

WESTERN ECONOMIC DEVELOPMENTS

March 1999

Executive Summary

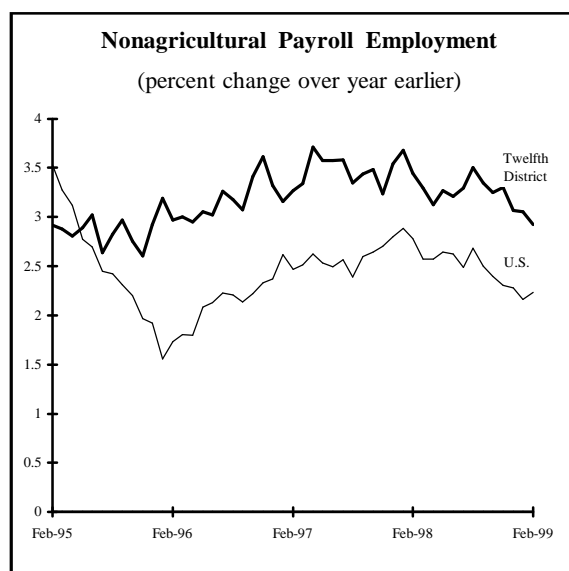
- *A gradual slowing of job growth in the Twelfth District has continued in recent months.*
- *The extent of the recent slowing in Twelfth District job growth is similar to the extent of slowing in overall U.S. job growth, and the District has continued to grow faster than the remainder of the nation.*
- *California continued to add jobs at a moderate pace in recent months and surpassed the remainder of the District in the rate of job growth.*
- *In Washington, Nevada, and Arizona job growth slowed substantially in early 1999. However, over the past twelve months Nevada stood out as the fastest-growing state in the nation, and Arizona ranked third.*

District Update

Economic activity in the Twelfth District expanded at a moderate pace in recent months, but slower than the rapid pace of growth in 1998. In January and February of this year, nonfarm payroll employment increased at a 1¾ percent average annual pace, down from the 3 percent average annual pace of job growth in 1998. Even with the recent slowing in job growth, District employment growth has been outstripping the moderate rate of increase in the labor supply. The District unemployment rate fell about 0.2 percentage point during the twelve months of 1998 and declined another 0.2 percentage point in the past two months to 5.2 percent in February, 1999. In particular, California's labor market is significantly tighter than at the beginning of 1998, as the state unemployment rate has fallen ½ percentage point since then.

In terms of job growth, California also has been a large contributor to the expansion in the District. California employment increased 3¼ percent in 1998, equal to the rapid 1997 pace. With state job growth at 2 percent at an annual rate in the first two months of 1999, California has accounted for about two-thirds of the jobs added in the District so far this year. In contrast, in other District states employment slowed about 1 percentage point in 1998 to 2¾ percent, and the early 1999 pace was only about 1½ percent at an annual rate.

Among other large District states, the recent slowing of job growth is most pronounced in Arizona, which had been expanding quite rapidly. Virtually no jobs have been added so far this year in Arizona; last year, growth slowed 1½ percentage point to what still was a very rapid 4 percent pace. In Washington, job growth has been moderate in recent months, but weakness in the manufacturing sector slowed growth compared with last year. The recent weakening in



Washington manufacturing primarily reflects developments in the aerospace sector, but employment at manufacturers of computing equipment and lumber and wood products also is down.

Across states, one common feature is a contracting manufacturing sector. Overall District manufacturing employment fell about 1¼ percent at an annual rate in the first two months of 1999, following little change in 1998. In part, this is due to a drop in exports, which were down in California and the remainder of the District except Washington. In Washington, exports were boosted in 1998 by increased Boeing deliveries to foreign customers. Although non-manu-

facturing job growth also slowed in 1998 and early 1999, the major non-manufacturing sectors do continue to add jobs.

Financial Conditions

Several large and medium-sized banks in the District experienced unusually low earnings in the fourth quarter that affected District profitability. Most of the unusual losses were due to one-time merger related expenses. Thus, aggregate annualized fourth-quarter return on average assets (ROAA) for all banks headquartered in the District was 0.8 percent and aggregate annualized return on equity (ROE) was 7.7 percent, while ROAA and ROE excluding the affected banks were 1.6 percent and 15.5 percent, respectively. As with banks, merger related charges also influenced ROAA for large thrifts in the District (those with assets over \$1 billion) in the fourth quarter. Excluding the affected institution, ROAA for large thrifts in the District was 1.5 percent in the fourth quarter.

Excluding the California banks affected by large one-time expenses, banks headquartered in California showed lower, but still healthy, profit rates than in the District as a whole, with ROAA of 1.2 percent and ROE of 12 percent. For small banks in California, fourth-quarter profitability was weaker, at 0.9 percent for ROAA and 8.4 percent for ROE, down from the previous quarter and the year prior. Small banks in Southern California, experiencing a decline in interest income, largely were responsible for the relatively poor performance of small banks in the state as a whole. Small Central Valley banks and, especially, small Northern California banks, performed better than did small banks as a whole in the state.

The aggregate capital ratio for banks of all sizes across the District was strong in the fourth quarter. Asset quality in the District was good, with the aggregate past-due total loan ratio below the national average. For California banks overall, the average past-due total loan ratio was lower than in the District as a whole. In contrast, small banks in California showed a 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.

District Employment by State

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From	From
				Previous Month	Previous Year
Alaska	277.5	277.8	274.2	-1.3	1.2
Arizona	2,118.6	2,114.4	2,038.9	2.4	3.9
California	13,829.8	13,827.9	13,425.4	0.2	3.0
Hawaii	527.0	526.5	529.4	1.1	-0.5
Idaho	535.4	536.8	517.8	-3.1	3.4
Nevada	949.8	949.9	906.7	-0.1	4.8
Oregon	1,580.3	1,578.7	1,547.2	1.2	2.1
Utah	1,040.0	1,037.7	1,014.1	2.7	2.6
Washington	2,631.8	2,628.6	2,571.6	1.5	2.3
District	23,490.2	23,478.3	22,825.3	0.6	2.9
U.S.	127,610.0	127,335.0	124,832.0	2.6	2.2

Seasonally adjusted payroll employment data

District Employment by Industry

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From	From
				Previous Month	Previous Year
Total	23,490.2	23,478.3	22,825.3	0.6	2.9
Mining	75.5	76.0	80.3	-7.6	-6.0
Construction	1,246.2	1,257.4	1,152.8	-10.2	8.1
Manufacturing	3,069.6	3,076.1	3,083.9	-2.5	-0.5
Transportation	1,230.1	1,227.4	1,195.7	2.7	2.9
Trade	5,450.8	5,449.6	5,332.5	0.3	2.2
F.I.R.E.	1,360.7	1,360.3	1,311.1	0.4	3.8
Services	7,204.6	7,181.7	6,900.3	3.9	4.4
Government	3,852.7	3,849.8	3,768.7	0.9	2.2

Seasonally adjusted payroll employment data

Housing and the California Outlook

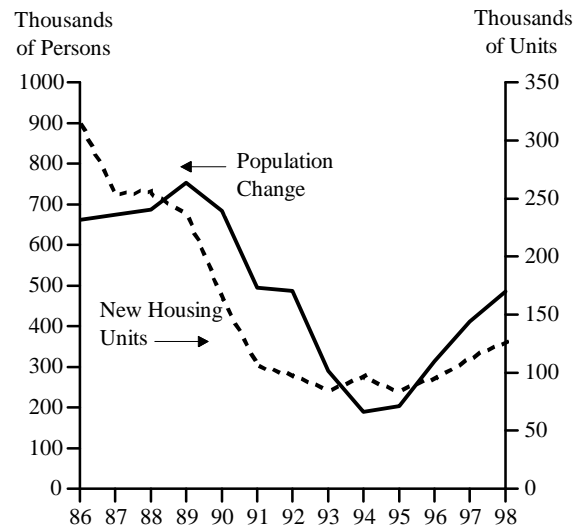
In California the condition of the housing market was a dampening factor on regional growth in the early and mid-1990s, but in the past few years a turnaround in housing market conditions contributed to a broad-based pickup in state economic activity. In the near-term, tight conditions in state housing markets are likely to continue to be stimulative to overall growth. However, the increasing disparity between the cost-of-living in California and in other U.S. states appears likely to hold down California's pace of growth over a longer-term horizon.

The recent tightening in the California housing market largely reflects a pickup in the demand for housing units as the state population has increased faster and households have been formed at an increasing rate. There are about 2.8 persons per household in California. Thus, when California's rate of population increase slowed from about 750,000 persons per year in 1989 to about 200,000 persons per year in 1994 and 1995, state household formation slowed from about 270,000 to 70,000 per year. And, when California's rate of population growth picked back up to about 500,000 persons in 1998, household formation moved up to about an estimated 175,000 households per year.

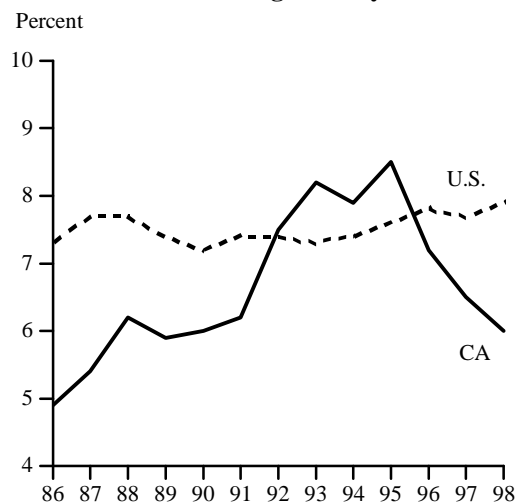
During the downturn in California in the early 1990s, construction of new residential housing units dropped substantially and reached lows in 1993-95 of about 90,000 units per year. This mid-1990s pace of residential building still was a bit above the net rate of household formation, so vacancy rates on rental and homeowner units increased. In 1995, the rental vacancy rate peaked at 8.5 percent and the homeowner vacancy rate peaked at 2.1 percent.

In the last three years, the pace of household formation in California appears to have been more rapid than the rate of construction of new housing units. For example, in 1998 there were 125,000 new housing units built in the state, compared with the above-mentioned estimated addition of about 175,000 households. Accordingly, vacancy rates on rental and homeowner units decreased sharply last year.

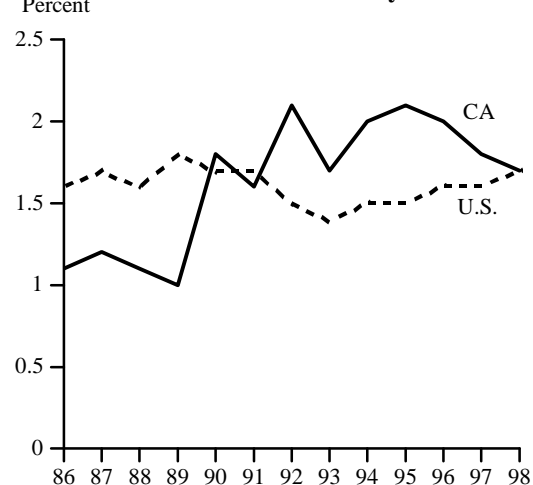
California Population Change and New Residential Housing Units



Rental Housing Vacancy Rates

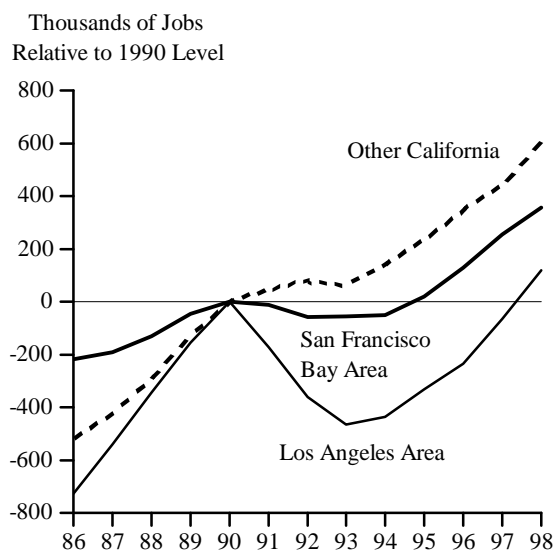


Homeowner Unit Vacancy Rates

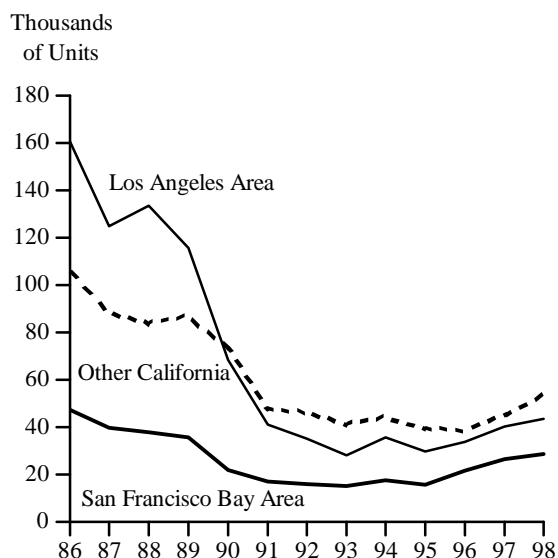


Sources: U.S. Bureau of the Census and California Construction Industry Research Board

**Cumulative Employment Changes
within California**



**New Housing Units
within California**



Sources: U.S. Bureau of Labor Statistics and California Construction Industry Research Board

Given the recent declines to about historical average levels, the rental and homeowner vacancy rates in California as a whole appear to be near their equilibrium values. In this sense, one could say that there is no current backlog of unbuilt housing units. However, various local housing markets do appear to be in disequilibrium, as the most rapid job growth and population growth has not always occurred in the areas with sufficient available housing stock.

A little more than 1 million nonagricultural jobs have been added to California payrolls since 1990. The most rapid job growth in California occurred outside its largest (consolidated) metropolitan area, the five-county Los Angeles Area (Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties). Although the Los Angeles Area accounted for about one-half of California jobs as of 1990, only about 10 percent of the jobs added since then have been in the Los Angeles Area. In contrast, both the San Francisco Bay Area and the remainder of California accounted for about one-quarter of California jobs as of 1990, and since then about one-third of California job growth has occurred in the San Francisco Bay Area, and more than one-half of overall job growth has occurred in the remainder of the state.

The subregional pattern of residential construction reflects this uneven pattern of job growth somewhat, but the distribution of building activity also appears to have been notably influenced by supply-side factors that prevented the fastest-growing areas from fully responding to the pickup in housing demand immediately. Compared with the pre-recession pace of construction activity, relatively few new housing units have been built in the Los Angeles Area since 1990, largely reflecting the weakness in housing demand. In the San Francisco Bay Area, new housing unit construction picked up to about 30,000 units last year, but this still is well below the pre-recession peak. Elsewhere in California, the early 1990s dropback in housing construction was much less steep than in the Los Angeles Area, and from 1991 to 1998 about 45,000 new housing units were built per year, on average, more than in either the Los Angeles Area or the San Francisco Bay Area.

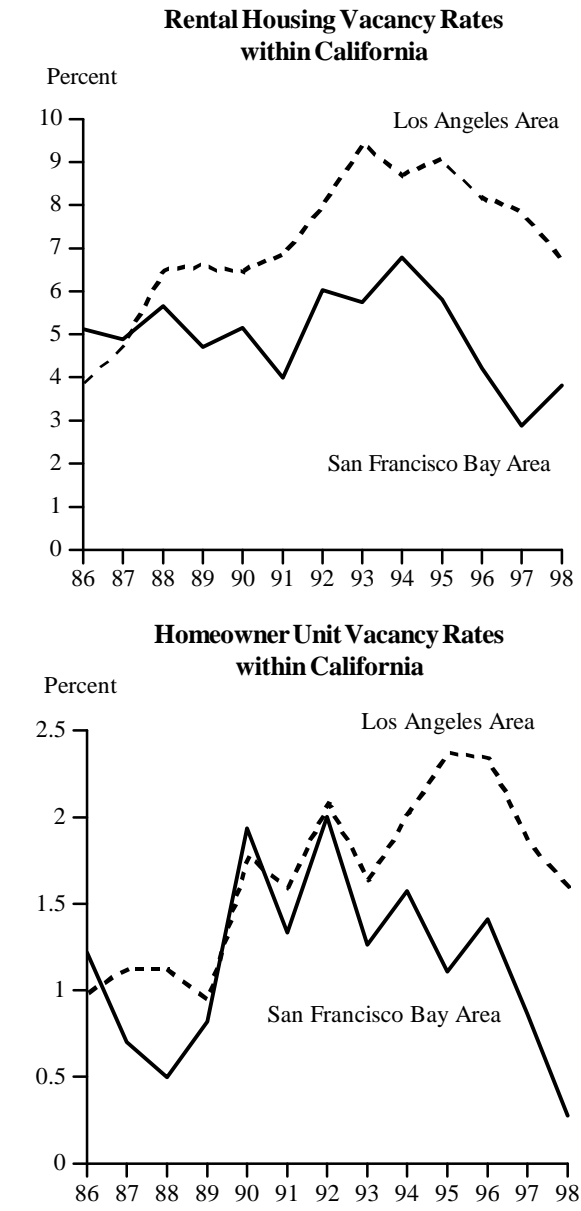
A comparison of the distribution of housing stock growth relative to the distribution of employment growth suggests that supply has not yet fully responded to demand in the San Francisco Bay Area and in the remainder of California (excluding the Los Angeles Area). Even though the San Francisco Bay Area accounted for one-third of state job growth since 1990, less than 20 percent of the new housing units built in the state have been in that area. In contrast, the

Los Angeles Area accounted for 36 percent of new housing construction with only about 10 percent of the job growth, which implies (given the Bay Area figures) that 45 percent of the new housing units were built in the remainder of the state, well shy of the 56 percent of job growth that occurred there.

The subregional detail on housing vacancy rates corroborates this evidence that substantial pent-up demand for new housing exists in the San Francisco Bay Area but less so in the greater Los Angeles Area, taken as a whole. Although the rental housing vacancy rate in the Los Angeles Area has come down a bit in recent years to 6¾ percent in 1998, this current level still is slightly above the pre-recession levels. Similarly, the Los Angeles Area homeowner vacancy rate remains relatively high. In contrast, in 1997 and 1998 the San Francisco Bay Area rental and homeowner vacancy rates were at the lowest levels of the decade. In the near term, the tight conditions in housing markets in the San Francisco Bay Area and in the remainder of the state (excluding the Los Angeles Area) appear likely to contribute to growth of the overall state economy by stimulating some additional construction of new housing units.

Over a longer-term horizon, an increasing disparity between the cost-of-living in California and in other U.S. states appears likely to hold down California's pace of economic growth. California house prices increased 8 percent in 1998 to a median value of over \$200,000, compared with a 5¼ percent gain for overall U.S. house prices to a median value of about \$130,000 per unit. Even if the expected slight pickup in California residential construction materializes in the next few years, substantial upward pressure on prices of existing homes is likely to continue, as supply is particularly constrained in some of the areas with the best access to jobs and amenities.

Recent research found that within the Los Angeles Area and San Francisco Bay Area, housing supply is particularly price-inelastic (supply-constrained) in those counties with the highest levels of amenities and best access to high-paying jobs.¹ New housing construction has been pushed towards peripheral parts of these broad metro-



Source: U.S. Bureau of the Census

politan areas, where housing is more affordable largely because new units can be built, but commuting times to jobs tend to be longer. This type of supply-side constraint appears likely to hold down overall growth in California over the longer-term.

Joe Matthey

¹Gabriel, Stuart A., Joe P. Matthey, and William L. Wascher (1999). "House Price Differentials and Dynamics: Evidence for the Los Angeles and San Francisco Metropolitan Areas," Federal Reserve Bank of San Francisco *Economic Review*, 99:I, 3-22.

ALASKA, OREGON, AND WASHINGTON

Although the pace of job growth in **Alaska** picked up slightly in recent months, there are some signs of emerging weakness in the economy. Nonfarm payroll employment expanded by 3.1 percent at an annual rate during January and February, a percentage point faster than the pace of growth during 1998. The return of workers to previously-idled seafood processing plants accounted for all of the recent pickup in employment. However, declining prices for other natural resources continue to temper growth in Alaska. Recent drops in prices of oil, timber, and wood products have prompted many producers to halt exploration and extraction activity in oilfields and forests and to release workers from payrolls. Recent layoffs have boosted the state unemployment rate to 6.4 percent in February from 5.6 percent at the end of last year.

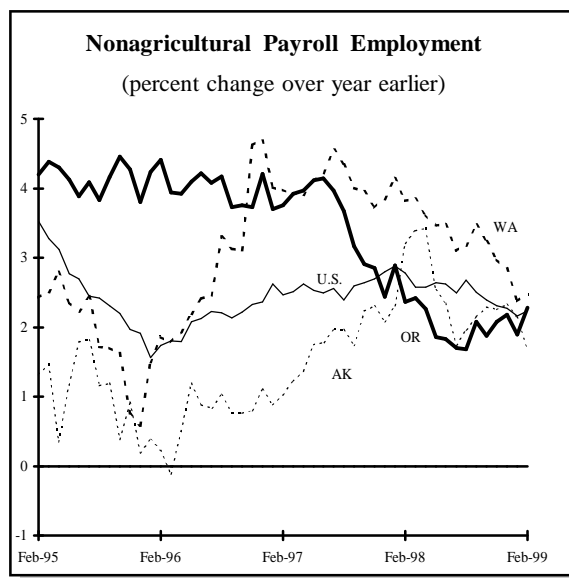
Oregon's economy expanded at a solid pace in recent months, beginning the year with added momentum. Total payroll employment increased by 2.6 percent at an annual rate during January and February, about ½ percentage point faster than in 1998. Construction payrolls grew rapidly in recent months, aided by good weather in January and following moderate improvement in the residential real estate market last year. While Oregon's high-tech manufacturing industries continued to contract early in 1999, this only partly offset an increase in jobs at manufacturers of nondurables such as food, apparel, and rubber

and plastics. The recent pick up in construction and manufacturing augmented continued solid expansion in the state's service-producing sector, which added jobs at a 2.6 percent annual rate in January and February, about the same pace as in 1998.

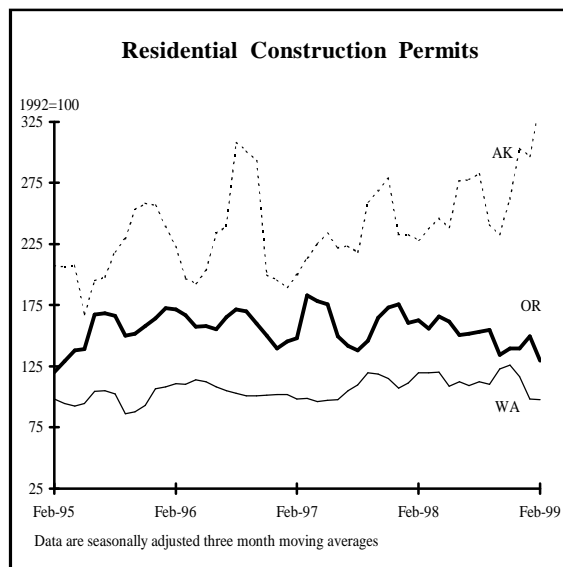
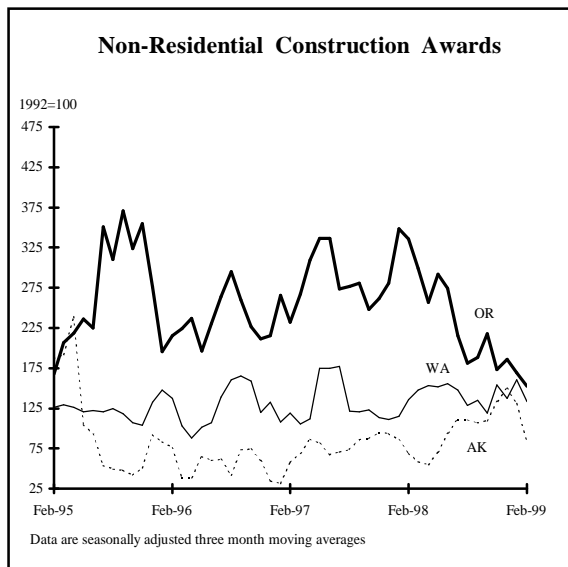
Declining demand from East Asia and global oversupply problems resulted in a significant slowdown of Oregon's high-tech manufacturing sector in 1998, with many firms cutting jobs. Employment at computer equipment makers was down 6 percent last year, and electronics equipment manufacturers reduced their job counts 2½ percent. Hyundai's announcement that it will delay building a computer-chip factory in Eugene and recent news of price wars among chip makers AMD and Intel have introduced additional uncertainty about the outlook for Oregon's high-tech industry in 1999.

Economic growth in **Washington** slowed in recent months. Payroll employment growth slowed to 1.4 percent at an average annual rate in January and February, one percentage point lower than in 1998. Much of the slowdown owed to a contraction in the state's manufacturing sector; manufacturers shed jobs at a 4.4 percent annual pace during the two months ending in February. Lumber and wood products employment was reduced. The most pronounced job reduction was at aircraft and parts manufacturers, who shed more than 5,000 jobs during January and February. This largely reflects a turning point at Boeing, where scheduled production peaked in the first quarter and is due to be cut about 20 percent during the next six months. Although early 1999 job growth remained rapid in another of Washington's key sectors, software and other computer services, these recent employment gains in computer services have only partly offset the loss of aerospace manufacturing jobs. Most of Washington's recent job increases have been in the construction and local government education sectors.

Given the overall moderate pace of job growth recently, the state unemployment rate held steady at 4.9 percent in February. The Washington unemployment rate was slightly below 5 percent throughout the latter half of last year.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From Previous Month	From Previous Year
Alaska					
Total	277.5	277.8	274.2	-1.3	1.2
Mining	9.7	9.7	10.5	0.0	-7.6
Construction	13.9	14.1	13.8	-15.8	0.7
Manufacturing	15.4	15.7	14.9	-20.7	3.4
T.C.P.U.	25.8	25.8	25.2	0.0	2.4
Trade	57.2	56.9	56.7	6.5	0.9
F.I.R.E.	12.7	12.7	12.4	0.0	2.4
Services	69.2	69.5	67.2	-5.1	3.0
Government	73.6	73.4	73.5	3.3	0.1

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From Previous Month	From Previous Year
Washington					
Total	2631.8	2628.6	2571.6	1.5	2.3
Mining	3.5	3.5	3.3	0.0	6.1
Construction	146.5	146.3	140.1	1.7	4.6
Manufacturing	371.8	373.4	381.2	-5.0	-2.5
T.C.P.U.	139.1	138.6	134.6	4.4	3.3
Trade	636.3	635.5	617.0	1.5	3.1
F.I.R.E.	139.5	139.3	132.0	1.7	5.7
Services	725.4	721.1	698.9	7.4	3.8
Government	469.7	470.9	464.5	-3.0	1.1

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From Previous Month	From Previous Year
Oregon					
Total	1580.3	1578.7	1547.2	1.2	2.1
Mining	1.8	1.8	1.8	0.0	0.0
Construction	85.1	85.6	82.3	-6.8	3.4
Manufacturing	242.4	242.8	247.9	-2.0	-2.2
T.C.P.U.	77.9	77.6	76.2	4.7	2.2
Trade	387.0	386.6	381.9	1.2	1.3
F.I.R.E.	96.7	96.1	94.6	7.8	2.2
Services	428.8	428.4	410.6	1.1	4.4
Government	260.6	259.8	251.9	3.8	3.5

	Unemployment Rates (%)				
	Feb-99	Jan-99	Dec-98	Feb-98	Jan-98
Alaska	6.4	5.9	5.6	6.1	6.3
Oregon	5.8	5.6	5.5	5.4	5.5
Washington	4.9	4.7	4.9	4.5	4.6
U.S.	4.4	4.3	4.3	4.6	4.6

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 fast pace of economic growth has moderated recently. Employment was little changed in the first two months of this year, following a slowdown of job growth in 1998 to a still-rapid 4 percent pace. In early 1999, a number of manufacturing and business service jobs were lost in the Phoenix area, as some major employers restructured operations. Nevertheless, for the twelve months ending in February, Arizona posted the third fastest job growth rate among U.S. states. With the rapid employment gains in 1998, labor markets remain tight; the Phoenix area unemployment rate is below 3 percent, and the state-wide unemployment rate is 4 percent.

Arizona's population has been increasing rapidly. Recent Census Bureau estimates show a 2½ percent increase in Arizona's population last year, the second-fastest rate of population increase among U.S. states. Most of Arizona's new residents have moved from other U.S. states, where economic conditions generally are not as favorable. The cost-of-living in Arizona is relatively low. The Phoenix area median home price is about \$120,000, well below that in most other major western metropolitan areas.

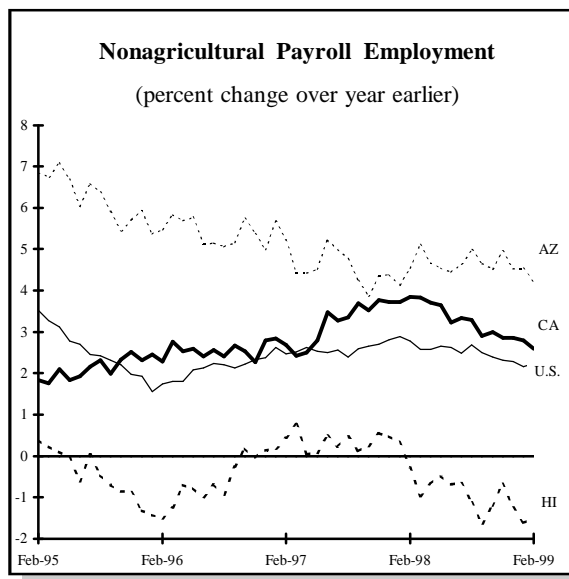
California's economy has exhibited reasonably good momentum in recent months, though job growth was affected by a slowdown in some sectors and sub-regions. Overall state employment increased at a 2 percent average annual

pace in January and February, following a 3¼ percent gain in 1998. Recently, job losses in manufacturing only partly offset strong gains in construction, real estate, business services, and a few other key industries.

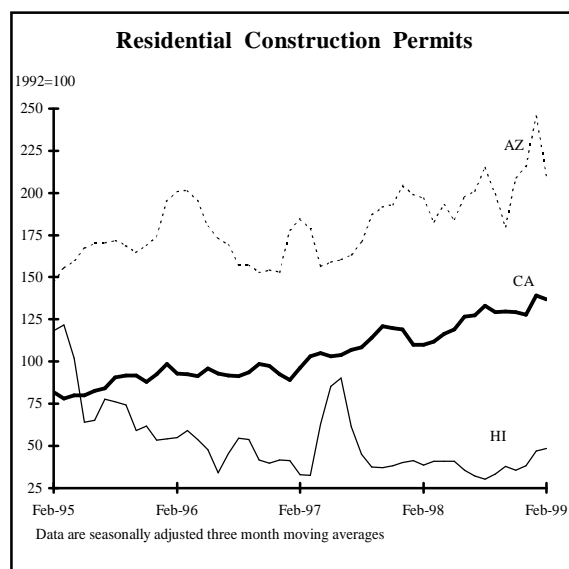
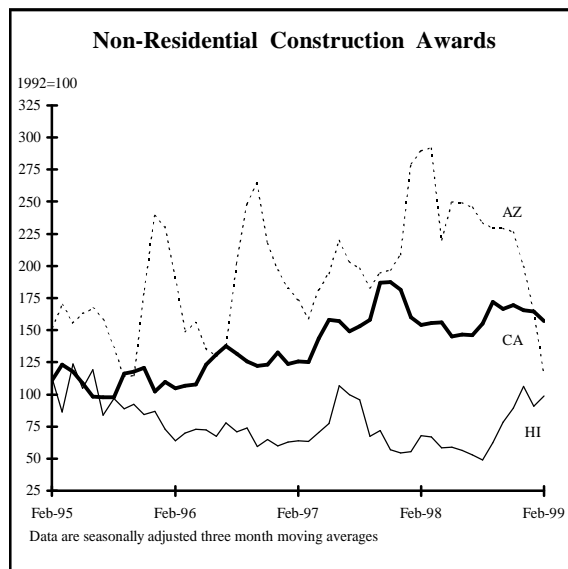
A pickup in state population growth from a low of about ½ percent at an annual rate in the mid-1990s to a 1½ percent pace last year has boosted activity in housing-related sectors. Other indicators also suggest that California economic activity has continued solid growth in recent months. The state unemployment rate drifted down in January and February, and initial claims for unemployment insurance have remained low. State tax authorities report strong receipts from sales and personal income withholding in early 1999. Construction and real estate sales activity also have been quite strong. Residential construction permits averaged about 11,500 units per month in the three months ending in January, up about 25 percent from the same period a year earlier. In part, this is a response to the large gains in prices of existing homes, which over the twelve months ending in January increased about 6 percent statewide and 15 percent in the San Francisco Bay Area. Nonresidential construction awards continued at high levels in early 1999, following a large gain in nonresidential building permit issuance last year.

Hawaii's economy continues to contract. Non-agricultural employment edged down further in early 1999, following a ½ percent decline in 1998. This leaves Hawaii with the undesirable distinction of being the only U.S. state to have lost jobs over the past twelve months. With the weakness in job growth having persisted for several years, the state unemployment rate also is relatively high, at 6 percent in February 1999.

Further deterioration of Hawaii's unemployment situation was partly prevented by a large outflow of Hawaiian residents to other states last year. Census Bureau estimates show that on net about 1½ percent of Hawaiians migrated to the mainland last year. A high cost-of-living in the state has added to the incentive to find jobs elsewhere. Despite a substantial decline in recent years, the median price of a home in Honolulu still is almost \$300,000.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From Previous Month	From Previous Year
Arizona					
Total	2118.6	2114.4	2038.9	2.4	3.9
Mining	12.5	12.5	13.2	0.0	-5.3
Construction	154.0	153.5	138.4	4.0	11.3
Manufacturing	218.1	217.4	215.6	3.9	1.2
T.C.P.U.	104.5	105.0	98.9	-5.6	5.7
Trade	510.8	509.7	492.1	2.6	3.8
F.I.R.E.	143.0	142.8	133.2	1.7	7.4
Services	633.0	632.0	608.9	1.9	4.0
Government	342.7	341.5	338.6	4.3	1.2

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From Previous Month	From Previous Year
Hawaii					
Total	527.0	526.5	529.4	1.1	-0.5
Mining
Construction	20.6	20.7	21.8	-5.6	-5.5
Manufacturing	16.1	16.2	16.5	-7.2	-2.4
T.C.P.U.	40.2	40.2	41.2	0.0	-2.4
Trade	130.6	130.7	132.7	-0.9	-1.6
F.I.R.E.	35.2	35.3	35.5	-3.3	-0.8
Services	173.5	172.6	170.7	6.4	1.6
Government	110.8	110.8	111.0	0.0	-0.2

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Dec-98	From Previous Month	From Previous Year
California					
Total	13829.8	13827.9	13425.4	0.2	3.0
Mining	24.1	24.7	26.5	-25.6	-9.1
Construction	633.2	641.7	575.1	-14.8	10.1
Manufacturing	1954.1	1959.0	1956.1	-3.0	-0.1
T.C.P.U.	707.6	705.6	689.5	3.5	2.6
Trade	3152.6	3154.9	3092.7	-0.9	1.9
F.I.R.E.	808.2	809.1	784.6	-1.3	3.0
Services	4349.3	4334.1	4158.7	4.3	4.6
Government	2200.7	2198.8	2142.2	1.0	2.7

	Unemployment Rates (%)				
	Feb-99	Jan-99	Dec-98	Feb-98	Jan-98
Arizona	4.0	3.9	3.9	4.2	4.2
Hawaii	6.0	6.1	6.1	6.3	6.2
California	5.6	5.8	5.9	6.0	6.0
U.S.	4.4	4.3	4.3	4.6	4.6

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** surged at the end of 1998 and continued to expand at a strong pace during the first two months of this year. On an annual basis, nonfarm payroll employment grew 8 percent during the fourth quarter of 1998 and another 3 percent on average during January and February. These recent figures compare favorably with the growth rate of 2.6 percent for 1998 as a whole. Recent job growth has been especially strong in the construction, transportation, communications, and business services sectors. Overall job growth has pushed the state's unemployment rate down; it averaged 4.6 percent in January and February, down from around 5 percent during most of 1999.

The newly revised employment figures for the past two years show substantially more job creation in the state than previous estimates. The 1997 and 1998 estimates of growth in total nonfarm jobs were revised upward from 2.6 and 2.0 percent to 3.7 and 2.6 percent, respectively, and the job tally as of December 1998 stood 8,300 jobs above the previous estimate.

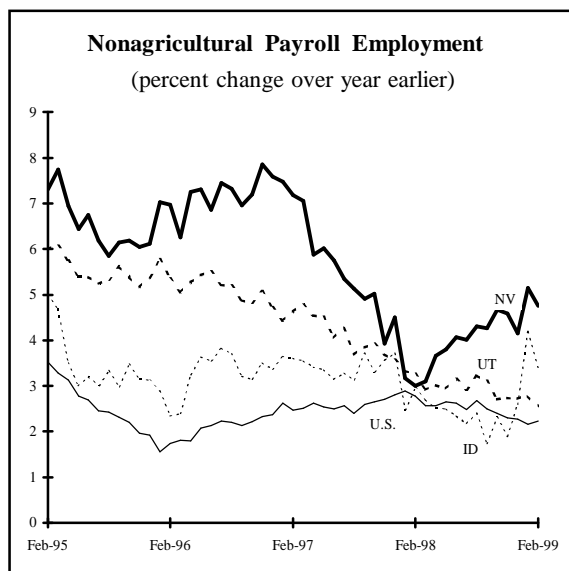
Nevada leads the nation in its pace of job growth during the past twelve months, although growth there slowed recently. Nonfarm payroll jobs expanded by 2 percent at an annual rate during January and February, well below the fourth quarter pace of 5.6 percent. Among the restraining factors, construction employment was nearly flat during January and February. Although the

state added a small number of manufacturing jobs during 1998, the trend in that sector is downward, with jobs lost at an annual rate of 5.5 percent during the first two months of 1999. Growth in most other sectors was solid early in 1999, and the state unemployment rate has remained very low, hovering at or below 3½ percent in recent months.

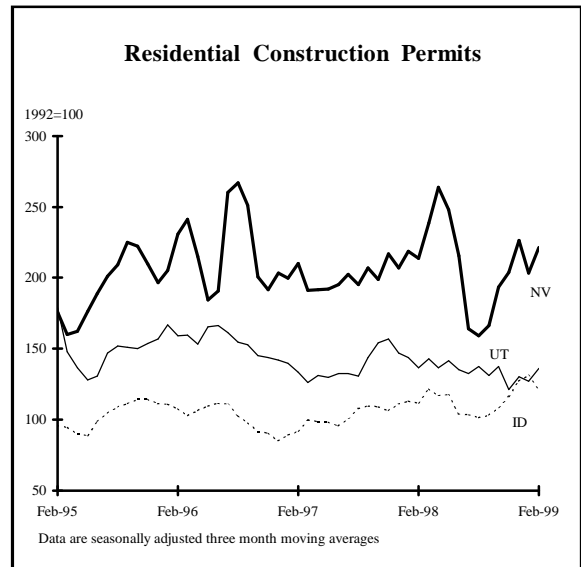
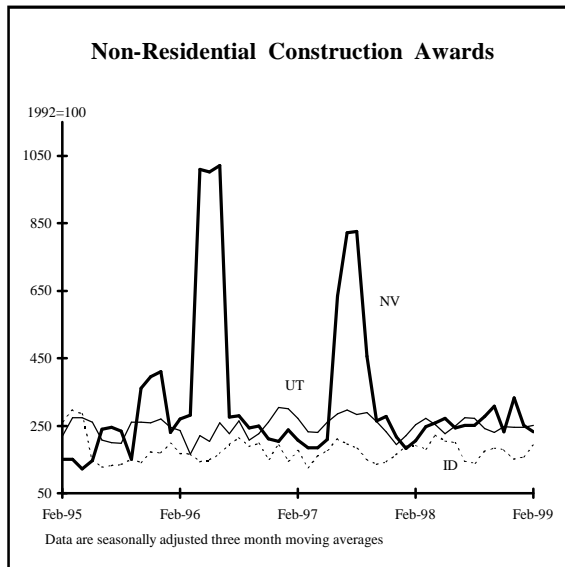
Activity in the state's key tourism sector was boosted by the opening of the Bellagio casino in Las Vegas in October. Employment in the hotel and amusement sector surged during the fourth quarter of 1998 and continued to increase early this year. Growth during January and February was nearly 4 percent on an annual basis, well above the pace of about 2½ percent during the past few years. Gaming revenues jumped up in the fourth quarter of 1998, with double-digit growth relative to the same period in 1997, and growth in taxable retail sales was nearly as rapid.

Utah's economy has been expanding at a solid pace. Revised employment estimates indicate that the nonfarm job tally grew by 2.7 percent in 1998, 0.6 percentage point above the initial estimate. However, the pace of growth slowed to 1.8 percent at an annual rate during the fourth quarter and continued at that rate during January and February of this year. Both the construction and manufacturing sectors shrank during these months, with 1,000 jobs lost in the two sectors on net. State and local government payrolls fell by 2,500 jobs during the same period. These job losses were offset by job growth that was especially strong in the retail trade and services sectors. Moreover, the state unemployment rate remains low, hovering a bit above 3 percent in recent months.

Extensive nonresidential construction activity helped to keep construction employment growing in Utah during 1998. The recent benchmark revision to the payroll employment figures raised the growth rate in this sector from 4.1 percent to 9.2 percent for the year. However, new residential construction fell in Utah last year, as slower overall job creation has caused the state's housing market to cool.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From Previous Month	From Previous Year
Idaho					
Total	535.4	536.8	517.8	-3.1	3.4
Mining	2.8	2.9	3.0	-34.4	-6.7
Construction	34.7	35.3	32.0	-18.6	8.4
Manufacturing	76.2	75.9	76.3	4.8	-0.1
T.C.P.U.	26.3	26.4	24.9	-4.5	5.6
Trade	135.3	135.4	131.3	-0.9	3.0
F.I.R.E.	23.6	23.7	22.7	-4.9	4.0
Services	134.1	133.7	125.1	3.6	7.2
Government	102.4	103.5	102.5	-12.0	-0.1

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From Previous Month	From Previous Year
Utah					
Total	1040.0	1037.7	1014.1	2.7	2.6
Mining	7.9	7.7	8.4	36.0	-6.0
Construction	71.1	71.6	66.9	-8.1	6.3
Manufacturing	133.5	133.6	133.9	-0.9	-0.3
T.C.P.U.	59.8	59.5	57.7	6.2	3.6
Trade	245.8	245.4	242.3	2.0	1.4
F.I.R.E.	56.7	56.4	53.9	6.6	5.2
Services	288.0	287.3	276.1	3.0	4.3
Government	177.2	176.2	174.9	7.0	1.3

	Number Employed (thousands)			Annualized % Change	% Change
	Feb-99	Jan-99	Feb-98	From Previous Month	From Previous Year
Nevada					
Total	949.8	949.9	906.7	-0.1	4.8
Mining	13.2	13.2	13.6	0.0	-2.9
Construction	87.1	88.6	82.4	-18.5	5.7
Manufacturing	42.0	42.1	41.5	-2.8	1.2
T.C.P.U.	48.9	48.7	47.5	5.0	2.9
Trade	195.2	194.5	185.8	4.4	5.1
F.I.R.E.	45.1	44.9	42.2	5.5	6.9
Services	403.3	403.0	384.1	0.9	5.0
Government	115.0	114.9	109.6	1.0	4.9

	Unemployment Rates (%)				
	Feb-99	Jan-99	Dec-98	Feb-98	Jan-98
Idaho	4.7	4.5	4.9	5.2	5.2
Nevada	3.5	3.3	3.3	4.8	4.7
Utah	3.2	3.4	3.3	3.8	3.7
U.S.	4.4	4.3	4.3	4.6	4.6

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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