Summary of Commentary on Current Economic Conditions

by Federal Reserve District

Summary

Reports on the Federal Reserve Bank of Richmond and Sixth and Seventh Districts were received in time for inclusion in the Beige Book before the September 19 meeting of the Federal Open Market Committee.

Reports from Richmond and the Sixth and Seventh Districts indicate that economic activity has increased at a moderate pace since the last report. Manufacturing activity has generally strengthened, pointing to a moderate increase.

Consumer spending increased more quickly in a number of Districts, although several retail reports were mixed. Auto sales were generally reported to be flat to down. Tourism was generally strong and hotel occupancy rates increased. Sales were reported to be strong for luxury goods, jewelry, and high-end apparel. Sales of building materials were reported to be flat to down, and home furnishings and home improvement sales were reported to be mixed. Sales of big-ticket items were reported to be strong in some Districts. Notwithstanding reports of slowing home sales and prices, residential construction activity increased at a moderate pace. Nonresidential construction activity increased at a moderate pace, with strength in the hotel and office sectors. Commercial real estate vacancy rates declined in most Districts, and rental rates increased. Reports on the banking sector were mixed. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Manufacturing activity increased at a moderate pace. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

Reports on hiring were mixed. Some Districts reported that labor markets were tight, while others reported that labor markets remained soft. Wage pressures were reported to be moderate.

Prices increased at a moderate pace. Retail prices increased at a moderate pace, and input prices increased at a strong pace.

Manufacturing activity increased at a moderate pace. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

Reports on hiring were mixed. Some Districts reported that labor markets were tight, while others reported that labor markets remained soft. Wage pressures were reported to be moderate.

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Introduction

Reports on the economy were generally strengthened since the last report. Consumer spending increased, although retail sales were mixed in some Districts. Auto sales were generally reported to be flat to down. Tourism was generally strong and hotel occupancy rates increased. Sales were reported to be strong for luxury goods, jewelry, and high-end apparel. Sales of building materials were reported to be flat to down, and home furnishings and home improvement sales were reported to be mixed. Sales of big-ticket items were reported to be strong in some Districts. Notwithstanding reports of slowing home sales and prices, residential construction activity increased at a moderate pace. Nonresidential construction activity increased at a moderate pace, with strength in the hotel and office sectors. Commercial real estate vacancy rates declined in most Districts, and rental rates increased. Reports on the banking sector were mixed. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Manufacturing activity increased at a moderate pace. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Reports from Richmond and the Sixth and Seventh Districts indicate that economic activity has increased at a moderate pace since the last report. Manufacturing activity has generally strengthened, pointing to a moderate increase.

Consumer spending increased more quickly in a number of Districts, although several retail reports were mixed. Auto sales were generally reported to be flat to down. Tourism was generally strong and hotel occupancy rates increased. Sales were reported to be strong for luxury goods, jewelry, and high-end apparel. Sales of building materials were reported to be flat to down, and home furnishings and home improvement sales were reported to be mixed. Sales of big-ticket items were reported to be strong in some Districts. Notwithstanding reports of slowing home sales and prices, residential construction activity increased at a moderate pace. Nonresidential construction activity increased at a moderate pace, with strength in the hotel and office sectors. Commercial real estate vacancy rates declined in most Districts, and rental rates increased. Reports on the banking sector were mixed. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Manufacturing activity increased at a moderate pace. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Prices increased at a moderate pace. Retail prices increased at a moderate pace, and input prices increased at a strong pace.

Consumer Spending and Tourism

Most Districts reported stronger growth in consumer spending, although automobile and retail sales were mixed. Auto sales were generally reported to be flat to down. Auto sales declined in the Richmond, Atlanta, Chicago, and Kansas City Districts and were reported to be flat in the Dallas and San Francisco Districts. Auto sales increased in the New York District, while reports were given more specific to the Boston, Cleveland, Minneapolis, and St. Louis Districts. Auto sales increased at a moderate pace in the Philadelphia and Richmond Districts and increased at a strong pace in the Atlanta District.

Sales were reported to be mixed in the Richmond District, with reports of moderate automobile, home furnishings, and home improvement sales. Sales increased at a moderate pace in the Atlanta and Kansas City Districts. Sales increased at a strong pace in the Chicago District. Sales of home furnishings held elevated and flattish in the Atlanta District, while sales increased at a strong pace in the Kansas City District.

Tourism activity strengthened since the last report. New York and Boston reported strong tourism activity. Tourism was reported to be strong in the Richmond District, with hotel occupancy rates and activity in the San Francisco District reported at or high level despite some softening. Tourism was reported to be strong in the Atlanta District, and hotel occupancy rates in Jacksonville, Miami, and Orlando increased since the last report.

Auto Sales

Auto sales in the service sector generally strengthened since Districts cited the last report. The Richmond, Atlanta, Chicago, and Kansas City Districts reported that auto sales declined, while auto sales were flat in the San Francisco District. Auto sales increased in the New York District, while reports were given more specific to the Boston, Cleveland, Minneapolis, and St. Louis Districts. Auto sales increased at a moderate pace in the Philadelphia and Richmond Districts and increased at a strong pace in the Atlanta District.

Sales were reported to be mixed in the Richmond District, with reports of moderate automobile, home furnishings, and home improvement sales. Sales increased at a moderate pace in the Atlanta and Kansas City Districts. Sales increased at a strong pace in the Chicago District. Sales of home furnishings held elevated and flattish in the Atlanta District, while sales increased at a strong pace in the Kansas City District.

Tourism activity strengthened since the last report. New York and Boston reported strong tourism activity. Tourism was reported to be strong in the Richmond District, with hotel occupancy rates and activity in the San Francisco District reported at or high level despite some softening. Tourism was reported to be strong in the Atlanta District, and hotel occupancy rates in Jacksonville, Miami, and Orlando increased since the last report.

Manufacturing

Manufacturing activity increased generally strong in most Districts. Each of the twelve Districts reported increased activity since the last report. Only Chicago and Kansas City cited declines in manufacturing activity. Manufacturing activity increased in the New York District. Philadelphia reported that factory production edged down. The output of energy-related manufacturers in the Richmond District increased at a strong pace. Auto and steel manufacturers reported that factory operations were somewhat slower than earlier in the year. Auto manufacturing activity increased at a moderate pace in the Atlanta, Chicago, and Kansas City Districts. Auto in Cleveland and Chicago noted that factory operations were somewhat slower than earlier in the year. Auto manufacturing activity increased at a strong pace in the Dallas District. Auto and steel manufacturers in the Minneapolis District reported that factory operations were somewhat slower than earlier in the year. Auto manufacturing activity increased at a moderate pace in the San Francisco District. Auto manufacturers in the Seventh District reported that factory operations were somewhat slower than earlier in the year.

Services

Activity in the service sector generally strengthened since Districts cited the last report. The Richmond, Atlanta, Chicago, and Kansas City Districts reported that service sector activity declined, while service activity was flat in the San Francisco District. Service sector activity increased in the New York District. Philadelphia reported that service sector activity increased at a moderate pace. Service sector activity increased at a moderate pace in the Atlanta and Dallas Districts, and declined in the San Francisco District. The commercial banking sector reported that service sector activity increased at a moderate pace in the Richmond, Chicago, and Kansas City Districts, and increased at a strong pace in the Dallas District. It was reported that service sector activity declined in the San Francisco District. Service sector activity increased at a moderate pace in the Atlanta District.

Agriculture and Natural Resources

Most Districts reported that agriculture in the summer months strengthened overall in the months since the last report. Richmond reported that agriculture was flat to down since the last report. Atlanta reported that natural resource activity increased at a strong pace. Chicago reported that agriculture was flat to down since the last report. Kansas City reported that agriculture was flat since the last report. Dallas reported that agriculture was flat to down since the last report. San Francisco reported that agriculture was flat since the last report. Boston, New York, Philadelphia, Cleveland, Minneapolis, and St. Louis did not comment on agriculture in their reports.

Most Districts reported that natural resource activity increased at a strong pace since the last report. Richmond reported that natural resource activity increased at a strong pace since the last report. Atlanta reported that natural resource activity increased at a strong pace since the last report. Chicago reported that natural resource activity increased at a strong pace since the last report. Kansas City reported that natural resource activity increased at a strong pace since the last report. Dallas reported that natural resource activity increased at a strong pace since the last report. San Francisco reported that natural resource activity increased at a strong pace since the last report. Boston, New York, Philadelphia, Cleveland, Minneapolis, and St. Louis did not comment on natural resources in their reports.

Banking and Finance

Most Districts reported an increase in commercial banking since they've further conditions in commercial mortgage lending. The Richmond, Atlanta, Chicago, and Kansas City Districts reported that commercial banking activity declined, while commercial banking activity was flat in the San Francisco District. Commercial banking activity increased in the New York District. Philadelphia reported that commercial banking activity increased at a moderate pace. Commercial banking activity increased at a moderate pace in the Atlanta and Dallas Districts, and declined in the San Francisco District. The commercial banking sector reported that commercial banking activity increased at a moderate pace in the Richmond, Chicago, and Kansas City Districts, and increased at a strong pace in the Dallas District. It was reported that commercial banking activity declined in the San Francisco District. Commercial banking activity increased at a moderate pace in the Atlanta District.

Employment, Wages, Prices

Most Districts reported that labor markets had eased since the last report. The Boston, Philadelphia, Cleveland, Minneapolis, and St. Louis Districts reported that labor markets had eased, particularly for skilled workers, while the remaining Districts noted that job growth was moderate. The New York District reported that labor markets had eased slightly since the last report. The Richmond District reported that labor markets had eased since the last report. The Atlanta District reported that labor markets had eased since the last report. The Chicago District reported that labor markets had eased since the last report. The Kansas City District reported that labor markets had eased since the last report. The Dallas District reported that labor markets had eased since the last report. The San Francisco District reported that labor markets had eased since the last report.

Most Districts reported that wages increased at a moderate pace since the last report. The Richmond, Atlanta, Chicago, and Kansas City Districts reported that wages increased at a moderate pace. The Philadelphia, Cleveland, and Minneapolis Districts reported that wages increased at a strong pace. The Boston, New York, Dallas, and San Francisco Districts reported that wages increased at a moderate pace. The St. Louis District reported that wages increased at a strong pace.

Most Districts reported that prices increased at a moderate pace since the last report. The Richmond, Atlanta, Chicago, and Kansas City Districts reported that prices increased at a moderate pace. The Philadelphia, Cleveland, and Minneapolis Districts reported that prices increased at a strong pace. The Boston, New York, Dallas, and San Francisco Districts reported that prices increased at a moderate pace. The St. Louis District reported that prices increased at a strong pace.

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First District: Boston

Reports from First District contacts are somewhat mixed on the last economic cycle. Manufacturers reported a slowdown in new orders and production, while retailers reported that sales had been solid to strong. Contacts in the housing and commercial real estate sectors reported that activity had been solid to strong. Bankers reported that loan demand had been solid to strong. Contacts in the temporary help services industry reported that demand for workers had been solid to strong. Contacts in the staffing services industry reported that demand for workers had been mixed. Contacts in the energy industry reported that demand for workers had been solid to strong.

Manufacturers reported that the pace of new order activity had been mixed to down since the last report. Most manufacturers reported that the pace of activity in August was slower than in July. Manufacturers reported that the pace of shipments had been mixed to down since the last report. Most manufacturers reported that the pace of shipments in August was slower than in July. Manufacturers reported that the pace of inventory accumulation had been mixed since the last report. Most manufacturers reported that the pace of inventory accumulation in August was slower than in July.

Retailers reported that sales had been solid to strong since the last report. The consensus was that sales had been solid to strong in August. Retailers reported that the pace of sales had been solid to strong since the last report. The consensus was that the pace of sales had been solid to strong in August. Retailers reported that the pace of inventory accumulation had been solid since the last report. The consensus was that the pace of inventory accumulation in August was solid.

Contacts in the housing and commercial real estate sectors reported that activity had been solid to strong since the last report. Residential contacts reported that the pace of sales had been solid to strong since the last report. The consensus was that the pace of sales had been solid to strong in August. Residential contacts reported that the pace of construction had been solid since the last report. The consensus was that the pace of construction in August was solid.

Commercial real estate contacts reported that the pace of leasing had been solid to strong since the last report. The consensus was that the pace of leasing had been solid to strong in August. Commercial real estate contacts reported that the pace of construction had been solid since the last report. The consensus was that the pace of construction in August was solid.

Bankers reported that loan demand had been solid to strong since the last report. The consensus was that loan demand had been solid to strong in August. Bankers reported that the pace of loan growth had been solid since the last report. The consensus was that the pace of loan growth in August was solid.

Contacts in the temporary help services industry reported that demand for workers had been solid to strong since the last report. The consensus was that demand had been solid to strong in August. Contacts in the staffing services industry reported that demand for workers had been mixed since the last report. The consensus was that demand had been mixed in August.

Contacts in the energy industry reported that demand for workers had been solid to strong since the last report. The consensus was that demand had been solid to strong in August.

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Second District: New York

The Second District has shown signs of strengthening since the last update, with five aspects of increased activity previous. A few markets have been mixed, or stronger, according to those in manufacturing, tourism, and commercial real estate. Consumer spending has been mixed, with reports of strong sales of luxury goods, jewelry, and high-end apparel. Sales of building materials were reported to be flat to down, and home furnishings and home improvement sales were reported to be mixed. Sales of big-ticket items were reported to be strong in some Districts. Notwithstanding reports of slowing home sales and prices, residential construction activity increased at a moderate pace. Nonresidential construction activity increased at a moderate pace, with strength in the hotel and office sectors. Commercial real estate vacancy rates declined in most Districts, and rental rates increased. Reports on the banking sector were mixed. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Manufacturing activity increased at a moderate pace. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

Reports on hiring were mixed. Some Districts reported that labor markets were tight, while others reported that labor markets remained soft. Wage pressures were reported to be moderate.

Prices increased at a moderate pace. Retail prices increased at a moderate pace, and input prices increased at a strong pace.

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Third District: Philadelphia

Business activity in the Third District increased at a moderate pace in September. Auto dealers reported that sales were flat to down since the last report. Manufacturing in the District edged down in September. Retailers reported that sales increased at a moderate pace. Nonresidential construction activity increased at a moderate pace. Residential construction activity declined at a moderate pace.

Third District business contacts generally expect business activity in the region to continue to increase at a moderate pace over the next six months. Manufacturers expect that new orders and shipments will increase at a moderate pace. Retailers expect a modest increase in sales. Nonresidential construction activity is expected to increase at a moderate pace. Residential construction activity is expected to increase at a moderate pace.

Manufacturing

Third District manufacturers reported that business conditions in the region edged down in September. Manufacturers reported that new orders increased at a moderate pace. Manufacturers reported that shipments increased at a moderate pace. Manufacturers reported that the prices they paid for their inputs increased at a moderate pace. Manufacturers reported that the prices they received for their products increased at a moderate pace.

Third District manufacturers expect business conditions in the region to improve over the next six months. Manufacturers expect that new orders will increase at a moderate pace. Manufacturers expect that shipments will increase at a moderate pace. Manufacturers expect that the prices they pay for their inputs will increase at a moderate pace. Manufacturers expect that the prices they receive for their products will increase at a moderate pace.

Retailing

Third District retailers reported that their sales increased at a moderate pace in September. Retailers reported that sales increased at a moderate pace over the last three months. Retailers reported that sales increased at a moderate pace over the last twelve months.

Third District retailers expect that sales will increase at a moderate pace over the next six months. Retailers expect that sales will increase at a moderate pace over the next twelve months.

Nonfarm Employment

Nonfarm employment in the Third District increased at a moderate pace in September. Manufacturers reported that employment increased at a moderate pace. Retailers reported that employment increased at a moderate pace. Nonfarm employment increased at a moderate pace over the last three months. Nonfarm employment increased at a moderate pace over the last twelve months.

Nonresidential Construction

Nonresidential construction activity increased at a moderate pace in September. Nonresidential construction activity increased at a moderate pace over the last three months. Nonresidential construction activity increased at a moderate pace over the last twelve months.

Residential Construction

Residential construction activity declined at a moderate pace in September. Residential construction activity declined at a moderate pace over the last three months. Residential construction activity declined at a moderate pace over the last twelve months.

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Fourth District: Cleveland

The Fourth District economy showed modest growth since August; however, growth was uneven across sectors. Manufacturing activity increased slightly, while retail sales were flat.

Fourth District business contacts generally expect business activity in the region to continue to increase at a moderate pace over the next six months. Manufacturers expect that new orders and shipments will increase at a moderate pace. Retailers expect a modest increase in sales. Nonresidential construction activity is expected to increase at a moderate pace. Residential construction activity is expected to increase at a moderate pace.

Manufacturing

Fourth District manufacturers reported that business conditions in the region edged down in September. Manufacturers reported that new orders increased at a moderate pace. Manufacturers reported that shipments increased at a moderate pace. Manufacturers reported that the prices they paid for their inputs increased at a moderate pace. Manufacturers reported that the prices they received for their products increased at a moderate pace.

Fourth District manufacturers expect business conditions in the region to improve over the next six months. Manufacturers expect that new orders will increase at a moderate pace. Manufacturers expect that shipments will increase at a moderate pace. Manufacturers expect that the prices they pay for their inputs will increase at a moderate pace. Manufacturers expect that the prices they receive for their products will increase at a moderate pace.

Retailing

Fourth District retailers reported that their sales increased at a moderate pace in September. Retailers reported that sales increased at a moderate pace over the last three months. Retailers reported that sales increased at a moderate pace over the last twelve months.

Fourth District retailers expect that sales will increase at a moderate pace over the next six months. Retailers expect that sales will increase at a moderate pace over the next twelve months.

Nonfarm Employment

Nonfarm employment in the Fourth District increased at a moderate pace in September. Manufacturers reported that employment increased at a moderate pace. Retailers reported that employment increased at a moderate pace. Nonfarm employment increased at a moderate pace over the last three months. Nonfarm employment increased at a moderate pace over the last twelve months.

Nonresidential Construction

Nonresidential construction activity increased at a moderate pace in September. Nonresidential construction activity increased at a moderate pace over the last three months. Nonresidential construction activity increased at a moderate pace over the last twelve months.

Residential Construction

Residential construction activity declined at a moderate pace in September. Residential construction activity declined at a moderate pace over the last three months. Residential construction activity declined at a moderate pace over the last twelve months.

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Fifth District: Richmond

Economic activity in the Fifth District expanded at a moderate pace in late August and September, according to information collected by the Federal Reserve Bank of Richmond. Manufacturing activity increased at a moderate pace. Retail sales were mixed, with reports of strong sales of luxury goods and moderate sales of building materials and home furnishings. Automobile sales were generally flat to down. Tourism activity was strong, and hotel occupancy rates increased. Residential construction activity declined at a moderate pace, while nonresidential construction activity increased at a strong pace. Commercial real estate vacancy rates declined, and rental rates increased. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

Reports on hiring were mixed. Some Districts reported that labor markets were tight, while others reported that labor markets remained soft. Wage pressures were reported to be moderate.

Prices increased at a moderate pace. Retail prices increased at a moderate pace, and input prices increased at a strong pace.

Manufacturing

Manufacturing activity increased at a moderate pace in late August and September, according to information collected by the Federal Reserve Bank of Richmond. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

Reports on hiring were mixed. Some Districts reported that labor markets were tight, while others reported that labor markets remained soft. Wage pressures were reported to be moderate.

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Retail Sales

Retail sales were mixed, with reports of strong sales of luxury goods and moderate sales of building materials and home furnishings. Automobile sales were generally flat to down.

Tourism activity was strong, and hotel occupancy rates increased. Residential construction activity declined at a moderate pace, while nonresidential construction activity increased at a strong pace. Commercial real estate vacancy rates declined, and rental rates increased. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Banking and Finance

Banking and finance contacts reported that loan volumes increased at a moderate pace in August and September. Consumer loans increased at a strong pace. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Tourism

Tourism activity was strong, and hotel occupancy rates increased. Residential construction activity declined at a moderate pace, while nonresidential construction activity increased at a strong pace. Commercial real estate vacancy rates declined, and rental rates increased. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Real Estate

Residential construction activity declined at a moderate pace in August and September. Nonresidential construction activity increased at a strong pace. Commercial real estate vacancy rates declined, and rental rates increased. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Agriculture

Reports on the agricultural sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Sixth District: Atlanta

Reports from Sixth District contacts indicated that business activity has risen at a moderate pace since the last report. Manufacturing activity increased at a moderate pace. Retail sales and housing construction increased at a moderate pace in Florida, and these contacts reported that sales were strong for luxury goods and high-end apparel. Nonresidential construction activity increased at a moderate pace. Commercial real estate vacancy rates declined, and rental rates increased. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Consumer Spending

Reports on consumer spending were mixed. Retail sales increased at a moderate pace in August and September. Sales of luxury goods and high-end apparel were strong. Sales of building materials and home furnishings increased at a moderate pace in Florida.

Tourism activity was strong, and hotel occupancy rates increased. Residential construction activity declined at a moderate pace, while nonresidential construction activity increased at a strong pace. Commercial real estate vacancy rates declined, and rental rates increased. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

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Manufacturing and Transportation

Reports on the manufacturing and transportation sectors were generally positive. Activity edged up in August and September compared with a year earlier. Reports pointed to continued solid capacity utilization. Inventory control is generally strong. Backlogs of orders and delivery times remain at relatively low levels. Most reports anticipated continued moderate growth in the months ahead.

Tourism and Business Travel

Reports from the tourism sector were generally positive in September. Hotelier traffic is generally steady to slightly improved from a year earlier. Hotel occupancy rates remain high in most areas. Business contacts report steady to slightly improved business travel.

Agriculture and Natural Resources

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Banking and Finance

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Seventh District: Chicago

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Ninth District: Minneapolis

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Tenth District: Kansas City

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Eleventh District: Dallas

Economic activity in the Eleventh District has increased at a moderate pace since the last report, according to reports from our contacts. Manufacturing activity increased at a moderate pace. Retail sales were mixed, with reports of strong sales of luxury goods and moderate sales of building materials and home furnishings. Automobile sales were generally flat to down.

Tourism activity was strong, and hotel occupancy rates increased. Residential construction activity declined at a moderate pace, while nonresidential construction activity increased at a strong pace. Commercial real estate vacancy rates declined, and rental rates increased. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

Reports on hiring were mixed. Some Districts reported that labor markets were tight, while others reported that labor markets remained soft. Wage pressures were reported to be moderate.

Prices increased at a moderate pace. Retail prices increased at a moderate pace, and input prices increased at a strong pace.

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Twelfth District: San Francisco

Economic activity in the Twelfth District has increased at a moderate pace since the last report, according to reports from our contacts. Manufacturing activity increased at a moderate pace. Retail sales were mixed, with reports of strong sales of luxury goods and moderate sales of building materials and home furnishings. Automobile sales were generally flat to down.

Tourism activity was strong, and hotel occupancy rates increased. Residential construction activity declined at a moderate pace, while nonresidential construction activity increased at a strong pace. Commercial real estate vacancy rates declined, and rental rates increased. Loan volumes increased at a moderate pace, with strength in consumer loans. Credit quality remained strong. Reports on the energy sector were mixed. Natural gas production increased at a moderate pace, while oil production was flat. Coal production increased at a strong pace.

Reports on hiring were mixed. Some Districts reported that labor markets were tight, while others reported that labor markets remained soft. Wage pressures were reported to be moderate.

Prices increased at a moderate pace. Retail prices increased at a moderate pace, and input prices increased at a strong pace.

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Seventh District—Chicago

Economic activity in the Seventh District expanded at a moderate pace during late August and early September, according to reports from contacts. Retail sales increased at a moderate but accelerated pace. Labor market conditions were little changed, with small gains in manufacturing and construction employment offset by declines in the service sector. Wage growth was moderate. Manufacturing production increased at a solid pace. Manufacturers reported expanded spare, though at a modestly slower pace than in the previous reporting period. Construction activity was little changed. Nonresidential construction activity was mixed, but more so than in the previous reporting period. Nonresidential price pressures and overall wage increases held steady. Corn and soybean harvests in the District were delayed by cool and rainy weather in September and early results indicated mixed yields relative to a year ago.

Consumer spending

Retail sales increased at a moderate to increase modestly in August and September. Retailers said back-to-school sales were within their expectations but "nothing stellar." Car retailers reported that sales were little changed on net, with a pickup in sales of trucks and SUVs but only a modest impact on their sales. Retail inventories were at desired levels for general merchandise, but were somewhat high relative to sales for auto dealers. Contacts said that unseasonably warm weather in September had boosted sales of seasonal items. Online retail trends have changed little in recent weeks. Big Three vehicles lagged behind foreign brands in the adoption of online sales platforms, according to a contact in Michigan who was running a similar test at a year ago and a small pick up in recent weeks.

Business spending

Business spending and hiring expanded again in the District. For the most part, capital spending plans were little changed or similar rates as in the previous reporting period. Tracking volumes were up slightly over a year earlier, though one contact said customers have been cautious about placing orders. Hiring plans were little changed on net. Labor market conditions were little changed, with small gains in employment in the manufacturing sector offset by declines in the service sector. Auto manufacturers and suppliers laid off workers, according to contacts in Michigan and Indiana. Many of the layoffs were temporary, though a few were permanent. Auto manufacturers and suppliers reported overtime. A transit manager in a posting business said the job advertising continues to be robust. Shortages of skilled workers were widespread, according to contacts in a variety of industries. Wage growth was growth in the District during the third quarter was a bit stronger than the second quarter but by a pickup in District and Wisconsin.

Manufacturing

Manufacturing activity increased and real estate activity declined again in most areas. Householders observed sluggish demand in all market segments, and a Chicago area builder said high and rising prices were the biggest problem facing the housing market. Sales of existing homes, new sales and traffic through model homes were holding up well. Builders in southeast Michigan reported a number of project cancellations. New home prices were steady in down, and builders reported that incentives were little changed on net. Builders in Indiana and Illinois reported that the pace of existing homes were being reduced, with a reduced pace of sales. Builders in Wisconsin reported that the pace of sales was expanded at a steady pace. Moreover, net absorption of office space slowed and unsold units in the Chicago area increased. Vacancy rates in the suburbs were little changed, while vacancy rates in the central. Looking forward, a few contacts said that the developmental pipeline remains thin, though new projects are moving forward in response to tight market conditions. Industrial real estate conditions were little changed, with small gains in net absorption and a modest increase in vacancy rates. Construction activity was little changed. Looking ahead,