

# WESTERN ECONOMIC DEVELOPMENTS

January 1999

## Executive Summary

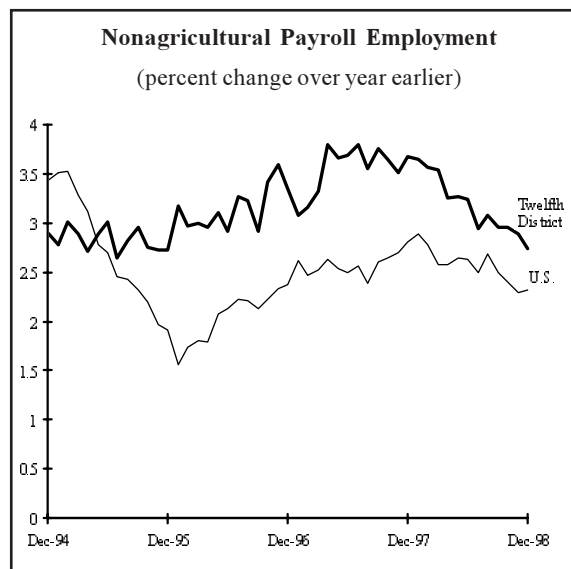
- *The Twelfth District's economic expansion slowed in 1998, but the economy remained healthy and most states entered 1999 with substantial momentum.*
- *California's expansion remained on track in recent months. During 1998, growth in the state was sustained in part by income gains associated with the creation of high-wage jobs outside of the manufacturing sector.*
- *Growth in the District's durable manufacturing sector slowed substantially in 1998, and reduced production of aircraft by Boeing is likely to offset some of the underlying strength in the Washington state and Los Angeles area economies.*
- *During 1998, the strongest job gains in the District were recorded in the construction, services, finance, insurance, and real estate, and state and local government sectors.*

## District Update

The Twelfth District's economic expansion proceeded at a solid pace in 1998, and the District economy entered the new year with substantial momentum. Initial estimates of payroll employment show that total nonfarm jobs grew by 2.7 percent in 1998, faster than the national rate of 2.3 percent. California's expansion remained on track, with nonfarm jobs expanding by 2.6 percent for the year. Moreover, following a slow third quarter, employment growth in California picked up a bit in the fourth quarter, as it did in the District as a whole.

During 1998, expansion of manufacturing activity in the District was hampered by the trade imbalances associated with the East Asian economic slowdown. Initial employment estimates indicate that District manufacturing employment was essentially flat during 1998, compared to 3.7 percent growth in 1997. Small net gains in manufacturing jobs during the first half of 1998 were offset by losses during the second half of the year, at a rate of nearly 1 percent on an annual basis. The near-term prospects for this sector are somewhat weak, as the international outlook remains downbeat. Moreover, cutbacks by Boeing led to substantial fourth-quarter job losses in the aircraft and parts manufacturing sector in both Washington state and the Los Angeles area, with additional cuts planned.

Weakness in the manufacturing sector during 1998 largely was offset by rapid job creation in the construction, services, and finance, insurance, and real estate sectors, coupled with a hiring pickup among state and local governments in the District. Job growth in the construction industry was fuelled by strong housing demand, particularly in California. Overall job growth was solid in the service-producing sectors, which account for slightly more than eighty percent of



all payroll jobs in the District. As a result, the District unemployment rate was approximately constant during the year and stood at 5.3 percent as of December, with substantially lower rates in the fastest growing states and most large metropolitan areas.

The latest U.S. Census Bureau figures on state populations as of July 1998 show that several states in the District are among the fastest growing in the nation. Due to a reduction in net out-migration from California to other states, population growth slowed a bit in Idaho, Nevada, Oregon, Utah, and Washington. Nonetheless, net population growth in the District was well above the national average.

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-98	Nov-98	Dec-97	From	From
				Previous Month	Previous Year
Alaska	273.9	274.2	268.3	-1.3	2.1
Arizona	2,107.0	2,103.0	2,021.9	2.3	4.2
California	13,745.2	13,740.8	13,398.3	0.4	2.6
Hawaii	522.3	524.2	530.5	-4.3	-1.5
Idaho	524.5	524.0	514.0	1.2	2.0
Nevada	951.3	948.8	907.2	3.2	4.9
Oregon	1,584.7	1,576.8	1,551.0	6.2	2.2
Utah	1,035.5	1,030.4	1,014.3	6.1	2.1
Washington	2,622.8	2,612.4	2,543.6	4.9	3.1
District	23,367.2	23,334.6	22,749.1	1.7	2.7
U.S.	127,156.0	126,778.0	124,289.0	3.6	2.3

Seasonally adjusted payroll employment data

## Financial Conditions

Data for a sample of large banks headquartered in the District indicate that growth in loans to businesses was robust in the fourth quarter, following a more modest increase in the third quarter. The data suggest a slight decline in total real estate loans outstanding, due to declines in mortgage and home equity loans. Commercial real estate loans and consumer loans appear to have increased at a healthy pace.

For banks based in California, the data indicate strong growth in business loans during the fourth quarter. In contrast, home mortgage loans and home equity loans declined in the state, while commercial real estate loans increased at a solid pace. Consumer loans outstanding in California appear to have been unchanged.

In a separate survey, a different sample of large banks headquartered in the District and branches of Japanese banks in the District reported on credit demand and supply conditions. The survey results indicate an increase in loan demand from large and middle-market businesses in the fourth quarter but little change in demand from small businesses. Regarding the supply of loans to large and middle-market firms, respondents reported tighter lending terms overall. This was especially true for the Japanese branches, which also reported tighter approval standards. The tightening of terms principally affected the maxi-

				% Change	% Change
	Nov-98	Oct-98	Nov-97	From	From
				Previous Month	Previous Year
Aerospace Employment (1992=100)	71.1	71.7	72.2	-0.9	-1.6
Electronics Employment (1992=100)	117.5	118.2	120.5	-0.7	-2.5
Americas Semiconductor Billings (\$ Million)	3690.0	3620.0	3970.0	1.9	-7.1
Non-Residential Awards (1992=100)	138.1	139.5	159.8	-1.0	-13.6
Residential Permits (Thousands)	28.1	27.2	27.6	3.5	2.0
Western Housing Starts (Thousands)	28.1	31.3	27.1	-10.2	3.7

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-98	Nov-98	Dec-97	From	From
				Previous Month	Previous Year
Total	23,367.2	23,334.6	22,749.1	1.7	2.7
Mining	81.2	81.1	85.1	1.5	-4.6
Construction	1,220.6	1,220.2	1,148.1	0.4	6.3
Manufacturing	3,053.1	3,053.8	3,058.8	-0.3	-0.2
Transportation	1,202.6	1,199.4	1,175.2	3.2	2.3
Trade	5,450.5	5,439.7	5,340.8	2.4	2.1
F.I.R.E.	1,332.4	1,330.7	1,291.0	1.5	3.2
Services	7,156.9	7,145.7	6,879.4	1.9	4.0
Government	3,869.9	3,864.0	3,770.7	1.8	2.6

Seasonally adjusted payroll employment data

mum size of credit lines, the spreads of loan rates over base rates, and the premiums charged on riskier loans. Respondents primarily attributed the tightening to a less favorable or more uncertain economic outlook, decreased liquidity in the secondary market for large and middle-market business loans, and further deterioration of conditions in specific industries.

In this second survey, only domestic banks were surveyed regarding consumer and mortgage loans, and for the fourth quarter overall they reported no change in the demand for such loans and no change in approval standards. Respondents also reported little change in the demand for commercial real estate loans in the fourth quarter. However, some loan terms were tightened, and the Japanese branches tightened approval standards as well.

### Wage and Income Growth in California

In recent years, California's economic expansion has been spurred by strong growth in wages and income. Underlying this was solid job creation and rapid wage gains in several high-wage sectors, especially durable manufacturing. Although employment growth in the state's durable manufacturing sector slowed substantially in 1998, growth in wage and salary payments per worker likely was sustained by employment growth in certain service-producing sectors that pay high wages.

#### *Industrial Employment Growth and Earnings, 1969-97*

Between 1969 and 1997, real wage and salary payments per nonfarm worker (deflated using the GDP deflator for personal consumption expenditure) rose by 13% in California. The rate of change varied substantially from year to year. Real wage and salary payments per worker were flat during the first half of the 1990s, but growth resumed in the middle 1990s; growth between 1994 and 1997 was almost as large as the net gains between 1969 and 1994.

Data that illustrate the sources of variation in wage and salary growth across periods in California are presented in Table 1. This table decomposes changes in real yearly wage and sal-

ary payments per worker into portions associated with major industrial sectors, for changes between 1969 and 1994, 1994 and 1997, and in 1998. The first row of each panel lists the average yearly percent change in real wage and salary payments per worker, for all nonfarm workers (excluding agricultural services) during the period indicated. The next row lists the average yearly dollar change, in 1997 dollars. The remaining rows list the contributions of major industrial sectors to the average yearly dollar change (the industry contributions sum to the total yearly change in the second row). Each period, an industry's contribution equals the difference across the two endpoint years in the product of the industry's employment share and wage and salary payments per worker in the industry. Thus, an industry's contributions reflect a combination of changes in its employment share, changes in wage and salary payments per worker in the industry, and its level of real wage and salary payments per worker.

The first column of Table 1 shows that the durable manufacturing sector held down average yearly growth in total wage and salary payments per worker between 1969 and 1994. Although wage and salary payments per employee in the durable manufacturing sector were high and grew substantially more than did the nonfarm average between 1969 and 1994, these factors were more than offset by substantial losses in the employment share of the durable manufacturing sector. The services sector made the largest positive contribution. This was due in part to a gain in employment share. The other key factor was the rapid growth in wage and salary payments per worker in this industry, which rose by an amount about three times larger than the average for nonfarm workers.

The second column of Table 1 displays the decomposition of changes in wage and salary payments per worker for the period 1994-97. The first two rows show a very large yearly change in wage and salary payments per nonfarm worker; on a yearly percentage basis, wage and salary payments per nonfarm worker in California grew nearly seven times more rapidly between 1994 and 1997 than they did between 1969 and 1994.

**Table 1: Changes in Real Yearly Wage and Salary Payments per Worker, California**

	1969-94	1994-97	1998 (est.)
Yearly percent change, nonfarm workers*	0.29	1.91	2.05
Yearly change (1997 \$), nonfarm workers*	72.62	587.22	652.66
<b>industry contributions to yearly change</b>			
Durable goods	-77.77	141.64	-52.12
Services	184.76	376.25	378.10
Finance, insurance, and real estate	40.97	41.47	151.95
Construction	-16.69	51.23	107.30
Government	-34.81	-94.87	27.02
Nondurable goods	-15.68	-3.55	13.22
Trans., comm., and public utilities	-12.91	16.87	6.83
Wholesale trade	14.13	54.59	43.22
Retail trade	-7.83	6.00	-16.09
Mining	-1.56	-2.42	-6.77

\* Excluding agricultural services

Compared to the earlier period, the main factor underlying the pickup in wage and salary growth in California between 1994 and 1997 was an improved contribution from the durable goods manufacturing sector. The difference between the durable goods contribution during 1994-97 and the durable goods contribution during 1969-94 indicates about a \$220 swing in its yearly contribution to growth in wage and salary payments per nonfarm worker. The improved contribution from the durable goods sector stems from a pickup in employment growth coupled with high relative wage and salary payments per worker in this sector (see Figure 1), plus relatively rapid growth in wage and salary payments in this sector. The second key contributor to the pickup in wage and salary payments per worker in California during the period 1994-97 was an increase in the positive contribution of the ser-

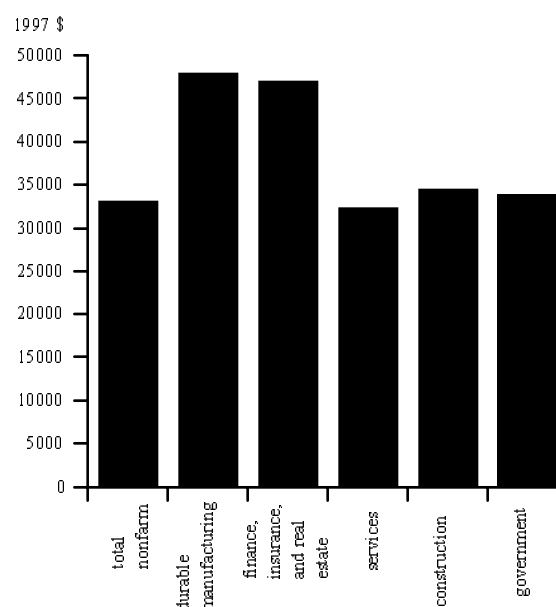
vices sector. As in the earlier period, the positive contribution from the services sector stems from a rising employment share and gains in wage and salary payments per worker in this industry that exceeded the nonfarm average. However, it also reflects the level of wage and salary payments per worker in this sector, which by 1997 were about equal to the nonfarm average level (Figure 1).

#### *Industrial Employment Growth and Earnings in 1998*

Employment growth in California and in the nation slowed between 1997 and 1998; this slowdown was concentrated in the durable manufacturing sector. Because jobs in California's durable manufacturing sector are high wage, the slowdown in durable manufacturing employment growth in 1998 probably exerted a restraining effect on growth in California wage and salary payments. However, this effect may have been offset by gains in employment and earnings in other sectors.

Data on yearly wage and salary payments are not yet available for 1998. However, the previous analysis can be extended to estimate wage

**Figure 1: Yearly Wage and Salary Payments per Worker for Selected Industries, California, 1997**



growth during 1998. For this exercise, it was assumed that growth during 1998 in real wage and salary payments per worker for a particular industry equalled that industry's average yearly growth in real wage and salary payments per worker between 1994 and 1997. This key assumption probably does not hold; for example, growth in wages and salary payments per worker is likely to slow in industries that have experienced slower employment growth. However, this assumption enables us to isolate the effects of the changing industrial composition of employment growth in 1998 on growth in wage and salary payments per employee.

The estimated growth in wage and salary payments per worker in 1998, and the associated industry contributions, are displayed in the third column of Table 1. Comparing Columns 2 and 3, the estimated rate of wage and salary growth during 1998 is comparable to growth in preceding years. The slowdown in employment growth in the durable manufacturing sector exerts a negative effect on the estimate of wage and salary growth in California during 1998: comparison of the durable goods effect in Columns 2 and 3 reveals a change of -\$194. However, this negative swing in the durable manufacturing contribution is more than offset by the estimated positive swings from several other sectors. These include the finance, insurance, and real estate sector, in which wage and salary payments per worker are high (Figure 1) and employment

growth picked up during 1994-97, and the construction and government sectors, in which employment growth has been rapid and wage and salary payments per worker exceed the total nonfarm average (Figure 1).

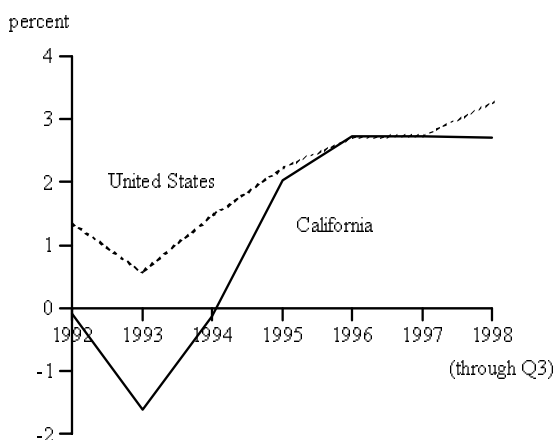
*Associated Growth in Personal Income*

Data on growth in personal income, available for the first three quarters of 1998, are consistent with continued solid growth in wage and salary payments in California during 1998. Figure 2 displays yearly percentage growth in real personal income per capita in California and the nation as a whole. The figure shows solid gains in real income since 1995. Data for the first three quarters of 1998 indicate that the rate of growth in personal income per capita in California was about the same in 1998 as it was in 1997. However, growth for the nation picked up a bit in 1998. The exact gains for the first three quarters of 1998 relative to the same period in 1997 were 2.7% in California and 3.2% in the nation. The difference between these two figures is exactly equal to the difference between estimated 1998 population growth in California (1.5%) and in the nation (1.0%).

*Conclusion*

Real wage and salary payments per worker in California grew at a strong pace between the years 1994 and 1997, when employment gains were relatively rapid in the durable manufacturing sector. Despite slower job growth in the durable manufacturing sector during 1998, the growth across sectors in 1998 is consistent with continued strong growth in wage and salary payments. Data on personal income per capita through the first three quarters of the year also indicate solid income growth in California during 1998.

**Figure 2: Yearly Percentage Change in Real Personal Income per Capita, California and the U.S.**



## ALASKA, OREGON, AND WASHINGTON

Economic activity in **Alaska** was flat in recent months, although on the whole 1998 was a good year compared to the last few. Payroll employment was unchanged during the fourth quarter, as job gains in November were offset by losses in October and December. Among sectors, only the government consistently added jobs during each month of the fourth quarter. Despite the sluggish finish to the year, total payroll employment expanded by 2.1 percent in 1998, nearly a percentage point above the 1997 pace. Moreover, the unemployment rate averaged 5.9 percent in 1998, nearly 2 percentage points below the average for 1997.

The bright spots in Alaska's economy during 1998 were the non-resource related industries, such as construction, transportation, communications, retail trade, and services. These sectors benefitted from a pickup in personal income growth during the first half of 1998, and also from rising tourism, as a record 1.4 million tourists visited Alaska last year.

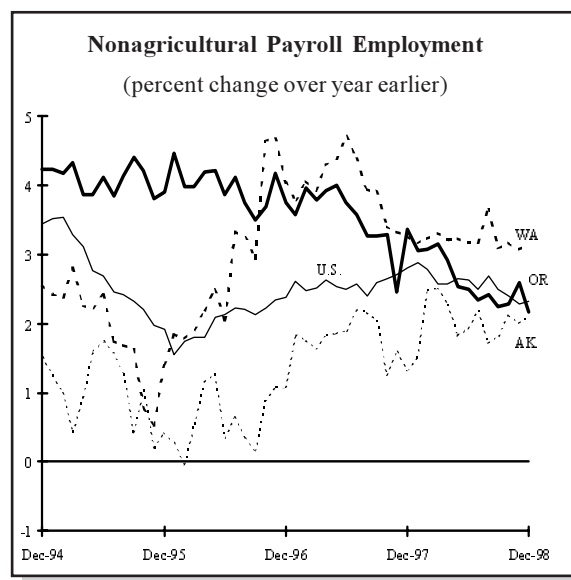
The **Oregon** economy picked up in recent months and on net grew moderately in 1998. Total payroll employment expanded by 4.7 percent at an annual rate during the fourth quarter of 1998, well above the 1.1 percent pace for the first 9 months of the year. Growth for the year was 2.2 percent, a moderate pace that kept the unemployment rate largely constant. In contrast to

earlier in the year, Oregon's construction, manufacturing, and trade sectors grew steadily during the fourth quarter, collectively adding 9,900 new jobs. Growth in the services sector accelerated in the fourth quarter, owing primarily to rapid job creation in the business, engineering and management, and educational services industries.

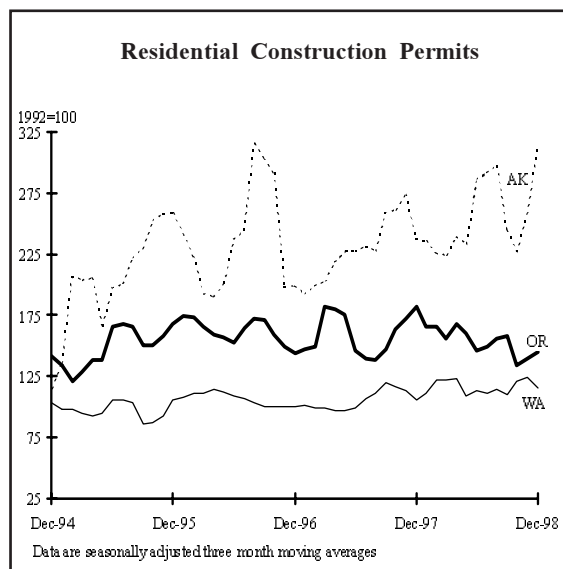
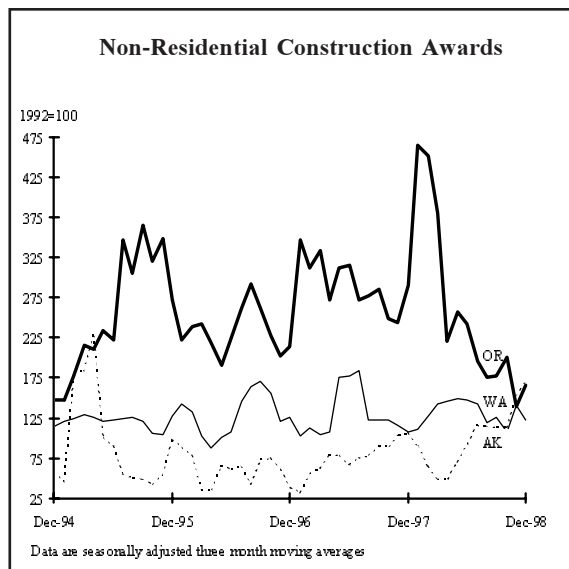
Although job growth in Oregon slowed in 1998, the economy continued to produce good returns for workers. Average hourly earnings for manufacturing employees grew about 5 percent during 1998, compared to just under 4 percent growth during 1997. Similarly, total personal income in the state grew by 4.7 percent during the first nine months of 1998 compared to the first nine months of 1997. In the Portland area, the purchasing power of these wage and income gains was strengthened by a reduction in price inflation during the first half of 1998.

The pace of economic growth in **Washington** remained solid in recent months, although some signs of a slowdown have emerged. Total non-farm payroll employment expanded by 3.0 percent at an annual rate during the fourth quarter; this represents a pickup from the third-quarter pace of 1.6 percent, but it is below the 4 percent pace from the first half of the year. The aircraft and parts industry has been hurt by cutbacks at Boeing. This sector lost about 3,600 jobs during the three months ending in December, an employment decline of more than 12 percent on an annual basis, and substantial additional cuts are planned. Employment also contracted in the high-tech manufacturing sector and among producers of lumber and related products. In contrast, job growth in the services sector jumped to 6.1 percent at an annual rate during the fourth quarter, largely due to rapid job creation associated with tourism and business consulting activities.

For 1998 as a whole, the Washington economy performed well, adding jobs at about the same pace as it did in 1997. As a result, the unemployment rate in December was 4.7 percent, only slightly above its year-earlier level. Growth in total personal income has been solid; it grew by 6.4 percent during the first nine months of 1998 compared to the first nine months of 1997.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-98	Nov-98	Dec-97	From Previous Month	From Previous Year
<b>Alaska</b>					
Total	273.9	274.2	268.3	-1.3	2.1
Mining	10.5	10.6	10.1	-10.8	4.0
Construction	13.2	13.2	12.8	0.0	3.1
Manufacturing	13.7	15.2	13.9	-71.3	-1.4
T.C.P.U.	25.2	24.8	24.4	21.2	3.3
Trade	56.6	56.0	55.4	13.6	2.2
F.I.R.E.	12.4	12.4	12.2	0.0	1.6
Services	68.3	68.2	66.0	1.8	3.5
Government	74.0	73.8	73.5	3.3	0.7

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-98	Nov-98	Dec-97	From Previous Month	From Previous Year
<b>Washington</b>					
Total	2622.8	2612.4	2543.6	4.9	3.1
Mining	3.4	3.4	3.6	0.0	-5.6
Construction	144.0	143.4	136.6	5.1	5.4
Manufacturing	370.8	371.6	376.0	-2.6	-1.4
T.C.P.U.	139.7	139.7	133.9	0.0	4.3
Trade	637.0	635.4	612.8	3.1	3.9
F.I.R.E.	137.4	136.9	131.0	4.5	4.9
Services	725.7	721.6	689.4	7.0	5.3
Government	464.8	460.4	460.3	12.1	1.0

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-98	Nov-98	Dec-97	From Previous Month	From Previous Year
<b>Oregon</b>					
Total	1584.7	1576.8	1551.0	6.2	2.2
Mining	1.8	1.8	1.9	0.0	-5.3
Construction	85.3	84.7	84.6	8.8	0.8
Manufacturing	243.1	242.0	246.7	5.6	-1.5
T.C.P.U.	76.1	75.9	74.4	3.2	2.3
Trade	391.4	389.7	384.8	5.4	1.7
F.I.R.E.	97.6	97.2	96.0	5.1	1.7
Services	426.8	424.9	408.7	5.5	4.4
Government	262.6	260.6	253.9	9.6	3.4

	Unemployment Rates (%)				
	Dec-98	Nov-98	Oct-98	Dec-97	Nov-97
Alaska	5.5	5.2	6.1	7.1	7.3
Oregon	5.5	5.7	5.7	5.3	5.5
Washington	4.7	4.7	4.8	4.4	4.4
U.S.	4.3	4.4	4.5	4.7	4.6

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

The pace of economic growth in **Arizona** slowed in recent months but remained strong. Total nonfarm employment grew by 2.7 percent at an annual rate in the fourth quarter, down about 1 percentage point from the third-quarter pace. The rate for 1998 as a whole was 4.2 percent; this places Arizona second in the national employment growth ranking for 1998 but represents a slowdown relative to previous years. Among sectors, the 1998 slowdown was most evident in business services, wholesale trade, and manufacturing.

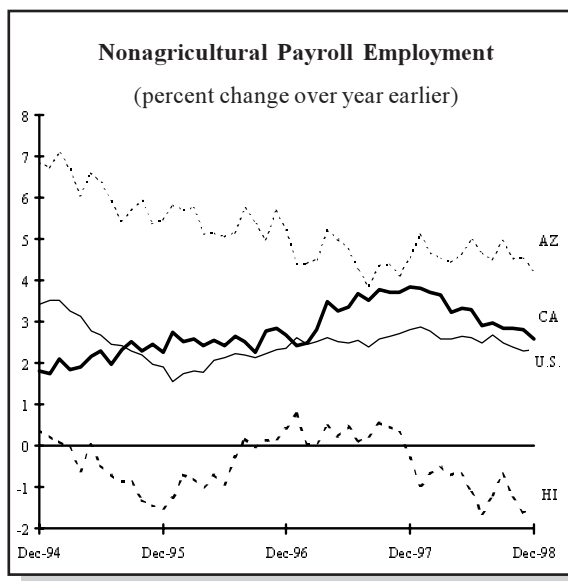
Job growth in Arizona's manufacturing sector slowed to about 1 percent at an annual rate in the fourth quarter of 1998, down about ½ percentage point from the third-quarter pace and 1 percentage point from the first-half pace. The moderation of manufacturing job growth in 1998 followed a growth surge of 5.5 percent in 1997, when exports originating in the state rose about 44 percent. During the first eleven months of 1998, state exports fell about 3 percent relative to the same period in 1997. The swing in activity was particularly noticeable for manufacturers of industrial machinery and electronic components and equipment; employment in that industry group grew by 6.7 percent in 1997 but fell about 1 percent in 1998, owing to large declines in the second half of the year.

**California's** economy expanded at a moderate pace in recent months and during 1998 as a

whole. Total payroll employment increased by 2.6 percent at an annual rate during the fourth quarter, about the same rate as the average for the first three quarters of the year. These initial employment estimates indicate that the 1998 rate of job growth was down about 1.2 percentage points relative to the 1997 pace. Employment growth in the state's durable manufacturing sector slowed substantially in 1998, following strong gains in 1997. Although job growth in the construction and business service industries also slowed a bit last year, the resulting pace of employment growth remained rapid, at better than 7 percent. Slower employment growth in the manufacturing, construction, and business services sectors was partly offset by a pickup in the real estate and local government education sectors.

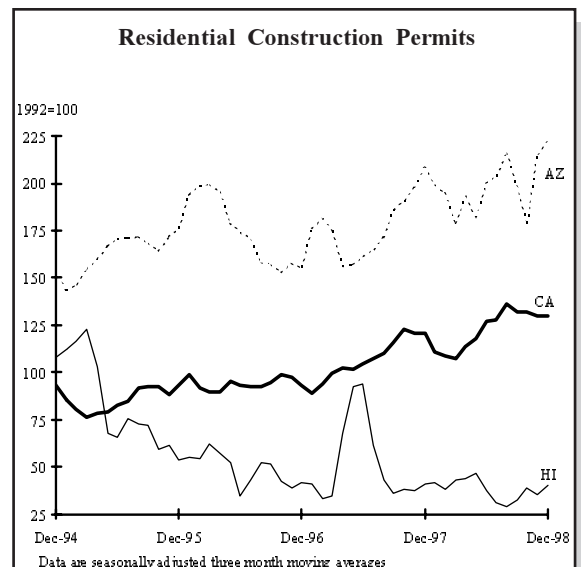
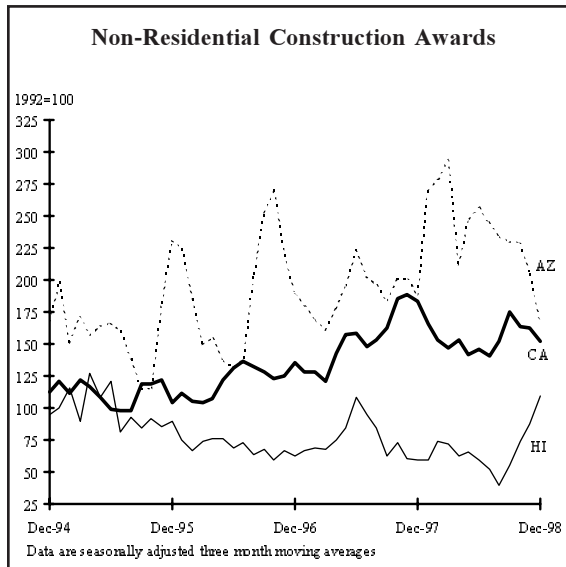
By region, the pace of growth was faster in the Los Angeles area than in the San Francisco Bay Area last year. Employment in the Los Angeles area grew 3.2 percent at an annual rate during the first eleven months of 1998, whereas Bay Area job growth was only 2 percent, down 2.2 percentage points from the 1997 pace. Slower growth in the San Francisco area primarily was due to halted job growth in San Jose beginning in the second quarter of 1998; in the San Francisco and Oakland metropolitan areas, growth slowed less. Within the Los Angeles area, job growth in Riverside-San Bernardino picked up by nearly a percentage point, to 5.4 percent. Los Angeles County's rate of growth was 2.3 percent, about the same as in 1997.

**Hawaii's** economy slumped further in recent months. Employment fell 6.5 percent at an annual rate in the fourth quarter and was down 1.5 percent for the year as a whole. About one-half of the jobs lost last year were in the lodging and retail trade sectors, which have suffered from reduced visitor traffic and spending. During the first eleven months of 1998, about 6.1 million visitors arrived in Hawaii, down about 2 percent relative to the same period a year earlier. About 2.3 million of these visitors were eastbound from Japan and other countries, which represents a decline of about 10.5 percent compared to 1997.





# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized	%
	Dec-98	Nov-98	Dec-97	% Change From Previous Month	Change From Previous Year
<b>Arizona</b>					
Total	2107.0	2103.0	2021.9	2.3	4.2
Mining	13.0	13.1	14.2	-8.8	-8.5
Construction	143.2	141.5	131.6	15.4	8.8
Manufacturing	217.2	216.5	212.9	3.9	2.0
T.C.P.U.	102.3	101.9	97.8	4.8	4.6
Trade	507.2	504.1	491.3	7.6	3.2
F.I.R.E.	137.5	136.4	130.3	10.1	5.5
Services	642.2	641.6	616.3	1.1	4.2
Government	344.4	347.9	327.5	-11.4	5.2

	Number Employed (thousands)			Annualized	%
	Dec-98	Nov-98	Dec-97	% Change From Previous Month	Change From Previous Year
<b>Hawaii</b>					
Total	522.3	524.2	530.5	-4.3	-1.5
Mining	.	.	.	.	.
Construction	19.8	19.6	21.8	13.0	-9.2
Manufacturing	16.0	16.0	16.5	0.0	-3.0
T.C.P.U.	39.5	40.1	41.0	-16.5	-3.7
Trade	131.3	131.5	134.4	-1.8	-2.3
F.I.R.E.	34.6	34.8	35.7	-6.7	-3.1
Services	169.1	169.8	169.5	-4.8	-0.2
Government	112.0	112.4	111.6	-4.2	0.4

<b>California</b>					
	Dec-98	Nov-98	Oct-98	Dec-97	Nov-97
Total	13745.2	13740.8	13398.3	0.4	2.6
Mining	27.9	27.8	29.5	4.4	-5.4
Construction	624.0	626.7	577.9	-5.0	8.0
Manufacturing	1938.6	1938.0	1941.6	0.4	-0.2
T.C.P.U.	687.7	685.7	675.1	3.6	1.9
Trade	3159.5	3157.6	3106.6	0.7	1.7
F.I.R.E.	788.3	788.3	765.1	0.0	3.0
Services	4305.0	4304.0	4142.0	0.3	3.9
Government	2214.2	2212.7	2160.5	0.8	2.5

<b>Unemployment Rates (%)</b>					
	Dec-98	Nov-98	Oct-98	Dec-97	Nov-97
Arizona	4.1	4	3.5	4.2	4.3
Hawaii	6.1	5.9	5.8	6.0	6
California	5.9	5.8	5.9	6.0	6.1
U.S.	4.3	4.4	4.5	4.7	4.6

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 grew at a moderate pace in 1998 and ended the year on the upswing. Nonfarm payroll jobs expanded by 2 percent for the year. The pace of growth in the fourth quarter was more than twice the rate for the year, as employment surged in October and posted additional small gains in November and December. Manufacturing payrolls grew during the fourth quarter, aided by a December spurt among makers of lumber and wood products, but for the year total manufacturing employment was down about 400 jobs. The construction job tally also fell during 1998. In contrast, job gains for the year were substantial in several service-producing sectors, such as finance, insurance, and real estate, transportation, communications, and local government; the latter accounted for one-third of the state's total nonfarm job growth in 1998.

Among other broad indicators, recently released figures from the U.S. Census Bureau indicate that Idaho's population grew 1.6 percent between 1997 and 1998. Although this is slower than the previous year, it equals the average for the broad West region, and it is above the national average of 1.0 percent.

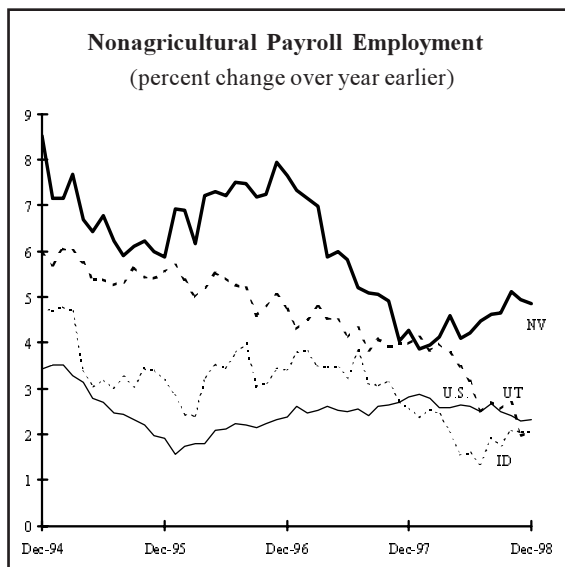
**Nevada's** economy expanded rapidly in 1998. Nonfarm payroll employment grew 4.9 percent for the year, with fourth-quarter growth at just under that pace. The state's expansion during 1998 was broad-based across major industries

and the government sector. However, signs of cooling emerged recently. Employment in the state's key hotel and gaming sector expanded by 4.2 percent for the year, but virtually all of the net gains coincided with the October opening of the Bellagio casino in Las Vegas. Construction employment grew by nearly 7.5 percent in 1998, but this sector slowed in the second half of the year and on net lost a small number of jobs in the fourth quarter. Manufacturing employment grew by 3.4 percent in 1998 but shrank a bit during the fourth quarter.

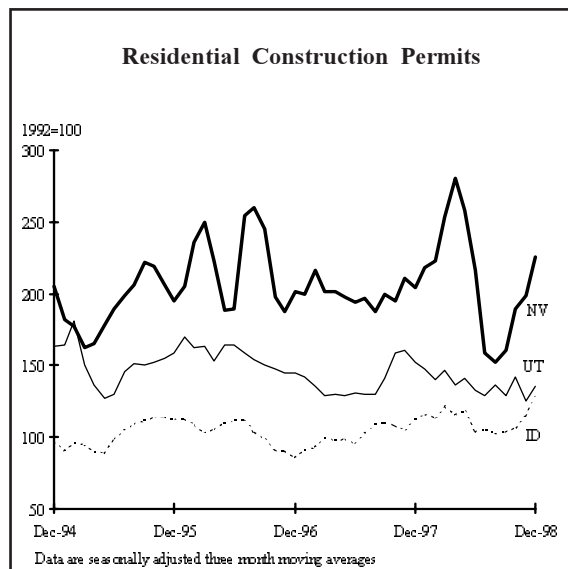
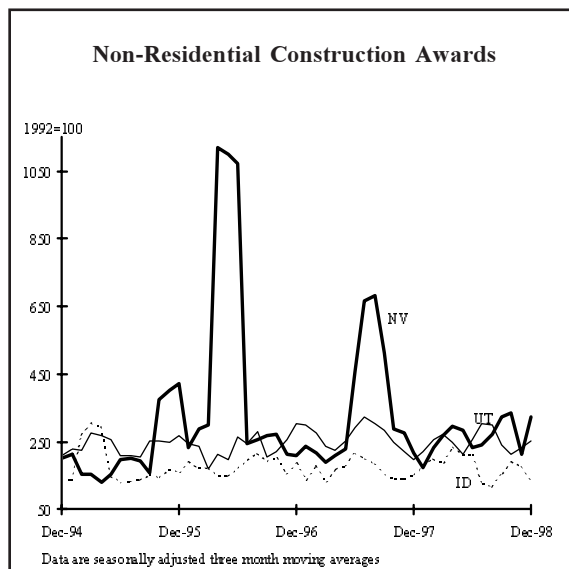
Consistent with its leadership in job growth, Nevada's estimated 1998 population growth rate of 4.1 percent led the nation and was more than double the rate for all states except Arizona. Despite strong gains in total personal income, growth in income per capita has been held down by the rapid pace of population growth. Still, average spending power among Nevada residents is high; the state was ranked tenth nationally in its level of personal income per capita in 1997.

**Utah** recorded moderate economic growth in 1998 and entered the new year with added momentum. Total nonfarm payroll employment grew 2.1 percent for the year, and the pace of growth accelerated to 3 percent in the fourth quarter. Construction employment increased by 4 percent in 1998, due mainly to a fourth-quarter surge. The manufacturing sector also picked up in the fourth quarter; 1,000 net new manufacturing jobs were created during the past three months, with most of these appearing in the electronics sector. For the year, however, the services and state and local government sectors created the largest number of new jobs, with most of the government jobs devoted to provision of educational services for the state's growing population.

U.S. Census Bureau figures indicate that Utah's population grew substantially in 1998, by 1.7 percent, despite net out migration to other states. Moreover, the state government recently estimated that total personal income grew by 6.5 percent in 1998, a bit slower than recent years but still above the likely national average.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-98	Nov-98	Dec-97	From Previous Month	From Previous Year
<b>Idaho</b>					
Total	524.5	524.0	514.0	1.2	2.0
Mining	3.1	3.0	3.1	48.2	0.0
Construction	31.7	32.6	32.3	-28.5	-1.9
Manufacturing	75.4	76.3	75.8	-13.3	-0.5
T.C.P.U.	25.3	24.8	24.2	27.1	4.5
Trade	131.8	131.4	129.7	3.7	1.6
F.I.R.E.	26.7	26.7	25.6	0.0	4.3
Services	127.0	126.0	123.9	10.0	2.5
Government	103.5	103.2	99.4	3.5	4.1

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-98	Nov-98	Dec-97	From Previous Month	From Previous Year
<b>Utah</b>					
Total	1035.5	1030.4	1014.3	6.1	2.1
Mining	7.9	7.9	8.3	0.0	-4.8
Construction	69.2	69.0	66.5	3.5	4.1
Manufacturing	135.5	135.2	134.0	2.7	1.1
T.C.P.U.	58.6	58.2	57.7	8.6	1.6
Trade	244.0	243.3	242.7	3.5	0.5
F.I.R.E.	53.9	54.0	53.9	-2.2	0.0
Services	286.0	283.4	276.4	11.6	3.5
Government	180.4	179.4	174.8	6.9	3.2

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-98	Nov-98	Dec-97	From Previous Month	From Previous Year
<b>Nevada</b>					
Total	951.3	948.8	907.2	3.2	4.9
Mining	13.6	13.5	14.4	9.3	-5.6
Construction	90.2	89.5	84.0	9.8	7.4
Manufacturing	42.8	43.0	41.4	-5.4	3.4
T.C.P.U.	48.2	48.3	46.7	-2.5	3.2
Trade	191.7	190.7	183.1	6.5	4.7
F.I.R.E.	44.0	44.0	41.2	0.0	6.8
Services	406.8	406.2	387.2	1.8	5.1
Government	114.0	113.6	109.2	4.3	4.4

	Unemployment Rates (%)				
	Dec-98	Nov-98	Oct-98	Dec-97	Nov-97
Idaho	5.0	4.8	5.0	5.2	5.1
Nevada	3.1	3.7	3.7	4.0	3.9
Utah	3.3	3.0	3.2	2.9	2.9
U.S.	4.3	4.4	4.5	4.7	4.6

Unemployment rates are from the household employment survey, all other data are for nonagricultural payroll employment.  
All data are seasonally adjusted.

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**1999 Issues**

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