



April 21, 2004

Summary

[Skip to content](#)

Summary

Districts

[Boston](#)

[New York](#)

[Philadelphia](#)

[Cleveland](#)

[Richmond](#)

[Atlanta](#)

[Chicago](#)

[St. Louis](#)

[Minneapolis](#)

[Kansas City](#)

[Dallas](#)

[San](#)

[Francisco](#)

[Full report](#)

Prepared at the Federal Reserve Bank of Minneapolis and based on information collected before April 12, 2004. This document summarized comments received from business and other contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

Economic activity increased across the nation from mid-February through early April. The growth was widespread as retail sales moved up noticeably, and manufacturing, mining, energy, tourism and services all grew. In addition, new home construction is strong in a number of districts. However, commercial real estate markets remained soft. Lending activity increased and credit quality remained solid. Conditions in the agricultural sector improved overall with higher prices for most products. Meanwhile, labor markets tightened somewhat with modest wage increases. Many districts reported modest increases in overall consumer prices, but most districts indicated significant increases in numerous commodities and input products.

Consumer Spending

Most districts saw a noticeable increase in retail sales. Boston, Cleveland and Philadelphia described sales as improving and strengthening, while sales were moderately above year-ago levels in the Atlanta, Minneapolis and St. Louis districts. Dallas, Kansas City, New York and San Francisco variously described consumer spending as brisk, solid or surprisingly strong. Meanwhile, retail sales growth moderated somewhat in the Richmond district, and consumer spending was somewhat mixed in the Chicago district. Several districts noted increases in apparel sales. Furthermore, many reports indicated that retail contacts were optimistic for growth during late spring and summer.

District reports indicated that vehicle sales were mixed. Minneapolis and San Francisco reported strong sales, and Cleveland, Kansas City, Philadelphia and Richmond described recent vehicle sales as rising or improved. However, some districts noted that sales were constant or down slightly from a year ago. In the Atlanta district auto sales were described as uneven, with strong demand for light trucks and SUVs contrasted with weakness in demand for cars. Chicago, Dallas and St. Louis suggested that automobile sales were soft or slow. A number of auto dealers indicated that inventories were higher than desired.

Tourism and Services

Tourism activity grew in several districts. Atlanta, Minneapolis, New York, Richmond and San Francisco described tourism activity as brisk, solid or at high levels. In the northern part of the Boston district tourism picked up at a moderate pace after a slow start earlier in the year. Meanwhile, Kansas City said that travel and tourism were mixed, and Chicago mentioned that leisure travel was generally flat. Boston, Kansas City, Minneapolis and Richmond indicated that tourism businesses were optimistic for the summer season.

Contacts in other service businesses also noted growth in activity. Chicago and Philadelphia mentioned that information technology firms noted increased demand. Trucking and shipping businesses in the Atlanta, Cleveland and Philadelphia districts reported an increase in activity. Meanwhile, transportation in the Dallas district was mixed, with demand for air travel up, railroads running at near capacity and trucking activity soft. Service providers in the San Francisco district saw further strengthening in demand. However, Richmond reported that customer demand for services, on balance, was flat.

Manufacturing

Manufacturing activity increased in all the districts. New orders and production were up over a year ago. Several districts reported slow growth in capital equipment orders. Nearly all districts noted increased activity across a broad range of industry sectors, especially primary materials. Kansas City reported higher capacity utilization for most manufacturers. Most steel mills were operating at or near capacity in the Chicago and Cleveland districts. Philadelphia indicated that steel and iron supplies were limited. Orders for high-technology products increased in the Dallas and San Francisco districts. Rising material costs were a common theme across the nation, with mixed reports on the ability to pass costs along to consumers by raising prices.

Real Estate and Construction

Commercial real estate markets remained soft. Most districts described conditions as remaining weak or activity as slow. The St. Louis bank said its commercial slump appears to have bottomed out. In contrast, the New York and San Francisco districts continued to see moderate growth in commercial real estate activity.

Residential markets were strong, with some concerns about the rising costs of building materials. Atlanta, Boston, Chicago, Kansas City, Minneapolis, New York and Richmond all suggested strong sales, but Richmond noted softening in the Carolinas offset by activity in other markets. Cleveland said sales were on par with the same period last year, and Dallas referred to scattered signs of improvement. Activity slowed in the St. Louis district. Several districts reported mid-priced homes accounted for most of the activity, with recent increased activity in the high-end market.

Agriculture

Overall, agricultural conditions were good across the nation. Prices for most agricultural commodities remained strong. Chicago reported higher prices for corn, soybeans, hogs and beef, and Minneapolis noted record milk prices. Atlanta reported firm prices for vegetables, and San Francisco reported strong demand for nuts. Due to record prices, several districts indicated that farmers plan to plant more acres of soybeans this year. Atlanta, Kansas City and Minneapolis reported dry conditions in parts of their districts, and Richmond indicated that cold weather problems were hampering plantings.

Natural Resource Industries

The energy and mining sectors remained strong. Most districts reported that high energy prices have fostered more exploration and production. Dallas saw growth in onshore drilling but noted continued decline in offshore activity. Kansas City reported an increase in the energy sector from already high levels and noted the increase in drilling has led to shortages of equipment and labor. San Francisco reported high capacity utilization for oil and natural gas extraction as well as electricity generation, with scattered capacity increases. Minneapolis reported oil and natural gas exploration and production increased from early February levels and also noted accelerated progress on wind generation and some other

energy projects. Meanwhile, firm prices and strong demand for minerals spurred production. Minneapolis noted iron ore mines continue to produce at capacity.

Labor Markets

Most districts indicated that hiring increased moderately. Chicago and San Francisco also noted that more firms plan to hire later in the year. In the Dallas district, jobs increased for production workers in high tech, apparel and lumber manufacturing. A New York employment agency, specializing in office jobs, reported that the labor market has continued to strengthen in March and early April, with improvement described as moderate but broad-based. Meanwhile, reports of hiring remained mixed in Atlanta, but declines in some of the weaker sectors abated. Hiring increased for temporary workers in several districts.

Wages and Prices

District reports show that increases in wages and salaries were modest; however, significant increases in the cost of health benefits were noted. In the Boston district, wages for retail positions were mostly steady, although some retailers were implementing increases of 3 to 4 percent. Salaries were relatively flat in the New York district. Overall wage increases were modest in the Minneapolis district, while health benefits remained a key issue in contract disputes. Dallas and Kansas City reported that wage increases were modest, but several employers noted that high benefit costs continued to discourage them from hiring new employees. San Francisco reported that employers have responded to the rising cost of health benefits in part by shifting some of the burden to workers.

Consumer price increases were generally modest, while district reports noted significant price increases in energy and several manufacturing and construction inputs. Kansas City indicated that most retailers described selling prices as flat and expected little change in prices going forward. Chicago and New York indicated that discounted or slowly declining retail prices were beginning to level off. Meanwhile, retailers in the Dallas district said they were beginning to have some pricing authority. Significant price increases mentioned in energy-related products included natural gas, oil and gasoline. In addition, significant increases in manufacturing and construction input prices included steel and other metals, plastics, cement, gypsum wallboard and lumber. Districts in which companies passed input price increases to customers included Atlanta, Chicago, Cleveland, Dallas and Kansas City. Retailers and manufacturers in Richmond were attempting to pass through higher input costs. Meanwhile, San Francisco indicated that the overall impact of higher production costs on final prices was limited, and contacts in St. Louis were reluctant to pass price increases to customers.

Banking and Finance

Most Federal Reserve districts reported increased lending activity. Dallas, Kansas City, New York, Richmond and St. Louis all reported increases with Philadelphia and San Francisco reporting slow increases. Atlanta and Chicago reported flat overall demand, but Chicago noted stronger activity for small business and commercial real estate loans. Mortgage activity was up in Chicago, Cleveland, Kansas City and Richmond, held steady in New York, was mixed in Philadelphia and has slowed in Atlanta. Chicago, Dallas, New York and Philadelphia reported growth in consumer lending, while Cleveland reported flat activity.

Deposits were mixed and credit quality improved. Deposits were up in Kansas City and St. Louis, flat in Cleveland and Dallas and down in New York. Both Cleveland and Kansas City noted increases in liquid accounts and declines in certificates of deposit. Credit quality improved in Chicago, Cleveland and New York and was stable in Atlanta and San Francisco.

Boston reported slowly growing demand for insurance in the first quarter, especially for life insurance, and noted that more demand came from overseas than domestically. New York and Philadelphia both noted strong first quarters for securities firms.

[▲ Return to top](#)

[Boston ▶](#)

[Home](#) | [Monetary Policy](#) | [2004 calendar](#)
[Accessibility](#) | [Contact Us](#)

Last update: April 21, 2004