Research [in] Brief

Regional Economic Sentiment in the Beige Book: Putting Numbers to Words

Primary issue

The Federal Reserve's periodic Beige Book compiles reports on economic conditions in each of the 12 Federal Reserve Districts, along with a national summary based on these regional reports. By using FinBERT, a natural language processing model, to convert economic sentiment into numbers, researchers sought to determine what the national summary says about recession probability and whether the summary gives equal weight to all of the District reports.

Key findings

*   The national summary has relied more on information from certain Districts than others. One reflection of this asymmetry is that since the 2020 recession, the national summary has been more upbeat about economic conditions than what's been reported in many individual Districts.

*   Economic reports from several Districts have been more accurate than the national summary in predicting recessions and other turning points in the business cycle.

The bottom line

The Beige Book's national summary does not always fully capture the economic sentiment expressed in individual District reports. The unique information contained in these District reports is a valuable complement to the national summary and may be used in tandem to help identify recessions and other phases of the US economic cycle.