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### Beige Book: Positive but cautious

The Federal Reserve's most recent report on regional economic conditions, known as the Beige Book, was released June 6. Overall the report was positive, with all 12 Reserve Banks noting modest or moderate growth in economic activity. The Atlanta Fed's contribution to the report was largely in line with the overall pulse of the national overview. The opening sentence of the National Summary read:

"Reports from the twelve Federal Reserve Districts suggest overall economic activity expanded at a moderate pace during the reporting period from early April to late May."

The Sixth District report reflected a similar tone:

"Reports from Sixth District business contacts indicated that economic activity continued to expand at a moderate pace in April and May."

However, the National Summary was cautious regarding the outlook:

"Economic outlooks remain positive, but contacts were slightly more guarded in their optimism."

The Atlanta Fed's take on the outlook displayed similar caution:

"[E]xpectations remained generally optimistic across most sectors. However, uncertainties surrounding the potential impact of developments in Europe weighed on the outlook."

On the employment front, the National Summary remained positive overall, noting that

"Hiring was steady or increased slightly, and contacts in a number of Districts reported difficulties in finding qualified workers, particularly those with specialized skills."

Again, the Sixth District's view on hiring was similar to the national view:

"Regional employment growth remained positive, although contacts noted that uncertainty regarding future economic conditions was a major headwind for additional job creation. Employers continued to express difficulty hiring for specialized positions, such as those in information technology and engineering."

The National Summary's take on inflation was rather muted...

"Price inflation remained modest across Districts, and overall cost pressures eased as the price of energy inputs declined."

...as was the Atlanta Fed's report on prices:

"According to businesses surveyed, materials costs had subsided somewhat since April, though they are still expected to have a moderate upward influence on prices over the coming year."

Below are other highlights from the Federal Reserve Bank of Atlanta's Beige Book:

- Most retailers noted a modest increase in sales activity, and auto sales remained strong. Positive reports from the hospitality sector included healthy occupancy and room rates, and future bookings were solid.
- Brokers and homebuilders noted higher sales compared with last year, and commercial real estate contacts stated they were seeing improvements led by gains in the apartment segment.
- Manufacturers cited modest growth in new orders and production.
- Bankers asserted that the demand for refinancing mortgages continued to increase slowly.
- Contacts noted that more investment is needed in transportation infrastructure to accommodate recent increases in domestic and Canadian energy production.
- Drought conditions worsened in most of Florida and Georgia and parts of Alabama. Prices paid to farmers for oranges were up, and a contact reported these higher prices were dampening demand.

All in all, both the Beige Book's National Summary and the Atlanta Fed's report reflected continued modest growth in economic activity. In the Southeast and the nation as a whole, business and community contacts remained cautious regarding the outlook.



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