The Federal Reserve Board

Summary of Commentary on Current Economic Conditions

By Federal Reserve Districts

March 3, 2004

Summary

Reports in the Federal Reserve Bank of Philadelphia's most recent survey of Third Federal Reserve District business conditions indicated that manufacturing activity continued to expand at a solid pace in February.

Consumer Spending

Reports on consumer spending were moderately mixed as retail District Districts in February. Strong to strengthening sales were reported in New York, Richmond, and Dallas. Sales were flat to slightly weaker in Philadelphia, Cleveland, Chicago, and Kansas City. Sales were reported to be somewhat softer than expected in Atlanta, St. Louis, Minneapolis, and San Francisco. In some districts sales were affected by inclement weather. In Boston, St. Louis, Cleveland, and Chicago, retail sales were also affected by the recent flight activity in a year ago. Auto sales were generally reported to be steady to slightly weaker in most districts. Auto sales were reported to be strong in Richmond and Dallas, and weak in Minneapolis. Auto sales were reported to be steady in Boston, New York, Philadelphia, Cleveland, Chicago, Kansas City, and San Francisco. In Atlanta, St. Louis, and Dallas, auto sales were reported to be slightly weaker than expected. Retail inventories were generally reported to be at comfortable levels. Several Federal Reserve Districts indicated that since weeks were mostly on the sales. Some districts reported that retailers were planning to increase their inventories in the coming months.

Nearly all Districts reported that auto sales slowed during January and February, and attributed the slowdown to the unusually cold weather. Auto sales were reported to be steady to slightly weaker in Boston, New York, Philadelphia, Cleveland, Chicago, Kansas City, and San Francisco. In Atlanta, St. Louis, and Dallas, auto sales were reported to be slightly weaker than expected. Auto inventories were generally reported to be at comfortable levels. Several Federal Reserve Districts indicated that since weeks were mostly on the sales. Some districts reported that retailers were planning to increase their inventories in the coming months.

Real Estate and Construction

Residential real estate markets continued to be strong in the majority of Districts. Although reports on residential construction were mixed, most Districts reported that activity was steady to slightly weaker. Residential construction was reported to be strong in Districts such as New York, Philadelphia, Chicago, Dallas, and San Francisco. In Atlanta, St. Louis, Minneapolis, and Kansas City, residential construction was reported to be slightly weaker than expected. Residential construction was reported to be steady in Boston, Cleveland, and Richmond. Nonresidential construction was reported to be steady to slightly weaker in most Districts with the exception of San Francisco where the rate of nonresidential construction was reported to be strong.

Agriculture

Agricultural conditions have been mixed. Good rains were reported in the Atlanta and Dallas Districts, which have been in drought for several years. Rains have also been welcomed in the Minneapolis District, which has been experiencing drought conditions. Dry conditions were reported in the Kansas City District. Snowfall was reported to be above normal in the Chicago District, which has been experiencing drought conditions. Snow in the Kansas City District was reported to be below normal.

Natural Resource Industries

Activity was reported to be strong in the energy sector mixed generally strong, despite weather-related slowdowns in drilling. Drilling activity has been steady in the Districts such as the Kansas City and Dallas Districts, but Minneapolis noted a slight decrease in activity. Activity was reported to be strong in the Districts such as the Kansas City and Dallas Districts, but Minneapolis noted a slight decrease in activity. Activity was reported to be strong in the Districts such as the Kansas City and Dallas Districts, but Minneapolis noted a slight decrease in activity.

Financial Services and Credit

Activity in the financial services industry has remained fairly quiet moderately in January and February. Activity was reported to be steady to slightly weaker in most Districts. In San Francisco, for example, lenders and borrowers are on the wane which would normally be a time of increased activity. Activity was reported to be steady to slightly weaker in most Districts. In San Francisco, for example, lenders and borrowers are on the wane which would normally be a time of increased activity. Activity was reported to be steady to slightly weaker in most Districts. In San Francisco, for example, lenders and borrowers are on the wane which would normally be a time of increased activity.

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First District--Boston

Overview

Economic activity is picking up according to most business contacts in the First District. Manufacturing activity has been strong in January and February, and retail sales picked up in February. Some state sales remained in the past month. Activity in the construction sector is strong, as is employment in commercial real estate markets. Small manufacturers report no shift weakening in demand, but they are optimistic about the future.

Retail

Retail sales picked up in February, according to most business contacts in the First District. Some state sales remained in the past month. Activity in the construction sector is strong, as is employment in commercial real estate markets. Small manufacturers report no shift weakening in demand, but they are optimistic about the future.

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Tourism

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Employment and Wages

Hiring has been reported to be strong in employment generally noted modest increases in the Districts. Boston indicated that temporary help agencies were placing more workers in permanent positions. Hiring was reported to be strong in the Districts such as the Kansas City and Dallas Districts, but Minneapolis noted a slight decrease in activity. Hiring was reported to be strong in the Districts such as the Kansas City and Dallas Districts, but Minneapolis noted a slight decrease in activity. Hiring was reported to be strong in the Districts such as the Kansas City and Dallas Districts, but Minneapolis noted a slight decrease in activity.

Prices

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Transportation

Reported modest increase for District overall, primarily improved business conditions in Minneapolis-St. Paul area. Although rise in fuel costs continued in early 1980's,