



The Southeast's Sunny Spring Yields to an Overcast Fall

A promising start to 2012 eventually yielded to the slower activity that dogged the region in much of 2011. With some signs pointing to a faster pace of economic activity, will 2013 lead the way to a broad-based recovery?



The regional economy's recovery path largely mirrored broader, national trends in 2012. Stronger economic activity early in the year gave way to a slower track by the summer months. By autumn, it became clear that any real momentum in the southeastern economy had been lost. While the region's economic activity continued to expand, the pace had clearly slowed. By the end of October, economic data and reports from the Atlanta Fed's business and community contacts throughout the region indicated that businesses and workers had resigned themselves to an environment where growth is likely to remain modest.

Will that sense of resignation continue in 2013? Several factors point to an improving economy, but uncertainty may prevent a more robust level of activity.

A fall stall

Recent economic data and information gathered from the business community in the third quarter showed that the expansion

of economic activity was positive but had slowed in the fall. The halting nature of activity continued through late October. Most of the business leaders the Atlanta Fed talked with expect little change in the near term, and they cite weak demand and uncertainty as reasons for the slow pace of expansion. Firms remain uncertain about the durability of the recovery (expected demand) and future health care, tax, and regulatory costs.

While weak demand was the most frequently cited reason for soft growth expectations, the theme of "bigger is not better" persisted. Many contacts stated that business expansion is simply not worth the risk in the current environment, and the focus was cost control and maintenance of profit margins. A number of companies contacted by the Atlanta Fed said they were running at capacity for a slow-growth environment and experiencing growth in sales but were opting not to take on the risk of investing for expansion. Others reported that they were postponing planned investments until 2013. The health care

industry is an exception to this trend, as it continues to prepare for the implementation of the Affordable Care Act.

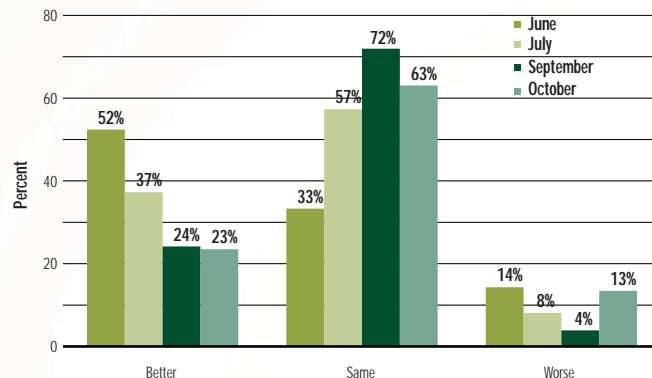
Expectations partly sunny, turned cloudy during the year

Before every meeting of the Federal Open Market Committee (FOMC), 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. Our directors' expectations didn't change much in October compared with September. Although the majority of directors said that they expect growth in their business to be unchanged from current levels, the percent who expected slower growth increased. A quarter of them see improvement. These responses reflect a softening of sentiment in the second half of the year (see chart 1). In June, more than half of the Atlanta Fed's directors anticipated some degree of improvement in the short term.

Farther out, Atlanta Fed directors expect growth to accelerate. The driving force behind this anticipated improvement is fairly straightforward; most believe current uncertainties will fade and demand will pick up. That said, one in three directors do not see much improvement from current levels of activity.

Chart 1

Atlanta Fed Directors' Business Sentiment



Note: Percentages indicate Atlanta Fed directors' responses to the question "Do you expect the growth in your business over the next three months to be better, about the same, or worse than it was over the previous three months?"
Source: Atlanta Fed poll

Southeast Banking Conditions Moderate in 2012

Banking conditions in the Southeast improved somewhat during 2012 as the economy slowly began turning around. Nationwide, 2012 saw slightly more than half the bank failures that 2011 experienced. The Southeast continued to have more than its share of banks fail, with more than two of five U.S. failures in 2012 occurring in southeastern states. Since 2008, Georgia has been home to more failed banks than any other state in the nation, and nearly one in five failures in 2012 occurred in Georgia. De novo bank expansion was nonexistent again in 2012.

Lending remained tight in 2012

Loan qualification remained a problem for many potential borrowers whose credit scores were marred by missed payments and loan defaults, often as a result of job loss. Fixed-rate mortgages were at or near all-time lows, and although property values stabilized in some areas, other areas continued to struggle. Regulatory compliance hindered many community bankers' ability to originate loans, and the time and scrutiny required to qualify for a loan led many consumers to simply walk away before completing the process.

Business lending makes halting progress

Small business loan demand increased slightly, but many businesses remained hesitant to borrow, citing uncertainty in the economy as a drawback. Banks had money to lend, but qualified borrowers were scarce. Some banks reportedly loosened credit standards to attract new loans. For high-quality loans, competition remained fierce. Banks experienced some residential loan growth, most often as a result of refinanced loans instead of entirely new demand. Some southeastern bankers reported an increase in demand for construction loans and slightly increased lending levels from last year.

While banks are no longer tightening credit, many are keeping underwriting standards high, and competition for high-quality loans is intense. The outlook for the banking industry remains cautious, as regulators anticipate the number of problem banks and failures will remain elevated and credit will remain fairly tight as banks continue to shore up their balance sheets. ■

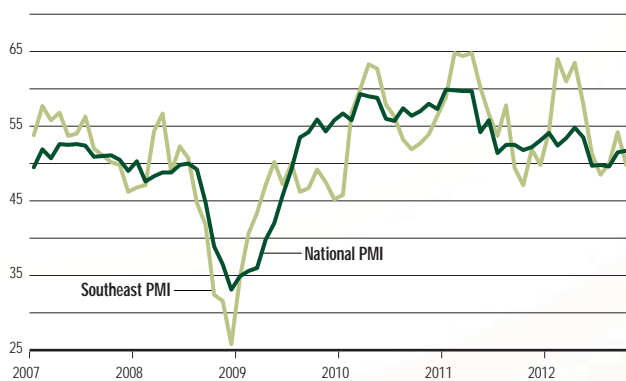
By Pam Frisbee, an analyst in the Atlanta Fed's research department

As the timid economic expansion continued, the one bright spot to emerge was the housing sector. Of course, housing is coming off historically low levels of activity, but improving sales and an increase in building activity are welcome developments (more on this sector later).

Mixed signals emanated from the manufacturing sector as the year progressed. After posting healthy gains early in the year, activity softened over the summer before rebounding in September. However, production levels and new orders decelerated again in October, according to the Southeast Purchasing Managers Index (PMI) produced by Kennesaw State University (see chart 2). The overall Southeast PMI was just below the level of 50, and the national PMI was a few points above 50. A reading above 50 represents expansion in the manufacturing sector.

Auto production was a positive factor for the region in 2012. Automobile fabrication and production of parts and other related auto supplies should remain a bright spot. Energy-related activity, from manufacturing and refining to exploration and extraction, also continues to do well and is experiencing significant capital investment from extraction through refinement.

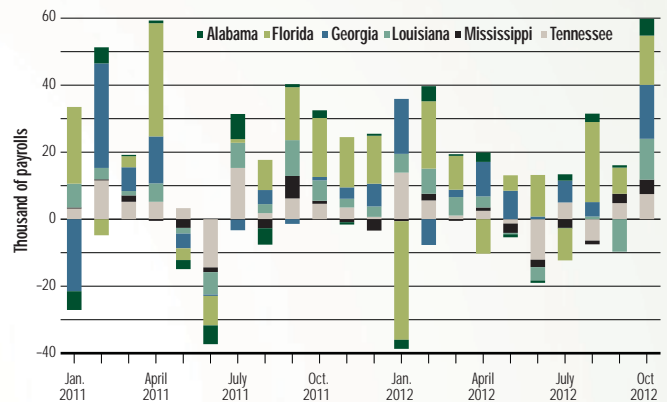
Chart 2
Purchasing Managers Index



Note: A reading above 50 represents an expansion in the manufacturing sector, and a reading below 50 indicates a contraction.
Source: Institute for Supply Management, Kennesaw State University Econometric Center

Retail is another sector that sent mixed signals. Although reports on current and expected activity remain rather subdued, retail trade shows have been well-attended and are reporting improved orders for goods. That said, transportation and retail contacts expect the holiday season to be similar to last year's and will continue to limit inventory build-ups. Tourism reported solid activity in the early fall, but those in the sector are concerned that higher fuel costs and weaker global growth, especially in Europe, will weaken bookings from international visitors.

Chart 3
Southeastern Payroll Employment



Note: Data are from January 2011 through October 2012 and compare month-over-month net changes in total employment.
Source: U.S. Bureau of Labor Statistics

Are the labor market's dark clouds receding?

Good, and frankly somewhat surprising, news came from regional labor markets. The U.S. Bureau of Labor Statistics reported on November 20 that southeastern states added nearly 60,000 jobs in October—the strongest monthly increase since October 2010—and the region's unemployment rate fell to 8.3 percent, the lowest reading since December 2008. Perhaps more importantly, October's positive numbers represent a marked improvement over the soft labor market readings of the spring and summer months.

October's gains were broad-based in geographic terms, as all states of the region added jobs (see chart 3). The largest increase was in Georgia, with 16,100 new jobs. Florida was next, at 14,700 jobs, followed by Louisiana with 12,200. Louisiana's increase was the largest in percentage change terms (up 0.6 percent). The Bayou State also had the largest regional decline in the unemployment rate, down 0.4 percentage point (see chart 4).

Regional employment gains were shared across industries as well, with all sectors adding jobs in October. Trade and transportation employment rose by 13,500 for the region, while private education and health care increased another 12,600 (this sector continued to add jobs throughout the recession).

Construction, by far the hardest hit during the recession, added 2,300 jobs in the region.

This news is certainly good and welcome, but economic observers should keep the champagne on ice for a number of reasons. First, one month's data do not make a trend. Along those lines, a

ECONSOUTH NOW PODCAST

Chris Cunningham of the Atlanta Fed's research department discusses the national and regional economy. On frbatlanta.org, select "Podcasts."



look at the three-month moving average of regional job growth shows that the Southeast has experienced similar increases in job growth in the years since the recession officially ended. The jump in 2010 was boosted by temporary census-related hiring, but in the first few months of 2011 and again in late 2011 into early 2012, encouraging increases in employment occurred, only

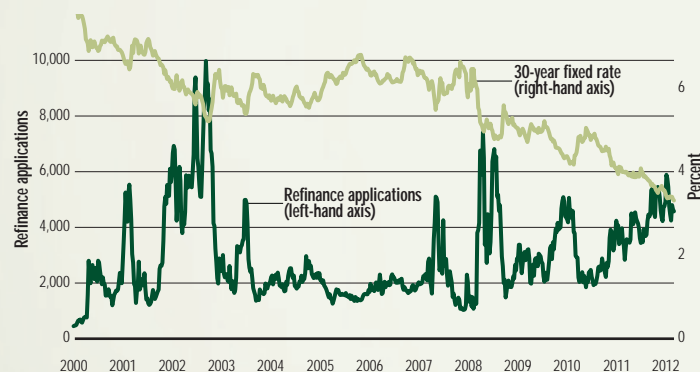
to be followed by periods of disappointing results. Simply said, although increases in employment and declines in the headline unemployment rate are good news, these increases need to be sustainable, and no one is yet making that call.

Second, Atlanta Fed President Dennis Lockhart noted in his November 1 speech in Chattanooga, Tennessee, that he is look-

Mortgage Rates Decline, Boosting Applications in 2012

The Mortgage Bankers Association's weekly applications survey (WAS) reported this fall that the volume of mortgage loan applications—approximately 83 percent of which are applications for refinancing—has exceeded prerecession levels. This volume is thanks, in part, to historically low and still declining rates.

Mortgage Rates and Applications for Refinancing



Note: Data are through November 22, 2012, indexed so March 1990 = 100, and seasonally adjusted.
Source: Mortgage Bankers Association and Freddie Mac's Primary Mortgage Market Survey

According to Freddie Mac's Primary Mortgage Market Survey (PMMS), average rates for 30- and 15-year fixed rate mortgages have fallen approximately 0.69 basis points (bps) and 0.66 bps over the last year, respectively (see the chart). As of October 25, they hover around 3.4 percent for a 30-year and 2.7 percent for a 15-year fixed-rate mortgage. To put these rates into perspective, the series' average 30-year fixed-rate mortgage rate (since the PMMS began in April 1971) was approximately 8.69 percent, and the 15-year rate (since 1991, when the 15-year series began) was approximately 6.13 percent.

Refis rise as rates fall

As rates continue their decline, the level of mortgage loan applications trends upward. Data from the WAS show that the volume

Southeastern Mortgage Rates

	Average Mortgage Rates (Percent)	
	15-Year Fixed	30-Year Fixed
National average	2.72	3.41
Atlanta-Sandy Springs-Marietta, GA	2.83	3.49
Birmingham-Hoover, AL	2.92	3.53
Jacksonville, FL	2.85	3.51
Miami-Fort Lauderdale-Pompano Beach, FL	2.91	3.59
Nashville-Davidson-Murfreesboro-Franklin, TN	2.83	3.49
New Orleans-Metairie-Kenner, LA	3.15	3.92
Tampa-St. Petersburg-Clearwater, FL	2.90	3.53

Note: Data are current through October 30, 2012.

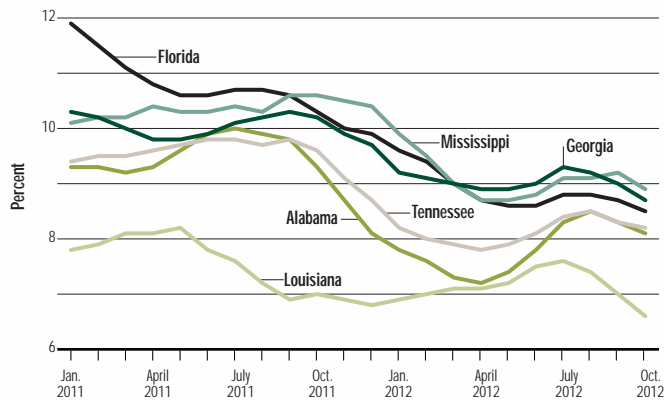
Source: Freddie Mac's Primary Mortgage Market Survey

of mortgage loan applications for refinancing has increased 34 percent over the year ending October 18, 2012. How has the region fared in this low-rate environment? Data show that average rates in southeastern metro areas are slightly above but very near the national average (see the table).

How long will low rates last and will they decline further? The Federal Reserve's open-ended purchase of \$40 billion of mortgage debt each month should continue to put downward pressure on rates, offsetting some of the increases that might have resulted from increased demand for financing. Given that, in the words of Federal Reserve Chairman Ben Bernanke, the Federal Open Market Committee is seeking "ongoing, sustained improvement in the labor market" before it ends these purchases, only time and economic conditions will tell how long these low mortgage rates will last. ■

By Nicholas Parker, an analyst in the Atlanta Fed's research department

Chart 4
Unemployment Rates for Southeastern States



Note: Data are from January 2011 through October 2012.
Source: U.S. Bureau of Labor Statistics

ing for “substantial improvement” in the labor market that one month’s worth of data do not alone accomplish. In his words:

The starting point certainly should be the headline unemployment rate and the payroll jobs number. The interpretation of movements in these two statistics would be enriched and reinforced by a review of additional data elements.

Here are examples of what I would look for:

First, I would look for lower unemployment rates that are driven by increased flows of job seekers into employment. I would not interpret discouraged workers dropping out of the labor force as a sign of improvement, even if the unemployment rate falls as a consequence.

Conversely, I’d like to see growing public confidence in the labor market as measured by increased movement of people from out-of-the-labor-force status into the labor force—that is, growing labor force participation. I would interpret a reduction in the number of marginally attached workers as a sign of improvement, even if the unemployment rate goes temporarily higher.

Third, I’d look for employment gains that are associated with reductions in underemployment. I would interpret a pickup in job growth less positively if it is associated with increases in part-time jobs for people who seek full-time work.

Finally, I’d like to see signs that improvements in all these indicators are gaining momentum and are sustainable. A framework for assessing labor market conditions needs to include forward indicators of labor market health, such as falling claims for unemployment insurance.

So, in addition to the need for sustainable trends in job growth and ongoing declines in unemployment rates, quite a few other indicators need parsing.

The Atlanta Fed’s network of business contacts throughout the Southeast saw no shift in sentiment that would portend a recovery in labor markets. Firms remain cautious regarding hiring, especially in light of the short-term fiscal challenges facing the country. (For more on this subject, see President Lockhart’s November 16 speech on our website.)

October’s employment reports were a pleasant surprise, to be sure, and perhaps a sustainable, positive trend is building in the labor market. Several more months of positive reports and more progress on a number of labor market indicators—not just the headline grabbers like the unemployment rate—are needed before we would consider saying that “substantial improvement” in labor markets was under way.



Despite the recent increase in employment, reports of skills mismatches persist. Several manufacturers reported challenges finding entry-level workers for the line, despite offering what they see as highly competitive starting salaries. Several firms reported some increase in wages, driven by the need to attract already-employed workers away from their current jobs. However, many companies across several sectors have not significantly raised entry-level salaries to attract employees. Some companies have engaged in an advanced screening process to help identify qualified workers and minimize turnover. Mortgage lenders said they were reluctant to train new workers to meet the large but transitory wave of refinances, limiting home lending activity, according to several banking industry contacts.

A broader view: Why has the recovery turned chilly?

Fundamentally, the regional economy relies a great deal on in-migration and the associated economic development and job creation it brings. Last year's economic outlook issue of *EconSouth* said, "The driving force behind the region's economic growth over the years has been robust population growth, which ignited development and spurred job creation. The slowdown in population growth to the levels experienced by the rest of the country explains a big part of the regional economic contraction, and lagging in-migration appeared to continue in 2011."



Chart 5

Southeastern Residential Housing Starts



Note: Data indicate new, privately owned housing units.
Source: U.S. Census Bureau, Atlanta Fed calculations

Early estimates suggest that in-migration and population growth have improved, but have not returned to the heady levels seen before the 2007–09 recession. The breakdown of the region's economic engine during the recession was, of course, tied directly to the real estate bust that helped make both the national and southeastern downturns so deep. Several housing indicators showed sustained improvement in 2012, indicating that the regional housing sector has continued to heal.

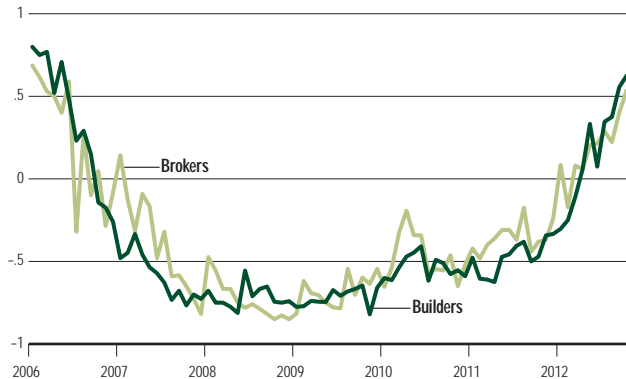
Housing becomes a potential ray of sunlight

Regional housing starts, sales, and prices stabilized in many areas throughout 2012. Florida led the way. After suffering some of the nation's largest declines, data show that a rebound in this state is clearly under way. However, Florida is in many ways unique. Significant investor activity has boosted the housing sector in the Sunshine State, as have the number of international sales in the Florida market. Many of these transactions have been in cash, so the tight underwriting standards that persist in the mortgage markets have not posed as high a barrier to recovery that other areas of the region face. That said, trends outside Florida are also turning positive in terms of both sales and new residential construction.

Both the sale prices of nondistressed homes and the cost of owning versus renting a home stabilized in many areas in 2012. However, the large number of distressed properties will likely work against any broad home-price appreciation. Home price indices, which have recently exhibited year-over-year increases, may continue to experience sluggish, uneven growth despite high levels of affordability and stability in housing starts and sales.

The new-home market has made significant progress toward recovery (see chart 5). Housing starts have begun to trend

Chart 6
Southeastern Home Prices



Note: Data represent an index of southeastern housing prices and are through October 2012.
Source: Atlanta Fed business contact poll

upward, though they remain near historically low levels. Many builders who survived the recession have positioned themselves within desirable submarkets (for example, those in better-performing school districts, close to employment centers, or with limited competition from distressed properties).

The majority of regional builders polled by the Atlanta Fed reported that home construction during the third quarter of 2012 exceeded the year-ago level. Most said construction is up slightly compared with a year earlier. Year to date, single-family permits in the Southeast were up 18 percent, driven by activity in Florida (up 24 percent) and Georgia (up 23 percent). The outlook among the region's homebuilders for construction activity over the next several months remains positive. Most anticipate construction activity will be flat to slightly up compared with a year earlier.

Rising demand for new homes and limited supply have enabled many builders to increase prices or reduce incentives. Vacant developed lot inventory is shrinking in the most desirable submarkets, and home prices in many areas have not risen to levels that make it profitable for builders to build on lots located in less desirable locations or to develop new lots. Therefore, home inventories may continue to drop and remain low for some time. In some markets, residential developers warn of a looming crisis in the availability of lots. The location of many existing vacant developed lots make them functionally obsolete while more desirable areas may restart new lot development. Still, the market share for new homes remains constrained because of appraisal issues, difficulty in financing new construction and development, and competition from the existing home market.

Most Atlanta Fed contacts in the real estate sector continued to report modest home price gains through the third quarter (see chart 6). Importantly, modest increases in overall home prices mask important differences in markets and submarkets.

Southeastern Agriculture Weathers Challenges in 2012

The drought that gripped much of the country was the big news in U.S. and Southeast agriculture for 2012. Many farmers in drought-stricken midwestern areas saw their corn and soybean crops severely affected, but southeastern farmers with more favorable soil conditions were able to increase crop production and enjoy the higher 2012 prices these crops demanded.

An overall rise in feed prices put pressure on livestock producers, with many deciding to liquidate herds. However, some cattle producers are now increasing herd size in anticipation of higher prices. Poultry producers saw somewhat better prices in 2012; their margins were also squeezed because of high feed costs.

The Florida citrus crop was quite robust, and export demand held up well. Cotton prices in 2012 remained relatively weak compared with 2011 prices, as lower demand and greater international stocks constrained price increases.

Labor costs are stable, with the soft economy placing no significant upward wage pressure. However, labor availability—particularly immigrant labor—affected some southeastern farmers. Alabama and Georgia recently passed stringent immigration laws, and many workers in those states left for Florida, a more hospitable environment for guest workers. Some agricultural producers are reportedly switching to less labor-intensive crops because of labor availability issues. ■

By Teri Gafford, director of the Regional Economic Information Network at the Birmingham Branch of the Atlanta Fed

While some markets in the region continue to have a large number of vacant homes, boosted by the ongoing inflow of foreclosed properties, other markets have a low level of inventory, multiple offers on houses for sale, and reduced time on market. Typically, markets with a higher share of distressed property sales tend to experience greater downward pressure on prices while markets with fewer distressed properties are more likely to experience price stabilization.

Seriously delinquent mortgages remain elevated, and thus an ongoing flow of foreclosed properties may continue to hold down home price appreciation. A rebound in home prices is

important, given that many homeowners who would like to sell cannot because their current mortgage exceeds the sales price. Until home prices improve, negative equity will likely create a logjam, preventing those who may be “move-up” home buyers from reentering the market.

Heading into 2013: Cost control and conservative hiring and investment

Controlling costs remains a central theme for businesses in the Southeast. Higher energy and crop-related input prices, along with the ongoing challenge of rising health care costs, represent a large part of this challenge. That said, the Atlanta Fed's feedback from firms throughout the region is that the pressure from input prices overall has eased over the last several months. While energy and agricultural goods prices are important because they have an impact on most firms, widespread input cost pressures are not presently a factor.

Although firms in the region are facing cost pressures from energy-related prices, the decline in natural gas prices has helped utilities and manufacturers manage these challenges. Transportation firms face a more difficult situation because of the high cost of gasoline, but in many cases these costs have been passed along to customers.

Higher crop prices pose a serious challenge for many companies in the region, especially for food service firms and restaurants. They are also having an impact on companies that use agricultural goods as inputs in production processes. Still Atlanta Fed survey respondents, as noted earlier, did not detect any widespread concerns regarding input costs.

No firm in the region is free from the challenges posed by higher health care costs. Many are passing these increases along to employees as higher deductibles or reduced benefits. Some firms have adopted a strategy of shifting more of their workforce to part-time status to reduce the number of employees eligible for company-provided health care coverage. However, most firms continue to wait for the full requirements of the Affordable Care Act to be spelled out before making formal changes to their health care plans.

The Atlanta Fed's results from the most recent business inflation expectations survey illustrate this broader view nicely. The survey includes responses from roughly 300 businesses across a broad range of industries in the Atlanta Fed's region. Firms reported that their unit costs were up just 1.4 percent on average compared with this time last year. That number falls below their October 2011 year-ahead expectation of 1.9 percent. Looking forward, on average, businesses expect unit costs to rise 1.8 percent over the next 12 months. That number is up slightly from 1.7 percent in September but still somewhat below recent year-ahead inflation forecasts of private economists.

According to the businesses surveyed, firms continue to operate in an environment of below-

normal sales levels and profit margins. Firms continue to anticipate little or moderate upward pressure coming from input costs over the next 12 months. Respondents also anticipate that margin adjustments and sales levels are likely to have a small upward influence on the prices they charge in the coming year. Clearly, firms' ability to fully pass along higher input prices is constrained by competitive forces in the marketplace and generally subdued demand in most areas of the economy.

Positive but slow job gains

The overriding theme from the Atlanta Fed's business inflation expectations survey and from recent discussions with business contacts is that firms remain very conservative and are hiring full-time staff only to meet current needs. Some acceleration in hiring earlier in the year—based on the need to staff up to necessary levels—was observed, but it tapered off in the spring. The October increase in employment is a positive development, but several more months of strong gains are needed to determine if a sustained rebound in hiring is under way.

Hiring seems to focus on accommodating growth from new customers, which mainly reflects market share gains, rather than increased sales to existing clients. This evidence is consistent with limited growth in demand.



Weak sales expectations and a lack of clarity about the near-term outlook were cited most often when businesses were asked why their hiring intentions remained subdued. When firms see clear evidence of increasing sales, they will still add positions. However, when improvement is marginal or volatile or uncertain, firms choose to keep workforce levels unchanged. These uncertainties focus on the durability of the recovery (expected demand) and future health care, tax, and regulatory costs.

On the other hand, energy exploration and extraction firms are increasing or planning to increase their workforces. Auto manufacturers and suppliers are running at capacity, and increased demand will result in additional hours or staff. Some auto-related manufacturing contacts are hiring and are looking at changing their scheduling practices to allow more upside production flexibility. Another area where some hiring momentum appears to be building is the housing sector, where some builders and building products manufacturers report beefing up staff to meet increases in broader demand.

Many companies report that they are shifting existing employees' responsibilities from less productive divisions to more productive areas as they struggle to adapt to current conditions. In addition, the underlying, ongoing theme of technology replacing labor in certain occupations—most notably, those that can be described as performing routine tasks—continues. Overall, businesses have become more selective in their hiring over the past few years. These practices are tied to firms' conservative approach to adding to their workforces.

And the ongoing theme of the difficulty in finding qualified workers for some specialized positions was reinforced in our most recent conversations with regional business leaders. Trucking and energy firms were the most vocal about this problem, but across the board firms were searching for hard-to-find qualified IT-related workers, engineers, and finance and accounting experts. Some firms are increasing wages to attract and retain workers, but that practice is not widespread.

Our bottom line is that demand—or the lack thereof—appears to be the driving force behind hiring decisions. Uncertainty is having an impact on hiring decisions at the margin. The ongoing drive for efficiency through the application of technology and automation is also playing a role in limiting overall increases in workforces.

Investment postponed until sunnier days

Atlanta Fed staff polled their business contacts in July with regard to capital spending plans. Fifty-five percent of the respondents noted that they planned to increase spending on capital equipment over the next six to 12 months, relative to what they spent over the last six to 12 months. About one in three said they planned to leave capital expenditures unchanged, and only 14 percent said they anticipated decreasing spending.

Of the businesses that planned to increase spending in the near term, high expected growth of sales and the need to replace IT equipment were the two most common factors driving their plans.

Among the businesses that said they do not plan to increase spending in the near term, firms noted increased or high economic or financial uncertainty followed by low expected growth of sales as the two major factors behind not increasing capital spending.

In our conversations with businesses since the survey was completed, we have detected that many firms have postponed capital expenditures. They cited worries over the impact of the fiscal cliff as a main reason for such postponements, but delays also appear to be tied to disappointing sales results.

The July survey did not tackle the question of inventories. However, in discussions with business leaders throughout the region, most say they are content with their current levels. Very few were building inventories in anticipation of future demand, and excess inventories do not appear to be a widespread issue. Regardless, tight inventory management is one of the cost-reducing strategies adopted by many firms over the last few years, and it's not clear that this will change if demand begins to increase.

Looking at the clouded horizon

In his November 1 speech in Chattanooga, Atlanta Fed President Dennis Lockhart commented on his economic outlook for the nation. He said, "I think the most plausible forecast is continued modest growth with gradual employment gains. Around this more-of-the-same forecast are downside risks of economic shocks as well as chances of somewhat better economic performance if certain risk elements are eliminated or attenuated."

Focusing on the latter part of his comment, the national, and for that matter the regional, outlook will clearly be helped if the short-term uncertainty surrounding U.S. fiscal policy is removed. Economic activity in the region will likely closely track national developments. Housing should lend some support, to be sure, as should auto manufacturing and energy production. But while desirable, a broader recovery—one that generates more robust employment gains and lower levels of unemployment as well as accelerated levels of investment—remains elusive. ■

This article was written by Michael Chriszt, a vice president in the Atlanta Fed's research department. Jessica Dill, Pam Frisbee, Whitney Mancuso, Shalini Patel, and Ellyn Terry, analysts in the Atlanta Fed's research department, also contributed.