

ETC ECONOMIC TRENDS & CONDITIONS

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June 2012 Edition

National Outlook

(Based on the June 14, 2012, FRBSF [FedViews](#).)

- After growing at a fairly strong pace at the end of last year, real GDP has decelerated. Some of the slowdown is probably due to temporary factors, however, a broad range of economic indicators for the second quarter have come in softer than we expected.
- The combination of the European crisis and slowing growth in some emerging market economies has already led to a weakening of global demand. That, in turn, has prompted steep declines in commodity prices. Falling commodity prices, combined with only a gradual drop in the high unemployment rate, suggest that inflation pressures will be very limited.
- Recent data suggesting that the recovery has less momentum than we anticipated, coupled with increasing strains in global financial markets, has led us to mark down our forecast for GDP growth for 2012 and 2013. Our current view is that real GDP will grow about 2 to 2½ % this year and next.
- We expect inflation as measured by the personal consumption expenditures price index to remain below a 2% annualized rate this year and next.

Around the District

(Based on the June 6, 2012, [Beige Book](#) and authors' analyses.)

- Economic activity in the Twelfth District continued to grow at a moderate pace during the reporting period of April through late May.
- Sales of retail items rose, as did demand for consumer and business services.
- District home demand improved a bit further overall, and demand for commercial real estate picked up slightly on balance.
- Price inflation remained very modest, and upward wage pressures were quite limited overall.
- Beige Book contacts from financial institutions reported that overall loan demand edged up.
- Job growth in the District was a bit below that of the nation as a whole over the 12 months ending in May (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

MAY2012	level ^p	Percent Change				Unemployment Rate
		1-month ^a	3-month ^a	YTD ^a	12-month	
U.S.	133,009.0	0.6	0.9	1.5	1.4	8.2
12 th District	25,128.1	2.2	1.9	1.9	1.6	9.7
Alaska	326.7	-9.1	-4.8	-0.1	-0.3	7.0
Arizona	2,448.0	-3.0	2.1	3.3	1.8	8.2
California	14,276.4	2.9	1.6	1.7	1.6	10.8
Hawaii	598.0	-6.2	1.4	0.6	1.2	6.3
Idaho	615.7	1.2	0.3	2.0	1.6	7.8
Nevada	1,135.2	6.5	5.0	0.8	1.1	11.6
Oregon	1,631.6	5.2	2.8	1.8	0.8	8.4
Utah	1,230.8	1.6	1.5	1.5	2.4	6.0
Washington	2,865.7	3.9	3.0	2.7	1.7	8.3

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

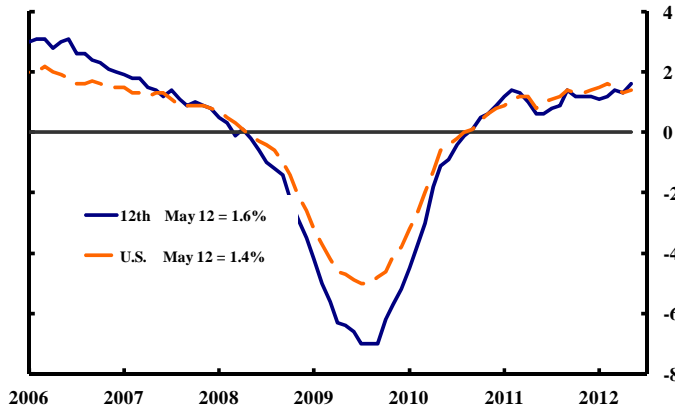
Employment levels are in thousands; All data are seasonally adjusted

a = annualized percent change

p = preliminary

Growth in nonfarm payroll employment

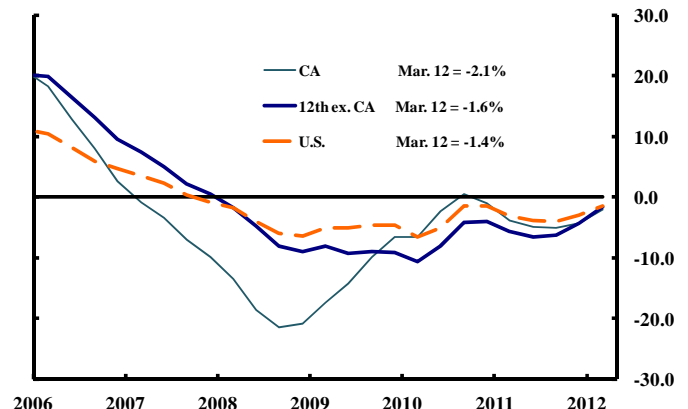
(Year-over-year percent change, monthly)



Source: Bureau of Labor Statistics.

Home price index

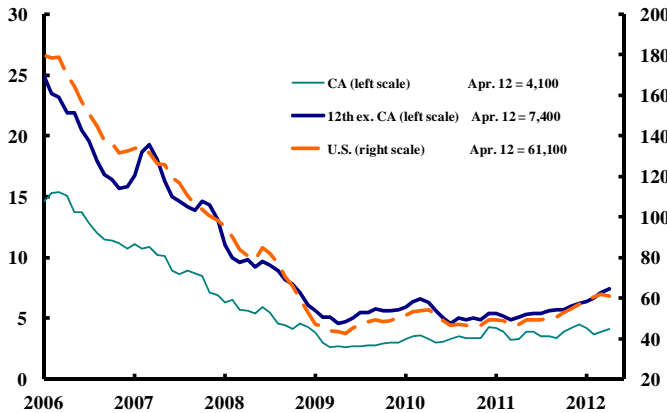
(Year-over-year percent change, quarterly)



Source: Federal Housing Finance Agency.

Residential permits

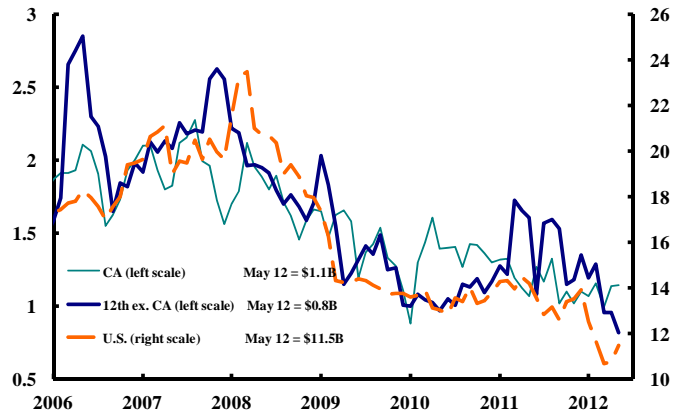
(Thousands, 3-month moving average)



Source: Bureau of the Census.

Nonresidential construction awards

(\$ Billions, 3-month moving average)



Source: Bureau of the Census.