

Beige Book Reports Growing Workforce Development Efforts

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The new Beige Book report on regional economic conditions is largely more of the same: activity continues to grow modestly. But within that overarching story of stability lie several interesting developments.

Start with employment. Business contacts across the Southeast reported ongoing trouble finding qualified workers in certain fields and at various skill levels. To help fill positions, companies are expanding partnerships with workforce development organizations, community colleges, and universities to craft customized training programs.

At the same time, many firms are investing more in their own training programs for current personnel, rather than fishing in a limited pool of external candidates. Concerning wages, growth is still evident in certain places and occupations, according to the Beige Book.

Striving for full employment is half of the Federal Reserve's dual mandate, along with the goal of low and stable inflation. On the price front, most southeastern contacts report modest cost pressures for raw materials and other nonlabor items. However, manufacturing purchasing managers noted greater increases in commodity prices.

An Atlanta Fed survey of businesses shows year-over-year unit costs were up 1.7 percent in February. The survey respondents indicated they expect unit costs to rise 2 percent over the next year, which equals the Fed's inflation target.

Online sales growth driving retail, wind power spreading

Elsewhere, retailers reported sales grew steadily since the last Beige Book report in January. Reflecting national trends, Beige Book contacts said online sales continued to rise as traditional store sales languished.

Mostly upbeat reports came in from the hospitality business. Florida attracted more visitors than during the previous reporting period, but fewer international tourists. Business travel and the convention trade continued strong in Georgia. Meanwhile, Louisiana hoteliers reported solid occupancy rates, average daily room prices, and revenue per available room. The outlook is bright with healthy bookings through the first quarter of 2017.

Most commercial real estate contacts noted improvements in demand, resulting in rent growth and increased absorption of space. But as is often the case, improvement varied by metropolitan area, submarket within metro areas, and property type.

In banking and finance, reports indicate that credit remained readily available for most qualified borrowers.

Finally, utility industry contacts continued to refit power generation plants to use natural gas, and utilities in the Southeast are expanding wind generation capacity.



Charles Davidson

Staff writer for *Economy Matters*
