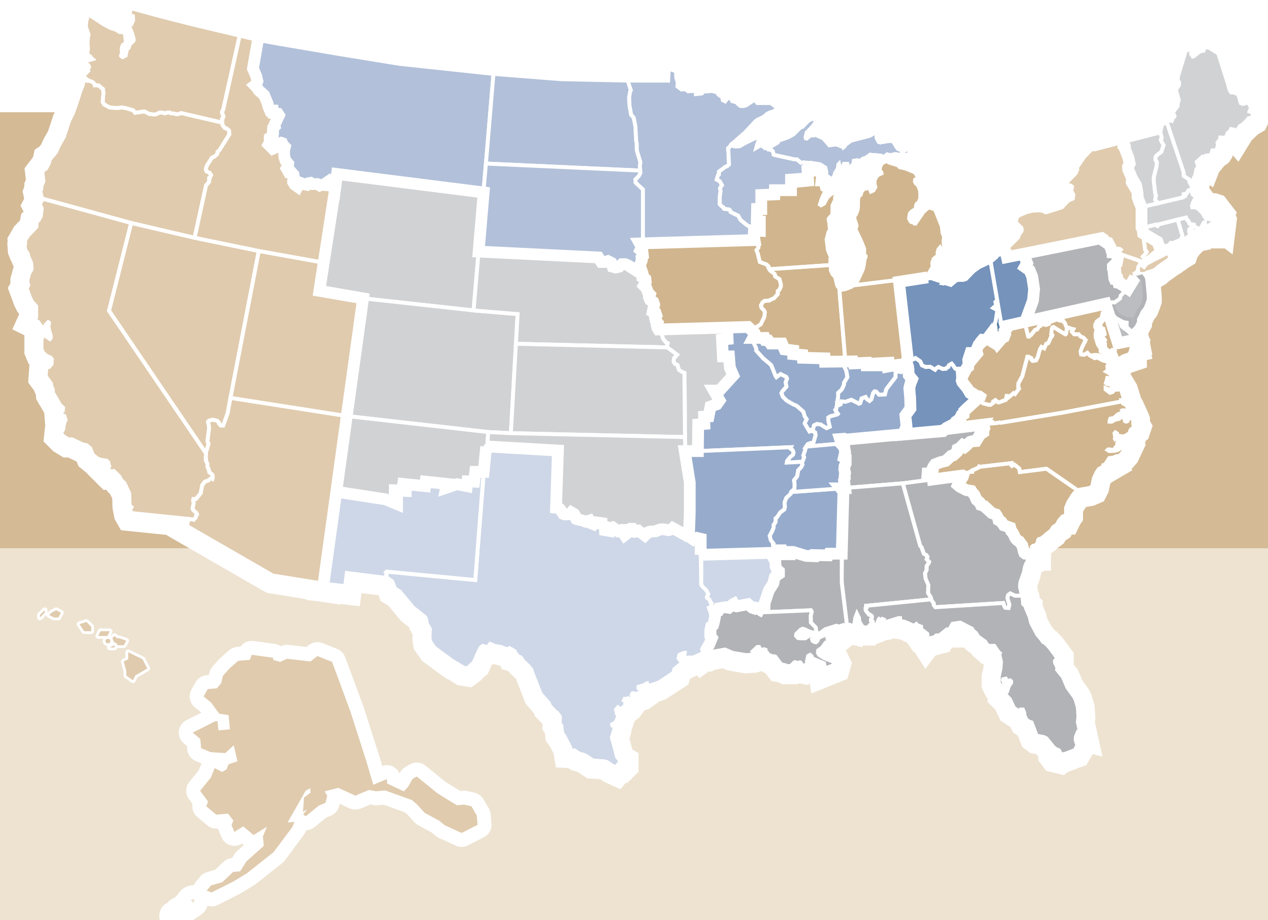
The Beige Book

Summary of Commentary on Current Economic Conditions by Federal Reserve District

April 2025



FEDERAL RESERVE SYSTEM

Contents

About This Publication

What is the Beige Book?

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

What is the purpose of the Beige Book?

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

How is the information collected?

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

How is the information used?

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

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

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

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

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

National Summary

Overall Economic Activity

Economic activity was little changed since the previous report, but uncertainty around international trade policy was pervasive across reports. Just five Districts saw slight growth, three Districts noted activity was relatively unchanged, and the remaining four Districts reported slight to modest declines. Non-auto consumer spending was lower overall; however, most Districts saw moderate to robust sales of vehicles and of some nondurables, generally attributed to a rush to purchase ahead of tariff-related price increases. Both leisure and business travel were down, on balance, and several Districts noted a decline in international visitors. Home sales rose somewhat, and many Districts continued to note low inventory levels. Commercial real estate (CRE) activity expanded slightly as multifamily propped up the industrial and office sectors. Loan demand was flat to modestly higher, on net. Several Districts saw a deterioration in demand for non-financial services. Transportation activity expanded modestly, on balance. Manufacturing was mixed, but two-thirds of Districts said activity was little changed or had declined. The energy sector experienced modest growth. Agricultural conditions were fairly stable across multiple Districts. Cuts to federal grants and subsidies along with declines in philanthropic donations caused gaps in services provided by many community organizations. The outlook in several Districts worsened considerably as economic uncertainty, particularly surrounding tariffs, rose.

Labor Markets

Employment was little changed to up slightly in most Districts, with one District reporting a modest increase, four reporting a slight increase, four reporting no change, and three reporting a slight decline. This is a slight deterioration from the previous report with a few more Districts reporting declines. Hiring was generally slower for consumer-facing firms than for business-to-business firms. The most notable declines in headcount were in government roles or roles at organizations receiving government funding. Several Districts reported that firms were taking a wait-and-see approach to employment, pausing or slowing hiring until there is more clarity on economic conditions. In addition, there were scattered reports of firms preparing for layoffs. Most Districts and markets reported an improvement in overall labor availability, although there were some reports of constraints on labor supply resulting from shifting immigration policies in certain sectors and regions. Wages generally grew at a modest pace, as wage growth slowed from the previous report in multiple Districts.

Note: This report was prepared at the Federal Reserve Bank of Atlanta based on information collected on or before April 14, 2025. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

Prices

Prices increased across Districts, with six characterizing price growth as modest and six characterizing it as moderate, similar to the previous report. Most Districts noted that firms expected elevated input cost growth resulting from tariffs. Many firms have already received notices from suppliers that costs would be increasing. Firms reported adding tariff surcharges or shortening pricing horizons to account for uncertain trade policy. Most businesses expected to pass through additional costs to customers. However, there were reports about margin compression amid increased costs, as demand remained tepid in some sectors, especially for consumer-facing firms.

Highlights by Federal Reserve District

Boston

Economic activity increased slightly, as the outlook became more pessimistic on tariff-related concerns. Prices rose modestly, but contacts perceived new upside risks to inflation. Employment edged up, although hiring plans became more cautious in response to increased uncertainty. IT services contacts experienced strong revenue growth and were expected to be relatively unaffected by tariffs.

New York

Economic activity contracted modestly as heightened uncertainty weighed on businesses and consumers. Employment was steady to up slightly. Price increases picked up to the higher end of the moderate range. Businesses expressed significant concern about tariffs. Outlooks darkened, with many businesses anticipating declining activity and rising prices.

Philadelphia

Business activity declined modestly during the current Beige Book period after a slight decrease in the last period. Nonmanufacturing activity fell moderately. Employment declined slightly; wages and prices again grew modestly. Generally, sentiment fell, and firms grew less optimistic about future growth amid rising economic uncertainty.

Cleveland

Reports suggested that Fourth District business activity continued to be flat in recent weeks, and contacts expected activity to remain flat in the months ahead. Consumer spending declined, though some auto dealers noted customers pulling forward purchases ahead of potential tariffs. Employment levels increased slightly, and wage pressures remained moderate.

Richmond

The regional economy grew slightly in recent weeks despite some pockets of weakness tied to federal staffing and contract spending. Consumer spending was flat. Residential and commercial real estate activity picked up slightly. Non-financial service providers reported a modest decline in demand and hesitation from customers to make investment decisions. Employment was little changed and price growth remained moderate amid upward price pressures from tariffs.

Atlanta

The Sixth District economy grew slightly. Employment was flat. Wages, nonlabor costs, and firms' prices increased modestly. Retail sales fell slightly, and travel and tourism declined modestly. Home sales rose modestly. Commercial real estate conditions softened. Transportation activity grew slowly. Loan growth was moderate. Manufacturing declined. Energy activity rose slowly.

Chicago

Economic activity was little changed. Consumer spending increased modestly; employment and construction and real estate activity were up slightly; manufacturing was flat; business spending declined slightly; and nonbusiness contacts saw a slight decline in activity. Prices increased modestly, wages rose slightly, and financial conditions tightened. Prospects for 2025 farm income were unchanged.

St. Louis

Economic activity has remained unchanged, but the outlook has slightly deteriorated. Heavy rains negatively impacted neighborhoods, farms, and businesses. Contacts expressed a lot of uncertainty and an elevated effort in estimating the impact of tariffs and ways to reduce cost increases and supply disruptions.

Minneapolis

District economic activity was lower. Employment declined and labor demand continued to soften. Wage growth was modest, and price increases were moderate. Consumer spending was lower with some exceptions. Manufacturing experienced modest improvements. Construction activity fell overall. Commercial real estate was mostly unchanged, and home sales declined. Agricultural conditions remained weak.

Kansas City

Economic activity in the Tenth District grew slightly, but expectations about business activity and consumer spending weakened considerably. Amid shifting conditions, businesses indicated they were most likely to adjust pricing to adapt. Expectations of price growth rose at a robust rate, most pronounced in goods sectors. Employment levels were stable but hiring stalled.

Dallas

Growth in the Eleventh District economy slowed to a slight pace. Nonfinancial services activity stalled. Retail sales dipped while manufacturing and oil field activity rose modestly. Lending growth moderated. Commercial real estate activity was steady, while housing demand remained tepid. Employment increased, and input cost pressures accelerated. Outlooks deteriorated as heightened uncertainty surrounding domestic and trade policy hindered firms' ability to plan.

San Francisco

Economic activity slowed slightly. Employment fell slightly. Wages grew slightly, and prices rose modestly. Demand for business and consumer services and for retail goods weakened. Activity in manufacturing and residential and commercial real estate markets softened slightly. Lending activity and conditions in agriculture were stable. The economic outlook worsened materially.

Federal Reserve Bank of Boston

Summary of Economic Activity

Economic activity increased slightly, about the same as in the previous report. Concerns over the impact of tariffs intensified but mainly affected the outlook. Prices rose modestly in recent weeks on average, despite larger increases in selected input prices. Employment edged up, but many firms planned to pause or limit hiring going forward because of policy uncertainty. IT services firms reported strong revenue growth. Revenues, led by moderate growth in auto sales, increased slightly for retailers but were flat for manufacturers. In the tourism sector, overall revenues rose slightly, but tourism from Canada slowed considerably. Commercial real estate activity picked up slightly in recent weeks. Home sales softened a bit from one year earlier, partly reflecting bad weather. The outlook became considerably more uncertain and more pessimistic, as contacts emphasized risks of rising inflation and weakening demand linked to tariffs and other federal policies.

Labor Markets

Employment increased slightly, and wages rose at a modest pace. Headcounts increased modestly for IT services firms, which mostly sought to fill technical support and software development roles. Among manufacturers, hiring activity was mixed, and employment increased slightly on average. Retail and tourism employment was roughly unchanged, although contacts reported increased ease of hiring and slower attrition. In contrast, immigrant labor supply, specifically of health care workers, declined noticeably on Cape Cod. Wages increased modestly on average. Concerning the outlook, a few firms expected to engage in moderate hiring activity in the coming months but most planned to limit or even pause hiring because of elevated uncertainty and/or weak demand. No significant layoffs were planned.

Prices

Prices rose modestly on average, but contacts said that prices could start to rise more rapidly in the coming months. IT services prices rose at a slight pace over the quarter, and hotel room rates in the Greater Boston area increased modestly on a year-over-year basis. Retail prices were roughly flat in recent months, including those of autos. On a year-over-year basis, wholesale seafood prices declined moderately, while prices of certain metals imported from China increased sharply. Prices for energy and production tools increased moderately over the quarter. Manufacturers posted only slight output price increases in the most recent quarter. Looking ahead, retail and manufacturing contacts alike cautioned that cost increases linked to tariffs, although still to be determined, could result in significant passthrough to their output prices. Expected passthrough rates were substantial, with half of manufacturers projecting a complete passthrough, mostly without lags. One manufacturer shortened the duration of its price quotes to 30 days in anticipation of the need to adjust prices rapidly.

Retail and Tourism

First District retail and tourism contacts reported mixed results in recent months, with revenues increasing slightly on balance. Excluding automobiles, retail sales weakened moderately in the first quarter of 2025 compared with the fourth quarter of 2024, falling short of expectations. Auto dealers in New Hampshire reported moderate sales increases throughout March and early April, and winter sales of snowmobiles and plows in the state were quite strong. Cape Cod restaurant owners experienced a first-quarter slowdown, and hotel bookings on the Cape for summer were running somewhat below recent years. Airline passenger traffic through Boston increased moderately year-over-year. Hotel occupancy in greater Boston increased modestly, boosted by two international sporting events. However, travel from Canada declined noticeably, and contacts feared that summer travel from Europe and China could suffer as well because of negative reactions to U.S. tariff policies. More broadly, tourism contacts expressed concerns that declining consumer confidence could hurt leisure spending. The retail outlook also turned decidedly more pessimistic, though the outlook for convention activity remained solid.

Manufacturing and Related Services

Relative to the previous quarter, manufacturing sales were flat on average, although reports varied across contacts and even within firms across business lines. A frozen food manufacturer experienced healthy growth in retail sales despite the growing weakness in food services demand. A materials producer reported a pronounced drop in sales over the quarter to automotive industry clients but said that demand from other sources increased modestly from a year earlier. Capital spending stayed within firms' forecasts, increasing modestly from a year earlier. Projects included a new production facility and upgrades to automation and productivity. Several contacts expressed concerns that tariffs might require them to raise output prices and/or absorb cost increases. Consequently, the outlook turned more pessimistic and uncertain, with some firms marking down their revenue growth forecasts and others perceiving greater downside risks for the economy in general.

IT and Software Services

IT contacts in the First District reported strong revenue growth, driven in part by acquisition activity, although one firm said that real transactions volume was about level with a year earlier. IT contacts expected no direct impacts from tariffs and cautioned that it was too early to tell how tariffs would affect their clients. Capital spending continued to drift downward. Contacts expected demand for their services to stay strong or improve further in the second quarter, based on the strength of recent bookings and confidence in their business models. One firm forecasted growing demand for its automation products. However, one contact expressed increased pessimism for the economy as a whole, and another pointed to downside risks to client demand associated with cuts to federal research funding.

Commercial Real Estate

Commercial real estate activity in the First District picked up slightly on balance, but contacts emphasized that uncertainty had put a damper on decision-making. Vacancy rates and rents were largely unchanged, and office leasing activity increased a bit. Life sciences buildings in greater Boston, already facing high vacancy rates, saw demand slow further from expected cuts to research funding and an ongoing pullback of private equity. Several office buildings in Boston and Providence were reportedly headed for auctions as their debt matured. At the same time, financing flowed more freely to certain (non-office) properties, owing to an increased interest from private debt funds. The outlook was marked by uncertainty, stemming mostly from tariffs, and became slightly more pessimistic. Contacts were concerned that tariffs could blunt construction activity, raise energy costs, and dampen demand for warehouse space, adding that just the uncertainty surrounding tariffs was having a chilling effect on economic activity. One contact noted, however, that the onshoring of manufacturing could yield offsetting benefits. Most respondents expected demand for multifamily housing and grocery-anchored retail to remain strong but held mixed opinions regarding the outlook for office and industrial properties.

Residential Real Estate

Across the First District, home sales declined slightly in February and March compared with twelve months earlier. Those results contrasted with strong year-over-year sales increases recorded for January, as several contacts perceived that inclement weather held back activity relative to seasonal norms. On the brighter side, pending sales rose by moderate to large margins from one year earlier in Massachusetts, New Hampshire, and Maine, and inventories increased considerably in most reporting states, except for Massachusetts where inventories declined moderately. Home prices increased at a moderate pace from one year earlier, less rapidly than in the previous report, with Massachusetts' home prices declining slightly in recent months. Contacts were hopeful that spring would bring a robust seasonal upswing in sales but cautioned that inventories remained a limiting factor.

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 contracted modestly as heightened uncertainty weighed on businesses and consumers. Still, employment in the region was steady to up slightly and wages grew moderately. Price increases picked up to the higher end of the moderate range. Manufacturing activity declined modestly. Consumer spending was up modestly in March, though there were signs of a pullback in early April. Housing markets picked up slightly. Many businesses expressed significant concerns that tariffs would reduce supply availability, push up input prices, decrease demand, squeeze profit margins, and hold back investment. Outlooks darkened, with many businesses anticipating declining activity and rising prices in the months ahead.

Labor Markets

On balance, employment in the region was steady to up slightly. Businesses in personal services, information, transportation, and wholesale saw an increase in headcounts, while retailers, leisure and hospitality establishments, and business services firms reported declines.

Demand for workers held steady, though some employers reported pausing hiring amid heightened uncertainty. A New York City area recruiter noted that despite some hesitation, demand for workers in the financial services industry was steady. Contacts at employment agencies in the region reported that labor demand and labor supply remained roughly in balance, though it has generally become easier to find workers. Still, some businesses with more specialized needs continued to struggle to find workers with the right skills. Though there were no mentions of major layoffs, there were scattered signs of headcount reductions at smaller companies.

Wage growth remained moderate. A New Jersey salon reported that training costs were high because workers did not have the proper vocational training, while a New York contact indicated minimum wage increases were hindering hiring of new workers.

Prices

Both selling price and input price increases picked up to the higher end of the moderate range. Food and insurance costs rose noticeably, and price increases for some wholesale and construction materials—such as steel, aluminum, and imported doors—accelerated. Some manufacturers and distributors have begun adding surcharges to account for tariffs on shipments already en route. Still, a regional coffee roaster noted some easing in the price of commodity coffee. Firms dependent on imports expressed concerns about compressed margins and their ability to pass on cost increases to consumers. Contacts anticipated strong increases in input prices in the coming months and expected selling price increases to remain moderate.

Consumer Spending

Consumer spending was up modestly in March, though there were signs of a pullback in early April. Department store contacts reported a small pickup in March on the heels of weak sales amid poor weather in the previous reporting period, but saw signs of weakening consumption in April. A variety of smaller retailers in all corners of District—including food stores, restaurants, and home furnishings stores—reported recent declines in sales, and a diner in upstate New York noted customers were spending less on higher-priced menu items. By contrast, auto dealers in upstate New York reported strong sales in March as customers looked to purchase vehicles before tariffs pushed prices up further. Used car sales were steady, though dealers anticipated a pickup in demand as tariffs raise the prices of new cars.

Manufacturing and Distribution

Manufacturing activity declined modestly, with new orders and shipments edging lower. A regional furniture manufacturer reported a significant reduction in orders, in part due to federal government spending freezes, and a handful of manufacturers reported sharp declines in sales to Canada. By contrast, activity among wholesale and distribution-related firms increased slightly. A shipping industry contact indicated that there was strong demand since the last report, with a significant pulling forward of imports in anticipation of tariffs and other policy changes. Delivery times were unchanged, and supply availability declined slightly but it is expected to worsen considerably in the coming months. Some manufacturers paused capital equipment purchases amid economic uncertainty. Manufacturers turned pessimistic about the outlook.

Services

Activity in the service sector declined moderately. There were particularly sharp declines reported by firms in the leisure and hospitality, business services, and information sectors, while contacts from the education and health and personal services sectors reported more modest declines. A mid-sized IT service firm noted the loss of several contracts with Canadian companies. The outlook for service sector firms worsened noticeably, with contacts anticipating a sharp decline in activity in the coming months. Service sector firms reported a major pullback in planned investment.

Tourism activity in New York City was steady, with solid ticket sales at Broadway theatres. Hotel rates and occupancy rose slightly compared to the same time last year. However, a New York City hotel owner reported a falloff in international reservations, and contacts in upstate New York near the border saw declining visits from Canadians. Looking ahead, a tourism industry expert anticipated further declines in international visitors.

Real Estate and Construction

The housing market picked up slightly as the spring selling season got underway. Supply remained the limiting factor, with ongoing exceptionally low inventory in upstate New York and the New York City suburbs, particularly Long Island. There was a small increase in new listings in recent months, and some new construction added to inventory in upstate New York. Demand remained solid and picked up for the spring selling season, pushing prices higher, and bidding wars continued. New York City's housing market remained solid, despite some pullback from high-income buyers rattled by financial market volatility. Yet, a New York City real estate contact expressed concern that with mortgage rates rising in recent weeks, buyers and sellers may retreat to the sidelines.

Rents have stabilized at a high level in upstate New York, while rents in New York City continued to rise. With mortgage rates edging higher and heightened uncertainty, potential buyers have pushed up demand for rentals.

Commercial real estate markets held steady. Vacancy rates in Manhattan's office market have declined, and leasing activity was stronger in March. Still, asking rents continued to decline, as the ongoing preference for newer, higher-quality property has shifted the balance of space on the market. Midtown Manhattan has fared better than other business districts, as proximity to transit remained attractive. Northern New Jersey's industrial market softened, as some activity stalled due to the uncertainty about tariffs and consumer demand. Construction activity declined, amid rising material prices and heightened uncertainty.

Banking and Finance

Activity in the broad finance sector continued to weaken modestly this reporting period. Small-to-medium-sized banks reported that demand edged down for business loans and commercial mortgages, but declined more sharply for consumer loans and residential mortgages, as well as refinances. A senior loan officer at a regional bank in New York noted that uncertainty was tempering loan demand. Most contacts reported that credit standards had eased, while delinquency rates improved. Deposit rates continued to decline.

Community Perspectives

Reductions in federal grants and subsidies have led to gaps in services and financial assistance to community members, with organizations having difficulty obtaining financing to help fill these gaps. Local food banks that rely on federal funding have reported reductions in personnel and programs. Contacts at non-profits and other community-based organizations expressed significant concern about the future of federal funding and services support, creating challenges in staffing, strategy, and planning.

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

Federal Reserve Bank of Philadelphia

Summary of Economic Activity

Business activity in the Third District declined modestly after falling slightly in the prior period. Nonmanufacturing activity decreased moderately after a slight decline last period. Nonauto retailers reported little change to a slight decline, with discounts helping to keep customer traffic steady. Auto dealers reported a strong increase in sales thanks to a pulling forward of demand to beat tariff-related price increases. Employment declined slightly, with demand for workers below year-ago levels. Manufacturing activity continued to grow modestly. Wages and prices also continued to rise modestly, albeit at slightly lower rates. Firms continued to note that changes in trade policies pose upside risks to general inflation. Firms expect a modest decline in business activity over the next six months, with rising economic uncertainty weighing on prospects. Nonmanufacturers expected a moderate decline in activity over the next six months, and manufacturers expected slight growth—both lower than last period's expectations.

Labor Markets

Employment appeared to decline slightly, following a slight increase in the prior period. Based on our March survey, full-time employment fell modestly for nonmanufacturing firms, the first decline since August. The index for part-time employment also fell. However, the index for total manufacturing employment moved higher in March. The average workweek index rose for all firms. More than two-thirds of all firms reported no changes in full-time employment in March, roughly in line with the prior period.

Overall, our staffing contacts reported demand for workers was mostly flat from the prior period but was below year-ago levels. One staffing contact highlighted a recent decline in overtime being offered as well as instances of employers telling temporary workers not to come in for a few days because of a lack of work, something the contact had not heard since before the pandemic. Contacts reported a slight increase in labor supply but noted a decline in already employed persons looking for a new job.

Business contacts continued to report low employee turnover and little issue hiring workers. One contact remarked the firm had recently received applications from several overqualified candidates. Another contact reported that clients were viewing federal government layoffs as an opportunity to hire highly qualified workers who would not otherwise be available. However, reports of fewer hours, hiring freezes, and layoffs were more common than in recent periods.

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

Prices

On balance, firms' prices again rose modestly during the period. In our monthly surveys, the diffusion index for prices paid rose and was above its nonrecession average for both nonmanufacturers and manufacturers. The diffusion index for prices received rose for nonmanufacturing firms, while the index ticked down for manufacturing firms but remained elevated.

One contact reported canceling upcoming price increases, fearing a drop in customer demand. Meanwhile, another contact reported that a significant number of restaurants chose not to participate in an annual local restaurant week promotion because they couldn't afford to discount their menu items.

Most contacts expected tariffs to increase costs and prices moving forward, and only a few reported an impact this period. The indexes for future prices paid and future prices received continued to suggest that manufacturing firms expect price increases over the next six months. Both indexes moved lower but remained above their historical nonrecession averages.

Manufacturing

Manufacturing activity continued to grow modestly during the period. However, the indexes for new orders and shipments suggested less widespread growth compared with the prior period.

Manufacturers expected slight growth in activity over the next six months, a slowdown from the prior period. The indexes for future general activity, new orders, shipments, and employment all suggested less optimism than in the prior period. In March, the share of firms expecting higher capital expenditures in 2025 compared with 2024 slightly exceeded the share of firms expecting lower capital expenditures. However, the share of firms expecting higher capital expenditures in 2025 was down significantly from when the identical question was asked in October.

Trade and Services

On balance, firms across a broad spectrum of nonmanufacturing industries reported a moderate decrease in activity following a slight decline last period. The index for general activity, which turned negative in February, weakened further in March. The indexes for new orders and sales/revenues also remained negative, with the new orders index falling sharply in March.

Retailers (nonauto) reported little change to a slight decline in sales during the period, following little to no change last period. One contact indicated more aggressive price promotions contributed to an uptick in store visits, but customers mostly limited their purchases to discounted items. Contacts described consumers as pinched and noted less frequent visits to businesses such as coffee shops, breweries, and restaurants.

Auto dealers reported a strong increase in sales after a slight increase last period. Multiple contacts highlighted that sales hit record highs in March. However, all our auto industry contacts attributed this boost to a pulling forward of vehicle purchases to get ahead of potential tariffs and do not expect the strength in demand to continue.

Tourism activity rose slightly after increasing moderately last period. Contacts reported a significant drop in visits and future bookings from international tourists but noted that domestic travel remained strong during the period. Contacts also highlighted a drag in activity stemming from cancellations for government-related travel and conferences.

The share of nonmanufacturers expecting growth over the next six months fell sharply and turned negative, with the index falling to its lowest level since April 2020.

Real Estate and Construction

Brokers again reported a slight decline in existing home sales. Contacts continued to stress that the lack of housing inventory was the biggest constraint on sales growth and that a lack of affordability dampened activity further.

Homebuilders reported a moderate decline in activity during the period, slowing from a slight decline last period. In addition to an overall slowing in sales and prospective buyer traffic, contacts reported a drop in average sales prices, with customers opting for smaller homes or less expensive townhomes. One contact noted a backlog of sales will put a floor on activity this year, but multiple contacts cited the stock market volatility in early April and recent drops in consumer confidence as headwinds for future sales.

In nonresidential markets, leasing activity and transaction volumes appeared to hold steady in the retail, commercial, and industrial segments. However, demand for logistics-related industrial space is showing signs of slowing slightly, according to contacts.

Commercial real estate contacts continued to report a slight decrease in construction activity this period. A few contacts noted projects in early development phases have been paused to work out possible tariff-related cost changes. Another contact reported a delay in federal funding impeded previously planned municipal projects.

Credit Conditions

The volume of bank lending (excluding credit cards) held steady during the current period (not seasonally adjusted)—an improvement over last period's slight decline but weaker than the slight growth in the same period a year ago.

District banks reported a moderate decline in commercial and industrial loans and modest drops in auto loans and other consumer loans. Meanwhile, mortgage lending grew moderately, home equity lines grew modestly, and commercial real estate loans ticked up. Credit card volumes declined moderately, in line with the decline in the same period a year ago.

Banking contacts reported little change in overall asset quality despite a slight increase in past due payments and delinquency rates. Multiple contacts also noted a slower loan pipeline due to potential policy and price variability that has caused businesses to delay investment decisions.

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, contact reports were consistent with flat business activity in the Fourth District in recent weeks, suggesting a weaker-than-usual spring. Contacts generally expected activity to remain flat in the months ahead. Consumer spending was down; however, some auto dealers reported an increase in sales as customers sought to purchase cars ahead of potential tariffs. Demand for manufactured goods continued to soften, a situation which contacts attributed to uncertainty regarding tariffs. Construction contacts noted an uptick in demand but expected demand to diminish in the coming months given potential materials cost increases due to tariffs. On balance, employment levels increased slightly, and wage pressures remained moderate. Although contact reports suggested moderate growth in nonlabor input costs, reported price increases continued to be modest.

Labor Markets

Employment levels generally increased slightly in recent weeks, according to contact reports. Contacts in the manufacturing, construction, and retail sectors reported hiring additional staff to accommodate business expansion and increased demand. A few contacts noted that their firms took advantage of the cooler labor market to hire for roles in which candidates were previously scarce. By contrast, several contacts reported that softer demand caused them to reduce headcounts, while others put hiring efforts on pause because of an uncertain market outlook. On balance, firms expected employment to continue to see slight growth.

Contacts reported that wage pressures were moderate over the last two months. Across industries, firms continued to implement cost-of-living and merit-based wage increases for existing employees. New employees in some key positions earned higher starting salaries, though contact accounts suggested that labor market pressures were broadly softening, allowing firms to maintain flat starting wages for many roles.

Prices

On balance, contacts indicated that nonlabor input costs rose at a moderate pace in recent weeks. Contacts from multiple sectors noted that some of their suppliers increased prices in anticipation of import tariffs, and many firms whose suppliers had yet to raise prices said that they expected increases in the near term. Manufacturers and construction contacts reported higher costs for steel and other materials, while multiple retailers reported higher costs to import both intermediate and finished goods. Contacts generally expected costs to grow at a strong pace in the coming months.

Contacts suggested that selling prices again grew at a modest pace on balance, though most continued to report holding prices steady in recent weeks. Many firms that raised prices reported doing so to keep pace with rising employee compensation or materials costs, while a smaller share mentioned normal annual increases. Overall, retail contacts indicated that they were increasing prices moderately, and one retailer added that its firm was testing the effects of price increases to offset anticipated import tariffs.

Consumer Spending

Consumer spending declined moderately, and contacts expected this decline to continue—albeit at a slow pace—over the coming months. Several food and hospitality contacts tied decreased foot traffic to economic and political uncertainty, and they expected consumers to pull back on spending or trade down to more affordable options. Conversely, some auto dealers reported that the threat of tariffs drove customers to purchase automobiles prior to potential price increases. Several retailers had difficulty forecasting the impacts of policy and economic uncertainty on consumer demand, and they worried that consumer spending would pull back further.

Manufacturing

Contact reports suggested a moderate decline in demand for manufactured goods, and the largest share of firms expected demand to be stable at the current low level in the coming months. Contacts across industry segments cited uncertainty about import tariffs and other government policies as the primary reasons for softer orders, and some producers were concerned that their firms' exports could be subject to reciprocal tariffs; one contact added that some foreign customers had already begun to cancel existing orders. Still, a small number of manufacturers expected demand for their products to increase if firms seek domestic sources of inputs previously sourced from abroad or as trade policy comes into better focus.

Real Estate and Construction

Demand for homes increased moderately in recent weeks as the spring selling season began to heat up. One homebuilder saw somewhat lower mortgage rates attracting buyers to the market, and another attributed higher contract volume to new-home buyers getting ahead of potential materials cost increases related to tariffs. One industry contact saw falling demand for new builds but rising demand for remodels and additions. Contacts expected a slowdown in demand over the coming months due to increasing construction costs associated with tariffs and uncertainty in the broader economy.

On the nonresidential side, contacts reported that demand for new projects declined slightly. Several commercial builders said that tariff policies and an uncertain economic environment were keeping firms from moving forward with projects. On balance, contacts expected activity to slow further in the coming months. Many anticipated that policy uncertainty would continue to dampen demand for commercial buildings.

Financial Services

Overall, bankers reported that loan demand increased slightly over the last several weeks. A couple of bankers attributed this increase to improved optimism among some of their clients related to a more “pro-business” administration. Another banker said that loan demand was stronger for commercial real estate and commercial and industrial loans than in previous years. However, several other bankers noted that clients held off on large purchases due to increased economic uncertainty. Looking ahead, some bankers anticipated a decline in loan demand due to uncertainty surrounding interest rates, government spending, and trade policy. Bankers predominantly reported that core deposits increased at their institutions, a situation which one attributed to clients withdrawing money from the stock market.

Nonfinancial Services

Demand for professional and business services was robust on balance in recent weeks, according to contact reports. One law firm saw increased demand from government and nonprofit clients driven by questions on policy changes. Meanwhile, another law firm specializing in mergers and acquisitions reported stable demand as its clients awaited policy clarity, but it expected demand to rise as tariff policies become clearer. Contacts generally expected professional and business services demand to grow slightly in the coming months. By contrast, freight contacts reported a slight decline in demand, a circumstance which several contacts attributed to economic policy uncertainty. Freight contacts expected modest growth in the coming months.

Community Conditions

In a semiannual survey of nonprofit organizations, respondents who assist jobseekers reported a decline in job availability over the past six months. Some respondents indicated that employers were less willing to train individuals and were conducting more interviews before hiring. A majority of respondents said that price increases continued to impact the financial well-being of low- and moderate-income households, leading more households to rely on credit cards to purchase basic necessities. Several contacts expressed concern about their organizations' funding due to a decline in individual donations and uncertainty regarding federal funding.

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

On balance, the Fifth District economy grew mildly in recent weeks. Reports on consumer spending were mixed with some businesses seeing sales pick up as weather improved but others seeing sales decline due to declining consumer confidence and job security fears from federal workers. Residential and commercial real estate activity increased slightly this cycle. Manufacturers and financial services providers reported steady demand. Nonfinancial services, on the other hand, reported a modest decline in demand due to heightened uncertainty impacting their clients' ability to make decisions. Employment levels were little changed, overall. Price growth picked up slightly as some firms increased prices due to tariffs, but year-over-year price growth remained within a moderate range.

Labor Markets

Employment in the Fifth District, on net, was unchanged in the most recent period. However, many federal government workers were laid off or put on administrative leave in recent weeks. These cuts to the federal workforce have impacted businesses throughout the entire district. In addition, federal contractors have laid off workers in response to spending cuts. For example, a research organization headquartered outside the DC-region laid off workers due to contracts being cancelled. Similarly, a Northern Virginia consultancy reduced headcount by 25 percent due to losing half their contracts. Non-government employers generally reported a slight improvement in labor availability and moderating wage pressure, though firms in manufacturing and skilled trades continue to report that the availability of workers with the right skills constrains growth, particularly in smaller towns.

Prices

Price growth edged slightly higher in recent weeks but on a year-over-year basis growth remained moderate. Several firms said that they recently raised their prices because their costs had increased as a result of tariffs. Many firms said that they were receiving letters from suppliers and sending letters to their customers warning that prices could increase in the near future due to tariffs. Several businesses said that until they had a better idea of how tariffs might impact them, they were minimizing new investments and planning for various cost scenarios.

Manufacturing

Manufacturing activity in the Fifth District was unchanged in the recent reporting period. Several contacts had a positive first quarter but expected activity to be negatively impacted in coming months due to increased uncertainty and tariffs. A sheet metal fabricator wasn't sure about future orders due to steel tariffs leading to price increases. Several contacts put investments on hold due to increased uncertainty. A military equipment manufacturer reported conditions being "too chaotic" to make any decisions on future investments. A wall panel manufacturer has no long-term investment plans due to increased market uncertainty. A coffee roaster, whose beans can only be sourced internationally, reported historic cost increases which resulted in historic price increases for their customers.

Ports and Transportation

Overall cargo volumes in the Fifth District decreased modestly since the last reporting period, with some variance between ports. Cargo volumes briefly returned to normal in February as labor agreements were resolved but have been more volatile in recent weeks due to tariff announcements and enactments. For example, steep declines were reported for farm and construction equipment after steel and aluminum tariffs set in. In contrast, imports for autos and some retail goods increased as orders were placed to get ahead of potential tariffs. Loaded exports were down significantly with one port noting an "unexpected and disappointing" 25 percent decline month over month. Port contacts were particularly concerned about the proposed port call tax on Chinese vessels which, by their estimates, could quadruple cargo handling costs. Some ports received multi-million-dollar tariff bills on Chinese cranes that were already ordered and enroute as tariffs were enacted and are now subject to the tariff. Rail saw record volumes this period with high storage levels; contacts attributed the extra cargo to tariff front-loading and extended gate hours to accommodate the extra freight. Trucking volumes were relatively flat but respondents expected overall freight volumes from China specifically to dip in the coming months.

Retail, Travel, and Tourism

Consumer spending was flat, on balance, but individual reports were mixed. Some retail businesses said that sales were up compared to January and February, but both of those months were soft due to adverse weather conditions. Other retailers and restaurants in Virginia and Maryland said that sales were down and attributed some of the decline to consumer sentiment and the fact that their client base included federal workers and contractors who were pulling back on discretionary spending in case they lose their job. Travel and tourism contacts also gave mixed reports with some seeing a bounce back in March as weather was more favorable and others reporting declines in both leisure and business travel.

Real Estate and Construction

Residential real estate activity had a slight uptick from last cycle. Home inventory levels have begun to increase, and buyer traffic declined. Homebuilders across the district are worried about the impacts that tariffs will have on raw material pricing. A Virginia builder noted concerns that an increase in building supply costs will create greater housing affordability problems. This was echoed by a broker who stated, “It seems like there is no longer a first-time homebuyer market while million-dollar homes continue to sell.” Simultaneously, buyers were still obtaining mortgages and receiving incentives in new construction close-outs.

Commercial real estate had a slight increase despite some uncertainty and hesitation. A North Carolina broker stated, “we are in a time of price discovery.” Multifamily construction continued where projects had already started but few new projects were being green lit. Demand for retail and restaurant space remained strong despite some major retailers closing locations. Office space saw a slight decrease in vacancies as companies brought more workers back into the office. Another broker in Virginia noted that as federal layoffs continue in D.C., government contractors are moving from space in northern Virginia to occupy the open space in federally owned buildings. Construction continued to slow, in conjunction with fears that public sector projects will not have federal funds as expected.

Banking and Finance

Financial institutions reported loan demand to be steady, but commercial real estate loan demand continued to drop slightly. One lender attributed this slowing of demand to long-term higher interest rates, a tightening of credit standards, and economic uncertainty. A few institutions observed that consumer auto and mortgage loan borrowing continued to soften. Several institutions also noted that they were seeing a modest increase in delinquencies in both their commercial and consumer loan portfolios. Deposit levels continued to remain stable, but one institution noted they were seeing both businesses and consumers withdrawing more funds to manage their rising costs.

Nonfinancial Services

Nonfinancial service providers reported modest decreases in demand for their services and expected this trend to continue throughout the year. An architectural firm noted that the year was off to a strong start, but the threat of tariffs and uncertain economic conditions have impacted their clients’ ability to make business decisions. A variety of firms, all with ties to some form of federal government funding, indicated that the uncertainty of these payments caused them to change their outlook for the year. The reactions to this change included the possibility of reducing their workforces and/or looking for other revenue streams.

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

Federal Reserve Bank of Atlanta

Summary of Economic Activity

The Sixth District economy grew slightly, on balance, over the reporting period. Labor markets were little changed, but some firms noted plans for slight reductions in headcount amid softening demand or rising cost pressures. Wages, nonlabor costs, and firms' prices rose modestly. Consumer spending fell slightly, and travel and tourism activity declined at a modest pace. Home sales rose modestly, home inventories increased, and affordability declined further. Commercial real estate conditions weakened. Transportation activity rose slowly, and manufacturing decelerated. Loan growth was flat. Energy activity grew at a slow pace, and agricultural demand declined somewhat.

Labor Markets

Employment was little changed from the previous report. Many firms reported fairly stable demand for workers and roughly flat headcounts. However, a small but increasing share of contacts noted plans for slight reductions in force as a result of softening demand or mounting cost pressures. Some contacts mentioned concerns about uncertain international trade policy further moderating demand, which could trigger additional downsizing. While not a majority, several firms have seen a drop in labor supply amid tightening immigration policy. Concerns about future labor constraints have grown in several sectors but were especially pronounced in construction and agriculture.

Wages grew modestly since the February report. Most contacts expected 2025 wage increases to be similar to those seen in 2024. Some pointed to the rising cost of living as putting upward pressure on wages, but the bargaining power continued to shift from employees to employers.

Prices

Prices and nonlabor costs increased modestly. Price increases, both realized and expected, were largely attributed to the direct and indirect impacts of trade policy. Many firms raised prices amid higher costs resulting from tariffed inputs, and even some firms not directly impacted cited tariffs and less foreign competition as a trigger for price increases. Most contacts expect to pass through the cost of tariffs, even if it means a drop in sales; however, some consumer-facing firms noted increased price sensitivity among customers has led them to be strategic with targeted pricing. Inflationary trends prevailed across sectors, signaling that the effects of trade policy are spreading and are no longer limited to the goods space.

Consumer Spending

Consumer spending declined modestly. Some retailers noted a decrease in foot traffic, and consumers increasingly opted to eat at home instead of at restaurants. Apparel retailers reported softer demand and expressed concerns about sales falling further amid the added cost of tariffs, since most apparel is imported. Demand for furniture, which was already weak, continued to fall. There were also ongoing reports of consumers trading down to value products or bulk purchases.

Travel and tourism activity declined modestly. Hoteliers noted slight decreases in occupancies, and guests shortened stays and reduced discretionary spending on property. Business travel fell. Live entertainment venues saw declining ticket sales. Large attractions that normally draw international visitors saw a drop in travelers from abroad, particularly Canada, and airports and airlines reported a notable decline in foreign passengers to the U.S.

Construction and Real Estate

Home sales improved modestly since the previous report, in line with seasonal trends. Existing home inventories grew moderately, with some markets, like southwest Florida, rising more sharply. However, most markets continued to see inventory shortages, causing steady upward pressure on housing prices. This, combined with elevated mortgage rates, has driven home ownership affordability to historic lows. Demand for new homes ticked up though was below expectations, and homebuilders continued to offer incentives to promote sales. Homebuilders' optimism waned amid rising costs, labor and lot shortages, and a shrinking pool of buyers.

Commercial real estate activity weakened. Challenges remained in the multifamily segment, though demand accelerated somewhat through expanded concessions amid elevated vacancy rates. Office activity was bifurcated, as newer buildings experienced stronger leasing and sales rates than older properties requiring upgrades or offering fewer amenities. Demand for industrial space was sluggish, and warehousing capacity rose as new properties came online. Widespread uncertainty along with tightened lending standards slowed investment decisions.

Transportation

Transportation activity rose modestly, on balance, over the reporting period. Some ports experienced significant year-over-year increases in container volumes and a rebound in roll-on roll-off shipments following a decline in February. Intermodal rail shipments increased, and total traffic improved from year-earlier levels. Demand was mixed for inland barge carriers, with one reporting steep declines in coal exports and other commodities, and another noting stable freight volumes but an expectation for weakening activity amid growing concerns by exporters over reciprocal tariffs. Freight brokers saw a sharp drop in average loads per day after months of strong demand as importers pulled inventories forward ahead of new tariffs. Lack of clarity around international trade policies was noted as the biggest risk to the outlook.

Manufacturing

Manufacturing activity declined slightly since the previous report. A beverage producer noted softer sales. Contacts in lumber and wood products manufacturing experienced slowing demand amid ambiguity surrounding tariffs—one firm noted having "zero faith in even a 6-month forecast," and that the biggest hurdle to expansion and mergers and acquisitions was not knowing how trade policy will settle out. Conversely, a steel fabricator reported record backlogs with the most strength coming from federally funded projects. Several manufacturers reported slowing or pausing capital expenditures because of economic uncertainty.

Banking and Finance

Loan growth at Sixth District financial institutions was flat, on net, over the reporting period. While there was robust growth in the multifamily lending category, consumer loans, excluding autos and credit cards, contracted sharply. Cash-to-assets ratios saw a moderate decline as cash balances fell and assets held steady. Deposit balances and borrowings declined proportionately, leaving loan-to-deposit ratios unchanged. Banks reported no significant increases in delinquencies.

Energy

Energy activity grew slowly. Liquefied natural gas production remained an area of strength in the oil and gas sector, both domestically to fuel data center expansions and for exports abroad. Utility company contacts reported growth in the commercial and residential segments but noted that industrial activity had slowed. Energy contacts expressed concern over tariffs on imported crude oil and refined petroleum products, as well as equipment and parts used for chemical plant construction. Some firms described uncertainty about economic conditions in the short term, but most remained upbeat about the long term, given strength in energy and power demand.

Agriculture

Agricultural activity declined slightly. Dairy farmers saw demand soften, partially attributed to decreased exports of cheese to Mexico. Cattle ranchers continued to note strong beef sales and higher prices amid limited supply. Demand for chicken was strong. Egg supplies continued to be limited by cases of Avian Flu. Demand for timber remained low. Contacts reported moderating demand for fruits and vegetables. Cotton, grain, and other row crop growers continued to struggle. Farmers were concerned about increasing costs of fertilizer imports given trade policy changes.

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

Federal Reserve Bank of Chicago

Summary of Economic Activity

Economic activity in the Seventh District was little changed on balance over the reporting period and contacts expected a slight decrease over the next year. Many contacts noted heightened uncertainty in their outlooks due to uncertainty over the direction of federal trade policy. Consumer spending increased modestly; employment and construction and real estate activity were up slightly; manufacturing was flat; business spending declined slightly; and nonbusiness contacts saw a slight decline in activity. Prices increased modestly, wages rose slightly, and financial conditions tightened. Prospects for 2025 farm income were unchanged.

Labor Markets

Employment increased slightly over the reporting period and contacts expected a similar pace of growth over the next 12 months. Contacts largely reported either stable or easing hiring conditions, though a few, primarily in manufacturing, continued to have difficulty hiring. Several contacts across a variety of industries said they were fully staffed or hiring only for replacement, with only a few expecting to increase staffing over the next year. Wages and benefits costs were up slightly overall. Several contacts noted that following a few years of very large gains, annual wage increases for the coming year were close to historical averages.

Prices

Prices rose modestly since the last report, though contacts expected the pace of growth to pick up over the next 12 months. Producer prices increased slightly. Nonlabor input costs rose, with reports of higher prices for raw materials and equipment. Numerous manufacturing contacts said they were facing heightened uncertainty about both input costs and selling prices, and many attributed the uncertainty to changing tariff policies. One machinery manufacturer reported that vendors were changing prices on a daily basis. Consumer prices rose modestly overall. One retail industry analyst expected the price impacts of higher tariffs to largely be felt in the second half of the year and said retailers were expecting to pass about one-third of higher tariff costs on to consumers.

Consumer Spending

Consumer spending increased modestly over the reporting period. Nonauto retail sales were up, led by spending on big-ticket items such as appliances, computers, and other electronics. Contacts attributed the growth to consumers pulling ahead spending in anticipation of higher tariffs later in the year. Leisure and hospitality spending softened overall, with restaurants posting higher sales but spending on hotels, air travel, and tourist attractions weakening. Some contacts noted that visits from Canadians were down moderately year-to-date. Light vehicle sales increased moderately, with sales accelerating near the end of March as consumers pulled ahead purchases to avoid higher tariffs. Dealers expected strong demand to continue until existing inventories run down and tariffs start to affect pricing.

Business Spending

Business spending declined slightly since last report. Capital expenditures fell slightly and expectations for spending over the coming year also declined. Multiple contacts reported hesitancy to make capital purchases due to uncertainty over the economic outlook. Demand for truck transportation was flat, though freight rates decreased slightly. Retail inventories ticked up from a high level. Inventories of new vehicles were elevated as dealers reported adding to their stocks ahead of potential tariff increases. Manufacturing inventories were comfortable overall, and reports of materials shortages remained low.

Construction and Real Estate

Construction and real estate activity increased slightly over the reporting period. Residential construction was flat. Residential real estate activity moved up slightly, led by greater demand for townhomes and starter homes. Prices increased slightly as well, but rents were unchanged. Nonresidential construction was up a little, though contacts expressed concern that tariff-induced price increases on items such as large appliances, glass, and windows would slow activity. Commercial real estate demand was unchanged.

Manufacturing

Manufacturing activity was flat on balance in the District. Steel orders increased slightly, with one contact reporting an increase in demand from the energy sector. Fabricated metals sales rose modestly, in part due to more orders from the defense industry. A couple of contacts in fabricated metals expressed concern that prices for nickel would spike because a large share is imported from Canada. Machinery sales declined moderately, with higher demand from the aerospace industry more than offset by lower demand from the automotive industry. Auto and heavy truck production declined slightly.

Banking and Finance

Financial conditions tightened modestly over the reporting period. Market volatility was elevated and bond and equity values fell significantly. Business loan demand increased modestly overall. However, one banking contact noted that many clients had put major decisions on pause due to uncertainty about the state of the economy and another noted that capital expenditures had slowed. One contact in M&A said activity was at a “standstill.” Business loan quality and rates decreased slightly, and terms remained flat. In the consumer sector, loan demand increased slightly, and quality edged down. Consumer loan rates and terms were flat.

Agriculture

Farm income expectations for 2025 were largely unchanged, though there was greater uncertainty due to trade policy announcements. Contacts expressed concerns about potentially losing export markets but also mentioned that greater purchases of agricultural products could be a way for some countries to lower trade deficits with the US. Corn, soybean, and wheat prices decreased. Fieldwork was underway to prepare for planting, though abundant moisture slowed preparations in the eastern part of the District. Contacts expected slightly more corn acres to be planted instead of soybeans given relatively favorable price movements for corn and a perception of greater export exposure for soybeans. While input prices for farmers rose some, vendors had cut financing rates to incentivize sales, in some cases down to 0 percent. Cattle prices increased, while egg, dairy and hog prices decreased. Contacts reported that livestock operations were in better financial shape than crop operations. There were limited sales of new farm machinery.

Community Conditions

Community, nonprofit, and other nonbusiness contacts reported a slight decrease in economic activity over the reporting period, and many expressed concerns that changes in federal policies were negatively affecting small businesses and low- and moderate-income communities. State government officials reported little change in activity but increased uncertainty in the economic outlook. Local labor markets were stable overall, though there were reports of layoffs at nonprofit organizations which had been affected by federal funding cuts. Low- and moderate-income consumers continued to face elevated prices, with food pantry leaders noting the particular challenge of sourcing adequate amounts of eggs and chicken, two common sources of protein.

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

Federal Reserve Bank of St. Louis

Summary of Economic Activity

Economic activity has remained unchanged since our previous report. Employment levels were unchanged and wage growth has been modest, although contacts reported the possibility of a future reduction in force. While prices continued to increase moderately, contacts indicated that the increases were starting to accelerate. District businesses were negatively impacted by heavy rains, delaying the delivery of merchandise, postponing events, and flooding businesses, farms, and neighborhoods. Contacts expressed a lot of uncertainty and an elevated effort in estimating the impact of tariffs and ways to reduce cost increases and supply disruptions. They also noted that they were unwilling to make changes due to elevated uncertainty. The outlook has continued to decline from neutral to slightly pessimistic.

Labor Markets

Employment has remained unchanged since our previous report. A staffing agency in Kentucky reported that hiring activity picked up at the end of the first quarter, but several contacts in the region reported no changes in employment. Retailers felt the hiring market had shifted back in their favor, with more candidates eager to work. One contact indicated turnover in their call center had been very low recently. While there have been few reports of layoffs, several contacts indicated the possibility of reducing headcount in the future. A software service company indicated they created a contingency plan to reduce staff, but they were not actively planning to do so.

Wage growth has been modest. One contact reported that wages were stable, and another reported they were expecting no wage increases for 2025. In Missouri, small businesses have expressed confusion about changes in the state's sick leave policies.

Prices

Prices have increased moderately since our previous report; however, businesses expect costs to increase due to tariffs and are looking for ways to reduce the impact on their profits. A retailer indicated that price growth accelerated from the previous quarter, particularly food prices, with general merchandise prices increasing slightly. A pharmacy reported they were starting to see price increases from manufacturers, but their costs had not been impacted yet as they had built up inventory. A retailer indicated their initial worst-case-scenario estimates of tariffs would result in a less than two percent cost increase; however, their updated estimates—prior to April 2—indicated they would face a five percent increase. A manufacturer reported that what initially looked to be a mild impact had worsened and was forcing them to evaluate sourcing options. Large retailers announced to their suppliers they would not accept price increases due to tariffs, and an HVAC supplier reported they would now price their equipment based on shipment dates rather than contract or purchase order dates.

Consumer Spending

Consumer spending reports were mixed. Hospitality contacts reported little change in activity, with mixed reports on restaurant sales. Hotel bookings have generally remained strong, with some reports of cancellations due to a pullback in federal spending. Retail sales have been mixed: Sales of personal care items, cosmetics, and groceries increased while sales of home appliances, toys, and seasonal items decreased. Retailers catering to higher-income customers reported sales were flat. Auto dealers reports were mixed. In Arkansas, one dealer continued to report vehicles sales have been weaker than expected and the outlook had deteriorated; Louisville dealers reported increased showroom traffic, while noting this would likely fall as soon as the tariffs took effect. Retailer inventories have increased slightly due to a combination of pre-ordering in advance of tariffs and weaker-than-expected sales.

Manufacturing

Manufacturing activity has been flat on net since our previous report. Survey indicators suggest a slight increase in manufacturing activity in Missouri and Arkansas, with an increase in employment, production, and new orders. An Arkansas electrical equipment manufacturer reported they had a three-year backlog of orders and that demand for their products continued to increase. A vehicle manufacturer reported that they were running at 60 percent of their capacity. Contacts in food service, retail, and consumer goods plants in Kentucky reported their schedules had been softening. Contacts reported concerns about price and supply issues that had led to higher inventories and efforts to domesticate the supply chain. Some contacts also reported they were reluctant to execute previous capital investment plans or create new ones due to ongoing uncertainty. A bourbon distillery indicated that planning ahead felt almost impossible when trade rules kept changing.

Nonfinancial Services

Activity in the nonfinancial services sector has been mixed. Transportation and logistics contacts noted an increase in activity as steel-related customers have increased their production in anticipation of tariffs. Transportation firms remain optimistic that demand for materials will continue, but they are concerned about tight margins. Recent heavy rains resulted in postponed or cancelled deliveries due to impassable roads and flight cancellations. A contact in auto mechanics reported strong activity with lead times of over one week to schedule repairs, noting that this uptick in demand could be related to customer concerns about tariff impacts on parts. A software service provider reported they had to cut their growth targets and were pressuring their sales team to "push hard" now, as they expected sales to become increasingly difficult next quarter.

Real Estate and Construction

Residential real estate activity has remained unchanged since our previous report. Active listings have increased relative to a year ago but sales continue to fall behind. One contact reported observing a slowdown in home buyer and seller activity around the time of the tariff announcement. A home builder in Little Rock reported their business had slowed considerably and that houses were staying on the market longer. In contrast, another builder reported that lower mortgage rates had started a surge in home building and the increase in activity was evident.

Commercial real estate has improved slightly. Contractors in Kentucky reported the commercial construction market remained steady. Supply chain disruptions are impacting the lead times for materials, which have pushed project timelines and increased construction costs. While some construction companies have diversified their supplier network and begun pre-ordering materials, other businesses halted projects due to substantial increases in costs due to tariffs. A builder in Arkansas reported their backlog of projects remained stable, with slight increases in commercial and government-related work. However, they were concerned about future slowdowns due to uncertainty and a decrease in federally funded projects.

Banking and Finance

Banking activity has remained unchanged since our previous report. A Kentucky financial institution reported facing tightening margins, which had influenced their willingness to lend, while a banker in Arkansas reported that projections for lending growth continued to be strong. A bank reported that deposits were up compared with the same time a year ago, but they were starting to show signs of decline as were new account openings. Bankers reported that consumer past-due accounts continued to rise; however, the exposure was staying at 60 days or less. Similarly, they reported observing a slight increase in small business bankruptcies and past dues. Bankers reported that, despite a few pockets of concern, credit portfolios were strong.

Agriculture and Natural Resources

Agriculture conditions have been unchanged since our previous report. Wet soil conditions combined with significant rainfall has delayed planting, and in some areas, flooding will require replanting of crops. A farmer in Arkansas reported not being able to sleep for three days due to the disruptions caused by the flooding. While operating incomes for row-crop farms are expected to be negative in 2025, government supports are expected to offset losses. The outlook for meat and poultry producers is more favorable due to low feed prices and stable demand, particularly for home consumption. Contacts reported elevated levels of uncertainty regarding the economic outlook and trade policy but have not made any significant changes to their operations.

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

Federal Reserve Bank of Minneapolis

Summary of Economic Activity

Economic activity in the Ninth District edged lower across most sectors since the last report. Employment decreased and labor demand continued trending down. Wage pressure grew modestly, while prices moved moderately upward. Consumer spending fell slightly with noted exceptions, particularly on vehicle sales. Construction activity fell overall, reflecting elevated uncertainty. Commercial real estate was mostly flat, and sales of residential units edged lower. Manufacturing activity increased modestly, though sentiment was mixed. Agricultural conditions remained weak.

Labor Markets

Employment was down slightly since the last report, and labor demand cooled notably. More firms reported a decrease in headcount compared with those reporting an increase. A large staffing firm with multiple offices in the District reported a drop in clients and job orders on a monthly and year-over-year basis. A second, large staffing firm reported that "customers have slowed down in hiring." Multiple Minnesota contacts said businesses have implemented hiring freezes and temporary layoffs and have been cutting hours. Still, a Wisconsin workforce contact said, "While sentiment has been somewhat negative, we still have plenty of job openings that need to be filled." Labor availability continued to improve. A long-term care provider reported "a huge increase" in applications it normally receives for open jobs, and a health care provider noted it was "flooded with applications for IT positions."

Wage pressure grew modestly but softened from levels earlier in the year. A survey found that the share of contacts reporting wage increases fell noticeably in March for the second consecutive month. A staffing company reported that year-over-year wage increases for the majority of job placements were running just over two percent. A central Minnesota contact reported that advertised wages for some entry-level jobs were declining. One workforce contact noted that "employers appear to have gained more leverage in wage negotiations."

Prices

Prices increased moderately overall, with greater pressure on wholesale prices. More than a third of District firms increased the prices they charged to customers in March from a month earlier, according to a monthly survey, while more than half reported increased input prices. Contacts in manufacturing and construction reported that they saw raw materials prices increase in anticipation of tariffs, particularly for steel and aluminum products. “Steel prices are surging faster than they did during the 2019-2021 period when we experienced record-setting steel prices,” commented a metal fabricator. Some contacts reported placing surcharges on products using metal inputs, while a few reported increasing prices of other outputs to compensate, and others saw declining margins. Retail fuel prices increased modestly in most District states since the last report.

Worker Experience

Reports from labor and workforce development contacts reflected ongoing challenges for workers and job seekers, topped with added uncertainty from federal policies. Some contacts feared that tariffs and federal spending cutbacks would hurt a labor market that, while softening, remained in good shape. In Montana, a building trades labor contact attributed the growing number of “people on the bench” to the slowdown of federally funded projects. Another labor contact in Michigan’s Upper Peninsula warned that “the labor market door is about to slam shut . . . and consumer confidence and spending is going to plunge.” Contacts also highlighted particular stress on Indian Country due to “frozen federal funding,” while immigrant workers in a range of occupations were feeling uncertain about their future.

Consumer Spending

Consumer spending fell slightly overall. Retail contacts were split on recent sales trends. Recent credit card transactions in the District showed slower spending compared with a month earlier. Tourism contacts also reported declines in Canadian travelers and related spending; a North Dakota retailer saw a “deep impact” starting in mid-February, pushing first-quarter revenues down seven percent. However, vehicle sales rose across the District, possibly a short-term effect as people “buy now to save . . . money from the future tariffs,” according to one District dealership. Numerous contacts noted a more cautious, cost-conscious consumer. Several bankers in Montana said consumer loan activity was slow because people were nervous to acquire debt. A manufacturer of consumer goods said, “It is extremely difficult to predict consumer behavior now and for the rest of the year.”

Construction and Real Estate

Construction fell since the last report. While some firms reported that activity was picking up with spring, a larger share reported a decline in activity, most often citing economic uncertainty. A Minnesota heating and cooling firm said it was “bracing for an unpredictable year.” Numerous contacts, particularly in architecture and engineering, reported delays in projects moving forward. A

Minnesota firm said, “New projects have dried up completely in the first quarter. . . . Uncertainty and chaos at the federal level has frozen pretty much all activity.” Another said that “clients are hesitant to proceed with design until some sort of certainty and predictability comes back.” Preliminary data on housing permits suggested relatively stable activity in March.

Commercial real estate was flat overall. Office vacancy remained high, but demand grew among smaller tenants, leading to modest improvements in space absorption. Industrial, retail, and multifamily vacancy rates were stable, helped by generally slow activity in new construction in those sectors. Residential real estate was widely lower; March home sales fell among most markets with available data.

Manufacturing

District manufacturing activity increased modestly overall since the previous report, though sentiment was mixed among contacts; some reported negative impacts from tariffs or expected tariffs. More than half of manufacturers responding to a monthly business conditions survey reported an increase in orders in March from a month earlier. Some contacts noted a bump in orders due to customers seeking to build inventories ahead of expected price increases. An index of regional manufacturing conditions indicated activity increased in Minnesota, North Dakota, and South Dakota in March from the previous month. Some producers of construction input reported cancellation of orders amid uncertainty about the outlook.

Agriculture Energy and Natural Resources

District agricultural conditions remained weak heading into planting season. Grain producers continued to struggle due to low commodity prices, while cattle operations were stronger. Industry sources were concerned about widespread drought conditions because, as one contact noted, “liquidity on balance sheets is gone and another bad year would be very difficult to survive for most farmers.” District oil and gas exploration activity was unchanged since the previous report. Operations were idled at two District iron ore mines due to overaccumulation of inventory amid decreased steel demand.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises (MWBEs) fell slightly, with expectations of further softening over the coming weeks. Inventory levels rose among most contacts. A manufacturing company in Minnesota said it was “pre-buying aluminum in anticipation to tariffs.” The majority of contacts reported higher nonlabor input prices and thinner profit margins. Many expected their own final prices to increase in the foreseeable future. A retailer in North Dakota expressed concerns about the effects of tariffs on prices and supply. Job openings trended down, and headcount remained unchanged on balance. Over half of contacts described the first three months of 2025 as “worse than expected.” A Minnesota manufacturer said, “We’ve been in business 12 years, and [this quarter] was like our first or second year.”

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 grew slightly, but expectations about business activity and consumer spending weakened considerably compared to the last report. Moreover, businesses' commentary about economic conditions shifted rapidly in recent weeks, as uncertainty rose quickly, concerns about tariffs weighed on decision making, and businesses sought to adapt their plans. The majority of contacts indicated the most likely change to their business plans this year would be to the prices charged for their finished products. Expectations for price growth rose at a robust rate accordingly, though diminished demand at consumer services firms softened current and expected price pressures somewhat. Services firms highlighted changes in hiring plans or headcount as other likely steps to adapt to changing conditions, but employment was generally steady across the District over the past month. Several actions by businesses to improve liquidity and cash positions were highlighted in recent weeks, including seeking larger credit lines, selling inventory at discounts and selling long-term assets.

Labor Markets

Employment levels remained steady across the Tenth District. Job growth was subdued as hiring freezes reportedly became a more common occurrence. One contact stated, "this is not the time to commit to adding labor," citing heightened uncertainty. More generally, when asked what changes in business plans to adapt to current conditions were most likely, services firms identified constraining hiring plans or reducing headcounts as likely, but not the primary steps they will take. Manufacturing firms indicated any changes to their workforce would be more of a last resort. Slowing labor demand reportedly led to weakness in the junior labor market for new grads and new entrants.

Prices

Prices increased moderately in recent weeks on average, but expectations of price growth over the next six months broadly rose at a robust rate. The majority of contacts indicated the most likely change to their business plans to adapt to changes in economic conditions this year would be "prices charged for finished products." Manufacturing and retail sectors (i.e., goods sectors) emphasized their current pricing does not yet fully incorporate the cost pressures associated with tariffs, implemented or expected. Contacts indicated passing rising costs to customers will occur over the next several months and anticipated goods prices will rise broadly as many suppliers are spreading cost increases across their entire product portfolios. The acceleration of price pressures in goods sectors (current and expected) stands in contrast to reported deceleration in consumer service price growth. Travel and lodging prices reportedly softened, and housing prices were stable or even declined in certain parts of the District.

Consumer Spending

Consumer spending grew slightly over the last month, but with mixed activity across categories. Auto sales rose at a robust rate as aggressive pricing intended to garner cash flow and clear inventory facilitated a recent pickup in sales, which was not expected to persist. Household purchases of other durable goods also rose, but growth in spending on services was reportedly much weaker. Recent consumer spending on travel was down modestly, and contacts described future expectations as “a cliff,” with a substantial decline in travel bookings through the summer. Healthcare contacts reported a moderate decline in the use of preventative care and non-essential services. Businesses’ expectations for growth in consumer spending weakened further in recent weeks, with projected growth in household spending roughly flat on average.

Community Conditions

Food banks and pantries across the Tenth District said they were contending with the combination of rising demand, funding cuts, and substantial uncertainty about funding over the coming year. Most pantries mentioned they expanded services over the last year, but they still struggled to meet demand for food assistance. Funding cuts from the USDA were highlighted as particularly impactful regarding services for seniors. Specifically, one pantry reported cutting back the amount of food they can give from three to five days of shelf stable food to two days of food every 30 days due to funding cuts. Pantries also expressed heightened funding uncertainty across government, corporations, and individuals and uncertainty about food price pressures.

Manufacturing and Other Business Activity

Manufacturing activity in the Tenth District declined modestly, though the pace of contraction slowed. Many firms began reassessing product lines, with some deciding to scale back production of lower-margin, highly competitive goods that lacked proprietary advantages. While some manufacturing businesses reported interest in procuring domestically sourced materials and components, they indicated that interest has not translated into new contracts due to costs and capacity constraints. Business leaders indicated recent strategy discussions shifted away from capital investments aimed at innovation and efficiency toward a focus almost entirely on mitigating tariff-related risks. An aerospace firm shared that the level of competitiveness for key materials including metals have pushed lead times to between 50 to 100 weeks. Although manufacturing firms remained generally optimistic about the broader economy, their confidence was tempered by growing concerns about the stability of economic conditions.

Real Estate and Construction

The delivery of newly constructed multifamily housing units remained elevated, but contacts noted the absorption of new units slowed significantly. With more available units coming online, rent growth stagnated and even declined in certain parts of the District. Sales and transaction activity were rising early in the year, but contacts noted the number of deals that fell apart ticked up in recent weeks and many more deals faced significant or indeterminate delays in closing. A few commercial real estate investors indicated replacement costs are expected to rise, which they anticipated may lead to another increase in insurance premiums next year. These future premium price increases reportedly weighed on the viability of certain projects and transactions, but they were noted as tertiary concerns.

Community and Regional Banking

Loan demand was mostly unchanged on average, though several bankers noted demand for residential mortgage loans was trending up. Some bankers indicated several businesses sought increased funding capacity to shore up their available liquidity. Many contacts reported a modest tightening of credit standards for commercial real estate and commercial and industrial loans due to changes in the economic outlook. Loan quality remained stable except for agriculture lending, where conditions weakened. Most respondents indicated they anticipate some deterioration in credit performance over the next six months due to heightened uncertainty weighing on the overall economic outlook.

Energy

Tenth District oil and gas activity grew modestly. Just over half of contacts reported steady activity, and about a quarter of firms—mostly smaller operators—reported growth. Despite some increases in drilling, firms' revenues, profits, and capital expenditures continued to decline on net. Most oil and gas operators expect activity to remain steady in the near-term, while nearly a third expect a pickup in activity. However, some contacts expect recent trade policy changes will dampen activity or revenues over the next year and many anticipate higher costs for key inputs like steel. Additionally, firms' long-term price expectations are still below the price needed to support a substantial increase in drilling. Accordingly, contacts noted future production growth could remain subdued for the foreseeable future.

Agriculture

Economic conditions in the Tenth District farm economy weakened early in April. Prices for several key commodities declined alongside increased uncertainty surrounding export prospects. Profit opportunities for crop producers remained limited. In the latest survey of agricultural credit conditions, lenders reported gradual deterioration in farm loan repayment rates and notable increases in carryover debt and loan restructuring compared to a year ago. Credit conditions weakened comparatively more in portions of the District most heavily concentrated in crop production while strong cattle prices supported farm finances in other areas. Production costs, elevated living expenses, and further declines in working capital were cited as key concerns, with some contacts noting that more highly leveraged borrowers were selling longer-term assets to improve liquidity.

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

Federal Reserve Bank of Dallas

Summary of Economic Activity

Growth in the Eleventh District economy slowed to a slight pace over the reporting period. Nonfinancial services activity was flat, but manufacturing output rose modestly. Retail sales dipped, and loan demand increased slightly. Commercial real estate activity was stable, while housing demand remained tepid. Oilfield activity rose modestly. Employment and wages grew, while input cost pressures accelerated largely due to the expected pass through of higher tariff costs. Outlooks worsened with weakening demand, policy uncertainty, and inflation cited as primary concerns going forward. Numerous contacts voiced concern that heightened uncertainty stemming from on-again, off-again tariffs was making it increasingly challenging to plan. Stricter immigration policy, federal government layoffs, and a cutback in spending were also cited as headwinds for growth.

Labor Markets

Employment rose modestly over the reporting period. Several contacts noted a wait-and-see posture on hiring amid elevated domestic and trade policy uncertainty, while some firms, including airlines, cited layoffs. Energy executives said layoffs are expected this year, and that the pace may increase if oil prices remain close to or fall below $60. Wage pressures were stable during the reporting period. One manufacturer noted cutting wages due to cash flow issues. Firms expect wage growth to slow to 3.4 percent over the next 12 months, down from 3.8 percent over the past 12 months.

Prices

Prices continued to increase at a moderate pace. Firms broadly expressed trepidation about the effect of tariffs on demand and costs, with some contacts indicating they will not be able to pass on the increases to clients. Several manufacturers cited higher raw material prices. The impact of tariffs on steel and machinery prices was a drag on the energy sector, particularly for firms with ongoing construction projects for whom the materials were a sizable share of costs. A few construction and real estate contacts said that tariffs had given their suppliers an excuse to raise prices, and some retailers cited being notified by their vendors of forthcoming tariff surcharges.

Manufacturers and retailers expect selling price increases to accelerate over the next 12 months, while service sector executives expect price growth to remain moderate.

Manufacturing

Manufacturing output rebounded in March after weakening in February. The pickup in production spanned both durable and nondurable goods, with strength seen in transportation equipment, machinery, computer products, and food manufacturing. Utilization rates at Gulf Coast refineries remained at healthy levels despite seasonal softness. While manufacturing activity picked up, outlooks worsened. Manufacturers widely voiced concern that tariffs were becoming an increasing source of uncertainty, dampening demand, pushing up prices, and delaying and complicating business planning.

Retail Sales

Retail sales dipped during the reporting period. Declining growth in sales of nondurable consumer products outweighed growth in durable goods. Among durables, auto vehicle sales strengthened in anticipation of the announced tariffs. Overall retail outlooks weakened, as the potential impact of tariffs on pricing and demand weighed on sentiment.

Nonfinancial Services

Activity in nonfinancial services stalled out following moderate growth in the previous reporting period. Revenue rose in some sectors, however, with increases seen in transportation, health, and professional and business services. Demand for staffing services was flat to slightly up. Airlines noted that passenger demand had softened, with some of the weakness attributable to a marked decline in federal government travel. Port traffic remained strong as companies accelerated their inventory purchases ahead of tariffs. Growth paused in the leisure and hospitality sector, which was attributed to uncertainty causing consumers to be more cautious with their discretionary spending. Outlooks deteriorated overall, with numerous contacts stating that heightened uncertainty surrounding domestic and trade policy was hindering their ability to plan with confidence.

Construction and Real Estate

Housing demand remained tepid. The spring selling season was characterized as modest and choppy, with a slight pickup in sales seen toward the end of the reporting period. Incentives for new homes, including price discounts, remained prevalent. However, there were scattered reports of builders being less aggressive on mortgage rate buy downs due to high costs. Home inventories rose, and prices were flat to down. Outlooks were cautious, weighed down by sluggish demand, high mortgage rates, and concerns regarding the impact of immigration and trade policy on consumer sentiment, labor supply, and construction costs.

Commercial real estate activity was stable during the reporting period. Apartment demand remained solid, though rent growth continued to be lackluster. Office absorption was positive in some major markets, though vacancies remained elevated. Industrial demand stayed positive but there was apprehension about the impact of shifting trade policies on leasing activity and investment sales.

Financial Services

Loan volume and loan demand growth decelerated sharply in March. Credit tightening continued, but loan pricing declined. Loan nonperformance increased. In addition, bankers reported that business activity contracted after expanding over the last three months, and their outlooks retreated to cautiously optimistic. While respondents expect an improvement in loan demand and business activity six months from now, the sentiment is less broad-based, and it is tempered by expectations of a continued increase in loan nonperformance.

Energy

Activity in the oil and gas sector increased modestly over the reporting period. While drilling and completion activity is expected to remain steady over the next few months, contacts were worried that lower oil prices, eroding global growth outlooks, and tariffs would dampen activity later this year and lower spending plans for 2026. Outlooks worsened, and contacts expressed concern that heightened uncertainty surrounding tax, trade, and regulatory policy was making planning difficult and would likely hinder investment decisions.

Agriculture

Drought conditions persisted in parts of the district, though widespread rainfall was received late in the reporting period and provided much-needed moisture. Some extreme weather was seen, from wind and dust storms in the Texas panhandle to flooding along the coast. Grain prices moved down. Cattle and beef prices continued to trend up over most of the reporting period, with beef prices rising to new highs, though cattle prices faltered somewhat in early April. Drought conditions are a hurdle for ranchers looking to expand their herds. Looking ahead, contacts expressed some concern for agricultural exports due to tariff impacts.

Community Perspectives

Demand for social services remained elevated. Contacts said many private companies were under a hiring freeze, and the jobs posted online were not being filled. Nonprofit organizations, particularly those heavily reliant on federal funding, reported trimming budgets, implementing hiring freezes, laying off workers, and downsizing programming. There was a report of a housing services nonprofit possibly shutting down operations in mid-2025 due to funding disruptions. One contact noted that landlords were less willing to rent apartments to tenants reliant on federal funds due to the current policy climate and funding freezes. Some social service organizations said they have observed a slowdown in applications for new benefits and trepidation among clients seeking services in light of recent immigration policies. Research universities were also facing significant uncertainty due to the funding cuts from the National Institute of Health and National Science Foundation.

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

Federal Reserve Bank of San Francisco

Summary of Economic Activity

Economic activity in the Twelfth District slowed slightly during the mid-February through March reporting period. The step-down in economic activity was broad based, reported across many industries and different geographies. Employment levels fell somewhat, and employers across industries and geographies reported recent and planned layoffs. Wages grew slightly. Overall prices rose modestly, and price pressures intensified for a wide range of imported goods and materials. Demand for retail and services weakened as both households and firms were more cautious with their spending amidst elevated economic uncertainty. Manufacturing activity decreased slightly, while conditions in the agriculture and resource-related sectors were largely unchanged. Activity in residential and commercial real estate markets softened slightly on net, and lending activity was stable. Demand for community support services remained high. Overall sentiment and the economic outlook worsened materially relative to the prior reporting period, and several contacts expected a notable downturn in labor market conditions over the coming months.

Labor Markets

Employment levels fell slightly in recent weeks, and the labor market outlook generally deteriorated. Contacts across industries and geographies reported recent and planned layoffs, with some citing lower demand from both private- and public-sector customers and others seeking cost efficiencies. Employers who sought to hire found it generally easier to attract qualified applicants, though engineers and workers in the skilled trades were notable exceptions. A large hospitality services provider plans to hire significantly fewer seasonal workers this year due to lower expected demand as well as to pause hiring work visa holders amidst policy uncertainty.

Wages continued to grow at a slight pace, in line with prior reporting periods. Contacts described the current labor market to be generally favorable to employers, with fewer opportunities for prospective employees to negotiate starting pay. Nevertheless, recent increases in state and local minimum wage mandates continued to put upward pressure on wages for some positions in the service sector, especially in California.

Prices

Overall price levels rose modestly in recent weeks, at a slightly faster pace than in the previous report. Contacts reported higher price pressures for a wide range of imported goods and raw materials, including aluminum, steel, lumber, electrical components, apparel, footwear, as well as various wholesale and retail food items. Cost of some services remained elevated, particularly for insurance, health care, and utilities. Some leisure and hospitality businesses facing softening demand lowered their prices to retain and attract customers. Several contacts received price increase notices from suppliers, citing recently implemented and anticipated increases in tariff rates. Contacts generally expected inflationary pressures to intensify over the coming months. Most contacts reported that they plan to pass increased input costs on to customers, but some expected to absorb cost increases to preserve market share.

Community Conditions

Community support services providers reported deteriorating conditions. Demand for housing and food assistance services remained high. Organizations providing workforce and economic development services focused on sectors experiencing strong demand including health care, skilled trades, and technical manufacturing. Funding fell from public and private sector sources because of recent changes to federal policy as well as reduced discretionary and philanthropic spending by private businesses. Funding shortfalls led some nonprofits to cut services and program offerings and to lay off workers. Contacts in the Los Angeles region noted that demand for community services and support related to wildfire recovery efforts remained high.

Retail Trade and Services

Retail sales fell modestly in recent weeks. Several contacts reported a notable drop in discretionary spending for big-ticket items such as cars and large appliances, home improvement products, and nonessential groceries. Demand for essential goods remained steady. Reports indicated that many households were cautious with their spending decisions in anticipation of a downturn in labor market conditions. Retailers generally expected sales to soften further over the coming months.

Demand for consumer and business services weakened moderately. Consumer demand for air travel, hotels, and entertainment events slowed—an atypical trend for the early spring growth period. In addition, several contacts reported weak booking volumes for the summer. Restaurant sales varied by segment, with fast-food franchises faring better than full-service establishments. Some retailers and hospitality providers in Northern Washington and Southern California reported a material drop in cross-border tourism with Canada and Mexico. Several reports from the business and professional services sectors highlighted slower demand, including for group travel, security, catering, and janitorial services. One business service provider in Southern California noted that ongoing economic uncertainty resulted in spending cuts and austerity measures from their corporate clients.

Manufacturing

Conditions in the manufacturing sector weakened slightly in recent weeks. Demand softened for some manufactured products such as utility infrastructure components, office furniture, lumber products, and packaging machinery, as customers were feeling more price sensitive and uncertain about economic conditions. In contrast, demand was solid for equipment repair parts. Firms reportedly paused or reduced capital investment plans, citing economic uncertainty and lower demand for their products. However, one manufacturer of packaging machinery kept existing investment plans in place based on higher order pipelines. Materials were largely available with typical lead times. Some manufacturers held inventories at elevated levels to weather rising input cost and availability issues.

Agriculture and Resource-Related Industries

Conditions in the agriculture and resource-related sectors remained mostly unchanged. Retail demand for agricultural products was solid overall. Contacts raised concerns that changes in trade policy could reduce demand for agricultural exports, particularly fruits and nuts. Crop yields were solid, and early indications for this growing season were good. Labor availability was largely sufficient to meet demand, though contacts worried about future availability constraints from changes in immigration policy. Production costs remained elevated due to weather-related disruptions and high input costs. At the same time, prices that growers received for many agricultural commodities, such as corn, wheat, and hay, were reportedly low. Contacts held back on planned capital investments, citing high costs and uncertainty about future prices.

Real Estate and Construction

Slow activity in residential real estate continued. Prices of single-family homes remained high. Nevertheless, demand was reportedly solid in some parts of the Mountain West. Multifamily rents rose in line with inflation. Construction of new residential properties slowed overall. Developers cited higher costs for construction materials as well as uncertainty about economic conditions, including future demand from consumers facing higher home prices and mortgage rates.

Conditions in commercial real estate weakened somewhat. Leasing activity for warehousing, retail, and wholesale space fell as tenants paused expansion plans. Office leasing strengthened slightly. Some landlords reported an increase in rent payment issues as tenants struggled with rising costs. Plans for new construction projects were held back because of tighter availability of materials, increases in costs of some inputs such as steel and lumber, and elevated financing costs. Contractor quotes also rose, reportedly driven by existing and anticipated tariffs. Construction activity remained solid for public projects such as infrastructure.

Financial Institutions

Lending activity was steady. Reports indicated that business clients continued to place most plans for new borrowing and investment on hold in response to ongoing economic uncertainty. Demand for consumer loans, including mortgages, remained generally subdued due to elevated interest rates. Competition for deposits eased of late, and deposit flows were steady. Credit and asset quality were reportedly high despite some uptick in consumer loan delinquencies.

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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