Economic Review Meeting

September 2, 2015

Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE

ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

ECONOMIC REVIEW MEETING

September 2, 2015
2:30 p.m.

- Approval of meeting minutes: July 21, 2015
- Approval of meeting minutes: May 15, 2015
- Discussion: Open Government Trainings Act
- Discussion: EHB2267 implementation
- Presentation of economic outlook and revenue collection experience

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STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 □ Olympia, Washington 98504-0912 □ (360) 534-1560

Meeting Minutes
Budget Outlook

July 21, 2015

John A. Cherberg Building, Conference Rooms A, B, & C

Economic and Revenue Forecast Council

Members Present
Andy Hill, Senate (via phone)
Ross Hunter, House of Representatives (via phone)
Terry Nealey, House of Representatives (via phone)
David Schumacher, Office of Financial Management
Vikki Smith, Department of Revenue

Staff
Steve Lerch, Executive Director, ERFC

Budget Outlook representatives:
Richard Ramsey
Dave Johnson
Pam Davidson

Call to Order
The meeting was called to order by Director Schumacher at 4:04 pm.

Motion
Representative Hunter made a motion to approve the meeting minutes from July 17, 2015, seconded by Director Smith. Council approved the motion at 4:07 pm.

Motion
Senator Hill made a motion to extend the employment contract with the supervisor of the forecast, Stephen Lerch, seconded by Representative Hunter. The contract period is updated to July 1, 2015 through July 31, 2018 and will include a 3% cost of living increase, plus an additional 2% step increase. The motion passed unanimously at 4:07 pm.

Presentation on the Washington State Budget Outlook
Members from the Budget Outlook Work Group presented the enacted budget outlook for ESSB 6052.

Motion
Senator Hill made a motion to adopt the budget outlook as presented, seconded by Director Smith. The motion passed unanimously at 4:10 pm

Adjournment
Meeting adjourned at 4:10 pm.

STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

Capitol Plaza Building, PO Box 40912 □ Olympia, Washington 98504-0912 □ (360) 534-1560

Meeting Minutes
Special Meeting

May 15, 2015

John A. Cherberg, Hearing Room 1

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senate, Chair
Jim Hargrove, Senate
Ross Hunter, House of Representatives
Terry Nealey, House of Representatives (via phone)
James McIntire, State Treasurer
Vikki Smith, Acting Director, Department of Revenue
David Schumacher, Director, Office of Financial Management

Staff

Steve Lerch, ERFC

Call to Order

The meeting was called to order by Senator Hill at 2:31 p.m.

Motion

Director Smith made a motion to approve the meeting minutes from February 20, 2015, seconded by Treasurer McIntire. Council approved the motion at 2:31 p.m.

Motion

Director Smith made a motion to approve the meeting minutes from May 14, 2015, seconded by Treasurer McIntire. Council approved the motion at 2:32 p.m.

Forecast Presentation

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding the risks, employment, real estate excise taxes, and fiscal impacts of Senate Substitute Bill 5052 which regulates sales of medical cannabis.

Motion

Senator Hargrove moved, seconded by Senator Hill, that the baseline revenue forecast be adopted. Council unanimously approved the motion at 3:05 p.m.

Adjournment

Meeting adjourned at 3:05 p.m.

For discussion: Open Government Trainings Act

The Act requires basic open government training for members of a governing body of a public agency subject to open public meetings act. (RCW 42.30)

1. Have any members already completed the required training since July 2014?
2. Would the Council prefer to have an in-person presentation during the November economic/revenue review meeting?
3. Or, would the Council like to complete online training and send confirmation to be kept on file at the agency?

For more information and the training link, please see: http://www.atg.wa.gov/open-government-training

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Economic & Revenue Forecast Council
State of Washington

Economic Review: September 2, 2015

Executive Summary

- This preliminary forecast was based on a modified version of Global Insight's August 2015 Control forecast for the U.S. economy. As usual, we have adjusted real gross domestic product (GDP) to match the Blue Chip "Consensus" GDP forecast. In the August Blue Chip release, the average forecast for real GDP growth in 2015 and 2016 is 2.3% and 2.7% compared to 2.5 % and 2.8% in June. Because the next Blue Chip long-term forecast will not be released until October, the forecast for growth in 2017, 2018, and 2019 remains the same as in the previous forecast.
- Our oil price forecast continues to rely on the futures markets, primarily the Brent (North Sea) oil price but also the West Texas Intermediate (WTI) benchmark. This forecast was based on the closing prices for Brent and WTI futures on Friday, August 21, 2015. Near-term prices for both have declined sharply since the June forecast. The refiner acquisition price of crude oil in the fourth quarter of 2015 is now expected to average $42 per barrel compared to $64 in the June forecast. However, oil prices are expected to rise faster during the remainder of the forecast than assumed in June. By the end of 2019, the refiner acquisition price is expected to increase to $57 which is still less than the $69 assumed in June.
- The U.S. labor market continues to expand but at a slower pace than in 2014. Employment grew by 231,000 jobs in June and 215,000 jobs in July; this compares to average monthly gains of 260,000 jobs in 2014. The number of persons working part-time for economic reasons (i.e., cannot find full-time employment) declined to 6.2 million (SA), down from 6.4 million in June but still above pre-recession levels. The unemployment rate remained at 5.3% in July, down from 5.7% in January.
- The Conference Board index of consumer confidence, which had declined in July, increased 10.5 points to 101.5 in August. While the Conference Board found consumers more positive about the economy than in July, their survey data were collected before the recent volatility in the stock market. The University of Michigan consumer sentiment survey decreased by 1.2 points to 91.9 in August after having declined 3.0 points in July. The University of Michigan data were collected after the late August decline in the stock market.
- Initial claims for unemployment insurance decreased by 6,000 to 271,000 (SA) in the week ending August 22nd. Initial claims have remained under 300,000 for the last 25 weeks. The four-week moving average for initial claims increased by 1,000 to 272,050.
- August light motor vehicle sales increased 1.5% to 17.8 million units (SAAR). Vehicle sales have remained above 17 million units for four consecutive months.
- Industrial production increased by 0.6% (SA) in July after a revised 0.1% increase in June. Prior to June, industrial production had fallen for five

consecutive months. New orders for core capital goods (i.e., durables excluding aircraft and military), which are a proxy for business investment, increased by 2.2% (SA) in July after a revised increase of 1.4% in June. Manufacturing activity in August, as measured by the Institute for Supply Management's Purchasing Managers Index (PMI), decreased by 1.6 points to 51.6 (50 or higher indicates growth). Despite this month's slower pace, manufacturing activity has expanded for 32 consecutive months. The July non-manufacturing PMI increased by 4.3 points to 60.3; the August non-manufacturing survey data are not yet available.

- Home sales and construction activity continued to show strength in July. July housing starts increased by 0.2% compared to June and were above 1 million units for a fourth consecutive month. Housing units authorized by building permits in July decreased by 16.3% (SA) compared to June but were 7.5% above their July 2014 level. Existing home sales increased for a third consecutive month in July, rising by 2.0% (SA) compared to June. New single family home sales in July were 5.4% (SA) above the June level and 25.8% above July 2014 sales. While home prices continue to rise, the pace has slowed. The seasonally-adjusted Case-Shiller national home price index for June was just 0.1% above its May level and 4.5% above its year-ago level.
- Major threats to the U.S. and Washington economies remain, including a slowing Chinese economy, instability in the Middle East and the Ukraine, weaker export growth linked to a stronger dollar and concerns of a potential slowdown in housing activity if the Federal Reserve raises interest rates.

Washington

- We have three months of new Washington employment data since the June forecast was released. Total nonfarm payroll employment rose 19,800 (seasonally adjusted) in May, June, and July, just 1,600 more than the 18,300 expected in the June forecast. As is usually the case, most of the jobs created in May, June, and July were in private, service-providing sectors which added 18,100 jobs. The construction sector added 700 jobs in the last three months. The manufacturing sector lost 600 jobs in May, June, and July in spite of an increase of 200 in aerospace. Government payrolls expanded by 1,800 jobs in the last three months
- We have also incorporated another quarter of benchmark employment data from the Quarterly Census of Employment and Wages (QCEW). The new QCEW data and other revisions raised the estimated level of total employment in April 2015 by 9,500 jobs. As a result of the upward revision to history and slightly stronger-than-expected growth, the total effect is 11,000 (0.3%) more jobs in July 2015 than expected in the June forecast.
- The Microsoft layoffs first announced in July 2014 were completed by the end of December 2014. The June forecast had assumed that there would be no further major layoffs. However, in July 2015 Microsoft announced further cuts of up to 7,800 company-wide, mostly related to its phone business. We expect most of the cuts will be outside of Washington State as was the case in the previous round.
- As in June, we assume a gradual decline in aerospace employment throughout the forecast. We continue to believe that this downturn will be relatively mild due to the large and increasing backlog of orders. The current

reductions are due to improvements in productivity rather than reductions in production.

- In June, the Bureau of Economic Analysis released estimates for state personal income through the first quarter of 2015. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages and other wage data also through the first quarter. Our current estimate of Washington personal income in the first quarter of 2015 is $362.7 billion which is $0.2 billion (0.1%) lower than assumed in the June forecast.
- As expected in the June forecast, Washington housing permits declined sharply from an eight-year-high 53,600 units (SAAR) in the first quarter of 2015 to a more sustainable 36,800 units in the second quarter. The June forecast projected 37,400 units in the second quarter. We viewed the first quarter surge in permits with skepticism both because the weather was unseasonably mild and because the strength was in the volatile multi-family segment. This view appears to be validated by the recent data. Single-family permits totaled 18,900 units in the second quarter compared to the forecast of 19,200 units and 17,900 multi-family units were permitted compared to the forecast of 18,200 units.
- Seattle home price appreciation has slowed in recent months. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices increased 0.2% in June following a 0.1% decline in May. Seattle home prices are still up 7.4% over the previous June and are 35.2% higher than the November 2011 trough. Seattle area home prices have recovered to just 6.1% below the May 2007 peak.
- Seattle area consumer price inflation remains tame thanks mainly to falling energy costs. Over the last year, from June 2014 to June 2015, consumer prices in the Seattle area rose 1.6% compared to 0.2% for the U.S. city average. However, core prices, which exclude food and energy, were up 2.8% in Seattle compared to 1.8% for the nation. Seattle inflation was very close to the June forecast in the first half of 2015. As a result, the second quarter Seattle core index is just 0.1% higher than expected in the June forecast while the Seattle all items CPI is right on target.
- The Institute of Supply Management - Western Washington Index (ISM-WW) increased slightly from 51.4 in June to 53.6 in July (index values above 50 indicate positive growth while values below 50 indicate contractions). The production, orders, employment, and deliveries components all improved in July but the inventory component worsened. The last time the ISM-WW index was below 50 was July 2009.
- For the second consecutive month, Washington car and truck sales reached a new post-recession high. Washington new vehicle registrations jumped 3.5% in July to 311,100 (SAAR) following a 4.0% increase in June. The last time more than 300,000 (SAAR) new vehicles were registered in a month was November 2007, just before the onset of the Great Recession.
- Second quarter exports were down 0.4% over the year in spite of an 11.4% increase in transportation equipment exports (mostly Boeing planes). Exports other than transportation equipment were 17.0% lower than a year ago. The drop likely reflects the negative influence of a stronger dollar and weak growth abroad.

- Overall, our preliminary September forecast for Washington State is similar to the June forecast. Washington employment is expected to grow 3.0% this year compared to 2.6% expected in the June forecast. The upward revision to growth in 2015 is mostly due to revisions in the historical employment data. The preliminary September forecast for average annual employment growth from 2016 through 2019 is 1.6% per year, the same rate as in the June forecast. Our preliminary September forecast for nominal personal income growth this year of 5.2% is slightly higher than the 4.9% in the June forecast, however, our new forecast for nominal personal income growth from 2016 through 2019 averages 5.3% per year, down slightly from 5.6% in the June forecast.

Washington State Economic Outlook & Revenue Collection Experience

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

September 2, 2015
Olympia, Washington

WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

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Summary

- Oil prices are lower than in the June forecast
- Washington employment is slightly higher than expected in June
- Risks to the baseline include slowing economic growth in China, impact of a stronger dollar on exports, and stock market volatility
- Adjusted revenue collections since the June forecast are $117.1 million (2.5%) above expectations
- The Washington economy continues to grow, with employment rising in most sectors

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Economic news continues to suggest risks to forecast

- Upside:
  - Initial unemployment claims below pre-recession levels
  - Stronger housing starts and home sales (new and existing)
  - Manufacturing activity expanding
- Downside:
  - Slowing Chinese and emerging market economies, lackluster growth in Japan and Eurozone
  - Negative impact of stronger dollar on exports
  - Stock market volatility

Economic Review
September 2, 2015

Slide 2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Unemployment claims are below pre-recession levels

Source: U.S. Dept. of Labor; data through August 22, 2015

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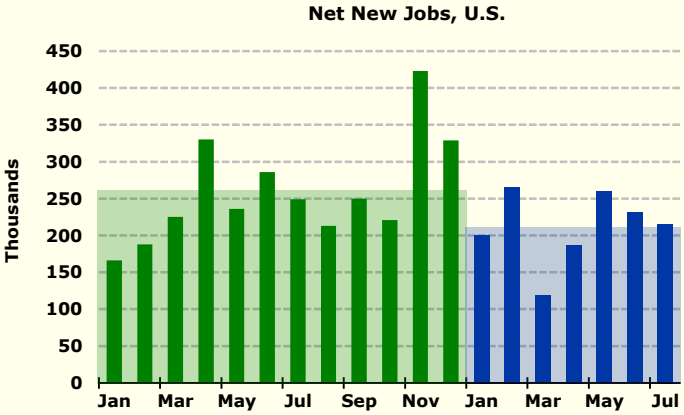
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Labor market continues to expand but at slower pace than in 2014

Average monthly employment change:

2014 = 260,000

2015 = 211,000 through July



Source: Bureau of Labor Statistics, data through July 2015

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Number of long-term unemployed workers remains above pre-recession levels

Long-term unemployed as share of all unemployed:

Apr. 2010: 45%

Jul. 2015: 27%

Source: Bureau of Labor Statistics; data through July 2015

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September 2, 2015

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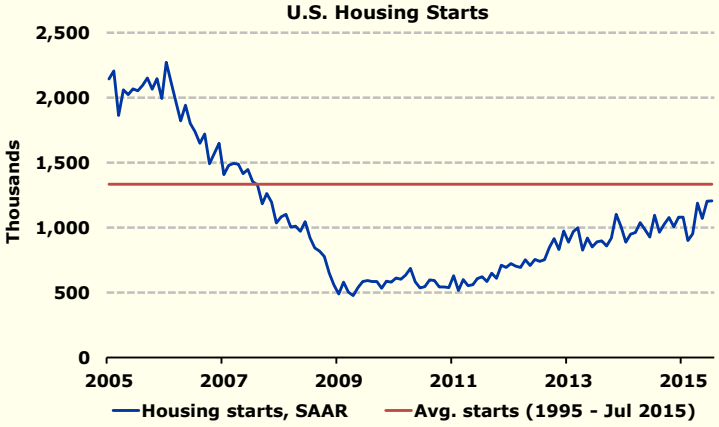
Housing starts are close to historic average



Source: U.S. Census; data through July 2015

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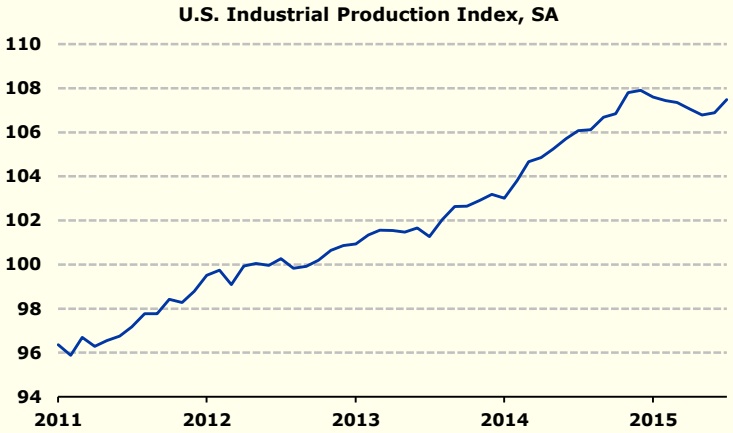
Industrial production has picked up in last two months



Source: Board of Governors, Federal Reserve; data through July 2015

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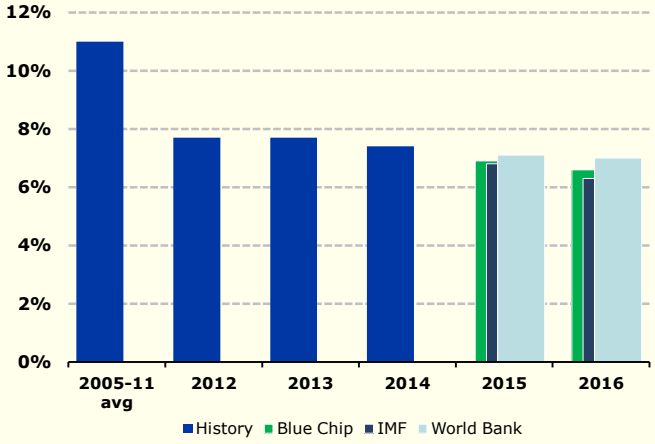
China's 2015 & 2016 GDP growth expected to be below 2014 rate



Source: Blue Chip, Aug. 2015 forecast; IMF, Jul. 2015 forecast; World Bank, Jun. 2015 forecast

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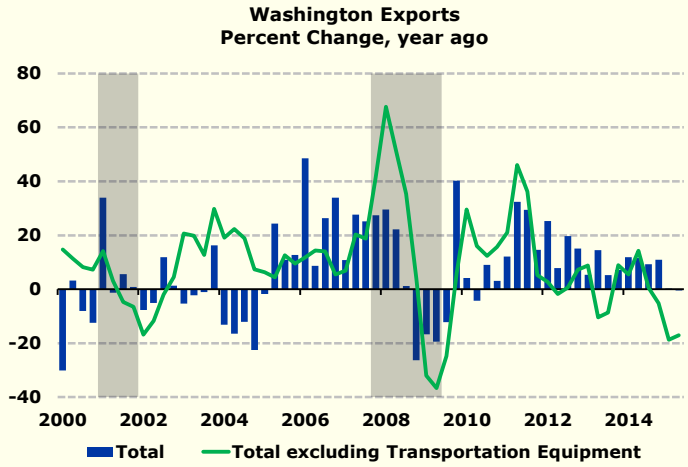
Non-transportation equipment exports have declined



Source: Wiser Trade Data; through 2015Q2

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Stock markets declined recently over concerns about China's economic growth

Although only 22% of households own stock or mutual funds outside of retirement accounts, stock prices can have a major impact on purchases

Sources: Federal Reserve Survey of Consumer Finances 2013; Dow Jones, daily data Jan 3 2014 through Aug 31 2015

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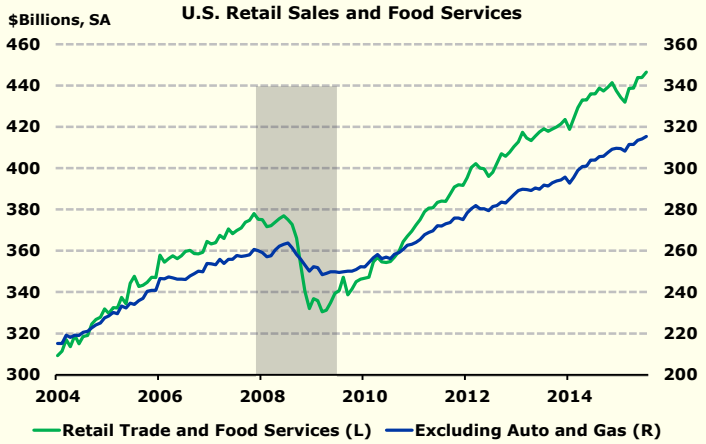
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

U.S. retail sales continue to increase

Preliminary U.S. retail trade and food services sales were up 1.8% year over year in June and 2.4% in July

Excluding autos and gas, sales were up 3.4% year over year in June and 3.8% in July



Source: U.S. Department of Commerce, Census Bureau; Data through July 2015 advance

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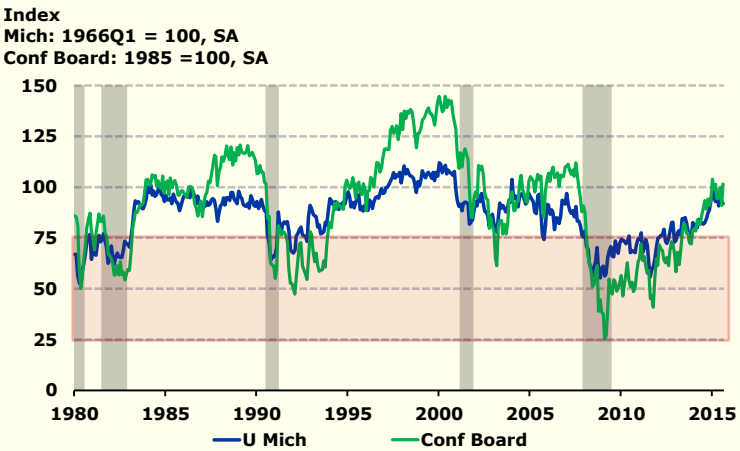
Consumer confidence trending up but recent stock market volatility appears to have had an impact

August Conference Board data were collected before recent stock market volatility, while University of Michigan data were collected after



Sources: University of Michigan, Conference Board; data through August 2015

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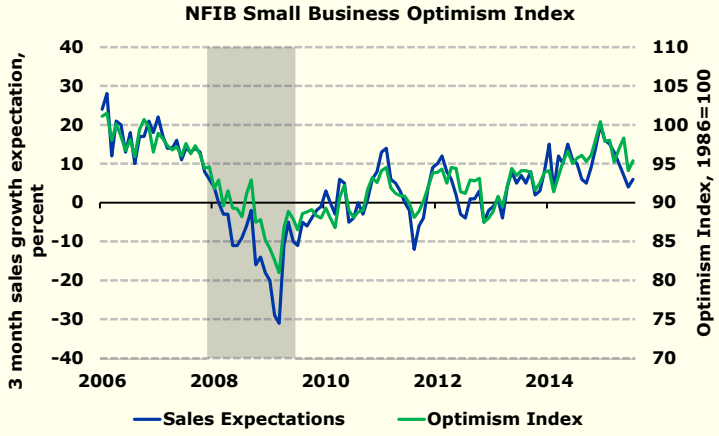
Small business optimism and sales expectations remain below pre-recession levels



Source: National Federation of Independent Business; data through July 2015

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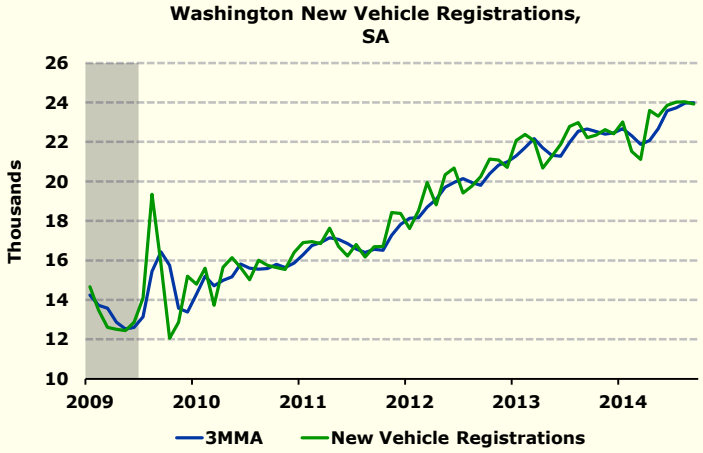
Washington new vehicle registrations continue to grow



Source: Dept. of Licensing, ERFC; data through July 2015

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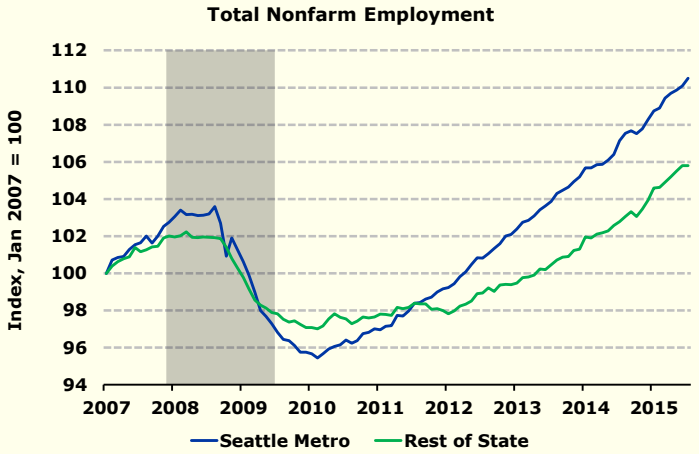
Seattle area employment continues to grow faster than the rest of the state



Source: Employment Security Department, ERFC; data through July 2015

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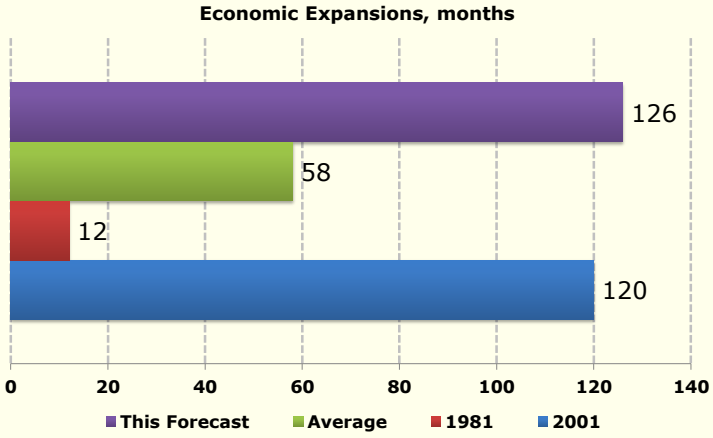
U.S. Economic Expansions since 1945



Sources: NBER, ERFC September 2015 Preliminary forecast

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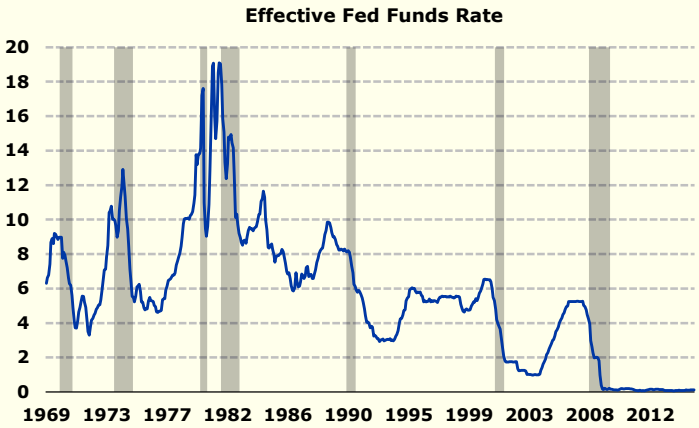
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Recessions often preceded by Fed rate increases but with a lag



Source: St. Louis Federal Reserve, NBER; data through July 2015

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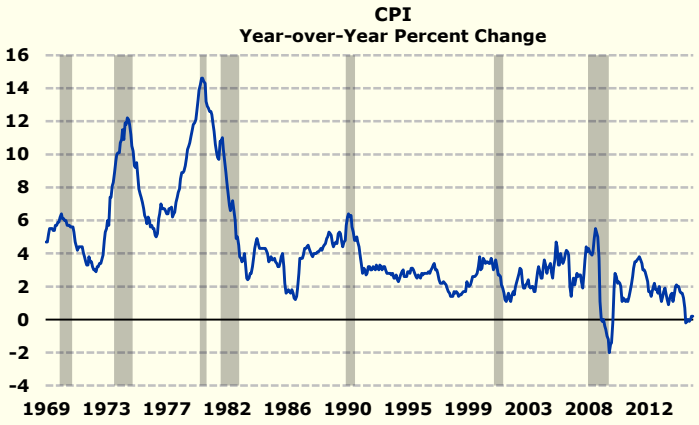
Recessions often preceded by an increase in inflation but also with a lag



Source: U.S. Bureau of Labor Statistics, NBER; data through July 2015

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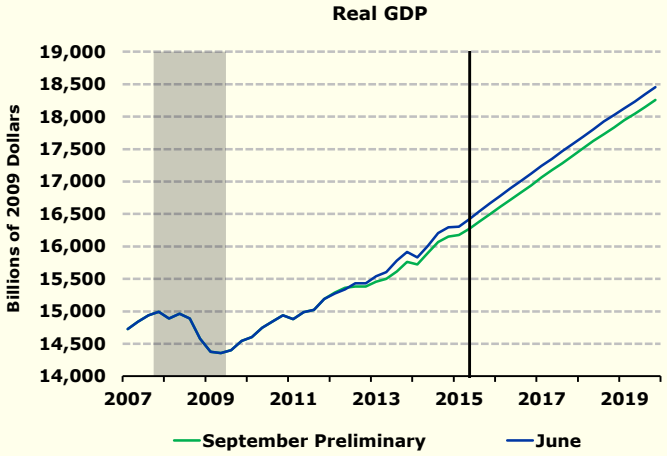
Historic data revisions have reduced the level of GDP but growth is quite similar to the June forecast



Source: Global Insight, ERFC September 2015 Preliminary forecast; historical data through 2015Q2

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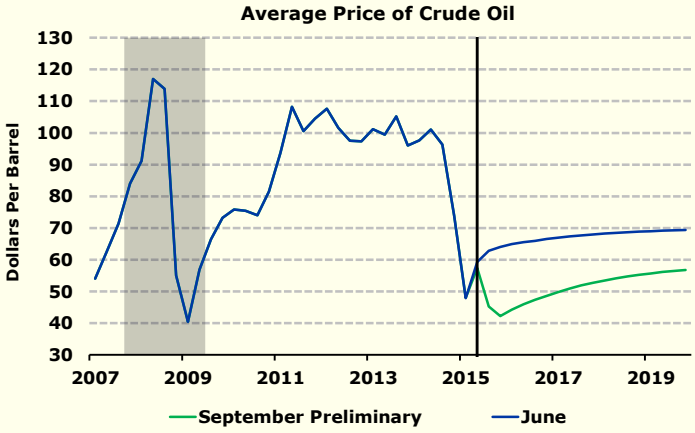
Oil prices are much lower than assumed in the June forecast



Source: DOE, ERFC September 2015 Preliminary forecast; historical data through 2015Q2

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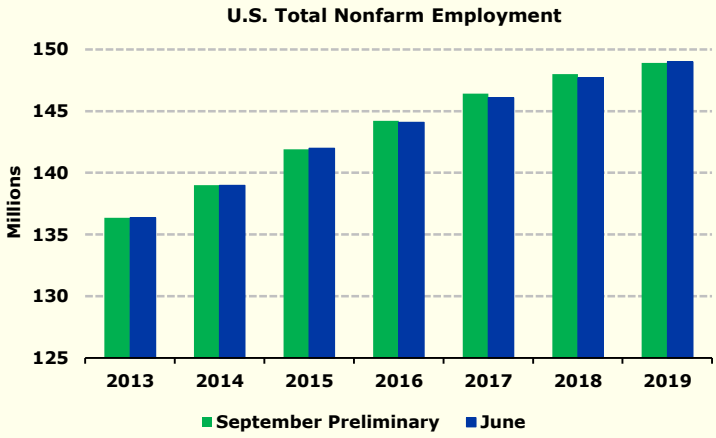
U.S. employment forecast essentially unchanged



Source: BLS, ERFC September 2015 Preliminary forecast; historical data through 2014

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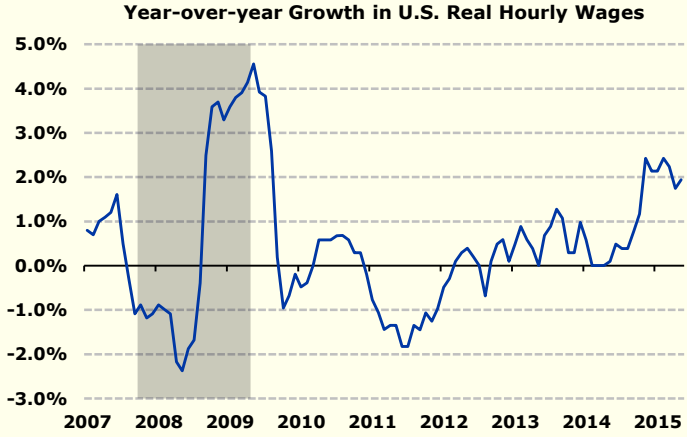
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Average U.S. wage growth has turned positive



Source: U.S. Bureau of Labor Statistics, data through July 2015

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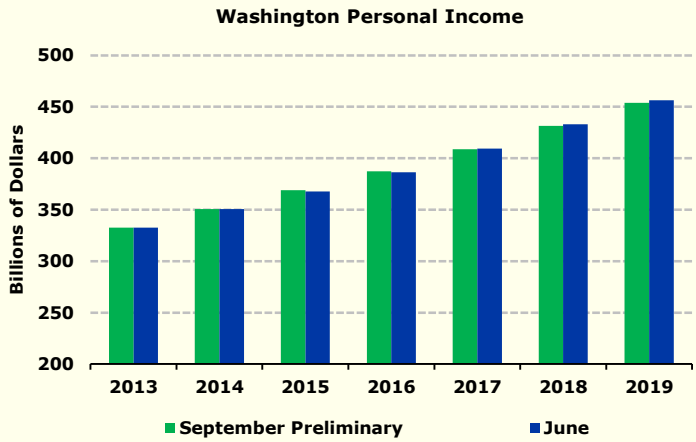
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Washington personal income is slightly higher in 2015-16, slightly lower in 2017-19



Source: ERFC September 2015 Preliminary forecast; historical data through 2014

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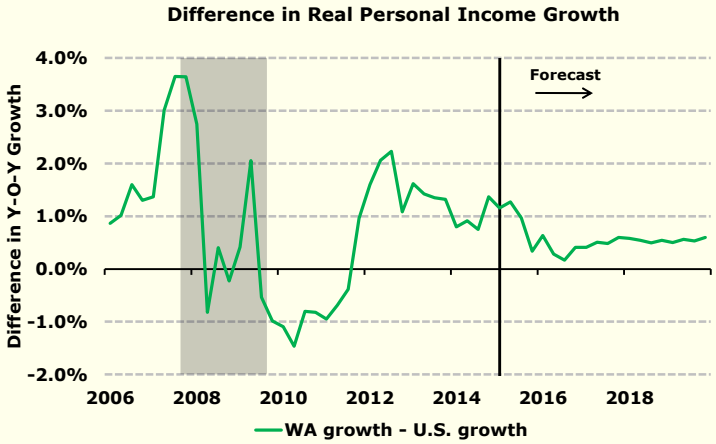
State personal income will grow slightly faster than the U.S.



Source: ERFC September 2015 Preliminary forecast; historical data through 2015Q1

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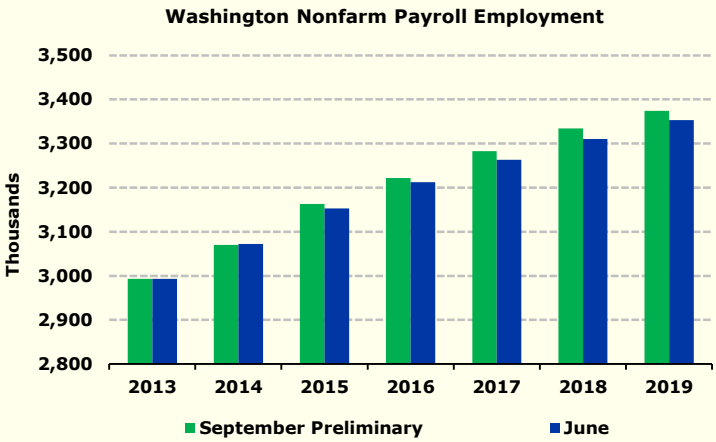
Washington employment forecast revised up slightly



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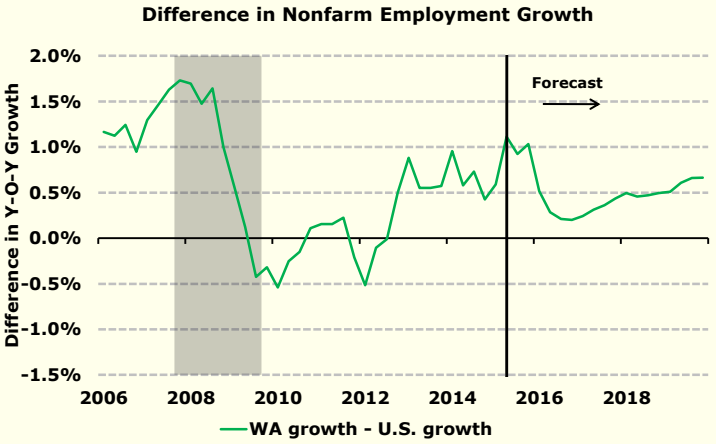
Source: ERFC September 2015 Preliminary forecast; historical data through 2014

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Washington employment will grow slightly faster than the U.S.



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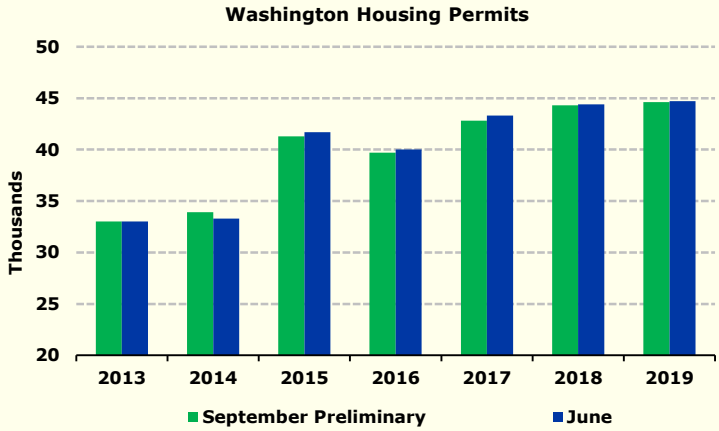
Source: ERFC September 2015 Preliminary forecast; historical data through 2015Q2

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Washington housing permits forecast is slightly lower than in June



Economic Review
September 2, 2015

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Source: ERFC September 2015 Preliminary forecast; historical data through 2014

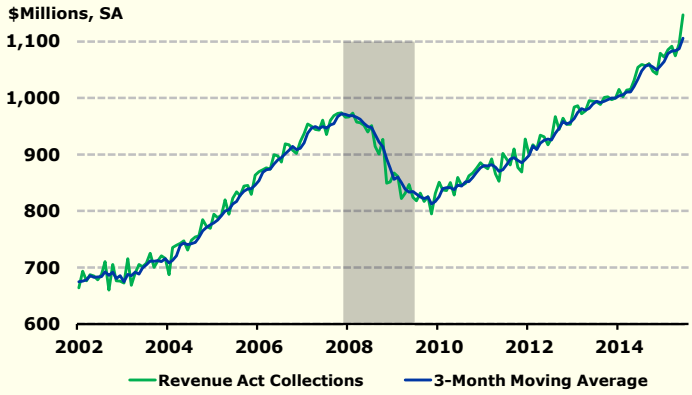
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

August spike in Revenue Act collections was quite large, boosted Q2 growth

Revenue Act receipts for 2nd quarter activity grew at 7.3% Y-O-Y.

Strong 2nd quarter growth was driven by construction, auto sales, and end of sharp oil price declines.

Preliminary collections for July activity indicate June's spike in collections was only temporary.



* Adjusted for large one-time transactions, amnesty payments and reporting frequency change, current definition of Revenue Act

Source: DOR and ERFC; monthly data through estimated June 2015 activity (Collections of August 10)

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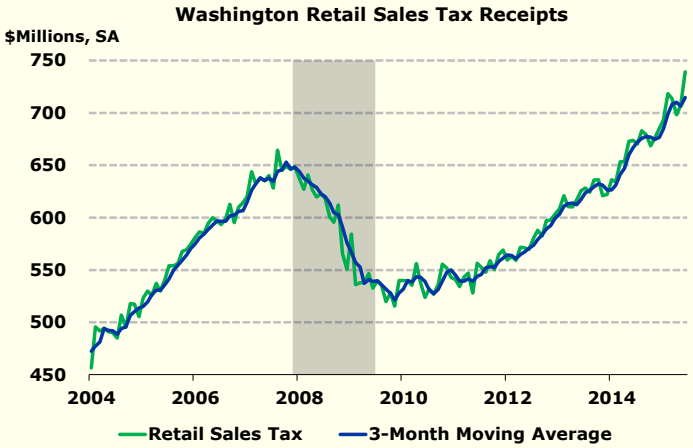
WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Sales tax growth is strong

Adjusted sales tax collections were up 8.4% Y-O-Y for 1st quarter activity and 8.3% for 2nd quarter activity.

Growth is being driven by sales in construction, autos, and building materials.



Adjusted for large payments/refunds, amnesty payments and taxpayer reporting frequency change

Source: ERFC; Monthly data through June 2015 preliminary activity (Collections of August 10)

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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Revenue collections to date

$69 million of the positive variance in DOR receipts is from Revenue Act receipts and $47 million is from real estate excise tax receipts.

Special factors: $7.8 million in net large one-time Revenue Act payments not included in forecast.

Cumulative Variance Since June Forecast
(May 11 – August 10, 2015)
dollars in thousands

	Estimate	Actual	Difference	Pct.
Dept. of Revenue	$4,631,308	$4,754,193	$122,884	2.7%
All other agencies	$31,774	$33,870	$2,096	6.6%
Total GF-S	**$4,663,082**	**$4,788,063**	**$124,981**	**2.7%**
Total excluding special factors	**$4,663,082**	**$4,780,239**	**$117,157**	**2.5%**

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

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Conclusion

- The economic forecast is similar to June's forecast with the notable exception of lower oil prices; we expect the modest pace of economic recovery to continue
- Washington is still likely to outperform the nation, but by a small margin
- Threats to economic expansion include slower economic growth in China, the impact of a stronger dollar on exports, and geopolitical unrest
- The next monthly collection report will be available on September 11th and the revenue forecast will be presented on September 14th

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL

Questions

Economic & Revenue Forecast Council
1025 E. Union Avenue, Suite 544
Olympia WA 98504-0912

www.erfc.wa.gov
360-534-1560

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U.S. Economic Forecast Comparison
August 2015

	2015Q2	2015Q3	2015Q4	2016Q1	2014	2015	2016	2017	2018	2019
Real GDP, Percent Change, Annual Rate										
ERFC (Preliminary September)	2.3	2.8	2.8	2.7	2.4	2.3	2.7	2.7	2.6	2.4
Global Insight	2.3	2.1	3.1	2.8	2.4	2.2	2.8	2.8	2.6	2.6
Economy.com	2.3	3.0	3.9	3.7	2.4	2.4	3.4	3.0		
Blue Chip Average*		2.7	2.8	2.7		2.3	2.7	2.7	2.6	2.4
Blue Chip Top 10*		3.5	3.2	3.1		2.5	3.0	2.9	2.9	2.9
Blue Chip Bottom 10*		2.2	2.5	2.2		2.2	2.5	2.3	2.2	1.9
Real Consumption, Percent Change, Annual Rate										
ERFC (Preliminary September)	2.9	3.0	3.0	2.8	2.7	3.0	2.9	2.7	2.5	2.5
Global Insight	2.9	3.1	3.2	3.1	2.7	3.0	3.1	2.9	2.7	2.5
Economy.com	2.9	4.0	5.0	4.4	2.7	3.3	4.3	3.9		
Blue Chip Average*		3.0	3.0	2.8		3.0	2.9	2.7	2.5	2.5
Blue Chip Top 10*		3.5	3.6	3.3		3.2	3.2	3.2	3.1	3.0
Blue Chip Bottom 10*		2.6	2.6	2.8		2.9	2.5	2.2	2.1	2.0
Federal Funds Rate										
ERFC (Preliminary September)	0.1	0.2	0.5	0.8	0.1	0.2	1.2	2.5	3.3	3.3
Global Insight	0.1	0.2	0.5	0.8	0.1	0.2	1.2	2.5	3.3	3.3
Economy.com	0.1	0.1	0.4	0.8	0.1	0.2	1.4	3.0		
Three Month T-Bill Rate										
ERFC (Preliminary September)	0.0	0.1	0.5	0.8	0.0	0.2	1.1	2.4	3.0	3.0
Global Insight	0.0	0.1	0.5	0.8	0.0	0.2	1.1	2.4	3.0	3.0
Blue Chip Average*		0.2	0.4	0.7		0.2	1.1	2.7	3.2	3.3
Blue Chip Top 10*		0.4	0.6	1.1		0.3	1.5	3.6	4.0	4.1
Blue Chip Bottom 10*		0.0	0.2	0.5		0.1	0.8	1.7	2.1	2.5
10-Yr. T-Note Yield										
ERFC (Preliminary September)	2.2	2.4	2.5	2.6	2.5	2.3	2.8	3.2	3.4	3.4
Global Insight	2.2	2.4	2.5	2.6	2.5	2.3	2.8	3.3	3.6	3.6
Economy.com	2.2	2.4	2.7	2.9	2.5	2.3	3.2	4.1		
Blue Chip Average*		2.4	2.6	2.7		2.3	2.9	3.9	4.2	4.3
Blue Chip Top 10*		2.5	2.7	2.9		2.4	3.3	4.6	4.8	5.0
Blue Chip Bottom 10*		2.3	2.4	2.5		2.2	2.6	3.1	3.3	3.5
Consumer Price Index, Percent Change, Annual Rate										
ERFC (Preliminary September)	3.0	1.7	-0.4	2.0	1.6	0.1	1.4	2.0	2.1	2.1
Global Insight	3.0	1.7	-0.7	2.6	1.6	0.1	1.7	2.4	2.6	2.4
Economy.com	3.0	0.3	1.4	2.4	1.6	0.0	2.0	3.0		
Blue Chip Average*		2.1	1.7	2.0		0.3	2.1	2.3	2.4	2.4
Blue Chip Top 10*		2.9	2.5	2.7		0.4	2.5	2.8	2.8	2.8
Blue Chip Bottom 10*		0.9	0.7	1.3		0.1	1.8	2.0	2.0	2.0
Payroll Employment, Millions										
ERFC (Preliminary September)	141.6	142.3	142.8	143.3	139.0	141.9	144.2	146.4	148.0	148.9
Percent Change, Annual Rate	1.7	1.9	1.3	1.4	1.9	2.1	1.6	1.6	1.1	0.6
Global Insight	141.6	142.3	142.8	143.2	139.0	141.9	144.1	146.2	147.8	149.1
Percent Change, Annual Rate	1.7	1.8	1.4	1.3	1.9	2.1	1.5	1.5	1.1	0.8
Economy.com	141.6	142.3	143.0	143.8	139.0	142.0	145.1	148.3		
Percent Change, Annual Rate	1.7	1.9	2.1	2.2	1.9	2.1	2.2	2.2		
Unemployment Rate, Percent										
ERFC (Preliminary September)	5.4	5.3	5.3	5.2	6.2	5.4	5.2	5.0	4.9	5.0
Global Insight	5.4	5.3	5.3	5.2	6.2	5.4	5.2	5.2	5.2	5.1
Economy.com	5.4	5.2	5.1	5.0	6.1	5.3	4.9	4.7		
Blue Chip Average*		5.3	5.1	5.0		5.3	4.9	4.9	5.0	5.0
Blue Chip Top 10*		5.3	5.2	5.2		5.4	5.1	5.4	5.4	5.5
Blue Chip Bottom 10*		5.2	4.9	4.8		5.3	4.5	4.3	4.2	4.2
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (Preliminary September)	1.5	4.3	3.0	3.5	2.7	3.3	3.2	3.4	3.6	3.0
Global Insight	1.5	4.2	3.3	3.1	2.7	3.3	3.0	3.2	3.3	2.9
Blue Chip Average*		2.7	2.7	2.6		3.2	2.6	2.8	2.7	2.5
Blue Chip Top 10*		4.0	3.5	3.5		3.6	3.3	3.3	3.2	3.1
Blue Chip Bottom 10*		1.6	2.1	1.8		2.9	2.1	2.3	2.1	1.9
West Texas Intermediate										
ERFC (Preliminary September)	58.0	44.4	41.2	43.3	93.0	48.0	45.5	50.2	53.6	55.7
Global Insight	58.0	47.7	42.7	47.7	93.0	49.3	54.4	66.9	78.5	87.5
Economy.com	57.7	52.1	54.5	56.4	93.2	53.2	58.1	65.1		

* Forecasts beyond 2016 are from the March 2015 Blue Chip Economic Indicators

U.S. Forecast Comparison						Fiscal Years
	2014	2015	2016	2017	2018	2019
Real GDP						
Billions of 2009 dollars						
September Preliminary Forecast	15,751	16,167	16,552	17,003	17,454	17,890
Growth	*2.1%*	*2.6%*	*2.4%*	*2.7%*	*2.7%*	*2.5%*
June Forecast	15,885	16,306	16,721	17,181	17,635	18,079
Growth	*2.5%*	*2.7%*	*2.5%*	*2.8%*	*2.6%*	*2.5%*
Difference in level	-134	-139	-168	-178	-181	-189
Difference in growth forecast	***-0.4%***	***0.0%***	***-0.2%***	***0.0%***	***0.0%***	***0.0%***
Real Consumption						
Billions of 2009 dollars						
September Preliminary Forecast	10,710	11,049	11,368	11,680	11,986	12,283
Growth	*2.1%*	*3.2%*	*2.9%*	*2.7%*	*2.6%*	*2.5%*
June Forecast	10,820	11,139	11,469	11,778	12,090	12,389
Growth	*2.4%*	*2.9%*	*3.0%*	*2.7%*	*2.6%*	*2.5%*
Difference in level	-110	-90	-101	-98	-104	-106
Difference in growth forecast	***-0.3%***	***0.2%***	***-0.1%***	***0.0%***	***0.0%***	***0.0%***
Implicit Price Deflator						
Index 2009 = 100						
September Preliminary Forecast	108.4	109.2	110.1	111.6	113.6	115.6
Growth	*1.4%*	*0.8%*	*0.8%*	*1.4%*	*1.7%*	*1.8%*
June Forecast	108.1	108.9	110.2	112.1	114.2	116.2
Growth	*1.3%*	*0.8%*	*1.1%*	*1.8%*	*1.8%*	*1.7%*
Difference in level	0.3	0.3	-0.1	-0.5	-0.6	-0.6
Difference in growth forecast	***0.2%***	***0.0%***	***-0.4%***	***-0.4%***	***-0.1%***	***0.0%***
Unemployment Rate						
Percent of Labor Force						
September Preliminary Forecast	6.8%	5.7%	5.3%	5.1%	5.0%	5.0%
June Forecast	6.8%	5.7%	5.1%	4.9%	4.9%	5.0%
Difference in forecast	***0.0%***	***0.0%***	***0.1%***	***0.2%***	***0.1%***	***-0.1%***
30 Year Fixed Mortgage Rate						
Annual Average						
September Preliminary Forecast	4.3%	3.9%	4.3%	4.8%	5.3%	5.3%
June Forecast	4.3%	3.9%	4.3%	5.1%	5.7%	5.8%
Difference in forecast	***0.0%***	***0.0%***	***-0.1%***	***-0.4%***	***-0.5%***	***-0.5%***
3 Month T-Bill Rate						
Annual Average						
September Preliminary Forecast	0.0%	0.0%	0.6%	1.7%	3.0%	3.0%
June Forecast	0.0%	0.0%	0.6%	1.9%	3.4%	3.5%
Difference in forecast	***0.0%***	***0.0%***	***0.0%***	***-0.3%***	***-0.5%***	***-0.5%***

Washington Forecast Comparison						Fiscal Years
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Real Personal Income						
Billions of 2009 dollars						
September Preliminary Forecast	314.4	329.7	343.5	356.1	370.1	382.9
Growth	*2.0%*	*4.9%*	*4.2%*	*3.6%*	*3.9%*	*3.5%*
June Forecast	315.2	330.3	341.6	354.4	368.9	382.9
Growth	*2.1%*	*4.8%*	*3.4%*	*3.8%*	*4.1%*	*3.8%*
Difference in level	-0.8	-0.6	1.9	1.6	1.1	0.1
Difference in growth forecast	***-0.1%***	***0.1%***	***0.8%***	***-0.1%***	***-0.2%***	***-0.3%***
Nominal Personal Income						
Billions of dollars						
September Preliminary Forecast	340.7	360.2	378.1	397.5	420.3	442.6
Growth	*3.4%*	*5.7%*	*5.0%*	*5.1%*	*5.7%*	*5.3%*
June Forecast	340.7	359.8	376.3	397.5	421.2	444.7
Growth	*3.4%*	*5.6%*	*4.6%*	*5.6%*	*6.0%*	*5.6%*
Difference in level	0.1	0.4	1.9	0.0	-0.9	-2.1
Difference in growth forecast	***0.0%***	***0.1%***	***0.4%***	***-0.5%***	***-0.2%***	***-0.3%***
Nonfarm Payroll Employment, End of Period						
Thousands						
September Preliminary Forecast	3,030.5	3,117.3	3,193.7	3,253.6	3,310.1	3,354.7
Growth	*2.5%*	*2.9%*	*2.5%*	*1.9%*	*1.7%*	*1.3%*
June Forecast	3,030.6	3,114.5	3,184.9	3,237.8	3,287.2	3,331.4
Growth	*2.5%*	*2.8%*	*2.3%*	*1.7%*	*1.5%*	*1.3%*
Difference in level	0.0	2.8	8.8	15.8	22.9	23.3
Difference in growth forecast	***0.0%***	***0.1%***	***0.2%***	***0.2%***	***0.2%***	***0.0%***
Housing Permits						
Units Authorized, Thousands						
September Preliminary Forecast	33.1	39.8	38.1	41.6	43.6	44.5
Growth	*5.3%*	*20.4%*	*-4.3%*	*9.3%*	*4.7%*	*2.2%*
June Forecast	32.8	39.6	38.4	42.0	43.8	44.6
Growth	*4.4%*	*21.0%*	*-3.1%*	*9.4%*	*4.3%*	*1.8%*
Difference in level	0.3	0.1	-0.4	-0.4	-0.3	-0.1
Difference in growth forecast	***0.9%***	***-0.6%***	***-1.2%***	***-0.1%***	***0.4%***	***0.4%***

Year-Over-Year Employment Growth by Industry
(July 2014 to July 2015)
Washington vs. U.S.

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	**95.0**	**3.1%**	**2.1%**
Construction	16.2	10.2%	3.8%
Retail Trade	17.9	5.3%	2.1%
Professional and Business Services	19.2	5.1%	3.5%
Financial Activities	5.9	3.9%	2.0%
Information Excluding Software	2.1	3.8%	NA
Transportation, Warehousing and Utilities	3.6	3.7%	3.0%
Leisure and Hospitality	10.8	3.7%	3.0%
Mining and Logging	0.2	3.4%	-7.1%
State and Local Gov Education	6.1	2.5%	0.3%
State and Local Gov Non-Education	4.7	2.3%	0.2%
Wholesale Trade	2.6	2.0%	1.4%
Other Services	2.0	1.8%	1.4%
Education and Health Services	4.0	0.9%	2.7%
Manufacturing Excluding Aerospace	1.4	0.7%	NA
Software Publishers	-0.9	-1.7%	NA
Aerospace Product and Parts Manufacturing	-2.3	-2.4%	NA
Information	1.1	1.0%	1.9%
Manufacturing	-0.9	-0.3%	1.3%

Source: WA State ERFC Kalman filtered data, U.S. Bureau of Labor Statistics

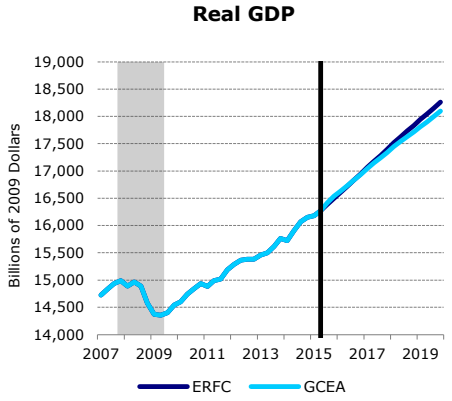
County Taxable Retail Sales
Quarter 1, 2014 to Quarter 1, 2015
(Dollars in Thousands)

Rank	County	1st Quarter, 2014	1st Quarter, 2015	Percent Change	Taxbase Distribution
1	Garfield	4,254	6,412	50.7%	0.0%
2	Grant	367,562	446,947	21.6%	1.5%
3	Mason	113,723	136,631	20.1%	0.5%
4	San Juan	69,771	80,101	14.8%	0.3%
5	Walla Walla	169,674	193,964	14.3%	0.7%
6	Clark	1,156,100	1,316,117	13.8%	4.4%
7	Franklin	264,225	298,817	13.1%	1.0%
8	**King**	**10,943,896**	**12,088,336**	**10.5%**	**40.7%**
9	Chelan	300,196	330,256	10.0%	1.1%
10	Whitman	137,805	151,496	9.9%	0.5%
11	Thurston	908,482	997,639	9.8%	3.4%
12	Asotin	59,449	65,227	9.7%	0.2%
13	Jefferson	81,362	89,095	9.5%	0.3%
14	Lincoln	22,164	24,254	9.4%	0.1%
15	Benton	715,827	782,610	9.3%	2.6%
	Statewide	**27,265,889**	**29,712,715**	**9.0%**	**100.0%**
16	Island	175,707	190,456	8.4%	0.6%
17	Yakima	764,428	828,523	8.4%	2.8%
18	Kitsap	770,882	833,519	8.1%	2.8%
19	**Snohomish**	**2,579,542**	**2,766,933**	**7.3%**	**9.3%**
20	Lewis	241,993	259,422	7.2%	0.9%
21	Skagit	517,780	554,777	7.1%	1.9%
22	**Pierce**	**2,891,986**	**3,096,636**	**7.1%**	**10.4%**
23	Spokane	1,740,041	1,857,459	6.7%	6.3%
24	Skamania	17,738	18,902	6.6%	0.1%
25	Clallam	206,336	218,725	6.0%	0.7%
26	Whatcom	754,897	795,168	5.3%	2.7%
27	Adams	59,953	62,960	5.0%	0.2%
28	Grays Harbor	195,194	204,786	4.9%	0.7%
29	Kittitas	158,280	165,354	4.5%	0.6%
30	Okanogan	113,277	117,560	3.8%	0.4%
31	Stevens	78,608	81,242	3.4%	0.3%
32	Pacific	46,827	47,750	2.0%	0.2%
33	Cowlitz	336,381	331,691	-1.4%	1.1%
34	Klickitat	52,770	51,206	-3.0%	0.2%
35	Douglas	173,126	159,865	-7.7%	0.5%
36	Pend Oreille	34,478	31,312	-9.2%	0.1%
37	Ferry	9,266	8,075	-12.9%	0.0%
38	Wahkiakum	6,692	5,592	-16.4%	0.0%
39	Columbia	25,214	16,900	-33.0%	0.1%
King/Snohomish/Pierce		16,415,424	17,951,905	9.4%	60.4%
Remainder of State		10,850,465	11,760,810	8.4%	39.6%

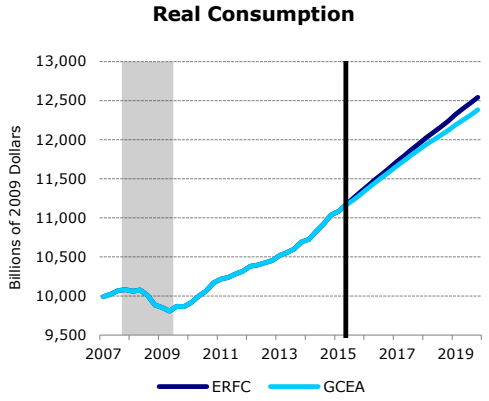
Governor's Council of Economic Advisor's Forecast **Calendar Years**

	2015	2016	2017	2018	2019
U.S.					
Real GDP					
Growth					
ERFC	2.3	2.7	2.7	2.6	2.4
GCEA Average	2.4	2.6	2.5	2.3	2.1
Real Consumption					
Growth					
ERFC	3.0	2.9	2.7	2.5	2.5
GCEA Average	2.9	2.6	2.5	2.2	2.1
Implicit Price Deflator, PCE					
Growth					
ERFC	0.3	1.2	1.6	1.8	1.8
GCEA Average	0.6	1.6	1.7	1.7	1.8
Mortgage Rate					
Percent					
ERFC	4.0	4.5	5.0	5.3	5.3
GCEA Average	4.1	4.7	5.2	5.5	5.4
Oil Price (Brent)					
Dollars per barrel					
ERFC	53.5	50.9	56.0	59.1	60.9
GCEA Average	50.0	52.3	55.5	58.4	60.3
What will China's real GDP growth rate be in 2016?	6.1				
Washington State					
Real Personal Income					
Growth					
ERFC	4.9	3.7	3.9	3.7	3.3
GCEA Average	4.6	3.7	3.5	3.3	3.0
Wage and Salary Employment					
Growth					
ERFC	3.0	1.9	1.9	1.5	1.2
GCEA Average	2.9	2.0	1.7	1.4	1.2
Manufacturing Employment					
Growth					
ERFC	0.0	0.7	1.3	1.3	1.1
GCEA Average	0.5	0.5	0.5	0.4	0.4
Construction Employment					
Growth					
ERFC	9.8	2.9	4.2	4.8	3.5
GCEA Average	9.4	3.7	4.0	3.5	2.2
Housing Permits					
Thousands of authorized units					
ERFC	41.3	39.7	42.8	44.3	44.6
GCEA Average	39.3	40.3	43.1	43.5	43.4
Washington Average Annual Wage					
Growth					
ERFC	2.6	3.3	3.3	3.7	4.0
GCEA Average	2.5	3.0	3.1	3.1	3.1

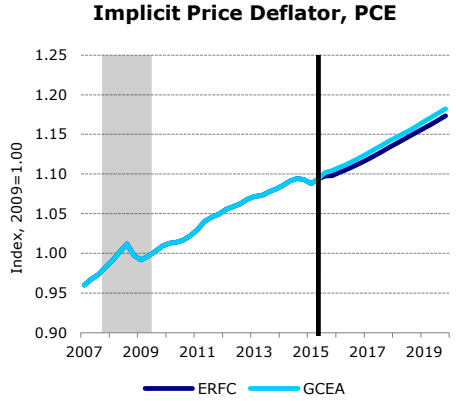
U.S. Forecast Comparison



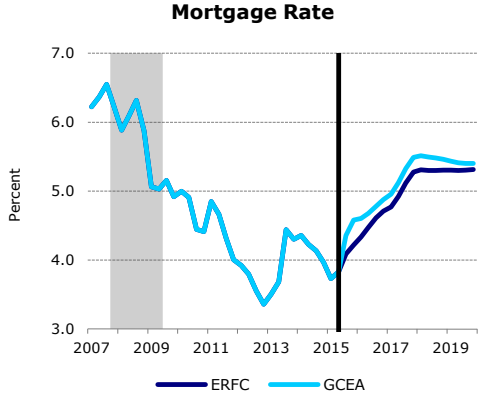
Source: BEA, ERFC, GCEA; data through 2015 Q2



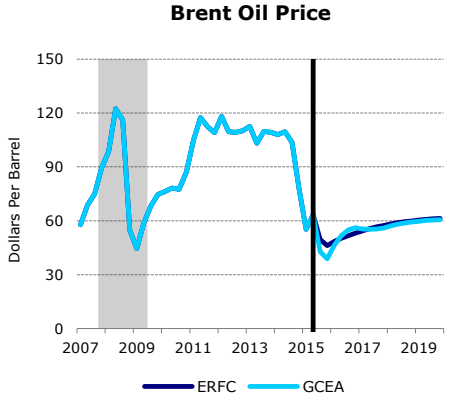
Source: BEA, ERFC, GCEA; data through 2015 Q2



Source: BEA, ERFC, GCEA; data through 2015 Q2



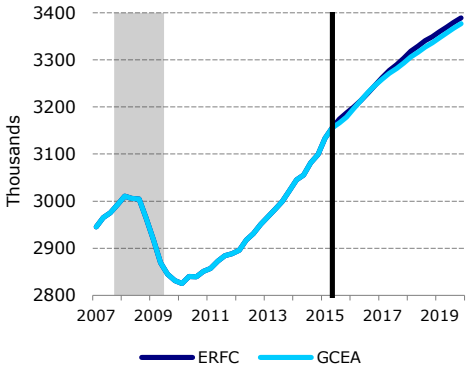
Source: Freddie Mac, ERFC, GCEA; data through 2015 Q2



Source: EIA, ERFC, GCEA; data through 2015 Q2

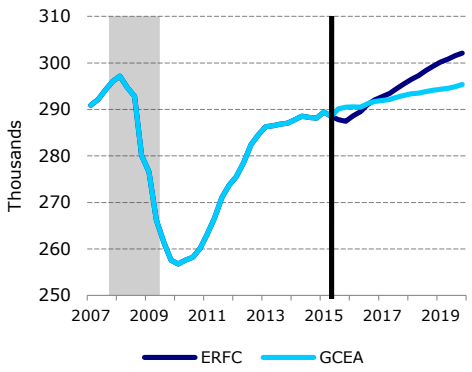
Washington Forecast Comparison

Nonfarm Payroll Employment



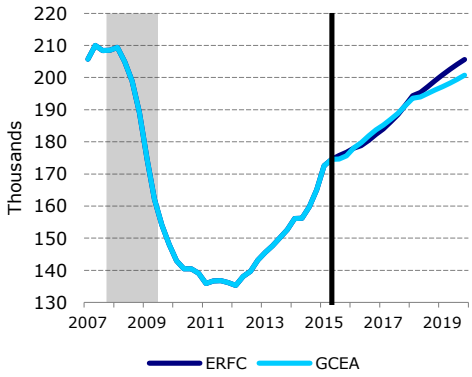
Source: ESD, ERFC, GCEA; data through 2015 Q2

Manufacturing Employment



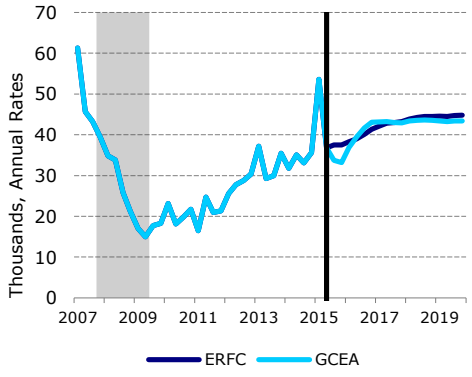
Source: ESD, ERFC, GCEA; data through 2015 Q2

Construction Employment



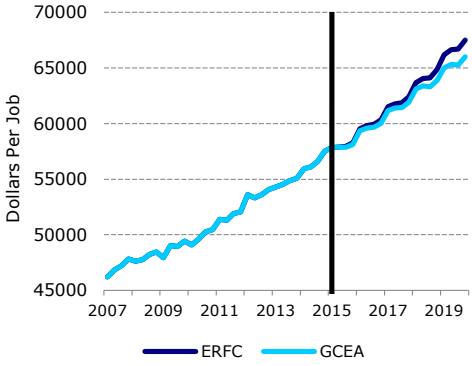
Source: ESD, ERFC, GCEA; data through 2015 Q2

Housing Units Authorized



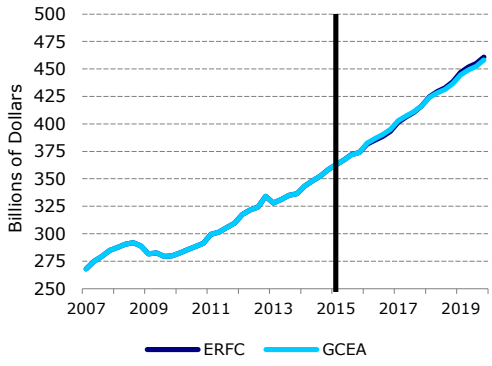
Source: Census, ERFC, GCEA; data through 2015 Q2

Average Annual Wage



Source: BEA, ERFC, GCEA; data through 2015 Q1

Personal Income



Source: BEA, ERFC, GCEA; data through 2015 Q1