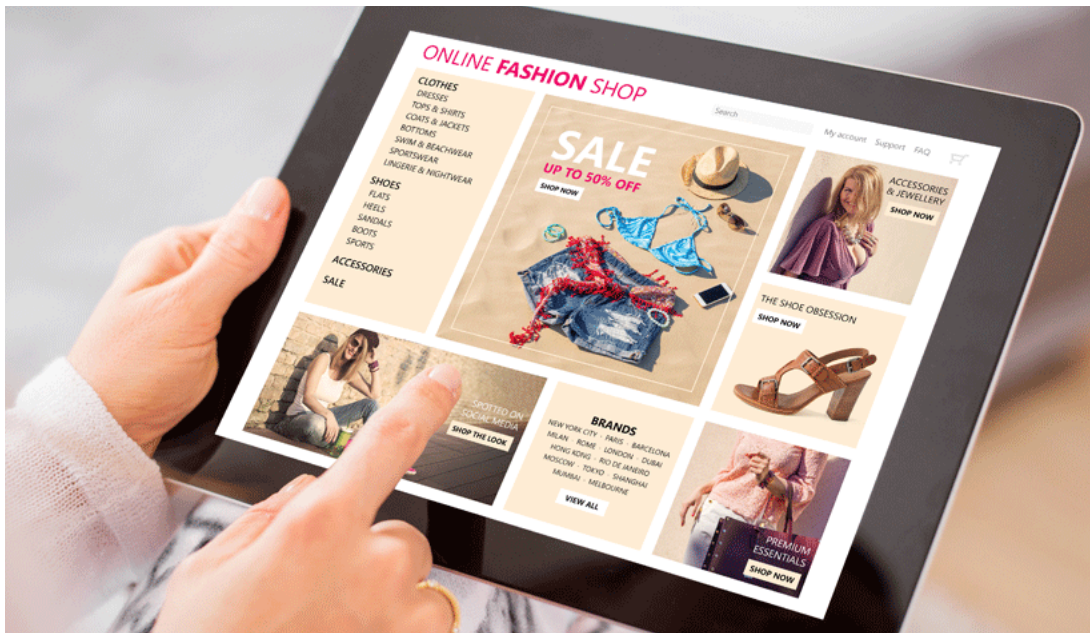


Regional Contacts Cite Difficulty in Finding Skilled Labor

July 19, 2018



Across the Southeast, consumer spending is up, and companies continue to have trouble finding qualified workers.

Those are some of the findings from the latest [Beige Book](#) of economic conditions. Most businesses expect increased activity in the second part of this year despite some uncertainty related to tariffs. Home builders foresee steady sales, and the energy sector continues to gain strength.

Retailers across the Sixth District, which includes the states of Alabama, Florida, Georgia, and parts of Louisiana, Mississippi, and Tennessee, reported rising sales as consumers sought deals at value stores and online. Auto dealers saw increased sales of light trucks and small sport-utility vehicles in May. Companies are bracing for higher expenses in the wake of announced tariffs, as vendors raised certain commodity prices. Respondents to the Atlanta Fed's [Business Inflation Expectations survey](#) said they expect unit costs to rise 2.1 percent over the next year.

Business contacts noted they were looking to train and develop current staffers to address the growing difficulty of finding skilled labor. "Some contacts cited persistent challenges with turnover," leading firms to commit more resources to retaining staff, the Beige Book report stated.

While annual wage increases were typically 3 percent, some firms offered pay raises of 5 to 10 percent (or more) to lure and retain workers.

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 <p>Tourism is healthy in the typically strong summer season. Hotel demand is strong in South Florida.</p>	 <p>Majority of transportation contacts expect overall activity to rise over the next year.</p>	 <p>Rising interest rates hurt demand for some loans, especially for real estate products.</p>
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Manufacturing activity was solid, with companies noting strength in new orders and production. Expectations for future output seemed less upbeat, however, with just one-third of manufacturing contacts expecting rising production over the next six months.

Demand for freight services continues to climb, with port contacts again noting increases in container shipments. Trucking companies continue to grapple with a shortage of skilled drivers as work picks up. Tourism is healthy with summer travel well under way. South Florida hotels continue to see robust demand, aided by stronger-than-expected weekend leisure and group trips. New Orleans contacts noted a higher number of city conventions, and Mississippi casino revenue rose from a year ago.

Agriculture industry contacts reported mixed conditions. Significant rain brought relief from drought to Alabama, Florida, and Georgia, but contacts noted unusual dryness in Louisiana. Heavy downpours and hotter weather hurt crops in some areas.

In the banking sector, rising interest rates hurt demand for some loans, especially for real estate. Banks in urban areas cited more deposit pressure, while rural markets noted deposits were stable.

The Beige Book is a summary of interviews the Atlanta Fed conducts with business contacts before meetings of the Federal Open Market Committee (FOMC). The next [FOMC meeting](#) will be held July 31 through August 1.



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