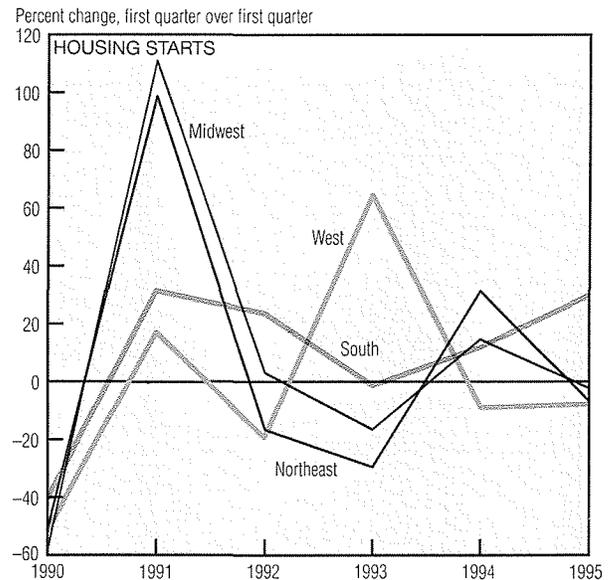
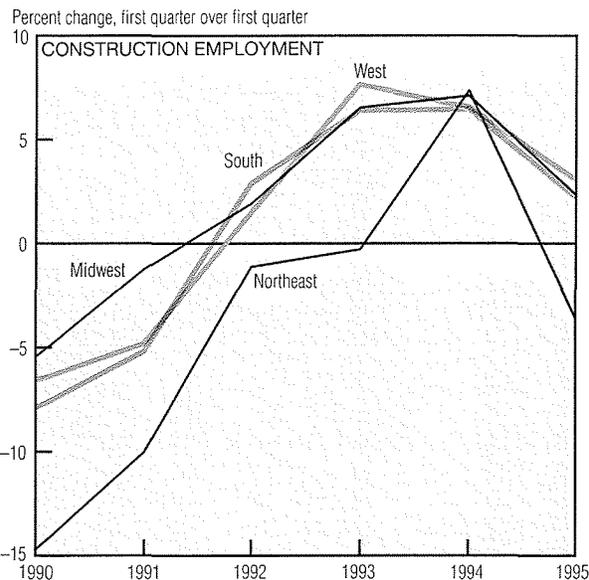
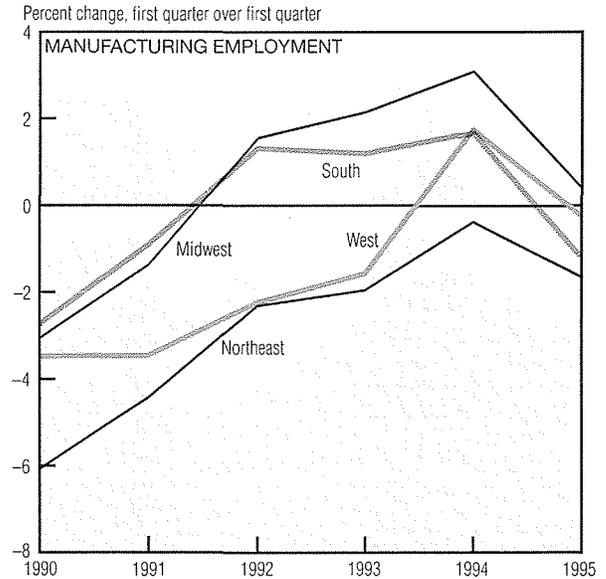
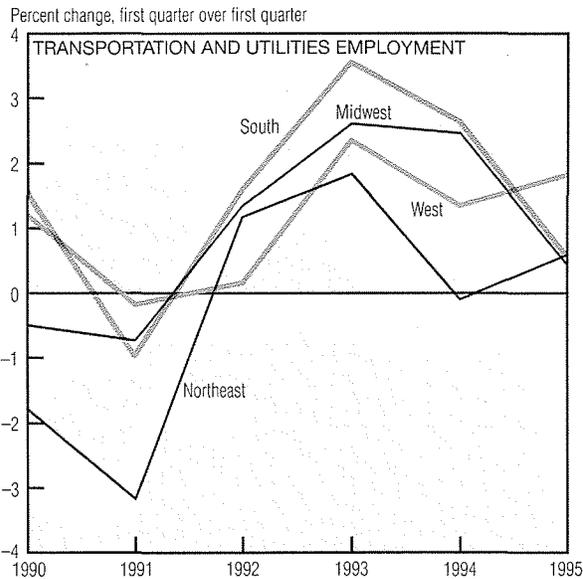


Regional Conditions



SOURCES: U.S. Department of Labor, Bureau of Labor Statistics, and U.S. Department of Commerce, Bureau of the Census.

For the first time since the recovery began in the early 1990s, regional employment and housing data are offering some signs that the expansion may be cooling. In all regions of the nation, the growth rate of employment in construction, manufacturing, and the transportation and utilities sectors has continued its downward trend. Although growth rates may decline from year to year, actual employment numbers still increase as long as the growth rate is positive.

In the last year, every region had

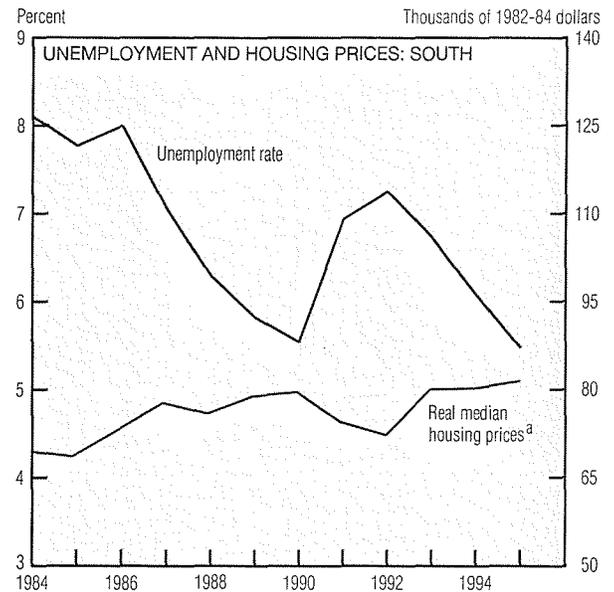
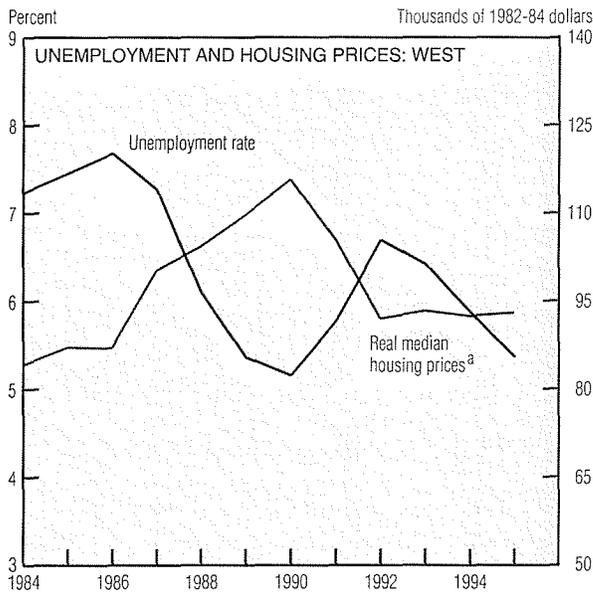
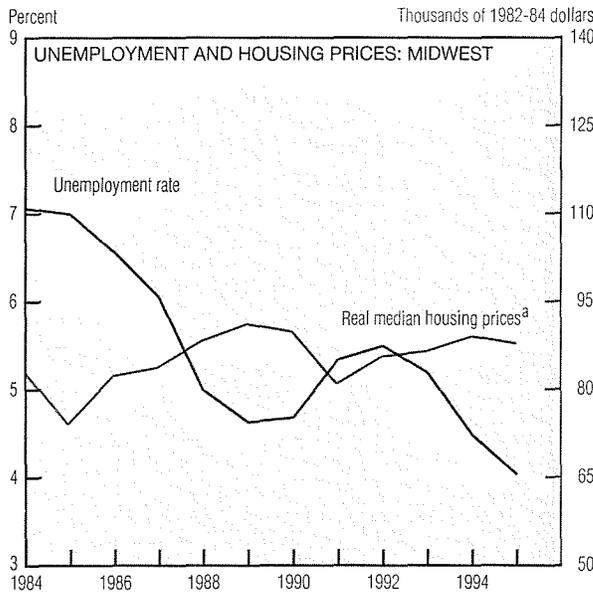
a positive growth rate in transportation and utilities employment, but other sectors have not fared as well. Manufacturing employment retained a positive growth rate in the Midwest, but experienced an actual decline in every other region. In the construction industry, employment growth increased between 1992 and 1994 in all regions before dropping off. While the South, West, and Midwest merely slowed their rate of increase in construction employment, the Northeast lost 3.6% of its employed construction workforce after reaching a peak growth rate of 7.2%

between 1993 and 1994.

The extreme volatility of housing starts experienced in the early part of the decade has eased somewhat. Since the beginning of 1994, the South has been the only region to show continued growth in the rate of new starts, which expanded nearly 30% between 1994:IQ and 1995:IQ. Despite the decreasing growth rates in most regions, the nation has shown an overall rise in housing starts during the past six months.

(continued on next page)

Regional Conditions (cont.)



a. Real median sales prices of new single-family houses sold, not seasonally adjusted.

NOTE: All data are for the second quarter.

SOURCES: U.S. Department of Housing and Urban Development, U.S. Department of Commerce, Bureau of the Census; and U.S. Department of Labor, Bureau of Labor Statistics.

The unemployment rate is frequently used as a measure of economic conditions. As the charts show, the unemployment rate tracks the business cycle quite well, rising during the economic downturn of 1990-91, for example, and falling during the current recovery. Apart from the cyclical variability of unemployment, there is also a trend component. The Midwest, West, and South show a downward trend, while the Northeast exhibits a slight upward trend.

Unemployment, however, is not all bad. Part of it results from work-

ers searching for new and better jobs. The normal churning of the labor market may help re-sort some workers to better job matches and hence higher wages. For others, however, unemployment means a reduction in lifetime earnings that leaves them worse off.

Along with unemployment, the charts show real median prices for housing, which is typically a homeowner's largest asset. Although the trend in housing prices across all regions is up, there are times when housing prices are not rising as fast as previously or are actually falling.

These times match up well with underlying economic conditions. During bad times, when unemployment is high, housing prices taper off or drop. This implies that individuals not only suffer losses during times of high unemployment (months when they are out of work, for example), but may also face a reduction in real wealth when their homes lose value. During good times, some of these losses may be recouped; however, in the West and Northeast, housing prices have yet to regain their previous growth rates.