

ETC ECONOMIC TRENDS & CONDITIONS

Published for the Division of Banking Supervision and Regulation

June 2009 Edition

National Outlook

(Based on the June 2009 FRBSF [FedViews](#).)

- The economy shows many signs of continued contraction; however, forward-looking economic indicators such as stock prices, corporate bond spreads, and the Institute for Supply Management survey of manufacturers have been giving more positive readings over the past several weeks.
- Given the weak levels of retail sales, manufacturing, and output more broadly, we see substantial downward pressure on prices outside the energy sector over the next several quarters.
- After contracting sharply in the past two quarters, we forecast that GDP will contract, but at a much slower pace, in the second quarter and will post a small positive growth rate in the third quarter.
- Looking further ahead, we expect GDP to grow at an above-trend rate for several quarters as the economy returns to a more normal level of labor-force and capacity utilization.

Around the District

(Based on the June 10, 2009, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District slowed further on net since the last report, although some signs of stabilization or improvement were reported in some sectors.
- Retail sales remained feeble in mid-April through the end of May, and demand continued to ease for services.
- Conditions in the District housing markets remained anemic, although there has been a sustained pickup in the pace of home sales in many areas. Demand for commercial real estate slid lower.
- Upward pressures on prices were very limited, and upward wage pressures remained largely nonexistent.
- In response to declining demand, businesses continued to cut back on their planned capital investments.
- Overall loan activity continued to weaken, and credit conditions remained tight.
- Job growth in the District continued to fare moderately worse than that in the nation as a whole over the 12 months ending in May (see table on next page).
- Similarly, unemployment rates over the past 12 months increased substantially in the District, even more so than in the rest of the United States. However, initial claims for unemployment in both the United States and the District have been declining in recent weeks, suggesting unemployment rates may be close to their peak.

Employment Conditions

Total Nonfarm Employment

MAY2009	level ^p	Percent Change				Unemployment Rate
		1-month ^a	3-month ^a	YTD ^a	12-month	
U.S.	132,151.0	-3.1	-4.4	-5.1	-3.9	9.4
12 th District	25,244.6	-4.6	-5.2	-6.2	-4.9	10.5
Alaska	323.8	11.4	-0.5	-0.4	0.0	8.4
Arizona	2,443.4	-8.8	-6.3	-8.4	-7.4	8.2
California	14,343.4	-5.6	-5.2	-6.1	-4.9	11.5
Hawaii	601.6	-5.6	-3.4	-3.0	-3.4	7.4
Idaho	615.3	-6.2	-6.6	-6.1	-5.5	7.8
Nevada	1,199.3	-2.3	-5.4	-6.9	-6.1	11.3
Oregon	1,635.9	-0.1	-4.3	-7.5	-5.4	12.4
Utah	1,215.8	-3.1	-5.7	-5.8	-3.3	5.4
Washington	2,866.1	-1.4	-4.9	-4.7	-3.5	9.4

Source: Economic Research Department, Federal Reserve Bank of San Francisco

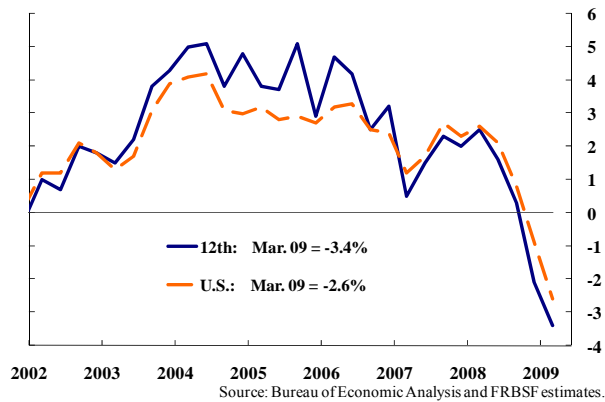
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

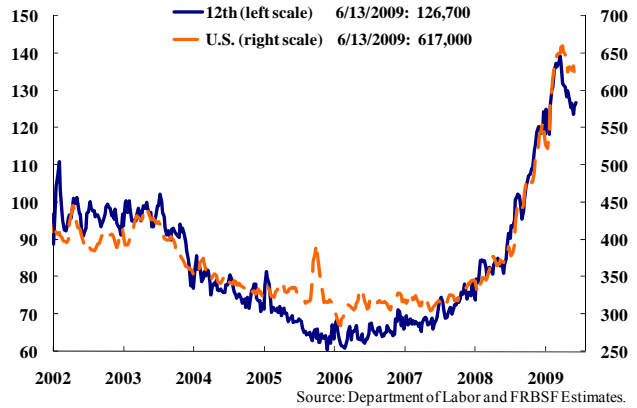
Growth in nonfarm real gross state product

(Year-over-year percent change, quarterly)



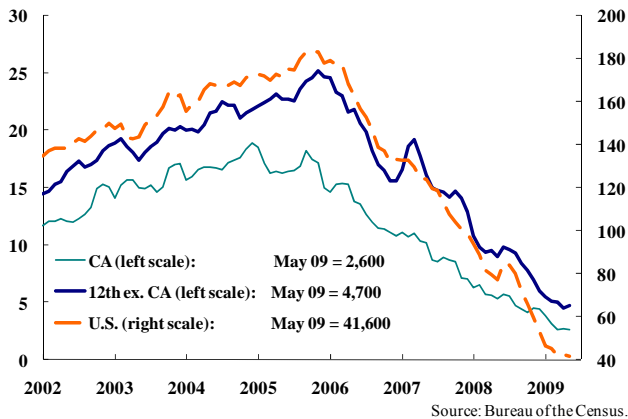
Unemployment insurance: initial claims

(Thousands, 4-week moving average)



Residential permits

(Thousands, 3-month moving average)



Nonresidential construction awards

(Thousands, 3-month moving average)

