

# WESTERN ECONOMIC DEVELOPMENTS

March 1997

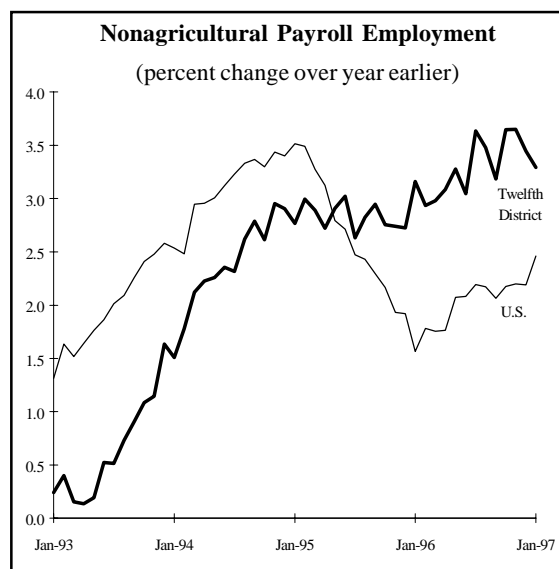
## Executive Summary

- *Recently revised payroll employment figures indicate that District nonagricultural payroll employment expanded by 3.4 percent in 1996, well ahead of the national pace.*
- *The District currently contains five of the eight fastest growing states in the nation, including Nevada, Arizona, Utah, Idaho, and Oregon. The California and Washington economies are also growing at a brisk pace.*
- *Rapid expansion in the construction, manufacturing, trade, and services sectors accounted for much of the employment growth during 1996. Manufacturing activity in the District is well above the national pace, largely due to strong growth in high-tech manufacturing and the resurgence of Boeing.*
- *The California recovery accelerated in 1996, as the San Francisco Bay Area benefitted from robust growth in high-tech manufacturing and business and engineering-management services. The pace of growth in Los Angeles County continues to lag other areas of the state.*
- *Fourth-quarter earnings at District banks were good, and overall asset quality is fairly healthy. However, loan performance is showing some deterioration in the consumer and real estate categories.*

## District Update

The 12th District economy exhibited strong growth in 1996 and continued to expand at a rapid pace in 1997. Recently revised figures indicate that District nonagricultural payroll employment expanded by 3.4 percent in 1996, and that only Alaska and Hawaii recorded employment growth below the national pace of 2½ percent. The District currently contains five of the eight fastest growing states (Nevada, Arizona, Utah, Idaho, and Oregon), and accelerating growth in Washington and California is moving them up in the ranking.

In California, state payroll employment grew by 3 percent in 1996, and there was a significant acceleration in job growth in the San Francisco Bay Area. Employment gains in the Bay Area were largest in high-tech manufacturing and business and engineering-management services. In Washington, Boeing's resurgence boosted manufacturing employment growth to 6½ percent in 1996 and placed manufacturing beside computer and data services as one of the primary job creating sectors in the state. Despite



slowing slightly in January, growth in California and Washington is expected to continue to be strong in 1997.

Among other District states, Nevada recorded the strongest pace of employment growth, 7.7 percent over 1996, ranking it first in the nation in payroll employment growth. Despite slowing in the fourth quarter, employment in Arizona grew by 5.4 percent in 1996, the same pace as in 1995. Oregon also maintained a fast pace of growth in 1996. Idaho and Utah slowed slightly over their rapid pace the previous year, but employment in both states continued to grow substantially faster than the nation. Both Ha-

waii and Alaska remained sluggish in 1996. Alaska did expand, but by less than one percent. Hawaii lost jobs in 1996.

Severe weather throughout much of the District at the beginning of 1997 appears to have hampered employment growth in January, particularly in California, the Intermountain States, and the Pacific Northwest. District employment in January increased by just 1.6 percent at an annual rate, well below its pace in previous months. Some sectors, such as construction, mining, services and transportation expanded during the month, but manufacturing and trade fell off slightly. Despite the slow start, the District's prospects in 1997 look bright. Manufacturing employment growth in the District has continued to outpace the nation, and the boom in business services continues in many District states.

### Financial Conditions

Fourth-quarter earnings for banks headquartered in all states in the District except California were good, with banks reporting healthy return on assets (ROA) and return on equity (ROE). Costs associated with recent large bank mergers and associated consolidation depressed the California figures; abstracting from these influences, California-headquartered banks also reported healthy average fourth-quarter earnings. Fourth-quarter profitability at small banks in California, although still relatively weak, was higher than a year earlier.

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
Alaska	262.9	263.0	262.1	-0.5	0.3
Arizona	1,935.5	1,937.1	1,850.7	-1.0	4.6
California	12,955.4	12,944.5	12,591.1	1.0	2.9
Hawaii	531.6	528.2	529.9	8.0	0.3
Idaho	501.9	498.0	484.3	9.8	3.6
Nevada	873.7	869.9	813.1	5.4	7.5
Oregon	1,505.0	1,501.6	1,453.4	2.8	3.6
Utah	976.6	973.6	934.8	3.8	4.5
Washington	2,451.3	2,448.3	2,377.9	1.5	3.1
District	21,993.9	21,964.2	21,297.3	1.6	3.3
U.S.	120,970.0	120,723.0	118,070.0	2.5	2.5

Seasonally adjusted payroll employment data

	Jan-97	Dec-96	Jan-96	% Change From Previous Month	% Change From Previous Year
Aerospace Employment (1992= 100)	66.7	66.7	61.9	-0.1	7.7
Electronics Employment (1992= 100)	113.8	112.9	109.7	0.8	3.7
Americas Semiconductor Billings* (\$ Million)	3430.0	3530.0	4340.0	-2.8	-21.0
Non-Residential Awards (1992= 100)	112.6	121.6	127.6	-7.4	-11.7
Residential Permits (Thousands)	23.0	22.9	25.5	0.3	-10.1
Western Housing Starts (Thousands)	23.3	18.1	27.2	28.7	-14.3

\*The SIA has replaced U.S. data with data for both North and South America.

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
Total	21,993.9	21,964.2	21,297.3	1.6	3.3
Mining	85.2	85.0	84.3	2.9	1.1
Construction	1,080.4	1,076.0	1,021.8	5.0	5.7
Manufacturing	2,946.0	2,943.2	2,868.3	1.1	2.7
Transportation	1,127.1	1,122.4	1,099.7	5.1	2.5
Trade	5,164.2	5,168.8	5,044.9	-1.1	2.4
F.I.R.E.	1,233.2	1,232.1	1,214.9	1.1	1.5
Services	6,640.8	6,620.9	6,310.9	3.7	5.2
Government	3,717.0	3,715.8	3,652.5	0.4	1.8

Seasonally adjusted payroll employment data

Fourth-quarter overall asset quality for most banks in the District was fairly healthy, but many states' average past-due loan ratios exceeded those seen in the nation as a whole. Only banks headquartered in California, Oregon, and Washington showed ratios of past-due loans to total loans below the national average. Moreover, even banks headquartered in Oregon and Washington saw year-over-year increases in their average past-due ratios, to levels not seen in those states since 1993 and 1994, respectively.

The performance of loans to individuals continues to be relatively poor for banks headquartered in several District states. In Idaho, Nevada, Arizona, and Hawaii, average past-due consumer loan ratios surpassed the already high national average in the fourth quarter. Banks headquartered in Alaska, California, Oregon, Utah, and Washington reported average past-due consumer loans below the national average, but only banks headquartered in Utah reported a decline from their own year-end 1995 levels.

Banks headquartered throughout the District are showing some weakness in real estate loan performance. Banks headquartered in every District state reported fourth-quarter average past-due ratios for various types of real estate loans that were higher than they had been since at least the fall of 1994. For the most part, these ratios remained below or comparable to national averages. However, banks headquartered in Hawaii and Nevada showed notably higher average past-due ratios for multifamily residential loans than those seen in the country as a whole in the fourth quarter. Hawaii banks' past-due ratios for real estate construction loans and one-to-four-family residential loans also exceeded national averages.

### **Revisions to California Employment Data**

#### *Summary*

Revised employment data indicate that there was more job growth in California than previously estimated, boosting employment growth to 3 percent in 1996. High-tech manufacturing and business and engineering-management services accounted for most of the uncounted jobs. Within the state, employment was underestimated in the San Francisco Bay Area and over-

estimated in Los Angeles County. Overall, the revised data confirm that most regions of California strengthened in 1996, although the Los Angeles County economy continued to lag.

#### *Annual Benchmark Revisions*

Each year the sample-based monthly Current Employment Survey (CES) is benchmarked to relatively comprehensive employment counts available from unemployment insurance (UI) tax records. These benchmarks tend to involve upward revisions when job growth occurs at newly formed firms which are under represented in the CES sample but captured in the UI system. The annual adjustment, which occurs with a one-year lag, matches the March CES employment levels to UI administrative records. Employment levels for subsequent months are obtained by applying CES estimates of monthly employment changes to the revised March base.

#### *Effects of 1996 Benchmarking on California Employment Data*

Revised data show that nonagricultural payroll employment in California grew by 3 percent in 1996, up from initial estimates of 2.6 percent annual growth, and well above the 2.3 percent growth rate recorded in 1995. The newly benchmarked figures indicate that non-farm payrolls expanded by 358,500 jobs between December 1995 and December 1996. Job gains during 1996 were largest in services (up 186,400 jobs), trade (up 61,500 jobs) and manufacturing (up 47,000) jobs, but even the weakened finance, insurance, and real estate sector rebounded to post an increase of 2,700 jobs over the year. Only mining remained below year ago levels.

*By Industry.* The current estimates show a 52,600 job net upward revision to the year-end estimated level of California total employment (Table 1). By one-digit industry classifications, this net increase combines 84,800 undercounted jobs in some industry groups with 32,200 overcounted jobs in other industry groups. Manufacturing employment was revised up 39,600 jobs, and 37,600 jobs were added to the services sector tally. Within manufacturing the largest upward revisions were at producers of durables such as computer equipment and other industrial machinery, electronic equipment and

components, and instruments. Taken together, the upward revisions in these primarily high-tech manufacturing industries accounted for one-quarter of the gross upward revision to California employment.

Within the services sector, two areas, business services and engineering and management services, accounted for one-half of the upward revision to California employment levels. Business services is a diverse sector, which includes advertising, software and data processing services and personnel supply services or "temp agencies." Engineering and management services also is diverse and contains some sub-categories which have been cited as sources of growth in California, such as research and testing laboratories, public relations firms, and management consultants. Combined, these two sectors account for a large share of "multi-media" employment, which some analysts have identified as an important source of unmeasured job growth.

**Table 1**  
**Revisions to California Employment Data**  
**By Industry Group**

	1996 Growth Rate Revised	1995 Growth Rate Revised	Revision to December 1996 Employment Level <sup>*</sup>
	Data	Data	
Total	3.0	2.3	52.6
Mining	-2.7	-2.0	1.1
Construction	5.7	5.0	-5.0
Manufacturing	2.6	2.3	39.6
Durables	3.1	3.0	33.7
Non-Durables	1.8	1.2	5.7
Transportation	1.7	1.9	2.2
Trade	2.4	1.2	-26.7
Wholesale	4.4	1.0	-19.0
Retail	1.7	1.3	-7.7
F.I.R.E.	.6	-1.6	-.5
Services	5.0	4.8	37.6
Government	1.2	.3	4.3
Federal	-3.7	-4.6	-3.9
State and Local	2.1	1.2	8.2

\* Employment levels are in thousands. Data are non-seasonally adjusted.

Although the net revision in California employment was positive, employment in wholesale and retail trade was revised downward. Overcounted jobs in the trade sector accounted for more than four-fifths of the gross downward revision in California. The only other major

industrial categories to lose jobs in the revision were construction, and finance, insurance and real estate.

Overall, the revised data indicate that employment growth in nearly all major industrial categories was higher in 1996 than in 1995 (Table 1). The only exceptions were transportation and mining.

*By Region.* Within the state, the revisions indicate that employment previously was underestimated in the San Francisco Bay Area and overestimated in Los Angeles County (Table 2). For the Bay Area, the December employment level was revised up by 67,700 jobs, raising 1996 employment growth to 3.3 percent, 1.3 percentage points above the previous estimate. In contrast, estimated year-end employment in Los Angeles County was reduced by 46,600 jobs, lowering the county's job growth rate to 1.8 percent. In most other areas of Southern California and in the Central Valley, net employment revisions were positive.

In the San Francisco Bay Area, the San Francisco MSA -- San Francisco, Marin, and San Mateo counties -- accounted for most of the upward revision in employment. Job growth in the San Jose MSA also was underestimated in the previous series. Together these two MSAs accounted for more than two-thirds of the gross upward revision to California employment. A majority of the upward revision in the Bay Area was in business and engineering-management services and high-tech manufacturing.

In Los Angeles County downward revisions in wholesale and retail trade, construction, and finance, insurance, and real estate swamped upward revisions in estimates of manufacturing employment. Although Los Angeles County received about one-third of the upward revision to state manufacturing employment, large overestimates in these other sectors combined to make Los Angeles responsible for nearly all of the downward revisions to California employment.

Overall, the revised employment data show substantial variation in economic performance across broad regions in the state. Since the middle of 1995, job growth in the San Francisco Bay Area has substantially outpaced growth in

**Table 2**  
**Revisions to California Employment Data**  
**By Selected Areas**

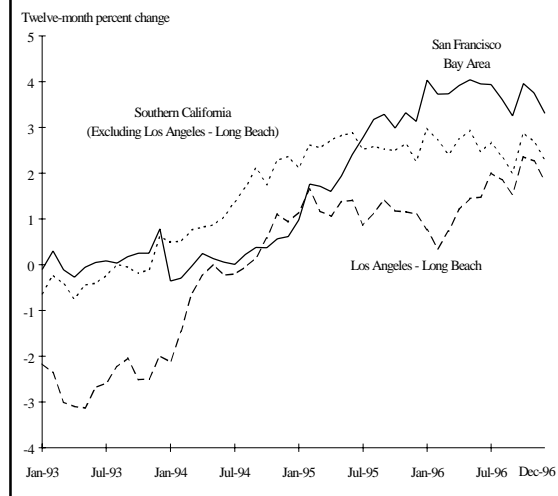
	1996 Growth Rate Revised	1995 Growth Rate Revised	Revisions to December 1996 Employment Level*
<b>California</b>	3.0	2.3	52.6
<b>San Francisco Bay Area</b>	3.3	3.1	67.7
San Francisco	4.2	2.1	39.6
San Jose	4.2	5.6	18.4
Oakland	1.7	2.4	4.8
<b>Southern California</b>	2.1	1.6	-24.3
Los Angeles-Long Beach	1.8	1.1	-46.6
Orange County	2.5	1.9	6.9
Riverside-San Bernadino	3.3	2.8	11.4
San Diego	1.3	2.9	5.4
<b>Central Valley</b>	2.2	2.6	9.2

\* Employment levels are in thousands. Data are non-seasonally adjusted.

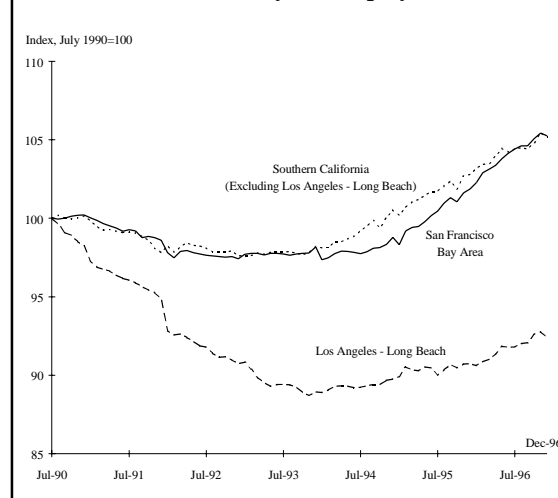
both Los Angeles County and the other regions of Southern California (Figure 1). In the San Francisco Bay Area, rapid growth has pushed employment levels well beyond their previous peak in 1990 (Figure 2) and reduced the unemployment rate to just 4.1 percent, 0.8 percentage points lower than its year ago figure. In 1996 the Bay Area economic recovery broadened, as employment growth picked up in population dependent sectors such as wholesale and retail trade, finance, insurance, and real estate, and state and local government. Furthermore, the Bay Area's strongest sectors, high-tech manufacturing and business services, continued to post strong gains in 1996; job growth in the business services sector is estimated to have jumped 10 percent in 1996 following a gain of about 15 percent in 1995.

In contrast, Los Angeles County remains well short of its previous peak level (Figure 2). Defense downsizing, consolidation in the finance industry, and substantial out-migration have held down the growth of population dependent sectors such as trade and finance and real estate and kept the L.A. County unemployment rate above that of Orange County and San Diego. Still, the L.A. economy did improve during 1996. Employment growth picked up in manufacturing, transportation, trade, and state and local government, and the unemployment rate declined 0.5 percentage point.

**Figure 1**  
**California Payroll Employment Growth**



**Figure 2**  
**California Payroll Employment**



*Conclusions*

Revised employment data indicate that the California recovery continued to gain strength in 1996. The revised data show that payroll employment grew by 3.0 percent in 1996, and that the statewide unemployment rate declined by nearly one percentage point. Continued strength in high-tech manufacturing and business services was augmented in 1996 by increased employment growth in construction, trade, finance and real estate, and state and local government, keeping employment growth in California well above the national pace. While differences in the pace of growth among California's regions persist, most areas of California did improve during 1996.

## ALASKA, OREGON, AND WASHINGTON

Payroll employment in **Alaska** declined slightly in January, but employment remains above year ago levels. Revised employment estimates for 1996 show that total nonfarm payroll employment grew by ½ percent in 1996, one of the weakest state performances in the nation. Over the last twelve months, gains in the services and government sectors largely have been offset by declines in Alaska's mining and manufacturing industries. Construction continues to be one of the strongest sectors in the Alaskan economy, although it averaged just 1.6 percent growth in 1996.

On a more positive note for the mining industry, test wells and initial studies conducted on a prospective oil deposit bordering the Arctic National Wildlife Refuge (ANWR) have shown promise. However, further study of the Sourdough prospect will be required, and the field's proximity to the protected wildlife refuge may spark debate between environmentalists and developers.

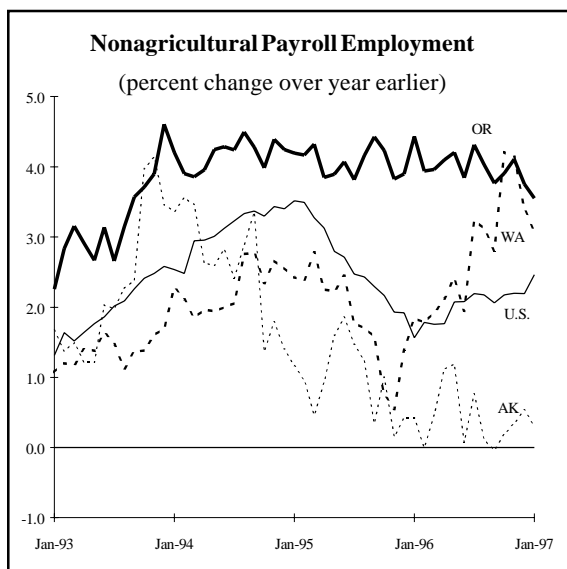
**Oregon's** economy continued to grow at its recent pace of about 4 percent in recent months, and it shows few signs of slowing. In January employment expanded at a rapid pace in manufacturing, trade, and government. Manufacturing employment has increased by almost 3,000 jobs since November, largely due to expansions at high-tech manufacturing firms. Employment

growth in retail trade, finance and real estate, and local government has picked up in recent months as population inflows and a strong economy began to increase the demand for consumer goods and services.

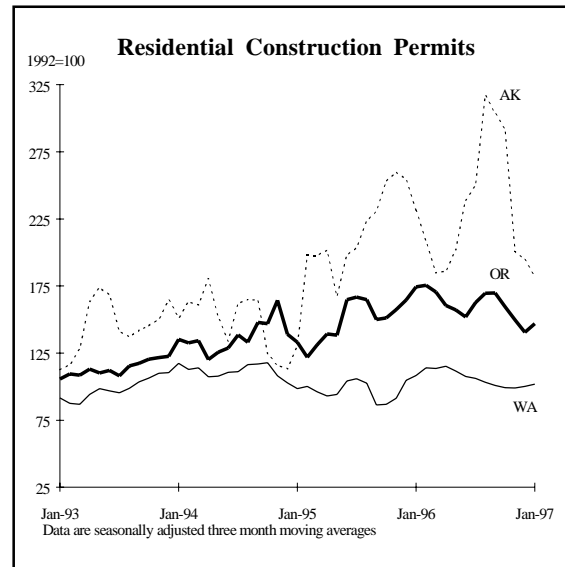
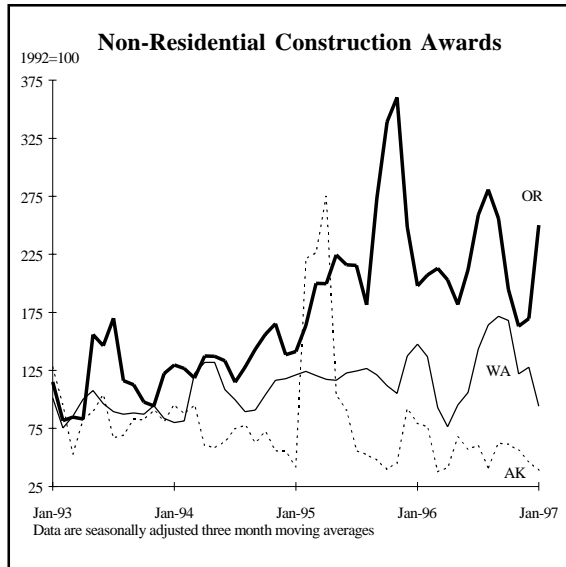
The fast growing high-tech manufacturing sector in Oregon was given another boost in recent months as both Epson and Sony announced plans to expand production. Epson plans to add 200 jobs at its Hillsboro plant by July, bringing total employment at the plant to 2,000 workers. Sony Disc Manufacturing announced plans to expand its CD manufacturing plant in Springfield, adding both jobs and construction projects to the local economy.

Rapid growth continued in **Washington** in recent months, pushing the state unemployment rate down to 5.3 percent in January. Revised employment data confirm that 1996 was a good year for Washington, as employment growth picked up in nearly every sector of the economy. Boeing's resurgence and strong gains in high-tech manufacturing combined to create almost 23,000 new manufacturing jobs in Washington in 1996, bringing manufacturing in line with services in terms of job creation. At the end of 1996 Washington was ranked 12<sup>th</sup> in the nation in overall job growth.

The residential construction industry was a major benefactor of sustained job growth in 1996, particularly in the Seattle area. Construction employment grew by 9.2 percent in 1996 and recent declines in residential vacancy rates suggest that demand for properties remains strong. Thus far, strong demand and limited supply is translating into higher prices for home buyers. In King County, condominiums have begun to outsell detached single-family homes, in part due to price differences. The average price of a detached single-family home is about \$250,000 versus about \$160,000 for a condominium.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>Alaska</b>					
Total	262.9	263.0	262.1	-0.5	0.3
Mining	9.6	9.8	10.1	-21.9	-5.0
Construction	12.6	12.8	12.5	-17.2	0.8
Manufacturing	16.2	16.0	16.9	16.1	-4.1
T.C.P.U.	22.7	22.6	22.5	5.4	0.9
Trade	54.2	54.3	54.2	-2.2	0.0
F.I.R.E.	11.7	11.7	11.8	0.0	-0.8
Services	62.7	62.8	61.4	-1.9	2.1
Government	73.2	73.0	72.7	3.3	0.7

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>Washington</b>					
Total	2451.3	2448.3	2377.9	1.5	3.1
Mining	3.5	3.4	3.5	41.6	0.0
Construction	130.3	130.1	124.3	1.9	4.8
Manufacturing	357.2	356.5	336.7	2.4	6.1
T.C.P.U.	123.7	124.2	121.2	-4.7	2.1
Trade	594.9	596.6	584.8	-3.4	1.7
F.I.R.E.	125.5	124.6	122.5	9.0	2.4
Services	661.2	659.1	637.9	3.9	3.7
Government	455.0	453.8	447.0	3.2	1.8

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>Oregon</b>					
Total	1505.0	1501.6	1453.4	2.8	3.6
Mining	2.0	1.9	1.8	85.1	11.1
Construction	81.2	81.5	74.4	-4.3	9.1
Manufacturing	239.4	238.6	235.7	4.1	1.6
T.C.P.U.	73.9	72.5	72.7	25.8	1.7
Trade	374.1	371.7	360.1	8.0	3.9
F.I.R.E.	92.8	92.6	88.8	2.6	4.5
Services	392.2	395.0	376.8	-8.2	4.1
Government	249.4	247.8	243.1	8.0	2.6

	Unemployment Rates (%)				
	Jan-97	Dec-96	Nov-96	Jan-96	Dec-95
Alaska	7.5	7.9	7.8	7.9	7.8
Oregon	5.5	6.3	6.2	5.4	5.3
Washington	5.3	6.3	6.4	6.5	6.5
U.S.	5.4	5.3	5.3	5.7	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** in recent months. Total nonfarm employment increased at a 3 percent annual rate in the fourth quarter of 1996 before edging down in January. Revised estimates show that for 1996 as a whole, Arizona employment increased about 5½ percent, the same pace as in 1995. However, the composition of Arizona employment growth shifted in 1996. Manufacturing and construction job growth slowed in 1996, but this was offset by a pickup in the finance, insurance, and real estate and services sectors.

The slight slowdown in manufacturing job growth occurred despite a large pickup in exports from the state; Arizona exports increased about 43 percent in 1996. Apparently, any pickup in employment in Arizona's major exporting manufacturing industries was offset by slower gains elsewhere, such as in the construction-supplying industries--lumber and wood products and stone, clay, and glass. Although residential building activity appears to have peaked in early 1996, contract awards for non-residential construction have been trending upward and continue to support moderate gains in overall construction employment.

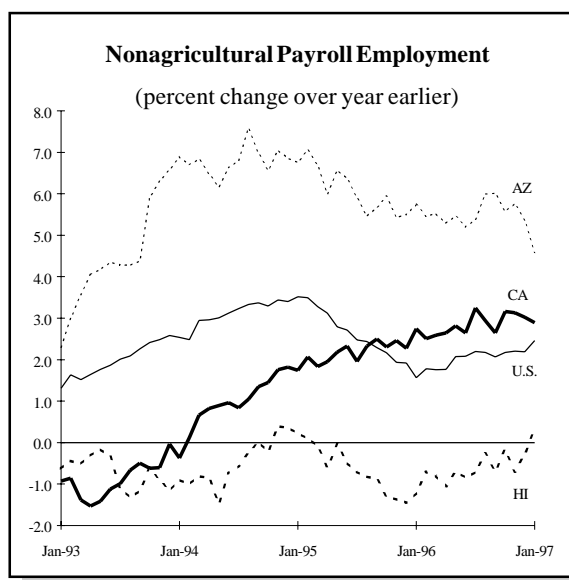
The **California** economy continued to expand rapidly in recent months, although employment growth appears to have been disrupted by ad-

verse weather in January. Payroll employment increased at about a 3¼ percent annual rate in the fourth quarter. January's heavy rains and flooding appear to have dampened retail employment during the month, but the losses were offset to some extent by job gains in the construction and trucking sectors. The underlying pace of employment growth continues to be strong.

Increased labor force participation is tempering the rate of decline in the state unemployment rate, despite the relatively fast employment growth. The overall California unemployment rate fell about 1 percentage point over the course of 1996 to 6.8 percent at the end of the year. A growing fraction of those unemployed are re-entrants or new entrants to the labor force. Although this partly reflects the typical procyclicality of labor force participation rates, the recent federal reform of welfare programs also has provided an impetus to labor force participation in California and other states.

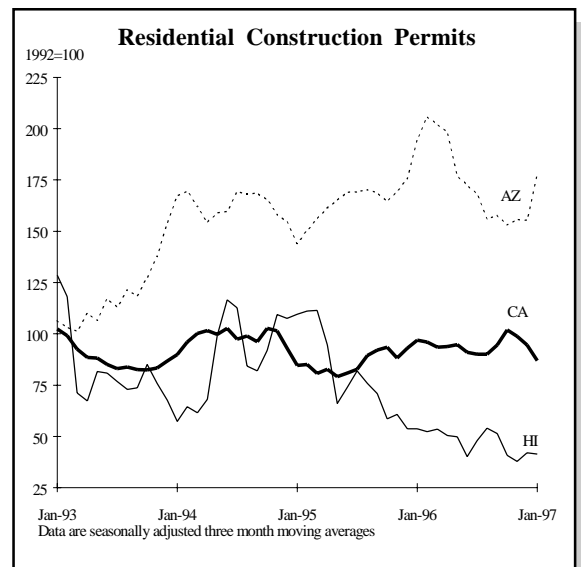
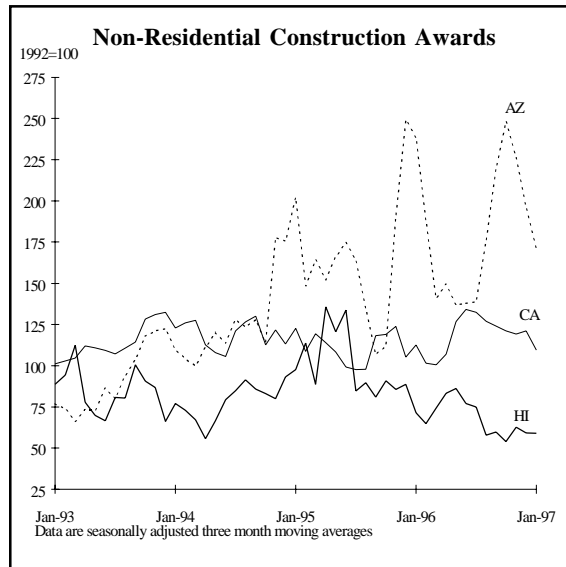
The economy of **Hawaii** weakened slightly over the course of 1996, and additional indications of softness emerged near year-end. Payroll employment edged down 0.3 percent in 1996, and the state unemployment rate increased about ½ percentage point to 6½ percent. Construction employment and building activity declined further in 1996 from already low 1995 levels. The manufacturing sector in Hawaii contracted last year, and the sizeable retail trade sector also lost jobs.

Sluggish tourism spending has helped hold down the retail sector in Hawaii. Although visitor arrivals trended up through much of 1996, the depreciation of the Japanese yen relative to the U.S. dollar reportedly began to negatively impact Hawaii retail sales by mid-1996, as Japanese visitors cut back on spending in Hawaii in the face of lower purchasing power. Although the flow of eastbound visitors was strong through most of the year, it weakened near year-end. Japanese trip packagers recently announced price increases, and surveys of advance bookings have been weak enough to constrain optimism about the outlook for tourist arrivals in 1997.





# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>Arizona</b>					
Total	1935.5	1937.1	1850.7	-1.0	4.6
Mining	14.6	14.6	14.0	0.0	4.3
Construction	126.1	129.2	124.4	-25.3	1.4
Manufacturing	201.7	200.7	198.4	6.1	1.7
T.C.P.U.	94.6	94.9	90.2	-3.7	4.9
Trade	473.8	473.4	456.3	1.0	3.8
F.I.R.E.	118.6	117.6	112.1	10.7	5.8
Services	584.1	580.2	539.4	8.4	8.3
Government	322.0	326.5	315.9	-15.3	1.9

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>Hawaii</b>					
Total	531.6	528.2	529.9	8.0	0.3
Mining	.	.	.	.	.
Construction	22.5	22.7	24.8	-10.1	-9.3
Manufacturing	16.5	16.5	16.9	0.0	-2.4
T.C.P.U.	41.1	41.1	40.9	0.0	0.5
Trade	134.9	135.0	136.1	-0.9	-0.9
F.I.R.E.	36.3	36.6	37.1	-9.4	-2.2
Services	168.0	167.0	164.5	7.4	2.1
Government	112.3	109.3	109.6	38.4	2.5

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>California</b>					
Total	12955.4	12944.5	12591.1	1.0	2.9
Mining	29.6	29.2	30.1	17.7	-1.7
Construction	534.8	527.4	503.5	18.2	6.2
Manufacturing	1870.2	1871.5	1825.7	-0.8	2.4
T.C.P.U.	649.6	645.4	635.1	8.1	2.3
Trade	2993.3	2999.9	2941.7	-2.6	1.8
F.I.R.E.	733.5	733.8	730.8	-0.5	0.4
Services	4012.4	4004.2	3821.1	2.5	5.0
Government	2132.0	2133.1	2103.1	-0.6	1.4

### Unemployment Rates (%)

	Jan-97	Dec-96	Nov-96	Jan-96	Dec-95
Arizona	5.1	5.4	5.6	5.1	5.0
Hawaii	5.7	6.5	6.7	6.2	6.1
U.S.	5.4	5.3	5.3	5.7	5.6
California	6.8	6.8	6.9	7.6	7.8

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

**Idaho** recorded solid employment gains in 1996. Revised payroll employment figures show 2.9 percent growth during the 12 months ending in December, with expansion in all major sectors. A strong January kept growth over the past 3 months at a similar pace and reduced the monthly state unemployment rate to 5.1 percent. As of January Idaho was ranked sixth in the nation for overall job growth. Recent declines in durable goods manufacturing have been offset by rapid expansion in food processing; the non-durable manufacturing sector has averaged nearly 14 percent annualized job growth during the past four months.

Idaho's previously rapidly growing construction industry slowed in 1996. Residential and nonresidential construction awards declined after July and construction employment grew by less than one percent last year. January's pickup in construction employment may reflect transportation infrastructure repair necessitated by adverse weather.

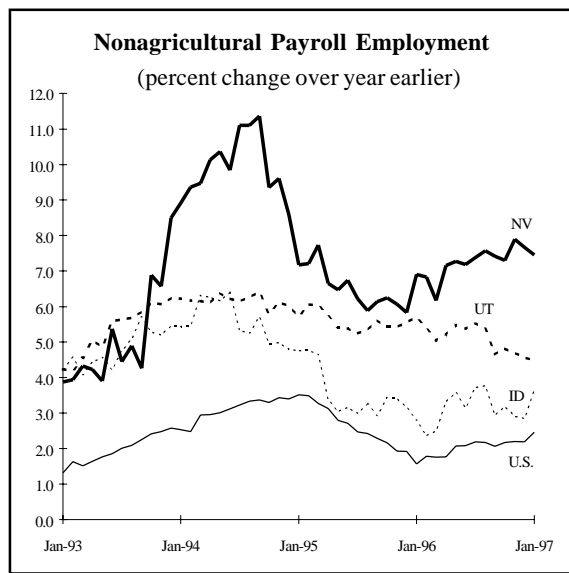
**Nevada's** rate of payroll employment growth continues to lead the nation. Revised figures show that state employment increased by 7.7 percent in 1996, a pace that has held the unemployment rate at or below 5½ percent for more than one year. Recent employment growth has been relatively balanced across industry sectors. Although construction employment growth

decelerated and construction awards declined in recent months, future construction plans—including a multi-million dollar residential apartment complex in Clark County—should keep activity high.

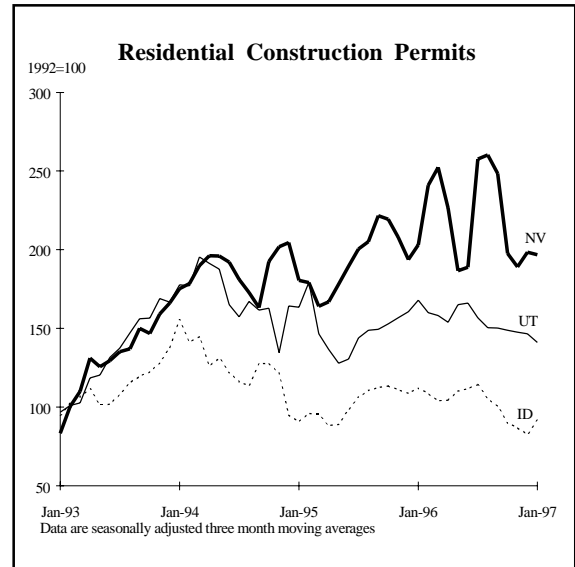
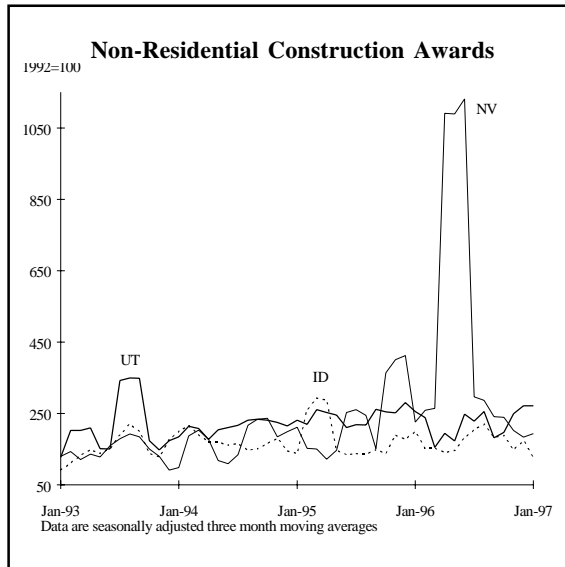
Nevada also leads the nation in population growth, which, combined with rapid employment growth, has swelled demand for a variety of services. Growth has been particularly rapid in the business service industry, and in trade industries such as food stores and eating and drinking establishments. Rising demand for public services such as local education has contributed to substantial recent growth in Nevada's state and local government payrolls.

**Utah's** economy expanded rapidly in 1996. According to revised figures, total payroll employment grew by 4.6 percent during the year. All major sectors recorded solid gains, with service sector growth leading the way at 8 percent. Growth in recent months (through January) largely has continued these trends, and the unemployment rate declined slightly in January, to 3.2 percent. The only surprise comes from the construction sector, where revised figures show a sharp slowdown from approximately 20 percent growth during 1994-95 to 3.9 percent growth over the past 12 months.

Despite the recent slowing in construction employment growth, the outlook for this sector appears bright in 1997. Utah's construction industry contributed a state record \$3½ billion of new construction in 1996, and a multitude of large commercial and infrastructure projects are slated to begin or proceed in 1997. In contrast, residential construction permits have declined somewhat in recent months. This appears to be explained in part by California's strengthening economy, which has stemmed the exodus of that state's jobs and residents to Utah.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>Idaho</b>					
Total	501.9	498.0	484.3	9.8	3.6
Mining	2.8	3.2	2.9	-79.9	-3.4
Construction	30.8	30.4	29.8	17.0	3.4
Manufacturing	73.5	73.0	71.9	8.5	2.2
T.C.P.U.	23.1	23.5	23.0	-18.6	0.4
Trade	128.0	126.9	122.9	10.9	4.1
F.I.R.E.	25.4	25.4	25.3	0.0	0.4
Services	118.6	116.0	112.3	30.5	5.6
Government	99.7	99.6	96.2	1.2	3.6

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>Utah</b>					
Total	976.6	973.6	934.8	3.8	4.5
Mining	8.0	7.9	7.9	16.3	1.3
Construction	61.7	61.9	59.4	-3.8	3.9
Manufacturing	131.8	130.9	128.1	8.6	2.9
T.C.P.U.	55.1	55.0	52.4	2.2	5.2
Trade	235.1	234.6	225.7	2.6	4.2
F.I.R.E.	51.1	51.4	49.3	-6.8	3.7
Services	265.1	263.1	247.0	9.5	7.3
Government	168.7	168.8	165.0	-0.7	2.2

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jan-97	Dec-96	Jan-96		
<b>Nevada</b>					
Total	873.7	869.9	813.1	5.4	7.5
Mining	15.1	15.0	14.0	8.3	7.9
Construction	80.4	80.0	68.7	6.2	17.0
Manufacturing	39.5	39.5	38.0	0.0	3.9
T.C.P.U.	43.3	43.2	41.7	2.8	3.8
Trade	175.9	176.4	163.1	-3.3	7.8
F.I.R.E.	38.3	38.4	37.2	-3.1	3.0
Services	376.5	373.5	350.5	10.1	7.4
Government	104.7	103.9	99.9	9.6	4.8

	Unemployment Rates (%)				
	Jan-97	Dec-96	Nov-96	Jan-96	Dec-95
Idaho	5.1	5.6	5.3	5.1	5.3
Nevada	4.6	5.5	5.4	5.2	5.3
Utah	3.2	3.4	3.4	3.4	3.4
U.S.	5.4	5.3	5.3	5.7	5.6

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

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**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

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