

# Economic Outlook

Presented to  
Pacific Northwest Regional Economic Conference

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Spokane, WA



WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL

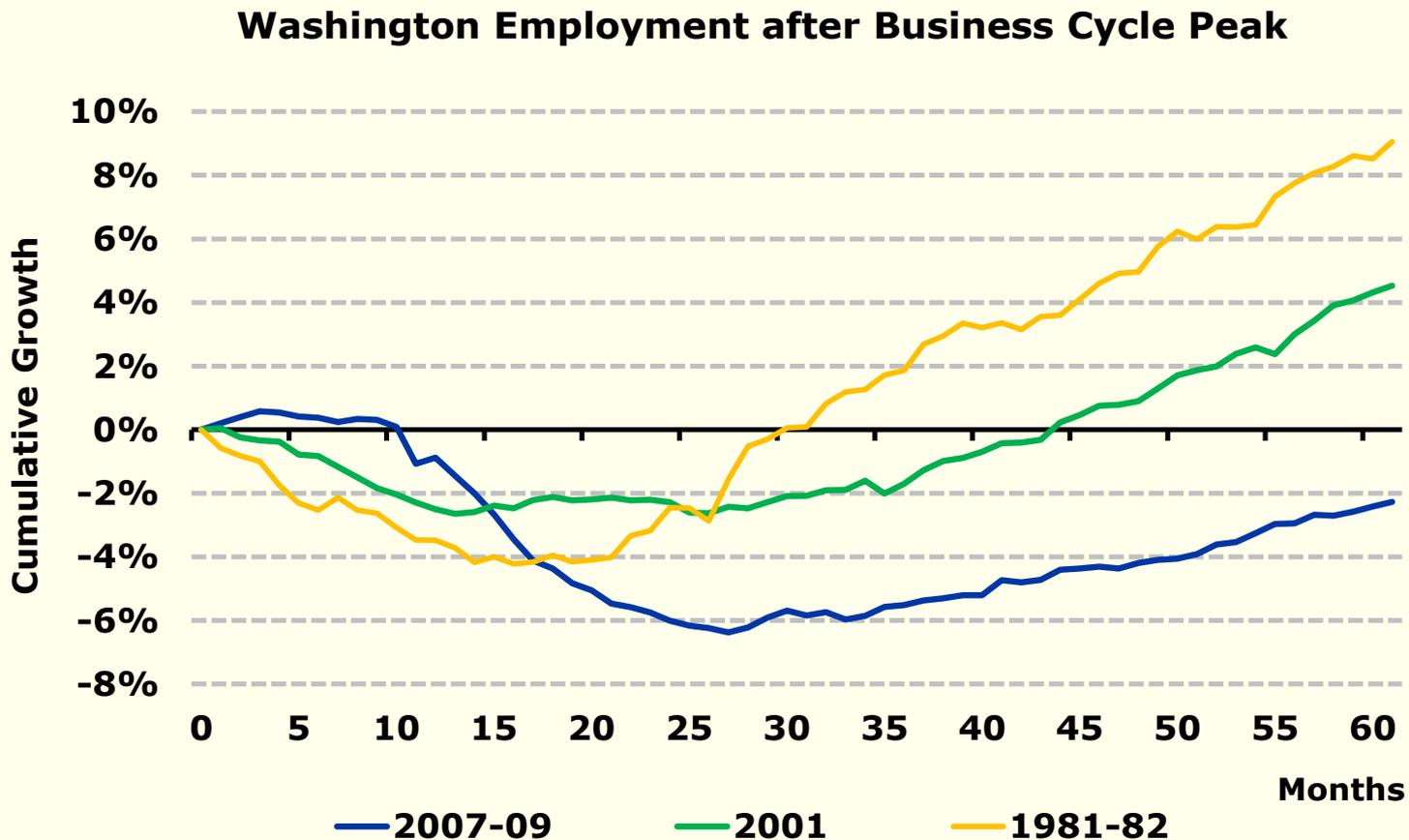


# Summary

- The Washington economy continues to grow at a slow but steady pace
- The Seattle area economy is growing faster than the rest of the state
- Residential construction and home prices continue to recover in Washington
- The impact of Washington's marijuana legalization initiative is very uncertain at this time

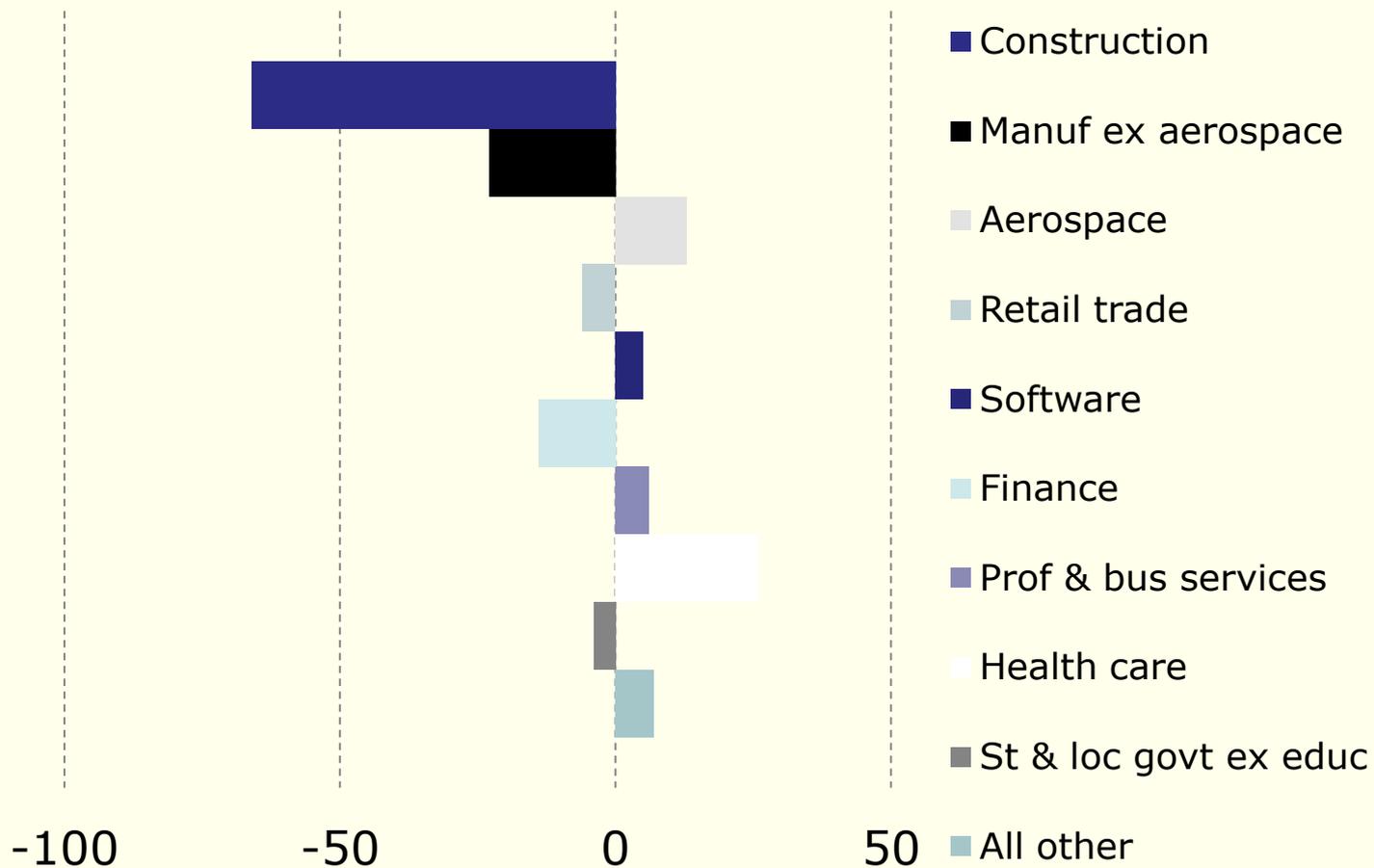


# The decline in employment has been severe



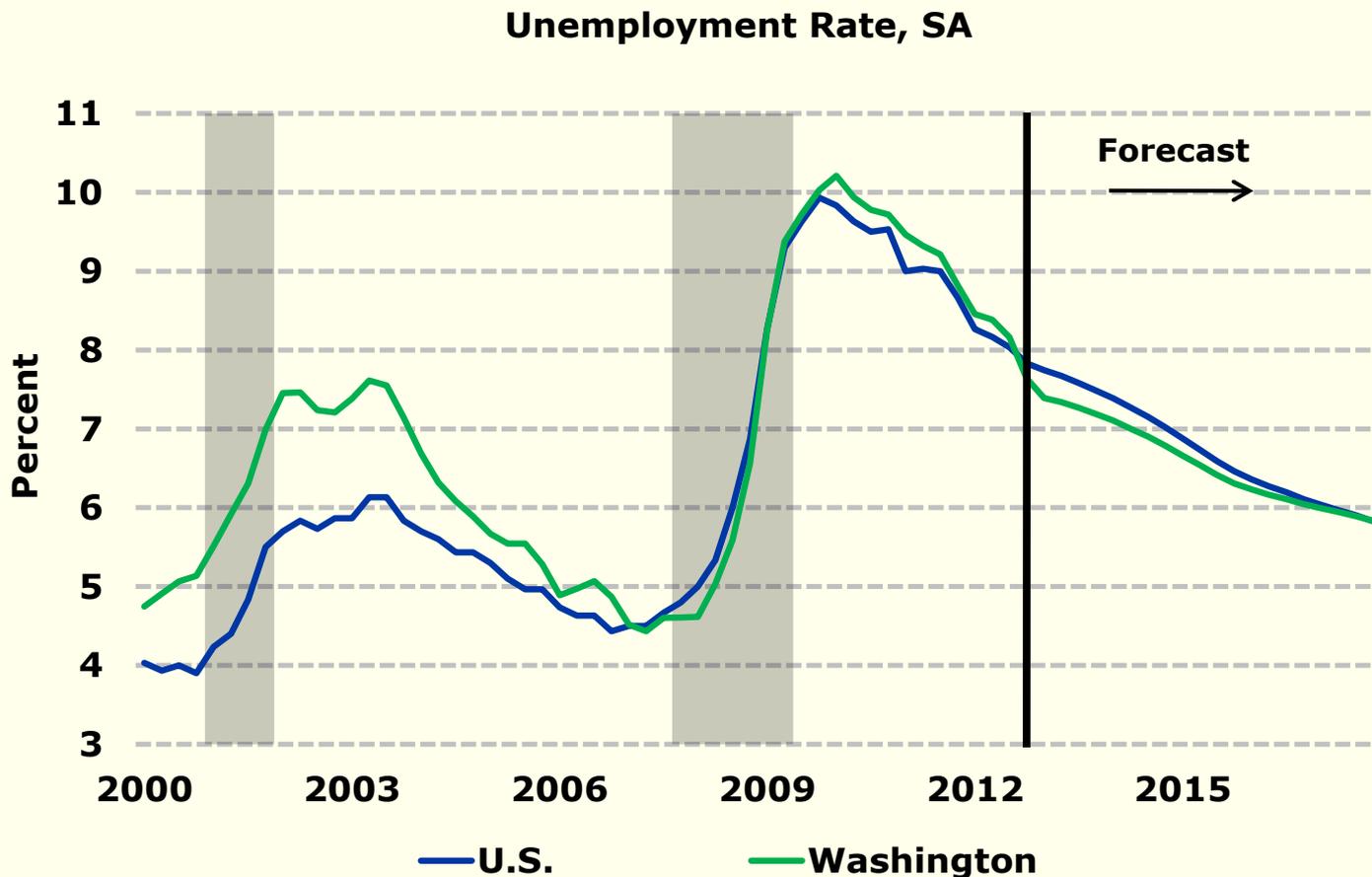


# Employment change from pre-recession peak (thousands)





# Unemployment will remain high

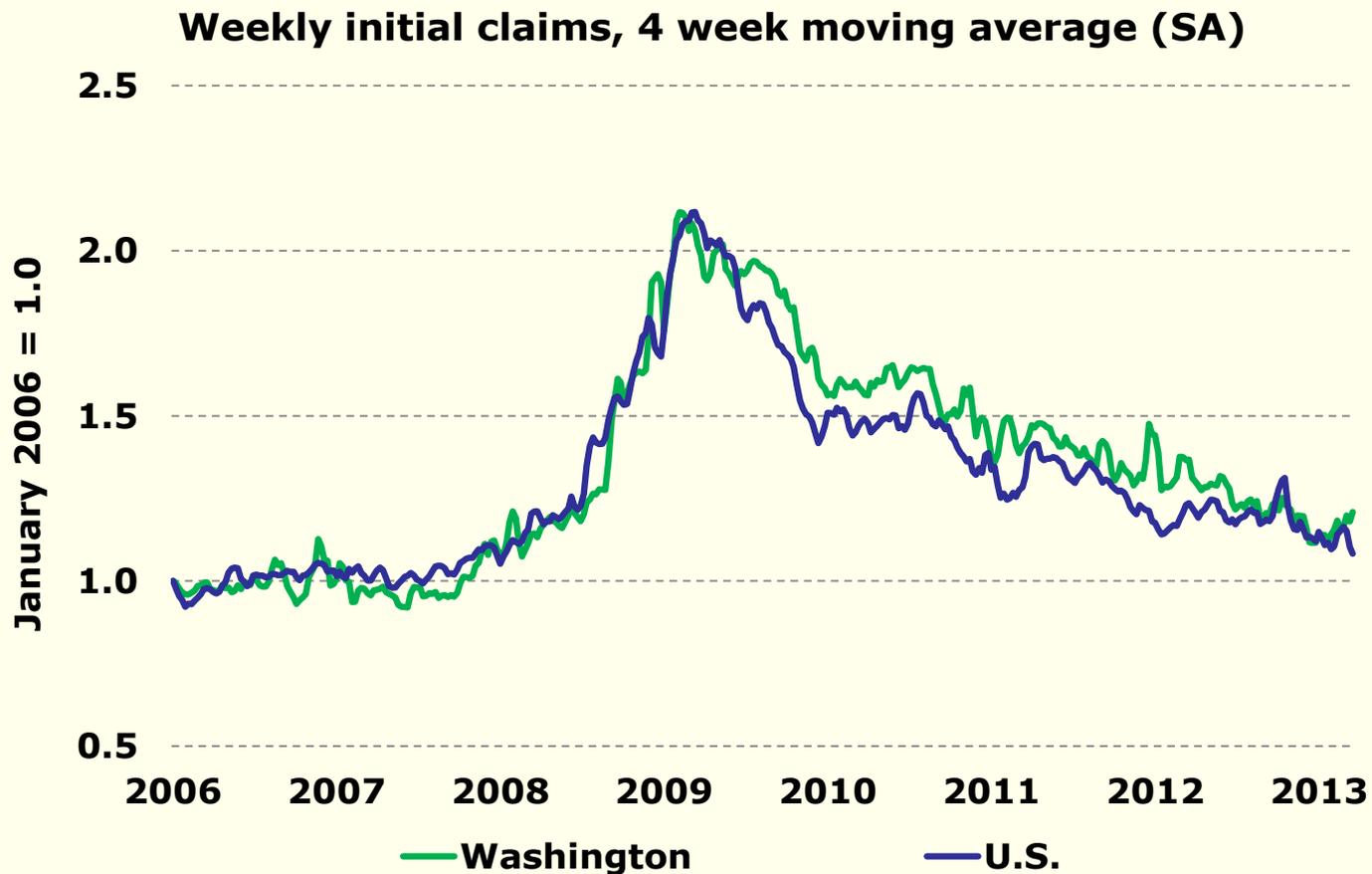


Source: ERFC February 2013 forecast; actual through 2012 Q4

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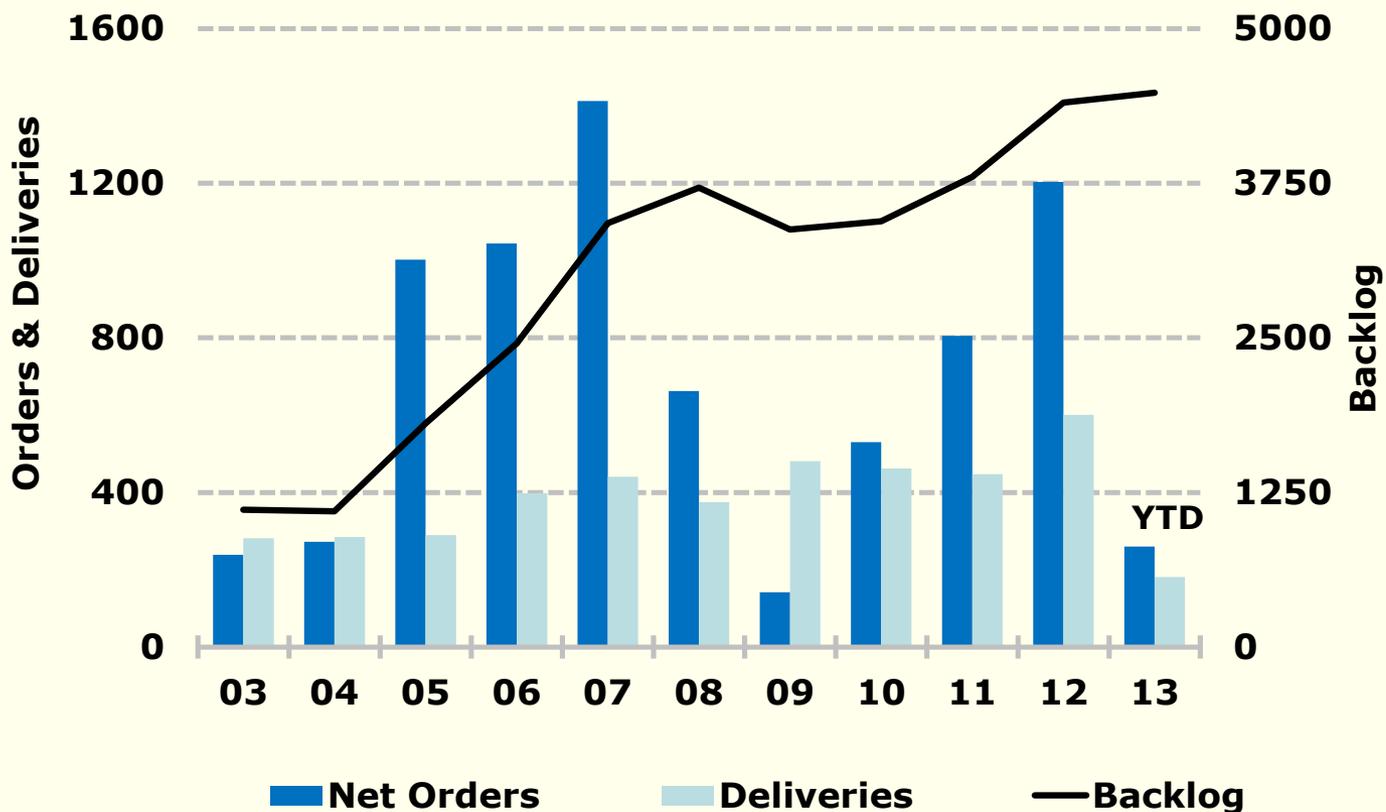
# Initial unemployment claims are declining





# Boeing has 7 years of commercial orders on its books

Excludes the military's new refueling tanker



Source: Boeing, data through April 2013

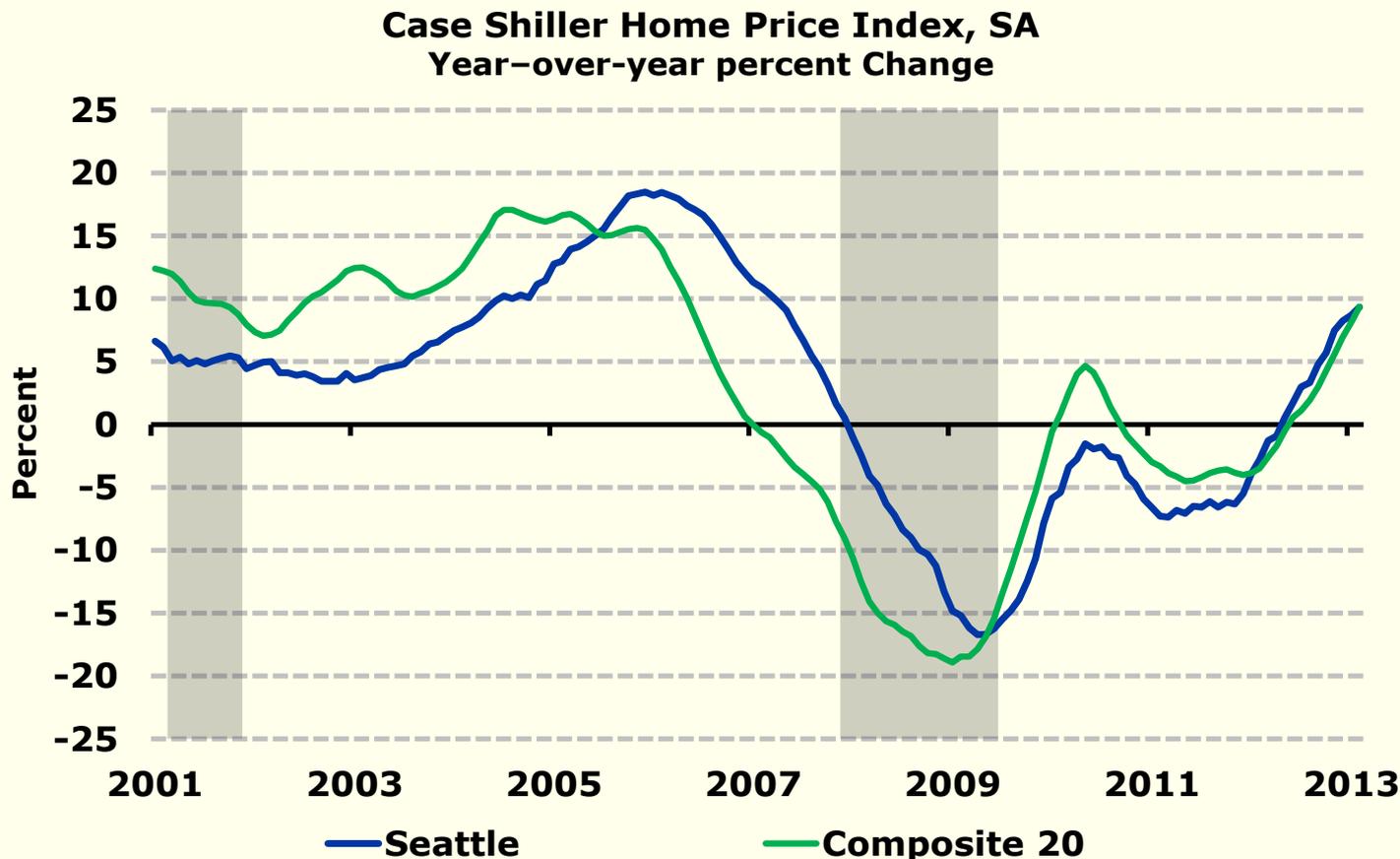


# Single-family home prices continue to increase

Feb 2013

U.S. is up  
9.4%

Seattle is  
up 9.3%



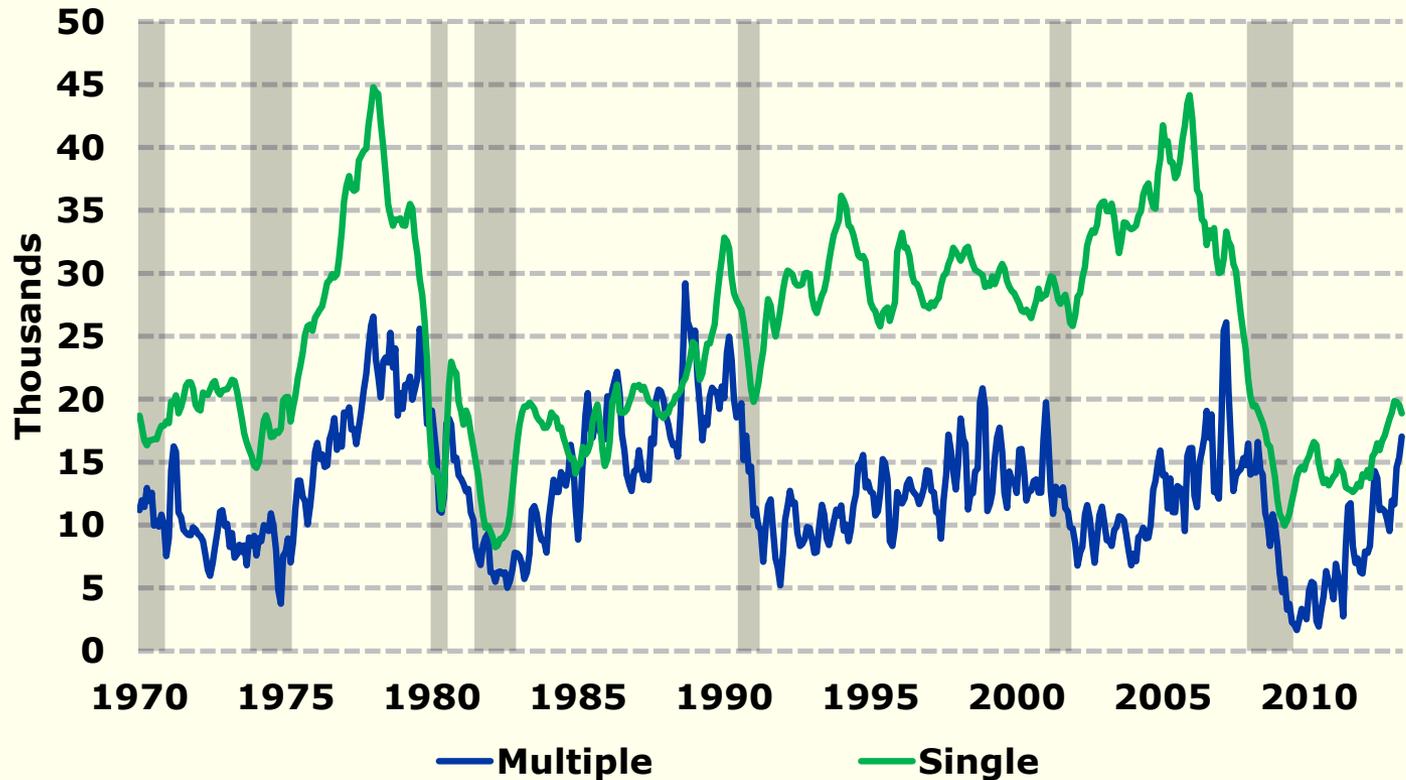
Source: S&P/Case-Shiller; data through February 2013

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# WA multi-family building permits are improving

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



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

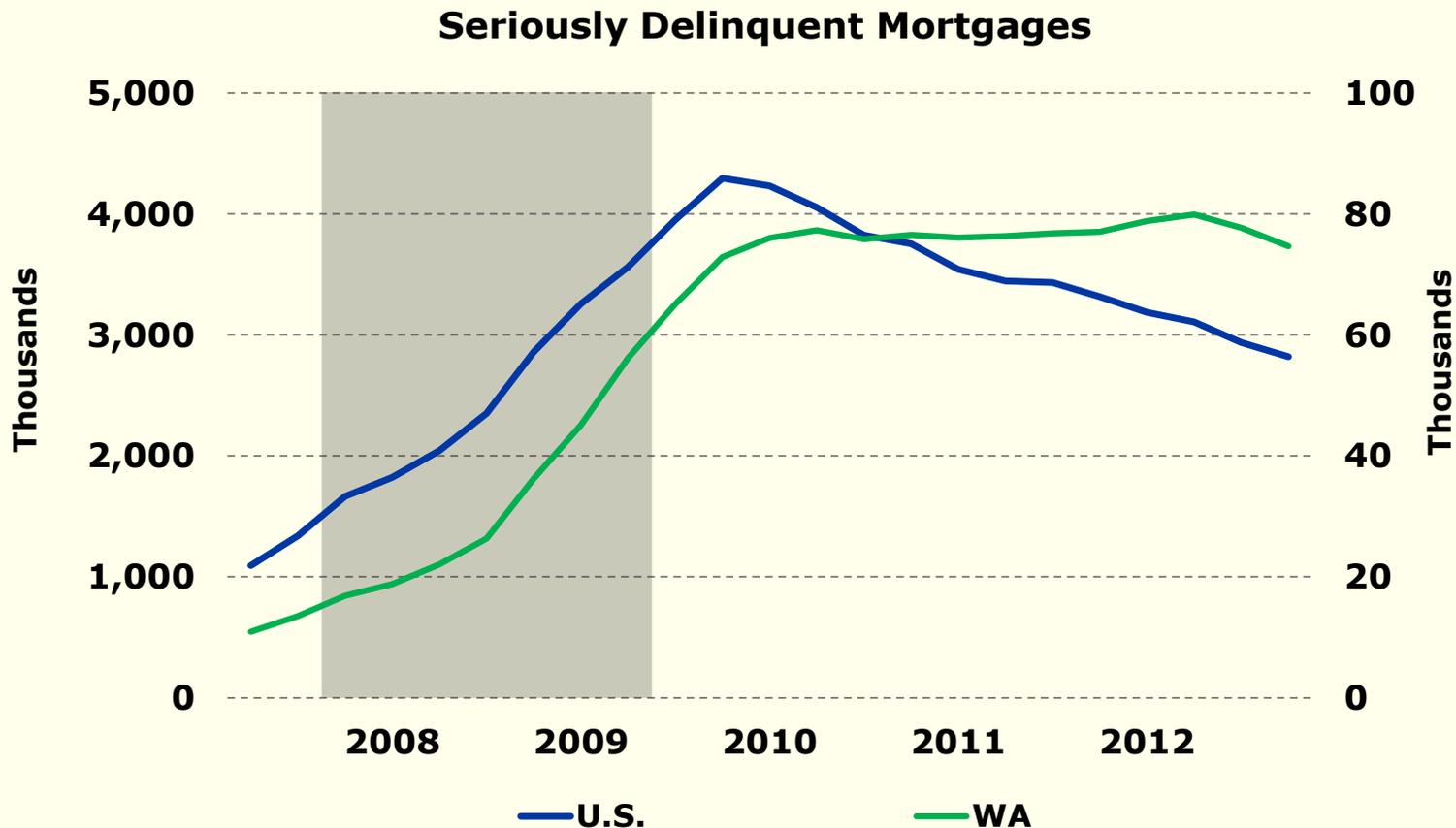
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# Seriously delinquent mortgages declining more slowly in WA

Seriously delinquent mortgages, 2012Q4:

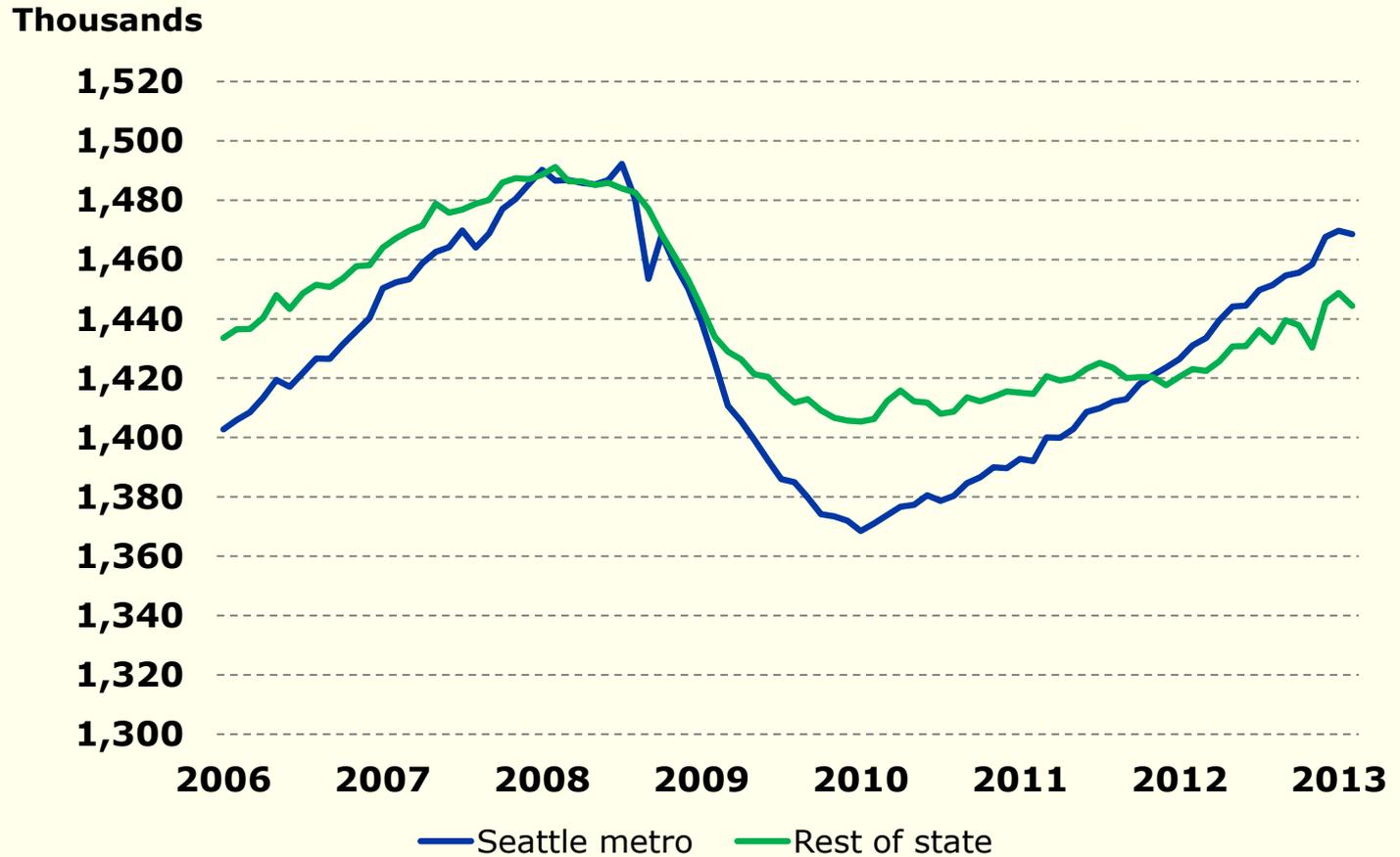
WA = 6.6%  
U.S. = 6.8%



Source: Mortgage Bankers Association; data through 2012 Q4



# Seattle employment declined further but has recovered faster

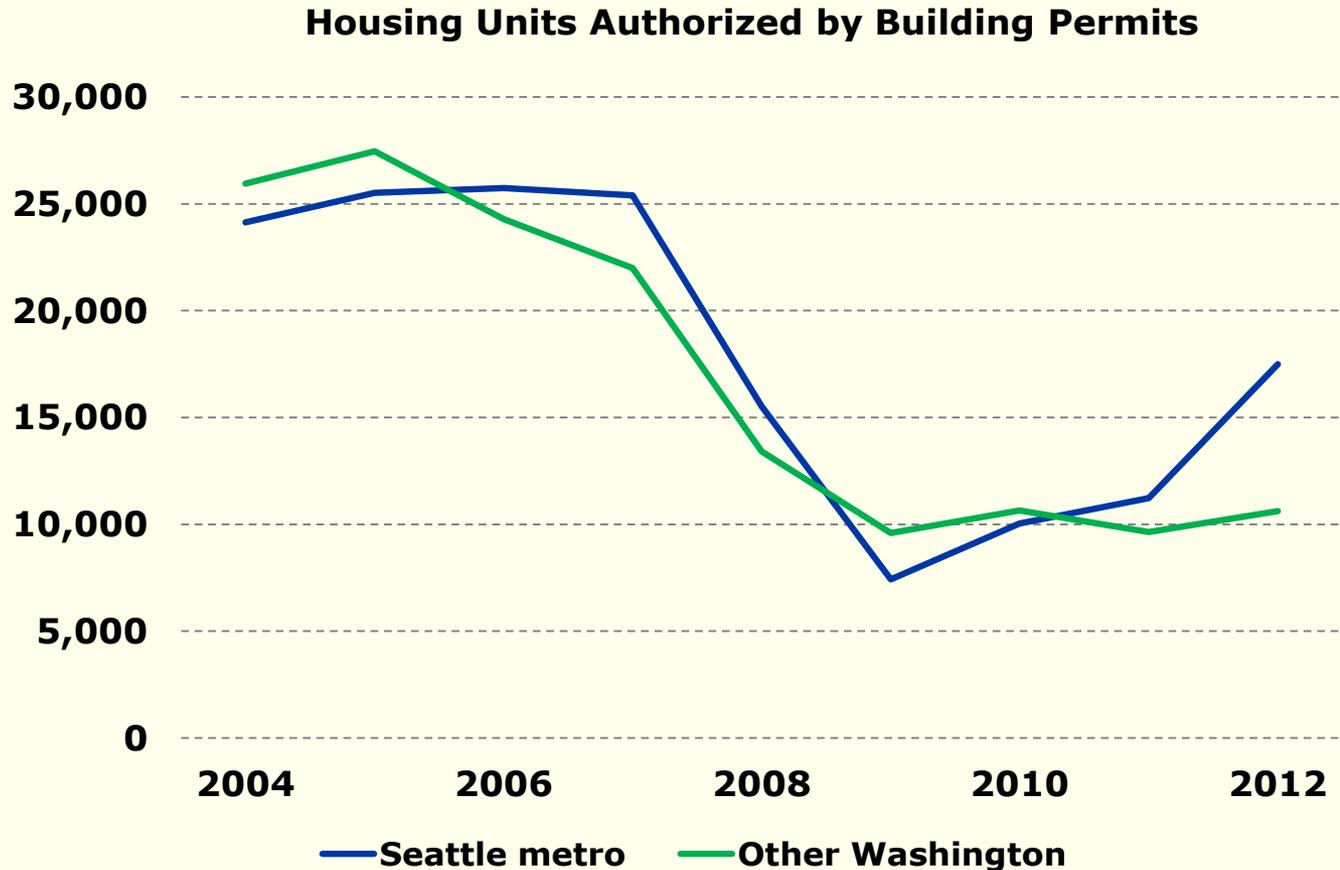


Source: Employment Security Dept., ERFC

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# Seattle area has most of recent growth in building permits



Source: U.S. Census Bureau, ERFC

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

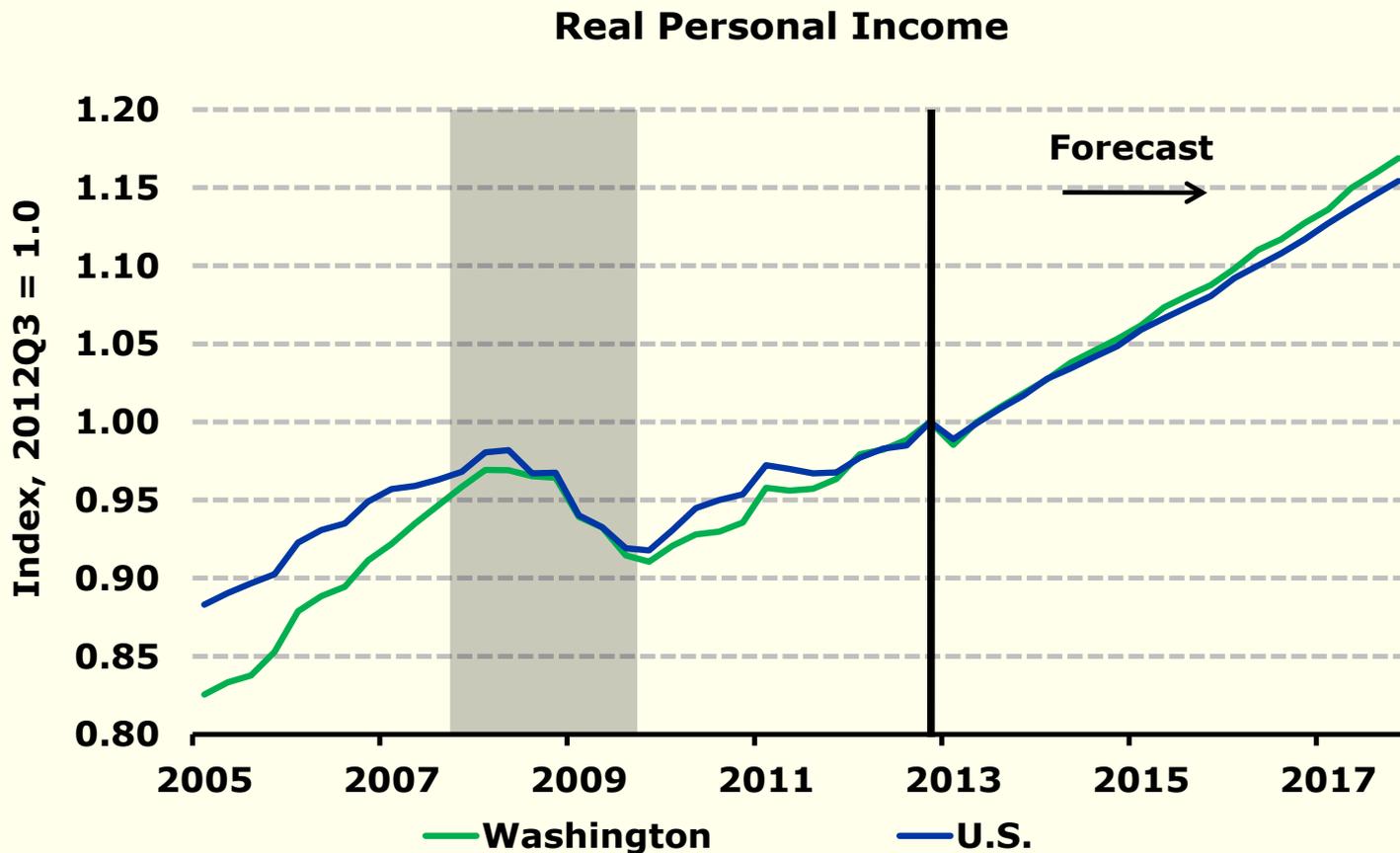
Date peak regained:

**WA:**

2012Q1

**U.S.:**

2012Q2



Source: ERFC March 2013 forecast; historical data through 2012Q4

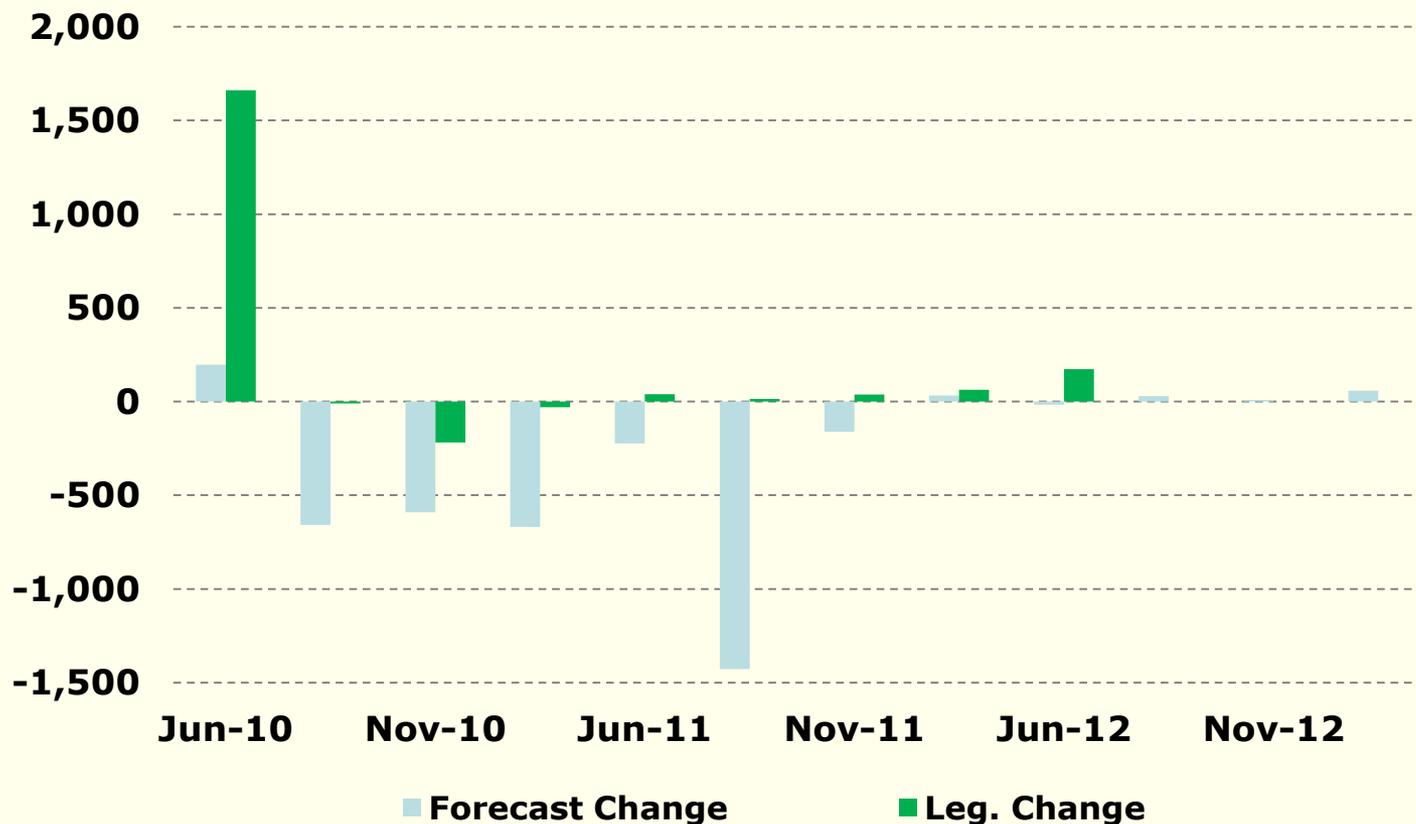
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# Revenue forecast track record, 2011-13 biennium

Initial forecast,  
Feb 2010:  
\$32.2 B

Mar 2013:  
\$30.5 B

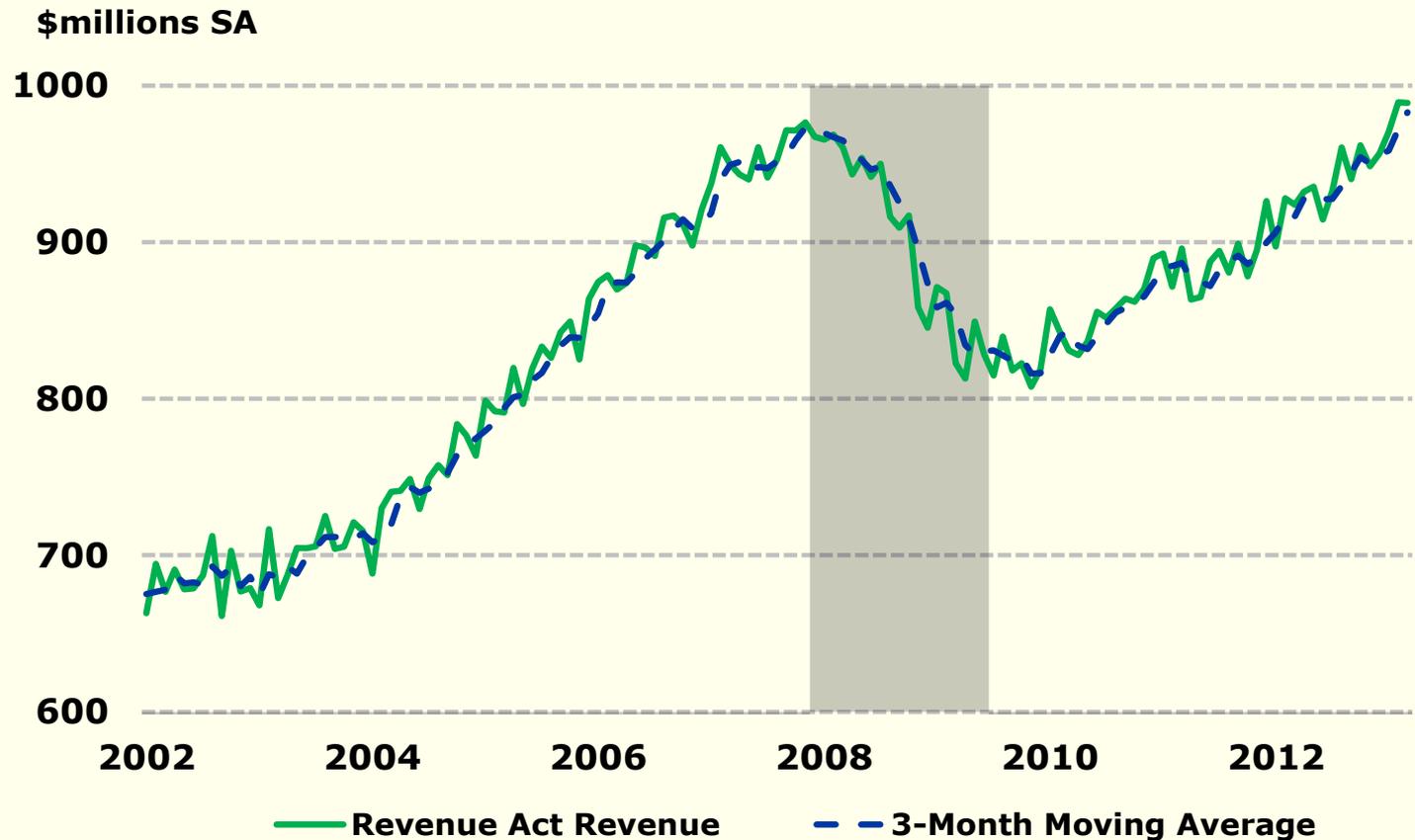


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# Revenue Act collections are still on an upward trend

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 March 2013 activity

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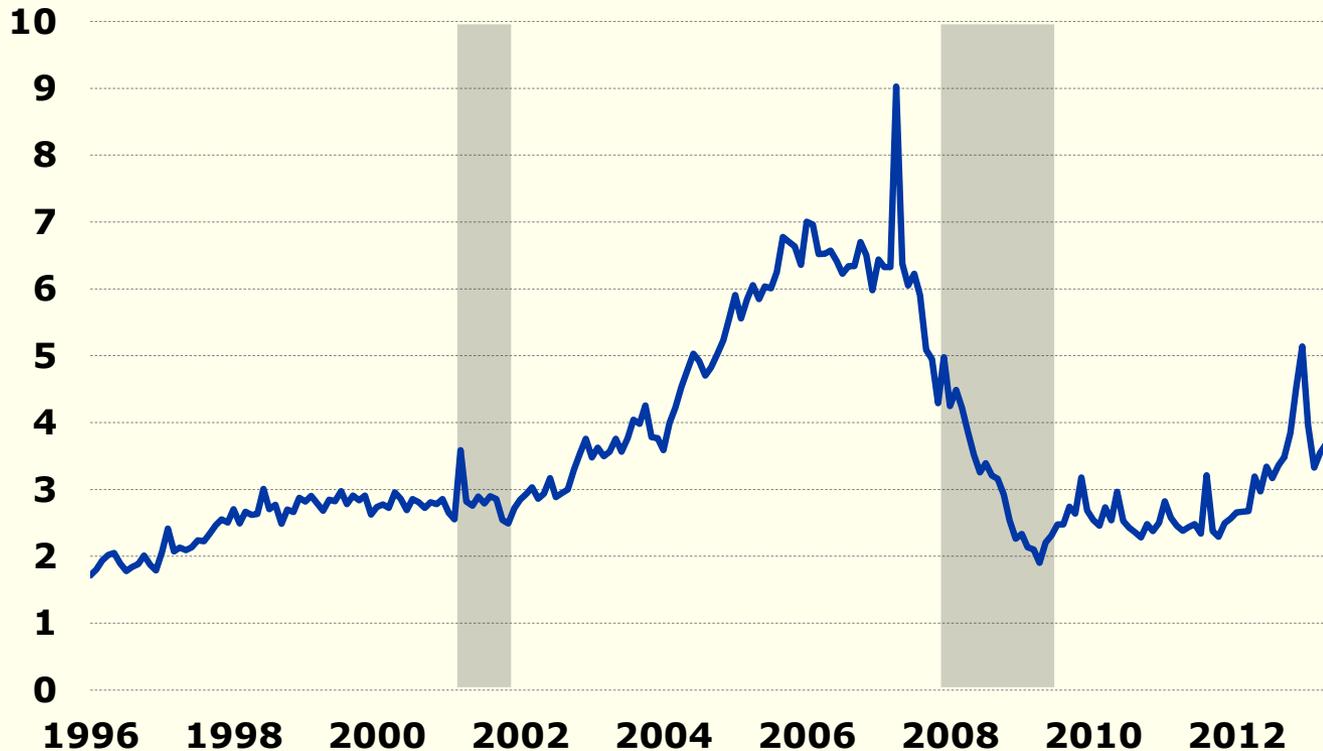
# REET still showing growth after end-of-year rush

2012 real estate sales were elevated due to the incentive to claim capital gains before taxes increased in 2013, with a particularly large rush at the end of the year.

Sales since the rush have been stronger than expected but a current shortage of houses for sale might limit short-term growth.

## Seasonally Adjusted Taxable Real Estate Excise Activity

\$Billions



Source: ERFC; Monthly data through April 2013 preliminary



# Conclusion

- The Washington economy is expected to outperform the U.S. economy but only slightly
- Positives include the aerospace, software, and construction sectors; non-education state and local government employment continues to contract
- The revenue forecast has stabilized and collections are at or approaching recent historic averages



# Questions



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