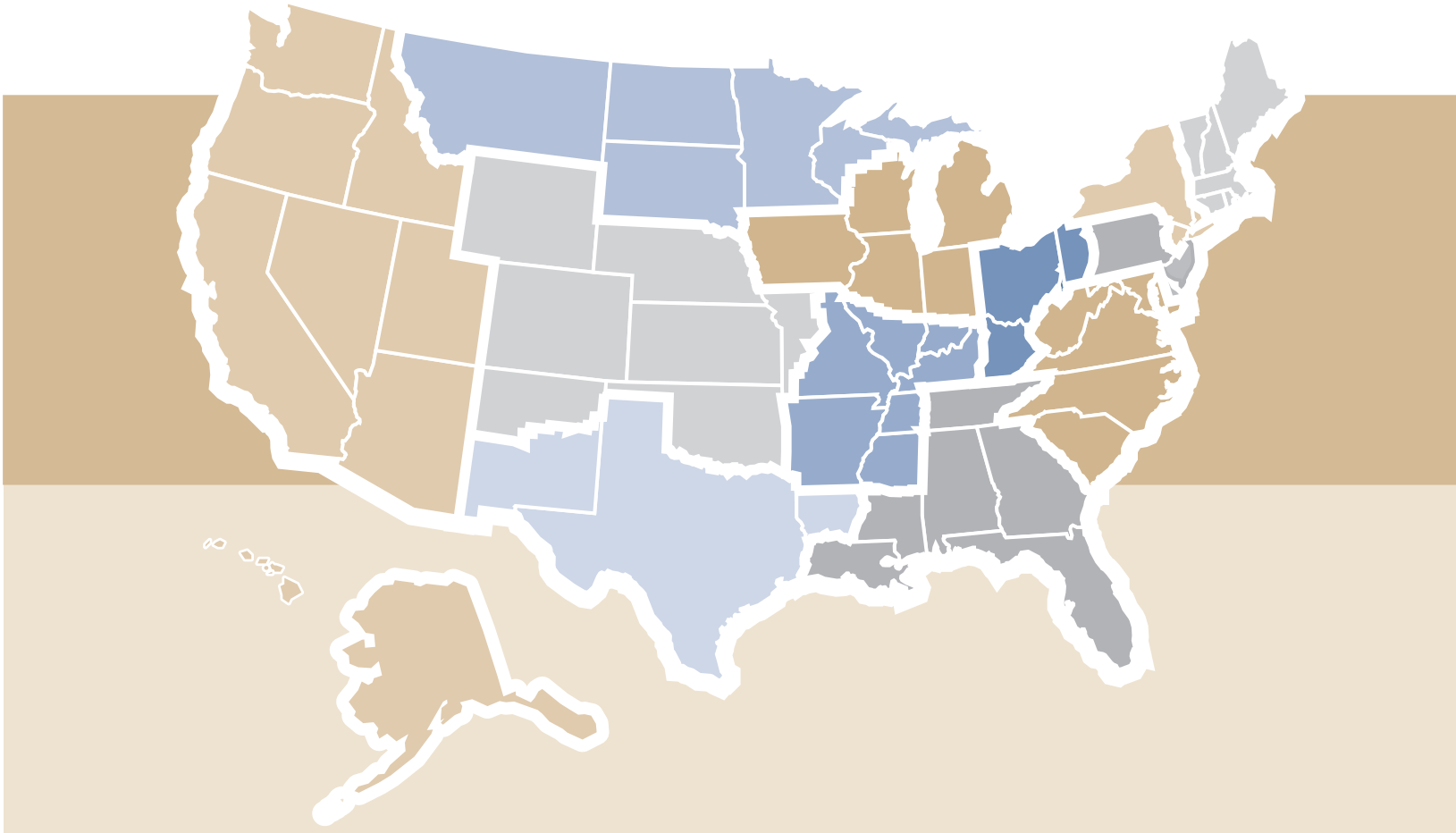
The Beige Book

Summary of Commentary on Current Economic Conditions by Federal Reserve District

November 2026



FEDERAL RESERVE SYSTEM

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About This Publication

What is the Beige Book?

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

What is the purpose of the Beige Book?

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

How is the information collected?

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

How is the information used?

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

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

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

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

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

National Summary

Overall Economic Activity

Eight of the twelve Federal Reserve Districts reported growth in the slight to moderate range, while four Districts reported no change. Consumer spending was little changed, as households remained price sensitive and were increasingly selective in discretionary purchases. Tourism and travel activity was solid while entertainment and hospitality spending was mixed overall. Auto sales softened, which contacts attributed to elevated fuel prices and higher interest rates. Residential real estate activity weakened as affordability challenges suppressed demand, while commercial real estate activity was mixed. Construction activity declined amid higher borrowing costs and elevated construction costs. Manufacturing activity grew modestly overall, as robust demand in several industrial segments offset weakness in consumer-facing and housing-related goods. Overall transportation activity grew modestly despite uneven demand, persistent capacity and infrastructure constraints, and rising cost pressures. Port volumes were slightly lower due to weather-driven disruptions, even as data center–related imports rose. Energy activity grew modestly but investment in this sector remained restrained by elevated geopolitical, policy, and cost uncertainties. Banking conditions were little changed overall, as loan demand remained subdued, while nonfinancial services activity increased slightly. High costs for housing and other essentials strained household budgets, increased demand for social services, and stretched nonprofit capacity. Overall, the majority of Districts expected slight to moderate growth.

Labor Markets

Employment levels rose slightly on balance, with many firms reporting stable head counts and hiring primarily to replace for attrition, while only a minority noted meaningful increases. Contacts across several sectors cited steady or rising labor demand, though many also described hesitancy to hire amid uncertainty and weakened consumer spending. Labor supply generally remained stable, and while it was often relatively easy to find workers, persistent hiring difficulties continued for skilled and technical roles. Employers focused on utilizing existing staff more efficiently, even as some added workers to support expansion. Wages and benefits rose moderately, an uptick from modest increases in the previous report, driven by upward pressure concentrated in hard-to-fill positions and influenced by cost-of-living adjustments and increases in benefit costs.

Note: This report was prepared at the Federal Reserve Bank of Atlanta based on information collected on or before November 16, 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 overall, as in the prior reporting period. Contacts across a range of sectors reported sustained cost pressure from energy, transportation, healthcare, insurance, and tariff-related expenses. Raw materials, metals, freight, and specialized imports also contributed to operating cost pressures. Input cost growth generally outpaced increases in selling prices, as competitive pressures and customer price sensitivity limited firms' ability to fully pass through higher costs. Contacts expected both expenses and prices to continue rising in the coming months.

Highlights by Federal Reserve District

Boston

Economic activity was roughly unchanged. Tourism spending edged higher, and restaurant and auto sales eased. Employment ticked up and wages rose modestly. Home sales declined somewhat, and nonresidential construction remained sluggish. Prices rose modestly amid cost pressures from fuel, energy, and other inputs, and inflation weighed on the outlook.

New York

Economic activity increased slightly, with continued growth in manufacturing. Labor market conditions improved, with employment and wages both growing modestly. Selling price increases eased slightly but remained moderate, while input prices continued to rise strongly. Consumer spending held steady, though consumers were more price-conscious.

Philadelphia

Business activity continued to grow at a slight pace this period. Employment grew modestly with expectations of increases over the next year. Wage inflation accelerated to a moderate pace as ongoing moderate price growth placed more stress on households. Expectations for growth over the next six months remain positive but have diminished across all firms since the prior period.

Cleveland

Fourth District business activity increased moderately, with similar growth anticipated in the months ahead. Manufacturing demand grew robustly, while consumer spending stayed flat amid persistent inflation. Employment levels rose modestly, and wage pressures stayed moderate. Nonlabor cost pressures remained robust for the twelfth straight period, and selling prices grew robustly, as well.

Richmond

The regional economy expanded moderately. Consumer spending continued to grow moderately and business travel picked up and led to strong spending and occupancy rates at hotels. Nonfinancial businesses reported continued modest growth in demand. The remaining sectors reported flat to slightly contracting activity. Employment was unchanged while growth in wages and prices remained moderate.

Atlanta

Economic activity grew modestly. Employment levels remained stable. Wages, costs, and prices rose moderately. Consumer spending was steady. Residential real estate activity declined moderately. Commercial real estate, lending, manufacturing, and transportation activity rose at a modest pace. Energy activity grew at a moderate pace.

Chicago

Economic activity was unchanged. Manufacturing demand rose modestly; employment was up slightly; consumer spending was flat on balance; construction and real estate activity and business spending declined modestly; and nonbusiness contacts saw no change in economic activity. Prices rose moderately, wages rose modestly, and financial conditions tightened modestly. Farm income expectations for 2026 edged lower.

St. Louis

Economic activity has modestly increased. Employment levels were unchanged and wage growth remained moderate, yet job openings picked up. Prices have risen at a robust pace and increases were widespread. The outlook remains neutral and unchanged from our previous report.

Minneapolis

Economic activity in the District grew slightly. Employment increased slightly and wage pressures were moderate. Workers remained confident overall in job security, although less so than previously. Prices grew moderately, with notable pressure on transportation and materials costs. Consumer spending was flat overall, with growth in tourism and falling vehicle sales.

Kansas City

Economic activity in the Tenth District was little changed from the previous report; however, strength persisted in select industries, including manufacturing and professional services. Consumer-facing firms experienced lower revenue, as moderate price increases strained affordability and constrained household spending. Wages increased moderately, while employment remained unchanged.

Dallas

Economic expansion in the Eleventh District slowed to a modest pace. Growth remained solid in the manufacturing and finance sectors but eased in services. Employment rose modestly, while wage growth accelerated and price growth remained elevated. Outlooks were mostly positive, though inflation, supply chain concerns, higher interest rates, and geopolitical and trade policy uncertainty were cited as headwinds.

San Francisco

Economic activity changed little. Employment was stable, and wages rose slightly. Prices rose moderately. Retail sales edged down and demand for consumer and business services changed little. Manufacturing, agriculture, and commercial real estate activity were stable. Conditions in residential real estate slowed somewhat. Financial services activity was stable.

Federal Reserve Bank of Boston

Summary of Economic Activity

Economic activity was roughly unchanged after expanding at a slight pace in the previous report. Consumer spending excluding autos was flat on balance despite higher tourism spending, and new vehicle sales eased. Manufacturing activity was stable, and nonfinancial services activity expanded a bit. Banking loan volume was flat. Home sales posted modest declines, while non-residential leasing was stable, and construction remained limited. Employment edged up further, with modest wage growth. Prices rose modestly amid a variety of cost pressures. Contacts became somewhat less optimistic, yielding a roughly neutral outlook, although manufacturers remained relatively upbeat.

Labor Markets

Employment increased slightly overall, similar to the last report, and wages and benefits rose modestly. Job openings edged up on balance, as manufacturers cited rising product demand as a driver. Labor supply was unchanged to somewhat greater, though staffing firms described the market as tight, and some manufacturers cited shortages related to immigration enforcement. Existing employees generally received modest cost-of-living adjustments, while starting pay increases were limited. However, wage competition for skilled trades workers was intense, with some manufacturers hiring traveling machinists at unusually high rates. Contacts described a range of impacts of AI on employment, including limited effects, retraining employees to work alongside AI tools, and hiring less because of AI. Views on the employment outlook were mixed: many manufacturers and some staffing and construction contacts expected head counts to rise over the next six months, while retail and tourism contacts expected flat or lower head counts, citing economic uncertainty and weak sales growth.

Prices

Output prices continued to rise at a modest pace, as firms faced cost pressures from fuel, energy, and other inputs. Selling prices were flat or up slightly among manufacturing contacts, edged up among retail contacts, and rose moderately among tourism contacts. Homeowners reportedly faced higher rates for home insurance, utilities, and repairs from a year earlier. Manufacturers experienced modest cost pressures on average, from inputs such as insurance, trucking, and raw

materials, and some mentioned strong pressure from diesel fuel. Construction prices rose modestly further. Retail and tourism contacts said input prices increased only marginally in recent months, as cost pressures at restaurants remained elevated. Higher education tuition was stable despite one contact noting large price increases for IT infrastructure, utilities, and equipment. Firms' pricing plans for the next six months varied from small decreases to modest increases, although some said plans were unclear because of uncertainty concerning fuel prices and tariffs.

Consumer Spending

Consumer spending (excluding automobiles) was unchanged on average, as retail spending was flat, restaurant spending fell slightly, and tourism spending edged higher. In Maine and New Hampshire, spending through mid-fall reached record levels for some hotels as average nightly room rates hit new highs for the time of year. On average, retailers reported flat consumer spending, with some contacts noting that higher prices and lower unit sales roughly cancelled each other out. Retailers boosted their inventories somewhat in anticipation of the holiday season. Auto dealers recorded stable spending in their service departments but somewhat softer new vehicle sales, as customers pushed harder for price discounts. Some smaller dealerships even accepted losses on new cars in order to move units. Retailers grew less optimistic, citing increased uncertainty and weaker consumer confidence. Tourism contacts expressed mixed views on the outlook, with some optimistic for a rebound in international tourism, and others worried that high consumer prices and uncertainty would reduce leisure spending, especially among the less affluent. Contacts expected high home heating oil expenses to erode consumer spending into the first quarter of 2027.

Manufacturing and Distribution

Manufacturing activity was stable overall, with changes that ranged from moderate decreases to moderate increases. Contacts indicated small increases in both revenues and profits on average, although a couple firms reported decreases in both measures, and several saw moderate to large gains. A machine parts manufacturer noted robust demand driven by semiconductor activity and further mentioned having strong pricing power, while a polymer manufacturer said inflation and higher interest rates were hurting demand for its products. Capital expenditures rose slightly on average, although a few firms recorded large increases, and inventories were unchanged for most firms. Several firms faced moderate to intense cost pressures from elevated diesel prices. On balance, manufacturing contacts were optimistic, and most said uncertainty had decreased recently, although some cited ongoing concerns surrounding U.S.-Canada tariff negotiations, the conflict in the Middle East, and volatile energy prices.

Nonfinancial Services

Nonfinancial services firms experienced slight gains in activity on average, although outcomes were mixed. Most staffing contacts reported upticks in revenues, although one said revenues were down from a year earlier because of difficulty securing workers. Other professional services firms noted modest increases in revenues and profits on balance. Higher education activity was mixed, with one institution reporting a moderate increase in enrollment and another noting a modest enrollment decline driven by weakness in graduate programs. Higher education finances weakened, as external funding fell short of expectations and costs rose sharply, contributing to increased pessimism in that sector. Despite perceiving increased uncertainty, other nonfinancial services contacts expected activity to hold steady or improve slightly going forward.

Financial Services

Business activity among banking and financial services contacts was little changed in recent months. Loan demand edged lower, driven by heightened uncertainty in advance of the midterm elections and higher borrowing rates, although loan volume was about flat. Credit standards were largely unchanged, and most contacts experienced stable loan performance. However, loan pricing increased slightly on average. Banking contacts expressed decreased optimism and greater uncertainty related to inflation, interest rates, and the direction of the Middle East conflict. Two contacts worried loan delinquencies would rise in the winter months as households dealt with potentially very large heating bills. Financial services firms had a relatively stable outlook, but one noted rising uncertainty regarding the sustainability of AI-related capital expenditures.

Real Estate and Construction

Commercial real estate activity was mostly stable. Leasing activity was flat on average but increased slightly for office properties. Rents and vacancy rates remained stable for retail, office, and multifamily properties but decreased slightly for industrial space. Nonresidential construction activity remained very sluggish. Reports on loan availability to commercial real estate were mixed: One contact said availability increased as some banks competed aggressively to fund a limited pool of opportunities, while others said credit supply tightened. Commercial real estate contacts appeared increasingly cautious concerning the outlook given what they perceived as still-elevated levels of economic and political uncertainty.

In residential markets, September's closed home sales decreased modestly from a year earlier, although sales of single-family homes increased modestly in both Massachusetts and Connecticut for the same period. Condominium sales generally fared worse than single-family sales in terms of year-over-year performance. Median home prices increased modestly on average, although home prices decreased slightly in both Maine and Vermont, and condominium prices softened in

Connecticut. Home inventories grew moderately on average but remained historically low. A Massachusetts contact noted an uptick in condominium construction, while other contacts said home renovation activity was down owing to elevated interest rates and related costs. The outlook was roughly neutral, with some contacts expecting resilient demand and others noting downside risks from high interest rates and rising homeownership costs.

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 slightly. Manufacturing activity grew modestly following a solid pickup last period, while service sector activity held steady. Labor market conditions improved, with employment and wages both growing modestly. Selling price increases remained moderate but eased slightly, while input prices continued to rise strongly, pressured by tariffs. Consumer spending was little changed, though consumers were reportedly more price-conscious, as high prices weighed on demand. Housing market activity was little changed, on balance, as rising mortgage rates and ongoing uncertainty kept some buyers on the sidelines. Businesses expected slight improvement in the months ahead, with manufacturers more optimistic, though uncertainty about trade and federal policy continued to cloud the outlook.

Labor Markets

On balance, employment rose modestly after largely holding steady last period. Head counts increased in the manufacturing, transportation and warehousing, health care, finance, and wholesale trade sectors, but declined in the education, professional and business services, personal services, and retail sectors. An upstate New York employment agency reported a noticeable pickup in both labor demand and hiring, particularly in manufacturing. A payroll services contact noted that larger businesses continued to hire for growth while smaller businesses remained in a "low hire, low fire" environment. Hours worked continued to rise, pointing to ongoing solid demand, and attrition remained exceptionally low.

Labor supply and labor demand were roughly in balance, and it generally remained relatively easy to find workers. Still, some contacts reported persistent hiring difficulties. An upstate New York paper manufacturer said that finding workers remained its toughest challenge, while an education services provider in the Lower Hudson Valley noted that hiring had grown more difficult due to the demands of applicants. Layoffs remained limited, though a large food manufacturer cut a significant share of its local workforce as part of a restructuring while adding new positions in roughly similar proportion.

Wage growth remained modest, with somewhat stronger increases in health care. A staffing firm in the Lower Hudson Valley reported rising demand for full-time AI-related positions and some upward pressure on salaries for the hardest-to-fill roles. Separately, a New Jersey business said that rising health insurance premiums were absorbing funds that would otherwise have gone toward raising employee compensation.

Prices

The pace of selling price increases remained moderate but eased slightly. Input prices continued to rise strongly, though manufacturers reported some moderation in the pace of increase. Tariffs and freight remained key drivers of pricing pressures. A food ingredient wholesaler reported that consumer products manufacturers had raised prices significantly in response to higher costs, and some were now seeing diminishing sales. A building supply dealer in New Jersey noted that materials costs, inclusive of freight, had made products expensive. An international shipping company said sharply rising costs were eroding the competitiveness of American-made exports, while U.S. buyers of specialized imported equipment with no domestic alternative were absorbing tariff and currency costs that pushed their own production costs higher. A freight logistics contact reported that shipping rates remained sticky; one carrier, for example, had declined to remove a Panama Canal low-water surcharge after conditions improved, citing full vessels. Firms anticipated that pricing pressures would remain strong in the coming months.

Consumer Spending

Consumer spending was little changed, on balance. Consumers were reportedly more price-conscious. A department store chain noted weakening sales across the District among both higher- and mid-tier customers, even as foot traffic held steady. A large convenience store chain reported that gasoline volumes fell while in-store sales rose, with customers seeking out lower prices. A New Jersey tree service noted that customers were choosing the cheapest provider over quality and credentials, while a contractor said households were deferring non-essential home improvements as costs rose.

Upstate New York auto dealers reported that new vehicle sales were largely steady. With high vehicle prices and rising interest rates, affordability remained a challenge. Manufacturer incentives picked up but remained concentrated on select makes and models and did little to move the market. Used car sales edged down. An upstate New York recreational vehicle dealer reported that low consumer confidence and high fuel prices were severely depressing sales.

Manufacturing and Distribution

Manufacturing activity grew modestly following a solid pickup last period. Unfilled orders rose, supply availability worsened somewhat, and delivery times lengthened. Inventories increased. Capital spending plans strengthened. Wholesalers reported a small decline in activity, while transportation firms saw ongoing increases. Manufacturers were fairly optimistic about the outlook.

Services

Service sector activity was little changed. The information and business services sectors continued their monthslong decline, while the leisure and hospitality, health care, and education sectors were fairly steady. Multiple professional and tech services contacts reported ongoing demand tied to AI.

Tourism activity in New York City remained solid, supported by domestic travelers and a busy calendar of events and conventions. International visits declined somewhat. Hotel demand was strong, and nightly rates continued to climb to long-term highs. Attraction spending was up somewhat from a year earlier, though Broadway attendance lagged. Tourism contacts were upbeat about the coming months, though high airfares were holding back future bookings.

Real Estate and Construction

Housing market activity was little changed, on balance. Persistently low inventory continued to limit sales and push prices higher. With mortgage rates rising again, lock-in remained a key constraint on moving. Election-related uncertainty created an additional friction. A New York City real estate contact reported that prices were rising, inventory was flat to declining, and transactions were beginning to pick up, particularly at the high end, where demand in Manhattan and Brooklyn was supported by strong Wall Street and tech incomes. Inventory in New York City's suburbs grew tighter still, remaining at historically low levels. Housing demand slowed somewhat in upstate New York, though prices continued to rise, with the typical home still selling above asking.

Rental markets remained strong, particularly in New York City, where rents stood near record highs. Rental inventory fell considerably in both Manhattan and Brooklyn. Rising mortgage rates kept would-be buyers in the rental market, and a contact expected rents to remain elevated for a few years.

Commercial real estate markets were mixed. Manhattan's office market continued to tighten, with vacancy falling further and asking rents rising to record highs. In contrast, northern New Jersey's industrial market softened, as vacancy edged up and asking rent growth slowed markedly.

Construction activity slowed, though one upstate New York builder reported that some customers had pulled projects forward in anticipation of further rate increases.

Banking and Finance

Activity in the broad finance sector rose modestly. Still, contacts at small- to medium-sized banks reported lower demand for all types of loans, as well as for refinancing. Credit standards tightened slightly, and loan interest spreads narrowed. Deposits grew. Delinquency rates continued to worsen.

Community Perspectives

Community contacts across the District continued to report an acute shortage of affordable housing, citing historically low rental vacancies, scarce for-sale inventory, and aging homes that many lower-income owners cannot afford to maintain and repair. High interest rates and rising construction, insurance, tax, and rehabilitation costs were stalling projects, while restrictive zoning, slow permitting, limited municipal staff capacity, and weak investor interest—particularly in rural markets—further constrained new supply. A county official reported that the cost of demolishing a blighted home had more than doubled, reducing the number of properties the county could address. Contacts reported that households were increasingly doubling up or being pushed out of their neighborhoods.

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

Federal Reserve Bank of Philadelphia

Summary of Economic Activity

Economic activity in the Third District continued to grow at a slight pace. Employment grew modestly with expectations of increases over the next year. Prices continued to rise moderately (faster for some input prices), yet some consumer-facing firms continue to be constrained from passing along the full cost. Firms are also feeling greater pressure from their workers to raise wages, as households struggle to keep up with high costs for energy, health care, and housing along with generally rising prices. As a result, wage inflation is now rising at a moderate pace. The economic outlook over the next six months remains positive but has diminished across all firms since the prior period.

Labor Markets

Employment continued to rise modestly during the period across all sectors. Although two-thirds of the firms in our surveys reported no change in their employment levels, those that did tended to hire rather than fire. Moreover, staffing contacts noted no significant shift in demand.

In a broad annual survey of all contacts, 44 percent expected employment to increase over the next four quarters (versus 38 percent last year—amid the government shutdown), 41 percent expected no change, and 15 percent expected a decrease (versus 19 percent last year). Of firms expecting to hire, the most important factor was that their expected sales growth was high.

Wage inflation appears to be reaching a moderate pace of growth after running at a modest pace since 2023. Nearly half of nonmanufacturing firms reported that their wage and benefit costs rose over the prior month. A staffing contact reported that wages were up 5 percent over the prior year.

In Pennsylvania, where the minimum wage follows federal law, responses varied when asked about the effective minimum wage—the going rate for an entry-level job. A staffing contact in one southeast Pennsylvania community noted that the effective minimum starting wage was $22 an hour, and that, while there may be some ripple effect, an increase was long overdue.

In an adjacent southeast Pennsylvania community, a staffing contact noted that most workers expected $18 to $20 an hour. However, in that same area, another staffing company places some

of their second-chance workers into jobs that pay only $12 an hour—noting that the resulting turnover is terrible. A community development contact in that same community noted that local child-care centers still pay as low as $11 to $12 an hour.

Looking ahead one year, survey respondents anticipate higher increases for wages and benefits at rates last seen in 2023 in the wake of the pandemic.

Prices

On balance, firms' prices continued to rise at a moderate pace, and recent reports suggest that even higher price increases are being passed along further throughout the supply chain. However, many consumer-facing firms remain unable to pass the full increase forward.

In the current period, about half of all firms reported higher prices paid for their inputs, and nearly half of the manufacturing firms reported higher prices received for their own goods. In contrast, over the past 18 months, (on average) two-fifths of the nonmanufacturers reported higher prices paid and less than one-third of the manufacturing firms reported higher prices received.

In the current period, less than one-fifth of the nonmanufacturing firms—the segment of our survey that best represents consumer-facing firms—reported higher prices received for their own goods and services. Over the past 18 months, one-fifth of the nonmanufacturers reported higher prices received.

Many contacts cited energy costs, especially diesel prices, as a significant factor in rising costs for themselves or their client base. Double-digit increases in health-care insurance premiums were noted by representatives from diverse employers such as a manufacturing firm, a restaurant, and a community college. Consumer-facing firms continued to compete for price-sensitive customers by offering discounts or switching to off-brand, higher-margin products, among other strategies.

Looking ahead one year, survey respondents from among all types of firms expect their own price increases to be lower than their current annual increases.

Manufacturing

Manufacturing activity grew modestly. The share of firms reporting increases in shipments remained at a level consistent with prior nonrecession periods, but increases in new orders slipped.

Looking ahead, manufacturers remain optimistic about growth over the next six months. However, the share of firms expecting decreases in new orders and shipments has edged up for several

months. Meanwhile, the share of firms expecting an increase in capital expenditures has edged down.

Trade and Services

Firms across a broad spectrum of nonmanufacturing industries resumed a slight pace of growth after reporting little change in the prior period. For both new orders and for sales/revenues, the shares of firms reporting increases rose, while the shares reporting decreases held steady. However, the net shares remain below their pre-pandemic averages for both metrics.

Retailers (nonauto) reported slight increases in consumer spending in late October and early November compared with slight declines in the prior period. Contacts attributed the improved sentiment to gas prices easing and the election resolving. However, they remain concerned that consumers will soon face higher winter heating bills, higher medical expenses, and other household budget stressors. Community development contacts have already reported rising numbers of food bank clients and more households seeking aid with rising energy bills and health-care costs.

Auto dealers reported steady sales after a slight decline in the prior period. Contacts noted that high new car prices and rising interest rates have still not dissuaded affluent buyers, but dealers must focus on stocking an attractive mix of used vehicles for many customers.

Tourism activity continued to grow at a moderate pace. Contacts noted strong demand for luxury travel from affluent households for whom little or no discounting is required. Even mid-level and economy travel categories are experiencing positive demand now after being negative six months ago. Current and early retirees from the baby boom generation are supporting demand for travel at all levels.

Expectations among nonmanufacturers for their own growth over the next six months remain positive but have been low by historical standards and have narrowed further since the prior period.

Real Estate and Construction

Real estate contacts reported that existing home sales continued to decline slightly. In the absence of significant improvement in inventory levels, prices continued to rise and affordability declined.

New-home builders reported a modest decline in sales—a decelerating trend that left builders anticipating fewer houses to build in 2027 and likely layoffs. Contacts acknowledged the challenge from rising interest rates but also noted that well-off baby boomers frequently pay cash.

Other than data center construction, contacts reported that nonresidential construction activity is declining. An architect noted that slow demand may require their firm to consider layoffs. An analyst reported that the Greater Philadelphia region is in the third or fourth year of slowing construction activity. This trend contributed to a recent announcement that a large commercial contractor—specializing in apartments—would wind down existing projects and cease future operations.

Credit Conditions

The volume of bank lending (excluding credit cards) was essentially flat (not seasonally adjusted)—edging upward this period compared with a slight decline one year ago.

District banks reported a modest increase in home equity lines of credit—offset by slight decreases in mortgages and commercial and industrial loans. Commercial real estate lending and auto lending were flat. Credit card volumes fell modestly during the period—atypical of most years, when credit card charges rise as year-end holidays approach.

Banking contacts reported steady loan demand, stable credit quality, and no significant changes in underwriting standards. Most say they don't lend into the subprime market.

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, Fourth District business activity increased moderately in recent weeks, with moderate growth expected in the months ahead. Demand for manufactured goods grew robustly, driven mainly by data center buildouts, power generation, and defense spending. Consumer spending remained flat as persistent inflation continued to weigh on demand. Employment levels increased modestly, and wage pressures remained moderate. Nonlabor cost pressures remained robust for the twelfth consecutive period, and selling prices increased robustly as firms passed along higher input costs.

Labor Markets

Employment levels increased modestly on net in recent weeks. Several bankers said they had increased staff to support market expansion or to target "high-opportunity" customer segments, with a few noting improved availability of candidates. Some law firms added positions in AI and data privacy law, while several manufacturers created new technical roles, including staff to support R&D and AI implementation. Still, some firms across sectors reported using AI to limit hiring amid soft demand or to offset rising costs given high inflation. While retailers largely reported normal levels of seasonal hiring for the holidays, a few noted slower hiring due to softer sales. Overall, contacts expected moderate employment growth in the coming months.

Contacts continued to report moderate wage pressures on balance. In multiple sectors, labor market tightness remained a primary driver of wage increases, as firms sought to attract and retain workers. Moreover, several contacts said they had increased wages to offset higher inflation, including one banker who said their employees were facing an "affordability crisis" and a retailer who said they had raised wages to offset higher fuel and medical costs. Multiple retail and manufacturing contacts reported stable base pay but increasing bonuses, incentive pay, or performance-based compensation. Among auto dealers, reports were mixed, with one noting flat commission-based pay and another reporting lower pay as softer sales had reduced commissions.

Prices

Nonlabor cost pressures remained robust for the twelfth consecutive reporting period. Higher fuel costs continued to be the most frequently mentioned driver, with several contacts noting how fuel costs had "trickled down" through the supply chain. Manufacturers widely cited rising costs for raw materials and metals, such as steel, aluminum, and copper, with several attributing these increases to tariffs. Across sectors, contacts pointed to rising insurance costs, particularly health premiums, which one banker said were increasing by double digits. Several banking and professional services contacts noted cost increases for software, AI tools, and computer hardware. Looking ahead, contacts expected nonlabor cost pressures to remain robust.

Contacts reported robust increases in selling prices in recent weeks, driven by input, tariff, and labor costs. Freight carriers continued to raise rates, supported by tighter capacity, contract renewal timing, and pass-through of operating costs. Several manufacturers and professional and business services firms cited pricing lags, noting that recent cost increases had yet to be fully captured. For instance, one manufacturer said that contract prices would rise 19 percent at the start of the year. Moreover, a few contacts said that anticipated health insurance cost increases were already factoring into 2027 pricing plans. Still, competitive pressures limited several retailers' and manufacturers' ability to raise prices; one auto dealer cited an "extremely competitive" market, with dealer incentives up 17.5 percent from the previous month.

Consumer Spending

Consumer spending was flat in recent weeks for the second consecutive reporting period. Retailers broadly reported soft demand tied to persistent inflation, high fuel prices, and low consumer confidence. Auto contacts reported continued soft demand because of high fuel prices, though one noted rising hybrid demand and another observed that customers were investing in maintenance rather than new vehicles. By contrast, several food and hospitality contacts reported strong demand increases. Demand in the Lexington area was boosted by large crowds at the Keeneland Fall Meet and the Breeders' Cup, while others benefited from unseasonably warm weather. Looking forward, retailers expected modest growth.

Manufacturing

Demand for manufactured goods increased robustly, with momentum still concentrated in data center buildouts, power generation, and defense. Contacts also cited market share gains and customers' catching up on deferred orders as demand drivers. Strong data center demand strained the supply of microchips and electrical components, lengthening lead times and prompting some customers to place orders well in advance to secure availability. A few contacts reported softer

orders, citing slower construction activity, weakness in agricultural markets, tariffs, or high fuel costs. On balance, manufacturers expected demand to increase strongly in the coming months.

Real Estate and Construction

Residential construction activity declined slightly in recent weeks. Elevated mortgage rates remained a "wet blanket" on the market for new and existing homes, keeping some would-be sellers locked in and discouraging prospective buyers. Demand for entry- and mid-level homes was especially soft, even as contacts reported strength in luxury homebuilding and affordable housing. Looking ahead, contacts anticipated demand to increase in the coming months, with one real estate agent noting an uptick in showings.

Nonresidential construction and real estate demand increased modestly. Contacts reported growth driven by data center projects and heavy highway and civil construction. However, some contacts noted slowing in the broader industry, a circumstance which they attributed to investors' hesitancy regarding midterm election uncertainty, geopolitical risks, and rising interest rates. On balance, contacts expected a moderate decline in activity in the near term.

Financial Services

Overall, bankers reported that loan demand grew moderately in recent weeks, as continued strength in commercial lending was partly offset by softening consumer loan demand. One banker mentioned that commercial clients were eager to "lock in" current rates for projects ahead of anticipated rate increases in the coming months. Another banker reported that annual consumer and commercial loan volumes were expected to keep pace with or exceed 2025 volumes. However, several bankers mentioned that consumer lending was down as some potential homebuyers were discouraged by high mortgage rates. Looking ahead, bankers expected loan demand to increase moderately in the coming months.

Nonfinancial Services

Demand for professional and business services grew robustly in recent weeks, with contacts in legal services, payment processing, accounting, and consulting reporting increased activity. One legal contact cited growth in cybersecurity and data privacy work, while another noted rising demand for corporate litigation services. Contacts expected demand to keep growing robustly in the coming months, with one accounting contact noting that the recent midterm election outcomes could impact the tax code, causing increased client demand. Freight activity increased moderately in recent weeks, and haulers expected only modest demand growth ahead, as tariffs and the Middle East conflict continue to dampen demand.

Community Conditions

Nonprofit and county government contacts reported worsening financial conditions among the people they serve and their own employees. One housing contact noted that people aged 55 and older were losing stable housing, or going from homeownership to homelessness, at a faster rate and that support services were struggling to respond. A county government contact said food and housing insecurity now even affected middle- to upper-income county employees, prompting them to consider hybrid and remote work options to offset transportation and childcare costs. Another housing contact observed that maintenance workers increasingly left their jobs for wage gains of just 10 to 25 cents an hour, far smaller than the increases previously needed to drive job switching.

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 pace in recent weeks. Consumer spending continued to drive overall growth as retailers saw moderate growth and hotel and tourism contacts reported strong activity, particularly for fall business travel. Nonfinancial service providers reported modest growth again this cycle. Manufacturers, on the other hand, reported a slight decline in activity; however, producers of goods tied to data centers reported continued strength. Residential real estate activity also contracted slightly while commercial real estate activity was unchanged. Port volumes at Fifth District ports declined slightly, due in part to adverse weather causing delays in shipping routes. Employment was unchanged while wages and prices continued to grow moderately.

Labor Markets

Employment in the Fifth District was unchanged, on balance. Several contacts noted a hesitancy to hire amid uncertainty and softening business conditions. An IT consultant said that they would hire only after customers had signed contracts. A wood-trucking company and a poultry farm both paused hiring because of tighter margins. Firms adding workers did so in response to increased demand. For example, a staffing firm specializing in aerospace manufacturing reported increased hiring, and several defense and advanced manufacturing firms said they needed additional workers. Wage growth remained moderate, overall, but pressures increased due to higher state minimum wages, higher cost of living, and tighter labor markets in certain industries.

Prices

On a year-over-year basis, price growth maintained its moderate pace of growth. According to our most recent surveys, price growth among service sector firms remained around 4 percent, year-over-year. Manufacturing firms, however, saw annual price growth accelerate in recent weeks with price growth now above 5 percent for the first time since 2023. Price growth in this sector was primarily from business to business passing along prices, not business to consumer. Survey respondents throughout the Fifth District reported ongoing energy price pressures in many segments, not only transportation.

Manufacturing

Manufacturing activity declined slightly this cycle, with multiple firms citing a challenging business environment. A printing company reported a significant drop in sales after a large customer downsized its operations. Margin compression was mentioned often. One firm reported that inbound and outbound freight costs rose almost 40 percent due to higher diesel and gasoline prices. Meanwhile, a bookbinder with no domestic substitutes for its imported materials raised prices to cover tariffs and maintain margin. A few companies reported that weaker customer sentiment had led to lower sales. For example, a furniture manufacturer reported soft demand in its home furnishings business. Defense and data center–related companies, on the other hand, continued to report strong growth.

Ports and Transportation

Overall volumes at Fifth District ports were down slightly this period, primarily due to extreme weather events impacting East Asian ports and high winds in the Northeast U.S. that delayed vessels downstream. Contacts at the ports noted that volumes in September would have been much stronger without the weather disruptions and that shipments have picked up significantly through October. The strength in imports was driven by data center construction inputs like electrical power equipment, computer hardware, and other specialized materials which are a small portion of overall imports but have grown by 9 percent this year. Spot rates from Asia to the U.S. rose close to COVID-era highs, and the rate differential between East and West coast U.S. ports widened due to record-high fuel costs. Port contacts added that the total cost of shipping has risen due in part to insurance rates and capacity constraints, which adds additional cost to import crude oil and compounds the issue. While truckers implemented fuel surcharges, contacts noted that the price of other petroleum-derived products like motor oil, tires, and lubricants have all risen and could not be recouped via freight rates.

Retail, Travel, and Tourism

Consumer spending continued to grow moderately this cycle. Several consumer facing business noted that revenues were up due to higher prices as volumes were flat to even down slightly for some retailers. Businesses with products and services geared towards higher income consumers reported stronger demand than those with more low- to moderate-income consumer bases. An executive from a discount store said that Halloween decoration sales were down but candy purchases were strong, which they believed was an example of how consumers were making careful choices and focusing on essential items. Hotel and tourism contacts reported solid growth in occupancy rates and revenue as average daily rates rose amid strong demand. Hotels noted that overall demand was up mainly due to an increase in business travel as mid-week bookings were stronger than weekend leisure travel bookings.

Real Estate and Construction

Residential real estate saw a slight decrease in activity this cycle, preceding the normal seasonal slowdown. Inventory and days on market increased across the Fifth District. Buyer traffic overall was down as potential buyers hesitated because of current rates. A Virginia broker voiced loan qualification challenges for new construction buyers who are unable to lock in rates until the home is built.

Commercial real estate activity was flat with multiple contacts not seeing the normal seasonal uptick with 1031 exchanges. Commercial brokers mentioned challenges in capital markets mixed with election uncertainty. Class A office vacancies remained low overall. Retail continued strong growth, especially with pad sites and convenience stores. Multifamily vacancies were low, but higher rate refinancing was a large concern. Industrial activity remained unchanged. A broker said data center uncertainty was spilling over to lower-quality industrial space planned for data center conversion in northern Virginia. Material prices and upward wage pressures for trade workers were adding to construction costs. A North Carolina builder attributed wage pressures to reductions in the immigrant workforce in addition to trades workers' willingness to travel out of state to work on data center projects for higher wages.

Banking and Finance

Loan demand remained stable for both consumer and commercial loan products; however, contacts continued to note that borrowers were becoming more cautious and were borrowing only for immediate needs. Deposit competition remained strong, with all institutions surveyed noting this trend. They observed that more customers were moving deposits into equity products or to competitors within their markets who were offering attractively priced products to attract new balances as well as retain their customer bases. Institutions noted that past due loans and delinquency rates remained stable.

Nonfinancial Services

Nonfinancial service providers continued to report modest growth in revenue and demand for their services; however, economic uncertainty remained a challenge to their firms. A regional utility noted seeing customers having a harder time paying their bills, including both consumers and some businesses. A car wash also observed that its customers were trading down to less premium services and, in some cases, even deferring services. A staffing firm reported that, even though one of its largest clients had put a hold on any new hiring, they saw a slight increase in job orders from new prospects and clients.

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

Federal Reserve Bank of Atlanta

Summary of Economic Activity

The economy in the Sixth District continued to grow modestly over the reporting period. Employment levels remained stable. Wage growth, prices, and input costs rose moderately. Consumer spending was little changed, while tourism and transportation activity expanded modestly. Residential real estate demand weakened, whereas commercial real estate improved. Manufacturing and banking activity grew modestly, and energy activity increased at a solid pace.

Labor Markets

Over the reporting period, employment levels remained stable with minimal reports of layoffs. A minority of firms noted an uptick in hiring. Contacts continued to note worker shortages for skilled and technical roles, driven by strong demand for both industrial and data center development. Firms shared novel use cases for AI implementation, with the majority noting the technology would make their employees more efficient, not replace them in the near term.

Contacts continued to note moderate annual wage increases in the 2 to 3 percent range. However, wage pressure was more pronounced for skilled roles. Concerns about health-care cost increases remained prevalent, with many firms noting that they will pass along the increases to their workers.

Prices

Moderate price growth persisted over the reporting period. Contacts continued to report broad-based cost pressures, including higher health care, insurance, supplier, technology, energy, and tariff-related costs. Transportation costs, including ocean freight and trucking, also remained elevated. Overall construction costs continued to grow due to rising material, equipment, and labor costs. The ability to pass through higher costs remained mixed, with many contacts indicating that price increases continued to lag cost growth, especially for consumer products.

Community Perspectives

Community contacts continued to report persistent financial strain among low- and moderate-income households. Social services providers in both metropolitan and rural communities noted that persistently elevated housing costs have made it harder for many households to absorb other escalating expenses, including gas. Nonprofit contacts noted that, after trading down on consumer goods earlier in the year to make ends meet, more people are now taking second jobs or doing extra work to increase their earnings. These consumers are also seeking to lower expenses, especially for housing and insurance. Contacts reported a recent rise in communal living, such as individuals temporarily staying with friends or family, and households forgoing health insurance or reducing auto coverage to the required state minimum to make ends meet.

Consumer Spending

Consumer spending was largely unchanged since the previous report, with mixed demand conditions across income levels. Selective spending by lower- and middle-income households was ongoing, with shoppers increasingly seeking promotions and continuing to trade down to lower-priced alternatives. In contrast, higher-income households continued to spend on premium goods and services and other non-essential purchases.

Tourism activity increased modestly since the last report. Contacts noted that fall bookings were trending above year-earlier levels, driven by sustained strength in leisure travel demand and robust cruise activity. Luxury travel continued to outperform, while group and business travel remained generally stable. However, some consumers remained price sensitive, and contacts reported softer on-property spending on dining and other discretionary items, particularly among lower- and middle-income households.

Construction and Real Estate

Residential housing demand softened moderately as elevated mortgage rates and affordability challenges continued to weigh on homebuyer activity. Inventory levels were largely balanced across the District but elevated in several major markets, including Atlanta, Miami, Nashville, and New Orleans. Home prices were stable overall, though contacts reported declines in some major markets like Savannah, Atlanta, and Orlando. A larger share of affluent buyers utilized adjustable-rate mortgages and larger down payments to reduce monthly borrowing costs. Builders continued to offer incentives and, in some cases, lowered prices to bolster sales.

Commercial real estate activity increased modestly. Office leasing and development activity remained concentrated in Class A properties, where vacancy rates declined and capacity expanded. Retail conditions were generally unchanged, with stable vacancies despite an increase

in new construction. Multifamily vacancy rates declined moderately and rent concessions remained common. Industrial real estate markets continued to experience solid demand and supply growth, resulting in flat vacancy rates. Industrial rents increased moderately, supported by continued market strength.

Transportation

Demand for transportation grew modestly over the reporting period. Warehousing, bulk shipping, specialized transport, and data center construction continued to buttress growth across modes. Contacts shared that regional supply chain chokepoints, tariff volatility, and modal shifts produced irregular demand flow patterns that complicated forecasting but did not diminish overall demand expectations. Railroad contacts reported steady volumes, with year-over-year carload growth across all freight. However, risks remained elevated across the sector as many firms warned that capacity shortages, infrastructure limits, and litigation trends could amplify rate volatility if demand rises unexpectedly.

Manufacturing

Manufacturing activity grew modestly, on net, over the reporting period, driven by strength in the industrial space, where contacts noted exceptional demand from both data center construction and activity in aerospace and other advanced manufacturing segments. Backlogged orders in both segments were expected to help propel demand into 2027 as well. However, consumer-facing manufacturers, particularly in discretionary consumer items and home building products, continued to report weakened demand. Some contacts shared that supply chain issues and a rising cost environment posed significant risks for the future.

Banking and Finance

Loan growth remained modest. Consumer lending increased moderately, while auto lending was unchanged. Contacts reported the growing use of “buy now, pay later” financing for dining out and groceries. Growth in commercial, agricultural, residential real estate, and specialized lending was modest. Cash-to-total asset ratios increased significantly over the reporting period. Mergers and acquisitions continued, with two bank mergers announced and three mergers closed during the reporting period. Banking contacts generally expressed cautious sentiment, citing ongoing cost pressures, funding competition, and uncertainty.

Energy

Activity in the energy sector grew moderately over the reporting period. Contacts expected that disruptions resulting from the conflict in the Middle East would persist next year. Deferred maintenance on petrochemical refinement plants rescheduled for early 2027 is expected to result in additional supply constraints. Moreover, utility and power-generation contacts reported that future demand for their services remained uncertain as data center construction has experienced increased costs and complicated planning. Continued shifts in federal energy policies have created added uncertainty across the sector, with contacts expressing a desire for policy stability.

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 was unchanged overall in October and early November, similar to the assessment in the prior reporting period. Contacts expected a slight decrease over the coming year. Manufacturing demand rose modestly; employment was up slightly; consumer spending was flat on balance; construction and real estate activity and business spending declined modestly; and nonbusiness contacts saw no change in economic activity. Prices rose moderately, wages rose modestly, and financial conditions tightened modestly. Farm income expectations for 2026 edged lower.

Labor Markets

Employment again rose slightly over the reporting period, and contacts expected a similar pace of hiring over the next 12 months. There were reports of increased labor demand spread across industries, but several contacts also mentioned receiving more applications per opening and said hiring had gotten easier. A few contacts noted both a pause in hiring and some new layoffs and pointed to uncertainty about future economic conditions as a driving factor. Holiday retail employment was expected to be around last year's levels, which one contact said reflected caution over how much consumers would spend during the season. Wages and benefits costs rose modestly.

Prices

Prices continued to rise moderately overall in October and early November, and contacts expected a similar growth rate over the next 12 months. Producer prices increased moderately on balance. Nonlabor input costs grew moderately, with contacts reporting higher prices for raw materials, energy, and shipping. A few contacts noted some difficulty in passing on price increases for energy and shipping, leading to margin erosion. Consumer prices also rose moderately on balance. One retail industry analyst indicated that holiday season retail prices were expected to be about 2.5 percent higher overall than last year. Another analyst said that Black Friday promotions would likely be larger than in previous years.

Consumer Spending

Consumer spending was unchanged on balance over the reporting period. Nonauto retail sales increased slightly, as spending on Halloween-related items beat expectations. Growth in customer traffic was higher in places that cater to more affluent customers. Retailers anticipated a busier shopping period immediately after Thanksgiving than in recent years because they believed consumers have been holding out for the more generous promotions that occur then. Leisure and hospitality spending was unchanged on balance, with contacts noting increased spending at higher-end restaurants and a drop in traffic at entertainment establishments. Light vehicle sales decreased slightly overall, with contacts reporting a modest decline for new light vehicles but a slight increase for used vehicles.

Business Spending

Business spending grew slightly in October and early November. Capital purchases edged up, though contacts expected a moderate increase in spending over the coming year. Demand for truck transportation moved up moderately, and rates rose modestly. One contact in the truck transportation industry noted that the pass through of high diesel fuel costs to customers was shifting demand away from over-the-road truck transportation toward intermodal and rail transportation. Retail and manufacturing inventories were comfortable overall, while stocks of new and used vehicles remained low. Manufacturing contacts reported longer lead times for many metals.

Construction and Real Estate

Construction and real estate activity decreased modestly on net. Residential construction fell modestly, and homebuilders again lowered prices to try enticing prospective buyers. Outside of maintenance and repair projects, analysts of remodeling activity expected fewer projects this year than last. Multifamily construction remained low because of higher construction costs and interest rates. Residential real estate activity decreased modestly while average time on the market grew. Prices and rents decreased slightly. Nonresidential construction was unchanged. Higher construction costs and interest rates were holding back activity, with active projects concentrated in the industrial sector and select retail and hospitality subsectors. Commercial real estate activity was unchanged. Demand for industrial and retail spaces that could be renovated into experiential retail increased. However, demand for office space, especially at the lower end, decreased. Across all commercial real estate sectors, prices fell slightly while rents and vacancy rates were unchanged.

Manufacturing

Manufacturing demand increased modestly in October and early November. Chemical and plastics producers reported a slight increase in orders. Primary metals manufacturers and wholesalers

saw higher demand from general manufacturing and data center construction projects; at the same time, there was lower availability of product in part due to scheduled maintenance outages. Fabricated metals and machinery manufacturers reported a modest increase in sales. Auto production increased slightly, though some suppliers noted that year-end production forecasts for domestic automakers had been reduced. Heavy truck production was flat overall.

Banking and Finance

Financial conditions tightened modestly on balance. Bond values rose on net while equity values stayed flat. Market volatility increased, and contacts attributed the change to geopolitical conflict and the midterm elections. Business loan demand was unchanged overall. Multiple contacts noted that higher rates had led to a slowdown in commercial real estate activity; however, one said that in other sectors the prospect of "higher for longer" interest rates was not affecting their clients' business decisions. Business loan quality declined slightly. Rates increased moderately and terms remained flat. Consumer loan demand was slightly down, with some growth in credit card lending more than offset by lower mortgage and refinancing activity. Contacts attributed the decline in mortgage activity to higher interest rates, with one saying that their application pipeline had "dried up" and another noting that high rates had led to greater interest in adjustable-rate mortgages. Loan quality was unchanged, rates increased moderately, and terms stayed flat.

Agriculture

Expectations for 2026 District farm income edged down overall as prices for key crop and livestock products fell. Drier weather across much of the District allowed the soybean harvest to catch up to a normal pace, but corn harvesting remained behind. Though not as pervasive as in previous reports, some concerns lingered about crop quality and higher than desired moisture content in harvested bushels. Low water levels on the Mississippi River contributed to a spike in shipping costs for crops loaded onto barges. Prices for corn, soybeans, wheat, eggs, and hogs were lower than the previous reporting period, while cattle prices were flat and dairy prices rose. A faster pace for crop sales helped farmers pay down debts more quickly than in recent years, though they were expected to have high demand for loans to cover the costs of spring planting.

Community Conditions

Nonbusiness, community, and government contacts reported stable economic conditions overall. Contacts expressed concerns about continued price pressures and local data center development. State government officials reported overall stable labor markets, with continued churn among lower-wage earners and some softening at the higher end. Sales tax revenues over recent months reflected resilient consumer spending. Small business intermediaries reported increasing requests for advice on how to navigate passing through price increases as customers cut back on

discretionary spending. Others noted that some owners of microbusinesses were shifting from entrepreneurship to more stable employment. Facing ongoing revenue constraints, social service organizations were rethinking business models including exploring fee-for-service opportunities, bringing in new partners (such as local businesses), and, among community development financial institutions, reducing risk-taking.

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 continued to modestly increase since our previous report, led by modest growth in manufacturing and nonfinancial services. While employment levels were roughly unchanged, job openings have picked up. Wage growth remained moderate. Prices continued to rise at a robust pace with contacts citing rising costs of fuel, energy, and freight, as well as tariffs and supply shortages as key sources of price pressures. Consumer spending reports have remained mixed and banking conditions were largely stable. The outlook remains neutral and unchanged from our previous report.

Labor Markets

Employment levels have remained largely unchanged since our previous report, though contacts noted an increase in job openings, particularly in professional and IT services. One contact in Missouri reported that firms were changing the skill requirements of positions because of advances in technology and AI. Planned head count expansions were also reported in manufacturing and health care. Multiple contacts cited a lack of qualified applicants as the primary obstacle to hiring.

Wage growth has remained moderate. A bank in Arkansas reported operating in a highly competitive labor market and had increased starting wages for selected job categories while raising wages for existing employees by more than in recent years. A wholesaler in Memphis reported plans to give 3 percent raises; a banker reported wage growth of 3 to 4 percent year-over-year; and a manufacturer reported raising wages because employees were struggling with higher living costs.

Prices

Prices have continued to rise at a robust pace since our previous report. Contacts cited rising costs of fuel, energy, and freight, as well as tariffs and supply shortages as key sources of nonlabor cost pressures. A Missouri importer reported that nonlabor costs increased as tariffs raised inventory and container costs, while conflict in the Middle East increased costs for goods sourced from China and Vietnam. A catfish processor reported higher costs due to supply shortages. While some contacts continued to pass higher costs on to customers, others indicated that price

increases would take effect in coming months. A packaging manufacturer reported that selling prices were slightly lower but expects future price increases. A wholesaler in Memphis reported that prices were unchanged but expects suppliers to implement 4 percent price increases next quarter, which the firm planned to pass through to customers. A rice processor reported that customers typically receive 60 to 90 days' notice of price increases, delaying the effect of many recent cost increases until next quarter.

Consumer Spending

Consumer spending reports have remained mixed. Auto sales declined slightly and fell short of expectations. A dealer in Missouri reported that customers were postponing vehicle purchases because of higher living costs, while auto service demand remained strong as consumers are keeping vehicles longer. Retail activity was mixed. A grocery-related contact reported weaker demand, while another retailer reported solid sales and noted that consumers continued to favor higher-quality products over entry-level merchandise. Entertainment and hospitality activity was also mixed. Some contacts reported lower customer traffic and spending, while others noted slight increases in sales.

Manufacturing

Manufacturing activity has continued to increase modestly overall. Demand linked to data centers and defense remained strong, while firms tied to housing materials and consumer-oriented goods continued to report weakness. A manufacturer in Missouri reported that demand was benefiting from growth in the defense and aerospace industries. In contrast, a consumer-packaged goods manufacturer in Tennessee reported that it planned to reduce production next quarter because inventories had risen and 2026 sales had fallen short of expectations.

Nonfinancial Services

Activity in the nonfinancial services sector has continued to modestly increase. A health-care provider in Missouri reported modest growth and expects conditions to slightly improve. An educational institution in Little Rock reported stable activity with no significant changes in demand. Reports on professional services activity were mixed. A law firm in Arkansas reported slower demand, reduced sales, and increased customer hesitation in purchasing decisions, while a consultant in Missouri reported higher demand and anticipated additional increases inactivity. Transportation activity was mixed. An international logistics provider reported that activity met expectations and expects shipment volumes to remain strong despite elevated transportation costs. Other transportation firms reported slower activity due to disruptions from fires at a coal mine in Kentucky and weak local industrial activity in Arkansas and Kentucky.

Real Estate and Construction

Residential real estate activity has continued to decline slightly since the previous report. Home sales declined across major District metro areas compared with a year earlier, while inventories continued to rise. Contacts attributed these trends to elevated mortgage rates, high home prices. One contact reported that residential homebuilding remained very slow except at the high end of the market, while another noted that remodeling activity appeared resilient to pricing pressures.

Commercial real estate activity has remained largely unchanged. Retail demand stayed healthy, particularly in established commercial corridors and growing markets, while office activity remained selective and concentrated in higher-quality properties and adaptive reuse projects. One contact noted that demand remained solid but that transactions were taking much longer to close. A contact in Arkansas expects commercial real estate conditions to improve modestly in early 2027, supported by continued manufacturing expansion, defense-related investment, logistics activity, and infrastructure development.

Banking and Finance

Banking activity has remained mostly unchanged since the previous report. Overall loan demand softened slightly, reflecting weaker mortgage and auto lending. Credit standards tightened modestly, and while asset quality generally remained solid, some contacts reported pockets of deterioration. A commercial bank in Arkansas reported becoming more restrictive on commercial and industrial loans because of emerging weakness in that portfolio, while a banker in Arkansas reported an increase in past-due loans and raised its allowance for loan losses in anticipation of higher charge-offs.

Agriculture and Natural Resources

Agriculture conditions have remained largely unchanged since our previous report. An agriculture input supplier in Arkansas reported that the farm economy remained depressed, noting that higher commodity prices had been largely offset by higher fuel and fertilizer costs. An agriculture equipment dealer in Mississippi reported a slight improvement in farm conditions, attributing stronger equipment demand to an aging equipment fleet, good harvest yields, and higher farm revenue, and expects modest sales growth going forward. A livestock producer reported that slaughter and processing activity increased slightly as farmers' freezer inventories were depleted. Overall, contacts indicated that the outlook for the agriculture sector had improved somewhat after several years of deterioration.

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

Federal Reserve Bank of Minneapolis

Summary of Economic Activity

Ninth District economic activity increased slightly, the same pace of growth as the previous report. Employment rose slightly and wage growth was moderate. Prices increased moderately, as input price pressures remained strong. Growth was noted in manufacturing, tourism, and energy, while construction was mixed and consumer spending was flat. Financial services activity and vehicle sales decreased. Agricultural conditions were unchanged but the outlook improved. Activity among minority- and women-owned business enterprises increased slightly.

Labor Markets

Employment rose slightly since the last report. Surveys showed modestly positive hiring activity in October similar to the previous month and last year. The outlook for hiring was modestly positive and similar to the outlook a year ago. Two outside surveys also showed positive hiring sentiment in Minnesota, North Dakota, and South Dakota. Despite a somewhat dour outlook on activity, a majority of construction companies reported that they were hiring, and at slightly higher rates than last year at this time. A North Dakota banker remarked that "there are two kinds of workers; those who shower before and those who shower after work," and the second group—those in agriculture, construction, and skilled trades—"are hard to come by." Layoffs remained low overall: Initial unemployment claims in October were lower in all District states compared with last year, and continuing claims were similarly lower.

Wage growth was moderate. Surveys suggested that slightly more firms were raising wages for both existing and new workers compared with a year ago. A South Dakota accounting firm noted that prices were increasing for many things and "wages will certainly have to follow." Some contacts also reported difficulties offering wage increases given other rising operating costs.

Prices

Overall prices increased moderately, the same pace as the previous report. In a monthly survey, one-third of firms reported that they increased prices to customers in October, about the same share that increased prices a month earlier. About half of respondents reported increases in their nonlabor input prices for the month, a slightly decreased share. Expectations for November were

slightly lower for both prices charged and inputs. Contacts across industries and geographies reported sharp increases in health insurance premiums. Manufacturing and construction contacts continued to note substantial pressure from materials, fuel, and transportation costs. A construction contact reported a sharp increase in the price of electrical supplies. Retail fuel prices in District states declined modestly since the last report. Prices received by farmers increased in September from a year earlier for corn, soybeans, wheat, barley, canola, dry edible beans, potatoes, hay, chickens, and turkeys; prices decreased from a year earlier for chickpeas, lentils, cattle, hogs, eggs, and milk.

Worker Experience

Most employed workers remained confident in their job security in the near term, though the level shifted from very confident to somewhat confident. Workers' confidence was based more on their employer's strong business than on their regional economy. Satisfaction with wages, benefits, and work-life balance increased slightly. This change was strongest among lower earners, who were generally less likely than higher earners to report satisfaction. Fewer workers expected to look for new or additional jobs in the near future despite more reports of groceries and housing being less affordable. More workers said lack of experience or education held them back in their career, especially among the youngest and oldest. Older workers also said ageism and artificial intelligence were barriers to advancement.

Consumer Spending

Consumer spending was flat since the last report. Retail contacts reported soft sales overall. Those seeing increased activity were often catering to customers focused on affordability. A commercial furniture business in Michigan's Upper Peninsula said that "customers are more focused on lower priced goods now," but they provided "larger profit margins and more sales." A retail liquor outlet in northwest Minnesota said that "customer count is outpacing the dollars, which tells me people are trading down." Regional airports reported continued ridership increases, and hotel occupancy also remained healthy. But sales of both new and used vehicles at a dealership in the western portion of the District were down in October. A Wisconsin dealership said October sales were slow and "consumer sentiment is absolutely terrible right now," but they held out hope for improvement post-election.

Construction

Construction activity was mixed. Early results from a biannual sector survey saw a moderate decline in backlogs and increased competition for new projects. High prices and borrowing costs have led many households and companies to delay projects. Projects tended to move forward mainly when they were smaller or could be paid for with available cash. "All of our clients are

paying cash for their project," regardless of price, said a Minnesota luxury homebuilder. A Montana contact expected backlogs to shrink further in coming months as public infrastructure wound down. Fuel and input costs, global tensions, borrowing costs, and tariffs left respondents more pessimistic than optimistic.

Financial Services

Financial services declined slightly since the last report. Demand weakened for commercial-industrial, residential real estate, and consumer loans; bankers cited changing economic conditions as the primary driver. Future loan demand was expected to soften slightly. Most bankers expected lending standards to remain unchanged, with only slight tightening in agricultural and commercial lending. Roughly two-thirds expected loan quality to deteriorate over the coming 12 months, with all loan segments seeing some decline. Deposits grew modestly, and bankers noted that customers were shopping for higher returns in an increasing rate environment.

Manufacturing

District manufacturing activity increased moderately since the last report. Industry survey respondents generally reported an increase in orders in October from the month prior, but experiences were mixed because nearly one-third of firms saw orders decrease. Expectations for November were slightly positive. An index of regional manufacturing conditions indicated that activity increased in Minnesota, North Dakota, and South Dakota in October from the previous month. A metal forming contact noted strong recent demand from data center and aerospace customers.

Agriculture, Energy, and Natural Resources

District agricultural conditions were unchanged since the previous report, but the outlook improved. Bankers responding to the third quarter (October) Ag Credit Survey reported that farm incomes fell in the previous three months compared with a year earlier. However, the outlook for incomes in the fourth quarter was net positive. Participants at an industry roundtable said that farmers were mildly optimistic despite high input costs and policy uncertainty. A recent rally in crop prices led to some selling of stocks and paying down of debts. District oil and gas exploration activity increased recently for the first time since the outbreak of conflict in the Persian Gulf.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises (MWBE) increased slightly, and a higher share of contacts expected activity to mildly accelerate in the coming weeks. Nonlabor input prices continued to climb and put pressure on profit margins as businesses kept prices steady to maintain market share. "We continue to be hit hard by the high costs of everything. . . .

However, we are still seeing traffic as we are an affordable travel option for people," shared a hospitality sector entrepreneur. Head counts were slightly higher on balance and more contacts were hoping to recruit additional workers.

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



Federal Reserve Bank of Kansas City

Summary of Economic Activity

Economic activity in the Tenth District was little changed from the previous report. However, this reflected a combination of ongoing strength in a few industries, such as manufacturing and professional services, alongside increased weakness for consumer-facing businesses, like automotive services, plumbing, home repair, and retail. For the latter group, contacts stated that lower revenues over the past two months reflected affordability constraints, as households reached financial limits when facing major unexpected repairs. Firms also reported that employees had begun using earned wage access to pay for day-to-day expenses such as workplace meals. In response to rising living costs, some firms increased wages for existing employees. Labor market conditions remained stable, with most firms maintaining head counts. Firms' expectations for activity improved relative to previous reports, with contacts anticipating modest rather than slight growth over the next six months.

Labor Markets

The Tenth District labor market has experienced little to no change since the last edition of the Beige Book, with most firms in the District maintaining head count. Among firms actively recruiting, contacts noted that applicant volumes had increased, but a growing share of applicants lacked the qualifications or training required for open positions. Firms have increasingly noted a mismatch between workers' existing skills and the evolving requirements of newly created positions that require artificial intelligence (AI) skills. Most firms reported they are training existing employees to work alongside AI tools, and the technology has had little impact on employment levels. Firms reported wage increases for existing employees consistent with previous years; however, many are also planning to increase wages for new hires in select job categories. Over the next year, most firms expect employment to remain unchanged.

Prices

Prices rose moderately across the Tenth District, driven by continued input-cost pressures. Companies reported that recent price increases were causing consumers to switch to lower-cost alternatives, especially in rural areas. In response, several firms adjusted their pricing strategies to balance sales volumes and profitability, noting the need to maintain sufficient demand to cover

operating costs. Firms also reported that, amid rising prices, some employees had begun using earned wage access to pay for day-to-day expenses such as workplace meals. Contacts expected prices to continue rising at a moderate pace over the next six months.

Consumer Spending

Consumer spending increased modestly following three consecutive months of declines. Although discretionary spending picked up recently, sales remained broadly in line with seasonal expectations. Firms reported that consumers had been less inclined to make early holiday purchases than in previous years, and many firms anticipated lower spending per customer this holiday season than last year. Weaker-than-expected demand, particularly among middle-income consumers and older adults on fixed incomes, contributed to unplanned inventory increases, prompting firms to reduce future orders. Looking ahead, firms expect sales to increase modestly over the next six months.

Community Conditions

Nonprofits serving low- and moderate-income populations said they faced growing financial strain from unstable government funding, workforce shortages, rising costs, and increasing demand for services. Contacts cited delayed disbursements, weakening state budgets, worsening staff burnout, and shorter planning horizons as contributing factors. They also noted that although some organizations considered mergers or partnerships, many hesitated because of transaction costs, financial uncertainty, reputational risk, and insufficient board or funder support. Contacts expected conditions to deteriorate further in the medium term, anticipating additional state budget cuts and affordability pressures and little change in federal funding.

Manufacturing and Other Business Activity

Business activity in the Tenth District has changed little from the previous report, with most firms noting stable activity to slight growth. A few contacts reported an increase in business closures, particularly among automotive and furniture retailers. Contacts attributed weakness in furniture sales to slow housing turnover and greater household caution about major purchases. Firms providing plumbing, home repair, and automotive services noted lower revenues over the past two months as affordability constraints weighed on demand. Some households reportedly reached their financial limits when facing major unexpected home and automotive expenses, prompting them to delay repairs, seek temporary fixes, or choose lower-cost alternatives. These pressures were concentrated among consumer-facing businesses, as professional services and manufacturing continued to report modest to moderate growth. Firms' expectations for activity improved relative to previous reports, with contacts anticipating modest growth rather than slight growth over the next six months.

Real Estate and Construction

Residential real estate activity remained mostly subdued in recent weeks, and contacts reported mixed views about the outlook over the coming months. Many contacts expected a modest pickup in rental rates for homes around the start of the new year because existing supply had been absorbed and new supply was expected to decline sharply. The decline in new supply reflected a normalization following a surge in several parts of the District and was expected to persist because of higher building material costs and higher interest rates. Affordable housing developers and managers reported that demand for wraparound services, such as childcare or health care, increased robustly. These contacts also indicated they expected more difficulty raising equity to finance affordable housing development over the coming year.

Community and Regional Banking

Loan demand and credit standards were largely unchanged across lending categories. However, several respondents indicated moderately stronger demand for agricultural loans, while demand for residential mortgage loans continued to decline. Although overall loan quality remained stable, more than one third of respondents anticipated some deterioration over the next six months, with concern centered in consumer, commercial and industrial, and agricultural loans. Respondents attributed the vulnerability of these portfolios to inflation, rising borrower leverage, and persistently high input costs. Deposit levels were stable overall; however, conditions varied, as several bankers reported modest increases in certificates of deposit and money market account balances because of higher interest rates, while others cited declines in consumer demand deposits because of rising living costs.

Energy

Tenth District drilling activity was unchanged over the last month. Although oil prices were above breakeven levels, volatile market conditions and persistent uncertainty led drillers to hold back new capital investments. Price uncertainty, increased input costs, longer shale production cycles, and ongoing capital discipline all contributed to slower growth in capital investment. Although fuel prices decreased recently, they remained elevated relative to crude oil prices because of depleted inventories from the ongoing Iran and Russia-Ukraine conflicts and bottlenecks in downstream refining. High diesel and shipping costs for District firms were raising expenses and compressing margins. Separately, contacts expected natural gas prices to remain low in the coming quarters because of abundant domestic supply. Consequently, capital expenditure plans for some natural gas-focused firms remained subdued.

Agriculture

Challenges in the Tenth District crop sector persisted through early November. Prices for major crops were higher than at the same time a year ago but declined during October, keeping profit opportunities narrow. Corn and soybean yields and production were expected to be down slightly in Missouri and moderately in Kansas and Nebraska. Contacts noted that producers with strong yields could benefit from current price conditions, but revenues could be pressured in areas heavily affected by drought. Despite tight farm financial conditions, cropland values in most of the District remained strong, and growth in ranchland values was notable as strength in cattle prices continued to support cow-calf operations.

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 at a modest pace, down from a moderate rate in the prior reporting period. Growth remained solid in the manufacturing and banking sectors but eased in nonfinancial services. Retail sales increased but auto sales were soft and housing market activity remained depressed. Employment rose modestly. Wage growth was moderate in manufacturing but accelerated to an above-average pace in the service sector. Price growth remained elevated. Outlooks were generally positive, though inflation, supply chain concerns, higher interest rates, and geopolitical and trade policy uncertainty continued to be cited as headwinds.

Labor Markets

Employment growth remained modest overall, though strength was cited in manufacturing and in data center–related construction. Staffing firms noted that employers were taking longer to make hiring decisions and were focused on utilizing their current workforce rather than expanding amid heightened uncertainty. Some firms noted that hiring remained a challenge due to labor shortages of both manual and skilled workers. Contacts largely said that AI thus far had not impacted their head counts.

Wage growth accelerated, led by a pickup in the service sector. There were continued reports of data center construction pushing up labor costs and pulling workers away from other industries.

Prices

Input and selling price growth remained elevated over the reporting period, particularly in energy and manufacturing. Firms across multiple sectors reported high or rising input costs, particularly for fuel and raw materials. Higher costs were squeezing profitability for several firms, particularly in homebuilding and manufacturing. Airlines said ticket prices have risen with fuel costs, but they have not kept pace with overall inflation. Ocean freight rates were at or near historic highs. Higher borrowing costs were a prevalent concern, with firms saying that elevated rates were stalling projects. Some firms said they planned to pass higher costs through to customers.

Manufacturing

Activity in the manufacturing sector remained robust. Output dipped for nondurable goods but rose in durables, buoyed by strength in machinery, fabricated metals, and construction materials manufacturing. Gulf Coast refiners operated at high rates over the past six weeks, averaging 95 percent utilization in part by deferring routine maintenance. Petrochemical producers similarly kept output at elevated levels and reported healthy margins. Outlooks were positive, though contacts cited several concerns, including high costs, difficulty finding workers, uncertainty over trade negotiations, and disruptions in the Middle East.

Retail Sales

Retail sales increased during the reporting period. Auto sales declined as affordability concerns stemming from elevated prices, higher interest rates, and elevated fuel prices continued to restrain demand. Building materials sales grew robustly, driven in part by data center construction. Retailers remained concerned that high fuel prices and uncertainty would weigh on consumer demand. Outlooks remained cautiously optimistic.

Nonfinancial Services

Nonfinancial services activity expanded modestly, with revenue growth led by transportation and professional and business services. Airlines said demand for air travel has remained robust despite higher fares, with contacts noting strength in business-class travel and a pickup in holiday bookings. Port volumes rose driven by persistent strength in exports, and air freight activity remained high partly due to AI and data center–related shipments. Small parcel delivery volumes dipped over the reporting period but were in line with year-ago levels. Staffing contacts reported steady demand but hiring remained cautious and employers were taking longer to make decisions, frustrating candidates. Staffing demand was strongest for construction and highly skilled, specialized roles, with data center projects driving hiring. Leisure and hospitality, information, and healthcare revenues weakened. Overall outlooks improved, but contacts cited inflation, high interest rates, and continued geopolitical uncertainty as ongoing concerns.

Construction and Real Estate

The District housing market continued to struggle. Sales slowed noticeably due to mortgage rates eclipsing 7 percent, and the mid-price segment was softer than others. Contacts described conditions as challenging, and builders' margins remained under pressure from high costs, discounting, and rate buydowns. Housing starts dipped. Land prices stayed elevated, making new lot deals difficult to underwrite. There were reports of layoffs, and outlooks remain pessimistic.

Apartment demand was healthy, and year-over-year rent declines moderated, though concessions remained widespread. Among the major metros, San Antonio's apartment market was the softest. New apartment construction remained restrained, as many deals were not currently viable. Higher interest rates have led to a repricing of assets and wider cap rates, putting pressure on property prices. Office leasing activity remained moderate and was concentrated in top-tier assets. Industrial demand stayed solid.

Financial Services

Loan volume expanded at the same pace as the prior reporting period. Credit standards and terms tightened, and loan pricing increased broadly. Despite the higher interest rate, loan demand increased further. Overall loan performance weakened slightly after having improved for the last two reporting periods. Bankers noted a decrease in general business activity on net. Higher rates were pressuring margins, and contacts said future rate hikes could reduce the ability of customers to repay loans and slow general business activity. Outlooks were mixed, with respondents expecting an increase in loan demand but a decline in business activity and loan performance six months from now.

Energy

Eleventh District oil and gas activity was mostly flat over the past six weeks. Drilling activity plateaued after significant increases from May to August, but well completion activity, which lags drilling, continues to rise. Upstream spending remained focused on maintaining cost efficiency rather than growing production, and contacts expected production capex to be nearly flat in 2027 versus 2026. Cost pressures remained widespread, and contacts reported a slight increase in uncertainty about the regulatory policy environment after the election but did not signal any changes to industry spending or activity in 2027 in response.

Agriculture

Drought conditions improved somewhat across much of the District over the last six weeks. Row crop harvests wrapped up with yields coming in a bit better than expected. The expected El Niño weather pattern is favorable for moisture conditions over winter, likely boosting production prospects for wheat and spring row crops and refilling stock ponds for cattle. International and domestic demand for corn remained strong, while export demand for cotton was more tepid. Contacts noted that considerably higher input prices were making planning decisions for next year challenging for farmers.

Community Perspectives

Nonprofits reported solid demand for their services as elevated prices, especially for gasoline and food, continued to strain budgets of low- to moderate-income households. Contacts noted that incomes were often insufficient to cover living costs and debt payments, leading some to take on second jobs or gig work. A nonprofit reported heightened demand for financial counseling, including from middle-class households. Nonprofits expect demand for food assistance to rise during the holiday season. Nonprofit funding has not kept pace with rising labor and operating costs, limiting resources. Hence, some organizations have turned to partnerships to manage rising costs and expand capacity, including arrangements with universities to employ students through federally funded work-study programs. Respondents noted uncertainty following the mid-term elections, though one contact expressed cautious optimism about future workforce legislation and funding.

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 remained little changed on net during the October through mid-November reporting period. Employment levels were stable overall, and wages were up slightly. Prices rose moderately, and business costs rose faster than final goods and services prices. Retail sales edged down, and demand for consumer and business services changed little. Conditions in manufacturing, agriculture, and commercial real estate were stable. Conditions in financial services were little changed. Residential real estate activity slowed somewhat. Community support organizations grappled with elevated demand for support services and less funding. Contacts remained cautious about the economic outlook, although less so than in the prior period.

Labor Markets

Employment levels remained stable overall. Most contacts reported holding head counts flat, hiring only to replace attrition. Some implemented hiring freezes, either across the board or selectively for specific roles. Some contacts in the insurance, construction, manufacturing, and nonprofit sectors reduced head counts through layoffs or attrition due to lower demand or the need to reduce costs. Employers who added staff on net, such as in retail and banking, cited location and branch openings or the need to expand specific roles such as customer service and IT. Several contacts reported using AI and automation to meet demand without having to change staffing levels. Positions for skilled tradespeople in construction and manufacturing as well as roles for experienced or technical finance professionals remained challenging to fill. Turnover remained low overall.

Wages rose slightly, as in the prior reporting period. Most contacts held wages steady, but some increased wages for merit and for cost-of-living pay adjustments. Contacts reported upward wage pressures for workers in skilled trades and from the upcoming minimum wage increases in Washington. A nonprofit contact noted that limited funding from grants and contracts had constrained wage growth in this sector. Contacts across several sectors, including finance, services, and manufacturing, reported employee health-care insurance benefits have increased total compensation costs for businesses.

Prices

Prices rose moderately, continuing at a pace similar to that in the prior reporting period. Many contacts across the District, including insurers, contractors, manufacturers, and retailers, reported that input prices rose more than final prices charged to customers. Some businesses cited a reluctance to pass higher costs on to customers because of softer demand, competition, and price sensitivity. Prices rose for health-care services, restaurant meals, and business services, including legal, insurance, and software and computing services. Price changes were mixed for consumer retail goods and manufactured products. Costs rose for inputs, including imported metals and other items subject to tariffs, petroleum-based products, shipping, fuel, raw materials, and food supplies for restaurants.

Community Conditions

Conditions faced by organizations in the community support sector deteriorated somewhat. Contacts throughout the District reported sustained or rising needs for basic services, including assistance with food, housing, and health care. Many nonprofits struggled to meet elevated demand as operating costs rose and federal grants were reduced, delayed, or frozen. Some drew down reserves to cover costs or scaled back programs. Contacts in California and Idaho also noted fewer large donations and more cautious philanthropic giving.

Retail Trade and Services

Retail sales edged down slightly, as in the prior reporting period. Demand growth slowed overall as consumers grew more cautious and shifted spending toward value-oriented retailers. Contacts reported that consumers continued to trade down, moving towards lower-priced options within product categories such as athletic wear and goods at home improvement stores. Demand for necessities, such as groceries, remained strong. Across the District, tariffs and fuel prices kept retailer costs for merchandise elevated.

Demand for consumer and business services changed little overall but varied by sector. Demand for business-facing services such as medical testing and facilities services was steady. Demand for consumer-facing discretionary services, such as entertainment and meals at restaurants, fell overall; however, some restaurants reported higher demand tied to value promotions. Tourism was mixed, with continued strength in California, but weak activity in Hawaii as a result of fewer international visitors. A contact in Nevada observed that demand for large events and private gatherings was stable despite a general slowdown in the region's hospitality sector. Air travel demand was stable.

Manufacturing

Conditions in the manufacturing sector were mixed, as in the prior reporting period. Demand for packaging machinery remained strong, reportedly driven by large retailers' automation efforts. Office furniture demand overall remained weak, attributed to would-be business customers deferring capital expenditures to contain costs. Demand for metal products was mixed. Across the District, manufacturers faced higher raw materials costs, though one manufacturer reported that previous implementation of inventory management strategies alleviated these rising cost pressures.

Agriculture and Resource-Related Industries

Conditions in agriculture and resource-related industries were little changed on net. Producers and growers continued to face high fertilizer and feed costs, as well as some difficulty obtaining inputs such as sulfur. A California grower reported that demand for specialty produce, such as table grapes, remained stable. One contact reported that commodity prices were higher overall for growers in Idaho, while another noted that better-than-expected yields in other regions of the nation lowered prices of some grains. A Pacific Northwest contact reported that demand for logs declined and that forestland values dropped for the first time in many years.

Real Estate and Construction

Residential real estate conditions softened somewhat. Several contacts reported suppressed demand for single-family homes and lowered transaction volumes due to higher mortgage rates. Multifamily rental rates were flat to down, and some landlords offered leasing concessions. Some regions, such as the Mountain West, had an excess supply of units. One Nevada contact reported that selling prices fell for multifamily buildings. Construction activity for single-family and multifamily projects declined, with some projects put on hold because of difficulties obtaining financing, higher borrowing costs, and higher materials costs.

Commercial real estate conditions were little changed on net. Contacts reported slight increases in rents in several sectors and markets such as industrial space in Southern California and retail and office space in Utah. On the other hand, demand to buy commercial space fell somewhat. Financing was difficult to obtain because of investor uncertainty and higher capital costs. Commercial property owners also reported difficulties refinancing debt. Construction growth remained concentrated in industrial, infrastructure, and data center projects, but was subdued for other types of commercial properties.

Financial Institutions

Activity in the financial services was stable on net. Credit quality remained generally sound, though there were a few reports of slight dips in credit quality or loan performance in both consumer and commercial business lines. Competition for deposits intensified, and higher interest rates increased deposit costs. Commercial lending and loan performance was solid overall. One California contact noted a growing divide in technology adoption in the sector, where large banks had sufficient resources to deploy automation and AI tools while smaller and community-based institutions did not.

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



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