



Latest Beige Book Reports Weak Summer Growth, Soft Labor Market

Headlines

- **Most Fed districts reported little or weak growth in the summer, according to the latest Beige Book. Tariffs and uncertainty were drags.**
- **Employment was reported down in all but one district.**
- **Contacts reported higher input costs, with some pass-through of higher costs along to consumers.**
- **PNC expects weak economic growth into 2026 with drags from tariffs and a softening job market.**

Details

According to the latest Beige Book from the Federal Reserve, covering late July and August, economic growth was soft in the summer. Eight districts reported little or no change in economic activity, while the remaining four reported modest growth. Consumer spending was flat to down because wages were not keeping up with rising prices. Tariffs and economic uncertainty were drags on growth.

Discounting supported retailing and domestic leisure travel, but international travel was down. Auto sales were flat to up slightly, with demand shifting to used vehicles. Firms moved to local supply sourcing to avoid tariffs where possible and increased automation. Commercial real estate was generally soft, outside of data center construction.

Sentiment about the near-term economy was mixed, with little change among some firms and differing viewpoints among others.

Employment fell in eleven districts and was flat in the twelfth. Firms were reluctant to hire given uncertainty, and were also reducing staffing through attrition. At the same time most districts reported more job seekers, although one-half of districts reported a reduced supply of immigrant labor, with a particular impact in construction. Reported wage growth was modest in one-half of districts, with no growth in two districts and moderate growth in the remainder.

Price growth was moderate or modest in most districts, but there was strong input price growth in two districts. Contacts reported higher prices from tariffs, particularly for inputs. There were also higher prices for business services. Some firms raised prices in response to higher input costs, while others were more reticent about passing



along higher costs given weak demand. Most districts reported that contacts expected prices to continue to increase in the near term.

There was modest growth in six districts: Boston, Philadelphia, Cleveland, Chicago, and Dallas. Activity was flat in the St. Louis and Kansas City districts, and declined in the New York, Atlanta, Minneapolis, and San Francisco districts.

According to the Beige Book the U.S. economy grew slowly in the summer. Higher tariffs are boosting prices, creating a drag on businesses and consumers. Uncertainty is also a weight on economic growth. The labor market has softened significantly this year, with employment down in all but one district.

The latest Beige Book is consistent with PNC's forecast for soft GDP growth in the second half of 2025 and into 2026, but no recession. Growth should pick up in 2026 as federal funds rate cuts later this year and in early 2026 support borrowing and greater economic activity. But the risk of recession is elevated with very weak job growth and soft consumer and business confidence. The results from the Beige Book are very different from those of PNC's Fall 2025 survey of small and mid-sized business owners, which reported the strongest optimism in the more than 20 year history of the survey.

Please reach out with any questions,

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