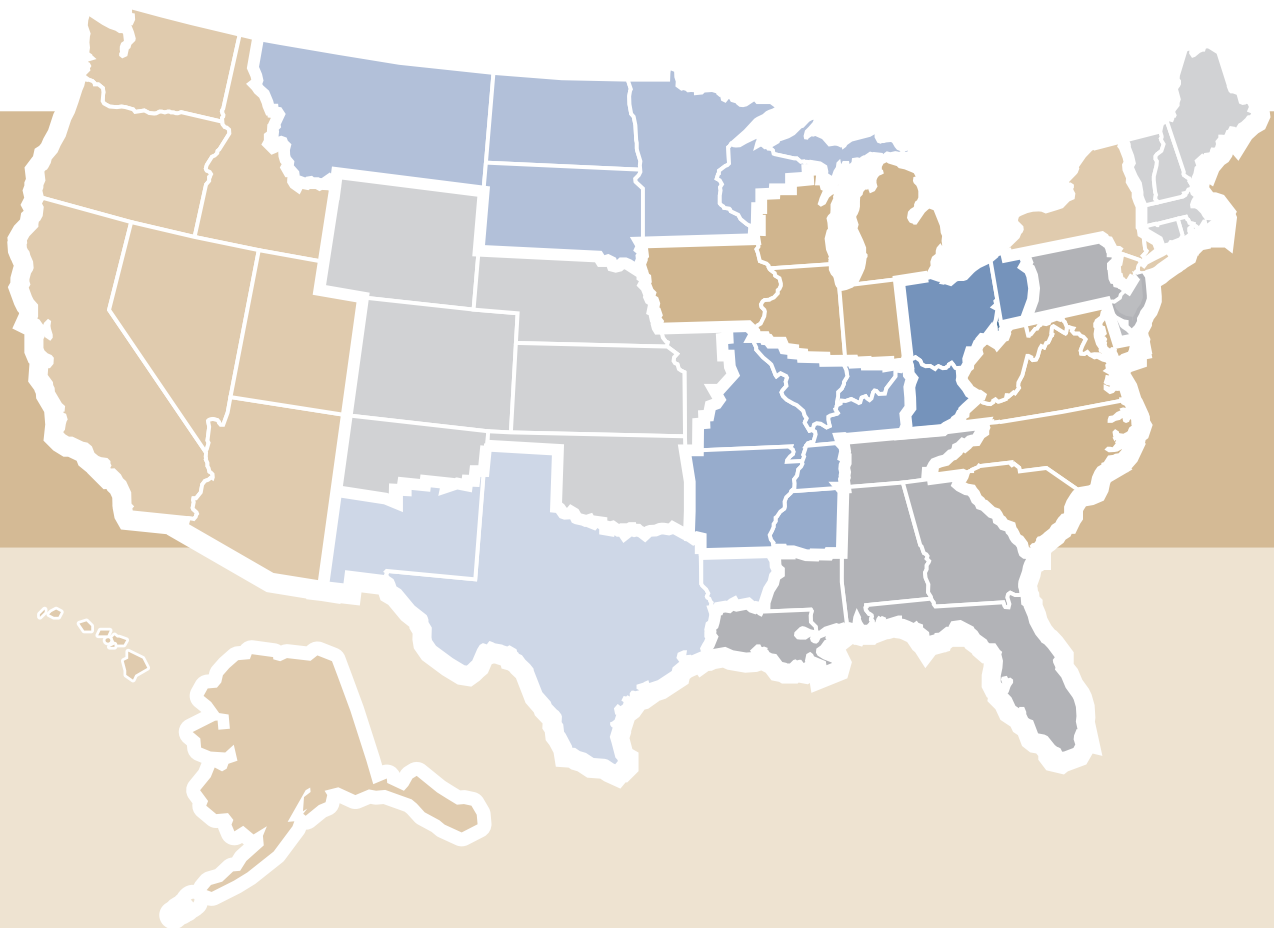




# The Beige Book

Summary of Commentary on  
Current Economic Conditions by  
Federal Reserve District

July 2025



FEDERAL RESERVE SYSTEM

# Contents

<b>About This Publication .....</b>	<b>ii</b>
<b>National Summary .....</b>	<b>1</b>
<b>Federal Reserve Bank of Boston .....</b>	<b>5</b>
<b>Federal Reserve Bank of New York .....</b>	<b>8</b>
<b>Federal Reserve Bank of Philadelphia .....</b>	<b>12</b>
<b>Federal Reserve Bank of Cleveland .....</b>	<b>16</b>
<b>Federal Reserve Bank of Richmond .....</b>	<b>20</b>
<b>Federal Reserve Bank of Atlanta .....</b>	<b>24</b>
<b>Federal Reserve Bank of Chicago .....</b>	<b>27</b>
<b>Federal Reserve Bank of St. Louis .....</b>	<b>31</b>
<b>Federal Reserve Bank of Minneapolis .....</b>	<b>35</b>
<b>Federal Reserve Bank of Kansas City .....</b>	<b>39</b>
<b>Federal Reserve Bank of Dallas .....</b>	<b>43</b>
<b>Federal Reserve Bank of San Francisco .....</b>	<b>47</b>

# 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 increased slightly from late May through early July. Five Districts reported slight or modest gains, five had flat activity, and the remaining two Districts noted modest declines in activity. That represented an improvement over the previous report, in which half of Districts reported at least slight declines in activity. Uncertainty remained elevated, contributing to ongoing caution by businesses. Nonauto consumer spending declined in most Districts, softening slightly overall. Auto sales receded modestly on average, after consumers had rushed to buy vehicles earlier this year to avoid tariffs. Tourism activity was mixed, manufacturing activity edged lower, and nonfinancial services activity was little changed on average but varied across Districts. Loan volume increased slightly in most Districts. Construction activity slowed somewhat, constrained by rising costs in some Districts. Home sales were flat or little changed in most Districts, and non-residential real estate activity was also mostly steady. Activity in the agriculture sector remained weak. Energy sector activity declined slightly, and transportation activity was mixed. The outlook was neutral to slightly pessimistic, as only two Districts expected activity to increase, and others foresaw flat or slightly weaker activity.

## Labor Markets

Employment increased very slightly overall, with one District noting modest increases, six reporting slight increases, three no change, and two noting slight declines. Hiring remained generally cautious, which many contacts attributed to ongoing economic and policy uncertainty. Labor availability improved for many employers, with further reductions in turnover rates and increased job applications. A growing number of Districts cited labor shortages in the skilled trades. Several Districts also mentioned reduced availability of foreign-born workers, attributed to changes in immigration policy. Employers in a few Districts ramped up investments in automation and AI aimed at reducing the need for additional hiring. Wages increased modestly overall, extending recent trends, with reports that ranged from flat wages to moderate growth. Although reports of layoffs were limited in all industries, they were somewhat more common among manufacturers. Looking ahead, many contacts expected to postpone major hiring and layoff decisions until uncertainty diminished.

---

Note: This report was prepared at the Federal Reserve Bank of Boston based on information collected on or before July 7, 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 seven characterizing price growth as moderate and five characterizing it as modest, mostly similar to the previous report. In all twelve Districts, businesses reported experiencing modest to pronounced input cost pressures related to tariffs, especially for raw materials used in manufacturing and construction. Rising insurance costs represented another widespread source of pricing pressure. Many firms passed on at least a portion of cost increases to consumers through price hikes or surcharges, although some held off raising prices because of customers' growing price sensitivity, resulting in compressed profit margins. Contacts in a wide range of industries expected cost pressures to remain elevated in the coming months, increasing the likelihood that consumer prices will start to rise more rapidly by late summer.

## Highlights by Federal Reserve District

### Boston

Economic activity was flat or up slightly. Retail revenues decreased modestly, and tourism revenues edged lower, in part because of fewer visitors from Canada. Price increases were modest overall, although tariffs drove above-average price increases in a few cases. Home sales increased modestly. Hiring plans remained conservative amid a guardedly optimistic outlook.

### New York

Economic activity continued to decline modestly as heightened uncertainty hindered decision-making. Employment was up slightly and wage growth was modest. Selling price increases remained moderate, while input prices rose steeply with widespread tariff-related cost increases.

### Philadelphia

Business activity continued to decline modestly in the current Beige Book period. Activity fell moderately for nonmanufacturers but edged up slightly for manufacturers. Employment declined slightly, while wages increased slightly. Prices rose modestly after moderate growth last period. Generally, firms expect slight growth over the next six months, although economic uncertainty remains.

### Cleveland

District business activity continued to be flat in recent weeks, but contacts expected activity to increase slightly in the months ahead. Several manufacturers reported softer orders, and transportation contacts reported a steep decline in demand. Contacts said that cost growth remained robust while their selling prices only increased modestly.

**Richmond**

The regional economy grew moderately in recent weeks. Consumer spending on retail, leisure, and hospitality increased at a modest to moderate rate. Business conditions were largely unchanged as firms across most sectors reported steady sales and demand. However, manufacturing activity contracted slightly with firms citing higher prices curtailing demand in recent weeks. Employment rose modestly and price growth remained moderate this cycle.

**Atlanta**

The economy of the Sixth District was little changed. Labor markets and wages were steady. Prices rose moderately. Consumer spending softened, but travel and tourism increased modestly. Residential and commercial real estate activity declined. Transportation activity grew modestly. Loan growth was flat. Manufacturing was flat, but energy activity rose moderately.

**Chicago**

Economic activity increased slightly. Employment increased modestly; consumer spending, business spending, and construction and real estate activity were flat; manufacturing declined slightly; and nonbusiness contacts saw no change in activity. Prices rose moderately, wages rose modestly, and financial conditions loosened slightly. Prospects for 2025 farm income were unchanged.

**St. Louis**

Economic activity has remained unchanged. Employment levels were generally unchanged. Prices continued to increase moderately, and most contacts continued to expect higher nonlabor costs in the coming months as a result of tariffs. The outlook among contacts remains highly uncertain and slightly pessimistic.

**Minneapolis**

Economic activity was flat overall. Employment grew slightly and wage growth was moderate. Price growth eased but manufacturers felt more acute pressures. Overall consumer spending was down but tourism activity increased. Construction and energy activity decreased while manufacturing and vehicle sales were flat.

**Kansas City**

Economic activity in the Tenth District was mostly unchanged, with some rebound in consumer spending and financial activities. Labor availability was reportedly much higher, which lowered expected wage pressures for the remainder of the year. Prices rose at a moderate pace.

**Dallas**

Economic activity in the Eleventh District economy was up slightly over the reporting period. Non-financial services activity grew modestly, and manufacturing production held steady. Loan volumes expanded, while oil production was flat, retail sales declined, and the housing market weakened. Employment was unchanged and price pressures held steady. Outlooks remained pessimistic.

**San Francisco**

Economic activity was largely stable. Employment levels were slightly lower. Wages grew at a slight pace and prices increased modestly. Retail sales expanded modestly, and consumer and business services demand eased. Conditions in manufacturing, and residential real estate markets weakened somewhat. Lending activity and conditions in agriculture were largely unchanged.





# Federal Reserve Bank of Boston

## Summary of Economic Activity

Economic activity was roughly flat overall, but signals varied across sectors. Uncertainty continued to be mentioned as a factor holding back activity, albeit less frequently than in May. Consumers continued to rein in spending on certain fronts, as retailers reported modest declines in sales, and tourism revenues declined slightly. At the same time, home sales increased modestly, following a period of declining sales. Manufacturing sales were mixed and about flat on average, while revenues for software and IT services firms grew at a moderate pace. Commercial real estate activity was roughly unchanged. Prices increased modestly on average, although tariffs led to moderate-to-large price increases in a few cases. Employment increased slightly, and wage growth was modest. The outlook was mostly stable and cautiously optimistic on balance.

## Labor Markets

Employment expanded slightly, and wages increased modestly. Hiring proceeded cautiously in part because of ongoing policy uncertainty and was concentrated among select manufacturing and IT services firms. Employment at retail and hospitality establishments was mostly stable. Hospitality contacts noted that domestic labor supply had improved but that some business owners still struggled to find enough workers, as foreign-born labor supply was down in some areas. A growing number of employers, across diverse industries, sought to increase labor productivity using AI and other technologies, reducing the need for hiring. Wages increased moderately among firms making annual adjustments and were otherwise unchanged, leading to modest wage growth on average. Aside from one IT firm that planned to ramp up hiring to satisfy a recent surge in demand, no other contacts (in any industry) expected to engage in either significant hiring or significant layoffs going forward.

## Prices

Prices increased modestly on average amid varied reports. Hotel room rates in greater Boston increased slightly (year-over-year), and prices at selected specialty food stores and restaurants rose moderately in response to tariffs—but otherwise retail and tourism contacts reported steady prices. Manufacturing firms not exposed to tariffs reported flat input and output prices, while other manufacturers experienced modest to moderate cost increases from tariffs and raised prices by

above-average margins to account for infrequent price adjustments. Utility prices increased modestly to moderately around the First District. Most contacts expected to hold their own prices steady for the rest of the year, as some perceived strong consumer resistance to further price increases. Tariffs were expected to drive seafood prices higher going forward, but risks of rising inflation were mentioned less frequently than in the previous report.

## **Retail and Tourism**

First District retail contacts reported modest declines in revenues, and tourism contacts reported slight declines in hospitality revenues on balance despite pockets of strength. Contacts from various parts of the District reported declines in retail and restaurant sales—ranging from slight to substantial—that were attributed to a significant slowdown in visits from Canada and a series of rainy spring weekends. Even in places that reported foot traffic on par with last year's, spending per customer was down modestly. In a city near Boston with a large foreign-born population, deportation fears reportedly drove retail and restaurant sales sharply lower. Hotel contacts on Cape Cod said that sales were flat or down modestly at budget and mid-market establishments, while revenues increased moderately for high-end lodging. Greater Boston hotel contacts reported slight revenue growth from a year earlier, supported by solid convention and visitor activity. The outlook was mixed, however, as contacts in greater Boston expected tourism activity to remain strong, while contacts in some other areas worried that retail spending might soften further, especially among lower-income consumers and in immigrant communities. Contacts expected visits from Canada to remain well below normal levels, and businesses in northern New England were likely to bear the brunt of that trend.

## **Manufacturing and Related Services**

Manufacturing sales were flat in recent months, on average, although performance was mixed. One contact said that sales had bounced back recently, following a period of soft sales in May. Even firms that reported flat overall sales noted certain bright spots, including two that experienced stronger retail sales of their consumer products. Sales to businesses, in contrast, slowed modestly, in one case driven by weakness in the fast-food industry. Capital expenditures rose slightly on average compared with last year, although one firm postponed large capital outlays, while awaiting resolution of tax policy uncertainty. The outlook was positive on balance, as firms expected to meet or exceed their revenue projections for the year. At the same time, selected contacts said that policy uncertainty made planning difficult.

## **Software & IT Services**

First District software and IT contacts reported moderate revenue gains on average. The increase in revenues derived mostly from a single firm that experienced an atypically large business trans-

action. Other firms said that demand and revenues were either stable at very healthy levels or up modestly from a year earlier. Contacts reported increased demand from client firms for data services that facilitated usage of AI. Costs and prices were mostly unchanged, and profit margins were stable. There were no meaningful changes in capital and technology spending. The outlook was mostly optimistic based on the recent strength of demand, but some contacts nonetheless worried that uncertainty could cause their clients to defer investments.

## Commercial Real Estate

Commercial real estate activity was flat on balance. Office leasing increased slightly but was still described as sluggish. One contact said that return-to-office policies had not picked up as much as expected. Office rents were said to have stabilized at very low levels, resulting in thin profit margins and leaving owners with little incentive to invest in improvements. Loan distress remained a significant concern in the office market. Contacts said that uncertainty surrounding tariffs had led firms to pause business plans, dampening industrial leasing and putting the brakes on rent growth in that market. Nonetheless, investment demand for industrial space remained healthy. Retail leasing remained solid, with modest rent increases and stable vacancies. Multifamily leasing and sales activity were stable at healthy levels, but one contact said that apartment rent growth had tapered off recently. Overall, contacts became slightly more pessimistic, with some expecting the office recovery to take longer than previously forecasted, and others worried about risks to property leasing and investment related to emerging federal policies.

## Residential Real Estate

Across the First District, home sales increased modestly on average from May 2024 through May 2025, with somewhat stronger results for single-family homes than for condominiums. Sales were mixed across states: New Hampshire and Massachusetts both reported slight to moderate decreases in sales from the previous May, while other New England states experienced modest to strong growth in sales. (Connecticut reported no data.) Inventories of single-family homes and condominiums increased from one year earlier by very large margins in most markets, contributing to the reports of increased sales. Median sale prices increased moderately from a year earlier on average, with larger increases for single-family homes than condos. Looking ahead, one contact was optimistic that inventories would rise further, leading to moderation in home prices and, potentially, stronger sales.

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



# Federal Reserve Bank of New York

## Summary of Economic Activity

Economic activity in the Second District continued to decline modestly as heightened uncertainty hindered decision-making. Employment was up slightly and wage growth was modest. Selling price increases remained moderate, while input prices rose steeply as tariff-related cost increases were widespread. Manufacturing activity continued to decline modestly, with new orders edging down. Activity in the service sector continued to decline but at a more modest pace than last period. Consumer spending declined slightly, weighed down by soft auto sales. Housing markets were mixed across the District, with steep price increases amid strong demand and limited supply. Rents in New York City rose sharply. After an episode of deep pessimism in the last reporting period, businesses became more neutral about the outlook.

## Labor Markets

On balance, employment in the region was up slightly. Headcounts continued to decline significantly among business services and information firms, and edged down slightly in education and health, but employment grew among businesses in manufacturing, transportation, retail, leisure and hospitality, and personal services.

Labor supply still exceeded labor demand in many industries. Labor demand was especially weak in the tech sector, especially for jobs with remote work arrangements. Attrition remained exceptionally low in most industries, though contacts in construction and some other industries dependent on workers in the skilled trades continued to see high attrition and low labor supply, particularly amid a decline in immigrant labor. With the decline in available immigrant workers, some small seasonal businesses reportedly decided not to reopen. Although layoffs remained limited in the region, some businesses reported postponing both hiring and layoff decisions until uncertainty resolves.

Wage growth slowed to the low end of the modest range, continuing the slowdown from the previous period. Firms in the business services and information sectors saw exceptionally slow wage growth. Wage growth was steady and moderate in personal services, leisure and hospitality, and construction.

## Prices

The pace of selling price increases was mostly unchanged at a moderate pace. However, the pace of input price increases remained steep as tariff-related cost increases were widespread. Many businesses reported continuing to pass on some or all tariff cost increases to their customers. A manufacturer of doors for a Manhattan construction project reported a significant jump in costs due to the tariffs on steel. Several food and beverage establishments reported significant concerns about the rising costs of inputs. Tariffs have pushed up the cost of auto parts and dealers are generally passing these on to customers. A regional retailer described selectively raising prices on goods with less elastic demand that were not subject to tariffs, in order to offset rising costs among tariffed goods. An appliance manufacturer noted that tariff surcharges were disappearing as higher costs were now baked into prices overall. Still, one contact noted that both gas prices and some materials costs have declined. Businesses expected substantial increases in input prices in the months ahead, but more moderate increases in selling prices.

## Consumer Spending

On balance, consumer spending declined slightly. After exceptionally strong auto sales last period when many buyers shifted forward purchases to avoid tariff-related price increases, auto sales declined moderately this period. With the surge in sales activity last period, new car inventory was still running low. Further, lenders have become cautious, and the least creditworthy borrowers are finding it more difficult to get approved for car loans. An electronics retailer in Northern New Jersey noted a sharp decline in sales and foot traffic. Still, a department store chain reported improving sales, with strong sales in denim and fine jewelry. Restaurant visits have continued to pick up around New York City, especially in Brooklyn.

## Manufacturing and Distribution

Manufacturing activity continued to decline modestly, with new orders edging down. Still, shipments moved somewhat higher in recent weeks. Uncertainty about tariffs and trade policy remained a challenge for manufacturers, and many contacts mentioned difficulty setting prices and finalizing contracts and purchase agreements. Still, one regional plastic and rubber products manufacturer noted an increase in business from firms looking to reshore manufacturing for some goods. Wholesale and distribution-related firms showed some recent signs of a pickup. Delivery times remained unchanged. Supply availability worsened, but firms have become less pessimistic about future supply availability. Many manufacturers noted planned reductions in capital spending. The outlook among manufacturers improved.

## Services

Activity in the service sector continued to decline but at a more modest pace than last period. There were ongoing steep declines in the leisure and hospitality, information, and personal services sectors, but activity was largely unchanged in business services and education and health. A regional hospital expressed concerns about business viability for rural hospitals amid potential federal funding reductions.

Tourism activity in New York City held steady. Hotel occupancy continued to edge up, and room rates were near all-time highs. Ticket sales at Broadway theatres were strong. Still, with the number of international visitors declining, optimism among tourism contacts waned.

## Real Estate and Construction

Housing markets were mixed across the District, with strong demand and limited supply. Inventory picked up slightly in some parts of the District but remained constrained. Sales picked up in upstate New York, but there was a slowdown in new contracts in the New York City metro area due to uncertainty. Still, sales prices remained near record highs, and a large share of sales outside of New York City closed over their asking prices.

New York City rents—already at historic highs during the last reporting period—rose sharply in June, on the heels of a new city law prohibiting landlords from charging fees on rentals. Rental supply declined notably around New York City, as some landlords held off listing properties until there was greater understanding of the law and how to set prices.

Commercial real estate markets continued to improve slightly. Leasing and sales activity in Manhattan's office market picked up further, with some spillover into adjacent suburban markets. The tech sector has become more active in office leasing after having been mostly absent in recent years. The industrial market has remained soft amid declining data center demand. The industrial warehousing market cooled in the New York City area due to a slowdown in sales of home-related goods requiring storage, though one contact in Northern New Jersey noted some pickup in the industrial warehousing market. Manhattan saw a sharp decline in multi-family building sales. Construction activity across the District declined strongly, as high construction costs weighed on developers.

## Banking and Finance

Activity in the broad finance sector picked up slightly. Still, small-to-medium-sized banks in the District reported that loan demand continued to weaken for all types of loans as well as refinances. Generally, banking contacts in the region noted an easing in credit standards, and one senior loan

officer noted that the quality of credit applicants was weaker. Deposit rates edged lower. Delinquency rates continued to improve, particularly for residential mortgages.

## **Community Perspectives**

Households in the District continued to face challenges meeting their needs due to rising expenses and reduced availability of financial assistance. In particular, housing costs have climbed as tax burdens have increased due to higher reassessments, while insurance and maintenance fees have increased markedly. Funding shortfalls in childcare programs in New York City due to escalating costs have led to a freezing of childcare voucher enrollments, requiring parents to shoulder higher expenses. Further, the lifting of COVID-era protections on Medicaid and housing continued to put stress on some households.

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



# Federal Reserve Bank of Philadelphia

## Summary of Economic Activity

On balance, business activity in the Third District continued to decline modestly. Nonmanufacturing activity again declined moderately. Nonauto retailers and auto dealers continued to report a slight decline in activity, with consumers looking for ways to slow their spending. Manufacturing activity edged up slightly this period, although ongoing economic uncertainty continued to dampen demand. Employment continued to decline slightly, while wages grew slightly again this period. Prices rose modestly after increasing moderately last period. Firms continued to note that changes in trade policies pose upside risks to general inflation, although broad impacts have not yet materialized. On balance, non-manufacturers and manufacturers both expect a slight increase in business activity over the next six months, with ongoing economic uncertainty weighing on prospects.

## Labor Markets

Employment continued to decline slightly this period. Based on our June survey, full-time employment fell slightly for nonmanufacturing firms, and the part-time index signaled no change. The index for total manufacturing employment declined modestly in June and reached its lowest level since May 2020. However, two-thirds of the manufacturers and over half of the nonmanufacturers reported no change in employment.

Overall, our staffing contacts reported a decline in demand—attributed to very low employee turnover rates and relatively few businesses looking to expand. Multiple other business contacts reported increased use of artificial intelligence (AI), with one contact saying AI replaced some call center employees, and another contact noting how AI led to a reduction in accounting jobs. Most contacts reported little issue with labor supply; however, some contacts highlighted that immigration policies led to a shortage of workers in the lowest-wage jobs—a shortage they did not expect to be able to make up.

Firms across industries reported that wages continued to grow slightly this period. Most contacts reported little upward wage pressure over the period.



## Prices

Firms' prices rose modestly this period, following a pickup to moderate growth last period. In our monthly surveys, the diffusion indexes for prices paid and prices received in June held steady for nonmanufacturers but declined for manufacturers. The indexes remained above their non-recession averages for manufacturers, with many firms reporting effects of tariffs on materials. The prices received index remained below its nonrecession average for nonmanufacturers, who are more exposed to price-sensitive consumers than many manufacturers.

Contacts across multiple sectors, including retail, tourism, and residential construction, reported offering discounts to try to boost demand, putting some pressure on profit margins. Overall, costs appeared to rise modestly, with large increases in the costs of some goods being offset by smaller increases or declines elsewhere. One contact highlighted relief in the firm's insurance costs, which recently declined for the first time in a few years.

Many contacts reported tariff-related increases in costs and prices, but some contacts noted that cost increases haven't materialized or were more limited than expected. However, most contacts expected further tariff impacts in the coming months. 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 higher and remained well above their historical nonrecession averages.

## Manufacturing

Current manufacturing activity edged up slightly this period following larger declines over the prior two months. The index for new orders fell in June but remained positive, while the shipments index turned positive. Uncertainty significantly constrained capacity utilization in the second quarter for 37 percent of the firms in our June survey, up from 25 percent in the first quarter. One lender reported slower activity across all manufacturing industries, except defense-related manufacturing, with firms adopting a "wait-and-see" approach to changing trade policy and tariff impacts.

On balance, manufacturers expected modest growth over the next six months. The indexes for future general activity, new orders, and shipments all fell below their historical averages in June.

## Trade and Services

On balance, firms across a broad spectrum of nonmanufacturing industries continued to report a moderate decline in activity. The new orders index remained negative and declined to its lowest

level in over two years. Meanwhile, the index for sales/revenues turned slightly positive but remained low compared with its historical average.

Retailers (nonauto) continued to report a slight decline in sales over the current period. One retailer noted a recent pickup in customer traffic but reported that purchases remained relatively small and that customers were focused primarily on discounted items. Other contacts said that consumers were tightening their budgets, including pulling back on luxury purchases, eating more meals at home, and opting for lower-priced goods when available.

Auto dealers continued to report a slight decline in auto sales following strong sales in early spring. One contact that reported a recent slowdown in sales expressed surprise that sales had not dropped more sharply following the pre-tariff spike in car purchases.

Activity in the tourism sector continued to rise slightly. Contacts reported high traffic counts at the Jersey Shore, Delaware beaches, and Poconos but noted weaker hotel demand and lower spending by travelers at their destinations. Contacts explained that people were taking vacations but also looking for ways to save, such as taking more day trips, waiting for discounts, opting for closer domestic travel, and preferring short-term rentals that offered space to prepare meals in an effort to eat out less. Business travel declined slightly and continued to be weighed down by lower government spending and heightened uncertainty among corporate clients, according to contacts.

Expectations among the nonmanufacturers for their own growth over the next six months continued to rise slightly. Meanwhile, sentiment for activity in the region overall remained negative.

## **Real Estate and Construction**

Existing home sales continued to increase slightly this period, but the level of sales remains low. Contacts reported that sales in May were below year-ago levels and noted that the normally busy spring housing market again failed to develop this year. Homebuilders reported a modest decline in sales, following a moderate decline last period. One contact mentioned that a recent drop in sales prices failed to drive a pickup in buyer traffic, citing a hesitancy from consumers to make large purchases amid ongoing economic uncertainty.

In nonresidential markets, leasing activity continued to grow slightly, while transaction volumes were little changed at low levels, according to contacts.

Nonresidential construction activity continued to record slight declines. Contacts reported that some construction projects continue to be delayed by price uncertainty. One contact also noted that confusion around the status of federal grant money has slowed multiple projects.

## Credit Conditions

The volume of bank lending (excluding credit cards) fell slightly during the period (not seasonally adjusted), after increasing slightly last period and experiencing little change in the comparable period a year ago.

The slight decline in lending was largely driven by a strong decline in commercial and industrial lending, according to District banks. Meanwhile, consumer lending (excluding auto lending and credit cards) rose strongly, home equity lines and auto loans rose modestly, and mortgages rose slightly. Commercial real estate lending was unchanged. Credit card volumes increased modestly, similar to the same period one year ago.

Banking contacts reported mostly steady loan demand but noted many businesses have delayed investment decisions or paused projects because of continued uncertainty. Bankers reported a pickup in delinquencies but explained that delinquency levels remain low and overall credit quality remains strong. One business contact reported an improvement in financing conditions in June, citing increased investor demand and growing expectations of future interest rate cuts that have led to a decline in borrowing rates being offered.

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



# Federal Reserve Bank of Cleveland

## Summary of Economic Activity

Contacts' reports suggested flat overall business activity in the Fourth District in recent weeks, though contacts expected activity to increase slightly in the months ahead. Retailers noted a pull-back in consumer spending, and new vehicle purchases decreased after a surge in pre-tariff sales. Demand for professional and business services remained robust, and some clients moved forward with previously paused projects despite ongoing uncertainty. Contacts generally continued to report slight increases in employment levels, but many were holding off on hiring or reducing staff until they had more clarity on economic conditions. Wage pressures continued to be moderate but subsided in sectors with softer labor demand. Contacts' reports suggested that their nonlabor cost pressures remained robust and that their selling prices grew only modestly amid increasing price sensitivity.

## Labor Markets

Overall, employment levels increased slightly in recent weeks, according to contacts' reports. Professional and business services firms continued to report staff increases, though at a slower rate compared to the strong pace at the start of the year. Manufacturing contacts' demand for labor was mixed, with some hiring for anticipated growth and others reducing staffing levels to cut costs. In response to flattening demand and uncertainty, many contacts across sectors were holding off on changing staffing levels until the direction of demand became clear. On balance, contacts expected employment to increase slightly in the near term.

Contacts' reports suggested that wages grew moderately in recent weeks, continuing the pace of growth that started at the beginning of the year. Many of the firms across industries continued to raise wages through fixed annual adjustments. Some contacts in banking, professional and business services, and healthcare noted persistent upward pressure on wages due to competition for skilled workers. But wage pressures were reportedly subsiding in the retail and construction sectors, with contacts noting a slower job market. One retail contact said, "[we're] not losing employees to other businesses, so we are not getting into matching offers to retain employees."

## Prices

On balance, contacts' reports indicated that nonlabor input costs continued to rise at a robust pace in recent weeks and that the cost stabilization seen during 2024 had dissipated. Many manufacturers noted that tariffs had increased the costs of the materials they import, and some retailers reported tariff-related cost increases from foreign and domestic suppliers. Elevated costs for insurance and technology, including AI and data security, continued to impact banking and professional and business services contacts. Contacts generally expected costs to grow at a strong pace in the coming months.

Selling prices rose modestly on balance, according to contact reports. Across industries, contacts continued to report raising prices to cover costs related to tariffs and elevated prices of materials and insurance. Many reports indicated increased price sensitivity related to softening demand. This sensitivity was evidenced by contacts selectively and cautiously increasing prices, holding prices steady while making other cost-saving changes, and, in some cases, cutting prices to compete. Other signs of this sensitivity were the dips in sales after commercial construction contacts raised their prices. Still, several contacts in manufacturing and professional and business services anticipated increasing prices in the near term ahead of contract renewals.

## Consumer Spending

On balance, contacts said consumer spending declined slightly in recent weeks. New vehicle purchases decreased following a surge in sales from customers who were seeking to avoid tariff-related price increases. One tourism contact benefited from customers taking "staycations," whereas a hospitality contact was hurt by a 20 to 30 percent decline in travel to their market. Overall, retail store contacts reported flat sales and said that customers purchased only essentials and avoided discretionary items. Looking ahead, contacts expected no change in demand in the coming months.

## Manufacturing

Contacts' reports suggested that demand for manufactured goods was unchanged in recent weeks, having stabilized at a low level during the prior reporting period. Several contacts continued to report flat or declining orders because of uncertainty about trade policy or federal regulations; one producer's order backlog was at its lowest level since 2018, and another noted that shipments were at their lowest level in decades. Multiple firms selling into consumer markets, including housing, automotive, and nondurable goods, reported softer sales. Manufacturers generally expected demand to change little in the coming months unless trade policy and other federal regulations come into better focus.

## Real Estate and Construction

Residential construction and real estate contacts reported that demand increased moderately in recent weeks. One real estate broker observed more buyers in the market but noted more frequent reductions in listing prices, and another highlighted that homeowners remained reluctant to sell because of concerns about losing their low mortgage rates. Looking ahead, one homebuilder expected economic and political uncertainty to discourage large purchases, dampening demand for homes. On balance, contacts expected a slight decline in demand over the coming months.

Commercial construction and real estate contacts reported moderate growth in demand in recent weeks. One real estate developer reported that retail traffic increased steadily, driving leasing activity, and another said that trends toward in-person work continued to bolster demand for office space. However, several commercial builders mentioned that clients had delayed projects or that new inquiries had slowed amid economic uncertainty. Contacts anticipated continued moderate growth in demand in the coming months.

## Financial Services

On balance, bankers reported that loan demand was flat over the past several weeks. Commercial bankers continued to attribute sluggish borrowing activity to trade policy uncertainty, and one commercial banker noted that some businesses delayed large investments as the economic outlook remained unclear. One banker said consumer loan demand declined following increased auto, RV, and marine purchases earlier in the year ahead of potential tariffs. In the coming months, bankers anticipated a slight decline in overall loan demand as many businesses wait for more clarity on trade policy and interest rates.

## Nonfinancial Services

Professional and business services contacts generally reported robust growth in demand for the second consecutive reporting period, a situation which they expected to continue in the coming months. A contact's clients began to advance previously paused projects despite continued uncertainty. Additionally, a law firm said that their demand was up as clients sought consultations on downsizing options. By contrast, transportation contacts across multiple sectors including air cargo, passenger air, and freight hauling reported a steep decline in demand. Several transportation contacts commented on weak economic conditions, and they highlighted low export activity and reduced import activity following a pre-tariff surge. Transportation contacts expected the sharp decline to continue over the coming months.

## Community Conditions

In a recent survey of nonprofit organizations that support small businesses, contacts reported challenges associated with capacity constraints and growing demand for services. Several respondents reported federal funding reductions, with one rural organization describing cuts of more than 40 percent to their federal and state grants. Others raised concerns about whether private funds would remain available for their organizations given economic uncertainty. Meanwhile, demand for these organizations' services increased, as small business owners sought assistance managing higher expenses, modifying supply chains, and obtaining credit. Additionally, respondents noted that small businesses had lost federal contracts and that federal policy changes were raising concerns about future contract opportunities, especially for women-, minority-, and veteran-owned businesses.

For more information about District economic conditions visit: <https://www.clevelandfed.org/en/region/regional-analysis>.



# Federal Reserve Bank of Richmond

## Summary of Economic Activity

The Fifth District economy grew modestly in recent weeks. Consumer spending at retail stores increased modestly as advertised discounts drove up foot traffic and sales. Spending at restaurants and hotels also rose with particular strength reported in higher-end and luxury establishments. Import activity fluctuated with tariff announcements and pauses but volumes were up in recent weeks. Manufacturing activity declined modestly this cycle as higher prices curbed demand for many producers. However, some domestic producers with less international exposure reported growth. Real estate, financial services, and nonfinancial services markets were little changed in recent weeks. Employment rose slightly and some companies reported an increase in candidate pools. Price growth remained moderate on a year-over-year basis. Overall rising costs of living put some upward wage pressure on firms.

## Labor Markets

Employment in the Fifth District increased slightly in this period. Several contacts reported an increase in applicants, particularly for professional service jobs. A DC-area post-secondary institution was able to be more selective in hiring for finance positions due to an uptick in applicants. A few firms, however, still faced challenges finding workers for specific roles. For example, a flatware manufacturer reported finding skilled labor was a “unicorn hunt.” Many firms reported caution on hiring, though few were cutting back on workers. While wage growth remained moderate, on balance, a civil engineering firm faced pressure to raise wages more substantially as potential new hires turned down offers citing the compensation package didn’t align with the cost of housing.

## Prices

Year-over-year price growth remained moderate this cycle. According to our most recent surveys, service sector firms reported steady and moderate annual price growth. Manufacturers, however, saw price growth rise from a modest pace of growth to a moderate rate. One manufacturer said that input costs were higher in recent months due in part to tariffs but also from rising regulatory, insurance, and labor costs, including wages and benefits.



## Manufacturing

Manufacturing activity in the Fifth District experienced a modest decline in the recent reporting period. Multiple contacts experienced significant challenges to their business due to being unable to maintain stable pricing. A furniture manufacturer was not able to adjust their bi-annual pricing despite increases in input costs, wages, and regulation compliance costs. A laundry equipment manufacturer was uncertain if they would make money on sales due to the long manufacturing production-time coupled with fluctuating input costs. To cover added costs due to tariffs, a couple of manufacturers added surcharges to their sales prices. Manufacturers with less international exposure reported some increased business activity. An aluminum manufacturer reported increased sales due to customers looking for “high-quality, domestically produced” products.

## Ports and Transportation

Maritime port contacts reported that import volumes increased in May, flattened in early June, and then increased again towards the end of June reflecting the lagged effects of tariff announcements and pauses in implementation. The increase in import volumes in May was attributed to a pull forward of holiday inventory restocking that would typically occur late in the summer. One contact noted that “the peak season [for shipping] has changed. Nothing is traditional now, there is no normal.” With that pull-forward, contacts noted expectations of weakness for the fall and winter months regardless of what happens with trade deliberations. Export volumes remained flat, consistent with the sluggish levels of the last few years; empty containers have begun stacking up at inland ports, and containers at maritime ports have been quickly returned to China, unloaded. Ocean spot prices increased slightly after the tariff pause caused a spike in demand for front-loading, but not to the high levels seen during the COVID-era surge. Tariff frontloading has had little impact on trucking demand, which remained flat at low volumes. Contract rates remained relatively low, but spot rates increased somewhat in the last month. One large trucking firm has observed signs of a demand shift where vulnerability to tariffs has made retail a more difficult segment to grow, and foresees a painful period of adjustment as domestic manufacturing builds up.

## Retail, Travel, and Tourism

Consumer spending increased modestly in recent weeks. Retailers generally reported steady sales but gave mixed reports on consumer sentiment and shopping behavior. A few stores said that advertised discounts helped drive up foot traffic and sales. Another retailer said that sales had been volatile as customers try to time any potential tariff induced price increases. Restaurant contacts reported steady sales, particularly at fast casual and higher end sit-down restaurants. A couple of restaurants near central business districts, however, said sales were down due to fewer business or event-driven bookings. Hotel contacts reported a moderate increase in occupancy and

a small increase in rates leading to solid growth in revenue, with luxury hotels reporting the strongest growth.

## **Real Estate and Construction**

Residential real estate activity was little changed, on balance. Some agents noted good activity while another agent said, “the phone has stopped ringing, and this is the worst spring market since 2009.” Inventory in the District continued to increase while buyers sat on the sidelines due to uncertainty. Most buyers had no issues qualifying and agents were helping to educate those with low credit scores on ways to increase their credit. Additionally, lenders were offering 3-2-1 buydowns or adjustable-rate mortgages to help lower monthly mortgage payments. Builders in the District rushed to complete projects as tariff fears were still looming.

Commercial real estate activity remained the same despite the expected summer slowdown. A few agents across the District mentioned that several tenants were looking to purchase the properties they were currently leasing. An agent in North Carolina stated that owner-occupied buildings were getting better interest rates versus investor property. Uncertainty in the market continued as agents noted deals taking longer to close as buyers ran every analytics model. An agent in South Carolina also mentioned that fears of wire fraud added to the closing process. In also speaking of fraud, a Virginia broker said, “All this does is add time and time kills real estate deals.”

## **Banking and Finance**

Financial institutions continued to report steady demand for all loan types. One institution reported that commercial borrowers were being cautious with their capital and were holding back big expenditures at this time. Residential real estate lending continued to slow slightly with both lower consumer confidence and housing affordability noted as reasons for the trend. A credit union noted that consumer credit quality was showing some deterioration as members find ways to access alternative funds. Delinquency rates were noted as being stable with no major fluctuations. Deposit levels also remained stable with a continued easing of competition noted between institutions.

## **Nonfinancial Services**

Nonfinancial service providers reported a stable demand for their services, but a general theme of uncertainty surrounded most of their comments. A design firm noted their clients as being pensive and several of them were stepping away from doing projects just yet. A staffing firm noted that their clients were taking a “wait and see” approach before implementing any new plans. A supplier of cleaning products and services to commercial firms, including universities, schools and hospi-

tals, was using this time to develop more retail clients, but said that it takes time to build these new relationships and lines of business.

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



# Federal Reserve Bank of Atlanta

## Summary of Economic Activity

The economy of the Sixth District was little changed over the reporting period. Labor markets remained stable as most firms kept headcounts level; wage pressures remained muted. Prices rose moderately amid continued economic uncertainty. Retailers and restaurateurs experienced softening demand. Travel and tourism grew modestly. Sales of new and existing homes slowed, and housing inventories rose significantly. Commercial real estate saw a moderate decline in activity. Transportation activity rose modestly, but manufacturing was flat. Loan and deposit growth was relatively unchanged. Energy activity grew at a moderate pace.

## Labor Markets

Labor markets remained relatively unchanged over the reporting period, with most firms holding headcount flat. Contacts continued to describe a reluctance to hire given economic uncertainty and softening demand. Some trucking firms implemented reductions in force to align with slowing demand; however, most firms expect to maintain current staffing levels throughout the rest of the year, and some plan to allow for attrition as they wait to see how the economy develops. Turnover remained low, and contacts generally reported an ample supply of available workers. Overall, wage pressure remained muted amid less turnover and solid labor availability.

## Prices

Prices rose at a moderate pace. Many businesses reported inflationary concerns surrounding the direct and indirect effects of trade policy and related uncertainty. Firms with exposure to tariffs continued to describe various approaches to cost pass-through, such as sharing tariff-related cost increases with both suppliers and customers. Some businesses have raised prices ahead of imposed tariffs. Others said they were waiting to raise prices until they had more clarity on trade policy, which puts pressure on margins but minimizes price volatility. Several contacts noted they were still working through pre-tariff inventories, thus delaying price adjustments. Contacts continued to reconfigure supply chains amid trade turmoil but noted difficulties executing plans given the uncertainty around final tariff levels for different countries.

## Consumer Spending

Consumer spending declined slightly since the previous report. Retailers saw further softening in demand as shoppers, especially lower-income consumers, became even more value conscious. Many merchants who were still selling off pre-tariff inventories expect demand to erode if, or when, tariff-related price increases are implemented. Restaurants reported depressed volumes as increasingly value-conscious consumers traded down or opted to eat at home. Demand for services was reported as steady, with experiential spending outpacing goods purchases.

Travel and tourism activity grew modestly, on balance, since the previous report. Although travelers' booking windows and average lengths of stay have shortened, hoteliers were optimistic about summer leisure travel as reservations picked up closer to travel dates. Several major cities in the Sixth District saw hotel occupancy gains while hosting the 2025 FIFA Club World Cup. However, group bookings for some properties did not meet expectations as international travel to the U.S. from Canada, Asia, and Europe, continued to slow. Demand for cruises rebounded from lows earlier this year.

## Construction and Real Estate

While home sales in the District slowed modestly over the reporting period, existing home inventory levels rose sharply, especially in southwest Florida. Home prices remained at or near record highs, but home price growth moderated or even declined. Homebuilders noted weaker sales, which had been primarily driven by the use of incentives, such as price cuts and rate buydowns. Builders also noted difficulties qualifying potential buyers as credit quality deteriorated.

Commercial real estate (CRE) activity declined moderately, on balance, in recent months. The office segment saw rising sales prices alongside moderate declines in transaction volumes; however, rents and vacancies were stable. Multifamily conditions remained mixed, with some areas of the District noting increased concessions on rents due to an oversupply of units. However, the pipeline for new properties, though slowing, remained healthy. Industrial markets experienced a pullback in activity, characterized by one industrial developer as "recession levels of demand" across the southeast, rising vacancies, and a corresponding drop in rents. Retail CRE conditions weakened, as both demand for space and sales declined.

## Transportation

Transportation activity rose at a modest pace. Container traffic at District ports continued to increase, and some ports noted that bulk and break-bulk freight volumes were performing above expectations. Open hatch bulk carriers reported robust demand. Railroads saw slight declines in intermodal volumes since the previous report, but year to date, intermodal total traffic has

exceeded 2024 levels. Trucking activity remained sluggish. Risks to the outlook included geopolitics, trade policy, and a broad economic slowdown that would impact demand for transportation services.

## **Manufacturing**

Manufacturing activity was relatively flat over the reporting period. Contacts continued to highlight expectations for lower demand in the second half of the year since consumers pulled forward purchases earlier this year to circumvent tariffs. A few manufacturers reported robust pipelines. Auto manufacturers in the District noted solid demand. Plans for investment and for reconfigured supply chains were put on hold until manufacturers had further clarity on trade policy. Some food producers noted concerns around the cost of compliance and the resulting impacts to final prices as they implement new FDA regulations on food coloring and additives. The Atlanta Fed's June Business Inflation Expectations (BIE) Manufacturing Sector Report reflected higher sales levels and profit margins relative to the April BIE report.

## **Banking and Finance**

Overall loan growth was flat as business investment stalled amid economic uncertainty and as banks tightened standards for both commercial and consumer lending. Deposit levels remained steady, leaving loan-to-deposit ratios unchanged. Bankers described increased household financial stress and rising credit card usage among customers. Delinquencies continued to tick up but remained at relatively low levels. Slowing demand raised institutions' concerns about some businesses' cash flow expectations and their ability to service debt.

## **Energy**

Energy activity grew at a moderate pace. Contacts continued to report healthy global oil and gas demand. Liquefied natural gas production and exports remained robust. While demand for petrochemical products was strong, a contact described chemical production as overbuilt, creating some softness in the sector. Renewable energy contacts noted heightened uncertainty surrounding government incentives that slowed investment and caused projects to be delayed or cancelled. Rising geopolitical risk was often mentioned by industry leaders, though some described growing confidence in global efforts to avoid escalation.

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 increased slightly over the reporting period, while contacts expected a slight decline in activity over the next year. Employment increased modestly; consumer spending, business spending, and construction and real estate activity were flat; manufacturing declined slightly; and nonbusiness contacts saw no change in activity. Prices rose moderately, wages rose modestly, and financial conditions loosened slightly. Prospects for 2025 farm income were unchanged.

## Labor Markets

Employment rose modestly over the reporting period, and contacts expected a similar pace of growth over the next 12 months. Some manufacturing contacts continued to report difficulty finding skilled workers, and contacts from staffing agencies noted a slight increase in demand for their services from manufacturers. However, several other manufacturers indicated that they were hiring only for replacement, some had cancelled plans to add staff due to low demand, and a few had instituted layoffs. And many contacts said hiring conditions were stable or easing, with one noting that improved labor availability was allowing them to extend operating hours. Wages and benefits costs were up modestly overall.

## Prices

Prices rose moderately in late May and June, and contacts expected a similar pace of growth over the next 12 months. Nonlabor input costs were up moderately, with contacts highlighting higher costs for raw materials. Several manufacturers cited increases in costs of materials due to tariffs, including for steel, aluminum, tungsten, and magnets. Overall, producer prices increased moderately while consumer prices rose modestly. One retail industry analyst said that they expected tariffs to be felt broadly at the consumer level in late July and early August although they were not yet materially impacting retail prices.

## Consumer Spending

Consumer spending was flat on balance over the reporting period. Nonauto spending increased slightly. Some categories where there was a significant pull-forward of spending ahead of higher tariffs saw sales decline, and others, like appliances and computers, saw slower growth. There were robust overall sales gains at discount stores and warehouse clubs, while spending on apparel and footwear softened noticeably. Leisure and hospitality spending was little changed: while restaurant sales increased slightly, spending on air travel and at hotels decreased slightly. Sales of new light vehicles fell noticeably. Dealers noted that the recent shortfall in sales roughly offset the gains in early spring when customers sought to buy ahead of tariffs.

## Business Spending

Business spending was unchanged in late May and June. Capital expenditures were flat, and expectations were for little change in spending over the coming year. Several contacts said that they had paused capital spending due to economic uncertainty. Demand for truck transportation decreased modestly and freight rates declined slightly. Retail inventories were at comfortable levels. Despite earlier concerns about the potential for supply chain overload due to a surge in orders after the 90-day pause on tariff increases was announced, retailers reported relatively few issues with importing goods. New and used vehicle inventories decreased noticeably due to the sales spike ahead of higher tariffs and the recent decline in production; the lower stocks contributed to upward pressure on prices. Manufacturing inventories were slightly elevated. One contact at an economic development agency noted that inquiries for space in the Foreign Trade Zone they manage had risen dramatically.

## Construction and Real Estate

Construction and real estate activity was unchanged over the reporting period. Residential construction declined slightly. One contact in the Des Moines area noted that single family starts were down significantly, while construction of townhomes and multifamily units aimed at the rental market was up. Residential real estate activity decreased slightly. Growth was concentrated in the luxury segment where showings and sales were up compared with year-ago levels. Overall, prices rose slightly and rents increased modestly. Nonresidential construction increased slightly. Commercial real estate demand was unchanged as were prices, rents, and vacancy rates. Lower occupancy rates in the industrial and multifamily sectors were counterbalanced by higher occupancy rates in the office and retail sectors.



## Manufacturing

Manufacturing demand decreased slightly overall in late May and June. Orders for chemicals and plastics declined a bit. Steel production increased slightly. Fabricated metals demand edged up, in part because of stronger sales to the defense and residential construction industries. Machinery sales increased modestly, with growth in demand from the oil and gas industry more than offsetting lower demand from the automotive sector. Light vehicle production decreased, with some auto manufacturers reporting supply chain disruptions for heavy rare earth elements. Heavy truck production declined slightly.

## Banking and Finance

Financial conditions loosened slightly in late May and June. Bond and equity values rose moderately while volatility fell slightly. Business loan demand was up slightly from the prior reporting period, though several contacts noted that demand continued to be at a weak level due to uncertainty. M&A volumes and valuations were lower than last reporting period. Business loan quality decreased slightly, with one contact noting deterioration in the small business space. Business loan rates edged down, and terms tightened slightly. Demand for consumer loans remained flat, though one contact noted a decrease in demand for auto and home insurance. Consumer loan quality, rates, and terms remained flat.

## Agriculture

Expectations for 2025 farm income were little changed over the reporting period, with an improved outlook for livestock operations offsetting worse prospects for crop operations. Corn and soybean crops got off to good starts in most of the District, although progress lagged in much of the southern part of the District due to late planting. Costs for agricultural services, such as spraying, were higher, and as a result, contacts expected to use less fertilizer and pesticides during the growing season. Contacts noted that even though trade uncertainty had eased, they continued to be concerned about the potential for losing some export opportunities. Corn and soybean prices fell over the reporting period. Hog, cattle, and milk prices increased, while egg prices decreased again.

## Community Conditions

Community, nonprofit, and other nonbusiness contacts reported no change in economic activity over the reporting period, reflecting a “pencils down” response to ongoing tariff and budget negotiations. State government contacts saw declines in income tax withholding and sales tax revenue. Contacts working with small businesses reported hesitancy around investment decisions amid efforts to cut costs to preserve margins. Leaders of nonprofit and social service organizations

said they were confused about how to navigate changes to federal funding, in particular for programs related to food, housing, and small business. Organizations serving low-income communities noted that prices of daily necessities had stabilized, while food pantry contacts continued to report unprecedented levels of demand.

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. Consumer spending reports were mixed. Residential real estate activity has slightly increased. Bankers across the District reported improved earnings performance in the second quarter due to lower funding costs. Employment levels were generally unchanged, and wage growth has been modest. Prices continued to increase moderately, and most contacts continued to expect higher nonlabor costs in the coming months as a result of tariffs. The outlook among contacts remains highly uncertain and slightly pessimistic.

## Labor Markets

Employment has remained unchanged since our previous report. Most contacts reported no change to employment levels, and many were adopting a cautious wait-and-see approach to their hiring. A retail staffing firm reported there was a “high bar” for hiring additional workers through the end of the year. An agribusiness contact reported that they had not backfilled a couple of positions and had no plans to do so. A printing company reported hiring one fewer person than originally planned due to slower demand. On the other hand, a real estate business reported that they were expanding and hiring to fill a variety of positions. A manufacturer reported they were hiring to start a third shift; however, they have been unable to fill the open positions. Some contacts shared that they had lost their immigrant workforce due to fears of incarceration and deportation and it was restraining business activity. For example, a construction company reported that the lack of workers was slowing project completion, and a landscaping company reported that they were unable to fulfill more than half of their customer requests.

Wage growth has been modest. Fewer contacts reported wage pressures than in our previous reports. Contacts that did report wage pressures primarily cited the need to meet higher costs of living and to provide selective wage increases to retain talent. A manufacturing firm reported their recent merit pay increase was 3.75 percent.

## Prices

Prices have increased moderately since our previous report. Some contacts reported absorbing higher costs, but many contacts reported passing along these costs to customers. A bourbon producer reported that they were absorbing higher costs, and an auto dealer reported that, for the time being, the manufacturer was absorbing tariff-related costs. A packaging company reported facing a pigment surcharge of 10 percent to 15 percent in anticipation of tariffs and that they were not passing it along to customers due to competition with larger manufacturers. On the contrary, a construction company reported that HVAC equipment and utility billing had increased and that those costs had to be passed along. Consumer packaged goods companies reported increasing prices, which will raise costs for grocery stores over the next 90 days. A wellness center reported that service providers had responded to higher costs by offering more add-on services. A manufacturing company in Memphis reported they had raised prices significantly to offset the tariff cost on steel and aluminum as well as tariffs on imports from China.

## Consumer Spending

Consumer spending reports were mixed. A museum contact reported that they were seeing a decrease in attendance and lower sales at their gift shop. This trend began at the start of the year; at first they had attributed it to the poor weather, but now they believe it reflects lower demand. An auto dealer in Missouri reported that their sales in June had been slow, but that increased construction activity nearby may have been behind the slowdown in customer traffic. However, they noted that sales in another location had also been slow. Boutique stores in Little Rock reported that hot days had been beneficial to their business: Sales were strong and customers were spending without the need for further promotions or discounts.

## Manufacturing

Manufacturing activity was mixed. A bourbon producer reported ongoing weak sales due to lower international demand. An engine manufacturer reported that, while recent sales had met expectations, they were down relative to one year ago. A car manufacturer reported that sales were strong and that the company was operating at full capacity. A packaging manufacturer in Kentucky reported that activity had rebounded in anticipation of the tariffs and that sales continued to be strong. A home appliances manufacturer reported that they had recently seen an increase in the demand for their middle-price-range products. The firm is also looking to shift more production to their domestic locations.

## Nonfinancial Services

Activity in the nonfinancial services sector has been mixed. A contact in a regional chamber of commerce reported seeing fewer businesses opening and more businesses closing, reducing their overall membership. A staffing company reported being very busy. A bankruptcy attorney serving middle-sized to large firms reported that they were receiving more work than they could handle. A wellness company reported that some clients, especially corporations, had reduced their spending or canceled contracts altogether due to budget constraints. Similarly, nonprofit contacts reported they are also pulling back on hiring and marketing as donations and participation have declined. A nonprofit in Arkansas reported that their recent fundraiser was the worst ever, despite it being typically their largest source of donations.

## Real Estate and Construction

Residential real estate activity has slightly increased since our previous report. Active listings and sales in St. Louis and Louisville have increased relative to a year ago. A residential real estate firm in St. Louis reported that June sales were ahead of pace due to several successful new partnerships and growth in business from people who need to sell their homes quickly.

Contacts reported that, while commercial real estate projects continued to progress, there was no new business taking place. An office renovation company reported that projects had fallen short of expectations, as businesses were not spending. A developer reported concerns that some projects requiring refinancing would not be profitable at higher rates, which could result in foreclosures.

## Banking and Finance

Banking activity has remained unchanged since our previous report. While credit conditions remain strong, loan growth has been modest, with banks noting a decrease in loan demand. A community banker in Mississippi reported that financing conditions had tightened, with higher interest rates reducing both demand for loans and the capacity to repay loans. Another District banker reported that they were adopting more conservative underwriting standards, particularly for agriculture and small business loans. A Missouri banker reported that their portfolio remained strong, yet they were seeing some signs of stress, including rising delinquencies in consumer and auto loans and some cracks in commercial real estate. Overall, bankers across the District reported that earnings improved in the second quarter due to lower funding costs from balance sheet restructuring and some loans in their portfolio being repriced at higher rates.

## **Agriculture and Natural Resources**

Agriculture conditions have remained strained. Contacts shared that sales in June were down and that forecasts for the rest of the year were weak. Farmers in Arkansas were concerned that poor crop conditions would limit yields, making it more difficult to generate a profit with low commodity prices. Some farmers reported reducing fertilizer usage due to tight budgets and others are still trying to find additional financing to make it to harvest. An accountant reported reducing billing rates for all their farmers this season due to concerns about their financial stability.

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



# Federal Reserve Bank of Minneapolis

## Summary of Economic Activity

Ninth District economic activity was flat since the previous report. Employment rose slightly and wages grew moderately. Prices increased modestly overall, with greater pressure among manufacturers. Tourism activity increased and residential real estate was mixed. Manufacturing, vehicle sales, and commercial real estate were flat. Nonauto consumer spending, construction, and energy activity decreased. Agricultural conditions remained flat at weak levels. Activity among minority- and women-owned business enterprises was mixed.

## Labor Markets

Employment rose slightly since the last report. Surveys found that hiring sentiment remained positive and job openings grew. Contacts reported increases in hiring, particularly in tourism and hospitality, but mostly for part-time and hourly workers rather than salaried, full-time workers. Some firms were postponing hiring due to the uncertainty of tariffs, even if they were not directly affected. Staffing firms reported spotty activity across the District. One firm with multiple District offices experienced a healthy recent increase in clients and improvements in job orders; a Montana firm said job orders were down after a strong first quarter; a Wisconsin contact said demand had improved after a slow first quarter; and in North Dakota, professional and skilled job opportunities rose while unskilled and administrative jobs were down. Employers reported good labor availability, including among professional workers. However, most job seekers were already employed and searching for better opportunities.

Wage growth was moderate overall, with some signs of slowing. Recent surveys found that wage pressure was similar to earlier in the year. But staffing firms reported slowing wage growth; two noted that the only clients raising wages were those that currently offered uncompetitive compensation. Another staffing firm reported that year-over-year wage levels for light industrial jobs have declined for two consecutive months. A Minnesota contact said that retailers were finding employees “without having to raise wages to attract them.”

## Prices

Price increases were modest overall with a slower rate of increase than the last report, but price pressures were greater among manufacturing contacts. About a quarter of District firms increased the prices they charged to customers in June from a month earlier, according to a monthly survey, and about the same percentage anticipated increasing their prices in the month ahead. Slightly less than half of respondents reported increased input prices over the previous month. Manufacturers continued to report that suppliers added surcharges on orders in response to tariffs, particularly those on steel and aluminum. A construction materials supplier commented that “it seems that prices have gone up out of fear that prices will go up.” In contrast, a custom manufacturer reported that tariffs impacted only a small percentage of their inputs. Retail fuel prices were little changed in most District states since the last report, except for Montana, where prices increased slightly.

## Worker Experience

Most employed respondents to a recent survey remained satisfied with schedule flexibility and were less satisfied with career advancement opportunities. The top priorities for unemployed respondents as they looked for work were good pay and schedule flexibility. Most believed that gaining new skills or pursuing higher education would help their career prospects. A contact familiar with immigrant communities in Minnesota noted that undocumented immigrants continued to show up for work, but they were avoiding some shopping, traveling, and other leisure activities out of fear. Other workers were changing jobs as a strategy to minimize the risk of deportation.

## Consumer Spending

Consumer spending was slightly lower since the last report. Retailers in Minnesota and South Dakota noted foot traffic was flat-to-down and overall spending was lower. Middle- and high-income consumers were reportedly becoming more price conscious. A Montana salon owner reported that customers were extending time between haircuts and other services. A contact believed that stronger purchasing in advance of tariffs may be dampening recent spending. However, tourism contacts generally reported solid activity. A contact in northwestern Minnesota said that “consumer spending may be tightening a bit, but overall, tourism and local shopping remain active. . . . Stores and restaurants are busy.” A Wisconsin contact pointed out that local businesses were able to take advantage of good crowds “because their labor situations have improved.” However, sources also noted that international travel was down, especially from Canada. Hotel occupancy rates were lower in the Dakotas and Montana, and higher in Minnesota and Wisconsin. Recent car and truck sales were flat, and sales of recreational and powersport vehicles were lower than last year.



## Construction and Real Estate

Construction activity was modestly lower on balance, driven mostly by a decline in active residential projects and a slow replenishing of backlogs. Interest rates, material costs, and trade policy remained limiting factors among industry contacts. Permitting activity increased moderately across most District markets, and several contacts reported increased orders. Expectations for the upcoming weeks were mixed as customers held back investments on larger projects. “I do have work scheduled but nothing exciting until August,” shared a Minnesota contact, adding that their current workload consisted of maintenance and small jobs.

Commercial real estate was flat overall. High financing rates and economic uncertainty continued to dampen new development in most subsectors. Office vacancy rates remained high, but leasing activity has reportedly picked up as companies looked for better space to meet evolving needs. Residential real estate was mixed. Closed home sales in May in Minnesota were virtually unchanged compared with a year ago; elsewhere, the share of markets with increased sales were similar to those with decreased sales.

## Manufacturing

District manufacturing activity was flat on balance since the previous report. Manufacturing survey respondents reported a net decrease in orders in June from the month prior; the month-ahead outlook was also negative. In contrast, the index of regional manufacturing conditions indicated activity increased in Minnesota and North Dakota in June from the previous month, while activity in South Dakota contracted. A producer of fluid handling systems reported a slowdown in capital spending among their customers. A metal fabricator reported that current business volumes were stable but there “appears to be an ominous volume cliff ahead which is signaling a dramatic downturn.”

## Agriculture, Energy, and Natural Resources

District agricultural conditions remained weak overall, but crop progress was solid in much of the District. According to preliminary results from the most recent Ag Credit Survey, a strong majority of respondents reported that farm incomes decreased in the second quarter from a year earlier. The majority of corn and soybeans were in good or excellent condition, and most of the eastern portions of the District were free of significant drought. However, drier conditions prevailed further west, and wheat conditions were weaker. Oil and gas exploration activity and production decreased slightly since the previous report. An ethanol producer described demand as steady.

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

Activity among minority- and women-owned business enterprises (MWBE) was mixed, and most contacts expected declines in activity over the upcoming weeks. Nonlabor input costs continued to put pressure on profitability as business owners experienced a reduced ability to pass on costs to consumers. “Our costs will not change, but the cost of building materials [is] going up,” said a contact in the construction industry. Both employment and compensation edged lower among this group of businesses, with further declines expected in the short term.

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



## Federal Reserve Bank of Kansas City

### Summary of Economic Activity

Economic activity in the Tenth District was mostly unchanged, with some rebound in consumer spending and financial activity following declines in prior months. Job gains were subdued, and wage pressures were expected to diminish. Labor availability was reportedly much higher, with the notable exception of the skilled trades for which job openings far exceeded the number of workers for hire. Credit quality was mostly stable despite some deterioration noted in consumer segments and declines in repayment rates on agriculture loans tied to crop farming. Oil and gas activity declined as prices fell on net. However, volatility in oil prices in recent weeks prompted an increase in hedging activity, which contacts indicated will provide some support to profitability over the near term. Prices grew at a moderate pace, with reported expectations for acceleration in price growth during the second half of the year.

### Labor Markets

Employment levels grew slightly over the past month. Service contacts reported a modest increase in the number of employees, but it was somewhat offset by a small decline in headcounts at manufacturing firms. Wages grew at a moderate pace, in line with contacts' expectations. Businesses indicated mid-year wage adjustments were negligible, if not being "off the table," consistent with softer wage pressures going forward. Most contacts reported more applications for a dwindling number of open positions, though labor availability was reportedly more limited in leisure and hospitality and particularly scarce among the skilled trades.

### Prices

Prices continued to grow moderately over the last month. Manufacturers and service providers both experienced profit margin compression with input prices increasing more than retail prices. However, some firms reported they are planning broad-based price increases across product lines to maintain profitability. For example, the costs of sourcing used car inventory rose, which contacts indicated will lead to persistent auto price pressures. Expectations of price growth remained elevated in most other consumer-oriented sectors as well.

## Consumer Spending

Consumer spending rebounded slightly over the last month, but contacts reported the recovery in spending did not return demand to levels experienced during the first quarter of the year. Travel spending led much of the recovery. Still hotels, national parks, and restaurants all reported customers are spending less and staying shorter amounts of time than is typical. Home repair and remodeling activity picked up, which homeowners were reportedly more likely to finance through home equity lines of credit. Expectations for consumer spending over the next six months worsened in recent weeks.

## Community Conditions

Nearly all community college and certificate program contacts reported strong job placement, with many programs—such as building trades, diesel tech, welding, and aircraft maintenance—continuing to have more jobs available than there were graduates. These educational programs also reported higher demand on their food pantries, mental health services, and assistance for transportation, housing and utilities among students. While most community education contacts reported growth in local tax revenue and tuition dollars, several were starting to plan for challenges from proposed federal and state funding changes, particularly around Pell grants.

## Manufacturing and Other Business Activity

The level of business activity was mostly unchanged over the past month, with small contractions in manufacturing activity being offset by a small rebound in activity at professional and consumer services firms. More businesses reported their customers showed heightened price sensitivity associated with increases in materials and input costs resulting from tariffs. The number of cancelled orders rose significantly as customers balked at price increases. However, the backlog of orders was previously elevated at many businesses, so that the pickup in cancellations of orders brought those backlogs back down toward typical levels. Mergers and acquisition activity reportedly began to thaw, but many of the deals that had been frozen previously were completed at significant discounts. The notable exception was companies selling AI-related technologies, which were acquired for prices at significant multiples of their revenues, whether at the startup phase or more mature in their development. Regarding risks to their outlooks, the majority of contacts indicated they were “very concerned” about domestic demand and that access to credit and the level of borrowing rates were “not a significant concern,” with only a few businesses indicating there were “very concerned” about financial constraints.

## Real Estate and Construction

Over the past eight weeks, there has been little to no change in vacancies or absorption rates among commercial real estate (CRE) properties within the District, while sales volumes and prices increased modestly. Activity in the industrial segment has been driven by sustained demand for mid- to large-scale development. The key theme among contacts' reports remains uncertainty, which delayed projects despite available capital. As one firm noted, "at some point they will punch through the uncertainty because of pent-up demand." In the office market, expectations centered on continued remodeling of existing spaces with demand concentrated on higher quality assets.

## Community and Regional Banking

District banks noted a slight uptick in overall loan demand, with the primary driver being a modest increase in demand for commercial real estate and agricultural loans. Underwriting standards were unchanged following the modest tightening observed earlier in the year. Although loan quality has remained stable for most District banks, several respondents noted some deterioration over the last year, with continued expectations that loan quality will deteriorate somewhat over the next six months. For those respondents that have experienced or are anticipating some deterioration, the primary concern is related to consumer lending. Respondents noted provisions to the Allowance for Credit Losses (i.e., ACL) have been stable or increasing moderately through the first half of the year, with a combination of credit quality deterioration, loan growth, and economic forecasts being the driving factors for the increase. Deposit levels remained relatively stable.

## Energy

Tenth District oil and gas activity declined moderately. The number of active rigs in the District fell as oil and natural gas prices fluctuated in recent weeks on their way down to lower prices levels compared to earlier in the year. On net, oil prices have fallen to near Tenth District firms' reported breakeven price. Profits also decreased due to falling revenues combined with increased drilling and completion costs. However, the recent fluctuations in oil prices associated with geopolitical events reportedly led to an increase in hedging activity at prices that will support profitability throughout the remainder of the year. Contacts anticipate natural gas prices will reach their breakeven price within the year, but do not expect oil or gas prices to support a substantial increase in drilling in the foreseeable future.

## Agriculture

The Tenth District farm economy remained subdued and agricultural credit conditions deteriorated slightly. Prices of major row crops remained low and kept profit opportunities narrow for most producers. Farm loan repayment challenges across the District increased slightly compared with the

previous year, with weakening in repayment more pronounced in areas most heavily concentrated in crop production. In other areas, strong cattle prices continued to provide some support to farm finances. A lender in Kansas noted that strength in the cattle market was supporting diversified farming operations and keeping them afloat. Looking ahead, weak crop profits remained a key issue cited by producers, as well as uncertainty surrounding the outlook for global trade and domestic demand and elevated concerns about financial conditions in the coming year.

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



# Federal Reserve Bank of Dallas

## Summary of Economic Activity

Economic activity in the Eleventh District economy was up slightly over the reporting period. Nonfinancial services activity grew modestly while manufacturing production held steady. Retail sales declined notably. Loan volumes expanded at a moderate pace. Oil well drilling and completions declined, but production remained flat. Housing market activity weakened. Employment levels were unchanged, and prices continued to increase modestly except for tariff-related increases in the manufacturing sector. Outlooks generally remained pessimistic and uncertainty elevated.

## Labor Markets

The employment level was unchanged over the reporting period. While overall manufacturing employment grew modestly, some petrochemical manufacturers planned layoffs through the end of the year. In contrast, energy contacts noted reconsidering planned layoffs after the runup in oil prices as it is still difficult to find skilled oilfield workers. Some contacts reported layoffs due to federal government spending cuts, although others cited weak demand. Multiple contacts reported slow to no hiring at nonprofits with some mentions of job cuts. In addition, nonprofits noted their clients are facing increased difficulty finding employment. A few contacts that were still hiring reported that it had become easier to find qualified people. Wage growth was modest over the past six weeks and expectations for the year eased in June compared to three months ago.

## Prices

Prices continued to increase at a moderate pace, driven by a notable pickup in the manufacturing sector. Manufacturing raw materials prices and finished goods prices rose further in June after rising following the April tariff announcement. A few energy contacts reported higher input costs because of the steel tariffs. A transportation equipment manufacturer noted that even prices for domestic steel have increased as demand shifted from imported steel to domestically produced steel. Expectations for 12-month price growth eased slightly in June compared to March as reported in a Dallas Fed survey of businesses.

## Manufacturing

Manufacturing production was flat in June, and new orders continued to decline; however, capital expenditures grew moderately. There was slight growth in nondurable goods manufacturing excluding petrochemical manufacturing which experienced declines, and robust activity in machinery manufacturing. Some machinery manufacturers reported that they expect demand to increase further. Gulf Coast refineries noted little change in output. Manufacturing outlooks remained weak, and uncertainty increased. According to a Dallas Fed survey, the top outlook concerns for manufacturers are a potential recession, rising input costs, and mounting geopolitical uncertainty.

## Retail Sales

Retail sales declined notably again in June. Auto sales also declined after consumers had pulled up their purchases. An auto retailer reported that car manufacturers are decreasing incentives to offset tariffs, further alienating prospective buyers. According to a Dallas Fed Survey, 37 percent of retailers experienced supply-chain disruptions or delays in June, a notable increase from a year ago when 15 percent experienced the same. However, the problem is not as widespread as during the pandemic. Retail outlooks remained negative amidst elevated uncertainty.

## Nonfinancial Services

Activity in nonfinancial services grew modestly during the reporting period. Growth was driven by a rebound in the information and other services sectors. Meanwhile, transportation services activity deteriorated further. Airlines reported weak but stable demand for both leisure and business travel attributable to cuts to government spending and consumers taking a wait-and-see approach to booking summer travel. Transportation and warehousing contacts noted an excess in trucking and warehouse capacity due to a pullback in demand. Staffing services firms spoke of a slight increase in demand after it bottomed out in May. In a Dallas Fed survey of business executives, the top three outlook concerns were a potential recession and high geopolitical and domestic policy uncertainty. Outlooks remained pessimistic.

## Construction and Real Estate

Housing market activity weakened during the reporting period. Foot traffic and sales continued to fall, and inventories were rising quickly. With softer demand, builders are increasingly relying on marketing and incentives, including discounting, to close deals. Lot supply is rising and starts have slowed. Outlooks were pessimistic amid weak demand and elevated economic uncertainty.



Commercial real estate activity largely remained steady during the reporting period. Apartment leasing was solid, but rent growth continued to be subdued due to the elevated supply of new units. Office leasing picked up modestly, and contacts said there appear to be more signs of stability. Industrial activity softened slightly. New commercial construction activity was subdued, and outlooks remained cautious.

## **Financial Services**

Loan volume and demand accelerated in June after little-to-no-growth in the prior month. Strength was driven by commercial lending, while volumes continued to decline slightly for mortgages and consumer loans. Credit tightening continued, but loan pricing declined. Increases in loan non-performance were markedly more widespread than in the prior period. Bankers reported rising general business activity for the first time in two months, however, their outlooks remain mixed. Survey respondents expect an improvement in loan demand and business activity six months from now, but loan nonperformance is anticipated to increase.

## **Energy**

Activity in the oil and gas sector was slightly down over the past six weeks. Drilling and well completion activity continued on a slow decline, but production held steady. Contacts noted that while the runup in oil prices due to the Mideast war temporarily boosted revenues for some, it did not last long enough to change spending plans for the year. Contacts expect to cut capital spending in the second half of the year by more than initially planned, as oil prices will likely stay low on account of rising overseas production. Energy companies also reported elevated uncertainty. While outlooks for the energy industry are slightly pessimistic, oil production is projected to hold steady.

## **Agriculture**

Drought conditions continued to ease, and timely rainfall boosted crop conditions across the District. Crop production prospects are favorable so far, but prices remain unprofitable for most farmers. Cattle prices continued to set new records. Wholesale beef prices were also in record territory. Contacts attributed the price strength to lower beef production paired with robust consumer demand. Contacts noted concern in the agricultural community over continued tariff and geopolitical uncertainty. A survey of agricultural bankers found that changes and uncertainty in trade policy have led to a decline on net in the rate of loan repayments, loan demand, and net farm income, and they anticipate this downward trend to continue.

## Community Perspectives

Demand for social services remained elevated as nonprofits continue to adjust to actual and proposed federal spending cuts. Nonprofits are working on locating new private sources of funding to fill the gap. Some contacts reported that private dollars are also in short supply as competition for donations and economic uncertainty both increased. A Houston-area nonprofit had once expected donations from the oil and gas sector to rise because of changes in federal policy, but donations have decreased as the sector faces domestic and geopolitical uncertainty. A few contacts commented that clients are not seeking services out of fear of Immigration and Customs Enforcement raids. Some organizations noted utilizing artificial intelligence (AI) to improve efficiency and help cut costs. They noted various AI use cases such as performing human resources tasks, conducting research, analyzing data, taking notes, and proofing documents.

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



# Federal Reserve Bank of San Francisco

## Summary of Economic Activity

Economic activity in the Twelfth District was somewhat subdued but largely stable during the mid-May to June reporting period. Employment levels were slightly lower on net with more firms under a hiring freeze and using attrition and layoffs to reduce headcount. Wages continued to grow at a slight pace, and prices rose modestly. Retail sales expanded modestly, and activity in consumer and business services eased. Activity in manufacturing and the residential real estate market weakened somewhat. Conditions in agriculture, commercial real estate, and the financial sector were largely unchanged and deteriorated further in the nonprofit sector. Looking ahead, contacts reported making contingency plans in response to economic uncertainty and an expected pickup in inflation.

## Labor Markets

Employment levels were slightly lower on net over the reporting period. Employers across many industries and geographies reported instituting a hiring freeze and using attrition to reduce headcounts. Critical positions, however, were still being filled, and firms generally reported no problems hiring in recent weeks except for very specialized roles. A few contacts in the manufacturing and entertainment sectors reported layoffs due to lower demand. Nonetheless, employment growth in retail and food services remained solid, supported by summer seasonal factors. Contacts in the service and manufacturing sectors noted additional investment in automation and AI, reducing their demand for workers on net. Employee turnover continued to decline.

Wages continued to grow at a slight pace. Firms generally described demand and supply for labor being in better balance, increasing employers' bargaining power. Contacts in agriculture, food services, health care, and retail reported steady wages, while some financial services and transportation firms noted higher wages, especially for entry-level positions. A contact in agriculture highlighted that a new federal guideline on the wages of seasonal foreign workers might lower their labor costs going forward.

## Prices

Prices rose modestly, similar to the previous reporting period. Price increases were reported across a wide range of industries, including manufacturing, health care, real estate, and financial services. Insurance prices rose notably, and modest increases were reported in fresh food prices. Higher tariffs, particularly for companies using hardware components, intensified the pressure on their final prices, leading some manufacturers to include an explicit tariff surcharge. The cost of raw materials remained elevated, although prices for lumber and manufactured wood products were reportedly depressed. Contacts from the airline industry highlighted lower-than-expected summer airfares.

## Community Conditions

Conditions deteriorated further in the nonprofit sector. The cancellation of federal grants and a continued drop in charitable donations pushed several nonprofit organizations across the District to reduce staff levels and program offerings. Some reports highlighted the impact from recent enforcement of immigration policies on overall conditions in affected communities and small businesses that serve them. For example, contacts highlighted more cases of worker absenteeism and declines in foot traffic in both urban and farming communities. Demand for mental health services and housing assistance programs remained elevated across regions in the District. Food insecurity rose somewhat in rural and urban Mountain West communities.

## Retail Trade and Services

Sales of retail goods expanded modestly, a noticeable pickup relative to the previous reporting period. Demand for food, apparel, and footwear trended up, with promotions continuing to drive sales in some instances. Demand at home centers was stable despite generally subdued construction activity. Some retailers reported shrinking their inventories in anticipation of future price increases and lower customer demand for their products.

Activity in consumer and business services eased somewhat in recent weeks. Demand for business and leisure travel moderated further, and summer air travel volumes were lower than expected. Several contacts in tourism and hospitality noted a broad-based slowing of activity in the District, including the Las Vegas area, which had been expected to remain more robust through this summer. Demand for other services also ticked down, including those for restaurants and legal counsel. Conversely, activity in health-care services and medical testing was unchanged, and demand for custodial and security services picked up. Additionally, contacts in facilities support highlighted higher demand for sustainable options for food services and facility maintenance from their clients.

## Manufacturing

Activity in the manufacturing sector softened somewhat in recent weeks. Higher economic uncertainty led many businesses to defer capital spending and put projects on hold. As a result, demand weakened for many manufacturers' products, including furniture, machines, and wood products. Additionally, bad weather in parts of the United States put an additional strain on construction and lowered demand for manufactured wood. Conditions in metal production and packaging machinery were largely unchanged.

## Agriculture and Resource-Related Industries

Conditions were weak overall in agriculture and resource-related sectors but unchanged from the prior reporting period. While exports benefited from a weaker dollar, the overall demand from abroad for fresh produce and tree nuts was below typical levels. Domestic markets remained solid, but excess supply stemming from weak export markets pulled prices down and led some farmers to hold off on investing in new equipment. Demand for California wine was reportedly down domestically and abroad, resulting in lower selling prices, reduced seeding, and the removal of some existing vineyards. Several contacts highlighted continued issues with credit availability in agriculture, particularly for smaller growers in the Pacific Northwest and Mountain West.

## Real Estate and Construction

Residential real estate activity weakened slightly in recent weeks. While demand remained solid for single-family homes, sales were hampered by limited availability and high mortgage rates. Supply of multifamily housing across the District expanded further as more units were completed, pushing down rents in some markets. New construction activity was generally limited in most regions. However, large industrial and infrastructure projects in the Mountain West, such as the building of new data centers and chip fabrication plants, supported single-family home construction in specific areas within that region.

Commercial real estate markets remained weak and were generally unchanged from the prior reporting period. Demand for industrial, office, and retail spaces was muted, which brought down asking rents in some markets. Nevertheless, leasing of retail spaces in some urban areas in the Mountain West was generally stable. Commercial construction activity remained slow in the private sector as builders and clients adopted a wait-and-see approach regarding trade policy and its effects on overall economic conditions, including the availability of materials and construction costs. Construction activity for public sector projects such as transportation and utilities remained solid.

## Financial Institutions

Lending activity was subdued and largely unchanged. Demand for commercial and industrial loans was reportedly restrained by elevated longer-term interest rates. Demand for consumer loans, including mortgages, remained generally muted. Competition for deposits picked up lately throughout the District, with some contacts attributing this intensification to a recent episode of easing asset growth restrictions. Credit quality remained in line with historical averages and access to credit was high, although some credit unions reported a moderate uptick in consumer delinquencies. Availability of credit was particularly lower for businesses in the agriculture sector and more generally for small businesses overall relative to larger firms. Venture capital deal-making was reportedly strong for GenAI-focused companies.

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





[www.federalreserve.gov](http://www.federalreserve.gov)

0725