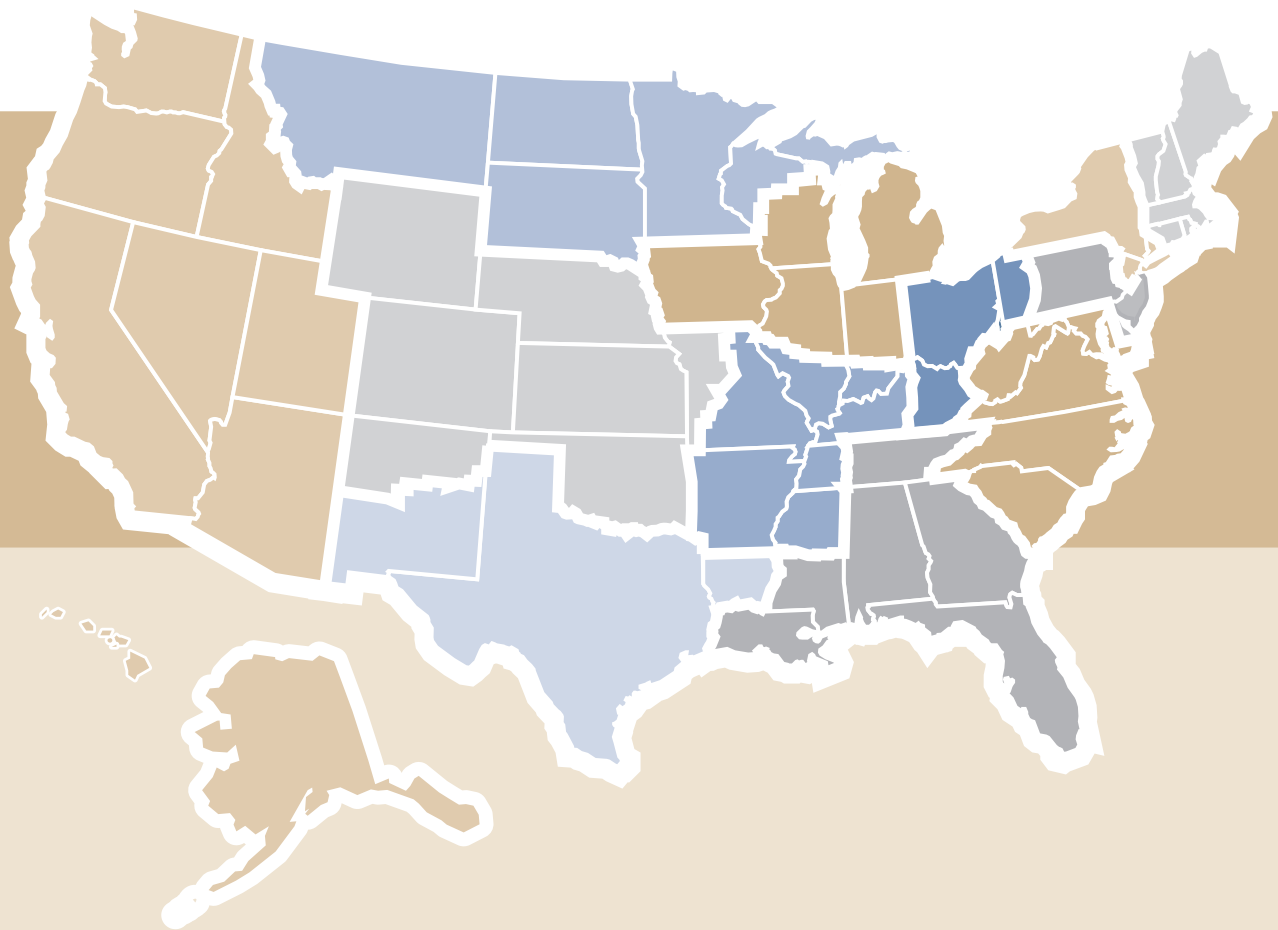




# The Beige Book

Summary of Commentary on  
Current Economic Conditions by  
Federal Reserve District

May 2025



FEDERAL RESERVE SYSTEM

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# About This Publication

## What is the Beige Book?

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

## What is the purpose of the Beige Book?

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

## How is the information collected?

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

## How is the information used?

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

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

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.

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# National Summary

## Overall Economic Activity

Reports across the twelve Federal Reserve Districts indicate that economic activity has declined slightly since the previous report. Half of the Districts reported slight to moderate declines in activity, three Districts reported no change, and three Districts reported slight growth. All Districts reported elevated levels of economic and policy uncertainty, which have led to hesitancy and a cautious approach to business and household decisions. Manufacturing activity declined slightly. Consumer spending reports were mixed, with most Districts reporting slight declines or no change; however, some Districts reported increases in spending on items expected to be affected by tariffs. Residential real estate sales were little changed, and most District reports on new home construction indicate flat or slowing construction activity. Reports on bank loan demand and capital spending plans were mixed. Activity at ports was robust, while reports on transportation and warehouse activity in other areas were mixed. On balance, the outlook remains slightly pessimistic and uncertain, unchanged relative to the previous report. However, a few District reports indicate the outlook has deteriorated while a few others indicate the outlook has improved.

## Labor Markets

Employment has been little changed since the previous report. Most Districts described employment as flat, three Districts reported slight-to-modest increases, and two Districts reported slight declines. Many Districts reported lower employee turnover rates and more applicants for open positions. Comments about uncertainty delaying hiring were widespread. All Districts described lower labor demand, citing declining hours worked and overtime, hiring pauses, and staff reduction plans. Some Districts reported layoffs in certain sectors, but these layoffs were not pervasive. Two Districts noted that, for many of their contacts, hiring plans had not changed since the start of the year. Wages continued to grow at a modest pace, although many Districts reported a general easing in wage pressures. A few Districts indicated that higher costs of living continued to put upward pressure on wages.

## Prices

Prices have increased at a moderate pace since the previous report. There were widespread reports of contacts expecting costs and prices to rise at a faster rate going forward. A few Districts described these expected cost increases as strong, significant, or substantial. All District reports indicated that higher tariff rates were putting upward pressure on costs and prices. However, contacts' responses to these higher costs varied, including increasing prices on affected items, increasing prices on all items, reducing profit margins, and adding temporary fees or surcharges. Contacts that plan to pass along tariff-related costs expect to do so within three months.

## Highlights by Federal Reserve District

### Boston

Economic activity decreased slightly overall. Consumer spending at retail stores and restaurants slowed modestly. Employers paused hiring because of heightened uncertainty, with employment declining slightly and wages increasing just barely. Prices increased only slightly, but larger price increases were expected for the summer. Contacts expressed mixed views concerning the outlook.

### New York

Economic activity in the Second District continued to decline modestly amid heightened uncertainty. Employment held steady, though demand for workers softened and wage growth slowed to a modest pace. Selling price increases remained moderate, but input prices grew strongly with tariff-induced cost increases. Capital spending plans declined, and the outlook was quite pessimistic.

### Philadelphia

Business activity declined modestly in the current Beige Book period, as it did in the last period. Employment declined slightly, despite an uptick in manufacturing sector jobs. Wages increased slightly, and firm price inflation was up moderately. Existing home sales grew slightly, and new home sales declined moderately. Expectations for future growth rose moderately for manufacturers and slightly for nonmanufacturers.

### Cleveland

District business activity continued to be flat in recent weeks, and contacts expected activity to remain flat in the months ahead. Retailers noted a pullback in consumer spending, and manufacturers reported softer orders. Many contacts attributed robust cost increases to tariffs and said that their selling prices increased moderately.

## **Richmond**

The regional economy continued to grow mildly in recent weeks. Consumer spending and nonfinancial services demand picked up slightly, financial services demand and real estate activity were little changed, and manufacturing activity contracted slightly. Port volumes increased strongly due to a surge in import activity. Employment rose slightly, wage growth was modest, and overall price growth remained moderate.

## **Atlanta**

The economy of the Sixth District grew slightly. Employment was steady, and wage pressure decreased. Prices increased moderately. Consumer spending was flat, and travel and tourism declined modestly. Home sales rose slightly. Transportation activity grew at a modest pace. Loan growth slowed. Manufacturing fell, but energy activity rose slowly.

## **Chicago**

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

## **St. Louis**

Economic activity has remained unchanged, but the outlook has slightly deteriorated. Employment levels were unchanged, and wage growth has been modest. Contacts expressed elevated uncertainty and concern that tariffs would result in further cost increases.

## **Minneapolis**

The District economy contracted slightly overall. Employment was flat and wages grew moderately. Some employers were preparing contingency plans for potential layoffs. Prices increased moderately overall; some contacts were adding or considering tariff surcharges. Manufacturing increased moderately and consumer spending fell. Agricultural conditions remained weak, but crop progress was solid.

## **Kansas City**

Overall activity declined moderately, driven by lower retail spending, a decline in the demand for single-family homes, and a slight contraction in manufacturing. Businesses indicated they were increasingly cautious about hiring plans and capital expenditures, but employment levels were steady.

## **Dallas**

Economic activity in the Eleventh District economy was little changed over the reporting period. Nonfinancial services activity held steady and growth in the manufacturing sector slowed. Loan volumes grew slightly, and the housing market remained subdued. Employment was flat and price pressures held steady except for the tariff-related increases seen in the manufacturing sector. Outlooks generally deteriorated, and tariff uncertainty was making it hard for businesses to plan for the future.

## **San Francisco**

Economic activity slowed slightly. Employment levels were generally stable. Wages rose slightly and prices increased modestly. Retail sales and consumer and business services demand eased. Conditions in manufacturing, agriculture, and real estate markets softened slightly. Activity in the financial services sector was stable.



# Federal Reserve Bank of Boston

## Summary of Economic Activity

Economic activity slowed slightly amid persistent uncertainty. Consumers appeared increasingly cautious, evidenced by modest declines in retail and restaurant sales and slight declines in home sales. Manufacturing sales increased by a very small margin, on average. Commercial real estate activity was flat overall, but office leasing expanded modestly in Boston and Providence. Uncertainty led to hiring delays, and employment declined a bit as a result. Prices rose only modestly, but nontrivial price increases were expected to hit consumer goods by summer. The outlook was mostly unchanged and was characterized by a mix of cautious optimism and blunt pessimism. The more optimistic contacts pointed to the possibility that resolution of uncertainty could unlock economic activity moving forward; the more pessimistic contacts, in contrast, emphasized the potential negative impacts on demand from tariffs and other federal policies.

## Labor Markets

Employment was down slightly, and wages edged up. Staffing services contacts said that employers across many industries delayed hiring because of uncertainty related to tariffs. Manufacturing contacts echoed that description, reporting that headcounts were down slightly amid cautious hiring. Regarding labor supply, government-sector layoffs brought new jobseekers to the market, while current employees in retail, restaurant, and other industries became less likely to quit or seek new jobs. Wages increased only slightly as a variety of firms delayed planned raises, again because of tariff-related uncertainty. Some manufacturing firms, especially those less exposed to tariffs, proceeded with moderate annual merit increases. Staffing firms said that starting compensation rates were mostly stable but noted that experienced pay rates decreased moderately for selected roles. Contacts agreed that economic uncertainty would probably continue to hold back labor demand going forward, but no major layoffs were planned.

## Prices

Prices rose only modestly in recent months, but a growing number of contacts planned to raise prices going forward. Manufacturers' prices increased moderately on average, driven by a partial pass-through of tariff-related cost increases. However, some manufacturers held prices fixed, either because they were not exposed to tariffs or because they stockpiled inventories of foreign

inputs in advance of tariffs. Retail prices were stable recently but were expected to rise substantially in the coming months. A clothing retailer, which typically tags items with prices months in advance, took the rare step to retag items with higher prices to cover the cost of tariffs, and those items will hit store shelves this summer. Restaurant menu prices were stable, but tariffs on imported foods could drive menu prices higher over the summer. Hotel prices in Boston increased modestly year-over-year. Staffing firms' billing rates were unchanged, although their insurance costs increased sharply. Pricing plans were mixed, as firms not exposed to tariffs planned to keep prices steady, while firms exposed to tariffs expected to raise prices by moderate or potentially large margins, depending on the eventual size of the tariffs.

## **Retail and Tourism**

First District restaurant sales and retail sales slowed modestly in recent months, while tourism activity was flat. A Massachusetts restaurant industry contact said that, following a very slow winter season, April's sales remained depressed relative to one year earlier, while May's sales so far came closer to last May's levels. A clothing retailer experienced flat sales overall in recent months. A discount retailer reported a modest decline in sales overall, driven by substantial declines at stores along the Canadian border. Airline passenger traffic through Boston increased modestly, with most of the growth coming from international travel. The hotel occupancy rate in greater Boston dropped slightly from a year earlier but remained strong compared with long-run averages. Restaurant contacts remained cautious about the outlook but gained some optimism based on recent activity. Retailers expected tariffs to continue to weigh on cross-border commerce from Canada and, eventually, to hurt domestic demand once pending price increases went into effect.

## **Manufacturing and Related Services**

Manufacturing sales were up slightly on average from the previous quarter, as most firms reported flat sales and only one experienced moderate growth. Firms said that demand for goods and services had slowed in recent months amid uncertainty over the impact of tariffs. Most firms boosted inventories of foreign inputs to get ahead of tariffs. Capital expenditures were largely unchanged; however, one firm considered making additional investments in the U.S. to mitigate the impact of tariffs. The outlook became more pessimistic on balance, as most firms expected sales to slow at least modestly in the coming quarters. The expected weakness stemmed mostly from tariff-related concerns, but a contact in the life sciences industry cited cuts to federal research funds as a downside risk, and a veterinary industry contact pointed to consumer weakness as their main obstacle to growth. Nonetheless, a manufacturer of domestic-made goods with limited exposure to tariffs maintained an optimistic outlook.

## Staffing Services

Contacts in the First District experienced somewhat weaker demand on balance. Outcomes were mixed, however, ranging from a moderate increase in demand from one year earlier, to an abrupt decline in revenues from the previous quarter. The composition of staffing demand also varied across firms, with one noting an increase in temporary hire demand and a decrease in direct hire roles, and another reporting the opposite pattern. Contacts noted that hiring activity was constrained by uncertainty surrounding tariffs. The outlook for staffing demand ranged from cautiously optimistic to somewhat pessimistic, in line with firms' respective recent experiences.

## Commercial Real Estate

Commercial real estate activity was flat on balance amid mixed reports. Office leasing picked up modestly in Boston and Providence, while in the Hartford area, industrial leasing slowed, and office leasing was stagnant. Policy uncertainty held back greater activity, causing many businesses to delay major decisions. Investment sales were mixed and about flat on average. Contacts noted that deals took longer to close, and one said that foreign investors grew generally skittish about investing in the United States. Construction activity slowed modestly, constrained by rising costs, but demand for multifamily construction remained high. A Providence contact noted a rise in office-to-residential conversions, but Boston-area contacts reported comparatively little such activity. The outlook was marked by elevated uncertainty, and changes in sentiment were mixed. Most contacts maintained a cautious outlook or became slightly more pessimistic; others, however, became more optimistic, in large part because increased return-to-office policies were expected to boost office leasing in the Boston area.

## Residential Real Estate

Across the First District, home sales dipped slightly in early spring (March or April, depending on the state) compared with one year earlier, marking the second consecutive report showing declining sales activity. The weakness was concentrated in single-family home sales, which slowed at least slightly in all reporting markets (Connecticut furnished no data) and tapered considerably in the Boston area. Condominium sales performed better than single-family sales, increasing moderately from one year earlier in most markets but finishing moderately lower in Massachusetts. Contacts attributed weak home sales to declining consumer confidence, stock market volatility, and buyer fatigue from limited inventories. However, contacts noted that inventories, while still tight, increased substantially from the previous year, an outcome they hoped would boost sales moving forward. Median sales prices increased only slightly from the previous year, a reflection of weaker demand and stronger inventories.

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 amid widespread uncertainty. Employment held steady, though the demand for workers softened and wage growth slowed to a modest pace. Selling price increases remained moderate, but input prices rose strongly with tariff-induced cost increases, especially for manufacturers. Manufacturing activity continued to decline modestly. On balance, consumer spending picked up modestly, with ongoing strong auto sales. Housing markets picked up, though inventory remained exceptionally tight. Capital spending plans declined, and the outlook was quite pessimistic.

## Labor Markets

On balance, employment in the region continued to hold steady. Firms in business services and manufacturing saw ongoing declining headcounts, while modest increases were observed among retail, information, and leisure and hospitality establishments.

Demand for workers softened, and in some industries the supply of workers exceeded demand. Contacts noted that attrition was exceptionally low, lessening the need to hire replacements. A software firm in upstate New York reported that despite holding headcount steady, they were substantially reducing employee hours. Some businesses said they were putting hiring on hold until economic uncertainty recedes. A community banker reported receiving large numbers of over-qualified applications for open positions. Some contacts in manufacturing and leisure and hospitality expressed concerns that immigration restrictions would make it difficult to hire the workers they need. Still, there were no mentions of major layoffs.

Wage growth slowed to a modest pace. Firms in the transportation, wholesale, and education and health industries reported a considerable easing in wage growth, while personal services and leisure and hospitality firms said that wage growth remained more substantial. Contacts noted that job switchers were no longer receiving outsized pay increases.

## Prices

The pace of selling price increases eased somewhat but remained moderate. However, input prices rose strongly amid rising tariffs, with the price of manufacturing inputs surging to the fastest pace in years. While some firms said they were absorbing tariff-induced cost increases, most reported that they were passing through some or all of such cost increases to their customers by raising prices. An upstate wood mill noted that their ability to raise prices to recoup higher costs was constrained by market forces, significantly reducing profit margins. A heavy construction equipment supplier said they raised prices on goods unaffected by tariffs to enjoy the extra margin before tariffs increased their costs. A number of businesses reported they were no longer stocking goods whose higher prices were becoming infeasible. A florist reported adjusting flower varieties based on rapidly changing costs by source country. Uncertainty about the tariff outlook continued to make it difficult for many firms to set prices. Businesses continued to expect substantial increases in input prices in the months ahead.

## Consumer Spending

On balance, consumer spending continued to rise modestly through much of the District. Auto dealers in upstate New York reported that inventories were depleted by ongoing strong sales as customers tried to get ahead of potential tariffs. Used car sales were mostly solid, though inventory availability was sometimes limiting. Restaurant traffic picked up around New York City, especially in Brooklyn. However, ongoing reductions in visits from Canadian tourists contributed to a decline in spending in the North Country as well as a decline in sales at an upstate brewery. An investment advisory firm said that clients had stopped buying services due to heightened uncertainty.

## Manufacturing and Distribution

Manufacturing activity continued to decline modestly, though new orders and shipments picked up slightly after declining during the last reporting period. A manufacturer of store displays noted that clients became flighty due to uncertainty and tariffs, leading to postponed and cancelled orders. A producer of retail cooking supplies said that they were ramping up production at their factories outside of China to avoid tariffs. Two manufacturers reported inquiries from clients looking to reshore manufacturing to avoid tariffs. Wholesale and distribution-related firms reported that activity was steady. A shipping contact indicated that there was a significant drop in imports, with some recovery during the later part of the reporting period. Delivery times were unchanged, and inventories increased slightly. Supply availability worsened and is expected to worsen further in the coming months. Manufacturers and wholesale firms planned to reduce capital spending in the months ahead.

## Services

Activity in the service sector continued to decline moderately. There were strong declines in the leisure and hospitality and information sectors, and more moderate declines in business and personal services. A regional hospital system noted that reductions in federal funding will disrupt their business. Service sector firms remained unusually pessimistic about the outlook, with plans to reduce capital investment in the months ahead.

Tourism activity in New York City held steady. During the busy college graduation season, hotel occupancy edged higher than last year, and room rates reached a historic high. While attendance was slightly weak at attractions, ticket sales at Broadway theatres remained solid. Still, tourism industry contacts anticipated a decline in international visitors in New York City in the coming year. Winery contacts in the Finger Lakes region of upstate New York reported a significant decline in visits due to fewer Canadian tourists.

## Real Estate and Construction

Housing markets picked up across the District as the spring selling season neared its peak, with rising demand amid exceptionally tight inventory. Bidding wars were prevalent in upstate New York and in the suburbs around New York City. Sales were up significantly in the Hamptons since last year, with the higher end of the market driven by cash sales from drawdowns of financial assets. Sales in New York City also increased, with record high prices in some neighborhoods. A housing market expert noted that economic uncertainty had become a more significant issue than high mortgage rates for potential buyers, and there were multiple accounts of buyers withdrawing from bidding and then re-entering later.

Rents in the District continued to rise, with New York City rents reaching historic highs. Rents continued to edge up in upstate New York and northern New Jersey. Rental supply was tight, with Manhattan and Brooklyn vacancy rates at long-time lows.

Commercial real estate markets improved slightly. Vacancy rates in Manhattan's office market continued to decline, and rents picked up in recent weeks following a decline in the previous period. A New York City commercial real estate contact noted that amid increasing demand, the supply of higher quality office space was becoming scarce. Leasing activity was strong. Northern New Jersey's industrial market leveled off after a period of weakness earlier in the year, although industrial vacancy rates remained elevated. Construction activity continued to decline.

## Banking and Finance

Activity in the broad finance sector continued to decline modestly. Small-to-medium-sized banks reported that loan demand weakened across the board. One New York banker noted that tariff uncertainty had put deal activity on hold. Credit standards continued to ease and loan interest spreads narrowed. Deposit rates continued to decline. Delinquency rates improved, most notably for commercial mortgages.

## Community Perspectives

Non-profits and other community-based organizations continued to face heightened financial pressures. Increasing distress due to federal government cuts to social programs have extended into healthcare, housing, and the arts and humanities. At the same time, non-profits and other community organizations have also faced higher costs of materials due to tariffs. While local governments have stepped in to provide support and relief payments to subcontracting organizations affected by delayed or cancelled federal funding, gaps remain.

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. Employment declined slightly despite an uptick in manufacturing jobs. Wage inflation continued to ease, with wages increasing slightly this period, down from a modest increase last period. Firm price inflation increased moderately, although contacts reported that tariffs have not yet affected prices in most sectors. Staffing and recruitment activity was mixed. Manufacturers reported strong demand for and supply of labor, while firms in the nonmanufacturing sector reported declining employment due to attrition and layoffs. Many staffing contacts reported increased hesitancy to hire among firms, citing economic uncertainty. Existing home sales ticked up slightly, and new home sales declined moderately. On balance, expectations for economic growth over the next six months were modest. The index of expectations rose moderately for manufacturers and slightly for non-manufacturers.

## Labor Markets

Employment again declined slightly this period. On average, nonmanufacturers reported moderate decreases in full-time employment in our April and May surveys. Nonmanufacturing firms also reported a slight decline in part-time jobs, down from a slight increase in March. Over the same period, manufacturing firms reported modest increases in employment and a slight decline in the average workweek. Meanwhile, the average workweek index for nonmanufacturers increased moderately.

Overall, a few contacts reported a general hesitancy to hire, given heightened economic uncertainty. One contact who specializes in recruiting for manufacturing sector jobs reported a strong uptick in hiring in May so far, after declines in the first quarter, owing to increased business confidence. Meanwhile, another contact with clients in the food industry reported significant declines in the number of jobs due to attrition and layoffs as supply chain issues weighed heavily on this industry.

Wage inflation continued to ease. Firms across industries reported wages grew slightly this period, down from modest increases in the last period. Most contacts reported less upward wage pres-

tures over the period, and one contact even reported decreased wages for entry-level unskilled jobs.

On a quarterly basis, expectations of the one-year-ahead change in compensation cost per worker for all firms rose to a trimmed mean of 3.7 percent in the second quarter of 2025, up from 3.3 percent one quarter earlier. Compensation expectations were mixed among firms. Manufacturers' expectations edged down from 3.7 percent to 3.5 percent, and nonmanufacturers' expectations climbed from 2.8 percent to 3.9 percent.

## Prices

Firm price inflation was moderate this period, up from a modest pace in March. Although contacts in the auto and construction industries reported that the effects of tariffs have not yet affected selling prices, they noted that these prices have still been rising.

One retailer reported paying higher prices for coffee that is imported from Canada. However, the contact's firm followed the lead of its competitors and did not pass on these price increases to its already price-sensitive consumers. This increased price sensitivity appears to be broadly based. Approximately half of the respondents to our monthly surveys reported that their customers have become more price sensitive.

Based on our quarterly survey, firms reported increases in prices received for their own goods and services over the past year in the second quarter of 2025 compared with the first quarter, after declines in the prior two quarters. The trimmed mean for reported price changes rose to 2.8 percent from 1.4 percent for all firms. Looking one year ahead, the increases that firms anticipate in the prices for their own goods also increased in the second quarter of 2025. The expected rate of growth increased from 3.1 percent to 3.5 percent for manufacturers and from 2.2 percent to 2.7 percent for nonmanufacturers.

When asked about anticipated changes to their industries' costs over the next six months and how they expect their competitors to respond, more than two-thirds of the surveyed firms anticipated increased costs and expected their competitors to increase prices in as little as two months.

## Manufacturing

On average, current manufacturing activity declined slightly this period, after recording a modest increase in March. The index for new orders fell moderately in April before increasing slightly in May. The shipments index declined moderately, remaining negative over the April to May period.

Expectations among manufacturers for growth over the next six months jumped sharply in May, after two months of low readings. More than two-thirds of the firms expect increases in new orders and in shipments over the next six months.

## **Trade and Services**

On balance, firms across a broad spectrum of nonmanufacturing industries reported a moderate decrease in activity. The sales/revenues index decreased modestly. The index for new orders declined moderately, essentially unchanged from March.

Retailers (nonauto) reported a slight decline in sales over the current period. One retailer stated that customers are overly burdened by higher prices and that in-store visits continue to be flat to slightly down despite the extensive use of promotions.

Auto dealers reported a slight decline in auto sales, after strong increases in the last period. Although tariffs have yet to affect auto prices, prices have still been trending up partly owing to lower inventories on hand.

Activity in the tourism sector rose slightly, unchanged from the last period. Leisure travel rose moderately despite minor dips in hotel bookings and air travel. Two contacts reported a slight increase in bookings along the Jersey Shore but noted slight declines in bookings in Cape May County, owing to less demand from the usual Canadian tourists who frequent this area. Business travel increased slightly despite some slowdown, which one contact attributed to lower government expenditures and heightened uncertainty among corporate clients.

Expectations among the nonmanufacturers for their own growth over the next six months recovered from a moderate decrease in March and April to a slight increase in May. Sentiment for activity in the region overall continued a moderate decline.

## **Real Estate and Construction**

Existing home sales increased slightly this period. The inventory of for-sale properties and the number of closed transactions ticked up in March and April, after a slow start to the year. One contact partly attributed this uptick to seasonal effects at the start of spring buying season. New-home builders reported moderate declines in sales, traffic to offices, and signed contracts.

In nonresidential markets, leasing activity and transaction volumes recorded slight growth. One contact noted an uptick in the logistics and warehousing area, led by smaller warehouses.

Nonresidential construction activity recorded slight declines, unchanged from last period. Contacts reported some activity in the eds and meds spaces and continued public infrastructure projects. One contact noted that some construction projects are being held up because of the inability to properly price material inputs due to uncertainty with tariffs. New construction in office spaces remains muted.

## **Credit Conditions**

The volume of bank lending (excluding credit cards) increased slightly during the period (not seasonally adjusted), after holding steady last period and increasing moderately one year ago.

District banks reported a slight decline in commercial real estate lending. Residential mortgages increased slightly, and volumes of home equity lines increased moderately. Consumer lending (other than auto and credit cards) declined slightly. Auto lending grew modestly, and commercial and industrial lending held steady. Credit card volumes increased slightly, up from modest declines during the same period one year ago.

Banking contacts reported an uptick in activity, good credit quality, and the ability to attract deposits. One contact reported that some clients have put credit facilities on pause and identified the minor uptick in delinquencies in residential mortgages as an area to monitor. Contacts in the nonprofit sector continue to develop contingency plans for alternative sources of funding to offset budget shortfalls due to funding requests taking longer or failing to be approved.

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 continued to suggest flat business activity in the Fourth District in recent weeks, and they expected activity to remain flat in the months ahead. Retailers noted a pullback in consumer spending, and manufacturers said that ongoing economic and trade policy uncertainty continued to dampen demand for their goods. Demand for professional and business services increased driven by higher demand for consultations amid the shifting regulatory environment. Overall, contacts reported slight increases in employment levels; however, mentions of staff reductions became more frequent. Wage pressures remained moderate but eased in a couple of sectors amid increased labor availability. Contacts' reports suggested that their nonlabor costs grew at a robust pace, a situation which they attributed to tariff impacts, and that their selling prices grew moderately.

## Labor Markets

Employment levels generally increased slightly in recent weeks, according to contact reports. Professional and business services firms were more likely to report staff increases, while those in manufacturing and freight were more likely to report staff reductions. Increased labor availability allowed some contacts across industries to more easily hire entry-level staff. Some contacts who cited decreased demand reported initiating staff reduction efforts through layoffs, not replacing staff, or cutting hours. On balance, contacts expected employment to increase slightly in the near term.

Contacts reported that wage pressures were moderate in recent weeks. Firms across industries continued to implement cost-of-living and merit-based wage increases for current employees. Professional and business services and banking contacts were more likely than contacts in other sectors to report offering wage increases, a situation which many attributed to sustained competition for skilled workers. Firms hiring for entry-level positions reported declining wage pressures amid increased labor availability. Some manufacturing and freight contacts noted that slowing sales led them to offer minimal pay increases.

## Prices

On balance, contacts indicated that nonlabor input costs rose at a robust pace in recent weeks, continuing an upward trend that began after a period of stability in 2024. Contacts from multiple sectors noted that tariffs were now increasing the costs of materials that they import. Some contacts also noted secondary impacts of tariff-related cost increases from domestic producers. For example, one manufacturer said that their US-based raw materials suppliers raised prices to factor in the overtime needed to meet increased domestic demand. Some food and hospitality contacts reported that many food costs remained elevated, but one restaurateur reported relief that egg costs had declined. Contacts generally expected costs to grow at a strong pace in the coming months.

Selling prices rose moderately on balance, and the share of firms reporting that they increased their prices was higher than in the previous reporting period. Contacts across industries, particularly those in manufacturing and construction, said that they raised prices to cover costs related to tariffs and to elevated prices of materials such as steel. Auto dealers generally mentioned raising prices of new and used vehicles, and one said that they were offering less discounting because of higher demand. Overall, professional and business services firms continued to increase their prices moderately; however, one law firm said that clients had started pushing back.

## Consumer Spending

In recent weeks, consumer spending was flat on balance. Many auto dealers reported an increase in purchases ahead of planned tariffs, and one dealership expected tariff-related sticker shock to hit customer demand starting in early June. Retailers reported a general pullback in consumer discretionary spending, although one retailer benefited from customers who traded down from larger discretionary purchases to more modest ones. Contacts had difficulty forecasting demand for the coming months because of uncertain impacts of trade policy but expected demand to see a modest slowdown on net during this period.

## Manufacturing

On balance, contact reports suggested that demand for manufactured goods stabilized at a low level after declining moderately in the prior reporting period. Several manufacturers continued to report flat or softer orders because of ongoing economic and trade policy uncertainty. Some producers also noted softer orders from international customers, and one contact added that their firm had moved production of international orders out of the United States to avoid retaliatory tariffs. By contrast, a small number of manufacturers reported higher orders from customers that were seeking domestic substitutions for imported products. Some of these customers were looking to avoid import tariffs or stabilize their input prices, while others were aiming to find

domestic substitutions for imported products that were being held at ports temporarily during trade negotiations. Contacts generally expected demand to increase modestly in the coming months.

## **Real Estate and Construction**

Reports from residential construction and real estate contacts suggested moderate growth in demand for homes in recent weeks. One real estate broker noted that prospective buyers had accepted current mortgage rates as the norm, making them less hesitant to move forward with purchases. On balance, residential construction and real estate contacts anticipated continued growth in demand in the coming months.

On the commercial construction side, contacts reported a slight decline in activity in recent weeks. Several builders and developers said that uncertainty around economic policy was causing businesses to be more cautious with their construction investment decisions. Contacts expected flat demand in the coming months, anticipating that economic and policy uncertainty will continue to weigh on activity.

## **Financial Services**

On balance, loan demand was flat in recent weeks. Several bankers reported that economic uncertainty surrounding trade policy caused some clients to pause or delay projects and purchases. Conversely, a couple of bankers reported that demand for auto loans increased as clients purchased vehicles ahead of planned tariffs to avoid potential price increases. Looking ahead, bankers expected loan demand to remain flat as economic uncertainty persists. While most bankers reported no change to their loan application standards, one banker mentioned that their institution began to consider tariff exposure as a criterion for credit approval.

## **Nonfinancial Services**

On balance, contacts reported robust demand for professional and business services in recent weeks, a situation which they expected to continue over the coming months. Firms' demand for legal and consulting services increased amid regulatory changes. By contrast, freight and transportation contacts reported a modest decline in demand in recent weeks and expected a robust decline over the coming months. Following the pre-tariff purchasing surge, a transportation contact noted fewer imports, and a logistics firm noted increased demand for storage capacity.

## Community Conditions

Community contacts reported that uncertainty surrounding federal funding, inflation, and tariffs caused disruptions in social service and economic development programs serving low- and moderate-income households. One contact observed that funding cuts led some organizations to pause hiring or provision of new services, and others noted a general reduction in essential wrap-around services. Another contact mentioned that funding cuts led to monies being pulled from major brownfield remediation projects, leaving site cleanups and the consolidation of police, fire, and 911 services partially complete. Uncertainty over the impacts of inflation and tariffs on building costs led to the stoppage of some housing developments, according to one organization.

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



# Federal Reserve Bank of Richmond

## Summary of Economic Activity

The Fifth District economy continued to expand at a mild rate in recent weeks. Consumer spending picked up slightly in recent weeks, but contacts were concerned that declining sentiment could mean slower activity in the near future. Nonfinancial services providers also saw a slight increase in demand this cycle. Meanwhile, demand for financial services remained steady and commercial and residential real estate activity was little changed. Port activity increased as import activity surged and was attributed to frontloading shipments to get ahead of tariffs. Export activity, on the other hand, contracted. Manufacturers also reported a slight contraction this cycle. Employment rose slightly, overall, amid modest wage growth. Year-over-year price growth remained moderate.

## Labor Markets

Employment in the Fifth District increased slightly in the most recent period. Contacts were mixed on hiring plans based on business expectations. For example, a Maryland construction company planned on increasing employment due to available work and a fast-casual restaurant decided to move ahead with adding locations, thus increasing employment. Conversely, a different fast-casual restaurant located in the DC-region paused all hiring due to local economic uncertainty. A Richmond-based business consultant planned on reducing headcount by twenty percent due to declining revenues and uncertainty about future business. Contacts continued to report modest wage increases and felt pressure to raise wages further due to expected increases in cost-of-living for their workers.

## Prices

Year-over-year price growth remained moderate, overall, despite rising input costs for many firms. According to our recent surveys, manufacturers reported a slight increase of annual price growth while non-manufacturers reported a slight decrease, with both sectors seeing prices grow in the 2.5 to 3.0 percent range, on average. Firms across both sectors reported input costs rising at faster rates, which many businesses attributed to tariffs on materials they import. Firms expected prices to increase at faster rates over the next six months.

## Manufacturing

Manufacturing activity in the Fifth District declined modestly in the most recent reporting period. Multiple contacts reported adjusting their operations due to increased uncertainty. A multinational machine manufacturer shut down a domestic product line that sold internationally due to tariffs on exports. A small food manufacturer laid off a full-time employee due to uncertainty about future input costs. A furniture manufacturer reduced the average work week to four days. A few firms mentioned being surprised by an uptick in new orders. A cabinet maker saw an increase in business due to clients going ahead with office projects to get ahead of tariffs and interest rate changes.

## Ports and Transportation

Overall cargo volumes in the Fifth District increased robustly since the last reporting period, with some ports seeing record import levels not seen since the Fall 2023 post-COVID surge. Contacts attributed the increase in imports to pre-tariff frontloading of goods from East Asian countries, with notable upticks in automobiles and auto parts. Export volumes decreased moderately, which was attributed to new tariffs imposed by other countries that shifted demand for U.S. agricultural products like timber, grain, and soybeans. Contacts reported that demand for bonded warehouse space has gone “through the roof” across the region as shippers look for space to hold cargo near ports and wait out changes in tariffs. After the initial tariff escalation, maritime bookings decreased by half with flattening freight rates and record blank vessel capacity space. Port contacts expected import volumes to slow down later this year due to the recent frontloading of shipments. Despite a surge in import volumes, trucking demand remained weak as those imports were largely being warehoused close to ports. One airport began expansion of warehousing space to accommodate the increased demand for cargo staging space.

## Retail, Travel, and Tourism

Consumer spending increased slightly in recent weeks. Most retailers reported steady to increasing sales, overall, but noted a decline in big ticket purchases. Several contacts mentioned that consumers continued to be price sensitive and were opting for lower priced alternatives. Similarly, hospitality contacts saw an overall increase in activity and shifts in consumer preferences towards budget hotels and quick service restaurants. At the same time, some luxury retailers, hotels, and experience providers reported strong sales. Despite recent increases in activity, many contacts expected sales to slow in the coming months and pointed to declining consumer sentiment, potentially higher prices, and heightened uncertainty as potential headwinds.

## Real Estate and Construction

Residential real estate activity flattened in recent weeks. Home inventory levels continued to increase while buyer traffic decreased slightly. Homebuilders in the district continued to echo their frustration with the expense that regulatory “red tape” adds to costs and the uncertainty that tariffs have on future prices for raw materials and home appliances. A Maryland builder stated they have started to see purchase agreement cancellations on new homes as many of their customers work directly or indirectly for the federal government. Buyers continue to qualify for loans across the district. A Virginia agent mentioned they have 60 to 70 people prequalified that are waiting to see if mortgage rates drop.

Commercial real estate flattened overall as companies hesitated to make new investments. Industrial space took the biggest hit as businesses tried to assess operating space, tariffs, or whether to continue their U.S. presence. A South Carolina agent said that “Industrial deals have dropped with pins in hand, companies freeze because they can’t figure out the rules of this tariff game.” Across the district, office space continued to see vacancy rates decrease as employees return to in person work. Upfits in office space are seeing a slight uptick with these returns. A Virginia agent mentioned government contractors have an impetus to upfit their space for security reasons.

## Banking and Finance

Financial institutions continued to report steady demand for most loan types, and modest increases in demand for commercial real estate loans. One respondent noted that borrowers did not see current market disruptions as permanent, so they were continuing to move forward, albeit cautiously. Consumer real estate loan demand increases were described as seasonal in nature but still at historically low levels. Home equity loan demand continued to be steady. Delinquency rates continued to see modest increases, but overall rates are still at traditionally low levels. Deposit levels continued to remain stable with an easing of competition between institutions.

## Nonfinancial Services

Nonfinancial service providers reported a slight increase in demand for their services, but they were unsure how long this demand would last. A marketing consulting firm noted that they have seen an increase in the number of inquiries they have received from job seekers, while those serving specialized industries such as mining were still finding it hard to fill positions. A number of consulting firms surveyed noted that they would either be reducing staff or at a minimum maintaining their current workforce until both their clients and they can gain more certainty with the overall economy.

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 Sixth District economy grew slightly from mid-April through May. Labor markets remained steady, but some firms cited caution around hiring. Wage pressures eased. Prices increased at a moderate pace. Firms that reported paying more for inputs because of tariffs also looked for ways to cut costs to help offset what they could not pass through to customers. Nonprofits reported that cuts to federal funding were constraining organizations' abilities to provide services. Consumer spending was flat, and travel and tourism activity declined modestly. Home sales grew slightly, attributed to stabilizing mortgage interest rates. Commercial real estate conditions were steady. Demand for transportation services increased modestly. Loan growth and deposits slowed at District financial institutions. The energy sector saw moderate growth.

## Labor Markets

Employment levels remained flat over the reporting period. Many firms held headcounts steady and expected relatively stable staffing levels in the coming months. However, some contacts reported caution around hiring given economic uncertainty, and some firms developed contingency plans, including workforce reductions through layoffs, in the event conditions do not improve. Most firms reported that labor was readily available, and turnover was down. Hospitals and healthcare providers continued to hire robustly. A few firms shared concerns about labor supply constraints resulting from tightening immigration policy, particularly in agriculture, construction, hospitality, and manufacturing; however, this did not appear to be restricting the current availability of labor in a significant way.

Firms reported less wage pressure amid decreased turnover and increased labor availability. Wage growth was generally lower than a year ago, and many firms held wages flat or delayed wage increases.

## Prices

Prices rose moderately since the previous report. Inflationary concerns related to trade policy were reported by firms across sectors, geographies, and firm sizes. More businesses began to raise prices, often through flexible measures such as tariff surcharges. While demand was reportedly

softening, some firms increased prices, sacrificing volume to cover added costs. Many contacts cited a multi-pronged approach to managing tariffs, including pushing costs back to suppliers, reconfiguring supply chains, absorbing costs in margins, and passing costs through to customers.

## **Community Perspectives**

A broad range of nonprofit and philanthropic contacts said that current and potential federal funding cuts threatened the ability of social service providers to meet community needs or continue operations, as other funding sources are generally insufficient to replace federal dollars. Contacts in the sector reported taking action to shore up their financial positions, including reductions in staff and building reserves.

## **Consumer Spending**

Consumer spending was little changed since the previous report. Some retailers noted a modest spike in durables sales, particularly big-ticket items such as autos, as consumers rushed to front run tariffs. Overall, however, retailers noted some evidence of softening consumer demand that is expected to dampen future sales. Some retailers noted they were still working through previously acquired inventories and thus had not raised prices. However, they believe that consumer price sensitivity will remain high and expect a drop in sales when tariff-related price increases are enacted.

Travel and tourism activity, including hotel bookings, declined modestly. Room rates were flat or rose slightly, and some hotels offered increased incentives such as an additional night free. Contacts reported a slowing of international travelers to the U.S., and while previously concentrated among Canadian visitors, the slowdown recently expanded to visitors from Asia and Europe. Domestic leisure travel was flat. Declining consumer confidence slowed leisure travel for lower income consumers but also caused more higher-income Americans to vacation in the U.S. instead of abroad. Business travel was down slightly as government agencies and contractors restricted travel. Group travel dipped in recent weeks but seemed to be recovering based on forward-looking bookings.

## **Construction and Real Estate**

Home sales increased slightly over the reporting period, boosted by the stabilization of mortgage rates. Home prices remained steady, though in some geographies, increased inventory created a drag on prices. Existing home inventory levels rose sharply in most areas of the District, but stronger demand over the past month absorbed much of that growth. Demand for new homes remained below seasonal norms, and homebuilders noted the need for increased incentives, par-

ticularly for first-time home buyers. Some builders reported pulling back on lot purchases in anticipation of further declines in demand.

Commercial real estate activity was stable, on balance. Vacancy rates in office space fell slightly and sales prices rose, but the strain on the sector continued, resulting in rising delinquencies. Industrial capacity continued to increase, driving up vacancies in a sector already experiencing elevated uncertainty due to tariff impacts. Multifamily conditions remained largely unchanged, but new developments slowed moderately, attributed to rising construction costs, even as small pockets of growth in demand and of rising rents emerged throughout the District.

## **Transportation**

Demand for transportation services rose modestly. Railroads reported healthy year-over-year increases in intermodal freight volumes and total traffic. Some logistics contacts indicated that warehouses remained relatively full as firms had pulled ahead inventories in the first quarter; however, volumes were described as dwindling. District ports continued to see robust container traffic. Some trucking firms noted that volumes were below normal seasonality over the reporting period. Contacts expressed concerns about a dearth of capacity over the short term in rail, warehousing, trucking, on ships and at ports, as a surge in imports is expected amid the pause on higher tariffs on Chinese goods.

## **Manufacturing**

Manufacturing activity declined moderately. Several firms noted a contraction in production, new orders, backlogs of work, and finished goods inventory following a robust first quarter during which consumers and firms tried to get ahead of tariff-related price increases. According to the Atlanta Fed's April Business Inflation Expectations Manufacturing Sector Report, firms reported that unit sales levels were significantly lower than normal. The manufacturing outlook for the next 12 months was mostly negative, and contacts who were concerned about a potential recession in the U.S. overwhelmingly listed trade policy as their top concern, along with inflation, consumer demand, geopolitical risks, interest rates, and the equity markets.

## **Banking and Finance**

Loan balances at District financial institutions decreased across all lending categories, with construction/land development and mortgages/home equity lines experiencing the largest declines. Community banks noted tighter standards for commercial lending, particularly in industries affected by tariffs. Both loan originations and deposits slowed moderately, leaving loan-to-deposit ratios unchanged. Delinquencies and loan loss allowances ticked up, but contacts reported continued strength in the credit quality of loan applicants and customers.

## Energy

Energy industry contacts reported moderate growth across most sectors. Liquefied natural gas production, exports, and overall global demand remained an area of strength. While domestic demand for U.S. crude oil was steady, global demand softened. Utility companies described robust residential power demand, modest growth in commercial, and some slowing in industrial. Although utility sector contacts reported growth opportunities linked to data center development, some noted a slight deceleration in activity, attributed to concerns over potential tariffs increasing the cost of power infrastructure and impeding investment. Offshore wind contacts reported a significant decline in demand, resulting in downsizing.

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, though contacts expected a slight decline in activity over the next year. Consumer spending and employment increased modestly; both business spending and construction and real estate activity were flat; manufacturing declined slightly; and nonbusiness contacts saw a slight decline in activity. Prices and wages rose modestly, and financial conditions loosened slightly. Prospects for 2025 farm income increased some.

## Labor Markets

Employment rose modestly over the reporting period, and contacts expected a similar pace of growth over the next 12 months. Some contacts in construction and manufacturing continued to face tight labor market conditions, with several indicating that they were having difficulty finding skilled workers and were using higher wages to attract new employees. Other contacts across industries noted either stable or easing hiring conditions. A staffing agency reported that many businesses had paused hiring due to economic uncertainty. Several contacts noted low attrition, and a furniture manufacturer reported attrition was at a record low. In addition, a restaurant owner indicated that job applications had increased, and a contact in heavy truck manufacturing noted that all OEMs had announced layoffs in the coming months. Wages and benefits costs were up modestly overall.

## Prices

Prices rose modestly since the last report, and contacts expected a faster pace of growth over the next 12 months. Producer prices increased modestly. Nonlabor input costs rose moderately, with reports of higher prices for equipment. Several manufacturers noted increased costs for raw materials including steel and electrical components like semiconductors. Consumer prices rose modestly overall. One retail industry analyst reported that price increases from higher tariffs were showing up in prices for some consumer goods like appliances and tools.

## Consumer Spending

Consumer spending increased modestly over the reporting period. Nonauto retail sales were up moderately. Contacts noted pull-forward spending for big ticket items such as computers, electronics, and appliances. Consumer staples, such as groceries, posted solid gains. Sales in the lawn and garden and landscaping categories were healthy. However, leisure and hospitality spending continued to be soft. A museum contact indicated that admissions were down, though spending by visitors was strong. Air travel declined, but hotel demand picked up. Light vehicle sales remained robust as consumers looked to get ahead of potential tariff actions. Vehicle parts and service activity strengthened slightly.

## Business Spending

Business spending was flat in April and early May. Capital expenditures increased slightly from a low level, and expectations for spending over the coming year were also up slightly. Demand for truck transportation declined. Retail contacts said inventories remained stable, though they expressed concern about receiving inventory in a timely fashion because there was a surge in orders for Chinese imports after tariffs were cut. Auto inventories declined slightly from elevated levels. One consultant for the heavy truck manufacturing industry noted record-high inventories. Manufacturing inventories were comfortable overall. Reports of materials shortages remained low, though some manufacturers had concerns about the potential for shortages of imported goods given rising tariffs.

## Construction and Real Estate

Construction and real estate activity was unchanged on balance over the reporting period. Residential construction was flat. Higher tariffs led builders to expect costs to increase significantly in the coming months for new home construction and remodeling projects. Residential real estate activity was also unchanged. Prices increased slightly and rents rose modestly. Nonresidential construction was up slightly, with contacts highlighting growth in demand for data centers and medical offices. Commercial real estate activity was unchanged, though demand for industrial space remained robust. Contacts noted that demand for retail space was increasingly dependent on location. Prices decreased slightly. Contacts said that the gap between buyer and seller property valuations was often significant; for instance, some hospitality property owners postponed selling because they couldn't find buyers willing to pay what they think the property is worth. Rents and vacancy rates were unchanged.

## Manufacturing

Manufacturing activity declined slightly over the reporting period. Demand for chemicals was unchanged overall, though one contact noted growing demand from the medical device industry. Steel orders increased despite softer demand from the heavy machinery industry. Demand for fabricated metals manufacturing was flat, with increases in demand from the aerospace industry offsetting decreases in demand from the automotive industry. Machinery sales fell modestly, led by continued declines in demand from the automotive industry. Auto production fell moderately. A contact in the heavy truck manufacturing industry noted that orders for medium- and heavy-duty trucks fell sharply.

## Banking and Finance

Financial conditions loosened slightly in April and early May. Bond values rose slightly and equity values increased sharply over the reporting period. Volatility fell significantly. Business loan demand was up slightly, with one contact noting greater demand for multifamily construction loans. Several contacts reported a further slowdown in acquisition financing. One banking contact noted an increase in credit utilization by businesses and attributed it to a pull-forward of inventory purchasing. Business loan quality decreased slightly, and one contact highlighted defaults on loans for office space. Business loan rates and terms were unchanged. In the consumer sector, loan demand, quality, and terms were flat. Consumer loan rates decreased slightly.

## Agriculture

Expectations for 2025 farm income increased slightly on balance over the reporting period despite ongoing uncertainty about agricultural trade. Income expectations rose for livestock operations but were flat for crop producers. That said, there were reports of large crop and hog operators scaling back or ceasing operations. Corn and soybean planting proceeded quickly in much of the District, though the southern portions faced excessive precipitation which could lead to fields needing to be planted after the window for optimal yield. Corn prices decreased while soybean prices increased. Hog, cattle, and dairy prices rose, and egg prices declined. Contacts reported concerns about the loss of access to agricultural financing for heavily leveraged operators or those unable to pay off 2024 loans. There were limited sales of new farm machinery given high prices.

## Community Conditions

Community, nonprofit, and other nonbusiness contacts reported a continued decline in economic activity and noted the ongoing negative impact of federal policy uncertainty on activities and planning. State government contacts saw increases in sales tax revenues but declines in payroll withholding. One contact said that while initial unemployment claims had increased in their state, the

length of unemployment spells had declined. Small business intermediaries reported that their clients were working to understand the impact of tariffs on their business and pricing models. Leaders of nonprofit and social service organizations noted increased competition for private and philanthropic dollars due to federal funding cuts and fewer federal funding opportunities. Organizations serving low-income communities reported concern about the impact of reduced federal support, in particular on the availability of childcare.

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



# Federal Reserve Bank of St. Louis

## Summary of Economic Activity

Economic activity has remained unchanged since our previous report. Employment levels were unchanged, and wage growth has been modest. Prices continued to increase moderately, and most contacts expecting higher nonlabor costs due to tariffs indicated they would pass the costs along to customers. Contacts expressed a high degree of uncertainty and concerns that tariffs would result in further cost increases. Heavy rains and storms have resulted in planting and construction delays and lower traffic to some recreational businesses. Tornados in St. Louis have resulted in casualties, power shortages for several days, and the destruction of many properties. The outlook remains slightly pessimistic, with signs of continued deterioration.

## Labor Markets

Employment has remained unchanged since our previous report. Most contacts indicated their staffing plans had not changed since the start of the year. A manufacturer in Indiana reported that, despite slower business, they were still hiring; however, hours worked decreased and overtime hours were no longer needed. Another manufacturer reported they were expecting employment levels to remain constant; however, they were reducing their temporary workers in favor of more full-time workers. A construction company reported that, while they were not planning any staffing cuts soon, they were making contingency plans in case business conditions worsened.

Wage growth has been modest, and most contacts have not expressed concerns about wage pressures. A contact from Arkansas reported that despite cost increases they would not be raising wages until the end of the year. A recreational business in Missouri reported that wages had increased due to increases in the minimum wage.

## Prices

Prices have increased moderately since our previous report; however, businesses expect costs to increase due to tariffs and are looking for ways to reduce the impact on their profits. Most contacts expecting nonlabor costs to increase next quarter reported that they would pass along the costs to customers within three months. A manufacturer reported they had modified their receipts to display a 7 percent increase in cost due to tariffs, but that this line could easily be removed if

tariffs were no longer in place. A hotel owner reported that vendors have warned of cost increases due to tariffs but have not yet published new prices. A professional services firm reported that they were facing cost increases; however, there was lower consumer acceptance of increased prices. A food manufacturer in Kentucky reported that their costs had increased due to avian flu, as eggs and chicken were components of their food mix.

## **Consumer Spending**

Consumer spending reports were mixed. Recreation and hospitality contacts reported, on net, a slight increase in activity. A restaurant owner in Louisville reported that they were expecting sales to continue to grow and were spending on capital improvements in their restaurants. Another restaurant owner in Kentucky noted that customers were coming to dinner, but they were skipping the appetizer and dessert. Retail sales have slightly declined, especially for discretionary items. Several retailers reported that sales have been below expectations, with customers being cautious with their spending. One retailer reported that food and consumable sales remain stable, while general merchandise sales have been weak, resulting in higher inventories of these items. Auto dealers reported no change in sales. A Missouri dealer reported that higher-end vehicle sales were significantly lower and buyers were paying cash for those vehicles instead of financing.

## **Manufacturing**

Manufacturing activity has slightly decreased since our previous report. Manufacturers across the District reported that new orders had slightly decreased. One contact reported this had led to an overstocking of inventories. Contacts also reported a decrease in production and capacity utilization. However, a midsize food manufacturer reported that, while 30 percent of their overall production is exported to China, they had not yet seen any changes in ordering behavior. Some manufacturers are creating plans to regionalize their supply chains—that is, to source and produce within a specific geographic area, rather than relying on a global network.

## **Nonfinancial Services**

Activity in the nonfinancial services sector has been mixed. Transportation and logistics contacts reported a slight increase in activity, particularly in international activity, while domestic activity has slowed slightly. A logistics contact from St. Louis reported that recent increased demand could be attributed to stockpiling to avoid higher tariffs in the future. Activity in the professional services sector has been mixed. An architecture business reported a slight weakening in their workload and a decrease in the demand for new projects. Similarly, another professional services contact in Memphis reported that their sales pipeline has diminished, which would negatively impact performance in the second half of the year. In contrast, an Arkansas firm reported their sales had exceeded expectations, as a major customer has placed several large orders.

## Real Estate and Construction

Residential real estate activity has remained unchanged since our previous report. Active listings have increased relative to a year ago, but sales continue to fall behind prior years. Contacts reported that low inventory levels, uncertainty, and interest rates were the main factors impacting sales.

Commercial real estate activity has been mixed. A contractor reported that customers were trying to complete their projects sooner out of fear of higher costs, while others reported that new projects were not starting due to uncertainty and high costs. Contacts in St. Louis and Louisville reported that weather conditions had delayed or slowed construction and that projects dependent on government funding were also paused, with developers uncertain whether they would continue receiving funding to complete the projects.

## Banking and Finance

Banking activity has remained unchanged since our previous report. Loan demand has slightly increased, but by less than was expected as of the previous quarter. A banker from Memphis reported that loan demand has been negatively affected by uncertainty, as it is very difficult to price goods and contracts. Bankers in Arkansas reported that they had seen an increase in commercial real estate and auto loan demand. Bankers across the District reported that, despite delinquency rates being relatively low, they expect consumer and commercial delinquencies to increase in upcoming months due to continued stress for consumers and expectations of a weaker economy.

## Agriculture and Natural Resources

Agriculture conditions have remained unchanged since our previous report. Wet soil conditions continue to delay planting in some areas. Despite these delays, overall acres planted remain consistent with prior years. Contacts noted that continued delays accessing fields will result in a shift in planting away from corn and toward soybeans. Contacts expressed uncertainty over the cost and availability of feed ingredients and chemicals sourced outside the U.S. Demand for credit remains elevated; however, obtaining loans at affordable rates remains a top concern. A cotton industry contact expects demand from retailers will weaken over the next few months.

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 decreased slightly since the previous report. Employment was flat and wages grew moderately. Prices increased moderately overall, with greater pressure on inputs. Activity increased in manufacturing, and vehicle sales were up slightly. Consumer spending fell modestly. Construction fell slightly, while residential real estate activity decreased modestly and commercial real estate was flat. Agricultural conditions were flat at weak levels. Activity among minority- and women-owned business enterprises was mostly unchanged.

## Labor Markets

Employment was flat since the last report. Surveys found that hiring sentiment and job openings rebounded modestly with warmer weather. However, employers said hiring was most often related to filling turnover; new openings for part-time and seasonal jobs also outpaced full-time positions. Hiring among construction firms—including for new, full-time positions—remained healthy despite reported softness in sectoral activity. However, a staffing firm with multiple District locations reported a 30 percent decline in job orders compared with the same period last year. A large majority of nonprofit contacts were either not hiring or hiring only to fill turnover due to revenue declines. Numerous employers noted increased uncertainty about future labor needs, and some were preparing contingency plans for potential layoffs. Employers widely reported that labor availability continued to improve. A Wisconsin contact reported very good attendance at a recent job fair, adding that “there were fewer [candidates] wearing pajamas.”

Wages grew moderately. Median wages across a large set of District businesses grew just over 3 percent year over year. Tourism and accommodations employers reported somewhat stronger wage increases, and nonprofits reported weaker wage increases. Multiple construction contacts noted recent union wage increases over 4 percent; but in response to slow construction activity, one remodeling firm reported that it was discounting general labor costs in exchange for booked projects.

## Prices

Prices increased moderately overall, at about the same rate of increase as the previous report, while input price pressures intensified. More than a third of District firms increased the prices they charged to customers in April from a month earlier, according to a monthly survey, while more than half reported increased input prices. In their month-ahead outlooks, more than half of firms surveyed anticipated increasing their prices. Some manufacturing contacts reported they were adding surcharges to offset steel and aluminum tariffs. One contact reported adding a surcharge line to invoices but not using it yet. Contacts in other sectors were not putting explicit tariff surcharges in place, but some were adjusting overall prices or planning to do so in the future. Retail fuel prices in District states were flat overall since the last report.

## Worker Experience

Results from a survey of workforce development specialists in Minnesota showed that on average it was taking longer for job seekers to be placed into jobs; nearly half said it was taking more than three months. A survey participant shared that job seekers were also encountering less remote work and schedule flexibility from employers. A contact in central Minnesota noted that hiring of immigrants and refugees has slowed. A labor contact in Montana shared that opportunities for public employees have declined, and the contact expected competition for available jobs to intensify.

## Consumer Spending

Consumer spending fell modestly. Retail contacts generally reported slower business of late. Several restaurants noted that activity was concentrated on weekends and less busy during the week; patrons were also spending less. Tourism and hospitality firms in Minnesota reported that recent customer traffic, revenue, and profits were all lower compared with a year ago. Some improvement was expected over the coming summer months, but overall sentiment was still slightly pessimistic. Contacts reported—and border-crossing data confirmed—that Canadian travelers to the District continued to decline. A tourism contact in northwestern Montana reported a 10 to 20 percent decline in Canadian visitors. Hotel occupancy and revenue per average room were lower across District states in April compared with a year ago. Vehicle sales were slightly higher overall, but new-vehicle sales fell slightly, according to a large dealership. Sales of recreational and powersport vehicles were lower.

## Construction and Real Estate

Construction activity edged slightly lower since the last report. In a recent survey, the share of respondents who reported decreases in activity was higher than those who reported increases. A

large share expected activity to decline or remain unchanged at low levels in upcoming months. Increased competition for projects, pervasive high costs, and labor constraints were anticipated to limit activity. For more than half of respondents, expectations turned pessimistic as uncertainty from tariffs crept up. “No one wants to spend money when the future is so uncertain,” shared a northern Minnesota firm, adding that price uncertainty was “pushing projects out of budget” and complicating bidding. Recent permits issued were flat for residential projects and higher for commercial projects with some variation across markets.

Commercial real estate was flat overall. Office vacancy rates remained high; leasing was reportedly picking up overall while larger tenants were downsizing their space needs. Industrial and retail vacancy rates remained low thanks to a dearth of new development, and multifamily vacancy was expected to improve as new construction starts have fallen significantly. Residential real estate was lower. Despite rising inventories in many markets, closed sales were widely lower in April compared with a year ago.

## **Manufacturing**

District manufacturing activity increased moderately since the previous report. Manufacturing survey respondents reported a net increase in orders in April from the month prior, but sentiment was notably mixed, as a large share saw their orders decrease. The month-ahead outlook for orders in May was also net positive. An index of regional manufacturing conditions indicated activity increased in Minnesota, North Dakota, and South Dakota in April from the previous month. Some contacts reported an increase in interest from customers in reshoring parts production. Other reports indicated that customers were canceling large orders while they wait to see if tariffs decrease to avoid paying a surcharge.

## **Agriculture Energy and Natural Resources**

District agricultural conditions remained weak overall, but planting season was going well. According to the most recent Ag Credit Survey, 80 percent of respondents reported that farm incomes decreased in the first quarter from a year earlier, as low commodity prices continued to weigh on farm operations. However, corn, soybean, and spring wheat planting progress and emergence in District states as of mid-May were well ahead of average. Persistent drought conditions were causing concern among contacts, particularly in the western portion of the District. Oil and gas exploration activity and production decreased slightly since the previous report.

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

Activity among minority- and women-owned business enterprises (MWBE) was mostly unchanged in recent weeks. A shrinking ability to pass higher costs on to consumers continued to put downward

pressure on profit margins. A Minnesota retailer observed that while consumer traffic was up, average spending was down. The downward trend in head count and job openings dipped further among MWBEs. A Wisconsin manufacturer shared that the number of applicants per job opening was higher than in recent years. In Minnesota, a professional services firm was seeing “great candidates [apply, but we] don’t have the cashflow to hire.” Instead, they were working to implement artificial intelligence to reduce staff and “gain efficiencies.”

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



# Federal Reserve Bank of Kansas City

## Summary of Economic Activity

Overall activity in the Tenth District declined moderately in recent weeks across several sectors of the regional economy. Consumer spending fell, particularly on retail and other discretionary items. Contacts indicated they expected consumer demand will further weaken in coming months but expressed high levels of uncertainty about the outlook for household spending. Businesses in both consumer and industrial sectors described a cautious approach to capital expenditures, looking only to pursue “no regret” investments that have shorter payback periods, are smaller in scale, and are less sensitive to policy developments. The near-term outlook for capital spending remained favorable but contacts expressed greater uncertainty about investment activity for the coming years. Businesses indicated they similarly took a cautious approach to staffing levels, making few changes to employment levels, albeit with reduced hours and a pullback from contractors. New home building activity slowed, and sales of existing homes fell. Lower demand from home buyers led to an increase in the housing inventory available for sale and slight reductions in home prices in several parts of the District.

## Labor Markets

Employment levels were unchanged across most sectors. However, employers reported reducing overtime hours and indicated plans to scale back employment of contractors and temporary workers. Businesses indicated they were taking a cautious approach to staffing levels that prioritized flexibility, suggesting that future changes to workforce size or hours will likely be incremental. A slim majority of contacts indicated their hiring plans have not changed since the beginning of the year, while about a third of firms across both services and manufacturing sectors indicated they have reduced their hiring plans. Wage growth was moderate, led by an acceleration of wages in consumer-oriented service sectors.

## Prices

Prices continued to grow at a moderate pace over the last month and business contacts reported a willingness to adjust their prices more frequently compared to last year. Ongoing shifts in trade policy led to businesses accelerating import activity to limit exposure to looming import levies, resulting in higher global transportation costs. Many U.S.-bound ocean shipping routes were tightly booked, causing surge pricing in spot markets for shipping. Moreover, some retail firms reported

they opted for the quicker and more flexible, but much more costly, option of air freight to avoid tariffs. Contacts noted they intend to pass these higher shipping costs onto consumers over the next year. Businesses generally anticipated higher input and output prices in the coming months.

## **Consumer Spending**

Spending declined significantly across several retail categories, including apparel, electronics, and furniture. Both foot traffic at retail locations and online retail sales softened in recent weeks. Consumers seemingly spent more time at home over the past month as modest declines in spending at restaurants and hotels were offset by moderate growth in spending on groceries and home maintenance. Several contacts indicated expectations for a reduction in consumer demand ahead, with lots of uncertainty about the size of the change in spending. The primary driver of the softening outlook for consumers was an expectation higher prices would tighten household budgets, and consumers would reign in spending to some extent, particularly on travel-related services and retail goods.

## **Community Conditions**

Most Community Development Financial Institutions (CDFIs) across the Tenth District reported their underwriting standards tightened modestly and that they were seeing more financial stress among clients. Credit scores and conditions of their clients were worsening, and more clients were coming in seeking debt consolidation. Payday and student loans were a rising concern with more borrowers showing derogatory marks on their credit reports. Native CDFIs highlighted concerns regarding CDFI recertification, which one contact estimated could result in a loss of 40 percent of Native CDFIs nationwide. Moreover, Native CDFIs expressed concerns about lending to organizations with revenues associated with government contracts.

## **Manufacturing and Other Business Activity**

Business activity was mixed amid volatile demand conditions, with manufacturing activity contracting slightly, and consumer retail and discretionary spending declining substantially. However, activity in wholesale service sectors rose at a robust rate, driven by sales of materials, industrial equipment, and health care supplies. The rise in wholesale activity was often attributed to businesses responding to shifting trade dynamics by building their inventories. Just under half of manufacturing firms reported increasing their inventory stock levels, though almost as many firms reported running down their inventory of parts and materials. Very few manufacturing firms indicated they did not adjust their inventory management strategy in recent months. A machinery producer noted that “tariff uncertainty has made long-term planning difficult,” prompting a shift toward shorter planning cycles and higher precautionary inventories. Services firms showed similar, though more modest, changes in inventories. Capital expenditures remained under pressure.

Nearly a third of manufacturing firms and a quarter of service firms reported they decreased capital spending plans. The outlook for capital spending over the next six months remained somewhat favorable, but contacts expressed greater uncertainty about investment activity for the coming years. As one contact put it, “right now we are working on triage, we’ll worry about diet and exercise later.”

## **Real Estate and Construction**

Single family home builders indicated activity slowed in recent months. Customer demand for newly built homes softened despite builders offering relatively strong incentives to offset high interest rates. Builders also faced greater competition for customers from the existing home market. Inventories of homes for sale rose substantially, prices declined slightly, and low household mobility in recent years generated some preference for move-in ready homes among the still-subdued number of households seeking to buy a home. Builders also felt pressure from robust increases in materials costs over the past month. The supply of construction labor was reportedly stable, but many builders indicated they were considering cuts to their workforce.

## **Community and Regional Banking**

Loan demand was mostly unchanged across lending categories, although bankers noted a slight increase in demand for commercial and industrial loans. Underwriting standards were unchanged following the modest tightening observed in prior months. Several respondents continued to anticipate overall loan quality will deteriorate somewhat over the next six months, primarily due to general economic uncertainty. Yet, loan quality remained relatively stable in recent weeks. Deposit levels were mostly unchanged, though some bankers noted slight changes from the prior month, which they attributed to competition for rates and tax payments.

## **Energy**

Electric power generation capacity in the Tenth District grew moderately in recent months, driven by a mix of new wind and solar investments. Several contacts in the power and renewables industries reported utilities and power producers are carrying forward many planned renewable energy investments decisions despite recent or anticipated policy changes. Still, contacts noted that rising equipment costs, supply chain uncertainty, and energy policy uncertainty are putting marginal projects on hold in the near term. Developers emphasized they are looking to advance only those “no regret” investments in smaller projects with swifter payback periods. Overall, contacts anticipated rising retail electricity prices in the coming years, driven by strong demand and constrained supply.

## Agriculture

Conditions in the Tenth District farm economy remained weak through early May. Corn, soybean, and wheat prices remained low and kept profit opportunities narrow for most producers. Winter wheat conditions in Colorado, Kansas, and Oklahoma were near historic averages, but the crop in Nebraska was particularly poor and raised concerns about reduced revenues in those areas. Soil conditions for corn and soybeans were ideal in most of the region, and planting was pacing near or ahead of typical trends in all District states. In the livestock sector, cattle prices increased over the past month and continued supporting profit opportunities for cow/calf producers. District contacts mentioned payments from the Emergency Commodity Assistance Program could bolster liquidity for many crop producers, but profitability for crops in the year ahead remained a key concern.

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 little changed over the reporting period. Nonfinancial services activity held steady and growth in the manufacturing sector slowed. Retail sales were mixed. Loan volumes grew slightly, energy activity eased, and the housing market remained subdued. Employment was flat and price pressures held steady except for the tariff-related increases seen in the manufacturing sector. Outlooks generally deteriorated, and tariff uncertainty was making it hard for businesses to plan for the future. Several contacts noted an erosion of consumer sentiment amid economic uncertainty.

## Labor Markets

Employment was fairly flat over the reporting period. Contacts noted that hiring was at a standstill, with many companies instituting a hiring freeze. A headhunting firm noted that multiple clients recently paused on making offers for senior managerial positions that they had committed to filling. Among energy contacts, headcounts were largely unchanged, but several noted that they were planning to reduce staffing in the months ahead as they rein in spending. Layoffs were noted in the retail sector. A few contacts voiced concern over changes to immigration policy and the impact on the workforce. Recent changes in federal funding have placed a strain on staffing among local nonprofit organizations. Numerous contacts across industries noted that higher tariffs and elevated uncertainty weighed on hiring plans. Wage pressures were largely stable over the past six weeks.

## Prices

Prices continued to increase at a moderate pace, though fuel prices declined, and a more marked pickup was seen in the manufacturing sector. Manufacturing raw materials prices jumped up in April and to a lesser extent in May, and companies reported a faster pace of finished goods price increases in response. This is largely driven by tariffs, with the estimated impact centering on a 5 to 10 percent cost increase, according to several contacts. Reports were mixed on the extent to which companies were able to pass along the higher costs to customers, with a minority expecting full pass through. Oilfield services firms noted particular difficulty passing through tariff increases on steel products, machinery components, and equipment. Among firms passing through tariff

cost increases to customers, about 60 percent are doing so within a month of the tariff taking effect, and 90 percent are doing so within three months, according to an April Dallas Fed survey of Texas business executives.

## **Manufacturing**

Manufacturing output continued to grow but at a slower pace over the reporting period, and new orders declined. Machinery and nondurable goods manufacturing were bright spots, while growth abated for most durable goods production. Gulf Coast refineries noted healthy capacity utilization rates. Manufacturing outlooks worsened further amid widespread expectations of a negative impact from higher tariffs this year. Half of manufacturers source at least 10 percent of their inputs from outside the U.S., according to an April Dallas Fed survey of 83 Texas factory executives. More than 60 percent expect decreased profit margins this year as a result of higher tariffs, 44 percent expect lower capital spending, and 29 percent expect a drop in production.

## **Retail Sales**

Retail sales rebounded in April but declined notably in May. Auto sales dipped after strengthening in March amid forward buying ahead of tariffs. There were scattered reports of product delays among retailers, sometimes stemming from shipping issues. Retail outlooks worsened notably over the reporting period, and higher tariffs are expected to have an extensive impact, as most Texas retailers source at least 25 percent of their goods from outside the U.S. Retail executives are expecting squeezed profit margins and decreased sales this year due to higher tariffs.

## **Nonfinancial Services**

Activity in nonfinancial services held fairly steady. An uptick was seen in professional and business services, while leisure and hospitality and transportation services exhibited weakness. Airlines noted waning demand for leisure travel, which they attribute to a decline in consumer sentiment. Port contacts noted a distortion in shipping patterns, with carriers front loading cargo amid tariff uncertainty. Staffing services firms spoke of flat demand, mostly below levels seen last year, though a couple noted a pickup toward the end of the reporting period. Tariff concerns were present among nonfinancial services contacts, though not as prevalent as in other sectors. Primarily, high levels of federal government policy uncertainty weighed on company outlooks.

## **Construction and Real Estate**

Housing market activity remained subdued, with both traffic and sales continuing at a slow pace. Affordability challenges persisted, and heightened uncertainty and stock market volatility dampened buyer sentiment. Inventory levels were rising for both new and existing homes, and builders

were having to offer more incentives to close deals, placing additional pressure on margins. Builders voiced concern about the impact of tariffs on construction costs, but said the impact has been subdued thus far.

Commercial real estate activity generally remained steady during the reporting period. Apartment leasing was strong, though rent growth continued to be lackluster due to elevated supply. Industrial demand was solid, but there were reports of slowing leasing activity due to tariff uncertainty. Outlooks were cautious, with uncertainty stemming from tariff policies causing developers and investors to take a wait-and-see approach on new deals.

## **Financial Services**

Loan volume grew slightly over the past six weeks, while loan demand was unchanged. Credit tightening continued, but loan pricing declined. Loan nonperformance continued to rise but only slightly, increasing at the slowest pace since the end of 2022. Nevertheless, bankers reported further contraction in general business activity. Bankers cited financial and/or economic uncertainty, cybersecurity, loan demand, and liquidity as their top outlook concerns for the next six months. Concern regarding office and multifamily commercial real estate loan performance remained stable from February and down from the peak in August 2024; however, performance concerns for other commercial real estate loans ticked up. Bankers are less optimistic about the future. On net, they still expect an improvement in loan demand and business activity six months from now, but that sentiment is less broad based, and loan nonperformance is expected to increase.

## **Energy**

Activity in the oil and gas sector eased over the past six weeks. Contacts noted a focus on drilling in the more oil-rich parts of the Texas Permian Basin, as the lower price environment makes other areas less economical. Exploration and production firms expect to cut capital spending in the second half of the year by more than initially planned, as rising overseas production will weigh on oil prices. Altogether, contacts now expect nearly flat production through December, as increased productivity offsets reduced investment in higher-cost wells.

## **Agriculture**

Drought conditions eased in much of the district, though some western areas remained in extreme drought. Ample moisture in crop-growing areas supported favorable planting conditions and led to optimism for production this year, though continued timely rains will be needed. Cotton prices moved up on the news of U.S.-China tariff reductions. Grain prices remained soft, pressured by strong U.S. crop production prospects and trade restrictions. Cattle prices continued to move up to record highs, supported by solid beef demand and a small U.S. cow herd. High calf prices and

strong grazing conditions could lead to herd expansion this year. Contacts noted that the recent Emergency Commodity Assistance Program—which issues one-time economic assistance payments based on planting last year—was a notable infusion of cash to farmers and created some financial relief.

## **Community Perspectives**

Demand for social services remained elevated, and several contacts noted an uptick in clients seeking assistance for basic necessities, particularly among low-income workers and immigrant populations. Multiple contacts cited access to public transportation and childcare as significant challenges for workforce participation. A contact in South Texas said many residents are still facing issues from recent flooding, particularly those who did not qualify for federal assistance yet cannot afford to replace ruined cars or fix damage to their homes. New resource constraints, like the pullback in federal funding for food pantries and AmeriCorps, impeded organizations' ability to meet the increased demand they are observing. Refugee and immigration services noted a severe impact from federal funding cuts. Nonprofits shared that funding instability is a key concern for the foreseeable future.

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



# Federal Reserve Bank of San Francisco

## Summary of Economic Activity

Economic activity in the Twelfth District slowed slightly during the April to mid-May reporting period. Employment levels were generally stable amid some layoffs and attrition without replacement. Wages were up slightly, and prices across industries rose modestly. Retail sales and demand for consumer and business services softened somewhat. Manufacturing activity declined slightly and conditions in agriculture and resource-related sectors weakened somewhat. Conditions in residential and commercial real estate markets softened slightly, while financial sector conditions were largely unchanged. Conditions weakened further in community support and services amid declines in funding and sustained demand. Looking forward, contacts expressed a slightly more positive outlook on the economy relative to the prior reporting period, although the overall expectations for economic conditions continued to be generally dented.

## Labor Markets

Employment levels were generally stable in recent weeks. While headcounts were steady in many sectors, a number of contacts in real estate, manufacturing, agriculture, finance, and nonprofits reported lower employment from layoffs and attrition. Economic uncertainty and slowing consumer demand led many businesses to take a wait and see approach in hiring. Employers looking to hire had an easier time overall, though recruiting challenges remained for some specialized trade and technical positions. Firms received more applications, though not all applicants' skill sets met employers' needs. Several contacts noted that recent graduates had difficulty finding jobs and reported lower turnover and voluntary separations.

Wages grew slightly overall, in line with the prior reporting period, partially in response to explicit employee requests to cover higher costs of living. Nonetheless, several contacts in sectors such as agriculture, food services, and travel services reported that wages were unchanged in recent weeks. A retailer commented that the softer labor market weakened competition for candidates and alleviated wage pressures. Another contact observed that on-the-job training needs and costs increased.

## Prices

Prices rose modestly as in the prior reporting period. Costs rose, including those for firms' inputs, such as metals, concrete, parts and equipment, as well as costs for imported merchandise for retail sale, insurance, and utilities. As a result, many businesses raised their final prices. In some cases, firms explicitly included a separate tariff line for items or contingencies in their price quotes and contracts. One contact observed that price increases that had been implemented in anticipation of certain tariffs were not rolled back once those tariffs were removed.

## Community Conditions

Conditions in the community support and services sector deteriorated as federal funding and charitable donations dropped notably. Demand for community and support services rose somewhat as individuals and households continued to seek housing, health care, and food assistance. Meanwhile, many nonprofit organizations reduced their staff and were less able to meet basic community needs. Availability of affordable housing continued to be a concern for contacts across the District.

## Retail Trade and Services

Retail sales weakened slightly on net over the reporting period. Some retailers, particularly from tourism-driven areas, attributed sluggish sales to lower foot traffic and cautious spending behavior from consumers. Sales at other retailers, including grocery stores, home centers, and sports apparel stores were reportedly steady. A contact from Arizona observed higher sales of non-food and discretionary items ahead of potential reinstatement of higher tariff rates. Some retailers had adequate inventory levels. Others had insufficient inventory due to supply chain disruptions as some import orders were cancelled in response to trade policy changes.

Activity in the consumer and business services sectors moderated somewhat in recent weeks. Demand for leisure travel slowed further as consumers postponed or canceled their trips. Business travel remained subdued with fewer conferences and group events due to economic uncertainty and cutbacks in government spending on travel and grants. Major tourist hubs across the District highlighted a substantial drop in international visitors which led to lower consumer spending and weaker local economic activity. Demand for medical testing, legal, and other professional services was largely unchanged. However, one contact noted that business clients switched to cheaper service packages, such as for security and custodial services, as a cost saving measure.

## Manufacturing

Manufacturing activity slowed slightly since the previous reporting period. Demand for some final products, such as equipment and apparel, weakened following earlier spikes in orders ahead of tariff increases. Demand for intermediate goods also softened. For contacts across the District, costs of raw materials and components rose in response to changes in trade policy. Some manufacturers were reportedly able to negotiate sharing the cost of tariffs with their vendors abroad. Others passed on cost increases to their customers or planned on doing so when current tariff pauses expire in July.

## Agriculture and Resource-Related Industries

Conditions in agriculture and resource-related sectors weakened slightly. Exports fell for products such as nuts, tree fruit, beef, and logs. As a result, producers turned to domestic markets. While domestic demand was largely stable, it was insufficient to absorb the extra supply, which led to producers receiving lower prices for their products. Additionally, contacts noted a shift in demand away from some higher-priced products, such as organic produce. While yields of some agricultural products such as nuts were solid, supplies of others such as cattle and logs were down. Growers continued to raise concerns about anticipated increases in input costs, like fertilizer. A contact in the Pacific Northwest paused capital investment plans amid economic and trade policy uncertainty.

## Real Estate and Construction

Activity in the residential real estate market weakened slightly in recent weeks. Construction continued to slow as builders faced overall softening demand, high costs, and elevated uncertainty. Sales of single-family homes slowed and shifted towards smaller, lower-priced properties. However, a few contacts in parts of the Mountain West region observed that population growth kept demand solid. Some potential buyers opted to rent instead, given the elevated prices and high mortgage rates. Multifamily rents grew in some areas, such as in Southern California where recent fires increased rental demand. Rents declined in other areas, such as the Mountain West, where more units on the market increased supply.

Conditions in commercial real estate weakened somewhat, as in the prior reporting period. Demand for commercial space leases fell overall as tenants waited for more clarity about trade policy and economic conditions. Contacts reported more vacancies, including for retail and office space. Leasing demand was somewhat bolstered by tenants with stronger financial positions. Construction of new commercial property remained slow, particularly in the private sector, because of uncertainty about future economic conditions and the effects of trade policy on building costs and

materials availability. Construction activity for public sector projects such as transportation and utilities remained solid.

## **Financial Institutions**

Conditions in the financial sector changed little over the reporting period. Consumer loan demand was unchanged on net but varied more by region than in the prior reporting period. Contacts in California and Washington saw softer demand for loans while contacts in Idaho and Utah reported that demand was more robust. Demand for business loans remained subdued as some firms postponed new investments. Most contacts in the banking sector reported good credit quality, but a few others noted rising credit card delinquencies and some losses in their commercial real estate loan portfolios. Reports also noted slow growth in deposits.

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



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