

# WESTERN ECONOMIC DEVELOPMENTS

March 1996

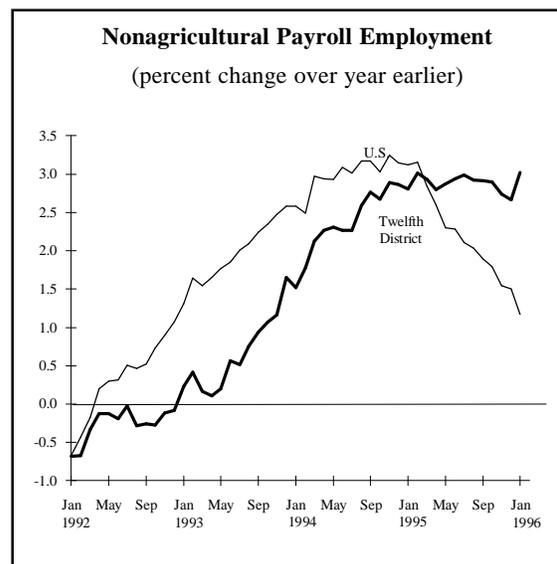
## Executive Summary

- *Recently revised payroll employment figures reveal solid Twelfth District economic performance in late 1995 and early 1996, spurred by job growth in California that accelerated over much of 1995. In addition, the District still contains four of the five fastest-growing states in the nation.*
- *Rapid expansion in the service, trade, and construction sectors accounts for much of recent District employment growth. Manufacturing activity also has been solid, particularly in the electronics sector, although there are signs of reduced semiconductor demand.*
- *Early in the California recovery, employment growth was concentrated in several sectors that expanded rapidly nationwide. Employment growth during 1995, however, was more broad-based.*
- *Data from a sample of large District banks indicate that total loans outstanding increased during January and February at a rate markedly higher than in the fourth quarter of 1995. This was primarily driven by growth in California, although growth was slower there than during the state's mid-1995 peak.*

## District Update

The 12th District economy exhibited solid growth in the last few months of 1995 and first month of 1996. Recently revised figures indicate that District nonagricultural payroll employment expanded by 3.0 percent over the year ending in January, and annualized monthly growth for November through January was also at that level. The big news is California's contribution: state payroll employment grew by 2.8 percent over the 12 months ending in January 1996. California employment growth in February continued at a 2.9 percent annualized pace, although growth over the 12 months ending in February was 2.3 percent, due to particularly strong growth in February 1995.

Among other states, Nevada, Utah, Oregon, and Arizona continue to expand rapidly; their job growth ranks them first, second, third, and fifth among all states nationally. Idaho also continues to expand at a solid and stable rate. Although the Washington state economy slowed during 1995 and early 1996, the state's prospects are



brightened by a resurgence at Boeing and planned expansions by firms in the high-tech manufacturing and service sectors. In contrast, economic conditions in Alaska and Hawaii weakened further in recent months, with no signs of near-term improvement.

Rapid expansion in the service, trade, and construction sectors accounts for much of the recent District employment growth. District manufacturing activity has also been strong. Despite the Boeing strike in October and November, District manufacturing jobs expanded by 1.1 percent over the year ending in January, which compares very favorably to 1.5 percent shrinkage in total national manufacturing jobs over the same period. The District electronics sector has been particularly robust, although there are signs of cooling in the key semiconductor sub-sector.

### Accelerating Growth in California

Revised employment data show that the California economy experienced accelerating growth during most of 1994 and 1995. State employment growth was 1.7 percent in 1994 and 2.8 percent in 1995. Decline in the defense-related sectors continues, albeit at a less rapid pace than during the late 1980s and early 1990s. However, during the current expansion other sectors—including several high-tech manufacturing sectors, particularly computer components and soft-

ware, and other business services and motion picture production—are supporting the state's resurgence.

### Contribution of Key Industries

In California, total job growth from the trough in April 1993 to January 1996 was 568,900 jobs, which implies a 1.4 percent annual growth rate over the period. The first table shows some of the fastest-growing industry categories (2-digit Standard Industrial Classification), listed in order of their contribution to total California employment growth during the recovery period

#### District Employment by Industry

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-96	Dec-95	Jan-95	From	From
				Month Ago	Year Ago
Total	21,268	21,222	20,643	2.6	3.0
Mining	81	81	81	-1.5	-0.2
Construction	1,028	1,016	936	14.1	9.8
Manufacturing	2,828	2,830	2,797	-0.8	1.1
Transportation	1,094	1,092	1,074	3.1	1.9
Trade	5,075	5,072	4,935	0.8	2.8
F.I.R.E.	1,215	1,213	1,208	2.2	0.6
Services	6,306	6,283	6,000	4.4	5.1
Government	3,641	3,635	3,612	1.8	0.8

Seasonally adjusted payroll employment data.

#### District Employment by State

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-96	Dec-95	Jan-95	From	From
				Month Ago	Year Ago
Alaska	260	264	261	-14.0	-0.1
Arizona	1,826	1,813	1,752	8.9	4.2
California	12,591	12,571	12,247	1.9	2.8
Hawaii	528	530	535	-3.6	-1.4
Idaho	486	485	471	2.0	3.1
Nevada	821	817	760	5.3	8.0
Oregon	1,459	1,445	1,393	12.6	4.8
Utah	934	931	885	2.9	5.5
Washington	2,363	2,367	2,339	-2.0	1.0
District	21,268	21,222	20,643	2.6	3.0
Rest of U.S.	95,905	96,151	95,167	-3.0	0.8
U.S.	117,172	117,373	115,810	-2.0	1.2

Seasonally adjusted payroll employment data.

#### District Manufacturing and Construction Indicators

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-96	Dec-95	Jan-95	From	From
				Month Ago	Year Ago
Aerospace Employment (1992=100)	61.2	61.9	66.8	-1.1	-8.4
Electronics Employment (1992=100)	90.5	105.2	98.0	-14.0	-7.7
U.S. Semiconductor Orders (\$ Million)	4160.0	5010.0	3580.0	-17.0	16.2
Non-Residential Awards (1992=100)	123.2	134.1	134.2	-8.1	-8.2
Residential Permits (Thousands)	25718.4	24506.5	22229.8	4.9	15.7
Western Housing Starts (Thousands)	23.9	24.2	22.2	-1.2	7.7

beginning in April 1993. For comparison, each industry's contribution to U.S. growth, and its U.S. rank, is also listed.

By far the largest contributor to California job growth was the "Business Services" sector. This is a diverse sector whose key sub-categories include advertising, software and data processing services, and personnel supply services ("temp agencies"), among others. Almost 1/3 of total state job growth during the recovery has been in this sector. Motion pictures, private social services, and health services also made large contributions, as did growth in restaurant and bar employment. These top 6 sectors account for a striking 70 percent of net job growth in the state.

Among the top growth sectors in California, only the special construction trades sector is a non-service producing industry. The largest contribution from a durable manufacturing industry is from electronics, which is ranked twelfth; it grew by 2.4 percent yearly and contributed 3.0 percent of new jobs in the state over the period.

In contrast, for the nation as a whole the job growth shares are not as concentrated, and growth in motion pictures and social services does not rank as highly. Surprisingly, motion picture employment grew faster nationally than in Cali-

fornia. However, it accounts for a much larger employment share in California and therefore has contributed a greater share of new jobs in the state. The business services sector also grew rapidly nationwide, and it accounts for a larger share of jobs in California than it does in the rest of the nation. These results suggest that to a large degree, California's recovery was spurred by the state being well-positioned in sectors that grew rapidly nationwide.

The contributions by 2-digit sector mask differences arising at more detailed industry disaggregations. The second table lists, in order of their contribution to California employment growth, several fast-growing 3-digit industry sectors. Only a limited set of industries is available; because the list differs between the state and nation, comparison of the California and U.S. figures is not possible.

The table reveals that almost all of the state's job growth in the motion picture sector is coming from motion picture production (as opposed to distribution, which is also included in the broader 2-digit category). The rest of the industries are all manufacturing industries. The electronic components and special industry machinery sectors both made substantial contributions to growth; the former includes semiconductors, and the latter has a sub-sector which is closely linked to semiconductor production. Toy production and

**Contribution of 2-Digit Industry Sectors to Employment Growth,  
from April 1993 to January 1996  
(Ranked by contribution to California growth)**

	California		United States		US Rank
	Annual Growth Rate	Share of Total Job Growth	Annual Growth Rate	Share of Total Job Growth	
1. Business Services	0.067	0.312	0.071	0.161	1
2. Motion Pictures	0.109	0.084	0.132	0.023	13
3. Social Services	0.063	0.08	0.042	0.034	8
4. Health Services	0.016	0.078	0.029	0.096	2
5. Special Trade Contractors (Construction)	0.048	0.074	0.074	0.083	3
6. Eating and Drinking Places	0.016	0.073	0.027	0.069	4
12. Electronic and other Electrical Equipment	0.024	0.030	0.025	0.018	18
26. Industrial Machinery and Equipment	0.010	0.010	0.028	0.016	20

metal products also grew very rapidly, and female outerwear provides a large and growing share of state jobs.

### *Pattern in 1995*

A key issue is whether the state growth pattern during 1995 followed the same pattern as over the entire period. Although not shown in a table, for 1995 the ranking and contributions of 2-digit industries are similar to those shown in the first table (which covers the entire recovery period). Business services still constitutes the most important growth sector in the state, although its contribution is substantially smaller (18.6 percent), and the share of motion picture job growth declined. Also in this period, the contribution of special construction trades increased, and amusement and recreation services made a large contribution, as did the higher wage engineering and management services sector. Overall, growth during 1995 was more broad-based than it was earlier in the recovery.

In addition, growth from January 1995 to January 1996 was aided by an increasing contribution of manufacturing sectors with significant high-tech components. Two key 2-digit sectors—industrial machinery and equipment, and electronic and other electrical equipment—contributed 3.2 and 3.1 percent of total California job growth during 1995, which ranks them ninth and tenth in job creation among all 2-digit industries (not shown in a table). These sectors are

relatively small, but grew very rapidly during 1995 (at 6.5 and 5.4 percent rates). Growth of these sectors was substantially slower in the rest of the nation; they grew at 2.2 and 2.4 percent nationwide.

The third table, which lists the primary 3-digit growth industries during 1995, shows the growing importance of several high-tech sub-sectors within the industrial machinery and electronics industries. Growth in toys and sporting goods, and metal forgings and stampings, continued to be rapid. However, these sectors are replaced in the 1995 growth list by computer and office equipment and communications equipment manufacturing. In addition, the table reveals that growth in electronics components and special industry machinery accelerated in 1995.

### *Assessment and 1996 Outlook*

These tabulations suggest that during much of California's economic recovery, the state has benefitted from having a high share of employment in industries that grew rapidly for the nation as a whole, including business services and motion pictures. This helped to spur the state's recovery. During 1995, however, state employment growth was more broad-based, and it was particularly rapid in several technology oriented durable manufacturing industries.

**Contribution of 3-Digit Industry Sectors to Employment Growth, California from April 1993 to January 1996**

Industry	California	
	Annual Growth Rate	Share of Total Job Growth
Motion Picture Production and Services	0.126	0.068
Electronic Components and Accessories	0.038	0.026
Women's and Misses' Outerwear	0.029	0.015
Special Industry Machinery	0.169	0.015
Toys and Sporting Goods	0.119	0.009
Metal Forgings and Stampings	0.117	0.008

**Contribution of 3-Digit Industry Sectors to Employment Growth, California from January 1995 to January 1996**

Industry	California	
	Annual Growth Rate	Share of Total Job Growth
Electronic Components and Accessories	0.076	0.025
Motion Picture Production and Services	0.089	0.024
Women's and Misses' Outerwear	0.067	0.017
Computer and Office Equipment	0.052	0.011
Special Industry Machinery	0.203	0.009
Communications Equipment	0.068	0.006

Growth in these technologically oriented manufacturing sectors, and in service sectors that provide high value products such as computer software and movies, is likely to translate into strong additional growth in the rest of the state economy. During 1995, while national growth slowed, growth in California accelerated. With the recent report of improved national employment growth, the outlook for California in 1996 appears bright.

**Financial Conditions**

Total bank lending picked up in most parts of the District in the first part of this year, according to a survey of large banks. In California, the annualized rate of loan growth (adjusted for loan sales) in the first two months averaged 11.3 percent, which exceeds growth in the fourth quarter of last year but falls below the mid-1995 peak of 18.7 percent. In the District as a whole, total, business, and consumer loans experienced solid growth in January and February and continue to post year-over-year gains. A modest increase in real estate loans marked a reversal of contraction in the fourth quarter, but was not sufficient to reverse the declining trend in year-over-year real estate loan growth that began last July.

The early 1996 acceleration in bank lending was particularly pronounced in the District outside of California (except in Arizona, where loan

growth slowed). Loan growth among the sample of large banks bounced back to an average annualized monthly rate of 10.7 percent in January and February, following a contraction of loans in the fourth quarter. The rebound was due to jumps in consumer and real estate loan growth. However, on a year-over-year basis, business and consumer loan growth weakened, and total loan growth continued to slow sharply.

In addition to the monthly large bank data, we have quarterly data for all banks. These data, currently available through the fourth quarter, show contractions in loans outstanding in Alaska, Hawaii, Idaho, and Nevada in the fourth quarter. In contrast, positive and accelerating loan growth occurred in Oregon and Utah in the fourth quarter.

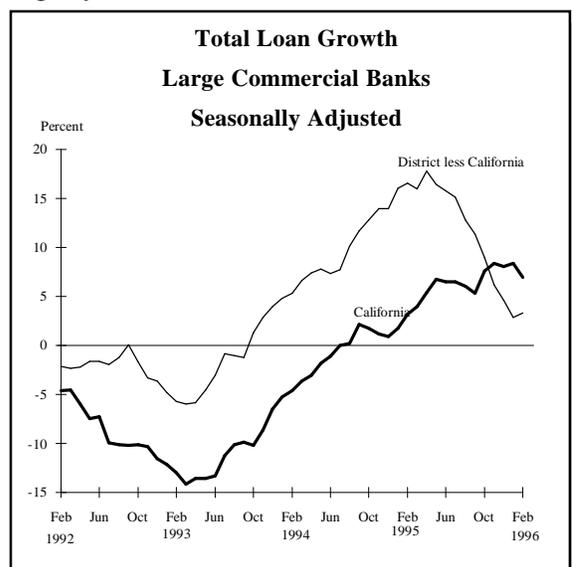
Fourth quarter earnings in all states in the District except Idaho and Utah were good, with banks reporting healthy return on assets (ROA) and return on equity (ROE). In Idaho and Utah, ROA fell below one percent and ROE fell below ten percent in the fourth quarter. Fourth quarter profitability of small banks in southern California was higher than a year earlier but continued low, with average ROA and ROE at 0.3 and 3.2 percent, respectively.

Asset quality for most banks in the District was good in the fourth quarter, with the average ratio of past due loans to total loans lower than or only slightly above that in the nation as a whole.

**District Banking Indicators**

	Feb-96	Jan-96	Feb-95	Annualized % Change From Month Ago	% Change From Year Ago
Total Loans	228.3	228.2	216.1	0.6	5.7
Commercial	50.5	50.3	46.4	3.0	8.7
Real Estate	114.8	114.8	113.8	0.1	0.9
Consumer	35.6	35.3	35.0	9.9	1.8
Total Deposits	242.6	243.0	238.5	-2.4	1.7
Large Time	20.8	19.5	15.3	109.0	35.9
Small Time	65.7	41.8	39.7	22322.4	65.3
MMDAs / Savings	64.6	84.3	88.1	-95.9	-26.7

Figures in billions of dollars, seasonally adjusted



## ALASKA, OREGON, AND WASHINGTON

Economic conditions in **Alaska** weakened somewhat in the recent period. Payroll employment dropped slightly in December and sharply in January, to a level that is 0.1 percent below that of a year earlier. The largest yearly decline—3.6 percent—was in the manufacturing sector, due largely to scaling back in the seafood processing industry, which accounts for over half of state manufacturing employment. Government employment has also declined, primarily at the federal level recently, although a \$750 million deficit facing the state may increase the loss of state jobs in the future.

Tourism currently is one of the few bright spots for the state's economy. According to the Alaska Visitors Association, the number of visitors has increased 6 percent each year during the last decade. This increase has been spurred by a lengthening tourist season; for example, Alaskan tour companies recently extended wildlife tours past September for the first time.

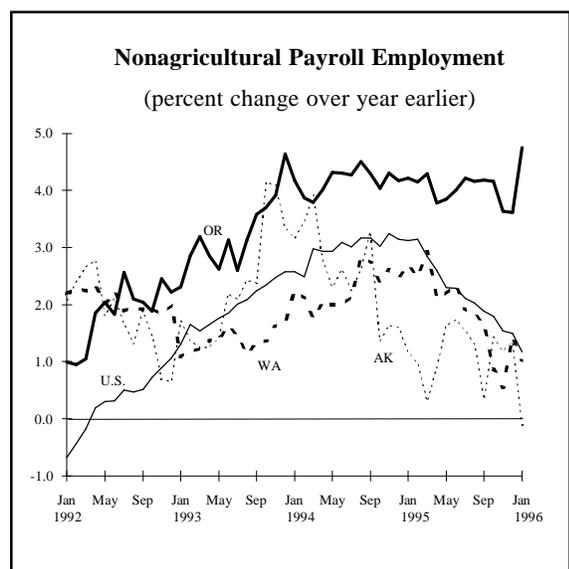
**Oregon** is now the third fastest growing state in the nation. A broad-based employment surge in January contributed to a 4.8 percent increase over the number of payroll jobs a year earlier. Growth has been particularly rapid in the construction sector, which experienced 12 percent employment growth over its year earlier level.

The pace of yearly employment growth also was in excess of three percent in the transportation, trade, finance, and service sectors. This rapid growth has kept the state unemployment rate hovering between 4.6 and 4.9 percent since July 1995.

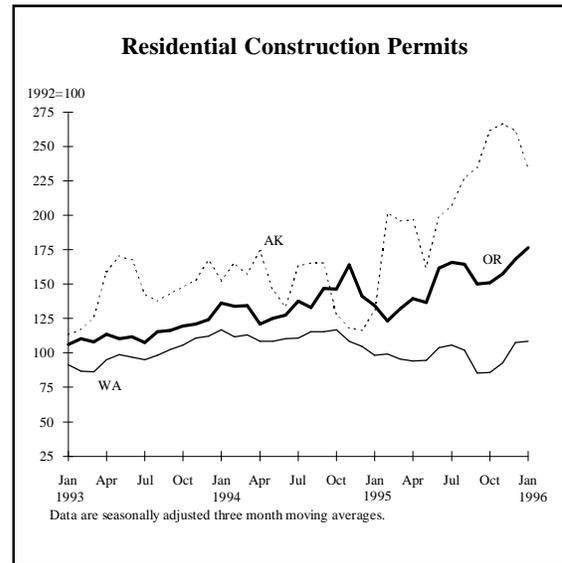
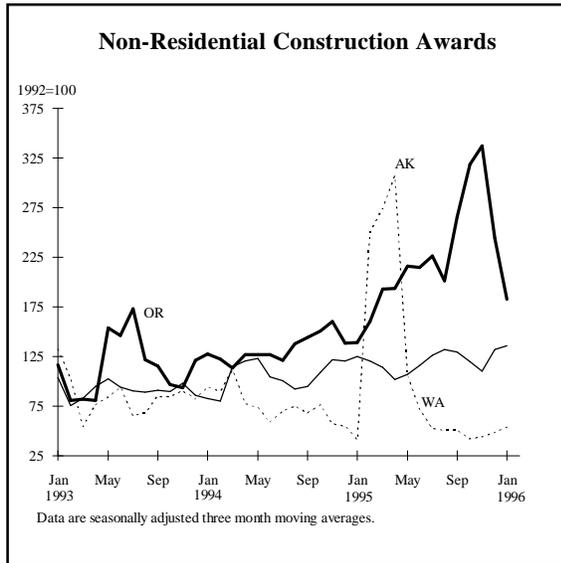
Only two slightly downbeat developments are evident in Oregon. Although the state's high-tech manufacturing sector has expanded steadily over the past year, near-term expansion may be held in check by a recent increase in computer chip inventories. Also, severe flooding in early February caused extensive damage to roads, homes, and businesses in the western part of the state, resulting in substantial economic losses. Flood damage is estimated at approximately \$700 million, and rebuilding activity will place additional pressure on the state's already tight construction industry.

The number of payroll jobs in **Washington** declined in January at a 2 percent annual rate, leaving employment 1 percent higher than its year-ago level. Finance employment surged in January, and the construction sector also posted a solid gain. However, these expansions were more than offset by steep declines in the transportation and trade sectors, and smaller declines in the government and manufacturing sectors. In contrast, the state's unemployment rate belies any signs of labor market weakness; it declined to 5.7 percent in January, after being above 6 percent for much of 1995.

Despite only moderate overall performance in 1995, several developments brighten the state's prospects for 1996. In 1995, orders at Boeing increased four-fold over their 1994 level, and the company plans to increase employment by as many as 15,000 employees in coming years, the majority of them in Washington state. In the high-tech sector, Intel has begun construction of a research, development, and manufacturing facility in southern Washington, and Seattle's Microsoft reportedly plans to expand its workforce by 2,000 employees.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago		Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago
	Jan '96	Dec '95	Jan '95				Jan '96	Dec '95	Jan '95		
<b>Alaska</b>						<b>Washington</b>					
Total	260.4	263.7	260.7	-14.0	-0.1	Total	2,363.2	2,367.1	2,339.2	-2.0	1.0
Mining	9.9	9.8	10.0	13.0	-1.0	Mining	3.2	3.3	3.6	-30.9	-11.1
Construction	12.6	12.9	12.3	-24.6	2.4	Construction	123.6	123.2	122.3	4.0	1.1
Manufacturing	16.2	18.4	16.8	-78.3	-3.6	Manufacturing	331.6	332.2	339.8	-2.1	-2.4
T.C.P.U.	23.1	22.9	23.6	11.0	-2.1	T.C.P.U.	121.2	122.2	119.2	-9.4	1.7
Trade	54.1	53.9	53.6	4.5	0.9	Trade	584.3	587.4	579.3	-6.2	0.9
F.I.R.E.	11.6	11.7	11.8	-9.8	-1.7	F.I.R.E.	123.5	121.6	121.6	20.4	1.6
Services	60.8	61.3	59.4	-9.4	2.4	Services	632.2	632.1	611.1	0.2	3.5
Government	72.1	72.8	73.2	-10.9	-1.5	Government	443.6	445.1	442.3	-4.0	0.3
<b>Oregon</b>						<b>Unemployment Rates (%)</b>					
Total	1,459.1	1,444.7	1,392.9	12.6	4.8		Jan '96	Dec '95	Nov '95	Jan '95	Dec '94
Mining	2.0	1.8	1.6	254.1	25.0	Alaska	7.9	7.9	7.3	7.6	8.0
Construction	72.9	69.8	64.7	68.4	12.7	Oregon	4.9	4.9	4.9	5.1	4.9
Manufacturing	232.3	229.5	226.5	15.7	2.6	Washington	5.7	5.8	6.6	5.6	6.0
T.C.P.U.	74.7	72.2	70.5	50.5	6.0	U.S.	5.8	5.6	5.6	5.7	5.4
Trade	367.6	364.9	352.5	9.2	4.3						
F.I.R.E.	89.0	88.6	86.2	5.6	3.2						
Services	379.1	376.5	353.3	8.6	7.3						
Government	241.5	241.4	237.6	0.5	1.6						

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

Employment growth in **Arizona** has accelerated in recent months. Nonagricultural payroll employment increased at better than a 5 percent annual pace in each of the three most recently reported months (through January), after slowing approximately to 3½ percent in the first three quarters of 1995. The recent pickup in job growth leaves the labor market relatively tight, with an unemployment rate of about 4.7 percent. Although the job gains have been broad-based, employment growth has been rapid in the government and services sectors, particularly among firms that provide services to businesses.

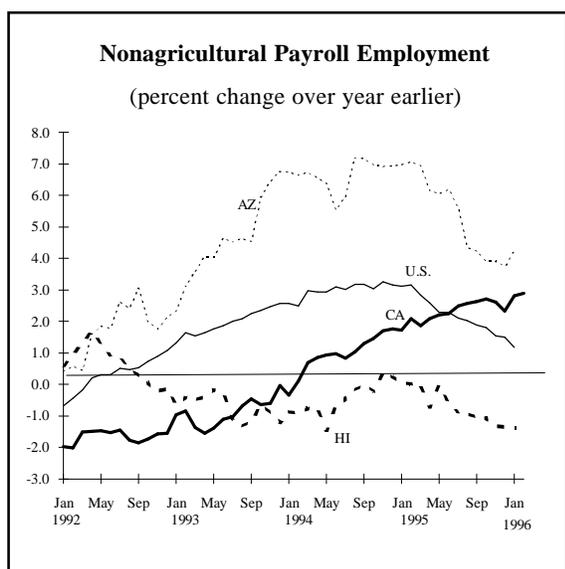
Some of the business service jobs are in high-tech industries, such as computer software development and research and testing laboratories. The largest industry concentration of high-tech jobs in Arizona, however, is in manufacturing of electronic components, in which national growth has been very strong but concerns about underlying demand strength have been raised in recent months. Arizona is well-positioned, however, to weather any slowdown in electronics components manufacturing, as the state's overall high-tech base is well-diversified.

The **California** economy continues to improve, according to most indicators. The payroll survey reports job growth at a 2.9 percent annualized

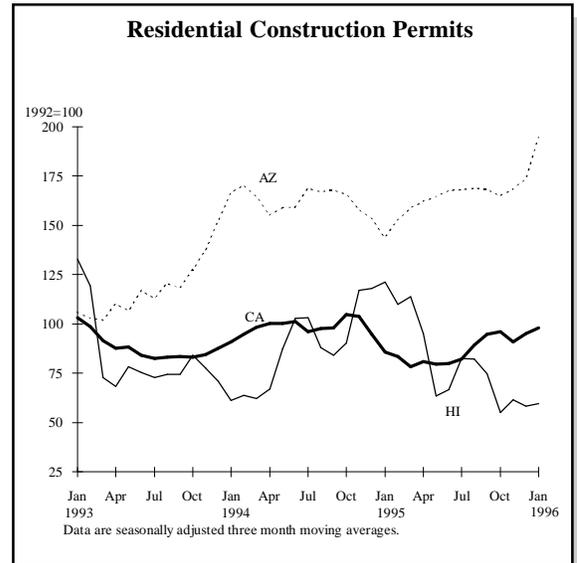
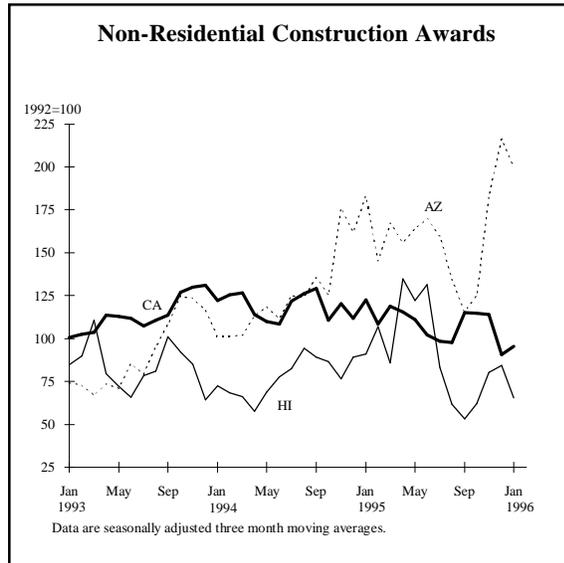
pace in February. Although growth slowed somewhat in late 1995, the figures for the period since March 1995 are not yet benchmarked and might continue to understate actual job growth. The current figures indicate that annual job growth to February 1996 was 2.3 percent. It was particularly rapid in services and construction, and even the state's previously hard-hit manufacturing sector expanded by 1.1 percent in the year ending in February. Despite substantial job growth, the state's unemployment rate continues to hover at high levels; it stood at 7.6 percent in February.

Current official employment figures show that California lost about 521,000 jobs between the employment peak in July 1990 and the trough in April 1993; the addition of 569,000 jobs since then has pushed the nonagricultural employment tally above its previous peak. Compared to the rest of the state, Los Angeles County bore the brunt of the employment declines during the recession and has regained less than one-third of the jobs lost. However, some of this enduring weakness reflects a shift in the composition of activity out of Los Angeles proper to the nearby counties of Riverside, San Bernardino, Orange, and Ventura; these areas have more than made up their initial job losses and continue to post solid gains.

The economy in **Hawaii** weakened further in recent months. The state unemployment rate increased noticeably during 1995 and began this year at close to 6 percent, which is well above the long-run average for the state. Nonfarm payroll jobs fell at approximately a 3 percent annual pace around the turn of the year. State government payrolls were trimmed, construction employment was down, and the services sector contracted. Over the twelve months ending in January, Hawaii payroll employment fell 1.4 percent, the weakest performance among the fifty states.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago
	Jan '96	Dec '95	Jan '95		
<b>Arizona</b>					
Total	1,826.1	1,813.2	1,752.0	8.9	4.2
Mining	12.5	12.4	12.1	10.1	3.3
Construction	122.7	120.6	115.5	23.0	6.2
Manufacturing	195.7	195.3	190.8	2.5	2.6
T.C.P.U.	87.6	86.4	86.1	18.0	1.7
Trade	450.6	454.2	437.5	-9.1	3.0
F.I.R.E.	107.4	107.3	108.5	1.1	-1.0
Services	535.6	530.1	508.9	13.2	5.2
Government	314.0	306.9	292.6	31.6	7.3

	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago
	Jan '96	Dec '95	Jan '95		
<b>Hawaii</b>					
Total	527.9	529.5	535.4	-3.6	-1.4
Mining					
Construction	25.7	26.0	27.2	-13.0	-5.5
Manufacturing	16.8	17.0	17.0	-13.2	-1.2
T.C.P.U.	40.8	40.9	40.5	-2.9	0.7
Trade	134.9	134.9	135.6	0.0	-0.5
F.I.R.E.	37.1	37.2	37.4	-3.2	-0.8
Services	164.4	164.9	164.9	-3.6	-0.3
Government	108.2	108.6	112.8	-4.3	-4.1

	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago
	Feb '96	Jan '96	Feb '95		
<b>California</b>					
Total	12,620.2	12,590.1	12,331.4	2.9	2.3
Mining	29.0	29.1	30.5	-4.0	-4.9
Construction	503.2	512.7	478.6	-20.1	5.1
Manufacturing	1,803.5	1,801.7	1,783.6	1.2	1.1
T.C.P.U.	631.8	628.7	625.4	6.1	1.0
Trade	2,987.2	2,966.6	2,904.8	8.7	2.8
F.I.R.E.	735.4	734.7	737.5	1.1	-0.3
Services	3,833.3	3,819.9	3,669.1	4.3	4.5
Government	2,096.8	2,096.7	2,101.9	0.1	-0.2

	Unemployment Rates (%)				
	Feb '96	Jan '96	Dec '95	Feb '95	Jan '95
Arizona	N/A	4.7	4.4	4.7	5.3
California	7.6	7.6	7.8	7.7	8.0
Hawaii	N/A	5.9	5.5	5.0	5.6
U.S.	5.8	5.6	5.6	5.7	5.4

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

The **Idaho** economy is expanding at a moderated but stable rate. Recently revised payroll employment figures indicate that annual employment growth has hovered around 3 percent since spring 1995, with 3.1 percent annual growth over the period ending in January 1996. Growth in recent months has been steady around that rate, which helped to reduce the state unemployment rate from 5.7 percent in November 1995 to 5.0 percent in January 1996.

Key growth sectors in Idaho during 1995 and recently include services and transportation, the latter due largely to increases in trucking and warehousing facilities. Growth also has been strong in the industrial machinery and electronics sectors, although near-term growth in these sectors may be held down by a softened semiconductor market. Also, in a reversal of weakness observed in late 1994 and early 1995, annualized construction employment growth has averaged approximately 16 percent over the six months ending in January, largely propelled by substantial growth in non-residential construction activity.

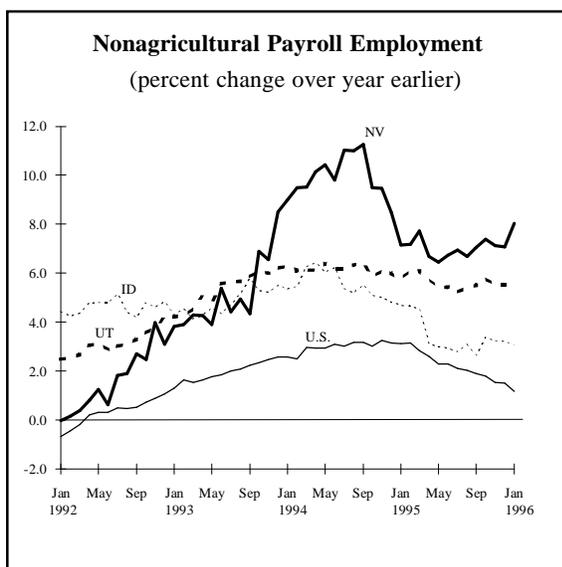
**Nevada's** growth continues to outpace that in all other states by a large margin. Annual state payroll employment growth was 8 percent as of January 1996, and the unemployment rate has hovered around 5 percent since October. The

strongest growth continues to center on the construction and small but important durable manufacturing sectors. The construction sector should remain strong, as both residential permits and the value of nonresidential construction awards have been high in recent months (although the latter fell in January).

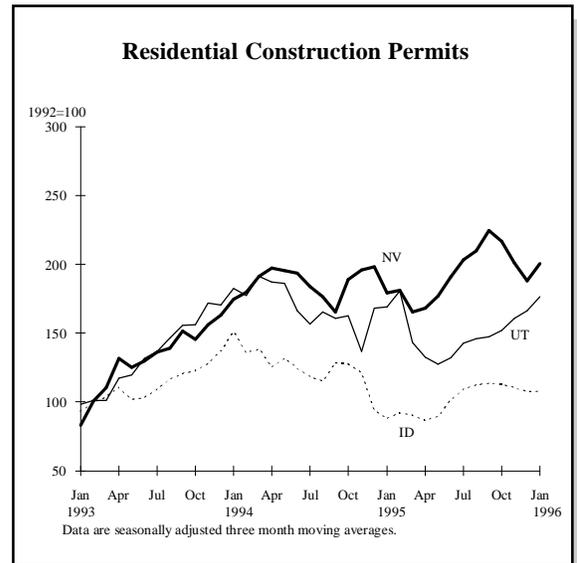
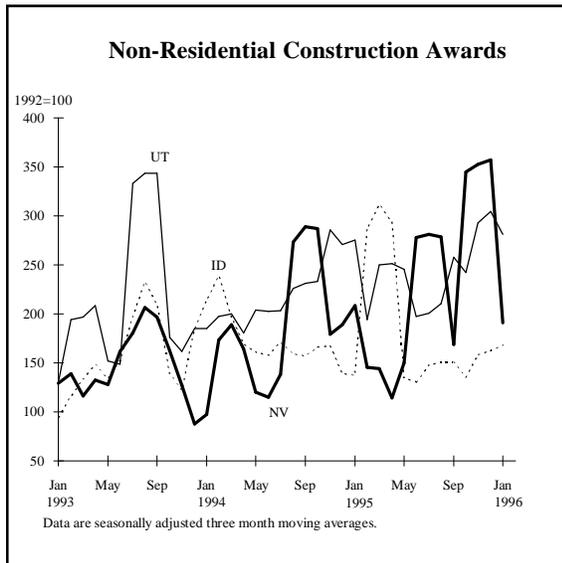
Available data suggest that the key gaming sector continues to expand, but at a pace less rapid than the state economy as a whole. Annual employment in the hotels and amusement sector—which accounts for one-fourth of state employment—increased by 5.2 percent over the 12 months ending in January, albeit with a surge in that month. Growth in hotel and amusement employment during 1995 was more rapid in the Reno area than in Las Vegas.

**Utah** trails only Nevada in its employment growth rate. State payroll employment growth stood at 5.5 percent for the 12 months ending in January. This growth has been led by the service sector, which accounted for approximately ½ of the jobs created during 1995. However, total state employment gains for January were only moderate; combined with an estimated surge in the state labor force, this increased the state unemployment rate from 2.8 percent in December to 3.1 percent in January.

Durable manufacturing is a key sector in the state. Led by fabricated metals, industrial machinery, and electronics, durable manufacturing employment expanded by 4.6 percent during the past year. However, despite 9 percent growth in the 12 months to January 1996, the electronics sector contracted by about 5 percent during the fourth quarter of 1995 through January 1996. Also, perceived overcapacity in the semiconductor industry recently led to suspended construction of a \$2.5 billion semiconductor manufacturing plant in Utah, which will limit additional employment expansion in this sector. This may also limit state construction employment growth, which has been very strong over 1995 but which contracted moderately between December and January.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago		Number Employed (thousands)			Annualized % Change From Month Ago	% Change From Year Ago
	Jan '96	Dec '95	Jan '95				Jan '96	Dec '95	Jan '95		
<b>Idaho</b>						<b>Utah</b>					
Total	485.6	484.8	471.1	2.0	3.1	Total	933.6	931.4	885.0	2.9	5.5
Mining	2.7	2.9	2.6	-57.6	3.8	Mining	7.9	8.3	8.0	-44.7	-1.3
Construction	31.5	31.3	28.9	7.9	9.0	Construction	57.7	57.9	51.2	-4.1	12.7
Manufacturing	72.1	72.0	71.8	1.7	0.4	Manufacturing	127.1	126.2	121.4	8.9	4.7
T.C.P.U.	23.2	23.1	22.3	5.3	4.0	T.C.P.U.	52.7	52.2	50.8	12.1	3.7
Trade	123.5	123.6	119.7	-1.0	3.2	Trade	225.0	225.2	215.0	-1.1	4.7
F.I.R.E.	24.1	24.2	24.1	-4.8	0.0	F.I.R.E.	49.7	49.5	46.1	5.0	7.8
Services	112.5	111.6	106.7	10.1	5.4	Services	248.7	247.8	230.1	4.4	8.1
Government	96.0	96.1	95.0	-1.2	1.1	Government	164.8	164.3	162.4	3.7	1.5
<b>Nevada</b>						<b>Unemployment Rates (%)</b>					
Total	820.8	817.3	759.8	5.3	8.0		Jan '96	Dec '95	Nov '95	Jan '95	Dec '94
Mining	13.5	13.5	12.7	0.0	6.3	Idaho	5.0	5.4	5.7	5.4	6.2
Construction	69.0	69.0	56.8	0.0	21.5	Nevada	5.1	5.0	5.1	5.7	5.9
Manufacturing	38.6	38.1	35.5	16.9	8.7	Utah	3.1	2.8	2.8	3.6	3.7
T.C.P.U.	41.5	41.7	39.7	-5.6	4.5	U.S.	5.8	5.6	5.6	5.7	5.4
Trade	163.5	163.5	151.5	0.0	7.9						
F.I.R.E.	37.6	37.3	34.6	10.1	8.7						
Services	357.3	355.7	334.2	5.5	6.9						
Government	99.8	98.5	94.8	17.0	5.3						

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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**1996 Issues****Mailing Date**

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