

WESTERN ECONOMIC DEVELOPMENTS

August 1999

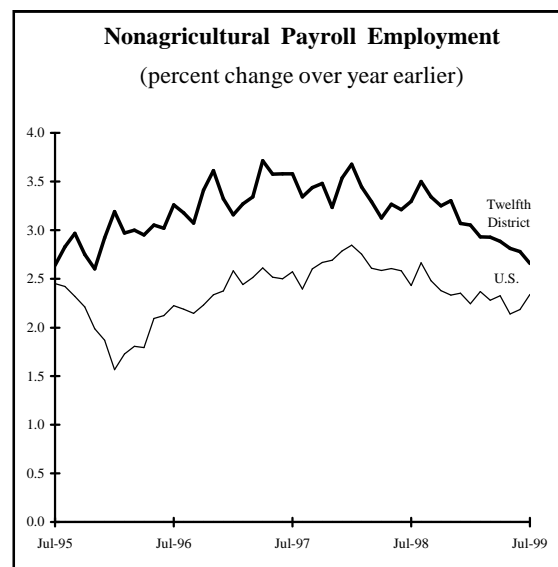
Executive Summary

- *Economic growth in the Twelfth District accelerated in recent months, as faster growth in Arizona, California, and Nevada more than offset slowing in Alaska, Idaho, and the Pacific Northwest.*
- *Measured on a 12-month basis, the pace of economic expansion in the District has slowed this year; during the 12 months ending in July, employment expanded by 2.6 percent, slower than the rate of growth in 1998.*
- *Still, employment has been increasing quickly enough to reduce the District's unemployment rate; the average unemployment rate in the District was 5.0 percent in July, 0.4 percentage point below the rate at the end of 1998.*
- *Construction activity remained a major source of strength in the District economy, with construction jobs added at an annual rate of 8 percent during the four months ending in July.*
- *District manufacturing payrolls declined substantially in July and have contracted at an average annual rate of about 1½ percent this year.*
- *During the past few years, prices and profits of agricultural producers in the U.S. have been held down by weak export demand. Although District agricultural producers have not been immune to these trends, the District's agricultural sector has performed better than that of the rest of the nation.*

District Update

Economic growth in the Twelfth District accelerated in recent months, despite slowing in many District states. District nonfarm payroll employment increased 2.7 percent on an average annual basis during the four months ending in July, up from the 2 percent pace of the first quarter. The recent strength in the District's pace of expansion owes to rapid job gains in Arizona, Nevada, California, and Utah. Together these states added over 190,000 jobs between March and July, more than offsetting lackluster growth in other District states. Weak conditions in agriculture, manufacturing, and resource-related industries continued to damp job growth in Alaska, Idaho, and the Pacific Northwest, producing net job cuts in some states.

Measured on a 12-month basis, the pace of economic expansion in the District has slowed this year; employment as of July was 2.6 percent above its year-earlier level, falling below the growth rate of 3.1 percent during 1998. Still, employment has been increasing quickly enough to reduce the District's unemployment rate; the average unemployment rate in the District was 5.0 percent in July,



0.4 percentage point below the rate at the end of 1998.

Construction continued to be the fastest growing sector in the District, adding jobs at an annual rate of 8 percent during the four months ending in July. Employment gains in this sector were broad-based, occurring in most District states and owing to both residential and non-residential building. Relative to a year earlier, construction payrolls have grown by nearly 7½ percent, creating over 86,000 new jobs in the District and making this sector a leading contributor to the District's expansion. During the 12 months ending in July, the construction sector accounted for nearly 15 percent of net jobs added, about 3 times its share of total District employment.

In contrast, District manufacturing payrolls declined substantially in July and have contracted by about 1½ percent during 1999. Employment reductions have occurred in both the durable and nondurable sectors. In the durable manufacturing sector, reductions have been broad-based, although employment has declined most rapidly in aircraft- and resource-related industries. In the nondurable sector, weak demand for processed agricultural commodities continued to damp employment growth in the food processing industry.

In contrast to the District's expansion prior to 1998, when rapid growth in manufacturing and strong demand for exports of agricultural and resource-based products helped boost employment growth, the current expansion owes primarily to strong

domestic demand for services and new housing. This population-based growth has produced solid job gains in the construction and services sectors of most urban areas of the District. In contrast, many rural areas of the District have experienced flat to modest job growth during the past year, as poor market conditions in the agricultural and natural-resource industries have damped expansion.

The outlook for the District in the remainder of 1999 is good, although growth likely will slow relative to last year in a number of District states. Rapid growth in personal income and high levels of consumer confidence in California and the Intermountain states, with the exception of Idaho, point to continued solid expansion. A number of factors, such as declines in manufacturing and other export-dependent industries, likely will hold down employment growth in the Pacific Northwest and Alaska in 1999.

Financial Conditions

Results from the most recent survey of commercial banks in the District suggest little change in the demand for loans or in lending standards and terms during the three month period ending in early August. The banks surveyed reported little change in the demand for business loans in general, although some reports indicated weaker demand for business loans by large and middle-market firms. The surveyed banks also reported basically unchanged approval standards for large, middle-market, and small business loans. Changes

District Employment by State

	Number Employed (thousands)			Annualized % Change	% Change
	Jul-99	Jun-99	Jul-98	From	From
				Previous Month	Previous Year
Alaska	276.8	276.3	275.2	2.2	0.6
Arizona	2,161.1	2,153.5	2,084.8	4.3	3.7
California	13,980.8	13,967.1	13,606.4	1.2	2.8
Hawaii	529.7	530.8	529.3	-2.5	0.1
Idaho	530.8	534.1	521.1	-7.2	1.9
Nevada	969.7	963.3	927.7	8.3	4.5
Oregon	1,587.6	1,582.3	1,557.4	4.1	1.9
Utah	1,051.8	1,048.5	1,024.9	3.8	2.6
Washington	2,656.4	2,643.6	2,606.3	6.0	1.9
District	23,744.7	23,699.5	23,133.1	2.3	2.6
U.S.	128,745.0	128,435.0	125,808.0	2.9	2.3

Seasonally adjusted payroll employment data

District Employment by Industry

	Number Employed (thousands)			Annualized % Change	% Change
	Jul-99	Jun-99	Jul-98	From	From
				Previous Month	Previous Year
Total	23,744.7	23,699.5	23,133.1	2.3	2.6
Mining	70.3	73.5	78.2	-41.4	-10.1
Construction	1,285.8	1,272.4	1,199.7	13.4	7.2
Manufacturing	3,046.7	3,057.0	3,090.3	-4.0	-1.4
Transportation	1,245.2	1,242.5	1,207.9	2.6	3.1
Trade	5,484.7	5,482.4	5,391.5	0.5	1.7
F.I.R.E.	1,373.5	1,370.8	1,344.1	2.4	2.2
Services	7,328.1	7,309.6	7,026.6	3.1	4.3
Government	3,910.4	3,891.3	3,794.8	6.1	3.0

Seasonally adjusted payroll employment data

in lending terms for business customers were mixed, with some of the banks reporting tighter terms and an equal number reporting easier terms. The banks also gave mixed reports regarding changes in the demand for commercial real estate loans and home mortgages. In contrast, all of the surveyed banks stated that their credit standards for approving commercial real estate loans and home mortgage loans had not changed. Similarly, the banks reported unchanged demand for consumer loans and unchanged approval standards and terms for such loans.

Agricultural Developments in the Twelfth District

Since 1998, rising world commodity supplies and weak demand have reduced domestic and export prices for many agricultural products in the United States. These market conditions have produced a decline in net farm income in the U.S. and a slight deterioration in the aggregate financial position of the U.S. agricultural sector. The Twelfth District has not been immune to these trends. Total sales of agricultural products and net farm income fell in 1997 and 1998, and there are signs that the financial position of District farmers has deteriorated slightly in recent quarters. However, compared to the recent performance of other areas of the U.S. and to the decline experienced by the sector during the early 1980s, conditions among District agricultural producers have deteriorated only slightly.

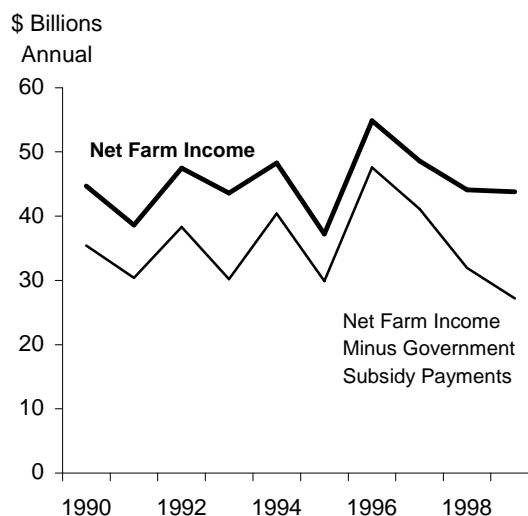
Recent Trends in U.S. Agriculture

During the past few years, prices and profits of agricultural producers in the U.S. have been held down by a number of factors, including the relaxation of legislative supply controls on U.S. agricultural production in 1996, rapid growth in agricultural productivity, the appreciation of the U.S. dollar, and the decline in export demand from Asia. While combinations of these factors have depressed prices of nearly all agricultural products, conditions have been particularly bad for producers of hogs and bulk commodities such as corn, wheat, soybeans, and cotton. Stocks of these products have increased rapidly since 1996, putting substantial downward pressure on prices; prices for these commodities are at or near their lowest level in two decades. Conditions for producers of dairy products, cattle, vegetables, fruits and nuts, and nursery and green-

house items also have deteriorated since 1996, although by less than conditions faced by producers of bulk commodities. Demand for vegetables, fruits, nuts, and nursery items has fallen in recent years. However, falling demand has been accompanied by reduced supplies of many of these products, due to weather-related production problems. Thus, overall prices have remained stable. For cattle producers, weak demand and falling prices have been partially offset by lower costs for feed grain, keeping profits stable.

Deteriorating market conditions have resulted in a decline in net farm income in the U.S. from its high level in 1996. Figure 1 shows the most recent U.S. Department of Agriculture (USDA) estimate of net farm income as well as the historical values.¹ Nominal net farm income is projected to total nearly \$43.8 billion in 1999, slightly below the \$44.1 billion value in 1998, but still near the decade average of \$45.5 billion. In the absence of government payments, however, the decline in net farm in 1999 compared to 1998 would be more pronounced, at just under 15 percent. Moreover, without government assistance agricultural producers in the U.S. would have net incomes at the bottom of the range observed for the decade.

Figure 1
U.S. Net Farm Income*



*1999 observation is a USDA projection.
Source: U.S. Department of Agriculture

¹Net farm income is defined as the net value of calendar-year production, including the value of the portion placed in storage.

Agricultural Production in the District

Measured by its contribution to gross state product (GSP), the agricultural sector in the Twelfth District has been declining since the late 1970s (Figure 2). In 1997, agriculture and agricultural services accounted for nearly 3 percent of gross state product in the District, compared to less than 2 percent in the rest of the U.S.² The importance of agriculture varies considerably among District states; agriculture accounts for about 7 percent of GSP in Idaho, but just 1 percent in Nevada (Figure 3). Despite agriculture's importance in the Twelfth District relative to the rest of the U.S., when measured against other major sectors, such as manufacturing, agriculture represents a relatively small portion of total output.³

A wide variety of agricultural products are produced in the Twelfth District. Farmers in Washington and Oregon specialize in raising wheat, fruit, and potatoes. Vegetables, fruits, nuts, and cotton are important crops in California. Idaho grows wheat, hay, sugar beets, potatoes, fruits, and vegetables. Cattle are raised throughout the District, and California leads the nation in milk production. In Hawaii, sugarcane and pineapples are the major crops. Greenhouse/nursery and dairy products are Alaska's top-ranking commodities.

International exports are an important component of agricultural sales in most District states. In 1997 exports accounted for nearly 27 percent of total agricultural revenues in the District, about the same fraction as for the U.S. outside of the District. Within the District, agricultural producers in Washington and California have the largest export dependence (34 percent and 29 percent, respectively).

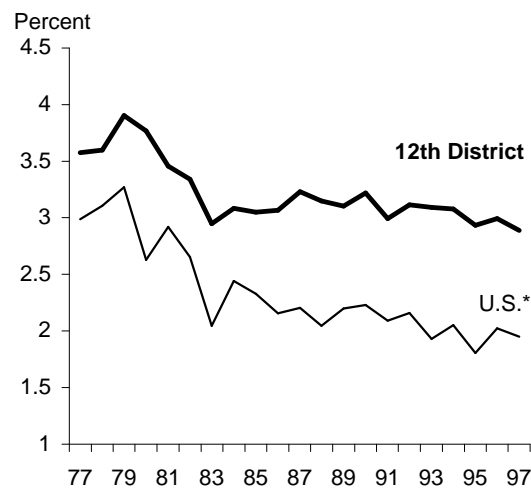
Recent Performance of District Agriculture

As is true for the agricultural sector in the U.S., low prices, poor production conditions, and weak export

²Agriculture and agricultural services include the production of crops and livestock, crop preparation services other than food processing, and veterinary services. Forestry and fishing are not included in this measure.

³Although agriculture accounts for a relatively small fraction of output in all District states, it likely represents a large fraction of output in rural areas.

Figure 2
Agriculture and Agricultural Services:
Share of GSP



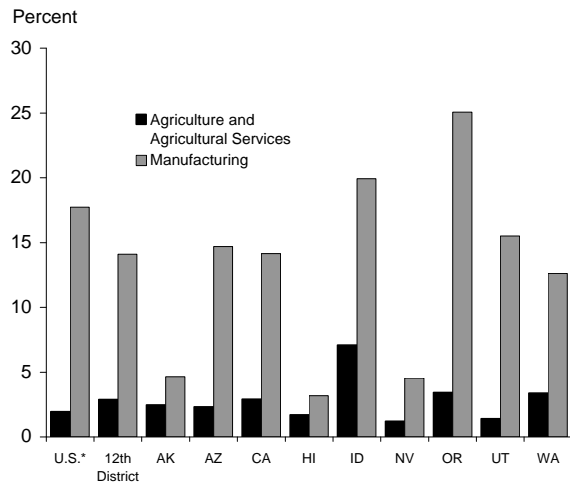
*U.S. excluding 12th District

Source: U.S. Department of Commerce, Bureau of Economic Analysis

demand have constrained revenue growth for many District agricultural producers in recent years. After growing by nearly 5 percent in 1997 compared to 1996, cash receipts from District sales of farm commodities declined by about one percent in 1998 relative to 1997. Within the District, producers in Washington experienced the largest declines in gross sales, which fell by 2.1 percent in 1997 and by 5.1 percent in 1998. In Oregon and California, rapid growth in farm sales in 1997 (about 7 percent) was followed by modest declines in 1998. Only three states, Alaska, Nevada, and Utah, experienced growth in both years; however, the agricultural sectors in these states are relatively small. Overall, the decline in District gross sales was smaller than the drop in sales in the rest of the U.S.; outside of the District, total cash sales declined by nearly 7 percent in 1998.

Data for the U.S. as a whole suggest that further declines in gross sales are likely in the District, although the rate of decline should ease. (Data for 1999 are not available by state.) Export data for California and the District support this prediction. Agricultural exports from California declined by 5 percent in 1998, compared to about 20 percent for the District as a whole. California data for the first quarter of 1999 indicate that conditions have not improved: state agricultural exports declined by 12

Figure 3
Share of 1997 GSP



*U.S. excluding 12th District
Source: U.S. Department of Commerce, Bureau of Economic Analysis

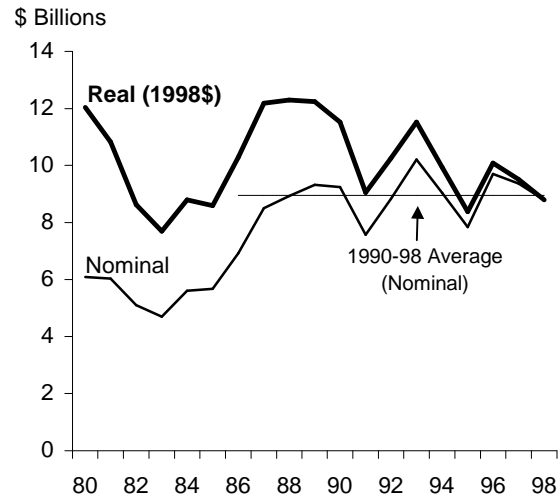
percent in the first quarter of 1999 compared to the first quarter of 1998.

The decline in cash sales has carried over to District net farm income. Nominal net farm income fell to \$8.8 billion in 1998, about \$1 billion lower than the 1996 level, representing a decrease of about 9 percent (Figure 4). Over the same period, net farm income in the rest of the U.S. declined more quickly, falling by about 22 percent. If net income absent government subsidies is used in place of total net farm income, the gap between the recent performance in the District and the rest of the U.S. widens. Net farm income minus government payments for the District declined by approximately 14 percent between 1996 and 1998.⁴ In contrast, for the rest of the U.S. this measure declined by about 38 percent during the same period.

An important question is whether the drop in cash sales and net farm income has produced cash flow problems for District agricultural producers. Data through the first quarter of 1999 show only slight deterioration in the past-due ratios for agricultural loans made by commercial banks and the subset of

⁴In 1997, the Twelfth District received 8 percent of all direct government assistance. Estimates of government assistance awarded to the District in 1998 were computed using the 1997 share and the 1998 total government subsidy value for the U.S.

Figure 4
Net Farm Income, Twelfth District



Source: U.S. Department of Agriculture

agricultural banks headquartered in the District. This compares favorably with both the movement and the level of the past-due ratio on agricultural loans for banks headquartered outside of the District.

Agricultural Outlook for the Twelfth District

District agricultural producers likely will experience another year of flat to slightly lower revenues and net income in 1999. Although the most recent USDA forecast for cash revenues suggests that sales of many of the crops produced in the Twelfth District will increase in 1999, rising input prices for fuel and labor are forecast to constrain net income growth through 2000. Information gathered from agricultural contacts in the District supports this view; most contacts report that agricultural conditions in their areas remain weak relative to earlier periods. However, contacts have noted signs of improvement in sales, particularly in export markets.

In summary, District agricultural producers have been hurt by the same adverse trends affecting the sector throughout the U.S. Total sales of agricultural products have declined, and net farm income has fallen. However, compared to other areas of the U.S. and to the decline experienced by the sector during the early 1980s, conditions among District agricultural producers have deteriorated less.

ALASKA, OREGON, AND WASHINGTON

Alaska's economy appears to have stalled in recent months. Total nonfarm payroll employment fell by 1.3 percent at an annual rate during the three months ending in July, completely offsetting the state's solid job growth during the first quarter. Job losses during this period were sharpest in the mining industry; so far this year, it has shed 1,900 jobs, more than 15 percent of the industry total. Additional weakness was evident in the construction and government sectors, which collectively shed about 1,200 jobs during the second quarter. Despite slower job growth, Alaska's unemployment rate declined slightly in July to 6.0 percent.

Alaska's sluggish economic performance owes in large part to ongoing weakness in the state's natural-resource industries. The oil and gas extraction industry has been hit hard by low prices, downsizing, and the suspension of several development projects. Low prices also have hampered the gold mining and exploration industry. On the positive side, conditions in Alaska's tourism and fish harvesting and processing industries have improved in 1999, and state exports have picked up.

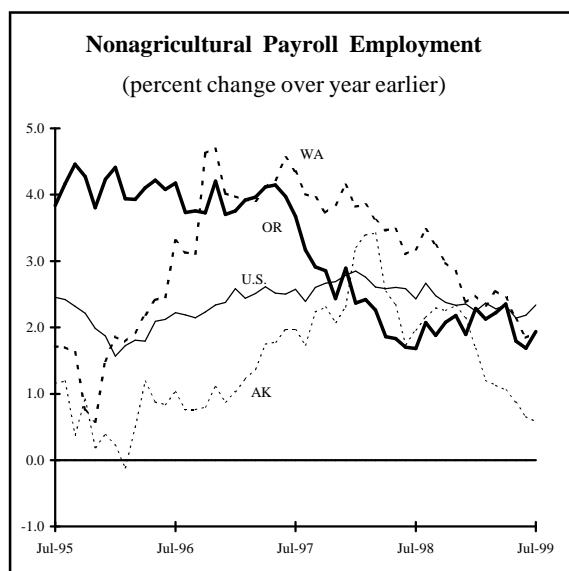
The pace of economic growth in **Oregon** slowed substantially in recent months. Total nonfarm employment was nearly flat during the four months ending in July, pushing the annualized rate of job growth to 1½ percent for the year, about ½ percentage point lower than the 1998 pace. The largest job losses were in manufacturing; employers in this

sector cut 4,200 jobs between March and July, swamping the sector's modest gains of the first quarter. The construction sector also contracted in recent months, reducing employment at an average annual rate of about 6½ percent. Slower job growth boosted the state's unemployment rate to 5.5 percent in July.

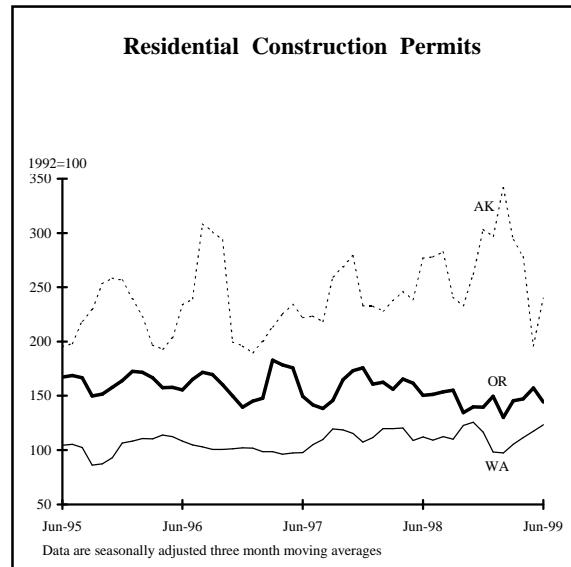
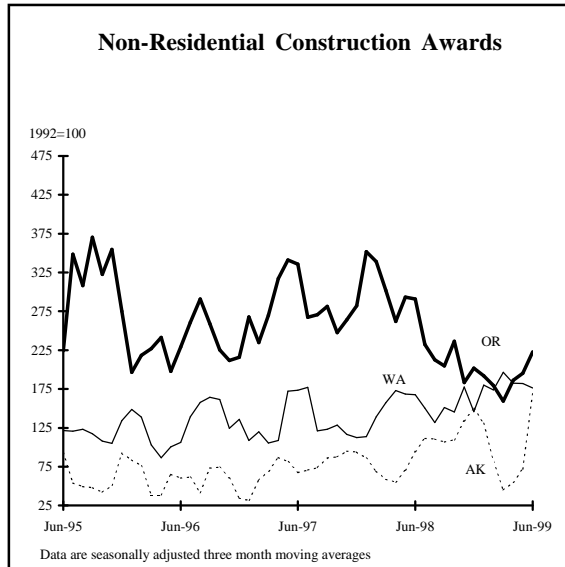
Employment growth in western Oregon has slowed but remains solid this year, driven by a resurgence in high-tech manufacturing and sustained growth in services and construction. In contrast, weak agricultural and resource prices as well as poor weather have damped expansion in the eastern part of the state, reducing employment in some areas. Although a pickup in demand for agricultural exports and lumber products has improved the short-term prospects for eastern Oregon, some analysts expect the urban and rural growth gap to be a long-run feature of the economy.

Washington's economy has slowed in 1999, owing primarily to ongoing job losses in manufacturing. Payroll employment expanded at an average annual rate of 2 percent during the first seven months of the year, slightly off the 2.4 percent pace of 1998. Employment in manufacturing has fallen sharply in recent months, as continued reductions at Boeing and related producers have been reinforced by job cuts among makers of high-tech products, textiles and apparel, and chemical products. So far this year, Boeing and its suppliers have shed 11,000 jobs, more than 10 percent of total employment in the state's aircraft industry. Overall, employment in the manufacturing sector declined by 10,800 jobs from December 1998 to July 1999. Job growth in most other major sectors of the state's economy remains positive but slower than the pace in 1998. Slower job growth has yet to loosen the state's labor market significantly; the unemployment rate was 4.8 percent in July.

While job reductions at Boeing have damped the outlook for Washington, the impact should be less adverse than in previous decades. Economic diversification into areas like software and biotechnology and high demand for population-based services such as education, residential construction, and retail trade are expected to offset some of the downturn at Boeing and help sustain the state's solid expansion.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jul-99	Jun-99	Jul-98		
Alaska					
Total	276.8	276.3	275.2	2.2	0.6
Mining	8.7	9.1	10.4	-41.7	-16.3
Construction	13.3	13.2	13.2	9.5	0.8
Manufacturing	14.4	13.9	14.2	52.8	1.4
T.C.P.U.	26.2	26.2	25.6	0.0	2.3
Trade	57.6	58.0	56.9	-8.0	1.2
F.I.R.E.	12.9	12.8	12.5	9.8	3.2
Services	70.3	70.1	68.7	3.5	2.3
Government	73.4	73.0	73.7	6.8	-0.4
Oregon					
Total	1587.6	1582.3	1557.4	4.1	1.9
Mining	2.0	2.0	1.8	0.0	11.1
Construction	83.6	84.1	82.5	-6.9	1.3
Manufacturing	237.8	238.9	244.3	-5.4	-2.7
T.C.P.U.	79.4	79.6	76.4	-3.0	3.9
Trade	387.7	388.9	385.0	-3.6	0.7
F.I.R.E.	97.2	96.9	95.4	3.8	1.9
Services	435.0	431.2	416.7	11.1	4.4
Government	264.9	260.7	255.3	21.1	3.8

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Jul-99	Jun-99	Jul-98		
Washington					
Total	2656.4	2643.6	2606.3	6.0	1.9
Mining	3.4	3.3	3.4	43.1	0.0
Construction	151.4	149.4	142.9	17.3	5.9
Manufacturing	363.8	366.0	381.9	-7.0	-4.7
T.C.P.U.	140.6	139.5	136.4	9.9	3.1
Trade	642.6	641.6	625.7	1.9	2.7
F.I.R.E.	141.0	140.9	135.7	0.9	3.9
Services	736.9	732.3	711.3	7.8	3.6
Government	476.7	470.6	469.0	16.7	1.6

Unemployment Rates (%)

	Jul-99	Jun-99	May-99	Jul-98	Jun-98
Alaska	6.0	6.2	6.6	5.7	6.0
Oregon	5.5	5.5	5.1	5.6	5.7
Washington	4.7	4.8	4.7	4.8	4.8
U.S.	4.3	4.3	4.2	4.5	4.5

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 maintained a very fast pace of economic growth in recent months. State payroll employment increased at a 5.2 percent average annual rate during the four months ending in July. Employment has expanded rapidly in most major sectors, but the job gains have been particularly large among construction, retail trade, and state and local government employers. In contrast, manufacturing employment has been little changed over the past twelve months.

Foreign demand for Arizona exports remained relatively weak in the first half of 1999, following a 2 percent decline in the state's exports last year. However, sectors other than manufacturing have benefitted from ongoing rapid gains in the number of residents in the state; in terms of population growth, the U.S. Census Bureau estimates that Arizona was the second-fastest growing state in the nation last year (behind Nevada). In terms of employment growth over the past twelve months, Arizona ranks second among U.S. states. The rapid population and employment growth have been showing through to other local economic indicators. For example, taxable retail sales this fiscal year (through May) increased 8 percent, and residential construction permit issuance in the second quarter was up about 17 percent (relative to the same periods a year earlier).

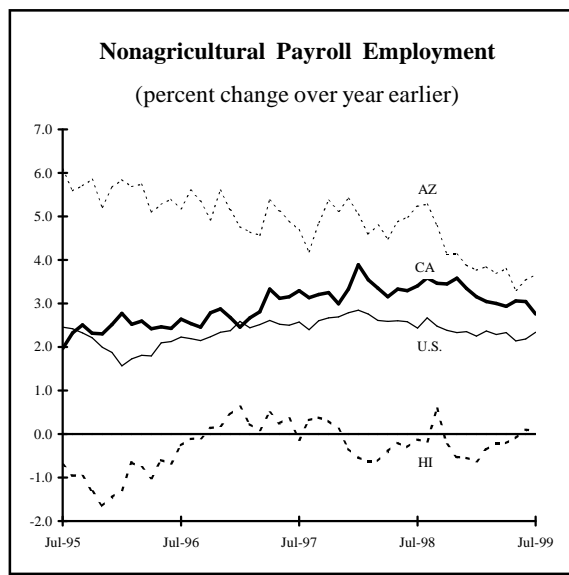
California's rapid economic expansion continued in recent months. Employment increased at about

a 3½ percent average annual rate in the second quarter, and preliminary estimates for July show another sizeable job gain that month. The current estimates for the first half of 1999 show that state nonagricultural employment grew at a 2¾ percent average annual pace. Additional rapid job gains in the construction and business services sectors were offset somewhat by a drop in manufacturing employment. This decline partly reflects a drop in exports originating in California; in the first five months of this year, state exports fell about 6½ percent relative to the same period a year earlier, following a 4¼ percent decline in 1998.

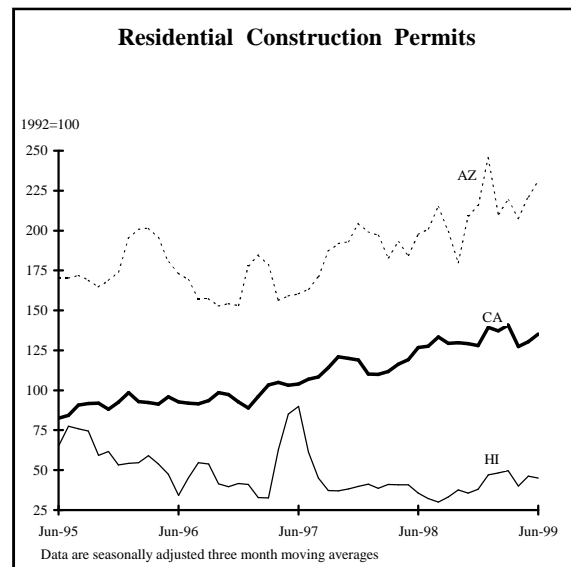
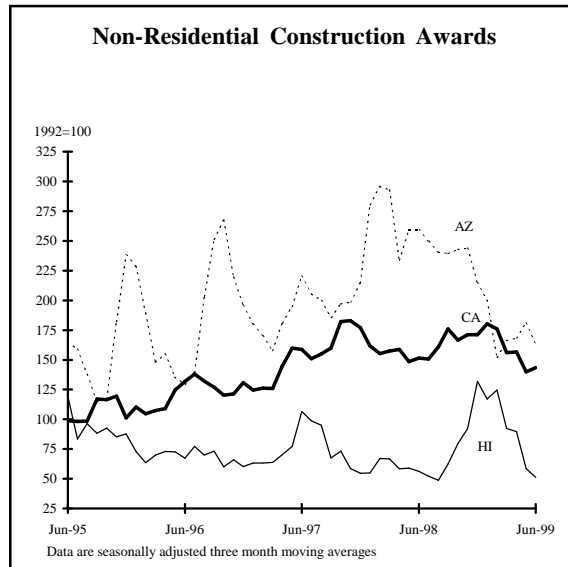
Current official estimates show that employment increased about 2¾ percent over the past twelve months. However, these growth rate estimates are preliminary and not yet benchmarked to more comprehensive data. Source data from the unemployment insurance system for the third and fourth quarters of last year suggest that California job growth may be much faster than the published data reflect. Other economic indicators, such as state government personal income tax revenues, corroborate the evidence from the unemployment insurance system.

Hawaii's economy appears to have improved in recent months, following several years of slow decline. Payroll employment increased at a 1.2 percent average annual pace during the four months ending in July, after little change in the first quarter and a ½ percent decline last year. In recent months, job growth reemerged in several key visitor-related sectors, including air transportation, hotels, and retail trade.

Other state economic indicators also show some signs of an improving labor market and a pickup in growth. As the demand for labor increased, Hawaii's unemployment rate fell about ½ percentage point in the first half of the year to the July level of 5.4 percent. Sales of existing homes increased sharply in late 1998 and early 1999 to a first-quarter level that was about 20 percent above a year earlier. The number of new residential housing units authorized in the first half of 1999 also increased more than 20 percent relative to a year earlier.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized	%
	Jul-99	Jun-99	Jul-98	% Change From Previous Month	Change From Previous Year
Arizona					
Total	2161.1	2153.5	2084.8	4.3	3.7
Mining	10.4	12.6	12.9	-90.0	-19.4
Construction	157.3	156.5	144.5	6.3	8.9
Manufacturing	217.8	219.0	217.0	-6.4	0.4
T.C.P.U.	106.1	106.0	101.0	1.1	5.0
Trade	516.9	516.5	500.0	0.9	3.4
F.I.R.E.	145.9	145.0	140.9	7.7	3.5
Services	650.7	648.1	630.9	4.9	3.1
Government	356.0	349.8	337.6	23.5	5.5

	Number Employed (thousands)			Annualized	%
	Jul-99	Jun-99	Jul-98	% Change From Previous Month	Change From Previous Year
Hawaii					
Total	529.7	530.8	529.3	-2.5	0.1
Mining
Construction	20.1	20.1	21.4	0.0	-6.1
Manufacturing	16.1	16.1	16.3	0.0	-1.2
T.C.P.U.	40.4	40.4	41.4	0.0	-2.4
Trade	130.2	130.8	131.0	-5.4	-0.6
F.I.R.E.	34.9	35.1	35.6	-6.6	-2.0
Services	175.6	176.5	171.9	-6.0	2.2
Government	112.4	111.8	111.7	6.6	0.6

	Number Employed (thousands)			Annualized	%
	Jul-99	Jun-99	Jul-98	% Change From Previous Month	Change From Previous Year
California					
Total	13980.8	13967.1	13606.4	1.2	2.8
Mining	23.3	23.2	25.4	5.3	-8.3
Construction	664.7	656.2	608.7	16.7	9.2
Manufacturing	1943.3	1950.4	1963.6	-4.3	-1.0
T.C.P.U.	716.2	715.0	695.0	2.0	3.1
Trade	3168.1	3166.0	3127.6	0.8	1.3
F.I.R.E.	813.9	812.7	802.0	1.8	1.5
Services	4425.1	4417.6	4228.5	2.1	4.6
Government	2226.2	2226.0	2155.6	0.1	3.3

	Unemployment Rates (%)				
	Jul-99	Jun-99	May-99	Jul-98	Jun-98
Arizona	4.2	4.3	4.6	4.1	4.2
Hawaii	5.4	5.6	5.5	6.3	6.4
California	5.2	5.4	5.3	5.9	5.9
U.S.	4.3	4.3	4.2	4.5	4.5

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 economic expansion slowed during the first half of 1999. The number of total nonfarm jobs fell by about 3 percent on an annual basis during the four months ending in July, leaving employment this year down a bit on net. Recent job losses were sharpest in the construction industry; so far this year, it has shed 500 jobs, about 1½ percent of the industry total. Weakness also is evident in the services and trade sectors, with pronounced job losses at hotels and restaurants this year following rapid expansions last year.

Underlying the state's performance is a divergence between the Boise metropolitan area and other parts of the state. Job growth has remained solid in Boise this year, spurred by a resurgence in high tech and other durable manufacturing industries. In contrast, other parts of the state have suffered from weak agricultural prices and job losses in the food processing and lumber industries. Short-term prospects in the latter two industries have improved a bit, however, as market prices for potatoes and lumber have risen recently.

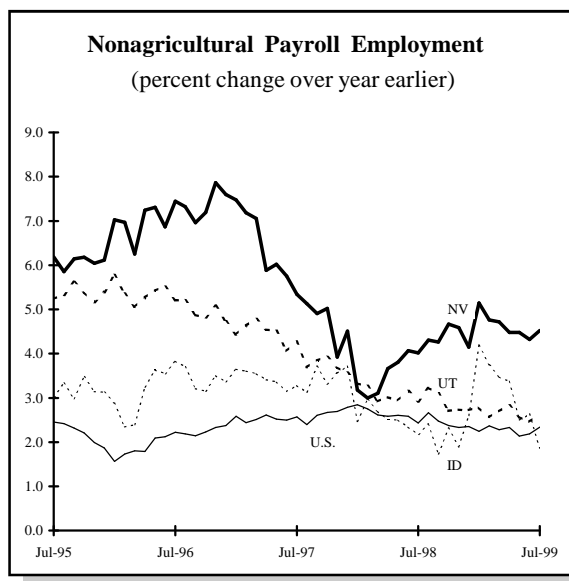
Economic growth in **Nevada** has accelerated in recent months, after slowing substantially during the first quarter. Total nonfarm payroll employment grew 5.5 percent on an annual basis during the four months ending in July, as the opening of a large new Las Vegas hotel-casino in May helped to raise annualized job growth about 3 percentage points above the first-quarter pace. Measured on a 12-

month basis, employment growth as of July was faster than the pace in 1998. The recent rapid expansion in Nevada owes in part to continued strength in the services sector and to a pickup in growth in the retail and wholesale trade and transportation, communications, and public utilities sectors.

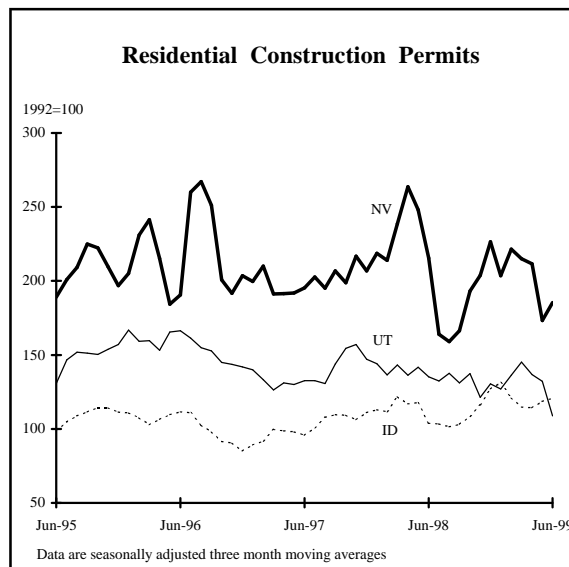
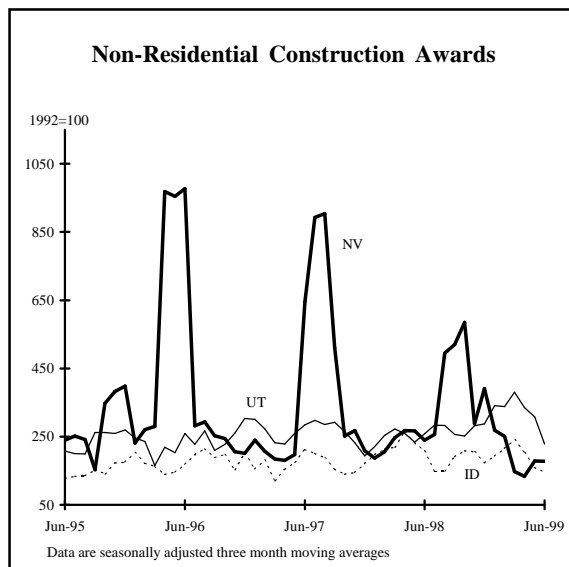
Despite the large number of new hotel rooms added in Las Vegas during the past several years, visitor counts are running well ahead of 1998, and hotel occupancy rates are up. Additional resort openings are pending later this year, and substantial expansion of retail space is planned for the Las Vegas Strip over the next several years. On the other hand, growth in construction employment in Las Vegas and the state as a whole has slowed this year relative to 1998, suggesting that some slowing in commercial development is underway.

Utah's economy remains on a solid and steady growth path. Nonfarm payroll jobs expanded by 2.7 percent at an annual pace during the four months ending in July, exactly equal to the growth rate in 1998. The state unemployment rate has been stable in 1999, hovering under 3½ percent since late last year. Growth has been broad based across major sectors, except for continued flat employment in the manufacturing sector and a weakening of job growth among the state and local governments. In addition, the state's hotels have shed about 700 jobs this year, a decline of about 6½ percent on an annual basis; occupancy rates and average hotel room prices have been below 1998 levels, as the state's supply of rooms has increased dramatically in recent years in anticipation of the 2002 Winter Olympics.

Employment growth in the construction sector remains a primary contributor to Utah's expansion. For the first seven months of 1999, construction employment grew by 11.5 percent on an annual basis. Although new permits for residential and nonresidential construction have come down a bit in recent months, the state employment agency anticipates that current and pending projects should maintain strong demand for construction workers through the year 2000.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Jul-99	Jun-99	Jul-98	From Previous Month	From Previous Year
Idaho					
Total	530.8	534.1	521.1	-7.2	1.9
Mining	2.5	2.9	3.0	-83.2	-16.7
Construction	33.6	33.3	32.7	11.4	2.8
Manufacturing	76.2	75.9	76.6	4.8	-0.5
T.C.P.U.	26.3	26.3	25.7	0.0	2.3
Trade	133.3	133.9	132.2	-5.2	0.8
F.I.R.E.	23.7	23.8	22.9	-4.9	3.5
Services	129.5	132.0	125.5	-20.5	3.2
Government	105.7	106.0	102.5	-3.3	3.1

	Number Employed (thousands)			Annualized % Change	% Change
	Jul-99	Jun-99	Jul-98	From Previous Month	From Previous Year
Utah					
Total	1051.8	1048.5	1024.9	3.8	2.6
Mining	7.8	7.6	8.1	36.6	-3.7
Construction	73.6	72.9	68.0	12.2	8.2
Manufacturing	134.2	133.8	133.9	3.6	0.2
T.C.P.U.	59.8	59.9	58.6	-2.0	2.0
Trade	248.2	247.7	242.9	2.4	2.2
F.I.R.E.	58.6	58.2	55.6	8.6	5.4
Services	291.7	290.7	280.4	4.2	4.0
Government	177.9	177.7	177.4	1.4	0.3

	Number Employed (thousands)			Annualized % Change	% Change
	Jul-99	Jun-99	Jul-98	From Previous Month	From Previous Year
Nevada					
Total	969.7	963.3	927.7	8.3	4.5
Mining	12.2	12.8	13.2	-43.8	-7.6
Construction	88.2	86.7	85.8	22.9	2.8
Manufacturing	43.1	43.0	42.5	2.8	1.4
T.C.P.U.	50.2	49.6	47.8	15.5	5.0
Trade	200.1	199.0	190.2	6.8	5.2
F.I.R.E.	45.4	45.4	43.5	0.0	4.4
Services	413.3	411.1	392.7	6.6	5.2
Government	117.2	115.7	112.0	16.7	4.6

	Unemployment Rates (%)				
	Jul-99	Jun-99	May-99	Jul-98	Jun-98
Idaho	5.0	5.3	4.9	5.0	5.1
Nevada	3.8	4.2	4.4	4.4	4.7
Utah	3.4	3.4	3.3	4.0	3.9
U.S.	4.3	4.3	4.2	4.5	4.5

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