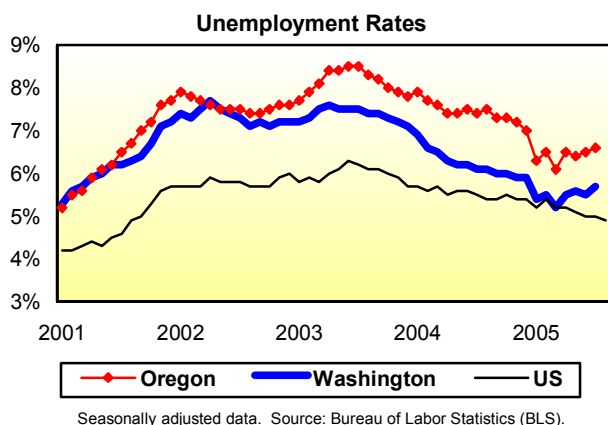




Strong Job Growth Continues in the Pacific Northwest

Do not let those rising unemployment rates scare you. After dipping to 6.1% in March 2005, the seasonally adjusted jobless rate in Oregon bounced to 6.6% in July, the most recent month for which the state employment data is available. Washington's unemployment rate has also climbed to 5.7% in July from 5.2% in March. These trends might appear alarming when contrasted with the national unemployment rate, which has been falling steadily.



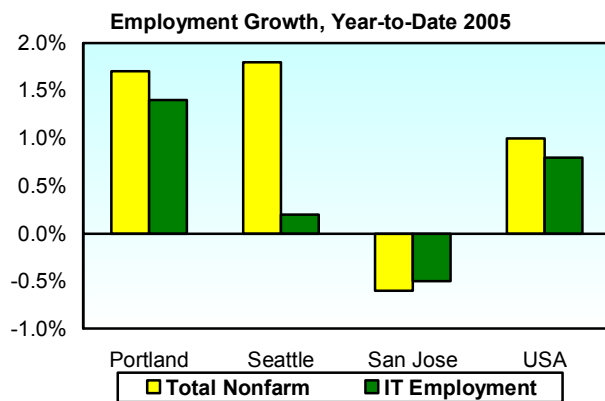
But higher unemployment does not spell trouble for the Pacific Northwest. The region's economy is gaining momentum, and job growth is strong. In fact, it is not uncommon for an unemployment rate to temporarily rise (rather than fall) during an economic recovery. While this may sound contradictory, the reason for this phenomenon is a higher "labor participation rate."

When employment conditions improve, many more people start looking for jobs. Included in that number are workers who lost jobs during the downturn, workers who quit their previous jobs to look for better opportunities, and people who have just completed schooling or vocational training. When jobs are abundant, even retirees and stay-at-home parents can be lured back into the labor market.

As more people engage in job seeking activities, the number of the unemployed swells and the jobless rate rises, but those numbers eventually decline as people become employed. Between January and July of this year, the labor force in Washington grew 1.1%, while the number of the employed rose a little more slowly at 0.8%, resulting in a 5.5% increase in unemployment. Oregon's experience was similar. The number of Oregonians in the labor force increased by 0.9%, but the number of those employed

increased 0.6%, pushing up the number of the unemployed by 5.3%.

One clear sign of the region's economic health is a rapid pace of payroll employment growth. As can be seen in the chart below, total nonfarm payroll in both the Portland and Seattle Metropolitan Statistical Areas (MSAs) rose much faster than the national average during the first seven months of this year. It is expected that both Oregon and Washington will have stronger job growth in 2005 than in the previous two years. (See our forecast on the next page.)

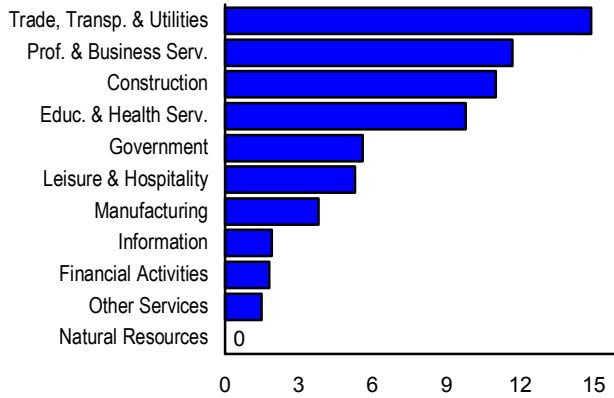


Percentage growth of average nonfarm payroll employment, between 2004 and the first seven months of 2005. Not seasonally adjusted. Source: BLS.

The above chart also shows that the Pacific Northwest is now outpacing Silicon Valley in information technology (IT) employment growth. In this case, IT employment is defined as the total number of jobs in computer and electronics equipment manufacturing, software publishing, telecommunications, and computer system design. The data for these four job categories are more readily available than other categories, such as computer training and industrial machinery manufacturing, that are also related to information technology.

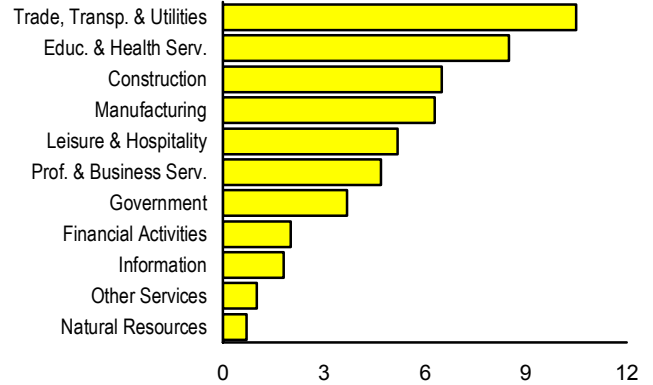
The Portland MSA saw a healthy increase of technology employment since the end of 2004. Surprisingly, its IT service sector (including software, telecommunications, and system design) expanded much faster than the IT manufacturing sector, even though the latter employs almost twice as many workers. While telecom jobs continued to decrease, software publishing and system design added jobs. On the other hand, employment in Portland's semiconductor industry has been mostly flat over the past twelve months.

Washington Job Growth July 2004 – 2005



Thousands of jobs. Not seasonally adjusted. Source: WA Employment Security Dept.

Oregon Job Growth July 2004 – 2005



Thousands of jobs. Not seasonally adjusted. Source: OR Employment Dept.

IT employment growth has been sluggish in the Seattle MSA. The bulk of IT-related jobs in Seattle are in software publishing, and this sector added 2,500 jobs over the past twelve months. However, a loss of 2,200 jobs in telecommunications during the same period largely offset the gain in the software industry.

As the above two charts show, all major industry categories are now adding jobs in both Washington and Oregon. The service industries are performing uniformly well. The housing markets in the region are fully participating in the nation's housing boom, and the construction industry is making significant contributions to overall employment growth in the Pacific Northwest.

While the United States continues to shed manufacturing jobs, the region's manufacturing sector is faring better and expanding. Oregon relies on manufacturing more heavily

than the rest of the country and has managed to gain 6,300 manufacturing jobs since July 2004.

A big concern now is how long the machinists' strike at Boeing will last. The strike directly affects about 16,500 union members in the Puget Sound region and 900 more near Portland. With its improving economic conditions, this region can withstand such a shock much better than a few years ago. However, if protracted, the strike's ripple effect may be felt broadly, as so many manufacturers in the region depend upon orders from Boeing and the area's retailers count Boeing employees among their regular customers.

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Economic Forecast – September 2005

UNITED STATES	2003	2004	2005	2006
Real GDP Growth (%)	2.7	4.2	3.7	3.3
Unemployment (%)	6.0	5.5	5.1	4.9
CPI Change (%)	2.3	2.7	2.9	2.2
Federal Funds (%)	1.1	1.3	3.2	4.3
OREGON				
Employment Growth (%)	-0.6	2.1	3.4	2.6
Personal Income Growth	2.1	5.2	5.9	5.6
WASHINGTON				
Employment Growth (%)	0.1	1.5	2.5	2.5
Personal Income Growth	2.8	7.4	3.4	5.7

Bold: Actual.

The information in this report is based on data available as of September 7, 2005, and has been obtained from sources believed to be reliable, but its accuracy, completeness, and interpretation are not guaranteed. We do not think it should necessarily be relied upon as the sole source of information and opinion.