Modest Growth in September According to Beige Book

Headlines

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- **The economy expanded modestly entering the fall, according to the Beige Book. Consumer spending growth was slight at best.**
- **Employment was flat or up slightly across districts.**
- **Price pressures remained elevated.**

Details

According to the latest Beige Book from the Federal Reserve, the U.S. economy expanded in September and early October, although conditions varied across districts. Consumer spending was flat to up slightly over the period, with gains coming from high-income households. Tourism spending continued to expand. Manufacturing growth was modestly positive on net. The outlook was for modest near-term growth, weighted toward manufacturing, but uncertainty was expected to be a drag.

Employment was flat or increased slightly in most districts. Labor supply remained adequate, although there continued to be shortages in some skilled positions. Five districts reported that artificial intelligence was weighing on demand for labor. On average, wages were up slightly entering the fall.

According to the Beige Book, price growth was moderate to robust, with a few districts reporting inflationary pressures from higher input costs. Higher oil prices were a factor across all districts, with price pressures from other commodities as well. Higher diesel prices were pushing up costs throughout the supply chain. Consumer firms noted customer resistance to price hikes and pressure on margins. Respondents expected further inflationary pressures in the near term.

The Richmond and Dallas districts reported moderate growth. There was modest growth in the Cleveland, Atlanta, and St. Louis districts. Growth was slight in the Boston, New York, Philadelphia, and Minneapolis districts. The economy was flat in the remaining districts: Chicago, Kansas City, and San Francisco.

The latest Beige Book is consistent with continued economic expansion entering the fall, but with mixed conditions across the country. Consumer spending growth was modest on average, with high-income households leading. Consumers were pushing back against price increases. Manufacturing activity has improved in the second half of 2026. Job gains were weak at best, although no district reported job losses. Inflationary pressures

remained elevated, primarily but not exclusively from higher energy prices.

The Beige Book is consistent with PNC's forecast for continued economic growth through the rest of 2026 and into 2027. Job growth will be weakly positive, and consumer spending will continue to increase. Inflationary pressures will remain elevated until energy prices start to decline.

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