

*Prosperous oasis
in a two-speed world*

Outlook/Update

Economic Alliance
Snohomish County

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Michael J. Parks

www.michaeljpark.com

Key takeaways

1. Hiring ‘sprees’ help Seattle metro outpace modest U.S. economic growth.
2. A two-speed world: Slow growth or recession in advanced economies, (mostly) faster growth elsewhere.
3. Uncharted territory for interest rates: Fifth year of rate repression (‘N-ZIRP’).

Key takeaways

4. Deficits/debt unsustainable in all rich countries as populations age.

5. Euro experiment remains fragile.

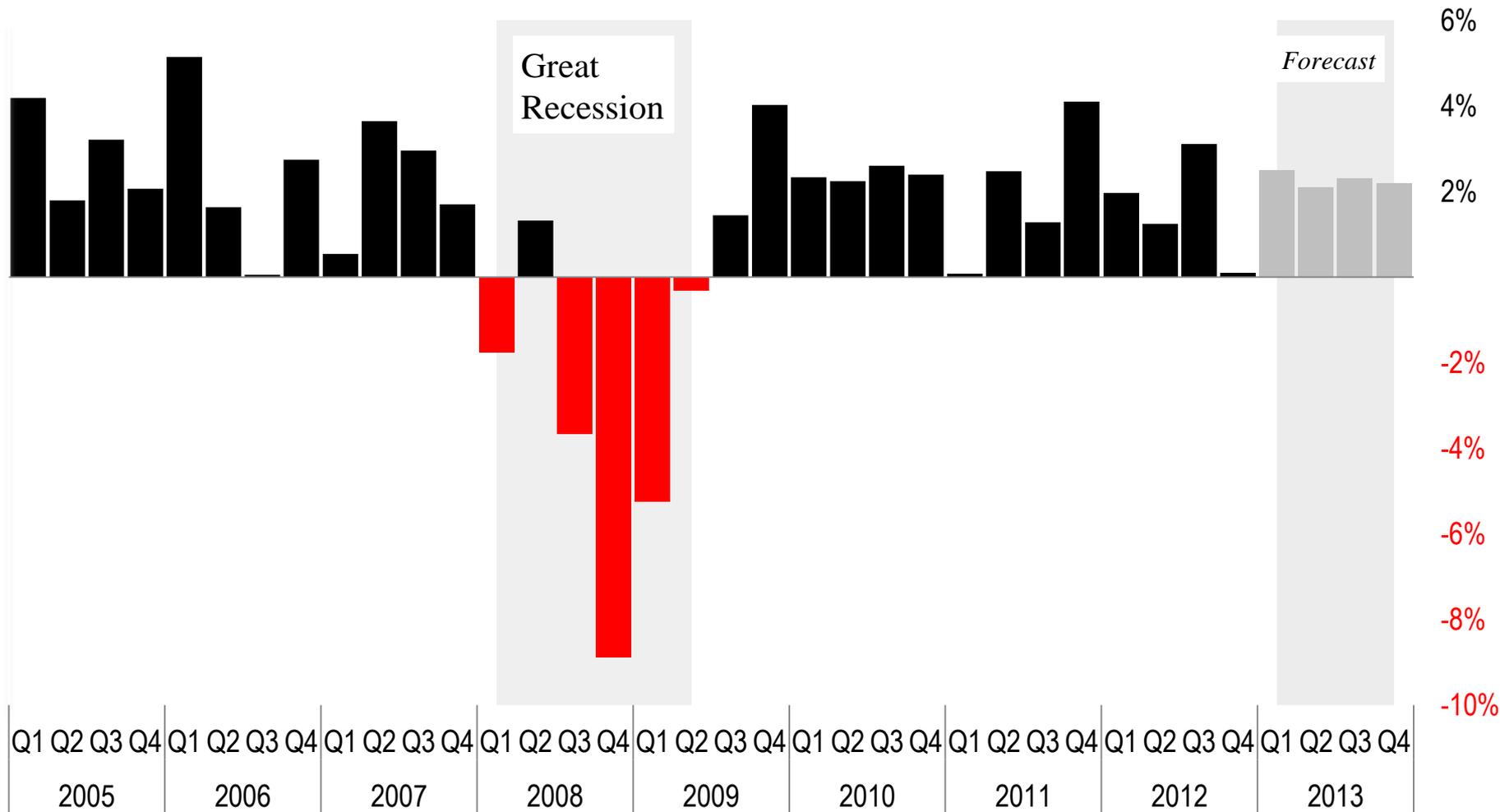
Banks and governments – both weak – prop one another up.

6. Beware the ‘Black Swan’ (disruption that by definition can’t be forecast)

U.S.
perspective

U.S. economic growth (real, adjusted for inflation)

Quarterly at annual rates

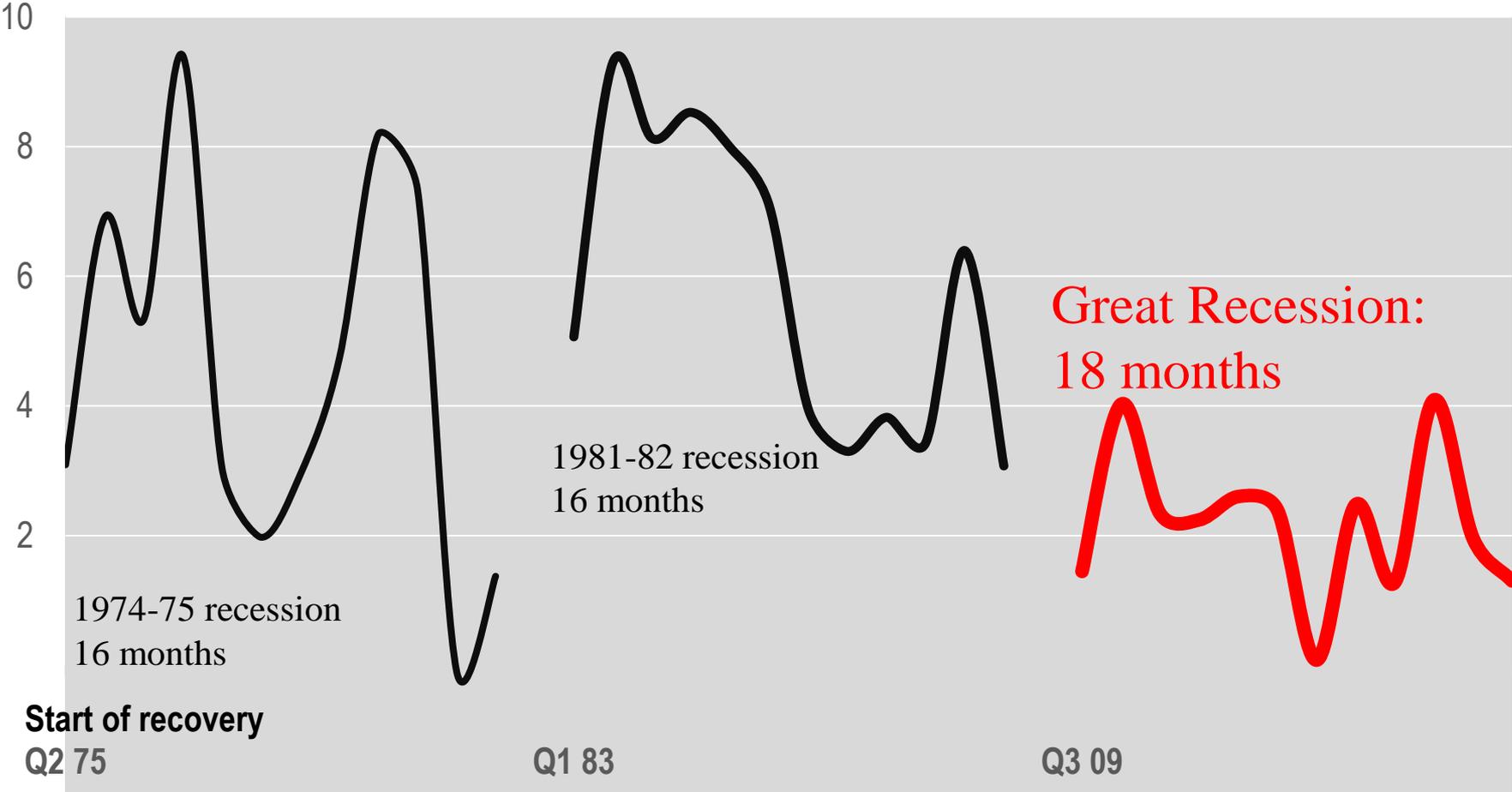


Data: Bureau of Economic Analysis, Wells Fargo Securities (forecast)

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Great Disappointment

Rate of U.S. economic growth following major recessions

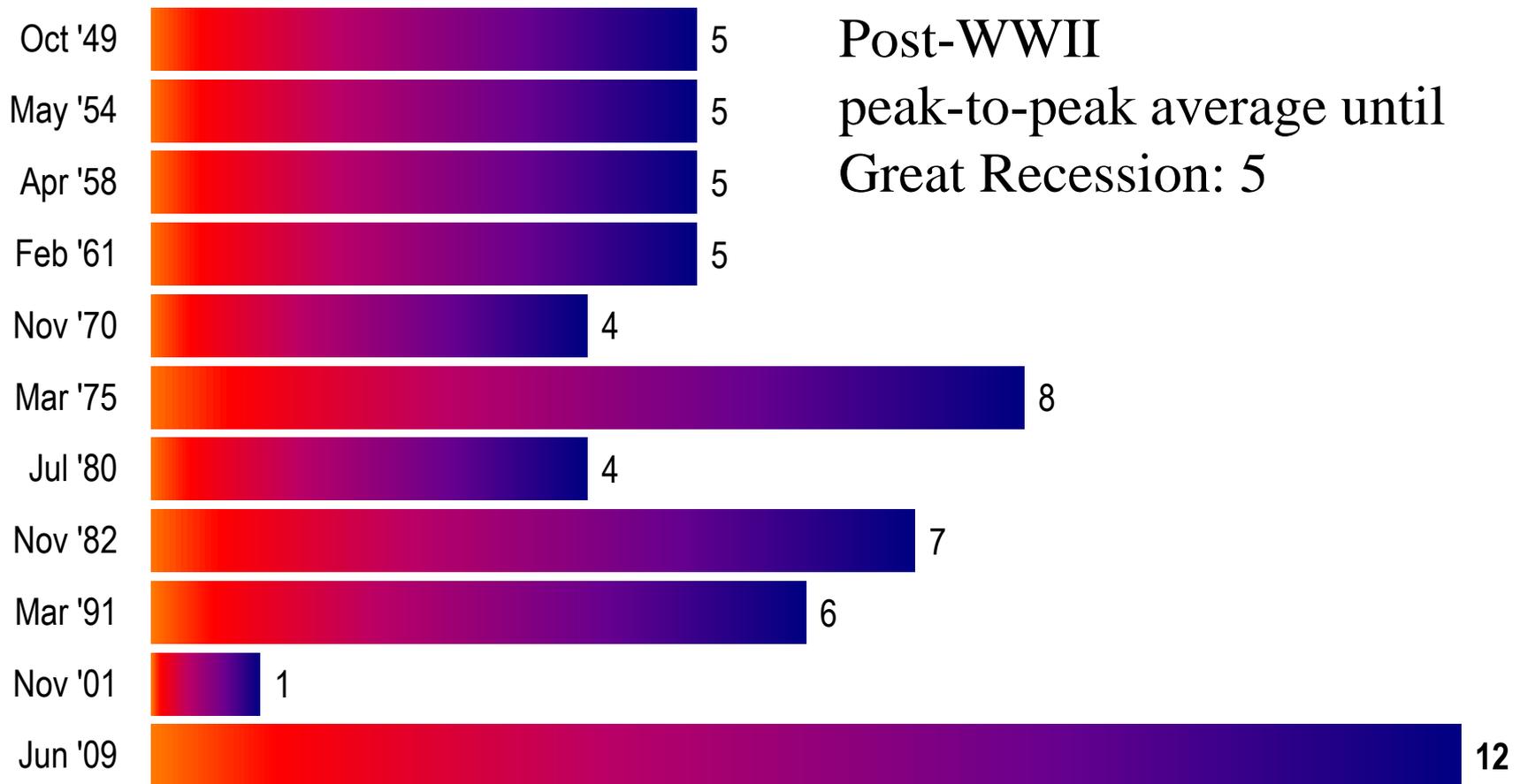


Data: Bureau of Economic Analysis

Long road to break-even

Quarters for U.S. economy to overtake pre-recession high

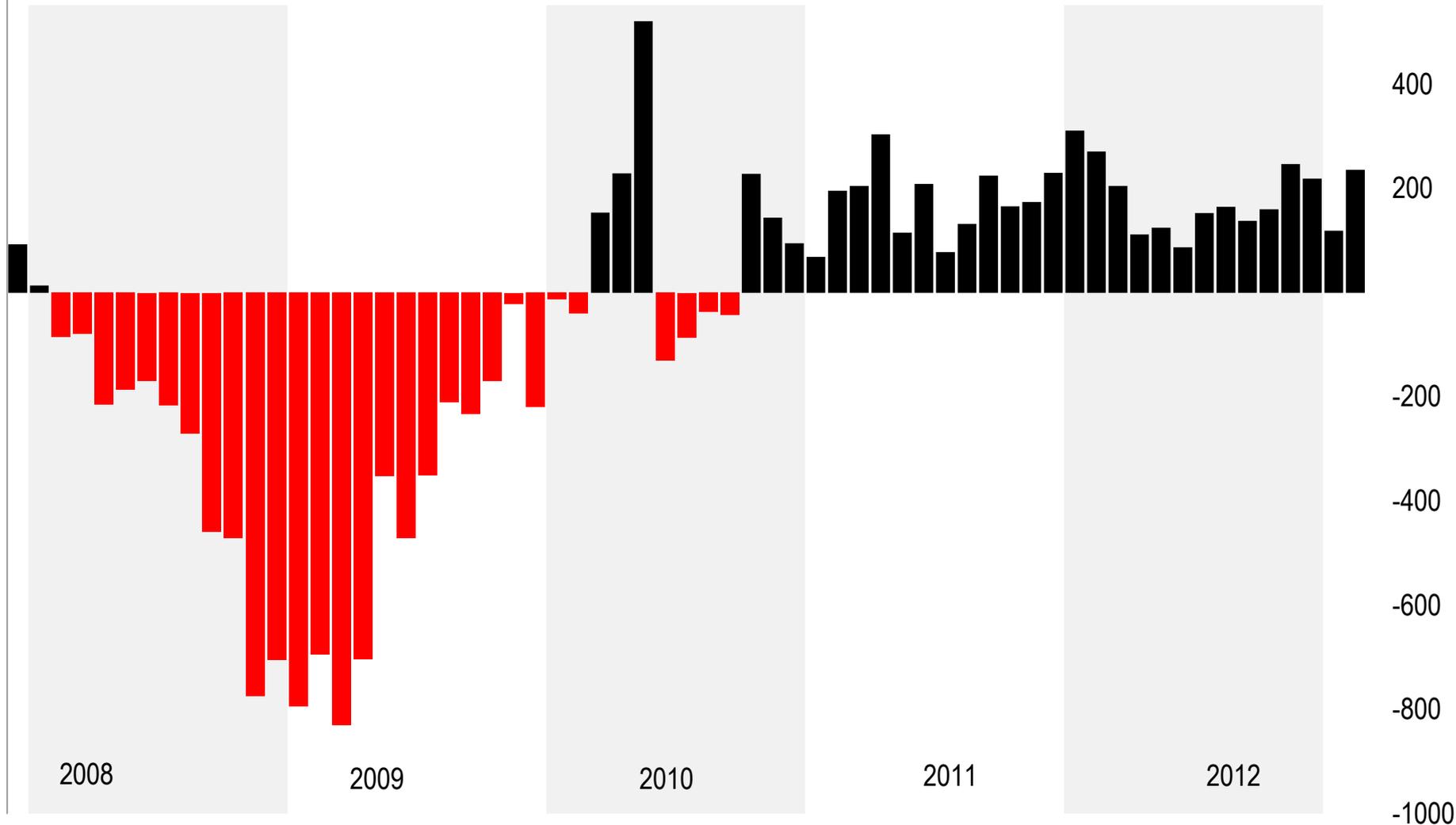
Troughs



Data: Bureau of Economic Analysis, National Bureau of Economic Research

U.S. payroll employment

change from prior month (thousands)

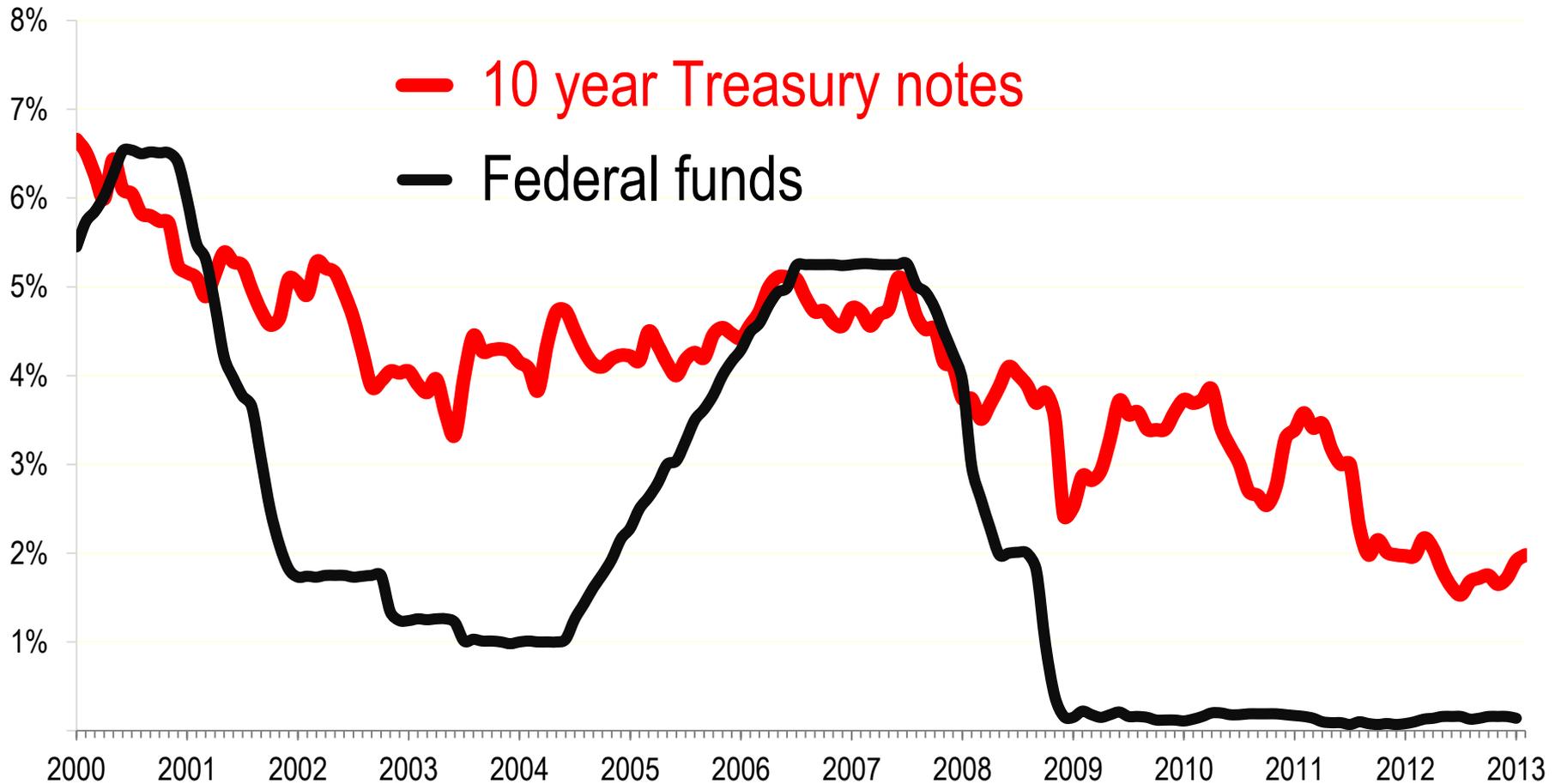


Data: Bureau of Labor Statistics

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Financial 'repression' (four-plus years of 'N-ZIRP')

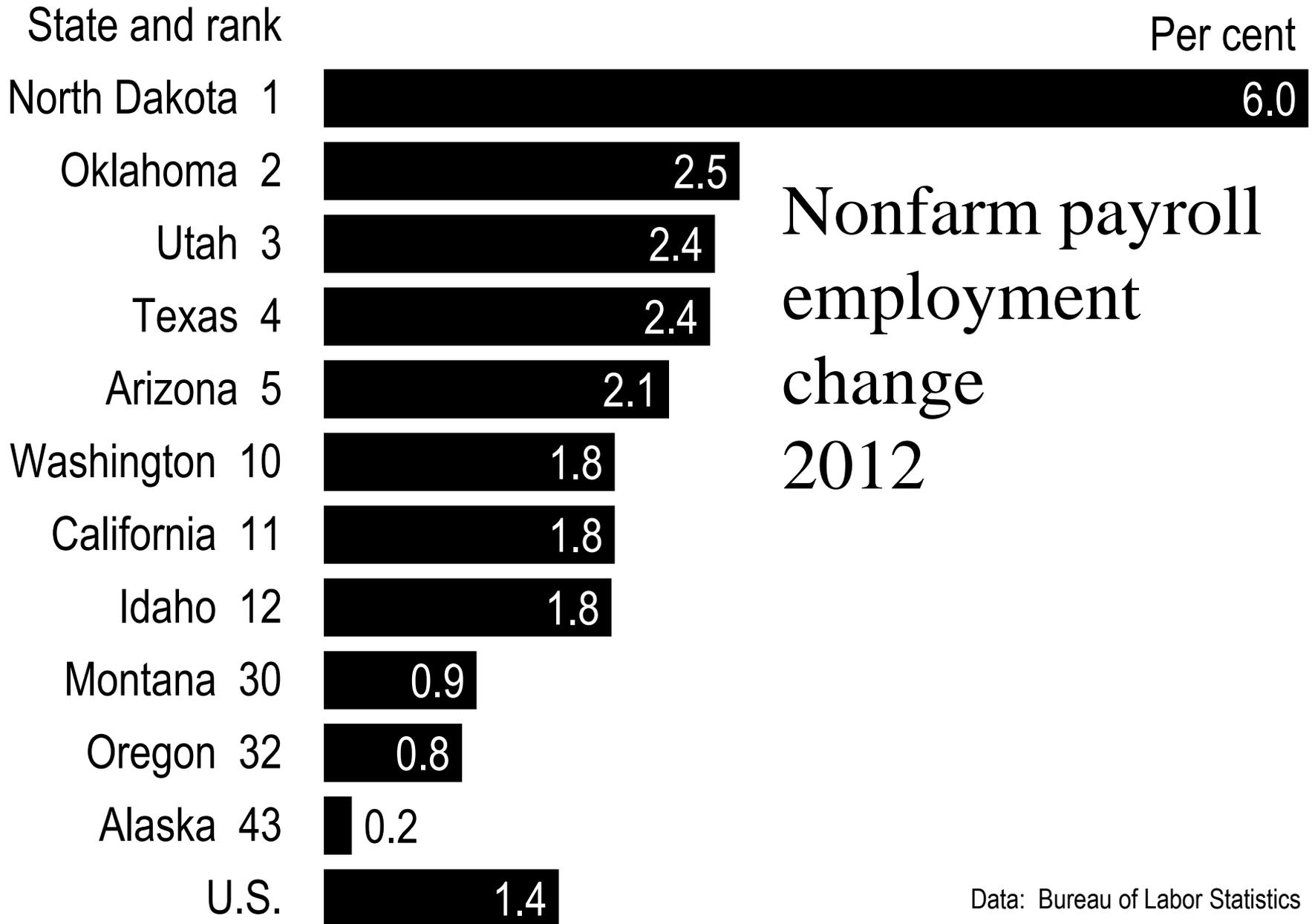
U.S. interest rates



Data: Board of Governors Federal Reserve System

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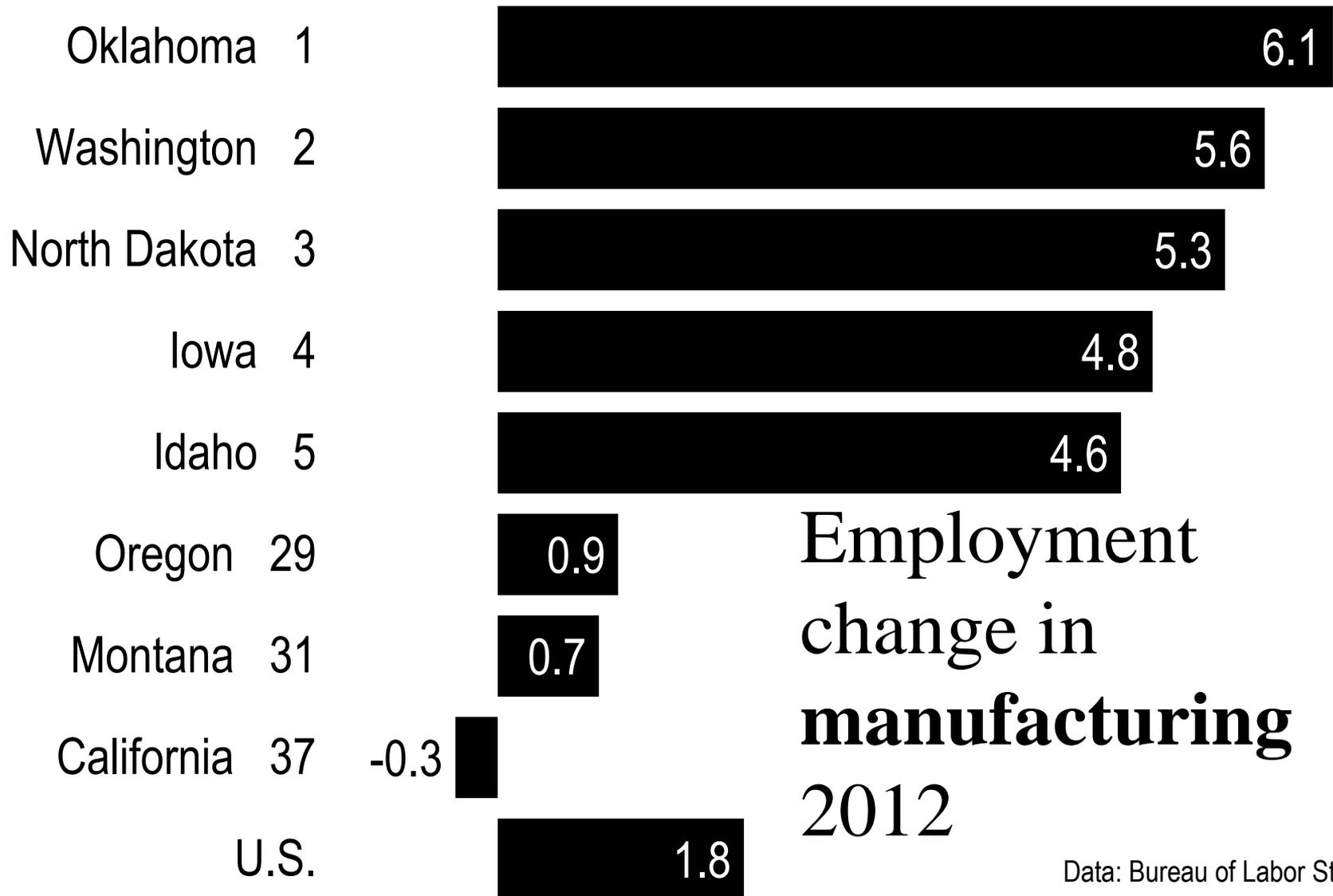
*Washington
perspective*



Data: Bureau of Labor Statistics

State and rank

Per cent



Employment change in manufacturing 2012

Data: Bureau of Labor Statistics

Foundations for 2013 growth:

- Hiring and building sprees by the ‘Great Disrupter’ (Amazon.com)
- Aerospace: Hiring spree **plus** 7-year backlog **plus** increasing production
- Diverse/growing high-tech sector
- From farm & factory, food and products for a growing **global** middle class

Washington highlights:

- Aerospace payrolls +22% in 34 months.
- Amazon.com building and hiring sprees.
- Nonfarm payroll employment +70,000 (2.5%) y/y.
- Manufacturing employment +13,800 (5.0%) y/y.
- Large, growing and diverse technology sector.
- Agriculture a winner from rising global living standards and, temporarily, ill winds elsewhere.

Washington lowlights:

- Nonfarm payroll employment at level **first reached 6 years ago, 2.0% (61,900) below Feb 2008 peak**; six years of output and income lost.
- Construction sector recovering but still 69,600 (33%) fewer jobs today than at June 2007 peak.
- Export intensity's flip side: Over-exposure to possible slower global (especially Asian) growth.

Boeing Commercial Airplanes backlog



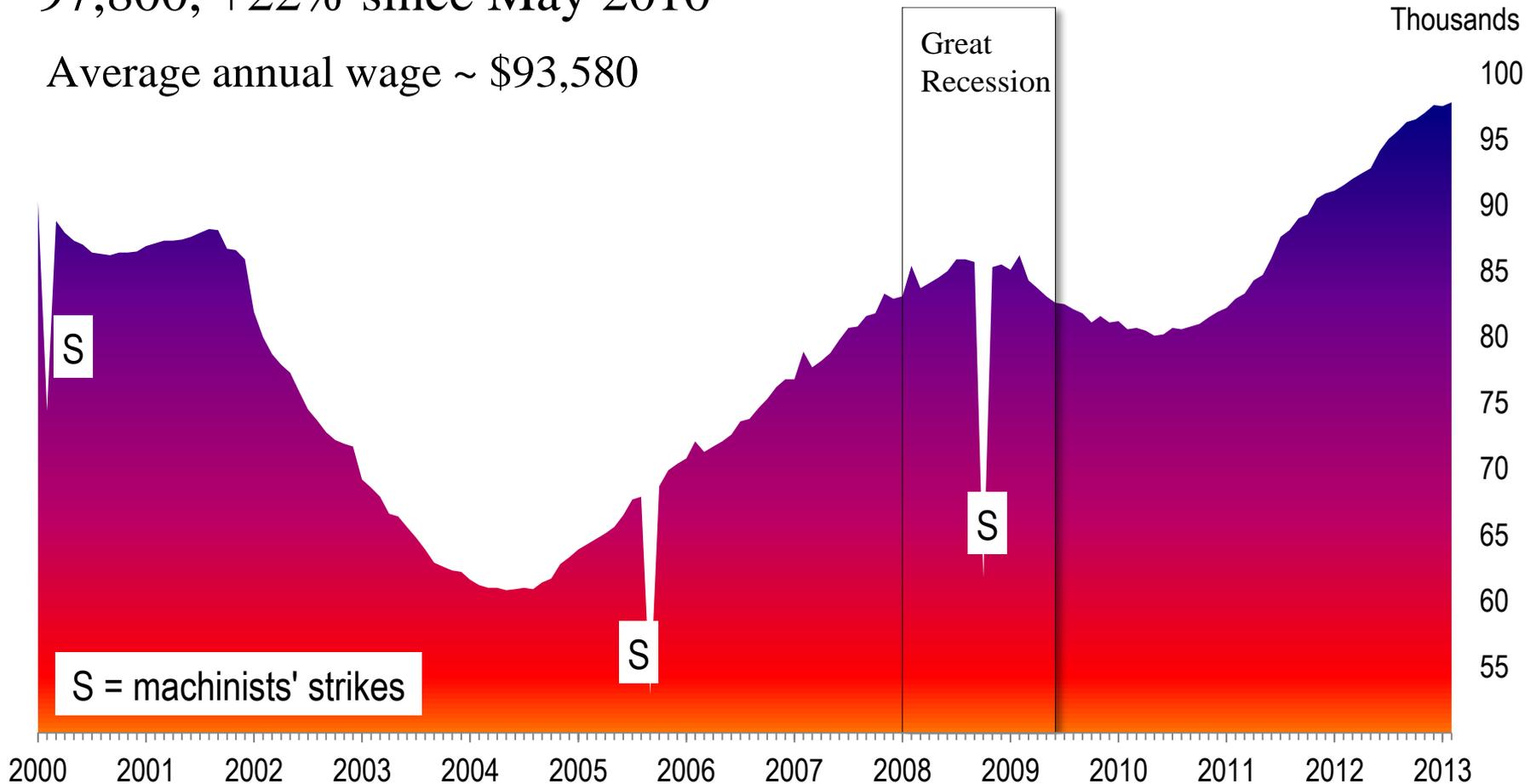
Data: Boeing

Washington aerospace employment

Boeing & suppliers:

97,800, +22% since May 2010

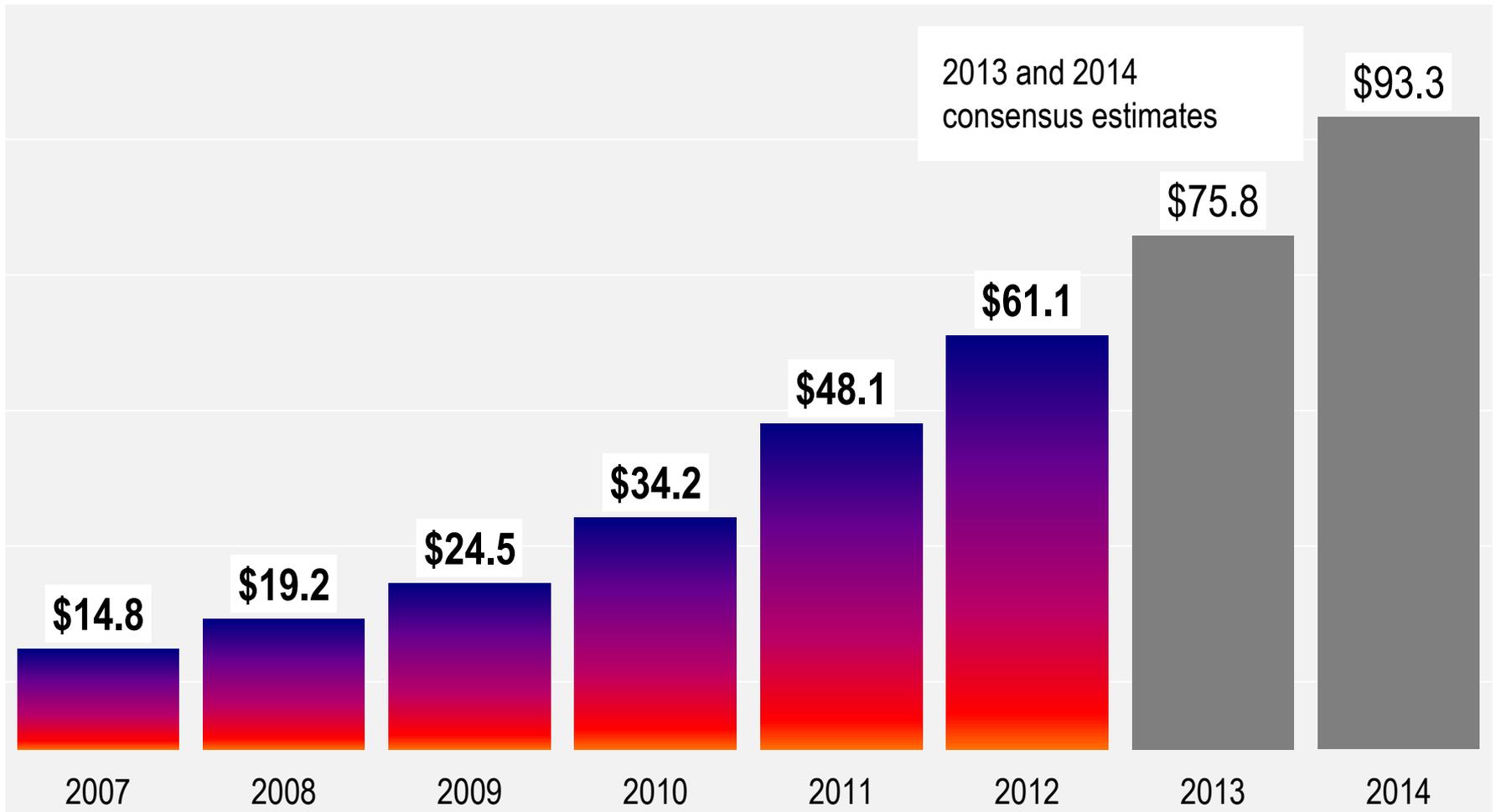
Average annual wage ~ \$93,580



Data: Washington Employment Security Department.

Amazon.com revenue

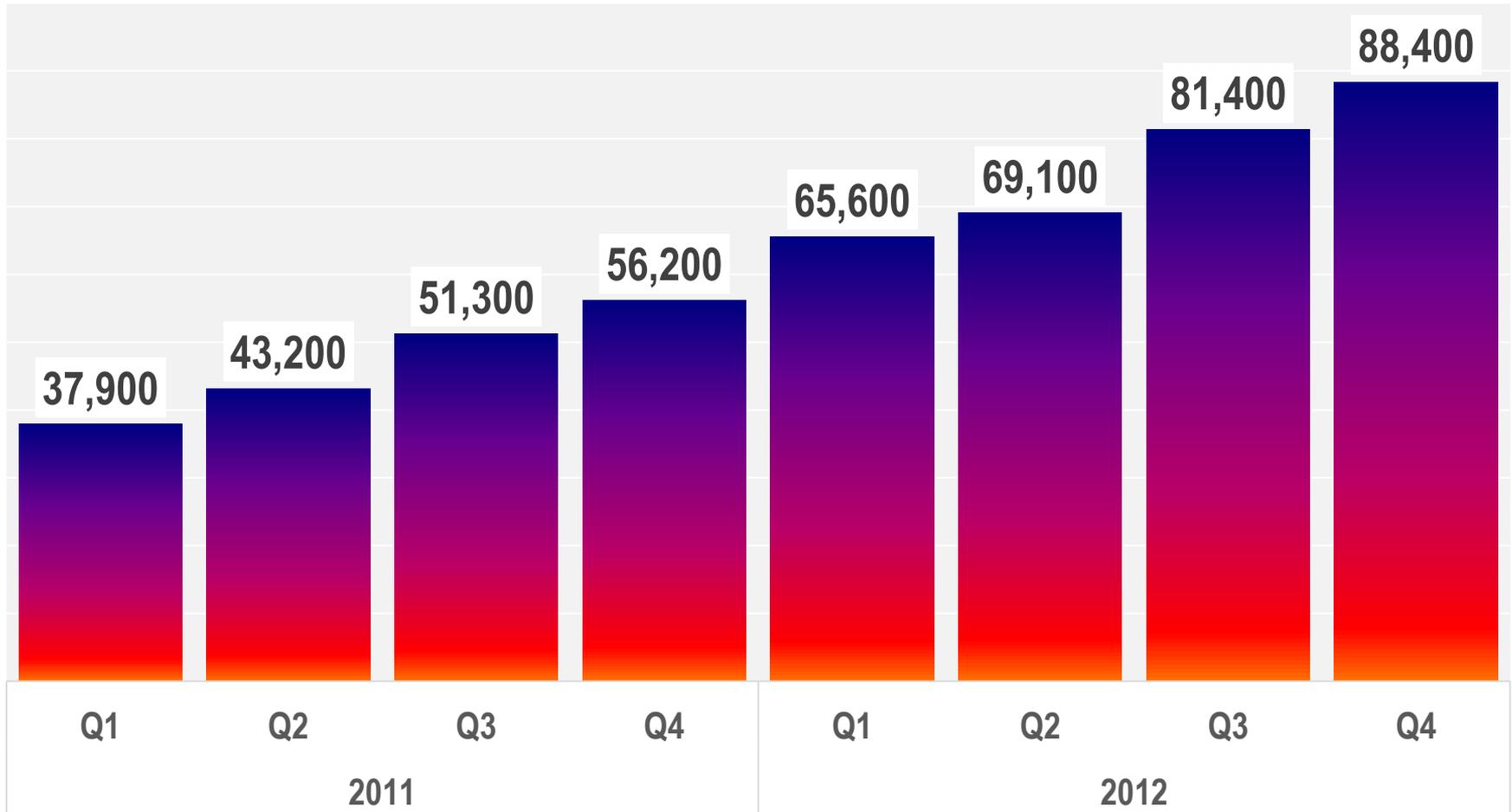
(billions)



Data: Amazon.com (actual), Reuters (consensus estimates)

Amazon.com head count

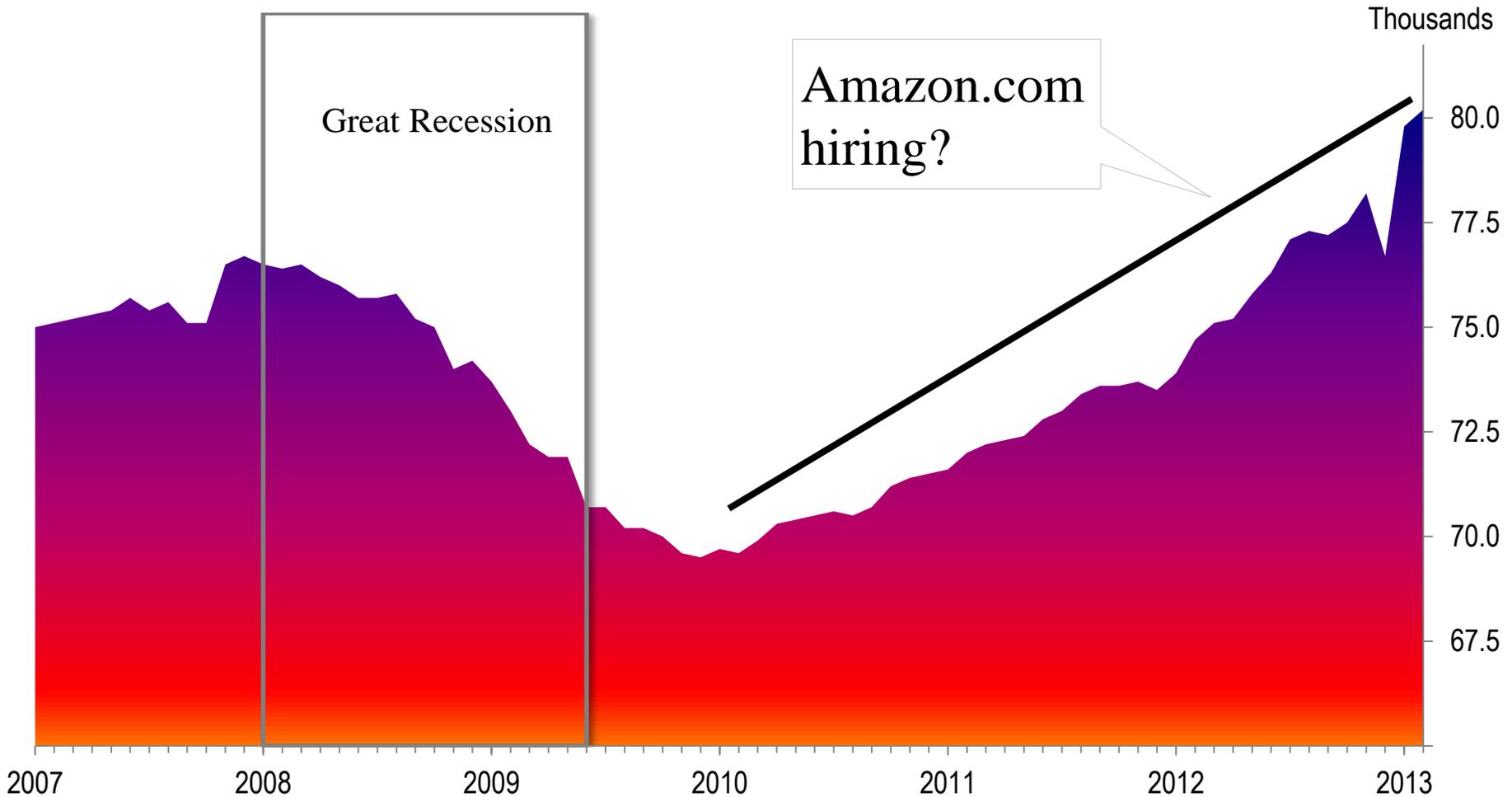
(Full-time and part-time; excludes contractors and temps)



Data: Amazon.com

Washington employment in 'other retail'

Average pay: Retail \$32k, **non-store retail \$89k**

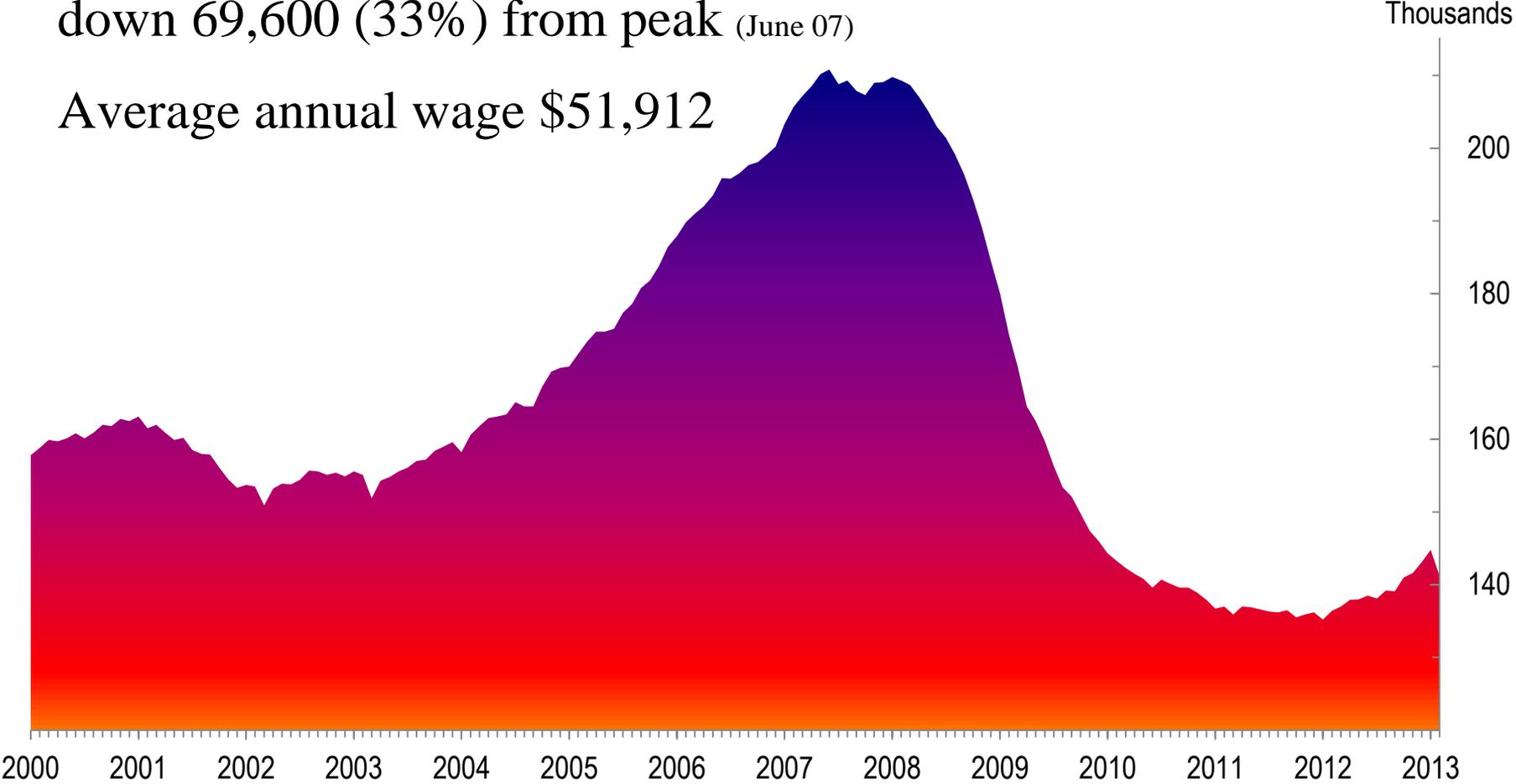


Data: Washington Employment Security Department.

Construction employment in Washington

No sector hit harder by Great Recession,
down 69,600 (33%) from peak (June 07)

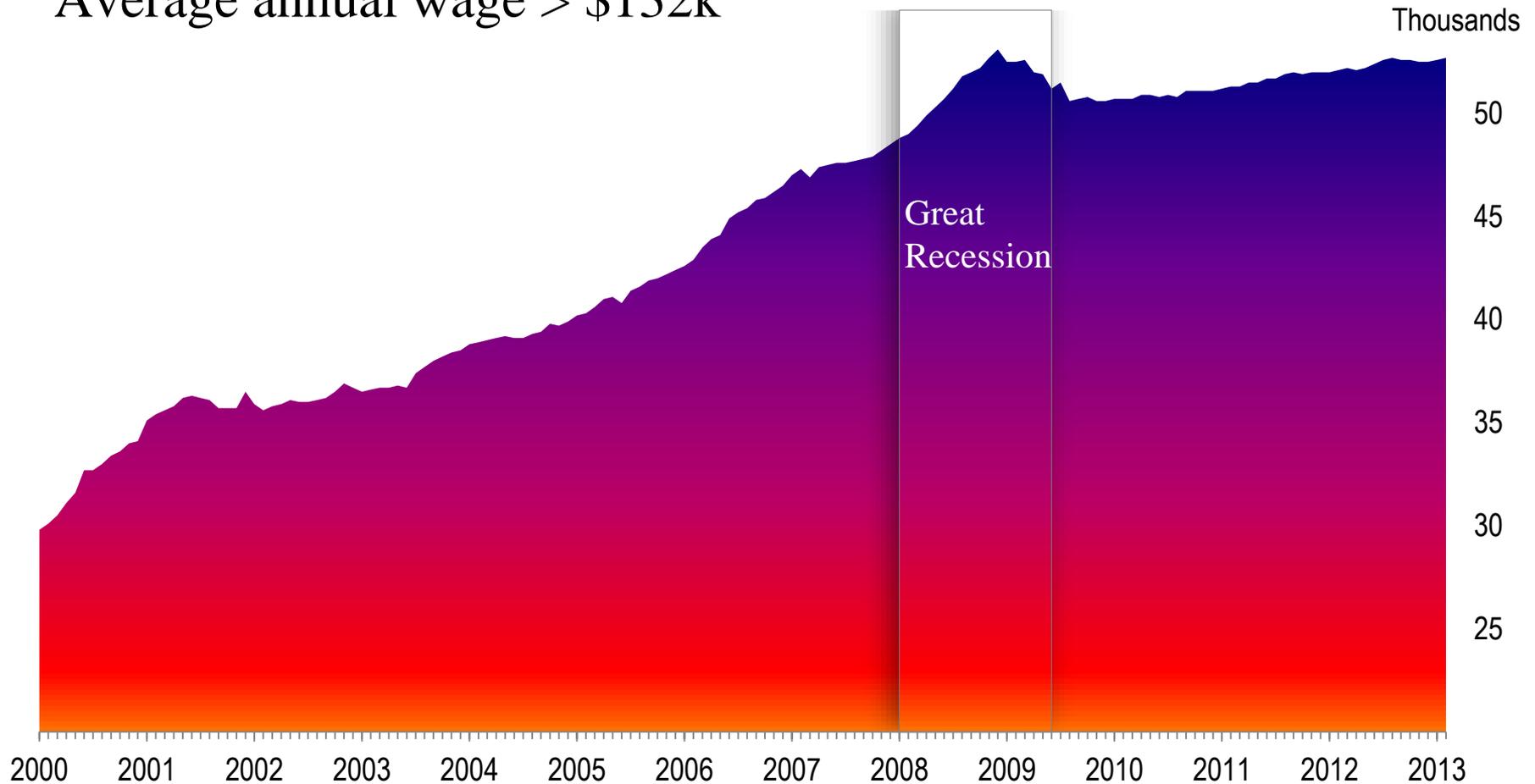
Average annual wage \$51,912



Data: Washington Employment Security Department.

Washington software employment

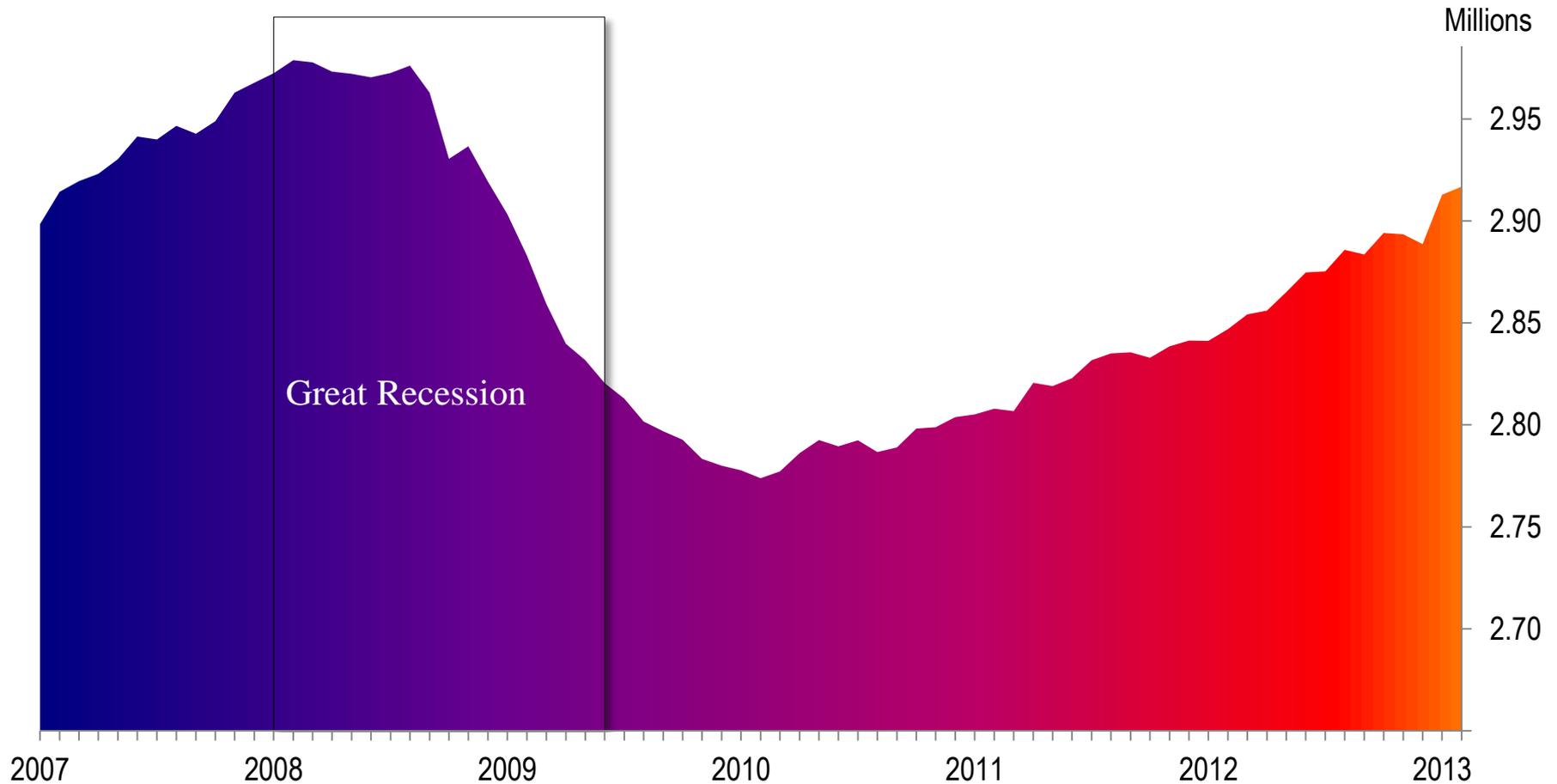
Average annual wage > \$132k



Data: Washington Employment Security Department.

Washington wage and salary employment

Average annual wage \$49,220

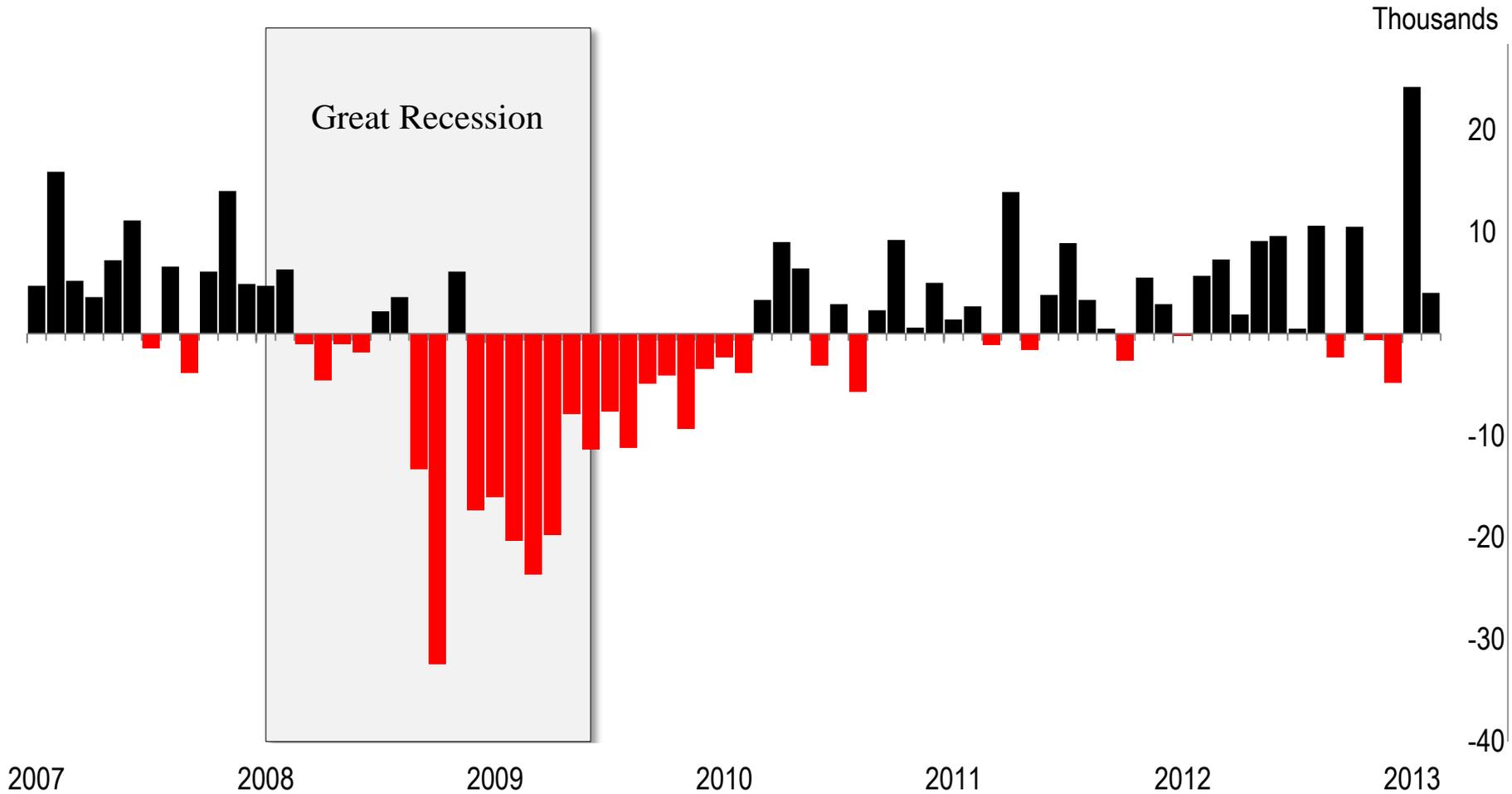


Data: Washington Employment Security Department

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Washington wage and salary employment

Change from prior month

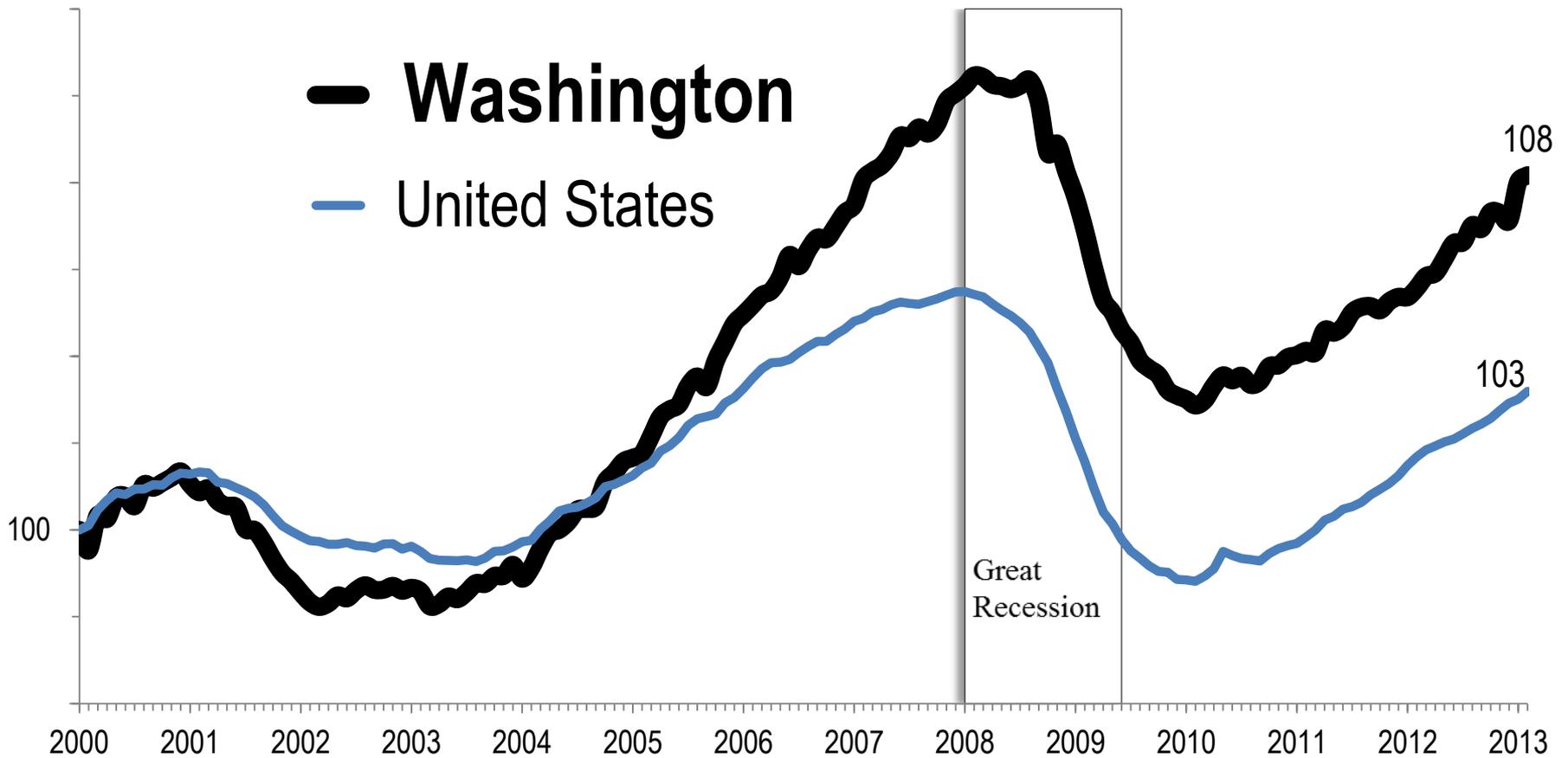


Data: Washington Employment Security Department

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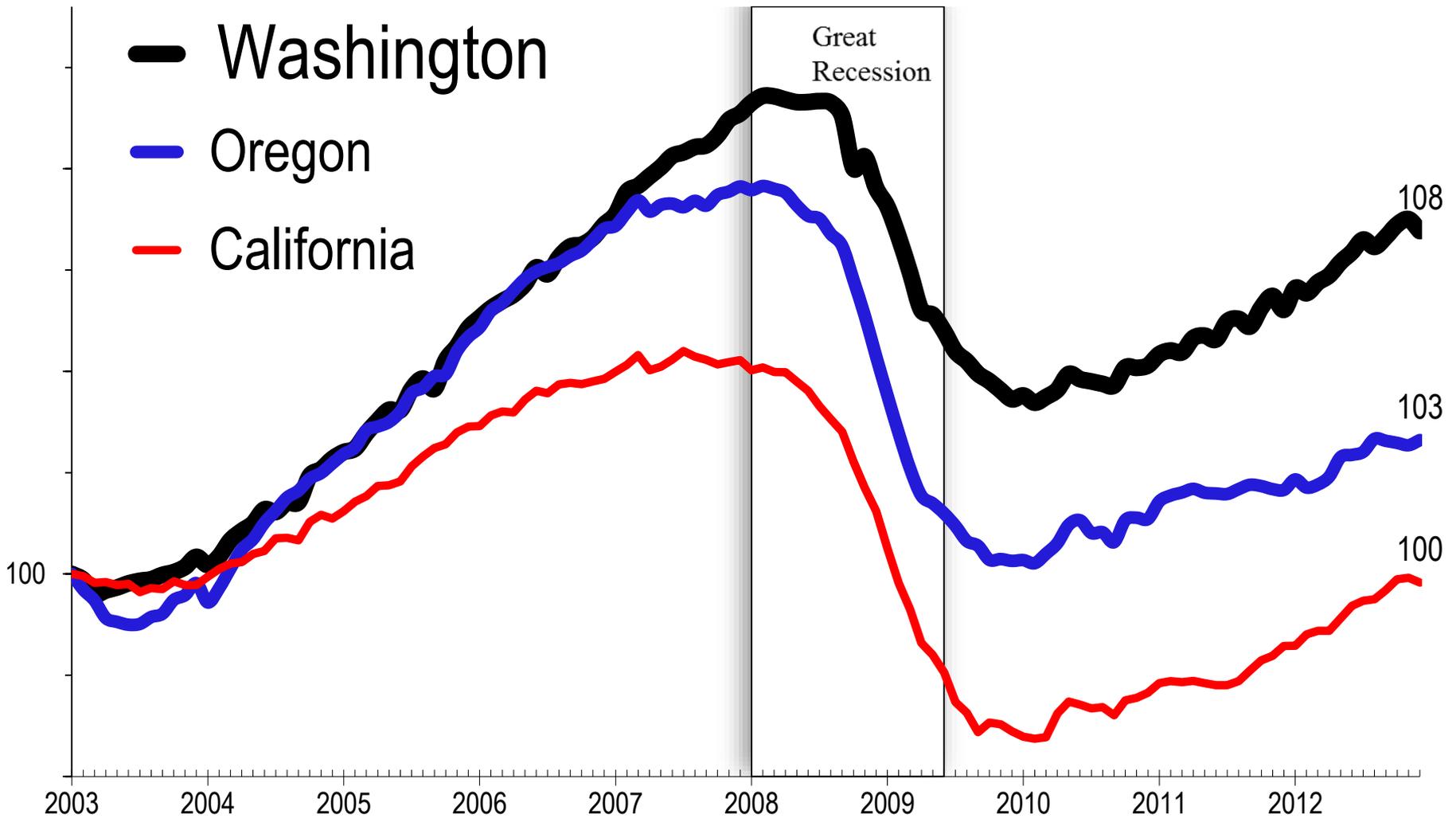
Since 2005, mostly above average

Nonfarm payroll employment



Data: Washington Employment Security Department, Bureau of Labor Statistics.

Payroll employment on the 'Left Coast'



Data: Bureau of Labor Statistics

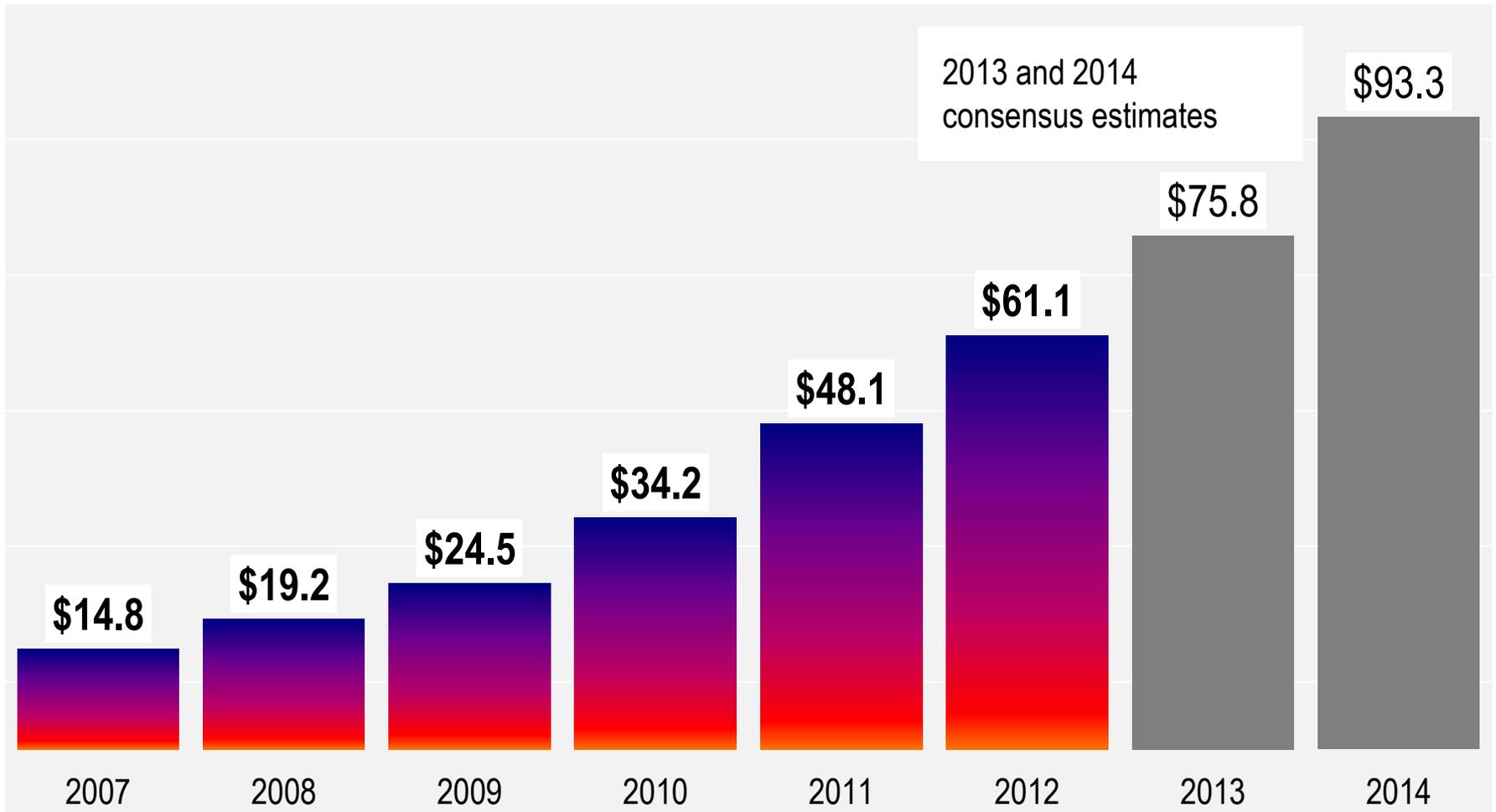
Boeing Commercial Airplanes backlog



Data: Boeing

Amazon.com revenue

(billions)



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