

## Growth of Washington Region Expected to Normalize

### Dr. Stephen Fuller's Annual Review of Federal Procurement Projects Washington Region to Experience Slower Percentage Growth While Continuing to Outpace Other Regions

MCLEAN, Va., Sept. 7, 2006, Sep 7, 2006 (PRIMEZONE via COMTEX News Network) -- According to a study released today, the Washington area held onto its top spot on the list of the nation's strongest regional economies, despite a recent slowdown in federal procurement spending. In his annual survey of federal procurement spending, Dr. Stephen Fuller, director of George Mason University's Center for Regional Analysis, reports that federal procurements in the region increased by an estimated 2.5 percent in 2005, versus 19 percent in 2004, and nearly 17 percent in 2003. The region is also expected to exceed the projected 65,500 new jobs for 2006.

The "Washington Metropolitan Area Mid-Year Economic Review and Forecast" was funded for the third consecutive year by First Horizon Bank, with regional headquarters in McLean, Va. "Over the last four years, this region has seen extraordinary growth in federal procurement spending, which has attracted top innovators and technology companies to the Washington area," said Terrie G. Spiro, regional president of First Horizon. "While the percentage growth is normalizing, the total federal dollars the region expects to receive is still a very substantial figure and far outpaces other major markets. Our region's economic health should remain strong as we benefit from long-term contracts already in place, as well as the skills developed from previous contracts that are now transferable to private sector companies."

Fuller's report shows that the slowdown in procurement awards has not undercut the strength of the economy, services and research and development, but rather has affected the delivery of products that are only wholesaled through local vendors and are not manufactured locally. "With services and R&D playing a predominant role in the allocation of procurement dollars, the economic impact of last year's federal procurement spending reductions will be minor," said Fuller. "With the procurement of services and R&D increasing 6.8 percent over last year, the overall economic impact will be much less than what might at first be expected for such a significant deceleration of federal procurement dollars."

The Washington area economy has a historical dependence on federal spending, especially federal procurement. The rapid increase in federal procurement over the last few years fueled the growth of the private sector and increased the area's competitive position in the national economy. As federal procurement is projected to slow down over the next several years, the Washington area's overall growth will also begin to stabilize.

The Washington region continues to outpace the national average and the economies of most other major metropolitan areas. According to the Fuller report, the Washington area's unemployment rate is currently 3.3 percent -- one of the lowest unemployment rates among the 15 largest job markets in the United States.

"We have just finished going through the best of times," said Fuller. "This year, we are starting to normalize. Last year we reached a plateau on rapidly increasing spending; the government can only spend a certain amount of money on programs to ensure national security. We have moved into a maintenance period of those programs."

Key findings of the 2005 report are:

Washington Area Economy:

- Federal spending comprises approximately one-third of the Washington area economy, and after growing well above its long-term average rate over the past four years, its growth appears to have slowed sharply in 2005; this federal spending slowdown will impact the area's economic growth rate going forward;
- The Washington Coincident Index, which measures the current health of the economy, confirms that the economy has slowed over the second quarter after growing rapidly beginning in 2003; and
- The Washington Leading Index, which forecasts the economy's likely performance for the next six to eight months, has decreased in five of the last 10 months, pointing to slower growth over the remainder of 2006 and continuing into 2007.

## Jobs:

- The annual level of job growth in the Washington area has averaged 74,400 over the year's first half, running ahead of forecast by 9,000 jobs;
- Continuing job growth and low unemployment has resulted in an increasingly tight labor market and is causing labor shortages and growing wage pressures; and
- The Washington area economy is projected to add approximately 60,000 jobs in 2006 and achieve a growth rate falling in the 3.5 percent to 3.8 percent range.

## Housing:

- Consumer spending has slowed, with expenditures for "big ticket" items and discretionary purchases experiencing softer or deferred demand; and
- While the average price of all housing units sold in the Washington area over the first half of 2005 exceeded the average for the same period in 2006 by 7 percent, the number of sales has decreased significantly and listings (supply) have grown, raising concerns regarding the housing stock's future price stability.

Fuller notes that the Washington area economy is expected to continue to outperform the national economy and remain one of the strongest economies over the remainder of this decade. "The information provided through Dr. Fuller's report is vital to area businesses as they plan for the future," Spiro said. "Although the increase in federal procurement dollars has slowed down, we are still adding new jobs to the region and still have a shortage of qualified workers. Federal procurement increased by more than a billion dollars and we are still buying and selling houses. The bottom of the market has not fallen out from under us, and we will continue to have a strong economy. Proper strategic planning will be essential over the next few years in order to deal with the shift in federal spending."

## About First Horizon - Mid-Atlantic Region

First Horizon opened for business in the Mid-Atlantic region during December 2003 and now has 18 financial centers in the Washington and Baltimore areas. First Horizon plans to open two additional financial centers in the Baltimore region in September, one in Glen Burnie, Md., and one in Alexandria, Va., in the fourth quarter of 2006.

First Horizon offers a unique approach to banking by offering All Things Financial to consumers, small businesses and corporate clients including:

- Retail banking with extended hours of operation: 8 a.m. to 8 p.m. weekdays; 9 a.m. to 1 p.m. Saturdays
- Deposits accepted and posted in financial centers until 8 p.m.
- TOTALLY FREE ATM usage, including reimbursement of foreign ATM fees
- Commercial lending
- Treasury management
- Commercial real estate and home loans
- Private banking
- Insurance and investments
- Financial planning
- Trust services
- Merchant card services
- Check imaging service for businesses
- Free Online Banking and Bill Pay
- Customer service in more than 20 languages

## About First Horizon

First Horizon Bank is a division of First Tennessee Bank National Association, headquartered in Memphis, Tenn. Both banks are part of First Horizon National Corp. (NYSE:FHN), whose 12,000 employees provide financial services to individuals and business customers through hundreds of offices located in more than 40 states. The corporation's three major brands -- FTN Financial, First Horizon and First Tennessee -- provide customers with a broad range of products and services including:

- Capital markets, one of the nation's top underwriters of U.S. government agency securities
- Mortgage banking, one of the nation's top 25 mortgage originators and top 15 servicers, which earned a top-10 ranking in customer satisfaction from J.D. Power and Associates
- Retail/commercial banking, with the largest market share in Tennessee and one of the highest customer retention rates of any bank in the country

FHN companies have been recognized as some of the nation's best employers by AARP, Working Mother and Fortune magazines. FHN also was named one of the nation's 100 best corporate citizens by Business Ethics magazine. More information can be found at [www.FirstHorizon.com](http://www.FirstHorizon.com).

## About the Center for Regional Analysis

The Center for Regional Analysis conducts research and analytical studies on economic, fiscal, demographic, and social and policy issues related to the current and future growth of the Virginia, Maryland, and DC areas. Through its range of research and programs -- major economic impact studies, economic forecasts, fiscal analyses, conferences and seminars, publications, information services, and data products -- the Center's activities strengthen decision-making by businesses, governments, and institutions throughout the Greater Washington region.

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First Horizon Bank  
McKie Toney  
(703) 394-2501

Qorvis Communications  
Pierce Resler  
(703) 744-7836

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