

Comments relevant to construction in the September 3, 2025 Beige Book

The “Beige Book” is a compilation of informal soundings of business conditions in each of the 12 Federal Reserve districts, which are referenced by the name of their headquarters cities. The latest edition, [posted](#) on September 3, is based on information collected from early July to August 25 and includes the following overall comments, followed by comments relevant to construction specific to the district. Explicit mentions of construction are [highlighted](#).

U.S. Summary: Most of the twelve Federal Reserve Districts reported little or no change in economic activity since the prior Beige Book period—the four Districts that differed reported modest growth. Across Districts, contacts reported flat to declining consumer spending because, for many households, wages were failing to keep up with rising prices. Contacts frequently cited economic uncertainty and tariffs as negative factors. New York reported that “consumers were being squeezed by rising costs of insurance, utilities, and other expenses.” Contacts observed the following responses to the consumer pullback. Retail and hospitality sectors offered deals and promotions to help price-sensitive consumers stretch their dollars—supporting steady demand from domestic leisure tourists but not offsetting falling demand from international visitors. The auto sector noted flat to slightly higher sales, while consumer demand increased for parts and services to repair older vehicles. Manufacturing firms reported shifting to local supply chains where feasible and often using automation to cut costs. The push to deploy AI partly explains the [surge of data center construction—a rare strength in commercial real estate noted by the Philadelphia, Cleveland, and Chicago Districts](#). Atlanta and Kansas City reported that data centers had increased energy demand in their Districts. Overall, sentiment was mixed among the Districts. Most firms either reported little to no change in optimism or expressed differing expectations about the direction of change from their contacts.

Labor Markets

Eleven Districts described little or no net change in overall employment levels, while one District described a modest decline. Seven Districts noted that firms were hesitant to hire workers because of weaker demand or uncertainty. Moreover, contacts in two Districts reported an increase in layoffs, while contacts in multiple Districts reported reducing headcounts through attrition—encouraged, at times, by return-to-office policies and facilitated, at times, by greater automation, including new AI tools. In turn, most Districts mentioned an increase in the number of people looking for jobs. However, [half of the Districts noted that contacts reported a reduction in the availability of immigrant labor, with New York, Richmond, St. Louis, and San Francisco highlighting its impact on the construction industry](#). Half of the Districts described modest growth in wages, while most of the others reported moderate growth. Two Districts noted little or no change in wages.

Prices

Ten Districts characterized price growth as moderate or modest. The other two Districts described strong input price growth that outpaced moderate or modest selling price growth. Nearly all Districts noted tariff-related price increases, with contacts from many Districts reporting that tariffs were especially impactful on the prices of inputs. Contacts in multiple Districts also reported rising prices for insurance, utilities, and technology services. While some firms reported passing through their entire cost increases to customers, some firms in nearly all Districts described at least some hesitancy in raising prices, citing customer price sensitivity, lack of pricing power, and fear of losing business. In some cases, as highlighted by Cleveland and Minneapolis, firms reported being under pressure to lower prices because of competition, despite facing increased input costs. Most Districts reported that their firms were expecting price increases to continue in the months ahead, with three of those Districts noting that the pace of price increases was expected to rise further.

[Federal Reserve Bank of Boston](#) (First District--covering New England except Fairfield County, CT)

Summary of Economic Activity

Economic activity expanded slightly overall, with mixed results across sectors. Prices increased at a modest pace, as did wages. Consumer spending was roughly flat for retailers and restaurants, and tourism activity softened a bit. Manufacturing sales rose modestly on average, with strength in AI-related products. Staffing services activity increased slightly, driven by demand for temporary and administrative roles. [Commercial real estate activity expanded but was still considered weak](#). Residential real estate activity rose at a modest pace as inventory growth helped to boost home sales. The outlook remained cautiously optimistic among manufacturing, staffing, and residential real estate contacts. [Sentiment](#),

however, remained pessimistic among commercial real estate contacts and became more guarded among retail and tourism contacts.

Commercial Real Estate

Commercial real estate activity expanded slightly, although contacts continued to view the market as weak overall. Retail properties experienced moderate rent growth, while rents were mostly unchanged in other sectors. Office leasing activity increased slightly further, driven by large companies, but contacts emphasized that the improvements were minimal. One contact pointed out that Boston's office market, which typically tracks New York's in broad terms, was not experiencing a resurgence in office demand on par with that seen recently in New York. New construction was limited, despite pent-up demand for multifamily housing and retail properties. Industrial leasing activity was quite sluggish, and the overall level was down from last year. Multifamily leasing and sales were stable, but rents were flat. The outlook for commercial real estate activity remained pessimistic on balance, although one contact became somewhat more optimistic, and another said that uncertainty was waning. Contacts said that high interest rates continued to deter real estate activity and that tariffs had weakened the outlook for overall economic growth.

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

Federal Reserve Bank of New York (Second District--covering NY, northern NJ, & Fairfield County, CT)

Summary of Economic Activity

Economic activity in the Second District continued to decline slightly as tariff-related uncertainty continued to weigh on businesses. Employment in the region was mostly unchanged during the reporting period, and wage growth remained modest. Selling prices rose at a moderate pace, marking some acceleration since the previous period. Input prices continued to rise at a strong pace. Manufacturing activity picked up modestly following a prolonged slump. Activity in the service sector declined at a moderate pace. Consumer spending increased slightly. With demand remaining solid, housing markets were steady across the District. Businesses were slightly pessimistic about the outlook.

Labor Markets

Employment in the region was mostly unchanged during the reporting period. Firms in information, construction, and education and health reported a decline in headcounts, while personal services firms as well as wholesalers reported some growth in employment.

Labor supply continued to exceed demand in many industries. With heightened uncertainty, businesses are still in wait-and-see mode and have been reluctant to meaningfully reduce or expand their workforces, and larger businesses in particular have been less willing to make commitments. An employment agency in upstate New York reported that jobs were harder to get; workers were staying put, and attrition remained extremely low. Still, workers remained somewhat hard to find in some industries, particularly in manufacturing and healthcare, as well as construction, where a decline in immigrant labor has begun to lead to project delays. Some employers shifted to four-day workweeks to retain workers. There were no signs of major layoffs in the region.

Wage growth held steady at a modest pace. Firms in construction and in leisure and hospitality saw strong growth in wages, while wage growth in finance and transportation remained more tepid. Contacts anticipated continued modest wage growth in the coming months.

Prices

Pricing pressures continued to rise during the reporting period, driven mostly by tariff-related costs. Selling prices rose moderately, marking some acceleration since the previous period. Input prices continued to rise at a strong pace. Multiple contacts reported a significant rise in insurance and utility costs....An importer of European stainless steel used in the auto and aerospace industries reported passing on the full cost of the tariffs to customers, and a shipping company noted customers were importing European steel that just became more expensive with higher tariffs and no alternative domestic suppliers. An IT provider noted that their input costs were starting to increase as they ran out of supplies purchased before tariff increases. Several businesses reported that they planned to hike prices to cover the higher cost of tariffed inputs. Contacts increasingly anticipated a pickup in the pace of price growth in the months ahead.

Real Estate and Construction

Commercial real estate markets showed ongoing improvement, despite lingering uncertainty and concerns about potential longer-term challenges. A commercial real estate contact noted that leasing activity in New York has surged with significant new and renewal leases, leading to reduced vacancies and stable asking rents. Major deals from prominent

companies have driven record high rents in Class A Midtown office space. Industrial demand remained strong in Northern New Jersey, with a surge in leasing for warehouse and distribution space. Building sales declined in New York City, although there have been some positive signs in recent weeks. **Construction activity continued to decline.** For more information about District economic conditions visit: <https://www.newyorkfed.org/regional-economy>.

Federal Reserve Bank of Philadelphia (Third District--covering DE, southern NJ, and eastern PA)

Summary of Economic Activity

Business activity in the Third District increased modestly after declining modestly in the prior period. Employment levels held steady during the period, as did wage growth, which remained near its modest pre-pandemic rate. For some entry-level positions and some workers, wage increases are no longer keeping pace with price increases—especially as firms adjust both workforces and prices in response to tariffs. Firms' own price inflation ticked up but remained at a moderate pace, above its pre-pandemic rate. Moreover, firms reported that expectations for general inflation held above 4.6 percent and that expected wage inflation ticked down. Several contacts expressed concerns that joblessness rates and prices are rising and that wages are stagnating for lower-skilled workers and lower-income households; in addition, rising tariffs and tighter credit standards are straining small businesses. Expectations for economic growth over the next six months broadened across most sectors but were stronger among manufacturers than nonmanufacturers.

Real Estate and Construction

In nonresidential markets, leasing activity and transaction volumes recorded slight growth. **Nonresidential construction activity continued to record slight declines in this period, despite the construction of some data centers and power generation plants. Noting the recent post-pandemic supply chain disruptions and rising prices for commodities and labor, project owners and developers are making greater use of escalator clauses and larger contingency funds.**

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

Federal Reserve Bank of Cleveland (Fourth District--covers OH, eastern KY, southern WV, and western PA)

Summary of Economic Activity

Fourth District contacts reported a slight increase in overall business activity in recent weeks and expected activity to rise modestly in the months ahead. Consumer spending was flat, with retailers noting continued affordability concerns among consumers. Manufacturers also reported flat demand for goods, citing trade policy uncertainty as the main driver. Demand for professional and business services grew moderately, albeit at a slower pace than in the past three reporting periods. Contacts generally reported flat employment levels and modest wage pressures. Nonlabor cost pressures remained robust, and selling prices continued to grow modestly.

Prices

On balance, contacts reported that selling prices grew modestly in recent weeks, continuing the trend since the start of 2025. Across industries, contacts continued to report raising prices to offset higher materials costs. Some manufacturers and auto dealers reported passing along 100 percent of tariff increases to customers, while others said they were slowly raising prices in response to higher tariffs. Pricing power diminished for some contacts, including some metal manufacturers, who were reducing prices to remain competitive. Several contacts in manufacturing and professional and business services reported waiting to see "how things settle" before increasing prices but anticipated doing so in the near term.

Real Estate and Construction

Nonresidential construction contacts saw flat demand over the last two months. Two commercial builders reported decreased demand, which they attributed to tariffs and broader uncertainty, and one real estate developer saw softening demand for retail space as consumers pulled back on spending. Conversely, a few contacts reported increased demand for some industrial projects including data center construction and upgrades to existing facilities. On balance, contacts expected demand to rise slightly in the coming months.

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

Federal Reserve Bank of Richmond (Fifth District--covers DC, MD, NC, SC, VA, and northern WV)

Summary of Economic Activity

The Fifth District economy continued to grow modestly in recent weeks. Consumers continued to spend on retail and leisure travel. Additionally, new and used motor vehicle and boat sales increased this cycle. Manufacturing activity

declined modestly amid continued cost increases and supply chain challenges due to tariffs. Activity in the remaining sectors was generally flat to down slightly. Employment was unchanged, on balance, with most firms making small changes to have the right headcount for the current level of demand. Wage growth remained moderate. Price growth picked up somewhat in the retail and wholesale services sector, but overall year-over-year price growth remained within a moderate range.

Labor Markets

Multiple construction contacts encountered increased difficulties finding workers due to the available immigrant labor pool, and they were not optimistic about future labor availability. A building materials supplier moderated their hiring plans due to increased economic uncertainty.

Prices

Year-over-year price growth increased slightly in recent months but, overall, growth remained moderate. According to our most recent surveys, manufacturers reported growth in prices received remaining in the low three percent range. Non-manufacturers, however, reported an increase in annual price growth that rose from a low three percent range in July to nearly four percent in August. Within the services sector, the firms that reported the largest increases in year-over-year prices received generally had higher exposure to tariffs, such as wholesale and retail sellers of metals, wood-products, appliances, and other imported equipment and machinery.

Manufacturing

Manufacturing activity in the Fifth District continued to decline in the recent reporting period. Many firms have started to increase prices after delaying passing on increased input costs. For example, a compressor manufacturer raised prices after months of resistance. Uncertainty in tariff policy has become a significant administrative burden for multiple businesses, requiring them to allocate resources to understand and track its impacts. Manufacturers not directly affected by tariffs experienced secondary effects. For example, a printer manufacturer that doesn't import products experienced increased costs ranging from 5 percent to 15 percent from suppliers who were subject to tariffs. Additionally, a glass manufacturer reported that tariffs have forced their main supplier out of business and that other suppliers consolidated into fewer plants.

Real Estate and Construction

Commercial real estate activity remained unchanged, on balance. A Virginia broker noted investors and tenants were slowly "getting off the sidelines" despite economic uncertainties. A couple of agents noted "The Big Beautiful Bill" but were uncertain of its effects. With continued uncertainty, deals were taking longer, making them more susceptible to falling through. Brokers in Virginia, Maryland, and D.C. noted that office space was in "modern turmoil" as companies work through return to office mandates. In some cases, outdated office buildings were being torn down and sold for land value.

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

Federal Reserve Bank of Atlanta (Sixth District--covers AL, FL, GA, southern LA & MS, and eastern TN)

Summary of Economic Activity

The Sixth District economy declined slightly since the previous report. Labor markets remained unchanged as most firms kept headcounts flat; wage pressures moderated further. Prices increased moderately. Employers' job requisitions at workforce intermediaries fell, requests for food assistance at direct service providers rose, and organizations relying on federal funding were faced with restricted cash flow. Consumer spending softened. Leisure travel slowed, and business travel was flat. Home sales ticked up slightly, inventory levels moderated, and home values declined, especially in Florida. Commercial real estate activity fell slightly. Demand for transportation slowed; manufacturing activity also fell. Lending increased, on net, even amid tightened standards. Energy activity expanded at a modest pace.

Labor Markets

Labor markets remained relatively unchanged over the reporting period, with most firms holding headcount flat. Contacts continued to describe a reluctance to hire given economic uncertainty and softening demand....Turnover remained low, and contacts generally reported an ample supply of available workers. Overall, wage pressure remained muted amid less turnover and solid labor availability.

Prices

In construction, rising input prices for steel, aluminum, and concrete were partially offset by stabilizing labor costs as worker availability increased amid slowing pipelines. More broadly, sourcing contracts frequently included or are expected to include tariff clauses, adding to uncertainty about firms' future expenses. Many contacts expect to realize inflationary impacts from tariffs through the second half of this year and into 2026, and even those with little or no tariff pressure anticipate increasing prices to offset other costs.

Real Estate and Construction

Commercial real estate activity declined slightly, with most sectors noting rising vacancy rates. As businesses continued to escalate in-office postures, demand for "highly amenitized" office space helped to stabilize class A properties, while others explored converting some office buildings to hotel or industrial space. Industrial property sales were healthy, though a slight increase in demand could not stave off increasing vacancy rates, or outpace new development. Oversupply in multi-family persisted, driving further rent concessions. Retail conditions weakened, as small businesses hit hardest by inflationary pressures requested reduced rent or other assistance from property owners. Retail property sales, however, were steady.

Banking and Finance

Loan growth across the District increased modestly even as several bankers reported tightened lending standards. Construction and consumer lending contracted while other portfolios saw growth. Capital investment slowed as firms exercised caution amid uncertainty, but credit line utilization increased, particularly for small businesses.

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

Federal Reserve Bank of Chicago (Seventh District--covers IA, northern IL & IN, and southern MI & WI)

Summary of Economic Activity

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

Labor Markets

Employment rose slightly over the reporting period, while contacts expected a modest pace of growth over the next 12 months. Reports on current labor market conditions were mixed. Several contacts in manufacturing, construction, and marketing were still having trouble hiring skilled workers.

Prices

Prices rose moderately in July and early August, and contacts expected a similar pace of growth over the next 12 months. Nonlabor input costs rose moderately, with contacts highlighting higher costs for energy and raw materials like chemicals, aluminum, and steel. Manufacturers attributed higher raw materials prices to tariffs and several said that they had passed on those increases to customers. In contrast, a roofing manufacturer had not passed on higher costs from increased tariffs on Chinese-made nails and fasteners. In addition, several contacts in the construction industry noted lower input prices in recent weeks.

Construction and Real Estate

Construction and real estate activity decreased slightly overall. Residential construction edged down. There was stronger demand for home upgrades and renovations than for new single-family construction. Separately, some multifamily construction had fallen behind scheduled timelines due to permit delays and rezoning. Residential real estate demand decreased slightly, while prices and rents edged up. Contacts noted that absorption of newly finished multifamily rental properties slowed and that rents in the subsector had fallen. Nonresidential construction increased slightly. Building of projects that receive tax abatements or other government subsidies remained strong and demand for data centers continued to be robust. Contacts noted that contractors were more frequently pre-ordering materials to avoid cost fluctuations.

Commercial real estate demand was unchanged. Rents increased while vacancy rates were flat. Demand was strong for new, top quality office space and warehouse space.

Manufacturing

Manufacturing activity increased modestly in July and early August. Steel production increased slightly, with one contact highlighting greater demand from the energy sector. Demand for fabricated metals rose, in part due to an increase in orders from the energy and construction industries.

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

Federal Reserve Bank of St. Louis (Eighth District--covers AR, western KY & TN, southern IL & IN, northern MS, and eastern MO)

Summary of Economic Activity

Economic activity and employment levels have remained unchanged since our previous report. Wages and labor costs have increased moderately, rising at a faster pace than in previous reports. Contacts reported that immigration policies were resulting in labor shortages. Prices have increased moderately, but at a faster pace than in previous months; contacts expect prices to increase at a faster pace over the next year. Contacts expressed a high degree of uncertainty and they are concerned that tariffs will result in further cost increases. The outlook remains slightly pessimistic, but its deterioration has subsided.

Labor Markets

Contacts in manufacturing, construction, and agriculture continue to report labor shortages and abnormally high turnover, which they attribute to the loss of immigrant labor.

Nonfinancial Services

... Professional services businesses reported that fewer construction projects were resulting in lower demand for their services, but they were expecting conditions to improve.

Real Estate and Construction

Commercial real estate activity has remained unchanged since our previous report. Contacts reported continuing progress on existing projects but no new business taking place. Developers cited economic uncertainty, high borrowing rates, and higher construction costs as factors. On the bright side, a development group in Tennessee reported that retail demand for space remained strong after a pause in the spring.

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

Federal Reserve Bank of Minneapolis (Ninth District--covers MN, MT, ND, SD, and northern MI & WI)

Summary of Economic Activity

Economic activity in the Ninth District was down slightly since the previous report. Employment was down slightly, and labor demand continued to soften. Price pressures increased modestly, and wage growth was moderate but easing. Consumer spending also softened. Construction was flat, while real estate markets were mostly flat. Manufacturing contracted slightly and agricultural conditions remained weak. Activity among minority- and women-owned business enterprises declined.

Labor Markets

Employment was down slightly since the last report. Surveys showed hiring sentiment and job openings continued to soften, and a slightly larger share of firms reported shrinking head counts compared with those seeing growth. Some firms were choosing not to fill turnover or other open positions given economic uncertainty. A construction subcontractor in Minnesota said that approved projects were being delayed due to the uncertainty, and "we are struggling to keep our people busy." Recent layoffs remained low, however, and unemployment insurance claims fell slightly. Those firms that were hiring generally found improved labor availability.

Wage growth was modest to moderate and easing overall, according to recent surveys. Several contacts reported that recent trade union contracts saw significant wage gains.

Construction and Real Estate

Construction activity was modestly lower on balance, driven mostly by a decline in active residential projects and a slow replenishing of backlogs. Interest rates, material costs, and trade policy remained limiting factors among industry contacts. Construction activity was flat since the last period. A recent survey revealed that interest rates, high material costs, and government policies were the top three challenges for construction firms. Most respondents were hiring but it remained difficult to find skilled workers. Employment in the sector was expected to grow modestly on balance over the coming months. The year-over-year value of permitting activity for new construction grew modestly, driven by stronger gains in residential permits. Permitting activity was strongest in Rochester, Minnesota; Rapid City, South Dakota; and Billings, Montana.

Commercial real estate was flat overall. High financing rates and economic uncertainty continued to dampen new development in retail, multifamily, and industrial space, benefiting existing property owners.

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

Federal Reserve Bank of Kansas City (Tenth District--covers CO, KS, NE, OK, WY, western MO, and northern NM)

Summary of Economic Activity

Economic activity was generally flat across most sectors of the Tenth District economy. Employment levels fell modestly, and wage pressures remained subdued on softer hiring conditions. Total labor costs were still expected to rise as costs for non-wage benefits rose faster than wages. Prices grew moderately, with many businesses citing cost pressures coming from tariffs. Several contacts suggested input cost growth was more broad-based than the incidence of tariffs, citing both the rise in prices on non-tariffed items and the unwillingness of suppliers to reduce prices after applicable tariff rates were reduced over the summer. Higher input costs broadly led to compression in profit margins, which some bankers reported had a mild effect on credit quality. However, bankers indicated higher tariff rates and declining profit margins have not adversely affected their willingness to lend as overall loan quality remained sound.

Prices

Prices continued to grow moderately over the past month, with input prices outpacing growth in prices for finished goods and in retail. Several business contacts reported broad-based input price increases associated with, if not driven directly by, tariffs; several contacts suggested suppliers opportunistically raised prices beyond what is due to tariffs alone. Furthermore, contacts indicated their suppliers were reluctant to lower prices even when tariff rates fell, resulting in some stickiness in input costs. Overall expectations were for a moderate increase in both input and output prices in the coming quarters.

Real Estate and Construction

Commercial real estate (CRE) activities showed little-to-no change in recent months. Contacts noted nearly all aspects of CRE activity—including prices, sales, absorptions, access to credit, and new development—did not change meaningfully. The recent stabilization of activity is around levels that are in line with historical norms. However, commercial real estate developers noted the costs of contractors and subcontractors were beginning to rise due to a combination of limited availability of crews in certain markets and rising building materials prices across most markets.

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

Federal Reserve Bank of Dallas (Eleventh District--covers TX, southern NM, and northern LA)

Summary of Economic Activity

Economic activity in the Eleventh District expanded modestly. Growth picked up in nonfinancial services and manufacturing. Retail sales increased, and loan volume rose, driven by increases in residential and commercial real estate lending. Agricultural conditions were favorable. Meanwhile, housing market activity remained weak, and drilling activity and oil production were flat. Employment levels were unchanged, and wage growth was moderate. Prices increased modestly apart from the manufacturing sector, where price pressures intensified due to tariffs. Outlooks improved but there was widespread trepidation regarding shifting trade policy, high interest rates, and more restrictive immigration policy.

Prices

Selling prices increased at a modest pace, except for the manufacturing sector where price pressures rose reflecting the widespread impact of tariffs. According to an August Dallas Fed survey, nearly half of firms noted being negatively impacted by tariffs, and all of them noted facing higher input costs as a result. Among those passing through tariff cost increases to customers in the form of higher prices, roughly half noted doing so within a month of the tariff taking effect, and three quarters are doing so within three months. Reports on the extent of pass through were mixed, with only 21 percent noting full pass through thus far. Companies reported mitigating tariff impacts by building up inventories prior to the tariff, absorbing higher costs, and finding alternative suppliers.

Manufacturing

Activity in the manufacturing sector rebounded, following weakness in the prior reporting period. **New orders rose for the first time since January, led by increases in durable goods, namely transportation equipment, machinery, and construction-related products.**

Real Estate and Construction

Commercial real estate activity increased slightly during the reporting period. Apartment demand remained solid and occupancy rates edged higher, but the influx of new units kept rents flat to down. Office leasing ticked up, and contacts said there appear to be more signs of stability. Industrial activity was characterized as solid. **New commercial construction activity was subdued.** Investment sales activity continued to be limited, with scattered reports of distressed property sales. Outlooks remained cautious.

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

Federal Reserve Bank of San Francisco (Twelfth District--covers AK, AZ, CA, HI, ID, NV, OR, UT & WA)

Summary of Economic Activity

Economic activity in the Twelfth District edged down slightly during the July to mid-August reporting period. Employment levels were down slightly as employers laid off workers and did not fill vacated positions. Wages grew somewhat, and prices rose modestly overall. Conditions in retail trade and the consumer and business services sector weakened slightly. Manufacturing activity declined modestly, and conditions in agriculture and resource-related sectors were somewhat weaker. In both residential and commercial real estate, activity was slow but unchanged. Financial sector conditions were stable. Community support organizations struggled to balance the continued demand for services against declines in funding. Looking ahead, contacts' economic outlook weakened some relative to the prior reporting period.

Labor Markets

Labor availability and applicant quality rose as regional pools of workers applying for jobs expanded. However, **some contacts reported that businesses in agriculture and construction had difficulties filling positions due to constrained labor supplies from changes in immigration policy.**

Prices

Price levels rose at a modest rate, similar to the previous reporting period. Prices were higher across a range of product categories such as insurance, retail and grocery items, and manufactured goods. **In contrast, prices for some building materials, such as lumber and roofing, declined, driven by slower demand from the construction sector.** Prices of most inputs increased, including business IT and security services, animal food products, and **materials such as steel and aluminum.** Contacts attributed price pressures to the tariffs on imported inputs and high demand for limited quantities of domestically produced components.

Real Estate and Construction

Commercial real estate activity was unchanged and remained slow. Leasing demand was subdued as many businesses continued to postpone decisions about space needs due to slowing consumer demand and elevated costs. However, a Southern California contact noted an uptick in leasing demand as expiring contracts forced some to make decisions about what space to lease. **Commercial construction was slow overall but somewhat offset by continued work on large institutional and government projects in some regions.** Reports highlighted that project starts were delayed due to elevated financing costs and tariff-related concerns, such as the availability and cost of materials. Still, some contacts observed that **with fewer available projects, competition increased among contractors and put downward pressure on prices of labor and materials in bids.**

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