

WESTERN ECONOMIC DEVELOPMENTS

December 1997

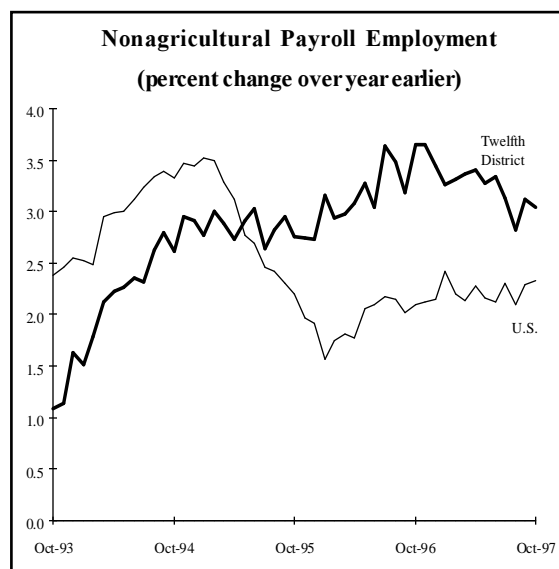
Executive Summary

- The District contains six of the ten fastest growing states in the nation, with Nevada, Arizona, and Utah topping the list.
- The pace of economic growth in the District remained solid in recent months, although below the rapid trend of 1996.
- In much of the District, employment growth continues to outpace growth in the labor force, pushing state unemployment rates down and creating very tight labor markets.
- Growth is beginning to even out across District states. Slower growth in Oregon and the Intermountain states combined with solid expansions in California and Washington are narrowing the growth gap among the District's most populous states.
- Banks headquartered in the District reported healthy third quarter earnings. Average past-due loan ratios for most District-based banks improved relative to a year ago.
- Recent developments in East Asia may damp the pace of growth in many district states but should not derail the District's solid expansion.

District Update

The pace of economic growth in the District remained solid in recent months, although below the rapid trend of 1996. Payroll employment expanded at about a 3 percent average annual pace during the 3 months ending in October, down slightly from the near 3¼ percent pace of the first half of the year. Despite the slowdown, growth in most District states has outpaced national growth over the past year; only Idaho, Alaska, and Hawaii are expanding at a pace below the national rate of 2.3 percent. Throughout much of the District, employment growth continues to outpace growth in the labor force, pushing state unemployment rates down and creating very tight labor markets, particularly in urban areas.

Construction currently is the fastest growing sector in the District, creating jobs at an annual rate of nearly 8 percent since December 1996. Employment gains in this sector have been broad based, affecting nearly every state in the District and owing to increases in both residential and



commercial building activity. The manufacturing sector also has made an important contribution to the District's sustained expansion, adding jobs at about the same 3 percent pace this year as in 1996.

Geographically, growth is evening out across District states. Slower growth in the Intermountain states and Oregon combined with the resurgence of the California and Washington economies has served to narrow the growth gap between most District states, with Alaska and Hawaii being the notable exceptions. Annualized employment growth among District states in 1997 (through October) ranges from 4.8 percent in Nevada to 2.0 percent in Idaho. This 2.8 percentage point gap in District growth rates

(excluding Alaska and Hawaii) is down from a nearly 5 percentage point gap in 1996. The gap in unemployment rates across District states also has narrowed.

Financial Conditions

Twelfth District bank earnings were solid during the third quarter, with banks headquartered in the District reporting healthy return on assets (ROA) and return on equity (ROE). Profitability for small banks in Southern California showed continued improvement, with average ROA at just over 1 percent and average ROE at nearly 10¾ percent. Average capital ratios for banks of all sizes across the District remained strong.

Overall asset quality for most banks in the District was healthy during the third quarter, although banks in several states continued to report average past-due loan ratios above the national average. Average past-due loan ratios for most banks headquartered in District states showed some improvement from a year earlier. Average past-due loan ratios for California-based banks continued to trend lower. Although loans to individuals continued to perform poorly for banks headquartered in the District, average past-due ratios for these loans remained steady across District-based banks as a whole and were slightly lower than the U.S. average.

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-97	Sep-97	Oct-96		
	Alaska	265.6	266.7	262.9	-4.8
Arizona	2,010.3	1,991.8	1,926.3	11.7	4.4
California	13,231.1	13,206.6	12,888.3	2.2	2.7
Hawaii	528.5	529.7	529.2	-2.7	-0.1
Idaho	506.3	503.8	497.7	6.1	1.7
Nevada	905.4	904.7	859.3	0.9	5.4
Oregon	1,536.4	1,533.3	1,491.7	2.5	3.0
Utah	1,005.3	1,002.6	965.3	3.3	4.1
Washington	2,527.7	2,520.0	2,434.9	3.7	3.8
District	22,516.6	22,459.2	21,855.6	3.1	3.0
U.S.	123,045.0	122,761.0	120,248.0	2.8	2.3

Seasonally adjusted payroll employment data

				% Change From Previous Month	% Change From Previous Year
	Oct-97	Sep-97	Oct-96		
	Aerospace Employment (1992=100)	72.5	71.5	66.0	0.0
Electronics Employment (1992=100)	117.7	117.2	112.4	0.5	4.7
Americas Semiconductor Billings (\$ Million)	n/a	3930.0	3730.0	n/a	n/a
Non-Residential Awards (1992=100)	138.3	144.9	138.5	-4.5	-0.1
Residential Permits (Thousands)	27.7	26.5	23.8	4.5	16.2
Western Housing Starts (Thousands)	33.5	33.6	33.0	-0.3	1.5

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-97	Sep-97	Oct-96		
	Total	22,516.6	22,459.2	21,855.6	3.1
Mining	86.0	86.1	85.2	-1.4	0.9
Construction	1,145.8	1,142.0	1,068.9	4.1	7.2
Manufacturing	3,010.7	3,004.7	2,929.9	2.4	2.8
Transportation	1,151.9	1,148.3	1,121.6	3.8	2.7
Trade	5,245.3	5,242.7	5,140.2	0.6	2.0
F.I.R.E.	1,250.5	1,247.1	1,229.5	3.3	1.7
Services	6,855.2	6,830.2	6,571.6	4.5	4.3
Government	3,771.2	3,758.1	3,708.7	4.3	1.7

Seasonally adjusted payroll employment data

Regional Effects of East Asian Currency Developments

During the past three months a wave of devaluation has spread through countries in East Asia. Although the United States and East Asia actively trade and compete for trading partners, most experts agree that the recent developments in East Asian currency markets will have only a small impact on net exports and thus on growth in the United States. In the Twelfth District, where trade relationships with East Asia are stronger than for the U.S. as a whole, the effects of the East Asian currency crisis likely will be larger.

East Asia Currency Developments and Growth in the U.S.

Between July 2 and October 24, 1997 the Thai baht depreciated by 60 percent against the U.S. dollar and triggered a wave of speculation against other East Asian currencies that, to date, has caused currency adjustments in Indonesia, Malaysia, the Philippines and South Korea. The implications of these developments for the U.S. and Twelfth District economies depend both on the size of the exchange rate depreciation and the underlying level of economic disruption each country experiences. Through these two channels, developments in East Asia potentially affect U.S. growth by decreasing the trade competitiveness of U.S. producers and by slowing the demand for exports in affected countries. Combined, these factors weaken net exports from the United States, ultimately damping production. The magnitude of the impact on growth depends on a number of factors, including our dependence on East Asia as an export destination and the degree to which the U.S. and other nations can substitute less expensive East Asian commodities for more expensive U.S. commodities.

Although both factors are important for the calculation of the effect of East Asian currency devaluations on U.S. growth, at the state and regional level data constraints relating to imports make a dual analysis impossible. However, under the assumption that the degree of import substitution is similar across states in the U.S., investigating the export component of the prob-

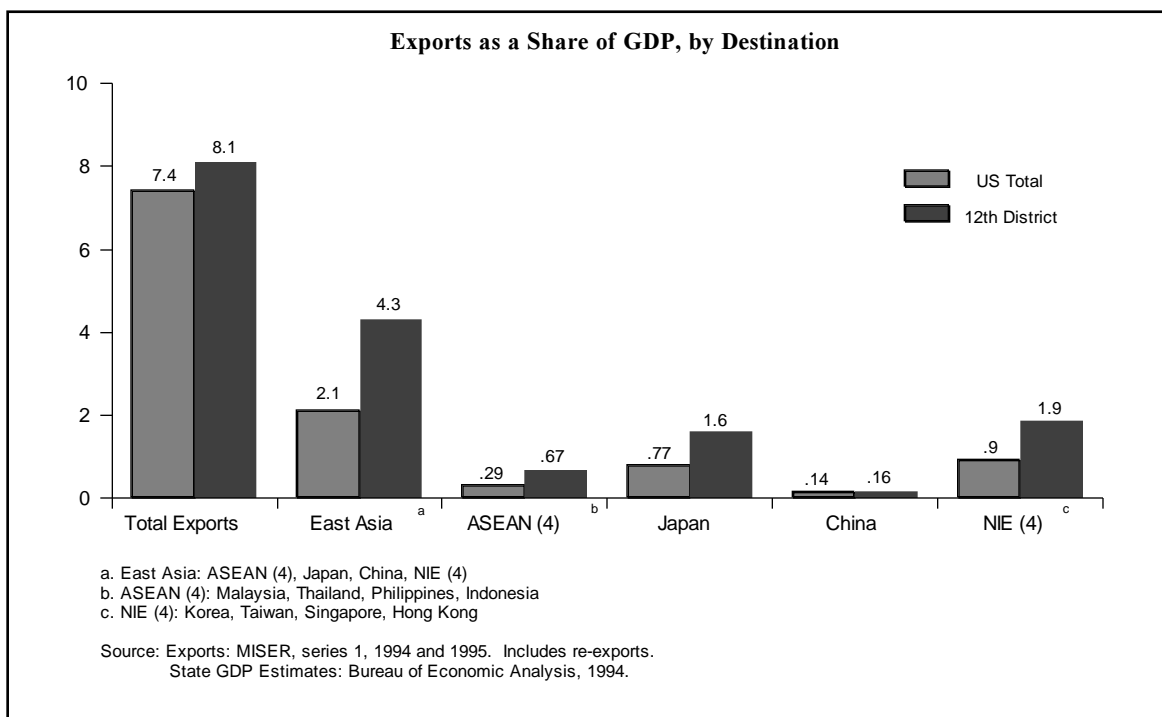
lem can provide a basis for judging the relative impact of the East Asia crisis on District states.

Disproportionate Exposure of District Exports to East Asia. The Figure displays merchandise exports to the world and to countries in East Asia as a share of GDP for the U.S. and for the Twelfth District.¹ State GDP estimates come from the Bureau of Economic Analysis and reflect revised estimates of 1994 GDP. State export estimates are from MISER, series 1, 1994 and 1995, and reflect Department of Commerce data on origin-of-movement of exports of manufactured and non-manufactured commodities. These data do not include components of exported services or purchases by foreign visitors to the United States. East Asian countries include Malaysia, Thailand, the Philippines, Indonesia, Japan, China, Korea, Taiwan, Singapore, and Hong Kong.

The first two bars in the Figure indicate that the United States and the District are almost equally dependent on merchandise exports. However, the Figure also shows that District states are significantly more dependent on exports to East Asia than the U.S. as a whole. On average, the U.S. exports about 2.1 percent of its GDP to East Asia. The average state in the Twelfth District exports more than twice this fraction, about 4.3 percent of GDP. Therefore, relative to the national average, merchandise exports to East Asia are twice as important in the District economy.

The remainder of the Figure decomposes the ratio of merchandise exports to East Asia as a percentage of GDP into four country groups. Although the recent wave of speculation and ensuing currency devaluations have affected much of the East Asian region, some countries have experienced greater financial and economic adjustments than others. Moreover, because of their size (GDP value) and level of industrialization, particular countries and country groups in East Asia are likely to influence U.S. exports and production more than other coun-

¹ East Asian export shares of GDP are computed by scaling the 1994 total exports to GDP ratio by the 1995 country composition of exports by state.



tries. Thus, it is useful to divide East Asia into four groups broadly reflective of size (valued in GDP), level of industrialization, and current financial stability. The ASEAN(4) group includes Malaysia, Thailand, the Philippines, and Indonesia, each of which have experienced substantial currency devaluations in the last two months. Japan and China are entered individually: Japan because of its importance to the U.S. export calculation and China because it has not been affected by the recent bout of devaluations. Finally, the NIE(4) or newly emerging economies include Korea, Taiwan, Singapore, and Hong Kong, among which Korea has seen the largest adjustment in its currency.

Two points are worth noting in this country decomposition of exports to East Asia. First, similar to the nation, District states rely most heavily on exports to Japan and the NIE(4) and are less dependent on countries in the ASEAN(4) group, the group that has experienced the greatest degree of difficulty in recent months. Second, in all country groups but China, the District is more than twice as dependent on exports to East Asia than the national average, making District export flows more vulnerable to changes in East Asia than the U.S. as a whole. In fact, the District exports nearly the same share of GDP to

the NIE(4) as the U.S. does to all of East Asia.

Commodity Composition of District Exports to East Asia. Forecasts of the effects of developments in East Asia on the rate of growth of the U.S. economy take into account both the relative importance of exports to East Asia in the U.S. as well as the product mix or commodity composition of exports. Commodity composition matters for both the timing and the magnitude of the export effects. For example, countries undergoing a currency devaluation may find it too expensive to purchase U.S. agricultural products and seek other lower cost providers of these goods. In addition, countries experiencing underlying economic difficulties may delay purchases of durable goods such as computers and aircraft, slowing the demand for such products.

Table 1 reports the composition of merchandise exports for the United States and the District by major industry groups. The columns in Table 1 show the share of exports to the world and East Asian countries contributed by each listed industry. A comparison of columns (1) and (3) highlights the product lines the District specializes in relative to the nation, with industrial machinery and equipment, electrical machinery and components, and agriculture, forestry and fishing topping the list. Comparing columns (2)

and (4) shows the extent to which this specialization carries over into exports to East Asia. In general, the product mix of exports to East Asia is more similar between the U.S. and the District than the product mix of total exports. However, a few notable differences exist. The largest difference is in lumber and wood products, where the District is twice as dependent as the nation on demand from East Asia. The other major difference is in transportation equipment; the District exports approximately one third as much transportation equipment, primarily aircraft, to East Asia as the U.S. as a whole.

Areas to Watch in the Twelfth District

Although, overall, the District is more vulnerable to fluctuations in East Asian economies than the nation as a whole, within the District certain states are particularly exposed. Table 2 provides the information in the Figure for each of the nine District states, ranked by total merchandise exports as a share of GDP. This table highlights the importance of merchandise exports to East Asia in many District states. According to Table 2, of the District's nine states, only Nevada and Hawaii export a smaller share of state GDP to East Asia than the national average. However, tourism dollars spent by East Asian visitors are not counted in these export totals. Thus, the impact of developments in East Asia likely is substantially understated for Nevada and Hawaii, states which gain substantial revenue from tourism. In the remaining states, estimates of the percentage of GDP exported to East Asia range from 2.4 percent in Utah to 10.0 percent in Washington.

In general, District states break down into three groups in terms of their dependence on merchandise exports to East Asia. The Intermountain states, with the exception of Nevada, are about 25 percent more dependent on East Asia than the average state in the nation. California and Oregon are roughly twice as dependent on East Asian demand for exports than the U.S. average. Finally, Washington and Alaska are about 5 times more dependent on exports to East Asia than the average state in the U.S.

Conclusions

In summary, Twelfth District states are more dependent on merchandise exports to East Asia than is the U.S. as a whole. For a number of

years, this disproportionate exposure has benefitted District states by providing a ready source of demand to a variety of industries. Recent disruptions in both the financial and economic health of East Asian nations likely will damp the pace of growth in many District states, particularly in California, Alaska and the Pacific Northwest. However, with the exception of Alaska, these states have posted healthy growth during the past year and their solid expansions should not be derailed by the current level of difficulty in East Asia.

Table 1
Commodity Composition of Exports

Industry ^a	Percent Share			
	U.S. Exports	U.S. Exports to East Asia	District Exports	District Exports to East Asia
Industrial Machinery and Equipment	16.0	16.5	19.5	13.0
Transportation Equipment	14.2	11.3	15.0	15.3
Electrical Machinery and Components	13.0	21.5	24.0	25.0
Agriculture, Forestry, Fishing Hunting, and Trapping	5.0	10.0	8.1	10.5
Food and Kindred Products	4.5	6.3	4.9	5.1
Lumber and Wood Products	1.3	2.4	3.4	4.9
Textiles, Mill Products, and Apparel	1.3	1.3	1.3	1.1

^a Ranked by largest to smallest share of U.S. total exports.

Source: Census FT900 Supplement, 1995 and MISER, series 1, 1994 and 1995. Includes re-exports.

Table 2
Exports as a Share of GDP by Twelfth District States^a

State	Total	East Asia ^b	ASEAN(4) ^c	Japan	China	NIE(4) ^d
Washington	16.4	10.0	0.9	4.1	0.7	4.2
Alaska	10.8	8.6	0.2	6.7	0.5	1.2
Oregon	8.2	4.4	0.7	1.8	0.1	1.8
California	7.6	3.9	0.7	1.3	0.1	1.8
Arizona	6.9	2.5	0.8	0.7	0.1	0.9
Idaho	6.1	3.0	0.3	1.4	0.1	1.2
Utah	5.7	2.4	0.2	0.9	0.1	1.2
Nevada	1.4	0.2	0.0	0.1	0.1	0.0
Hawaii	0.8	0.6	0.1	0.3	0.1	0.1
Twelfth District	8.1	4.2	0.7	1.6	0.2	1.9
United States	7.4	2.1	0.3	0.8	0.1	0.9

^a Ranked by largest to smallest to total export share of GDP.

^b East Asia: ASEAN(4), Japan, China, NIE(4)

^c ASEAN(4): Malaysia, Thailand, Philippines, Indonesia

^d NIE(4): Korea, Taiwan, Singapore, Hong Kong

Source: Census FT900 Supplement, 1995 and MISER, series 1, 1994 and 1995. Includes re-exports.

ALASKA, OREGON, AND WASHINGTON

Economic growth in Alaska declined slightly in recent months, but employment remains above year ago levels. Nearly all of the recent decline is attributable to reductions in retail and wholesale trade and services, accounting for ninety percent of the jobs lost in October. The recent weakness in these sectors, in part, can be linked to Alaska's fishing and fish processing sectors, both of which fell short of production expectations this year. Declines in the number of non-resident seasonal workers employed in fishing related industries reportedly dampened sales at retail and service outlets. Despite the recent slowdown, annualized employment growth for 1997 has averaged more than twice that experienced in 1996.

Alaska's oil exploration and production industry continues to gain strength. Arco Alaska recently announced plans to develop a new field on the North Slope. In-state fabrication of the field's production modules will create approximately 250 new jobs, boosting growth in Alaska's manufacturing sector.

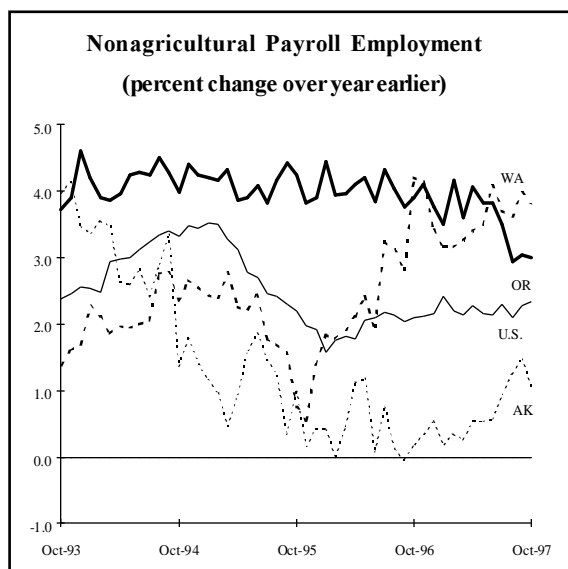
Oregon's economy continued to grow at a solid pace in recent months. Nonfarm payroll employment expanded by about 2 percent at an annual rate over the past four months, accelerating in September and October. Since December of last year, payroll employment has increased by 2.8 percent at an annual rate, off the near 4 percent pace of the previous three years, but sufficient to

make Oregon the 8th fastest growing state in the nation. Strong growth in manufacturing has been one key to Oregon's sustained expansion. Following a sluggish summer, employment growth in manufacturing returned to its early 1997 pace in recent months, bringing annualized employment growth in the sector to 4.2 percent since December 1996. The largest employment gains have been in high-tech manufacturing and transportation equipment, but paper and pulp producers also have added jobs. Manufacturing's resurgence helped push the state unemployment rate down to 5.1 percent in October, one percentage point lower than a year earlier.

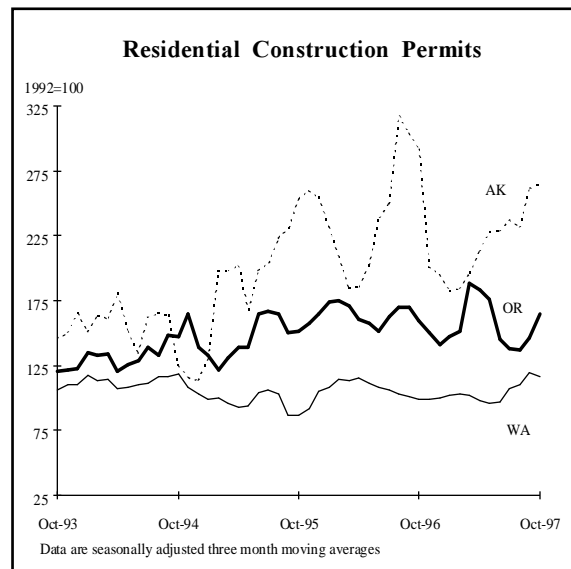
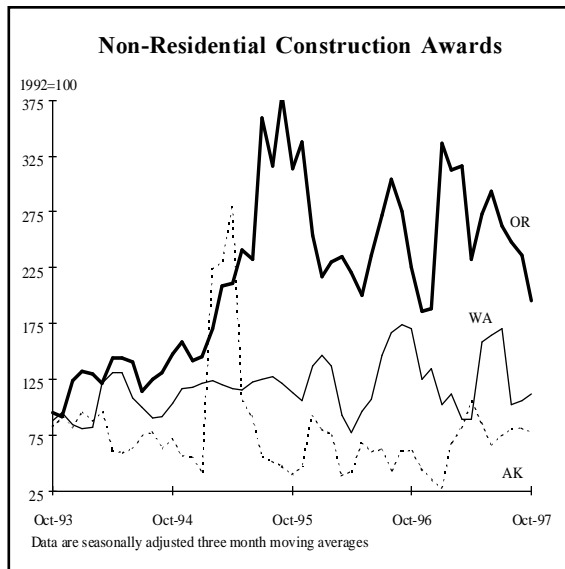
The slight slowing of Oregon's fast-paced economy during 1997 appears to have tempered home price appreciation in the state. The latest figures from the National Association of Realtors show that the median price of a home in the Portland area rose by 7.6 percent between the third quarter of 1996 and the third quarter of 1997, down from the 10.2 percent increase between 1995 and 1996.

The pace of growth in Washington remained strong in recent months. Payroll employment expanded by nearly 3½ percent at an annual rate during the last 3 months, with almost all sectors posting job gains. Sustained job growth in Washington pushed the state unemployment rate down to just 4.4 percent in October. Manufacturing employment continues to expand, boosted largely by sustained expansions at Boeing and by makers of computer and electronics equipment. Other areas of manufacturing, such as the lumber and wood products sectors and primary and fabricated metal products, also are expanding, although not at the rapid clip of aerospace and high-tech producers.

Rapid growth in manufacturing continues to spill over into other sectors of the economy. Retail trade, health and educational services, and state and local government payrolls all have expanded during the past year. Robust growth in the Seattle area is translating into higher home prices. According to the National Association of Realtors, home prices in Seattle have appreciated nearly 4 percent since last year, bringing the median price of a home in the area to \$175,300.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Oct-97	Sep-97	Oct-96	From Previous Month	From Previous Year
Alaska					
Total	265.6	266.7	262.9	-4.8	1.0
Mining	10.1	10.0	10.2	12.7	-1.0
Construction	12.3	12.4	12.4	-9.3	-0.8
Manufacturing	15.7	15.2	16.1	47.5	-2.5
T.C.P.U.	23.7	23.5	22.6	10.7	4.9
Trade	54.7	55.9	54.3	-22.9	0.7
F.I.R.E.	11.8	11.9	11.7	-9.6	0.9
Services	64.1	64.9	62.3	-13.8	2.9
Government	73.2	72.9	73.3	5.1	-0.1

	Number Employed (thousands)			Annualized % Change	% Change
	Oct-97	Sep-97	Oct-96	From Previous Month	From Previous Year
Washington					
Total	2527.7	2520.0	2434.9	3.7	3.8
Mining	3.4	3.5	3.5	-29.4	-2.9
Construction	135.0	134.8	129.4	1.8	4.3
Manufacturing	374.9	373.0	351.1	6.3	6.8
T.C.P.U.	126.6	126.3	123.7	2.9	2.3
Trade	611.6	609.1	595.7	5.0	2.7
F.I.R.E.	126.9	126.7	124.1	1.9	2.3
Services	689.6	687.6	656.2	3.5	5.1
Government	459.7	459.0	451.2	1.8	1.9

	Number Employed (thousands)			Annualized % Change	% Change
	Oct-97	Sep-97	Oct-96	From Previous Month	From Previous Year
Oregon					
Total	1536.4	1533.3	1491.7	2.5	3.0
Mining	1.9	1.9	1.9	0.0	0.0
Construction	84.6	86.9	81.3	-27.5	4.1
Manufacturing	247.0	245.3	236.7	8.6	4.4
T.C.P.U.	73.8	73.6	73.9	3.3	-0.1
Trade	378.8	376.0	368.1	9.3	2.9
F.I.R.E.	94.5	94.6	91.8	-1.3	2.9
Services	404.5	404.5	391.8	0.0	3.2
Government	251.3	250.5	246.2	3.9	2.1

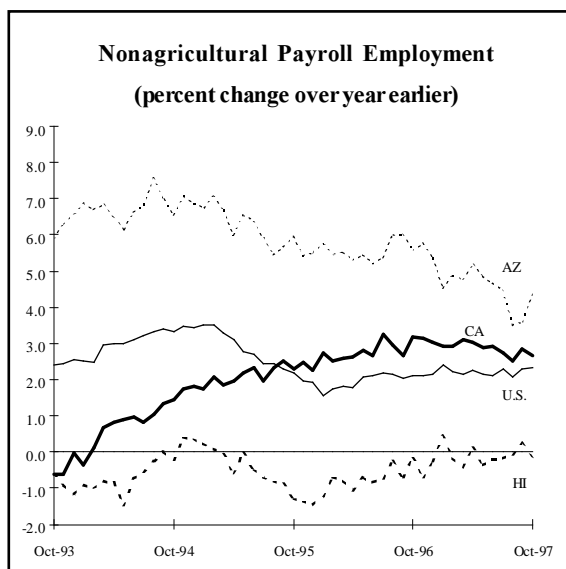
	Unemployment Rates (%)				
	Oct-97	Sep-97	Aug-97	Oct-96	Sep-96
Alaska	7.4	7.5	7.6	7.8	7.8
Oregon	5.1	5.4	5.5	6.1	6.0
Washington	4.4	5.3	5.0	6.4	6.5
U.S.	4.7	4.9	4.9	5.2	5.2

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

Arizona's pace of economic growth was relatively rapid in recent months. Payroll employment increased at about a 6 percent average annual pace in the three months ending in October, up substantially from the roughly 4 percent pace in the first seven months of the year. Relative to a year earlier, Arizona employment has increased 4.4 percent, making it the second fastest growing state in the nation on this basis. The pace of job growth is outpacing the rate of expansion in the labor force, and the state unemployment rate is low and declining. At 3.9 percent in October, the Arizona unemployment rate is down about 1¾ percentage points from a year earlier.

A rapidly growing manufacturing sector has helped boost the Arizona economy this year. Manufacturing employment increased at about a 4 percent pace over the past twelve months, after posting smaller gains in 1995 and 1996. The largest job gains this year were at manufacturers of electronic, computer, and other machinery and components. Aerospace employment also has increased rapidly. Arizona's construction sector has been adding jobs at about a 4 percent annual rate, fueled by a pickup in residential building activity. The nonresidential real estate market also is healthy. In the Phoenix area, office and industrial vacancy rates have declined recently and are well below the national average.

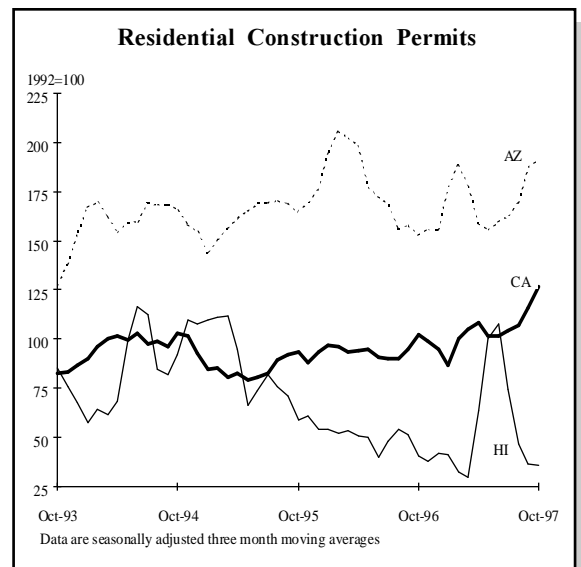
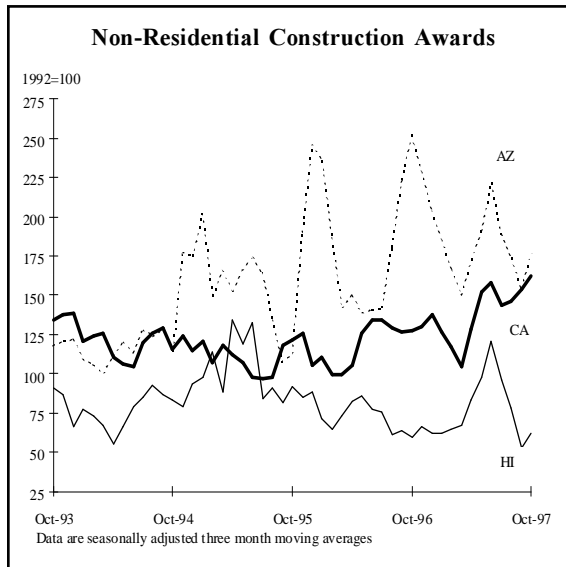


Economic growth in California continued to proceed at a solid pace in recent months. Payroll employment increased at about a 2¾ percent average annual rate in the three months ending in October, which is similar to the pace earlier in the year but down slightly from the 3 percent rate of growth in 1996. Among the major sectors, the job gains have been most rapid in construction and services, particularly the business service category which includes software development. Manufacturing employment has only increased at a slow pace in recent months, after increasing at a rapid 2½ percent annual rate in 1996 and the first half of 1997.

The rapid growth in construction employment reflects strong gains in both nonresidential and residential building activity. In the first nine months of 1997, the value of new nonresidential building permits awarded increased 42 percent relative to the same period a year earlier, and residential permit values increased about 14 percent on this basis. The largest gains in both residential and nonresidential construction activity were in the San Francisco Bay Area, Orange County, Riverside-San Bernardino and San Diego. Construction activity in Los Angeles County also is increasing, but at a slower pace than elsewhere in the state. Within the Bay Area, the San Jose/Silicon Valley real estate market is quite tight. The San Jose market reportedly has the lowest office vacancy rates in the nation, and home prices there have jumped about 20 percent in the past year.

Economic growth in Hawaii remained sluggish in recent months. Payroll employment increased at about a 1 percent average annual pace in the three months ending in October, after no change earlier in the year. Among major sectors, jobs have been added this year at government and services employers, but construction, manufacturing, finance, and other payrolls are down. Within services, the job growth this year has been mainly for business-oriented services. In contrast, the job count declined at hotels and other lodging places, which cater to the tourist trade. Retail employment declined in the first half of the year, but a pickup in recent months partly offset the earlier job losses.

CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-97	Sep-97	Oct-96		
Arizona					
Total	2010.3	1991.8	1926.3	11.7	4.4
Mining	15.2	15.1	14.5	8.2	4.8
Construction	134.1	133.3	128.4	7.4	4.4
Manufacturing	209.1	208.2	200.8	5.3	4.1
T.C.P.U.	98.2	96.7	94.3	20.3	4.1
Trade	489.4	487.8	470.3	4.0	4.1
F.I.R.E.	125.9	124.7	116.8	12.2	7.8
Services	605.4	601.1	575.5	8.9	5.2
Government	333.0	324.9	325.7	34.4	2.2

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-97	Sep-97	Oct-96		
Hawaii					
Total	528.5	529.7	529.2	-2.7	-0.1
Mining
Construction	21.5	21.0	23.1	32.6	-6.9
Manufacturing	16.1	15.9	16.6	16.2	-3.0
T.C.P.U.	40.7	40.8	41.1	-2.9	-1.0
Trade	134.3	134.2	135.2	0.9	-0.7
F.I.R.E.	35.5	35.7	36.8	-6.5	-3.5
Services	168.5	168.4	166.8	0.7	1.0
Government	111.9	113.7	109.6	-17.4	2.1

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-97	Sep-97	Oct-96		
California					
Total	13231.1	13206.6	12888.3	2.2	2.7
Mining	29.3	29.4	29.1	-4.0	0.7
Construction	573.0	568.5	522.9	9.9	9.6
Manufacturing	1901.6	1900.8	1867.0	0.5	1.9
T.C.P.U.	663.0	661.7	645.2	2.4	2.8
Trade	3026.4	3030.0	2983.9	-1.4	1.4
F.I.R.E.	737.9	736.0	734.0	3.1	0.5
Services	4134.9	4120.3	3973.8	4.3	4.1
Government	2165.0	2159.9	2132.4	2.9	1.5

	Unemployment Rates (%)				
	Oct-97	Sep-97	Aug-97	Oct-96	Sep-96
Arizona	3.9	4.2	4.4	5.7	5.8
Hawaii	5.9	5.9	6.1	6.3	6.4
California	6.3	6.4	6.2	7.0	7.1
U.S.	4.7	4.9	4.9	5.2	5.2

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 picked up in September and October, returning to a moderate growth path following a sluggish summer. Nonfarm payroll employment expanded by nearly 2½ percent at an annual rate during the last 4 months, with an acceleration in September and October. The state's high-tech manufacturing sector has undergone a substantial resurgence in 1997, with large job gains in the electronics and computer manufacturing sectors during the past 6 months. Further impetus for growth has come from a huge surge in business services employment, which has grown by 25 percent this year. In contrast, state growth has been restrained somewhat by declining employment in the retail trade sector, which has lost 2,000 jobs so far this year.

Preliminary tallies of Idaho's 1997 potato crop suggest an approximately normal harvest level, despite concerns regarding late season crop health. Idaho accounts for nearly one-third of total U.S. fall potato production. However, the sales prognosis is mixed; demand for 1997 french-fry grade potatoes reportedly is low, due in part to overstocking by producers of frozen potato products arising from last year's record low prices.

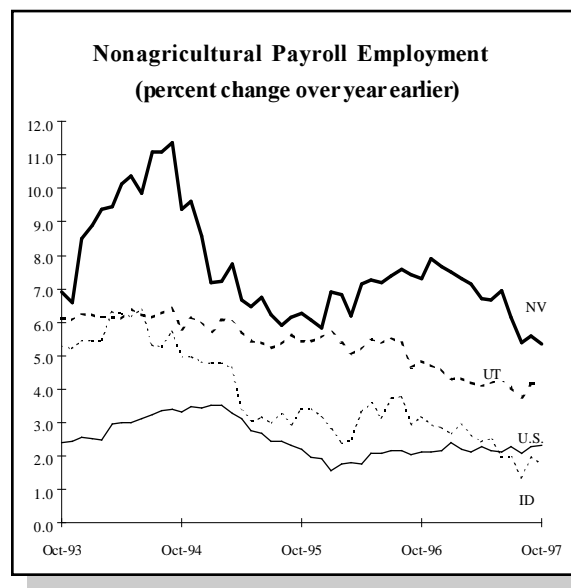
Nevada's rate of payroll employment growth continues to lead the nation, although it is not as rapid as in preceding years. Growth during the third quarter and October was under 3 percent

on an annual basis, but the underlying trend remains around 5 percent in 1997. Although growth in most sectors has settled somewhat this year, both the communications and public utilities and the finance, insurance, and real estate sectors have picked up a bit. Moreover, the labor market tightened further in recent months, with unemployment falling to a record low of 4.2 percent in October.

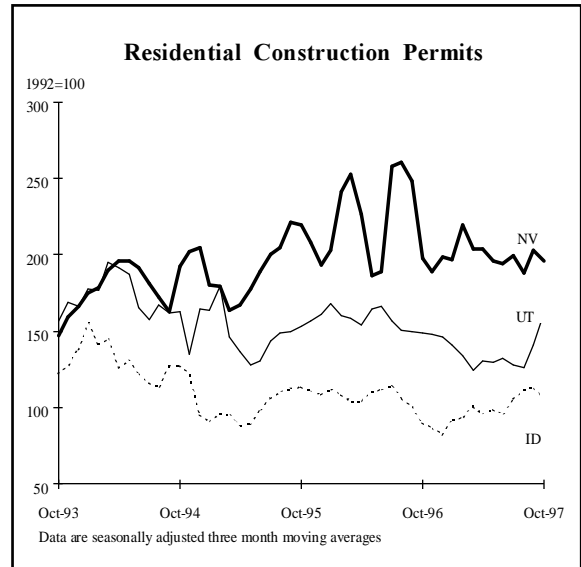
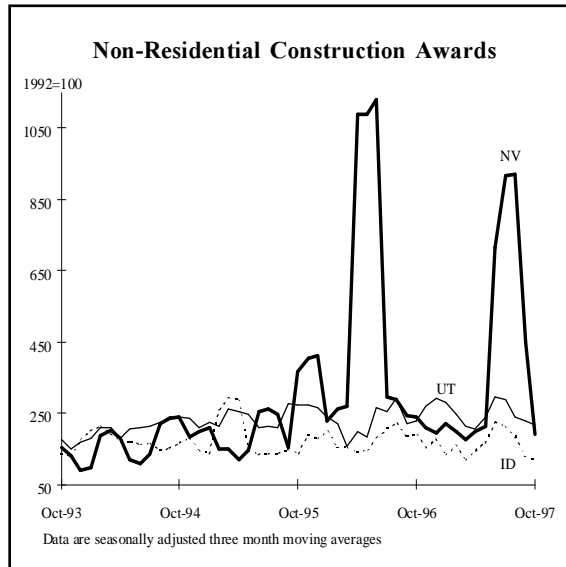
Growth in Nevada construction payrolls this year, while still above 7 percent at an annual pace, is averaging less than half its 1996 pace. However, construction activity in and around Las Vegas remains an important impetus to the state's economic expansion, as it continues to be spurred by rapid population growth and expansion of the tourism industry. Recently commenced construction projects in the Las Vegas area include parking garages, food and beverage establishments, shopping centers, and a hotel/motel complex valued at \$400 million.

Utah's vigorous economic expansion remains largely on track. Total payroll employment grew 3.2 percent at an annual pace during the third quarter and October. The underlying trend in 1997 is 4 percent growth, which has kept the state unemployment rate hovering around 3 percent. Construction payrolls grew 10 percent at an annual rate during the first 10 months of the year. Services sector growth of 6 percent at an annual rate during the same period represents nearly half of all new jobs created in the state this year. In contrast, the manufacturing sector has been somewhat sluggish this year, with job growth during the past four months restrained by job losses in the electronics and transportation equipment industries.

Recent tourism data indicate the number of visitors at Utah tourist information centers and the number of convention bookings both have increased compared to last year. However, hotel occupancy rates for the year have declined on net, due in part to rapid building of smaller, limited service hotels and motels. Furthermore, employment growth in the hotels and lodging sector has slowed substantially this year, in sharp contrast to large gains in 1996.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Oct-97	Sep-97	Oct-96	From Previous Month	From Previous Year
Idaho					
Total	506.3	503.8	497.7	6.1	1.7
Mining	2.9	3.0	3.2	-33.4	-9.4
Construction	33.4	33.7	30.9	-10.2	8.1
Manufacturing	73.8	74.2	72.8	-6.3	1.4
T.C.P.U.	23.9	23.8	23.6	5.2	1.3
Trade	125.6	125.9	126.2	-2.8	-0.5
F.I.R.E.	25.6	25.7	25.4	-4.6	0.8
Services	123.0	119.2	116.3	45.7	5.8
Government	98.1	98.3	99.3	-2.4	-1.2

	Number Employed (thousands)			Annualized % Change	% Change
	Oct-97	Sep-97	Oct-96	From Previous Month	From Previous Year
Utah					
Total	1005.3	1002.6	965.3	3.3	4.1
Mining	8.3	8.2	7.9	15.7	5.1
Construction	67.0	66.2	61.2	15.5	9.5
Manufacturing	132.2	131.8	129.7	3.7	1.9
T.C.P.U.	57.1	57.0	54.5	2.1	4.8
Trade	240.3	240.0	232.4	1.5	3.4
F.I.R.E.	52.3	52.0	50.8	7.1	3.0
Services	276.4	276.1	260.9	1.3	5.9
Government	171.7	171.3	167.9	2.8	2.3

	Number Employed (thousands)			Annualized % Change	% Change
	Oct-97	Sep-97	Oct-96	From Previous Month	From Previous Year
Nevada					
Total	905.4	904.7	859.3	0.9	5.4
Mining	14.9	15.0	14.9	-7.7	0.0
Construction	84.9	85.2	79.3	-4.1	7.1
Manufacturing	40.3	40.3	39.1	0.0	3.1
T.C.P.U.	44.9	44.9	42.7	0.0	5.2
Trade	184.2	183.8	174.1	2.6	5.8
F.I.R.E.	40.1	39.8	38.1	9.4	5.2
Services	388.8	388.1	368.0	2.2	5.7
Government	107.3	107.6	103.1	-3.3	4.1

	Unemployment Rates (%)				
	Oct-97	Sep-97	Aug-97	Oct-96	Sep-96
Idaho	5.0	5.0	5.2	5.1	5.1
Nevada	4.2	4.4	4.4	5.5	5.7
Utah	3.0	2.8	3.1	3.5	3.5
U.S.	4.7	4.9	4.9	5.2	5.2

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

1997 Issues**Mailing Date**

January

February 6

March

March 27

May

May 22

June

July 3

August

August 21

September

October 2

November

November 13

December

December 18

**Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105**

**PRESORTED
FIRST-CLASS MAIL
U.S. POSTAGE PAID
PERMIT NO. 752
San Francisco, CA**