

ETC ECONOMIC TRENDS & CONDITIONS

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June 2011 Edition

National Outlook

(Based on the June 9, 2011, FRBSF [FedViews](#).)

- GDP grew at a 1.8% annualized rate in the first quarter of 2011, a significant slowdown from the fourth quarter of 2010. Several temporary factors helped push down first-quarter GDP growth.
- Among the temporary factors are the effects of the supply chain disruptions caused by the earthquake in Japan, the recent tornadoes and floods in the South and Midwest, and the spike in commodity prices, especially oil. The winding down of these temporary factors should contribute positively to GDP growth in the third quarter.
- We forecast that second-quarter GDP growth will come in at around a 2½% annualized rate. But growth should rebound in the third quarter. We expect GDP to expand at an annualized 3½% rate in the second half of the year and to continue to strengthen throughout 2012.
- We expect headline inflation to wane as the effects of recent commodity price increases wear off. We anticipate that headline PCE inflation will subside below a 1½% annualized rate in the second half of this year.

Around the District

(Based on the June 8, 2011, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District continued to expand at a moderate pace during the reporting period of late April through the end of May.
- Sales of retail items rose further, while demand for business and consumer services was mixed.
- The pace of sales for new and existing homes in the District continued to be very weak on net. Meanwhile, conditions improved slightly in commercial real estate markets.
- Price increases for final goods and services remained limited, and upward pressures on wages were subdued on balance.
- Beige Book contacts from financial institutions reported that loan demand and overall credit quality rose modestly.
- Job growth in the District was a tad below that of the nation as a whole over the 12 months ending in May (see table on next page).
- Meanwhile, the District's unemployment rate remains well above that of the nation as a whole but has shown considerable declines in recent months.

Employment Conditions

Total Nonfarm Employment

MAY2011	level ^p	Percent Change				Unemployment Rate
		1-month ^a	3-month ^a	YTD ^a	12-month	
U.S.	131,043.0	0.5	1.5	1.4	0.7	9.1
12 th District	24,704.7	-1.5	0.0	1.6	0.6	10.6
Alaska	324.6	-16.5	-5.4	-2.5	1.1	7.4
Arizona	2,400.7	5.2	3.2	2.6	0.1	9.1
California	14,031.7	-2.5	-0.8	1.3	0.6	11.7
Hawaii	590.6	-4.7	-3.4	0.1	0.5	6.0
Idaho	607.3	0.0	-1.2	1.3	0.4	9.4
Nevada	1,115.2	-5.5	1.6	0.5	-0.6	12.1
Oregon	1,625.3	1.0	0.1	2.5	1.3	9.3
Utah	1,201.2	2.5	3.8	3.2	1.4	7.3
Washington	2,808.1	-1.6	1.0	2.3	0.7	9.1

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

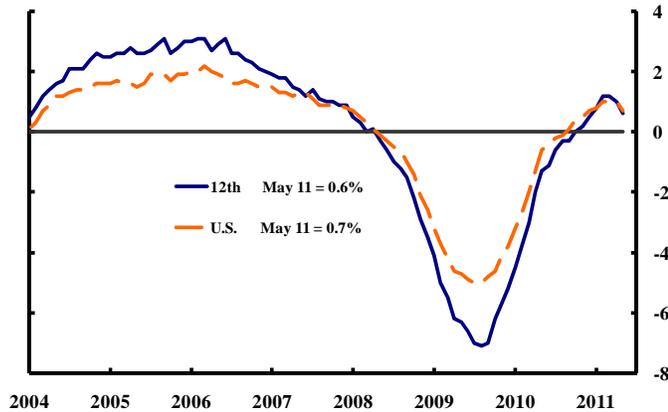
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

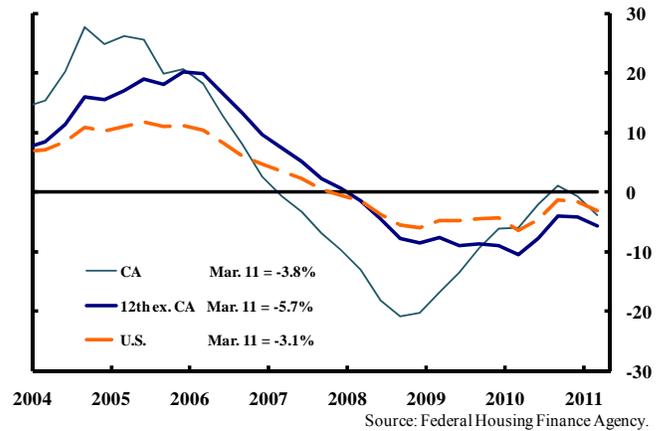
Growth in nonfarm payroll employment

(Year-over-year percent change, monthly)



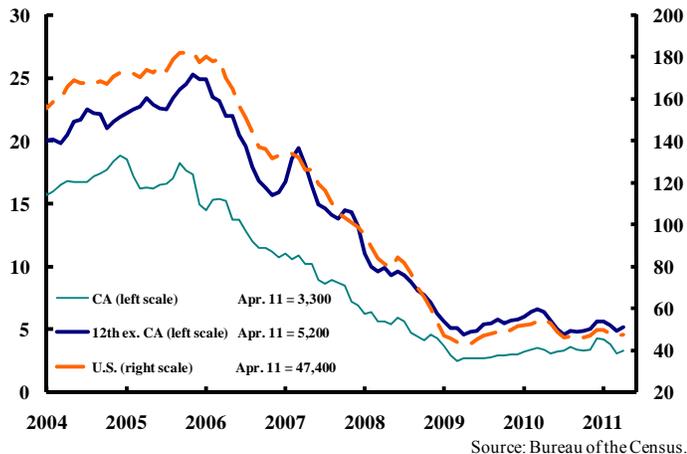
Home price index

(Year-over-year percent change, quarterly)



Residential permits

(Thousands, 3-month moving average)



Nonresidential construction awards

(\$ Billions, 3-month moving average)

