

Economic Forecast – Puget Sound



Hebert Research

February 16 2012

Position Number 1

- The U.S. economy grew about 1.2% in 2011
- China's economy grew 9.1%...
- Beijing has almost no debt...
- US is \$145 trillion in debt and obligations.
- China has \$3.2 trillion in cash...
- US has limited cash on hand and has to borrow nearly half of every dollar it spends.

Position Number 1

- China's total tax revenues are up nearly 30% from a year ago.
- While the number of Americans living in poverty recently soared more than 45%, with more than 46 million Americans now living below the poverty line.
- Securities valued at more than \$6 trillion trade on Chinese exchange every day.
- China is already the world's #1 mine operator.. car maker.. Manufacturer... and exporter.

Position Number 1

- China's Military has...
 - 2.2 million active duty military personnel
 - 7,000 battle tanks and 8,000 artillery pieces...
1,680 fighter jets and 620 bombers... 25
destroyers...three brand-new, state-of-the-art
aircraft carriers ... and nuclear attack
submarines.

Trade, exchange rates, budget balances and interest rates

	Trade balance* latest 12 months, \$bn	Current-account balance		Currency units, per \$		Budget balance % of GDP 2011 [†]	Interest rates, %	
		latest 12 months, \$bn	% of GDP 2011 [†]	Feb 8th	year ago		3-month latest	10-year gov't bonds, latest
United States	-730.7 Nov	-466.8 Q3	-3.1	—	—	-8.7	0.15	1.84
China	+157.9 Dec	+259.3 Q3 [§]	+2.9	6.29	6.83	-1.8	5.36	3.60
Japan	-20.5 Dec	+130.8 Nov	+2.2	76.9	89.4	-8.6	0.15	0.96
Britain	-162.7 Nov	-70.6 Q3	-1.9	0.63	0.64	-8.6	1.10	2.11
Canada	+0.2 Nov	-49.7 Q3	-2.9	1.00	1.07	-4.1	0.88	2.01

Output, Prices and Jobs

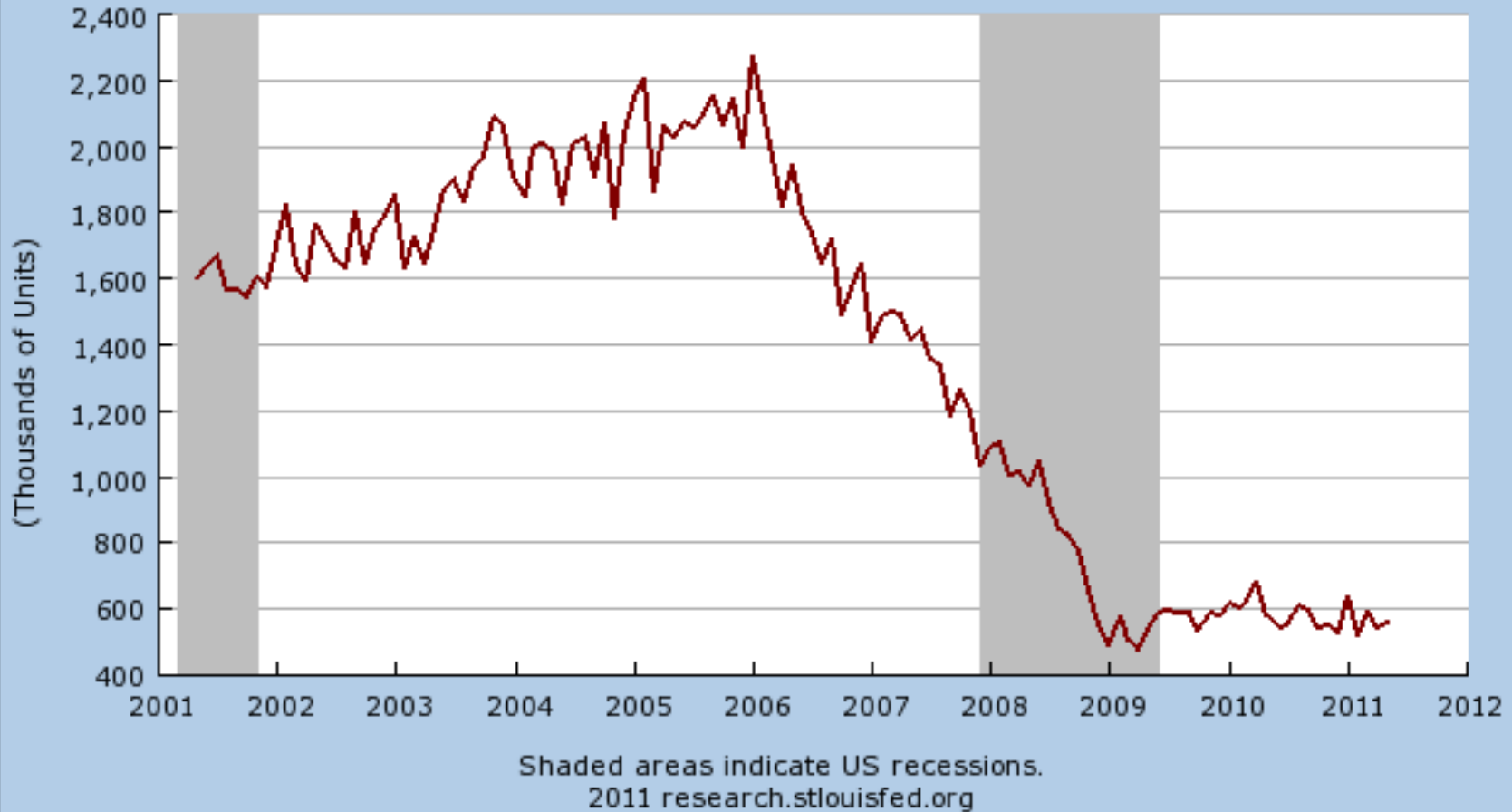
Output, prices and jobs

% change on year ago

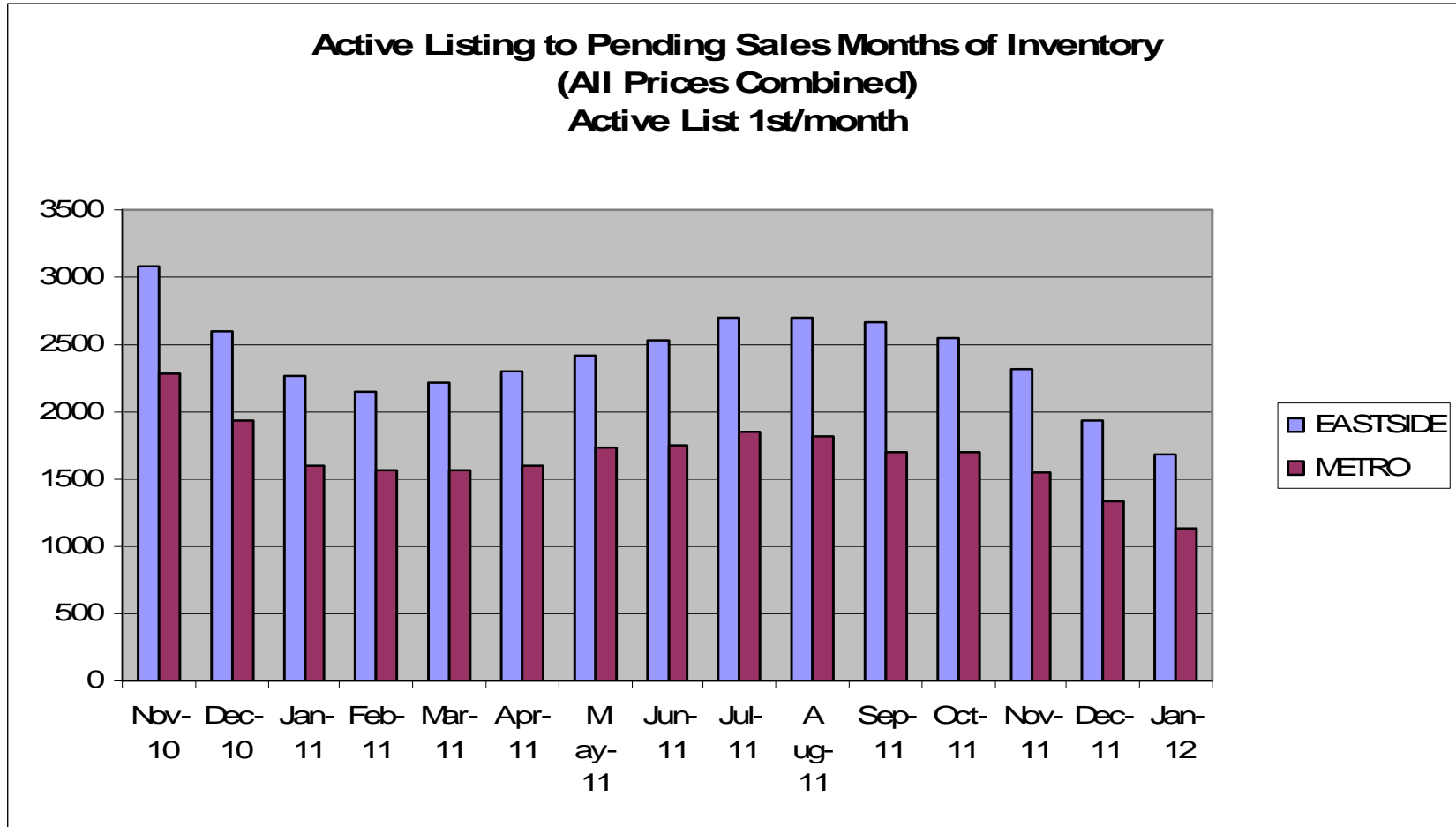
	Gross domestic product				Industrial production latest	Consumer prices			Unemployment rate [†] , %
	latest	qtr* [†]	2011 [†]	2012 [†]		latest	year ago	2011 [†]	
United States	+1.6 Q4	+2.8	+1.7	+2.0	+2.9 Dec	+3.0 Dec	+1.5	+3.1	8.3 Jan
China	+8.9 Q4	+8.2	+9.2	+8.1	+12.8 Dec	+4.5 Jan	+4.9	+5.6	6.1 2010
Japan	-0.7 Q3	+5.6	-0.7	+1.6	-4.1 Dec	-0.2 Dec	-0.4	-0.4	4.6 Dec
Britain	+0.8 Q4	-0.8	+0.9	+0.2	-3.1 Nov	+4.2 Dec [§]	+3.7	+4.5	8.4 Nov ^{††}
Canada	+2.4 Q3	+3.5	+2.3	+2.0	+2.8 Nov	+2.3 Dec	+2.4	+2.9	7.6 Jan

U.S. Housing Starts

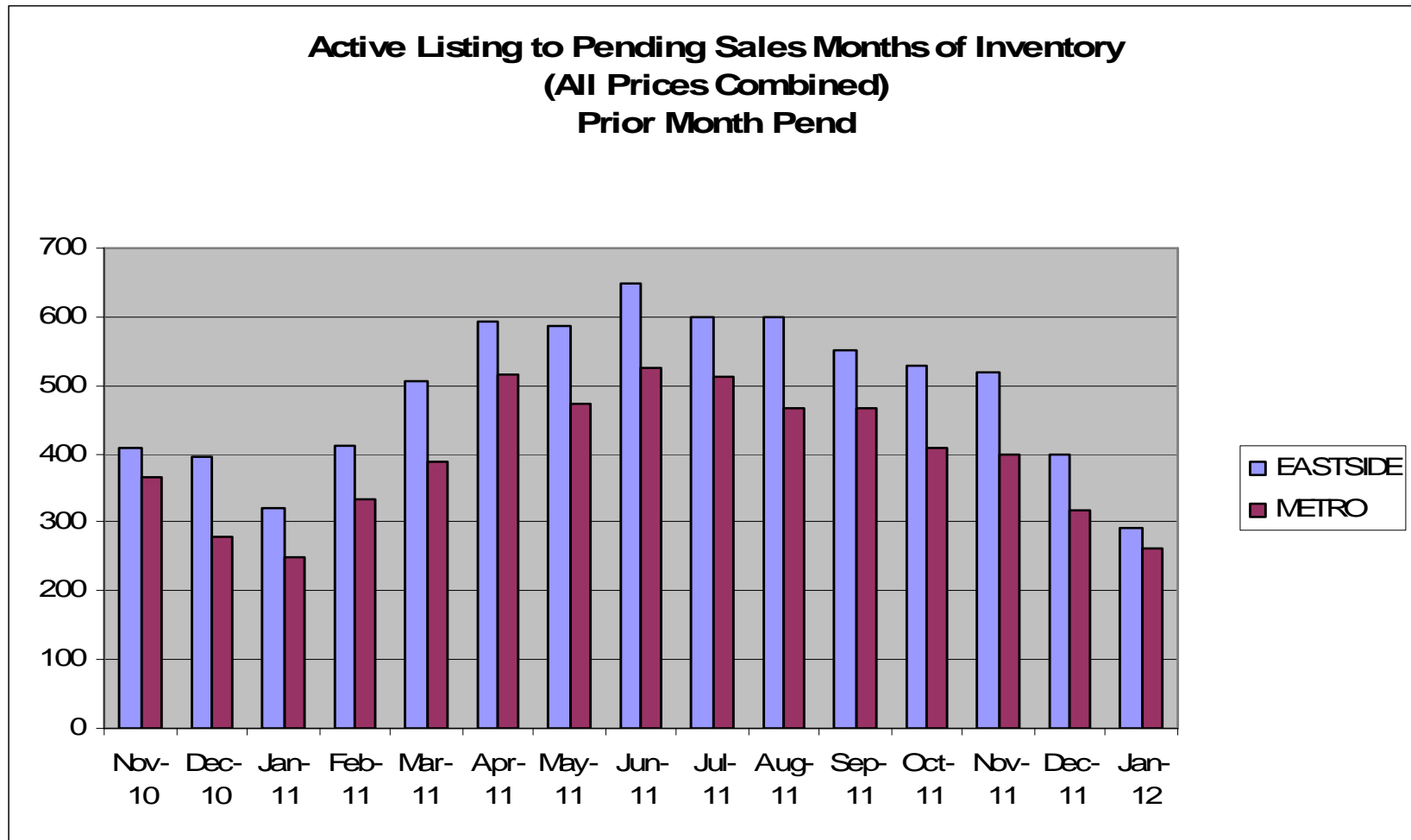
Housing Starts: Total: New Privately Owned Housing Units Started (HOUST)
Source: U.S. Department of Commerce: Census Bureau



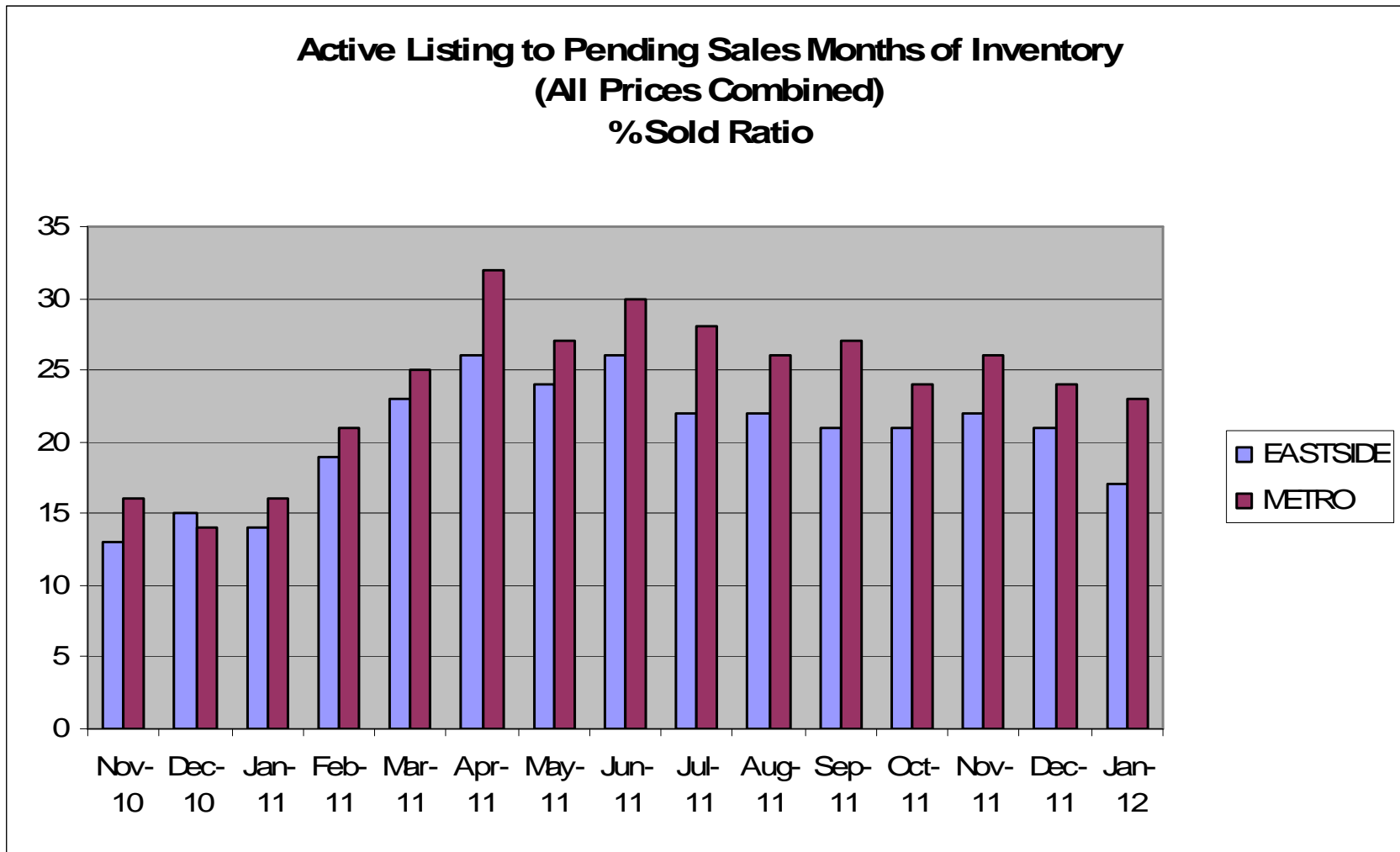
Active List 1st/month



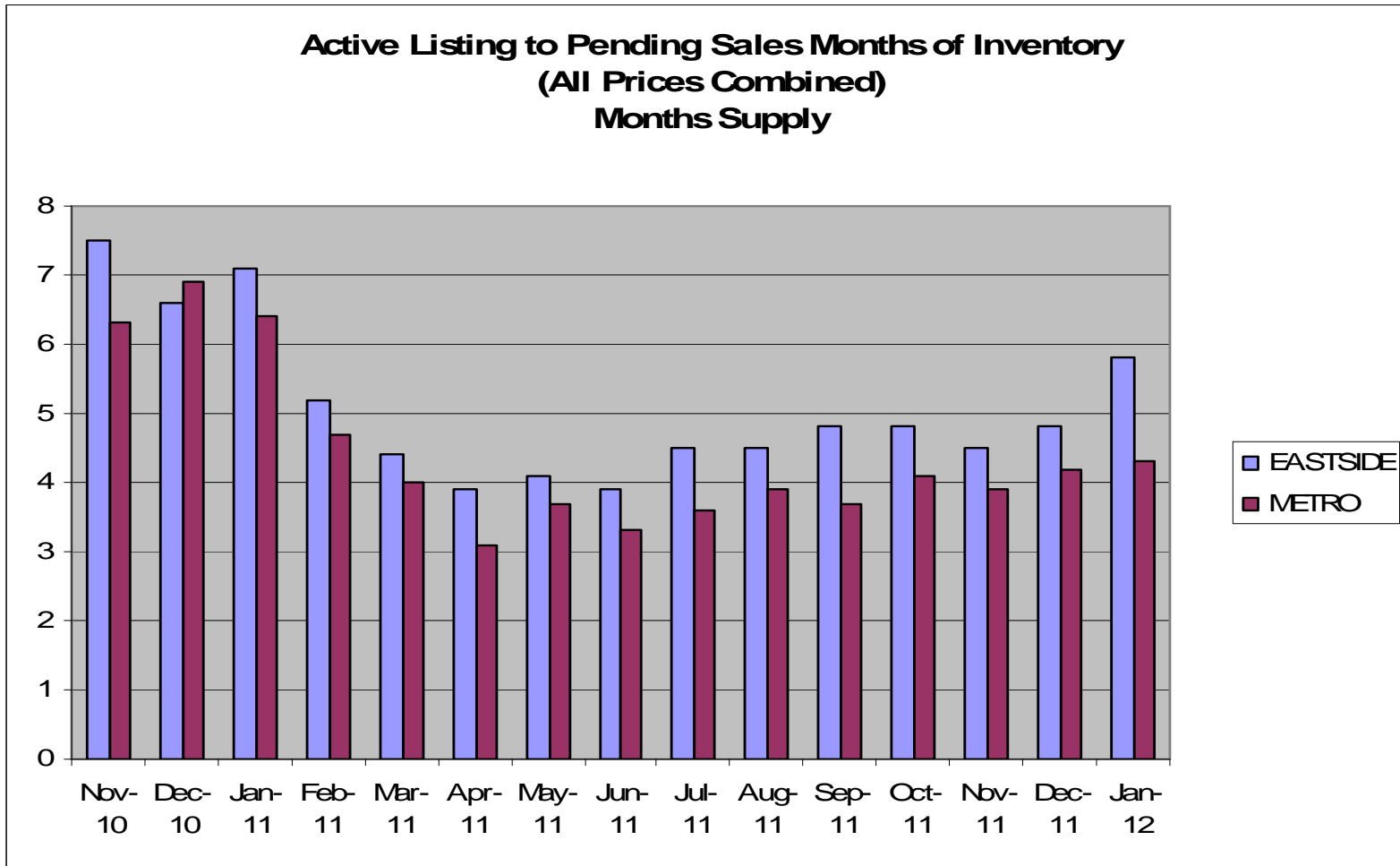
Prior Month Pending



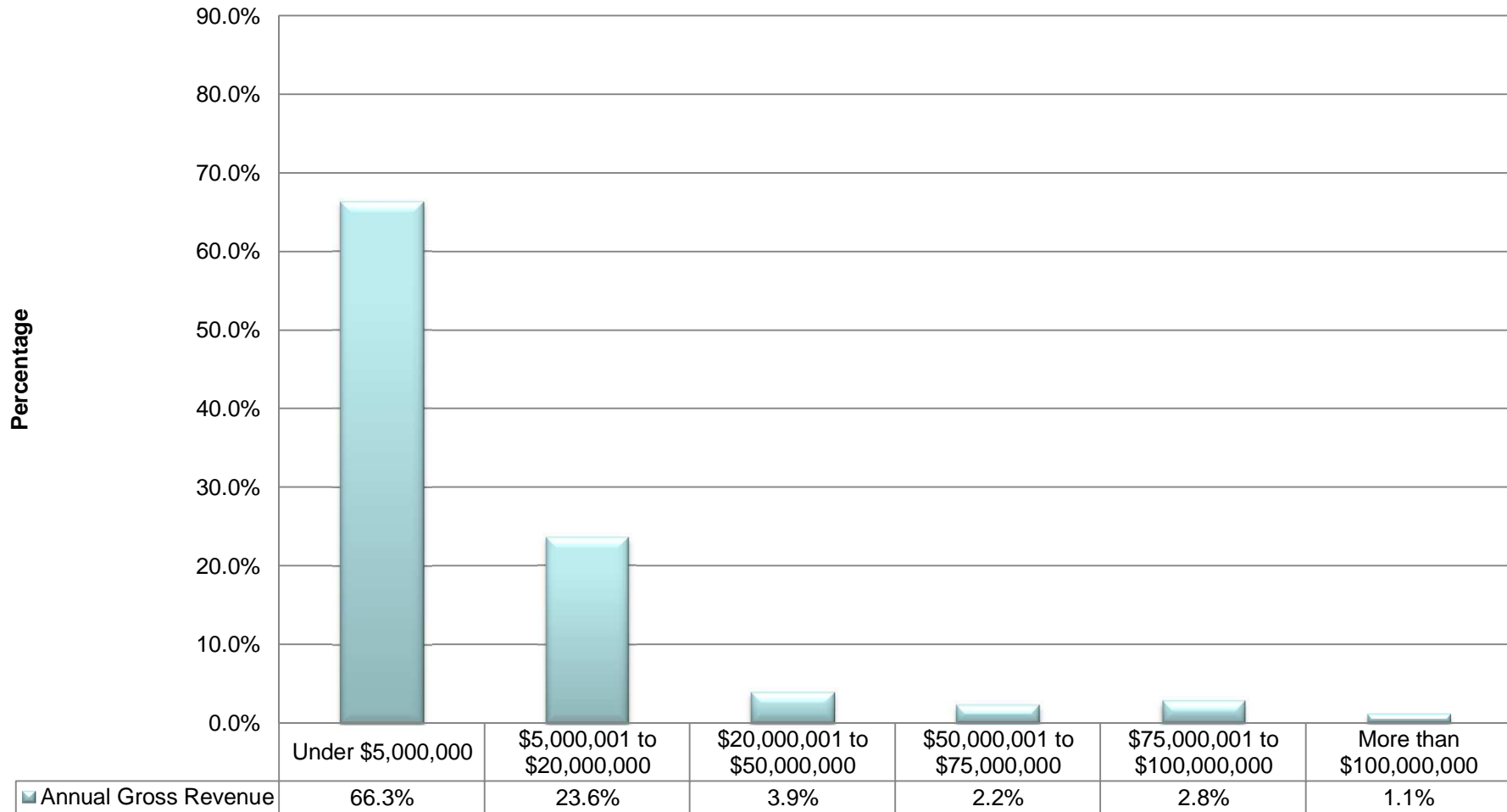
% Sold Ratio



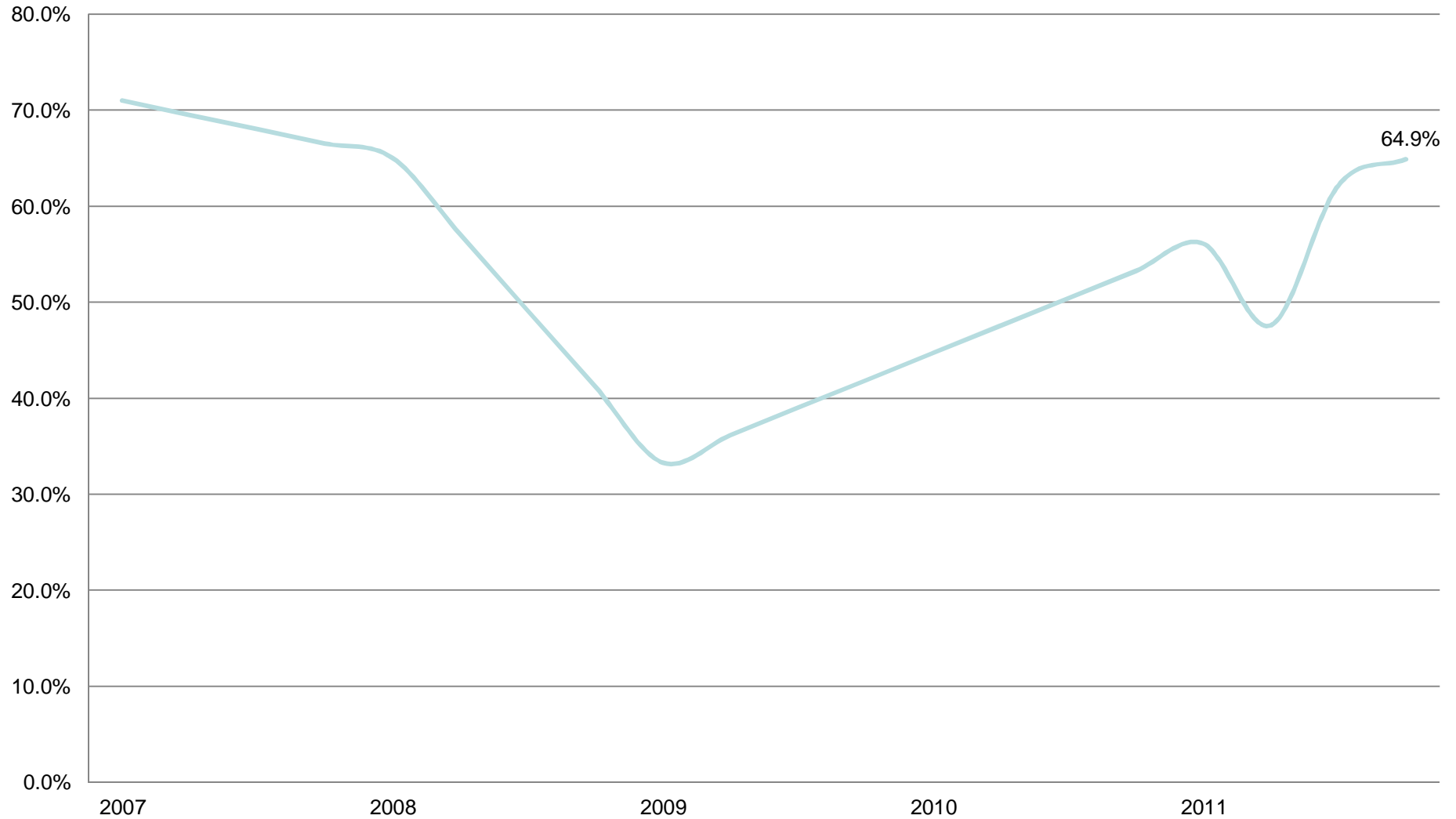
Months Supply



Annual Gross Revenue



Percent of Firms Expecting an Increase In Revenues



Note: The dip in Q2 2011 was largely due to concern over the potential downgrade of US Government Securities

Forecasted Change in Total Revenue for Next 12 Months Compared to the Last 12 Months

Change	Percentage
Decrease of 25% or more	1.6%
Decrease 1% to 24%	5.3%
No Change	28.2%
Increase 1% to 10%	38.3%
Increase 11% to 25%	18.1%
Increase more than 26%	8.5%

Median	5.0%
Mean	8.8%
Std. Deviation	18.9%
Kurtosis	9.8

Percentage Change in Expenses and Costs

Number	Percentage
Decrease	7.8%
No Change	26.4%
Increase 1% to 5%	28.5%
Increase 6% to 10%	20.7%
Increase 11% to 20%	9.8%
Increase more than 20%	6.7%

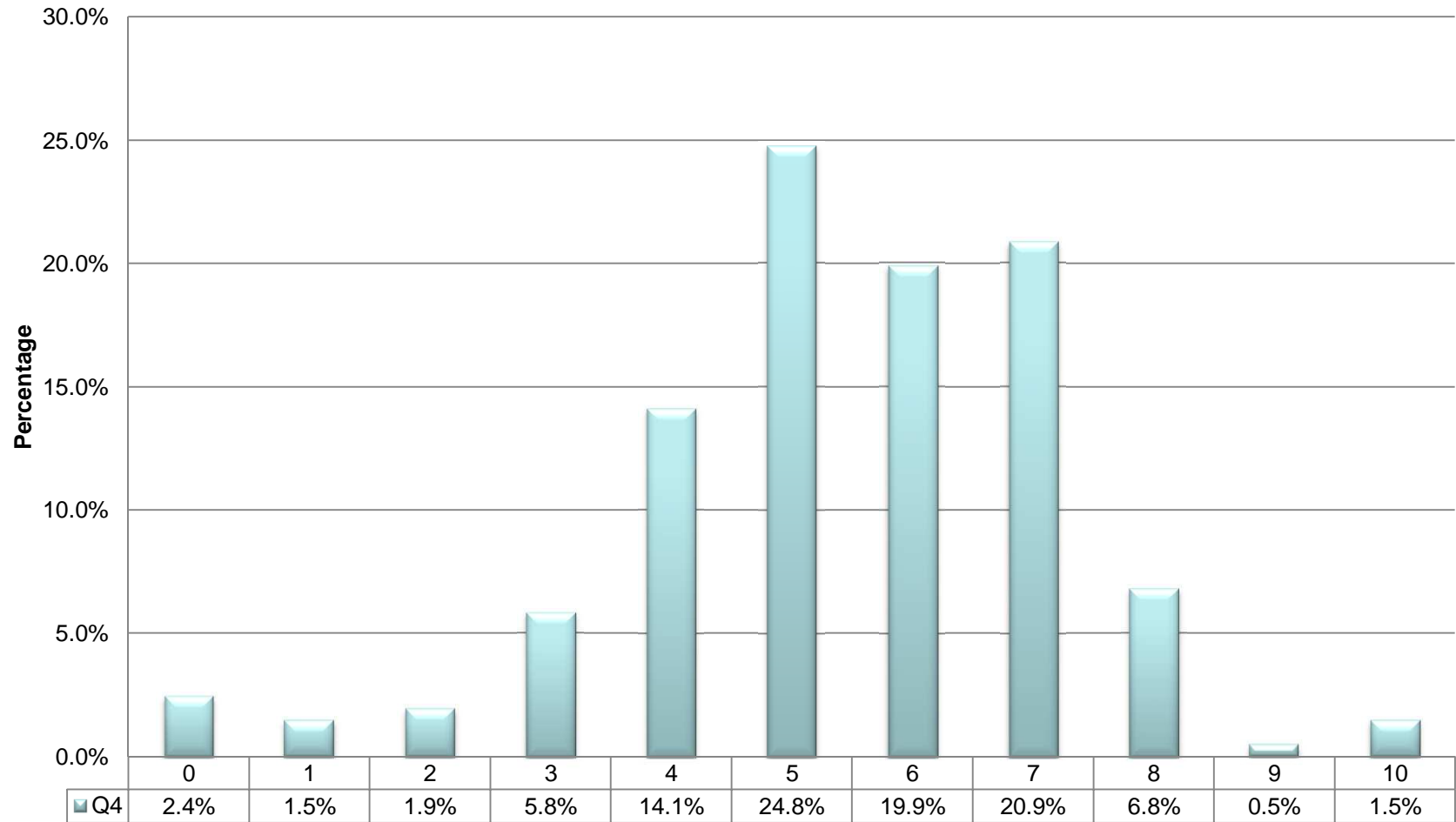
Median	5.0%
Mean	6.8%
Std. Deviation	15.6%
Kurtosis	19.8

Forecasted Change in Net Income for Next 12 Months

Change	Percentage
Decrease of 25% or more	1.1%
Decrease 1% to 24%	10.5%
No Change	33.7%
Increase 1% to 10%	37.6%
Increase 11% to 25%	11.6%
Increase more than 26%	5.5%

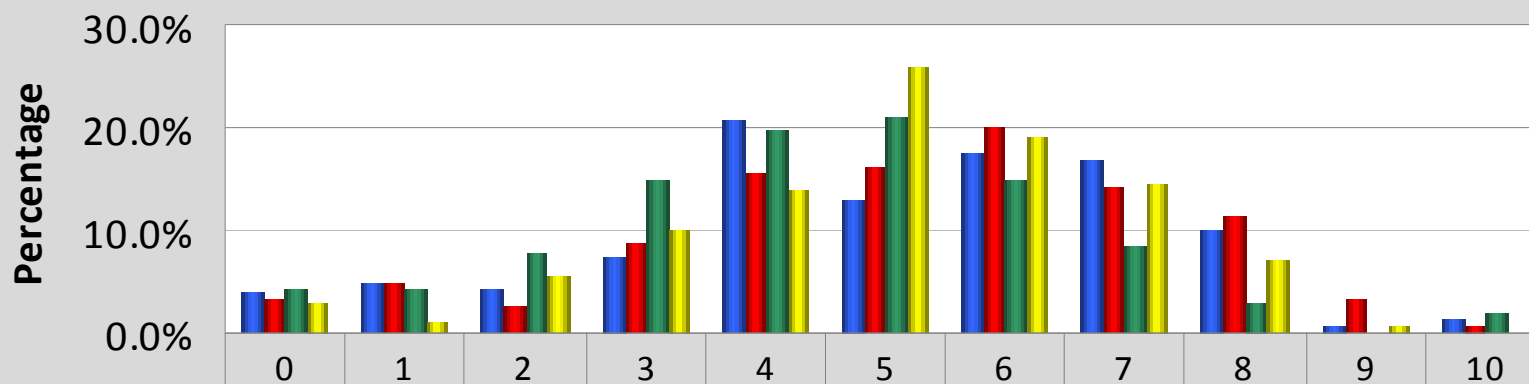
Median	2.0%
Mean	5.5%
Std. Deviation	14.6%
Kurtosis	11.0

Overall Confidence in the Economy (0-10 Scale)



Mean	5.4
Std. Deviation	1.8
Kurtosis	1.0

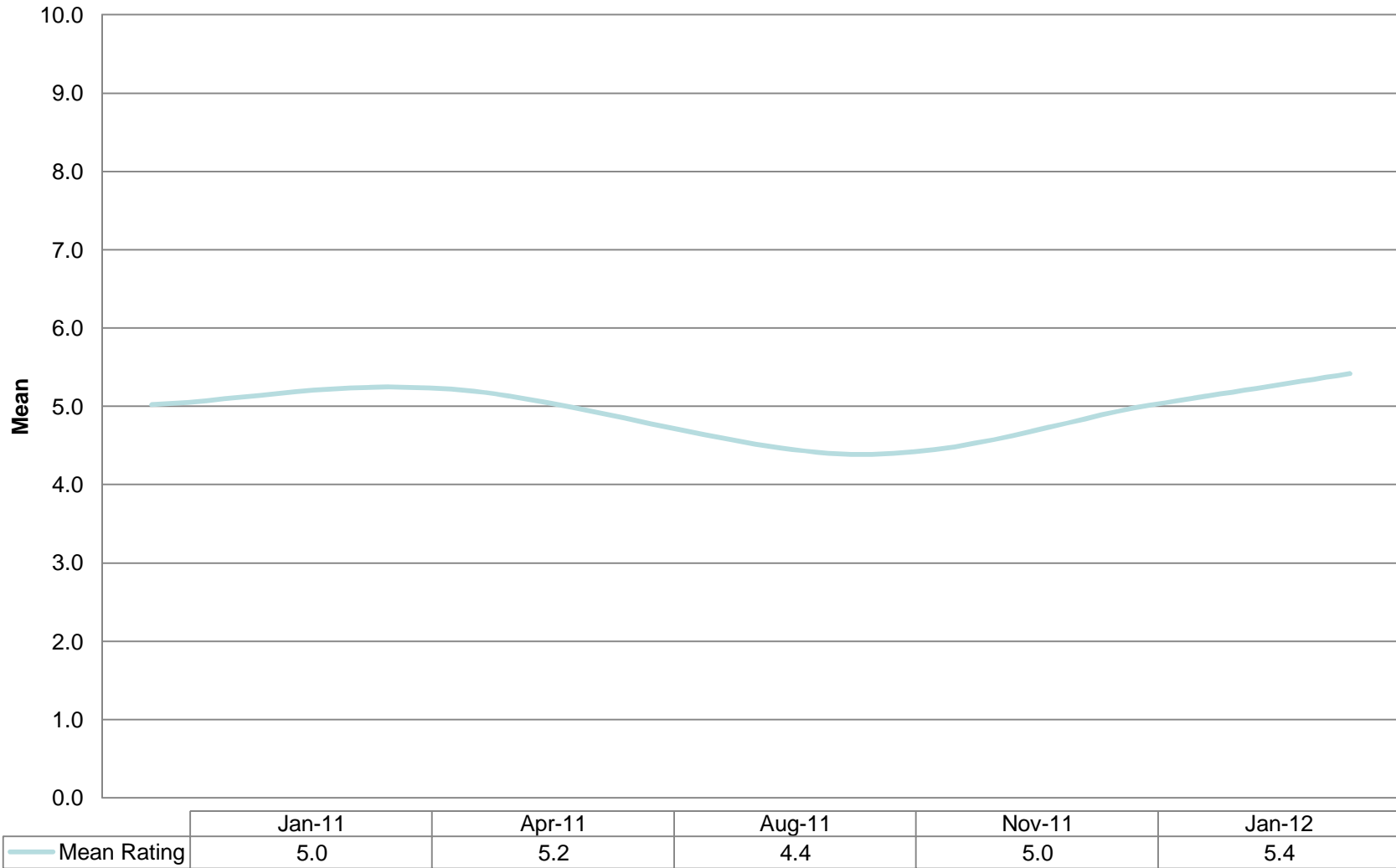
Overall Confidence in the Economy (0-10 Scale)



	0	1	2	3	4	5	6	7	8	9	10
■ Jan-11	3.7%	5.0%	4.3%	7.5%	20.5%	13.0%	17.4%	16.8%	9.9%	0.6%	1.2%
■ Apr-11	3.1%	5.0%	2.5%	8.7%	15.5%	16.1%	19.9%	14.3%	11.2%	3.1%	0.6%
■ Aug-11	4.2%	4.2%	7.8%	15.0%	19.8%	21.0%	15.0%	8.4%	3.0%	0.0%	1.8%
■ Nov-11	3.0%	1.0%	5.5%	10.0%	13.9%	25.9%	18.9%	14.4%	7.0%	0.5%	0.0%

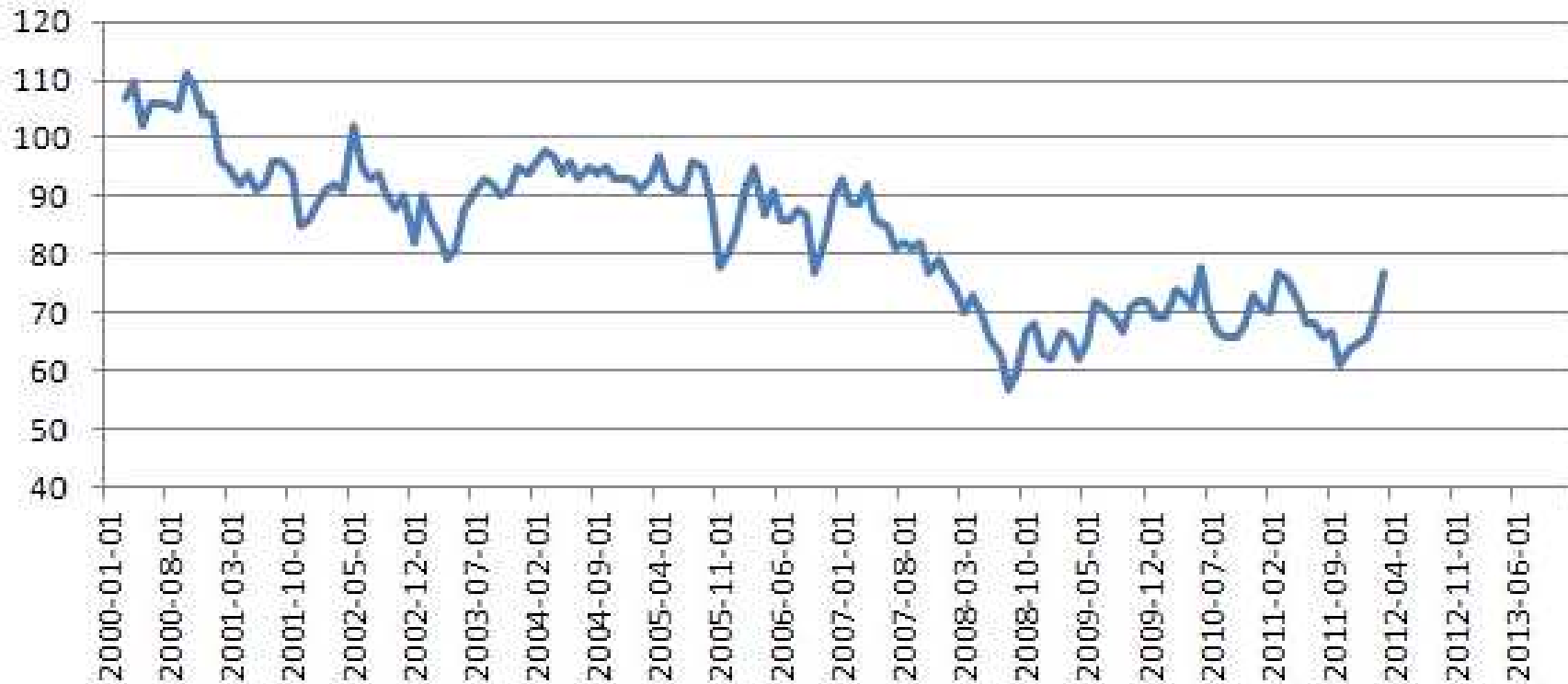
	Jan-11	Apr-11	Aug-11	11-Nov
Mean	5.0	5.2	4.4	5.0
Std. Deviation	2.2	2.2	2.0	1.9
Kurtosis	0.4	0.4	0.2	0.2

Overall Confidence in the Economy (0-10 Scale)

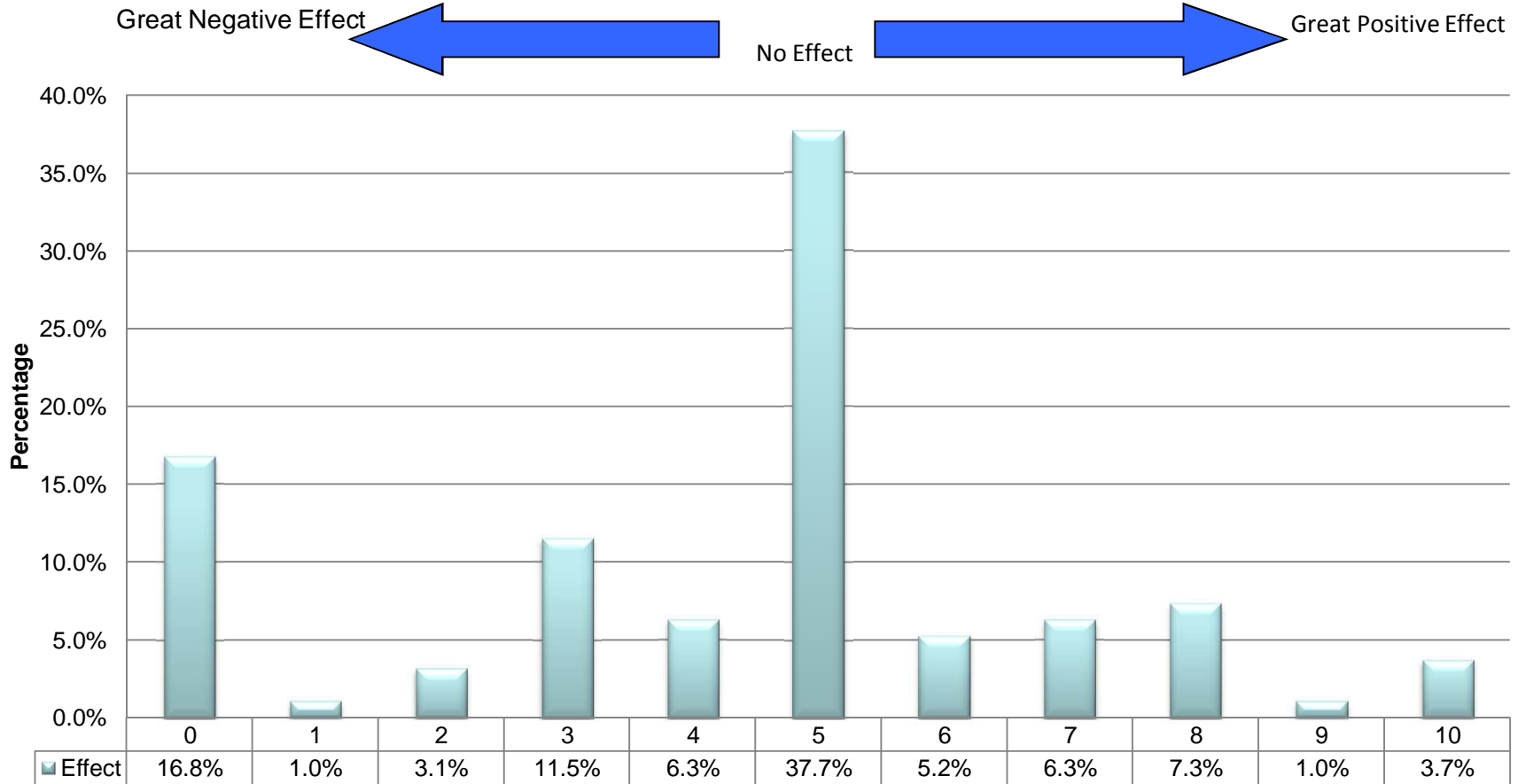


Consumer Confidence

Consumer Confidence



Effect of Uncertainty of the Economy on Investment

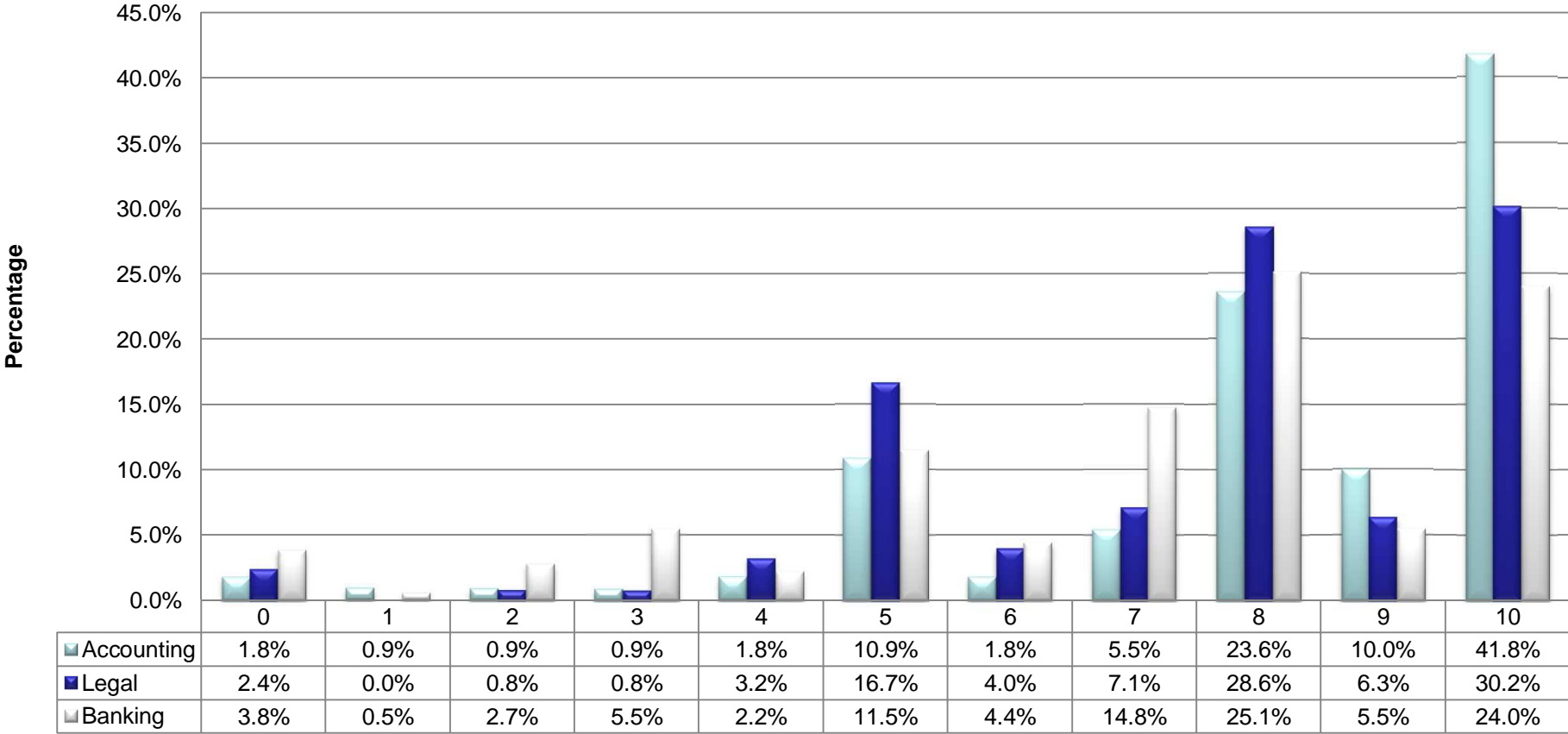


Mean 4.4
Std. Deviation 2.6
Kurtosis -0.3

Area of Investment	
Area	Percentage
Training	38.8%
New equipment	32.0%
Research and Development	16.5%
Facilities	15.0%
Software/Internet/Technology	6.8%
Marketing/Advertising	3.4%
No Investment	3.4%
Other	11.2%
Don't Know	15.0%

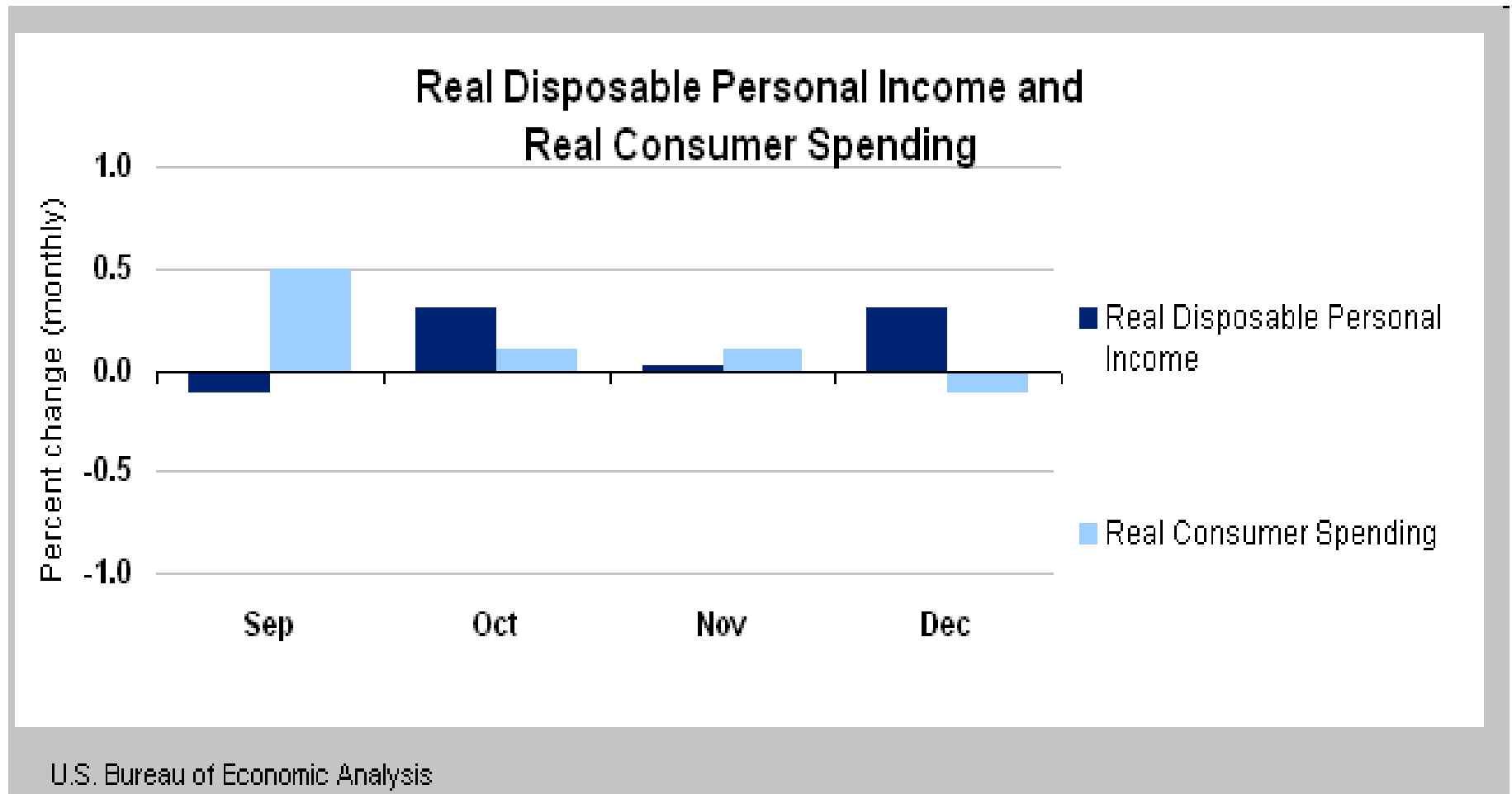
Note: Respondents were allowed to select more than one option

Satisfaction with Outside Services



	<u>Accounting</u>	<u>Legal</u>	<u>Banking</u>
Mean	8.1	7.6	7.1
Std. Deviation	2.3	2.3	2.6
Kurtosis	2.2	1.1	0.4

Change In Personal Income



Source: Bureau of Economic Analysis

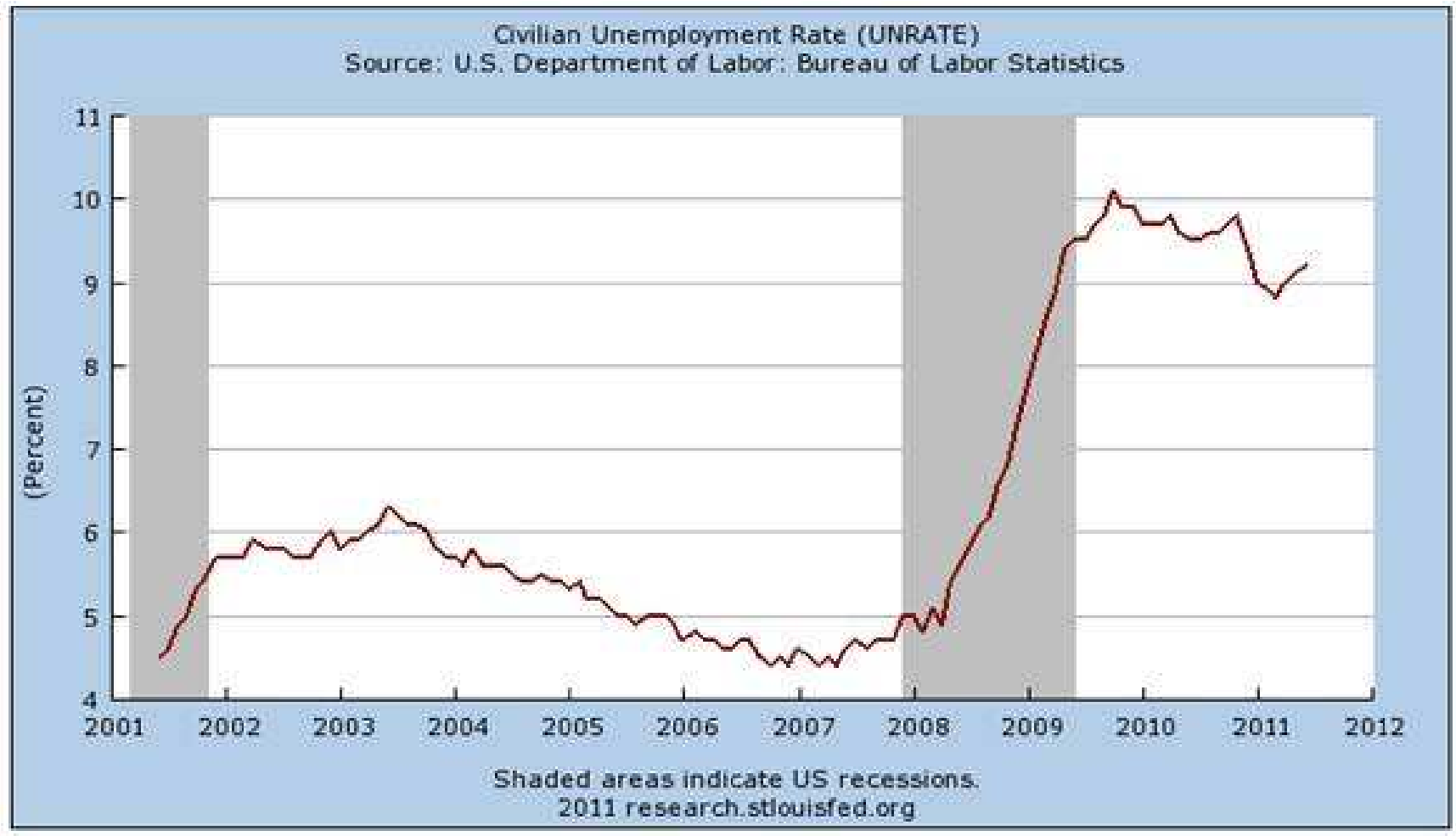
Types of New Employees

One out of every 8 respondents (12.3%) stated that they would be hiring sales and marketing staff in the new year.

Number of Full-Time Employees	
Number	Percentage
10 or fewer	43.6%
11 to 20	22.6%
21 to 40	14.9%
41 to 100	8.2%
More than 101	10.8%

Median	14.0
Mean	98.2
Std. Deviation	397.6
Kurtosis	52.1

Unemployment Rates



Forecasted Change in Total Employment for Next 12 Months

Change	Percentage
Decrease of 25% or more	1.5%
Decrease 1% to 24%	2.0%
No Change	63.4%
Increase 1% to 10%	17.6%
Increase 11% to 25%	11.7%
Increase more than 26%	3.9%

Median	0.0%
Mean	6.4%
Std. Deviation	25.7%
Kurtosis	85.4

When Employees will be Added

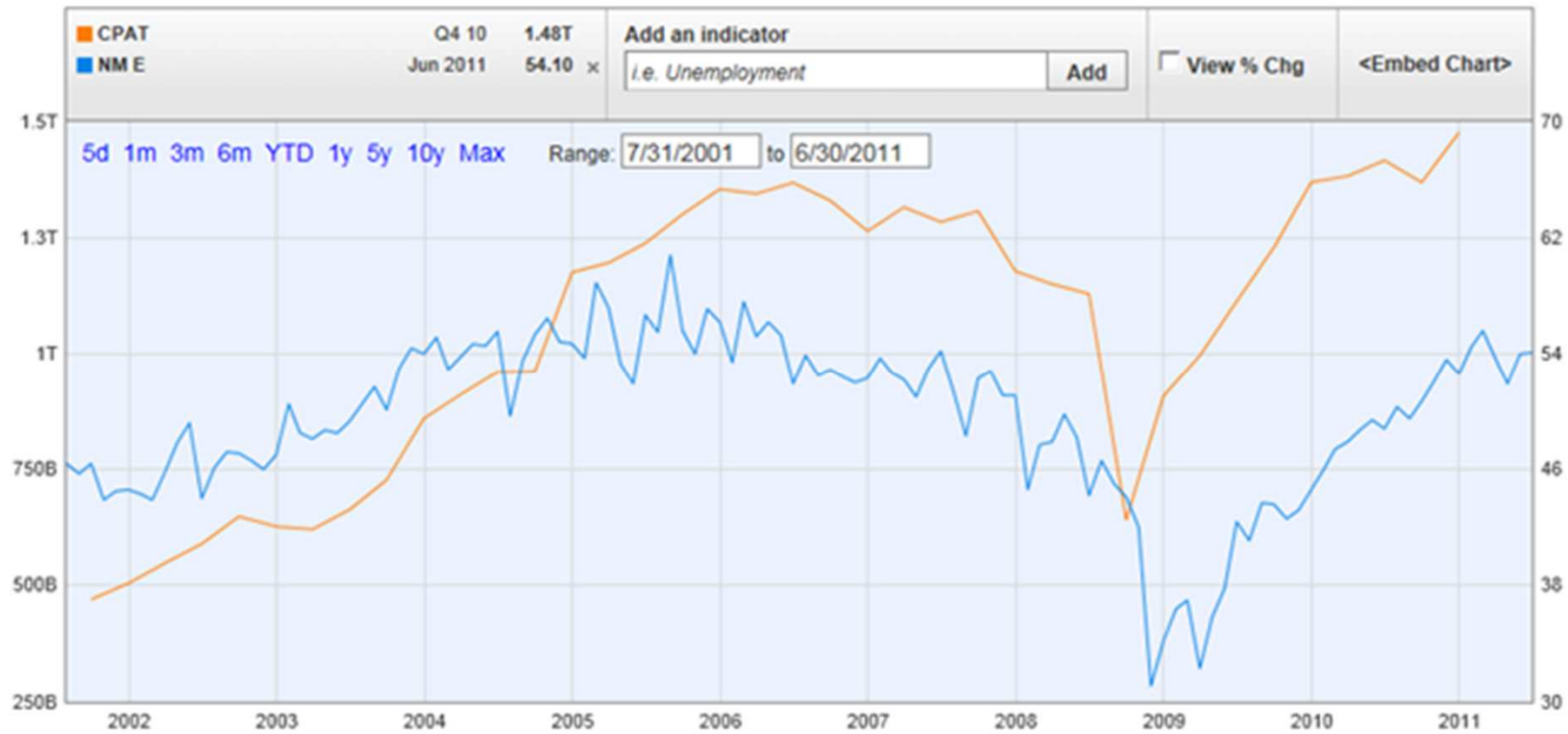
Period	Percentage
Jan-Mar	21.3%
Apr-Jun	29.3%
Jul-Sep	12.0%
Oct-Dec	5.3%
Throughout the year	36.0%

Note: Respondents were allowed to select more than one option

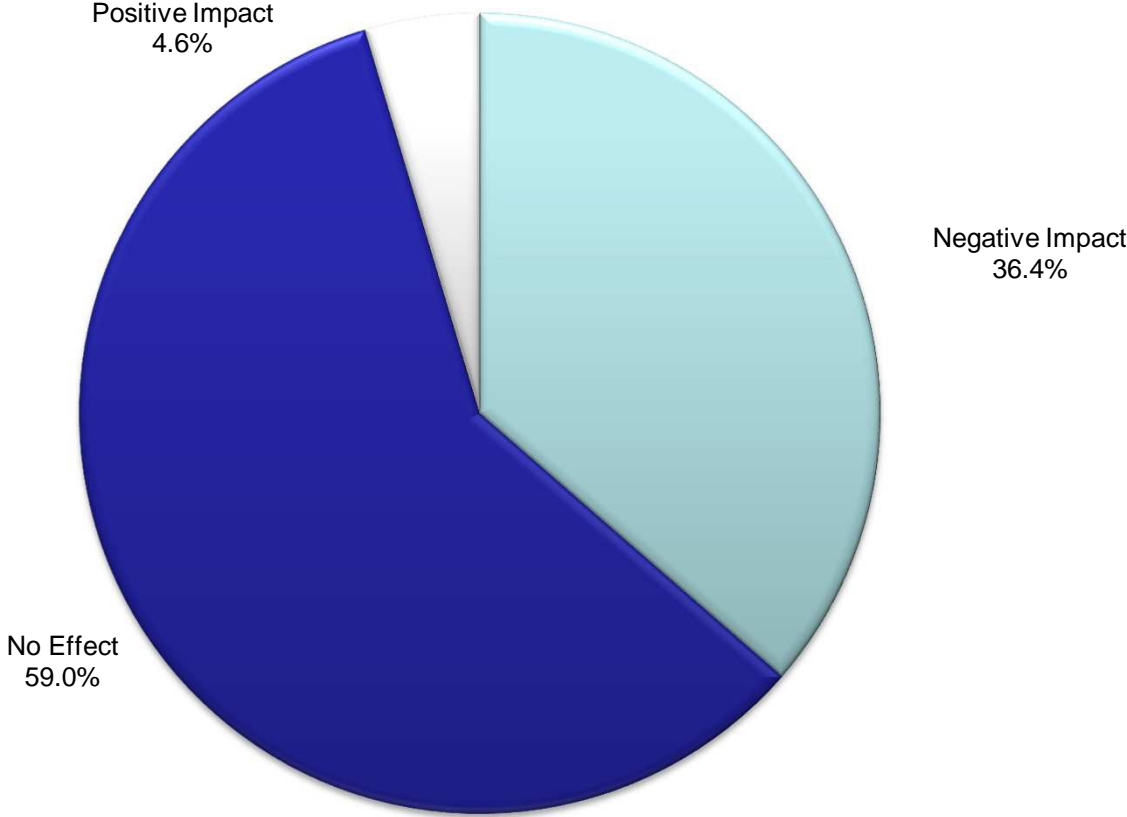
Corporate Profits and Employment



Corporate Profits and Non-Manufacturing Employment



Effect of Increase of Washington State Sales Tax on Sales



Effect of Sales Tax Increase

Effect	Seattle	Bellevue	Tri-Cities/ Wenatchee	Spokane	Portland
Negative Impact	30.0%	42.9%	38.5%	64.0%	12.2%
No Effect	62.0%	51.8%	53.8%	36.0%	65.3%
Positive Impact	2.0%	1.8%	7.7%	0.0%	10.2%
Don't Know/ Refused	6.0%	3.6%	0.0%	0.0%	12.2%

Conclusion