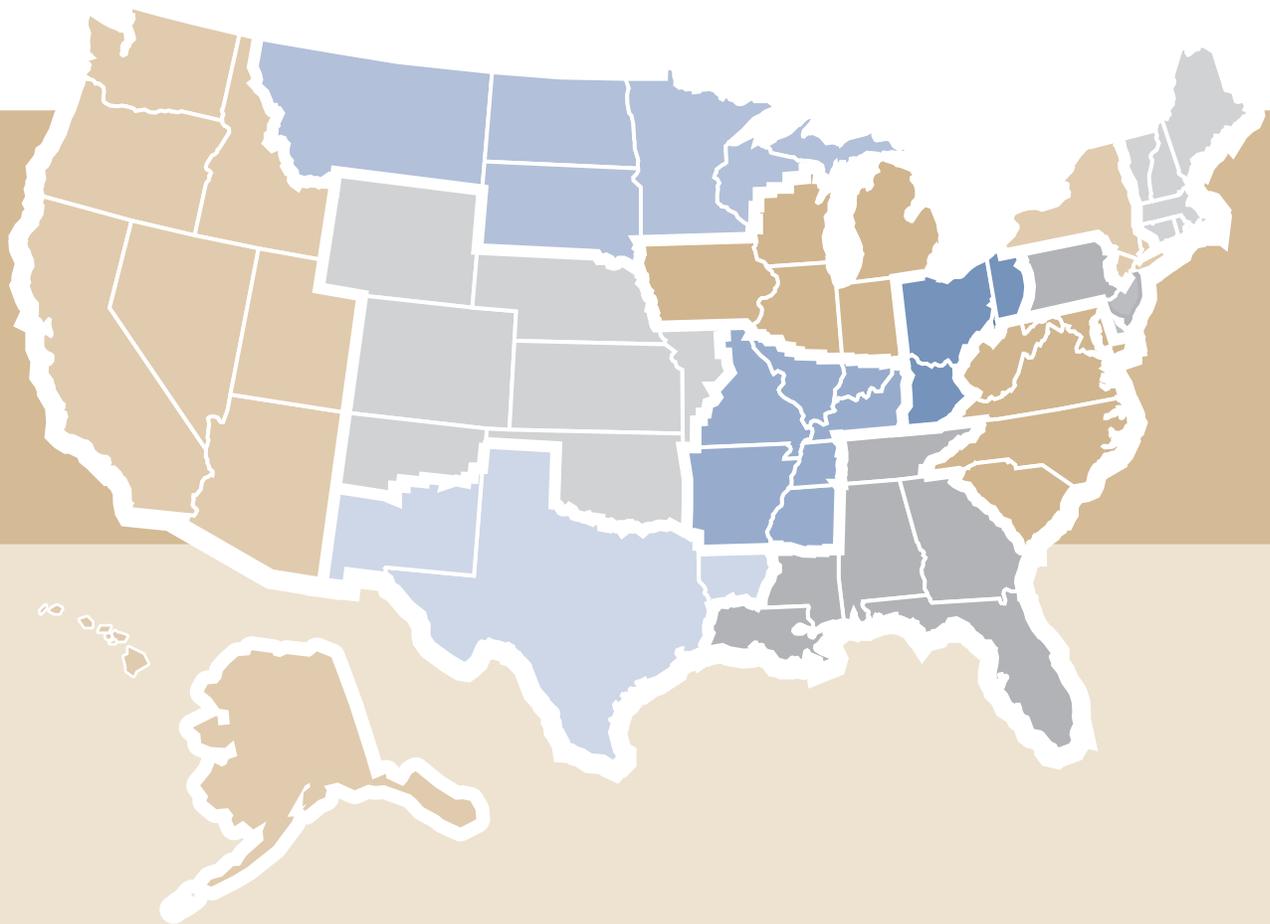




The Beige Book

Summary of Commentary on
Current Economic Conditions by
Federal Reserve District

February 2026



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

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

Overall economic activity increased at a slight to moderate pace in seven of the twelve Federal Reserve Districts, while the number of Districts reporting flat or declining activity increased from four in the prior period to five in the current period. Although consumer spending increased slightly on balance, two Districts reported ongoing declines, and many noted that sales were dampened by economic uncertainty, increased price sensitivity, and lower-income consumers pulling back on spending. Districts impacted by winter storms said that retail traffic generally slowed, and one District said immigration enforcement activity negatively affected customer demand in urban areas. Auto sales were mostly down for Districts that reported on them, with many citing continuing affordability issues. Manufacturing activity improved overall since the previous reporting period, with eight Districts reporting varying degrees of growth and two reporting declines. Manufacturing contacts in many Districts reported increases in new orders, and several cited boosts in demand from data centers and, relatedly, energy infrastructure. Transportation activity was mixed across Districts that reported on it, with three reporting contractions and two reporting modest growth. Overall, financial services activity was reported as stable to up, with commercial lending being the primary area of strength. For most Districts that reported on residential real estate and construction, sales and activity decreased slightly, with low inventories and affordability remaining key issues. Nonresidential construction activity was mixed across reporting Districts but increased slightly on net. Among reporting Districts, agricultural conditions were mostly flat, and energy activity grew modestly on balance. Overall, economic expectations were optimistic, with most Districts expecting slight to moderate growth in the coming months.

Labor Markets

Employment levels were generally stable in recent weeks as seven of the twelve Districts reported no change in hiring. Contacts in several Districts cited rising nonlabor input costs, softer demand, or uncertainty about overall economic conditions as reasons for flat or lower employment levels. Firms in some Districts and in various sectors looked to AI or other forms of automation to gain efficiencies, with most emphasizing the goal of productivity enhancement rather than worker replacement. Wages rose at a modest or moderate pace in most Districts as firms competed for

Note: This report was prepared at the Federal Reserve Bank of Cleveland based on information collected on or before February 23, 2026. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

talent in select areas, including the skilled trades. Several Districts continued to report upward pressure on total compensation due to rising health insurance premiums.

Prices

Prices increased moderately in recent weeks, with eight Districts reporting moderate price growth and four seeing slight or modest increases. Many Districts reported that costs rose across several nonlabor inputs, including insurance, utilities and energy, and metals and other raw materials. Nine Districts mentioned that tariffs contributed to increased costs. Some firms continued to pass tariff-related cost increases through to their customers, and others began to do so after having absorbed previous increases. Still, most Districts received reports of some firms holding selling prices stable despite higher costs because their customers were increasingly price sensitive. On balance, firms expected prices to rise at a somewhat slower pace in the near term.

Highlights by Federal Reserve District

Boston

Economic activity was flat on balance, as was consumer spending. Employment edged down, and wage growth was slight. Prices rose modestly, as several contacts reported ongoing cost pressures from tariffs, while certain food prices were marked down from previously elevated levels. The outlook improved, but financial pressures on low-income families remained intense.

New York

Economic activity declined modestly despite a small pickup in manufacturing. Employment remained flat, and wage growth was steady and modest. Selling price increases remained moderate. Consumer spending grew slightly, though uncertainty prompted some consumers to pause major purchases and pull back on spending. Businesses expected conditions to improve somewhat.

Philadelphia

Economic activity in the Third District grew modestly, up from a slight pace last period. Sales activity grew, despite many contacts noting that activity was hampered by adverse weather. Employment levels again rose modestly. Firms reported own-price inflation ticked down in the first quarter, while wage inflation remained modest. Contacts continued to report that low-, middle-, and fixed-income households were struggling to pay for necessities.

Cleveland

Fourth District business activity increased modestly in recent weeks, with continued modest growth expected in the months ahead. Manufacturing and commercial construction contacts reported increased demand, with several highlighting data center development as a primary driver of activity. Nonlabor cost pressures remained robust, while selling prices continued to increase moderately.

Richmond

The regional economy continued to grow modestly in recent weeks. Consumer spending on retail was flat while spending on travel and tourism increased slightly. Manufacturing and residential real estate activity declined while commercial real estate activity increased moderately. Employment increased slightly. Prices continued to grow at a moderate year-over-year rate.

Atlanta

Economic activity expanded at a modest to moderate pace. Employment was flat to down somewhat; wages grew modestly. Prices were flat to slightly up. Consumer spending and tourism increased. Housing demand improved, but commercial real estate slowed. Transportation demand was flat to slightly down, while manufacturing was up slightly. Energy activity grew moderately.

Chicago

Economic activity increased slightly. Manufacturing demand rose modestly; consumer spending and construction and real estate activity rose slightly; employment and business spending were flat; and nonbusiness contacts saw no change in activity. Prices and wages rose moderately, and financial conditions loosened. Farm income in 2026 was expected to be similar to 2025.

St. Louis

Economic activity has remained unchanged since our previous report but is expected to increase over the next few months. Employment levels were unchanged. Wages and prices continued to increase moderately. The outlook among contacts has improved to be cautiously optimistic.

Minneapolis

District economic activity fell slightly. Employment softened while labor demand was little changed. Wage growth was moderate, and prices ticked up modestly. Consumer spending fell. Manufacturing decreased moderately. Construction activity was moderately lower with larger declines in nonresidential building. Agricultural conditions remained largely unchanged at weak levels.

Kansas City

Economic activity in the Tenth District increased slightly over the reporting period. Labor conditions remained steady, with firms utilizing technology and workflow improvements to ease operational constraints. Prices have increased slightly. Energy activity increased modestly as higher oil and natural gas prices supported additional drilling activity.

Dallas

Economic activity in the Eleventh District expanded moderately over the reporting period, vigorously in manufacturing and modestly in services. Bank lending, retail sales, and commercial real estate transactions grew. Energy sector activity declined and agricultural conditions worsened. Employment grew slightly, while wages and prices increased modestly to robustly. Outlooks remained steady despite elevated uncertainty.

San Francisco

Economic activity contracted slightly over the reporting period. Employment was stable on net, but layoffs were reported in technology services. Prices rose moderately, while wages grew slightly. Activity in retail and services weakened slightly, and contacts described a bifurcated economy. Conditions were stable in manufacturing and agriculture but mixed in real estate.



Federal Reserve Bank of Boston

Summary of Economic Activity

Economic activity was flat on balance, with mixed results across sectors. Consumer spending showed no change overall as increased spending on goods was offset by decreased tourism and hospitality spending. Manufacturing activity rose modestly, nonfinancial services activity edged up, and financial services activity was stable. Bank loan volumes and loan performance held steady. Commercial real estate activity weakened somewhat, and home sales declined moderately. Some small businesses experienced staffing disruptions and weaker sales associated with increased immigration enforcement. Employment declined by a small amount, wages posted slight gains, and prices rose modestly. The outlook improved somewhat on a general decline in uncertainty, even though several contacts continued to cite uncertainty as a significant concern.

Labor Markets

Employment was down slightly overall, even though most contacts reported no changes in head counts or job openings. One manufacturer cut employment in response to the combination of increased input costs and difficulty in passing those costs on to consumers. Wages registered slight gains overall as several contacts said wage pressures had eased recently. Benefits were flat, although some firms anticipated higher health insurance costs and planned to pass a portion through to employees. Staffing firms experienced increased demand as their clients' confidence in the economy strengthened. Several contacts noted an increase in job applicants, including some experienced workers applying for junior-level positions. However, recruiting skilled workers remained difficult, especially for in-person roles in Boston, as job applicants were discouraged by the high cost of living and difficult commutes. Most industries expected steady head counts over the next six months, except staffing and consulting firms, which anticipated increased hiring.

Prices

Prices rose modestly, as cost pressures were mixed. A regional grocer reported declines from a year earlier in the prices of various food commodities, including a large drop in the price of eggs and modest declines in dairy, coffee, and chocolate prices, resulting in lower retail prices on relevant items; but the same contact added that wholesale and retail beef prices rose substantially further. A sporting goods retailer said suppliers passed on tariff-related price increases, having

delayed them previously. A flower importer enacted a modest price hike—its third in the preceding 12 months—this time due to weakness in the U.S. dollar. In response, flower retailers reduced the number of stems per bouquet to raise effective prices. Manufacturers' input prices remained elevated due to earlier tariff-related increases but were unchanged recently, while their output prices increased slightly overall—although one firm enacted an above-average year-end price adjustment to maintain profit margins. Financial services prices rose moderately, according to one large firm. Several firms expected ongoing cost pressures from tariffs, but most did not expect to fully pass on cost increases to customers in light of heightened price sensitivity.

Consumer Spending

Consumer spending was flat since the previous report, on balance, with mixed results among contacts. Tourism and hospitality contacts reported modest declines in revenues on average, but retailers had somewhat stronger receipts overall. A grocery store chain experienced a boost in alcohol sales—temporarily bucking a longer-run downward trend—which it attributed to winter storms and the New England Patriots' football playoff games. A flower importer saw stable demand and revenues year-over-year for Valentine's Day but noted decreased demand from wholesalers since Christmas, excluding Valentine's Day. A sporting goods retailer noted stronger-than-expected sales volumes but expressed ongoing concerns about uncertainty and rising costs. Concerning the outlook, retailers grew slightly more optimistic on average, and tourism contacts said that elevated uncertainty continued to dampen the forecast.

Manufacturing and Distribution

Manufacturing activity rose modestly in recent months, with most contacts experiencing healthy demand coupled with ongoing, tariff-related pressures on raw materials prices. One lab equipment firm achieved strong revenue growth on a year-over-year basis despite some of its key customers facing headwinds related to federal policy changes. Capital expenditures and inventories were mostly stable and aligned with projections. One firm planned to expand as its international consumer base shifted production to the United States. The outlook improved on balance, with two machinery-manufacturing firms saying tariff-related uncertainty had stabilized. At the same time, other firms said uncertainty related to tariffs and other federal policies remained elevated, and one faced downside risks to profitability from foreign exchange rate volatility.

Nonfinancial Services

Among First District nonfinancial services firms, business activity, revenues, and profits all edged up from the previous quarter. Increased activity at staffing firms reflected a modest but welcome rebound in hiring for professional services and IT roles. Staffing firms reported no changes in pay rates or bill rates. Most contacts described feeling more optimistic about future demand for their

services and said that uncertainty had decreased. For staffing firms, increased optimism stemmed from expected further increases in hiring activity among their clients.

Financial Services

Financial services firms reported stable business activity, and bank loan volume was unchanged. Banks reported modestly higher loan demand and no change in nonperforming loans. Loan pricing declined modestly, with one bank explaining that a downward shift in competing local rates on mortgages and commercial loans had increased loan inquiries and put downward pressure on their own rates for loans in the pipeline. The outlook improved on average and uncertainty diminished, with one banking contact citing greater clarity on tariff policy as a positive development.

Real Estate and Construction

Commercial real estate activity dampened slightly across the First District. Industrial leasing activity slowed a bit, and rents for larger industrial properties softened; smaller industrial spaces, in contrast, registered stable, low vacancy rates and moderate rent increases. Retail leasing activity increased slightly, with rents rising modestly. Office leasing activity remained subdued. Multifamily investment activity pulled back a bit, which one contact attributed to a rent-control ballot initiative in Massachusetts. Lenders sought to increase their real estate portfolios but mostly avoided office properties; increased competition for non-office commercial property loans led to tighter interest rate spreads for those assets. A Worcester area contact said that elevated construction costs had blunted demand for both commercial and residential projects in recent months.

In residential markets, sales of single-family homes and condominiums fell moderately from a year earlier, results attributed to the especially snowy January. Single-family home prices increased moderately, while condominium prices fell slightly, both relative to January 2025. Inventories of single-family homes and condominiums increased moderately in northern New England states and fell sharply in Massachusetts. Properties spent substantially more days on the market than in January 2025. Residential real estate contacts maintained a positive outlook for the spring season, buoyed in part by recent declines in mortgage interest rates.

Community Perspectives

Contacts reported low- and moderate-income communities faced continued pressures from high costs of food, rent, and energy, including home heating. Increased reliance on food pantries, first reported last October, persisted in recent months, with especially acute needs in November with the temporary suspension of federal SNAP funds. Increased immigration enforcement was associated with negative impacts on economic activity, especially for small businesses. In one Maine

community experiencing an enforcement surge, many businesses noted disruptions in staffing and/or experienced decreased revenues from lower foot traffic. Several nonprofits reported difficulties satisfying the growing demand for their services, along with facing higher health-care costs, shrinking resources, and unstable federal funding.

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



Federal Reserve Bank of New York

Summary of Economic Activity

Economic activity in the Second District continued to decline modestly in early 2026 despite a small pickup in the manufacturing sector. On balance, employment remained flat, and wage growth was modest and steady. The pace of selling price increases remained moderate. Consumer spending grew slightly, though uncertainty prompted some consumers to pause major purchases and pull back on spending. Housing market activity was unchanged, constrained by limited inventory, which moved even lower across much of the District. Activity in the broad finance sector contracted slightly. Businesses expected conditions to improve somewhat in the coming months.

Labor Markets

On balance, employment remained flat. The retail and construction sectors reported a sharp decline in head counts, while employment fell modestly in the transportation, business services, health care, and leisure and hospitality sectors. Still, employment grew in the wholesale, information, and education sectors, and was steady in the manufacturing sector.

Demand for labor and hiring picked up slightly, although labor supply generally continued to exceed labor demand in what remained a low-hire, low-fire environment. Finance and specialized technology skills remain in high demand, but there has been some softening in the hiring of marketing and human resources professionals, where many candidates remain on the market. Despite weak hiring overall, contacts at larger firms with more stable operations continued to hire recent college graduates at steady levels, citing long-term employment needs and the belief that AI will increase productivity and business activity. There were no new significant layoffs noted this period.

Wage growth was steady and modest. The construction, wholesale, and leisure and hospitality sectors saw the strongest wage growth, while wage growth was more tempered among firms in retail, information, finance, and personal services. One service sector firm reported that minimum wage increases in New York State had compressed wages and amplified competition for lower-skilled workers near the minimum who now have more alternatives. Contacts anticipated continued modest wage growth in the coming months.

Prices

On balance, the pace of selling price increases remained moderate. Input price increases remained elevated, with tariffs a major driver of cost pressures. A food ingredient company noted that tariff-driven increases in input costs were being passed through the supply chain to consumers, with some food manufacturers strategically reducing product quantities per package while keeping package prices constant. One firm reported opening a credit line to help with cash flow due to elevated costs, even as they planned to pass on tariff-induced cost increases to their customers. A steel manufacturer noted that the cost and selling price of steel were rising. Contacts across many industries reported sharp increases in the cost of employee health insurance and utilities, which in some cases was challenging the sustainability of their businesses. For the first time in a year, service firms anticipated some easing in selling price increases in the coming months, though manufacturers expected an elevated pace of price increases to continue.

Consumer Spending

Consumer spending grew slightly during the reporting period, though economic uncertainty prompted some consumers to pause major purchases and pull back on spending. In addition, harsh winter weather kept many consumers at home. Smaller retailers reported a sharp decline in activity. However, spending at food and beverage stores ticked up somewhat. A major retailer reported that sales revenues surpassed last year's levels but were driven by elevated selling prices due to the cost pass-through from tariffs; sales gains remained concentrated among higher-income consumers, who nonetheless remained price-conscious and shopped across multiple outlets to find value. Auto dealers in upstate New York reported both new and used car sales continued to decline, marking an exceptionally slow start to the year, with affordability, uncertainty, and the lack of manufacturer incentives contributing to tepid sales. Still, high volume brands with more affordable offerings performed relatively well.

Manufacturing and Distribution

Manufacturing activity rose modestly during the early part of the year, with new orders and shipments edging up. Supply chain disruptions constrained some manufacturers' operations, particularly as tariffs continued to evolve amid geopolitical uncertainty. Overall, though, supply availability held steady. Activity continued to decline among wholesale and distribution firms. Still, a shipping industry contact noted that import volumes continued to grow despite pessimistic business sentiment, supported by steady demand and easing freight rates. Manufacturers remained fairly optimistic about the outlook.

Services

Activity in the service sector contracted moderately. The leisure and hospitality sector saw a particularly sharp decline in activity, with some contacts reporting that harsh winter weather was a factor. Activity in the business services sector also declined significantly. A research firm noted that instability in government support of scientific research had a negative impact on their business. Contacts in education, health care, and personal services reported more moderate declines. However, firms in the information sector saw some growth after a long period of contraction. Conditions were particularly challenging for smaller firms, as larger firms have navigated the uncertain business environment better and were more able to realize productivity gains from AI.

New York City's tourism sector remained resilient, with the hotel sector performing exceptionally well and hotel rates continuing to rise. Luxury hotel bookings rose substantially, though the mid-scale and economy segments were down slightly. Ticket sales at Broadway theaters rebounded after plateauing in the fall and are now running ahead of last year. Attendance at attractions lagged slightly, particularly for outdoor-dependent attractions, like the Statue of Liberty, where cold weather muted activity.

Real Estate and Construction

Housing market activity remained flat, constrained by limited inventory, which declined further from already low levels across much of the District. Home prices continued to rise. Bidding wars remained prevalent in New York City's suburbs and upstate New York, where snow and frigid temperatures kept some homeowners from listing properties and put some searches on hold. Still, cash transactions and deals without contingencies remained fairly common.

The rental market remained tight in and around New York City, with vacancy rates below the long-term average for this time of year. Average rents reached an all-time high.

Commercial real estate markets strengthened slightly. New York City's office market continued to improve, with declining vacancy rates and rising rents, though the demand for lower-quality office space remained tepid and rents in this segment slumped. Although leasing activity sagged in midtown Manhattan, midtown south and downtown saw particularly strong demand compared to last year. Construction activity continued to decline across the District, albeit at a slightly slower pace than last period, despite reports of inclement weather disrupting operations.

Banking and Finance

Activity in the broad finance sector contracted slightly. Small to medium-sized banks in the region reported that demand for consumer loans and residential mortgages declined since the previous

period, which one banker noted was typical for the winter season. Demand for commercial mortgages and refinances edged up slightly. Contacts reported that credit standards were mostly unchanged, though one contact reported tighter credit standards for business loans and commercial mortgages. Deposit rates continued to move lower. Delinquency rates were up slightly.

Community Perspectives

Housing affordability continued to strain low- and moderate-income households, with tight inventory and persistently steep increases in home prices and rental costs. Access to public housing remained severely constrained, with families relying on vouchers competing in tight private markets with limited available properties. Contacts reported that arrears were increasing. New affordable housing projects remained constrained by high per-unit development costs, rising insurance and interest expenses, long timelines, and complex funding.

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



Federal Reserve Bank of Philadelphia

Summary of Economic Activity

Business activity in the Third District grew modestly this period, up from a slight pace of growth in the prior period. Sales activity continued to grow even as many contacts noted that activity was hampered by adverse weather—significant snowfall and persistent subfreezing temperatures. Employment levels increased modestly, unchanged from the last period. Wage inflation was unchanged at a modest pace. Price pressures remained elevated, and affordability concerns persisted for low-, middle-, and fixed-income households. Firms' own-price inflation ticked down but remained at a moderate pace. Expectations for economic growth over the next six months remained widespread across sectors but were stronger among manufacturers than nonmanufacturers.

Labor Markets

Employment continued to increase modestly overall; however, manufacturing firms reported declines in February. The full-time employment index for nonmanufacturers edged higher in January and February but continued to reflect a modest pace overall. The part-time employment index, however, fell flat in January then bounced back to a slight increase in February. Manufacturing firms reported a modest increase in employment in January but a slight decline in February. In February, the average workweek index rose sharply among nonmanufacturers but fell sharply among manufacturers.

Reports from staffing contacts were mixed during this period. While most contacts reported low rates of turnover, which resulted in less need to hire during the period, some contacts reported increased hiring for unskilled jobs in the manufacturing and distribution sectors. Meanwhile, non-profit contacts reported higher-than-normal turnover in leadership roles and difficulty in backfilling these positions because of a lack of experienced candidates.

Wage inflation remained unchanged at a modest pace. Contacts across all sectors continued to report no wage pressures and annual cost-of-living adjustments in the typical range of 2 percent to 3 percent.

In the first quarter of 2026, firms' expectations of the one-year-ahead change in compensation cost per worker registered a trimmed mean of 3.2 percent—largely unchanged for a third

consecutive quarter. Expected changes in compensation were higher among manufacturers at 3.7 percent than nonmanufacturers at 2.8 percent.

Prices

On a quarterly basis, firms continued to report moderate increases in prices received for their own goods and services over the past year. The trimmed mean for reported price changes, based on responses from all firms to our first-quarter survey, ticked down to 2.8 percent from 3.0 percent in the fourth quarter, double the 1.4 percent reported one year ago.

Almost 40 percent of the firms reported that their customers have become more price sensitive since last quarter—down from 59 percent in November; 56 percent reported little change. Several contacts reported no plans to increase prices as a result. Nonprofit contacts continued to report increased demand for food; clients are struggling with the increased costs of necessities while reporting stagnant incomes. One nonprofit contact shared that some clients on fixed incomes have begun to cut their discretionary spending to pay for essential goods and services.

Looking ahead, firms anticipate higher price growth in the next year. The trimmed mean of price increases for firms' own goods and services was 3.1 percent in the first quarter of 2026, higher than 3.0 percent for three of the past four quarters. It was at 2.6 percent in the first and fourth quarters of 2025. The trimmed mean for inflation expectations was 3.6 percent for all firms in the first quarter of 2026, unchanged from the prior quarter and one year ago.

Manufacturing

Manufacturing activity rose modestly in January and February on average, up from a slight pace in the last period. The index for new orders increased, with almost 30 percent of the firms reporting increases in new orders. The index for shipments rose in January and fell to near zero in February, with almost equal shares of firms (22 percent) reporting increases and decreases. The index for general activity turned positive in January and strengthened further in February. Surveyed firms cited a lack of skilled workers and a lack of demand due to tariff uncertainty and weather-related disruptions as challenges to business in February.

Manufacturers' optimism about growth over the next six months was more widespread over January and February. The indexes for new orders and shipments rose in February. On average, 60 percent of the firms expect increases in new orders and shipments over the next six months, up from 50 percent in January. Each future activity index remained near or above its nonrecession average.

Trade and Services

Nonmanufacturers again reported a modest increase in activity over January and February. The sales/revenues index started strong in January and ended at a modest level in February. The new orders index was modestly positive in January and turned modestly negative in February. Non-manufacturing firms most often cited general economic uncertainty as a challenge to business.

Retailers (nonauto) reported that activity was up slightly, after being steady last period, despite adverse weather reducing traffic to the stores.

Auto dealers reported a moderate decline in sales in January, after a modest decline in December. Contacts attributed decreased showroom traffic to snow and below-average temperatures. Further, contacts noted that affordability challenges persisted for the sector.

Tourism activity rebounded and increased modestly in the current period, after a slight decline in the last period. Contacts reported a strong start to 2026 owing partly to several conferences and conventions being held in Philadelphia. Additionally, the increased snowfall has benefited the ski resorts in the District.

Expectations for own-firm growth in the next six months remained widespread. The diffusion index increased sharply in January and remained largely unchanged in February. However, the index remained below its nonrecession averages.

Real Estate and Construction

Existing home sales declined modestly after a slight decline in the last period. Inventory levels remained low, and one contact reported that the snowfall caused potential sellers to delay listing their homes in January. New-home builders again reported slight declines in sales and construction activity overall. Based on existing contracts, one builder has already sold out its supply of homes for 2026, although the inventory was lower than in 2025. Affordability issues persist, as already-high home prices edged up.

In nonresidential markets, contacts continued to report a slight decrease in activity this period. Building construction declined slightly, and one contact reported that the major construction projects are data centers and health-care projects, with no new starts yet scheduled for 2026. One contact in the engineering sector reported winning proposals for new work, but some clients have funding challenges, which has stalled some projects. One contact that leases to restaurants noted an increase in vacancies, as this sector appears to be struggling.

Credit Conditions

The volume of bank lending (excluding credit cards) declined slightly during the period (not seasonally adjusted), after being steady last period.

District banks reported a modest decline in auto loans and essentially no change in mortgages and commercial real estate volumes. This weakness was partially offset by slight growth in home equity lines and a modest increase in commercial and industrial loans. Credit card volumes fell sharply—a typical seasonal trend as consumers paid down holiday balances.

Two banking contacts reported strong growth in commercial loans, as their clients appear eager to get projects started. Three contacts reported no uptick in consumer loan growth because lending standards were tightened in the fall. Consequently, contacts reported no uptick in delinquencies. Small business contacts continued to have challenges accessing capital.

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



Federal Reserve Bank of Cleveland

Summary of Economic Activity

On balance, contacts reported that business activity in the Fourth District increased modestly in recent weeks, with continued modest growth expected in the months ahead. Manufacturing and commercial construction contacts reported increased demand, with multiple contacts noting that the majority of activity came from data center buildouts. Freight contacts reported that demand for their services grew modestly; however, they attributed this to reduced capacity rather than increased freight volumes. Meanwhile, consumer spending was flat. Overall, contacts said that their employment levels remained flat and that wage pressures grew moderately. Nonlabor cost pressures remained robust, and selling prices continued to grow moderately.

Labor Markets

Reports indicated that employment levels remained flat on net in recent weeks. While some construction, financial services, and professional and business services firms added staff to support growth, others across sectors reduced head counts because of soft demand, cost pressures, and weak outlooks. Labor reductions varied from targeted cuts by manufacturers and reductions in temporary retail workers' hours to closures of underperforming business locations. Several contacts noted increased availability of qualified candidates as larger firms slowed hiring. Multiple contacts reported leveraging automation and artificial intelligence solutions to gain efficiencies in back-office functions, a situation which one banker anticipated could further reduce head count needs.

On balance, wage pressures continued to grow moderately, with many contacts implementing standard annual increases. Several professional and business services contacts reported selectively raising wages to attract and retain talent, with one noting "scarcity of accounting graduates and talent." In freight, while most contacts reported stable wages, a couple regularly raised drivers' wages, citing persistent difficulties finding qualified candidates, particularly with new CDL requirements. Manufacturers and bankers reported awarding typical merit increases, while retailers approached wage increases more cautiously, with a couple holding steady because of elevated cost pressures.

Prices

Overall, nonlabor input cost pressures remained robust for the sixth consecutive reporting period. Contacts reported higher costs for insurance, professional services, utilities, and materials (especially metals and food). Freight costs surged, with one contact describing spot market rates as “exploding.” Many manufacturers cited tariffs as driving materials-cost increases, while some large retailers noted that tariff impacts were stabilizing. To offset these pressures, multiple contacts evaluated new vendors and sought efficiencies to counter increases in non-negotiable areas like utilities. On balance, contacts expected nonlabor costs to grow moderately in the coming months.

Overall, contacts reported moderate selling price pressures in recent weeks. Many passed along higher input costs, though some firms absorbed these increases to maintain market share amid competitive pressures and softer demand. Several manufacturers implemented additional price increases to cover tariff impacts; one noted raising prices by 4.25 percent instead of the planned 3 percent to offset additional steel tariffs. Freight contacts reported robust rate increases despite customer pushback and softer demand. Two carriers noted a similarity to pandemic-era pricing conditions without the corresponding demand surge, and another suggested that capacity constraints might explain the price firmness.

Consumer Spending

Contacts reported flat-to-down consumer spending, with many attributing slow sales to the unseasonably cold temperatures and winter storms. Several automotive dealers expressed concern over vehicle affordability as sales declined, with one noting that low-income consumers were priced out of new car purchases. Retailers and food and hospitality contacts reported reduced discretionary spending due to the high cost of living. Overall, contacts expect a slight increase in consumer spending over the coming months. Most automotive dealers anticipated services and parts demand to increase because of the rising average age of vehicles but expected flat-to-declining vehicle sales as affordability issues persisted.

Manufacturing

Demand for manufactured goods rose slightly, and contacts generally expected demand to increase modestly in the coming months. Data center buildouts and operation remained a key demand driver for producers of metal products and electrical components, though for some this was the only area of growth amid otherwise soft demand. Other sources of strength included light vehicle manufacturing and aerospace. In reports collected prior to the recent Supreme Court ruling on tariffs, multiple contacts were optimistic that more clarity surrounding trade policy would improve overall economic conditions. Conversely, a small number of manufacturers continued to

report flat or softer orders related to home-improvement activity, as existing home sales remained stable at a low level.

Real Estate and Construction

Demand for homes decreased slightly in recent weeks. Two homebuilders and several real estate brokers reported that harsh winter weather discouraged potential buyers from entering the market. Contacts' views on the impact of mortgage rates were mixed. A homebuilder said that current rates contributed to greater demand for new homes, while a real estate broker suggested that rates would need to decrease further to encourage existing homeowners to move. Contacts anticipated strong growth in the coming months, with some expecting pent-up demand and lower mortgage rates to contribute to an active spring selling season.

Commercial construction and real estate demand increased modestly over the last two months. Builders noted continued demand for infrastructure and data centers, offsetting the impact of delayed manufacturing projects. Senior and multifamily housing developers saw steady demand, while retail rental activity softened. Demand for office real estate improved as more firms sought in-person workspaces, though one commercial real estate consultant noted that tenants in the sector remained cautious. On balance, contacts expected continued modest growth in the coming months.

Financial Services

On balance, bankers reported that overall loan demand grew modestly in recent weeks. A couple of bankers said that merger-and-acquisition activity increased, with some commercial clients increasingly focused on succession planning. On the consumer side, one banker noted that mortgage demand had remained "relatively good" despite typical seasonal stagnation in winter months. Credit demand was generally up, though bankers attributed the growth to varying sources. Some reported that growth came primarily from existing accounts, including slower paydowns and increased utilization of existing credit lines, while a couple cited new account originations. In the months ahead, bankers expected loan demand to increase moderately.

Nonfinancial Services

Professional and business services firms reported moderate demand and expected robust demand in the coming months. An accountant reported that tax policy changes drove demand for their services, and one consultant attributed demand growth to a rebound in corporate investments. Likewise, a law-and-consulting firm noted that merger-and-acquisition activity increased for large public companies but slowed for middle-market firms. Freight contacts reported modest demand growth and expected moderate growth in the coming months. However, they attributed the

recent growth to a reduction in available drivers due to the updated CDL eligibility requirements rather than an increase in freight volumes.

Community Conditions

Nonprofits reported that clients' financial stress worsened over the past three months because of elevated food, utility, and housing costs coupled with reduced social support services. In response, contacts said some clients stopped paying bills, skipped meals, or delayed medical care. One contact noted seeing more employed individuals requesting food, rent, and utility assistance, and another noticed more seniors seeking employment to make ends meet. To address their clients' increased financial stress, nonprofits provided hotel stays when homeless shelters were full, worked with local grocers to secure more food donations, and furnished funds to cover delinquent rent and utility bills.

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 despite some weather disruptions. Reports on consumer spending on retail goods were mixed, while spending on travel and tourism increased slightly in parts of the region. Manufacturing activity continued to contract slightly due in part to winter weather disruptions to operations. Residential real estate activity was also impacted by weather, which caused a slowdown for several weeks. Meanwhile, commercial real estate activity picked up moderately. Financial and nonfinancial services revenues and demand remained steady. Employment increased slightly in recent weeks, particularly in sectors and geographic areas experiencing growth. Price growth and wage growth remained moderate.

Labor Markets

Employment in the Fifth District increased slightly in the recent period. Firms that increased employment tended to be in specific industries or in regions experiencing growth. For example, one Winchester, Virginia finance company added employees due to increased demand resulting from population growth. However, several contacts reported a shrinking labor pool affecting their ability to hire. For instance, a peanut retailer commented that they were having a hard time finding part-time labor, and a recruiting firm reported that fewer employed workers were looking to change jobs due to economic uncertainty. Finding workers with the right skills continued to be a challenge within the trades, with one auto mechanic shop providing an average wage of almost \$100,000 to attract workers. However, wage growth has returned to normal levels for most firms.

Prices

Prices continued to grow moderately, on balance, from last cycle. Recent surveys reported that service sector firms' year-over-year growth in prices received was around three percent. Manufacturers, however, reported an increase in price growth, with prices up about four percent compared to last year. Manufacturing firms reported non-wage input costs continued to increase as tariff ramifications were seen in foreign and domestic pricing. Price sensitivity among customers kept some firms from raising prices to offset cost increases and led to tighter profit margins.

Manufacturing

Manufacturing activity declined slightly this cycle. Extreme cold and ice storms disrupted operations, preventing employees from reaching work and delaying shipments due to unsafe transportation conditions. New orders were mixed across industries. Contacts serving data centers and the military reported increases. For example, an electrical panel manufacturer was having a record year driven by one data center equipment customer. However, several contacts reported bifurcation within their own customer bases. A sheet metal fabricator reported strong performance among their top five customers while remaining customers were mostly purchasing less. However, multiple contacts reported decreasing demand, especially for discretionary goods. A dental implant manufacturer reported a slowdown in new orders due to patients not following through on treatment plans.

Ports and Transportation

Overall volumes at Fifth District maritime ports were down modestly since last cycle reflecting a period of sluggish demand and winter weather disruptions that impacted cargo loading and unloading. Port contacts shared that “tariffs are finally having an impact,” and while the level of uncertainty has come down, businesses were closely monitoring consumer behavior and ordering only enough inventory to meet expected demand. With fewer ag exports and tempered import demand, empty containers have started to pile up. Price pressure from low volumes has impacted revenue both for carriers and the ports, causing one port to turn off some container handling equipment and reduce operator hours to save on fuel, maintenance, and labor. Trucking contacts also reported a decrease in volume this cycle and increased wait times for shipments, which one contact noted “is often aligned with a weaker economy.”

Retail, Travel, and Tourism

Overall consumer spending increased slightly this cycle despite mixed reports from retailers about demand and revenues. Winter storms and ice kept customers housebound so that even a tire wholesaler in West Virginia that typically benefits from inclement weather noted impacted sales. A high-end furniture store ran a sale in January and had a good response from customers, which boosted sales before the winter storms hit. While still showing weakness compared to last year, consumer spending on travel and tourism improved slightly since last cycle. Notably, the increase in hotel revenue in Virginia was driven by upper-tier accommodations while mid- and lower-end options were little changed. Hoteliers in the Washington, DC area have seen declining demand with little expectation of improvement due to lower government travel spending.

Real Estate and Construction

Residential real estate was heavily impacted by weather this cycle. Snow and ice throughout the Fifth District caused a multi-week slowdown in activity. Although temperatures were cold, brokers in the District believed the resale market was heating up as more listings came online and home prices stabilized. Home builders were less optimistic with one saying that “overall consumer confidence and consumer sentiment is having an impact on buyers’ desire to move.” In addition, housing projects were being completed but new starts were slowing down. A Maryland builder noted “Builders don’t want to get caught speculatively building and not be able to sell.”

Commercial real estate activity increased moderately as brokers noted a “burst” and “resurgence” in activity this cycle. Class A office space was filling up throughout the Fifth District while the gap between lower quality office buildings grew. Retail space in the District was coming into a balanced market. Brokers in both Virginia and North Carolina noted industrial spaces were selling but they were finding it harder to lease. Overall, lease terms in all sectors were seeing concessions of free rents outweighing the cost of tenant improvements.

Banking and Finance

Financial institutions continued to report stable loan demand as one banker observed borrowers starting to “move off of the sidelines” even though slight headwinds existed in project costs. Loan demand still was primarily concentrated in commercial loan portfolios with some modest upward movement in demand for residential mortgages to start the year. Deposit levels continued to be stable with some institutions noting modest seasonal increases. Institutions noted, with a cautious optimism, a stable level of loan delinquencies, mainly in the consumer portfolio. However, consumer creditworthiness was still showing “challenges” as they apply for new credit.

Nonfinancial Services

Nonfinancial service providers continued to report stable demand for their services, although economic uncertainty continued to present a challenge for customers. A design firm noted that clients were moving forward with plans despite concerns about economic uncertainty. Severe weather was noted by several firms throughout the Fifth District as having slowed some projects from moving forward. One consulting firm noted the weather had created a “dampening psychological” effect on borrowers. Rising costs continued to be a concern as an IT firm specifically mentioned escalating health and liability insurance premiums as something they were watching closely.

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



Federal Reserve Bank of Atlanta

Summary of Economic Activity

The economy of the Sixth District grew at a modest to moderate pace over the reporting period. Employment levels remained flat to slightly down, with most businesses keeping head counts level. Wages grew modestly. Prices and input costs were flat to up somewhat. However, elevated prices for groceries, energy, and health care continued to put pressure on household finances for lower- to moderate-income consumers, and nonprofit agencies saw increased requests for food and rental assistance. Retailers reported modest to moderate sales growth. Tourism activity rose moderately. Demand for housing improved as home prices moderated and interest rates declined. Transportation activity was flat to slightly down, while manufacturing was slightly up. Loan growth was modest. Energy activity grew at a moderate pace, on balance.

Labor Markets

District employment levels remained flat to slightly down over the reporting period. Most firms reported keeping staffing levels flat or passively reducing head count through attrition. Pockets of hiring strength were seen in health care (primarily medical roles) and at firms involved in data center construction. The limited reports of layoffs were attributed to slowing demand and rising costs. Most firms expect to maintain staffing levels throughout 2026, and several cited plans to implement AI as a productivity enhancement, not head count replacement, at least in the medium term.

Wage growth remained modest, on balance. However, in certain sectors, such as health care, wages continued to grow at a moderate to strong pace.

Prices

Prices were flat to slightly up as some nonlabor costs were noted as having stabilized since the beginning of the year. Contacts reported that waning uncertainty around tariff policies and moderating wage increases helped with budget planning, though tariff concerns persisted in industries like construction and transportation. Insurance remained a key cost driver across sectors, prompting a few firms to self-insure to avoid rising premiums. Pricing power was limited amid

growing consumer price sensitivity, and some wholesalers noted they were unable to push increases to retailers as they leaned into promotional pricing to drive volume.

Community Perspectives

Concern about the stability of the labor market was pervasive among both employed workers and job seekers. While some individuals expressed confidence that they would be able to find a new job, if necessary, most indicated that the job would likely represent a trade down in terms of wages, schedule, and/or benefits. Workers, jobseekers, and community agencies repeatedly emphasized the negative impact of price pressures on household financial positions, especially the costs of groceries, energy, and health care. Individuals reported employing a variety of strategies for navigating tight household budgets, including selling clothes online, scrapping metal, tapping savings, utilizing buy now/pay later offerings, eliminating dining out, using coupons, and buying in bulk. Social service providers indicated that requests for food and rental assistance increased. Several of these same organizations noted that the combination of rising living costs and a cooling labor market have led many families to deprioritize pursuing pathways to upward mobility (such as investing in continuing education) in favor of meeting immediate needs.

Consumer Spending

Retailers reported modest to moderate sales growth over the reporting period. Discount stores noted steady to improving sales, supported by price-conscious consumers across various income levels. Still, higher-end retail sales remained resilient. Restaurants saw strong sales, especially upscale establishments and quick service locations. Auto dealerships faced ongoing softening demand for new vehicles, though used car sales were healthy as consumers reflected trade-down behavior.

Tourism activity grew at a moderate pace since the previous report. Although some travelers canceled or postponed plans because of Winter Storm Fern, others extended their stays for the same reason. Leisure travel among seasonal visitors to the Southeast remained strong, as many were drawn to new attractions, events, and cruises. Business travel was also a bright spot, with further growth anticipated as more companies negotiated contracts for events. Group travel held steady, with solid bookings through the second quarter.

Construction and Real Estate

Housing demand increased modestly amid declining mortgage rates and moderating home price appreciation. Although this led to a slight improvement in affordability, homeownership costs remained elevated. On balance, home inventory levels fell as both home sales and delistings increased at a modest pace across the District. Home builders pulled back on housing starts and

utilized incentives to shrink speculative inventory. Some builders reported that home buyers were shopping around for the best deals and often presented “low-ball” offers. This is especially true in the entry-level segment.

Commercial real estate conditions slowed a bit, as most sectors experienced a pullback in the delivery of new space alongside a contraction in demand. Class A accounted for most new office construction, with activity driven by a desire for smaller spaces. Demand for retail space was also concentrated on smaller footprints, and interest in big-box retail declined. Demand for warehousing ticked up, though vacancy rates remained elevated. High vacancy rates continued to beleaguer the multifamily sector. Office, industrial, and hotel segments saw a slight bump in rent levels, driving a small boost in net operating income.

Transportation

Transportation activity remained flat to slightly down. Railroads reported that total traffic improved through the first three weeks of January, but winter weather caused significant delays in shipments in the final week of the month. Trucking contacts saw a dip in volumes as compared with year-earlier levels when activity was buoyed by firms’ stockpiling of pre-tariff inventories. However, truckloads of data center-related infrastructure and equipment were strong. District ports saw further softening in container traffic and slowing growth in auto shipments, but modest increases in bulk and break-bulk volumes. Most transportation contacts expect flat to slightly higher growth in the first half of 2026.

Manufacturing

Manufacturing activity was slightly up over the reporting period. Furniture producers noted significant declines in demand for moderately priced furnishings, but strong demand for high-end furniture. Lighting manufacturers experienced volume declines but increased revenues resulting from higher prices. Commercial flooring producers reported low single-digit growth driven by corporate renovations and the “race back to [the] office” trend. Health and wellness product manufacturers projected high double-digit growth in 2026, despite weakness among lower-income customers. However, most manufacturing contacts anticipate flat to slightly positive growth in 2026, with potential upsides for housing-related manufacturers if mortgage rates continue to decline.

Banking and Finance

Loan growth in the District was modest since the previous report. Commercial lending led performance, particularly in the industrial space as firms focused on strengthening supply chain resilience. Some banks described an environment of “reluctant investment” driven by uncertainty, but outlooks were optimistic because of the potential for deregulation and lower borrowing rates.

Consumers and small businesses increasingly drew on existing lines of credit. Delinquency levels remained low, though they ticked up marginally in aggregate.

Energy

Energy demand grew moderately, with a few segments reporting softening and others experiencing robust growth. Crude oil and liquefied natural gas (LNG) production remained strong, with supply exceeding demand. Refining contacts reported high utilization, although they expect that to moderate as maintenance activities kick in with warmer weather. Industrial contractors noted strong activity driven by LNG projects, pipe fabrication, and data center power infrastructure. Utility contacts continued to report rising electricity demand, driven by continued in-migration to the region and growth in data center energy usage.

For more information about District economic conditions visit: <https://www.atlantafed.org/what-we-study/regional-economy>.



Federal Reserve Bank of Chicago

Summary of Economic Activity

Economic activity in the Seventh District rose slightly over the reporting period and contacts expected a slight increase in activity over the next year. Manufacturing demand rose modestly; consumer spending and construction and real estate activity rose slightly; employment and business spending were flat on balance; and nonbusiness contacts saw no change in economic activity. Prices and wages rose moderately, and financial conditions loosened modestly. Farm income in 2026 was expected to be similar to 2025.

Labor Markets

Employment was flat over the reporting period and contacts expected a slight increase in hiring over the next 12 months. Contacts generally reported stable labor market conditions, with one contact calling it a “no hire, no fire” environment. That said, there was still some interest among contacts in raising head counts, and there were reports of challenges finding certain workers. For example, an employment placement agency reported higher demand for experienced IT staff, and manufacturers and construction contacts continued to say it was difficult filling positions for skilled workers. Wages and benefits costs rose moderately. Several contacts said they received large increases in quotes for health insurance plans, which had led them to shop around and consider benefits cuts.

Prices

Prices rose moderately overall in January and early February and contacts expected a similar pace of growth over the next 12 months. Producer prices were up moderately. Contacts reported a moderate increase in nonlabor input costs and highlighted higher prices for raw materials and energy. However, some construction contacts saw costs decline in recent weeks. Manufacturers continued to attribute increases in some raw materials prices to tariffs and described various degrees of tariff pass-through. Some manufacturing contacts reported that they had been and would continue to pass on the full cost of tariffs to their customers; one said that after splitting the cost of tariffs with their customers in 2025, they planned to pass the full cost on in 2026. Consumer prices rose moderately, and a retail industry analyst noted that some tariff-related price increases are still on their way.

Consumer Spending

Consumer spending increased slightly over the reporting period. Non-auto retail spending rose modestly. Contacts highlighted increases in jewelry and apparel purchases, while computers, electronics, furniture, and appliances lagged the pace of overall spending growth and outlays for discretionary items softened. Several retail industry analysts said the potential for higher tax refunds than in previous years could spur sales growth in early 2026. Leisure and hospitality spending was flat overall: spending at restaurants rose while outlays at hotels, airlines, and tourist attractions declined. New light vehicle sales fell modestly with industry contacts noting the impact of inclement weather.

Business Spending

Business spending was flat on balance in January and early February. Capital expenditures increased slightly and contacts expected a slight increase in expenditures in the coming year. Demand for truck transportation declined slightly, and one contact noted that reduced capacity from winter storms caused freight rates to edge up. Retail inventories were lean, but comfortable, and manufacturing inventories were comfortable as well. Stocks of new vehicles were at desired levels, though stocks of used vehicles were low. There were few reports of shortages of raw materials, though several contacts mentioned a shortage of aluminum. Contacts across several industries noted long lead times for electrical components like transformers and computer chips.

Construction and Real Estate

Construction and real estate activity rose slightly on balance over the reporting period. Residential construction was unchanged. Lot sales remained steady, though some planned subdivisions were downsized. In multifamily, very little new supply was expected to enter the market over the coming months. One contact who was building new apartments indicated that they were able to purchase higher quality appliances than planned because of improved availability from suppliers. Residential real estate activity was unchanged. Home sales were flat, as were prices and rents. Realtors continued to offer incentives to spur sales, such as by lowering closing costs. Nonresidential construction increased slightly. Data center projects moved forward and buildouts of existing space continued. Contacts said that labor supply shortages due to retirements and immigration enforcement actions had led to project delays and higher costs. Commercial real estate activity increased slightly overall. Prices and rents held firm in the industrial market and concessions for newer space decreased. Contacts noted a rejuvenated secondary market for mid-size industrial spaces. However, in Michigan, some auto industry suppliers supporting the EV market had vacated space as regulatory changes have reduced demand for their products.

Manufacturing

Manufacturing demand rose modestly in January and early February. Chemicals production declined slightly, in part due to weaker demand from the automotive and medical device sectors. Steel sales rose slightly, with strength in demand from data center and energy infrastructure investment more than offsetting weakness in other construction sectors. Auto industry contacts reported a slight increase in demand and machinery sales increased modestly, while fabricated metals orders were flat and heavy truck production was stable.

Banking and Finance

Financial conditions loosened modestly overall in January and early February. Bond values increased slightly and equity values were unchanged. Volatility rose moderately. Business loan volumes were up slightly with reports of greater demand from large companies, including those investing in AI, and from the defense sector. Some contacts saw an increase in mergers and acquisitions as well. Business loan quality declined slightly, in part due to deterioration in the trucking and manufacturing sectors. Business loan rates fell modestly and terms were unchanged. In the consumer sector, loan demand was again flat. Consumer rates fell modestly, loan quality decreased slightly, and terms tightened slightly.

Agriculture

Contacts expected farm income for District producers in 2026 to be similar to 2025. High input prices, especially for fertilizers, continued to concern farmers. Crop prices increased a bit overall, as a decline in corn prices was offset by higher soybean and wheat prices. Farm income received a boost from trade-related government payments; nonetheless, some operators were selling crops from storage to cover bills and pay debts. Contacts expected increased government subsidies associated with the OBBBA to lead to an expansion of coverage and higher levels of participation in crop insurance. Livestock operations were generally under less financial pressure than crop farms. Dairy prices increased, and calves designated for beef production boosted the bottom line for many dairies. Cattle and hog prices were up, while egg prices declined. Slow sales of farm machinery left lots full at dealers. Commercial insurance costs have risen for farm supply and grain warehousing businesses.

Community Conditions

Community, nonprofit, and other nonbusiness contacts saw little change in economic conditions over the reporting period. They viewed the resiliency of the labor market as supporting these stable conditions, though low- and moderate-income consumers, very small businesses, and those facing barriers to employment remained stressed. State government contacts reported that

employment and revenues held relatively steady. Contacts at organizations serving low-income consumers spoke of increased food insecurity across their communities; lack of affordable housing was a frequently mentioned cause. Small business contacts said high insurance and labor costs were putting pressure on profit margins.

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 but is expected to increase over the next few months. Employment levels were unchanged and wage growth was moderate. Prices continued to increase moderately. Consumer spending has been mixed: Auto sales have decreased, but retail contacts have reported slight increases in sales. The outlook among contacts has improved to be cautiously optimistic.

Labor Markets

Employment levels have remained unchanged since our previous report, and modest expansion is expected over the next few months. A staffing firm in Missouri reported slower hiring and less turnover, reflecting cautious labor market behavior amid economic uncertainty. Despite broader market caution, a professional services firm in Memphis reported optimism about expanding payroll as new consulting lines open. Recruitment challenges continue for specialized roles and skilled trades, prompting some firms to invest in automation and apprenticeship programs to offset shortages. A mid-sized manufacturer in Memphis reported capital budgets shifting toward automation because persistent hiring frictions make robotics and industrial AI the most reliable way to preserve throughput and quality.

Wage growth has been moderate since our previous report. Wage pressures persist across industries, with contacts reporting wage growth between 3 percent and 5 percent driven by competitive benchmarks, union increases, and minimum wage hikes. Overall wage growth is expected to be slightly lower than last year.

Prices

Prices have increased moderately since our previous report. Contacts reported that they were observing higher costs and that these needed to be passed on to customers due to already-tight margins. Some contacts reported that price increases would probably impact demand, while others observed some market tolerance for price adjustments. A furniture manufacturer reported that they were expecting annual price increases of 3.5 percent this year to offset rising material costs and tariffs, with competitors following similar strategies for market acceptance. Contacts

reported not only higher input costs but also higher utilities, operational, and labor costs. A construction company reported disruptions due to high price volatility: They have been unable to hold material prices for more than 30 days, causing project delays and renegotiations.

Consumer Spending

Consumer spending has been mixed. Wholesalers reported a decline in sales. A firm in St. Louis reported their sales were down about 5 percent year-to-date, attributing it to inflation eroding customer purchasing power, leading buyers to defer replacing older non-essential goods and demand more aggressive pricing. On the other hand, retailers reported that sales had slightly increased and had met expectations despite cautious spending among customers. Tourism and hospitality contacts reported that customer spending was flat, with one entertainment business reporting that corporate events were up. Auto dealerships reported that sales fell short of expectations, with low volumes of new and used vehicles sold. One dealership attributed low sales volume of used cars to tightened underwriting and financing constraints, and another noted that demand for new vehicles was down because consumers are deferring big-ticket purchases amid inflation and economic uncertainty. Nevertheless, they expect sales to pick up next quarter.

Manufacturing

Manufacturing activity has increased moderately since our previous report. Capacity utilization, employment, and new orders have increased compared with the fourth quarter of 2025 as well as a year ago. While new orders and capacity utilization are expected to increase further in the second quarter of 2026, capital expenditures have paused and are expected to remain subdued due to uncertainty. A furniture manufacturer reported that their expansion designs were progressing, but that execution was unlikely for the next 12 months due to market softness.

Nonfinancial Services

Activity in nonfinancial services has been flat since our previous report; however, contacts expect activity to increase in the second quarter of 2026. A professional services firm in Louisville reported that demand was lower because clients were delaying decisions amid economic uncertainty, which places pressure on revenue and project pipelines. Health services were mixed: A health-care provider in Arkansas reported that demand for direct primary care was increasing because health savings account funds could now be used for monthly fees. A provider in Indiana noted that an economic slowdown and cost sensitivity among patients was impacting elective treatment volumes. Transportation and logistics contacts overall reported that activity was flat, which is an improvement from previous reports in which demand had been declining.

Real Estate and Construction

Residential real estate activity has remained unchanged since our previous report, with contacts across the District describing the market as “balanced.” One real estate agent in St. Louis reported that the high-end market remained strong, while a manufacturer reported that slow existing home sales were depressing demand for related manufactured goods. Contacts expect single-family demand to increase in the upcoming months. Some attribute this expectation to customers delaying purchases because they are expecting mortgage rates to fall.

Commercial real estate conditions have improved modestly since our previous report. Commercial real estate firms in Missouri and Illinois reported a strong market overall with strong retail occupancy. However, they expect surplus retail and office inventory to persist. Construction activity overall has slightly increased. A construction firm in Arkansas reported strong growth in industrial and infrastructure sectors, and a contractor in Memphis noted expanding development plans for aviation and logistics facilities. In contrast, a wholesale distributor in Illinois reported that economic uncertainty and expectations of future rate drops were delaying new commercial construction starts, reducing bulk orders for materials. Some construction firms across the District reported that government policy changes were affecting project approvals and timelines.

Banking and Finance

Banking activity has remained stable since our previous report, with loan demand expected to increase in the second quarter. A banker in Tennessee noted limited volatility in new originations and past-due trends, citing steady interest rates and local credit performance. A banker in Arkansas reported slow deposit and loan growth but strong loan quality; yet they also noted consumer stress and overdraft issues. While bankers reported a slight tightening of credit standards and a small increase in delinquencies, both measures were still below prior-quarter expectations. Auto lending has tightened, reducing application volumes. One financial firm highlighted that its delinquency rate had held steady at 3 percent to 4 percent, even as industry-wide auto loan delinquencies continue to rise.

Agriculture and Natural Resources

Agriculture conditions have remained unchanged since our previous report. An agribusiness contact in Arkansas reported that weather uncertainty and rising input costs were making it harder to secure crop loans, which could leave ground unplanted and reduce overall production. A major agriculture lender reported ongoing financial strain among rice farmers, with farm equipment auctions at record levels. Another banker reported that farmers were seeking higher credit lines due to

income pressure. Nevertheless, most agriculture lenders observed only limited signs of forced liquidation of assets among farmers, indicating resilience in agribusiness despite hardship.

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



Federal Reserve Bank of Minneapolis

Summary of Economic Activity

Economic activity in the Ninth District was down slightly since the previous report. Employment declined slightly and labor demand was mostly unchanged. Prices increased modestly and wage growth was moderate. Consumer spending fell, construction activity was moderately lower, and manufacturing decreased at a moderate pace. Agricultural conditions remained weak. Activity among minority- and women-owned business enterprises declined moderately.

Labor Markets

Employment was down slightly since the last report. Surveys showed that job openings were generally flat, and more firms reported that head counts declined compared with those that reported growth. Firms noted that other challenges dampened the immediate need for labor or the ability to find skilled labor. A North Dakota manufacturer reported that sales were slow, and “we will let attrition take care of any surplus labor we currently have.”

A contact from a Minnesota landscape firm said that federal immigration enforcement “was having a significant effect on our staff,” who were either staying home or leaving. “We are hiring now to replace these workers or get more reliable alternatives, but there are not any people to hire.” But worker demand grew for staffing companies, and employers’ outlook for future labor demand was more positive than expected. New unemployment insurance claims rose slightly compared with the same period last year, and continuing claims were unchanged.

Wage growth was moderate, reflecting a slight uptick since the last report. Larger companies generally reported stronger wage increases, often ranging between 3 and 5 percent. A staffing firm with rising demand for industrial temp workers reported a year-over-year wage increase of 3.6 percent. Contacts have also reported rising costs for health-care insurance and new costs related to paid family leave legislation in Minnesota.

Prices

Prices increased modestly, but at a faster pace since the previous report. In a monthly survey, 29 percent of firms increased prices to customers in January from the month earlier, compared

with 12 percent that decreased their prices. Meanwhile, 41 percent of firms reported that their nonlabor input prices increased over the month. Expectations for pricing in the month ahead were similar but slightly lower. Some retail contacts reported lowering prices to move inventory amid slowing consumer demand. Insurance rates remained among the biggest concerns for contacts across industries, with significant annual increases. Manufacturing and construction contacts continued to report steep increases in raw materials costs, particularly for aluminum. The wholesale prices component of a regional manufacturing index moderated in January but still pointed to increases.

Worker Experience

Workers' confidence in job security increased slightly in recent weeks, according to a recent survey. Most workers remained confident based on their perceptions of strong business activity, positive hiring trends, and a healthy regional economy. Satisfaction with wages, benefits, and scheduled flexibility dropped modestly. Among job seekers, the time it took to find a job increased slightly compared with a year ago. A great number of immigrant workers in Minnesota were unable to work due to increased immigration enforcement activity. Wage losses threatened their ability to pay for rent, utilities, and other necessities. A workforce development organization offering English classes to new arrivals reported a 43 percent enrollment decline attributed to recent events.

Consumer Spending

Consumer spending fell since the last report. Contacts in retail, accommodation, and leisure saw reduced demand. Rural businesses reported ripple effects from a struggling farm economy. Firms in urban markets, especially Minneapolis–St. Paul, were negatively impacted by increased immigration enforcement actions. Hospitality and tourism firms, among others, said that legal, foreign-born workers were choosing not to work due to safety concerns, which were impacting operations as well as overall customer demand. Still other contacts reported reduced demand stemming from colder-than-normal weather and reduced visits from Canadian and other international travelers. A North Dakota retailer reported that Canadian business went from 20 percent of sales to “zero percent.” A District mall reported that traffic so far this year was down 7 percent. A northern Minnesota resort said numerous concerns were affecting consumers' aspirational travel. A South Dakota contact said that “while not everyone is expressing concerns about consumer spending . . . I don't hear from many who say things are above average.”

Construction

Construction activity was moderately lower compared with the same period a year ago. Nonresidential construction drove most of the decline; residential construction declined slightly.

A Minneapolis–St. Paul area builder noted that extremely cold weather and activity around immigration enforcement had negatively affected their work. The value of permits for new construction in major markets dropped, mainly due to a decline in nonresidential permits in Minneapolis; a municipal report singled out the value of permits in that city as “the lowest recorded January in the entire decade.” Residential construction permits increased overall. Health-care investment continued to boost construction in Rochester, Minnesota.

Services

Activity among professional, technical, and other services firms declined. Notably more survey respondents reported seeing declining versus rising revenues and profits. A technical services consultant in South Dakota said income was falling among clients “and many are planning on downsizing or reducing services.” The owner of a professional services firm said client budgets for projects were a fraction of what they were three years ago. “This means my price has to come down yet my input costs remain the same.” A consultancy in Minneapolis–St. Paul said that customers were seeing slower activity due to federal immigration activity and it expected “a lagging negative effect in a month or two.”

Manufacturing

Manufacturing activity decreased moderately on balance. Results from an annual survey of District manufacturers indicated a contraction in orders, employment, investment, and profits in 2025 from the previous year, while production levels and productivity were flat. Firms expected growth in most indicators in 2026, but the investment outlook was flat. Contacts remained more mixed in evaluations of recent activity; some noted recent rebounds but many reported weak conditions. Those in the agricultural and industrial equipment segments were particularly negative, but some equipment producers noted stronger demand for construction equipment. Meanwhile, a metals fabricator reported a “production recovery” after working through excessive inventories.

Agriculture Energy and Natural Resources

Agricultural conditions remained weak since the last report. According to a recent survey, two-thirds of ag lenders reported that farm incomes decreased in the fourth quarter of 2025 from a year earlier. Contacts reported that producers who were diversified into livestock were holding up better than those heavily concentrated in crops. A contact in the sugar beet segment said that the market was hampered by reduced sugar consumption and sugar import quotas that had not adjusted to demand. District oil and gas exploration activity increased slightly from the last report.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises (MWBEs) declined moderately. Several contacts reported negative business impacts from the presence of federal agents in Minnesota, because employees, vendors, and customers alike “were afraid to travel.” A recent survey of MWBEs in the Minneapolis–St. Paul area revealed a sharp decline in foot traffic, particularly among retail and food services businesses. Many were increasingly facing challenges to meet their financial responsibilities. Several contacts from Community Development Financial Institutions reported a significant increase in requests for loan modifications coming from affected businesses.

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 conditions across the region increased slightly from the previous month, reflecting generally stable but cautious activity among firms and households. Labor conditions remained steady overall, with some firms utilizing technology and workflow improvements to raise productivity and ease operational constraints, rather than to reduce head count. Prices have increased slightly, but many firms remain reluctant to raise prices further because customers have become more price sensitive and demand conditions remain soft. Several firms indicated earlier cost increases have already been incorporated into pricing, and they were not expecting significant changes over the next few months. Consumer spending was also mostly unchanged, but retailers observed a shift in purchasing patterns. One retailer reported weaker demand for lower-cost goods alongside steadier activity in mid-priced categories, while inventories edged lower as firms managed costs and exposure to price volatility. Business investment and production were largely flat. Energy activity increased modestly as higher oil and natural gas prices supported additional drilling activity in part of the Tenth District.

Labor Markets

Labor market activity across the region was largely unchanged over the past month. Roughly a quarter of survey respondents identified labor supply as their top concern heading into 2026. Contacts attributed this to slower population growth and reduced migration into parts of the region, though domestic migration patterns remain uneven. In response, firms are increasingly investing in AI and other technologies to raise productivity. Most contacts described using these tools to improve workflow coordination and reduce operational bottlenecks, rather than replacing workers. Several noted that productivity gains are allowing employees to shift into higher-value, higher-wage roles, reflecting capital deepening in response to limited labor supply. Expectations for labor demand over the next six months continue to soften as labor substitution options increase.

Prices

Prices have increased slightly over the past month, according to reports from several firms across both the manufacturing and services sectors. Despite ongoing input cost pressures, many

contacts expressed reluctance to raise prices further, citing price-sensitive customers and generally weaker demand conditions. Firms reported increases in certain expenses, particularly employee benefits and in selected raw materials, such as domestic metals. Even so, most firms indicated they have already incorporated prior cost increases into pricing over the past few months. As a result, additional price adjustments are expected to be limited in the near term.

Consumer Spending

Consumer spending in the Tenth District was flat from the previous month. Retailers and other firms reported steady overall spending, though the mix of purchases shifted. One retailer noted softer demand for lower-cost goods, which they viewed as a possible sign of strain among lower-income consumers. More activity was reported in mid-priced categories. Inventories declined slightly as firms managed input costs and reduced exposure to price volatility. Contacts generally expect spending to remain flat, though uncertainty about the sales volume has increased over the next three months.

Community Conditions

Rural health-care contacts across the Tenth District reported mixed financial conditions and noted expected risks over the next few months. Contacts reported that about half of rural hospitals were operating at a loss, with many distressed hospitals likely to close. In northern Missouri, five hospitals were reported as at-risk of closure, resulting in the potential loss of 1,000 jobs. Their reported financial challenges stemmed from low Medicaid reimbursement rates, growing uninsured populations, pharmacy reimbursement issues, and federal funding changes. Multiple contacts noted that they have encountered more disputes with manufacturers and restrictions through the 340B pharmacy benefit program, which has disrupted an important source of their revenue.

Manufacturing and Other Business Activity

Both services and manufacturing contacts noted no change in production or sales over the past month. Contacts across the region reported that capital spending remained flat. Several firms indicated that investment decisions continue to be influenced by financial costs, valuations, and broader uncertainty. Anecdotally, one firm noted that early-cycle investments remain active, while later-stage projects are staying on the sidelines. Another contact reported they typically pay cash for all facility expansions; however, they took out a loan to preserve liquidity amid ongoing uncertainty. In manufacturing, several firms said backlogs have remained steady over the past two months and comparable to last year, but new orders have slowed slightly. Expectations of growth over the next six months have softened for both services and manufactures within the District.

Real Estate and Construction

The delivery of new multifamily housing units was expected to grow slightly faster than last year across the District on average. However, the growth in multifamily housing was expected to be mostly outside the largest metro areas. Contacts reported expectations for moderate growth in net operating incomes (NOI) over the coming year. Those expectations were strongest in segments such as health care, senior housing facilities, and the data center segments of industrial properties, and were weakest among office properties. The expectations for rising NOI were generally attributed to a favorable outlook for rent growth and were not driven by expected declines in operating costs.

Community and Regional Banking

Overall loan quality remains stable. Respondents expect some improvement in credit quality over the next six months, with tempered concern for the agricultural, consumer, and commercial real estate (CRE) loan portfolios. Total loan demand has risen slightly over the last two months, with stronger demand noted for agricultural and residential mortgage loans, while demand across other loan portfolios was viewed as stable. Although underwriting standards remain largely unchanged, some tightening in credit standards for agricultural loans continues. Respondents noted a moderate increase in deposit levels. Although a majority of respondents noted that actions by the federal banking agencies to reduce regulatory burden have not yet impacted their lending appetites, there is a growing sentiment that commercial and industrial, CRE, and consumer lending are more likely to expand as a result of ongoing regulatory relief efforts.

Energy

Tenth District oil and gas activity picked up modestly in recent weeks. The number of active oil rigs increased in Colorado and Wyoming as oil prices rose above the average breakeven of District firms, driven by rising geopolitical risks in Iran. Natural gas rig counts also rose in Oklahoma amid a spike in prices from cold winter weather. Looking ahead, contacts reported that liquified natural gas (LNG) export dynamics are likely to continue to support a slight increase in natural gas prices, but they also noted that emerging geopolitical risks carry both upside and downside risk to oil and gas prices and supply. Additionally, coal production in Wyoming moderated from earlier highs despite elevated prices.

Agriculture

Conditions in the Tenth District farm economy remained uneven alongside continued weakness in the crop sector and strength in cattle markets. Profit opportunities for key crops in the region remained narrow despite a notable increase in soybean prices, in line with expectations that China may

commit to additional imports. According to the latest lender survey, farm finances continued to weaken more quickly in areas most heavily dependent on crop revenues. Still, deterioration in loan repayment rates eased slightly, and farm real estate values remained strong through the end of 2025. Ranchland values throughout the District increased modestly from a year ago, alongside strength in the cattle sector. In contrast, cropland values were largely flat on average but increased slightly in some areas, particularly in cattle production areas.

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 expanded moderately over the reporting period. Activity vigorously rebounded in manufacturing while also picking up in the service sector. Bank lending, retail sales, and commercial real estate transactions grew. Energy sector activity declined slightly, and agricultural conditions worsened. Employment grew slightly, while wages and prices increased modestly to robustly. Outlooks remained steady despite persistently elevated uncertainty.

Labor Markets

Employment grew slightly over the reporting period. Hiring increased at a moderate pace in manufacturing but was flat in the service sector. According to a Dallas Fed survey of 235 service sector firms, 55 percent of businesses are not currently trying to hire workers, the highest reported percentage in three years. Of the 80 manufacturers surveyed, 57 percent reported not currently trying to hire workers; however, this percentage has been stable over the last year. The firms that are looking to hire reported slightly worsening applicant availability but improved ability to retain workers. Firms in both sectors reported that the top impediments to hiring workers were a lack of technical skills, lack of available applicants, and applicants demanding higher pay. Several contacts noted that unease about the overall economy led to better worker retention. Wage growth was generally modest but spiked in manufacturing in February.

Prices

Price pressure remained moderate in the service sector, while elevated in the manufacturing sector, as prices for both raw materials and finished goods grew at a robust pace. Raw material prices were driven up by high metals—aluminum, copper, steel, tungsten, and silver—prices. Several contacts cited strong demand, inadequate supply, and tariffs as the causes of high metal prices. Finished goods prices rose in response to increased input price pressures. One contact noted that it is difficult to pass along the high metal prices to customers in a timely manner. Another reported that input prices are increasing without notice and occasionally doubling, complicating placing new orders.

Manufacturing

Manufacturing output grew robustly over the reporting period. Both nondurable and durable production and new orders expanded at an accelerated pace. There were pockets of weakness in paper and printing output and wood and nonmetallic metal manufacturing in February. Growth in capital spending stagnated in February after having increased in January. Outlooks improved but contacts remained cautious due to concerns around high input prices, monetary policy, geopolitics, and persistent uncertainty.

Retail Sales

Retail sales grew slightly over the reporting period. Retailers continue to observe lower-income households cutting discretionary spending, trading down to less-expensive goods, and pursuing value rather than remaining loyal to brands or higher-end retailers. Food and beverage retailers are being impacted by weak consumer spending and high operating costs; both are putting pressure on profit margins. Auto dealers reported flat sales compared to the previous year. Overall, the outlook for the rest of the year is positive, with retailers anticipating an increase in sales due to improving consumer sentiment.

Nonfinancial Services

Activity in nonfinancial services grew modestly over the last six weeks. Professional and business services and accommodation and food services reported steady activity. Health care, transportation and warehousing, information, and other services experienced revenue growth, albeit concentrated in January. Airlines reported a strong start to this year in terms of bookings and revenue growth. Cargo volume increased, particularly for small parcels. Staffing firms noted an uptick in demand for their services. Despite growing activity, health-care firms reported that spending and investment decisions are on hold until there is more clarity regarding the extension of enhanced Affordable Care Act (ACA) subsidies. Overall, outlooks remain stable, with a few contacts noting they expect activity to remain steady despite high levels of uncertainty.

Construction and Real Estate

Conditions in the housing market were little changed since the last report. Traffic and activity ticked up but sales remained sluggish overall, with incentives and price discounts continuing to be widespread. Homebuilders continued to report an elevated level of speculative inventory, with ongoing downward pressure on home prices and margins. Outlooks remained cautious with contacts expecting housing starts to be lower this year compared with 2025.

Commercial real estate activity improved. Apartment absorption was slower than normal, with rents and occupancy largely holding steady. Office leasing increased, with solid net absorption reported for top-tier space in desired locations, but continued weakness in demand for lower-tier properties. Demand for industrial and retail space held up and even accelerated somewhat in some markets. Transaction velocity has picked up and there were reports of a few distressed sales in multifamily.

Financial Services

Loan volume and demand continued to increase in February. The expansion in overall loan volume has been supported entirely by commercial real estate loans; residential real estate, consumer and commercial and industrial loan volumes have been declining since the end of 2025. Credit standards and terms tightened, but loan pricing continued to decline. Overall loan performance deteriorated a touch. Bankers reported increasing general business activity, and their outlooks leaned optimistic. Survey respondents broadly expect sizeable growth in loan demand and business activity six months from now and stable loan performance.

Energy

Eleventh District drilling activity edged down slightly over the past six weeks, while well completions picked up a bit. Producers broadly reported expectations for WTI to remain around \$60 in 2026, but they generally worried that the downside risk to prices was still larger than the upside risk. Midstream energy remains a relatively bright spot as firms note strong demand for construction of infrastructure to serve oil and gas production and the transport of natural gas for exports and power demand.

Agriculture

Drought conditions worsened across the District, spurring increased concern among farmers and ranchers. Low crop prices continue to weigh heavily on producers, and there have been numerous reports that government assistance hasn't been enough to cover losses in this low-price environment. On the livestock side, cattle prices remained highly elevated, and drought concerns seem to be suppressing expansion of herds. The ban on Mexican cattle imports continues to negatively impact meatpackers, with some reducing operations. The dairy industry is being challenged by low wholesale milk prices. Contacts expressed widespread uncertainty about trade policy and forthcoming weather patterns.

Community Perspectives

Nonprofits continued to report elevated demand for social services, particularly for food assistance and even after the resumption of the Supplemental Nutrition Assistance Program. The rising cost of health insurance is affecting both social services providers and clients. A food bank had to cut employee health-care benefits in response to higher costs. Another nonprofit reported increased use of its medical clinic. Several contacts noted their concern with the anticipated rise in the uninsured population as the enhanced ACA subsidies expire and changes to Medicaid requirements are implemented in 2026. Contacts worried that individuals will lose out on routine and preventative care, and hospitals will have to bear the financial toll of caring for the uninsured. This comes at a time when rural and smaller metro hospitals are struggling to recruit physicians and other medical staff. The financial pressure could force hospitals to close in these places.

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



Federal Reserve Bank of San Francisco

Summary of Economic Activity

Economic activity in the Twelfth District slowed slightly during the January through mid-February reporting period. Overall employment levels were stable on net, but there were reports of layoffs in the technology sector and attrition without replacement in other sectors. Wages grew at a slight pace, and annual pay increases were generally in line with historical averages. Prices rose moderately, and several contacts reported their input costs rising at a faster pace than their selling prices. Retail sales declined slightly, with consumers reportedly pulling back spending following the holiday shopping season, and contacts continued to describe a bifurcated, or K-shaped, economy. Demand for consumer and business services and residential real estate weakened slightly overall. Conditions in the manufacturing, agriculture, and resource-related sectors were stable on net, while activity in commercial real estate and financial services varied by market segment but were unchanged on balance. Demand for community support services, particularly for housing and food assistance, remained high. The economic outlook improved overall, with a higher share of contacts expecting economic activity this year to be similar to or slightly stronger than last year.

Labor Markets

Overall employment levels were stable on net in recent weeks. There were reports of layoffs, which were largely concentrated in the technology sector, particularly in the Pacific Northwest. Attrition without hiring replacements was reported in agriculture, financial services, and business services, while contacts in other industries generally reported stable head counts, hiring mostly to replace departing workers. Labor availability was strong overall, and those employers looking to hire continued to receive a high number of applications for open positions. One contact in the financial services sector noted that many job applicants were overqualified but looking to find work, and that the firm had recently hired a candidate with decades of experience for an entry-level role. Nonetheless, difficulties persisted in attracting and retaining workers in health care and the skilled trades.

Wages grew at a slight pace in recent weeks, similar to the previous reporting period. Annual pay increases were generally in line with historical averages, and several contacts noted the limited ability for non-union workers to negotiate pay adjustments. Wage pressures remained soft in

several sectors, although competition for workers in health care and the skilled trades kept compensation costs high across the District, as it did for wages for construction workers in Southern California. Reports continued to indicate that salaries offered to recent college graduates were lower than in prior years.

Prices

Prices rose moderately in recent weeks. Several contacts reported input costs rising at a faster pace than their selling prices due to some large business clients asking for price concessions or pushing back against proposed price hikes. Facing softer demand, manufacturers of wood products and agriculture producers opted to absorb higher costs and to decrease prices in some cases. Additionally, a few reports indicated that consumer-facing businesses generally lacked the ability to pass on tariff-induced input cost increases to price-sensitive households. Utility costs rose further for businesses and households, and grocery prices were reportedly stable at elevated levels.

Community Conditions

Community support organizations continued to report elevated demand for services and limited funding. Organizations found it more challenging to provide support for housing, food, and health-care needs. Competition among nonprofits for limited private sector philanthropic grants was reportedly higher due to continued declines in federal government funding. Some reports noted that District state and local governments facing budget deficits are opting to reduce community service offerings and funding, particularly for education. Small businesses overall remained challenged by elevated operating costs and limited access to credit.

Retail Trade and Services

Retail sales declined slightly in recent weeks. Reports indicated that consumers pulled back spending following the holiday shopping season, particularly on higher ticket items. Contacts continued to describe a bifurcated, or K-shaped, economy. Discretionary spending by high-income households continued at robust levels, while low- and middle-income households continued to trade down to lower-cost and store-label alternatives. Demand for apparel and footwear products benefited from discount offers on excess inventory, and home center sales were reportedly boosted by lower lumber prices.

Demand for consumer and business services weakened slightly overall. Leisure travel bookings fell across most market segments but remained strong in the high-end markets. Households focusing on value-oriented offerings propped up sales at quick service restaurants. Foot traffic and spending at leisure and hospitality establishments in the Pacific Northwest were reportedly

dampened by severe weather conditions and worsening consumer sentiment following the recent layoffs in the technology sector. Out-of-pocket spending for health-care services declined, and demand for janitorial and security services fell further. Demand for laboratory testing was largely unchanged at solid levels.

Manufacturing

Manufacturing activity was steady in recent weeks. Contacts reported some improvements in order pipelines for capital equipment, packaging materials, and commercial furniture. Contacts additionally highlighted challenges managing higher import costs for some materials and limited ability to pass on these cost increases to customers. Several reports mentioned the difficulty of operational planning due to the still-elevated economic uncertainty. Manufacturers reported some renewed interest in robotics automation solutions in response to generally elevated labor costs and higher local minimum wage requirements.

Agriculture and Resource-Related Industries

Conditions in agriculture and resource-related sectors remained stable, albeit at a subdued level. Weak international demand for agricultural products, including soybeans and corn, pushed down the prices received by producers despite a weakening dollar. This resulted in an oversupply that could not be absorbed by domestic markets, which were stable overall. While demand for fresh potatoes remained solid, contacts indicated that this segment faced a global overcapacity for potato processing, a situation which put downward pressure on prices. Demand for poultry and pork was reportedly very strong, and cattle prices remained elevated. In utilities, providers continued to focus on infrastructure investments to increase capacity and meet growing demand.

Real Estate and Construction

Conditions in residential real estate markets softened slightly. Demand for single-family homes remained weak. Reports indicated that for-sale housing units stayed on the market for longer durations and that it was more difficult to qualify for refinancing due to stricter lending standards. Demand for multi-family housing was generally stable but lagged supply in some markets, bringing rents down. Construction activity was restrained by elevated costs.

Activity in commercial real estate was steady overall and varied by market segment. Leasing demand for industrial and warehouse space remained soft, and rental rates continued to decline. Demand for retail leasing space picked up in the Mountain West region and was solid elsewhere in the District. Construction activity remained weak overall but was somewhat propped up by infrastructure and health-care sector projects.

Financial Institutions

Activity in the financial services sector varied across business lines but was largely unchanged on balance. Demand for business loans and lines of credit expanded somewhat, while demand for consumer lending products remained muted. Commercial and residential mortgage lending was restrained by still-elevated interest rates. Lending standards reportedly tightened, which prevented some small businesses from accessing credit. Deposit flows remained stable with little change in competition for them over the reporting period. A few reports highlighted expanded activity in private credit markets.

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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