

# ETC ECONOMIC TRENDS & CONDITIONS

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## *National Outlook*

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

- The recession that began in the fourth quarter of 2007 appears to be over. Many measures of overall economic activity have been slowly growing, despite continued job losses.
- Although growth has returned, the economy remains in a deep hole with high unemployment and underutilized productive resources. This economic slack appears to be keeping a lid on inflation.
- We expect the recovery to be gradual, and that it will take a sustained period of growth for the economy to return to its normal rates of unemployment and capacity utilization.
- In the long run, we expect core inflation to remain in check. For the past 30 years, the Fed has taken difficult actions to lower inflation. These actions have helped anchor individuals' inflation expectations which, in turn, has helped stabilize actual inflation.

## *Around the District*

(Based on the October 21, 2009, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District appeared to pick up slightly over the past several weeks.
- Retail sales overall remained very sluggish, while sales of new autos fell back to the very low levels that prevailed prior to the August surge resulting from the cash-for-clunkers program. Demand for services continued to slide.
- Housing market activity in the District remained weak but showed continued signs of improvement in many areas. Meanwhile, conditions eroded further for commercial real estate.
- Upward pressures on prices were weak to nonexistent, and upward wage pressures remained largely absent, although some businesses reported significant increases in the costs of employee benefits, such as health benefits and retirement plans.
- Beige Book contacts from the banking industry reported stable or slightly increased loan demand, although credit quality continued to deteriorate.
- Job growth in the District continued to fare moderately worse than that in the nation as a whole over the 12 months ending in September (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

SEP2009	level <sup>p</sup>	Percent Change				Unemployment Rate
		1-month <sup>a</sup>	3-month <sup>a</sup>	YTD <sup>a</sup>	12-month	
U.S. (OCT2009)	130,848.0	-1.7	-1.7	-3.7	-4.0	10.2
U.S.	131,038.0	-2.0	-2.0	-4.0	-4.2	9.8
12 <sup>th</sup> District	24,965.9	-3.9	-2.9	-4.9	-5.1	11.1
Alaska	321.3	-1.8	-1	-1.2	-0.5	8.4
Arizona	2,405.9	-7.6	-4.5	-6.7	-7.5	9.1
California	14,200.4	-3.3	-2.4	-4.7	-4.9	12.2
Hawaii	589.9	-8.2	-7.1	-4.2	-3.8	7.2
Idaho	614.6	-2.1	-3.4	-3.6	-5.1	8.8
Nevada	1,182.3	2.8	-3.5	-5.7	-6.1	13.3
Oregon	1,613.8	-7.4	-4.2	-5.9	-6.1	11.5
Utah	1,201.2	2.5	-1.7	-4.8	-4.3	6.2
Washington	2,836.5	-6.6	-2.8	-4.0	-4.3	9.3

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

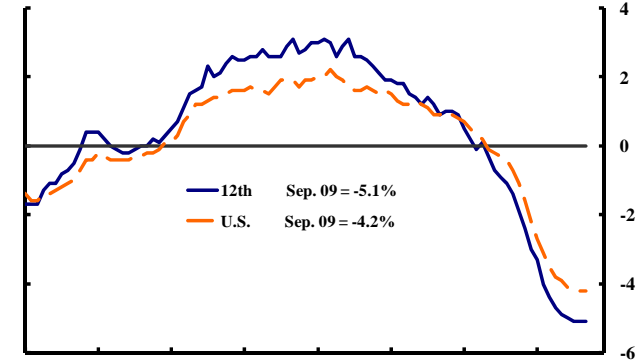
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

### Growth in nonfarm payroll employment

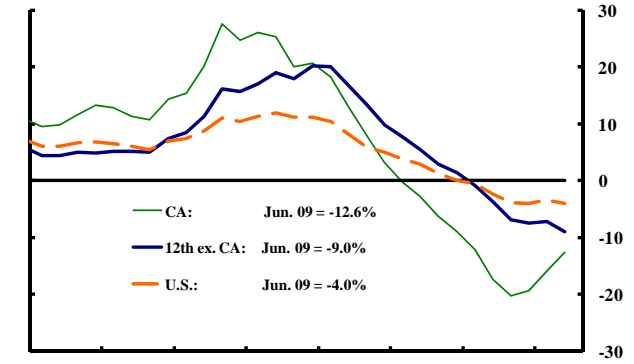
(Year-over-year percent change, monthly)



Source: Bureau of Labor Statistics.

### Home price index

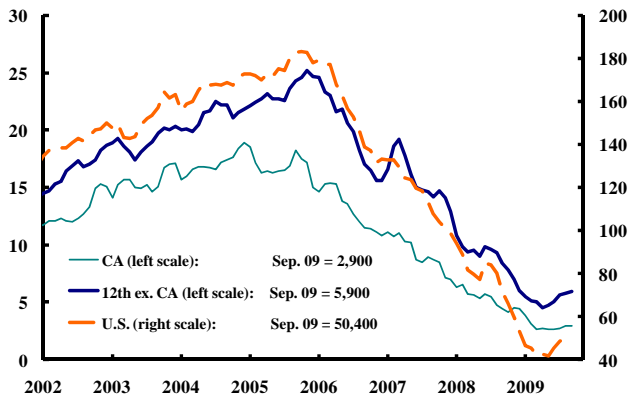
(Year-over-year percent change, quarterly)



Source: Office of Federal Housing Enterprise Oversight.

### Residential permits

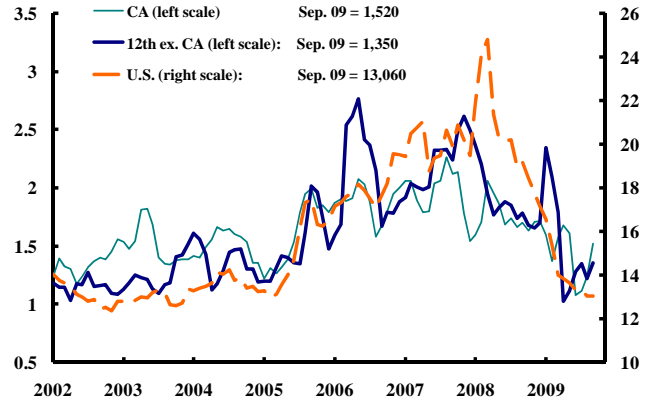
(Thousands, 3-month moving average)



Source: Bureau of the Census.

### Nonresidential construction awards

(Thousands, 3-month moving average)



Source: Bureau of the Census.