

# Economic Review Meeting

February 3, 2016



Washington State  
Economic and Revenue Forecast Council

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WASHINGTON STATE  
**ECONOMIC AND REVENUE FORECAST COUNCIL**

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## AGENDA

### **ECONOMIC REVIEW MEETING**

February 3, 2016  
10:00 a.m.

- Approval of meeting minutes: November 18, 2015
- Approval of meeting minutes: January 27, 2016
- 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**

### **Revenue Review**

November 18, 2015

John A. Cherberg, Hearing Room 4

#### **Economic and Revenue Forecast Council**

##### *Members Present*

Andy Hill, Senator, Chair (via phone)  
Jim Hargrove, Senator  
Terry Nealey, House of Representatives  
Hans Dunshee, House of Representatives  
Vikki Smith, Department of Revenue  
David Schumacher, Office of Financial Management  
James McIntire, Treasurer

##### *Staff*

Steve Lerch, Executive  
Director, ERFC

#### **Call to Order**

The meeting was called to order by Director Schumacher at 10:06 a.m.

#### **Motion**

Treasurer McIntire made a motion to approve the meeting minutes from November 4, 2015, seconded by Director Schumacher. Council approved the motion at 10:06 a.m.

#### **Forecast Presentation**

Dr. Lerch presented information on the final economic and revenue forecast. Dr. Lerch summarized the forecast changes. Discussion ensued regarding export data, the cannabis forecast, and long-term personal income growth.

#### **Motion**

Representative Nealey moved, seconded by Senator Hill, that the baseline revenue forecast be adopted. Council unanimously approved the motion at 10:37 a.m.

#### **Presentation on the Washington State Budget Outlook**

Members from the Budget Outlook Work Group presented the November 2015 Outlook. Discussion ensued regarding updates to the outlook and recent updates to the caseload forecast.

#### **Adjournment**

Meeting adjourned at 10:51 a.m.



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### **Meeting Minutes Budget Outlook**

January 27, 2016

John A. Cherberg Building, Hearing Room 4

#### **Economic and Revenue Forecast Council**

##### *Members Present*

Andy Hill, Senate, ERFC Chair  
Jim Hargrove, Senate  
Terry Nealey, House of Representatives  
Hans Dunshee, House of Representatives  
Jim McIntire, Treasurer  
David Schumacher, Office of Financial Management  
Vikki Smith, Department of Revenue

##### *Staff*

Steve Lerch, Executive Director, ERFC

##### *Budget Outlook representatives:*

Michael Bezanson, Senate  
Pam Davidson, OFM  
Melissa Palmer, House

#### **Call to Order**

The meeting was called to order by Senator Hill at 10:02 a.m.

#### **Motion**

Director Smith made a motion to approve the meeting minutes from January 13, 2016, seconded by Treasurer McIntire. Council approved the motion at 10:03 a.m.

#### **Presentation on the Washington State Budget Outlook**

Members from the Budget Outlook Work Group presented on the outlook for the Governor's proposed budget. Discussion ensued regarding fire suppression, managed care rates, and separating education funding from the line "enacted appropriations" on the outlook spreadsheet.

#### **Motion**

Senator Hargrove made a motion to postpone the adoption of the budget outlook until February 17<sup>th</sup>, 2016 when more information could be provided regarding growth rates on managed care expenditures, seconded by Representative Dunshee. The motion passed at 10:21 a.m.

#### **Adjournment**

Meeting adjourned at 10:22 a.m.

**Economic & Revenue Forecast Council  
State of Washington**



**Economic Review: February 3, 2016**

**Executive Summary**

- This preliminary forecast was based on a modified version of Global Insight's January 2016 Control forecast for the U.S. economy. The forecast was produced prior to the January 29<sup>th</sup> GDP release in which real GDP is estimated to have grown at a 0.7% rate (SAAR) in the fourth quarter of 2015. The forecast assumed a 1.2% rate. The final February forecast will incorporate the new data. As usual, we have adjusted real gross domestic product (GDP) to match the Blue Chip "Consensus" GDP forecast. In the January Blue Chip release, the average forecast for real GDP growth in 2016 is 2.5%, down slightly from 2.6% in November. The Blue Chip forecasts for 2017 through 2019 were unchanged at 2.5%, 2.4%, and 2.2%. The current forecast is the first to extend through 2021. The Blue Chip average forecast for growth in 2020 and 2021 is 2.2% in each year.
- 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 Wednesday, January 27, 2016 closing prices for Brent and WTI futures. The latest futures prices are much lower than the prices used in the November forecast. The refiner acquisition price of crude oil in the first quarter of 2016 is now expected to average \$31 per barrel compared to \$49 in the November forecast. As in November, oil prices are expected to rise during the remainder of the forecast. By the end of 2021, the refiner acquisition price is expected to increase to \$49 per barrel.
- The U.S. labor market expanded by a monthly average of 221,000 net new jobs in 2015, slightly slower than the 260,000 average monthly gain in 2014. However, job gains were strong in the fourth quarter, averaging 284,000 net new jobs per month. The number of persons working part-time for economic reasons (i.e., cannot find full-time employment) declined by 764,000 over the year to 6.0 million (SA) in December, but remains above pre-recession levels. The unemployment rate in December was 5.0% (SA), the same as in October and November.
- After increasing in December, the two major consumer confidence measures moved in opposite directions in January. The University of Michigan index of consumer sentiment declined 0.6 points to 92.0 in January, while the Conference Board index of consumer confidence rose 1.8 points to 98.1 in January. The University of Michigan survey data cited the negative impact of stock market volatility and slower economic growth on consumer sentiment; the increase in the Conference Board index was due to a slightly more optimistic view of business conditions and the labor market over the next six months.
- Initial claims for unemployment insurance decreased by 16,000 to 278,000 (SA) in the week ending January 23<sup>rd</sup>. The four-week moving average of initial claims decreased by 2,250 to 283,000.

- Light motor vehicle sales declined from 18.2 million units (SAAR) in November to 17.3 million units in December. However, at 17.5 million units for the year, 2015 sales were at their highest level in 15 years.
- Industrial production continued to decline in December, falling by 0.4% (SA) compared to November and by 1.8% compared to its December 2014 level. New orders for core capital goods (i.e., durables excluding aircraft and military), which are a proxy for business investment, decreased by 4.3% (SA) in December according to the U.S. Census advanced report. Manufacturing activity in January, as measured by the Institute for Supply Management's Purchasing Managers Index (PMI), increased by 0.2 points to 48.2 (50 or higher indicates growth). This is the fourth consecutive month that manufacturing activity has contracted. Non-manufacturing activity continued to expand in January, although at a slower pace, as the PMI decreased by 2.3 points to 53.5. This marks the 72<sup>nd</sup> consecutive month of expansion in the non-manufacturing sector.
- The housing market continues to recover. December housing starts decreased by 2.5% (SA) compared to November but total starts for 2015 were 10.8% above their 2014 level. Housing units authorized by building permits in December decreased by 3.9% (SA) compared to November; total 2015 building permits were 12.0% above their 2014 level. Existing home sales increased in December by 14.7% (SA) compared to November. The 5.46 million sales of homes and condominiums in 2015 were the highest annual total since 2006. New single family home sales in December were also strong, increasing by 10.8% (SA) above their November level. A total of 501,000 new single family homes were sold in 2015, the highest level since 2007. The seasonally-adjusted Case-Shiller national home price index for November was 0.9% above its October level and 5.3% above its year-ago level.
- Major threats to the U.S. and Washington economies remain, including a slowing global economy, weaker export growth linked to a stronger dollar, and the potential impacts of stock market volatility.

## Washington

- We have two months of new Washington employment data since the November forecast was released. Total nonfarm payroll employment rose 13,600 (seasonally adjusted) in November and December, 4,900 more than the 8,700 expected in the November forecast. Private, service-providing sectors added 8,300 jobs in the last two months. The construction sector added 2,300 jobs in the last two months and the manufacturing sector added 700 jobs thanks to an increase of 500 in aerospace. Government payrolls expanded by 2,200 jobs in November and December.
- 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 lowered the estimated level of total employment in October 2015 by 2,700 jobs. As a result of the downward revision to history but stronger-than-expected growth, the total effect is 2,100 (0.1%) more jobs in December 2015 than expected in the November forecast.
- As in November, we assume a gradual decline in aerospace employment through 2019. We project no change in aerospace employment in the final

two years of the forecast. We continue to believe that this downturn will be relatively mild due to the large backlog of orders. The current reductions are due to improvements in productivity rather than reductions in production.

- In December, the Bureau of Economic Analysis released estimates for state personal income through the third quarter of 2015. We have incorporated the new BEA estimates as well as additional Washington Quarterly Census of Employment and Wages (QCEW) and other wage data also through the third quarter. Our current estimate of Washington personal income in the third quarter of 2015 is \$372.5 billion which is \$1.5 billion (0.4%) higher than assumed in the November forecast.
- Washington housing permits improved to 36,600 units (SAAR) in the fourth quarter of 2015 from 36,200 units in the third quarter. The November forecast projected 36,400 units in the fourth quarter. Single-family permits totaled 21,500 units in the fourth quarter compared to the forecast of 19,600 units but 15,200 multi-family units were permitted compared to the forecast of 16,800 units. The estimates for all four quarters of 2015 have been adjusted to reflect the preliminary annual estimate from the Census Bureau.
- Seattle home prices surged in August, September, October, and November after three months of essentially no change. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices jumped 0.8% in August, 0.9% in September, 1.3% in October, and 1.2% in November following changes of -0.4%, 0.2%, and 0.0% in May, June, and July. Seattle home prices are up 9.7% over the previous November and are 40.8% higher than the November 2011 trough. Seattle area home prices have recovered to just 2.2% below the May 2007 peak.
- Seattle area consumer price inflation remains moderate thanks to declining energy costs. Over the last year, from December 2014 to December 2015, consumer prices in the Seattle area rose 2.2% compared to 0.7% for the U.S. city average. Core prices, which exclude food and energy, were up 2.8% in Seattle compared to 2.1% for the nation. The higher Seattle inflation is largely due to more rapid growth in shelter costs. During the year, shelter costs in Seattle rose 5.0% compared to 3.2% for the nation. However, even with shelter excluded, Seattle inflation was higher at +0.6% compared to -0.6% for the nation.
- The Institute of Supply Management - Western Washington Index (ISM-WW) moved back into positive territory in December. The index, which measures conditions in the manufacturing sector, rose to 54.5 in December from 50.0 in November (index values above 50 indicate positive growth while values below 50 indicate contraction). The previous three months were all below 50. Prior to August 2015, the index had been above 50 in every month since July 2009. The production, orders, employment, and inventories components all improved in December but the deliveries component worsened.
- Washington car and truck sales reached a new all-time high in 2015 (see figure). Seasonally adjusted new vehicle registrations increased 2.8% in December to 318,000 (SAAR). Registrations were up 6.3% over the previous December. The strong growth in December capped a record-setting year for car and truck sales at 300,700 new vehicle registrations.
- Washington exports were down 2.6% year to date through November 2015. Transportation equipment exports (mostly Boeing planes) grew 7.7% over the

- year but exports other than transportation equipment fell 16.3%. The drop in non-transportation equipment exports likely reflects the negative influence of a stronger dollar and weak growth abroad.
- Overall, our preliminary February forecast for Washington State is lower than the November forecast. The most significant changes are lower inflation, a result of much lower oil prices, and weaker Washington nonresidential construction employment. Washington employment is expected to grow 1.8% this year, the same rate as in the November forecast. The preliminary February forecast for average annual employment growth from 2017 through 2019 is 1.2% per year, down from 1.4% in the November forecast. We expect employment to grow at an average rate of 1.1% per year in 2020 and 2021. Our preliminary February forecast for nominal personal income growth this year is 4.4%, down from 4.8% in the November forecast. Our new forecast for nominal personal income growth from 2017 through 2019 averages 4.9% per year, also down from 5.3% in the November forecast.

# Washington State Economic Outlook & Revenue Collection Experience

Presented to  
The Economic & Revenue Forecast Council

Steve Lerch  
Executive Director

February 3, 2016  
Olympia, Washington



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## Summary

- The forecast now extends to 2021
- The preliminary economic forecast expects slightly lower U.S. GDP, WA personal income and WA employment than in November
- Oil prices are lower than in November
- The forecast assumes the Federal Reserve will continue to gradually increase interest rates, with the next rate increase in March
- Risks to the baseline remain slowing economic growth in China, impact of a stronger dollar on exports, and weaker manufacturing activity
- Revenue collections since the November forecast are \$15.4 million (0.5%) above expectations

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## Economic news continues to suggest risks to forecast

### Upside:

- Stronger than expected job growth
- Rising wage growth
- Stronger housing starts and home sales (new and existing)
- Lower oil prices

### Downside:

- Slowing global economy
- Slower U.S. GDP growth
- Negative impact of stronger dollar on exports
- Stock market volatility

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

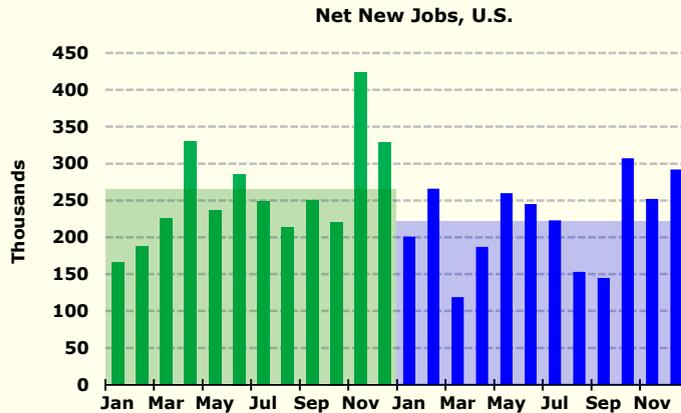
Average monthly employment change:

2014 = 260,000

2015 = 221,000

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Source: Bureau of Labor Statistics, data through December 2015

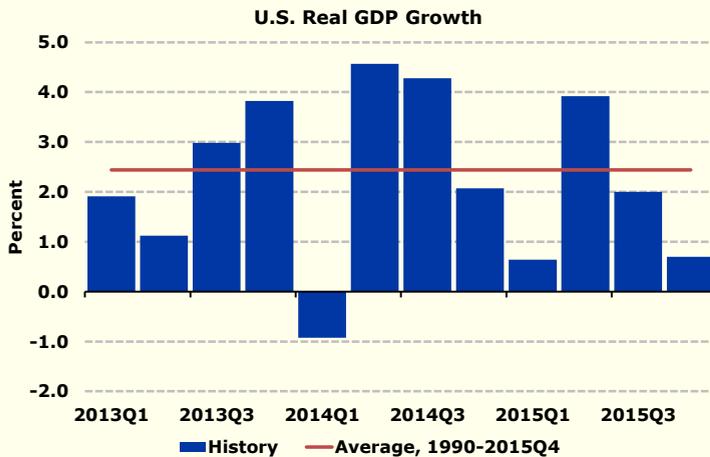
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## U.S. economic growth weakened in the third and fourth quarters

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Source: U.S. Dept. of Commerce, BEA, data through 2015Q4

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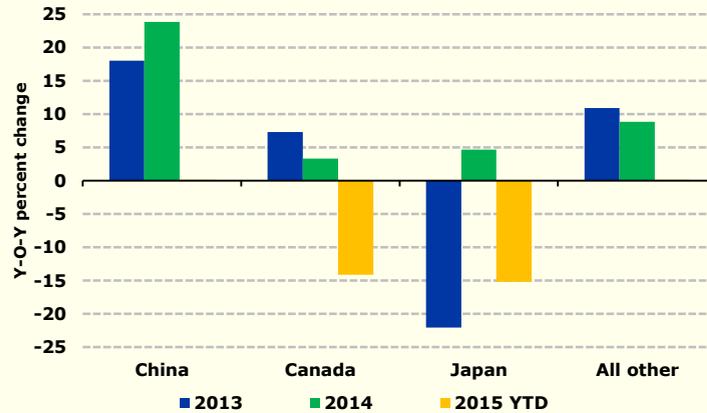
## WA exports to major trading partners have slowed

2015 YTD, transportation equipment exports grew 7.7%; all other exports declined by 16.3%

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### Year-over-year growth in export value



Source: WISERTrade; data through November 2015

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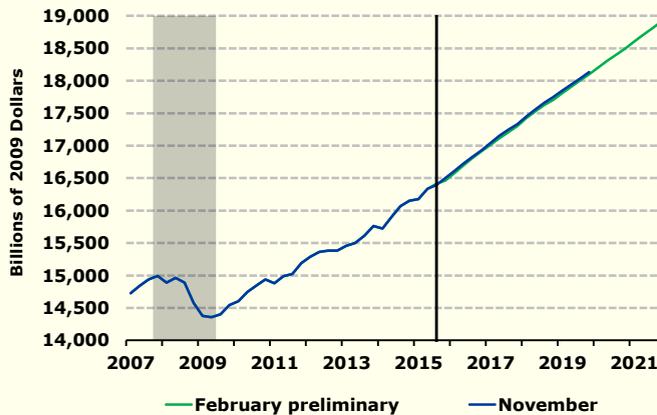


## GDP is slightly lower than in the November forecast

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### Real GDP

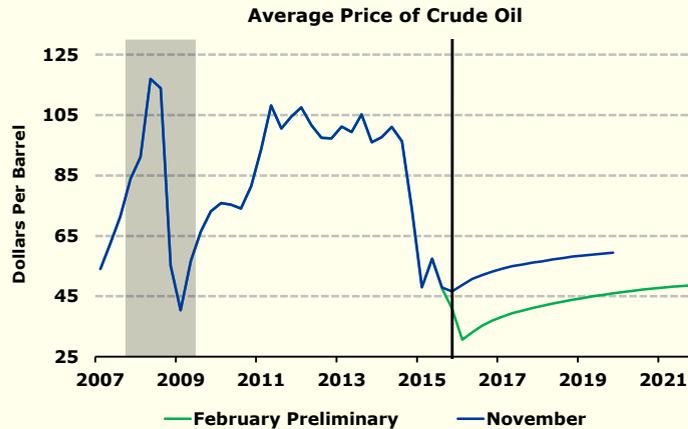


Source: Global Insight, ERF February 2016 Preliminary forecast; historical data through 2015Q3

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## Oil prices are lower than in the November forecast



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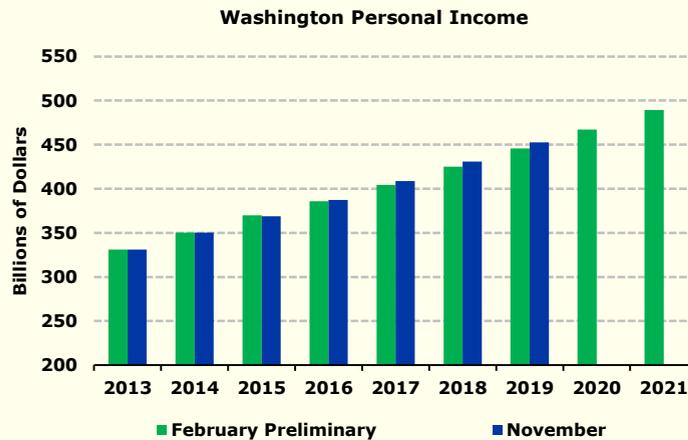
Source: DOE, ERFC February 2016 Preliminary forecast; historical data through 2015Q4

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## Washington personal income is slightly lower than in the November forecast



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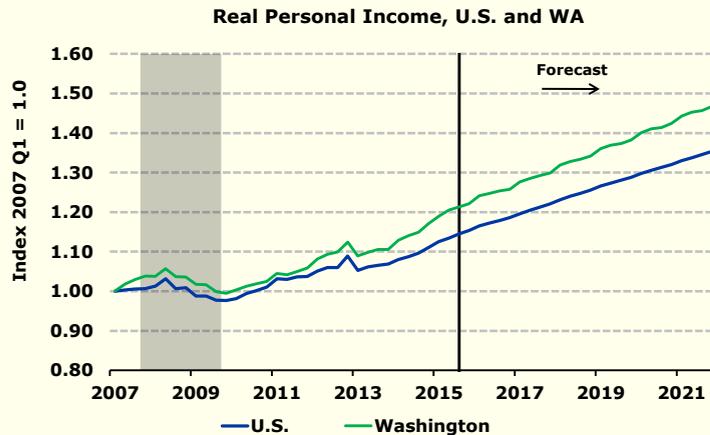
Source: ERFC February 2016 Preliminary forecast; historical data through 2014

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



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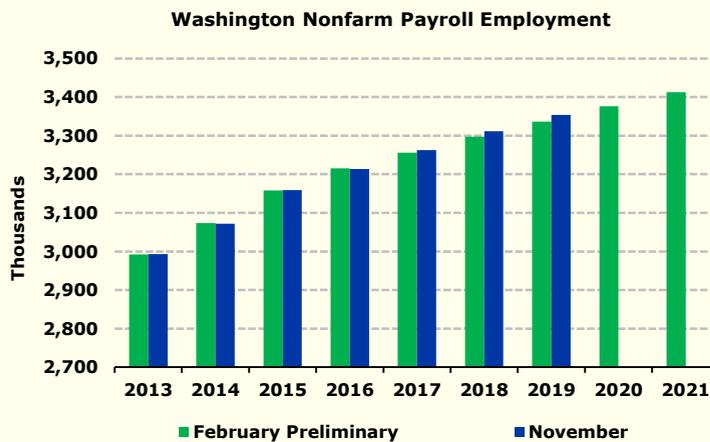
Source: ERFC February 2016 Preliminary forecast; historical data through 2015Q3

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## Washington employment forecast revised down slightly in 2017 - 2019



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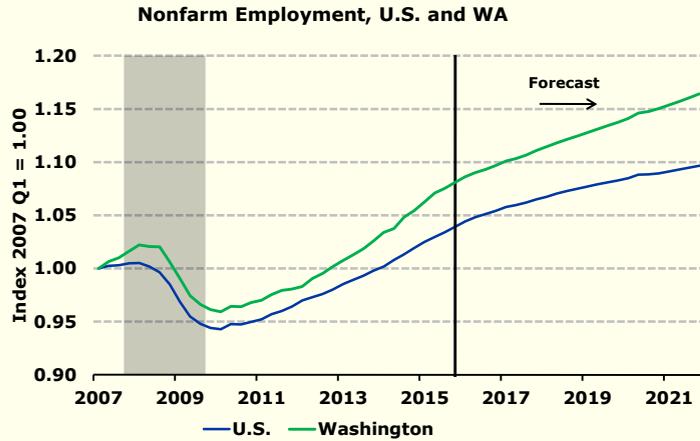
Source: ERFC February 2016 Preliminary forecast; historical data through 2015

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## Washington employment will continue to grow slightly faster than the U.S.



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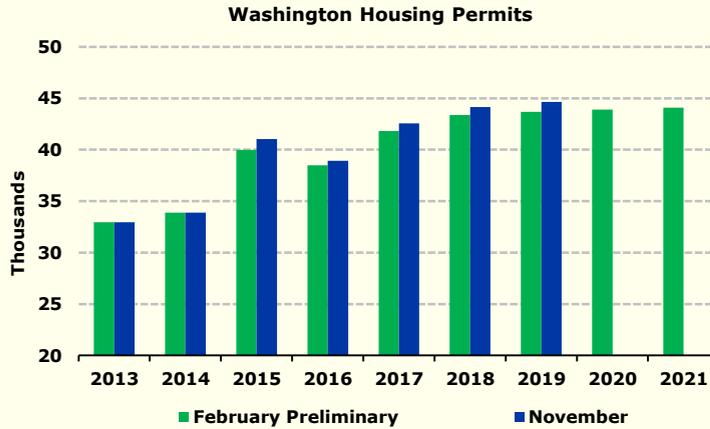
Source: ERFC February 2016 Preliminary forecast; historical data through 2015Q4

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## Washington housing permits forecast is slightly lower than in November



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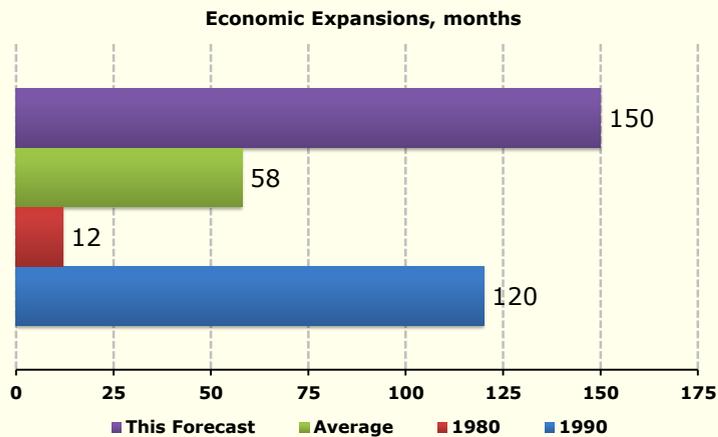
Source: ERFC February 2016 Preliminary forecast; historical data through 2014

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## U.S. Economic Expansions since 1945



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Sources: NBER, ERFC February 2016 Preliminary forecast

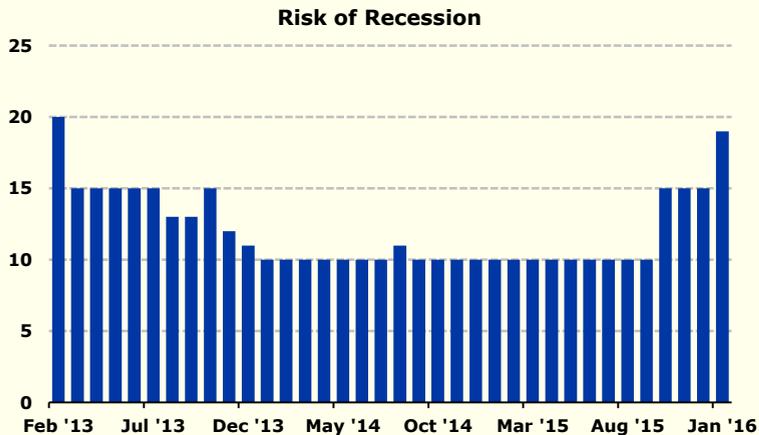
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## Bloomberg economist survey indicate risk of recession has increased but remains low

Jan. 2016  
*Wall Street Journal*  
economist  
survey places  
recession  
probability at  
17%



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Source: Bloomberg surveys; forecasts through January 2016

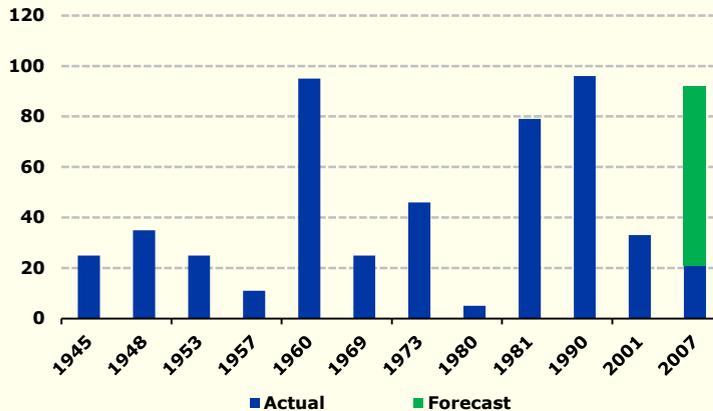
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## Initial slow recovery points to extended expansion

### Months of Recovery After Reaching Previous Peak in Employment



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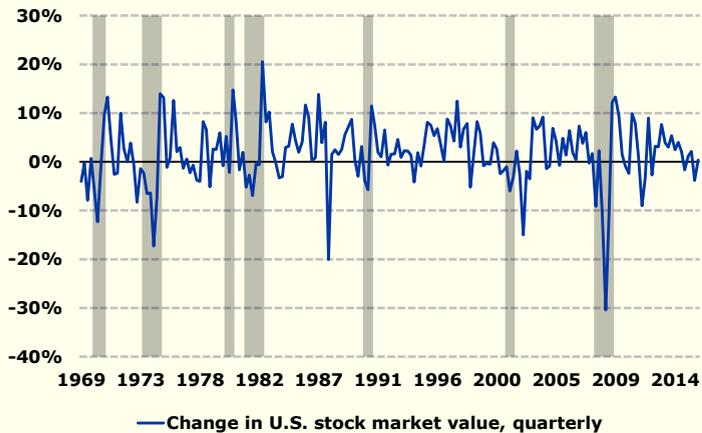
Sources: NBER, ERFC February 2016 Preliminary forecast

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## "The stock market has forecast 9 out of the last 5 recessions"



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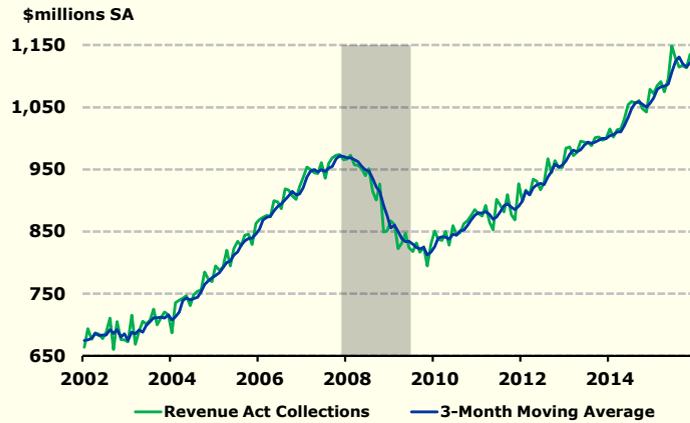
Source: OECD Main Economic Indicators, through 2015Q1; DJ Total US Market 2015Q2 - Q4

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## Revenue Act collections back to trend after spike in August collections



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\* 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 November 2015 activity

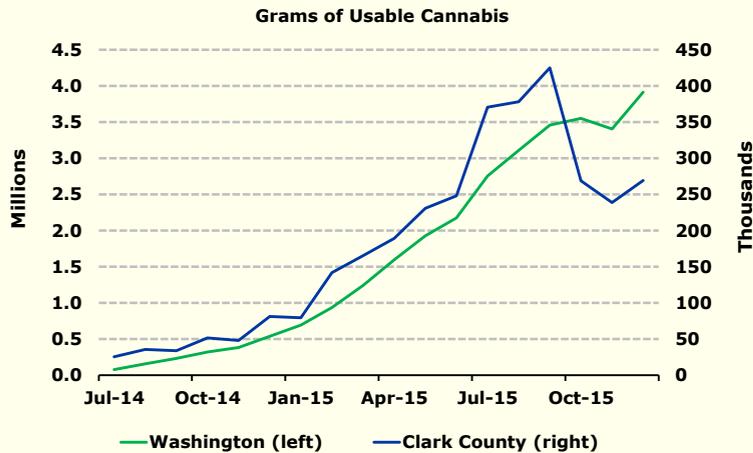
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## Oregon legalization may have affected Clark County but statewide sales continued to grow

Prior to legal retail sales in Oregon, Clark County accounted for 12.8% of total sales by quantity.

In December, Clark County accounted for 7.8% of total sales by quantity.



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Source: WA LCB; data through December 2015

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## Revenue collections to date

### Special factors:

\$8.6 million large refund not included in forecast, \$10.8 million audit payment that was included in forecast but has yet to occur.

### Collections Variance Since November Forecast (November 11, 2015 – January 10, 2016) dollars in thousands

	<u>Estimate</u>	<u>Actual</u>	<u>Difference</u>	<u>Pct.</u>
Dept. of Revenue	\$3,309,598	\$3,326,015	\$16,417	0.5%
All other agencies	\$14,948	\$13,886	(\$1,062)	-7.1%
Total GF-S	<b>\$3,324,546</b>	<b>\$3,339,901</b>	<b>\$15,355</b>	<b>0.5%</b>
Total excluding special factors	<b>\$3,324,546</b>	<b>\$3,359,335</b>	<b>\$34,788</b>	<b>1.0%</b>

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## Conclusion

- The economic forecast is slightly weaker than in November but we continue to expect moderate growth
- 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 a slowdown in manufacturing
- The next monthly collection report will be available on February 11<sup>th</sup> and the revenue forecast will be presented on February 17<sup>th</sup>

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## Questions

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**Economic & Revenue Forecast Council**  
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## U.S. Economic Forecast Comparison

January 2016

	2015Q4	2016Q1	2016Q2	2016Q3	2016	2017	2018	2019	2020	2021
<b>Real GDP, Percent Change, Annual Rate</b>										
ERFC (Preliminary February)	1.2	2.8	2.8	2.7	2.5	2.5	2.4	2.2	2.2	2.2
Global Insight	1.2	3.0	3.0	3.3	2.7	2.9	2.6	2.4	2.4	2.2
Economy.com	1.5	3.4	3.2	3.2	2.8	2.9				
Blue Chip Average*	1.9	2.5	2.6	2.6	2.5	2.5	2.4	2.2	2.2	2.2
Blue Chip Top 10*	2.8	3.1	3.2	3.2	2.8	2.8	2.8	2.7	2.6	2.6
Blue Chip Bottom 10*	1.1	2.0	2.2	2.1	2.1	2.1	1.7	1.6	1.8	1.7
<b>Real Consumption, Percent Change, Annual Rate</b>										
ERFC (Preliminary February)	2.4	2.8	2.8	2.8	2.8	2.5	2.4	2.3	2.3	2.2
Global Insight	2.4	3.0	3.2	3.4	3.0	3.2	2.8	2.6	2.3	2.2
Economy.com	2.2	3.6	3.7	3.9	3.3	3.4				
Blue Chip Average*	2.5	2.8	2.8	2.8	2.8	2.5	2.4	2.3	2.3	2.2
Blue Chip Top 10*	3.2	3.3	3.4	3.5	3.2	3.1	2.8	2.6	2.6	2.7
Blue Chip Bottom 10*	2.0	2.3	2.3	2.3	2.5	2.1	2.0	2.0	2.0	1.8
<b>Federal Funds Rate</b>										
ERFC (Preliminary February)	0.2	0.5	0.8	1.0	0.9	1.9	2.9	3.3	3.3	3.3
Global Insight	0.2	0.5	0.8	1.0	0.9	1.9	2.9	3.3	3.3	3.3
Economy.com	0.2	0.3	0.7	0.8	0.7	2.1				
<b>Three Month T-Bill Rate</b>										
ERFC (Preliminary February)	0.1	0.5	0.7	1.0	0.8	1.8	2.8	3.0	3.0	3.0
Global Insight	0.1	0.4	0.7	1.0	0.8	1.8	2.8	3.0	3.0	3.0
Blue Chip Average*	0.1	0.4	0.6	0.9	0.7	1.7	2.8	3.1	3.1	3.1
Blue Chip Top 10*		0.5	0.8	1.4	0.9	2.4	3.7	4.0	3.8	3.7
Blue Chip Bottom 10*		0.2	0.4	0.6	0.5	1.2	1.8	2.3	2.5	2.5
<b>10-Yr. T-Note Yield</b>										
ERFC (Preliminary February)	2.2	2.5	2.6	2.7	2.6	2.8	3.3	3.7	3.7	3.7
Global Insight	2.2	2.5	2.6	2.7	2.6	2.9	3.4	3.8	3.8	3.8
Economy.com	2.2	2.4	2.7	3.0	2.8	3.9				
Blue Chip Average*	2.2	2.4	2.6	2.7	2.6	3.2	3.8	4.0	4.0	4.0
Blue Chip Top 10*		2.6	2.8	3.1	2.9	3.8	4.4	4.7	4.7	4.6
Blue Chip Bottom 10*		2.3	2.4	2.3	2.4	2.7	3.0	3.3	3.4	3.3
<b>Consumer Price Index, Percent Change, Annual Rate</b>										
ERFC (Preliminary February)	1.1	-1.8	1.3	2.6	0.9	2.2	2.2	2.1	2.1	2.1
Global Insight	0.3	-1.1	1.9	4.0	1.2	2.6	2.7	2.5	2.5	2.6
Economy.com	0.5	1.4	2.2	2.6	1.7	2.9				
Blue Chip Average*	0.4	1.2	2.2	2.3	1.6	2.3	2.4	2.4	2.3	2.3
Blue Chip Top 10*	1.2	2.1	3.0	3.1	2.0	2.8	2.9	2.7	2.6	2.7
Blue Chip Bottom 10*	-0.3	0.0	1.5	1.8	1.2	1.9	2.0	2.0	2.0	1.9
<b>Payroll Employment, Millions</b>										
ERFC (Preliminary February)	143.0	143.7	144.2	144.6	144.4	146.0	147.4	148.6	149.6	150.5
Percent Change, Annual Rate	2.0	1.9	1.5	1.2	1.7	1.1	1.0	0.8	0.7	0.6
Global Insight	142.9	143.6	144.1	144.6	144.3	146.2	147.9	149.4	151.0	152.2
Percent Change, Annual Rate	1.9	1.9	1.4	1.4	1.7	1.3	1.2	1.0	1.1	0.8
Economy.com	143.0	143.6	144.3	145.0	144.6	147.3				
Percent Change, Annual Rate	2.0	1.7	1.9	2.0	1.9	1.8				
<b>Unemployment Rate, Percent</b>										
ERFC (Preliminary February)	5.0	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.9	4.9
Global Insight	5.0	5.0	4.9	4.9	4.9	4.9	4.9	5.0	5.0	5.0
Economy.com	5.0	4.9	4.9	4.9	4.9	4.8				
Blue Chip Average*	5.0	4.9	4.8	4.7	4.8	4.6	4.7	4.7	4.8	4.9
Blue Chip Top 10*		5.0	5.0	5.0	5.0	4.9	5.1	5.1	5.2	5.3
Blue Chip Bottom 10*		4.8	4.6	4.3	4.5	4.1	4.1	4.2	4.4	4.4
<b>Real Disposable Personal Income, Percent Change, Annual Rate</b>										
ERFC (Preliminary February)	2.9	4.4	2.3	2.7	3.2	3.0	3.2	2.7	2.3	2.3
Global Insight	3.6	4.0	2.1	2.1	3.1	3.3	3.3	2.9	2.5	2.4
Blue Chip Average*	3.5	2.8	2.5	2.6	2.9	2.6	2.7	2.5	2.4	2.4
Blue Chip Top 10*	4.6	3.7	3.2	3.3	3.4	3.2	3.4	3.2	3.1	3.0
Blue Chip Bottom 10*	2.2	2.0	2.0	2.0	2.5	2.1	2.1	2.0	2.0	1.9
<b>West Texas Intermediate</b>										
ERFC (Preliminary February)	42.0	32.1	35.0	37.6	36.0	41.6	44.3	46.3	47.8	48.8
Global Insight	42.3	36.8	41.1	50.5	45.1	54.7	65.7	73.7	80.5	88.2
Economy.com	41.8	43.7	46.2	49.8	48.2	60.5				

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

U.S. Forecast Comparison	Fiscal Years					
	2016	2017	2018	2019	2020	2021
<b>Real GDP</b>						
Billions of 2009 dollars						
February Preliminary Forecast	16,537	16,961	17,365	17,762	18,156	18,550
<i>Growth</i>	2.2%	2.6%	2.4%	2.3%	2.2%	2.2%
November Forecast	16,558	16,987	17,395	17,801	---	---
<i>Growth</i>	2.3%	2.6%	2.4%	2.3%	---	---
Difference in level	-21	-26	-30	-39	---	---
<b><i>Difference in growth forecast</i></b>	<b>-0.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>---</b>	<b>---</b>
<b>Real Consumption</b>						
Billions of 2009 dollars						
February Preliminary Forecast	11,373	11,682	11,964	12,245	12,527	12,809
<i>Growth</i>	2.9%	2.7%	2.4%	2.4%	2.3%	2.3%
November Forecast	11,394	11,695	11,979	12,261	---	---
<i>Growth</i>	3.1%	2.6%	2.4%	2.4%	---	---
Difference in level	-21	-13	-15	-15	---	---
<b><i>Difference in growth forecast</i></b>	<b>-0.2%</b>	<b>0.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>---</b>	<b>---</b>
<b>Implicit Price Deflator</b>						
Index 2009 = 100						
February Preliminary Forecast	109.8	111.2	113.1	115.1	117.1	119.2
<i>Growth</i>	0.5%	1.3%	1.7%	1.8%	1.7%	1.7%
November Forecast	110.1	112.0	114.1	116.1	---	---
<i>Growth</i>	0.8%	1.7%	1.9%	1.8%	---	---
Difference in level	-0.3	-0.8	-1.0	-1.0	---	---
<b><i>Difference in growth forecast</i></b>	<b>-0.3%</b>	<b>-0.4%</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>---</b>	<b>---</b>
<b>Unemployment Rate</b>						
Percent of Labor Force						
February Preliminary Forecast	5.0%	4.8%	4.8%	4.8%	4.9%	4.9%
November Forecast	5.0%	4.9%	4.9%	5.0%	---	---
<b><i>Difference in forecast</i></b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>---</b>	<b>---</b>
<b>30 Year Fixed Mortgage Rate</b>						
Annual Average						
February Preliminary Forecast	4.1%	4.5%	4.9%	5.6%	5.7%	5.7%
November Forecast	4.1%	4.6%	4.9%	5.6%	---	---
<b><i>Difference in forecast</i></b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>---</b>	<b>---</b>
<b>3 Month T-Bill Rate</b>						
Annual Average						
February Preliminary Forecast	0.3%	1.3%	2.3%	3.0%	3.0%	3.0%
November Forecast	0.3%	1.3%	2.3%	3.0%	---	---
<b><i>Difference in forecast</i></b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>---</b>	<b>---</b>

**Washington Forecast Comparison**
**Fiscal Years**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Real Personal Income</b>						
Billions of 2009 dollars						
February Preliminary Forecast	344.4	354.9	366.5	378.1	389.4	401.1
<i>Growth</i>	4.4%	3.0%	3.3%	3.2%	3.0%	3.0%
November Forecast	343.1	354.2	366.7	379.4	---	---
<i>Growth</i>	4.1%	3.2%	3.5%	3.5%	---	---
Difference in level	1.3	0.7	-0.2	-1.3	---	---
<b><i>Difference in growth forecast</i></b>	<b>0.4%</b>	<b>-0.2%</b>	<b>-0.3%</b>	<b>-0.3%</b>	<b>---</b>	<b>---</b>
<b>Nominal Personal Income</b>						
Billions of dollars						
February Preliminary Forecast	378.3	394.8	414.6	435.4	456.2	477.9
<i>Growth</i>	5.0%	4.4%	5.0%	5.0%	4.8%	4.8%
November Forecast	377.9	396.7	418.6	440.7	---	---
<i>Growth</i>	4.9%	5.0%	5.5%	5.3%	---	---
Difference in level	0.3	-2.0	-3.9	-5.3	---	---
<b><i>Difference in growth forecast</i></b>	<b>0.1%</b>	<b>-0.6%</b>	<b>-0.5%</b>	<b>-0.3%</b>	<b>---</b>	<b>---</b>
<b>Nonfarm Payroll Employment</b>						
Thousands						
February Preliminary Forecast	3,189.9	3,235.4	3,276.6	3,316.9	3,356.6	3,393.4
<i>Growth</i>	2.3%	1.4%	1.3%	1.2%	1.2%	1.1%
November Forecast	3,189.7	3,237.2	3,288.5	3,332.8	---	---
<i>Growth</i>	2.3%	1.5%	1.6%	1.3%	---	---
Difference in level	0.2	-1.7	-11.9	-15.9	---	---
<b><i>Difference in growth forecast</i></b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.3%</b>	<b>-0.1%</b>	<b>---</b>	<b>---</b>
<b>Housing Permits</b>						
Units Authorized, Thousands						
February Preliminary Forecast	37.2	40.2	42.8	43.5	43.9	44.0
<i>Growth</i>	-4.5%	8.0%	6.6%	1.6%	0.8%	0.2%
November Forecast	37.4	40.9	43.6	44.4	---	---
<i>Growth</i>	-6.0%	9.4%	6.4%	2.0%	---	---
Difference in level	-0.2	-0.8	-0.7	-0.9	---	---
<b><i>Difference in growth forecast</i></b>	<b>1.5%</b>	<b>-1.4%</b>	<b>0.2%</b>	<b>-0.4%</b>	<b>---</b>	<b>---</b>

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

	Washington		U.S.
	(000)	% Chg.	% Chg.
<b>Total</b>	<b>70.7</b>	<b>2.3%</b>	<b>1.9%</b>
Information Excluding Software	3.6	6.4%	NA
Retail Trade	14.7	4.2%	1.8%
Professional and Business Services	14.8	3.9%	3.1%
Construction	6.4	3.8%	4.2%
Leisure and Hospitality	10.9	3.6%	2.8%
Software Publishers	1.6	2.9%	NA
State and Local Gov Education	6.6	2.7%	0.3%
Financial Activities	3.2	2.1%	1.8%
Wholesale Trade	2.1	1.6%	1.1%
Transportation, Warehousing and Utilities	0.7	0.7%	2.0%
State and Local Gov Non-Education	1.4	0.7%	0.6%
Other Services	0.6	0.5%	1.2%
Education and Health Services	2.3	0.5%	3.0%
Manufacturing Excluding Aerospace	0.2	0.1%	NA
Aerospace Product and Parts Manufacturing	-1.8	-1.9%	NA
Mining and Logging	-0.4	-6.4%	-14.3%
Information	5.2	4.7%	1.8%
Manufacturing	-1.6	-0.5%	0.2%

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