

Beige Book: Pay Raises at Major National Firms Seen across the Southeast

December 6, 2018



As in most of the nine years of the economic recovery, economic activity in the Southeast expanded moderately over the past several weeks, according to the latest [Beige Book report](#) on conditions in the region.

Still, the December 5 report includes notable nuggets from Atlanta Fed business contacts on ongoing wage pressures, agricultural conditions after Hurricane Michael, nonlabor cost increases, and busy times at ports and trucking firms before the holiday shopping season.

Concerning wages, employers reported pay climbing at about the same or an increased pace as last year, roughly 3 to 4 percent on average. However, a number of contacts noted ripple effects from major firms announcing plans to boost starting wages for lower-paid workers. Those announcements "have created broad pressures" to increase pay for similar employees across the Southeast, especially in the hospitality and retail industries, contacts shared.

Meanwhile, Hurricane Michael significantly damaged production on farms in the Florida panhandle and in southern Alabama and Georgia. Wind and rain hampered growth and harvesting of cotton, pecans, peanuts, fruit and specialty crops, timber, livestock, poultry, and greenhouse and nursery products, according to the Beige Book. Nevertheless, cotton harvesting in Alabama and Georgia progressed close to their five-year averages, but with significant deterioration in conditions, especially in Georgia.



Nonlabor costs continued to rise, according to reports from businesses across the District.



Manufacturing contacts continued to report solid demand and healthy overall business conditions.



Broadly, employee retention efforts remained a dominant **labor market** theme among business contacts.



Domestic travel was strong while the pace of growth in group and convention travel softened since the last report.



District **transportation** contacts indicated that demand was generally consistent with the previous reporting period.



On balance, **housing** activity continued to grow, albeit at a measured pace.

Nonlabor costs continued to rise, according to reports from businesses across the Sixth Federal Reserve District. Some contacts also reported rising trucking rates and voiced concerns that continued price increases related to tariffs could affect future demand. The Atlanta Fed's [Business Inflation Expectations survey](#) showed that year-over-year unit costs were up 2.2 percent in October. Survey respondents said they expect unit costs to rise 2.3 percent over the next 12 months.

Although some businesses face steeper transportation costs, trucking and logistics contacts reported continued growth in e-commerce shipments. And contacts at seaports across the Southeast said they are handling bigger volumes of containers and other cargo including automobiles and heavy equipment as sellers build inventory for the peak buying season.



Charles Davidson

Staff writer for *Economy Matters*