

## Comments relevant to construction in the June 3, 2026 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, [posted](#) on June 3, is based on information collected from mid-April to late May to early July and includes the following overall comments, followed by comments relevant to construction ([highlighted](#)) specific to the district.

**U.S. Summary:** Economic activity increased at a slight to moderate pace for ten of the twelve Federal Reserve Districts, while one District reported a slight decline and one reported no change....business outlooks for the next six months were reported to have little change in anticipated growth, as elevated uncertainty and signs of weakening consumer spending weighed on sentiment.

### Labor Markets

Employment showed little to no change across eleven Districts, while one District experienced modest growth. Manufacturing hiring was the strongest sector in several Districts, supported by defense-related activity and rising data center demand. Wage growth generally remained modest to moderate and largely in line with inflation. That said, Districts reported more frequent wage adjustments and cost-of-living increases to manage increasing fuel and other household cost pressures. Most Districts described a low-hire, low-fire environment, with workers increasingly reluctant to change jobs because of economic uncertainty. Hiring remained selective and primarily focused on critical roles or attrition replacement.

### Prices

Prices increased at a moderate to strong pace overall, with most Districts reporting higher inflation than the previous report. Districts noted that energy-related costs tied to the conflict in the Middle East were the primary driver of inflationary pressures, with spillovers into shipping, packaging, groceries, and fertilizer. Non-labor input costs continued to rise faster than selling prices, contributing to broader concerns about margin compression.

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

### Summary of Economic Activity

Economic activity expanded slightly, representing an improvement from the previous report....real estate activity eased slightly. Employment was roughly flat, and wages showed small gains. Output prices edged higher, and cost pressures remained elevated, mostly related to the Middle East conflict.

### Prices

Output prices rose slightly on average, although many firms left prices unchanged. Input prices increased modestly overall, but some contacts reported significant cost pressures. Numerous contacts mentioned the conflict in the Middle East as a source of cost pressures and heightened business uncertainty....Construction contacts experienced moderate to strong cost pressures not exclusively linked to the conflict, including property taxes and borrowing rates, in addition to energy prices.

### Real Estate and Construction

...construction activity ticked up....Nonresidential sales stagnated amid expectations that interest rates would stay high for longer. Construction activity and revenues increased slightly overall, even though multifamily construction slowed somewhat. Construction firms experienced diminished profits following recent cost increases. The outlook for nonresidential activity and for construction dimmed on increased uncertainty tied to the Middle East conflict and proposed rent control in Massachusetts.

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 increased slightly after a sustained period of weakness.

### Labor Markets

On balance, employment edged up slightly. Head counts increased among manufacturing, personal services, construction, and wholesale firms, while employment declined modestly in the finance, business services, and information sectors. Labor demand picked up slightly, though a low-hire, low-fire environment was still the norm....Wage growth eased somewhat and remained modest. Some contacts noted that New York State’s minimum wage was putting upward pressure

on labor costs and creating competitive asymmetries between states. Contacts anticipated some easing in the pace of wage growth in the coming months.

### **Prices**

The pace of selling price increases picked up to the high end of the moderate range, and input prices rose strongly. While tariffs continued to put upward pressure on prices, contacts across several sectors noted that rising fuel and energy costs had eclipsed tariffs as a driver of price increases, significantly impacting business operations and dampening profitability. Rising energy prices drove transportation and other expenses higher for many firms....A metal product manufacturer noted **continued increases in prices for metals, including aluminum and steel**. Contacts expected pricing pressures to intensify in the coming months.

### **Real Estate and Construction**

Vacancy rates for **class A office** space recovered to pre-pandemic levels, and **new construction has been spurred by limited remaining supply**. By contrast, rents fell amid a soft industrial market, where high ocean and truck shipping costs discouraged demand for warehousing and distribution space. **Construction activity picked up to a modest pace, after an extended period of 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 declined slightly on balance, after growing narrowly in the last period.

### **Real Estate and Construction**

**Nonresidential construction activity again recorded slight declines this period. Several contacts reported construction activity by some firms in the pharmaceutical and higher education spaces, but at a slower pace, and continued data center construction. Two contacts noted an uptick in bidding activity, a promising sign for future projects.**

*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**

On balance, contacts reported that business activity in the Fourth District increased moderately in recent weeks, with continued moderate growth expected in the months ahead....data center buildouts drove commercial building demand.

### **Labor Markets**

**Construction contacts reported robust growth in staffing, with some adding employees to support new projects or continue data center work....across sectors, multiple contacts noted easing wage pressures amid cooling labor demand. One construction contact noted that employees were “nervous and stressed” and believed employees were reluctant to “risk” leaving for higher-paying opportunities.**

### **Prices**

Nonlabor input cost pressures remained robust for the eighth consecutive reporting period, with the highest share of contacts reporting cost increases since the summer of 2022. The primary drivers of increases cited by contacts were rising fuel costs related to the Middle East conflict and spillover effects on material and service costs through increased fuel surcharges....Many manufacturers continued to raise prices to cover **higher metals and tariff-related costs**, and one began implementing surcharges, referring to them as the “new normal.” Similarly, **some freight contacts added fuel surcharges** to cover higher costs and noted that reduced capacity in the sector had increased their pricing power.

### **Real Estate and Construction**

**Nonresidential construction and real estate contacts reported moderate demand growth in recent weeks. Data centers continued to drive commercial building demand, and some international firms were in the early stages of onshoring operations to the Fourth District. While activity increased overall, contacts commonly mentioned input cost increases putting pressure on project budgets and, in some cases, causing them to be delayed or canceled. On balance, contacts expected strong demand growth over the next two 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 at a modest rate.

### **Labor Markets**

...firms reliant on skilled trades labor continue to report challenges, with an architecture firm noting an inability to complete a construction project due to worker shortages. Several firms reported employees leaving for higher-paying or more stable positions. Multiple contacts reported compensation adjustments to support their employees facing increased costs of living. For example, a manufacturer provided gas bonuses to help offset increased fuel costs, while a commercial construction firm is raising salaries for its workers.

### **Prices**

Survey participants across all sectors noted increases in oil prices while a few noted specific tariff related increases for items like foam and steel.

### **Real Estate and Construction**

Commercial real estate activity remained unchanged. Class A office space and retail remained strong. The medical office market saw continued growth in new facilities. Manufacturing leasing and sales seemed to pause this cycle amid concerns about tariffs and energy prices. Builders in both sectors noted their concerns with oil prices potentially delaying the start of new projects. A broker in Maryland noted a retail client is pushing off repaving their parking lot this year due to the increase in the cost for asphalt. A Virginia builder noted concerns that if diesel prices stay elevated, they would have to pass those costs onto customers.

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

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

### **Summary of Economic Activity**

The Sixth District economy expanded at a modest pace over the reporting period.

### **Labor Markets**

Some businesses in industries like health care and data center construction reported hiring for growth or for specialized skills. Several firms noted that the use of AI and automation has improved productivity and shifted job roles but was not expected to lead to significant workforce reductions in the near term. Most contacts reported modest annual wage increases in the 2 to 3 percent range, though stronger wage pressures continued for in-demand roles.

### **Prices**

Construction costs increased, largely attributed to tariffs on machinery, although slower project pipelines drove more competitive bidding.

### **Real Estate and Construction**

Commercial real estate (CRE) conditions were generally flat, but dynamics varied by sector. Office activity showed moderate growth in Class A space, even as widespread repricing forced many owners to sell distressed assets at deep discounts when maturing debt exceeded valuations. Demand for retail space softened, with slight rent declines and minimal new supply. Multifamily conditions stabilized but remained stressed in saturated markets where concessions continued and price sensitivity intensified. Industrial demand was solid, supported by energy, logistics and nearshoring trends, and strong data center construction. Some CRE contacts noted that capital remained on the sidelines as uncertainty around energy costs and global conflicts weighed on sentiment.

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 slightly over the reporting period and contacts expected little change in activity in the coming year. Manufacturing demand rose moderately; consumer spending, employment, and construction and real estate activity increased slightly; business spending was flat on balance; and nonbusiness contacts saw no change in economic activity. Prices rose rapidly, wages were up modestly, and financial conditions tightened slightly.

## Prices

Prices rose rapidly overall in April and early May and contacts expected a moderate pace of growth over the next 12 months. Producer prices increased at a strong pace. Nonlabor input costs rose rapidly overall, led by higher costs for inputs whose supply chains are linked to the conflict in the Middle East. Contacts highlighted increased prices for energy, shipping, and raw materials like steel and chemicals.

## Business Spending

Business spending was flat on balance in April and early May. Capital expenditures were unchanged, but contacts expected a slight increase in outlays over the coming year. Several contacts across industries reported that uncertainty over the economic outlook had led their customers to slow or pause capital spending, though they observed that data center investments appeared to be unaffected. Demand for truck transportation decreased slightly. Freight rates rose significantly in line with rapid increases in fuel prices and many contacts reported their suppliers were introducing freight surcharges.

## Construction and Real Estate

Construction and real estate demand increased slightly overall. New residential construction edged down and home renovation activity remained soft....Nonresidential construction increased slightly. Most growth continued to come from data center and government infrastructure projects. Otherwise, contacts noted some reluctance to start projects because of higher energy prices and elevated uncertainty.

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 in the Eighth District has slightly increased since our previous report.

## Prices

Prices have risen at a robust pace since our previous report. Nonlabor cost increases were widespread and not solely driven by higher energy prices. For example, a developer in Kentucky noted higher nonlabor operating costs due to supply chain delays and material shortages....A manufacturer in Indiana observed rising prices for petroleum-based products, impacting construction input costs.

## Real Estate and Construction

Construction activity was mixed as well: A St. Louis builder reported modest growth despite sector volatility, while a Missouri supplier noted weaker construction demand because of slower non-residential activity and higher borrowing costs, with no signs of improvement.

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

Ninth District economic activity increased modestly since the previous report. Employment grew slightly, and wage growth was modest to moderate. Prices increased sharply, particularly for inputs. Growth was noted in financial and nonfinancial services, construction, and manufacturing.

## Labor Markets

Employment rose slightly since the last report. Construction firms reported healthy hiring demand, and a majority were looking for year-round, full-time workers. Human resource contacts noted less availability of foreign-born workers, and some employers were having difficulty using work visa programs to meet labor needs. A contact with a southwest Minnesota manufacturer noted that they have seen fewer immigrants in the local labor force. As a result, they have hired more nonimmigrant workers; since doing so “our turnover has gone up over 10 percent,” and total job applicants have fallen significantly.

## Worker Experience

Overall, workers across the District faced a shrinking number of job postings. Individuals with skills in construction, manufacturing, or health care were more likely to be hired. A community college contact noted that older adults were “coming back to get a second credential to better compete for jobs.”

## Construction and Real Estate

Construction activity in the District grew moderately since the last report, but contacts revealed some fragility beneath the surface. Cash flows were hurting due to many projects “stopping and starting” as clients became hesitant to proceed. A

contact shared that “everything is high, and customers are taking care of today, but unsure about tomorrow.” Firms and workers were shelling out more income to pay for rising fuel costs. Higher oil prices were also affecting the price of PVC and other materials. Data centers, energy projects, and infrastructure work remained relatively solid. Construction permits filed in April increased year over year across major markets in the District, notably in Minneapolis, Minnesota, and Rapid City, South Dakota. ted of maintenance and small jobs.

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 increased slightly in the Tenth District

#### **Construction and Real Estate**

Contacts in the housing construction sector noted robust increases in the cost of a variety of building materials and to higher delivery costs associated with higher oil prices. They characterized the increase in materials costs as being “like tariffs all over again, but with price increases coming faster.” Providers of building materials emphasized that the timing of the price shock for fuel and petrochemicals undermined the previously expected pick-up in home building construction, whose growth expectations across much of the District are now reportedly anemic. The inventory of single-family homes for sale rose at a modest pace, somewhat slower than the robust growth over the last two years. Still, the continued increases in the availability of both single-family homes for sale and multi-family units delivered kept rent growth subdued.

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 rose modestly over the reporting period

#### **Labor Markets**

Labor costs for homebuilders remained flat or declined due to reduced work volume in the single-family housing market.

#### **Prices**

Price pressures increased over the reporting period, largely driven by increased fuel and shipping costs. Some manufacturers noted that supply-chain issues related to the closure of the Strait of Hormuz prompted **substantial price increases in certain materials, like aluminum**. Several companies across an array of industries have raised prices or added fuel surcharges in response to higher costs, while others noted that they plan to do so if higher fuel costs persist.

#### **Real Estate and Construction**

Commercial real estate activity rose on net. Apartment absorption increased, but rents continued to decline and concessions remained widespread due to elevated supply. A modest recovery is expected in the second half of the year. The office market was stable, with consistent demand. Demand for industrial space remained solid. **Office and retail construction was subdued, while data center and industrial construction were robust.**

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 remained largely stable during the April through mid-May reporting period. Employment levels were generally unchanged, with most employers holding head counts flat and hiring selectively. Wages rose slightly. Prices increased moderately, largely driven by higher fuel costs due to the ongoing conflict in the Middle East....Activity in residential real estate continued to cool slightly, and commercial real estate activity was unchanged on net

#### **Labor Markets**

**Contacts reported some employment declines from layoffs and attrition in** the technology, **construction**, and finance sectors.

## **Prices**

Prices rose at a moderate pace, as in the prior reporting period. Higher fuel prices attributed to the conflict in the Middle East drove up transportation and shipping costs for businesses across most sectors. **Contacts continued to report tariff-related input cost increases, particularly for steel.**

## **Manufacturing**

Several contacts maintained or increased capital spending plans, while others paused plans due to ongoing financial constraints from general cost pressures and overall economic uncertainty.

## **Real Estate and Construction**

**Single-family...Construction activity was slow, both for new homes and renovations.** One contact observed a slight increase in the number of developers seeking to exit the market by selling existing projects. Rental rates were lower for multifamily units, and concessions were more prevalent. **Although multifamily construction was generally stable, one contact in Utah reported a decline because of existing excess supply....Although slow otherwise, construction activity remained steady for infrastructure, defense, health care, and data centers. This created more competition for projects among contractors, leading some to absorb cost increases to secure contracts.**

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