

*Resilience, recession or . . . ?*  
Regional economic update

CFA Society of Seattle

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Michael J. Parks, editor and publisher

*Marple's Pacific Northwest Letter*     [www.marples.com](http://www.marples.com)

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Pacific NW 2009 outlook:  
**Weakest year since 2002**

Why? Adverse global and  
national developments  
overwhelm regional plusses.

*Marple's Pacific Northwest Letter*

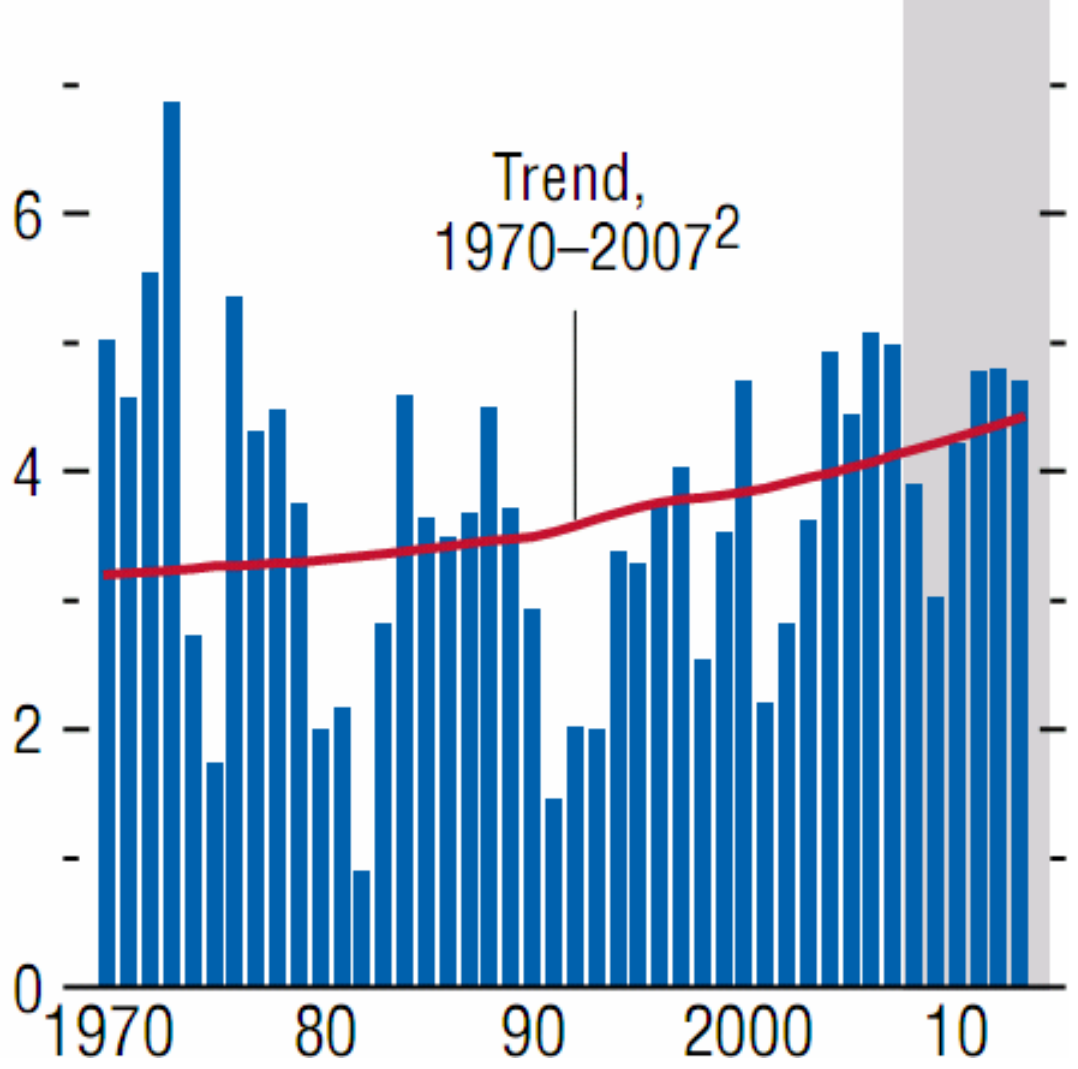
# *Global financial crisis:*

- Deleveraging (the great unwind)
- Negative feedback loop
- Financial accelerator
- The ‘Great Repression’

# *Global plusses and minusses*

- + Greatest Global Boom of all Time (GGBOAT) (2002-2007).
- + Coordinated global policy response (but ‘pushing on a string?’)
- Most widespread/severe financial crisis since the Great Depression.
- U.S. and other large economies decelerate in unison.

# 8 – World Real GDP Growth



International Monetary Fund

# Slower growth ahead globally

Emerging/developing economies

Advanced economies

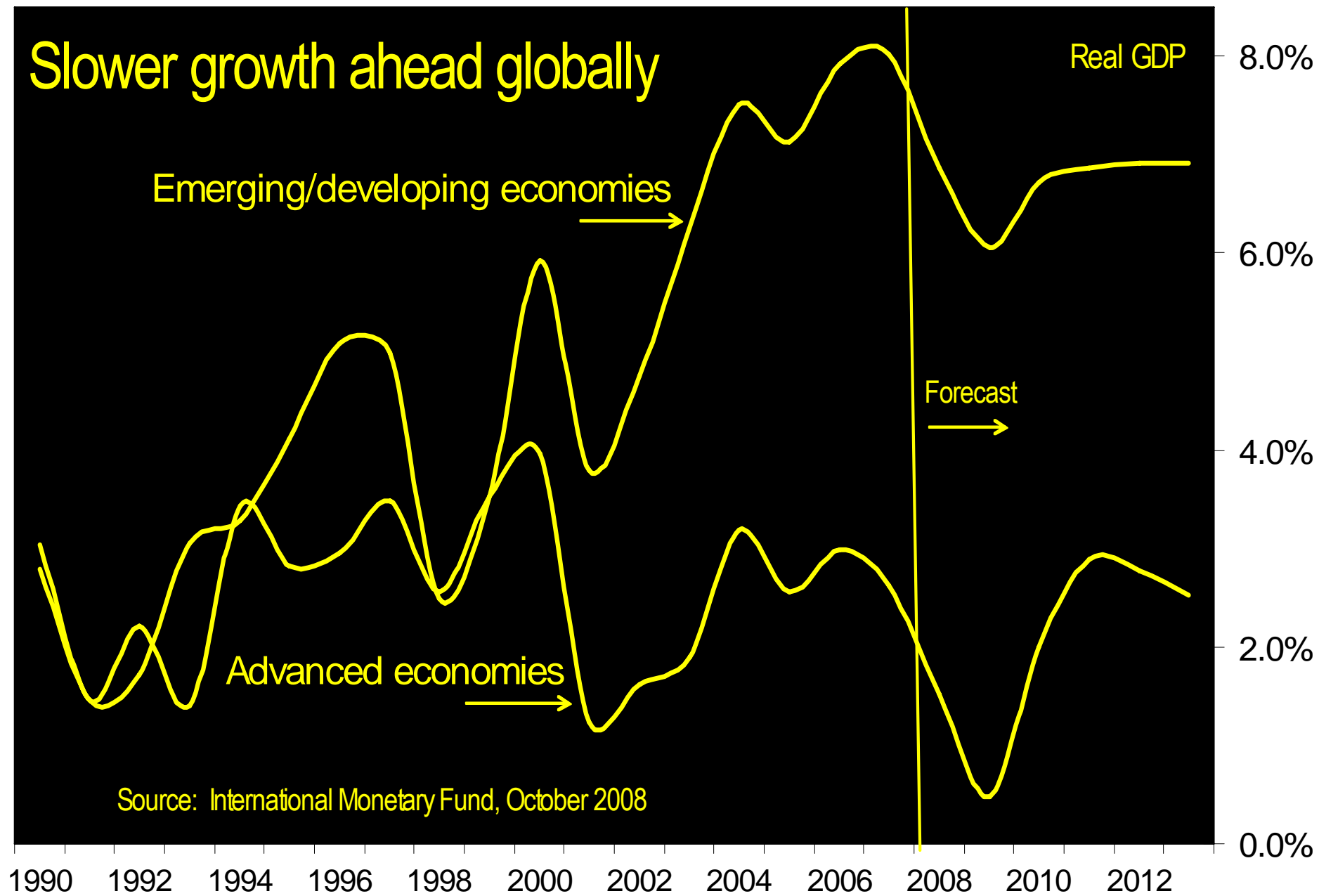
Real GDP

Forecast

1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012

8.0%  
6.0%  
4.0%  
2.0%  
0.0%

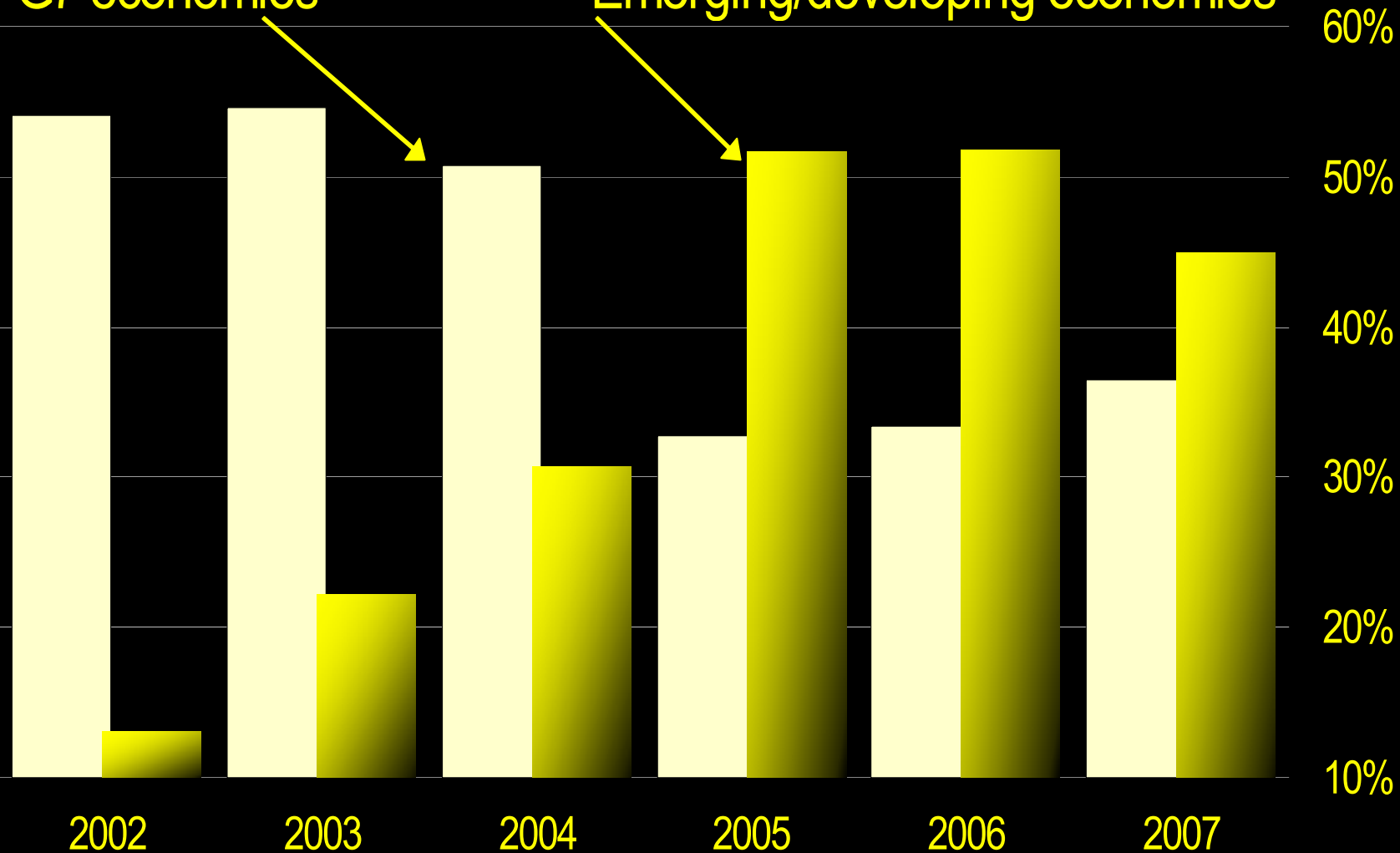
Source: International Monetary Fund, October 2008



# Shares of global economic growth

G7 economies

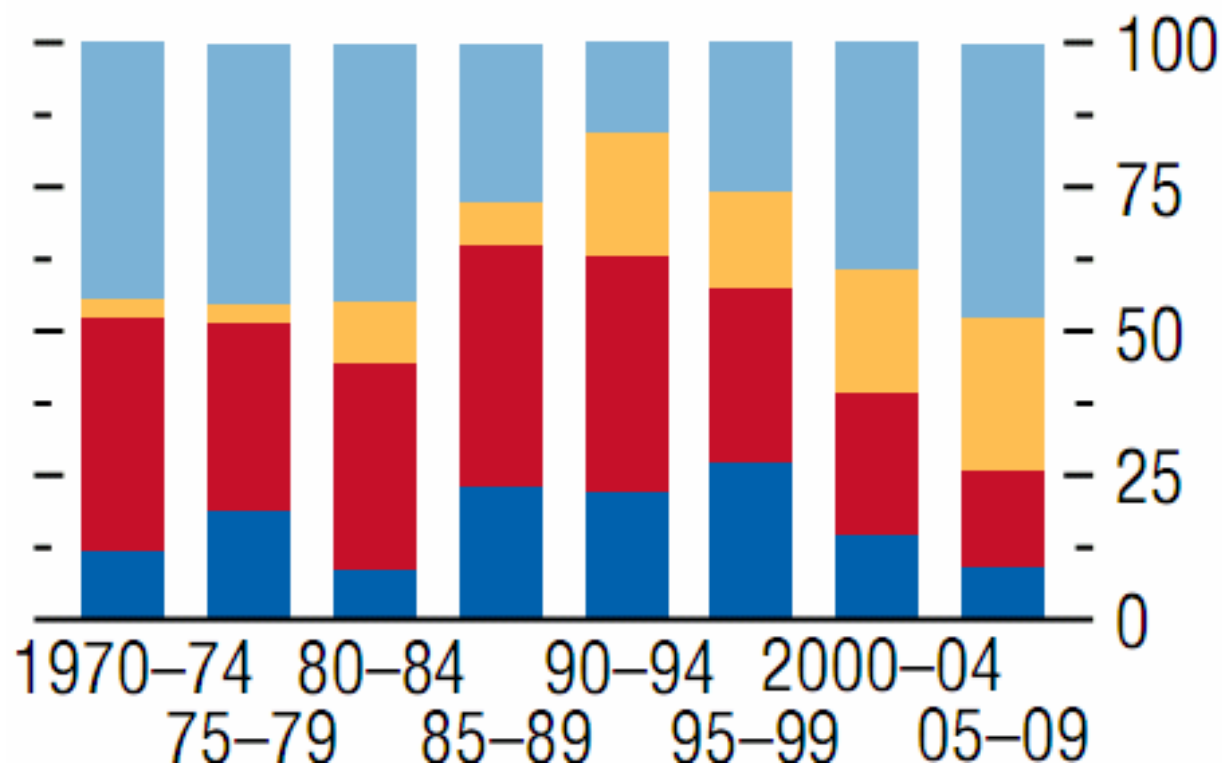
Emerging/developing economies



Data: International Monetary Fund

– **Contribution to Global GDP**  
– **Growth, PPP Basis**  
– **(percent, five-year averages)**

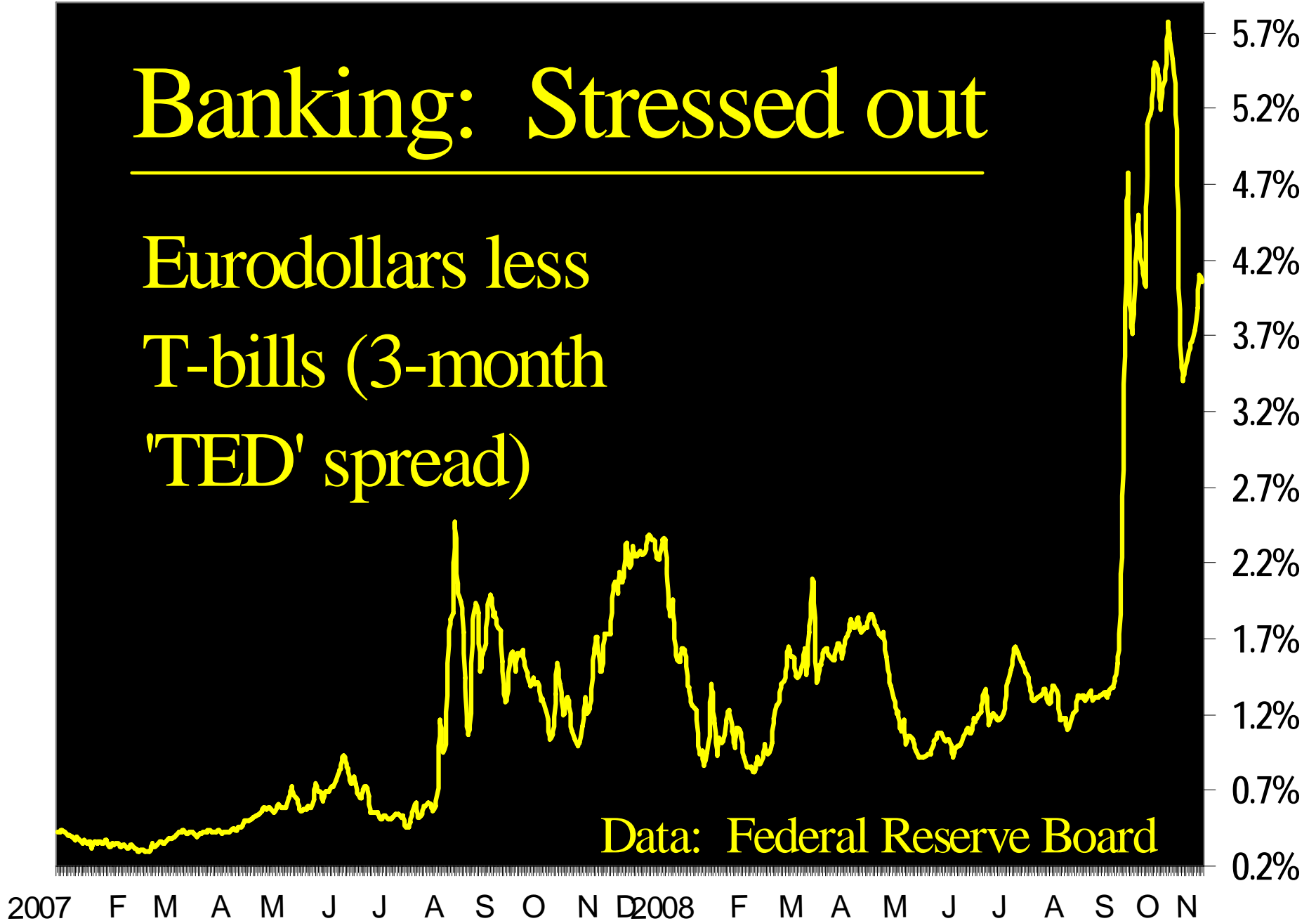
- Rest of the world
- China
- Other advanced economies
- United States



# Banking: Stressed out

Eurodollars less  
T-bills (3-month  
'TED' spread)

Data: Federal Reserve Board



# Silent run

## Asset-backed commercial paper outstanding

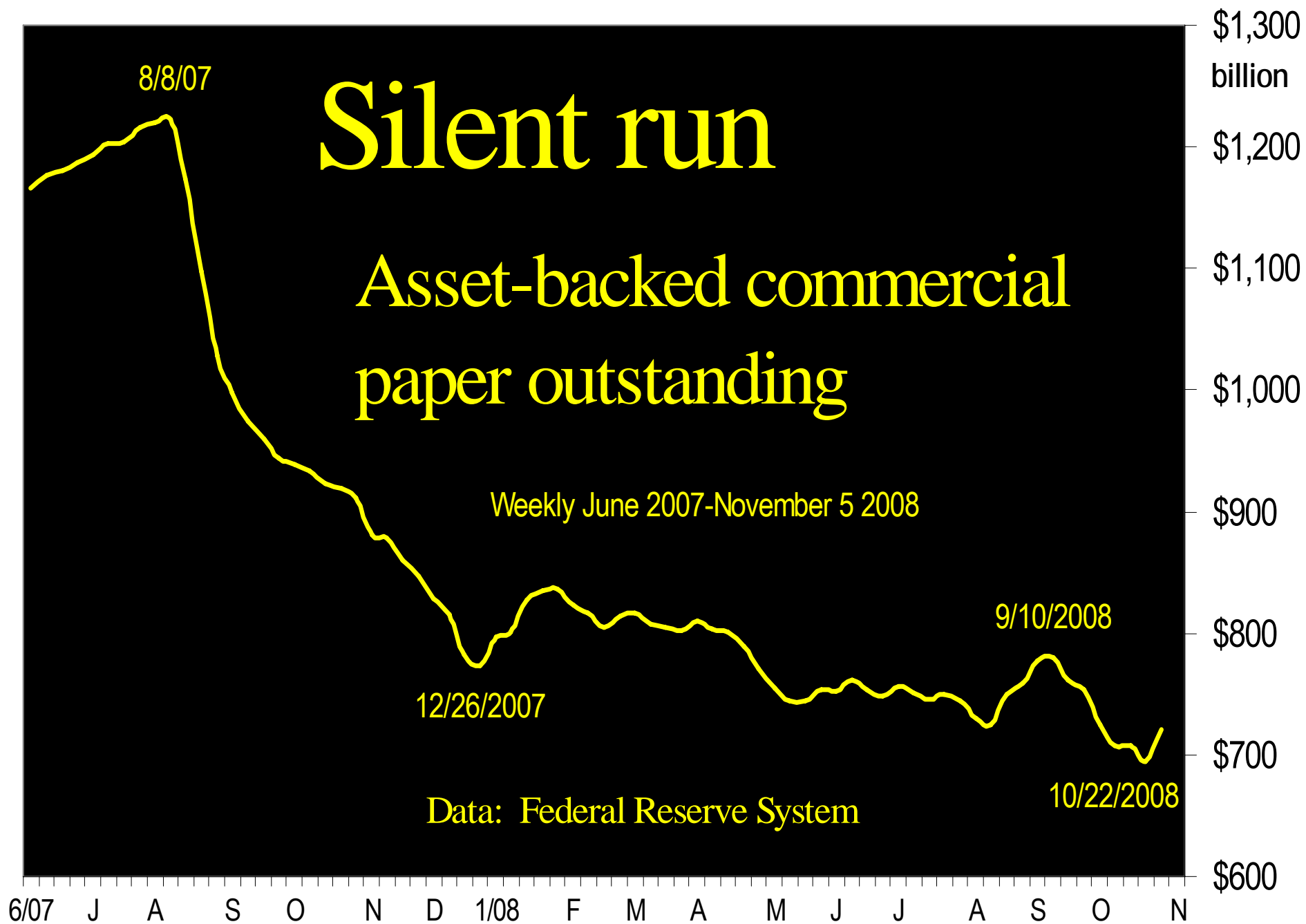
Weekly June 2007-November 5 2008

12/26/2007

9/10/2008

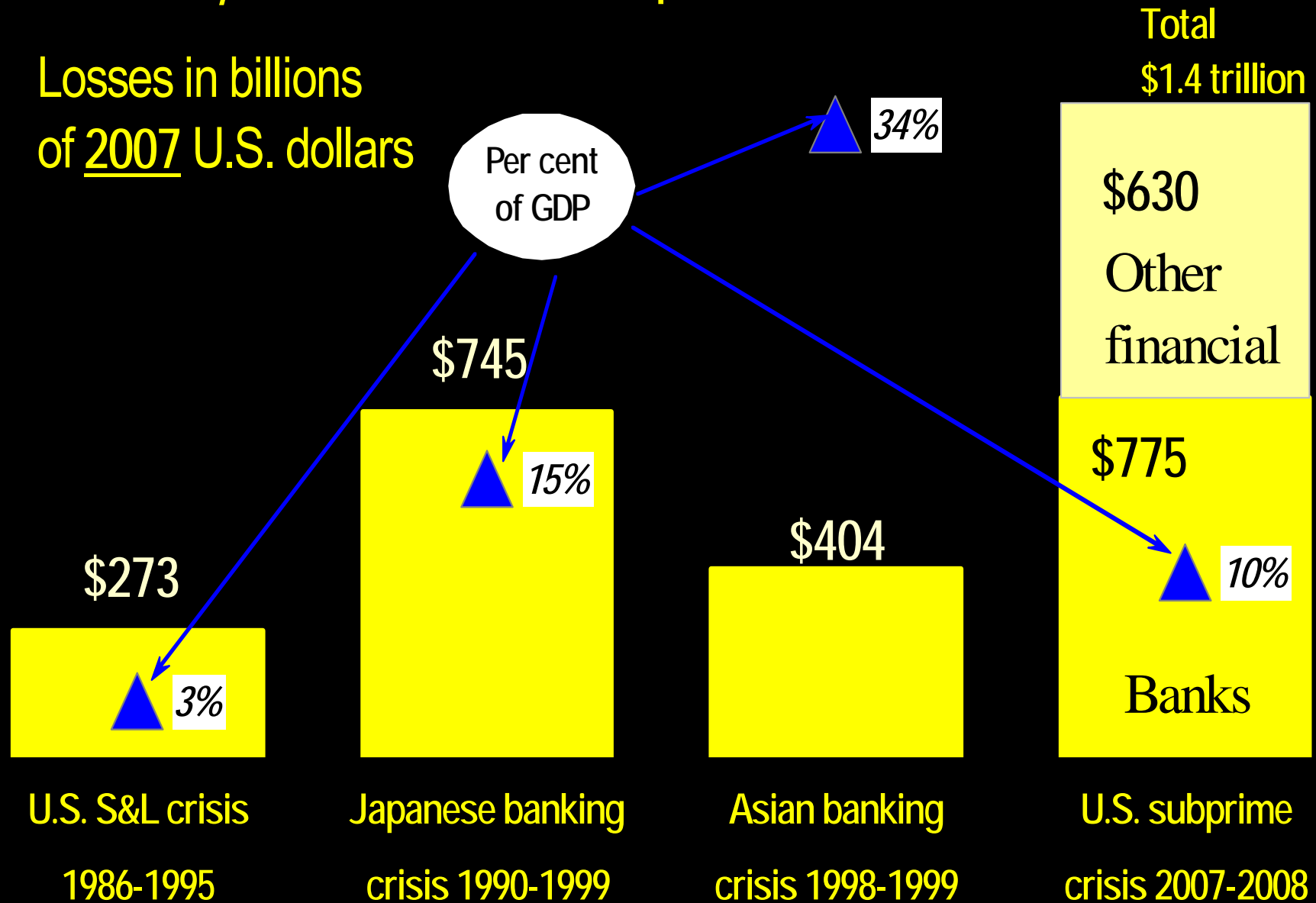
10/22/2008

Data: Federal Reserve System



# U.S. subprime mess: Compare and contrast

Losses in billions  
of 2007 U.S. dollars

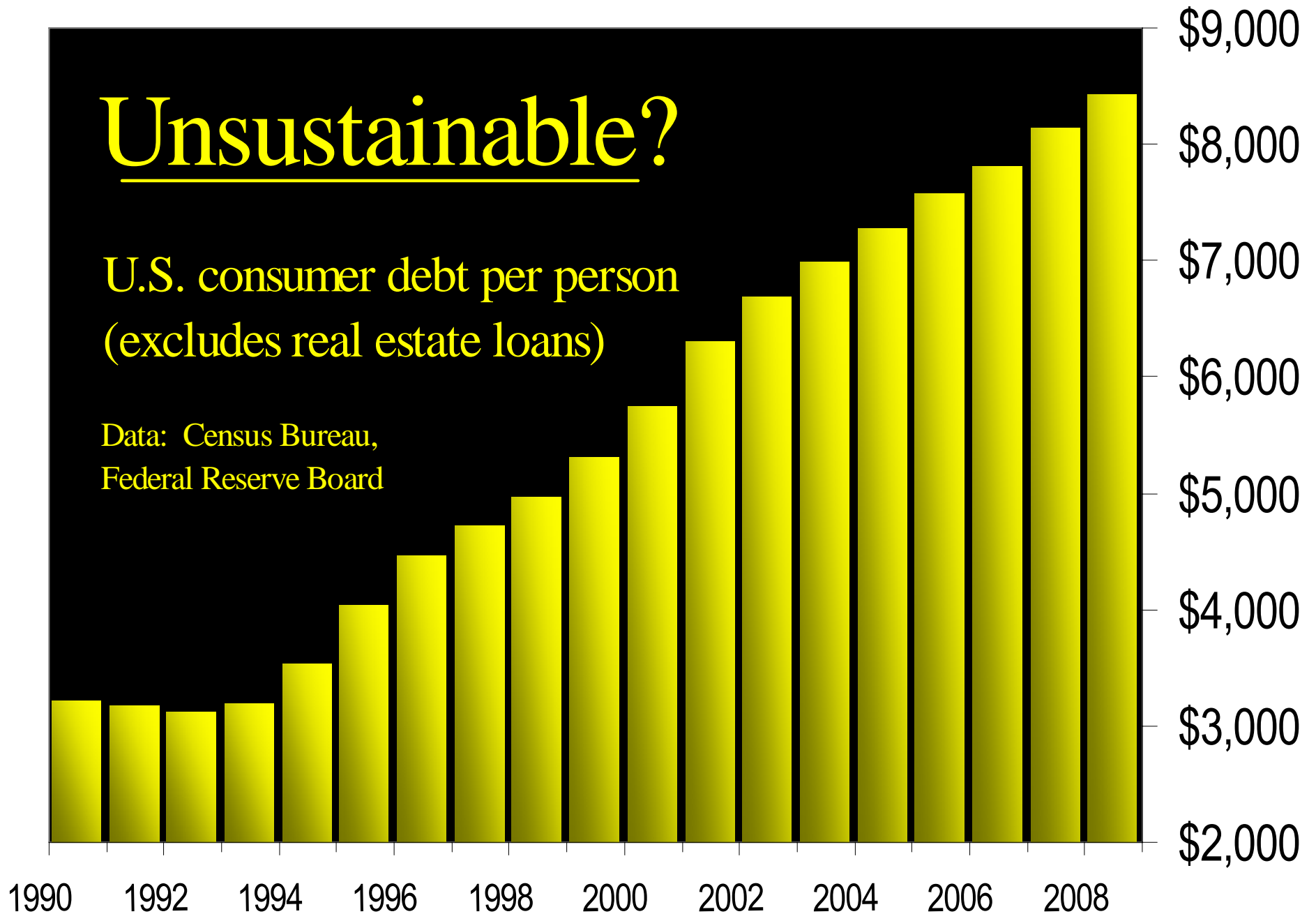


Data: International Monetary Fund, October 2008

# Unsustainable?

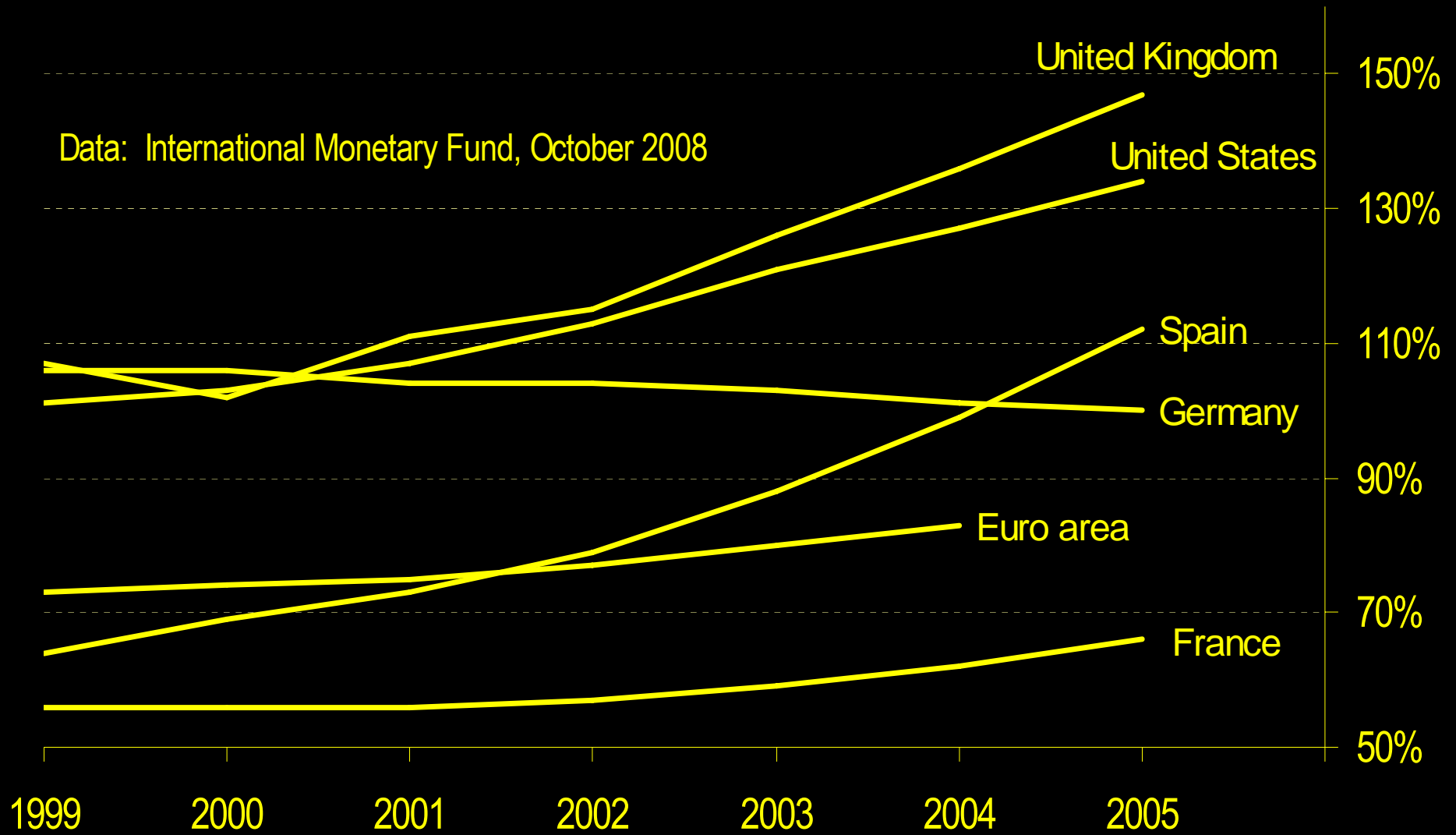
U.S. consumer debt per person  
(excludes real estate loans)

Data: Census Bureau,  
Federal Reserve Board



# Household debt to gross disposable income

Data: International Monetary Fund, October 2008



## *Food for thought*

The inveterate spending habits of rich American households are financed by the thrift of poor Chinese peasants.

Scottish economist John Kay in the *Financial Times*

*Forecast for  
Washington's economy:*

Like the children of  
Lake Wobegon, mostly

**'above average'**

*Marple's Pacific Northwest Letter*

# *Key plusses for Washington*

- Population growth ‘above average’
- Employment growth ‘above average’
- Hydropower base/low electric rates
- Weak \$ + for agriculture, manufacturing
- Server farms/solar power
- Markedly less-severe housing bubble.

*Marple's Pacific Northwest Letter*

# Population: 'above average'

Index: 2000 Census = 100

- Idaho 115.9
- Washington 109.7
- Oregon 109.5
- US 107.2

Data: Census Bureau

Census 2000 2001 2002 2003 2004 2005 2006 2007

115

110

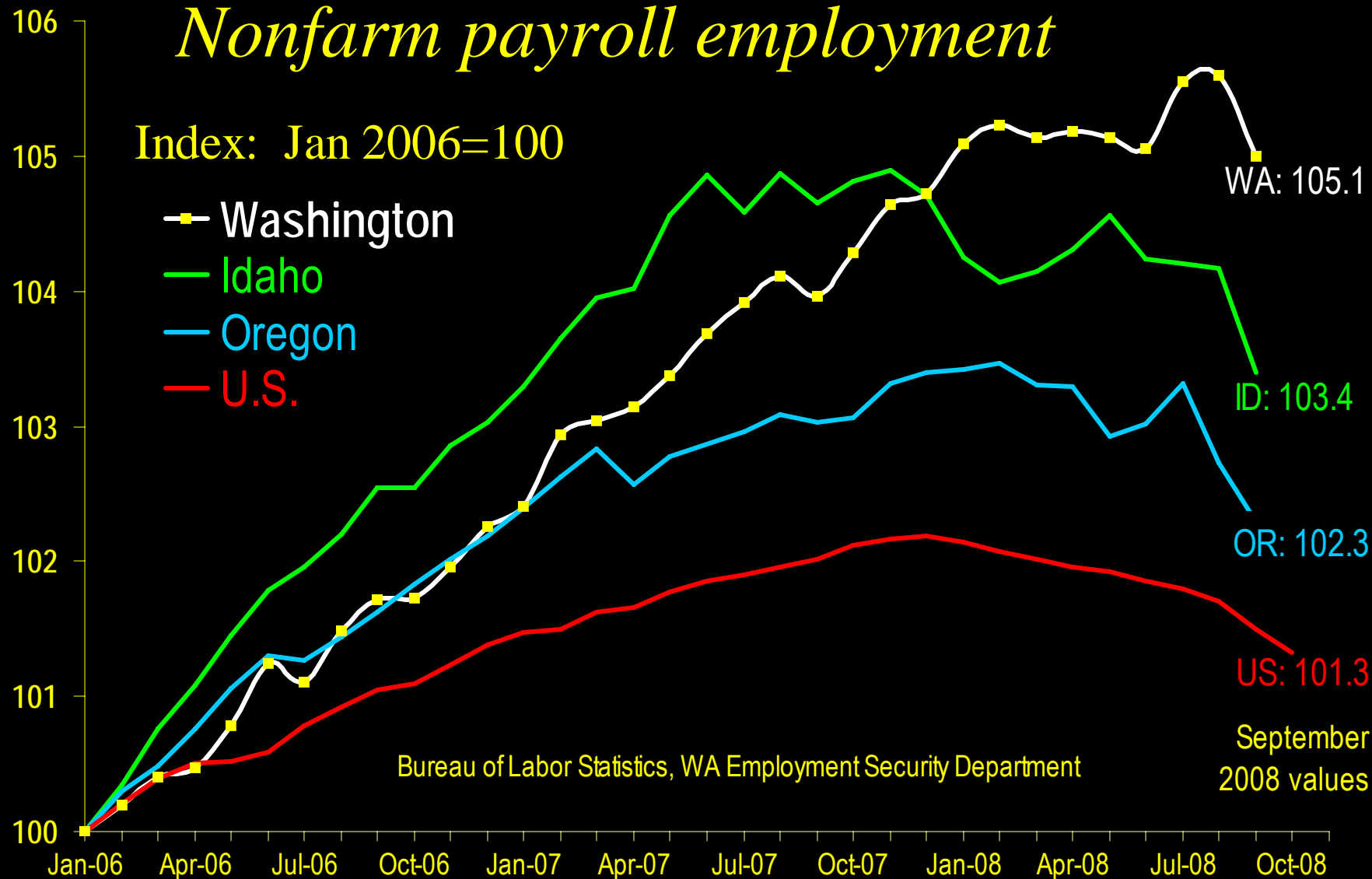
105

100

# Nonfarm payroll employment

Index: Jan 2006=100

- Washington
- Idaho
- Oregon
- U.S.



Bureau of Labor Statistics, WA Employment Security Department

September  
2008 values

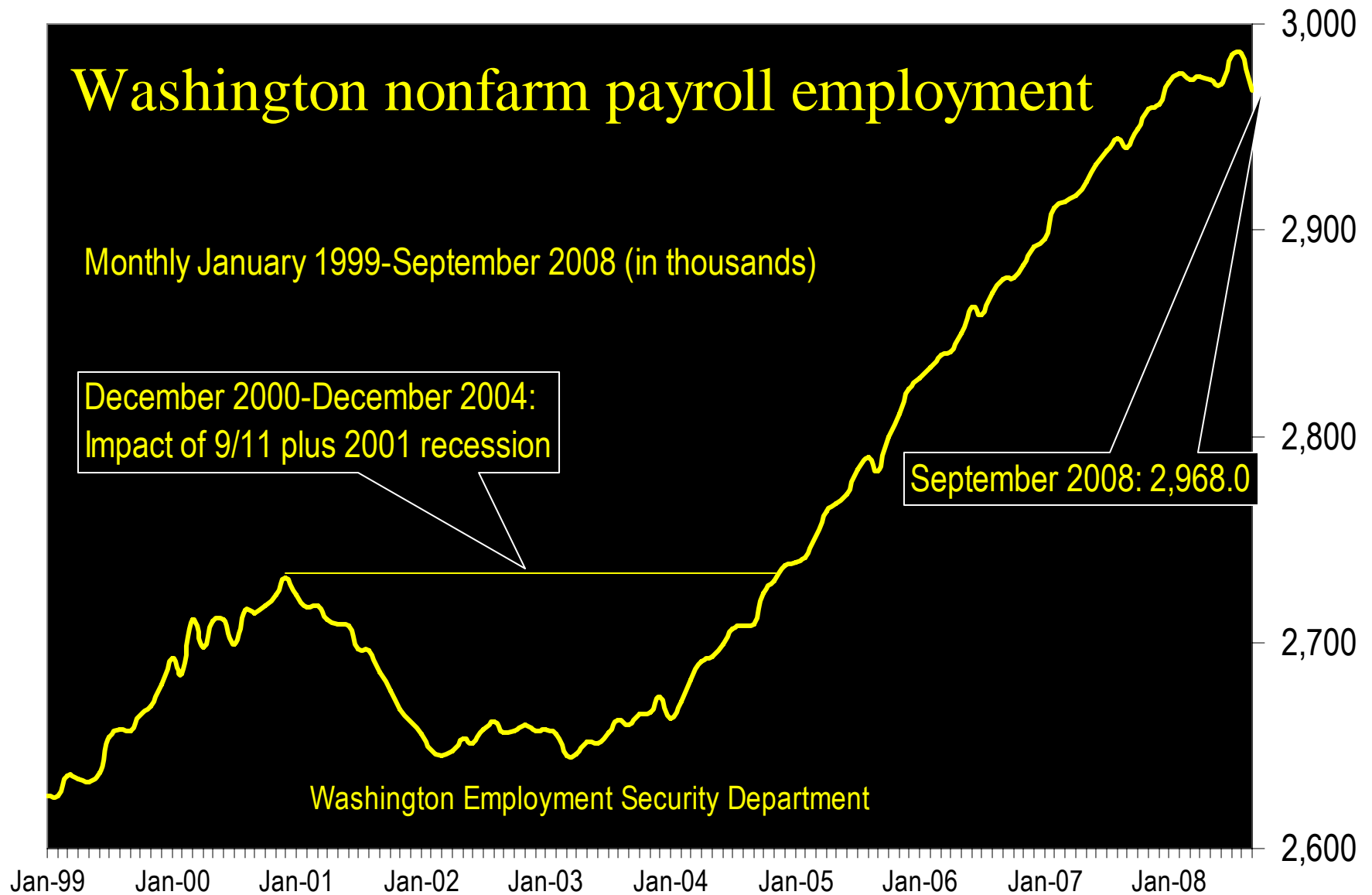
# Washington nonfarm payroll employment

Monthly January 1999-September 2008 (in thousands)

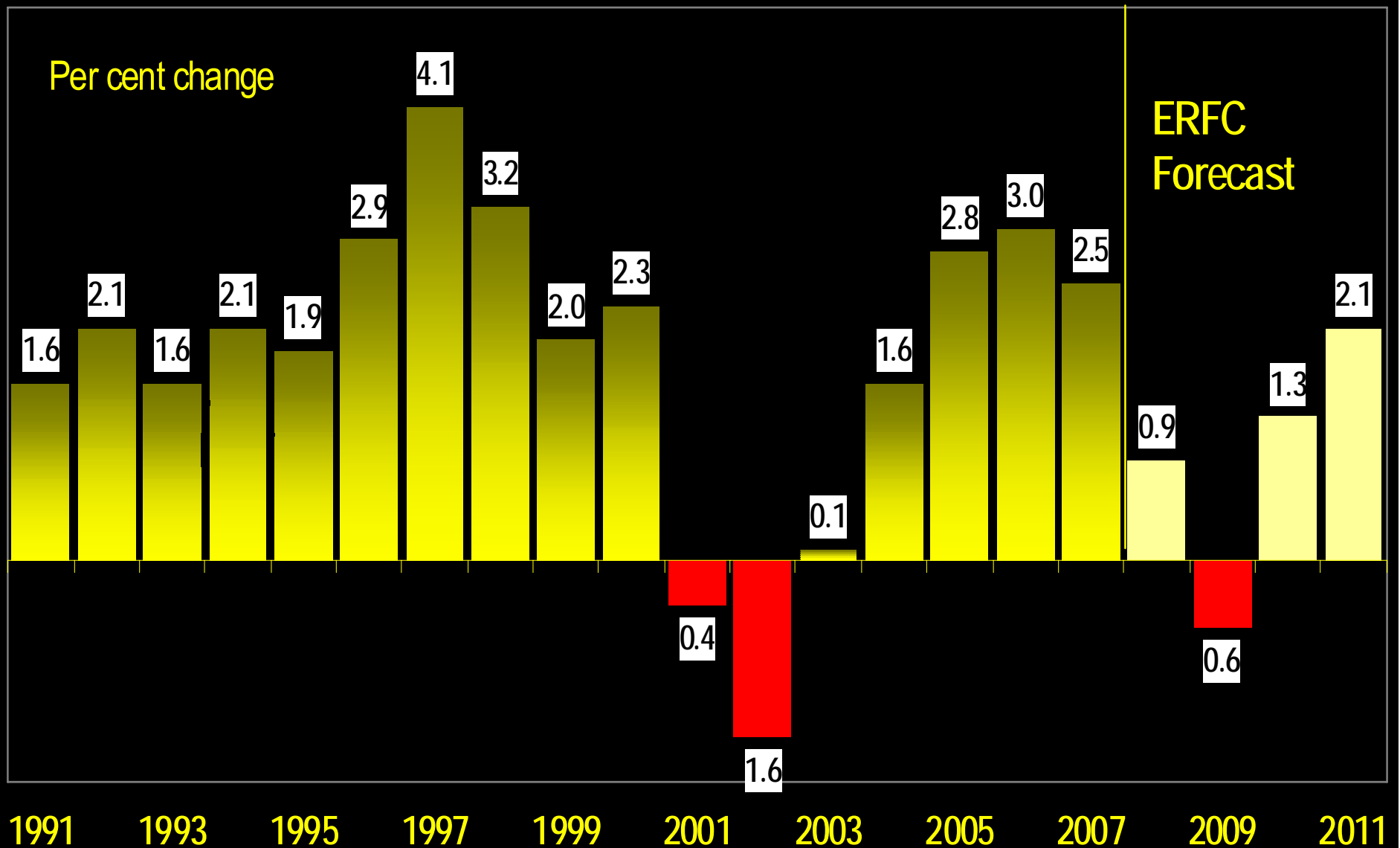
December 2000-December 2004:  
Impact of 9/11 plus 2001 recession

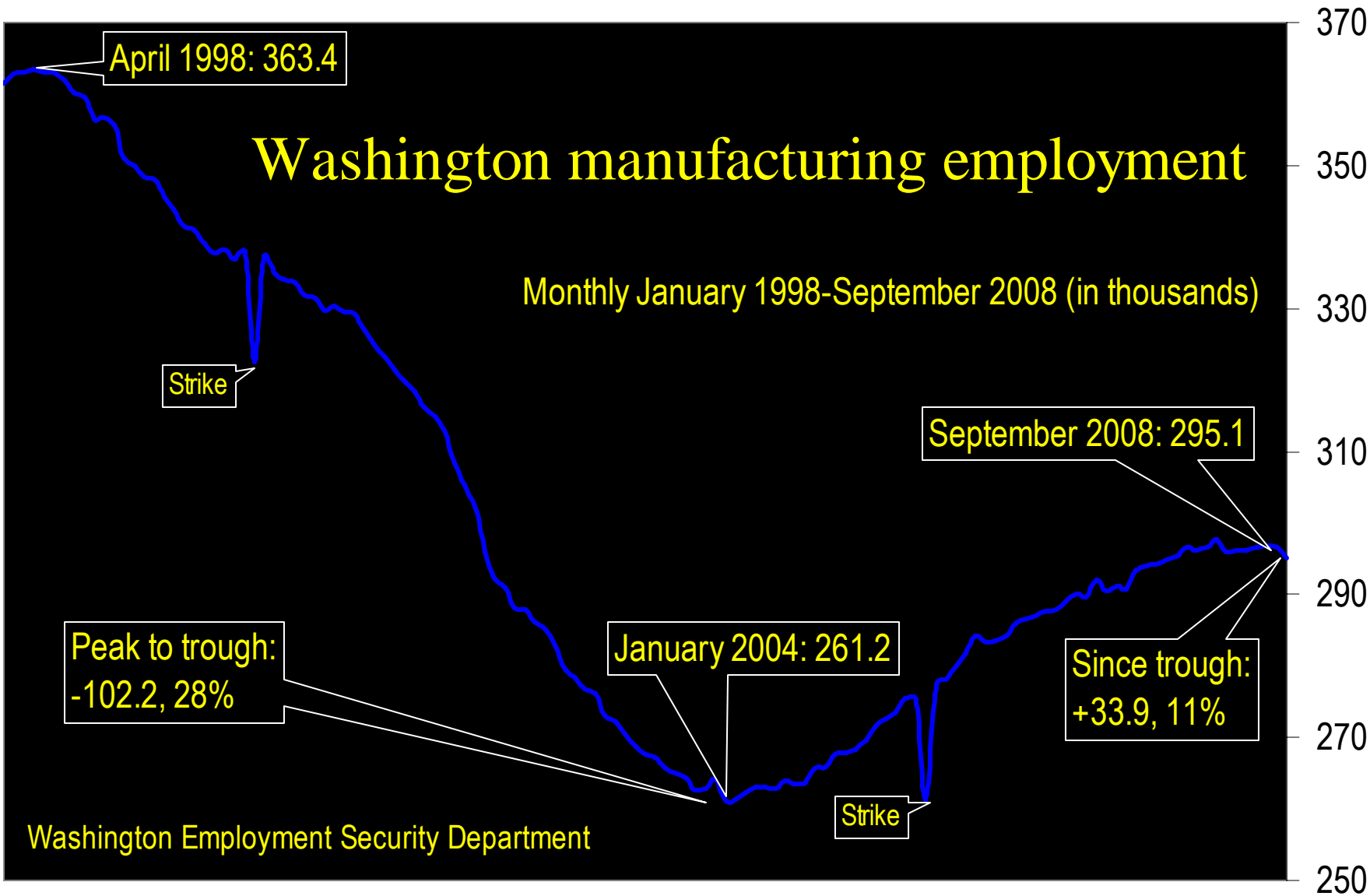
September 2008: 2,968.0

Washington Employment Security Department



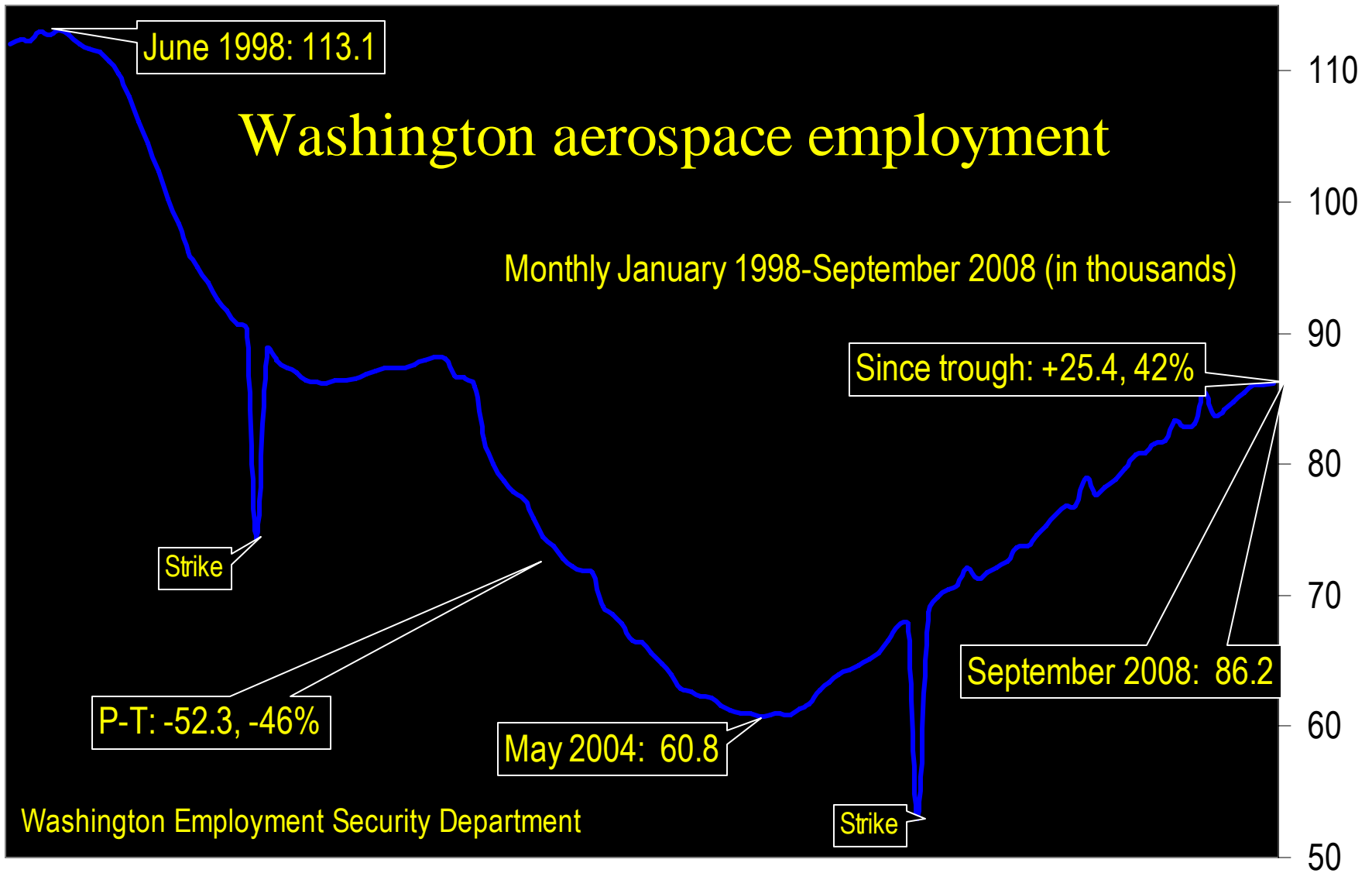
# Washington payroll employment





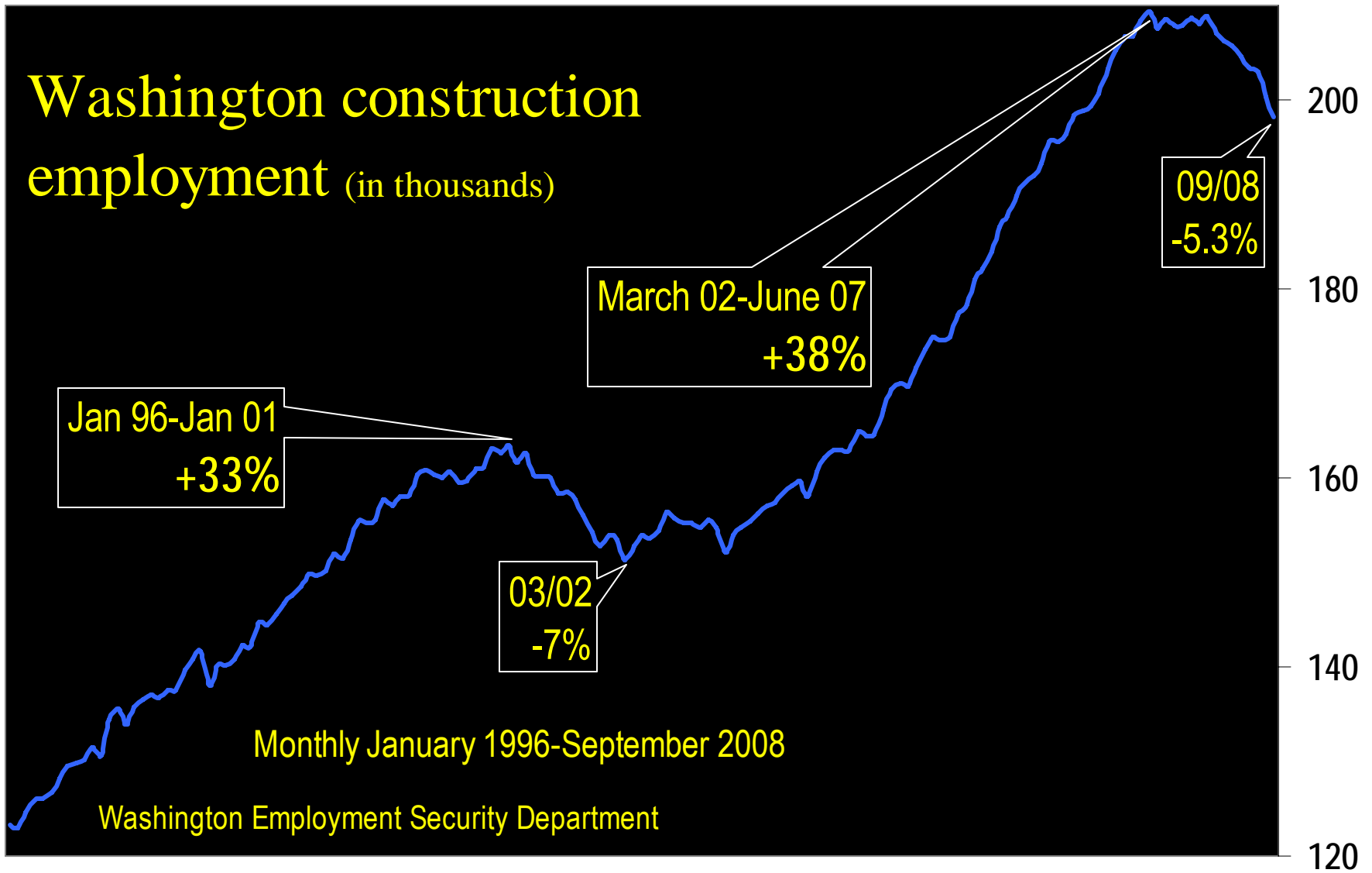
# Washington aerospace employment

Monthly January 1998-September 2008 (in thousands)



Washington Employment Security Department

# Washington construction employment (in thousands)



Monthly January 1996-September 2008

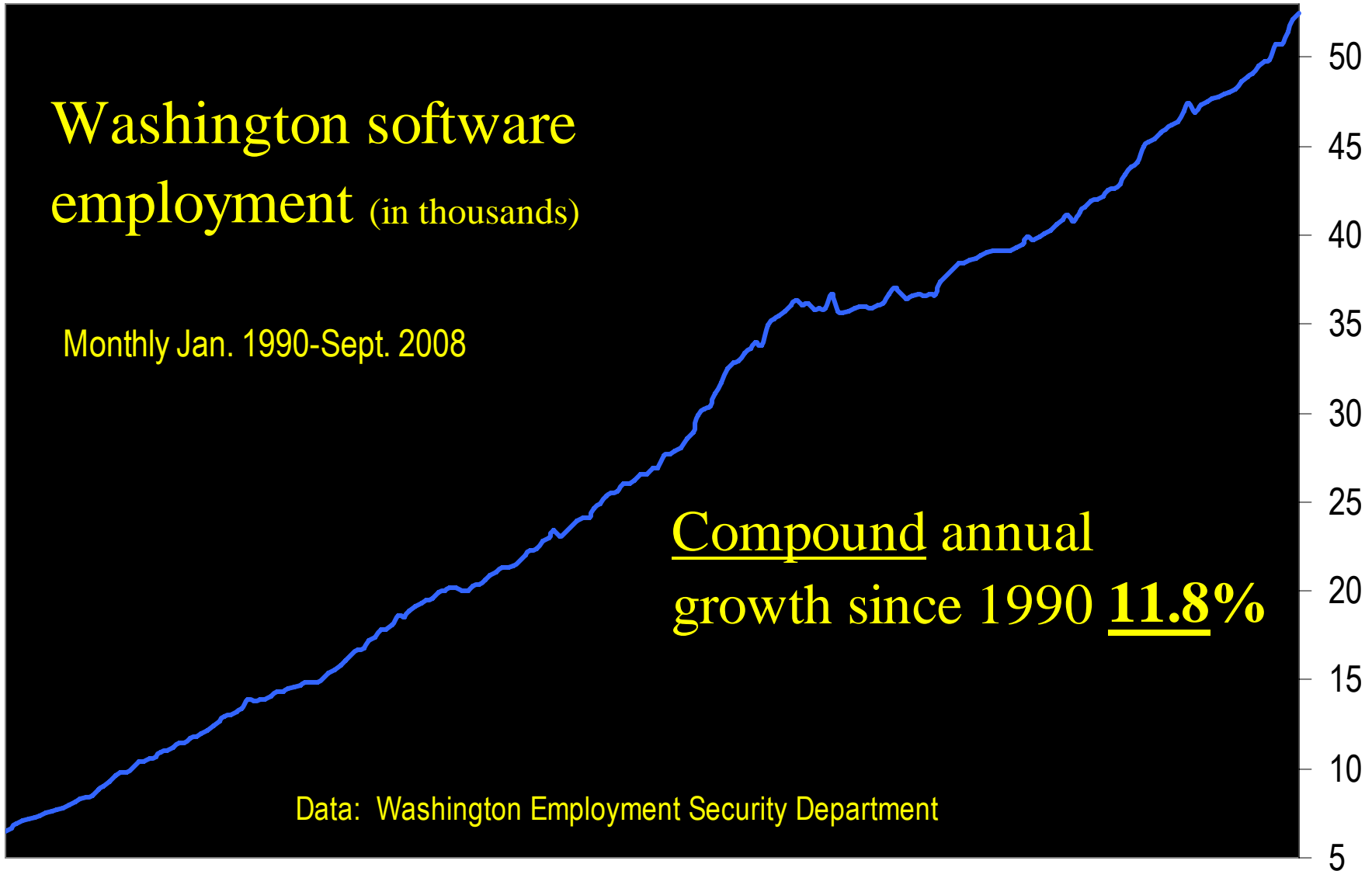
Washington Employment Security Department

# Washington software employment (in thousands)

Monthly Jan. 1990-Sept. 2008

Compound annual  
growth since 1990 **11.8%**

Data: Washington Employment Security Department



# *Housing:* Much less pain so far

Las Vegas Index 154 (2000=100); change in one year -29.9%

Phoenix 149 -29.3%

Miami 187 -28.2%

Los Angeles 193 -26.2%

San Diego 172 -25.0%

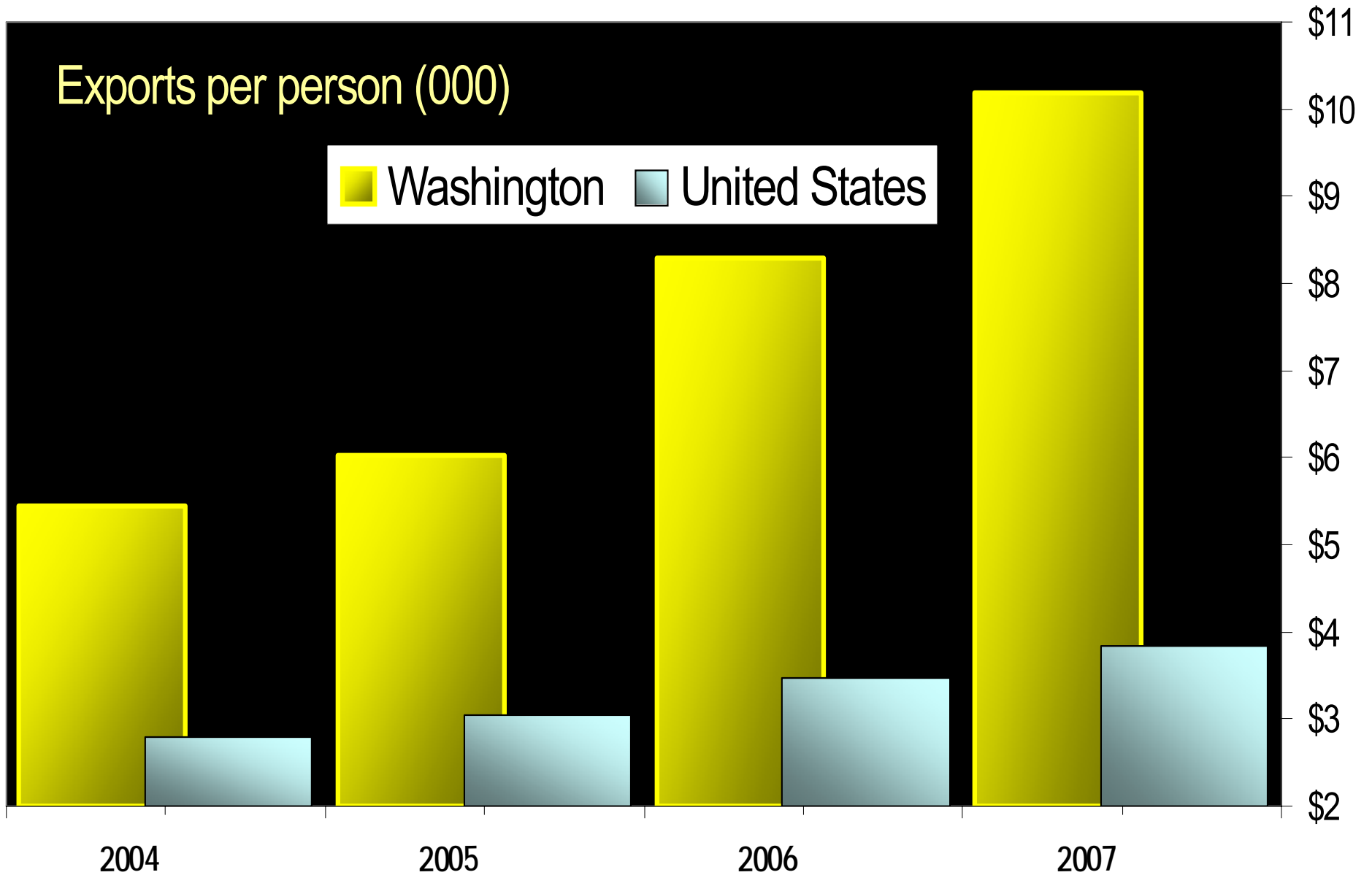
San Francisco 175 -24.8%

Seattle 177 -8.2%

Portland 174 -6.6%

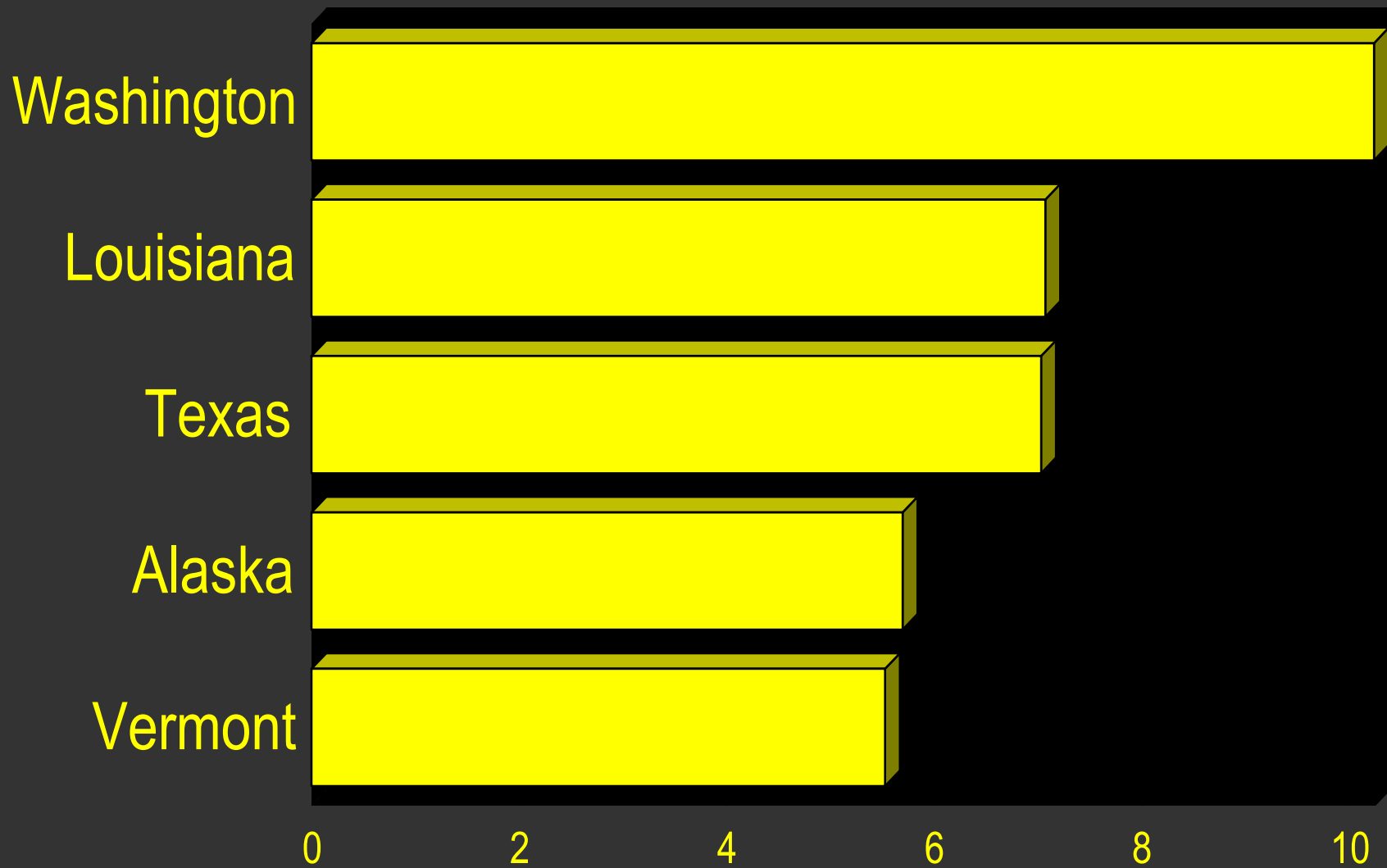
S&P/Case-Shiller Home Price Index through July 2008

# *Who's afraid of a weak dollar?*



# *Airplanes beat oil wells*

2007 exports per capita (thousands)



Marple's Letter from WISER data

# *Major solar investments*

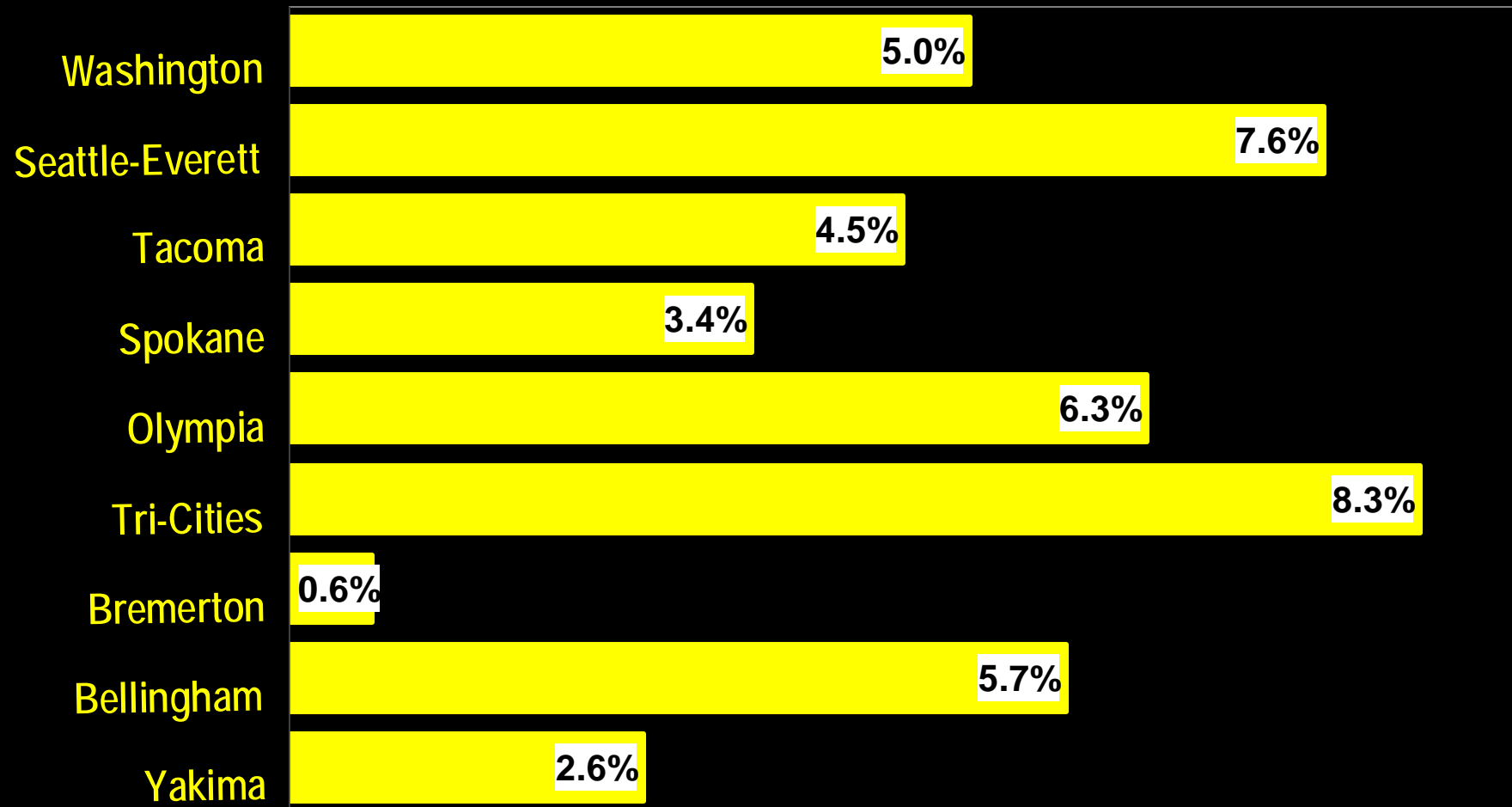
<i>Company</i>	<i>Stes</i>	<i>\$</i>
<i>Renewable Energy Corp</i>	<i>Moses Lake, Butte</i>	<i>&gt;\$1 billion</i>
<i>Solar World</i>	<i>Hillsboro</i>	<i>\$400 million</i>
<i>Hoku Scientific</i>	<i>Pocatello</i>	<i>\$390 million</i>

# *Server farms/data centers*

Company	Sites	\$
Google	The Dalles	?
Microsoft	Quincy	?
Yahoo	Quincy	?
Intuit	Quincy	?
Sabey	E Wenatchee	?
Ask.com	Moses Lake	?

# *Job growth in Washington's largest labor markets*

Cumulative change Jan 2006-Sept. 2008



Before I came here, I was  
confused about this subject.  
I am still confused, but on a  
higher level.

Enrico Fermi, 1938 Nobel laureate