

# Washington State Economy: Overview and Outlook

Presented to  
Novo Nordisk North America

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Forecast Council

July 10, 2013  
Seattle, WA



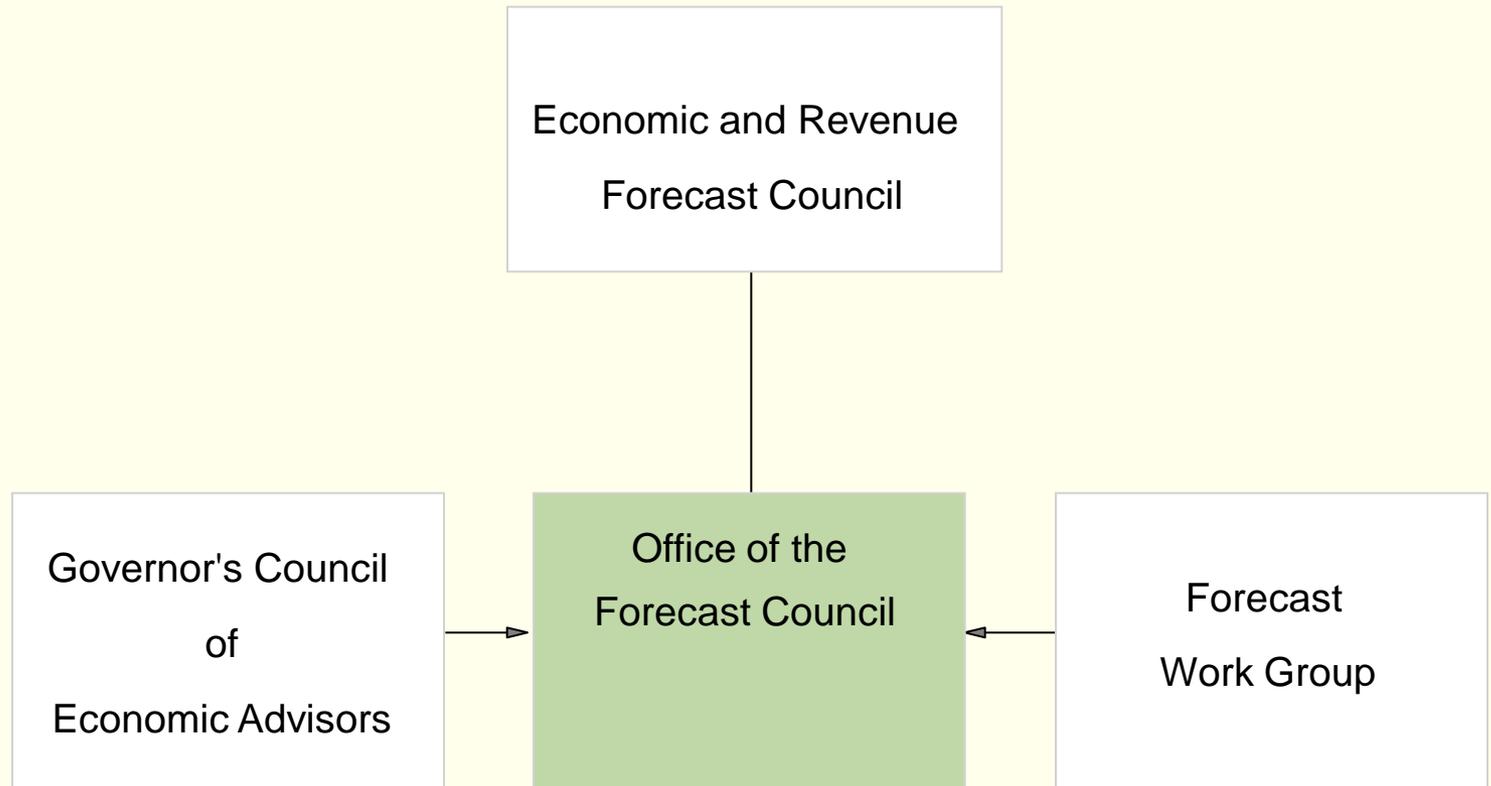
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# Forecast Governance

## **ERFC**

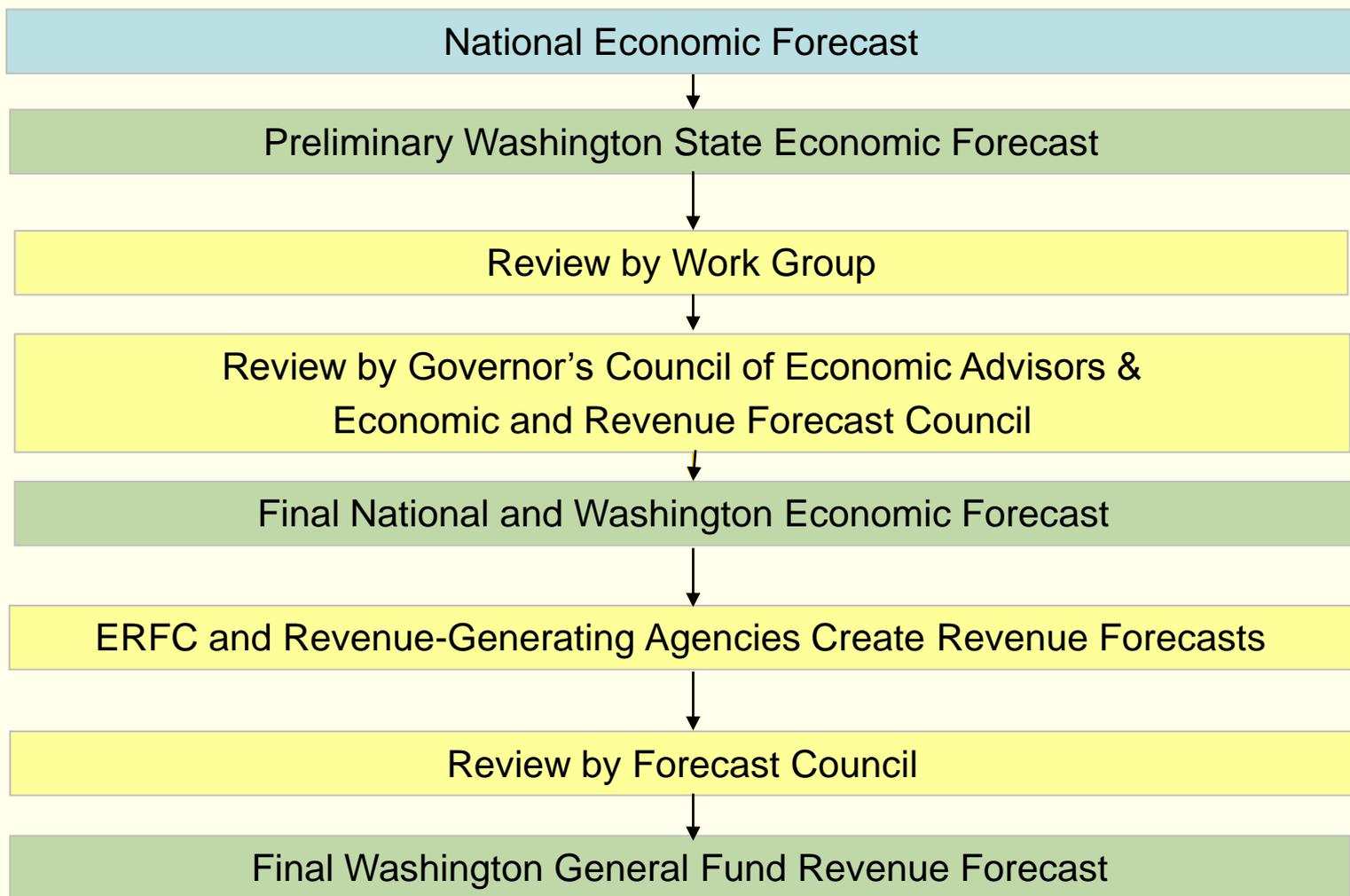
- Council hires Executive Director for three year term
- Director hires staff
- Total staff of five





# ERFC Forecast Process

The national economic forecast is provided by Global Insight

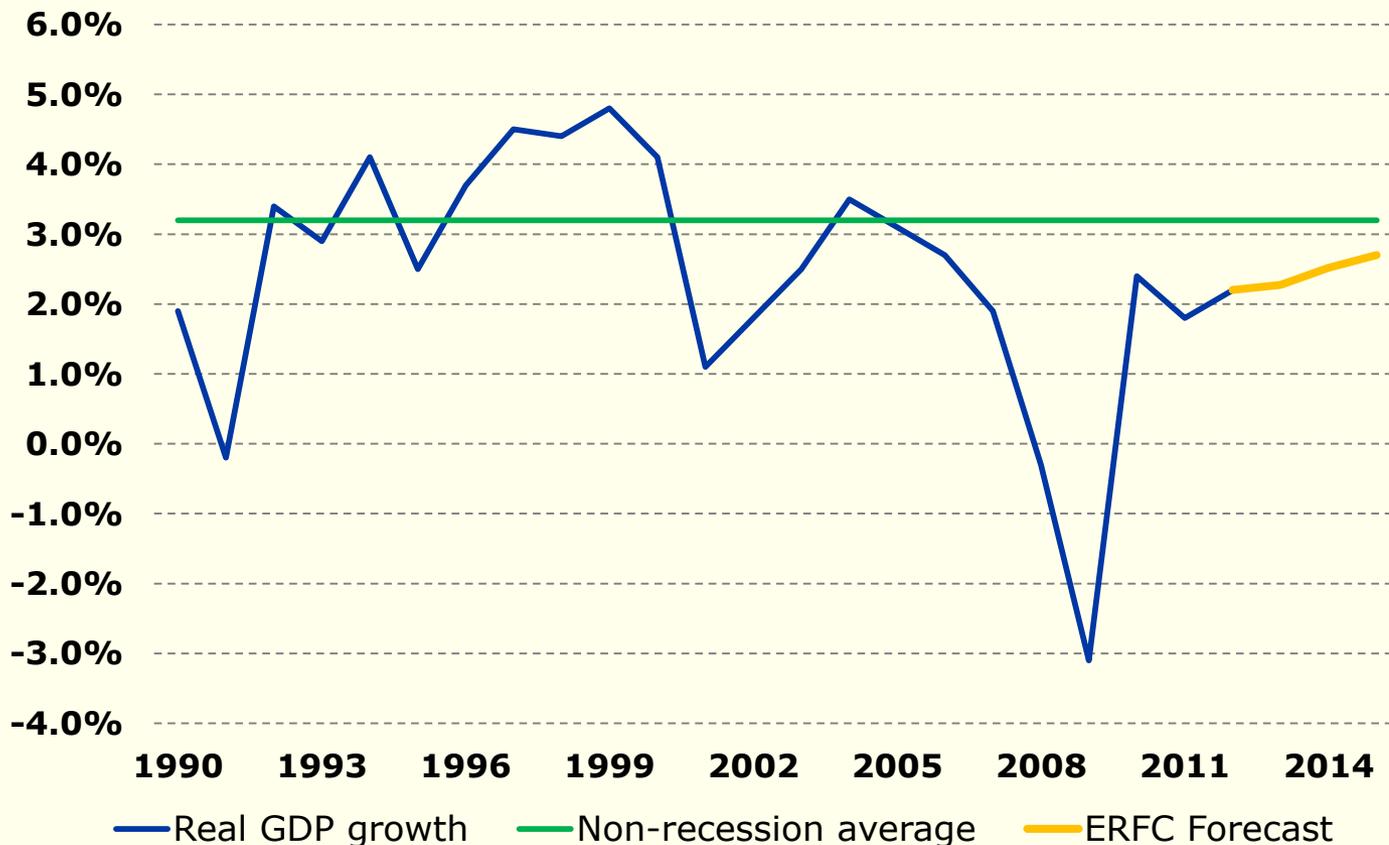


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# GDP growth slowly approaching non-recessionary levels

Non-recessionary average growth of 3.2% excludes 1990, 1991, 2001, 2007-2009



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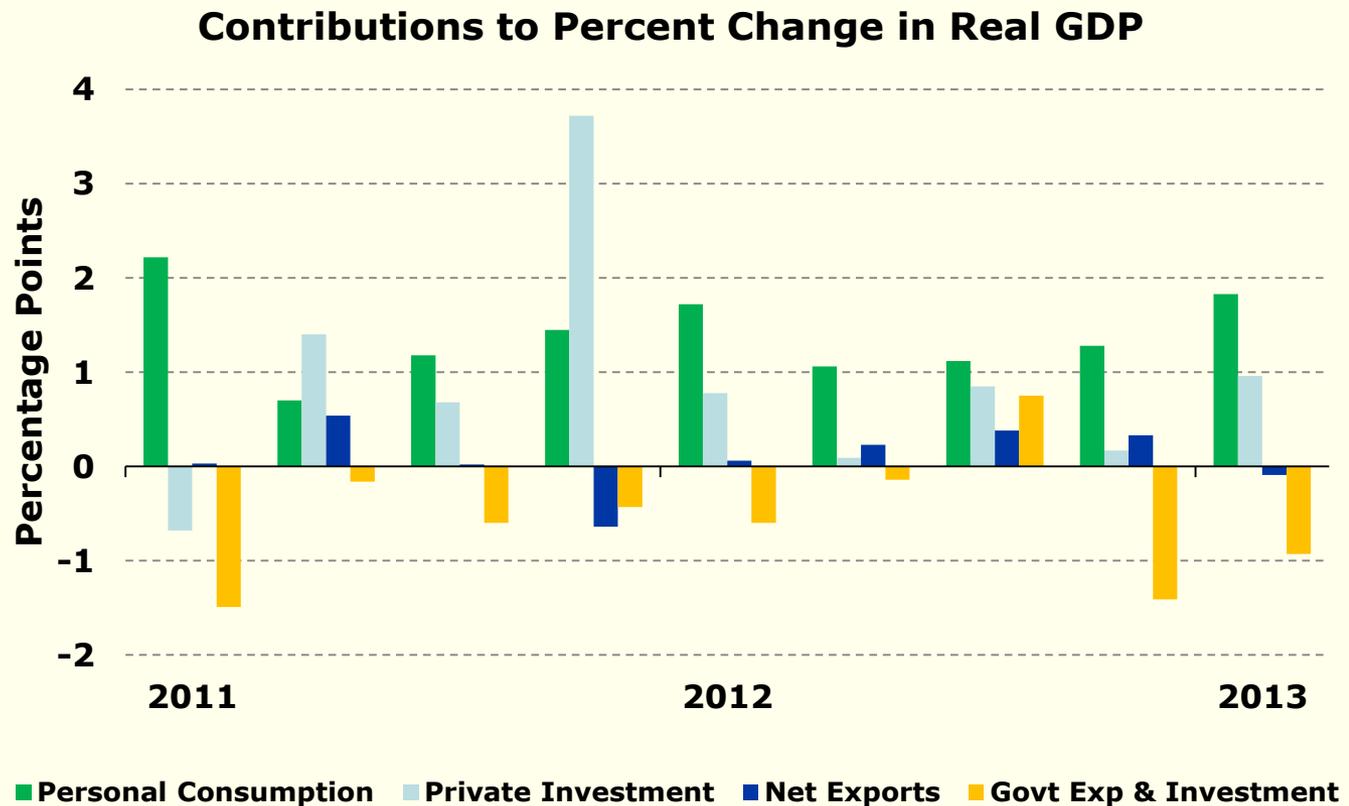
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Source: U.S. Dept of Commerce, BEA; Blue Chip Economic Indicators; ERFC

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# Slowing government expenditures a drag on GDP growth



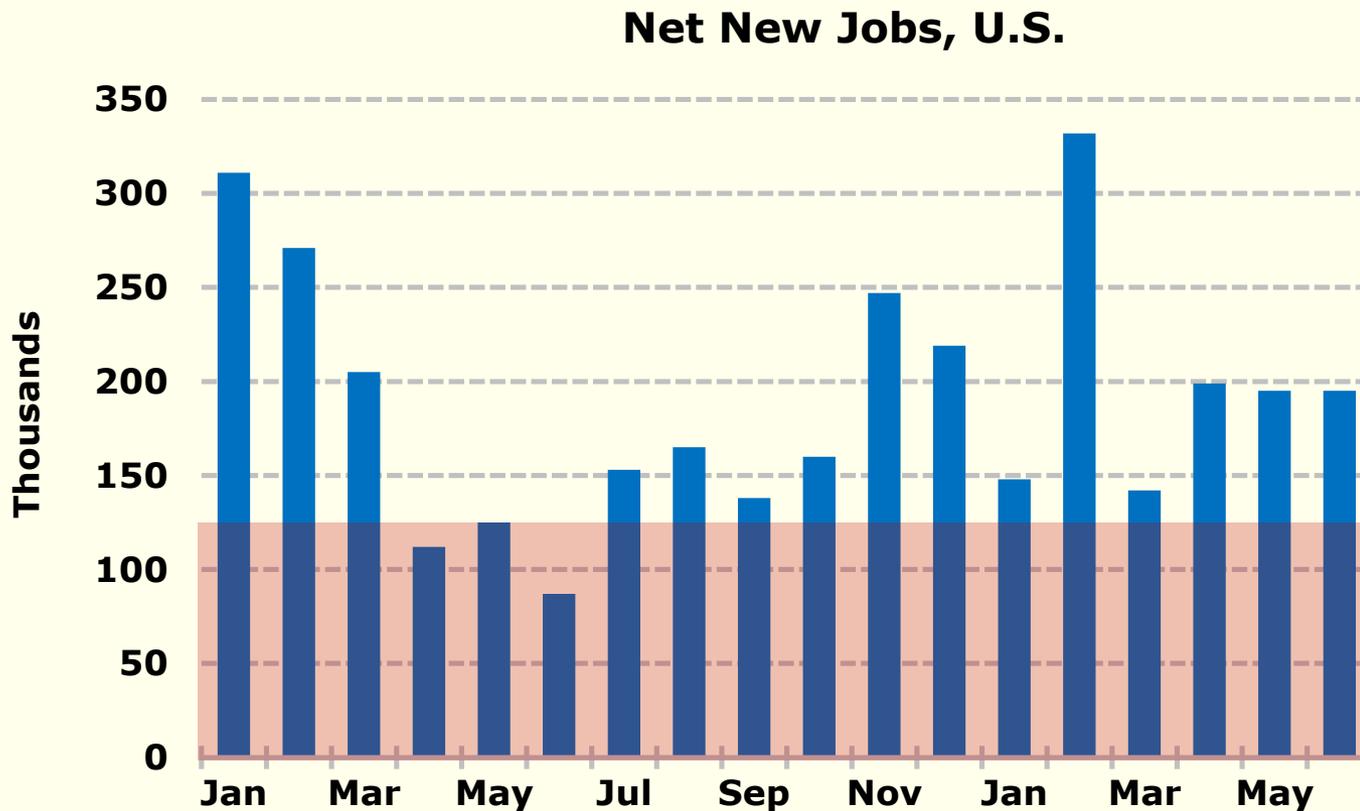
Source: BEA; data through 2013 Q1

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# Job growth remains modest

The economy needs to add roughly 125K jobs each month just to keep up with growth in the labor force



Source: Bureau of Labor Statistics, data through June 2013

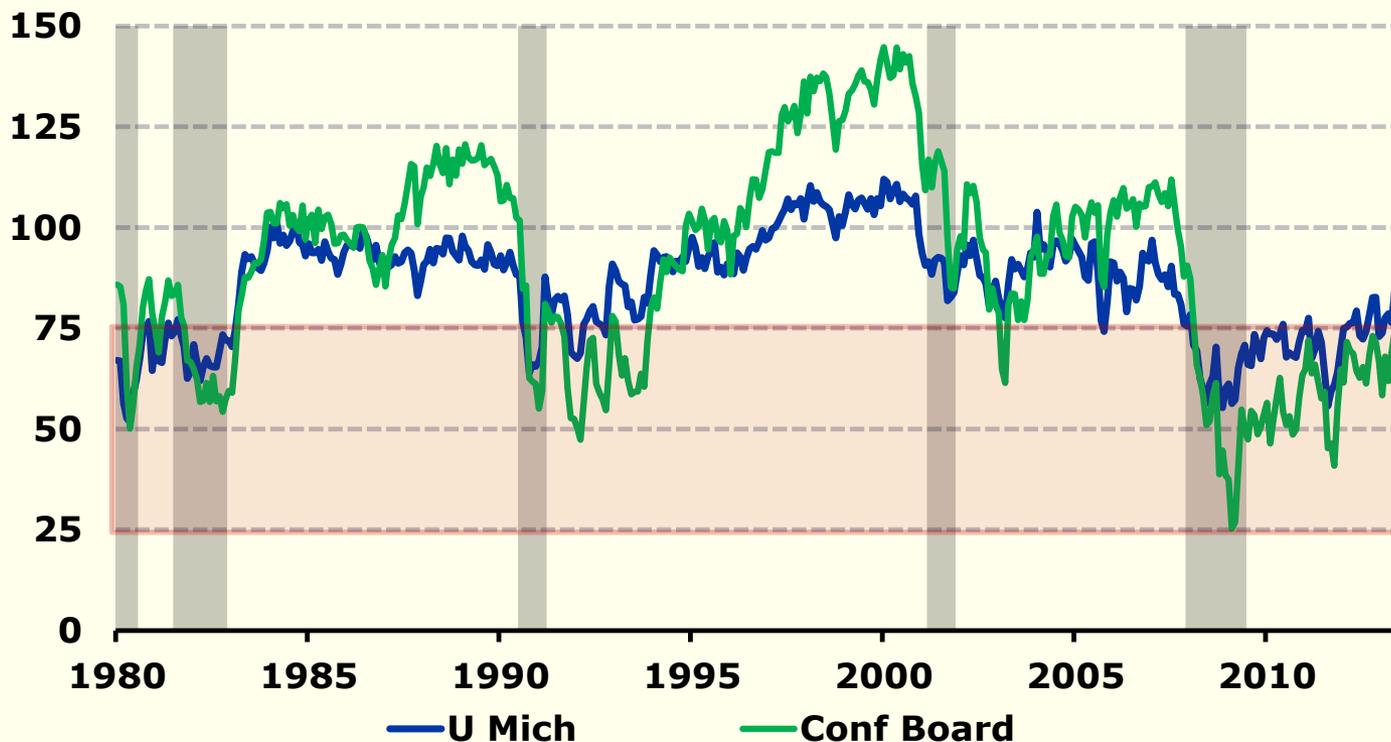


# Consumer confidence is beginning to strengthen

## Index

Mich: 1966Q1 = 100, SA

Conf Board: 1985 = 100, SA



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Source: University of Michigan; Conference Board, data through June 2013

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# Washington Economic Overview

2012 State GDP (2005 dollars): \$325.2 billion

- 3.6% growth over 2011; 4<sup>th</sup> fastest in U.S.
- 2.4% of U.S. GDP

2012 State Nonfarm Employment: 2.9 million

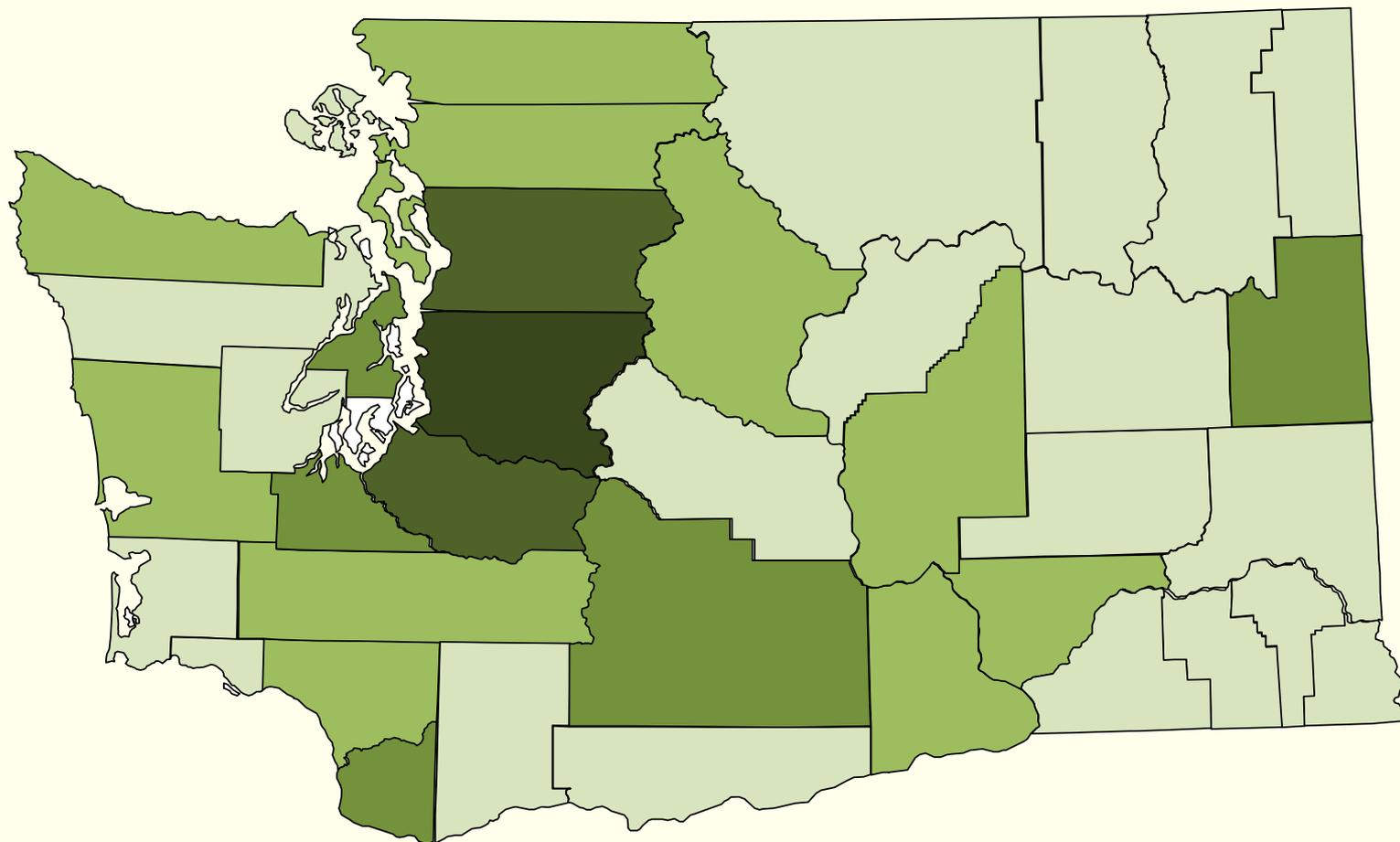
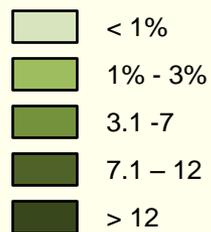
- 1.6% growth over 2011; tied for 16<sup>th</sup> fastest in U.S.
- 2.1% of U.S. nonfarm employment

2012 State population: 6.9 million; 13<sup>th</sup> largest state

- 1.1% growth over 2011 (U.S. = 0.9%)
- 2.2% of U.S. population



# Distribution of state population by county, 2012



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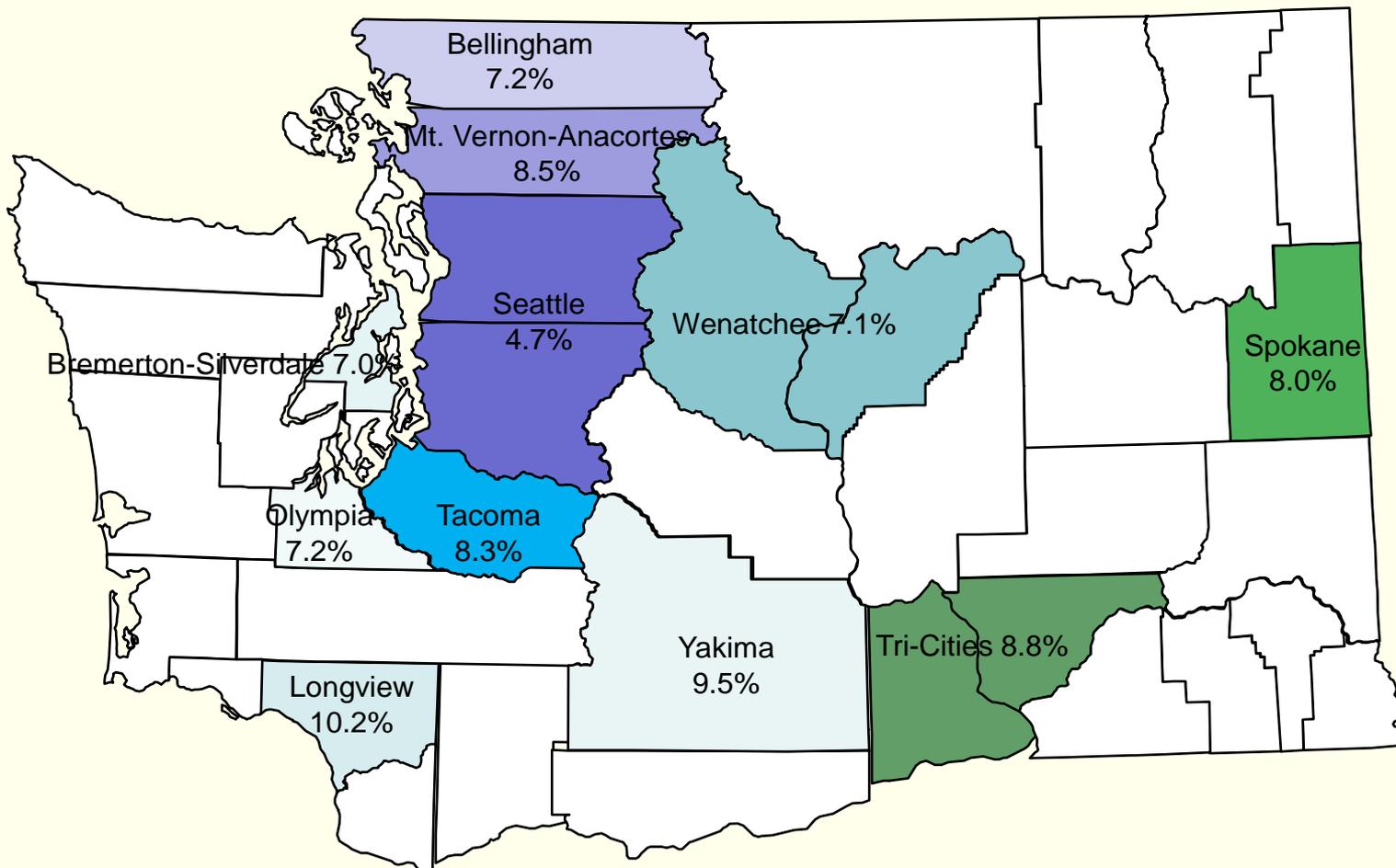
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# Unemployment rates by metro area, May 2013

Statewide  
rate: 6.8%



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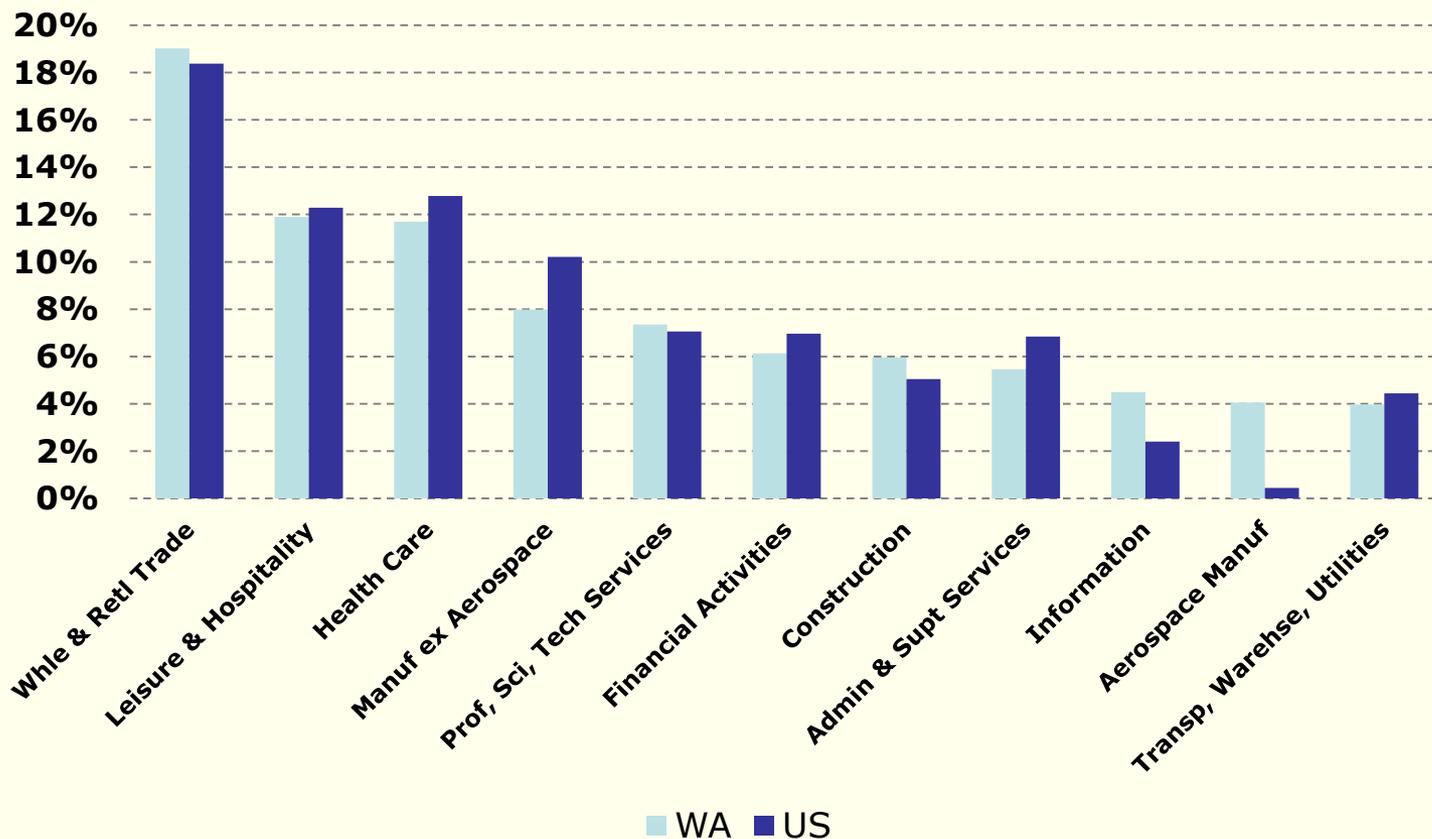
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# Major Industries by Employment

## 2012 Private Employment Shares by Industry

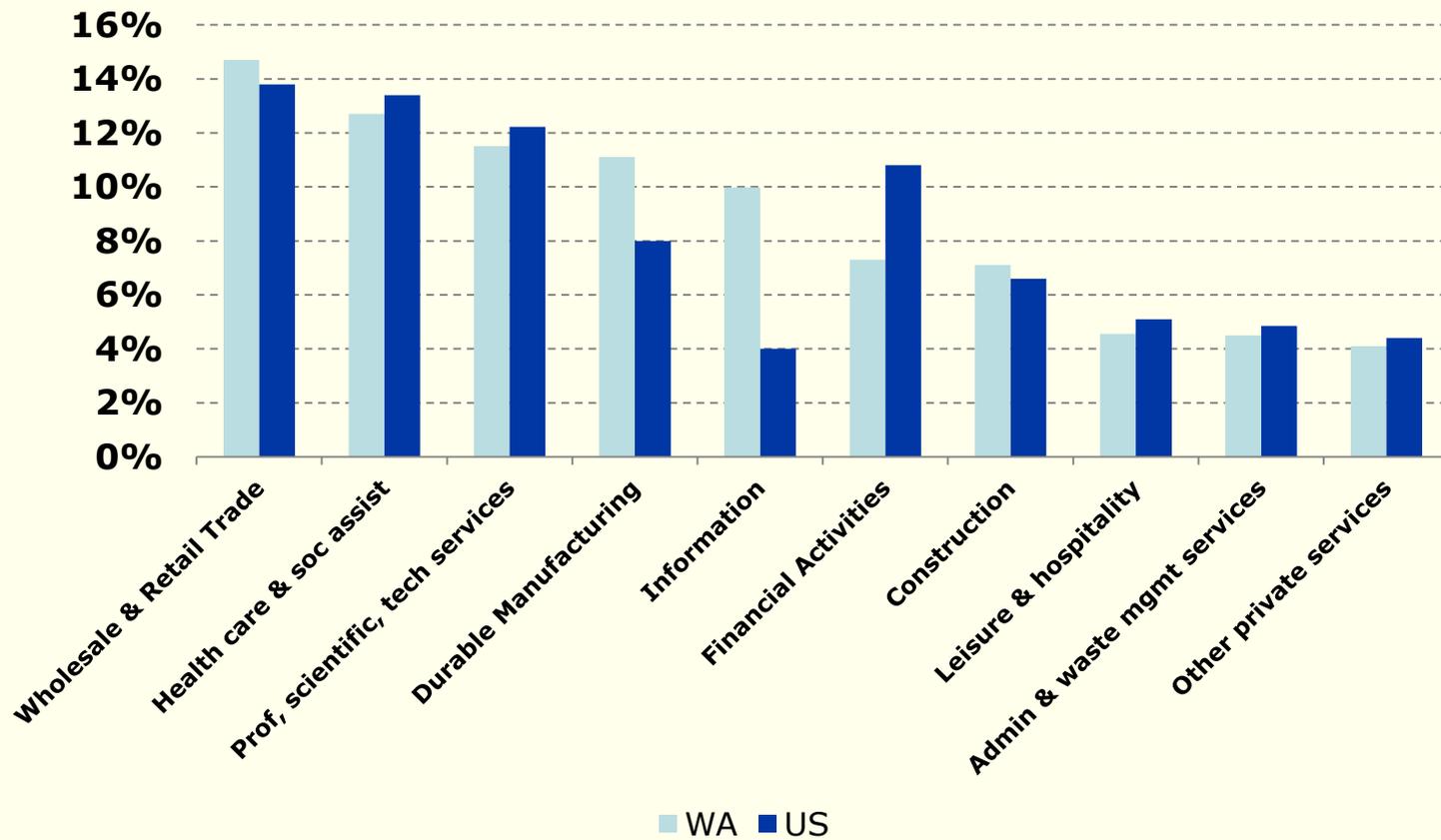


Source: U.S. Dept. of Labor, BLS; ESD; ERFC



# Major Industries by Earnings

## 2012 Private Earnings Shares by Industry



Source: U.S. Dept of Commerce, BEA; ERFC

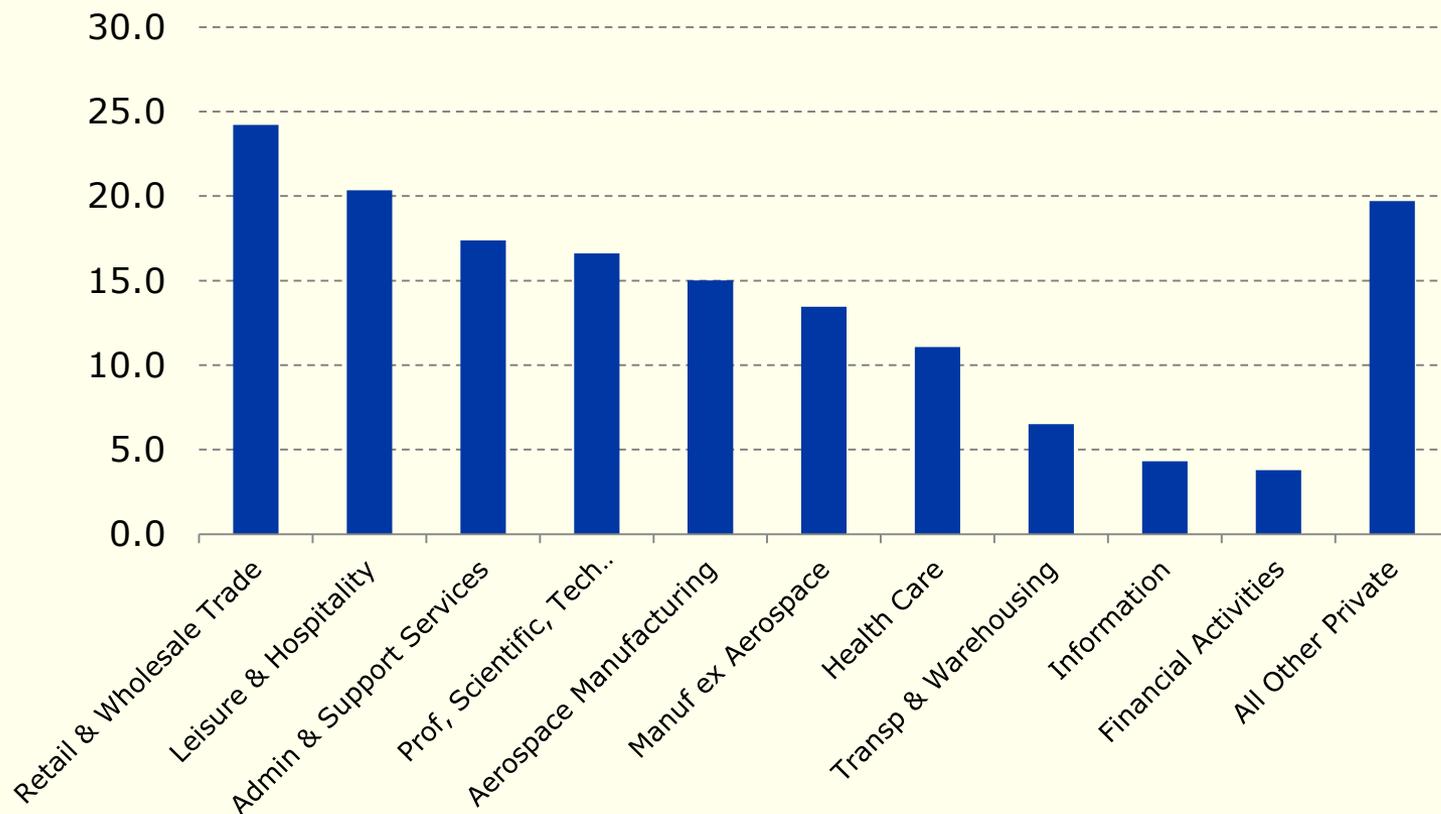
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# Washington Employment Trends

Washington has gained 152,000 net private sector jobs since Feb 2010

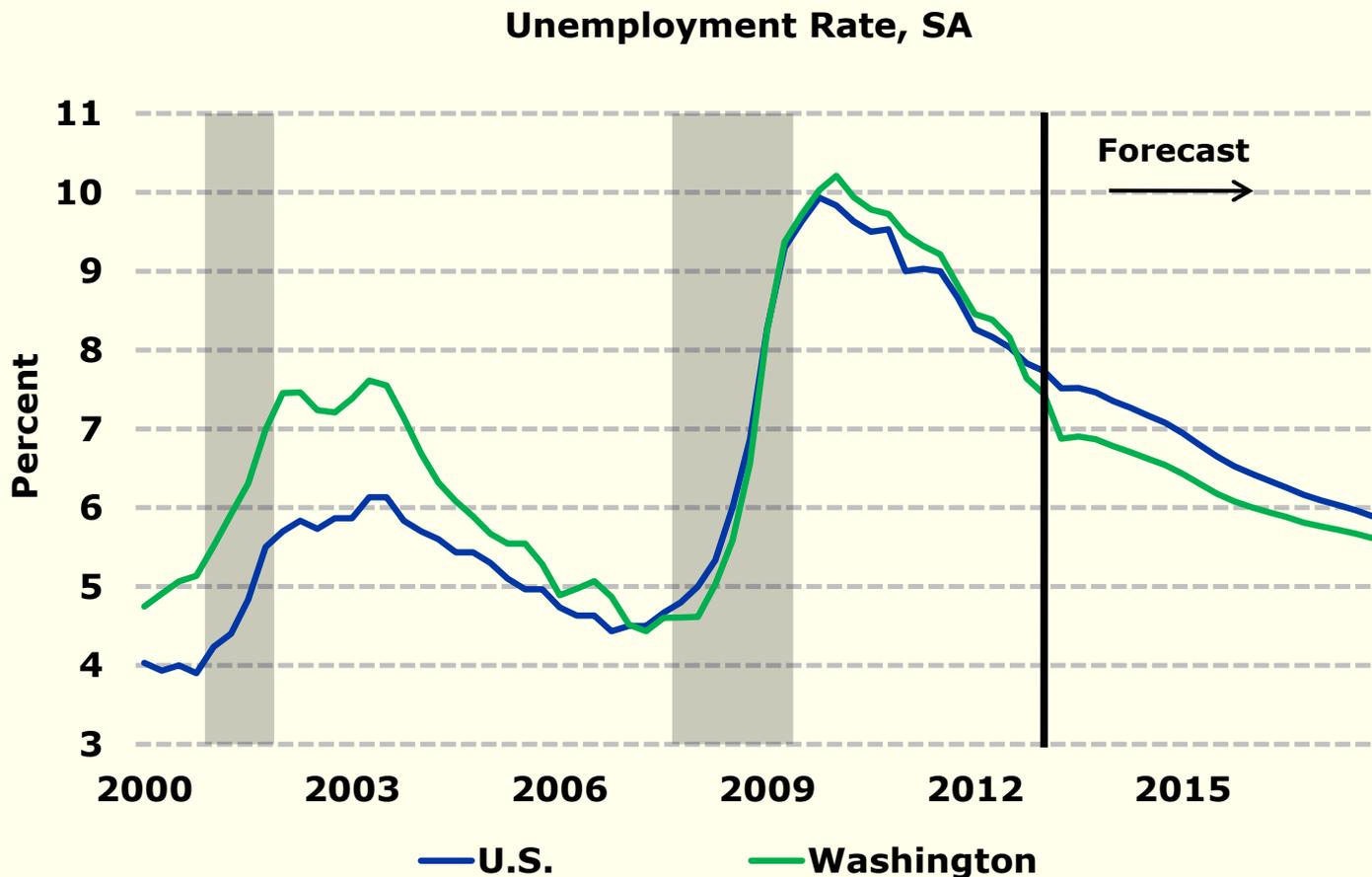
**Employment Change since Trough (thousands)**



Source: U.S. Dept. of Labor, BLS; ESD; ERFC; data through April 2013



# Washington unemployment expected to remain below U.S. rate

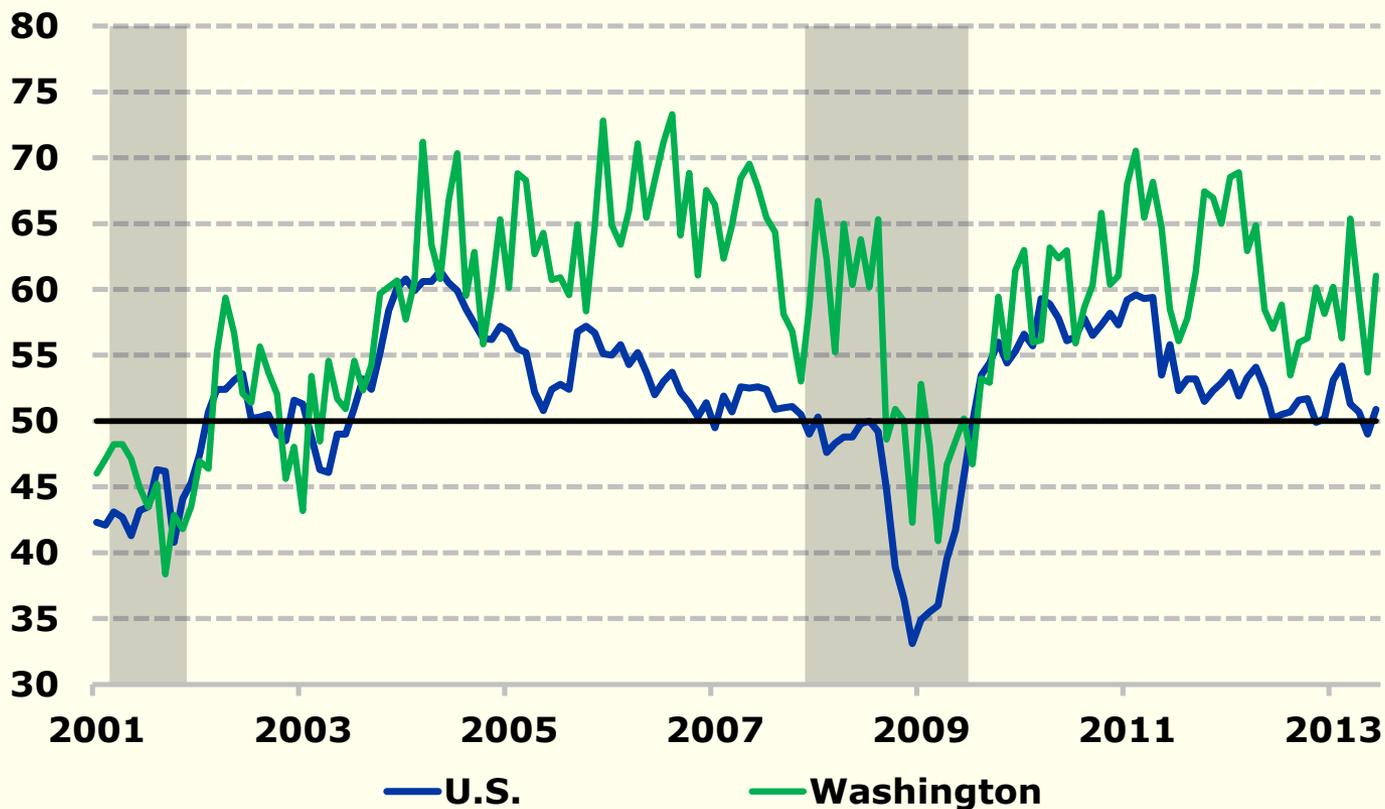




# Manufacturing stronger in WA than nationally

An index greater than 50, implies growth

### Institute of Supply Management Index



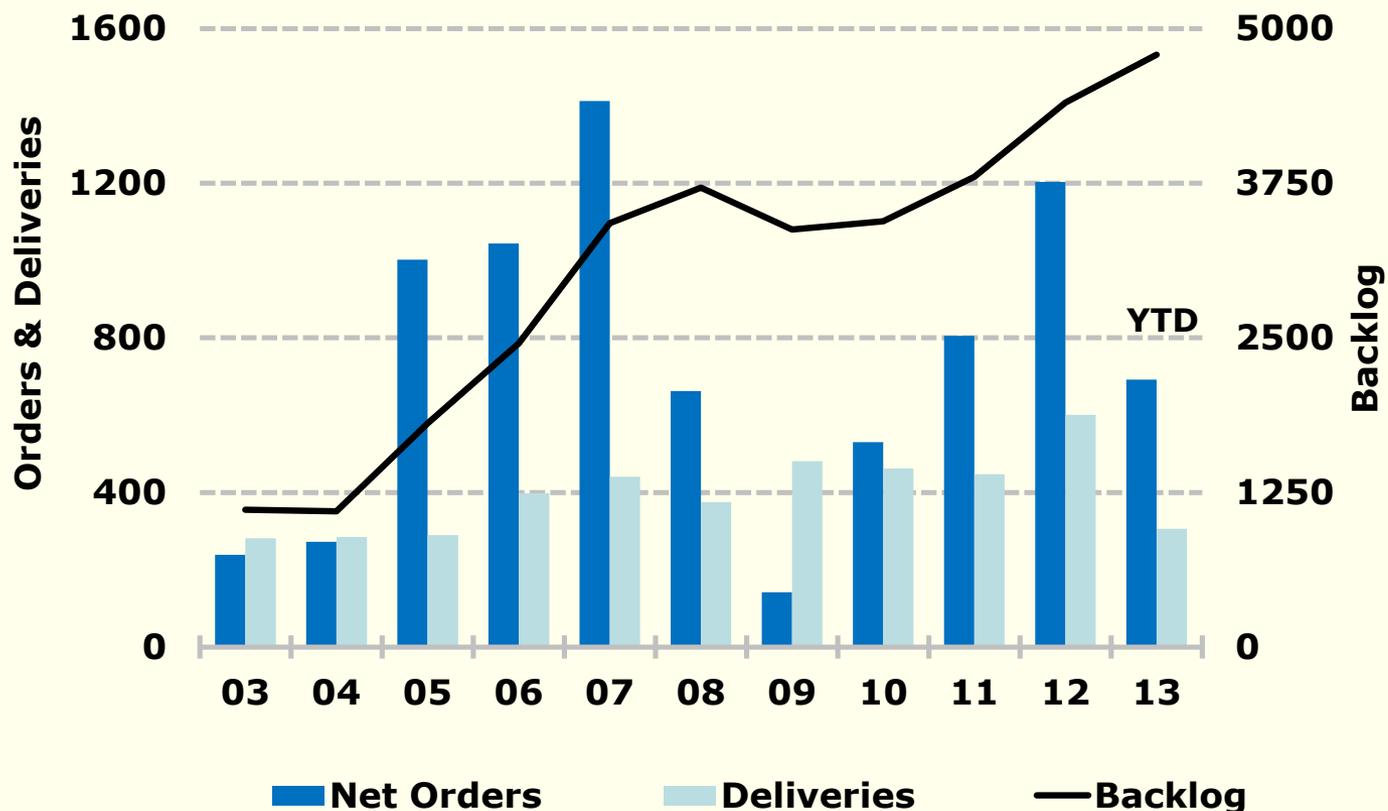
Source: Institute of Supply Management; data through June 2013

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# Boeing has over 7 years of commercial orders on its books

Excludes the military's new refueling tanker



Source: Boeing, data through April 2013

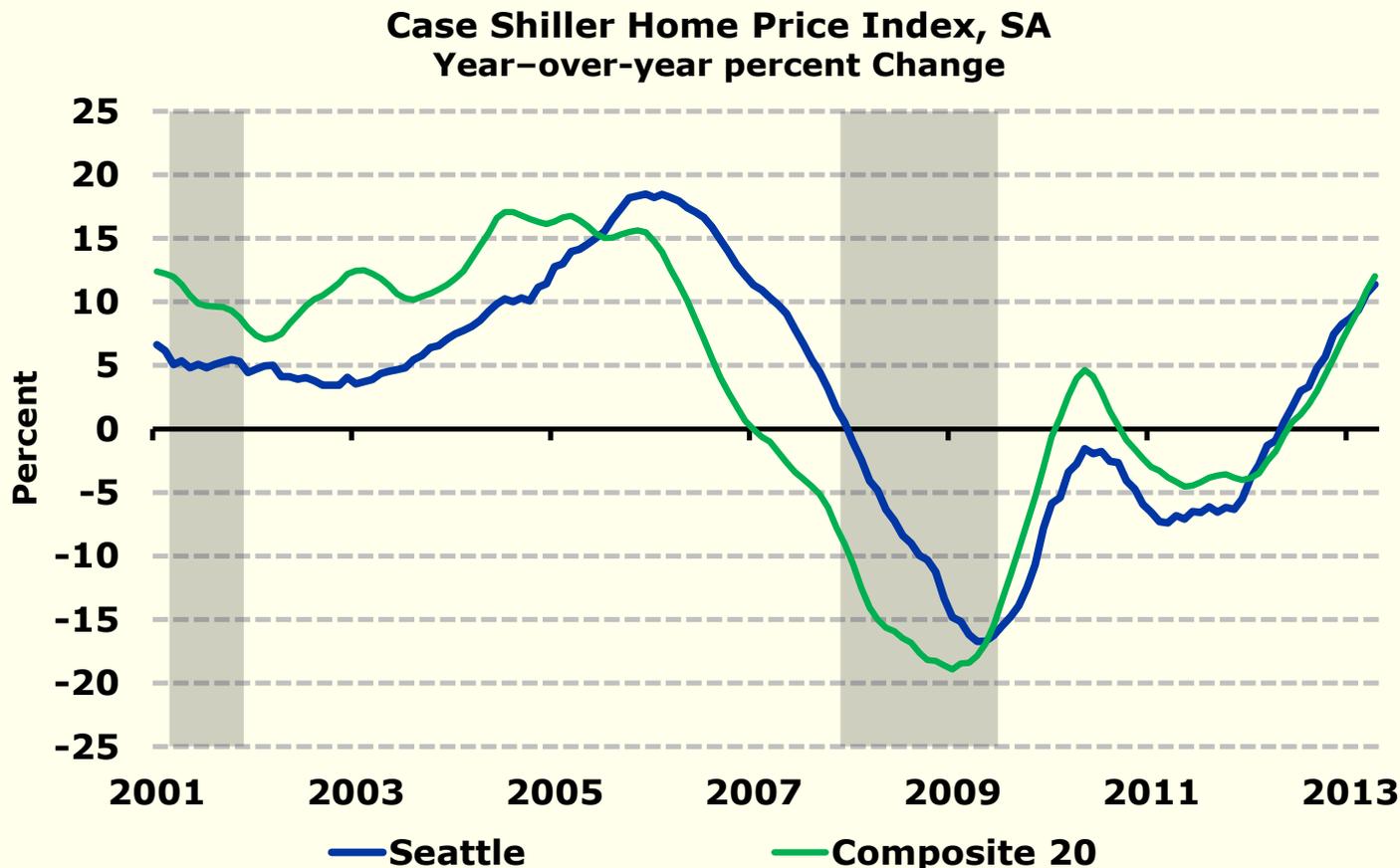


# Single-family home prices continue to increase

Apr 2013

U.S. is up  
12.0%

Seattle is  
up 11.4%

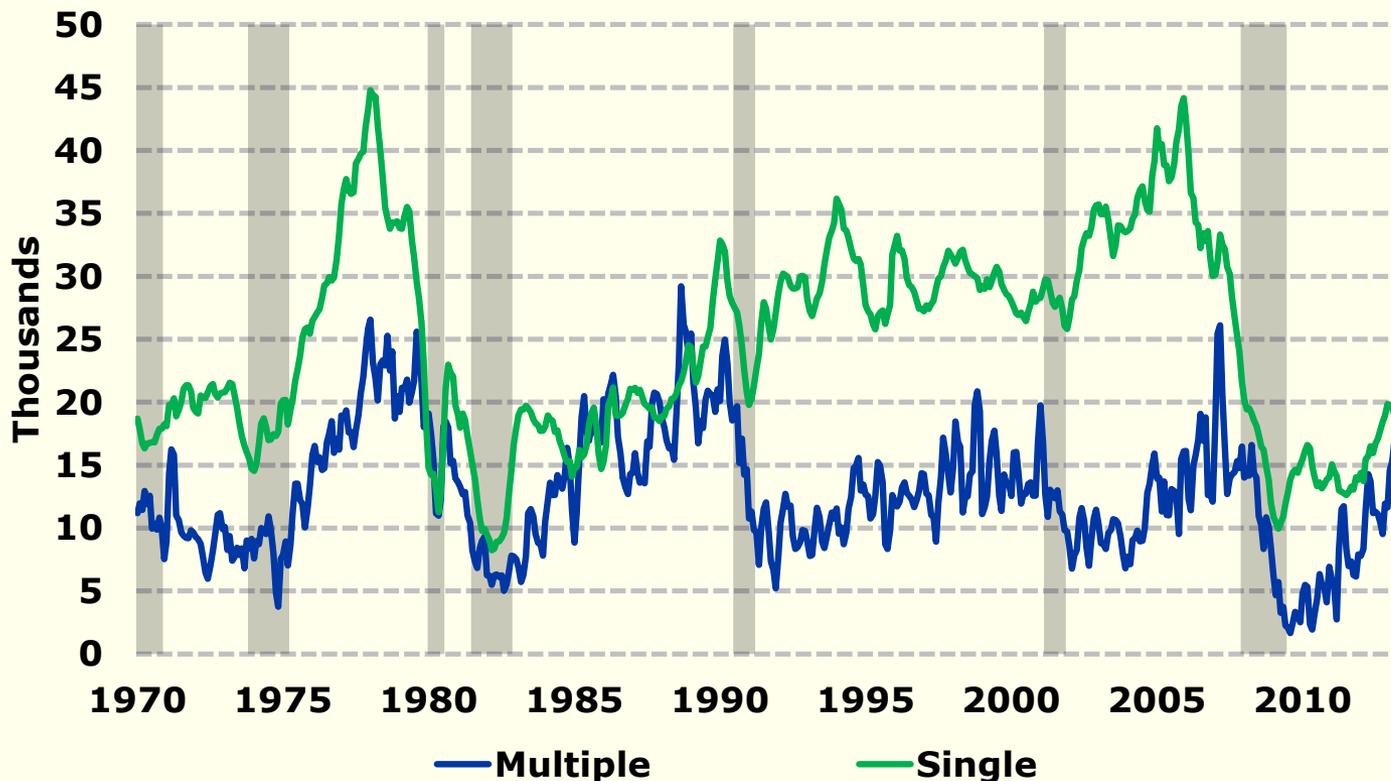


Source: S&P/Case-Shiller; data through April 2013



# WA multi-family building permits are improving

**Washington Housing Units Authorized by Building Permits, 3MMA, SAAR**



Source: U.S. Census Bureau; data through May 2013

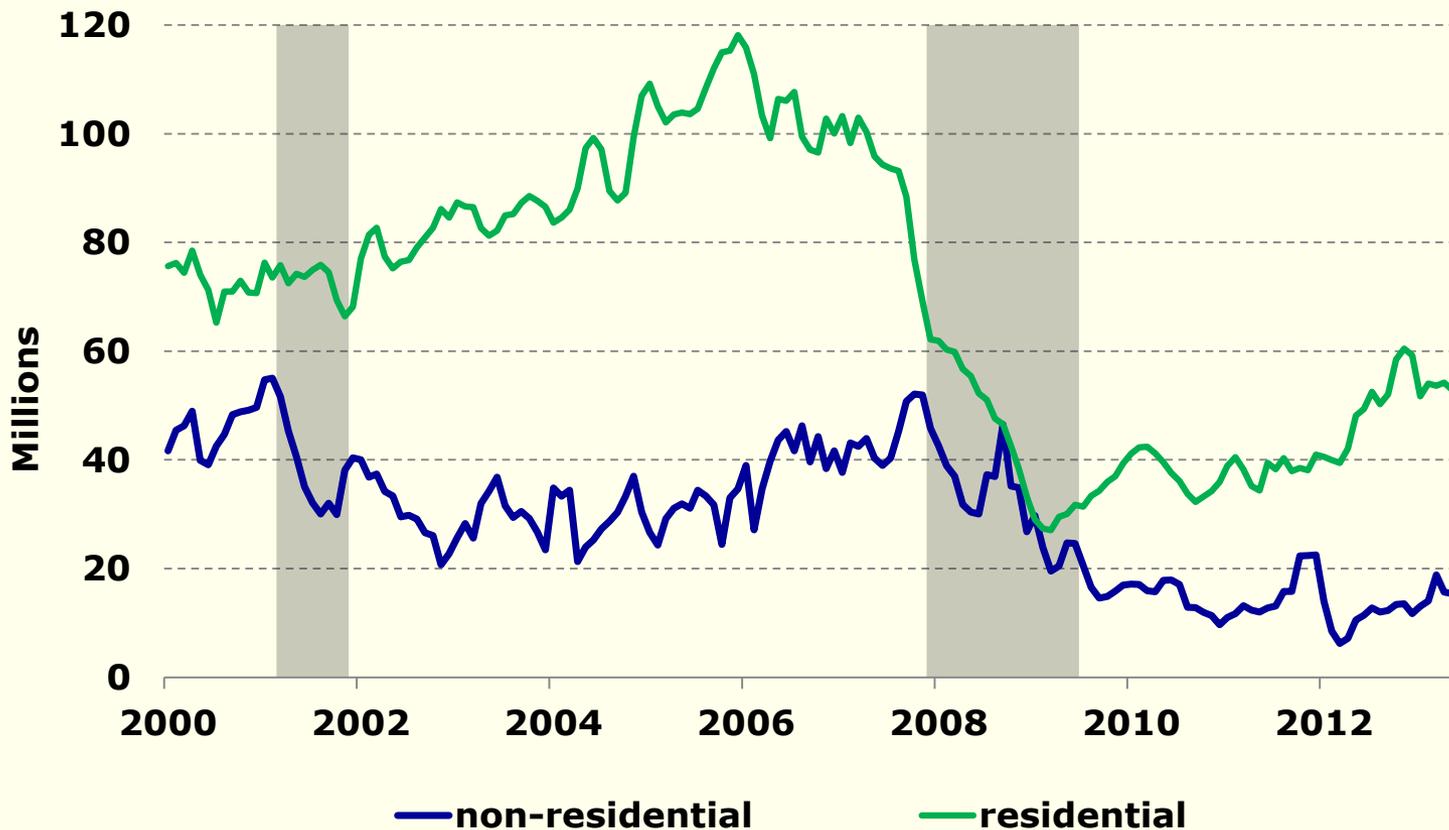


# Contract data signal a turning point in non-residential construction

Residential square footage is up 10%, and value up 5% year over year (3mma).

Non-Residential square footage is up 46%, and value is up 12% year over year (3mma).

### Square Footage of Construction Contracts, SAAR, 3MMA



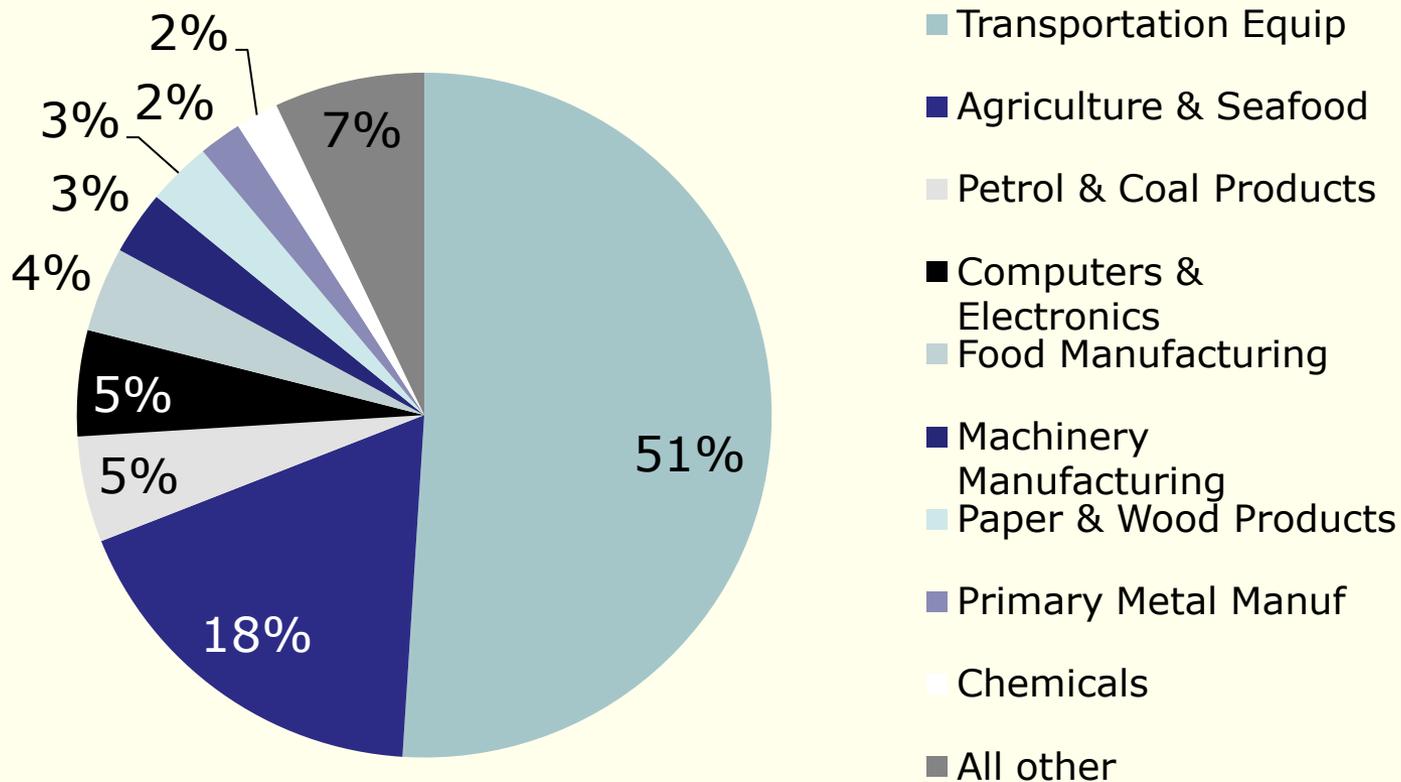
Source: Dodge, ERFC; data through May 2013

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# Washington exports by industry

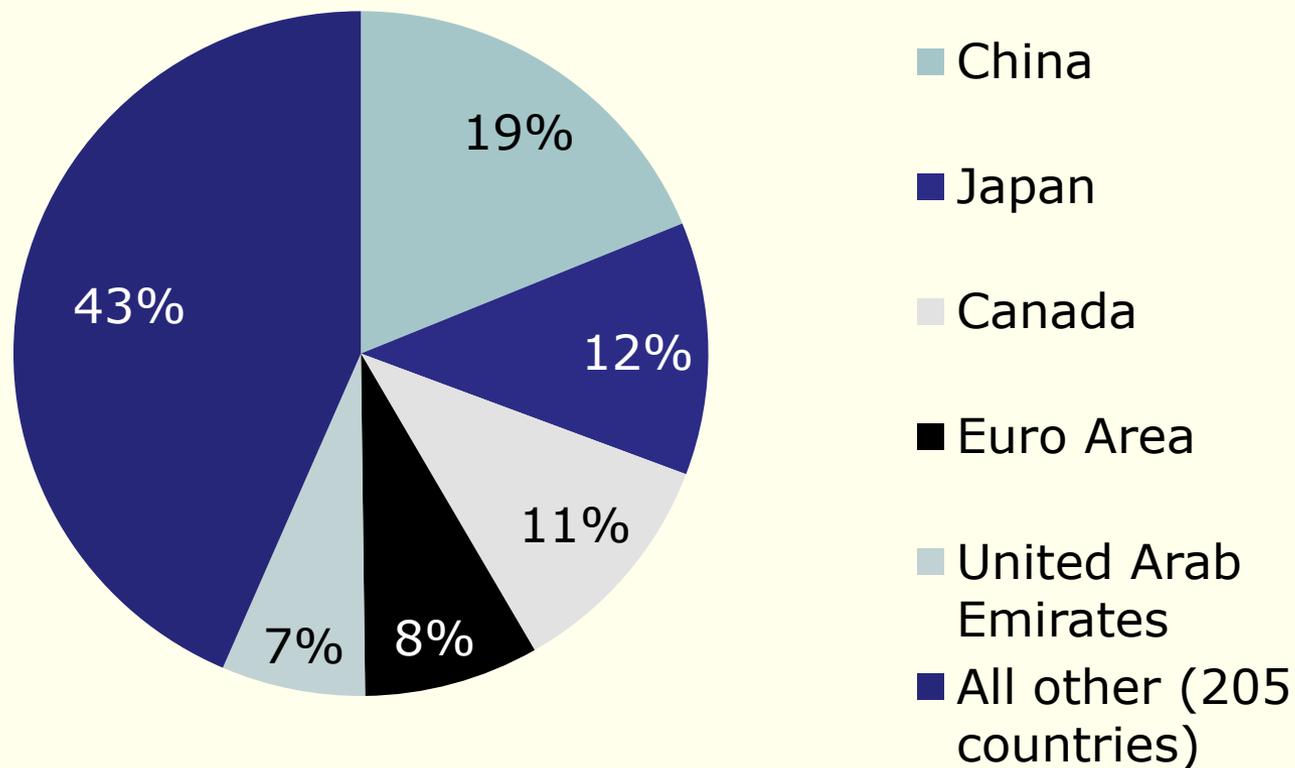
## 2012 Exports





# China is Washington's Top Export Destination

## Exports by destination



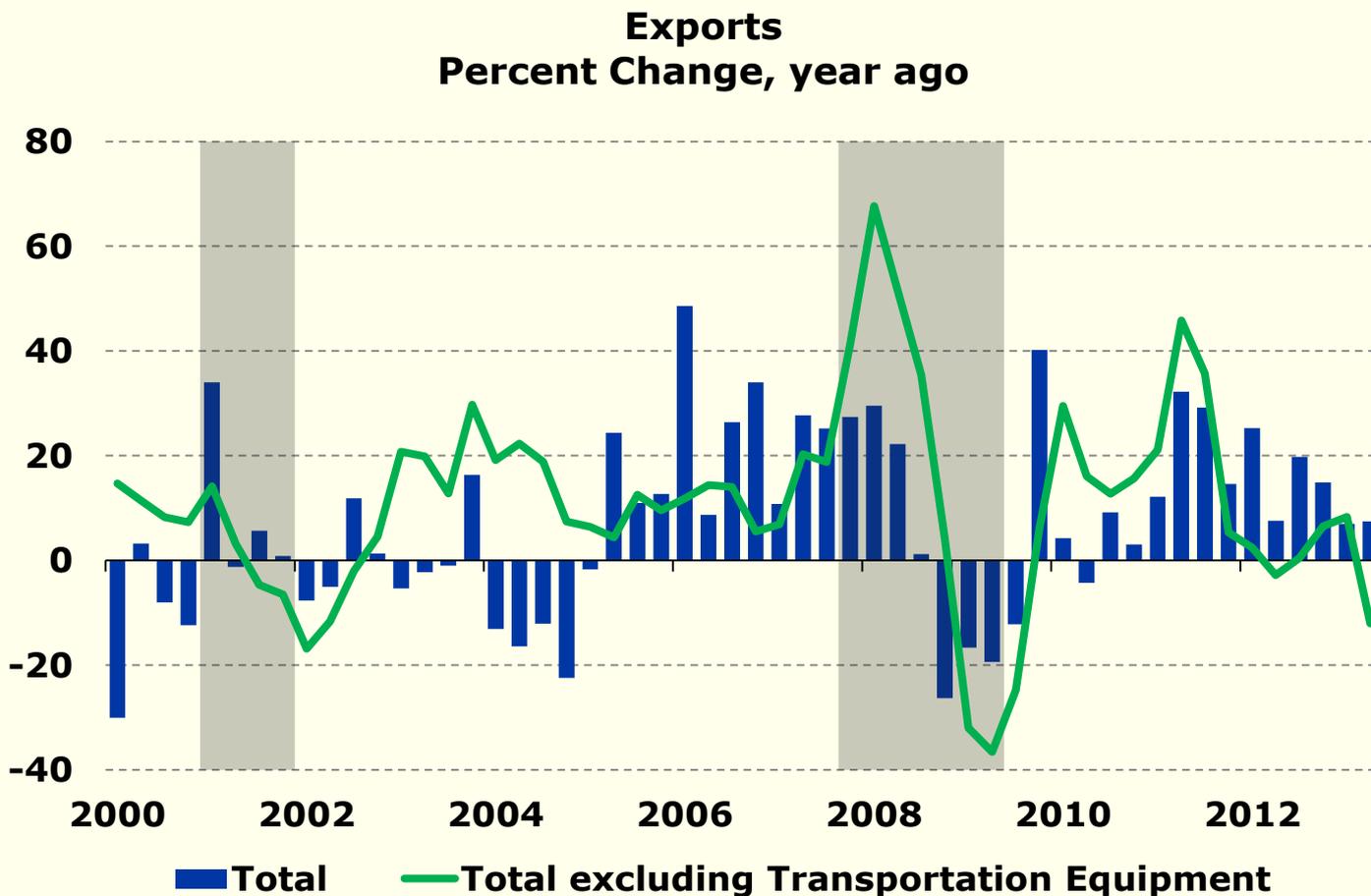
Source: WISER Trade Data; data through 2012



# Export growth has slowed

Trans. Equip. exports were up 28% year over year in April and May 2013

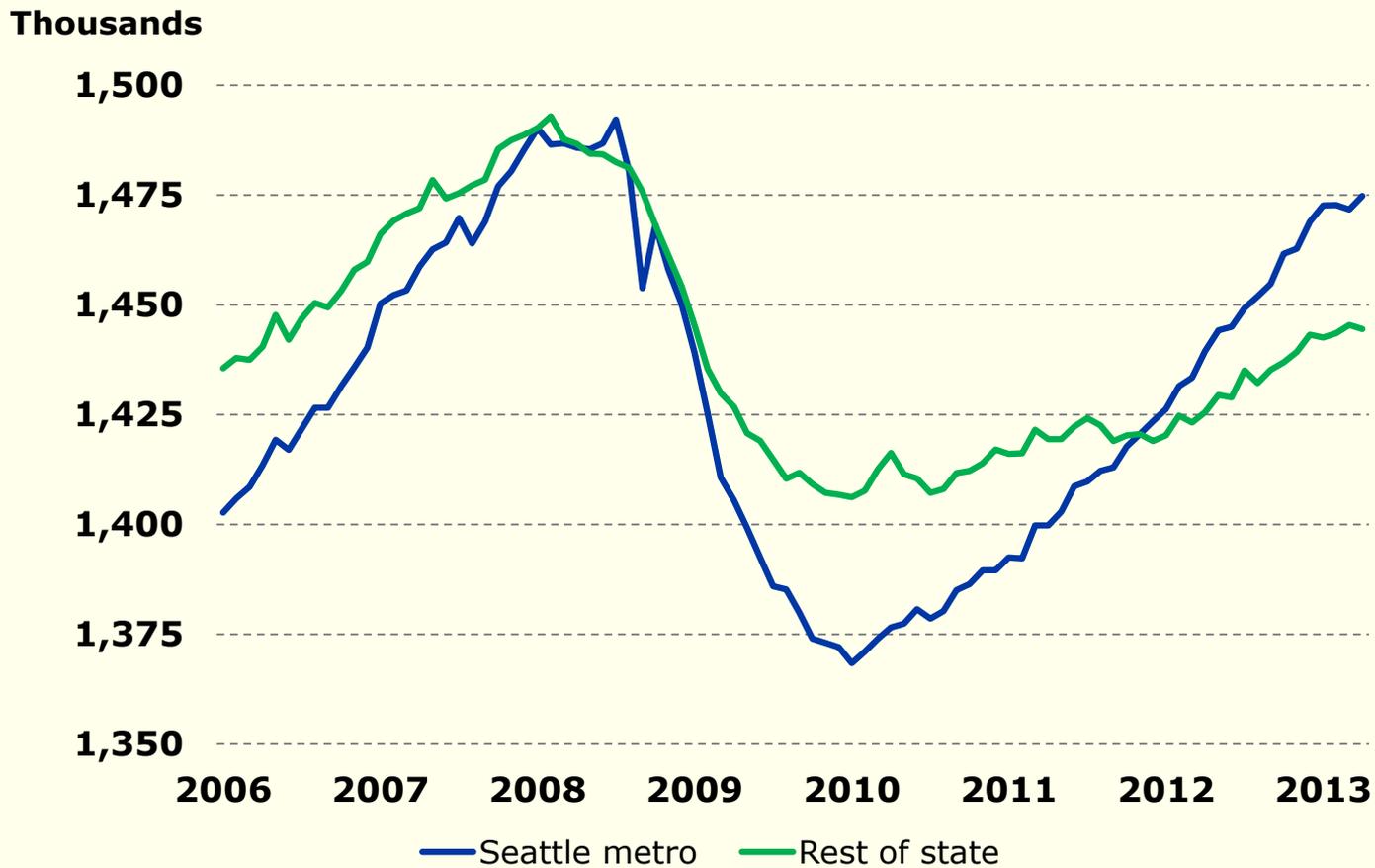
Ag exports were down 48% year over year in April and May 2013



Source: Wisier Trade Data; through May 2013



# Seattle employment declined further but has recovered faster



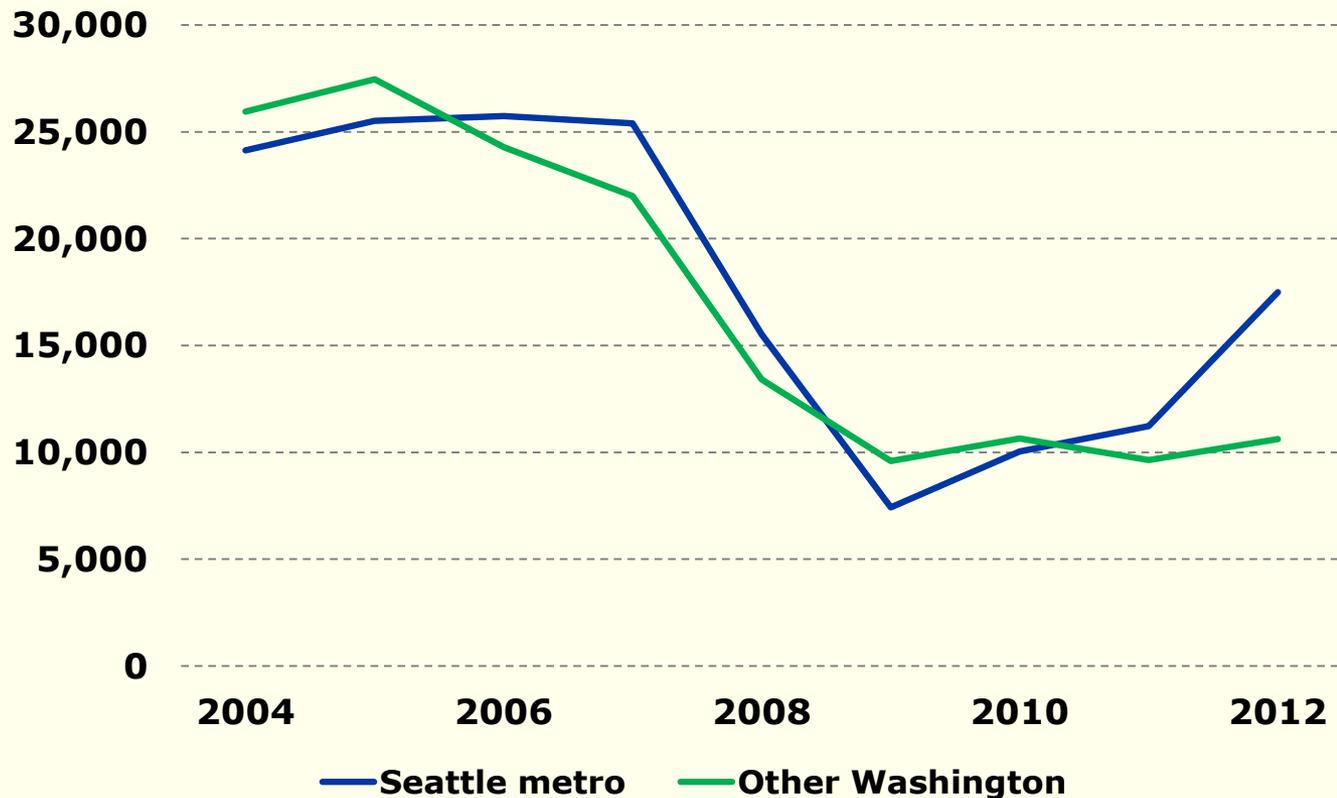
Source: Employment Security Dept., ERFC; data through March 2013

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# Seattle area has most of recent growth in building permits

**Housing Units Authorized by Building Permits**

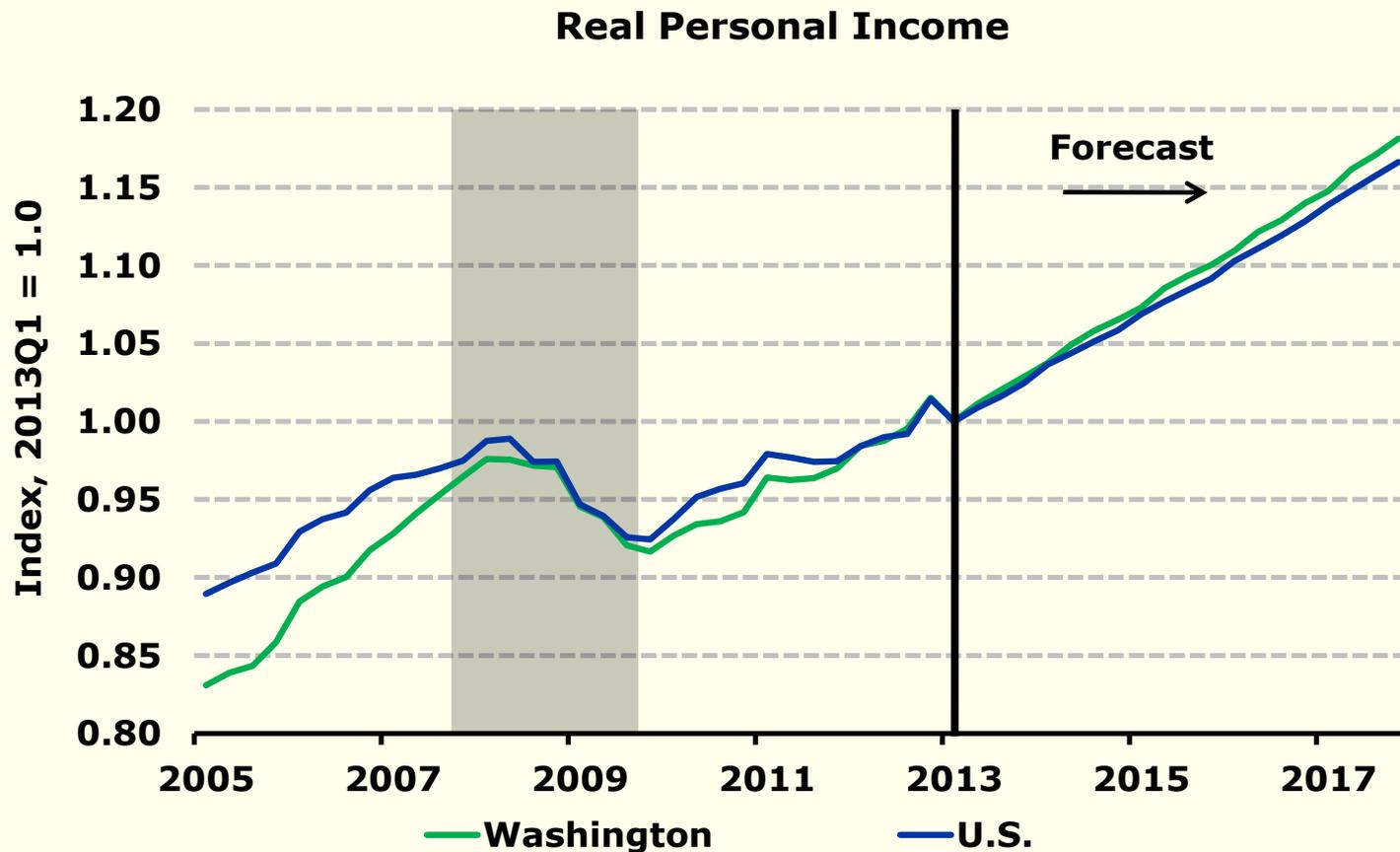


Source: U.S. Census Bureau, ERFC; data through 2012

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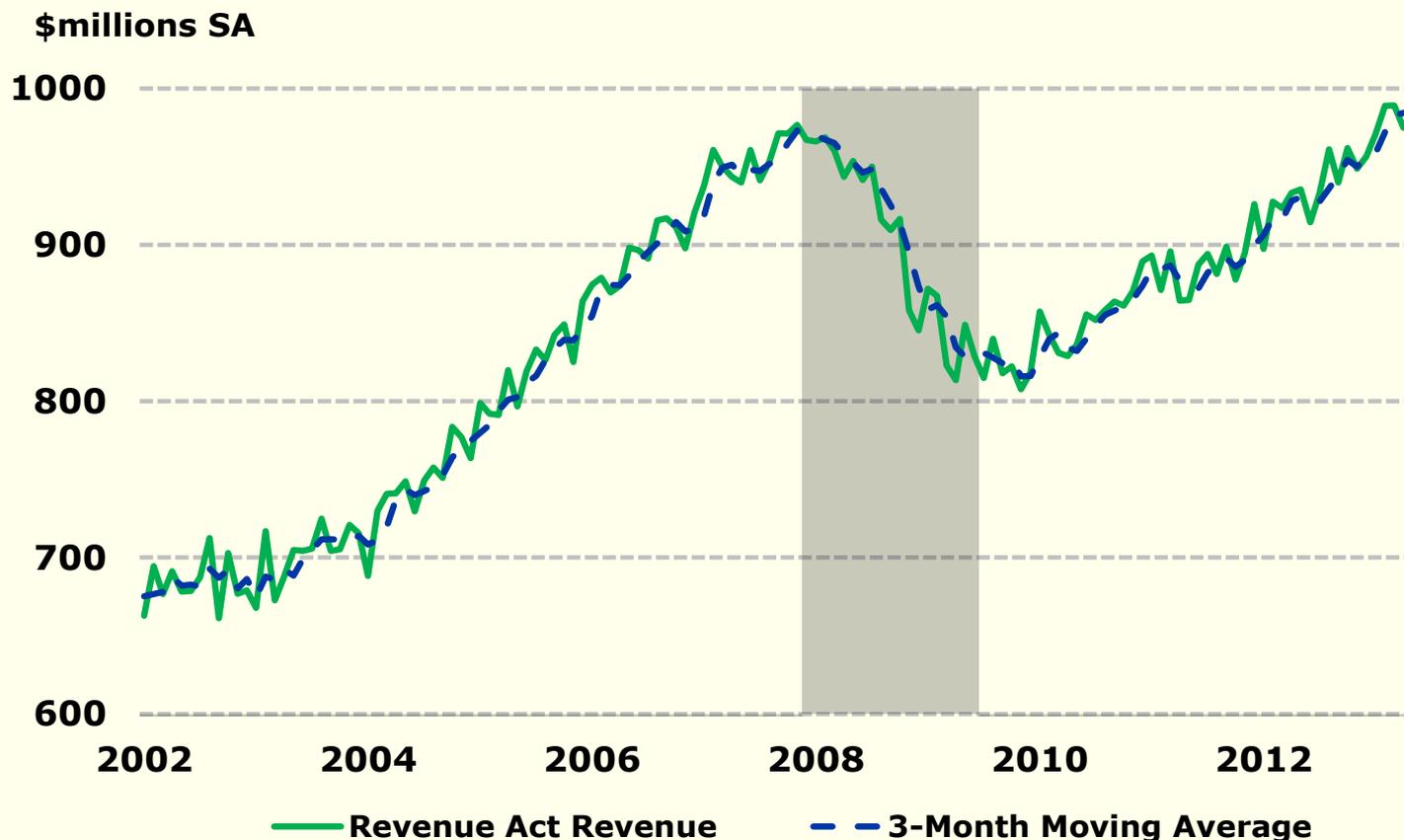
# WA personal income will recover slightly faster than the U.S.





# Revenue Act collections are still on an upward trend

Collections were up 7.1% year-over-year for first quarter 2013 activity (February 11, 2013–May 10, 2013 collections)



\* 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 April 2013 activity

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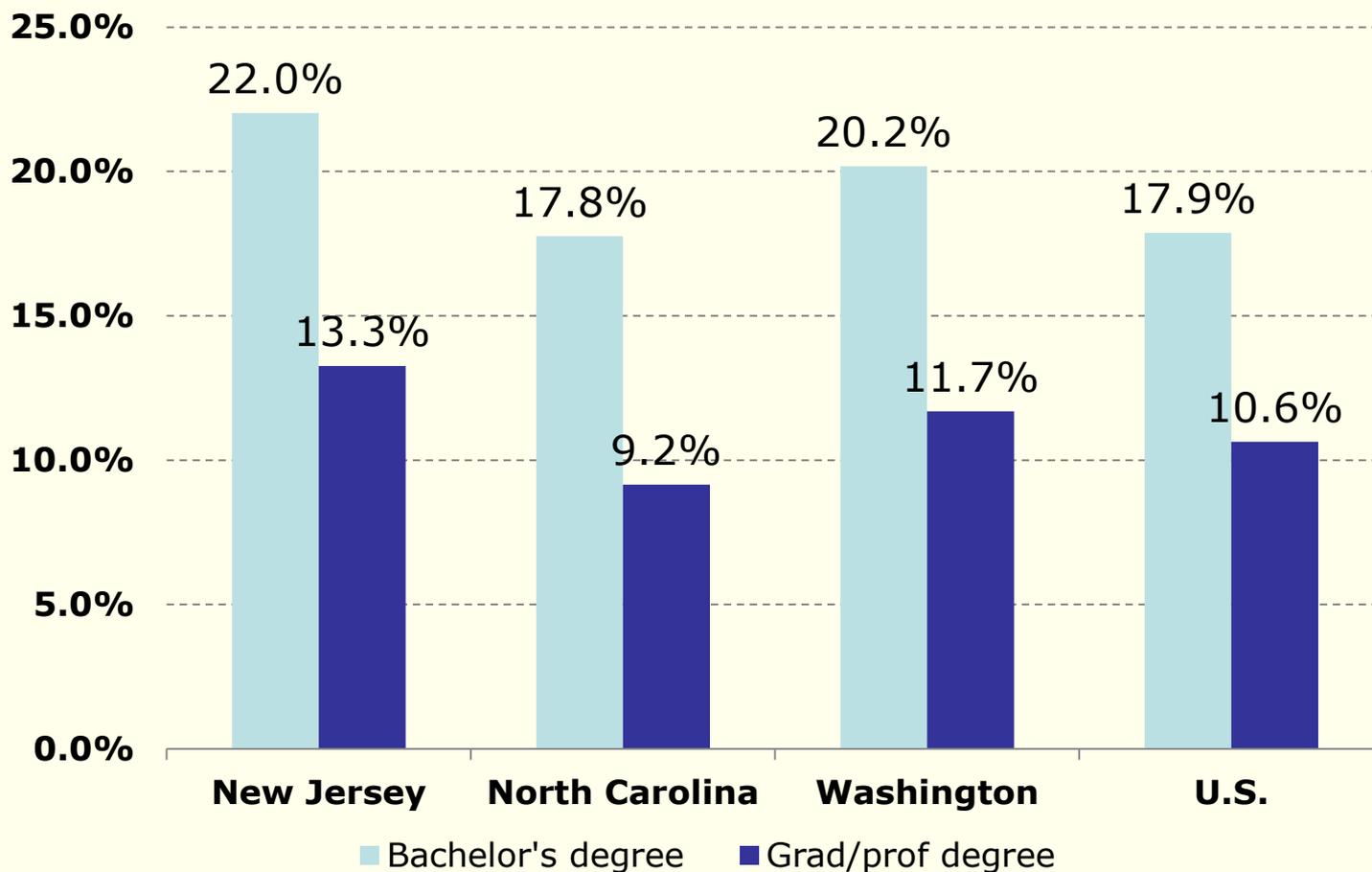


# Comparing the WA, NJ & NC economies

<b>2012 data</b>	<b>WA</b>	<b>NJ</b>	<b>NC</b>
Population	6,897,012	8,864,590	9,752,073
Nonfarm Employment	2,846,100	3,895,500	3,988,100
GDP (\$ millions)	\$375,730	\$508,003	\$455,973
Per capita real disposable personal income	\$40,490	\$41,502	\$36,075

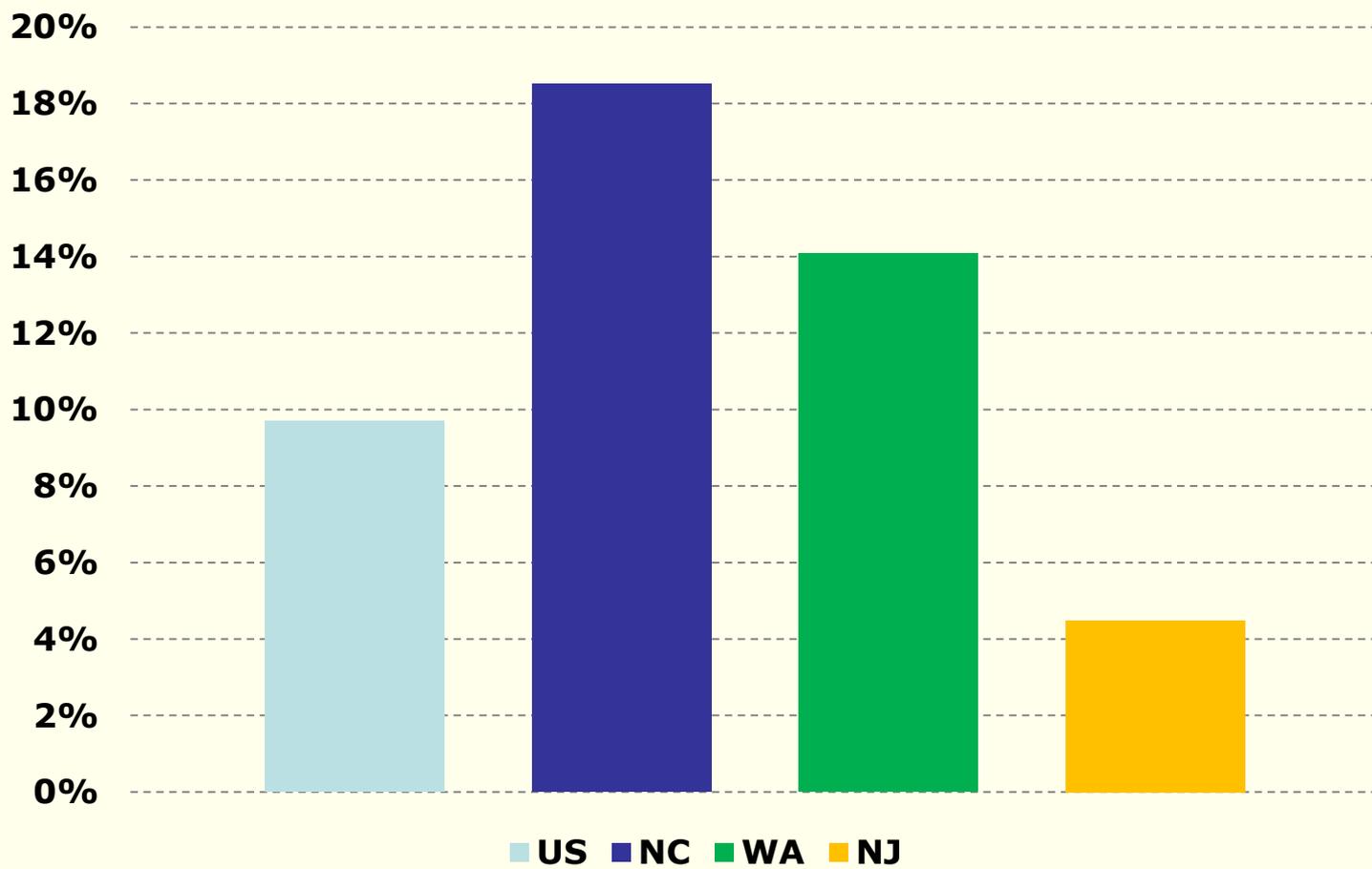


# Percent of age 25+ population with college degrees, 2011





# Population Growth, 2000 – 2010

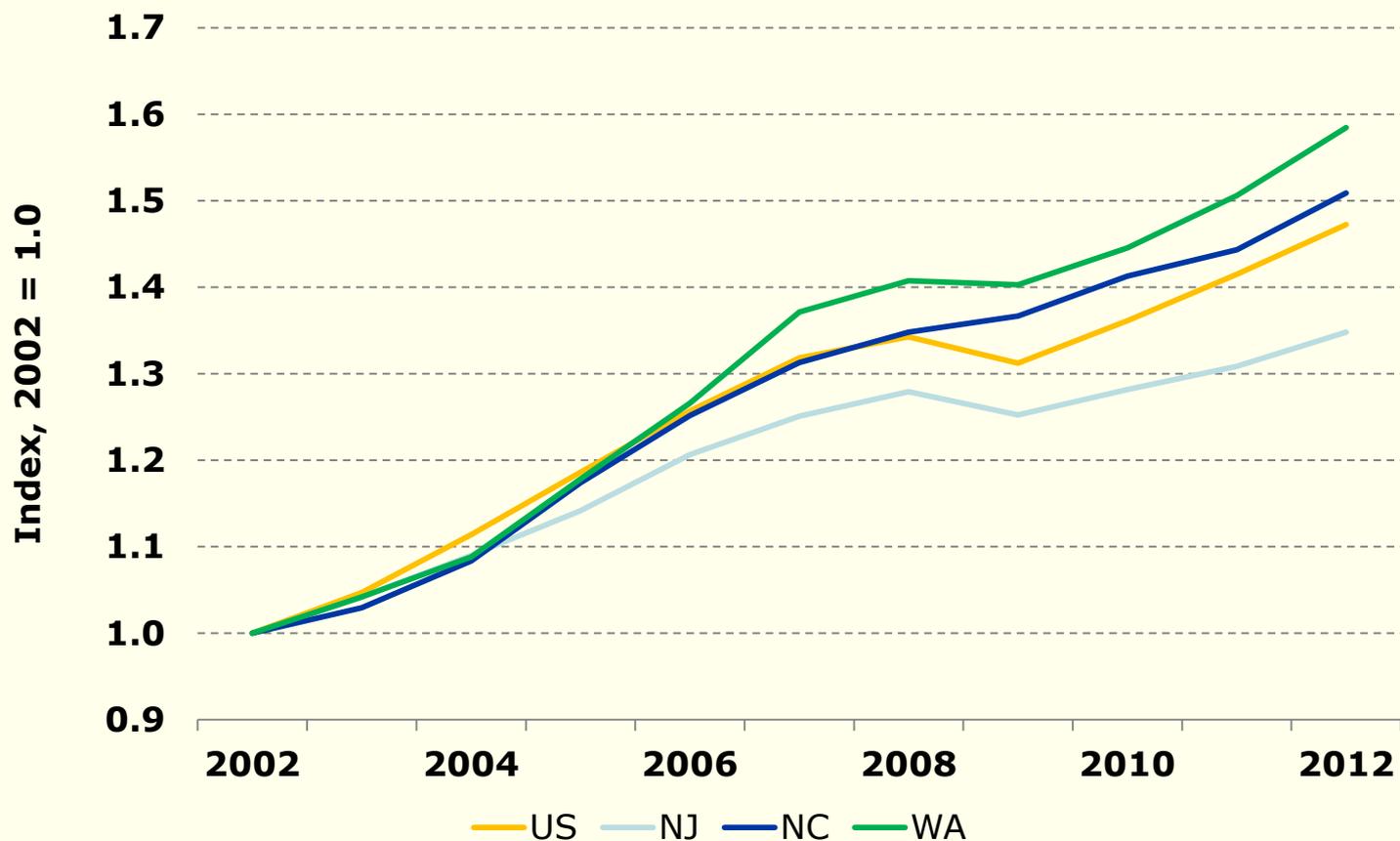


Source: U.S. Census Bureau, ERFC

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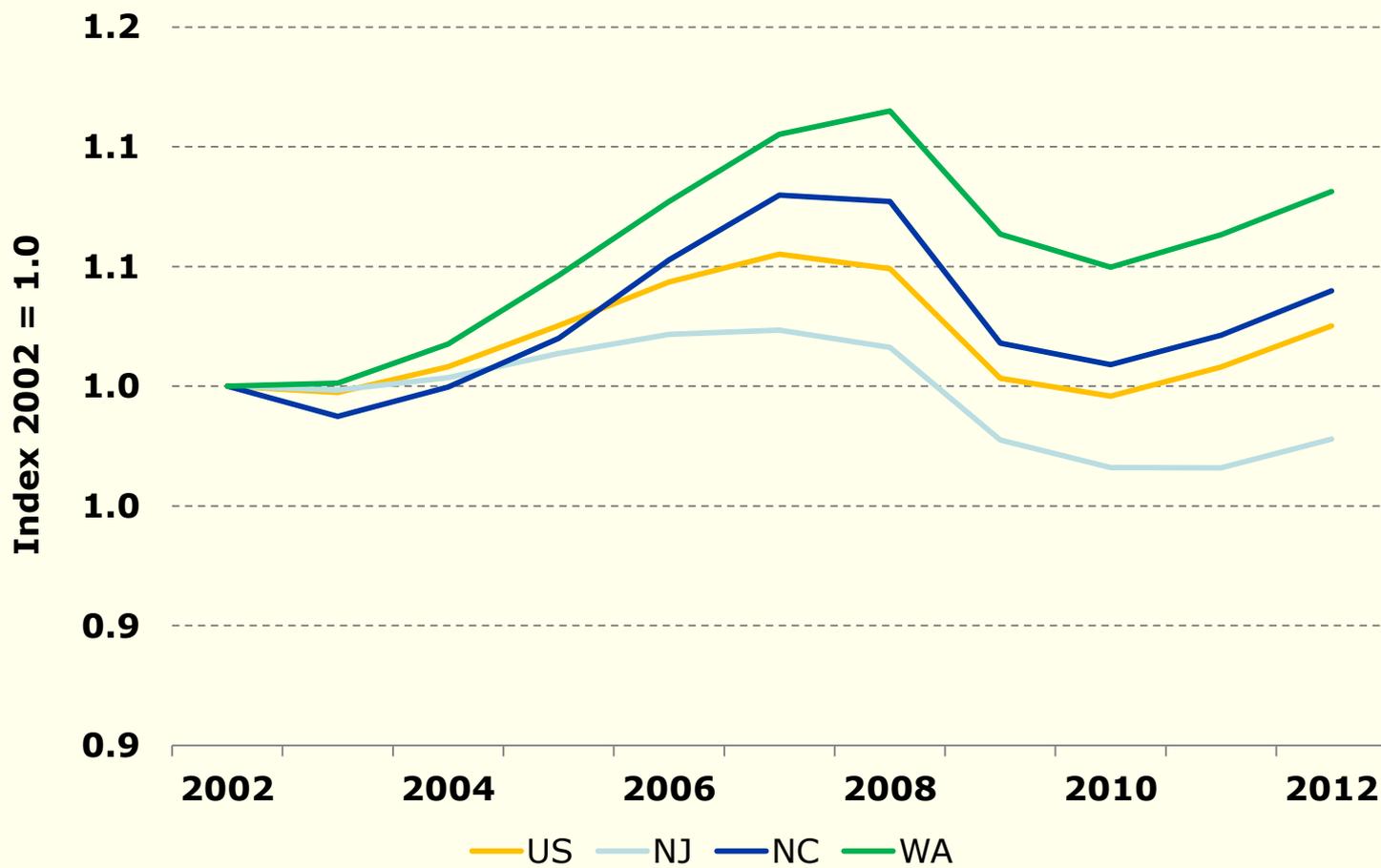


# State GDP Growth, 2002 - 2012





# Employment growth, 2002 - 2012

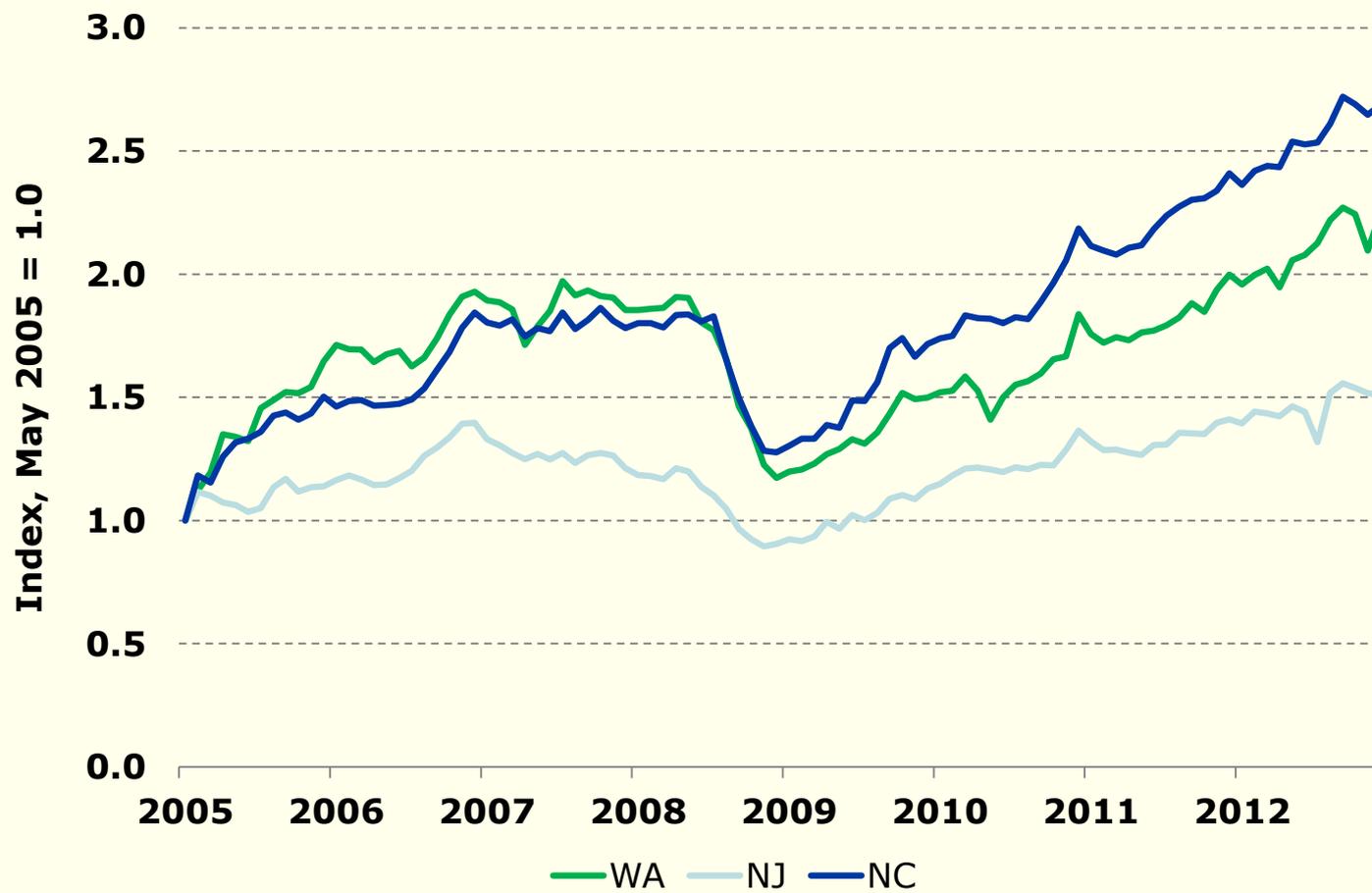


Source: U.S. Dept of Labor, BLS; ERFC

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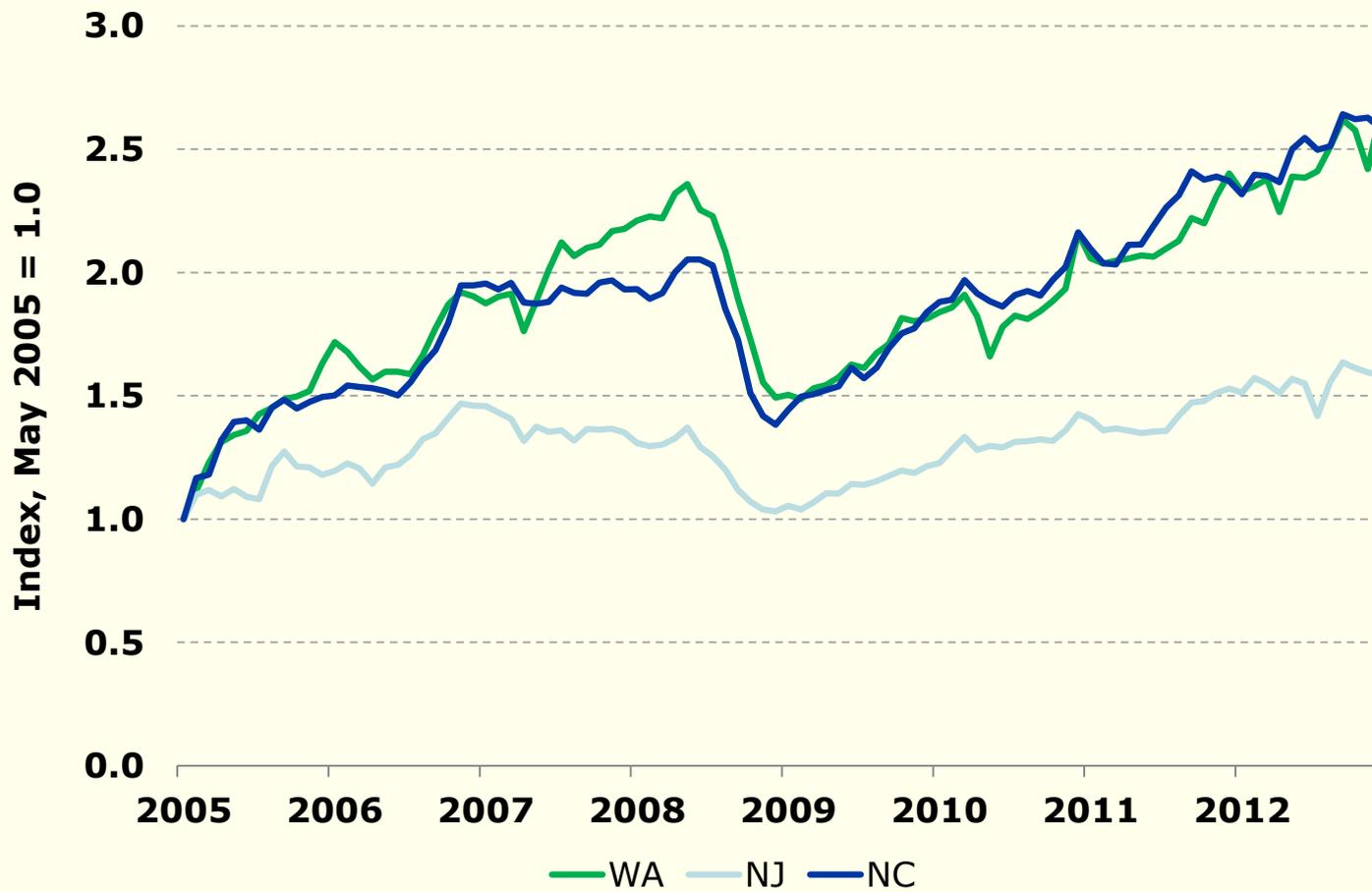
# Total help wanted ads (SA)





# Professional & related help wanted ads (SA)

Includes IT, science, engineering, legal, health care, arts & education jobs



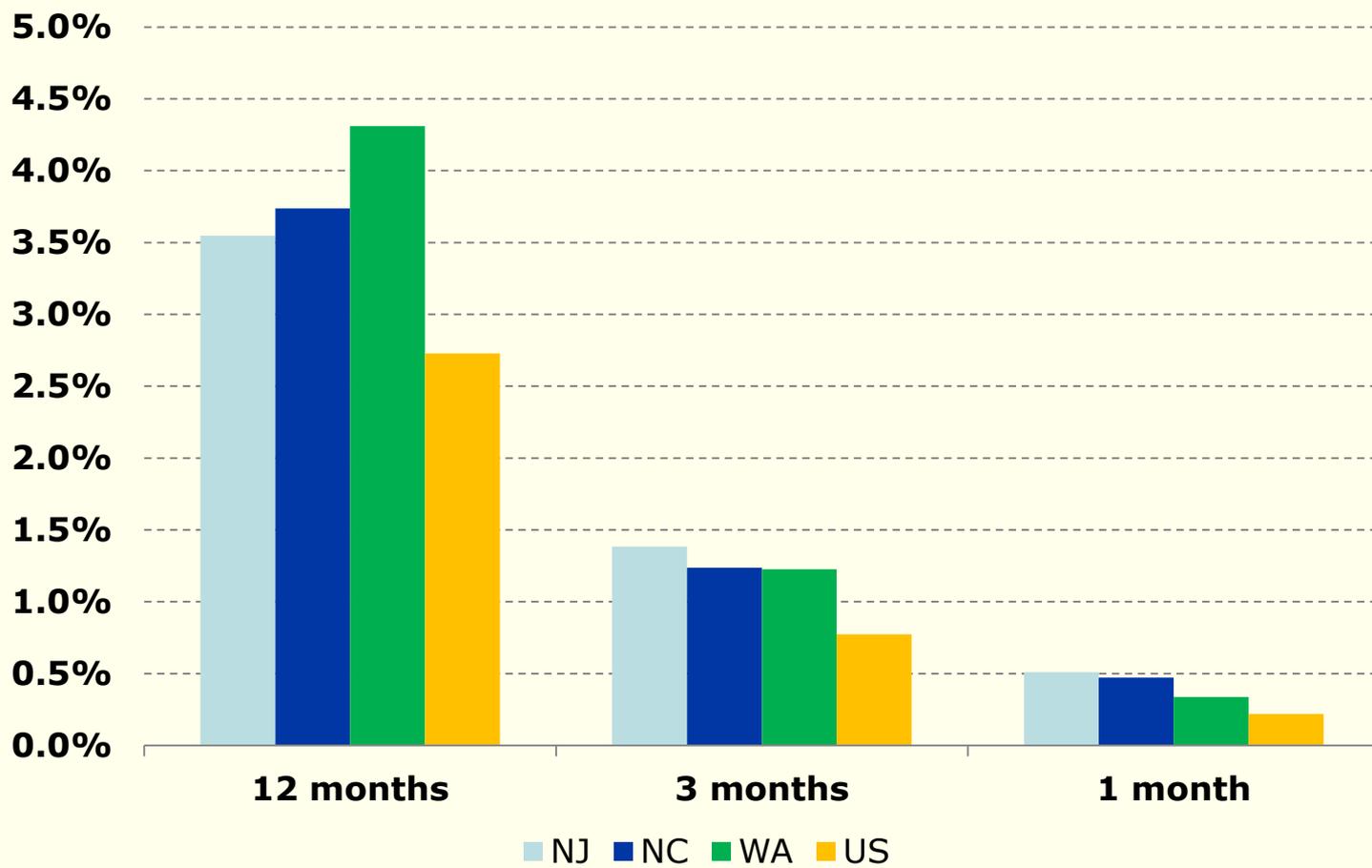
Source: Haver Analytics, Conference Board, ERFC; data through April 2013

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# Index of current economic activity

The coincident indexes combine four state-level indicators to summarize current economic conditions.



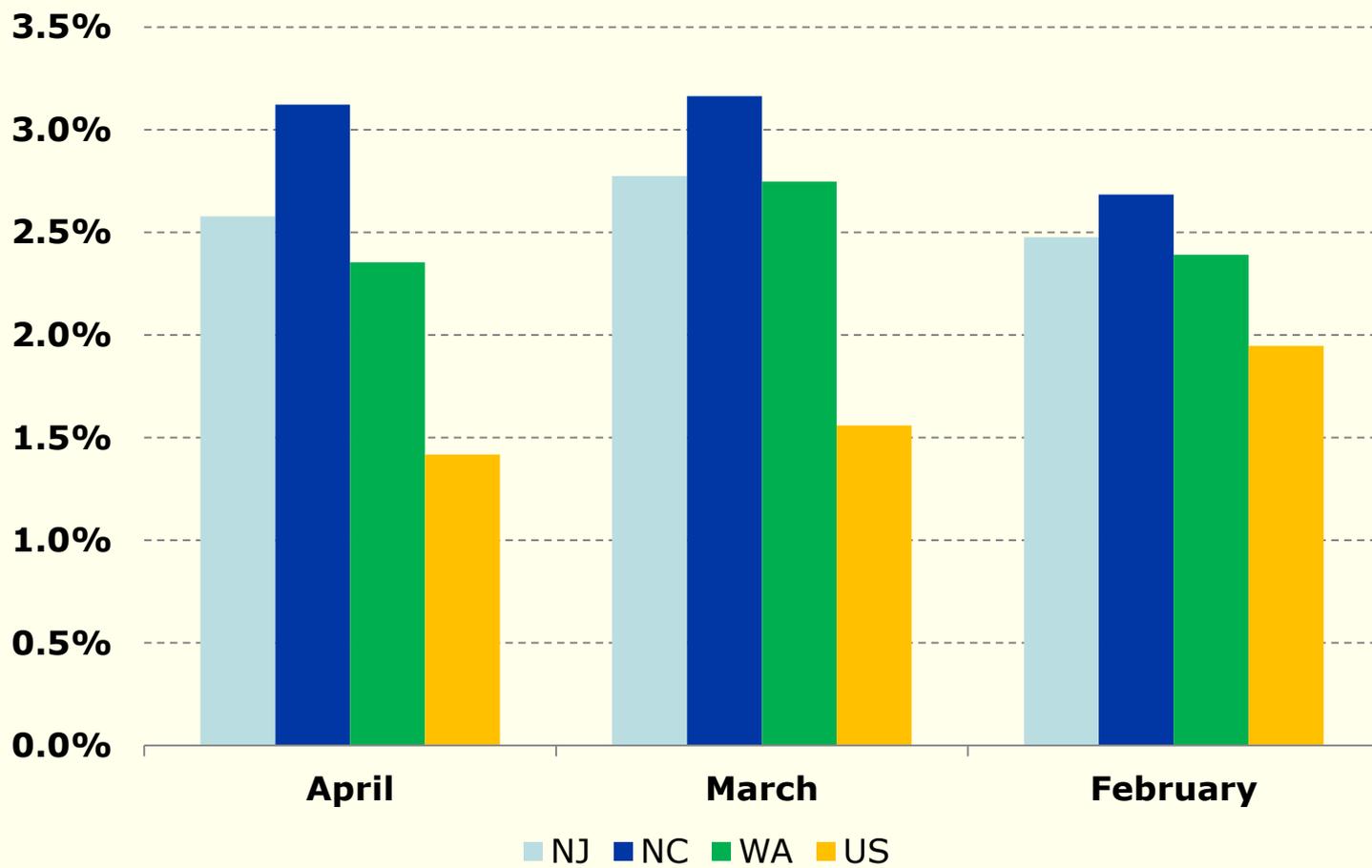
Source: Federal Reserve Bank of Philadelphia; data through April 2013

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# Index of leading economic activity

The index provides a forecast of economic activity six months in the future



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Source: Federal Reserve Bank of Philadelphia; data through April 2013

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# Conclusion

- Washington state accounts for roughly 2% of the U.S. economy and population
- The state's economy continues to grow at a slow but steady pace but has lower unemployment and higher income growth than the U.S as a whole
- Over the next several years, Washington is expected to slightly outperform the U.S. economy
- Positives include the aerospace, software, and construction sectors; non-education government employment continues to contract



# Questions



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