

ETC ECONOMIC TRENDS & CONDITIONS

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National Outlook

(Based on the July 12, 2012, FRBSF [FedViews](#).)

- Recent data have generally disappointed and suggest some loss of momentum in the ongoing economic recovery. Manufacturing activity, one of the bright spots so far in the recovery, is cooling, and a recent increase in the saving rate suggests that consumers may have become more cautious.
- Output growth as measured by GDP is likely to expand by a little less than 2% through the end of the year and pick up slightly to about a 2¼% pace next year. In line with the tepid outlook for growth, unemployment is expected to decline very gradually to slightly below 8% by the end of 2013.
- Overall inflation as measured by the personal consumption expenditures price index rose 1.5% over the 12 months that ended in May. Continuing declines in the price of energy are likely to push inflation even lower for the next few quarters, though higher food prices will partly offset this. We expect inflation to then rise close to 1¾% early next year.
- In considering risks to the outlook, there is a great deal of uncertainty about a possible escalation of financial stresses in Europe. Recent actions by European policymakers have not reduced sovereign borrowing costs of the key countries of Spain and Italy in a sustained way. A more severe recession in Europe and spillovers to global financial markets could sharply weaken U.S. prospects for growth.

Around the District

(Based on the July 18, 2012, [Beige Book](#) and authors' analyses.)

- Twelfth District economic activity expanded at a modest pace during the reporting period of June through the beginning of July.
- Sales of retail items rose a bit, and demand grew for most business and consumer services.
- Sales and construction activity edged up in District housing markets, and demand strengthened slightly for commercial real estate.
- Upward price pressures were very modest, and upward wage pressures were limited to a few worker groups.
- Beige Book contacts from financial institutions reported a small increase in overall loan demand.
- Job growth in the District was higher than that of the nation as a whole over the 12 months ending in June, although the District unemployment rate remains well above the national rate (see table on next page).

FedViews and *Beige Book* publications are available at <http://www.frbsf.org/economics/>

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Employment Conditions

Total Nonfarm Employment

June 2012	level ^p	Percent Change				Unemployment Rate
		1-month ^a	3-month ^a	YTD ^a	12-month	
U.S.	133082.0	0.6	0.7	1.4	1.3	8.2
12 th District	25195.8	2.9	2.1	2.1	1.9	9.7
Alaska	331.3	12.4	-1.1	2.7	0.8	7.3
Arizona	2456.7	6.1	1.2	3.5	2.4	8.2
California	14326.7	3.3	2.4	2.1	2.0	10.7
Hawaii	595.9	-3.6	-0.3	-0.2	1.2	6.4
Idaho	616.1	1.0	0.2	1.8	2.0	7.7
Nevada	1133.1	-1.1	1.4	0.3	1.3	11.6
Oregon	1634.0	1.3	3.1	1.8	1.0	8.5
Utah	1234.5	4.4	2.7	1.9	2.6	6.0
Washington	2867.5	0.9	2.2	2.4	1.9	8.3

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

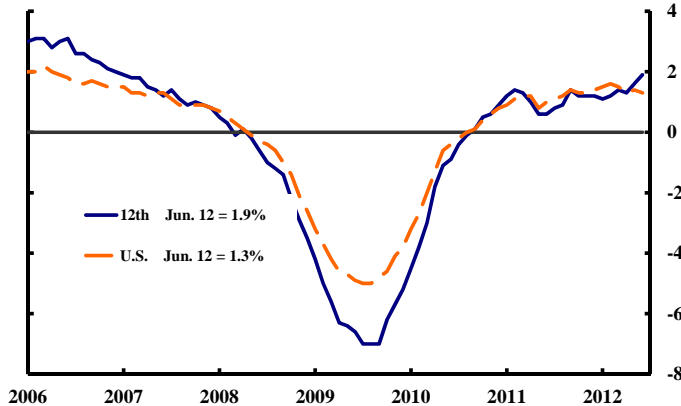
Employment levels are in thousands; all data are seasonally adjusted

a = annualized percent change

p = preliminary

Growth in nonfarm payroll employment

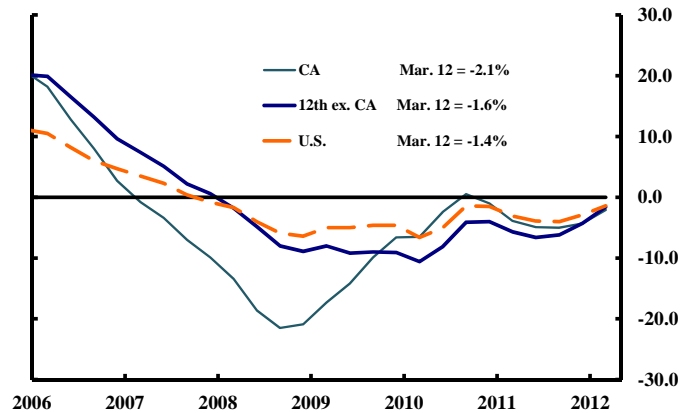
(Year-over-year percent change, monthly)



Source: Bureau of Labor Statistics.

Home price index

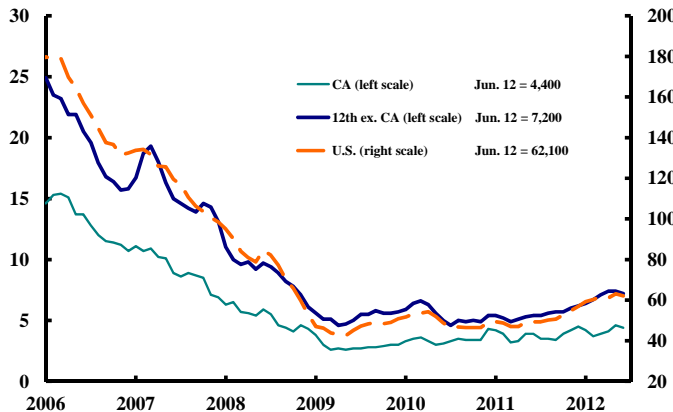
(Year-over-year percent change, quarterly)



Source: Federal Housing Finance Agency.

Residential permits

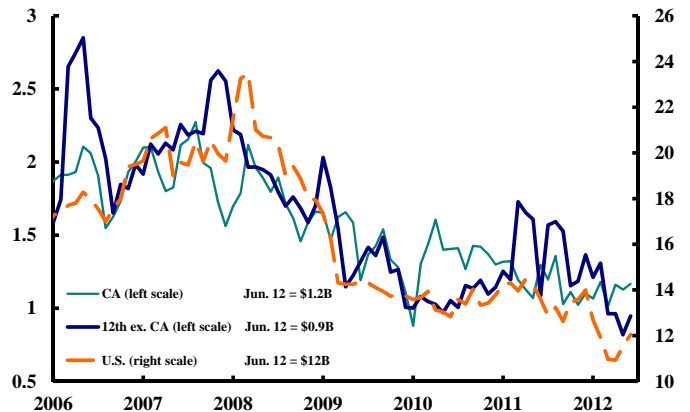
(Thousands, 3-month moving average)



Source: Bureau of the Census.

Nonresidential construction awards

(\$ Billions, 3-month moving average)



Source: Bureau of the Census.