



The Daily Dish

The Beige Book

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Eakinomics: The Beige Book

Yesterday the Federal Reserve released its most recent [Beige Book](#), a compilation of anecdotal information on current economic conditions in the 12 Federal Reserve Districts. The Beige Book is a valuable complement to the variety of statistical readings that one gets on the economy. The Beige Book, according to the Fed, “characterizes regional economic conditions and prospects based on a variety of mostly qualitative information, gathered directly from District sources.” This qualitative information is a valuable addition to the monthly statistical reports.

The bad news is that the government shutdown harmed the economy. Specifically: “About half of the Districts noted that the government shutdown had led to slower economic activity in some sectors including retail, auto sales, tourism, real estate, restaurants, manufacturing, and staffing services.” But the good news is that the upward momentum in the economy outweighed the fallout of the shutdown: “Economic activity continued to expand in late January and February, with ten Districts reporting slight-to-moderate growth, and Philadelphia and St. Louis reporting flat economic conditions.” We will get information on the February jobs report at the end of the week, but there is every reason to expect that the first quarter of 2019 will show a drop-off from 2018.

The labor market, however, appears to be among the strong points. “Labor markets remained tight for all skill levels, including notable worker shortages for positions relating to information technology, manufacturing, trucking, restaurants, and construction. Contacts reported labor shortages were restricting employment growth in some areas.” And this tight labor market continues to raise wages: “Wages continued to increase for both low- and high-skilled positions across the nation, and a majority of Districts reported moderately higher wages. In addition, contacts in about half of the Districts noted rising non-wage forms of employee compensation, including bonuses, relocation assistance, vacation time, and flexible work arrangements.”

The beginning of 2019 is appreciably weaker than the close of 2018, but this year offers the possibility of “addition by subtraction.” Specifically, subtract government shutdowns, tariffs, and trade wars, and avoid a showdown over the debt limit, and the outlook for the economy can strengthen over the remainder of the year.