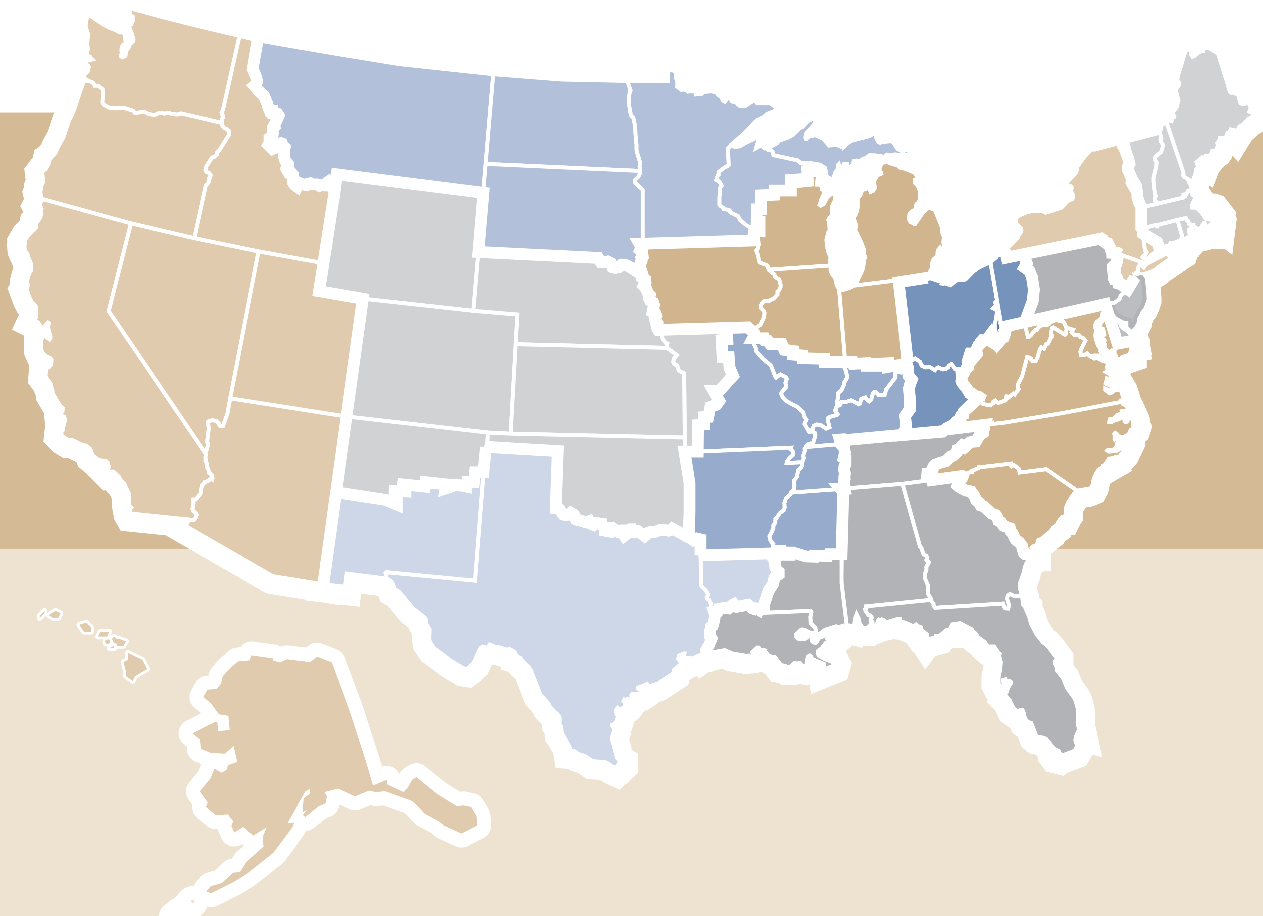
The Beige Book

Summary of Commentary on Current Economic Conditions by Federal Reserve District

October 2024



FEDERAL RESERVE SYSTEM

Contents

About This Publication

What is the Beige Book?

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

What is the purpose of the Beige Book?

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

How is the information collected?

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

How is the information used?

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

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

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

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

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

National Summary

Overall Economic Activity

On balance, economic activity was little changed in nearly all Districts since early September, though two Districts reported modest growth. Most Districts reported declining manufacturing activity. Activity in the banking sector was generally steady to up slightly, and loan demand was mixed, with some Districts noting an improvement in the outlook due to the decline in interest rates. Reports on consumer spending were mixed, with some Districts noting shifts in the composition of purchases, mostly toward less expensive alternatives. Housing market activity has generally held up: inventory continued to expand in much of the nation, and home values largely held steady or rose slightly. Still, uncertainty about the path of mortgage rates kept some buyers on the sidelines, and the lack of affordable housing remained a persistent problem in many communities. Commercial real estate markets were generally flat, although data center and infrastructure projects boosted activity in a few Districts. The short-lived dockworkers strike caused only minor temporary disruptions. Hurricane damage impacted crops and prompted pauses in business activity and tourism in the Southeast. Agricultural activity was flat to down modestly, with some crop prices remaining unprofitably low. Energy activity was also unchanged or down modestly, and lower energy prices reportedly compressed producers' margins. Despite elevated uncertainty, contacts were somewhat more optimistic about the longer-term outlook.

Labor Markets

On balance, employment increased slightly during this reporting period, with more than half of the Districts reporting slight or modest growth and the remaining Districts reporting little or no change. Many Districts reported low worker turnover, and layoffs reportedly remained limited. Demand for workers eased somewhat, with hiring focused primarily on replacement rather than growth. Worker availability improved, as many contacts reported it had become easier to find the workers they need. However, contacts noted that it remained difficult to find workers with certain skills or in some industries, such as technology, manufacturing, and construction. Wages generally continued to rise at a modest to moderate pace. With the improvement in worker availability, contacts in multiple Districts pointed to a slowdown in the pace of wage increases. Still, larger than usual pay increases were reported for some workers, such as those in the skilled trades or in remote areas.

Note: This report was prepared at the Federal Reserve Bank of New York based on information collected on or before October 11, 2024. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

Prices

Inflation continued to moderate with selling prices reportedly increasing at a slight or modest pace in most Districts. Still, the prices of some food products, such as eggs and dairy, were reported to have increased more sharply. Home prices edged up in many Districts, while rents were reported to be steady or down slightly. Many Districts noted increasing price sensitivity among consumers. Input prices generally rose moderately. Contacts across several industries noted more acute pressures from rising insurance and healthcare costs. Multiple Districts reported that input prices generally rose faster than selling prices, compressing firms' profit margins.

Highlights by Federal Reserve District

Boston

Economic activity was flat, as was employment, and prices increased slightly. International travel was a bright spot, and the summer tourism season on Cape Cod was described as strong. More broadly, consumers remained highly price conscious, and certain manufacturers had persistently weak sales. Home sales and home prices softened noticeably over the summer. Contacts were cautiously optimistic about the outlook for late 2024 and 2025.

New York

On balance, regional economic activity was little changed. Employment increased slightly and wages continued to increase moderately. Housing markets remained solid, with home prices continuing to edge up. Selling price increases remained modest. Capital spending plans were strong, with some investments already underway.

Philadelphia

Business activity continued to decline slightly in the current Beige Book period. Consumer spending fell modestly, and nonmanufacturing activity fell slightly. Employment appeared to rise slightly, after falling slightly last period. Wage growth continued at a modest pace, as did reported rises in input costs and prices. Expectations for future growth rose—becoming more widespread for both manufacturers and nonmanufacturers.

Cleveland

Overall, Fourth District business activity was stable. Residential construction and real estate activity increased and demand for nonfinancial services remained strong. By contrast, consumer spending and demand for manufactured goods remained soft. Employment levels were stable. On balance, wages increased modestly, nonlabor costs grew moderately, and selling prices increased slightly.

Richmond

The regional economy grew modestly this cycle. Consumer spending picked up, loan demand increased, manufacturing activity expanded, port activity rose, and employment grew slightly. Ports in the District were minimally impacted by the short-lived worker strike; however, parts of our District were heavily affected by Hurricane Helene; the full impacts of the loss of life and property were still being assessed.

Atlanta

The economy of the Sixth District declined slightly. Employment was steady and wages grew slowly. Prices were little changed, and pricing power softened. Consumer spending slowed, and tourism decelerated. Demand for housing was flat. Transportation activity increased slightly. Loans grew modestly. Manufacturing declined and energy activity slowed. Agriculture conditions weakened.

Chicago

Economic activity increased slightly. Consumer spending rose modestly; employment was up slightly; construction and real estate activity was flat; nonbusiness contacts saw little change in activity; and business spending and manufacturing activity edged down. Prices were up modestly, wages rose moderately, and financial conditions loosened slightly. Prospects for 2024 farm income were unchanged.

St. Louis

Economic activity across the Eighth District has remained unchanged since our previous report, despite continuing to show some signs of slowing demand. Across the District, contacts expressed their intention to maintain employment levels in the upcoming months. Prices continued to increase modestly with some input costs remaining unchanged or decreasing. The outlook among contacts remains slightly pessimistic but has modestly improved for many.

Minneapolis

Economic activity declined slightly since the last report. Employment grew but labor demand continued to soften. Prices increased slightly overall, with greater pressure on input prices, while wages increased moderately. Consumer spending was flat, with some contacts expressing concern for consumer financial health. Manufacturing decreased moderately. Commercial and residential construction declined slightly. Agricultural conditions were stable at low levels.

Kansas City

District economic activity was steady as mild growth in consumer spending offset slower manufacturing and professional service activity. Employment levels remained flat on net, though more contacts reported reducing their staffing levels recently. Business contacts reported more delays in receiving payments, raising financial strains but not affecting their hiring plans.

Dallas

Economic activity rose modestly over the reporting period, buoyed by a pickup in growth in nonfinancial services. Housing demand held steady, while retail sales, loan demand, and manufacturing output weakened. Employment increased, and wage growth was moderate. Outlooks were mixed, with domestic policy and economic uncertainty cited as key concerns.

San Francisco

Economic activity was steady. Labor availability improved further, and wages grew slightly. Overall prices were largely stable. Retail sales and activity in manufacturing and consumer services softened. Demand for business services improved, while conditions in real estate, financial services, agriculture, and resource-related industries were largely unchanged.

Federal Reserve Bank of Boston

Summary of Economic Activity

Economic activity was roughly flat overall. Employment was unchanged and wages rose moderately. Prices increased only slightly, although isolated cost pressures were still noted. Retail and tourism led in terms of activity—including moderate gains in international travel—but still showed only slight growth on balance as consumers' price sensitivity persisted or even intensified. Manufacturing revenues were down slightly amid weak demand at most firms. Demand and revenues were steady among software and IT services firms. Home sales posted modest gains from a year earlier despite an especially soft summer. Commercial real estate activity was flat but varied across property types. Sentiment for late 2024 and 2025 was cautiously optimistic on average, but ranged from bullish, among tourism contacts, to pessimistic, among some manufacturers.

Labor Markets

Employment was flat net of seasonal increases, and wages increased further at a moderate pace. Among IT services contacts, headcounts were stable, and wage increases ranged from slight to moderate. Summer hiring on Cape Cod in retail and hospitality was facilitated by a resurgence in short-term visas for foreign-born workers as well as increased supply of domestic seasonal workers. Hotel contacts around Boston also reported a normalization of labor supply, notwithstanding the ongoing hotel worker strike in the area. Manufacturing employment was stable overall, but one firm paused hiring and incentivized early retirement, while another increased headcount slightly. Manufacturers reported either no changes in wages or standard raises, but one firm continued to face above-average wage pressures, and another reported a large increase in healthcare costs. The outlook for hiring was subdued, as only one contact (a manufacturer) planned to expand its headcount significantly in the coming months; at the same time, no contacts intended to make layoffs.

Prices

Prices increased slightly on balance. Most manufacturers held output prices steady over the quarter, in one case despite a significant rise in healthcare costs, but one offered discounts in response to declines in input prices. Otherwise, manufacturers' nonlabor costs (excluding healthcare) increased modestly, and one firm was concerned about increased uncertainty in shipping costs. Among IT firms, output prices increased slightly to adjust for inflation. Retail prices were stable despite slight input cost pressures. Hotel room rates in the Greater Boston area rose modestly on a year-over-year basis, though marking a stepdown from the pace reported in the previous quarter. Hospitality contacts on Cape Cod said that average rates for accommodations were down slightly this past summer from the previous one. Across all sectors, planned output price increases for 2025 were modest, and contacts did not express major concerns about cost pressures aside from healthcare and shipping.

Retail and Tourism

First District retail and tourism contacts reported slight growth in revenues in recent months. Retailers on Cape Cod had a strong summer season, with activity that was roughly level with the summer of 2023. An online retailer had stable revenues overall but observed a growing gap in sales volumes between promotional periods and off-promotion periods, especially for higher-priced items. Airline passenger traffic through Boston increased moderately year-over-year, with international travel up more than 15 percent over 2019 levels. Hotel occupancy in greater Boston rose modestly in August from earlier in the summer, consistent with seasonal expectations and on par with August 2023. Contacts are forecasting strong tourism and convention activity for Boston for the rest of 2024 and early 2025, supported by both domestic and international visitors. Retailers expressed cautious optimism that demand would hold steady moving forward.

Manufacturing and Related Services

Manufacturing revenues were down slightly from the previous quarter. Most firms described demand as weak, although a frozen food producer reported strong growth in year-to-date revenues compared with the same period in 2023. For one contact, third-quarter revenues beat expectations despite declining slightly from a year earlier, while a semiconductor manufacturer said that recent results fell short of expectations because of an ongoing industrywide slump. Inventories rose modestly at selected firms, approaching higher-than-desired levels. Capital expenditures were consistent with previous plans, with one firm spending much more than last year to add a new production facility. Most firms expected stable or improving demand for the rest of 2024, but the outlook for 2025 was mixed. Half of contacts were either cautiously or unreservedly optimistic, but the other half perceived a high degree of uncertainty and feared that sales would fall short of targets.

IT and Software Services

Among First District IT services contacts, demand and revenues held steady on average. Concerning revenues, one firm beat expectations with a healthy increase from the previous quarter, and another saw a temporary dip that was attributed to the firm's transition to a subscriptionbased model. Capital spending was flat at very low levels or declining in one case due to increased reliance on cloud-based servers. Contacts held neutral-to-positive expectations for activity at their respective businesses, based on beliefs that demand for their products and services was on the rise. Nonetheless, contacts saw risks to the overall business climate from uncertainty surrounding the presidential election, and one firm worried that inflation could surge again and hurt its profit margins.

Commercial Real Estate

Commercial real estate activity was stable on average, but office leasing fell short of seasonal expectations. In the Boston area, legal and financial tenants continued to provide decent office demand, but weak demand from high tech firms persisted. The life sciences industry buoyed leasing activity in Providence, but not enough to drive meaningful changes in vacancy rates or rents. Contacts reported no recent office foreclosures, though many properties remained distressed. Industrial leasing was stable but on the slower side, especially for larger spaces, although industrial sales picked up moderately. Retail leasing was stable, and retail rents showed slight increases. Lending conditions remained tight relative to historical norms, especially for office properties, while funding was comparatively more available for industrial and multifamily properties. The outlook for the sector was mixed, with some contacts expecting no major changes in conditions and others expecting a significant increase in activity in 2025 as election-related uncertainty was resolved and interest rates fell further.

Residential Real Estate

First District residential home sales in August 2024 were up modestly from a year earlier but were down slightly from June net of seasonal factors. Single-family home sales increased moderately on a year-over-year basis (to August 2024) in most states but fell slightly in Massachusetts. (No data were available for Connecticut). Contacts in Massachusetts said that summer home sales were muted, even relative to seasonal norms, as prospective buyers waited for mortgage rates to fall further; the same contacts noted that home prices softened for two consecutive months but still increased moderately from a year earlier. Home prices were also up moderately from August 2023 in the other First District states, on average, but the price changes were somewhat mixed across markets. For-sale inventories rose substantially on a year-over-year basis (to August) in every market except Massachusetts, where inventories were flat from one year earlier. Contacts were guardedly optimistic that home sales would improve further in late 2024 and into 2025, based on the likelihood that mortgage rates would fall further during that period.

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 was little changed this reporting period. Employment increased slightly and wages continued to increase moderately. Selling price increases remained modest. Manufacturing activity was little changed, and service sector activity was flat. Capital spending plans were strong, with some investments already underway. Consumer spending increased slightly. Housing markets remained solid, with home prices continuing to edge up. Commercial real estate markets worsened. Activity in the broad finance sector increased slightly after an extended period of decline. Many contacts reported hesitancy in decision-making due to heightened uncertainty surrounding the presidential election. Looking further ahead, businesses were now somewhat optimistic conditions would improve.

Labor Markets

On balance, employment in the region increased slightly, though at a slower pace than in the last report. Employment reductions were reported among business services, information services, construction, and retail firms. However, manufacturers increased headcounts slightly for the first time in many months, and employment increases were reported among leisure and hospitality, education and health, wholesale, and transportation firms. There were no signs of major layoffs in the region and hiring plans generally remained solid.

Demand for workers remained subdued, and worker availability continued to increase. Contacts at employment agencies in New York City and upstate New York noted steady demand for labor in financial services but indicated that demand for tech workers has remained soft. A contact at a regional tech firm reported a reduction in hiring plans for entry level roles, noting that college job fairs have had considerably more jobseekers than in recent years. More generally, hiring was subdued and was largely for replacement rather than growth, as businesses remained hesitant to make hiring decisions due to uncertainty surrounding the presidential election. Several contacts noted that turnover rates remained exceptionally low.

Wage growth, while still moderate, slowed somewhat. With more workers available, there has been less pressure on employers to provide outsized raises, except in rural areas where labor supply remains low.

Prices

Selling price increases remained steady and continued at a modest pace, while input price increases remained steady and moderate. Fuel remains an exception, and despite declines in the cost of fuel, a construction industry contact reported that fuel surcharges persist on invoices for the delivery of materials, keeping costs from falling as much. Further, a contact in the retail gas sector noted that prices at the pump have remained elevated, even as costs have dropped. Some contacts were on edge about the dockworkers' strike and its potential impact on input prices, but such concerns were short lived. Businesses expect little change in pricing pressures in the coming months.

Consumer Spending

Consumer spending increased slightly this period. Department store contacts in the region reported growing sales in recent weeks after muted sales during the previous period. Consumers have been more discriminating, trading off less quantity for higher quality, particularly for accessories such as handbags and shoes.

Auto dealers in upstate New York noted that sales activity softened somewhat following unusually strong sales after June's cyber-attack. Consumers now have a good selection of available inventory from which to choose. With increases in car prices and the cost of living more generally, it has become difficult for many households to afford a new car. Used car sales remained solid and fairly steady during this reporting period. Although credit conditions continued to tighten, creditworthy borrowers are still able to get auto loans.

Manufacturing and Distribution

Manufacturing activity was little changed. New orders declined slightly, while shipments were essentially flat. Firms in the transportation and warehousing industries reported little change in activity, while wholesalers pointed to a modest decline. Though supply availability worsened somewhat, delivery times were little changed. Several contacts reported jitters about the possibility of supply-chain bottlenecks around the dockworkers strike, but such concerns resolved quickly with the end of the strike. Manufacturing and wholesale firms grew quite optimistic that conditions would improve in the months ahead.

Services

On balance, activity in the service sector held mostly steady. However, activity increased somewhat in the education and health and leisure and hospitality sectors, and declined in the personal services sector. Of note, service sector firms reported a modest increase in capital spending for the first time in a while, and capital spending plans were strong. Still, optimism among services firms remained subdued.

Tourism activity in New York City edged down since the last report as typically busy fall weekends were quieter than expected. A New York City tourism expert reported that suburban residents have been visiting less often, due to concerns for public safety and the rise in remote work arrangements. With reduced visits, the restaurant industry has seen declining sales. Still, attendance at Broadway shows improved, with recent attendance just a bit below pre-pandemic levels. Hotel bookings for the months ahead have slowed somewhat as some travelers have put travel planning on hold.

Real Estate and Construction

The housing market remained firm. The supply of homes continued on a slow upward trend but remained near historic lows. Demand remained solid, though it was tempered by buyers' uncertainty about the path of mortgage rates and home prices. Demand continued to outpace supply, and home prices edged up across the District. Although bidding wars became slightly less frequent, a substantial share of sales closed over the asking price, and cash sales remained an unusually large share of activity. Manhattan remained the exception, where inventory was at normal levels, closings were subdued, and prices moved down slightly.

The rental market eased slightly after an extended period of rising rents. Rents in New York City edged down slightly but remained at high levels. Demand for rental housing was strong, and new signed contracts continued to rise. Outside of New York City, rents edged up after bottoming out earlier in the year, and vacancy rates were slightly above pre-pandemic levels.

Commercial real estate markets weakened. The office market continued to worsen, albeit at a slower pace than last year. Demand for office space continued to decline, and vacancy rates rose across the District. The retraction in the industrial market following the pandemic boom continued. In northern New Jersey in particular, the industrial vacancy rate rose considerably as demand for space sagged.

Construction firms reported that activity continued to decline at a moderate pace. One business owner reported notably elongated construction times due to protracted permitting processes and utility-related delays.

Banking and Finance

Activity in the broad finance sector increased slightly after a period of persistent weakness. Still, small-to-medium-sized banks reported reduced demand for business and consumer loans, while demand for commercial and residential mortgages, as well as refinancing, held steady. Credit standards tightened for business loans, consumer loans, and commercial mortgages. Deposit rates continued to decline noticeably, and delinquency rates continued to rise for all loan types. However, with lower interest rates, banking contacts are optimistic that demand will rise and margins will widen in the months ahead.

Community Perspectives

Community leaders expressed concern about increasing food insecurity as the number of recipients for programs that distribute food and financial assistance, continued to increase. Processing delays for benefits programs combined with sustained high food prices post-pandemic have weighed on community members with fixed incomes, including elderly, low-income, and student populations. Direct funding of food programs from state and local governments for school-age and elderly people has provided stopgap funding where federal funds have been delayed or discontinued.

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 slightly. Consumer spending continued to fall despite a rise in retail promotions focused on driving higher customer traffic. Nonmanufacturing activity declined slightly after holding steady last period, and manufacturing activity fell modestly. Employment appeared to rise slightly following a slight decrease in the prior period, mostly due to manufacturing firms increasing their workforces. Staffing firms reported a slight increase in demand. Wage inflation remained modest. Continued improvement in employee retention and labor availability kept wage pressures at or below pre-pandemic norms. Firm costs and prices continued to rise modestly. On average, firms expect modest economic growth over the next six months—optimism was more widespread among both manufacturers and nonmanufacturers, although expectations remained below historical averages for both firm types.

Labor Markets

Employment appeared to rise slightly, reversing a slight decline in the prior period. Based on our September survey, full-time employment rose for manufacturing firms. Nonmanufacturing firms reported steady full-time employment and an increase in part-time jobs. Over half of both manufacturers and nonmanufacturers continued to report no change in employment during the period, while no manufacturers reported a decrease in their number of employees. However, manufacturing firms reported a decline in the average workweek.

Staffing contacts reported a slight increase in demand after reporting steady activity last period. One contact highlighted that the normally busy end-of-year season for staffing appeared to start earlier this year. Another staffing contact noted that many service-sector clients were active in hiring to replace departing workers; however, relatively few were looking to expand their workforce.

Overall, wage inflation remained at a modest pace. Most business contacts continued to report low or no wage pressure for most jobs outside of specialty trades. A couple of business contacts noted that recently negotiated labor union contracts resulted in moderate wage gains for many union and nonunion employees and led to growing wage pressure from other workers. Most contacts continued to report low employee turnover and better labor availability.

In our monthly surveys, the share of nonmanufacturing firms reporting higher wage and benefit costs per employee ticked up in September but remained typical of the pre-pandemic era when modest wage growth prevailed.

Prices

On balance, firm prices continued to rise at a modest pace. Contacts continued to report that increases in most input costs have stabilized; however, some commodity prices continued to fluctuate. Contacts across many sectors noted they were keeping prices steady, and in some cases reducing them, as customers have pushed back on further price increases.

In our monthly surveys, the prices paid and prices received indexes declined for nonmanufacturers and were below their nonrecession averages. Among manufacturers, the prices paid and prices received indexes both rose and were above their nonrecession averages.

Looking ahead, the indexes for future prices paid and future prices received continued to suggest that manufacturing firms expect price increases over the next six months. Both indexes ticked up relative to last period and were somewhat above their long-run averages.

Manufacturing

Manufacturing activity declined modestly, following moderate growth in the prior period. The indexes for new orders and shipments both declined—a trend observed near the end of the prior period—and turned negative in September.

Manufacturers' expectations for growth over the next six months continued to become more widespread. However, the indexes for future new orders and shipments remained below their historical averages.

Consumer Spending

On balance, retailers (nonauto) continued to report modest decreases in real sales. One contact reported that customers continued to visit less frequently despite a rush of discounting and promotions throughout the industry in recent months. However, the contact noted that customers spent slightly more per visit toward the end of the period—a reversal of recent trends. Contacts also noted a recent increase in price sensitivity among higher-income consumers—a trend common among lower- and middle-income consumers over the past year.

Auto sales appeared to hold steady during the period, as affordability concerns continued to weigh on demand. Contacts reported that a rise in incentives aided sales, and inventories continued to grow, especially for electric vehicles.

On balance, tourism activity declined slightly after holding steady during the prior period. Contacts reported that demand for leisure travel held mostly steady, but noted that ongoing price sensitivity and last-minute bookings led to increased discount offerings and lower accommodation prices. Contacts also highlighted that tourists were booking slightly shorter stays and spending slightly less once they arrived at their destination. Meanwhile, one contact noted a stronger-than-usual rise in business and group travel in the Philadelphia region in September.

Nonfinancial Services

Nonmanufacturing activity appeared to decline slightly after holding steady last period. The index for new orders turned negative in September following a near-zero reading in August. Meanwhile, the sales/revenues index moved higher but remained slightly below its historical average.

At the firm level, nonmanufacturers reported a softening in general activity in September. Nonmanufacturers' perceptions of general activity for the region picked up from the prior period but remained negative on balance.

Expectations among nonmanufacturers for their own growth over the next six months remained modest but grew more widespread after narrowing during the prior period.

Financial Services

The volume of bank lending (excluding credit cards) was essentially flat during the period (not seasonally adjusted), a slowdown after modest growth during the comparable period in 2023.

District banks reported moderate declines in commercial and industrial loans, while home equity lines and auto loans grew modestly. Home mortgages and commercial real estate lending essentially held steady. Credit card volumes changed little for a second consecutive period—volumes grew modestly during the same period one year ago.

Banking contacts continued to report strong credit quality with low delinquency rates. Contacts noted that growth in demand for loans remained tepid across most industries, with clients most commonly citing the expectation of further interest rate declines and the upcoming election as reasons to hold off on investment plans. Mortgage applications picked up during the period, but most applicants opted against locking in a rate, as they expected further drops in mortgage rates, according to one contact.

Real Estate and Construction

Brokers reported that existing-home sales continued to grow slightly. The inventory of for-sale properties edged slightly higher, but homes continued to sell extremely quickly and for over asking price, according to brokers.

Homebuilders reported that contract signings continued to hold mostly steady, supported in part by recent declines in mortgage rates. One builder described “malaise” around prospective buyer traffic; however, another contact highlighted that the share of prospective buyers that signed a contract is high compared with the historical average.

In the office market, leasing activity held steady. Multiple contacts noted increased investment interest in office properties, in part due to much lower valuations, but transactions remained sporadic.

Commercial real estate contacts reported a slight decline in construction activity after it held steady at lower levels last period. Contacts noted that institutional and infrastructure projects continued to enter the pipeline, but multifamily construction slowed slightly.

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

Federal Reserve Bank of Cleveland

Summary of Economic Activity

Business activity in the Fourth District was stable after declining slightly during the prior reporting period. Reports on retail sales were mixed. While some contacts reported softer sales, lower-cost retailers benefited amid heightened consumer price consciousness. Residential builders and realtors noted increased activity as lower mortgage rates drew more prospective buyers into the market. However, commercial construction and real estate activity was mostly unchanged. Manufacturing activity again declined moderately, and contacts expected demand to remain soft in the coming months. Overall employment levels were stable, though there were isolated reports of layoffs. Wages rose at a modest pace, typical of increases prior to the pandemic. Although nonlabor costs grew moderately and selling prices increased slightly on balance, most contacts reported no change in either. Except for manufacturers, contacts expected activity to increase moderately in the months ahead.

Labor Markets

On balance, contacts reported flat employment levels in recent weeks, with most firms making no changes to their headcounts. Many firms kept their employment levels steady in accordance with flat demand. Trends differed by sector: professional and business services firms grew their employment levels moderately, whereas freight and manufacturing contacts reported modest reductions in employment levels, leaving newly vacated positions unfilled and occasionally laying off staff in response to weaker demand. Overall, contacts expected employment to increase slightly over the next two months.

Wages increased at a modest pace in the most recent reporting period, with greater gains in the service sector. Several firms continued to report challenges hiring skilled employees and accompanying wage pressures. Overall, however, the pace of wage increases was largely similar to that from before the pandemic. A few firms said decreased revenues prevented them from raising wages further, while one contact pointed to cooling labor markets and slower inflation as additional reasons for easing wage pressures.

Prices

Nonlabor input costs increased moderately on balance, though reports varied by sector, and more than half of contacts continued to report that input costs had not changed since the last reporting period. Restaurateurs reported that their egg costs had increased significantly in recent weeks, likely because of a rise in avian influenza cases. A number of contacts across sectors also reported that their costs had increased for services such as insurance and software. In contrast, most manufacturing and construction contacts reported that their raw materials costs were flat.

Upward pressure on selling prices remained relatively weak, with little change from the previous reporting period. Across sectors, most contacts reported making no adjustments to their selling prices in recent weeks, and contacts continued to report customers' unwillingness to accept additional price increases. Several contacts in the transportation and manufacturing sectors reported that they were lowering prices in order to shore up demand, while most professional and businesses services and construction contacts held prices steady. Conversely, food retailers and restaurateurs increased prices slightly to offset cost increases in eggs and dairy products.

Consumer Spending

Consumer spending declined moderately overall in recent weeks. However, lower-cost retailers and restaurants reported slight sales growth, suggesting increased price consciousness among consumers. Several automotive dealers reported ongoing affordability challenges for many consumers, with no noticeable change in sales even as auto financing rates began to decline. Contacts generally expected moderate consumer spending growth in the coming months, particularly after November's presidential election.

Manufacturing

Demand for manufactured goods again declined moderately, though the share of contacts who reported steady demand increased from the prior period. Some contacts reported fewer orders from other producers because of lower consumer and commercial vehicle production, while several also noted that some producers were holding off on orders because of uncertainty related to the coming presidential election. Shipments of metals and metal products remained weak, a circumstance which contacts attributed to low vehicle and agricultural equipment production and soft residential and commercial construction. On balance, manufacturers expected demand to decline modestly in the coming months.

Real Estate and Construction

Residential construction contacts reported strong growth in demand for homes in recent weeks. New home construction activity increased, with several builders describing "buyers coming off the sidelines" as interest rates have trended down. Declines in mortgage rates in recent months have also affected the market for existing homes, though real estate contacts were mixed on the outcome; one realtor saw more buyers come into the market, while another contact suggested that some potential buyers were continuing to wait for further declines in interest rates. On balance, contacts expected activity to grow at a moderate pace over the months ahead.

Nonresidential construction activity was flat over the last two months. Two commercial builders reported that many companies were planning to wait until after the general election to undertake construction projects. Public construction firms also reported fewer projects in their pipelines. Still, commercial real estate agents reported increased demand for office space as some firms returned to in-person work and others renewed leases after previously postponing such decisions. Collectively, contacts anticipated a moderate increase in demand in the coming months.

Financial Services

Overall, bankers reported that loan demand increased modestly, with some contacts noting that recent reductions in some interest rates had encouraged borrowing by both households and businesses. Looking ahead, bankers anticipated continued modest increases in loan demand. Most bankers reported slight increases in delinquencies in recent months driven mostly by consumer lending products, a circumstance which one banker attributed to an increase in "economic stress." Overall, core deposits slightly increased. One banker reported that the issuance of one-year certificates of deposit had increased as clients sought to "lock in" rates in anticipation of further cuts.

Nonfinancial Services

Professional and business services firms reported robust demand in recent weeks and expected robust demand to continue in the coming months. One e-commerce contact attributed this growth to a continued shift to online purchases. Another contact cited increased optimism about a soft landing and potential further decreases in interest rates. Freight contacts reported no change in demand over the most recent reporting period but expected modest growth in the coming months. One transportation contact reported seasonal increases in shipments of consumer products but decreases in shipments of industrial products.

Community Conditions

Nonprofit contacts reported deterioration in the financial well-being of low- and moderate-income households and in the availability of affordable housing over the past six months, according to a semiannual survey. One contact observed that higher costs for basic needs had driven more households to borrow money from family or friends or to rely on credit or short-term loans to make ends meet. Several contacts noted that rising rents limited affordable housing options for low- and moderate-income households, while some contacts expressed concern about the impact of short-term rentals on housing supply, particularly in areas around tourist sites. One contact also noted that construction of new affordable housing units had lagged because of the higher costs of building materials and financing.

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

Economic activity in the Fifth District grew at a modest rate since our previous report. Consumer spending picked up modestly, overall. Travel and tourism were steady, on balance, as business travel increased, and leisure travel softened. Residential real estate activity slowed slightly, and commercial real estate activity was little changed in recent weeks. Financial institutions saw an increase in loan demand, largely driven by refinancing activity. Port activity increased slightly, and ports worked to offload ships ahead of the expected worker strike, which ended quickly with little disruption to operations. Employment increased slightly and some firms raised wages to attract certain skilled workers that were hard to find. Prices increased at a modest to moderate pace. Hurricane Helene severely impacted parts of the Fifth District. While the full extent of the damage was still being assessed, it clearly had substantial negative impacts to residents and businesses with the tragic loss of life, physical assets, and economic activity in the affected areas.

Labor Markets

Employment in the Fifth District increased slightly in the most recent period. While many firms reported seeing improvements in the candidate pool and moderate wage growth, some continued to face challenges finding specific types of workers. To attract those hard-to-find workers, firms increased wages more robustly and used outside help. A chartered bus company, for example, reported improvement in driver availability but had to “dramatically” increase wages to attract skilled mechanics and a lighting manufacturer instituted a $2 per hour wage increase for production workers. Meanwhile, a chemical manufacturer reported a dry talent pool for applicants and was using outside agencies for help. Hurricane Helene impacted many businesses and workers, particularly in western North Carolina, leading to a spike in initial unemployment insurance claims in the state in the first week of October.

Prices

Price growth continued to ease slightly in recent weeks. On a year-over-year basis, prices grew at a modest to moderate rate. According to our most recent surveys, prices received by manufacturing firms grew modestly compared to last year. Service providers, on the other hand, reported moderate annual price growth. Several consumer facing businesses believed that customers wouldn’t accept any further price increases and that was keeping pressure on them to hold price levels constant for some time.

Manufacturing

Manufacturing activity in the Fifth District was flat to up slightly for some producers in the most recent reporting period. Several contacts relayed optimism about their prospects. A fuse panel manufacturer reported a strong backlog going into 2025 due to large recent orders. An industrial pump manufacturer reported an uptick in orders due to more certainty around the path of interest rates. Several contacts, however, mentioned uncertainty leading to delays on new orders. A textile manufacturer expected tepid demand because customers were buying cautiously until the new year due to the "usual nervous period" ahead of elections.

Ports and Transportation

Ports in the Fifth District reported a slight increase in containerized cargo volumes as they accommodated additional trucking traffic to offload ships in advance of the anticipated International Longshoreman Association worker strike on September 30th. The strike, which lasted three days and was suspended until January 15, 2025, affected 45,000 union workers at 36 ports across the East and Gulf coasts, including 6,000 workers at Fifth District ports. Port contacts said that the brevity of the strike had little impact on operations, and they expected the agreed upon wage increases to factored into future container rates.

Despite the increased activity out of ports, contacts reported flat demand in the trucking segment with a slight decrease in industrial equipment movement. Firms expected trucking demand to remain muted heading into the winter months. On pricing, firms noted that they have been disciplined about raising rates, but profitability was down because freight spot rates have fallen to a low level. As a result, contacts were not investing in replacing old equipment.

Retail, Travel, and Tourism

Consumer spending picked up modestly since our previous report. Retailers reported an increase in sales and shopper traffic in recent weeks. A few contacts said that transaction volumes were flat compared to last year, but revenues were up because prices were higher. An ice cream shop and a producer of prepared food for grocery stores said that same-store sales were steady, and their businesses were growing because they were expanding into new markets. An art dealer reported an increase in sales and foot traffic after experiencing a lull during the summer when customers were spending their time and money on travel rather than artwork for their homes. Consumer spending at restaurants also rebounded after a reported decline in late summer. Hotel and tourism contacts saw an increase in business travel but a slowdown in leisure travel. A hotel representative attributed some of the slowdown in leisure travel to the active hurricane season. Business and hotel contacts in western North Carolina were still assessing the damage and impacts of Hurricane Helene and were focused on helping the rescue and relief efforts needed in the area, but most expected the impacts to be felt for several months.

Real Estate and Construction

Residential real estate activity experienced a slight downtick in recent weeks, which many agents attributed to the typical fall slowdown and the hold for rate cuts. Despite this, online buyer traffic remained robust, with fewer casual viewers visiting properties in person. An agent in Virginia noted that housing inventory was on the rise, particularly with fixer-uppers and less-than-ideal homes entering the market. Agents across our District continued to mention the continuum of lawsuits and uncertainties with the recent National Association of Realtors policy changes.

Commercial real estate activity has leveled off in the past month. Agents noted a decrease in vacancies in prime A spaces but continued vacancy growth in lower-grade markets. In the industrial sector, there was caution around speculative building but an uptick in owner-user purchases. A few companies in North Carolina noted they were delaying major capital expenses until 2025. This delay was also seen in private construction, according to a residential and metal buildings construction company in Virginia, who noted fewer potential customers and clients finding it more difficultly to afford the work.

While the full extent of the damages from Hurricane Helene remains unclear, the storm caused severe destruction of both commercial properties and housing stock in western North Carolina and Virginia.

Banking and Finance

Financial institutions reported a modest increase in loan demand, primarily driven by recent interest rate cuts. Commercial real estate and first mortgage refinancings were noted as the main drivers of this increase in demand. One respondent noted that borrowers were reaching inflection points in their decision-making processes, which helped to drive this demand. Credit quality levels remained stable with no noted deterioration of borrower's creditworthiness. Deposit levels remained stable amid heightened competition in the market for balances. Lenders continued to note a modest decline in the credit quality of borrowers, but delinquencies remained stable.

Nonfinancial Services

Nonfinancial services providers continued to report little change in demand for their services and revenues remained stable. A law firm noted that decreasing interest rates could have a positive impact on future merger, acquisition, and real estate deals and they were anticipating a modest increase in this work. Some firms believed that activity was being constrained by a hesitancy to make any new investments or business decisions until the uncertainty around the election and international conflicts is resolved.

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

Federal Reserve Bank of Atlanta

Summary of Economic Activity

Economic activity in the Sixth District declined slightly, on balance, over the reporting period. Labor markets were steady, and wages increased modestly. Prices and input costs were little changed since the previous report. Pricing power declined. Consumer spending fell. Tourism declined modestly, hampered by Hurricane Helene. Residential real estate activity was flat to slightly down. Commercial real estate activity slowed further. Transportation activity grew somewhat. Manufacturing output decreased. Loan growth was modest. Energy activity increased modestly. Agriculture conditions slowed.

Labor Markets

Employment in the District was fairly steady over the reporting period. The pace of hiring continued to slow amid easing demand for labor, and labor availability improved further for most positions. Firms reported plans to keep headcount roughly flat for the remainder of the year, and while a growing minority reported modest and targeted reductions in headcount in response to slowing demand, most were not planning to implement widescale layoffs. Some firms reported welcoming or encouraging attrition, hesitating to backfill positions, or reducing hours. A minority of firms were hiring for growth.

Wage growth was modest in recent weeks across most industries and position types. However, wage pressures persisted for some roles requiring specialized skills or in certain geographies.

Prices

Prices and input costs were little changed over the reporting period. Contacts noted most operating expenses remained elevated, however. Construction materials and food commodities costs stabilized, and the impacts of the three-day East and Gulf coast port strike appeared to be minor. Insurance premium increases have been accompanied by decreased coverage, leaving covered firms with greater exposure. Pricing power diminished further, as many contacts offered discounts or promotions and implemented operating efficiencies in order to maintain margins. The Atlanta Fed's Business Inflation Expectations survey showed year-over-year unit cost growth at 2.6 percent, on average, in September, unchanged from August; firms' year-ahead inflation expectations for unit cost growth were 2.1 percent, on average, also unchanged from August.

Consumer Spending and Tourism

Retail sales declined modestly in recent weeks. Contacts reported a continued trend of declining discretionary spending and trading down to lower-priced goods and services. Though this was still mostly concentrated among lower-income groups, middle- to high-income consumers, while continuing to spend, became more selective with purchases and sought discounts. Auto dealers noted increasing inventories and a softening in demand that was greater than the normal seasonal decline and noted that luxury car sales have not slowed as much as others, though those buyers increasingly pushed back on prices.

Due to Hurricane Helene, tourism and hospitality contacts noted an uptick in cancellations of travel to the District. Prior to the storm, group travel was strong while leisure travel was down slightly, and travelers pulled back on on-property spending. Occupancy levels at high-end hotels remained healthy; however, lower-tier properties reported modest declines in occupancy rates. Although tourism activity declined modestly, contacts were optimistic about the upcoming holiday season.

Construction and Real Estate

Despite declining mortgage interest rates, housing demand was flat or slightly down over the reporting period. Home sales saw slight to modest declines while inventory levels increased sharply, especially in Florida markets. Even with higher inventories, prices remained near peak levels. Elevated prices, combined with rising taxes, insurance, and HOA costs, offset much of the cost benefits of lower interest rates. As such, affordability remained a concern for potential buyers, incentivizing many to delay purchasing in expectation of future rate declines. Optimism in the new home market improved. However, builders still offered aggressive incentives (i.e., rate buydowns) to attract buyers.

Commercial real estate (CRE) activity across the District declined slightly. Office, industrial and multifamily sectors continued to see rising vacancy rates. Non-bank lenders reported higher levels of delinquencies of office, multifamily, and hotel loans. Increasing CRE loan maturities continued to create challenges for all lender types. Underwriting standards remained tight, making access to loans challenging. A slight uptick in transaction volume was spurred by lower rates; however, uncertain CRE values continued to create sizable headwinds.

Transportation

Transportation activity grew slightly, on net, since the previous report. Some District ports reported significant increases in container volumes year over year and leading up to the east coast dock-workers strike but reported little operational disruption. Hurricane Helene caused several short-lived port closures in late September, and little damage to infrastructure. Railroads saw increases in intermodal shipments and total traffic. Trucking activity remained mixed: one large trucking firm described relatively stable demand year over year, and slight growth in market share as smaller carriers filed for bankruptcy or shuttered operations; another noted weaker volumes over the reporting period and expectations for low single-digit growth for 2025. Demand for warehousing development remained slow.

Manufacturing

On balance, manufacturing activity declined modestly. District manufacturers noted a contraction in output, new orders, backlogs and finished goods inventories. Supplier delivery times increased. Orders of certain inputs for export, such as plastics and fabricated metal and rubber products, declined. However, demand for electronics, as well as some consumer goods, like food and beverages, rose. Demand for apparel producers was slow. An automobile engine manufacturer noted an uptick in sales year to date, including significant growth in hybrid vehicles.

Banking and Finance

Although loan growth was modest, financial institutions noted anticipating additional future loan demand in a lower rate environment. Multifamily lending increased moderately since the previous report, as demand for housing continued to exceed supply. Deposits, including large time deposits, increased modestly since the previous report. Borrowings continued to decline as banks reduced reliance on more expensive sources of funding. Rising cash balances drove increasing cash-to-assets ratios at District institutions and across the industry more broadly.

Energy

Activity in the energy sector grew modestly overall and was described as steadily slowing by several contacts. A refiner noted that slowing growth was putting downward pressure on margins, especially when combined with declining gasoline prices. Utilities contacts described steady demand across residential, small commercial, and large industrial customers; however, power infrastructure was damaged in parts of the District by Hurricane Helene. The hurricane caused minimal operational disruption offshore, including temporary halts to drilling and industrial support; inland, however, the storm halted plant activity, causing power outages at fueling terminals resulting in delays in re-supplying the hardest hit areas.

Agriculture

Agricultural conditions declined modestly. Farmers in south Georgia and parts of Florida noted significant damage and losses resulting from Hurricane Helene. Demand for beef remained historically strong but declined slightly. Dairy farmers reported strong sales amid reduced competition as high beef prices resulted in more cows being used for beef instead of dairy. Row crop farmers reported low demand, especially for cotton, and many saw disappointing yields. Demand for timber continued to weaken, with one timber producer reporting that he had to pay to get rid of the little timber harvested. Demand for citrus held steady.

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 overall over the reporting period, and contacts expected a similar increase in activity over the next year. Consumer spending rose modestly; employment was up slightly; construction and real estate activity was flat; nonbusiness contacts saw little change in activity; and business spending and manufacturing activity edged down. Prices were up modestly, wages rose moderately, and financial conditions loosened slightly. Prospects for 2024 farm income were unchanged.

Labor Markets

Employment rose slightly and contacts expected growth to continue at a similar pace over the next 12 months. There were continued reports of difficulty filling higher skilled positions, particularly from manufacturers. Some contacts were also concerned that construction workers were going to be pulled away from projects to support rebuilding after the recent hurricanes. However, many contacts noted softening in the labor market, with several of these reporting an increase in the number of applicants to open positions. A staffing firm contact saw a slowdown in hiring, particularly by auto and furniture manufacturers. Additionally, a number of contacts in finance and construction said they were not hiring or replacing employees who leave. Wages and benefits costs continued to rise moderately, though contacts indicated growth was noticeably slower than a year or two ago. One machinery manufacturing contact said that prospective employees haven't been negotiating over wages for about a year.

Prices

Prices increased modestly overall over the reporting period and contacts expected a similar rate of increase over the next 12 months. Producer prices moved up modestly. Nonlabor input costs continued to rise, including for energy, raw materials, and shipping. Several contacts also noted a pickup in the cost of insurance and complying with new regulations. Consumer prices again rose modestly overall.

Consumer Spending

Consumer spending increased modestly overall. Contacts noted that customers across all income segments were "trading down." For example, low- and moderate-income consumers were picking cheaper value meals over more expensive combo meals at fast food restaurants, while high-income consumers were choosing more affordable furniture and appliances. Nonauto retail sales increased modestly. Declines in sales of appliances and home-improvement items were more than offset by greater sales at discount stores and of streaming services and expensive sports equipment, such as boats and snowmobiles. Leisure and hospitality spending was unchanged. Light vehicle sales increased slightly, with growth in both the affordable and luxury segments, but a decline in mid-size SUVs and trucks. Dealers in Iowa and Wisconsin noted that to save money, farmers were opting for used heavy trucks over new ones.

Business Spending

Business spending decreased slightly on balance over the reporting period. Capital expenditures moved down slightly. Demand for truck transportation declined further, though truck freight rates held steady. Retail inventories were a little elevated. Many retailers had built up inventory in anticipation of the International Longshoreman's Association strike at East and Gulf coast ports. Because the strike ended quickly, contacts expected minimal disruptions. Auto inventories were a bit low, and one contact noted that their used vehicle inventory was down significantly. Manufacturing inventories were a little high. There were few reports of input shortages, though contacts said there was the potential for shortages of building materials given the need for rebuilding after recent hurricanes in other Districts.

Construction and Real Estate

Construction and real estate activity was unchanged on net. Residential construction activity was flat. In a recent homebuilders' survey, a majority of respondents expected national housing starts to end the year higher than last year and expected a further increase in 2025. Residential real estate activity was little changed overall, though rent and home prices increased slightly. Demand for starter homes was up, while demand for middle-market homes eased. Contacts indicated that higher property taxes and homeowner insurance rates were barriers to buyers entering the market. Nonresidential construction increased slightly. Contacts highlighted ongoing healthcare, data center, and electric vehicle battery plant projects. Commercial real estate activity was unchanged, as prices held steady and rents decreased a bit. Vacancy rates and the availability of sublease space ticked up.

Manufacturing

Manufacturing demand decreased slightly over the reporting period. Orders for steel ticked down on balance, as decreases from the heavy equipment, energy, and automotive sectors outpaced increased demand for infrastructure and data center construction. Fabricated metals orders were down slightly, in part due to slowdowns in residential construction and heavy machinery manufacturing. That said, several contacts noted increases in demand from the defense sector as well as for products destined for rebuilding efforts after the hurricanes. Machinery sales decreased slightly, auto industry contacts saw a dip in demand, and heavy truck demand fell modestly. A contact in the heavy truck industry expected a further drop in demand over the next few months.

Banking and Finance

Financial conditions loosened slightly on balance. Bond values were up some, as were equity values. Volatility increased slightly on net. Business loan demand edged up, though one banking contact highlighted a decline in lending to the heavy equipment sector. Business loan rates decreased modestly, but terms were unchanged. Business loan quality moved down slightly. Consumer loan volumes rose slightly, in part due to greater mortgage demand. Consumer loan rates edged down and terms were stable. Consumer loan quality decreased slightly.

Agriculture

Farm income expectations for the District were stable over the reporting period despite prospects for above-average corn and soybean harvests. Dry weather helped reduce crop drying costs but also led to lower crop weights, cutting into potential revenue. Corn and soybean prices increased slightly, and farmers were maximizing crop storage in hopes of selling later at higher prices. Cattle prices increased as the inventory of cattle continued to fall, reaching its lowest point since the 1950s. Dairy prices rose some, while egg prices ticked down. Hog prices were steady. Agriculture transportation faced several logistical disruptions, including constrained rail traffic to Mexico and barge slowdowns from low water levels on the Mississippi River. There were reports of agriculture equipment and input sellers offering low- and even zero-interest loans to spur sales.

Community Conditions

Community, nonprofit, and small business contacts saw little change in economic activity but were slightly optimistic about future economic conditions. State government officials again saw healthy growth in tax revenues. Small business contacts in affordable housing development commented that persistent high costs, including labor and insurance, continued to squeeze profit margins and disrupt project plans. Philanthropic leaders noted increases in grant requests, as nonprofit grantees sought to manage higher operating costs and meet basic community needs, including food. Community contacts also reported increases in homelessness as well as utility arrearages, both indicators of the housing challenges faced by low-income community members.

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

Federal Reserve Bank of St. Louis

Summary of Economic Activity

Economic activity across the Eighth District has remained unchanged since our previous report, although demand continues to show some signs of slowing. Prices continued to increase modestly, with some input costs remaining unchanged or decreasing. Consumer spending reports continued to indicate that higher prices for goods are weighing more heavily on spending than higher prices for services or experiences. Across the District, contacts expected they will maintain employment levels in the upcoming months. Manufacturing activity continued to decrease slightly with fewer new orders and lower production. Residential and commercial real estate remained unchanged, yet construction activity had picked up. Banking sector contacts observed recent favorable changes to balance sheets due to higher bond values and lower deposit rates. Agriculture sector contacts reported some stress due to low commodity prices despite good yields and slightly lower input costs. While the outlook has remained slightly pessimistic overall, it has modestly improved for many.

Labor Markets

Employment has remained unchanged since our previous report. Contacts noted that hiring pressures had eased, with lower turnover, and that more people were applying for open positions. But contacts in several sectors reported that many applicants were not qualified and hiring skilled labor has continued to be a challenge. A Louisville real estate contact noted labor for housing improvements, such as painters and drywall installers, was hard to find. Similarly, hospital contacts reported that the market for nurses and physicians continued to be tight and that they have put greater emphasis on company culture and employee recognition to increase retention. Several tourism and hospitality contacts in the St. Louis area reported that employment levels would be flat to slightly higher in the upcoming months. Agriculture businesses reported that most of the contraction and rightsizing had already occurred over the past six months.

Wage growth for most contacts has remained unchanged, settling back to around three percent, and was anticipated to remain around that rate over the next six months. However, some contacts reported that their lowest-wage workers in the past year had accelerated wage growth, which may continue to put upward pressure on wages.

Prices

Prices have continued to increase modestly since our previous report. Contacts reported that not all input prices were increasing, but rather that some of the prices that were increasing reflected suppliers who postponed price adjustments over the past year or two. Some costs were slightly lower, and some prices charged to customers were flat to slightly lower. Contacts across many sectors reported higher insurance costs. A healthcare contact reported that costs of pharmaceuticals and high-end medical equipment continued to climb, though pricing contracts with their customers prevented passing on these costs. One restaurant in Arkansas noted that they were increasing prices despite their concern that it could negatively impact customers. A food provider noted that prices to consumers were flat despite lower costs of feed and energy because these lower costs did not offset increases in other costs. A trucking contact noted that fuel prices had come down significantly and that, because of low demand, vendors supplying goods to the trucking industry weren't raising prices. A fast-food contact reported that a combination of discounted prices and higher wages was continuing to squeeze profit margins.

Consumer Spending

Consumer spending has remained unchanged since our previous report. Retail spending continues to be slightly below expectations. Car dealerships continued to note slower foot traffic. Several casual restaurants noted that sales per person remained a few dollars lower than a year ago and that customers have reduced their frequency of eating out. Hotels across the District reported that room rates were unchanged, occupancy rates had been steady, and bookings were looking strong for the upcoming months. Several hospitality contacts noted that demand was higher than a year ago and, in most cases, had met expectations. However, concession spending at their venues was lower and visitors appeared more sensitive to higher goods prices relative to the prices of their activities.

Manufacturing

Manufacturing activity has decreased slightly since our previous report. Contacts in the consumer packaged-goods industry continued to hold higher levels of inventory due to weaker consumer demand. Contacts reported that inventories were also elevated in anticipation of disruptions stemming from the port worker strike, which was resolved quickly. Across the District, production and new orders have slightly decreased. A plastics packaging manufacturer reported slower orders and that his orders typically lead other manufacturing activity by about three months. A spirits producer cut their capital expenditures budget by 50 to 60 percent from what was expected prior to entering the fiscal year. Automobile manufacturers in Kentucky reported slowing production due to supply chain disruptions stemming from storm devastation affecting plants in North Carolina.

Nonfinancial Services

Activity in the nonfinancial services sector has decreased slightly since our previous report. Contacts in the transportation industry indicated slower growth due to softening demand. A St. Louis trucking contact reported lower demand and higher operating costs that have been tempered by lower fuel costs. An air cargo contact reported that volumes were depressed and continued to weaken. Airport contacts were expecting passenger demand to improve in the upcoming months, especially for leisure travel, as they had recently seen less leisure travel relative to business travel. In the healthcare sector, lack of high-skilled workers and high costs remain a challenge. A large hospital in the District reported recruiting workers from other states and outside the region. Hospital contacts also reported greater discipline around capital spending, and a contact at a rural hospital in Arkansas reported that reimbursements were down while costs were trending higher.

Real Estate and Construction

Residential real estate has remained unchanged, on net, since our previous report. In the St. Louis area, sales and listings remained stable. In Tennessee, existing inventories of homes for sale have continued to increase and contacts reported that these homes were staying on the market longer. In Arkansas and Northen Mississippi, contacts noted that the residential real estate market had improved over the past month. Contacts across the region reported that the recent decline in interest rates is expected to attract more potential homebuyers, with the concern that it will place upward pressure on property prices, as buyers compete for a limited supply of homes.

Commercial real estate has slightly improved; contacts reported that construction activity was picking up. Developers in Arkansas noted that a project previously on hold had actively moved forward in recent weeks. Many multifamily complexes across the District are under construction, and rental units continue to be in high demand. Contacts also reported industrial construction is expected to remain strong due to demand for data centers and power plants.

Banking and Finance

Banking activities have remained stable since our previous report. Loan demand growth continued to be mixed. While mortgage originations have remained unchanged, consumer loans have slightly increased. Bankers have reported increased inquiries for loans and that they were able to adjust deposit rates downward without receiving much pushback from customers. While past-due credit card payments have been increasing, bankers' credit quality forecasts continued to be favorable. Bankers reported positive moves in their capital and balance sheets due to favorable changes in bond values. Bankers indicated that larger commercial loans were tied to a variable rate; thus, customers in that category were expected to see some immediate relief in their interest rate expense.

Agriculture and Natural Resources

Agriculture production has been stable since our previous report; however, overall sector conditions have weakened. Contacts from Mississippi reported that, even with very good yields, most farmers will struggle to break even this year. Across the District, crops were healthy and yields were high; however, input prices remained high and commodity prices were low. The decrease in feed prices has been positive for protein producers, yet it failed to offset other cost increases. Contacts also noted a minimal effect of recent hurricanes, and they expected the cotton harvest to be strong despite the rains, although crops' milling quality has been negatively impacted in Arkansas.

Federal Reserve Bank of Minneapolis

Summary of Economic Activity

Economic activity in the Ninth District was slightly down since the previous report. Employment increased slightly, but labor demand continued to trend down. Prices increased slightly, and wage growth was moderate. Manufacturing declined moderately and construction decreased slightly. Consumer spending, energy, and agriculture were flat. Residential real estate activity was moderately lower, and commercial real estate was slightly up. Activity among minority- and women-owned business enterprises was mixed.

Labor Markets

Employment increased slightly since the last report. Those with open positions reported that labor availability was much improved. A source at a Minnesota supply company said that it received 12 applications for a high-skill driving position that it had previously struggled to fill, and noted, “I about fell out of my chair.” However, job openings continued to decline, particularly among full-time positions, and a larger share of firms were not hiring. A job fair in central Minnesota was canceled for lack of employer interest. Hiring related to turnover remained high. A Montana staffing company said that they were receiving record numbers of job applications “and not many are unemployed.” Numerous contacts acknowledged some hiring caution due to the uncertainty of the upcoming presidential election, and also some optimism for higher labor demand afterward.

Wage growth was moderate. Survey respondents reported increases similar to levels seen earlier in the year. Numerous contacts in different fields reported that wages increased by three to four percent. Workforce contacts reported that some businesses looked to less-experienced workers in hopes of keeping labor costs down. A South Dakota contact said that labor demand has dropped, “not because businesses don’t need the help, but because they don’t believe they can afford the wages, so they’re not hiring.”

Prices

Prices increased slightly overall since the previous report. A monthly survey found little change overall in prices charged by firms in September compared with the previous month. Input price pressures appeared to have ticked up slightly, as 40 percent of firms said they were up over the month. Results from an annual tourism and hospitality survey indicated that firms in the sector saw decreased inflationary pressure over the summer relative to the year earlier. Retail fuel prices in District states decreased slightly since the previous report. Prices received by farmers increased in August from a year earlier for sugar beets, dry edible beans, chickens, eggs, milk, and cattle; prices decreased from a year earlier for corn, soybeans, wheat, barley, lentils, hogs, and turkeys.

Worker Experience

Overall, workers and job seekers across the region experienced a moderate decrease in their ability to find jobs that meet their demands, but there was considerable variation across employment types. A workforce development contact in Minnesota reported that getting jobs in tech and IT was difficult, in part because remote work allows employers to hire experienced workers from out of state. Project delays in construction limited electricians' abilities to secure employment, according to a labor contact. On the flipside, job seekers continued to experience relative ease finding jobs in the health care sector, particularly those in older adult services and long-term care, where wages and bonuses remained attractive. Flexibility continues to be a key priority among workers and job seekers. "Employees, especially younger generations, are seeking roles where they feel they can make meaningful contributions," shared a Minnesota contact. "Many jobseekers are now more selective, seeking out employers that align with their values, offer clear career development paths, and support mental health initiatives."

Consumer Spending

Consumer spending was flat since the last report. A South Dakota contact said retail foot traffic has been down and consumer spending has been flat. However, a Minnesota mall contact reported healthy recent foot traffic and spending activity, with similar expectations heading into the holiday season. Vehicle sales, including for recreation, were softer on a year-over-year basis. Hotel sources suggested that occupancy rates were steady and average room rates remained comparatively high. Leisure travel across District airports remained strong. Contacts reported some concern for consumer financial health. Bankers noted increases in home equity loans as well as increased consumer loan delinquencies. A retail contact said consumer health was "deteriorating, but not tanking. Lots of trading down" in purchases, like generic products for name-brand ones.

Construction and Real Estate

Construction activity was down since the last report, with some lumpiness across the sector. Industry data suggested that sector activity was growing slightly. But sources suggested that large projects, like data centers and infrastructure, have balanced much slower activity in other segments, particularly multifamily and other commercial projects. A contact from a mid-sized Minnesota construction firm said it was seeing “increased pressure on margins to secure a smaller number of opportunities.” Several contacts reported a small, preliminary uptick in those looking to restart delayed projects given the recent cut in interest rates. Others reported that potential customers and projects were in a “wait and see” mode in relation to the election. Single-family residential permitting increased in September, year over year, in much of the District, with the exception of Minneapolis-St. Paul, which saw a fairly large decline.

Commercial real estate remained soft. Industrial vacancy rates have risen but were expected to fall going forward thanks to a dearth of new building. Office vacancy rates remained high, though new leasing activity in high-quality space was reportedly healthier. Residential housing sales were lower overall and fairly volatile compared with last year’s activity. Available sales figures for August and September showed double-digit declines in some markets, while some markets saw increases of similar size, even in the same state.

Manufacturing

Manufacturing activity in the District decreased moderately since the previous report. More manufacturing firms reported decreased orders in the previous month compared with those seeing increases; however, most expected sales to increase in the coming month. A regional manufacturing index indicated a contraction in activity in Minnesota and South Dakota in September from a month earlier, while activity increased in North Dakota.

Agriculture, Energy, and Natural Resources

Agricultural conditions in the District were stable at low levels. Preliminary estimates suggested that corn production in District states will decrease modestly from a year ago and soybean production will increase moderately. Wheat production in District states increased significantly from last year. A decline in Montana was more than offset by increases in other states. District oil and gas exploration activity was unchanged since the previous report.

Minority- and Women-Owned Business Enterprises

Minority- and women-owned business enterprises were evenly split between those reporting higher or lower sales; a small number noted flat conditions. Over half of contacts reported lower profits in the last month. Employee headcount was largely unchanged, and only one in five contacts said hiring demand for their business was up. Most contacts expected sales to remain steady or improve over the following weeks. A South Dakota restaurant owner said they were hoping for an “exceptional hunting season” to boost their business and improve profitability. Less than half of contacts reported paying more for labor and other inputs compared with the previous month. A similar share said they expected costs to increase further in the coming weeks.

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

Federal Reserve Bank of Kansas City

Summary of Economic Activity

Economic activity in the Tenth District held steady in recent months, led by modest growth in consumer spending. While employment levels were unchanged on net and only a small share of contacts reported staff reductions, reports of declining headcount were somewhat more common in recent months. Even though employment remained steady, manufacturing production and sales of professional services declined across the District. Contacts across sectors reported a significant increase in the amount of time it takes to receive payments from customers compared to the beginning of the year. Few contacts reported that these payment delays resulted in either reduced hiring or capital outlays. However, these delays are reportedly raising financial strains among businesses and influencing their cash management practices. Prices continued to grow slowly over the last month, including growth in housing prices. The deceleration in shelter prices were more evident in areas that experienced rapid growth in recent years, while shelter price pressures remained elevated where rent and housing prices had not risen as fast.

Labor Markets

Employment levels were mostly unchanged across the District on net. Only a small share of contacts reported reducing their staffing levels, though reports of declining headcount were somewhat more common in recent months. More manufacturing firms lowered their headcount than service firms, and they were also more likely to curb overtime hours and reduce the average hourly work week. Contacts that were actively recruiting noted the number of job applicants for open positions greatly exceeded the amount from a year ago. Wage growth continued to decelerate, with compensation levels rising only modestly. Fewer firms indicated they raised wages substantially to retain workers in recent months as quit rates reportedly remained low.

Prices

Prices continued to grow slowly over the last month, with some differences across business contacts and households. Input prices continued to rise moderately for both services and manufacturing firms. However, reports on selling prices were mixed. Service firms noted modest growth in selling prices due to some ability to pass higher prices onto consumers, while selling prices declined slightly for manufacturers. Housing prices and rents grew modestly on average across the District over the last month, but varied widely across locations. Home prices expanded more slowly in western states like Colorado and New Mexico, where housing price growth had been faster in recent years. In contrast, housing prices grew more swiftly in midwestern states like Missouri and Kansas, where price growth had been relatively lower over the past couple of years. Rents followed a similar pattern, with muted rent growth in western metros like Denver and Albuquerque and faster rent growth in smaller midwestern metros like Wichita and Tulsa.

Consumer Spending

Growth in consumer spending slowed to a modest pace. Reports were generally mixed, even among businesses within narrow spending categories, with the exception that most contacts noted consumers were increasingly price sensitive. Many of the businesses that reported expanding activity attributed that growth to promotions, sales, or discounts. Meanwhile, many of the businesses that indicated declining consumer spending highlighted pullbacks in luxury or higher-end goods and services. For example, home remodeling activity slowed for large renovations and luxury improvements but picked up among smaller home maintenance and repair activity. Similarly, auto sales slowed for EVs and large SUVs that have higher price points but picked up slightly among smaller economy models that are more affordable.

Community Conditions

Contacts reported that the ability to remain connected to the internet became more challenging for low- and moderate-income (LMI) populations, exacerbated by the ending of the Affordable Connectivity Plan earlier this year. Organizations assisting in digital access said that many households have elected to maintain their internet connections through discounted plans offered by internet service providers (ISPs) or by reducing the plan quality. They noted uncertainty about how long households would maintain service amid other cost constraints and limited funds available from internet subsidies. Regarding ISPs discounted plans, contacts highlighted variability in the access and reliability across service areas. Furthermore, they noted some ISPs expressed concern about the financial sustainability of certain infrastructure projects aimed at improving internet access due to the loss of lower-income internet subscribers.

Manufacturing and Other Business Activity

The pace of decline in manufacturing activity accelerated to a moderate rate over the past month, led by robust declines in the production and sales of finished goods. Services businesses also reported declines in activity, but those declines were modest. Contacts across sectors reported a significant increase in the amount of time it takes to receive payments from customers as compared to the beginning of the year. Delayed payments were reported for customers of all sizes. Contacts indicated the increases in time to receive payments significantly increased financial stress for their business, but almost none of the contacts reported that greater delays in receiving payments resulted in slower hiring plans or capital outlays. Instead, contacts indicated they are adopting stricter cash management practices. Although financial stress rose among many businesses, the outlook for production activity and hiring were mostly unchanged and expectations were for current conditions to persist over the next six months.

Real Estate and Construction

Commercial real estate activity picked up recently. The volume of sales continued to grow modestly, and sales prices also rose after having been in decline for several months. Refinancing activity reportedly rose as well. Loan demand picked up in accordance with the increase in transaction activity, though borrowers continued to cite difficulties in accessing credit. Several contacts indicated operating expenses continued to rise at an outsized pace with multiple drivers. Property owners indicated prospective tenants are requesting more modifications resulting in modest increases in cost pressures. Insurance premiums and maintenance costs have reportedly continued to rise at a robust pace. Some contacts expected that construction and maintenance costs could reaccelerate in coming months.

Community and Regional Banking

Loan demand was mostly unchanged at District Banks over the last month, although several bankers indicated moderately stronger demand for residential mortgage loans. A larger proportion of respondents indicated overall loan quality deteriorated modestly, primarily for consumer lending. Expectations were reportedly for further, but mild, deterioration in credit quality over the next six months. Deposit levels remained stable, with some contact noting a shift toward certificates of deposit accounts due to the declining rate environment. The primary outlook for bank M&A activity among contacts was generally unchanged, though several bankers did note an anticipated increase in their outlook for M&A activity over the next twelve months.

Energy

Tenth District oil and gas activity fell moderately. While most contacts reported no change in activity, nearly a third reported declines in drilling activity. The few firms that reported higher activity were generally smaller operators. Drilling activity varied across the District, with slightly higher rig counts in Oklahoma and Wyoming but fewer rigs in Colorado. Revenues and profits declined somewhat as oil prices softened but remained in positive territory for the average District firm. Consequently, capital expenditures fell somewhat compared to last year. Natural gas prices increased recently, yet remain below profitable levels. Contacts reported the current low gas prices constrain or completely hinder drilling over the near term, but expectations are that drilling for natural gas will be profitable in a couple of years.

Agriculture

Activity in the agricultural sector within the Tenth District continued to decline at a moderate pace as crop prices remained weak. As activity slowed, farm lenders still reported increased loan demand driven by higher operating costs and living expenses. Agricultural lenders reported lower farm incomes and a slight decline in farm loan repayment rates during the most recent survey period. Deterioration in farm borrower liquidity and income was more pronounced in states most heavily concentrated in crop production. Financial conditions were more stable in areas most concentrated in cattle production as profit opportunities for cow/calf producers remained strong. Although contacts indicated slight declines in repayment rates and borrower liquidity, overall loan quality remained sound and farm real estate values held firm.

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

Federal Reserve Bank of Dallas

Summary of Economic Activity

The Eleventh District economy expanded modestly over the reporting period. Activity grew moderately in nonfinancial services but was flat to down in manufacturing, retail, finance, and energy. Demand for nonprofit services increased. Home sales were flat, and agricultural conditions weakened. Employment rose modestly, and wage growth remained moderate. Selling price growth continued to be below average in most sectors except for manufacturing, where it was more typical. Outlooks were mixed, buoyed partly by the recent rate cut but weighed down by concerns regarding slowing demand and rising geopolitical and domestic policy uncertainty.

Labor Markets

Employment increased modestly over the past six weeks. Staffing firms cited a shift from temporary to direct hiring activity and added that firms were being more selective in their hiring decisions. Some firms said hiring was on pause, while professional and business services firms noted difficulty filling certain skilled positions. Most firms noted no change in the share of employees working remotely over the last year, while 11 percent cited having increased shares to boost employee morale and help with recruitment and worker retention. Among the 13 percent of employers who decreased the share of remote workers, improving teamwork and company culture were the main reasons.

Wage growth generally remained moderate. Some staffing services firms reported downward pressure on rates and one firm said in some instances the rates were so low that they were barely profitable. Texas businesses expect wage growth in the next 12 months to be 3.7 percent, on average, up from 3.5 percent in June but down from 4.4 percent in the previous 12 months.

Prices

Prices increased at a modest pace over the reporting period. Input costs were flat to up in most sectors, including energy, construction, and manufacturing. Selling price growth was moderate in manufacturing but remained below average in most other sectors. Homebuilders and auto dealers noted margin compression. Contacts' expectations of input cost growth have adjusted downward while selling price expectations were stable. Over the next 12 months, contacts expect input costs to rise 3.2 percent down from 3.7 percent in June, and plan to increase their prices by 2.7 percent, which is little changed from June.

Manufacturing

Texas manufacturing activity fell modestly in September, after stabilizing in August. Weakness persisted in durable goods, particularly in primary metals and machinery manufacturing. Among nondurables, food manufacturers saw a notable increase in new orders, while Gulf Coast refinery utilization rates dipped due to narrowing margins and seasonality. Manufacturing firms generally reported little to no impact of the port workers strike on their business, though some said if the strike had persisted it would have affected polymer production at several plastic manufacturing facilities. Manufacturing outlooks remained weak, with sluggish demand and heightened election uncertainty cited as key headwinds.

Retail Sales

Retail sales fell during the past six weeks. Auto dealers reported slow traffic and declining sales. However, not all sectors experienced a slowing. Health and personal care retailers cited modest increases, and food and beverage stores generally reported flat activity. Retail inventories held steady. Outlooks remained negative.

Nonfinancial Services

Service sector activity accelerated over the reporting period, with revenue growth strengthening to a normal pace following sluggish activity over the last year. Revenues in the leisure and hospitality sector rebounded strongly from the declines seen this summer. Revenue growth was moderate in transportation services. Airlines said air passenger demand remained stable, and business travel was returning in the form of fewer longer-duration trips rather than short, frequent ones. Growth in information services and professional and business services continued at a steady rate. In contrast, revenues in health care and education exhibited weakness. Outlooks shifted from slightly pessimistic to neutral but were still being dampened by labor costs and economic and domestic policy uncertainty.

Construction and Real Estate

Housing demand was stable during the reporting period. Contacts cited steady traffic and sales but noted lack of urgency among buyers and that clients were looking for deals. There were reports of weaker activity in the entry-level market. Discounting and rate buy downs remained widespread, and land and lot prices stayed elevated. The squeeze on builders' margins tempered outlooks.

Commercial real estate activity was steady. Apartment leasing continued to be solid, but concessions remained widespread putting downward pressure on rents. Office leasing activity improved though it remained slow and was primarily concentrated in class A space. Retail and industrial demand grew, and rents were flat to up. Outlooks improved slightly, though contacts said the rate cuts have not yet materially impacted activity or pricing.

Financial Services

Loan volumes declined in October, despite loan prices having declined for the first time since 2021. Overall, credit tightening continued and loan nonperformance rose but at slower pace for both than in the previous reporting period. There was a notable uptick in concern for the performance of office commercial real estate loans. Bankers reported working with borrowers to keep CRE loans in good standing prior to maturity, when they may be refinanced. Despite this increased concern, bankers' outlooks turned sharply optimistic. Contacts expect a significant improvement in loan demand and business activity six months from now, although they still anticipate continued deterioration in loan performance.

Energy

Oilfield activity held fairly steady over the reporting period. Input costs dipped as capacity utilization in oil field services eased. Producers continued to note an elevated level of production and improving well productivity and expectations are for modest production growth in the remainder of the year. While contacts broadly expect U.S. production to expand further in 2025, lower price outlooks, domestic policy uncertainty, long-term concerns regarding the adequacy of freshwater supply for fracking in the Permian, and geopolitical risks have heightened uncertainty in outlooks.

Agriculture

Drought conditions emerged in more parts of the state over the reporting period, straining crops. Contacts continued to report tough financial conditions for row crop farmers this year, as both cotton and grain prices are at unprofitable levels for many producers. Above-average production is needed for producers to cover costs, and that largely hasn't materialized due to dryness in some areas and hurricane damage in others. One contact emphasized needing to get the new farm bill passed to provide more beneficial safety net programs. On the cattle side, deteriorating grazing conditions are a key concern, though calf and cattle prices remain high and profitable.

Community Perspectives

Nonprofit service providers noted continued solid demand for social services. Availability of safe and affordable housing remained a top concern, and there were reports of increased demand among lower-income clients for funding for home repairs or weatherization, particularly in the aftermath of recent severe weather events. Contacts cited rising assistance requests from seniors which they attributed to inflation. One nonprofit reported rising vacancies in their senior-only housing facilities, as seniors were reentering the workforce out of economic necessity, disqualifying them for these low-cost units. Some nonprofit leaders expressed reduced concern about inflation and interest rates, with one indicating that increased confidence has led them to move forward with capital investment. However, a few others said that economic and election uncertainty has led to hesitancy to give among some donors.

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

Federal Reserve Bank of San Francisco

Summary of Economic Activity

Economic activity in the Twelfth District remained stable during the September through early-October reporting period. Labor availability and employee retention improved further, and several employers resumed plans to expand employment after holding their headcounts steady over the past year. Prices were generally stable in recent weeks, while wages grew slightly. Retail sales as well as activity in manufacturing and consumer services softened. Demand for business services improved, while conditions in real estate, financial services, agriculture, and resource-related industries were largely unchanged. Demand for housing and food services remained elevated, and job seekers sought training and workforce development services to get higher-paying jobs in their communities. Looking ahead, contacts' views on the economic outlook improved notably in recent weeks, with several citing recent reductions in interest rates and their improved sentiments about the labor market.

Labor Markets

Employment levels were generally stable to slightly higher over the reporting period. Several employers began hiring for open positions put on hold over the past year, citing an improved economic outlook. Labor availability improved further in recent weeks. The number of job applications increased, and employers generally found it easier to hire. Additionally, turnover continued to slow across industries, particularly in financial, consulting, and legal services. A few contacts highlighted some challenges attracting workers in construction and nonprofit community support organizations as well as for some management positions in the technology, accounting, and health-care sectors. There were some reports of continued investment in automation solutions and generative artificial intelligence (GenAI) technologies to improve labor productivity. For example, one restaurateur reported successfully using GenAI software at drive-thru stations in some urban and suburban locations.

Wages grew slightly in recent weeks, and at a pace generally in line with historical growth rates. Wage pressures reportedly subsided for entry-level positions in construction, real estate, and business services but remained somewhat elevated for positions in mid-level management, information security, and the skilled trades. Some contacts anticipated a pickup in the pace of wage growth for positions impacted by recent and ongoing labor union negotiations and minimum wage adjustments that go into effect early next year.

Prices

Prices were generally stable in recent weeks after ticking up slightly during the prior reporting period. This was the first reporting period with no net increase in prices in over three years. Contacts largely reported stable operating costs across industries and geographies, with the exception of energy costs, which rose notably since late September. Prices of some raw materials, such as lumber, fell in recent weeks, while insurance and health-care costs remained elevated.

Community Conditions

Demand remained elevated for community support services, particularly for health-care, food, housing, and workforce development. Contacts reported that workers were seeking training to get higher-paying jobs. Some people in the community were focusing on cost over quality when looking for mental health services. Funding availability for nonprofit organizations from government grants, the private sector, and individual donors remained subdued. Contacts reported that some small businesses in Hawaii, such as those in food services and retail, faced continued challenges with lower consumer demand. Some newer small business owners in Utah sought help with obtaining funding and with business operations training. One contact noted that elevated demand for shelters and community services attracted interest in market entry by some for-profit entities.

Retail Trade and Services

Retail sales moderated slightly. Contacts noted that sales for apparel, pet products, and home improvement goods softened somewhat, leading to excess capacity for some. Consumers continued to seek discounts and were reluctant to pay full price for nonessential goods. A few reports highlighted some pullback in spending in the Pacific Northwest from households impacted by recent and ongoing labor disputes in the region.

Activity in the consumer services sectors decreased further, while demand for business services improved relative to the previous reporting period. Demand for leisure travel and hospitality services softened, and sales at restaurants and fast-food establishments were down. Business travel slowed in recent weeks beyond seasonal factors, in part due to increased uncertainty related to the elections. Demand for medical laboratory testing remained strong, and demand for janitorial, security, and food catering services was robust, supported by more businesses expanding their mandates for workers to return to offices. Contacts in legal services reported higher demand, particularly from individuals as opposed to business.

Manufacturing

Manufacturing activity slowed modestly over the reporting period. Sales of wood products were hampered by a softer housing market and slower demand from Asian markets. Activity in the aerospace industry was weaker due to recent and ongoing labor contract negotiations. A few contacts highlighted the negative impact of labor disputes on economic activity in the Pacific Northwest. One manufacturer in the defense industry highlighted continued uncertainty related to government investment.

Agriculture and Resource-Related Industries

Conditions in the agriculture and resource-related industries were largely unchanged. Exports remained subdued, particularly to Asian markets, despite a slightly weaker U.S. dollar relative to the last reporting period. Domestic demand was stable overall, but sales reportedly fell at the retail level for some produce, such as apples. The supply of produce, including tree fruit and nuts, remained solid, largely owing to healthy harvest yields and stored inventory from the prior harvest. Materials and agricultural inputs were readily available. While demand for logs remained low, demand for forested land for investment and conservation purposes was robust.

Real Estate and Construction

Conditions in the residential real estate sector were stable and similar to those in the prior reporting period on net. Single-family home prices were stable to up, while multifamily rents were stable to down as new completions continued to expand supply. A Southern California contact observed that migration out of the area somewhat contributed to higher vacancy rates. Some builders reportedly put new projects on hold in anticipation of lower financing costs over the coming months.

Commercial real estate activity was unchanged on balance. Demand for retail space was solid, and landlords reported being able to fill vacant stores at higher rents. Rents for industrial space were stable, and one contact observed stronger demand for smaller properties. Office vacancies remained elevated as renovation costs reportedly limited landlords' ability to lower rents further to attract prospective tenants. Commercial construction activity was bolstered by government infrastructure projects, and project backlogs reportedly eased.

Financial Institutions

Activity in the financial services sector was largely unchanged. Demand for most business and consumer loans was muted. Contacts generally anticipated improved liquidity and higher demand for credit given recent declines in interest rates. Lenders reported a recent uptick in inquiries about loan product offerings by businesses due to their expectations of lower interest rates ahead. Credit and asset quality were reportedly high. Contacts in the insurance industry highlighted that increasing costs and premiums pushed some carriers out of business.

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