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## TD Economics

### Data Release: Economic activity continues to expand according to the recent Beige Book

- The most recent Beige Book, for the period between late-February and March, indicated that economic activity increased in the modest to moderate range across most Federal Reserve Districts.
- Consumer spending was up in most Districts supported by lower prices at the pump alongside the flurry of discounts and promotions that retailers are continuing to offer. The Chicago District was the lone wolf in expressing disappointment in the boost to spending related to lower gasoline prices. Nonetheless, retailers were upbeat about prospects for the future.
- Manufacturing activity increased across all Districts aside from Cleveland and Kansas City. Weak demand from the energy sector continued to place a strain on suppliers in half of the Districts, though some contacts in Chicago and Dallas Districts indicated they were adjusting their product offerings toward other industries.
- Housing markets continued to improve in most districts with several districts attributing stronger home sales to the relatively mild winter. Several Districts reported that demand for single-family homes had increased while the San Francisco District cited a back-log of over six months for new single-family units.
- Credit conditions improved on net with most Districts reporting an increase in loan demand. However, contacts in the Dallas District indicated that the lending outlook remained cautious with loan quality deteriorating somewhat and mortgage loans growing at a slower pace.
- Labor markets continued to improve with most Districts reporting tighter conditions. Aside for the Atlanta District, wages increased in all Districts with the strongest wage pressures felt by skilled IT, construction, and manufacturing employees.
- Prices of consumer goods increased modestly across the majority of Districts, while input cost pressures were driven down as a result of lower energy and transportation costs.

### Key Implications

- The most recent Beige Book paints a relatively bright picture for the outlook of the domestic economy. The drag on the U.S. economy from the oil and gas sector appears to be largely concentrated in only a few Districts, namely Kansas City and Dallas. Nonetheless, manufacturers in these Districts are finding ways to remain resilient amidst weaker demand from energy producers.
- The pullback in the greenback from recent highs appears to be improving sentiment amongst externally-exposed industries. The modest improvement in global manufacturing activity, if sustained, should also provide additional support to the export sector.
- The unseasonably warm winter has likely negatively affected retail and tourism activity in recent months. With winter behind us, the continued improvement in the labor market alongside savings that Americans have realized from lower prices at the pump should eventually make their way through to spending.

- While we don't expect the Federal Reserve to raise rates in two weeks' time, we remain of the view that two hikes this year remain in the cards with today's Beige Book largely supporting this view.

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