



November 30, 2005

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 St. Louis and based on information collected before November 21, 2005. This document summarizes comments received from businesses and other contacts outside the Federal Reserve and is not a commentary on the views of Federal Reserve officials.

Economic activity continued to expand from mid-October through mid-November, according to reports from the twelve Federal Reserve Banks. Manufacturing and services activity continued to increase in most Districts. Retail sales increased in most Districts, but many Banks reported only modest year-over-year gains. Auto sales softened in a number of Districts in October. Generally, residential real estate market activity remained high, but many Districts reported a slowing or cooling of activity; many Districts also noted strengthening activity in commercial real estate markets. Residential mortgage lending slowed in several Districts. Hiring activity increased in many Districts, and some Banks noted a slight tightening in labor markets. Most Districts reported persistent input price pressures and concerns about high energy prices. Consumer price pressures increased moderately in some Districts, with mixed reports on firms' ability to pass through input prices to consumers. Agricultural conditions were generally positive.

Consumer Spending

The reports on retail sales in most Districts were generally positive. Atlanta, Minneapolis, Kansas City, and San Francisco noted an improvement since their previous report, while Chicago noted that sales continued to increase modestly in October and early November. Dallas noted good sales growth. In contrast, Richmond reported that sales growth had tapered off since their previous report. Compared with a year ago, sales were flat or up in Atlanta, mostly up in Kansas City, and only modestly up in New York. St. Louis reported a slight decrease in sales growth compared with last year; Boston, Philadelphia, and Cleveland reported somewhat mixed sales growth. Several Districts reported that luxury items, electronics, and food were strong sellers, while winter apparel was a weak seller. Of those Districts reporting on inventories, most reported that inventories were generally at satisfactory levels; Philadelphia noted that some contacts implemented price cuts earlier than usual to stimulate holiday shopping. Several Districts reported that contacts were generally optimistic about the holiday shopping season. Contacts in Boston, Cleveland, Minneapolis, Kansas City, and Dallas were at least cautiously optimistic about the upcoming months, and contacts in Philadelphia, Atlanta, and St. Louis generally expected at least a moderate increase in sales over the 2004 holiday season. Some contacts in Boston and Kansas City, however, expressed concerns about the effect of high energy prices on consumer spending in the upcoming season.

Many Districts reported declines in auto sales. Atlanta and St. Louis both reported year-over-year decreases. Cleveland noted that auto sales declined further in October after a sharp

decline in September; Richmond reported recent auto sales that were substantially weaker than in their previous report, and Kansas City reported declines in late October and early November. Chicago, Minneapolis, and San Francisco noted that recent sales were slow, while Philadelphia reported increased sales in November after a decline in October. Some Districts cited a lack of new incentive programs or the ending of pricing discounts as one reason for the declines. Several Districts noted that the shift from larger autos and sport utility vehicles toward more fuel-efficient vehicles continued. Additionally, Dallas and San Francisco noted a strong demand for foreign vehicles and soft or lower sales of domestic brands.

Manufacturing and Other Business Activity

Manufacturing activity increased in all Federal Reserve Districts except St. Louis, where activity was mixed. Atlanta reported improving conditions, as several facilities came back on line and post-hurricane demand remained strong in several industries. Philadelphia, Richmond, and San Francisco noted significant increases in activity among food manufacturers. In contrast, Dallas reported scattered softness in the demand for food products. Atlanta, Chicago, and Dallas reported strong demand for construction-related products. Steel producers reported strong demand in both the Chicago and Cleveland Districts. Chicago also saw strong orders for its tool and heavy truck industries. Manufacturing activity in the Dallas District rebounded from mid-October to mid-November, with ongoing recovery of the facilities that shut down after the hurricanes. While Philadelphia reported moderate overall growth in demand, business weakened in November for makers of apparel, paper products, and industrial materials and equipment. Boston and Richmond reported significant declines in the furniture industry. Several Districts with largely positive reports nonetheless expressed concern over rising material and energy costs.

Most Districts reported increased activity in the services sector. Strong demand for freight transportation continued in the Atlanta, Cleveland, and Dallas Districts; St. Louis reported that firms in this industry announced plans to expand operations. Tourism increased in most Districts, including Chicago, New York, and Richmond. Contacts in the Atlanta District's tourism industry were generally upbeat in October and early November, and San Francisco noted that activity in the sector remained robust. Many Districts also noted solid growth in the financial, health care, software, and information technology sectors.

Real Estate and Construction

Residential real estate activity was reported to have moderated in many Districts. Home sales were reported as slowing in the Philadelphia, Richmond, and Cleveland Districts. The Minneapolis District noted that, for the Minneapolis-St. Paul metro area, existing homes were on the market longer, inventories were rising, and price appreciation had slowed. Although home sales remained fairly strong in New York City, the New York District reported that overall sales of homes in New Jersey had slowed and inventories were high. Both the Chicago and Atlanta Districts reported flat home sales, and excess inventories were reported in the Kansas City District, though home sales there were up slightly. Elsewhere, the St. Louis and Dallas Districts reported that home sales were strong in most metro areas, and San Francisco noted that home sales continued at rapid rates throughout the District, although cooling was evident in some markets, particularly Southern California. Single-family permits were up in many areas within the St. Louis District and residential construction was strong in the Dallas District. However, the pace of residential construction moderated in the Atlanta District, and homebuilders reported an expected slowing in the Philadelphia District; homebuilders also reported rising price of inputs in the Philadelphia, Cleveland, and Richmond Districts, as well as difficulties in obtaining some materials in the Kansas City District.

Commercial real estate markets strengthened in many Districts. Atlanta, San Francisco, Philadelphia, and Kansas City reported that demand for commercial real estate has continued to improve. Boston, however, reported that commercial real estate in the Boston area remains flat. Office vacancy rates in most areas of the St. Louis and San Francisco Districts fell and demand for office space picked up in the Philadelphia, Dallas, and Kansas City Districts. Commercial agents expect continued improvement in the office market for the Kansas City District. The New York District reported that lower and midtown Manhattan's office markets continued to strengthen, while most suburban markets slackened moderately. Industrial vacancy rates fell in much of the St. Louis District, and contacts reported that demand for industrial space was on the rise in the Philadelphia and Dallas Districts. Commercial construction has improved in the Chicago District, while commercial construction was generally flat in the Richmond District. The St. Louis District reported that commercial construction remains active.

Banking and Finance

Overall lending activity varied throughout the Federal Reserve Districts. Lending activity slowed in Richmond and Chicago, and declined more notably in New York, while St. Louis and Dallas experienced little change. Loan demand in Atlanta remained strong and it edged up in Kansas City. Residential mortgage demand eased in the New York, Philadelphia, Chicago, and St. Louis Districts, and in some areas of the San Francisco District. Cleveland, Atlanta, Dallas, and San Francisco reported good credit quality. Atlanta and Dallas reported surges in personal bankruptcies ahead of the law change in October, although contacts noted that the increase was anticipated and should only be temporary.

Agriculture

Several Districts reported ideal weather for fieldwork and harvesting crops. Reports on crop yields and production were mostly positive throughout the Districts. In particular, Chicago expected larger corn and soybean harvests this year than any prior year except 2004. Minneapolis reported record yields in Minnesota for corn and soybeans and that total corn and soybean production in the District was larger than in 2004. Kansas City reported large harvests, San Francisco reported generally good conditions, Richmond noted good yields for soybeans, and Dallas reported that cotton yields were better than expected. Atlanta reported that Hurricane Wilma had caused an estimated \$1.5 billion loss to Florida crop production, and San Francisco noted that potato yields were low. Many Districts reported lower farm incomes or profit margins this year--some attributed the declines to higher energy costs and lower product prices--but Kansas City reported strong incomes for livestock and crop producers. Chicago reported shortages of rail, barge, and trucking capacity, while Richmond reported that limited grain elevator capacity had caused delays in harvest in some areas.

Natural Resource Industries

Districts reporting on the energy sector generally saw growth since their previous report. Atlanta reported that production in the Gulf of Mexico had improved since September; however, nearly 40 percent of natural gas and half of oil production still remained off-line. Most of the petroleum refining capacity in Louisiana and Mississippi was back on-line, but natural gas processing remains a concern as repair of processing facilities is taking longer than expected. Dallas reported that capacity is aggressively being added in some lines of the oil service industry, and that approximately 200 rigs are currently under construction. In the Kansas City District, the number of active oil and gas drilling rigs increased and was well above 2004 levels, although most contacts reported that drilling was being constrained by shortages in rigs, equipment, and workers. Minneapolis reported that the District's level of oil and gas production has remained steady since early August and that, except for a mine in western Montana, most mines were operating near to their full capacity.

Labor Markets

Several Districts noted increased hiring in a variety of industries. Dallas and New York reported increased hiring for professional and some types of skilled workers. Chicago, Boston, and New York reported increased demand for office workers. Dallas reported new hiring and concerns about shortages of skilled workers in the energy industry. St. Louis reported plans of increased hiring in the freight transportation industry. New York and Kansas City reported increased hiring in the manufacturing sector, whereas Cleveland and Boston reported manufacturing hiring as modest or unchanged. Cleveland reported modest hiring in the retail sector, and Richmond indicated that retail hiring continued to contract. Chicago reported employment increases in a wide range of sectors, with the exception of the auto industry, where several small suppliers reported reduced employment and two automakers announced plans for plant shutdowns and job cuts. Several Districts reported signs of tightening in labor markets and some difficulty in finding workers for certain occupations. Dallas and Cleveland reported that trucking firms were having difficulty attracting and retaining drivers. San Francisco reported tight labor market conditions for workers with specialized skills in the financial, construction, and health-care services sectors. Atlanta reported labor shortages in storm-damaged areas, especially in the construction industry.

Wages

District reports indicated modest overall upward pressures on wages. Contacts in the Minneapolis, Kansas City, and San Francisco Districts reported moderate increases in wage pressures. The Boston, Richmond, Atlanta, and San Francisco Districts indicated more substantial upward pressure on wages in one or more particular industries. The Dallas District provided the only indication of lower wage pressures--for the airline industry.

Prices

Consumer prices remained stable or experienced generally modest increases, but most Districts reported increasing input prices, particularly of energy-related products, construction and raw materials, and transportation. Fuel surcharges have become common in many Districts. In response to higher input prices, some businesses in the New York, Philadelphia, and Richmond Districts were able to pass along a portion of increased costs to consumers. Retail prices in the Boston District remained stable but had risen modestly in the Cleveland, Richmond, Chicago, and Kansas City Districts. Competitive pressures in the Atlanta and Dallas Districts have limited the ability to increase selling prices. Some manufacturers in the Dallas and Minneapolis Districts, however, plan to raise prices in 2006.

 [Return to top](#)

[Boston](#) 

[Home](#) | [Monetary Policy](#) | [2005 calendar](#)

[Accessibility](#) | [Contact Us](#)

Last update: November 30, 2005