Federal Home Loan Bank Seattle

Peeling the Economic Onion: Global, National, and Regional Economies

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March 23, 2010


100
TOP ~~200~~
COMMUNITY
BANKS
As Published in
USBanker
June 2009

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Architecture

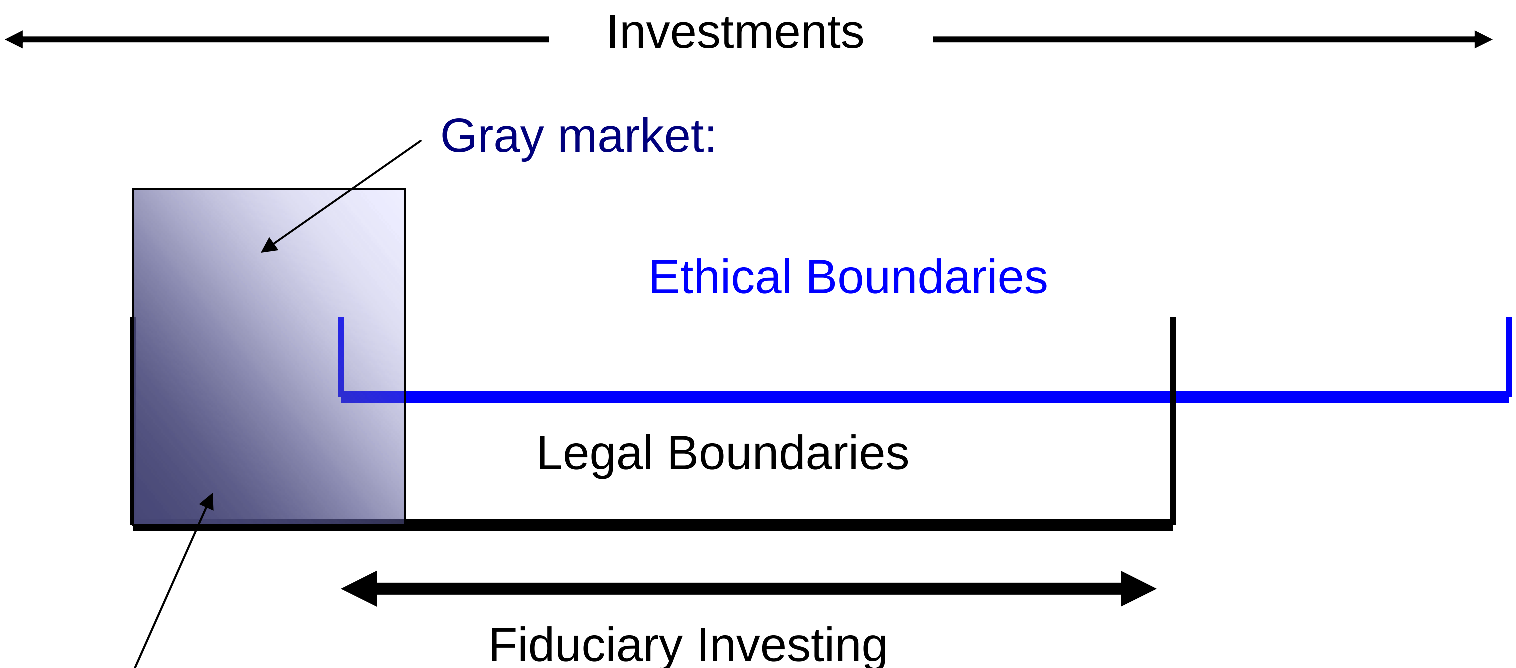
- Definition:

  The art and science of erecting buildings

The Beauty of the Facade

- Is the façade appealing or is it dilapidated?
- Will the buyer be willing to buy into something that it can see is structurally sound?

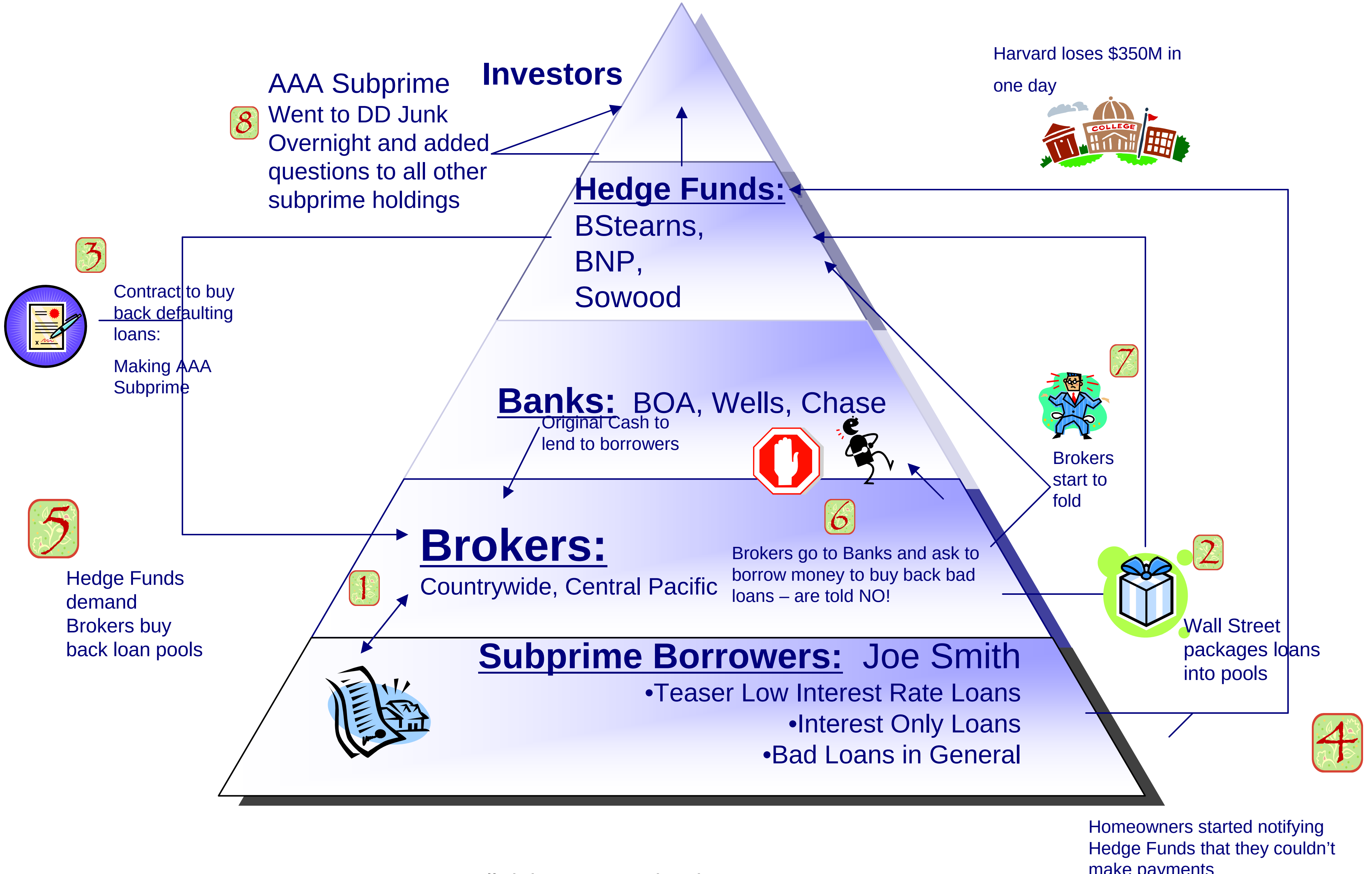
What is the Gray Market?



Denoted through words like:

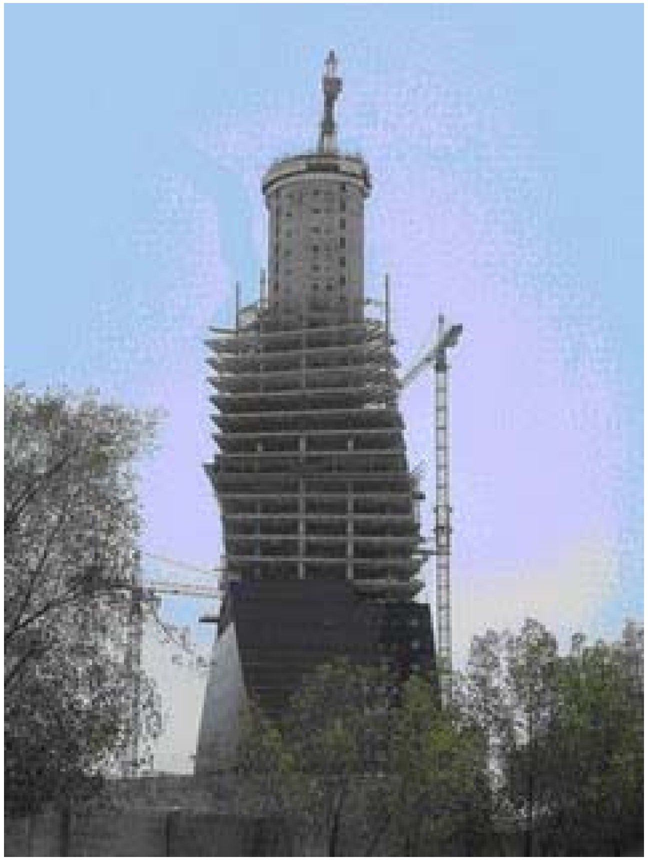
- Cutting Edge
- Loophole
- High rate of return
- Unregulated
- Senate hearings
- Ponzi
- **Illiquid/Inefficient**

What Caused the Problems?



Strength of Structure

- How strong is the skeleton of the building…
- Is it sound or is it dangerous?



The Crisis spreads to the Economy

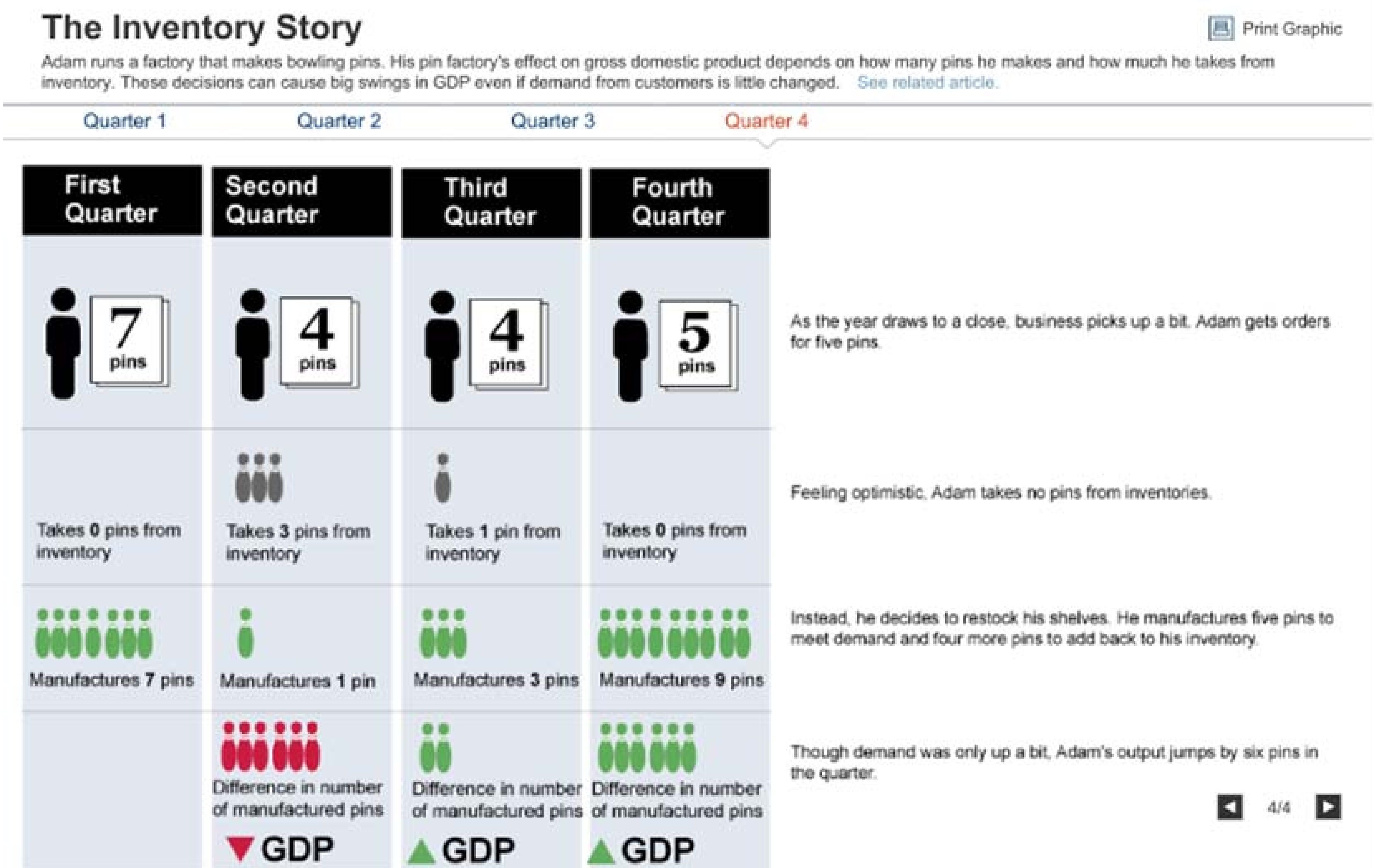
Credit
Crisis

Companies cut
Expenses and
Delayed orders

Companies
lay off
Employees

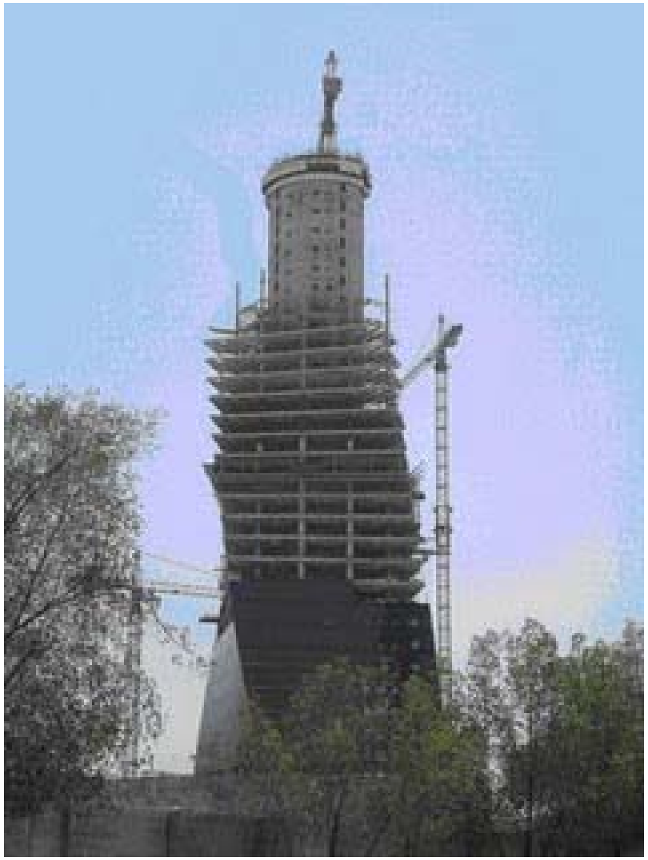
Consumer
stops
spending &
economy
goes into
recession

Inventory Story…



Economic Structure

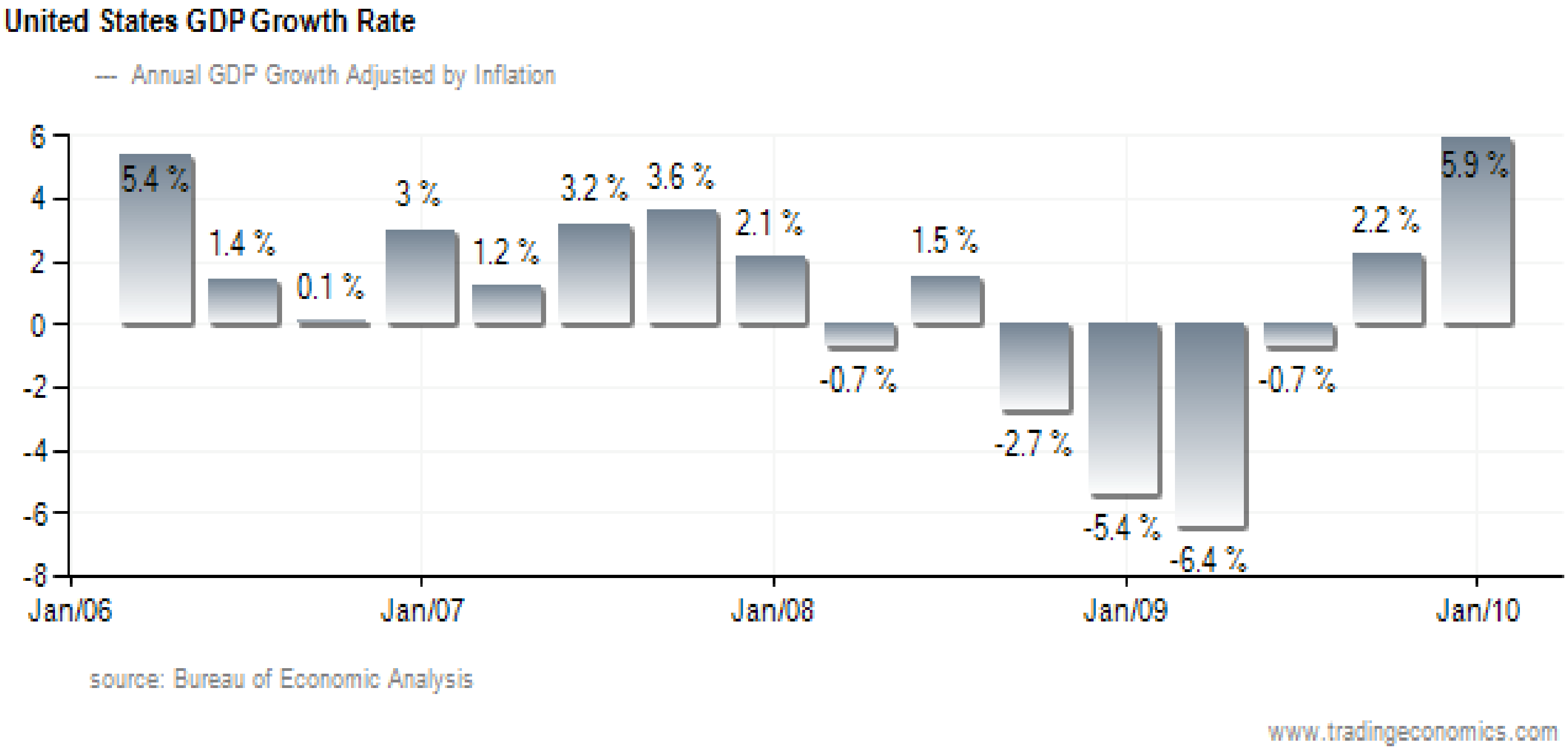
What is the Current Structure of the US and Global economy?



Factory transition into consumer confidence?

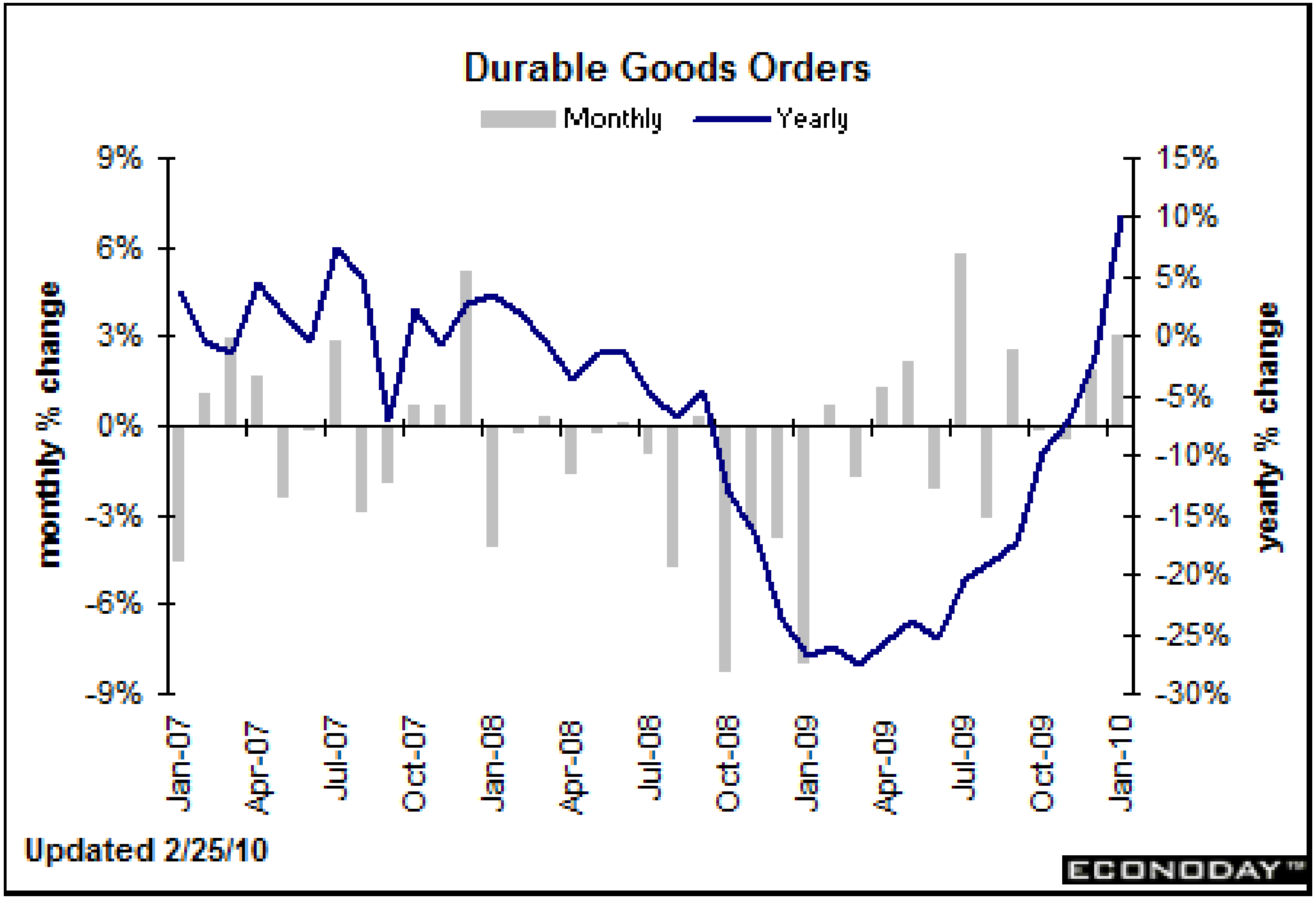
- Start of the factory led recovery
- Next step is a restoration of consumer sentiment

US GDP Rates

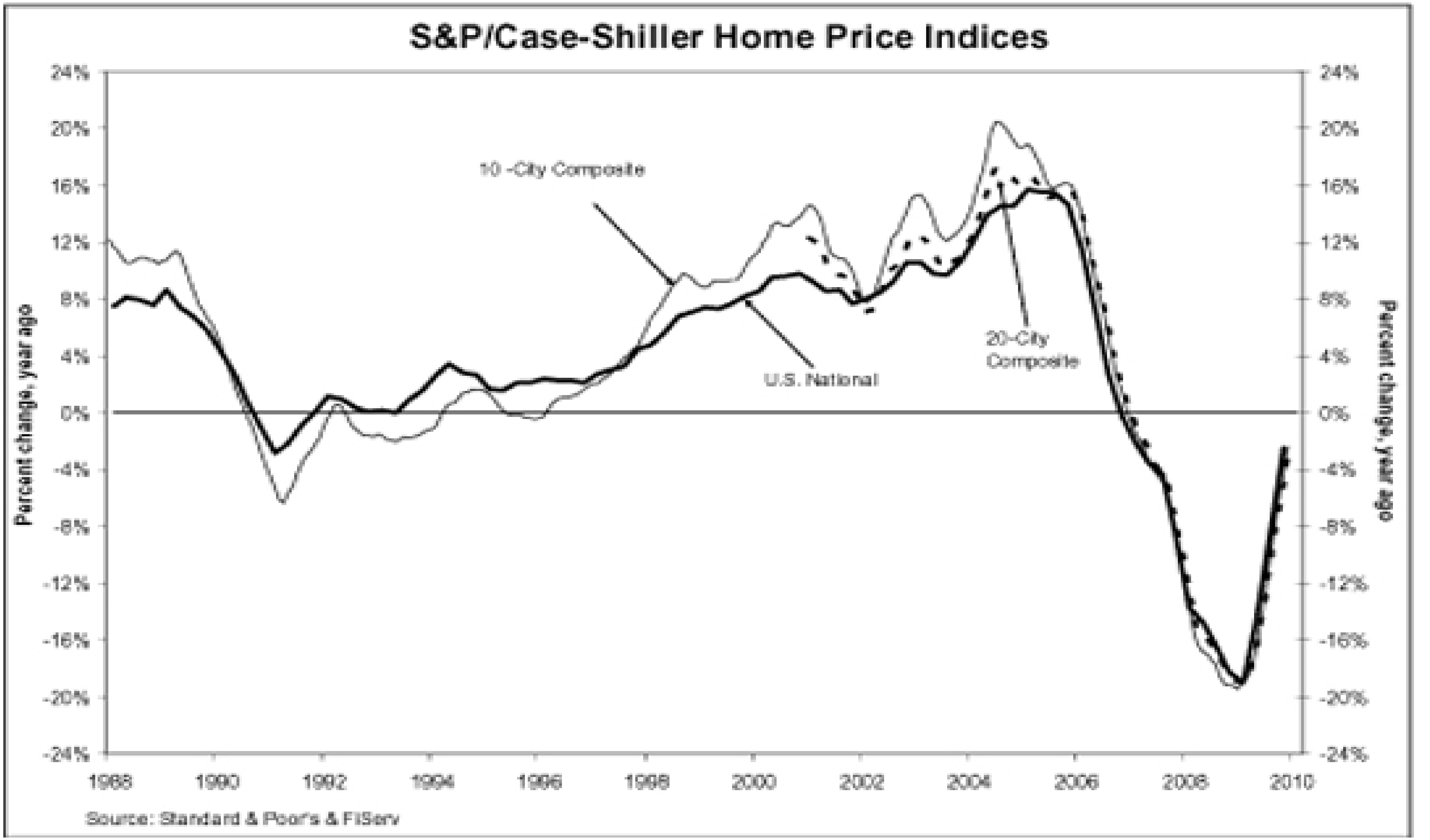


United States GDP Growth Rate
Annual GDP Growth Adjusted by Inflation
6
4
2
0
-2
-4
-6
-8
5.4 %
1.4 %
0.1 %
3 %
1.2 %
3.2 %
3.6 %
2.1 %
-0.7 %
1.5 %
-2.7 %
-5.4 %
-6.4 %
-0.7 %
2.2 %
5.9 %
Jan/06
Jan/07
Jan/08
Jan/09
Jan/10
source: Bureau of Economic Analysis
www.tradingeconomics.com

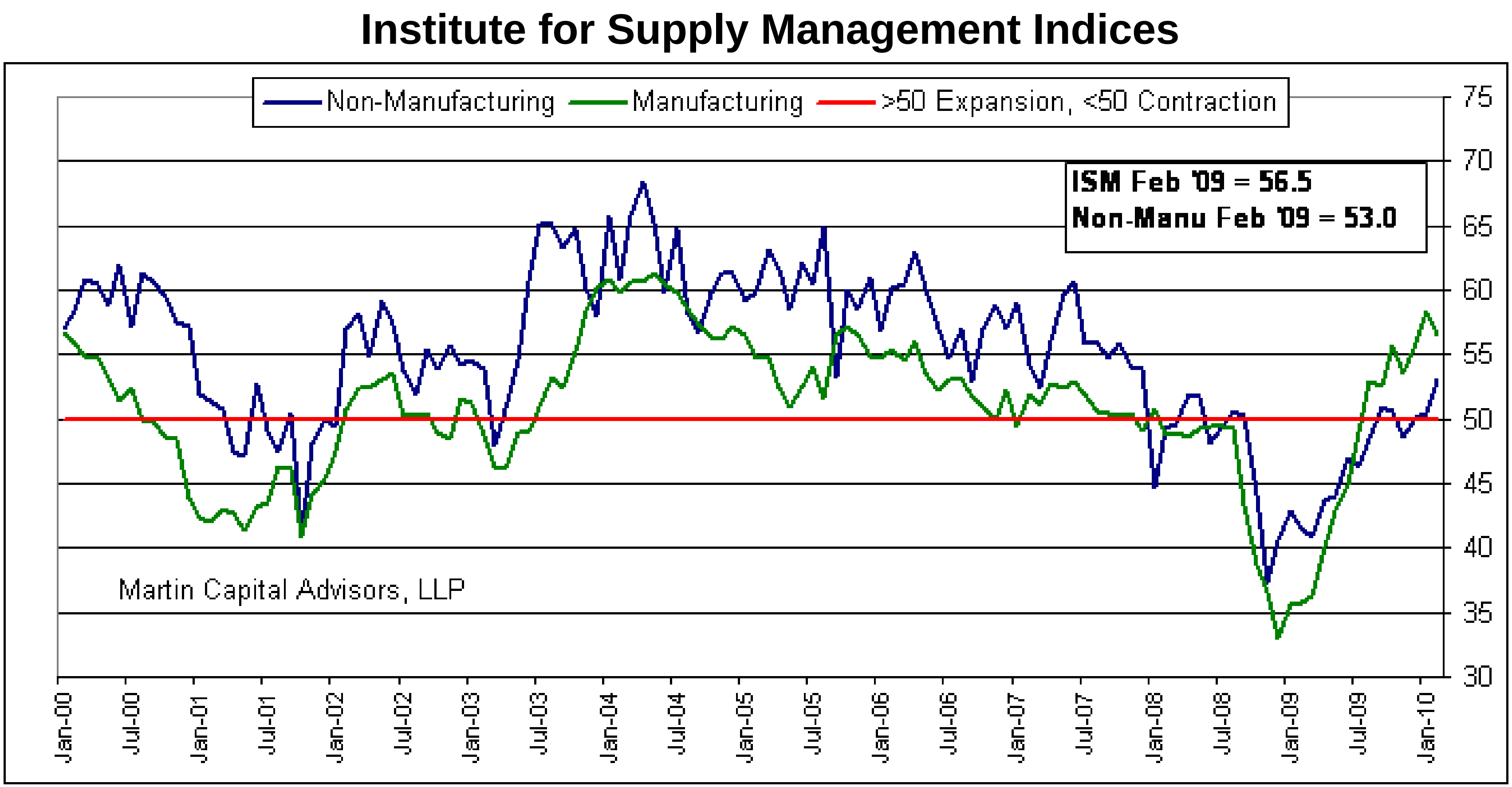
Durable Goods Orders



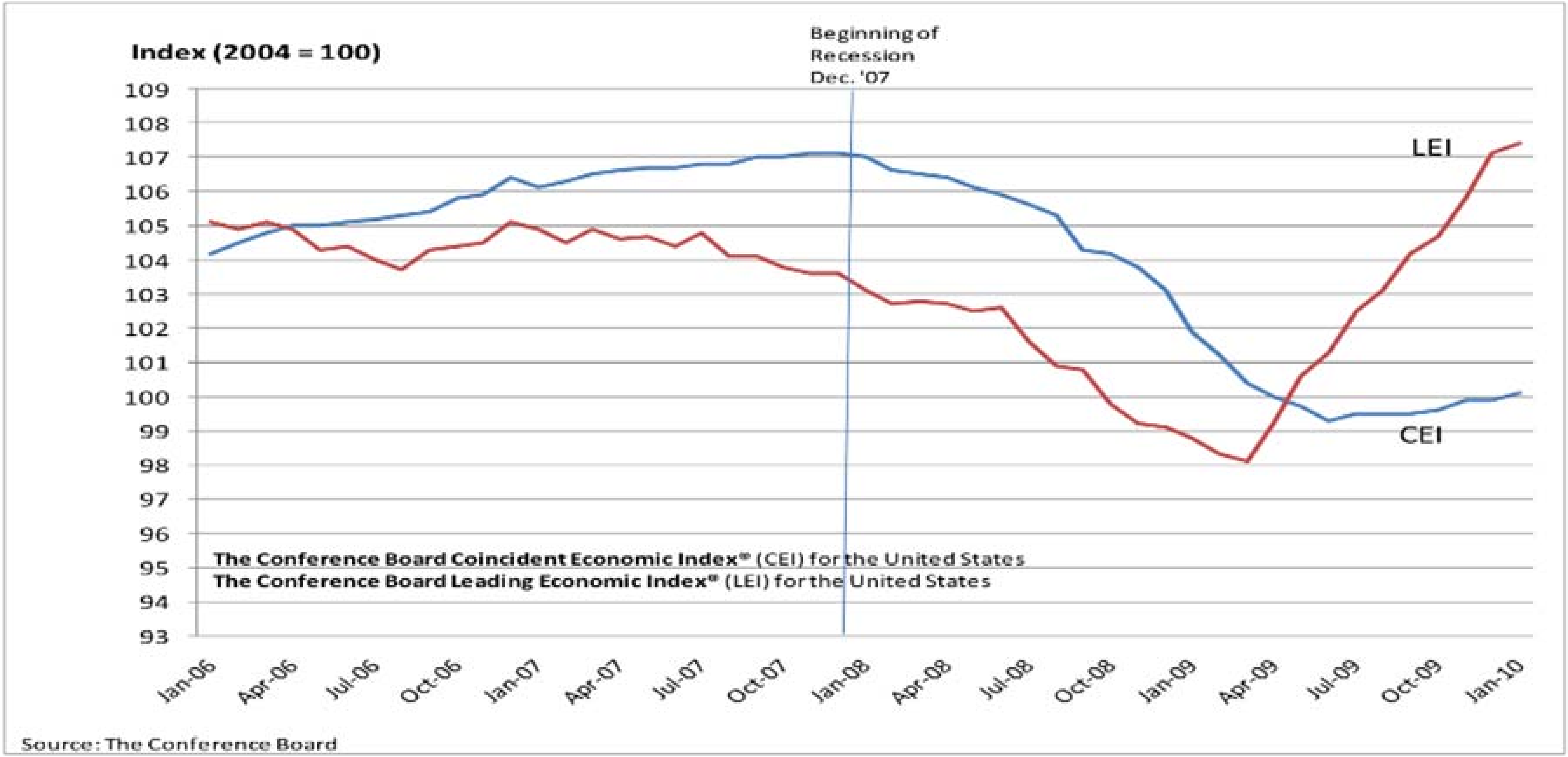
Case Schiller Price Index



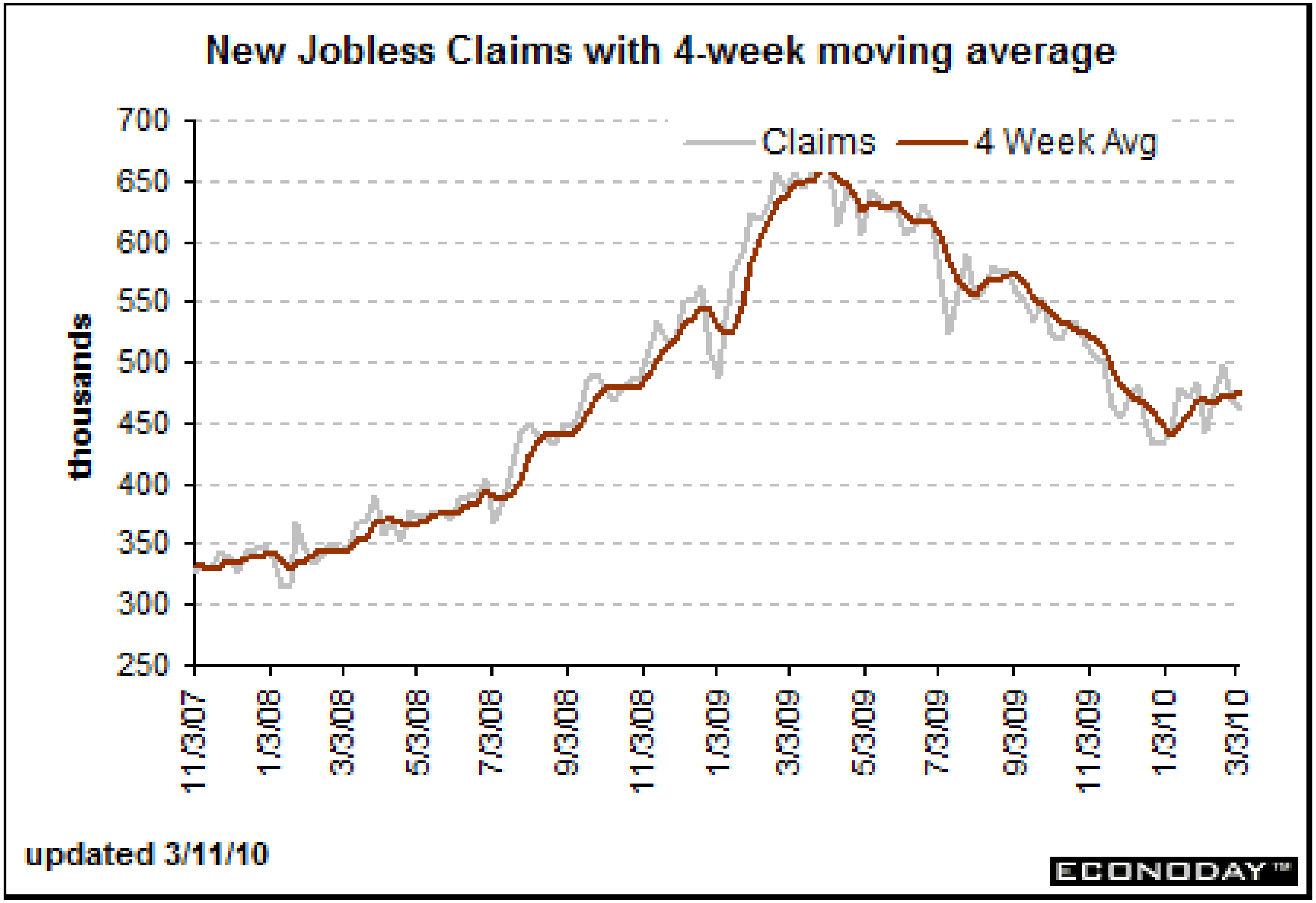
ISM Information



Leading Economic Indicators



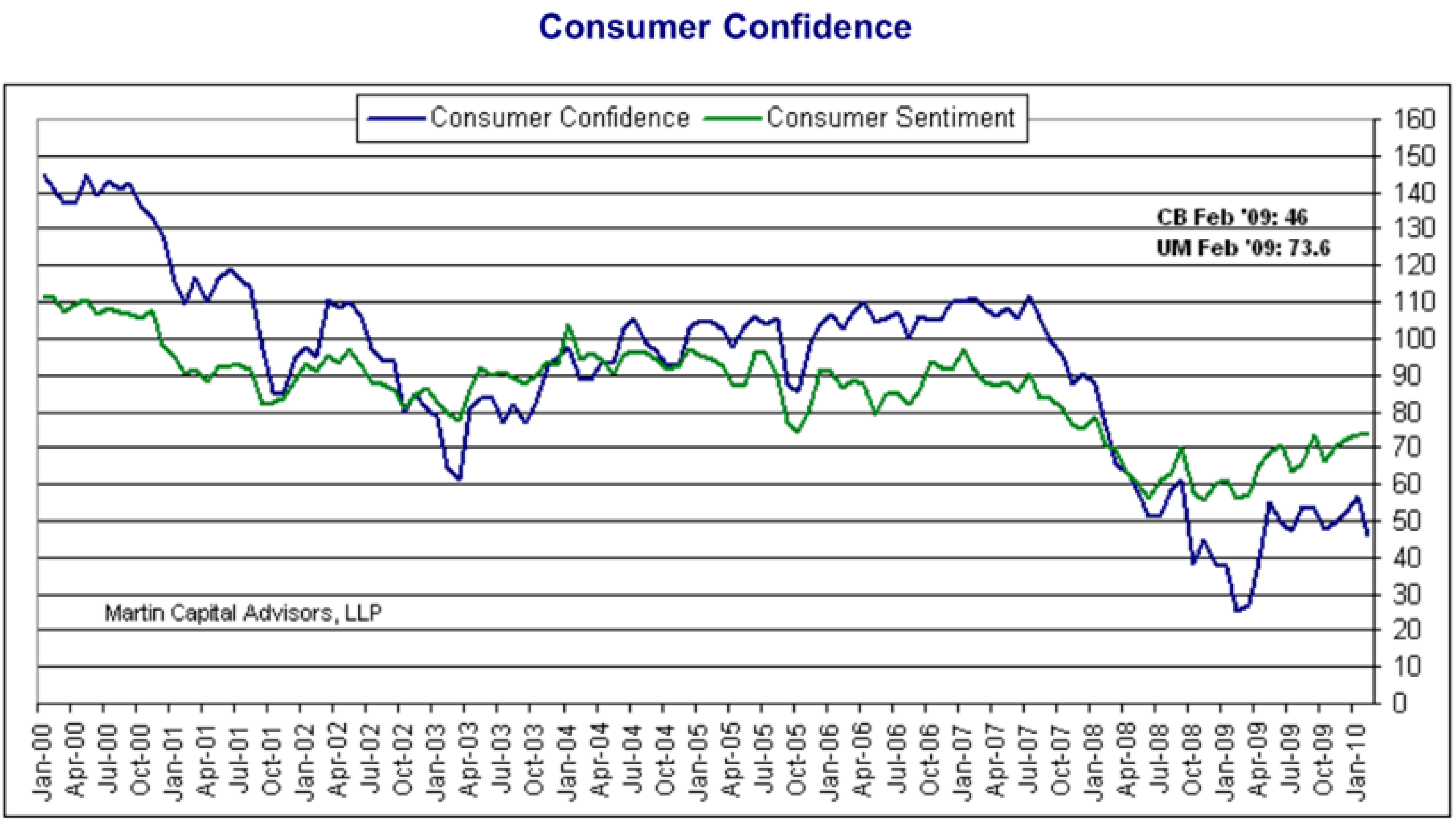
US Weekly Jobless Claims



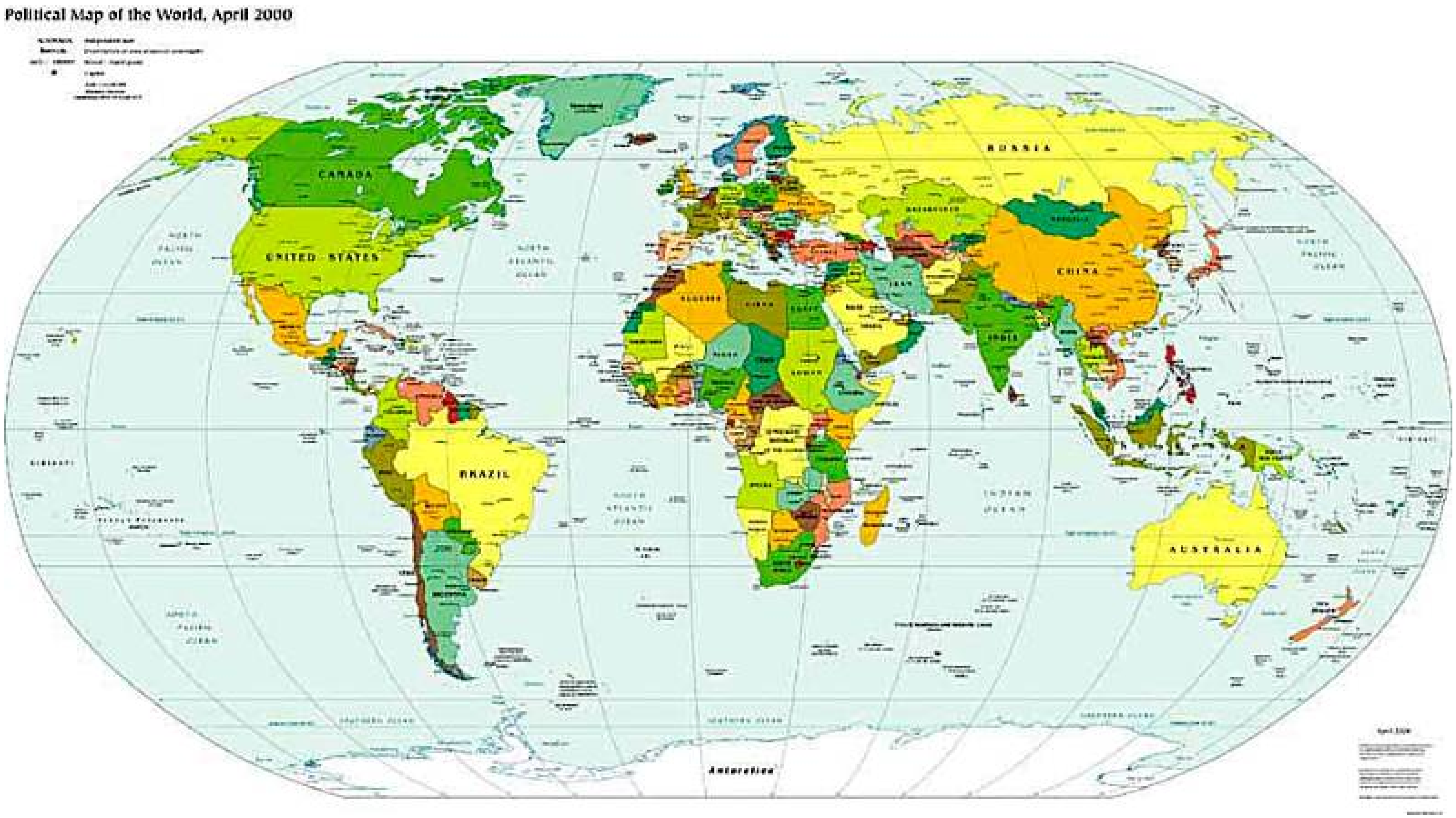
The Facade

- Are Americans happy with the strength of the structure?

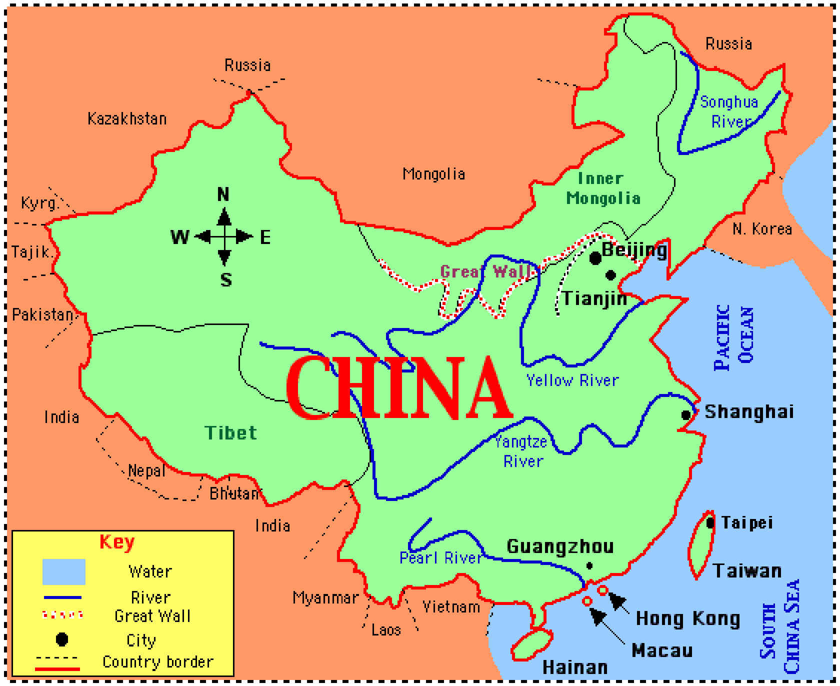
Consumer Sentiment



The World Economic Order

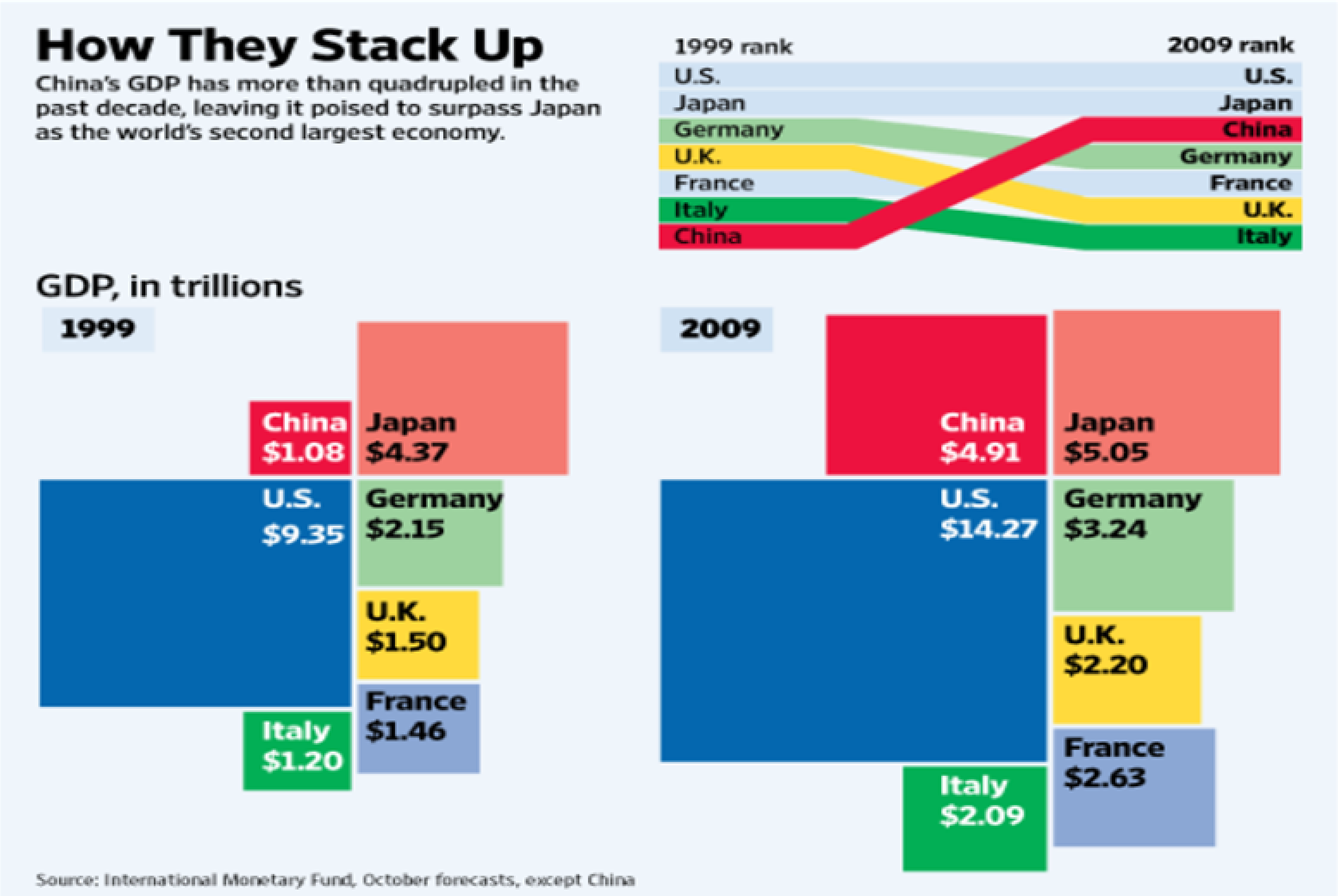


China

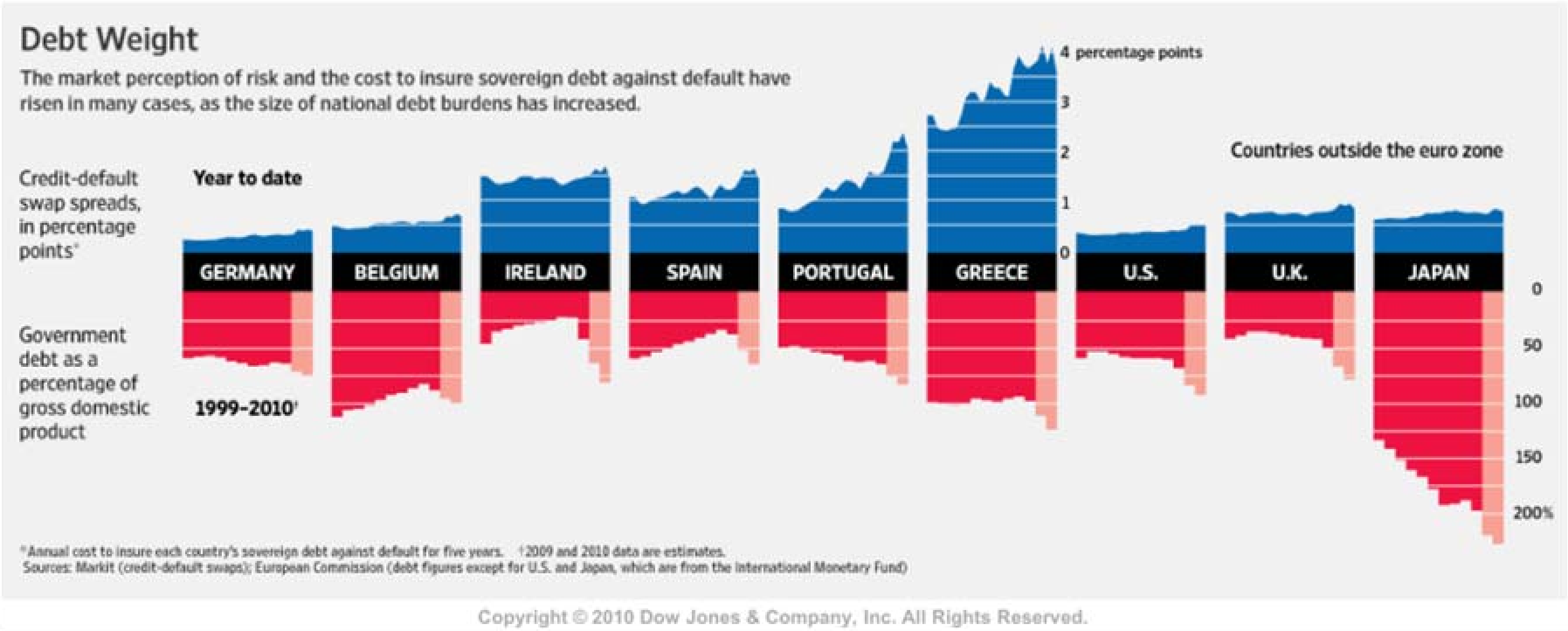


- China's GDP growing at 10.7% for 4th Qtr. 2009
- Expanding economy shows growing need for more natural resource
- GDP of $7.9 Trillion PPP ($4.9 Trillion real dollar)

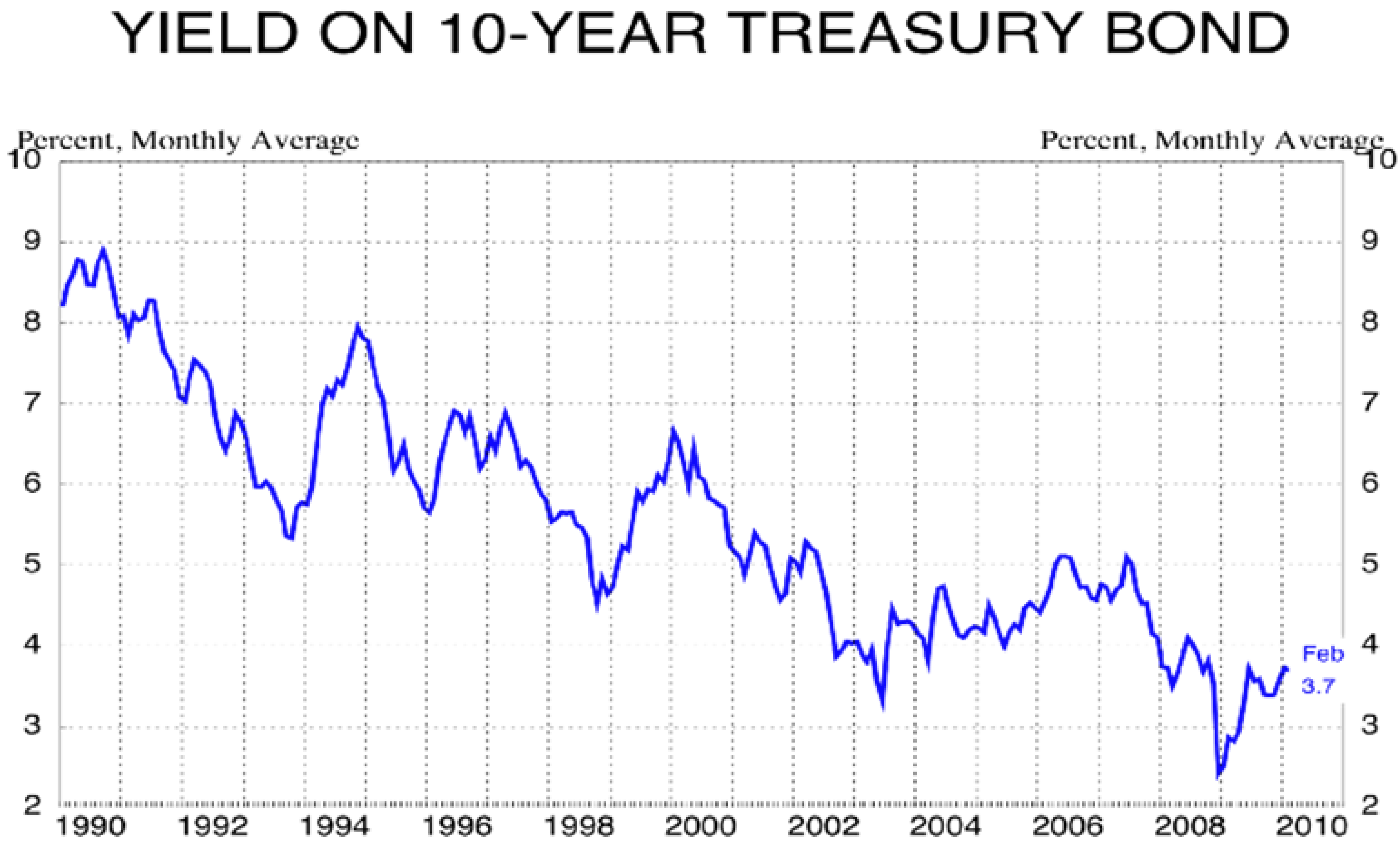
The New Global Economy



The Rest of the World's Debt



Cost of helping Economy



Stirred, Shaken, and Recovering?

John W. Mitchell

Background

- No Place to Hide
- Recovery is Underway
- Headwinds Still Out there
- We Are Not In Kansas Anymore
- Wide Range of Possibilities

Job Growth Update

January data – year over year gains – 48 states down YOY

- ***Alaska 1***
- North Dakota 2
- Vermont 3
- New Hampshire 4
- Virginia 5
- Nebraska 6
- Kentucky 7
- New York 8
- South Dakota 9
- Louisiana 10
- South Carolina 11
- Arkansas 12
- Pennsylvania 13
- Maryland 14
- Iowa 15
- New Jersey 16
- ***Utah 17***
- ***Montana 18***
- Michigan 25
- ***Hawaii 27***
- Connecticut 32
- New Mexico 33
- ***Idaho 34***
- Oklahoma 35
- ***Oregon 36***
- ***Washington 40***
- Colorado 46
- California 47
- ***Wyoming 48***
- Arizona 49
- Nevada 50

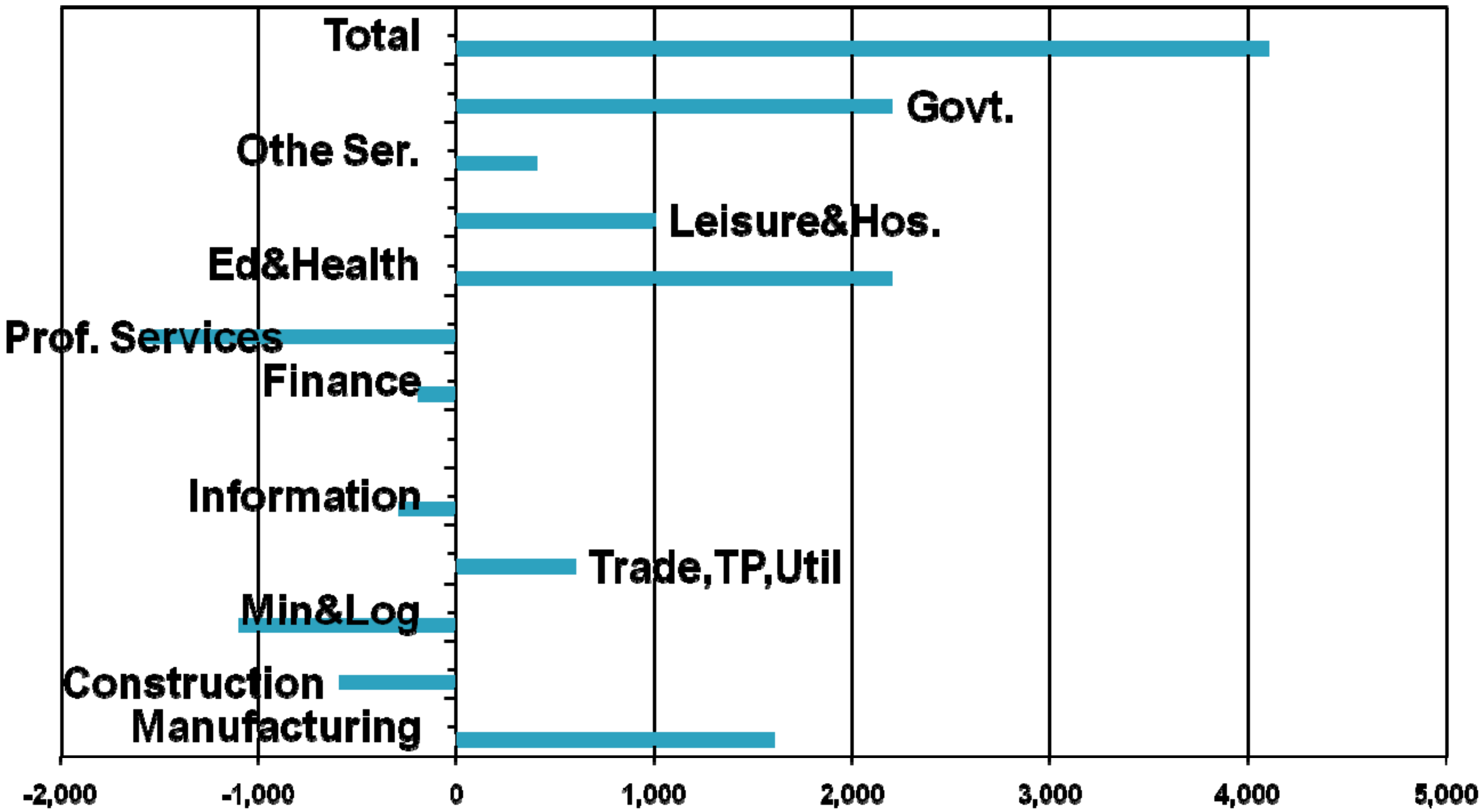
The Upturn

- Business Investment, Time, Technology
- Inventory Correction
- Housing Bottom
- Trade Rebound
- Balance Sheet Repair-Consumers and Business
- Stimulus
- Births and Expansions
- Kansas City Fed: After Serious Recessions-Upturns Geographically Broad Based

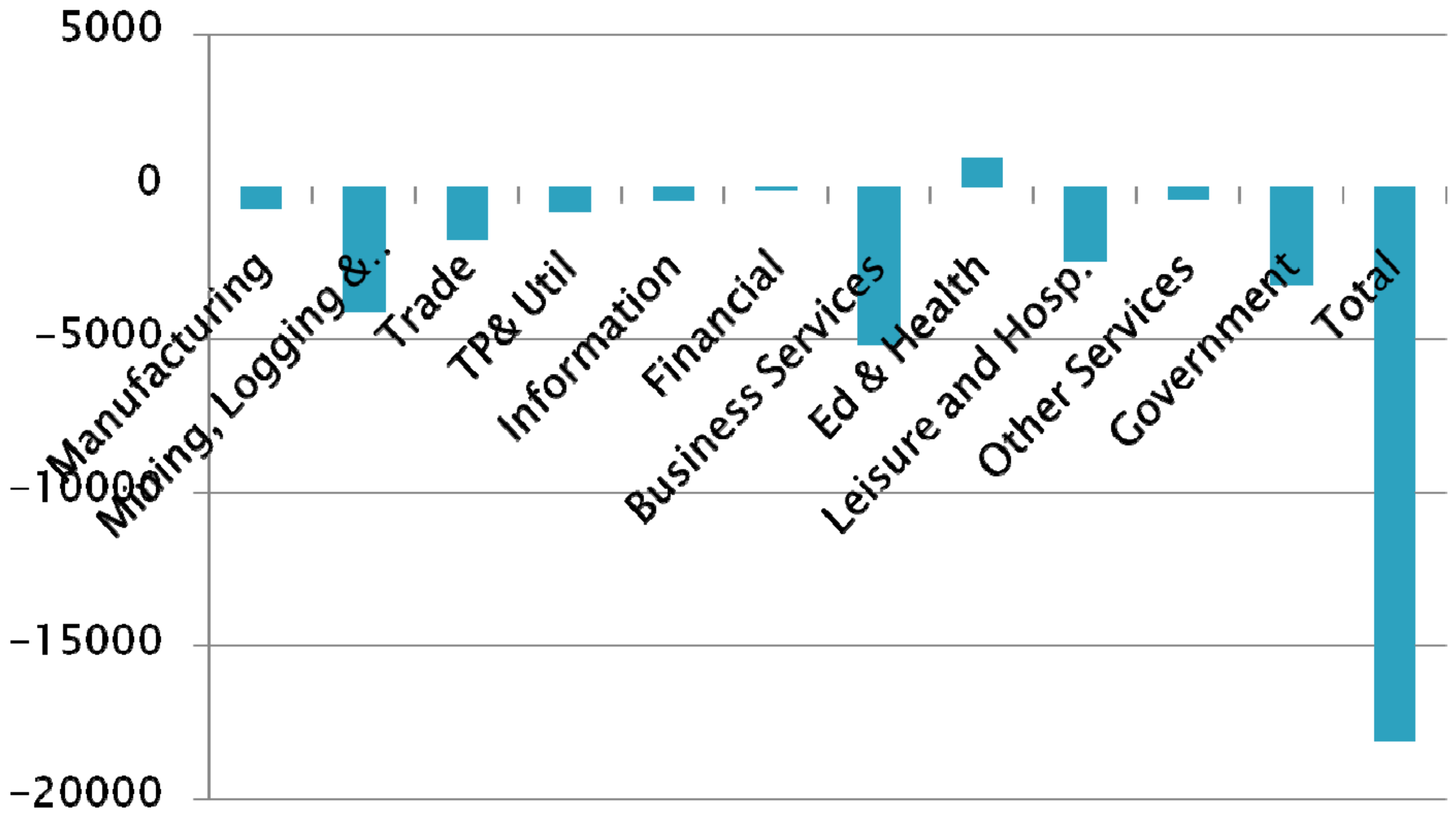
Around the Region

	2008 Un Rate	2009 Un Rate	Permits	FHFA Q4 PO	2009 Population Growth
Alaska	6.5%	8%	912 1.2%	-2.81%	1.5%
Hawaii	4	6.8	2,617 (-36.4%)	-2.69	.6
Idaho	4.9	8	5,292 (-18.2%)	-6.61	1.2
Montana	4.6	6.2	1,745 (-26.6%)	-2.6	.7
Oregon	6.5	11.1	7,686 (-34.2%)	-7.43	1.1
Utah	3.7	6.6	10,627 (-2.5%)	-7.65	2.1
Washington	5.4	8.9	16,754 (-42%)	-5.23	1.5
Wyoming	3.2	6.4	1,975 (-26%)	-5.99	2.1

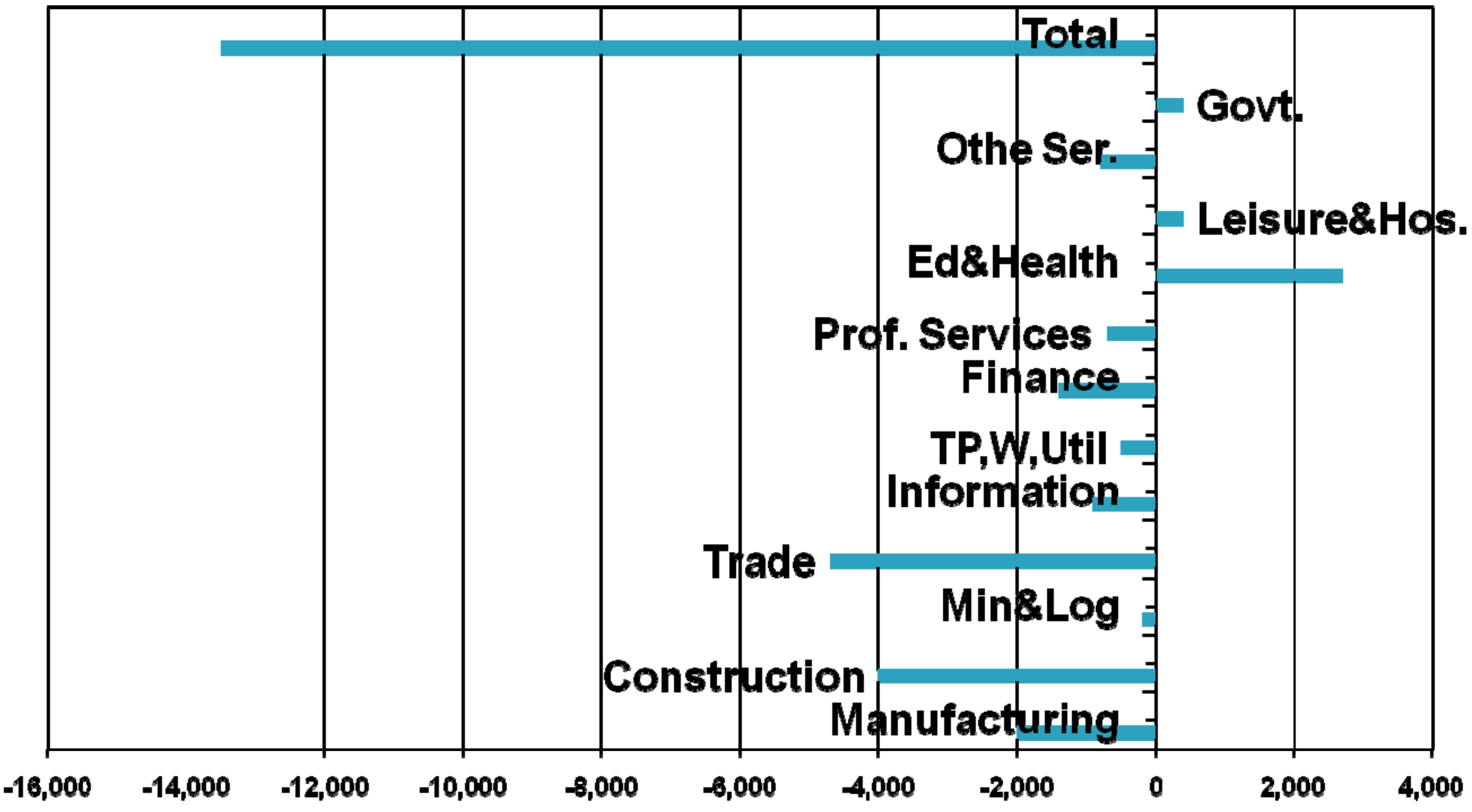
Alaska Job Change Year to January 2010 (1.4%) Dept. of Labor



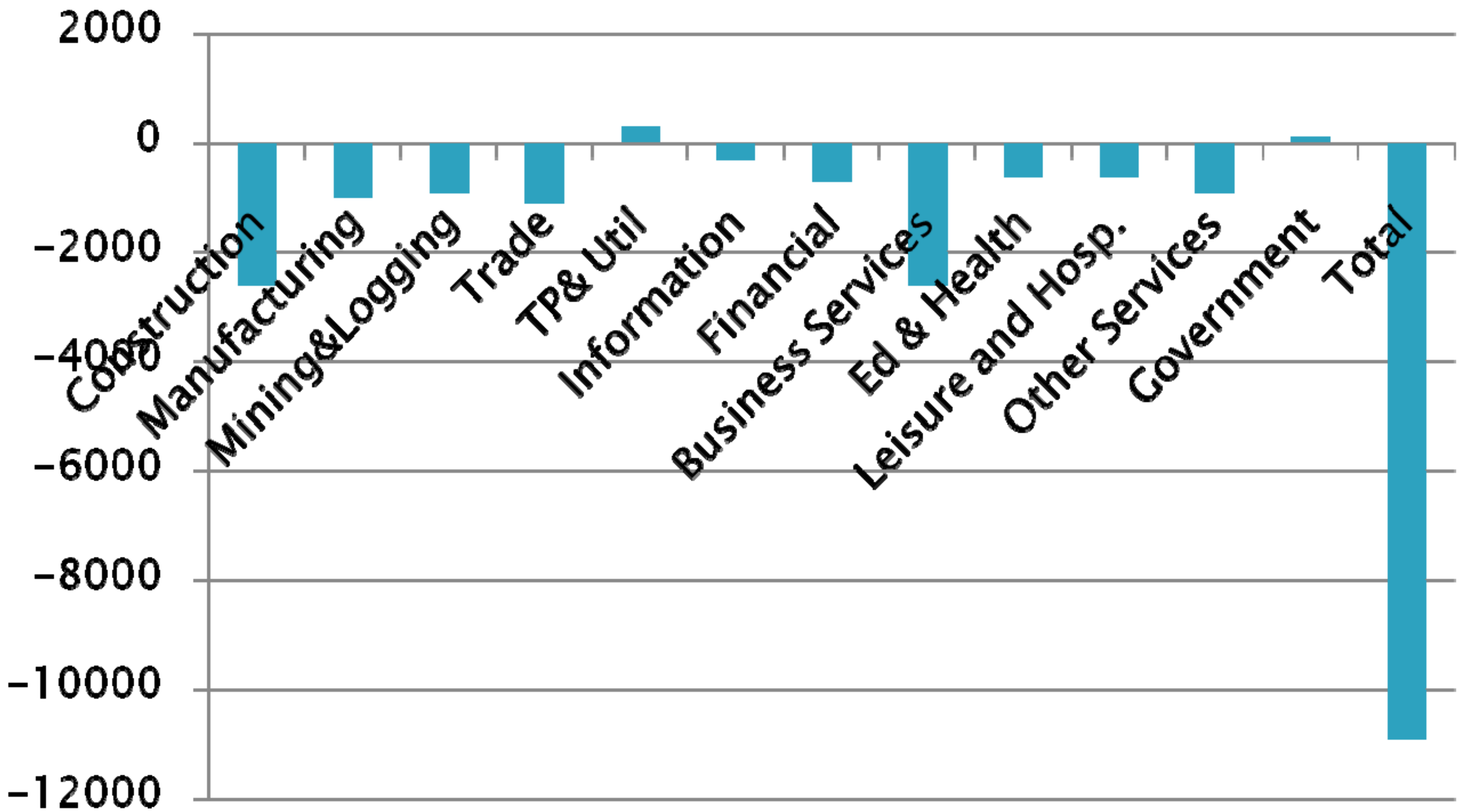
Hawaii Job Change Year to January 2010 (-3%) Dept. of Labor



Idaho Job Change Year to January 2010 (-2.2%) Dept. of Labor

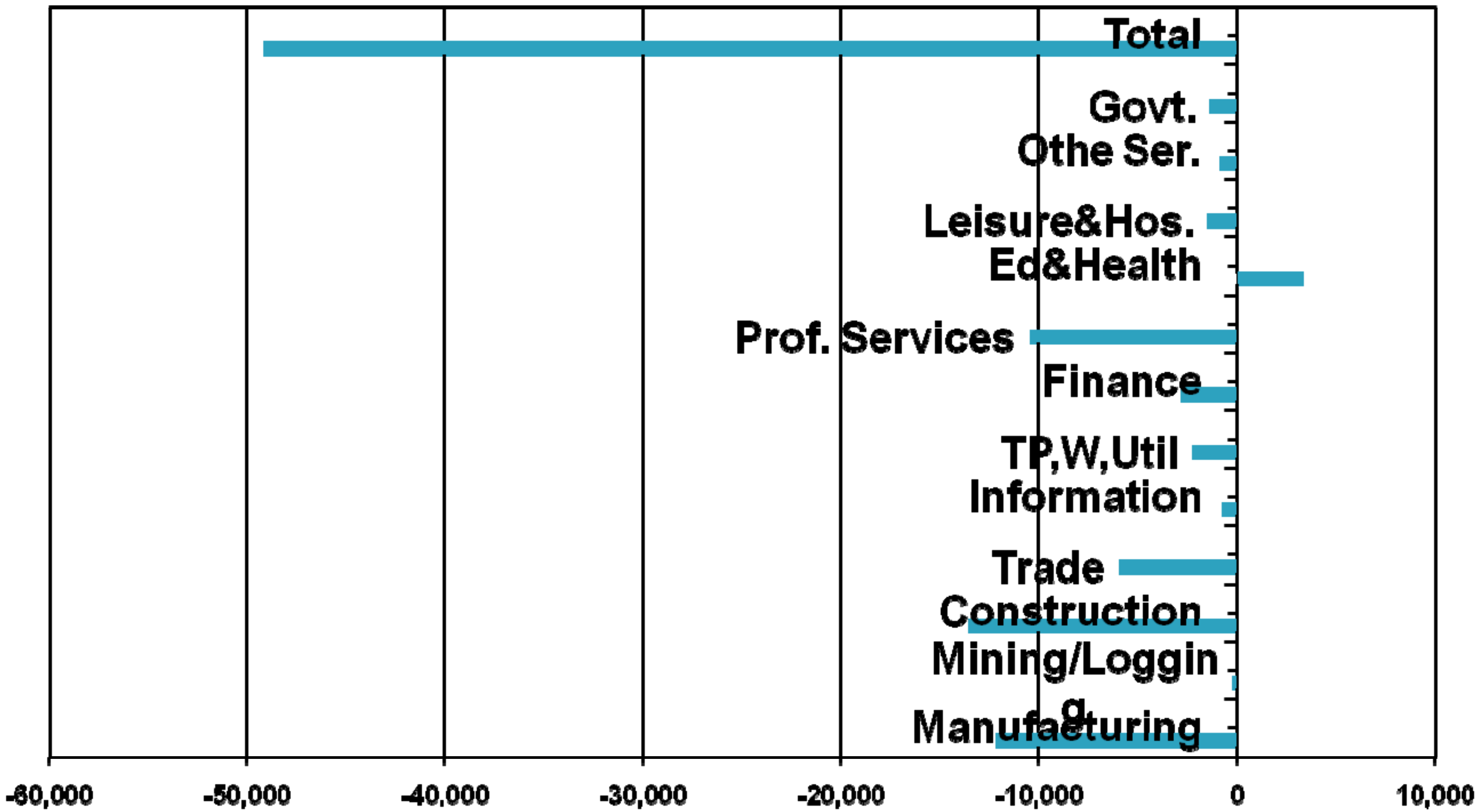


Montana Job Change Year to January 2010 (-2.6%) Dept. of Labor & Industry

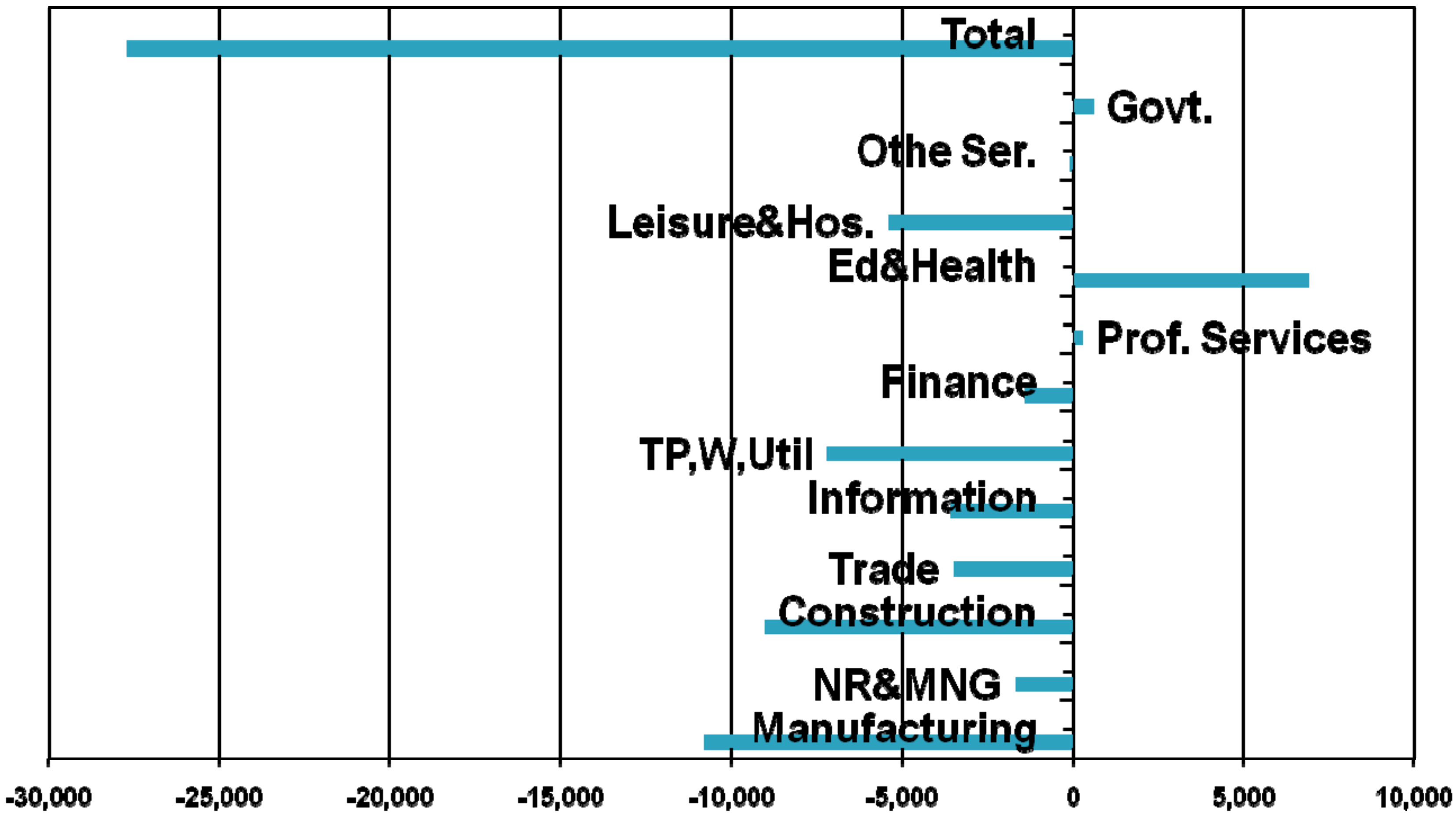


Oregon Wage and Salary Employment (,000 – SAAR) Employment Dept.

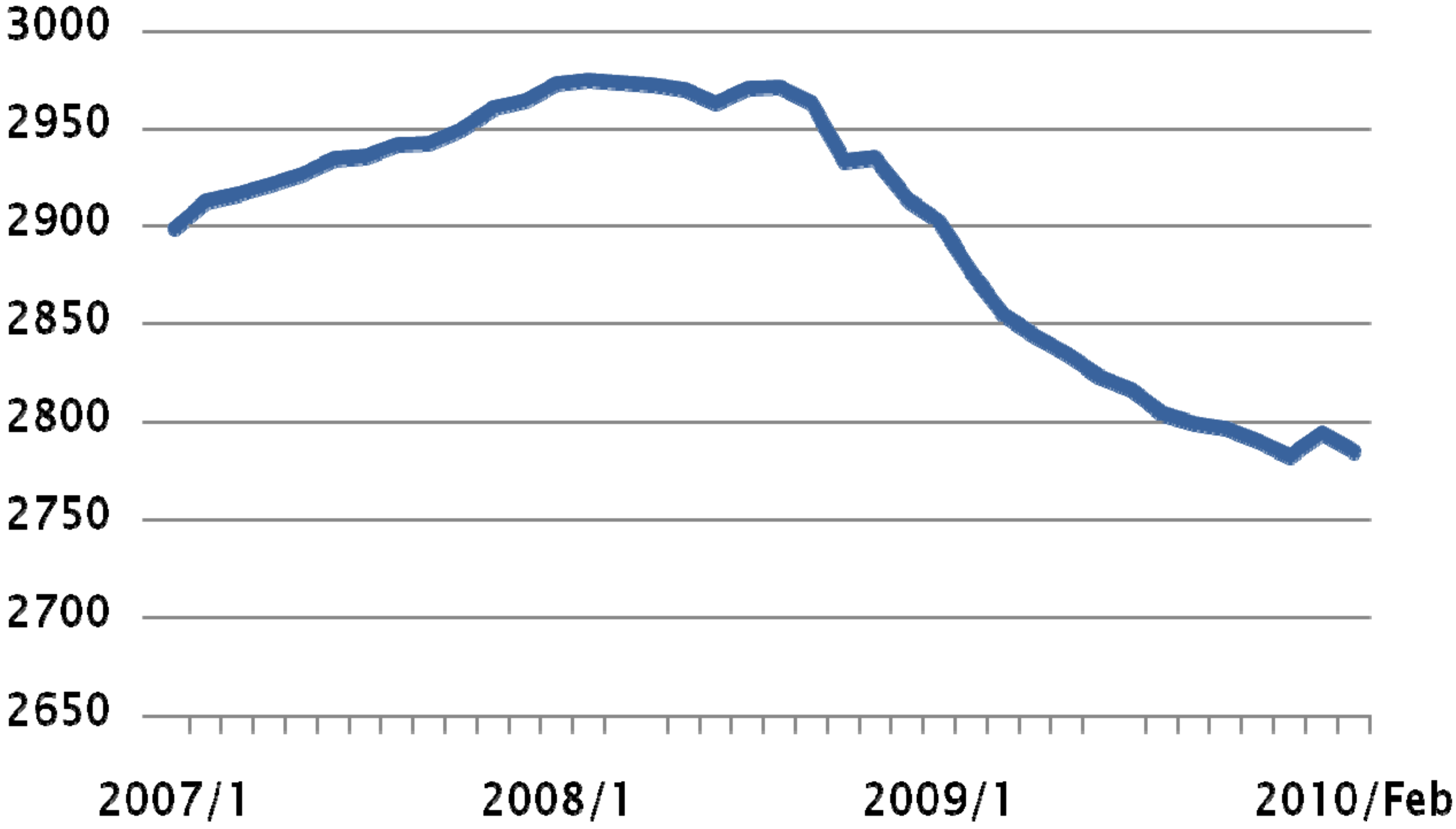
Oregon Job Change Year to February 2010 (-3%) Employment Dept.



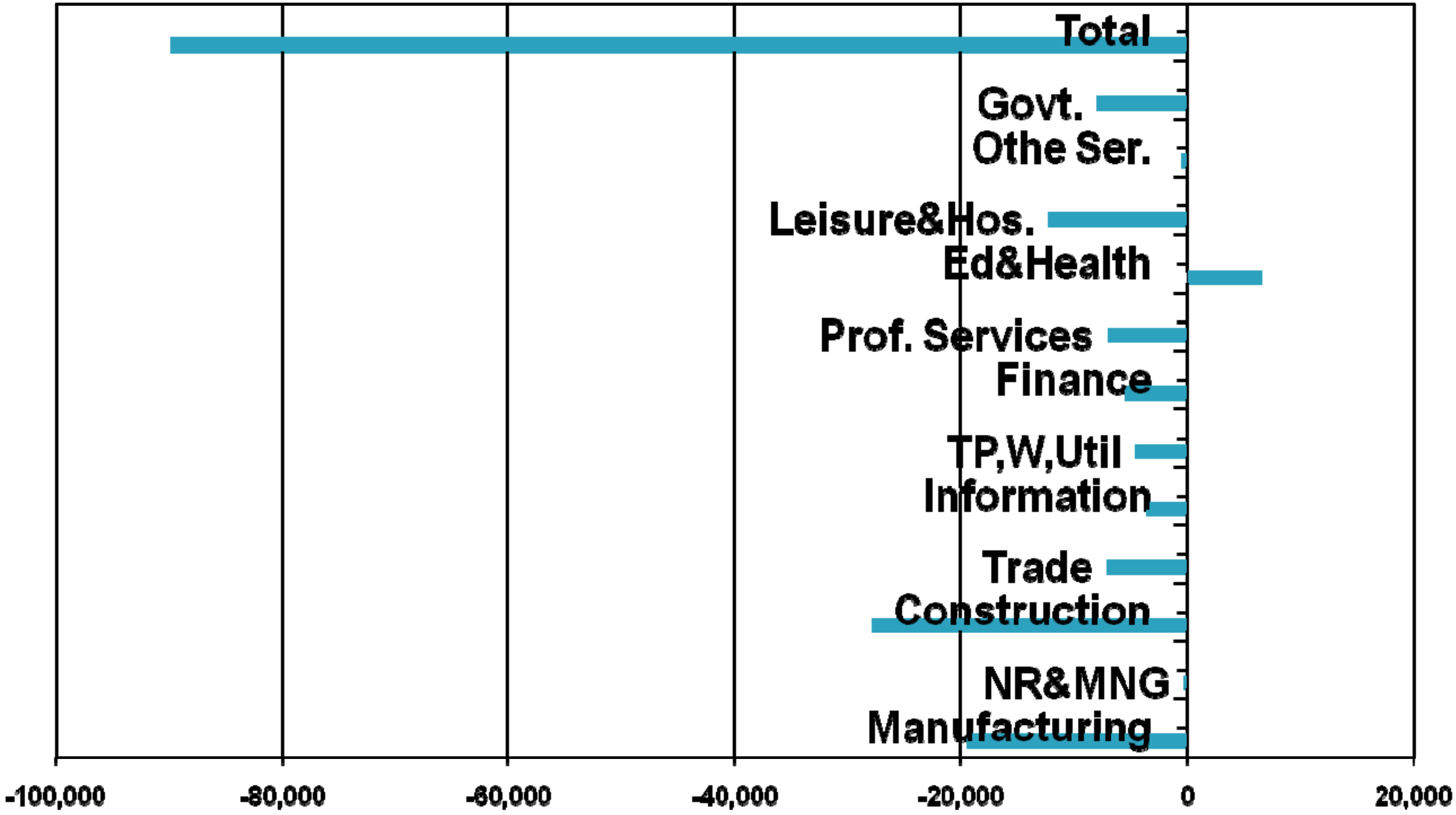
Utah Job Change Year to February 2010 (-2.3%) Workforce Services



Washington Employment 2007 – 2010 Employment Security



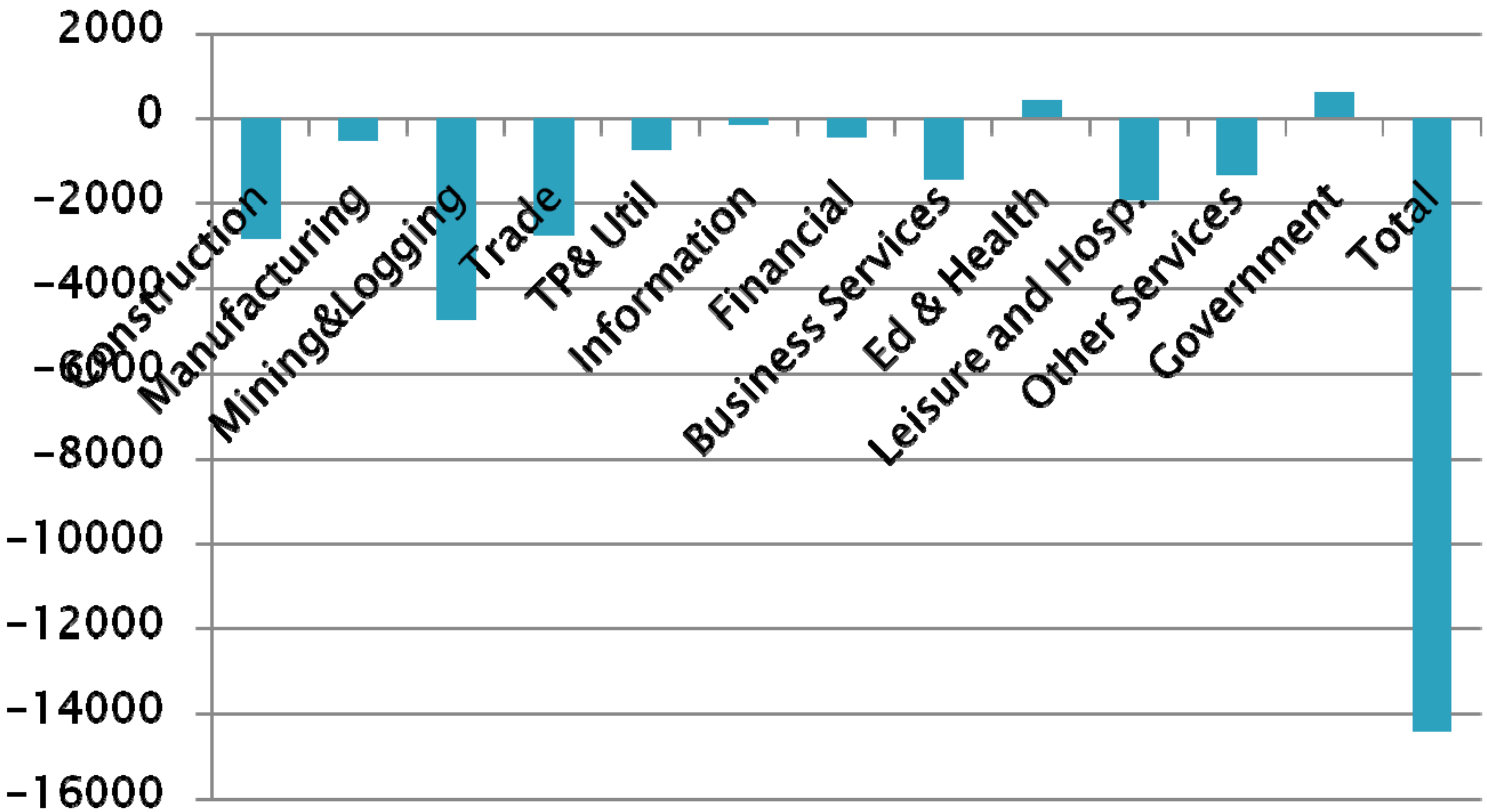
Washington Job Change Year to February 2010 (-3.2%) Employment Security



Washington Job Growth Year to February 2010

Metro	Job Change	Percentage
Bellingham	-2,600	-3.2
Bremerton	-2,600	-3.1
Clark	-4,200	-3.2
Kenn-Rich-Pasco	3,300	3.6
Olympia	-1,600	-1.6
Seattle-B-E	-57,900	-4.1
Spokane	-5,200	-2.5
Tacoma	-9,500	-3.5
Yakima	1,500	2

Wyoming Job Change Year to January 2010 (-5%) Employment Dept.

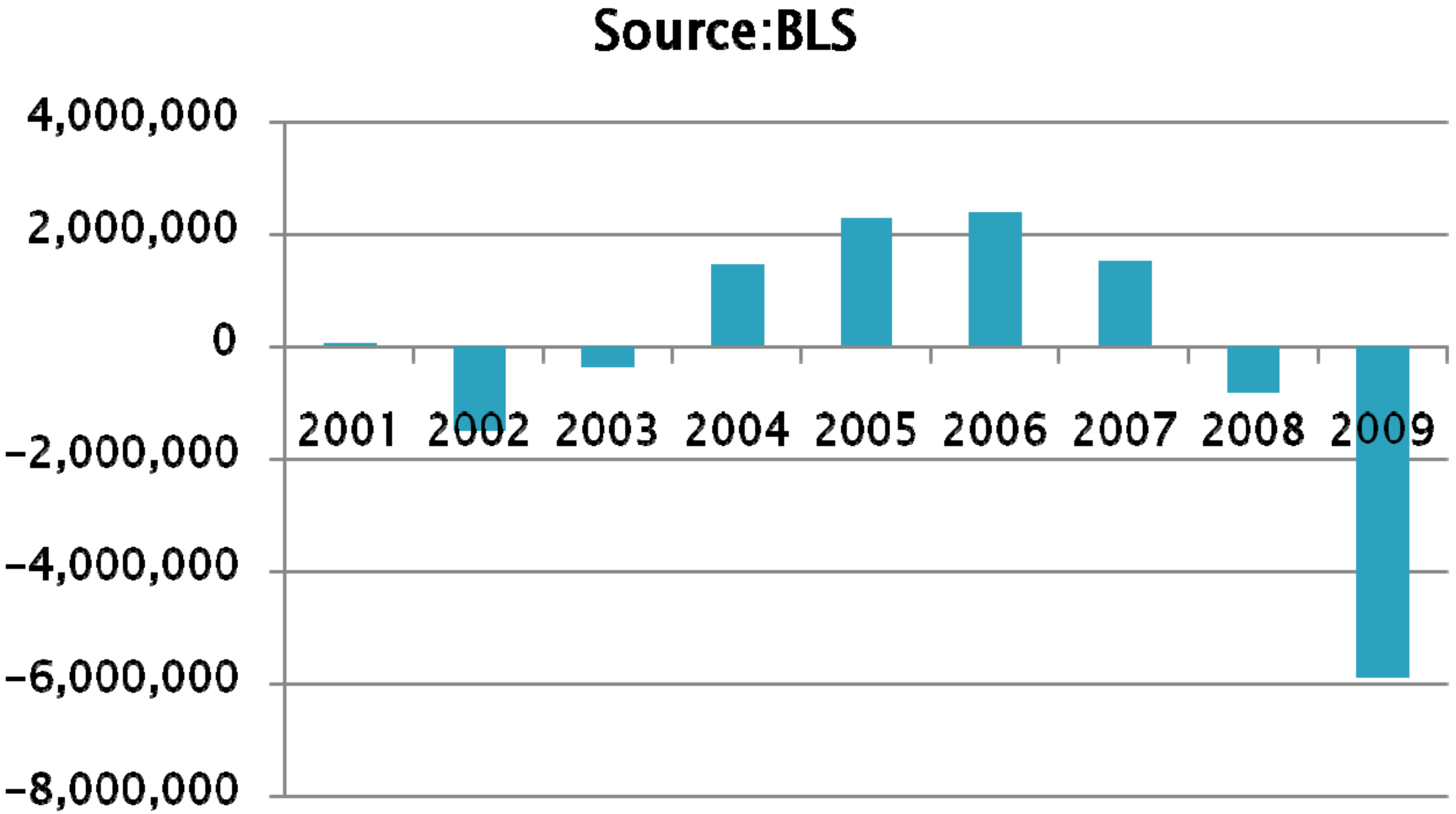


Peak to Current Employment Declines to January 2010

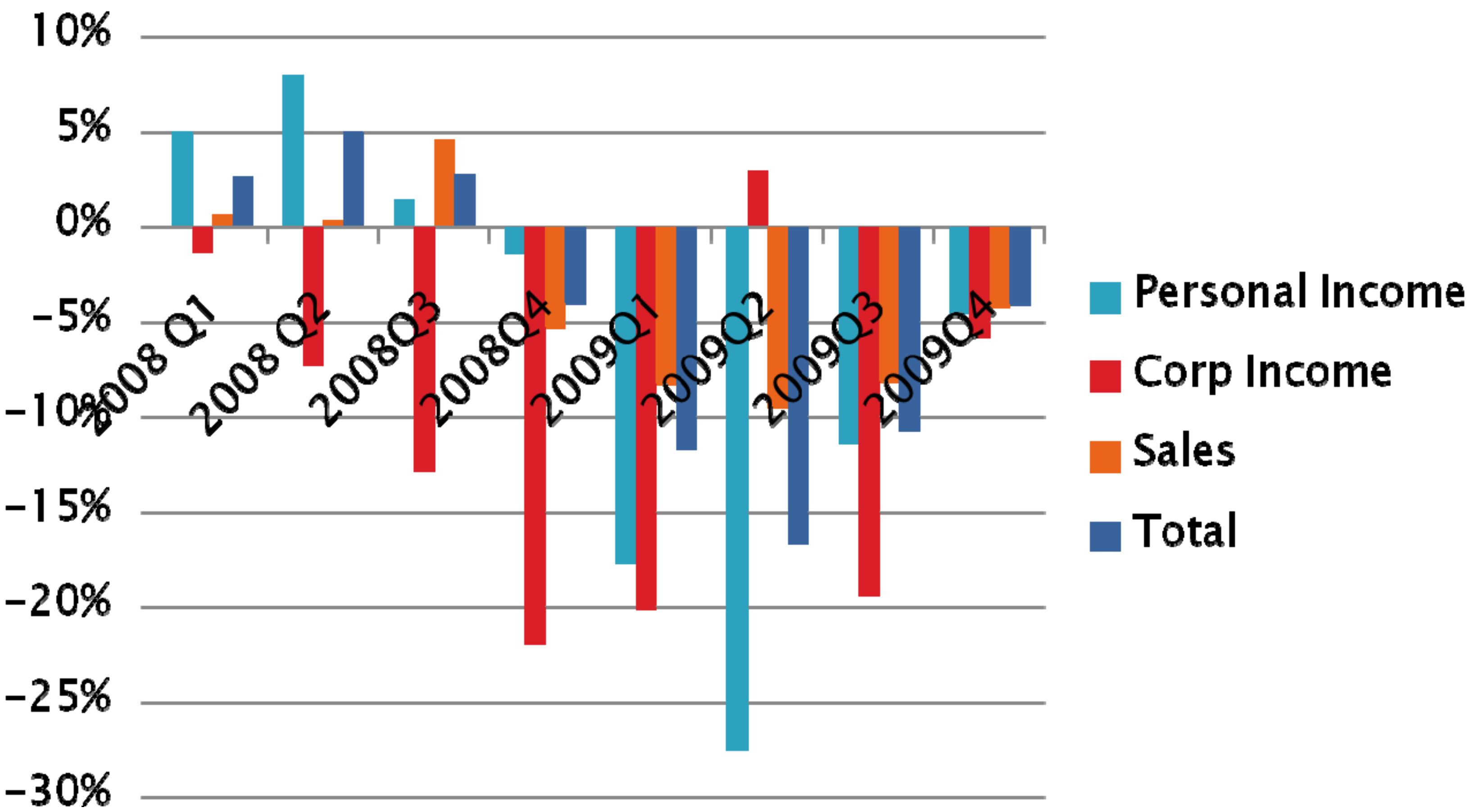
- Total -8,424,000 Since 12/07
- Construction 8/06 -2,100,000
- Manufacturing 8/04 -2,803,000
- Retail 12/07 -1,168,000
- Financial Activities 12/06 -709,000
- Professional & Business Services 12/07 -1,521,000
- Government 4/09 -155,000
- Education and Health Services No Decline

Source: BLS

Changes in Non-Ag Wage and Salary Employment Annual Average



Quarterly State Tax Revenue Year over Year – Census Bureau, Rockefeller Institute



The Fallout and Legacies

- Larger Federal Government
- Consumer Behavior Alteration ?
- Lingering Income Declines
- “Every time someone’s laid off now, they need to start over. They do not even know what industry they will be in next.” Gary Burtless, Brookings
- Long Term Fiscal Imbalance Mixed with Short Term Cyclical Weakness

Questions?