2013 Regional Economic Forecast

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The Regional Economy: The Long Slumber*

"2012 is going to look a lot like 2011."

Snort…gurgle…

hack…zzzzzzz…

*AVISTA
Population Growth, 2011-2012

Source: U.S. Census, OFM, and author's calculations.
Unemployment Rates, 2011-2012

Source: BLS and author's calculations.
Initial Unemployment Claims, 2009-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Spokane+Kootenai, WA-ID</th>
<th>Benton+Franklin, WA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>79,091</td>
<td>27,646</td>
</tr>
<tr>
<td>2010</td>
<td>67,095</td>
<td>23,501</td>
</tr>
<tr>
<td>2011</td>
<td>57,795</td>
<td>24,747</td>
</tr>
<tr>
<td>Est. 2012</td>
<td>45,419</td>
<td>22,168</td>
</tr>
</tbody>
</table>

Source: WA ESD, ID DOL, and author’s calculations.
Non-Farm Employment Growth, 2009-2012

Source: BLS and author's calculations.
Monthly Leading Indicator, 2011-2012

Spokane-Kootenai Regional Leading Index, March 2004 = 100

Source: WA ESD, Economagic.com, Census, and author's calculations.
Spokane Taxable Sales Growth, 2008-2012

Source: WA DOR and author's calculations.

2008  2009  2010  2011  Est 2012  2013

City
Worst Case 0% 1% to 2% 3%
Central Range
Best Case

ROC
Worst Case 1% 2% to 3% 4%
Central Range
Best Case

Source: WA DOR and author's calculations.
Spokane Real Median Household Income and Spending, 2004-2011

Source: OFM, BEA, and author's calculations.
Real Weekly Wage, 2007-2011

Source: BLS, BEA, and author’s calculations.
Existing Home Price Growth, 2011-2012

<table>
<thead>
<tr>
<th>Location</th>
<th>Worst Case</th>
<th>Central Range</th>
<th>Best Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spokane, WA</td>
<td>-3%</td>
<td>-1% to 1%</td>
<td>3%</td>
</tr>
<tr>
<td>Kootenai, ID</td>
<td>-2%</td>
<td>0% to 2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: FHFA and author’s calculations.
Spokane+Kootenai Growth in Residential Units Permitted, 2011-2012

Source: Construction Monitor and author’s calculations.

Top 20: $245 Million in Permit Valuations

Private Sector, 45%

Government, 55%

Source: Journal of Business and author’s calculations.
Hart Capital INW-15 Regional Equity Index, 3Q 2011-3Q 2012

Index % Change

Russell 2000 30%
Hart Capital INW-15 29%
S&P 500 27%

Source: Hart Capital, Standard and Poor's, Russell, and Economagic.com
<table>
<thead>
<tr>
<th>Increasing</th>
<th>% Change</th>
<th>Decreasing</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Tronic</td>
<td>188%</td>
<td>Coldwater Creek</td>
<td>-34%</td>
</tr>
<tr>
<td>Sterling Financial</td>
<td>80%</td>
<td>Intermountain Bank</td>
<td>-8%</td>
</tr>
<tr>
<td>Northwest Bancorp</td>
<td>54%</td>
<td>ID Independent Bank</td>
<td>-7%</td>
</tr>
<tr>
<td>Itron</td>
<td>46%</td>
<td>Red Lion Hotels</td>
<td>-7%</td>
</tr>
<tr>
<td>CdA Mines</td>
<td>35%</td>
<td>Ambassadors Group</td>
<td>-6%</td>
</tr>
<tr>
<td>WTB Financial</td>
<td>29%</td>
<td>Reflects on-going restructuring and a tough retail market for clothing and hospitality.</td>
<td></td>
</tr>
<tr>
<td>Hecla Mining</td>
<td>22%</td>
<td></td>
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<tr>
<td>Clearwater Paper</td>
<td>22%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potlach</td>
<td>19%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avista</td>
<td>8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Hart Capital.
Spokane+Kootenai Bank Performance, 2Q 2008-2Q 2012

Noncurrent loans to loans

Pretax ROA

Source: FDIC.
Washington Per Capita Federal Procurement Dependency Relative to U.S., 2010

Source: Census, BEA, and author’s calculations.
Typical Questions and My Typical Answers

1. What do you think about gold?
   **Answer:** It’s pretty. My wife likes it too much.

2. What if the euro fails, we fall off the fiscal cliff, and China goes into a recession?
   **Answer:** Read “Lord of the Flies.” Get a conch shell.

3. Can the federal budget be balanced without raising taxes?
   **Answer:** Yes. Only cry babies need national defense and roads.
Thank You!