

Evergreen State/Puget Sound
Economic Trends and Outlook

Washington Surveying
& Rating Bureau

March 15, 2011

Michael J. Parks, editor emeritus

Marple's Northwest Business Letter
www.marples.com

Copyright © 2011 *Michael J. Parks*; please don't reproduce without permission

Human behavior
cannot be predicted.
Distrust anyone who
claims to know the
future, however dimly.
The Zurich Axioms

Key takeaways

- The financial crisis changed everything. A new, vastly different, era has begun.
- High oil prices and inflation elevate recession risk. Stagflation, anyone?
- Washington, advantaged by technology, a weak \$ and Boeing's backlog, should outpace others.

Marple's Northwest Business Letter

Key takeaways (continued)

- A two-speed global recovery continues, led by developing-emerging economies.
- U.S. economic growth remains stunted; housing and job markets remain tepid.
- Uncertainty about policy keeps corporate America sitting on record amounts of cash.

Marple's Northwest Business Letter

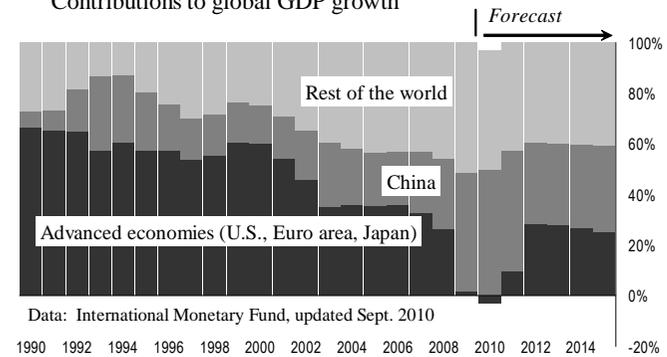
Normal, old and new

- Globalization
- Laissez faire banking
- Debt-led consumption
- Smaller role for gov't
- Worry about deflation
- US GDP growth > 3%
- Modest tax burden
- Protectionism
- Banking **re**-regulation
- Fear-based savings
- Larger government role
- High risk of inflation
- US GDP growth ~ 2%
- Higher tax burden

Bill Gross and Mohamed El-Erian, PIMCO, May 2009

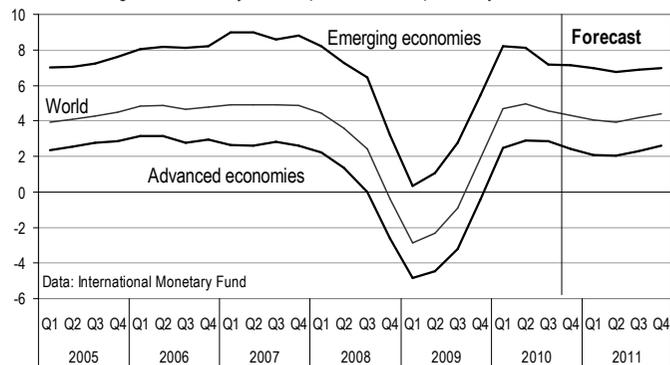
Not your father's global economy

Contributions to global GDP growth

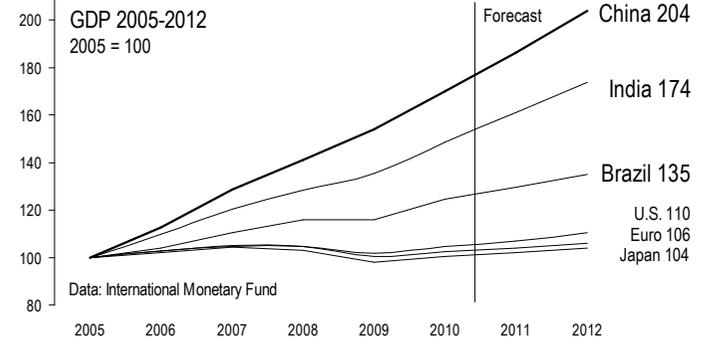


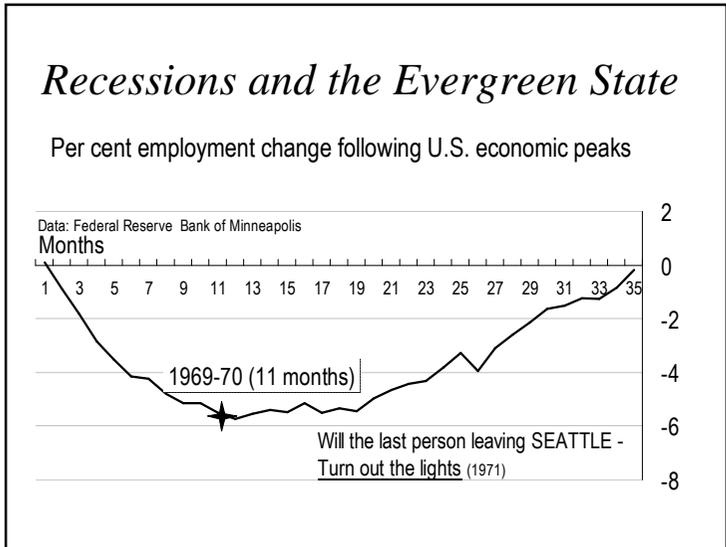
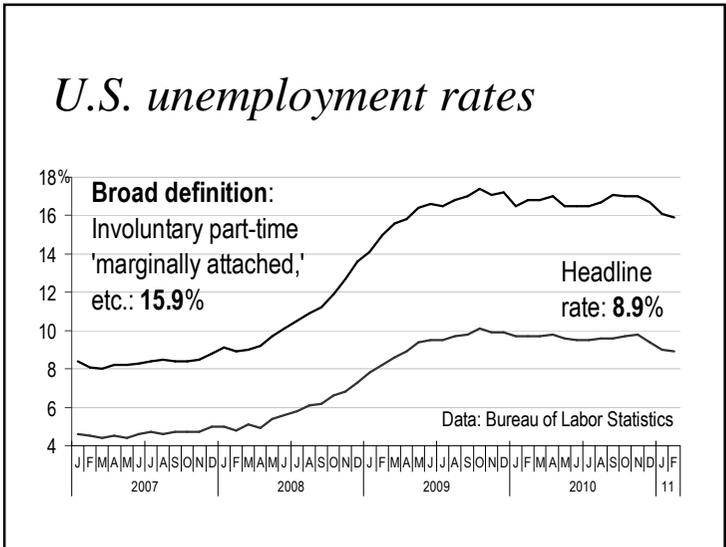
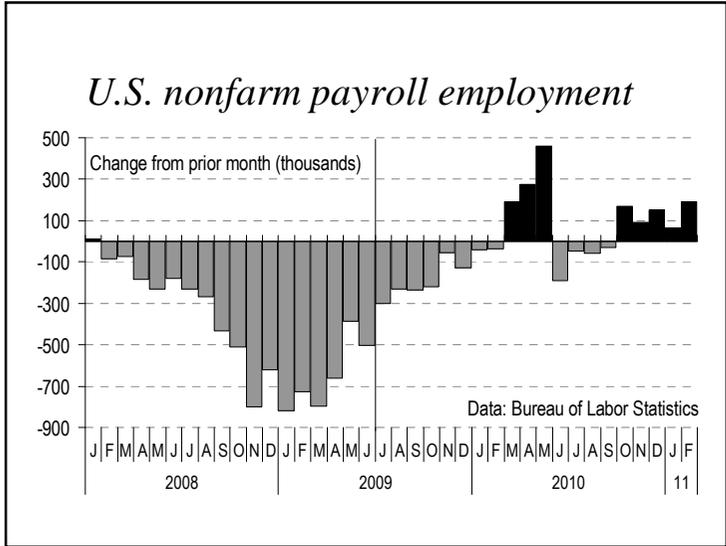
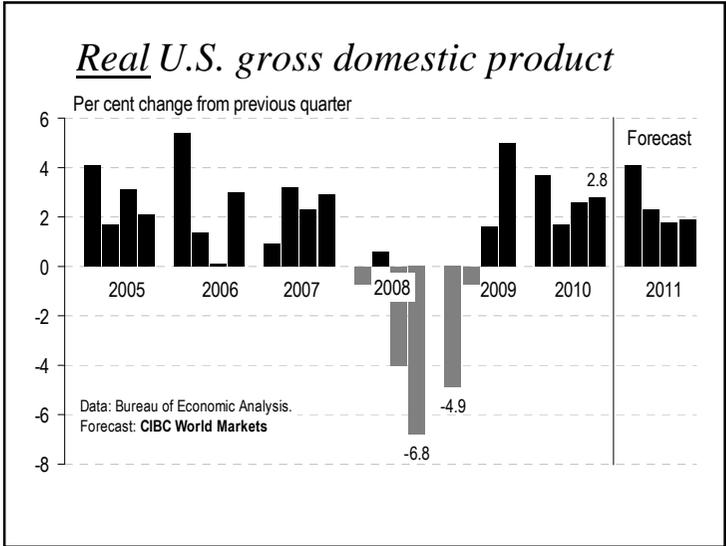
Emerging economies lead the way

Per cent change in inflation-adjusted output from same quarter a year earlier



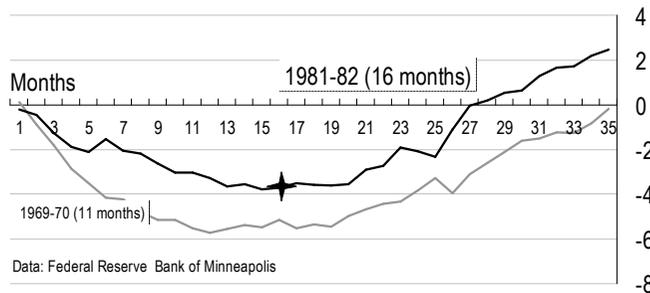
What recession?





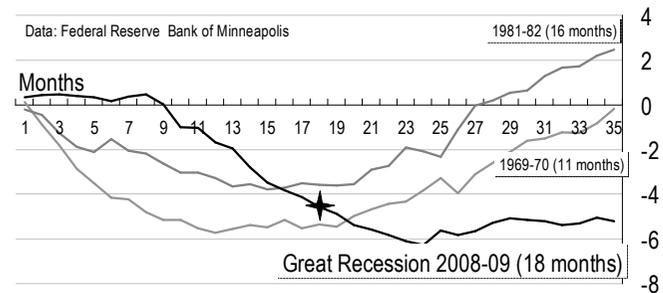
Recessions and the Evergreen State

Per cent employment change following U.S. economic peaks

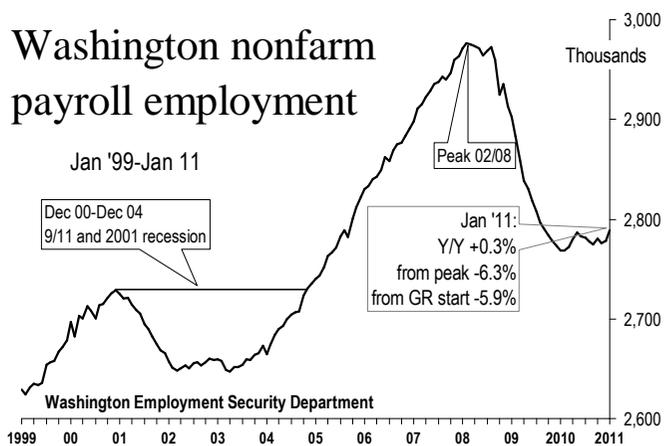


Recessions and the Evergreen State

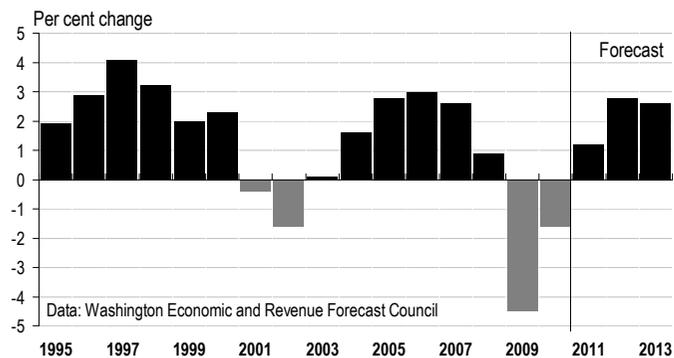
Per cent employment change following U.S. economic peaks

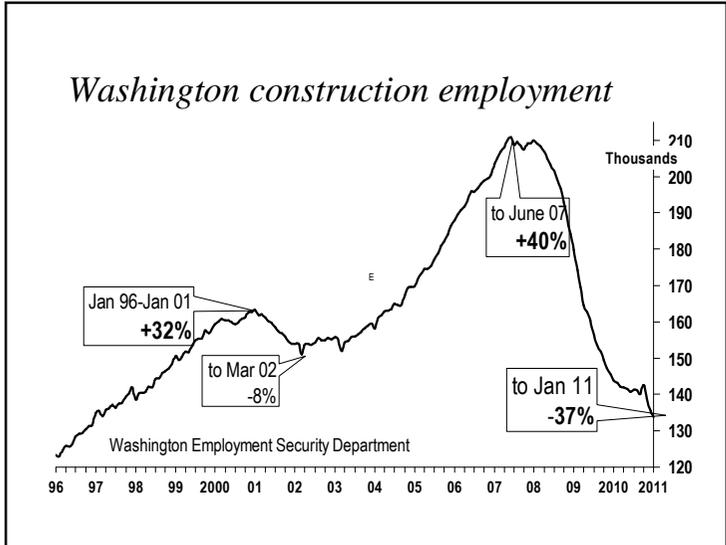
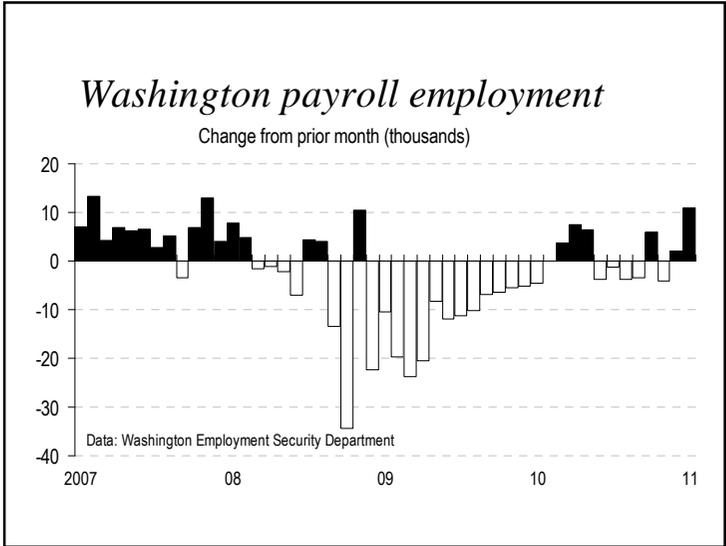


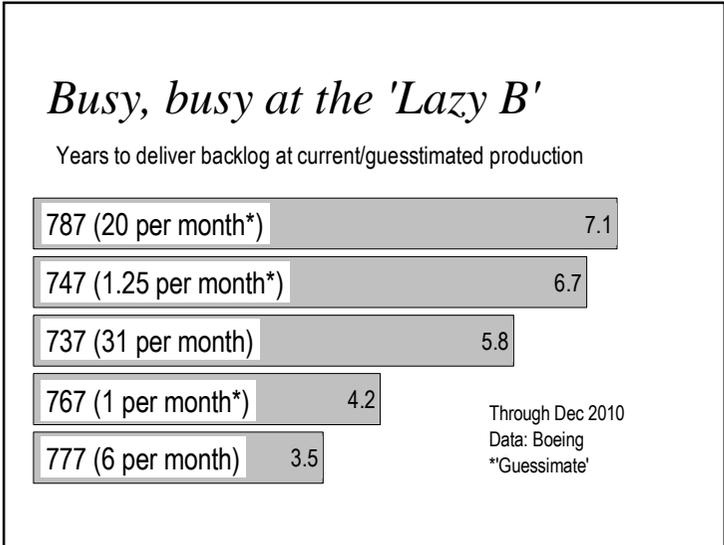
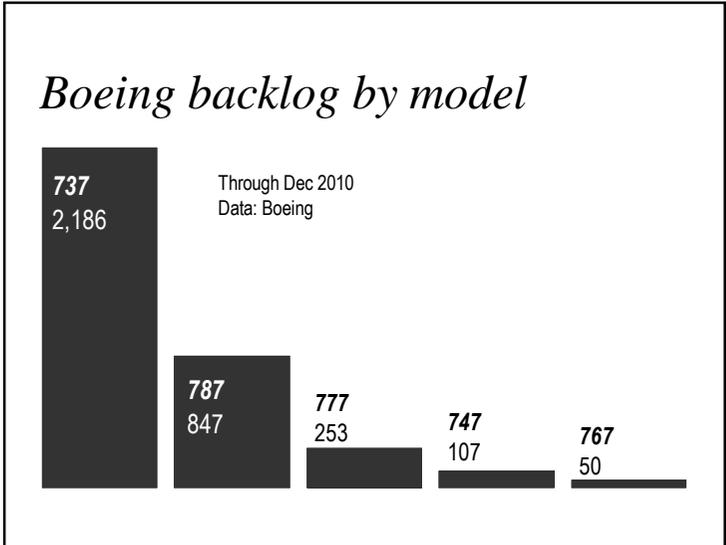
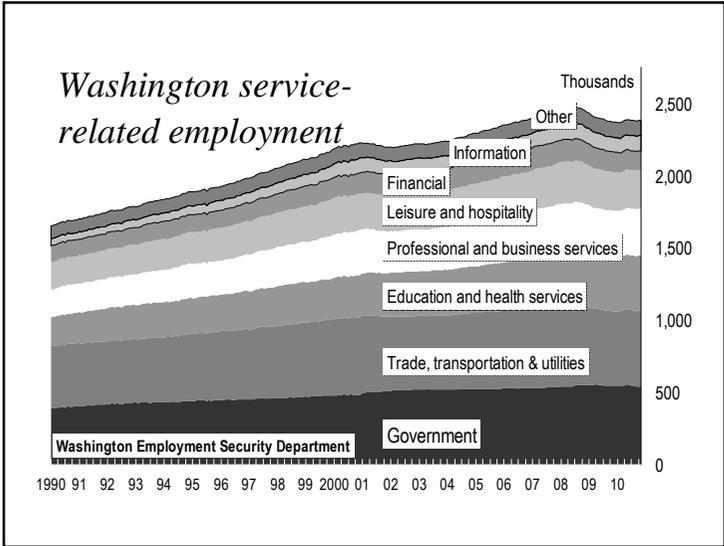
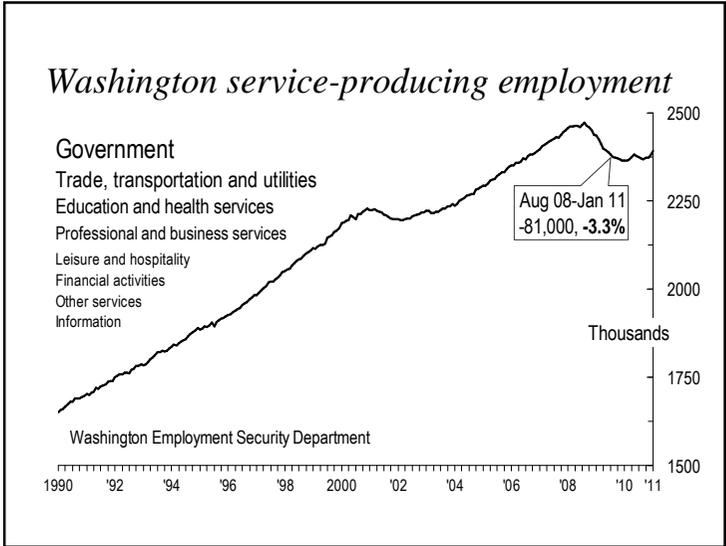
Washington nonfarm payroll employment



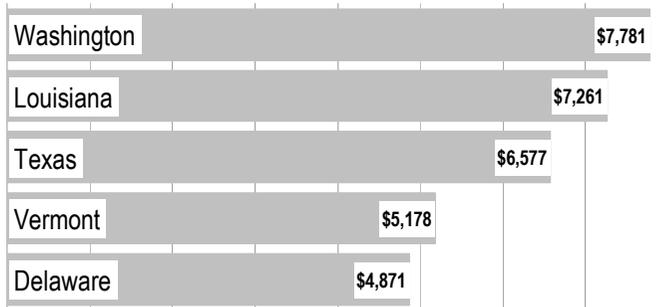
Washington nonfarm payroll employment





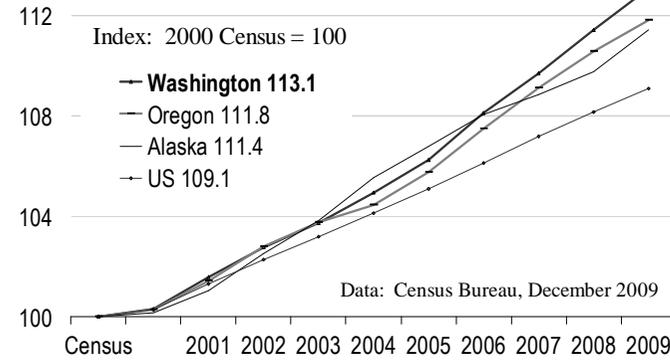


Exports per person

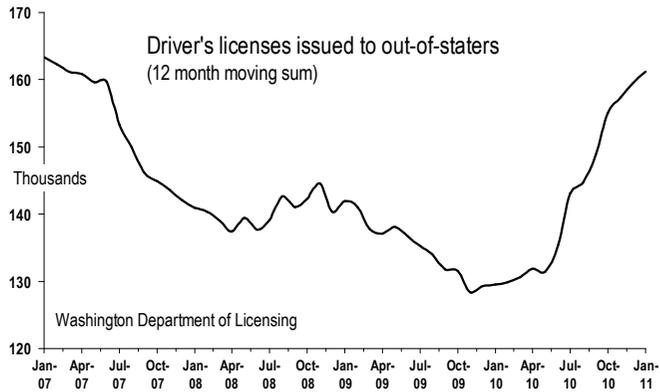


Data: WISERTrade (for 2009)

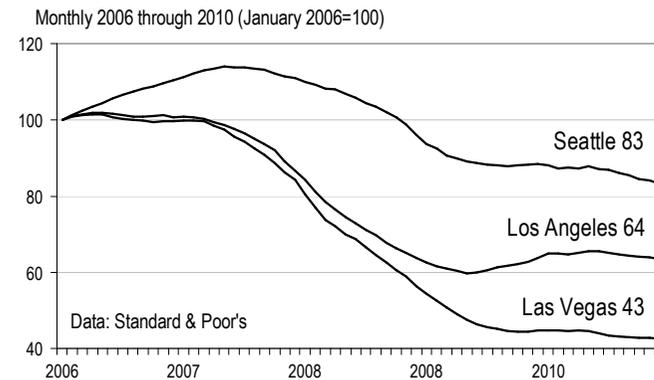
Population growth to July 2009

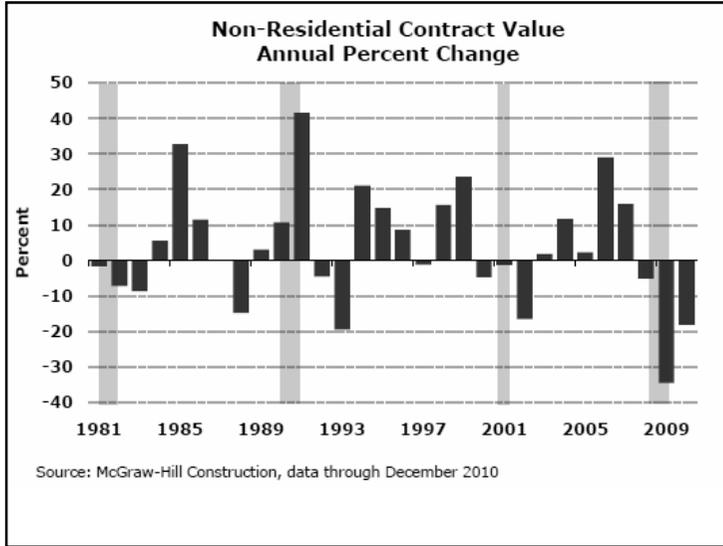


Magnet Washington, again



S&P/Case Shiller home-price indices





Basic 2011 forecast:

Partly cloudy, but fairer weather. Washington will outperform thanks to Boeing backlog, strong exports, immigration, weak \$.

What to monitor in '11:

- ✓ U.S.-China relations
- ✓ Value of the dollar
- ✓ Sovereign risk
- ✓ Interest rates
- ✓ Global growth rate