

WESTERN ECONOMIC DEVELOPMENTS

June 1999

Executive Summary

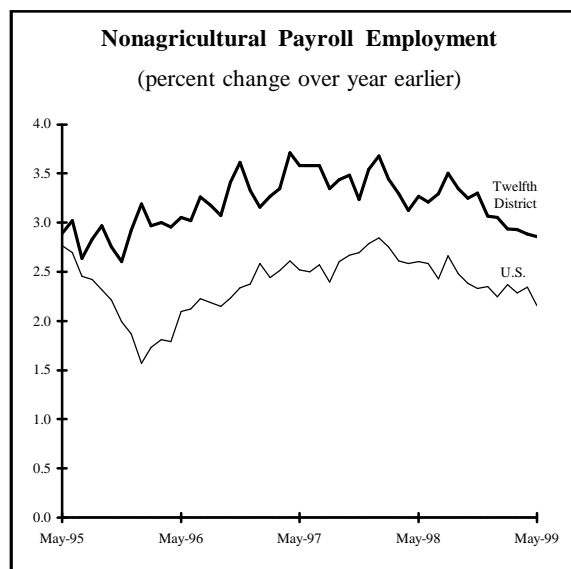
- *Growth in the Twelfth District economy picked up in recent months. Payroll employment expanded by 3.2 percent at an annual rate in April and May, well above the 2 percent average annual pace of the first quarter.*
- *The construction and services sectors led the District's expansion, increasing payrolls at average annual rates of about 10 and 5 percent, respectively, during the 2 months ending in May.*
- *District manufacturing payrolls continued to contract in recent months, but the pace of job loss eased.*
- *The gap between the District and the U.S. pace of expansion has widened in recent months. Measured by growth in employment over the past 12 months, the Twelfth District is expanding nearly $\frac{3}{4}$ percentage point faster than the nation.*

District Update

The Twelfth District economy expanded at a solid pace in recent months. Nonfarm payroll employment increased by 3.2 percent at an annual rate in April and May, up from the 2 percent pace of job growth in the first quarter. The pickup in activity was broad based. The recent acceleration in employment growth pushed the District's unemployment rate down to 5.0 percent in May, about 0.3 of a percentage point lower than the rate for the first quarter.

The construction and services sectors led the District's expansion in recent months. Employment in the construction sector surged in April and May, growing by 10.5 percent at an annual rate. The services sector also added jobs at a rapid pace in April and May, boosting annualized employment growth in the sector to 4.5 percent for the year, about the same rate as in 1998. Recent growth in the sector owes to job gains in population-based industries, such as health and education, rather than to the usual drivers like business services and tourism. Employment growth in another set of population-based sectors—finance, insurance, and real estate, and transportation and communications—also picked up; each sector added jobs at a 3.5 percent annual pace in April and May.

Weak export demand, declining aerospace employment, and the slow recovery of the high-tech sector continued to damp District manufacturing growth in recent months. However, recent data point to the beginning of a recovery. Manufacturing payrolls continued to contract through May, but the pace of job loss eased. District manufacturers shed jobs at a 0.6 percent average annual pace during the two months ending in May, about one-half the pace of contraction during the first quarter. All of the recent job losses have occurred among manufacturers of



durable goods. The non-durable manufacturing sector increased payrolls by 2.3 percent at an annual rate in April and May.

In 1998, slower employment growth in the Twelfth District narrowed the gap between the District and the U.S. pace of expansion. Accelerating job growth in the Twelfth District in recent months has reversed this trend; as measured by growth in employment over the past 12 months, the Twelfth District is expanding nearly $\frac{3}{4}$ percentage point faster than the nation. Measured on the same basis, five District states—Nevada, Arizona, California, Idaho, and Utah—are among the ten fastest growing states in the U.S.

	Number Employed (thousands)			Annualized % Change	% Change
	May-99	Apr-99	May-98	From Previous Month	From Previous Year
Alaska	277.1	277.5	274.9	-1.7	0.8
Arizona	2,138.5	2,133.6	2,070.2	2.8	3.3
California	13,938.2	13,881.7	13,525.6	5.0	3.1
Hawaii	530.3	528.9	530.4	3.2	0.0
Idaho	534.6	536.4	520.2	-4.0	2.8
Nevada	962.5	955.5	919.4	9.2	4.7
Oregon	1,585.8	1,587.0	1,555.7	-0.9	1.9
Utah	1,047.5	1,046.0	1,020.3	1.7	2.7
Washington	2,645.9	2,643.9	2,589.8	0.9	2.2
District	23,660.4	23,590.5	23,006.5	3.6	2.8
U.S.	128,167.0	128,156.0	125,478.0	0.1	2.1

Seasonally adjusted payroll employment data

	Number Employed (thousands)			Annualized % Change	% Change
	May-99	Apr-99	May-98	From Previous Month	From Previous Year
Total	23,660.4	23,590.5	23,006.5	3.6	2.8
Mining	74.4	74.8	78.6	-6.2	-5.3
Construction	1,266.2	1,252.3	1,176.5	14.2	7.6
Manufacturing	3,061.0	3,062.1	3,092.0	-0.4	-1.0
Transportation	1,238.2	1,235.0	1,205.7	3.2	2.7
Trade	5,476.6	5,467.2	5,368.8	2.1	2.0
F.I.R.E.	1,370.0	1,367.0	1,331.5	2.7	2.9
Services	7,293.1	7,254.8	6,967.5	6.5	4.7
Government	3,880.9	3,877.3	3,785.9	1.1	2.5

Seasonally adjusted payroll employment data

Financial Conditions

Twelfth District commercial banks and thrifts turned in a solid performance in the first quarter. Aggregate annualized first-quarter return on average assets (ROAA) for all banks headquartered in the District was 1.4 percent, and return on equity (ROE) was 14.4 percent. These rates of return represented significant improvement over fourth quarter bank profitability, which had been affected by large one-time expenses, most of them merger-related, at several large and medium-sized banks. Compared to the first quarter of 1998, profit rates were nearly equal. Profitability for large thrifts headquartered in the District (those with assets over \$1 billion) was a healthy 1.1 percent, up from fourth-quarter ROAA, which also had been influenced by merger-related charges. This nearly matched first-quarter 1998 results.

Large and small banks headquartered in California showed lower profit rates than in the District as a whole. However, with ROAA at 1.2 percent and ROE at 12.8 percent, higher than the fourth-quarter's unusually low rates of return and essentially the same as in the first quarter of 1998, large California bank performance still was good. In contrast, profitability for small banks in California was weak, with ROAA at 1 percent and ROE at 8.9 percent, up slightly from the fourth quarter, but down from the year prior. A decline in aggregate net interest income largely was responsible, but shrinking fee income also contributed.

The aggregate capital ratio for banks of all sizes across the District was strong in the first 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 and the District, but lower than in the nation as a whole.

Is District High-Tech Manufacturing on the Rebound?

National indicators of market conditions in the high-tech manufacturing sector point to the beginning of an industry-wide recovery. Increased demand for computers, consumer electronics, and telecommunications products, as well as the resurgence of many economies in Asia, are boosting sales and order growth throughout the high-tech sector. Although the pickup in market conditions has yet to generate job growth for District high-tech manufacturers, the pace of job contraction has slowed, and national data suggest that output in the industry is rising. Thus far, productivity gains have allowed many firms to meet production goals without boosting payrolls. However, given the strength of the industry indicators, high-tech manufacturers likely will need to increase employment in the near term.

Improved outlook

In 1998, weak East Asian demand for high-tech goods exacerbated more general excess inventory and capacity problems in high-tech manufacturing, restraining revenue and employment growth throughout the sector. National indicators suggest that demand for high-tech products has picked up in 1999, eliminating some of the production imbalances and improving the outlook for makers of computers, semiconductors, and semiconductor manufacturing equipment.

Computers. Improved economic conditions in Asia, the development of the “sub-\$1000” market, Y2K preparations, and growing interest in Internet access have boosted demand for computers in recent months. Following significant slowing in the first half of 1998, real exports of computers grew by more than 10 percent during the first quarter of 1999 on a year-earlier basis, up from about 6 percent growth on the same basis in the third and fourth quarters of 1998, though well below the highs of previous years. Separate industry data on PC unit shipments by country of destination suggest that sales to East Asia account for a large part of the recent increase in computer exports.¹ Export growth

has helped boost the value of computer shipments from U.S. producers in 1999. Estimates from the Census Bureau show that computer shipments increased by about 35 percent at an annual rate between February and April, with the value of new orders growing even faster.

Semiconductors. The pickup in computer sales as well as robust demand for telecommunications products, consumer electronics, and Internet access has lifted the prospects of U.S. semiconductor makers in 1999. Data from the first quarter of 1999 show that real U.S. semiconductor exports grew by 16 percent during the first quarter of this year compared to the same period a year earlier. Industry data on semiconductor sales by world region suggest that much of the recent pickup owes to growth in sales to Asia.² Semiconductor sales through April 1999 were up about 9 percent compared to the same period a year ago. On the same basis, sales in the Americas were up 6½ percent, while in Europe, sales increased by 4½ percent. Consistent with the industry sales information, data from the Census Bureau show an increase in the value of shipments of electronic components, including semiconductors, beginning in the third quarter of 1998. During the same period, growth in new orders has consistently outpaced shipment growth.

Semiconductor manufacturing equipment. Increasing capacity utilization in the semiconductor industry and growing economic strength in Asia have boosted capital spending among semiconductor manufacturers and improved the outlook for equipment makers. In January, the North American Semiconductor Equipment Industry (SEMI) book-to-bill ratio, which measures the value of new orders to shipments from U.S. based manufacturers, rose above 1.0, meaning that the value of new orders was higher than the value of shipments. As of May, orders continued to outpace shipments, producing a

<http://gartner3.gartnerweb.com/dq/static/about/press/pr-a001.html>.

²Semiconductor sales data were obtained from the Semiconductor Industry Association: <http://www.semichips.org>.

¹PC shipment data come from Gartner Group, Dataquest, an IT research and consulting firm,

book-to-bill ratio of 1.24. According to SEMI, three-month average bookings increased to \$1.43 billion in May, 4 percent above the April 1999 level and 29 percent above the May 1998 level.

District high-tech manufacturing employment

Recent indicators point to improvement in many high-tech product markets beginning early this year. The pickup in market conditions has yet to generate job growth for District high-tech manufacturers, but the pace of job contraction has slowed. Figure 1 shows quarterly annualized employment growth in District high-tech manufacturing.³ District high-tech payrolls continued to decline through May but at a much slower rate than previously. During the second half of 1998, high-tech manufacturing firms reduced jobs at an average annual pace of 5.8 percent. During the first quarter of this year, the pace of contraction eased substantially and continued to improve during the first two months of 1999Q2. Based on data for April and May, high-tech manufacturing employment is projected to contract by about 1 percent at an annual rate during the second quarter.

Within the high-tech manufacturing sector, the improvement has varied by industry (Figure 2). Makers of computer equipment and related products reduced employment by more than 9 percent at an annual rate during the fourth quarter of 1998. The pace of contraction fell to 4 percent at annual rate during 1999Q1, and, based on data for April and May, high-tech employment is projected to fall by less than 1 percent in the second quarter. The pattern among makers of electronic components including semiconductors has been similar. After contracting by more than 6 percent at annual rate during the fourth quarter

³Data limitations make it difficult to get a current count of high-tech manufacturing employment. The definition used here represents a combination of 2- and 3-digit SIC codes, based on availability in each state. When possible, high-tech describes jobs related to the production of computers and peripheral equipment, communications equipment, electronic components and accessories including semiconductors, and measuring and controlling devices.

Figure 1: District High-Tech Manufacturing Employment

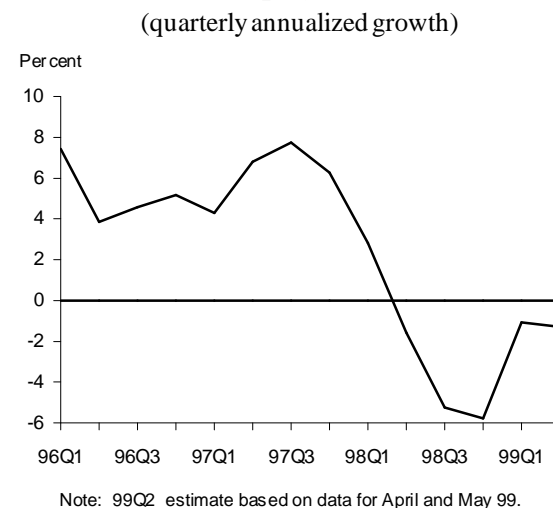
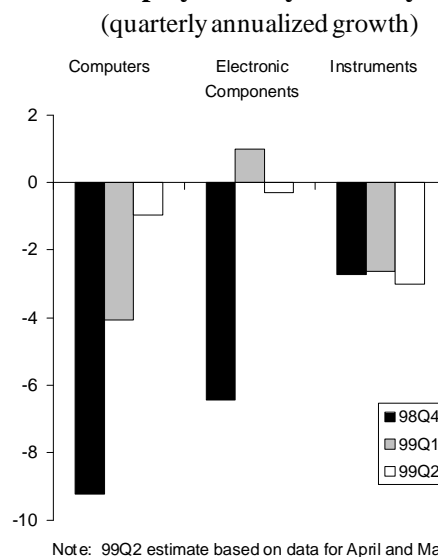


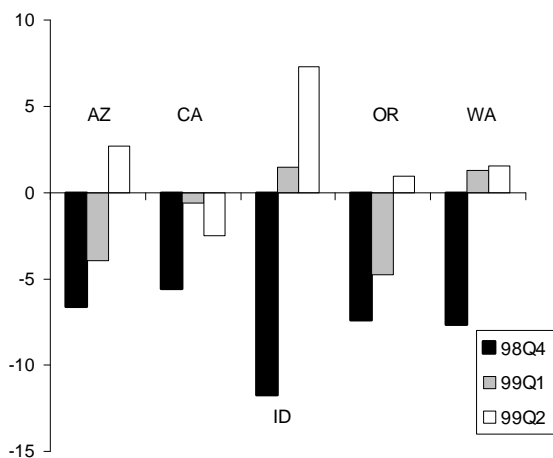
Figure 2: District High-Tech Manufacturing Employment by Industry



of 1998, employment has remained virtually flat during the first five months of 1999. In contrast, the instruments and measurement devices industry has not experienced the improvements of other high-tech manufacturers; employment declines averaged 2½ percent at an annual rate in 1998Q4 and 1999Q1, and little change is expected for 1999Q2.

Among District states, the most pronounced improvements in high-tech manufacturing employment have occurred in Idaho and Washington, where high-tech employment increased in the first quarter of 1999 (Figure 3). High-tech

Figure 3: High-Tech Manufacturing Employment by District State
(quarterly annualized growth)



Note: 99Q2 estimate based on data for April and May 99.

producers in Arizona and Oregon also have added jobs; firms boosted payrolls in April and May, producing a positive estimate of second quarter growth in these states. In California, the pace of job loss among high-tech producers increased in recent months, owing primarily to employment reductions in the San Francisco Bay Area.

California's slow employment response relative to other District states in part owes to the industry make-up of the state's high-tech manufacturing sector. A large fraction of California's high-tech employment is in the instruments and measurement devices industry, which has not experienced the degree of improvement seen in other areas of high-tech manufacturing. In addition, employment growth frequently lags a pickup in sales and order growth, as firms first boost employee hours and only later increase employment. Data on changes in the length of the workweek for all U.S. manufacturers show a slight increase in the average workweek for industry groups in the high-tech sector. In California, the average workweek in manufacturing has increased more rapidly than elsewhere in the District.

Recent productivity gains

Another factor tempering the responsiveness of employment growth to market conditions is the rate of productivity growth. Manufacturing pro-

ductivity growth has surged in recent months, allowing output to expand without an increase in employment. Anecdotal evidence and data on output and hours suggest that the recent increase in productivity growth has been stronger among producers of high-tech goods.⁴ Since 1995, output per hour in the two industries producing most high-tech products, industrial machinery and electronic equipment, has grown considerably faster than output per hour for all of manufacturing.

Summary

Recent indicators suggest that the business climate for high-tech producers is improving. Economies in Asia have stabilized, strengthening export demand, and industry-wide measures of high-tech markets indicate that most of the global overcapacity problems have been resolved. While improving market conditions have yet to produce solid employment growth in the District's high-tech sector, the pace of job reductions has eased. In the short-run, productivity gains have allowed firms to meet production goals without boosting payrolls. However, the strength of the industry indicators suggests that high-tech employment likely will increase in coming quarters.

⁴Industry data suggest that recent sales and order growth favors newly minted technologies with state-of-the-art production facilities. "State-of-the-art" increasingly means fewer employees, as firms attempt to control costs in a period of low unemployment. As a result, the shift in product mix of high-tech producers has come with reduced demand for labor.

ALASKA, OREGON, AND WASHINGTON

Economic growth in **Alaska** slowed in recent months. Nonfarm payroll employment declined in April and May, pushing the annualized pace of job growth for 1999 below 1 percent. Recent job losses increased the state unemployment rate to 6.6 percent in May, a percentage point higher than the 5.6 percent rate at the end of 1998. In contrast to earlier in the year when slower job growth was concentrated in a few resource based industries, the recent deceleration was broad based, as the effects of low oil prices and reduced manufacturing employment began to spread to other sectors of the economy. Employment in the construction sector declined sharply during the two months ending in May, and as did payrolls in the retail trade, finance, insurance, and real estate, and transportation and communications sectors. On net, Alaska's employers have shed more than 900 jobs since the first quarter.

Employment in Alaska's oil and gas extraction industry has declined considerably this year. Since December 1998, over 1,500 jobs have been cut. Low oil prices and the merger of large producers have resulted in almost monthly announcements of job reductions. The merger of British Petroleum and ARCO is expected to further reduce employment in the industry.

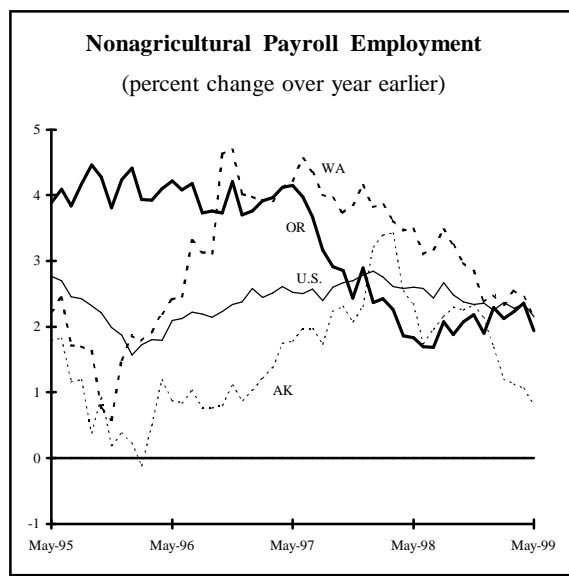
The pace of economic growth in **Oregon** slowed in recent months. Total nonfarm employment

grew by less than 1 percent at an annual rate during April and May, well below the 2.7 percent pace of growth during the first quarter. The slowdown was broad based, and employment in some sectors fell. Despite the recent deceleration, the state's unemployment rate declined to 5.1 percent in May, largely due to reductions in the state's labor force.

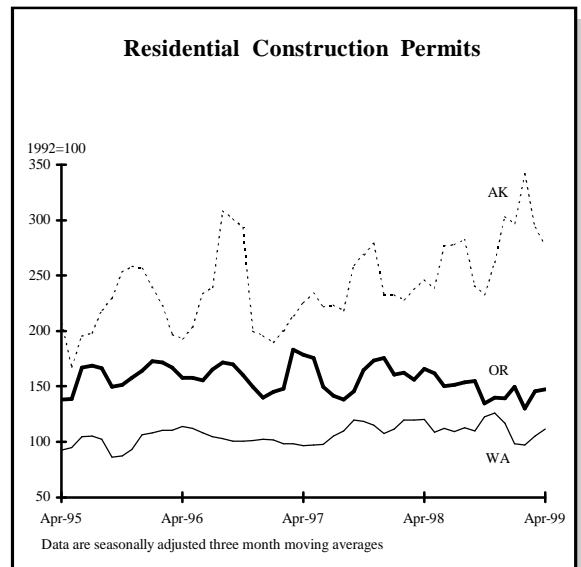
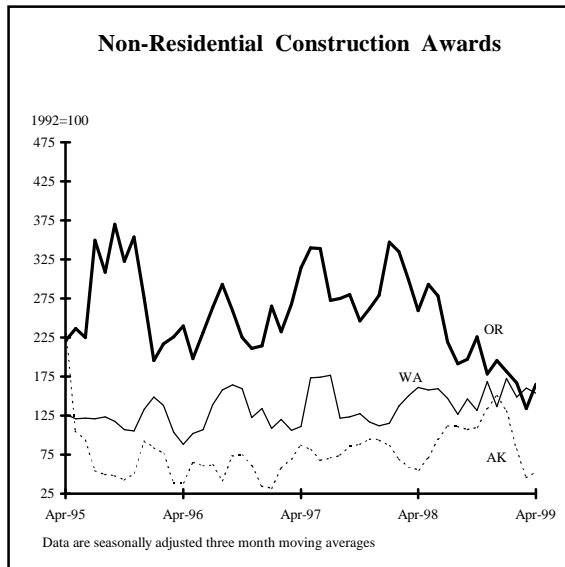
Reduced East Asian export demand and global overcapacity problems depressed growth in Oregon's high-tech manufacturing sector in 1998. Recent data suggest that the outlook for the high-tech sector is improving, with the pace of job reductions in the state decelerating. During 1998, high-tech manufacturing employment in Oregon declined by 2.6 percent; since the first quarter of 1999, the state's high-tech sector has added jobs at about a 1 percent average annual pace.

Washington's economy slowed further in recent months, as employment declines in manufacturing and sluggish growth in other sectors offset solid expansions in construction, finance, insurance, and real estate, and services. Growth in total payroll employment slowed to about 1 percent at an average annual pace in April and May, 1¼ percentage points lower than the first quarter pace.

Similar to the pattern in the first quarter, much of the recent slowdown owed to ongoing employment reductions at Boeing and its suppliers, as well as layoffs among computer makers and producers of lumber and wood products. So far this year, state manufacturing payrolls have shrunk at an average annual rate of 4.2 percent. Despite declining employment in aircraft production and slower growth in computer and data processing employment, the state unemployment rate fell to 4.5 percent in May, about ½ percentage point lower than the average during 1998. In contrast to other sectors of the state economy, the construction sector consistently has grown at a fast pace in 1999; construction payrolls expanded by 6 percent at an annual rate during the first five months of 1999, boosted by the start of a number of new commercial and infrastructure projects.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	May-99	Apr-99	May-98	From Previous Month	From Previous Year
Alaska					
Total	277.1	277.5	274.9	-1.7	0.8
Mining	9.1	9.4	10.4	-32.2	-12.5
Construction	13.2	14.4	13.3	-64.8	-0.8
Manufacturing	14.1	13.2	14.2	120.7	-0.7
T.C.P.U.	25.4	25.8	25.6	-17.1	-0.8
Trade	57.7	57.9	57.0	-4.1	1.2
F.I.R.E.	12.7	12.7	12.5	0.0	1.6
Services	69.7	70.1	68.4	-6.6	1.9
Government	75.2	74.0	73.5	21.3	2.3

	Number Employed (thousands)			Annualized % Change	% Change
	May-99	Apr-99	May-98	From Previous Month	From Previous Year
Washington					
Total	2645.9	2643.9	2589.8	0.9	2.2
Mining	3.4	3.3	3.3	43.1	3.0
Construction	148.5	147.8	141.7	5.8	4.8
Manufacturing	368.0	369.5	381.6	-4.8	-3.6
T.C.P.U.	139.7	139.7	135.6	0.0	3.0
Trade	641.6	641.3	622.6	0.6	3.1
F.I.R.E.	141.5	140.3	133.9	10.8	5.7
Services	730.1	728.9	707.2	2.0	3.2
Government	473.1	473.1	463.9	0.0	2.0

	Number Employed (thousands)			Annualized % Change	% Change
	May-99	Apr-99	May-98	From Previous Month	From Previous Year
Oregon					
Total	1585.8	1587.0	1555.7	-0.9	1.9
Mining	1.9	1.9	1.7	0.0	11.8
Construction	85.1	85.7	81.4	-8.1	4.5
Manufacturing	241.1	241.7	247.4	-2.9	-2.5
T.C.P.U.	78.7	78.3	76.8	6.3	2.5
Trade	388.5	389.9	384.2	-4.2	1.1
F.I.R.E.	97.2	97.1	94.9	1.2	2.4
Services	432.9	431.2	415.0	4.8	4.3
Government	260.4	261.2	254.3	-3.6	2.4

	Unemployment Rates (%)				
	May-99	Apr-99	Mar-99	May-98	Apr-98
Alaska	6.6	5.9	6.3	5.8	5.6
Oregon	5.1	5.3	5.6	5.6	5.5
Washington	4.5	4.5	4.6	4.7	4.6
U.S.	4.2	4.3	4.2	4.4	4.3

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

ARIZONA, CALIFORNIA, AND HAWAII

Arizona's economy has been expanding rapidly. Job growth picked up to about 4 percent at an average annual pace in April and May. Over the past twelve months, Arizona's payroll job count increased 3.3 percent, making Arizona the fourth fastest-growing state in the nation over this period. Many sectors have expanded quickly. Construction employment is up almost 10 percent over the past twelve months, and job gains in the finance, insurance, and real estate sector have been rapid. In contrast, employment in the manufacturing, government, and business services sectors has been relatively flat.

Other economic indicators also show continued strength in the Arizona economy. As of April, state individual income tax revenues for the fiscal year had increased about 9 percent relative to a year earlier. In part, this reflects ongoing rapid population growth and the corresponding increases in the number of tax filers; about 125,000 returns from individuals/households new to the state tax system have been filed so far this year.

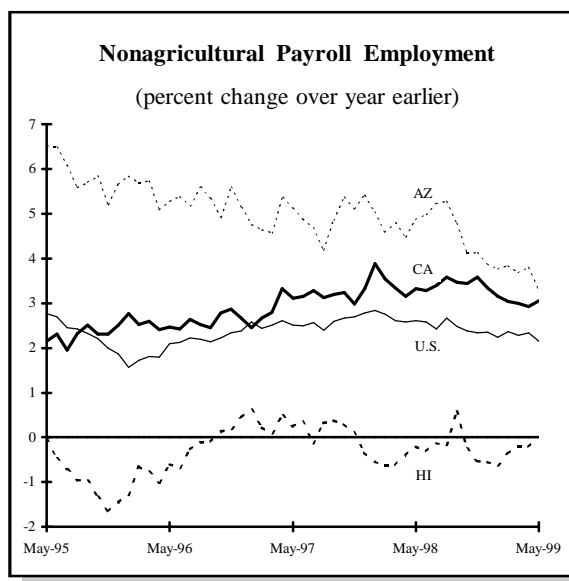
California's pace of economic growth has picked up in recent months. Payroll employment increased at a 3¾ percent average annual pace in April and May, up substantially from 2 percent in the first quarter. Much of the recent strength has been in the construction sector, where the job count jumped at about a 20 percent average

annual pace in April and May. Also, job growth in the business services sector has picked up; this sector includes firms that develop software and other computer-related business services. Manufacturing employment increased at about a 1 percent average annual pace in April and May, following a noticeable decline in each of the two preceding quarters. Although jobs continued to be lost in recent months in the computer and electronics manufacturing industries, these only partly offset gains in other industries, including apparel and chemical manufacturing.

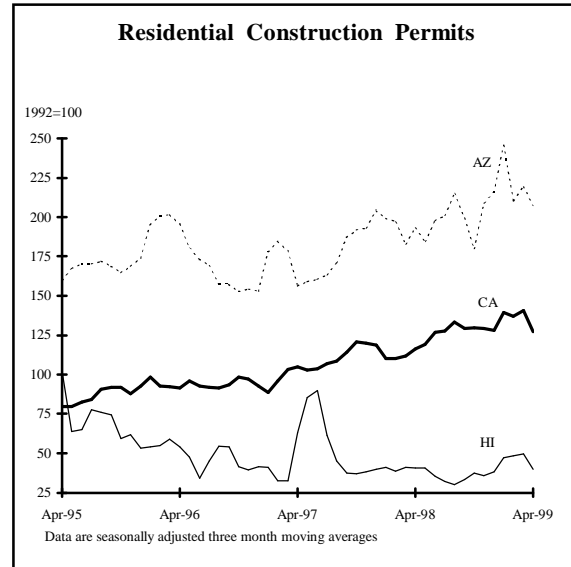
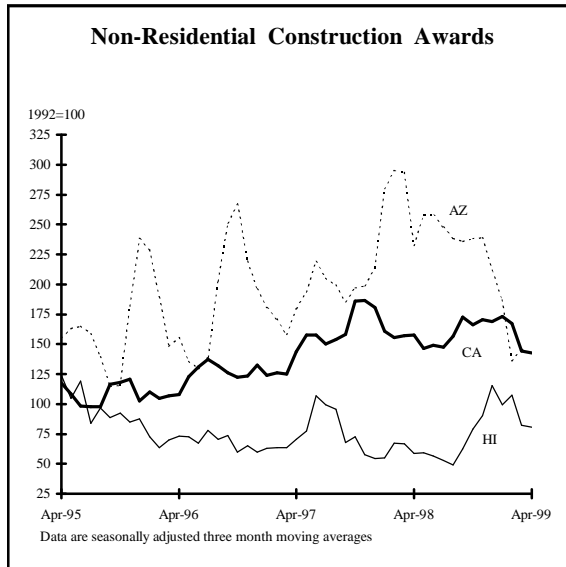
The surge in California construction employment reflects a pickup in both nonresidential and residential building activity. The Construction Industry Research Board reports that permits for private nonresidential buildings in the first four months of this year were up about 10½ percent relative to the same period a year earlier. On this basis, new housing unit construction is up about 12 percent. Much of the recent pickup in both nonresidential and residential construction has been in Southern California.

After years of decline in **Hawaii**, some recent indicators suggest that economic growth is resuming. Payroll employment increased at a 3 percent average annual pace in April and May, after edging up in the first quarter. Furthermore, all of the recent job growth has occurred in the private sector, whereas in 1997 and 1998 large declines in private sector employment were partly offset by unsustainable increases in state government employment. Among private industries, recent job gains have been concentrated in visitor-related industries such as air transportation, retail trade, and hotels.

Visitor traffic to Hawaii is picking up. In the first three months of this year total visitor arrivals increased about 1 percent relative to a year earlier, as a 7½ percent jump in U.S. mainland and other westbound arrivals was partly offset by a 9½ percent drop in Japanese and other eastbound arrivals.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized	%
	May-99	Apr-99	May-98	% Change From Previous Month	Change From Previous Year
Arizona					
Total	2138.5	2133.6	2070.2	2.8	3.3
Mining	12.7	12.6	13.0	10.0	-2.3
Construction	155.4	154.9	141.9	3.9	9.5
Manufacturing	218.2	218.4	216.8	-1.1	0.6
T.C.P.U.	106.1	105.8	100.1	3.5	6.0
Trade	516.4	514.2	496.6	5.3	4.0
F.I.R.E.	145.0	144.3	139.1	6.0	4.2
Services	644.8	640.8	623.1	7.8	3.5
Government	339.9	342.6	339.6	-9.1	0.1

	Number Employed (thousands)			Annualized	%
	May-99	Apr-99	May-98	% Change From Previous Month	Change From Previous Year
Hawaii					
Total	530.3	528.9	530.4	3.2	0.0
Mining
Construction	20.7	20.6	21.9	6.0	-5.5
Manufacturing	16.2	16.2	16.4	0.0	-1.2
T.C.P.U.	40.6	40.4	41.1	6.1	-1.2
Trade	130.9	130.7	132.3	1.9	-1.1
F.I.R.E.	35.0	35.2	35.5	-6.6	-1.4
Services	176.2	174.4	172.0	13.1	2.4
Government	110.7	111.4	111.2	-7.3	-0.4

	Number Employed (thousands)			Annualized	%
	May-99	Apr-99	May-98	% Change From Previous Month	Change From Previous Year
California					
Total	13938.2	13881.7	13525.6	5.0	3.1
Mining	23.6	23.8	25.6	-9.6	-7.8
Construction	650.0	636.6	591.8	28.4	9.8
Manufacturing	1951.8	1950.0	1963.3	1.1	-0.6
T.C.P.U.	712.0	710.2	694.8	3.1	2.5
Trade	3162.8	3154.4	3112.0	3.2	1.6
F.I.R.E.	811.9	811.2	795.4	1.0	2.1
Services	4405.6	4379.9	4187.3	7.3	5.2
Government	2220.5	2215.6	2155.4	2.7	3.0

	Unemployment Rates (%)				
	May-99	Apr-99	Mar-99	May-98	Apr-98
Arizona	4.7	4.4	4.2	4.3	4.3
Hawaii	5.5	5.5	5.9	6.4	6.1
California	5.2	5.7	5.8	6.0	5.9
U.S.	4.2	4.3	4.2	4.4	4.3

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 contracted in recent months, although it appears to remain on a solid growth path in the longer term. Following sharp job gains in late 1998 and early 1999, total nonfarm employment fell during each of the three months ending in May. On a 12-month basis, however, employment was up 2.8 percent in May, and the latest unemployment rate figure remained low for the state at 4.9 percent. Among sectors, the strongest employment growth this year has been recorded by the finance, insurance, and real estate and state and local government sectors. In addition, construction employment is up nearly 8 percent over last year, and planned construction activity remains at a high level.

Some limited signs of recovery are evident in the state's durable goods manufacturing sector, which so far in 1999 has regained about 200 of the 900 jobs lost in 1998. The pickup has been led by a turnaround among makers of industrial machinery and continued hiring by electronics manufacturers. Underlying these gains may be a sharp rise in the state's exports during the first quarter; they were up 35 to 40 percent above their value from the same period last year.

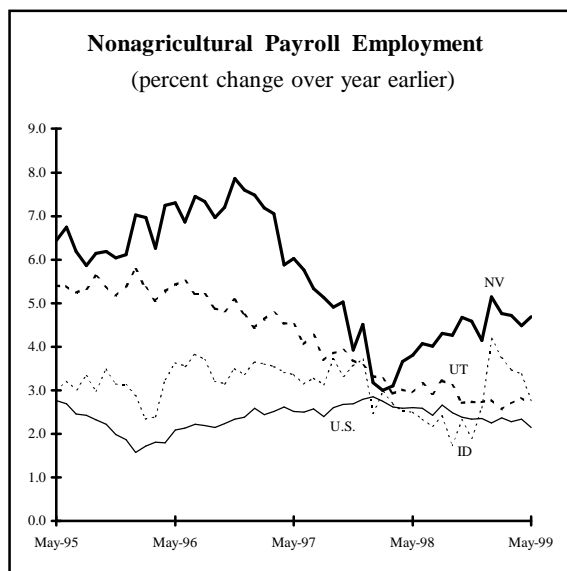
Nevada's economy has expanded at a rapid pace so far in 1999. Following moderate growth during the first quarter, growth in total nonfarm employment picked up in April and surged in May. Employment as of May was 4.7 percent

above its year-earlier level, which exceeds the growth rate of 4.3 percent during 1997–1998. Among major sectors, the pickup has been most noticeable in the government sector, with a surge in state and local government hiring evident in Las Vegas. On the other hand, construction employment has fallen a bit in 1999, with gains in Las Vegas and Reno offset by losses elsewhere in the state.

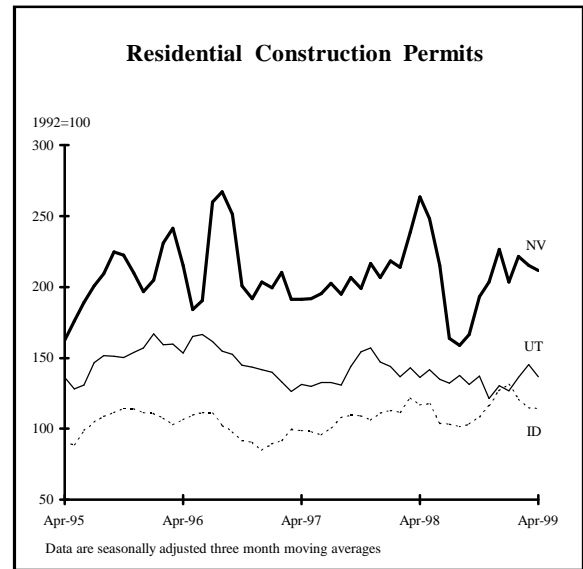
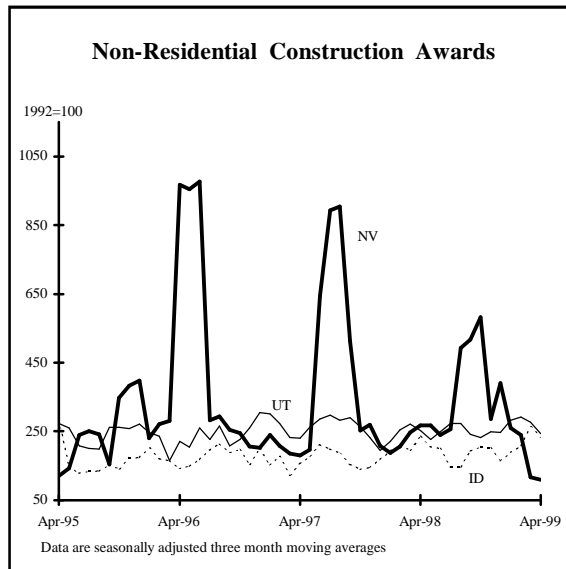
Employment gains in the state's hotel and amusement sector were strong during the first five months of the year. Following the opening of two large new casinos in Las Vegas last year, the industry has done very well in 1999; relative to the same period in 1998, the state's gross gaming win was up by a double-digit amount during the first quarter. In Reno, gaming had been weak during recent years, but several casino purchases, planned renovations, and reopenings have improved the outlook there.

Utah's economy has been growing at a strong and steady pace. Growth in total nonfarm payroll employment averaged 2.9 percent on an annual basis during the three months ending in May, which is very close to the 2.7 percent pace for the past 12 months. Steady growth has helped to keep the state unemployment rate near or below 3½ percent for several years, and as of May it stood at 3.2 percent. By sector, the largest job gains have been recorded in retail trade, which has picked up substantially following nearly flat performance in 1998, and in the services sector, with the exception of job losses at hotels.

The state's durable manufacturing sector remains hampered by weak conditions for international trade. A major steel manufacturer in Utah has been especially hard hit, and the primary metal industry overall has shed jobs at a rapid pace in 1998 and 1999. The electronics and transportation equipment manufacturing sectors also have shrunk on net this year, with only a partial offset coming from gains in the fabricated metals and industrial machinery sectors. About 600 durable manufacturing jobs have been lost this year, probably due in part to a continued decline in the state's exports during the first quarter.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	May-99	Apr-99	May-98	From Previous Month	From Previous Year
Idaho					
Total	534.6	536.4	520.2	-4.0	2.8
Mining	2.8	2.9	3.0	-34.4	-6.7
Construction	34.3	33.9	31.9	15.1	7.5
Manufacturing	75.4	76.7	76.5	-18.5	-1.4
T.C.P.U.	26.1	26.3	25.4	-8.8	2.8
Trade	133.9	134.9	132.5	-8.5	1.1
F.I.R.E.	23.8	23.9	22.4	-4.9	6.3
Services	132.8	132.9	126.3	-0.9	5.1
Government	105.5	104.9	102.2	7.1	3.2

	Number Employed (thousands)			Annualized % Change	% Change
	May-99	Apr-99	May-98	From Previous Month	From Previous Year
Utah					
Total	1047.5	1046.0	1020.3	1.7	2.7
Mining	7.8	7.7	8.1	16.7	-3.7
Construction	72.3	71.6	67.1	12.4	7.7
Manufacturing	133.6	134.1	133.8	-4.4	-0.1
T.C.P.U.	60.4	59.8	58.3	12.7	3.6
Trade	247.0	247.0	243.1	0.0	1.6
F.I.R.E.	57.7	57.2	54.8	11.0	5.3
Services	290.9	290.9	279.3	0.0	4.2
Government	177.8	177.7	175.8	0.7	1.1

	Number Employed (thousands)			Annualized % Change	% Change
	May-99	Apr-99	May-98	From Previous Month	From Previous Year
Nevada					
Total	962.5	955.5	919.4	9.2	4.7
Mining	13.1	13.2	13.5	-8.7	-3.0
Construction	86.7	86.8	85.5	-1.4	1.4
Manufacturing	42.6	42.3	42.0	8.9	1.4
T.C.P.U.	49.2	48.7	48.0	13.0	2.5
Trade	197.8	196.9	188.5	5.6	4.9
F.I.R.E.	45.2	45.1	43.0	2.7	5.1
Services	410.1	405.7	388.9	13.8	5.5
Government	117.8	116.8	110.0	10.8	7.1

	Unemployment Rates (%)				
	May-99	Apr-99	Mar-99	May-98	Apr-98
Idaho	4.9	4.7	4.7	4.9	5.0
Nevada	4.3	4.1	3.8	4.7	4.8
Utah	3.2	3.0	3.4	3.9	4.0
U.S.	4.2	4.3	4.2	4.4	4.3

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

1999 Issues

January
March
May
June
August
September
November
December

Mailing Date

February 5
April 2
May 21
July 2
August 27
October 8
November 19
December 24



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