

WESTERN ECONOMIC DEVELOPMENTS

March 2000

Executive Summary

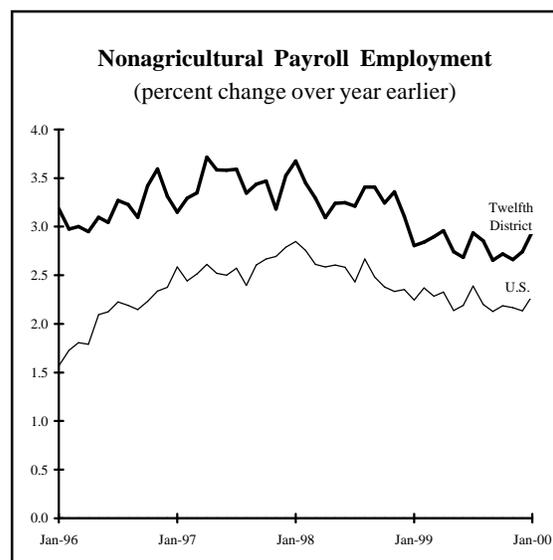
- *The Twelfth District economy entered the year 2000 with considerable momentum. Total nonfarm payroll employment grew by 2.9 percent at an annual rate during the four months ending in January, slightly faster than the pace of growth in 1999.*
- *Solid job growth in recent months pushed the District unemployment rate down another 0.2 percentage point in January to 4.5 percent. Thus far, the decline in unemployment has not produced an acceleration in wage growth.*
- *Rapid gains in the construction and services sectors continue to drive District employment growth. During the twelve months ending in January, construction payrolls increased by 5.8 percent and the job count in the services sector rose by 4.7 percent. Collectively, these two sectors accounted for about 60 percent of net new job growth in the District during the period, more than 1½ times their share of total employment.*
- *District manufacturing employment continued to decline in recent months. District manufacturers shed over 7,500 jobs during the four months ending in January, contracting by ¾ percentage point at an annual rate.*

District Update

The Twelfth District economy entered the year 2000 with solid momentum. Total nonagricultural payroll employment grew by 2.9 percent at an annual rate during the four months ending in January, well above the national pace and slightly faster than the pace of growth in the District for all of 1999.

Solid job growth in recent months pushed the District unemployment rate down another 0.2 percentage point in January to 4.5 percent. Much of the recent decline in the District unemployment rate owes to ongoing reductions in unemployment in California. However, labor markets remain tight across the District, and employers in numerous states report difficulty finding qualified workers.

The construction and services sectors continued to provide the main impetus to the District's expansion in employment. During the twelve months ending in January, construction payrolls increased by 5.8 percent, for a net addition of over 73,000 jobs. Construction gains were strongest in Arizona, California, Idaho, Utah, and Washington, with the source of strength varying from state to state. In



Arizona, Idaho, and Washington, strong demand for office and industrial space boosted construction payrolls. Infrastructure development related to the 2002 Olympics produced rapid construction employment growth in Utah. In California, the pickup in construction activity occurred primarily in the Los Angeles area and San Diego and stemmed from large increases in residential and nonresidential building activity.

Employment in the District's services sector also grew rapidly over the past year. During the twelve months ending in January, District service providers increased payrolls by 4.7 percent, producing about 333,000 net new jobs. Rapid growth in services sector jobs owed to a number of factors, including strong demand for business services such as software and Internet applications, solid gains in the tourism-based hotel and lodging and amusement and recreation sectors, and ongoing expansions in consumer and population-driven sectors such as health, personal, and social services.

The contributions of the construction and services sectors to District job growth during the past year outweighs their share of total employment (about 37 percent). Together these two sectors created more than 400,000 net new jobs in the District during the twelve months ending in January, about 60 percent of net job additions in the District. Thus, these sectors contributed about 1½ times the number of jobs that would be expected given their share of total employment.

Despite improved foreign demand for manufactured goods, general strengthening in the worldwide semiconductor market, and solid computer

sales, District manufacturing employment continued to decline in recent months. District manufacturers shed over 7,500 jobs during the four months ending in January, contracting by ¾ percentage point at an annual rate. The most pronounced reductions were in the durable goods sectors, largely due to ongoing job cuts among producers of high-tech equipment, aircraft, primary metals, and lumber and wood products. However, despite ongoing employment reductions, other indicators suggest that the outlook for District manufacturers is brightening.

District labor market developments

By conventional measures, District labor markets tightened further in 1999. The District unemployment rate fell to 4.5 percent in January, a decline of 0.8 percentage point from its year-earlier level, and the lowest rate recorded since the Bureau of Labor Statistics (BLS) began maintaining state records in 1978. Given the length of the District expansion and reports that labor markets were already tight in many District states, one might expect the decline in unemployment to produce a pickup in wage growth. However, by most available measures, wage growth slowed in the District in 1999.

This pattern of declining unemployment and slower wage growth likely owes to a number of factors, including mismeasurement of actual compensation growth due to increases in the use of alternative (and uncounted) forms of pay, a decline in wage growth in the manufacturing sector associated with

District Employment by Industry

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-00	Dec-99	Jan-99	From Previous Month	From Previous Year
Total	24,112.8	24,063.7	23,424.3	2.5	2.9
Mining	70.3	69.3	76.5	18.8	-8.1
Construction	1,350.9	1,345.5	1,277.8	4.9	5.7
Manufacturing	3,013.3	3,018.6	3,030.5	-2.1	-0.6
Transportation	1,227.0	1,261.9	1,224.4	-28.6	0.2
Trade	5,577.6	5,578.6	5,425.9	-0.2	2.8
F.I.R.E.	1,373.3	1,377.3	1,359.6	-3.4	1.0
Services	7,500.9	7,465.4	7,167.5	5.9	4.7
Government	3,958.7	3,946.1	3,861.9	3.9	2.5

Seasonally adjusted payroll employment data

District Employment by State

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-00	Dec-99	Jan-99	From Previous Month	From Previous Year
Alaska	280.0	280.3	276.4	-1.3	1.3
Arizona	2,211.9	2,203.0	2,119.8	5.0	4.3
California	14,213.6	14,171.3	13,785.6	3.6	3.1
Hawaii	535.6	536.8	527.7	-2.6	1.5
Idaho	546.7	548.9	529.4	-4.7	3.3
Nevada	1,010.5	1,007.0	958.6	4.3	5.4
Oregon	1,587.0	1,588.9	1,562.0	-1.4	1.6
Utah	1,059.9	1,061.9	1,035.6	-2.2	2.3
Washington	2,667.6	2,665.6	2,629.2	0.9	1.5
District	24,112.8	24,063.7	23,424.3	2.5	2.9
U.S.	130,282.0	129,898.0	127,378.0	3.6	2.3

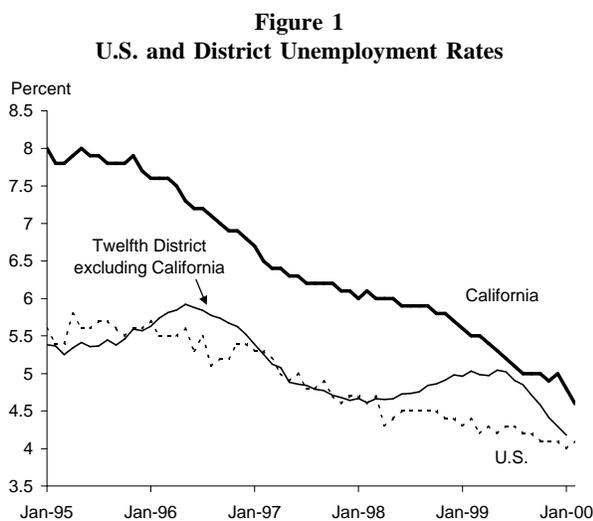
Seasonally adjusted payroll employment data

sectoral slowing, and the increased employment of groups in the population with less than average education and experience. Improved demand and employment growth among District manufacturers and changes in indicators of the pool of available labor in the District suggest that this combination of declining unemployment and slower wage growth is unlikely to continue in the coming year.

Recent trends in District unemployment

Figure 1 shows how the unemployment rate has changed in recent years in the U.S., California, and the District excluding California. As the figure shows, the unemployment rate in the District outside of California has moved up and down over the past several years but for the most part has tracked the national rate. For District labor markets outside of California, the average unemployment rate was 4.2 percent in January 2000. Although the degree of labor market tightness varies across District states, the range has narrowed considerably in recent months. In general, the unemployment rate among District states other than California stood between 4 and 5 percent in January. The exceptions were Alaska and Utah, where the unemployment rates in January were 5.9 percent and 2.8 percent, respectively.

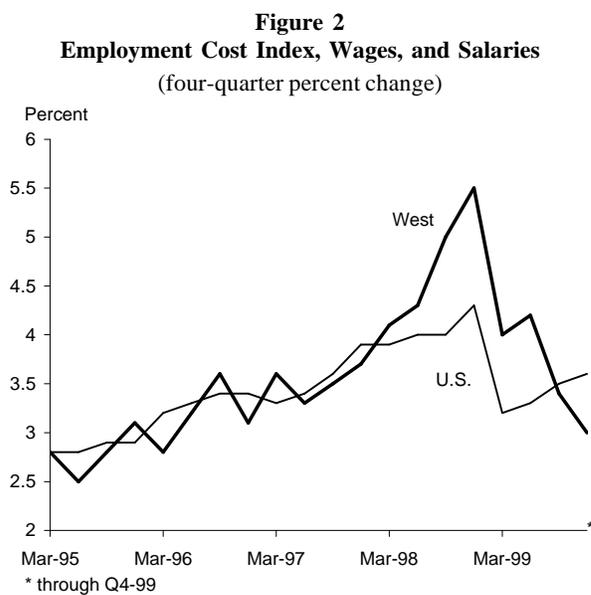
In contrast to the rest of the District, the unemployment rate in California has declined steadily since early 1996 (Figure 1). Between January 1999 and January 2000, unemployment in California fell by 0.9 percentage point to 4.7 percent. Although the unemployment rate in California remains above that for the rest of the District and for the U.S.,



sustained expansion in the state has narrowed this gap substantially in recent years.

Regional labor cost trends

Contrary to what might have been expected, declining unemployment rates in the District did not produce a pickup in measured labor costs in the West. Figure 2 shows the annual percent change in wages and salaries per worker in the private sector as measured by the Employment Cost Index (ECI) for the U.S. and the West.¹ In the West, yearly growth in wages and salaries per worker was 3.0 percent as of the fourth quarter of 1999, down from an average of 4.7 percent in 1998. In the U.S. as a whole, wage and salary growth accelerated slightly in 1999, surpassing growth in the West in the latter half of the year; yearly growth in wages and salaries in the U.S. was 3.6 percent in the fourth quarter of 1999, 0.6 percentage point higher than in the West. In contrast, growth in total compensation (not shown) in the West was close to that of the U.S. in 1999, as changes in benefit costs served to offset the differences in wage growth; total compensation costs per worker—in the U.S. and the West—increased by about 3.4 percent during the four quarters ending in December 1999. Looking over time, between 1998 and 1999, total compensation growth slowed in the West and rose in the U.S.



¹ The West region includes the Twelfth District plus Colorado, Montana, New Mexico, and Wyoming.

Another labor cost indicator—the average hourly earnings of production workers—reinforces the view that wage growth in the District has slowed. For District states with available estimates of average hourly earnings for production workers in construction, manufacturing, and wholesale and retail trade, average hourly earnings increased by about 2.4 percent during the twelve months ending in January 2000 (Figure 3, Panel A).² This represents a slowdown of about 0.7 percentage point relative to the 1998 pace of wage growth. The slowdown in wage inflation since 1998 is particularly evident in the manufacturing sector (Figure 3, Panel B). Average hourly earnings in manufacturing grew by 2.4 percent in 1999, well off the 3.4 percent growth of 1998. Wage growth also slowed in the District wholesale and retail sales sectors. Among the three sectors examined, only yearly wage growth in the construction sector picked up in 1999, rising to about 1.9 percent.

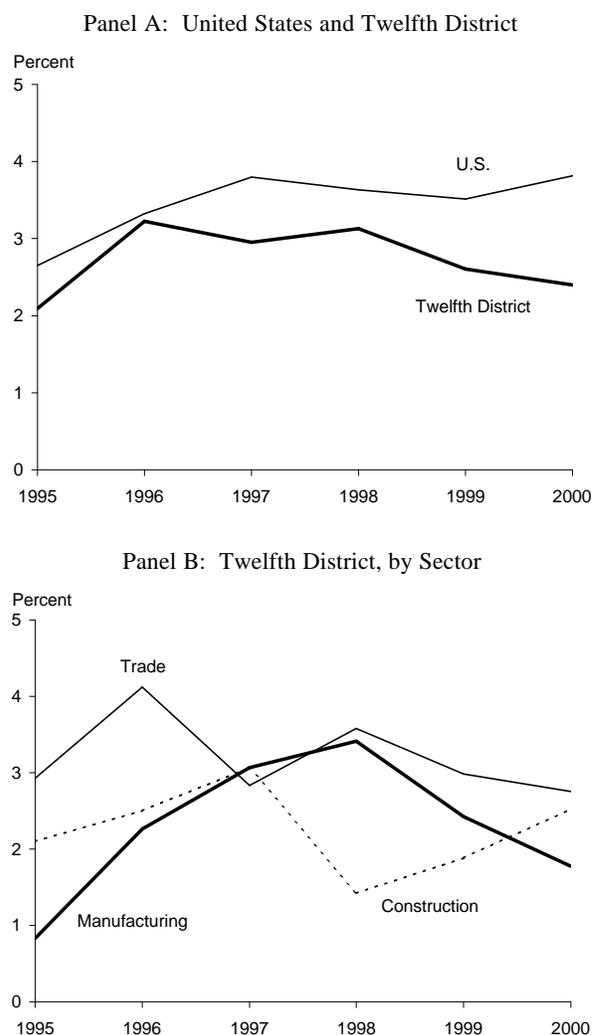
Factors contributing to slower wage growth

The fact that declining unemployment did not produce a pickup in wage growth in the District in 1999 is somewhat surprising given the longevity of the District expansion and reports from employers regarding labor shortages and hiring difficulties. However, a number of factors help explain the outcome. These include mismeasurement of wage and salary growth due to increases in alternative (and uncounted) compensation, the decline in wage growth in manufacturing due to slower employment growth, and the increased employment of groups in the population with less than average education and experience.

Compensation practices have changed in recent years. Increasingly firms are relying on lump-sum payments, profit sharing, and stock options in addition to or in lieu of regular pay raises. Many of these payment alternatives are outside the scope of conventional measures of compensation growth in the U.S. For example, the ECI, considered one of

² This calculation is based on BLS data on average hourly wages of production workers by sector and state. The District average includes all states but Alaska and Hawaii. The average hourly wage series shown here is a weighted average of average hourly wages in construction, manufacturing, and trade. The weights are based on the state share of total sector employment and the sector share of total employment in each year.

Figure 3
Average Hourly Earnings Growth for Production Workers in Construction, Manufacturing, and Trade
(year-over-year percent change)



the most comprehensive measures of labor costs available, does not include stock options, hiring or retention bonuses, or referral bonuses, all of which have become more important over the past several years. Other measures of employee compensation, such as average hourly earnings, are even less inclusive.

Given the construction of the ECI, and other labor cost series, and the increased usage by employers of alternative forms of compensation, current estimates of labor cost growth likely are biased downward. However, in order for this bias to have an effect on estimates of wage and salary growth over time, the mix of compensation must change over the period. Thus, it is unlikely that the slowing

observed in the ECI wage and salary estimates for the West between 1998 and 1999 is solely attributable to mismeasurement issues. Finally, although the use of variable compensation reportedly is increasing, it remains primarily a tool for attracting and keeping professionals and managers and, thus, is unlikely to affect the average hourly earnings of production workers, which also slowed in 1999.

Weaker employment growth in manufacturing also appears to have damped wage growth in the District. Prior to 1998, the high-tech manufacturing sector was a key source of rapid job, output, and income gains in the District. Between 1996 and 1998, wages in the high-tech manufacturing sector increased by more than 6 percent per year, outpacing growth in most other sectors.³ Since that time, employment growth in the sector has declined significantly with many employers shedding jobs. As a result, wage growth in the sector has slowed. In California, yearly growth in average hourly earnings for production workers in high-tech manufacturing fell from an average of 6.8 percent in 1998, to an average of 2.3 percent in 1999. Detailed data for Arizona and Oregon show a similar pattern of slower wage growth in high-tech manufacturing in 1999. The slowdown in wage growth among District high-tech manufacturers has damped wage growth in the District.

The composition of the labor force also may have had some influence on wage growth. Over the past several years, strong economic conditions have drawn an increasing fraction of the working age population into the labor market. The civilian labor force to population ratio for the U.S. has increased by about 0.5 percentage point during the past several years, and as of January was 64.8. The largest increases in this ratio have occurred among groups with lower than average education and skills. At the same time, data on unemployment rates by subgroup indicate rapid declines in unemployment among these populations, suggesting that more and more of those entering were able to find jobs. The inflow of lower skilled and less educated individuals into the labor market likely had a dampening effect on wage growth. Although subnational

detail on these trends is not available, given the disproportionate share of immigrants and large number of individuals affected by welfare reform in the Twelfth District (primarily California), the effect of new entrants on wage growth may have been greater in the District than in the rest of the U.S.

Prospects for District labor costs

Although recent declines in District unemployment rates have yet to result in a pickup in wage inflation, this is unlikely to be sustained in the long run. Abstracting from issues of mismeasurement in the ECI and average hourly wage series, there are a number of reasons to suspect that labor costs will rise in the coming year. First, improved demand conditions among high-tech manufacturers in the District have begun to boost employment growth, making further decelerations in wage growth in the sector unlikely. Second, data for California indicate that the pool of previously unutilized and underutilized workers is diminishing. The flow of new entrants into unemployment is slowing, and the unemployment rates among subgroups with lower than average skill levels are falling. It is reasonable to believe that similar compositional changes have taken place in the group of workers filling new job openings in the economy. As such, the apparent slowdown in new entrants and increase in job leavers implies that new job openings will increasingly be filled through voluntary job hopping rather than new entry.

Summary

The District unemployment rate continued to decline in 1999, reaching a low of 4.5 percent in January. However, the decline in unemployment in the District did not lead to an acceleration in wage growth. Several factors likely held down estimated wage growth in the District in 1999, including mismeasurement of employee compensation, sectoral slowing in high-tech manufacturing, and the entry of new workers with less than average education and experience. However, a number of indicators suggest that the factors tempering wage growth during 1999 may be diminishing, suggesting that wage growth will pick up in the coming year.

³ Average wage and salary growth data are not available for the services sector. Thus, the comparison made here does not include services.

ALASKA, OREGON, AND WASHINGTON

Alaska's economy continued to expand at a modest pace in recent months. Total nonfarm employment grew by 1.2 percent on an annual basis during the four months ending in January, about the same pace recorded earlier in 1999. The state unemployment rate rose to 5.9 percent in January, boosted by reductions in seasonal employment and by rapid growth in the civilian labor force.

Revised employment data indicate no change in the earlier estimates of job growth for Alaska but do point to more broad-based growth than previously measured. Preliminary figures on state employment patterns showed a relatively unbalanced pattern of growth, with rapid gains in the construction, transportation, and services sectors being tempered by substantial job losses in manufacturing and mining and weak expansions in the finance, insurance, and real estate and government sectors. Revised figures reveal more balanced growth in the state over the past year, with a number of sectors growing more rapidly than originally thought. The largest revision occurred in Alaska's manufacturing sector. Despite ongoing job cuts in the lumber and wood products and seafood processing sectors, revised data show that the state's manufacturing payrolls increased by 2.8 percent in 1999; previous estimates showed manufacturing employment contracted by 1.5 percent in 1999.

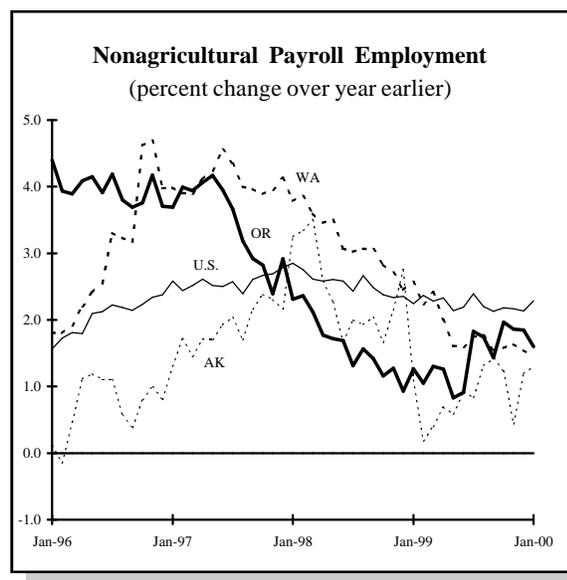
The **Oregon** economy entered the year 2000 on an up note. Total nonagricultural payroll employment

grew by 2.1 percent at an annual rate during the four months ending in January. Growth in the manufacturing and services sectors led the recent expansion. Increased export demand and the resurgence of the semiconductor market helped boost employment among Oregon's manufacturers. Service providers benefited from strong demand for business services, including software and Internet applications and temporary help services, as well as a pickup in visitor traffic to the state.

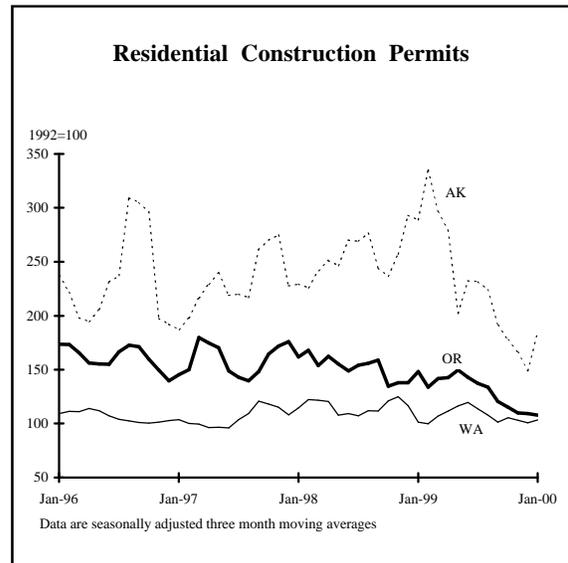
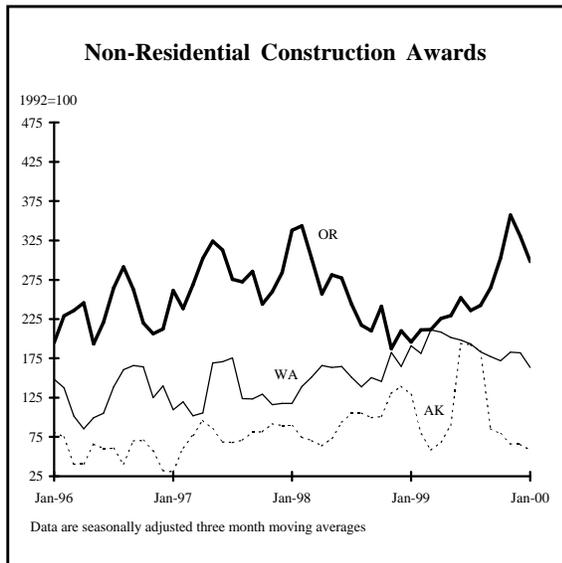
Revised employment data for Oregon indicate that nonfarm payroll employment increased by 1.8 percent last year, 0.3 percentage point faster than originally estimated. The revised data point to a pickup in most sectors of Oregon's economy between 1998 and 1999, the notable exception being the finance, insurance, and real estate and government sectors. Improved economic conditions resulted in significantly tighter labor markets. As of January, state unemployment stood at 4.7 percent, 1.3 percentage points lower than a year earlier.

Economic growth in **Washington** picked up in recent months as gains in services and construction more than offset ongoing contractions in manufacturing. Total nonfarm payroll employment expanded by 2.3 percent at an annual rate during the four months ending in January. The recent strength owes to rapid growth in construction employment associated with increases in nonresidential building and to double-digit gains in computer and data processing employment related to high demand for software and Internet applications. In contrast, the state's manufacturing sector remains a drag on employment growth in the area; during the twelve months ending in January, manufacturers shed more than 17,000 jobs. Although cutbacks at Boeing account for a large fraction of job losses, reductions occurred in nearly all sectors of both durable and nondurable manufacturing.

Revised employment data indicate that the Washington economy grew more slowly in 1999 than previously estimated. Total nonfarm payroll employment increased by 1.5 percent in 1999, well off the 2.5 percent pace of 1998. The downward revision owed primarily to greater weakness in manufacturing and slower job growth in construction than originally recorded.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-00	Dec-99	Jan-99	From	From
				Previous Month	Previous Year
Alaska					
Total	280.0	280.3	276.4	-1.3	1.3
Mining	9.6	9.0	10.5	116.9	-8.6
Construction	14.2	14.3	14.2	-8.1	0.0
Manufacturing	13.3	14.7	14.1	-69.9	-5.7
T.C.P.U.	26.8	26.5	25.8	14.5	3.9
Trade	57.7	57.4	56.8	6.5	1.6
F.I.R.E.	12.8	12.9	12.8	-8.9	0.0
Services	72.1	71.4	69.0	12.4	4.5
Government	73.5	74.1	73.2	-9.3	0.4
Oregon					
Total	1587.0	1588.9	1562.0	-1.4	1.6
Mining	1.7	1.8	1.9	-49.6	-10.5
Construction	83.1	83.7	83.0	-8.3	0.1
Manufacturing	241.7	241.8	243.1	-0.5	-0.6
T.C.P.U.	78.6	78.5	76.8	1.5	2.3
Trade	392.3	390.6	385.5	5.3	1.8
F.I.R.E.	94.0	95.2	95.7	-14.1	-1.8
Services	435.9	435.2	417.4	1.9	4.4
Government	259.7	262.1	258.6	-10.5	0.4

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-00	Dec-99	Jan-99	From	From
				Previous Month	Previous Year
Washington					
Total	2667.6	2665.6	2629.2	0.9	1.5
Mining	3.4	3.4	3.4	0.0	0.0
Construction	156.7	157.9	149.0	-8.7	5.2
Manufacturing	355.2	356.2	372.2	-3.3	-4.6
T.C.P.U.	141.2	140.5	137.9	6.1	2.4
Trade	647.3	644.1	631.5	6.1	2.5
F.I.R.E.	136.9	139.3	137.3	-18.8	-0.3
Services	750.4	747.4	727.7	4.9	3.1
Government	476.5	476.8	470.2	-0.8	1.3

Unemployment Rates (%)

	Jan-00	Dec-99	Nov-99	Jan-99	Dec-98
Alaska	5.9	5.7	6.0	6.3	6.0
Oregon	4.7	5.0	5.2	6.0	6.0
Washington	4.5	4.3	4.3	4.9	4.9
U.S.	4.0	4.1	4.1	4.3	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

The **Arizona** economy entered the year 2000 with tremendous strength. Based on recently revised employment data, nonfarm payroll employment in Arizona increased by 4.4 percent in 1999, about a percentage point faster than previously estimated. Data for recent months indicate the continuation of the same strong trend of expansion recorded for all of 1999. As of January, Arizona was the second fastest growing state in the nation (after Nevada) in terms of annual job growth. Consistently rapid employment growth during the past twelve months has produced increasingly tight labor markets in the state; the state unemployment rate fell to 4.1 percent in January, about ½ percentage point lower than the average for 1999.

Arizona's expansion owes to solid gains in all sectors except mining and manufacturing. Still, gains have been most rapid in sectors supported by consumer demand. For example, together the construction, finance, insurance, and real estate, retail and wholesale trade, and services sectors (68 percent of total employment) added more than 80,000 jobs during the twelve months ending in January, about 87 percent of net job additions in the state.

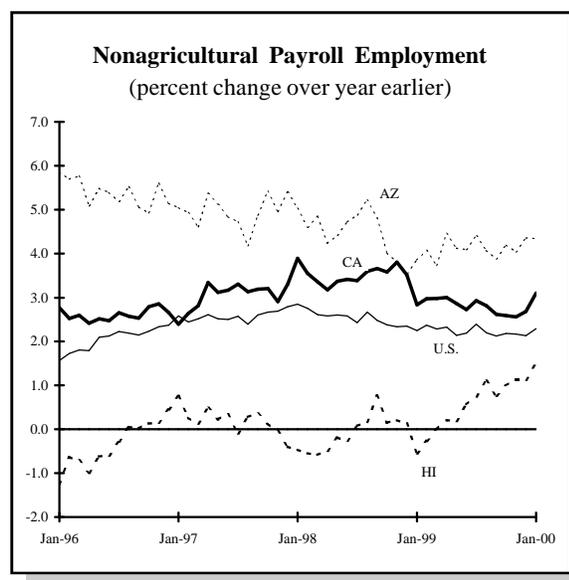
California's economic expansion maintained substantial momentum entering the year 2000. Total nonfarm payroll employment grew about 4 percent on an annual basis in December and January. As of January, total employment stood 3.1 percent above

its year-earlier level, placing California seventh among states in the pace of growth. Employment in the construction, transportation, communications, and public utilities, and services sectors grew very rapidly in the past two months. Strong growth in internet and other high-tech services has kept the Bay Area economy taut, and solid gains in construction have boosted growth in Southern California. As a result of strong employment growth statewide, the unemployment rate dropped another 0.3 percentage point in January to 4.7 percent.

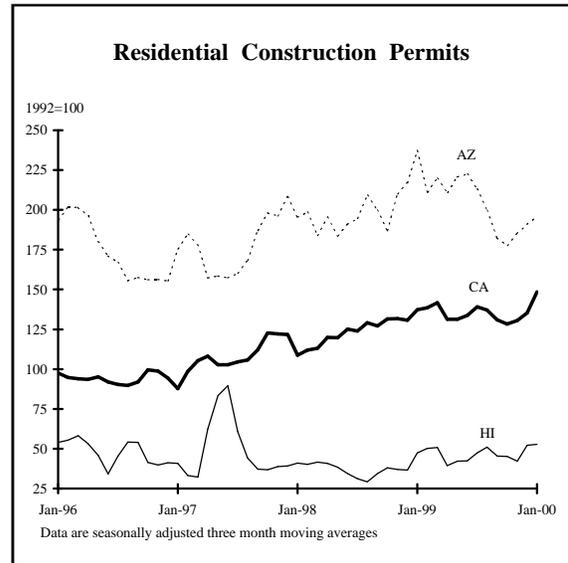
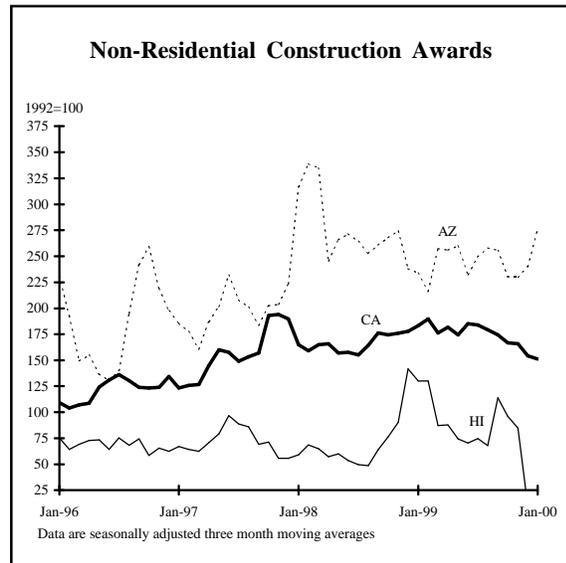
Although the state's manufacturing sector shed jobs in the past four months, including a loss of about 3,000 jobs in January alone, increased foreign demand has boosted sales figures for manufactured products. During the second half of last year, merchandise exports from California were about 10 percent higher than they were during the same period in 1998. For the year, exports were up by 2.4 percent, following a decline of 4.2 percent in 1998. Exports of high-tech equipment grew solidly in 1999, although this was offset somewhat by declining exports of transportation equipment.

Hawaii's economy improved more in 1999 than previously estimated, according to recently revised figures on payroll employment. An upward revision in the job count raised the estimated level of total nonfarm payroll employment by about 6,500 jobs and raised the corresponding 1999 growth rate from 0.6 percent to 1.1 percent. The largest upward revisions to estimated employment were in the construction and retail trade sectors, suggesting improvement in real estate markets and consumer demand. As of January 2000, construction employment was 3.7 percent above its year-earlier level, and retail trade employment was up 1.5 percent (compared to noticeable losses in 1998). In addition, the most recent data on state personal income indicate growth of 5.5 percent on an annual basis during the second and third quarters of 1999, about double the pace in the state during the past several years.

Increases in tourist visits helped the Hawaiian economy substantially in 1999. Following a decline of 1.9 percent in 1998, the total visitor count was up 1.6 percent last year, as a 6.1 percent increase in westbound visitors offset a 5.9 percent decline in eastbound visitors (mostly from East Asia).



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-00	Dec-99	Jan-99	From	From
				Previous Month	Previous Year
Arizona					
Total	2211.9	2203.0	2119.8	5.0	4.3
Mining	9.9	10.1	12.7	-21.3	-22.0
Construction	157.7	158.8	150.3	-8.0	4.9
Manufacturing	212.4	212.8	210.7	-2.2	0.8
T.C.P.U.	115.5	116.3	113.5	-7.9	1.8
Trade	521.1	520.4	501.3	1.6	3.9
F.I.R.E.	144.1	143.4	136.8	6.0	5.3
Services	704.2	700.1	658.5	7.3	6.9
Government	356.9	351.2	348.7	21.3	2.4
California					
Total	14211.5	14171.3	13785.6	3.5	3.1
Mining	23.9	23.1	24.6	50.5	-2.8
Construction	713.3	705.5	660.3	14.1	8.0
Manufacturing	1921.3	1924.6	1924.7	-2.0	-0.2
T.C.P.U.	735.5	753.5	732.2	-25.2	0.5
Trade	3228.5	3235.9	3145.5	-2.7	2.6
F.I.R.E.	829.1	826.5	817.8	3.8	1.4
Services	4484.8	4463.0	4299.9	6.0	4.3
Government	2275.1	2262.3	2205.2	7.0	3.2

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-00	Dec-99	Jan-99	From	From
				Previous Month	Previous Year
Hawaii					
Total	535.6	536.8	527.7	-2.6	1.5
Mining					
Construction	22.2	21.8	21.4	24.4	3.7
Manufacturing	16.5	16.6	16.3	-7.0	1.2
T.C.P.U.	40.8	41.2	40.4	-11.0	1.0
Trade	133.3	133.7	131.3	-3.5	1.5
F.I.R.E.	34.4	34.5	35.3	-3.4	-2.5
Services	175.5	176.1	172.1	-4.0	2.0
Government	112.9	112.9	110.9	0.0	1.8

	Unemployment Rates (%)				
	Jan-00	Dec-99	Nov-99	Jan-99	Dec-98
Arizona	4.1	4.0	4.2	4.4	4.4
Hawaii	4.9	5.1	5.2	6.2	6.3
California	4.8	5.0	4.9	5.6	5.7
U.S.	4.0	4.1	4.1	4.3	4.4

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

The **Idaho** economy expanded rapidly in 1999. Revised data indicate that nonfarm payroll employment increased by 3.7 percent last year, 1.7 percentage points faster than originally estimated. The new figures placed Idaho sixth among states in terms of annual employment growth for the year ending in January. Although Idaho's economy slowed slightly in recent months, job growth remained solid; during the four months ending in January, total payroll employment increased by 2.5 percent at an annual rate.

Rapid employment growth and modest increases in the civilian labor force pushed the state's unemployment rate to 4.4 percent in January, about a percentage point lower than a year earlier. Tight labor markets have made it difficult for employers in Idaho to find qualified workers. In a recent survey of about one hundred Idaho high-tech firms, over 80 percent said that they intend to hire more people this year than last year. High-tech companies in the state reportedly have openings for more than 1,000 engineers, technicians, and sales and marketing personnel.

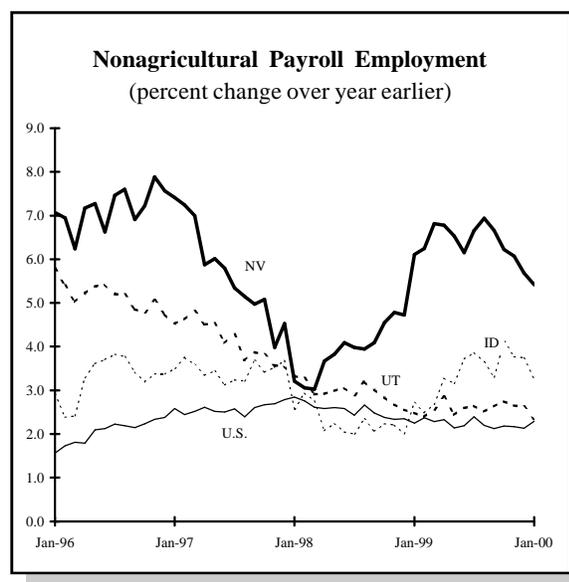
The **Nevada** economy continued to expand at a rapid pace in recent months, although growth slowed from earlier in the year. Total nonfarm payroll employment increased by 4.4 percent at an annual rate during the four months ending in January, slightly off the 6 percent pace of the first nine months of 1999. Despite the recent slowdown, the

state's unemployment rate fell to 4.0 percent in January, 0.5 percentage point lower than the average for first nine months of last year.

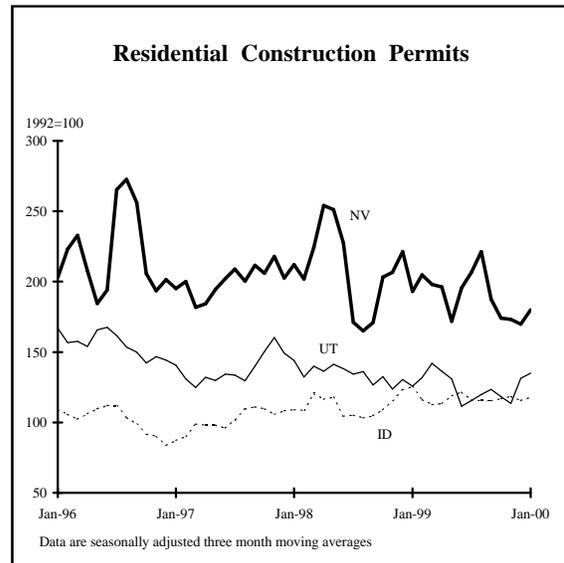
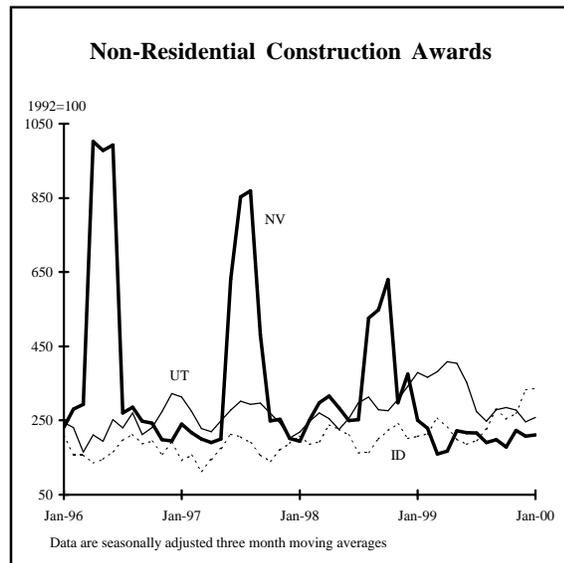
Nevada's economy continued to benefit from rapid growth in the state's tourism and gaming industries. Several new casinos opened in Las Vegas last year, driving visitor counts up and pushing gaming revenues well above year-earlier levels. Increased tourism and gaming activity boosted job growth in the services and trade sectors and produced significant gains in the state's taxable sales. During the twelve months ending in January, employment in the services sector increased by nearly 8 percent and payrolls in retail and wholesale trade climbed by 7.6 percent. The one downbeat note in Nevada's otherwise exceptional year was in the state's rural areas which continued to lose jobs to ongoing layoffs and closings in the mining industry.

The pace of expansion in **Utah** slowed in recent months. Total nonfarm payroll employment grew by about 0.6 percentage point during the four months ending in January. The slowdown was broad-based, with most major sectors falling short of the pace of expansion recorded earlier in 1999. The notable exceptions to this trend were the construction and government sectors, where job growth surged in recent months. Despite the slowdown in total employment growth towards the end of 1999, annual job gains remain solid (2.4 percent during the twelve months ending in January) and labor markets remain tight—the state unemployment rate fell to 2.8 percent in January.

Much of Utah's strength in 1999 owes to preparations for the 2002 Olympic games. The construction sector accounted for about 15 percent of net new jobs created in 1999, about three times the sector's share of total employment. Much of the growth stemmed from continuing highway, public transportation, and nonresidential building necessary for the Winter Olympics. Although many of these projects are nearing completion, demand for construction workers should remain strong in the near term, as building on several new high-tech facilities should commence. However, state forecasters expect Utah's construction sector to cool in the long run, a prediction supported by the recent decline in non-residential construction awards.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-00	Dec-99	Jan-99	From Previous Month	From Previous Year
Idaho					
Total	546.7	548.9	529.4	-4.7	3.3
Mining	2.6	2.7	2.8	-36.4	-7.1
Construction	35.4	36.8	34.3	-37.2	3.2
Manufacturing	76.9	76.9	75.7	0.0	1.6
T.C.P.U.	27.2	26.9	26.3	14.2	3.4
Trade	136.9	137.7	134.4	-6.8	1.9
F.I.R.E.	23.4	23.6	23.7	-9.7	-1.3
Services	136.4	136.7	129.7	-2.6	5.2
Government	107.9	107.6	102.5	3.4	5.3

	Number Employed (thousands)			Annualized % Change	% Change
	Jan-00	Dec-99	Jan-99	From Previous Month	From Previous Year
Utah					
Total	1059.9	1061.9	1035.6	-2.2	2.3
Mining	7.8	7.8	7.8	0.0	0.0
Construction	76.5	75.0	71.5	26.8	7.0
Manufacturing	132.6	132.3	131.7	2.8	0.7
T.C.P.U.	59.0	59.9	58.8	-16.6	0.3
Trade	251.3	251.0	246.1	1.4	2.1
F.I.R.E.	57.0	57.3	56.6	-6.1	0.7
Services	295.3	299.1	286.2	-14.2	3.2
Government	180.4	179.5	176.9	6.2	2.0

Nevada					
	Jan-00	Dec-99	Jan-99	Annualized % Change	% Change
Total	1010.5	1007.0	958.6	4.3	5.4
Mining	11.4	11.4	12.8	0.0	-10.9
Construction	92.0	91.7	93.8	4.0	-1.9
Manufacturing	43.0	42.7	42.0	8.8	2.4
T.C.P.U.	53.1	52.8	50.2	7.0	5.8
Trade	208.1	207.8	193.5	1.7	7.5
F.I.R.E.	45.1	44.6	43.6	14.3	3.4
Services	439.2	436.4	407.0	8.0	7.9
Government	118.6	119.6	115.7	-9.6	2.5

Unemployment Rates (%)					
	Jan-00	Dec-99	Nov-99	Jan-99	Dec-98
Idaho	4.4	4.4	4.6	5.3	5.5
Nevada	4.0	4.1	4.3	4.2	4.1
Utah	2.8	3.0	3.1	4.1	4.2
U.S.	4.0	4.1	4.1	4.3	4.4

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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