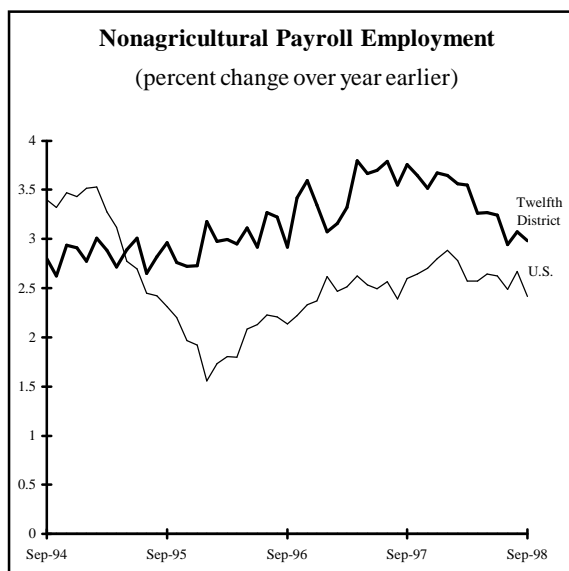


WESTERN ECONOMIC DEVELOPMENTS

November 1998

Executive Summary

- *The Twelfth District economy grew at a solid pace during the third quarter, although growth has slowed from earlier in the year.*
- *Payroll employment expanded by 2.3 percent at an annual rate during the three months ending in September, with a number of sectors posting solid growth.*
- *District growth continued to outpace national growth in recent months, although the gap between the District and the U.S. pace of expansion narrowed.*
- *The District's current pace of growth represents a collection of divergent state experiences, with some state economies growing rapidly, while others are slowing or contracting.*
- *Despite slower employment growth, many District labor markets remain tight. On average, unemployment in the District was 5.5 percent in September, about the same as in 1997.*



District Update

The Twelfth District economy grew at a solid pace during the third quarter, although growth has slowed from earlier in the year. District nonfarm payroll employment expanded by 2.3 percent at an annual rate during the three months ending in September, down from the 2.9 percent pace of the second quarter. District growth continued to outpace national growth in recent months, although the gap between the District and the U.S. pace of expansion narrowed. Slower growth has yet to loosen District labor markets significantly. On average, unemployment in the District was 5.5 percent in September, just 0.1 percentage point above the average for 1997.

The construction, finance, insurance, and real estate, services, and government sectors led the District's expansion during the third quarter, collectively accounting for over 87 percent of all jobs added. In contrast, employment growth among District retailers and wholesale firms slowed in recent months, falling to 1 percent in the third quarter, a percentage point decline over the pace during the first half of the year. District mining and manufacturing firms shed jobs in the third quarter, as developments in East Asia continued to damp demand for manufactured and non-manufactured commodities.

Within the District, the pattern of growth has changed some in recent months. In contrast to previous periods, the District's current pace of expansion represents a collection of divergent state experiences. As measured by growth in employment over the 12 months ending in September, Hawaii continued to contract, three District states—Alaska, Idaho, and Oregon—expanded more slowly than the U.S., and Utah expanded at the national pace of 2.4 percent. On the same basis, Arizona, Nevada, and Washington remained among the five fastest growing states in the nation. Until the beginning of this

year, only Alaska and Hawaii were expanding more slowly than the U.S., and the District regularly contained four or five of the ten fastest growing states in the nation.

Financial Conditions

A survey of a sample of large domestically chartered banks and Japanese branches in the District indicated little change overall in the demand for business loans over the past three months (the beginning of August through the end of October). However, the Japanese branches reported some strengthening of demand due to

customers turning to their bank because of less hospitable money and capital markets. Regarding the supply of business loans, survey respondents reported widespread tightening of terms on such loans, mostly in August and the beginning of September. The terms affected mainly were the maximum size of credit lines, the spreads of loan rates over base rates, and the premia charged on riskier loans. A less favorable or more uncertain economic outlook was the reason most often cited for the tightening of terms.

In general, demand for commercial real estate loans was the same at the end of October as it was in the beginning of August. However, domestic banks tended to report tightened approval standards, smaller maximum loan sizes, and larger spreads of loan rates over funding costs for commercial real estate loans.

Domestic banks reported some strengthening of demand for home mortgage loans. Overall, credit standards for approving such loans were unchanged. Demand for consumer loans of all types at the domestic banks was basically unchanged over the past three months, as were banks' approval standards and terms for such loans. The domestic banks also reported no change in their willingness to make consumer installment loans and no change in their approval standards for credit card applications.

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Sep-98	Aug-98	Sep-97		
Alaska	274.2	274.1	269.0	0.4	1.9
Arizona	2,092.6	2,072.9	1,994.0	12.0	4.9
California	13,655.2	13,619.7	13,277.7	3.2	2.8
Hawaii	530.8	526.6	534.6	10.0	-0.7
Idaho	518.9	521.3	510.2	-5.4	1.7
Nevada	942.6	935.2	898.7	9.9	4.9
Oregon	1,564.6	1,563.8	1,532.2	0.6	2.1
Utah	1,026.7	1,024.4	1,002.1	2.7	2.5
Washington	2,607.4	2,615.1	2,525.5	-3.5	3.2
District	23,213.0	23,153.1	22,544.0	3.1	3.0
U.S.	126,247.0	126,178.0	123,280.0	0.7	2.4

Seasonally adjusted payroll employment data

				% Change From Previous Month	% Change From Previous Year
	Sep-98	Aug-98	Sep-97		
Aerospace Employment (1992=100)	72.0	72.0	71.2	0.0	1.1
Electronics Employment (1992=100)	119.1	119.4	119.9	-0.3	-0.7
Americas Semiconductor Billings (\$ Million)	3440.0	3310.0	3940.0	3.9	-12.7
Non-Residential Awards (1992=100)	132.6	123.0	161.1	7.9	-17.7
Residential Permits (Thousands)	27.1	28.0	26.4	-3.3	2.6
Western Housing Starts (Thousands)	37.2	35.6	33.1	4.5	12.4

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Sep-98	Aug-98	Sep-97		
Total	23,213.0	23,153.1	22,544.0	3.1	3.0
Mining	82.0	82.1	85.5	-1.5	-4.1
Construction	1,201.0	1,206.4	1,131.9	-5.2	6.1
Manufacturing	3,063.3	3,055.2	3,035.1	3.2	0.9
Transportation	1,193.5	1,187.8	1,166.6	5.9	2.3
Trade	5,406.3	5,399.9	5,280.6	1.4	2.4
F.I.R.E.	1,330.1	1,327.3	1,282.0	2.6	3.8
Services	7,081.6	7,067.6	6,806.1	2.4	4.0
Government	3,855.2	3,826.8	3,756.2	9.3	2.6

Seasonally adjusted payroll employment data

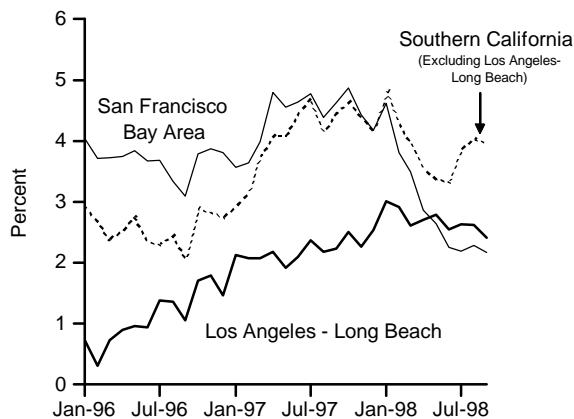
Growth Variation in California

Although recent global economic and financial developments have slowed economic growth throughout California, some regions have been affected more than others. In the San Francisco Bay Area, specialization in high-tech manufacturing and strong trade ties to East Asia have pushed employment growth in the area below that for the state as a whole for the first time in three years. In contrast, a more diversified Southern California economy has remained relatively immune from the global economic turmoil, with little deceleration in growth from last year. However, further deterioration in international markets or substantial slowing in the domestic economy could temper Southern California's current pace of expansion.

Changing pattern of regional growth

Until recently, job growth in the San Francisco Bay Area regularly outpaced that of other regions in California. Figure 1 shows 12-month employment growth for the Bay Area, Los Angeles-Long Beach and Southern California excluding Los Angeles-Long Beach.¹ Between January 1996 and November 1997, employment growth in the Bay Area averaged 4 percent, well-above the pace of expansion in Los Ange-

Figure 1
Payroll Employment Growth in California
By Region
(12 month percent change)



¹The San Francisco Bay Area includes San Francisco, Oakland, San Jose, Santa Rosa, and Vallejo-Fairfield-Napa. Southern California excluding Los Angeles-Long Beach includes Orange County, San Diego, Riverside-San Bernardino, Santa Barbara-Santa Maria-Lompoc, and Ventura.

les-Long Beach, and slightly higher than growth in the remaining areas of Southern California. In December of last year this pattern began to change, and by May of this year the employment growth rate in the Bay Area had fallen below that of Los Angeles-Long Beach.

The changing pattern of regional growth in California in part reflects the differential impact that global economic and financial developments have had on manufacturing employment growth in the Bay Area and Southern California. Figure 2 compares the 12-month percent change in manufacturing employment by region. While manufacturing has slowed in all three regions, the deceleration has been most dramatic in the Bay Area.

Strong trade ties with East Asia and a highly specialized high-tech manufacturing sector have left the Bay Area vulnerable to coincident weakness in both markets, depressing the regions manufacturing sector. In contrast, more balanced trade relationships and greater manufacturing diversity have helped moderate the combined impact of these factors on the Southern California economy.

Variation in regional export patterns

An indication of the relative share of exports by destination is provided in Table 1. The table compares the share of exports shipped to various parts of the world for three regions in California: the San Francisco Bay Area, Los Angeles-Long Beach, and the remaining areas of Southern

Figure 2
Manufacturing Employment Growth in California
By Region
(12 month percent change)

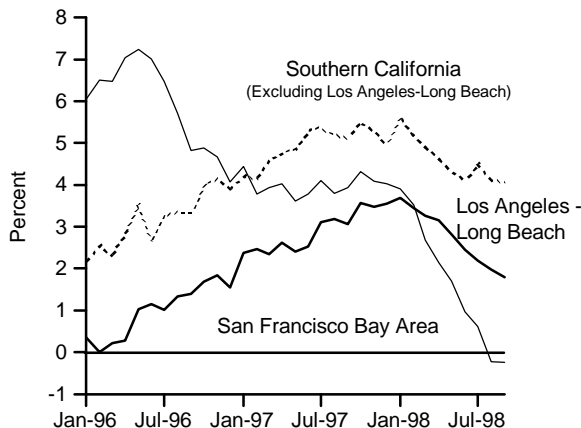


Table 1
Percent Share of Exports to Selected Destinations, 1996
By Region in California

	San Francisco Bay Area	Los Angeles Long Beach	Southern California (Excluding Los Angeles-Long Beach)
Europe	22.4	17.8	21.4
Canada	10.5	10.1	11.0
East Asia	59.5	55.5	36.5
Latin America	4.7	11.4	26.8
All Other	2.9	5.2	4.3

Source: Bureau of Commerce Metro Area Exporter Location Series (1996).

California. The data come from the Bureau of Commerce Metro Area Exporter Location Series. This series provides information on the dollar value of export sales for Metropolitan Statistical Areas based on the location of the exporter. Therefore, the data do not always reflect where the export is produced and caution is warranted when using these data to describe export patterns across regions. However, used in conjunction with other information on the local economy these data can provide some indication of differences in regional trade relationships.

According to these data, the San Francisco Bay Area is relatively more reliant on East Asia as an export market than is Southern California excluding Los Angeles-Long Beach. About 60 percent of all Bay Area exports are shipped to East Asia. In contrast, in Southern California excluding Los Angeles-Long Beach just over one-third of exports are shipped to countries in East Asia. Los Angeles-Long Beach exports about the same proportion to East Asia as the Bay Area, but the country composition differs; 50 percent of exports from Los Angeles-Long Beach to East Asia go to Japan, compared to 30 percent for the Bay Area.

Examining export shares to other parts of the world, the largest difference between the Bay Area and Southern California is in trade with Latin America. On a share basis, Los Angeles-Long Beach is more than twice as reliant on Latin America as an export market than is the Bay Area, shipping about 11 percent of its total exports to the region. In other areas of Southern California the ties to Latin America are even stronger; about 25 percent of exports from these areas are shipped to Latin America. For both

Los Angeles-Long Beach and the remaining areas of Southern California, export sales to Latin America are higher than to Canada. This is not true for the Bay Area, where less than 5 percent of all exports go to Latin America.

These differences in export shares across California regions are particularly striking when combined with recent export growth figures for the state.² State exports to East Asia declined by 2.5 percent in 1997 and 17.5 percent during the first half of 1998. Over the same periods, California exports to Latin America increased at double digit rates, by 32.6 percent in 1997 and 22.2 percent in the first half of 1998. The combination of these export growth figures and the regional information on export destinations suggests that the Bay Area likely has borne a large fraction of the export decline in California. In contrast, lower exposure to East Asia and stronger ties with Latin America may have protected Southern California's exports from some of the demand weakness depressing state export growth.

Variation in regional manufacturing composition

Table 2 shows the shares of manufacturing employment and the 12-month growth rates for selected industries. The table shows that in the San Francisco Bay Area, three industry categories dominate manufacturing employment: industrial machinery, electrical machinery, and scientific and measurement instruments. Together these industries, which include most of the Bay Area's high-tech producers, account for more than 55 percent of manufacturing employment in the region.³ As of September, 12-month employment growth among these three industries in the Bay Area was -0.9 percent (not shown), a decline of more than 6.5 percentage points from 1997. Although growth in other Bay Area manufacturing industries has been stronger, it has not been sufficient to offset the dramatic slowdown in these three industries.

²Comparable export growth figures are not available at the regional level.

³In the Bay Area, 80 percent of the employment in these three SIC categories is in high-tech manufacturing, defined as computers and computing equipment, telecommunications equipment, electronic components, and scientific and measurement instruments.

Table 2
Manufacturing Employment Concentration and Growth
By Region in California

	San Francisco Bay Area		Los Angeles - Long Beach		Southern California (excluding Los Angeles-Long Beach)	
	Percent Share	12-Month Growth ^a	Percent Share	12-Month Growth ^a	Percent Share	12-Month Growth ^a
Industrial Machinery	18.5	-3.1	7.2	1.0	11.2	3.3
Electrical Machinery	24.1	-0.2	6.9	1.9	14.7	3.0
Instruments	12.9	0.8	8.3	0.9	10.3	1.6
Other Capital Goods	6.8	0.8	13.1	1.4	13.7	3.1
Transportation	4.6	-6.9	12.6	-0.2	9.9	3.7
Food and Kindred	7.7	5.2	6.5	1.8	4.6	6.9
Apparel and Textiles	2.9	2.8	20.0	5.3	5.3	8.0
Miscellaneous Manufactured Commodities	22.5	0.5	25.4	0.8	30.3	3.8
Total	100	-0.2	100	1.8	100	4.1

^a Twelve-month growth as of September.

In contrast, in Los Angeles-Long Beach and the rest of Southern California the combination of a more diversified manufacturing sector and rapid expansion in key industries has helped maintain manufacturing growth in the region. In Los Angeles-Long Beach, growth in the area's largest manufacturing sector, apparel and textiles, has remained solid; 12-month growth as of September was 5.3 percent.⁴ As the table shows, only the transportation sector in Los Angeles-Long Beach has declined over the past 12 months. In the remaining areas of Southern California, manufacturing employment growth remains strong. As of September, on a 12-month basis, most sectors recorded growth in excess of 3 percent. Even the manufacturing sectors industrial machinery and electrical machinery have been expanding in Southern California. This is consistent with the growth of exports from these industries to Latin America and the mix of products produced in Southern California.⁵

⁴The October release of the Department of Finance Interim Employment Series suggests that this number may not hold up to the March 1999 rebenchmarking. Estimates in the Interim series show almost no employment growth in the state apparel and textile industry in 1998.

⁵For example, less than 60 percent of the products in these industries are considered high-tech, compared to 80 percent in the Bay Area.

In general, these figures suggest that the Bay Area's high-tech specialization has left it vulnerable to recent weakness in demand for manufactured high-tech products. In contrast, the relatively balanced composition of manufacturing in Southern California has allowed the region to take advantage of rapid export growth in Latin America and continued strength in the domestic economy.

Conclusions

Diversification in both trade and manufacturing have helped Southern California weather the global economic storm from East Asia. While Southern California has not escaped Asia's problems unscathed, it has continued to post solid growth. However, further deterioration in international markets or slowing in the domestic economy could temper growth in the region.

Southern California exports a larger share of products to Latin America, particularly Mexico. Should that economy begin to falter, the effects in Southern California would be greater. In addition, much of the strength of Southern California's manufacturing sector comes from the solid expansion of the domestic economy. General slowing in the national economy could damp growth in Southern California's manufacturing sector, slowing total payroll employment growth in the region.

ALASKA, OREGON, AND WASHINGTON

Economic growth in **Alaska** remained weak in the third quarter, following a flat performance during the second quarter. Alaska added almost no new jobs during the three months ending in September, as gains in transportation, finance, insurance, and real estate, and services were offset by losses in construction, trade, and state and local government. Two consecutive quarters of weak job gains have pushed annualized employment growth for the first nine months of 1998 under 3 percent, well below the pace of earlier in the year.

After adding jobs at a 2.5 percent pace in 1997, the Anchorage economy has slowed this year. Annualized payroll employment growth in Anchorage was 1.8 percent for the nine months ending in September, following two quarters of almost no job growth. Although the slowdown has been broad-based, weakness in key sectors such as retail trade and services has had the largest impact. Together these sectors account for 50 percent of employment in Anchorage and, compared to 1997, growth in each sector has slowed by more than a percentage point in 1998.

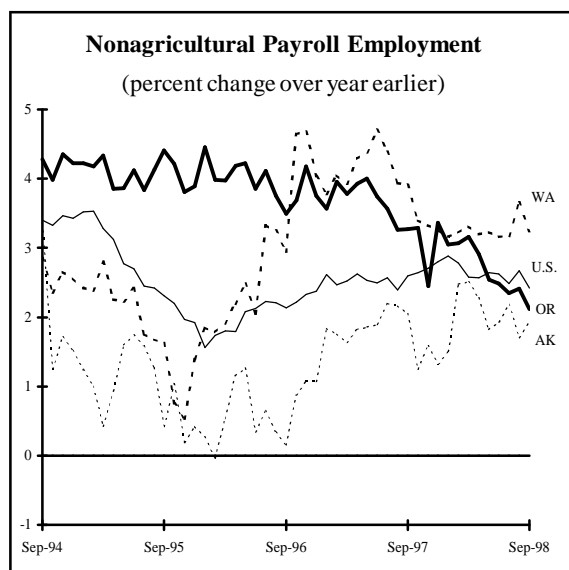
The **Oregon** economy slowed further in recent months. Total nonfarm payroll employment grew by 0.3 percent at an annual pace during the third quarter, well below the 1.6 percent pace of the first half of this year. Several sectors shed jobs over the past three months; employment declined in mining, construction, manufacturing,

and transportation, communications, and public utilities. Growth slowed in the government sector and remained flat in wholesale and retail trade. In contrast, growth accelerated in the finance, insurance, and real estate, and services sectors in the third quarter, but job gains in these sectors were not sufficient to offset losses in the rest of the economy.

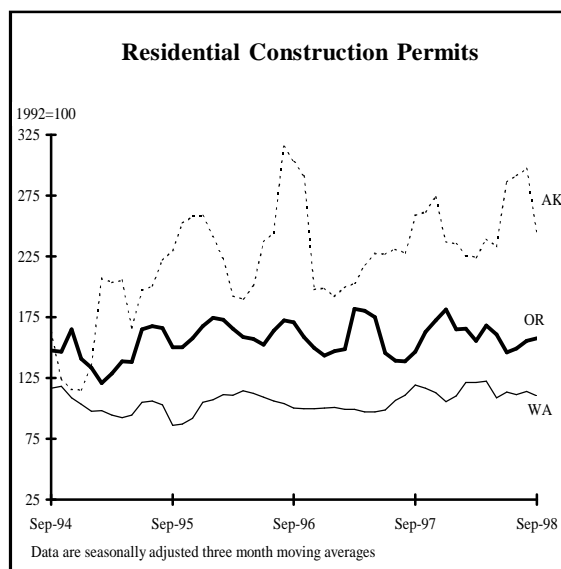
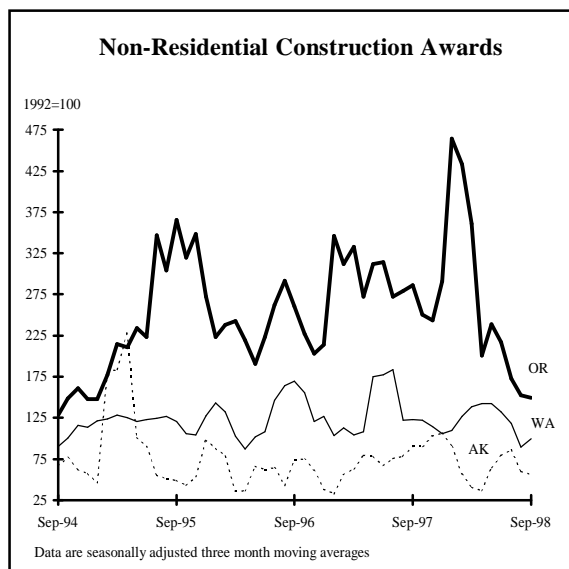
East Asia continues to stifle growth in Oregon's manufacturing sector. Manufacturers in the state reduced employment at a 6 percent annual pace in the third quarter, about twice as fast as in the second quarter. So far this year, employment in Oregon's manufacturing sector has declined by 4,400 jobs. Sustained weakness in manufacturing has restrained Oregon's construction sector. Non-residential building permits have declined rapidly this year and employment in the state's construction sector has fallen by 4.9 percent at an annual rate during the past nine months.

Economic growth in **Washington** slowed in the third quarter, largely due to substantial job losses in September. Total nonfarm payroll employment declined by 3.5 percent at an annual rate in September, as the construction, manufacturing, trade, services, and government sectors shed jobs. As a result the state unemployment rate jumped to 5.1 percent, 0.4 percentage point above the August rate. Despite the September declines, third quarter growth in most sectors remained solid; only the construction and manufacturing sectors posted job losses over the period.

The Seattle area economy contracted during the third quarter, as modest job gains in July and August were offset by September losses. Construction and services posted the largest declines; both sectors contracted by more than 1 percent between July and September, for a total loss of nearly 2,000 jobs. Within the services sector, business services, which accounts for 30 percent of all services jobs and employs about the same number of people as the transportation sector, declined most rapidly. Business services employment declined by 9.7 percent at an annual rate during the third quarter, bringing annualized growth in the sector to 4.8 percent for 1998, 10 percentage points lower than in 1997.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-98	Aug-98	Sep-97	From Previous Month	From Previous Year
Alaska					
Total	274.2	274.1	269.0	0.4	1.9
Mining	10.7	10.5	10.7	25.4	0.0
Construction	12.9	13.2	12.5	-24.1	3.2
Manufacturing	14.8	14.7	14.7	8.5	0.7
T.C.P.U.	25.5	25.6	24.3	-4.6	4.9
Trade	56.7	56.9	55.7	-4.1	1.8
F.I.R.E.	12.6	12.6	12.3	0.0	2.4
Services	68.1	67.9	66.0	3.6	3.2
Government	72.9	72.7	72.8	3.4	0.1

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-98	Aug-98	Sep-97	From Previous Month	From Previous Year
Washington					
Total	2607.4	2615.1	2525.5	-3.5	3.2
Mining	3.4	3.4	3.5	0.0	-2.9
Construction	142.1	143.4	136.3	-10.4	4.3
Manufacturing	375.9	377.7	374.2	-5.6	0.5
T.C.P.U.	138.9	138.6	133.6	2.6	4.0
Trade	629.7	631.0	608.2	-2.4	3.5
F.I.R.E.	136.5	136.4	129.8	0.9	5.2
Services	714.9	716.9	680.8	-3.3	5.0
Government	466.0	467.7	459.1	-4.3	1.5

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-98	Aug-98	Sep-97	From Previous Month	From Previous Year
Oregon					
Total	1564.6	1563.8	1532.2	0.6	2.1
Mining	1.8	1.8	1.8	0.0	0.0
Construction	81.5	82.9	83.0	-18.5	-1.8
Manufacturing	242.3	243.8	243.7	-7.1	-0.6
T.C.P.U.	75.0	75.0	74.6	0.0	0.5
Trade	387.1	385.2	378.0	6.1	2.4
F.I.R.E.	98.2	97.4	95.2	10.3	3.2
Services	419.0	420.1	404.2	-3.1	3.7
Government	259.7	257.6	251.7	10.2	3.2

	Unemployment Rates (%)				
	Sep-98	Aug-98	Jul-98	Sep-97	Aug-97
Alaska	5.9	5.9	6.2	7.7	7.9
Oregon	5.7	5.7	5.4	5.7	5.7
Washington	5.1	4.7	4.7	4.7	4.6
U.S.	4.6	4.5	4.5	4.9	4.9

Unemployment rates are from the household employment survey, all other data are for nonagricultural payroll employment. All data are seasonally adjusted.

ARIZONA, CALIFORNIA, AND HAWAII

Arizona's employment growth slowed in the third quarter to a still-rapid pace of 3.7 percent at an annual rate, following a surge of 5¼ percent at an annual rate in the first half of the year. These job gains leave the September level of employment about 5 percent above a year earlier, which makes Arizona the fastest growing state in the nation over the past twelve months.

Strong economic growth in the state has been concentrated in service-producing sectors. The service-producing sector accounted for 86 percent of the roughly 70,000 jobs added to Arizona nonagricultural payrolls so far this year. Business services and government employment have been particularly strong. In contrast, manufacturing job growth has slowed noticeably this year. In the third quarter, a drop of 8 percent at an annual rate in machinery and electronic industry employment contributed noticeably to the overall moderation of state employment growth.

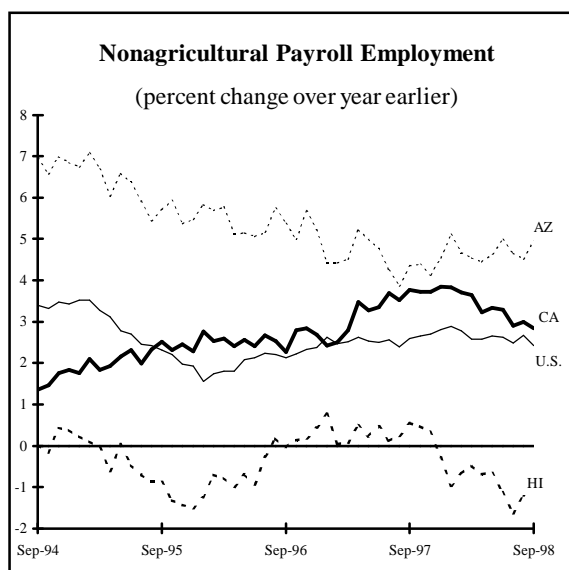
The pace of economic growth in **California** slowed in recent months. Payroll employment increased 2.4 percent at an annual rate during the four months ending in October, about 0.4 percentage point less than the pace of job growth in the first half of 1998. Labor force growth proceeded a bit faster than employment gains, so the state unemployment rate edged up in recent months, from 5.7 percent in July to 5.9 percent in October. Separate data from the state unemployment insurance system show a continued low level of initial claims through September,

which corroborates the view that the recent uptick in the state unemployment rate primarily reflects strong labor force growth, rather than increased layoffs.

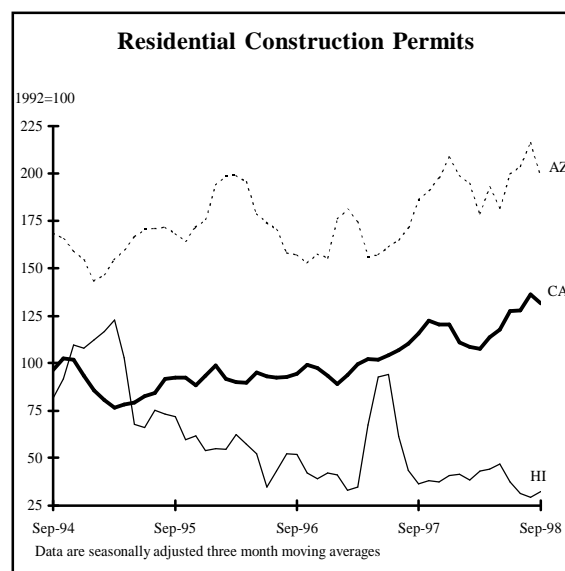
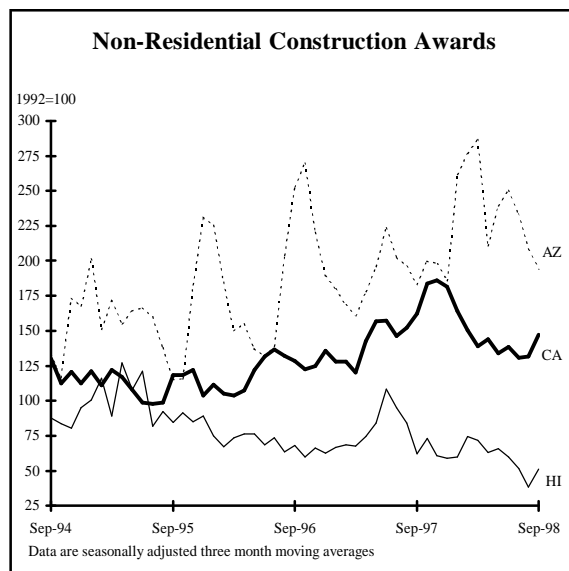
That said, some industries in California are cutting jobs, disproportionately impacting those subregions of the state with employment concentrations in the downsizing industries. Most of the retrenchment is in durable goods manufacturing industries, where overall employment fell 2.6 percent at an annual rate in the third quarter. San Jose and other parts of the San Francisco Bay Area are seeing much of the recent declines in computer and electronic equipment industry jobs. A drop in aerospace industry employment was concentrated in the Los Angeles-Long Beach metropolitan area. Los Angeles also has lost jobs outside of manufacturing in the entertainment industry; employment in motion picture production and services fell 8.3 percent at an annual rate in the third quarter.

Economic activity in **Hawaii's** private sector continued to contract in the third quarter. Although BLS figures show total state employment increased 4 percent at an annual rate in the third quarter, virtually all of the reported third quarter gain was on government payrolls, where employment was estimated to have increased 24 percent at an annual rate in the third quarter on a seasonally-adjusted basis. Among private sector industry groups, third quarter manufacturing employment was flat, service industry jobs declined slightly, and construction employment dropped sharply.

The ongoing declines in construction sector employment reflect weakness in both residential and non-residential real estate markets. Home prices have remained relatively weak, undermining the incentive to build single-family residential units, and rental vacancy rates are relatively high, deterring multifamily construction. Accordingly, residential construction permit issuance is at very low levels this year and in the third quarter was down about 11 percent from a year earlier. Nonresidential construction awards also have been weak and falling; in the third quarter, nonresidential construction awards were about 18 percent below a year earlier.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-98	Aug-98	Sep-97	From Previous Month	From Previous Year
Arizona					
Total	2092.6	2072.9	1994.0	12.0	4.9
Mining	13.2	13.2	14.2	0.0	-7.0
Construction	139.0	137.0	131.4	19.0	5.8
Manufacturing	216.6	216.5	209.3	0.6	3.5
T.C.P.U.	100.9	99.6	96.4	16.8	4.7
Trade	500.3	499.6	480.9	1.7	4.0
F.I.R.E.	135.2	135.4	128.0	-1.8	5.6
Services	638.4	636.1	607.2	4.4	5.1
Government	349.0	335.5	326.6	60.5	6.9

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-98	Aug-98	Sep-97	From Previous Month	From Previous Year
Hawaii					
Total	530.8	526.6	534.6	10.0	-0.7
Mining
Construction	20.7	21.3	22.0	-29.0	-5.9
Manufacturing	16.1	15.9	16.4	16.2	-1.8
T.C.P.U.	40.8	40.5	41.4	9.3	-1.4
Trade	132.3	131.4	134.7	8.5	-1.8
F.I.R.E.	34.9	35.0	36.0	-3.4	-3.1
Services	168.7	169.6	169.7	-6.2	-0.6
Government	117.3	112.9	114.4	58.2	2.5

	Oct-98	Sep-98	Oct-97	Annualized % Change From Previous Month	% Change From Previous Year
	California				
Total	13688.8	13656.0	13318.5	2.9	2.8
Mining	28.0	28.0	29.4	0.0	-4.8
Construction	624.2	615.3	570.2	18.8	9.5
Manufacturing	1946.8	1943.0	1935.0	2.4	0.6
T.C.P.U.	680.8	681.8	672.7	-1.7	1.2
Trade	3144.7	3139.3	3081.6	2.1	2.0
F.I.R.E.	789.4	788.2	763.5	1.8	3.4
Services	4279.2	4268.6	4110.9	3.0	4.1
Government	2195.7	2191.8	2155.2	2.2	1.9

	Sep-98	Aug-98	Jul-98	Sep-97	Aug-97
	Unemployment Rates (%)				
Arizona	4.3	4.1	3.8	4.4	4.4
Hawaii	6.1	5.7	5.8	6.3	6.4
U.S.	4.6	4.5	4.5	4.9	4.9
California					
	Oct-98	Sep-98	Aug-98	Oct-97	Sep-97
California	5.9	6.0	5.8	6.2	6.2

Unemployment rates are from the household employment survey, all other data are for nonagricultural payroll employment. All data are seasonally adjusted.

IDAHO, NEVADA, AND UTAH

In **Idaho**, moderate economic growth resumed recently following a flat second quarter. Total nonfarm payroll employment expanded by 1.6 percent at an annual pace during the third quarter, about equal to the growth rate during the past 12 months. Employment grew rapidly in the transportation, communications, services, and local government education sectors in recent months. By contrast, the pace of job loss in manufacturing picked up to about 5 percent at an annual rate. Despite slower measured employment growth than in previous years, the unemployment rate has remained stable at around 5 percent this year.

Growth has slowed more in Boise than in the rest of the state; nonfarm payroll employment in Boise grew 4.5 percent in 1997 but 0.9 percent at an annual pace for the first nine months of this year. Although Boise area construction employment surged in the third quarter, on net, the area has lost 400 construction jobs so far this year, which has kept statewide construction employment flat. Manufacturing job growth also has slowed in the Boise area, although not as much as elsewhere in the state.

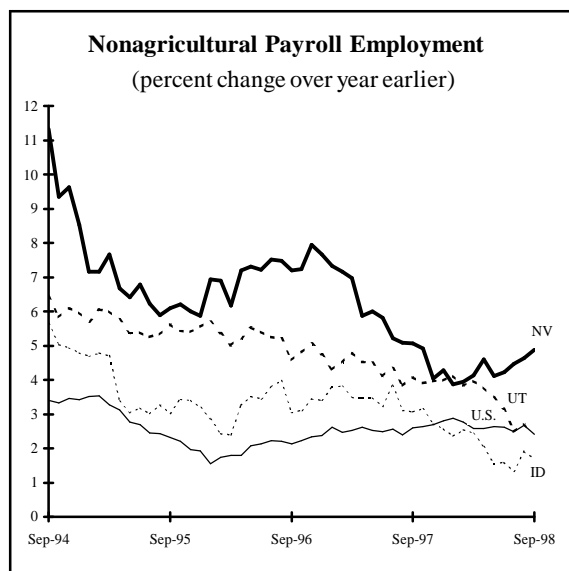
Economic growth in **Nevada** picked up further in the third quarter, and the state is a close second (behind Arizona) in the national employment growth rankings. Nonfarm payroll employment grew by 6.5 percent at an annual pace during the third quarter, and as of September was 5.2

percent above its year-earlier level. Recent growth was strong in virtually all major sectors, but it was particularly rapid in the construction, state and local government, and finance, insurance, and real estate sectors. Growth in the services sector picked up substantially in the third quarter, as health services providers created jobs at a rapid pace and the hotel and amusement sector regained jobs lost earlier in the year.

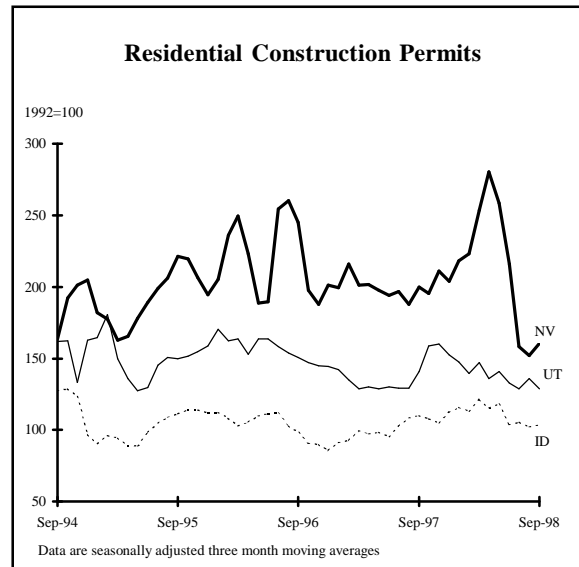
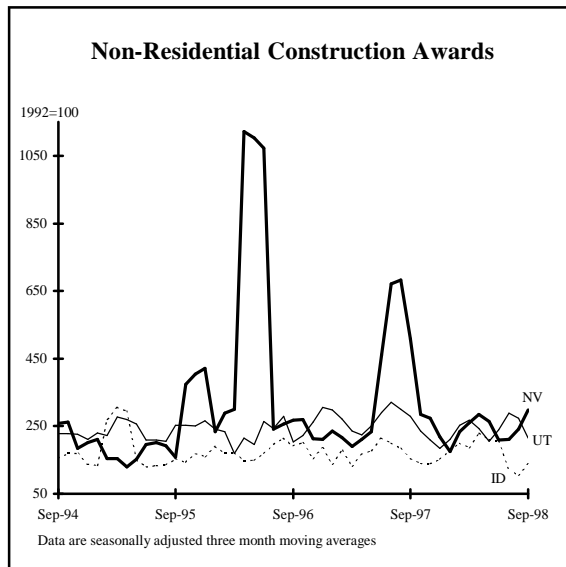
Third-quarter job gains in the hotel and amusement sector were concentrated in Las Vegas during the month of September. State gaming revenues already had picked up a bit in the second quarter, and the planned opening of several more large hotel-casinos is expected to keep Las Vegas bustling in coming months. In contrast, several rural counties that are dependent on gold mining have been hurt by low gold prices this year and have suffered double-digit declines in retail sales on a year-over-year basis.

Employment in **Utah** grew somewhat in recent months, following essentially flat performance during the second quarter. Total nonfarm payroll employment expanded by 1 percent at an annual rate during the third quarter, and as of September it was about 2.5 percent above its year-earlier level. The slight pick up in the third quarter was due to a turnaround in the retail trade sector, which mostly recovered the significant number of jobs lost during the second quarter, and also due to a further pick up in job growth in the state and local government sector. However, job losses in manufacturing sped up a bit in the third quarter, and, on net, the manufacturing job tally has been essentially flat this year. The state also lost some construction jobs in recent months, although September construction employment was 3.2 percent above its year-earlier level.

Slower growth has increased the state unemployment rate slightly this year. It rose from 2.9 percent at the end of 1997 to 3.6 percent in July, but it fell to 3.3 percent in August and September. Labor markets remain particularly tight in the Provo area; the unemployment rate there was 2.6 percent in September. Moreover, employment in Provo has grown at its 1997 pace of 3.2 percent so far this year.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-98	Aug-98	Sep-97	From Previous Month	From Previous Year
Idaho					
Total	518.9	521.3	510.2	-5.4	1.7
Mining	3.1	3.1	3.1	0.0	0.0
Construction	32.3	32.8	32.7	-16.8	-1.2
Manufacturing	74.7	75.4	74.8	-10.6	-0.1
T.C.P.U.	25.0	24.8	24.0	10.1	4.2
Trade	130.3	130.5	128.4	-1.8	1.5
F.I.R.E.	26.6	26.9	25.8	-12.6	3.1
Services	124.5	125.0	121.7	-4.7	2.3
Government	102.4	102.8	99.7	-4.6	2.7

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-98	Aug-98	Sep-97	From Previous Month	From Previous Year
Utah					
Total	1026.7	1024.4	1002.1	2.7	2.5
Mining	7.9	8.0	8.3	-14.0	-4.8
Construction	67.2	68.3	65.1	-17.7	3.2
Manufacturing	134.4	134.4	133.7	0.0	0.5
T.C.P.U.	58.3	58.2	56.8	2.1	2.6
Trade	243.9	243.3	239.8	3.0	1.7
F.I.R.E.	54.3	54.4	53.2	-2.2	2.1
Services	281.1	280.1	272.5	4.4	3.2
Government	179.6	177.7	172.7	13.6	4.0

	Number Employed (thousands)			Annualized % Change	% Change
	Sep-98	Aug-98	Sep-97	From Previous Month	From Previous Year
Nevada					
Total	942.6	935.2	898.7	9.9	4.9
Mining	13.9	13.8	14.5	9.1	-4.1
Construction	91.6	91.3	82.8	4.0	10.6
Manufacturing	43.1	42.8	40.9	8.7	5.4
T.C.P.U.	47.9	47.6	46.4	7.8	3.2
Trade	188.7	187.6	181.1	7.3	4.2
F.I.R.E.	43.2	42.9	40.5	8.7	6.7
Services	398.6	395.5	385.1	9.8	3.5
Government	115.6	113.7	107.4	22.0	7.6

	Unemployment Rates (%)				
	Sep-98	Aug-98	Jul-98	Sep-97	Aug-97
Idaho	5.0	4.9	4.9	5.3	5.4
Nevada	3.8	4.2	4.2	4.0	3.9
Utah	3.3	3.3	3.6	3.1	3.1
U.S.	4.6	4.5	4.5	4.9	4.9

Unemployment rates are from the household employment survey, all other data are for nonagricultural payroll employment. All data are seasonally adjusted.

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