

# WESTERN ECONOMIC DEVELOPMENTS

April 1998

## Executive Summary

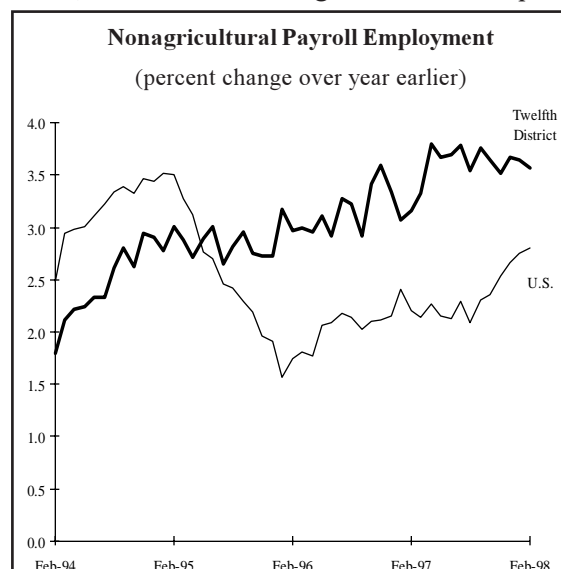
- *Led by the surging California economy, the 12th District economy expanded at a vigorous pace in 1997. District growth during the first two months of 1998 was solid but below the fourth quarter 1997 pace.*
- *Recently revised payroll employment data show that all areas of California picked up substantially between 1996 and 1997, as the rate of nonfarm job growth accelerated from 2.7 to 3.8 percent.*
- *The construction and manufacturing sectors have provided a key impetus to the District's expansion. For the District as a whole, both sectors show little or no signs of slowing; however, real estate markets and construction activity are cooling in some states as they heat up further in California.*
- *Data for banks headquartered in the 12th District show strong earnings and healthy asset quality in the fourth quarter of 1997. In addition, data from a sample of large California-based banks show solid loan growth for the same period.*

## District Update

The 12th District economy expanded at a vigorous pace during 1997 and appears poised for continued solid growth in 1998. District nonagricultural payroll employment expanded by 3.7 percent in 1997, compared to 3.3 percent in 1996. Data for the first two months of 1998 suggest some moderation of growth, although this may be a temporary lull following the strong fourth quarter.

The California economy bears primary responsibility for the District's pick up in 1997. Following its acceleration to a solid growth path during 1995-96, California's economic expansion gained further momentum last year. Recently revised payroll employment figures show growth of 3.8 percent in 1997, compared to 2.7 percent in 1996. Although growth during the first two months of 1998 was at about half the 1997 pace, the outlook for the state economy remains upbeat.

Employment growth elsewhere in the District during 1997 and early 1998 was slower than in previous years, but it remains robust in most areas, with Hawaii being the main exception.



Furthermore, the District unemployment rate fell by just over a percentage point since the end of 1996. Tightening labor markets in California are the primary source of this decline, although the unemployment rate remained stable or fell in several other states that are competing with the surging California economy for scarce workers. The District unemployment rate stood at 5.2 percent as of February. Although this is above the national rate of 4.6 percent, labor markets are tight in most areas of the District.

The goods-producing industries of manufacturing and construction continue to provide a key impetus to the District's ongoing expansion. District manufacturing employment grew 3.6 percent in 1997. This sector shows little or no signs of slowing in late 1997 and early 1998, as

sales of many durable manufactured products continue at a rapid pace. Among major industrial sectors in the District, the construction industry experienced the most rapid job creation in 1997, growing by nearly 8 percent; a substantial acceleration in California more than offset slowed growth in other states between 1996 and 1997. Correspondingly, as measured by sales price and volume data, real estate markets have heated up in California but have cooled in other fast growth states.

Finally, it appears that the net effect of the East Asian economic turmoil on the District economy remains small for now. Anecdotal evidence suggests that some exporters of agricultural crops, metal products, lumber, pulp and paper, processed food, athletic equipment, and a few high-tech products have felt the impact of reduced East Asian demand. Although the effect on net employment growth in these sectors appears to be limited thus far, the effects may grow as 1998 progresses.

### Economic Growth in California

Recently revised payroll employment statistics show that California's economic expansion gained substantial additional momentum in 1997. This updated view is primarily attributable to an upward adjustment to payroll job estimates in 1997, although it is partly due to a downward adjustment for 1996. All areas of the state picked up substantially in 1997, although Los Angeles County still expanded at a slower rate than most.

#### District Employment by State

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-98	Jan-98	Feb-97	From	From
				Previous Month	Previous Year
Alaska	273.2	270.2	266.5	14.2	2.5
Arizona	2,039.9	2,031.5	1,946.9	5.1	4.8
California	13,437.5	13,401.2	12,959.7	3.3	3.7
Hawaii	528.5	528.6	532.0	-0.2	-0.7
Idaho	514.4	515.1	503.3	-1.6	2.2
Nevada	911.8	907.0	878.2	6.5	3.8
Oregon	1,555.4	1,551.8	1,510.9	2.8	2.9
Utah	1,019.2	1,015.6	980.6	4.3	3.9
Washington	2,558.9	2,546.0	2,478.7	6.3	3.2
District	22,838.8	22,767.0	22,056.8	3.9	3.5
U.S.	124,551.0	124,241.0	121,162.0	3.0	2.8

Seasonally adjusted payroll employment data

#### District Manufacturing and Construction Indicators

				% Change	% Change
	Jan-98	Dec-97	Jan-97	From	From
				Previous Month	Previous Year
Aerospace Employment (1992=100)	72.0	72.4	66.6	0.0	8.1
Electronics Employment (1992=100)	121.9	120.6	115.2	1.1	5.8
Americas Semiconductor Billings (\$ Million)	3690.0	3800.0	3430.0	-2.9	7.6
Non-Residential Awards (1992=100)	138.7	135.2	130.6	2.6	6.2
Residential Permits (Thousands)	26.7	27.6	23.1	-3.4	15.3
Western Housing Starts (Thousands)	26.2	27.0	23.3	-3.0	12.4

#### District Employment by Industry

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-98	Jan-98	Feb-97	From	From
				Previous Month	Previous Year
Total	22,838.8	22,767.0	22,056.8	3.9	3.5
Mining	84.2	84.5	84.7	-4.2	-0.6
Construction	1,157.9	1,156.1	1,088.5	1.9	6.4
Manufacturing	3,074.2	3,066.6	2,971.9	3.0	3.4
Transportation	1,178.9	1,178.2	1,143.0	0.7	3.1
Trade	5,356.9	5,331.5	5,195.5	5.9	3.1
F.I.R.E.	1,298.4	1,292.7	1,250.2	5.4	3.9
Services	6,914.7	6,894.6	6,609.7	3.6	4.6
Government	3,773.6	3,762.8	3,713.4	3.5	1.6

Seasonally adjusted payroll employment data

*Industrial Job Growth Estimates*

Early each year the sample-based monthly Current Employment Survey is benchmarked to relatively comprehensive employment counts available from unemployment insurance tax records for the previous year. This year, the revised figures produced a large upward adjustment to payroll employment growth in 1997. In particular, the benchmark revision for 1997 shows that total nonagricultural payroll employment growth for California was 3.8 percent in 1997 and 2.7 percent in 1996. These figures reflect an upward adjustment of 1.0 percentage points for 1997 growth and a downward adjustment of 0.3 percentage points for 1996 growth.

Table 1 shows the 1996 and 1997 revised growth rates, along with the percentage revision due to the 1997 benchmark, for major industrial sectors in California. Growth in most major sectors accelerated between 1996 and 1997. Furthermore, the benchmark revisions raised the 1997 growth estimates for all sectors except government.

**Table 1**  
**California Employment Growth,**  
**By Industry Group**

	1996 Growth Rate (Revised Data)	1997 Growth Rate (Revised Data)	Addendum: 1997 Benchmark Revision to 1997 Growth Rate
Total	2.7	3.8	1.0
Mining	-4.7	3.1	2.1
Construction	3.8	11.4	1.5
Manufacturing	2.9	3.5	1.4
Durables	4.2	4.3	1.5
Non-Durables	1.0	2.2	1.1
Trans., Comm., and Pub. Utilities	3.7	3.9	0.8
Trade	2.9	3.1	1.4
Wholesale	5.1	3.8	1.3
Retail	2.1	2.9	1.5
F.I.R.E.	2.1	2.6	1.7
Services	3.4	5.0	1.1
Government	0.9	1.6	-0.2
Federal	-4.9	-1.6	-0.1
State	0.0	0.5	-0.6
Local	2.4	2.5	-0.3

\* Based on seasonally adjusted data. Revised data are based on the 1997 benchmark.

The most pronounced acceleration between 1996 and 1997 occurred in the construction industry; revised figures show a tripling of the growth rate. This is consistent with the pronounced increase in construction activity in the state in 1997. The revised figures also show a substantial acceleration in service job growth between 1996 and 1997. However, underlying this is a downward revision for the 1997 employment levels and an even larger downward revision for the 1996 levels.

Manufacturing employment growth picked up slightly in 1997. This improvement is primarily due to the non-durables sector, for which the growth rate more than doubled between 1996 and 1997. Growth in the durable manufacturing sector remained rapid in 1997, as the industrial machinery and electronics sectors (which include many high-tech industries) continued their impressive performance. However, traditional industries such as primary and fabricated metals, furniture, and stone, clay, and glass also grew rapidly in 1997, with much of the growth occurring in Southern California.

Although data based on the previous benchmark showed weak growth in retail trade employment, the revised figures show a slight acceleration, from 2.1 percent growth in 1996 to 2.9 percent growth in 1997. This pattern is only partially consistent with the pattern in California taxable sales. Data available through the third quarter of 1997 show that nominal taxable sales growth in 1997 was running about a point below that in 1996 (5.9 vs. 6.8 percent). Since these figures are in nominal terms, the reduction in national consumer price inflation between 1996 and 1997 may imply that real taxable sales growth was very similar in the two years.

Revised figures also show that employment growth in the Finance, Insurance, and Real Estate sector (F.I.R.E.) picked up a bit in 1997. Ongoing employment declines among depository institutions restrained overall growth in this sector. Other parts of the industry are adding jobs, however. For example, employment at security and commodity brokerage firms increased by nearly 13 percent in 1997. Similarly, job growth in the real estate sector accelerated substantially during the past several years, with

year-over-year growth of 5.3 percent as of February. This is consistent with sharply increased sales activity in the real estate sector.

### *Regional Growth*

Table 2 shows 1996 and 1997 employment growth, and the percentage revisions due to the 1997 benchmark, for broad regions and selected MSAs in the state. Although Northern California remained the state's growth leader, the Southern California economy expanded at a brisk pace. In fact, the most pronounced acceleration in 1997 occurred in the Los Angeles area MSAs of Orange and Riverside-San Bernardino, and in San Diego. Growth in each of these counties has been broad-based, with particularly rapid growth in the construction and durable manufacturing sectors.

In contrast, despite the acceleration throughout Southern California, growth in the Los Angeles-Long Beach MSA remains slower than in most other areas of the state. Conditions were ripe for the area to catch up in 1997. Following job losses during 1996, the construction sector there turned around and has posted solid growth since then (6.1 percent year-over-year growth as of January). Durable manufacturing employment grew at an exceptionally strong pace of 3.7 percent during 1997, with particular strength in

traditional industries such as metals. The apparel industry also expanded at a rapid pace in Los Angeles-Long Beach (around 7 percent during 1997), and growth in most service industries was good. However, a key source of job and economic growth in Los Angeles—motion picture production—weakens substantially in 1997, with job growth falling under 1 percent for the year. Job growth in a number of population-dependent services—such as retail trade, personal services, and health services—also remained slow in Los Angeles-Long Beach during 1997.

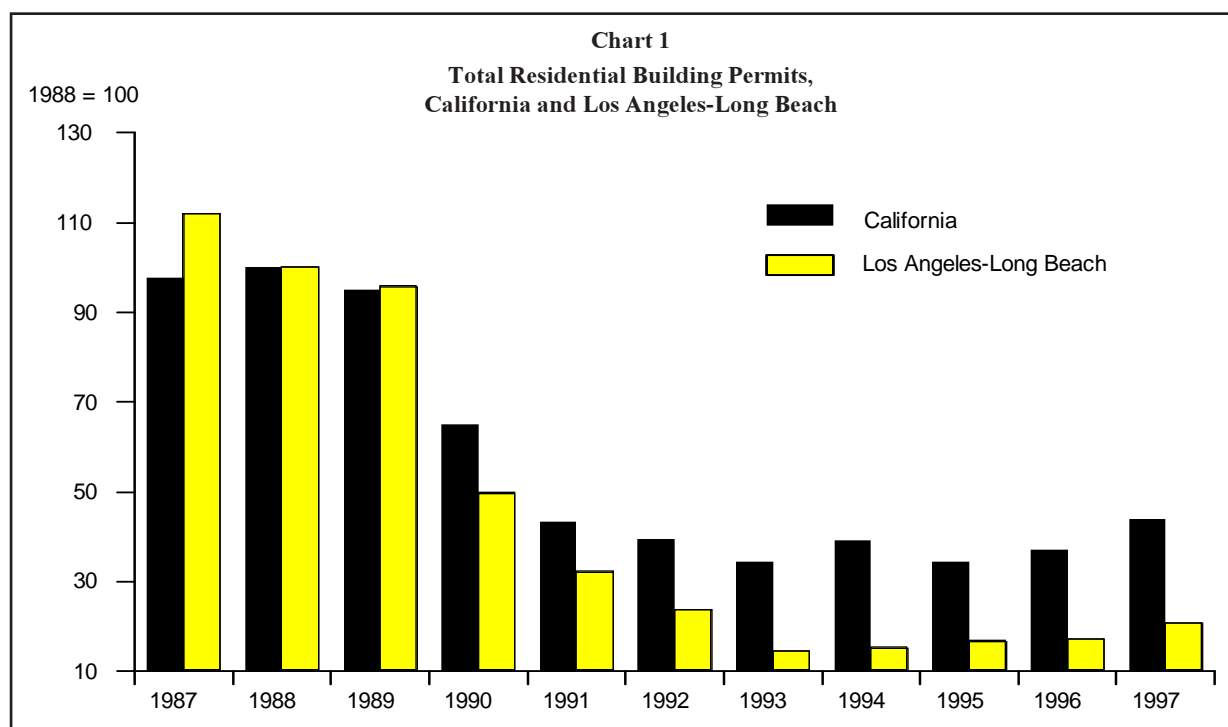
Relatively slow growth in population-dependent sectors suggests that Los Angeles County is suffering from weak demographics. Although population growth picked up substantially in most areas of the state in 1997, as the rate of net out-migration to other states slowed, its pace in Los Angeles County continues to lag that in the rest of the state. Due to this slow population growth, residential construction and sales activity also has been slow in Los Angeles County. Chart 1 shows yearly growth in total residential housing permits for Los Angeles and the state as a whole. As of 1997, residential permits for the state as a whole had returned to nearly 45 percent of their pre-recession peak. In contrast, residential permits in Los Angeles County were down around 20 percent of their pre-recession peak. Nonetheless, residential building activity in Los Angeles County picked up during 1997. This pick up should continue and is likely to accelerate further in 1998, since recent home sales data show substantial year-over-year increases in sales volume and prices in most parts of Los Angeles.

Overall, despite some negatives, the Los Angeles-Long Beach economy has improved tremendously since the start of 1997. The seasonally adjusted unemployment rate fell 1.3 percentage points during the year, to 6.4 percent, and it fell to 6.2 percent in January. Furthermore, a large job surge in January raised year-over-year employment growth in Los Angeles-Long Beach to 3.1 percent. This surge contrasts with limited growth for the state as a whole in January, and it may foreshadow additional acceleration in Los Angeles-Long Beach during 1998.

**Table 2**  
**California Employment Growth,**  
**By Selected Areas**

	1996 Growth Rate (Revised Data)	1997 Growth Rate (Revised Data)	Addendum: 1997 Benchmark Revision to 1997 Growth Rate
California	2.7	3.8	1.0
San Francisco Bay Area	3.7	4.2	1.6
San Francisco	3.6	3.4	1.9
San Jose	4.9	5.7	1.8
Oakland	2.7	3.7	1.6
Southern California	2.0	3.3	1.0
Los Angeles-Long Beach	1.4	2.6	0.8
Orange County	2.8	4.2	1.3
Riverside-San Bernardino	3.0	4.5	1.3
San Diego	2.8	4.5	1.6
Central Valley	2.2	3.2	0.9

\* Based on seasonally adjusted data. Revised data are based on the 1997 benchmark.



### Conclusions

Recently revised payroll employment figures paint a slightly different portrait of California's economic expansion than had earlier employment estimates. Although the California recovery accelerated in 1995 and 1996, the revised figures show an even larger acceleration in 1997. One caveat is that some of the acceleration is attributable to a downward adjustment applied to 1996 employment; a similar adjustment to the 1997 data in next year's benchmark may change the characterization of growth for the year. Nonetheless, for now it appears that the 1997 pick up occurred in all areas of the state, including Los Angeles-Long Beach, although growth there remained slower than in most other parts of the state.

### Financial Conditions

District bank earnings were strong in the fourth quarter of 1997, with banks headquartered in the District reporting average return on assets (ROA) of 1.5 percent and return on equity (ROE) of 14.7 percent. Both of these figures are up more than a percentage point over fourth quarter 1996. ROA was slightly higher than average ROA for the nation as a whole, while ROE equalled the national average. Average capital ratios for banks

of all sizes across the District remained strong in the fourth quarter.

Banks headquartered in California also showed slightly higher average ROA than nationally, but ROE was slightly lower. For small banks in California, fourth-quarter profitability was solid, with average ROA at 1.2 percent and average ROE at 11.8 percent. This was a notable improvement from fourth quarter 1996, but in terms of ROE still lagged overall bank performance nationally. Profitability at small banks in Southern California was comparable to that for small banks in the state as a whole, while small banks in Northern California performed better, and those in the Central Valley performed worse.

Asset quality across the District was healthy at the end of 1997, as the average past-due loan ratio continued to fall. The District's average past-due credit card loan ratio also declined, but as in the rest of the nation was still high at the end of 1997.

Data from a sample of large California-based banks shows solid loan growth in the fourth quarter, backed by very strong gains in business loans outstanding. In contrast, consumer loans declined in the fourth quarter, continuing the recent trend. Commercial real estate lending remained strong in the final quarter of the year.

## ALASKA, OREGON, AND WASHINGTON

Economic growth in **Alaska** has been uneven, although somewhat weak overall. Nonfarm payroll employment surged in January and February, following net losses during the second half of 1997. The recent surge primarily was due to sudden sharp gains in the seafood processing, construction, and retail sectors. For 1997 as a whole, payroll employment grew by 1.4 percent, as healthy growth in transportation, communications, and services jobs was offset by losses in the manufacturing, construction, and government sectors.

Within the state, Fairbanks, Anchorage, and the Kenai Peninsula all posted employment growth well above the state average during 1997. In contrast, growth in the southeast part of Alaska has been hampered by employment losses in the timber, fishing, and government sectors. A poor 1997 salmon harvest resulted in many areas of Southeast Alaska being declared economic disaster areas; Federal Disaster Aid of \$9.3 million is expected to help the worst hit areas in the next couple of months. On a positive note, the outlook for Alaska's oil industry appears good despite weak oil prices; for example, Phillips Petroleum Co. recently announced plans to develop a large new oil prospect.

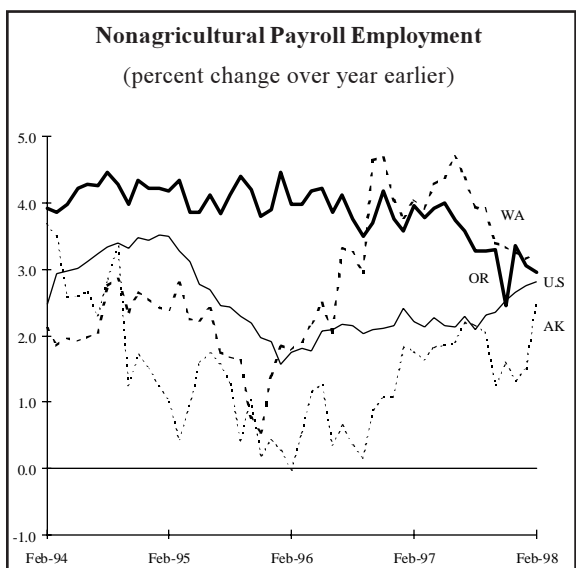
The **Oregon** economy continued to expand at a solid pace in 1997, growing more rapidly toward the end of the year than in the beginning. Despite the fourth quarter surge, however, state employment growth in 1997 remained below the rapid

pace of previous years. Nonfarm payroll employment increased by 3.4 percent in 1997, led by strong gains in construction, high-tech manufacturing, retail trade, and business, consulting, and personal services. Although most sectors exhibited signs of slowing compared to their 1996 rates, both the manufacturing and services sectors grew more rapidly in 1997 than in 1996.

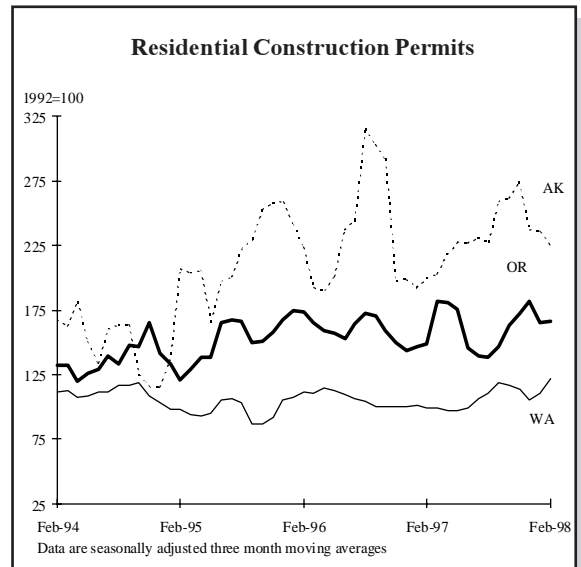
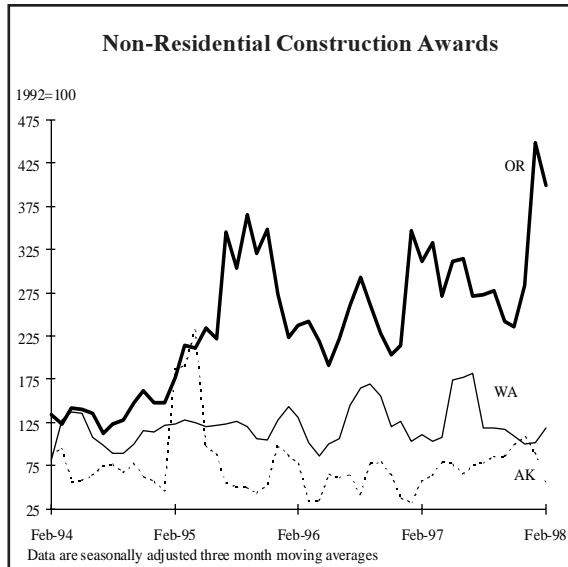
Despite fears arising from the East Asian economic turmoil, Oregon's high-tech manufacturing sector expanded further in recent months. Intel Corp., Oregon's largest industrial employer, recently began construction of a \$1.5 billion plant in Hillsboro. This plant will develop manufacturing technology for the company's complex logic chips, and it is expected to employ up to 2,000 people. In contrast, Nike recently announced plans to eliminate about 550 permanent and temporary jobs in Oregon, as part of a broader effort to reduce costs and weather the decline in sales of its athletic equipment to East Asia.

**Washington's** economy expanded rapidly in 1997, although more slowly than in 1996. Nonfarm payroll employment grew by 3.3 percent in 1997, with approximately the same pace maintained in late 1997 and early 1998. Continued solid growth has held the state unemployment rate steady at 4.5 percent. The aircraft manufacturing and business services sectors continue to be the primary engines behind Washington's expansion. However, population-based industries such as residential construction, retail trade, finance, insurance, and real estate, and personal services also posted healthy growth in 1997.

The state's economic expansion has been uneven across regions, with growth in Western Washington far outstripping that in Eastern Washington last year. The rapid pace of growth in Seattle continued to put pressure on area consumer prices, particularly for housing. Consumer prices there rose by 2.9 percent in 1997, with almost half of that figure attributable to increased housing costs. The growth gap is likely to increase further in 1998 if the financial turmoil in East Asia continues to affect the agricultural, lumber, and wood processing industries in Eastern Washington more than the high-tech and transportation sectors in Western Washington.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-98	Jan-98	Feb-97	From Previous Month	From Previous Year
<b>Alaska</b>					
Total	273.2	270.2	266.5	14.2	2.5
Mining	10.2	9.9	9.5	43.1	7.4
Construction	13.0	12.8	12.8	20.4	1.6
Manufacturing	16.5	15.5	15.9	111.8	3.8
T.C.P.U.	24.7	24.4	23.4	15.8	5.6
Trade	56.3	55.9	55.0	8.9	2.4
F.I.R.E.	12.1	12.1	11.8	0.0	2.5
Services	67.0	66.5	64.5	9.4	3.9
Government	73.4	73.1	73.6	5.0	-0.3

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-98	Jan-98	Feb-97	From Previous Month	From Previous Year
<b>Washington</b>					
Total	2558.9	2546.0	2478.7	6.3	3.2
Mining	3.4	3.5	3.5	-29.4	-2.9
Construction	137.7	137.7	135.0	0.0	2.0
Manufacturing	377.5	376.5	361.5	3.2	4.4
T.C.P.U.	136.4	135.6	132.3	7.3	3.1
Trade	618.1	615.4	601.1	5.4	2.8
F.I.R.E.	131.8	131.5	125.8	2.8	4.8
Services	695.4	689.5	666.3	10.8	4.4
Government	458.6	456.3	453.2	6.2	1.2

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-98	Jan-98	Feb-97	From Previous Month	From Previous Year
<b>Oregon</b>					
Total	1555.4	1551.8	1510.9	2.8	2.9
Mining	1.9	1.9	1.8	0.0	5.6
Construction	83.7	82.3	80.4	22.4	4.1
Manufacturing	247.3	247.0	241.2	1.5	2.5
T.C.P.U.	74.2	74.5	74.2	-4.7	0.0
Trade	385.9	383.0	374.0	9.5	3.2
F.I.R.E.	96.9	96.4	94.4	6.4	2.6
Services	410.2	412.0	395.1	-5.1	3.8
Government	255.3	254.7	249.8	2.9	2.2

	Unemployment Rates (%)				
	Feb-98	Jan-98	Dec-97	Feb-97	Jan-97
Alaska	6.3	6.2	7.1	8.3	8.2
Oregon	4.7	5.2	5.3	6.2	6.3
Washington	4.1	4.5	4.4	5.1	5.3
U.S.	4.6	4.7	4.7	5.3	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

Employment growth in **Arizona** was rapid in 1997 and continued strong in the first two months of 1998. Last year, the state added jobs at a 4-1/2 percent pace, only a bit below the torrid pace of job growth during 1994 to 1996. With four full years of rapid job growth, Arizona's unemployment rate has dropped sharply, from about 6-3/4 percent in mid-1994 to 3-3/4 percent at the beginning of 1998. The expansion has been broad-based, with manufacturing, wholesale trade, and business services payrolls posting particularly rapid gains. In contrast, government employment has grown more slowly than employment in most other sectors, owing largely to weakness in federal government employment in the state.

Unlike some other fast growth states in the District, the pace of construction job growth in Arizona has been below the pace of total job growth during the past several years. However, construction job growth recently accelerated a bit, owing to a pickup in both residential and nonresidential building activity in the state. The resurgence of growth in building activity also appears to have boosted payrolls in manufacturing industries which supply construction materials such as stone, clay, and glass products, and lumber.

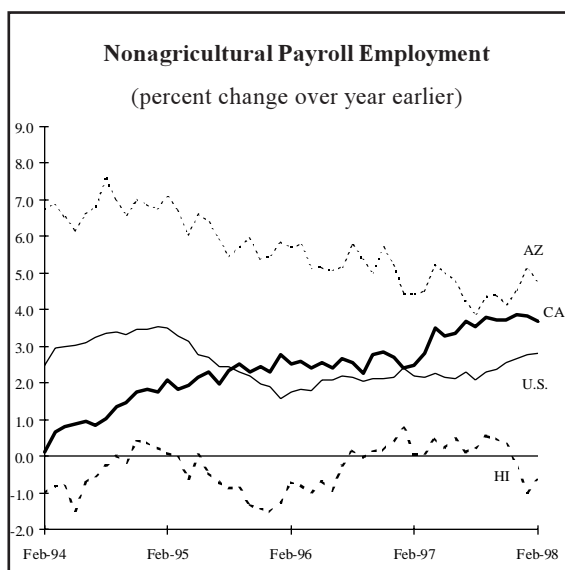
Economic growth in **California** was very rapid in 1997, although it moderated in early 1998. Payroll employment increased 3.8 percent last year, up about 1 percentage point from the 1997

pace. In January and February of 1998, California job growth averaged 1-3/4 percent. The 1997 pickup in employment growth was broad-based; employment growth accelerated in all major sectors and regions last year.

Among California's major regions, job growth last year was fastest in San Diego and in the San Francisco Bay Area, where payrolls increased at more than a 4 percent pace. In the Central Valley and in the Los Angeles area, 1997 employment growth was 3.2 percent. The San Diego and Los Angeles areas experienced the largest acceleration of job growth last year, more than 1 percentage point. Most of the pickup in Los Angeles area job growth was from sectors oriented to the needs of the local population, such as construction, real estate, retail trade, and local government education. Los Angeles area manufacturing job growth also picked up, but employment growth in motion picture production services slowed.

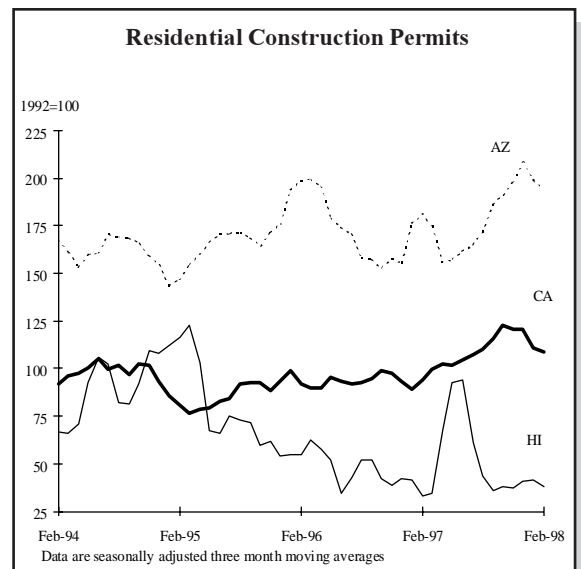
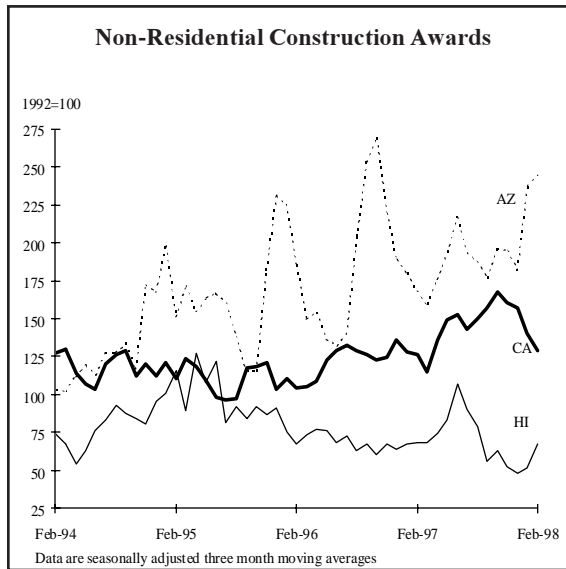
**Hawaii** has the weakest economy among U.S. states, and indicators of the near-term outlook are unfavorable. Employment edged down in 1997 and dropped sharply in early 1998, with all major sectors shedding jobs over the past twelve months. The decline has been sharpest in construction, where payrolls have been shrinking at least 5 percent at an annual rate for more than 5 years now. Employment in the retail trade sector, which caters to both locals and visitors, has been flat to down for several years. Among service-producing industries, hotel employment dropped back in 1997, after picking up slightly in 1996.

No end to the weakness in the construction sector is in sight, as residential permit issuance and nonresidential contract awards remained weak in late 1997 and early 1998. Furthermore, the state has been losing residents to other U.S. states; recent Census Bureau figures show an accelerating net outmigration from Hawaii. This has undermined home prices in the islands, which have been trending down. However, they still are high relative to most of the nation: among all major metropolitan areas in the U.S., the \$300,000 median price of a single-family home in Honolulu is surpassed only by home prices in the San Francisco Bay Area.





# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Feb-98	Jan-98	Feb-97		
<b>Arizona</b>					
Total	2039.9	2031.5	1946.9	5.1	4.8
Mining	13.9	14.2	14.0	-22.6	-0.7
Construction	133.1	134.5	128.3	-11.8	3.7
Manufacturing	214.9	214.7	204.3	1.1	5.2
T.C.P.U.	96.9	98.2	94.4	-14.8	2.6
Trade	497.6	496.7	476.0	2.2	4.5
F.I.R.E.	131.7	130.5	122.8	11.6	7.2
Services	621.9	617.3	586.5	9.3	6.0
Government	329.9	325.4	320.6	17.9	2.9

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Feb-98	Jan-98	Feb-97		
<b>Hawaii</b>					
Total	528.5	528.6	532.0	-0.2	-0.7
Mining	.	.	.	.	.
Construction	21.9	21.9	23.1	0.0	-5.2
Manufacturing	16.4	16.5	16.9	-7.0	-3.0
T.C.P.U.	41.2	41.1	41.5	3.0	-0.7
Trade	133.7	133.8	134.9	-0.9	-0.9
F.I.R.E.	35.3	35.6	36.5	-9.7	-3.3
Services	169.2	168.4	168.6	5.9	0.4
Government	110.8	111.3	110.6	-5.3	0.2

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Feb-98	Jan-98	Feb-97		
<b>California</b>					
Total	13437.5	13401.2	12959.7	3.3	3.7
Mining	29.4	29.5	29.5	-4.0	-0.3
Construction	584.1	583.4	534.8	1.4	9.2
Manufacturing	1947.4	1943.2	1886.4	2.6	3.2
T.C.P.U.	676.6	675.6	653.8	1.8	3.5
Trade	3107.2	3091.3	3014.1	6.3	3.1
F.I.R.E.	769.1	765.8	742.7	5.3	3.6
Services	4163.5	4154.9	3966.6	2.5	5.0
Government	2160.2	2157.5	2131.8	1.5	1.3

	Unemployment Rates (%)				
	Feb-98	Jan-98	Dec-97	Feb-97	Jan-97
Arizona	4.0	3.7	4.2	5.2	5.4
Hawaii	5.7	5.6	6.0	6.6	6.5
California	5.8	6.0	6.0	6.6	6.7
U.S.	4.6	4.7	4.7	5.3	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 has been expanding at a moderate pace. Payroll employment grew by 2.6 percent in 1997, which reflects a substantial upward revision (1.6 percentage points) arising from the annual benchmarking of employment statistics. The pace of growth slowed somewhat during the second half of 1997 and first two months of 1998, and year-over-year growth as of February stood at 2.2 percent. The state's durable manufacturing sector grew very rapidly during the entire period, spurred by large gains at electronics firms located around Boise. However, several key industries concentrated outside of Boise—logging and lumber, and processed food (primarily potatoes)—have had only weak employment growth during much of the past year. Growth was slow to moderate in most other sectors, but fast enough to keep the state unemployment rate around 5 percent.

Construction employment growth was solid overall during 1997, and mild winter weather contributed to a surge in January and February of this year. This surge may be temporary, however. New building permits came down a bit in 1997 compared to previous years, and the rate of home price appreciation has decelerated in the state.

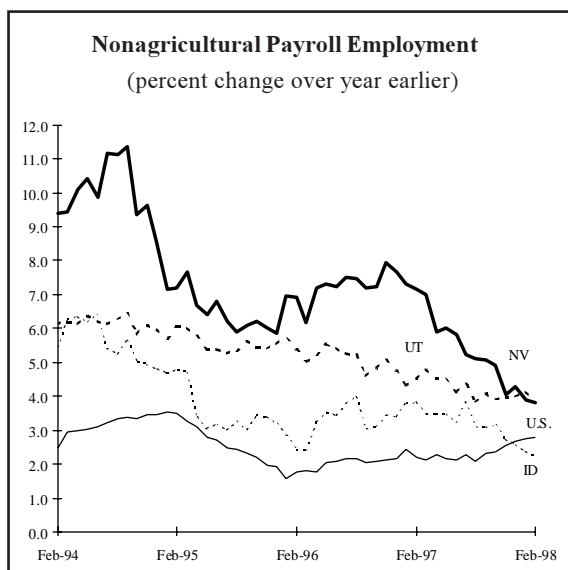
Economic growth in Nevada remains very strong, but the state has fallen from the top spot in the national employment growth rankings. Payroll employment expanded by 4.3 percent in 1997, with a slowing growth trend pulling the yearly

growth rate down to 3.8 percent as of February. Growth remains relatively balanced across the major industrial sectors, with the most rapid gains in several population-dependent services, such as the financial sector, health services, and state and local government. The state unemployment rate had been at or just below 4 percent since the middle of 1997, but two consecutive monthly increases raised it to 4.5 percent in February.

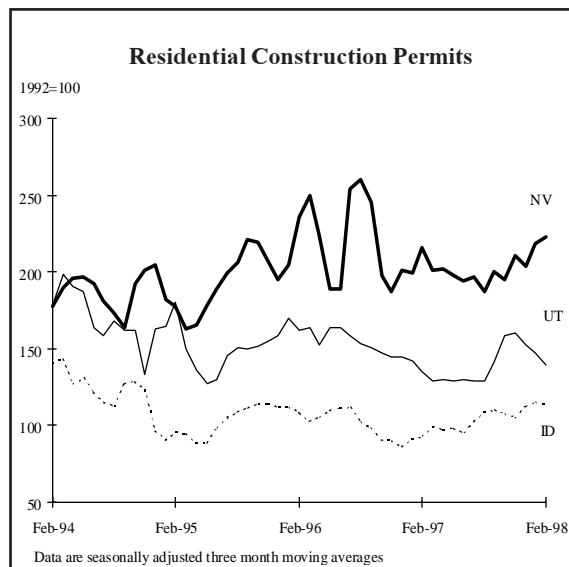
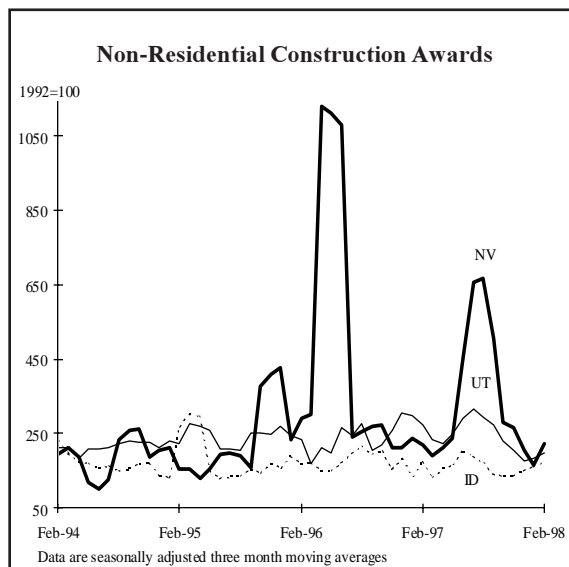
Although the Las Vegas economy continues to boom, areas outside of Las Vegas have encountered some difficulties. In the Reno and Lake Tahoe areas, the tourism sector has struggled. Reno area employment in the hotel and amusement sector shrank on net during 1996 and 1997. Also, the state's gold mining industry has been hit hard by low gold prices; 700 jobs have been eliminated over the past year, nearly 5 percent of industry employment. Although this sector is small, it provides an important stimulus to the state's rural economies.

Utah's economy continues to expand rapidly. Payroll employment grew by 3.9 percent during the 12 months ending in February, a slower pace than in previous years but ranking the state third among all states. Employment growth rates have been well balanced across the goods-producing and service-producing sectors. Although growth in total manufacturing jobs was held down a bit by weak growth in the state's fabricated metal, machinery, and electronics sectors in 1997, these sectors expanded at a strong pace during the first two months of 1998. Furthermore, due to the economy's overall strength, the state unemployment rate has remained at or below 3 percent since October 1997.

Among all industrial sectors in Utah, construction was the most vibrant last year. Employment in this industry grew by nearly 8 percent in 1997, spurred by a variety of transportation and other infrastructure projects, many associated with Salt Lake City's preparations for hosting the Winter Olympics in 2002. On the residential side, new home building has continued at a rapid pace lately, although the rate of home price appreciation has slowed.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-98	Jan-98	Feb-97	From Previous Month	From Previous Year
<b>Idaho</b>					
Total	514.4	515.1	503.3	-1.6	2.2
Mining	3.1	3.1	3.2	0.0	-3.1
Construction	32.9	32.7	31.5	7.6	4.4
Manufacturing	77.1	76.4	74.0	11.6	4.2
T.C.P.U.	24.4	24.7	23.9	-13.6	2.1
Trade	129.9	129.6	128.2	2.8	1.3
F.I.R.E.	25.9	25.7	25.1	9.7	3.2
Services	120.9	121.8	118.6	-8.5	1.9
Government	100.2	101.1	98.8	-10.2	1.4

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-98	Jan-98	Feb-97	From Previous Month	From Previous Year
<b>Utah</b>					
Total	1019.2	1015.6	980.6	4.3	3.9
Mining	8.4	8.3	8.3	15.5	1.2
Construction	66.3	65.7	62.2	11.5	6.6
Manufacturing	135.2	135.1	131.8	0.9	2.6
T.C.P.U.	57.5	57.4	55.4	2.1	3.8
Trade	244.3	242.7	235.7	8.2	3.6
F.I.R.E.	54.1	53.7	51.9	9.3	4.2
Services	277.7	277.7	264.8	0.0	4.9
Government	175.7	175.0	170.5	4.9	3.0

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-98	Jan-98	Feb-97	From Previous Month	From Previous Year
<b>Nevada</b>					
Total	911.8	907.0	878.2	6.5	3.8
Mining	13.9	14.1	14.9	-15.8	-6.7
Construction	85.2	85.1	80.4	1.4	6.0
Manufacturing	41.9	41.7	39.9	5.9	5.0
T.C.P.U.	47.0	46.7	44.1	8.0	6.6
Trade	183.9	183.1	176.5	5.4	4.2
F.I.R.E.	41.5	41.4	39.2	2.9	5.9
Services	388.9	386.5	378.7	7.7	2.7
Government	109.5	108.4	104.5	12.9	4.8

	Unemployment Rates (%)				
	Feb-98	Jan-98	Dec-97	Feb-97	Jan-97
Idaho	5.1	5.0	5.2	5.4	5.6
Nevada	4.5	4.3	4.0	4.4	4.6
Utah	2.8	2.9	2.9	3.3	3.3
U.S.	4.6	4.7	4.7	5.3	5.3

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

---

**1998 Issues****Mailing Date**

January

February 5

April

April 2

May

May 21

June

July 2

August

August 20

September

October 1

November

November 19

December

December 24

---

**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**