

WESTERN ECONOMIC DEVELOPMENTS

November 1999

Executive Summary

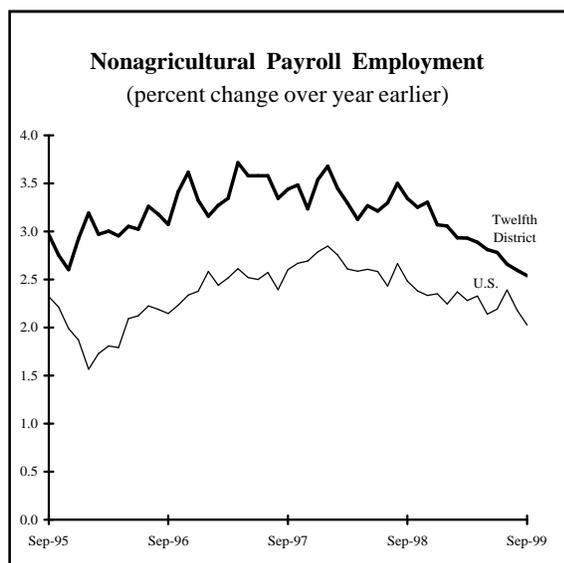
- *The District expansion has been slower this year than in 1998, but it remains solid. Moreover, rapid gains in personal income and an emerging recovery in the computer-related manufacturing sector should support growth in coming months.*
- *Economic growth has been faster in California than in the rest of the District this year, and the unemployment rate in the state has fallen substantially.*
- *Due to favorable fiscal conditions, local educational spending and employment have increased substantially in California.*
- *Housing markets have cooled a bit in some areas of the District.*

District Update

The Twelfth District economy exhibited considerable strength in the third quarter, and its performance thus far in 1999 suggests continued solid expansion. Total nonfarm payroll employment grew by 2.4 percent on an annual basis during the three months ending in September, exactly equal to the pace during the first half of the year. During the past twelve months, about 575,000 net new jobs have been created in the District. The implied growth rate of 2.5 percent exceeds the corresponding national rate, although the gap has been reduced this year (except in September, when the national employment figure was held down by Hurricane Floyd).

About 60 percent of the jobs created in the District during the past year have been in California, where employment has been growing a bit faster than in the rest of the District. California's expansion has been fueled by further gains in construction activity this year, along with growing demand for services such as transportation, communications, and computer software and data processing. The state has lost about 10,000 jobs in the durable manufacturing sector this year, but the losses nearly halted in the third quarter, and the prognosis for this sector has improved with recovery in East Asian economies.

Although recent growth generally has been solid, the expansion in most District states, including California, has been slower this year than it was in 1998. Washington state has been hindered by extensive job cuts at Boeing, and despite an improved outlook for East Asian aircraft orders in coming years, substantial additional cuts are planned. Growth in Arizona, Oregon, and Utah also has slowed this year due to renewed economic competition from California and declining employment and income associated with manufacturing cut-backs. Alaska's economy has been hurt by weak oil industry revenues. The exceptions to slower growth this year are Nevada, which has received



an added push from the most rapid expansion in its gaming sector in five years, and Hawaii, where signs of a tentative recovery are evident in the tourist and housing sectors.

Despite slower employment growth this year, the District unemployment rate has fallen 0.6 percentage point since December 1998, compared to a 0.1 percentage point drop in the rest of the nation. The tightening of District labor markets largely is confined to California, where the unemployment rate has fallen by about a percentage point, compared to a slight increase elsewhere in the District. Still, the unemployment rate remains low in most states, and California's unemployment rate of 4.8 percent in October is the lowest recorded there since 1969.

The strength of the District expansion was confirmed by the latest release of state personal income figures, which extend through the first half of 1999. Personal income grew faster in most District

states than it did in the rest of the nation during this period. The increases in disposable and taxable income have encouraged consumer spending and supported healthy fiscal positions for state governments in the District.

District sectoral developments

The District economy has expanded at a strong pace in 1999. Sustained expansion has produced favorable fiscal positions for state governments in the District, with substantial spending growth for public schools and tax rebates evident in various states. Moreover, improvement has been evident in recent months in the semiconductor manufacturing sector. However, a slowdown in the housing market may offset other sources of strength in the District in coming months.

State government finances

The prolonged expansion in most District states has generated substantial revenue growth for state governments, and expenditures have grown accordingly. By improving the well-being of the population, favorable economic conditions enable states to shift spending away from health and human services and towards investment goods such as educational spending. Some states have chosen to implement tax cutting proposals as well.

California's state government has recovered fully from the poor fiscal position caused by weak general fund revenues during fiscal years (FYs) 1989–93. General fund revenues grew by 7½ percent on average in FYs 1993–94 through 1998–99 (Figure 1). The state is on track to equal or exceed the latest forecast of 8.7 percent growth in revenue during FY 1999–00. As recently reported by the state Legislative Analyst's Office (LAO), general fund revenues during the first three months of 1999 were about \$500 million (3.6 percent) above the final budget forecast, with personal income tax, sales tax, and bank and corporate tax revenues all exceeding their forecast levels.

California earmarks a substantial portion of revenue growth for spending on local public and community college (K–14) education. This portion is determined by a formula that was codified by Proposition 98, enacted in 1988 as a voter-approved amendment to the California Constitution. However, funding may fall below the Proposition 98 guarantee level when state revenue growth is

District Employment by Industry

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From	From
				Previous Month	Previous Year
Total	23,838.0	23,803.7	23,250.8	1.7	2.5
Mining	69.7	70.1	77.1	-6.6	-9.6
Construction	1,289.0	1,283.9	1,208.0	4.9	6.7
Manufacturing	3,053.9	3,051.4	3,087.4	1.0	-1.1
Transportation	1,250.3	1,251.0	1,213.4	-0.7	3.0
Trade	5,511.4	5,503.9	5,412.5	1.6	1.8
F.I.R.E.	1,375.6	1,377.1	1,351.3	-1.3	1.8
Services	7,360.9	7,350.9	7,079.6	1.6	4.0
Government	3,927.2	3,915.4	3,821.5	3.7	2.8

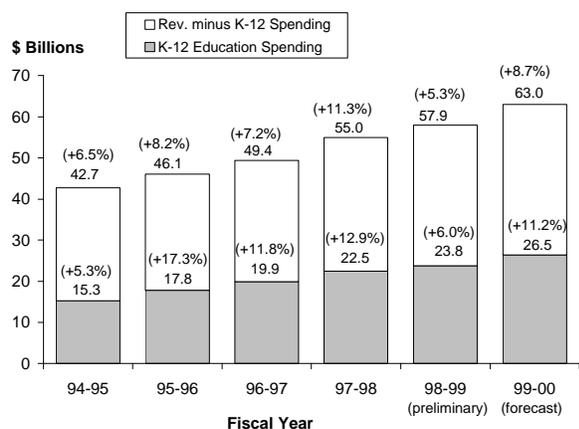
Seasonally adjusted payroll employment data

District Employment by State

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From	From
				Previous Month	Previous Year
Alaska	276.5	277.4	276.3	-3.8	0.1
Arizona	2,166.5	2,165.9	2,099.6	0.3	3.2
California	14,051.2	14,017.9	13,679.8	2.9	2.7
Hawaii	537.4	531.8	536.2	13.4	0.2
Idaho	529.5	532.8	522.8	-7.2	1.3
Nevada	981.4	979.0	934.0	3.0	5.1
Oregon	1,583.4	1,585.1	1,561.1	-1.3	1.4
Utah	1,058.5	1,053.6	1,032.3	5.7	2.5
Washington	2,653.6	2,660.2	2,608.7	-2.9	1.7
District	23,838.0	23,803.7	23,250.8	1.7	2.5
U.S.	128,911.0	128,919.0	126,361.0	-0.1	2.0

Seasonally adjusted payroll employment data

Figure 1
California state general fund revenues
& K-12 education spending



Source: California Legislative Analyst's Office

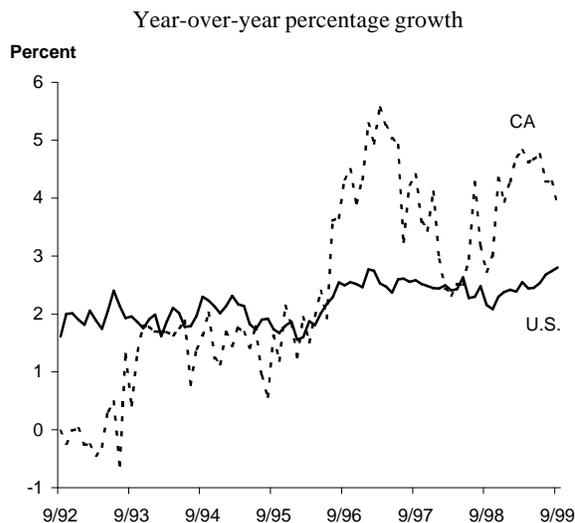
slow, and the state legislature in general has the option of suspending the Proposition 98 spending requirements on a yearly basis. When funding falls below the guarantee, the state must eventually restore K-14 funding to the level that would have attained had no shortfall occurred (the "restoration target").

A shortfall in educational funding due to slow revenue growth occurred in the early 1990s, and by FY 1994-95 Proposition 98 spending was nearly \$2 billion below the restoration target. State expenditures on K-12 education grew very rapidly during FY 1995-96 through 1997-98 (Figure 1), as the state shifted resources to meet the restoration target.¹ Following slower growth in 1998-99, K-12 spending is budgeted to grow at a rapid pace in 1999-00; the projected increase in yearly per-pupil spending is about \$300 (5.2 percent).

Due to class size targets encouraged by state and federal incentives, K-12 expenditure increases largely have been spent on new teacher hiring in California. The pace of growth for local government education employment in California has exceeded the national pace since mid-1996 (Figure 2), when the state launched an ambitious program for reducing public school class sizes in kindergarten through third grade. Between September 1996 and

¹ The focus here is on K-12 spending, because it is the bulk of K-14 spending and the focus of state and national education policy.

Figure 2
Local government education employment
in California



September 1999, local government education employment grew by 91,000 jobs in California, or 3.7 percent per year.²

More generally, the state revenue base has continued to expand substantially in all District states except Alaska and Hawaii in recent years. Some states have chosen to spend their surplus revenues on tax rebates or tax reductions for residents and businesses. Oregon's personal income tax "kicker" law mandates that such rebates are automatic under favorable revenue conditions. As a result of excess revenues in the state's biennial fiscal year of 1997-99, personal income taxpayers in the state will receive a refund equal to about 4½ percent of their 1998 tax liability in the fall of 1999.

In Washington state, voters recently approved an initiative that reduces the state vehicle tax. This decision is projected to return to taxpayers about \$750 million in annual revenue from the state's \$20 billion biennial budget, largely as a response to a substantial state budget surplus for the recently completed fiscal year. Arizona also reduced its vehicle license tax this year, and the state legislature there passed a series of "trigger" provisions that reduce tax payments for state residents when state revenue reaches certain dollar levels. California also has implemented substantial cuts in the state's vehicle license fees in previous and upcom-

² By comparison, K-12 school enrollment in California increased by 2.2 percent per year between the 1995-96 and 1998-99 school years.

ing budget years, with expected tax savings of hundreds of millions of dollars in the current fiscal year.

Semiconductor and computer manufacturing

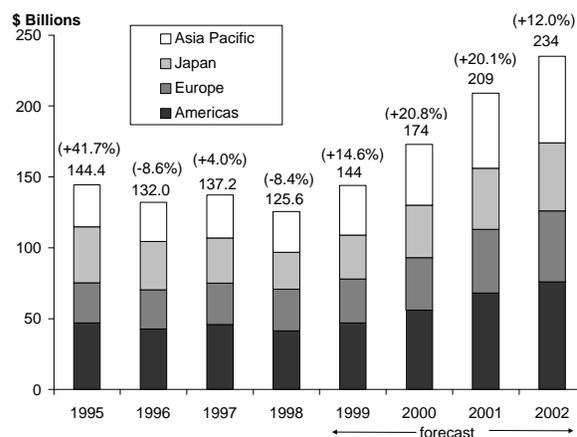
World semiconductor sales in nominal terms were relatively weak from 1995 to 1998 (Figure 3). Despite continued demand growth, substantial existing and new capacity has been available, and competition and price declines have kept profit margins narrow.

Recent price data, however, indicate firming in the prices of computer memory chips (DRAM). The most common memory configurations used in the PC market at this time rely on 64-megabit DRAM chips. According to several sources, the average spot price for this commodity had weakened substantially as of midyear, falling from around \$10 in February to about \$4.50 at the beginning of July. Since then, prices have risen substantially. Prior to the Taiwan earthquake on September 21, the average price for 64-megabit DRAM chips had more than tripled relative to its midyear low, and the price was well above its level from the beginning of the year. Although the earthquake immediately raised prices by a substantial amount, the effects were only temporary, and prices quickly fell below their prequake level. The current prognosis is for further decline in DRAM prices in coming months, but industry analysts expect them to remain well above the midyear lows, due to ongoing demand growth and limited increases in worldwide chip production capacity.

This prediction of favorable price trends for semiconductor makers is supported by the Semiconductor Industry Association's recent forecast of worldwide semiconductor sales for the years 1999–2002 (Figure 3). The forecast for 1999 is based on data for most of the year, and it suggests that this year marks a turning point for the industry, with sales growing by nearly 15 percent in nominal terms. Nominal sales growth for the four-year period of 1999–2002 is expected to average about 17 percent per year, with substantial growth expected in sales to all major regions of the world.

Demand for computer equipment more generally also has grown at a strong pace in recent years. Data on durable goods orders from the U.S. Department of Commerce indicate that despite price

Figure 3
Worldwide semiconductor sales by region



Source: Semiconductor Industry Association

declines, growth in the nominal value of computer equipment orders for U.S. manufacturers has been rapid, averaging over 10 percent yearly from 1992 to 1999. Separate data from Dataquest, a market research firm, indicate that the number of PCs sold worldwide grew by more than 20 percent during the first nine months of 1999 (compared to the same period last year), following about 15 percent worldwide growth last year.

Not all computer makers are doing well, however. One recent example is the announced withdrawal of Japanese- and French-owned Packard-Bell NEC from the U.S. retail PC market (despite being ranked fifth in worldwide PC sales in 1998). The collapse of this unit reportedly will eliminate 1,000–1,500 manufacturing jobs from the company's Sacramento operations and 600–700 call center jobs in Utah. In addition, higher semiconductor prices are squeezing profits for some computer makers, such as Dell and Hewlett-Packard, further clouding the short-term outlook in this industry.

These industry trends—improvement in the semiconductor sector and continued challenges in the computer equipment sector—are evident in the employment figures as well (not displayed). Employment growth in the electronic components sector (which consists largely of semiconductors) has returned this year following losses in 1998; in California, jobs in this sector grew 5.2 percent on an annual basis during the third quarter. In contrast, job losses in the computer manufacturing sector have

been ongoing this year and even picked up a bit during the third quarter in California. Overall, however, improvement in the semiconductor industry is likely to outweigh any ongoing adjustments in the computer industry and provide net benefits for the District economy.

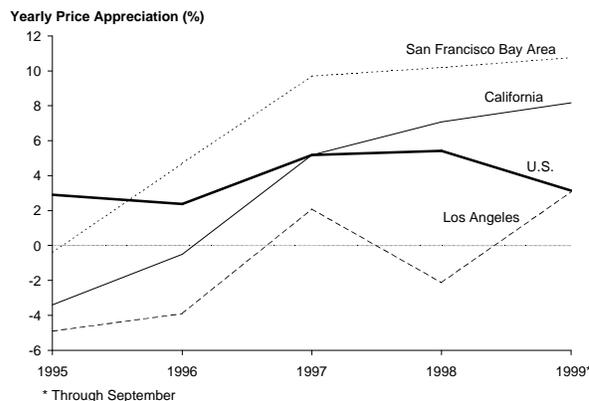
Housing markets

Hot housing markets and rapid growth in residential construction activity have been key features of the District expansion during the past few years. Signs of a slowdown in the national housing market have become evident in recent months. In the District, the number of new residential permits for the first nine months of the year was up about 5 percent compared to the same period last year, which is slower than the growth rate of about 8½ percent recorded for 1998 as a whole. The latest monthly residential permit figure for the District, for September, indicates a substantial decline from August (on a seasonally adjusted basis). Moreover, separate data from the National Association of Realtors indicate a sharp drop between August and September in the sales pace for new homes in the broad West region, which consists mostly of the Twelfth District. These figures all suggest that housing markets in the District are cooling.

Another important component for gauging whether housing markets have cooled is sales price data. Figure 4 displays yearly changes in the median price of existing single family homes in the U.S., California, the San Francisco Bay Area, and Los Angeles (all through September of this year). Following relatively rapid increases last year, price appreciation has fallen this year nationwide, but it has picked up a bit in California. Faster appreciation this year is evident in the Bay Area and Los Angeles. Other parts of Southern California (such as Orange County and San Diego) also experienced a pickup this year. However, the pickup in each of these Southern California MSAs was preceded by a decline in 1998.

Housing price appreciation in the San Francisco Bay Area this year is not due entirely to demand considerations. Figures from the Construction Industry Research Board indicate that the number of new housing units under construction in the Bay Area during the first nine months of this year was approximately the same as it was during the same

Figure 4
Changes in median price,
existing single family homes sold



Source: National Association of Realtors and California Association of Realtors

period last year. Thus, supply constraints also appear to be contributing to rapid price appreciation in the Bay Area this year. The increase in residential construction activity this year in California largely is in Southern California, where housing starts are up about 20 percent compared to last year.

Some cooling in residential home prices is evident in other parts of the District. Price appreciation has slowed over the past few years in Phoenix, Las Vegas, Salt Lake City, and Portland. In contrast, price appreciation has picked up substantially in Seattle and Boise this year.

On net, this evidence suggests moderate cooling in District housing markets in recent months. The pace of construction is up this year, but growth has been slower than last year, and the figures for the latest month (September) are consistent with additional slowing in the remainder of the year. Housing price appreciation has picked up further in California this year, but the measured pickup is due in part to the impact of housing supply constraints in the Bay Area and surprising weakness in housing prices in Southern California last year. Price appreciation generally has slowed in other major MSAs in the District, with the exception of Boise and Seattle.

ALASKA, OREGON, AND WASHINGTON

Alaska's economy remained weak in recent months. Payroll employment was virtually unchanged during the third quarter, as job gains in July and August were offset by losses in September. For the year to date, payroll employment has been about flat with a net increase of only 400 jobs. Growth in the labor force has been sluggish as well, and declines during the last two quarters lowered the state unemployment rate by about $\frac{3}{4}$ percentage point to 5.6 percent in September, the same rate that prevailed during the second half of 1998.

Weak conditions and employment losses in the oil industry have depressed growth throughout the Alaskan economy. Declines in exploration and extraction activity are responsible for job losses among providers of business and engineering services and industrial construction activity. More generally, declining oil revenues have reduced growth in personal income, consumer spending, and government payrolls in the state. Growth in total personal income during the first half of 1999 was well below its pace during 1997 and 1998. As growth in disposable and taxable income has fallen, activity in the housing and retail sectors has slowed significantly, and state and local government payrolls have contracted by about 2 percent at an annual rate so far this year.

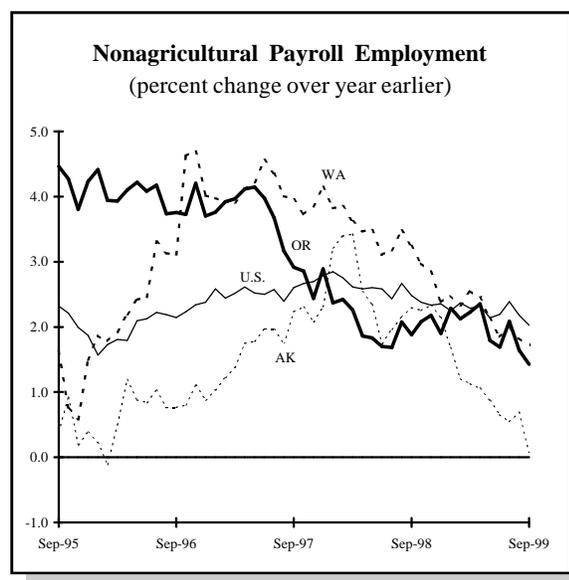
Economic growth in **Oregon** has slowed this year. Payroll employment increased by 0.3 percentage point during the third quarter, as healthy job gains in

transportation, communications, and state and local government were offset by job losses in the construction, manufacturing, and services industries. So far this year, payroll employment has grown by less than 1 percent on an annual basis, more than a percentage point slower than the growth rate in 1998. Slower job growth has loosened the state's labor market a bit. As of September the unemployment rate was 5.8 percent, up from 5.5 percent at the end of last year.

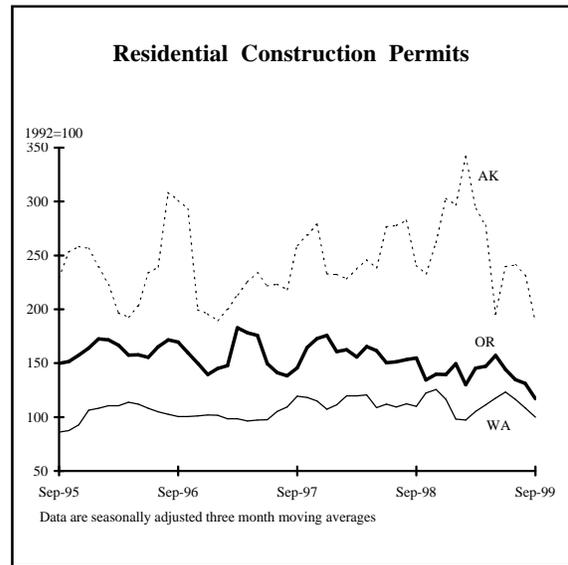
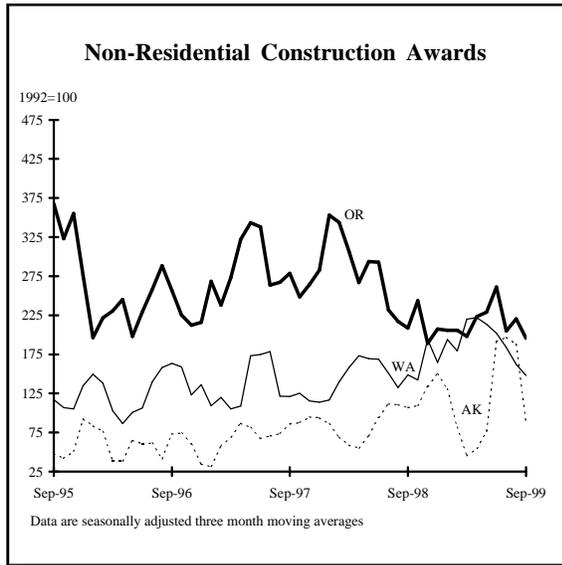
Despite slower economic expansion in the state this year, personal income has grown at a solid pace and state budgets remain flush. During the first half of 1999, personal income for Oregon residents grew at about the national pace. The most recent revenue forecast for Oregon shows that general fund revenue increased by about 8 percent during the 1997–99 biennium, generating surplus revenue of approximately \$360 million. The revenue growth is funding expansions in education and public services and producing a large “kicker” tax refund.

Economic growth in **Washington** picked up to a moderate pace during the third quarter. Payroll employment expanded by 1.5 percent at an annual rate during the three months ending in September, about a percentage point faster than the second quarter pace. The loss of 6,000 manufacturing jobs in the state during the third quarter was more than offset by gains in other sectors. Construction payrolls have been growing around 6 percent on an annual basis all year, nearly twice as fast as last year. However, permit activity and vacancy rates suggest that the housing and commercial real estate markets in Washington may be cooling. In other sectors, increases in export activity during the third quarter boosted job growth among firms specializing in air and water transportation, while strong domestic demand for business, legal, engineering, and social services spurred job growth in the services sector.

Despite recent positive signs, the state's expansion has slowed this year. Payroll employment has grown 1.4 percent on an annual basis, about a percentage point slower than the growth rate in 1998. However, the state unemployment rate was 4.9 percent in September, only 0.1 percentage point above its level at the end of last year.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From Previous Month	From Previous Year
Alaska					
Total	276.5	277.4	276.3	-3.8	0.1
Mining	8.5	8.7	10.3	-24.4	-17.5
Construction	13.2	13.2	13.1	0.0	0.8
Manufacturing	15.3	15.3	14.7	0.0	4.1
T.C.P.U.	26.6	27.1	25.7	-20.0	3.5
Trade	57.5	57.7	57.4	-4.1	0.2
F.I.R.E.	12.7	12.9	12.5	-17.1	1.6
Services	69.9	70.0	68.8	-1.7	1.6
Government	72.8	72.5	73.8	5.1	-1.4

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From Previous Month	From Previous Year
Washington					
Total	2653.6	2660.2	2608.7	-2.9	1.7
Mining	3.3	3.3	3.3	0.0	0.0
Construction	151.5	151.2	142.7	2.4	6.2
Manufacturing	360.1	362.4	378.7	-7.4	-4.9
T.C.P.U.	141.8	141.3	137.4	4.3	3.2
Trade	645.2	645.0	629.4	0.4	2.5
F.I.R.E.	141.6	141.4	136.7	1.7	3.6
Services	740.4	737.7	715.3	4.5	3.5
Government	469.7	477.9	465.2	-18.8	1.0

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From Previous Month	From Previous Year
Oregon					
Total	1583.4	1585.1	1561.1	-1.3	1.4
Mining	2.0	2.0	1.8	0.0	11.1
Construction	82.5	83.3	81.6	-10.9	1.1
Manufacturing	237.3	237.4	242.0	-0.5	-1.9
T.C.P.U.	80.7	80.7	77.0	0.0	4.8
Trade	387.7	385.8	384.7	6.1	0.8
F.I.R.E.	97.2	97.1	95.7	1.2	1.6
Services	430.3	432.0	421.3	-4.6	2.1
Government	265.7	266.8	257.0	-4.8	3.4

	Unemployment Rates (%)				
	Sep-99	Aug-99	Jul-99	Sep-98	Aug-98
Alaska	5.6	6.1	6.0	5.6	5.6
Oregon	5.8	5.7	5.5	5.7	5.7
Washington	5.0	4.7	4.8	5.0	4.8
U.S.	4.2	4.2	4.3	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's expansion slowed somewhat in recent months but remains strong on a year-over-year basis. Total nonfarm employment increased about 2½ percent at an annual rate in the third quarter. Over the twelve months ending in September, employment increased 3.2 percent, making Arizona the third fastest-growing state in the nation. During this period, rapid expansion of payrolls in the construction, transportation and utilities, and wholesale and retail trade industries was only partly offset by a slight decline in manufacturing employment and a sharp contraction in the state's copper mining industry.

About three-quarters of Arizona's workers—including those displaced from copper mines—are in the Phoenix-Mesa metropolitan area, where the unemployment rate of 2¾ percent ranks among the lowest in the nation. In Tucson, where most of the state's remaining population resides, the local unemployment rate also is a bit below 3 percent. In both metropolitan areas, population growth has been relatively rapid in recent years. This has stimulated demand for public services and raised state and local government employment in Arizona by 15,000 jobs (about 4 percent) over the past year.

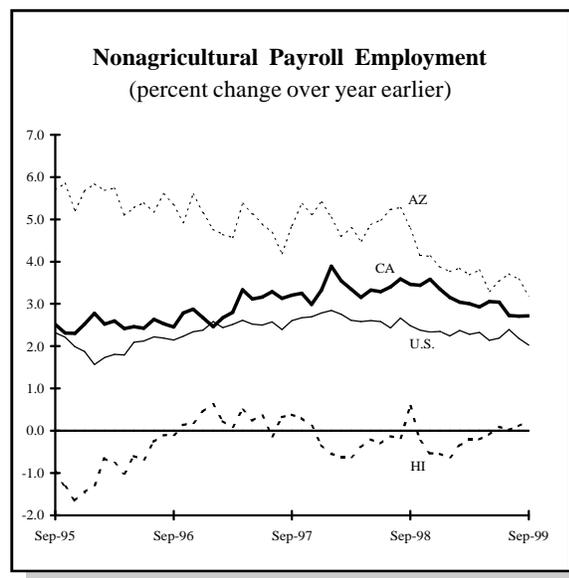
California's economy has grown substantially this year. Employment rose about 2.1 percent on an annual basis during the four months ending in October, following a somewhat faster gain in the first half of the year. The state has added about

283,000 jobs so far this year and 350,000 jobs during the twelve months ending in October.

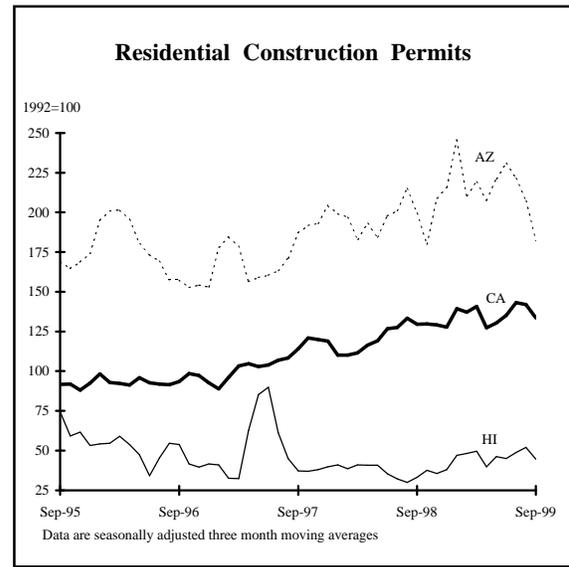
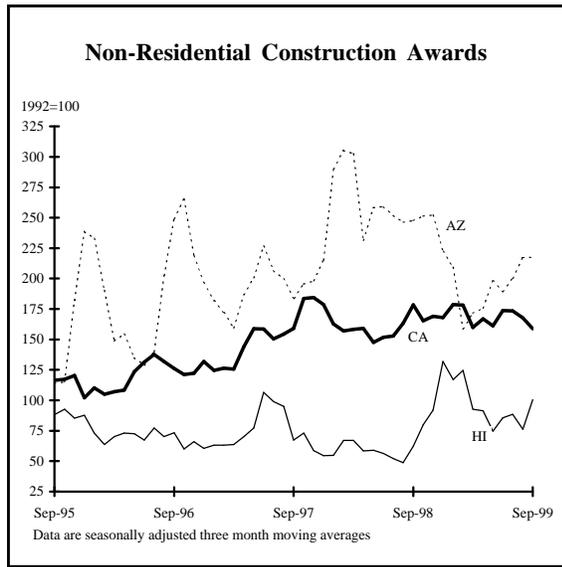
The Los Angeles area accounts for about one-half of all jobs in the state, and payrolls there have been growing at about the same pace as in the rest of the state. Within this broad region, growth has been fastest outside of the densely populated communities of Los Angeles County. Total employment in Los Angeles has grown about 2 percent at an annual rate so far in 1999, held down by a contraction in the local manufacturing sector. Cutbacks in the aerospace industry directly account for about one-half of the manufacturing jobs lost in Los Angeles County this year, and the aerospace contraction has restrained employment growth in supplying industries such as metals manufacturing. In contrast, the area's motion picture industry has been a bright spot this year, having resumed growth following job losses in 1998.

Hawaii showed some signs of an improving economy in recent months, but the sustainability of the nascent recovery remains in question. Payroll employment increased 5 percent at an annual rate in the third quarter, following a 2½ percent gain in the second quarter and no change in the first quarter. Most of this year's job gains have come from the state government rather than private payrolls. The additional state government jobs have been concentrated in the state's educational institutions, which are likely to continue expanding in fiscal year 2000 despite a planned cut of 1 percent in overall state government expenditures.

Private sector conditions in Hawaii also have improved a bit this year, helped by a recent turnaround in tourist trade. Overall visitor arrivals were strong in August and for the year-to-date have increased 1½ percent. Employment in the retail trade industry has grown 1¼ percent on an annual basis so far this year, following a 2 percent drop last year, when visitor counts also fell. The loss of construction jobs in the state largely has been halted this year, due in part to firming in the housing market. Available evidence suggests that prices of single family homes on Oahu have stopped declining, and the sales pace for existing homes picked up in the early part of this year.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From Previous Month	From Previous Year
Arizona					
Total	2166.5	2165.9	2099.6	0.3	3.2
Mining	9.9	10.0	12.7	-11.4	-22.0
Construction	158.1	158.6	147.0	-3.7	7.6
Manufacturing	218.2	218.3	217.8	-0.5	0.2
T.C.P.U.	107.0	106.4	102.8	7.0	4.1
Trade	519.9	519.5	503.6	0.9	3.2
F.I.R.E.	147.5	147.0	141.5	4.2	4.2
Services	654.4	654.9	637.1	-0.9	2.7
Government	351.5	351.2	337.1	1.0	4.3

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From Previous Month	From Previous Year
Hawaii					
Total	537.4	531.8	536.2	13.4	0.2
Mining
Construction	20.1	19.8	21.0	19.8	-4.3
Manufacturing	16.2	16.1	16.5	7.7	-1.8
T.C.P.U.	40.3	40.5	41.2	-5.8	-2.2
Trade	131.6	130.6	131.7	9.6	-0.1
F.I.R.E.	35.0	34.9	35.5	3.5	-1.4
Services	175.9	175.1	172.5	5.6	2.0
Government	118.3	114.8	117.8	43.4	0.4

	Oct-99	Sep-99	Oct-98	Annualized % Change	% Change
California					
Total	14065.6	14039.6	13717.2	2.2	2.5
Mining	23.8	23.7	24.9	5.2	-4.4
Construction	672.9	667.4	621.5	10.3	8.3
Manufacturing	1949.8	1953.6	1965.7	-2.3	-0.8
T.C.P.U.	720.6	717.8	697.3	4.8	3.3
Trade	3183.6	3181.1	3141.4	0.9	1.3
F.I.R.E.	816.5	812.8	808.3	5.6	1.0
Services	4463.1	4447.0	4273.4	4.4	4.4
Government	2235.3	2236.2	2184.7	-0.5	2.3

Unemployment Rates (%)

	Sep-99	Aug-99	Jul-99	Sep-98	Aug-98
	Arizona	4.1	4.5	4.4	4.1
Hawaii	5.4	5.3	5.4	6.3	6.2
U.S.	4.2	4.2	4.3	4.5	4.5
<hr/>					
	Oct-99	Sep-99	Aug-99	Oct-98	Sep-98
California	4.8	4.9	5.1	5.9	6

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 economy slowed further in recent months. Following a small reduction in nonfarm payroll employment during the second quarter, the pace of job loss picked up a bit in the third quarter, and employment is down about 3,300 jobs so far in 1999. Although personal income received by Idaho residents grew faster than it did for the nation as a whole during the first half of the year, income growth in Idaho slowed significantly in the second quarter. Slower growth in personal income generally reduces growth in consumer spending, and employment in the state's retail trade sector shrunk accordingly during the second and third quarters, with job losses hastened by restructuring among firms in the sector. The state's hotels also have shed a substantial number of jobs this year.

In contrast to service providers, the state's manufacturers have fared well recently. Ongoing expansions in the industrial machinery and electronics sectors were reinforced by a surge in food processing employment during the third quarter, as potato processors benefited from strengthened demand for their products. Rising demand for the state's potato crop has raised potato prices and benefited Idaho farmers as well.

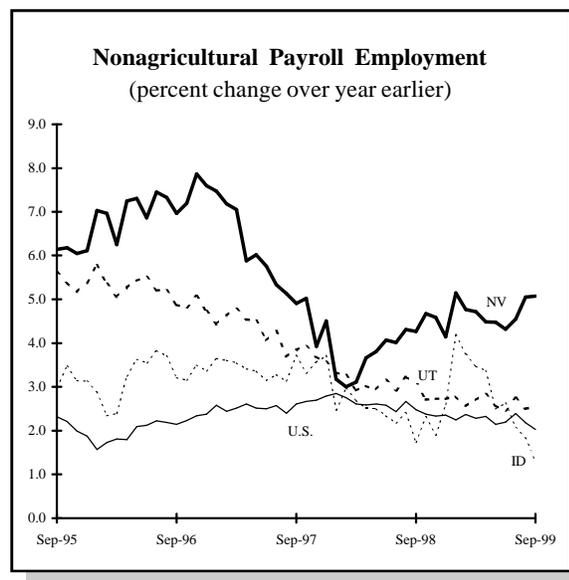
Economic growth in **Nevada** has been rapid this year, and it picked up further in the third quarter. On an annual basis, total payroll employment grew nearly 8 percent during the third quarter, more than double the pace from the first half of the year. Total

personal income in the state grew 9 percent during the first half of the year (compared to the first half of 1998). This is well above the national gains of about 5½ percent, and Nevada's edge probably grew during the third quarter. Among the state's industrial sectors, employment in the transportation services sector has been growing the fastest; on an annual basis, it has grown about 10 percent so far in 1999 and nearly 15 percent during the third quarter. Growth in this sector was fueled in large part by expansion in air transportation services, which have grown rapidly to support substantial increases in airline passenger counts in the state.

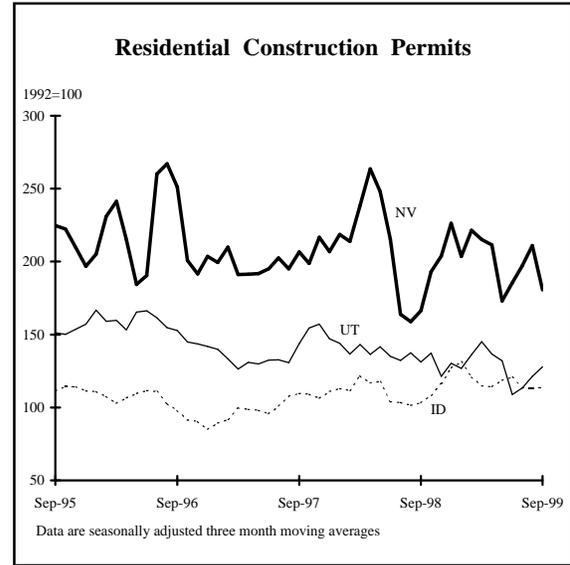
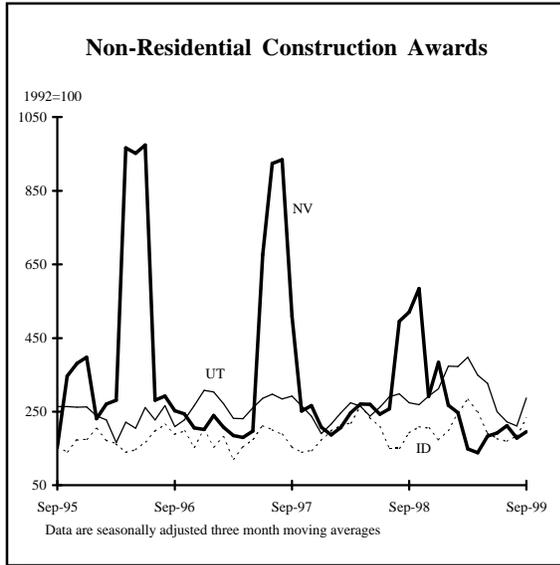
Frenzied visitor traffic reflects a pronounced resurgence in the state's gaming sector this year. Relative to 1998 levels, growth in Las Vegas' gaming win mostly has been in double-digits this year, and employment in the hotel and amusement sector statewide has been growing at its fastest pace since 1994.

Utah's economy has been expanding at a solid pace. Growth in total payroll employment picked up in the third quarter to 3.9 percent on an annual basis. However, year-over-year growth has slowed to 2.5 percent, and the third-quarter pickup was confined to the government and services sector, each of which was making up for slower growth earlier in the year. Among signs of recent slowing, job losses in the manufacturing sector became more rapid in the third quarter. Growth in retail trade employment also slowed in the third quarter; growth in this sector had been rapid earlier in the year, as retailers increased hiring in response to unusually slow growth during 1998. On net, job creation in the state has been sufficient to hold the unemployment rate constant at just under 3½ percent all year.

Consistent with slower expansion this year, total personal income in Utah grew at about the national rate during the first half of the year; income gains in Utah earlier in the decade had been substantially more rapid than national gains. Although income per capita is relatively low in the state due to large family sizes, Utah ranks tenth nationwide in median household income, due in large part to the prevalence of dual-earner households. The state's high household income places it among the states with the lowest poverty rates nationwide.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From Previous Month	From Previous Year
Idaho					
Total	529.5	532.8	522.8	-7.2	1.3
Mining	2.9	2.9	3.0	0.0	-3.3
Construction	33.6	33.5	32.9	3.6	2.1
Manufacturing	76.9	77.7	76.0	-11.7	1.2
T.C.P.U.	26.0	26.2	25.9	-8.8	0.4
Trade	133.9	133.5	132.9	3.7	0.8
F.I.R.E.	23.7	23.7	23.1	0.0	2.6
Services	129.5	128.8	126.4	6.7	2.5
Government	103.0	106.5	102.6	-33.0	0.4

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From Previous Month	From Previous Year
Utah					
Total	1058.5	1053.6	1032.3	5.7	2.5
Mining	7.6	7.5	7.9	17.2	-3.8
Construction	73.6	73.2	69.3	6.8	6.2
Manufacturing	133.0	133.3	133.6	-2.7	-0.4
T.C.P.U.	59.8	60.0	59.2	-3.9	1.0
Trade	248.3	248.6	243.3	-1.4	2.1
F.I.R.E.	58.6	59.4	56.3	-15.0	4.1
Services	293.8	292.9	281.8	3.8	4.3
Government	183.8	178.7	180.9	40.2	1.6

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-99	Aug-99	Sep-98	From Previous Month	From Previous Year
Nevada					
Total	981.4	979.0	934.0	3.0	5.1
Mining	11.9	11.9	13.1	0.0	-9.2
Construction	88.9	88.7	86.1	2.7	3.3
Manufacturing	43.5	43.2	42.5	8.7	2.4
T.C.P.U.	51.0	50.5	48.0	12.6	6.3
Trade	202.4	201.5	191.1	5.5	5.9
F.I.R.E.	45.6	45.8	44.0	-5.1	3.6
Services	421.4	420.4	395.7	2.9	6.5
Government	116.7	117.0	113.5	-3.0	2.8

	Unemployment Rates (%)				
	Sep-99	Aug-99	Jul-99	Sep-98	Aug-98
Idaho	4.9	4.9	5.0	5.0	4.9
Nevada	4.2	4.2	3.8	3.9	4.2
Utah	3.4	3.4	3.4	3.7	3.8
U.S.	4.2	4.2	4.3	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.

1999 Issues**Mailing Date**

January
March
May
June
August
September
November
December

February 5
April 2
May 21
July 2
August 27
October 8
November 19
December 24



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