

Fed's beige book shows signs of recovery

10th district economy on the way to recovery, as workers lose more benefits

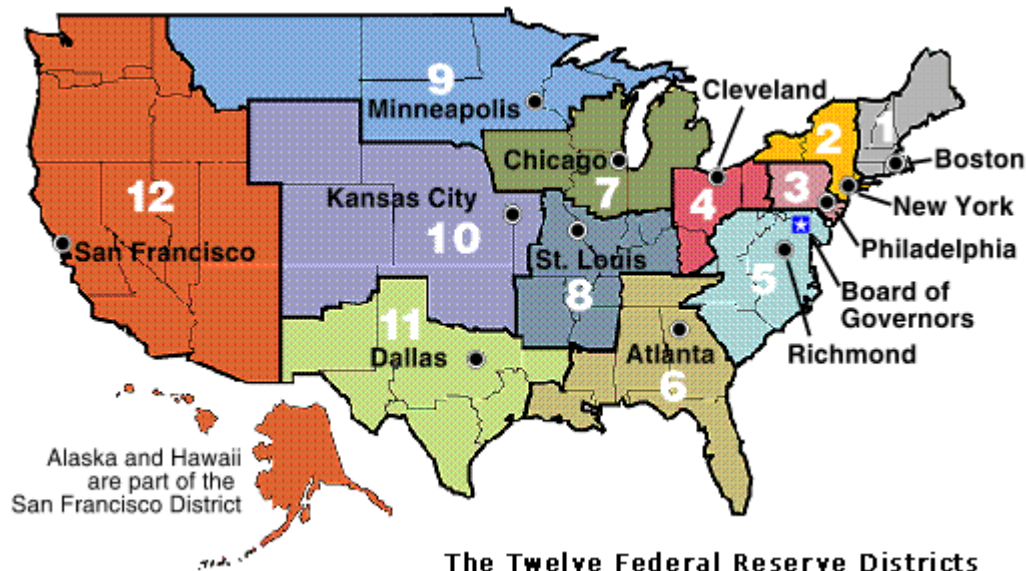
[Fadhel Kaboub](#) Dec . 29 . 2003

On November 26, the Federal Reserve Bank put out its traditional summary of commentary on current economic conditions, known as the Fed's beige book. The report summarizes surveys and comments received from businesses and other contacts outside the Federal Reserve about the state of the U.S. economy.

The 10th district (Kansas City Fed), which oversees a considerable part of the Mid-West (see map below) reported an improvement in economic conditions during the Oct.-Nov. period.

The KC district reported that retail sales continued to rise, and manufacturers in the 10th district reported another sizable increase in activity. "The housing and energy sectors remained strong, and the agricultural sector continued to improve," the Fed's report said.

According to the Fed, commercial real estate was still weak in the 10th district, but the Fed's "contacts were somewhat more optimistic than in previous surveys," said the Fed. "Wage and price increases generally remained modest, but employee benefit costs and some materials prices continued to rise."



The Fed's survey showed an overall improvement in economic activity in the 10th district compared to last year's survey. Few sectors remained weak nonetheless. "Despite aggressive manufacturer incentives, most dealers reported that sales improved more for used cars than for new cars since the last survey," and "activity at some leisure destinations was weaker than a year ago," said the report.

The Fed's beige book reported some bad news for workers in the 10th district. "Wage increases remained modest, with most firms continuing to offer only cost-of-living increases," said the report. The cost of providing benefits to employees continued to rise rapidly over the last few months. "Several employers reported shifting more of the cost of health insurance on to

employees, and some small businesses have eliminated health care benefits entirely," the Fed reports.

It is too early to speak of a sustainable recovery, especially that unemployment has not began to show dramatic improvement, and that the burden has been shifted to workers who are losing their benefits, and households who are taking on more debt.

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