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

<table>
<thead>
<tr>
<th>JAN2011</th>
<th>level</th>
<th>1-month</th>
<th>3-month</th>
<th>YTD</th>
<th>12-month</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. (FEB2011)</td>
<td>130,515.0</td>
<td>1.8</td>
<td>1.3</td>
<td>1.2</td>
<td>1.0</td>
<td>8.9</td>
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<td>U.S.</td>
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<td>1</td>
<td>0.6</td>
<td>0.8</td>
<td>9.0</td>
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<tr>
<td>12th District</td>
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<td>2.6</td>
<td>1.7</td>
<td>2.6</td>
<td>0.7</td>
<td>11.2</td>
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<tr>
<td>Alaska</td>
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<td>6.4</td>
<td>1.3</td>
<td>6.4</td>
<td>2.4</td>
<td>7.7</td>
</tr>
<tr>
<td>Arizona</td>
<td>2,377.1</td>
<td>0.9</td>
<td>0.3</td>
<td>0.9</td>
<td>-0.3</td>
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<tr>
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<td>1.7</td>
<td>1.1</td>
<td>0.7</td>
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<tr>
<td>Hawaii</td>
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<td>2.3</td>
<td>7.8</td>
<td>1.6</td>
<td>6.3</td>
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<td>13.3</td>
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<td>13.3</td>
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<td>9.7</td>
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<td>1.5</td>
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<td>1.4</td>
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<td>5.9</td>
<td>0.7</td>
<td>9.1</td>
</tr>
</tbody>
</table>

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

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### Growth in nonfarm payroll employment

(Year-over-year percent change, monthly)


### Home price index

(Year-over-year percent change, quarterly)

Source: Federal Housing Finance Agency.

### Residential permits

(Thousands, 3-month moving average)

Source: Bureau of the Census.

### Nonresidential construction awards

($ Billions, 3-month moving average)

Source: Bureau of the Census.