

ACTIVITY

SECTORS

LONG
TERM

PAYROLL

STABILITY

INFLATION

SOUTHEAST

REGION

FARMING

GROWTH
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HOUSING

RETAIL

AUTO
SALES

CONSUMER
SPENDING

ENERGY

TOURISM

HIRING

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2013

Another Year of Modest Growth

2013 was the year when many economists hoped to see the southeastern economy fully emerge from the shadow of the Great Recession, but the region spent much of the year struggling to get its legs back under it. The region made notable economic progress but has a considerable way to go before we can declare a full recovery.

Throughout the Southeast, the economy experienced the same slow, modest growth in 2013 that it did the previous year. Data and reports from the Atlanta Fed's business contacts show that overall economic activity—as well as hiring—continues to be restrained despite demonstrated strength from sectors such as tourism, auto sales, and housing.

Real estate picks up the pace

The southeastern housing market fared well in 2013. In particular, Florida saw some notable improvements after having suffered some of the nation's biggest declines with the bursting of the housing bubble. The year began with significant investor activity continuing to occur in areas such as south Florida. International sales from Latin America gave a lift to the sector. Most transactions were cash sales.

Florida was not the only bright spot, however. All southeastern states enjoyed an expanding real estate sector, with home

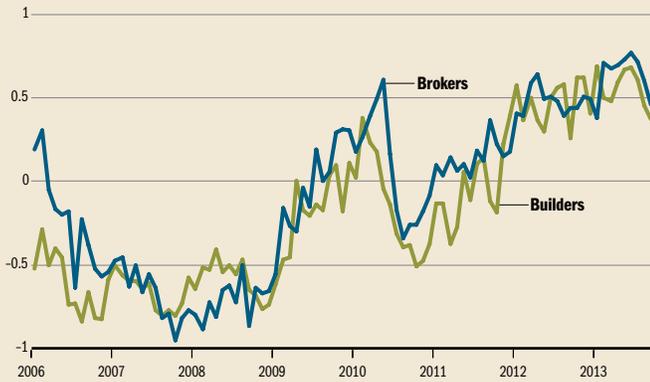
sales outpacing levels from the year before, home prices continuously appreciating in major markets, and inventories declining. Data from the Atlanta Fed's monthly poll of broker and builder business contacts indicate that home sales remained ahead of the year-earlier level for all of 2013 (see chart 1 on page 10).

Housing contacts also reported that existing home inventories were below the year-earlier level, which restrained sales (see chart 2 on page 10). New home construction was reported as being ahead of the 2012 level but still remained far below activity seen during the boom years.

Atlanta Fed contacts in the housing sector reported that low inventory contributed to home price appreciation during the year (see chart 3 on page 10). In recent months, industry observers saw sales growth slow.

On the commercial real estate side, contacts noted activity was mild for 2013. Demand for space improved at a modest pace toward the end of the summer. Contractors described construc-

Chart 1
September 2013 Southeast Home Sales versus a Year Earlier



Note: September poll results are based on responses collected October 7-16, 2013. The housing poll's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values in the index indicate increased activity, and negative values indicate decreased activity.
 Source: Atlanta Fed business contact poll

Chart 3
September 2013 Home Prices versus a Year Earlier



Note: September poll results are based on responses collected October 7-16, 2013. The housing poll's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values in the index indicate increased activity, and negative values indicate decreased activity.
 Source: Atlanta Fed business contact poll

Chart 2
September 2013 Southeast Home Inventory versus a Year Earlier



Note: September poll results are based on responses collected October 7-16, 2013. The housing poll's diffusion indexes are calculated as the percentage of total respondents reporting increases minus the percentage reporting declines. Positive values in the index indicate increased activity, and negative values indicate decreased activity.
 Source: Atlanta Fed business contact poll

tion activity as flat to slightly up on a year-over-year basis, with apartment development dominating activity for most of the year.

Consumer spending, tourism tell different tales

The retail sector reported mixed results over the course of 2013. Contacts reported that factors such as increased health care costs and fuel prices, the resumption of the full Social Security tax, and unusual weather affected consumption, resulting in volatile sales

activity. Going into the end of the year, consumers remain cost-conscious and on the lookout for deals. Most retailers' expectations for the holiday season remain mildly optimistic.

A few relatively bright spots for the region during the past year were in areas as disparate as auto sales and the hospitality industry. The strong auto sales seen in 2012 persisted into 2013 as auto loan rates remained low.

The tourism sector grew at a reasonably fast clip as growth in business and leisure travel offset declines in government travel. Most contacts reported robust growth, citing increases in hotel bookings, revenue per available room, and attendance at conventions and attractions.

Firms also reported having little trouble finding qualified candidates to fill new positions. Consistent with reports from other sectors of the economy, the tourism industry saw a high applicant-to-opening ratio, with applicants often considered overqualified for available positions. Apart from some ongoing problems—for example, finding workers with specialized skill sets or persuading lower-skill workers to relocate to areas with a higher cost of living—filling openings has been reasonably easy. The cruise industry was a notable exception, where lower demand from U.S. and European travelers has prompted industry-wide downsizing.

Overall, the industry was anticipating a strong fourth-quarter 2013 as the winter season kicked off. According to Atlanta Fed industry contacts, the first two quarters of 2014 are showing strong advance bookings in the hotel sector. Despite a generally optimistic outlook for 2014 overall, contacts in the sector sounded a tone of wariness about the impact of fiscal policy uncertainty on business and consumer confidence.

INFLATION STABLE

Manufacturing makes progress

Strong auto sales continued to be a boon for the Southeast. Rapidly increasing auto production boosted the regional economy, especially in Tennessee and Alabama, where most of the region's assembly plants are located. The region's auto parts suppliers also expanded at a fast clip.

To better understand the region's manufacturing sector, we can look at the Southeastern Purchasing Managers Index (PMI), produced by Kennesaw State University. After expanding for the first eight months of the year, the index suggested that regional manufacturing contracted slightly in September and only mildly bounced back into expanding territory in October.

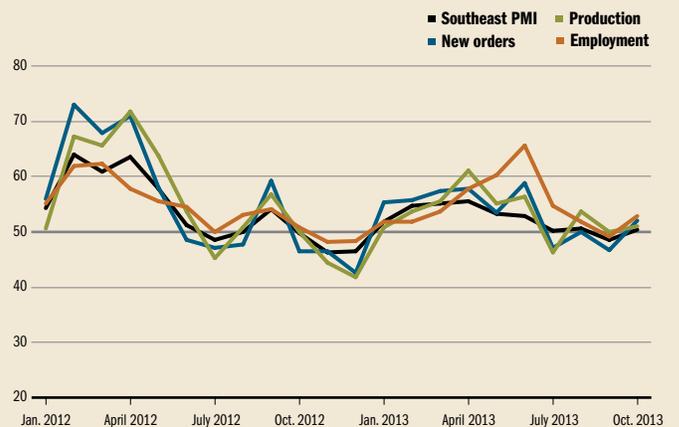
In the southeastern PMI, a reading above 50 represents expansion in the manufacturing sector. The October reading of 50.4 points represented an increase of 1.9 points from September's reading (see chart 4). Almost every sub-index expanded. For example, production edged up 1 point from September to 51 points, and employment increased 3.8 points to 52.9. The 5.3 point increase in new orders suggests that production may pick up in the near future.

Despite this hint of progress, manufacturers in the region nevertheless noted that they expect production to soften somewhat over the short term.

Capital investment shows softness

Reports of businesses investing capital to expand were scant for the year. Contacts remained focused on controlling costs

Chart 4
Southeastern Purchasing Managers Index



Note: A reading above 50 represents an expansion in the regional manufacturing sector; a reading below 50 indicates a contraction. Data are through October 2013.

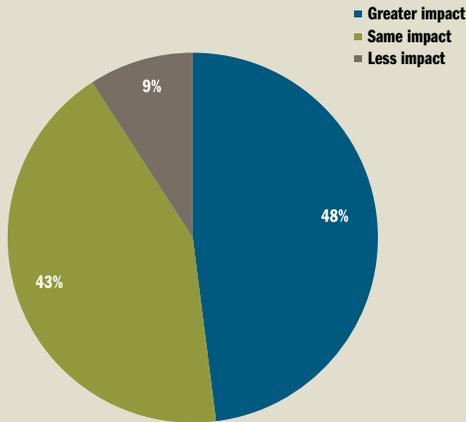
Source: Kennesaw State University Econometric Center

and improving profit margins. Those firms in a position to invest were purchasing productivity-enhancing equipment to improve efficiency. The few firms that did report plans to expand indicated that growth was mostly occurring as a result of merger and acquisition activity or other increases in market share, as opposed to organic growth.

Is Uncertainty Restraining the Growth of Small Businesses?

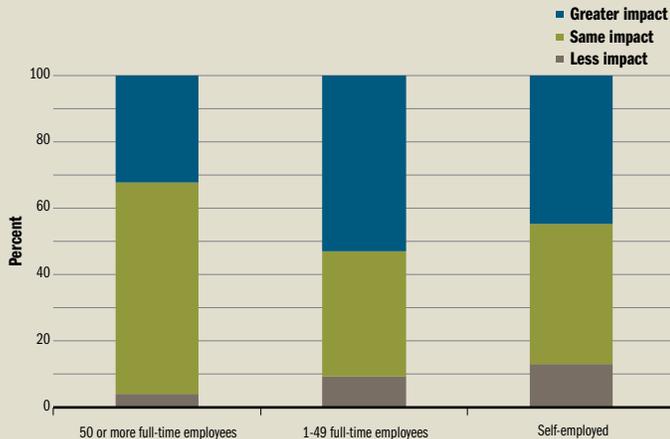
Small businesses are gaining momentum at a relatively slow pace. According to Intuit's Small Business Employment Index, employment at small businesses is still 5 percent off the prerecession level, and employment at firms of all sizes is only 1 percent below its peak. The Atlanta Fed's semiannual survey of southeastern small businesses has also noted this slow return to normal and sheds light on a few obstacles impeding growth.

Chart 1
Uncertainty's Impact on Business Decisions versus Six Months Ago



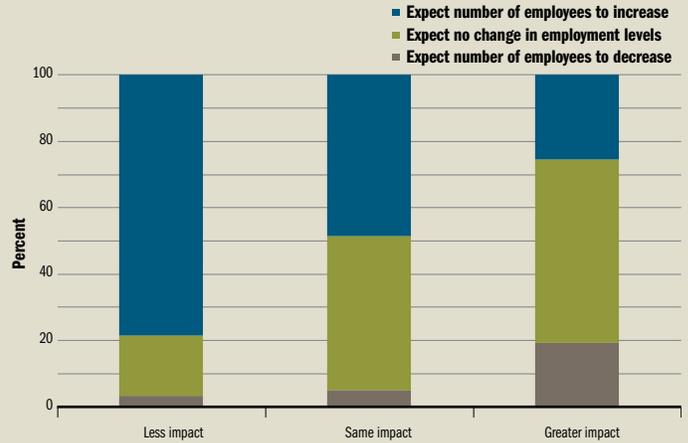
Source: Atlanta Fed's Small Business Survey

Chart 2
Uncertainty's Impact versus Six Months Ago by Firm Size



Source: Atlanta Fed's Small Business Survey

Chart 3
Uncertainty's Impact on Hiring versus Six Months Ago



Source: Atlanta Fed's Small Business Survey

One key obstacle is uncertainty, a great deal of which was present in 2013. With the uncertain economic outlook, confusion surrounding the Affordable Care Act, concern over rising interest rates, and, more recently, the partial federal government shutdown, uncertainty is having a real impact on the economy. According to some estimates, elevated uncertainty has reduced GDP growth during the past three years by about 12 percent. Small businesses seem to agree. When the Atlanta Fed asked about the level of uncertainty relative to six months ago, only about a tenth of businesses in the October survey said that uncertainty had declined. Further, almost half of businesses indicated that uncertainty was having a greater impact on their ability to make business decisions than it did in April 2013 (see chart 1).

The Atlanta Fed's small business survey includes firms with up to 500 employees, but very small firms tended to be affected the most. Firms with fewer than 50 full-time employees and the self-employed were the most likely to say uncertainty was having a greater impact on their business decisions (see chart 2). Just how much is uncertainty affecting small firms' business decisions? Those experiencing a greater impact were much less likely to anticipate hiring: about a fifth of respondents expect their workforce to decrease, and half say they are holding steady. Mostly, firms that foresee less uncertainty, however, expect their workforce to grow (see chart 3).

If not for elevated uncertainty levels, how much better would small firms have performed? How much more growth would they anticipate? We don't know the answers, but the uncertainty is certainly not helping. ■

This sidebar was written by Ellyn Terry, an economic policy analysis specialist in the Atlanta Fed's research department.

Transportation speeds up

The transportation sector saw slow growth early in the year followed by slightly higher activity in the second half. Firms indicated that supply chains remain lean and that these conditions will likely become a long-term strategy, potentially squeezing the role of trucking.

Hiring challenges remain in the trucking industry. Diesel mechanics and drivers have been hard to find for various reasons, including the inability of the industry to attract younger workers. Additionally, the industry faces a wave of vacancies over the coming years as a result of pending retirements.

Hours-of-service regulations that went into effect in July 2013 also affected how trucking equipment and overall capacity were used. The rules limit the number of hours spent driving and working, and they also regulate the minimum amount of time drivers must rest between driving shifts. These rules were enacted to prevent accidents resulting from driver fatigue.

The majority of contacts indicated that they have already or will be initiating slight near-term price increases through annual rate adjustments, at a minimum, to cover rising input costs, which include driver wages and health care costs. For the longer term, most anticipate more aggressive pricing as market conditions allow, compensating for increases in equipment and regulatory costs.

Overall, most contacts expect near-term growth to be higher based on recent industry trends and on the peak season for holiday shipping. However, they indicated that frustration with the regulatory environment and fiscal policy uncertainty were beginning to cloud their outlook.

Employment sector remains stubbornly sluggish

Employment in the Southeast has been slow to recover from the Great Recession, in part because the region was hit harder than the nation overall. The region's dependence on population growth and the booming construction industry made it particularly vulnerable to the bursting of the housing bubble, making its road to recovery longer.

Mixed reports from labor markets, combined with renewed uncertainty, have caused many business leaders to delay decisions about hiring new employees. Atlanta Fed contacts described challenges identifying qualified employees

in industries such as energy, information technology, automaking, and construction. Demand for high-skilled workers such as engineers and information technology specialists continued to increase although the supply remained limited. Contacts also noted that shortages of specialized skills among

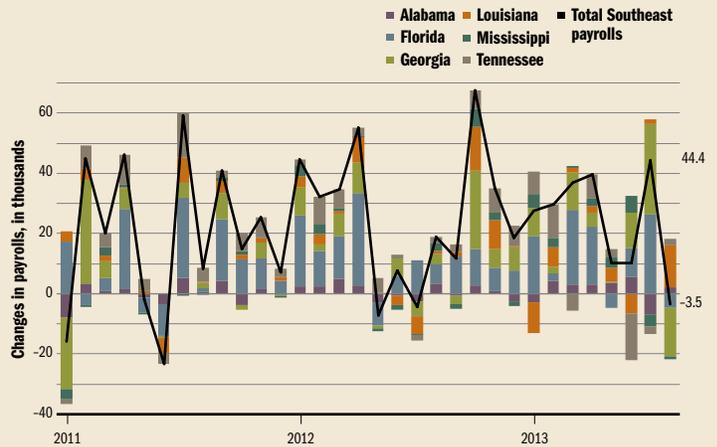
ECONSOUTH NOW PODCAST

Mike Chriszt, a vice president in the Atlanta Fed's public affairs department, discusses the southeastern economy in 2013. On frbatlanta.org, select "Podcasts."



Chart 5

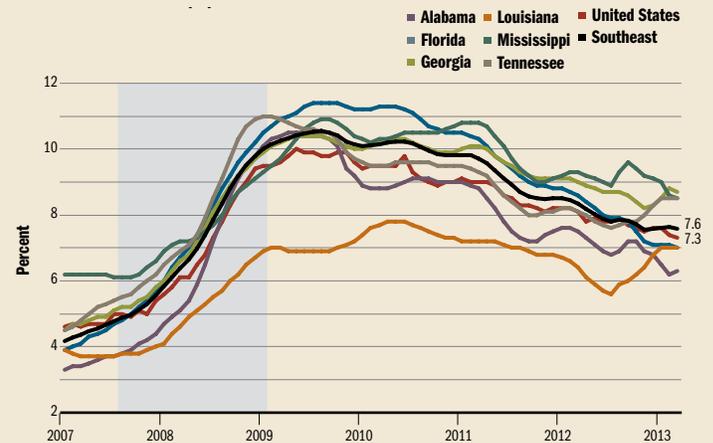
Contributions to Changes in Net Payrolls in the Southeast



Note: Data are seasonally adjusted and go through August 2013. September data are not included because of delays resulting from the partial federal government shutdown.
Source: U.S. Bureau of Labor Statistics

Chart 6

Southeastern Unemployment Rates



Note: Data are through August 2013 and are seasonally adjusted.
Source: U.S. Bureau of Labor Statistics

subcontractors played a role in preventing businesses from pursuing new contracts and projects.

Overall, very few companies reported boosting employment levels as a result of organic growth. Some companies cited paying overtime to their existing workers before hiring new employees unless they expected the new hires to generate revenue. Many contacts are slowly adding to payrolls as activity increases. Temporary staffing remains robust, in part reflecting a move among many companies to more permanent use of contingent workers.

Southeastern Banks Continue Healing in 2013

Banking conditions in the Southeast continued to improve during 2013. Most financial institutions were better off than they were at the height of the financial crisis. Deposit levels remained high as customers willingly traded the safety of insured deposits for little to no return. Banks' balance sheets were healthier and returned to more normal levels of liquidity. They had money to lend, but some banks indicated they were still hesitant to make fixed-rate loans for extended lengths of time in anticipation of interest rate increases in the coming years.

Loan demand mixed throughout region

Contacts in urban and suburban areas indicated that loan demand had increased over the previous year, but loan demand in rural areas continued to be weak. Competition for qualified loan customers was intense. Some banks loosened underwriting standards and extended the terms of fixed-rate loans in an effort to attract new loans. In some markets, nonbank entities and groups of wealthy individuals were increasingly involved in lending to small businesses and consumers with less-than-stellar credit. Loan quality stabilized, and banks were reclassifying fewer loans as nonaccrual (which typically means a borrower made no payment on the loan for 90 days or more). Past due and nonaccrual loans as a percent of total loans declined in each of the southeastern states from the second quarter of 2012 to the same period in 2013.

Mortgage rates inched up during the year. Although rates remained near historically low levels, the small increases significantly slowed the refinancing of existing mortgages and put a damper on new home mortgages as well. Consumer loan volume—including second mortgages, auto loans, and even credit cards—was strong in some regions of the Southeast. Some banking contacts indicated demand for commercial real estate loans increased during 2013, particularly for owner-occupied commercial real estate and health care–related businesses. Some bankers reported increases in small business and commercial and industrial lending as well. Regulatory compliance complicated the ability of many community bankers to originate loans, and some institutions exited mortgage origination and consumer lending altogether.

Bank failures continue slowing

The pace of bank failures slowed in 2013. Nationally, fewer than half the number of banks failed than in 2012, according to the Federal Deposit Insurance Corporation. Stresses remained, though, and nine banks in the region failed through November 2013, making the Southeast home to more than one-third of the failures that occurred until then. In 2013, Florida was home to four failures and Georgia saw three. Together, these two states account for almost one-third of all bank failures nationally since the beginning of 2008. De novo bank expansion was nonexistent again in 2013.

The outlook for the banking industry is improving. Most banks' balance sheets are recovering from the crisis. As of June 30, 2013, the number of problem banks in the United States declined for the ninth consecutive quarter. Although many banks have loosened underwriting standards, they are keeping credit standards at higher levels than before the banking crisis began. ■

This sidebar was written by Pam Frisbee, a senior economic research analyst in the Atlanta Fed's research department.

Not surprisingly, the data indicate that payroll creation varied dramatically for each state within the region during the year (see chart 5 on page 13). What is slightly more surprising, however, is that on average, the Southeast added approximately 24,400 new payrolls each month from January to August. A year ago, the Southeast added 22,700 jobs on average over the same time period, supporting the often-heard theme of slow but modest growth. Significant progress remains before the region attains prerecession employment levels.

The region's aggregate unemployment rate did not change significantly (see chart 6 on page 13). It began 2013 at 7.8 percent and gradually came down to 7.6 percent in April, where it remained. During the same time period in 2012, the unemployment rate started at 8.7 percent and ticked down to 8.3 percent by August.

Input costs, wages, and prices hold firm

Business contacts reported that most input costs were stable, with cost pressures mostly well contained. However, some industries (such as fast food, grocery stores, and some construction) noted that they were able to pass minimal cost increases on to their customers. Overall, margins remained tight.

Survey data support these anecdotal reports. Results from the Atlanta Fed's survey on business inflation expectations show that increases in unit costs were 1.7 percent in October and remained in the range of 1.4 percent to 1.8 percent (on a year-over-year basis) during the past year (see chart 7 on page 15).

Looking forward, respondents expect that their year-ahead unit costs to rise only 1.9 percent during the next 12 months (see chart 8 on page 15), a reading that remains within the historical range of 1.7 percent to 2.1 percent.

As for wages, reports indicated stable wage increases (mostly in the 2 to 3 percent range) across most industries.

MANUFACTURING IS A BATTLE

Chart 7
Current Unit Costs versus One Year Earlier



Note: Responses compare unit costs with the same period one year earlier. Data are through October 2013.
Source: Atlanta Fed's Business Inflation Expectations survey

However, scattered reports surfaced of upward pressure on wages for certain high-skilled workers.

Energy keeps percolating

For most of 2013, contacts discussed the increase in oil and natural gas production, particularly related to shale resource production, processing, and transportation. Increased use of rail

Chart 8
Year-Ahead Unit Cost Expectations



Note: Data are through October 2013.
Source: Atlanta Fed's Business Inflation Expectations survey

transport helped resolve the transportation bottleneck issues that arose with rising production from shale resources.

Rising production helped keep natural gas prices low. However, Atlanta Fed contacts generally agreed that these prices will eventually rise for two main reasons. First (and probably most important in the near term), once exports of liquefied natural gas begin in 2015, the supply glut in the United States should

Are Institutional Investors Still Flocking to Single-Family Homes in the Southeast?

In the second-quarter 2013 issue of *EconSouth*, the Atlanta Fed profiled institutional investment activity in single-family rental properties. In addition to highlighting the major players behind and the evolution of this relatively new asset class, the article noted that institutional investors are expected to remain active in their pursuit for properties despite strong house price gains. By their own admission, these investors liked buying in the Southeast.

Is southern exposure still attractive?

With a large portion of 2013's home sales now in the rearview mirror, has the situation panned out as investors expected? Did institutional investors continue to build their portfolio of properties, and do they still like buying homes in the Southeast? A quick turn to business contacts and the data can help shed some light.

Data from RealtyTrac suggest the number of homes sold to institutional investors is still on the rise across the nation as well as in certain metropolitan statistical areas (MSA) within the Southeast. Looking at the region's top five MSAs with the highest volume of sales to institutional investors so far in 2013, the Atlanta MSA and the Miami MSA experienced an increase in the number of sales to institutional investors from year-earlier levels, and the Tampa, Orlando, and Jacksonville MSAs experienced a decline.

Instead of focusing solely on the percent change in the number of sales, it is also helpful to consider the change in the share of sales to institutional investors because the share reflects the change in overall sales activity. On a year-over-year basis, the share of home sales to institutional investors increased by 10.3 percent in the Atlanta MSA, 3.4 percent in the Jacksonville MSA, and 1.6 percent in the Miami MSA. The share of homes sold to institutional investors in the Tampa MSA and Orlando MSA declined by 0.9 percent and 1 percent, respectively (see the table).

Consistent with the trends in the data, business contacts in Florida indicated that investor acquisition activity has begun to slow over the past few months. Tony Fridovich of ReMax Paramount Properties in Lakeland, Florida, explained that the prices of desired investment and bank-owned properties in his market have risen to the point where return on investment is not as promising. Cynthia da Silva of Coldwell Banker in Miami noted that although home sales to smaller, individual investors have slowed in recent months, institutional and other large investors in her market have not slowed their pace of buying.

To assess whether institutional investors still like investing in the Southeast, a slightly different look at data provided by RealtyTrac indicates that the monthly Southeast's share of sales to institutional investors has bounced between 25 percent and

2013 Home Sales to Institutional Investors

Top Southeast MSAs as of September 2013	Year-over-year percent change in number of sales to institutional investors	Year-over-year percent change in share of sales to institutional investors
Atlanta-Sandy Springs-Marietta, Georgia	39.7	10.3
Miami-Fort Lauderdale, Florida	3.7	1.6
Tampa-St. Petersburg-Clearwater, Florida	-23.8	-0.9
Orlando-Kissimmee, Florida	-36.7	-1.0
Jacksonville, Florida	-67.9	3.4
All southeastern MSAs	-15.9	0.3
United States	32.2	-0.4

Note: Data indicate home sales to institutional buyers through September 2013.
Source: RealtyTrac.com

Southeastern Share of Home Sales to Institutional Investors

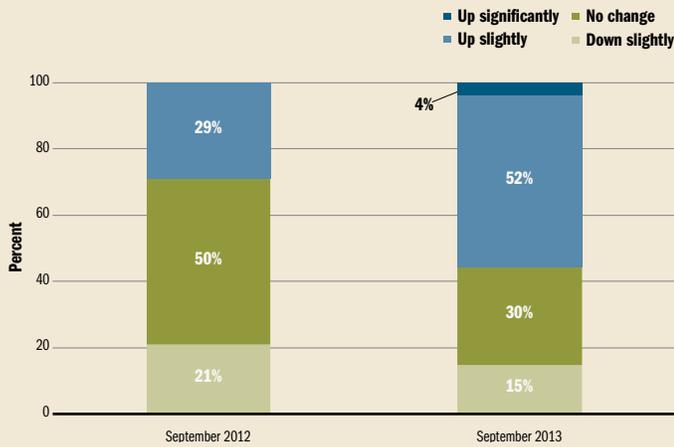


Source: RealtyTrac.com

35 percent during the past year until September 2013, when the share of sales dropped sharply to 17 percent (see the chart). The recent decline in share has gone on only for two months, so it's too soon to conclude whether this decline is a hiccup or a signal that acquisition activity has moved to another region. ■

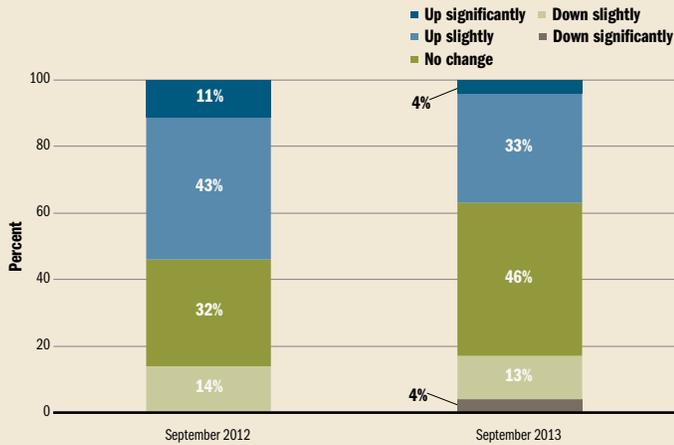
This sidebar was written by Jessica Dill, a senior economic research analyst in the Atlanta Fed's research department.

Chart 9
Southeast Builder Home Sales Expectations for the Next Three Months



Note: Percentages may not total 100 as a result of rounding.
 Source: Atlanta Fed business contact poll

Chart 10
Southeast Builder Construction Expectations for the Next Three Months



Note: Percentages may not total 100 as a result of rounding.
 Source: Atlanta Fed business contact poll

alleviate, aligning U.S. pricing more closely with world prices. Second, the abundance of natural gas is prompting investment in transportation, utilities, and manufacturing technologies. As more projects that consume natural gas come online, higher demand is likely to push up market prices.

Demand for skilled energy workers increased. Contacts noted an age gap in staff with engineering and other specialized skills, apparently tied to the decline in geology and energy-related higher-education curricula following the oil price crash in the 1980s. Although these programs have regained popularity—and the supply of recent graduates with the desired degrees is on the

rise—a likely experience gap could be difficult to fill as longer-tenured workers retire.

The outlook among contacts was generally upbeat, but many agreed that issues such as uncertainty surrounding fiscal policy, regulations, and ambiguity in the tax code weighed on their confidence in the outlook. Despite these concerns, contacts unanimously believe that the policy and economic environment in the United States remains more attractive than most other energy-producing regions around the globe.

Agriculture grows well

The region's agriculture sector performed well in 2013. Better rainfall and healthy demand boosted the Southeast's farm sector throughout the year. Cotton, rice, beef, hog, and poultry prices all saw higher year-over-year prices. Soybeans and corn prices trended down, although lower corn prices are good news for protein producers who use corn for feed. Florida citrus growers continued to grapple with citrus greening, a bacterial disease with no known cure. Although growers believe a solution is forthcoming, the problem persisted. Meanwhile, the cost of production was higher than customary levels and, coupled with lower yields, the market experienced higher prices. Lumber prices, which dropped from the first half of 2013, were still well above recession-era prices in the third quarter.

Producers replaced equipment in the timber industry and crop farming, but they also made investments in irrigation equipment and storage. Additionally, some farmers replaced smaller, labor-intensive equipment with larger, more modern equipment.

Longer-term issues were on the minds of several Atlanta Fed contacts. Agriculture continued to change, moving away from small and midsized farms that depended on government subsidies toward a system based around farm consolidation. Young people are getting degrees and want to get into farming; some have interests in local organic farming but others see agri-business changing and want to be a part of the transition.

Overall, many regional agriculture exports should increase, including beef, poultry, wood/biomass, grains, cotton, and rice. Contacts hope that China's strong demand for yellow pine saw timber will continue.

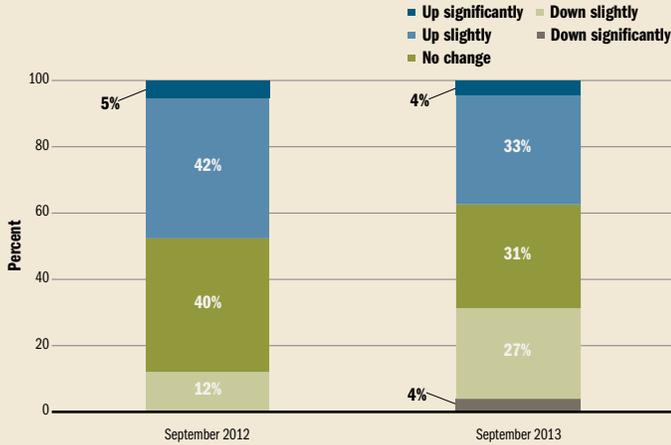
Looking ahead to 2014

Nationally, forecasters expect a modest acceleration in real GDP in 2014 from current levels. The same can be said for the region, although a stronger performance in the housing sector may lead to better performance for the region.

The Atlanta Fed's monthly housing poll in September indicated that the outlook for new home sales growth among builders over the next several months remained positive and was stronger than their year-ago outlook (see chart 9), but the outlook for new home construction has softened a bit from recent reports and was a bit less upbeat than year-earlier responses (see chart 10).

Chart 11

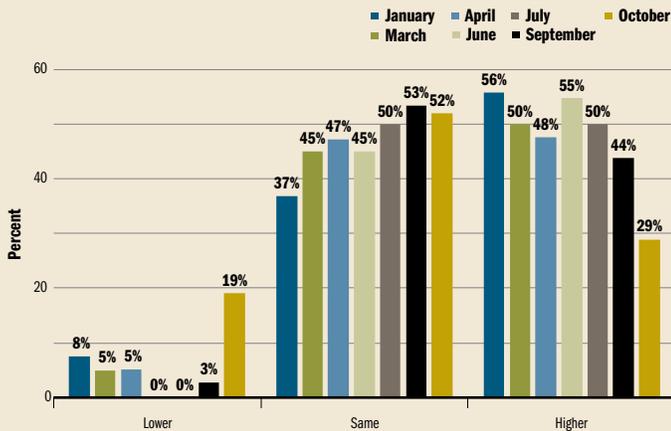
Southeast Broker Home Sales Expectations for the Next Three Months



Source: Atlanta Fed business contact poll

Chart 12

Short-Term Outlook for Business Growth



Note: Respondents were asked, "What is your outlook for the rate of growth in your business over the next three to six months compared to current rates?" Percentages may not total 100 as a result of rounding.
Source: Poll of Atlanta Fed directors

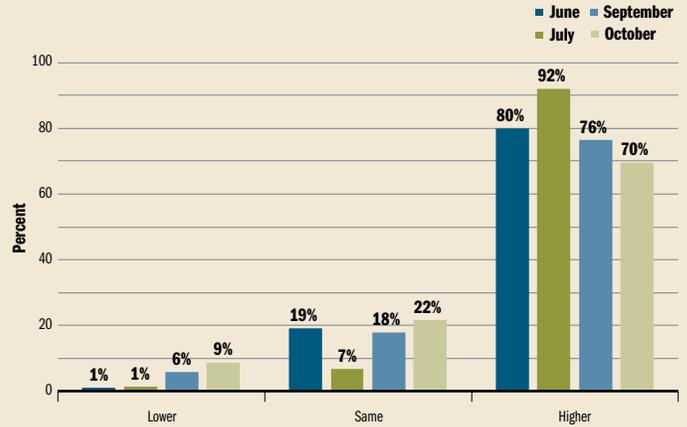
When asked to look ahead over the next 12 months, builder contacts indicated that access to development finance and lot availability posed the most significant risks to their outlook. Interestingly, most contacts considered rising mortgage rates and consumer confidence to be only modest risks.

Southeast brokers' outlook for sales growth remains mostly positive, but their expectations are a bit weaker than a year earlier (see chart 11).

Before every meeting of the Federal Open Market Committee, the boards of directors of the Atlanta Fed and its five branches (44 directors in total) respond to a poll regarding the outlook for their businesses. During the last quarter of 2012,

Chart 13

Medium-Term Outlook for Business Growth



Note: Respondents were asked, "What is your outlook for the rate of growth in your business over the next two to three years compared to current rates?" Percentages may not total 100 as a result of rounding.
Source: Poll of Atlanta Fed directors

directors and business contacts unexpectedly began to express an increasing optimism that carried into the beginning of 2013.

However, some of that optimism began to wane as spring set in and speculation was widespread that the economy would experience the same sort of spring slowdown seen a year earlier. While a slight pull-back in overall activity was noticeable, it appeared to be mild and short-lived. During the summer months, the outlook among a majority of Atlanta Fed contacts had improved. Then the third quarter began and—much like 2012—contacts started reporting that uncertainty from the effects of the debt ceiling, the partial federal government shutdown, the Affordable Care Act, and the regulatory environment was eroding consumer and business confidence.

Many contacts noted that all of these uncertainties were leading to decision-making paralysis, causing businesses to "sit on their hands" until confidence returns. As a result, slightly more than half of the Atlanta Fed's contacts expect growth to be sustained at current levels, 29 percent expect higher growth, and nearly one of five contacts indicates that growth will be lower in the short term (see chart 12).

Interestingly, however, over the medium term (the next two to three years), a significant majority of directors still anticipate stronger growth, results that have remained fairly consistent since the beginning of the year (see chart 13).

Atlanta Fed contacts generally expect growth in the near term to be slow (with some acceleration in the medium term), improved employment that still lags the pace of sales, and continued stability in input costs but little ability to increase prices. ■

This article was written by Shalini Patel, an economic policy analysis specialist in the Atlanta Fed's research department.