earlier in the year. According to a Massachusetts contact, buyers became increasingly selective and patient, especially in the condo market. Contacts were hopeful that mortgage rates might fall in the coming months, potentially improving affordability and sales.

Community Perspectives

Contacts expressed increased anxiety and uncertainty regarding the economic situation of low- and moderate-income households in the First District. The prevalence of economic precarity increased in many communities, as evidenced by greater food pantry use and increased difficulty paying rent, utilities, and other bills. Consumers increasingly used savings to cover basic needs and took steps to reduce spending where possible. Planned cuts to SNAP and Medicaid, as well as further increases in consumer prices linked to tariffs, posed additional risks to low- and moderate-income households going forward. New England continued to face workforce housing shortages, and rising construction costs pushed against further development of such housing.

For more information about District economic conditions visit: https://www.bostonfed.org/in-the-region.aspx.

Federal Reserve Bank of New York

Summary of Economic Activity

Economic activity in the Second District continued to decline slightly. On balance, employment held steady during the reporting period, and wage growth remained modest. The pace of price increases remained elevated but was little changed, with selling prices rising moderately and input prices rising strongly. Manufacturing activity was little changed after a summer uptick. Consumer spending increased modestly, in part due to the resilience of mid- to upper-income households. Housing markets remained solid. Overall loan demand declined. Businesses did not expect much of an increase in activity in the months ahead.

Labor Markets

On balance, employment remained steady during the reporting period. Firms in wholesale, finance, business services, and personal services reported slight-to-modest upticks in head counts, while education and health care, retail, construction, and transportation firms reported fairly significant declines.

Labor supply continued to exceed labor demand. Contacts reported that it has been consistently easier to find workers, continuing a trend that has been in place all year. Attrition remained exceptionally low, creating less need to hire for replacement. Labor demand varied by industry, with solid demand for workers in finance and accounting alongside still-soft demand for tech workers. Several businesses in construction and leisure and hospitality reported some difficulty finding workers due to shifts in immigration policy. A large retailer reported that instead of making workforce adjustments through hiring and firing, they were repositioning longer-tenured workers to increase productivity. While some firms were strategically downsizing, there remained no signs of major layoffs.

Wage growth remained modest on balance. Firms in construction, leisure and hospitality, wholesale, and education saw strong growth in wages, while wage growth slowed to a slight pace in finance. Contacts anticipated acceleration in wage growth in the coming months.

Prices

The pace of price increases was mostly unchanged; selling prices continued to rise moderately while input prices again rose strongly. Many businesses continued to strategize around how to structure prices in consideration of new tariffs. One major retailer reported adjusting price increases based on the demand elasticity for each item, and many reported working with vendors to find alternative inputs to mitigate the impact of tariffs on their costs. A Long Island area importer and wholesaler of auto parts noted that tariffs on goods imported from India presented particularly steep challenges to their business, while a coffee roaster and supplier noted that tariffs on imports from Brazil threatened their ability to remain profitable. A specialty appliance manufacturer from upstate New York hiked their prices for the second time this year to account for the impact of tariffs on their costs. An upstate brewing company reported that elevated ingredient and packaging material costs were getting passed along to the consumer. A pharmaceutical company reported that foreign manufacturers were absorbing tariff costs to maintain market share and production levels. Some restaurants noted escalating costs for food—particularly beef—and imported wine were hurting their businesses. A New York City-based specialty contractor reported that congestion pricing was pushing up the cost of doing business considerably. Looking ahead, firms expect significant pricing pressures to persist.

Consumer Spending

Consumer spending increased modestly throughout much of the District. A department store reported that store sales had continued to strengthen and were outperforming the same stores last year, due in part to resilience among mid- to upper-income consumers. Apparel has been selling well, and sales of cosmetics and fragrances remained strong. Still, a food store from Long Island reported that sales were muted amid elevated costs for produce and meat. Auto dealers in upstate New York reported that sales edged up slightly as conditions continued to normalize after tariff-related volatility earlier in the year. Despite some softening in used car sales and concerns about affordability, dealers were optimistic in the face of solid demand and healthy inventory levels.

Manufacturing and Distribution

Manufacturing activity was little changed after a summer uptick. New orders were down, and shipments were mostly unchanged. Some manufacturers of electrical equipment, machinery, and instruments noted improving sales in the reporting period. Still, uncertainty relating to tariffs continued to weigh on manufacturers who faced elevated input prices and some difficulty procuring equipment and materials. An upstate manufacturer of kegs temporarily ceased production due to high steel prices. Some manufacturing contacts reported that overseas demand for U.S.-manufactured goods had dropped due to shifting international trade dynamics. Supply availability worsened, though delivery times were little changed. Inventories continued to shrink. Capital spending plans were soft. Activity declined among wholesale and distribution firms. Manufacturers expect conditions to improve in the months ahead.

Services

Activity in the service sector continued to decline moderately this period. Firms in the retail, leisure and hospitality, and business services sectors reported moderate declines, and firms in the information sector reported a particularly sharp contraction. A contact from a security services firm in the New York City metro area reported that while business activity had been steady, there were fewer opportunities for government contract bids.

While domestic tourism continued to grow in New York City, a modest decline in international visitors, who tend to spend more than domestic tourists, has taken a toll on attractions and restaurants. Attendance at Broadway shows remained solid, while activity was flat to down slightly at the city's other cultural attractions. Demand for hotel rooms continued to edge up during the busy September season, nearing levels last seen in 2019, with room rates remaining exceptionally high.

Real Estate and Construction

Housing markets remained solid across the District, though inventory remained at low levels. New listings slowed to a trickle in the New York City area, though new signed contracts edged up. With solid demand and low inventory across the District, prices continued to push upwards. Some contacts from the Rochester area reported that capacity-constrained electricity infrastructure prevented some communities from building new housing developments. Desirable properties continued to sell above asking price and often within days of hitting the market.

Rents continued to rise, and New York City rents were at historic highs. Still, with some easing in mortgage rates, contacts anticipated some reduction in rental demand in the coming months.

Commercial real estate markets continue to improve. New York City's office market remained stronger than many other large cities, although some of this strength was driven by a few large transactions. AI firms were increasingly seeking office space in New York City. Activity in the industrial sector was muted due to uncertainty around interest rates and tariffs. Demand for retail space was bifurcated, with the luxury end of the retail market in Manhattan remaining particularly resilient but other parts of the market were weak. Construction activity continued to decline.

Banking and Finance

Activity in the broad finance sector weakened slightly after a modest improvement during the previous period. Small-to-medium sized banks reported that while demand for consumer loans and commercial mortgages held steady, overall loan demand declined due to sagging demand for business loans. By contrast, bankers reported moderate growth in demand for residential mortgages, with strong lending volumes. Credit standards tightened. Delinquency rates worsened slightly, especially for business loans.

Community Perspectives

Many nonprofits are facing challenges due to unpredictable funding and a reduction in federal benefit programs. A community health-care center reported that financial distress among Medicaid patients has risen, limiting patients' access to care and straining the organization's finances. More generally, rising business costs, including insurance, added to financial pressures for community service providers.

For more information about District economic conditions visit: https://www.newyorkfed.org/regional-economy.

Federal Reserve Bank of Philadelphia

Summary of Economic Activity

Economic activity in the Third District increased slightly after rising modestly in the prior period. Nonmanufacturing activity increased slightly. Non-auto retailers and auto dealers reported a slight decline in activity, noting tepid demand from consumers. Meanwhile, manufacturing activity rose moderately. Employment levels rose slightly during the period, while wage growth remained near its modest pre-pandemic rate. Prices continued to rise moderately. Firms continued to report increased cost pressures from tariffs and other business expenses and to expect to raise prices in the coming months to offset these higher costs. Firms expect a modest increase in activity over the next six months, although contacts across industries warned of additional downside risks of a prolonged government shutdown. Manufacturers were more optimistic than nonmanufacturers about growth over the next six months.

Labor Markets

Employment appeared to increase slightly this period following no change in the last period. Based on our September surveys, full-time employment rose for both manufacturing and nonmanufacturing firms. However, more than two-thirds of all firms reported no change in full-time employment, higher than the historical average. Part-time employment declined for nonmanufacturers.

Overall, our staffing contacts reported demand for workers was mostly flat compared with the prior period, noting that extremely low employee turnover remained a drag on their businesses. One contact highlighted that the demand for workers was focused on short-term project-based roles, rather than permanent positions.

Business contacts echoed reports of low employee turnover and noted little trouble hiring workers. A majority of contacts reported little change in their number of employees; however, a couple of contacts stated their firms are shrinking their workforce or have plans to do so.

Contacts also highlighted potential disruptions in the labor market from immigration policies. One staffing contact reported high demand from companies looking to fill positions that were recently vacated owing to changes in previous employees' visa status. Meanwhile, a contact in the construction industry noted a decline in the availability of foreign-born workers caused delays at one job site and felt that it would create a significant labor shortage if construction demand were to pick up.

Wage inflation continued to ease on balance, but firms still reported modest increases. Across industries, contacts reported little upward wage pressure, with wage increases typical of their long-run average.

Prices

Firms continued to report moderate price growth this period, although the pace of growth appeared to slow slightly from last period. In our monthly surveys, the diffusion index for prices paid in September declined for nonmanufacturers and manufacturers. The index for prices received also declined for manufacturers but held steady for nonmanufacturers. Despite these declines, the prices paid and prices received indexes remained above their historical averages for all firms.

Most business contacts reported continued cost pressures from tariffs, insurance, health care, and utilities. Multiple contacts noted that some suppliers were citing tariffs when raising prices, even if their goods were not subject to increased levies. Another contact reported a 15 percent increase in a liability insurance policy from a year earlier in addition to a nearly 10 percent rise in health-care costs.

Consumer-facing businesses across sectors reported an inability to pass through all these increased costs, with many instead increasing discounts to sustain demand. Contacts reported more aggressive discounts from retailers, lower hotel room rates, and increased incentives on autos and newly constructed homes.

However, most contacts expected further tariff impacts in the months ahead. Contacts reported dwindling inventories of pre-tariff goods and an inability to continue absorbing tariff-related costs. The indexes for future prices paid and future prices received for manufacturers were well above their historical averages in September.

Manufacturing

On balance, current manufacturing activity increased moderately following modest growth last period. The indexes for new orders and shipments rose moderately and were above their historical averages in September.

Total production increased in the third quarter compared with the prior quarter for 46 percent of firms in our September survey, the highest share in over a year. A few firms reported increased activity from an uptick in tariff-related onshoring; however, more than half of the firms in our September survey reported uncertainty as a moderate or significant constraint on capacity utilization.

Manufacturers remained optimistic about growth over the next six months. More than half of the firms expect increases in new orders and shipments.

Trade and Services

On balance, firms across a broad spectrum of nonmanufacturing industries reported a slight increase in activity, down from a moderate increase in the last period. The new orders index was flat in September, dropping from a modest level in August, while the sales/revenues index remained at a modest level.

Retailers (non-auto) reported a slight decrease in sales over the current period, down from a slight increase in the prior period. One retailer noted that a seasonal slowdown in September is normal following high spending by consumers during the summer months; however, the retailer reported that sales slowed much earlier in August this year and remained flat through September.

Auto dealers reported a slight decrease in auto sales, following a slight increase last period. Contacts highlighted that sales would have fallen by more if not for a rush to buy electric vehicles (EVs) before the expiration of a federal EV tax credit at the end of September.

Activity in the tourism sector declined modestly, down from a slight decrease in the last period. The slowdown was widespread across nearly all segments, with only luxury leisure travel experiencing growth, according to contacts. One contact noted a decline in the average distance traveled for leisure trips, with many consumers looking to save by choosing destinations closer to home.

Expectations for growth over the next six months have narrowed among nonmanufacturers since the prior period. The future activity index remained positive in September but is well below its historical average.

Real Estate and Construction

Existing home sales declined slightly after increasing slightly last period, with contacts continuing to describe a lack of inventory and high prices as major headwinds. One realtor highlighted how would-be homeowners who have been priced out of the market are driving historically high demand in the local rental market. New-home builders continued to report a slight uptick in sales this period but noted fewer potential buyers looking at homes.

In nonresidential markets, leasing activity and transaction volumes continued to record slight growth. Nonresidential construction activity continued to record slight declines this period, despite continued growth in activity related to data centers, according to contacts. One contact reported that uncertainty surrounding the status of federal funding continued to slow previously planned projects.

Credit Conditions

The volume of bank lending (excluding credit cards) declined moderately during the period (not seasonally adjusted)—weaker than the modest growth observed during the comparable period in 2024. Bank lending held steady in the prior period.

The moderate decline in lending was largely driven by a continued strong decline in commercial and industrial lending and a modest decline in commercial real estate loans, according to District banks. Meanwhile, consumer lending (excluding auto lending and credit cards) rose strongly, home equity lines increased moderately, auto loans rose modestly, and mortgages ticked up slightly. Credit card volumes decreased modestly, down from a slight increase during the same period one year ago.

Banking contacts reported weaker loan demand, particularly from commercial clients. These contacts attributed the slowdown to businesses' unwillingness to make long-term investment decisions in such an uncertain cost environment. One lender noted that many commercial clients were paying down lines of credit and looking to keep more cash on hand. Most banking contacts continued to report strong credit quality overall, despite a slight rise in delinquencies and defaults.

For more information about District economic conditions visit: https://www.philadelphiafed.org/regional-economy.

Federal Reserve Bank of Cleveland

Summary of Economic Activity

Fourth District contact reports suggested flat business activity in recent weeks, but contacts expected activity to increase modestly in the months ahead. Commercial construction and financial services contacts noted an uptick in demand because of lower interest rates. Manufacturers reported modest declines in demand for goods, a situation which they attributed to tariffs and trade-policy uncertainty, and consumer spending declined slightly. On balance, contacts said that their employment levels increased slightly and that wage pressures grew modestly. Nonlabor cost pressures remained robust, and selling prices continued to grow modestly.

Labor Markets

Overall, contact reports suggested a slight increase in employment levels in recent weeks. Many contacts across industries said that they were hiring for open positions and normal turnover. Other contacts were hiring for current or anticipated growth. For instance, one banker reported hiring loan originators in anticipation of lower mortgage rates increasing demand. Overall, retailers held staffing levels steady in recent weeks. As one restaurateur stated, "no growth so no new positions will be added." Across industries, many contacts said that declining business activity led to reduced labor demand, and in some cases, to layoffs. One manufacturer said that they had postponed layoffs while waiting for industrial production to recover but could not delay cuts any longer.

On balance, wage pressures were modest in recent weeks. Contacts across various industries reported implementing wage increases as part of their scheduled annual adjustments, while contacts in banking and professional and business services said that they had raised wages because of persistent competition in the labor market. Still, wage pressures eased for other contacts. Several manufacturers held wages steady because of lack of profitability, and one restaurateur aimed to hire at as close to minimum wage as possible to bring down overall costs.

Prices

Overall, nonlabor input costs rose at a robust pace in recent weeks, continuing the trend seen in the prior three reporting periods. Tariffs were frequently cited as drivers of these cost increases across industries. Many manufacturers reported tariff-related cost increases on raw materials, imported components, and chemical inputs. Retail contacts noted tariff-driven cost increases on vehicles, beef, coffee, and chocolate. Two contacts noted that foreign producers were factoring in tariffs and cutting prices accordingly to retain market share. Beyond tariffs, banking and professional and business services contacts continued to report elevated costs for technology and insurance, and manufacturers reported rising utilities costs. In general, costs were expected to grow at a strong pace in the coming months.

Contacts generally indicated that selling prices rose modestly in recent weeks, maintaining the pace of growth seen since early 2025. Across industries, contacts continued implementing price increases to cover elevated input costs, with several manufacturers and wholesalers introducing surcharges to cover additional costs related to tariffs. However, pricing power was constrained for other contacts who faced declining demand and heightened price sensitivity. In response, many retail contacts noted offering discounts or raising prices only on select items, while some manufacturers said that they held prices steady despite increased costs to try to gain market share.

Consumer Spending

Consumer spending declined slightly in recent weeks, and contacts expected demand to be flat in the coming months. Several retail stores reported a drop in unit sales, and a large retailer reported lower in-store and online traffic. Similarly, a food and hospitality contact said that customers were "more value aware," and another large retailer reported that tariff concerns continued to drag down customer sentiment. One tourism contact, who reported a year-over-year decline in activity, said that visits by Canadians fell by 50 percent. Auto dealers generally reported that sales were flat to down, except for used car sales, which one dealership expected to remain strong in the coming months.

Manufacturing

On balance, contacts reported that demand for manufactured goods declined modestly in recent weeks after changing little during the prior reporting period. Several manufacturers continued to attribute flat or weaker orders to import tariffs and persistent uncertainty about trade policy. Firms selling into industrial and agricultural equipment production reported particularly weak demand, and one contact added that orders from these producers were below their previous expectation by roughly 25 percent. By contrast, some firms selling into the fossil fuel industry and electricity generation reported higher orders related to data center construction and operation. Manufacturers generally expected demand to increase moderately in the coming months.

Real Estate and Construction

Residential construction and real estate contacts reported declining demand in recent weeks. One real estate broker noted that current homeowners remained reluctant to sell and lose their lower mortgage interest rates. By contrast, one homebuilder reported that demand for new homes continued to be strong. On balance, contacts anticipated flat demand in the coming months.

Contacts in the commercial construction and real estate industry saw a modest increase in demand over the last two months. Reports from real estate developers and a commercial builder indicated that firms undertook more capital spending as they adapted to tariffs and as short-term interest rates declined. Notably, one contact said that some multinational manufacturers were expanding their domestic capacity, spurring new construction activity. However, other commercial real estate contacts reported softening demand for consumer-facing properties, including hotels, restaurants, and apartments. On balance, contacts expected moderate growth in demand over the near term.

Financial Services

Overall, bankers indicated that loan demand increased moderately in recent weeks, as both households and businesses were encouraged by lower interest rates. One commercial banker also reported that loan demand increased as their clients gained clarity around tariff impacts. Looking ahead, bankers expected a sharp increase in loan demand driven by anticipated cuts to interest rates over the remainder of the year. However, some bankers cited persistent inflation and small upticks in unemployment as sources of economic uncertainty keeping loan demand weak. Bankers also indicated that both core deposits and overall delinquency rates were flat.

Nonfinancial Services

Professional and business services firms reported moderate demand growth in recent weeks and expected a similar pace of growth over the coming months. Both a software and an accounting firm attributed increased demand to changes in the administration's rules and tax laws. While demand for one firm's legal services remained steady, the firm's retail clients were being cautious about new capital investments and acquisitions. On balance, freight contacts reported flat demand and expected modest growth over the coming months, and one contact noted higher shipments of goods warehoused during the pre-tariff import surge. An airport reported declines in passenger and cargo volumes.

Community Conditions

In a semiannual survey of nonprofits, a growing share of respondents indicated that funding for their respective organizations decreased over the past six months. One revealed that their organization had to dip into its reserve fund to cover operating expenses for the first time in more than ten years. Another respondent said that the nonprofit sector was not filling open positions because of uncertainty around federal grants. Respondents who assist jobseekers observed that their clients were more likely than before to receive offers for part-time positions with little or no benefits and that formerly incarcerated jobseekers were having a harder time securing employment.

For more information about District economic conditions visit: https://www.clevelandfed.org/en/region/regional-analysis.

Federal Reserve Bank of Richmond

Summary of Economic Activity

The Fifth District economy continued to grow modestly this cycle. Consumer spending at retail and restaurants grew modestly while reports on travel spending were mixed. Consumers were looking for value and comparative price shopping. Manufacturing activity declined slightly amid customer uncertainty and price sensitivity leading some to adjust product offerings to reduce prices. Additionally, ports volumes increased slightly, reflecting early retail ordering for holiday inventories. Activity in the remaining sectors was generally flat. Employment was unchanged, on balance, with firms both growing and cutting labor based on demand. Wage growth remained moderate. Price growth picked up somewhat in manufacturing, with firms citing tariffs, but overall year-over-year price growth remained within a moderate range.

Labor Markets

Employment in the Fifth District, on balance, was unchanged in the most recent period. A few firms grew their total head count through acquisitions and expansions into new locations. Several other firms, on the other hand, reported reducing their head count to right-size labor with slowing demand. A couple of firms expected cuts to come. For example, a South Carolina home builder reported a decline in demand due to increased prices, which they said would result in imminent layoffs. Additionally, a small jewelry store is contemplating closing due to economic uncertainty and declining demand. Labor availability continued to be a significant challenge for skilled trades. In response, a concrete manufacturer launched their first social media recruitment campaign, hoping to attract a larger pool of applicants. Wage growth remained moderate.

Prices

On balance, year-over-year price growth remained moderate this cycle. According to our most recent surveys, service sector firms reported virtually no change in price growth while manufacturers saw a slight increase in prices received. Firms in both sectors continued to cite tariffs adding to their input costs, some of which have yet to be passed along to customers. A couple of firms said they expected to raise prices once they worked through their pre-tariff inventory.

Manufacturing

Manufacturing activity in the Fifth District declined slightly in the recent reporting period. Contacts reported increased customer price sensitivity. In response, a fuse box manufacturer reconfigured their products to cut costs and lower their prices. An engine-parts manufacturer noted that customers had shifted to cheaper parts or were using existing parts for longer periods. An office equipment manufacturer observed an uptick in customers refinancing their equipment rather than purchasing new ones. Several firms highlighted the negative impact of the housing market on their business, particularly those in the construction and furniture industries. A furniture manufacturer reported increased operational challenges due to decreased demand coupled with tariffs increasing their prices.

Ports and Transportation

Overall volumes at Fifth District maritime ports increased slightly this cycle reflecting a pull forward in retail holiday ordering after some tariffs were delayed. Auto imports remained steady month over month with no uptick in requests for auto storage space as the inventory was moving through the market. Increased carrier capacity to the East Coast and historically low demand has put downward pressure on spot rates, which continued to decrease this cycle. Volumes for freight moving over the road had an unseasonal decline in August, continuing the downward trend that began in the spring. One contact noted a continued deterioration of business levels and pricing offered by competitors in a “race to the bottom until it breaks.” Another contact shared that fuel surcharges have helped their daily revenues, but acknowledged that it ultimately “takes a bite out of the household budget” and the firm would rather see fuel prices go down and for cargo volumes to increase.

Retail, Travel, and Tourism

On balance, consumer spending increased modestly in recent weeks. Some small higher-end retailers reported solid growth in sales. Restaurants in the luxury and quick service categories also reported solid revenue growth. In contrast, casual sit-down restaurants reported a softening in sales. A retailer in North Carolina noted that customers were clearly looking for value and comparative price shopping in their stores. Companies tied to new home construction reported soft activity, however a replacement window company reported strong sales, which was attributed to homeowners opting to renovate rather than sell their homes. A furniture store saw less traffic and fewer sales and was concerned that recently announced tariffs would further reduce demand in the near future. Reports from tourism and travel businesses were mixed. Hotels in some parts of the Fifth District saw increased occupancy and revenues and attributed the growth to leisure and sports-related travel. Several hotels in the greater Washington, D.C. area, on the other hand, reported lower occupancy rates as business travel for conferences and worker trainings declined.

Real Estate and Construction

Residential real estate activity was relatively flat, even as inventories improved and prices began to stabilize. A real estate agent from North Carolina reported that "45 percent of listings experienced price reductions due to initial overpricing." In addition, a Virginia agent observed that "pricing is finally feeling right after five years of strong growth." Buyers continue to meet qualification criteria, particularly with added incentives lowering rates for new construction. However, as a Maryland developer pointed out, affordability remains a significant issue. Builders noted that they are completing existing projects and beginning to pull back on new starts as uncertainty and tariff fears continue.

Commercial real estate activity experienced a slight uptick, though a Virginia broker described the situation as "murky." Agents throughout the District stated that retail space and medical offices were performing well, whereas big box and office spaces encountered difficulties. As flight to quality persisted, brokers across the District were concerned about Class B offices and lower-tier properties challenges, potentially leading to receivership. A Maryland broker remarked: "these buildings, in their current condition, won't sell for yesterday's prices." A South Carolina broker echoed concerns, highlighting that the high cost of upfitting is prohibitive and that "the math doesn't work."

Banking and Finance

Financial institutions continued to report stable demand for most loan types, with some institutions noting a modest increase in demand within their commercial loan portfolio. However, one banker did note there is still a "sideline mentality" with many borrowers that are still awaiting more certainty in the overall economy and rates. Deposit levels continued to be stable, but some competition for balances is beginning to creep back into the marketplace. A few institutions observed a modest increase in loan delinquencies, mainly within their consumer loan portfolios, including mortgages and home equity loans.

Nonfinancial Services

Nonfinancial service providers continued to report stable demand for their services, but uncertainty continued to be a common thread throughout most of their comments. For example, a design firm described their customers as being cautious with any future growth plans. Several staffing firms reported that demand for their services had decreased and that their pool of potential applicants grew. A variety of firms, and their clients, continued to delay plans for expansion until more certainty was found within the economy.

For more information about District economic conditions visit: https://www.richmondfed.org/research/data_analysis.

Federal Reserve Bank of Atlanta

Summary of Economic Activity

Economic activity in the Sixth District was little changed. Employment levels were flat, and wages rose modestly. Prices increased at a moderate pace. Consumer spending fell somewhat, and leisure travel continued to soften. Activity in residential real estate declined, though commercial real estate was generally unchanged. Transportation declined modestly, but manufacturing picked up slightly. Loan growth was flat across the District. Energy activity expanded moderately, and agriculture conditions were mostly healthy.

Labor Markets

Employment levels in the District were generally flat over the reporting period. Several firms described what one dubbed a "hiring chill," suggesting welcomed attrition and fewer head count additions in areas of growth. Turnover was low, with many describing the level as the lowest in their firm's history, and applicants for open positions were plentiful except for very specific, mostly technical, roles. Recently, however, head count reductions were cited more frequently, and some firms expect further cuts based on early Generative AI implementation results, particularly if demand slows further. Impacts from changes to immigration policy and enforcement were more material than previously reported but were concentrated in certain geographies like south Georgia and sectors such as agriculture and hospitality. Uncertainty around both labor supply and consumer demand continued to weigh on firms' hiring plans.

Wage growth was modest, in the one-to-three percent range, and wage pressures continued to ease.

Prices

Prices rose moderately. Firms noted a wide range of tariff impacts on operating costs and pricing responses, as well as approaches to managing those impacts, such as absorbing cost increases, negotiating with suppliers, and passing through to customers. Contacts warned that price pass-through resulting from tariffs has just begun and expect to see prices rise into 2026. Some auto manufacturers reported feeling the pinch from tariffs on new car sales but were absorbing these increases to prevent further declines in demand. Some firms, however, reported little to no tariff impacts thus far. A few service-oriented firms noted an ability to increase prices without pushback from customers. Steel prices flattened amid slower demand, but some producers held prices steady to preserve strong margins. Internal cost pressures continued to mount, and firms noted there was little room to cut costs further. The accelerated depreciation schedule from the One Big Beautiful Bill Act will help to offset cost pressures going forward according to several contacts.

Consumer Spending

Retail sales declined slightly over the reporting period. Some transportation carriers for major retailers reported these stores had lower same-store sales as compared with year-earlier levels, and that sales growth for the full-year 2025 would be flat. Some retailers were cautiously optimistic about the upcoming holiday sales season, but a few expect holiday sales to be “meh,” and noted that tariffs may soon cause prices to rise, resulting in further softening of demand. At restaurants, diners continued to pull back by skipping desserts and/or alcoholic beverages. Automobile dealers experienced a robust surge in new electric vehicle (EV) sales ahead of the expiration of the EV tax credit.

Leisure travel activity declined slightly since the previous report. The volume of international visitors remained muted and domestic travel booking windows shortened. Hotel occupancy levels continued to trend downward, on net. Business and group travel were flat. Cruising remained the strongest segment, with ports reporting solid passenger volumes. Hospitality contacts remained guardedly optimistic about the 2025 holiday travel season.

Construction and Real Estate

Home sales throughout the District declined moderately. Realtors reported increased buyer hesitation as economic uncertainty weighed on buyers’ decisions to purchase a home. Some contacts noted a deterioration in the credit profiles of potential buyers, making it difficult for many to qualify for a mortgage. Although balanced in most of the region, inventory levels remained elevated in many markets in Florida. Home prices remained near historic highs, but price appreciation moderated. Cost inflation on new home construction stayed relatively low amid declining sales. Muted demand for new starter homes persisted, while the luxury new home market remained resilient. Homebuilders reported an elevated level of speculative inventory.

Commercial real estate activity was little changed since the previous report, on net, amid uneven market dynamics. Despite increasing in-office requirements by employers, office vacancy rates increased somewhat as new supply outpaced demand. Industrial vacancy rates increased slightly even as inventory contracted due to demolished properties making way for higher-tech buildouts. While still elevated, multifamily vacancies stabilized, and rents moderated. In the retail sector, however, vacancy rates declined and demand for space was strong.

Transportation

Transportation activity declined modestly. Trucking firms reported persistent weakness in shipments of consumer goods, and some noted a recent acceleration in the pace of declines. Trucking capacity remained elevated. Declining short-line railroad activity was higher than forecasts—down by high single digits. Class I railroads saw notable increases in intermodal freight volumes, but year-over-year declines in total carloads. Ports continued to experience robust container volumes and steady breakbulk activity; however, auto shipments performed below expectations.

Manufacturing

District manufacturing rose slightly, on net, since the previous report. A couple of cosmetics producers reported solid demand and market share gains. Concrete manufacturers saw improved backlogs. Chemical manufacturers noted that demand for compounds used in chicken feed rose, but sales of paper and pulp were flat, and orders for components used in tires were described as lackluster. Producers of packaged snack products reported considerably lower sales volumes amid softer consumer demand and some moderate producer-driven price increases. Concerns over tariffs and rising costs remained prevalent among manufacturers.

Banking and Finance

Overall loan growth in the Sixth District was flat since the previous report. Loan demand from both corporate borrowers and consumers was muted amid persistent economic uncertainty. Overall consumer lending contracted further, even with a small uptick in HELOC applications. While banks reported healthy credit quality, delinquencies ticked up. Multiple bank mergers were announced, affecting the banking landscape across the southeast.

Energy

Most energy industry segments grew at a moderate pace over the reporting period. Crude oil production in the Gulf of Mexico remained strong, despite reports of continued softening demand for various refined products. Liquefied natural gas demand rose globally and U.S. exports remained robust. Electricity demand was solid, particularly in the commercial and industrial sectors. Carbon capture and storage projects advanced over the reporting period, while solar development projects slowed down.

Agriculture

While contacts noted that overall demand for agricultural products was healthy, trade policy volatility weighed on agricultural exports. Overseas sales of domestic rice declined as buyers sourced from other countries at lower prices. Crops such as soybean, wheat, and corn remained depressed while Chinese markets turned to Brazil for these commodities. However, domestic demand for beef, poultry, peanuts, and tobacco was strong. Dairy farmers noted flat year-over-year sales, though demand from food services providers (e.g. cruise lines, resorts, and restaurants) was “on fire,” and retail dairy sales were stable.

For more information about District economic conditions visit: https://www.atlantafed.org/economy-matters/regional-economics.

Federal Reserve Bank of Chicago

Summary of Economic Activity

Economic activity in the Seventh District was little changed over the reporting period, and contacts expected a slight decrease in activity over the next year. Consumer spending increased modestly; construction and real estate activity increased slightly; employment was flat; nonbusiness contacts saw no change in activity; business spending declined slightly; and manufacturing activity declined modestly. Prices rose moderately, wages were up modestly, and financial conditions loosened slightly. Prospects for 2025 farm income were unchanged.

Labor Markets

Employment was flat over the reporting period, though contacts expected a slight pickup over the next 12 months. Reports on labor market conditions continued to be mixed. Job turnover was low, and contacts across many industries observed softening labor market conditions. An employment placement agency reported a continued decline in demand from manufacturers, and one contact in state government observed that previously announced layoffs in agricultural machinery manufacturing had been completed. A retail industry analyst expected that hiring for the holiday season would be weaker than last year. A few contacts in manufacturing and construction said they were looking to hire new workers. One noted that fear of immigration enforcement was reducing labor availability. Another contact said that revoked visas for workers at a local factory created the need to rehire for those positions. Wages and benefits costs were up modestly overall, and many contacts cited increases in health insurance premiums.

Prices

Prices rose moderately in late August and September and contacts expected a similar pace of growth over the next 12 months. Nonlabor input costs rose moderately, with contacts highlighting higher costs for energy and raw materials like aluminum, copper, and steel. Manufacturing contacts attributed the increases in metals prices to tariffs. In contrast, several contacts in the construction industry noted no change in input prices in recent weeks. Overall, producer and consumer prices rose moderately. One retail industry analyst said that, in general, retailers were trying to hold off passing tariff-related cost increases on to consumers for as long as possible, though several smaller retailers reported already raising prices because of tariffs.

Consumer Spending

Consumer spending increased modestly over the reporting period. Contacts reported a healthy back-to-school shopping season as well as strong increases in spending on appliances, computers, and landscaping. However, spending on other consumer electronics and building materials declined some. Leisure and hospitality sales were mixed, with softness in some travel-related categories, including airlines and hotels, but increased spending at restaurants in the fast food, fast casual, and family dining segments. New light vehicle sales were brisk, reflecting a combination of strong underlying demand and the end of tax incentives for electric vehicle purchases. Used vehicle sales remained steady, though dealerships located in low-to-moderate income communities reported softer demand.

Business Spending

Business spending declined slightly in late August and September. Capital expenditures fell slightly and expectations for the coming year also decreased. Demand for truck transportation edged down, though freight rates increased slightly. One contact in the trucking industry called current conditions “recession-like.” Retail inventories were lean, stocks of vehicles were lower, and manufacturing inventories were a little high.

Construction and Real Estate

Construction and real estate activity increased slightly on balance over the reporting period. Residential construction edged up. Residential real estate activity was unchanged; prices were flat and rents increased modestly. One contact felt that the single-family market had shifted from being a seller’s market to “barely a seller’s market” amidst an increase in inventory and stable demand. Contacts noted that in the multifamily sector rent concessions for new tenants had become more common. Nonresidential construction increased slightly as demand remained robust for data centers and health-care facilities. Commercial real estate activity also increased slightly. Leasing activity in the office sector picked up and demand from restaurant groups remained solid. Prices and rents were unchanged. Contacts noted that sellers have brought down asking prices for properties, opening the door for some movement in the market. Vacancy rates and the availability of sublease space both grew slightly. Some contacts indicated that while industrial vacancy rates were low the space that is available is sitting longer. Separately, more warehouse inventory was available.

Manufacturing

Manufacturing demand declined modestly in late August and September. Steel orders were flat overall. A few contacts noted some reshoring of steel production. Fabricated metals demand was unchanged on balance, as higher sales to a range of sectors was offset by lower sales to the construction and automotive industries. Machinery orders decreased moderately, driven by a decline in demand from the auto sector. Auto production was down modestly, while heavy truck production was flat.

Banking and Finance

Financial conditions loosened slightly in late August and September. Bond and equity values rose a bit, while volatility remained unchanged. Business loan demand decreased slightly on net, with one contact citing a decline in acquisition activity. Business loan quality declined modestly, as multiple contacts noted weaknesses among suppliers in the auto industry. Business loan rates moved down, but terms tightened. In the consumer sector, loan demand increased slightly, with a few contacts noting a pickup in mortgage refinancing. Loan quality remained flat and rates edged down, but terms tightened slightly.

Agriculture

Net farm income prospects for the District were unchanged over the reporting period, though elevated uncertainty continued to unsettle agricultural operators. Corn and soybean fields were in good shape across most of the District. Dry conditions assisted harvest but hurt yields in some places; in addition, crop disease trimmed yields a bit. Fruit and vegetable production was subpar for most products. Soybean prices were lower, in part due to the absence of new-crop exports to China. Corn prices were down despite strong export volumes. Cattle and hog prices increased to record territory, while milk and egg prices declined. Concerns about higher input costs for 2026 intensified due to rising fertilizer prices. Farm operations, particularly crop producers, have already cut costs, with a contact saying, “there is limited flexibility left to further reduce expenses.” Contacts noted that lack of clarity on the economic outlook was putting a damper on capital investment, such as equipment purchases and repairs.

Community Conditions

Community, nonprofit, and other nonbusiness contacts reported no change in activity over the reporting period and noted ongoing uncertainty about economic conditions. State government contacts noted modest year-over-year increases in sales tax revenue. Workforce development contacts who support individuals facing barriers to employment reported that firms had become more “selective” in hiring, as existing workers were more likely to stay in their current jobs and employers weren't as eager to fill empty positions. In planning for 2026, many nonprofit organizations anticipated the need to find new funding streams and adapt to smaller budgets. Social service contacts reported that increased operating costs, such as for insurance, combined with reduced income and donations, were causing them to think carefully about which services to prioritize.

For more information about District economic conditions visit: https://chicagofed.org/cfsec.

Federal Reserve Bank of St. Louis

Summary of Economic Activity

Economic activity and employment levels have remained unchanged since our previous report. Contacts continue to report that immigration policies have been resulting in labor shortages. Prices have increased moderately, with contacts reporting that inflation is eroding consumer purchasing power. Banking activity has remained unchanged since our previous report, with overall credit conditions remaining strong. Agriculture conditions are strained and have further deteriorated. The outlook remains slightly pessimistic.

Labor Markets

Employment has remained unchanged since our previous report. Most contacts reported no change to employment levels; they are not hiring, but also not laying off workers. A manufacturer in Louisville reported no change in employment levels since July and is currently postponing the filling of roles until the first quarter of 2026. Contacts in manufacturing, construction, and agriculture continue to report labor shortages due to workers not reporting to work because of fears of deportation. For example, a construction firm in Memphis reported that the reduced labor pool was driving up labor costs and resulting in project delays.

Wage growth has been moderate. An apparel retailer reported employment and compensation growth expected at 3.0 percent to 3.5 percent for this year. A regional airport implemented a 4 percent cost-of-living adjustment—the first in six or seven years—alongside a significant increase in employer contributions to the health insurance program.

Prices

Prices have increased moderately since our previous report. A technology firm in Memphis has reported maintaining stable prices but has reduced its price guarantee periods to 30 days. An apparel firm in Memphis expects overall price increases of around three percent, with some items such as uniforms rising 5 percent due to input cost increases. Several contacts reported an increase in grocery food prices, especially beef. A professional services firm in St. Louis reported increasing the prices they charge to customers due to tariffs and competitors also raising their prices. Contacts reported that price increases were not solely due to tariffs but also insurance premiums, utilities, and opportunism. A manufacturer reported slightly increasing their prices to customers as suppliers' costs had increased despite having a primarily domestic supply chain.

Consumer Spending

Consumer spending has slightly declined, and businesses are anxious about the upcoming holiday season. While upper-income households and corporate clients continue to spend on travel, events, and luxury services, middle-income consumers are increasingly cautious as they have been using credit to maintain their spending levels. Community contacts report rising food pantry usage among both low- and middle-income households, growing reliance on "buy now, pay later" services, and elevated credit card delinquency rates. A hotel owner in Missouri reported that travel demand had dipped in the past few months, especially among middle-class consumers, and described the current environment as a "middle-class recession" that is affecting select-service hotels. Similarly, a hotel and restaurant in Mississippi reported slow business in August and September. An event center in Northwest Arkansas reported fewer room rentals and gatherings, and youth-focused gaming facilities reported lower sales.

Manufacturing

Manufacturing activity has declined slightly since our previous report. A manufacturer in Tennessee reported there had been a downturn in new business inquiries in the third quarter, and an equipment manufacturer in Kentucky reported that sales had decreased relative to the start of the year. While some firms reported that they were building multiple facilities across the region to offset shipping and logistics costs, an apparel company reported offshoring manufacturing to the Caribbean due to labor challenges. Some contacts also reported looking for cost-effective strategies to manage tariffs, shipping, and labor dynamics such as shipping unfinished goods to the U.S. for final assembly.

Nonfinancial Services

Activity in the nonfinancial services sector has been generally unchanged since our previous report. Transportation and logistics companies reported observing changes in the shipping strategies of businesses and that the upcoming peak season would be affected by trade policy changes. A logistics firm in Northwest Arkansas reported that sharply rising trucking insurance premiums were compressing margins. A hospital in Mississippi reported they were continuing to face financial distress despite participating in a federal program designed to evaluate and plan for financial viability. The hospital CEO is concerned that new grant funding may not arrive in time to stabilize operations. Nonprofit organizations reported a growing demand for their services.

Real Estate and Construction

Residential real estate activity has remained unchanged since our previous report. Real estate agents across the District described the residential market as slow, which may in part be the normal seasonal pattern. Contacts reported that existing homes are staying on the market longer and that in some locations house prices are declining. A real estate agent in Mississippi reported that lower-priced homes were selling quickly unless they needed repairs, while higher-end homes were not moving. In rural areas, weak agriculture conditions and financial stress of hospitals are negatively impacting the housing market.

Commercial real estate activity has been mixed. One developer in Memphis reported that construction activity remained strong—primarily institutional, health-care, and university-related construction—and that contractors were currently active with good backlogs. Other developers in the Memphis area also noted that new construction of multifamily, office, and industrial projects had plummeted, while retail remained strong. In Northwest Arkansas, an airport project had eight bids, significantly higher than for previous projects, indicating a slowdown in new commercial projects.

Banking and Finance

Banking activity has remained unchanged since our previous report, with moderate loan demand and overall credit conditions remaining strong. A Memphis banker reported low levels of past-due loans and strong commercial loan demand and a bullish mindset due to falling interest rates. Another banker reported that, while small business demand for credit was depressed, the pipeline was building back up. Contacts also noted that consumer delinquency rates have been steadily increasing over the past few months, and they expect this trend to continue. A banker reported an increase in the number of people going to credit counseling agencies after borrowing to maintain their level of spending. Bankers also reported tightening their lending standards with higher equity requirements, more scrutiny of small business loans, and limited access to credit for smaller investors.

Agriculture and Natural Resources

Agriculture conditions are strained and have further deteriorated. In addition to high input costs and low commodity prices, recent adverse weather conditions have resulted in lower quality of crops. A contact in West Tennessee reported that 2025 has been extremely challenging for agriculture due to extreme weather and poor crop conditions, especially for non-irrigated fields. Contacts continue to express that government support will be a critical lifeline for many farmers; however, they noted that some payments may come too late. A farmer in Arkansas estimated that up to one-third of Arkansas farmers may go bankrupt or exit the industry to avoid losing land or homes. On the other hand, contacts in the protein business reported that demand for protein continues to be very strong, with volume sales showing year-over-year growth and with labor being the main constraint to expansion.

Visit our Regional Economic Data and Reports page for more information about District economic conditions.

Federal Reserve Bank of Minneapolis

Summary of Economic Activity

Ninth District economic activity was slightly down since the previous report. Employment was flat to slightly down, and wage growth was moderate. Prices increased modestly. Manufacturing and commercial real estate were flat; consumer spending, tourism, construction, residential real estate, and energy activity decreased; and agricultural conditions weakened. Activity among minority- and women-owned business enterprises continued to decline.

Labor Markets

Employment was down slightly since the last report. Surveys found softening labor demand among District employers, as well as declining head count, though seasonality played a role. A staffing firm with multiple offices saw hiring decline at the end of summer after an earlier uptick. A staffing contact in Michigan's Upper Peninsula noted healthy labor demand in manufacturing, construction, and mining, but acknowledged that "the uncertainty in the market has spurred more temp and temp-to-hire work in our area," rather than direct hiring. Hospitality and tourism firms reported that they were predominantly hiring to replace turnover; only one in ten were hiring new full-time employees, and a comparable share was cutting workers. However, recent unemployment claims across the District remained low overall. Montana employers reported healthy labor demand, but a contact said that "most hiring is to replace vacancies rather than support business expansion." Artificial intelligence was expected to have a slight dampening effect on future labor demand. A Minnesota advertising firm said there "will be a smaller need for entry-level folks" because AI tools "get this work done faster."

Wage growth was modest to moderate. Recent surveys suggested that wage pressure was easing slightly, and payroll contacts suggested that median wages were rising, but more slowly than earlier in the year. However, nearly three-quarters of hospitality and tourism firms reported wage increases of three percent or more.

Prices

Prices increased modestly over the reporting period, but input price pressures were greater. One-fifth of District firms increased the prices they charged to customers in September from a month earlier, and a similar share anticipated increasing their prices in the month ahead. More than half of respondents reported increased input prices over the previous month. Contacts noted significant increases in electricity rates and employee health care premiums for the coming year. Several manufacturers reported that they recently increased prices in response to tariffs or planned future increases. Retail fuel prices in District states decreased slightly on balance since the last report. Prices received by farmers increased in August from a year earlier for corn, sugar beets, potatoes, canola, sunflowers, cattle, hogs, and turkeys; prices for soybeans, wheat, pulse crops, hay, chickens, eggs, and milk decreased from a year earlier.

Worker Experience

Workers and job seekers in the region experienced an overall slower labor market. A job fair in Grand Forks, North Dakota, had the lowest employer registration numbers in a decade, and career services professionals were strongly advising clients not to quit their jobs before having another opportunity lined up. A labor contact in Minnesota observed that several grocery stores were reducing head count down to "skeleton crews," and workers were experiencing reduced hours "ranging from 15 to 18 hours down from 20 to 30 hours in 2024." Several contacts concurred that hiring had decelerated but also noted that terminations were infrequent.

Consumer Spending

Consumer spending was slightly lower. Retail, hospitality, and tourism firms reported lower foot traffic, revenue, and profits relative to a year ago. They also expected these trends to continue through the end of the year, with increasing pressure on margins. A contact from a northern Minnesota resort said that "growing labor and expense costs coupled with flat revenue has led to decreased profits." Another contact reported an unexpected drop in fall bookings after a solid summer and added that economic uncertainties "seem to create an air of caution among many and vacation spending seems to be curtailed" as a result. Hotel occupancy and average revenue per room were lower across most of the District. A mall contact said that "one message we are picking up from our consumers and tenants is that the consumer is looking for value, deals, and ways to stretch their dollars."

Construction and Real Estate

Construction activity decreased slightly, but the real value of construction permits rose moderately, driven by proposed new projects in Rochester, Minnesota and alterations and repairs elsewhere. Permits for new residential projects were notably lower. Contacts in Minnesota reported strong activity in infrastructure and had a positive outlook, mostly due to several proposals for large data centers. Contacts in North Dakota reported increased competition for projects and shrinking backlogs. They noted that the rise in input prices had plateaued, but they were concerned that requirements to build and assemble products in the U.S. could be more costly and cause inflation to accelerate.

Commercial real estate was flat. Lack of new construction across most sectors provided some stability for existing properties but little growth for the overall market. Industrial space was reportedly seeing increased subleasing, but overall vacancies remained low. Sales of office buildings continued to see steep price discounts. But office leasing improved, and landlords with the capacity to improve properties continued to have greater leasing success. Residential real estate fell. Recent home sales varied widely among larger District markets but were lower overall.

Manufacturing

Manufacturing activity in the District was flat on balance since the last report. Roughly equal numbers of industry contacts reported decreased orders and increased orders in September from the previous month, but relatively few reported no change. An index of regional manufacturing conditions indicated activity decreased in Minnesota and South Dakota in September from the previous month, while activity in North Dakota increased. Metal fabricators and producers of parts for equipment manufacturers noted a slowdown in orders, while contacts in home furnishings were more mixed.

Agriculture, Energy, and Natural Resources

Agricultural conditions weakened since the previous report. Corn production in District states was expected to set new records, and soybean harvests were very strong as well, but low crop prices and elevated expenses were weighing down producer incomes. Contacts were extremely concerned about the impacts of China's decision not to order soybeans from U.S. producers. District oil and gas exploration activity decreased since the last report. Contacts in the sector reported that higher input costs, particularly for metals, were raising the breakeven price for crude oil in the region.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises (MWBE) continued to decline. A manufacturer and retailer in Wisconsin described the downturn in demand as "drastic," adding that consumers appeared to be cutting back on nonnecessities. Head counts were lower on balance, and labor demand ticked up slightly but remained on the lower end. A lower share of contacts reported higher final prices for their products or services. Fewer contacts were also increasing average compensation compared with last period.

For more information about District economic conditions visit: https://www.minneapolisfed.org/region-and-community.

Federal Reserve Bank of Kansas City

Summary of Economic Activity

Economic activity in the Tenth District fell slightly, with softening activity reported across several sectors. Businesses' reports on conditions were more mixed over the past month as strategic pricing behavior, different exposure to technology and policy shocks, and changing consumer preferences all led to shifts in market shares among competitors. Employment levels fell slightly overall, and bankers noted consumer loan portfolios deteriorated moderately. Prices rose at a moderate pace, and contacts reported they anticipate raising selling prices in 2026 at a slightly faster pace than this year. Despite the recent decline in economic activity, the majority of contacts across a broad range of sectors indicated they expect their sales and employment levels to be higher at the end of 2026 compared to 2025.

Labor Markets

Employment levels reportedly fell by a small amount recently, led by slight reductions in head counts at consumer and business service providers. However, construction employment also faced headwinds in certain parts of the District. Most contacts indicated any impending layoffs will be modest and meant to right-size staffing levels with slightly softer demand conditions to maintain profitability. However, some professional service companies indicated larger layoffs that occurred recently were associated with the adoption and implementation of AI capabilities that reduced overall labor needs. Waning growth in labor demand and the availability of former federal workers in many local markets kept wage growth subdued. Despite the recent softening in labor demand, the majority of businesses across all sectors indicated they expect their head count to be greater at the end of next year compared to their current level.

Prices

Prices continued to grow moderately over the past month. Input prices grew at a strong pace among manufacturing firms but more moderately for services. Accordingly, manufacturing firms expect selling price growth to accelerate to a strong pace over the next couple of quarters. Anticipated price growth among services was slightly softer, though still expected to be at a moderate pace in coming months. The anticipated acceleration of price growth was expected to be somewhat persistent; most firms reported they anticipate raising selling prices in 2026 at a slightly faster rate than this year.

Consumer Spending

Consumer spending declined slightly over the past month. Several contacts noted household consumption was more volatile recently due to heightened price sensitivity. Sales, deals, and markdowns reportedly drove small surges in purchasing activity for certain businesses, especially purchases by lower income households that need to be more selective. Sales of goods, particularly automotive and sporting goods, declined moderately, underscoring the uneven pullback in household spending between goods and services. Contacts at auto dealerships indicated demand continued to shift from SUVs and electric vehicles to family sedans and used vehicles. To manage softer sales, several firms reported they reduced staffing hours and have grown more cautious about passing along higher input costs in the near term, instead focusing on constraining cost growth. The majority of contacts reported they expect sales in 2026 to outperform this year, despite the recent softness in demand and lower expected spending for the remainder of 2025.

Community Conditions

District contacts in childcare said preschool seats seem to be more available than they were earlier in the year. However, prevailing prices remained difficult for low- and moderate-income families to afford, especially for infant and toddler slots. In characterizing the prices of childcare one provider noted, “cost of infant-toddler care in Nebraska is greater on an annual basis than in-state tuition at University of Nebraska–Lincoln.” Nonlabor costs remained a significant driver of pricing, as wage growth has been relatively muted for staff.

Manufacturing and Other Business Activity

Manufacturing activity increased slightly over the past few weeks, driven by clearer market expectations from tariffs. Although high levels of input costs remain one of the most significant burdens, one manufacturing firm described raw material costs as moving from a “boil to a simmer,” as firms are “no longer scrambling to contain every shock.” Several manufacturers shared that higher capitalized firms with less foreign import exposure were able to expand their market share, edging out other domestic competitors. Furthermore, the traditional cost advantages of lower-priced foreign goods have eroded slightly, also allowing certain domestic manufacturers to gain market share. Manufacturing contacts expected economic conditions to be more favorable next year than they were throughout 2025.

Real Estate and Construction

Commercial real estate (CRE) activity declined moderately. Several aspects of new property development fell, including the sales of construction materials, volume of construction underway, and prices for construction materials. Construction employment faced headwinds amid the slowdown in CRE and residential development activity. In contrast, construction of data centers in several parts of the District absorbed the availability of certain skilled workers. One labor leader noted construction of housing is constrained locally as any resident skilled workers were hired for data center construction. Financial aspects of CRE activity were largely unchanged with credit standards, access to credit, and load demand all reportedly stable. Though CRE activity fell over the past six months, the overall level of activity remains near its historical norm.

Community and Regional Banking

District banks noted little to no change in loan demand and credit standards across categories. Although overall loan quality continues to be sound, moderate deterioration in consumer lending portfolios was noted. Furthermore, the majority of respondents expect consumer lending portfolios to continue to face challenges over the next six months as disposable income levels decrease. Some respondents specified they expect customers with lower personal incomes or employed in industries driven by discretionary spending to be the most likely to face challenges. A modest increase in deposit levels was noted particularly in money market accounts and certificates of deposit, and respondents commented that customers are locking in interest rates ahead of any market rate decreases.

Energy

Tenth District oil and gas activity fell modestly. Nearly two-thirds of contacts reported steady drilling activity, while others saw declines. The number of active oil and gas rigs rose in Colorado and Wyoming but decreased slightly in Oklahoma as natural gas spot prices fell. Tenth District firms continued to report declining revenues and profits. However, oil prices have remained slightly above profitable levels, and some firms reported lower breakeven prices due to reduced regulatory compliance costs. Capital expenditures in the sector also declined further, with many firms citing heightened uncertainty as a headwind for investment. Contacts still anticipate natural gas prices will reach their breakeven price within the year, but do not expect that oil or gas prices will support a substantial increase in drilling activity in the foreseeable future.

Agriculture

Disparities in the Tenth District agricultural economy persisted through the end of September. Profit opportunities for crop producers remained weak while conditions in livestock industries were considerably stronger, particularly for cattle producers. In a recent survey, over 80 percent of lenders in crop-heavy areas reported declines in farm income and working capital, compared to about 40 percent in areas with more cattle production. Agricultural credit conditions deteriorated gradually, and many lenders reported that weak conditions in the farm economy were having a modest negative effect on local economic conditions. Contacts remarked that strong cattle prices were supporting diversified operations but the weakness in crop profits were weighing heavily on farmer sentiment.

For more information about District economic conditions visit: https://www.KansasCityFed.org/research/regional-research.

Federal Reserve Bank of Dallas

Summary of Economic Activity

Economic activity in the Eleventh District was little changed over the reporting period. Growth in the manufacturing sector slowed to a modest pace, and activity contracted slightly in nonfinancial services. Retail sales fell. Housing market activity remained weak, and drilling activity and oil production were flat. Loan volume and demand rose modestly. Employment fell, and wage growth was modest. Price pressures were elevated in manufacturing, but subdued in the service sector, where firms expected selling price increases to accelerate over the next 12 months. Outlooks worsened with weakening demand, domestic policy uncertainty, and inflation cited as primary concerns going forward.

Labor Markets

Employment fell over the reporting period. Staffing firms reported slow activity as firms remained cautious with hiring and professionals were reluctant to switch positions. Head counts dipped further in the energy sector as companies continued to find ways to complete more wells in less time and with fewer people. Homebuilders and nonprofits noted trimming head counts. Overall, wage growth was modest. Firms expect wage growth to slow to 3.4 percent over the next 12 months, down from 3.8 percent over the past 12 months.

Prices

Selling prices increased slightly overall, while rising more sharply in the manufacturing sector due to the widespread impact of tariffs. A computer manufacturer reported that U.S. customs was applying steel and aluminum tariffs to products that do not contain these metals and that challenges to these tariffs were taking time to resolve. A professional and business services firm reported that health-care and business insurance premiums were rising faster than revenues. Service firms expect selling price increases to accelerate over the next 12 months, while manufacturing executives expect price growth to remain steady.

Manufacturing

Factory output growth slowed to a modest pace during the reporting period, and new orders dipped. Output growth abated for most durable goods, with machinery and transportation manufacturing being the bright spots. Among nondurables, food manufacturing continued to see strong gains, while chemical production held steady as trade policy and global oversupply put downward pressure on export demand for basic chemicals. Gulf Coast refineries cited a dip in production levels stemming from seasonality and unplanned outages. Contacts noted that steady global demand amid ongoing refinery closures and unplanned outages in Russia and Iran had propped up margins for refined products over the summer, especially for diesel and jet fuel. Perceptions of broader business conditions worsened in manufacturing as slowing demand, inflation, and domestic policy uncertainty continued to weigh on outlooks.

Retail Sales

Retail sales fell during the reporting period. Building material and garden equipment, furniture, and electronic and appliance stores saw lower sales, while health care and food and beverage retailers reported flat to slight increases in activity. Auto dealers reported weak sales and tighter margins due to higher costs. Overall retail inventories remained steady. Outlooks were pessimistic and tariffs appeared to be one of the primary drivers of uncertainty among contacts.

Nonfinancial Services

Activity in nonfinancial services contracted slightly during the reporting period. A pickup was seen in professional and business services and transportation and warehousing, while health care, information, and leisure and hospitality exhibited weakness. Port traffic and small parcel shipments volumes rose, according to contacts. Airlines reported broad-based increases in passenger demand, highlighting domestic travel as a source of strength. Demand for staffing services was stable, and outlooks were optimistic, attributable to clients having unspent budgets for 2025 as they have been holding off on hiring for longer than usual. Service sector outlooks worsened, and uncertainty remained a headwind.

Construction and Real Estate

Housing market activity remained weak. Foot traffic and sales continued to be choppy and lackluster despite the recent dip in mortgage rates. Home inventories fell slightly during the reporting period but remained elevated. Builders noted ongoing reliance on marketing and incentives, including discounting and mortgage rate buydowns, to close deals. Home starts slowed further, and vacant developed lot supply was rising. Outlooks remained pessimistic amid sluggish demand and elevated economic uncertainty.

Commercial real estate activity improved. Apartment demand was steady, but elevated supply of new units has made leasing competitive and kept rental rates under pressure. Office leasing improved, and contacts said there appeared to be more signs of stability. Industrial and retail activity remained solid. Outlooks remained cautious. Firms were signing short-term leases because of heightened uncertainty, and investment sales activity continued to be limited.

Financial Services

Loan volume and demand increased in September. Credit tightening continued, but loan pricing declined. Credit standards and terms eased slightly for residential real estate loans while tightening continued for the remaining loan types. Over the next three months, bankers expect to tighten credit standards for all loan types except residential real estate, which are expected to be unchanged. Overall loan performance deteriorated slightly; however, loan performance for commercial real estate sharply improved. Bankers reported stable general business activity. Bankers' outlooks are mixed. Survey respondents expect an acceleration in loan demand and increasing business activity six months from now but a moderate deterioration in loan performance.

Energy

Drilling and well completion activity was flat over the past six weeks. Producers remained concerned about low oil prices, and reiterated that without a material increase in prices, U.S. crude production would erode in 2026. Breakeven costs for wells were rising due to increases in input costs. An oil field service contact noted there were "a lot of rigs stacked in yards waiting to become spare parts." Several firms noted project delays due to low oil prices and an uncertain policy environment, but pipeline contacts were optimistic about their project pipelines crediting regulatory relief and favorable tax policies.

Agriculture

Growing conditions remained favorable overall. Harvest was wrapping up for spring row crops, with production and yields generally coming in strong. Many cotton growers were expecting their best harvest in three to four years, a positive development for them and downstream industries like warehouses, ginning, and transportation. However, cotton and grain prices remain sub-profitable in many cases. A contact said government price support programs and crop insurance were important safety nets in this environment. Cattle prices stayed high, with demand remaining strong and supply continuing to be constrained by the suspension of cattle imports from Mexico in response to the spread of New World screwworm there. Agriculture outlooks are weighed down by the increased likelihood of a La Niña climate pattern this winter, which typically brings warmer, dryer weather.

Community Perspectives

Nonprofits continue to see elevated demand for a broad range of social services. Food and utility assistance remained key needs, while demand for rental and housing assistance increased. One contact noted that evictions were on the rise. Underemployment was an emerging issue. Funding remains a concern for nonprofits, and some are exploring alternate revenue streams. An agriculture nonprofit noted recording live webinars to expand its eLearning offerings and plans to charge a nominal fee for access. Likewise, a large nonprofit organization is selling high-value products on an e-commerce site, allowing it to reach more consumers than their brick-and-mortar stores.

For more information about District economic conditions visit: https://www.dallasfed.org/research/texas.

Federal Reserve Bank of San Francisco

Summary of Economic Activity

Economic activity in the Twelfth District edged down slightly during the mid-August to September reporting period. Employment levels were little changed on net as most employers held head counts steady. Wages grew slightly, and prices rose modestly. Activity in retail trade and residential real estate decreased somewhat while commercial real estate activity was unchanged on balance. Manufacturing and lending activity remained largely stable. Conditions in agriculture and resource-related sectors weakened slightly. Conditions in the consumer and business services sector were mixed. Conditions in community support organizations and small businesses weakened modestly. Contacts' economic outlook weakened somewhat relative to the prior reporting period.

Labor Markets

Employment levels were little changed on net over the reporting period. Most employers hired only to replace workers, holding head counts steady. Several contacts in manufacturing and health care noted reductions in staff levels through attrition, layoffs, and early retirements. In some cases, employment reductions were coupled with investment in artificial intelligence (AI), particularly for positions and tasks usually reserved for less experienced employees. In contrast, employers in financial services and insurance continued to hire. The number of applicants for each open position increased, and employers generally found it easier to hire. However, a few contacts in construction and manufacturing noted more difficulty finding workers for their entry-level positions, and they attributed that to reduced immigration. Turnover continued to slow across industries, and some contacts highlighted efforts to prioritize the retention of experienced employees.

Wages grew slightly in recent weeks, similar to the previous reporting period and in line with reported past growth rates. Wage pressures softened across many sectors, including banking, business consulting, and retail. Nonetheless, wage pressures persisted for highly specialized positions, such as in AI technology, and for some lower wage jobs in construction and manufacturing. One contact reported that wages rose in health care as a result of recent labor union contract negotiations.

Prices

Prices rose modestly as in the prior reporting period. Higher import duties led to a widespread cost increase for imported supplies, including raw materials, electrical and electronic components, and food. Many suppliers absorbed some of the price increases. However, retailers reported passing a sizable portion onto consumers, mostly in the mid to high-end markets. Several restauranteurs facing high ingredient costs observed a simultaneous drop in customer traffic and a strong resistance to higher menu prices. This led some restaurants to reduce portion sizes or change recipes. Contacts in the insurance industry also highlighted pushback on price increases with customers bundling insurance benefits to reduce the overall cost.

Community Conditions

Conditions in community support organizations and small businesses weakened moderately. Demand for assistance rose, particularly for food, other basic household necessities, and health care. At the same time, funding and grant cuts limited their ability to provide assistance. Small business owners reported lower demand and strained finances, as they drew down savings and reduced investment. Contacts attributed some of the decline in demand to changes in customers' behavior in response to immigration policy. Reports indicated more business closures and cuts to operating hours as well as some increases in loan delinquencies.

Retail Trade and Services

Activity in retail trade decreased slightly on net over the reporting period. Retailers generally attributed lower demand to higher tariff-induced prices and seasonal factors. Demand for many consumer goods reportedly softened, including for food products, beverages, clothing, and pet supplies. Contacts in tourist destination areas mentioned that travel-related retail spending was lower because of slower foot traffic. Reports highlighted that retail sales of luxury goods and athletic footwear continued to perform well, while the demand for more affordable goods declined further. One contact in Utah reported increased shopping center sales as new stores were opened.

Conditions in the consumer and business services sector were mixed. On the one hand, consumer demand at entertainment venues and some quick service restaurants continued to grow, partially due to successful marketing campaigns and diversified offerings. Additionally, demand for business technology and health-related food services grew more noticeably. On the other hand, demand for elective health procedures, hospitality, and travel services declined further. Lower sales at full-service restaurants resulted in some businesses closing in the Pacific Northwest. A transportation services contact in Alaska highlighted lower freight volumes throughout the state.

Manufacturing

Manufacturing activity remained largely stable in recent weeks. While demand for automated equipment continued to grow, demand for some manufactured furniture weakened further. Some manufacturers noted increased levels of excess capacity. Most reports highlighted adequate materials availability but at higher costs, including for utilities and imported semiconductor chips. One manufacturer based in Hawaii reported higher sale prices, reduced payroll, and lower production volumes. A contact in the automotive sector noted that higher tariff costs resulted in stricter criteria for moving ahead with investment opportunities.

Agriculture and Resource-Related Industries

Conditions in agriculture and resource-related sectors weakened slightly, as in the prior reporting period. Demand from abroad, particularly from China, reportedly continued to fall because of trade policy adjustments and negotiations. Favorable weather kept yields stable, but a recent heat wave and smoke from fires in the Pacific Northwest lowered fruit quality. Costs for packaging materials rose, and financing costs remained high. Higher costs combined with low prices for agricultural commodities continued to put financial strain on producers. Several contacts reported difficulties finding enough labor due to changes in immigration policy and resulting labor shortfalls reduced harvests. One contact emphasized that anticipated declines in sales volume would limit investment for the following season.

Real Estate and Construction

Residential real estate activity decreased somewhat over the reporting period. Demand for new and existing single-family homes fell. Properties stayed on the market longer, inventories rose, and developers continued to offer incentives to buyers. Several Northern California contacts observed that prices eased as a result. New residential construction remained limited with contacts citing lower demand from potential home buyers. Contractor project backlogs shortened, increasing the competition for work. Slowing construction activity created scope for builders to negotiate lower prices for domestic lumber. Construction materials were largely available.

Commercial real estate activity was unchanged on balance. New commercial construction remained subdued overall but was buoyed by public and private infrastructure projects, such as roads and data centers, as well as construction of health facilities. One contact reported a small increase in leasing demand from sectors such as manufacturing and logistics as more businesses opted not to further postpone decisions about space needs. Changes in rents were mixed. A Southern California contact reported that elevated vacancies pushed rents down across commercial sectors, while a contact in Utah observed that rents rose for retail space but changed little for industrial and office space.

Financial Institutions

Lending activity was largely steady over the reporting period. Recent reductions in interest rates started to spur additional demand for loans, but borrowers remained cautious in light of high uncertainty. Demand for commercial loans continued to be muted in general but strengthened in areas of Arizona due to large semiconductor manufacturing projects. Deposit rates were little changed, but some contacts expected reductions ahead. Credit and asset quality remained generally stable at high levels, although one contact in Utah noted an increase in losses related to fraud.

For more information about District economic conditions visit: https://www.frbsf.org/research-and-insights/publications/san-francisco-fed-twelfth-district-beige-book/.

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