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Summary of Commentary on _____

Current Economic Conditions

By Federal Reserve District

November 2015

**SUMMARY OF COMMENTARY ON CURRENT ECONOMIC CONDITIONS
BY FEDERAL RESERVE DISTRICTS**

NOVEMBER 2015

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SUMMARY¹

The twelve Federal Reserve District reports indicate that economic activity increased at a modest pace in most regions of the country since the previous Beige Book report. Economic growth was modest in the Districts of Cleveland, Richmond, Atlanta, Chicago, St. Louis, Dallas and San Francisco. In the Minneapolis District the economy grew moderately, while in the Kansas City District growth was steady on balance with mixed conditions across sectors. In the New York District economic conditions leveled off since the previous report, and in the Philadelphia District aggregate business activity continued to grow at a modest pace. In the Boston District, growth was somewhat slower despite reports of revenue increases.

Consumer spending increased in nearly all Districts since the previous Beige Book, with the pace of sales ranging from sluggish in New York to moderate in Minneapolis and San Francisco. Sales of light vehicles remained robust in recent weeks, with low gasoline prices helping to boost sales of light trucks and larger vehicles. Inventory levels were satisfactory.

Tourism was mixed across reporting Districts. In the Richmond, Atlanta, Minneapolis and Dallas Districts, tourism grew in recent weeks. In the New York District, activity was at or below year-ago levels.

Non-financial services were little changed to stronger, with most of the growth in technology-related services. Transportation activity was softer on balance since the previous report. Port activity remained strong, although largely on the strength of imports, as exports continued to fall. Cargo volume in Dallas remained soft in recent weeks due to the slowdown in energy-related cargo.

Conditions in the manufacturing sector were mixed in recent weeks. The strong dollar, low commodity prices, and weak global demand were named by several Districts as factors for constrained demand. The Boston, Richmond, Atlanta, Chicago, St. Louis and Dallas Districts reported improvements since the previous Beige Book¹ report, while the New York, Philadelphia and Minneapolis Districts reported declines in manufacturing activity. The Boston, St. Louis and Kansas City Districts reported solid capital investment plans. Manufacturers in most Districts looked for slightly improved business conditions in the next six months.

¹ Prepared at the Federal Reserve Bank of Richmond and based on information collected before November 20, 2015. This document summarizes comments received from businesses and other contacts outside the Federal Reserve and is not a commentary on the views of Federal Reserve officials.

On balance, housing markets improved at a moderate pace since the previous Beige Book, and home prices increased modestly. Home sales rose in the Boston, New York, Philadelphia, Cleveland, Richmond, Chicago and Kansas City Districts. Philadelphia described a “slow growth market” in which inventories were stable at low levels. Housing inventories continued to fall year-over-year in the Boston, Cleveland, Richmond and St. Louis Districts.

Residential construction grew at a modest to moderate pace since the previous report. The New York, Philadelphia, Cleveland, Atlanta, Chicago, St. Louis and Kansas City Districts reported growth in residential construction, while construction in Dallas and Minneapolis was flat.

Commercial construction strengthened modestly in most Districts. However, the Minneapolis District saw continued strong growth, particularly in cities where commercial permitting increased. In contrast, New York reported little change. Commercial leasing activity generally grew at a moderate pace in recent weeks. Activity increased in the Districts of Boston, Cleveland, Richmond, Atlanta, Chicago, Dallas and San Francisco, but was unchanged in the New York District.

Loan demand increased according to a majority of Districts that report on the sector. Residential mortgage demand was stable on balance. Demand for home equity loans and lines of credit rose in the Richmond and Dallas Districts. Commercial loan demand was reported to be generally strengthening in most Districts. Credit quality was mostly stable. San Francisco noted an increasing role of nontraditional lenders in mortgage markets.

Agricultural conditions varied across Districts in recent weeks. Rainfall helped alleviate drought conditions in the Atlanta and Dallas Districts, while in the Richmond and St. Louis Districts crops suffered from too much moisture. Energy activity declined mildly with limited gas exploration being undertaken. Investment fell at oil and gas exploration and services firms in the Atlanta District as a result of continued weak global demand and an oversupply of oil. The Dallas, St. Louis, Kansas City and San Francisco Districts reported declines in energy activity.

Labor markets continued to tighten modestly, on balance, since the previous Beige Book. The Atlanta, Kansas City and Dallas Districts reported a slight pickup in hiring, while the remaining Districts characterized their increase as modest to moderate. Many Districts indicated that increased hiring was driven by temporary and entry-level positions that were being fulfilled by staffing firms. Employers in several districts reported difficulty finding skilled craftsmen and

general laborers in the construction industry. However, the Atlanta, Minneapolis, Kansas City and San Francisco Districts said that difficulties were spreading to lower skilled and entry-level positions. Most Districts said that wage pressures increased only for skilled occupations and for workers that were in short supply.

Prices were generally steady. Input and finished goods prices were stable for manufacturing firms, according to most Districts. Some prices were lower due to further declines in commodity and energy prices as well as the strong dollar. Agricultural commodity prices were also lower. Some upward price pressures were reported by nonmanufacturing firms in the New York, Philadelphia, Richmond, Kansas City and San Francisco Districts.

Consumer Spending and Tourism. Consumer spending increased in nearly all Districts since the previous Beige Book, although the gains varied. The Atlanta District reported that retail sales rose slightly above expectations and that the holiday outlook among retailers was optimistic. The pace of growth was modest in the Philadelphia, Cleveland, Chicago, and St. Louis Districts. Chicago District retailers reported that inventories were at comfortable levels. In the Boston District, demand remained strong for home-related items, and in the Cleveland District, revenue increases were driven in part by gasoline and home furnishings. Spending in the New York District was described as generally sluggish, and inventories were up somewhat, but said to be at satisfactory levels. Reports were mixed in the Boston, Richmond and Dallas Districts. While consumer spending declined in the Kansas City District, contacts expected sales to increase slightly in coming months. The remaining Districts reported moderate consumer spending. In the San Francisco District, sales of online games remained brisk and demand for pharmaceutical products remained robust.

Sales of light vehicles continued to rise since the previous report. Several Districts noted that dealerships credited low gasoline prices for boosting sales. In the Atlanta and Cleveland Districts, auto dealers reported a rise in the sale of larger vehicles, which they attributed to low gasoline prices. Dealers in the Chicago District reported continued strong sales and said that leasing activity increased noticeably. In the San Francisco District auto sales were very strong, propelled in part by low sales prices and incentives. In contrast, the Kansas City District noted that auto sales dropped markedly.

Among those Districts reporting on tourism, activity was mixed. Boston-area business travel remained strong, although leisure travel decreased a bit. In New York City, revenues at

hotels and Broadway theatres were at or slightly below year-ago levels. Philadelphia District tourism was reported as growing at a modest pace through the fall. Richmond and Atlanta indicated that tourism increased robustly, and sources in both Districts were optimistic in their outlook. Favorable weather in the Minneapolis District was reportedly a factor for sustained tourism in the fall, and a national park in Montana surpassed the all-time annual records for visitation for the second year in a row, despite summer forest fires. Tourism in the Kansas City District continued to decline, but was generally flat year-over-year. In Dallas, overall sales in leisure and hospitality were above expectations, particularly in large metro areas in Texas.

Nonfinancial Services. Nonfinancial services activity ranged from flat to slightly stronger since the previous Beige Book report. In Boston, software and information technology firms cited mixed year-over-year revenues. New York reported that activity appeared to level off. In the Richmond District, businesses generally reported no change in revenues, with the exception of the faster growing telecommunications sector. In the St. Louis District, firms in warehousing and storage services, as well as healthcare and social assistance services, planned expansions. Courier services there cited growing e-commerce as driving the need to expand. In Minneapolis, where growth was said to be moderate to strong, professional firms related to health and records management reported expansions. Professional and high-tech firms in the Kansas City District noted moderate increases in activity since the previous survey, with sales well above year-ago levels. Demand for professional and technical services increased moderately in the Dallas District, particularly in accounting. In the San Francisco District, demand for cloud computing services and big-data analytics drove sales of technology services higher, while demand for healthcare services also grew moderately.

Transportation activity was softer on balance in reporting Districts. Much of the growth at the Richmond District ports was from imports; exports continued to weaken, which port officials attributed to the stronger dollar. Record numbers of containers moved through ports in the Atlanta District, but haulers of exported industrial products reported a continued decline in volumes from October through mid-November. Railroads in that District also reported significant year-over-year decreases in total carloads. In the Cleveland District transportation services generally contracted since the previous Beige Book although volumes grew in construction materials and supplies for healthcare and business service providers. Cargo volume in the Dallas District remained soft in recent weeks, due to the slowdown in energy-related

cargo. Demand in the Dallas District airline industry was flat overall. The international outlook remained weak, but airlines were positive about the domestic market and noted that as long as fuel prices remain this low, they will continue to perform well.

Manufacturing. Conditions in the manufacturing sector were mixed in recent weeks. Several Districts reported that firms continued to cite the strong dollar, low commodity prices, and weak global demand as factors for constrained demand. The Boston and St. Louis Districts reported moderate growth, noting that overall conditions improved since the previous report. Manufacturing in the Richmond, Atlanta and Dallas Districts grew modestly, with reports that new orders and production levels increased slightly. Chicago reported modest growth in the past six weeks. Cleveland, Kansas City and San Francisco stated that manufacturing activity appeared flat on balance. In contrast New York, Philadelphia and Minneapolis reported a decline in manufacturing activity.

Food manufacturers located in the Richmond District noted an improvement in recent weeks, with increased new orders. In Chicago, the auto industry continued to experience solid gains and continued to report plans to expand capacity. Durable goods production improved considerably for aircraft, computer, and electronic equipment products in Kansas City. Additionally, fabricated metals manufacturers and machinery producers reported strong growth in the Dallas District. Demand for high-tech manufacturing also picked up slightly. The Boston, St. Louis and Kansas City Districts reported solid capital investment plans. The Cleveland District said the steel industry continued to struggle because of the strength of the dollar, competition from imports (particularly from China), and low demand from the domestic energy sector. Minneapolis reported a continuing decline in demand for agricultural and mining equipment. Finally, San Francisco noted that deliveries of commercial aircraft were up slightly from a year ago, while new orders were significantly lower. Manufacturers in most Districts looked for slightly improved business conditions in the next six months.

Real Estate and Construction. Housing markets grew at a moderate pace on balance, and home prices also increased modestly since the previous Beige Book. Home sales in the Boston and Cleveland Districts rose since the previous report. The Boston District market for condominiums was generally strong, with sales up year-over-year in every state except Connecticut. In the Richmond District, residential real estate increased moderately. Kansas City residential sales strengthened moderately, led by strong gains in Colorado. Residential real estate

continued to improve at a mild pace in the New York, Philadelphia and Chicago Districts. Atlanta District real estate contacts indicated that sales activity held steady since the previous report. In the New York District, weakness was noted at the high end of the single family home market, particularly at the high end of New York City's co-op and condo market. Philadelphia described a "slow growth market" in which inventories were stable at low levels. Dallas single-family housing activity declined seasonally. Housing inventory continued to fall year-over-year in the Boston, Cleveland, Richmond, and St. Louis Districts.

Residential construction grew at a modest to moderate pace since the previous report. The Cleveland and Chicago Districts reported moderate growth, while New York, Philadelphia, St. Louis, and Kansas City Districts reported modest growth in residential construction. In the New York and Atlanta Districts, residential construction was noted as steady. In the New York District, multi-family outpaced single-family construction, with new development largely occurring in or near New York City and suburban rail hubs. In Richmond, single-family home construction grew modestly, while multi-family construction remained strong. Most St. Louis District contacts said that new home construction exceeded that of a year ago. The Kansas City District reported a moderate increase in housing starts, while construction in the Dallas and Minneapolis Districts was flat since the previous report.

Commercial construction strengthened modestly in most Districts since the previous report. The Minneapolis District saw continued strong growth, particularly in cities where commercial permitting increased. The Boston, Cleveland, Atlanta, Chicago, St. Louis, and San Francisco Districts reported moderate commercial construction growth. In the Boston District, office construction grew modestly in the greater Boston region. Demand remained strong in commercial building, multi-family housing, and higher education in the Cleveland District, while in the Atlanta District, non-residential construction was slightly up from a year ago and reports on apartment construction remained robust. The Philadelphia, Richmond and Kansas City Districts reported a modest pace of growth in commercial construction. Commercial construction increased in most major cities in the Richmond District. In contrast, New York reported little change since the previous report. The Dallas District reported that construction remained active, although construction started to taper off in Houston.

Commercial leasing activity generally grew at a moderate pace. Cleveland reported strong growth, while activity in the Districts of Boston, Richmond, Atlanta, Chicago, St. Louis,

Minneapolis, Dallas and San Francisco expanded at a moderate pace. Commercial real estate improved in the Atlanta District, with increased absorption and rent growth across property types. Improvement in the Chicago District was widely distributed across the retail, industrial, and office segments, with increased demand for both sale and lease properties. Contacts in St. Louis reported slightly higher demand across all sectors, and expected demand to remain the same or increase slightly in the first quarter of 2016. The Minneapolis-St. Paul retail, office, and industrial space had positive net absorption, along with lower vacancy rates. Demand for commercial leasing increased mildly in the Dallas District, while office space activity was strong in the Dallas-Fort Worth area. Commercial leasing activity in New York was unchanged since the previous report.

Banking and Financial Services. Loan demand increased since the previous Beige Book, according to a majority of Districts that report on the banking and financial services sector. The rise in demand ranged from slight to modest according to the New York, Cleveland, Richmond and Dallas Districts. The Philadelphia and San Francisco Districts reported a moderate rise while the St. Louis District reported the strongest growth. In the Chicago and Kansas City Districts demand was steady. Residential mortgage activity was stable, on balance. The Philadelphia District reported a slight decline in mortgage lending while demand rose slightly according to the Richmond, Atlanta, St. Louis and San Francisco Districts. Demand for home equity loans and lines of credit rose in the Richmond and Dallas Districts. Commercial loan demand was reported to be generally strengthening in most Districts. One exception was the Dallas District, which reported softer lending to businesses, but cited seasonal factors as the likely cause.

Credit quality was generally stable. The New York, Philadelphia, and San Francisco Districts indicated strengthening credit quality as delinquency rates declined and household balance sheets improved. Credit standards tightened slightly for commercial and industrial loans, according to the New York District, and for residential mortgage and business loans according to St. Louis. Dallas noted some tightening of standards in response to slowly declining loan quality among energy sector loans. Some loosening of standards was reported by Richmond and Chicago.

The lending environment remained competitive in most Districts. Atlanta noted that some community depository institutions found it difficult to compete with loan structures and terms

offered by larger institutions. St. Louis said some banks experienced a decline in consumer borrowing due to competition from alternative lenders. Richmond reported that private equity was playing a major role in financing merger and acquisition activity. Similarly, San Francisco noted an increasing role of nontraditional lenders in mortgage markets.

Agriculture and Natural Resources. Agricultural conditions varied across Districts in recent weeks. In the Atlanta District heavy showers alleviated drought conditions although soybean, cotton and peanut harvests were behind the five-year average. Rain improved conditions in the Dallas District, where domestic demand for grains and cattle was solid, but export demand was weak. San Francisco contacts reported modest growth, with strong yields in areas less affected by drought. The condition of the Chicago District's corn and soybean crops improved mildly since the previous report, with contacts anticipating a record harvest for soybeans. Minneapolis District agricultural conditions were mixed overall since the last report. Corn, soybean, and sugar beet production hit new records in some states in the Minneapolis District. In contrast, agricultural conditions weakened in the Richmond District since the previous report. South Carolina farmers said conditions deteriorated due to the flooding in early October and recent wet weather, resulting in delayed harvesting of soybeans, peanuts, cotton, and vegetables, as well as lower crop yields. Additionally, the St. Louis and Kansas City Districts reported a moderate decline in agribusiness. St. Louis District farmers noted that extensive rainfall had resulted in lower crop production levels relative to last year, and industry contacts had a mostly negative outlook for farm income.

Energy activity declined mildly in several Districts, although at a similar pace as in previous months, with limited gas exploration being undertaken. Richmond reported mixed conditions, with modest growth in natural gas production. However, additional drilling is on hold due to oversupply. Appalachian coal production remained weak. Activity and investment fell at oil and gas exploration and services firms in the Atlanta District as a result of continued weak global demand and an oversupply of oil. However, petrochemical refiners set capacity and production records. The Dallas District reported modest declines in energy sector demand. Additionally, San Francisco reported a mild decrease in the energy sector. Low oil prices continued to hold down petroleum extraction and exploration plans in the San Francisco District. St. Louis and Kansas City Districts reported a moderate decline in activity. The Kansas City District reported that energy activity declined at a similar pace as in previous months, and the

number of oil and gas drilling rigs continued to decline, particularly in Oklahoma and New Mexico.

Employment, Wages, and Prices. Labor markets continued to tighten modestly, on balance, since the previous Beige Book. The Atlanta, Kansas City and Dallas Districts reported a slight pickup in hiring while the remaining Districts characterized their increase as modest to moderate. Many Districts indicated that increased hiring was driven by temporary and entry-level positions that were being fulfilled by staffing firms. The exception was the Chicago District, where staffing agencies said activity had slowed. Difficulties finding skilled workers persisted, but varied by location and occupation. The Atlanta, Minneapolis, Kansas City and San Francisco Districts said that difficulties were spreading to lower skilled and entry-level positions. Several Districts reported difficulty finding skilled craftsmen and general laborers in the construction industry. The Dallas and San Francisco Districts noted that labor shortages may have constrained building activity in some areas.

Wage pressures were generally stable to increasing. Most Districts said that wage pressures increased only for skilled occupations and for workers that were in short supply, although a few Districts saw broader pressure. Cleveland said that wage pressures were widespread, especially for higher-skilled jobs, while Atlanta reported signs of emerging pressure to raise starting wages, even among low-skilled jobs. The Atlanta and San Francisco Districts said some companies were revising incentives and benefit programs to retain and attract talent. Chicago, on the other hand, reported some firms cutting benefit packages to contain labor costs. A few Districts mentioned issues related to the minimum wage. For example, contacts in the Boston District cited increased labor costs for restaurants due to changes in minimum wages, and the Chicago District said recent initiatives were putting upward wage pressures on low paying jobs. Finally, the Dallas District reported that some hospitality contacts increased starting pay as a preemptive measure for future minimum wage increases.

Prices were generally steady, although reports varied. Input and finished goods prices were stable for manufacturing firms, according to most Districts. However, the Richmond District indicated an increase in raw materials and finished goods prices while intermediate input prices were slightly lower according to the Boston, Atlanta, St. Louis and Kansas City Districts. In some Districts lower input prices were attributed to further declines in commodity and energy prices as well as the strong dollar. For example, Dallas said that a trucking firm was passing

lower fuel costs on to customers and Boston reported that the strong dollar put downward pressure on prices. The Cleveland District noted that some manufacturers were cutting prices to compete with foreign imports. Some upward price pressures were noted by nonmanufacturing firms in the Districts of New York, Philadelphia, Richmond, St. Louis, Kansas City and San Francisco. Price declines were reported for agricultural commodities such as raw milk, cotton, soybean, wheat, chickens, hogs, and cattle. However, the San Francisco District reported that drought conditions reduced cattle herd sizes leading to supply shortages and higher meat prices.

FIRST DISTRICT – BOSTON

Reports from First District business contacts suggest that activity is expanding at a somewhat slower pace currently than was the case six weeks ago. Although most retail and manufacturing respondents cite revenue increases from a year earlier, slightly more contacts in those sectors report declines in sales than during the last Beige Book round. Software and information technology services firms cite mostly flat revenues on a year-over-year basis; staffing firms, by contrast, continue to grow robustly. Most commercial real estate contacts say markets are steady, while residential real estate sales and prices continue to increase in the region. The strong dollar is said to be putting downward pressure on prices; otherwise, contacts indicate prices remain a non-issue. Some firms say they are providing larger wage increases than in the past few years to most or to selective job categories to retain existing employees; others are not. Half of respondents across sectors are holding employment steady and most others plan to do modest net hiring; a couple are cutting jobs.

Retail and Tourism

First District retail contacts report mixed comparable-store sales results: some were up or down from a year earlier by 1 or 2 percent, while others had mid-single-digit increases. One contact reports that after a good October, its sales as of mid-November were down sharply across all U.S. regions. More generally, clothing sales are said to have declined, but footwear sales are good and demand for home-related items remains strong. Some respondents are forecasting more muted holiday sales and downgrading their expectations for the full fiscal year. For example, one contact earlier expected to finish 2015 with sales up by 4-plus percent, but based on results since this spring now expects to finish up or down by 1 percent. This same contact hypothesizes that erratic monthly sales results reflect U.S. consumers' "just-in-time" buying mentality instilled by online shopping. Some retail contacts with international operations report that the strong dollar is muting their sales performance when calculated on a U.S. dollar basis.

Boston-area business travel remains strong, but leisure travel has decreased a bit. For the first time in a while, Boston-area hotels performed a bit under forecast between July and September. In August and September 2015, hotel occupancy rates were around 90 percent; this is still strong by historical standards, but down from the corresponding months of 2014. For year-to-date, however, hotel revenues are up 6 percent to 7 percent through September. High-end restaurants that cater to business and corporate clients are doing well, but mid-tier restaurants cite flat revenues through September 2015 compared to 2014. Restaurants are experiencing higher operating costs due to changes in the minimum wage, higher healthcare costs, and higher rents in prime urban areas. Attendance at museums and other attractions decreased in the July through September period compared to 2014. Given these trends, contacts express uncertainty about 2016. Added international air service and continued strong business travel are leading hotels to expect higher room rates and revenues, despite slightly lower occupancy rates, while restaurants and tourist attractions say they are taking a more wait-and-see approach to next year.

Manufacturing

Of 11 responding firms, only two, a maker of semiconductors and a manufacturer of motors and other items for industrial uses, saw falling sales. The semiconductor sales declines reflect the idiosyncratic cycle of the semiconductor business, while the motor-related firm's falloff resulted from exposure to mining and oil and gas, which have been hit hard by falling commodity prices. Low oil prices are affecting several other contacts, with a manufacturer of tools reporting weaker sales to that sector and an aerospace firm pointing to a collapse in demand for helicopters attributable to reduced use of offshore oil platforms. Two additional contacts report that sales failed to grow versus the same period last year. Several contacts mention China. A manufacturer of elevators and other construction-related goods says that infrastructure spending in China was way down. But a supplier of testing and lab equipment for medical uses reports that sales in China were exceptionally strong.

The strong dollar means that several firms are reporting sales increases in local currencies but a fall in dollar sales. Aside from the dollar, the general pricing environment appears to be quite benign. Five contacts cite falling input prices and several report passing those gains on to customers. A manufacturer of milk products indicates that the price of raw milk has fallen significantly.

Inventories are mixed. Several firms report lower inventories, but one maker of semiconductor testing equipment says it is increasing inventories in anticipation of strong demand in the new year. All but one firm report that they are increasing or maintaining employment at current levels; the maker of motors citing falling sales has made significant reductions in employment.

Capital expenditures are in line with plans; for most firms, this means they are up versus the same period last year. The manufacturer of motors and related goods said that despite falling sales and employment, they are maintaining capital expenditures. Several contacts mention increasing spending on research and development.

With the exception of the manufacturer of motors, respondents' outlooks are generally optimistic. The semiconductor maker with down sales was upbeat about the outlook for its other businesses, which include life sciences. And the two firms with flat sales are positive about their ongoing prospects.

Software and Information Technology Services

Reports from First District software and information technology services firms are mixed, with year-over-year revenue growth ranging from slightly negative to slightly positive. Most firms report flat quarter-over-quarter revenue growth; only one firm cites strong quarterly growth. Both selling prices and capital and technology spending have remained constant in recent months. While the majority of firms are either maintaining or slightly increasing headcount, one firm decreased employment by 7 percent. Firms are either holding wages flat or increasing wages slightly to keep pace with inflation. Overall, most contacts maintain the same level of optimism, but one is less optimistic than before, expecting consumer demand to remain soft through the end of the year. Various contacts cite a softer manufacturing sector and weakness in China and the Americas as the biggest factors impacting business currently.

Staffing Services

Staffing contacts report continued growth in the New England region, with year-over-year revenue increases in the 10 percent to 25 percent range. Labor demand remains very strong, and contacts note that an increased number of companies are relying on staffing firms for recruitment. Labor supply is reportedly tighter than in August, with shortages of skilled ambulatory nurses, medical assistants, administrative assistants, skilled trades workers, IT programmers, legal professionals, and executive assistants. The rate of temporary-to-permanent job conversion remains strong. Firms continue to use recruitment tools such as LinkedIn and job boards in order to identify candidates to fill client job orders. Reports on bill and pay rates are mixed, ranging from flat to increases of 10 percent year-over-year. Looking forward, most contacts are cautiously optimistic, expecting the upward trajectory to continue through the end of the year, despite the challenges inevitably posed by winter weather and holiday season. Many contacts express concerns about the threat of terrorism and its possible effects on the economy.

Commercial Real Estate

According to First District contacts, office leasing activity remains strong in Boston and light in Hartford. In Providence, office leasing tapered off somewhat in recent weeks from the robust pace observed in late summer and early fall, while in Portland leasing activity increased slightly in both the office and industrial sectors.

Investor demand for commercial property in greater Boston is still perceived as very strong, but one contact reports a modest slowdown in sales volume and another notes that recent sales prices are down slightly from the very high levels seen earlier in the fall. These contacts attribute the decline in sales *prices* to the recent increase in 10-year Treasury rates and the recent decline in sales *volume* to a somewhat tighter funding environment. However, the tight funding environment is seen as mostly an artifact of year-end factors—for example, many funds have already met their requirements for commercial real estate investment for the year—and therefore funding supply is expected to bounce back in early 2016. In Hartford and Portland, investment demand for commercial property reportedly remains

solid, but a Hartford contact describes bid prices as somewhat more cautious in recent weeks, and a Portland contact says the number of bidders is down slightly but prices remain robust. In Providence, outside investors show increasing interest in the city's commercial real estate assets but so far such interest has not translated into sales.

Office construction activity increased modestly in greater Boston, with new projects under way in both downtown and suburban locations; a mid-sized office structure was recently approved for downtown Portland. Two significant retail developments close to Hartford are under discussion, but a contact doubts that both will be funded based on their proximity to each other and to existing retail centers.

The outlook for commercial real estate activity remains weak for Hartford, with an emphasis on downside risks to employment growth. The outlook remains modestly optimistic for Providence, and a contact in that city reiterates his forecast that the city could begin to see increases in office rents by late 2016. The outlook for greater Boston remains optimistic for office leasing demand and further increases in office construction activity are expected. A Portland contact sees a recent increase in efforts to promote the city's knowledge economy, which he hopes will attract more young people to the area.

Residential Real Estate

Residential real estate markets continue to exhibit strong performance throughout the First District. For single-family homes, closed sales increased on a year-over-year basis in all six states in the latest month (September or October). In Rhode Island, single-family home sales saw the tenth consecutive month of increases, the longest period of growth in activity since 2012. In Boston, single-family closed sales were the second highest volume ever recorded during September. The market for condominiums is generally strong as well, with closed sales up year-over-year in every state except Connecticut.

Median sales prices for single family homes are rising or stable year-over-year across the board. Median sales prices in the condo market are mixed; some states saw modest increases and others saw modest decreases relative to last year. A contact from Rhode Island notes that homeowners are experiencing "solid gains in price appreciation," while a contact in Connecticut describes prices as "stable". A Massachusetts contact reports that high prices continue to be a barrier for buyers, especially first-time home buyers. Both the single-family and condo markets show year-over-year increases in pending sales, indicating that these markets will remain strong going forward into the winter months. Continuing recent trends, single-family and condo inventory decreased year-over-year in every First District state. Contacts continue to indicate that low inventory is a persistent issue with no easy remedy, given the dearth of new construction. Average days spent on market and months of available supply are decreasing on a year-over-year basis in most states, indicating ongoing robust competition among buyers.

Overall, contacts are optimistic about the outlook, noting the marked increase in activity when compared to last year. Many report that markets are unusually strong for the season, as there is generally a slow-down in activity going into the holidays. For example, one respondent says that sellers are extremely motivated right now and he expects robust activity to continue, despite the season. Residential contacts unanimously report that expected increases in interest rates are affecting consumers' decisions to buy and/or sell. Some say the recent strong activity may be due to buyers wanting to lock in low interest rates before an increase occurs. Others express concern that the expected rise is driving people away from buying homes, especially first-time buyers.

SECOND DISTRICT--NEW YORK

Economic activity in the Second District has leveled off since the last report, though labor markets have shown some further signs of tightening. Selling prices remain generally stable, while service-sector firms indicate ongoing upward pressure on input prices and wages. Consumer spending has been mixed but somewhat weaker, on balance, while tourism has remained sluggish. Manufacturers continue to report weakening in activity. Housing markets continued to improve, while commercial real estate markets were mostly stronger. Multi-family residential construction has been steady at a high level, while commercial construction has remained fairly subdued. Finally, banks report a pickup in demand for commercial loans and mortgages but slightly weaker demand for consumer loans; they also note some improvement in delinquency rates for commercial borrowers but little change on household loans.

Consumer Spending

Retailers report sluggish results for October and early November. One major retail chain indicates that sales in the region came in below plan and below 2014 levels in both months; another large chain indicates that sales were on plan in October but fell below plan in early November. One contact maintains that the strong dollar, through its effect on tourism, has continued to affect sales—especially in New York City—while a few contacts note that mild weather has hampered sales of seasonal merchandise. Retailers in upstate New York report that sales have generally been flat in recent weeks. Retail inventories, though up somewhat, are generally said to be at satisfactory levels, and selling prices are reported to be generally steady.

Auto dealers in upstate New York characterize new vehicle sales as fairly strong in October and early November, and up noticeably from comparable 2014 levels. Some improvement was also noted in sales of used vehicles. Wholesale and retail credit conditions continue to be described as in good shape. Tourism activity has remained sluggish—particularly in New York City, where

revenues at both hotels and Broadway theatres have continued to run at or slightly below comparable 2014 levels. Separately, the Conference Board's October survey shows consumer confidence slipping in the region (NY, NJ, PA), as well as in New York State.

Construction and Real Estate

The District's housing markets have been mixed thus far in the fourth quarter. The home resale market in western New York has remained fairly strong, with a normal seasonal slowing noted in sales activity; however, demand for higher-end properties has reportedly slowed. Similarly, some weakening is reported at the high end of New York City's co-op and condo market, reflecting both softer demand and a supply glut. Aside from the very high-end, however, inventories across New York City remain lean, and sales activity has been steady at a fairly sturdy level. Northern New Jersey's housing market has continued to improve gradually: resales are running ahead of a year earlier, though prices have leveled off. The backlog of distressed properties, though still high, now appears to be receding across northern New Jersey.

Residential construction has been steady. Multi-family continues to outpace single-family construction, with the mix still weighted more toward rentals; new development is largely occurring in or near New York City and near suburban rail hubs. However, there are signs of softening in rental markets in Manhattan, Brooklyn and Queens: the inventory of available units has risen and rents have edged down. Still, one contact notes that rents on apartments in both Manhattan and Brooklyn continue to run ahead of last year.

Commercial real estate markets across the District were mostly steady. Office availability rates are up slightly, but still fairly low, on Long Island, down slightly in Westchester and Fairfield counties, and little changed across the rest of the District. Office asking rents are up moderately in New York City and parts of northern New Jersey, down slightly across upstate New York, and generally flat elsewhere. The market for industrial space, on the other hand, has continued to tighten, with availability rates declining further and rents running about 5-6 percent ahead of comparable

2014 levels. Commercial construction activity has remained steady, with relatively few new projects breaking ground in recent months.

Other Business Activity

The labor market has been mixed but still fairly strong in recent weeks. More manufacturers say they are reducing than expanding their workforce. Moreover, fewer service-sector firms report that they are hiring. On a more positive note, two major New York City employment agencies report that hiring activity has remained fairly brisk, and a major agency in upstate New York characterizes hiring as steady at a moderate pace. Demand is described as particularly strong for workers in information technology and human resources; and professional services and consulting firms are said to be more actively hiring. One employment agency contact notes that more businesses are inquiring about salaries and anticipates some possible upward recalibration of pay at the start of the new year. Looking ahead to the next year, both manufacturers and service-sector businesses expect to increase employment, on net.

Manufacturers report that both selling and input prices are generally stable. Service firms report stable selling prices but continued upward pressure on wages and input prices more broadly. As regards general business conditions, overall activity at service-sector firms appears to have leveled off, while manufacturers, on balance, report further weakening in business activity. Contacts in both sectors are somewhat less optimistic about the near-term outlook than earlier in the year.

Financial Developments

Small to medium sized banks in the District report mixed demand for loans. Specifically, bankers indicate decreased demand for consumer loans, little change in demand for residential mortgages, but increased demand for commercial and industrial (C&I) loans and especially for commercial mortgages. Bankers again report decreased demand for refinancing. Bankers note that credit standards were unchanged across all loan categories, except on C&I loans, where some tightening was reported. Bankers indicate a decrease in spreads of loan rates over cost of funds

across the commercial loan categories but little change in spreads on consumer loans and residential mortgages. Finally, bankers report declining delinquency rates on commercial mortgages and C&I loans, but a leveling off in delinquencies on consumer loans and residential mortgages.

THIRD DISTRICT – PHILADELPHIA

Aggregate business activity in the Third District continued to grow at a modest pace during the current Beige Book period. Firms hired additional employees at a similarly modest pace; most of the hiring was reported from staffing firms and service sectors. On balance, only slight increases were reported in wages and prices, including home prices. Moderate growth of economic activity is anticipated over the next six months.

Across sectors, activity at staffing firms continued to grow at a strong pace during the current period, and the growth of auto sales, general services, and contracts for new homes accelerated from the prior period to a moderate pace of growth. Lenders also continued to report moderate growth of loan volumes. General retailers reported that sales slowed to a more modest pace. Commercial contractors and commercial leasing agents continued to report modest growth, while existing home sales slowed somewhat from its prior modest growth. Tourism contacts continued to report modest growth and manufacturing contacts reported declines overall.

Manufacturing. Contacts indicated that general activity declined slightly during the latest Beige Book period. Moreover, a greater percentage of firms reported declines in new orders and shipments than reported increases. Over the period, firms reported little overall change in employment numbers, but decreases in the average employee workweek. Activity appeared to be down to flat for most major industrial sectors, with firms continuing to cite the strong dollar, low commodity prices, and weak global demand for their products. That said individual firms within sectors sometimes reported increasing demand. Growth in activity was most often found among firms producing goods for the consumer, the housing market, or select markets, such as, natural gas transmission pipeline projects.

Expectations of growth during the next six months have remained about the same since the last Beige Book report, as have firms' plans for future capital expenditures. However, the percentage of firms that expect to increase employment has risen and the percentage expecting to reduce employment has fallen.

Retail. Nonauto retail sales slowed to a modest pace in the current Beige Book period. Area malls reported slight growth overall, including the apparel category which accounts for about half of all sales; surprisingly, restaurant sales at mall properties declined significantly. An outlets operator reported moderate sales growth, which is slower than the norm for their value-oriented stores. Mall and outlet contacts were hopeful that winter apparel sales would rebound now that cold weather has arrived. Convenience store owners continued to report strong growth of traffic and sales. Most contacts remained optimistic for ongoing growth through 2016 including convenience store operators; however, the latter does not expect to repeat their record-

setting 2015 growth rates, which benefited from lower gas prices and a long run of warm, sunny weekend weather.

On average, auto dealers reported moderate growth in auto sales — a pick-up in pace from the prior period. Reports of growth were much stronger in New Jersey than in Pennsylvania. Following two months of strong sales growth, New Jersey dealers reported that November started very slowly. They expect Black Friday sales will help but that some sales may be delayed, adding to the typically strong December sales. Pennsylvania dealers reported that sales were strong in larger urban areas and weaker elsewhere. Overall, auto dealers remained optimistic for continued growth through 2016.

Finance. Third District financial firms continued to report moderate overall increases in total loan volumes since the previous Beige Book. Commercial and industrial deals and commercial real estate activity continued to generate the strongest loan growth. Auto loans and home equity lines grew moderately, as did credit card balances. Other consumer lending grew slightly, while mortgage lending appeared to fall slightly. Most contacts attributed loan growth to a steadily improving economy, though several noted that households and small businesses remained cautious of taking on more debt. Banking contacts continued to report improving loan quality and a competitive lending environment. Few signs of inflation were noted. Contacts remained optimistic for continued growth over the next six months.

Real Estate and Construction. Homebuilding activity throughout the Third District picked up to a moderate rate of growth since the last Beige Book according to contacts. A central Pennsylvania builder reported that activity had begun slowly in the period but quickened in the latter half. A New Jersey builder reported that, by mid-month, November was already the best month of the year for contract signings, providing a solid backlog for the winter season. A nationwide firm reported strong increases in contract signings for its markets covering the Third District states. Builders continued to note difficulties managing labor costs as subcontractors remained cautious about expanding to meet demand.

Brokers in the major Third District housing markets reported mixed results with year-over-year declines noted in the larger Philadelphia and Lehigh Valley markets compared with gains in the smaller Harrisburg and Jersey Shore markets. The year-over-year comparisons are weaker for the large markets because their sales began to improve earlier in the latter half of 2014. A major broker from the Philadelphia market described a “slow growth market” in which inventories are stable at low levels. Prices increases remain constrained.

Nonresidential real estate contacts reported little change to the modest pace of growth in construction and leasing activity seen earlier. Contacts representing architects, engineers, and

contractors reported continued growth in demand for services and greater profitability on projects won. Little to no inflation was reported in construction costs. Generally, brokers described rents rising and concessions falling for office space as service sector activity picks up. One contact reported that industrial rents were near all-time highs as supply has not kept pace with demand. Contacts remained optimistic for ongoing growth of both new construction and leasing activity throughout the District into 2016.

Services. Third District service-sector firms reported a moderate pace of growth — a slight improvement from the prior period. On balance, firms reported additions of full-time and part-time payroll employees, plus increases in hours worked. Staffing firms throughout the Third District continued to report strong growth for temporary positions and permanent placements across a broad range of manufacturing and service sectors. Temp positions have also included long-term temporary placements. Tourism activity continued to grow at a modest pace from mountains to shore through the fall. Contacts continued to cite weather worthy of Camelot for attracting extra weekend visitors. Contacts offered retrospective reports that the strong summer season had generated growth in bank accounts and investment in new and expanded businesses. The remaining Atlantic City casinos are healthier, as well, although overall revenues have continued to fall. Overall, expectations for future growth in services remained strong, with nearly two-thirds of all service-sector contacts expecting growth.

Prices and Wages. On balance, general price levels have continued to rise slightly since the previous Beige Book period. Roughly two-thirds of all contacts reported no significant change in the prices they pay for inputs and the prices received for their goods and services. Of firms that indicated a change, most nonmanufacturing contacts reported increases of prices paid and prices received, although retail contacts reported little pressure to raise prices. Firms from the smaller manufacturing sector tended to report a slight decrease in prices paid and little change in prices received.

Overall, contacts continued to report only slight upward wage pressures, although some contacts continued to report difficulties filling highly technical positions. One staffing contact indicated a little upward wage pressure, noting that several client firms had set higher wage rates, which allowed his firm to be more competitive in its search for qualified workers. In addition, he noted that more prospective employees have begun trying to negotiate higher offers.

Over the next four quarters, firms expect their own per employee compensation costs (wages plus benefits) to rise 3 percent, the median forecast from a broad-based survey of Third District firms. Firms also reported expectations of 2 percent annual inflation for consumers and 1 percent increases in prices received for their firm's own goods and services.

FOURTH DISTRICT – CLEVELAND

On balance, the economy in the Fourth District expanded at a modest pace since our last report. Factory output was stable. The housing market improved, with higher unit sales and higher prices. Nonresidential building contractors reported continued strong activity. Retailers, restaurateurs, and new-car dealerships saw higher revenues on a year-over-year basis. The demand for business and consumer credit moved slowly higher. Exploration in the Marcellus and Utica Shales declined; investment in midstream and downstream projects expanded. Freight volume trended lower.

Reports indicated a tightening in labor markets. Net gains in employment were seen in construction and banking. Staffing firms reported a pickup in the number of job openings, although many are temporary positions. Job placements were stable. Wage pressure is widespread, especially in higher-skilled jobs. Overall, input and finished-goods prices were steady.

Manufacturing. Demand for manufactured products was little changed over the period. Key factors tempering output include a strong dollar, a slowdown in the energy sector, and softness in some emerging market economies. That said, suppliers to the motor vehicle, construction, and aerospace and defense industries are seeing strong demand. Year-to-date auto production at District assembly plants through October increased 1 percent compared to the prior year's level. The steel industry continues to struggle against an array of headwinds such as the strength of the dollar; high levels of imports, particularly from China; and low demand from the domestic energy sector. One steel processor noted that weakness in the energy sector is expected to linger into 2016 and potentially 2017. Capacity utilization rates have contracted since our last report. A steel executive reported that his industry's utilization rate has fallen to 65 percent. Despite the downside risks, many of our contacts expect that business activity will expand during 2016.

Capital spending was largely allocated for maintenance projects and new equipment. Steel makers made budget cuts to control costs and preserve cash. Overall, input and finished-goods prices were steady. Exceptions were found in agricultural commodities and energy, where prices declined. Steel prices continued to fall. There is a growing apprehension that the current trend in steel prices could persist for the medium run and severely depress the domestic steel industry. A couple of reports indicated that manufacturers are cutting prices on select products to compete with foreign imports spawned by the strong dollar. On balance, manufacturing payrolls were stable. Difficulty finding high-skilled craft and professional workers is driving up wages in some job categories. An auto executive reported that he expects a general lifting of wages across the motor vehicle industry because of the recent UAW contract negotiations. We heard many comments about moderate to large increases in health insurance premiums.

Real Estate and Construction. Year-to-date sales through September of new and existing single-family homes rose almost 10 percent compared to those of the same time period in 2014. The average sales price increased by more than 4 percent. Higher prices for new homes

were attributed to rising labor costs and, to a lesser extent, low spec-home inventory. Realtors reported that existing-home prices increased because of declining inventory and low interest rates. Several contacts noted that demand for remodeling services has risen appreciably. New-home contracts remain concentrated in the move-up price point categories. Downside risks cited by homebuilders include a potential rise in interest rates and a shortage of skilled labor. In the southern part of the District, a homebuilders association recently opened its own trade school as a means of filling the labor pipeline. Despite the risks, homebuilders are cautiously optimistic and expect that new-home sales will continue along recent seasonal trends.

Nonresidential contractors reported continued strong activity, with revenues rising above year-ago levels. A majority of our contacts saw an increase in the number of inquiries and backlogs over the period, but the pace of growth is not as robust as earlier in the year. Slower growth was attributed to softening in the manufacturing segment and seasonal factors. Demand remains strong in commercial building, multifamily housing, and higher education. Several of our contacts expect some slowing in the flow of projects going forward, citing a decline in the Architecture Billings Index as evidence. However, they see this slowing as a short-term event.

Capital spending by general contractors was mainly for maintenance projects and new equipment. Materials prices were stable other than for concrete, the price of which has been increasing over the past few months. Construction payrolls expanded at a modest pace over the period for field and office jobs. The construction industry remains challenged by a labor shortage, including laborers and skilled craftsmen. The end result is upward pressure on wages. We heard many comments about escalating healthcare insurance premiums during the renewal period, with an average year-over-year increase of 20 percent (median of 16 percent).

Consumer Spending. Entering the fourth quarter, consumer spending at retail outlets and restaurants showed a modest increase when compared to that of the same time period a year ago. Revenue increases were driven in part by gasoline sales (volume) and home furnishings. The latter was attributed to a recovery in household formation rates by millennials. The apparel segment is reportedly highly fragmented. Nonetheless, retailers were able to increase margins on select apparel lines during the past few months. Same-store revenues for the 2015 calendar year are expected to be on par or to increase in the low single digits compared to those of a year ago. Vendor and shelf prices were fairly stable, other than declines in gasoline. Food costs have stabilized over the period. Some capital spending is being reallocated from retail locations to warehousing and logistic projects to adjust for changes in consumer shopping preferences. Holiday hiring is on par with last year's. The retail sector is confronting stiffer labor competition. Higher turnover of managerial staff and hourly workers combined with a smaller pool of qualified workers is driving up wages.

Year-to-date sales of new motor vehicles through October rose 1.5 percent compared to those of a year ago. Dealers reported that light trucks and SUVs are expected to drive the upward trend in motor vehicle sales, at least in the short run. Factors contributing to this trend include low gasoline prices, favorable financing (includes leasing), and the perception by consumers that

low interest rates will gradually disappear. One dealer commented that the average vehicle transaction price is much higher than it was two years ago. Year-to-date pre-owned-vehicle sales are moderately higher compared to those of last year. Payrolls were stable over the period, but the market for service technicians is very tight, putting upward pressure on wages.

Banking. Bankers reported a modest increase in demand for commercial credit across loan products, but several remarked that customers are proceeding more cautiously than during the summer. Consumer lending expanded modestly over the period, although some banks noted a downturn in auto lending. This may be due to the greater use of auto leasing by consumers. Little change was reported in interest rates, delinquencies (already at low levels), and loan-application standards. Core deposit balances remain strong. The number of branch offices continues to decline because of consumer preferences for mobile transactions. Nonetheless, some bankers expect that payrolls will rise on net during 2016. Job increases in areas such as regulatory compliance and commercial lending will offset the decline in retail banking jobs. Wage pressure is limited to select job categories.

Energy. Investment in upstream oil and gas projects has been cut back as evidenced by the fact that rig counts have fallen more than 50 percent relative to last year's counts. Nonetheless, regional natural gas output remains at historic highs. Investment in mid-stream projects is expanding slightly, while downstream investment in refinery projects is strong. The economics of ethane cracking remain favorable, a situation which bodes well for constructing at least one of the proposed crackers under consideration in the Fourth District. Expectations call for wellhead gas prices to remain at low levels during the near to medium term. Small, independent exploration and production companies are unable to operate wells at current prices. As a result, they are selling assets to equity capital firms. Employment reductions in the industry continue. One executive reported that labor at all skill levels is readily available, with little need to provide wage incentives. In fact, some job categories are experiencing wage deflation.

Freight Transportation. Reports indicated that on net, freight volume contracted over the period. Volumes grew in construction materials and supplies used by healthcare and business service providers. Declines were prevalent in steel products. One executive reported that the agricultural sector encountered fewer problems getting trucks during the harvest season this year as compared to last year. A majority of our contacts see little change in volume along seasonal trends in the next few months. The industry is boosting shipping rates even though volume is lower. Rate adjustments are needed to cover rising equipment and labor costs. The former includes the soon-to-be-mandated electronic logging devices. Not much customer pushback was reported, perhaps because rate increases were partly offset by declines in fuel surcharges. Capital spending is mainly for replacing older equipment and, to a lesser extent, footprint expansion. Hiring has slowed during the past few months because of the slowdown in demand and is now primarily for replacement. That said, a driver shortage still exerts upward pressure on wages.

FIFTH DISTRICT–RICHMOND

Overview. Fifth District economic conditions strengthened modestly since our previous report. Manufacturing grew marginally, on balance. Retail sales were mixed, and other services firms reported little change in activity. Tourism increased robustly in recent weeks. Household and business loan demand increased modestly, and residential and commercial real estate markets continued to improve. Labor demand also strengthened. District agribusiness softened, and severe flooding in South Carolina during early October resulted in delayed harvesting and reduced crop yields. According to our most recent survey, prices of raw materials rose more rapidly in recent weeks, and prices of finished goods increased at a modest pace. Retail price increases slowed, while prices at other services firms rose at a moderately faster rate. Average manufacturing wages edged up. Service sector wages rose at a modest pace, with particularly strong growth in retail wages.

Manufacturing. On balance, manufacturing grew modestly since the previous report. Producers reported mild growth in shipments and the volume of new orders. Food manufacturers located in Virginia noted an improvement in overall conditions with increased new orders. They reported a slight decrease in egg prices, but noted that other prices remained elevated. A South Carolina box manufacturer said that shipments and new orders were up, despite early October flooding that slowed production for a week. Contacts in Maryland and Asheville, North Carolina reported mixed manufacturing conditions, with growth occurring primarily in larger firms. In contrast, overall demand and new orders declined for a Virginia furniture manufacturer and a North Carolina textile company. Executives in fabricated metal, transportation, chemical, and textile producing industries reported softer global demand, resulting in falling exports. According to our most recent survey, prices of raw materials rose more rapidly in recent weeks, and prices of finished goods increased at a modest pace.

Ports. Port activity increased since the previous Beige Book, with much of the growth attributed to stronger imports. In fact, imported container volumes continued to exceed last year's records at major ports in the District. Inbound shipments of light vehicles remained strong. In addition, import volumes rose for salt and aluminum. Imports of agricultural equipment softened, however. While imports of commodity containers dropped slightly in recent weeks at one port, the volume of retail containers at that port rose. Although exports of metallurgical coal rose since the last report, exports overall continued to weaken, which port officials primarily attributed to the stronger dollar. One official commented that, outside of weather-related issues earlier in 2015, the drop in exports in the last few weeks was the biggest decline this year.

Retail. Recent reports on retail sales results were mixed. Strength in light vehicle sales persisted, according to dealers, and a North Carolina building supply executive said that sales had grown more

quickly in recent weeks. However, a Maryland supplier of construction materials commented that business was sluggish, and a South Carolina wholesaler of plumbing and HVAC supplies reported a decline in sales. A coastal South Carolina building supply merchant reported a drop in business as a result of the extreme flooding there. He said it would take some time for insurance companies to assess damage to homes and businesses but that his sales would pick up once people start rebuilding. Retail prices rose more slowly since the last report.

Services. Services-providing firms reported little change in activity since the previous Beige Book, with the exception of faster growth in telecommunications. Additionally, according to several District healthcare organizations, demand for services was mostly unchanged and at typical levels for this time of year. Prices at services firms rose at a moderately faster rate.

Tourism increased robustly in recent weeks. An hotelier in the mountains of North Carolina commented that autumn bookings were at record levels and expectations are that the hotel will be sold out during the holidays. Several new hotels are being built in various areas of the state, and a Charlotte executive noted that occupancy at existing hotels has been at record levels. Additionally, a source in the Virginia Beach area said that hotel bookings have been strong and that several new hotels are planned for that region. An executive on the outer banks of North Carolina said that the record floods in South Carolina did not affect local tourism. Tourist activity in the nation's capital was little changed, on balance, despite several Veterans' Day events. Districtwide, contacts reported little or no change in room rates or rental prices.

Finance. Since our previous Beige Book, lending activity picked up modestly in the District. Residential mortgage demand was generally reported as steady to increasing. A banker in Maryland, however, said that most of the demand came from refinancing loans and that the pipeline of mortgage activity has softened slightly. A banker in West Virginia said that retail loan demand was steady, particularly for home equity lines of credit and auto loans. Demand for commercial real estate loans also rose modestly in recent weeks throughout the District. A Maryland banker reported an increase in merger and acquisition activity but said that private equity was playing a major role in financing. According to a banker in Baltimore, highly-qualified borrowers still have access to credit but may be paying marginally higher rates. Credit quality remained high in West Virginia. Banking contacts in Maryland reported that there were more lenders than borrowers, leading to intense competition. Several contacts across the District mentioned that increased competition had led to some loosening of standards.

Real Estate. Residential real estate activity grew at a moderate pace since the previous report, and average sale prices increased slightly. Days on the market decreased across the District, while inventories remained low and in some cases declined. A broker in Washington, D.C. reported an increase in home sales, especially for homes priced around \$800,000, with a continuing trend of multiple bidders

pushing sales prices above list. A contact in Hampton Roads, Virginia reported growth in home sales including more sales in new construction. Additionally, a Baltimore builder saw pockets of increased activity, with the million-plus range growing in some areas. A Realtor in Charlotte stated that sales increased modestly, inventory levels decreased, and prices continued to gain traction. In Richmond, new homes sales continued to do very well, although buyer traffic was said to be slow for this time of the year. A Raleigh, North Carolina source stated that buyer traffic decreased and inventory was sluggish. Single family home construction was reported as modest across the District. Multifamily leasing and construction remained strong, although some contacts reported that the pace of growth had moderated in recent weeks.

Commercial real estate activity increased moderately. Rental rates rose slightly, while vacancy rates varied by submarket and region. Brokers in Charlotte stated that leasing activity was steady for all sizes of space. One broker noted healthy industrial activity and higher rental rates. A real estate agent in Columbia, South Carolina reported strong market activity especially post-flood. Retail leasing activity and land sales were very strong. The industrial market was active with increased interest in the Columbia and Charleston areas, while office leasing was slow. A Baltimore broker reported strong demand for grocery space, with continued new construction. A contact in Raleigh commented that larger medical and office space users were undertaking new construction and expanding existing spaces. Real estate activity increased in Richmond, with higher rental rates for new construction. Commercial real estate remained sluggish in Charleston, West Virginia. Commercial construction increased in Richmond, Charlotte and Charleston, South Carolina and was unchanged in other locations.

Agriculture and Natural Resources. Agribusiness softened since the last report. South Carolina farmers said conditions deteriorated due to the flooding in early October and recent wet weather, resulting in delayed harvesting of soybeans, peanuts, cotton, and vegetables, as well as lower crop yields. One farmer stated that the wet weather had caused him catastrophic crop losses. He said the ground was too wet to harvest and they were in salvage mode with crops not yet harvested. Additionally, a sod grower in South Carolina reported late harvesting and a drop in sales since the last report. A firm in North Carolina also reported delayed harvesting and lower yields. Virginia growers reported good hay quality and production but expressed concerns that recent rains may have damaged some crops still in the ground. Prices received for cotton and cattle decreased slightly since the last report, and some farmers reported a slight increase in input prices.

Natural gas production increased since our previous report, but sources said additional drilling is on hold due to oversupply. Appalachian coal production was unchanged in the north, and decreased slightly in the south since the previous report. Natural gas prices continued to decline, while coal prices remained stable.

Labor. Labor markets strengthened moderately across most of the District since our previous report. A staffing agent in Maryland noted a stronger-than-usual seasonal pick-up in demand across all sectors. Sources reported greater demand for high-end IT talent, skilled tradespeople, managers and supervisors, and construction workers. Several contacts reported that builders were struggling to find framers and welders to fill open positions. Similar difficulties were reported for accountants, manufacturers, IT consultants, engineers, truck drivers, mechanics, and bankers. An executive said that IT companies only wanted people with five or more years of experience, leading to multiple offers for qualified candidates. Wage pressures varied by region and occupation. For example, a South Carolina executive saw wage pressures for construction and hospitality workers, while a Maryland source cited increased wage pressure for construction workers, project managers, drivers, and HVAC technicians. According to our most recent surveys, employment softened at manufacturing firms but rose modestly at services firms. Average wage growth edged up slightly at manufacturing firms and rose at a modest pace in the service sector, with particularly strong growth in retail wages.

SIXTH DISTRICT – ATLANTA

Sixth District business contacts described economic conditions as modestly improving from October through mid-November. On balance, the outlook remains largely optimistic with the majority of contacts expecting growth to be sustained at or slightly above current levels for the remainder of the year and the early part of 2016.

Retail sales across the District were greater than expected and sales of vehicles were up from October through mid-November. Reports from the hospitality sector remained positive as the sector experienced increased activity from both leisure and business travelers. Residential real estate contacts noted that existing and new home sales were flat to slightly up from a year ago, and home prices improved modestly. Commercial real estate contacts reported a slight uptick in construction activity. Manufacturers indicated that levels of new orders and production increased since the previous report, although expectations are subdued going forward. Bankers indicated that loan activity remained competitive for the reporting period. The District continued to experience a tightening labor market and greater demand for entry-level workers since the last report. On balance, input cost and wage pressures remained subdued.

Consumer Spending and Tourism. According to District merchants, retail sales rose slightly above expectations from October through mid-November. The outlook among retailers for the upcoming holiday season remains optimistic. District auto dealers continued to see sales of vehicles increase and reported a notable rise in the sale of larger vehicles, which they attributed to lower gas prices.

Tourism and hospitality contacts continued to report an expansion of activity during this reporting period. In Georgia, contacts reported increases in business travel and attendance at major conventions compared with a year ago. Positive trends in leisure travel and hotel occupancy continued in Florida. Mississippi gaming venues continued to report year-over-year revenue growth. The outlook among contacts remains upbeat heading into 2016.

Real Estate and Construction. District real estate contacts indicated that sales and construction activity held steady since the last report. Many builders indicated that construction activity was up from the year-ago level. Most builders and brokers reported that home sales were flat to slightly up relative to one year earlier, although reports on the level of buyer traffic were mixed. Builders and brokers noted that inventory levels were largely unchanged, on

balance. Most indicated that they were experiencing modest home price appreciation. Residential brokers' expectations for home sales activity over the next three months remain positive, with the majority indicating that they expect activity to pick up slightly. Builders' outlooks for home sales and construction activity were mixed.

District commercial real estate brokers indicated improvements in demand that resulted in increased absorption and rent growth across property types, but they cautioned that the rate of improvement varied by metropolitan area, submarket, and property type. Most commercial contractors indicated that nonresidential construction activity was slightly up from one year ago, regardless of market, with all reporting a backlog greater than or equal to the previous year. Reports on apartment construction continued to suggest that activity remained robust. The outlook among District commercial real estate contacts remains positive, with most expecting the pace of construction activity to increase slightly over the next quarter.

Manufacturing and Transportation. District manufacturers reported an uptick in business activity from the previous reporting period. Contacts indicated that new orders and production levels were up, and employment levels improved at District firms. Finished inventory levels were reported to be rising, while supplier delivery times increased slightly. Costs of commodity inputs continued to decline, and expectations for future production were subdued, with only about one-third of businesses expecting higher production over the next three to six months.

On balance, transportation contacts noted that activity slowed since the last report. District railroad contacts cited continued decreases in shipments of coal, iron and steel scrap and metal, primary forest products, and phosphate, which have contributed to significant year-over-year decreases in total carloads. Other haulers of industrial products, primarily for export, reported a continued deceleration of volumes from October through mid-November. However, port contacts reported that record numbers of containers moved through District ports.

Banking and Finance. Banking contacts indicated that credit was available with attractive terms for qualified borrowers. Lending remained competitive, and some community depository institutions cited difficulties in competing with loan structures and terms offered by larger institutions. Small businesses indicated ongoing constraints in obtaining financing. In areas more dependent on the energy sector, there was a pullback of both demand for and supply

of credit. Purchase mortgage activity was up, but first-time home buyers struggled to qualify for mortgages.

Employment and Prices. Business contacts continued to describe a tightening labor market, and difficulties finding workers with specialized skills persisted. Demand for entry-level workers increased, and some contacts noted recruiting challenges, leading firms to adjust expectations and implement or enhance on-site training programs for new and existing staff. In some cases, in order to attract and retain talent, businesses redesigned incentive and benefits programs. Energy sector firms continued to cite layoffs.

Outside of select high-demand and specialized positions, wage pressures remained muted. However, there were some signs of emerging pressures to raise starting wages, even among lower skilled jobs. Non-labor input cost pressures remained restrained, helping support ongoing improvement in profit margins, particularly for businesses with large commodity or imported inputs. Firms with lower input costs were generally able to hold prices steady, though the majority of business contacts reported little or no ability to push through price increases. According to the Atlanta Fed's survey of business inflation expectations, year-over-year unit costs were up 1.3 percent in October and are expected to increase 1.8 percent over the coming year.

Natural Resources and Agriculture. Sentiment among energy sector contacts was mixed. Business activity and investment fell at oil and gas exploration and services firms as a result of continued weak global demand and an oversupply of oil. On the other hand, petrochemical firms were optimistic about industrial activity as refiners set capacity and production records. Continued scarcity of tank and vessel storage space for excess supplies of crude led to various storage terminal projects along the Gulf Coast.

Heavy showers improved drought conditions in much of the District. However, areas where drought conditions remained were categorized as abnormally dry. Louisiana and Mississippi's soybean harvests were behind their five year averages. Cotton harvesting was behind the five-year average in much of the District with the exception of Alabama's crop, which met the five-year average. Peanut harvesting was behind the five-year average. On a year-over-year basis, many agriculture product prices decreased, and concerns about the strong dollar and its effect on agriculture exports persisted.

SEVENTH DISTRICT—CHICAGO

Summary. Growth in economic activity in the Seventh District continued at a modest pace in October and early November. Gains in construction and real estate were moderate, while growth in consumer and business spending remained modest. In contrast, there was little change in the level of manufacturing production. Credit conditions were about the same as during last reporting period. Raw material and most retail prices were little changed. Wage pressures remained limited. District corn and soybean harvests exceeded expectations, and most agricultural commodity prices fell.

Consumer spending. Growth in consumer spending continued at a modest pace in October and early November. Overall, non-auto retail sales continued to increase at a modest pace. Traditional retailers reported mixed views and greater uncertainty surrounding holiday sales this year relative to last year, while internet retailers expected sales to increase at a faster rate. New and used light vehicle sales remained strong, and leasing activity increased noticeably. Low interest rates and extended loan terms continued to support increases in light vehicle demand. Relatively low gasoline prices reinforced an ongoing shift in the mix of light vehicle sales toward light trucks, lifting average transaction prices.

Business spending. Growth in business spending slowed to a more modest pace in October and early November. Most retailers and manufacturers indicated that their inventories were at comfortable levels. Current capital spending slowed and now appears in line with the modest plans for capital outlays that contacts have reported for a while. Current expenditures were primarily focused on replacing industrial and IT equipment, though spending on structures picked up. Auto suppliers continued to report plans to expand capacity, with attendant hiring and capital spending to follow suit. Overall, though, the pace of hiring slowed notably, particularly for non-auto-related manufacturers, and hiring plans remained modest. Staffing firms reported slower activity, with one firm noting a widespread decline in orders across industries and skill types. That said, labor demand continued to be strongest for skilled workers, especially in many professional and technical occupations, sales, and skilled manufacturing and building trades. Several contacts reported having trouble finding skilled labor and that turnover rates were higher than desired.

Construction and real estate. Growth in construction and real estate activity picked up to a moderate pace over the reporting period. Demand for residential construction increased

moderately for both single-family and multi-family homes, in both urban and suburban markets. Multiple real estate contacts noted that after rising throughout most of 2015, home sales have slowed and the pace of home price growth has diminished. Contacts indicated that growth in home values would likely remain low until the recently added inventories of homes-for-sale are absorbed during the spring selling season. Commercial real estate activity continued to increase moderately. Growth was again widely distributed across the retail, industrial, and office segments, and contacts noted increasing demand for both for-sale and for-lease properties. Commercial rents increased slightly, while commercial vacancy rates and the availability of sublease space continued to decline.

Manufacturing. Manufacturing production growth slowed to near zero in October and early November, with several contacts indicating that it feels as if manufacturing is in a recession. Although the auto industry continued to experience solid gains, most other industries saw limited growth or reported declines in activity. Auto industry contacts expect sales and production levels for next year to be about equal to this year's totals. Capacity utilization in the steel industry declined, and specialty metals manufacturers reported weaker demand. Exporters continued to indicate that soft global demand and the stronger U.S. dollar were dampening new orders. Weak demand for agriculture and mining machinery continued to be a drag on the heavy machinery industry. In contrast, transportation activity continued to increase at a modest pace.

Banking/finance. Credit conditions were little changed on balance over the reporting period. Financial market volatility increased slightly, but remained lower than in recent months. Loan demand from large and middle market firms fell; however, contacts noted a slight uptick in small business lending. Consumer loan demand increased slightly, with multiple contacts citing strong demand for auto loans. Mortgage lending standards loosened slightly. In particular, one contact noted a shift towards non-conforming loans and more competitive pricing.

Prices/costs. Cost pressures remained subdued in October and early November. Steel prices declined, while the prices of other primary metals and energy remained low. Prices charged by upstream producers generally were little changed; downstream, most retailers reported stable pricing, though grocers reported downward pressure on prices. Wage pressures were subdued for most occupations. However, wages were up for workers in higher-skilled occupations, where contacts indicated personnel have become increasingly hard to find, particularly in health care, scientific, and technical industries. In addition, contacts reported that

minimum wage initiatives were putting upward pressure on wages for lower-skilled positions. Some contacts indicated they were reducing benefits in order to contain labor costs and avoid increasing their own prices. A staffing firm continued to report moderate wage increases. Growth in non-wage costs ticked up, and many contacts described uncertain and unpredictable increases in health insurance costs.

Agriculture. The condition of the District's corn and soybean crops improved further in October and early November. A record harvest is anticipated for soybeans; corn yields, however, are down from last year. The District's harvest progressed quickly, which reduced crop processing costs for most producers. Corn, soybean, and wheat prices all fell, and some operators reportedly were storing more of their harvest on their farms in the hope of an increase in prices down the road. Even with these declines, crop prices remained high by international standards, holding back export demand. Overall, crop operations faced somewhat better prospects than previously expected due to higher-than-anticipated yields and lower-than-expected costs. Nonetheless, contacts continued to be concerned about an increasing number of crop operations coming under financial stress over the coming year. Hog and cattle prices fell over the reporting period, while milk prices remained at levels too low to cover production costs.

EIGHTH DISTRICT - ST. LOUIS

Summary

Economic activity in the Eighth District has increased at a modest pace since our previous report. On net, hiring managers expect to increase their payrolls; most expect to raise starting wages or salaries to attract new hires. Retailers continued to report higher sales, although most auto dealers noted current-quarter sales are below expectations. Banking conditions remain stable, as loan demand remains relatively strong, particularly for commercial and industrial loans. Real estate contacts expect fourth-quarter homes sales to be higher than one year ago. Low crop production and low prices continue to put downward pressure on farm incomes.

Employment, Wages, and Prices

A survey of business contacts indicated that wage growth in the District was moderate, while employment and prices grew at a modest pace. About half of hiring managers reported raising salaries or wages of existing employees by more than they have in the past few years, and about two-thirds of hiring managers reported raising starting salaries or wages of new hires by more than they have in the past few years. Just over two-thirds of hiring managers surveyed are actively seeking employees: They cited high sales, overworked staff, and need for different skills among the top reasons why.

One-third of respondents indicated that prices to customers had grown at a rate faster than at the same time last year, whereas just over half indicated they grew at about the same pace; the remaining indicated slower price growth. By sector, most manufacturing contacts reported their prices to customers have remained unchanged or are slightly lower, whereas construction contacts noted increasing prices. In services, retail contacts noted net increases in their prices charged to customers.

Consumer Spending

General retail has continued to grow modestly since the previous report. The majority of business contacts indicated that sales in the current quarter have met expectations and were at least slightly higher compared with the same time last year. An Arkansas hospitality contact stated that business travel has increased in recent months, and a Louisville hospitality contact stated that fourth-quarter occupancy has

been strong throughout the state of Kentucky. Reports from local auto dealers were mixed. The majority of survey respondents claimed that sales over the past two months have fallen short of expectations, although one local dealer expects record sales for the fourth quarter. Most auto dealers surveyed believe sales will continue at their current pace into early 2016. Several contacts noted that low gasoline prices and low interest rates continue to benefit business activity in the short term.

Manufacturing and Other Business Activity

Manufacturing activity has increased since our previous report. Several companies reported capital expenditure and facility expansion plans in the District, including firms that manufacture transportation equipment, electric appliances, and furniture. In particular, firms that supply parts for the automotive sector are working overtime to fill orders, according to contacts in Kentucky and Indiana, and several of these firms plan to expand to meet the demand. Contacts in the primary metals industry reported a decline in activity at steel and aluminum mills as a result of increased competition from imports. In a recent survey of manufacturers, a majority of contacts noted that production, capacity utilization, and new orders were either about the same level or higher in the fourth quarter relative to a year ago, with responses split evenly between the two. The majority expect activity in the first quarter to be about the same relative to one year ago.

Reports from the services sector have been positive since the previous report. Firms that provide warehousing and storage services as well as health care and social assistance services reported plans to hire new employees and expand facilities. Firms that provide courier services cited growing e-commerce as driving the need to expand facilities and hire permanent positions in addition to seasonal positions. Contacts noted that they are having a difficult time filling both full-time and seasonal positions.

Real Estate and Construction

Residential real estate activity expanded at a faster pace than in the previous report. Contacts noted fourth-quarter home sales were slightly higher than the same time last year, while inventories remain lower. Residential construction activity was positive throughout most of the District, compared

with the same quarter in the previous year. Most contacts noted that home construction has been higher than one year ago; however, contacts were generally less optimistic about the first quarter of 2016.

Commercial real estate market conditions were positive throughout most of the District. Contacts noted about the same to slightly higher demand across all sectors and expect demand to remain the same or increase slightly in the first quarter of 2016. Commercial construction activity continues to be positive. Since the previous report, there were announcements of large-scale multi-family construction projects planned in many parts of the District.

Banking and Finance

A survey of District banks showed stable banking conditions. Loan demand was stronger overall, especially for commercial and industrial loans. While most survey respondents reported unchanged or slightly higher demand for residential mortgages, there was a noticeable increase in the number of banks indicating lower demand. Credit standards were generally unchanged to slightly higher for residential mortgages and business loans, except in St. Louis where they were slightly lower. Standards for the other loan categories were unchanged. Loan delinquencies were unchanged to slightly lower for all loan categories, and the creditworthiness of applicants was unchanged. About one-third of respondents noted decreases in consumer borrowing due to increased competition from alternative lenders.

Agriculture and Natural Resources

As of mid-November, more than 90 percent of the District corn, rice, sorghum, and soybean crops had been harvested, while cotton was just over 80 percent harvested. Contacts noted that extensive rainfall has resulted in lower crop production levels relative to last year. Forecasts indicate that corn, cotton, and rice production will be more than 15 percent below last year's levels. Sorghum production will be twice as high as the 2014 level, but it is a relatively small share of overall production. Because of relatively low production levels and low crop prices, industry contacts mostly have a negative outlook for farm income. Lastly, the District's October coal production was 7 percent lower than in 2014. Year-to-date production is currently about 4 percent below last year's level.

NINTH DISTRICT--MINNEAPOLIS

The Ninth District economy grew moderately overall since the last report. Increased activity was noted in consumer spending, tourism, commercial construction and real estate, residential real estate, and professional services. Agriculture and energy were mixed, while manufacturing, residential construction, and mining were down. Labor markets tightened overall, while wage pressures were modest and price pressures were low.

Consumer Spending and Tourism

Consumer spending was moderate. At a Minneapolis-St. Paul mall, analysts report that “the appetite for luxury is growing,” and a discount retailer noted “solid” third-quarter profits. In Helena, Mont., several new dining options have opened, including a brewery, a coffee shop, and a restaurant. A national telecommunications vendor expanded its retail space in Minneapolis-St. Paul in recent months to enhance the shopping experience. An auto dealer in Montana reported that “sales in September and October were exceptional.”

Tourism was moderate; favorable weather was reported as a factor in sustained tourism interest in the fall. A national park in Montana surpassed the all-time annual record for visitation for the second year in a row, despite summer forest fires. Hotel occupancy rates in Deadwood, S.D., jumped by 6 percent in September from the previous month. In the Upper Peninsula of Michigan, tourism sales were “very good,” according to a tourism official; assessed fees on hotel rooms were up 8 percent since the last reporting period and up 15 percent from the same period last year.

Construction and Real Estate

Commercial construction expanded at a strong pace since the last report. Sioux Falls, S.D., and Billings, Mont., have seen strong commercial permitting this year, including this fall. A commercial contractor in Rochester, Minn., said that it has large work backlogs, both locally and statewide. For residential construction, single-family permits have been flat to down since the last report in Minneapolis-St. Paul, Billings, Sioux Falls, and Rochester, but up in Fargo, N.D. Multifamily permitting has slowed in many places, with exceptions like Rochester and Minnetonka, Minn.

Commercial real estate activity grew moderately since the last report. Minneapolis-St. Paul retail, office, and industrial space all saw positive net absorption, along with lower vacancy rates. In the St. Paul downtown market, office occupancy has risen to levels last seen in 2001. Numerous sources in Rochester reported strong activity, especially downtown. Residential real

estate activity was also moderate. Closed sales were strong in Minneapolis-St. Paul this fall, but flattened in October, with median sale prices up 5 percent over the previous year. In Sioux Falls median October sale prices rose almost 6 percent from a year earlier. Activity slowed in Missoula, Mont., though prices there continued to rise; third quarter and early fourth quarter sales in Bozeman, Mont., have been flat compared with a year earlier. Apartment rents were reportedly rising in most markets, including by 5 percent in Minneapolis in the third quarter over a year earlier.

Services

Professional services growth was moderate to strong. A tele-health services firm opened in Sioux Falls in recent weeks. A health information management and records retrieval business in South Dakota was expanding operations. An architecture firm in Wisconsin grew during the past three months and reported “enough financial health that higher wages can be absorbed.” A Wisconsin mental- and behavioral-health services company was expanding to Minneapolis-St. Paul due to growing demand. Revenue was up at staffing offices in Wisconsin, some of which was the result of high labor turnover for clients. A staffing executive there said, “Sales will not be sustained if there is not greater participation in the labor market.”

Manufacturing

District manufacturing activity decreased slightly since the previous report. An index of manufacturing activity released by Creighton University fell to levels indicating contraction in October in Minnesota and the Dakotas. Several manufacturers reported weaker overseas sales due to slower demand and exchange rate fluctuations, including a producer of paint-spraying equipment and a consumer products maker. Contacts also pointed to the continued decline in demand for agricultural and mining equipment as a source of weakness. In contrast, demand from the commercial and residential construction sectors was solid. A producer of laminated timber announced plans in October for a major new facility in Montana, and an ammunition maker announced in early November that it will open a new plant in South Dakota.

Energy and Mining

Activity in the energy sector was mixed. Oil and gas exploration activity in North Dakota and Montana declined further since the previous report; oil production was down slightly from its peak earlier this year. Meanwhile, a firm announced plans for as many as 10 solar energy farms in Montana. A dozen wind energy farms were under construction across the District, though none have begun operations yet this year. Mining activity continued to decline. A major iron ore

facility in northern Minnesota announced that it will idle for an indefinite period, and a smaller operation shut down. Iron ore shipments on the Great Lakes fell 20 percent in September from a year earlier. Nonferrous mining operations in the District have been negatively impacted by falling metals prices, weak international demand, and the increased exchange value of the dollar.

Agriculture

District agricultural conditions were mixed overall since the last report. Farmers were buoyed by favorable weather during harvests, which were completed well ahead of the typical schedule. Corn and soybean production hit new records in some District states; sugar beet producers in Minnesota and North Dakota also saw record yields and good quality. However, crop prices remained low and farm incomes were expected to be weak. According to the Minneapolis Fed's third quarter (October) survey of agricultural credit conditions, 83 percent of lenders surveyed reported that incomes fell from a year earlier, and 79 percent expect them to be down in the fourth quarter. Prices received by farmers fell in September compared with a year earlier for wheat, soybeans, hay, milk, chickens, hogs, and cattle; prices increased for corn, eggs, and turkeys.

Employment, Wages, and Prices

Labor markets tightened overall, but softened in some places and sectors. Two recent Minneapolis Fed ad hoc surveys showed that employers overall expect to add workers in the coming year. A media company announced in November that it plans to add 400 jobs in St. Paul next year. Across the District, numerous sectors reported difficulty finding workers. A staffing services executive in southeastern Minnesota noted that labor tightness had shifted from skilled labor to general labor. But employment was soft in some areas. In North Dakota, October online job openings with Job Service North Dakota dropped 4 percent over the previous month and 20 percent from a year earlier. In the past month, silica sand mines in western Wisconsin laid off workers, and two Minnesota iron ore operations announced total jobs cuts of about 650 workers.

Overall, wage pressures were modest. Ad hoc surveys suggested that a majority of District employers expect wage increases between 2 percent and 3 percent in the coming year, though larger raises were being reported for certain sectors and workers. A South Dakota firm noted that it was seeing "lots of wage pressure on the low-end, entry level." A Minnesota staffing firm expected wages to continue rising for its clients "but not as much as this year."

Price pressures overall were low, with certain exceptions. A Minnesota electronics manufacturer expected little change in input prices for 2016, and an information technology

executive expected “more of the same” in terms of low inflation, especially with cut-rate energy costs. Average propane prices for October and November were roughly one-third lower than for the same time last year. Health care premiums for many employers and individuals were expected to increase considerably in all District states. Several Rochester-area businesses reported premium increases between 35 percent and 50 percent.

TENTH DISTRICT - KANSAS CITY

Economic activity in the Tenth District held steady on balance since the prior Beige Book, with continued mixed conditions across sectors. Consumer spending continued to decline slightly, but remained above year-ago levels. Energy activity continued to decline moderately, and farm income weakened further. District manufacturing firms reported flat activity compared to the previous survey. On the positive side, District real estate activity continued to increase, and transportation and wholesale trade firms noted a slight rise in sales. Professional and high-tech firms reported moderate increases in activity, and bankers reported steady loan demand, deposit levels, and overall loan quality. Prices were mixed across industries, but eased in the construction and manufacturing sectors. Although wage pressures were mostly contained, contacts in a few industries continued to report labor shortages for skilled and entry-level positions.

Consumer Spending. Consumer spending activity continued to decline slightly since the previous survey period, but activity remained higher than a year ago, with improved expectations heading forward in most sectors. Retail sales picked up moderately in October and November and remained higher than year-ago levels. Several retailers noted a drop in sales for metal and luxury products, although sales of lower-priced items and lumber were favorable. Contacts expected sales to increase slightly in coming months, with inventory levels expected to decrease. Auto sales dropped markedly but were higher than a year ago, and dealer contacts expected a slight pickup in sales growth for the months ahead. Auto inventories declined from the previous month and were expected to remain stable. Restaurant sales weakened further but were higher than a year ago, with contacts expecting moderate improvements in the months ahead. District tourism activity continued to decline but was generally flat from a year ago. Tourism contacts expected some strengthening in activity as the winter ski season begins.

Manufacturing and Other Business Activity. Manufacturing activity was generally flat, while other business activity increased from the previous survey. Durable goods production improved considerably for aircraft, computer, and electronic equipment products, while the production of other durable goods continued to decline. Nondurable goods production remained

positive. Activity continued to be weakest in oil and gas states. Production, shipments, and new orders increased modestly but remained lower than a year ago. Manufacturers' capital spending plans improved and expectations for future activity rebounded from the previous survey.

Outside of manufacturing, professional and high-tech firms reported moderate increases in activity, with sales well above year-ago levels and solid expectations for future months. Transportation and wholesale trade contacts noted a slight increase in November sales after a considerable drop in October, although many firms expected activity to rise steadily in the months ahead. Most service businesses reported fairly solid capital spending plans.

Real Estate and Construction. District real estate activity continued to increase at a modest pace since the previous survey period and was moderately above year-ago levels. Residential real estate sales, led by strong gains in Colorado, continued to rise at a moderate pace compared to the previous survey period. Sales of low- and medium-priced homes continued to outpace sales of higher-priced homes. Residential home prices were flat in October and November, but remained well above year-ago levels. Inventories increased slightly, and home sales were expected to slow in the winter months due largely to seasonal factors. Residential construction contacts reported a moderate increase in housing starts, while contacts at construction supply firms noted a slight increase in overall activity since the last survey. Contacts in both residential construction and construction supply firms noted that activity was moderately above year-ago levels. Commercial real estate activity continued to expand at a modest pace in October and November as vacancy rates decreased and absorption rates, completions, construction underway, sales and prices increased. The commercial real estate sector was expected to continue to strengthen at a modest pace over the coming months.

Banking. Bankers reported steady overall loan demand, deposit levels and loan quality, compared to the results of the last survey. Respondents indicated a steady demand for commercial and industrial, commercial real estate, residential real estate, agricultural and consumer installment loans. Most bankers indicated loan quality was unchanged compared to a year ago. In addition, a strong majority of respondents expected loan quality to remain essentially the same over the next six months. Credit standards remained largely unchanged in all major loan categories. Finally, most respondents reported stable deposit levels.

Energy. Energy activity declined at a similar pace as in previous months, while expectations remained negative. The number of oil and gas drilling rigs continued to decline, particularly in Oklahoma and New Mexico. Local producers remained focused on maintaining low costs and operating efficiently in their areas of highest returns. Oil prices were mostly unchanged since the last survey period, and most respondents expected the low price environment to continue through much of next year. Natural gas prices eased further as a result of robust production and strong builds to inventories. Seasonal demand for natural gas was expected to pick up as winter weather arrives across the region, but prices were expected to be lower than last winter.

Agriculture. Farming conditions weakened further since the last survey period as agricultural commodity prices remained relatively low. Despite expectations of strong crop yields in the District and some government farm program payments, District contacts reported further declines in farm income and expected additional weakening in the months ahead for both the crop and livestock sectors. Crop prices generally remained flat since the previous reporting period and livestock prices were substantially below year-ago levels. Agricultural credit conditions also deteriorated further as repayment rates edged lower, credit availability declined slightly, and expectations of future financial stress increased somewhat. Amid the weaker farm economy, farmland values of all types were expected to decline in the coming months.

Wages and Prices. Price changes across industries were mixed, and wages were steady overall since the previous survey period. Both retail input and selling prices rose at a modest pace, with faster growth expected in the coming months. Restaurant menu prices were flat after falling in the previous survey, though input prices still increased. The decline in manufacturing raw materials and finished good prices slowed mildly, and manufacturers expected both of these prices to rise in the near future. Transportation input prices increased slightly while selling prices continued to decline. Selling prices in construction also declined. Wages in the retail sector were steady, while restaurants experienced faster wage growth and the transportation sector saw a slight decline in wages. Transportation contacts cited continued shortages in truck drivers, technicians, mechanics, and entry-level workers.

ELEVENTH DISTRICT—DALLAS

The Eleventh District economy grew at a modest pace over the past six weeks. Most respondents in manufacturing and services reported that demand either held steady or increased. Auto sales rose while reports on broader retail sales were mixed. A seasonal slowdown occurred in home buying, but broader real estate activity remained strong overall, except for some weakness in Houston. Energy activity was still depressed. Price pressures remained subdued and employment held steady or increased.

Prices Most input costs and selling prices were generally stable over the reporting period. With respect to input prices, several contacts—grocery stores, restaurants and food manufacturers—noted lower prices for meats. Airlines continued to say that lower fuel prices helped the industry immensely, and machinery and primary metals manufacturers said the decline in steel and copper prices continued to boost margins. Selling prices were mostly unchanged, although some leisure and hospitality contacts noted higher prices and a freight trucking firm said they passed on fuel cost savings to customers.

Labor Market Employment in most industries held steady or increased. Contacts reported hiring in staffing services, professional and technical services, airlines, and leisure and hospitality. Several manufacturers also added to headcounts, including fabricated metals, transportation equipment and food producers. Retailers said holiday hiring plans were in line with last year, and most said there hasn't been any difficulty hiring temporary workers. The second round of layoffs in the energy sector was still underway and has consisted of more white-collar jobs than the round of cuts earlier this year. One petrochemicals contact noted that some laid-off oilfield workers were showing up on the coast and getting hired in the downstream energy sector, mostly in construction-related jobs. New-home construction continued to be restrained by labor shortages, particularly in Dallas-Fort Worth, while contacts in Houston noted increased labor availability.

Wages were mostly flat to up from six weeks ago. Several contacts continued to note difficulty finding or retaining workers, particularly truck drivers, although a few said layoffs in the energy sector eased labor tightness in some pockets of the service sector. Hospitality contacts said expectations of a future minimum wage increase prompted increases in starting pay as a preemptive measure.

Manufacturing Most manufacturers reported flat or increased demand over the last six weeks. Producers of construction materials like cement, brick and lumber said demand flattened due to a normal slowdown that occurs heading into the winter. Most contacts in construction materials and primary metals expect weaker demand through year end, in line with the usual seasonal pattern. A fabricated metals manufacturer involved in commercial and road construction had the best year since the recession, and a machinery manufacturer said that despite relatively flat demand, they were experiencing record profits and payouts to employees because of lower input prices. A machine tools manufacturer closely tied to the

energy sector said demand was terrible, worse than in 2009, that auction houses were loaded with relatively new machinery from failed shops, and that sales of new tools are virtually nonexistent.

Demand for high-tech manufacturing picked up slightly, although concerns about weakness in the global economy continued to weigh on producers. Contacts noted persistent softness in some memory component manufacturing and consumer electronics. The overall outlook was slightly improved but contacts remained cautious, saying that they expected slight growth in 2016 but that uncertainty in international demand was a significant risk factor.

Refinery utilization rates were very high and rose further, and margins remained healthy thanks to persistently low domestic energy prices. Gulf Coast chemicals producers reported softer global demand and a strong dollar as sources of continued weakness in year-to-year comparisons. Firms remained optimistic for 2016, with U.S. production costs remaining globally competitive.

Retail Sales Reports on retail sales were mixed this reporting period. Sources of weakness included wet weather and the strong dollar, which deterred tourism and sales along the border. One contact said that although they were experiencing overall growth, they were seeing negative impacts in smaller markets such as Midland-Odessa, which they have attributed to low oil prices.

Automobile sales were at very high levels and continued to grow. Contacts said the industry is performing strongly nationwide and one noted record sales. Contacts expect steady sales through year end. A couple of auto dealers remarked that the robust sales level seen in 2015 likely won't be exceeded next year, so sales may be flat or down slightly in 2016.

Nonfinancial Services Most nonfinancial services firms reported demand was flat or up from six weeks ago. Reports among staffing services firms were mixed. Staffing demand from sectors such as logistics, healthcare, engineering, hospitality, and food service was strongest. One contact mentioned that there was more hesitation in the market and that demand had shifted back to temporary and contract workers and away from direct hires. Demand for professional and technical services increased moderately in the last six weeks. Law firms noted softer-than-expected growth, primarily due to less litigation work, but demand for intellectual property work strengthened, and mergers and acquisition activity remained elevated. Accounting demand continued to grow at a robust rate. Consulting work ticked upward, although international deals have been stagnant due to weakness abroad. Demand in leisure and hospitality grew at a good pace, with contacts reporting overall sales above expectations and particularly strong demand in Texas' large metro areas. Overall, outlooks were positive going in to 2016.

In transportation services, cargo volume remained soft due to the slowdown in energy-related cargo. Demand in the airline industry was flat overall, with continued strong domestic demand. The international outlook remained weak, but airlines were positive about the domestic market and noted that as long as fuel prices remain this low, they will continue to perform well.

Construction and Real Estate Single-family housing activity decelerated over the reporting period. Contacts noted seasonally slow buyer traffic and new home sales, but respondents in Houston cited a sluggish economy as a factor affecting sales as well. Despite some slowing, sales of low- to mid-priced new homes remained strong. Builders continued to work through their backlogs, although the pipeline was thinning out in Houston due to softer demand. Apartment demand continued to run ahead of deliveries across the four major Texas metros, resulting in a slight uptick in occupancy in the third quarter. Rent growth generally remained solid and was the strongest in Dallas-Fort Worth, but it slowed in Houston. Multifamily construction remained elevated. Outlooks were mostly positive, with weakness expected in Houston.

Demand for office space was strong in Dallas-Fort Worth, with record net absorption so far this year. Activity in Houston held steady for class B and C office space but softened for class A space. Industrial leasing and construction remained active, although construction started to taper off in Houston.

Financial Services Loan demand grew at a slighter softer pace over the last six weeks. Consumer lending remained strong with notable rises in auto loans and credit cards. Home equity loans also accelerated due to home price appreciation and the need for long-delayed home improvement projects. Lending to businesses, in contrast, has softened, but contacts believe this is likely due to seasonal factors. Contacts expect some tightening of loan standards in response to slowly declining loan quality among energy sector loans. Interest rates on deposits and loans remained historically low, although most contacts anticipate a slow rise in rates for 2016. Outlooks were largely uncertain, mostly due to the uncertainty of future oil prices, but also due to regulation and monetary policy.

Energy Demand for oilfield services remained depressed as drilling activity declined in the Permian Basin and Eagle Ford Shale. Capacity utilization was at 50 percent, with some of the idle equipment being maintained and some mined for parts. One oil producer plans to maintain its current rig count if oil prices stay in the \$40-\$50 range but will enact further cuts if prices move lower. At current pricing and demand, the financial positions of many energy firms continued to deteriorate, particularly smaller firms.

Agriculture Abundant rainfall over the reporting period alleviated drought conditions. Less than one percent of the district was in drought in mid-November, compared with more than a third at the end of September. The wet weather improved soil moisture for crops and replenished ponds for grazing cattle. That said, Texas is likely to have an average cotton production year rather than the bumper crop thought possible in early summer. Cotton yields were hindered by a hot and dry August and the quality was diminished by too much rain just before harvest. Domestic demand for grains and cattle remained solid but export demand was weak. Grain prices fell slightly and cattle prices declined but remained at high levels. Retail beef prices were down from a year ago.

TWELFTH DISTRICT—SAN FRANCISCO

Summary

Economic activity in the District grew at a moderate pace during the reporting period of early October to mid-November. Overall price inflation ticked up, and upward wage pressures increased further. Retail sales grew moderately, while demand for business and consumer services expanded. Manufacturing output was largely unchanged. Agricultural activity edged up modestly. Conditions in residential and commercial real estate markets continued to strengthen. Activity in the financial services sector expanded at a modest pace.

Prices and Wages

Overall price inflation appeared to tick up slightly on balance. Prices for branded pharmaceuticals increased rapidly, while price growth for generic drugs was down relative to the same period last year. Shortages of labor, selected materials, and land in desired locations for building continued to push up construction costs in some metropolitan areas. Lower natural gas prices reduced electricity costs. In the technology sector, competitive pressures and technological advances reduced prices for consumer electronics, while price growth for technology services slowed as data centers continued to realize economies of scale.

Upward wage pressures increased across the District. On balance, wage growth for high-skilled workers exceeded that of low-skilled workers; however, contacts in a few areas reported that labor shortages for entry-level employees increased relative to the previous survey period. Wage pressures grew in the health-care sector, particularly for specialized positions such as nurses and software developers. Labor shortages in the financial sector have increased pressure on firms to raise compensation levels, but some contacts reported reliance on favorable benefit packages rather than salary increases to retain and attract talent. In the technology sector, higher demand for labor bumped up wages for both experienced and entry-level workers. Wage increases in the grocery industry were modest; one contact noted that available labor supply is largely in line with demand, and stiff competition among retailers limits their

ability to pass wage increases on to prices.

Retail Trade and Services

Retail sales grew at a moderate pace; however, a few contacts noted that sales had slowed somewhat from the summer. Automobile sales were very strong, propelled in part by low sales prices and incentives. Sales of apparel items were mixed, with high-end retailers experiencing slower sales and higher inventory accumulation, which could cause significant price discounting during the holiday season. By contrast, lower-priced boutique retailers saw moderate growth in demand for their products. Food and beverage sales slowed a bit from the summer months but remained solid. Sales of online games remained brisk, and contacts expect strong movie releases over the holiday season to propel additional growth. Demand for pharmaceutical products remained robust, due in part to an aging population and the development of new and more effective drug treatments.

Growth in consumer and business services remained strong. Demand for cloud computing services and big-data analytics drove sales of technology services higher. Heightened household travel and leisure activity spurred demand growth in the hospitality sector. Contacts reported that demand for health-care services grew moderately as market expansion from the Affordable Care Act boosted demand for insurance. Activity in the utilities sector grew modestly, and a few contacts expect El Niño weather patterns to impact winter demand for energy and heating services.

Manufacturing

Activity in the manufacturing sector was largely flat. An elevated dollar, lower global demand, and anti-dumping protections in some markets slowed manufacturing exports. Industrial production remained somewhat soft on balance, with contacts reporting that oversupply in some markets had pushed up inventories and curtailed production. Deliveries of commercial aircraft were up slightly from the same period a year prior, but new orders were significantly lower. The recent passage of the federal continuing budget resolution eliminated the near-term risk of major demand disruptions in the defense industry; however, capacity utilization was flat and manufacturer competition for large contracts was intense. Activity in the biotech and pharmaceutical manufacturing sector expanded, on balance, supported in part

by extensive merger activity spurred by ready financing.

Agriculture and Resource-Related Industries

Output in the agriculture and resource sector expanded modestly over the reporting period. Yields in areas less affected by drought were strong, while elevated price levels for some products helped maintain revenue in drought-stricken areas with lower yields. Similarly, drought conditions have reduced cattle herd sizes; however, supply shortages have boosted meat prices and helped keep profit margins steady. Restaurant demand for agricultural staples grew modestly, and contacts expect this to continue along with stable growth in consumer demand. Low oil prices continue to hold down activity in the petroleum extraction industry, with one contact noting that several large companies have slowed exploration plans significantly.

Real Estate and Construction

Real estate market activity continued to strengthen across the District. Demand for new residential units remains high, with one contact highlighting growing backlogs for planned projects. Residential construction picked up further, spurred primarily by multifamily rather than single-family units. However, a few contacts mentioned that sales of affordable new single-family units grew strongly in parts of Southern California, driven predominantly by first-time buyers. Shortages of qualified labor and selected construction materials reportedly have held down the pace of construction in some areas. Housing prices continued to rise significantly across much of the District. Activity in the commercial real estate sector continued to expand. Contacts in the Seattle and Salt Lake City areas reported strong growth in commercial market activity, with a contact from the latter area noting that growth has been spurred in part by the relocation of California firms.

Financial Institutions

Lending activity grew modestly over the reporting period. Loan volumes expanded, particularly for auto and mortgage loans, and a few contacts mentioned the increased role of nontraditional lenders in mortgage markets. Deposits expanded further, and contacts viewed the financial sector as having ample liquidity. However, low interest rates and regulatory burdens have reduced net margins and held down

bank profitability. Credit conditions strengthened as household balance sheets continued to improve. Contacts from a few financial institutions noted plans to expand capacity and employee counts in the coming months.