

WESTERN ECONOMIC DEVELOPMENTS

February 2000

Executive Summary

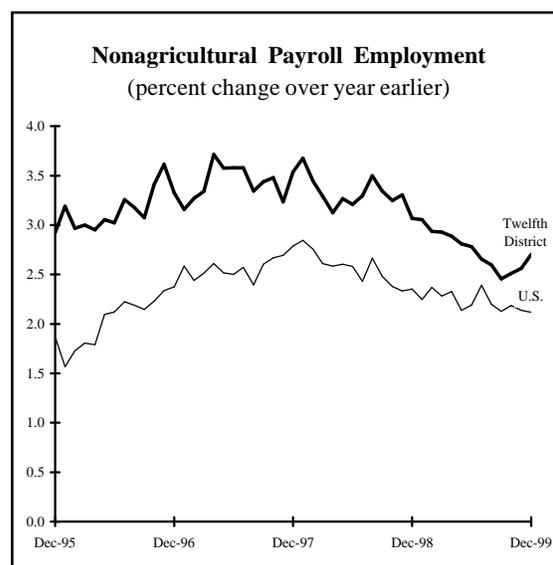
- *A surge in the District economy in the fourth quarter pushed employment growth to 2.7 percent for all of 1999.*
- *The fourth quarter pickup in part was due to substantial gains in the retail and wholesale trade sectors. While these gains are consistent with strong holiday spending, the fourth quarter surge was preceded by surprisingly weak employment gains in these sectors earlier in 1999.*
- *The District economy continues to reflect the success of business services, including those related to high-tech, with the sector registering almost a 9 percent employment gain in 1999.*
- *The expansion in business services has meant greater demand for office space, driving vacancy rates down and lease rates up in a number of District markets, especially those associated with high-tech centers.*
- *Stronger demand for housing pushed up home prices in many parts of the District, though the data on residential permits point to a possible tempering of momentum in residential activity.*
- *Manufacturing employment in the District continued to contract in 1999, but at a slower pace than for the U.S. as a whole. Strong worldwide semiconductor sales and improvements in merchandise exports for a number of states are positive signs for the manufacturing sector.*
- *Among District states, population growth rates have converged, in part reflecting relative economic performance. The shift in population growth patterns has worked to keep the labor market tight even in states with some tempering of economic growth.*

District Update

The District economy ended 1999 on a decidedly strong note. Nonagricultural employment growth in the fourth quarter of last year was 3.9 percent at an annual rate. Employment growth for all of 1999 was 2.7 percent, off somewhat from the pace in 1998 but well above the 2.1 percent rate for the nation as a whole.

The extra boost to growth in the fourth quarter was particularly evident in the retail and wholesale trade sectors and construction employment. The services sector, and business services in particular, also maintained strong momentum at the end of 1999. An important factor behind the strength in business services appears to be software and Internet activity, though other business services appear to be growing somewhat faster than services more generally.

Manufacturing employment remained flat in the fourth quarter as aerospace and related sectors continued to shed jobs. The high-tech manufacturing sector as a whole also contracted. However, strong worldwide semiconductor sales and improvements in exports for a number of states in the



District have added to economic growth. Washington, Oregon, and Idaho, for example, posted net gains in jobs classified under electronic and other electric equipment last year.

The rapid job creation in 1999 helped to tighten labor markets further in the District. The District unemployment rate fell by 0.8 percentage point in 1999 to a level of 4.6 percent. Even in states with a more noticeable slowing in employment growth, labor markets have remained tight as population growth also has slowed.¹

Leading the better-than-average performance in the District last year were the four western states ranked among the ten fastest growing states in employment growth rates—Nevada (1), Arizona (4), California (5), and Utah (7).

The District trends tend to reflect developments in California, which accounts for about two-thirds of total District employment. Payroll employment in the state expanded at close to 4 percent in the fourth quarter and 3 percent for all of 1999, only somewhat below the pace in 1998. Among the other fast-growing states, Arizona and Utah also experienced some slowing in payroll employment growth.

In the Pacific Northwest, Washington and Oregon posted sharp increases in payroll employment in the fourth quarter of 1999. For the year as a whole, employment growth in Washington was solid in 1999, but off from 1998, and well off the pace of the boom years of 1996 and 1997. Weakness in employment in Washington is most evident in durable manufacturing, reflecting cutbacks in aerospace. However, with greater diversification in the economy, including the expanded influence of high-tech firms, adjustments in the aerospace sector have been less disruptive to the region's economy. In Oregon, employment growth in 1999 moderated somewhat more than in Washington. Slowing in Oregon was evident in most sectors, though the manufacturing and transportation sectors were boosted in part by an increase in foreign trade.

The other three District states—Idaho, Alaska and Hawaii—ranked in the bottom third of the states based on payroll employment growth rates in 1999.

¹ California, Washington, Oregon, Utah, Idaho, and Hawaii registered declines in unemployment rates in 1999.

Service-producing sectors

A surge in retail and whole trade employment was evident in several states in the fourth quarter. The biggest boost was in California, which registered an annualized growth in trade employment of 7.6 percent. This helped to push the District's annualized growth rate in the sector to about 5.6 percent. While strong employment growth is consistent with other evidence pointing to very strong consumer spending in the fourth quarter, that pace is not sustainable. Moreover, the strong gains registered in the fourth quarter followed surprisingly weak figures earlier in the year, resulting in 2.5 percent job growth in retail and whole trade jobs for all of 1999. That pace is more in keeping with the overall tenor of the California economy.

For the District as a whole, the business services sector registered a pickup in employment growth in the fourth quarter to finish off a very strong year overall. In California, employment in this sector grew at an 8.7 percent annual rate for the fourth quarter and close to 8 percent for all of 1999. Excluding the business services component, the remaining components covered by the classification of services increased 3 percent in 1999, a bit faster than the overall economy.

Among business services, software and Internet-related services have been growing rapidly and contributing substantially to overall growth in the sector. In the state of Washington, for example, the job category that includes computer-related services increased by about 11 percent (5,000 jobs) and accounted for half of the net gains in total sector employment. This sector in the Puget Sound area is riding the crest of an inflow of venture capital funds. Data through the third quarter of last year indicated that nearly \$1 billion of venture capital went to firms in the Northwest in the areas of computer and data processing as well as support services.

Among other service-producing sectors, the coastal states of California and Oregon realized increases in jobs related to trucking and warehousing as well as water and air transportation. This is due mainly to the pickup in foreign trade activity in the District. The Ports of Los Angeles and Long Beach showed noticeable increases in outbound traffic in recent months and, as discussed below, exports have

increased in California and Oregon as well as some of the other District states.

Construction and real estate

Construction jobs in the District expanded at close to a double-digit rate in the fourth quarter. Much of the added punch came from California, which has had relatively strong gains over the past three years. Growth in construction jobs for all of 1999 in California was close to 9 percent, compared with just under 3½ percent for the U.S. as a whole.

In the residential market, strong demand in California has shown through in price appreciation of about 10 percent for the state as a whole. Price appreciation has been greatest in the San Francisco Bay Area, where strong job growth relative to additions to the housing stock led to a year-over-year increase of 16 percent in the median home price through October. In the Los Angeles area, however, house price appreciation averaged only about 2½ percent.

Even with the rise in home prices, data on residential permits for the last part of 1999 point to somewhat less momentum in home building in California. Among other District states, a tempering of housing activity also is indicated for Oregon, Utah, Nevada, and to a lesser extent Washington.

In the nonresidential market, demand for office space by high-tech firms has helped to drive vacancy rates to virtually zero in some District markets. In San Francisco, the office vacancy rate was 3 percent at the end of the third quarter, while the rate for metropolitan Seattle was 2.1 percent. With

such low vacancy rates, lease rates have been bid up dramatically. In San Francisco, lease rates have reached over \$50 per square foot for class A office space, though growth limits can be expected to damp the flow of new space coming on line. In metropolitan Seattle, where class A office space rents for about \$28 per square foot, over 8 million square feet of office space was under construction at the end of the third quarter of 1999, an increase of more than 3 million square feet from the end of 1998.

Office markets in most other areas in the District are more balanced, with vacancy rates closer to the national average. The exceptions are Los Angeles and the Inland Empire (Riverside/San Bernardino), where there are large overhangs of office space. In the metropolitan Los Angeles area, the office vacancy rate edged down but, at nearly 20 percent, was about twice the national average at the end of the third quarter of last year. The vacancy rate for the Inland Empire was 17 percent. At this level, there are a limited number of small speculative projects underway in the region.

Manufacturing

The combination of productivity gains and weakness in aerospace and high-tech resulted in a small net loss in manufacturing jobs in 1999. The 0.6 percent loss in District jobs, compared to a 1¼ percent drop in the U.S. overall, however, suggests that manufacturing has held up relatively well in the West. Moreover, developments point to improving conditions for manufacturing in the District.

Worldwide sales of semiconductors were stronger than expected last year. For the first eleven months

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Alaska	279.4	278.8	276.1	2.6	1.2
Arizona	2,187.3	2,180.5	2,117.7	3.8	3.3
California	14,184.7	14,121.0	13,782.9	5.5	2.9
Hawaii	530.2	532.0	527.2	-4.0	0.6
Idaho	538.0	532.0	532.8	14.4	1.0
Nevada	992.6	989.9	946.7	3.3	4.8
Oregon	1,597.3	1,596.8	1,573.6	0.4	1.5
Utah	1,064.0	1,062.4	1,036.9	1.8	2.6
Washington	2,676.3	2,668.3	2,625.6	3.7	1.9
District	24,049.8	23,961.7	23,419.5	4.5	2.7
U.S.	129,869.0	129,554.0	127,186.0	3.0	2.1

Seasonally adjusted payroll employment data

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Total	24,049.8	23,961.7	23,419.5	4.5	2.7
Mining	69.2	69.5	76.5	-5.1	-9.5
Construction	1,319.0	1,309.3	1,232.7	9.3	7.0
Manufacturing	3,056.1	3,053.7	3,076.8	0.9	-0.7
Transportation	1,260.2	1,259.1	1,221.3	1.1	3.2
Trade	5,583.3	5,545.1	5,446.7	8.6	2.5
F.I.R.E.	1,381.1	1,379.8	1,357.5	1.1	1.7
Services	7,435.2	7,416.0	7,159.6	3.2	3.8
Government	3,945.7	3,929.2	3,848.4	5.2	2.5

Seasonally adjusted payroll employment data

of the year semiconductor sales were up 17.1 percent compared to the same period in 1998. The Semiconductor Industry Association's October forecast was for a 14.7 percent growth for the year. The strongest growth in recent months has been in sales to East Asian countries.

With the rebound in the semiconductor market, Washington, Oregon, and Idaho posted net gains in jobs classified under electronic and other electric equipment last year. In Oregon, Intel and Wacker Siltronic announced job additions, and Intel plans to reopen a chip manufacturing plant.

Export figures for California also show that the District has started to benefit from improved conditions in East Asia and the rebound in the semiconductor market. Merchandise exports for California have shown considerable life since the second part of 1999, offsetting much of the decline earlier in the year. As a result, California exports for the first eleven months of 1999 were down only slightly compared to the same period in 1998. The recent pickup was led by improvements in exports to South Korea, Hong Kong, and China. Also, the product sectors showing increases in exports include electronic products.

Other states also have shown increases in exports that appear to be linked in part to improvements in East Asia and in high-tech manufacturing. Data for Oregon indicate exports increased by 15.6 percent for the first eleven months of 1999 compared to the same period in 1998. The Port of Portland indicates that the rise is due in part to a rise in exports of

semiconductor and transportation equipment, and that exports to East Asia have increased. Idaho and Alaska also experienced sharp turnarounds in exports in 1999. In the case of Alaska, the increase reportedly is due in part to solid gains in exports of processed seafood products and a rise in mineral and lumber exports.

Population

Population growth in the District remains very strong and well above the U.S. pace. Census Bureau estimates indicate that District population increased 1.5 percent in 1999 (July 1998 to July 1999), about the same pace as in the previous three years. That compares to 0.9 percent for the U.S. as a whole. On balance, the difference between the rate of population growth for the region and the U.S. is due mainly to a higher rate of foreign immigration to California. In 1999, foreign migration accounted for about 0.8 percentage point of population growth in California, compared to only about 0.3 percentage point for the whole U.S., as well as for the District excluding California. For the District as a whole, domestic migration has had little net impact on recent population growth rates.

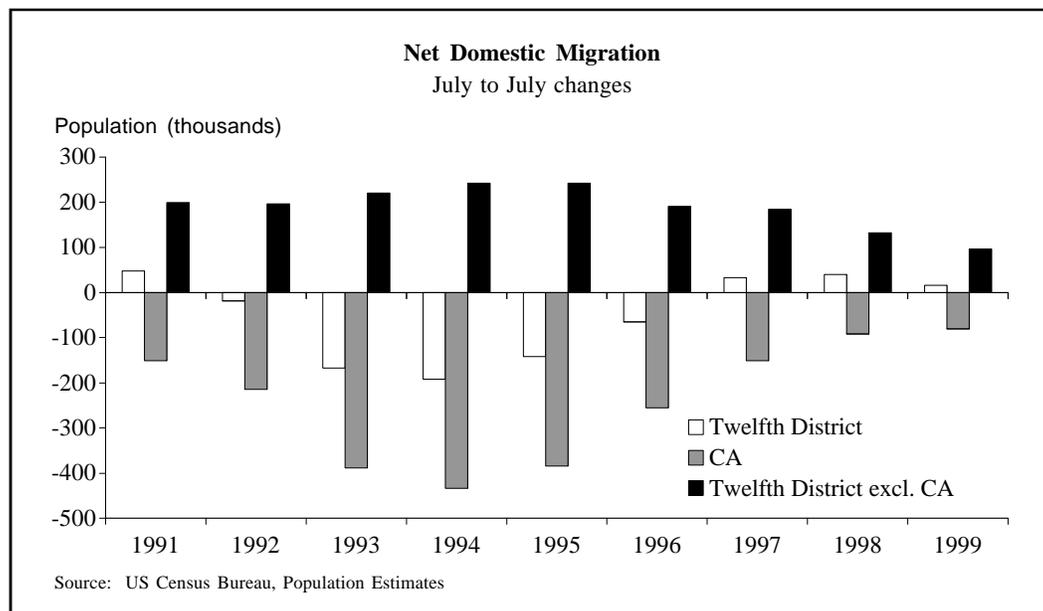
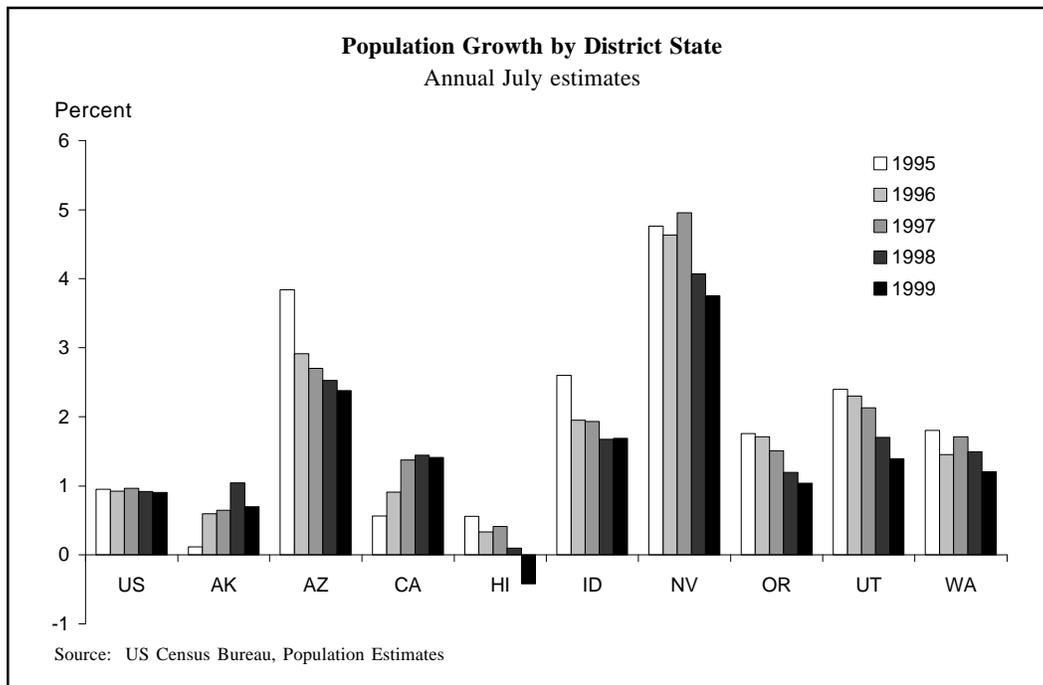
In contrast, among the states in the District domestic migration has had a significant effect on relative population growth rates. The predominate pattern throughout the 1990s has been net domestic out-migration from California and migration to other District states as well as states outside of the District. Over the period from July 1990 to July 1999 California recorded a net domestic out-migration of nearly 2.2 million, while the other eight Twelfth District states reported a net in-migration of 1.7 million. Together, four states, Arizona, Nevada, Oregon, and Washington, each with net in-migration of more than 250,000 during the period, accounted for over 1.6 million of the 1.7 million in net in-migration during the period. Not surprising, this has contributed to considerable variation in population growth among the states.

However, over the past few years, population growth rates among the states in the District have tended to converge.² The shift in relative population growth rates coincided with the rebound in the California economy, which now is outpacing most

	1997	1998	Nov 1999*
Twelfth District	11.5	-0.2	1.0
California	6.4	-4.3	-1.0
District minus CA	20.0	6.0	3.6
Washington	23.8	16.8	-2.7
District minus (CA+WA)	15.9	-6.3	12.3
Arizona	44.5	-2.1	3.6
Oregon	10.0	-1.5	15.6
Utah	-2.3	-7.7	2.7
Alaska	-3.9	-28.7	30.0
Idaho	6.2	-5.4	42.0
Nevada	-19.9	-39.0	40.7
Hawaii	13.9	14.3	2.2

* First 11 months of 1999 relative to same period a year earlier.
Source: Census FT900 Supplement, Origin of Movement Series excluding re-exports

² The one clear exception is Hawaii.



of the other western states. The improvement of conditions in California has tempered the domestic net out-migration. Based on Census Bureau estimates, net out-migration from California fell from a high of about 434,000 (1.4 percent of state population) in 1994 to only about 81,000 (0.24 percent of state population) in 1999. The shift has had something of a mirrored effect on population growth in the rest of the District, with net domestic immigration falling from a high of just over 242,000 (1.3 percent of population) in 1995 to 96,000 (0.5

percent of population) last year.

Looking at the implication of continued strong population growth in the District, it can be seen as working to accommodate the rapid expansion of jobs. Strong population growth also keeps pressure on the underlying demand for housing. Within the District, the shift in population growth patterns in recent years has accommodated growth in California while also working to keep labor markets tight in District states with some tempering of economic growth.

ALASKA, OREGON, AND WASHINGTON

The **Alaskan** economy ended 1999 much like it started, with solid employment growth. State payrolls increased by 2.8 percent at an annual rate during the fourth quarter of 1999, holding the unemployment rate to 5.7 percent in December. Despite the strong finish, employment growth for the year was about 1 percentage point off the 2.2 percent average pace of job gains recorded in 1997 and 1998. The deceleration in 1999 owed primarily to below average oil prices, which reduced oil exploration and extraction activity, diminished state government revenues and payrolls, and damped employment growth throughout the economy.

Although oil prices have risen in recent months, state forecasters anticipate little growth in oil production and production employment in the coming year. In fact, if the BP/Amoco buyout of ARCO goes through, another 350–400 jobs will be lost in this sector. Higher oil prices have eased the state's fiscal troubles, but projected revenues remain about \$500 million below current expenditures in the state.

Following two quarters of almost no growth, the **Oregon** economy picked up in recent months. Payroll employment expanded by 4.1 percent at an annual rate during the fourth quarter, well above the 0.6 percent pace of the first nine months of 1999. In contrast to earlier in the year, Oregon's construction, manufacturing, and services sectors grew steadily during the fourth quarter, collectively add-

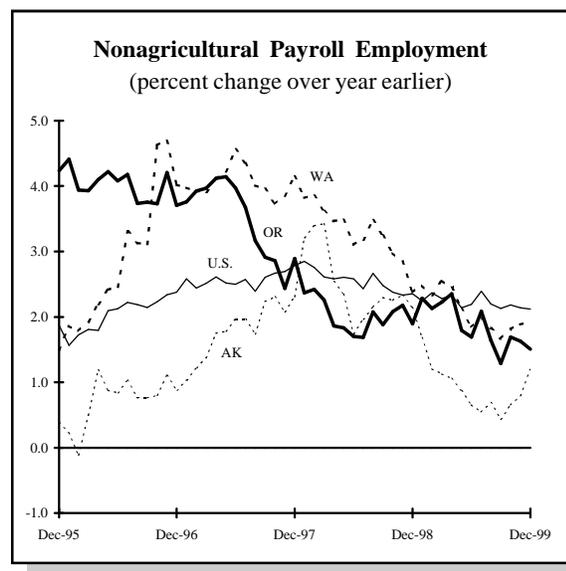
ing 11,500 new jobs. Growth in the services sector accelerated in the fourth quarter, owing primarily to rapid job creation in the business, engineering and management, and educational services industries.

Oregon's fourth quarter surge boosted total payroll employment growth for 1999 to 1.5 percent and pushed the unemployment rate for December down to 5.0 percent, 0.5 percentage point below the average for the year. Despite the fourth quarter surge, state employment growth slowed in 1999 relative to 1998.

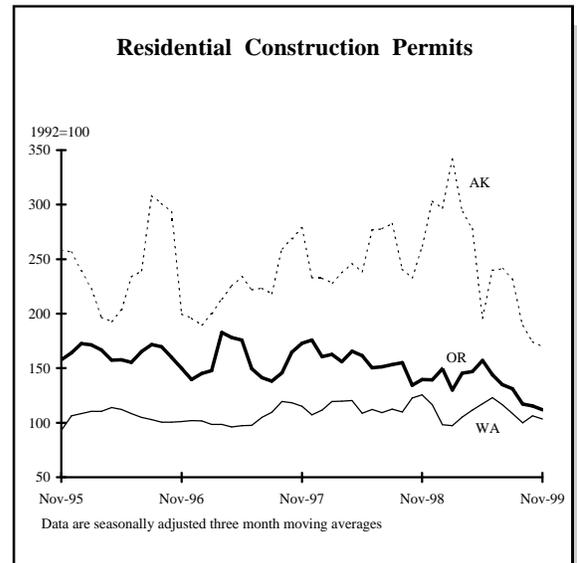
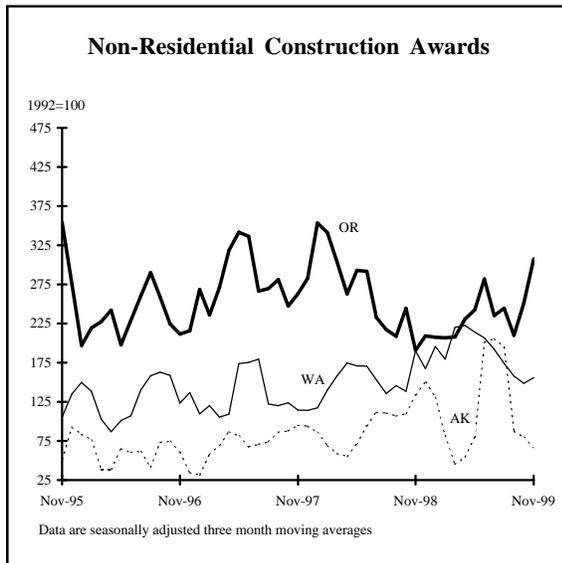
Oregon, however, did register a sharp turnaround in exports in 1999. For the first eleven months of the year, exports were up 15.6 percent compared to the same period in 1998. For all of 1998, Oregon experienced a small net decline in merchandise exports.

The pace of economic growth in **Washington** remained solid in recent months, despite further contraction in some key industries. Total nonfarm payroll employment expanded by 3.7 percent at an annual rate during the fourth quarter, a pickup from the 1.3 percent pace during the first three quarters of the year. The fourth quarter surge in job growth pushed the state unemployment rate to 4.2 percent in December, 0.7 percentage point below the rate at the end of 1998. The pickup in growth in recent months primarily is due to double-digit gains in the construction, computer and data processing, and engineering and management sectors. While residential housing markets in Washington remain solid, much of the recent gain in construction jobs is related to the building of new commercial office space in the Puget Sound area. Over 8 million square feet of office space was under construction at the end of the third quarter of 1999, 3 million more than at the end of 1998.

The booming commercial office market in the Puget Sound Area in part reflects the rapid growth in business activity associated with software and Internet development. Data through the third quarter of 1999 indicate that nearly \$1 billion of venture capital went to firms in the Northwest, fueling growth not only in computer and data processing but also in support services like consulting, accounting, and law firms.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Alaska					
Total	279.4	278.8	276.1	2.6	1.2
Mining	9.0	8.9	10.6	14.3	-15.1
Construction	14.2	13.7	13.4	53.7	6.0
Manufacturing	13.2	14.4	13.4	-64.8	-1.5
T.C.P.U.	26.9	26.8	25.9	4.6	3.9
Trade	58.1	57.6	57.3	10.9	1.4
F.I.R.E.	12.7	12.7	12.6	0.0	0.8
Services	71.6	71.3	69.4	5.2	3.2
Government	73.7	73.4	73.5	5.0	0.3
Oregon					
Total	1597.3	1596.8	1573.6	0.4	1.5
Mining	1.8	1.9	1.8	-47.7	0.0
Construction	85.1	84.5	84.3	8.9	0.9
Manufacturing	243.0	242.2	241.9	4.0	0.5
T.C.P.U.	80.4	81.0	77.0	-8.5	4.4
Trade	390.0	390.4	387.7	-1.2	0.6
F.I.R.E.	96.4	96.7	95.5	-3.7	0.9
Services	436.0	437.6	425.9	-4.3	2.4
Government	264.6	262.5	259.5	10.0	2.0

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Washington					
Total	2676.3	2668.3	2625.6	3.7	1.9
Mining	3.2	3.3	3.3	-30.9	-3.0
Construction	155.2	153.2	145.0	16.8	7.0
Manufacturing	359.6	358.8	374.6	2.7	-4.0
T.C.P.U.	139.9	141.7	138.8	-14.2	0.8
Trade	654.3	651.7	635.7	4.9	2.9
F.I.R.E.	143.3	142.5	138.2	6.9	3.7
Services	745.8	745.1	723.2	1.1	3.1
Government	475.0	472.0	466.8	7.9	1.8

Unemployment Rates (%)

	Dec-99	Nov-99	Oct-99	Dec-98	Nov-98
Alaska	5.7	5.9	5.7	5.6	5.5
Oregon	5.0	5.1	5.5	5.5	5.5
Washington	4.2	4.0	4.8	4.9	4.9
U.S.	4.1	4.1	4.1	4.4	4.4

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 finished 1999 with a surge in job growth, pushing growth for the year to 3.3 percent, the fourth fastest pace among the states in the nation. Most sectors of the state's economy experienced strong growth. Construction, government, financial services, and transportation and communications all added jobs at better than a 4 percent pace for 1999. Other indicators also provided positive signals for the state's economy; retail sales were strong and, through November, total housing permits were up slightly for the year-to-date compared with the same period in 1998.

Arizona's manufacturing sector also contributed to job growth in 1999, in contrast to declines in manufacturing jobs for the District as a whole. A surge in aerospace industry jobs more than offset modest declines in key areas like electronics and electrical equipment, which includes much of the state's important high-tech manufacturing sector. A turnaround in export market conditions has improved the outlook for the state's manufacturers. Arizona's cumulative exports (Origin of Movement Series) rose 3.6 percent for the first eleven months of 1999, compared with the same period in 1998, when exports declined as a result of the East Asian crisis.

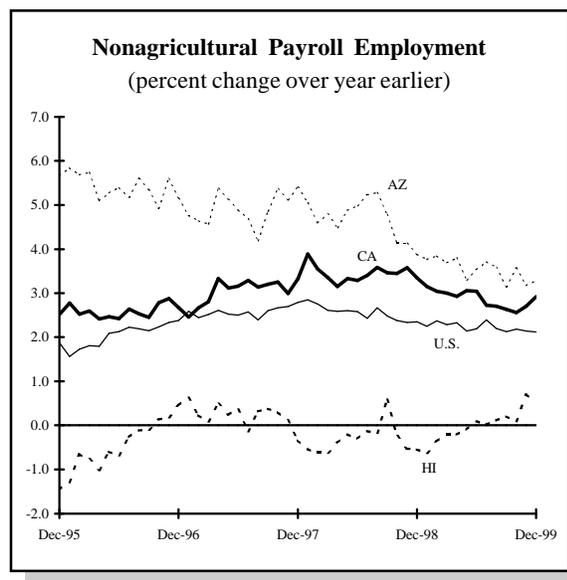
California's strong expansion picked up somewhat in recent months. Preliminary figures indicate that nonfarm payroll jobs grew by over 4 percent on an annual basis in the fourth quarter of 1999. For the year, about 400,000 new jobs were created in the

state, an increase of just under 3 percent. Among major sectors, the pace of job gains has been most rapid in construction, with job gains around 9 percent for the year and some pickup evident in the fourth quarter. Growth is likely to slow a bit in coming months, however. Both residential and nonresidential permits were up substantially in 1999 as a whole, but they have tailed off in recent months following their early-year peaks.

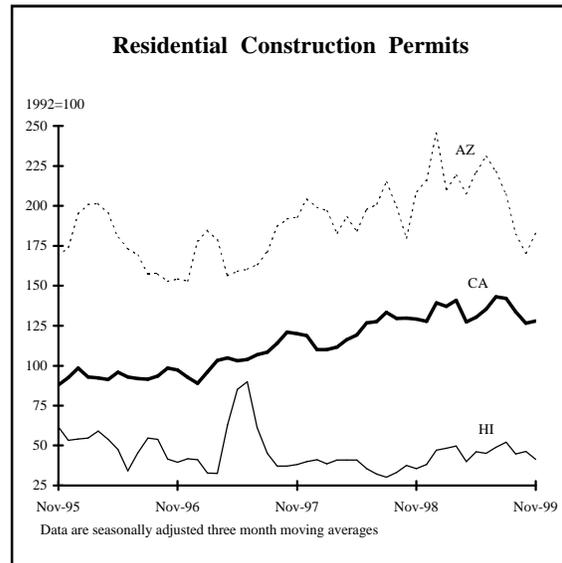
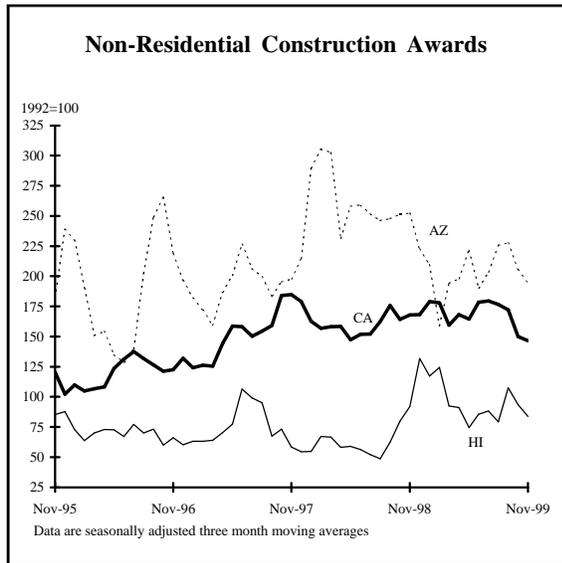
The fourth quarter pickup in job creation was led by a surge in retail employment. Substantially more retail jobs were created this holiday season than in preceding holiday seasons, which suggests that California consumers' 1999 spending spree continued through the holidays. Taxable retail sales in the state grew by nearly 9 percent during the first nine months of 1999 (compared to the same period in 1998); in inflation-adjusted terms, this is the most rapid growth since the early 1980s. With strong growth in income and spending, the state Department of Finance expects that revenues for the current fiscal year will grow by about 11 percent compared to last year, with personal income tax payments growing in excess of 15 percent.

Hawaii's economy improved somewhat in 1999 as a whole, although performance in recent months was weak. For the year, nonfarm payroll employment grew by just over 0.5 percent, reversing the losses from 1998. Despite recent weakness on net, the state's key tourist sector continued to improve; employment at hotels expanded noticeably in the fourth quarter and for the year was up nearly 1 percent. Tourist visits from the U.S. mainland have been growing at a brisk pace, and in November eastbound visitor arrivals (largely from East Asia) rose relative to their year-earlier level, following several years of decline.

A mild turnaround in the state's construction and real estate sectors also played a role in the state's modest growth in 1999. Following annual job losses in excess of 6 percent during 1996–98, construction employment expanded by 1 percent in 1999. Both residential and nonresidential activity was higher in 1999. Sales of existing homes have increased substantially in the state, and data on prices in the Honolulu area suggest that the trend toward lower prices has slowed and perhaps even reversed.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Arizona					
Total	2187.3	2180.5	2117.7	3.8	3.3
Mining	9.7	9.9	12.5	-21.7	-22.4
Construction	159.0	158.7	150.1	2.3	5.9
Manufacturing	220.3	219.6	218.6	3.9	0.8
T.C.P.U.	108.4	107.8	104.0	6.9	4.2
Trade	522.3	520.7	506.1	3.8	3.2
F.I.R.E.	150.3	149.7	143.4	4.9	4.8
Services	661.0	659.2	643.4	3.3	2.7
Government	356.3	354.9	339.6	4.8	4.9
California					
Total	14184.7	14121.0	13782.9	5.5	2.9
Mining	23.5	23.7	24.6	-9.7	-4.5
Construction	683.0	678.7	627.1	7.9	8.9
Manufacturing	1950.3	1949.7	1959.5	0.4	-0.5
T.C.P.U.	726.6	724.3	701.8	3.9	3.5
Trade	3237.3	3205.7	3158.5	12.5	2.5
F.I.R.E.	814.8	814.3	808.2	0.7	0.8
Services	4493.5	4478.6	4304.2	4.1	4.4
Government	2255.7	2246.0	2199.0	5.3	2.6

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Hawaii					
Total	530.2	532.0	527.2	-4.0	0.6
Mining					
Construction	20.4	20.2	20.2	12.6	1.0
Manufacturing	16.3	16.4	16.2	-7.1	0.6
T.C.P.U.	40.2	40.3	40.1	-2.9	0.2
Trade	130.2	131.4	130.7	-10.4	-0.4
F.I.R.E.	34.3	34.4	35.2	-3.4	-2.6
Services	176.2	175.5	172.9	4.9	1.9
Government	112.6	113.8	111.9	-11.9	0.6

Unemployment Rates (%)

	Dec-99	Nov-99	Oct-99	Dec-98	Nov-98
Arizona	4.1	4.0	4.0	3.9	4.0
Hawaii	5.1	5.4	5.3	6.1	6.1
California	4.9	4.9	4.9	5.9	5.9
U.S.	4.1	4.1	4.1	4.4	4.4

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

IDAHO, NEVADA, AND UTAH

Preliminary data suggest that **Idaho's** economy picked up in the fourth quarter of last year to a 6.8 percent annual rate following declining job counts in the second and third quarters. The improved conditions were broadly based, with the most significant employment gains appearing in the trade, services, and government sectors. Employment in the smaller construction sector also jumped. Idaho's unemployment rate fell to 4.4 percent in December, from 4.6 percent in November.

Due to job losses in the second and third quarters, Idaho closed out 1999 with only a 1 percent gain in employment, down from 2.6 percent in 1998 and 3.7 percent in 1997. The 5,200 net new jobs in 1999 included 1,800 jobs in state and local government and 1,000 jobs each in electronics manufacturing, wholesale trade, business services, and engineering and management services. However, the services sector as a whole added only 700 jobs, with cutbacks in hotel services and recreation services partially offsetting the gains in other categories.

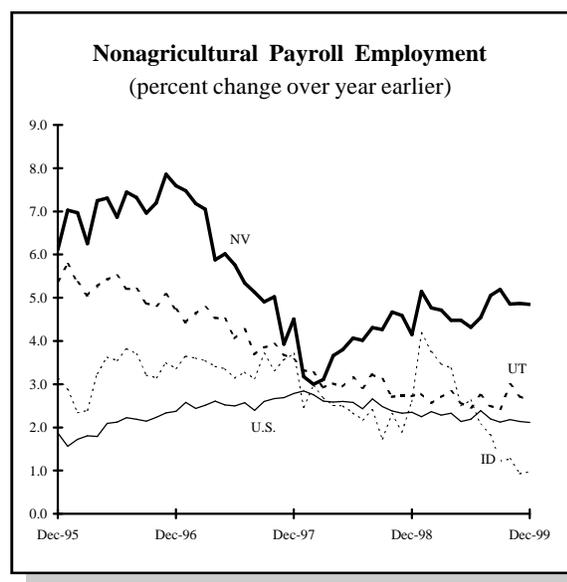
Nevada, with strong growth across most industrial sectors and in the state's two metropolitan areas, Las Vegas and Reno, ranked first in the nation in nonfarm job growth rates in 1999. Nevada's nonfarm payroll employment growth rate accelerated last year, driving up the state's job growth rate to 4.8 percent in 1999 from 4.1 percent in 1998. Separate employment data based on a survey of households shows slower growth in the state and a

rise in the unemployment rate. However, even at 4 percent unemployment, the labor market is relatively tight.

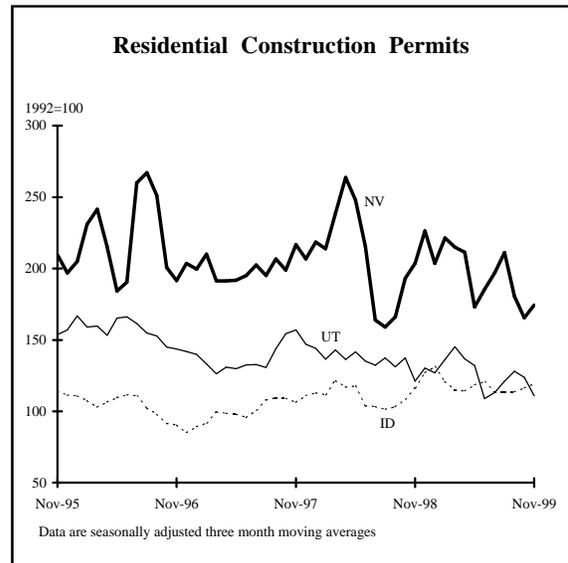
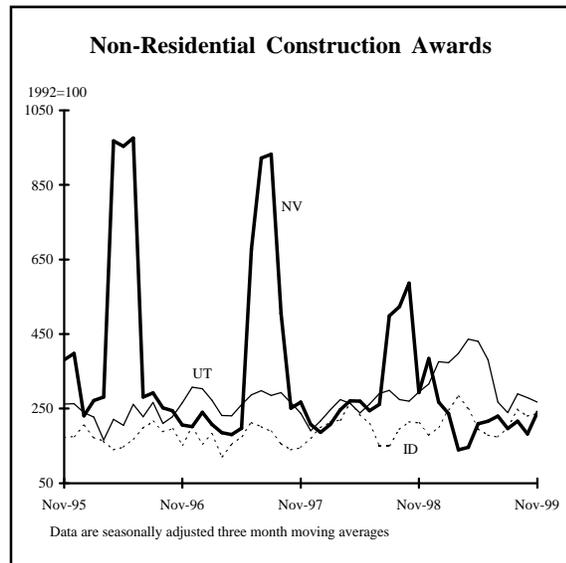
The transportation and communications, retail and wholesale trade, government, and services sectors all added jobs at better than a 4 percent rate for the year. Services, the state's dominant sector, which accounts for nearly 43 percent of all nonfarm jobs in the state, rose with the opening of several large new casinos in Las Vegas. A rising visitor count and strong gaming revenues also have alleviated some concerns about potential overbuilding and losses of business by older establishments. Nevada's construction sector added jobs at a 4.4 percent rate in 1999, a much slower increase in construction jobs than the state recorded during the height of the building boom.

The **Utah** economy grew at a very healthy pace in the fourth quarter of last year, although much of the increase in activity came early in the period. Annualized employment growth in the fourth quarter was 2.5 percent, down almost a percentage point from the rapid pace seen when state government employment surged in the third quarter, but essentially equal to second-quarter growth. However, heightened activity in the services, trade, and construction sectors in October accounted for much of overall fourth-quarter results; November and December were slower, with an average growth rate of only 1.5 percent. At 2.9 percent, Utah's unemployment rate was unchanged in December compared to November.

Growth in Utah has moderated in the last two years from the rapid pace seen in 1996 and 1997. Changes in the manufacturing sector have contributed to this trend, with a stagnant job count in 1998 and shrinking payrolls in 1999. Strong growth rates for services, construction, and finance employment have been more than offsetting the manufacturing slowdown over the past two years. The outlook for the volatile construction sector is uncertain; while builders are planning an increase in multi-tenant office space construction for the coming year, data for the September to November period indicate sizable decreases in residential housing permit and non-residential construction award activity from a year earlier.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Idaho					
Total	538.0	532.0	532.8	14.4	1.0
Mining	2.9	2.8	3.0	52.4	-3.3
Construction	35.0	34.3	34.1	27.4	2.6
Manufacturing	76.9	76.2	76.1	11.6	1.1
T.C.P.U.	26.2	26.1	25.9	4.7	1.2
Trade	134.9	133.8	134.3	10.3	0.4
F.I.R.E.	23.9	23.8	23.3	5.2	2.6
Services	132.5	129.7	131.8	29.2	0.5
Government	105.7	105.3	104.3	4.7	1.3

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Utah					
Total	1064.0	1062.4	1036.9	1.8	2.6
Mining	7.4	7.3	7.6	17.7	-2.6
Construction	76.3	75.6	71.5	11.7	6.7
Manufacturing	132.8	132.7	134.1	0.9	-1.0
T.C.P.U.	60.0	60.0	59.5	0.0	0.8
Trade	249.8	249.1	242.8	3.4	2.9
F.I.R.E.	59.5	59.7	56.3	-3.9	5.7
Services	296.1	295.7	285.2	1.6	3.8
Government	182.1	182.3	179.9	-1.3	1.2

	Number Employed (thousands)			Annualized % Change	% Change
	Dec-99	Nov-99	Dec-98	From Previous Month	From Previous Year
Nevada					
Total	992.6	989.9	946.7	3.3	4.8
Mining	11.7	11.7	13.1	0.0	-10.7
Construction	90.8	90.4	87.0	5.4	4.4
Manufacturing	43.7	43.7	42.4	0.0	3.1
T.C.P.U.	51.6	51.1	48.3	12.4	6.8
Trade	206.4	204.7	193.6	10.4	6.6
F.I.R.E.	45.9	46.0	44.8	-2.6	2.5
Services	422.5	423.3	403.6	-2.2	4.7
Government	120.0	119.0	113.9	10.6	5.4

	Unemployment Rates (%)				
	Dec-99	Nov-99	Oct-99	Dec-98	Nov-98
Idaho	4.4	4.6	5.1	4.9	4.9
Nevada	4.0	4.5	4.4	3.3	3.6
Utah	2.9	2.9	3.4	3.3	3.4
U.S.	4.1	4.1	4.1	4.4	4.4

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

2000 Issues**Mailing Date**

February

February 4

March

March 24

May

May 19

June

June 30

August

August 25

September

October 6

November

November 17

December

December 22



**Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, CA 94105**

**PRESORTED
FIRST-CLASS MAIL
U.S. POSTAGE PAID
PERMIT NO. 752
San Francisco, CA**