

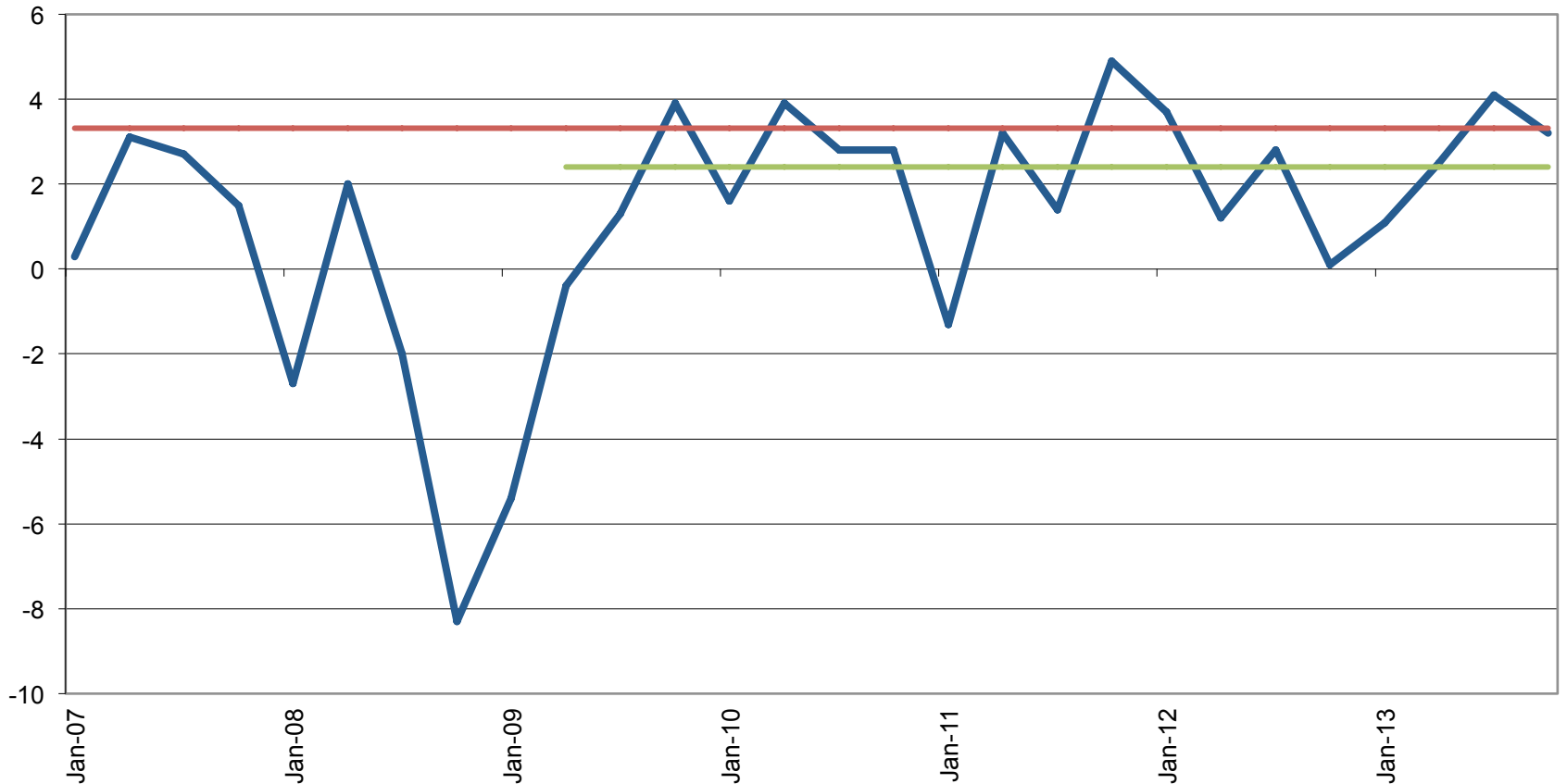
2014

Real Estate Market Forum

Economic Update

Steve Scranton, CFA
Chief Investment Officer
Washington Trust Bank

GDP Growth Has Been Stop and Start



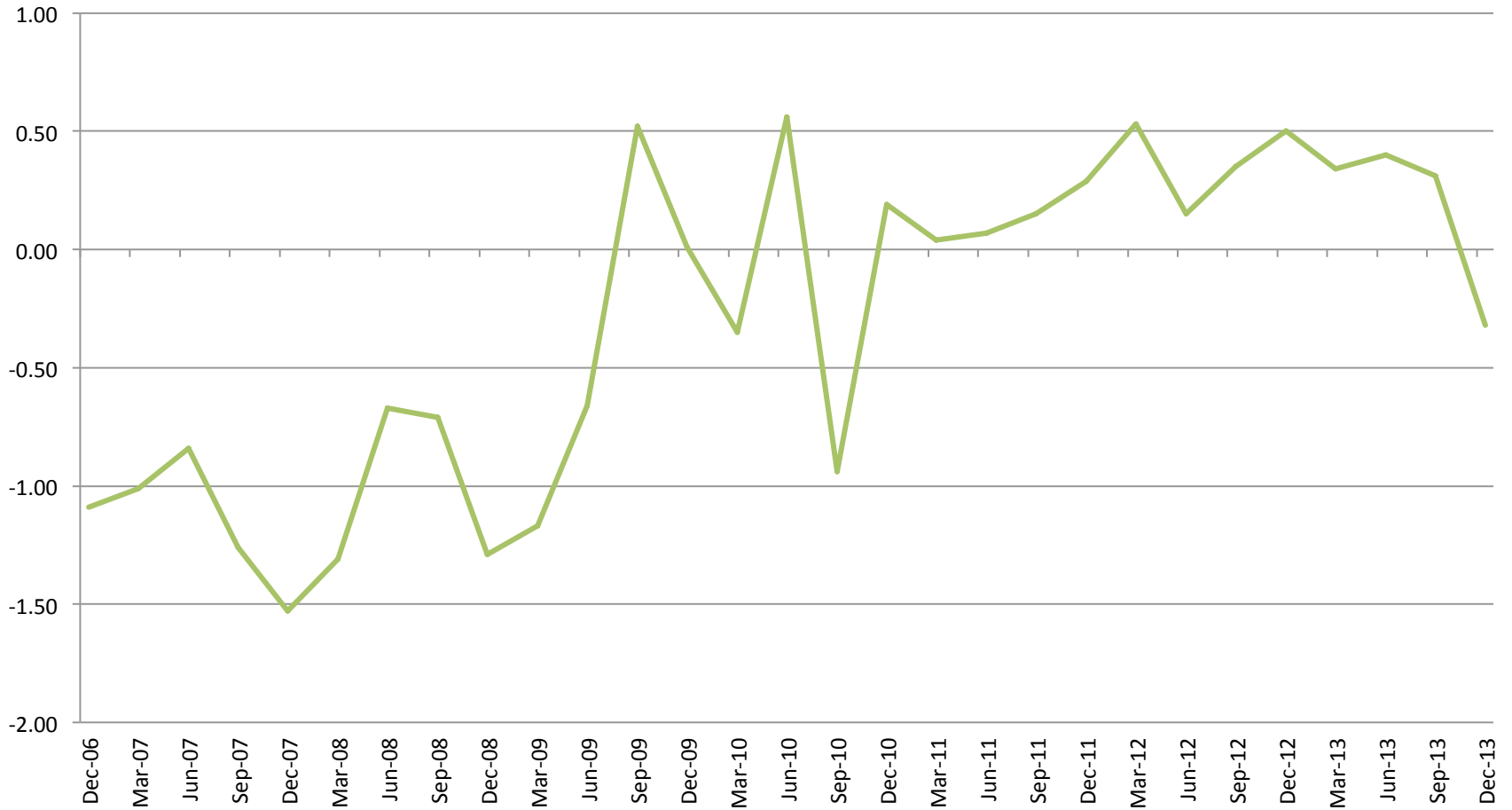
Four Components to GDP Growth

- Private Investment
- Government Spending
- Net Exports (Exports minus Imports)
- Personal Consumption

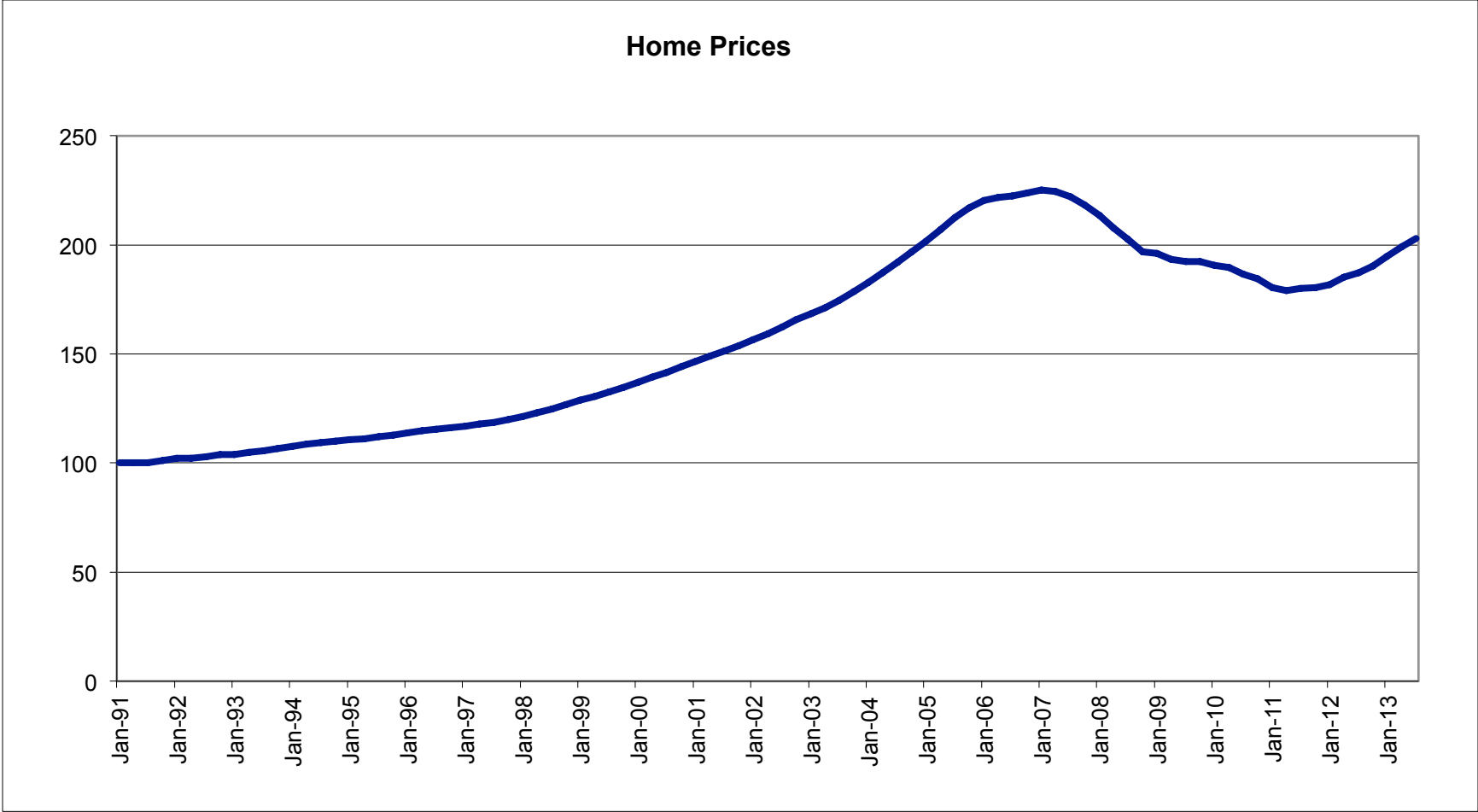
Private Investment

- There are four primary categories for private investment
 - Residential Construction (Housing)
 - Commercial Construction (Structures)
 - Plant and Equipment
 - Inventories

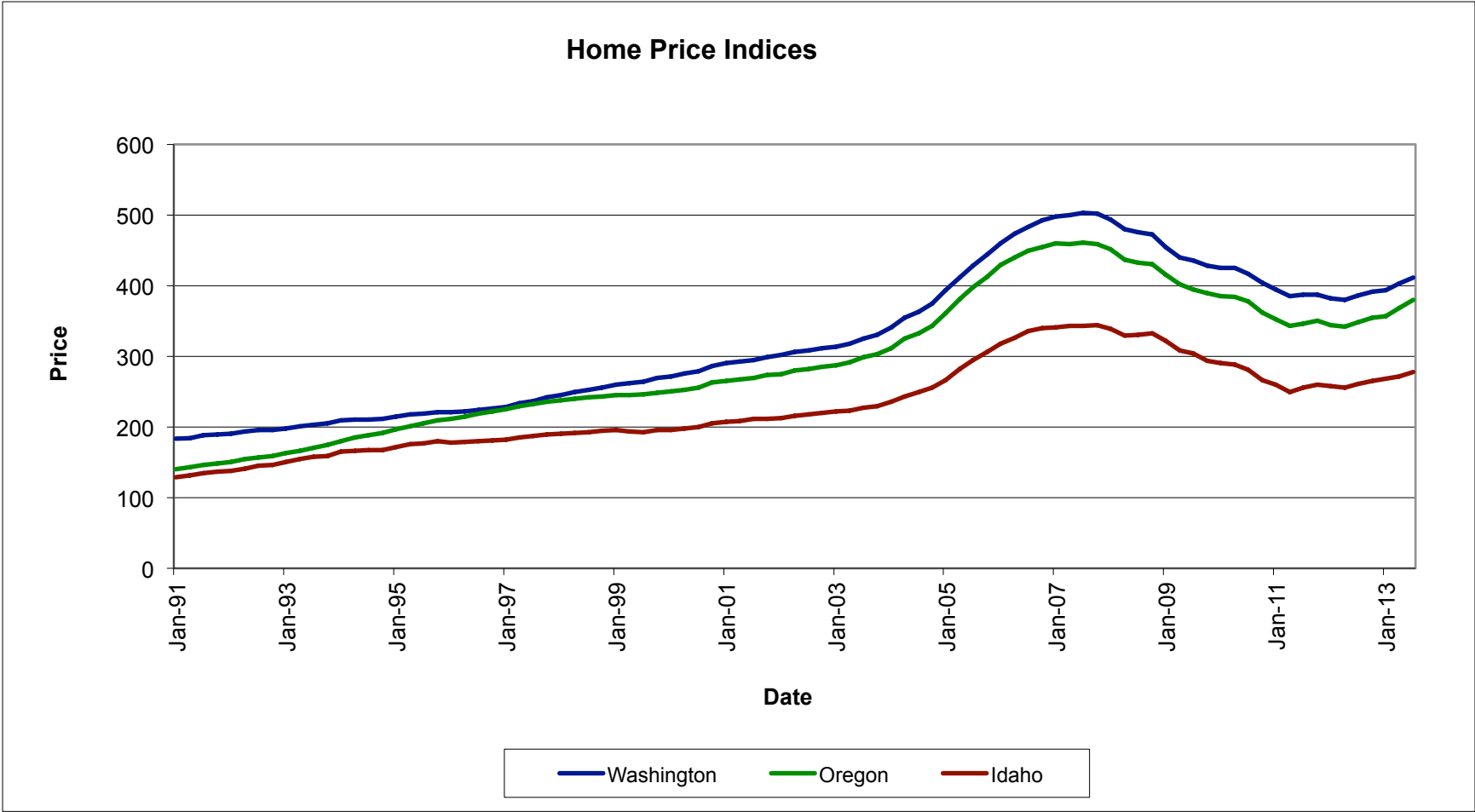
Residential Construction



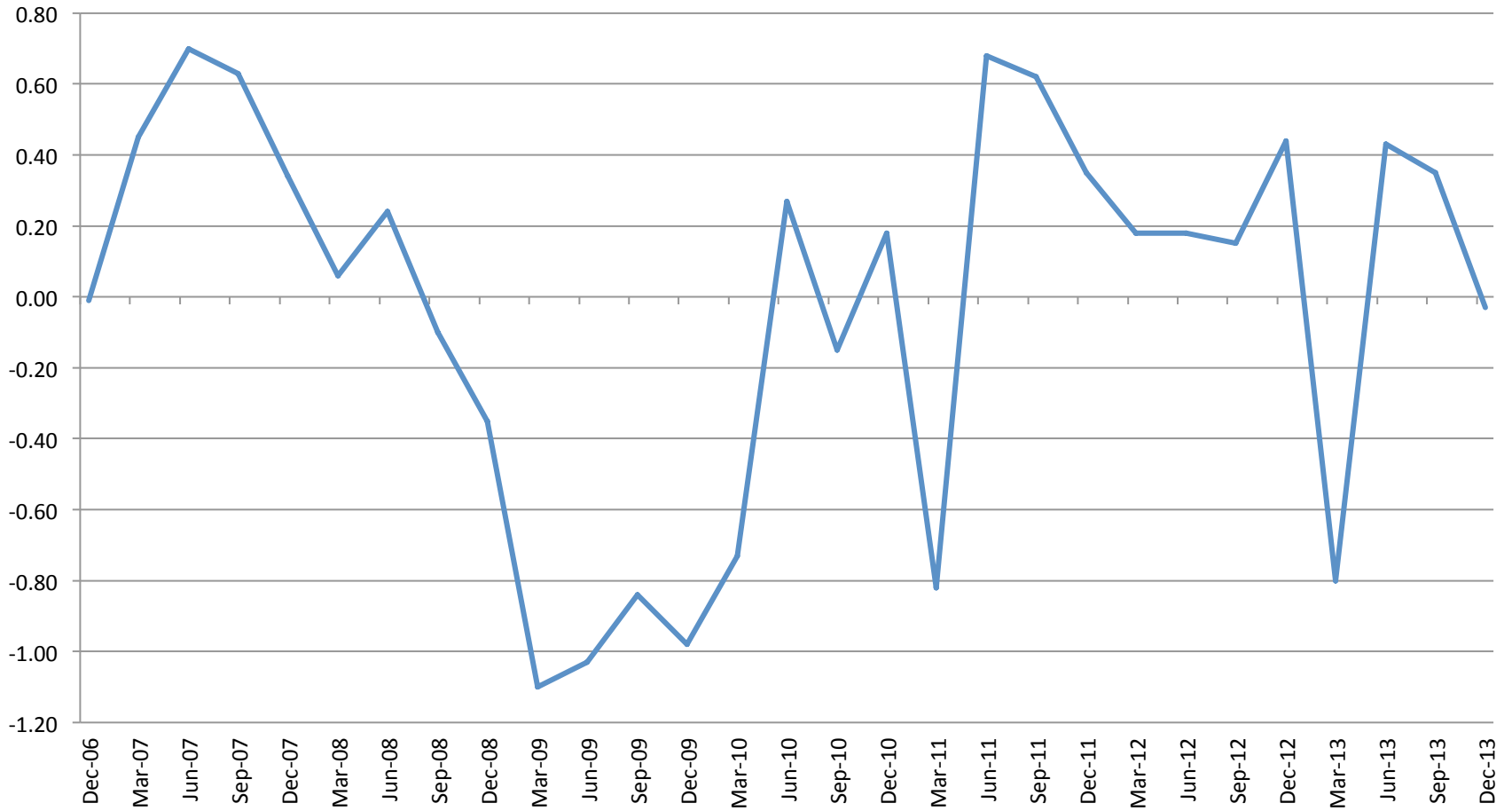
Housing Prices Are Rising But Not Back to Previous Highs



Pacific Northwest Shows the Same Pattern



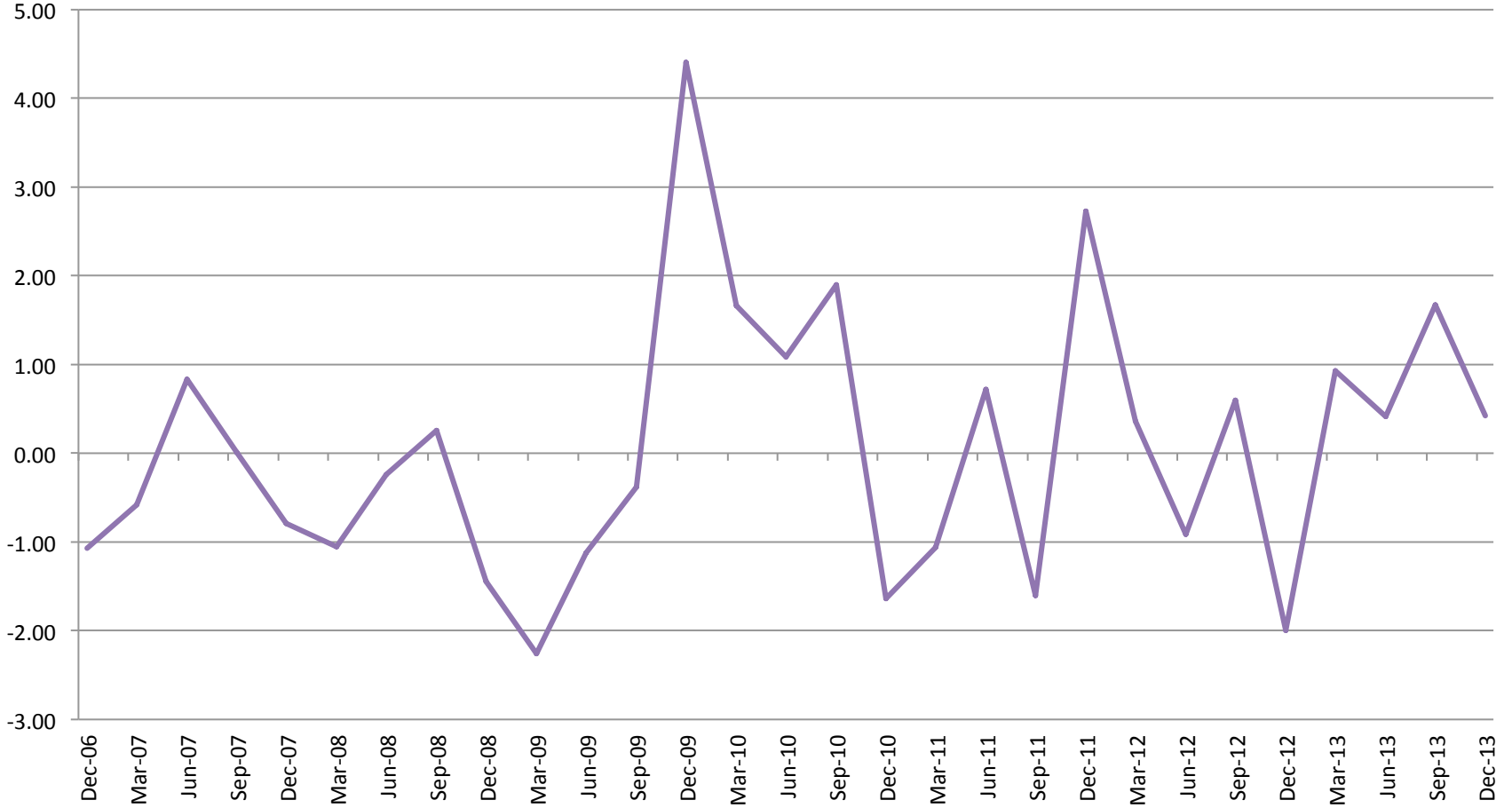
Commercial Construction



Plant and Equipment



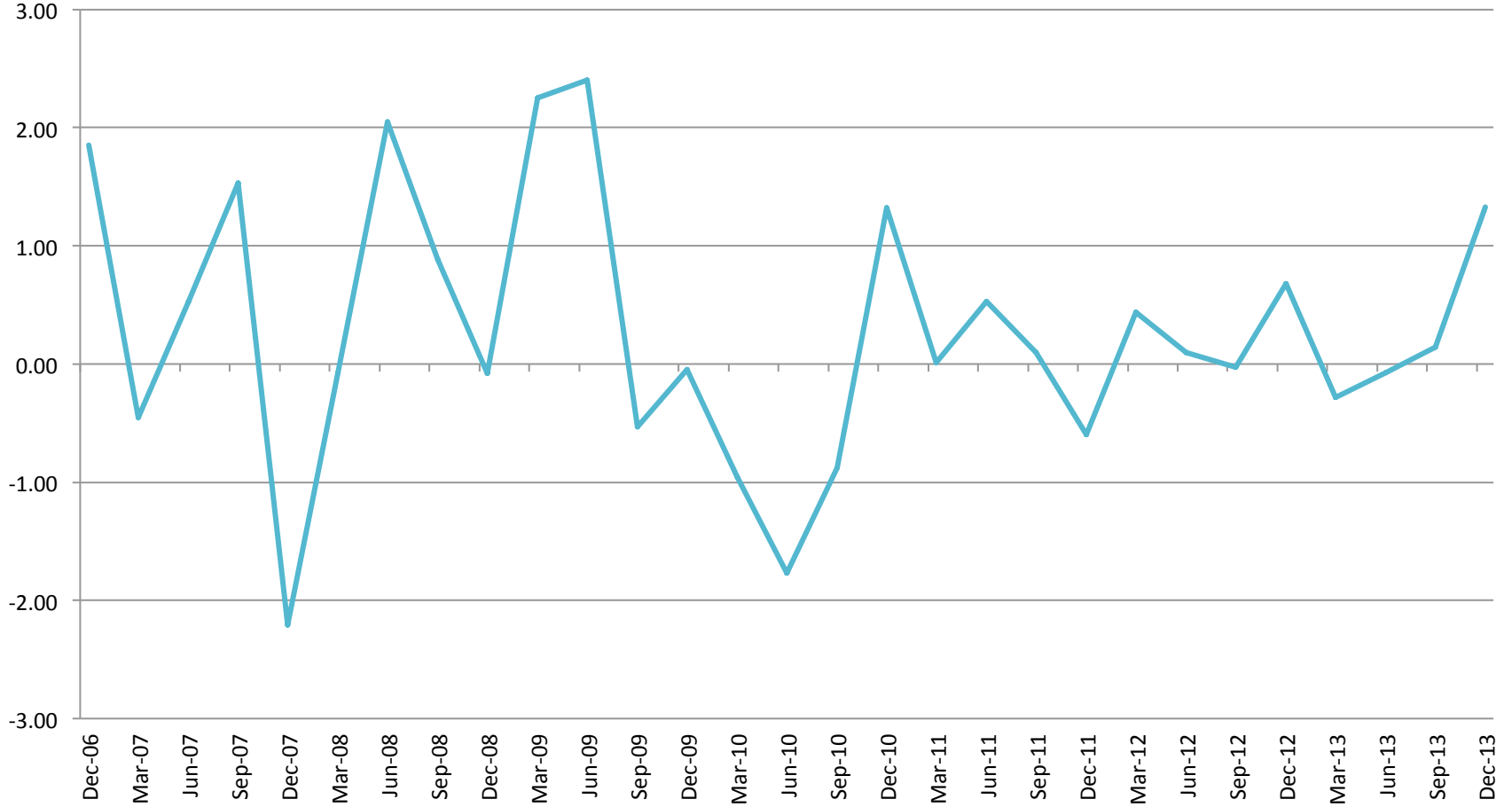
Inventories



Government Spending



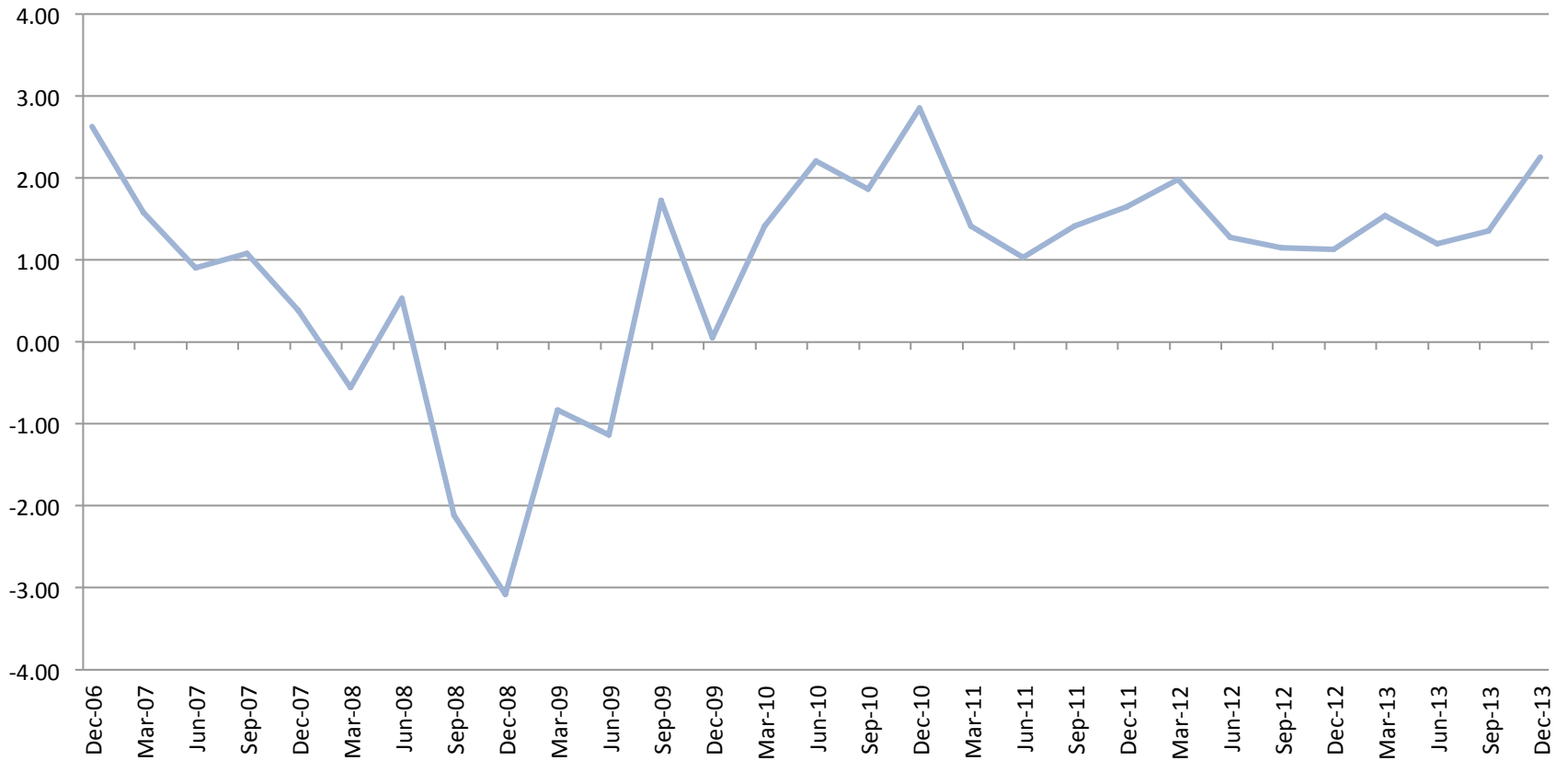
Net Exports



Personal Consumption

It All Comes Back To The Consumer

Personal Consumption

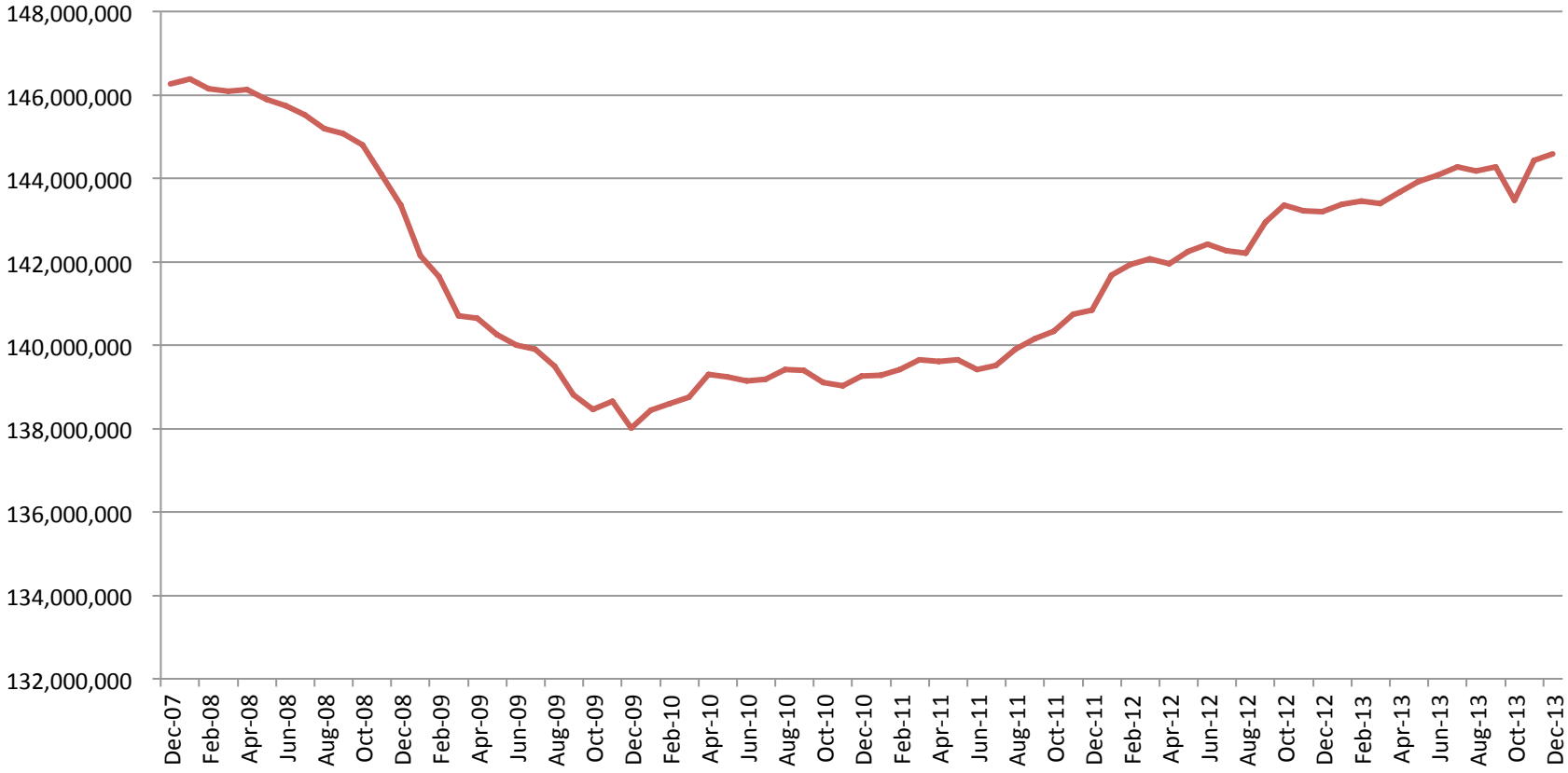


What creates spending?

- Jobs create Income
- Income creates spending

U.S. Has Not Recovered Jobs Lost From the Recession

U.S.



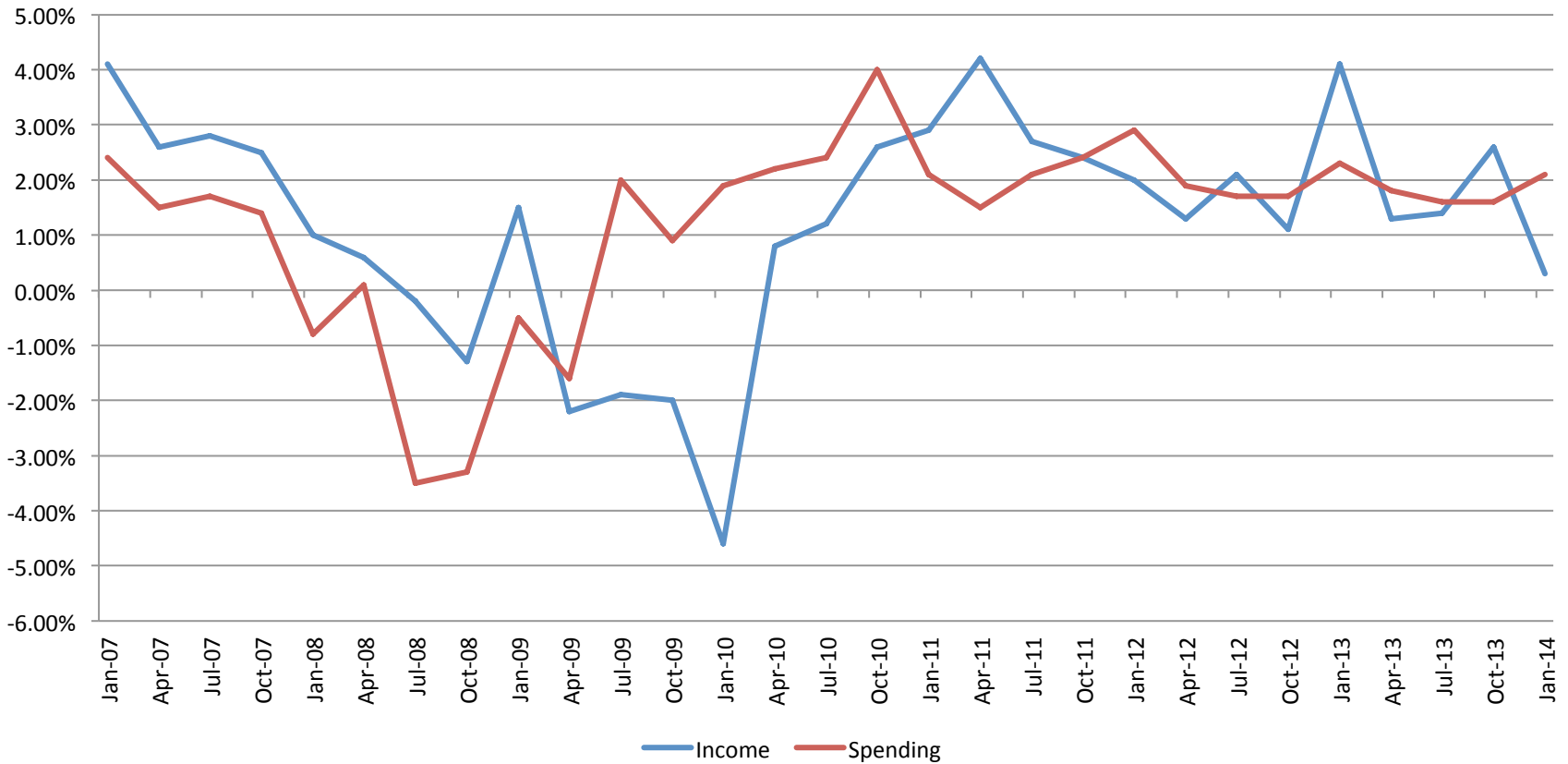
Spokane Has Not Made as Much Progress as the U.S.

Spokane



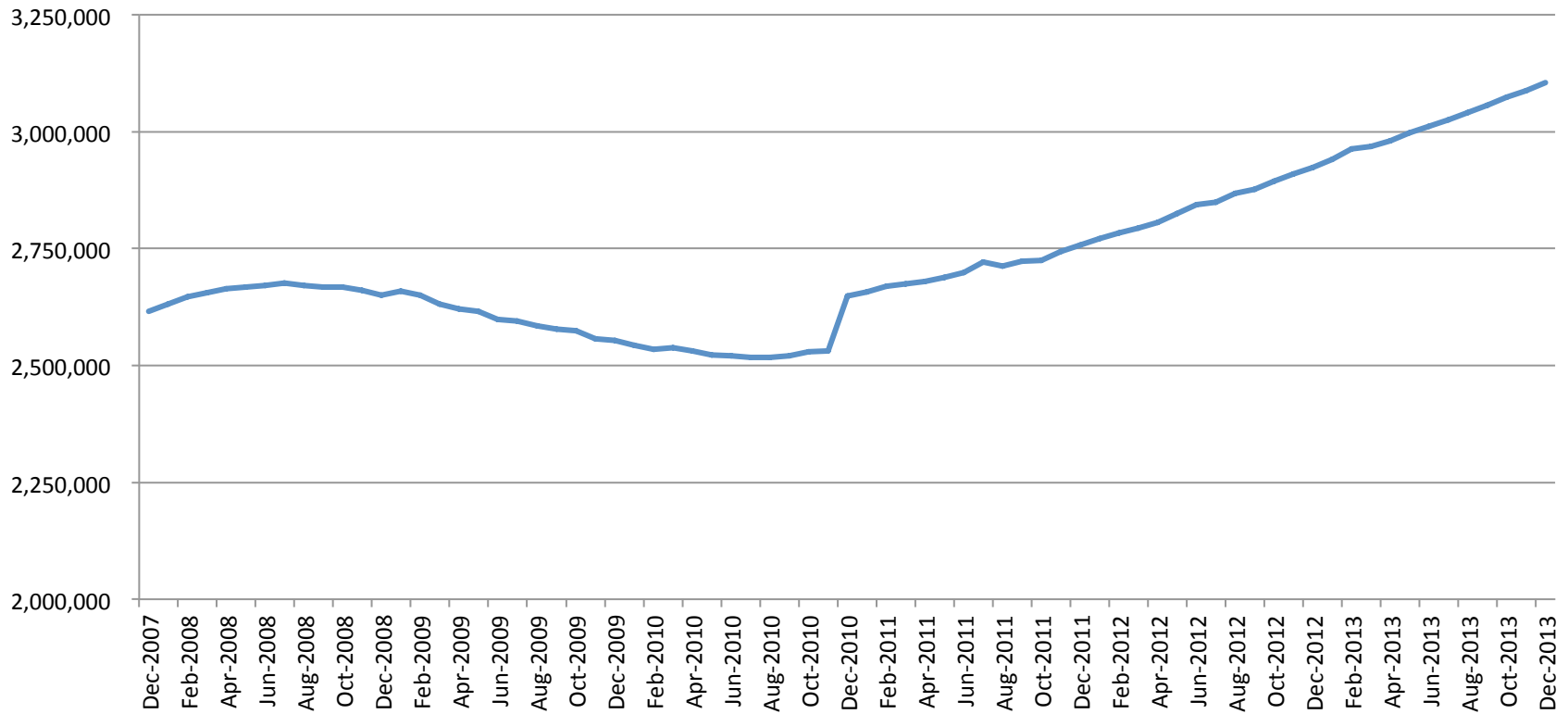
Personal Consumption: Americans are Spending More Than Their Income

Real Personal Spending vs Real Personal Income



Consumer Credit Outstanding: Debt is Not Being Reduced

**Total Consumer Credit
(Millions)**



Conclusions

- Economy showed good resiliency in 2013 in the face of tax hikes, spending cuts and continued fiscal uncertainty
- 2014 holds the potential for faster economic growth.
- Will high optimism translate into increased economic activity?

Conclusions

- Keys for faster economic growth
 - Faster jobs growth
 - Income growth outpaces spending growth
 - Business confidence translates to higher capital expenditures and faster jobs growth

Conclusions

- Biggest risk to economic growth is a policy error
 - Regulatory Policy
 - Unintended consequences of regulation

