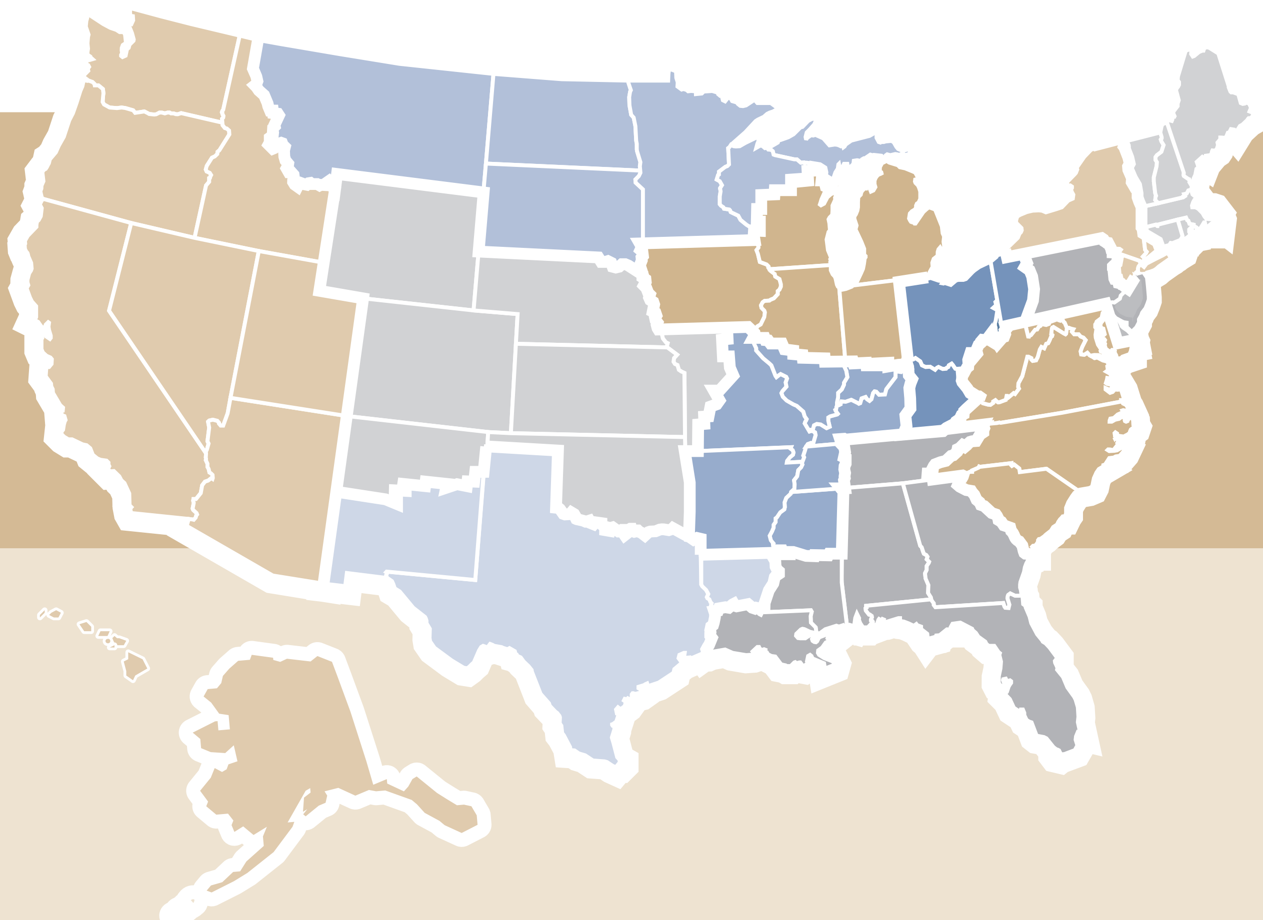
The Beige Book

Summary of Commentary on Current Economic Conditions by Federal Reserve District

August 2026



FEDERAL RESERVE SYSTEM

Contents

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

Economic activity increased modestly since early July. Ten of the twelve Federal Reserve Districts reported growth in the slight to moderate range; two Districts reported no change. Consumer spending grew slightly on balance; reports reflected both heightened price sensitivity on the one hand and solid high-end purchases on the other. Auto sales were mostly subdued, dampened by downbeat consumer confidence, high fuel prices, and rising financing costs. Tourism activity increased. Notably, airlines reported strong demand despite higher airfares. Manufacturing activity picked up across most Districts, with some highlighting ongoing strength in demand for defense and data center-related orders. Services firms reported slight to modest increases in activity. Financial conditions improved slightly as loan volumes remained solid or increased across most Districts. Residential construction declined while nonresidential construction increased on balance, with some Districts noting a high concentration of activity related to data center projects. Agriculture conditions saw slight improvement but generally remained strained; the livestock sector was strong while conditions were stressed among crop producers. The general outlook for the coming months was positive, but sentiment was mixed across sectors, with contacts reporting heightened uncertainty surrounding the effects of higher energy prices, policy, and international conflict.

Labor Markets

Employment rose very slightly overall, with three Districts showing modest gains in employment, four reporting slight gains, and five Districts experiencing no change. Eight Districts saw a change in their pace of growth from the previous report, but there was less overall dispersion among Districts. Healthy labor demand was seen most frequently in manufacturing, construction, and some service sectors, while retail and hospitality sectors saw falling labor demand. Labor availability was mixed. Skilled trades and technical workers were difficult to find. Districts also reported both positive and negative effects of artificial intelligence on labor demand. Wage growth was modest to moderate in most Districts. Significant wage increases were most often connected to demand for skilled workers in construction and manufacturing.

Note: This report was prepared at the Federal Reserve Bank of Minneapolis based on information collected on or before August 24, 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.

Prices

Prices increased moderately in eight Districts, with two Districts reporting modest increases, one slight increases, and one robust increases. Compared with the previous reporting period, the pace of price increases was the same in eight Districts, decreased in three, and increased in one. Input price pressures were notably elevated in manufacturing and construction across multiple Districts, with widespread reports of price increases for energy, transportation, and raw materials, particularly metals and petrochemicals. Retail and manufacturing contacts continued to note tariff-related impacts in multiple Districts. Firms also broadly reported significant health care and insurance cost pressures. Consumer-facing contacts in a few Districts noted that heightened price sensitivity among customers was putting a limit on their ability to pass through input price increases.

Highlights by Federal Reserve District

Boston

Economic activity grew slightly, with similar performance across most sectors. Employment and wages each ticked up a bit, and prices rose slightly as well. Boston experienced strong consumer spending in recent months, but spending was flat or softer elsewhere. The outlook was marked by increased concerns related to the negative impact of inflation on consumers' budgets.

New York

Economic activity continued to increase modestly, with particular strength in manufacturing. On balance, employment held steady. Selling price increases eased slightly but remained moderate, while input prices rose strongly. Supply chain strains emerged in the tech and defense sectors.

Philadelphia

Business activity rose modestly this period, up from a slight increase in the last period. Employment improved slightly, as both manufacturers and nonmanufacturers reported increased hiring. Wage inflation again grew modestly, and firm price inflation edged down to a modest pace. Expectations for future growth rose at a strong pace for manufacturers but remained below the long-run average for nonmanufacturers.

Cleveland

Fourth District business activity increased modestly, with moderate growth expected in the months ahead. Manufacturing demand grew robustly, driven by data centers and defense spending, while consumer spending declined for the fourth consecutive period. Nonlabor costs remained robust for the tenth consecutive period, and prices rose moderately.

Richmond

The regional economy continued to expand moderately this cycle. Consumer spending continued to grow, particularly for travel and experiential goods and services. Port volumes grew moderately and nonfinancial services saw modest growth in demand and revenues. The remaining sectors reported activity as flat to slightly down. Employment and price growth remained moderate.

Atlanta

Economic activity grew modestly. Employment levels remained largely flat. Wages rose moderately, and costs and prices increased at a moderate pace. Consumer spending and transportation activity expanded modestly. Residential real estate conditions were little changed. Commercial real estate, manufacturing, and energy sectors grew moderately. Lending increased at a modest pace.

Chicago

Economic activity increased slightly. Manufacturing demand rose modestly; employment was up slightly; consumer spending and construction and real estate activity were flat; business spending declined slightly; and nonbusiness contacts saw no change in economic activity. Prices rose moderately, wages rose modestly, and financial conditions tightened slightly. Farm income expectations improved some.

St. Louis

Economic activity has modestly increased. Employment was unchanged and wage growth remained moderate. Prices have risen at a robust pace and were widespread. The outlook has slightly improved, with contacts citing uncertainty, supply chain disruptions, and high fuel costs from the Middle East conflict continuing to affect conditions.

Minneapolis

Ninth District economic activity grew slightly. Employment grew and hiring increased. Prices increased at the same pace as the last report, with elevated input pressures. Consumer spending was down and tourism was hampered by heat and wildfire smoke. Loan demand grew slightly. Agricultural contacts were worried about drought.

Kansas City

Business activity had little change within the Tenth District, though underlying conditions softened. Retailers and manufacturers drew down inventories amid elevated prices and uncertain demand. Labor was the top growth constraint as hiring difficulties broadened. Cost pressure prompted more frequent price adjustments. Expectations for the District became more mixed across sectors.

Dallas

Economic activity in the Eleventh District expanded moderately. Growth picked up in the manufacturing, banking, and energy sectors, while it slowed in nonfinancial services. Retail sales increased. Agriculture conditions deteriorated due to drought conditions. Employment grew modestly with moderate wage growth. Price rose moderately to robustly. Outlooks were stable to positive.

San Francisco

Economic activity was little changed. Employers maintained staffing levels. Prices rose modestly, while wages increased slightly. Retail sales were stable, while demand for services eased slightly. Conditions were little changed in manufacturing and agriculture. Residential real estate activity declined somewhat, while commercial real estate and financial services activity remained stable.

Federal Reserve Bank of Boston

Summary of Economic Activity

Economic activity expanded further at a slight pace. Consumer spending grew only marginally overall. Manufacturing activity ticked up further on balance. Nonfinancial services firms noted small revenue gains, and bank loan volume increased a bit. Commercial real estate activity was mostly unchanged, but office leasing showed small improvements. Residential real estate sales improved modestly. Employment edged up, although labor demand was somewhat mixed. Wages rose slightly overall. Output prices continued to rise at a slight pace, with contacts expressing heightened uncertainty about the path of inflation. The outlook was mixed, but became somewhat more pessimistic on balance, with contacts expressing concerns about inflation, conflict in the Middle East, tariffs, and longer-term interest rates.

Labor Markets

Head counts rose slightly overall, reflecting minimal to moderate increases among various manufacturers, tourism and retail businesses, and nonfinancial services firms. Employment was flat for hospitals and financial services firms, whereas moderate layoffs occurred in higher education. Job openings ranged from flat to up moderately among nonfinancial services firms and rose a bit among retailers and manufacturers. On the other hand, one college enacted a hiring freeze. Job opportunities for recent college graduates improved from a year ago but remained scarce relative to the number of applicants. Retail and tourism contacts perceived small improvements in labor supply, but selected contacts in other sectors experienced tighter labor supply. Wages and benefits rose slightly on average, with most of the gains occurring among manufacturers. Retail and tourism contacts saw modest increases in health insurance costs. On average, contacts expected head counts to rise marginally over the next six months.

Prices

Output prices rose slightly on average, although many firms kept their prices fixed. The majority of manufacturers and services firms registered stable output prices, although some reported minimal price increases. Prices rose moderately at high-end resorts but rose only minimally for budget-friendly accommodations. Cost pressures varied across industries, although some common drivers existed, most notably fuel and energy. Specifically, restaurants' menu prices increased modestly in response to higher food and energy costs. Retailers cited elevated transportation and fuel expenses as factors that contributed to small price increases. Manufacturers reported slight increases in input prices, citing cost pressures from fuel and energy, raw materials, tariffs, and transportation. Input prices were mostly stable among financial and nonfinancial services firms. Hospitals planned to keep prices steady going forward, while expected price changes among tourism contacts were mixed. Contacts across industries expressed heightened uncertainty and upside risks to inflation around elevated energy prices and potential new tariffs.

Consumer Spending

Consumer spending increased slightly in recent months, as tourism spending grew modestly and retail spending was flat on balance. Hotel contacts saw modest revenue gains on average, driven by increases in daily room rates, particularly among higher-end accommodations and for Boston locations. Mid-market lodging options saw only very small increases in revenue amid softer demand. Boston restaurant and retail sales were strong throughout July and into early August, rising considerably from the previous summer; the momentum started in June with the World Cup and persisted during July's tall ships festival—part of the nation's semi-quincentennial—and other high-profile events. Restaurant and retail sales on Cape Cod decreased modestly, as above-average temperatures kept visitors at beaches instead of shopping districts, and higher lodging costs left households with less to spend otherwise. Retailers elsewhere in the First District saw flat revenues, with some noting softer demand and rising inventories, while others saw modest revenue growth. The outlook for consumer spending was cautious. Many contacts cited high energy costs as a strain on consumer budgets and were concerned that the impacts could intensify during the home heating season if the conflict in the Middle East remained unresolved.

Manufacturing and Distribution

Manufacturing activity and revenues were up slightly in recent months, with most contacts reporting performance at or above expectations. Profits increased somewhat on average, but the changes ranged from slight decreases to large increases. Most firms reported solid to robust demand, but some consumer-facing firms experienced softer demand, and a polymer manufacturer cited tariff uncertainty as a drag on demand for its materials. Capital expenditures increased slightly overall, with one contact noting higher spending on automation in response to labor scarcity. The outlook improved on balance, even though more contacts perceived an increase in uncertainty rather than a decrease. Contacts expected business activity to expand overall but cited the conflict in the Middle East, inflationary pressures, and tariffs as ongoing sources of uncertainty.

Nonfinancial Services

Revenues increased slightly on average among nonfinancial services firms, with one professional services firm noting a large increase. However, education contacts noted a moderate slowdown in activity, as one Massachusetts college closed recently, and another reversed expansion plans and trimmed head counts in response to declining enrollments. Capital expenditures increased marginally on average among contacts in the health-care, software, legal, and accounting industries, and one health-care contact expected further slight increases in capital outlays going forward. Contacts agreed that uncertainty remained elevated, but most carried on with decision-making regardless. The outlook became more optimistic on balance, with contacts in professional services expecting activity to pick up a bit going forward. However, the outlook for higher education appeared increasingly pessimistic.

Financial Services

Business activity among banking contacts and non-bank financial services firms increased slightly on average in recent months. A large financial services firm reported stable revenues, profits, and capital expenditures. Loan volume among banking contacts grew somewhat overall, although some recorded no change in loan volume and a few experienced moderate increases. Changes in loan demand ranged from very small decreases to moderate increases. Credit standards were mostly unchanged, although one contact said standards had tightened. Loan pricing rose a bit, and nonperforming loans were unchanged. The outlook was mostly stable, although banking contacts expressed growing uncertainty related to inflation, interest rates, tariffs, and the impact of those factors on spending and borrowing by households and businesses.

Real Estate and Construction

Commercial real estate activity remained stable on average. In the industrial market, leasing activity was mixed, and rents and vacancy rates were flat. Retail leasing activity, rents, and vacancy rates were unchanged, with one contact noting lack of new supply. Office leasing activity increased slightly, driven by class A properties, resulting in a small increase in rents and reduction in vacancy rates. One contact attributed the improvements to increased return-to-office policies by large employers. Multifamily leasing softened, with vacancy rates edging up, and construction slowing. Nonresidential construction was flat. Loan activity to the sector increased, resulting in tighter credit spreads. Contacts expressed a somewhat more negative outlook, with increased uncertainty tied mostly to interest rates.

Residential markets saw a modest increase in activity for both single-family homes and condominiums. Closed and pending sales increased somewhat more than expected for the season, which one contact attributed to the region's relatively cool spring and resulting delay in the typical warm-weather surge. There were small increases in inventory in most New England states, though inventory continued to decrease in Massachusetts. Sales prices remained stable on average. Contacts reported a mostly positive outlook, consistent with the previous cycle, although one New Hampshire contact perceived the market was softening.

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 increase modestly. Service sector activity grew modestly and manufacturing growth picked up to a moderate pace. On balance, employment held steady. Wage growth was modest. Selling price increases eased slightly but remained moderate, while input prices continued to rise strongly with energy costs cutting into profit margins. Supply chain strains emerged in the tech and defense sectors. Consumer spending increased slightly, buoyed by strength at the high end. Housing market activity edged slightly higher, though inventory remained limited and prices continued to rise. Commercial real estate activity was strong. Businesses expected little improvement in the months ahead.

Labor Markets

On balance, employment held steady. Head counts rose in manufacturing, construction, wholesale trade, transportation, and information. Employment declined modestly in retail and personal services, and fell sharply in the education sector. Larger businesses generally continued to see slightly more job growth than smaller firms.

Labor demand generally held steady in a stable low-hire, low-fire environment, though there were some pockets of strength. Demand for finance workers remained robust, and manufacturing labor demand intensified, particularly in the aerospace and semiconductor industries. Highly skilled technology workers, especially AI engineers, remained difficult to source. However, an employment agency reported that demand for entry level roles in tech and administrative support was weaker, in part due to AI. Worker availability continued to improve, with one social services contact reporting the easiest hiring conditions since the pandemic began. There were no signs of large-scale layoffs in the region.

Wage growth was generally steady and modest. However, wage pressures were acute in the construction sector. Further, a manufacturing contact noted that payroll costs had increased at a stiff pace. Contacts anticipated an uptick in the pace of wage growth in the months ahead.

Prices

The pace of selling price increases eased slightly but remained moderate, while input prices continued to rise strongly. Multiple contacts across many sectors noted energy and fuel costs remained elevated and pressured profit margins. An aircraft parts manufacturer reported elevated raw material prices. Tariffs continued to add to input costs for many firms. Contacts in both the manufacturing and service sectors noted increased consumer resistance to rising prices, with some firms absorbing cost increases rather than passing them through. Looking ahead, contacts anticipated price increases would accelerate in the coming months.

Consumer Spending

On the whole, consumer spending increased slightly. A retailer reported solid sales, particularly in the luxury tier, while mid-tier sales growth reflected higher prices rather than increased volume. A moderately-priced restaurant reported increased guest counts as consumers traded down from higher-priced establishments due to inflation, with some single diners noting it's now cheaper to eat out than to purchase groceries for home-cooked meals. A historic inn reported an increasing divide between customers who continued spending robustly on higher-end events and waning demand among those seeking value-oriented offerings. A window retailer noted that sales slowed as consumers were hesitant to invest in their homes amid inflation and rising mortgage rates.

Auto dealers in upstate New York reported steady but tepid car sales. New vehicle sales remained weak amid affordability concerns, while some consumers postponed purchases and repaired existing vehicles to extend their useful life. Inventory levels edged down in recent months, with manufacturers adjusting production to avoid inventory buildups. Used car sales were also weak.

Manufacturing and Distribution

Manufacturing growth picked up to a moderate pace, with new orders and shipments posting solid increases. An upstate New York concrete products producer noted significant demand from transportation infrastructure projects and large-scale tech facilities. A precision measurement equipment manufacturer reported continued growth in semiconductor, networking, and defense sector orders, though supply chain strains were causing delays and longer lead times. Contacts in the aerospace and defense sectors also noted growing lead times for raw materials. More broadly, supply availability worsened and delivery times lengthened, while unfilled orders increased and inventories declined. Wholesale and distribution firms reported slight growth. A shipping contact reported continued strong import demand despite persistent increases in freight rates. Demand was exceptional for data center supplies from China, reducing price sensitivity to shipping costs. Another shipping contact attributed strong import volumes to frontloading ahead of potential new tariffs, though export volumes lagged. Manufacturers remained optimistic about the outlook.

Services

Service sector activity increased modestly. Although the education sector continued to decline sharply, activity increased in the health-care, leisure and hospitality, and business services sectors. A business services firm noted increasing demand for cybersecurity and AI services. Looking ahead, businesses in the service sector were less optimistic.

Tourism activity in New York City continued to strengthen during and after the FIFA World Cup finale. Visits to New York City increased and average daily hotel rates were exceptionally high. Broadway ticket sales were solid. Although attractions noted weak visits through mid-July, attendance picked back up after the World Cup ended and more normal tourism patterns returned.

Real Estate and Construction

Housing market activity edged slightly higher, though a lack of supply continued to limit sales and push up prices across the District; multiple offers and bidding wars remained common. Affordability and rising mortgage rates restrained sales in New York City. The pipeline of new construction in the City was reportedly emptying, as high interest costs undermined project viability amid elevated labor, land, and material costs.

Rental markets strengthened, particularly in New York City where rents topped new records. A contact noted that many prospective buyers of luxury properties in New York City shifted to the rental market following a proposed new tax on high-value second homes, despite the proposal being paused. Multi-family rental inventory continued to decline across the District.

Commercial real estate markets remained strong. Manhattan's office market continued its record leasing pace, driven by strong demand from AI and tech firms, with citywide vacancy at its lowest level since late 2021, and rents rose steadily. Industrial markets were particularly robust on Long Island and in New Jersey, where vacancy rates hovered at or below historical lows amid strong leasing activity and developers breaking ground on large speculative projects. Sales recovered steadily across the New York City area, with multifamily and office transactions running at their strongest pace in several years as both institutional and private capital returned to the market. Construction activity continued to grow strongly across the District.

Banking and Finance

Activity in the broad finance sector held steady. Small- to medium-sized regional banks reported that loan demand was slightly lower for business loans but edged up for consumer loans and residential mortgages. Refinancing activity declined. Credit standards tightened slightly for business loans and commercial mortgages but eased for residential mortgages. Deposits moved higher.

Delinquency rates crept up for most types of loans. A senior loan officer from a New York bank noted that the increasingly poor credit quality of consumer borrowers negatively impacted loan growth, and there was increasing concern among auto lenders about rising delinquencies and defaults.

Community Perspectives

Workforce development has emerged as a critical community challenge as labor supply shortages intensify and pathways to replace retiring workers remain inadequate. Workforce development organizations report that reduced federal funding, staffing constraints, and increased competition for resources have limited their capacity to deliver training programs to low- and moderate-income populations. Employers have struggled to find and retain workers as experienced employees retire without transferring expertise. These challenges are compounded by high costs for transportation, housing, and childcare that prevent workforce entry.

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 increased modestly, after rising slightly in the last period. Employment rose slightly, as both manufacturing and nonmanufacturing firms reported an uptick in hiring during July and August. Wage inflation remained steady at a modest pace. Firm price inflation rose at a modest pace in this period, down from a moderate pace in the last period. Retail contacts reported that their customers are more price sensitive and have changed their buying behavior in light of higher fuel prices. As a result, retailers reported slight declines in sales. Housing contacts continued to report slight declines in sales of both new and existing homes. Tourism remained a bright spot in the District, as strong domestic travel offset a decline in international visitors. Expectations for economic growth over the next six months broadened among manufacturers but narrowed among nonmanufacturers.

Labor Markets

Employment rose slightly during July and August, up from a slight decline in the last period, although most firms reported no change in employment. On balance, nonmanufacturing firms reported slight increases in both full- and part-time employment, and manufacturing firms reported a modest rise in overall employment.

Recruitment activity increased across many sectors, and contacts reported adequate candidate availability, although a few contacts noted a continued struggle to fill skilled and specialized positions. Two retail and staffing contacts reported that hiring had increased to support growth, while one utility company limited hiring to replacement positions only. A banking contact reduced back-office hiring through automation while prioritizing customer-facing, revenue-generating roles. Nonprofit staffing contacts reported increased demand for entry-level job placements but fewer openings, resulting in longer waitlists. Employee turnover remained minimal across sectors.

Wage inflation remained largely unchanged at a modest pace, slightly above its pre-pandemic average. Contacts continued to report limited upward wage pressure over the period and annual merit increases or cost-of-living adjustments in the range of 1 to 3 percent across industries.

Prices

On balance, firm prices rose at a modest pace, down from a moderate increase both in the last reporting period and one year ago. In the current quarter, both manufacturing and nonmanufacturing firms reported smaller increases in prices received over the past year, compared with the second quarter, when prices edged up.

Contacts across a range of retail sectors reported holding prices steady, with some indicating plans to reduce prices on select items. Retail contacts offered mixed reports on promotions: One increased promotions to strategically lower prices on select items, while another declined to expand promotions because the contact felt it would not boost sales owing to limited consumer spending capacity. A restaurant contact reported keeping prices steady amid commodity price changes through menu adjustments and diversification. A tourism contact serving high-income consumers noted greater pricing power and raised prices.

Price sensitivity remained a concern for price setters. In the current quarter, more than 90 percent of all survey respondents reported that their core customers' price sensitivity has increased or stayed the same relative to the prior quarter, a trend that has held steady over the past year.

Nearly 60 percent of nonmanufacturers but just over 40 percent of manufacturers reported that they could clearly anticipate changes in their industry's costs over the next six months. Of those reporting, nearly 60 percent of the nonmanufacturers expected their competitors to hold prices steady (26 percent expected price hikes), while 80 percent of the manufacturers expected their competitors to raise prices. Price increases were typically anticipated within three to five months.

Manufacturing

On average, manufacturing activity surged to a strong increase in the current period, up from a modest increase in the prior period. Firms reported that net increases in new orders and shipments were significantly higher than during nonrecession periods.

The manufacturing firms surveyed reported challenges that included difficulty hiring for various skilled roles and some supply chain issues, along with increasing freight and utility costs, both of the latter of which they are unable to pass on to their customers.

Overall, optimism about future growth strengthened further for manufacturers. The indicators for new orders and shipments remain elevated, and approximately 60 percent of the firms expect increases in both new orders and shipments over the next six months.

Trade and Services

Firms across a broad spectrum of nonmanufacturing industries continued to report slight increases overall, although reports of new orders and sales or revenues softened considerably near the end of the period.

Among retailers (nonauto), two contacts noted a decline in store visits which they attributed to the psychological effects of higher fuel prices on consumer behavior. Both contacts said that promotional efforts have failed to boost sales. In contrast, a restaurant industry contact reported that promotions remained effective and drove increased spending among lower-income customers.

Auto dealers again reported that sales were steady this period but were slightly higher than one year ago. One contact attributed steady sales to customers adjusting to current prices, although affordability remained a concern.

Tourism activity continued to grow at a moderate pace. Contacts reported growth in leisure travel over the period, driven by strong domestic tourism, although international visitors declined. Business travel also remained strong. One contact reported fewer cancellations during the period, along with an uptick in federal government travel.

Expectations among nonmanufacturers for their own growth over the next six months improved slightly from the prior period but remained below historical trends.

Real Estate and Construction

Existing home sales again declined slightly this period, although one contact described this as typical for this time of year. The inventory of for-sale properties ticked up slightly year over year but remained below historical levels, contributing to continued modest increases in average selling prices. According to the contact, prevailing interest rates continue to make both buyers and sellers reluctant to enter the market.

New-home builders reported a slight decline in sales, following little change in the previous period. Contacts attributed soft demand to elevated interest rates, which continued to make potential buyers hesitant, and weaker consumer sentiment.

Nonresidential construction activity again remained flat this period. Despite this, contacts noted signs of improvement across several sectors. One contact noted increased development activity in Delaware across almost all property types except offices. Contacts also pointed to more bidding opportunities for new projects, suggesting potential future growth. Nonresidential leasing activity continued to edge up, with one contact citing the strongest growth in the sector since 2022, primarily driven by logistics firms.

Credit Conditions

The volume of bank lending (excluding credit cards) rose slightly this period (not seasonally adjusted), following a modest increase last period, but was unchanged from one year ago.

District banks reported moderate increases in commercial real estate loans and modest increases in commercial and industrial loans, mortgage lending, and auto loans. Home equity lines of credit fell slightly during the period. Credit card volumes were flat during this period, after increasing moderately in the prior period.

Banking contacts reported steady levels of activity, with consumer demand for credit up slightly over the period. While two contacts reported no uptick in delinquencies, one banking contact expressed concern about the growing pressure on consumers due to the rising cost of living. Non-profit contacts continued to be concerned about funding following changes in federal and state policies.

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 moderate growth expected in the months ahead. Demand for manufactured goods continued to grow robustly, driven by data centers and defense spending. Consumer spending declined modestly for the fourth consecutive period as higher fuel and food prices strained household budgets. Employment levels increased slightly, and wage pressures remained moderate. Nonlabor cost pressures remained robust for the tenth consecutive period, driven by higher fuel costs, while selling prices increased moderately as firms balanced rising input costs against competitive pressures and consumer price sensitivity.

Labor Markets

Employment levels increased slightly on net in recent weeks, with overall commentary indicating stable conditions. Many manufacturing and construction firms added staff to pursue growth opportunities. However, continued shortages in skilled trades constrained some hiring plans, with one construction contact noting that they were in “dire need of younger skilled labor.” Some retailers reduced staffing levels in response to soft demand. AI’s impact on staffing was mixed. Some contacts hired to expand AI capabilities; others noted a reduced need for administrative staff due to AI. On balance, contacts expected employment levels to grow modestly in the coming months.

Contacts continued to report moderate increases in wages on balance. To help employees manage higher costs, a few contacts increased wages earlier or by more than the usual amount, while others offered a flexible work schedule to reduce commuting costs. Some manufacturers raised wages to compete for scarce labor or offered additional overtime until fully staffed, and some professional and business services firms noted that continued competition for specialized talent was pushing up wages. A few contacts reported easing wage pressures as labor demand cooled. Multiple firms held wages steady, cut bonuses, or reduced commissions in response to soft customer demand, and one services firm implemented a 10 percent salary reduction for top staff as part of a broader cost-cutting measure.

Prices

Nonlabor input cost pressures remained robust for the tenth consecutive reporting period amid rising fuel costs related to the conflict in the Middle East and resulting spillover effects on material and freight costs. One manufacturer described these as "shockwaves through the chemical supply chain." Many manufacturing and construction contacts reported rising utilities and materials costs, particularly for steel, copper, and aluminum, with several attributing the increases to tariffs. Many services and retail contacts reported continued increases in health insurance costs, with one noting that the pace was "unsustainable." Looking ahead, contacts anticipated nonlabor input cost pressures to remain robust.

Overall, contacts reported moderate increases in selling prices in recent weeks, driven by rising input costs. Manufacturers continued to raise prices to cover higher energy, raw materials, and tariff-related costs, while retailers raised prices to offset higher goods costs. One large retailer noted that prices for petroleum-based products increased by more than 20 percent compared to 2 to 3 percent for non-petroleum-based products. Some restaurateurs and grocers raised prices selectively because of consumer price sensitivity. Some contacts across sectors reported holding or even cutting prices to maintain market share amid competitive pressures.

Consumer Spending

Consumer spending decreased modestly in recent weeks, marking the fourth consecutive reporting period of decline. Retailers across sectors continued to attribute flat or softer sales to higher prices—particularly for fuel and food—and general economic uncertainty. One contact added that the previous boost from tax refunds had dissipated. Reports from auto dealers were mixed. Some noted stable or increased sales as consumers moved forward with postponed purchases; others reported still-soft demand due to high vehicle prices and interest rates. Looking ahead, retailers expected flat sales on balance, with continued high prices leading consumers to limit discretionary purchases.

Manufacturing

Demand for manufactured goods increased at a robust pace, driven by data center development and defense spending. Some producers absorbed demand from competitors who were facing supply chain constraints, while others saw higher orders as customers replenished inventories. One contact reported increased orders as unseasonably warm weather strained the electrical grid, increasing the need for maintenance. A few other firms saw flat or softer orders, a circumstance which some attributed to general economic uncertainty. One producer reported losing orders to an international competitor that relocated production to circumvent U.S. tariffs. Manufacturers generally expected demand to rise at a robust pace in the coming months.

Real Estate and Construction

Residential construction and real estate activity increased slightly in recent weeks. One homebuilder reported that higher affordable housing demand was outweighing a slowdown in their market-rate business, and another noted that demand for their custom homes was stable at a high level. While one real estate broker saw continued high demand for existing homes, a lack of supply dampened sales activity as homeowners remained reluctant to move. Several contacts noted that higher long-term interest rates contributed to lock-in for existing homeowners. Contacts anticipated little to no demand growth in the coming months.

Nonresidential construction and real estate contacts reported moderate demand growth in recent weeks, with industrial demand stabilizing and still-strong demand for data center construction. Contacts differed in their assessment of firms' decisionmaking; two commercial developers said projects previously on hold were beginning to come to fruition, while one industrial developer observed little change from the previously cautious environment. Looking ahead, contacts expected strong demand growth.

Financial Services

Overall, bankers reported that loan demand grew at a robust pace in recent weeks. Commercial bankers cited new business activity, mergers and acquisitions (M&A), and commercial real estate transactions as catalysts for increased loan demand. One banker noted that their business banking division was on pace for its best year ever. On the consumer side, one banker reported increased demand for auto loans and home equity lines of credit. Despite reports of robust growth, some bankers reported seeing some clients discouraged by economic uncertainty and relatively high interest rates. Going forward, bankers expected loan demand to grow modestly, with continued demand growth from commercial clients and steady household demand.

Nonfinancial Services

Demand for professional and business services grew modestly in recent weeks, slowing from relatively strong growth in prior periods, with growth concentrated in corporate M&A activity, litigation work, and engineering and compliance services. Despite this recent slowdown, contacts expected strong demand growth in the coming months as clients move forward with capital improvements and other projects. Freight contacts continued to report robust demand growth due to increased business from new and existing clients. One contact mentioned particularly strong demand from the industrial sector. Looking ahead, freight contacts expected demand to increase moderately on balance.

Community Conditions

In a recent Districtwide survey, workforce development boards reported rising labor demand, especially in skilled trades, linked to economic development projects. Several respondents cited access to transportation and childcare as persistent barriers to employment and training. Most respondents noted using AI in their operations, with the remaining boards planning to adopt AI within the next 12 months. Current AI users said they were leveraging it for administrative efficiency. Half of respondents indicated that AI was partially integrated into their processes, potentially signaling a shift in how workforce boards operate and deliver services.

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 moderate rate. Consumer spending grew moderately, on balance, but consumers showed a preference towards experiential goods and services and pulled back elsewhere. Spending on travel and tourism continued to grow, most notably for higher end hotels. Manufacturing activity was flat and firms noted minimal pricing power amid rising input costs. Nonfinancial service providers continued to report modest growth in revenue and demand. Financial services firms reported no change in loan demand this cycle. Residential and commercial real estate markets experienced a typical seasonal slowdown. Employment and wages grew moderately, on balance, despite some reports of higher wage growth for specific workers. Price growth remained at a modest year-over-year rate.

Labor Markets

Employment in the Fifth District increased modestly during this period. Firms adding workers attributed the growth to increasing business demand. A West Virginia dance studio planned to hire a worker following an expansion, while a DC-based printing company and a Virginia car maintenance chain reported hiring needs driven by strong demand. The skilled labor pool remained tight. Data center construction has further strained labor availability, with contacts reporting increased competition from non-local companies pursuing data center work. A Maryland construction company implemented a 35 percent pay increase as a retention strategy. Recruiting agencies reported heightened competition for AI-leadership roles, significantly driving up compensation for these hard-to-find workers. Several firms reported efficiency gains from AI adoption, with one financial institution rethinking its approach to entry-level positions. Outside of some hard-to-fill positions, wage growth remained moderate.

Prices

Price growth stayed at a moderate year-over-year rate. In our most recent surveys, both service sector firms' price growth and non-labor input cost remained relatively the same. Manufacturing firms reported a drop in non-labor costs pushing input price growth back to just above 7 percent. Prices received by manufacturers remained relatively unchanged. Across all sectors, survey participants noted the ongoing uncertainty with increases in oil prices, tariffs, health insurance premiums and ability to pass on pricing.

Manufacturing

Manufacturing activity was unchanged in recent weeks. Several firms restructured operations due to rising costs. A perforation service company and a printer both dropped lower-margin clients to stabilize margins, while another printing firm implemented new productivity software to help manage costs. Firms struggled to pass prices through to customers. In fact, a wood producer's customers demanded price cuts following the Supreme Court tariff ruling, which was not possible due to higher input and transportation costs. A bicycle component producer could not raise prices, leading to wages being frozen and pauses in capital expenditures. However, demand increased for several firms. A textile company reported growth as customers switched to domestic products to avoid tariffs, while a plastic manufacturer saw increased orders as customers finalized delayed purchases.

Ports and Transportation

Fifth District ports saw moderate increases in cargo volumes this cycle as both loaded imports and exports surpassed expected growth. Contacts shared that tariff-related announcements continued to influence demand, with orders for heavy machinery and niche industrial supply commodities driving import strength while consumer goods like furniture continued to lag. On balance, spot rate prices have increased in tandem with demand. Fuel cost increases have put upward pressure on trucking rates, which has in turn created a notable shift toward rail for domestic freight as well as some intermodal cargo.

Retail, Travel, and Tourism

Overall consumer spending increased modestly but customers prioritized experiences and pulled back on retail goods. In particular, smaller retailers with brick and mortar stores noted negative to flat demand this period and an overall slowdown in shopper traffic. Many firms perceived increased price sensitivity from customers with additional pressure from the rising cost of gasoline. Hotels in the Fifth District saw positive growth on par with national trends for occupancy and nightly rates but performance varied widely between segments. In Virginia for instance, upscale hotels saw double digit revenue growth while economy hotels grew only modestly. An amusement park has managed cost increases by raising certain prices and reducing labor hours. The park reported flat traffic during this peak summer period but higher-income visitors drove a notable increase in per capita spend on food, beverage, and services.

Real Estate and Construction

Residential real estate experienced a delayed but typical summer slowdown. Uncertainty with the conflict in the Middle East and elevated interest rates intensified the slowdown. Buyer traffic remained flat, with brokers reporting increased handholding with client anxiety. A North Carolina broker noted buyers shifting from the $350K to $300K homes to manage higher mortgage payments. Changes in condo lending and AI appraisals added further complexity to the residential market.

Commercial real estate also slowed seasonally. Retail remained strongest across markets, with a focus on infill projects. Class A office space showed little change as flight-to-quality continues. A Maryland broker noted the suburban markets near residential and retail amenities outperformed the central business district (CBD) market. Debt maturity and receivership continued in the outdated lower-tier office space. Multi-family properties averaged four to six weeks free rent District wide. Industrial leasing and sales paused amid energy price and tariff concerns. Data center moratoriums raised alarms, particularly in the DMV area where contacts worried about a slowdown in construction and capital investments.

Banking and Finance

Financial institutions reported overall stable demand for loans in both their consumer and commercial loan portfolios. Both commercial loan and commercial real estate customers continued to borrow, with one banker observing that borrowers wanted to “get in under the wire” due to their anticipation of future interest rate movements. Individuals were still being cautious leading to no change in consumer loan demand. Competition for deposit balances remained strong. Respondents noted stabilizing loan delinquencies with no changes in the credit quality of loan applicants.

Nonfinancial Services

Nonfinancial service providers continued to report modest growth in revenue and demand for their services, however, impacts from AI and economic uncertainty were increasing challenges for both firms and their customers. One IT firm noted that they were seeing customers reorganizing and even reshaping their businesses because of the adoption of AI tools which in turn reduced the demand for their consulting services. A law firm reported that they were seeing an uptick in business that they attributed to the many data center and energy projects they are supporting.

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 Sixth District economy continued to grow at a modest pace over the reporting period. Employment levels were unchanged, on balance, and wages continued to grow by low single digits. Prices and input costs rose moderately. Consumer spending, travel and tourism, and residential real estate sales increased modestly. Commercial real estate, manufacturing, and energy saw moderate growth. Demand for transportation grew slowly. Loan growth was modest and driven by specialized lending and construction activity.

Labor Markets

Employment levels were flat in the aggregate. Reports of layoffs remained limited. Some construction and advanced manufacturing firms noted continued labor shortages for specialized roles like electricians. Hiring slowed somewhat in the health-care sector. Utilization of AI broadened across firms, with more contacts deploying AI tools and automation to boost employee productivity and efficiency. However, most do not expect these efforts to lead to significant workforce reductions in the near term.

Most contacts reported moderate annual wage increases in the 2 to 3 percent range, though wage pressures continued for technical or specialized roles. Many contacts reported escalating costs in employer-offered benefits and insurance.

Prices

Prices rose moderately over the reporting period, and nonlabor costs increased at a moderate to strong pace across various inputs. Insurance and health-care cost increases were notably robust, and freight and other shipping costs continued to rise due to fuel surcharges. Food costs moved higher, in some cases because of tariffs, though chocolate prices fell, and beef wholesalers achieved savings by sourcing domestically. Other cost mitigation tactics included implementing internal efficiencies, switching payment rails to avoid processing fees, and “slow steaming” of ships to reduce fuel usage in exchange for longer delivery windows. Pricing power remained modest overall outside of select categories; most firms that successfully raised prices are in industries related to data center buildouts. Consumer-facing firms continued to experience customer price sensitivity and utilized promotional “throwback prices” or dynamic pricing models to boost sales volumes.

Community Perspectives

Financial strain among low- and moderate-income populations worsened over the summer as higher living expenses compounded existing affordability challenges. Social services providers noted that cost pressures negatively impacted both low- and moderate-income households, with providers observing significant needs among both populations as well as an overall increase in assistance requests. Community contacts indicated that many individuals and families have increasingly relied on debt—including credit cards, payday loans, and “buy now, pay later” services to cover essential expenses. Lenders reported that small businesses continued to struggle with increased operational costs as well as with a financially fragile customer base.

Consumer Spending

Consumer spending expanded modestly, supported by robust activity in the luxury segment as demand for high-dollar dining and experiences remained strong. Retailers also noted a continued “flight to value.” For example, private label products outperformed name brands. Restaurants reported broadening signs of increased consumer caution: diners spent less per visit, although for most restauranteurs foot traffic remained steady and sales growth was slightly positive year-over-year. New auto sales softened somewhat amid rising gasoline costs and persistently elevated interest rates.

Tourism activity grew modestly, with demand concentrated on upscale properties. Mid-tier segments experienced slight declines in both leisure and business travel spending. Average daily rates continued to rise, offsetting higher costs, and drive-to destinations saw increased bookings as airfares remained elevated. Some hotel contacts noted that World Cup-related rate increases may have priced out typical summer visitors. Shortened booking windows complicated forecasting for the fall, but most properties expressed cautious optimism over the remainder of the year.

Construction and Real Estate

Home sales improved modestly across most markets in the Sixth District, with discounts and incentives driving activity. Elevated mortgage rates and declining affordability continued to weigh on buyer sentiment, while falling inventory levels in many geographies contributed to upward pressure on home prices. Entry-level demand was constrained by buyer qualification challenges and luxury demand showed signs of softening. In contrast, mid-tier properties experienced slightly better market conditions. Speculative inventories continued to moderate, and builders expect the aggressive use of incentives to continue as the market enters the traditionally slower season.

Commercial real estate activity expanded in aggregate, with most segments reporting moderate growth. Demand outpaced supply in Class A office space as flight to quality persisted, and Atlanta firms noted numerous projects underway to convert underperforming B and C space to multifamily usage. Throughout the District, multifamily vacancy rates improved slightly, supported by ongoing rent concessions and reduced inventory. Retail vacancies also fell, with growth concentrated in value-oriented brands benefiting from price-conscious consumers. Industrial real estate saw rapid absorption of new inventory, which was focused in the data center space.

Transportation

Transportation demand rose modestly amid emerging strength in the manufacturing and agricultural sectors. A logistics company noted dramatic turnaround in its barging segment, with robust demand for major agricultural commodities like corn, soybeans, and soy meal. Trucking contacts noted modest increases in demand and subsequent head counts across most business lines. A short-line railroad reported strong demand for first and last mile freight movements, but slight weakness in consumer-related freight like paper, pulp and packaging materials. Multiple transportation contacts implemented fuel surcharges with minimal impacts to demand. Some contacts expressed concerns about the continued effects of both tariff policies and geopolitical risk on the sector.

Manufacturing

Manufacturing activity grew at a moderate pace. A fabricator of specialty metal products noted growth across all business lines, with particularly strong demand for aerospace and defense-related goods. Similarly, a military shipbuilder expected ongoing demand for the next decade given strength in defense spending. Additionally, advanced manufacturers noted consistent volumes and sustained pricing power. Manufacturers involved in data center construction continued to experience strong activity as well. However, demand for consumer-facing manufacturing industries continued to slow.

Banking and Finance

Loan growth remained modest over the reporting period. While auto and credit card portfolios declined modestly, all other consumer lending offset those declines. Short-term personal loans along with niche and specialized lending for individuals and businesses remained prevalent. Construction and land development lending expanded moderately, with activity concentrated in data center projects. Many contacts noted much tighter underwriting standards, affecting small businesses most acutely. The cash-to-total assets ratio increased moderately as large denomination deposits increased in response to a rising rate environment. Bank mergers and acquisitions slowed; however, additional merger activity is anticipated through year-end.

Energy

Energy sector conditions were mixed over the reporting period. Consumer and industrial demand remained solid, with particular strength in demand from AI-related infrastructure investments, even though oil supply was constrained. Oil supply declines were attributed to challenges navigating the Strait of Hormuz and other bypass routes amid renewed conflict escalation in the Middle East, putting increased pressure on inventories and prices. Firms continued to report rising input costs for both oil production and oilfield services, adding pressure to operating margins. Domestic production remained robust but contacts noted anticipated constraints in the first quarter of 2027 as refineries can no longer defer maintenance and will go offline to address delayed upkeep.

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 increased slightly in July and early August, and contacts expected a similar pace of increase over the next 12 months. Manufacturing demand rose modestly; employment was up slightly; consumer spending and construction and real estate activity were flat on balance; business spending declined slightly; and nonbusiness contacts saw no change in economic activity. Prices rose moderately, wages rose modestly, and financial conditions tightened slightly. Farm income expectations for 2026 improved some.

Labor Markets

Employment rose slightly over the reporting period, and contacts expected a similar pace of hiring over the next 12 months. Contacts generally saw little change in labor market conditions on balance. One contact in state government said the layoff rate remained low, and a contact in leisure and hospitality noted little turnover in workers. There were some reports of job growth, including from employment placement agencies which saw a slight increase in demand for manufacturing workers. There were also a few reports of tightening labor market conditions. In the truck transportation industry, a contact noted a pullback in the supply of drivers after recent changes in federal regulations. And in certain skilled trades, such as electricians, wage increases were large. Outside of the trades, wages and benefits costs were both up modestly.

Prices

Prices rose moderately overall in July and early August, and contacts expected a similar pace of increase over the next 12 months. Producer prices rose modestly. Nonlabor input costs were up modestly, which was slower than the moderate pace in the last report. Contacts reported price increases in raw materials, energy, and shipping, with many contacts in manufacturing and construction noting that shippers continued to add fuel surcharges to their invoices. Consumer prices rose moderately. One retail industry analyst expected some retailers to use tariff refunds to offset freight surcharges or offer promotions.

Consumer Spending

Consumer spending was flat on balance over the reporting period. Nonauto retail spending was unchanged overall. Contacts said more consumers were trading down to lower cost options and noted sales increases at discount stores and warehouse clubs. For example, a furniture retailer indicated that an increasing number of higher-income customers were shopping at discount furniture stores. Meanwhile, spending on leisure and hospitality decreased on net. While hotel room demand was up, contacts said restaurant traffic had slowed because of higher food and gas prices. New light vehicle sales held steady. Some dealers were surprised by how resilient demand was in light of elevated consumer uncertainty and higher prices driven by limited supply. However, other dealers expressed concern about decreased sales to small businesses, which historically precedes weakness in the overall vehicle market.

Business Spending

Business spending decreased slightly in July and early August. Contacts noted a small decline in their capital expenditures, though expectations for spending over the coming year were for a small increase. There were some reports of new capital purchases, often to replace or repair existing equipment. Demand for truck transportation increased slightly and rates edged up. Retail inventories were comfortable overall. Some contacts said that orders for the holiday season were lower than last year, in part due to higher confidence in the supply chain and in part because of uncertainty about how strong sales would be. Manufacturing inventories were a little high. A few manufacturing contacts reported shortages or long lead times for metals such as aluminum, copper, and steel.

Construction and Real Estate

Construction and real estate demand was flat on balance over the reporting period. Residential construction was unchanged, with contacts noting that higher costs, notably for land, were putting a damper on single-family homebuilding. Multifamily construction remained soft. Starts of many permitted multifamily projects were postponed due to higher costs and tighter credit conditions. Residential real estate activity decreased slightly, and a contact indicated that recent sales were limited to move-in-ready homes. Prices and rents both increased slightly. Nonresidential construction was unchanged. Data center and other mega-site construction projects remained the main centers of activity. As one contact put it, "without data centers, construction would be in a recession." Commercial real estate activity rose slightly. Demand strengthened in the industrial sector and remained strong for big box warehouse space.

Manufacturing

Manufacturing demand increased modestly in July and early August. Primary metals industry contacts reported a slight increase in sales from an already high level, driven in part by orders from equipment manufacturers. Fabricated metals production increased modestly on balance, with growth in a variety of sectors, including defense. Machinery sales also rose modestly due to stronger orders from the defense sector. Auto production ticked up and production of heavy trucks increased slightly.

Banking and Finance

Financial conditions tightened slightly in July and early August. Bond values edged down, while equity values rose moderately. Volatility was flat on net and at a low level. Business loan volumes increased slightly, with one contact reporting greater M&A activity. Business loan quality edged down, rates increased modestly, and terms were unchanged. Consumer loan volumes decreased modestly, with contacts attributing this in part to high interest rates across the board. Demand for residential mortgages was soft. There was an uptick in consumers making only the minimum payment on their credit cards, but overall consumer loan quality and terms were flat. Several lenders reported elevated consumer uncertainty due to the conflict in the Middle East, and many expressed uncertainty about the direction of interest rates.

Agriculture

District farm income expectations for 2026 improved some from a low level over the reporting period. Crops were in good shape for the most part, though some areas were stressed due to heavy rains and flooding. Still, yields for corn and soybeans were expected to be close to record levels. Corn, soybean, and wheat prices increased as domestic and international demand strengthened. Strong demand for biofuels led to higher production of ethanol and biodiesel. Egg and hog prices were up from the prior reporting period, dairy prices fell, and cattle prices decreased further. District cattle producers faced additional challenges after a key meat packing plant abruptly closed. Although diesel prices rose, there were reductions in many fertilizer prices, which could help farmers when they turn to preparing for next year.

Community Conditions

Community, nonprofit, and state and municipal contacts saw no change in economic conditions over the reporting period. Contacts highlighted continued price pressures related to the conflict in the Middle East and mixed labor market conditions, with some having difficulty hiring but others cutting back on hours. Overall, state government contacts reported strong sales and income tax revenues. Small business intermediaries noted that service-oriented businesses were struggling to pass on cost increases to customers, leading some to cut back on hours or be more cautious about growth plans. In contrast, intermediaries noted resilient outlooks among manufacturing clients, and some firms introduced training programs for new workers to increase staffing. Nonprofit organizations reported that private donations were holding steady given stability in the equity markets.

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

Federal Reserve Bank of St. Louis

Summary of Economic Activity

Economic activity in the Eighth District has modestly increased since our previous report. Employment was unchanged and wage growth remained moderate. Prices have risen at a robust pace and increases were widespread. Consumer spending reports were mixed, and banking conditions were largely unchanged. Nonfinancial services and manufacturing activity modestly increased overall, with the latter mainly driven by increasing demand in national defense and data center construction. The outlook has slightly improved, although uncertainty, supply chain disruptions, and elevated fuel costs associated with the conflict in the Middle East continue to weigh on the outlook.

Labor Markets

Employment levels overall have remained unchanged since our previous report. Construction firms in Memphis saw no notable changes in staffing. A staffing company in Kentucky observed that manufacturers were hiring in a “yo-yo pattern,” frequently pausing and restarting their hiring efforts. In Louisville, a restaurant reported reduced employee hours and lower demand for labor because of fewer customers. Conversely, a professional services firm in St. Louis maintained steady hiring, supported by a robust backlog of contracts. Recent District survey results indicate that contacts expect to expand their workforce in the coming months.

Wage growth has been moderate, averaging about 3 percent annually, according to our recent survey. Most contacts expect wages to continue to rise at a similar pace in the coming months. Contacts cited rising costs of living, higher minimum wages, and unions as factors putting upward pressure on wages. A Kentucky manufacturer reported that turnover of hourly workers is beginning to increase, as workers are leaving for slightly higher wages elsewhere.

Prices

Prices have risen at a robust pace since our previous report. Rising nonlabor costs remained widespread, with suppliers frequently adjusting prices and adding temporary fees, surcharges, or other extra charges to invoices. A manufacturer in St. Louis noted broad cost pressures across all inputs, while a construction firm in Little Rock reported higher costs for insurance, utilities, building materials, and contracted services. A transportation firm described goods and services costs as “out of control,” putting stress on operations. Agriculture contacts observed steady price increases for nitrogen, sulfur, and phosphorus and anticipate record-high input costs for 2027. Businesses reported passing these higher costs onto customers whenever possible. For example, a wholesaler has fully passed along a 4 percent supplier price increase to its customers. Conversely, a restaurant owner said frequent price hikes have prompted negative reactions from patrons, limiting pricing flexibility. Overall, contacts expect to raise prices charged to customers by an average of 3 percent over the next year.

Consumer Spending

Consumer spending reports have been mixed. Several retailers reported increased dollar sales but attributed most of this growth to higher prices rather than increased sales volume. An automotive dealer in Memphis noted a modest seasonal increase in new vehicle purchases and trade-ins. A dealer in Central Kentucky reported a significant rise in vehicle inventory over recent months, which has prompted more aggressive competition among dealers. Travel and tourism reports were also mixed. For example, a District airport contact reported that air travel demand rose year-over-year, though the pace of growth slowed each month. Tourism spending reports from Louisville indicated strong activity, while a boutique hotel and restaurant in Mississippi experienced soft summer demand, with slight improvements in bookings for August and September. An entertainment venue in Missouri reported a slight uptick in activity, while a leisure-related firm in Illinois observed a 20 percent decline in July sales, which have since rebounded.

Manufacturing

Manufacturing activity overall has increased modestly. Reports varied across product types: Firms producing appliances and food products experienced lower sales than expected while industrial manufacturers in energy and defense sectors reported strong demand, resulting in robust growth in new orders and capacity utilization. A Tennessee manufacturer noted weaker demand from major home improvement retailers due to fewer home improvement projects and low housing turnover. An industrial machinery manufacturer in Missouri reported a record backlog of orders that continues to grow, forcing increased outsourcing to meet delivery schedules. Contacts expect manufacturing activity to further expand in the upcoming months.

Nonfinancial Services

Activity in the nonfinancial services sector has increased modestly since our previous report. While professional services reports were mixed, firms specializing in Information Technology (IT) experienced robust demand. For example, an IT services firm in Northwest Arkansas expanded its offerings to include AI training and client enablement. A professional services operator focused on data centers in Kentucky and Indiana reported rising demand for transmission infrastructure upgrades. Transportation and logistics activity increased moderately. In Kentucky, a logistics contact noted strong coal exports driven by global consumption, while a Tennessee transportation firm attributed their solid demand to stronger economic growth and reduced industry capacity. Nonprofits reported worsening conditions in recent months, with corporate donations dropping sharply over the past six months.

Real Estate and Construction

Residential real estate activity has declined slightly. A contact in Western Tennessee described the housing market as transitioning from stable to slow, with inventories increasing and homes remaining on the market for longer periods. A Missouri residential real estate firm reported that high mortgage rates, rising homeowner insurance costs, and significant inflation are all contributing to weaker housing demand. Across the District, some contacts noted that higher-priced homes are seeing less movement compared with lower-priced and moderately priced homes. In general, contacts expect that elevated mortgage rates and home prices will continue to limit housing demand into early 2027.

Commercial real estate activity remains solid but is showing signs of slowing. A Memphis contact reported that industrial activity is steady but weakening slightly. In St. Louis, a developer said retail demand is still strong; while in Little Rock, demand is stable but vacancy rates are gradually rising. Construction activity is slowing outside of data centers. An Arkansas economic developer noted that rising commercial and residential development costs are constraining new construction activity, while a construction firm in Missouri attributed the slowdown to labor shortages and overall inflation.

Banking and Finance

Banking activity has remained mostly unchanged since our previous report. Loan demand was strong, with several banks reporting solid commercial and industrial lending activity. Asset quality remains positive overall with low delinquency levels, but multiple bankers observed rising delinquencies and slow payments among households and small businesses. Credit standards were generally steady but showed pockets of tightening, particularly where funding pressures increased or credit quality weakened. Deposit competition remained elevated.

Agriculture and Natural Resources

Agriculture conditions remain stressed but have slightly improved since our previous report. A contact in Northwest Mississippi noted that the corn harvest produced good yields, while the outlook for cotton and soybeans hinges on the impact of recent heatwaves. According to a Mississippi farm equipment supplier, sales of new machinery are still weak, but farmer sentiment has improved, driven by higher crop prices and additional government support. In Arkansas, a rice processor observed decreased rice demand due to increased imports, whereas a soy processor reported continuous crushing and refining operations fueled by strong demand. Poultry demand continues to climb as consumers opt for more affordable protein sources; however, profit margins are being squeezed by rising input costs. An Arkansas poultry farmer shared that they were expanding capacity.

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

Federal Reserve Bank of Minneapolis

Summary of Economic Activity

The Ninth District economy expanded slightly since the previous report. Employment grew modestly, and labor demand continued to increase. Prices increased moderately, and wage growth was modest to moderate. Growth was noted in financial services, commercial construction, and manufacturing. Residential construction, energy, and agriculture were flat, while consumer spending decreased. Activity among minority- and women-owned business enterprises was down moderately.

Labor Markets

Employment rose modestly since the last report. Surveys showed job demand continued to rise monthly and year over year. Hiring was most often related to replacing turnover, but 40 percent of those hiring indicated they were adding new positions, and most often they were permanent, full-time jobs. Several contacts noted increased worker demand in construction and manufacturing related to data center development. Staffing firms reported continued strength in job orders, as well as relative success in finding available labor. A financial services contact said that they were seeing more—and more qualified—job applicants; roles that previously took six months to fill were attracting four or five strong candidates. Initial and continuing unemployment insurance claims over the most recent four-week period were both lower compared with last year.

Wage growth was modest to moderate. Surveys continued to show signs of positive but slower wage growth, while anecdotes suggested that workers in retail, child care, and the public sector were seeing slower wage growth than others. Other sources suggested that wages for salaried workers were growing more slowly than wages for hourly workers. Many contacts noted that elevated costs were creating difficult wage decisions. The owner of an energy installation company said, "It's hard, as an employer, to look at my employees and say, 'I cannot pay you any more right now because my margin is very slim.'"

Prices

Prices increased moderately, the same pace of increase as the previous report. In a monthly survey, more than one-third of firms reported that they increased prices to customers in July from the month earlier, and more than half reported increases in their nonlabor input prices for the month, both slightly higher shares than the previous report. Expectations for August were more moderate for both prices charged and inputs. In a separate survey, a substantial majority of respondents reported that wholesale prices from vendors have increased by 5 percent or more from this time a year ago; nearly one-third indicating these prices were up more than 10 percent. Manufacturing contacts continued to report steel and aluminum prices at or near record highs. Retail fuel prices in District states increased notably since the last report, returning to levels from the beginning of the summer.

Worker Experience

Confidence in job security remained high among incumbent workers, a recent survey showed; most credited their employer's growing business and their area's economy. Job satisfaction fell, especially with compensation. More incumbent workers said they were looking for a new job or would soon do so, but the jobs have been harder to get. Another survey showed that recently hired workers applied for more jobs and attended more interviews than in the past. On balance, the cost of living has become less affordable for many workers, even higher-income workers. Lower-income workers said they struggled with everyday expenses while unexpected expenses, such as car repairs, were near catastrophes.

Consumer Spending

Consumer spending was down slightly since the last report. A larger share of retail, accommodation, and recreation firms reported a comparative decline in summer revenue than those reporting a revenue increase. Contacts said that extreme heat and wildfire smoke had a dampening effect on consumers. The owner of several restaurants in northern Minnesota said business was slower, noting that some could afford to go out and others could not. "We're dealing with uncertainty in many layers, and disposable income affects us directly." A large retailer reported that more purchases were shifting from cash and debit to credit. A wealth-management professional shared that spending among some lower-income individuals was being sustained by increased borrowing, including 401(k) loans. Vehicle sales were mixed among several dealers in the District. Sales grew in Minnesota, but declined in western District states. New-vehicle sales were slower compared with used-vehicle sales. "More people seem to be moving to used vehicles because of pricing pressure," said one dealer contact.

Financial Services

Overall, bankers reported slight growth in loan demand over the reporting period, with commercial real estate experiencing the strongest growth, while consumer and residential lending was soft. Bankers expected improved loan demand over the next 12 months, with growth in most segments, save consumer and residential sectors. Most bankers reported unchanged lending standards, but roughly one-fifth of contacts expected to moderately tighten standards for commercial and agricultural borrowers over the next year due to economic uncertainty and a worsening agriculture industry. Bankers also expected deteriorating loan quality for consumer loans due to recent weakness in automobile lending. Deposit levels grew moderately, driven by strong seasonal patterns, though some bankers noted competition for deposits was intense.

Construction

Construction activity in the District accelerated slightly in recent weeks. Residential construction remained steady while nonresidential activity remained highly concentrated in infrastructure and data center projects. More than half of contacts reported paying modestly higher prices for inputs with further price increases expected in the coming weeks. A builder working on multiple data center projects said that announced price increases for aluminum and steel ranged from 5 to 10 percent. Less than half of contacts reported increases in their own pricing. The real value of building permits issued increased across several municipalities. Notably, airport infrastructure projects and plans to build a premier retirement complex in Billings, Montana, pushed the value of permits there to the highest level in recent years.

Manufacturing

Manufacturing activity increased moderately since the last report. A majority of industry survey respondents reported an increase in orders on balance in July compared with the month prior, and month-ahead expectations were net positive. An index of regional manufacturing conditions indicated that activity increased in Minnesota, North Dakota, and South Dakota in July from the previous month. A diversified manufacturer in Minnesota said activity had been stable over the summer.

Agriculture Energy and Natural Resources

District agricultural conditions remained weak overall. Contacts expressed concern about the effects of drought on crop yields and quality in some parts of the District. Most of the corn and soybean crops in eastern parts of the District were in good or excellent condition. However, conditions were worse farther to the west in areas experiencing more dryness. According to the most recent Ag Credit Survey, a majority of respondents reported that farm incomes decreased in the second quarter from a year earlier. A Minnesota lender noted that sugar beet growers experienced very large losses. High cattle prices remained a source of strength in ranching areas. Oil and gas activity in the District changed little since the last report.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises (MWBE) edged moderately down since the last report. Several retail and hospitality contacts noted softer spending this summer compared with last. Regional flooding and wildfires in Minnesota reduced visitor traffic to popular summer destinations. Customers were reportedly more cautious with spending. A Minnesota event planner said that clients were moving forward with major events but were making decisions at the last minute and increasingly using credit. While contacts reported modestly increasing their prices, input costs rose much more sharply.

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

Business activity had little change within the Tenth District over the previous month, though underlying conditions showed signs of softening. Retailers and manufacturers drew down inventories and limited new purchases to preserve cash and working capital amid elevated input prices and uncertain demand. Labor was cited as the top limiting factor to growth, as hiring difficulties broadened across occupations and industries and left some firms below optimal staffing levels. Cost pressures also broadened, prompting more frequent adjustments to finished-goods and retail prices. Consumer spending declined slightly due to weak households real income growth, which increasingly weighed on discretionary and nondiscretionary purchases. Expectations for the next six months became more mixed with service firms becoming less optimistic while manufacturers remained optimistic for slight-to-moderate growth.

Labor Markets

Employment growth remained roughly flat across the Tenth District, even as underlying demand for labor strengthened. Firms report that labor availability is the top limiting factor for growth, preventing stronger labor demand from translating into additional job creation. While shortages of skilled workers remain particularly acute, reports of hiring difficulties broadened across occupations and industries, with several firms operating below their optimal staffing levels. Labor market tightness is also contributing to stronger wage growth across multiple sectors. Several contacts that raised wages earlier this spring reported considering additional increases to remain competitive and help employees manage rising living costs. Despite persistent labor supply constraints and limited employment growth, contacts remain optimistic about hiring, generally expecting employment levels to increase slightly over the next six months.

Prices

Prices increased moderately from the previous period, as firms reported a wider breadth of cost pressures. Manufacturers reported moderate increases in raw material costs, led by a sharp rise in steel prices that contacts partly attributed to data-center demand. Equipment prices also increased as firms pursued capital investments to manage persistent labor constraints. Service firms noted rising costs across more input categories, including higher transportation and delivery costs associated with fuel, as well as rising labor costs. Firms reported more frequent and shorter-lag adjustments to finished-goods and retail prices. Service firms expect selling-price growth to remain elevated, while manufacturers expect prices to soften to a modest pace over the next six months.

Consumer Spending

Consumer spending declined slightly within the Tenth District. Contacts reported that World Cup-related activity provided a temporary boost early in the period, but sales subsequently slowed across restaurants, hotels, and discretionary retail stores. Revenues weakened as income and balance-sheet pressures weighed more broadly on households, with consumers increasingly relying on credit cards to manage nondiscretionary spending between paychecks. Amid these household financial pressures, consumption is expected to decline slightly over the next six months.

Community Conditions

Rising gasoline prices have intensified financial strain on low- and moderate-income households already facing higher costs for used vehicles, financing, insurance, and repairs. Rural households have been particularly affected; one contact described a client who has a 100-mile commute, now spends $100 per week on gas, and must work overtime to cover it. Households have redirected funds from rent, utilities, and food while taking on additional debt. Multiple contacts noted people are increasingly using alternative transportation and reducing trips, including to medical appointments. While demand for gas and repair assistance has grown, assistance programs remain severely limited in availability.

Manufacturing and Other Business Activity

Business activity had little change over the previous month. Inventory levels declined across both retail and manufacturing sectors, reflecting efforts to maintain greater financial flexibility amid uncertainty. Contacts reported limiting new purchases to preserve liquidity and working capital as current input prices remained elevated and concerns about future demand grew. These adjustments were particularly evident among service firms as demand softened. Expectations for the next six months have become more mixed, with service firms notably more pessimistic than previously reported, while manufacturers remain optimistic and expect business activity and demand to increase slightly to moderately.

Real Estate and Construction

Demand for residential mortgages declined moderately, both for new single family home purchases and for refinancing activity. Contacts indicated the majority of those refinancings that did take place involved some kind of cash out, as households sought to tap equity in their homes. Although residential mortgage originations declined recently, the volume of home sales was supported somewhat by all-cash purchases for single family homes at price points well above local market medians. Contacts indicated that middle-market price points had very low sales volumes recently. Builders of new homes reported that the traffic of potential buyers was lower than at the same time last year, with no expectations that conditions would change over the next three months. As a result, some builders reported that they reduced head count among construction crews.

Community and Regional Banking

Loan demand and credit standards were largely unchanged across lending categories. However, several respondents indicated moderately stronger demand for consumer installment loans, while demand for residential mortgage loans declined from the prior period. Although overall loan quality remains stable to slightly improving with little change expected over the next six months, some bankers anticipate continued stress in their agricultural and consumer installment loan portfolios. Deposit levels were relatively stable, though several bankers reported modest increases across multiple deposit categories due to higher rates, new customers migrating from local banks that had been acquired, and regular customer seasonality. Respondents expect the steady uptick of M&A activity seen over the last year to continue over the next twelve months. This trend is driven by competition from non-banks and private equity, margin pressures, and leadership succession challenges.

Energy

Tenth District power generation capacity grew at a robust pace in recent months, driven primarily by a large wind project in New Mexico and steady growth in solar across the District. However, electricity generation grew at a moderate pace overall, supported by strong wind generation growth. Contacts in the power and renewables sector reported historically strong electricity demand, driven by growing data center development. They further noted that price-insensitive technology companies are more concerned about the “speed to power” than the price of power. Many new data center projects include co-located generation, resulting in higher power costs and longer project timelines, as manufacturers reach production capacity limits. Contacts are adapting to labor, supply chain, and permitting constraints by vertically integrating operations and reducing the size of power developments to shorten project timelines. While many contacts anticipate higher power costs in the coming years, some noted that increases in consumer electricity prices remain uncertain, as the cost of new generation and power infrastructure is spread across rate payers. In some locations, adding new generation can lower average costs for retail customers due to improved economies of scale.

Agriculture

Economic conditions in the Tenth District crop sector were subdued while conditions in the livestock sector were strong. Profit opportunities for crop producers remained limited and crop conditions weakened alongside intensifying drought, which could further reduce revenues. The share of corn and soybean acres in good or excellent condition was below average, and crop quality was particularly weak in Nebraska and Kansas. Cattle prices declined in early August but remained strong and continued to support profit opportunities for cow/calf producers. According to contacts in the region, robust consumer demand for protein has provided broad support for the livestock sector and has contributed to large investments in dairy manufacturing facilities located in Kansas and smaller investments in facilities in New Mexico and Nebraska.

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. Growth picked up in the manufacturing, banking, and energy sectors, while it slowed in nonfinancial services. Retail sales increased but auto sales remained soft. Agriculture conditions deteriorated due to drought conditions, but wheat and cotton prices improved. Employment grew modestly with moderate wage growth. Prices rose moderately, except in the manufacturing sector which experienced robust price growth. Outlooks were stable to positive.

Labor Markets

Employment grew modestly over the past six weeks; however, staffing firms reported pockets of strength in certain service sectors, such as health care and legal work. Contacts reported numerous instances of labor market mismatch in terms of skills, geography, and expected wages. One contact noted job candidates asking for "San Francisco wages," while another stated migration of skilled manufacturing workers from California helped ease regional labor shortages. When asked about impediments to hiring, a survey of Texas business executives cited a lack of available applicants, applicants looking for more pay than offered, and a lack of technical skills as the top three.

Wage growth was moderate. A staffing firm reported wage expectations increased among workers, but that employers had not adjusted to the reality that low-paying jobs will not attract applicants. Employees with certain skill sets fetch a higher wage premium. Wage pressures were also noted for field technicians for oil and gas equipment.

Prices

Price growth was moderate to robust over the reporting period. Price pressures remained elevated for manufacturing firms while stable for service sector firms. The ongoing Middle East conflict continues to impact fuel, petrochemical products, fertilizer, and transport prices, all of which are elevated compared to before the crisis. In addition, certain other input and materials prices remain high, such as copper and computer memory related components. Airlines reported maintaining ticket prices because demand is supporting the current higher prices that resulted when the conflict drove up jet fuel prices. Some retail contacts reported holding off on price increases until later in the year or next year.

Manufacturing

Manufacturing activity growth was moderate with a pick up in durables but contraction in non-durables. Durable manufacturing strength has persisted in machinery, transportation equipment, and computer manufacturing and recently also spread to metals. While overall nondurable activity weakened, Gulf Coast refiners increased output and petrochemical production was stable. Despite fuel exports hitting new highs, downstream operators continue to view current profitability as a transitory geopolitical windfall. The manufacturing outlook improved significantly, although many contacts voiced concerns regarding geopolitical instability.

Retail Sales

Retail sales continued to rise modestly. Retailers noted that consumers appeared resilient in the face of higher gasoline prices. Auto sales softened in July due to challenges facing consumers, including elevated financing costs, high gasoline prices, and low consumer confidence. Some retailers mentioned that tariff refunds are occurring and having a meaningful impact by funding selective pricing strategies. Retailers have a positive outlook going forward as the headwinds from high oil prices are weaker than anticipated.

Nonfinancial Services

Revenue in nonfinancial services grew modestly over the past six weeks. Growth was led by the transportation and warehousing sectors and supported by the accommodation and food services and other services sectors. Transportation services firms reported slight declines in small parcel volume but growth in air freight volume due to AI-driven semiconductor demand. Staffing firms reported robust activity with one contact noting that activity in July was about 30 percent higher than last year. Outlooks were stable with continuing concerns regarding inflation, demand, and geopolitical uncertainty.

Construction and Real Estate

Housing market activity remained sluggish, with sales declining seasonally. Builders continued offering significant rate buydowns and discounts to attract buyers amid weak demand, compressing margins to below pre-pandemic levels. Finished lot inventories are still elevated in Dallas–Fort Worth. Builders reported profitability pressures from higher-cost new lots, leading some to accept losses or walk away from deals. Demand from the immigrant buyer segment remained weak, impacting sales in certain markets. Outlooks remained cautious, and meaningful improvement is not expected in the near term.

Commercial real estate activity improved on net. Apartment absorption was solid, though elevated concessions persisted and rents were flat to down across major metros. Industrial activity showed strength with solid leasing and absorption, particularly for larger spaces. Office markets continued recovering with positive absorption and flat to declining vacancy, though older buildings struggled. The retail market remained tight with low vacancy rates and modest new construction.

Financial Services

Loan volume and loan demand expanded further in August. Volume rose across all loan types. Credit standards and terms tightened slightly, but loan pricing declined. Overall loan performance improved for the first time since 2022. Bankers reported expanding general business activity and remain optimistic about the future. Survey respondents expect strong growth in loan demand and business activity with a very slight deterioration in loan performance six months from now.

Energy

Eleventh District oilfield activity picked up over the past six weeks. Some contacts indicated this was primarily a previously planned increase rather than a price-driven pick up, particularly in the Permian. Overall, upstream shale spending remained disciplined. However, oilfield services firms were somewhat optimistic about pricing, which reflected improved demand and passthrough of some recent cost increases. Price pressures were evident in fuel, steel tubing, oilfield chemicals and components for engines and transmissions. While sentiment and expectations for the months ahead were broadly positive, contacts are concerned about low crude oil inventories and lasting impacts from damaged energy infrastructure abroad.

Agriculture

High temperatures and persistent drought in some areas of the District have hampered crop conditions over the past six weeks. Cotton and grain yields are expected to be down this year, with particular weakness in wheat production. Cotton prices remained decent, buoyed by strong global demand, and grain prices rose over the reporting period. Conflict between Russia and Ukraine in the Black Sea has shut down a significant share of grain trade, particularly wheat, pushing up wheat prices markedly. Cattle prices declined but remained high amid tight supply and solid beef demand. The presence of New World screwworm has been well managed and has not meaningfully impacted the broader market for beef production or demand, according to contacts. There was optimism around the outlook for agriculture in 2027 based on the favorable winter forecast for a typically rainy El Niño weather pattern.

Community Perspectives

Nonprofits reported sustained high demand for assistance as households are under mounting financial pressure from the higher cost of essentials, such as food and utilities. Cuts in the Supplemental Nutrition Assistance Plans are expected to push up food insecurity. Organizations anticipate higher demand with no corresponding increase in resources, placing stress on both service providers and the communities they serve. Hospitals are adapting to the end of enhanced premium tax credits for Affordable Care Act insurance plans, which significantly increased monthly payments and deductibles. As a result, there has been a decline in the utilization of elective health-care services and in the ability of patients to pay for emergency room services. Hospitals are responding by slowing hiring and capital investment.

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 was little changed during the July to mid-August reporting period. Employers largely maintained employment levels. Wages were up slightly. Prices rose modestly, driven by elevated oil prices, tariffs, and higher input costs. Retail sales were stable, while activity in consumer and business services eased slightly. Conditions in the manufacturing and agriculture sectors were little changed. Residential real estate activity declined somewhat, while commercial real estate activity was similar to the prior reporting period. Overall lending activity was stable. Community-serving organizations continued to face heightened demand for support and funding challenges. Contacts maintained a generally soft economic outlook, with similar sentiment to the prior period.

Labor Markets

Employment levels were largely unchanged on net over the reporting period. Most contacts reported no change in staffing levels. A few implemented hiring freezes. Some firms in the retail and industrial sectors increased employment to support business expansion projects, including new location openings. Others reduced head counts through attrition or layoffs, which were prompted by consolidation efforts or reduced customer demand. Employee turnover remained low. Plentiful applicant pools and generally high applicant quality made most roles easy to fill, including those for seasonal agricultural work. A few contacts reported challenges navigating lost institutional knowledge as new hires replaced employees who retired. Productivity increases were attributed in roughly equal measure to new AI tools, particularly for administrative and analytical office work, and to factors unrelated to AI such as process improvements, training, and general technology.

Wages were up slightly overall. Some contacts reported wage increases, and those increases were often close to the pace of inflation, reflecting in part employee pressure to keep pace with the rising cost of living. Other contacts reported keeping wage levels flat. Among businesses that raised wages, some did so across the board, while some others targeted specific roles for retention purposes. One contact in leisure and hospitality implemented a more conservative annual wage increase because of softer labor market conditions and less competition for workers. Employee benefit costs, such as for health insurance, rose.

Prices

Prices rose at a modest pace. Contacts again reported price increases for goods and services affected by elevated oil prices, including shipping and raw materials, though in some cases at a slightly reduced pace. Tariffs also continued to drive price increases for affected goods, particularly in retail and manufacturing. More generally, prices rose for utilities, construction components such as electrical supplies, software, office equipment, and business services such as consulting. Lumber prices declined because of lower demand from the construction sector. One insurance contact suggested that prices for health-care services and private insurance coverage increased to compensate for reductions in federal funding.

Community Conditions

Community-serving organizations continued to face heightened demand for support. Demand for assistance remained high for housing, food, and utilities. The number of uninsured rose, increasing the need for health-care assistance. Obtaining funding, especially from government sources, remained difficult for nonprofit organizations. Contacts noted continued challenges for small businesses, including some declines in credit quality and reduced availability of financial products and services tailored to small businesses.

Retail Trade and Services

Retail sales were stable over the reporting period. Consumer demand was steady overall and continued to shift towards value-oriented retailers. Demand weakened slightly for some household furnishings and specialty recreational gear. Retail grocery demand for proteins rose, attributed in part to increased use of weight-loss drugs, while demand for fresh produce declined over health concerns from recent food safety recalls. Home improvement projects kept demand for wood products at home centers steady.

Activity in consumer and business services eased slightly. Demand overall declined slightly for basic facility services such as custodial, food, and security. However, demand rose for specialized technical services and generally from businesses in high-end office and technology markets. Businesses were more price conscious in their use of fee-based generative AI tools as they weighed the growing costs for these services against the benefits. Several contacts noted that demand to dine out declined across restaurant types, though one contact reported higher sales attributed in part to price-based promotions. Demand for air travel was stable. The tail end of World Cup activity boosted tourism in Washington, while Oregon's wine country saw a decline in tourism. A hospitality contact reported a shift towards delayed event bookings, which created challenges for planning staffing and service levels.

Manufacturing

Conditions in the manufacturing sector were little changed. Across the District, manufacturers' shipping costs for receiving raw materials and sending finished products remained high. Reports noted that uncertainty around tariff policies created challenges for production planning. One contact indicated that orders from the commercial real estate sector remained low. Some contacts in the Pacific Northwest reported increases in capital spending for additional production lines as well as equipment and processes to reduce labor needs.

Agriculture and Resource-Related Industries

Conditions in the agriculture sector were largely similar to those in the prior reporting period. In many cases, prices producers received for commodity crops and beef remained below the cost of production, which remained elevated overall. However, a California contact experienced a decline in fertilizer prices. Smaller producers, in particular, reportedly faced challenges accessing capital and subsequently focused capital expenditure on repairs over upgrades. Drier conditions in the Pacific Northwest and Mountain West curtailed yields somewhat, but contacts expected yields overall to be average. Previously strong demand to purchase forested lands reportedly declined somewhat. A contact in Washington observed a decline in demand for agricultural products stemming from lower demand at local restaurants.

Real Estate and Construction

Activity in residential real estate declined somewhat. Sales of single-family homes decreased slightly in many areas in the District. Higher borrowing and insurance costs and generally high home prices contributed to the slowdown in demand. Demand for multifamily rentals was lower overall. Units took longer to rent out, and leasing concessions persisted. Residential construction activity slowed a bit. Contractor bids were more competitive. Some developers with approved building permits opted to wait for borrowing costs to fall before starting those projects.

Activity in commercial real estate was stable overall. Demand for office space remained low, especially in secondary markets. Several contacts reported elevated vacancies in industrial space, though a Southern California contact experienced a slight increase in industrial leasing demand. Patterns for commercial real estate construction activity were similar to those reported in the prior period, with slow activity other than for institutional and infrastructure projects. Construction costs remained elevated. A Mountain West contact observed that projects received more bids from contractors.

Financial Institutions

Conditions in the financial services sector were little changed. Demand was solid for business and commercial loans. Competition for business customers led to borrower-friendly lending terms and loan pricing for firms. Mortgage activity declined somewhat. Credit quality remained solid overall, but some contacts reported increases in delinquencies. Competition for deposits remained strong, which kept deposit rate offers elevated. Some contacts noted declines in consumer bank account balances and higher levels of credit card debt.

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

www.federalreserve.gov

0926