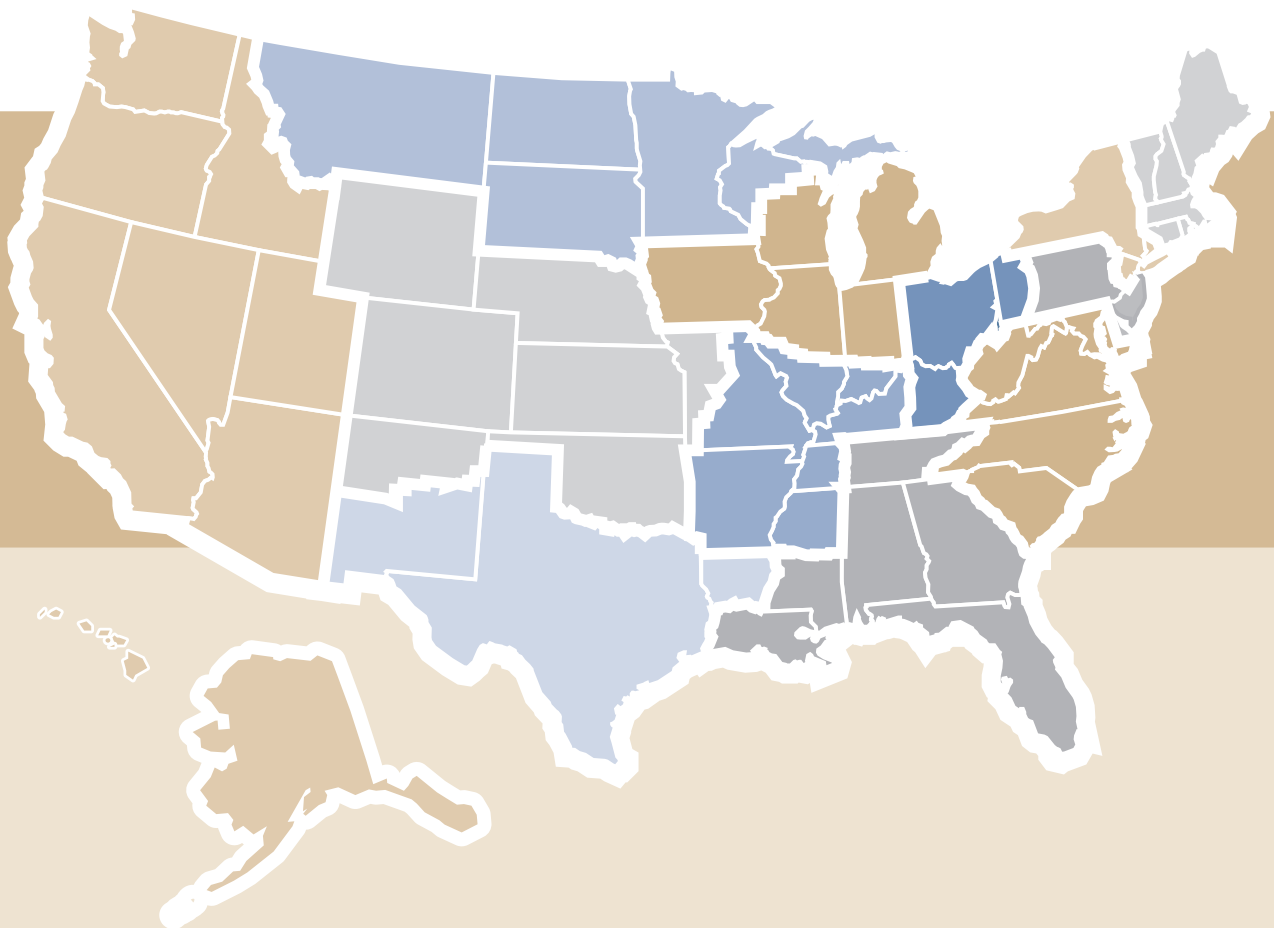




# The Beige Book

Summary of Commentary on  
Current Economic Conditions by  
Federal Reserve District

November 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

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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.

information 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 was little changed since the previous report, according to most of the twelve Federal Reserve Districts, though two Districts noted a modest decline and one reported modest growth. Overall consumer spending declined further, while higher-end retail spending remained resilient. Some retailers noted a negative impact on consumer purchases from the government shutdown, and auto dealers saw declines in EV sales following the expiration of the federal tax credit. Reports of travel and tourism activity reflected little change in recent weeks, with some contacts noting cautious discretionary spending among consumers. Manufacturing activity increased somewhat, according to most Districts, though tariffs and tariff uncertainty remained a headwind. Revenues in the nonfinancial services sector were mostly flat to down, and reports of loan demand were mixed. Some Districts reported declines in residential construction, while others said it was unchanged, and home sales activity varied. A few Districts noted ongoing recovery in the office real estate market. Conditions in the agriculture and energy sectors were largely stable, though some contacts cited challenges from the low-price environment for oil and for some crops. Community organizations saw increased demand for food assistance, due in part to disruptions in SNAP benefits during the government shutdown. Outlooks were largely unchanged overall. Some contacts noted an increased risk of slower activity in coming months, while some optimism was noted among manufacturers.

## Labor Markets

Employment declined slightly over the current period with around half of Districts noting weaker labor demand. Despite an uptick in layoff announcements, more Districts reported contacts limiting headcounts using hiring freezes, replacement-only hiring, and attrition than through layoffs. In addition, several employers adjusted hours worked to accommodate higher or lower than expected business volume instead of adjusting the number of employees. A few firms noted that artificial intelligence replaced entry-level positions or made existing workers productive enough to curb new hiring. Across most Districts, employers had an easier time finding workers, but there were still pockets of difficulty related to certain skilled positions and fewer immigrant workers. Wages generally grew at a modest pace; however, some sectors such as manufacturing, construction, and

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Note: This report was prepared at the Federal Reserve Bank of Dallas based on information collected on or before November 17, 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.

health care experienced more moderate wage pressure because of a tighter labor supply. Furthermore, rising health insurance premiums continue to put upward pressure on labor costs.

## **Prices**

Prices rose moderately during the reporting period. Input cost pressures were widespread in manufacturing and retail, largely reflecting tariff-induced increases. Some Districts noted rising costs for insurance, utilities, technology, and health care. The extent of passthrough of higher input costs to customers varied, and depended upon demand, competitive pressures, price sensitivity of consumers, and pushback from clients. There were multiple reports of margin compression or firms facing financial strain stemming from tariffs. Prices declined for certain materials, which firms attributed to sluggish demand, deferred tariff implementation, or reduced tariff rates. Looking ahead, contacts largely anticipate upward cost pressures to persist but plans to raise prices in the near term were mixed.

## **Highlights by Federal Reserve District**

### **Boston**

Economic activity expanded slightly, as home sales showed renewed strength. Consumer spending came in flat. Employment edged lower, with no major layoffs, and wages rose modestly. Grocery store prices rose at a moderate pace amid cost pressures on food commodities, although price increases in general were modest. The outlook was cautiously optimistic.

### **New York**

Economic activity declined modestly. On balance, employment fell slightly with some layoffs occurring at major employers in the region. The pace of price increases eased slightly but remained elevated. Manufacturing activity increased moderately. Consumer spending declined slightly, though higher-end retail spending remained resilient. Businesses did not expect much improvement in the months ahead.

### **Philadelphia**

Economic activity was already trending down when the government shutdown spurred further economic disruption—driving modest declines overall across most sectors. Employment levels also fell, and price pressures are stressing low- and middle-income households, while shifting government policies are stressing small businesses.

**Cleveland**

Fourth District business activity increased slightly in recent weeks, but contacts expected flat activity in the months ahead. Demand for professional and business services increased moderately. Manufacturing activity declined slightly, though some manufacturers reported a boost from AI data centers. Nonlabor cost growth remained robust, while selling prices increased moderately.

**Richmond**

The regional economy continued to grow modestly in recent weeks. Consumer spending grew modestly despite some hesitation among consumers to make big-ticket purchases. Manufacturing activity contracted modestly while growth in the remaining industries was little changed. Employment levels were also little changed as employers kept headcounts at current levels and wage growth remained moderate. Price growth remained moderate, overall.

**Atlanta**

Economic activity was little changed, on balance. Employment levels remained flat, and wages and prices grew modestly. Retail sales slowed, and overall travel activity was flat to slightly down. Home sales declined, but commercial real estate improved somewhat. Transportation and manufacturing activity were mostly flat. Demand for energy grew moderately.

**Chicago**

Economic activity in the Seventh District rose slightly. Employment, consumer spending, business spending, construction and real estate, and manufacturing all increased slightly. Prices rose moderately, wages were up modestly, and financial conditions loosened some. Prospects for 2025 farm income rose slightly.

**St. Louis**

Economic activity and employment levels have remained unchanged since our previous report, with contacts continuing to report a slowdown in demand amplified by the federal government shutdown. Prices have increased moderately, with contacts expecting price growth to increase over the next six months. The outlook has slightly deteriorated and can be described as pessimistic because of increased risks of higher prices and slower activity.

**Minneapolis**

Activity was flat on balance. Employers reported a marginal reduction in head counts and modest improvement in labor availability. Price pressures increased. New vehicle sales rose but consumer spending fell overall. Manufacturing, home sales, and commercial construction increased, while most other sectors were flat. Despite strong harvests, agricultural conditions remained weak.

**Kansas City**

Economic growth in the Tenth District slowed slightly, reflecting softer labor conditions and cooling consumer activity. Wage increases were in line with cost-of-living adjustments, as demand for labor was in balance with supply. Although prices continue to increase modestly, most firms are passing through only 20 percent of increased input costs. Firms remain optimistic about employment growth over the next six months.

**Dallas**

Economic activity weakened slightly. Declines were seen in nonfinancial services, retail, and banking. Weakness continued in the housing market, and energy activity was flat. The manufacturing sector remained resilient, however, with production growth continuing at a modest pace. Employment fell on net, and prices increased moderately. Outlooks generally worsened, with contacts citing an economic slowdown, tariff concerns, interest rates, and heightened uncertainty.

**San Francisco**

Economic conditions were mixed over the reporting period. Employment levels largely held steady, wages rose somewhat, and prices were up modestly. Activity in retail trade, agriculture, and residential real estate eased slightly while activity in services, manufacturing, and commercial real estate remained largely unchanged on balance. Lending activity strengthened marginally.





# Federal Reserve Bank of Boston

## Summary of Economic Activity

Economic activity continued to expand at a sluggish pace, as strong gains in home sales were largely offset by flat consumer spending. Manufacturers reported modest growth in sales and a reduction in tariff-related uncertainty. Firms in the nonfinancial services sector experienced slight revenue growth, and commercial real estate activity picked up slightly amid a slow recovery in the office market. Labor demand weakened further, resulting in a small decline in employment. Wages and prices alike rose at a modest pace, but some businesses experienced significant cost pressures. The outlook remained cautiously optimistic for continued growth, with ongoing downside concerns about the labor market.

## Labor Markets

Employment edged lower amid weakening labor demand, and wages rose modestly. Hiring activity was mixed, and no large layoffs were reported. A grocery store chain experienced stable employment and said that it was recruiting new workers only to offset attrition. A clothing retailer reported increased ease of hiring and added more seasonal workers this year over last. Manufacturing employment came in slightly lower, with one firm citing elevated uncertainty as a restraint on hiring. Employment was unchanged among nonfinancial services firms, with stable hiring for legal and professional services roles. However, contacts in the staffing services industry reported weaker overall labor demand, especially for temporary roles, and a contact at a Massachusetts business association said that AI was holding back entry-level hiring. About half of firms reported no hiring difficulties or even easier hiring conditions in recent months, while others noted that finding qualified applicants was challenging. Wage increases were modest overall, although starting wages were flat. Most firms anticipated that their head counts would remain stable over the next 12 months, but some planned to add employees, while others planned to reduce employment through attrition and moderate layoffs.

## Prices

Prices rose further at a modest pace on average, though somewhat less rapidly than in the last report. A grocery store chain posted mostly moderate price increases but marked up the prices of beef, coffee, and cocoa products by considerable margins in response to supply-side cost

pressures, including but not limited to tariffs; they also noted a large drop in the price of eggs. Restaurants' menu prices were flat, although contacts expected the rising beef prices to exert pricing pressure going forward. A clothing retailer kept prices steady recently but experienced a pronounced pullback in sales of certain items in response to earlier markups. Manufacturers' output prices rose slightly, as most reported only mild cost pressures; however, one manufacturer, facing strong cost pressures linked to tariffs, planned to raise its prices soon. Nonfinancial services firms held their billing rates fixed despite facing rising insurance costs. Many contacts expected to face ongoing cost pressures going forward, but most had no definite plans to raise their prices in the near term.

## **Retail and Tourism**

First District retail goods sales (not including autos) declined modestly in recent months, and tourism activity softened a bit, but spending at restaurants rebounded, leaving overall consumer spending roughly unchanged. A Massachusetts restaurant industry contact reported a moderate increase in third-quarter sales compared with the same quarter in 2024, driven by an increase in private events. A discount retailer experienced moderate declines in same-store sales compared with a year earlier, similar to its August report, although a pick-up in cross-border commerce with Canada lifted sales at certain locations. A clothing retailer said sales for August through October were down moderately from a year earlier, citing higher prices and above-normal fall temperatures as factors. An online home furnishings retailer noted flat overall sales and flat revenues per order despite recent price increases, suggesting consumers were turning to lower-priced items. Airline passenger volumes through Boston were down modestly from 2024 levels in recent months, although cruise passenger volumes were stable. Contacts expressed cautious optimism about their near-term growth prospects while acknowledging headwinds from tariff-related uncertainty, disruptions related to the government shutdown, and consumers' heightened price sensitivity.

## **Manufacturing and Related Services**

Manufacturing sales rose modestly from the previous quarter, meeting or exceeding expectations, and some contacts reported very strong revenue growth from the previous year. A consumer goods manufacturer attributed strong recent sales to promotional activity and healthy spending by affluent customers. Another manufacturer noted increased demand related to AI infrastructure investments. Capital expenditures were unchanged. According to contacts, tariff-related uncertainty abated somewhat but not altogether. The outlook improved a bit, as all firms expected at least modest revenue growth in the near term.

## Nonfinancial Services

Revenues and demand increased slightly on average among contacts in nonfinancial services. A law firm noted that revenue growth was boosted by stronger-than-expected merger and acquisitions activity. Reports from staffing services firms were mixed, as one contact benefited from consolidation in the regional health-care staffing industry and others did less business owing to a general slowdown in labor demand. A higher education contact in Massachusetts said that demand was down for professional masters' programs, including MBA and data science, owing to uncertainty about the impact of AI on career opportunities. The outlook improved slightly and was cautiously optimistic overall. Contacts noted decreased uncertainty related to trade policy, although some said lack of official economic data clouded the outlook, and others expressed concerns about rising financial strains on low- and middle-income consumers.

## Commercial Real Estate

Commercial real estate activity increased slightly in recent weeks on improved demand for office properties. Commercial property transactions were up considerably from one year earlier owing to increased investor confidence and easier financing conditions but were little changed recently. A Hartford contact said that return-to-office policies had pushed the office vacancy rate lower in that area recently, but elsewhere in the First District, office vacancies were unchanged. Industrial leasing activity was steady at a healthy pace. Apartment rent growth continued to moderate, driven by weak demand at the low end of the market. In the retail market, low vacancies and solid rent growth persisted despite some softness in consumer spending. High construction costs—driven by labor shortages and tariffs—continued to deter development. One contact said that the data center construction boom would bypass New England because of the area's lack of power-generating capacity. The outlook was mildly positive on average. Contacts expected additional progress in the office market, although some raised concerns related to a potential slowdown in the labor market.

## Residential Real Estate

Residential real estate sales in the First District increased by above-average margins in September 2025 from the previous September, an improvement from August's results that was attributed to lower mortgage rates and rising inventories. Stronger sales were seen for single-family homes as well as condos; an exception was single-family sales in Rhode Island, which fell sharply from a year earlier. Inventory for single-family homes and condos continued to expand rapidly. Single-family home prices increased at a moderate pace from a year earlier, while condo prices were roughly unchanged for the same period. Properties spent more days on the market, especially homes at higher price points, as buyers reportedly held out for lower prices. Indeed, some areas, including greater Boston, experienced moderate declines in home prices over the

past three months. One contact was optimistic that lower interest rates would continue to push more prospective buyers into the market.

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 declined modestly this reporting period. On balance, employment fell slightly and wage growth remained modest, with some layoffs occurring at major employers in the region. The pace of selling price increases eased slightly, but remained moderate, even as input prices continued to rise strongly. Manufacturing activity increased at a moderate pace, continuing a pickup from the previous period. Consumer spending declined slightly, though higher-end retail spending remained resilient. Housing markets were little changed, with demand holding solid amid limited supply. Though loan demand declined overall, demand for residential mortgages increased slightly. Businesses did not expect much improvement in the months ahead.

## Labor Markets

On balance, employment declined slightly during the reporting period. Most sectors reported lower head counts, with more substantial declines in construction, education, and health care. However, employment was flat in the wholesale trade and finance sectors, and employment increased in the personal services and manufacturing sectors. Meanwhile, hours worked increased at small- and medium-sized businesses in the District as firms were reluctant to add head counts to meet demand.

Demand for workers largely remained subdued, with labor supply continuing to outpace labor demand. Contacts reported that it has consistently been easier to find workers. Still, demand for workers in finance and technology, especially those with AI skills, remained extremely strong, with firms having difficulty filling such positions. A contact in upstate New York's tech sector reported that attracting and retaining these highly skilled professionals had become increasingly difficult, citing competition from larger industry players that have been able to offer more lucrative compensation packages. Meanwhile, AI is reportedly reducing the demand for workers in certain roles, such as customer service, especially at larger companies. There have been some layoffs by major employers in the District, though small-to-medium sized businesses have continued to show resilience.

On balance, wage growth slowed slightly and remained modest. Firms in construction, education, and health care reported more substantial increases, while wage growth stalled in the information and finance sectors. Contacts anticipated a pick-up in wage growth in the coming months.

## Prices

The pace of price increases eased slightly but remained elevated. Despite this slowing, selling price increases remained moderate amid strong input price increases. Many firms continued to report that tariffs were driving up their costs and selling prices. A consumer-facing firm dependent on imported goods filed bankruptcy while a brass machining company said it may go out of business, both a consequence of tariffs. Rising electricity costs in New York State continued to pose significant challenges for a number of businesses. An owner of several restaurants in New Jersey noted that food prices, particularly for beef, had risen to all-time highs. A New York City area contact reported that the combination of congestion pricing, property taxes, and other regulatory expenses were a significant burden on its business. Some contacts reported sharp jumps in health insurance premiums. Looking ahead, firms expected pricing pressures to remain significant.

## Consumer Spending

Consumer spending declined slightly, though reports were mixed. While smaller retailers reported sharp declines, higher-end retail spending remained resilient. A New Jersey-based café noted that sales had been particularly weak, with the average order size shrinking, and a small restaurant chain reported declining sales. Still, a department store reported that sales have remained strong, especially for bedding as well as fine jewelry and watches. An upstate New York retailer near the Canadian border reported weak sales due to declining visits from Canadian shoppers. Auto dealers in upstate New York reported that sales of new vehicles declined in October in part due to weak electric vehicle sales as buyers had rushed forward purchases in September before federal rebates expired. Inventory remained at a healthy level with most models available. Used car sales were solid.

## Manufacturing and Distribution

Manufacturing activity increased moderately, continuing a pickup from the previous reporting period. Both new orders and shipments increased moderately. However, manufacturers continued to face headwinds from uncertainty, tariffs, and shifting international sentiment. A high-tech manufacturer noted declining demand for American exports from Asia, while another manufacturer noted an uptick in demand due to reshoring. Capital spending plans picked up after a period of weakness. Supply availability worsened somewhat, but delivery times were little changed. Activity declined among wholesale and distribution firms, though a shipping industry contact noted that

activity remained exceptionally strong. Manufacturers expected conditions to improve modestly in the months ahead.

## **Services**

Activity in the service sector continued to decline moderately. Businesses in most sectors reported shrinking activity, though firms in business services, information, and leisure and hospitality reported particularly steep declines, while businesses in personal services, education, and health reported only modest slowing.

New York City's tourism sector was stable, with hotel bookings steady at high levels and forward bookings looking positive. Attendance at some attractions was weak while others saw a pickup. Although Canadian visitation has trended down, Brazilian tourism has grown as winter is a popular time for Brazilians to visit the City. The government shutdown had a negligible impact on New York City's tourism industry, as government hotel bookings were already relatively low, and travel was generally not disrupted.

## **Real Estate and Construction**

Housing markets were little changed across the District, with solid demand and limited supply. Inventory in New York City's suburbs has grown slightly but remains at about half of normal levels. Price increases eased a bit at the lower end of the New York City market, where borrowers more dependent on financing stood on the sidelines waiting for relief in mortgage rates. Still, the high-end housing market remained strong, as wealthy buyers with access to cash and alternative financing were active in New York City, its suburbs, and the Hamptons.

Rents held steady at a very high level in New York City, while leasing activity declined a bit. With ongoing strong demand, rental markets are expected to remain steady.

Commercial real estate markets continue to improve. New York City's office market remained a bright spot and continued to recover, with vacancies declining. Many tenants moved forward signing leases following a brief pause toward the end of the last reporting period. A contact in commercial real estate noted that progress has been made converting office buildings into residential space, increasing New York City's housing supply. Still, on the whole, construction activity continued to decline sharply across the District.

## **Banking and Finance**

Activity in the broad finance sector expanded slightly. However, small-to-medium sized banks reported that loan demand declined since the previous reporting period, with the exception of

residential mortgages where demand increased slightly. Credit standards were mostly unchanged, though one contact reported tighter credit standards for business loans and commercial mortgages. Deposit rates continued to move lower. Delinquencies improved for all loan types but remain elevated.

## **Community Perspectives**

Community organizations administering food and nutrition programs reported rising food insecurity, as the number of individuals relying on food assistance continued to grow. Rising food costs, coupled with delays in processing SNAP benefits due to the government shutdown, weighed heavily on older adults, families with children, and the disabled. Food pantries across the District struggled to keep up with record demand amid reduced donations. State governments and food distribution organizations have responded with contingency plans and stopgap measures to support program continuity.

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 was already trending down when the government shutdown spurred further economic disruption—driving modest declines overall across most sectors. Employment levels also fell, and workers appeared to be shifting from full- to part-time work. Wage pressures have generally eased compared with 2021, but contacts noted that reduced labor supply from immigration policies and rising health-care costs have increased total compensation. Price pressures continued to pop up with increasing harm to low- and now middle-income households. Small businesses have also been struggling to survive amid uncertainty driven by state and federal government actions. Nonmanufacturing firms were divided in their future expectations, while manufacturers remained broadly optimistic.

## Labor Markets

Employment appeared to decrease slightly following a slight increase during the last period. Based on recent surveys, most firms reported no change. Among firms reporting a change, manufacturers reported higher employment levels, but the much larger nonmanufacturing sector noted declines.

A staffing contact observed that increased reports of layoffs were a sign of a normal staffing cycle, indicating that large companies were confident that they could get workers back when needed. During the interim, more temps are being used at reduced hours.

A restaurant contact noted that, in 2021–2022, there was an exodus of workers to warehouse jobs. Now, “they haven’t lost their jobs, [but] they’ve had their hours reduced.” To augment lost wages, they’re returning and picking up part-time restaurant jobs.

In a broad annual survey of all contacts, 38 percent expected employment to increase over the next four quarters, 44 percent expected no change, and 19 percent expected a decrease. The net 19 percent of the firms that hope to hire is the lowest share we’ve recorded since 2011; the average is 39 percent.

Firms anticipate shedding jobs mostly by attrition, less so via layoffs. Many contacts noted that even modest deployments of AI would enable them to not refill some jobs or to skip a recruiting class of entry-level workers.

Wage inflation appears to have steadied at a modest pace—typical of its long-run average. Most contacts reported nominal wage increases in the 2.5–3.0 percent range but cited higher increases for total compensation due to rising health-care insurance premiums. One staffing contact observed that while wage pressures are significantly lower than in 2021, recent immigration policies are causing a lot of managers to raise wages to compete for a smaller pool of reliable unskilled workers.

## Prices

On balance, firms' prices continued to rise at a moderate pace. Firms continued to report cost pressures from tariffs, insurance, health care, and energy. In our monthly surveys, the diffusion indexes for prices paid and prices received broadened among manufacturers and were well above their nonrecession averages. These indexes for nonmanufacturers narrowed but were still at or above their nonrecession averages.

When asked if their customers had become more price sensitive since last quarter, 37 percent of manufacturing firms and 59 percent of nonmanufacturers indicated greater sensitivity. Consumer-facing firms reported difficulty raising prices, as more consumers search for discounts and cash in loyalty points. A restaurateur observed that although family restaurants are full, competition has driven menu pricing into unprofitable territory.

However, when asked how their competitors will respond to any clearly anticipated industry cost changes, over half of the firm' expected their competitors to raise prices and to do so (typically) in two to three months. One manufacturer noted that “our larger competitors will raise prices in the first quarter of 2026. Not because it is justified, but because they can.”

## Manufacturing

Manufacturing activity decreased modestly following moderate growth in the prior period. About one-third of the firms reported decreases in shipments and new orders, while most of the balance reported no change. The index for general activity also turned negative.

In comments, tariffs were the most frequently cited challenge, followed by the availability of skilled labor and health-care–related labor expenses. One firm noted that “tariffs continue to make our products less competitive due to the high percentage of parts that cannot be sourced in the

United States.” To address labor concerns, firms have deployed in-house and external training programs plus made investments in technology to reduce head count.

Manufacturers remained optimistic about growth over the next six months. More than half of the firms expect increases in new orders and shipments, and over one-quarter expect to increase future capital expenditures.

## **Trade and Services**

On balance, firms across a broad spectrum of nonmanufacturing industries reported a modest decline in activity, reversing a slight increase in the prior period. The new orders index turned sharply negative, and the sales/revenues index turned slightly negative.

Retailers (nonauto) reported stagnant sales to modest declines over the current period. One contact noted that low-income consumers have been spending less for most of the year. Now a similar pattern is emerging among middle-income households, according to several contacts. Another retailer attributed a noticeable pullback in October’s consumer purchases to the loss of SNAP benefits and other effects of the government shutdown.

Auto dealers reported a modest decline in new car sales, following a slight decrease in the prior period. New Jersey dealers blamed the gubernatorial election, with political campaigns competing for ad space. Pennsylvania dealers said sales were spotty during the government shutdown.

Tourism activity had been slowing, then declining throughout the year—reaching modest declines in the prior period. When the government shutdown occurred and flights were canceled, even a professional tourism analyst was unable to attend a week’s worth of far-flung meetings after spending the better part of a day on the tarmac. At best, activity remained modestly down.

Expectations for growth in the next six months were evenly distributed, with firms split into thirds expecting increases, no change, and decreases, for a diffusion index of zero.

## **Real Estate and Construction**

Existing home sales continued to decline slightly during this period, as did inventories and affordability. New-home builders reported modest declines in sales and construction activity. One noted that general activity was slightly below an acceptable level. Another reported that sales were significantly below last year’s levels. However, both builders noted that subcontractors were widely available and at lower prices because demand was low.

In nonresidential markets, contacts reported that design and development work continues, but some projects have been slowed because of uncertain funding. The pipeline of construction activity has also diminished, with activity down modestly year over year.

## Credit Conditions

The volume of bank lending (excluding credit cards) edged lower during the period (not seasonally adjusted)—similar to the slight decline during the comparable period in 2024. Bank lending fell moderately in the prior period.

District banks reported little change in commercial real estate (CRE) lending and a slight decline in mortgage volume. A large decline in commercial and industrial loans was partially offset by modest and moderate increases in auto loans and home equity lines, respectively. Credit card volumes increased modestly—a seasonal trend observed during the same period one year ago.

One contact noted robust CRE loan growth in the third quarter from various sectors but cautioned it may represent pent-up demand following uncertainty during the flat first half of the year. Another lender reported that originations of consumer loans peaked in July—also noting that they and secondary lenders were tightening credit standards.

Banking contacts continued to report strong credit quality but noted an ongoing rise in delinquencies and defaults, especially among households and small businesses. Various contacts reported that small businesses have struggled throughout the year to survive, as their contracts and funding sources were frozen—first by changing federal rules, then by the 135-day Pennsylvania state budget impasse, and punctuated by the 43-day federal government shutdown.

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 reports suggested that business activity increased slightly in recent weeks, and contacts expected flat activity in the months ahead. Demand for professional and business services increased moderately, partly driven by tax policy changes. By contrast, demand for manufactured goods declined slightly, though some manufacturers reported a boost from AI data centers. On balance, contacts said that their employment levels were flat and that wage pressures grew modestly. Nonlabor cost pressures remained robust, and selling prices grew moderately.

## Labor Markets

Reports indicated that employment levels were flat on net in recent weeks. Several contacts across industries restricted hiring through freezes or replacement-only policies in response to softening demand and elevated labor costs. Meanwhile, many contacts reported prioritizing revenue-generating positions while reducing support roles. Some large retailers proceeded with usual holiday season hiring, while other retailers decreased staffing levels because of slow sales. Several manufacturers mentioned using AI tools and automation technologies to enhance worker productivity, which enabled one to reduce its office staff by 15 percent. Moreover, some manufacturing and freight contacts reported laying off staff because of declining orders and uncertain outlooks.

On balance, wage pressures grew modestly in recent weeks. Improved worker availability and reduced turnover contributed to moderating wage growth across industries. Still, pockets of upward pressure remained for specific sectors and for workers with specialized skillsets. Services firms reported that competition for skilled workers continued to push wages up in engineering, accounting, trades, and health care. Manufacturing and freight contacts implemented strategic wage increases to retain workers with critical skillsets. Some retailers noted that competition for entry-level workers drove wages up, while others indicated that reduced sales prohibited them from raising wages further.

## Prices

Overall, nonlabor input costs increased at a robust pace in recent weeks, continuing the trend seen over the past four reporting periods. Manufacturers reported tariff-related cost increases for equipment and materials, and one observed that most manufacturers had run out of lower-cost pre-tariff inventory. One large retailer's average costs had increased around 20 percent year-over-year because of tariffs, and it was trying to determine how it would distribute these increases. By contrast, another large retailer did not anticipate further cost increases, stating that tariff impacts had stabilized. Outside of tariffs, many contacts continued to report rising utilities and insurance costs. In general, nonlabor costs were expected to grow at a strong pace in the coming months.

Contacts generally indicated that selling prices rose moderately in recent weeks, continuing the upward trend that started in late 2024. Contacts across industries continued to raise prices to cover elevated costs, with several manufacturers and retailers passing along tariff-related cost increases to customers. Some commercial construction contacts reported gaining pricing power because of increased demand, while weaker residential demand prompted some real estate contacts to offer "significant discounts" on apartment leases and "heavy incentives" on single-family-house purchases. Several manufacturing and professional and business services contacts reported holding prices steady because of competitive pressure and softer demand in what one contact called a "price war."

## Consumer Spending

Consumer spending was flat in recent weeks, and contacts expected demand to decline modestly in the coming months. Among retailers reporting flat sales, one noted continued pressure on lower-income consumers and early signs of strain on middle-income consumers, while a higher-end grocery store observed price-conscious behavior among customers. Several contacts connected changes in consumer spending to federal policies. A grocery store reported a decline in sales, citing the pause in SNAP and WIC funding alongside a general pullback in spending due to economic concerns. A food and hospitality contact reported that customers, many of whom are federal workers, were spending cautiously. Purchases made ahead of expiring EV tax credits boosted EV sales, but an auto dealership said that lack of affordability suppressed other new vehicle sales, and another dealership's middle-income consumers had "sticker shock."

## Manufacturing

Contacts reported that demand for manufactured goods fell slightly after declining modestly in the prior reporting period. Several producers reported softer orders from light vehicle manufacturers, a circumstance which they attributed to slower auto sales and a chip shortage that disrupted some production. Although multiple contacts continued to report strong demand related to rapidly

expanding AI data center construction, some described a “collective holding of breath” as these fast-paced buildouts became a primary driver of demand even as other industry segments remained weak. Multiple contacts added that demand from data centers was not enough to offset softer activity in other industries. Still, manufacturers generally expected demand to increase slightly in the coming months.

## Real Estate and Construction

Residential construction and real estate contacts reported that demand declined slightly in recent weeks as still-high mortgage rates continued to hinder activity. One homebuilder who said that demand had been strong in 2025 cautioned that bids on new projects had slowed considerably in recent months. Residential contacts generally expected flat demand in the coming months.

On balance, commercial construction and real estate contacts reported a slight increase in demand in recent weeks. While some reported stronger activity as clients’ confidence in the overall economy improved and data center construction continued, others reported slowdowns related to regulatory delays or still-soft demand for consumer-facing spaces, including hotels, restaurants, and apartments. Commercial contacts generally expected activity to increase slightly in the coming months.

## Financial Services

Bankers reported that loan demand increased moderately in recent weeks as clients were encouraged by declining interest rates and decreasing economic uncertainty. Looking ahead, bankers expected loan demand to increase slightly ahead of anticipated interest rates declines, although one banker indicated that commercial clients remained cautious about investing. Overall, core deposits increased slightly. While most bankers indicated that delinquencies were flat, a few said that delinquency rates had increased for certain loan categories, including indirect auto loans, loans issued under Special Purpose Credit Programs, and loans issued to firms facing margin pressure from increased tariffs.

## Nonfinancial Services

Demand for professional and business services grew moderately in recent weeks. Several accounting firms cited changes to tax law as driving demand for their tax planning services. The evolving data needs of businesses stimulated growth for some contacts’ services. One software firm saw increased demand due to customers seeking more granular operations data, while an accounting firm reported increased activity because of AI adoption. Contacts expected demand to be flat in the coming months, and a law firm believed that clients were hesitating on deals

because of economic uncertainty. Freight contacts reported a modest decline in demand in recent weeks and expected a moderate decline in demand over the coming months.

## **Community Conditions**

Reports were mixed from Community Development Financial Institutions (CDFIs), specialized financial institutions that serve low- and moderate-income communities, including small businesses and nonprofits seeking investments. Some CDFIs that serve small businesses saw increased inquiries about starting a business, providing financing, or opening a line of credit. Meanwhile, some loan-fund CDFIs reported a decline in investment activity by businesses due to economic uncertainty and by nonprofits concerned about future funding streams. Several contacts were monitoring federal policy changes related to CDFI certifications and tax credit administration, and one was concerned that changes to the CDFI infrastructure would impede economic development in low- and moderate-income communities.

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 at a modest rate in recent weeks. Consumer spending at retail establishments grew modestly despite somewhat lower foot traffic and some tentativeness by consumers to make large purchases. Spending on travel and tourism increased slightly as some hotels saw growth in leisure travel. Manufacturing activity slowed modestly this reporting cycle. Activity in financial services, nonfinancial services, and real estate markets were little changed in recent weeks. Employment was largely unchanged with many firms reporting contentment with their current level of staffing, and wage growth remained moderate. Price growth fluctuated slightly across sectors but generally remained at a moderate pace of year-over-year growth.

## Labor Markets

Employment in the Fifth District remained unchanged in the most recent period. Many contacts reported satisfaction with current staffing levels. An engineering firm reported no plans to hire due to recently hiring young employees whose training and mentoring takes priority. Contacts wanting to increase head count were frustrated with the applicant pool. For instance, a construction company reported stalled business growth due to difficulty finding “quality” entry level workers. A cabinet maker recently purchased equipment at a favorable price, which nudged their decision to add a new facility and grow their total head count. Contacts reported moderate wage growth, with several noting that they needed to increase compensation to help retain workers.

## Prices

Price growth remained moderate in recent weeks. According to our most recent surveys, service sector firms reported a slight easing of price growth and manufacturers saw a slight increase, but in both sectors, year-over-year growth remained within a moderate range. Businesses continued to experience rising input costs, some of which were due to tariffs; however, a few contacts noted that prices for certain goods were lower than expected because the tariff rate was reduced or the increase was postponed.

## Manufacturing

Manufacturing activity in the Fifth District declined modestly during the recent reporting period. Several contacts said that their customers reduced new orders due to uncertainty about tariffs. Textile manufacturers specifically noted decreases in both the number and size of new orders. A rail parts manufacturer indicated that clients were reluctant to commit to longer-term contracts because of uncertainty about final pricing. However, some firms connected to construction reported slight improvements in business conditions. A brick manufacturer and a drywall producer both noted increases in business, while a millwork company that supplies residential and commercial construction now anticipates higher demand for their products. Both companies cited the recent interest rate cut as a factor influencing this increased spending.

## Ports and Transportation

Overall volumes at Fifth District maritime ports were relatively flat compared to last cycle. Tariff-driven supply-chain diversification has rerouted some ocean carrier container traffic to other East and West Coast shipping hubs, which led to a slight decrease in import volumes at ports in our District. Loaded exports were a bright spot, however, driven by ag products like grain coming by rail from Virginia and Midwest states shipping out to Southeast Asia and the Middle East. The volume of vessels carrying auto imports has remained steady overall, with numbers not yet reflecting the new fee on roll-on roll-off ships that went into effect in October. Contacts noted that more auto traffic may begin to come into the US by rail from Mexico to avoid the extra charges on Chinese vessels. Truckload transport volumes remained low. One contact shared that while their firm has received small, single-digit rate increases, their costs for insurance, tires, and other equipment have gone up significantly.

## Retail, Travel, and Tourism

Consumer spending continued to grow at a modest rate in recent weeks. Retailers reported steady growth in total sales but noted that customer foot traffic was lower and big-ticket sales were down somewhat. Several contacts expressed concern that declining consumer confidence was impacting customer willingness to make larger purchases. Spending on travel and tourism grew slightly, on balance, but reports varied by region and type of travel. For example, a hotelier in Virginia said that weekend leisure travel was flat to up slightly in recent weeks but business travel during the week was down modestly. Meanwhile, hotels in South Carolina saw increased bookings and revenues with one contact noting that the increase since the previous reporting cycle was due to now entering a typically stronger travel season.

## Real Estate and Construction

Residential real estate activity was little changed this cycle, but reports varied significantly by location. While most agents in Virginia and the Carolinas saw flat or slightly increased activity, contacts in northern Virginia, D.C., and Maryland saw a decrease in activity due in part to employment uncertainty among federal workers and contractors. One broker added that despite being furloughed, one of their government employee clients was still able to qualify for a loan. Inventory across the Fifth District continued to grow as days on market slowly inched up. Builders remained positive as they completed sites but aired concerns about slower new starts because of the time-consuming permitting process and need for skilled construction workers.

Commercial real estate activity remained largely the same. According to a Maryland broker, general uncertainty in the market was constraining activity. Retail and medical offices across the District continued to perform well. The flight to quality Class A office space continued while outdated Class A, B, and C buildings remained vacant. Industrial remained flat with a broker in South Carolina noting speculative industrial got ahead of itself over the last few years. Multi-family construction slowed in North Carolina with current concerns of over development, while a broker in Virginia noted multi-family tenant delinquencies were starting to happen.

## Banking and Finance

Financial institutions continued to report stable loan demand that was described as “well distributed” across their various commercial lines of business. Contacts also reported stable demand within their home mortgage and equity line portfolios primarily driven by lower borrowing rates. Deposit levels continued to be stable with a banker describing any increases in balances as happening “slow and steady.” Competition was still strong within the marketplace for available deposit balances, though. Institutions continued to report modest increases in loan delinquencies, primarily within their consumer loan portfolios that includes both autos and mortgages.

## Nonfinancial Services

Nonfinancial service providers continued to report stable demand for their services, but economic uncertainty and hiring qualified employees remained a challenge. Staffing firms continued to report that overall demand for their services declined, overall, despite some increase in demand for seasonal workers. An interior design firm reported a trend of clients scaling back projects due to rising costs. Similarly, a nonprofit had to reduce the scope of a major capital construction project due to increased costs from tariff impacts and contractor availability constraints.

For more information about District economic conditions visit: [https://www.richmondfed.org/research/data\\_analysis](https://www.richmondfed.org/research/data_analysis).



# Federal Reserve Bank of Atlanta

## Summary of Economic Activity

The economy of the Sixth District remained unchanged, on balance. Employment levels were flat, and wages rose modestly. Prices increased at a modest pace. Low- to moderate-income consumers showed further signs of financial stress, and charities reported increased demand for assistance. Retail sales declined modestly, and travel was flat to down slightly. Home sales fell slightly, but commercial real estate conditions improved somewhat. Transportation demand was flat overall. Manufacturing activity was flat to up slightly. Energy activity continued to grow at a moderate pace.

## Labor Markets

Employment levels remained flat over the reporting period. Firms experiencing robust demand continued to increase head count, noting an abundance of candidates and little difficulty hiring. Turnover remained low. Some contacts reported replacement hiring only, and others, while not implementing reductions in force, froze hiring altogether. A few large firms in wholesale distribution and hospitality shared recent layoffs, and some other businesses were planning for potential layoffs depending on future demand. Several firms reduced workers' hours to avoid layoffs or shifted from full-time equivalent employees to contractors to provide flexibility as demand fluctuated. Impacts from immigration policy remained subdued. Wage growth remained modest, in the low single-digits.

## Prices

Prices rose modestly over the reporting period, on net. Construction costs stabilized, with reported declines in the costs for inputs like lumber and steel, partially attributed to slowing project pipelines. Costs for software and insurance were frequently cited as rising notably. Some contacts continued to report inflationary effects from tariffs on input costs but passthrough to final prices was minimal. Smaller businesses have found little ability to negotiate with suppliers alongside limited pricing power. Alternatively, larger firms have been "sharing the squeeze" on margins through the supply chain, with various suppliers absorbing portions of the tariffs. However, many firms have exhausted cost-cutting methods and plan to implement price increases in the coming months by targeting increases toward products with stronger demand to minimize broader demand erosion.

Several contacts expect trade policy resolution in early 2026 that could provide clarity on cost and pricing structures.

## **Community Perspectives**

Many low- and moderate-income households have exhibited increasing signs of economic distress. Bankers noted customers' increasing reliance on debt to cover typical household expenses like food and utilities. Nonprofits reported an increase in requests for service referrals, especially in areas of housing, food, and employment assistance. Recent funding cuts and uncertainty have contributed to the decision of many nonprofit service providers to lay off staff, reduce operations, and prioritize short-term strategies over longer-term planning. Additionally, the federal government shutdown resulted in disruptions to multiple social services programs. For example, some states used state resources to continue paying Supplemental Nutrition Assistance Program (SNAP) benefits while also furloughing workers serving SNAP recipients, and philanthropic organizations provided bridge loans to ensure continuity of local Head Start programs. Small business owners reported a pause in Small Business Administration loan applications.

## **Consumer Spending**

Retail sales declined modestly. Lower- and middle-income consumers continued to exercise caution with discretionary spending. Higher-income consumer spending remained resilient. Restaurant groups reported that fine dining sales moderated as patrons traded down, and quick service restaurants saw a notable decline in sales, including on-demand food delivery orders. Automobile dealers experienced a modest decline in new vehicle sales, mostly concentrated in electric vehicles (EV) following the expiration of the EV tax credit. Expectations for holiday sales were generally positive but reliant on a bounce back of consumer confidence.

Overall travel activity was flat to slightly down. Business and group travel remained flat, leisure travel fell, and travel to the District from international visitors was muted. Average daily rates and hotel occupancy were down from last year amid diminishing consumer confidence and a further pullback in discretionary spending. However, contacts also attributed these declines to year-earlier comparisons of robust bookings during Taylor Swift's Eras Tour in parts of the District, as well as higher occupancies resulting from people displaced by, and those involved in the recovery efforts of, Hurricanes Helene and Milton. Hospitality contacts expect that major sporting events and festivals within the District will drive tourism in the coming year.

## **Construction and Real Estate**

Overall home sales declined slightly. Existing home inventory levels remained above recent averages. Moderating home prices and lower interest rates only slightly improved demand. The

move-up segment exhibited stronger demand than entry-level homes, though an increase in contingent offers reflected weaker conditions in the resale market. Homebuilders reported that improved buyer sentiment has not translated into increased sales, even as they maintained incentives like rate buydowns and price cuts. However, they were optimistic that continued declines in interest rates would motivate buyers during the peak selling season in the spring.

On net, commercial real estate conditions improved marginally. Office, multifamily, and some industrial vacancy rates fell, and demand for retail space was resilient amid growing capacity. The office sector saw modest increases in sales and new construction, with growing demand for Class A properties resulting from widespread return-to-office postures. Rents in the multifamily space were compressed further as vacancy rates, though improved, remained elevated.

## **Transportation**

District transportation activity was flat. Most contacts reported a lackluster peak shipping season. Volumes for trucking firms declined further. Short-line rail contacts indicated that demand was relatively flat compared with year-earlier levels. Class I railroads, however, saw robust intermodal freight volumes and increases in total traffic year-over-year. Demand for logistics firms was flat. Several District ports noted strong container volumes but a drop in auto shipments. Inland waterway activity remained strong amid growing coal exports and domestic steel shipments, while grain exports slowed.

## **Manufacturing**

District manufacturing activity was flat to slightly up. Specialty metals producers saw small year-over-year increases in demand and expect further improvement in 2026, while steel manufacturers reported solid activity overall with some softness in orders amid continuing economic uncertainty. Some food products manufacturers reported flat demand but anticipate softening in 2026 as new regulations related to artificial dyes are rolled out. Demand for producers of construction-related materials slowed because of declining housing starts and flat growth in commercial projects. Many manufacturers expect activity to remain largely unchanged over the next year.

## **Banking and Finance**

Loan growth in the District decreased slightly, with declines in the construction and auto segments being partially offset by marginal growth in credit card and multifamily portfolios. Bankers reported tighter underwriting, particularly around construction lending, resulting in fewer closings. Commercial lending remained subdued. Third quarter data showed delinquencies fell overall, though one third of financial institutions reported an uptick. No bank mergers were announced over this reporting period, but markets expect increased merger activity in the near term.

## Energy

Energy industry segments grew at a moderate pace overall. Crude oil and liquefied natural gas (LNG) production and LNG exports remained stable over the reporting period. Petrochemical manufacturers and crude oil refiners noted slowing investment due to uncertainty and increased costs associated with tariffs. Contacts reported strong demand for primary energy sources, particularly LNG, solar, and wind, and they attributed the strong demand to data center activity, which is expected to continue over the medium term.

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 rose slightly over the reporting period, though contacts expected a slight decline in activity over the next year. Employment, consumer spending, business spending, construction and real estate, and manufacturing all increased slightly. Prices rose moderately, wages were up modestly, and financial conditions loosened some. Prospects for 2025 farm income rose slightly.

## Labor Markets

Employment increased slightly over the reporting period and contacts expected a similar pace of growth over the next 12 months. Contacts largely reported softer labor market conditions, including low turnover, reduced absenteeism, and easier hiring. A few manufacturers said they were hiring just to cover attrition. A retail industry analyst expected that hiring for the holiday season would be weaker than last year and that companies might compensate with more hours for existing employees. There were a few reports of new hiring in manufacturing and construction, and a contact at an employment placement agency saw a small increase in demand. Wages and benefits costs were up modestly overall. Many contacts reported notably higher health insurance quotes as policies came up for renewal.

## Prices

Prices rose moderately in October and early November and contacts expected a similar pace of growth over the next 12 months. Producer prices grew moderately. Contacts reported a moderate increase in nonlabor costs, emphasizing higher prices for energy and raw materials. Manufacturing contacts attributed some increases in raw materials prices to tariffs. Overall, consumer prices rose moderately. One retail industry analyst said that while some price increases from tariffs had already materialized, they expected peak tariff impact to be in the first half of 2026.

## Consumer Spending

Overall, consumer spending increased slightly over the reporting period. Non-auto consumer spending increased slightly. Contacts noted that segments and retail corridors that cater to higher-



earning consumers continued to experience robust growth. Categories such as computers, appliances, and personal services such as salons and spas reported gains. Some value-oriented categories, including discount stores, also reported robust growth. In contrast, contacts in the apparel and grocery segments reported weaker demand. Overall, spending on leisure and hospitality grew, but the pace of growth slowed further with softer spending on hotels and airline travel. In the restaurant space, demand increased for fast casual and fast food but decreased for family dining. The owner of a family restaurant in central Indiana shared that soft sales were forcing them to absorb higher food costs. Light vehicle sales declined, especially for EVs following the end of federal tax credits.

## **Business Spending**

Business spending increased slightly in October and early November. Capital expenditures edged up and contacts expected an increase in spending in the coming year. One contact at an economic development agency indicated that businesses were increasing capital expenditures, particularly in automation, often without a corresponding increase in labor. One banking contact noted that while capital expenditures were up, companies remained cautious and often opted to replace parts instead of purchasing new equipment. Demand for truck transportation decreased slightly as freight rates remained low. Retail inventories were a little low, though new vehicle inventory rose slightly. Manufacturing inventories were a little high.

## **Construction and Real Estate**

Construction and real estate demand increased slightly on balance over the reporting period. Residential construction was unchanged. While demand for large renovation projects decreased, contacts noted increased demand for smaller renovation projects. Residential real estate activity rose slightly, spurred by lower mortgage rates, and showings were up modestly. Indianapolis-area contacts reported that starter homes had captured market share from other segments of the new home market. Prices and rents were unchanged. Nonresidential construction increased slightly. Contacts in the office and industrial segments indicated that demand for renovations and expansions of existing space was up. However, demand for large projects remained subdued except for data centers. Commercial real estate activity was unchanged, as were prices, rents, and vacancy rates. Demand for warehouse space was solid and contacts noted that smaller firms looking for smaller spaces were struggling to find good options.

## **Manufacturing**

Manufacturing demand increased slightly in October and early November. Fabricated metals orders rose modestly, driven in part by growth in the automotive and defense sectors. Machinery sales increased slightly, and one contact expected a slight increase in demand over the next year. Auto

production was flat. An industry analyst noted that the fire at an aluminum plant in New York and disruptions for semiconductors from China were crimping production at several plants in the District. Heavy truck production fell slightly amid soft freight volumes. Several manufacturers noted that changing tariff policies were making it difficult to plan for the future.

## **Banking and Finance**

Financial conditions loosened modestly in October and early November. Equity values rose, while bond values and volatility were flat on balance. Business loan volumes increased modestly. One contact reported greater demand from industrial and manufacturing clients and another noted that growth was from large companies. Business loan quality declined slightly, rates fell modestly, and terms tightened slightly. In the consumer sector, loan demand decreased slightly, with one contact noting a decline for RV lending. Loan quality decreased slightly, rates fell modestly, and terms were unchanged.

## **Agriculture**

Net farm income prospects for the District increased slightly during the reporting period as crop prices increased. Corn and soybean harvesting went quickly across most of the District, though dry conditions hurt yields in some places. District corn and soybean production was strong despite some disease pressures, and crop quality varied widely. Applying fungicides helped avoid some crop losses but also boosted costs. Soybean prices increased with additional international buyers, including the return of purchases by China. Corn and wheat prices also rose. Cattle prices decreased amid increased volatility in cattle markets, and hog, milk, and egg prices were down as well. Contacts reported highly variable financial performances by farms, with some experiencing steep losses and others making modest profits. Many farmers were delaying capital expenditures due to tight margins. With farmland values holding steady, most farm operations should be able to cover higher expenses for the 2026 growing season.

## **Community Conditions**

Community, nonprofit, and other nonbusiness contacts noted a slight decline in economic activity over the reporting period, highlighting growing concerns about economic conditions, reports of softening in the labor market, and increasing price pressures. Small business contacts noted that businesses in immigrant communities were seeing reductions in foot traffic and increases in worker absences due to local immigration enforcement activities. Social service organizations were weathering the disruption of the government shutdown by seeking new sources of financing

and they noted that the ongoing uncertainty makes it difficult to plan for service delivery. Workforce development contacts noted a softening in the recruitment and hiring of low-wage workers and lower demand in sectors affected by tariffs.

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



# Federal Reserve Bank of St. Louis

## Summary of Economic Activity

Economic activity has remained unchanged since our previous report, with contacts continuing to report a slowdown in demand. Employment levels have remained unchanged. Prices have increased moderately, with contacts expecting price growth to increase over the next six months. Contacts reported that the federal government shutdown disrupted operations and has contributed to lower demand. Automobile manufacturing continues to be negatively impacted by supply chain disruptions from an aluminum plant fire in September. The outlook has slightly deteriorated and can be described as pessimistic because of increased risks of higher inflation and slower activity.

## Labor Markets

Employment has remained unchanged since our previous report. Most contacts reported no change to employment levels, noting they are not hiring because of softening in demand. For example, a District manufacturing firm reported that demand was down and that this was affecting their hiring plans, a health services provider reported lower-than-expected volume, leading to lower employment and hours, and a staffing firm in Missouri reported delays in hiring.

Wage growth has been moderate. Some contacts noted that the lack of immigrant workers was putting slight upward pressure on wages. Contacts in the manufacturing, retail, and agriculture sectors reported ongoing wage pressures, while real estate contacts reported relatively weaker growth in wages.

## Prices

Prices have increased moderately since our previous report. While inflation pressures have eased slightly compared with the previous quarter, a greater share of contacts expect price increases over the next six months. Firms continue to absorb a significant share of their cost increases and are only passing some price increases to customers because of softer demand. Similar to previous reports, contacts attribute the cost increases to tariffs, but also to insurance and utilities. One contact described their cost pressures as stemming from “inflation catching up from the past.”

## Consumer Spending

Consumer spending has declined modestly, with contacts attributing the slowdown to uncertainty and tighter budgets. Auto dealers reported that sales had fallen short of expectations as consumers were cautious with spending and some customers were also more credit challenged. Additionally, contacts noted that the elimination of the EV federal tax credit has negatively impacted EV sales. A retailer in Kentucky reported that they were experiencing a little rebound versus the beginning of the year; however, sales were down about 20 percent from the same time the previous year. Another retailer reported that they were scheduling employees for fewer hours because of lower sales and that they had ordered less inventory in anticipation of a slower year. Many hospitality contacts across the District noted that sales had not met expectations. A restaurant owner reported seeing fewer customers and declines in spending per visit. Another restaurant contact noted their daily regulars were now coming in just two or three times a week and not ordering full meals like they used to.

## Manufacturing

Manufacturing activity was mixed; however, several firms reported that sales had fallen short of expectations. Food and beverage manufacturers reported solid sales. Automotive parts manufacturers reported slower activity in the past four weeks due to supply shortages from an aluminum plant fire in September; however, they expect activity to resume gradually as alternative suppliers become available. A St. Louis-based manufacturer reported that total sales had increased slightly but that this was due to price increases, as volumes were stagnant or a bit lower. Contacts' expectations for the next quarter were mixed. A Louisville manufacturer expects some pick-up in the next quarter, while a firm in Memphis expects a seasonal drop that will be worse than previous years.

## Nonfinancial Services

Activity in the nonfinancial services sector has been generally unchanged since our previous report. Logistics companies reported continued changes in the shipping strategies of businesses. A Kentucky-based transportation firm reported slower-than-expected demand. Passenger transportation was mixed, and airport contacts reported delays and disruptions due to the government shutdown. A hospital in St. Louis reported continued growth and consistent operational improvement over the past several months. Professional services firms reported a slight decline in sales. Several businesses in St. Louis reported that sales had fallen short of expectations because business-to-business demand decreased and clients were hesitant to invest in non-essential services. Nonprofit organizations reported that demand for food had at least doubled since the government shutdown and that in many cases they were not able to meet the demand, having to turn people away.

## Real Estate and Construction

Residential real estate activity has remained unchanged since our previous report. Real estate agents across the District reported that while sales had slightly improved relative to a year ago, they have not met their expectations. One contact reported housing inventory, while increasing, was still not at desired levels. Another contact noted that despite existing homes staying on the market longer, house prices were holding firm. A contact in Kentucky reported that in some cases people were building rather than buying older homes, as the cost of new construction was comparable to buying an existing home. However, the overall construction of residential properties remains low.

Commercial real estate contacts reported that the government shutdown and uncertainty were slowing sales and leasing activity. A construction business in St. Louis reported that work had slowed as there were fewer construction projects to bid on and that clients were less busy. An Illinois firm expects continued declines due to the lack of construction starts. However, others have noted an uptick in demand for industrial and retail space while having capital on the sideline waiting for lower rates.

## Banking and Finance

Banking activity has remained unchanged since our previous report. Contacts reported that overall credit conditions remain strong. Loan demand has slightly declined, but bankers expect demand to pick up next quarter, especially for commercial real estate. Contacts also continue to note that consumer past dues and delinquency rates have been steadily increasing over the past few months, and they expect this trend to continue as many household finances are stretched and savings account balances are depleted. Bankers reported continuing to tighten their lending standards. An Arkansas banker reported that underwriting is expected to be tighter across the board.

## Agriculture and Natural Resources

Agriculture conditions have remained strained but are slightly improved since the previous report. Recent low water levels in the Mississippi River have caused significant reductions in barge capacity and efficiency, resulting in further cost increases. A farmer in Mississippi reported that farmers are storing their crops and waiting for market movement to unload products, as supply is significantly above demand. Another farmer in Mississippi reported that conditions are starting to trend better, noting a slight increase in commodity demand.

Visit our [Regional Economic Data and Reports](#) page for more information about District economic conditions.



# Federal Reserve Bank of Minneapolis

## Summary of Economic Activity

Overall economic activity in the Ninth District was flat since the previous report. Employment decreased slightly, and labor demand continued to soften. Prices increased moderately, and wage growth was modest to moderate. Manufacturing, commercial construction, and residential real estate activity increased. Residential construction, commercial real estate, energy, and agriculture were flat, while consumer spending decreased. Activity among minority- and women-owned business enterprises edged slightly lower on balance.

## Labor Markets

Employment was down slightly since the last report. Surveys found that recent hiring demand continued to soften, and head counts dropped marginally. While normal seasonality played a role, contacts also noted recent or potential layoffs due to slower activity unrelated to cooler weather. A rising share of employers were not actively hiring, and more reported that some job openings would go unfilled. Retail firms expected subdued hiring for the holiday season, with one contact noting that “businesses will hire a bit, but perhaps less than the last few years.” A Minnesota mall contact reported that “far fewer” tenants needed additional holiday labor, and related head count would increase by about half the normal number. Hiring in construction has slowed, but more than one-third of firms reported that they were still seeking additional full-time labor despite softening overall activity. Employers noted modest improvements in labor availability, with exceptions among foreign-born labor. An apparent increase in layoff anecdotes has not translated into higher jobless claims; initial unemployment claims in October remained below year-ago levels.

Wage growth was modest to moderate. Recent surveys suggested that compensation growth was similar to the previous month but was appreciably slower than last year. This was particularly the case for starting wages for new employees. There was, however, a notable uptick in benefit costs, with employers reporting large increases in health-care premiums.

## Prices

Prices increased moderately, a faster pace of growth than the previous report. In a monthly survey, 29 percent of District firms increased the prices they charged to customers in October from a

month earlier, and a similar share anticipated increasing their prices in the month ahead. Input price pressures were more pronounced. Business contacts continued to report increases in employee health-care premiums for the coming year. Meanwhile, a medical provider said insurance payments were not keeping pace with increased costs for medical supplies and labor. A brewery reported that aluminum can prices recently increased 18 percent. Retail fuel prices in District states were flat on balance since the last report.

## **Worker Experience**

Workers across the region continued to experience a slowing labor market. The share of respondents to a quarterly District survey who reported being unemployed rose to four percent from three percent in the previous two quarters. Results also revealed that it may be taking longer for workers to find their next job. Confidence in job security dropped modestly, and the share of workers who said they were likely to stop working for reasons such as retirement and education dropped significantly from earlier in the year.

## **Consumer Spending**

Consumer spending was lower. Retail contacts reported a decline in recent sales, and profits were even more negative. Contacts noted that higher-income customers were unconstrained, but “customers in the middle to lower end of the financial spectrum are tightening the belt,” said one contact. Retailers in rural areas also had to deal with the fact that many farmers were cutting spending due to low crop prices and trade tensions. Expectations for holiday spending were modestly positive. New vehicle sales remained healthy, with some demand getting pulled forward, one dealer said, by customers’ belief that “the price might go up and [they] want to avoid paying more.”

## **Construction and Real Estate**

Construction activity edged up slightly across most of the region, but preliminary results from a District survey revealed ongoing downward pressure on the sector. Firms continued to work through backlogged projects and struggled to secure new ones. Increased competition for new projects and labor availability were the two top concerns among respondents. The real value of permits for new construction also rose slightly, with ongoing strong contributions from projects in Rochester, Minnesota.

Commercial real estate was flat. Industrial space saw increased speculative development but also an increase in subleasing. Other real estate sectors have seen comparatively little new construction come to market, which was keeping vacancy rates, leasing activity, and rents at healthy levels for retail and multifamily properties. Office markets continued to struggle with high vacancy rates,



and recent small improvements have stemmed mostly from transitions of office space to other uses. Residential real estate rose modestly. Closed home sales in October increased in a majority of markets compared with the same period last year; but a handful experienced slight declines.

## **Manufacturing**

District manufacturing activity increased slightly on balance since the last report. Slightly more industry contacts reported increased orders than decreased orders in October from the previous month, but relatively few reported no change. An index of regional manufacturing conditions indicated that activity decreased in Minnesota and North Dakota in October from the previous month, while activity in South Dakota increased. Contacts continued to report that uncertainty about the economic outlook was causing hesitancy in purchases by customers. A producer of automotive inputs reported that sales remained strong but felt that their firm was the exception in that segment.

## **Agriculture, Energy, and Natural Resources**

Agricultural conditions remained weak despite strong crop harvests in the District. Farm incomes in the third quarter fell from a year earlier for almost 80 percent of ag lenders, according to a recent survey; 70 percent reported that farm capital spending decreased. Contacts were hopeful but uncertain that a China trade deal might boost demand for bountiful soybean inventories. District oil and gas exploration activity was unchanged since the last report.

## **Minority- and Women-Owned Business Enterprises**

Activity among minority- and women-owned business enterprises (MWBEs) edged slightly lower on balance. Employment and labor demand were mostly unchanged, and most adjustments made by businesses were due to seasonality. More than a third of contacts reported increases in input prices. A hospitality contact in Minnesota singled out coffee prices as “alarming.” Expectations for activity in the coming weeks were modestly lower.

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 growth in the Tenth District slowed slightly, reflecting softer labor conditions, cooling consumer activity, and uneven business performance across sectors. Employment edged down through attrition, with service firms reporting the most notable moderation. Wage increases were in line with cost-of-living adjustments, as competition for labor remains soft. Prices continued to rise modestly, primarily for both discretionary and non-discretionary services, though most firms expect to pass through only a small share of input cost increases. Consumer spending weakened as foot traffic and leisure activity slowed. Oil and gas activity declined slightly as active rigs fell in response to oil prices dipping below profitable levels amid reports of global supply surplus. The agriculture economy remained subdued despite earlier gains in crop prices.

## Labor Markets

Employment declined slightly across the region over the past month, reflecting a modest cooling in labor activity. Demand for workers eased at a pace broadly aligned with the softening in labor supply, and much of this moderation is concentrated in service-sector firms. Reductions in head count continue to occur primarily through attrition rather than layoffs, suggesting businesses are still cautious about losing talent. Manufacturers noted a recent hiring uptick, driven by overworked staff, incremental increases in orders, and reduced uncertainty around tariffs, rather than a broad expansion in capacity. Most firms also indicated that the composition of their workforce remains stable, with no need to raise wages beyond standard cost-of-living adjustments for either new or existing employees. Business leaders broadly expect employment to hold steady and expect hiring to pick up in 2026.

## Prices

Input prices have moderately increased over the last month, with most of the upward pressure coming from both discretionary and nondiscretionary consumer service categories. Business services have experienced only minimal changes. The price increases have shifted to final goods in discretionary segments like retail. Firms in both services and manufacturing reported that only about 20 percent of input cost increases will be passed through to customers.

## Consumer Spending

Consumer spending has declined moderately over the past month, reflecting softer household activity across several categories. Contacts reported that the government shutdown placed additional pressure on retail and food service firms, with many noting a visible slowdown in foot traffic. Some discretionary businesses echoed this pattern. One firm remarked that now was the best time to get a tattoo, as even top artists have more open appointments than usual. Leisure and hospitality activity continues to soften slightly, with several contacts citing weakened consumer expectations tied to the shutdown, though business travel has shown a modest pickup. The outlook for 2026 has deteriorated slightly, as a growing share of firms now anticipate slower sales over the next six months compared with what they previously anticipated the month prior.

## Community Conditions

Community contacts in the Tenth District reported a softening and more risk averse labor market for low- and moderate-income workers. Contacts reported private and government sector layoffs contributed to more overqualified applicants for any open positions, as the ability of workers to find equivalent employment to their prior job was increasingly difficult. Employers were reportedly investing more in upskilling current workers in lieu of hiring more workers; however, that training was not always translating into advancement or wage gains. Workers, meanwhile, were hesitant to pursue non-employer-provided training without certainty of correlated wage gains. Contacts also said workers were less likely to leave current jobs due to the tighter job market.

## Manufacturing and Other Business Activity

Business activity slowed over the last month, with most of the softening concentrated in consumer facing service industries that reported clear declines in sales. Contacts noted the pullback in demand was broader across income groups than in prior months, reinforcing the sense of a more generalized slowdown in household demand. In contrast, manufacturing activity strengthened slightly, driven primarily by durable goods producers in primary metals, fabricated metals, machinery, and transportation equipment, where orders, shipments, and production all improved. Inventory levels were mostly stable for manufacturers, while service sector firms experienced a slight drawdown. Capital investment expectations for 2026 improved, and one contact shared firms are beginning to dust off expansion and equipment upgrade plans that were paused in 2025. Durable goods manufacturers anticipate stronger demand heading into next year.

## Real Estate and Construction

Contacts noted significantly more homeowners refinanced their homes in recent months (albeit from very low levels previously), with nearly all transactions involving some amount of equity

extraction. Contacts also reported the fast pace of growth in the opening of home equity lines of credit continued, though drawn balances on those lines remained unchanged. For renters, contacts indicated that rent growth declined modestly. However, the concessions offered to renters have become significantly more generous recently. For example, reports of three months or more of free rent for new tenants and longer leases at constant rents for existing tenants were common in many markets. Still, absorption of new multifamily housing units softened substantially. One exception was the market for affordable housing serving 50 percent of area median income and below, where lease-up rates remained firm and wait lists remained long.

## **Community and Regional Banking**

Loan demand and underwriting standards were mostly unchanged across lending categories, and overall loan quality remained relatively stable for District banks. The outlook for credit quality over the next six months is largely unchanged, though some respondents anticipate marginal deterioration in agricultural loans. M&A activity over the next twelve months is expected to increase modestly as firms seek to gain efficiency and market share amid a favorable regulatory environment. Deposit levels were relatively stable though several bankers indicated they experienced moderate growth in the past month. Growth was broad-based across deposit account types, with some respondents stating customers locked interest rates on certificate of deposit accounts prior to market rate decreases.

## **Energy**

Tenth District oil and gas activity fell slightly in recent weeks. Active oil rigs in the District decreased moderately as oil prices fell below profitable levels amid news of a global supply surplus. Contacts reported that well costs decreased modestly but are still less optimistic in the near term as they expect oil prices to fall further. Natural gas rig counts stayed steady as prices rose slightly to meet District firms' breakeven rates. Contacts noted natural gas prices have been slow to respond to projected data center and AI demand for electricity, as turbine manufacturing bottlenecks limit producers' capacity to fulfill this demand in the near and medium term. Additionally, coal production in Wyoming ticked up in recent weeks in response to increased spot prices.

## **Agriculture**

The Tenth District agricultural economy remained subdued despite increases in crop prices during early November. Corn prices increased about five percent from mid-October while soybean and wheat prices increased over ten percent alongside optimism surrounding increased export activity in the coming months. The increase in prices could support revenues; however, profit opportunities are likely to remain narrow and continue weighing on farm finances in many portions of the region. Lenders reported a modest increase in ranchland values as strong cattle prices continued

to support conditions in some areas of the District, and despite ongoing weakness among crop producers, cropland values remained steady.

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 weakened slightly over the reporting period. Declines were seen in nonfinancial services, retail, and banking. Weakness continued in the housing market, and energy activity was flat. The manufacturing sector remained resilient, however, with production growth continuing at a modest pace. Employment fell on net, and prices increased moderately. Outlooks generally worsened, with contacts citing an economic slowdown, tariff concerns, interest rates, and heightened uncertainty.

## Labor Markets

Employment continued to fall over the reporting period, though some hiring was seen in the manufacturing sector. Head count reductions were reported by firms in the service, retail, and energy sectors, with an oilfield contact noting “as long as we keep finding ways to keep production flat with fewer people, we’ll keep shrinking [employment].” Staffing services contacts noted steady demand for both temporary and direct hires, except in manufacturing where demand was up. Some said employers were delaying hiring decisions. A health-care contact cited hiring challenges for residency positions because of much-higher H-1B visa fees. Several contacts noted that AI is allowing workers to reduce time spent on routine tasks. Overall, wage growth remained modest.

## Prices

Selling prices increased moderately overall, and input price growth remained elevated in the manufacturing and retail sectors due to tariff impacts. A manufacturer noted rising raw material costs from international vendors as well as national suppliers. Another said tariffs have now begun to more deeply impact their overall margin and profitability, and that they expect this to continue for the next several months. Some contacts said customers were pushing back on price increases. One noted difficulty in collecting outstanding customer payments.

## Manufacturing

Factory output continued to grow at a modest pace over the reporting period, while new orders were largely unchanged. Strength was seen in durable goods, especially transportation equipment

manufacturing. One contact noted steady auto assembly activity overall, and an increase in hybrid vehicle sales compared to year-ago levels. There was some weakness in nondurable goods, particularly food and petrochemical manufacturing. A petrochemical producer noted that customers were holding back or canceling orders in some cases due to the high level of uncertainty in the market, particularly regarding trade policy. Tariffs and trade policy uncertainty have clouded overall manufacturing outlooks, as has uncertainty about the strength of the economy in general.

## **Retail Sales**

Retail sales fell over the past six weeks, though wholesalers reported flat to increasing activity. Some retailers said sales were affected by the federal government shutdown, including a pharmacy who said patients were having trouble affording their medications. Auto dealers reported weak sales, causing inventories to build, and tighter margins due to higher costs. A food distributor noted a decrease in Hispanic shoppers due to immigration enforcement. Outlooks worsened overall, with contacts citing tariffs and softening consumer demand as headwinds.

## **Nonfinancial Services**

Activity in nonfinancial services contracted over the reporting period. Weakness was broad based across industries, with the exceptions of transportation services and of leisure and hospitality, though one contact said the government shutdown was taking a toll on hotel and travel demand. A negative impact from the shutdown was noted by a couple of other contacts as well, including a travel agency with a customer base largely consisting of federal agencies. Overall, the government shutdown added to the already extensive list of concerns among services firms, which includes tariffs, price pressures, policy uncertainty, and immigration enforcement. Several contacts said high interest rates remain a headwind, and some small businesses were struggling to obtain credit from banks. Outlooks among services firms worsened, on net, though revenue six months ahead is still expected to be higher than current levels.

## **Construction and Real Estate**

The housing market remained under pressure. Foot traffic and sales stayed weak despite declining mortgage rates. Builders noted ongoing reliance on incentives to close deals, and new home inventories were elevated. Home starts slowed further and were lagging new home closings. Margin compression persisted, and outlooks remained pessimistic amid continued weak demand and elevated economic uncertainty.

Commercial real estate activity was mixed. Growth in apartment demand moderated in October, and rent concessions remained widespread. Meanwhile, office leasing improved, with contacts

noting signs of stability. Demand for industrial space remained healthy but was slowing in some markets.

## **Financial Services**

Loan volume and demand fell in November after several months of growth. Volume declines were led by consumer and by commercial and industrial lending. Credit standards and terms were unchanged, while a broad-based decline was seen in loan pricing, with more than half of bankers reporting a decrease. Overall loan performance deteriorated at a faster pace than was reported in the previous survey. Bankers reported stable general business activity, and their outlooks remained mixed. Survey respondents said they expect growth in loan demand and business activity but continued deterioration in loan performance over the next six months. Financial and economic uncertainty and net interest margins were the top two outlook concerns cited by bankers, followed by liquidity, cybersecurity, and fraud.

## **Energy**

Drilling and well completion activity was flat over the past six weeks. Producers remained concerned about low oil prices and said that without a material increase in prices, U.S. crude oil production would decline in 2026. Breakeven costs for wells were rising due to increases in input costs. Several firms noted project delays due to low oil prices and an uncertain policy environment, but pipeline contacts were optimistic about their business going forward, crediting regulatory relief and favorable tax policies.

## **Agriculture**

Drought conditions worsened somewhat across the District, though the warm and dry weather was favorable for the cotton harvest. Overall row crop production this year was solid, with yields generally coming in above average. However, the low crop price environment is tough on farmers, many of whom will rely on farm safety net programs this year to help them get by. Beef demand remained resilient, though exports waned, and cattle prices declined over the reporting period. Wholesale turkey prices were up substantially from last year, but it's not clear how much this will impact retail prices for Thanksgiving, as many grocery stores lock in prices with wholesalers in advance and run holiday promotions and specials. Looking ahead, the farm outlook is challenged by dry soil conditions and sub-profitable crop prices.

## **Community Perspectives**

Nonprofits continue to see elevated demand for a broad range of social services. The pause in Supplemental Nutrition Assistance Program benefits was driving the need for additional food



support, as well as contributing to demand for other services. One contact noted a notable increase in demand for career counseling services over the past six weeks. Another said that the fastest growing need is help getting employment quickly, noting that clients were not very interested in job training but rather getting any job right away to earn some income. Recent changes to state and federal funding were top of mind for contacts. For several nonprofits, funding delays and cuts materially impacted operations, including fewer delivered services.

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 conditions in the Twelfth District were mixed during the October to mid-November reporting period. Employment levels largely held steady as most employers hired primarily to replace voluntary departures. Wages rose somewhat, and prices were up modestly. Activity in retail trade, agriculture, and residential real estate eased slightly while activity in services and commercial real estate remained largely unchanged on balance. Manufacturing activity was mixed. Lending activity strengthened marginally. Conditions in community support organizations and small businesses worsened somewhat. Contacts' economic outlook was little changed over the reporting period.

## Labor Markets

Employment levels largely held steady over the reporting period. Most contacts reported no major changes to their head counts and hired primarily to replace retiring workers and voluntary departures. Overall turnover was low. While layoffs occurred in some industries, including technology, banking, community services, and entertainment, hiring increased in some sectors including manufacturing and health care. Employers received more applications for open positions and generally found it easier to hire. Nonetheless, finding applicants with specific skills continued to be challenging for some positions in legal services, manufacturing, and skilled trades. Employers focused on finding efficiencies and increasing productivity, including by using artificial intelligence (AI) technologies. One contact in agriculture highlighted increased difficulties in hiring workers due to immigration visa revocations.

Wages rose somewhat in recent weeks, similar to the previous reporting period. Wage growth was in line with historical average rates, as upward pressures weakened somewhat due to slower hiring and plentiful applications to open positions. Nonetheless, upward wage pressures persisted in child care, hospitality, and quick service restaurants, related in some cases to return-to-office mandates. Higher local minimum wage requirements or recent labor union contract negotiations contributed to wage pressures in some areas.

## Prices

Prices were up modestly, at a similar pace to the prior reporting period. Contacts reported higher costs for supplies and inputs, including food, beverages, retail merchandise, chemical products, shipping, insurance, and technology services. In some cases, higher costs were directly attributed to import duties. Retailers and entertainment venues reported passing cost increases on to consumers. Some manufacturers, contractors, and hoteliers chose to absorb higher costs or even decrease prices in some cases. Rates for air travel were reportedly stable, while prices for wall-board, asphalt, and some other building materials fell. Contacts in agriculture mentioned that prices for hay and fertilizers also decreased.

## Community Conditions

Conditions for community support and services organizations worsened this reporting period. Demand increased for food assistance in particular, which a number of contacts attributed to the government shutdown and reductions in SNAP benefits. Inventories at some food banks were strained by the increase in demand. Funding constraints continued to curtail organizations' abilities to meet demand. One contact noted that the funds nonprofits receive from their thrift stores declined. Closures by small businesses, particularly retail and restaurants, continued as owners faced higher costs for insurance, utilities, and labor. Conditions in higher education varied. One contact reported higher enrollment numbers across four- and two-year institutions, while another reported cuts to funding and programs.

## Retail Trade and Services

Retail activity decreased further, at a similar pace to the previous reporting period. Inventory levels and capacity utilization were adequate to meet demand. Retailers and grocers observed lower discretionary spending, in part because consumers switched to lower-cost alternatives and were more conservative with holiday spending plans. Sales at home centers were stable. Spending at tourist destinations and shopping centers across the District was mixed. Retailers generally expected holiday sales to be comparable to or slightly lower than last year's holiday season sales. One contact mentioned that demand for athletic apparel was poor while footwear sales were more robust.

Conditions in the consumer and business services sector were largely unchanged on net. Consumers at the lower end of the income distribution continued to reduce their discretionary spending, including on full-service restaurant dining, elective health care, entertainment, and beauty and personal services. Demand at quick service restaurants grew on net amid an ongoing shift toward greater-value options. Demand from consumers at the higher end of the income distribution was resilient. Travel and hospitality conditions varied across the District depending on

location: weaker in Southern California, stable or slightly improved in Alaska and Hawaii, and mixed in Nevada. Air traffic volumes were down due to a variety of factors, including usual seasonality, extreme weather events, and the government shutdown.

## **Manufacturing**

Manufacturing activity was mixed over the reporting period. While demand picked up for furniture and automated packaging equipment, manufactured wood product demand remained weak due to a slow construction environment. Manufactured food product sales were generally stable. Reports highlighted increasing costs for raw materials. One Pacific Northwest manufacturer noted that suppliers' prices rose at a faster pace than what they felt comfortable with passing on to clients.

## **Agriculture and Resource-Related Industries**

Conditions in agriculture and resource-related sectors weakened somewhat. Demand for crops from domestic markets was largely stable. Demand for logs fell as mills that process logs into lumber cut back production. Demand for wine grapes fell both domestically and internationally, and weaker dairy markets in Asia and a generally strong dollar lowered hay exports. Production of commodity crops, such as grains, soybeans, and potatoes, exceeded demand, holding down prices received by growers. Generally cooler weather in California improved the quality of produce harvested. Costs for growers and producers continued to increase, including for labor, materials, and financing. Cattle prices fell slightly but remained above prices that processors received for beef products, creating some financial strain. One contact reported that seasonal labor shortages in Hawaii led growers to leave some crops unpicked.

## **Real Estate and Construction**

Activity in the residential real estate market eased slightly. In the single-family market, properties stayed on the market longer as demand softened. Multifamily rents were largely stable, and one contact observed fewer concessions from landlords. New residential construction and renovations remained subdued overall, resulting in lower demand for construction materials like lumber and roofing. One contractor in the Mountain West partly attributed the limited activity to funding constraints for building ancillary infrastructure, such as roads and sewers.

Conditions in commercial real estate were largely similar to those in the prior reporting period. Rent increases were reportedly in line with inflation for retail and industrial space, while rents in the office sector were stable. New commercial construction remained concentrated in new data centers and projects for education, health, and government, and more limited in other sectors. Several contacts noted some cost declines in construction projects due to competition among bidders.

## Financial Institutions

Conditions in the financial sector strengthened marginally over the reporting period. Consumer demand for mortgages and auto loans slightly softened, while utilization of credit cards rose. Loan demand expanded from commercial borrowers, particularly those in some commercial real estate categories. Deposit flows were stable on net, and deposit rates became more competitive. Credit and asset quality remained high, and the prevalence of delinquencies remained generally low.

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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