



Tenth District Beige Book

July 16, 2025

Tenth District Summary for Beige Book.

Summary of Economic Activity

Economic activity in the Tenth District was mostly unchanged, with some rebound in consumer spending and financial activity following declines in prior months. Job gains were subdued, and wage pressures were expected to diminish. Labor availability was reportedly much higher, with the notable exception of the skilled trades for which job openings far exceeded the number of workers for hire. Credit quality was mostly stable despite some deterioration noted in consumer segments and declines in repayment rates on agriculture loans tied to crop farming. Oil and gas activity declined as prices fell on net. However, volatility in oil prices in recent weeks prompted an increase in hedging activity, which contacts indicated will provide some support to profitability over the near term. Prices grew at a moderate pace, with reported expectations for acceleration in price growth during the second half of the year.

Employment levels grew slightly over the past month. Service contacts reported a modest increase in the number of employees, but it was somewhat offset by a small decline in headcounts at manufacturing firms. Wages grew at a moderate pace, in line with contacts' expectations. Businesses indicated mid-year wage adjustments were negligible, if not being "off the table," consistent with softer wage pressures going forward. Most contacts reported more applications for a dwindling number of open positions, though labor availability was reportedly more limited in leisure and hospitality and particularly scarce among the skilled trades.

Prices continued to grow moderately over the last month. Manufacturers and service providers both experienced profit margin compression with input prices increasing more than retail prices. However, some firms reported they are planning broad-based price increases across product lines to maintain profitability. For example, the costs of sourcing used car inventory rose, which contacts indicated will lead to persistent auto price pressures. Expectations of price growth remained elevated in most other consumer-oriented sectors as well.

Consumer spending rebounded slightly over the last month, but contacts reported the recovery in spending did not return demand to levels experienced during the first quarter of the year. Travel spending led much of the recovery. Still hotels, national parks, and restaurants all reported customers are spending less and staying shorter amounts of time than is typical. Home repair and remodeling activity picked up, which homeowners were reportedly more likely to finance through home equity lines of credit. Expectations for consumer spending over the next six months worsened in recent weeks.

Nearly all community college and certificate program contacts reported strong job placement, with many programs – such as building trades, diesel tech, welding, and aircraft maintenance – continuing to have more jobs available than there were graduates. These educational programs also reported higher demand on their food pantries, mental health services, and assistance for transportation, housing and utilities among students. While most community education contacts reported growth in local tax revenue and tuition dollars, several were starting to plan for challenges from proposed federal and state funding changes, particularly around Pell grants.

The level of business activity was mostly unchanged over the past month, with small contractions in manufacturing activity being offset by a small rebound in activity at professional and consumer services firms. More businesses reported their customers showed heightened price sensitivity associated with increases in materials and input costs resulting from tariffs. The number of cancelled orders rose significantly as customers balked at price increases. However, the backlog of orders was previously elevated at many businesses, so that the pickup in cancellations of orders brought those backlogs back down toward typical levels. Mergers and acquisition activity reportedly began to thaw, but many of the deals that had been frozen previously were completed at significant discounts. The notable exception was companies selling AI-related technologies, which were acquired for prices at significant multiples of their revenues, whether at the startup phase or more mature in their development. Regarding risks to their outlooks, the majority of contacts indicated they were “very concerned” about domestic demand and that access to credit and the level of borrowing rates were “not a significant concern,” with only a few businesses indicating there were “very concerned” about financial constraints.

Over the past eight weeks, there has been little to no change in vacancies or absorption rates among commercial real estate (CRE) properties within the District, while sales volumes and prices increased modestly. Activity in the industrial segment has been driven by sustained demand for mid- to large-scale development. The key theme among contacts’ reports remains uncertainty, which delayed projects despite available capital. As one firm noted, “at some point they will punch through the uncertainty because of pent-up demand.” In the office market, expectations centered on continued remodeling of existing spaces with demand concentrated on higher quality assets.

District banks noted a slight uptick in overall loan demand, with the primary driver being a modest increase in demand for commercial real estate and agricultural loans. Underwriting standards were unchanged following the modest tightening observed earlier in the year. Although loan quality has remained stable for most District banks, several respondents noted some deterioration over the last year, with continued expectations that loan quality will deteriorate somewhat over the next six months. For those respondents that have experienced or are anticipating some deterioration, the primary concern is related to consumer lending. Respondents noted provisions to the Allowance for Credit Losses (i.e., ACL) have been stable or increasing moderately through the first half of the year, with a combination of credit quality deterioration, loan growth, and economic forecasts being the driving factors for the increase. Deposit levels remained relatively stable.

Tenth District oil and gas activity declined moderately. The number of active rigs in the District fell as oil and natural gas prices fluctuated in recent weeks on their way down to lower prices levels compared to earlier in the year. On net, oil prices have fallen to near Tenth District firms' reported breakeven price. Profits also decreased due to falling revenues combined with increased drilling and completion costs. However, the recent fluctuations in oil prices associated with geopolitical events reportedly led to an increase in hedging activity at prices that will support profitability throughout the remainder of the year. Contacts anticipate natural gas prices will reach their breakeven price within the year, but do not expect oil or gas prices to support a substantial increase in drilling in the foreseeable future.

The Tenth District farm economy remained subdued and agricultural credit conditions deteriorated slightly. Prices of major row crops remained low and kept profit opportunities narrow for most producers. Farm loan repayment challenges across the District increased slightly compared with the previous year, with weakening in repayment more pronounced in areas most heavily concentrated in crop production. In other areas, strong cattle prices continued to provide some support to farm finances. A lender in Kansas noted that strength in the cattle market was supporting diversified farming operations and keeping them afloat. Looking ahead, weak crop profits remained a key issue cited by producers, as well as uncertainty surrounding the outlook for global trade and domestic demand and elevated concerns about financial conditions in the coming year.

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