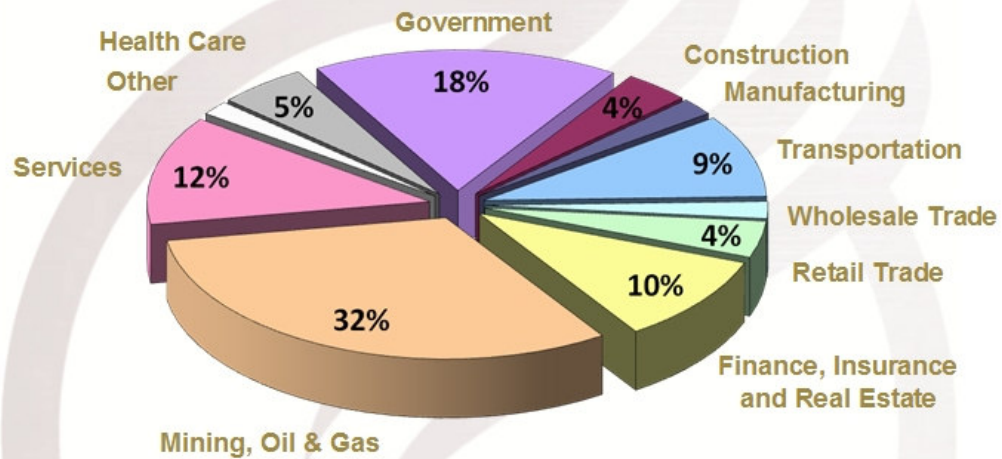


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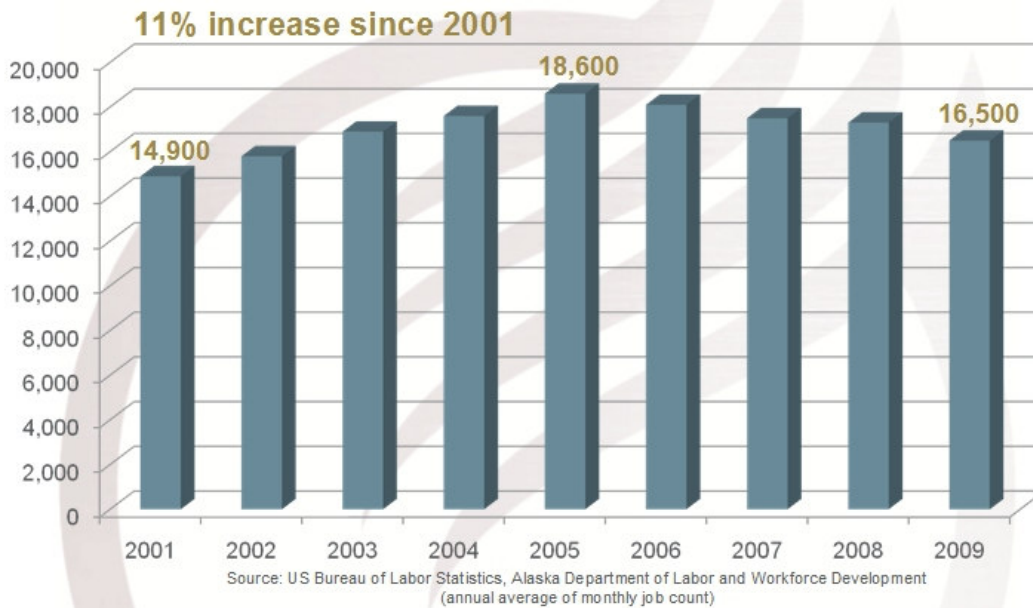
## Alaska Gross State Product



Source: U.S. Department of Commerce, Bureau of Economic Analysis  
Other consists of Agriculture, forestry, fishing, and Utilities – 2008 data

Roughly 1/3 of all GSP in Alaska comes from oil and gas activity. Pipeline activity counts from over half of the transportation sector (\$2.5 B out of \$4.3 B) and oil tax revenues finance over 90% of the state government general fund revenues. Metal mining represents about 2% of this sector. Government is about equally split between State and Federal at 9% each. Other consists of fishing, agriculture, timber and hunting. This sector declined the most in 2008, down 10%. Also utilities are included here. The largest growth areas in percentage terms were Professional and technical services (+13%), Mining (+11%) and Information Services (+9%).

## Alaska Construction Jobs

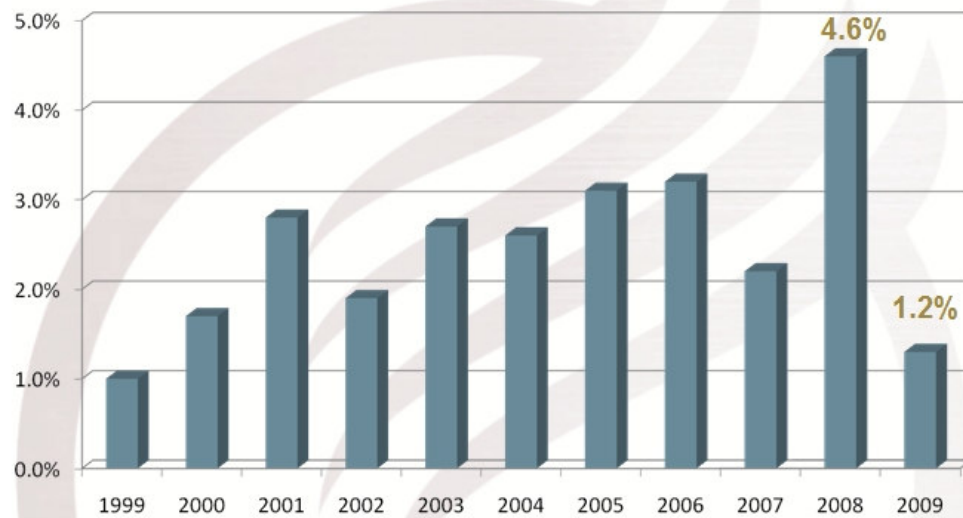


2009 is an estimated 800 jobs less than 2008 August to August. Peaked in 2005 and since then we have seen a large residential building decline while state capital budgets have led to growth in infrastructure construction and oil and gas activities have remained stable.

## Tourism Challenged

- \$2.1 billion direct impact, 36,000 jobs, \$209 million state/local taxes
- 1.6 million summer visitors - 7.3% reduction in 2009
  - 65% came by cruise ships, 836,500 people, flat in 2009
  - Air (-15%), Ferry (-16%), Highway (-8%) all declined in 2009
- Projected decline of 140,000 cruise ship passengers in 2010 (-17%)
- 13% decline in land tour packages from cruise ships
- 22% decline in Anchorage bed tax, 10% Mat-Su, 30% Sitka
- 23% decline in car rental tax
- 16% decline in non-resident sports fishing licenses

## Anchorage Inflation



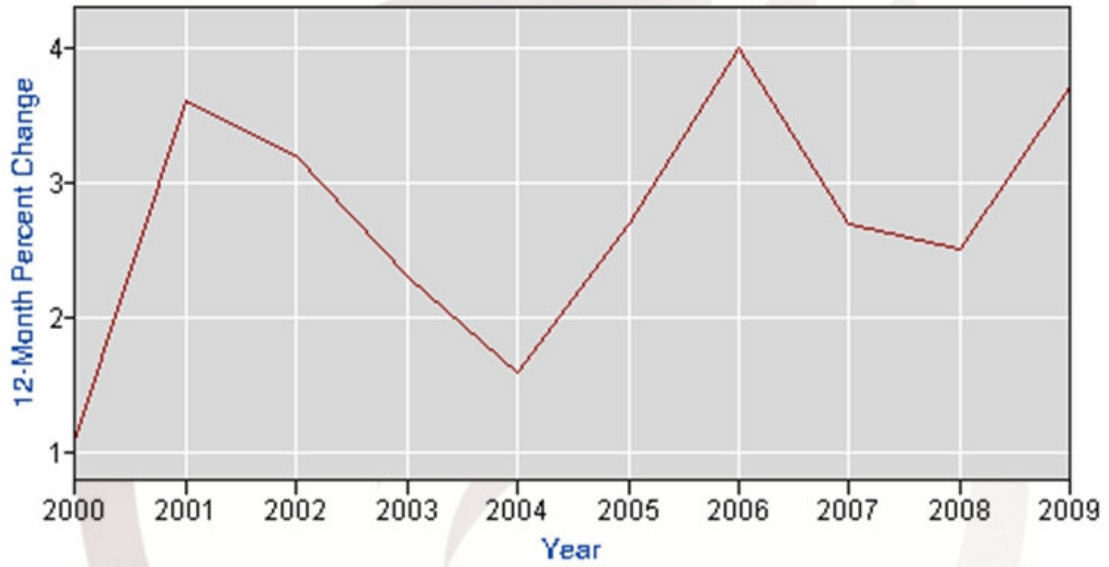
Source: US Department of Labor, Bureau of Labor Statistics

Inflation in Anchorage has only averaged 2.3% a year over the last decade Alaska's per capita income average has increased 35% since 2000, while inflation has increased 20.4% over the same period. Higher unemployment typically puts downward pressure on wages as more workers compete for jobs. The velocity of money circulating in the economy also slows as total wage earnings are lower and people are more cautious with their spending. Housing prices are down in the nation and flat in Alaska. This is the largest monthly expense for households and the largest input into inflation calculations. These factors lead to lower inflation. This is not to be confused with higher interest rates as borrowing risks increase and artificially low fed funds rates have to climb in the future.

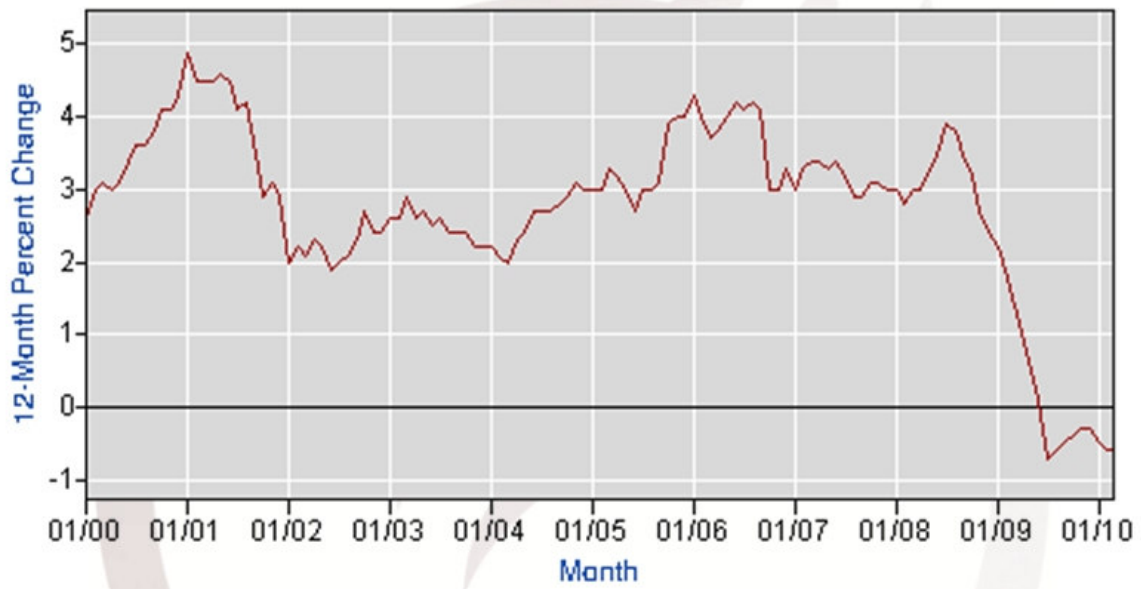
## Inflation fears are premature

- Less demand for money in a recession, more savings.
- Large banks are absorbing increases in the monetary base by holding more reserves.
- Unemployment is rising causing downward pressure on wages.
- Less demand for borrowed money, companies taking less risk.
- Tighter credit standards and more stringent regulations making development loans, personal loans, and credit cards harder to get.
- A large reduction in the collateralized debt obligation market for asset backed securities also reducing available credit.

### Alaska Housing Cost Inflation



### US Housing Cost Inflation



# Northrim



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