

U.S. Flash

Beige Book signals modest growth, little change to employment

- **Real estate conditions looking better as prices increase**
- **Consumer spending and retail sales grow at steady pace**
- **Businesses remain hesitant to hire, citing concerns over the fiscal cliff and Europe**

The Federal Reserve's Beige Book for September shows signs of optimism while employment and manufacturing are still slow to pick up the pace. The Fed's report from the 12 Districts highlights improving real estate conditions, a welcoming sign that lagging sectors might be making a turn. As economic activity increases, housing and employment have been under close scrutiny as indicators that remain stagnant or moving at a crawling pace. However, existing home sales increased significantly for the third month in a row while prices also rose and inventories shrank. Residential sales led the increase and in some areas by a large margin while commercial came back mixed with 2013 forecasting better levels. This news was balanced by a lack of activity in employment, the other indicator we are waiting to see show legitimate signs of improving. Reasons cited for this lack of business hiring in most Districts were the upcoming elections, the fiscal cliff, and the European Crisis. Although looming, two of the three will be resolved by year's end – hopefully pumping some much needed security into the economy.

Consumer spending reports were mixed but digging deeper, retail sales grew modestly for most of the Districts. Many reported that the aforementioned fears were holding back some consumers from spending loosely, indicated by better sales at discount stores than department. Tied to spending, vehicle sales were at "favorable" levels and running ahead of the figures from 2011. Used vehicle sales were mixed as a handful of Districts cited robust growing offset by others noting flat sales. Spending also attributed to higher levels of tourism in most Districts from the domestic side, but international visitors have declined since the last report.

Industrials showed some mixed signs but overall positive, manufacturing had improved since the last report and by a modest amount, coinciding with surveys released over the past weeks. The automotive industry showed the most gain, light vehicles and trucks, with regard to industry as did transportation itself. However, metals and machinery levels were not as strong and growth in high-tech was sluggish. The non-financials came back at levels better than the last report led by technical and energy businesses.

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