Tenth District Beige Book

June 04, 2025

Tenth District Summary for Beige Book.

Summary of Economic Activity

Overall activity in the Tenth District declined moderately in recent weeks across several sectors of the regional economy. Consumer spending fell, particularly on retail and other discretionary items. Contacts indicated they expected consumer demand will further weaken in coming months but expressed high levels of uncertainty about the outlook for household spending. Businesses in both consumer and industrial sectors described a cautious approach to capital expenditures, looking only to pursue “no regret” investments that have shorter payback periods, are smaller in scale, and are less sensitive to policy developments. The near-term outlook for capital spending remained favorable but contacts expressed greater uncertainty about investment activity for the coming years. Businesses indicated they similarly took a cautious approach to staffing levels, making few changes to employment levels, albeit with reduced hours and a pullback from contactors. New home building activity slowed, and sales of existing homes fell. Lower demand from home buyers led to an increase in the housing inventory available for sale and slight reductions in home prices in several parts of the District.

Employment levels were unchanged across most sectors. However, employers reported reducing overtime hours and indicated plans to scale back employment of contractors and temporary workers. Businesses indicated they were taking a cautious approach to staffing levels that prioritized flexibility, suggesting that future changes to workforce size or hours will likely be incremental. A slim majority of contacts indicated their hiring plans have not changed since the beginning of the year, while about a third of firms across both services and manufacturing sectors indicated they have reduced their hiring plans. Wage growth was moderate, led by an acceleration of wages in consumer-oriented service sectors.

Prices continued to grow at a moderate pace over the last month and business contacts reported a willingness to adjust their prices more frequently compared to last year. Ongoing shifts in trade policy led to businesses accelerating import activity to limit exposure to looming import levies, resulting in higher global transportation costs. Many U.S.-bound ocean shipping routes were tightly booked, causing surge pricing in spot markets for shipping. Moreover, some retail firms reported they opted for the quicker and more flexible, but much more costly, option of air freight to avoid tariffs. Contacts noted they intend to pass these higher shipping costs onto consumers over the next year. Businesses generally anticipated higher input and output prices in the coming months.

Spending declined significantly across several retail categories, including apparel, electronics, and furniture. Both foot traffic at retail locations and online retail sales softened in recent weeks. Consumers seemingly spent more time at home over the past month as modest declines in spending at restaurants and hotels were offset by moderate growth in spending on groceries and home maintenance. Several contacts indicated expectations for a reduction in consumer demand ahead, with lots of uncertainty about the size of the change in spending. The primary driver of the softening outlook for consumers was an expectation higher prices would tighten household budgets, and consumers would reign in spending to some extent, particularly on travel-related services and retail goods.

Most Community Development Financial Institutions (CDFIs) across the Tenth District reported their underwriting standards tightened modestly and that they were seeing more financial stress among clients. Credit scores and conditions of their clients were worsening, and more clients were coming in seeking debt consolidation. Payday and student loans were a rising concern with more borrowers showing derogatory marks on their credit reports. Native CDFIs highlighted concerns regarding CDFI recertification, which one contact estimated could result in a loss of 40% of Native CDFIs nationwide. Moreover, Native CDFIs expressed concerns about lending to organizations with revenues associated with government contracts.

Business activity was mixed amid volatile demand conditions, with manufacturing activity contracting slightly, and consumer retail and discretionary spending declining substantially. However, activity in wholesale service sectors rose at a robust rate, driven by sales of materials, industrial equipment, and health care supplies. The rise in wholesale activity was often attributed to businesses responding to shifting trade dynamics by building their inventories. Just under half of manufacturing firms reported increasing their inventory stock levels, though almost as many firms reported running down their inventory of parts and materials. Very few manufacturing firms indicated they did not adjust their inventory management strategy in recent months. A machinery producer noted that “tariff uncertainty has made long-term planning difficult,” prompting a shift toward shorter planning cycles and higher precautionary inventories. Services firms showed similar, though more modest, changes in inventories. Capital expenditures remained under pressure. Nearly a third of manufacturing firms and a quarter of service firms reported they decreased capital spending plans. The outlook for capital spending over the next six months remained somewhat favorable, but contacts expressed greater uncertainty about investment activity for the coming years. As one contact put it, “right now we are working on triage, we’ll worry about diet and exercise later.”

Single family home builders indicated activity slowed in recent months. Customer demand for newly built homes softened despite builders offering relatively strong incentives to offset high interest rates. Builders also faced greater competition for customers from the existing home market. Inventories of homes for sale rose substantially, prices declined slightly, and low household mobility in recent years generated some preference for move-in ready homes among the still-subdued number of households seeking to buy a home. Builders also felt pressure from robust increases in materials costs over the past month. The supply of construction labor was reportedly stable, but many builders indicated they were considering cuts to their workforce.

Loan demand was mostly unchanged across lending categories, although bankers noted a slight increase in demand for commercial and industrial loans. Underwriting standards were unchanged following the modest tightening observed in prior months. Several respondents continued to anticipate overall loan quality will deteriorate somewhat over the next six months, primarily due to general economic uncertainty. Yet, loan quality remained relatively stable in recent weeks. Deposit levels were mostly unchanged, though some bankers noted slight changes from the prior month, which they attributed to competition for rates and tax payments.

Electric power generation capacity in the Tenth District grew moderately in recent months, driven by a mix of new wind and solar investments. Several contacts in the power and renewables industries reported utilities and power producers are carrying forward many planned renewable energy investments decisions despite recent or anticipated policy changes. Still, contacts noted that rising equipment costs, supply chain uncertainty, and energy policy uncertainty are putting marginal projects on hold in the near term. Developers emphasized they are looking to advance only those “no regret” investments in smaller projects with swifter payback periods. Overall, contacts anticipated rising retail electricity prices in the coming years, driven by strong demand and constrained supply.

Conditions in the Tenth District farm economy remained weak through early May. Corn, soybean, and wheat prices remained low and kept profit opportunities narrow for most producers. Winter wheat conditions in Colorado, Kansas, and Oklahoma were near historic averages, but the crop in Nebraska was particularly poor and raised concerns about reduced revenues in those areas. Soil conditions for corn and soybeans were ideal in most of the region, and planting was pacing near or ahead of typical trends in all District states. In the livestock sector, cattle prices increased over the past month and continued supporting profit opportunities for cow/calf producers. District contacts mentioned payments from the Emergency Commodity Assistance Program could bolster liquidity for many crop producers, but profitability for crops in the year ahead remained a key concern.

Media


BEIGE BOOK: LABOR MARKETS


BEIGE BOOK: PRICES


BEIGE BOOK: CONSUMER SPENDING


BEIGE BOOK: COMMUNITY CONDITIONS


BEIGE BOOK: MANUFACTURING AND OTHER BUSINESS ACTIVITY


BEIGE BOOK: REAL ESTATE AND CONSTRUCTION


BEIGE BOOK: COMMUNITY AND REGIONAL BANKING


BEIGE BOOK: ENERGY


BEIGE BOOK: AGRICULTURE