

ETC ECONOMIC TRENDS & CONDITIONS

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National Outlook

(Based on the July 2009 FRBSF [FedViews](#).)

- Financial markets are improving; investors' appetite for risk is returning and some of the barriers to credit that have been constraining businesses and households are diminishing. The housing sector, which has been at the center of the economic and financial crisis, also looks to be stabilizing, albeit at a very depressed level.
- Capacity utilization in manufacturing is at its lowest level on record, and this excess capacity should continue to exert downward pressure on both input and final goods prices.
- Although the economy continues to face many downside risks, we expect a modest recovery to begin in the third quarter.
- We expect the recovery to be quite gradual, with the economy expanding below potential for several quarters. The gradual nature of the recovery will put additional pressure on state and local budgets.

Around the District

(Based on the July 29, 2009, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District appeared to hold largely steady since the last report, with broadening signs of improvement, or at least stabilization, in many sectors.
- Retail sales, however, remained anemic in June through mid-July, and demand continued to soften for services.
- Conditions in the District's housing markets remained very weak but showed further signs of improvement. Demand for commercial real estate, on the other hand, eroded further.
- Upward pressures on prices were very limited, and upward wage pressures remained virtually absent.
- Business and consumer lending activity in the District fell further, and credit conditions remained tight.
- Job growth in the District continued to fare moderately worse than that in the nation as a whole over the 12 months ending in June (see table on next page).
- Similarly, unemployment rates over the past 12 months increased substantially in the District, even more so than in the rest of the United States.

Employment Conditions

Total Nonfarm Employment

JUN2009	level ^p	Percent Change				Unemployment Rate
		1-month ^a	3-month ^a	YTD ^a	12-month	
U.S. (JUL2009)	131,488.0	-2.2	-3.0	-4.5	-4.2	9.4
U.S.	131,735.0	-3.9	-3.8	-4.9	-4.1	9.5
12 th District	25,145.3	-4.6	-4.6	-5.9	-5.1	10.7
Alaska	322.3	-0.7	-0.4	-1.2	0.0	8.4
Arizona	2,434.1	-2.1	-4.8	-7.7	-7.4	8.7
California	14,285.0	-5.4	-5.2	-5.9	-5.1	11.6
Hawaii	599.9	-4.1	-3.9	-3.1	-3.2	7.4
Idaho	618.4	4.0	-2.0	-4.1	-4.9	8.4
Nevada	1,192.4	-5.8	-5.2	-6.9	-6.2	12.0
Oregon	1,627.2	-5.2	-4.0	-7.2	-5.6	12.2
Utah	1,207.9	-6.5	-5.4	-6.1	-3.7	5.7
Washington	2,858.1	-2.9	-2.3	-4.4	-3.6	9.3

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

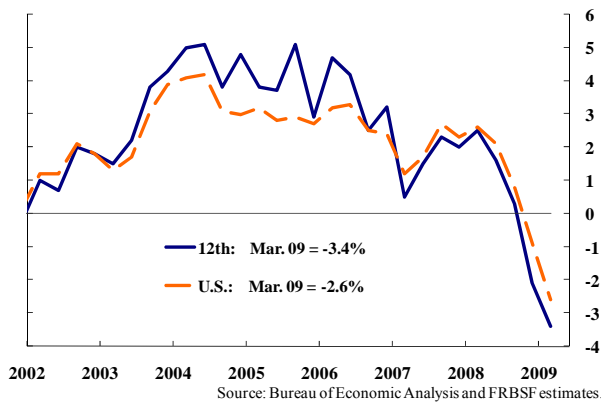
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

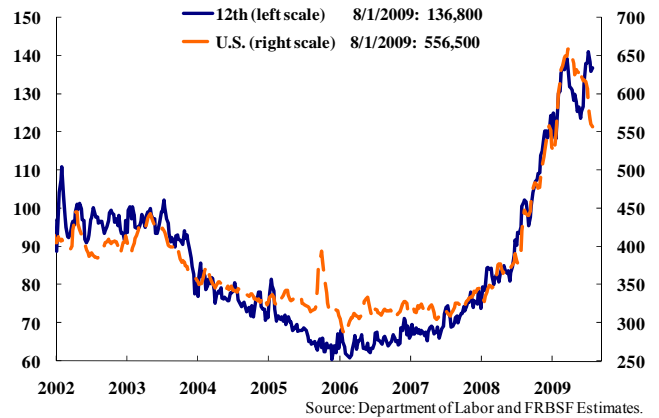
Growth in nonfarm real gross state product

(Year-over-year percent change, quarterly)



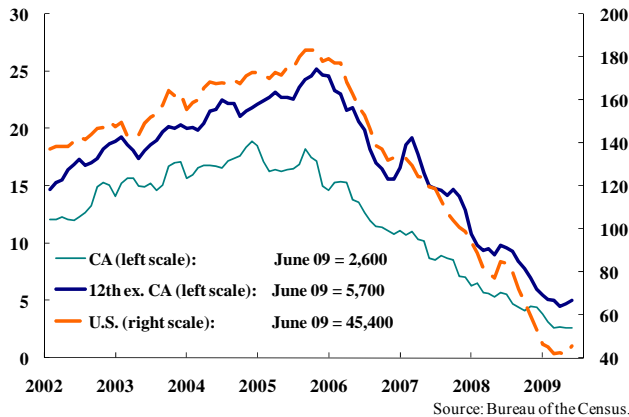
Unemployment insurance: initial claims

(Thousands, 4-week moving average)



Residential permits

(Thousands, 3-month moving average)



Nonresidential construction awards

(Thousands, 3-month moving average)

