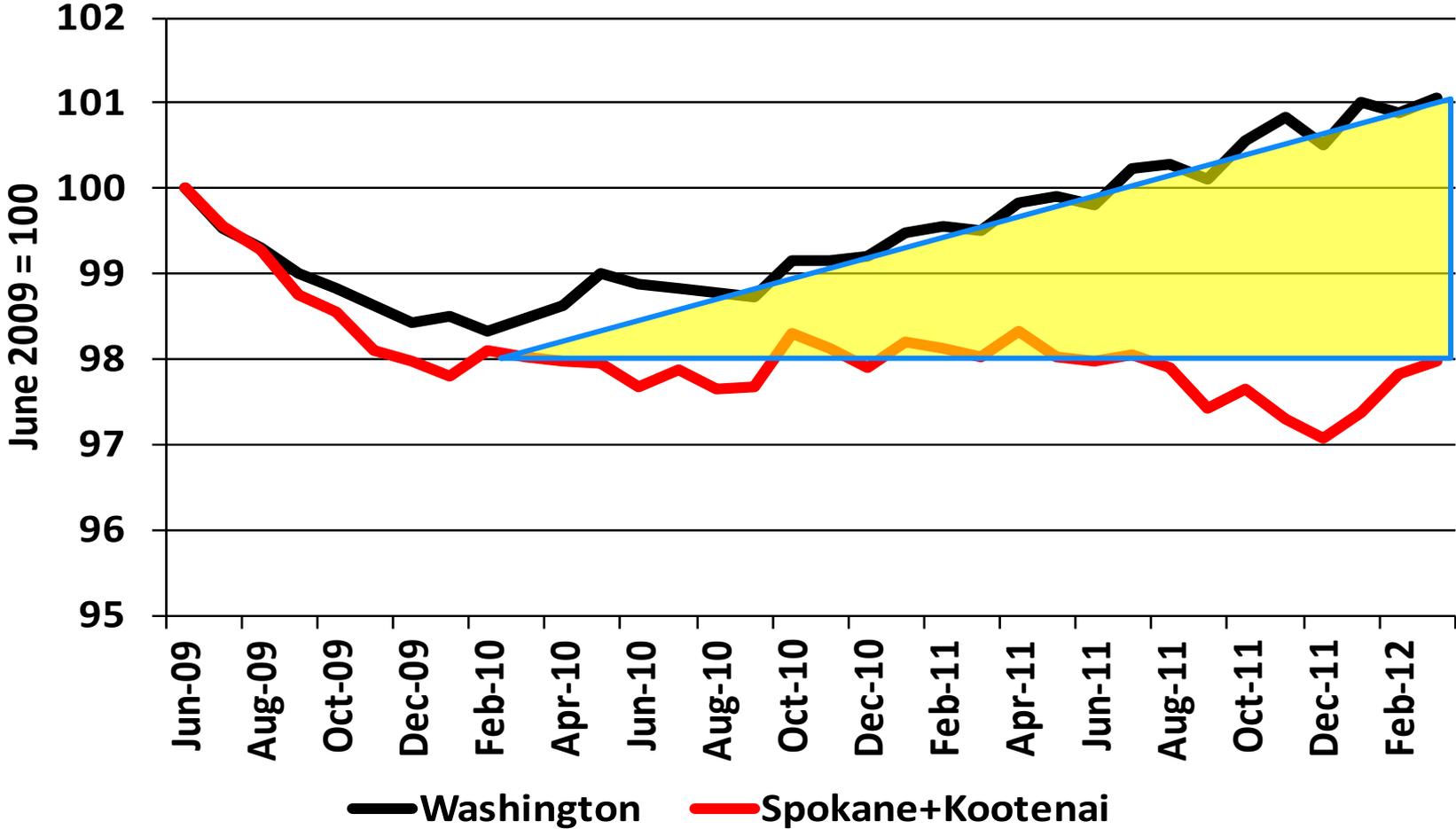


Regional Prospects for the Long Run: The Turtle or the Hare?

Grant D. Forsyth, Ph.D.
Senior Economist and Forecaster
Grant.Forsyth@avistacorp.com

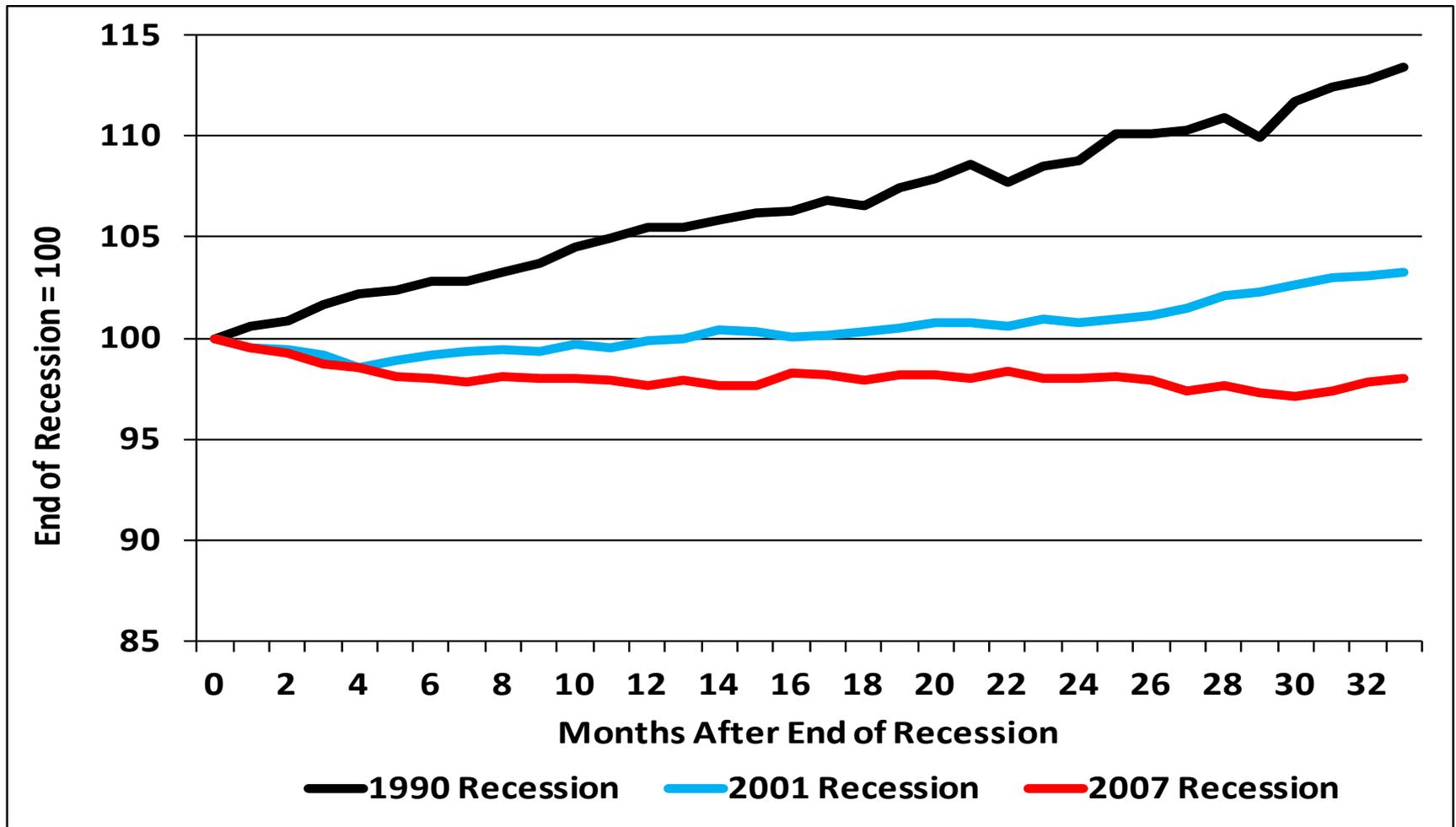


Regional Employment Since June 2009: Where's the Beef in the Inland Northwest?



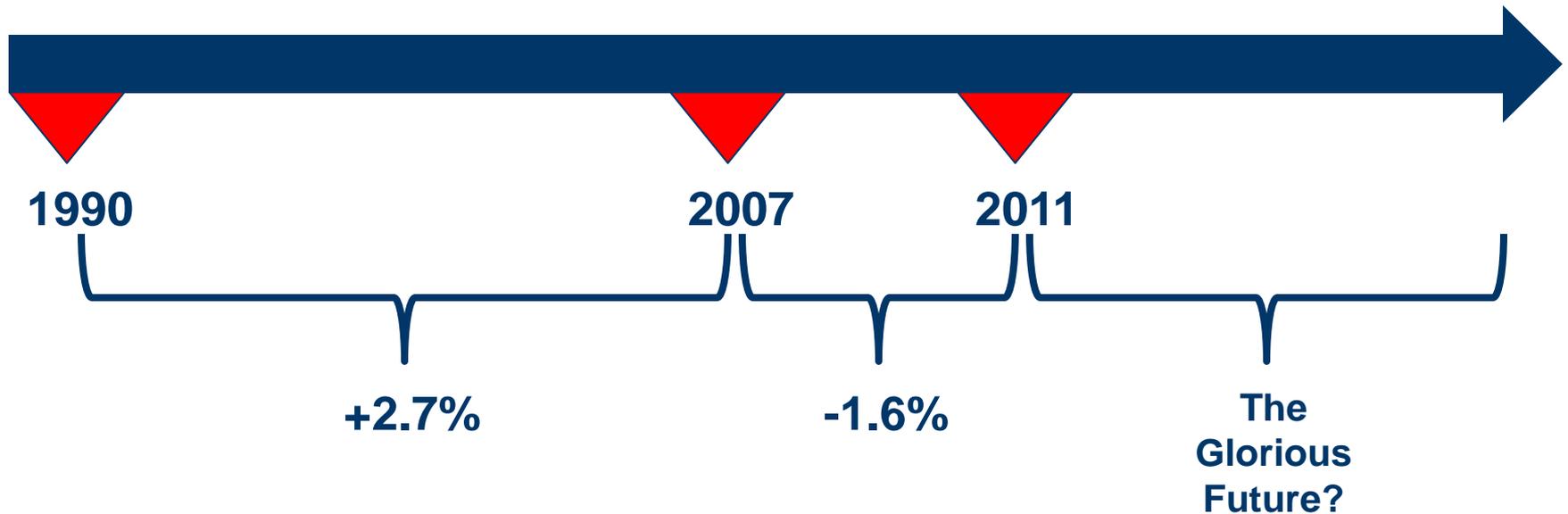
Source: BLS and author's calculations.

Employment Recovery Following End of 1991, 2001, and 2007 Recessions (Month = 0): Getting Weaker?



Source: BLS and author's calculations.

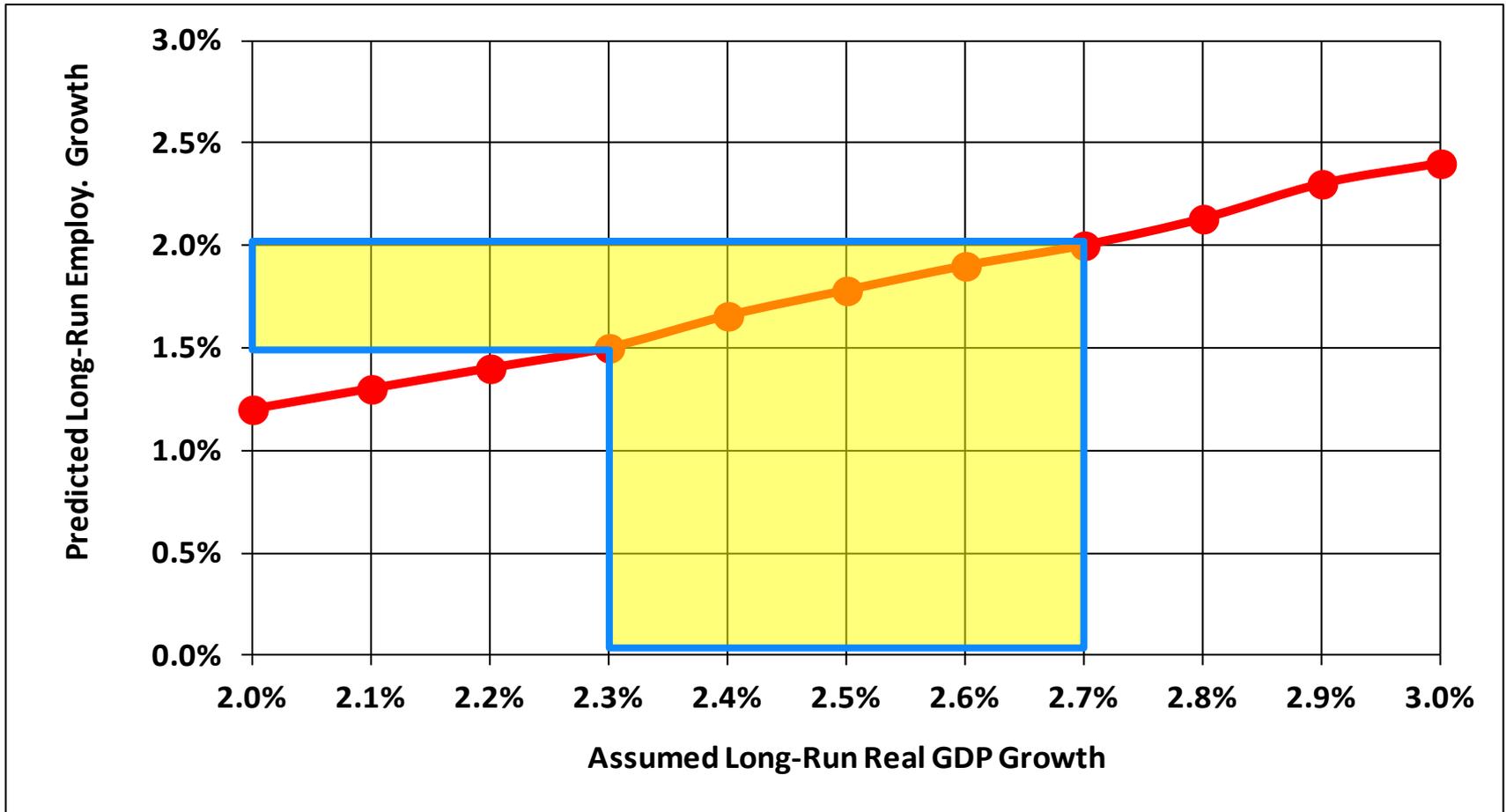
Old vs. New Long-Run: Annualized Employment Growth in Spokane+Kootenai



Source: BLS and author's calculations.

Predicted Spokane+Kootenai Employment Growth for Various Long-run Levels of Real GDP Growth

$$\text{Employment Growth} = f(\text{U.S. Real GDP Growth})$$



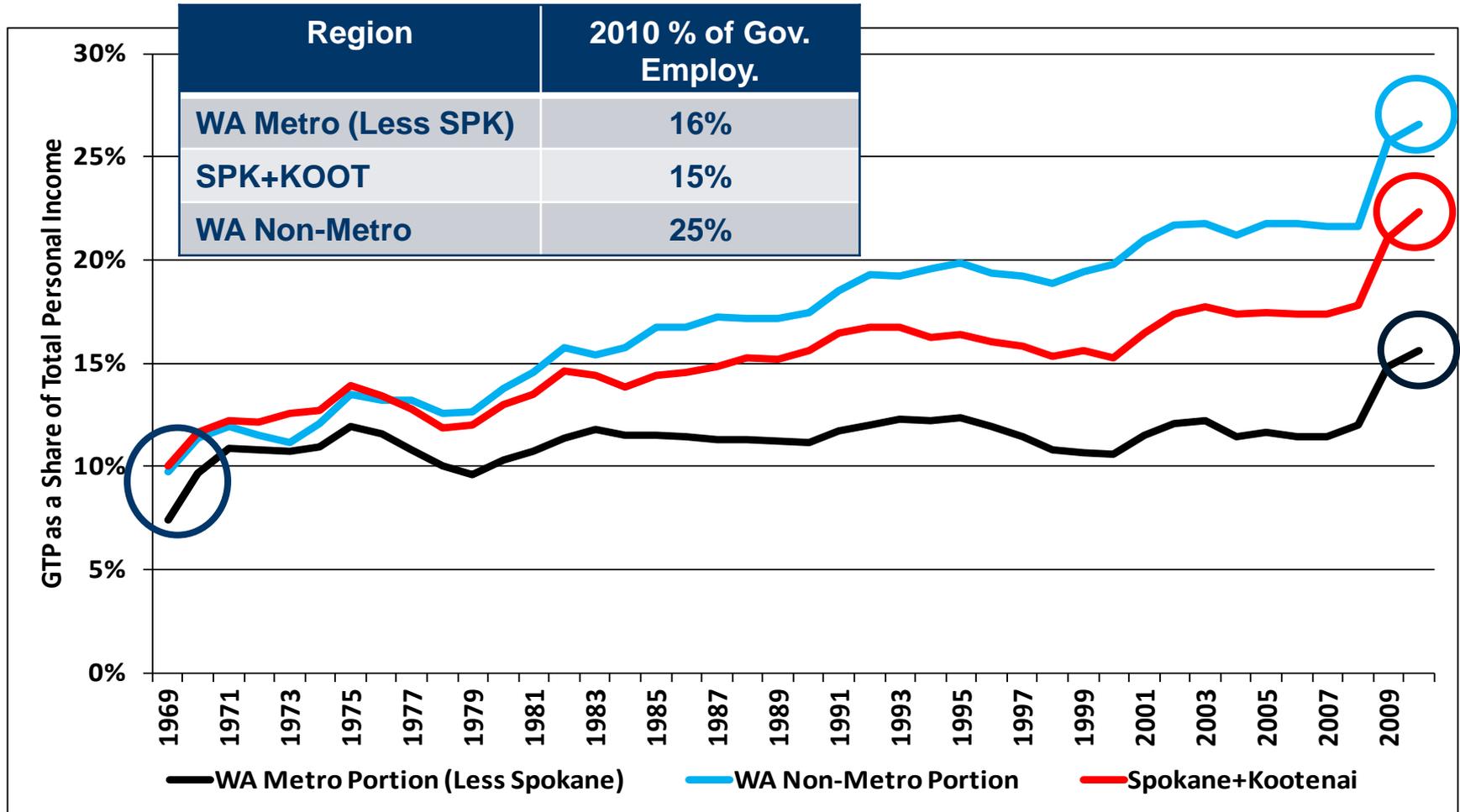


U.S. Contributions To Growth by Sector

(Percentage Points)

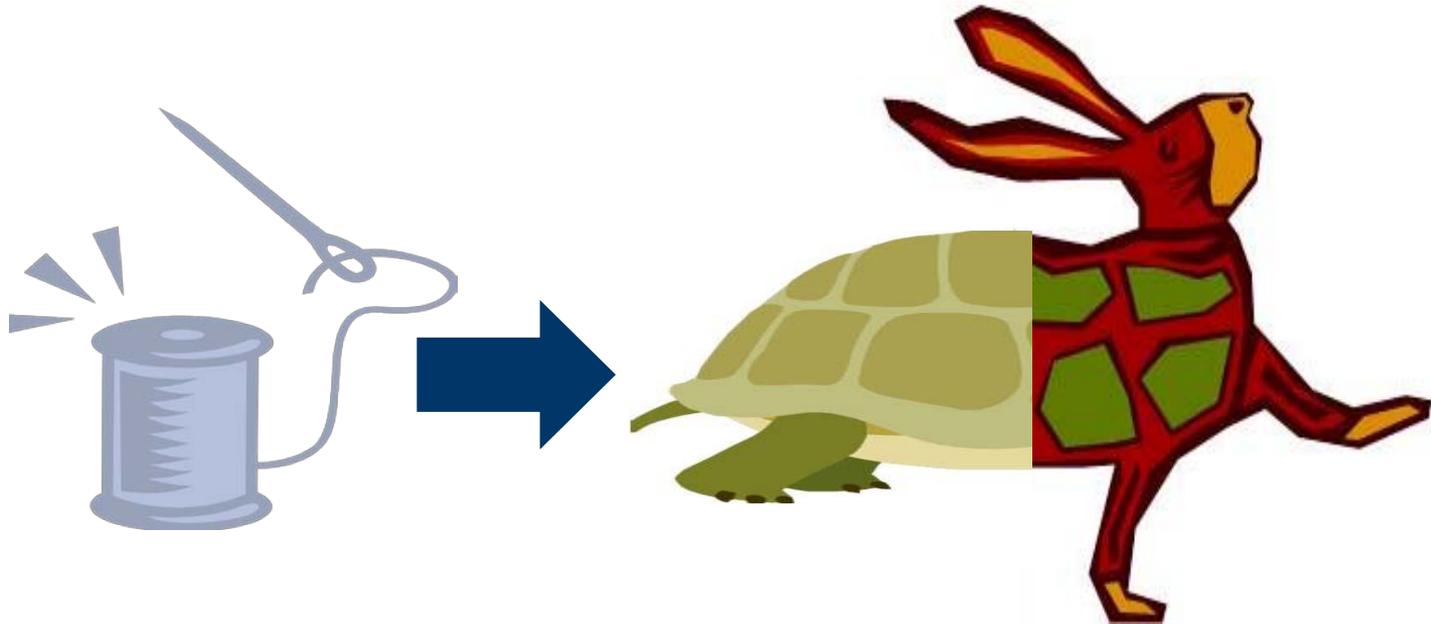
| | 2011 | 2012 | 2013 | 2014 |
|-------------------------------------|------|------|------|------|
| Real GDP | 1.7 | 2.2 | 2.4 | 3.4 |
| Consumption | 1.5 | 1.6 | 1.5 | 1.7 |
| Residential Fixed Investment | 0.0 | 0.2 | 0.4 | 0.7 |
| Business Fixed Investment | 0.8 | 0.6 | 0.7 | 0.9 |
| Inventories | -0.2 | 0.3 | -0.2 | -0.1 |
| Government | -0.4 | -0.4 | -0.3 | -0.2 |
| Federal | -0.2 | -0.2 | -0.2 | -0.2 |
| State and Local | -0.3 | -0.2 | -0.1 | 0.0 |
| Net Exports | 0.1 | -0.1 | 0.2 | 0.4 |
| Exports | 0.9 | 0.6 | 1.0 | 1.1 |
| Imports | -0.8 | -0.7 | -0.7 | -0.7 |

The Potential Drag of Fiscal Consolidation: Government Transfer Payments to Total Personal Income, 1969-2010



Source: BEA and author's calculations.

What Does It All Mean? The “Haretle” Economy



- Regional long-run employment growth will be lower than pre-Great Recession levels. This reflects lower long-run output growth. A good year will be +2%
- Future recoveries from recessions will continue to be slow relative to the past.
- Regional population growth will depend on the strength of regional employment growth relative to U.S. employment growth. Growth in the +1.1% to +1.3% range.