

# U.S. Flash

## Beige Book Points To Modest Growth Across Districts

- **Modest to moderate growth cited for all of the reported Fed districts**
- **Construction and housing sectors experienced only modest growth**
- **Longer winter weather and fiscal policy effects weighed on industry and retail growth**

The latest Federal Reserve Beige Book released for June indicates that there was modest to moderate growth throughout all of the districts. According to the report, there were a handful of sectors that showed consistent growth across the districts while the remaining sectors showed a mixed response depending on factors such as fiscal policy and weather conditions. Nevertheless the report conveyed growing optimism from respondents in areas such as consumer spending, construction and other real estate growth, and non-financial services. More tepid responses came from areas like banking which reported better credit quality but no real change in lending standards and agriculture which noted mixed responses based on prevailing weather conditions.

Turning to some of the industries reported in the Beige Book, the situation remains positive. Manufacturing activity increased for nine of the 12 districts with the remaining few citing steady or weaker activity and only Philadelphia noting a decline. Boston reported an increase in optimism with many firms sharing a brighter outlook for the sector and respondents in Cleveland believe progress will be slow but steady. The New York district's short term outlook waned slightly after its activity shifted from modest to steady. The growth in construction demand did play a vital role in the expansion for certain areas. Firms in Philadelphia and Cleveland reported strength in activity related to the residential construction sector. Richmond, Dallas, and San Francisco respondents cited growth in lumber demand due to similar sector growth. The auto industry, which has been readjusting itself to a new type of consumer, has shown some strength since the last report. Growth from areas such as Chicago, Cleveland, Atlanta, St. Louis, and Philadelphia have continued to help fill consumers' desires for new and smaller, more fuel efficient vehicles. The defense industry has continued to struggle given the effects of sequestration with regions like Richmond and Cleveland citing slower or delayed orders.

In terms of the consumer, spending was up in most districts with levels ranging from slight to moderate. Consumer activity in Boston, Philadelphia, and Dallas was reported as modest. All other districts, except for Richmond which reported a slowdown, saw growth in retail activity. Some areas cited the weather conditions as partial causes with longer winter weather plaguing their constituency with better sales readings coming later in the period as temperatures warmed up. Again playing off of the housing market, furniture and home appliances saw modest growth over the period in areas such as Kansas City, Boston, Cleveland, and Richmond. Vehicle sales were also up in general across the U.S. with Kansas City being the only area where vehicle sales declined. Used car sales were up moderately across the country despite lacking growth from the New York, Cleveland, and San Francisco areas reporting a shortage of used vehicles for sale. Tourism showed some signs of strength with cooler weather aiding the North in terms of ski resorts and warmer weather charming tourists to the Southern states.

Real estate continues to be a strong driver across the U.S. with all districts reporting a moderate to strong pace of growth. Residential construction continues to outpace commercial apart from high volume areas like New York and Chicago which have robust commercial real estate sectors. The private sector continues to enjoy most of the gains from the sector while the public sector has shown signs in, for instance, the San Francisco area in terms of funding. This ties into the banking and finance industry which has noted better quality and increased lending but no real change in lending standards, which continues to block out certain applicants. The agricultural sector was obviously the most affected by weather conditions which were cited for other areas such as retail sales. Rains brought drought relief to the Atlanta, Chicago, and Minneapolis districts but delayed planting in others. Droughts continued to plague the Dallas area water availability and quality concerned respondents in the San Francisco region.

With regard to employment, the districts shared an optimistic response but some districts were having a harder time than others. The labor market resembled much of what has already been said in prior reports. Districts have seen an increase in hiring in areas such as technology, healthcare, and engineering. However, many regions reported having trouble finding replacements that were qualified and well suited for positions. Others were finding employees but only hiring at a replacement rate rather than bringing on more workers. Due to sequestration, many areas that employ military or public employees cited cutbacks as the effects of sequestration and spending reductions take their toll. Wage pressures, along with inflation, were well contained across the districts though pressures did rise in certain areas for occupations such as healthcare.

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