

# ETC ECONOMIC TRENDS & CONDITIONS

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## *National Outlook*

(Based on the April 12, 2012, FRBSF [FedViews](#).)

- In the early stages of past recoveries, residential construction made significant contributions. This time, several years after the Great Recession ended, housing remains deeply depressed. In some localities, there have been pockets of improvement, but nationally, single-family housing starts are still moving sideways.
- Energy price swings have been pushing consumer price inflation up and down in recent years. The surge in crude oil prices last year resulted in a bulge in consumer inflation. However, as crude oil prices stabilize, inflation should slowly fall to below 2% next year.
- One anchor holding down price inflation has been restrained labor costs. With unemployment still high, there has been little upward pressure on these costs, which account for about 60% of total production costs. We anticipate only a very gradual decline in the unemployment rate over the next two years.
- Outside housing, the recent economic news has generally been a bit better than expected. An improving labor market is a crucial underpinning for our projection of moderate GDP growth of around 2½% to 2¾% this year.

## *Around the District*

(Based on the April 11, 2012, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District continued to expand at a moderate pace during the reporting period of late February through the end of March.
- Sales of retail items continued to improve, and demand for business and consumer services rose further.
- Activity in District housing markets strengthened modestly but remained lackluster on balance, while demand for nonresidential real estate was largely unchanged.
- Despite higher energy prices, overall price pressures for final goods and services were modest, as were wage gains.
- Beige Book contacts from financial institutions reported small increases in overall loan demand.
- Job growth in the District was a bit below that of the nation as a whole over the 12 months ending in March (see table on next page).
- Meanwhile, the District's unemployment rate remains well above that of the nation as a whole, although it has been trending down in recent months.

# Employment Conditions

## Total Nonfarm Employment

MAR2012	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.	132,821.0	1.1	1.9	1.9	1.5	8.2
12 <sup>th</sup> District	25,053.4	2.1	1.9	1.9	1.3	9.9
Alaska	331.7	3.7	6.0	6.0	0.7	7.0
Arizona	2,448.8	6.9	5.7	5.7	2.1	8.6
California	14,237.3	1.5	1.7	1.7	1.3	11.0
Hawaii	597.0	2.2	0.3	0.3	0.6	6.4
Idaho	615.7	0.8	3.4	3.4	1.5	7.9
Nevada	1,126.5	5.5	-1.8	-1.8	0.4	12.0
Oregon	1,620.1	-0.2	0.1	0.1	0.1	8.6
Utah	1,226.2	0.1	1.1	1.1	2.4	5.8
Washington	2,850.1	2.2	2.3	2.3	1.6	8.3

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

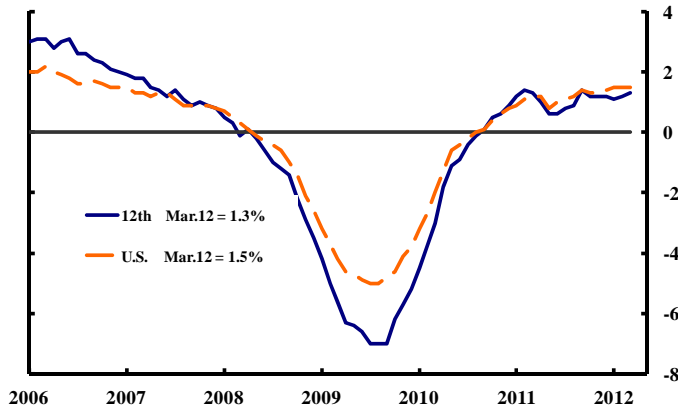
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

### Growth in nonfarm payroll employment

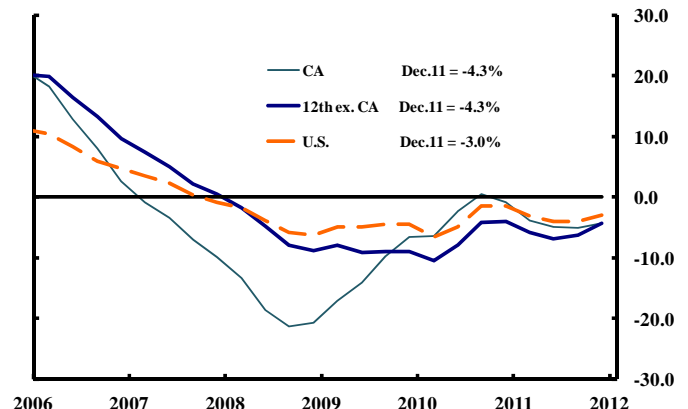
(Year-over-year percent change, monthly)



Source: Bureau of Labor Statistics.

### Home price index

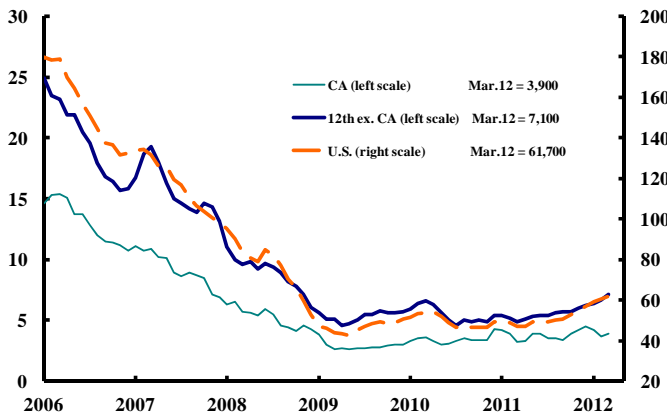
(Year-over-year percent change, quarterly)



Source: Federal Housing Finance Agency.

### Residential permits

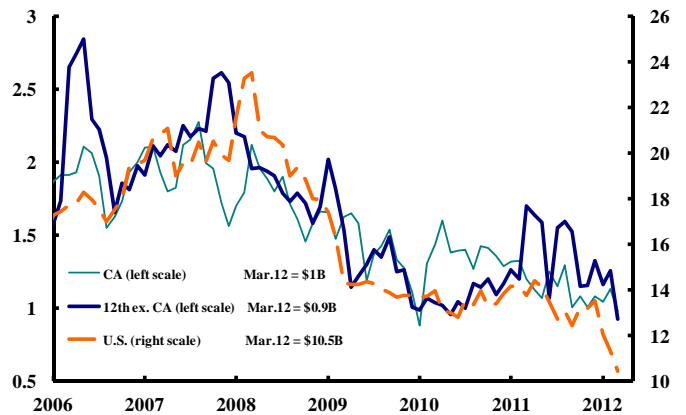
(Thousands, 3-month moving average)



Source: Bureau of the Census.

### Nonresidential construction awards

(\$ Billions, 3-month moving average)



Source: Bureau of the Census.