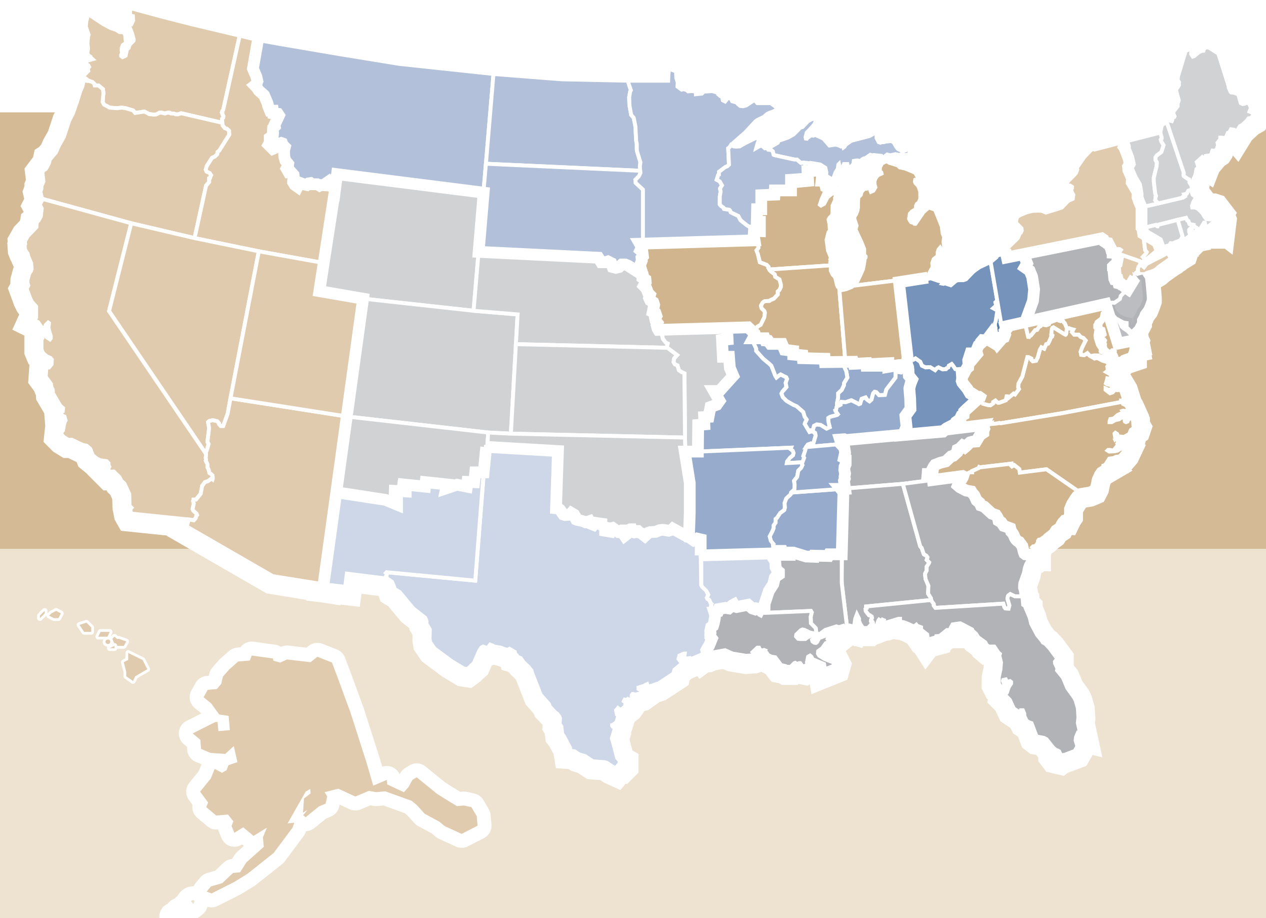
The Beige Book

Summary of Commentary on Current Economic Conditions by Federal Reserve District

August 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

Economic activity grew slightly in three Districts, while the number of Districts that reported flat or declining activity rose from five in the prior period to nine in the current period. Employment levels were steady overall, though there were isolated reports that firms filled only necessary positions, reduced hours and shifts, or lowered overall employment levels through attrition. Still, reports of layoffs remained rare. On balance, wage growth was modest, while increases in nonlabor input costs and selling prices ranged from slight to moderate. Consumer spending ticked down in most Districts, having generally held steady during the prior reporting period. Auto sales continued to vary by District, with some noting increases in sales and others reporting slowing sales because of elevated interest rates and high vehicle prices. Manufacturing activity declined in most Districts, and two Districts noted that these declines were part of ongoing contractions in the sector. Residential construction and real estate activity were mixed, though most Districts' reports indicated softer home sales. Likewise, reports on commercial construction and real estate activity were mixed. District contacts generally expected economic activity to remain stable or to improve somewhat in the coming months, though contacts in three Districts anticipated slight declines.

Labor Markets

Employment levels were generally flat to up slightly in recent weeks. Five Districts saw slight or modest increases in overall headcounts, but a few Districts reported that firms reduced shifts and hours, left advertised positions unfilled, or reduced headcounts through attrition—though accounts of layoffs remained rare. Employers were more selective with their hires and less likely to expand their workforces, citing concerns about demand and an uncertain economic outlook. Accordingly, candidates faced increasing difficulties and longer times to secure a job. As competition for workers has eased and staff turnover has fallen, firms felt less pressure to increase wages and salaries. On balance, wages rose at a modest pace, in line with the slowing trend described in recent reports. Skilled tradespeople and other workers with specialized skills remained in short supply and continued to see stronger wage increases, as did those in unions.

Note: This report was prepared at the Federal Reserve Bank of Cleveland based on information collected on or before August 26, 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

On balance, prices increased modestly in the most recent reporting period. However, three Districts reported only slight increases in selling prices. Nonlabor input cost increases were largely described as modest to moderate and as generally easing, though one District described input cost increases as ticking up. A number of Districts observed that both freight and insurance costs continued to increase. By contrast, some Districts noted that cost pressures moderated for food, lumber, and concrete. Looking ahead, contacts generally expected price and cost pressures to stabilize or ease further in the coming months.

Highlights by Federal Reserve District

Boston

Economic activity increased modestly, but results varied widely. Residential real estate led recent activity, with strong increases in single-family home sales. Consumers' increased budget consciousness showed up in slightly softer retail and restaurant sales, and retailers perceived pressure to lower their prices. Job creation slowed. The outlook was mixed between optimism and increased caution.

New York

On balance, regional economic activity remained flat. Labor market conditions continued to moderate, with ongoing cooling in labor demand and increased worker availability. Consumer spending was unchanged. Housing markets remained solid, with home prices edging up. Selling price increases remained modest.

Philadelphia

Business activity declined slightly in the current Beige Book period after rising slightly last period. Employment appeared to decline slightly, while consumer spending fell modestly. Nonmanufacturing activity held steady. Wage growth continued at a modest pace, as did reported rises in input costs and prices. Expectations for future growth remained slightly positive overall—growing more widespread for manufacturers but waning for others.

Cleveland

District business activity declined slightly in recent weeks, though contacts expected activity to increase slightly in the near term. Demand for manufactured goods softened further, and consumer spending declined moderately. Employment levels were stable to slightly up. On balance, wages and nonlabor costs increased modestly, while selling prices grew slightly.

Richmond

The regional economy contracted slightly this cycle after increasing slightly last period. Consumers pulled back on spending on goods and services, including travel and vehicles and other big-ticket items. Manufacturing activity also declined slightly while nonfinancial services firms reported flat demand in recent weeks. Employment continued to grow at a mild pace amid modest wage growth. Year-over-year price growth remained somewhat elevated.

Atlanta

Economic activity in the Sixth District declined slightly. Employment increased modestly and wages grew slowly. Prices grew modestly, and pricing power lessened. Consumer spending declined. Leisure travel slowed, but business travel improved. Housing activity declined. Demand for transportation services weakened. Loan volumes increased. Manufacturing activity fell. Energy activity expanded.

Chicago

Economic activity increased slightly. Employment and business spending rose slightly; manufacturing activity and consumer spending were flat; nonbusiness contacts saw little change in activity; and construction and real estate activity edged down. Prices were up modestly, wages rose moderately, and financial conditions were little changed. Prospects for 2024 farm income declined some.

St. Louis

Economic activity has remained unchanged since our previous report. Contacts reported weakening of household finances and overall lower demand. Employment has been stable and wage growth continued to moderate back toward longer-run trends. Prices to consumers have increased modestly, production costs have increased and are expected to be more persistent. The economic outlook has remained slightly pessimistic since our previous report.

Minneapolis

District economic activity fell slightly. Employment was flat and hiring softened, while wage growth was moderate. Price pressures eased as overall prices increased slightly but at a slower pace. Consumer spending was slightly lower, but tourism held up and vehicle sales increased. Manufacturing and construction activity declined. Agricultural conditions remained weak.

Kansas City

Economic activity in the Tenth District remained stable. Many contacts indicated they recently reduced hiring activity relative to their plans at the beginning of the year. Contacts reported particular weakness in demand for entry-level work. In housing markets, both brokers and home-builders indicated activity is poised to rise if borrowing costs decline even slightly.

Dallas

The Eleventh District economy expanded modestly over the reporting period. Employment was stable, and wage growth remained moderate. Selling price growth continued below average in the service sector but was more typical in manufacturing. Outlooks were somewhat mixed, though most businesses expect demand to stay the same or increase over the next six months.

San Francisco

Economic activity remained stable, employment levels and prices rose slightly. Wages grew modestly, while retail sales were stable. Activity in consumer services and manufacturing ticked down a bit. Conditions in the agriculture, residential, and commercial real estate markets continued to soften slightly. Activity in the financial services sector remained muted.

Federal Reserve Bank of Boston

Summary of Economic Activity

Economic activity was mixed, increasing modestly overall. Employment and wages were flat, and prices increased only slightly. Consumer spending was mixed, as retailers and restaurants owners posted slightly softer sales, but tourism spending grew modestly. Consumers were described as increasingly inclined towards discounted goods and services. Manufacturers reported modestly higher revenues, on average, while staffing firms experienced somewhat softer demand for labor. Contacts reported substantial increases in single-family home sales and small-to-moderate increases in condominium sales. In contrast, commercial real estate activity was mostly flat. The outlook was a mix of optimism—mostly about home sales—and increased caution about the direction of consumer spending and labor demand.

Labor Markets

Employment levels were unchanged on balance and no major layoffs were reported. Wages were flat from the previous quarter but continued to rise moderately on a year-over-year basis. Staffing contacts said that job creation had slowed owing to increased caution in the face of economic uncertainty. Employers reportedly became more selective about workers' qualifications and did not face substantial hiring difficulties. Restaurant and retail contacts even said that labor supply had improved somewhat, facilitating replacement hires. Nonetheless, certain positions, especially temporary roles, remained difficult to fill. Manufacturers reported moderate annual wage growth rates on average, although one said that merit increases put in place earlier in the year had been above average. With rare exceptions, firms did not plan to expand their workforces moving forward, but no major layoffs were planned either. Hotel industry representatives faced the possibility of a large-scale worker strike pending the outcome of upcoming contract negotiations. A workforce development contact expressed increased pessimism concerning job prospects for their trainees, as recent graduates had faced unexpected difficulties finding suitable jobs.

Prices

Prices increased slightly on average, but the reported changes included decreases as well as increases. Retailers aimed at gently lowering their average prices to consumers, whether by direct price reductions on selected goods or by shifting product mix towards lower-priced items. For example, a clothing retailer will enact planned price reductions in September on popular items in a bid to win back customers deterred by a series of price increases since the pandemic at the chain. Hotel room rates in greater Boston increased just 1.3 percent from a year earlier, the lowest growth rate in that market in recent years. Manufacturers held output prices steady in the most recent quarter but reported year-over-year price increases ranging from average to above-average. Across industries, non-labor input prices increased modestly on average, reflecting a general easing of non-labor cost pressures, including wholesale food prices, over the past year. Most contacts expected pricing pressures to stabilize or slow further moving forward, but one manufacturer included upside cost risks in their outlook.

Retail and Tourism

Retail and restaurant sales were slightly weaker overall in recent months, but tourism spending expanded modestly. A clothing retailer experienced improved results that nonetheless still reflected slight declines in sales on a year-over-year basis. A discount retailer also recorded modestly weaker sales from one year earlier, citing flagging sales of higher-priced items such as furniture and flooring, but added perspective by noting that year-ago sales had been especially robust. A Massachusetts restaurant industry contact reported a slight softening of demand throughout the state but added that certain neighborhoods, such as Boston's Seaport, continued to thrive. Hotel occupancy rates in greater Boston were stable in recent months and were up two percent on a year-over-year basis, consistent with annual growth rates observed earlier in the year. Restaurants expected sales to continue to trail last year's results slightly. Retailers were cautiously optimistic that planned improvements in products and pricing would boost sales volumes over the remainder of the year. Tourism contacts remained optimistic for strong hotel and convention activity in the Boston area into 2025.

Manufacturing and Related Services

Among First District manufacturing contacts, average revenues increased modestly from the previous quarter. Results generally met or exceeded expectations. However, a maker of veterinary products noted that sales had declined slightly on a year-over-year basis, extending a trend that has been in place for several quarters and that was attributed to increasingly strained consumer budgets. Capital expenditure plans were unchanged, although one contact noted that their capital projects had proceeded more slowly than anticipated in the first half of 2024. On average, contacts expected flat or modestly higher sales moving forward. However, the veterinary contact revised its forecast downward to predict further declines in sales, consistent with its recent year-over-year results. Other contacts maintained a stable or slightly more optimistic outlook.

Staffing Services

Staffing firms' revenues declined modestly on average from the previous quarter, but results ranged from substantial reductions to slight increases. Contacts' views on the state of the labor market also diverged, as some saw flat or weakening labor demand, while others reported robust staffing needs for selected roles. Even though demand for temporary hires was down at some firms, supply of temporary labor reportedly still fell short of demand. Firms expected mostly flat or even declining demand for their services moving forward, despite some upside demand potential coming from the healthcare industry.

Commercial Real Estate

First District contacts described commercial real estate activity as mostly flat, but with improvements along some dimensions. Leasing activity was generally steady across sectors, an outcome that exceeded seasonal expectations, and rents and vacancy rates were also mostly unchanged. Leasing activity stayed much weaker for office properties than for industrial and retail spaces. Contacts agreed that remote work arrangements had dented office demand in a permanent way and that the market was still adjusting. They cited a growing number of financially distressed office buildings that might eventually be torn down. Nonetheless, contacts saw signs that the office market may have bottomed out, as investors showed renewed interest in the sector. Lending activity was also up slightly—particularly for multifamily and senior housing—but large loan originations remained scarce. One contact noted a modest increase in multifamily construction in Boston's nearby suburbs. The outlook improved slightly on balance, but contacts remained very nervous about distressed office properties and cautioned that softer consumer spending could hurt retail properties.

Residential Real Estate

Single-family home sales in the First District increased by large margins compared with one year earlier, based on data representing the New England states except Connecticut. The average growth rate of sales was well into the double digits—the strongest showing for single-family sales in over two years. Condominium sales were also up from the summer of 2023, by at least small percentages in all states and by large margins in Vermont and Rhode Island. Industry contacts attributed the stronger sales to recent declines in mortgage rates along with increased inventories. Home prices continued to climb at a moderate pace on average on a year-over-year basis, but prices were said to be levelling off in Massachusetts. Contacts were mostly optimistic that strong sales would persist into the fall season, especially if mortgage rates fell further as some contacts expected; others, however, maintained a more cautious posture based on the uncertain timing and size of interest rate cuts by the Federal Reserve.

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 remained flat in the latest reporting period. Labor market conditions continued to moderate, with ongoing cooling in labor demand and increased worker availability across the District. On balance, employment and wage growth were little changed. Selling price increases remained modest. Manufacturing activity was little changed, and shipments were flat. Consumer spending held steady, and tourism activity in New York City was nearly back to normal pre-pandemic levels. Housing markets remained solid, with home prices edging up. Commercial real estate markets held steady. Activity in the finance sector continued to weaken as delinquency rates worsened. Looking ahead, businesses anticipated little improvement in economic conditions.

Labor Markets

Labor market tightness continued to moderate, with ongoing cooling in labor demand and increased labor supply across the District. Contacts at employment agencies noted hiring activity in both New York City and across upstate New York has slowed as firms are approaching hiring decisions with greater hesitancy. Hiring has shifted to be primarily for replacement, rather than growth, and with uncertainty pertaining to the presidential election ahead, many firms have put hiring plans on hold. It has become much easier to find workers, particularly for firms offering remote or hybrid work options. Still, some contacts from industries that require in-person work reported some difficulty finding skilled workers, particularly in the skilled trades. Multiple contacts reported that worker attrition has declined to exceptionally low levels, and job candidates are lingering on the market for longer.

On balance, employment was little changed. Firms in construction and information services reported some reduction in headcounts, but employment grew among retail, wholesale, and education and healthcare firms. Still, contacts continued to report that there are no signs of major layoffs on the horizon. Wage growth has held steady at a moderate pace and even declined slightly for some roles, as more workers have become available.

Prices

Selling price increases generally remained steady and modest. Input prices continued to increase at a moderate pace. A food wholesaler in the region reported that tariffs and duties were contributing to elevated costs that were being passed on to customers. Although manufacturers reported only modest increases in prices paid for inputs, freight and raw material costs continue to weigh on firms in some industries. By contrast, with slowing construction activity and lower demand, the prices for building materials, especially lumber and concrete, have declined substantially. Businesses expect little change in pricing pressures in the coming months.

Consumer Spending

Consumer spending on the whole held steady during this reporting period. Still, spending on entertainment and recreation continued to decline, and retail spending was subdued. Consumer spending sagged in New York City compared to the same time last year, though some parts of the District, such as the Hudson Valley, saw an increase.

Auto dealers in upstate New York reported that sales picked up strongly since the last report, with particularly brisk sales in July making up for the slow business in June caused by a cyber-attack on software used by auto dealers. New car inventory has generally continued to build, and most customers now have a good selection from which to choose. Used car sales have also remained solid now that a more normal gap between new and used car prices has returned. Still, there has been a continued shift to older models of used cars for affordability reasons.

Manufacturing and Distribution

Manufacturing activity was little changed. Shipments were flat, though orders declined modestly. Transportation and warehousing firms reported a modest increase in activity, while wholesalers reported that activity continued to grow moderately. Contacts reported little change in supply availability and delivery times. Manufacturers anticipated modest improvements in economic conditions in the months ahead.

Services

On balance, activity in the service sector held steady. Activity declined in the information and the leisure and hospitality sectors following increases in the previous reporting period and remained weak in the business services sector, while businesses providing education and healthcare services saw a moderate bump up in activity. Optimism among service firms remained weak.

Tourism activity in New York City continued to move toward normal pre-pandemic levels. Hotel room rates are near record highs and are anticipated to rise even more in the fall when business travel normally picks up. Visits to the Statue of Liberty—a proxy for international visitors—were just about at pre-pandemic levels. However, a local tourism expert noted that international travel to New York City has been sluggish. Visa processing delays and reduced long-haul flight schedules have resulted in notably lower visitors from China, while visits from Latin America have been curbed by economic woes at home.

Real Estate and Construction

The supply of homes for sale has risen slightly in much of District, though demand has continued to outpace supply, and home prices have continued to edge up. The frequency of bidding wars has declined slightly across the District, though homes continued to hold their value. New York City saw a surge in signed contracts after a sluggish early part of the year. In upstate New York, outmigration from the region has improved inventory, and demand remained solid. In New York City, potential buyers worn down by high rents have lost their resolve to wait for lower mortgage rates and are contributing to elevated demand. Contacts reported increased uncertainty has dampened activity in the housing market due to court-mandated changes in compensation practices for real estate agents taking effect this reporting period.

The residential rental market remained exceptionally tight, and new leasing activity in New York City was the highest since 2008. Bidding wars on rentals there have remained fairly widespread, and concessions have been low. Rents in New York City have remained flat at high levels, though many New Yorkers are saving money by renting even smaller apartments.

Commercial real estate markets held steady, on balance. The office market in New York City improved slightly, with some decline in vacancy rates and an increase in asking rents. The industrial market was unchanged, with demand at a long-term low and vacancy rates remaining above pre-pandemic levels.

Construction contacts reported that activity decreased slightly. A commercial real estate developer in the District noted that difficulty obtaining credit has constrained new development and has led to a pause in a number of ongoing projects.

Banking and Finance

Activity in the broad finance sector continued to weaken. Small-to-medium-sized banks reported no change in loan demand, though demand for refinancing picked up from low levels. Credit standards tightened slightly, particularly for business loans and commercial mortgages. Deposit rates declined noticeably. Loan spreads were mostly unchanged. Delinquency rates continued to rise, particularly for consumer loans.

Community Perspectives

Community leaders noted difficulty accessing and operationalizing recent federal grants for funding to non-profits, community groups, and state and local governments, in part due to the limited availability of workers with the right skills to execute the work. To address this shortfall, state and local governments are establishing programs and industry partnerships to develop fast-track training. Public-private partnerships have been integral to the development of workforce skills in areas necessary for the implementation of new community investments and improvements in technology infrastructure, including green energy installation and high-tech manufacturing.

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 declined slightly after growing slightly last period. Consumer spending in most sectors, including retail, restaurants, and autos, fell. Employment appeared to decline slightly following a slight increase in the prior period, as a growing share of nonmanufacturing firms reported decreases in their workforces. Staffing firms reported little change in demand. Nonmanufacturing activity appeared flat after increasing modestly last period. Wage inflation remained modest, with wage pressures at or below pre-pandemic norms, as labor availability and retention continued to improve. Firm costs and prices continued to rise modestly. On average, expectations for economic growth over the next six months remained slightly positive overall but differed widely between manufacturers, whose positive expectations grew more widespread, and other firms, whose optimism waned considerably.

Labor Markets

Employment appeared to decline slightly, following modest growth in the prior period. Based on our July and August surveys, full-time employment declined for nonmanufacturing firms and was flat to slightly higher for manufacturing firms, on average. While over half of both manufacturers and nonmanufacturers continued to report no change in employment during the period, a rising share of nonmanufacturers reported a decrease in their number of employees.

Staffing contacts continued to report little change in demand. Multiple contacts reported that hiring was broad-based across industries, except for the tech industry. One contact relayed that a tech company had recently laid off its entire recruitment staff. Another contact mentioned that some businesses had slowed internal recruiting efforts, turning to staffing agencies instead.

Overall, wage inflation remained at a modest pace. Most business contacts reported low or no wage pressure for most jobs outside of specialty trades as labor availability continued to improve. One contact highlighted that they were recently able to hire accountants for positions they had been unable to consistently fill for nearly four years. Many contacts also continued to report low employee turnover.

On a quarterly basis, firms' expectations of the one-year-ahead change in compensation cost per worker ticked up to a trimmed mean of 3.6 percent in the third quarter of 2024, from 3.3 percent in the second quarter (but it is down from a peak of 5.8 percent in the third quarter of 2022). Expectations averaged 3.2 percent before the pandemic. Expected compensation growth rose to 3.6 percent for manufacturers and to 3.7 percent for nonmanufacturers.

Prices

On balance, firm prices continued to rise at a modest pace. Firms reported that increases in prices received for their own goods and services over the past year edged up in the third quarter of 2024 compared with the second quarter. The trimmed mean for reported price changes, based on responses to our quarterly survey, rose to 2.5 percent from 2.3 percent for all firms. Price increases rose to 2.3 percent from 1.8 percent among nonmanufacturers and edged down to 2.7 percent from 2.8 percent for manufacturers.

In our monthly surveys, the diffusion indexes for both prices paid and prices received remained mostly in line with their nonrecession averages for both manufacturers and nonmanufacturers.

Looking ahead one year, the increases that firms anticipate in the prices for their own goods were little changed. The trimmed mean for all firms edged up to 2.4 percent in the third quarter of 2024 from 2.3 percent in the second quarter. The expected rate of growth rose from 2.0 percent to 2.5 percent for nonmanufacturers and fell to 2.2 percent from 2.6 percent for manufacturers.

Manufacturing

Manufacturing activity quickened to a moderate pace of growth, following a slight decline in the prior period. On average over the period, the indexes for new orders and shipments both rose above their nonrecession historical averages.

Manufacturers' expectations for growth over the next six months rose modestly after falling significantly in the prior period. On average, the indexes for future new orders and shipments remained below their historical averages during the period.

Consumer Spending

On balance, retailers (nonauto) reported modest decreases in real sales, following slight declines in the prior period. Contacts reported that customers visited less frequently, purchased slightly fewer items per visit, and opted for lower-priced options when available. Multiple contacts described consumers as more budget conscious.

Auto sales continued to decline modestly during the period as ongoing affordability concerns led to softening demand. Contacts reported that many dealers introduced or increased incentives in an attempt to work through growing inventories of new vehicles.

On balance, tourism activity continued to hold steady across the Third District. The normally busy summer months were mostly in line with the same period a year ago. Contacts noted that demand for travel remained strong in the Poconos and at the shore. However, according to one contact, tourists' continued price sensitivity led to growing pushback on accommodation prices across all hotel segments. Multiple contacts also mentioned that tourists were spending less at restaurants and on other discretionary items—one contact highlighted a significant drop in alcohol sales.

Nonfinancial Services

On average, nonmanufacturing activity appeared to hold steady, slowing from modest growth last period. However, activity appeared to improve in the latter half of the period. The indexes for new orders and sales/revenues fell and turned negative in July but rose in August.

At the firm level, nonmanufacturers reported a significant drop in general activity in July before it recovered somewhat in August. Nonmanufacturers' perceptions of general activity for the region declined throughout the period.

Expectations among nonmanufacturers for their own growth over the next six months fell moderately from the prior period but remained positive on average.

Financial Services

The volume of bank lending (excluding credit cards) grew modestly during the period (not seasonally adjusted), a pickup after it held steady last period. Loan growth was moderate during the comparable period in 2023.

District banks reported strong growth in commercial real estate and home equity lines. Home mortgages and commercial and industrial loans grew moderately, while auto loans grew slightly. Credit card volumes edged up after moderate growth last period, but the pace was down slightly from the same period one year ago.

Banking contacts continued to report strong credit quality with low delinquency rates. One banker noted a significant pop in mortgage applications toward the end of the period, with an almost even split between customers looking to refinance and those looking to purchase. Meanwhile, a nonprofit agency that works with small businesses reported that almost all the businesses they've recently spoken with are living on credit.

Real Estate and Construction

Brokers reported that existing-home sales continued to grow slightly. Despite an uptick in new listings and the inventory of for-sale properties, existing-home prices continued to rise, according to brokers. One contact noted that some potential homebuyers have decided to stay on the sidelines because they expect lower mortgage rates in the coming months.

Homebuilders reported a mostly steady level of contract signings, aided by a pickup in activity toward the end of the current period. Demand had slowed slightly during the prior period. Contacts cited the recent drop in mortgage rates as the primary cause of the improvement. One builder noted that a wave of recent sales was concentrated in the least expensive models and that buyers were starting to cut back on upgraded finishes.

Commercial real estate contacts continued to report steady construction activity at lower levels. Contacts noted that institutional, infrastructure, and multifamily projects continued to enter the pipeline. One architecture contact noted that while they've heard activity was starting to slow slightly, their firm remained so busy they had to pass on new projects they would have otherwise pursued.

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 declined slightly in recent weeks. Although contacts generally expected activity to increase slightly in the months ahead, reports varied by sector. Demand for manufactured goods softened further, and some contacts noted that shipments had not returned to normal levels after expected summer slowdowns. Consumer spending declined moderately, and retailers generally anticipated flat demand in the coming months. Residential construction and real estate activity declined, a circumstance which contacts attributed to elevated construction costs and mortgage rates deterring prospective homebuyers. Nonresidential construction contacts reported a slight decrease in demand and fewer projects available for bid than in recent years. By contrast, demand for professional and business services grew moderately and was expected to increase further in the near term. On balance, employment levels were stable to slightly up, wages and nonlabor input costs increased modestly, and selling prices grew slightly.

Labor Markets

Overall, employment levels were stable to slightly up in recent weeks. Most firms reported keeping their staffing levels unchanged over the recent reporting period, often citing steady demand and a desire not to over-hire for current business conditions. For firms that are adding to their workforce, some reported hiring to accommodate business growth. By contrast, several contacts reported adjusting to weaker demand by leaving open positions unfilled. On balance, firms expected to increase employment levels slightly over the coming months.

Wages grew at a modest pace in the recent reporting period, with the smallest net proportion of contacts in more than three years indicating wage increases. Firms reported “no longer need[ing] to offer above-market wages” to hire new staff or retain existing employees. However, some business professionals and others with specialized skills, such as vehicle technicians, remained in short supply. Contacts reported that requests for cost-of-living wage increases had become less frequent as inflation had eased.

Prices

On balance, nonlabor input costs increased modestly in recent weeks, though the bulk of contacts reported no change, and the net proportion of firms that reported an increase reached its lowest point in over four years. Construction and manufacturing contacts mentioned that most input costs were stable, though some raw material and freight costs rose. Several contacts mentioned that insurance costs continued to increase. Restaurateurs indicated that food costs had stabilized, and one contact noted that commodity prices had become more predictable. Transportation contacts reported that costs continued to increase despite falling fuel prices, with several haulers mentioning increases in the costs of tires, parts, and servicing.

Upward pressure on selling prices appeared to diminish in the current cycle, with the smallest net proportion of contacts in four years reporting price increases. Moreover, as with recent reports, roughly 60 percent of contacts reported keeping their prices unchanged. Some manufacturers indicated that falling steel and copper prices caused their firms to lower selling prices because of price variation clauses in contracts. Retailers reported that they were holding prices steady to maintain sales. One restaurateur mentioned trying to keep overall prices stable while broadening the price range of menu items to attract more customers. By contrast, transportation contacts reported increased selling prices for the first time in several months.

Consumer Spending

Consumer spending declined moderately in recent weeks, and contacts anticipated flat demand in the coming months. One large general merchandiser reported slowing sales since mid-June, both in its stores and online, while other contacts reported continued price consciousness among lower-income customers. By contrast, a lower-cost retailer reported positive sales growth through the first half of the year. Restaurant contacts reported stable sales in recent weeks. Auto dealers reported that affordability concerns continued to hamper sales, and reports varied on the availability and generosity of manufacturers' incentives on new vehicle purchases.

Manufacturing

Demand for manufactured goods declined moderately after a modest decrease in the prior period. Reports indicated fewer orders and shrinking backlogs because of still-soft demand for farm equipment, low construction activity, or slower commercial and consumer vehicle production. Demand for metal and metal products was particularly weak. One metal producer said shipments had not recovered after expected seasonal slowdowns, and another noted "historically low levels of demand." On balance, manufacturers expected demand to decline slightly in the coming months.

Real Estate and Construction

Residential construction and real estate activity declined in recent weeks. Contacts noted that elevated construction costs and mortgage rates remained a deterrent for many prospective home-buyers. Contacts also saw broader economic trends that were affecting the sector, pointing, for instance, to lower consumer confidence as a contributor to slower sales. On balance, contacts expected demand to remain flat over the months ahead.

Nonresidential construction contacts reported a slight decrease in demand over the last two months. Fewer projects were available for bid after an increase in activity over the last several years. Contacts anticipated that the slight decline in activity would continue in the coming months. Regarding demand for existing space, commercial real estate contacts expressed differing views: Some reported an increase in offers of rent concessions and discounts, reflecting reduced demand, while one contact reported increased activity in recent weeks despite the typical pattern of seasonal slowness.

Financial Services

On balance, bankers reported that loan demand from both businesses and households remained relatively flat. However, one banker mentioned that mortgage activity increased slightly as rates had “marginally declined.” Another banker reported that some loan demand was related to firms that could “no longer wait for the rate environment to change” before making necessary capital improvements. Bankers anticipated that loan demand would remain relatively flat in the near term. Bankers reported that delinquency rates remained stable and at low levels. Finally, a slight majority of bankers reported that their deposit levels remained essentially unchanged from the prior reporting period.

Nonfinancial Services

Demand for professional and business services grew moderately in recent weeks, and contacts expected demand to rise further in the coming months. A law firm anticipated an increase in refinancings and other real estate-related transactions if interest rates fall. Freight contacts reported slight demand growth in recent weeks and anticipated modest growth in the coming months. However, one contact indicated that the industry was still working through the additional capacity that arose to address pandemic-era supply chain challenges.

Community Conditions

Overall, community college contacts reported increased enrollment for the upcoming academic year, particularly in part-time and certificate programs. Some reported that enrollment increased among individuals who left during the pandemic. Demand for support services such as food, transportation, and mental health services remained elevated, and one contact said it was “at an all-time high.”

Contacts cited the need to adapt their programs to the changing demands of employers in areas such as IT, manufacturing, and healthcare and to the needs of a shrinking traditional student population. Despite concerns about long-term enrollment declines, one contact noted that “it is our moment” to show community colleges’ return on investment.

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 slowed mildly this cycle, reversing from a slight increase reported last period. Consumer spending on retail goods, vehicles, and tourism declined in recent weeks. Manufacturing activity contracted slightly, as well. Residential real estate activity softened alongside mortgage loan demand; however, banks noted an increase in demand for home equity lines of credit. Commercial real estate activity picked up slightly amid an increase in demand for retail leasing and continued strength in industrial construction. Port activity picked up moderately while trucking demand remained flat. Employment increased slightly in recent weeks and several contacts said that they were not looking to make changes to headcounts at this time. Price growth slowed slightly but remained elevated on a year-over-year basis.

Labor Markets

Employment in the Fifth District increased slightly in the most recent period. Several contacts reported satisfaction with current headcounts and were only backfilling for necessary positions. Other contacts were allowing headcounts to decline mainly through attrition. A software company did not expect to increase headcounts due to adequate staffing levels that could handle increases in demand. Finding skilled workers continued to be a challenge. A construction company reported plenty of work but not enough staff despite advertising for open positions. Some businesses reported positive changes in skilled-worker availability. A brewer increased wages in their production department and attracted higher-skilled workers while decreasing turnover. A stone cutter reported more interest in learning trades due to investments at the local community college. Worker wage expectations continued to be higher than what firms wanted to offer.

Prices

Price growth slowed somewhat this cycle but year-over-year growth in prices remained elevated, particularly for services. According to our most recent surveys, annual growth in prices received for services stayed elevated; price growth has generally remained between three and a half and four percent so far this year. Meanwhile, year-over-year growth in prices received by surveyed manufacturers edged lower, falling below two percent in the most recent reading.

Manufacturing

Fifth District manufacturing activity declined slightly in the most recent period. Several contacts mentioned softening conditions. A manufacturer that supplies the hospitality industry reported a decline in equipment sales due to their equipment being used less and not needing to be replaced. A millwork manufacturer reported that persistently high inflation has caused customers to not “upgrade their lifestyles,” resulting in order declines. Several contacts reported optimism about future demand. For example, a North Carolina machines manufacturer expects increased business due to new customers moving into the area. Additionally, a cabinet manufacturer’s orders picked up as construction clients broke ground on previously delayed projects because they expected interest rates to drop soon.

Ports and Transportation

Ports in the Fifth District reported moderate increases up to 7 percent in containerized cargo volumes due to peak season retail activity. Contacts expect this to continue into the third quarter and flatten later in the year. Increased capacity in ocean shipping has normalized air cargo volumes with heavy materials like rubber moving back to sea and road freight. Reductions in air freight movement led one Fifth District airport to downsize their cargo workforce by almost fifty percent. Container prices have rapidly increased with spot rates four times higher than they were in October 2023.

In the trucking segment, demand was steady at an unseasonably low level of volume. Contacts cited high interest rates and the upcoming election as causes of uncertainty contributing to the suppressed demand. Pricing held steady as firms negotiated contract increases, but downward price pressure was reported for road freight. Trucking firms reported a downward drift in driver headcount through the year as vacant positions were not being filled.

Retail, Travel, and Tourism

Consumer spending softened slightly in recent weeks. A majority of retailers reported a mild decline in both sales and shopper traffic. A hardware store said that average ticket sales per customer were down as fewer big-ticket purchases, such as grills and power tools, were being made. A fast-casual restaurant chain said they were focusing on launching new value offerings in hopes to boost sales in the coming months. Light vehicle and motorcycle sales were down modestly, which some contacts attributed to elevated interest rates making the cost of financing more expensive. Consumer spending on travel and tourism also contracted slightly. Hotels in coastal regions of North and South Carolina reported a decline in room nights sold, but the decline was from a high level in previous months.

Real Estate and Construction

Residential real estate activity showed a slight decrease in buyer traffic and a flattening in sales, which agents said was better than expected for this time of year. Additionally, home listings and new home construction were beginning to decrease slightly. According to an agent in Virginia, those who were thinking about listing were struggling with losing lower mortgage rates. Agents brought up the National Association of Realtors (NAR) policy changes, but there were mixed perspectives about the potential impacts this will have on residential real estate; some were concerned about buyers' ability to afford or finance their agent's commission.

Commercial real estate activity continued to increase slightly in recent weeks. Retail leasing picked up, but sales remained flat. New construction continued for pad sites, such as gas stations and fast food, and for repurposing of vacant retail buildings. Office space continued to see right-sizing with more investments going towards luxurious aesthetics to create a "country club feel," as one Virginia agent noted. Industrial remained strong with some projects being limited by power and site availability. Commercial investors were increasingly struggling with loans maturing and were declining replacement rates and potential new buyers were sitting on the sidelines.

Banking and Finance

Financial institutions reported a softening of loan demand primarily in the commercial real estate and business loan portfolios. However, lenders continued to see modest increases in the demand for home equity lines of credit. Some lenders started to report a slight increase in mortgage loan refinancing activity brought on by the downward movement in rates. Institutions were seeing a stabilization in deposit levels, but competition remained strong in the marketplace for new balances. Some lenders noted that they have started to see a decline in the credit quality of borrowers, but delinquencies remained stable.

Nonfinancial Services

Nonfinancial services providers continued to report that demand for their services and their revenues remained stable. An executive search firm reported that an increase in unemployed tech professionals had softened the need for their firm's services, as their clients were finding it easier to fill positions on their own. A few firms noted their clients felt hesitant because of international conflicts, uncertainty within the economy, and the upcoming election, and therefore they were delaying investments. Another respondent reported less discretionary spending by their customers because consumers seemed nervous about the economy.

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 since the previous report. Labor markets and wages grew modestly. Prices grew modestly, and firms' pricing power diminished. Low- to moderate-income consumers and small businesses remained financially challenged. Consumer spending weakened amid growing price sensitivity. Leisure travel continued to slow while business travel improved; spending at hotel properties declined. Demand for housing fell amid a persistent lack of affordability, and housing starts contracted. Commercial real estate activity was mixed. Activity in the transportation sector weakened. Manufacturing activity declined. Loan volumes grew slowly. Energy activity increased.

Labor Markets

Employment in the Sixth District increased modestly over the reporting period. Most firms continued to report improvements in talent availability. A few noted labor reductions, mostly in the form of cutting regular and overtime hours and, in a minority of cases, layoffs. However, several firms said that further weakening of demand could result in future layoffs. While many firms reported that they will continue to fill vacant positions, several noted that they were slowing the pace of hiring for the remainder of the year. Only a few indicated they would be staffing up in anticipation of future growth.

Most contacts indicated that wages grew modestly as wage pressure continued to ease. However, some employers noted ongoing wage pressure for certain specialized positions where hiring challenges persisted.

Prices

On balance, prices grew at a modest pace. Increased container rates pushed freight costs higher. Other nonlabor input cost increases moderated, with several contacts speculating that food costs have likely plateaued. Labor and insurance costs remained the greatest expense for firms, but those increases also diminished. Pricing power continued to wane, with increased reports of promotions or targeted price cuts at the consumer level. The Atlanta Fed's Business Inflation Expectations survey showed year-over-year unit cost growth ticked down to 2.7 percent, on average, in July from 2.8 percent in June; firms' year-ahead inflation expectations for unit cost growth remained relatively unchanged at 2.4 percent, on average.

Community Perspectives

Organizations serving low- and moderate-income consumers said that clients' economic experiences were largely unchanged over the reporting period. Contacts specifically supporting small businesses reported that many of their clients faced moderately more difficult financial conditions. Challenges stemmed from an elevated cost of capital, higher cost of inputs, and decreasing financial support from the federal government. Elevated wage expectations among qualified workers also presented a financial strain for many small businesses, as labor is often their single largest expense.

Consumer Spending and Tourism

Consumer spending declined modestly since the previous report. While most retailers did not feel that demand had fallen to concerningly low levels, many reported lower customer traffic and shrinking ticket sizes. Contacts reported diminished discretionary spending but solid spending on essentials. Consumer price sensitivity continued to rise, leading retailers to increase promotions. While still most notable in lower income groups, shopping for deals and budgeting became more evident among higher income shoppers. Retailers observed more trade-downs, bulk purchases, and a shift to shopping at outlets. Auto dealers noted a modest decline in demand, as consumers delayed big-ticket purchases.

Travel and tourism activity continued to grow at slight pace, on net, since the previous report. Hospitality contacts noted that while leisure travel was slower than expected, business and group travel increased. On-property spending on services, food, and beverage fell below expectations. Industry contacts expect flat demand for the remainder of the year.

Construction and Real Estate

Housing activity continued to slow as the continuing lack of affordability hampered sales, despite the decline in mortgage rates. As home prices in most markets neared record highs, the pace of sales slowed modestly, remaining flat or slightly below year-ago levels. Inventories increased sharply, especially in Florida, resulting in less upward pressure on home prices and an elevated share of homes selling below the asking price. Homebuilder sentiment deteriorated as demand for new homes declined moderately. Incentives offered to new homebuyers remained above seasonal norms while builders pulled back on starts to avoid a build-up of speculative inventory.

Commercial real estate (CRE) activity remained mixed. Vacancy rates rose in the office, industrial, and multifamily sectors. While reporting modestly declining multifamily and industrial starts, CRE contacts noted an increase in “clicks-to-bricks” investment, where online sales are supplemented with a brick-and-mortar presence, driving more sales both in-person and online. Firms reported a slight uptick in property sales transaction volumes, especially for smaller office properties. Increasing CRE loan maturities continued to create challenges for lenders. Underwriting standards remained tight, making access to loans challenging.

Transportation

Transportation activity declined modestly, on balance, over the reporting period. Inland barge carriers reported that overall demand had slowed, and shipments of construction materials declined significantly. Demand for leased industrial space declined, and new warehousing construction remained low. Trucking demand was mixed, but mostly down. Freight volumes at District ports declined slightly but remained strong. Railroads saw a decline in automotive and steel shipments; total rail traffic, however, increased. Most transportation contacts described activity as underperforming against expectations.

Manufacturing

Manufacturing activity declined modestly in recent weeks. New orders of consumer products slowed, and manufacturers responding to the Atlanta Fed’s Business Inflations Expectations Survey noted a decline in sales levels. Manufacturers of some retail goods noted that wholesalers were reverting to just-in-time inventories amid growing uncertainty and softening consumer spending. There were also reports of declines in orders of heavy equipment and of inputs for construction. However, some manufacturers, particularly producers of materials for infrastructure projects and pharmaceuticals, continued to see strong demand.

Banking and Finance

Loan volumes at Sixth District financial institutions grew modestly. Asset quality remained stable, though segments of their portfolios, such as commercial real estate, commercial and industrial, and consumer lending, continued to soften. However, many institutions remained selective in their credit risk appetite. Earnings showed improvement driven by new loan volume and higher asset yields as compared to funding costs. Borrowing declined modestly as banks reduced reliance on more expensive liquidity sources. Cash balances increased moderately due to balance sheet repositioning.

Energy

The pace of activity grew moderately across most energy sectors. Energy contacts reported that Gulf of Mexico crude oil production remained robust. Refiners and petrochemical processors noted that carbon capture and storage projects continued to grow moderately. Utility company contacts described steady activity across residential, small commercial, and large industrial customers. Economic development across the Southeast continued to drive demand for power. One utility reported existing data center electricity usage grew by 17 percent in recent months, and high-velocity growth in power demand over the medium- and long-term is expected to increase demand for various forms of electricity supply, including natural gas turbines, solar, wind, and battery energy storage systems.

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 in July and early August, and contacts generally expected a similar rate of increase over the next 12 months. Employment and business spending rose slightly; manufacturing activity and consumer spending were flat; nonbusiness contacts saw little change in activity; and construction and real estate activity edged down. Prices were up modestly, wages rose moderately, and financial conditions were little changed. Prospects for 2024 farm income declined some.

Labor Markets

Employment rose slightly over the reporting period, but contacts expected job growth to pick up to a modest pace over the next 12 months. Many contacts continued to note difficulty filling higher skilled positions. That said, there were signs of softening in the labor market. Contacts in both the manufacturing and service sectors reported layoffs or shift reductions in response to slower demand. One contact said they were only recruiting to backfill vacated positions, and a fabricated metals manufacturer had paused hiring until demand from the housing sector picked up. In addition, a contact at a chamber of commerce noted that in a recent survey inflation had taken over from labor availability as their members' top concern. Wages and benefits costs continued to rise moderately.

Prices

Prices rose modestly overall in July and early August, and contacts expected a similar rate of increase over the next 12 months. Producer prices moved up modestly. Nonlabor input costs, including those for energy and raw materials, continued to increase, though at a slower pace than in the prior period. Consumer prices also rose modestly, with one retail sector contact noting that general merchandise inflation had slowed.

Consumer Spending

Consumer spending was little changed overall during the reporting period. Nonauto retail sales were flat. Large retailers' annual summer promotions were about average in size, and one contact said the start of the back-to-school shopping season was “decent.” However, sales were down at discount stores and in the furniture, appliances, lumber, and building materials segments. Leisure and hospitality spending was little changed on net, with growth for restaurants and amusement parks offset by declines in tourism. Light vehicle sales were up slightly, supported by higher incentives.

Business Spending

Business spending increased slightly in July and early August. The pace of capital expenditures slowed modestly, with several contacts mentioning that they had decided to keep operating with their existing stock of equipment instead of purchasing new equipment. Contacts continued to note that high interest rates were putting a damper on their investment spending. Demand for truck transportation further declined, helping push already low freight rates even lower. Inventories for consumer goods were generally at comfortable levels, and one contact noted that retailers' inventory buildup for the holidays reflected “measured” sales expectations. Manufacturing inventories were slightly elevated. There were only a few, isolated instances of supply shortages; contacts again noted long lead times for electrical equipment such as standby generators and transformers.

Construction and Real Estate

Construction and real estate activity decreased slightly overall over the reporting period. Residential construction activity was up slightly. Contacts in environmental engineering reported that they were busy with site reviews for single family homes, while other contacts noted slowing demand for large multifamily construction. Residential real estate sales decreased slightly. Prices edged higher while rents were unchanged. That said, the number of active listings increased as did the average number of days on the market. Nonresidential construction activity was little changed. Contacts reported that advance bookings were solid, though rising costs led a fair number of in-progress projects to be put on pause. Demand remained strong for senior living projects and office refurbishments. Commercial real estate activity decreased slightly, as did prices and rents. However, vacancy rates edged down according to contacts. Demand for large industrial space slowed, while demand for mid-sized space was steady. Several contacts reported that a growing number of small retailers were struggling to stay in business.

Manufacturing

Manufacturing demand was flat on net in July and early August. Orders for steel fell slightly, with one contact noting softening demand from agricultural machinery manufacturers. Elsewhere in the machinery sector, sales rose modestly, with one contact highlighting greater demand from the oil and gas sector. Auto industry contacts saw steady demand, while heavy truck sales grew slightly.

Fabricated metals orders were down modestly, driven by weaker demand from the construction industry.

Banking and Finance

Financial conditions were little changed on balance over the reporting period. Bond values ended the period higher while equity values were flat. Volatility spiked in the middle of the period then retreated to a moderately higher level by the period's end. Business loan volumes decreased slightly, with higher demand for construction loans more than offset by lower demand for commercial real estate loans and commercial and industrial loans. Business loan rates decreased slightly, and terms were unchanged. Business loan quality edged down. In the consumer sector, loan volumes were flat, while rates were down slightly and terms were little changed. Consumer loan quality decreased slightly, with several contacts noting higher delinquencies for credit card loans.

Agriculture

Expectations for farm income in the District continued to decline in recent weeks as corn and soybean prices fell further. Crop conditions were favorable across most of the District, though some areas were short on precipitation. Fall harvests were expected to approach previous records. Amidst low prices, farmers were holding higher-than-usual levels of crops in storage. Fruit and greenhouse revenues were coming in above average. Livestock operations benefited from lower feed costs. Cattle prices eased some but remained high relative to historic levels. Dairy and egg prices moved up, while hog prices were down slightly. In light of low crop prices and high interest rates, several contacts expected building financial stresses on less-productive farms.

Community Conditions

Community, nonprofit, and small business contacts saw little change in economic activity, though comments on a softening labor market were more prevalent than in recent reporting cycles. Reports on tax revenues from state governments were mixed, with little change on balance. Small business development centers noted an influx of interest in starting new businesses from people who had recently been laid off. Existing businesses were seeking financing to cover higher operating costs because the ability to pass price increases onto customers had "sailed." Leaders of nonprofit organizations continued to report high demand for their services and lower revenues, compelling some to dip into reserves. Help with utility, food, and housing costs were the leading requests from low-income consumers, according to social service contacts.

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. However, contacts provided some indications of slowing demand. Employment has remained unchanged since our previous report. Contacts described wage growth as returning to normal. While prices to consumers increased only modestly, production costs rose and are expected to be more persistent, reducing profit margins. Consumer spending has slightly decreased, and credit standards have remained unchanged since our previous report. The economic outlook is slightly pessimistic, similar to our previous report: District contacts reported that slowing demand and election uncertainty are negatively impacting their business.

Labor Markets

Employment has remained unchanged since our previous report. Contacts reported more people applying for open positions. While the majority of contacts noted that hiring pressures have eased noticeably, in several cases employers continue to face challenges filling open positions, particularly for skilled workers. A construction materials supplier noted that finding quality candidates remains an issue. A hotel contact in Memphis reported limited abilities of their workforce was a continuing challenge but it had started to improve with recent hires. While quasi-governmental contacts reported strong recruiting and staffing, business contacts expect slower employment growth the remainder of this year. Contacts also noted they were continuing to reduce employment slightly through attrition, although attrition had decreased considerably since the start of the year.

Wage growth has remained unchanged since our previous report. Contacts described wage growth as returning to normal, but not there yet. A St. Louis retailer reported they have continued to raise wages, and Little Rock manufacturing contacts noted increasing wages to remain competitive for high skill workers.

Prices

Prices have continued to increase modestly since our previous report. Most contacts noted that their costs continued to increase with limited ability to pass-on those higher costs to households. Contacts generally shared that they are expecting some cost increases that will continue to put upward pressure on prices, though to a lesser degree. Contacts in Missouri anticipate they will be able to pass-on higher labor costs to customers when contracts renew in the coming months. A healthcare contact noted that the cost of drugs continues to rise while the prices of other medical supplies, like gauze, remain stable. A bike shop noted that sales were up, but profit margins were down due to a reduction in manufacturers' suggested retail prices. Most retail and tourism contacts expect prices to be either the same or lower in the next quarter.

Consumer Spending

Consumer spending has either remained unchanged or decreased slightly since our previous report. Restaurant and hospitality contacts have generally reported consumers have spent less per visit, and automotive and retail contacts reported that sales had fallen short of expectations. Restaurant contacts noted that customers have been spending less by purchasing to-go items rather than dining in. A hospitality contact reported declining occupancy rates across their hotels in Mississippi as leisure travel was down. Marina owners in Kentucky noted that boat rentals were lower, and customers were anchoring boats in coves and swimming instead of cruising the lake to save on gas. An auto dealer noted that many customers have been postponing buying decisions as higher inventories have reduced buying pressure. A retailer from Illinois reported seeing a good response to discounts and couponing, and a performing arts center noted that subscriptions were the highest they had been since 2020.

Manufacturing

Manufacturing activity has either remained unchanged or decreased slightly since our previous report. Many firms reported that sales had been below expectations and inventory levels of finished goods had increased due to lower demand. A manufacturer from Kentucky noted that they were sitting on finished goods inventory longer, as customers reduce the frequency of their purchase orders, which has led to intentional efforts to draw down excess inventory through lower production. An automotive parts manufacturer reported slowing their production to less-than-expected volumes this year. A food processing firm indicated they were now expecting to finish the year below their initial annual operating plan.

Nonfinancial Services

Activity in the nonfinancial services sector has either remained stable or decreased slightly since our previous report. Contacts indicated sales either met expectations or fell short due to lower demand. The outlook in the sector is slightly weaker. For example, a Missouri transportation contact described lower shipments and revenue due to weak demand coupled with higher costs as "not a good scenario." Air travel conditions were mixed: A Memphis contact reported softening demand, with budget airlines cutting routes and shrinking networks, while a Little Rock airport contact indicated that consumer demand for air travel continues to be strong.

Real Estate and Construction

Existing residential home sales have slowed slightly since our previous report, with several contacts noting that sales were below expectations. A St. Louis contact attributed weaker sales to less homebuyer confidence and higher mortgage rates. Housing inventories have modestly increased, along with the average number of days on the market, suggesting a more buyer-friendly market. Yet, a contact from Kentucky noted that while the market is becoming more balanced with higher inventory, strong demand is putting upward pressure on prices.

Commercial real estate continues to differ by property type. Contacts reported seeing more properties on the market in anticipation of lower interest rates. Office and industrial sectors continued to show lower demand relative to inventory, whereas retail property demand was slightly stronger than in the previous quarter. A Louisville construction contact noted that activity fell short of expectations as developers wait to initiate projects and schedules are postponed. Missouri contacts noted that federal infrastructure spending had significantly boosted construction activity and it was expected to continue into 2025.

Banking and Finance

Banking activities have remained stable although the outlook is slightly worse than in our previous report. Contacts provided mixed reports on loan demand growth. Bankers in the Mississippi Delta region noted limited lending opportunities. Mortgage loan demand continued to be low to moderate. Several contacts noted that commercial real estate lending was strong throughout Tennessee. Contacts provided mixed reports on deposits. A Memphis banker reported competition for deposits is easing slightly, while a Louisville banker reported the competitive landscape for core deposits has intensified. Contacts noted credit standards have not changed since our previous report. Past-due loans were seen as being at acceptable levels. A Kentucky banker noted that small business loan workouts are increasing, but there were few signs of widespread issues.

Agriculture and Natural Resources

Agriculture conditions have been mixed since our previous report. Several District contacts noted that sales had been below expectations due to lower demand. However, crops were in generally good shape due to a wet planting season and rains in July. In Arkansas, the summer heat wave and severe drought has driven up irrigation costs and stresses on livestock. District contacts have also noted that commodity prices had fallen below expectations, which negatively impacts the repayment capacity of farmers who took on operating loans and projected a higher cash flow.

Federal Reserve Bank of Minneapolis

Summary of Economic Activity

The Ninth District economy contracted slightly since the previous report. Employment was flat and hiring activity softened. Prices increased slightly overall, and wage growth was moderate. Activity decreased in consumer spending, manufacturing, commercial construction, and commercial real estate. Activity among minority- and women-owned business enterprises was lower on balance. Residential construction was flat, while growth was noted in auto and residential real estate sales, and in energy. Agricultural conditions remained weak on balance.

Labor Markets

Employment was flat since the last report. Employers again reported fewer job openings. A small majority of firms reported that they were hiring, but many were replacing turnover, and a smaller share were adding full-time staff compared with earlier in the year. The share of firms cutting workers also grew but remained in the single digits. Overall, firms do not expect staffing levels to grow much over the next six months. A Minnesota staffing contact reported that job orders were down, “and a lot of businesses are getting a lot more picky” about who they hire. Labor availability continued to improve, though labor quality remained an issue. A South Dakota manufacturer said that labor “has undergone shrink-flation. [We’re] paying more for lower quality.”

Wage growth was moderate. Survey respondents reported wage increases consistent with levels seen earlier in the year. Employers noted that union workers often negotiated raises of three to five percent, depending on the sector; however, wages for nonunion employers were rising more slowly. A medium-sized retailer in North Dakota said, “If you are not offering a higher-than-inflation raise, you will potentially lose employees.”

Prices

Prices increased slightly overall, but the pace of growth eased further since the previous report. Nearly two-thirds of firms responding to a monthly survey reported no change to their sales prices in July compared with the previous month, while one in five increased their prices. Input prices continued to see more pressure than output prices, but contacts’ expectations for upcoming price increases were subdued. Contacts continued to report burdensome health care and other insurance costs. Manufacturing and other contacts reported recent increases in freight costs. Retail fuel prices in District states decreased slightly since the last report.

Worker Experience

Workers and job seekers across the District continued to prioritize flexibility in the workplace, according to various contacts. A labor contact in the Upper Peninsula of Michigan shared that while there were fewer job opportunities compared with previous months, the labor market remained strong in some areas. “Anyone with a commercial driver’s license or mechanic license is still largely in demand,” they said, adding that younger workers in the area were prioritizing personal life over work and quitting at higher rates. “If they get hired somewhere and they don’t like it, they aren’t afraid to leave.” Some public sector workers reportedly changed jobs after their employers transitioned from defined benefit pensions to 401(k)s. A workforce development contact in South Dakota pointed out that insufficient affordable child care in the area was the main reason workers were demanding flexibility or disengaging from the labor force.

Consumer Spending

Consumer spending was slightly lower overall since the last report. Recent sales in retail, food service, and entertainment were unchanged overall from the previous quarter but lagged last year’s sales. A contact in home goods reported that summer demand had dropped because “the lower-end customer was really challenged.” A northern Wisconsin retailer said that tourist numbers seemed strong, “but they are spending money on ‘need’ items, not ‘want’ items.” A Minnesota retailer reported that “foot traffic is down and lots more lookers than buyers.” Three of the five District states saw summer hotel occupancy rise, while two states declined modestly; however, each state saw an increase in average revenue per room. Regional airports have seen strong traffic compared with last summer. Auto sales in the western part of the District were also up modestly from July through mid-August compared with last year. However, District sales of recreation and powersport vehicles have been sluggish.

Construction and Real Estate

Construction activity declined slightly since the last report. Industry data showed that new construction starts in July were mostly flat compared with the previous year. But contacts reported that there were fewer projects out for bid and more competitors. A Minnesota landscape company said it was converting a lower share of estimates into business. “Clients are feeling the economic pinch, and declining to move forward.” A Montana architecture and design firm noted that “lots of projects have been dormant due to interest rates and the resulting lack of capital.” Single-family residential permitting in July grew year over year in most of the District’s larger markets, but multifamily permitting fell.

Commercial real estate remained soft. Office vacancy rates ticked slightly higher after some improvement earlier in the year; subleasing also increased. Several major office buildings in the Minneapolis-St. Paul region reportedly went to auction. However, vacancy rates in retail and industrial remained low. Multifamily vacancy rates rose in some markets with large numbers of completions, but that's expected to plateau, given a decline in new development. Residential housing sales grew modestly overall in July compared with last year; however, there was considerable variability among District markets.

Manufacturing

Manufacturing activity contracted further since the previous report. A regional index of manufacturing conditions indicated decreased activity in July from the previous month in Minnesota, North Dakota, and South Dakota. Most sector contacts reported that orders were down in July from a month earlier. A producer of electrical inputs for equipment noted that their customers had excess inventories and weren't placing new orders. A custom manufacturer commented that the "ag and construction portion of our business is super slow."

Agriculture Energy and Natural Resources

District agricultural conditions remained weak on balance. Low prices for crops continued to weigh down incomes, while livestock and dairy producers were faring better. However, crops were mostly in good or excellent condition in most of the District, and soil moisture conditions improved in some areas that were experiencing flooding earlier in the summer. District oil and gas exploration activity increased slightly since the previous report.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises (MWBE) was lower on balance. A contact at a services firm in Minnesota that relies on discretionary income noticed a "continual downturn" in spending in recent weeks. Only a small share of contacts reported higher profits over the past month. A contact in South Dakota added that although profits were up, that "doesn't mean [they] are where they should be." Capital expenditures, staffing levels, and job openings were unchanged for most contacts. A Minnesota entrepreneur attributed higher costs to rising shipping fees. A South Dakota entrepreneur noted their firm's ability to pass on increased costs to consumers was greatly diminished.

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 remained stable. Consumer spending continued to expand at a moderate pace, but growth in other business and manufacturing activity was more subdued. Employment levels were mostly unchanged. Many contacts indicated they recently reduced hiring activity relative to their plans at the beginning of the year, indicating expectations for slower job gains through the remainder of the year. In particular, demand for entry-level jobs and hiring of less experienced workers softened significantly. Wage growth remained modest as more contacts reported they were less willing to compete on compensation amid a greater availability of high-quality applicants. Many low-income homeowners exhibited more stress due to the loss of over-time hours they had relied on for paying their mortgages. Sales of single-family homes picked up slightly in recent months, concentrated among homes near or below the median price points for local markets. Both brokers and homebuilders indicated activity is poised to rise if borrowing costs decline even slightly. Similarly, bankers noted the most significant impediment to loan growth was the level of interest rates, rather than the economic outlook or risk appetites.

Labor Markets

District contacts reported little job growth over the last month. In the service sector, a slight decline in employment at professional business service firms was offset by modest hiring at consumer-oriented businesses. Overall, business contacts reported their current hiring plans for the remainder of the year will leave their headcount slightly below levels they expected at the beginning of the year, as many firms reigned in their recruiting efforts in recent months. Businesses reported particular weakness in the labor market for entry-level occupations and in the demand for workers with limited experience. Contacts expressed less willingness to hire inexperienced workers as applicant quality improved with greater availability of more experienced workers. Furthermore, contacts noted they posted fewer entry-level positions as they sought instead to reallocate existing employees from business lines with waning demand. Skilled workers in the trades were a notable exception, where demand for workers remained strong regardless of experience. Wages continued to grow at a modest pace over the last month. More business contacts reported unwillingness to compete on wages for new hires or for retaining employees, reflecting the greater availability of workers.

Prices

Prices continued to grow at a modest pace over the last month. Business input prices grew moderately on average, but cost pressures reportedly varied across business size. Small- and medium-size businesses reported relatively greater business cost pressures compared to larger firms, due to their limited scale and persistently thinner margins. Contacts in the construction sector reported mixed input cost dynamics, with labor costs rising and some input costs, like drywall, still increasing. However, other material inputs like windows and framing materials are falling alongside moderating lumber prices.

Consumer Spending

Consumer spending grew at a moderate rate across several, though not all, discretionary categories. Air travel accelerated, and activity at hotels and resorts expanded accordingly. Contacts in the entertainment sector noted modest growth over already healthy spending levels. Home building and materials stores indicated a moderate pickup in sales to consumers on items related to home maintenance but noted that declines in contractor activity offset household purchases. After rising for several months, contacts at restaurants indicated activity declined modestly due to greater price sensitivity among consumers. Both ticket counts and average ticket values at restaurants fell as consumers ate out less and selected lower price menu options.

Community Conditions

More low- and moderate-income (LMI) mortgage borrowers exhibited signs of stress in recent months. Housing counselors reported the ability of LMI borrowers to absorb a financial shock declined significantly due to two significant factors. First, many LMI homeowners reportedly were losing overtime hours they had relied on for paying their mortgages. Second, lenders indicated many LMI borrowers were struggling to make up the gap on their escrow to meet increases in monthly payments resulting from higher property insurance and taxes. The most common mitigation step was shopping for new insurance, with some contacts noting that homeowners purchased insurance with less coverage and greater personal liability.

Manufacturing and Other Business Activity

Business activity was generally unchanged in the District over the last month. Service contacts reported a slight increase in activity, while manufacturing contacts indicated a slight decline. Reductions in manufacturing were driven by a contraction in durable goods production, as new order activity in this segment declined notably in recent months. Durable manufacturing contacts reported slowing demand for finished goods and equipment, which caused a build-up of excess inventories of intermediate parts provided by smaller less well-capitalized manufacturing firms.

Those smaller manufacturing firms expressed concerns about financial stress from lower working capital levels, as inventories have risen.

While global shipping rates increased substantially in recent months, District contacts reported limited impacts on their businesses. Most contacts reported they are not currently facing supply chain disruptions and their transportation costs have only increased modestly in recent months. Contacts anticipate a slight increase in transportation costs over the coming months.

Real Estate and Construction

Sales of single-family homes picked up slightly in recent months, concentrated among homes near or below the median price points for local markets. Contacts noted both pent-up demand for and pent-up supply of homes across the District. Specifically, contacts indicated buying activity is poised to accelerate and property listings are likely to become more available if interest rates were to decline even slightly through the end of the year. Builders of single-family housing also reported expectations construction activity could rise over the near-to-medium term given the availability of development projects that would pencil out at slightly lower borrowing costs, especially given recent declines in the costs of several building materials. However, the limited availability of skilled construction labor remained a challenge for many builders.

Community and Regional Banking

Loan demand was mostly unchanged across categories, though several bankers noted decreased demand for consumer installment loans. Contacts indicated interest rates are the most significant headwind to overall loan growth, followed by concerns about the economic outlook and a lower overall risk appetite on the part of the bank. Few banks noted liquidity as a concern for loan growth, and only as a mild concern if mentioned. While overall loan quality was mostly unchanged, the outlook for credit performance shifted somewhat with more respondents expecting deterioration over the next six months, specifically in the CRE and consumer loan categories. Credit standards were unchanged across lending categories. Deposits grew across a variety of deposit types, with significant drivers of growth being local economic health and regular seasonality. Respondents' commentaries on deposit rate trends were mixed.

Energy

Tenth District oil and gas activity increased slightly over the last month. Profit margins for oil drilling remained solid. Oil rig counts in the District grew slightly in Oklahoma, Wyoming, and Colorado in recent weeks despite a slight decrease in oil prices from this time last month. However, gas rig counts in the District were flat over the last month as spot natural gas prices remained steady and below profitable levels for producers. Additionally, coal production in Wyoming increased considerably in recent months as coal prices rose this summer following a period of steady declines since the start of 2023.

Agriculture

Conditions in the Tenth District farm economy deteriorated slightly alongside weakness in the crop sector and drought in some areas. Prices for major row crops remained low alongside expectations of strong yields and production across many key states. Crop conditions in the District were particularly favorable in Nebraska and Missouri. Winter wheat production was also strong in Kansas and Oklahoma, but recent reports indicated less favorable corn and soybean conditions in Kansas as drought intensified. In the livestock sector, cattle prices remained strong but drought in southern and western portions of the District could hinder hay production and dampen profits. Contacts continued to cite elevated production and living expenses, high interest rates, and declining liquidity as key concerns for the months ahead.

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 in the nonfinancial services and energy sectors. Manufacturing output was flat, while retail sales and home sales declined. Demand for nonprofit services increased. Employment was stable, and wage growth remained moderate. Selling price growth continued below average in the service sector but was more typical in manufacturing. Outlooks were somewhat mixed, though most businesses expect demand for their goods and/or services to stay the same or increase over the next six months. Concerns included weakening demand as well as rising domestic policy and economic uncertainty.

Labor Markets

Employment was largely flat over the past six weeks. Some firms reported implementing hiring freezes due to economic uncertainty or weak demand, though most view this as a temporary measure and anticipate hiring later in the year. Still some firms noted difficulty hiring for openings ranging from entry-level positions to upper-level management, and especially mid-skill workers including commercial drivers.

Wage growth remained moderate overall. Staffing services firms stated employers were concerned about keeping costs down and employers subsequently lowered compensation offers to new hires. Some industries continued to report notable upward wage pressure, particularly airlines and healthcare.

Prices

Price growth was largely typical over the reporting period. In the service sector, selling price growth was running below average even as input price growth ticked up in August to an average pace. By contrast, growth in manufacturing, raw materials and finished goods prices have normalized after more modest increases earlier this year. Retailers meanwhile noted that selling prices were flat. A few firms noted the rising prices of auto, home, health, and liability insurance and the negative effect these increases were having on businesses and households. One financial firm observed that some low-income households are dropping or not renewing their home insurance. A staffing services firm reported higher fixed costs due to increased insurance premiums.

Manufacturing

Texas manufacturing activity was flat in the past six weeks. Hurricane Beryl and the ensuing power outages disrupted production at some manufacturers and refineries, but the dip in production was brief. Despite the disruptions, refineries on the gulf increased the volume of crude oil processed. Some paper, fabricated metal, computer and electronics, and machinery manufacturers reported a slowdown that was independent of weather conditions. New orders for durable goods were flat while new orders for nondurables declined. The manufacturing outlook was weak with firms citing economic uncertainty, upcoming elections, high interest rates, and anemic global demand as the main strains.

Retail Sales

Retail sales declined slightly during the past six weeks. Firms attributed the weakness to reduced consumer demand and bad weather. Not all sectors experienced a slowdown, as auto dealers and wholesalers reported a moderate increase in sales. Retail inventories increased moderately after several months of little to no growth. Overall, outlooks remained pessimistic although less so for auto dealers and wholesalers.

Nonfinancial Services

Service sector activity picked up over the reporting period, with revenue accelerating to closer to a typical pace. Growth was strongest in professional and business services and information. Airlines reported higher demand for premium and international travel. In contrast, the leisure and hospitality sector reported widespread revenue declines this summer, with some of the weakness attributable to bad weather. Some services firms reported temporary disruptions to operations due to Hurricane Beryl. In addition, air cargo volume was down due to halted operations during the power outages. Outlooks were generally positive albeit less so than the last reporting period, reportedly weighed down by political and economic uncertainty and high interest rates.

Construction and Real Estate

The housing market weakened during the reporting period. The softening was attributed to a slower pace of relocations, a softer job market, and Hurricane Beryl, which disrupted economic activity. Both new and existing-home sales were sluggish, with seasonal slowness more pronounced than usual for this time of year. Several contacts noted lighter traffic, while others said traffic was steady, but sale conversion rates dipped. Builder incentives such as free upgrades, discounting, and rate buy downs remained widespread, squeezing margins. Outlooks were cautiously optimistic.

Apartment leasing was solid during the reporting period. The office market remained weak, though there were reports of a pickup in leasing demand for small spaces. Industrial demand grew moderately, and rents were flat to up. Outlooks were mixed.

Financial Services

Loan volumes were flat in August after increasing in the prior two periods, and loan demand slipped. While overall credit tightening continued, standards and terms stabilized for residential real estate and consumer loans after more than two years of tightening. Loan prices held steady, marking the first time since 2021 that rates didn't rise. Loan nonperformance continued to increase. A greater share of bankers reported a high level of concern regarding the performance of office real estate loans. Liquidity and net interest margins remain top concerns for bankers. Bankers' outlooks faltered somewhat: They expect a deterioration in loan demand, loan performance, and business activity six months from now.

Energy

Oilfield activity was flat to up with a slight decrease in the number of active rigs and a slight increase in the number of active frac fleets. Producers also noted better than expected well productivity, but pipeline delays pushed back some production growth to the fourth quarter. The lack of takeaway capacity has regularly kept local natural gas prices below zero this summer, inflating costs and suppressing profits as producers must pay to have natural gas piped away. The offsetting effects of pipeline delays and improved well productivity growth are keeping outlooks unchanged from six weeks ago which called for a modest production growth by year-end.

Agriculture

Crop and pasture conditions generally remained favorable, though hot and dry conditions were putting strain on certain areas while Hurricane Beryl caused some flooding along the coast. Crop prices moved down, and contacts reported that it was a tough financial situation for farmers this year. One noted that the smaller producers especially are still trying to make up for the losses from the 2022 crop year, and the fact that this year isn't materializing into the profitable year needed could put a segment of growers out of business.

Community Perspectives

Nonprofit service providers noted an uptick in demand stemming from Hurricane Beryl. Some contacts noted difficulties in serving clients because their own establishments suffered damages and power outages. In addition to food and water, organizations handed out gift cards to meet essential needs. One contact raised the concern that disasters disproportionately affect low-to-moderate-income households, and the impact can last for weeks to months. Several contacts are looking to prepare for future storms, such as addressing the lack of power generators in senior living facilities. A contact in Houston noted the need to be proactive and not reactive to disasters as "disasters are constant in our communities."

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 on net during the July through mid-August reporting period. Labor availability continued to improve, and employment levels rose slightly. Wages grew modestly, and prices continued to increase at a slight pace on net. Retail sales and demand for business services were generally steady. Activity in consumer services and manufacturing ticked down a bit. Conditions in the agriculture and resource-related sectors continued to soften slightly, as did activity in residential and commercial real estate markets. Activity in the financial services sector remained muted. Communities across the District faced affordable housing shortages, and demand for community services generally remained high. Looking ahead, contacts expected the economy to be somewhat weaker, and some have curtailed their capital spending citing economic uncertainty and elevated credit costs.

Labor Markets

Employment rose slightly over the reporting period overall. Most contacts across the District cited steady to slightly higher employment levels and improved retention rates, while others, including those in banking and professional services, expanded their payrolls moderately. Nonprofit organizations reported increased hiring to meet the growing demand for community and support services. In contrast, companies in the entertainment and aerospace sectors lowered their headcounts through layoffs. Many contacts continued to note an increase in job applicants, although some cited skills mismatch and difficulty filling specialized positions. Employers continued to see labor turnover slowing, in part due to engaging in more selective hiring and offering enhanced professional development.

Wages grew at a modest pace on net, up relative to the prior reporting period's pace. Contacts noted wage growth outpaced recent averages in agriculture, banking, business services, community services, and leisure and hospitality. The main drivers behind the increased compensation pressures were competition for specific types of highly skilled labor, union contract renegotiations, and higher minimum wage requirements. Wage growth was relatively tamer in real estate and construction, with a few contacts reporting offers for longer contracts at a lower wage level and others expecting to give lower end-of-year bonuses.

Prices

Prices rose slightly overall, at a rate similar to the previous reporting period. Many contacts reported stable prices, including those from the finance, healthcare, manufacturing, and retail sectors. Other businesses, such as those in leisure and hospitality and food services, increased their prices due to higher labor and overhead costs. A few contacts from the agricultural sector noted a drop in prices for some products, including commodity crops, fish, and some produce. Businesses across the District noted higher costs for utilities, energy, insurance, professional services, and shipping.

Community Conditions

Demand for community and support services rose somewhat as individuals and households continued to seek housing, medical, and food assistance. Closures of childcare facilities and recent heat waves in some regions led to higher demand for related support services. Nonprofit organizations faced more difficulties securing funds despite a slight increase in contributions from government sources. Small businesses continued to face challenges with access to credit and sluggish demand in urban cores, forcing some of them to close. One Washington contact noted a rise in demand for educational and training services such as credential and certificate programs.

Retail Trade and Services

Retail sales remained generally steady on net in recent weeks. Some contacts highlighted slightly increasing demand for retail goods relative to the previous reporting period, especially in the Mountain West. Demand was stable for groceries and fresh produce, while sales of nonessential goods weakened further. In particular, sales at home centers fell in recent weeks as households seemingly engaged in fewer do-it-yourself projects. Contacts continued to characterize consumers as more cautious with spending decisions and reluctant to pay full price. One large online retailer noted that many visitors mostly sought products with markdowns and those with promotional prices.

Activity in the consumer services sectors decreased somewhat, while demand for business services was unchanged relative to the previous reporting period. Reports indicated that consumers continued to pull back their spending at restaurants and for other leisure and hospitality services. Demand for air travel weakened further overall, and convention attendance in Southern Nevada was reportedly down. Demand for legal services and business consulting was unchanged at low levels, while demand for janitorial services and medical laboratory services remained solid.

Manufacturing

Manufacturing activity ticked down a bit in recent weeks. Demand for manufactured goods, capital equipment, and fabricated metal generally weakened, although some contacts reported a recent pickup in inquiries and order pipelines. Sales of manufactured wood products remained modest, largely due to slower construction activity and weaker sales at home improvement centers. Labor availability in manufacturing returned to normal levels recently as contacts reported more applicants and less turnover.

Agriculture and Resource-Related Industries

Conditions in the agriculture and resource-related sectors softened slightly, as in the prior reporting period. Demand from the food services sector was unchanged, while demand from the retail sector fell slightly in response to higher prices. A strong dollar curtailed overall exports somewhat. The supply of produce crops and seafood remained high due to elevated yields from the current season and stored inventory from the past season for some products such as salmon. Agricultural producers across the District reported higher financing costs and difficulties accessing credit, leading some to cut back on investment.

Real Estate and Construction

Residential real estate activity decreased somewhat, similar to the prior reporting period. Demand was down in both single-family and multifamily markets. New residential construction remained slow overall, though demand and construction activity increased in some areas in Hawaii and the Mountain West. Developers reported delaying plans and refraining from starting new projects because of high financing costs. Landlords of multi-family properties lowered rents and gave more concessions amid a general rise in vacancy rates. A Southern California contact noted that vacancies and completion of construction projects were up in the high-end rental market but that vacancies were notably lower in the market for affordable housing.

Conditions in commercial real estate weakened slightly overall. Leasing activity fell for industrial and office space, but a contact in Utah noted that demand for retail space had ticked up. Construction of new commercial properties was down in most sectors as projects shifted towards less costly renovations. However, new construction was stable in the medical sector and up for government and military projects. Building materials and inputs were readily available with little change to costs, though backlogs remained for some products such as electrical components.

Financial Institutions

Activity in the financial services sector remained muted. Reports indicated that businesses and households had increased appetites for new loans but were discouraged by elevated interest rate levels. Credit quality remained high, and credit card delinquencies were unchanged after ticking up over several past reporting periods. Competition for deposits was strong, and several contacts noted that many customers looked to lock in their current rates for longer than normal terms as they anticipated reductions in deposit rates going forward.

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