



REGIONAL ECONOMICS

## Beige Book: Labor Scarce

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Business people across the Southeast say they expect slow and steady economic growth for the rest of 2017, even as some industries continue to struggle to find qualified workers. Indeed, broader wage increases could be coming, according to the August Beige Book from the Federal Reserve Bank of Atlanta.

Economic activity grew modestly during July and the first half of August, the report from Southeast business contacts found. Contacts reported that labor demand continues to exceed supply in fields including information technology, construction, and health care.

The building industry is experiencing a critical worker shortage. Construction contacts reported that the lack of available labor is severe enough that firms have been turning down work.

Employers are getting creative. Firms reported they continue to try various techniques to attract and retain top talent, often instead of offering wage increases. Contacts shared that, in addition to giving workers flexible work hours and locations, more vacation time, and training and education opportunities, they are increasingly emphasizing social responsibility initiatives and work-life harmony. Some companies also reported they are arranging more early retirement packages aimed at cutting compensation costs by replacing higher-paid veteran workers with technology or lower-paid entry to mid-level employees.

But the time for broader wage increases could be coming. "Some contacts indicated that these nonwage compensation mechanisms were losing their effectiveness, thus broad wage increases were expected in the near term," according to the Beige Book.

On the inflation front, firms said non-labor costs are stable, and their pricing power remains limited. According to the Atlanta Fed's Business Inflation Expectations survey, respondents indicated that year-over-year unit costs were up 1.7 percent in August, and they expect unit costs to rise 1.9 percent over the next 12 months.

Input from selected industries:

- Most retailers indicated that sales increased slightly, while auto dealers noted soft sales.
- The hospitality sector continued to experience weakening activity.
- Sales of existing and new homes were flat to slightly up from a year ago, and home prices continued to rise modestly.
- Commercial real estate firms reported that demand continued to improve, and construction increased from a year

ago.

- Manufacturers noted that activity pulled back slightly after the previous report.
- Bankers indicated that credit continued to be available.

The Beige Book is released [eight times a year](#), before each meeting of the Federal Reserve's policy-setting [Federal Open Market Committee](#).

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