

WESTERN ECONOMIC DEVELOPMENTS

November 2000

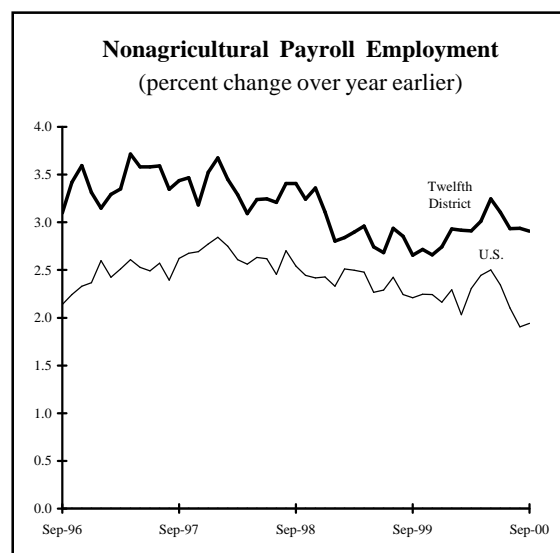
Executive Summary

- *The District economy expanded at a solid, albeit slower, pace during the third quarter, adding jobs at a 2.5 percent annual rate.*
- *The most pronounced deceleration occurred in the Pacific Northwest, but California and Idaho also slowed. In contrast, employment growth accelerated in Hawaii, Utah, and Nevada.*
- *The District unemployment rate fell to 4.6 percent in September. Consistent with low and declining unemployment, growth in labor costs in the West accelerated in the third quarter.*
- *Falling vacancy rates and rising lease prices spurred growth in non-residential building in recent months. As a result, District construction payrolls increased 6.9 percent at an annual rate during the third quarter, accounting for 15 percent of District job gains.*
- *Lay-offs among dot-coms and other Internet-related businesses tempered growth in business services employment in recent months. However, rapid gains in consumer-based services kept overall employment growth in the services sector strong.*
- *Manufacturing employment in the District declined in recent months, despite solid job gains among makers of high-tech goods.*
- *Although the District economy has slowed this year, the deceleration has been less pronounced than in the rest of the nation. The relatively strong performance of the District economy is attributable to rapid growth in locally oriented sectors, such as construction, trade, and government.*

District Update

The Twelfth District economy continued to expand at a solid pace in recent months, although growth slowed from earlier in the year. Total nonagricultural payroll employment grew 2.5 percent on an annual basis in the third quarter, down from the 3 percent average annual pace of the first two quarters. Several states—notably Alaska, California, Idaho, Oregon, and Washington—slowed substantially in recent months. However, with the exception of Alaska, each state added jobs more quickly than the U.S. as a whole. Elsewhere in the District, growth proceeded at a robust pace, accelerating in Hawaii, Utah, and Nevada. Overall, the District remained one of the fastest growing regions in the nation in recent months.

Solid employment growth pushed the District unemployment rate down 0.3 percentage point in September, to 4.6 percent. Much of the recent decline owed to reductions in unemployment in California, although unemployment in other District states also edged down. In general, labor markets remain tight across the District, particularly in urban areas, and employers in most District states report difficulty finding qualified workers.



Consistent with a low and declining unemployment rate, labor costs in the West picked up in recent months.¹ Yearly growth in wages and salaries per worker was 4.9 percent as of the third quarter, up from an average of 4.5 percent in the first half of the year. Total compensation costs, including benefits, rose even faster, increasing by 5.2 percent. The more rapid growth of total compensation costs reflects, in part, the rising cost of employer-provided health benefits and the inability of employers to pass such increases on to employees.

One of the primary drivers in the District's expansion in recent months was the construction sector. Construction payrolls increased 6.9 percent at an annual rate during the three months ending in September, up from the 5.4 percent average pace of the first half of the year. The pickup owes primarily to rapid growth in construction employment in Arizona, Oregon, Utah, and Washington, which augmented ongoing expansion in California. In general, the gains were attributable to increases in non-residential building including office and industrial space and infrastructure development. Overall, the construction sector accounted for 15 percent of total jobs added in the third quarter, about three times its share of total employment.

Although general economic slowing and the shake-up among dot-coms has damped demand for office space in many District states, vacancy rates remain low and lease prices high in most areas relative to a year ago. Markets for industrial properties also remain tight. Data through the third quarter show

positive net absorption, declining vacancy rates, and rising lease rates on industrial space in Las Vegas, the Los Angeles Metropolitan area, Portland, the Puget Sound area, Salt Lake City, San Diego, and the San Francisco Bay Area. These market conditions have kept new construction activity at high levels, generating solid growth in construction employment.

Another main contributor to the District's expansion in the third quarter was the services sector. Although growth slowed from earlier in the year, firms in the sector continued to add jobs at a rapid pace, increasing employment 3.9 percent at an annual rate during the third quarter. Recent strength in the sector owed to a pickup in growth in consumer and population-based sectors such as health-care and personal and social services. In contrast, employment growth in business services slowed in recent months. Overall, the services sector accounted for about half of District employment growth in the third quarter, more than one and a half times its share of total employment.

Layoffs among dot-coms and other Internet-related firms tempered growth in business services employment in recent months, particularly in California and Washington. In California, job growth in business services fell from 8.0 percent at an annual rate during the second quarter to 4.8 percent in the third quarter, a decline of 3.2 percentage points. In Washington, annualized job gains in computer and data processing (a subcategory of business services) slowed by 50 percent, from 22.3 percent in the second quarter to 11.5 percent in the third quarter. Business services employment growth

District Employment by Industry

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Sep-00	Aug-00	Sep-99		
Total	24,574.0	24,543.3	23,882.1	1.5	2.9
Mining	69.0	69.3	69.4	-5.1	-0.6
Construction	1,404.9	1,393.2	1,318.5	10.6	6.6
Manufacturing	3,010.4	3,012.3	3,020.8	-0.8	-0.3
Transportation	1,294.7	1,294.7	1,254.6	0.0	3.2
Trade	5,670.6	5,666.8	5,536.8	0.8	2.4
F.I.R.E.	1,387.6	1,389.2	1,371.7	-1.4	1.2
Services	7,696.1	7,667.2	7,388.8	4.6	4.2
Government	4,040.7	4,050.6	3,921.5	-2.9	3.0

Seasonally adjusted payroll employment data

District Employment by State

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Sep-00	Aug-00	Sep-99		
Alaska	282.0	282.7	278.9	-2.9	1.1
Arizona	2,275.5	2,274.7	2,179.0	0.4	4.4
California	14,487.7	14,464.7	14,063.8	1.9	3.0
Hawaii	551.3	545.5	541.2	13.5	1.9
Idaho	563.6	563.2	542.2	0.9	3.9
Nevada	1,041.1	1,037.6	996.0	4.1	4.5
Oregon	1,594.3	1,597.5	1,576.0	-2.4	1.2
Utah	1,083.0	1,075.3	1,057.9	8.9	2.4
Washington	2,695.5	2,702.1	2,647.1	-2.9	1.8
District	24,574.0	24,543.3	23,882.1	1.5	2.9
U.S.	131,768.0	131,516.0	129,265.0	2.3	1.9

Seasonally adjusted payroll employment data

¹ The West includes the Twelfth District plus Colorado, Montana, New Mexico, and Wyoming.

also slowed in Arizona, Idaho, and Oregon. However, even with the slowdown, the business services sector remained one of the main drivers of economic expansion in the District, consistently producing jobs at a faster rate than other sectors.

Despite increased foreign demand for manufactured goods and growing sales of a variety of high-tech products, overall manufacturing employment in the District declined in the third quarter. The largest losses were among makers of lumber and wood products, plastics, metals, and other building materials, processed foods, and aircraft; these are industries particularly vulnerable to the recent slowdown in the national economy, increasing energy costs, and the rising exchange value of the dollar. In contrast, firms producing high-tech goods such as semiconductors, networking equipment, communications devices, and other electronics gear added jobs in recent months, and sales and order data point to continued strength in these industries in the near term.

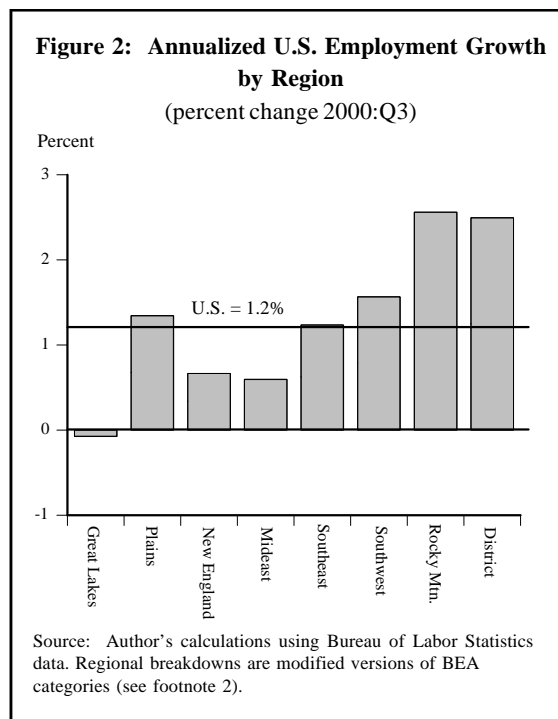
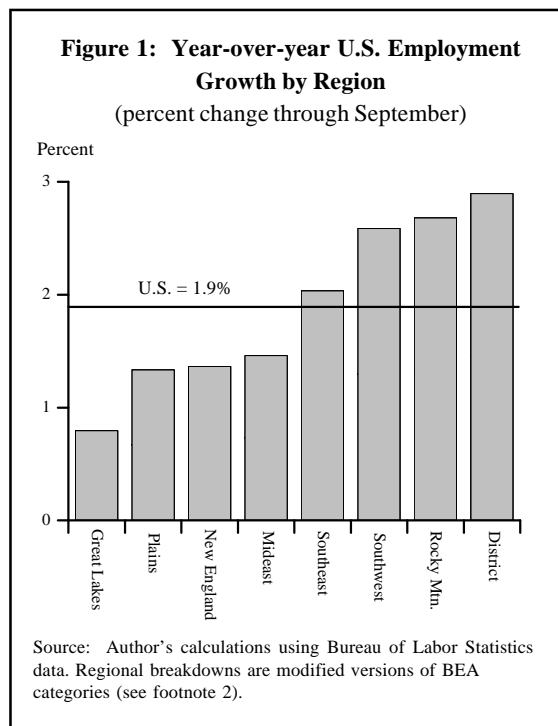
Regional Variation in Employment Growth

Although the District economy slowed in recent months, the pace of deceleration was more modest than elsewhere in the nation. As a result, the gap between employment growth in the District and the nation as a whole widened. Measured over the twelve months ending in September, District employment grew 2.9 percent compared to 1.9 percent in the U.S.

As Figures 1 and 2 indicate, the relatively strong performance of the District economy is not limited to comparisons with the national average. The figures show employment growth over the twelve months ending in September and in the third quarter (annualized) for eight regions of the U.S.² As shown in Figure 1, employment growth over the past twelve months varied considerably by region, ranging from 2.9 percent in the Twelfth District to 0.8 in the Great Lakes region.

The dispersion in growth is more pronounced looking just at the third quarter (Figure 2). Annualized

² Regional breakdowns are slightly modified versions of Bureau of Economic Analysis (BEA) U.S. categories. The modifications place Arizona, Idaho, and Utah in the District, removing them from the Southwest and Rocky Mountain regions.



employment growth ranged from -0.1 percent in the Great Lakes region to 2.6 percent in the Rocky Mountain region. Employment growth in the District was 2.5 percent, about the pace of the Rocky Mountain region.

While considerable variation in growth also exists across states in the Twelfth District, the variance in

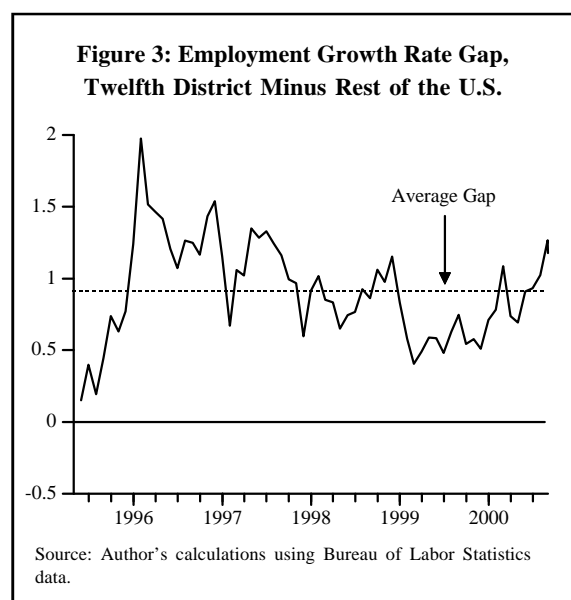
growth has declined over the past year, and as of September was at its lowest level in 10 years. The recent convergence reflects both a deceleration in growth among the District's fastest growing states and improvements in performance among the slowest growing states. For example, measured on a twelve-month basis through September 2000, employment growth among District states ranged from 4.5 percent in Nevada to 1.1 percent in Alaska, a range of 3.4 percentage points; in September 1999, growth ranged from 0.6 percent to 6.1 percent, a 5.5 percentage point difference.

What's Driving the West?

Employment growth in the District has outpaced that of the rest of the nation for a number of years (Figure 3).³ Since 1995, the gap in growth rates between the District and the rest of the U.S. has averaged about 0.9 percentage point. However, it has fluctuated considerably over the period, ranging from 2 percentage points in January 1996 to 0.4 percentage point in February 1999. In recent months, the gap has begun to increase, rising above the average in May of this year. As of September the gap in employment growth between the District and the rest of the U.S. was 1.2 percentage points.

Factors contributing to the growth gap

Two potential explanations for the District's relatively strong performance over the past several



³ Employment growth is calculated as the percent change in employment over 12 months.

years are: (1) the District has a larger share of industries which are growing rapidly in the nation (industry mix); and (2) industries in the District are expanding more quickly than comparable industries elsewhere in the nation (industry competitiveness).⁴ One way to quantify the importance of each of these factors is to decompose the observed employment growth gap into the portion associated with differences in industry mix and the portion associated with differences in competitiveness, using a simple shift-share analysis. Employing this method, the relative importance of industry composition is captured by comparing the actual growth gap to a share-adjusted growth gap obtained by giving the District the industry mix of the rest of the U.S. A similar calculation can be done to assess the importance of industry competitiveness; in this case, the actual growth gap is compared to an industry-growth adjusted gap, obtained by imposing the growth rates of industries outside of the District, on the District. All calculations are made at the one-digit SIC level.

Figure 4 shows the actual, share-adjusted, and industry-growth adjusted gaps for the Twelfth District between 1995 and 2000. The actual gap is the



⁴ Differences in population growth also may explain differences in employment growth. However, it is not clear which variable, employment growth or population growth, should be treated as the causal variable.

difference in employment growth between the District and the rest of the U.S.; the share-adjusted (industry mix) and industry-growth adjusted (industry competitiveness) gaps represent the differences in actual employment growth in the District and employment growth that would have prevailed had the District had the same industry mix or industry-growth rates as the rest of the U.S.

At the one-digit SIC level, the industry composition of the District mirrors that of the rest of the U.S. As a result, controlling for industry composition (share-adjusted gap) explains little of the observed difference in employment growth; this is indicated in Figure 4 by the fact that the share-adjusted gap is essentially zero. At the one-digit industry level, differences in industry growth rates between the District and the rest of the U.S. explain nearly all of the observed gap in total employment growth, a point demonstrated by the fact that the industry-growth adjusted gap is coincident with the actual gap. Thus, the observed gap in employment growth rates is primarily due to one or more sectors growing faster in the District than in the rest of the U.S.

Industry contributions to the growth gap

Given that the share adjustment at the one-digit SIC level explained little of the gap in growth, the remainder of the analysis focuses on assessing the contributions of various industries to the competitiveness effect. While the total effect of District industries growing faster than U.S. industries is termed a competitiveness effect, some industries fit this description better than others. For manufacturing industries, whose products are shipped beyond the local area, the difference between the District's actual employment growth rate and the adjusted growth rate easily can be interpreted as a "competitive effect," reflecting firm location decisions and District specialization. For industries such as trade and government, which respond to demands of the local population, relatively faster growth is less a competitive effect than a reflection of the strength of the local economy. For other industries, like construction, services, and finance, insurance, and real estate, the picture is mixed, with some portion of growth attributable to the indirect effects of competitiveness and some portion attributable to the demands of the local population.

In 1996 and 1997, the manufacturing sector was a major source of competitiveness in the District, accounting for 50 percent and 45 percent of the total adjusted growth gap, respectively. Following the East Asian financial crisis and the coincident downturn in high-tech manufacturing, the contribution of manufacturing fell. Data through September 2000 show that manufacturing currently accounts for about 5 percent (0.05 percentage point) of the total competitiveness effect (industry-growth adjusted gap) in the District.

As the contribution of manufacturing to the growth gap has declined, the contribution of other sectors such as construction, services, trade, and government have increased. This year, one of the largest contributors to the District employment growth gap is the government sector, accounting for about one-third of the total gap. Government payrolls have been boosted by robust gains in tax revenues which have financed initiatives to reduce class size in primary schools, to expand social support services following welfare reform, and to expand and repair basic infrastructure. Another major contributor to the growth gap this year has been the trade sector, driven largely by strong consumer spending in the District. The growing importance of these locally oriented sectors reflect both demand for new construction and services related to the rapid growth of high-tech manufacturing and software and Internet-related firms in the District, as well as the rapid expansion of consumer-based services associated with robust consumer spending. Combined, these factors have kept the District expanding faster than the rest of the nation, even with the downturn in manufacturing.

Summary

Although the District economy has slowed this year, the deceleration has been less pronounced than in the rest of the nation. The relatively strong performance of the District economy is attributable to more rapid growth in most District industries. However, compared to previous periods, the growth gap owes primarily to gains in locally oriented sectors such as construction, services, trade, and especially government, which reflect both indirect effects of District competitiveness in sectors such as high-tech manufacturing and software development and the direct effects of rising personal incomes and robust consumer spending.

ALASKA, OREGON, AND WASHINGTON

The **Alaskan** economy contracted during the third quarter. After expanding rapidly in the second quarter, payroll employment declined at an annual rate of 1 percent during the three months ending in September. With the exception of manufacturing, all major sectors cut jobs. The largest declines were in the construction and government sectors, which together shed about 900 jobs. Employment in the retail trade and services sectors remained flat overall, tempered by a slowdown in visitor traffic. Manufacturing was the bright spot in Alaska's economy in recent months, particularly the seafood processing sector. Seafood processors increased employment at double-digit rates, adding 1,400 net new jobs in the third quarter.

Increased oil prices are having a positive effect on Alaska's oil industry and on state revenue collection. Higher prices have prompted producers to increase exploration and extraction plans and have boosted oil-related tax revenues and royalties.

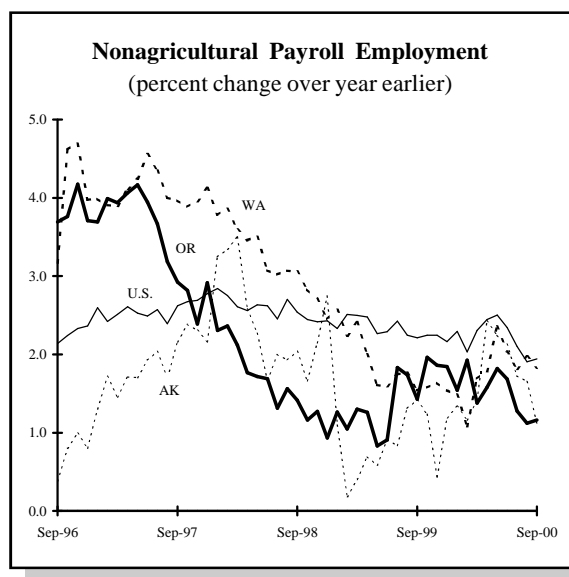
Oregon's economy stalled during the third quarter. Total payroll employment remained unchanged during the three months ending in September, as solid gains in some sectors were offset by job losses in others. On the upside, construction payrolls surged during the three months ending in September, increasing by 9.2 percent at annual rate, owing largely to increases in nonresidential building. Rapid job growth among high-tech goods manufacturers and food processors boosted manufacturing pay-

rolls by 3.5 percent during the third quarter, while an increase in employment among providers of communications equipment boosted job growth in the transportation and communications sector. The largest job losses were in the government sector, which shed about 2,900 jobs during the third quarter. Weakness in educational and tourism-related services tempered employment growth in the services sector, offsetting solid gains in business services. Slower job growth in the third quarter pushed the state unemployment rate up to 5.1 percent in September, about 0.3 percentage point higher than the average rate during the first six months of the year.

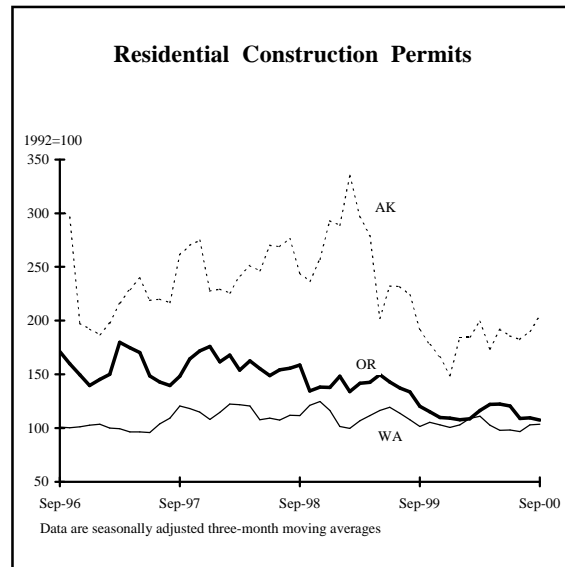
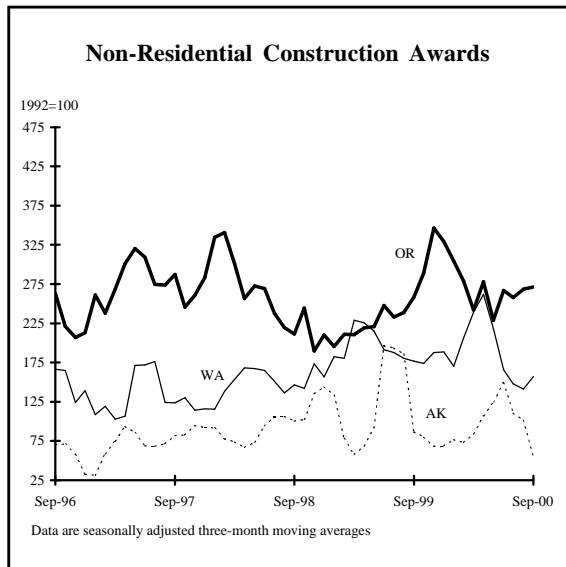
During the past year, Oregon's construction sector has benefited from strong demand for office space, particularly in the Portland area. However, there are signs that the office market is cooling. The office vacancy rate in the Portland area rose to 7.3 percent in the third quarter, up from 5.8 percent in the second quarter, as the demand for offices slowed and new office space came online.

Economic growth in **Washington** slowed in recent months. Total nonfarm payroll employment grew 0.7 percent at an annual rate during the third quarter, off the 2 percent pace of growth recorded during the first half of the year. Manufacturing payrolls declined 3.9 percent at an annual rate for a net reduction of 3,900 jobs. Job losses in the sector were broad-based, with the most rapid reductions occurring among lumber and wood processors, textile and apparel manufacturers, food processors, and among Boeing and its suppliers. The wholesale and retail trade and government sectors collectively shed an additional 2,800 jobs. Despite the slowdown, labor markets remained tight; the state's unemployment rate fell 0.4 percentage point in September to 4.7 percent.

Layoffs at dot-coms tempered growth in the state's computer and data processing sector in the third quarter; payrolls in the sector increased by 11.5 percent at an annual rate, well off the 20 percent pace recorded earlier in the year. Although recent weakness in the dot-com sector likely will damp personal income growth in the third quarter, second quarter growth was robust; personal income grew by 9.2 percent from 1999:Q2 to 2000:Q2.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-00	Aug-00	Sep-99	From Previous Month	From Previous Year
Alaska					
Total	282.0	282.7	278.9	-2.9	1.1
Mining	9.7	9.8	8.9	-11.6	9.0
Construction	13.9	13.8	13.6	9.1	2.2
Manufacturing	13.5	14.1	15.3	-40.7	-11.8
T.C.P.U.	26.8	26.8	26.3	0.0	1.9
Trade	57.9	57.7	57.4	4.2	0.9
F.I.R.E.	12.7	12.8	12.8	-9.0	-0.8
Services	73.2	73.0	70.9	3.3	3.2
Government	74.3	74.7	73.7	-6.2	0.8
Oregon					
Total	1594.3	1597.5	1576.0	-2.4	1.2
Mining	1.8	1.8	1.8	0.0	0.0
Construction	87.6	87.4	82.7	2.8	5.9
Manufacturing	242.1	239.0	239.1	16.7	1.3
T.C.P.U.	80.0	79.8	78.7	3.0	1.7
Trade	390.0	391.8	388.7	-5.4	0.3
F.I.R.E.	95.2	95.6	95.5	-4.9	-0.3
Services	435.7	435.3	429.5	1.1	1.4
Government	261.9	266.8	260.0	-19.9	0.7

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-00	Aug-00	Sep-99	From Previous Month	From Previous Year
Washington					
Total	2695.5	2702.1	2647.1	-2.9	1.8
Mining	3.2	3.3	3.3	-30.9	-3.0
Construction	164.9	164.0	154.7	6.8	6.6
Manufacturing	349.6	351.0	359.4	-4.7	-2.7
T.C.P.U.	142.0	142.5	140.4	-4.1	1.1
Trade	650.4	651.9	636.3	-2.7	2.2
F.I.R.E.	139.8	139.5	138.3	2.6	1.1
Services	766.7	765.9	741.1	1.3	3.5
Government	478.9	484.0	473.6	-11.9	1.1

Unemployment Rates (%)

	Sep-00	Aug-00	Jul-00	Sep-99	Aug-99
Alaska	6.3	5.8	5.5	6.2	6.3
Oregon	5.1	5.3	5.0	5.7	5.8
Washington	4.7	5.1	4.9	4.6	4.7
U.S.	3.9	4.1	4.0	4.2	4.2

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

The **Arizona** economy continued to expand rapidly in the third quarter. Total nonfarm payroll employment grew by 4.4 percent at an annual rate during the three months ending in September, about the same pace recorded during the first half of the year. Arizona's recent strength owed to expansions in a number of sectors, but construction and manufacturing showed the most strength relative to earlier in the year. After contracting during the first six months of 2000, construction payrolls increased by 7 percent at an annual rate during the third quarter. Manufacturing employers added jobs at a 3.2 percent average annual rate during the third quarter, near the pace of growth recorded during the first six months of the year. Robust job growth helped push Arizona's unemployment rate down to 3.6 percent in September; in August the unemployment rate was 3.9 percent.

Residential real estate and office markets in Arizona have slowed in 2000. The number of new housing permits issued during the nine months ending in September was 4.6 percent lower than the number granted during the same period in 1999. On the commercial side, office vacancy rates in the Phoenix metropolitan area rose to 13.3 percent in the second quarter of 2000, up from 9.9 percent one year earlier.

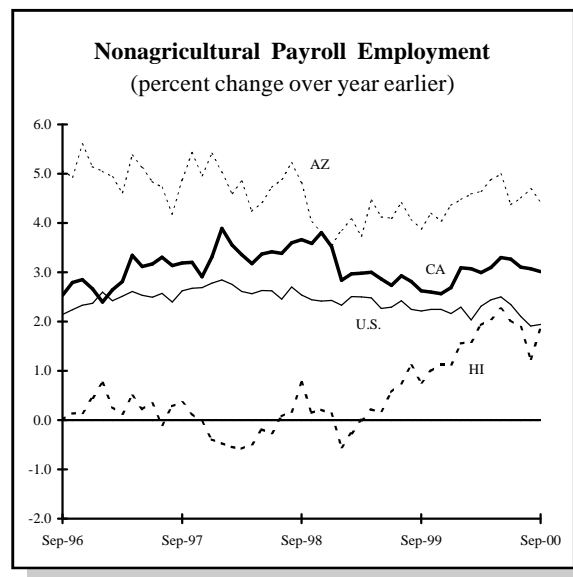
Economic growth in **California** slowed in the third quarter; total nonagricultural payroll employment grew by 2.3 percent at an annual rate during the

three months ending in September, down from the 3.3 percent rate recorded during the first half of the year. The slowdown was evident in most major sectors. In manufacturing, growth was damped by job cuts among makers of aircraft and related parts, lumber and wood products, stone, clay and glass products, paper, plastics, and processed foods. Job gains in the services sector were tempered by a strike in the motion picture industry, layoffs among dot-coms, and slower growth in personal and social services. High fuel costs constrained growth in the transportation sector, and the end of the 2000 Census reduced growth in government employment. Despite the recent slowdown, the state unemployment rate fell to 4.8 percent in September.

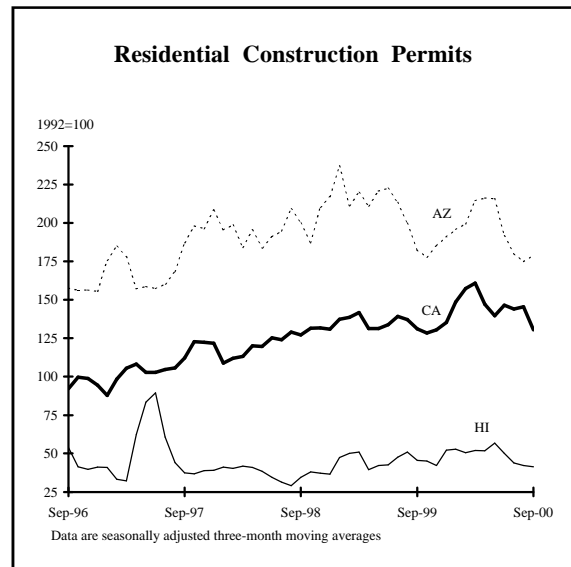
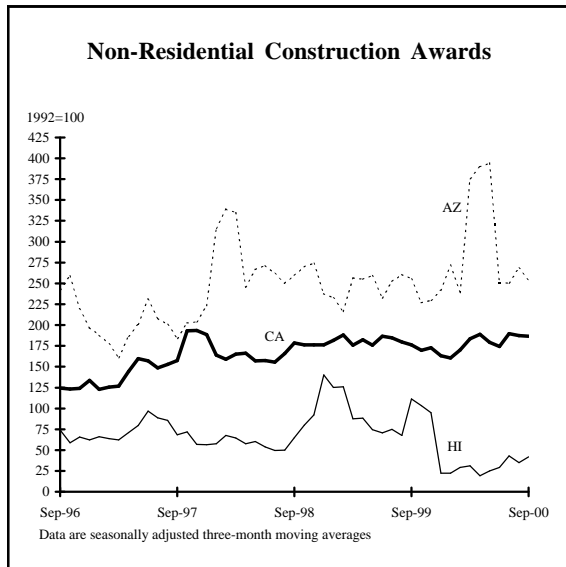
Regionally, employment growth in the Los Angeles Area kept pace with the state as a whole in recent months, averaging 2.4 percent at an annual rate in the third quarter. Growth in the San Francisco Bay Area was slower; payrolls expanded by 1.8 percent. The San Diego and Central Valley economies stalled in recent months. In San Diego, payrolls grew by 0.8 percent during the third quarter; employment in the Central Valley declined 0.3 percent during the period.

Hawaii's economic expansion picked up in recent months. Total nonagricultural employment increased 5 percent at an annual rate during the third quarter, for a net gain of 6,700 jobs. Much of the recent gain owed to increases in government payrolls, which grew by 17 percent at an annual rate during the three months ending in September. Removing government from the employment calculation, private sector payrolls grew by 2 percent during the three months ending in September. The most rapid expansions were in the manufacturing and services sectors. The pickup in manufacturing owed primarily to robust job growth among makers of processed foods; in the services sector job gains were broad-based, with the most rapid expansions occurring in the business and social services sectors.

The composition of Hawaii's tourism sector has changed over the past year. Increasingly, domestic mainland visitors have fueled growth in Hawaii's hospitality industries, offsetting continued weak traffic from Asia.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Sep-00	Aug-00	Sep-99		
Arizona					
Total	2275.5	2274.7	2179.0	0.4	4.4
Mining	10.2	10.0	10.2	26.8	0.0
Construction	160.2	158.7	157.5	12.0	1.7
Manufacturing	216.3	216.4	211.8	-0.6	2.1
T.C.P.U.	109.8	109.9	104.9	-1.1	4.7
Trade	534.5	533.3	516.2	2.7	3.5
F.I.R.E.	146.9	146.8	141.6	0.8	3.7
Services	731.5	730.7	689.5	1.3	6.1
Government	366.1	368.9	347.3	-8.7	5.4
California					
Total	14487.7	14464.7	14063.8	1.9	3.0
Mining	22.8	22.9	23.2	-5.1	-1.7
Construction	748.9	740.5	690.1	14.5	8.5
Manufacturing	1919.7	1923.1	1926.5	-2.1	-0.4
T.C.P.U.	750.4	751.0	724.0	-1.0	3.6
Trade	3290.3	3286.3	3213.0	1.5	2.4
F.I.R.E.	833.0	834.5	823.9	-2.1	1.1
Services	4600.5	4581.4	4417.2	5.1	4.1
Government	2322.1	2325.0	2245.9	-1.5	3.4

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Sep-00	Aug-00	Sep-99		
Hawaii					
Total	551.3	545.5	541.2	13.5	1.9
Mining
Construction	23.4	23.8	21.6	-18.4	8.3
Manufacturing	16.9	16.7	16.6	15.4	1.8
T.C.P.U.	41.5	41.5	41.2	0.0	0.7
Trade	134.8	135.6	133.7	-6.9	0.8
F.I.R.E.	34.4	34.5	35.0	-3.4	-1.7
Services	180.6	177.9	175.2	19.8	3.1
Government	119.7	115.5	117.9	53.5	1.5

Unemployment Rates (%)

	Sep-00	Aug-00	Jul-00	Sep-99	Aug-99
Arizona	3.6	3.9	3.7	4.3	4.5
Hawaii	4.4	4.3	4.0	5.3	5.4
California	4.8	5.1	5.1	5.0	5.0
U.S.	3.9	4.1	4.0	4.2	4.2

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

Economic growth in **Idaho** proceeded at a solid pace in recent months, although growth slowed from earlier in the year. Nonfarm payroll employment increased by 2.8 percent at an annual rate during the third quarter, down from the 4 percent pace recorded during the first half of the year. The recent deceleration owed in part to employment reductions among manufacturers, especially makers of lumber and wood products and processed food items. Employment in manufacturing declined by 7.1 percent at an annual rate during the third quarter, for a loss of 1,400 jobs. Employers in the construction and finance, insurance, and real estate sectors also cut jobs during the period, as demand for homes and mortgage financing slowed. In contrast, growth in the retail and wholesale trade sectors surged in recent months, particularly among department stores and home improvement and garden stores.

Despite the recent slowdown, Idaho remains one of the fastest growing states in the nation. Idaho was fourth among all states in its pace of employment growth during the twelve months ending in September. The state also ranked high in personal income growth; between 1999:Q2 and 2000:Q2 personal income in Idaho increased 7.7 percent, placing it tenth among all states in income gains.

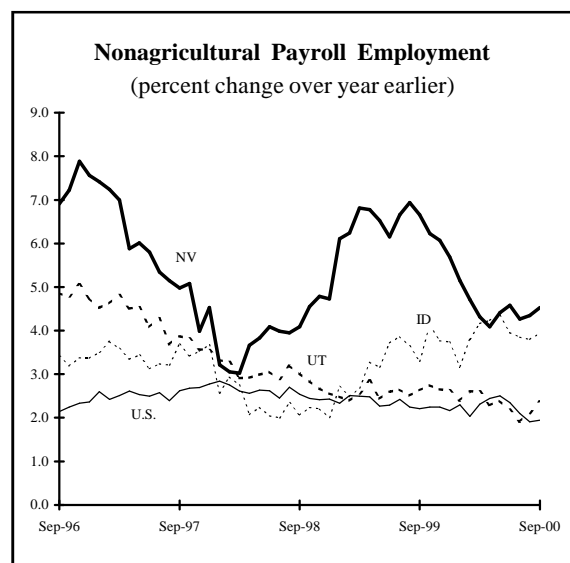
Nevada's economy accelerated in the third quarter. Total nonagricultural payrolls grew by 6.4 percent at an annual rate during the three months

ending in September, nearly 1½ percentage points faster than the pace of growth in the second quarter. Increased visitor traffic continued to boost employment among hotel, amusement, and recreation and eating and drinking establishments; payrolls in these sectors increased by 10 and 15 percent at annual rates, respectively, during the third quarter. Employers in the business services, personal services, and engineering and management services, transportation and communications, and retail trade sectors also added jobs at double-digit rates during the three months ending in September. Despite the pickup in job growth, the state unemployment rate rose to 4 percent in September, boosted by rapid growth in the labor force in August and September.

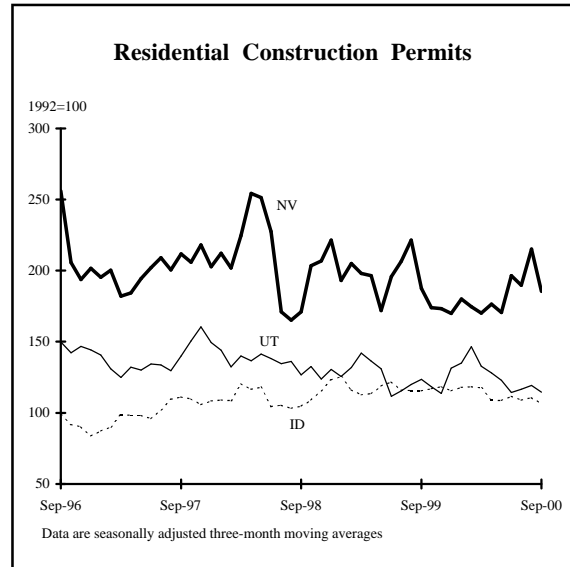
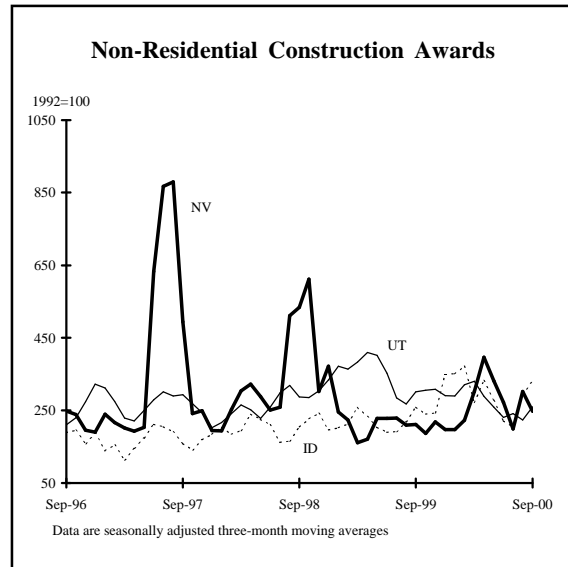
Nevada's economy is among the top performers in the country. Measured by employment growth during the past twelve months, Nevada is the fastest growing state in the nation. Data on personal income growth also reflect Nevada's strength. Over the four quarters ending in 2000:Q2, personal income in Nevada increased by 8.2 percent, placing it sixth among all states in its pace of income growth.

Utah's economy picked up in the third quarter. Total nonfarm payroll employment grew by 4.2 percent at an annual rate, up from the 1.9 percent pace recorded during the first half of the year. The pickup in growth was broad-based, with particularly rapid gains posted in the construction and services sectors. Combined these sectors accounted for 55 percent of net new job growth, about 1½ times their share of total employment. In contrast, employers in the manufacturing sector—with the exception of makers of electronic equipment—shed jobs in recent months. Manufacturing payrolls declined by 2.1 percent at an annual rate during the three months ending in September, all but erasing the job gains recorded earlier in the year.

Despite the recent surge in employment growth, the Utah economy has cooled slightly over the past twelve months. During the twelve months ending in September employment grew by 2.4 percent, about 0.2 percentage point slower than the pace of growth in 1999. Still, job growth in Utah continues to outpace that of the nation.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Sep-00	Aug-00	Sep-99		
Idaho					
Total	563.6	563.2	542.2	0.9	3.9
Mining	2.5	2.5	2.5	0.0	0.0
Construction	38.9	38.8	35.0	3.1	11.1
Manufacturing	75.3	75.5	76.7	-3.1	-1.8
T.C.P.U.	27.8	27.5	27.0	13.9	3.0
Trade	141.8	141.6	136.5	1.7	3.9
F.I.R.E.	23.4	23.6	23.3	-9.7	0.4
Services	144.3	143.7	135.3	5.1	6.7
Government	109.6	110.0	105.9	-4.3	3.5
Nevada					
Total	1041.1	1037.6	996.0	4.1	4.5
Mining	11.1	11.0	11.6	11.5	-4.3
Construction	92.2	92.1	89.8	1.3	2.7
Manufacturing	44.1	44.1	42.4	0.0	4.0
T.C.P.U.	55.3	54.7	52.2	14.0	5.9
Trade	216.8	215.1	205.4	9.9	5.6
F.I.R.E.	45.1	44.9	44.4	5.5	1.6
Services	455.3	452.7	433.8	7.1	5.0
Government	121.2	123.0	116.4	-16.2	4.1

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Sep-00	Aug-00	Sep-99		
Utah					
Total	1083.0	1075.3	1057.9	8.9	2.4
Mining	7.7	8.0	7.9	-36.8	-2.5
Construction	74.9	74.1	73.5	13.8	1.9
Manufacturing	132.9	132.4	133.0	4.6	-0.1
T.C.P.U.	61.1	61.0	59.9	2.0	2.0
Trade	254.1	253.5	249.6	2.9	1.8
F.I.R.E.	57.1	57.0	56.9	2.1	0.4
Services	308.3	306.6	296.3	6.9	4.0
Government	186.9	182.7	180.8	31.4	3.4

Unemployment Rates (%)

	Sep-00	Aug-00	Jul-00	Sep-99	Aug-99
Idaho	4.6	4.5	4.5	5.0	5.2
Nevada	4.0	3.8	3.5	4.6	4.7
Utah	3.0	3.1	3.0	3.5	3.7
U.S.	3.9	4.1	4.0	4.2	4.2

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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