For use at 2:00 p.m., E.D.T.
Wednesday
July 16, 2014

Summary of Commentary on ______________________

Current Economic Conditions

By Federal Reserve District

July 2014

SUMMARY OF COMMENTARY ON CURRENT ECONOMIC CONDITIONS BY FEDERAL RESERVE DISTRICTS

July 2014

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SUMMARY*

All twelve Federal Reserve Districts indicated that economic activity continued to expand since the previous report. The pace of economic growth was characterized as moderate in New York, Chicago, Minneapolis, Dallas, and San Francisco, while the remaining Districts reported modest expansion. Compared to the previous reporting period, Boston and Richmond noted a slightly slower pace of growth. Most Districts were optimistic about the outlook for growth.

Overall consumer spending increased in every District. Retail sales grew modestly in most Districts, with increases that were generally similar to the previous reporting period. Vehicle sales remained stronger than non-auto retail sales, with Philadelphia, Richmond, Atlanta, and San Francisco indicating robust to very strong auto sales. Tourism activity expanded in all reporting Districts, with growth ranging from slight in Philadelphia to very strong in Boston. Hotel contacts described robust activity in the Boston, New York, Atlanta, and Minneapolis Districts, while Philadelphia and Richmond noted activity levels that were in line with seasonal norms.

Activity in the nonfinancial services sector continued to grow across all Districts at a modest to moderate pace. Many Districts reported positive growth for professional and business services, including healthcare consulting, advertising, engineering, accounting, and technology. Overall, transportation activity rose at a moderate pace since the previous survey period. Broad-based demand for trucking and rail services across the Districts increased, and the Richmond District reported strong growth in port container traffic, with increases in both imports and exports. Manufacturing activity expanded in all twelve Districts. Contacts in the metal and auto industries generally reported positive growth, while manufacturers in the Philadelphia, Cleveland, Richmond, and Chicago Districts reported increased demand for their products from the energy sector.

Reports on real estate activity varied across the Districts. Many Districts reported low inventories and increasing home prices, but demand was mixed. Boston, New York, and St. Louis reported home sales were below year-ago levels, while Chicago noted a decrease in home sales since the last survey period. Home sales in other Districts remained steady or

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* Prepared at the Federal Reserve Bank of Kansas City and based on information collected before July 7, 2014. This document summarizes comments received from businesses and other contacts outside the Federal Reserve and is not a commentary on the views of Federal Reserve officials.

increased. Multi-family sales and leasing activity were robust in the New York and Dallas Districts. Residential construction rose for single-family homes in the Cleveland, Chicago, Kansas City, and San Francisco Districts, while New York, Richmond, Atlanta, Chicago, Minneapolis, and San Francisco reported increases for multifamily construction. Commercial construction activity generally strengthened across the Districts, due to higher demand and low vacancy rates.

Loan volumes rose across the nation, with slight to moderate increases reported in most Districts. Credit quality remained stable or improved slightly in most Districts, while San Francisco noted a slight decline. Credit standards were generally unchanged, although Richmond noted an easing of cost terms for well-qualified commercial and industrial borrowers, and Philadelphia and Chicago mentioned that competitive pressures were leading some financial institutions to take on higher credit risks.

Among Districts reporting on agriculture, heavy rains improved soil moisture levels in the Atlanta, Chicago, Minneapolis, Kansas City, and Dallas Districts, while drought conditions persisted in San Francisco. Most fall crops were reported in good or better condition, and expectations of higher production lowered crop prices. Profitability improved for livestock operators in the Atlanta, Minneapolis, and Kansas City Districts due to high cattle and hog prices. Oil production expanded in the Minneapolis, Kansas City, and Dallas Districts, while natural gas and coal production remained relatively steady in reporting Districts.

Labor market conditions improved, as all twelve Districts reported slight to moderate employment growth. Several Districts continued to report some difficulty finding workers for skilled positions. Aside from higher wages to attract talent for these skilled positions, wage pressures remained modest in most Districts. Price pressures were generally contained, with most Districts reporting slight to modest price increases for both inputs and finished goods. Several Districts noted higher prices for meat, dairy products, construction materials, and some metals (namely steel, copper, and nickel).

Consumer Spending and Tourism

Consumer spending continued to increase at a moderate pace since the previous report, with generally modest growth among non-auto retailers and moderate to strong growth in vehicle sales and tourism activity. Most Districts reported modest retail sales growth since the last report, with slightly slower sales growth in the Boston and Atlanta Districts and faster sales growth in the New York, Dallas, and San Francisco Districts. Although wet weather continued to restrain sales in the Chicago District, New York noted an increase in sales due to pent-up demand as the negative effects from earlier adverse weather abated. Several Districts mentioned that higher meat prices were affecting consumer behavior. New York, Cleveland, and Chicago also reported higher levels of promotions or discounting. Sales were particularly strong for shoes and children's apparel in the Philadelphia District, furniture in the Atlanta District, home improvement and building materials in the St. Louis and Kansas City Districts, and low-end and mid-range technology goods in the San Francisco District. Contacts in the Philadelphia and Cleveland Districts reported higher planned capital expenditures for retail space.

Vehicle sales expanded in most Districts in the latest reporting period, and auto contacts were optimistic about auto sales in the months ahead. Most Districts reported that sales were above year-ago levels, with Dallas noting a return to pre-recession sales levels. Philadelphia, Richmond, Atlanta, and San Francisco reported robust or very strong auto sales growth, while most other Districts noted a more moderate pace of growth. Cleveland, Richmond, and San Francisco reported some softening in used car sales, while new car sales were stronger than used sales. Richmond mentioned that recent vehicle recalls were weighing on used car sales, while Chicago noted increased activity in service and parts departments due to recalls. SUVs sold particularly well in the Cleveland and Kansas City Districts.

Tourism activity increased across all reporting Districts, and most Districts' contacts were optimistic about future activity levels. Boston, New York, and Kansas City reported strong tourism activity, while Atlanta, Minneapolis, and San Francisco reported moderate tourism growth. Hotel occupancy rates were high in the Boston, New York, Atlanta, and Minneapolis Districts. Tourism activity rose slightly in the Philadelphia and Richmond Districts, with levels that were in line with seasonal norms. Philadelphia and Richmond also mentioned that many tourists were budget conscious. Dallas noted gains in domestic travel, but weaker demand from foreign travelers.

Nonfinancial Services

Nonfinancial services activity continued to strengthen since the previous survey period, with all Districts reporting steady or improving growth. Many Districts reported positive growth within the professional and business services sector. Specifically, Boston noted an increase in demand for consulting services (especially for healthcare) and advertising; Richmond indicated a rise in demand for accounting services; Minneapolis mentioned gains in engineering and architecture services; and San Francisco noted an increase in technology services. San Francisco continued to report a decline in activity in the food services industry. Conditions in the staffing services industry across the Districts were unchanged or improved modestly compared with the previous survey period.

Transportation activity grew at a moderate pace in the most recent survey period. Minneapolis and Dallas reported high demand for rail services; in particular, Minneapolis mentioned increased volumes for grain, crushed stone, lumber, and wood, although rail shipments for petroleum, primary forest materials, and nonmetallic minerals decreased. Contacts in the Cleveland District reported strong and broad-based trucking activity, with shipments of construction and fracking-related materials particularly strong. Contacts in the Richmond District noted an increase in demand for freight trucking related to home improvement stores increasing inventories in advance of the Fourth of July holiday weekend. Port officials in the Richmond District saw robust growth in container traffic, led by exports of forest products, grains, soybeans, and auto parts, and imports of auto parts, apparel, and textiles. However, these contacts also noted that imports of housing-related products, such as furniture and appliances, had decelerated.

Manufacturing

Manufacturing activity expanded further in all twelve Districts since the previous survey period, with growth occurring across many subsectors. Manufacturing activity in the New York, Atlanta, Chicago, Minneapolis, and San Francisco Districts grew at a robust pace, while the manufacturing sectors in the Boston, Philadelphia, Cleveland, Richmond, St. Louis, Kansas City, and Dallas Districts increased at a more modest pace. Compared with the previous report, the pace of growth slowed slightly in the Boston, St. Louis, and Kansas City Districts, and increased in the Richmond District. Contacts in the Chicago, St. Louis, Minneapolis, Dallas, and San Francisco Districts reported generally positive activity within the metals sector. Philadelphia and Chicago noted improved growth in the aerospace industry since the previous survey period. Manufacturing in the auto industry generally strengthened, with Philadelphia, Cleveland, Richmond, Chicago, St. Louis, and San Francisco reporting increased activity; however, Minneapolis noted a moderation in the auto industry's demand for certain inputs. Manufacturers supporting the energy sector in the Midwest and Northern Appalachia reported stronger sales, specifically for metal-piping related products. Production of construction inputs was mixed, as Kansas City and San Francisco reported a decrease in production and Philadelphia, Chicago, and Dallas reported a slight increase. Boston, Cleveland, Atlanta, Kansas City, and Dallas were optimistic about the near-term outlook for overall manufacturing activity.

Real Estate and Construction

Residential real estate activity continued to vary by Federal Reserve District, reflecting generally low inventories and mixed levels of demand. Specifically, Boston, New York, Atlanta, Kansas City, and Dallas noted that residential home sales were constrained by low or dwindling inventories. Nevertheless, despite decreasing inventories, residential home sales in the Atlanta and Kansas City Districts rose at a slight to modest pace. Philadelphia, Cleveland, and Richmond also noted a slight to modest increase in sales since the previous survey period, while San Francisco reported that home sales in the recent reporting period were below year-ago levels. Boston, New York, Chicago, and St. Louis indicated that residential sales activity softened, with Chicago attributing some of this decline to an increase in prices. Home prices continued to rise across most of the Districts, especially within urban areas, but contacts in the San Francisco District noted a slightly slower pace of home price appreciation. New York and Dallas reported robust activity in multifamily sales and leasing.

Residential construction activity generally increased across the Districts, with only St. Louis and Minneapolis reporting a decline in overall activity. Chicago and San Francisco reported increased construction of high-end urban single-family homes, and Cleveland and Kansas City continued to see growth in low- to medium-priced single-family construction. Cleveland and San Francisco reported that a shortage of vacant lots was holding back further growth in both single-family and multifamily construction; however, growth remained positive. New York, Richmond, Atlanta, Chicago, Minneapolis, and San Francisco noted that multifamily construction activity increased since the previous survey period. Contacts in the Cleveland District reported that they were seeing greater willingness to finance multifamily projects.

Commercial construction activity strengthened across most Districts. Cleveland and Atlanta reported increased commercial construction activity compared to a year ago, and Philadelphia, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco noted gains since the previous survey period. Boston and Richmond saw mixed commercial construction activity across their Districts since the previous report. Dallas indicated strong overall commercial real estate construction activity, and commercial real estate construction increased in the Minneapolis District compared with the previous report. Boston, New York, Richmond, Chicago, Kansas City, and Dallas reported tight commercial vacancy rates. Industrial real estate construction and leasing activity was strong in the Philadelphia and Chicago Districts.

Banking and Financial Services

Overall, banking conditions improved slightly from the previous reporting period. Nearly all reporting Districts indicated increasing loan volumes. Loan demand was strongest in the New York, Chicago, and Dallas Districts, where loan volumes rose moderately compared with the previous report. Loan volumes increased modestly in the Richmond, Atlanta, St. Louis, and San Francisco Districts, while Philadelphia and Cleveland noted a slight uptick. Commercial and industrial lending increased in the New York, Philadelphia, Cleveland, Richmond, Chicago, and St. Louis Districts. However, commercial and industrial lending decreased slightly in the Kansas City District. Commercial real estate lending exhibited slight to moderate growth in the New York, Chicago, Dallas, and San Francisco Districts. Growth in residential real estate loan volumes was mixed across the System. New York, Philadelphia, St. Louis, and Dallas reported growth, while Richmond, Atlanta, and Kansas City indicated slight declines in demand. Consumer lending increased in the New York, Philadelphia and St. Louis Districts, and construction lending expanded in the New York, Philadelphia, and San Francisco Districts. Most Districts cited stable or slight improvement in credit quality, while Dallas and New York reported moderate and strong improvement, respectively. San Francisco was the only District with a reported decline in credit quality. Bankers in the New York and Atlanta Districts reported decreases in delinquency rates for all loan categories, with rates reaching pre-recession levels in the Atlanta District.

Credit standards remained generally unchanged in most Districts. Contacts in the Philadelphia District expressed a growing concern for loans with risky terms as a result of strong competition among banks to secure new loans. In addition, banking contacts in the Chicago District cited competitive pressure on structure and pricing for traditional and leveraged business lending, particularly from nonbank financial institutions willing to take on higher credit risk. Though Richmond indicated an easing of cost terms for well-qualified commercial and industrial borrowers, credit standards for mortgage lending were described as strict.

Deposit volumes picked up in the Cleveland, Kansas City, and Dallas Districts, but declined in the St. Louis District. New York indicated declining spreads between loan rates and cost of funds, particularly for commercial mortgages. Bank contacts in the Philadelphia District reported growing confidence among both businesses and consumers, but also indicated that businesses continued to be cautious regarding most decisions.

Agriculture and Natural Resources

Growing conditions varied with precipitation levels. Heavy rains improved soil moisture levels in the Atlanta, Chicago, Minneapolis, Kansas City, and Dallas Districts, though there were isolated reports of hail and flood damage. However, recent rains were too late to aid the development of the winter wheat crop and actually delayed the harvest in the Kansas City and Dallas Districts, leading to expectations for below-average yields. Persistent drought in the San Francisco District led some producers to curb new planting to conserve water for permanent crops. Despite late planting in many areas, most fall crops were reported in good or better condition, and expectations of strong production this year lowered crop prices. High cattle and hog prices, reflecting supply constraints and strong export demand, improved profitability for livestock operators in the Atlanta, Minneapolis, Kansas City, and Dallas Districts. Higher milk prices and low feed costs relative to last year also strengthened profit margins for dairy operators in the Minneapolis and San Francisco Districts. The Chicago District reported declines in milk and cattle prices compared with the previous survey period, though prices remained well above levels necessary to cover production costs.

Oil production drove growth in the energy sector, while natural gas and coal production generally held steady. Strong summer demand was expected to support elevated oil prices. Oil production expanded in the Minneapolis, Kansas City, and Dallas Districts, and crude oil inventories rose at Gulf Coast refineries in the Atlanta District. Natural gas production in the Richmond and Kansas City Districts remained relatively steady. Some contacts in the Kansas City District planned to increase capital spending, and also noted a rise in drilling costs due to advances in technology. Coal production in the Cleveland, Richmond, and St. Louis Districts, as well as iron ore output in the Minneapolis District, was little changed.

Employment, Wages, and Prices

Labor market conditions continued to improve since the previous report, with all Districts reporting slight to moderate employment growth. Employers in the Philadelphia District remained cautious, and reported hiring for replacement and some incremental growth. Philadelphia and Atlanta reported more hiring for permanent positions since the last reporting period. Employers in the Cleveland, Richmond, Atlanta, Chicago, St. Louis, Kansas City, and Dallas Districts reported difficulty finding workers for some skilled positions. In particular, a shortage of truck drivers was noted in the Cleveland, Richmond, Atlanta and Kansas City Districts, and skilled construction and craft workers were reportedly in short supply in the Cleveland, Richmond, Atlanta, Chicago, Kansas City and Dallas Districts. Cleveland and Dallas also noted that labor markets were tight in energy-producing areas.

Most Districts noted that wage pressures remained modest outside of some skilled positions. New York, Philadelphia, Cleveland, Richmond, and Atlanta reported stable to slightly increasing wage pressures; in addition, Chicago indicated that wage pressures increased (though primarily for skilled workers). St. Louis, Minneapolis, and Kansas City reported modest wage pressures. Wage pressures in the Dallas and San Francisco Districts were moderately higher than in other parts of the country. Dallas noted that the strongest wage pressures within its District were in the energy and construction sectors, but reported modest upward pressure in other industries as well. San Francisco mentioned some upward wage pressure from rising minimum wages, and some contacts in the San Francisco District noted an increasing need to offer higher starting salaries to attract talent from competitors.

Price pressures were generally contained, with most Districts reporting slight to modest price increases for both inputs and finished goods. New York and Chicago reported upward pressure on costs; Richmond and Kansas City reported that prices of raw materials and finished goods rose at a slightly slower pace. Several Districts noted higher prices for meat, dairy products, construction materials, fuel, and some metals (namely steel, copper, and nickel). Contacts in the Boston, Cleveland, Atlanta, Kansas City, Dallas, and San Francisco Districts reported success in passing on higher input costs to customers in some instances.

FIRST DISTRICT – BOSTON

Reports on recent business performance in the First District display considerable variation both across and within sectors, but point to slow economic growth overall. Contacts in the retail sector report either slight declines in sales or modest increases. Tourism is enjoying very strong growth, while manufacturers report mixed results. Consulting contacts report moderate to strong growth, while commercial real estate reports are mixed across locations and sectors. Relative to a year ago, sales of single-family homes fell in May in four New England states, but contacts also report rising median home prices in two of these states. Output prices are mostly stable in the manufacturing sector, although some firms recently raised their prices, and in the consulting sector some large firms are enacting fee increases to cover rising wage and benefit costs. While manufacturers report no commodity price pressures, some retail contacts note price increases for some inputs. Some firms in the District are engaged in significant hiring and others are doing little to no hiring, largely in line with business performance. Barring pessimism among a few contacts and selected mention of downside risks, most contacts are at least cautiously optimistic about their near-term growth prospects, and respondents in the tourism, biotechnology, and healthcare consulting industries all describe the outlook as highly favorable.

Retail and Tourism

Retail contacts report year-over-year same-store sales growth ranging from small single-digit decreases to low single-digit increases. Some contacts report that consumers are still cautious, while others say that consumers seem more confident. Some indicate that vendor prices and input costs remain steady, while others report cost increases for paper products and for fuel and freight. Depending on the retailer, the outlook for their own business and for the U.S. economy ranges from "challenging" to "steady" to "improving." The already-strong tourism sector continues to see very robust growth. Boston-area hotel revenues were up 13.2 percent in May from a year ago. Attendance at museums and other attractions is up 8.5 percent year-over-year for May. Tourism-related revenues for the 2014 summer season are projected to be 6 percent to 7 percent higher than in 2013, which was itself a record year.

Manufacturing and Related Services

Of the nine manufacturing firms contacted in this cycle, only two report year-over-year declines in revenues. A maker of frozen fish products reports that demand is down because fish is expensive and also because competitors are underpricing them. A magazine publisher that relies heavily on advertising revenues reports that ad revenues have fallen 10 percent per year for a number of years because of the shift to digital media. Of the firms reporting revenue increases from a year ago, two had very slow growth. One of these, in the chemical industry, reports that its net revenue growth figure conceals wide variation across different product lines, including a year-over-year revenue decline of 9 percent for its largest line and an increase of 12 percent for its second-largest line. Across contacts, the first quarter's harsh winter had no lasting effects on inventories, which reportedly stand at moderate levels. Seven contacts report that they are making new hires, with headcounts increasing in line with individual firms' sales growth. A biotech firm plans to hire 1,000 workers this year, while a manufacturer serving the automobile and aerospace industries reports hiring mostly to replace departing staff. Firms report mostly stable pricing. Two contacts, both selling industrial parts, recently succeeded in putting price increases through to customers. Unlike in many previous reports, no contacts report having problems with commodity prices or supplies. All contacts reporting on investment activity indicate that investment is up over last year, although none of these contacts mention having revised their investment plans recently. With the exception of the magazine publisher, contacts have a positive outlook for the remainder of 2014, and the biotech firm contact is more optimistic than are contacts in such industries as bulk chemicals and automotive springs.

Selected Business Services

Demand for analysis, consulting, and advertising is up across the board, as most contacts perceive that the economy is resurgent. Healthcare consulting firms led with 5 percent to 10 percent revenue growth over a year ago. Economic analysis and government consulting firms report year-over-year revenue growth in the range of 1 percent to 4 percent. Advertising firms also report strong demand. According to contacts, wages at business services firms are up 2 percent to 5 percent over last year, while benefits increased at a slightly higher pace. Larger firms report little trouble passing compensation increases on to clients, but smaller firms see margins being squeezed amid fierce competition, coupled with rising wage and energy costs and perceived consumer reluctance to accept higher prices. Healthcare consulting firms and a few large analysis firms plan to increase employment by 5 percent to 10 percent this year. Government consulting and smaller strategy firms report flat headcounts and no plans to hire moving forward. Firms in consulting and advertising report that a tight market for their targeted hires pushed starting salaries up 5 percent to 10 percent over last year. Revenue growth predictions display a broad range, including negative values and a value of 10 percent, although all firms expect growth to improve moving forward. Healthcare consultants are especially optimistic in light of demand stemming from clients' need to comply with the Affordable Care Act. At the same time, government and healthcare consulting firms cite pending U.S. fiscal and regulatory policy decisions as key risk factors for clients.

Commercial Real Estate

Reports from commercial real estate contacts across the First District are mixed. Leasing activity is down in Hartford in recent weeks, a fact attributed in part to usual seasonal patterns and in part to weak fundamentals. Office leasing activity is also down in Providence, while at the same time Rhode Island's industrial leasing market is tightening amid strong demand and limited inventory. According to a Portland contact, the city's tourism industry is booming, and three recently-opened hotels enjoy high occupancy rates. Also in Portland, strong office leasing is driven by growth of existing firms rather than by new firms, and investment demand is strong across industrial, multifamily, and medical properties. In Boston, office rents continue to display a modest upward trend, thanks to a lack of new inventory coming to market. A limited amount of speculative office construction is underway in Boston's Seaport District, but contacts foresee constraints on similar construction in the form of high costs and limited financing. A regional lender to commercial real estate saw a surge in loan volume in recent weeks, a fact the contact attributes to changes in business strategy. According to contacts, hiring in both Portland and Hartford—and hence added office demand—is held back by a scarcity of young, educated workers in these cities. Contacts expect that Boston will continue to see at least modest improvement in commercial real estate fundamentals moving forward, while contacts in Providence and Hartford point to uncertainty surrounding the outcomes of upcoming elections in their respective states as a factor that could restrain economic growth in the near-term. A Portland contact's outlook remains bullish.

Residential Real Estate

Realtors report steady foot traffic at open houses and multiple contacts insist that demand remains strong despite year-over-year declines in sales in May in four of five reporting states: Connecticut, Massachusetts, Rhode Island, and Vermont. In Maine, sales rose over the same period. To help explain the falling sales, realtors cite inventory shortages, perceived lack of job security, and economic uncertainty. Lack of inventory continues to hamper sales in Massachusetts, where listings have fallen on a year-over-year basis for 27 consecutive months. At the same time, contacts in that state report seeing increases in new listings in selected areas. Despite declining sales, the median sales price of single-family homes in May continued to rise on a year-over-year basis in Rhode Island and Massachusetts. For the same period, median sales prices were flat in Connecticut and down in both Maine and Vermont. Condominium sales in May are down relative to a year ago in Connecticut, Massachusetts, and Rhode Island, while Vermont contacts report increased condo sales over the same period. The median sales price for condos in May increased from a year ago in Connecticut, Massachusetts, and Vermont; by contrast, the median condo sales price fell in Rhode Island over the same period. Looking forward, contacts in both Maine and Connecticut note that they are busy with pending deals, while pending sales figures for June are below year-earlier levels in Massachusetts, Vermont, and even Connecticut. Nonetheless, realtors across the region are hopeful that closed sales numbers for June will show improvement from a year ago.

SECOND DISTRICT--NEW YORK

Economic growth in the Second District has continued at a moderate pace since the last report. Prices of finished goods and services continue to be stable, and businesses report moderate upward pressure on input prices. Manufacturers report a further acceleration in business activity, while service sector firms report steady, moderate growth. Labor market conditions continue to improve: manufacturers indicate that they have stepped up hiring activity since the last report, while service-sector firms continue to expand staff at a moderate pace. Both general merchandise retailers and auto dealers report that sales were quite robust in May but pulled back somewhat in June. Tourism activity has been increasingly brisk since the last report. Housing markets showed signs of leveling off, while commercial real estate markets strengthened slightly. Finally, banks report increased loan demand—particularly on commercial mortgages—little change in credit standards, and increasingly widespread declines in delinquency rates across all segments.

Consumer Spending

General merchandise retailers say that sales were robust and generally ahead of plan in May but mixed in June. While retail contacts in upstate New York note that sales were steady to stronger in June, two major retail chains and a number of other contacts note that business pulled back in June. Retailers generally attribute the strong sales in May to pent-up demand, after a long spell of unseasonably cool and wet weather; one major chain characterizes the pullback in June as a return to more normal levels. Retail contacts generally portray inventories as being in good shape. Prices are mostly steady, though one contact describes the pricing environment as a bit more promotional than a year ago.

Auto dealers in both the Rochester and Buffalo areas report that new vehicle sales increased strongly in May and were well ahead of comparable 2013 levels, but note signs of slowing in June. Auto dealers note that both wholesale and retail credit conditions remain in good shape, and they express optimism about the near-term outlook for sales.