

# WESTERN ECONOMIC DEVELOPMENTS

May 1996

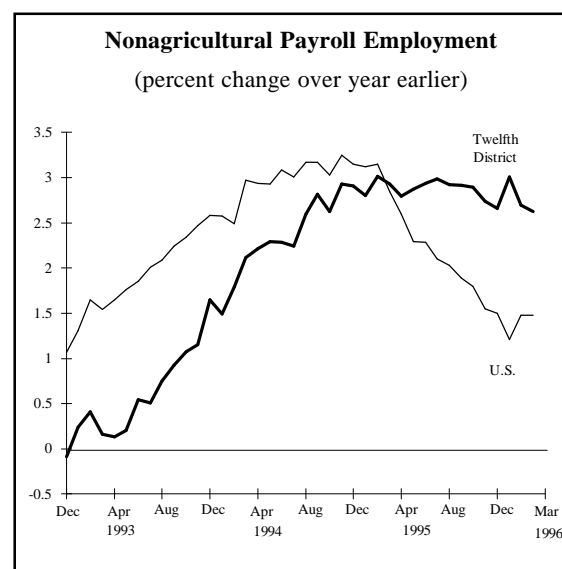
## Executive Summary

- *The Twelfth District continued on a solid economic growth path in the first quarter of 1996. As of March, District employment was 2.6 percent above its year-earlier level, and growth during the first quarter of 1996 was slightly above that pace.*
- *California continued on a moderate growth path, as did Idaho, and the Washington economy is improving after a somewhat weak 1995. Rapid expansion continued in most of the remaining District states, with the exceptions of Hawaii and Alaska.*
- *The semiconductor and computer manufacturing industries, along with related sectors, play an important role in the District economy. Despite the recent substantial slowdown in semiconductor sales, the prospects for these industries remain favorable.*
- *During the first quarter of 1996, loan growth at a sample of large District banks accelerated compared to the last quarter of 1995, and growth in April was close to the first quarter pace. Accelerating real estate loan growth is offsetting slower business loan growth in several states, including California.*

## District Update

During the first quarter of 1996, the District economy continued to expand at the solid pace established in mid-1995. As of March, District payroll employment was 2.6 percent above its year-earlier level, and growth during the first quarter of 1996 was slightly above that pace. California performed well, expanding 1.9 percent at a yearly pace during the first quarter of 1996; this is slower than in the second half of 1995, but it probably is an underestimate of actual job growth. Consistent with solid growth in the state, reports indicate reduced migration of Californians to Oregon, a fast-growing neighbor state.

Elsewhere, the Washington economy is improving after a somewhat weak 1995, with a particularly strong showing in March, and Idaho continues its moderated expansion. Although lingering weakness was evident in Hawaii and to a lesser extent Alaska, rapid expansion continued in Nevada, Utah, and Oregon. Employment growth in Arizona has accelerated to a rapid rate



after slowing somewhat during the middle of 1995; however, loan growth in that state has weakened.

District growth continues to be led by the construction, service, and trade sectors, with particularly fast growth in the wholesale component of the latter. The activity in the wholesale sector and District international trade reflects in part the expansion of manufacturing in the District. Rapid manufacturing expansion in high-wage sectors has manifested itself in substantial manufacturing wage gains in several states. For example, a large and growing share of District employment is in semiconductor and computer manufacturing and related activities.

### Recent Developments in the Semiconductor and Computer Industries

The national semiconductor industry recently has experienced a sharp downturn in its key sales indicator. This has raised concerns about the health of that industry, and also the health of the computer industry—particularly the segment that produces desktop computers for home and business use. These industries play important roles in the District economy, due to their share of output and employment, and the often high-wage jobs that they provide. This is particularly true in California, where Silicon Valley (in the southern part of the San Francisco

Bay Area) has long been the nation's leading area for the development and production of semiconductors and computers. In Southern California, Los Angeles and Orange Counties also produce significant amounts of these products, as do other areas in California and several other states in the District—notably Oregon, Washington, Idaho, and Utah.

### District Employment by Industry

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-96	Feb-96	Mar-95	From Month Ago	From Year Ago
Total	21,362	21,325	20,816	2.1	2.6
Mining	81	81	81	-4.3	-0.6
Construction	992	999	936	-7.6	6.1
Manufacturing	2,825	2,819	2,793	2.9	1.2
Transportation	1,096	1,096	1,082	0.8	1.3
Trade	5,109	5,096	4,973	2.9	2.7
F.I.R.E.	1,216	1,215	1,207	1.7	0.8
Services	6,368	6,345	6,077	4.6	4.8
Government	3,632	3,631	3,623	0.3	0.2

Seasonally adjusted payroll employment data.

### District Employment by State

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-96	Feb-96	Mar-95	From Month Ago	From Year Ago
Alaska	263	265	261	-6.6	1.0
Arizona	1,839	1,835	1,773	2.7	3.7
California	12,630	12,622	12,349	0.8	2.3
Hawaii	529	531	536	-3.1	-1.2
Idaho	487	486	475	4.5	2.5
Nevada	832	827	776	7.7	7.3
Oregon	1,459	1,454	1,403	4.4	4.0
Utah	943	938	896	6.9	5.3
Washington	2,379	2,369	2,348	5.3	1.3
District	21,362	21,325	20,816	2.1	2.6
Rest of U.S.	96,658	96,517	95,486	1.8	1.2
U.S.	118,020	117,842	116,302	1.8	1.5

Seasonally adjusted payroll employment data.

### District Manufacturing and Construction Indicators

	Mar-96	Feb-96	Mar-95	% Change From Previous Month	% Change From Year Ago
	Aerospace Employment (1992=100)	61.2	62.7	66.3	-2.4
Electronics Employment (1992=100)	107.2	107.1	99.4	0.1	7.9
U.S. Semiconductor Orders (\$ Million)	3330.0	3900.0	3910.0	-14.6	-14.8
Non-Residential Awards (1992=100)	101.2	113.1	136.7	-10.5	-25.9
Residential Permits (Thousands)	25910.4	26379.1	21427.0	-1.8	20.9
Western Housing Starts (Thousands)	23.9	24.2	24.2	-1.2	-1.2

*Recent Industry Performance at the National Level*

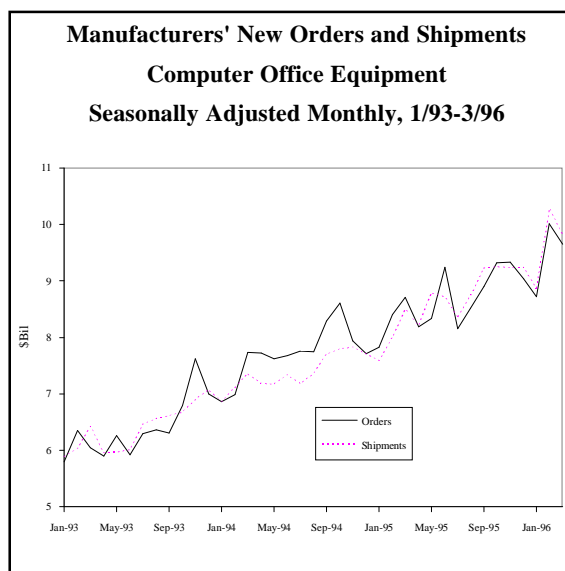
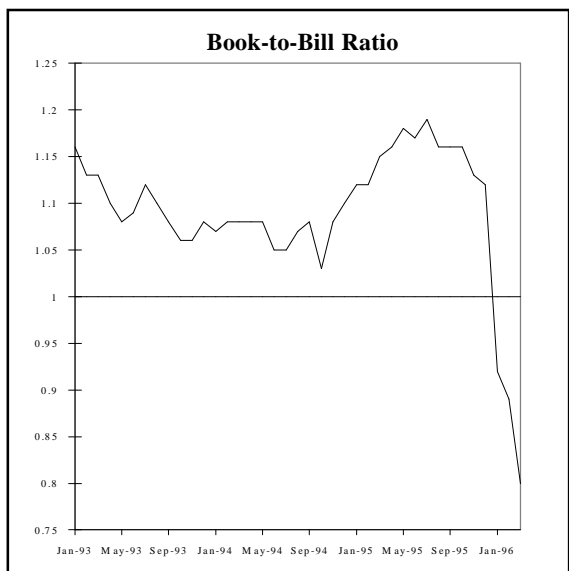
The magnitude of the semiconductor downswing at the national level is depicted in the chart, which shows monthly values of the U.S. “book-to-bill” ratio (seasonally adjusted and provided by the Semiconductor Industry Association). U.S. “book-to-bill” is the ratio of semiconductor orders to shipments, from U.S. manufacturers to U.S. purchasers. It is a commonly used indicator of short-term domestic semiconductor industry conditions.

After climbing to unusually high levels in the first half of 1995, the book-to-bill declined slowly in the second half of 1995, and then dropped precipitously during January-March of this year. Both the orders and shipments components of the ratio dropped over this period. Concurrent with this was substantial inventory accumulation at semiconductor and computer manufacturing plants.

However, the book-to-bill ratio may overstate the decline in quantity demanded because it is contaminated by price changes. In particular, when memory prices are declining, new orders are placed at lower prices than existing shipments, so that even with constant quantities sold the ratio will decline.

Such price changes have occurred over the recent episode of book-to-bill decline. Prices for a basic unit of standard computer memory—Dynamic Random Access Memory, or “DRAM”—declined slightly (approximately 4 percent) between December 1995 and February 1996, and then dropped sharply in March (by approximately 30 percent). Because the large price decline lagged behind the initial large decline in book-to-bill by several months, the price declines do not appear to fully explain the declining book-to-bill—i.e., the reduced book-to-bill is not entirely due to supply-driven decreases in the price of semiconductors.

The sharp downturn in semiconductors was interpreted by some observers as boding poorly for computer sales in 1996, because use in computers accounts for an estimated 60 percent of the semiconductor market. To date, however, little or no downturn in computer industry indicators has been observed. The next chart shows the value (at 1992 prices) of monthly computer orders and shipments at the national level for the period from January 1993 to March 1996. No slowdown is apparent. Furthermore, business investment expenditures on computer equipment (not shown) accelerated in the first quarter of 1996, after a very strong 1995.



*Explanation of the Semiconductor Glut*

The patterns identified above suggest that sales of computers and semiconductors are not necessarily tightly linked over short periods of time. In general, the semiconductor industry is subject to sharper swings than is the computer industry. This arises due to the increasingly large investments and long lead times needed until semiconductor manufacturing plants reach efficient operating capacity. Combined with rapid expansion of worldwide semiconductor markets, this causes new capacity to be built based on expected industry growth, in an uncertain environment. Overestimation of this growth leads to periods of excess capacity and overproduction. The resulting market glut manifests itself in rising inventories at semiconductor and computer firms, falling semiconductor prices, and reductions in the quantity and value of orders.

It appears that these normal industry cyclical pressures were present in the recent semiconductor downturn, along with several other important elements. Memory chip prices were very high during 1992-95, as growth in worldwide demand outstripped supply; this caused computer makers to conserve somewhat on memory. A change occurred with the introduction of Windows '95 in mid-1995, which requires more memory than earlier operating systems. Resulting growth in memory chip sales was expected to be particularly strong, and semiconductor and computer firms planned accordingly.

However, sales of Windows '95 were not as strong as some computer and semiconductor makers expected, nor was growth in related hardware sales. In addition, substantial new semiconductor capacity came on-line worldwide during 1995, and new chip technology became available recently, which rapidly supplanted the old technology and led to excess inventories on the latter. The net effect of these factors was a substantial glut in the semiconductor market, without any apparent slowing in computer sales. The resulting excess inventories of semiconductors were substantial, but industry analysts expect them to be fully eliminated by the middle of this year.

*Changing Computer and Semiconductor Employment in the District*

Precise data on the contribution of these sectors to District output and income are not available. The best available data are payroll employment data for several detailed industry sectors.

In California, a large number of jobs are in the "computer and office equipment" and "electronic components and accessories" sectors. These are Standard Industrial Classification (SIC) industries 357 and 367; semiconductors are a large share of the latter. As of March 1996, the state had over 200,000 jobs in these two categories, which is almost 2 percent of total payroll employment. Employment in both industries grew rapidly over the past year, at a 5 percent rate for computer employment and 8 percent rate for electronic components employment. However, slowing occurred in the first quarter of 1996, to 1.9 percent in computers and 7 percent in electronic components (both at an annualized rate).

Furthermore, in California the electronics sector as a whole (SIC 36) grew more slowly over the past year, but slowed less in the first quarter, than did its components sub-sector (SIC 367). This is consistent with the recent pattern in semiconductor output growth, which was very rapid during 1995 but slowed substantially in early 1996. This pattern in semiconductor output likely had a more pronounced effect on employment in the narrower electronic components sector (SIC 367), in which semiconductor manufacturing accounts for a large output share, than in the broad category (SIC 36), where it accounts for a smaller output share.

Available figures reveal a similar pattern in Washington and Oregon. Growth in computer employment and electronics employment was rapid over the past year but slowed in the first quarter of 1996. The same is true for the electronics sector in Utah. In contrast, electronics employment growth in Idaho accelerated over the same period.

*Assessment*

The semiconductor market slowdown nationally has not yet been reversed; the preliminary April “book-to-bill” figure is approximately at the low level established in March. This slowdown appears to have affected the computer and electronics sectors in the District. Employment growth in these sectors slowed in several states early in 1996.

As noted, however, the semiconductor glut is expected to be temporary, and no slowdown in computer sales has been observed to date. Substantial competitive pressure from domestic and international sources will continue in these industries, which may affect the growth of specific firms in some states. However, these sectors as a whole should continue to be a source of strength for the District economy.

**Financial Conditions**

Total bank lending (adjusted for loan sales and reclassifications) accelerated in most states in the District in the first quarter, according to a survey of large banks. A resumption of growth in real estate loans, following cutbacks during the second half of last year, contributed to the pickup, as did acceleration in consumer loan growth. In contrast, business loan growth declined to its lowest level since the fall of 1993.

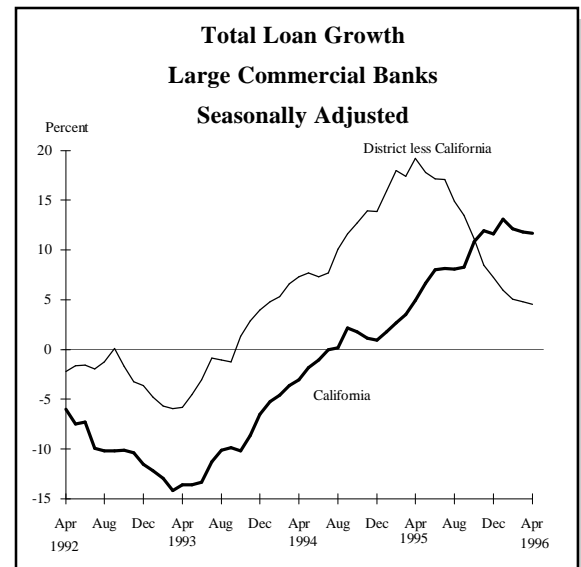
In April, loan growth for the District excluding Nevada (where credit card institutions substantially distort consumer loan figures) was slightly lower than during the first quarter.

In California, the annualized rate of adjusted loan growth averaged 8.6 percent in the first quarter of 1996, down only slightly from the fourth quarter’s 9.0 percent pace, but well below last summer’s peak of 18.7 percent. A decline in business loan growth in the first quarter contributed to the slight cutback in total lending. However, real estate loans grew solidly in the first quarter, following a contraction in the fourth quarter of last year. In April, annualized loan growth increased somewhat, to 10.7 percent.

Like California, but in contrast to the District as a whole, Arizona is showing a slowdown in lending. Adjusted loan growth in Arizona declined to an average annualized rate of 9.1 percent in the first quarter, from 12.4 percent in the fourth quarter of last year. In April, loan growth decreased again, to 7.6 percent at an annual rate. A decline in real estate loan growth in the first quarter contributed to the slowdown. In addition, business lending contracted in the first quarter, following robust growth during the second half of last year, and consumer loans outstanding continued to decline.

	Apr-96	Mar-96	Apr-95	Annualized % Change From Month Ago	% Change From Year Ago
Total Loans	238.9	236.1	220.1	15.6	8.5
Commercial	52.0	52.1	47.6	-2.9	9.2
Real Estate	120.3	119.6	114.6	7.6	5.0
Consumer	37.8	36.2	36.3	66.7	4.1
Total Deposits	245.5	243.5	235.5	10.7	4.3
Large Time	20.6	20.7	15.9	-7.9	29.7
Small Time	40.8	41.6	39.6	-19.6	3.0
MMDAs / Savings	89.5	88.2	86.8	20.0	3.1

Figures in billions of dollars, seasonally adjusted



## ALASKA, OREGON, AND WASHINGTON

In **Alaska**, the number of jobs in March was up 1 percent from a year earlier, despite a net decline between November and March. Mining, construction and manufacturing employment have been volatile in recent months; although all three sectors suffered significant job declines in March, each expanded overall during the past year. The slowing in construction employment growth is likely to continue. Residential permits declined sharply in the first quarter after increasing during the second half of 1995, and non-residential construction awards remain at low levels. In contrast, yearly growth in service employment was at a relatively robust 2.8 percent in March, although this rate has slowed substantially over the past year.

Recent legislation has improved the outlook for the state's oil industry. In April, the federal government gave formal clearance for exportation of Alaskan North Slope crude oil, ending a ban imposed in 1973. The U.S. Energy Department expects a significant increase in Alaskan oil production, which will improve revenue flows to the state government.

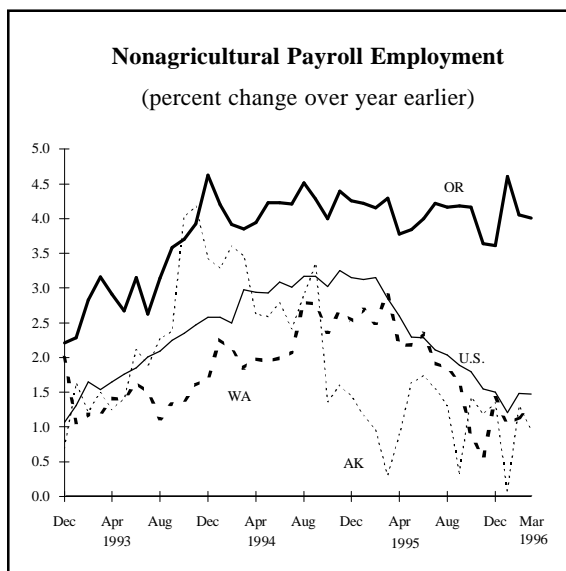
Labor markets in **Oregon** remain strong. The state posted a steady gain in March, and the number of jobs is 4.0 percent above its year-

earlier level. Construction employment fell sharply in March, but this only partially offsets large increases in January and February. Employment growth in the trade and service sectors also accelerated in the first quarter of 1996, and the state unemployment rate has been lower than its national counterpart for 30 consecutive months.

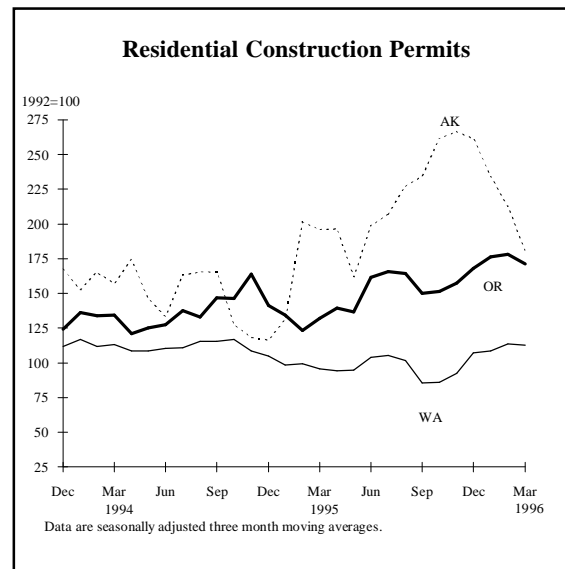
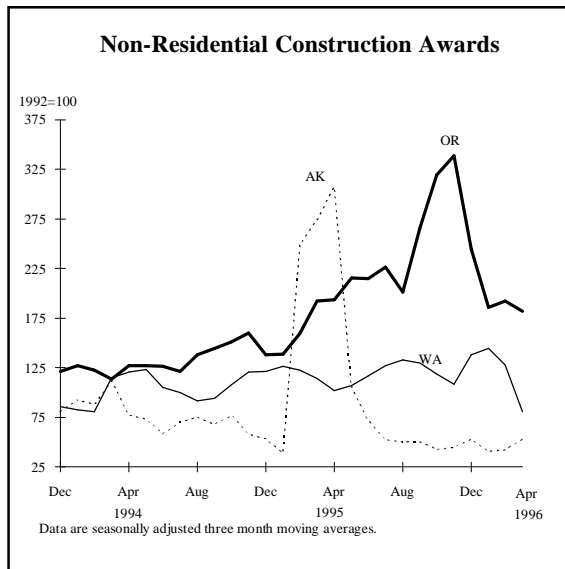
Slowed domestic migration to the state should help to keep unemployment low, although it may also reduce employment growth. The number of out-of-state driver's licenses exchanged during March was reportedly down 1.5 percent overall relative to a year earlier, and down 12 percent for transfers from California to Oregon. Elsewhere, a survey of automobile dealers in the Portland area indicates that sales are slowing. The recent spike in gasoline prices may temporarily exacerbate this, since trucks with low gas mileage constitute a significant share of sales in the state.

Economic conditions in **Washington** appear to be improving after a somewhat slow 1995. Payroll employment recorded strong gains in February and March, and the March figure is 1.3 percent above its year earlier level. Every major sector added to payrolls in March, and the construction, service, and finance sectors registered strong job gains between the fourth quarter of 1995 and the first quarter of 1996. Although state manufacturing employment has been declining, Boeing announced in April that it plans to hire 6,700 workers in Washington state this year. Current estimates indicate that Boeing will produce 215 planes in 1996, 318 in 1997, and 370 in 1998, compared to 206 in 1995.

Federal funding cuts and restructuring efforts at the Hanford nuclear facility have weakened economic conditions in the southeastern part of the state. In March, Hanford-related employment was down 18.2 percent from its year-earlier level. As a result of the Hanford layoffs, the state Revenue Department recently designated the area as distressed, which enables the use of special tax incentives to attract new business and support growth at existing firms.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago		Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago
	Mar '96	Feb '96	Mar '95				Mar '96	Feb '96	Mar '95		
<b>Alaska</b>						<b>Washington</b>					
Total	263.2	264.7	260.7	-6.6	1.0	Total	2,378.8	2,368.5	2,347.7	5.3	1.3
Mining	10.1	10.3	10.0	-21.0	1.0	Mining	3.2	3.2	3.4	0.0	-5.9
Construction	12.4	12.9	12.3	-37.8	0.8	Construction	125.2	123.2	123.9	21.3	1.0
Manufacturing	17.7	19.1	16.9	-59.9	4.7	Manufacturing	332.6	332.0	340.0	2.2	-2.2
T.C.P.U.	22.8	23.2	23.4	-18.8	-2.6	T.C.P.U.	121.8	120.8	119.3	10.4	2.1
Trade	54.6	54.4	53.7	4.5	1.7	Trade	586.4	584.9	580.5	3.1	1.0
F.I.R.E.	11.6	11.6	11.7	0.0	-0.9	F.I.R.E.	123.4	122.9	121.3	5.0	1.7
Services	61.4	61.0	59.7	8.2	2.8	Services	639.6	636.5	614.9	6.0	4.0
Government	72.6	72.2	73.0	6.9	-0.5	Government	446.6	445.0	444.4	4.4	0.5
<b>Oregon</b>						<b>Unemployment Rates (%)</b>					
Total	1,459.0	1,453.8	1,402.8	4.4	4.0		Mar '96	Feb '96	Jan '96	Mar '95	Feb '95
Mining	1.9	1.9	1.8	0.0	5.6	Alaska	7.9	7.5	7.7	7.3	7.4
Construction	72.7	73.4	65.8	-10.9	10.5	Oregon	5.1	4.9	4.9	4.6	4.7
Manufacturing	231.9	230.3	227.4	8.7	2.0	Washington	6.1	6.0	5.9	6.3	6.4
T.C.P.U.	72.8	72.7	70.7	1.7	3.0	U.S.	5.6	5.5	5.8	5.5	5.4
Trade	368.6	366.9	355.5	5.7	3.7						
F.I.R.E.	89.2	88.7	86.3	7.0	3.4						
Services	386.5	385.2	357.0	4.1	8.3						
Government	235.4	234.7	238.3	3.6	-1.2						

Unemployment rates are from the household employment survey, all other data are for nonagricultural payroll employment. All data are seasonally adjusted.

## ARIZONA, CALIFORNIA, AND HAWAII

After slowing in the middle of 1995, employment growth in **Arizona** averaged almost 6 percent at an annual rate during November 1995 through March 1996, and the unemployment rate hovered below 5 percent over the same period. Most of the recent job gains have been in the trade and services sectors. Within the trade sector, wholesaler activity and job growth has been strong, owing partly to a pickup in manufacturing production in the state, and recent rapid expansion in retail employment has been propelled in part by rapid population growth during the past few years.

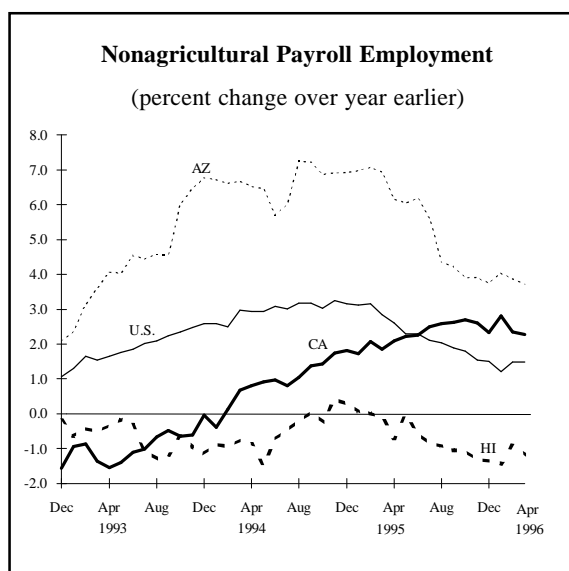
U.S. Census Bureau figures indicate a 15 percent gain in Arizona's population between 1990 and 1995. More than half of this increase was due to the migration of residents from other U.S. states, while immigration from abroad played a smaller role. Arizona has a large and increasing number of elderly residents, which is boosting the demand for medical services in the state.

Economic growth in **California** continues to outpace that in the nation as a whole. Estimated state payroll employment growth in February and March averaged 2 percent at an annual rate, which is below the revised 1995 pace but probably is an underestimate of actual job growth. In addition to a likely undercount of jobs created in

start-up firms, seasonal adjustment difficulties—due to the large weather-related disruptions last year—appear to have distorted the recent monthly data and exaggerated a reported decline in construction employment since January. Among other indicators of building activity, residential permits are not declining but remain relatively low, and there has been some slowing of nonresidential construction awards. The civilian unemployment rate has edged down since late 1995, as has the rate of job loss as measured by initial claims for unemployment insurance payments.

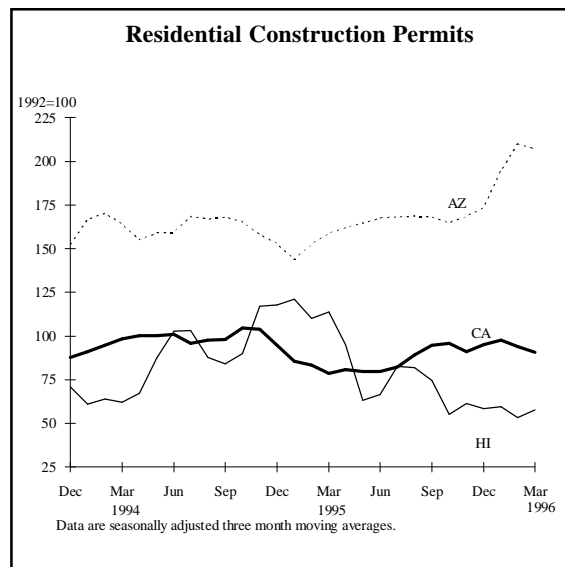
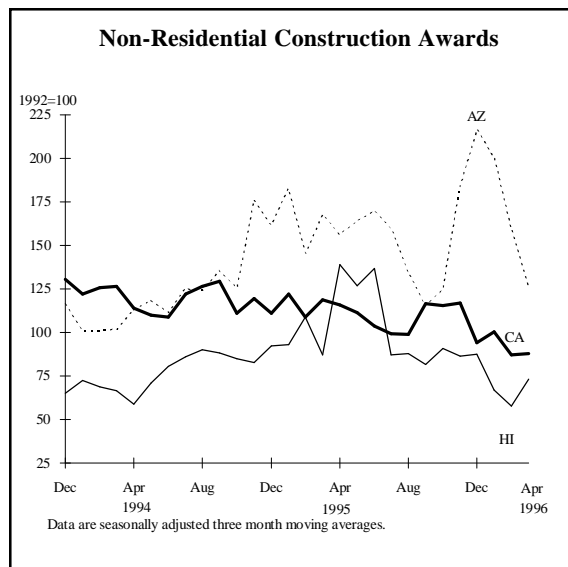
The degree of labor market slack differs across subregions of the vast state. In the San Francisco Bay area, the civilian unemployment rate is declining and now is below 5 percent, compared to about 6 percent in San Diego and 7.5 percent in the greater Los Angeles area. Los Angeles' still-struggling economy now faces additional restraint from disruption of trucking activity due to a labor dispute at the Ports of Los Angeles and Long Beach. On the brighter side for that region, orders for McDonnell Douglas civilian aircraft picked up sharply in late 1995 and remained healthy in the first quarter of this year.

The deterioration in general economic conditions in **Hawaii** appears near an end, but official labor market indicators do not yet show recovery, and other indicators of economic health are mixed. Payroll employment has been essentially constant in recent months, after falling about 1.5 percent in 1995. Two upbeat indicators are a strong increase in tourism traffic and improved retail sales growth in recent months. However, the recent jump in jet fuel prices is a downbeat development that likely will increase the cost of traveling to Hawaii, at least temporarily. Official labor market indicators show the unemployment rate holding steady at 6 percent, which is high given the prevalence of multiple job-holding in the Hawaiian labor market.





# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago		Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago
	Mar '96	Feb '96	Mar '95				Mar '96	Feb '96	Mar '95		
<b>Arizona</b>						<b>Hawaii</b>					
Total	1,839.2	1,835.1	1,773.2	2.7	3.7	Total	529.2	530.6	535.5	-3.1	-1.2
Mining	12.5	12.4	12.2	10.1	2.5	Mining					
Construction	122.2	124.6	117.6	-20.8	3.9	Construction	24.7	24.9	26.9	-9.2	-8.2
Manufacturing	197.4	197.3	191.2	0.6	3.2	Manufacturing	16.5	16.7	16.9	-13.5	-2.4
T.C.P.U.	88.2	88.2	86.3	0.0	2.2	T.C.P.U.	40.7	40.8	40.7	-2.9	0.0
Trade	460.9	457.0	444.8	10.7	3.6	Trade	134.8	134.9	136.1	-0.9	-1.0
F.I.R.E.	108.2	108.1	107.3	1.1	0.8	F.I.R.E.	37.1	37.3	37.4	-6.2	-0.8
Services	542.8	540.7	516.7	4.8	5.1	Services	165.3	165.7	165.0	-2.9	0.2
Government	307.0	306.8	297.1	0.8	3.3	Government	110.1	110.3	112.5	-2.2	-2.1
<b>California</b>						<b>Unemployment Rates (%)</b>					
Total	12,630.1	12,621.5	12,349.3	0.8	2.3		Mar '96	Feb '96	Jan '96	Mar '95	Feb '95
Mining	28.8	29.0	30.3	-8.0	-5.0	Arizona	4.9	4.9	4.8	5.3	5.3
Construction	496.9	503.7	474.6	-15.0	4.7	California	7.6	7.7	7.6	7.7	7.7
Manufacturing	1,806.4	1,803.9	1,786.6	1.7	1.1	Hawaii	5.9	5.9	5.8	5.6	5.7
T.C.P.U.	631.5	631.8	628.0	-0.6	0.6	U.S.	5.6	5.5	5.8	5.6	5.6
Trade	2,985.1	2,984.0	2,910.9	0.4	2.5						
F.I.R.E.	734.8	734.6	737.0	0.3	-0.3						
Services	3,847.0	3,833.1	3,678.9	4.4	4.6						
Government	2,099.6	2,101.4	2,103.0	-1.0	-0.2						

Unemployment rates are from the household employment survey, all other data are for nonagricultural payroll employment. All data are seasonally adjusted.

## IDAHO, NEVADA, AND UTAH

The **Idaho** economy continues to expand at the moderated pace established in the middle of 1995. Yearly growth in payroll employment was 2.5 percent as of March, with a substantial increase in that month after weak growth in January and February. The March surge helped to hold the unemployment rate around 5 percent, where it has been since declining from 5.4 percent in December. Recent employment growth has been led primarily by growth in construction and durable manufacturing. State manufacturing strength is also reflected in a remarkable 14 percent increase in average manufacturing wages during the past year. In contrast, both the government and finance sectors have experienced employment declines of late.

Conditions are mixed in the state's construction and real estate sectors. Commercial construction activity and construction and sales of single family homes remain high. However, both the multi-family residential market and the rental market have softened noticeably, with vacancy rates that have increased to levels several points higher than the nationwide average.

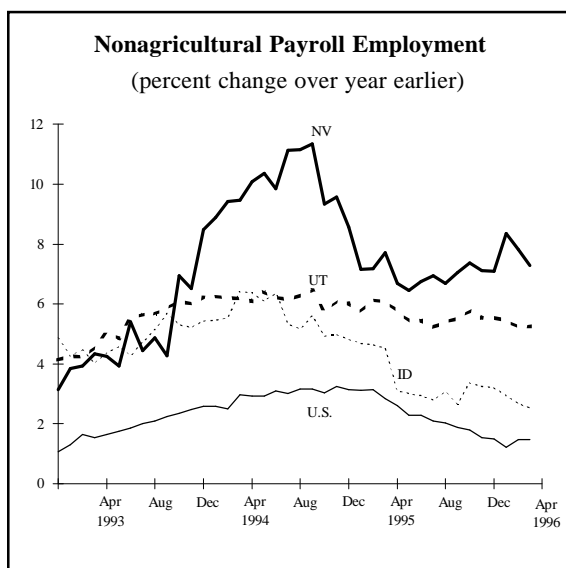
**Nevada's** employment growth rate has been the fastest in the nation for several years now. As of March, annual state payroll employment growth stood at 7.3 percent, and the unemployment rate dropped to 4.6 percent after hovering around 5

percent since October. Employment in the trade and finance sectors surged in March, but the government sector, which grew at 3.1 percent in the 12 months leading to March, lost jobs in February and March after a substantial gain in January. Overall employment growth has been broad-based over the past year, and average manufacturing wages increased by 7.8 percent during the past year.

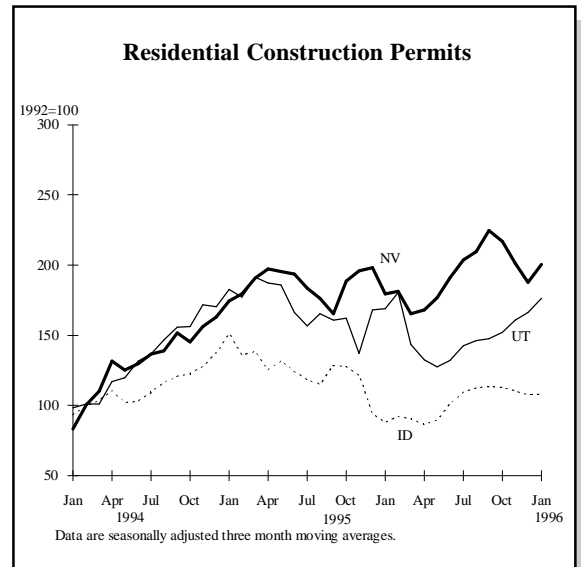
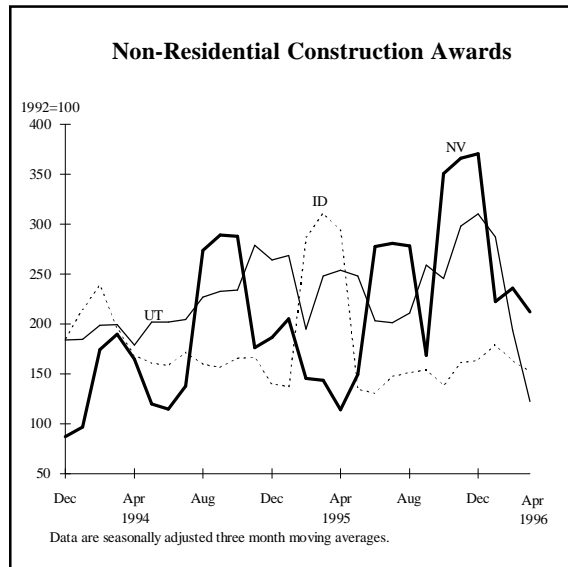
The strongest job gains continue to be in construction, where employment grew 18.4 percent during the 12 months ending in March. Residential construction has accelerated in recent months, and recent commercial developments in Las Vegas include the opening of an elaborate hotel/casino and plans for two more major hotel/casinos to open later this year. Additional new commercial projects valued at more than \$2 billion are scheduled to be completed in Las Vegas by 1998.

Rapid economic expansion also continues in **Utah**. Yearly employment growth as of March was 5.3 percent. After some slowing around the turn of the year, employment growth was strong in February and March, led by large gains in the construction, durable manufacturing, and finance sectors. The gains in durable manufacturing employment came largely from the industrial machinery and electronics sectors, which for now helps to mitigate concerns that these sectors would be hit hard by the glut in the national semiconductor market.

One concern in the state is over the very tight labor market. The unemployment rate recently declined from an already very low 3.5 percent in October to nearly 3 percent during December-March. Employers face substantial constraints in hiring workers. Population growth in the state has been rapid, but is being fueled as much by high birth rates as by in-migration of workers, and California's economic recovery is likely to slow the latter. Despite these concerns, manufacturing wage growth was a solid but not remarkable 4.4 percent for the 12 months ending in March.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago	
	Mar '96	Feb '96	Mar '95			Mar '96	Feb '96	Mar '95			
<b>Idaho</b>						<b>Utah</b>					
Total	487.4	485.6	475.4	4.5	2.5	943.1	937.9	896.0	6.9	5.3	
Mining	2.9	2.9	2.7	0.0	7.4	8.0	8.0	8.1	0.0	-1.2	
Construction	32.4	32.1	29.5	11.8	9.8	60.6	59.1	52.8	35.1	14.8	
Manufacturing	73.0	72.0	71.9	18.0	1.5	128.7	127.7	122.7	9.8	4.9	
T.C.P.U.	23.3	23.5	22.7	-9.7	2.6	53.2	52.7	51.2	12.0	3.9	
Trade	123.2	123.2	120.6	0.0	2.2	226.8	225.5	217.3	7.1	4.4	
F.I.R.E.	23.7	23.9	24.2	-9.6	-2.1	50.2	49.8	46.6	10.1	7.7	
Services	113.7	113.1	108.3	6.6	5.0	249.5	249.1	233.8	1.9	6.7	
Government	95.2	94.9	95.5	3.9	-0.3	166.1	166.0	163.5	0.7	1.6	
<b>Nevada</b>						<b>Unemployment Rates (%)</b>					
Total	832.1	827.0	775.6	7.7	7.3						
Mining	13.5	13.5	12.9	0.0	4.7						
Construction	70.0	70.0	59.1	0.0	18.4						
Manufacturing	38.8	38.7	36.0	3.1	7.8						
T.C.P.U.	42.1	42.0	40.1	2.9	5.0						
Trade	168.1	165.6	153.9	19.7	9.2						
F.I.R.E.	38.0	37.6	34.9	13.5	8.9						
Services	362.5	360.2	342.6	7.9	5.8						
Government	99.1	99.4	96.1	-3.6	3.1						
						Mar '96	Feb '96	Jan '96	Mar '95	Feb '95	
Idaho						5.1	4.9	5.0	5.4	5.7	
Nevada						4.6	5.0	5.1	5.1	5.2	
Utah						3.2	3.2	3.1	3.1	3.4	
U.S.						5.6	5.5	5.8	5.6	5.6	

Unemployment rates are from the household employment survey, all other data are for nonagricultural payroll employment. All data are seasonally adjusted.

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**1996 Issues****Mailing Date**

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