

WESTERN ECONOMIC DEVELOPMENTS

May 1998

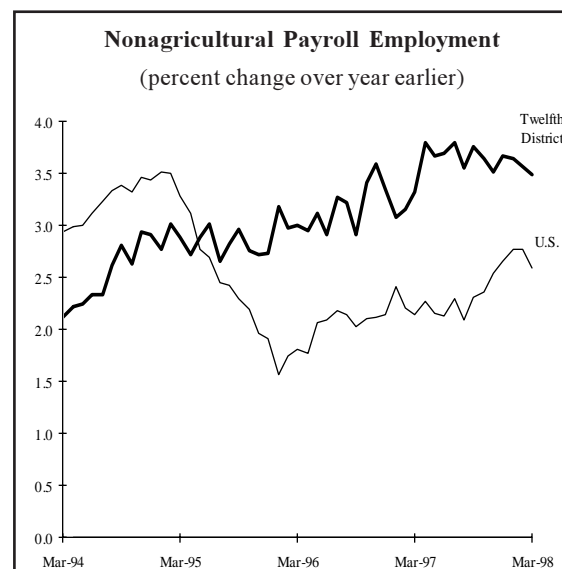
Executive Summary

- *District employment growth was strong in the first quarter, led by particularly fast growth in Arizona and Utah.*
- *Employment growth in California was solid in the first quarter, but slower than in 1997. Oregon also experienced slower job growth in the first part of this year.*
- *The negative effects of reduced foreign demand and increased import competition recently have become more evident for District manufacturers, but activity in other sectors such as real estate and construction continued to grow quickly.*
- *The adverse effects of foreign trade developments have led some District manufacturers of high-tech electronic goods to scale back employment. However, domestic competitive factors also explain some of the weakness at particular firms and segments of the market, and the outlook for the high-tech sector as a whole remains positive.*

District Update

Economic activity in the District remained at a very high level throughout the first quarter of 1998. Unemployment rates were low and steady in most District states recently; the overall District unemployment rate was 5.4 percent in March, unchanged from December, and down ½ percentage point from a year earlier. Last year's rapid 3¾ percent pace of District payroll job growth exceeded the strong rate of labor force and population growth. In the first quarter of 1998, District job growth eased back a bit to a 2¾ percent annual pace, more in line with the region's potential for expanding without pushing unemployment rates even lower.

Job growth was particularly fast in Arizona and Utah in late 1997 and early 1998. Employment in Arizona, the fastest-growing state in the nation, increased 4¾ percent at an annual rate in the first quarter, which matches the rapid pace of the second half of 1997. Utah also has been adding jobs at more than a 4 percent pace in recent quarters. Elsewhere in the Intermountain region, recent slowing of job growth was evident for Nevada and Idaho; however, the 3½ percent



average annual rate of job gains in Nevada during the first quarter still was fast relative to the pace of growth in most states in the nation. Washington state employment growth picked up to a 3¼ percent rate in 1997 and remained near this elevated rate in early 1998. In contrast, employment growth slowed a bit in Oregon and California in the first quarter of this year.

The construction and real estate industries continued to be leading sources of District job growth in early 1998. Also, activity in the wholesale trade and transportation industries has picked up in most District states, probably due, in part, to the increasing volume of imports flowing through District ports. In contrast, District manufacturing employment growth slowed to a 2¼ percent

annual rate in the first quarter, down about 1½ percentage points relative to the 1997 pace. Employment in various District durable manufacturing industries levelled off in early 1998, after posting strong gains in 1997. The aircraft and parts industry stopped adding to job growth in Washington. In California, both aircraft and motor vehicle manufacturing employment dropped back in the first quarter; in the state's high-tech computer and electronics manufacturing industries, a jump in employment in January was only partly offset by slight declines in February and March. In Oregon, lumber and wood products employment was weak in early 1998.

A recent weakening in exports and a pickup in import competition from foreign manufactured goods likely has contributed to the slowing of District manufacturing employment growth. In 1997, the dollar value of exports from District states jumped 11½ percent, boosted by a nearly 25 percent increase in exports from Washington state, as shipments of Boeing aircraft to foreign customers picked up. In January and February of this year, the dollar value of overall District exports remained higher than a year earlier, by 5½ percent, but this is down from the strong pace of exports in the second half of 1997. Much of the high January-February level of nominal exports owes to additional increases in shipments of aircraft from Washington state, where overall exports increased about 10 percent relative to a year earlier. However, nominal export figures for California and other District states were

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-98	Feb-98	Mar-97	From	From
				Previous Month	Previous Year
Alaska	273.3	273.1	267.0	0.9	2.4
Arizona	2,045.4	2,037.9	1,956.8	4.5	4.5
California	13,474.4	13,439.9	13,011.6	3.1	3.6
Hawaii	529.1	528.4	531.6	1.6	-0.5
Idaho	516.1	516.1	504.4	0.0	2.3
Nevada	915.1	912.8	879.7	3.1	4.0
Oregon	1,557.0	1,557.3	1,514.1	-0.2	2.8
Utah	1,024.9	1,018.2	985.2	8.2	4.0
Washington	2,565.2	2,558.5	2,484.1	3.2	3.3
District	22,900.5	22,842.2	22,134.5	3.1	3.5
U.S.	124,481.0	124,517.0	121,344.0	-0.3	2.6

Seasonally adjusted payroll employment data

				% Change	% Change
	Mar-98	Feb-98	Mar-97	From	From
				Previous Month	Previous Year
Aerospace Employment (1992=100)	71.4	71.7	67.0	0.0	6.6
Electronics Employment (1992=100)	121.5	121.5	116.7	0.1	4.2
Americas Semiconductor Billings (\$ Million)	3420.0	3540.0	3680.0	-3.4	-7.1
Non-Residential Awards (1992=100)	135.5	142.5	121.4	-5.0	11.6
Residential Permits (Thousands)	26.6	26.6	24.3	-0.1	9.6
Western Housing Starts (Thousands)	34.4	23.3	31.4	47.6	9.6

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-98	Feb-98	Mar-97	From	From
				Previous Month	Previous Year
Total	22,900.5	22,842.2	22,134.5	3.1	3.5
Mining	83.6	84.2	84.6	-8.2	-1.2
Construction	1,168.4	1,157.9	1,095.0	11.4	6.7
Manufacturing	3,074.7	3,071.8	2,981.4	1.1	3.1
Transportation	1,182.3	1,179.1	1,148.2	3.3	3.0
Trade	5,370.3	5,355.7	5,212.0	3.3	3.0
F.I.R.E.	1,303.3	1,298.0	1,255.3	5.0	3.8
Services	6,936.6	6,921.2	6,635.5	2.7	4.5
Government	3,781.3	3,774.3	3,722.5	2.2	1.6

Seasonally adjusted payroll employment data

weak in the first two months of the year. Also, separate data from various District ports reveal that in the first few months of 1998 the number of outbound containers of waterborne cargo dropped noticeably, while the flow of inbound containers of imported goods increased sharply.

Slowing High-Tech Industries in the West?

Several prominent computer and electronics high-technology firms--many with operations in the San Francisco Bay Area of California and in other District states--recently announced employment cutbacks. For the overall United States, data through April suggest that a moderate slowdown in high-technology industry employment growth is taking place. Information drawn from the corporate reports of individual high-tech companies and industry sources suggests that the recent slowdown owes to a variety of factors, including weakening demand from Asian customers. However, much of the recent negative news relates to particular high-tech computer and electronics firms which are losing market share as domestic industry competitive developments unfold. These domestic industry developments appear likely to lead to some worker displacement at a few firms in the near-term, but the adverse employment effects of this restructuring are likely to be short-lived.

Recent Job Cutback Announcements

Several large California-based high-tech companies announced employment cutbacks in April. Intel plans to reduce its workforce by 3,000 workers, National Semiconductor will eliminate 1,400 jobs, and Silicon Graphics, Inc. (SGI) will downsize 1,000 employees. These recent announcements follow the loss earlier this year of about 2,000 jobs at other San Francisco Bay Area firms, including Sybase, Netscape, Apple, and Lam Research.¹

Official payroll employment figures for the Bay Area are available only through March, prior to the recent round of job cutback announcements.

¹Intel and National Semiconductor have not yet announced whether the bulk of their job cutbacks will be in the Bay Area. Otherwise, the employment reductions mentioned in this paragraph are concentrated in the Bay Area.

Although payroll counts show strong net job gains in Bay Area high-tech electronics manufacturing sectors through January, there was virtually no growth, on balance, in February and March.

Payroll employment figures for the overall U.S. are available through April and show a net loss of about 6,000 computer and electronic components (semiconductor) manufacturing jobs last month. Also, the workweek dropped back noticeably in the corresponding industry groups, as some firms have cut back on employee hours instead of immediately reducing the number of jobs.

The recent job cutbacks are concentrated in computer-related high-tech industries, as distinguished from the communication-related industries which have been benefitting from the rapid growth of the networking infrastructure. Intel and National Semiconductor make semiconductors, particularly the microprocessors which provide the main computing power in workstations and servers. Lam Research is a semiconductor equipment maker. Sybase and Netscape develop software, and Apple and SGI are manufacturers of personal and business computer hardware systems.

First-Quarter Corporate Earnings and Revenues Announcements

Beyond the firm-specific announcements of employment cutbacks, broader indicators of high-tech industry profitability and revenue growth show some signs of moderation in the first quarter. Major firms in the high-tech sector have been growing very fast for the past several years and expanding employment to try to achieve expected high rates of future revenue growth. To the extent that these hiring decisions have been predicated on expectations of faster-than-realized sales growth, moderation of growth can lead to employment cutbacks even if actual revenues continue to grow at a solid pace.

To shed some light on these dynamics, table 1 presents information on revenues from the corporate earnings reports of 57 major computer and electronics firms.² Relative to the same period a year earlier, first-quarter revenues for this group of firms increased 8.7 percent, a

slowdown of about 3½ percentage points relative to the 1997 pace, and well below the 14.6 percent rate of growth in 1996.³

Revenue growth slowed in the first quarter for each of the major segments of the high-tech sector. However, the semiconductors and equip-

Table 1
Revenue Growth at Selected High-Tech Firms

(percent change relative to same period a year earlier)

Share ^a		Q1		
		1996	1997	1998
	Total Group of High-Tech Firms	14.6	12.1	8.7
22.3	Semiconductors and Equipment	6.7	8.6	2.2
57.5	Computer Hardware	13.7	8.7	6.3
7.7	Software	28.6	28.0	21.6
12.4	Communications Equipment	32.1	28.6	23.3

a. Share of total group revenues in the first quarter of 1997.

ment group is notable both for the magnitude of the deceleration and for the fact that this left first-quarter revenues only 2.2 percent above a year earlier. The absolute pace of revenue growth also was only in the single-digits for computer hardware manufacturers, whereas first-quarter revenues of software and communications equipment firms still were more than 20 percent above a year earlier.

Within the semiconductor and equipment group,

² The 57 high-tech firms were selected from a broader group of companies tracked on Silicon Investor, an online source of information about high-technology companies. The analysis is restricted to companies with a recent stock market valuation in excess of \$2 billion. Also, firms which did not report revenues for the full period from 1995 to the first quarter of 1998 were excluded, as were firms classified by Silicon Investor as members of a "Miscellaneous" group. Last, four telephone service providers (AT&T, SBC, Worldcom and Sprint) were removed from the "Communications" group to define a "Communications Equipment" group which better isolates developments in that segment of the industry.

³ On a sequential basis (non-seasonally-adjusted change relative to the previous quarter), revenues of the total group of high-tech firms fell about 12-1/2 percent in the first-quarter of 1998. Some, but not all, of this sequential decline likely owes to normal seasonal patterns.

first-quarter revenues fell at both makers of microprocessors and makers of memory chips. Revenue growth in the semiconductor equipment subgroup has slowed, and order backlogs for semiconductor equipment are shrinking. Recent weakness among U.S. and foreign semiconductor manufacturers has led these potential equipment purchasers to revise capital spending plans downward.

Within the computer hardware sector, first-quarter developments were mixed, as strong revenue growth continued at some firms, whereas business conditions deteriorated noticeably at other firms. On balance, this resulted in a moderate slowing of revenue growth at computer hardware firms to a level 6.3 percent above a year earlier.

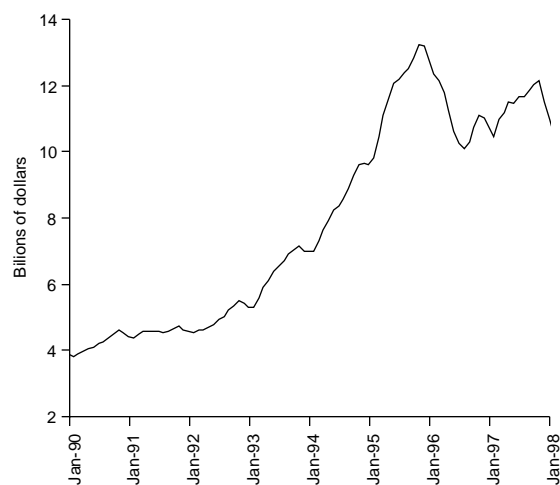
Major software and communications equipment firms' revenue growth has slowed somewhat from very fast 1996 and 1997 growth rates, but first-quarter revenues still were more than 20 percent above year-earlier levels. The slowdown in software revenues primarily was attributable to Microsoft's declining sales in Japan and Southeast Asia, which partly offset continued strong growth elsewhere. Among communications equipment manufacturers, the moderate slowing of revenue growth was broad-based. However, almost all sizeable individual firms in this industry continued to expand, not contract.

Industry-wide Data on Computers and Electronic Components

Other indicators of industry-wide trends show recent weakness in revenues in the semiconductor sector. Worldwide semiconductor sales fell to about \$10.4 billion in the first-quarter of 1998, down about \$1/2 billion from a year earlier (Chart 1). Most of the decline was in the Japanese market, where March sales were down 11½ percent relative to a year earlier, but the Semiconductor Industry Association also reported that sales in the Americas were down. Separate data from the Census Bureau show that the dollar value of shipments of electronic components from U.S. manufacturers declined in the first quarter of this year.

Semiconductor prices have fallen sharply in re-

Chart 1
Semiconductor Sales Worldwide



Source: Semiconductor Industry Association

cent months, likely owing to both increasingly abundant supply and slowing demand. Chip consumption apparently has been weaker at those domestic computer manufacturers which recently slowed production to control inventories. Also, global economic factors have been applying downward pressure on semiconductor memory chip prices.⁴

Intense competition among semiconductor microprocessor manufacturers also has driven down prices, supporting unit sales, but holding down revenues. Some microprocessor manufacturers now are able to make low-cost chips which are Pentium-class, although not at the leading-edge of performance. Availability of such low-cost microprocessors has been helping sales in the "sub-\$1000" personal computer market.

Overall unit sales of computers have been boosted, but production of computers appears to have been lower than sales of computers recently. Some major manufacturers have been attempting to lower inventories of computers in distribution channels.

The computer manufacturers' interest in achiev-

⁴ Some domestic manufacturers of semiconductor memory chips are complaining about a flood of imports of low-priced memory chips. This is the segment of the market with the largest glut of worldwide capacity, and much of this capacity is located in countries with recent exchange rate devaluations vis-a-vis the U.S. dollar.

ing leaner inventories appears to stem both from a desire to be cautious in the face of uncertain demand conditions and from an interest in revamping distribution methods. One major manufacturer (Dell Computer) has popularized a "direct-to-the-customer" business model in which it obtains many build-to-order sales directly from customers over the Internet. Correspondingly, inventories of Dell models in distribution channels are very lean (inventories comprise only about seven days worth of sales); the corresponding cost savings have allowed Dell to be very competitive on price and responsive to changing customer tastes and to new product introductions.⁵ Other computer makers are attempting to revamp their manufacturing and distribution systems along the lines of Dell's or other competitors' successful business models and recently have been particularly aggressive with discount pricing and inventory control. Thus, production and sales into indirect distribution channels have been restrained, but aggressive pricing appears to have helped maintain computer sales to end customers.

The shift to a leaner inventory environment eventually will be complete. Some individual computer makers have expressed optimism that inventories in distribution channels will approach target levels during the second quarter.

Summary and Conclusion

The U.S. computer and semiconductor industries are going through some major adjustments in early- and mid-1998. Weakened demand from Asian customers has contributed to a broad-based slowing of growth from a very fast pace in 1997. However, some of the recent slowdown has been at high-tech firms that lost market share as domestic industry competitive developments unfolded. Although ongoing ripple-effects of reduced sales in Asia might cause some further high-tech sector weakness, the recent period of intense domestic competitive adjustments has temporarily exaggerated the slowdown.

Joe Matthey

⁵ Computer manufacturer Gateway 2000 also uses an alternative distribution method that is responsive to changing market conditions and keeps inventories lean.

ALASKA, OREGON, AND WASHINGTON

Alaska's economy grew rapidly during the first three months of 1998. Employment increased at an annual rate of 7.7 percent in the first quarter as payrolls expanded or remained steady in nearly every sector of the economy. Three months of sustained employment growth substantially reduced the state unemployment rate, from about 7 percent late in 1997 to just 6 percent at the end of the first quarter. The surge in employment owes primarily to gains in manufacturing, trade, and services which together account for 4,600 of the 5,000 jobs added during the three months ending in March.

Although fears that developments in East Asia would derail Alaska's economic expansion have not been realized, some industries have experienced significant declines in demand. Loss of sales to East Asia have prompted many of Alaska's lumber and wood products manufacturers to slow production and shed workers; employment in the sector declined by more than 20 percent at an annual rate during the first quarter. Some seafood processors report difficulty booking in advance East Asian sales of the coming year's crab, herring, and salmon harvests, which might affect employment in that industry.

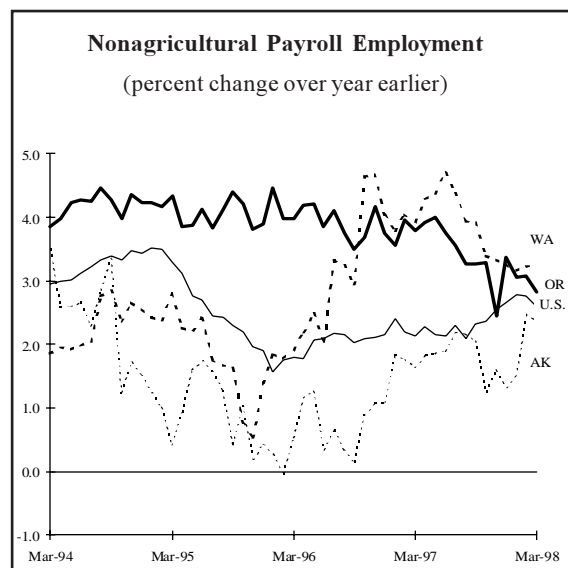
Economic growth in Oregon slowed during the first quarter of 1998 to an annual rate of 1.6 percent, substantially off the 3.4 percent pace of growth in 1997. The first quarter slowdown was broad-based, affecting all major industrial sec-

tors with the exception of government. The construction, manufacturing, and trade sectors experienced the most significant slowdowns. Employment declined at special trade construction firms, computer and industrial machinery manufacturers, and retail trade establishments over the period, after growing at a steady pace during most of 1997. Despite slower job growth, Oregon's labor market tightened further; the state's unemployment rate fell in February and remained below 5 percent in March.

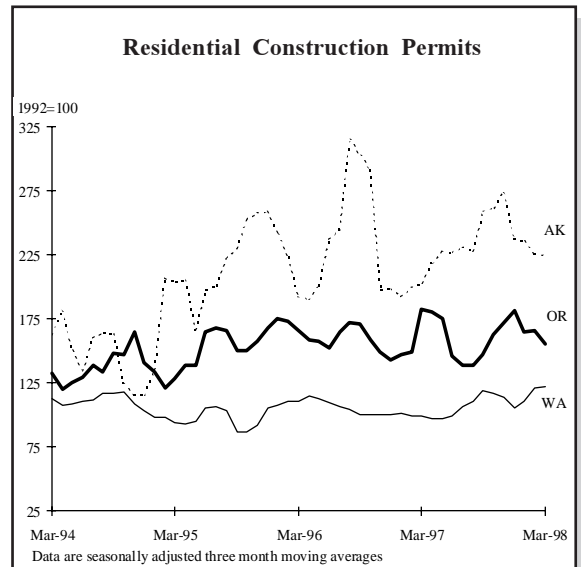
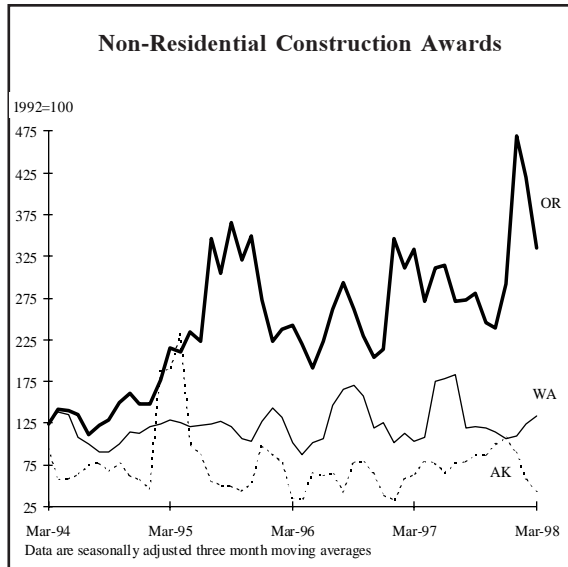
Reduced exports to Asia have been holding down port traffic in Portland. Shipments of outbound cargo have fallen significantly relative to a year earlier. In addition, Hanjin Shipping Co., a South Korean Shipper, cancelled a Portland-based weekly express service to China 11 days after launching it, citing the economic downturn in Asia as the reason.

After slowing slightly during the latter half of 1997, the Washington economy returned to a fast 3½ percent pace of growth during the first quarter of 1998. The pickup in job growth pushed the state unemployment rate to 4.1 percent, a decline of 0.3 percentage point since the end of last year. The most rapid gains were in construction, transportation, trade, and services, which collectively added over 22,000 jobs during the three months ending in March. In contrast, employment growth in manufacturing slowed considerably in the first quarter, primarily due to payroll reductions in the aircraft and parts industry. Other manufacturing industries such as paper, lumber and wood products, and food processing also shed jobs in the first quarter.

The Port of Seattle has experienced some slowdown in outbound traffic due to developments in East Asia, and inbound cargo volumes are up substantially. The recent exchange rate swings in the terms of trade to favor foreign-produced goods appear to be boosting imports from Asia. Also, last year's rail problems at Union Pacific lines in the Southwestern U.S. reportedly have increased importers' concerns about the ability to move cargo eastward from Southern California ports during peak periods, apparently diverting some inbound traffic to the Port of Seattle.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-98	Feb-98	Mar-97		
Alaska					
Total	273.3	273.1	267.0	0.9	2.4
Mining	10.4	10.4	9.5	0.0	9.5
Construction	12.8	12.8	12.5	0.0	2.4
Manufacturing	16.3	16.4	16.3	-7.1	0.0
T.C.P.U.	24.6	24.7	23.6	-4.8	4.2
Trade	56.6	56.4	55.0	4.3	2.9
F.I.R.E.	12.2	12.1	12.0	10.4	1.7
Services	67.0	67.0	64.7	0.0	3.6
Government	73.4	73.3	73.4	1.6	0.0

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-98	Feb-98	Mar-97		
Oregon					
Total	1557.0	1557.3	1514.1	-0.2	2.8
Mining	1.9	1.9	1.8	0.0	5.6
Construction	84.5	84.3	80.2	2.9	5.4
Manufacturing	247.1	247.5	242.3	-1.9	2.0
T.C.P.U.	74.3	74.6	74.4	-4.7	-0.1
Trade	384.7	384.5	374.8	0.6	2.6
F.I.R.E.	96.2	96.0	94.6	2.5	1.7
Services	411.8	412.9	396.2	-3.2	3.9
Government	256.5	255.6	249.8	4.3	2.7

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	Mar-98	Feb-98	Mar-97		
Washington					
Total	2565.2	2558.5	2484.1	3.2	3.3
Mining	3.4	3.4	3.4	0.0	0.0
Construction	138.8	138.2	133.2	5.3	4.2
Manufacturing	377.6	377.4	363.3	0.6	3.9
T.C.P.U.	136.5	136.3	133.0	1.8	2.6
Trade	621.0	618.1	602.9	5.8	3.0
F.I.R.E.	132.5	132.0	126.0	4.6	5.2
Services	699.1	695.6	668.8	6.2	4.5
Government	456.3	457.5	453.5	-3.1	0.6

	Unemployment Rates (%)			Mar-97	Feb-97
	Mar-98	Feb-98	Jan-98		
Alaska	6.0	6.3	6.2	8.3	8.3
Oregon	4.9	4.7	5.2	6.3	6.2
Washington	4.1	4.1	4.5	5.0	5.1
U.S.	4.7	4.6	4.7	5.2	5.3

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 economy continued to expand rapidly in early 1998. Payroll employment increased at about a 4¾ percent average annual pace in the first quarter, matching the rapid rate of growth last year. Sectorally, job growth in the state has been broad-based. Manufacturing employment growth exceeded a 3½ percent average annual pace in the first quarter, and even larger gains were posted in construction, trade, and the finance, insurance and real estate sectors. The rapid employment gains of 1997 pushed Arizona's unemployment rate down about ½ percentage point last year to 4¼ percent, and in the first quarter of 1998 the state unemployment rate remained below 4½ percent.

Other economic indicators corroborate the strength of the Arizona economy last year. State personal income increased almost 8 percent, boosted by rapid population growth and a 5 percent gain in per capita personal income. Expanding household income helped boost retail sales by more than 6 percent last year. With favorable interest rates, rapid population growth, and strong income growth, the market for existing homes was robust in Arizona last year. Sales of existing homes increased sharply, and home prices also increased noticeably.

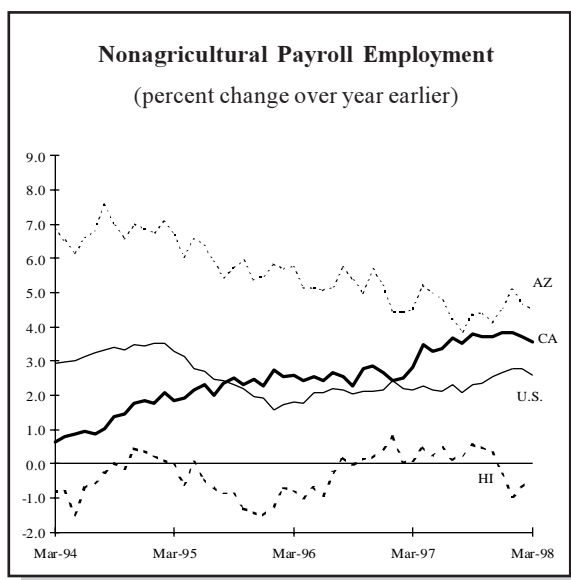
Economic growth remained solid in **California** in the first quarter of 1998, although not quite as robust as in 1997. Payroll employment increased

at a 2.3 percent average annual rate in the first quarter, down from the 3¾ percent pace of last year. Large job gains in construction and real estate boosted state employment in both 1997 and early 1998. However, manufacturing job growth slowed from a 3½ percent rate in 1997 to 1½ percent at an annual rate in the first quarter of 1998. Employment increases in the business services sector—which includes software development—also slowed a bit in early 1998.

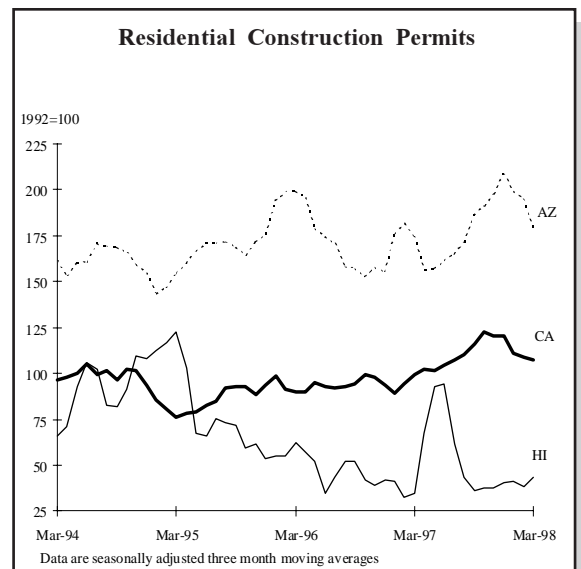
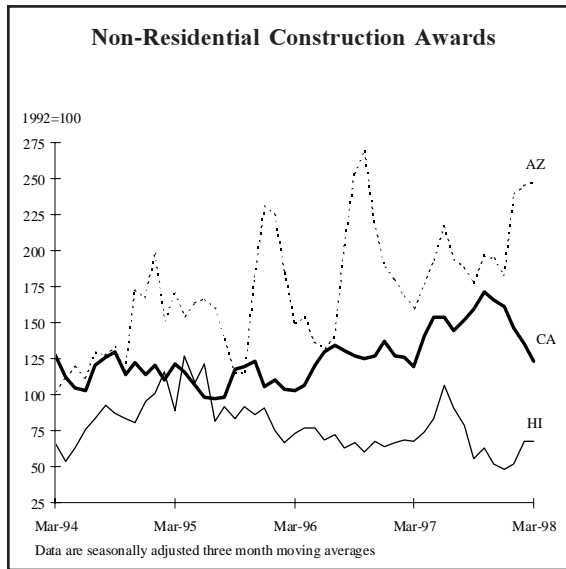
Rapid increases in real estate and construction activity took place in both the Los Angeles area and San Francisco Bay Area. In both of these major metropolitan areas, construction employment increased about 10 percent at an annual rate in the first quarter. As of March, home sales volumes for the state as a whole were up about 15 percent relative to a year earlier; over this twelve month period home prices jumped 13 percent in the Bay Area and 6 percent in the Los Angeles area. Last year, job growth was stronger in the Bay Area than in the Los Angeles area, and this difference also has been reflected in housing prices. However, the slowdown in job growth in early 1998 was concentrated in the Bay Area, where manufacturing payrolls jumped 4 percent in 1997 but only advanced at a 1 percent annual rate in the first quarter of 1998.

Hawaii's economy continued to contract in early 1998. Payroll employment fell about 1 percent at an annual rate in the first quarter, after edging down in 1997. So far this year there has been a large drop in employment in the retail and wholesale trade sectors, and financial institutions also have reduced payrolls noticeably. At 5.8 percent in March, Hawaii's unemployment rate remains high, although the relative lack of jobs in the state also is leading to a contraction of the labor force.

Tourism-related retail sales and hotel business are a major factor for Hawaii's economy, and the recent news on this front is mixed. Data through February show the counts of visitor arrivals from Asia and related visitor spending down significantly. However, westbound visitor arrivals have been picking up, providing a partial offset.



CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-98	Feb-98	Mar-97	From Previous Month	From Previous Year
Arizona					
Total	2045.4	2037.9	1956.8	4.5	4.5
Mining	13.5	14.0	14.0	-35.4	-3.6
Construction	134.2	133.5	128.7	6.5	4.3
Manufacturing	214.8	215.0	204.3	-1.1	5.1
T.C.P.U.	97.3	97.0	95.2	3.8	2.2
Trade	499.2	497.6	478.2	3.9	4.4
F.I.R.E.	132.5	131.4	124.0	10.5	6.9
Services	621.7	619.9	588.9	3.5	5.6
Government	332.2	329.5	323.5	10.3	2.7

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-98	Feb-98	Mar-97	From Previous Month	From Previous Year
Hawaii					
Total	529.1	528.4	531.6	1.6	-0.5
Mining
Construction	22.1	21.9	22.8	11.5	-3.1
Manufacturing	16.5	16.4	16.8	7.6	-1.8
T.C.P.U.	40.9	41.2	41.6	-8.4	-1.7
Trade	133.4	133.7	134.9	-2.7	-1.1
F.I.R.E.	35.3	35.3	36.4	0.0	-3.0
Services	169.6	169.1	168.9	3.6	0.4
Government	111.3	110.8	110.2	5.6	1.0

	Apr-98	Mar-98	Apr-97	Annualized % Change From Previous Month	% Change From Previous Year
	California				
Total	13517.6	13485.6	13089.3	2.9	3.3
Mining	28.6	29.1	29.4	-18.8	-2.7
Construction	591.9	591.9	543.7	0.0	8.9
Manufacturing	1947.1	1947.1	1901.0	0.0	2.4
T.C.P.U.	680.4	679.0	659.7	2.5	3.1
Trade	3117.7	3114.7	3044.6	1.2	2.4
F.I.R.E.	776.9	772.7	750.7	6.7	3.5
Services	4200.7	4180.9	4020.3	5.8	4.5
Government	2174.3	2170.2	2139.9	2.3	1.6

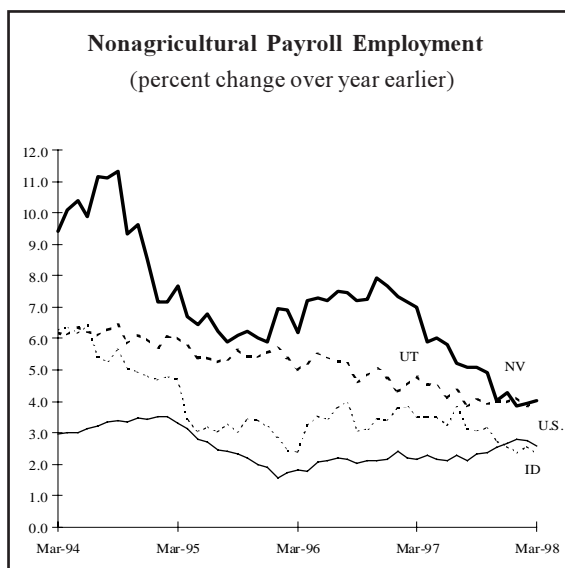
	Unemployment Rates (%)				
	Mar-98	Feb-98	Jan-98	Mar-97	Feb-97
Arizona	4.4	4	3.7	4.9	5.2
Hawaii	5.8	5.7	5.6	6.6	6.6
U.S.	4.7	4.6	4.7	5.2	5.3
California	5.9	6	5.9	6.4	6.4

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

Idaho's economy continued its gradual deceleration to a moderate growth path in recent months. Payroll employment grew by 1.6 percent at an annual pace during the first quarter, below the 2.6 percent pace last year. Despite no net job creation in March, however, state economic fundamentals remain sound. Employment growth has been rapid among makers of electronic and industrial equipment around Boise. Outside of Boise, the state's logging and lumber industry posted solid gains during the last 6 months, after shrinking during the past several years. Moreover, construction employment in the state surged during the first quarter, as both residential and nonresidential awards increased substantially.

The key source of moderation in early 1998 was in the services sector. Following sharp job losses in January, employment declined further in February and was flat in March. The January losses were due to unusually large post-holiday roll-backs for "temp" workers in the business services sector and similar declines for employees at hotels and lodging places. The engineering services sector shrank by 500 jobs due to losses at a single large firm. The retail trade sector also suffered unusually large end-of-season job losses in January. Although in most of the above-mentioned sectors the January losses slowed or were offset somewhat in February and March, each of these sectors shrank substantially on net during the first quarter.



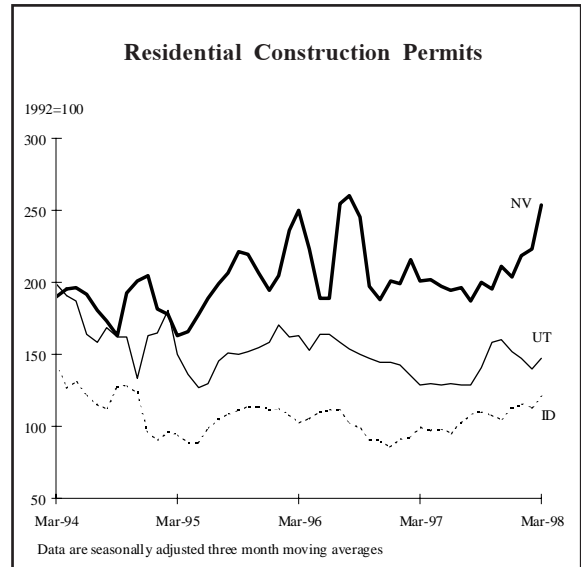
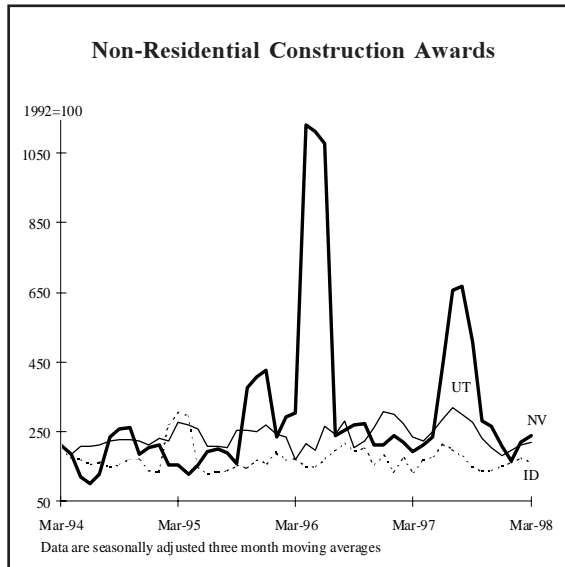
Nevada's economic expansion slowed a bit more in the first quarter, although the state still ranks fourth nationally in the rate of job growth over the past twelve months. The nonfarm payroll job count grew 3.5 percent at an annual pace during the first quarter, down from 3.9 percent during the second half of 1997. Job creation remained particularly rapid in the construction and manufacturing sectors during the first quarter, but employment in the hotel and amusement sector was virtually flat. The state unemployment rate dropped by 1½ percentage points between the third quarter of 1996 and the end of 1997 but subsequently increased by ¾ percentage point to about 4½ percent currently.

News regarding the state's key tourism sector is mixed. Tourist revenues in the Las Vegas area as a whole remained solid overall, but gaming revenues were a bit weak on the Las Vegas Strip itself. Moreover, air passenger traffic to Las Vegas was down, and this appears to be partly attributable to reduced visits by East Asian tourists. In contrast, after a weak showing in 1996 and 1997, Reno's tourist sector benefited recently from an active ski season and posted a record number of air passenger visits in March.

Utah's rapid economic expansion remains on track. Total payroll employment grew by 4.2 percent at an annual pace during the first quarter, slightly above the 1997 pace. Job growth was strongest at trucking and warehousing facilities and among makers of nondurable goods such as food. Employment growth also surged at hotels and lodging places during the first quarter, as hiring was strong during the busy ski season. Elsewhere, growth in durable manufacturing employment slowed somewhat in the first quarter, owing to job losses in primary metals and slower growth in the transportation equipment sector.

Nonresidential construction awards increased substantially in early 1998, as major highway, light rail, and other infrastructure projects moved ahead. After declining as a share of personal income prior to 1996, state government transportation expenditures have increased substantially in recent years. Also, the state has increased expenditures for correctional facilities.

CONSTRUCTION



EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-98	Feb-98	Mar-97	From Previous Month	From Previous Year
Idaho					
Total	516.1	516.1	504.4	0.0	2.3
Mining	3.0	2.9	3.2	50.2	-6.3
Construction	33.3	33.2	31.7	3.7	5.0
Manufacturing	76.4	76.7	74.0	-4.6	3.2
T.C.P.U.	24.4	24.4	24.1	0.0	1.2
Trade	129.6	130.1	128.2	-4.5	1.1
F.I.R.E.	26.0	26.0	25.1	0.0	3.6
Services	121.4	121.4	119.4	0.0	1.7
Government	102.0	101.4	98.7	7.3	3.3

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-98	Feb-98	Mar-97	From Previous Month	From Previous Year
Utah					
Total	1024.9	1018.2	985.2	8.2	4.0
Mining	8.5	8.4	8.3	15.3	2.4
Construction	67.4	66.5	63.2	17.5	6.6
Manufacturing	135.5	135.3	132.2	1.8	2.5
T.C.P.U.	57.8	57.5	55.7	6.4	3.8
Trade	245.4	243.9	237.0	7.6	3.5
F.I.R.E.	53.9	53.8	52.1	2.3	3.5
Services	279.3	277.1	265.8	10.0	5.1
Government	177.1	175.7	170.9	10.0	3.6

	Number Employed (thousands)			Annualized % Change	% Change
	Mar-98	Feb-98	Mar-97	From Previous Month	From Previous Year
Nevada					
Total	915.1	912.8	879.7	3.1	4.0
Mining	13.8	13.9	14.9	-8.3	-7.4
Construction	85.7	85.2	80.8	7.3	6.1
Manufacturing	42.3	41.9	40.0	12.1	5.7
T.C.P.U.	46.8	46.9	44.5	-2.5	5.2
Trade	185.7	184.3	177.1	9.5	4.9
F.I.R.E.	41.7	41.5	39.5	5.9	5.6
Services	390.2	389.6	378.3	1.9	3.1
Government	108.9	109.5	104.6	-6.4	4.1

	Unemployment Rates (%)				
	Mar-98	Feb-98	Jan-98	Mar-97	Feb-97
Idaho	5.2	5.0	5.0	5.5	5.4
Nevada	4.6	4.6	4.3	4.2	4.4
Utah	3.1	2.9	2.9	3.1	3.3
U.S.	4.7	4.6	4.7	5.2	5.3

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

1998 Issues**Mailing Date**

January

February 5

April

April 2

May

May 21

June

July 2

August

August 20

September

October 1

November

November 19

December

December 24

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