

ETC ECONOMIC TRENDS & CONDITIONS

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National Outlook

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

- Consumer attitudes have rebounded somewhat over the past few months from the lows registered in August. As concerns over the sovereign debt crisis in Europe and U.S. debt rating downgrades have faded some, consumer sentiment seems to have improved, although it still remains far below pre-recession levels.
- Recent data on core inflation, as measured by the personal consumption expenditures price index excluding food and energy, have come in at an annual rate of about 1.5%. Given the lack of wage pressures, we expect these muted readings to continue.
- We expect GDP growth to moderate in the first half of 2012, averaging only about an annualized 2.1%. The recovery should gradually pick up steam over 2012 and 2013. This pace of growth is likely to be too slow to bring the unemployment rate down much.
- Twelve-month average inflation should fall over coming months as some of the larger price increases early in 2011 get left behind. We expect overall inflation to gradually return to the level of core inflation, about 1.5%.

Around the District

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

- The Twelfth District economy continued to grow at a moderate pace during the reporting period of late November through the end of December.
- Holiday retail sales reportedly were up over last year's season, and demand edged up for business and consumer services.
- Activity in District housing markets stayed at very low levels, and demand for nonresidential real estate generally was weak.
- Price increases for final goods and services remained quite limited, and upward pressures on wages were modest.
- Beige Book contacts from financial institutions reported a slight increase in business loan demand.
- Job growth in the District was a bit above that of the nation as a whole over the 12 months ending in December (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

DEC2011	level ^p	Percent Change				Unemployment Rate
		1-month ^a	3-month ^a	YTD ^a	12-month	
U.S.	131,900.0	1.8	1.3	1.3	1.3	8.5
12 th District	24,933.0	-0.5	1.2	1.6	1.6	10.1
Alaska	326.4	-5.4	-5.1	-0.5	-0.5	7.3
Arizona	2,412.6	-3.8	-1.3	1.6	1.6	8.7
California	14,199.0	0.9	2.1	1.7	1.7	11.1
Hawaii	596.4	-2.2	0.4	1.0	1.0	6.6
Idaho	612.1	4.2	2.1	1.3	1.3	8.4
Nevada	1,116.8	-10.0	-1.7	0.4	0.4	12.6
Oregon	1,626.3	1.8	0.2	1.1	1.1	8.9
Utah	1,221.4	6.5	1.5	3.0	3.0	6.0
Washington	2,822.0	-4.8	1.3	1.5	1.5	8.5

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

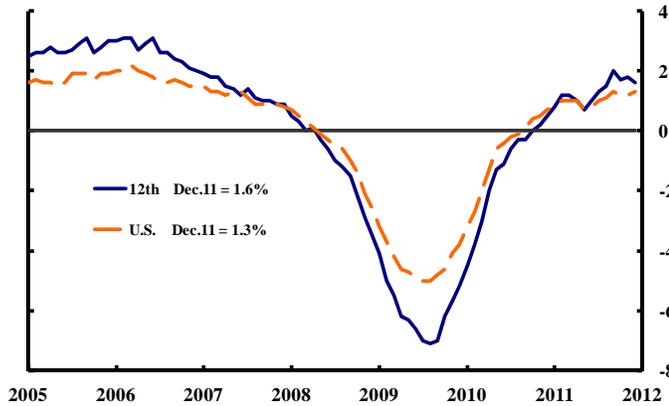
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

Growth in nonfarm payroll employment

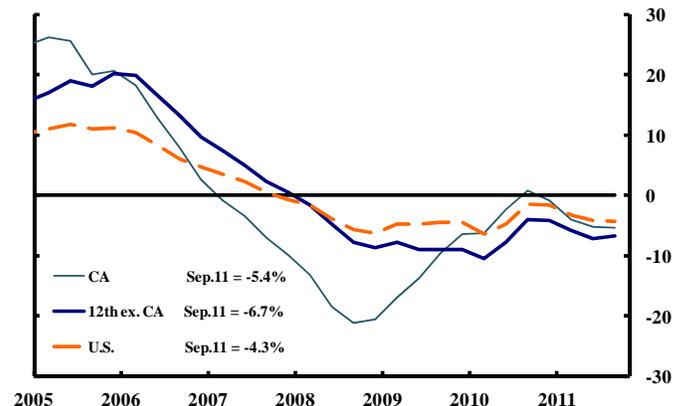
(Year-over-year percent change, monthly)



Source: Bureau of Labor Statistics.

Home price index

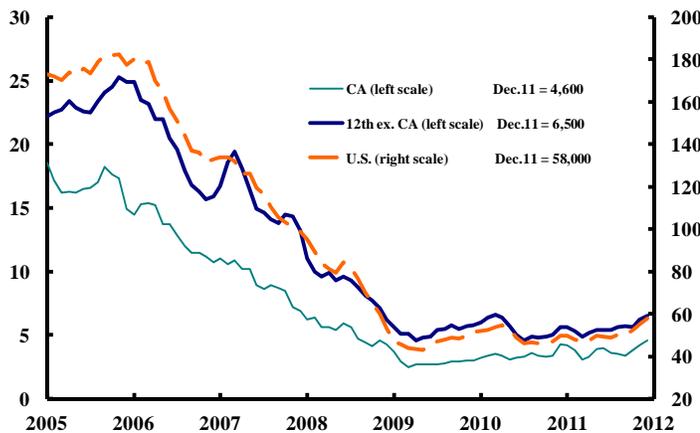
(Year-over-year percent change, quarterly)



Source: Federal Housing Finance Agency.

Residential permits

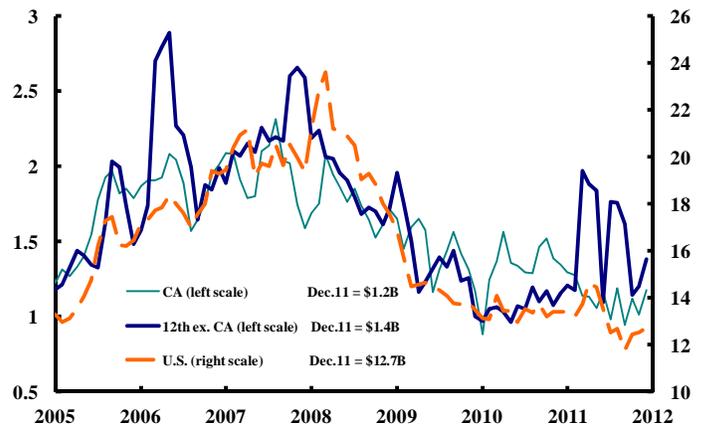
(Thousands, 3-month moving average)



Source: Bureau of the Census.

Nonresidential construction awards

(\$ Billions, 3-month moving average)



Source: Bureau of the Census.