

PUGET SOUND ECONOMIC OUTLOOK

Dick Conway

The Puget Sound Economic Forecaster

Conway Pedersen Economics, Inc.

www.economicforecaster.com

Puget Sound Prediction Errors, 2009¹

Percent Change

	Prediction (12/08)	Actual	Error	1994-09 Error
Employment	-0.8	-4.0	3.2	0.9
Personal income ²	3.3	-1.8	5.1	1.7
Consumer price index	1.4	0.8	0.6	0.8
Housing permits	-17.8	-50.6	32.8	8.9
Population	1.5	1.1	0.4	0.3

¹Based on preliminary estimates for 2009.

²Excludes Microsoft stock option income and dividend payment.

Puget Sound Recessions

		Employment Change (percent)	Peak Unemployment (percent)
Boeing Bust	1969.3-71.3	-12.4	12.2
Fed Slam	1981.3-83.1	-3.0	11.1
Dot-Com/911	2001.1-03.2	-4.8	7.0
Great Recession	2008.2-10.1	-5.8	9.6

Puget Sound Employment Prediction Error

Based on December 2005 Forecast

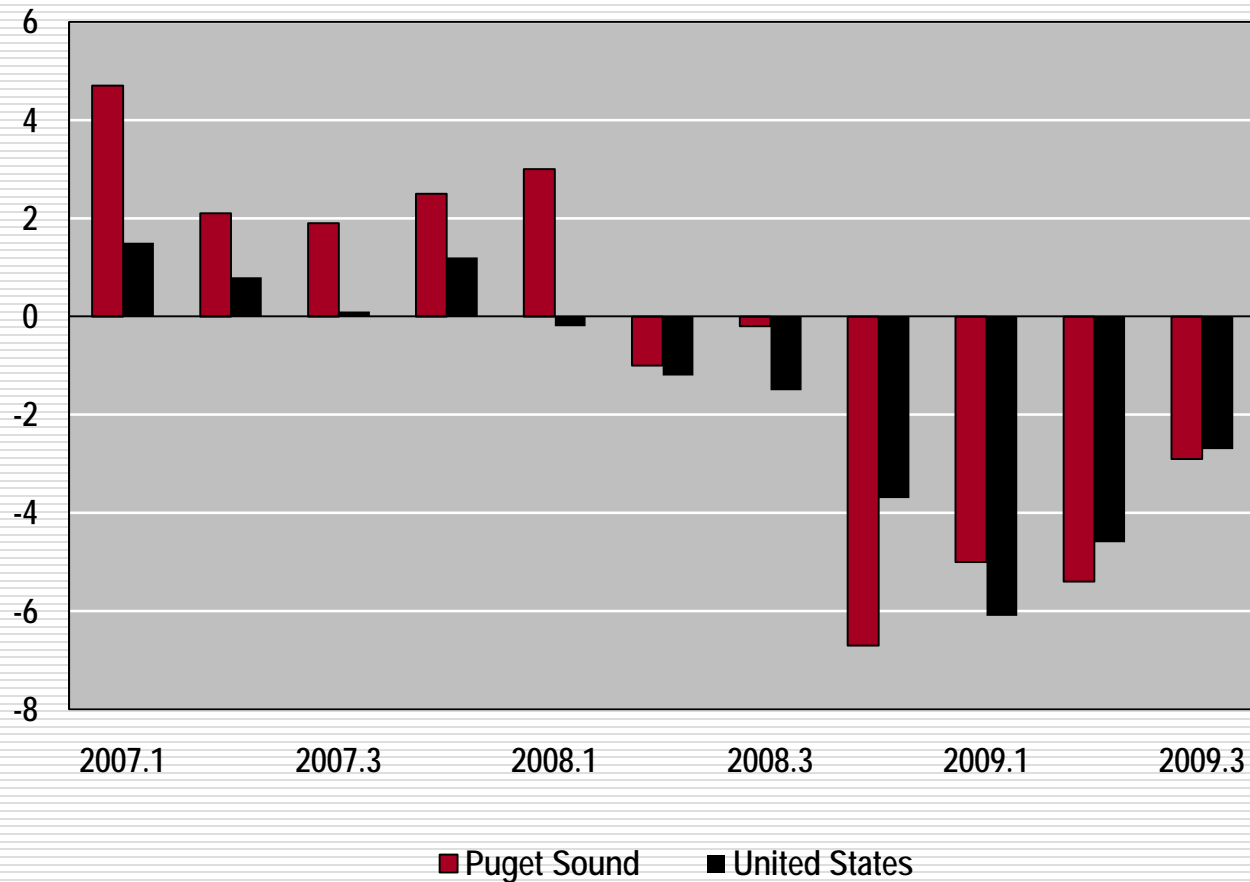
Percent

	2006	2007	2008	2009
Actual change	3.2	2.9	0.9	-4.0
Predicted change	2.7	2.4	2.3	1.8
Prediction error	-0.5	-0.5	1.4	5.8
Accumulated error	-0.5	-1.0	0.4	6.2
Ex ante predicted change	3.9	2.4	-0.4	-3.5
Prediction error	0.7	-0.5	-1.3	0.5
Accumulated error	0.7	0.2	-1.1	-0.6

Signs of U.S. Recovery

- **ECRI Leading Index—”strong recovery”**
- **Stock market—60 percent rebound since March**
- **LIBOR—credit markets returning to normal**
- **Home prices—stable in most regions**
- **Real GDP—3.5 percent growth rate in 2009.3**

Puget Sound and U.S. Employment Annual Percent Change



Puget Sound Employment Change

January 2008-October 2009

Thousands

	Change	Percent Change	U.S. Percent Change
Employment	-115.6	-6.2	-5.1
Construction	-36.3	-27.5	-19.4
Manufacturing	-21.9	-11.4	-14.9
Information	-0.1	-0.1	-6.2
Financial activities	-10.5	-9.8	-6.7
Professional and business services	-24.7	-9.8	-7.9
Other industries	-26.5	-3.3	-2.3
Government	4.4	1.5	0.7

Signs of Puget Sound Recovery

- **Trailing nation—somewhat weaker signals**
- **Employment growth—slowing rate of decline**
- **Manufacturing—upturn in foreign demand**
- **Home prices—bottoming out at \$350,000**
- **Puget Sound Leading Index—pointed up in 2009.3**

Puget Sound Leading Index and Employment



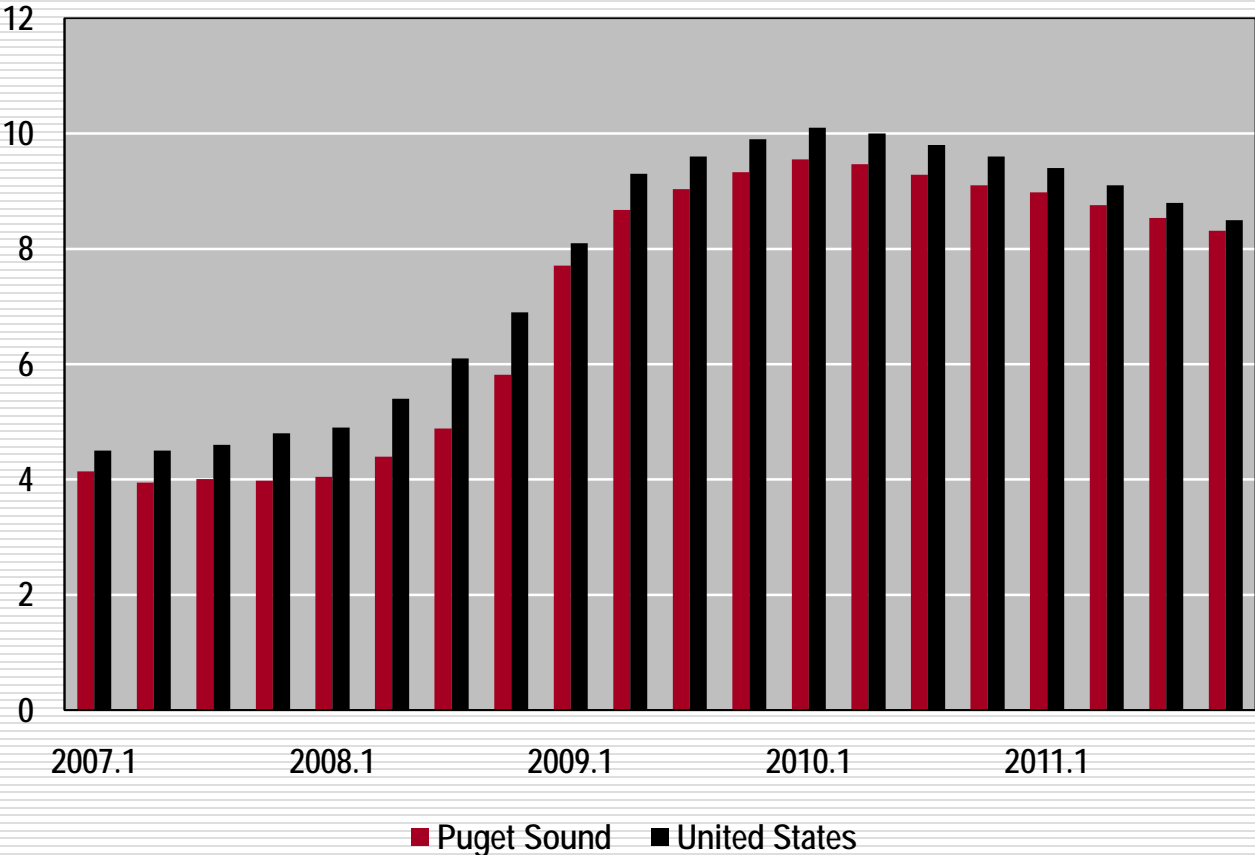
Note: Shaded areas designate recessions.

Puget Sound Economic Forecast

Percent Change

	2008	2009	2010	2011
Employment	0.9	-4.0	-0.8	1.8
Personal income	3.7	-1.8	3.3	4.6
Consumer price index	4.3	0.8	1.8	1.8
Housing permits	-42.8	-50.6	34.1	35.9
Population	1.4	1.1	0.7	0.7

Puget Sound and U.S. Unemployment Rate Percent



The Dismal Decade and Beyond

	1990-00	2000-10	2010-20
UNITED STATES			
Employment change (mils.)	22.3	-0.6	19.3
Employment growth (%/yr.)	1.9	-0.1	1.4
Real GDP growth (%/yr.)	3.4	1.7	2.8
Real income growth (%/yr.)	3.5	1.5	2.8
PUGET SOUND REGION			
Employment change (thous.)	353.9	35.1	348.2
Employment growth (%/yr.)	2.3	0.2	1.8
Real income growth (%/yr.)	4.7	1.9	3.0