

ETC ECONOMIC TRENDS & CONDITIONS

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December 2011 Edition

National Outlook

(Based on the December 8, 2011, FRBSF [FedViews](#).)

- Incoming data have generally been better than expected over the past month, suggesting that the U.S. economy continues to grow at a moderate pace. Factors that held growth back in the first part of the year, such as supply chain disruptions that followed the Japanese earthquake and tsunami in March, have largely dissipated. However, the rapidly evolving European debt crisis represents a significant downside risk to the U.S. growth outlook.
- Oil and other commodity prices have come down from their highs in the early part of the year.
- We expect the economy to grow moderately in the fourth quarter and over the following two years. In line with relatively strong recent data, we anticipate the economy will expand at a 2.9% pace in the fourth quarter, before settling back to a pace of 2.4% in 2012 and 3.1% in 2013.
- We anticipate inflation to remain low over the next two years, reflecting high economic slack, subdued wage growth, and well-anchored inflation expectations. We expect overall prices to grow at an annual rate of 1.5% in both 2012 and 2013.

Around the District

(Based on the November 30, 2011, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District continued to grow at a moderate pace during the reporting period of October through mid-November.
- Sales of retail items rose, and demand grew modestly for business and consumer services.
- Sales and construction remained anemic in District housing markets. Meanwhile, demand for commercial real estate remained weak overall, as reflected in elevated vacancy rates and heightened caution by tenants to commit to long-term leases.
- Price increases for final goods and services were limited, and upward pressures on wages were subdued overall.
- Beige Book contacts from financial institutions reported little or no change in overall loan demand.
- Job growth in the District was a bit above that of the nation as a whole over the 12 months ending in November (see table on next page).
- Meanwhile, the District's unemployment rate remains well above that of the nation as a whole although it has trended down in recent months.

Employment Conditions

Total Nonfarm Employment

NOV2011	level ^p	Percent Change				Unemployment Rate
		1-month ^a	3-month ^a	YTD ^a	12-month	
U.S.	131,708.0	1.1	1.3	1.2	1.2	8.6
12 th District	24,922.6	0.1	2.0	1.7	1.7	10.3
Alaska	328.6	-9.0	-1.0	0.2	-0.1	7.3
Arizona	2,419.8	-2.2	2.1	2.0	1.9	8.7
California	14,170.1	0.6	2.4	1.7	1.7	11.3
Hawaii	597.9	0.6	5.8	1.4	0.8	6.5
Idaho	608.6	-3.1	0.9	0.8	0.8	8.5
Nevada	1,123.1	1.4	2.1	1.0	1.2	13.0
Oregon	1,623.4	-1.2	0.1	1.0	1.2	9.1
Utah	1,214.7	-4.2	-1.0	2.7	2.5	6.4
Washington	2,836.4	3.9	2.6	2.2	2.2	8.7

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

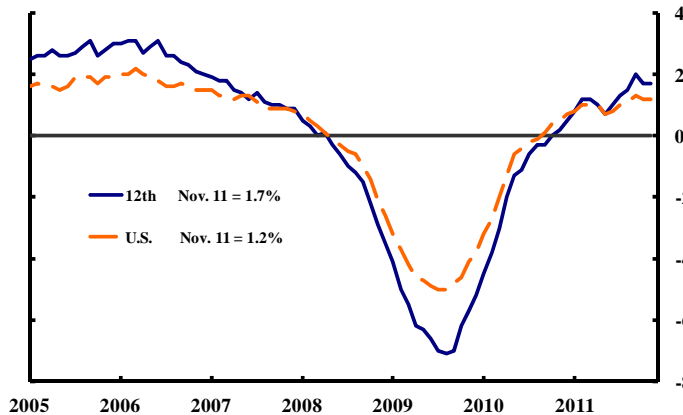
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

Growth in nonfarm payroll employment

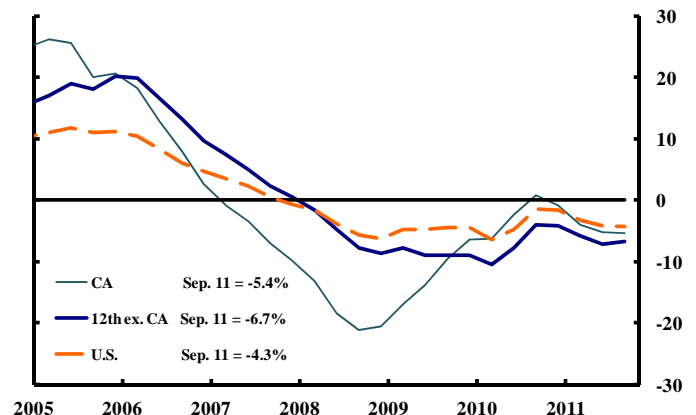
(Year-over-year percent change, monthly)



Source: Bureau of Labor Statistics.

Home price index

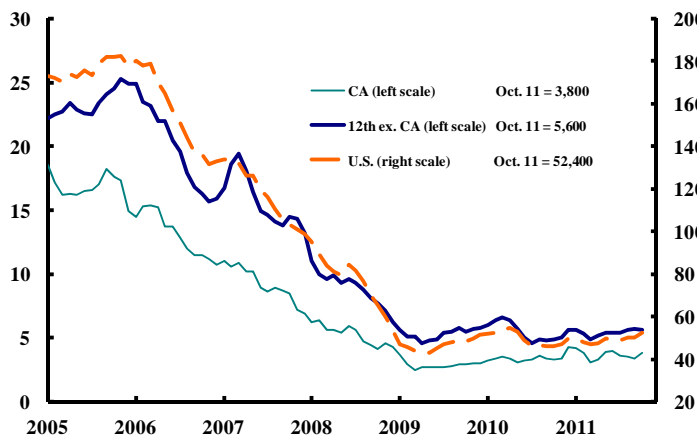
(Year-over-year percent change, quarterly)



Source: Federal Housing Finance Agency.

Residential permits

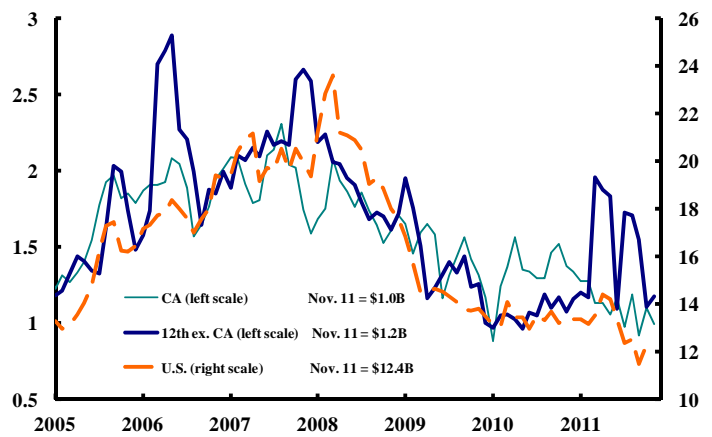
(Thousands, 3-month moving average)



Source: Bureau of the Census.

Nonresidential construction awards

(\$ Billions, 3-month moving average)



Source: Bureau of the Census.