

WESTERN ECONOMIC DEVELOPMENTS

January 1998

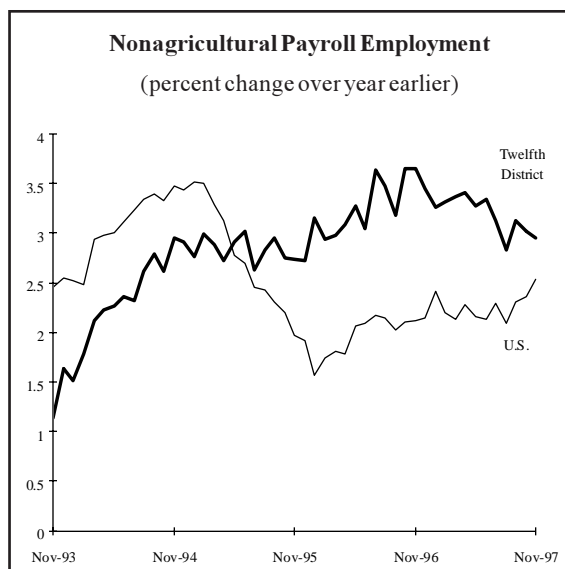
Executive Summary

- *The District contains four of the ten fastest growing states in the nation, with Nevada, Arizona, and Utah topping the list.*
- *The pace of employment growth in the District accelerated in recent months, climbing to 3.9 percent at an annual rate during the three months ending in November 1997.*
- *The District unemployment rate fell to 5.3 percent in November, as job growth continued to outpace growth in the labor force.*
- *Construction activity continued to be a main source of strength in the District economy late into 1997, adding jobs at an annual rate of 7 percent between December 1996 and November 1997.*
- *Manufacturing growth picked up in recent months, increasing at an average annual rate of 3.8 percent during the three months ending in November.*
- *Though the District has substantial exposure to developments in East Asia, as of November 1997 only a few industries showed signs of weakening.*

District Update

Economic growth in the District accelerated in recent months, bolstered by rapid gains in Arizona, Nevada, and California, and continued solid expansions in Washington, Utah, and Oregon. Payroll employment expanded at about a 4 percent average annual pace during the 3 months ending in November, up significantly from the 2½ percent pace of the third quarter. The acceleration in growth pushed the average unemployment rate in the District to 5.3 percent in November, a full percentage point lower than a year earlier, and the lowest it has been since March of 1990.

Construction continued to be the fastest growing sector in the District, adding jobs at an annual rate of 4 percent during the three months ending in November 1997. Relative to a year earlier, the construction sector has grown by nearly 7 percent, adding over 70,000 new jobs to District payrolls, and making it a main contributor to the District's ongoing



expansion. Employment gains in this sector were broad based, occurring in most District states and owing to gains in both residential and non-residential building.

Although many anticipated that recent difficulties in East Asia would diminish growth in the District's manufacturing sector, as of November 1997 only a few manufacturing industries are showing signs of weakening. Overall, manufacturing continued to post solid employment gains, increasing payrolls by 3.8 percent in recent months. Most of the growth in manufacturing came from expansions in aerospace and high-tech equipment indus-

tries in the Pacific Northwest, California, Idaho, and Arizona. Gains in these industries more than offset job losses in food processing and lumber and wood product manufacturing, two sectors that have been significantly affected by recent developments in East Asia.

Financial Developments

The Twelfth District contains a number of banking institutions with ownership based in East-Asian countries. As of the third quarter of 1997, there were 15 East-Asian-owned, U.S.-chartered commercial banks headquartered in the District, all located in California. Together these banks accounted for about 7.2% of total banks assets (combined assets of commercial banks headquartered in the District and foreign branches and agencies in the District) and about 10.7% of business loans in the District.

East-Asian-owned branches and agencies also are a significant source of business and real estate credit in the District. As of the third quarter of 1997, East-Asian branches and agencies accounted for nearly 20% of business loans in the District. Overall asset quality at East-Asian branches and agencies was relatively healthy, although the past-due loan ratio for real estate loans were somewhat higher than for commercial real estate loans in the District as a whole.

Available information indicates some tightening of credit standards and loans terms on

District Employment by State

	Number Employed (thousands)			Annualized	%
	Nov-97	Oct-97	Nov-96	% Change	Change
				From Previous Month	From Previous Year
Alaska	266.4	265.8	262.8	2.7	1.4
Arizona	2,021.9	2,008.6	1,936.8	8.2	4.4
California	13,266.2	13,236.2	12,931.2	2.8	2.6
Hawaii	527.0	528.2	526.8	-2.7	0.0
Idaho	505.3	504.1	497.7	2.9	1.5
Nevada	911.3	904.7	869.4	9.1	4.8
Oregon	1,536.4	1,536.4	1,500.9	0.0	2.4
Utah	1,011.7	1,004.3	969.5	9.2	4.4
Washington	2,532.1	2,526.8	2,440.0	2.5	3.8
District	22,578.3	22,515.1	21,935.1	3.4	2.9
U.S.	123,495.0	123,083.0	120,450.0	4.1	2.5

Seasonally adjusted payroll employment data

District Manufacturing and Construction Indicators

				%	%
	Nov-97	Oct-97	Nov-96	Change	Change
				From Previous Month	From Previous Year
Aerospace Employment (1992=100)	72.9	72.5	66.8	0.0	9.3
Electronics Employment (1992=100)	117.9	117.7	112.6	0.2	4.6
Americas Semiconductor Billings (\$ Million)	4000.0	3980.0	3500.0	0.5	14.3
Non-Residential Awards (1992=100)	134.0	143.3	130.3	-6.5	2.8
Residential Permits (Thousands)	27.7	27.7	23.2	-0.1	19.0
Western Housing Starts (Thousands)	27.4	33.6	23.9	-18.5	14.6

District Employment by Industry

	Number Employed (thousands)			Annualized	%
	Nov-97	Oct-97	Nov-96	% Change	Change
				From Previous Month	From Previous Year
Total	22,578.3	22,515.1	21,935.1	3.4	2.9
Mining	86.0	85.9	85.3	1.4	0.8
Construction	1,146.8	1,144.0	1,074.6	3.0	6.7
Manufacturing	3,024.6	3,013.6	2,937.0	4.5	3.0
Transportation	1,155.1	1,151.6	1,123.4	3.7	2.8
Trade	5,267.8	5,248.6	5,160.9	4.5	2.1
F.I.R.E.	1,255.6	1,251.1	1,231.1	4.4	2.0
Services	6,870.4	6,852.4	6,599.0	3.2	4.1
Government	3,772.0	3,767.9	3,723.8	1.3	1.3

Seasonally adjusted payroll employment data

bank business loans to East-Asian firms operating in the District. Consistent with this, a sample of East-Asian-owned branches in the District noted a tightening of credit standards in general. There also are reports of increased demand for bank business loans from Japanese firms operating in the District, in part due to less favourable financing terms or the lack of funds from other lending sources.

Estimating the Effects of East Asia on Growth in the Twelfth District

Since July 2 when the Thai baht fell by 17 percent against the U.S. dollar, numerous economists have forecast the effect of developments in East Asia on growth in the United States. At this point, the consensus estimates of the effects of East Asia on the U.S. macro economy range from $\frac{1}{2}$ to 1 percentage point off GDP growth in 1998. Given that the Twelfth District is more than twice as dependent on trade with East Asian nations than is the U.S. as a whole, some observers have speculated that District growth could decline by twice this much, or by a full percentage point over the next year. However, there are reasons to be cautious about using this simple calculation to measure the impact of East Asia on District growth.

Effects of East Asia on Growth in the U.S. and the District. Estimates of the impact of East Asia on U.S. growth over the next year assume that developments in East Asia will affect economies in the U.S. through two channels. First, reductions in the value of East Asian currencies will increase the relative prices of U.S. produced goods and services, slowing U.S. exports to East Asia and the world and accelerating East Asian imports to the U.S. Second, underlying economic weakness in many East Asian nations will slow economic growth there, further depressing demand for U.S. exports. Such changes in the terms and patterns of trade as well as significant weakening among some of our primary East Asian trade partners worsen the U.S. trade balance, ultimately damping growth.

Ideally, estimates of the impact of recent developments in East Asia on District growth would account for import and export effects through both of these channels. However, data constraints relating to imports make a complete analysis at the state and regional level impossible. Therefore, a number of analysts have relied on an examination of District export exposure to East Asia to provide a basis for judging the relative impact of the East Asian currency crisis on District states. Under the assumption that the effects of import substitution are similar across states in the U.S., the export component of the problem can provide a basis for judging the relative impact of the East Asia crisis on District states.

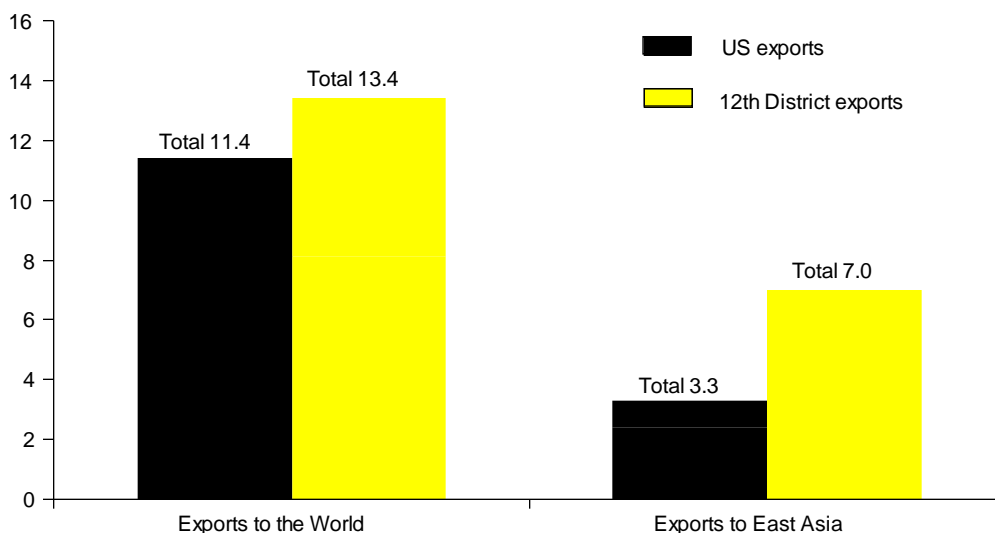
Relative Exposure of Twelfth District Exports to East Asia. The United States exports about 11.5 percent of GDP to the world. Approximately 30 percent of these exports of goods and services, or about 3.4 percent of U.S. GDP, is shipped to destinations in East Asia.¹ However, this estimate for the U.S. masks important differences in export ties to East Asia by region. The figure displays merchandise and service exports to the world and to countries in East Asia as a share of GDP for the Twelfth District and the U.S. Merchandise exports include manufactured and non-manufactured commodities and reflect Department of Commerce data on origin-of-movement of goods.² Service exports include business and personal services, passenger

¹ East Asia includes Malaysia, Thailand, Indonesia, the Phillipines, South Korea, Taiwan, Singapore, Hong Kong, Japan, and China.

² State export estimates are from MISER, series 1, 1994 and 1995. State GDP estimates come from the Bureau of Economic Analysis and reflect revised estimates of 1994 GDP. Export shares of GDP are computed by scaling the 1994 total exports to GDP ratio by the 1995 country composition of exports by state.

³ The value of District service exports was estimated based on the assumption that the relationship of service exports to merchandise exports for District states is similar to that for the U.S. Two relevant observations

Merchandise and Service Exports as a share of GDP



Source: Exports: MISER, series 1, 1994 and 1995. Includes re-exports.
State GDP estimates: Bureau of Economic Analysis, 1994.
Service exports are author's calculations.

fares, royalties and licensing fees, and freight and port services,³ and were estimated for the District.

The estimates shown in the figure indicate that the Twelfth District exports a larger fraction of its GDP than the U.S. The U.S. exports about 11.5 percent of GDP compared to about 14 percent exported by District states. Moreover, when exports to East Asia are compared, the District's dependence relative to the U.S. grows. The average District state ships more than 50 percent of its total exports to destinations in East Asia, compared to about 30 percent exported to East Asia by the average U.S. state. In GDP terms (as shown in the figure), District states export approxi-

for the U.S. regarding service exports are: 1) service exports are half the value of merchandise exports, and 2) the most common services exported are business and consulting services, which include engineering and management services, packaged software products, and telecommunications support. An additional observation at the District level is that business and consulting services represent a larger fraction of the economy in western states than in the U.S. Based on this information, District service exports were estimated by multiplying the value of merchandise exports by a weighted merchandise to service export ratio, where the weighted ratio equals $\frac{1}{2}$ times the ratio of the value of business services in District states to the value of business services in the average state in the U.S.

mately 7 percent of GDP to East Asia, or more than twice the 3.3 percent of GDP exported to East Asia by the average U.S. state.

Thus, other things equal across the U.S. and the District, an equivalent percent decline in East Asian exports in the District and the U.S. might be expected to reduce District growth by about twice as much as it reduces U.S. growth.

However, a number of factors suggest caution is warranted when using this estimate. First, such a calculation assumes that any decline in East Asian demand for exports affects the U.S. and the District equivalently, or more simply, that the product mixes of District and U.S. exports are similar. Second, it assumes that the total value of exports shipped from the District is created in the District and that District industries are not affected by reductions in exports from other areas of the U.S. Finally, it assumes that a given export decline produces the same employment effect in the District as it does in the U.S. The remainder of this analysis reviews why these assumptions may not hold.

Factors Complicating the Measurement of District Growth Effects from District Export Exposure. Differences in the composition of exports between the U.S. and the District (detailed in the December issue of WED) suggest that the District-U.S. export exposure ratio may not accurately characterize the vulnerability of the Twelfth District relative to the U.S. In particular, relative to the U.S., District exports to East Asia are more concentrated in high-tech products, aircraft production, and business services and less concentrated in agricultural and resource related products. Anecdotal reports and preliminary data from coastal ports indicate that the composition of District exports, to date, has worked to damp the relative impact of developments in East Asia.

In the case of high-tech manufacturers in the District, who provide nearly 25 percent of District exports to East Asia, reports indicate only slight declines in export demand since the East Asian currency crisis began. In the transportation sector, Boeing currently has a backlog of orders and is running operations at full capacity. Thus, outstanding orders from customers in the U.S. and other countries could substitute for any slowdown in demand from East Asia.

Overall, only about 15 percent of District exports to East Asia are of products that have experienced the most significant slowdowns in demand, such as agricultural commodities, processed food items, and lumber and wood products.

Another concern with using the District's relative East Asian export exposure to characterize the impact on District growth is that the total value of exports shipped from the District may not be added in the District. The total value of exports represents a collection of value-added components, many of which are produced outside of the District. Thus, the effect of a dollar reduction in demand for District exports may not be borne entirely by

the District. Rather, it will be distributed throughout the U.S. in proportion to the value-added inputs to the final good. However, on the other side of the coin, District manufacturers of intermediate and capital goods used in non-District exports to East Asia also will be affected. The net effect of these two factors must be considered in any calculation of the effect of East Asian developments on District growth.

Similarly, use of the District's East Asian export exposure ratio to estimate the impact on District growth relative to the U.S. assumes that a given export decline produces an equivalent employment decline in the U.S. and the District. This may or may not be true. For example, in addition to the issues cited above, if the District specializes in products with high capital-labor ratios, such as aircraft, the direct employment effects of export declines may be much smaller than the export exposure calculation would suggest. On the other hand, although the direct effects would be smaller, the multiplier effects of high productivity workers may be larger, magnifying the export exposure calculation. Ultimately, the size of the employment effect of a decline in District exports is an empirical question; one that is important to characterizing East Asia's effect on District growth.

Conclusions. In summary, although Twelfth District states are about twice as dependent on exports to East Asia as the U.S., this may not imply that the East Asian impact on District growth will be twice as large. Other factors, including the District's product mix, value-added component of exports, and employment to export ratio relative to the U.S. could serve to mitigate or magnify the District's vulnerability to East Asia as measured by export exposure ratios.

ALASKA, OREGON, AND WASHINGTON

Payroll employment in **Alaska** remained flat in recent months, as job gains in November were just sufficient to offset job losses in September and October. In a reversal of patterns observed during the first half of 1997, employment growth in manufacturing and mining made up for declines in construction, retail and wholesale trade, and services. Despite the sluggish finish, annualized employment growth for 1997 (through November) was 1.4 percent, about one percentage point faster than experienced in 1995 and 1996.

Alaska's construction sector, which was a net job loser in 1997, is scheduled to get a number of boosts in 1998. State and local government projects include: state highway repair and reconstruction totaling \$80 million, various local road projects totaling \$40 million, and a number of school construction projects totaling \$1 billion. In the private sector, new hotels are under construction in Fairbanks and Anchorage, as are a number of new office complexes for companies in the revitalized oil industry. Economic forecasters in the state estimate that these projects will create 1,000 new construction jobs over the next two years.

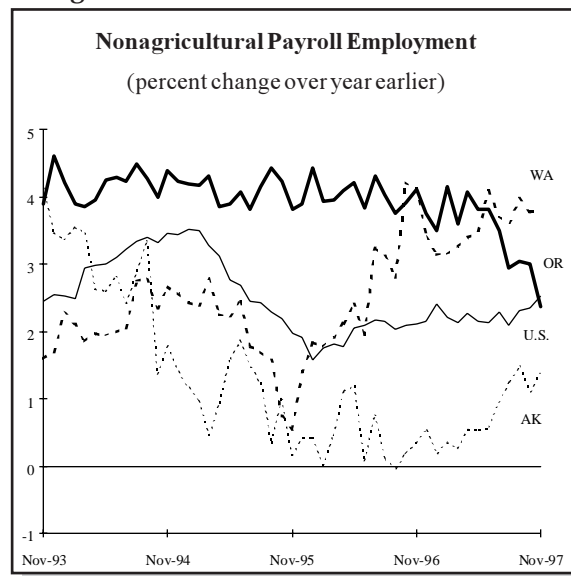
Economic growth in **Oregon** remained solid in recent months. Nonfarm payroll employment expanded by 2.4 percent at an annual rate during the three months ending in November 1997, led by strong gains in manufacturing and retail and wholesale trade. Manu-

facturing employment increased by 7 percent at an annual rate between September and November, due to large job gains in high-tech manufacturing, metal products, and transportation equipment. Following a flat third quarter, wholesale trade employment surged in recent months, growing by nearly 9 percent at an annual rate during October and November, with gains in both the durable and non-durable sectors. Retail trade employment also increased during the period, owing to job gains at general merchandise stores, building materials and garden supply outlets, and home furnishing and equipment stores.

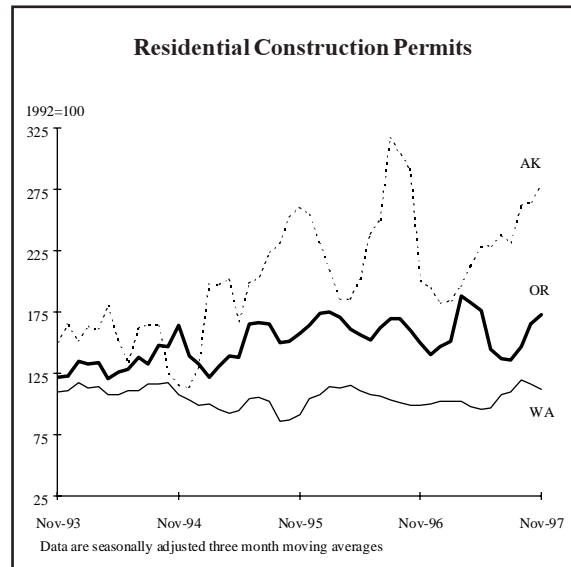
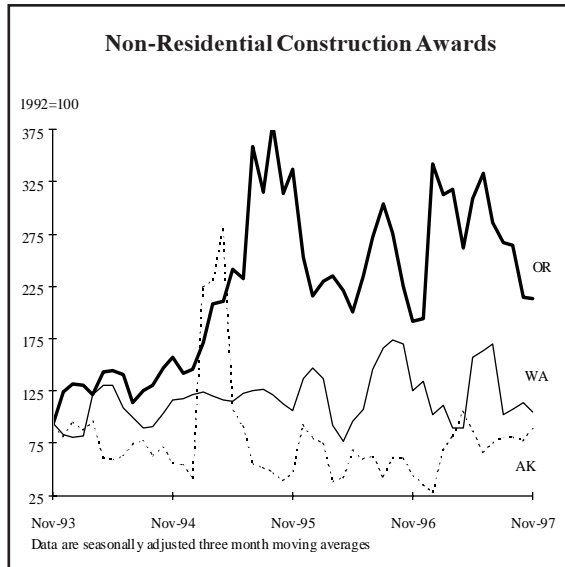
During the 12 months ending in July 1997, Oregon's population grew more slowly than the nation's for the first time in 11 years, according to the Center for Population Research at Portland State University. The slowdown of in-migration worked to ease home price appreciation in the state, but has put additional pressure on already tight labor markets.

The pace of growth in **Washington** remained strong in recent months. Payroll employment increased at an annual rate of 3.1 percent during the three months ending in November, with almost all sectors of the economy adding jobs. The state unemployment rate fell to just 4.2 percent in November, more than two percentage points lower than a year earlier. High-tech manufacturers, Boeing, and business and computing services firms continued to add jobs at double digit rates in recent months, more than offsetting declines in employment among food processors and lumber and wood product manufacturers.

Although Boeing and high-tech manufacturers have felt some of the negative effects of the currency turmoil in East Asia (for example, order delays and cancellations), there are few signs that developments in East Asia are tempering employment growth in these sectors. In contrast, port and employment data indicate that producers of agricultural products, processed food items, and lumber and wood products are feeling the impact of significant declines in demand from East Asia.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Nov-97	Oct-97	Nov-96		
Alaska					
Total	266.4	265.8	262.8	2.7	1.4
Mining	10.0	10.1	9.9	-11.3	1.0
Construction	12.4	12.3	12.6	10.2	-1.6
Manufacturing	15.6	15.5	16.2	8.0	-3.7
T.C.P.U.	23.8	23.7	22.5	5.2	5.8
Trade	55.0	54.9	54.1	2.2	1.7
F.I.R.E.	11.8	11.8	11.7	0.0	0.9
Services	64.5	64.4	62.5	1.9	3.2
Government	73.3	73.1	73.3	3.3	0.0

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Nov-97	Oct-97	Nov-96		
Washington					
Total	2532.1	2526.8	2440.0	2.5	3.8
Mining	3.5	3.4	3.5	41.6	0.0
Construction	136.9	135.2	129.7	16.2	5.6
Manufacturing	375.3	374.7	352.9	1.9	6.3
T.C.P.U.	126.2	126.6	123.9	-3.7	1.9
Trade	613.9	611.8	596.4	4.2	2.9
F.I.R.E.	127.0	126.8	124.4	1.9	2.1
Services	691.7	690.1	657.6	2.8	5.2
Government	457.6	458.2	451.6	-1.6	1.3

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Nov-97	Oct-97	Nov-96		
Oregon					
Total	1536.4	1536.4	1500.9	0.0	2.4
Mining	1.9	1.9	1.9	0.0	0.0
Construction	84.8	84.5	81.3	4.3	4.3
Manufacturing	247.6	246.9	237.9	3.5	4.1
T.C.P.U.	73.7	73.5	73.6	3.3	0.1
Trade	379.0	379.3	368.9	-0.9	2.7
F.I.R.E.	95.3	94.9	92.4	5.2	3.1
Services	405.1	405.3	393.7	-0.6	2.9
Government	249.0	250.1	251.2	-5.2	-0.9

	Unemployment Rates (%)				
	Nov-97	Oct-97	Sep-97	Nov-96	Oct-96
Alaska	7.4	7.4	7.5	7.8	7.8
Oregon	5.3	5.1	5.4	6.2	6.1
Washington	4.2	4.4	5.3	6.4	6.4
U.S.	4.6	4.8	4.9	5.4	5.3

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

ARIZONA, CALIFORNIA, AND HAWAII

Arizona's pace of economic growth was rapid toward the end of 1997. Payroll employment increased at about a 9½ percent average annual pace in October and November, up substantially from the roughly 3¾ percent pace in the first nine months of the year. Relative to a year earlier, Arizona employment has increased 4.4 percent, making it the second fastest growing state in the nation on this basis. Much of the employment strength has been in manufacturing, where payrolls increased about 5¼ percent relative to a year earlier. Job gains in 1997 were particularly large at manufacturers of electronic, computer and other machinery and components; about one-half of Arizona's manufacturing job gains have been in these industries.

Increasing exports from Arizona manufacturers was one of the favorable factors in 1997. In the first eleven months of 1997 Arizona exports were 54 percent higher than exports in the comparable period a year earlier. The state's leading foreign destination for exports is Mexico, and the recovering Mexican economy has been helping Arizona manufacturers.

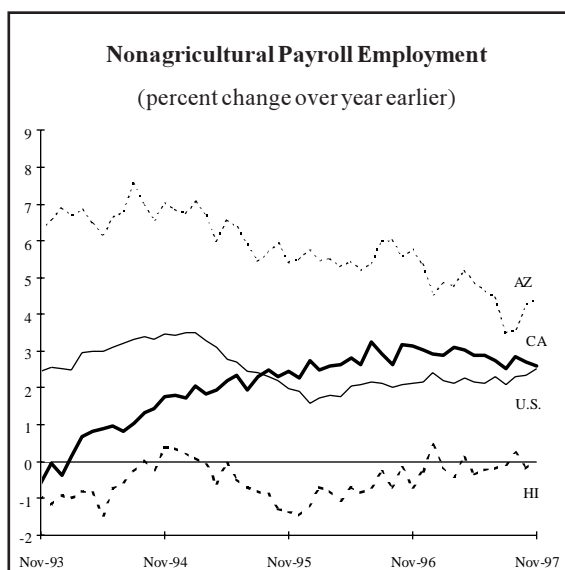
The **California** economy grew rapidly in the fourth quarter of 1997, as payroll employment registered about a 3¾ percent average annual gain. The strong fourth quarter follows moderate employment growth in the preceding two quarters, when the job count increased at

about a 2¼ percent average annual pace. Over the year as a whole, California employment increased 2.8 percent, down slightly from the 3 percent gain of 1996.

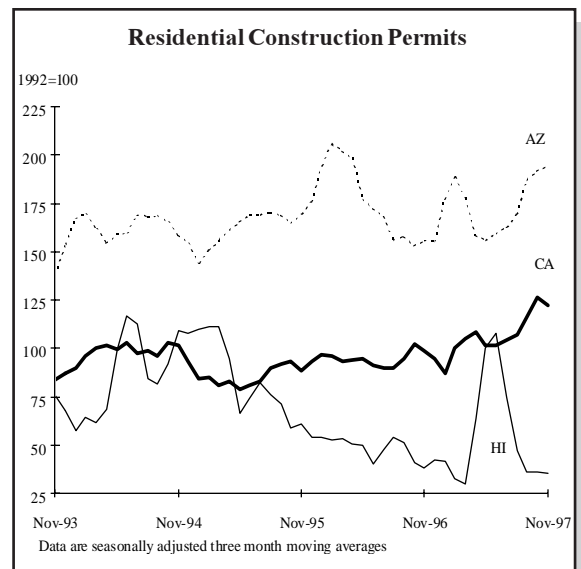
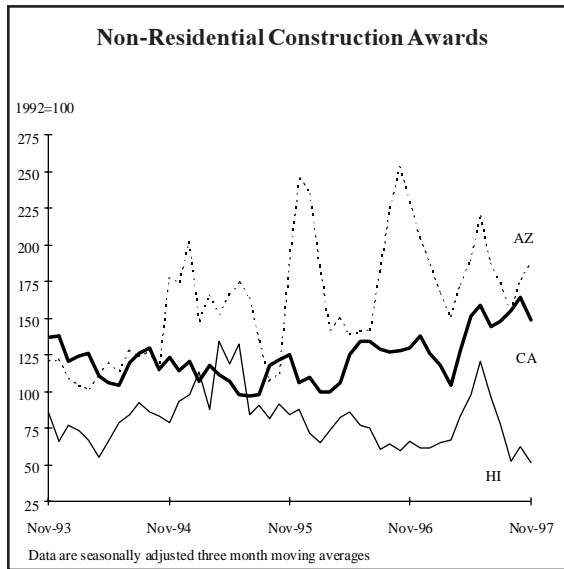
California manufacturing employment growth slowed about ½ percentage point in 1997 to a 2.1 percent pace. Employment in the services and wholesale and retail trade sectors also slowed last year. The slowdowns in these sectors were largely offset by pickups in construction and government employment growth. State and local government budget positions in California continued to improve last year, facilitating additional hiring. The pickup in construction employment owed to gains in both nonresidential and residential building. Nonresidential building awards were particularly strong in the second half of 1997. Residential building permit issuance also was strong during the summer and posted even larger gains late in the year.

Hawaii's weak economy deteriorated further in recent months. Payroll employment fell at about a 3 percent average annual pace in October and November, after posting only a slight increase earlier in the year. Retail trade employment decreased sharply in recent months, and there also were noticeable job losses in the state and local government sectors. Last year marked the fourth consecutive year in which Hawaii's payroll employment remained flat or declined. Given the lack of employment growth, the state unemployment rate has been stuck near 6 percent for several years.

Much of the initial deterioration in the Hawaiian economy in the early 1990s owed to a decline in tourism activity, as westbound visitor arrivals from the U.S. and other points of origin fell off sharply. In 1995 and 1996 growth in eastbound arrivals, particularly from Japan, offset the weakness in westbound visitor traffic. However, data for 1997 confirm a decline in eastbound visitor traffic to the state and show reductions in both length of stay and total dollars spent per eastbound visitor. Recent disruptions in many East Asian currencies and continued appreciation of the dollar against the yen point to a continuation of this trend.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-97	Oct-97	Nov-96	From	From
				Previous Month	Previous Year
Arizona					
Total	2021.9	2008.6	1936.8	8.2	4.4
Mining	15.2	15.1	14.6	8.2	4.1
Construction	133.6	134.5	129.0	-7.7	3.6
Manufacturing	211.3	209.3	200.9	12.1	5.2
T.C.P.U.	99.2	98.0	94.4	15.7	5.1
Trade	493.5	489.9	473.3	9.2	4.3
F.I.R.E.	126.2	125.8	117.1	3.9	7.8
Services	609.3	603.7	577.9	11.7	5.4
Government	333.6	332.3	329.6	4.8	1.2

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-97	Oct-97	Nov-96	From	From
				Previous Month	Previous Year
Hawaii					
Total	527.0	528.2	526.8	-2.7	0.0
Mining
Construction	21.2	21.3	20.7	-5.5	2.4
Manufacturing	16.1	16.1	16.4	0.0	-1.8
T.C.P.U.	40.7	40.8	41.2	-2.9	-1.2
Trade	133.7	134.3	135.3	-5.2	-1.2
F.I.R.E.	35.5	35.5	36.6	0.0	-3.0
Services	169.0	168.3	167.0	5.1	1.2
Government	110.8	111.9	109.6	-11.2	1.1

California					
	Nov-97	Oct-97	Nov-96	% Change From Previous Month	% Change From Previous Year
Total	13309.4	13268.8	12944.5	3.7	2.8
Mining	29.5	29.5	29.2	0.0	1.0
Construction	579.6	571.9	527.4	17.4	9.9
Manufacturing	1911.6	1909.6	1871.5	1.3	2.1
T.C.P.U.	663.9	664.5	645.4	-1.1	2.9
Trade	3049.7	3044.8	2999.9	1.9	1.7
F.I.R.E.	740.7	740.4	733.8	0.5	0.9
Services	4162.0	4139.3	4004.2	6.8	3.9
Government	2172.4	2168.8	2133.1	2.0	1.8

Unemployment Rates (%)					
	Nov-97	Oct-97	Sep-97	Nov-96	Oct-96
Arizona	4.4	3.9	4.2	5.6	5.7
Hawaii	5.7	5.9	5.9	6.7	6.3
California	5.8	6.4	6.4	6.9	7.0
U.S.	4.6	4.8	4.9	5.4	5.3

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's economy posted moderate growth in recent months, although growth was highly uneven across sectors. Nonfarm payroll employment expanded by 2.6 percent at an annual rate during the three months ending in November 1997, led by very strong growth in the state's durable goods manufacturing sector. Most of the added jobs were in the industrial machinery and electronics sector around Boise, which surged during most of 1997, following a slow 1996. The nondurable manufacturing sector also contributed, creating 2,100 new jobs in the food processing sector. In contrast, the state's logging and lumber industry shrank steadily throughout the year, as did the retail and wholesale trade sectors. The construction job tally fell during the three months ending in November, dropping by 7 percent at an annual rate. However, construction industry employment has grown by over 8 percent in 1997.

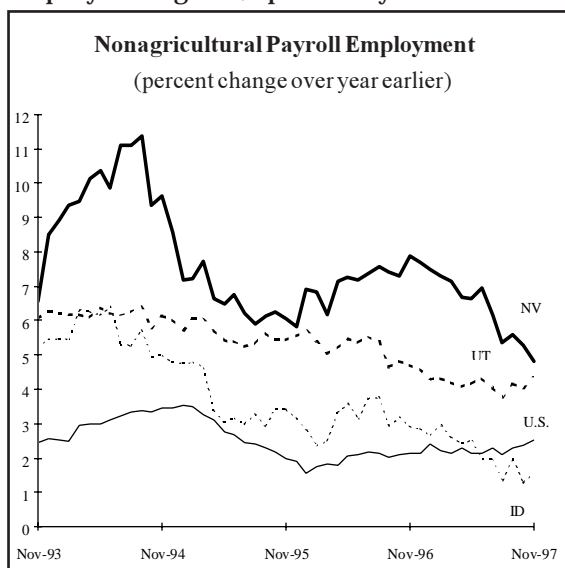
Nevada's torrid expansion has slowed somewhat, but the state continues to lead the nation in its rate of yearly employment growth. Nonfarm payroll employment has grown 4.8 percent over the last year, and growth accelerated to an annual rate of 6.6 percent during the three months ending in November. Nearly all sectors experienced solid growth in 1997 (through November), although most growth rates remain below those of previous years. Construction continued to post the most rapid employment gains, spurred by total construc-

tion awards that have been higher in 1997 than in 1996. However, construction employment growth slowed in the third quarter and for the year remains well below rates from the preceding several years.

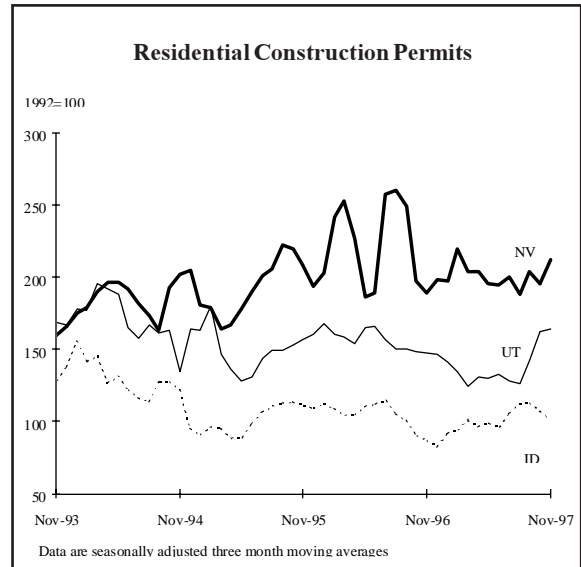
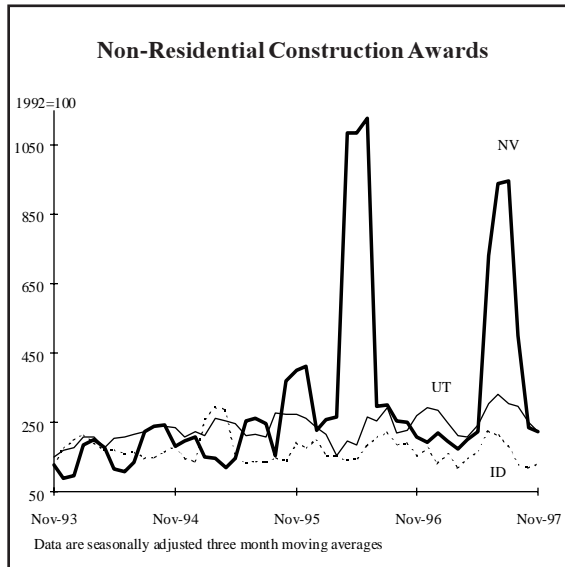
After remaining above 5 percent during 1994-96, Nevada's unemployment rate dropped sharply in early 1997, and it fell further in recent months. The rate in November was 3.9 percent, down from 4.5 percent earlier in the year. In the Las Vegas area, where 2/3 of the state's jobs are located, 1997's sharp decline in the unemployment rate was accompanied by a sharp decline in labor force growth. This may be due in part to improvement in the Southern California labor market, which may be attracting reverse migration from the Las Vegas area.

The **Utah** economy continued its steady, vigorous expansion. Nonfarm payroll employment expanded by 4.6 percent at an annual rate during the four months ending in November, approximately equal to the 12-month expansion of 4.4 percent. The services sector has been the largest job creator, expanding by 6 percent in 1997 (through November) and accounting for nearly 40% of payroll jobs created during the year. Manufacturing employment growth slowed in 1997, due to job losses in the state's electronics sector and a slowdown in most other durable manufacturing sectors. Weakness in durable goods manufacturing partially was offset by strong growth in the food processing sector. Growth in local government jobs also was rapid in 1997, with a surge in recent months. Steady overall growth helped to keep the state unemployment rate at or below 3 percent for most of the second half of 1997.

Payroll job expansion in Utah's construction sector accelerated in October and November, and growth for the year was substantially stronger than in 1996. Residential construction permits in 1997 were well above their 1996 levels, and housing prices remain high. Furthermore, although new nonresidential construction permits declined in 1997, long-term highway and other state infrastructure projects are keeping construction companies busy.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-97	Oct-97	Nov-96	From Previous Month	From Previous Year
	Idaho				
Total	505.3	504.1	497.7	2.9	1.5
Mining	2.9	2.9	3.2	0.0	-9.4
Construction	32.8	33.4	30.5	-19.5	7.5
Manufacturing	76.4	75.3	72.9	19.0	4.8
T.C.P.U.	24.5	23.8	23.6	41.6	3.8
Trade	124.9	125.2	126.3	-2.8	-1.1
F.I.R.E.	25.6	25.4	25.4	9.9	0.8
Services	120.2	120.4	116.2	-2.0	3.4
Government	98.0	97.7	99.6	3.7	-1.6
Nevada					
Total	911.3	904.7	869.4	9.1	4.8
Mining	14.9	14.9	15.0	0.0	-0.7
Construction	86.0	84.5	80.4	23.5	7.0
Manufacturing	40.7	40.3	39.5	12.6	3.0
T.C.P.U.	45.2	45.0	43.0	5.5	5.1
Trade	185.1	184.0	175.1	7.4	5.7
F.I.R.E.	40.4	40.2	38.2	6.1	5.8
Services	390.5	388.4	371.4	6.7	5.1
Government	108.5	107.4	106.8	13.0	1.6

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-97	Oct-97	Nov-96	From Previous Month	From Previous Year
	Utah				
Total	1011.7	1004.3	969.5	9.2	4.4
Mining	8.2	8.2	8.0	0.0	2.5
Construction	67.3	66.5	61.6	15.4	9.3
Manufacturing	133.1	132.4	130.3	6.5	2.1
T.C.P.U.	57.1	57.0	54.9	2.1	4.0
Trade	241.5	240.1	233.5	7.2	3.4
F.I.R.E.	52.7	52.3	51.3	9.6	2.7
Services	277.5	275.7	261.5	8.1	6.1
Government	174.3	172.1	168.4	16.5	3.5

Unemployment Rates (%)

	Nov-97	Oct-97	Sep-97	Nov-96	Oct-96
Idaho	4.8	5.1	5.0	5.3	5.1
Nevada	3.9	4.2	4.4	5.4	5.5
Utah	2.8	3.0	2.8	3.4	3.5
U.S.	4.6	4.8	4.9	5.4	5.3

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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