National Outlook

(Based on the January 13, 2011, FRBSF FedViews.)

- The economic expansion appears to be building steam. After increasing 2.9% in 2010, we expect real GDP to grow nearly 4% this year and for growth to pick up to about 4.5% in 2012. Pent-up demand for durable goods and eventually housing, and improving confidence are contributing to a steady improvement in the economy.

- Despite moderate growth in the second half of last year, the pace of job creation remains disappointingly slow. The pickup in growth we anticipate for this year and next should bring more sizable job gains however. As such, we expect the unemployment rate to decline gradually to a little below 9% late this year and to about 7.5% in late 2012.

- Inflation remains subdued. Although commodity prices have increased significantly over the past year, with economic slack holding down labor costs, we expect both core and overall measures of inflation to remain very low over this year and next.

Around the District

(Based on the January 12, 2011, Beige Book and authors’ analyses.)

- Economic activity in the Twelfth District firmed further during the period of late November through the end of December.

- Holiday retail sales were up notably compared with a year earlier, and demand continued to expand for consumer and business services.

- The pace of home sales remained quite slow throughout the District. Meanwhile, conditions continued to be weak on balance in commercial real estate markets.

- Price pressures for final goods and services remained limited despite increases for selected raw materials, and upward wage pressures were largely absent.

- Beige Book contacts from financial institutions reported that loan demand remained largely unchanged.

- Job growth in the District continued to fare modestly worse than that in the nation as a whole over the 12 months ending in December (see table on next page).

- Similarly, the District’s unemployment rate remains well above that of the nation as a whole; both have held relatively steady in recent months.

FedViews and Beige Book publications are available at http://www.frbsf.org/economics/
ETC editorial staff: Dan Wilson, Jeremy Gerst, and Anita Todd • ETC Production Manager: Jeremy Gerst. Views expressed in ETC are those of the editorial staff and do not necessarily reflect those of the Federal Reserve Bank of San Francisco or the Federal Reserve System.
### Total Nonfarm Employment

<table>
<thead>
<tr>
<th>DEC2010</th>
<th>level&lt;sup&gt;p&lt;/sup&gt;</th>
<th>1-month&lt;sup&gt;a&lt;/sup&gt;</th>
<th>3-month&lt;sup&gt;a&lt;/sup&gt;</th>
<th>YTD&lt;sup&gt;a&lt;/sup&gt;</th>
<th>12-month</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>130,712.0</td>
<td>1.0</td>
<td>1.2</td>
<td>0.9</td>
<td>0.9</td>
<td>9.4</td>
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<tr>
<td>12&lt;sup&gt;th&lt;/sup&gt; District</td>
<td>24,545.2</td>
<td>0.5</td>
<td>1.9</td>
<td>0.7</td>
<td>0.7</td>
<td>11.3</td>
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<tr>
<td>Alaska</td>
<td>323.0</td>
<td>4.6</td>
<td>4.1</td>
<td>0.5</td>
<td>0.5</td>
<td>8.1</td>
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<td>2,419.6</td>
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<td>3.5</td>
<td>1.4</td>
<td>1.4</td>
<td>9.4</td>
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<td>2.3</td>
<td>0.6</td>
<td>0.6</td>
<td>12.5</td>
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<tr>
<td>Hawaii</td>
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<td>1.2</td>
<td>0.6</td>
<td>0.6</td>
<td>6.4</td>
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<td>0.6</td>
<td>0.6</td>
<td>9.5</td>
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<td>Utah</td>
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<td>Washington</td>
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<td>0.7</td>
<td>1.2</td>
<td>1.2</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Source: Economic Research Department, Federal Reserve Bank of San Francisco

Employment levels are in thousands; All data are seasonally adjusted

<sup>a</sup> = annualized percent change  
<sup>p</sup> = preliminary

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### Growth in nonfarm payroll employment

(Year-over-year percent change, monthly)

- **12<sup>th</sup> Dec. 10 = 0.7%**
- **U.S. Dec. 10 = 0.9%**


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### Home price index

(Year-over-year percent change, quarterly)

- **CA Sep. 10 = 1.0%**
- **12<sup>th</sup> ex. CA Sep. 10 = -4.3%**
- **U.S. Sep. 10 = -1.2%**

Source: Federal Housing Finance Agency.

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### Residential permits

(Thousands, 3-month moving average)

- **CA (left scale) Nov. 10 = 3,300**
- **12<sup>th</sup> ex. CA (left scale) Nov. 10 = 4,900**
- **U.S. (right scale) Nov. 10 = 46,800**

Source: Bureau of the Census.

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### Nonresidential construction awards

(Thousands, 3-month moving average)

- **CA (left scale) Nov. 10 = 1,040**
- **12<sup>th</sup> ex. CA (left scale) Nov. 10 = 1,270**
- **U.S. (right scale) Nov. 10 = 11,520**

Source: Bureau of the Census.