

# ETC ECONOMIC TRENDS & CONDITIONS

Published for the Division of Banking Supervision and Regulation

February 2010 Edition

## *National Outlook*

(Based on the January 2010 FRBSF [FedViews](#).)

- Various signs indicate that a broad-based economic recovery is under way. Increases in consumer spending, residential investment, and government purchases all contributed to real GDP growth in the third quarter of 2009.
- Stable inflation expectations and rising prices of oil and other imports have partially offset the downward pressure on prices from slack in labor and goods markets.
- Ebbing financial headwinds, greater consumer and business confidence, and substantial support from monetary and fiscal policy should propel the economy to grow about 3-1/2% this year and about 4-1/2% in 2011.
- Given our forecast of solid output growth this year, the labor market should start to revive. However, in view of the depth of the recession, substantial labor market slack will likely persist for the next few years.
- The prolonged, deep recession has contributed to a decline in the inflation rate that is likely to continue for some time.

## *Around the District*

(Based on the January 13, 2010, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District appeared to pick up slightly during the reporting period of December through the beginning of January.
- Retail sales improved modestly but remained somewhat weak on net. Demand for services continued to be weak overall.
- Conditions in District housing markets appeared to be largely stable, with contacts noting that low mortgage interest rates helped to sustain sales in general. Meanwhile, demand eroded further for commercial real estate.
- Upward pressures on prices were quite limited, and upward wage pressures remained largely absent.
- Beige Book contacts from the banking industry reported mostly stable loan demand but further declines in credit quality.
- Job growth in the District continued to fare moderately worse than that in the nation as a whole over the 12 months ending in December (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, although both have seen some stabilization in their respective rates recently.

# Employment Conditions

## Total Nonfarm Employment

DEC2009	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.	130,910.00	-0.8	-0.6	-3.1	-3.1	10.0
12 <sup>th</sup> District	24,885.80	-2.6	-0.9	-4.0	-4.0	11.2
Alaska	320.9	-2.2	1.3	-1.0	-1.0	8.8
Arizona	2,412.00	-2.7	0.9	-4.8	-4.8	9.1
California	14,148.00	-3.2	-0.7	-3.9	-3.9	12.4
Hawaii	586.1	2.5	-2.4	-3.8	-3.8	6.9
Idaho	612	-1.0	-0.5	-3.1	-3.1	9.1
Nevada	1,154.60	-11.3	-8.2	-6.6	-6.6	13.0
Oregon	1,617.20	2.2	-0.2	-4.3	-4.3	11.0
Utah	1,200.10	-4.4	-0.7	-3.7	-3.7	6.7
Washington	2,834.90	0.9	-0.7	-3.0	-3.0	9.5

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

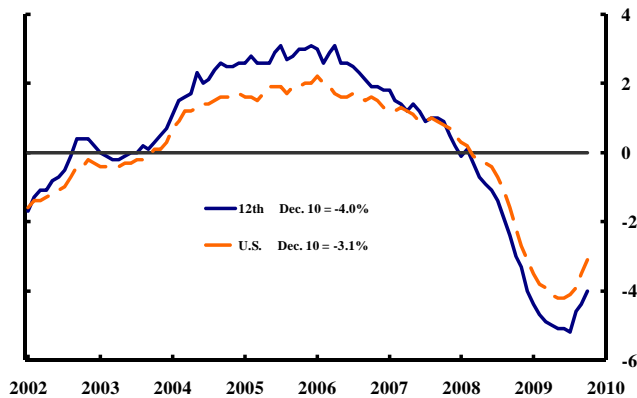
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

### Growth in nonfarm payroll employment

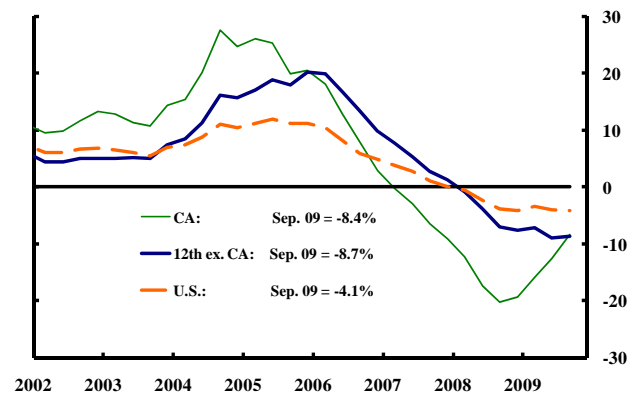
(Year-over-year percent change, monthly)



Source: Bureau of Labor Statistics.

### Home price index

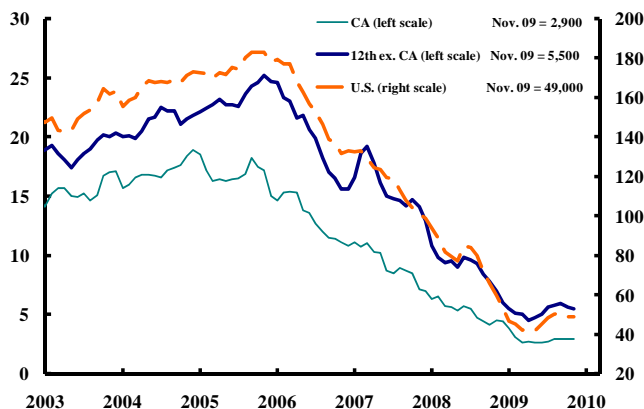
(Year-over-year percent change, quarterly)



Source: Office of Federal Housing Enterprise Oversight.

### Residential permits

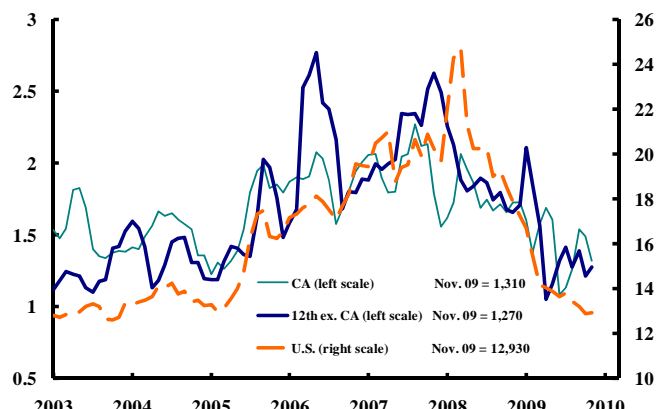
(Thousands, 3-month moving average)



Source: Bureau of the Census.

### Nonresidential construction awards

(Thousands, 3-month moving average)



Source: Bureau of the Census.