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Beige Book: Did Weather Cool the Nation's Economic Growth?

Eight times a year, the 12 Reserve Banks gather anecdotal information on current economic conditions in their districts through reports from Bank and branch directors as well as interviews with key business contacts, economists, market experts, and other sources. These findings are reported in the Beige Book. Then, one of the Reserve Banks is randomly selected to write the national summary, a digest of all 12 Banks' reports. This time, my Atlanta Fed colleagues and I wrote the most recent [national summary](#).

Similar to recent incoming economic data citing possible weather-related effects on consumer spending, manufacturing, and transportation (to mention a few), the national summary of the Beige Book cites the weather as also having an impact on activity in several sectors. Here are some Beige Book excerpts that mention weather-related economic effects (emphasis mine):

Consumer spending and tourism:

Retail sales growth weakened since the previous report for most Districts, as *severe winter weather* limited activity. *Weather* was also cited as a contributing factor to softer auto sales in many Districts, with the exception of Cleveland, which saw strong gains.

Recent *winter weather* conditions benefited many ski resorts in Kansas City, Richmond, and Minneapolis. Atlanta and Boston also indicated that hotels fared well from the *>weather*, but that restaurants, museums, and other attractions were negatively impacted. Airline contacts from Dallas indicated solid to slightly stronger demand, with some temporary disruptions due to severe *winter weather* across the nation.

Nonfinancial services and transportation:

Both New York and Philadelphia reported that *severe winter weather* reduced demand for services in their region.

Severe weather reportedly disrupted supply chains and delayed shipments in several Districts. In Dallas, railroad cargo volumes fell slightly below year earlier levels, with *winter weather* conditions across the country largely to blame. Manufacturing sales and production in several Districts were negatively impacted by *severe winter weather*; however, modest improvements were noted in Boston, Atlanta, Minneapolis, and Dallas.

Real estate and construction:

Residential real estate markets continued to improve in several areas, albeit modestly. Most of the Districts indicating otherwise attributed the slowing pace of improvement to unusually *severe winter weather* conditions.

Philadelphia noted that there was very little activity to report in construction or leasing due to *severe winter*

weather.

Agriculture and natural resources:

Severe winter weather affected several Districts with some crop damage being reported by Richmond and Atlanta, while Chicago noted disruptions in the flow of agricultural products. Both Kansas City and Dallas cited *dry conditions* adversely affecting wheat crops, while San Francisco reported concerns about water shortages and water costs.

District reports showed continued strength in energy production and demand for oil and gas; much of the increased demand was driven by unusually *cold winter weather*. In contrast, Minneapolis indicated that oil and gas exploration decreased slightly from recent months, primarily due to the extremely *cold weather*. Inventory drawdowns and supply shortages of natural gas and propane were reported in Atlanta, Chicago, and Dallas due to increased withdrawals that were exacerbated by the *severe weather*. Nearly all Districts attributed energy price surges to increased demand during the unusually *cold weather*; yet, Boston reported that natural gas prices were also driven up by pressure on pipeline capacity in New England.

Employment and prices:

Since the previous report, the pace of hiring had reportedly softened in Boston, Richmond, and Chicago, with those Districts attributing at least part of the recent slowdown to unusually bad *winter weather*.

Chicago, Minneapolis, and Dallas noted that unseasonably *cold weather* had pushed up costs for some energy products.

Although it seems that the weather has had a negative effect on economic growth so far this year, we won't know the full impact until a little more time has passed and Mother Nature decides to bring on the sunshine.

Here are some notable highlights from the [Atlanta Fed's portion](#) of the Beige Book:

Employment: Since the last report, job growth remained muted across the District. Contacts in construction, manufacturing, energy, hospitality, and real estate noted modest growth in employment.

Prices: Most contacts reported modest and relatively stable labor and material cost pressures. Construction industry contacts remained a notable exception, indicating strong upward pressure on labor costs and some material prices.

Consumer spending and tourism: Merchants reported a slow start to the year with sales growth declining. Many contacts noted that the drop in sales growth was partially attributed to the unusual winter weather experienced in parts of the region. Hospitality contacts reported an increase in business and convention bookings.

Real estate and construction: Most brokers said sales were slightly up compared with a year earlier, and more contacts noted that sales activity was in line with their plan for the period. By most accounts, inventory levels had fallen on a year-over-year basis. The majority of contacts reported that home prices remained ahead of the year-earlier level but that price gains have slowed on a month-over-month basis.

The majority of builders reported that construction activity and new home sales were ahead of the year-earlier level, although most reports indicated that unsold inventory levels had remained unchanged from a year ago. The majority of contacts also reported modest home price appreciation.

District brokers noted that demand for commercial real estate continued to improve. Construction activity continued to increase at a modest pace from last year. Most contacts reported that their backlog was ahead of year-earlier levels.

Manufacturing: Manufacturing contacts in the region cited expanding activity from January through mid-February, but the pace of growth was moderate. Contacts reported improvements in new orders and production. However, a number of contacts stated that the unusual winter weather affected production in late January, and output was lower than planned for that month.

Banking and finance: A number of lenders reported increases in purchase mortgages, but not enough to offset the declines in refinances.

The next Beige Book [will be published](#) April 16.



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