

# WESTERN ECONOMIC DEVELOPMENTS

December 1998

## Executive Summary

- *Total nonfarm payroll employment in the Twelfth District grew by 2.6 percent at an annual rate from June to November, a solid pace that was above the corresponding national growth rate of 2.0 percent.*
- *Due in part to an ongoing slowdown in manufacturing activity, employment growth in most of the District slowed somewhat as the year has progressed.*
- *Although the rate of employment growth fell in most major sectors in the District this year, it increased in the finance, insurance, and real estate sector and the state and local government sector.*
- *Residential construction activity and sales were robust this year. However, signs of cooling are evident in nonresidential construction activity in some areas.*

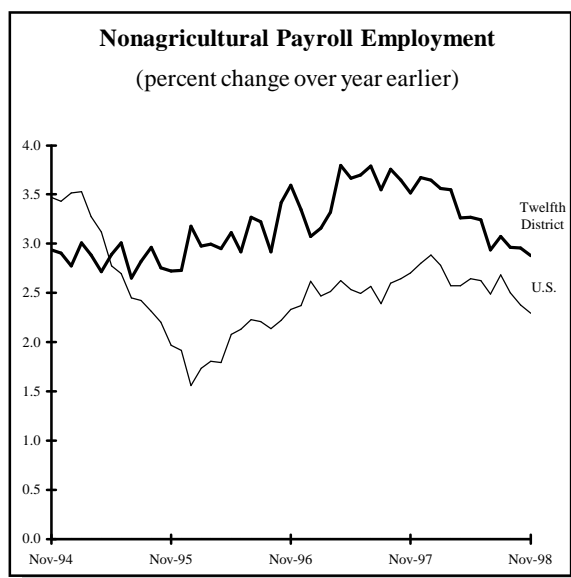
## District Update

Economic activity in the Twelfth District expanded at a solid pace in recent months. On an annual basis, total nonfarm payroll employment grew by 2.6 percent from June to November, which is above the corresponding national growth rate of 2.0 percent. However, moderation has been the key feature of District growth this year: the pace of job gains has been below last year's pace of 3.7 percent, and growth during the past five months was slower than the 3 percent rate from the first half of the year.

Among the states, California's economy has shared in the general trend toward slower growth. However, employment growth there remains strong, and the total job count increased by 2.7 percent for the twelve months ending in November. Growth in most other states in the District slowed as well, particularly since the first quarter. A notable exception is Nevada, where the employment growth rate has been above last year's rate and has picked up as the year has progressed.

A slowdown in manufacturing activity has been a key source of restraint for the District's expansion this year. Employment in this sector was flat on net for the first eleven months of the year, as first-quarter job gains were offset by job losses that increased between the second and third quarters. Employment growth in most other major sectors has been slower this year than in 1997. However, growth in the finance, insurance, and real estate sector and the state and local government sector has picked up this year. In the latter, spending on local schools and other government services has been bolstered by strong growth in government revenues in most states.

Construction activity in the District has been robust in 1998, with construction jobs growing 7.3 percent at an annual rate for the first eleven



months, only a bit below last year's pace. New home construction and sales have been rapid in most areas, particularly in California. However, signs of cooling are evident in regard to nonresidential construction activity in most states.

### Financial Conditions

The aggregate performance of banks in the District was affected by increased write offs and provisions for loan loss reserves by a large California bank this year. Excluding this bank, banks headquartered in the District posted strong returns in the third quarter, with average return

on assets (ROA) of 1.7 percent and average return on equity (ROE) of 15.1 percent.

Excluding the same bank, banks headquartered in California showed slightly lower but still healthy profit rates, with average ROA of 1.4 percent and average ROE of 12.1 percent. For small banks in California, third-quarter profitability was somewhat weaker, at 1 percent for average ROA and 10.1 percent for average ROE, down slightly from the previous quarter and the year prior. Small banks' relatively higher operating expenses accounted for their poorer showing relative to California banks as a whole. Compared with small banks in the state as a whole, small banks in the Central Valley performed significantly worse, small banks in southern California performed somewhat worse, and small banks in northern California performed significantly better. Average capital ratios for banks of all sizes across the District were strong in the third quarter.

Asset quality in the District in the third quarter was good, with the average past-due total loan ratio remaining unchanged and below the national average. For California banks overall, the average past-due total loan ratio was somewhat lower than in the District as a whole. In contrast, small banks in California showed a modestly higher past-due total loan ratio than for all banks in California, the District, and the nation as a whole, largely due to higher past-due ratios for business loans.

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-98	Oct-98	Nov-97	From	From
				Previous Month	Previous Year
Alaska	274.5	273.8	268.8	3.1	2.1
Arizona	2,105.8	2,091.0	2,011.8	8.8	4.7
California	13,727.9	13,698.2	13,367.0	2.6	2.7
Hawaii	524.3	526.7	532.8	-5.3	-1.6
Idaho	524.1	523.6	513.5	1.2	2.1
Nevada	948.5	948.1	904.2	0.5	4.9
Oregon	1,579.4	1,573.0	1,536.9	5.0	2.8
Utah	1,031.9	1,030.9	1,010.6	1.2	2.1
Washington	2,612.3	2,609.9	2,534.5	1.1	3.1
District	23,328.7	23,275.2	22,680.1	2.8	2.9
U.S.	126,775.0	126,508.0	123,944.0	2.6	2.3

Seasonally adjusted payroll employment data

	Oct-98	Sep-98	Oct-97	% Change	% Change
				From	From
				Previous Month	Previous Year
Aerospace Employment (1992=100)	71.8	71.9	71.9	-0.2	-0.2
Electronics Employment (1992=100)	118.3	118.8	120.5	-0.4	-1.8
Americas Semiconductor Billings (\$ Million)	3620.0	3440.0	3980.0	5.2	-9.0
Non-Residential Awards (1992=100)	130.2	139.7	161.5	-6.8	-19.4
Residential Permits (Thousands)	27.2	27.1	27.3	0.5	-0.5
Western Housing Starts (Thousands)	31.8	36.7	33.0	-13.4	-3.6

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-98	Oct-98	Nov-97	From	From
				Previous Month	Previous Year
Total	23,328.7	23,275.2	22,680.1	2.8	2.9
Mining	81.1	81.9	84.8	-11.1	-4.4
Construction	1,221.0	1,214.0	1,141.0	7.1	7.0
Manufacturing	3,055.5	3,061.2	3,052.1	-2.2	0.1
Transportation	1,199.7	1,192.4	1,174.5	7.6	2.1
Trade	5,442.8	5,427.5	5,324.3	3.4	2.2
F.I.R.E.	1,330.7	1,331.5	1,289.9	-0.7	3.2
Services	7,138.1	7,114.8	6,850.1	4.0	4.2
Government	3,859.8	3,851.9	3,763.4	2.5	2.6

Seasonally adjusted payroll employment data

**District Nonresidential Construction Activity**

*Composition and Recent Growth*

Nonresidential construction constitutes a sizeable portion of total construction activity in the Twelfth District. In 1997, the nine states that form the Twelfth District recorded nonresidential construction awards valued at \$28.5 billion, about 21 percent of the national total of \$136 billion. This level of District nonresidential construction awards was close to the District's \$35.1 billion value of residential construction awards from last year.

The left panel of Figure 1 shows yearly indexed values for nonresidential construction awards in the nation and the District. Total nonresidential awards in the District fell slightly between 1992 and 1993 but expanded by about 10 percent during each of the years 1994-97.

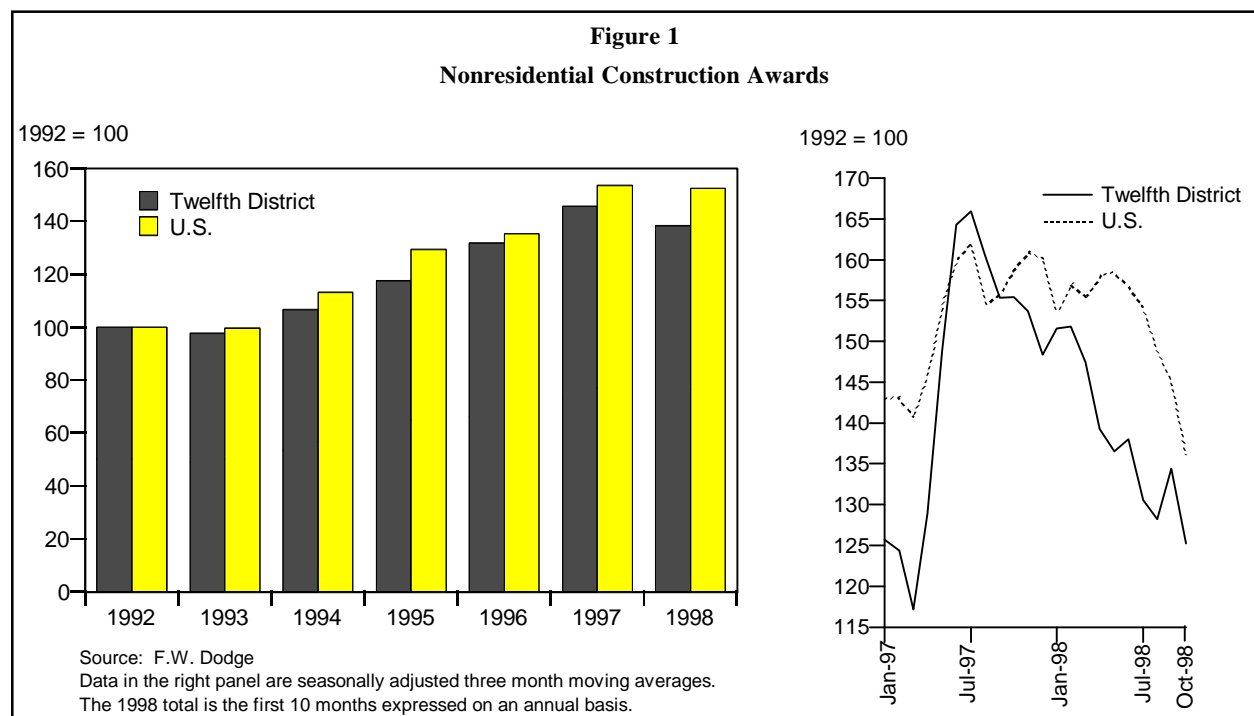
A breakdown of nonresidential construction awards by type of building is available for the broader Census region defined as the West, which includes the District states plus Colorado, Montana, New Mexico, and Wyoming. A resurgence of office construction and rapid growth in hotel and motel construction have been key features of growth in nonresidential construction activity in the West. Between 1993 and 1997, office construction in the West rose by \$2.1

billion, or about 70 percent (compared to just under a 50 percent gain for total nonresidential construction). The nation as a whole recorded similar percentage gains. Hotel and motel construction rose by a factor of more than three in the nation and the West region between 1993 and 1997, leading to increased value of \$1.8 billion in the West.

*Reduced Nonresidential Projects in 1998*

The right panel in Figure 1 shows that the value of nonresidential construction awards in the District has fallen since late 1997. For the first 10 months of 1998, the value of nonresidential construction awards was about 8 percent below that from the corresponding period in 1997. For the nation as a whole, nonresidential construction awards during the first 10 months of 1998 were down about 3 percent from the same period in 1997. Among states in the District, nonresidential awards are up a bit in Alaska and Idaho, up 25 percent (\$580 million) in Arizona, and down in the remainder of the states. The decline in planned nonresidential construction this year has been particularly pronounced in Nevada: for the first 10 months of 1998, nonresidential awards in the state were down about \$865 million, or 32 percent, compared to the same period last year.

In California, nonresidential awards were down



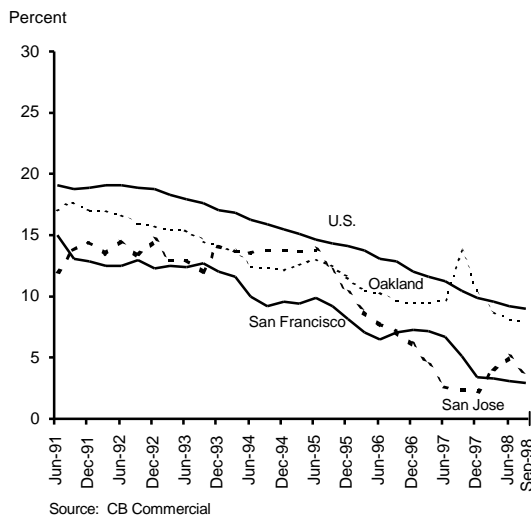
by about \$850 million (7.3 percent) for the first ten months of this year. However, this drop largely was due to a reduction in planned construction of public buildings rather than private commercial buildings. Separate data from the Construction Industry Research Board in Southern California indicate even greater strength in private nonresidential construction plans in the state this year. Thus, the outlook for most types of commercial construction activity remains favorable in California.

*Prospects for Commercial Real Estate Markets*

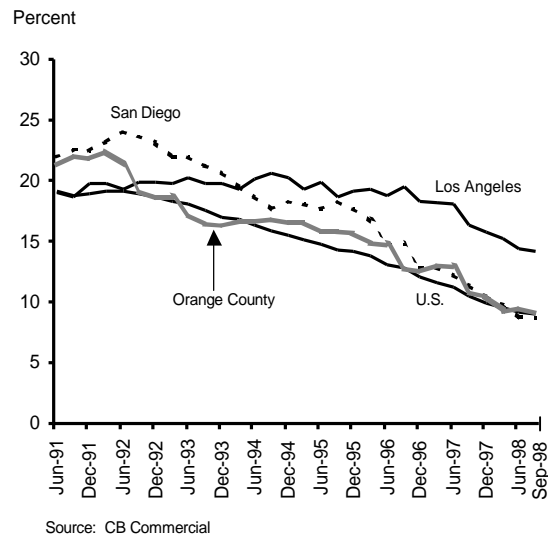
Available data on vacancy rates suggests that office market fundamentals generally remain sound in the Twelfth District. Vacancy rates reflect the strength of demand relative to existing supply of space and as such provide a good indicator of current market conditions.

Figures 2-5 indicate that vacancy rates for office space have come down substantially in most areas of the District during the past seven years. Figure 2 shows that vacancy rates are very low in the San Francisco Bay Area, particularly in San Francisco and San Jose. This rate appears to have levelled off in San Francisco, and a slight increase in San Jose this year is consistent with the sharp slowdown in employment growth there combined with substantial new office construction in the last several years. Figure 3 shows that the market for office space in Los Angeles

**Figure 2**  
Metro Area Office Vacancy Rates in the San Francisco Bay Area



**Figure 3**  
Metro Area Office Vacancy Rates in Southern California



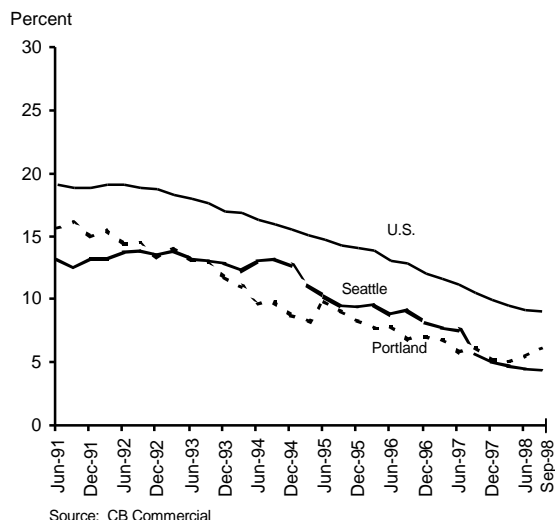
finally began to tighten in early 1997. Vacancy rates there had been hovering around 20 percent for several years; they declined to 14.1 percent as of the third quarter of this year, although they still remain well above the national average.

Among other parts of the District, Figure 4 shows that both Portland and Seattle have very low office vacancy rates. The rate in Portland went up a bit in the third quarter of this year, consistent with the slower economic growth in the area. Figure 5 shows generally low vacancy rates in the intermountain states. However, after several years of sharp decline, these rates have levelled off in Phoenix, risen a bit in Salt Lake City, and risen substantially in Las Vegas.

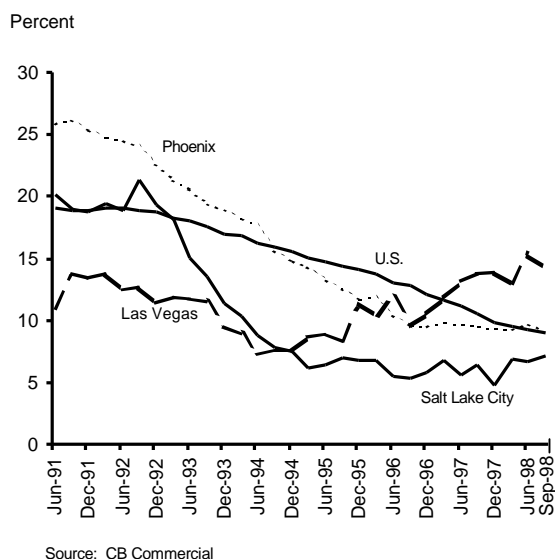
Comprehensive data on vacancy rates for other types of property are not readily available. However, CB Commercial data on vacancy rates for industrial space suggest tight supply in most areas of the District, with low rates or ongoing declines in most large metro areas in the Twelfth District.

The levelling off or increase in office vacancy rates for Portland, Phoenix, Salt Lake City, and Las Vegas suggests the possibility of some weakening of office market conditions in these areas. Indeed, nonresidential construction awards have fallen substantially in Portland and especially Las Vegas this year and have been flat in Salt Lake City. Reduced growth in building plans will

**Figure 4**  
**Metro Area Office Vacancy Rates in the Pacific Northwest**



**Figure 5**  
**Metro Area Office Vacancy Rates, Intermountain States**



help to mitigate the risk of overbuilding in these areas. However, nonresidential awards have risen substantially in Phoenix this year, which will place added pressure on developers to fill new and existing space in that area.

*Recent Financial Developments*

Substantial retrenchment has been evident this year in the availability of commercial real estate financing through real estate investment trusts (REITs) and in the markets for commercial mortgage-backed securities (CMBS). Accord-

ing to the National Association of Real Estate Investment Trusts, total returns on publicly traded REIT stocks fell 16.3 percent on an unadjusted year-to-date basis through November, and the issuance of new REIT shares has all but ceased since the summer. More recently, although REIT share prices improved a bit on net during September through November, financial market turmoil has affected debt financing through the market for CMBS. CMBS market activity has been very restricted in recent months, as investors have demanded high premiums, particularly on the lower grade securities that play a key role in this market's debt structure. Financing of real estate development projects probably has been hampered by the sharp increases in interest rate risk spreads in August and September.

The nonresidential construction award data underlying the second panel of Figure 1 are consistent with restraining effects arising from the recent financial turmoil. Nonresidential construction awards for the nation fell abruptly in September and October. For the District, nonresidential construction awards have fallen most of the year, but the drop was very sharp in October. Although financing is likely to recover in coming months, lags between the arrangement of financing and the recording of actual construction awards may imply that the full effect of the CMBS contraction and related financial turmoil only will become evident in future months.

*Conclusion*

Planned nonresidential construction activity has fallen a bit this year in the Twelfth District. This development does not appear to reflect substantial weakening of commercial real estate markets in most areas. However, slower planned commercial development in some areas, such as Portland, Salt Lake City, and Las Vegas, may be emerging as an adjustment mechanism to avoid overbuilding in the future. Moreover, restraining effects of recent financial market turmoil on real estate development activity merits additional attention.

## ALASKA, OREGON, AND WASHINGTON

Economic growth in **Alaska** has slowed substantially since the first quarter. Between March and November, payroll employment grew by less than 0.5 percent at an annual rate. The manufacturing sector recorded the sharpest declines, shedding 1,000 jobs since the first quarter. Payrolls in the retail and wholesale trade sector also contracted, declining by 900 jobs since March. Job growth in services, the state's largest non-government sector, remained positive during the past seven months, but the pace of growth slowed substantially; it fell from 6.8 percent at an annual rate during the first quarter to 3.3 percent at an annual rate since then.

On a positive note, the state unemployment rate has been well below its level from the end of 1997. In addition, the state recently announced that citizens can expect Permanent Fund dividend checks worth over \$1,500 this year, an increase of more than \$200 over last year's payment.

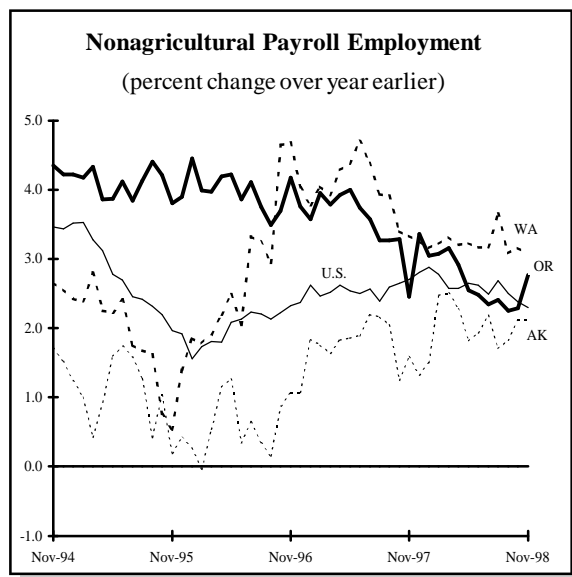
**Oregon's** economy has cooled since the beginning of this year. Nonfarm payroll employment grew by 1.7 percent on an annual basis during the eight months ending in November, well below the 2.8 percent pace of the first quarter. The slowdown was concentrated in the manufacturing sector. After adding jobs at a 1.6 percent annual pace during the first quarter, Oregon manufacturers cut approximately 4,600 jobs over the past

eight months, a decline of about 2.8 percent at an annual rate. In contrast, growth in the service-producing sectors has remained solid throughout the year, although slower than last year. Between March and November employment in the service-producing sectors grew 3.2 percent at an annual rate.

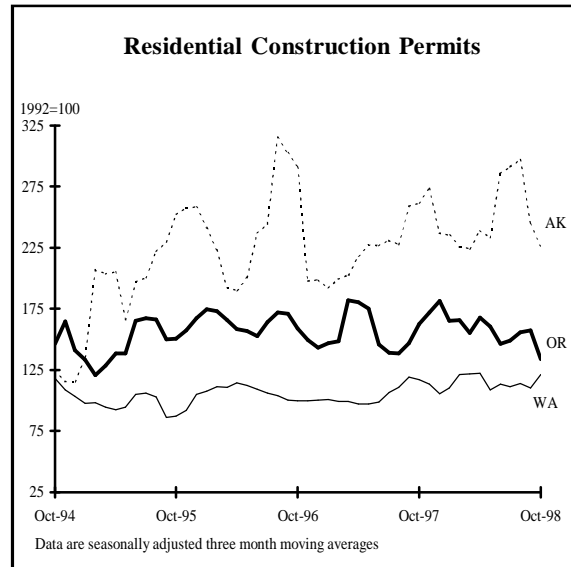
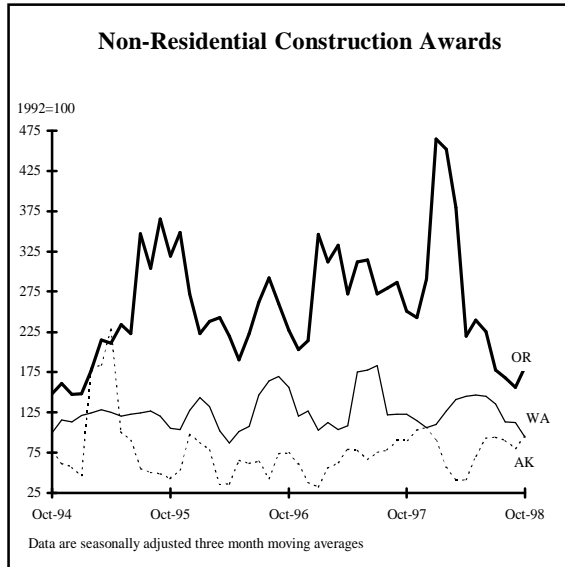
After making a key contribution to Oregon's economic expansion in recent years, construction employment has been close to flat in 1998. The slowdown in construction activity is due to growing weakness in both commercial and residential building. Sustained weakness in manufacturing activity has caused some firms to cancel or delay building plans and damped nonresidential construction activity. Similarly, slower job growth has tempered home buying and home price appreciation in many areas of the state, and residential construction permits have fallen a bit this year.

Economic growth in **Washington** slowed to a more moderate pace recently following rapid gains earlier in the year. Total nonfarm payroll employment expanded by 1.8 percent at an annual rate during the five months ending in November, about half the pace of growth during the first half of the year. The manufacturing sector has weakened this year, and manufacturing employment fell by 4.8 percent at an annual rate during the past five months. Activity also has slowed in the construction sector. A reduction in commercial and infrastructure construction projects has caused growth in construction payrolls to slow from about 8 percent on an annual basis during the first half of this year to 2.4 percent during the past five months. Washington's unemployment rate was 4.7 percent in November, up from the low of 4.1 percent achieved earlier this year.

In the state's agricultural sector, apple growers have had a difficult year. Apple prices were so low at the time of harvest that some growers found it more profitable to leave the fruit unpicked than to incur harvesting and storage costs. Low apple prices have been attributed to shrinking demand from East Asia, increased competition from China, and overproduction in the U.S.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-98	Oct-98	Nov-97	From Previous Month	From Previous Year
<b>Alaska</b>					
Total	274.5	273.8	268.8	3.1	2.1
Mining	10.5	10.5	10.1	0.0	4.0
Construction	13.2	12.9	12.7	31.8	3.9
Manufacturing	15.3	15.0	15.5	26.8	-1.3
T.C.P.U.	24.9	25.0	24.0	-4.7	3.7
Trade	56.0	56.0	54.9	0.0	2.0
F.I.R.E.	12.4	12.5	12.2	-9.2	1.6
Services	68.4	68.3	66.1	1.8	3.5
Government	73.8	73.6	73.3	3.3	0.7

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-98	Oct-98	Nov-97	From Previous Month	From Previous Year
<b>Washington</b>					
Total	2612.3	2609.9	2534.5	1.1	3.1
Mining	3.4	3.5	3.5	-29.4	-2.9
Construction	143.3	142.5	136.8	6.9	4.8
Manufacturing	371.8	373.1	375.1	-4.1	-0.9
T.C.P.U.	139.6	138.9	133.9	6.2	4.3
Trade	635.7	633.5	611.9	4.2	3.9
F.I.R.E.	136.6	136.5	130.4	0.9	4.8
Services	721.0	719.5	686.6	2.5	5.0
Government	460.9	462.4	456.3	-3.8	1.0

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-98	Oct-98	Nov-97	From Previous Month	From Previous Year
<b>Oregon</b>					
Total	1579.4	1573.0	1536.9	5.0	2.8
Mining	1.8	1.8	1.9	0.0	-5.3
Construction	85.1	84.6	83.1	7.3	2.4
Manufacturing	243.1	241.3	246.2	9.3	-1.3
T.C.P.U.	75.7	75.6	74.6	1.6	1.5
Trade	390.1	389.3	381.9	2.5	2.1
F.I.R.E.	97.6	97.7	96.1	-1.2	1.6
Services	424.9	421.5	404.2	10.1	5.1
Government	261.1	261.2	248.9	-0.5	4.9

	Unemployment Rates (%)				
	Nov-98	Oct-98	Sep-98	Nov-97	Oct-97
Alaska	5.2	6.1	5.9	7.3	7.6
Oregon	5.6	5.7	5.7	5.5	5.6
Washington	4.7	4.8	5.1	4.4	4.5
U.S.	4.4	4.6	4.6	4.6	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 recent months, following a pause in mid-summer. Growth in total payroll employment averaged 6.5 percent at an annual rate during the three months ending in November, after little net change in July and August. During the first eleven months of 1998, employment increased at a 4.5 percent average annual pace, which equals last year's pace. Among major sectors, job growth in manufacturing and business services has slowed noticeably this year, but this largely has been offset by a pickup in construction and state and local government employment.

The Arizona state government sector has been supported by large increases in tax revenues this year. Households have experienced strong individual income gains, boosting tax collections in that category. The strength in personal income has supported high levels of consumption spending in the state. Compared to last year, taxable sales are up about 7 percent for the fiscal year through October.

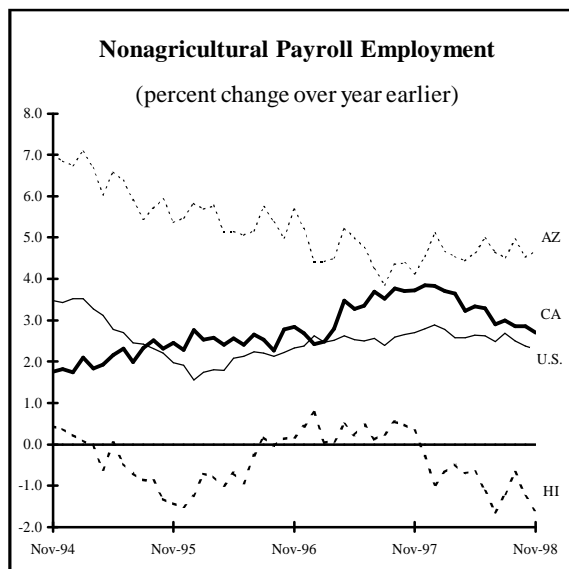
The pace of economic growth in **California** was solid in recent months, despite continued contraction in some major industries. Total payroll employment rose 3.2 percent on an annual basis in October and November. This is above the average growth rate for the first eleven months of 1998, but it is below the 3.8 percent pace from last year. Faced by declining export demand and

rising import competition, durable goods manufacturers cut employment in November. Manufacturers of computers and electronic components have been particularly hard hit this year, and aerospace employment has contracted. However, the pace of job creation has remained strong in sectors other than manufacturing, and this has helped to lower the state unemployment rate to 5.7 percent in November.

California's state and local governments have created new jobs at about a 2.5 percent annual pace this year, a pickup from prior years that is due in part to improved fiscal capacity. About 21,000 of the 29,000 jobs created this year were for educators at local schools, reflecting a recent initiative to improve the quality of public education in the state. However, slower economic growth this year and indications that the new educational policies are more costly than anticipated have combined to undercut some of the momentum for additional spending initiatives. Through October, year-to-date state government cash receipts were running about 1 percent below forecast, and the state Legislative Analyst's Office recently concluded that significant fiscal restraint will be needed to avoid a major budget deficit in the 1999-2000 fiscal year.

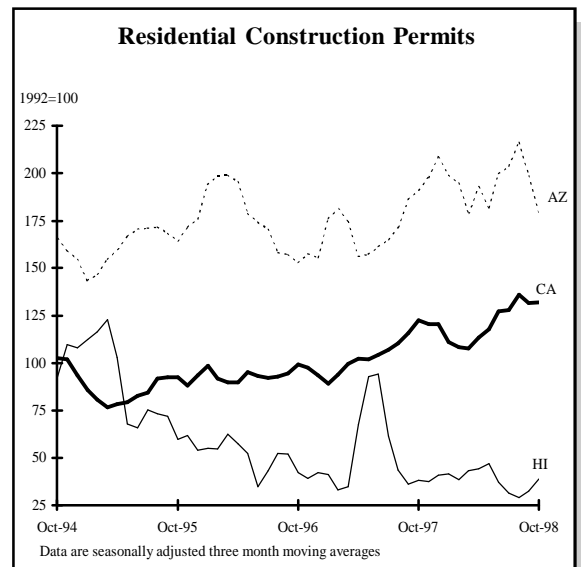
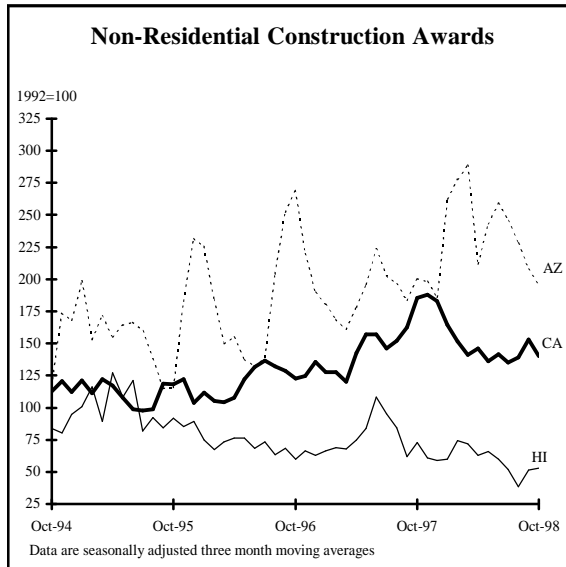
**Hawaii's** economy remained weak in recent months. Although total payroll employment grew in the third quarter, job creation largely was confined to the government sector, which shrank noticeably in October and November. On net, payroll employment has fallen a bit since mid-year, and it is down by over 1 percent on an annual basis for the first eleven months of this year. About one-third of the 6,200 jobs lost on net in the state this year were in the construction industry. However, the bulk of the job losses were at retail outlets, which have been hit hard by a drop in tourism-related business.

For the first nine months of 1998, total visitor arrivals to Hawaii fell about 1.5 percent relative to the same period a year earlier. For this year, a 3.8 percent increase in westbound arrivals was more than offset by a 9.5 percent drop in visitors from Japan, Southeast Asia, and other points of origin to the east of Hawaii.





# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized	%
	Nov-98	Oct-98	Nov-97	% Change From Previous Month	Change From Previous Year
	<b>Arizona</b>				
Total	2105.8	2091.0	2011.8	8.8	4.7
Mining	13.1	13.2	14.2	-8.7	-7.7
Construction	140.9	139.9	131.4	8.9	7.2
Manufacturing	216.0	216.6	211.6	-3.3	2.1
T.C.P.U.	102.1	100.3	97.0	23.8	5.3
Trade	505.6	504.6	487.8	2.4	3.6
F.I.R.E.	136.2	135.8	130.0	3.6	4.8
Services	642.7	639.4	612.5	6.4	4.9
Government	349.2	341.2	327.3	32.1	6.7

	Number Employed (thousands)			Annualized	%
	Nov-98	Oct-98	Nov-97	% Change From Previous Month	Change From Previous Year
	<b>Hawaii</b>				
Total	524.3	526.7	532.8	-5.3	-1.6
Mining	.	.	.	.	.
Construction	19.6	19.8	21.9	-11.5	-10.5
Manufacturing	16.0	16.0	16.5	0.0	-3.0
T.C.P.U.	40.1	40.5	41.5	-11.2	-3.4
Trade	131.5	132.4	134.7	-7.9	-2.4
F.I.R.E.	34.8	35.1	35.8	-9.8	-2.8
Services	169.9	169.8	170.3	0.7	-0.2
Government	112.4	113.1	112.1	-7.2	0.3

	Number Employed (thousands)			Annualized	%
	Nov-98	Oct-98	Nov-97	% Change From Previous Month	Change From Previous Year
	<b>California</b>				
Total	13727.9	13698.2	13367.0	2.6	2.7
Mining	27.9	28.0	29.4	-4.2	-5.1
Construction	627.2	623.8	573.1	6.7	9.4
Manufacturing	1939.9	1946.1	1936.5	-3.8	0.2
T.C.P.U.	686.0	681.0	675.4	9.2	1.6
Trade	3156.5	3146.6	3100.1	3.8	1.8
F.I.R.E.	788.4	789.1	764.7	-1.1	3.1
Services	4295.1	4280.3	4124.2	4.2	4.1
Government	2206.9	2203.3	2163.6	2.0	2.0

	Unemployment Rates (%)				
	Nov-98	Oct-98	Sep-98	Nov-97	Oct-97
	<b>Arizona</b>	4.0	3.5	4.2	4.3
<b>Hawaii</b>	5.9	5.8	6.1	6.0	6.1
<b>California</b>	5.7	5.9	6.0	6.1	6.2
<b>U.S.</b>	4.4	4.6	4.6	4.6	4.8

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

Economic activity in **Idaho** picked up a bit in recent months. Total nonfarm payroll employment grew 3.4 percent at an annual rate during the five months ending in November, faster than the 1.1 percent pace from the first half of the year. In a turnaround from earlier this year, Idaho's services sector has grown rapidly since June, creating 4,400 jobs. Government payrolls have grown fast this year, led by job creation at local public schools and federal government sites. Retailers had shed jobs in recent months, but a hiring surge in November more than offset earlier losses. Idaho's unemployment rate was 4.8 percent in November, a bit below the average for the last several months.

Activity in the state's durable manufacturing sector has declined and employment in this sector is down by nearly 1 percent on an annual basis so far this year. The state's northern rural counties in particular have been hurt by weak conditions in the markets for lumber and wood products. In addition to uncertainty regarding timber supply, producers have faced reduced foreign demand arising from the Asian economic crisis and depreciation of the Canadian dollar.

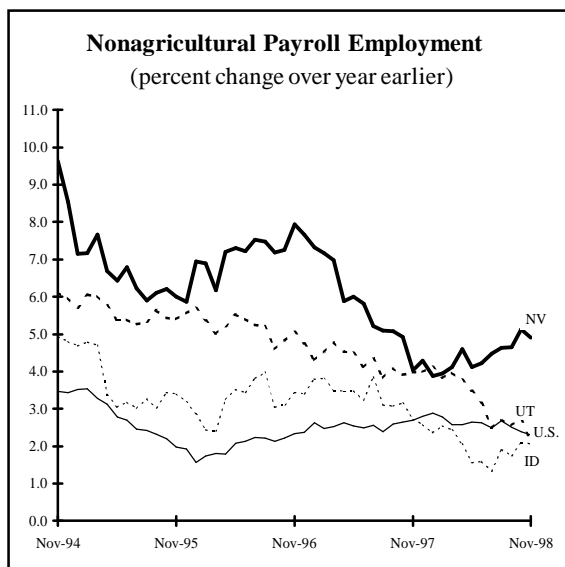
Economic growth in **Nevada** has been rapid, and the state is first in the national employment growth rankings. Total nonfarm payroll employment grew by 5.4 percent during the five months ending in November, faster than the 4.6 percent

pace from the first half of the year. Growth in recent months has been rapid in the services and finance, insurance, and real estate sectors. The retail trade sector recovered from a weak second quarter and created a large number of new jobs in the past five months. Rapid job creation has helped the state to achieve a very low unemployment rate of 3.7 percent in October and November.

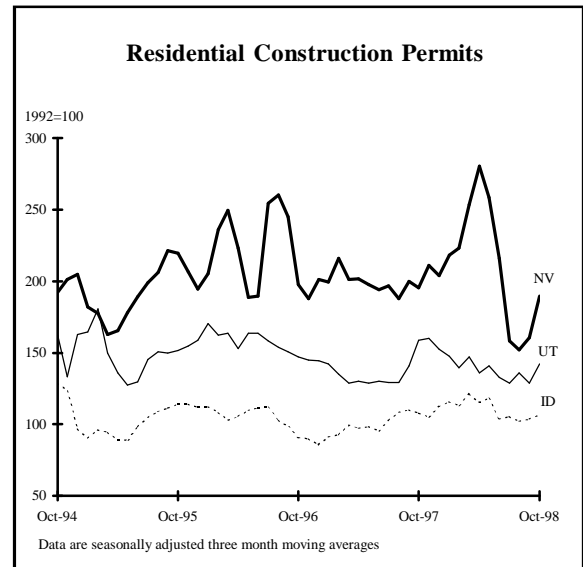
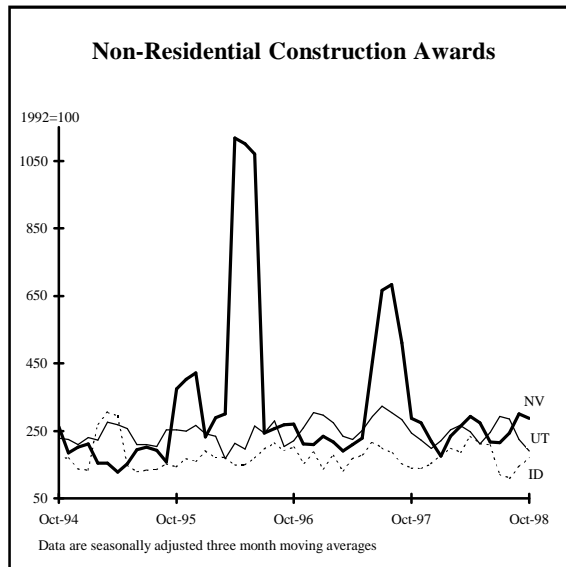
Nearly a quarter of Nevada's total payroll jobs are in the hotel and amusement sector, and most of these are in Las Vegas, where growth has been torrid this year. The October opening of the Bellagio casino created 9,000 new jobs in Las Vegas and accounted for all of the state's net job growth that month. In contrast, employment in Reno's hotel and amusement sector has fallen this year, and growth there remains much slower than in Las Vegas.

Economic growth in **Utah** picked up recently, although it remains below the pace from previous years. Following flat employment in the second quarter, payroll employment grew 1.8 percent on an annual basis during the five months ending in November. The services sector has bolstered state job growth in recent months, due in part to the creation of 900 new hotel and lodging jobs in October and November. Retail employment grew in the third quarter but fell in the last two months, and on net it is up only slightly for the year. However, the state and local governments have created jobs at about a 5 percent pace all year. Utah's unemployment rate was 3.0 percent in November, very near its low point of 2.9 percent from late 1997 and early 1998.

Recent weakness in Utah's manufacturing sector is reflected in the net loss of 900 manufacturing jobs since the high point in May. However, strong growth in manufacturing employment during the first quarter has held employment in this sector up slightly for the year. Moreover, recent news has improved the outlook for Utah's high-tech manufacturing sector, with two computer hardware companies (Iomega and Gateway) announcing plans to open or expand manufacturing facilities in the state.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-98	Oct-98	Nov-97	From Previous Month	From Previous Year
<b>Idaho</b>					
Total	524.1	523.6	513.5	1.2	2.1
Mining	3.0	3.2	2.9	-53.9	3.4
Construction	32.7	32.7	32.5	0.0	0.6
Manufacturing	75.7	75.7	75.5	0.0	0.3
T.C.P.U.	24.9	24.7	24.1	10.2	3.3
Trade	132.5	130.6	129.4	18.9	2.4
F.I.R.E.	26.5	27.0	25.6	-20.1	3.5
Services	126.1	126.2	123.9	-0.9	1.8
Government	102.7	103.5	99.6	-8.9	3.1

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-98	Oct-98	Nov-97	From Previous Month	From Previous Year
<b>Utah</b>					
Total	1031.9	1030.9	1010.6	1.2	2.1
Mining	7.9	8.0	8.4	-14.0	-6.0
Construction	69.3	68.2	65.8	21.2	5.3
Manufacturing	134.8	134.4	134.0	3.6	0.6
T.C.P.U.	58.2	58.2	57.3	0.0	1.6
Trade	243.9	244.6	241.2	-3.4	1.1
F.I.R.E.	54.3	54.2	54.0	2.2	0.6
Services	283.5	283.6	275.6	-0.4	2.9
Government	180.0	179.7	174.3	2.0	3.3

	Number Employed (thousands)			Annualized % Change	% Change
	Nov-98	Oct-98	Nov-97	From Previous Month	From Previous Year
<b>Nevada</b>					
Total	948.5	948.1	904.2	0.5	4.9
Mining	13.5	13.7	14.4	-16.2	-6.3
Construction	89.7	89.6	83.7	1.3	7.2
Manufacturing	42.9	43.0	41.2	-2.8	4.1
T.C.P.U.	48.2	48.2	46.7	0.0	3.2
Trade	191.0	189.9	182.4	7.2	4.7
F.I.R.E.	43.9	43.6	41.1	8.6	6.8
Services	406.5	406.2	386.7	0.9	5.1
Government	112.8	113.9	108.0	-11.0	4.4

	Unemployment Rates (%)				
	Nov-98	Oct-98	Sep-98	Nov-97	Oct-97
Idaho	4.8	5.0	5.0	5.1	5.3
Nevada	3.7	3.7	3.8	3.9	4.0
Utah	3.0	3.2	3.3	2.9	3.0
U.S.	4.4	4.6	4.6	4.6	4.8

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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