**GDP Growth**
Inflation Adjusted

**Banks Tightening Credit**
for Commercial & Industrial Loans

**TED Spread**
3-month LIBOR minus T-bills

**Commercial Banks**
percent of assets as of June 30

- Core capital
  - 7.9
- Real estate loans
  - 36.0
- Mortgage backed securities
  - 9.9

A recession until spring
1st reason for credit crunch
2nd reason cost of money for banks has shot up
3rd reason since end of quarter, banks capital has fallen
How Will We Recover?

1. Monetary policy very stimulative now.  
   (But remember the time lag: 6 to 12 months)

2. Bailout plan provides liquidity, capital to banks  
   (but banker attitudes will take some time to change)

3. After consumers cut back spending for a few months  
   money will burn holes in pockets

4. Exports, especially to Asia, will continue strong

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In a year or two, the Fed will have to absorb the liquidity they've been spreading around.
Oregon Employment
Recession hits here, too.

Washington Employment
Boeing & Microsoft help state weather the storm.

Portland Vacancy Rates
Non-residential real estate has held up well, but job losses will hurt.

Seattle Vacancy Rates
Office & Industrial

Source: CBRE

Bill Conerly gives speeches to management teams, trade associations, and customer groups. For fees and availability, call 503-675-3138.