

## The Federal Reserve's "Beige Book"

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## The Structure of the Federal Reserve

- Federal Open Market Committee
  - 7 Governors, 12 Reserve Bank Presidents
    - Although only 5 Presidents vote at any given time
- The Reserve Bank structure brings regional viewpoints in the making of national monetary policy
  - This is a large part of the reason for the regional Reserve Bank structure of the Federal Reserve



## Basics about the Beige Book

- Report on economic conditions by each Federal Reserve District – produced eight times a year
  - Starts with a general summary
- Production and dissemination is part of the monetary policy process
- Reserve Bank "product"
- Valuable resource during time of crisis



## Basics about the Beige Book

- Publicly released by the Board of Governors at 2 pm Eastern Time on the Wednesday approximately two weeks prior to the FOMC meeting
  - However, the information collected for the Beige Book is typically two weeks old by the time of its publication
- Past books and release schedule can be found at <http://federalreserve.gov/monetarypolicy/beigebook/default.htm>



## History

- Districts began contributing reports in the 1970s; compiled into the "Red Book"
- In 1983 public release began and the cover color was changed
- <http://www.minneapolisfed.org/bb/>



## Process

- Information is collected in a number of different ways
  - Contact calls
  - Surveys
  - Meetings/Roundtables
  - Other ways – it is ultimately at the discretion of the Reserve Bank



## Description of the Contents

- Short reports (3 to 4 pages) of developments in each Federal Reserve District
  - Write-ups typically cover employment, retail sales, housing, manufacturing
  - Generally include some information on agriculture and natural resources, and/or tourism
  - Price and wage trends noted
- Usually some mention of financial developments (often from surveys of banks)
- Summary at the start highlights general trends and distinctions across the Districts



## District Reports

- Reports usually, but not always, prepared by Research units
- Reports generally focus on what is not publicly available
- Reports are fairly uniform in organization, but not completely
  - Sectoral coverage differs
- Some interest in the System in developing more uniformity of coverage, information gathering, organization, and style



## National Summary

- Regional reports are sent to the staff at one of the Reserve Banks in order to prepare the national summary
  - The Reserve Bank whose responsibility it is to summarize the twelve Regional Reserve Bank reports order is random and not announced prior to the release of the Beige Book



## Interpreting the Beige Book

- Qualitative aspect can make it hard to interpret
- Do words such as “slower” refer to levels of activity or rate of change?
- What degree of change:
  - Ticked up; inched up; edged up; firmed; rose; increased; expanded; strengthened; climbed; jumped; boomed; surged; soared; zoomed; skyrocketed
- Difficulty of understanding such distinctions may often reflect difficulties of translating input from contacts into the reports
- Much of the commentary focuses on the opening paragraph of the national summary and district reports



## Interpreting the Beige Book: July 2012 Summary (released July 18)

- “Reports from most of the twelve Federal Reserve Districts indicated that overall economic activity continued to expand at a modest to moderate pace in June and early July.”
- What rate of growth is associated with “modest to moderate”?
- Is slack diminishing?



## Uses of the Beige Book

- Given long stretch between publishing the Beige Book report and the FOMC, it should not be viewed as what Reserve Bank presidents “bring to the table”
  - From the opening of the July 2012 report:
    - “Prepared at the Federal Reserve Bank of Atlanta and based on information collected before July 9, 2012. 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.”
  - FOMC minutes have not cited the Beige Book



### Value of the Beige Book

- Report basically gives a sense of the tone of regional contacts.
- Do markets respond to the news?
- One study has found that a quantitative classification of the Beige Book can be used to enhance near-term GDP forecasts.
  - “How Well Does the Beige Book Reflect Economic Activity? Evaluating Qualitative Information Quantitatively.” Nathan S. Balke and D’Ann Petersen, *Journal of Money, Credit and Banking*, vol. 34, no. 1 (February 2002).



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