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2012 Regional Economic Outlook

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What you see...what I see.



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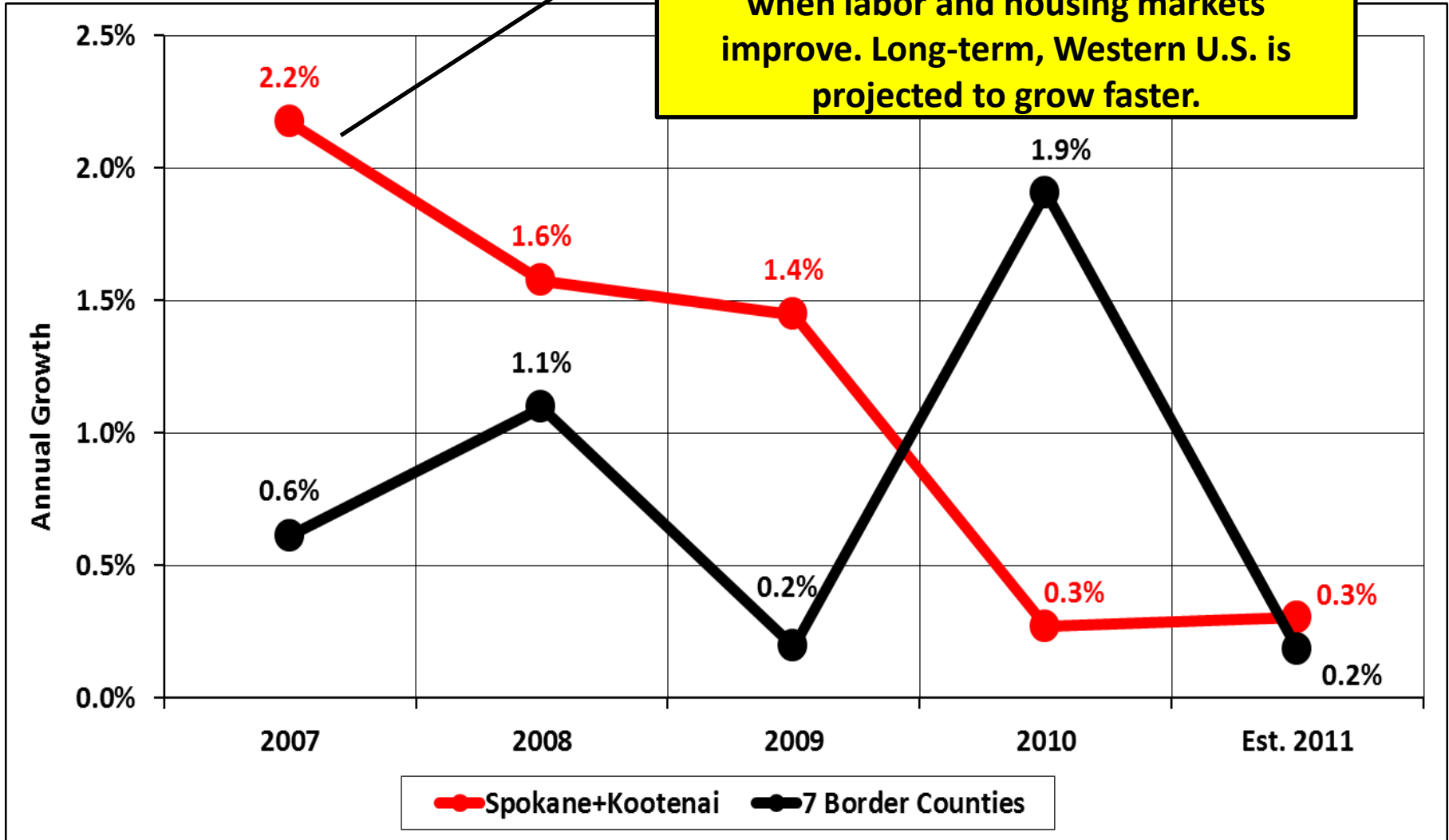
Source: Alaska state library, historical collections.

2011 Major Indicator Summary

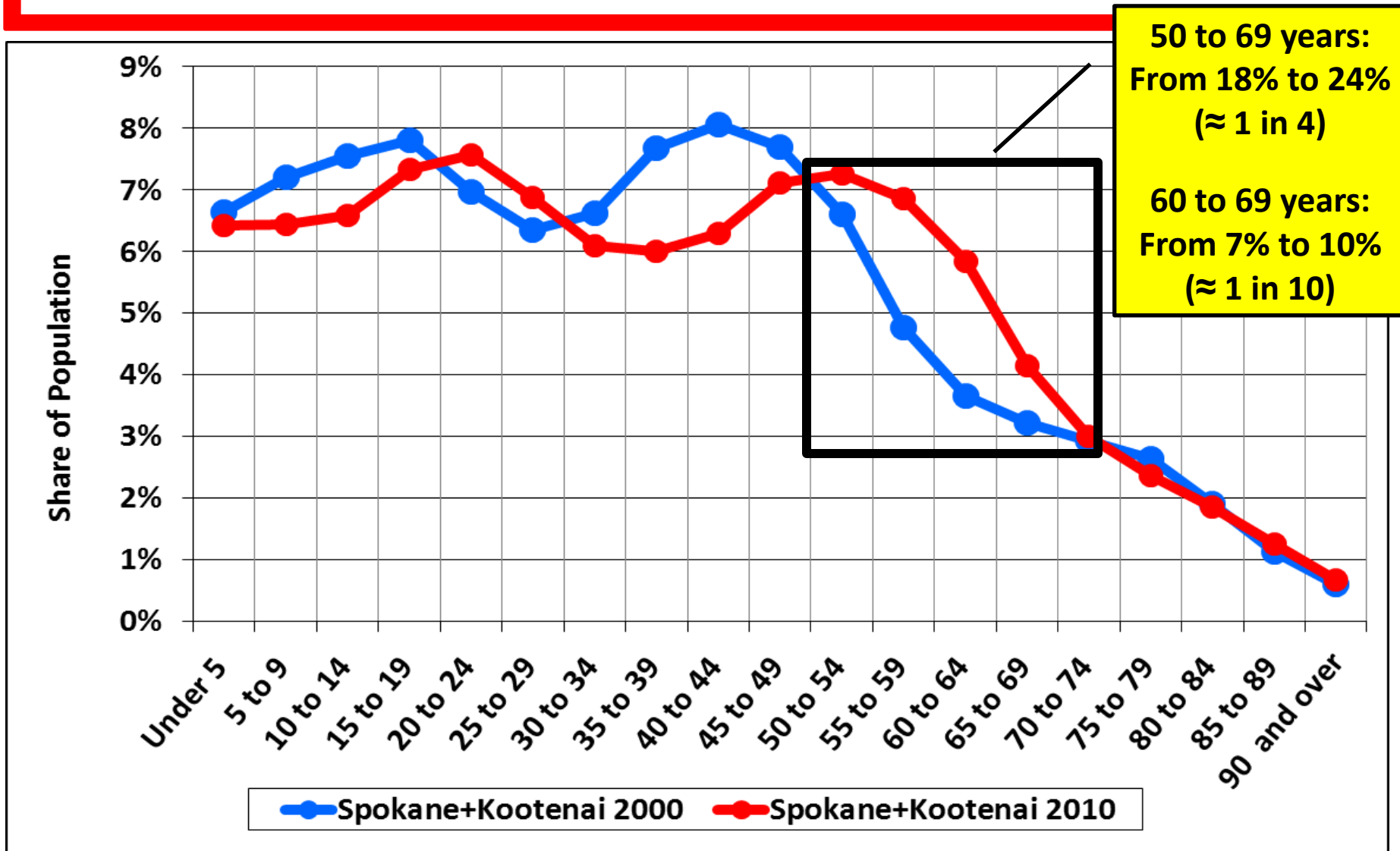
| Indicator | Performance | 2011 F |
|--|-----------------------|-------------------|
| Regional Population Growth | Under 1% | 1% to 1.5% |
| Spokane+Kootenai Unemployment Rates | Flat (> 9%) | > 8% |
| Spokane+Kootenai Employment Growth | Near 0% | 1.5% |
| Spokane+Kootenai Real Per Capita Personal Income Growth (Based on state data for 1Q and 2Q 2011) | Under 1% | 0.5% |
| Spokane County Taxable Sales Growth | Under 1% | 0% |
| Spokane+Kootenai Existing Home Price Growth | -7% to -12% | -2% to -4% |
| Spokane+Kootenai Initial Unemployment Claims | Lower | Lower |
| Spokane+Kootenai Residential Units Permitted | Higher | Flat |

Regional Population Growth, 2007-2011

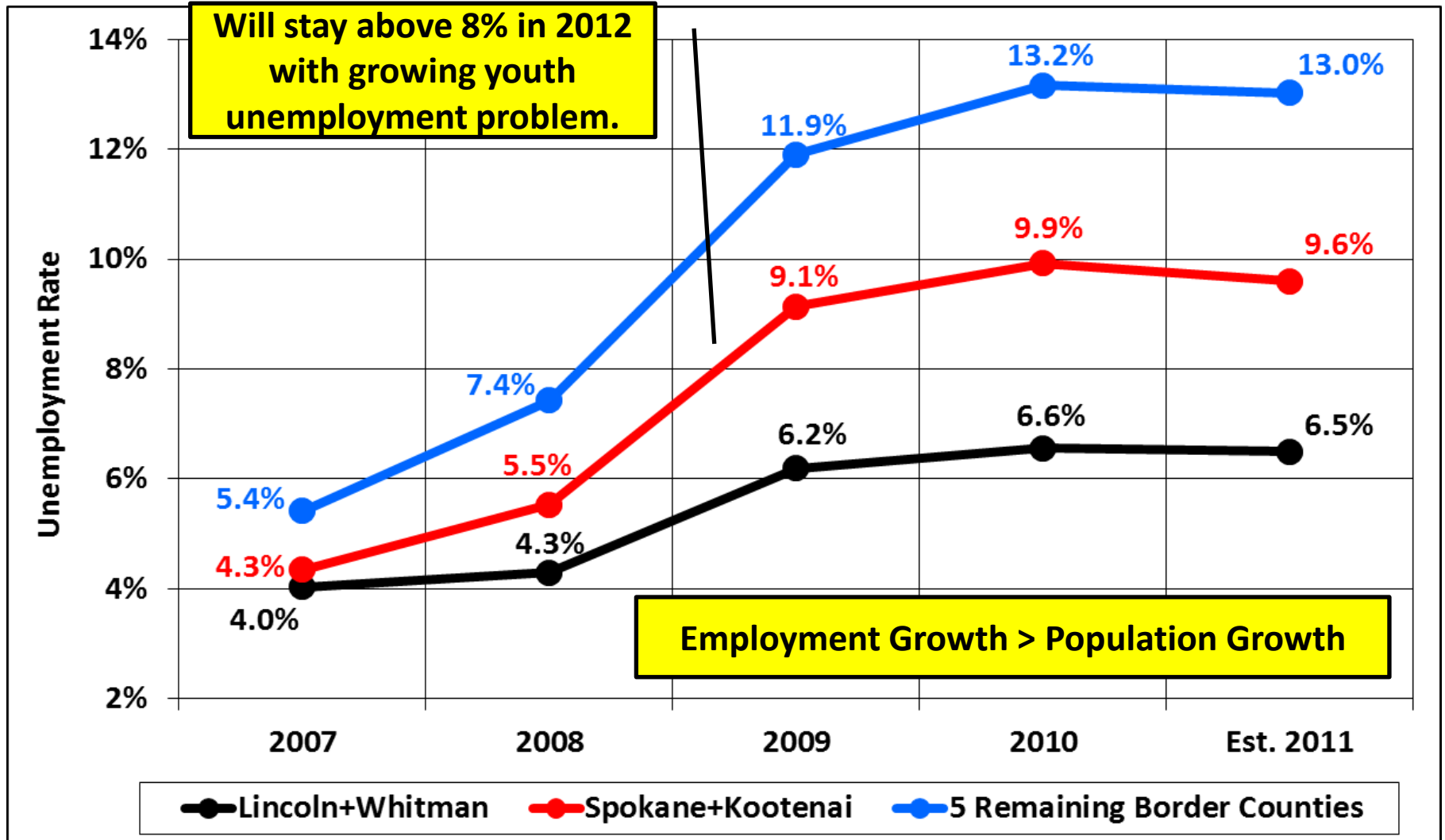
Falling population growth. Will recover when labor and housing markets improve. Long-term, Western U.S. is projected to grow faster.



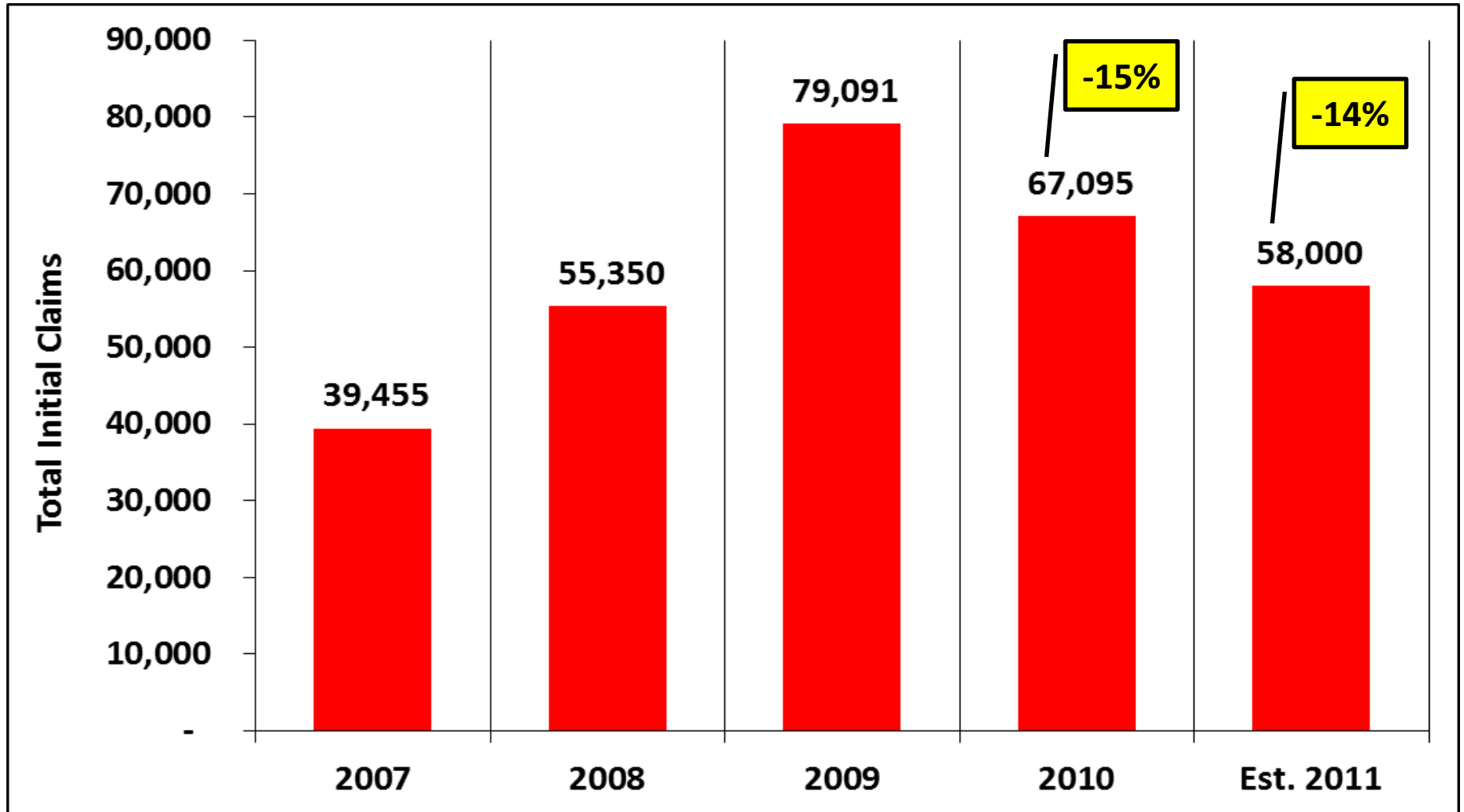
Spokane+Kootenai Age Demographics, 2000 vs. 2010



Regional Unemployment Rates, 2009-2011

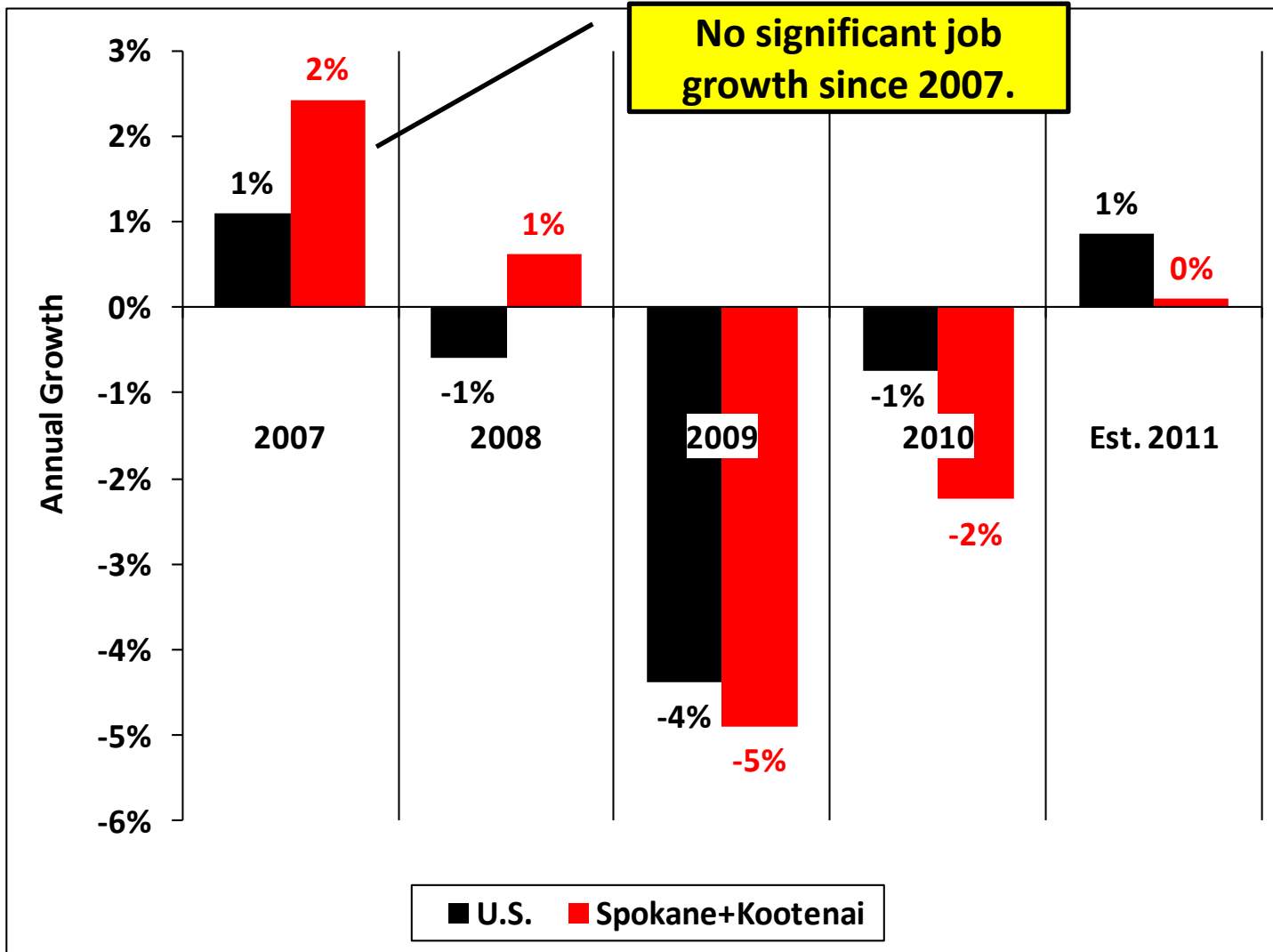


Spokane+Kootenai Initial Unemployment Claims, 2007-2011



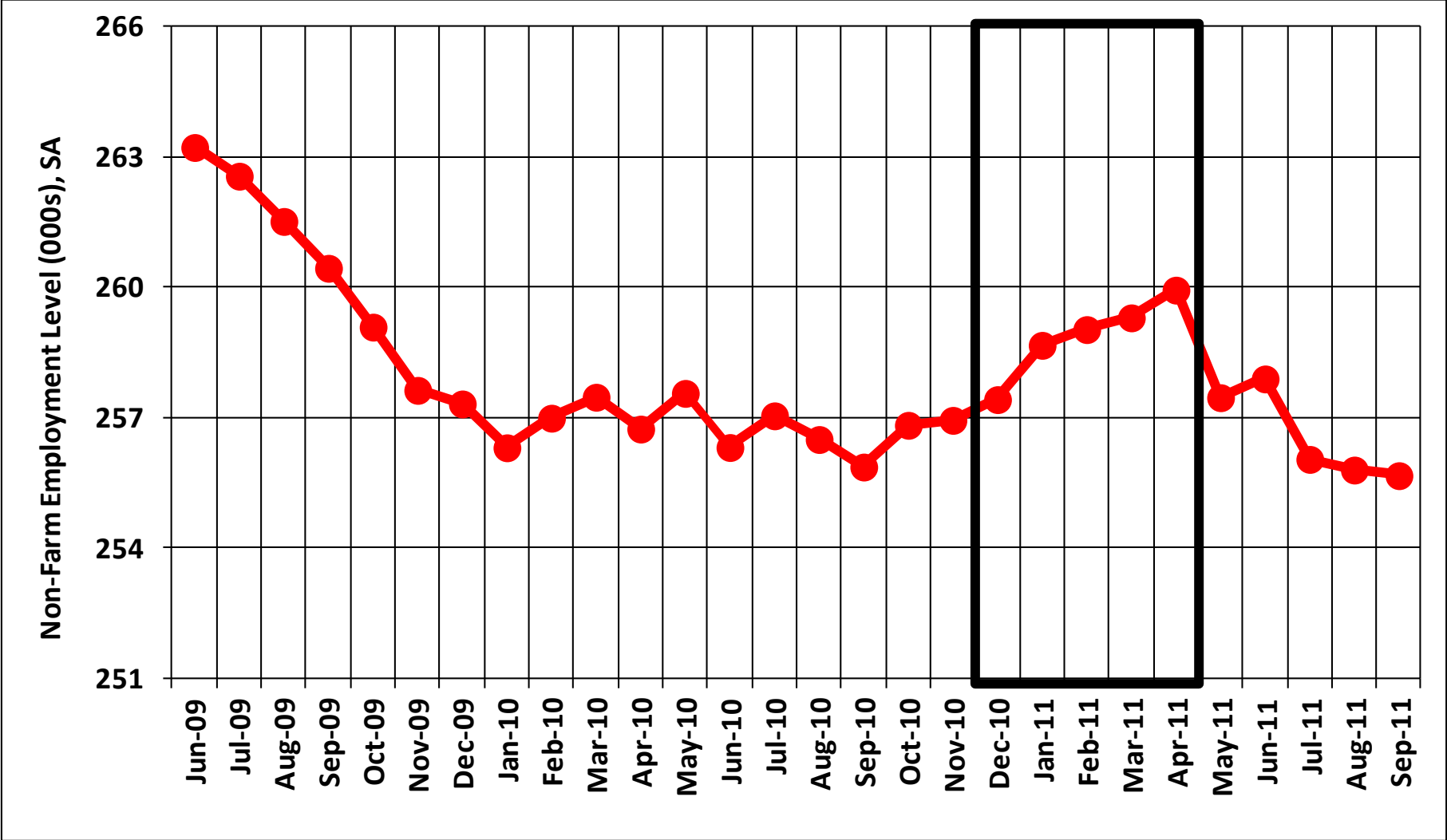
Source: LMEA, Alivia Body (ID ESD), and author's calculations.

Spokane+Kootenai Non-Farm Employment Growth, 2007-2011



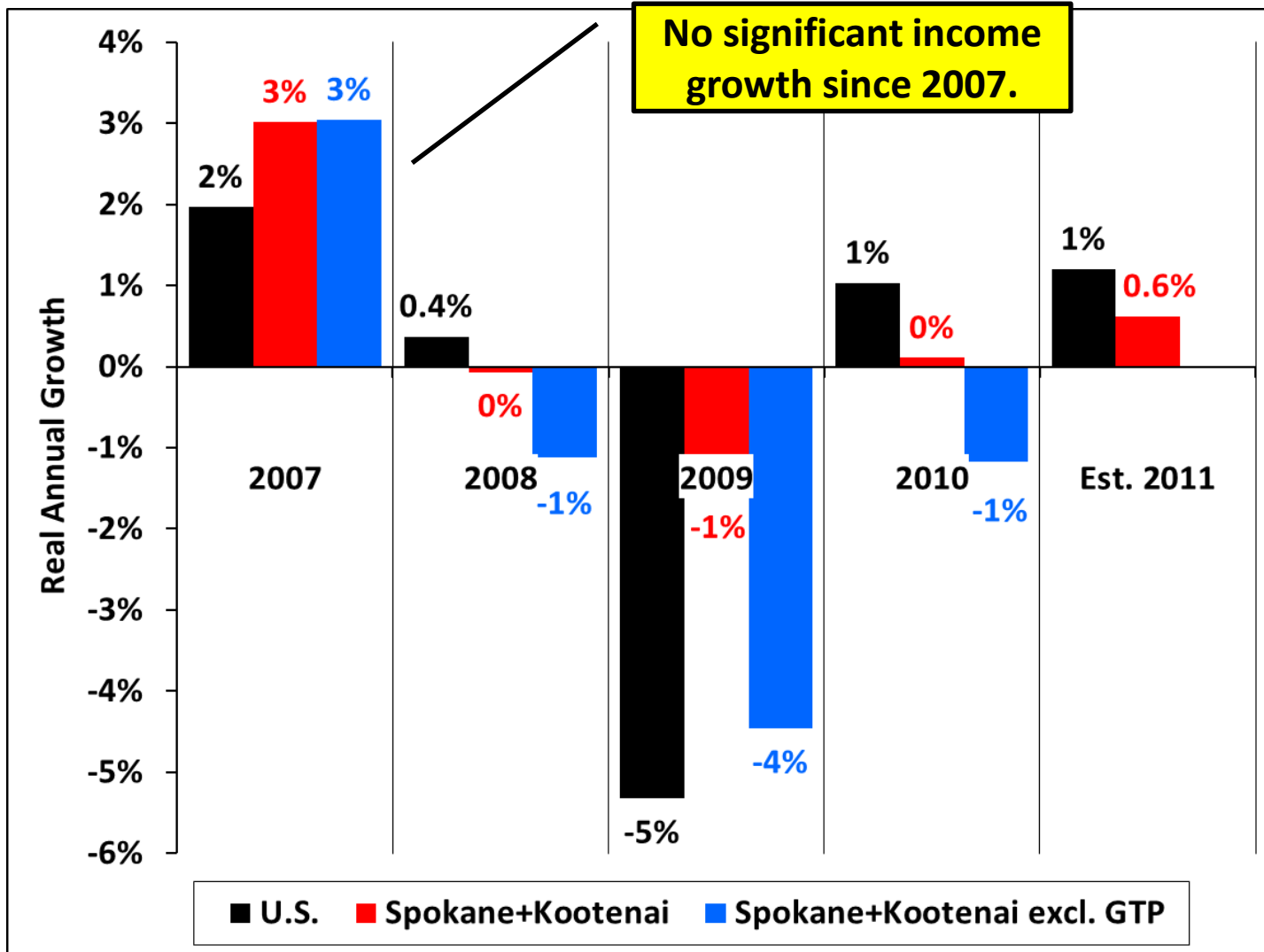
| F | SPK/ KOOT |
|-------|--------------|
| High | 1.6% |
| Point | 0.5% |
| Low | -0.6% |

SA Spokane+Kootenai Non-Farm Employment Levels Since June 2009



Source: BLS and author's calculations. Seasonal adjustment by author.

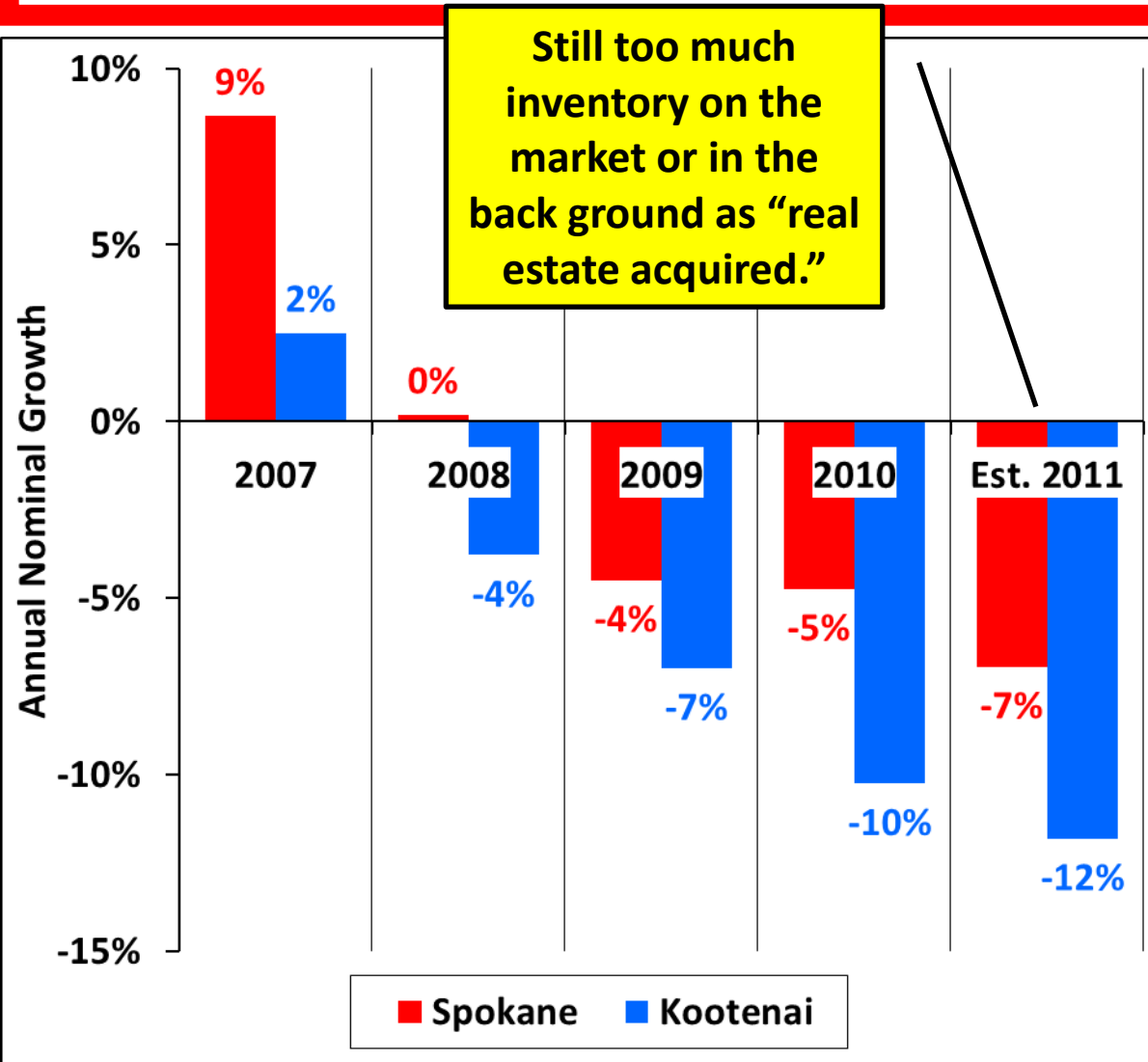
Spokane+Kootenai Real Per Capita Personal Income Growth, 2007-2011



| F | SPK/ KOOT |
|-------|--------------|
| High | 2.5% |
| Point | 0.5% |
| Low | -1.5% |

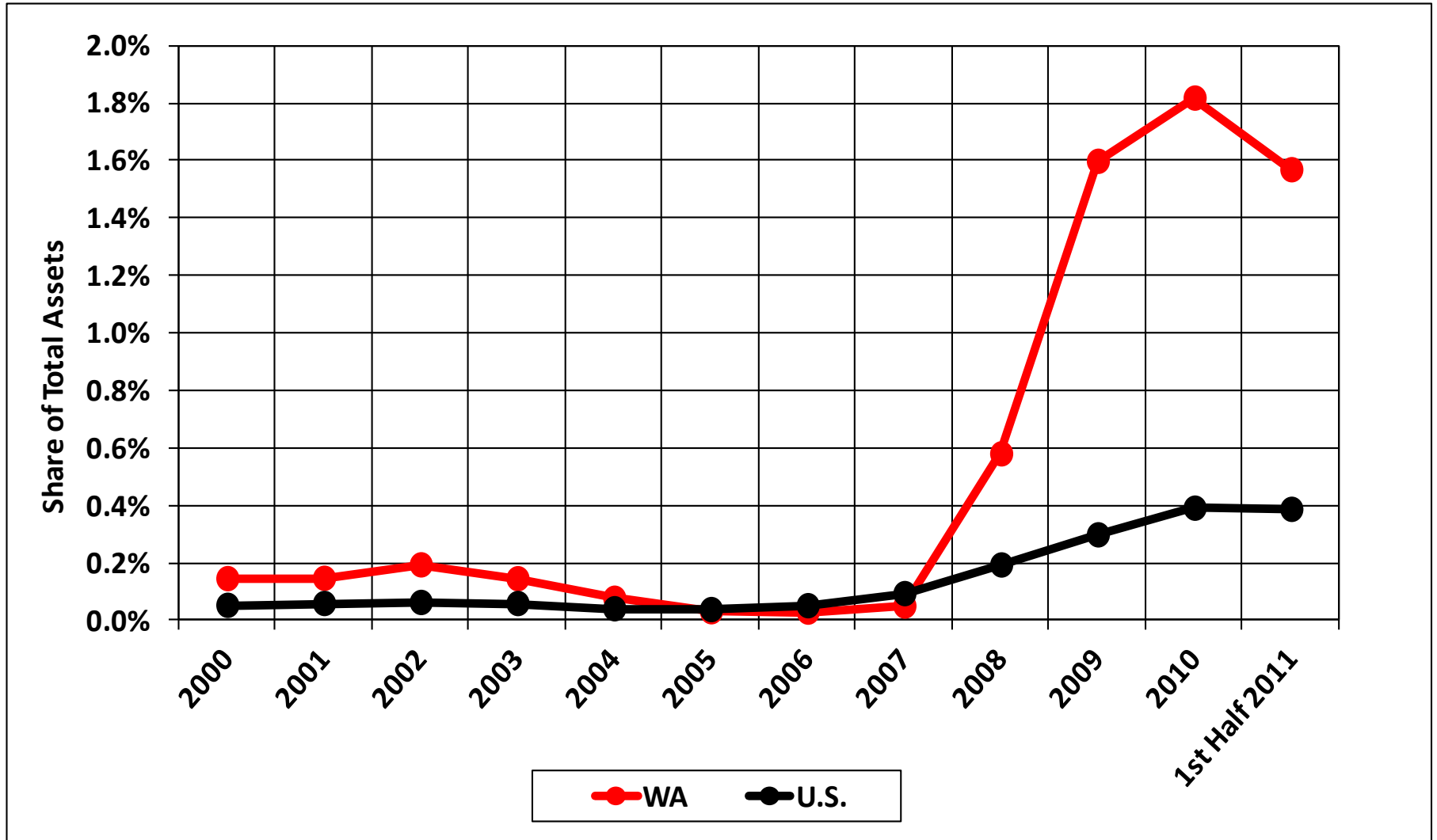
Source: BEA and author's calculations.

Spokane+Kootenai Nominal Existing Home Price Growth, 2007-2011



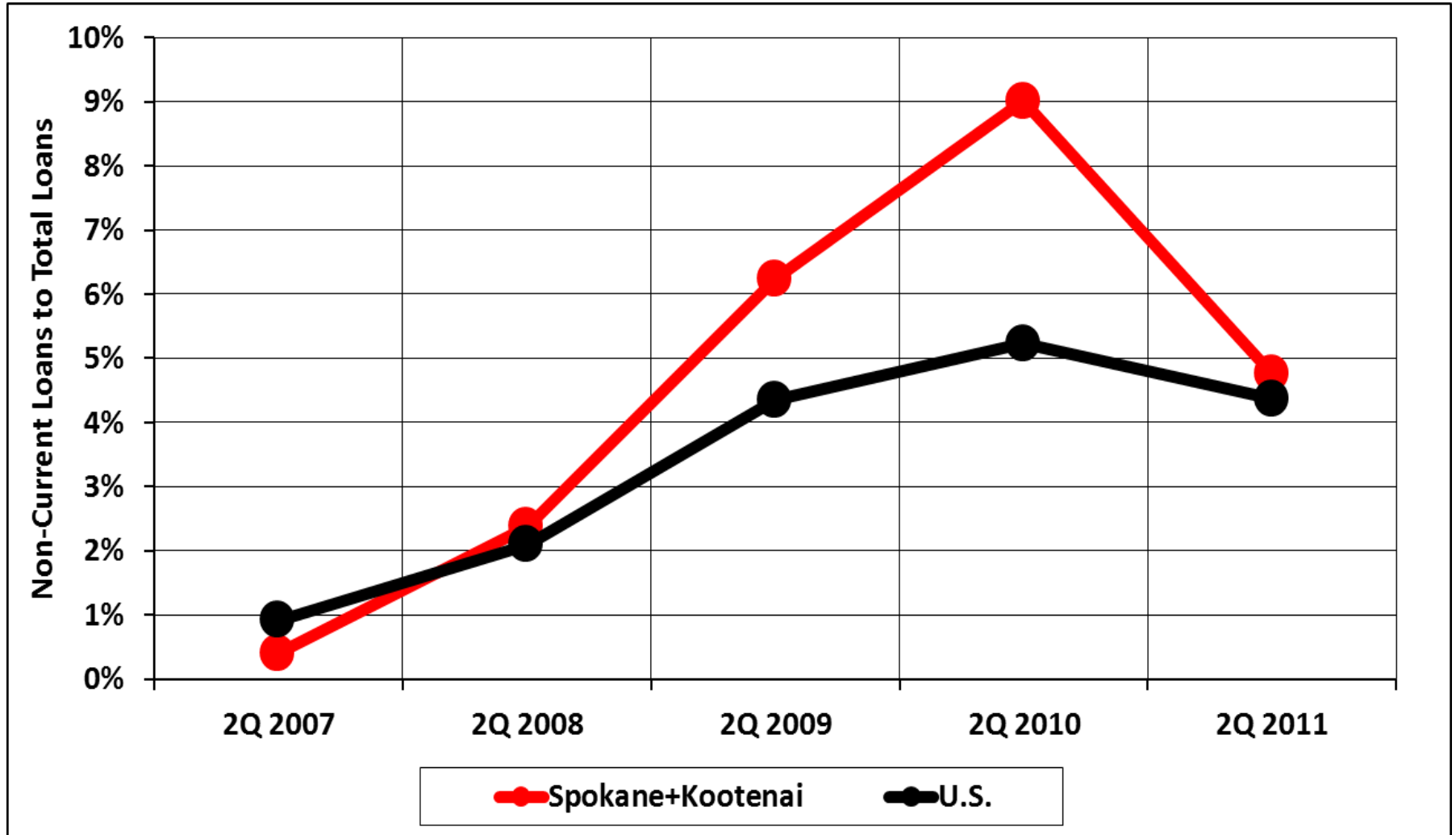
| F | SPK | KOOT |
|-------|------|------|
| High | -2% | 6% |
| Point | -10% | -8% |
| Low | -18% | -22% |

WA and U.S. “Real Estate Acquired” as a Share of Total Assets, 2000-2011

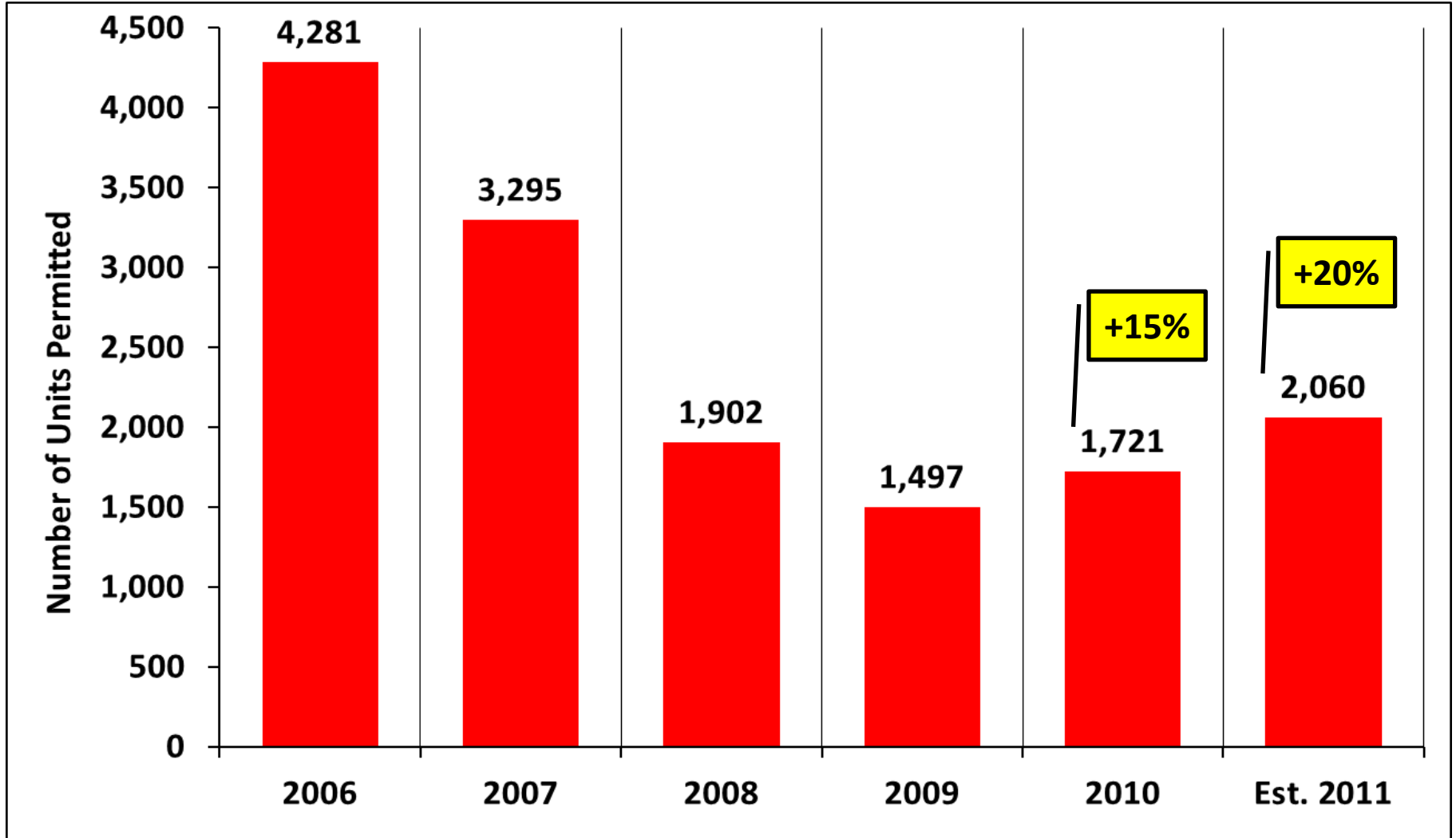


Source: FDIC and author's calculations.

Spokane+Kootenai Non-Current Loans as a Share of Total Loans, 2Q 2007- 2Q 2011

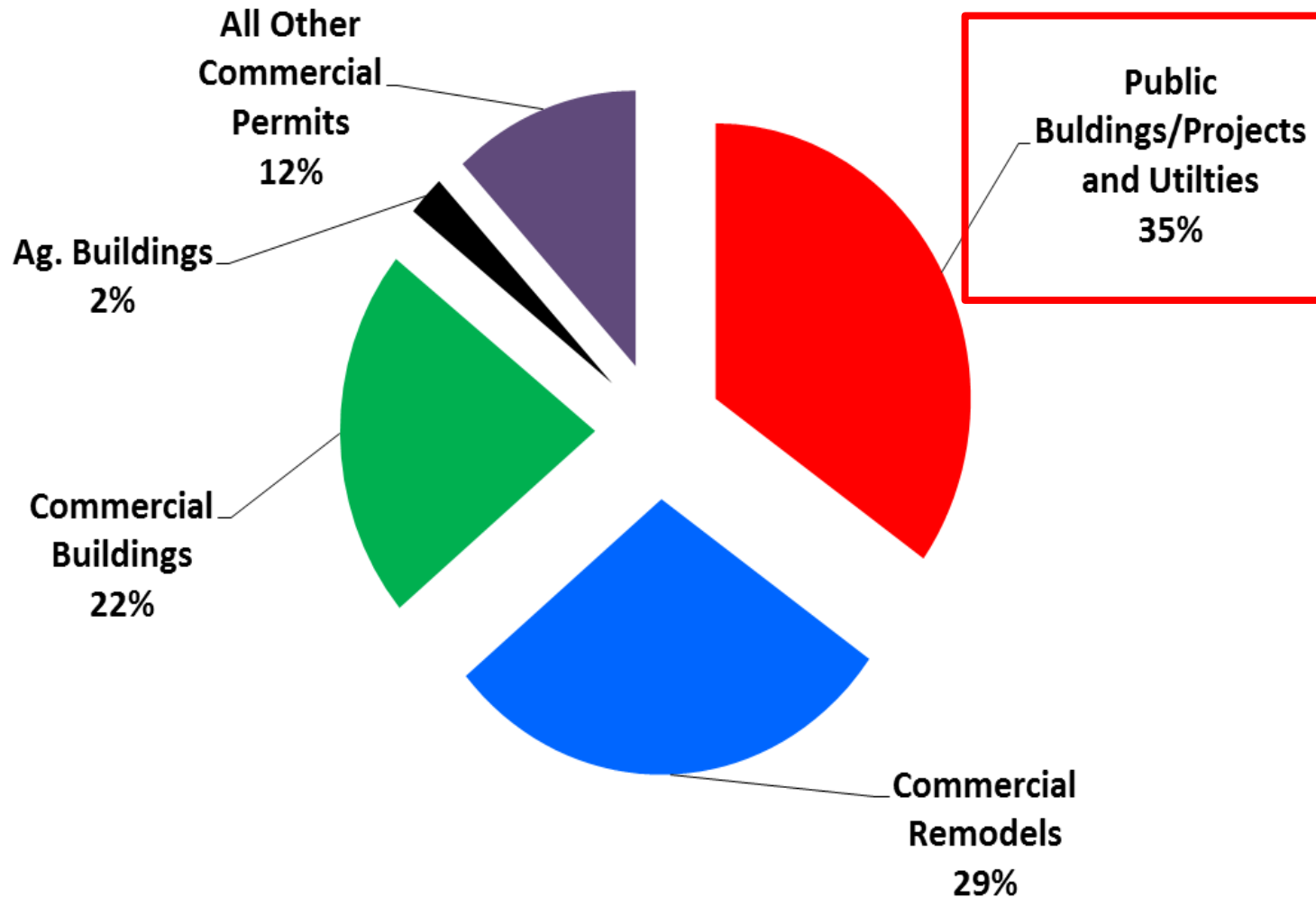


Spokane+Kootenai Non-Residential Units Permitted, 2006-2011



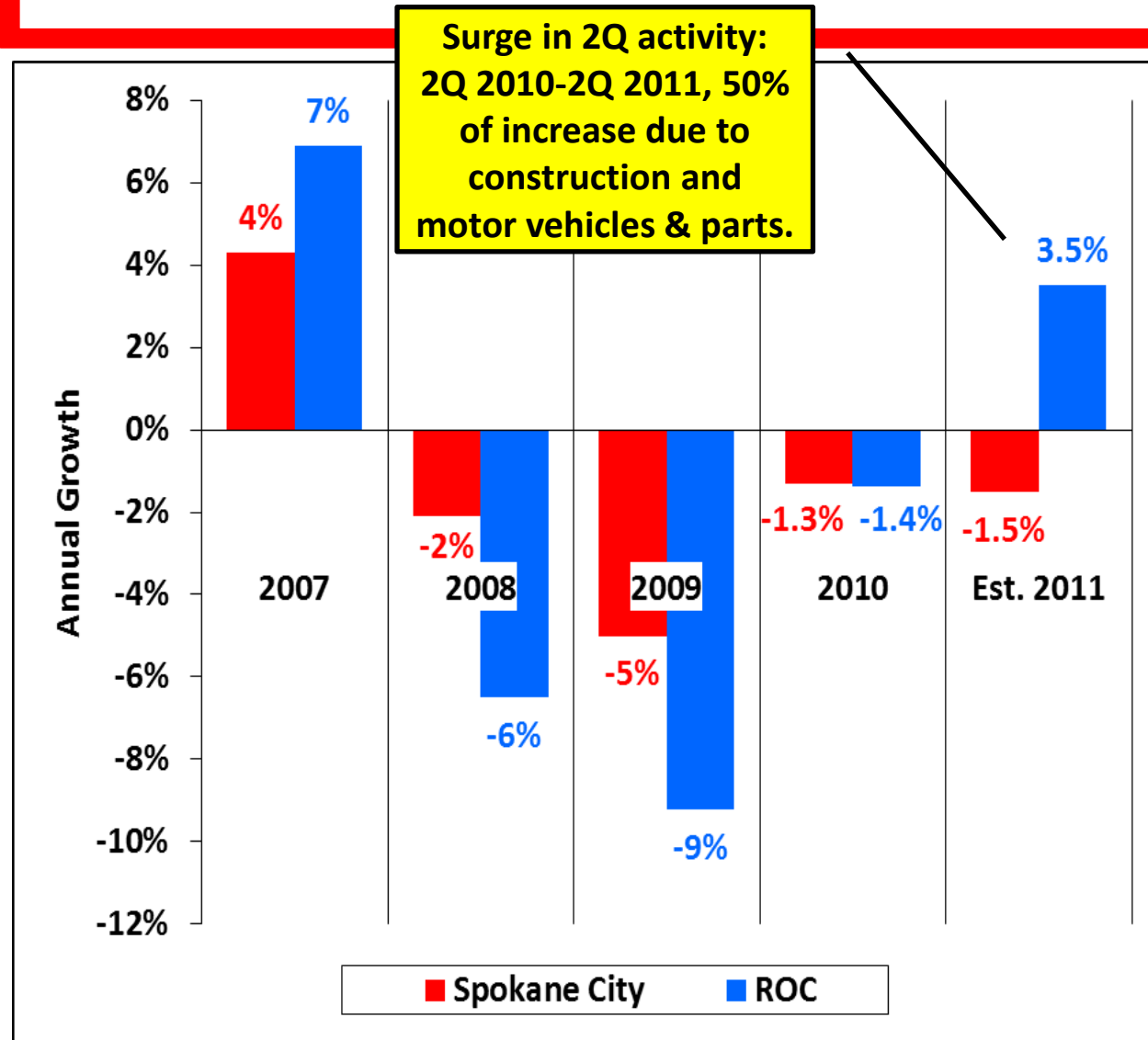
Source: U.S. Census and author's calculations.

Inland Northwest (8 Counties) Commercial Permit Valuation to October 2011



Source: Construction Monitor (Bruce Buck, Old Castle Materials) and author's calculations. The counties are Spokane, Kootenai, Adams, Lincoln, Pend Oreille, Stevens, Bonner, Boundary.

Spokane Taxable Sales Growth, 2007-2011



| F | City | ROC |
|-------|------|-----|
| High | 5% | 5% |
| Point | 0% | 0% |
| Low | -5% | -5% |

Change in Market Capitalization of Regional Companies, Dec. 30, 2010 to Sept. 30, 2011

Russell 2000 -22%

Financials -27%

Industrials -27%

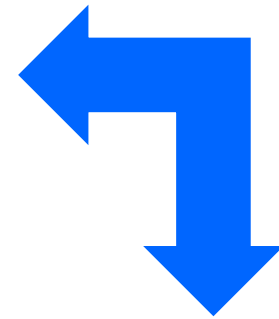
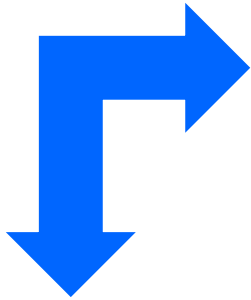
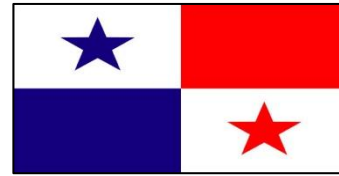
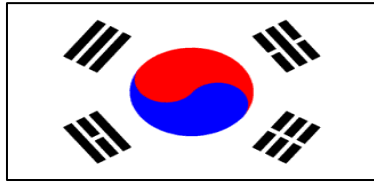
Retail & Services -46%

-28%

| Company | % Change |
|------------------------|----------|
| Idaho Independent Bank | -16% |
| Intermountain Bank | -15% |
| Northwest Bancorp. | -18% |
| Sterling Financial | -35% |
| Washington Trust | +5% |
| Avista Corp. | +9% |
| Clearwater Paper Corp. | -13% |
| Coeur d'Alene Mines | -21% |
| Hecla Mining | -48% |
| Itron | -46% |
| Key Tronic | -33% |
| Potlatch | -3% |
| Ambassadors Group | -53% |
| Coldwater Creek | -60% |
| Red Lion Hotels | -14% |



Good News for the Region



2012 Forecast Summary

| Indicator | Point Forecast | Plain English Translation |
|---|----------------|---------------------------|
| Spokane+Kootenai Real Per Capita Personal Income Growth | + 0.5% | Icky-bad |
| Spokane+Kootenai Non-Farm Employment Growth | + 0.5% | Icky-icky-bad |
| Spokane+Kootenai Existing Home Price Growth | -8% to -10% | Equity, we hardly knew ye |
| Spokane Taxable Sales Growth | 0% | Oh, &*%!# |

Labor Market Trends



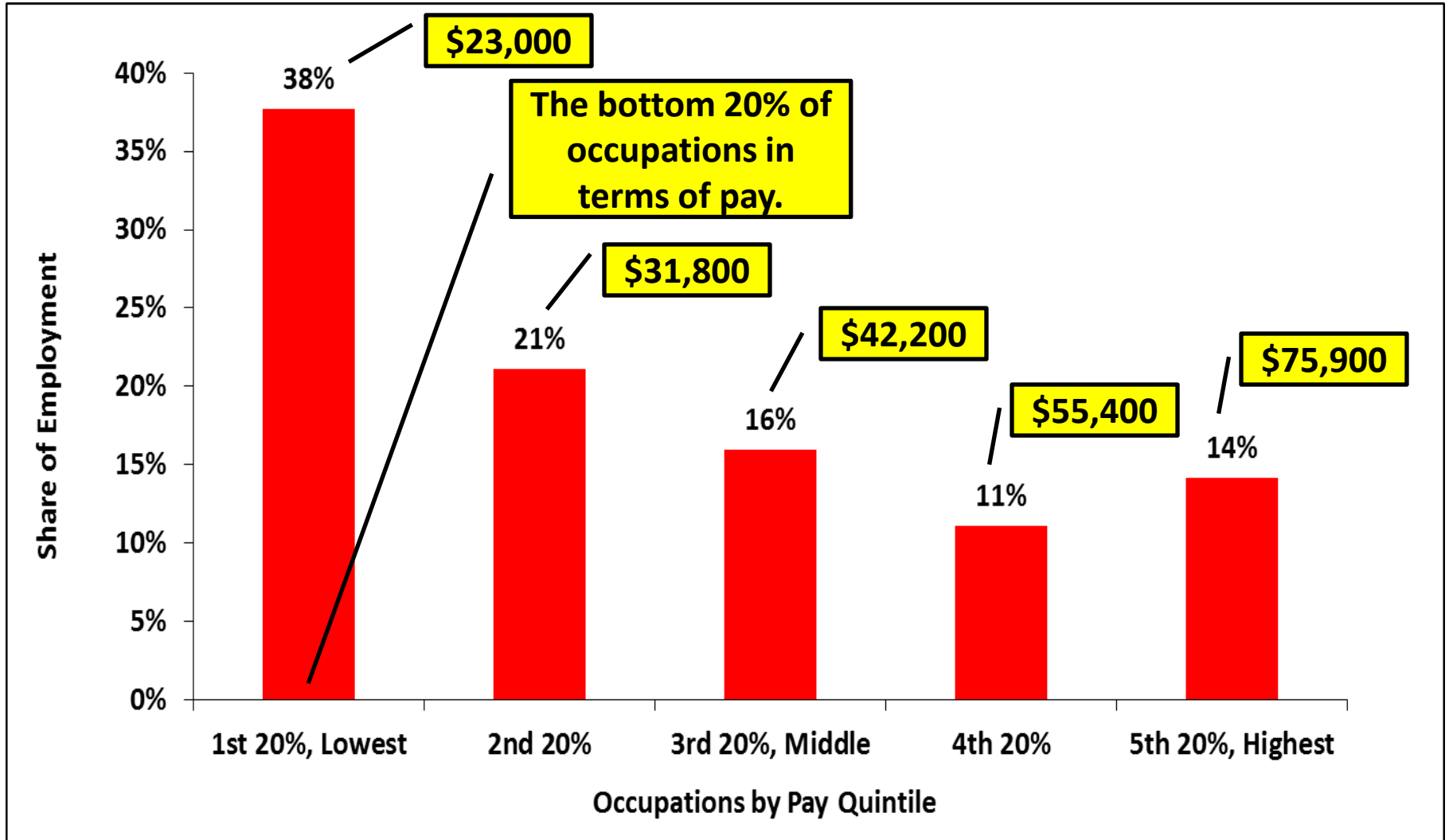
Recent Research

- 1990s saw increasing employment shares for low skill/wage jobs and high skill/wage jobs.
- After 1999, only low skill/wage jobs saw an increase of employment shares.
- Starting in late 1980s, most wage growth has occurred in high skill jobs.

- Workers who lost jobs in the 2007-2009 period, but found new jobs, experienced large pay cuts—in the order of 10% to 20%.
- Lowest rate of job finding since the survey was started in the early 1980s.

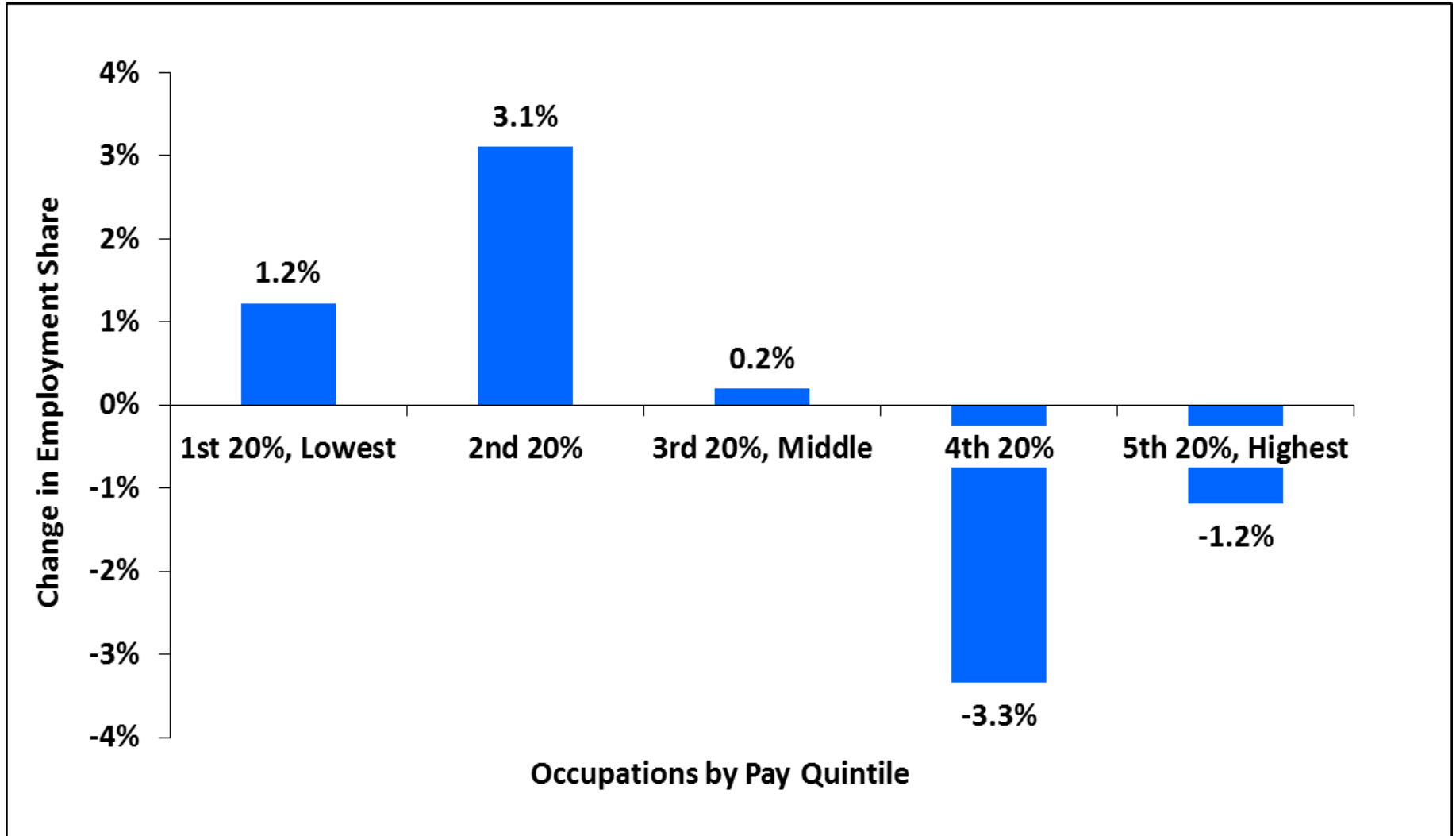
- Workers who lost jobs in mass layoffs the 1980-2004 period experienced nearly permanent declines in life-time earnings.
- If layoffs occurred in a recession, the earnings declines were much larger. The average earnings loss for a recession layoff was 20%.
- The earnings loss does vary by the depth of the recession.

Spokane Employment by Occupational Pay and Share of Employment, 2010



Source: BLS and author's calculations. Yellow boxes show the employment weighted median pay across the individual occupations in each quintile. This is a measure of the average pay of individuals working in a given quintile.

Spokane Change in Employment Shares, 2000 to 2010



Thank You



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