

Beige Book Finds Trade Policy Concerns, Creative Recruiting

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The [new Beige Book](#) covers some familiar themes, but also includes a few timely details that could portend future changes in certain economic sectors.

Uncertainty and other effects of trade policy showed up among manufacturers and contacts in the transportation industry. Most manufacturing contacts reported increases in their costs, particularly for steel, aluminum, and transportation. Some companies said they are able to pass along these costs to their customers because of expected rising costs related to tariffs.

Meanwhile, freight forwarders and logistics companies noted that strong demand is tinged by concerns that steel and aluminum tariffs will raise overall costs and slow activity. And though uncertainty over trade policy has generally not affected capital projects already in the works, a few contacts said they have pulled back on projects in the planning phases. Despite those cautious notes, the majority of transportation contacts said they expect overall activity to rise over the next year.

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 <p>Broad economic activity continues to progress steadily and firms in the Southeast remain largely optimistic.</p>	 <p>Manufacturing contacts reported cost increases, particularly for steel, aluminum, and transportation.</p>	 <p>Community banks said they were experiencing deposit pressure as competitors begin to raise rates.</p>
 <p>Most tourism and hospitality</p>	 <p>Majority of transportation</p>	 <p>Builders expect home</p>

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sales to meet or exceed the year-ago level over the next quarter.

On the labor market front, a dwindling supply of available workers is not new. But the latest summary of feedback from Southeast business contacts turned up interesting details. For example, contacts reported that people are less willing to relocate for a job than in the past. Overall, business operators said recruiting and retention efforts were much more aggressive and creative than they were a year ago.

On average, annual wage increases remained in the 2 to 4 percent range. But the pressure to hike pay varied widely across the region. "Firms reporting mild pressure typically responded by offering nondirect wage benefits, like increased vacation time, flexible scheduling, and marketing a positive culture to both existing and potential workers," according to the Beige Book. "In cases where wage pressures were described as 'acute,' if firms were still not able to meet demand with their existing labor supply after implementing nonwage benefits, they typically raised wages, often considerably."

Banks seeing competition for deposits

Turning to familiar themes, broad economic activity continues to progress steadily, and businesspeople in the Southeast remain largely optimistic. Most firms expect modest growth to continue for the next three to six months.

Reports from particular sectors:

- Community bank contacts reported they were experiencing deposit pressure as competitors begin to raise rates.
- Most tourism and hospitality contacts expect a busy summer for business and leisure travel.
- Sales of light trucks remain strong.
- Southeast builders expect home sales to meet or exceed the year-ago level over the next three months. Brokers expect home sales activity to increase slightly over the same period.
- Many commercial real estate contacts noted improvements in demand that continued to result in rent growth and increased absorption, but cautioned that the rate of improvement varies by metropolitan area, submarket, and property type.



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