



# An Exploration of Similarities between National and Regional Economic Activity in the Inland Northwest

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## I. Executive Summary

This monograph examines the association between national economic activity and economic activity in the Inland Northwest. A common view is that the Inland Northwest does not follow the national economy very closely. However, most of the evidence put forth to support this view is largely anecdotal. Therefore, the purpose of this monograph is to examine whether or not this commonly held view is true.

This monograph's overriding conclusion is that regional economic activity, measured by the annual growth rate of real per capita personal income for eight Inland Northwest counties, has had a historically strong association with national economic activity. In other words, this study finds no compelling evidence that the behavior of the regional economy over the last three decades has been fundamentally divorced from the behavior of the national economy.

Using linear correlation and regression analysis, this study finds that:

- With the exception of Whitman and Lincoln Counties, there is a *statistically significant and positive* association between national and regional real personal income growth over a 33 year period, adjusted for transfer payments.
- In the case of Bonner and Pend Oreille Counties, the strength of their associations with the national economy saw a statistically significant decrease for the 1986–2002 period compared to the 1970–1985 period. This was not the case, however, for the other six counties
- Finally, with the exception of Lincoln and Whitman Counties, which have showed no significant correlation with the nation, the region has historically tracked the national economy *without* significant leads or lags measured in years.