

US ECONOMY GROWS DIM DURING SEPTEMBER



The U.S. economic outlook grew dimmer in September, leading businesses to be wary of spending and of building up inventories ahead of the holiday sales season, the Federal Reserve said on Wednesday. "Overall economic activity continued to expand in September, although many districts described the pace of growth as 'modest' or 'slight' and contacts generally noted weaker or less certain outlooks for business conditions," the findings compiled by the regional Fed Bank of Chicago said. U.S. stocks fell after the Fed's Beige Book was released, while Treasury debt prices rose on its glum economic outlook. The survey was based on information collected on or before October 7 and covers coast-to-coast conditions in all 12 regional Fed districts. It is based on the banks' contacts with businesses and other groups in their regions. Fed Chairman Ben Bernanke testified before Congress on October 4 that the economy was "close to faltering" and said the U.S. central bank would do whatever was necessary to help it. The Beige Book findings will be used by Fed policymakers when they meet on November 1-2 to mull strategy though they are not expected to announce any further easing after that meeting. Recent signs of activity firming in the third quarter, including stronger housing starts in September, have led some analysts to raise their forecast for third-quarter growth. The Fed survey, called the Beige Book because of its cover's color, found that consumer spending was up slightly in most districts, led by auto sales and tourism. There was also some increase in business spending, notably for construction and mining equipment and for new-car inventories. Although a few districts saw some pickup in construction, "overall conditions for both residential and commercial real estate remained weak," the survey said. Loan demand was generally weaker except for mortgage refinancing. Dana Saporta, an economist with Credit Suisse in New York, said the survey did not signal any robust economic rebound. "There are some pockets of encouraging news like firmer consumer and business spending. But what permeates in the headlines is that there seems to be this continued uncertainty and doubt," Saporta said. Businesses were cautious in the face of a more uncertain outlook, which the survey said was weighing on spending plans. "Philadelphia, Richmond and Chicago indicated that many retailers were reluctant to build inventories ahead of the holiday season, pointing to recent declines in consumer confidence," the survey said. The holiday sales season from Thanksgiving through Christmas accounts for half or more of many retail stores' annual business so a reluctance to build inventories may signal concern that consumers aren't in the mood to spend. Wage pressures were described as "subdued" and several districts said prices for commodities, including oil and industrial metals, had fallen in September. At the retail level there was some hesitation to boost prices when demand was weak but there was greater pass-through of costs for food and cotton-based goods to consumers.

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