

WESTERN ECONOMIC DEVELOPMENTS

September 1997

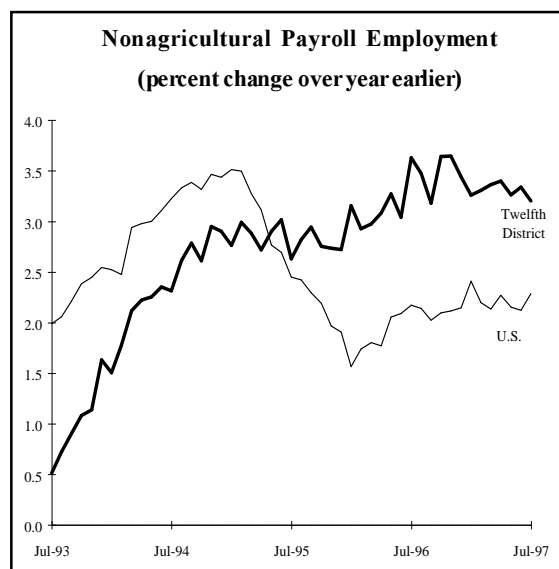
Executive Summary

- The District had the five fastest-growing states in the nation over the past twelve months.
- The Intermountain states of Nevada, Arizona, and Utah were the three fastest-growing states over this year-long period. In recent months, job growth in Nevada continued at a torrid 6 percent average annual pace, and Utah continued to post about a 4 percent gain. However, employment growth in Arizona slowed this summer.
- Washington now is the fourth-fastest growing state in the nation, owing largely to a pickup in aerospace industry employment.
- Oregon's economy continued to expand rapidly, albeit slightly slower than in 1996.
- In the first half of 1997, exports from the District continued to grow rapidly, with a pickup in aircraft exports from Washington state largely offsetting slowed growth in California exports of high-tech products to Asia.

District Update

Strong economic growth continued in the District this summer. The District payroll job count advanced at an average annual rate of 2.8 percent in June and July, similar to the pace over the preceding twelve months. Employment growth continued to outpace the rapid rate of expansion in the District labor force; the District unemployment rate edged down this summer and has fallen about 1 percentage point over the past twelve months to 5½ percent in July.

Construction employment continued to expand rapidly in many District states in recent months. Overall District manufacturing employment also continued to increase, but the expansion was less geographically broad-based than the growth in construction. For manufacturing, job gains were concentrated in the Washington aerospace industry and Arizona and California high-tech equipment industries. In California, employment in the real estate and local government sectors also has picked up noticeably in recent months.



Among District states, Washington state payrolls expanded most rapidly in June and July, at about a 7 percent average annual rate. The booming Washington aerospace industry hired thousands of additional workers in recent months, raising employment in that sector by 23 percent relative to a year earlier. Job growth in Nevada continued at a torrid 6 percent average annual pace in recent months, and the pace of expansion in Oregon and Utah remained rapid at about 4 percent at an annual rate. California's recent pace of employment growth has been in the 2 percent range. In Arizona, employment growth slowed to about 1 percent at an annual rate early this summer, and growth also was slow in Idaho and Alaska. Economic conditions in Hawaii continued to be weak.

	Number Employed (thousands)			Annualized % Change	% Change
	Jul-97	Jun-97	Jul-96	From Previous Month	From Previous Year
Alaska	266.2	265.1	264.5	5.1	0.6
Arizona	1,975.7	1,974.7	1,895.8	0.6	4.2
California	13,154.5	13,128.5	12,793.0	2.4	2.8
Hawaii	527.3	528.1	528.1	-1.8	-0.2
Idaho	503.6	501.2	493.2	5.9	2.1
Nevada	899.0	898.3	846.7	0.9	6.2
Oregon	1,532.5	1,526.1	1,477.9	5.2	3.7
Utah	996.2	994.7	958.0	1.8	4.0
Washington	2,512.8	2,499.6	2,419.0	6.5	3.9
District	22,367.8	22,316.3	21,676.2	2.8	3.2
U.S.	122,421.0	122,056.0	119,691.0	3.6	2.3

Seasonally adjusted payroll employment data

	Number Employed (thousands)			Annualized % Change	% Change
	Jul-97	Jun-97	Jul-96	From Previous Month	From Previous Year
Total	22,367.8	22,316.3	21,676.2	2.8	3.2
Mining	85.6	84.9	85.0	10.4	0.7
Construction	1,128.3	1,121.0	1,046.3	8.1	7.8
Manufacturing	2,994.8	2,988.6	2,906.7	2.5	3.0
Transportation	1,144.6	1,143.4	1,115.1	1.3	2.6
Trade	5,237.9	5,230.0	5,121.3	1.8	2.3
F.I.R.E.	1,246.1	1,242.4	1,227.0	3.6	1.6
Services	6,785.4	6,761.0	6,497.9	4.4	4.4
Government	3,745.1	3,745.0	3,676.9	0.0	1.9

Seasonally adjusted payroll employment data

Regional Export Performance

Rapidly growing exports were a major source of strength in the District economy in 1994 and 1995. However, District export growth slowed sharply last year and remained moderate through the first half of 1997, largely owing to a slowdown in exports from California. The stimulus to California exports from rapidly growing Asian markets and from those countries' push to develop additional electronics and computer manufacturing capacity appears to have waned.

Recent Developments in District Exports

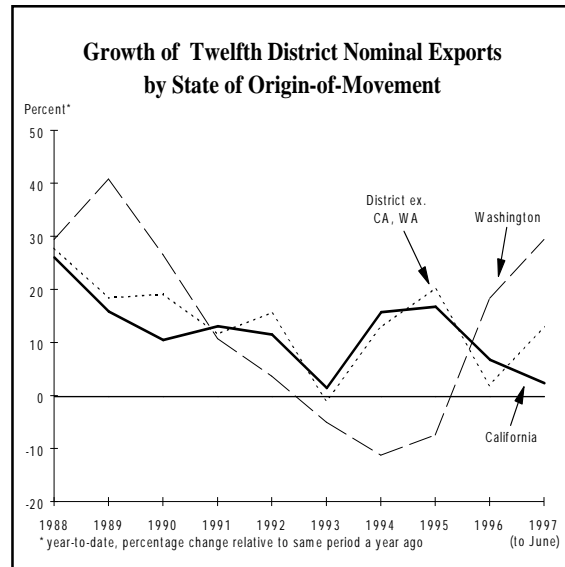
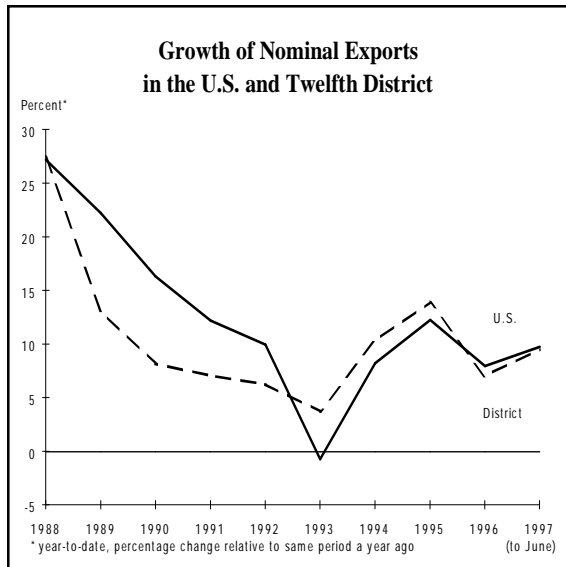
District exports accelerated to a 12.3 percent rate of increase in 1995, slowed to an 8 percent rate in 1996, and picked up slightly to a 9.8 percent annual rate of increase in the first half of 1997. About three-fifths of District exports originate in California, where export growth in 1995 and 1996 mimicked the overall District pattern of accelerating through 1995 and slowing last year. However, in the first half of 1997 exports from California slowed further, resulting in a level only 2½ percent above a year earlier.

About one-fifth of District exports are from Washington state, primarily Boeing aircraft. In 1996, a pickup in exports from Washington state partly offset the slowing exports from California and other District states. The ramp-up of Washington state exports accelerated in early 1997.

The remaining one-fifth of District exports from the other states in the District are a heterogeneous mix of products. Manufacturers of high-tech goods have a noticeable presence in Oregon, Arizona, Utah, and Idaho, but agricultural commodities and forest products also are important exports for some of these states. Alaska's primary exports are seafood, forest products, and petroleum-related commodities. Given this diverse commodity mix, the growth rate of exports from District states other than California and Washington has tended to be similar to the growth rate of overall U.S. exports in recent years.

Developments Abroad and the Impact on U.S. Exports

In nominal terms, U.S. exports slowed to about a 7 percent pace in 1996 and picked back up to a 9½ percent gain in the first half of 1997. To a large



extent these swings reflect the changing pace of economic growth in our major trading partners. In Canada and Western Europe, which jointly account for about 40 percent of U.S. exports, real GDP growth slowed to below a 2 percent pace in 1996 and then picked up in the first half of 1997.

U.S. exports to these foreign markets exhibited a similar swing, slowing from growth in excess of 11 percent in 1995 to about 5½ percent in 1996, before picking up again to double-digit export growth rates in the first half of this year.

Table 1
U.S. Exports of Goods by State
of Origin-of-Movement^a

(year-to-date, percent change relative to same period a year ago)

Percent Share ^b	---through December---			June 1997
	1994	1995	1996	
100.0	10.3	14.1	6.9	9.5
21.4	8.2	12.3	8.0	9.8
13.3	15.9	17.0	6.9	2.5
4.1	-11.2	-7.4	18.3	29.4
3.9	12.9	20.2	1.9	13.0
1.3	15.7	25.6	2.6	7.7
1.2	18.9	13.3	2.9	35.8
0.5	-5	39.4	-1.5	-7.7
0.4	-2.2	12.9	0.9	6.9
0.2	30.6	23.1	-19.7	-7.2
0.2	15.1	7.1	73.4	3.4
0.1	14.1	-18.7	-25.3	18.9

a. Excludes re-exports in the state figures.

b. Percent share of U.S. exports in 1996.

Source: Census FT900 Supplement

With the abrupt devaluation of the Mexican peso in December 1994, the business cycle in Mexico has been quite different from that in Canada and Europe. Exports from the U.S. to Mexico plunged by about 9 percent in 1995, as Mexico's real GDP fell about 6 percent that year. However, in 1996 and the first half of 1997, real GDP in Mexico increased at about a 5 percent annual rate, and U.S. exports to Mexico have rebounded sharply, at about a 23 percent annual rate.

In contrast, U.S. exports to Asia-Pacific Economic Cooperation (APEC) countries outside North America slowed substantially in 1996 and did not pick up in the first half of 1997. Much of the weakness has been in exports to Japan. U.S. exports to Japan slowed from a 20 percent gain in 1995 to a 5 percent rate of increase in 1996 and actually declined at a 2.6 percent annual rate in the first half of this year. The terms of U.S. trade with Japan began turning against U.S. producers in mid-1995, when the U.S. dollar began to appreciate strongly against the Japanese yen at a rate which did not merely reflect inflation differentials. The dollar-yen exchange rate now is about 43 percent above the mid-1995 low point. The depreciation of the yen has been helped along by the Bank of Japan's effort to stimulate an economy which has been weak for about five years now;

Japanese monetary authorities have lowered short-term interest rates to almost zero, making the corresponding yen-denominated investments less attractive.

Japanese fiscal policy also has been activist, first to stimulate the economy, and, more recently, to try to control a ballooning public sector debt. Much of the 1996 pickup in Japanese GDP growth owed to a burst of public spending. However, this pickup in Japanese GDP growth did little to help U.S. exports, because U.S. exports to Japan are more sensitive to the pace of Japanese private domestic consumption and investment than to the pace of Japanese government spending. More recently, on April 1st of this year, Japan instituted a large consumption tax increase. Although first-quarter spending was elevated by consumers' efforts to beat the tax increase, there was a huge second-quarter decline in Japanese consumption

and investment. The 11.2 percent at an annual rate second-quarter decline in Japanese real GDP more than offset the 5.7 percent at an annual rate first-quarter increase.

Growth of U.S. exports to the Association of Southeast Asian Nations (ASEAN) countries of Singapore, Malaysia, Thailand, Phillipines, and Indonesia also slowed substantially in 1996, and the growth rate of U.S. exports to these countries remained at a moderate 7.9 percent pace in the first half of 1997. Subsequently, in the last three months, many of the ASEAN countries experienced large depreciations in their foreign exchange rates relative to the U.S. dollar.

Other APEC countries--primarily South Korea, Taiwan, Hong Kong, and China--are the destination of about 14 percent of U.S. exports. The growth of U.S. exports to these other APEC countries, as a group, also slowed substantially in 1996 and remained lower in the first half of 1997. The swing in export growth has been most pronounced for South Korea, to which U.S. exports increased 41 percent in 1995 but have increased less than 5 percent per year since then.

Recent Developments in California Exports

The appreciation of the foreign exchange value of the U.S. dollar and the slowing of growth in Asia-Pacific countries appears to have had a larger dampening effect on exports from California than on exports from other U.S. states. For one, California is more dependent than other U.S. states on Asia-Pacific foreign trade. About 18 percent of exports originating in California are to Japan, which is almost twice as large as the Japanese share of overall U.S. exports. California dependency on exports to the ASEAN countries also is relatively high, at nearly 14 percent, and another 22 percent of California exports go to other APEC countries outside of North America such as South Korea, Taiwan, Hong Kong, and China. In the first half of 1997, exports from California to Japan and the ASEAN countries were down about 9 percent relative to the same period a year earlier. The growth rate of California exports to the group of countries we have labelled "Other APEC" slowed in 1996 and early 1997; much of the recent weakness owed to a substantial drop in California exports to South Korea. In addition to overall macroeconomic considerations, much of the 1995-1997 boom and

Table 2
Country and Commodity Composition of
Exports of Goods from the United States

(year-to-date, percent change relative to same period a year ago)

Percent Share ^a		to December		
		1995	1996	1997
100.0	Total, to all countries	14.1	6.9	9.5
19.0	Western Europe ^a	13.2	5.3	10.5
62.6	APEC	13.6	7.3	8.7
21.5	Canada	11.2	5.5	12.6
9.1	Mexico	-8.9	22.7	22.7
10.8	Japan	20.3	5.1	-2.6
6.9	ASEAN ^b	25.2	8.8	7.9
14.3	Other APEC ^c	23.7	2.7	3.5
-----	By SIC Group			
16.6	Industrial machinery and computing equipment (SIC 35)	16.8	8.5	9.1
12.7	Electrical machinery and components (SIC 36)	19.4	4.3	13.9
14.9	Transportation equipment (SIC 37)	-2.8	12.3	20.1

a. Includes Switzerland and the G-10 countries of the United Kingdom, Germany, Netherlands, France, Italy, Sweden, and Belgium.

b. Includes Singapore, Malaysia, Thailand, Phillipines, Indonesia, Vietnam, and Brunei.

c. Includes South Korea, Taiwan, Hong Kong, Australia, China, New

pause pattern in California exports to Japan, ASEAN, and South Korea reflects recent developments in the computing equipment and electronics industries. More than half of California exports are from the industry groups which include the computing equipment and semiconductor industries, the industry groups called industrial machinery and computing equipment (SIC 35) and electrical machinery and components (SIC 36). Exports of these types of products from California increased more than 25 percent in 1995, slowed substantially in 1996, and actually declined somewhat in the first half of 1997. Between 1995 and 1997, the swing in the growth rate of California exports of products of industry groups SIC 35 and SIC 36 was about 32 percentage points; given that these items account for slightly more than one-half of California exports, this swing accounted for all of the roughly 17 percentage point slowing in overall California export growth between 1995 and 1997.

Table 3
Country and Commodity Composition of
Exports of Goods from California

(year-to-date, percent change relative to same period a year ago)

Percent Share ^a		to December to June		
		1995	1996	1997
100.0	Total, to all countries	18.9	8.2	2.1
18.0	Western Europe ^a	13.0	1.5	6.0
73.0	APEC	20.3	10.7	-3
10.6	Canada	14.3	14.7	3.3
8.7	Mexico	-3.9	23.0	25.3
18.1	Japan	25.2	14.0	-8.9
13.7	ASEAN ^b	40.7	5.6	-9.3
21.9	Other APEC ^c	18.8	5.4	2.1
-----	By SIC Group			
26.7	Industrial machinery and computing equipment (SIC 35)	25.5	16.7	-1.1
28.2	Electrical machinery and components (SIC 36)	32.2	5.2	-4.1
9.2	Transportation equipment (SIC 37)	6.7	-4.7	25.1

a. Includes Switzerland and the G-10 countries of the United Kingdom, Germany, Netherlands, France, Italy, Sweden, and Belgium.

b. Includes Singapore, Malaysia, Thailand, Philippines, Indonesia, Vietnam, and Brunei.

c. Includes South Korea, Taiwan, Hong Kong, Australia, China, New Zealand, Chile, and Papua New Guinea.

Figures on exports by destination from California of these types of products (SIC 35 and SIC 36) indicate noticeable declines to Japan, South Korea, Singapore, and Malaysia in the first half of 1997. In fact, most of the recent slowdown in exports from California to these countries owes to this drop in exports of industrial machinery and computing equipment (SIC 35) and electrical machinery and components (SIC 36).

Separate, more-detailed high-tech industry statistics also suggest that much of the recent slowdown in California exports to these Asian countries arises from developments in the computing equipment and electronics industries. In dollar terms, overall world absorption of semiconductors increased very rapidly in each of the three years ending in 1995, with growth rates in 1993 and 1994 near 30 percent and more than a 40 percent increase in 1995. To meet this growing demand and the ever-present need to remain on the leading technological edge of fabrication techniques, domestic and foreign semiconductor producers sharply increased their spending on fabrication and design equipment, particularly in 1995. Exports in 1995 from California and other western states to Asian countries were boosted by the large increases in shipments of semiconductors and of equipment for semiconductor production.

However, early in 1996, as new fabrication capacity came on line and semiconductor orders softened, prices for some types of semiconductors plunged. Semiconductor sales fell sharply in nominal terms in 1996, and overcapacity developed for some types of semiconductors. The resulting drops in semiconductor and equipment spending appear to have reduced exports from California to Asia in late 1996 and early 1997.

Outlook for District Exports

Recent foreign exchange rate and international business cycle developments are likely to reinforce this trend of slowing California exports to Asia. However, based on recent orders and shipments data, overall foreign demand for computer and electronics items appears to have picked up in the third quarter, particularly from Europe. Furthermore, the boom in exports of Boeing aircraft from Washington state is likely to continue to provide a substantial offset to any slowdown in exports of other types of products from other District states.

ALASKA, OREGON, AND WASHINGTON

The Alaskan economy continued to add payroll jobs recently, as the second quarter pick-up carried into July. Although year-over-year growth remained sluggish at 0.6 percent, most of the growth has come since December. The largest employment gains have been in the retail and wholesale trade, services, and transportation sectors. Combined, these sectors have added 4,300 new jobs, more than offsetting the 1,400 jobs lost in mining, manufacturing and construction.

Despite a healthy residential construction market in Anchorage and Fairbanks, overall construction employment in Alaska has declined since December. However, a number of large non-residential projects, scheduled to begin this fall, should boost employment in this sector.

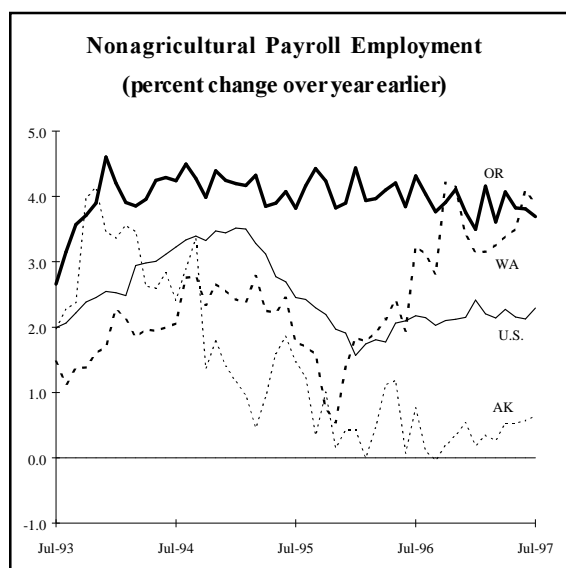
Oregon's economy continued to grow at a rapid pace in recent months. Payroll employment has increased by 3.6 percent at annual rate since December, placing Oregon among the fastest growing states in the nation. Almost all sectors of Oregon's economy are expanding, and manufacturers of high-tech goods and of specialty metals used by Boeing are increasing employment at double-digit rates. Combined, these two sectors account for over 70 percent of Oregon's new manufacturing jobs created in 1997. Employment growth in retail trade, finance and real

estate, and business and consulting services also has been strong in recent months and shows few signs of slowing. Even the government sector in Oregon is expanding. Large state revenues and the expansion of Indian Gaming Centers, which are classified as local government enterprises, have boosted employment in the non-federal government sector.

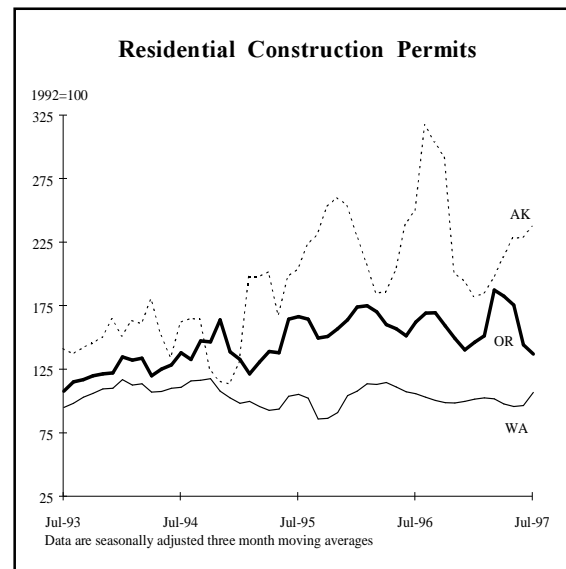
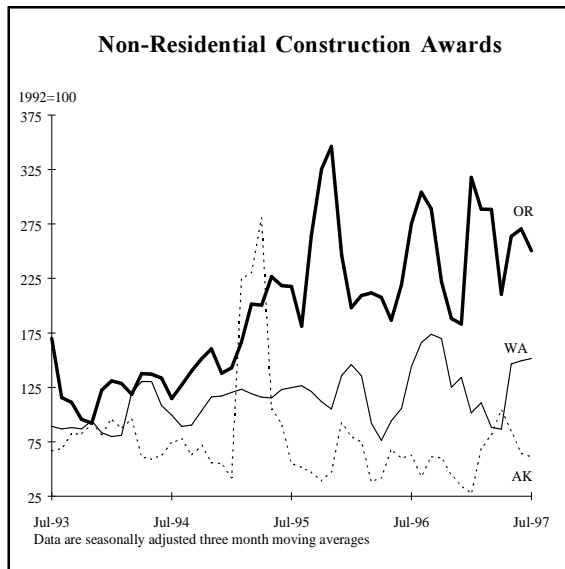
Over the past two years income and population growth in Oregon have fueled expansion of the financial services and real estate sector. Population and income growth also have produced rapid increases in home prices. The Office of Federal Housing Oversight reports that between the first quarter of 1996 and the first quarter of 1997 the median house price in Oregon rose by 8.8 percent, making Oregon second only to Michigan in home price appreciation over the period.

Employment growth in Washington surged in recent months, boosting growth over the last seven months to 4.6 percent at an annual rate. The recent employment surge reduced the state unemployment rate to just 4.7 percent in July and preserved Washington's place as the 4th fastest growing state in the nation. Aircraft and computer software and hardware production continued to drive the state's growth. During June and July these sectors created 54 percent of all private sector jobs added, with most of these in the aerospace industry. Local governments also hired at a rapid pace, increasing employment by 11,000 during June and July.

Boeing's torrid production pace may be slowed by reported bottlenecks in parts and materials delivery. Lags in receiving ordered raw materials, such as titanium alloy forgings, are delaying Boeing's parts suppliers and causing the company to push back some delivery dates. Shortages of skilled employees also are hindering Boeing's manufacturing schedule. Stiff competition for skilled workers among Boeing, Microsoft, and computer hardware manufacturers in the Puget Sound area has depleted the supply of trained workers and prompted employers to launch national recruitment efforts.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jul-97	Jun-97	Jul-96		
Alaska					
Total	266.2	265.1	264.5	5.1	0.6
Mining	9.5	9.3	10.0	29.1	-5.0
Construction	12.5	12.5	12.4	0.0	0.8
Manufacturing	14.9	15.3	15.5	-27.2	-3.9
T.C.P.U.	23.4	23.5	22.7	-5.0	3.1
Trade	55.8	55.7	55.3	2.2	0.9
F.I.R.E.	11.9	11.8	11.9	10.7	0.0
Services	64.8	64.5	63.3	5.7	2.4
Government	73.4	72.5	73.4	16.0	0.0
Washington					
Total					
Mining					
Construction					
Manufacturing					
T.C.P.U.					
Trade					
F.I.R.E.					
Services					
Government					
Oregon					
Total	1532.5	1526.1	1477.9	5.2	3.7
Mining	1.8	1.8	1.8	0.0	0.0
Construction	85.6	85.6	79.0	0.0	8.4
Manufacturing	245.1	245.0	233.5	0.5	5.0
T.C.P.U.	73.2	73.3	73.1	-1.6	0.1
Trade	377.4	376.0	366.5	4.6	3.0
F.I.R.E.	94.9	94.6	90.5	3.9	4.9
Services	404.4	400.6	387.1	12.0	4.5
Government	250.1	249.2	246.4	4.4	1.5
Unemployment :					
Alaska					
Oregon					
Washington					
U.S.					

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

ARIZONA, CALIFORNIA, AND HAWAII

After very strong gains earlier in the year, the rate of job growth in Arizona slowed a bit in June and July. Payroll employment increased at a 1 percent average annual pace in those two months to a level 4.2 percent above a year earlier. In recent months, most of the major sectors of the Arizona economy continued to expand rapidly, but these gains were partly offset by lost jobs in the public utilities and government sectors. Most of the roughly 45,000 jobs added to Arizona payrolls so far this year are in the services and wholesale and retail trade sectors. The construction, manufacturing, and finance sectors also have posted notable job gains, but government payrolls are down about 7,400 jobs.

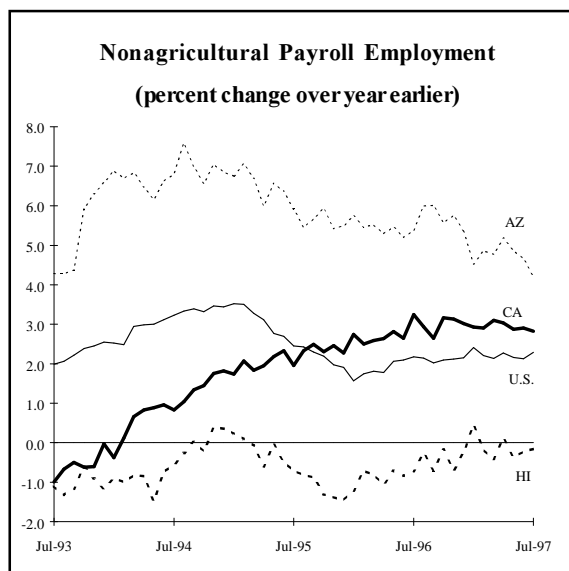
Other indicators of economic activity confirm that growth in Arizona is rapid but slowing. Growth of retail sales has slowed to about 5 percent on a year over year basis. Overall construction activity remains high, but additional gains in the value of non-residential construction have been offset by declines in residential building. Population growth is slowing, and the labor force is not keeping up with job growth. Help-wanted advertising remains high, and the Arizona unemployment rate is only about 4 percent.

The pace of expansion in California remained strong in recent months but no longer appears to be accelerating. Payroll employment increased at about a 2 percent average annual pace in June and July, down from about a 3 percent gain in the preceding twelve months. In August, the underlying rate of employment growth was similar to the June-July pace, but the UPS strike temporarily reduced the transportation sector job count, holding overall state employment growth down by about 1 percentage point at an annual rate last month.

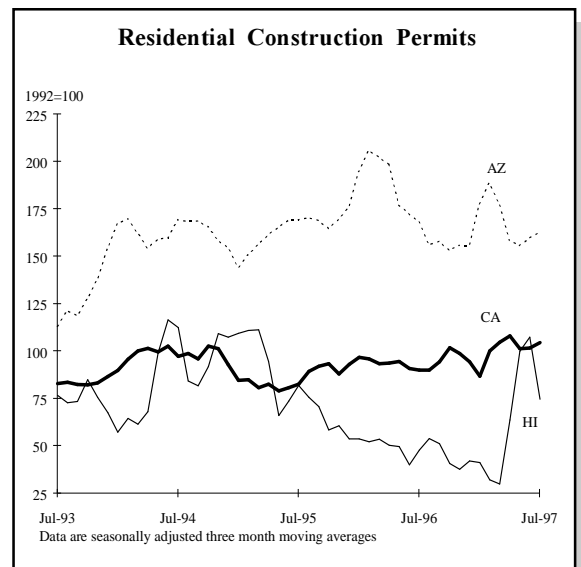
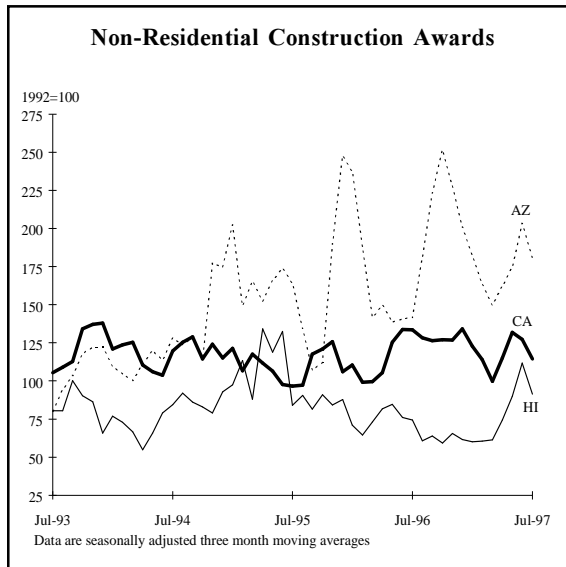
The sources of fast job growth in California appear to be shifting. Manufacturing employment growth has slowed recently, whereas construction, real estate, and local government employment growth have picked up. Job growth has slowed a little but remains fast in the motion picture industry and the business services sector, which includes software development. Regionally, job growth in the San Francisco Bay Area remains faster than in the Los Angeles Area, but the Bay Area pace has held steady, whereas growth in the Los Angeles Area is picking up. In Los Angeles County, the unemployment rate fell about 1½ percentage points over the past year to 6.6 percent in August.

Hawaii's economy remains weak. Payroll employment declined about 1 percent at an annual rate in June and July, as the construction and retail trade sectors continued to shed jobs. The recent pace of job declines is similar to that in 1995. Overall economic conditions stabilized in 1996, when visitor arrivals and hotel occupancy improved, but the visitor flow dropped back a bit in the first half of 1997, and occupancy rates have declined recently.

Hawaii's retail trade sector also has been hurt by the weakened purchasing power of the Japanese yen. Visitors from Japan are not staying as long in Hawaii as they did in earlier years, and spending per visitor reportedly has declined.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jul-97	Jun-97	Jul-96		
Arizona					
Total	1975.7	1974.7	1895.8	0.6	4.2
Mining	15.1	14.9	14.7	17.4	2.7
Construction	133.4	132.6	126.3	7.5	5.6
Manufacturing	205.9	204.6	199.6	7.9	3.2
T.C.P.U.	95.7	95.2	92.3	6.5	3.7
Trade	487.0	484.8	467.6	5.6	4.1
F.I.R.E.	124.0	123.0	115.8	10.2	7.1
Services	595.5	594.4	565.3	2.2	5.3
Government	319.1	325.2	314.2	-20.3	1.6

Hawaii
Total
Mining
Construction
Manufacturing
T.C.P.U.
Trade
F.I.R.E.
Services
Government

	Aug-97	Jul-97	Aug-96		
California					
Total	13152.4	13143.0	12825.6	0.9	2.5
Mining	29.2	29.4	29.0	-7.9	0.7
Construction	564.0	559.7	514.2	9.6	9.7
Manufacturing	1897.9	1897.8	1863.3	0.1	1.9
T.C.P.U.	635.9	659.7	644.4	-35.7	-1.3
Trade	3028.7	3026.7	2976.2	0.8	1.8
F.I.R.E.	735.3	735.8	734.7	-0.8	0.1
Services	4113.9	4097.9	3945.7	4.8	4.3
Government	2147.5	2136.0	2118.1	6.7	1.4

Unemployment
Arizona
Hawaii
U.S.
California

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

IDAHO, NEVADA, AND UTAH

The Idaho economy remains on a moderate growth path. Total payroll employment expanded by 2 percent at an annual rate during the four months ending in July, continuing a trend established earlier this year. Recent growth in construction payrolls has been very rapid, following a rise in both residential and nonresidential construction permits this year. However, substantial job losses in the lumber and logging industries offset sharp gains in high-tech manufacturing employment in recent months. The result was weak overall job gains in durable manufacturing. This pattern of industrial job growth also has contributed to more rapid economic expansion in the immediate Boise area than in the rest of the state this year.

After struggling somewhat last year, the state's key potato industry has been boosted this year by price increases arising from declining potato production in other states. However, the recent appearance of potato blight in Eastern Idaho poses a challenge for farmers. To avoid widespread infestation and consequent crop losses, potato farmers there have planned for early harvesting.

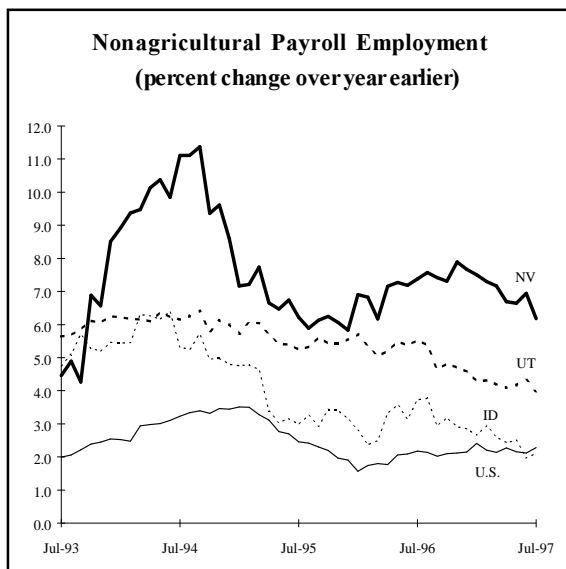
Nevada still leads all other states in its rate of job creation, with payroll employment growth holding steady around 6 percent on an annual basis this year. All major sectors posted substantial gains in recent months, although a July decline in

manufacturing payrolls contributed to slowed growth in that sector this year. Growth in service sector employment has been rapid overall, but it has been held back by job losses over the past four months in the state's huge hotel and gaming sector.

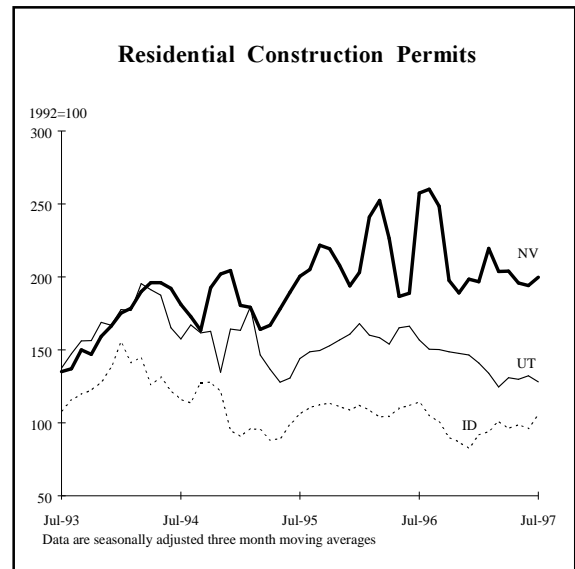
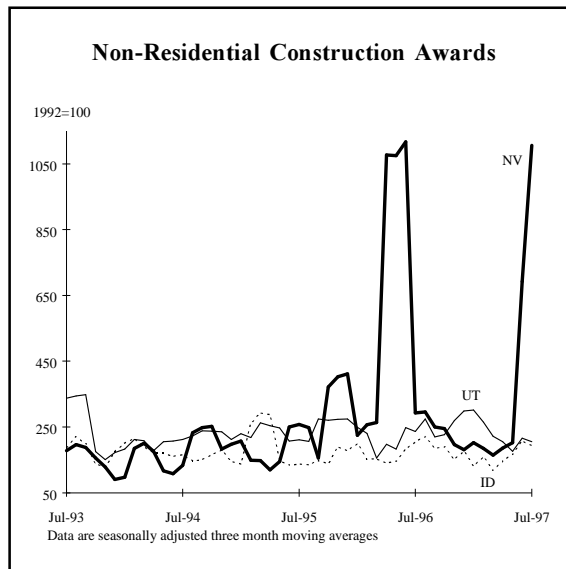
Construction employment in Nevada continues to soar. Although growth slowed in July following the commencement of two large gaming hotel projects in June, this sector is poised for rapid expansion later in the year, due to a recent dramatic increase in non-residential construction awards. Planned construction projects include the creation of three million square feet of retail shopping space, reflecting the strength of the state's retail trade sector. Retail trade employment has grown by 6.2 percent on an annual basis thus far in 1997, up from last year's pace of 5.3 percent.

Utah's economy remains on a fast growth track. Total payroll employment expanded by four percent on an annual basis thus far in 1997, with an acceleration in recent months. Most major sectors, except manufacturing and government, have expanded rapidly this year. Recent job gains have been particularly strong in the state's retail trade sector, which expanded by 6.4 percent at an annual pace during the four months ending in July. Although Utah's manufacturing sector has been up and down this year, the outlook for its key high-tech sector remains favorable; this outlook has been aided by developments such as Gateway 2000's plan to begin production of personal computers in Salt Lake City later this year.

The state's housing market remains hot, although construction and sales activity have slowed. Total home sales fell 3.1 percent in the second quarter of this year, marking the third consecutive quarterly decline, and residential construction permits are well below their year-earlier levels. The recent slowing in construction and sales may be due to a combination of high existing rates of home ownership and earlier rapid price appreciation.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jul-97	Jun-97	Jul-96		
Idaho					
Total	503.6	501.2	493.2	5.9	2.1
Mining	3.1	3.2	3.1	-31.7	0.0
Construction	33.1	33.0	30.6	3.7	8.2
Manufacturing	73.2	72.8	72.6	6.8	0.8
T.C.P.U.	23.7	23.7	23.0	0.0	3.0
Trade	126.9	127.5	125.5	-5.5	1.1
F.I.R.E.	25.6	25.5	25.1	4.8	2.0
Services	118.4	117.4	115.6	10.7	2.4
Government	99.6	98.1	97.7	20.0	1.9
Nevada					
Total	899.0	898.3	846.7	0.9	6.2
Mining	15.2	15.0	14.8	17.2	2.7
Construction	84.6	84.5	74.9	1.4	13.0
Manufacturing	39.8	39.9	38.5	-3.0	3.4
T.C.P.U.	44.6	44.4	42.5	5.5	4.9
Trade	181.9	181.1	171.1	5.4	6.3
F.I.R.E.	39.5	39.2	37.9	9.6	4.2
Services	385.6	385.1	364.8	1.6	5.7
Government	107.8	109.1	102.2	-13.4	5.5

Utah	
Total	
Mining	
Construction	
Manufacturing	
T.C.P.U.	
Trade	
F.I.R.E.	
Services	
Government	

Unemployment	
Idaho	
Nevada	
Utah	
U.S.	

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