

Local Economic Outlook

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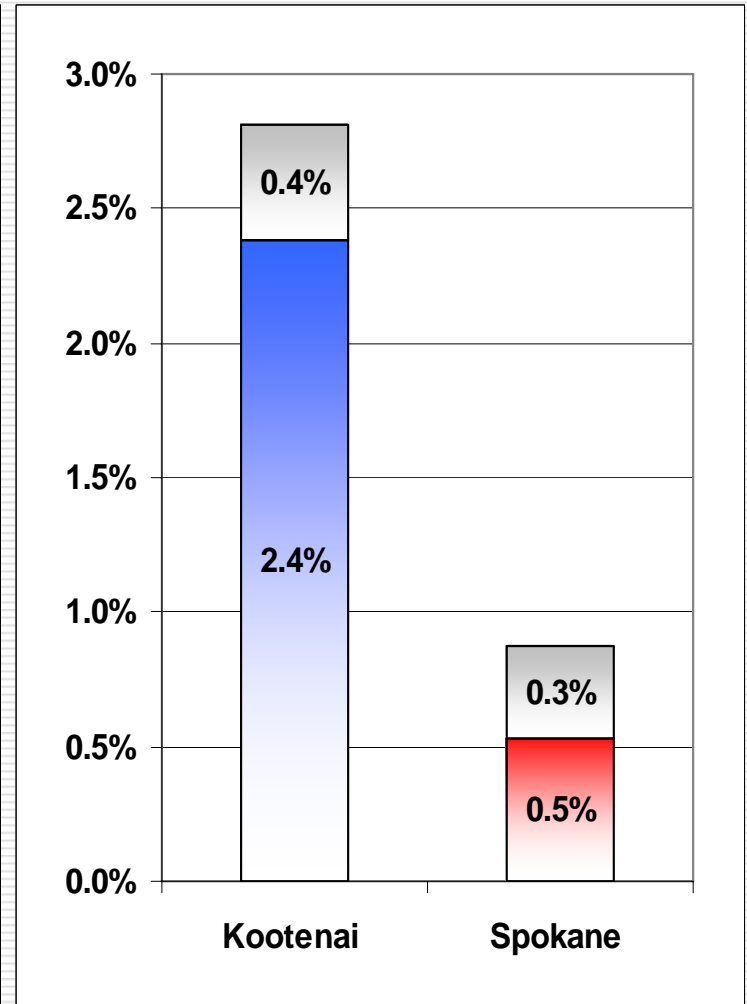
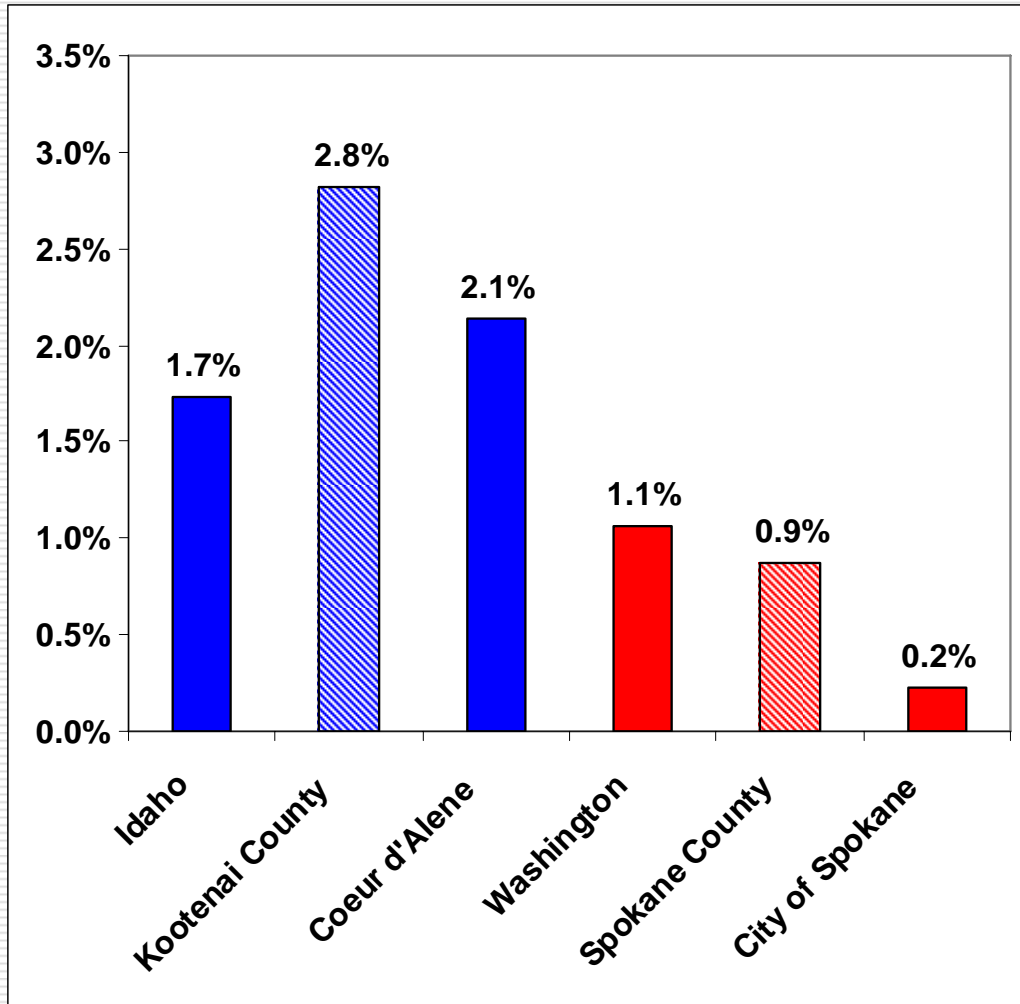
Outlook Outline

- **Regional Indicators and Forecasts**
 - Population**
 - Unemployment and Employment**
 - Incomes**
 - Taxable Retail Sales**
 - Regional Home and Stock Prices**
- **Industries of Interest**
 - Banking Sector**
 - Health Care Sector**

Indicators and Forecasts

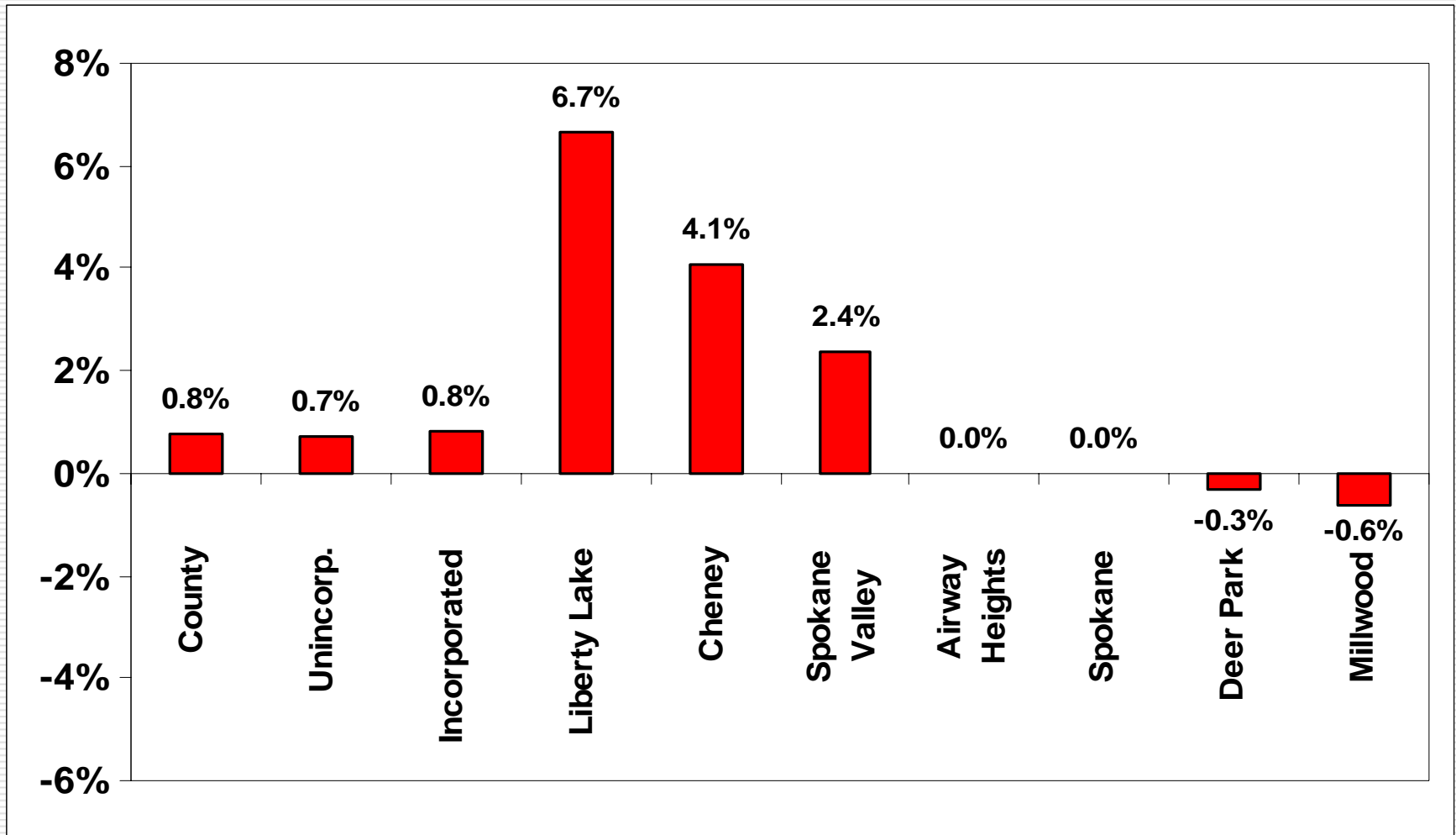


Population Growth, 2002-2003



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

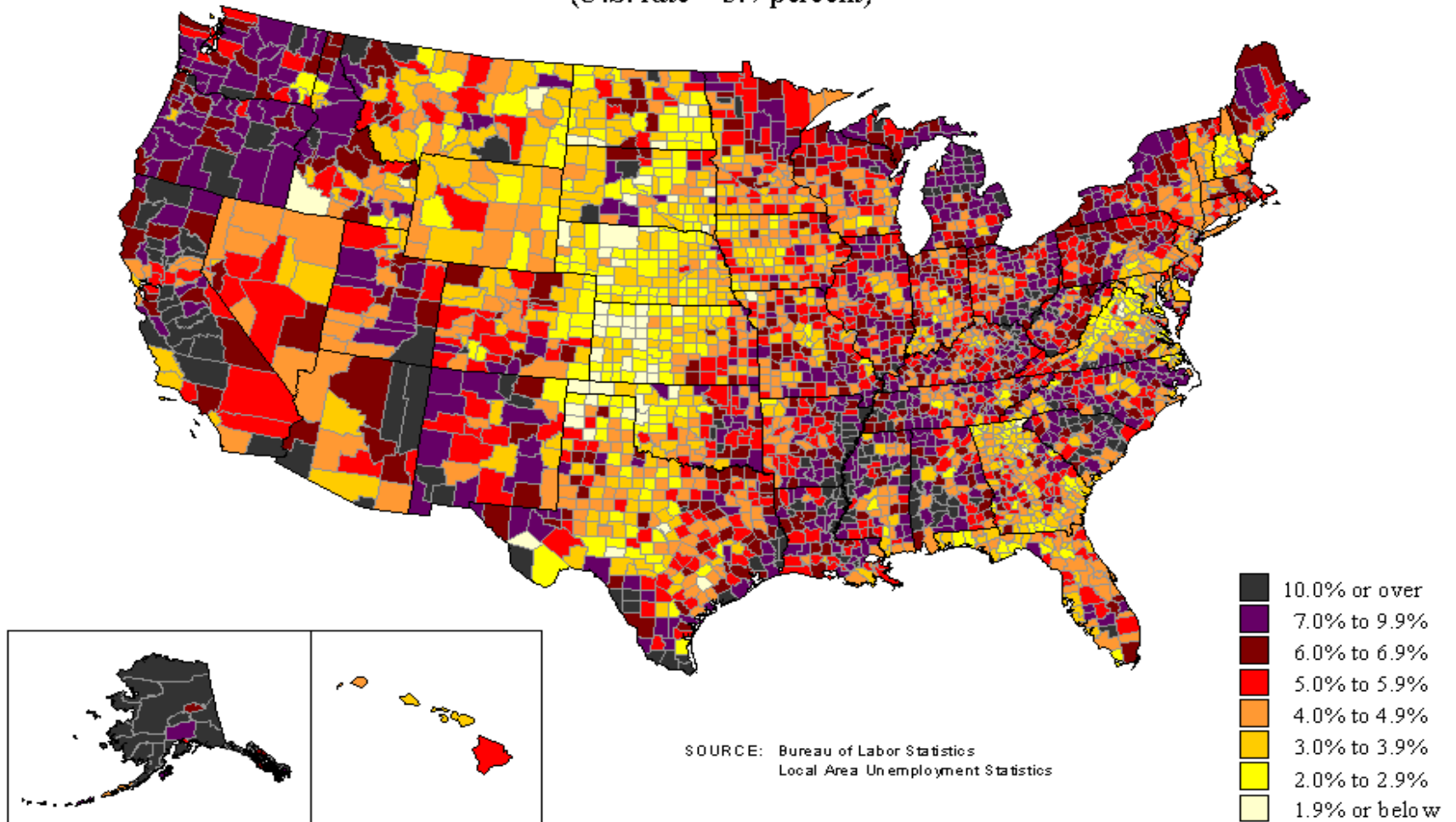
OFM Population Growth Estimates for Spokane County, 2003-2004



Source: Office of Financial Management and author's calculations.

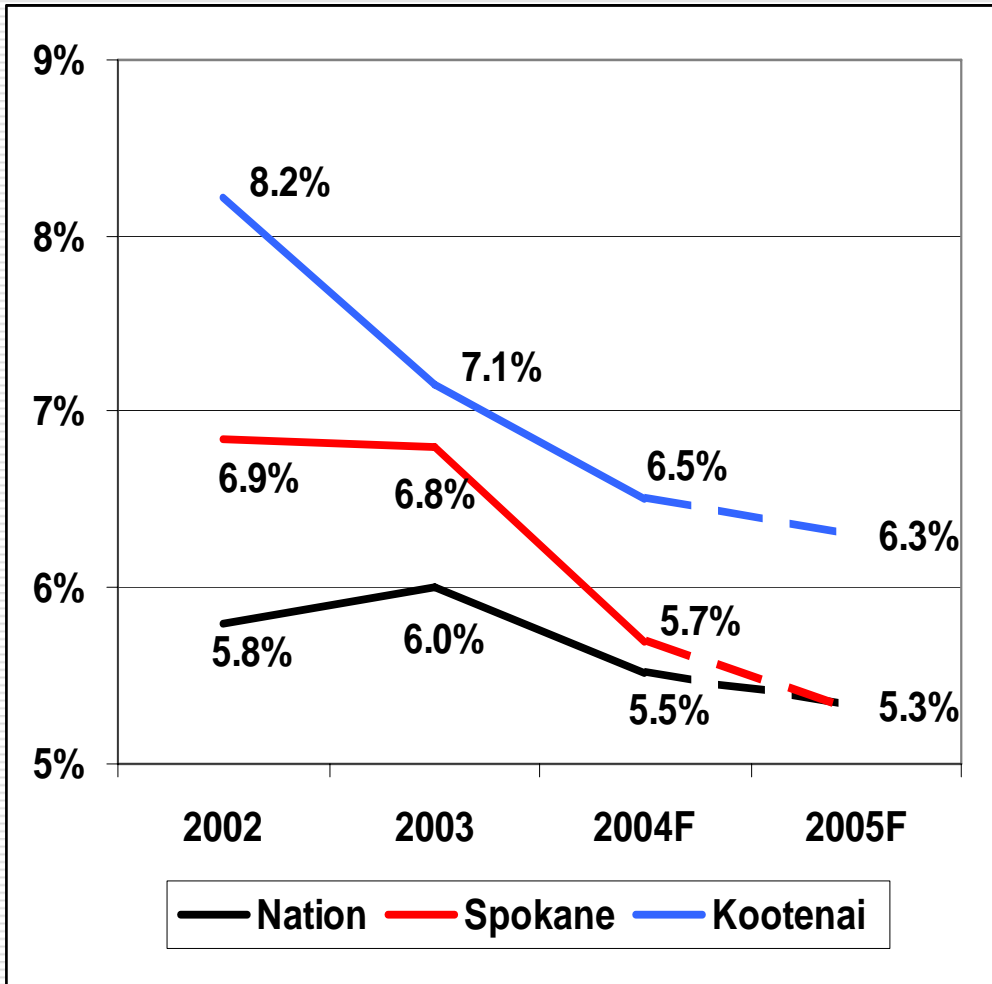
Unemployment rates by county, September 2003 - August 2004 averages

(U.S. rate = 5.7 percent)



Source: Bureau of Labor Statistics

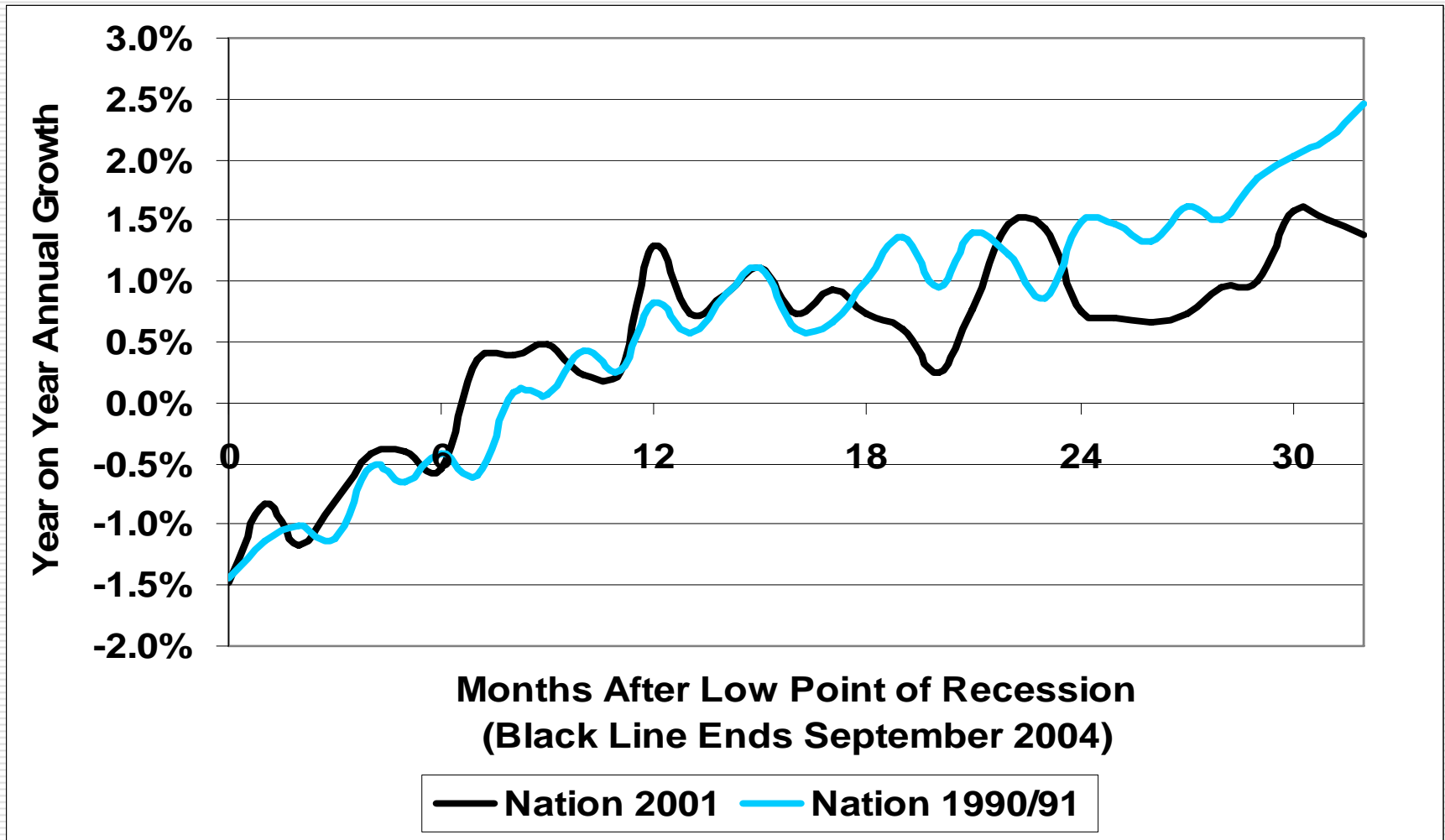
Unemployment Rates and Forecasts



	Spokane		Kootenai	
	2004	2005	2004	2005
Range				
High	5.9%	6.1%	6.8%	7.5%
Point	5.7% (6.8)	5.3%	6.5% (7.2)	6.3%
Low	5.5%	4.5%	6.2%	6.1%

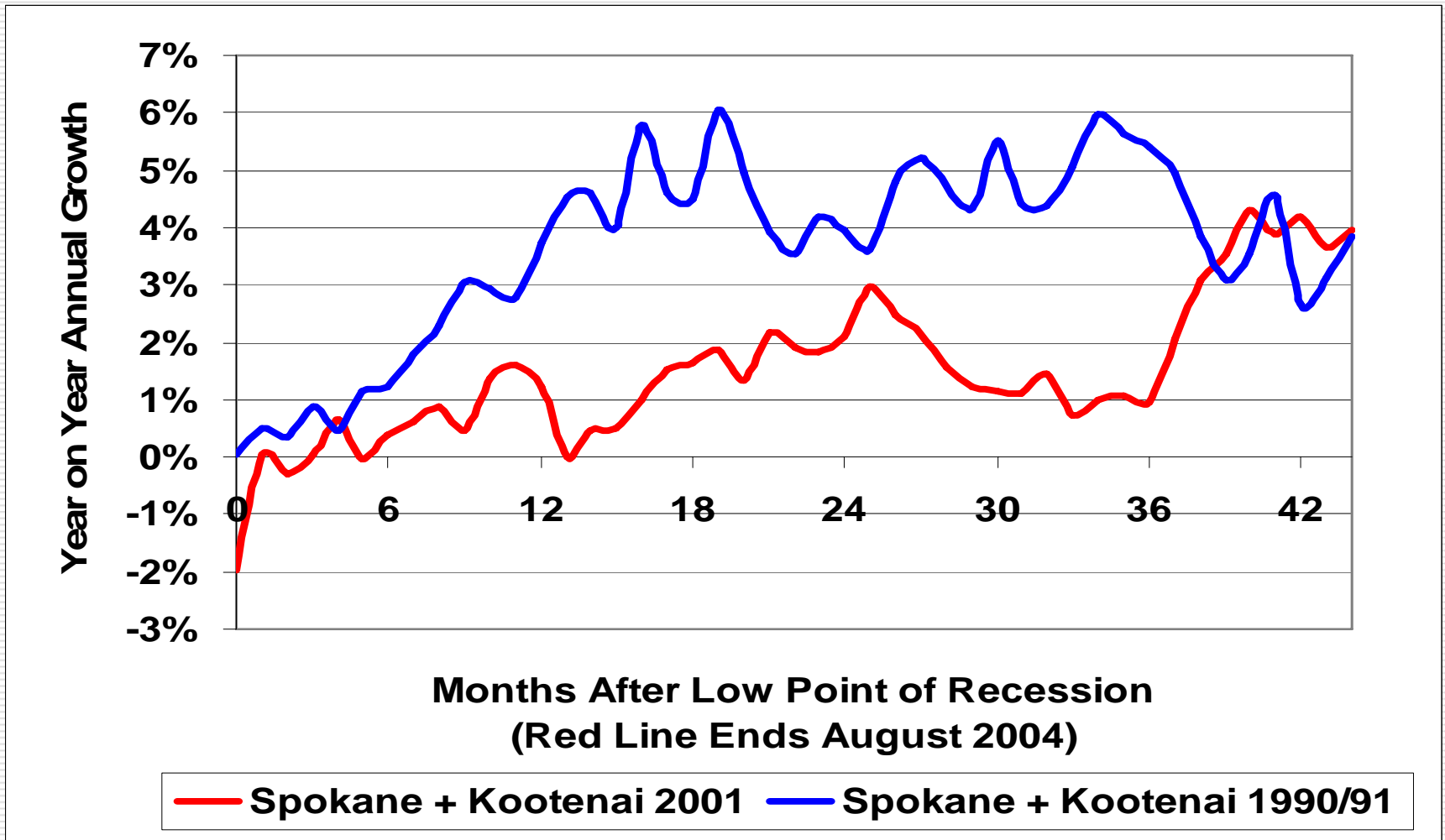
Source: Bureau of Labor Statistics, the Forecast Council, and author's calculations.

US Employment Growth



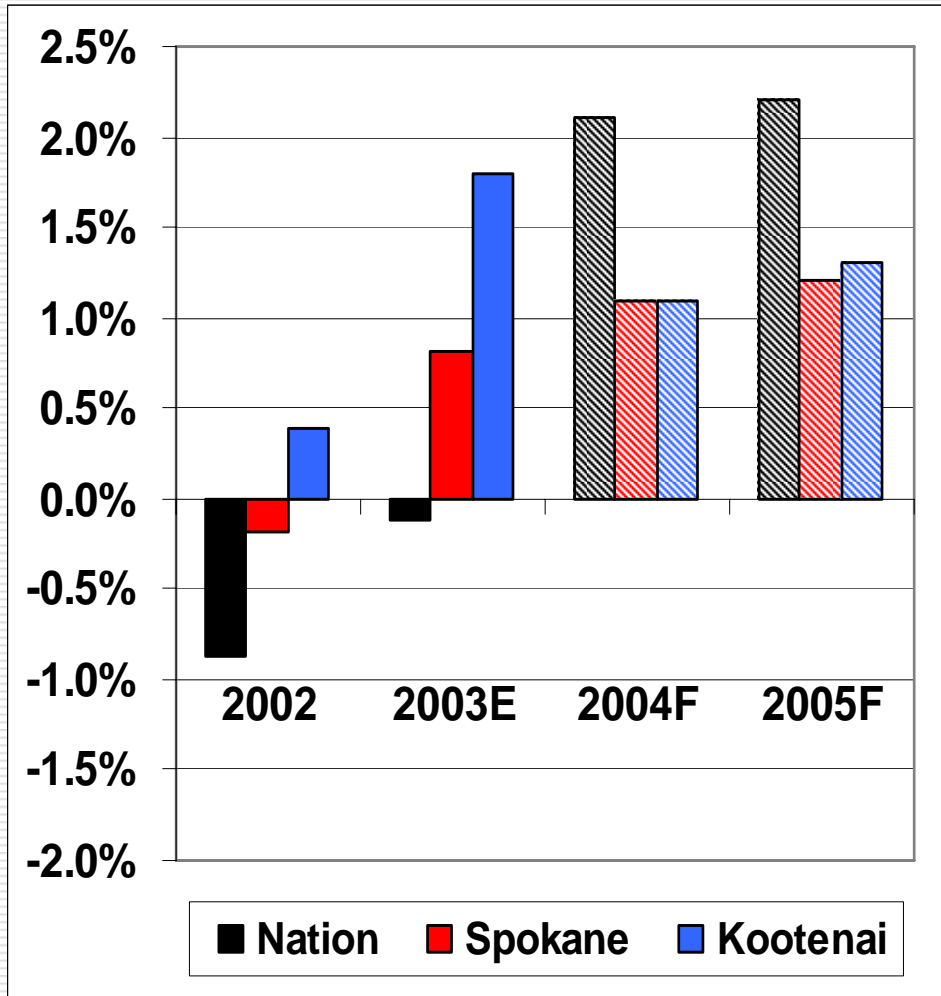
Source: Bureau of Labor Statistics and author's calculations.

Local Employment Growth



Source: Bureau of Labor Statistics and author's calculations.

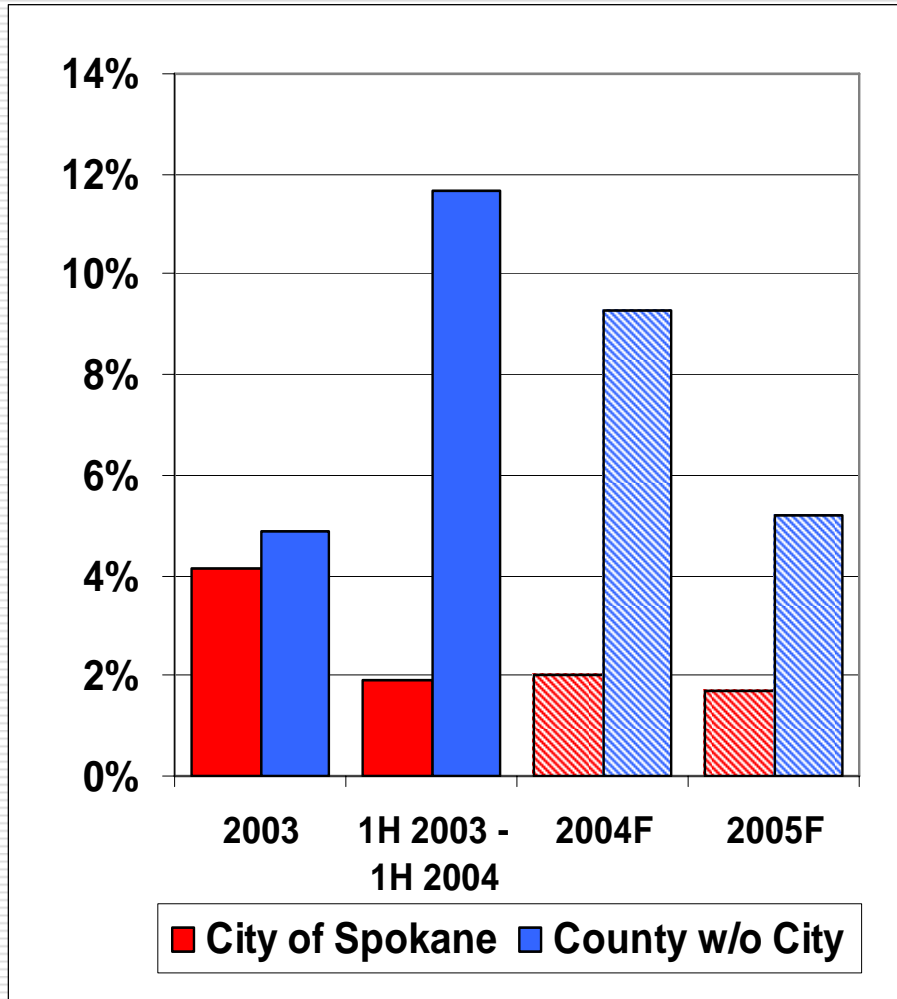
Real Per Capita Personal Income Growth and Forecasts



Range	Spokane		Kootenai	
	2004	2005	2004	2005
High	2.7%	3.4%	3.0%	3.7%
Point	1.1% (1.1)	1.2%	1.1% (1.4)	1.3%
Low	-0.2%	-0.6%	-0.2%	-0.5%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, the Forecast Council, and author's calculations.

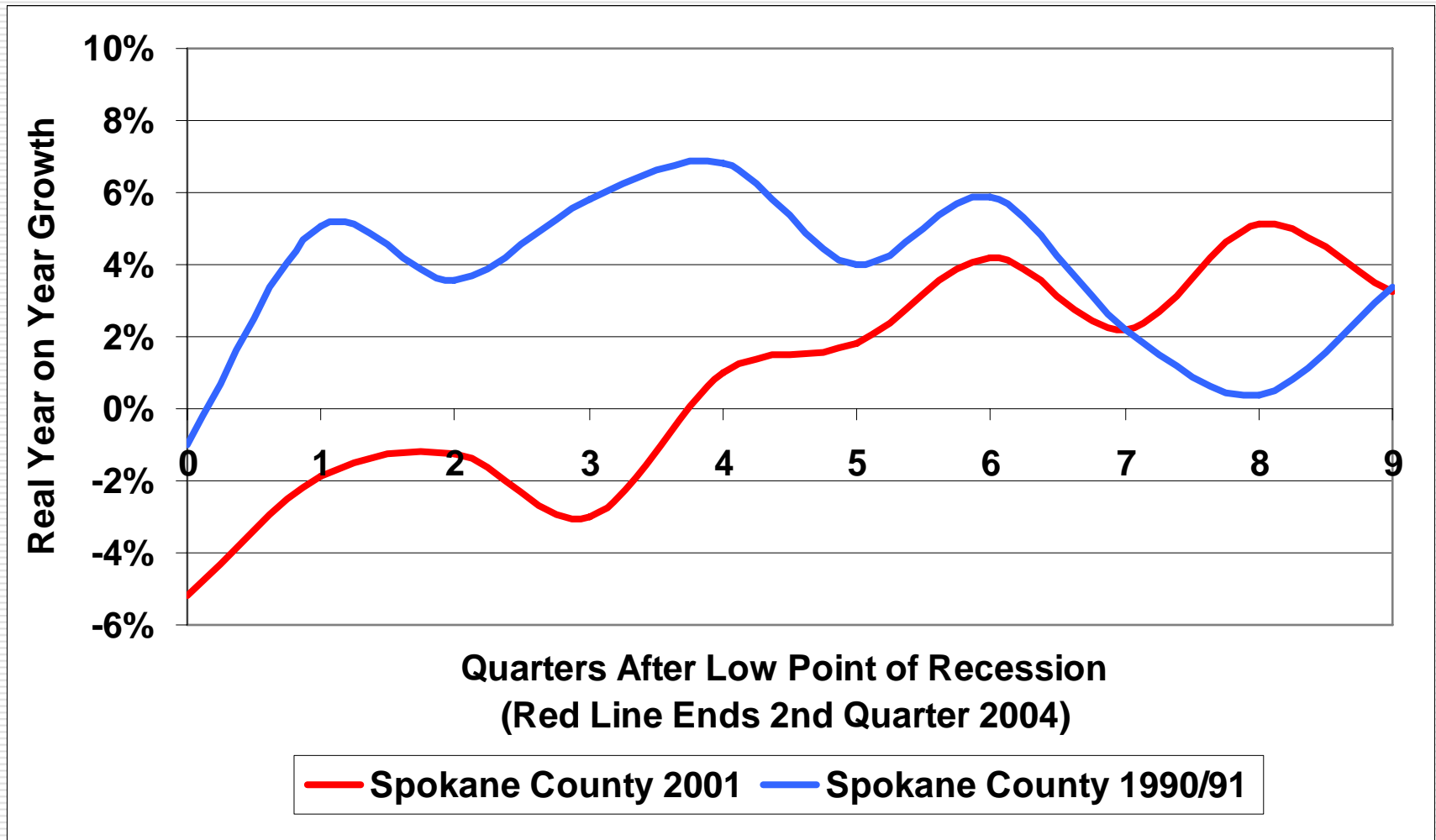
Spokane County Taxable Retail Sales Growth and Forecasts



	City of Spokane		County w/o City	
	2004	2005	2004	2005
Range				
High	5.3%	6.7%	11.1%	11.5%
Point	2.0% (4.7)	1.7%	9.3% (2.9)	5.2%
Low	-1.0%	-3.2%	3.6%	0.0%

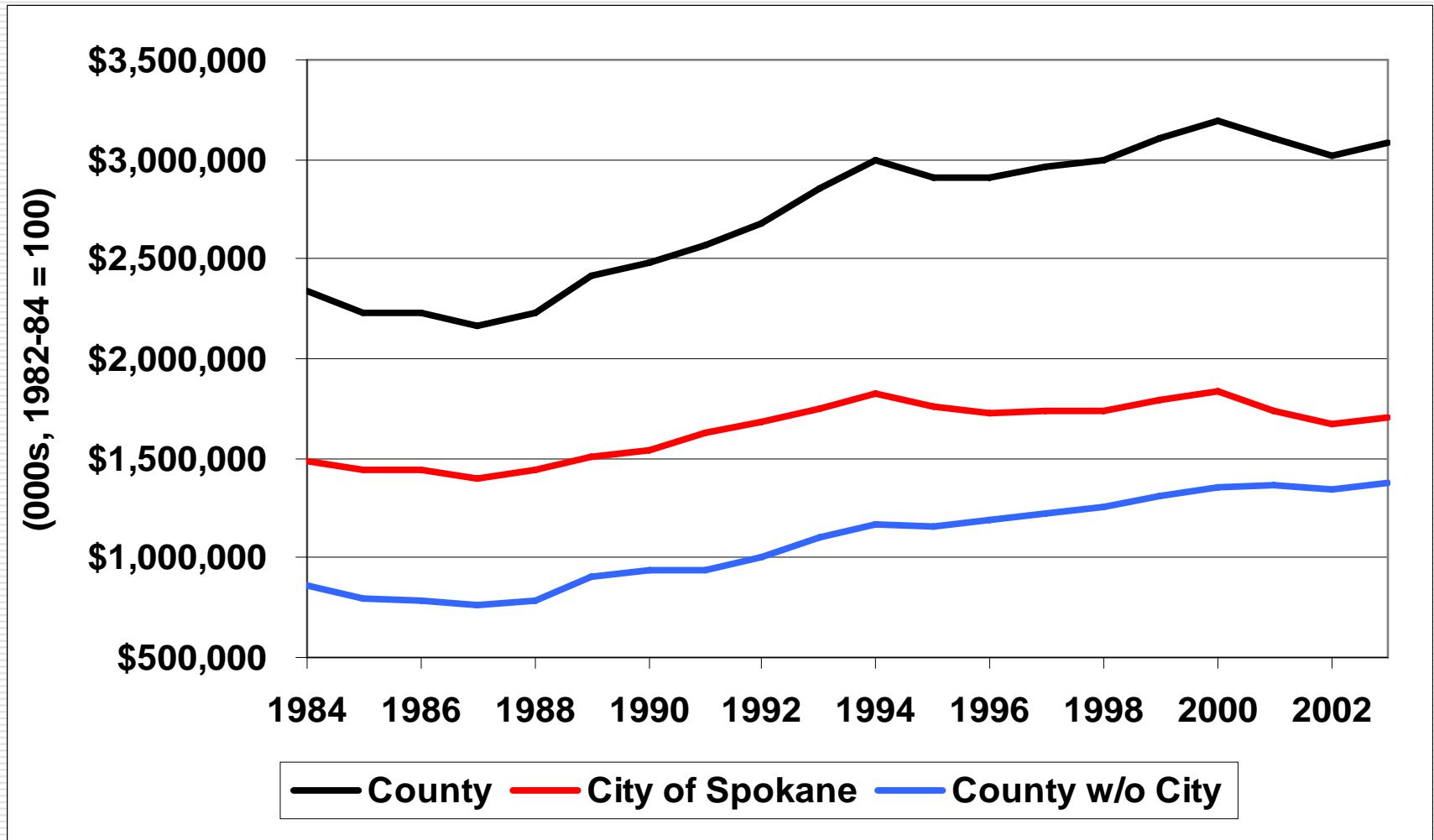
Source: Department of Revenue and author's calculations.

County Real Taxable Retail Sales Growth, The Short-Run



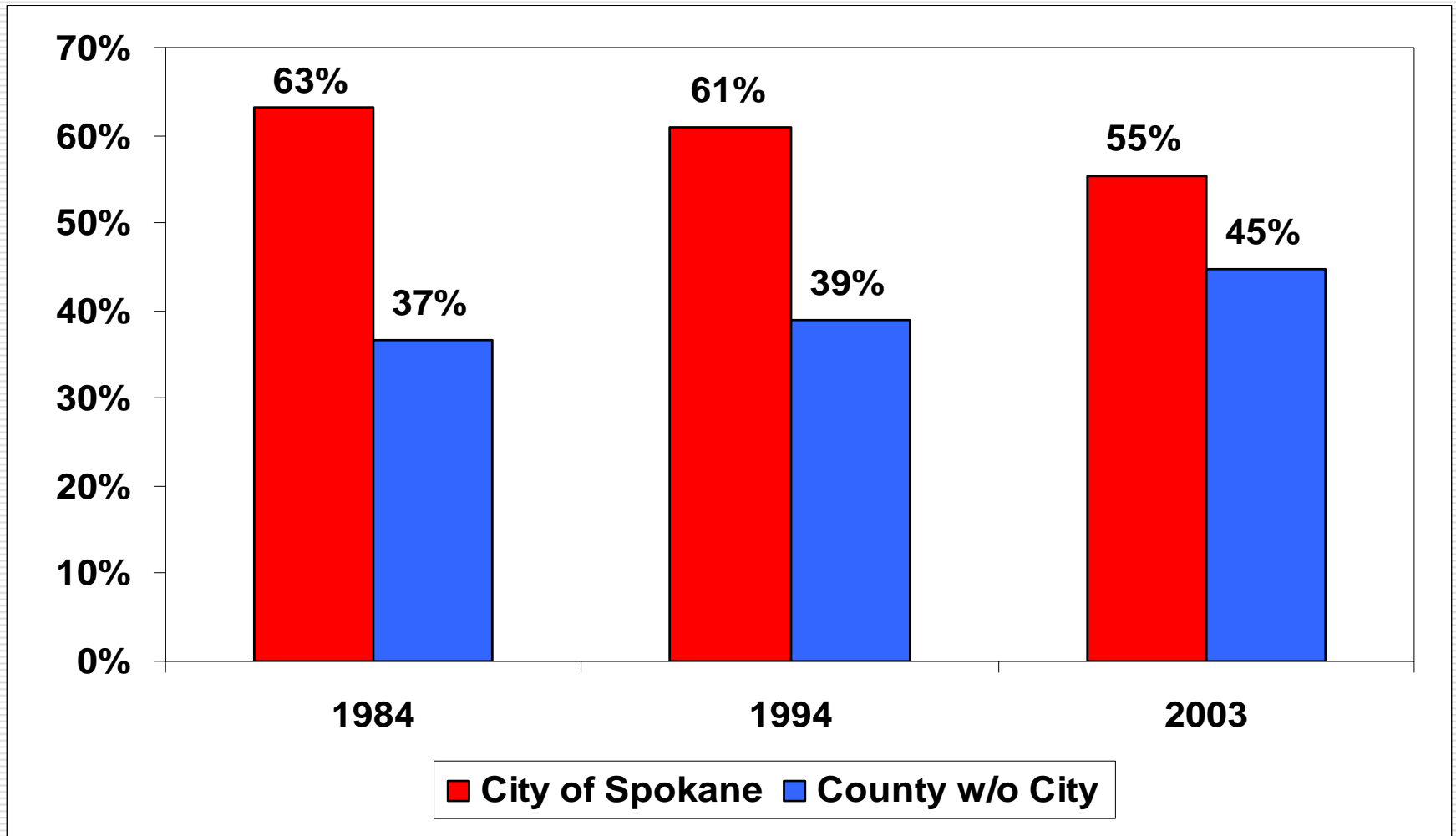
Source: Department of Revenue and author's calculations.

County Real Taxable Retail Sales Growth, The Long-Run



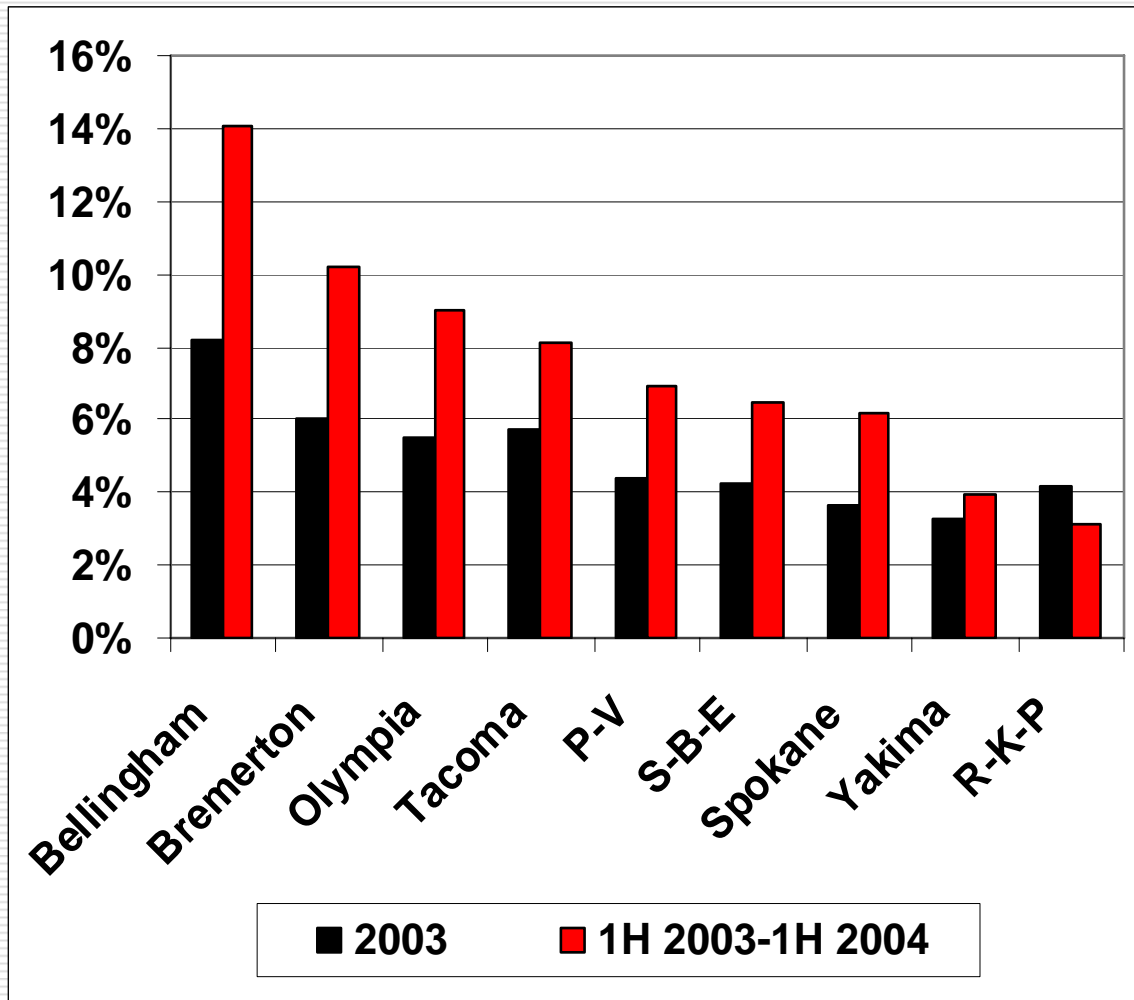
Source: Department of Revenue and author's calculations.

Source of Taxable Retail Sales



Source: Department of Revenue and author's calculations.

Spokane MSA Existing Home Price Growth and Forecasts



Range	2004	2005
High	8.5%	10.8%
Point	7.1% (2.2)	5.9%
Low	4.6%	1.1%

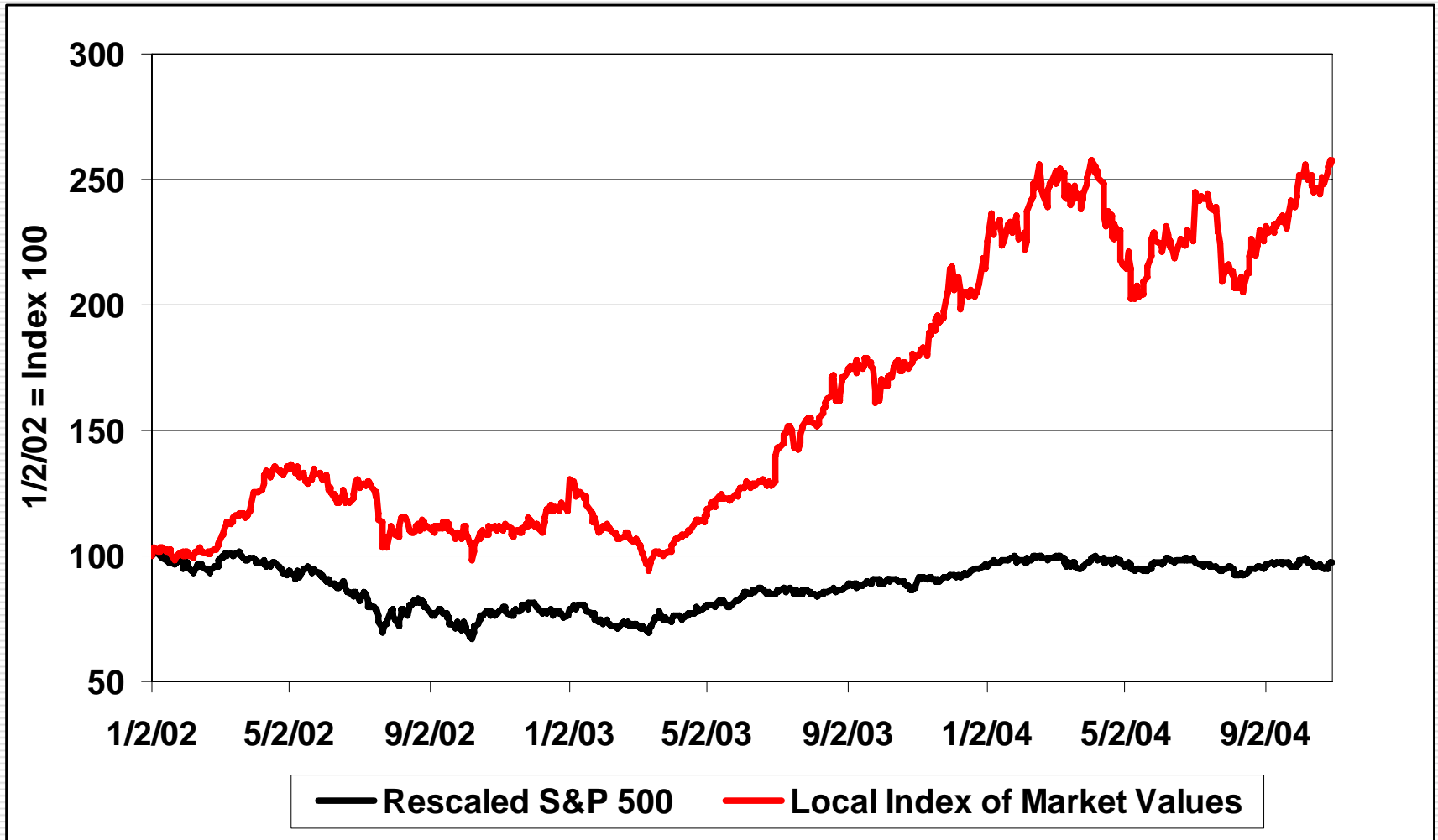
Source: Office of Federal Housing Enterprise Oversight and author's calculations.

Regional Market Values by Firm

Company	% Change-Market Value 1/03-12/03	% Change-Market Value 1/04-10/04
S&P 500 Index	+21%	-1%
Avista	+55%	-1%
Potlatch	+47%	+26%
Sterling Financial	+88%	+21%
American West Bancorp.	+47%	-7%
Northwest Bancorp.	+50%	+1%
Coeur d'Alene Mines	+323%	-24%
Hecla Mining	+74%	-15%
Itron	+1%	+4%
Key Tronics	+75%	+28%
West Coast Hospitality	-17%	+8%
Coldwater Creek	+56%	+178%

Source: Standard and Poor's, SEC, Economagic.com, NASDAQ, and author's calculations.

Total Market Value, 1/2002-10/2004

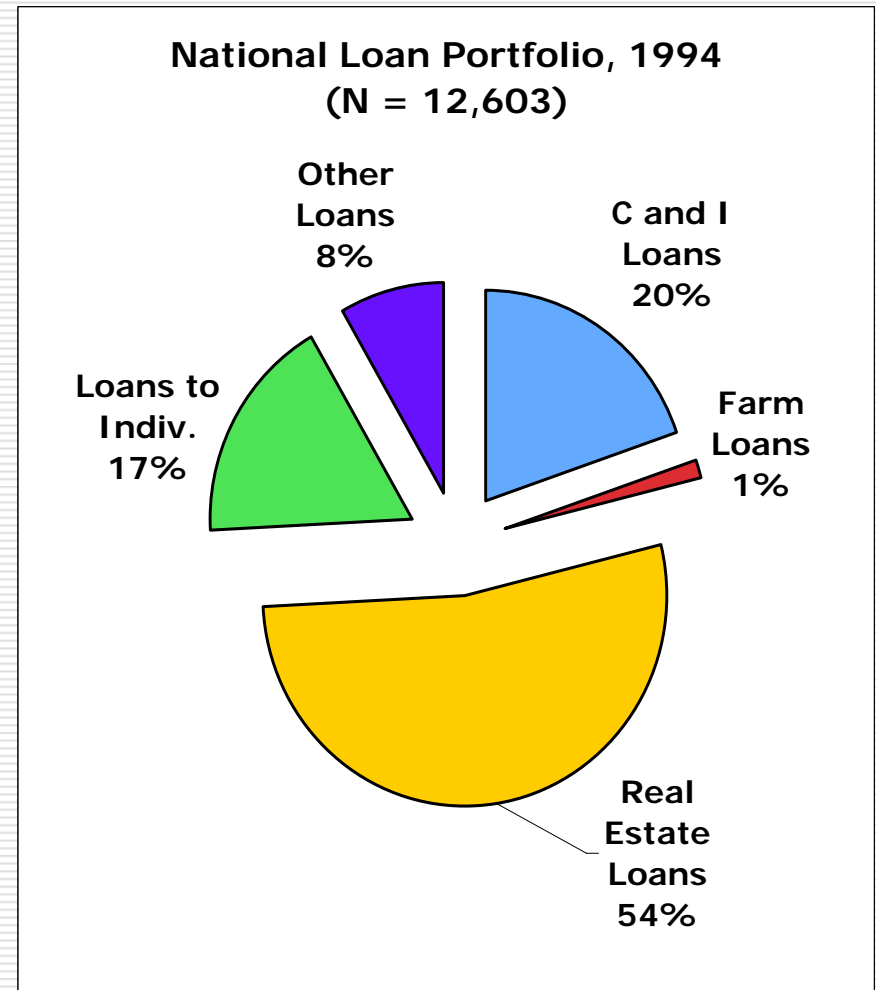
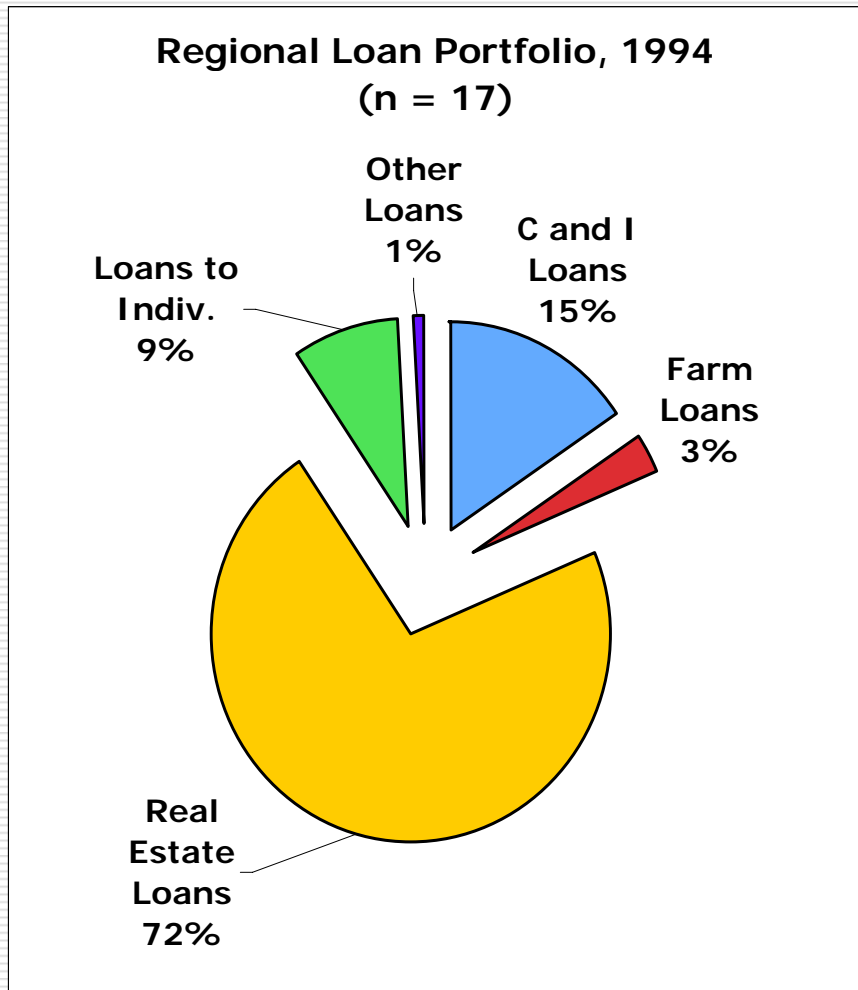


Source: Standard and Poor's, SEC, Economagic.com, NASDAQ, and author's calculations.

Regional Banking Sector



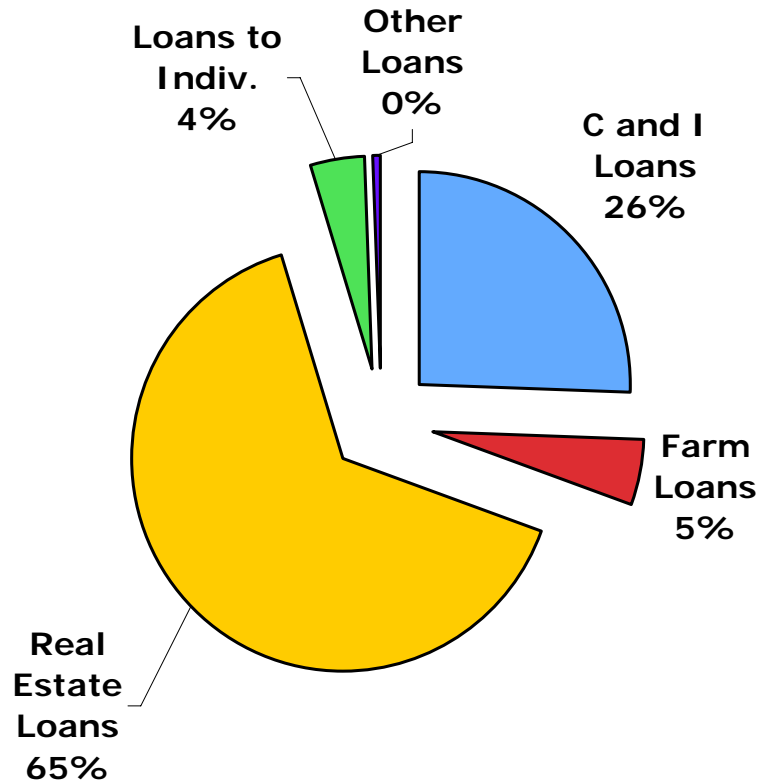
Loan Portfolio, 1994



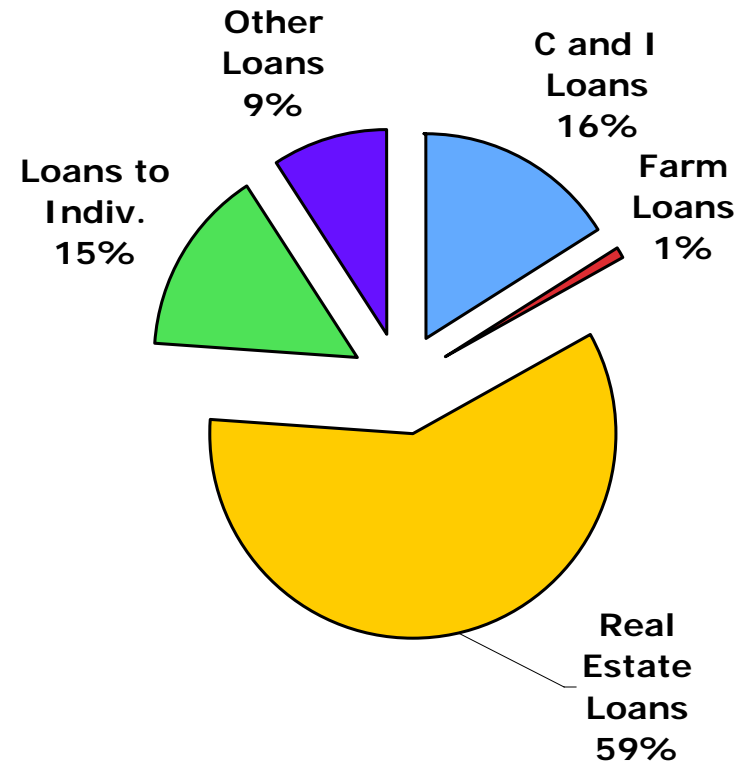
Source: FDIC and author's calculations.

Loan Portfolio, 2004

Regional Loan Portfolio, 2004
(n = 16)

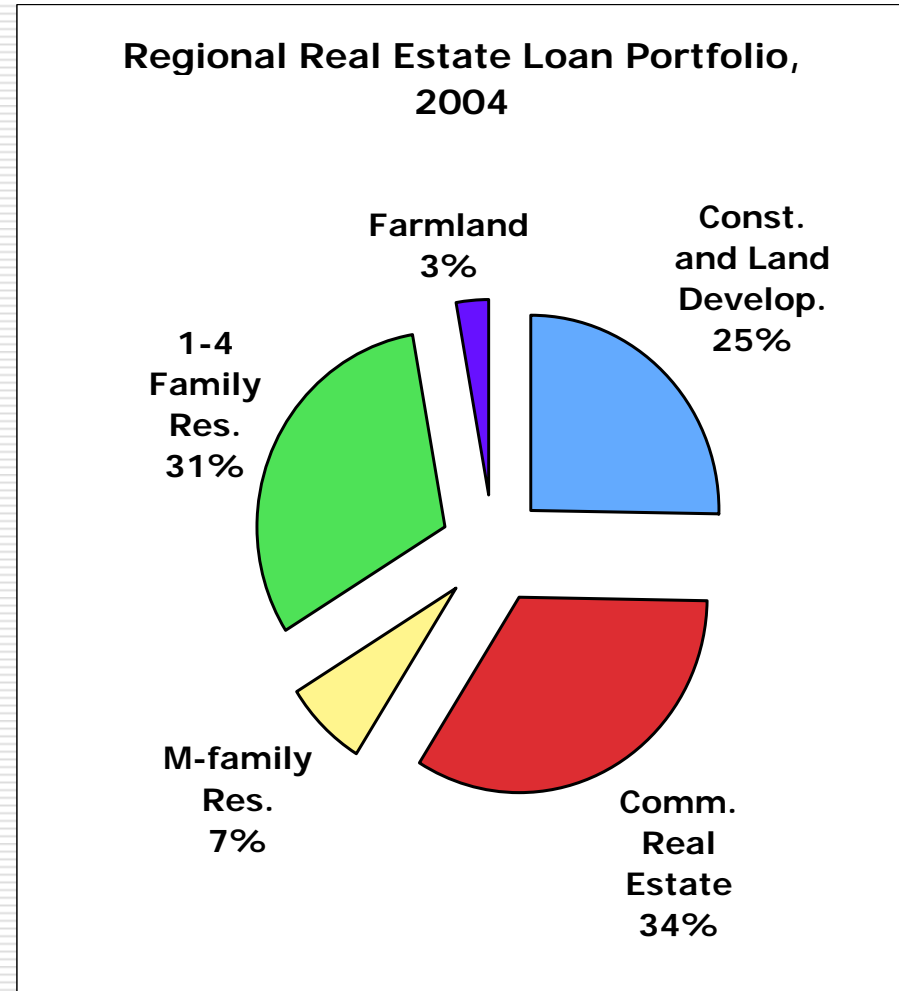
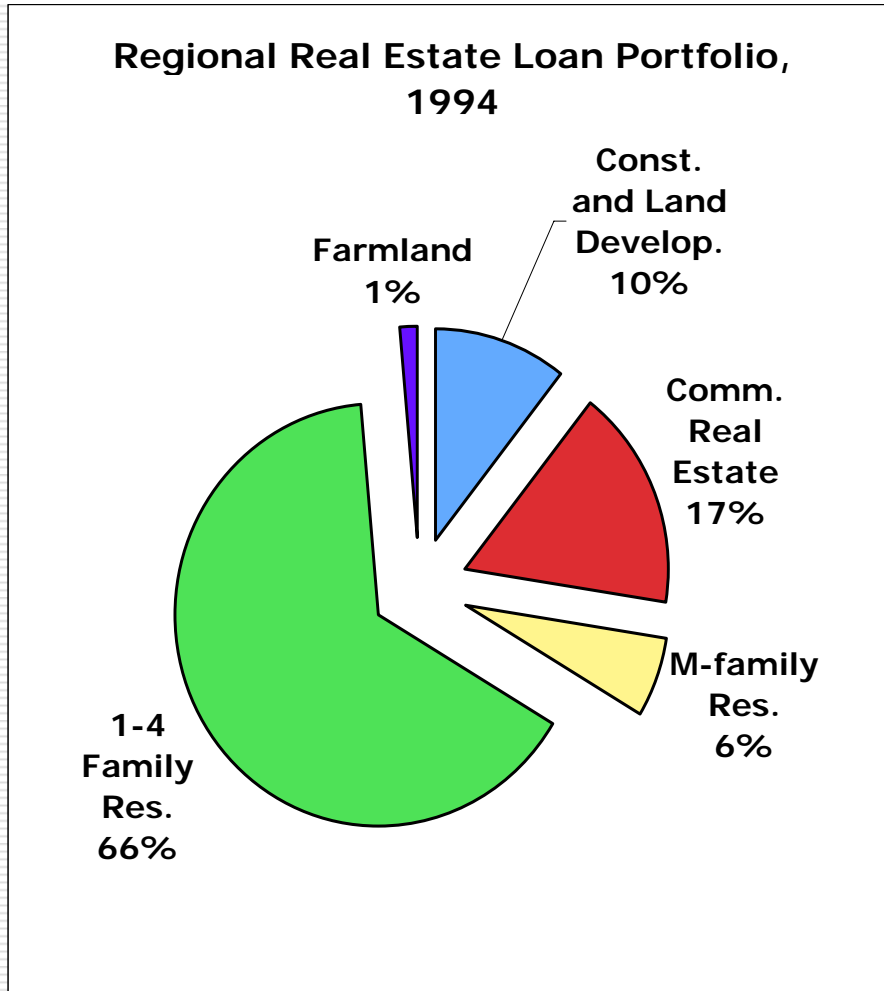


National Loan Portfolio, 2004
(N = 9,079)



Source: FDIC and author's calculations.

Real Estate Loans, 1994 and 2004

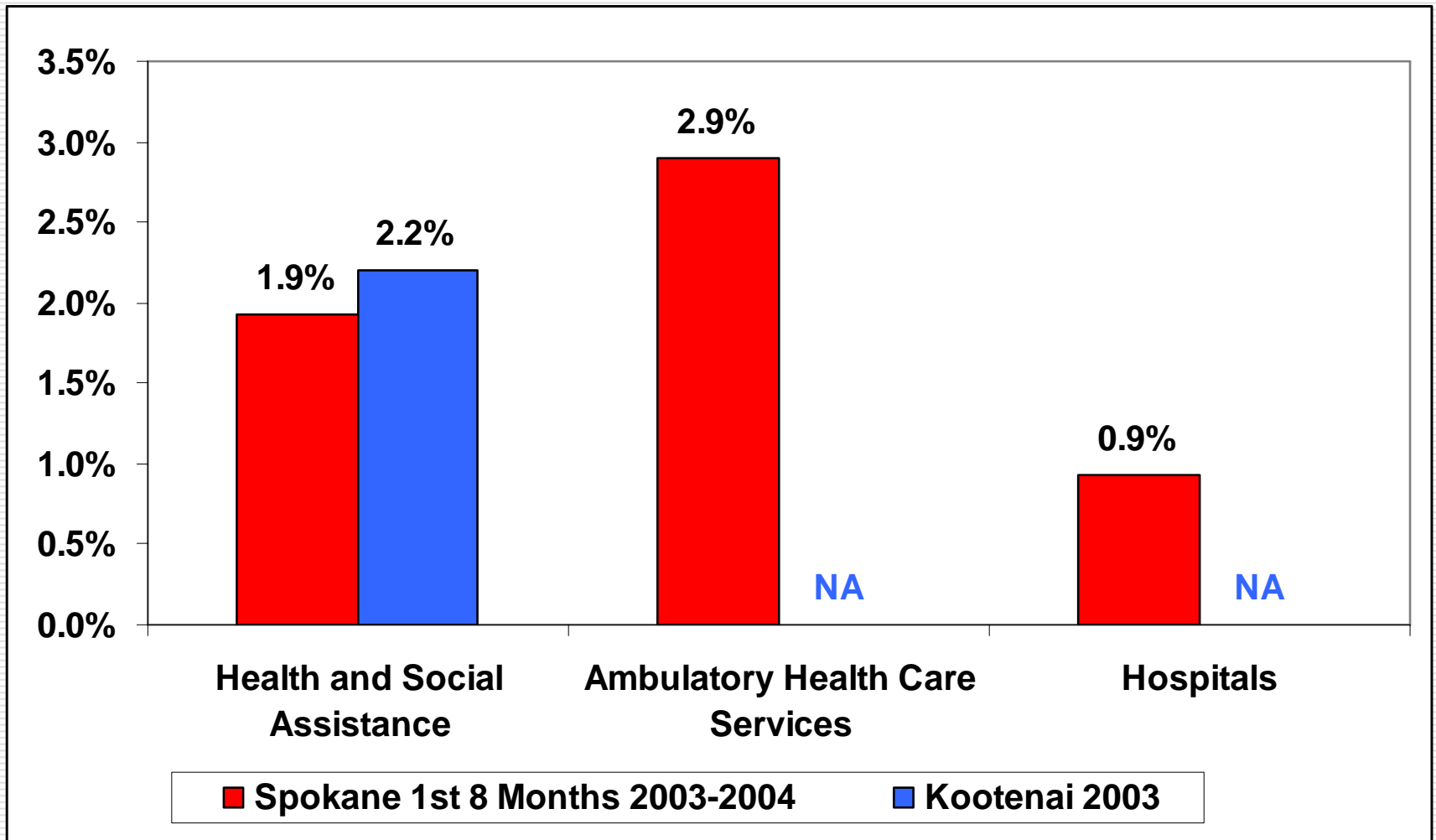


Source: FDIC and author's calculations.

Spokane County Healthcare Sector

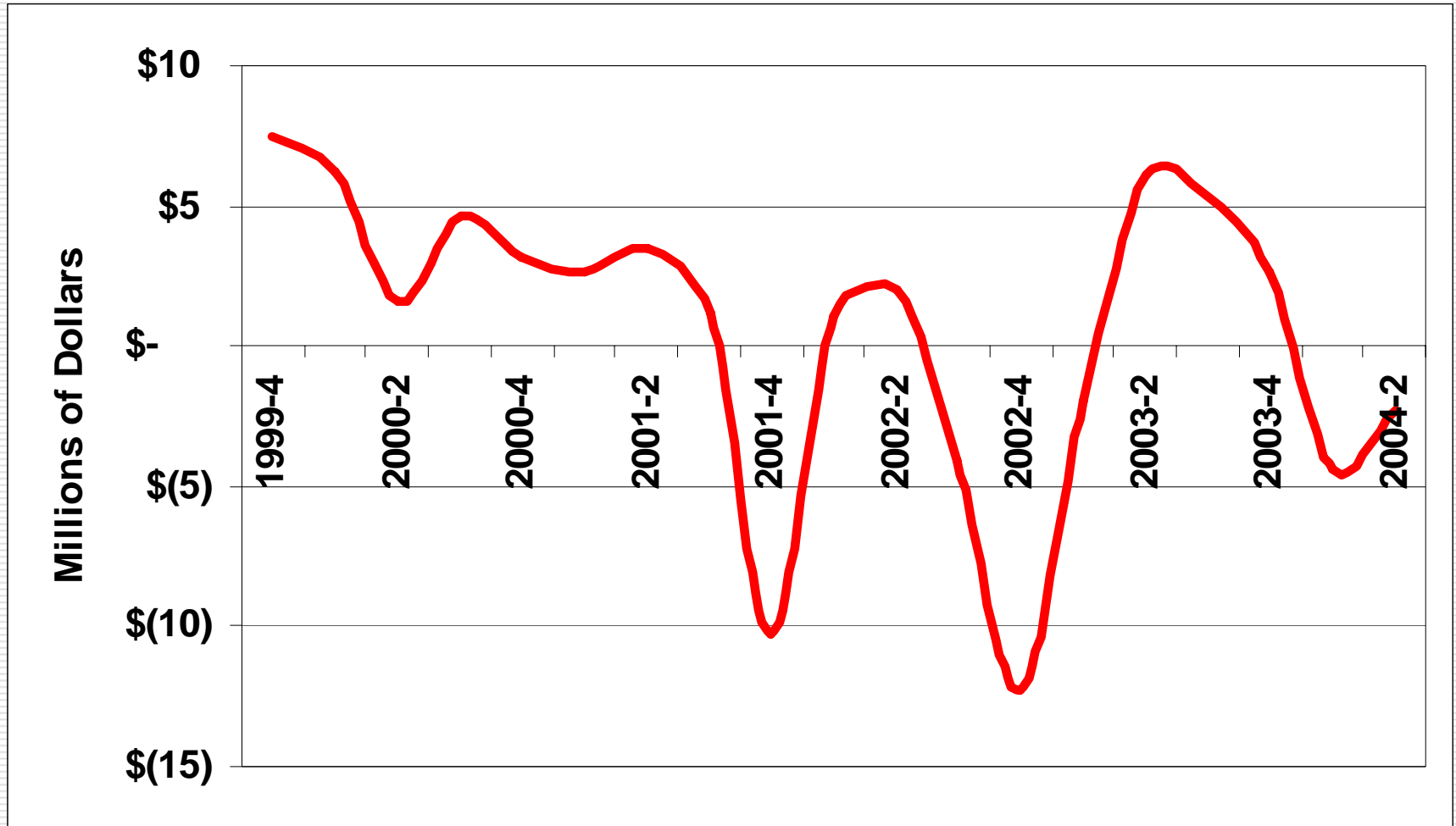


Sector Employment Growth



Source: Employment Security Department, Idaho Department of Labor, and author's calculations

Operating Margins of Six Regional Hospitals, 1999-2004



Source: Washington State Department of Health and Patrick Jones, Ph.D.

Outlook Summary for 2005

Contingent on the national economy doing no worse:

- Lower unemployment rates in 2005.
- Real growth above 1% for personal income in 2005.
- Continued above average gains on the prices of existing residential homes, but lower than 2004.
- More robust growth in taxable retail sales for the balance of the county compared to the City of Spokane. City of Spokane returning to the slow growth rate of the last 10 years.
- Regional banks well positioned for commercial lending.
- Continued growth in health services employment, despite weak incomes at regional hospitals.