

# WESTERN ECONOMIC DEVELOPMENTS

June 1998

## Executive Summary

- *The level of economic activity in the District remained very high through May, and labor markets remained very tight in most areas.*
- *Job growth in the District was strong in early 1998, but not as fast as the torrid 1997 pace.*
- *Employment growth has slowed this year in California, Oregon, and Utah and in recent months has edged down in Idaho, Alaska, and Hawaii.*
- *Rapid growth has continued in Arizona and Nevada, and Washington state employment growth has picked up since last year.*
- *Overall consumer price inflation in the West continued to slow through early 1998, but there has been some pickup in regional wage inflation and emerging evidence of underlying price pressures in some markets.*

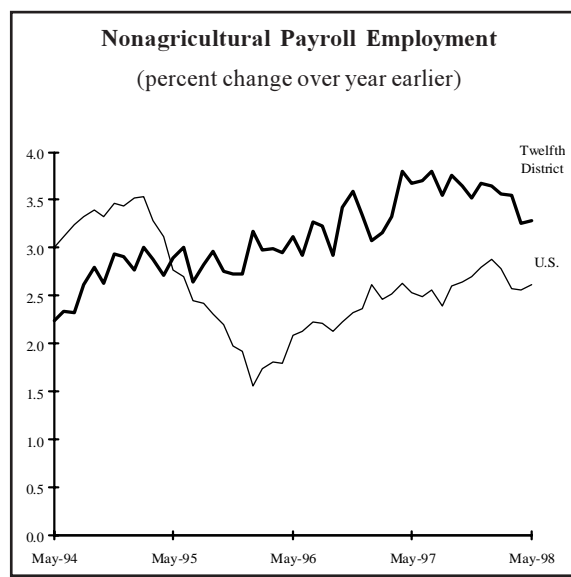
## District Update

The Twelfth District economy continued to expand at a relatively fast rate through the Spring of 1998, although not as quickly as last year's very rapid pace. Employment on nonfarm payrolls increased at an average annual rate of 3 percent in April and May, which is similar to the first-quarter pace, but down about  $\frac{3}{4}$  percentage point relative to the very rapid growth rate of 1997. The District unemployment rate is low relative to its long-run average but no longer is falling noticeably. Last year, job growth far outstripped the sizeable rate of expansion in the labor force, and the District unemployment rate fell about 1 percentage point to 5.4 percent in December. At 5.3 percent in May, the District unemployment rate was little changed in recent months.

Much of this pattern owes to developments in California, where job growth jumped to a  $3\frac{3}{4}$  percent pace in 1997 but slowed to slightly less than a 3 percent annualized rate in early 1998. Also, California's unemployment rate fell more than  $\frac{3}{4}$  percentage point last year but has not fallen much further so far this year.

Elsewhere, job growth remained particularly strong in recent months in Arizona, Nevada, and Washington but slowed noticeably in Oregon and Utah. Payroll job counts fell slightly in Idaho, Alaska, and Hawaii.

In Arizona, employment continued to increase at about a  $4\frac{1}{2}$  percent pace in early 1998, making Arizona the fastest-growing state in the nation over the twelve months ending in May. Nevada payrolls have increased at about a 4 percent annual rate so far in 1998, similar to the state's growth rate in the second half of 1997; Nevada is the third-fastest growing state in the nation over the twelve months ending in May. For Washington, the roughly 4 percent rate of job growth so far this year represents about a  $1\frac{1}{2}$  percentage point acceleration relative to the



pace in the second half of 1997.

Sectorally, rapid job growth continued at District construction and services firms in early 1998. Also, employment in the finance, insurance, and real estate sector has picked up. However, manufacturing job growth has been only about 1¼ percent at an annual rate so far this year, down about 2½ percentage points relative to the 1997 pace.

### Financial Conditions

District banks' profitability remained strong in the first quarter of 1998, with weighted-average return on assets (ROA) and return on equity (ROE) showing improvement over the first quarter of 1997. Banks headquartered in the District

reported ROA of 1.42 percent, higher than the national average of 1.27 percent. ROE of District banks was 13.81 percent, slightly below the national average of 14.80 percent.

Small bank profitability also remained strong, with first-quarter 1998 ROA of 1.38 percent and ROE of 12.61 percent, about equal to the national averages for small banks. However, in California the profitability of small banks still lagged the national average.

Asset quality of District banks was about unchanged from last quarter. The average ratio of past-due and non-accrual loans to total loans stood at 1.99 percent in the first quarter of 1998. Following the national trend of declining credit card loan delinquencies, the average ratio of past-due and non-accrual credit card loans in District banks fell to 4.28 percent from 4.50 percent a year ago.

Commercial loans outstanding at District banks continued to increase at a robust rate in the first quarter. In contrast, consumer loans continued to decline, largely due to the previous tightening of standards for making credit card loans by District banks.

Separate data from the May 1998 Senior Loan Officer Opinion Survey on Bank Lending Practices, which covers changes over the previous three months, indicated some tightening of credit standards and terms for business loans by selected types of banks. A number of branches and agencies of Japanese banks in the District reported tightening of C&I lending, citing "a deterioration in the parent bank's current or expected capital position," "a less favorable economic outlook" and "reduced tolerance for risk" as "important" to "very important" reasons. Some District banks reported increased requests for loans to finance imports or exports from firms located in emerging East Asian economies affected by the economic problems in the region. However, reporting banks generally indicated less willingness to provide such loans since the outbreak of economic difficulties in Asia last year.

Simon Kwan

#### District Employment by State

	Number Employed (thousands)			Annualized % Change	% Change
	May-98	Apr-98	May-97	From	From
				Previous Month	Previous Year
Alaska	273.1	273.8	269.2	-3.0	1.4
Arizona	2,059.9	2,048.3	1,968.7	7.0	4.6
California	13,554.2	13,512.4	13,118.1	3.8	3.3
Hawaii	527.9	527.8	531.2	0.2	-0.6
Idaho	516.4	516.6	508.2	-0.5	1.6
Nevada	921.9	920.9	885.4	1.3	4.1
Oregon	1,565.2	1,563.9	1,525.8	1.0	2.6
Utah	1,026.3	1,024.4	991.8	2.2	3.5
Washington	2,587.0	2,576.5	2,507.0	5.0	3.2
District	23,031.9	22,964.6	22,305.4	3.6	3.3
U.S.	125,512.0	125,216.0	122,325.0	2.9	2.6

Seasonally adjusted payroll employment data

#### District Employment by Industry

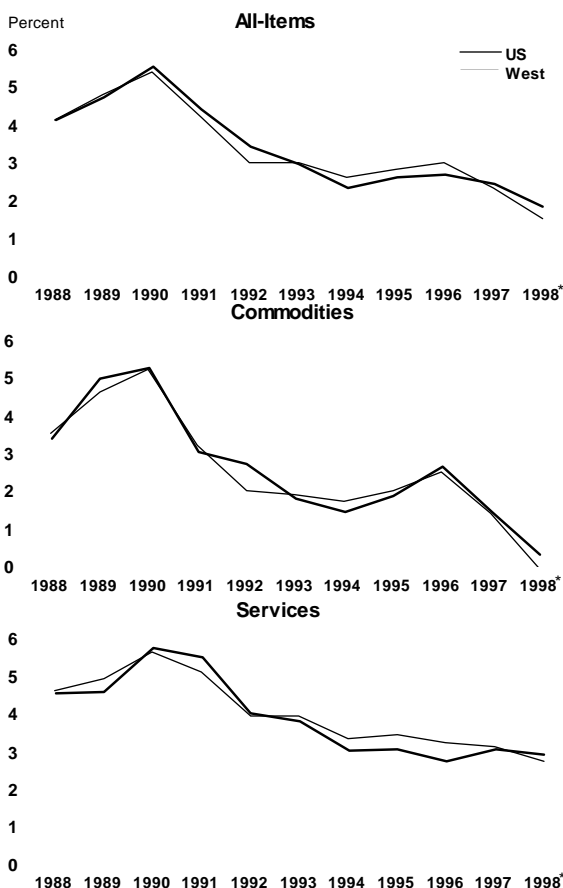
	Number Employed (thousands)			Annualized % Change	% Change
	May-98	Apr-98	May-97	From	From
				Previous Month	Previous Year
Total	23,031.9	22,964.6	22,305.4	3.6	3.3
Mining	83.0	83.1	84.4	-1.4	-1.7
Construction	1,175.8	1,173.1	1,111.2	2.8	5.8
Manufacturing	3,072.8	3,069.2	3,004.4	1.4	2.3
Transportation	1,188.0	1,185.1	1,158.9	3.0	2.5
Trade	5,396.2	5,373.7	5,248.9	5.1	2.8
F.I.R.E.	1,314.3	1,308.8	1,268.9	5.2	3.6
Services	7,003.8	6,972.1	6,694.7	5.6	4.6
Government	3,798.0	3,799.5	3,734.0	-0.5	1.7

Seasonally adjusted payroll employment data

**Regional Price and Labor Cost Trends**

Overall consumer price inflation in the West continued to slow through early 1998, but there has been some pickup in regional wage inflation and emerging evidence of underlying price pressures. The consumer price inflation rate in the U.S. West remained within the 2 percent to 3 percent range in 1993 through 1997, down from a previous peak inflation rate of 5½ percent in 1990. More recently, in early 1998 the measure of overall inflation for the region slowed a bit further to about a 1¾ percent pace (chart 1, upper panel). However, other indicators suggest that some of the good news on overall consumer prices owes to transitory factors which likely will hold down the growth rate in regional cost-of-living only temporarily. Also, the District economy is at high levels of utilization for many resources, and pressures for accelerating inflation are evident in some markets. Labor and housing markets are particularly tight and show some signs of a pickup in regional wages and prices.

**Chart 1  
Consumer Price Inflation**



\* Change to Jan.-May 1998 from same period a year earlier

**Regional Consumer Price Developments**

Most of the recent slowing in the CPI All-items inflation rate for the West owed to a drop in the commodities inflation rate to near zero in early 1998 (chart 1, middle panel)<sup>1</sup>. Prices of energy commodities fell sharply in the first four months of 1998, largely owing to a large drop in the price of crude oil on world markets. Also, prices of commodities other than food and energy were virtually unchanged between early 1997 and early 1998, held down by a decline in prices of non-oil imports.

There has been no progress in reducing service price inflation recently. Prices of services continued to increase at about a 3 percent rate in early 1998, which is similar to the 1997 pace and slightly above the service price inflation rate for 1996. The slight pickup in service price inflation over the past year and one-half owes to more rapid increases in housing shelter costs (chart 2). In contrast, the inflation rate for prices of services except rent of shelter dropped back a bit in early 1998; most of this slowing owed to energy and medical services prices.

Among District major metropolitan areas, the most rapid growth in housing costs was in the San Francisco Bay Area, and shelter costs appear to be accelerating in other areas. Housing shelter costs in San Francisco jumped in early 1998 to a level about 7 percent above a year earlier. In the Los Angeles Area, housing costs accelerated about ¾ percentage point this year to a 2½ percent rate. The early 1998 CPI estimates for other District cities are not yet available, but separate data from the National Association of Realtors on changes in median home prices are positively correlated with the CPI housing cost measures and show that housing price increases in major District cities generally were large in the first quarter. Last year in both Portland and Seattle the CPI housing shelter cost measure accelerated to about a 4 percent pace (chart 2, lower panel).

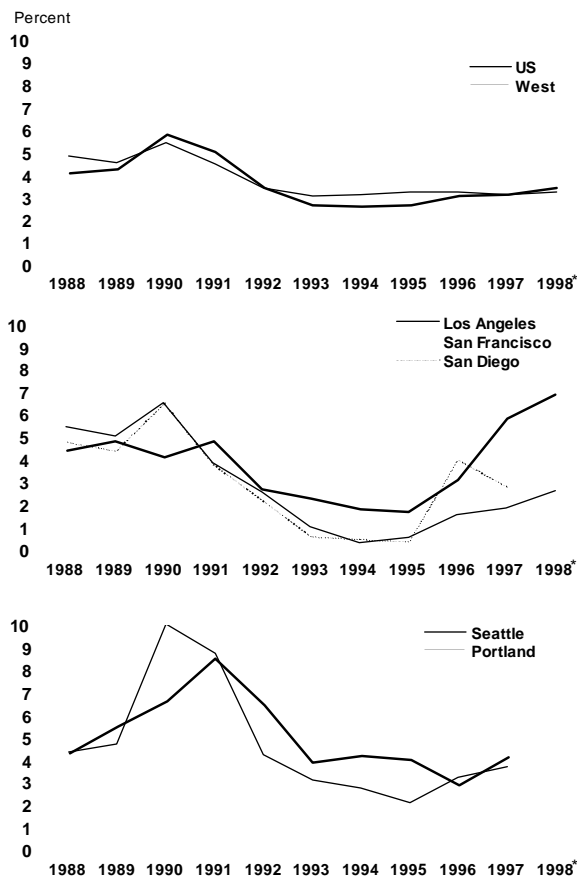
The recent pickup in housing costs in District cities reflects a tightening of housing market conditions. With relatively low interest rates and

<sup>1</sup> The BLS CPI figures for the West pertain to the Census definition of this region, which includes Montana, Wyoming, Colorado, and New Mexico in addition to the nine Twelfth district states.

strong population, job, and income growth in most of the West, the demand for owner-occupied housing has increased rapidly. The rate of expansion in supply has not been able to keep up with the shift out in demand, so prices have increased rapidly and vacancy rates have fallen. For example, the Census Bureau estimates that homeowner vacancy rates for the San Francisco area fell from a peak of 3 percent in 1990 to ½ percent in 1997. Los Angeles and San Diego homeowner vacancy rates also have fallen noticeably from peaks above 2½ percent to less than 1½ percent last year.

Markets for rental housing also generally have tightened. According to the Census Bureau, the San Francisco rental housing vacancy rate fell to 1¾ percent in 1997, down from a peak of about 6 percent in 1993. Rental vacancies also fell sharply to a low level (3½ percent) in Seattle last year.

**Chart 2**  
Consumer Price Inflation  
Shelter Costs



\* Change to Jan.-May 1998 from same period a year earlier

Other indicators also point to high and increasing levels of resource utilization in most District cities. For example, local unemployment rates have fallen below 3 percent in Seattle, below 3½ percent in the San Francisco Bay Area and San Diego, and below 4 percent in Portland. In the Los Angeles Area, where rapid economic growth has emerged only recently, the unemployment rate has fallen more than one percentage point over the past year but still is above 5½ percent.

For the most part, those metropolitan areas with the highest levels of resource utilization are experiencing the highest rates of wage and price inflation. Overall consumer prices increased at about a 3½ percent rate in 1997 in Seattle, Portland, and San Francisco, and this relatively rapid rate of inflation has been sustained recently in San Francisco, the only one of these cities with 1998 data available (table 1). In contrast, consumer prices increased less than 2 percent last year in Los Angeles, Honolulu, and Anchorage, where real estate and labor markets have been less tight.

**Regional Labor Cost Trends**

The rate of increase in labor costs in the West has accelerated in recent years. The Employer Cost Index (ECI) shows that the total compensation cost per worker in the private sector in the West increased 3.8 percent over the four quarters ending in March, 1998, which is a pickup of about 1 percentage point relative to the 1995 pace (chart 3). Almost all of the acceleration in

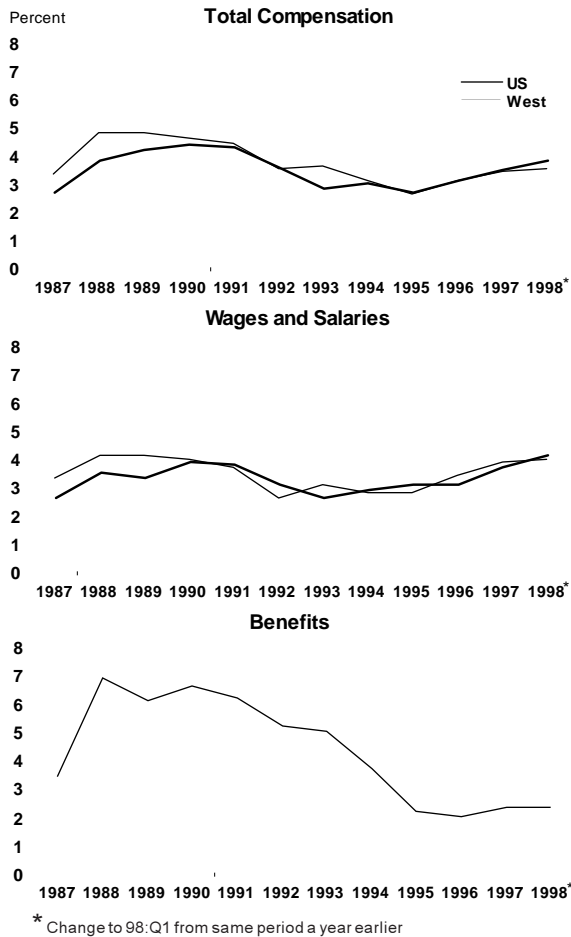
**Table 1**  
Consumer Price Inflation  
All-Items

(percent change over same period a year earlier)

	1996	1997	1998*
Seattle	3.4	3.5	n.a.
Portland	3.5	3.4	n.a.
San Francisco	2.3	3.4	3.5
Los Angeles	1.9	1.6	1.3
San Diego	2.6	1.7	n.a.
Honolulu	1.5	0.7	n.a.
Anchorage	2.7	1.5	n.a.
West	2.7	2.4	1.8
U.S.	3.0	2.3	1.5

\* Entries are for Jan.-May 1998 for all areas shown except San Francisco, for which the data pertain to Jan-Apr. 1998.

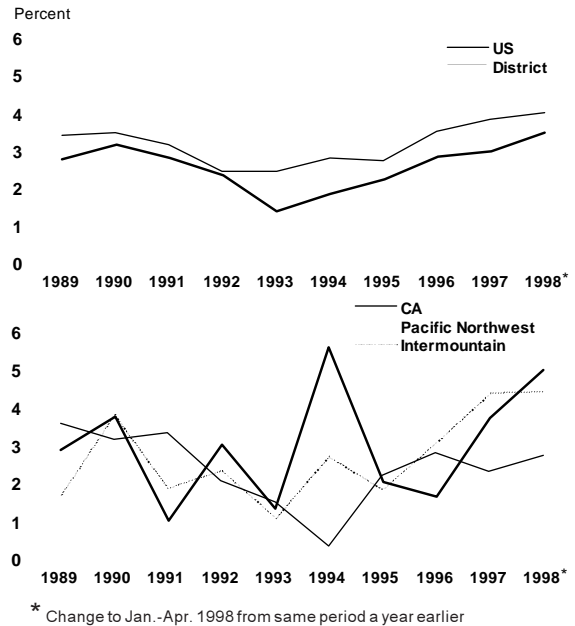
**Chart 3**  
**Employer Cost Inflation**



total compensation has been in the wages and salaries component, which now is increasing at about a 4 percent pace. Also, reforms in the health care industry and the workers' compensation insurance system helped reduce the rate of growth in employee benefits costs in the 1990 to 1995 period, but more recently benefits costs containment has ceased to be a source of lower labor cost inflation.

Although subregional detail is not available for the ECI, another labor cost indicator—the average hourly earnings of production workers in selected industry groups—confirms the ongoing pickup in wage inflation in the West and suggests that the pickup is broad-based across states in the District. For those District states with estimates of average hourly earnings available for workers in construction, manufacturing, and wholesale and retail trade, wages increased in the first four months of 1998 to a level 3½

**Chart 4**  
**Growth of Average Hourly Earnings in Construction, Manufacturing, & Trade**



percent above a year earlier (chart 4, upper panel). This is a pickup of about 1¼ percentage points relative to the 1995 pace. The pickup in wage inflation since 1995 is particularly evident for the states in the Pacific Northwest and Intermountain regions of the District (chart 4, lower panel). In California, wages in construction, manufacturing, and trade have picked up only slightly to a 2¾ percent current pace.

**Summary and Conclusion**

The overall rate of consumer price inflation in the West has remained moderate since 1993 and recently slowed further. However, some of the good news on overall consumer prices owes to factors, such as declines in the price of oil and of other imported commodities, which appear unlikely to yield a permanent dividend of lower inflation. While there is some slack abroad and pockets of weakness in the domestic manufacturing sector, the overall District economy is at high levels of utilization for more localized resources such as labor and real estate. Accordingly, regional wages have accelerated, and consumer price indices for local services such as housing shelter have picked up.

**Joe Matthey**

## ALASKA, OREGON, AND WASHINGTON

The **Alaskan** economy slowed in April and May, after growing rapidly during the first quarter. Most of the slowdown was attributable to employment declines in the manufacturing sector, which shed 2,300 jobs in the past two months. The mining and government sectors also lost jobs. In contrast, all other sectors of Alaska's economy expanded. The transportation and services sectors posted rapid growth, adding 1,600 new jobs in April and May, bolstering more moderate expansions in construction and retail trade. Despite the recent pause, Alaska's payroll employment growth for the year remains strong, at 4.3 percent at an annual rate for the first five months of 1998.

Alaska's real estate and construction industry has gained strength in recent months. Low interest rates and growing strength in the international air cargo sector have helped to strengthen the real estate market in the Anchorage area. In Fairbanks, increased tourist traffic, both final destination and stopover traffic, has generated new hotel construction.

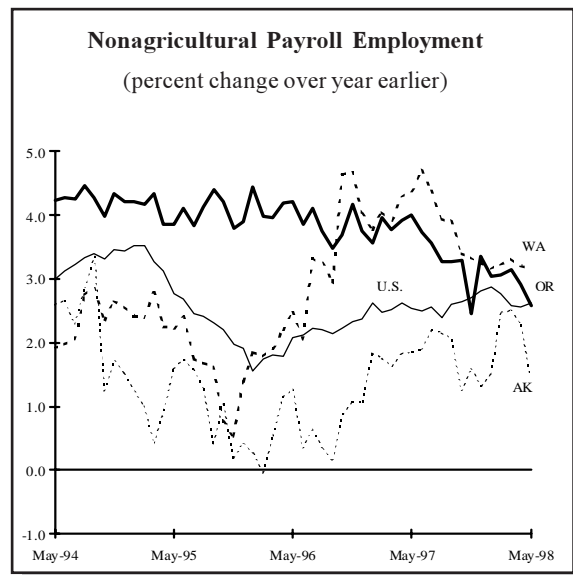
Economic growth in **Oregon** slowed in April and May, falling to an annual rate of 1.3 percent, off the 2.8 percent pace of growth in the first quarter. Slower job growth has served to loosen the state's tight labor market; the state unemployment rate rose to 5.2 percent in May, 0.3 percentage point higher than in March. While the slowdown in Oregon has been broad-based,

manufacturing and non-residential construction have shown the most weakness. Much of the decline in growth in these sectors is attributable to ongoing problems in East Asia, which have damped export demand for manufactured products and stalled plans for business expansion and new plant development.

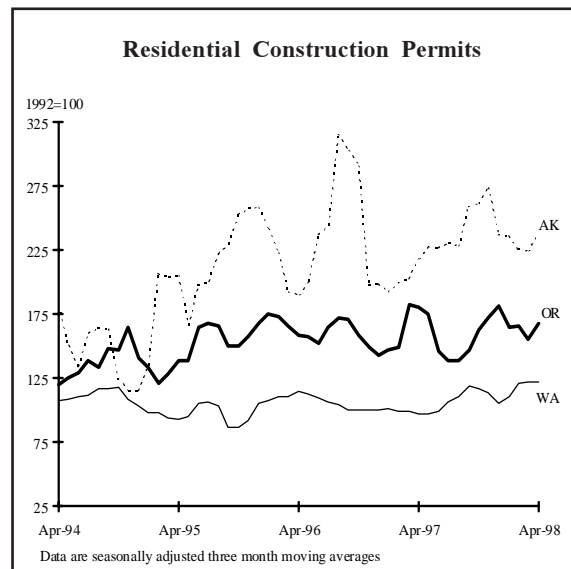
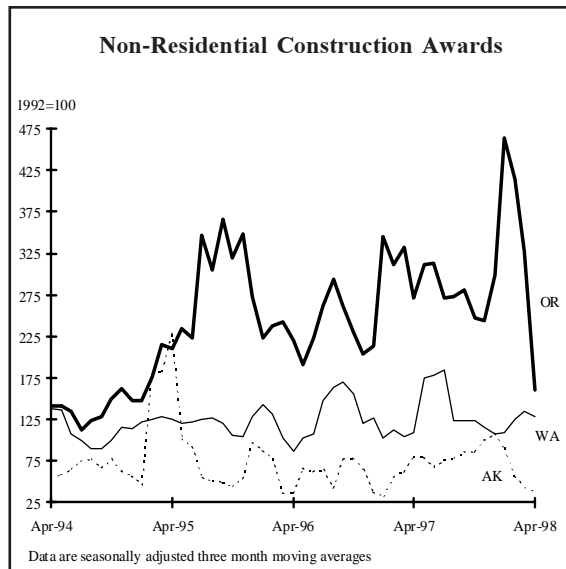
One area of manufacturing that has not slowed is food processing. Despite weakening product demand from East Asia, a primary export market, Oregon's food processing sector is adding jobs at double digit rates. In addition, at a time when many manufacturing businesses are delaying expansion plans, the food processing sector is adding capacity. For example, Reser's Fine Food Inc. of Beaverton, a food-processing plant, announced plans to build a \$15 million, 100,000-sq. ft. plant to process refrigerated potatoes at the Port of Pasco. When it opens in 1999, the plant is expected to employ about 100 full-time staff.

**Washington's** economy continued to grow at a strong pace in recent months. Total nonfarm payroll employment increased at an annualized rate of nearly 5 percent in April and May. Almost all major sectors added jobs in these months. The construction, finance, insurance, and real estate, and services sectors posted the most rapid growth in recent months, adding jobs at annualized rates of approximately 11.0, 9.5, and 9.0 percent, respectively.

Although most sectors of Washington's economy are posting healthy expansions, the agricultural sector continues to struggle against weakened demand and low prices associated with developments in global markets. East Asia continues to exact a toll on apple and pear producers; 1998 apple and pear exports to Asia are down 40 percent compared with 1997 volumes. Wheat growers also are experiencing difficult times. Sluggish demand reportedly has reduced wheat prices below the cost of production for many Washington farmers, and potential export sanctions against Pakistan and India, Washington's biggest wheat market, could aggravate the profitability problem.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	May-98	Apr-98	May-97		
<b>Alaska</b>					
Total	273.1	273.8	269.2	-3.0	1.4
Mining	10.5	10.4	10.1	12.2	4.0
Construction	12.9	13.0	13.0	-8.9	-0.8
Manufacturing	14.0	15.5	15.5	-70.5	-9.7
T.C.P.U.	25.5	25.0	24.1	26.8	5.8
Trade	57.2	56.6	55.7	13.5	2.7
F.I.R.E.	12.3	12.3	12.2	0.0	0.8
Services	67.8	67.4	65.5	7.4	3.5
Government	72.9	73.6	73.1	-10.8	-0.3

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	May-98	Apr-98	May-97		
<b>Washington</b>					
Total	2587.0	2576.5	2507.0	5.0	3.2
Mining	3.4	3.4	3.5	0.0	-2.9
Construction	141.3	140.1	136.0	10.8	3.9
Manufacturing	378.3	376.9	367.1	4.5	3.1
T.C.P.U.	137.6	136.9	134.2	6.3	2.5
Trade	625.5	621.4	607.1	8.2	3.0
F.I.R.E.	134.5	133.7	127.6	7.4	5.4
Services	709.0	704.6	675.6	7.8	4.9
Government	457.4	459.5	455.9	-5.3	0.3

	Number Employed (thousands)			Annualized % Change From Previous Month	% Change From Previous Year
	May-98	Apr-98	Mar-98	May-97	Apr-97
<b>Oregon</b>					
Total	1565.2	1563.9	1525.8	1.0	2.6
Mining	1.8	1.9	1.8	-47.7	0.0
Construction	82.7	85.7	82.2	-34.8	0.6
Manufacturing	247.6	246.7	245.3	4.5	0.9
T.C.P.U.	75.5	75.6	74.6	-1.6	1.2
Trade	388.6	386.5	376.8	6.7	3.1
F.I.R.E.	96.9	96.5	94.9	5.1	2.1
Services	415.2	414.7	401.0	1.5	3.5
Government	256.9	256.3	249.2	2.8	3.1

	Unemployment Rates (%)				
	May-98	Apr-98	Mar-98	May-97	Apr-97
Alaska	5.9	5.7	6.0	7.9	8.3
Oregon	5.2	5.1	4.9	5.7	6.0
Washington	4.4	4.2	4.1	4.8	5.0
U.S.	4.3	4.3	4.7	4.8	5.0

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 April and May. Payroll employment increased at about a 4 percent average annual rate in these two months, following a gain of 4¾ percent at an annual rate in the first quarter. Among major sectors, the most rapid increases have been in construction and finance, insurance, and real estate; the pace of job growth in these sectors has exceeded 6 percent at an annual rate so far in 1998. Construction-related manufacturing industries also are doing well; for example, the stone, clay and glass industry added jobs at about a 6 percent annual pace in the first five months of 1998. The pickup in construction activity also is evident in other indicators. Permits for residential construction have moved up noticeably in recent months. Also, nonresidential construction contract awards were strong in the first quarter.

In the first five months of 1998, Arizona's unemployment rate stabilized at a low level of about 4 percent, after falling about 1¼ percentage points in 1997. In Phoenix, which has a current unemployment rate of 2.7 percent, the job market is even tighter than in the remainder of the state.

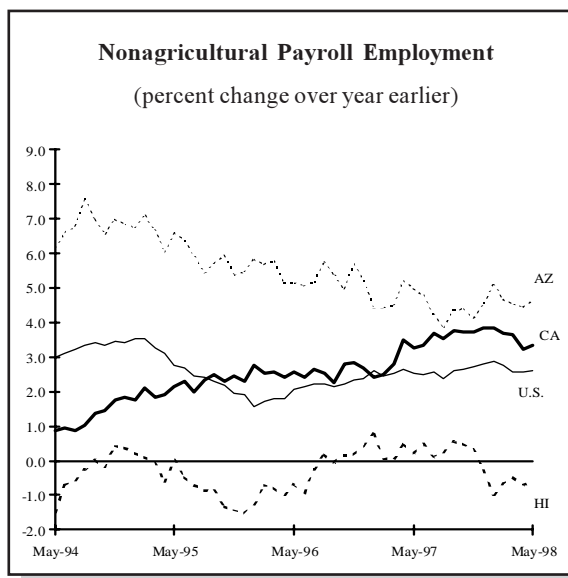
Strong economic growth continued in California in April and May. The state's nonfarm payrolls expanded at a 3 percent average annual rate in those two months, following about a 2½ percent rate of increase in the first quarter. For the first five months of 1998 as a whole, California employment has increased at a 2¾ percent annual

rate, down about 1 percentage point relative to the very rapid 1997 pace. Reflecting the currently strong, but slower growth, the state unemployment rate edged down from 6 percent in December to 5.8 percent in May, after falling about 0.8 percentage point over the course of 1997. Construction and manufacturing, two sectors which contributed a lot to 1997 growth, have slowed so far this year. Construction payrolls jumped about 11 percent last year and have increased about 6½ percent at an annual rate in the first five months of 1997. Manufacturing job growth has slipped to about a ¾ percent annual pace so far this year, following a 3½ percent gain last year.

The slowing of manufacturing job growth is particularly evident in the San Francisco Bay Area, where large 1997 increases in high-tech computer and electronics employment were not sustained in early 1998. However, construction job growth has picked up this year in the Bay Area. Much of the slowdown in state construction employment job growth in early 1998 was in the Central Valley. Overall employment growth in the Central Valley slowed to about a 1 percent annual pace in the first few months of the year, as all major sectors weakened. Also, this agricultural region's unemployment rate is holding steady at the high level of about 9½ percent.

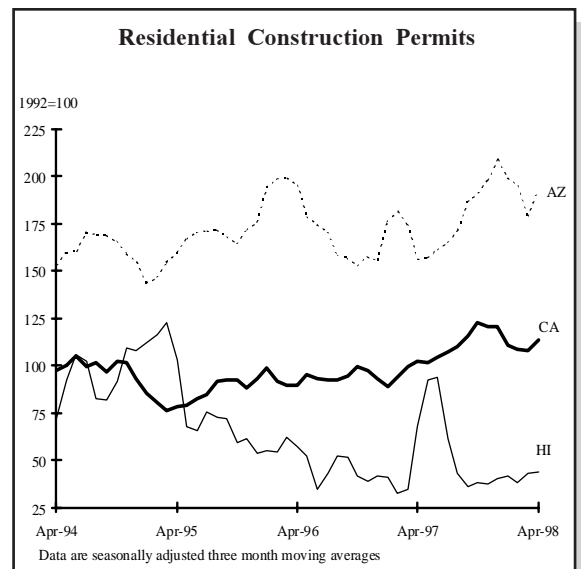
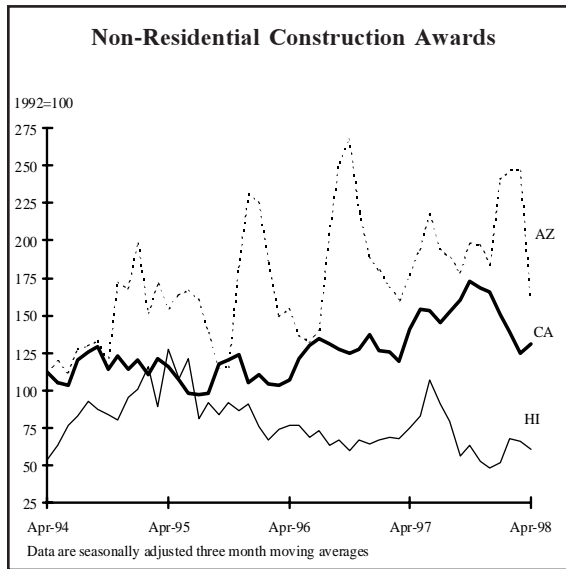
Hawaii is the only state in the nation which consistently is losing jobs, and the declines continued through May. Employment fell about 1¼ percent at an annual rate in the two months ending in May, following a similar-sized decline in the first quarter and an even larger drop in the final quarter of last year. Recent job losses have been particularly large in the wholesale and retail trade, air transportation, and finance, insurance, and real estate industries. Hotels also have been cutting back employment, and manufacturing payrolls have fallen about 4 percent at an annual rate in the first five months of the year.

Arrivals of visitors to Hawaii in the first four months of this year were down 0.4 percent relative to a year earlier. In April, arrivals of visitors from Japan were off 2 percent from a year earlier, whereas arrivals from other Asia-Pacific countries were down 22 percent.





# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized %	%
	May-98	Apr-98	May-97	Change From Previous Month	Change From Previous Year
<b>Arizona</b>					
Total	2059.9	2048.3	1968.7	7.0	4.6
Mining	13.4	13.5	13.4	-8.5	0.0
Construction	135.0	133.3	130.3	16.4	3.6
Manufacturing	215.1	215.5	204.7	-2.2	5.1
T.C.P.U.	98.6	97.7	96.5	11.6	2.2
Trade	501.0	498.8	478.3	5.4	4.7
F.I.R.E.	133.7	132.9	125.9	7.5	6.2
Services	631.3	624.3	592.8	14.3	6.5
Government	331.8	332.3	326.8	-1.8	1.5

	Number Employed (thousands)			Annualized %	%
	May-98	Apr-98	May-97	Change From Previous Month	Change From Previous Year
<b>Hawaii</b>					
Total	527.9	527.8	531.2	0.2	-0.6
Mining	.	.	.	.	.
Construction	22.0	21.8	22.3	11.6	-1.3
Manufacturing	16.2	16.3	16.7	-7.1	-3.0
T.C.P.U.	40.3	40.2	41.4	3.0	-2.7
Trade	132.6	132.5	135.2	0.9	-1.9
F.I.R.E.	35.1	35.3	36.3	-6.6	-3.3
Services	169.6	170.3	168.6	-4.8	0.6
Government	112.1	111.4	110.7	7.8	1.3

	Number Employed (thousands)			Annualized %	%
	May-98	Apr-98	Mar-98	Change From Previous Month	Change From Previous Year
<b>California</b>					
Total	13554.2	13512.4	13118.1	3.8	3.3
Mining	28.6	28.6	29.3	0.0	-2.4
Construction	593.4	591.6	548.2	3.7	8.2
Manufacturing	1947.8	1944.3	1907.8	2.2	2.1
T.C.P.U.	680.6	680.1	662.5	0.9	2.7
Trade	3128.8	3117.4	3050.9	4.5	2.6
F.I.R.E.	779.6	776.1	754.5	5.5	3.3
Services	4216.9	4198.7	4022.8	5.3	4.8
Government	2178.5	2175.6	2142.1	1.6	1.7

	Unemployment Rates (%)				
	May-98	Apr-98	Mar-98	May-97	Apr-97
Arizona	4.1	4.4	4.4	4.7	4.9
Hawaii	5.8	5.3	5.8	6.6	6.6
California	5.8	5.9	6.0	6.3	6.4
U.S.	4.3	4.3	4.7	4.8	5.0

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 paused in recent months but appears to remain on a moderate growth path. Small net job losses during April and May pulled total payroll employment growth down to 1.1 percent at an annual pace thus far in 1998. After a strong January and February, the manufacturing sector lost jobs during the next three months. Manufacturing job growth remains positive thus far in 1998, however, spurred in part by rapid net growth among electronic equipment makers. Job growth also has been very strong in the finance, insurance, and real estate sectors. In contrast, the services sector has shrunk this year, with job losses concentrated among providers of business, health, and engineering and management services.

Despite recent payroll employment losses, the state unemployment rate fell to 4.7 percent in May, the lowest since June, 1969. The Boise area lost jobs during the first four months of 1998, but labor markets remain tighter there than elsewhere in the state; the seasonally adjusted unemployment rate has been hovering between 3½ and 4 percent. Real estate markets also are tight in Boise, with very low commercial vacancy rates recorded recently for the downtown area.

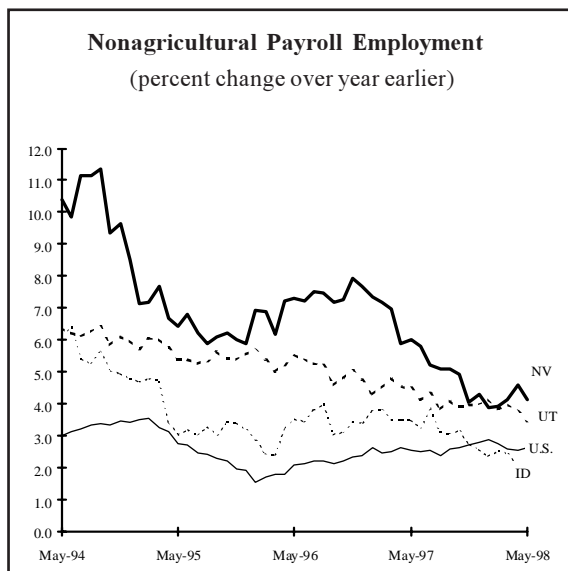
**Nevada's** economy has settled onto a strong growth path. Payroll employment grew 3.9 percent at an annual rate during April and May, slightly below the growth rate during 1997 but

equal to the first quarter 1998 pace. The expansion has been broad based, with all major sectors except the government growing by over 3 percent at an annual pace thus far in 1998. Manufacturing employment grew rapidly in the first quarter but slowed substantially during April and May. Job growth has been strong among providers of personal, business, and professional services. However, employment in the hotel and amusement sector has been essentially flat, thereby holding net growth in the services sector below its rate from previous years.

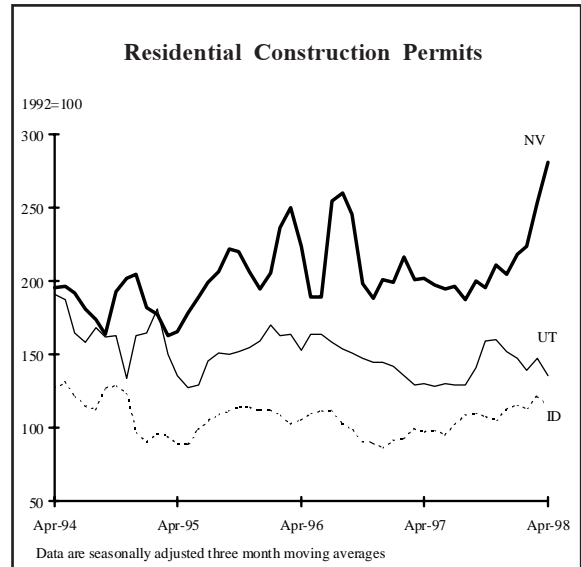
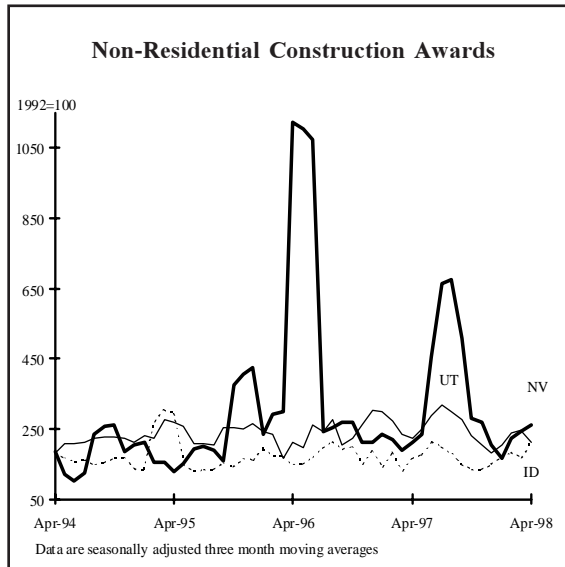
Construction has been the fastest-growing sector this year. After expanding by 5.1 percent in 1997, job growth has been at nearly twice that pace thus far in 1998. Both residential and non-residential building permits trended upward during the first four months of 1998, with a particularly sharp increase in the number of new residential permits.

**In Utah,** economic growth slowed in recent months. After expanding just over 1 percent at an annual pace during April and May, yearly growth in payroll employment stood at 2.9 percent as of May, the slowest pace since October 1992. However, job growth remains rapid in the construction sector, with a pick up in recent months producing a growth rate close to last year's pace of nearly 8 percent. Growth in government employment has been very strong, spurred by gains among the state and local governments. In contrast, growth in services sector employment has fallen in recent months, as a slowdown in the health services sector more than offset a rapid employment acceleration in the hotel and lodging sector.

Growth during the first four months of this year was slower in Salt Lake City, where two-thirds of the state's jobs are located, than in the rest of the state. Key reasons include job losses in the finance, insurance, and real estate sector, and slow growth in government employment there. Although labor markets remain very tight in the Salt Lake City area, the unemployment rate has come up slightly, from 2.7 percent at the end of last year to 3.1 percent in April.



# CONSTRUCTION



# EMPLOYMENT

	Number Employed (thousands)			Annualized % Change	% Change
	May-98	Apr-98	May-97	From Previous Month	From Previous Year
<b>Idaho</b>					
Total	516.4	516.6	508.2	-0.5	1.6
Mining	3.2	3.1	3.2	46.4	0.0
Construction	32.7	32.9	32.2	-7.1	1.6
Manufacturing	76.1	76.3	74.2	-3.1	2.6
T.C.P.U.	24.4	24.4	24.1	0.0	1.2
Trade	130.8	130.1	129.0	6.7	1.4
F.I.R.E.	26.6	26.5	25.1	4.6	6.0
Services	121.7	121.2	121.4	5.1	0.2
Government	100.9	102.1	99.0	-13.2	1.9

	Number Employed (thousands)			Annualized % Change	% Change
	May-98	Apr-98	May-97	From Previous Month	From Previous Year
<b>Utah</b>					
Total	1026.3	1024.4	991.8	2.2	3.5
Mining	8.3	8.3	8.5	0.0	-2.4
Construction	68.5	67.7	65.2	15.1	5.1
Manufacturing	135.2	135.4	132.8	-1.8	1.8
T.C.P.U.	58.2	58.2	56.0	0.0	3.9
Trade	244.8	244.2	238.0	3.0	2.9
F.I.R.E.	53.5	53.7	52.5	-4.4	1.9
Services	279.8	278.7	267.4	4.8	4.6
Government	178.0	178.2	171.4	-1.3	3.9

	Number Employed (thousands)			Annualized % Change	% Change
	May-98	Apr-98	May-97	From Previous Month	From Previous Year
<b>Nevada</b>					
Total	921.9	920.9	885.4	1.3	4.1
Mining	13.8	13.9	14.6	-8.3	-5.5
Construction	87.3	87.0	81.8	4.2	6.7
Manufacturing	42.5	42.3	40.3	5.8	5.5
T.C.P.U.	47.3	47.0	45.5	7.9	4.0
Trade	186.9	186.2	177.9	4.6	5.1
F.I.R.E.	42.1	41.8	39.9	9.0	5.5
Services	392.5	392.2	379.6	0.9	3.4
Government	109.5	110.5	105.8	-10.3	3.5

	Unemployment Rates (%)				
	May-98	Apr-98	Mar-98	May-97	Apr-97
Idaho	4.7	5.1	5.2	5.4	5.4
Nevada	4.7	4.8	4.7	4.1	4.2
Utah	3.0	3.2	3.1	3.1	3.2
U.S.	4.3	4.3	4.7	4.8	5.0

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All data are seasonally adjusted.

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**1998 Issues**

January  
April  
May  
June  
August  
September  
November  
December

**Mailing Date**

February 5  
April 2  
May 21  
July 2  
August 20  
October 1  
November 19  
December 24



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