

Economic Review Meeting

June 1, 2016



Washington State
Economic and Revenue Forecast Council

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WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

AGENDA

ECONOMIC REVIEW MEETING

June 1, 2016
2:30 p.m.

- Approval of meeting minutes: February 17, 2016
- Approval of meeting minutes: May 18, 2016
- Contract renewal: Stephen Lerch, Executive Director
(Possible Executive Session)
- 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 & Budget Outlook

February 17, 2016

John A. Cherberg, Hearing Room 4

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senator, Chair
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

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

Call to Order

The meeting was called to order by Senator Hill at 10:05 a.m.

Motion

Treasurer McIntire made a motion to approve the meeting minutes from February 3, 2016, seconded by Director Schumacher. Council approved the motion at 10:06 a.m.

Presentation on the Washington State Budget Outlook

Members from the Budget Outlook Work Group presented the updated January 2016 Outlook as requested by the Council on January 27, 2016. Discussion ensued regarding the methodology in calculating Health Care Authority Managed Care rates in the Outlook.

Motion

Senator Hargrove moved to adopt the outlook without the 3.22% growth rate for the low-income health care expenditures applied to the managed care rate increase, seconded by Representative Dunshee. With five members dissenting, the motion failed at 10:12 a.m.

Motion

Director Schumacher moved to adopt the Outlook with the 3.22% growth rate, seconded by Senator Hill. The motion passed with five affirmative votes, dissension by Representative Dunshee and Senator Hargrove, at 10:19 a.m.

Forecast Presentation

Dr. Lerch presented information on the final economic and revenue forecast. Discussion ensued regarding the forecast process, falling gas prices, the impact of the 2015 port slowdown, personal income growth, and the probabilities assumed in the alternative forecasts.

Motion

Treasurer McIntire moved, seconded by Representative Nealey, that the baseline revenue forecast be adopted. Council approved the motion, with one dissenting vote by Representative Dunshee, at 10:54 a.m.

Adjournment

Meeting adjourned at 10:54 a.m.



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

Meeting Minutes

Budget Outlook

May 18, 2016

John L. O'Brien, Hearing Room D

Economic and Revenue Forecast Council

Members Present

Andy Hill, Senate, Chair (via phone)

Terry Nealey, House of Representatives (via phone)

Jim McIntire, Treasurer

David Schumacher, Office of Financial Management

Vikki Smith, Department of Revenue

Timm Ormsby, House of Representatives

Staff

Steve Lerch, Executive Director

Budget Outlook Work Group representatives:

Michael Bezanson

Melissa Palmer

Jim Crawford

Fiscal Committee staff

Steve Jones, Senate

Kristen Fraser, House

Jessica Harrell, House

Call to Order

The meeting was called to order by Director Schumacher at 10:02 a.m.

Motion

Director Smith made a motion to approve the meeting minutes from April 26, 2016, seconded by Treasurer McIntire. Council approved the motion at 10:02 a.m.

Presentation on the Washington State Budget Outlook

Members from the Budget Outlook Work Group presented the Enacted 2016 Supplemental Budget Outlook.

Presentation on McCleary-Related Costs in the Four-Year Budget Outlook

In response to the request from the Council at the April 26, 2016 meeting, Fiscal Counsel from the House Appropriations and Senate Ways and Means Committees provided a brief legal analysis on the exclusion of McCleary-Related Costs in the State Four-Year Budget Outlook. Discussion ensued regarding their finding that neither section 515 of the 2016 Supplemental Operating Budget (Levy cliff language) nor Engrossed Second Substitute 6195 required McCleary related costs to be reflected in the Outlook. Counsel reminded ERFC members that RCW 82.33.010(5) expressly provides for the preparation of alternative Outlooks at the request of any member of the Council.

Motion

Treasurer McIntire moved to amend the Outlook to include a range for McCleary related costs, seconded by Representative Ormsby. Discussion ensued regarding including a range, the timing, and the availability of data. The motion failed with dissension from Senator Hill and Representative Nealey at 10:38 a.m.

Motion

Representative Ormsby moved to amend the Outlook by adding a footnote reflecting the legislative commitment to fully fund McCleary related costs. The footnote would indicate a cost range of \$3.5-4.8 billion when fully funded on a biennial basis. The amendment was seconded by Director Schumacher. Discussion ensued regarding the accuracy of the numbers in the range, different implementation assumptions, transparency, and the timing of recommendations from

the K-12 task force. The motion failed with dissension from Senator Hill, Treasurer McIntire, and Representative Nealey at 10:45 a.m.

Motion

Director Schumacher moved to approve the Baseline Outlook, seconded by Director Smith. The motion failed with dissension from Treasurer McIntire and Representative Ormsby at 10:48 a.m.

Alternative Outlook

Treasurer McIntire requested an alternative outlook that includes full biennial implementation of the McCleary decision at a cost of \$3.5 billion.

Budget Outlook Adoption

The statute states that if the Council is unable to approve a state budget outlook before the date required that the outlook prepared without approval shall have the same effect as if approved by the Council. Therefore the Budget Outlook proposed by the Budget Outlook Work Group is official. An alternative outlook, as requested, will also be made available.

Adjournment

Meeting adjourned at 10:51 a.m.

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Economic & Revenue Forecast Council State of Washington



Economic Review: June 1, 2016

Executive Summary

- This preliminary forecast was based on a modified version of Global Insight's May 2016 Control forecast for the U.S. economy. The forecast was produced prior to the May 27th GDP release in which real GDP is estimated to have grown at a 0.8% rate (SAAR) in the first quarter of 2016. The forecast assumed a 0.5% rate. The final June 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 May Blue Chip release, the average forecast for real GDP growth in 2016 is 1.8%, down from 2.1% in February and the average forecast for 2017 is 2.3%, down from 2.4% in February. Our June preliminary forecast also reflects the new long term Blue Chip forecast which was released in March. The new Blue Chip forecast for GDP growth in 2018 through 2021 is generally weaker with growth rates of 2.2%, 2.1%, 2.2%, and 2.1% compared to the previous long term forecast of 2.4%, 2.2%, 2.2%, and 2.2%.
- 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, May 25, 2016 closing prices for Brent and WTI futures. The latest futures prices are higher than the prices used in the February forecast. The refiner acquisition price of crude oil in the second quarter of 2016 is now expected to average \$43 per barrel compared to \$32 in the February forecast. As in February, 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 \$56 per barrel.
- In the first four months of 2016, the U.S. labor market expanded by a monthly average of 192,000 net new jobs, down from the 221,000 average monthly gain in 2015. Average hourly wages have increased at about a 2.4% pace during January through April 2016 compared to the same period in 2015. The unemployment rate has remained at 5.0% for both March and April.
- After falling in April, two key indicators of consumer optimism moved in opposite directions in May. The University of Michigan index of consumer sentiment rose 5.7 points to 94.7, while the Conference Board index of consumer confidence decreased 2.1 points to 92.6. The Conference Board survey noted consumer concerns about current economic conditions, while the increase in the University of Michigan index was attributed to positive consumer views on jobs and income.
- Initial claims for unemployment insurance decreased by 10,000 to 268,000 (SA) in the week ending May 21st. The four-week moving average of initial claims increased by 2,750 to 278,500.
- Light motor vehicle sales bounced back in April, increasing 5.1% (SAAR) over March to 17.4 million units (SAAR). Light duty trucks accounted for the majority of the increase in April sales.

- After decreasing in February and March, industrial production increased by 0.7% in April. However, industrial production is 1.1% below its April 2015 level. New orders for core capital goods (i.e., durables excluding aircraft and military), which is a proxy for business investment, decreased by 0.8% (SA) in April according to advanced Census data.
- April housing starts increased by 6.6% (SA) compared to March but were 1.7% below their April 2015 level. Housing units authorized by building permits in April increased by 3.6% (SA) over March; building permits were 5.3% below their April 2015 level. Existing home sales increased in April by 1.7% (SA) compared to March. New single family home sales in April were very strong, increasing by 16.6% (SA) above their March level. The seasonally adjusted Case-Shiller national home price index for March was 0.1% above its February level and 5.1% 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 three months of new Washington employment data since the February forecast was released. Total nonfarm payroll employment rose 16,500 (seasonally adjusted) in February, March, and April, which was about 3,000 more than the 13,600 expected in the February forecast. The construction sector more than accounted for the variance in job growth, adding 2,900 jobs in the three-month period; the February forecast expected reduction of 1,200 jobs. Manufacturing employment declined 2,400 of which 1,400 were in the aerospace sector. As is usually the case, the bulk of the job growth was in private, service-providing sectors which added 13,200 jobs in the last three months. Government payrolls expanded by 2,800 jobs in February, March, and April.
- 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 January 2016 by 3,600 jobs. As a result of the downward revision to history but stronger-than-expected growth, the total effect is just 600 (0.0%) fewer jobs in April 2016 than expected in the February forecast.
- We have revised the aerospace employment forecast to reflect Boeing's stated intention to reduce its commercial airplane division employment by 4,000 by the middle of the year. We expect the vast majority of the job cuts will be in the Puget Sound region. This implies a steeper decline in the near term than assumed in February. In the second half of 2016 through 2019 we expect a more gradual decline in aerospace employment similar to the assumption made in February. We project no change in aerospace employment in the final two years of the forecast.
- In March, the Bureau of Economic Analysis released estimates for state personal income through the fourth 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 fourth quarter. Our current estimate of Washington personal income in the fourth quarter of 2015 is \$372.0 billion which is \$2.9 billion (0.8%) lower than

assumed in the February forecast. Of the \$2.9 billion variance, \$1.8 billion is due to lower than previously expected transfer payments as the BEA reduced its estimates of Medicaid benefits in the state. Most of the rest (\$0.8 billion) was due to lower than expected wages and salaries.

- Washington housing permits declined slightly to 37,600 units (SAAR) in the first quarter of 2016 from a revised 38,000 units in the fourth quarter of 2015. The February forecast projected 37,400 units in the first quarter. The number of single-family units averaged 22,300 in the first quarter of 2016, 1,900 higher than the 20,400 expected in the forecast. However, the number of multi-family units averaged 15,300 in the first quarter which was 1,700 below the 17,000 expected in the forecast. The estimates for all four quarters of 2015 have been adjusted to reflect the final annual estimate from the Census Bureau. The second quarter of 2016 got off to a very strong start with 49,300 units (SAAR) permitted in April of which 22,800 were single family and 26,500 were multi-family.
- Seattle home prices continue to rise rapidly and now exceed the 2007 peak. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices rose 1.0% in March and are up 10.8% over the previous March. Seattle home prices are up 48.2% since the November 2011 trough and now exceed the May 2007 peak by 2.9%.
- Seattle area consumer price inflation is well above the national average. Over the last year, from April 2015 to April 2016, consumer prices in the Seattle area rose 2.5% compared to 1.1% for the U.S. city average. Core prices, which exclude food and energy, were up 3.3% 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 5.8% compared to 3.2% for the nation. However, even with shelter excluded, Seattle inflation was higher at 0.7% compared to 0.1% for the nation.
- The Institute of Supply Management - Western Washington Index (ISM-WW) fell sharply in April but remained slightly in positive territory. The index, which measures conditions in the manufacturing sector, declined to 50.8 in April from 55.7 in March (index values above 50 indicate positive growth while values below 50 indicate contraction). The production, orders, and inventory components all declined in April while the employment and deliveries components were unchanged.
- Washington car and truck sales declined for a third consecutive month in April from January's post-recession high. Seasonally adjusted new vehicle registrations declined 4.6% in February to 294,700 and are now 13.4% below the January peak. April 2016 registrations 0.5% lower than in April 2015. This was the first year-over-year decline in vehicle sales since September 2010.
- First quarter 2016 exports were down 15.6% from the first quarter of 2015. Transportation equipment exports (mostly Boeing planes) declined 17.4% over the year. Exports other than transportation equipment were 12.8% lower than a year ago. As of the first quarter of 2016, seasonally adjusted Washington exports were down 17.9% from the 2014Q4 peak. The drop likely reflects the negative influence of a stronger dollar and weak economic growth abroad.
- Washington employment is expected to grow 2.4% this year, up from 2.0% in the February forecast due mainly to the strong job growth in the first quarter.

As in February, we expect growth to decelerate gradually as the recovery matures. We expect employment growth to average 1.2% per year in 2017 through 2021 which is the same rate assumed in February. Our preliminary June forecast for nominal personal income growth this year is 4.0%, down slightly from 4.2% in the February forecast. Our new forecast for nominal personal income growth in 2017 through 2021 averages 5.0% per year, up from 4.8% in the February forecast. The higher nominal personal income growth expected in 2017 through 2021 is due to higher inflation.

Washington State Economic Outlook & Revenue Collection Experience

Presented to
The Economic & Revenue Forecast Council

Steve Lerch
Executive Director

June 1, 2016
Olympia, Washington



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ECONOMIC AND REVENUE FORECAST COUNCIL**

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Summary

- The preliminary economic forecast expects slightly lower U.S. GDP and WA personal income but slightly higher WA employment than in February
- Oil prices are higher than in February
- The forecast assumes the Federal Reserve will increase interest rates this month and in September
- Risks to the baseline remain slow global and U.S. economic growth, the impact of a stronger dollar on exports, and weaker manufacturing activity
- Revenue collections since the February forecast are \$140 million (3.8%) above expectations

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June 1, 2016

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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)

Downside:

- Slowing global economy
- Slower U.S. GDP growth
- Negative impact of stronger dollar on exports
- Weaker nonresidential construction

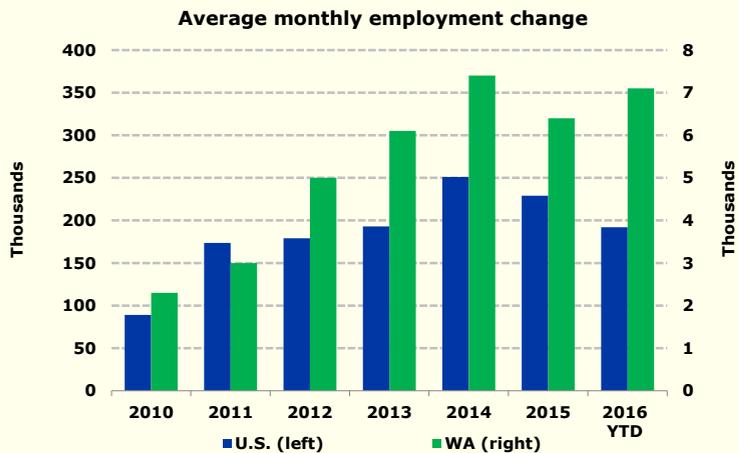
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So far in 2016, employment change in WA a bit stronger than last year



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Source: Bureau of Labor Statistics, ERFC; data through Apr. 2016

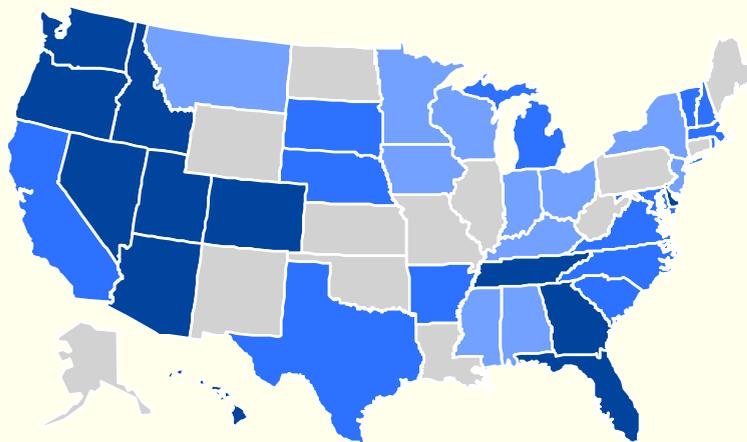
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Variations in state employment growth in 2016 reflect the two-tiered economy

- 2.1 to 1.1
- 1.2 to 1.4
- 1.5 to 2.0
- 2.1 to 3.0



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Source: IHS US Regional Service forecast, 2016

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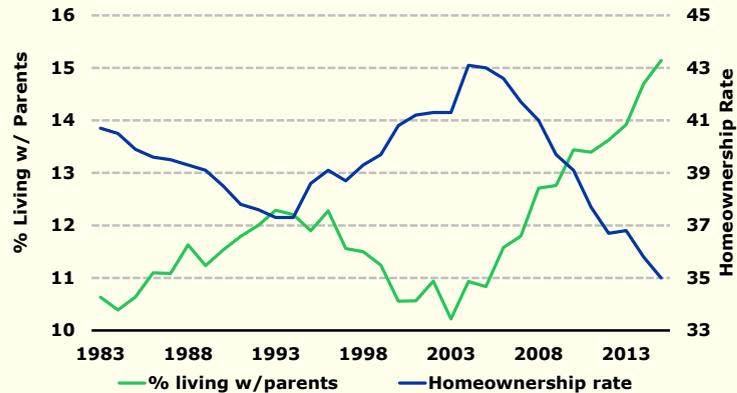
Young adults are increasingly living with parents and foregoing home ownership

As the job market continues to improve, young adults are likely to move out and increase demand for housing

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Homeownership Rate (under 35-year olds) vs. % of 25-34 year olds Living with Parents



Source: U.S. Census, ERFC, data through 2015

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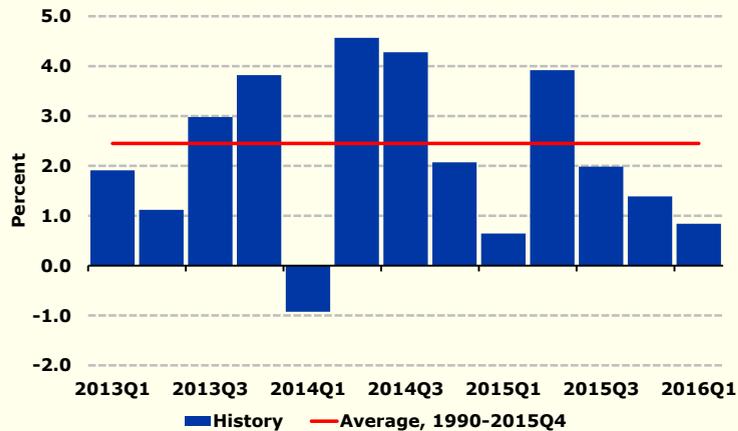


U.S. economic growth weakened in the last three quarters

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U.S. Real GDP Growth

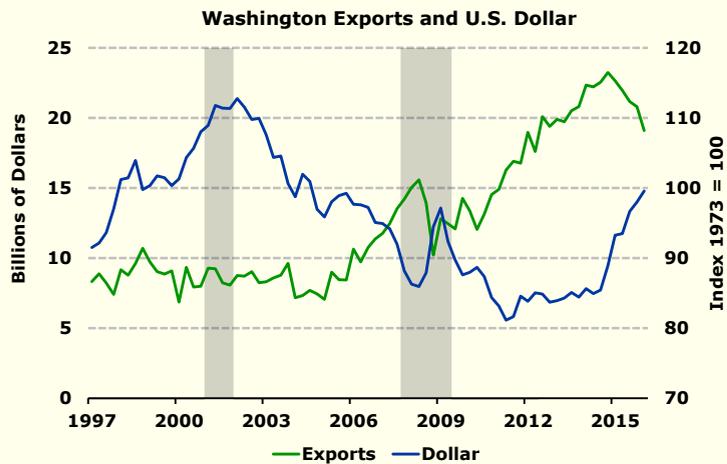


Source: U.S. Dept. of Commerce, BEA, data through 2016 Q1

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Strong dollar is contributing to a decline in exports



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Source: Wisier Trade, ERFC; data through 2016Q1

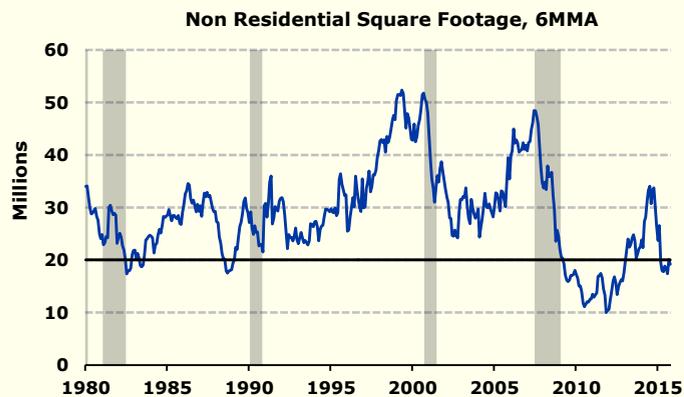
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Non residential square footage remains at historic lows

Non Residential
Square footage is
down 33% Y-O-Y



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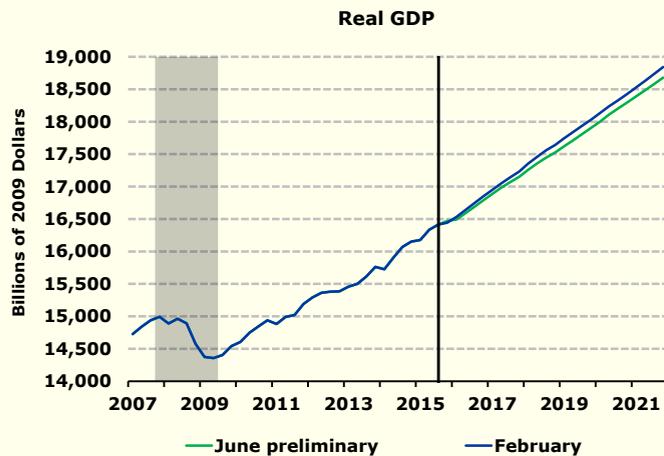
Source: Dodge, ERFC; data through April 2016

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GDP is slightly lower than in the February forecast



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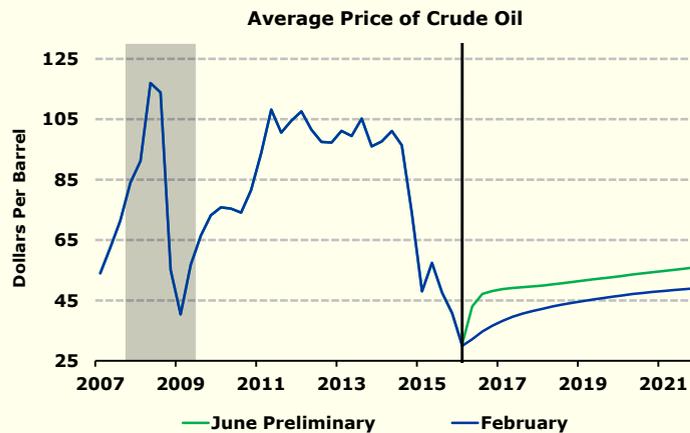
Source: Global Insight, ERFC June 2016 Preliminary forecast; historical data through 2016Q1

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Oil prices are higher than in the February forecast



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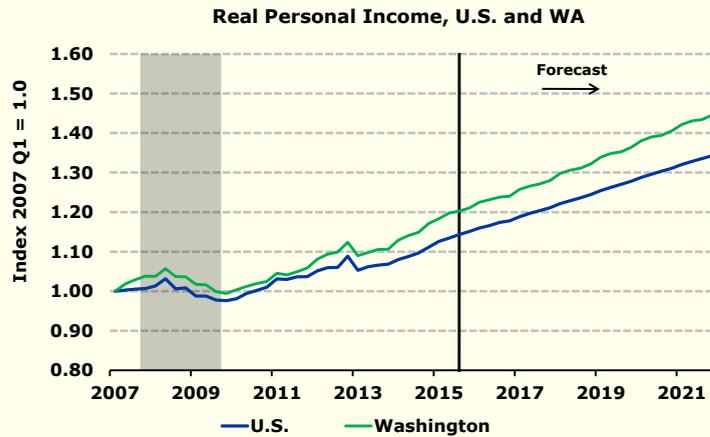
Source: DOE, ERFC June 2016 Preliminary forecast; historical data through 2016Q1

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



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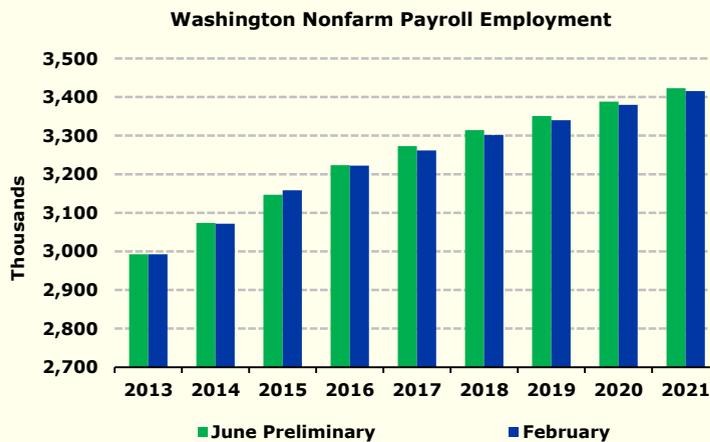
Source: ERFC June 2016 Preliminary forecast; historical data through 2015Q4

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Washington employment forecast revised up very slightly in 2017 - 2021



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

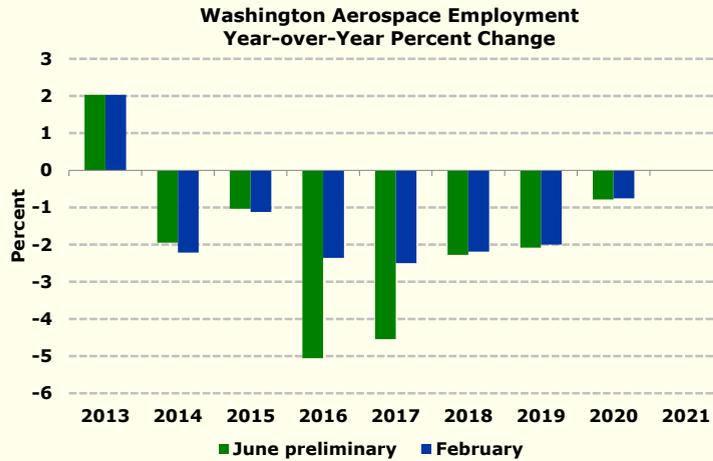
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WA aerospace employment is expected to decline faster than in February

Boeing has announced it will eliminate 4,000 jobs by June but no WARN notices have been issued to date



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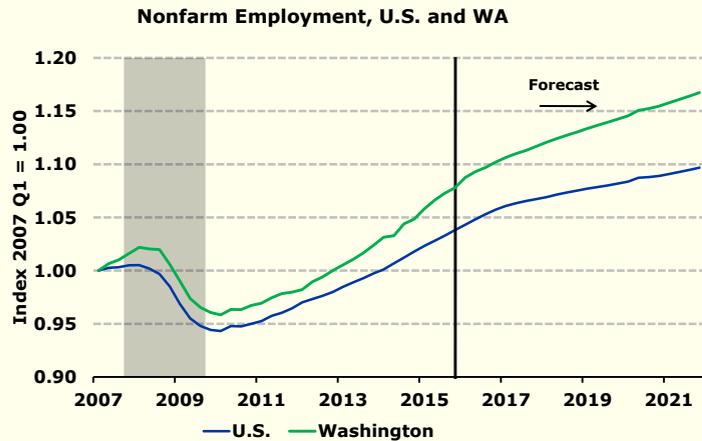
Source: ERFC June 2016 Preliminary forecast; historical data through 2016Q1

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



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



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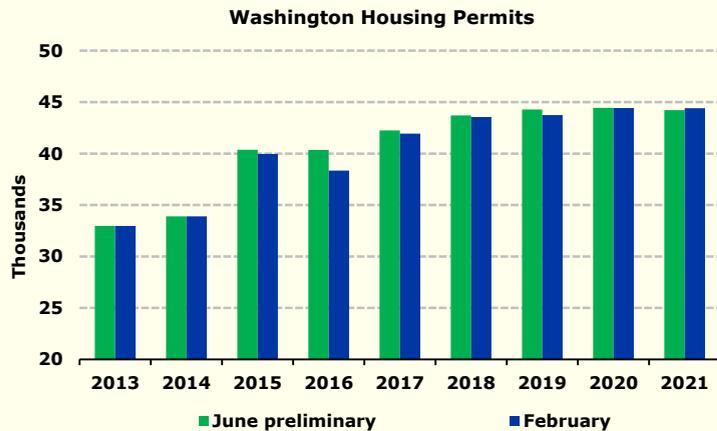
Source: ERFC June 2016 Preliminary forecast; historical data through 2016Q1

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Washington housing permits forecast is higher for 2016–2019 compared to February



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

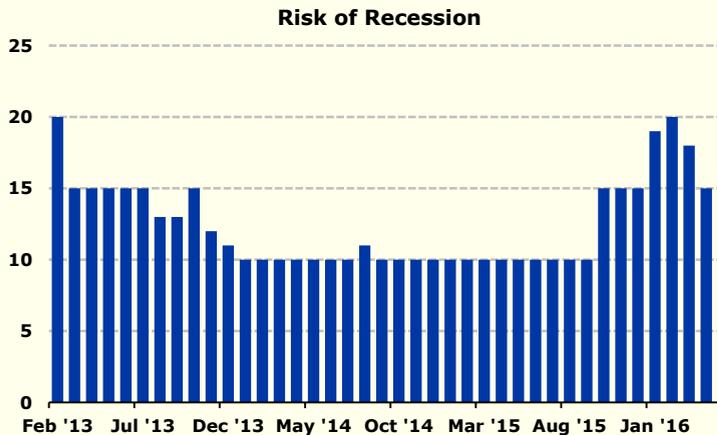
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Bloomberg economist survey indicates risk of recession has increased but remains low

May 2016
Wall Street Journal
economist
survey places
recession
probability at
20%



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Source: Bloomberg surveys; forecasts through May 2016

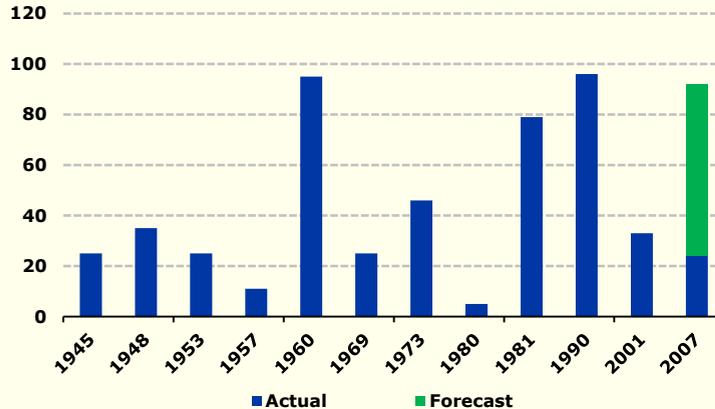
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Initial slow recovery points to extended expansion

Months of Recovery After Reaching Previous Peak in Employment



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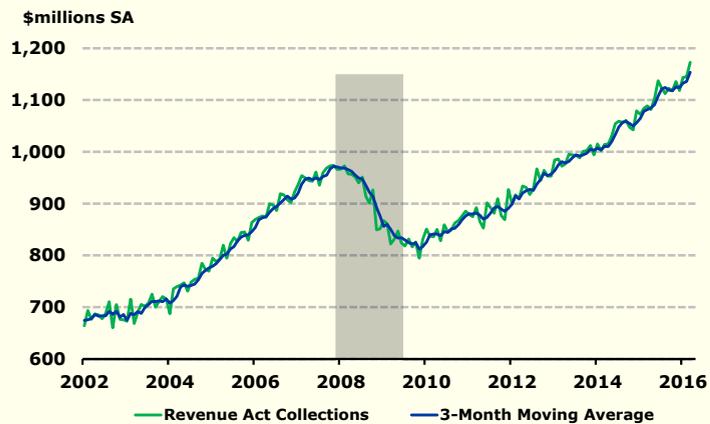
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Sources: NBER, BLS, ERFC Preliminary June 2016 forecast; historic data through April 2016

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Revenue Act collections for March economic activity were quite strong



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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 March 2016 activity

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Large commercial property sales have had major impact on REET collections

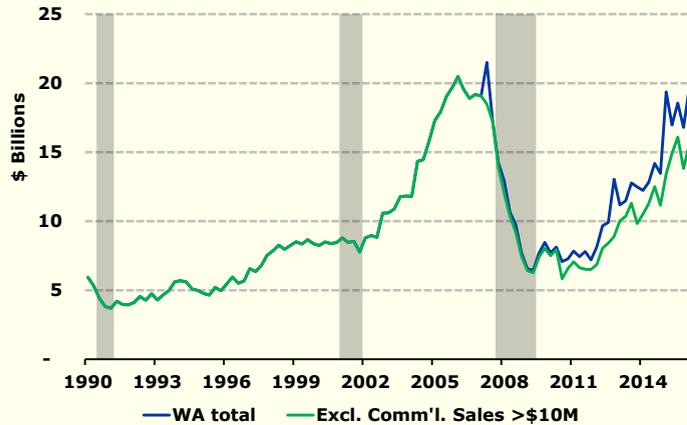
Large commercial property sales are expected to decrease from the elevated levels of the past few years.

Recent strong growth in residential activity is due more to price than volume.

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Taxable real estate sales, SA

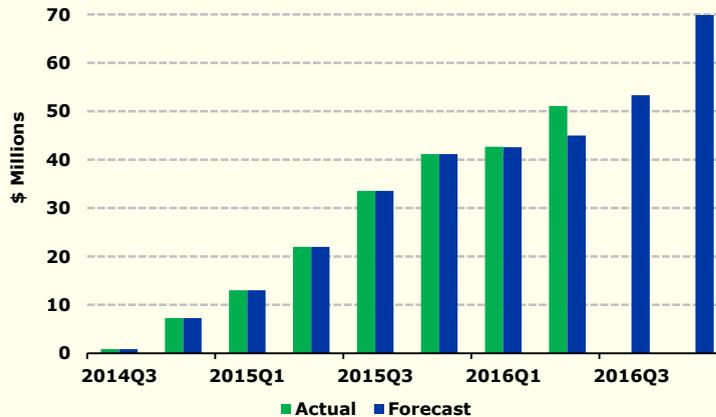


Source: ERFC, data through 2016 Q1

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Cannabis revenue continues to rise



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Source: LCB, ERFC; February 2016 revenue forecast, historic data through April 2016

WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Revenue collections to date

Special factors:

\$7.1 million audit payment that was not anticipated in the February forecast

Collections Variance Since February Forecast (February 11, 2016 – May 10, 2016) dollars in thousands

	<u>Estimate</u>	<u>Actual</u>	<u>Difference</u>	<u>Pct.</u>
Dept. of Revenue	\$3,623,619	\$3,762,110	\$138,491	3.8%
All other agencies	\$22,356	\$23,977	\$1,621	7.2%
Total GF-S	\$3,645,975	\$3,786,087	\$140,112	3.8%
Total excluding special factors	\$3,645,975	\$3,779,015	\$133,040	3.6%

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WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL



Potential transitory components of revenue collections variance

- May collections report (+\$42.2 M)
 - Revenue Act collections grew much faster than payments from electronic filers
 - June collections report will give better sense if this was a one-time jump
- Unclaimed property (+\$5.7 M)
 - Most unclaimed property collections occur in October and November
 - Potential for this variance to be offset by lower collections in those months

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Conclusion

- The U.S. economic forecast is slightly weaker than in February but we continue to expect moderate growth
- Washington is continuing to outperform the nation by a small margin; we expect this be the case through the forecast period
- Threats to economic expansion include slower international economic growth, the impact of a stronger dollar on exports, and a slowdown in manufacturing
- The next monthly revenue collection report will be available on June 13th and the revenue forecast will be presented on June 15th

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Questions



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

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

U.S. Economic Forecast Comparison
May 2016

	2016Q1	2016Q2	2016Q3	2016Q4	2016	2017	2018	2019	2020	2021
Real GDP, Percent Change, Annual Rate										
ERFC (Preliminary June)	0.5	2.3	2.4	2.4	1.8	2.3	2.2	2.1	2.2	2.1
Global Insight	0.5	1.7	2.2	3.1	1.7	2.7	2.6	2.3	2.3	2.3
Economy.com	0.5	2.2	2.9	2.9	1.8	3.0	2.7			
Blue Chip Average*	0.5	2.3	2.4	2.4	1.8	2.3	2.2	2.1	2.2	2.1
Blue Chip Top 10*		3.2	2.9	2.8	2.0	2.6	2.6	2.6	2.6	2.5
Blue Chip Bottom 10*		1.6	1.9	1.9	1.6	1.9	1.7	1.5	1.8	1.7
Real Consumption, Percent Change, Annual Rate										
ERFC (Preliminary June)	1.9	2.7	2.6	2.6	2.5	2.5	2.3	2.2	2.2	2.2
Global Insight	1.9	3.2	3.0	3.0	2.7	2.9	2.6	2.5	2.3	2.3
Economy.com	1.9	3.3	3.6	3.3	2.8	3.5	3.1			
Blue Chip Average*	1.9	2.7	2.6	2.5	2.5	2.5	2.3	2.2	2.2	2.2
Blue Chip Top 10*		3.4	3.3	3.0	2.7	2.8	2.7	2.6	2.5	2.5
Blue Chip Bottom 10*		2.1	2.1	2.0	2.3	2.1	1.9	1.6	1.9	1.8
Federal Funds Rate										
ERFC (Preliminary June)	0.4	0.4	0.7	0.8	0.6	1.4	2.4	3.0	3.0	3.0
Global Insight	0.4	0.4	0.7	0.8	0.6	1.4	2.4	3.0	3.0	3.0
Economy.com	0.4	0.4	0.7	0.8	0.6	2.0	3.6			
Three Month T-Bill Rate										
ERFC (Preliminary June)	0.3	0.3	0.5	0.7	0.4	1.3	2.4	2.8	2.8	2.8
Global Insight	0.3	0.3	0.5	0.7	0.4	1.3	2.3	2.8	2.8	2.8
Blue Chip Average*	0.3	0.3	0.5	0.7	0.4	1.2	2.3	2.7	2.9	3.0
Blue Chip Top 10*		0.5	0.6	0.8	0.5	1.6	3.3	3.8	3.8	3.7
Blue Chip Bottom 10*		0.2	0.3	0.5	0.3	0.9	1.5	1.6	1.9	2.2
10-Yr. T-Note Yield										
ERFC (Preliminary June)	1.9	1.9	2.2	2.4	2.1	2.6	3.1	3.6	3.6	3.6
Global Insight	1.9	1.9	2.2	2.4	2.1	2.6	3.1	3.6	3.6	3.6
Economy.com	1.9	2.2	2.5	2.8	2.4	3.6	4.0			
Blue Chip Average*	1.9	1.9	2.1	2.2	2.0	2.7	3.4	3.7	3.8	3.9
Blue Chip Top 10*		2.1	2.4	2.6	2.2	3.3	4.2	4.4	4.5	4.5
Blue Chip Bottom 10*		1.7	1.8	1.9	1.8	2.2	2.6	2.8	3.0	3.2
Consumer Price Index, Percent Change, Annual Rate										
ERFC (Preliminary June)	-0.3	2.2	1.1	4.6	1.2	2.4	2.2	2.3	2.3	2.2
Global Insight	-0.3	1.7	1.0	3.6	1.0	2.4	2.5	2.6	2.7	2.6
Economy.com	-0.3	2.9	2.5	2.7	1.4	2.7	2.8			
Blue Chip Average*	-0.3	2.0	2.3	2.4	1.2	2.3	2.3	2.3	2.3	2.3
Blue Chip Top 10*		2.8	3.0	3.3	1.5	2.8	2.8	2.8	2.7	2.7
Blue Chip Bottom 10*		0.9	1.5	1.8	0.9	1.9	1.9	1.9	1.9	2.0
Payroll Employment, Millions										
ERFC (Preliminary June)	143.5	144.3	144.9	145.5	144.6	146.5	147.6	148.6	149.6	150.5
Percent Change, Annual Rate	1.9	2.0	1.8	1.7	1.9	1.3	0.8	0.7	0.7	0.6
Global Insight	143.5	144.2	144.8	145.4	144.5	146.5	147.8	148.9	150.3	151.8
Percent Change, Annual Rate	1.9	1.9	1.7	1.7	1.9	1.4	0.9	0.7	1.0	1.0
Economy.com	143.5	144.1	144.8	145.4	144.4	146.9	149.3			
Percent Change, Annual Rate	1.9	1.6	1.8	1.7	1.8	1.7	1.6			
Unemployment Rate, Percent										
ERFC (Preliminary June)	4.9	4.9	4.9	4.8	4.9	4.8	4.7	4.8	4.8	4.9
Global Insight	4.9	4.9	4.9	4.9	4.9	4.8	4.8	5.1	5.1	5.0
Economy.com	4.9	5.0	5.0	4.9	5.0	4.7	4.6			
Blue Chip Average*	4.9	4.9	4.8	4.7	4.8	4.6	4.6	4.7	4.7	4.8
Blue Chip Top 10*		5.0	4.9	4.9	4.9	4.8	5.1	5.2	5.1	5.2
Blue Chip Bottom 10*		4.8	4.6	4.5	4.7	4.3	4.1	4.2	4.2	4.3
Real Disposable Personal Income, Percent Change, Annual Rate										
ERFC (Preliminary June)	2.9	2.0	2.6	1.6	2.5	2.7	3.2	2.9	2.4	2.4
Global Insight	2.9	2.5	2.8	2.5	2.7	3.1	3.3	2.9	2.5	2.5
Blue Chip Average*	2.9	2.3	2.3	2.4	2.6	2.5	2.6	2.4	2.4	2.4
Blue Chip Top 10*		3.2	3.1	3.1	3.0	3.0	3.5	3.4	3.0	3.0
Blue Chip Bottom 10*		1.3	1.3	1.8	2.3	2.0	2.0	1.6	1.9	1.8
West Texas Intermediate										
ERFC (Preliminary June)	33.5	45.7	49.9	50.9	45.0	51.6	52.3	53.5	54.8	56.0
Global Insight	33.5	45.7	49.7	45.7	43.7	49.8	56.7	66.4	76.9	86.3
Economy.com	33.4	39.7	44.3	48.1	41.4	54.9	60.9			

* Forecasts beyond 2017 are from the March 2016 Blue Chip Economic Indicators

U.S. Forecast Comparison	Fiscal Years					
	2016	2017	2018	2019	2020	2021
Real GDP						
Billions of 2009 dollars						
June Preliminary Forecast	16,491	16,836	17,209	17,576	17,956	18,344
<i>Growth</i>	1.9%	2.1%	2.2%	2.1%	2.2%	2.2%
February Forecast	16,507	16,897	17,297	17,697	18,085	18,479
<i>Growth</i>	2.0%	2.4%	2.4%	2.3%	2.2%	2.2%
Difference in level	-16	-61	-88	-120	-129	-135
<i>Difference in growth forecast</i>	-0.1%	-0.3%	-0.2%	-0.2%	0.0%	0.0%
Real Consumption						
Billions of 2009 dollars						
June Preliminary Forecast	11,359	11,641	11,916	12,181	12,450	12,724
<i>Growth</i>	2.8%	2.5%	2.4%	2.2%	2.2%	2.2%
February Forecast	11,363	11,661	11,945	12,225	12,506	12,788
<i>Growth</i>	2.8%	2.6%	2.4%	2.3%	2.3%	2.3%
Difference in level	-4	-20	-30	-44	-57	-64
<i>Difference in growth forecast</i>	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Implicit Price Deflator						
Index 2009 = 100						
June Preliminary Forecast	110.0	111.5	113.6	115.8	118.0	120.2
<i>Growth</i>	0.7%	1.4%	1.8%	1.9%	1.9%	1.9%
February Forecast	109.8	111.0	113.0	115.1	117.1	119.2
<i>Growth</i>	0.5%	1.1%	1.8%	1.8%	1.8%	1.7%
Difference in level	0.1	0.5	0.6	0.6	0.8	1.1
<i>Difference in growth forecast</i>	0.1%	0.3%	0.0%	0.1%	0.2%	0.2%
Unemployment Rate						
Percent of Labor Force						
June Preliminary Forecast	5.0%	4.8%	4.7%	4.7%	4.8%	4.8%
February Forecast	5.0%	4.8%	4.7%	4.7%	4.8%	4.8%
<i>Difference in forecast</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
30 Year Fixed Mortgage Rate						
Annual Average						
June Preliminary Forecast	3.8%	4.2%	4.7%	5.5%	5.6%	5.6%
February Forecast	3.9%	4.2%	4.6%	5.5%	5.6%	5.6%
<i>Difference in forecast</i>	-0.1%	0.0%	0.1%	0.1%	0.0%	0.1%
3 Month T-Bill Rate						
Annual Average						
June Preliminary Forecast	0.2%	0.8%	1.9%	2.7%	2.8%	2.8%
February Forecast	0.2%	0.9%	1.9%	2.7%	2.8%	2.8%
<i>Difference in forecast</i>	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%

Washington Forecast Comparison
Fiscal Years

	2016	2017	2018	2019	2020	2021
Real Personal Income						
Billions of 2009 dollars						
June Preliminary Forecast	340.6	349.9	360.6	372.2	383.8	395.4
<i>Growth</i>	3.6%	2.7%	3.1%	3.2%	3.1%	3.0%
February Forecast	344.2	354.1	365.1	376.6	388.0	399.6
<i>Growth</i>	4.4%	2.9%	3.1%	3.1%	3.0%	3.0%
Difference in level	-3.5	-4.2	-4.5	-4.4	-4.2	-4.2
<i>Difference in growth forecast</i>	-0.8%	-0.2%	0.0%	0.1%	0.1%	0.0%
Nominal Personal Income						
Billions of dollars						
June Preliminary Forecast	374.6	390.3	409.7	430.9	452.8	475.4
<i>Growth</i>	4.3%	4.2%	5.0%	5.2%	5.1%	5.0%
February Forecast	377.9	393.2	412.8	433.5	454.5	476.2
<i>Growth</i>	4.9%	4.0%	5.0%	5.0%	4.8%	4.8%
Difference in level	-3.4	-2.9	-3.0	-2.7	-1.7	-0.7
<i>Difference in growth forecast</i>	-0.6%	0.2%	0.0%	0.1%	0.3%	0.2%
Nonfarm Payroll Employment						
Thousands						
June Preliminary Forecast	3,187.9	3,250.0	3,293.8	3,332.8	3,369.8	3,404.6
<i>Growth</i>	2.7%	1.9%	1.3%	1.2%	1.1%	1.0%
February Forecast	3,193.6	3,242.6	3,281.3	3,320.6	3,360.4	3,396.8
<i>Growth</i>	2.4%	1.5%	1.2%	1.2%	1.2%	1.1%
Difference in level	-5.7	7.4	12.5	12.2	9.3	7.8
<i>Difference in growth forecast</i>	0.3%	0.4%	0.2%	0.0%	-0.1%	0.0%
Housing Permits						
Units Authorized, Thousands						
June Preliminary Forecast	39.1	41.3	43.1	44.0	44.4	44.3
<i>Growth</i>	1.3%	5.4%	4.4%	2.2%	0.9%	-0.2%
February Forecast	37.1	40.2	43.0	43.6	44.1	44.4
<i>Growth</i>	-4.8%	8.4%	7.0%	1.5%	1.1%	0.6%
Difference in level	2.1	1.1	0.1	0.4	0.3	-0.1
<i>Difference in growth forecast</i>	6.1%	-3.0%	-2.6%	0.8%	-0.2%	-0.9%

**Year-Over-Year Employment Growth by Industry
(April 2015 to April 2016)
Washington vs. U.S.**

	Washington		U.S.
	(000)	% Chg.	% Chg.
Total	81.1	2.6%	1.9%
Information Excluding Software	4.8	8.5%	NA
Construction	9.0	5.2%	4.1%
Software Publishers	2.6	4.8%	NA
Leisure and Hospitality	12.2	4.0%	3.0%
Transportation, Warehousing and Utilities	3.9	4.0%	1.3%
Professional and Business Services	13.4	3.4%	3.1%
Other Services	3.4	3.0%	1.3%
Education and Health Services	11.2	2.5%	3.1%
State and Local Gov Education	5.8	2.3%	0.1%
Retail Trade	7.2	2.0%	2.2%
Wholesale Trade	2.5	1.9%	1.1%
Financial Activities	2.4	1.6%	2.0%
State and Local Gov Non-Education	2.7	1.3%	1.0%
Manufacturing Excluding Aerospace	0.6	0.3%	NA
Aerospace Product and Parts Manufacturing	-2.4	-2.5%	NA
Mining and Logging	-0.3	-4.1%	-15.6%
Information	7.4	6.7%	1.3%
Manufacturing	-1.7	-0.6%	-0.2%

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