

U.S. Flash

Beige Book Hints at Growth but Hindered by Uncertainty

- **Real estate continues to improve across most of the 12 districts**
- **Reports on manufacturing and other sectors were mixed, taking a hit from the storm**
- **Plans for increasing activity appear on hold as fiscal uncertainty evokes hesitation**

The Beige Book released by the Federal Reserve for November is a cornucopia of mixed results but the over arching message is that businesses and consumers are waiting for a clear sign from Congress regarding the fiscal cliff before they make any vital decisions. The 12 Districts did show signs of growth, as the real estate market continues to recover at a moderate pace and employment improves. Richmond and Minneapolis were two of the stronger real estate growers followed by their peers, although Boston and Philadelphia reported disappointing growth. A driver in the rising home prices across the regions was the shrinking inventory of distressed homes that was putting downward pressure on prices, decreasing since the last report. In tandem with positive signs from the housing market, construction employment and employment overall showed signs of improvement throughout the districts. Wage pressures were characterized as subdued along with price pressures and there were still companies insisting on part-time employment rather than full time. Consequentially, hiring was generally less than what businesses could have achieved but fiscal uncertainty led businesses to forgo stronger hiring in the weeks before the upcoming decision.

The manufacturing reports from the 12 Districts on balance came back weaker, citing lower activity from machinery and information technology equipment. Non-financials were mixed, in particular the energy and communications sectors in the East due to Hurricane Sandy. Agriculture activity was mixed as the drought persists in varying degrees throughout the nation but production doesn't seem to have been heavily affected by either the drought or the storm.

Demand for loans came back slightly strong on the whole in recent weeks. New York experienced weaker commercial and industrial loans but commercial real estate and residential mortgages remained steady. Districts including Philadelphia, Cleveland, Atlanta, and Kansas City reported an increase in total loan demand even with Sandy's effects along the coast. In line with loan demand, consumer spending increased at a moderate pace throughout the Districts, excluding those affected by the hurricane, and the sentiment is that spending will continue into the holiday season as even those affected return to refurnish and restock homes. In general though, Districts expressed rising uncertainty about future expectations based on the looming fiscal reforms.

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