

WESTERN ECONOMIC DEVELOPMENTS

May 2000

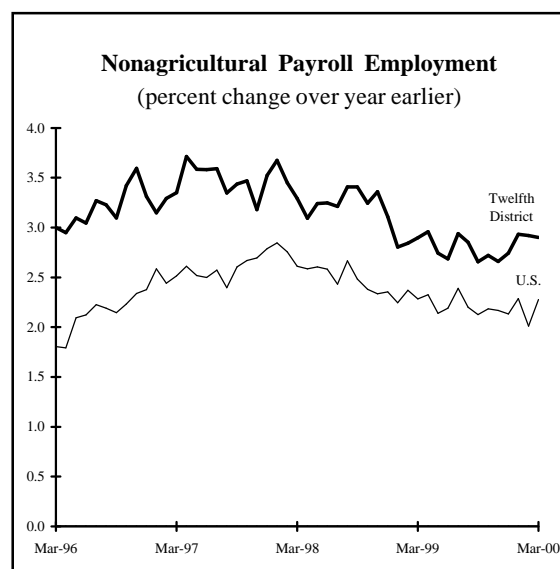
Executive Summary

- *The District economy expanded at a strong pace in the first quarter of this year, with employment growing 2.5 percent on an annual basis. This represents a slight moderation relative to the pace established last year, though employment growth over the past twelve months was more rapid in the District than in the nation as a whole.*
- *The California economy remains on a strong growth path, spurred by unusually rapid growth of income and consumer spending. In addition, Arizona, Nevada, and Idaho were ranked among the top four states nationwide in regard to their pace of employment growth over the past year.*
- *Although demand conditions improved further for some high-tech manufacturers, the District manufacturing sector has continued to shed jobs this year at about the same moderate pace as in 1999.*
- *Among major sectors in the District, only the government sector and the transportation, communications, and public utilities sector exhibited a pickup in employment growth during the first quarter.*
- *In the San Francisco Bay Area, the substantial concentration of equity wealth related to initial public offerings has contributed to large jumps in housing prices compared to the rest of California. Growth in retail spending in the region, however, has been comparable to the state as a whole.*

District Update

The Twelfth District economy continued its robust expansion in recent months. Total nonfarm payroll employment grew 2.5 percent on an annual basis during the first quarter of 2000. This represents a slight slowdown compared to last year, when District employment grew 2.7 percent. However, the District's employment growth rate of 2.9 percent over the past twelve months remains well above the corresponding national rate of 2.3 percent. Although the District unemployment rate was largely constant in the first quarter, labor markets remain very tight in most areas, and further declines in unemployment are likely this year.

In California, employment grew 3.5 percent on an annual basis during the first four months of this year, well above the pace recorded in 1999. Rapid job creation by high-tech service providers, significant gains in the value of equity shares in these firms, and the creation of high-wage jobs more generally have increased income and wealth significantly in the state during the past few years and powered a major consumption boom. These devel-



opments have kept the California economy humming thus far in 2000 and substantially increased the prices of commercial and residential real estate. For example, in the San Francisco Bay Area housing prices rose 25 percent over the past year and rental rates on commercial property are at record highs. A similar pattern is evident in Seattle, where rapid expansion by high-tech service providers has offset ongoing employment declines at Boeing and kept the area economy and real estate markets bustling.

Despite highly active real estate markets in California and Washington, the pace of employment growth in the District's construction sector slowed from about 6½ percent last year to about 3½ percent in the first quarter. Real estate markets in some parts of the District have shown signs of cooling, with reduced building activity evident in Utah and Nevada.

Slower construction activity in Nevada occurred in the wake of major casino development and rapid home building in recent years, and the state's economic expansion slowed a bit in the first quarter. More generally, however, indicators of tourism activity have remained favorable, including large gaming wins and high hotel occupancies. Hawaii also is benefiting from solid gains in domestic tourist business, which has offset continued declines in foreign visitors (mainly East Asian) and finally produced signs of a sustained expansion in that state.

The District manufacturing sector shed jobs during the first quarter of this year at about the same pace

as in 1999, despite continued improvement in export markets. Total District merchandise exports were approximately flat in 1998 and 1999. However, for the first two months of 2000 they were up about 5 percent relative to a year earlier, largely due to a double-digit gain in California. Worldwide demand for semiconductors and related products has continued to improve, and electronics manufacturers in several states (especially Arizona) have expanded employment recently or announced plans to expand capacity. However, underlying these developments are productivity improvements that enable high-tech manufacturers to expand output without expanding employment, so the outlook for employment gains in this sector is less favorable than the outlook for output and sales growth.

Among other major sectors' performance in the first quarter, a slight pickup was evident in the transportation, communications, and public utilities sector, and government employment grew by about 5 percent on an annual basis, more than double the pace from recent years. Employment growth among providers of shipping and distribution services, such as trucking, warehousing, and water transportation, has been especially rapid in many parts of the District, as suppliers strive to meet robust demand for a wide variety of merchandise. The recent surge in government employment was propelled in part by the hiring of federal Census workers on a temporary basis, but it also was due in large measure to a further pickup in net hiring of local government educational employees.

District Employment by Industry

| | Number Employed (thousands) | | | Annualized % Change | % Change |
|----------------|--------------------------------|----------|----------|------------------------|------------------|
| | Mar-00 | Feb-00 | Mar-99 | From | From |
| | | | | Previous Month | Previous Year |
| Total | 24,215.2 | 24,168.1 | 23,535.8 | 2.4 | 2.9 |
| Mining | 69.8 | 70.2 | 75.3 | -6.6 | -7.3 |
| Construction | 1,357.5 | 1,367.0 | 1,281.5 | -8.0 | 5.9 |
| Manufacturing | 3,012.2 | 2,999.3 | 3,026.6 | 5.3 | -0.5 |
| Transportation | 1,274.3 | 1,271.9 | 1,230.2 | 2.3 | 3.6 |
| Trade | 5,596.9 | 5,596.5 | 5,461.3 | 0.1 | 2.5 |
| F.I.R.E. | 1,380.6 | 1,381.1 | 1,361.1 | -0.4 | 1.4 |
| Services | 7,530.1 | 7,511.1 | 7,213.1 | 3.1 | 4.4 |
| Government | 3,993.8 | 3,971.0 | 3,886.7 | 7.1 | 2.8 |

Seasonally adjusted payroll employment data

District Employment by State

| | Number Employed (thousands) | | | Annualized % Change | % Change |
|------------|--------------------------------|-----------|-----------|------------------------|------------------|
| | Mar-00 | Feb-00 | Mar-99 | From | From |
| | | | | Previous Month | Previous Year |
| Alaska | 279.8 | 278.7 | 276.0 | 4.8 | 1.4 |
| Arizona | 2,226.6 | 2,222.5 | 2,128.5 | 2.2 | 4.6 |
| California | 14,268.1 | 14,252.5 | 13,855.5 | 1.3 | 3.0 |
| Hawaii | 539.6 | 537.2 | 529.5 | 5.5 | 1.9 |
| Idaho | 555.2 | 551.5 | 532.9 | 8.4 | 4.2 |
| Nevada | 1,012.4 | 1,008.7 | 970.6 | 4.5 | 4.3 |
| Oregon | 1,587.2 | 1,592.7 | 1,566.4 | -4.1 | 1.3 |
| Utah | 1,067.4 | 1,065.6 | 1,041.1 | 2.0 | 2.5 |
| Washington | 2,678.9 | 2,658.7 | 2,635.3 | 9.5 | 1.7 |
| District | 24,215.2 | 24,168.1 | 23,535.8 | 2.4 | 2.9 |
| U.S. | 130,715.0 | 130,299.0 | 127,813.0 | 3.9 | 2.3 |

Seasonally adjusted payroll employment data

Income and Spending Growth in California

Like the national economic expansion, California's expansion has been propelled recently by unusually strong growth in consumption spending and housing demand. This growth has been supported in turn by substantial gains in personal income and in perceived wealth associated with the run-up in equity markets. Recent data suggest that these trends have continued through the first quarter of 2000, although the recent decline in high-tech equity values may serve to restrain the state's expansion somewhat.

Income trends

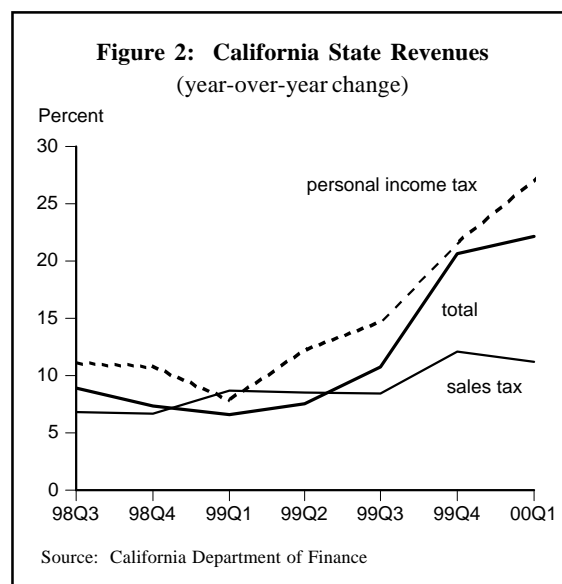
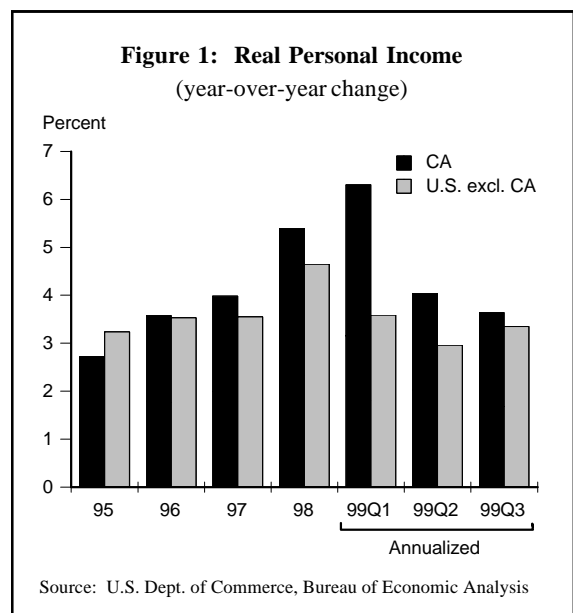
During the past three years, income growth in California has accelerated substantially and outstripped the pace of growth in the remainder of the nation (Figure 1). The figure displays growth in total personal income (adjusted for inflation) for California and the rest of the nation since 1995.

Following a lull in the early 1990s, the pace of income growth in California caught up to the rest of the nation in 1996 and has exceeded it since then. Income growth in the state was especially rapid in the first quarter of 1999. In the second and third quarters of last year, income growth slowed in California but remained more rapid there than in the rest of the nation.

In contrast to the federal data from Figure 1, data on state government revenues suggest that growth in personal income in California did not slow follow-

ing the first quarter of 1999 (Figure 2). The figure displays twelve-month growth in total state revenues and its main components, personal income tax and sales tax payments, which together constitute about 85 percent of state general fund revenues. Growth in state revenues has accelerated steadily since early 1999, primarily due to substantial gains in personal income tax receipts. Revenue performance in the first quarter of 2000 was especially strong, with personal income taxes about 27 percent above their year-earlier levels and total state revenues about 22 percent above their year-earlier levels.

By virtue of its large share in total state revenues, growth in wage and salary revenues has made the largest absolute contribution to the increase in total state revenues. This is due to creation of new high-wage jobs in high-tech services and other sectors, wage gains at existing firms, and the exercise of employee stock options at high-tech startups and other companies (especially in the San Francisco Bay Area). More generally, however, according to the California Department of Finance, the most rapid growth in income tax receipts lately has been in the capital gains component, which they estimate grew 30 percent in 1999. Between 1995 and 1999, this component more than doubled as a share of state general revenue funds, from just under 4 percent to slightly above 8 percent. It is likely that this trend continued into the first quarter of 2000, although the equity market decline since then (especially among high-tech stocks) probably has

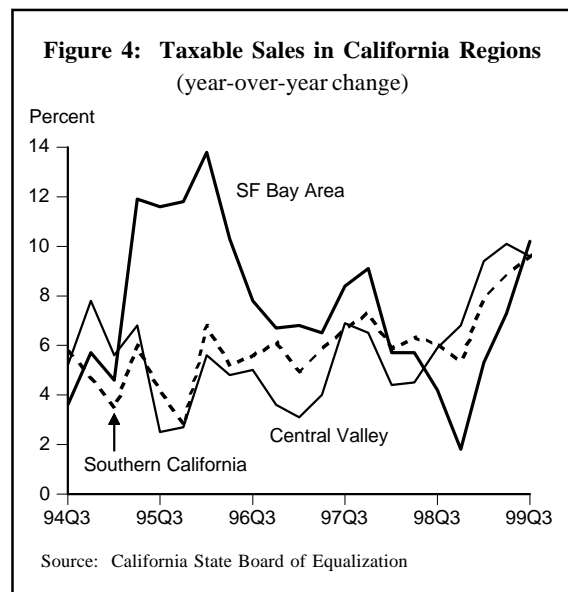
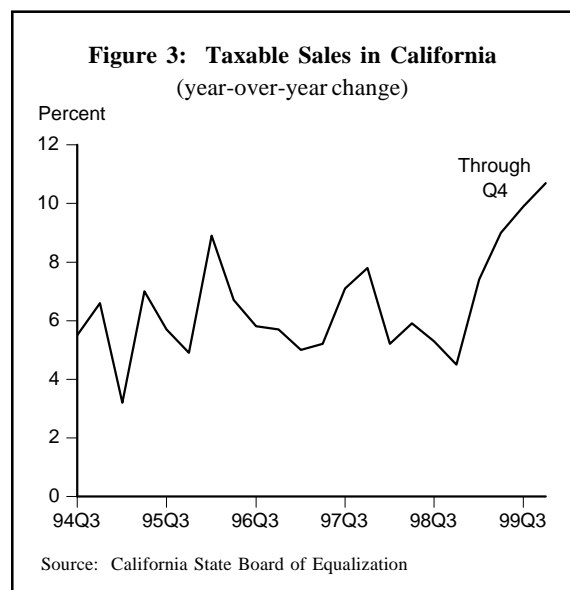


reduced the growth of capital gains tax revenues in the state.

Retail Spending and Employment

Rapid income growth in the state has been accompanied by unusually rapid growth in consumer spending, with growth accelerating as 1999 progressed. The best measure of consumer spending in the state is provided by data on total taxable sales (nearly two-thirds of which occur at retail outlets). For 1999 as a whole, taxable sales in the state increased by 9.4 percent over their 1998 values, with the pace picking up steadily from 7.4 percent in the first quarter to 10.7 percent in the fourth quarter (Figure 3). According to the state Board of Equalization, the growth rate for 1999 was the fastest since 1984. Assuming that sales tax revenues (Figure 2) are a reliable indicator of total taxable sales, growth in taxable sales in the state slowed slightly in the first quarter of 2000, but the growth rate remained robust.

Figure 4 displays the growth of taxable sales by broad region in the state (available only through the third quarter of 1999). Taxable sales in the San Francisco Bay Area surged in 1995, the same year that employment growth picked up substantially there. Growth in taxable sales in the Bay Area remained above that in Southern California and the Central Valley until mid-1998. Since then, growth in taxable sales in these three broad regions of the state have converged, with the acceleration during 1999 being somewhat more pronounced in the Bay



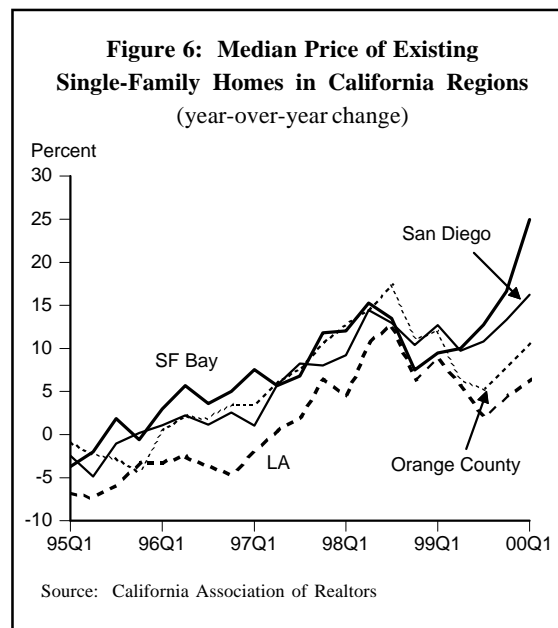
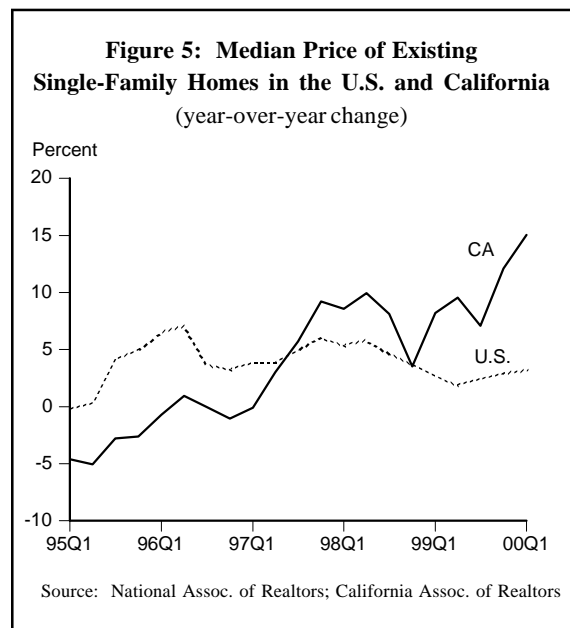
Area (which experienced substantially more slowing in 1998 than did the other regions).

The pickup in Bay Area taxable sales last year appears consistent with the substantial concentration of wealth associated with venture capital investments and high-tech initial public offerings (IPOs) in the region. However, employment growth in the Bay Area also picked up last year, and taxable sales picked up nearly as much in the other broad regions of the state as in the Bay Area. It therefore appears that any added wealth effects on consumer spending in the Bay Area, due to the regional concentration of high-tech equity wealth and realized capital gains associated with it, were relatively small.

Housing markets

In addition to its impact on retail sales, growth in income and wealth is likely to be reflected in the housing market. Figure 5 displays the year-over-year changes (through March 2000) in median sales prices on existing homes based on sales data from the National Association of Realtors and the California Association of Realtors. The figure shows that growth in home prices has been more rapid in California than in the nation as a whole, and that home price appreciation in California picked up substantially in late 1999 and early 2000.

By region, the most rapid price appreciation in California has been in the San Francisco Bay Area (Figure 6). In the first quarter of 2000, prices of



existing homes sold in the Bay Area were 25 percent above their level from a year earlier, compared to growth of 16 percent in San Diego, 6 percent in Los Angeles County, and 11 percent in Orange County.

The recent sharp increase in Bay Area housing prices is likely due in part to development restrictions that have held new home building to a surprisingly sluggish pace in the region. However, it appears that rapid price increases in the Bay Area also are due to relatively strong demand boosted in part by gains in equity prices. This is suggested by the regional differential in reliance on stock market gains for financing home purchases, as indicated by results from the California Association of Realtors' Housing Finance Survey for the fourth quarter of 1999. The survey provides information on the number of home purchases in which proceeds from stock market transactions were used for the down payment. Statewide, 13.8 percent of buyers used proceeds from the stock market for home purchases in the fourth quarter of 1999. In the San Francisco Bay Area, stock market proceeds were used in 23.9 percent of the transactions, compared to 12.9 percent in Los Angeles County and 20 percent in Orange County.

Conclusions

Income and consumer spending have grown rapidly in California during the past several years. Data on state tax revenues indicate that income growth

continued at a rapid rate through the end of 1999 and picked up further in the first quarter of 2000. The revenue pickup in early 2000 primarily is due to strong gains in personal income tax revenues, with the most rapid growth evident for capital gains tax revenues. Strong growth in the latter in particular, and the implied strong growth in the corresponding components of personal income, is associated with the run-up in high-tech equity markets. This in turn suggests that the substantial decline in high-tech equity market values during April poses some downside risk for the state's economic expansion.

One highly visible manifestation of the run-up in high-tech equity markets has been tremendous growth in venture capital and IPO activity in the San Francisco Bay Area. However, data on the regional distribution of consumer spending (taxable sales) suggests that the concentration of equity wealth related to recent Bay Area IPOs did not provide an unusually strong impetus to spending growth there. On the other hand, the San Francisco Bay Area has experienced relatively large increases in housing prices. The recent turmoil in the high-tech equity market, which may affect decisions on IPO and venture funds, also may pose a greater downside risk for Bay Area housing prices than for consumer spending in that region and elsewhere in the state.

ALASKA, OREGON, AND WASHINGTON

Economic growth in **Alaska** stalled in recent months. Following moderate expansion in 1999, total non-farm payroll employment fell by 0.7 percentage point on an annualized basis during the first quarter of this year. The recent losses were due to a sharp contraction in Alaska's manufacturing sector. During the first quarter, manufacturers shed 2,800 jobs, nearly one-fifth of total employment in the sector. These losses more than offset rapid job creation in the mining sector, which has been bolstered this year by higher oil and mineral prices, and substantial growth in construction employment. As a result, the state's unemployment rate rose 0.3 during the first quarter to 6.0 percent.

The recent job losses in manufacturing were heavily concentrated in the state's processed seafood sector, and additional losses occurred in the state's lumber and wood products sector. Both sectors face ongoing challenges despite a recent resurgence in export demand. Recent poor harvests combined with falling sales prices have prompted seafood processors to scale back operations in the state. In the timber industry, reductions in logging allowances, closures of unprofitable sawmills, and the failure of alternative wood product businesses such as wood chip manufacturing have reduced production capacity.

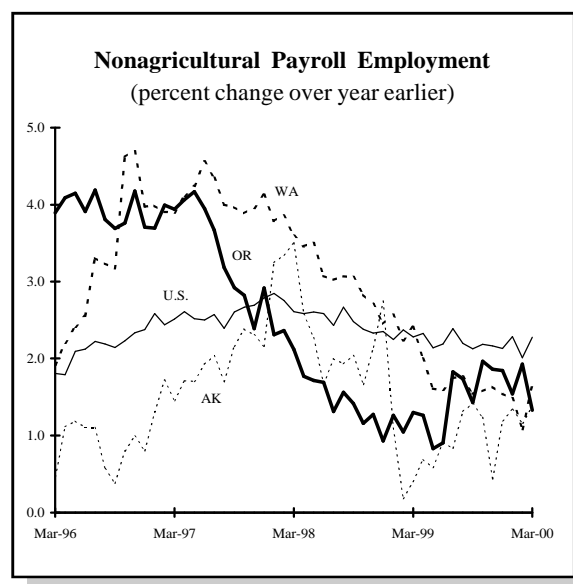
Oregon's economic expansion paused in recent months, although the state remains on a positive growth path. Total nonagricultural employment fell

a bit during the first quarter, as payroll reductions in January and March more than offset a surge in February. The sharpest reductions during the first quarter were in the retail trade sector, where employment fell by 2,300 positions. In addition, decreased demand for residential and commercial real estate loans and ongoing downsizing among financial services providers reduced payrolls noticeably in that sector. Relative to a year earlier, however, total nonfarm employment was up 1.3 percent in March, only slightly off the average pace of growth during 1998 and 1999. Moreover, the state unemployment rate continued to decline in the first quarter, falling by 0.3 to 4.7 percent in March.

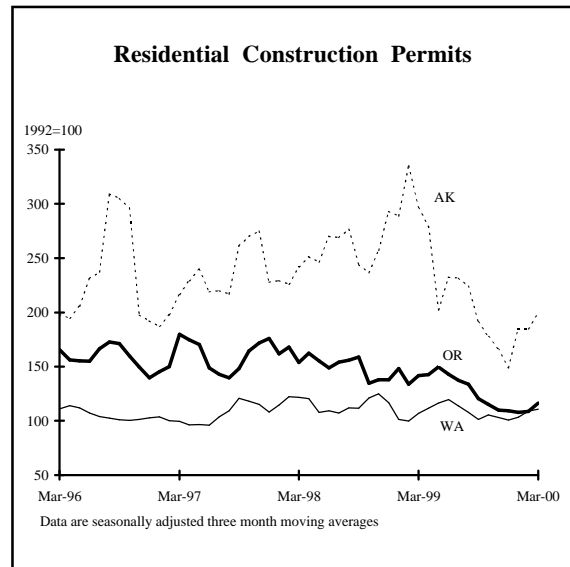
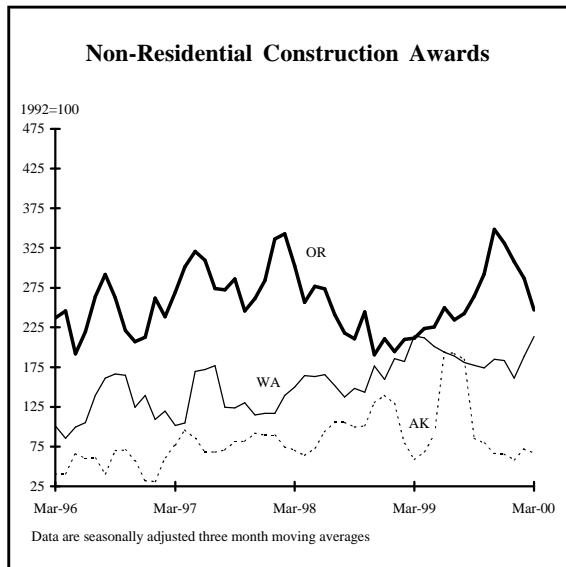
Due in part to the recovery of Asian export markets, the state's beleaguered food processing industry added jobs at a rapid pace in recent months. Most of these jobs are located outside of Portland. Despite this recent development, Portland's economy continues to perform much better than the rest of the state. Total payroll employment in the Portland area increased by 3 percent at an annual rate during the first quarter, up from the 1999 pace.

The **Washington** economy expanded at a solid pace during the first quarter, shrugging off further employment reductions at Boeing and a slump in job growth in the construction sector. Total non-farm payroll employment increased by 2 percent at an annual rate during the three months ending in March, slightly off the pace in the fourth quarter but up from the 1.5 percent pace of growth recorded for 1999 as a whole. Continued job growth has kept the state unemployment rate steady so far this year at about 4½ percent.

Growth in the Seattle area picked up in recent months, spurred by rapid expansion among providers of high-tech services. While Microsoft has been a leading performer in this sector, growth increasingly is spread over a wide array of firms. New "dot-com" companies, financed by a surge in venture capital investment and proceeds from initial public offerings, have added many high-tech jobs to the area's payrolls. Moreover, the jobs and investment returns created by high-tech service companies have generated substantial gains in personal income and wealth, which in turn have powered robust consumer spending.



CONSTRUCTION



EMPLOYMENT

| | Number Employed (thousands) | | | Annualized % Change From Previous Month | % Change From Previous Year |
|---------------|--------------------------------|--------|--------|---|---|
| | Mar-00 | Feb-00 | Mar-99 | | |
| Alaska | | | | | |
| Total | 279.8 | 278.7 | 276.0 | 4.8 | 1.4 |
| Mining | 9.6 | 9.8 | 10.3 | -21.9 | -6.8 |
| Construction | 14.9 | 14.6 | 13.9 | 27.6 | 7.2 |
| Manufacturing | 11.9 | 11.6 | 13.6 | 35.9 | -12.5 |
| T.C.P.U. | 26.7 | 26.7 | 25.7 | 0.0 | 3.9 |
| Trade | 57.7 | 57.8 | 57.1 | -2.1 | 1.1 |
| F.I.R.E. | 12.9 | 12.8 | 12.8 | 9.8 | 0.8 |
| Services | 72.0 | 71.7 | 69.2 | 5.1 | 4.0 |
| Government | 74.1 | 73.7 | 73.4 | 6.7 | 1.0 |

| | Number Employed (thousands) | | | Annualized % Change From Previous Month | % Change From Previous Year |
|---------------|--------------------------------|--------|--------|---|---|
| | Mar-00 | Feb-00 | Mar-99 | | |
| Oregon | | | | | |
| Total | 1587.2 | 1592.7 | 1566.4 | -4.1 | 1.3 |
| Mining | 1.8 | 1.8 | 1.8 | 0.0 | 0.0 |
| Construction | 84.3 | 85.5 | 82.4 | -15.6 | 2.3 |
| Manufacturing | 242.3 | 243.3 | 242.4 | -4.8 | 0.0 |
| T.C.P.U. | 79.5 | 78.7 | 77.4 | 12.9 | 2.7 |
| Trade | 388.6 | 391.7 | 386.8 | -9.1 | 0.5 |
| F.I.R.E. | 94.5 | 94.6 | 96.0 | -1.3 | -1.6 |
| Services | 434.4 | 435.3 | 420.5 | -2.5 | 3.3 |
| Government | 261.8 | 261.8 | 259.1 | 0.0 | 1.0 |

| | Number Employed (thousands) | | | Annualized % Change From Previous Month | % Change From Previous Year |
|-------------------|--------------------------------|--------|--------|---|---|
| | Mar-00 | Feb-00 | Mar-99 | | |
| Washington | | | | | |
| Total | 2678.9 | 2658.7 | 2635.3 | 9.5 | 1.7 |
| Mining | 3.3 | 3.3 | 3.5 | 0.0 | -5.7 |
| Construction | 157.8 | 158.3 | 150.3 | -3.7 | 5.0 |
| Manufacturing | 353.4 | 339.1 | 369.5 | 64.2 | -4.4 |
| T.C.P.U. | 140.1 | 140.1 | 138.6 | 0.0 | 1.1 |
| Trade | 649.1 | 648.3 | 634.7 | 1.5 | 2.3 |
| F.I.R.E. | 138.6 | 138.6 | 137.6 | 0.0 | 0.7 |
| Services | 755.7 | 753.4 | 729.8 | 3.7 | 3.5 |
| Government | 480.9 | 477.6 | 471.3 | 8.6 | 2.0 |

Unemployment Rates (%)

| | Mar-00 | Feb-00 | Jan-00 | Mar-99 | Feb-99 |
|------------|--------|--------|--------|--------|--------|
| Alaska | 6.0 | 5.8 | 5.9 | 6.6 | 6.7 |
| Oregon | 4.7 | 4.9 | 4.7 | 6.0 | 6.0 |
| Washington | 4.5 | 4.7 | 4.5 | 4.8 | 5.0 |
| U.S. | 4.1 | 4.1 | 4.0 | 4.2 | 4.4 |

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

Arizona's economic expansion has been brisk. Nonfarm payroll employment grew about 4½ percent at an annual rate in the first quarter of this year, the same as its 1999 pace. Arizona ranked first among all states in the pace of employment growth during the past twelve months. Among major sectors, growth has been most rapid in services. Due to the rapid expansion of business activity in the state, the business services sector has grown at a double-digit pace since the beginning of 1999. The sole weak spot in the first quarter of this year was the construction sector, which shed 1,500 jobs, consistent with an earlier decline in residential building permits and slower sales activity in the state.

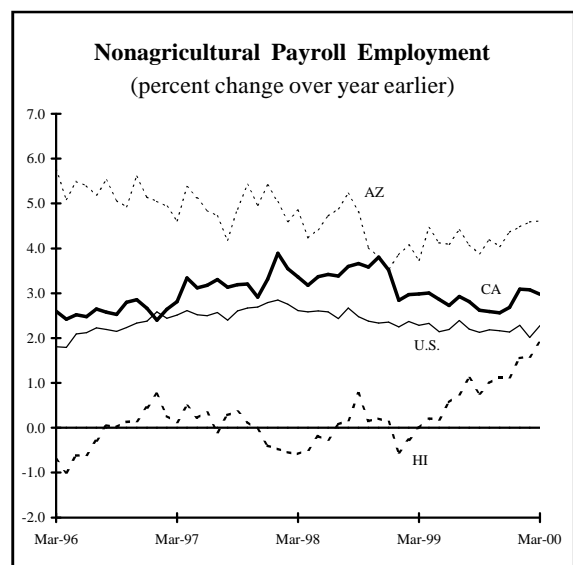
The aerospace and high-technology sectors have provided a key impetus to the state's robust expansion, with both sectors benefiting from recovery in Asian export markets. In contrast to sharp declines in aerospace manufacturing jobs in other District states, in Arizona this sector grew by slightly over 10 percent during the twelve months ending in March. Similarly, electronic equipment firms in the state have been expanding employment in response to an increase in worldwide demand for semiconductors and related high-tech equipment and components. This expansion should continue, as major development projects have been launched by Intel and Microchip Technology in Arizona.

The **California** economy has been growing rapidly. Nonfarm payroll employment rose by 3.5 percent

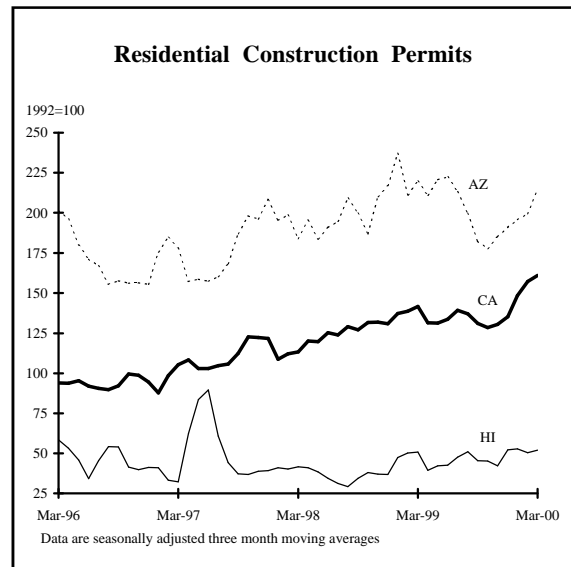
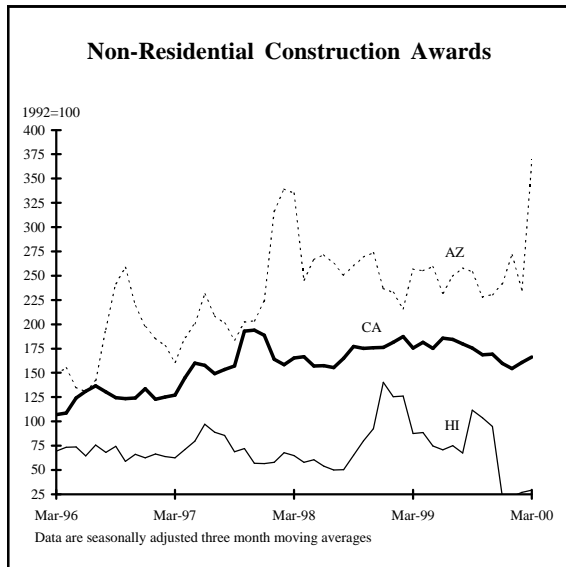
on an annual basis during the first four months of this year, well above the 2.7 percent growth rate recorded for 1999. Besides the manufacturing sector, in which job cuts continued at about the same gradual rate as in 1998 and 1999, the state's job gains were broad-based. The most rapid first-quarter gains were recorded by providers of transportation, business, and legal services. Government agencies also added a large number of new jobs recently, due in part to federal hiring of temporary Census workers but also due to permanent hires at local public schools. Despite rapid job growth in the first quarter, the state unemployment rate increased 0.4 in March to 5.0 percent, but then fell a bit in April. By broad region, the March increase was limited to the Central Valley. Recent job cuts in the construction and food processing sectors there combined with a sharp increase in the size of the labor force and raised the regional unemployment rate by about ¾ of a percentage point.

Construction employment also fell in Southern California and the San Francisco Bay Area in March. However, construction employment statewide surged in April, and the outlook for this sector remains favorable. In the first quarter, new residential building permits were substantially above their levels from a year earlier, and the value of nonresidential building awards was up as well.

Hawaii's economy showed signs of further improvement recently. The number of nonfarm payroll jobs rose by 2.1 percent at an annual rate in the first quarter, well above the 1.1 percent pace recorded in 1999. Visitor arrivals were up about 2 percent above their levels from a year earlier, as strong growth in domestic visitor counts offset continued declines in foreign visitors. As a result, several key tourist-related sectors expanded noticeably in the first quarter. On an annual basis, employment at hotels grew 4.4 percent, employment in air transportation grew 6.3 percent, and retail trade employment rose by 1.4 percent. By far the largest first-quarter job gains, however, were in the construction sector, where employment surged by 2,000 jobs despite a recent decline in nonresidential construction awards. Overall, improved job creation has lowered the unemployment rate in Hawaii by 1½ points since the beginning of 1999, to 4.7 percent in March.



CONSTRUCTION



EMPLOYMENT

| | Number Employed (thousands) | | | Annualized % Change | % Change |
|----------------|--------------------------------|--------|--------|---------------------------|--------------------------|
| | Mar-00 | Feb-00 | Mar-99 | From Previous Month | From Previous Year |
| Arizona | | | | | |
| Total | 2226.6 | 2222.5 | 2128.5 | 2.2 | 4.6 |
| Mining | 10.0 | 9.9 | 12.6 | 12.8 | -20.6 |
| Construction | 157.3 | 159.5 | 151.9 | -15.4 | 3.6 |
| Manufacturing | 213.8 | 213.5 | 210.9 | 1.7 | 1.4 |
| T.C.P.U. | 107.1 | 107.1 | 102.1 | 0.0 | 4.9 |
| Trade | 520.7 | 521.6 | 503.0 | -2.1 | 3.5 |
| F.I.R.E. | 144.4 | 144.4 | 137.0 | 0.0 | 5.4 |
| Services | 713.8 | 709.7 | 662.5 | 7.2 | 7.7 |
| Government | 359.5 | 356.8 | 348.5 | 9.5 | 3.2 |

| | Number Employed (thousands) | | | Annualized % Change | % Change |
|---------------|--------------------------------|--------|--------|---------------------------|--------------------------|
| | Mar-00 | Feb-00 | Mar-99 | From Previous Month | From Previous Year |
| Hawaii | | | | | |
| Total | 539.6 | 537.2 | 529.5 | 5.5 | 1.9 |
| Mining | . | . | . | . | . |
| Construction | 23.8 | 22.8 | 21.4 | 67.4 | 11.2 |
| Manufacturing | 16.7 | 16.8 | 16.3 | -6.9 | 2.5 |
| T.C.P.U. | 40.9 | 41.0 | 40.6 | -2.9 | 0.7 |
| Trade | 134.2 | 133.6 | 131.9 | 5.5 | 1.7 |
| F.I.R.E. | 34.6 | 34.5 | 35.2 | 3.5 | -1.7 |
| Services | 175.8 | 175.7 | 173.2 | 0.7 | 1.5 |
| Government | 113.6 | 112.8 | 110.9 | 8.9 | 2.4 |

| | Apr-00 | Mar-00 | Apr-99 | 5.6 | 3.1 |
|-------------------|---------|---------|---------|------|------|
| | | | | | |
| California | | | | | |
| Total | 14334.5 | 14270.1 | 13900.0 | 5.6 | 3.1 |
| Mining | 23.7 | 23.5 | 24.1 | 10.7 | -1.7 |
| Construction | 729.3 | 716.1 | 668.3 | 24.5 | 9.1 |
| Manufacturing | 1923.2 | 1920.0 | 1924.6 | 2.0 | -0.1 |
| T.C.P.U. | 741.3 | 739.4 | 717.6 | 3.1 | 3.3 |
| Trade | 3262.3 | 3246.9 | 3178.4 | 5.8 | 2.6 |
| F.I.R.E. | 828.3 | 829.5 | 818.8 | -1.7 | 1.2 |
| Services | 4519.1 | 4500.6 | 4336.7 | 5.0 | 4.2 |
| Government | 2307.3 | 2294.1 | 2231.5 | 7.1 | 3.4 |

| | Unemployment Rates (%) | | | | |
|------------|------------------------|--------|--------|--------|--------|
| | Mar-00 | Feb-00 | Jan-00 | Mar-99 | Feb-99 |
| Arizona | 3.9 | 3.9 | 4.1 | 4.5 | 4.4 |
| Hawaii | 4.7 | 4.7 | 4.9 | 6.0 | 6.1 |
| U.S. | 4.1 | 4.1 | 4 | 4.2 | 4.4 |
| | Apr-00 | Mar-00 | Feb-00 | Apr-99 | Mar-99 |
| California | 4.8 | 5.0 | 4.6 | 5.4 | 5.5 |

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

Economic activity in **Idaho** has been expanding rapidly. Nonfarm payroll employment grew 4.7 percent on an annual basis during the first quarter of this year, following an impressive 5 percent gain in the fourth quarter. First-quarter job creation was most rapid among establishments in several key service-producing industries, including business services and communications. The retail trade sector also posted substantial job gains in the first quarter, with rapid net hiring evident at food outlets and stores that sell building and garden supplies. Robust job growth has reduced Idaho's unemployment rate by 1½ points over the past year, and the March rate of 4.1 percent was the lowest rate recorded in over 20 years.

Among broad sectors, longer-term growth has been most rapid in construction, which created jobs at an annual rate in excess of 10 percent in 1999 and the first quarter of 2000. Vigorous activity in the state's construction sector has been spurred by robust demand for new housing as well as new office and warehouse space. In recent months, nonresidential construction awards have continued on an upward trend, and the number of residential permits remains at high levels.

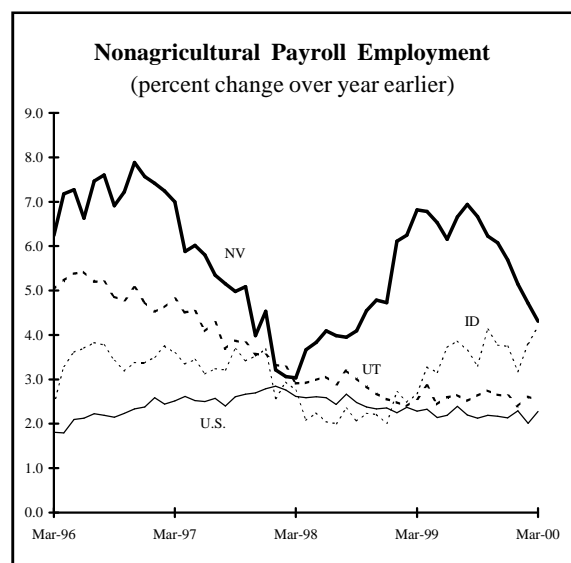
Nevada's economic boom showed signs of deceleration in the first quarter of 2000, although growth there remains rapid. Nonfarm payroll employment grew 2.2 percent on an annual basis in the first quarter, less than half the pace recorded in the second half of 1999. The slowdown primarily was

attributable to the loss of 3,000 jobs in the hotel and amusement sector. Among other signs of slower growth, construction employment has expanded only slightly since the beginning of 1999, and employment in retail trade was flat in the first quarter of this year following sharp gains last year. Despite these developments, however, Nevada's rate of job creation during the past twelve months placed it second among all states, and the state's unemployment rate fell another 0.3 in the first quarter to 3.8 percent.

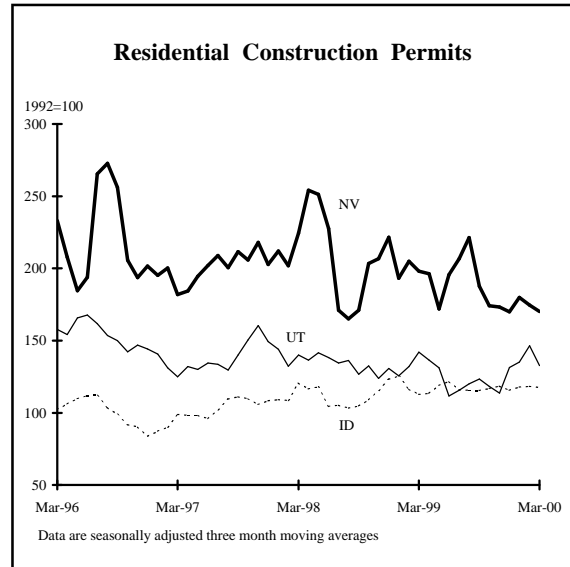
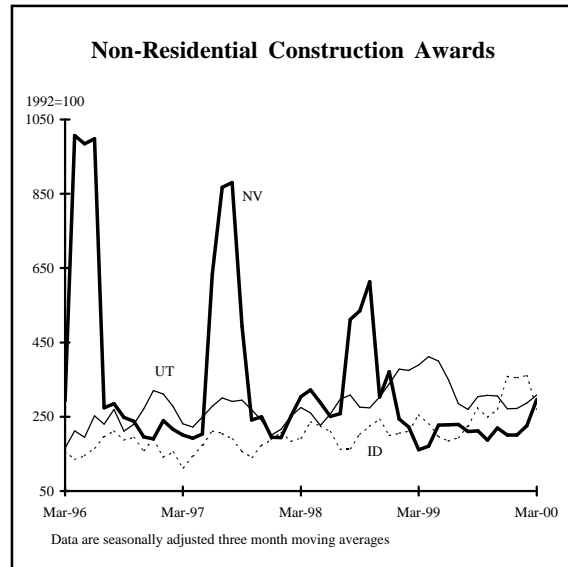
Looking ahead, near-term indicators for the tourism and construction industries are mixed. Visitor counts, convention traffic, and advance bookings all are running above year-ago figures, casino revenues are growing rapidly, and hotel occupancy rates have remained high despite the surge of new hotel rooms in Las Vegas. On the other hand, nonresidential construction has been in a lull following the completion of several major casino projects last year, and residential construction permits have tapered off as well.

Utah's economy has been on a solid growth path. Nonfarm payroll employment grew 2.1 percent on an annual basis in the first quarter of 2000, up from 1.5 percent in the fourth quarter and close to the growth rate of 2.6 percent recorded in 1998 and 1999. Among key sectors, retail trade expanded by 1,000 positions in the first quarter. The new retail jobs were concentrated among eating and drinking establishments and are consistent with robust income growth and consumer spending in the state. In addition, retail spending received a boost from late season snowfall, which increased tourist activity in recent months.

Recent job creation has been most rapid in the construction sector. Employment in this sector grew by nearly 10 percent on an annual basis in the first quarter, and over the past year 4,800 new construction jobs have been created in Utah. However, the pace is likely to slow as projects related to the 2002 Olympics and infrastructure improvements wind down. Consistent with this, the value of nonresidential construction awards in the first quarter was down 20.8 percent from a year earlier, and new residential construction permits were down 6.5 percent.



CONSTRUCTION



EMPLOYMENT

| | Number Employed (thousands) | | | Annualized % Change | % Change |
|---------------|--------------------------------|--------|--------|---------------------------|--------------------------|
| | Mar-00 | Feb-00 | Mar-99 | From Previous Month | From Previous Year |
| Idaho | | | | | |
| Total | 555.2 | 551.5 | 532.9 | 8.4 | 4.2 |
| Mining | 2.5 | 2.5 | 2.7 | 0.0 | -7.4 |
| Construction | 37.7 | 37.3 | 34.0 | 13.7 | 10.9 |
| Manufacturing | 77.5 | 77.2 | 76.1 | 4.8 | 1.8 |
| T.C.P.U. | 27.5 | 27.1 | 26.6 | 19.2 | 3.4 |
| Trade | 139.4 | 137.9 | 134.9 | 13.9 | 3.3 |
| F.I.R.E. | 23.5 | 23.6 | 23.8 | -5.0 | -1.3 |
| Services | 140.5 | 139.0 | 130.3 | 13.7 | 7.8 |
| Government | 106.6 | 106.9 | 104.5 | -3.3 | 2.0 |

| | Number Employed (thousands) | | | Annualized % Change | % Change |
|---------------|--------------------------------|--------|--------|---------------------------|--------------------------|
| | Mar-00 | Feb-00 | Mar-99 | From Previous Month | From Previous Year |
| Utah | | | | | |
| Total | 1067.4 | 1065.6 | 1041.1 | 2.0 | 2.5 |
| Mining | 7.8 | 7.8 | 7.7 | 0.0 | 1.3 |
| Construction | 76.7 | 77.3 | 71.9 | -8.9 | 6.7 |
| Manufacturing | 132.8 | 133.0 | 131.7 | -1.8 | 0.8 |
| T.C.P.U. | 59.8 | 59.4 | 58.9 | 8.4 | 1.5 |
| Trade | 252.5 | 251.8 | 246.6 | 3.4 | 2.4 |
| F.I.R.E. | 57.1 | 56.9 | 56.6 | 4.3 | 0.9 |
| Services | 298.6 | 297.4 | 288.9 | 5.0 | 3.4 |
| Government | 182.1 | 182.0 | 178.8 | 0.7 | 1.8 |

| | Number Employed (thousands) | | | Annualized % Change | % Change |
|---------------|--------------------------------|--------|--------|---------------------------|--------------------------|
| | Mar-00 | Feb-00 | Mar-99 | From Previous Month | From Previous Year |
| Nevada | | | | | |
| Total | 1012.4 | 1008.7 | 970.6 | 4.5 | 4.3 |
| Mining | 11.3 | 11.5 | 12.6 | -19.0 | -10.3 |
| Construction | 91.8 | 91.6 | 92.6 | 2.7 | -0.9 |
| Manufacturing | 43.0 | 42.9 | 42.2 | 2.8 | 1.9 |
| T.C.P.U. | 53.7 | 53.5 | 50.6 | 4.6 | 6.1 |
| Trade | 208.1 | 207.1 | 196.2 | 6.0 | 6.1 |
| F.I.R.E. | 44.7 | 44.6 | 43.8 | 2.7 | 2.1 |
| Services | 439.9 | 438.2 | 415.5 | 4.8 | 5.9 |
| Government | 119.9 | 119.3 | 117.1 | 6.2 | 2.4 |

| | Unemployment Rates (%) | | | | |
|--------|------------------------|--------|--------|--------|--------|
| | Mar-00 | Feb-00 | Jan-00 | Mar-99 | Feb-99 |
| Idaho | 4.1 | 4.4 | 4.4 | 5.6 | 5.5 |
| Nevada | 3.8 | 3.7 | 4.1 | 4.3 | 4.3 |
| Utah | 2.8 | 3.0 | 2.8 | 4.1 | 4.1 |
| U.S. | 4.1 | 4.1 | 4.0 | 4.2 | 4.4 |

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

2000 Issues**Mailing Date**

February
March
May
June
August
September
November
December

February 4
March 24
May 19
June 30
August 25
October 6
November 17
December 22



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