

WESTERN ECONOMIC DEVELOPMENTS

August 1998

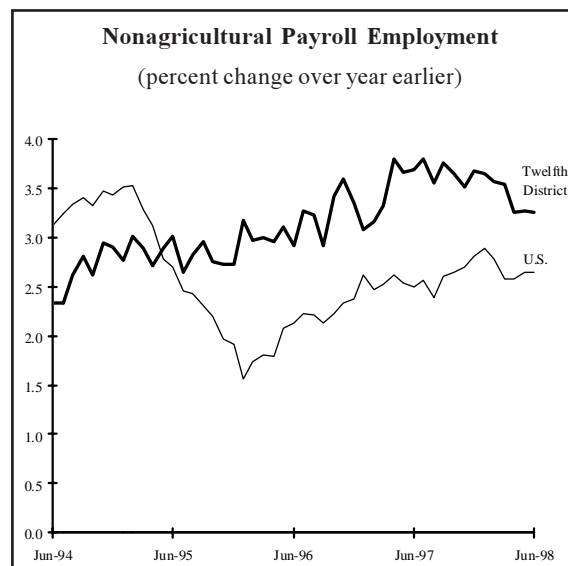
Executive Summary

- *The Twelfth District economy grew at a strong pace during the first half of 1998, with virtually no slowing between the first and second quarters. However, employment growth so far this year has been slower than last year.*
- *Faster growth in California and Washington during the second quarter was offset by slowing in other states, particularly Oregon, Idaho, and Utah.*
- *Construction activity remains a key source of growth for the District economy, with substantial employment growth and high levels of activity continuing in both the residential and nonresidential sectors.*
- *Reduced exports to East Asia have exerted a moderating influence on District economic growth this year. Associated reductions in employment growth have been concentrated in the durable manufacturing sector.*

District Update

The Twelfth District economy grew at a strong pace during the first half of this year, albeit at a slower rate than in 1997. Growth in total nonagricultural payroll employment was 2.9 percent on an annual basis for the period, with only a slight deceleration between the first and second quarters. Several states—notably Alaska, Oregon, Idaho, and Utah—slowed substantially in recent months. In contrast, after slowing between the fourth quarter of 1997 and the first quarter of 1998, California's economy regained some lost momentum recently. Employment growth in the state picked up from about 2½ to 3 percent on an annual basis between the first and second quarters. Although job growth in California remains slower than last year, the state expanded faster than the rest of the nation during the first half of the year.

Despite the District's slowdown from last year's 3.7 percent pace of employment growth, unemployment rates have remained stable on average this year. Slight unemployment increases in Oregon and Nevada have been offset by reductions in Southern California and Arizona, and labor markets remain tight in most parts of the District.



The key source of slower growth this year has been the durable manufacturing sector, with export reductions arising from the East Asian financial turmoil playing an important role. This has been keenly felt in the high-tech manufacturing sector, although the slowdown in demand relative to supply in that sector also is due to other factors associated with periodic swings in this industry. Overall, durable manufacturing employment growth has fallen from about 5 percent last year to 1.2 percent on an annual basis for the first half of 1998.

Construction activity remains a key source of growth for the District economy. Employment in this sector expanded by 7.1 percent at an annual rate for the first half of the year, with a bit of slowing between the first and second quarters.

	Number Employed (thousands)			Annualized % Change	% Change
	Jun-98	May-98	Jun-97	From	From
				Previous Month	Previous Year
Alaska	273.9	274.1	268.9	-0.9	1.9
Arizona	2,070.5	2,060.0	1,975.3	6.3	4.8
California	13,586.0	13,556.0	13,150.0	2.7	3.3
Hawaii	525.4	527.7	531.6	-5.1	-1.2
Idaho	516.9	516.1	508.8	1.9	1.6
Nevada	927.5	921.8	890.2	7.7	4.2
Oregon	1,561.2	1,564.6	1,525.7	-2.6	2.3
Utah	1,024.7	1,026.3	992.7	-1.9	3.2
Washington	2,593.6	2,587.9	2,513.9	2.7	3.2
District	23,079.7	23,034.5	22,357.1	2.4	3.2
U.S.	125,758.0	125,562.0	122,534.0	1.9	2.6

Seasonally adjusted payroll employment data

				% Change	% Change
	Jun-98	May-98	Jun-97	From	From
				Previous Month	Previous Year
Aerospace Employment (1992=100)	72.1	72.0	68.7	0.9	4.9
Electronics Employment (1992=100)	121.2	121.4	118.3	-0.2	2.5
Americas Semiconductor Billings (\$ Million)	3240.0	3210.0	3850.0	0.9	-15.8
Non-Residential Awards (1992=100)	121.8	123.7	170.2	-1.5	-28.4
Residential Permits (Thousands)	27.6	27.2	24.1	1.4	14.5
Western Housing Starts (Thousands)	41.0	34.2	34.5	19.9	18.8

Although planned residential and nonresidential construction has fallen back following large gains in 1997, construction awards remain at very high levels. Moreover, employment growth in the finance, insurance, and real estate sector has picked up substantially this year, spurred by strong growth among real estate brokerages and nondepository financial institutions.

East Asia's Impact on the District

Since the July 1997 currency crises that hit several East Asian countries, economic problems in that region have spread and deepened. Because Twelfth District states export a substantially greater share of their total output to East Asia than does the rest of the nation, conditions in East Asia are a key concern for the District. Data for this year indicate that the East Asian economic situation is having the expected restraining effect on Twelfth District and national exports, and also on their economic expansions.

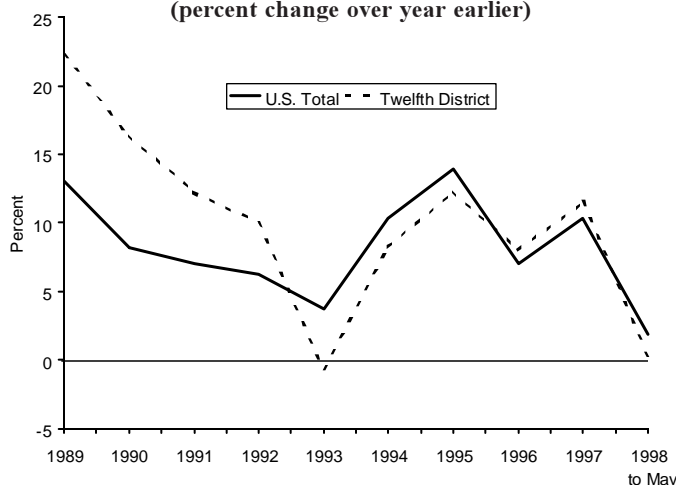
Merchandise Exports

Figure 1 shows the time series pattern in total merchandise exports for the U.S. and the Twelfth District. All export figures are in nominal terms. District export growth has tracked national growth closely during the past five years. The main exception is Washington (not shown); because Washington exports are dominated by a single product (Boeing aircraft) and therefore are not very diversified with respect to changes in general demand and supply conditions, they have not

	Number Employed (thousands)			Annualized % Change	% Change
	Jun-98	May-98	Jun-97	From	From
				Previous Month	Previous Year
Total	23,079.7	23,034.5	22,357.1	2.4	3.2
Mining	83.0	82.8	84.5	2.9	-1.8
Construction	1,187.3	1,175.8	1,111.4	12.4	6.8
Manufacturing	3,074.2	3,072.8	3,012.5	0.5	2.0
Transportation	1,189.0	1,187.6	1,161.2	1.4	2.4
Trade	5,395.0	5,394.8	5,259.9	0.0	2.6
F.I.R.E.	1,319.4	1,314.7	1,271.4	4.4	3.8
Services	7,021.7	7,002.5	6,712.8	3.3	4.6
Government	3,810.1	3,803.5	3,743.5	2.1	1.8

Seasonally adjusted payroll employment data

Figure 1
Growth of Nominal Exports in the
U.S. and Twelfth District
(percent change over year earlier)



closely tracked exports from other areas in recent years.

The pattern in Figure 1 suggests a substantial decline in export growth as of early 1998, at both the national and the District levels. This slowing is relatively consistent across states in the District; however, the slowing was less pronounced for California, where export growth during 1996-97 was less rapid than in other District states.

The export growth figures for 1995-98, along with shares of total national exports, are presented in Table 1. Following strong export growth during each of the years 1995-97, growth dropped off sharply in the first five months of 1998, in the Twelfth District and the rest of the nation. The reduction in export growth was larger for the Twelfth District than for the rest of the U.S., although not markedly so. All District states except Utah experienced a decline in export growth.

To better gauge the role of East Asia in the slowdown, Tables 2 and 3 provide detailed breakdowns of merchandise export flows, by country and selected industry product groups, for the U.S. as a whole and for California. The country groupings used in these tables are the Asian-Pacific Economic Cooperation (APEC) countries, the Association of Southeast Asian Nations (ASEAN), and the Newly Industrialized Economies (NIE).

For the U.S. figure in Table 2, the slowdown in export growth in 1998 largely is attributable to

the direct effects of the East Asian situation. Although export growth to all major countries or groups except Mexico slowed noticeably between 1997 and 1998, the most pronounced slowing occurred for exports to the East Asian countries.

The bottom four rows of Table 2 list exports by selected industrial groups. The industrial and electronic machinery sectors, in which exports largely consist of computers and related high-tech products, suffered a pronounced decline. Some of this probably is due to price declines for computing capacity, in addition to real declines arising from reduced East Asian and other foreign demand.

Table 3 lists detailed figures for California. Export growth in the state did not slow between 1997 and the first quarter of 1998. Solid export growth in California during early 1998 was due in large part to a surge in exports to Western Europe and continued strong growth in exports to Mexico. However, California exports to most of

Table 1
Merchandise Export Growth, U.S. and Twelfth District
(year-to-date, percent change relative to a year ago)

Percent Share ^a		---through December---			through May
		1995	1996	1997	1998
100.0	U.S. Total	14.1	6.9	10.3	1.8
77.0	U.S. Excluding 12th District	14.6	6.6	9.9	2.3
23.0	Twelfth District	12.3	8.0	11.5	0.3
13.7	California	17.0	6.9	6.4	-0.1
5.0	Washington	-7.5	18.3	23.8	2.9
4.4	District ex. CA, WA	20.2	1.9	15.9	-2.0
1.3	Oregon	25.6	2.6	10.0	-3.2
1.7	Arizona	13.3	2.9	44.5	10.4
0.5	Utah	39.4	-1.5	-2.3	4.8
0.4	Alaska	12.9	0.9	-3.9	-29.1
0.2	Idaho	23.1	-19.7	6.2	-3.7
0.1	Nevada	7.1	73.4	-20.0	-51.7
0.0	Hawaii	-18.7	-25.3	13.9	10.2

Source: Census FT900 Supplement. Excludes re-exports.

a. Share of U.S. exports in 1997.

Table 2
Merchandise Export Growth, U.S., by Destination
Country and Selected Commodities

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

Percent Share ^a		through December		through March
		1996	1997	1998
100.0	Total, to all countries	6.9	10.3	5.0
19.0	Western Europe ^b	5.3	10.3	6.0
62.2	APEC	7.3	9.8	1.6
22.0	Canada	5.5	13.3	7.2
10.4	Mexico	22.7	25.8	24.7
27.1	East Asia	3.9	3.3	-11.4
9.5	Japan	5.1	-2.8	-9.8
4.4	ASEAN(4) ^c	8.2	16.7	-9.0
1.9	China	2.0	6.9	16.5
3.6	South Korea	4.6	-5.7	-45.5
7.7	Other NIE ^d	0.5	8.5	-3.6
2.7	Other APEC ^e	11.0	3.2	5.5
----- By SIC Group				
17.1	Industrial machinery and computing equipment (SIC 35)	8.5	13.0	1.9
13.6	Electrical machinery and components (SIC 36)	4.3	17.9	8.8
15.7	Transportation equipment (SIC 37)	12.3	16.8	17.1
4.5	Agriculture, Forestry, Fishing, Hunting, Trapping, Food, and Kindred Products (SIC 1,2,8,9,20)	6.5	-5.6	-4.8

Source: Census FT900.

East Asia dropped sharply in the first quarter of 1998 and in several cases were already weak in 1997. Moreover, although growth in California exports of industrial and electrical machinery only slowed slightly between 1997 and early 1998, additional tabulations (not shown) reveal a sharp drop in California exports of these products to East Asian destinations. For total East Asian exports, although the percentage drop during the first quarter of 1998 was about the same for California and the nation as a whole, the larger share of California exports going to East Asia implies a larger restraining effect on California growth than on national growth.

Export growth also has slowed somewhat for Washington state in early 1998. The slowdown largely is attributable to a sharp decline in the growth of exports to Western Europe and Canada. Growth in Washington exports to East Asia slowed only a bit in early 1998, with sharp

Table 3
Merchandise Export Growth, California, by Destination
Country and Selected Commodities

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

Percent Share ^a		through December		through March
		1996	1997	1998
100.0	Total, to all countries	8.2	4.8	5.0
18.2	Western Europe ^b	1.5	6.1	17.1
71.9	APEC	10.8	3.2	-1.8
10.4	Canada	14.7	2.9	5.1
11.0	Mexico	23.7	32.6	33.0
47.3	East Asia	8.6	-2.5	-12.7
15.9	Japan	14.1	-7.7	-12.4
7.5	ASEAN(4) ^c	-0.9	-1.3	-19.0
2.1	China	39.1	17.4	28.9
6.4	South Korea	12.7	-19.8	-44.5
15.4	Other NIE ^d	2.9	11.0	1.1
3.0	Other APEC ^e	1.1	14.1	40.1
----- By SIC Group				
26.0	Industrial machinery and computing equipment (SIC 35)	16.7	2.1	1.3
27.8	Electrical machinery and components (SIC 36)	5.2	3.3	2.7
10.2	Transportation equipment (SIC 37)	-4.7	17.1	27.2
8.2	Agriculture, Forestry, Fishing, Hunting, Trapping, Food, and Kindred Products (SIC 1,2,8,9,20)	5.6	-1.5	-5.3

Source: MISER Series 1. Includes re-exports.

variation across countries due primarily to aircraft deliveries. Although aircraft exports to East Asia have held up well so far in 1998, they are likely to decline by sometime next year. Washington exports of other commodities already have slowed substantially.

Employment Growth

Payroll employment growth in the Twelfth District slowed this year, from 3.7 percent in 1997 to 2.9 percent at an annual rate for the first half of 1998. This slowing is consistent with restraining effects arising from the East Asian situation. Given the preponderance of durable manufactured goods in District exports to East Asia (for

a. Share of U.S. exports in 1997

b. Includes Switzerland, United Kingdom, Germany, Netherlands, France, Italy, Sweden, Belgium

c. Includes Malaysia, Thailand, Philippines, Indonesia

d. Includes Taiwan, Singapore, Hong Kong

e. Includes Australia, New Zealand, Chile, Papua New Guinea

example, see the industry shares in Table 3 for California), the impact of the East Asian slowdown should be most readily observed in this sector. Figure 2 shows growth in durable manufacturing employment for the Twelfth District and the remainder of the nation. Growth in District durable manufacturing employment was very rapid in 1997 but came down substantially during the last three quarters; employment in this sector was essentially flat during the second quarter of 1998. Growth in durable manufacturing employment also turned slightly negative for the U.S. excluding the Twelfth District, although the drop was less pronounced than for the District.

Among District states, the most pronounced slowing in durable manufacturing employment growth has occurred in California and Oregon, both of which have substantial East Asian export exposure and extensive high-tech manufacturing sectors. Significant slowing is evident in the high-tech sectors in both states; employment growth for other durables, such as lumber and wood products and primary metals, also has slowed.

Although Hawaii has limited direct exposure to East Asia in terms of merchandise exports, the state relies heavily on Japanese tourism and related revenues. Available estimates suggest that about 10 percent of Hawaiian output is attributable to East Asian tourism, with most coming from Japan. The ongoing weakness in Japan's economy has been an increasing drag on the Hawaiian economy. According to preliminary data from the Hawaii Visitors and Conven-

tion Bureau, for the first half of 1998 total tourist visits were down about 1 percent from the same period in 1997 (which also was weak). Underlying this net decline is an 8 percent fall in eastbound visits, which more than offset a 4 percent rise in westbound visits. Although the state economy has been weak for the past 5 years, employment declines have accelerated in 1998; losses during the first half of the year were nearly 2 percent at an annual rate, substantially worse than essentially flat employment during 1996-97.

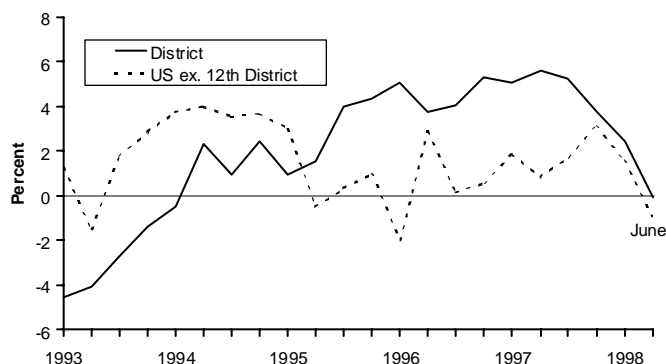
Summary

Available evidence suggests that the East Asian financial crisis and economic slowdown has exerted a direct restraining influence on the national and District expansions. Exports to East Asia have fallen substantially this year. The export decline in turn has damped employment growth in the durable manufacturing sector, whose products constitute a large share of East Asian exports. In Hawaii, weak Japanese tourism has caused additional deterioration in the state economy this year.

Although the full impact of East Asia on national and District growth also depends on other factors, such as rising imports of less expensive East Asian products, the export effect is of particular importance to the Twelfth District. Treating California exports as representative of District exports, Tables 2 and 3 indicate that national and District exports to East Asia have slowed by about the same amount in early 1998. Given the substantially greater share of District output that goes to East Asia, these figures suggest that the East Asian situation has held down District exports by about twice as much as it has held down national exports. Consistent with this, the slowdown in durable manufacturing employment growth has been greater for the District than for the rest of the U.S. However, this may be due in part to independent factors serving to hold down expansion in the high-tech manufacturing sector. Moreover, despite the sharp decline in exports to East Asia this year, strength in other sectors (such as construction and real estate) has prevented East Asia from derailing the District's expansion.

Rob Valletta

Figure 2
Durable Manufacturing Employment Growth
(quarterly, expressed at an annual rate)



ALASKA, OREGON, AND WASHINGTON

The **Alaskan** economy slowed substantially in recent months, after surging at the beginning of the year. Although growth in total payroll employment was around 4 percent at an annual rate for the first half of the year, employment was essentially flat in the second quarter, as growth in some sectors was offset by losses in others. Most of the job losses were confined to three sectors—manufacturing, mining, and government—which together shed 1,700 jobs during the second quarter. In contrast, the construction, transportation, and finance, insurance, and real estate sectors each grew by roughly 10 percent at an annual rate during the same period, combining to add 1,200 jobs to Alaskan payrolls.

Despite an early year surge in seafood processing employment, Alaska's fishing industry is bracing itself for the second consecutive year of below average salmon harvests. Small salmon returns and low and falling fish prices are expected to reduce 1998 revenues below last year's disappointing level, making some commercial fishing ventures unprofitable.

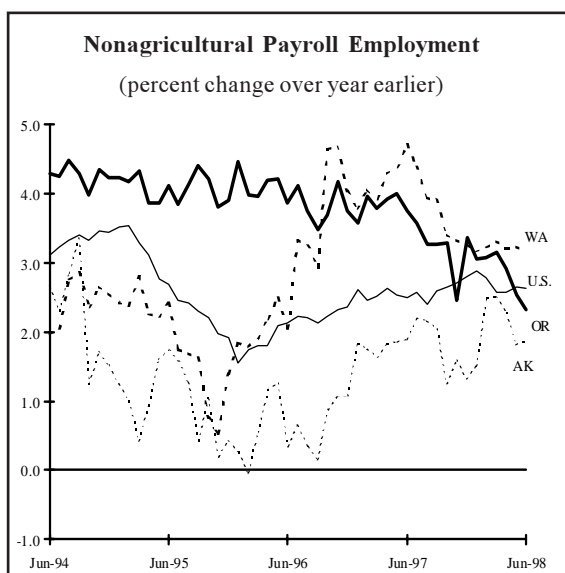
Oregon's economy contracted slightly in the second quarter, with total payroll employment falling by 0.2 percent at an annual rate. During the period, net job losses in construction, manufacturing, and retail and wholesale trade outnumbered moderate gains in the transportation, services, and finance, insurance, and real estate

sectors. The state unemployment rate increased 0.5 percentage points during the past three months, to 5.4 percent in June. However, despite recent weakness in several of Oregon's key industries, earlier gains left employment up 2.3 percent relative to a year earlier.

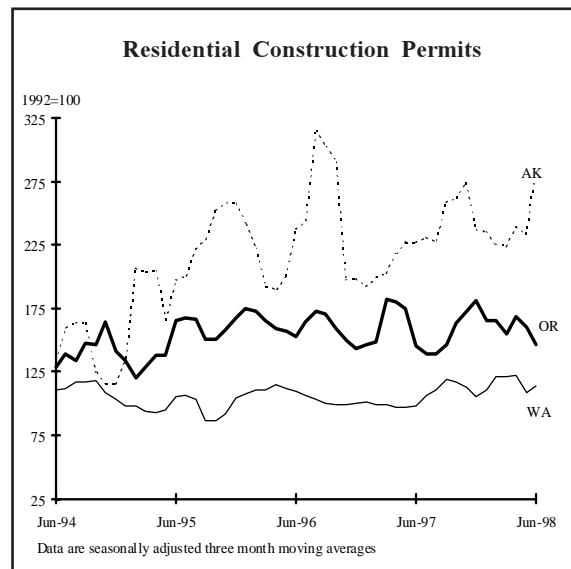
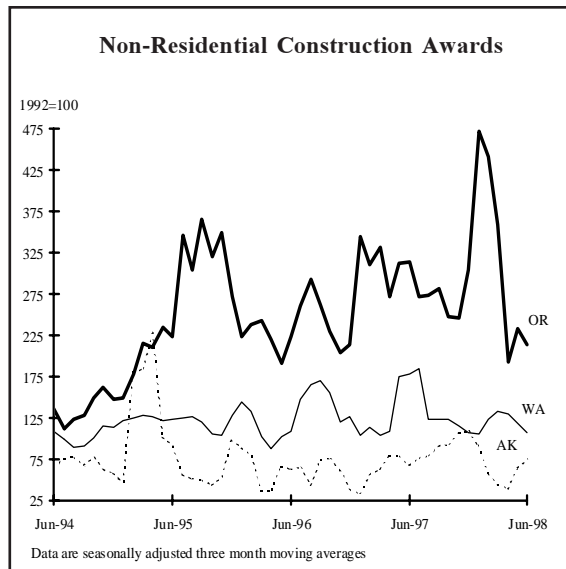
After growing by 3 percent in 1997, manufacturing employment in Oregon fell slightly during the first half of 1998. Durable manufacturing employment growth has declined the most, prompted by pronounced job losses in the forest product and high-tech sectors. Firms in these sectors have been hurt recently by changing domestic market conditions and ongoing economic problems in East Asia. Temporary layoffs and permanent job cuts have become more frequent, and firms in both sectors recently have used furlough programs to reduce costs. Among others, Intel furloughed 1,500 workers at its Aloha plant for eight days in July, and a number of sawmills and paper mills in Eastern Oregon have closed for as long as a month.

Economic growth in **Washington** has remained strong. Total nonfarm payroll employment grew by 4.3 percent at an annual rate during the second quarter, which is above the first quarter pace of 3.6 percent. The most rapid gains were in the construction, trade, services, and finance, insurance, and real estate sectors, which together added nearly 23,000 jobs during the second quarter. Construction activity and business and computing services were the state's main engines of growth, with employment in these sectors expanding at double-digit rates in recent months. In contrast, manufacturing employment remained flat in the second quarter, as solid gains among aircraft and parts manufacturers were offset by payroll reductions at forest product, processed food, and high-technology firms.

Despite rapid second-quarter employment growth in the aircraft manufacturing sector, concerns about East Asia continue to temper the outlook. Boeing plans later this year to begin reducing its workforce by 12,000 jobs nationwide, mostly in its commercial aircraft workforce. The aircraft and parts sector accounts for nearly 30 percent of Washington's manufacturing employment.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized %	%
	Jun-98	May-98	Jun-97	% Change From Previous Month	Change From Previous Year
Alaska					
Total	273.9	274.1	268.9	-0.9	1.9
Mining	10.4	10.5	9.9	-10.8	5.1
Construction	13.1	13.0	12.9	9.6	1.6
Manufacturing	15.1	14.1	15.5	127.6	-2.6
T.C.P.U.	25.2	25.7	24.0	-21.0	5.0
Trade	57.2	57.2	56.1	0.0	2.0
F.I.R.E.	12.5	12.4	12.3	10.1	1.6
Services	67.5	67.8	65.3	-5.2	3.4
Government	72.9	73.4	72.9	-7.9	0.0

	Number Employed (thousands)			Annualized %	%
	Jun-98	May-98	Jun-97	% Change From Previous Month	Change From Previous Year
Washington					
Total	2593.6	2587.9	2513.9	2.7	3.2
Mining	3.5	3.4	3.5	41.6	0.0
Construction	142.5	141.5	136.4	8.8	4.5
Manufacturing	379.3	378.2	369.6	3.5	2.6
T.C.P.U.	137.5	137.5	134.2	0.0	2.5
Trade	626.8	625.6	608.1	2.3	3.1
F.I.R.E.	134.1	134.5	127.0	-3.5	5.6
Services	710.7	709.5	675.9	2.0	5.1
Government	459.2	457.7	459.2	4.0	0.0

	Number Employed (thousands)			Annualized %	%
	Jun-98	May-98	Jun-97	% Change From Previous Month	Change From Previous Year
Oregon					
Total	1561.2	1564.6	1525.7	-2.6	2.3
Mining	1.9	1.8	1.8	91.3	5.6
Construction	82.1	83.0	82.5	-12.3	-0.5
Manufacturing	245.7	247.4	244.1	-7.9	0.7
T.C.P.U.	75.7	75.7	74.8	0.0	1.2
Trade	386.2	388.1	377.4	-5.7	2.3
F.I.R.E.	97.5	97.0	94.9	6.4	2.7
Services	415.4	413.9	399.7	4.4	3.9
Government	256.7	257.7	250.5	-4.6	2.5

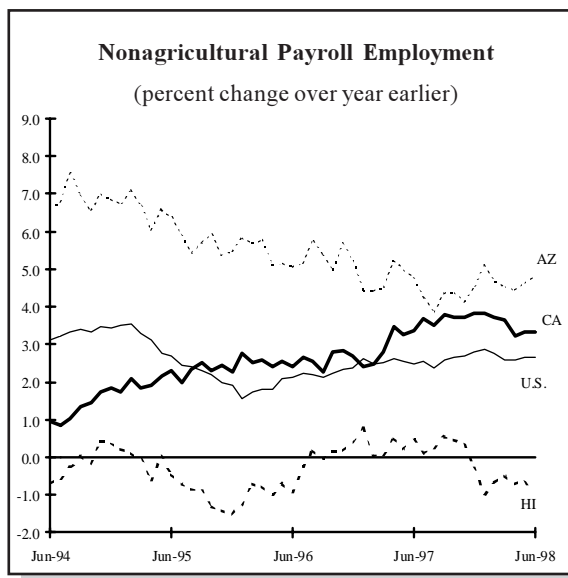
	Unemployment Rates (%)				
	Jun-98	May-98	Apr-98	Jun-97	May-97
Alaska	6.4	5.9	5.7	8.0	7.9
Oregon	5.4	5.2	5.1	5.8	5.7
Washington	4.6	4.4	4.2	4.7	4.8
U.S.	4.5	4.3	4.3	5.0	4.8

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 economy expanded rapidly in the past year and in recent months. Payroll employment jumped more than 6 percent at an annual rate in May and June and increased about 5 percent during the past 12 months. With such rapid job growth, the labor market has tightened, and the state's unemployment rate now stands at 4 percent, down about ½ percentage point from a year earlier. Most major sectors have participated in the rapid job growth over the past year, including manufacturing, although manufacturing employment was flat on average during May and June. In contrast, the construction, government, and finance, insurance, and real estate sectors posted strong employment gains in recent months.

Separate data confirm a recent slowing in the Arizona manufacturing sector that is being offset by strong gains in construction activity. Among purchasing managers for major manufacturers surveyed by Arizona State University, most reported that new factory orders in the state were flat or down in June. In contrast, construction permits for residential and nonresidential buildings were particularly strong near the beginning of this year and have remained at high levels overall. Residential demand for single-family homes is the key to the state construction sector outlook; these units accounted for nearly three-fourths of total new construction value in Arizona last year.

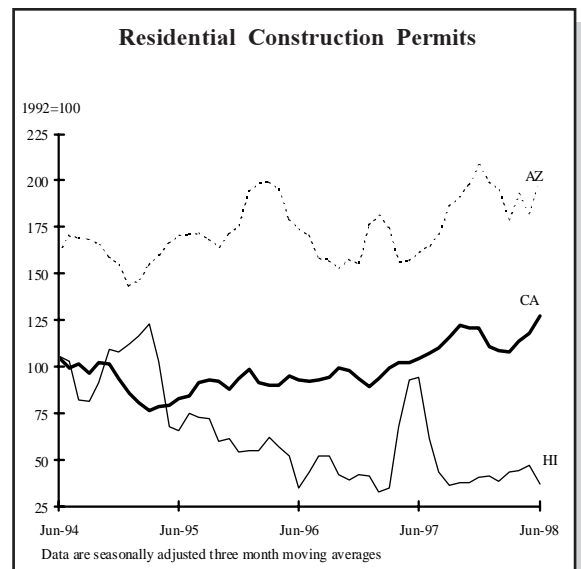
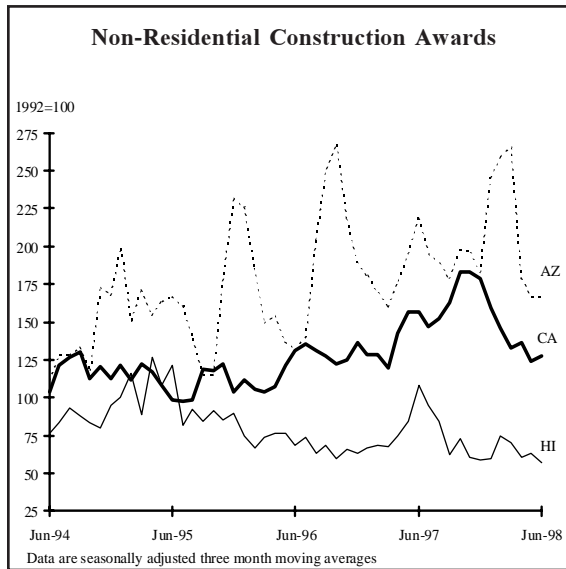


California's economy posted solid gains in recent months. Job growth averaged about ¾ percent at an annual rate in May and June, up a bit from the first four months of the year, although preliminary figures indicate that employment was flat in July. A large jump in construction employment accounts for some of the second quarter pickup. During the first half of 1998, construction employment expanded by 8.8 percent at an annual rate, and the job count in the real estate sector grew at a 6.4 percent pace. During the same period, employment at business service establishments and nondepository financial institutions grew by over 8 percent at an annual rate. In contrast, manufacturing employment increased by only ½ percent at an annual rate in the first half of 1998, down about 3 percentage points from last year's growth rate.

Total employment in the state grew 2¾ percent at an annual rate in the first half of 1998, down about 1 percentage point from the 1997 pace. The slowdown has been concentrated in the San Francisco Bay Area, where employment growth slipped substantially, to 1½ percent on an annual basis. Bay Area manufacturing employment fell about 3 percent at an annual rate in May and June, owing in part to cutbacks in the computer equipment and aerospace industries. In contrast, Los Angeles area employment growth accelerated to about a 3½ percent pace in the first half of this year.

Hawaii's economic contraction became more severe in recent months. Payroll employment fell by 2.7 percent at an annual rate during the second quarter, compared to losses of 2 percent on the same basis during the preceding two quarters. The most rapid second-quarter contractions occurred in the goods-producing sectors; job counts in the construction and manufacturing sectors fell 10 and 7 percent, respectively, on an annual basis. Weakness in the state's tourism sector has generated additional job losses in recent months. During the second quarter, the hotel and retail trade sectors shed jobs at annual rates of 3 percent and 4 percent, respectively.

CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Jun-98	May-98	Jun-97	From Previous Month	From Previous Year
Arizona					
Total	2070.5	2060.0	1975.3	6.3	4.8
Mining	13.3	13.4	14.0	-8.6	-5.0
Construction	136.3	135.2	130.0	10.2	4.8
Manufacturing	215.5	215.1	205.2	2.3	5.0
T.C.P.U.	98.7	98.5	96.8	2.5	2.0
Trade	501.0	500.0	479.8	2.4	4.4
F.I.R.E.	134.8	133.4	126.5	13.3	6.6
Services	633.4	630.9	595.7	4.9	6.3
Government	337.5	333.5	327.3	15.4	3.1

	Number Employed (thousands)			Annualized % Change	% Change
	Jun-98	May-98	Jun-97	From Previous Month	From Previous Year
Hawaii					
Total	525.4	527.7	531.6	-5.1	-1.2
Mining
Construction	21.5	21.9	22.1	-19.8	-2.7
Manufacturing	16.1	16.2	16.8	-7.2	-4.2
T.C.P.U.	40.7	40.4	41.2	9.3	-1.2
Trade	132.0	132.6	134.8	-5.3	-2.1
F.I.R.E.	35.0	35.1	36.2	-3.4	-3.3
Services	169.3	169.5	169.2	-1.4	0.1
Government	110.8	112.0	111.4	-12.1	-0.5

	Number Employed (thousands)			Annualized % Change	% Change
	Jul-98	Jun-98	Jul-97		
California					
Total	13582.1	13582.6	13203.2	0.0	2.9
Mining	28.3	28.7	29.4	-15.5	-3.7
Construction	612.2	604.6	557.2	16.2	9.9
Manufacturing	1932.6	1944.9	1925.8	-7.3	0.4
T.C.P.U.	680.1	680.2	665.5	-0.2	2.2
Trade	3132.1	3129.1	3066.6	1.2	2.1
F.I.R.E.	785.7	782.2	759.3	5.5	3.5
Services	4240.0	4226.9	4072.4	3.8	4.1
Government	2171.1	2186.0	2127.0	-7.9	2.1

Unemployment Rates (%)

	Unemployment Rates (%)				
	Jun-98	May-98	Apr-98	Jun-97	May-97
Arizona	4.0	4.1	4.4	4.6	4.7
Hawaii	6.0	5.8	5.3	6.6	6.6
U.S.	4.5	4.3	4.3	5	4.8
California					
	Jul-98	Jun-98	May-98	Jul-97	Jun-97
California	5.6	5.8	5.9	6.2	6.3

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 in 1998 is on a slower growth path than in recent years. Total nonagricultural payroll employment was virtually flat in the second quarter of 1998, and on net it expanded by 1.1 percent at an annual pace during the first half of the year. Both the services and construction sectors have experienced significant cutbacks so far this year, with construction jobs being lost despite gains in total construction awards. In contrast, offsetting job gains were particularly rapid in the finance and banking sectors, and all levels of government except state government education posted strong growth.

Slowing at the state level largely is attributable to small net job losses in Boise so far this year. Of the 2000 service jobs lost in Idaho during the first half of 1998, 1600 were eliminated in Boise, with the business services sector accounting for virtually all of them. Moreover, on net 1000 construction jobs have been eliminated in Boise so far this year, more than offsetting the 400 construction jobs created elsewhere in the state. Manufacturing job growth also has slowed around Boise, although it remains solid. Despite slower growth, unemployment in the metro area has remained stable at just under 4 percent.

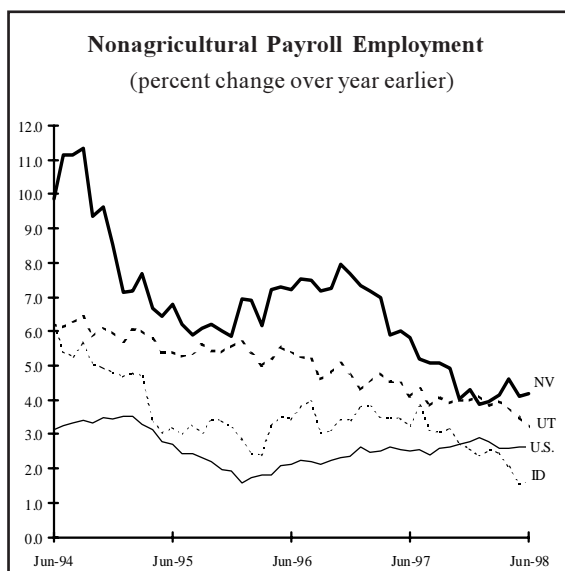
Economic growth in Nevada picked up recently, and the state is near the top of the national employment growth ranking. After a strong first quarter, total nonagricultural payroll employment

expanded by 5.1 percent at an annual rate during the second quarter. Construction jobs have grown by 13 percent at an annual rate thus far in 1998, which represents more than a doubling of the 1997 pace. The banking and finance sector also expanded at a torrid pace statewide during the second quarter, and growth in all other major sectors has been strong this year. Rapid job growth lowered the state unemployment rate by 0.5 points (to 4.3 percent) during the last 2 months, although it remains above its low point from last year.

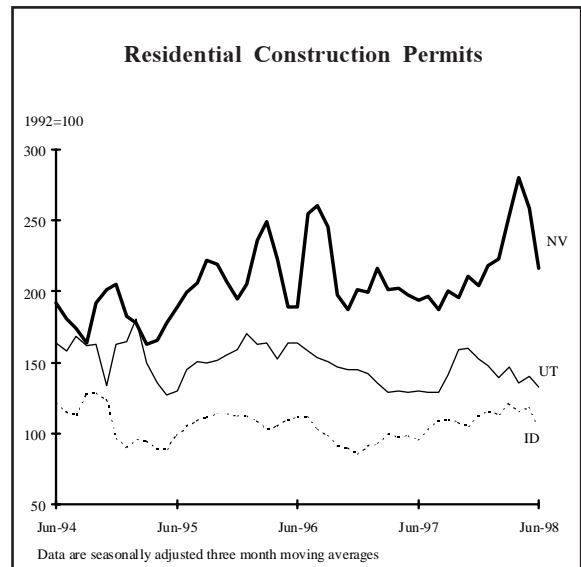
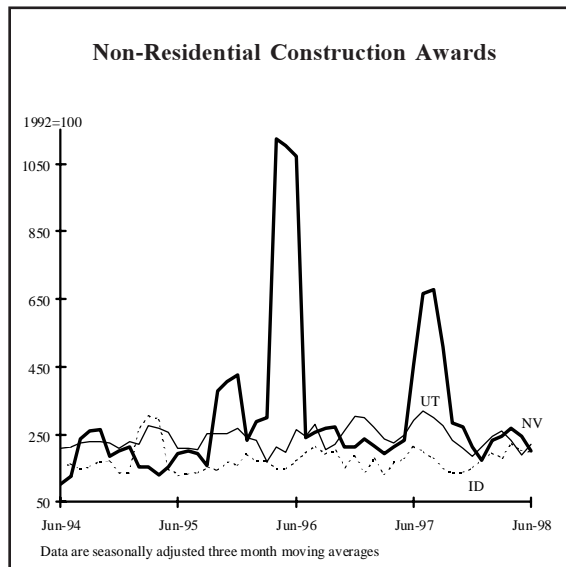
The sole restraining factor for the state's expansion has been weak gaming and tourist business in Las Vegas so far in 1998. In recent months, gross gaming revenues have been flat to down compared to 1997, and employment in the hotel and amusement sector in Las Vegas shrunk by 1.2 percent at an annual rate during the first half of this year. Despite these negatives, substantial additional expansion of the area's hotel and casino capacity is underway.

Economic growth in Utah eased further in recent months, although state economic fundamentals remain sound. Total payroll employment was virtually flat during the second quarter, and growth for the first half of the year was 2.1 percent at an annual rate, about half the 1997 growth rate. Among the positive signs, construction employment has expanded at nearly a 5 percent pace so far this year, and state and local governments continue to post strong job gains. However, growth in all major sectors has slowed this year. Durable manufacturing job growth has fallen off substantially, due in part to the net loss of 400 jobs in the electronics sector this year.

The general slowing in the state's economy is reflected in other indicators. After increasing by 5.5 percent in 1997, average wages in manufacturing declined by 1.7 percent at an annual pace during the first half of 1998, despite a state unemployment rate that continues to hover near 3 percent. Housing price appreciation in the Salt Lake City MSA also has slowed, from 7.9 percent annually in 1996 to 2.7 percent at an annual rate during the first quarter of 1998.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Jun-98	May-98	Jun-97	From Previous Month	From Previous Year
Idaho					
Total	516.9	516.1	508.8	1.9	1.6
Mining	3.3	3.2	3.2	44.7	3.1
Construction	31.7	31.9	32.2	-7.3	-1.6
Manufacturing	76.6	76.2	74.4	6.5	3.0
T.C.P.U.	24.6	24.3	24.3	15.9	1.2
Trade	130.9	131.1	128.8	-1.8	1.6
F.I.R.E.	26.6	26.6	25.1	0.0	6.0
Services	121.9	121.4	121.9	5.1	0.0
Government	101.3	101.4	98.9	-1.2	2.4

	Number Employed (thousands)			Annualized % Change	% Change
	Jun-98	May-98	Jun-97	From Previous Month	From Previous Year
Utah					
Total	1024.7	1026.3	992.7	-1.9	3.2
Mining	8.2	8.2	8.3	0.0	-1.2
Construction	68.1	68.6	65.3	-8.4	4.3
Manufacturing	135.2	135.7	132.6	-4.3	2.0
T.C.P.U.	58.2	58.1	55.7	2.1	4.5
Trade	243.3	244.6	238.2	-6.2	2.1
F.I.R.E.	54.0	53.5	52.6	11.8	2.7
Services	280.2	279.5	268.3	3.0	4.4
Government	177.5	178.1	171.7	-4.0	3.4

	Number Employed (thousands)			Annualized % Change	% Change
	Jun-98	May-98	Jun-97	From Previous Month	From Previous Year
Nevada					
Total	927.5	921.8	890.2	7.7	4.2
Mining	13.8	13.8	14.6	0.0	-5.5
Construction	89.3	87.6	81.8	25.9	9.2
Manufacturing	43.0	42.5	40.4	15.1	6.4
T.C.P.U.	47.6	47.3	45.8	7.9	3.9
Trade	186.5	186.6	178.2	-0.6	4.7
F.I.R.E.	42.6	42.2	40.1	12.0	6.2
Services	393.0	392.3	380.1	2.2	3.4
Government	111.7	109.5	109.2	27.0	2.3

	Unemployment Rates (%)				
	Jun-98	May-98	Apr-98	Jun-97	May-97
Idaho	5.0	4.8	5.1	5.4	5.4
Nevada	4.3	4.7	4.8	4.0	4.1
Utah	3.2	3.1	3.2	3.2	3.1
U.S.	4.5	4.3	4.3	5.0	4.8

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

1998 Issues

January
April
May
June
August
September
November
December

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April 2
May 21
July 2
August 20
October 1
November 19
December 24



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