

2010 Regional Economic Outlook

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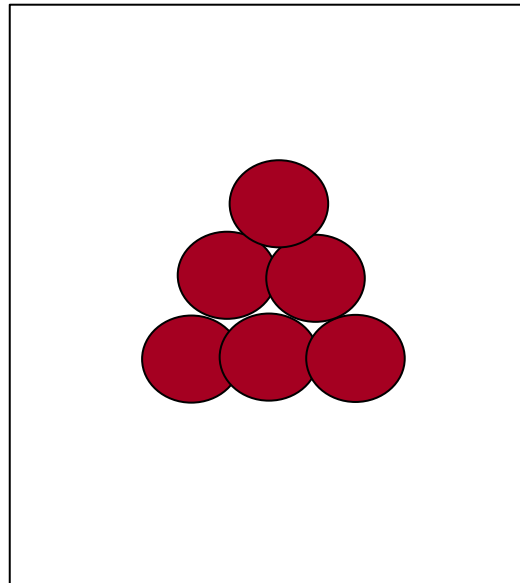
EASTERN
WASHINGTON UNIVERSITY

start something **big**

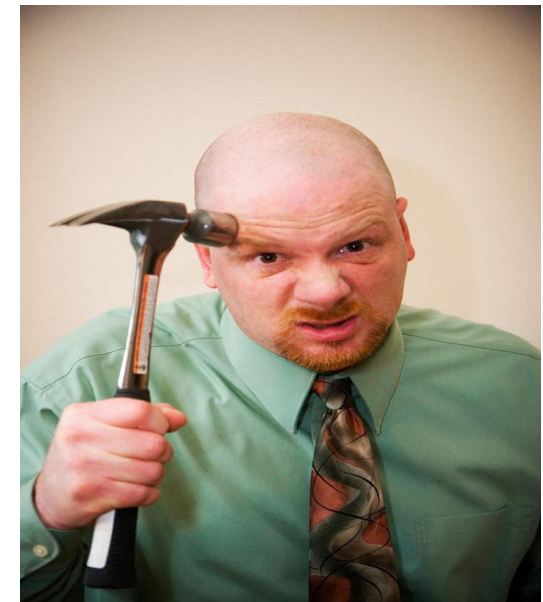
Chinese Calendar vs. Proposed U.S. Calendar



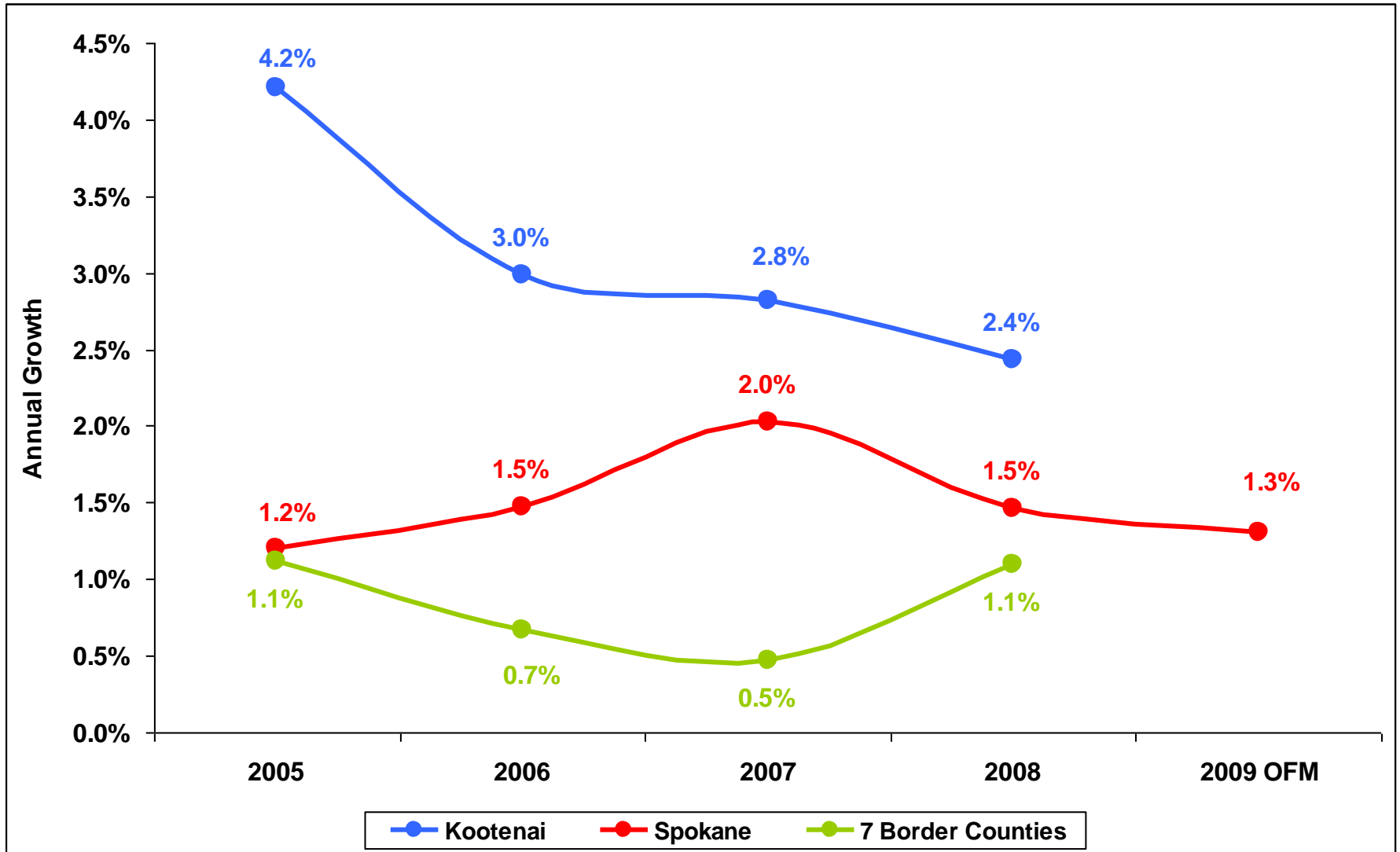
Chinese Calendar
2009, Year of the Ox
2010, Year of the Tiger



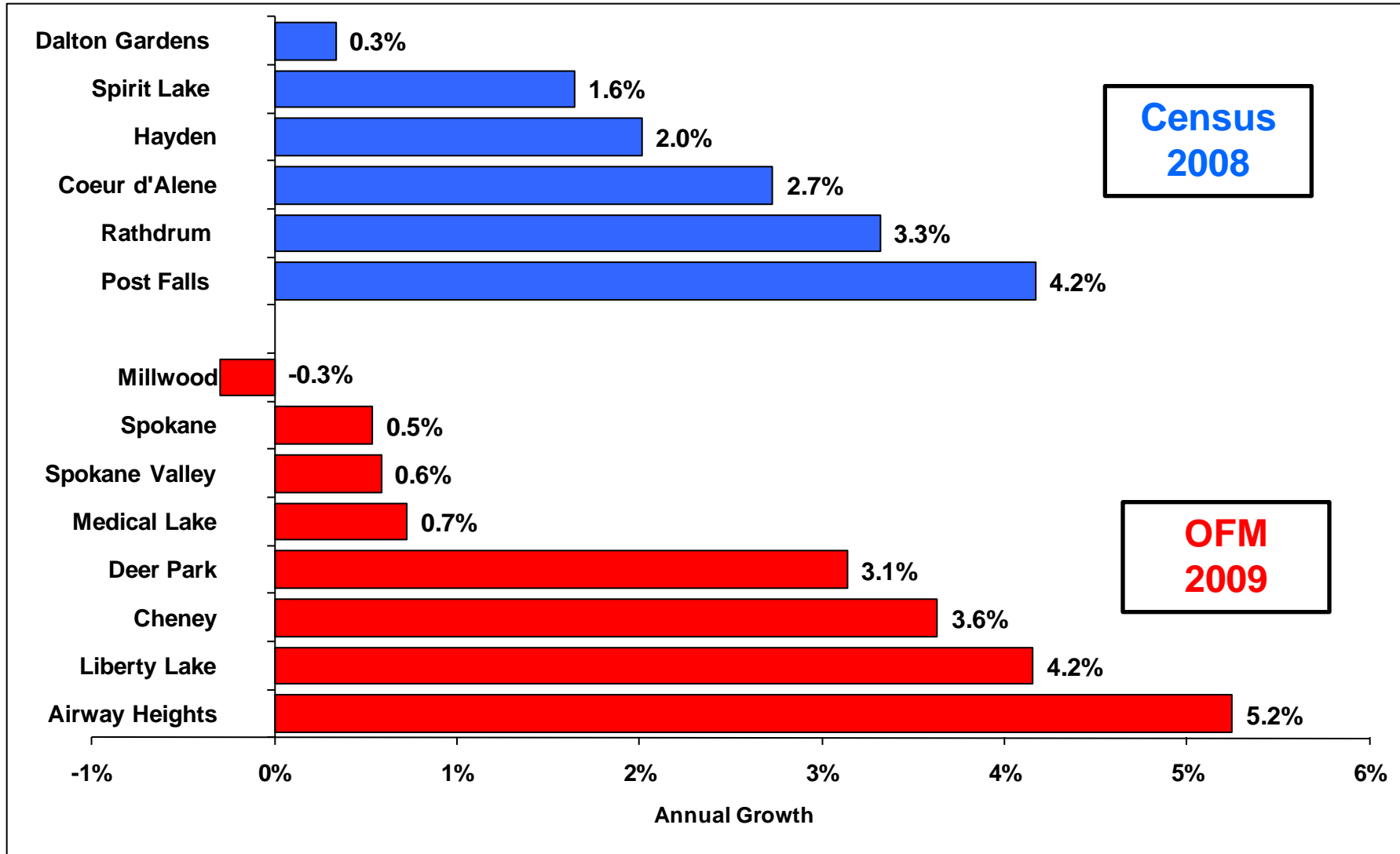
U.S. Calendar
2009, Year of Ox Poo
2010, Year of the
Marginally Unhappy
Tax Payer



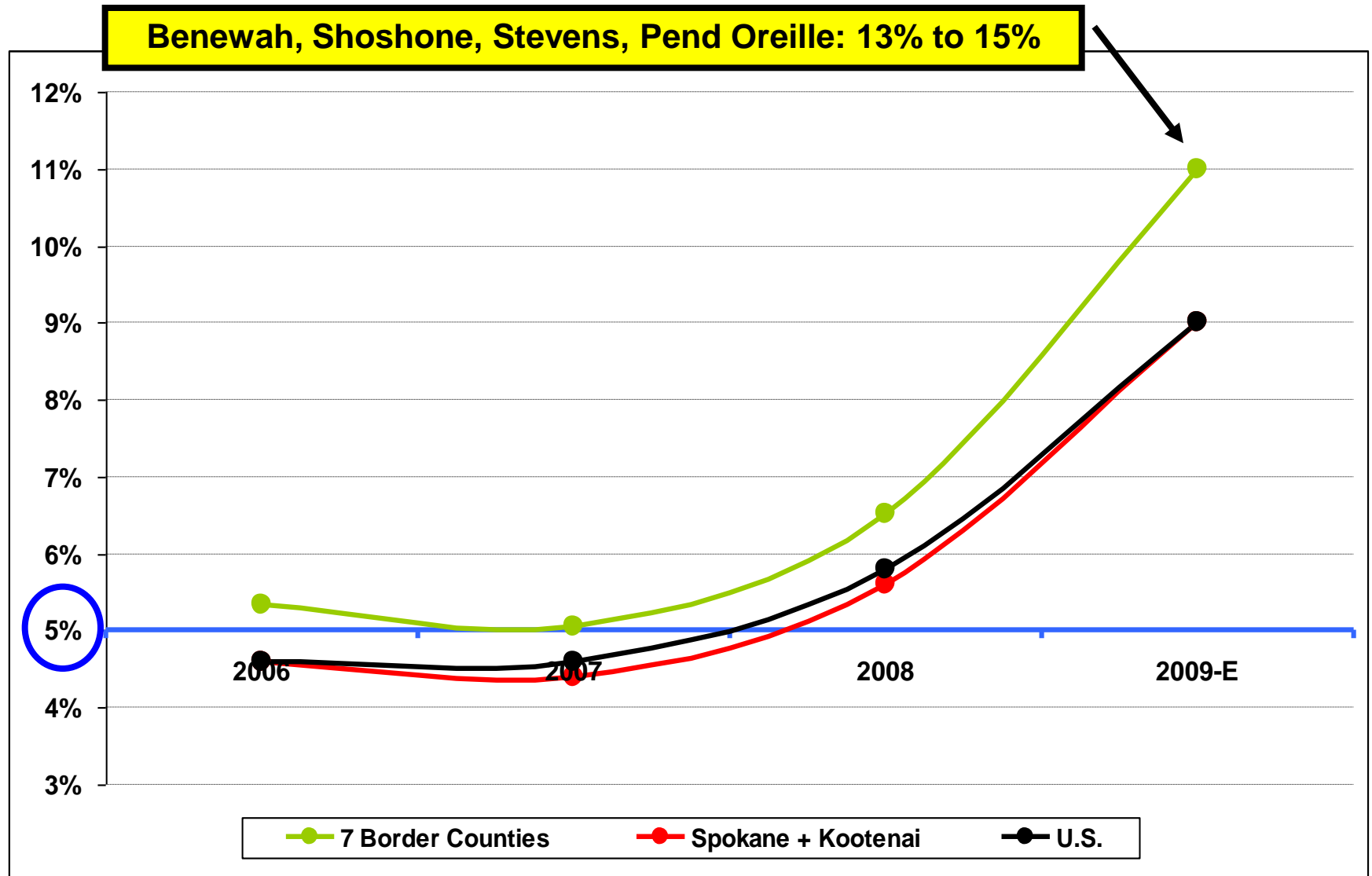
County Population Growth, 2005 – 2008/09



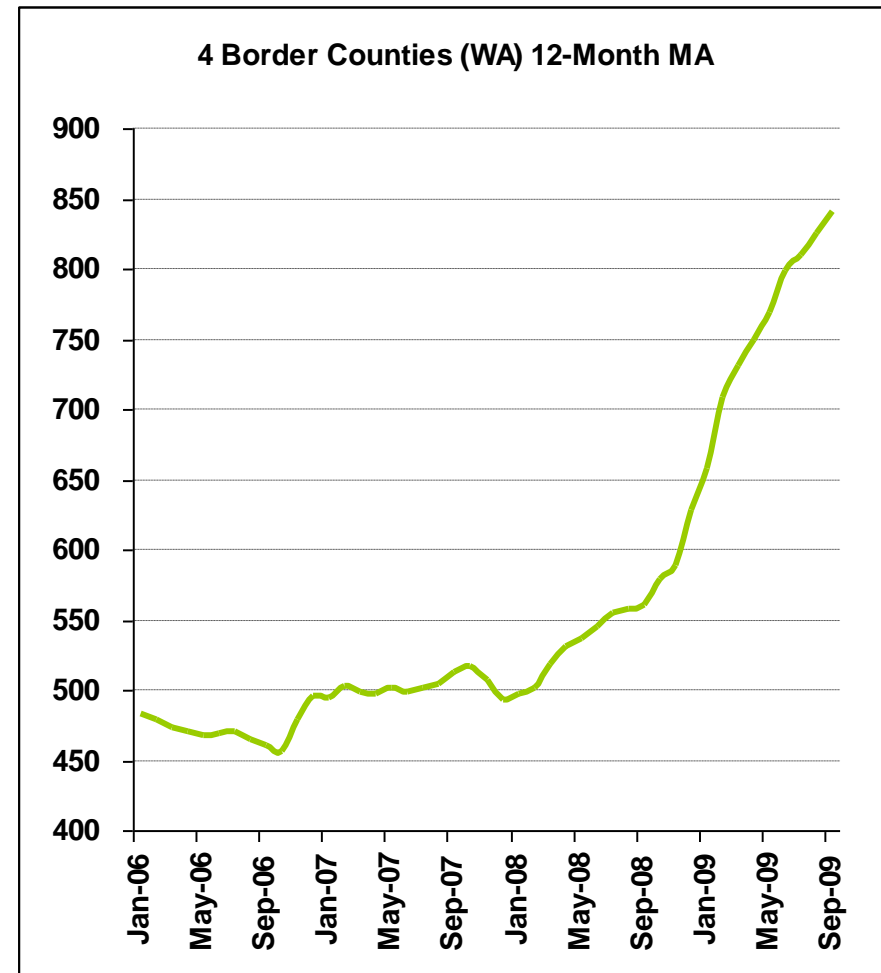
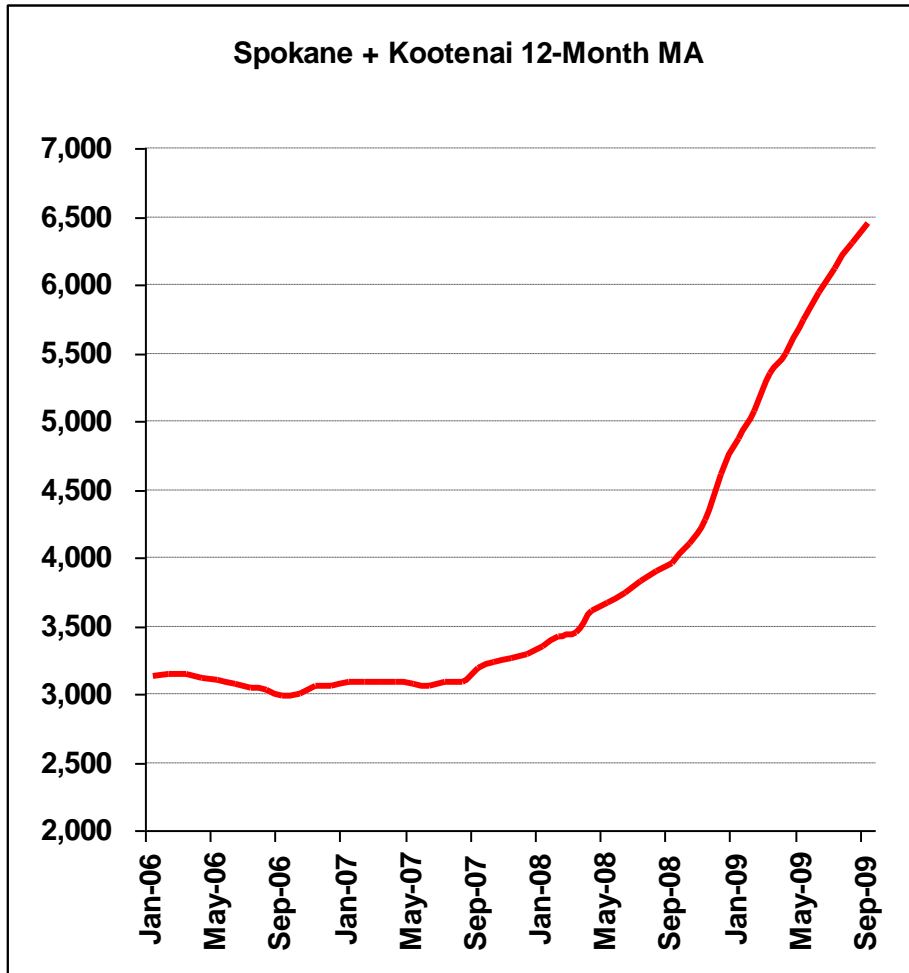
City Population Growth in 2008 and 2009



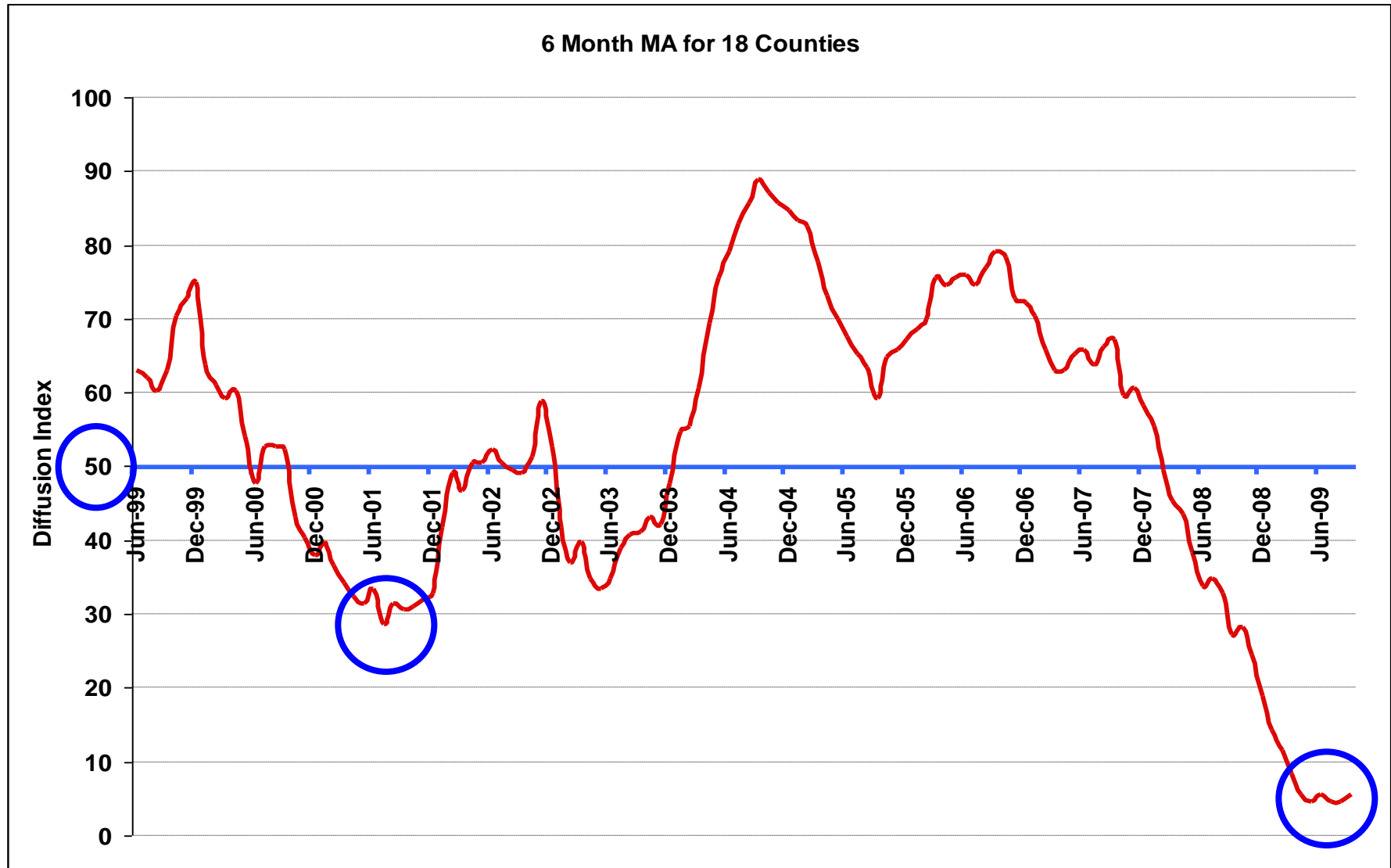
Regional Unemployment Rates, 2006-2009



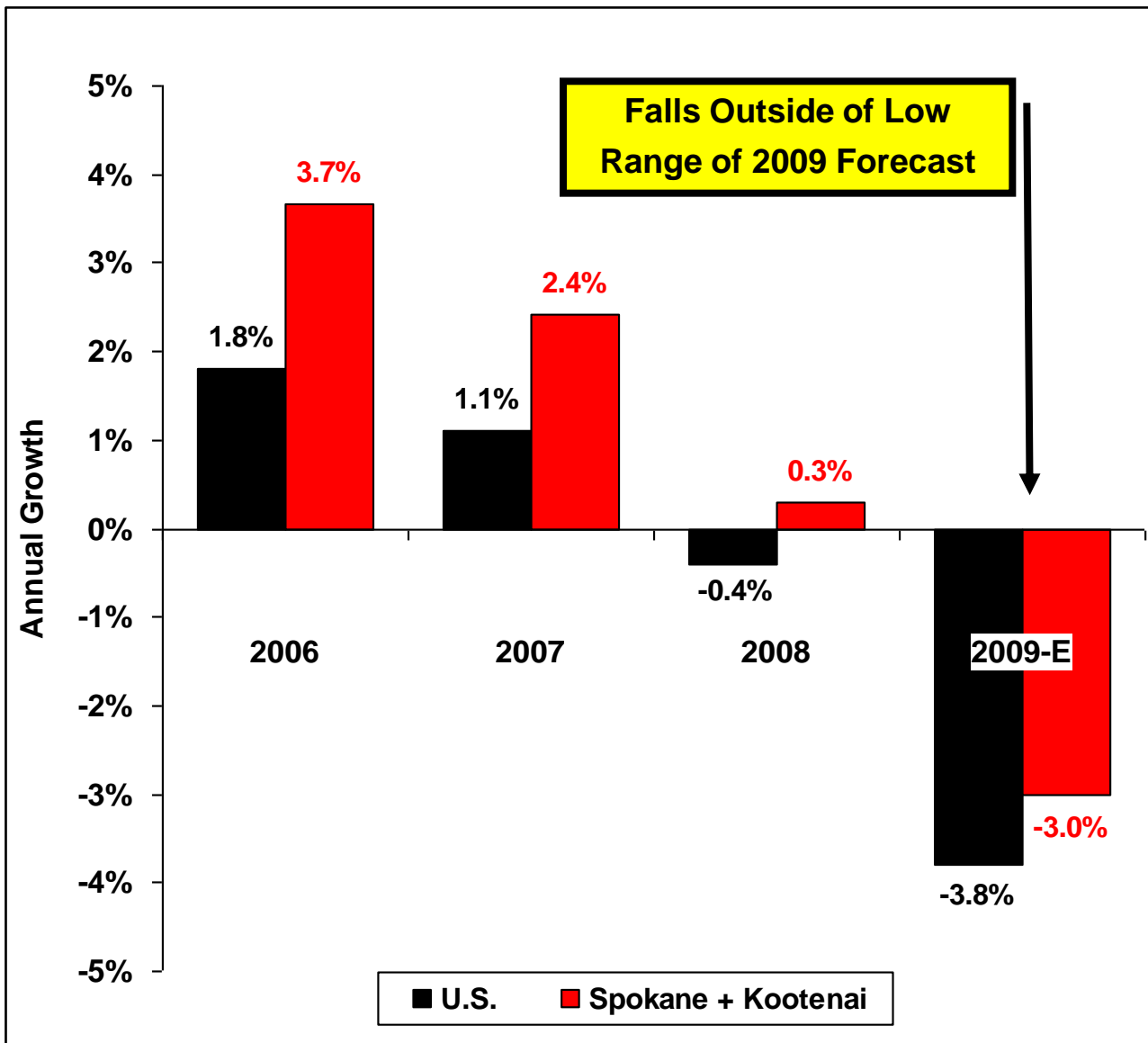
Initial Unemployment Claims, 2006 – 2009



Diffusion Index of Initial Unemployment Claims for 18 Central and Eastern WA Counties, 1999 – 2009

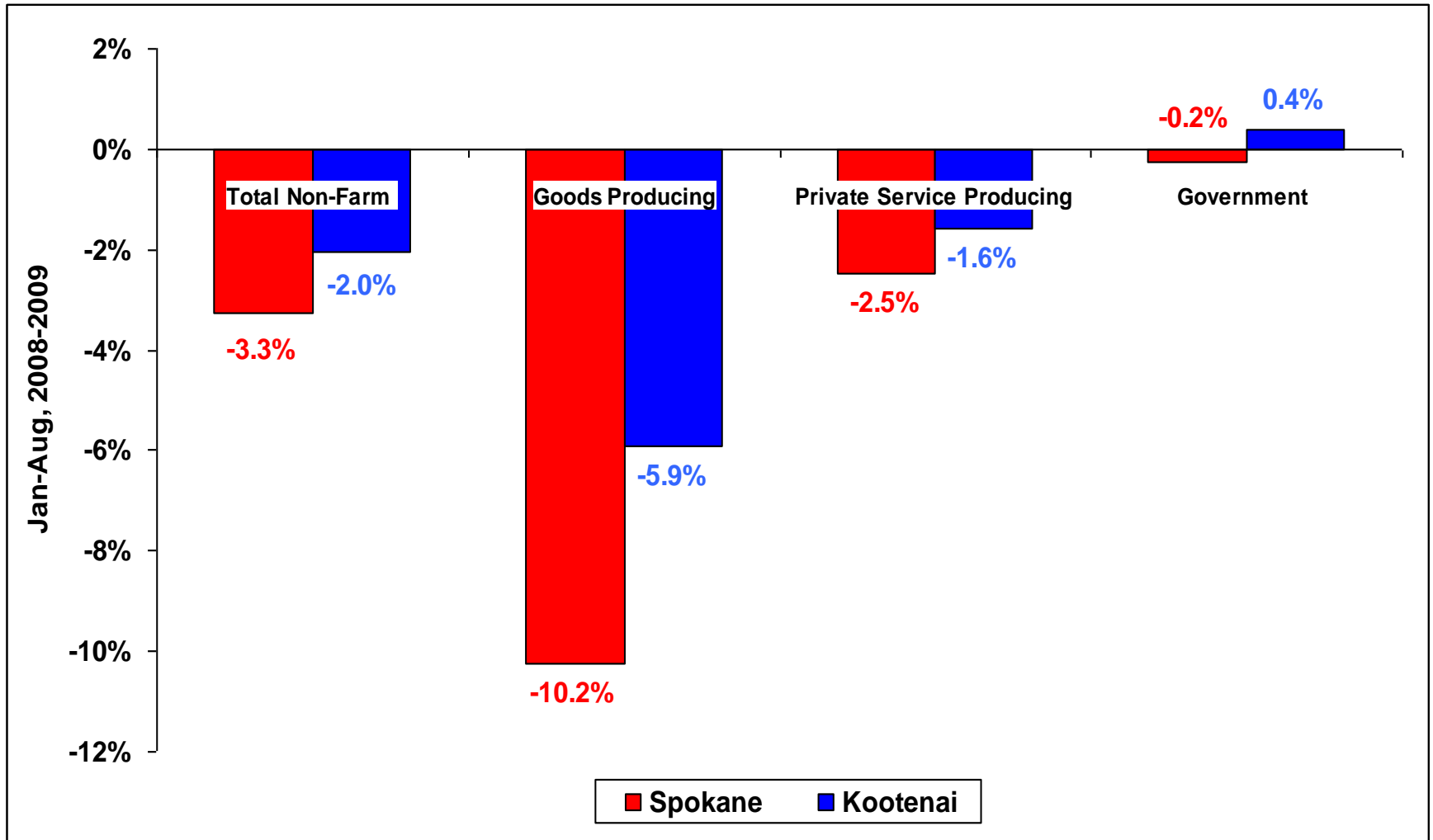


Non-Farm Employment Growth, 2006-2010

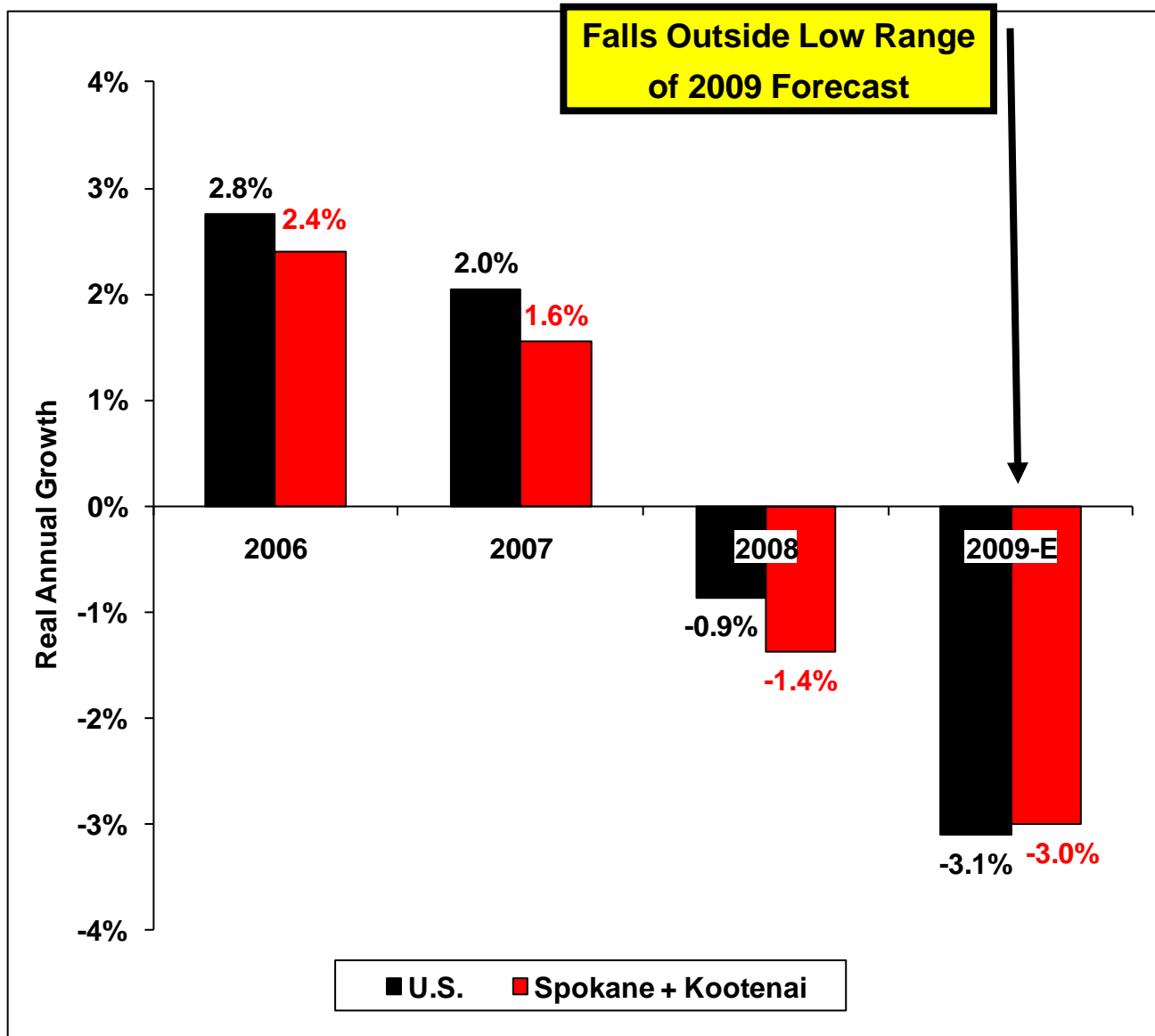


2010 Forecast	
Range	SPK + KOOT
High	3.0%
Point	0.5%
Low	-1.0%

Employment Growth by Sector, Jan-Aug 2008 – 2009



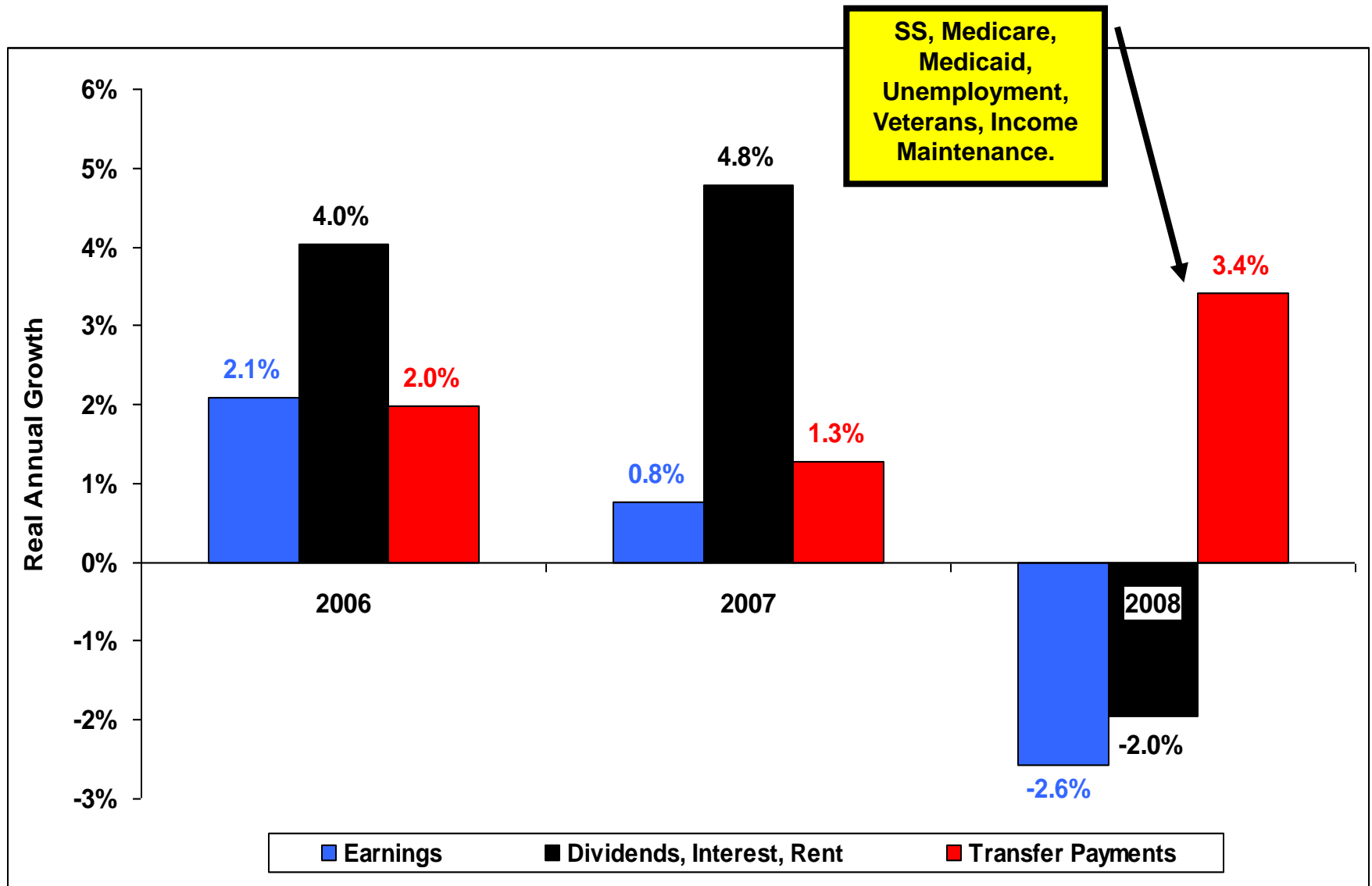
Real Per Capita Personal Income Growth, 2006 – 2010



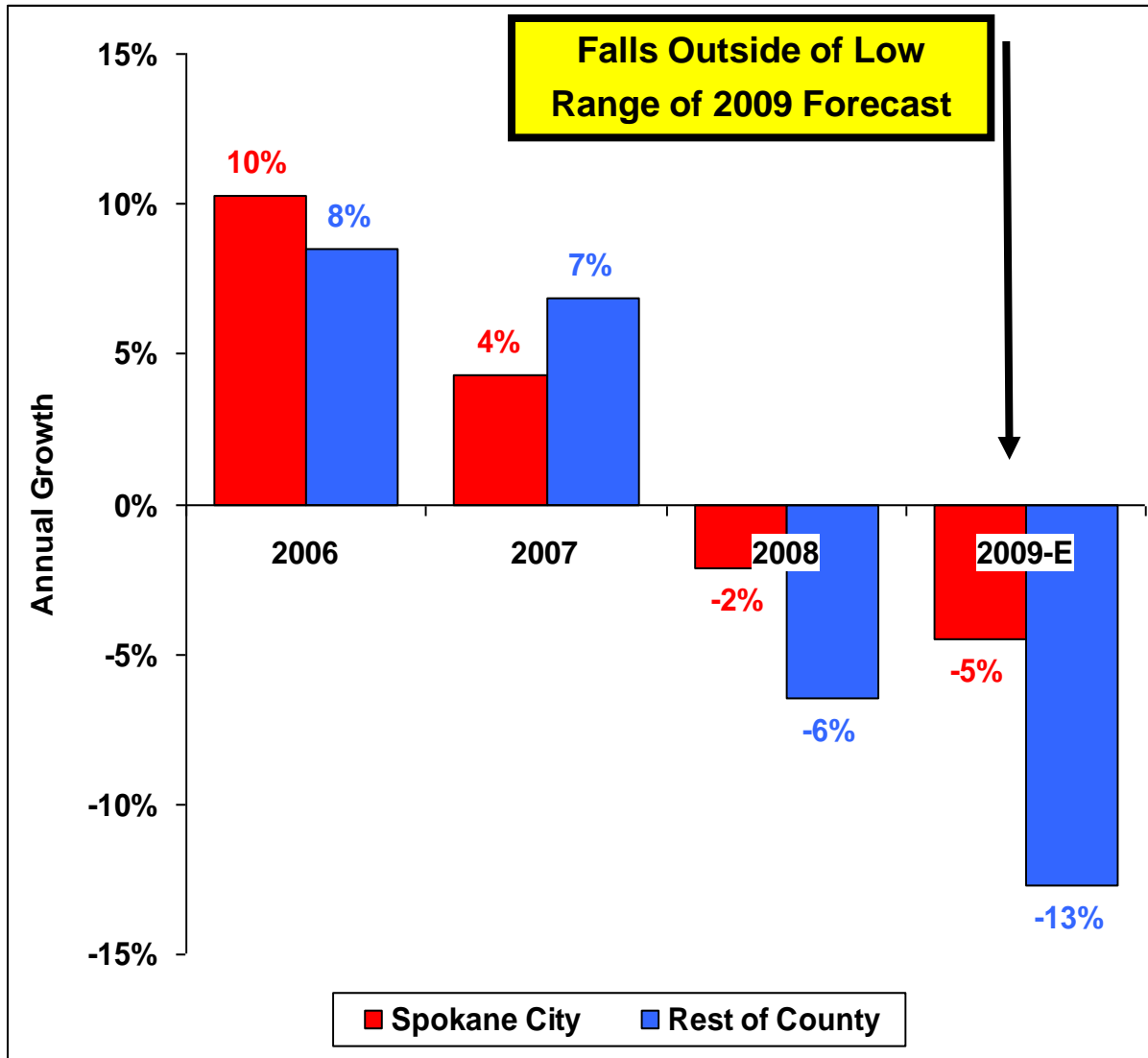
2010 Forecast	
Range	SPK + KOOT
High	1.0%
Point	0.0%
Low	-1.0%

Source: BEA, BLS, and author's calculations.

Real Per Capita Personal Income Growth, 2006 – 2008

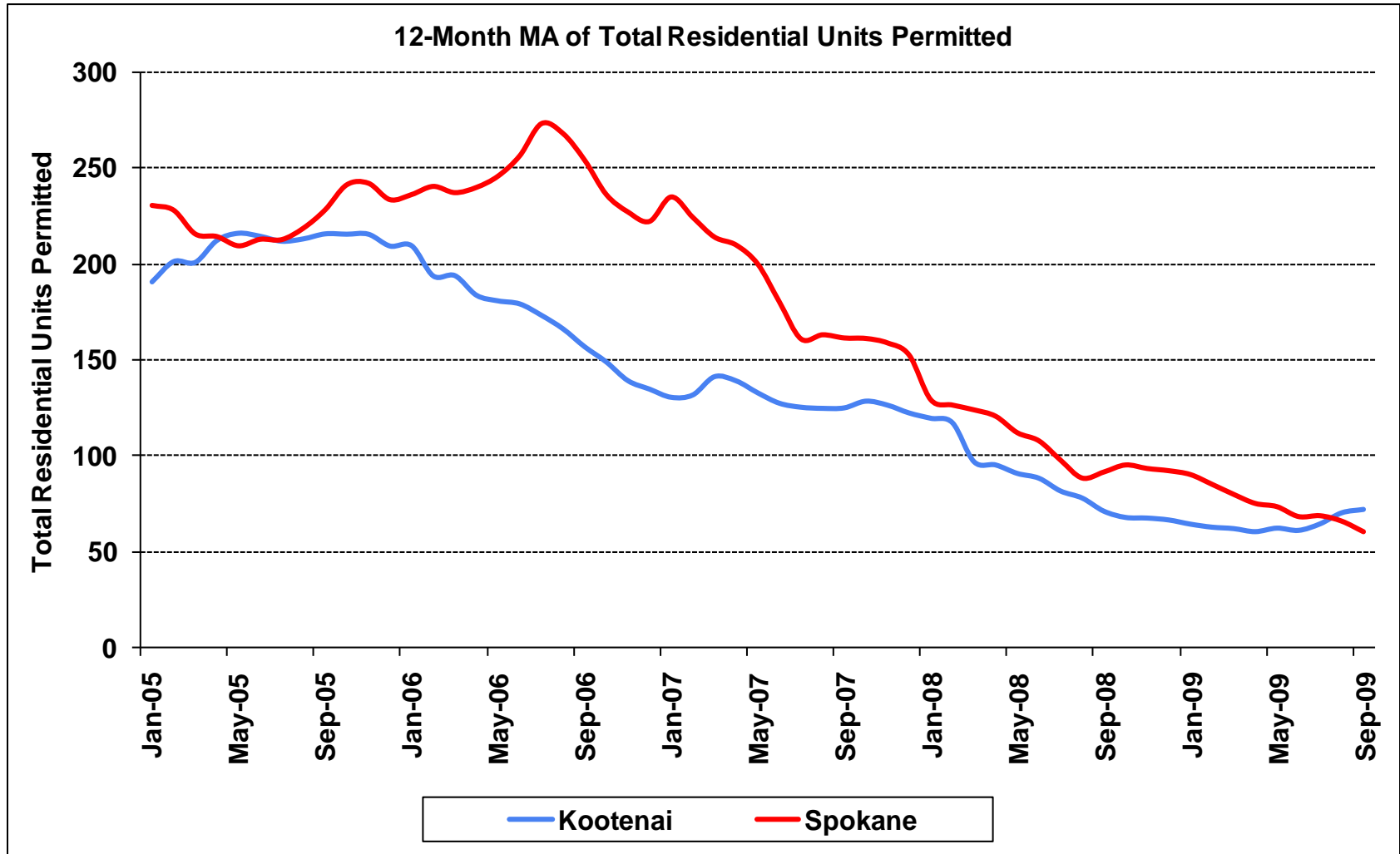


Spokane Taxable Sales Growth, 2006 – 2010

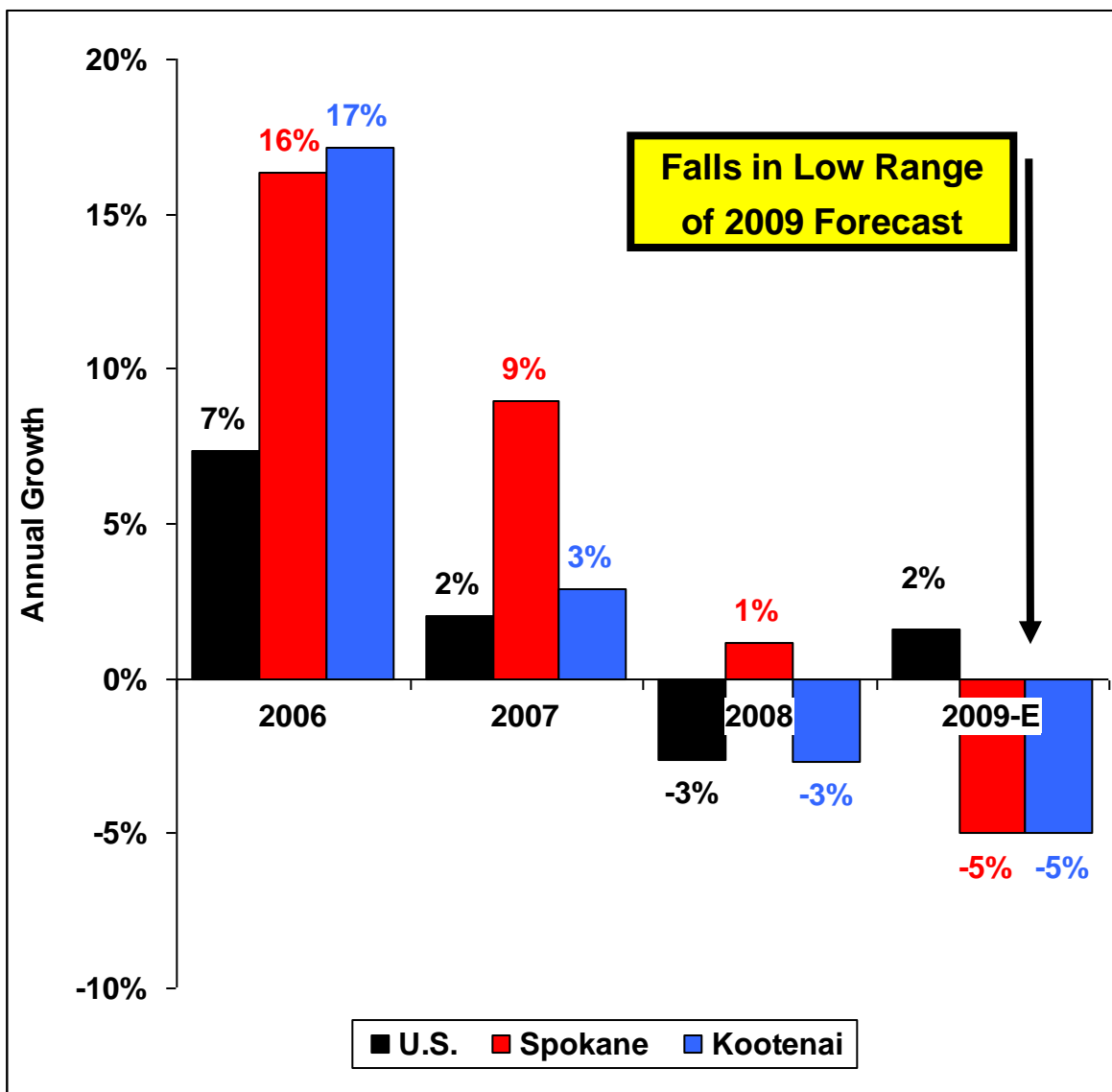


2010 Forecast		
Range	SPK	ROC
High	5.5%	5.5%
Point	1.5%	1.5%
Low	-2.5%	-2.5%

Residential Building Permits, 2005 – 2009

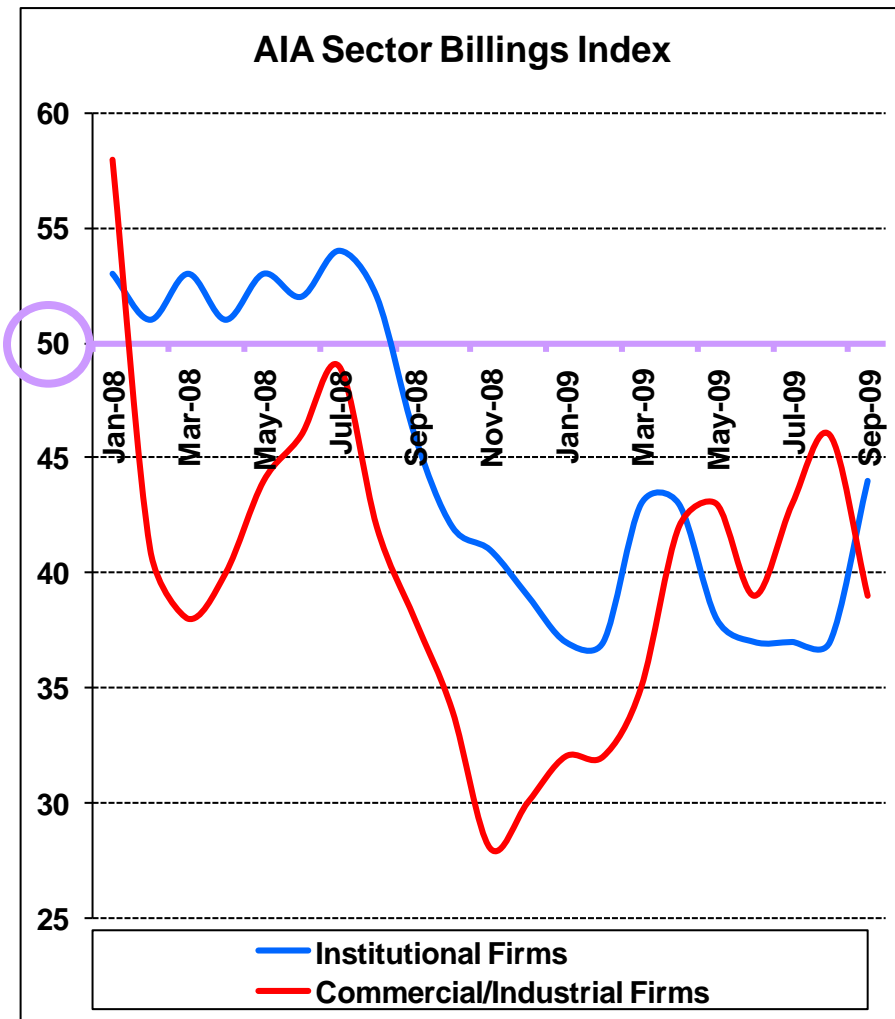
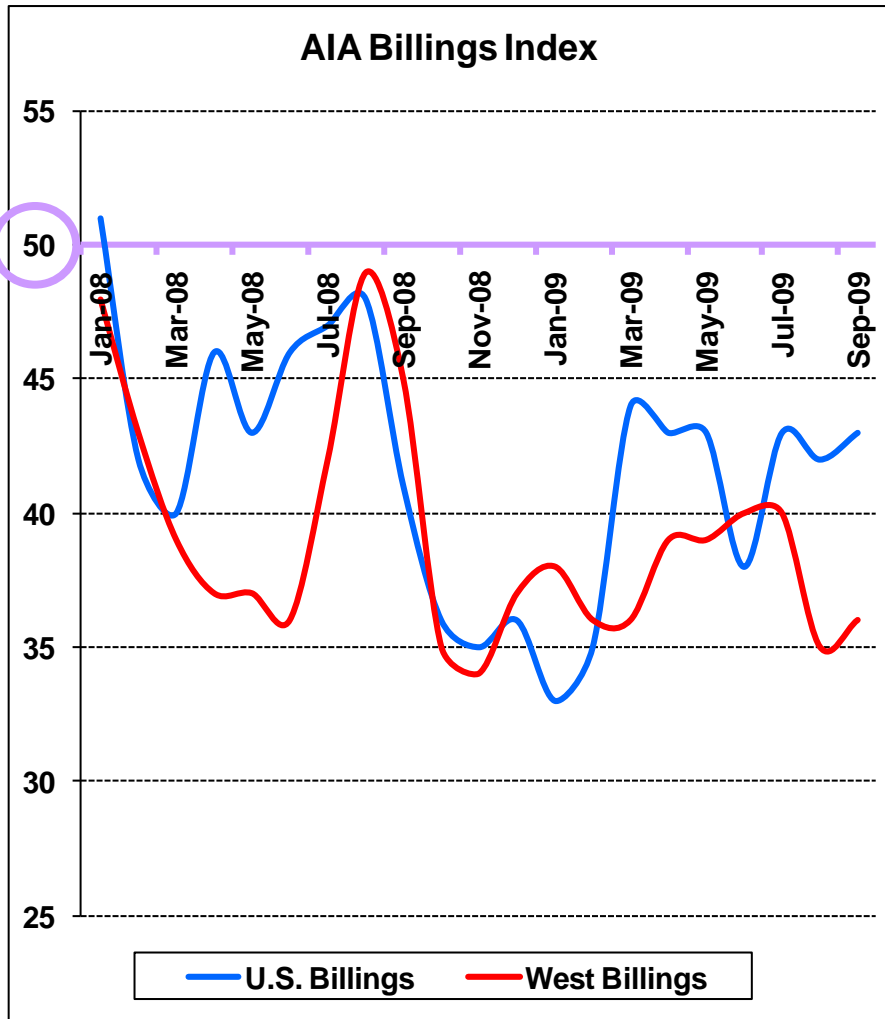


Nominal Existing Home Price Growth, 2006 – 2010

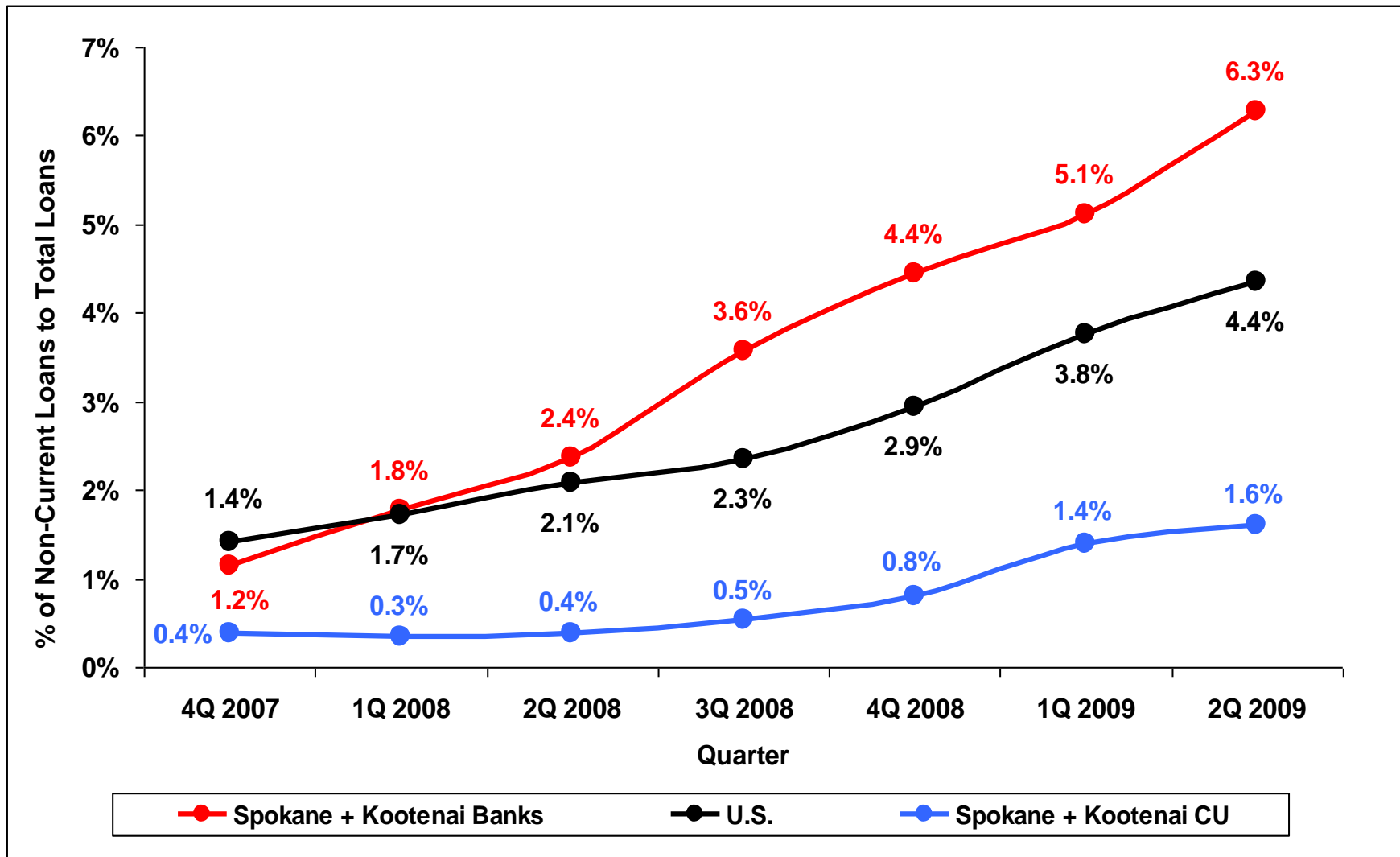


2010 Forecast		
Range	SPK	KOOT
High	0%	7%
Point	-6%	-3%
Low	-12%	-13%

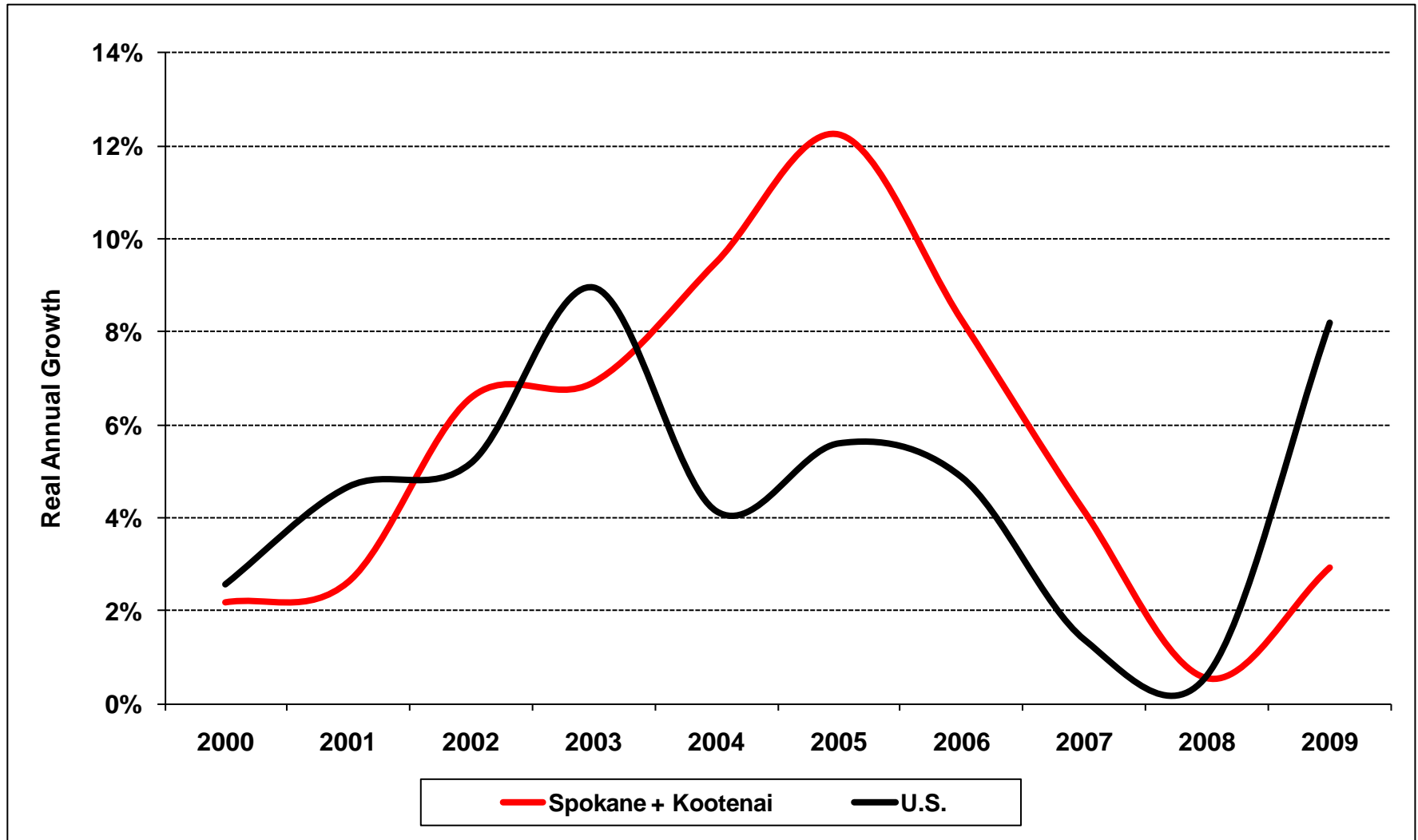
AIA Billings Index, Jan. 2008 – Sept. 2009



Regional Non-Current Loans, 4Q 2007 – 2Q 2009

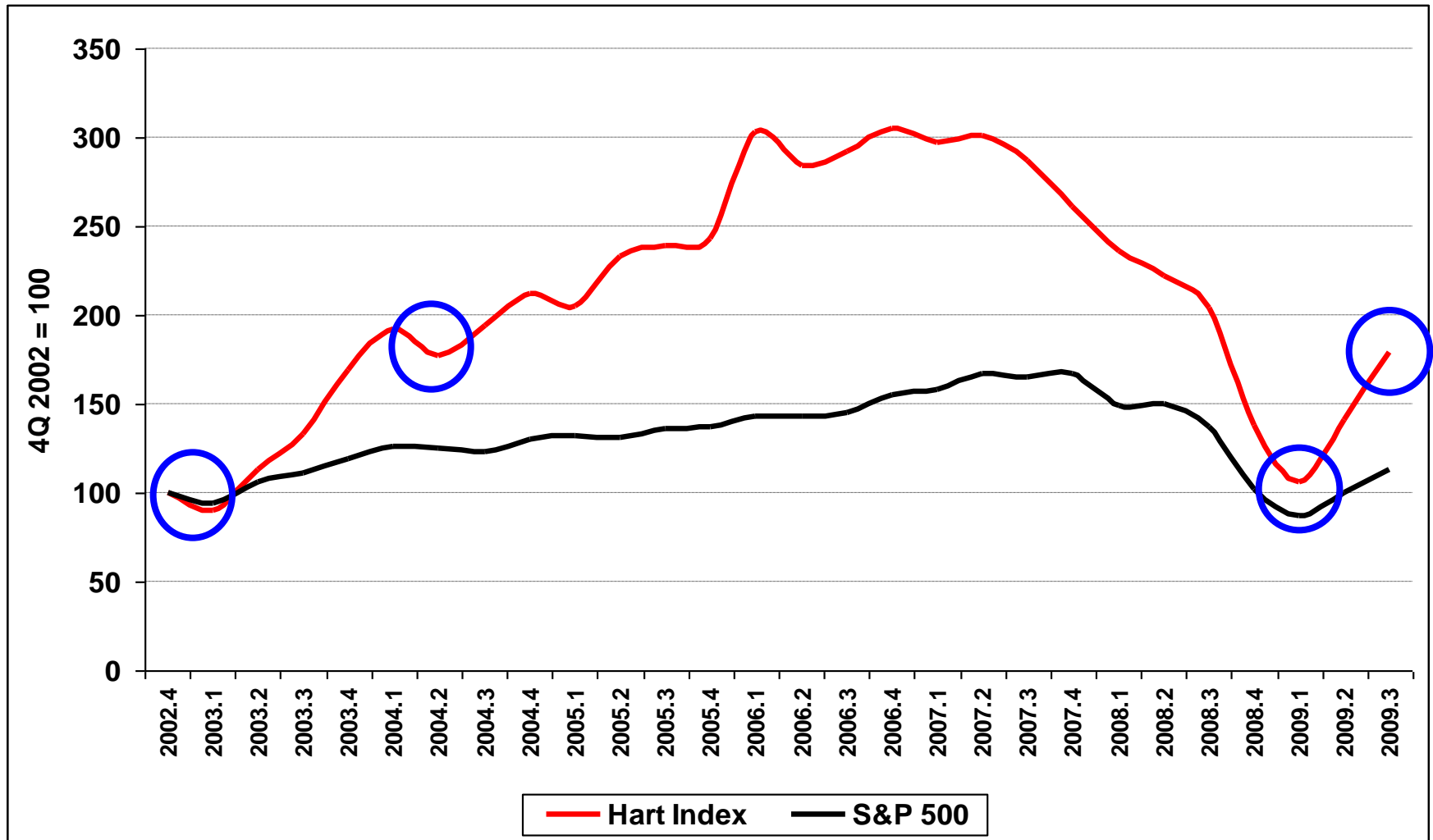


Real Deposit Growth, June 2000 – June 2009



Source: FDIC and author's calculations.

Regional Hart Index to 3Q 2009



Source: CAPITAL MANAGEMENT, INC.

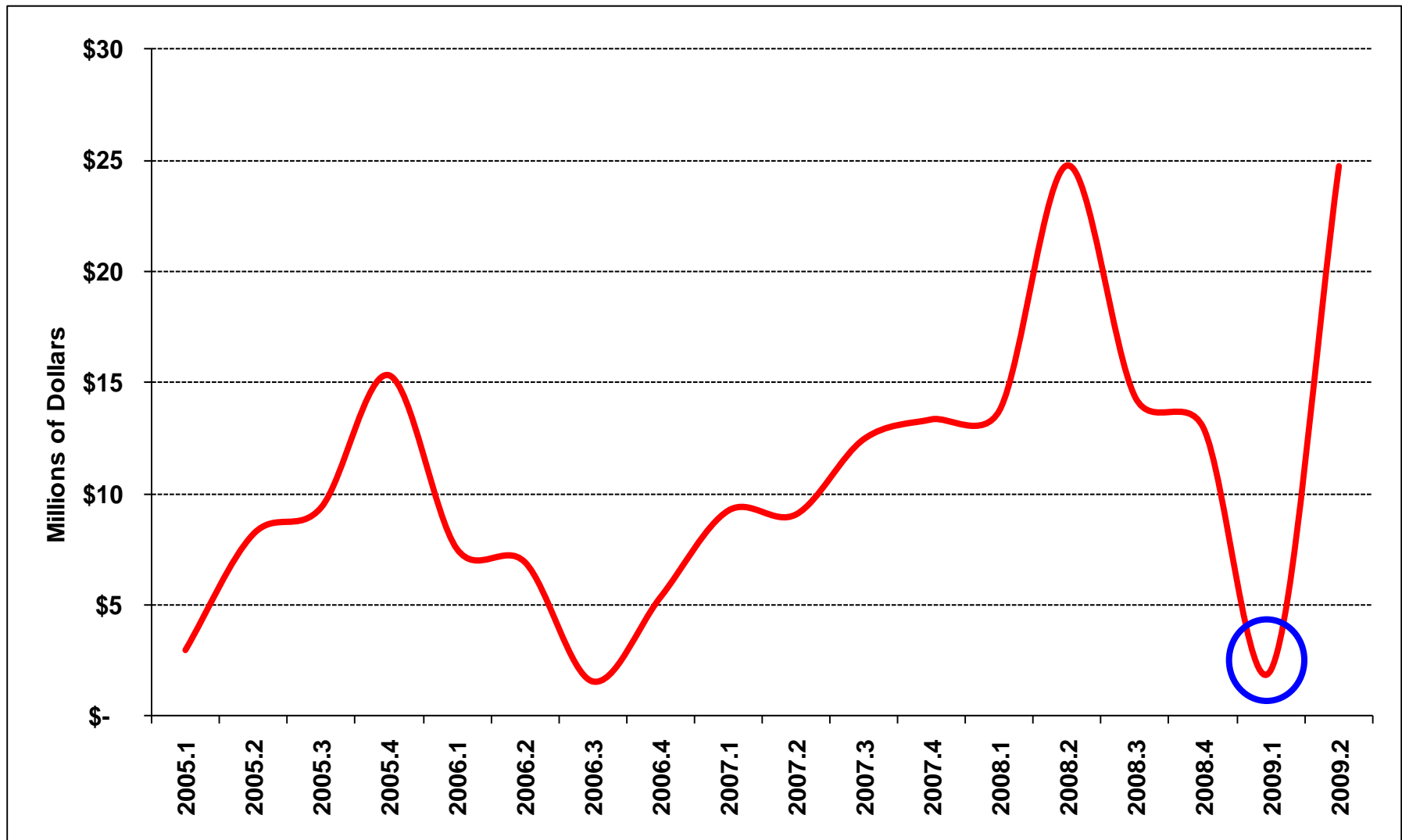
Regional Company Market Values, 3Q 2008 – 3Q 2009



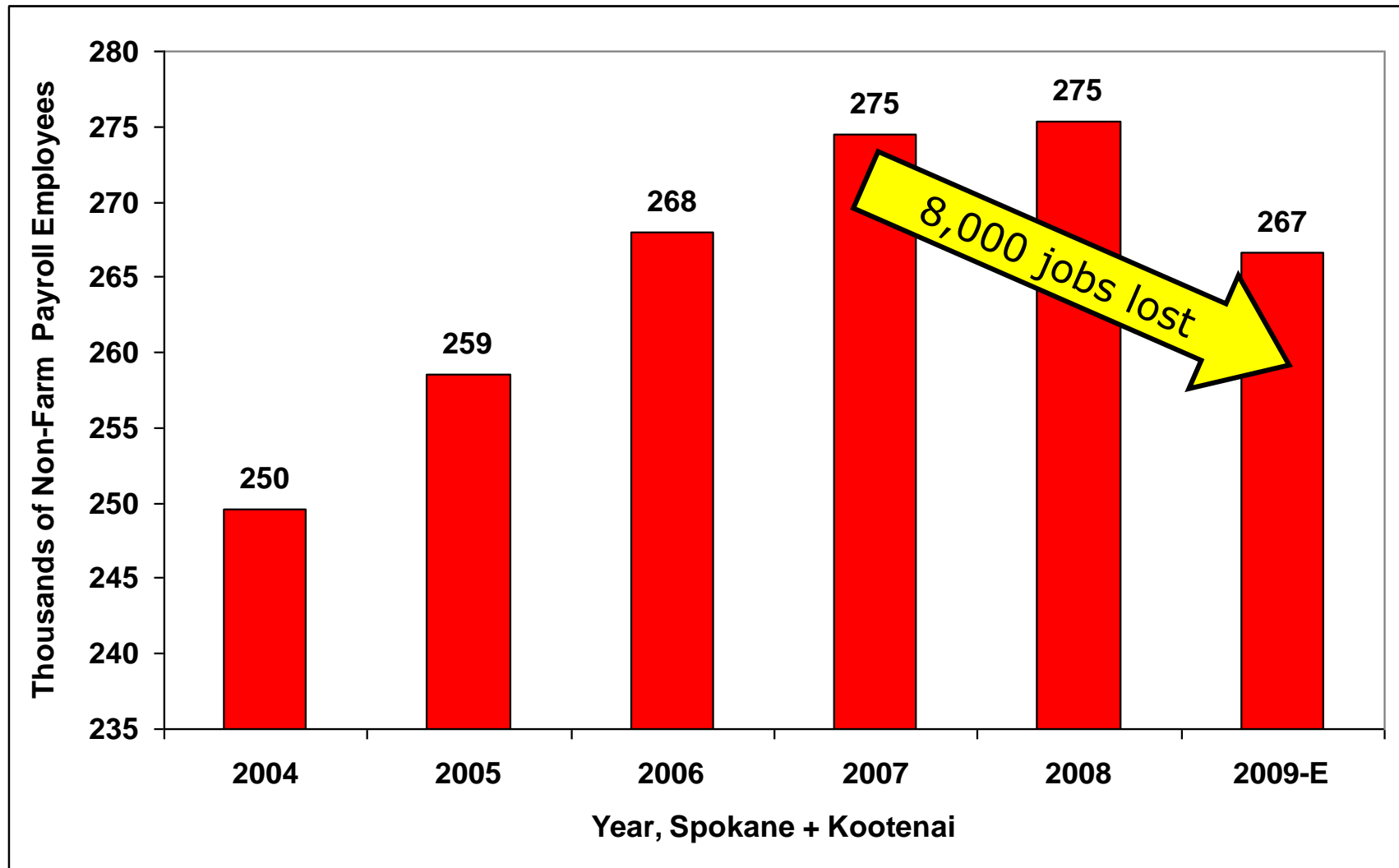
	Company	% Change
Financials	AmericanWest Bancorp.	↓ -60%
	Idaho Independent Bank	↓ -60%
	Intermountain Community Bank	↓ -62%
	Northwest Bancorp.	↓ -57%
	Sterling Financial	↓ -86%
Industrials	Avista	↓ -5%
	Coeur d'Alene Mines	↑ +83%
	Hecla Mining	↑ +36%
	Itron	↓ -22%
	Key Tronic	↑ +4%
	Potlatch	↓ -38%
Retail and Services	Ambassadors Group	↓ -3%
	Coldwater Creek	↑ +42%
	NightHawk Radiology	↓ -7%
	Red Lion Hotels	↓ -29%



Revenues of 5 Regional Hospitals , 1Q 2005 – 2Q 2009



Multiplier Impacts and the Road to Recovery



The Employment Multiplier Concept

Total Employment Impact

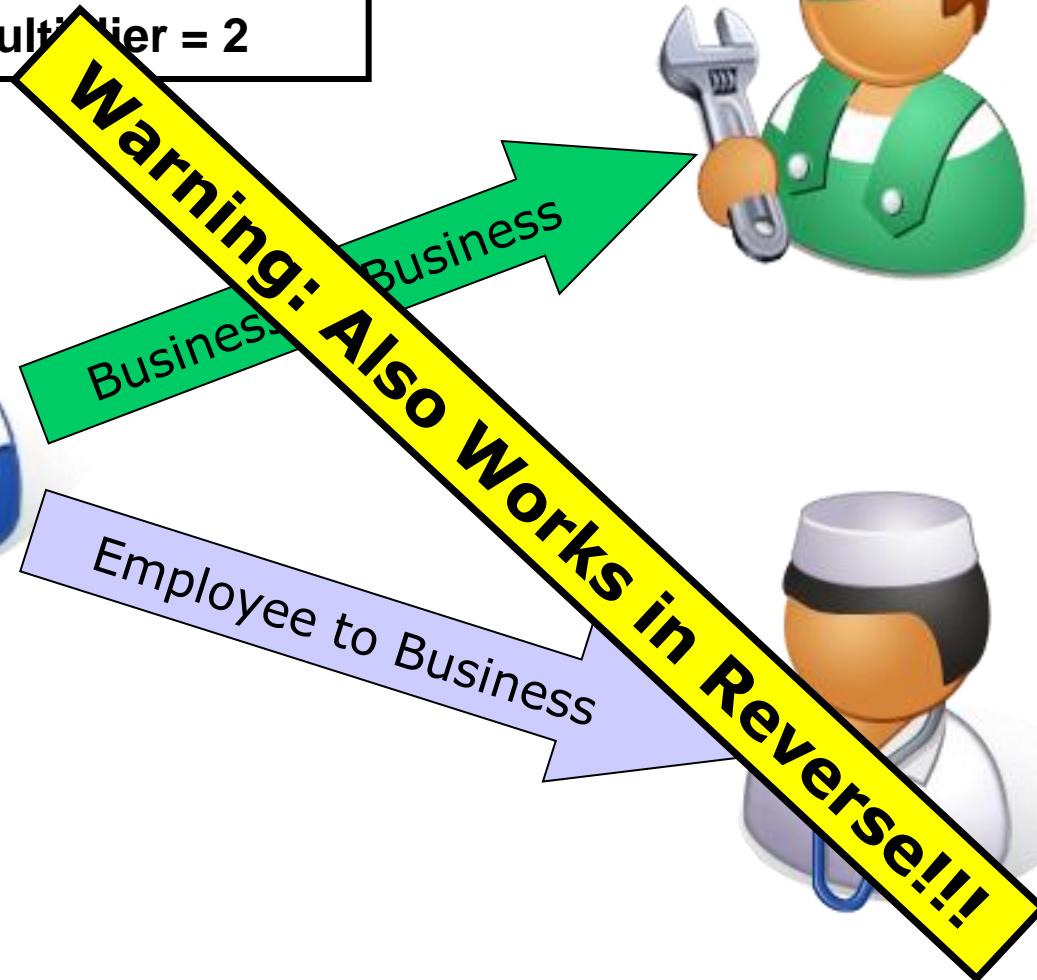
$$1 + \frac{1}{2} + \frac{1}{2} = 2 \text{ workers}$$

Impact Multiplier = 2



Construction Firm:

Additional Full-Time Dump Truck Operator



Mechanic's Shop:

$\frac{1}{2}$ Time Additional Mechanic



Doctor's Office:

$\frac{1}{2}$ Time Additional Nurse

Multipliers of Hard Hit Industries in Spokane County



These Sectors account for 60% of Payroll Job Losses

Sector	Job Losses Since 2007 (payroll employ.)	Estimated 2007 Multiplier	Estimated Employment Impact
Const., Log., Mining	-2,030	1.8	-3,654
Finance and Insurance	-700	2.2	-1,540
Retail	-2,300	1.3	-2,990

Moral: How quickly regional employment recovers will depend, in part, on the sectors that recover first and the size of their impact multipliers.

Forecast Summary



In 2010:

- **Income and Employment growth will be less than 1%.**
- **Taxable sales growth will be in the 1.5% to 3% range.**
- **Existing home price growth will be zero or slightly negative.**
- **Regional banking sector will continue with conservative lending practices due to continued problem loans, regulatory pressure, and political uncertainty.**
- **Regional recovery will depend, in part, on which sectors recover first and their employment multipliers. Exporting industries and healthcare will probably be bright spots.**