Source: *The Beige Book, August 2018*, US Federal Reserve.

Table 1. Economic Activity, August 2018

Fed District	Excerpts from *The Beige Book*, August 2018
First: Boston	"Retailers contacted in this round said that year-over-year comparable-store sales ranged from low to mid-single digit increases from a year earlier." "All contacted manufacturers reported higher sales than in their last reports." "Commercial real estate activity held roughly steady on balance in recent months, although rising construction costs and shortages of construction labor were seen as growing constraints." "Residential real estate markets in Boston and four First District states with available data showed brisk sales activity in the month of July."
Second: New York	"Retail sales were mostly steady in July and August." "Manufacturers indicated that activity continued to expand at a brisk pace since the last report." "Businesses in the education & health service sector noted a pickup in activity, whereas contacts in information and professional & business services indicated that activity continued to expand at a subdued pace." "Housing markets across the District have been mixed but, on balance, softer since the last report." "Financial services firms reported increasingly robust growth in activity but were somewhat less optimistic regarding the near-term outlook."
Third: Philadelphia	"The makers of lumber products, chemicals, primary metals, and fabricated metal products tended to note gains in new orders and shipments; the makers of electronic machinery and industrial machinery reported mixed results." "The firms' outlook for future employment and future capital expenditures remained nearly the same, with just under 40 percent expecting increases." "Nonauto retailers continued to report modest sales growth in July and August, citing rising consumer demand and stable gas prices." "On balance, service-sector firms continued to report moderate growth in general activity"
Fourth: Cleveland	"Retail demand improved moderately, continuing a nearly year-long trend, and contacts expected this positive trend to continue in the near term." "Manufacturers reported stronger conditions and attributed the increased demand to a strong overall economy and pro-growth fiscal policy." "Nonfinancial services firms reported strong demand thanks to generally favorable economic conditions. Business advisory firms and software developers reported strong activity. Contacts noted that in addition to tax savings and ongoing strong business confidence, their services were in demand because businesses were modernizing their IT infrastructures."
Fifth: Richmond	"District ports have continued to report robust activity." "Trucking activity remained strong in recent weeks, and some companies continued to turn away business because they did not have enough trucks or drivers to meet demand."
Sixth: Atlanta	"Retailers expect continued positive momentum for the remainder of the year." "Many builders reported that construction activity was up from the year-ago level." "The outlook for nonresidential and multifamily construction among commercial contractors across the District remained positive, with the majority anticipating activity to match or exceed the current level." "Most [manufacturing] firms cited increases in new orders and production." "District transportation contacts noted increased activity during the reporting period." "Earnings continued to improve for financial institutions, driven by a stronger net interest margin. Asset growth continued to slow due to lower demand for credit amid higher interest rates and savings from tax reform."
Seventh: Chicago	"Capital spending increased modestly, and contacts expected growth to continue at that pace over the next 6 to 12 months. Outlays were primarily for replacing industrial and IT equipment and for renovating structures." "Contacts noted that competition for [banking and finance] customers was particularly strong in the small business segment." "Overall crop yields in the District appeared set to forge a new record as the result of widespread good

	weather.”
Eighth: St. Louis	“Reports from general retailers, auto dealers, and hoteliers indicate that consumer spending has slightly increased since our previous report.” “District agriculture conditions have deteriorated since the previous report.”
Ninth: Minneapolis	“Consumer spending rose moderately since the last report.” “District manufacturing activity increased moderately.”
Tenth: Kansas City	“Consumer spending grew slightly compared to the previous survey period, with gains in retail, auto, restaurant and tourism sales.” “Capital spending plans strengthened within all consumer spending subsectors with the exception of tourism.” “District real estate activity was mixed, with residential real estate activity declining slightly and commercial real estate activity rising modestly.” “District energy activity remained steady since the last survey period, and contacts expected gains in the months ahead.” “Farm income and credit conditions in the Tenth District weakened, and crop prices remained relatively steady following sharp declines in June and early July.”
Eleventh: Dallas	“Robust expansion continued in the manufacturing sector.” “Retail sales accelerated during the reporting period.” “The nonfinancial services sector expanded broadly, with revenue growth firming up among healthcare, real estate and leasing services, and administrative and support services firms.” “Activity in the housing market softened over the reporting period, with most contacts noting slower-than-expected new-home sales. Existing-home sales were flat but remained near recent highs.” “Loan volumes and demand expanded at a faster pace.” “[M]argins have improved for oilfield services firms that were able to increase prices earlier in the year. Outlooks remained positive as additional pipeline capacity is expected to be operational in 2019.” “Texas crop production this year is expected to be down 27-33 percent from 2017, depending on the crop, according to USDA estimates.”
Twelfth: San Francisco	“Sales of retail goods picked up moderately over the reporting period.” “Activity in the manufacturing sector expanded modestly.” “Activity in real estate markets expanded at a solid pace.” “On balance, contacts did not observe a tangible impact on demand from the increase in mortgage rates.”

Table 2. Employment and Wages, August 2018

Fed District	Excerpts from *The Beige Book*, August 2018
First: Boston	"Most contacts said labor markets were tight; net hiring remained modest to nil while wage increases were mixed." "The labor shortage for restaurant workers continued to be very troublesome, particularly on the Cape: contacts cited not enough U.S. workers and not enough visas for seasonal foreign workers." "They reported that locating engineers and skilled machinists remained difficult, but assembly line and administrative workers were not hard to find." "Staffing firms cited increasing labor demand and decreasing labor supply across the board, a combination that continued to present challenges, especially for recruiting skilled workers. Some staffing firms noted increases in bill and pay rates, ranging from low single digits to 10 percent." "Some firms reported spending more to attract and retain talent, including the adoption of new technology and incentive programs." "Demand for permanent workers is greater than for temporary workers, but supply issues are even more pronounced for temporary positions."
Second: New York	"Employers continued to note trouble filling senior positions and finding technically skilled workers—particularly IT workers and engineers, as well as truck drivers and construction workers." "Businesses in most service industries indicated that wage pressures remain fairly widespread, though they have not intensified. … Looking ahead, fewer businesses indicated planned wage increases than had been the case in recent months."
Third: Philadelphia	"Employment continued to grow at a modest pace during the current Beige Book period." "Staffing firms continued to report incremental growth in job orders but ongoing difficulty attracting and retaining employees." "On balance, wage growth continued at a moderate pace." "Staffing firms reported no dramatic changes in wage trends; even in labor markets with the District's lowest unemployment rates, wages were said to 'continue to inch up.'"
Fourth: Cleveland	"Staffing levels and wages rose moderately during the reporting period in a similar fashion to rises in recent survey periods." "Contacts across many sectors often cited a shortage of quality labor as a constraint to hiring. A number of firms are boosting training efforts and considering alternatives to alleviate the shortage."
Fifth: Richmond	"The demand for labor strengthened moderately in recent weeks, and employment agencies reported growth in new job openings. Meanwhile, employers continued to report tight labor markets and difficulties finding qualified workers." "Wage increases remained modest, overall."
Sixth: Atlanta	"Business contacts reported that labor market growth in select regions was being restrained by firms' inability to recruit staff, particularly among the low-skill/hourly workforce. In response, firms shared plans to move to locations with larger labor pools, to change/reduce personnel standards and requirements, or continue to pursue automation to replace workers." "Contacts continued to report that wage pressure was growing; however, increases greater than 2 to 3 percent remained targeted." "Reports from some firms indicated that they were unable to pay the higher wages demanded by experienced job seekers. Instead, they shifted their focus on higher margin business lines or planned to 'wait it out' and not to fill the positions." "Several contacts stated that even if they had the developed land, construction labor market conditions would keep them from being able to meet current levels of housing demand."
Seventh: Chicago	"As they have for some time, contacts indicated that the labor market was tight and that they had difficulty filling positions at all skill levels. Manufacturers continued to report that they had delayed or turned down projects because of difficulties in finding workers." "Wage growth remained modest overall, with wage increases most likely to be reported for managerial, professional and technical, and production workers. Most firms reported rising benefits costs."
Eighth: St. Louis	"Contacts reported shortages of qualified job candidates across a variety of sectors, including construction, transportation, and healthcare. Organizations continued to undertake initiatives that attempt to address the current skills gap, such as firms forming partnerships with local high schools to prepare students for a technical career." "Small business contacts highlighted the tight labor market as their main challenge." "Wages have increased modestly since the previous report. … Contacts in construction and transportation reported that labor shortages have led to wage increases in those industries. Small

	business wages in St. Louis grew moderately." "Local [residential construction] contacts continued to report constraints caused by a shortage of skilled workers and rising prices of building materials."
Ninth: Minneapolis	"Staffing clients widely reported more unfilled job openings compared with the same period a year earlier. A contact with offices in Minnesota and Wisconsin said that there were 'not nearly enough candidates' for available openings. A North Dakota contact said an 'overwhelming' majority of staffing clients were optimistic about current business conditions: 'Companies are expanding or want to expand. Their challenge is finding enough workers.'" "Wage growth was moderate to strong since the last report. An ad hoc survey of Minnesota staffing firms found average wage growth of 3 percent to 5 percent, with similar expectations for the coming year."
Tenth: Kansas City	"A majority of respondents reported labor shortages for low- and medium-skill workers, due primarily to a lack of qualified applicants." "Wages rose modestly in most sectors, and moderate wage growth was expected in the coming months."
Eleventh: Dallas	"Labor shortages persisted, covering a wide range of industries and skill sets, and several contacts said that a lack of qualified candidates was constraining growth. Poaching of skilled labor in midstream construction was reported, and a staffing firm said they had cancelled retainer contracts with some customers in order to recruit those firms' employees for active clients." "Wage pressures remained elevated, with more than 60 percent of firms saying they were increasing wages and/ or benefits to recruit and retain employees."
Twelfth: San Francisco	"Conditions in the labor market tightened further, with contacts across a variety of sectors reporting labor shortages." "Wage growth ticked up broadly, and some businesses increased benefits in response to more labor retention challenges. … In order to retain employees and attract new hires, a few businesses increasingly offered flexible work arrangements."

Table 3. Prices, August 2018

Fed District	Excerpts from *The Beige Book*, August 2018
First: Boston	"Prices were reported to be unchanged or up slightly." "However, higher fuel prices and a scarcity of truckers continued to drive up freight costs."
Second: New York	"Businesses continued to report widespread hikes in input prices—particularly in manufacturing, wholesale trade, and education & health." Retailers generally indicated that selling prices have remained stable, with one contact noting widespread discounting on remaining summer merchandise. A number of wholesale trade and transportation contacts said they planned to hike prices in the months ahead."
Third: Philadelphia	"Price increases remained modest for most firms but were stronger for prices faced by manufacturers." "The firms reported higher expectations for overall consumer inflation."
Fourth: Cleveland	"Contacts reported strong upward pressure on nonlabor costs, especially for metals and transportation services. Price increases for plywood, lumber, and concrete were also noted. One construction contact remarked that suppliers would guarantee a price for a few days only." "Final selling prices trended higher. Construction firms aggressively raised their prices to pass along higher materials costs. … More than half of manufacturing contacts raised their prices for a fourth consecutive reporting period. Service-sector industries reported relatively more modest price increases as firms attempted to cover rising worker compensation costs." "Rising materials costs, especially of steel, lumber, conduit, and concrete, motivated nonresidential builders to raise their prices."
Fifth: Richmond	"On balance, prices grew at a moderate rate since our previous report." "Specifically, rising prices were noted for aluminum, lumber, chemicals, rayon, polyester fiber, paper, and fuel."
Sixth: Atlanta	"Businesses across the District continued to report some increases in nonlabor input costs, specifically relating to transportation and steel, noting slightly more ability to pass along these price increases than in the previous report."
Seventh: Chicago	"Prices rose modestly in July and early August, and contacts expected prices to continue to increase at that rate over the next 6 to 12 months." "Producer prices rose moderately, reflecting in part the passthrough of higher labor, materials, energy, and freight costs." "Homebuilders reported that rising labor and materials costs were squeezing margins and leading them to focus on higher-margin higher-end homes in spite of strong demand for starter homes." "Steel output increased moderately as end-user demand remained at a high level and imports declined."
Eighth: St. Louis	"Prices have continued to increase modestly since the previous report."
Ninth: Minneapolis	"Price pressures increased moderately relative to the previous report."
Tenth: Kansas City	"Input and selling prices rose in most sectors in late July and August, and additional increases were anticipated moving forward." "Selling prices in the retail sector increased moderately compared to the previous survey period, while input prices rose robustly."
Eleventh: Dallas	"Nearly 60 percent of firms said they were unable to pass higher labor costs to customers through price increases."
Twelfth: San Francisco	"Price inflation increased moderately over the reporting period. On balance, pricing pressures for building materials continued to rise noticeably across the District. Contacts noted a moderate pickup in price growth for metal inputs and for finished steel."

Table 4. Tariffs, August 2018

Fed District	Excerpts from *The Beige Book*, August 2018
First: Boston	"Contacts expressed concern and uncertainty regarding tariffs, particularly for inputs and goods sourced from China, such as cotton, electronics, and furniture. Absent the tariff issue, expectations for sales were positive through the end of 2018." "A maker of motion-control equipment said that tariffs on steel and aluminum had led those metal producers to increase capital spending and demand for capital goods. By contrast, First District contacts cited no major revisions to their capital spending plans." "Most contacts noted the tariff issue but said that, so far, the effects have been small and they did not expect too much damage if they are expanded." "Commercial real estate contacts said that construction costs had increased moderately-to-steeply in recent months, and the increases were attributed in part to rising materials costs—stemming partly from tariffs on imported goods—and in part to rising wages for scarce construction labor."
Second: New York	"Contacts in almost all sectors anticipated further increases in the months ahead, with a sizable number of contacts indicating that tariffs were driving up costs, particularly in the manufacturing sector." "A sizable number of [manufacturing] contacts … noted that recent hikes in tariffs have raised their overall input costs, and some have expressed concern about the effects of changes in trade policy on various aspects of their business. One utility firm noted that tariffs on some construction materials may force them to scale back capital investment a bit."
Third: Philadelphia	"Bankers and other contacts cited labor shortages, wage pressures, and tariffs as concerns for spurring inflation, but none reported evidence of current inflation." "Nearly two-thirds of the firms that offered general comments noted that price hikes and/or supply disruptions had already occurred or were anticipated because of tariffs and the threat of tariffs. For those firms already impacted, contacts often cited double-digit price increases; some typical responses were that tariffs 'have put us out of business' on certain products and 'are a cloud on every facet of our business planning.'"
Fourth: Cleveland	"There was some concern that the impact of tariffs would soon filter through the supply chain in the form of higher prices of new transportation equipment, including trucks and trailers." "Although homebuilders were able to pass along higher materials costs to preserve margins, they noted that rising home prices were a factor weighing on sales."
Fifth: Richmond	"[Some] firms gave … negative reports as they were unable to pass through to customers rising materials costs as a result of recent tariffs." "Some retailers attributed higher input prices to recent tariffs and were hesitant to make long-term business decisions." "Overall, the demand for nonfinancial services continued to grow at a moderate rate in recent weeks. Firms in engineering, telecommunication, and healthcare services were particularly positive."
Sixth: Atlanta	"Anticipation of rising costs related to tariffs continued to contribute to vendor price increases for commodities." "Uncertainty regarding tariffs and trade policy continued to weigh heavily on manufacturers' sentiment as expectations for future production levels decreased from the previous period." "Transportation contacts noted no significant disruptions in the movement of freight as a result of changes in trade policy." "Some contacts expressed concern that tariffs on steel and aluminum may influence the viability of planned industrial construction and plant expansion projects in Louisiana." "[S]ince the last report, weekly comparisons indicated lower commodity cash prices for some recently tariffed agriculture exports such as soybeans, and the USDA has announced a financial relief program for affected agriculture producers."
Seventh: Chicago	"Auto dealers noted that the steel and aluminum tariffs had not yet boosted retail prices for light vehicles, but expected them to do so eventually." "Some contacts indicated that they were delaying capital spending decisions until 2019 because of uncertainty over the outcome of international trade negotiations." "One contact noted that threats of new tariffs had led to spikes in freight traffic as businesses sought to move goods before the tariffs might take effect." "The anticipation of large supplies and uncertainty about trade policy led to lower corn and soybean prices."
Eighth: St. Louis	"Multiple manufacturers reported facing elevated input prices linked to steel and aluminum tariffs as well as increased freight costs. Many of these contacts indicated they have passed or intend to pass

	along these costs to their customers." "Farmers continued to express concerns over low agricultural commodity prices resulting from the trade dispute between China and the United States. Contacts in Missouri and Indiana indicated that farmers did not lock-in pre-tariff pricing for a majority of their soybean crop, leaving them exposed to current market conditions."
Ninth: Minneapolis	"Contacts from across the sector continued to report negative impacts from trade restrictions." "[L]ow commodity prices continued to drag on farm finances and contacts remained concerned about trade conflicts."
Tenth: Kansas City	"Although manufacturers' capital expenditures continued to expand moderately, several contacts reported that recent trade developments had lowered capital spending plans." "Manufacturers reported a slight increase in prices for both finished products and raw materials since the previous survey, and a large share of District manufacturing contacts reported that trade developments this year had led to higher input prices."
Eleventh: Dallas	"Price pressures remained elevated in part due to tariffs, although they did ease slightly over the reporting period in manufacturing and retail." "Overall, outlooks among manufacturers remained positive, although tariffs have increased uncertainty in expectations." "While [retailers'] outlooks stayed positive, concern over tariffs and rising interest rates was noted." "Contacts [in construction and real estate] expressed trepidation about the impact of higher interest rates, rising building costs, and uncertainty surrounding trade and immigration policies on future sales, and some added that they expect starts to flatten out in the near term." "Contacts [in financial services] remained optimistic, although they cited flattening of the yield curve, tariffs, and regulatory compliance as top concerns." "There is also concern among the agricultural community about tariffs and trade wars."
Twelfth: San Francisco	"An industry contact in Oregon noted that the price of steel continued to increase, due in part to the implementation of tariffs and to unrelated declines in global competition." "Capacity utilization at steel producers increased slightly on a year-over-year basis due to solid domestic demand and reduced competition from overseas." "With profit margins for many crops at only breakeven levels, agriculture contacts are keenly focused on the potential for prolonged trade-related disruptions."