



**Labor Markets**

employment continued to increase slightly, with gains in leisure and

Reports from multiple manufacturers indicated fewer orders because of softer residential and commercial

**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 overall in late May and June, and contacts generally expected a similar rate of increase over the next year. Employment was up modestly; business and consumer spending rose slightly; nonbusiness contacts saw little change in activity; and manufacturing and construction and real estate activity edged down.

**Prices**

and some raw materials, notably copper.

**Business Spending**

Despite high interest rates, many contacts said they were moving forward with capital spending projects and that rates staying higher than they had expected earlier in the year was unlikely to affect their decision making. There were isolated reports of supply chain issues. Several contacts said a low supply of switchgears (used for regulating the flow of electricity) was causing headaches for electric utilities.

**Construction and Real Estate**

Nonresidential construction activity was unchanged, as were sales prices. Several contacts said that the industry had adjusted to high interest rates. The number of new projects was solid and unchanged, though across all segments developers of new buildings were cutting back on the size of projects and amenities. Office tenants were downsizing but updating their spaces. Demand for retail store remodeling was also solid. Commercial real estate activity decreased slightly. Prices were unchanged, rents fell slightly, and vacancy rates were unchanged. Contacts reported that several local restaurants near office buildings had closed recently because of an ongoing lack of weekday traffic. In Southeast Michigan, contacts noted ample availability of industrial floor space because of lower-than-expected battery electric vehicle production.

**Manufacturing**

Orders for steel were down slightly, with contacts noting slower demand from construction. Fabricated metals sales were steady overall, with higher demand from utilities but lower demand from the auto industry. Machinery sales decreased modestly, with reports of slower demand from the construction, agriculture, and aerospace 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 across the Eighth District has increased slightly since our previous report, a continuation of trends reported over the past few months.

**Real Estate and Construction**

Commercial real estate conditions are mixed, depending on the property type. Office leasing activity remains depressed. One contact noted that upon renewal, square footage was down by 20 to 30 percent. The industrial market remains weaker than a one year ago, but brokers are seeing a slight uptick in leasing activity. The retail market remains strong with low availability rates and stable construction activity. In the multifamily rental market, a contact noted that supply had increased and that demand continued to be strong, particularly in suburban areas.

**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 flat to slightly down since the previous report. Employment grew slightly, but labor demand continued to soften. Price pressures increased modestly, and wage growth was moderate. Construction improved slightly, while real estate markets were mostly flat.

### **Construction and Real Estate**

Construction improved slightly since the last report. Industry data showed that new projects and overall activity increased compared with last year. However, contacts were more mixed in their assessment. A Montana source said that contractors were busy, but projects were seeing more bids and smaller markups. A Minnesota contact in commercial glass said the co

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

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

#### **Summary of Economic Activity**

The Tenth District economy continued to expand at a moderate pace.

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

Vacancy rates rose across property types, but with stark differences between their reported drivers. The net supply of new industrial space and multifamily housing units were both significantly above their 10-year average in recent months, which contacts suggested drove vacancies higher for the near term and tempered rent growth. However, demand for office space remained subdued and declines in office leasing activity were the primary drivers of higher vacancies, a dynamic which contacts expect to persist.

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**

The Eleventh District economy expanded slightly over the reporting period.

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

Commercial real estate activity was little changed from the previous reporting period. Apartment leasing picked up, but there continued to be downward pressure on occupancy rates and rents due to elevated supply. Office leasing activity remained sluggish and was primarily concentrated in class A space. Retail and industrial demand grew moderately, and rents were stable to up. Outlooks were cautious, with certain commercial market segments expected to remain challenging due to weak demand, high interest rates, election uncertainty, access to financing, and/or elevated supply.

*For more information about District economic conditions visit: [www.dallasfed.org/research/texas](http://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 was stable on net during the mid-May through June reporting period.

#### **Labor Markets**

The size of the labor force overall reportedly grew, and some firms found it easier to fill jobs, particularly those at the entry level. However, challenges continued for firms recruiting specialized workers in sectors such as information technology, manufacturing, and construction. Demand for workers with specialized skills rose more than overall labor demand in these sectors.

**Prices**

Costs for some inputs, such as energy, utilities, and insurance, rose at a slight pace, while prices for inputs used in construction, including asphalt, wood products, steel, and equipment, rose more slowly or even fell slightly.

**Real Estate and Construction**

.... Contacts reported that new multifamily housing starts generally decreased across the District. Commercial real estate activity remained mixed on net. Demand for office space continued to decrease, while demand for industrial space was solid. High financing and material costs as well as downward pressure on valuations and some lingering supply chain issues hampered construction in the commercial sector, putting some projects on hold. One contact in the retail sector mentioned lower investments in new developments, focusing instead on existing commitments and remodeling projects.