

WESTERN ECONOMIC DEVELOPMENTS

May 1997

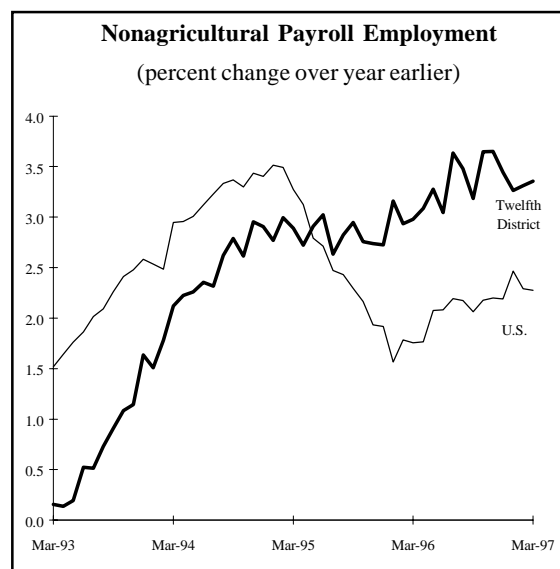
Executive Summary

- *The District economy continued to expand at a rapid pace in recent months. During the first quarter of 1997 payroll employment increased by 3.3 percent, well ahead of the national pace of 2.3 percent.*
- *As measured by growth in nonfarm payroll employment over the past 12 months, the District is expanding nearly 50 percent more rapidly than the nation as a whole.*
- *The District currently contains the four fastest growing states in the nation, including Nevada, Arizona, Utah, and Oregon. Nevada remains number one in this ranking. Brisk growth in California and Washington has placed them among the ten fastest growing states in the nation.*
- *Construction and services continue to be the fastest growing sectors in the District, but the manufacturing sector is becoming an increasingly important contributor to the District's strong economic performance.*
- *Sustained economic growth is pushing down the District unemployment rate. However, recent labor force growth is keeping some state unemployment rates higher than they would be if the labor force were expanding at previous trend rates.*

District Update

The District economy continued to expand rapidly in recent months. District nonfarm payroll employment expanded by 3.3 percent at an annual rate during the first three months of 1997. The District currently contains the four fastest growing states in the nation (Nevada, Arizona, Utah, and Oregon). As measured by growth in employment over the past 12 months, the District is expanding nearly 50 percent more rapidly than the nation as a whole. In the District, only Alaska and Hawaii are expanding at a pace below the national rate of 2.3 percent.

The construction and service sectors continued their rapid expansion during the first quarter of 1997. Although the service sector continues to be the primary job creator in the District, accounting for over 50 percent of all new jobs, growth in the manufacturing sector has been a key contributor to the District's strength. After a slow start in January manufacturing employment increased rapidly in February and March, bringing annualized first quarter employment



growth in the sector to 3.0 percent, significantly above the national pace. All other major industrial sectors also expanded in recent months.

California, now the ninth fastest growing state in the nation, contributed over 54 percent of all District jobs created in the past 12 months. During the first quarter of 1997 state payroll employment grew by 3.2 percent at an annual rate, reducing the state unemployment rate to just 6½ percent, a full percentage point below its year ago level. While the San Francisco Bay Area continues to lead the state's expansion,

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-97	Feb-97	Mar-96		
Alaska	263.3	262.6	262.5	3.2	0.3
Arizona	1,957.0	1,950.2	1,867.8	4.3	4.8
California	13,045.4	13,004.1	12,660.4	3.9	3.0
Hawaii	529.3	530.9	531.0	-3.6	-0.3
Idaho	502.3	499.0	487.8	8.2	3.0
Nevada	881.4	879.4	823.8	2.8	7.0
Oregon	1,509.9	1,512.6	1,458.2	-2.1	3.5
Utah	982.9	979.0	940.9	4.9	4.5
Washington	2,465.3	2,456.6	2,389.5	4.3	3.2
District	22,136.8	22,074.4	21,421.9	3.4	3.3
U.S.	121,435.0	121,296.0	118,750.0	1.4	2.3

Seasonally adjusted payroll employment data

	Mar-97	Feb-97	Mar-96	% Change From Previous Month	% Change From Previous Year
Aerospace Employment (1992=100)	66.7	66.7	61.7	0.0	8.1
Electronics Employment (1992=100)	114.2	113.9	111.2	0.3	2.7
Americas Semiconductor Billings* (\$ Million)	3670.0	3410.0	4060.0	7.6	-9.6
Non-Residential Awards (1992=100)	93.6	109.2	104.9	-14.2	-10.7
Residential Permits (Thousands)	24.9	24.6	26.1	1.2	-4.3
Western Housing Starts (Thousands)	30.3	24.4	27.4	24.2	10.6

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

economic conditions are improving almost everywhere. The positive effects of sustained economic growth can be seen in the real estate and construction industries. Office and industrial vacancy rates are down throughout the state, and residential construction permits as of March were 12 percent above their year earlier level.

Despite slowing in recent months, Nevada, Arizona, Utah, and Oregon are growing more rapidly than any other states in the nation. Nevada recorded the strongest pace of employment growth, 7.0 percent over the past 12 months, while Arizona and Utah increased employment by more than 4.5 percent at an annual rate. Year over year employment growth in Oregon remains healthy at 3.5 percent. In Idaho, a surge in construction and retail trade employment offset declines in manufacturing employment and kept the annual pace of growth stable at about 3 percent. Both Hawaii and Alaska remained sluggish in recent months, expanding by less than 1 percent at an annual rate during the first quarter of 1997.

Sustained economic growth is pushing down the District unemployment rate. Despite substantial variation in unemployment among District states, the District-wide rate dropped by .5 percentage point between the fourth quarter of 1996 and the first quarter of 1997. Within the District, recent

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-97	Feb-97	Mar-96		
Total	22,136.8	22,074.4	21,421.9	3.4	3.3
Mining	85.2	85.4	84.6	-2.8	0.7
Construction	1,096.2	1,096.4	1,017.4	-0.2	7.7
Manufacturing	2,965.2	2,954.0	2,883.5	4.6	2.8
Transportation	1,135.2	1,134.0	1,105.0	1.3	2.7
Trade	5,198.1	5,179.9	5,075.0	4.3	2.4
F.I.R.E.	1,237.1	1,235.8	1,219.9	1.3	1.4
Services	6,694.4	6,665.0	6,371.4	5.4	5.1
Government	3,725.4	3,723.9	3,665.1	0.5	1.6

Seasonally adjusted payroll employment data

growth in the labor force has moderated the decline in some state unemployment rates, keeping them higher than they would be if the labor force were expanding at previous trend rates.

Labor Force Developments and Welfare Reform in the United States and the Twelfth District

United States

Since September 1996, nearly 1.8 million individuals have joined the labor force, boosting the labor force participation rate (the percentage of the working-age men and women employed or seeking work) by .6 percentage point to a record high 67¼ percent in March and April. Such a pick up in labor force participation would not be surprising early in a recovery, but after six years of economic growth, the recent jump in participation was unanticipated. Moreover, this late into the recovery, it is unclear who is entering the labor force so rapidly.

Near the beginning of an expansion increases in labor force participation tend to be broad based across types of workers, reflecting the response of a diverse pool of individuals to improving employment opportunities. If labor force growth is broad based, any associated increase in unemployment would reflect the presence of a heterogeneous pool of labor available to meet employer demands. However, at this stage in the current expansion broad based growth in the labor force is less expected. To gauge the ability of new labor force entrants to supply employer demands and thus modify wage pressures typically associated with tightening labor markets, it is important to identify the groups and factors associated with the recent uptick.

This examination is particularly important given the work participation requirements embodied in the Personal Responsibility Act (1996). Welfare reform became law in August of 1996, approximately the same time labor force participation began to climb. If proactive welfare recipients are responsible for the bulk of the recent increase in labor force participation, we would

expect this to exert upward pressure on the aggregate U.S. unemployment rate, given the historic unemployment experience of the targeted populations and the difficulty some former welfare recipients will have locating and retaining jobs. Yet, because former welfare recipients are likely to compete, at least initially, for a relatively narrow range of lower-skilled, low-wage jobs, any corresponding boost to the unemployment rate is less likely to be associated with diminishing wage pressures than if the additional unemployment owed to other sources.

Labor Force Participation Since 1970

The aggregate labor force participation rate has trended upward over the past several decades. Labor force participation has tended to slow during recessions, as discouraged job seekers stop looking for work, and pick up during recovery periods, as more individuals enter the labor force to take advantage of increasing job opportunities. The rate of increase in labor force participation flattened out during the recessions in the 1970s and 1980s and picked up in the initial stages of the recoveries from these recessions. In contrast, the flattening out of labor force participation in the 1990-91 recession was not followed by a pickup in the initial stages of the recovery. In the second half of 1996, however, labor force participation rates once again began to rise, reaching a record high of 67¼ percent in March and April of this year.

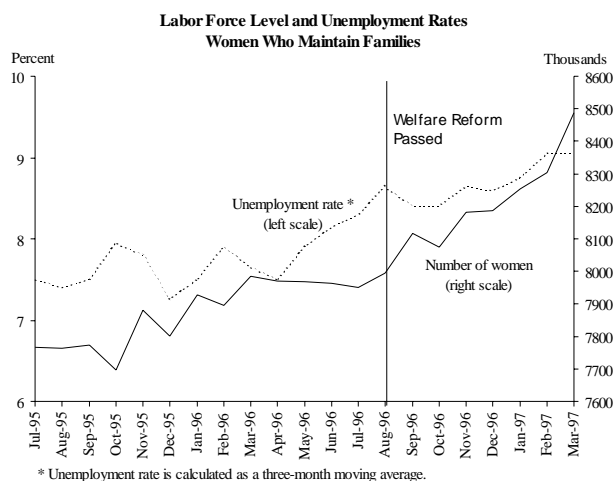
To examine if and how the current pattern of labor force participation differs from previous trends, it is useful to consider participation rates by demographic sub-groups. The 1970 to 1990 upward trend in overall labor force participation owed to increased participation by women. Between 1970 and 1990 the labor force participation rate of women increased by about 14 percentage points to 57.5 percent, as increasing numbers of white and black women entered the labor market. From 1970 to 1990, male labor force participation gradually declined. During the first five years of the 1990s, aggregate labor force participation was fairly constant as the rate

of growth of female labor force participation slowed substantially to a pace that just offset the continued gradual decline in male labor force participation.

Between 1995 and April 1997, the aggregate participation rate once again began to increase. The recent pickup was broad based but particularly large for teenagers, black women, and Hispanic individuals. Although individually no particular demographic group exhibited large enough changes to affect the aggregate unemployment rate, the combined effect likely was a notable boost to unemployment. Taken together black women, Hispanics, and white teenagers, all of whom have higher than average unemployment rates, accounted for about 60 percent of the total growth in the labor force over the past twelve months. Given that new entrants make up about 1.7 percent of the current total labor force, and assuming that the unemployment experience of the new entrants is about that of their labor market peers, the presence of a disproportionate number of entrants with higher than average unemployment experience could have added as much as one-tenth of a percentage point to the national unemployment rate. If a large number of these recent labor market entrants have come from the welfare population, where the probability of unemployment is likely to be higher, the effect may be even larger.

Effects of Welfare Reform on Labor Force Participation

The Welfare Reform Act was signed into law in August of 1996. One of the primary goals of welfare reform was to move beneficiaries from welfare to work. To assess how much of the recent surge in the labor force has been associated with these efforts, one can examine the labor supply behavior of women maintaining families, the group most likely to be affected by the reforms. Women in this group accounted for nearly 20 percent of the total new labor market entrants over the past twelve months. If this



entire increase was assumed to be due to welfare reform, it would explain about two-tenths of the total increase in labor force participation.

As in the case of black women and Hispanics, women maintaining families have higher than average unemployment rates. The Figure shows unemployment rates and labor force levels for single women with families between July 1995 and March 1997. The number of women with families participating in the labor force has increased rapidly since August, the month the welfare reform bill was signed. The labor force growth rate for women maintaining families increased from 2.4 percent between July 1995 and July 1996, to 6.5 percent at an annual rate over subsequent months. As the Figure illustrates, as their numbers have grown so has their unemployment rate. Currently the unemployment rate for women maintaining families mirrors that of black men and women and is more than twice the unemployment rate for married women. As the deadline for enforcing the federal welfare to work targets nears, the number of single women with families entering the labor market is likely to increase.

Future Effects of Welfare Reform on Labor Force Participation

Although the welfare reform bill was enacted in August 1996, some of its most important requirements will go into effect in July of this year. Among the hurdles that states must clear by July 1997 is a 25 percent reduction, from 1995 levels,

in their welfare caseloads. The goal of this caseload reduction is to move current welfare recipients into the labor market. Although, to date, there is no direct evidence that all those who move off the rolls move into the labor force, the remaining analysis assumes that this transition occurs.

Given this assumption, the future effects of federal welfare reform on labor force growth can be estimated by calculating the number of public assistance recipients who will need to enter the labor market in order to meet the caseload reduction requirements. As of 1995, there were approximately 3.8 million adult women receiving AFDC benefits in the U.S. (see table). Thus, to meet the 25 percent work participation goal an estimated 940,000 of these individuals will need to be in the labor market by July 1997.¹ The combination of strong economic growth and proactive behavior on the part of individuals and states has already reduced the total U.S. caseload, so that as of January 1997 just over 300,000 additional women needed to enter the labor market to meet the July deadline. Other things equal, this represents a .2 percentage point increase in overall labor force participation between January and July.

Twelfth District

For most states in the Twelfth District current labor force participation estimates are not available. However, data on total labor force growth, which reflect both population growth and increased participation, indicate that, like the U.S., most states in the District experienced a recent surge in their respective labor forces. Although data on the demographic characteristics of new entrants by state are not readily available, a sense of the magnitude of additional welfare related entry can be gained from examining the

number of remaining welfare recipients who must move into the labor market by the July 1997 deadline.

The Table shows that many District states are further along in meeting the work participation goals than the nation. Current estimated caseloads in Nevada, Oregon, and Utah are already below the target levels and only minor additional reductions are required in Arizona and Idaho.² In contrast, for California and Washington, meeting the 1997 welfare work participation requirements is likely to have a significant effect on their respective labor forces. In California, an estimated 113,700 adult women need to enter the labor market to meet the July 1997 federal caseload reduction target. If all of these women were to enter the labor force, aggregate participation at current population levels would increase by .5 percentage points between January and July. In California, the effect on the overall unemployment rate of the introduction of a relatively low-skilled, high-unemployment group into the labor force is likely to be even larger than in the nation as a whole, due to the state's large welfare caseload and slow start in the transition process.

Adult Female AFDC Recipients in the U.S. and the Twelfth District
Excludes Alaska and Hawaii
(in thousands)

	Number of Adult Female AFDC Recipients in 1995	Total Reduction Required by July 1997	Number Moved Off the Rolls Between 1995 and January 1997	Number to be Moved Off the Rolls Between January 1997 and July 1997
U.S.	3,767.0	941.8	640.4	301.4
12 th District	858.6	214.6	90.1	128.8
Arizona	48.9	12.2	10.8	1.4
California	668.8	167.2	53.5	113.7
Idaho	7.2	1.8	1.2	.6
Nevada	10.5	2.6	3.3	0
Oregon	27.9	7.0	10.5	0
Utah	13.3	3.3	3.4	0
Washington	82.0	20.5	7.4	13.1

¹The number of female adult AFDC recipients in January 1997 was estimated from data on all recipients. Estimates assume that the fraction of female adult recipients relative to the population of all recipients remained constant over the period of analysis.

²A small number of individuals other than adult female AFDC recipients will be required to leave the welfare rolls by July 1997. Therefore, states which have met their targets for the female AFDC population may have additional labor force entry from other affected populations.

ALASKA, OREGON, AND WASHINGTON

Payroll employment in **Alaska** increased slightly in March, offsetting declines in January and February and keeping total employment just above its year earlier level. However, growth in Alaska remains sluggish. During the first quarter of 1997 payroll employment expanded by less than .5 percent at an annual rate, making it one of the slowest growing states in the nation. Modest gains (1,600 jobs) in the manufacturing, transportation, and service sectors over the period mostly were offset by job losses in construction and mining (1,400 jobs).

As resource related industries, such as oil, mining, and timber have weakened, Alaska has begun to look for other ways to capitalize on its land resources. The Alaska Aerospace Development Corporation (AADC) has proposed two alternative land-use projects: the Kodiak Launch Complex and the Fairbanks Satellite Ground Control Station Space Park. The Kodiak launch site would be a satellite launch facility for commercial and military use, while the Fairbanks Ground Control Station would provide ground command and control facilities for the expanding commercial satellite industry.

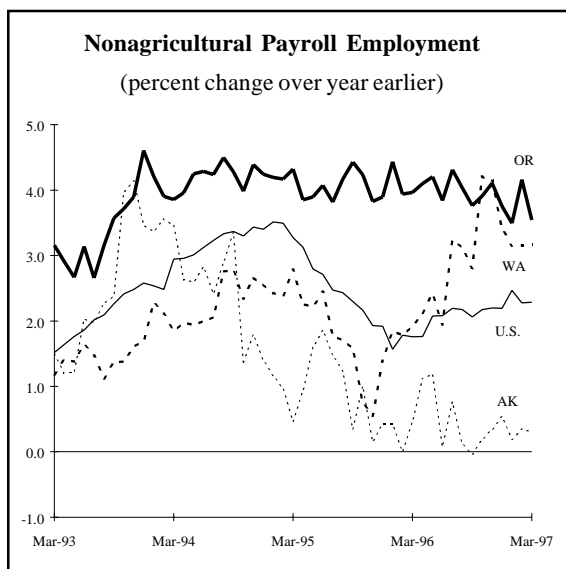
Oregon's fast paced economic expansion cooled slightly during the first quarter of 1997. Employment growth in Oregon slowed to just 2¼ percent, compared with approximately 4 percent

growth during the past three years. The slowdown was broad based, affecting all but the manufacturing, government, and transportation sectors. The only decline in employment occurred in construction, which lost 2,400 jobs between February and March; however, employment in this sector remains well above year earlier levels. Other sectors of the Oregon economy continued to expand, but at a more moderate pace than previously. The slowdown pushed unemployment in the state up to 5.8 percent in March, slightly above its year ago level.

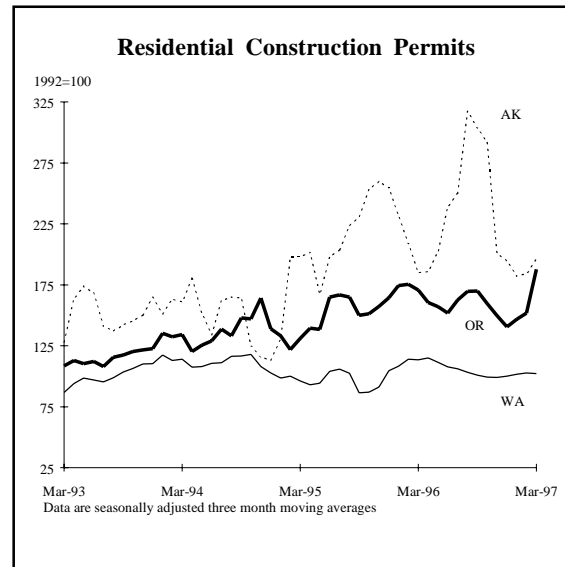
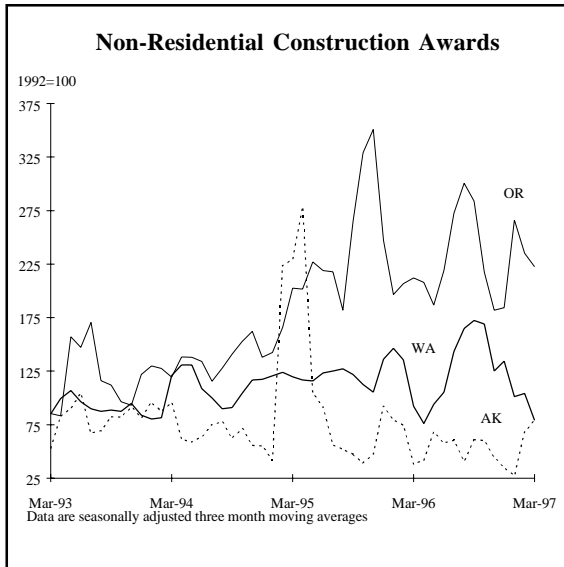
Sustained expansions in high-tech manufacturing are bringing material suppliers to Oregon, but the high price of land in Portland reportedly is pushing some of this growth to other parts of the state. BOC Gases, which manufactures purified gases used in micro-chip production, recently announced plans to build a plant in Medford. When completed the plant will employ 50 workers.

Economic growth in **Washington** continued at a rapid pace in recent months. Large gains in Washington's manufacturing and service sectors have helped lower the state's unemployment rate to 4.9 percent, a decrease of more than 1½ percentage points in the last twelve months. Spurred by expansions at Boeing and its suppliers, manufacturing employment has grown nearly 7 percent over the past year. Together, Washington's manufacturing and service sectors added over 47,000 jobs in the last twelve months, representing more than 60 percent of total job growth over the year. Washington now ranks 7th in the nation in overall job growth.

In the Puget Sound area, Boeing continues to bolster its payrolls to meet orders for new aircraft. Boeing added nearly 3,000 workers to its Washington sites during the first quarter of 1997. The Boeing hiring spree and sustained growth at Microsoft are creating stiff competition in the labor market. Employers in the area reportedly are offering finders' fees to current employees and giving signing bonuses to new hires in an attempt to recruit workers.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-97	Feb-97	Mar-96		
Alaska					
Total	263.3	262.6	262.5	3.2	0.3
Mining	9.4	9.3	10.4	13.7	-9.6
Construction	11.8	12.1	12.3	-26.0	-4.1
Manufacturing	16.6	15.9	16.5	67.7	0.6
T.C.P.U.	22.8	22.9	22.5	-5.1	1.3
Trade	54.3	54.2	53.9	2.2	0.7
F.I.R.E.	11.7	11.7	11.7	0.0	0.0
Services	63.6	63.0	61.9	12.0	2.7
Government	73.1	73.5	73.3	-6.3	-0.3

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-97	Feb-97	Mar-96		
Washington					
Total	2465.3	2456.6	2389.5	4.3	3.2
Mining	3.5	3.5	3.4	0.0	2.9
Construction	131.3	130.6	125.2	6.6	4.9
Manufacturing	361.0	359.0	338.9	6.9	6.5
T.C.P.U.	124.9	124.7	121.8	1.9	2.5
Trade	598.2	596.7	586.8	3.1	1.9
F.I.R.E.	126.1	125.7	122.9	3.9	2.6
Services	666.7	664.2	641.4	4.6	3.9
Government	453.6	452.2	449.1	3.8	1.0

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-97	Feb-97	Mar-96		
Oregon					
Total	1509.9	1512.6	1458.2	-2.1	3.5
Mining	1.9	2.0	1.9	-46.0	0.0
Construction	79.5	81.9	75.9	-30.0	4.7
Manufacturing	241.7	240.8	234.6	4.6	3.0
T.C.P.U.	73.6	74.3	72.4	-10.7	1.7
Trade	373.2	372.0	361.1	3.9	3.4
F.I.R.E.	93.7	93.8	89.5	-1.3	4.7
Services	397.0	397.9	377.7	-2.7	5.1
Government	249.3	249.9	245.1	-2.8	1.7

	Unemployment Rates (%)				
	Mar-97	Feb-97	Jan-97	Mar-96	Feb-96
Alaska	7.8	7.6	7.5	7.9	7.8
Oregon	5.8	5.6	5.5	5.7	5.7
Washington	4.9	5.0	5.7	6.5	6.5
U.S.	5.2	5.3	5.4	5.5	5.5

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

ARIZONA, CALIFORNIA, AND HAWAII

The **Arizona** economy grew rapidly in recent months. Total payroll employment increased at an annual rate of about 4½ percent in the first quarter of 1997. The March figure represents an employment increase of nearly 5 percent over the previous year, ranking Arizona second only to Nevada in overall job growth. Furthermore, the state unemployment rate was 5.1 percent in March, down from 5.3 percent one year ago. Growth in recent months was supported by a substantial acceleration in the durable manufacturing sector, particularly among producers of metal products and machinery (including electronics). The trade and finance, insurance, and real estate sectors also grew rapidly in the first quarter.

In contrast, construction activity has slowed in the state. Total construction awards declined over the past year, and construction jobs were lost at a 4.3 percent annual pace during the first quarter of 1997. Construction activity had been spurred in recent years by rapid growth in the state population, but available estimates suggest that state population growth is likely to have peaked sometime in 1996.

California continued on a strong growth path, expanding 3.2 percent at an annual rate during the first quarter of 1997. Job growth was 3 percent over the past year or 385,000 jobs. This

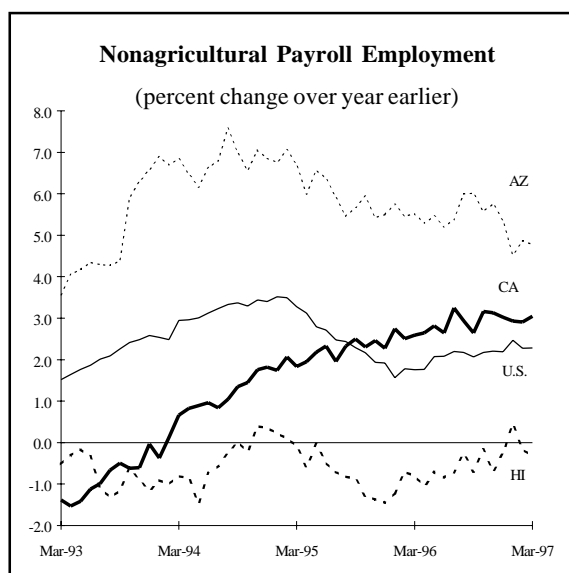
yearly growth rate places California ninth among all states. Over the same period, the state's unemployment rate fell a percentage point, to 6½ percent. The state's manufacturing sector has been a key source of economic strength in the state. In addition to ongoing expansion among producers of high-tech products, growth in this sector recently was boosted by rapid expansion in the food products sector and the motion picture industry.

The state's construction sector surged in early 1997, expanding by nearly 18 percent at an annual rate in the first quarter, and appears poised for further expansion. Residential construction permits statewide are up about 12 percent from a year ago. Although they remain well below pre-recession levels, signs of recovery in residential markets continue to appear. For example, in the San Francisco Bay Area, median home prices rose about 7 percent over the past year.

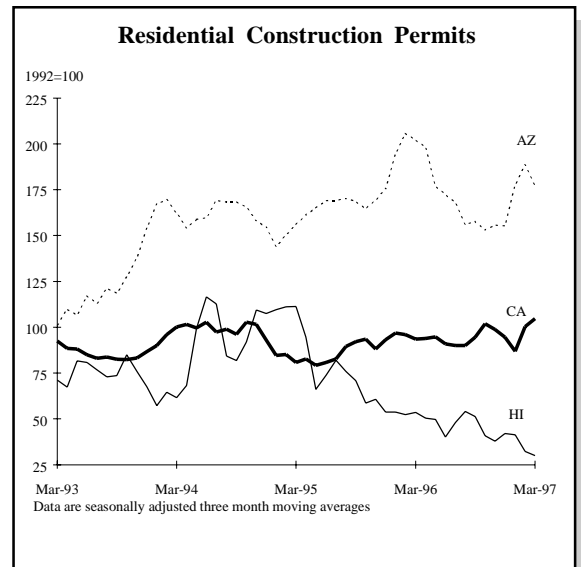
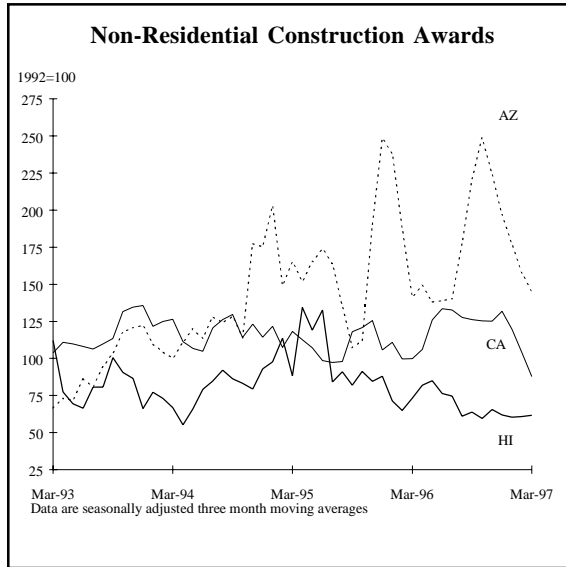
The market for commercial real estate also is tightening in many areas of the state. Office and industrial vacancy rates in the San Francisco metropolitan area were in the 7-8 percent range in the fourth quarter of 1996. In Los Angeles County, commercial rental rates have risen noticeably and vacancy rates have fallen over the past year.

Payroll employment in **Hawaii** edged up in the first quarter of 1997, reversing a small portion of job losses from the last 2 years. Recent gains were concentrated in the services and trade sectors. However, total employment remains 1,700 jobs below its year earlier level. The construction industry lost nearly 2,000 jobs over the past year. This shrinkage accelerated in the first quarter of 1997, and residential construction permits are well below their level from a year ago.

Furthermore, the state's important tourism industry slowed in recent months, due in part to the earlier strength of the dollar relative to the yen and the corresponding reduced purchasing power of Japanese visitors.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-97	Feb-97	Mar-96	From Previous Month	From Previous Year
Arizona					
Total	1957.0	1950.2	1867.8	4.3	4.8
Mining	14.7	14.7	14.0	0.0	5.0
Construction	127.8	127.0	124.8	7.8	2.4
Manufacturing	203.0	202.6	199.6	2.4	1.7
T.C.P.U.	95.2	95.0	90.3	2.6	5.4
Trade	484.2	481.1	459.9	8.0	5.3
F.I.R.E.	121.2	120.2	113.6	10.5	6.7
Services	584.1	583.1	547.3	2.1	6.7
Government	326.8	326.5	318.3	1.1	2.7

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-97	Feb-97	Mar-96	From Previous Month	From Previous Year
Hawaii					
Total	529.3	530.9	531.0	-3.6	-0.3
Mining
Construction	21.9	22.4	23.9	-23.7	-8.4
Manufacturing	16.4	16.5	16.8	-7.0	-2.4
T.C.P.U.	41.3	41.0	41.0	9.1	0.7
Trade	135.9	135.9	136.2	0.0	-0.2
F.I.R.E.	35.9	36.3	37.1	-12.5	-3.2
Services	168.6	168.6	165.6	0.0	1.8
Government	109.3	110.2	110.4	-9.4	-1.0

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-97	Feb-97	Mar-96	From Previous Month	From Previous Year
California					
Total	13045.4	13004.1	12660.4	3.9	3.0
Mining	29.5	29.8	29.9	-11.4	-1.3
Construction	549.6	548.1	496.0	3.3	10.8
Manufacturing	1882.2	1875.5	1837.8	4.4	2.4
T.C.P.U.	654.9	654.1	639.2	1.5	2.5
Trade	3007.4	2998.2	2960.0	3.7	1.6
F.I.R.E.	732.3	732.6	732.5	-0.5	0.0
Services	4048.0	4025.9	3858.4	6.8	4.9
Government	2141.5	2139.9	2106.6	0.9	1.7

	Unemployment Rates (%)				
	Mar-97	Feb-97	Jan-97	Mar-96	Feb-96
Arizona	5.1	5.1	5.2	5.3	5.2
Hawaii	5.8	5.6	5.7	6.3	6.2
U.S.	5.2	5.3	5.4	5.5	5.5
California	6.5	6.6	6.9	7.5	7.6

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

IDAHO, NEVADA, AND UTAH

Idaho's economic growth accelerated in recent months. Total payroll employment grew nearly 3½ percent at an annual rate during the first quarter of 1997. The largest gains were in the construction sector, which expanded at a 15 percent yearly rate, due in part to a sharp increase in residential construction. Employment growth in retail trade also accelerated noticeably this year. In contrast, employment among public utilities and in state and local government shrank during the first quarter.

In 1996, the nominal value of exports from Idaho declined by 11 percent, after expanding at better than a 23 percent pace each of the preceding two years. Exports of transportation equipment, computer chips, and paper products fell substantially, causing employment reductions in the latter two industries. Employment in the electronics sector was down 1 percent from last March, while payrolls in paper and allied products fell by 4.5 percent over the same period.

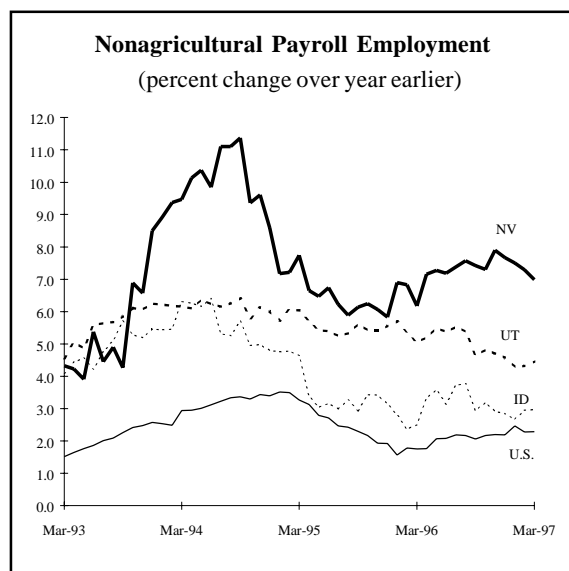
Nevada still leads the nation in its rate of job creation, with year-over-year payroll employment growth of 7 percent. However, growth thus far in 1997, although rapid, has been below the state's 1996 pace. Both the manufacturing and government sectors have contributed to tempered growth in recent months. The most noticeable slowing has been in the state's construction

sector, which expanded at better than a 15 percent rate over the past 3 years but grew by just 6 percent at an annual rate during the first 3 months of 1997. This slowdown is reflected in the number and value of new building permits, which remain well below the high levels attained in early 1996. In contrast, service sector growth has accelerated, spurred by surging growth in business services.

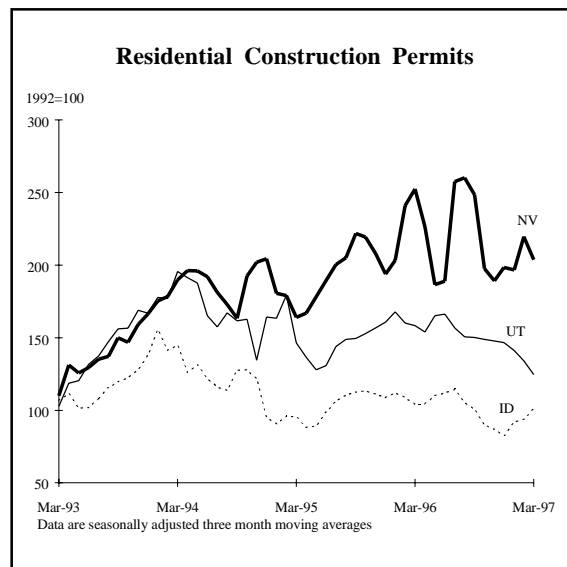
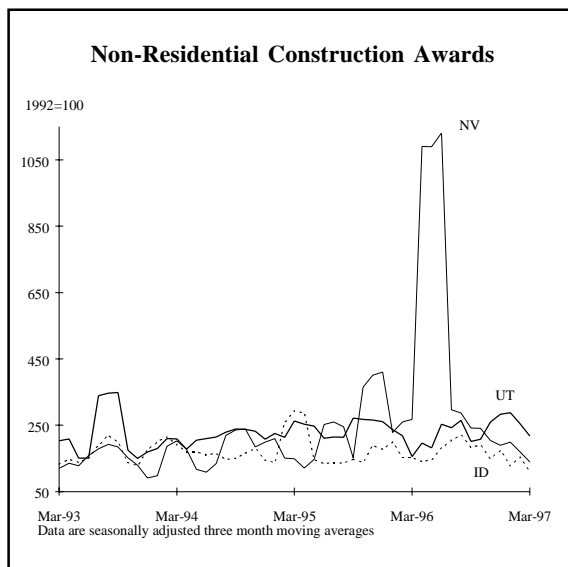
Despite sizzling employment growth over the past several years, rapid expansion in the state's population and labor force has kept Nevada's unemployment rate near the corresponding national rate. However, the state unemployment rate dropped sharply in January, from 5.5 percent to 4.6 percent, and fell further (to 4.4 percent) as of March. This suggests substantial tightening in the state labor market, which may now be constraining growth.

Job growth in **Utah** continued at a robust pace in recent months. Over the past year, payroll employment in Utah expanded by 4½ percent, placing it third among all states. Recent employment gains have been concentrated in the service-producing industries, with substantial gains in all service-producing sectors except government. Furthermore, despite a recent acceleration in already rapid growth in the state labor force, the unemployment rate fell by .4 percentage point in March, to 2.8 percent. In contrast, construction activity has slowed further. After relatively weak growth in 1996, employment in this sector fell during the first quarter of 1997, and residential building permits have declined noticeably over the past year.

Given rapid population growth, Utah's service-producing industries have become increasingly important to the state's economic expansion, especially as employment growth in the goods-producing industries of construction and manufacturing has slowed. Service-producing industries account for 80 percent of Utah's total nonfarm employment, and the services sector alone accounted for nearly half of all jobs created in the state since the beginning of 1996.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-97	Feb-97	Mar-96		
Idaho					
Total	502.3	499.0	487.8	8.2	3.0
Mining	3.2	3.3	2.9	-30.9	10.3
Construction	31.5	30.7	30.1	36.2	4.7
Manufacturing	73.4	73.2	72.4	3.3	1.4
T.C.P.U.	23.1	23.1	23.1	0.0	0.0
Trade	129.4	127.9	124.2	15.0	4.2
F.I.R.E.	25.5	25.5	25.2	0.0	1.2
Services	117.2	116.9	113.1	3.1	3.6
Government	99.0	98.4	96.8	7.6	2.3

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-97	Feb-97	Mar-96		
Utah					
Total	982.9	979.0	940.9	4.9	4.5
Mining	7.9	7.8	7.9	16.5	0.0
Construction	61.6	62.1	58.7	-9.2	4.9
Manufacturing	131.1	130.9	128.6	1.8	1.9
T.C.P.U.	55.7	55.4	52.8	6.7	5.5
Trade	237.3	235.7	227.2	8.5	4.4
F.I.R.E.	51.8	51.4	49.8	9.7	4.0
Services	268.7	266.8	249.8	8.9	7.6
Government	168.8	168.9	166.1	-0.7	1.6

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-97	Feb-97	Mar-96		
Nevada					
Total	881.4	879.4	823.8	2.8	7.0
Mining	15.1	15.0	14.2	8.3	6.3
Construction	81.2	81.5	70.5	-4.3	15.2
Manufacturing	39.8	39.6	38.3	6.2	3.9
T.C.P.U.	43.7	43.5	41.9	5.7	4.3
Trade	178.2	178.2	165.7	0.0	7.5
F.I.R.E.	38.9	38.6	37.6	9.7	3.5
Services	380.5	378.6	356.2	6.2	6.8
Government	104.0	104.4	99.4	-4.5	4.6

	Unemployment Rates (%)				
	Mar-97	Feb-97	Jan-97	Mar-96	Feb-96
Idaho	5.4	5.1	5.3	5.4	5.4
Nevada	4.4	4.5	4.6	5.3	5.1
Utah	2.8	3.2	3.2	3.5	3.5
U.S.	5.2	5.3	5.4	5.5	5.5

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**