

WESTERN ECONOMIC DEVELOPMENTS

December 1996

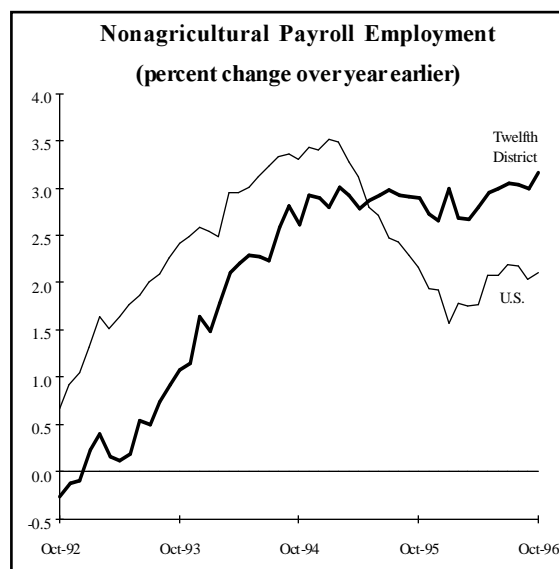
Executive Summary

- California's pace of job creation continues to exceed the national rate, and the state unemployment rate is trending downward.
- The Intermountain states of Arizona, Idaho, Nevada, and Utah are the top tier among U.S. states in terms of the pace of job creation in the twelve months ending in October.
- Employment growth in Washington state has accelerated to a 4 percent pace this year, equalling the rate of job growth in Oregon. The Pacific Northwest is the second-fastest growing region in the country, closely behind the Intermountain states.
- Residential real estate markets have been strong in the Intermountain and Pacific Northwestern states. In California, home sales volumes and prices have been weak until recently, discouraging homebuilding and undermining the consumer spending of homeowners with negative equity. However, California real estate market conditions have improved recently, particularly in the San Francisco Bay area.

District Update

Relatively rapid economic growth continued in the District this fall. The California economy continued to expand slightly faster than the moderate national pace, and the boom continued in the Intermountain and Pacific Northwest states. Through the twelve months ending in October, the four Intermountain states of Nevada, Utah, Arizona, and Idaho were the fastest growing in the United States, with payroll employment growth in the 4½ percent to 6 percent per year range. At a 4 percent pace of job growth, the Pacific Northwestern states of Oregon and Washington ranked fifth and sixth, respectively. Hawaii lost about 1 percent of its payroll jobs over the past year, as this slight contraction continued through the fall. Slow growth continued in Alaska.

Overall District employment increased at an average annual pace of 2¾ percent in September and October, well above the roughly 1 percent rate for the overall U.S. Payroll jobs in California expanded at a 3 percent pace. Among the



Intermountain states, Nevada continued to be the fastest growing, at a 5 percent average annual pace of job growth in September and October. For these two months, the pace of employment gains in Arizona, Idaho, and Utah was less rapid than earlier in 1996, but given the very large increases this summer, the underlying trend appears to be one of only a slight slowing from a very rapid pace. Washington state job growth has accelerated to a 4 percent pace over the last twelve months, largely owing to hiring by major aerospace and software employers. Oregon's pace of employment growth has held steady at near 4 percent recently.

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Alaska	265.8	266.0	263.6	-0.9	0.8
Arizona	1,877.0	1,877.9	1,795.3	-0.6	4.6
California	12,851.8	12,826.1	12,532.3	2.4	2.5
Hawaii	525.0	524.8	531.0	0.5	-1.1
Idaho	503.1	503.2	481.9	-0.2	4.4
Nevada	859.2	858.1	809.0	1.5	6.2
Oregon	1,492.0	1,489.6	1,434.5	2.0	4.0
Utah	970.3	970.7	922.8	-0.5	5.1
Washington	2,434.4	2,430.2	2,340.2	2.1	4.0
District	21,778.6	21,746.6	21,110.6	1.8	3.2
U.S.	120,227.0	120,017.0	117,749.0	2.1	2.1

Seasonally adjusted payroll employment data

Given the rapid 3¼ percent rate of District job growth over the twelve months ending in October, the District unemployment rate fell about ½ percentage point over this period to 6¼ percent currently. Labor markets are relatively tight in the Intermountain and Pacific Northwestern states, where current unemployment rates are a few percentage points below the long-run average unemployment rates for those states. The California labor market also has tightened enough to bring the state unemployment rate down about 1 percentage point over the past year to 6.9 percent in October.

The relatively fast growth in District jobs over the past year owes to large increases in several major sectors. Manufacturing employment has increased about 3 percent over the past twelve months in District states, whereas national manufacturing employment edged down about ¾ percent over this period. The relatively rapid growth in District manufacturing employment largely is due to increasing aerospace employment in Washington state and increasing computer and electronics employment in many parts of the District. Service sector jobs in the District have increased at about a 4½ percent pace. District construction employment growth has held steady at a rapid 6½ percent rate, as a slight pickup in California offset a bit of moderation in some of the fastest growing states.

	Number Employed (thousands)			% Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Aerospace Employment (1992= 100)	66.1	65.1	55.7	1.5	18.8
Electronics Employment (1992= 100)	107.7	107.6	103.6	0.1	4.0
U.S. Semiconductor Orders (\$ Million)	3740.0	3170.0	5110.0	18.0	-26.8
Non-Residential Awards (1992= 100)	130.7	130.7	126.8	0.0	3.1
Residential Permits (Thousands)	24.0	24.7	23.6	-2.9	1.5
Western Housing Starts (Thousands)	32.7	29.4	30.9	11.2	5.8

Seasonally adjusted payroll employment data

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Total	21,778.6	21,746.6	21,110.6	1.8	3.2
Mining	80.6	80.9	81.1	-4.4	-0.6
Construction	1,069.8	1,067.7	1,006.0	2.4	6.3
Manufacturing	2,888.7	2,884.8	2,802.3	1.6	3.1
Transportation	1,116.3	1,112.0	1,093.7	4.7	2.1
Trade	5,183.7	5,176.0	5,043.1	1.8	2.8
F.I.R.E.	1,223.4	1,220.9	1,211.5	2.5	1.0
Services	6,529.4	6,526.5	6,245.6	0.5	4.5
Government	3,686.7	3,677.8	3,627.3	2.9	1.6

Seasonally adjusted payroll employment data

Residential Real Estate and Construction

For the past few years, strong residential real estate markets and increasing levels of residential construction have been contributing to the fast pace of expansion in the Intermountain and Pacific Northwestern states. In California, residential real estate markets generally remained depressed until recently, and residential construction remained low this year, well after the overall economic recovery in the state was firmly established. However, California appears poised for improvement in real estate and construction in 1997.

Home Sales Volumes

The pace of home sales in the Pacific Northwest and Intermountain states has trended up fast in the last several years. This largely reflects the underlying economic and population dynamics which make these regions among the fastest-growing in the country.

The pattern differs for California. During the 1990-91 recession, the drop-off in California home sales was more precipitous than for most areas of the country, and state home sales remained at the lower level through 1993. The moderate pickup in California home sales in 1994 was short-lived, as a dropback in 1995 reversed the 1994 sales gains. Through the first three quarters of 1996, California existing home sales increased about 23 percent relative to a year earlier. Sales of new homes also have increased in California this year, albeit less rapidly than sales of existing homes. Home sales have increased faster in the San Francisco Bay area than in the Los Angeles area.

Sales of new and existing homes in California remain well below the late 1980s peak, predominantly due to fewer sales in Los Angeles County. Three features of the current state of the California economy help explain the low level of home sales. First, despite recent economic growth, some potential buyers still have a high level of uncertainty about future income. Given the relatively high level of unemployment in the state, potential buyers know that if they lose their job, they might need a long time to find a suitable new job. The slack in the labor market is particularly evident in Los Angeles County. Second,

the number of household formations in California has been low, owing to the large net out-migration of California residents to other states and to the changing composition of California's population. The fastest-growing segments of the California population are young people and immigrants, groups which tend to be in large households. Third, the cost of owning a home in California remains relatively high, particularly if buyers need to worry about possible continued depreciation of home values.

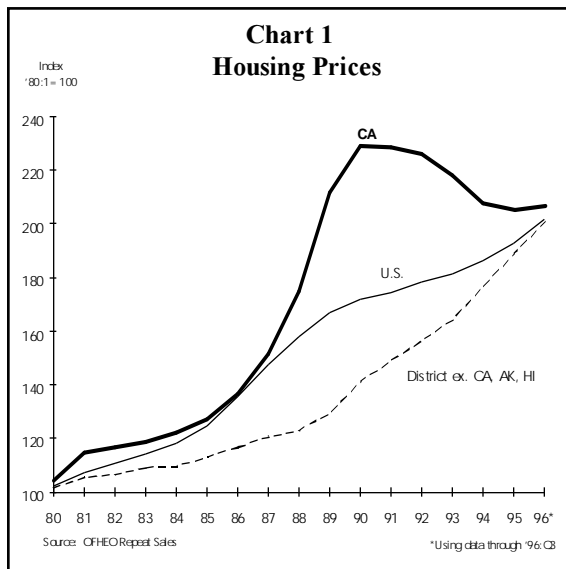
In gauging the outlook for California home sales, near-term population dynamics provide some grounds for optimism, as the out-migration from California to other states is slowing. Also, the dynamics of the user cost of home ownership in California appear to be improving.

The user cost of owning a house depends greatly on the mortgage interest rate, the level of the house price, and the rate of expected capital gains (or losses) over the period the house is owned. Mortgage interest rates have been relatively stable lately. The current level of housing prices in California is quite high relative to other states, but not necessarily out of line with fundamental values. Most importantly, declining house prices in the state over the past several years have led potential California homeowners to question whether owner-occupied housing is a good investment. A recent change in this dynamic likely is beginning to restore expectations of moderate capital gains, decrease the user cost of housing in California, and bring forth additional increases in housing demand.

Housing prices

California experienced a "speculative bubble" in housing prices which appears to have finally completed its course. Between 1980 and 1987, California housing prices appreciated at about the same moderate rate as in the overall U.S., but in 1988 and 1989 California home prices jumped up sharply (chart 1). It would be difficult to rationalize the jumps of roughly 15 percent in 1988 and 20 percent in 1989 in California home prices without assuming that homebuyers in that period expected further price appreciation in subsequent years. However, housing price increases slowed in 1990, and as the recession

deepened in the state in 1991, prices began to fall. As California house prices declined further during 1992 through 1995, house prices appreciated in the U.S. as a whole. Given the declines in California and appreciation elsewhere, the “bubble” in California house prices has dissipated in the sense that the cumulative rates of appreciation since 1980 are roughly equivalent for California and the rest of the U.S. House prices roughly have doubled since 1980 in California and in the U.S. as a whole (Chart 1).



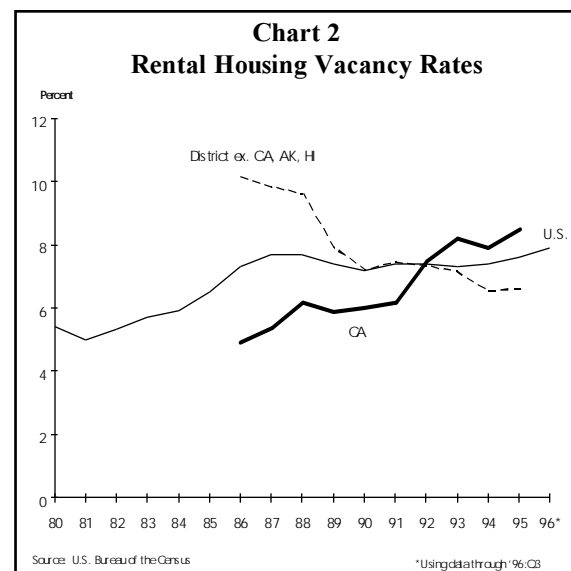
In the first three quarters of 1996, slight gains were recorded, on average, in several broad measures of California house prices, including the repeat sales index shown in Chart 1 and the California Association of Realtors tabulations of median home prices. The realtors' data show a substantial recent pickup in San Francisco Bay Area home prices, but prices in Los Angeles County continued to decline a bit. Within California, much of the loss of home equity since the beginning of the decade has been in the Los Angeles area. The median Los Angeles County home price is about 20 percent below its early 1990s peak, whereas the San Francisco Bay Area median home price has surpassed the previous peak.

Housing Vacancies

The above discussion focusses on changes in housing demand. Increases in housing demand tend to cause large price increases if supply is

relatively inelastic. The elasticity of supply depends on the extent of current housing vacancies (and on builders' ability and willingness to develop new residential projects).

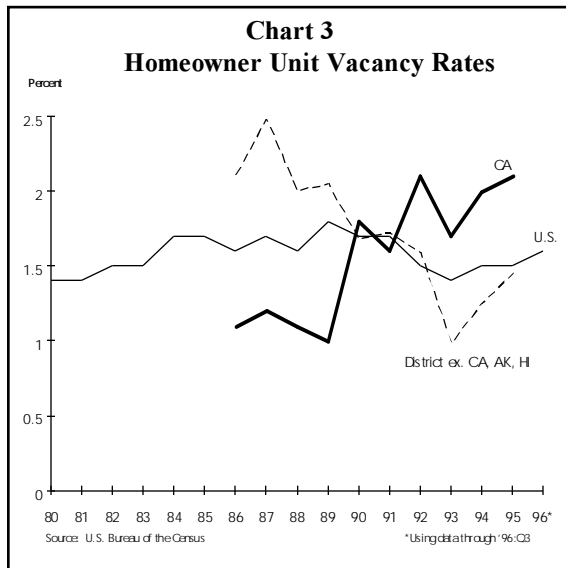
For the District's Pacific Northwestern and Intermountain states, the rental housing vacancy rate has been trending down since the mid-1980s, according to the U.S. Bureau of the Census estimates available for 1986 through 1995 (Chart 2). The California rental vacancy rate trended up through 1995 and was 8½ percent in that year, about 1 percentage point above the national average. Metropolitan area detail available in the Census survey shows that the uptrend



and high level of the California rental vacancy rate was due to the overhang of rental units in the Los Angeles area, particularly in Los Angeles County. In contrast, the San Francisco Bay Area rental vacancy rate declined in 1995 to about 5.8 percent, almost 2 percentage points below the national average. Industry sources suggest that since 1995 the San Francisco Bay Area rental vacancy rate has fallen further, and the Los Angeles Area rental vacancy rate has stabilized.

Vacancy rates for homeowner units show a similar geographic pattern as rental vacancy rates in most respects (Chart 3). The California homeowner vacancy rate trended up through 1995 and exceeded the U.S. average, owing to increasing vacancies in the Los Angeles area which

were only partly offset by declines in the San Francisco Bay Area. Elsewhere in the District, the homeowner vacancy rate in 1995 was below



that for the U.S. as a whole. However, the homeowner vacancy rate for this group of Intermountain and Pacific Northwestern states was trending up in 1994 and 1995, suggesting that pace of owner-unit construction was more than adequate to meet the increasing demand for new homes in those years.

Residential Construction

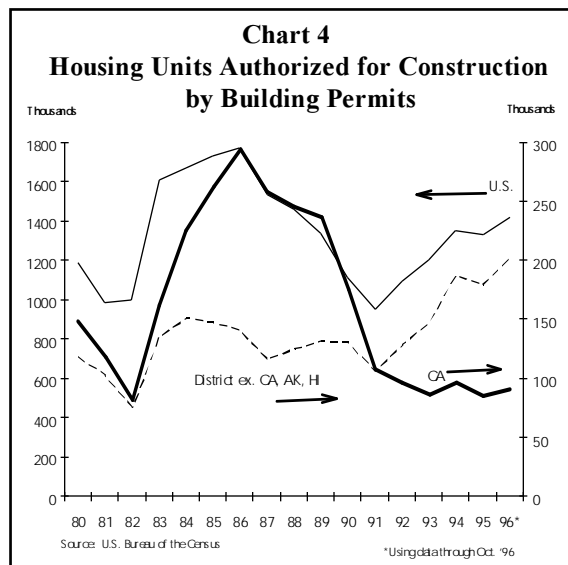
In the Intermountain and Pacific Northwestern states, builders constructed housing units at about a 200,000 unit annual rate in the first ten months of 1996 (Chart 4). The volume of construction increased about 13 percent relative to a year earlier, faster than the growth rate in residential construction for the U.S. as a whole. In recent months, residential construction has slowed in the Intermountain and Pacific Northwestern States

In California, residential construction permit issuance increased slightly in 1996, but the current pace still is less than 100,000 units per year, compared with a 1986 peak of almost 300,000 housing units per year. Most of this 200,000 unit swing in the pace of home-building took place in the Los Angeles area, where the current residential building pace is about 35,000 units per year, down from a peak of 160,000 units in 1986.

Summary

In the District Intermountain and Pacific Northwest states, real estate sales volumes and the level of residential construction appear likely to remain high in 1997, but it is not clear whether the current fast pace of increase in residential construction is sustainable. The one exception to this generalization is Washington state, where residential construction dropped back noticeably during 1995, as Boeing downsized, and housing construction now is picking up as the increased aerospace activity ripples through the rest of the state economy.

For California, a pickup in real estate markets and residential construction appears likely to contribute noticeably to state economic growth in 1997 and perhaps even more so in 1998. Home sales are likely to be boosted in the near-term by a pickup in population growth and household formations. Also, the “bubble” in California house prices appears to have been deflated, and prices are beginning to increase in some areas. The change in housing price dynamics is likely to restore expectations of moderate capital gains, decrease the user cost of housing in California, and bring forth additional increases in housing demand. Nevertheless, the extent of a pickup in California residential construction next year likely will be limited by the fact that the turnaround in the Los Angeles area housing market lags other areas of the state.



ALASKA, OREGON, AND WASHINGTON

Economic activity in Alaska grew slowly in recent months. Payroll employment edged up less than 1 percent at an annual rate in the third quarter and was little changed in October. The October level of employment is only about ¾ percent above a year earlier. Over this period, declines in manufacturing and mining employment offset most of the moderate gains in the services and wholesale and retail trade sectors.

Among manufacturing industries, lumber and wood products employment is down relative to a year earlier, and employment at seafood processors has been flat. International competition and bountiful domestic harvests have kept salmon prices low. Weak prices and increased competition also have hurt profits in the Alaskan pulp and paper industry. Last month, Louisiana-Pacific announced that it would close its pulp mill in Ketchikan in March 1997, removing a sizeable fraction of the manufacturing jobs in the area.

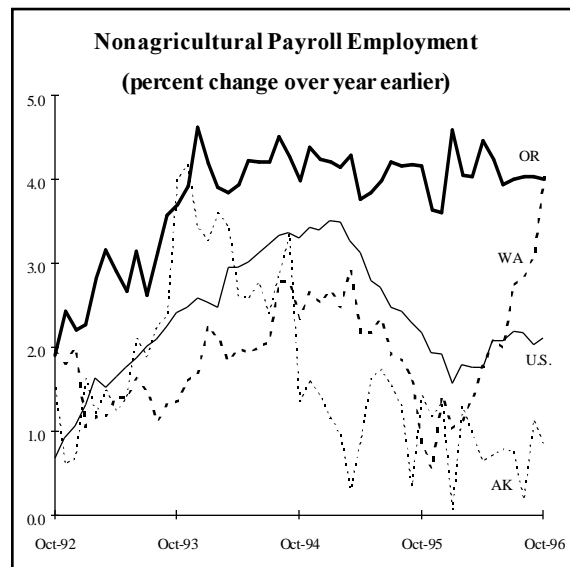
Relatively fast economic growth continued in Oregon in recent months. Payroll employment increased at an average annual rate of 3½ percent in September and October, almost as fast as the 4 percent pace for the twelve months ending in October. Construction employment growth has been fueled by a pickup in residential construction and by the building of several large

high-tech manufacturing facilities. Apart from construction, services remain the fastest growing sector in the Oregon economy; services employment increased 7 percent over the past twelve months. Business and professional service industries have added nearly 10,000 new jobs since December. Furthermore, nearly all other sectors in the economy are growing; among major sectors, only government employment is down over the past year.

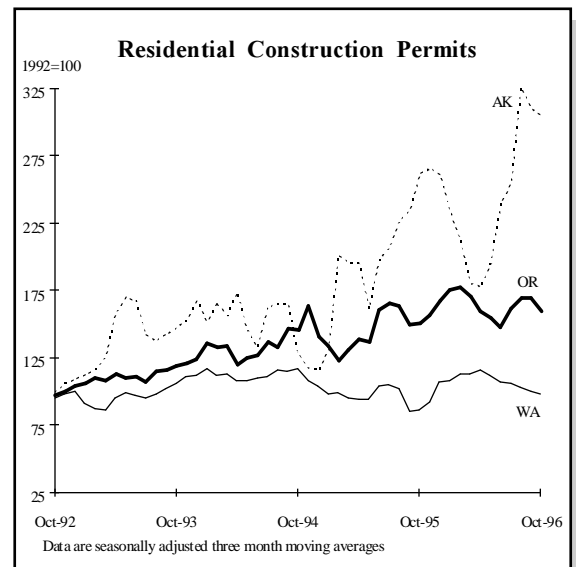
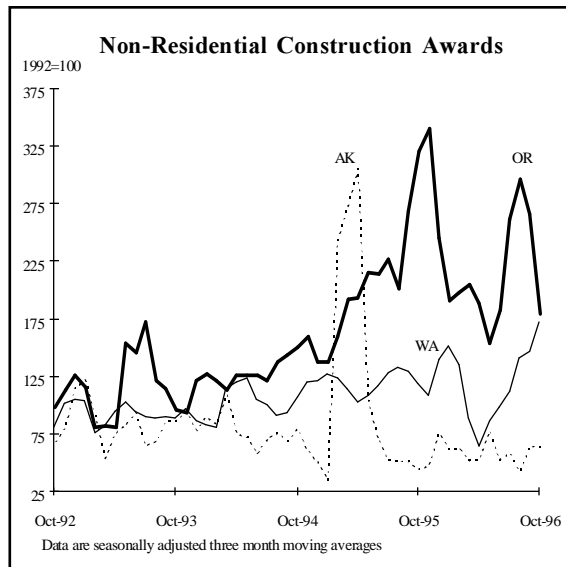
The outlook is mixed for industries in Oregon's forest products sector. Employment in the lumber and wood products industry group stabilized this year at around 50,000 jobs, after declining sharply in 1995. Recently, lumber prices surged about 60 percent from mid-1995 lows, but this has not yet translated into noticeable increases in Oregon lumber employment. In the Oregon pulp, paper and allied products industries, employment declined about 5 percent in 1996 to roughly 8,500 jobs as of October. Pulp prices fell about 50 percent between mid-1995 and early 1996 and only regained a small portion of the decline in subsequent months.

Economic growth in Washington has picked up. In the twelve months ending in October, payroll employment increased 4 percent, and the state unemployment rate fell about ½ percentage point to 5.8 percent. Much of the recent job gains have been in aerospace manufacturing, but business service employment also has increased substantially.

Although construction employment increased only 1½ percent over the past year, further gains may lie ahead. Awards for non-residential construction contracts were very high during the three months ending in October. For residential housing units, vacancy rates reportedly are down, particularly in Seattle. State personal income growth has been strong, owing to increased employment and gains in average hourly earnings. The National Association of Home Builders recently found that Seattle residents with income at the margin could afford 59 percent of all homes in the area. This percentage is well above that recorded for neighboring states.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Alaska					
Total	265.8	266.0	263.6	-0.9	0.8
Mining	9.7	9.5	9.9	28.4	-2.0
Construction	13.1	13.4	13.0	-23.8	0.8
Manufacturing	17.3	17.2	18.0	7.2	-3.9
T.C.P.U.	23.2	22.9	23.0	16.9	0.9
Trade	54.8	55.1	53.7	-6.3	2.0
F.I.R.E.	11.7	11.6	11.9	10.8	-1.7
Services	62.9	63.2	61.2	-5.5	2.8
Government	73.1	73.1	72.9	0.0	0.3

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Washington					
Total	2434.4	2430.2	2340.2	2.1	4.0
Mining	3.3	3.4	3.4	-30.1	-2.9
Construction	125.1	126.2	123.2	-10.0	1.5
Manufacturing	347.8	345.4	310.4	8.7	12.0
T.C.P.U.	122.4	122.0	121.4	4.0	0.8
Trade	597.2	595.6	586.7	3.3	1.8
F.I.R.E.	124.7	125.0	121.6	-2.8	2.5
Services	661.3	662.0	630.5	-1.3	4.9
Government	452.6	450.6	443.0	5.5	2.2

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Oregon					
Total	1492.0	1489.6	1434.5	2.0	4.0
Mining	1.9	1.9	1.8	0.0	5.6
Construction	78.2	77.1	69.7	18.5	12.2
Manufacturing	232.7	232.6	228.0	0.5	2.1
T.C.P.U.	74.2	74.1	71.1	1.6	4.4
Trade	377.6	376.5	362.1	3.6	4.3
F.I.R.E.	91.3	90.9	88.0	5.4	3.7
Services	399.7	400.5	373.4	-2.4	7.0
Government	236.4	236.0	240.4	2.1	-1.7

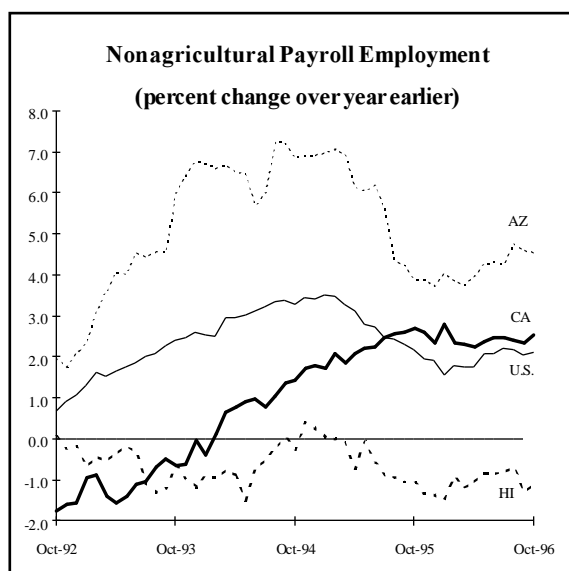
	Unemployment Rates (%)				
	Oct-96	Sep-96	Aug-96	Oct-95	Sep-95
Alaska	7.2	7.3	7.3	7.4	7.3
Oregon	5.2	5.0	5.4	5.0	5.0
Washington	5.8	6.0	5.9	6.4	6.4
U.S.	5.2	5.2	5.1	5.5	5.6

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

Relatively strong economic growth continued in Arizona this fall. Payroll employment increased at an average annual rate of about 4 percent in the three months ending in October, which is about equal to the pace for 1996 as a whole. Job growth picked up slightly this year, following a 3¾ percent gain in 1995 and a torrid 7 percent pace in 1993 and 1994. Construction employment growth settled down to a more sustainable 5 percent pace in 1995 and 1996, following gains of 21 percent and 17 percent in 1993 and 1994. The manufacturing sector has been a more steady source of job growth in the state, with gains in the 3 to 5 percent range for each of the last four years. Service sector job growth also has been rapid and relatively steady.

Most of the slowing in Arizona construction employment growth is attributable to moderation in the pace of residential building, after a bulge near the beginning of this year. Non-residential construction awards have continued strong in recent months. Office vacancy rates in metropolitan Phoenix and Tucson have dropped sharply in the past two years and now are near 11 percent, which is a few percentage points below the national average. However, vacancy rates for industrial space in these Arizona metropolitan areas have been trending up and currently are above the national average.

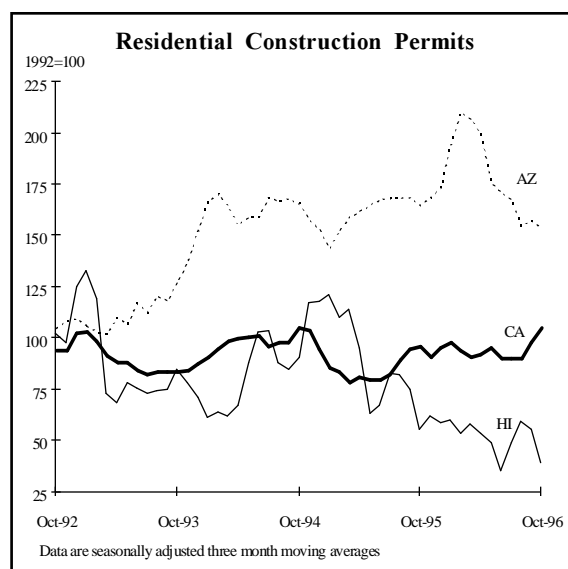
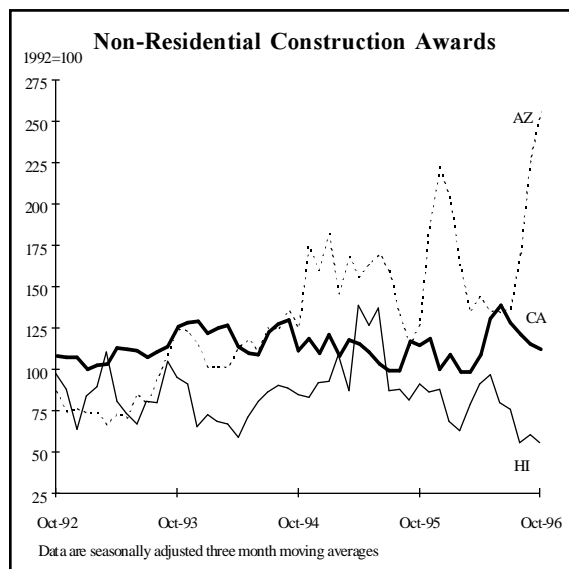


The California economy continued to expand slightly faster than the moderate national pace this fall. State payroll employment is estimated to have increased at an average annual rate of 3 percent in September and October, which brings the average rate of employment growth in 1996 through October to 2¾ percent. The 1996 pace is about ½ percentage point faster than the 1995 pace. In comparison, employment growth accelerated about 1¾ percentage points in 1994, the first full year of recovery in California, and ½ percentage point in 1995. A rebound in manufacturing was the key to the initial stages of the California recovery, and manufacturing employment growth continued to accelerate in 1996. Growth in overall government sector employment also picked up significantly this year, despite the continued loss of federal government jobs. Almost all of the roughly 40,000 jobs added to local government payrolls so far this year have been for education, largely reflecting increased transfers of state revenues for the purpose of adding teachers.

California state government general fund revenues increased 8½ percent in the 1995-96 fiscal year, which ended this past June. Revenues continued increasing in the second half of 1996. Assuming continued state economic expansion in 1997, the state Legislative Analyst's Office (LAO) recently estimated that for the 1996-97 fiscal year as a whole, general fund revenues will increase about 5 percent. California law (Proposition 98) mandates that a large share of increased revenues go to schools, and the LAO estimates that K-14 education spending will increase at an average annual rate of over 9 percent in the current and two subsequent fiscal years.

Despite the recent firming in tourism activity, Hawaii's economy continued to contract in recent months. About 4,500 payroll jobs were lost during the first ten months of the year. More than half of the job losses were in the beleaguered construction sector. Government sector employment also has continued to contract. Most of the lost federal jobs were of Navy personnel. State government payrolls also have been trimmed.

CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Arizona					
Total	1877.0	1877.9	1795.3	-0.6	4.6
Mining	12.5	12.5	12.4	0.0	0.8
Construction	125.0	124.6	118.0	3.9	5.9
Manufacturing	200.2	199.7	193.7	3.0	3.4
T.C.P.U.	89.6	89.2	86.5	5.5	3.6
Trade	471.3	467.7	453.0	9.6	4.0
F.I.R.E.	110.1	109.8	107.0	3.3	2.9
Services	554.7	553.9	523.3	1.7	6.0
Government	313.6	320.5	301.4	-23.0	4.0

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Hawaii					
Total	525.0	524.8	531.0	0.5	-1.1
Mining
Construction	23.5	23.6	26.3	-5.0	-10.6
Manufacturing	16.4	16.2	17.1	15.9	-4.1
T.C.P.U.	40.3	40.4	40.7	-2.9	-1.0
Trade	134.2	134.0	135.6	1.8	-1.0
F.I.R.E.	36.1	36.2	37.1	-3.3	-2.7
Services	165.8	165.9	165.1	-0.7	0.4
Government	108.7	108.5	109.1	2.2	-0.4

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
California					
Total	12851.8	12826.1	12532.3	2.4	2.5
Mining	27.9	28.2	29.3	-12.0	-4.8
Construction	529.8	528.5	501.3	3.0	5.7
Manufacturing	1829.5	1829.0	1800.5	0.3	1.6
T.C.P.U.	646.1	643.2	635.2	5.5	1.7
Trade	3013.3	3011.5	2945.4	0.7	2.3
F.I.R.E.	734.6	733.1	736.0	2.5	-0.2
Services	3936.5	3931.1	3781.3	1.7	4.1
Government	2134.1	2121.5	2103.3	7.4	1.5

	Unemployment Rates (%)				
	Oct-96	Sep-96	Aug-96	Oct-95	Sep-95
Arizona	5.6	5.6	5.4	4.8	4.9
Hawaii	5.5	5.4	6.0	6.0	6
California	6.9	7.1	7.1	7.8	7.8
U.S.	5.2	5.2	5.1	5.5	5.6

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

Growth in Idaho has been rapid thus far in 1996, although the torrid second quarter pace was not sustained in the third quarter and October. The latest figures put total payroll employment 4.4 percent above its year earlier level, although it fell back somewhat in September and October. The most noticeable employment declines were in durable manufacturing, particularly in the state's electronics sector, which is still experiencing lingering effects of weakness earlier this year in the computer memory chip market. Despite the general slowing, several sectors—wholesale trade most noticeably—have performed well in recent months, and the state unemployment rate came down 0.2 percentage point in October, to 4.8 percent.

The memory chip slowdown affects other areas of the state economy through the government budget. Growth in state general fund revenues is expected to decelerate this fiscal year, due to decreased business tax revenues. Among other factors, Micron Technology, the state's large memory chip maker based in Boise, had accounted for a large fraction of state corporate income taxes in the past, and the decline in memory chip prices and sales recently has lowered company profits.

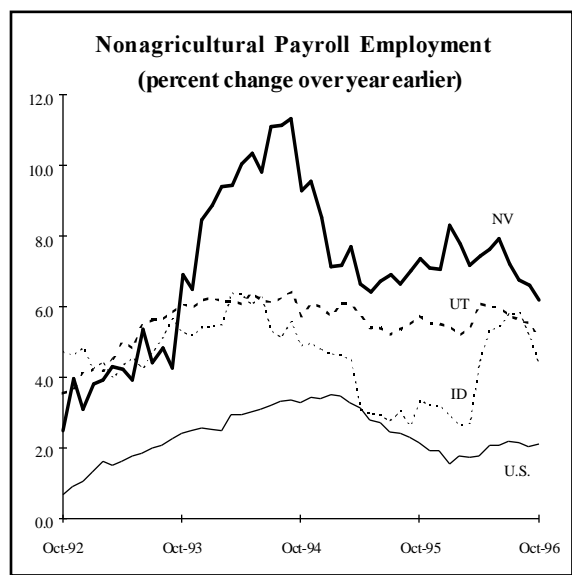
Nevada continues to post larger year-over-year payroll employment gains than any other state. However, the 12-month growth rate has de-

clined from about 8 percent at the start of the year to 6.2 percent as of October. Moderation has been most evident in the key hotel and amusement sector, which accounts for over half of the state's service sector jobs; this sector has lost jobs on net during the last 4 months. In contrast, growth picked up over the last few months in the manufacturing sector, and construction employment grew rapidly. Furthermore, employment in the retail trade sector has expanded rapidly throughout 1996 and accelerated during the third quarter. The state unemployment rate dropped slightly in October, to 5.2 percent.

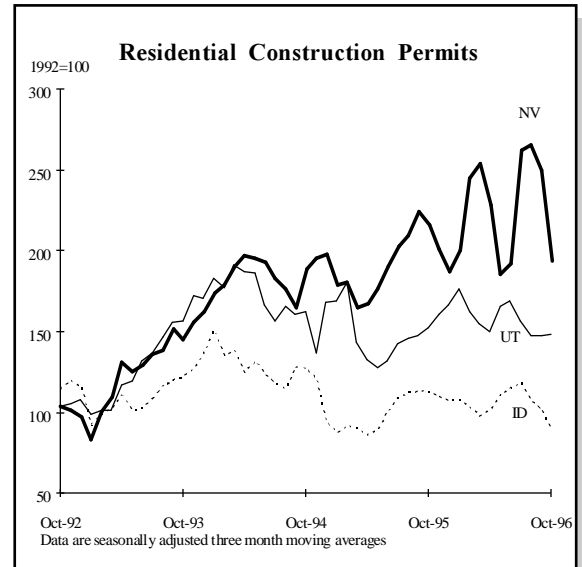
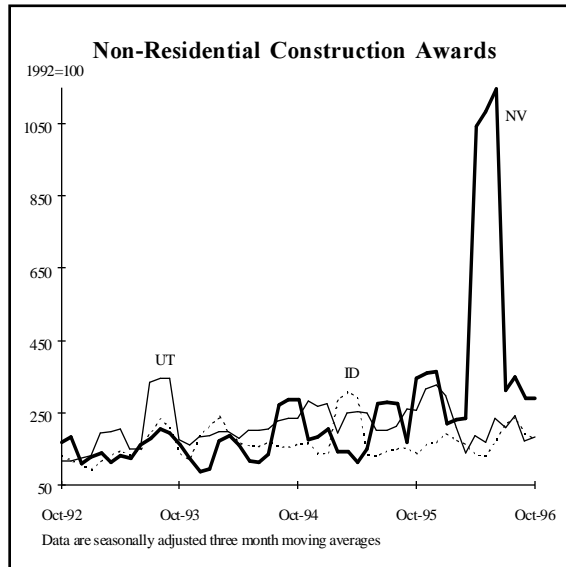
Construction activity should continue to spur the state economy. Nonresidential permits have been at high levels during 1996, with substantial new hotel and casino construction underway. Despite some downturn in recent months, residential construction permit issuance is at high levels.

Utah's expansion also has moderated somewhat in recent months, although the state's labor and housing markets continue to be very tight. Payroll employment has expanded by 5.2 percent over the past year, down from the 5½ to 6 percent pace of the past several years. This slight slowdown has been broad-based, with one key exception being rapid expansion in durable manufacturing employment. Also, after shrinking during the second quarter, during the subsequent four months construction employment growth returned to a very rapid pace, approximately 15 percent at an annual rate. Overall rapid job growth has held the state's unemployment rate down around 3 percent in recent months.

The large number of new and existing residents who are demanding homes has kept residential construction high. One downside to the state's very strong housing market, however, is declining affordability for those at the median income level. For example, available estimates suggest that home prices have appreciated more than 20 percent in the Salt Lake City area, and that affordability is at its lowest level there since 1981.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Idaho					
Total	503.1	503.2	481.9	-0.2	4.4
Mining	3.0	3.0	2.7	0.0	11.1
Construction	34.4	34.4	30.8	0.0	11.7
Manufacturing	74.0	74.2	72.0	-3.2	2.8
T.C.P.U.	23.8	23.7	23.2	5.2	2.6
Trade	128.0	127.9	122.5	0.9	4.5
F.I.R.E.	24.0	24.0	24.3	0.0	-1.2
Services	119.0	119.4	110.9	-3.9	7.3
Government	96.9	96.6	95.5	3.8	1.5
Nevada					
Total	859.2	858.1	809.0	1.5	6.2
Mining	14.5	14.5	13.3	0.0	9.0
Construction	75.9	75.8	66.6	1.6	14.0
Manufacturing	39.6	39.2	37.6	13.0	5.3
T.C.P.U.	43.1	42.9	41.3	5.7	4.4
Trade	174.5	174.5	160.9	0.0	8.5
F.I.R.E.	38.6	38.4	36.8	6.4	4.9
Services	370.1	369.9	354.9	0.7	4.3
Government	102.9	102.9	97.6	0.0	5.4

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Oct-96	Sep-96	Oct-95		
Utah					
Total	970.3	970.7	922.8	-0.5	5.1
Mining	7.8	7.9	8.3	-14.2	-6.0
Construction	64.8	64.1	57.1	13.9	13.5
Manufacturing	131.2	131.3	125.0	-0.9	5.0
T.C.P.U.	53.6	53.6	51.3	0.0	4.5
Trade	232.8	233.2	223.2	-2.0	4.3
F.I.R.E.	52.3	51.9	48.8	9.7	7.2
Services	259.4	260.6	245.0	-5.4	5.9
Government	168.4	168.1	164.1	2.2	2.6

Unemployment Rates (%)

	Oct-96	Sep-96	Aug-96	Oct-95	Sep-95
Idaho	4.8	5.0	5.0	5.4	5.4
Nevada	5.2	5.4	5.2	5.1	5.2
Utah	3.1	3.0	2.9	3.5	3.5
U.S.	5.2	5.2	5.1	5.5	5.6

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

1996 Issues**Mailing Date**

January	February 1
March	March 28
May	May 23
July	July 5
August	August 22
September	September 26
November	November 14
December	December 19

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