

# ETC ECONOMIC TRENDS & CONDITIONS

Published for the Division of Banking Supervision and Regulation

March 2011 Edition

## *National Outlook*

(Based on the March 10, 2011, FRBSF [FedViews](#).)

- Data continue to suggest that the economy is gradually improving, albeit with a bit less momentum than previously projected. As a result of weaker data, higher oil prices, and expectations of slightly more fiscal stringency, we have lowered our real GDP growth forecast slightly to about 3½% this year and 4¼% in 2012 on a fourth-quarter-to-fourth-quarter basis.
- February's payroll employment report provided evidence that hiring was improving following unexpected weakness in January due to weather. We project unemployment to decline slowly to about 8½% at the end of this year, and to 7½% at the end of 2012, as the economy continues to operate below potential.
- Over the past 12 months, overall headline inflation (as measured by the percentage change in the personal consumption expenditures price index) has risen 1.2%, while core inflation has risen 0.8%. We expect recent commodity and energy price surges to raise headline inflation temporarily. However, we foresee relatively little pass-through to core inflation in 2011 and 2012 as the slowly recuperating economy, excess capacity, and well-anchored long-term inflation expectations will keep labor costs low.

## *Around the District*

(Based on the March 2, 2011, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District posted further gains during the reporting period of mid-January through mid-February.
- Sales of retail items and services expanded relative to seasonal norms.
- The pace of home sales continued to be feeble throughout the District. Meanwhile, conditions in commercial real estate markets generally remained weak.
- Despite notable price increases for assorted raw materials and commodities, overall price pressures for final goods and services remained modest, as did wage gains.
- Beige Book contacts from financial institutions reported modest increases in loan demand.
- Job growth in the District was roughly on par with that of the nation as a whole over the 12 months ending in January (see table on next page).
- Meanwhile, the District's unemployment rate remains well above that of the nation as a whole; and unlike declines seen in the national rate, the District's rate has held relatively stable in recent months.

# Employment Conditions

## Total Nonfarm Employment

JAN2011	level <sup>p</sup>	Percent Change				Unemployment Rate
		1-month <sup>a</sup>	3-month <sup>a</sup>	YTD <sup>a</sup>	12-month	
U.S. (FEB2011)	130,515.0	1.8	1.3	1.2	1.0	8.9
U.S.	130,323.0	0.6	1	0.6	0.8	9.0
12 <sup>th</sup> District	24,597.1	2.6	1.7	2.6	0.7	11.2
Alaska	329.8	6.4	1.3	6.4	2.4	7.7
Arizona	2,377.1	0.9	0.3	0.9	-0.3	9.6
California	13,971.2	1.1	1.7	1.1	0.7	12.4
Hawaii	594.0	7.8	2.3	7.8	1.6	6.3
Idaho	610.3	13.3	3.5	13.3	1.5	9.7
Nevada	1,113.7	1.1	1.4	1.1	-0.7	14.2
Oregon	1,614.8	4.8	3.2	4.8	1.3	10.4
Utah	1,191.3	6.1	1.5	6.1	1.4	7.6
Washington	2,794.9	5.9	1.8	5.9	0.7	9.1

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

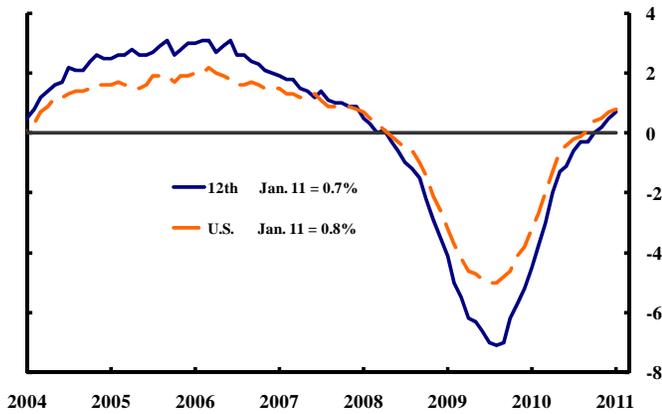
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

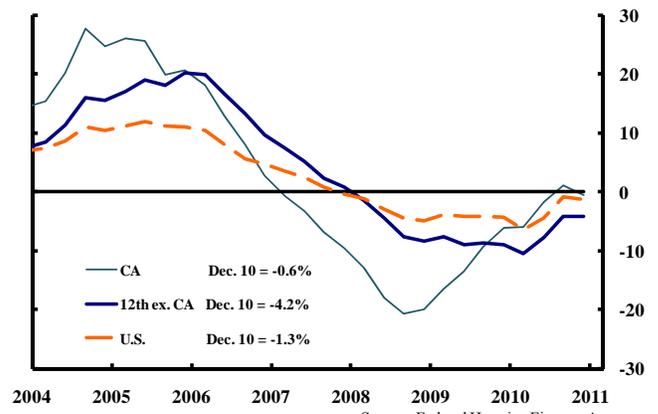
### Growth in nonfarm payroll employment

(Year-over-year percent change, monthly)



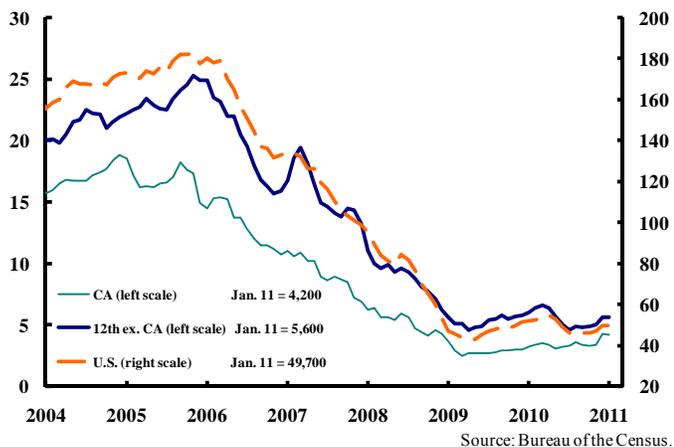
### Home price index

(Year-over-year percent change, quarterly)



### Residential permits

(Thousands, 3-month moving average)



### Nonresidential construction awards

(\$ Billions, 3-month moving average)

