



TD Economics

September 3, 2014

Data Release: Beige Book signals steady-as-she-goes continued expansion

- The U.S. economy continued to expand over the mid-July to late-August period, according to the latest edition of the Beige Book. The pace of growth was characterized as largely the same as over the previous period, with six Districts reporting moderate growth and four reporting modest growth. Finally, the Richmond District reported further strengthening and the Boston District reported that activity appeared to be improving.
- General consumer spending grew in most Districts at rates ranging from slight to moderate, and largely in line with the pace reported over the previous edition of the Beige Book. Two Districts reported that consumers were being conservative in their discretionary spending. Most Districts noted a continued expansion in auto sales, with several reporting sales at record-high levels. Tourism continues to be strong, with all Districts reporting an increase.
- Manufacturing activity was mixed, with Districts almost evenly split between those reporting expanding, contracting or unchanged activity. However, most Districts expressed optimism over the near-term outlook for manufacturing.
- Barely half of the Districts reported stable or growing residential real estate activity related to the construction of new homes and sales of existing homes. Conditions varied by metropolitan area with the Boston, New York and Dallas Districts reporting higher levels of multifamily construction. A little over half of the Districts reported growth in non-residential real estate activity, including construction, sales and leasing.
- Overall, loan volumes increased in nearly all reporting Districts, with particular strength cited in auto lending, and several other Districts reporting growth in credit card borrowing. Demand for business credit expanded in most Districts. Credit standards were largely unchanged, and several Districts reported an improvement in credit quality. Standards remained especially rigorous for first-time homebuyers according to some contacts.
- Labor market conditions were said to be relatively unchanged from generally modest rates in most Districts. Contacts in nearly all Districts reported difficulties finding certain types of skilled labor. Wage pressures were little changed and generally characterized as slight or modest, with greater wage pressures reported in sectors where shortages of skilled labor persist.
- Price pressures remained largely unchanged, with input price growth generally described as modest, stable or benign.

Key Implications

- Slightly more Districts reported moderate growth and fewer reported growth as modest, which is a signal of accelerating economic activity. Otherwise, there wasn't much new to report in this edition.
- The mixed tone on manufacturing activity appears to be at odds with the particularly robust ISM manufacturing reading for August. Perhaps contacts in Districts are simply getting used to strong manufacturing activity. The upbeat outlook among respondents is a positive sign of on-going momentum, and geopolitical worries do not yet appear to be a cause for concern for respondents.
- The reports about some consumers being conservative in their discretionary spending fits in well with recent data showing a rise in the personal savings rate. We do believe that a tightening labor market will eventually lead to higher wages, which should in turn lead to higher consumer

spending. However, we may have to wait for a greater reduction in labor market slack for this to occur.

- We were expecting Districts to report an improvement in housing market activity, however it appears that conditions continue to remain challenging, with credit standards unchanged, and difficulty for first-time homebuyers in accessing credit.

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