

The background of the cover is a photograph of the Washington State Capitol building. The building is a large, classical-style structure with a prominent central dome and a portico supported by several columns. The scene is framed by the branches of cherry blossom trees in full bloom, with white and light pink flowers scattered across the image. The sky is a clear, pale blue.

Washington State Economic and Revenue Forecast

June 2010
Volume XXXIII, No. 2



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

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Preface

The Economic and Revenue Forecast Council is required by Chapter 231, Section 34, Laws of 1992 (RCW 82.33.020) to prepare a quarterly state economic and revenue forecast and submit it to the Forecast Council. This report presents the state's economic and General Fund-State revenue forecast. It is issued four times a year.

Data in this publication are accurate through June 28, 2010.

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Executive Summary

- **The economic recovery hit a road bump in May. However, growth is expected to continue. We expect a 3.5% growth rate in the current quarter based on an increase in hours worked, manufacturing production, and a temporary boost from the expiring homebuyer's tax credit.**
- **Growth will slow to around of 3% in the second half of the year and throughout 2011 due to the expiration of the credit, sluggish hiring, and lack of support from the inventory cycle. We expect growth to strengthen during 2012, returning to trend by the end of 2013.**
- **Consumer spending has turned around and is now growing at a moderate but hesitant pace. Consumer confidence is gradually improving but is still in recessionary territory. A high unemployment rate is continuing to weigh down on confidence. Households are also continuing to pay down debts.**
- **Financial markets have been rattled by European sovereign debt concerns, sending the U.S. dollar higher against the euro. Financial markets will remain jittery for a while which could be a drag on the recovery. The strengthening U.S. dollar could also hurt U.S. export competitiveness.**
- **The housing market is likely to weaken considerably following the expiration of home buyer's tax credit. New home sales and housing permits have already plummeted.**
- **Washington's economy was not immune to the weakness experienced in the national economy in May. However, the recovery in the state economy is expected to continue, although it will be U-shaped and slow. We continue to expect that the state will outperform the U.S. economy.**
- **Payroll employment in Washington returned to growth in early 2010 as expected. Employment has continued to increase since December and job gains have been widespread. Even so, we expect the recovery to be slow and uneven as evidenced by the weak jobs report in May, and a slight upward trend in initial claims for unemployment insurance.**
- **New legislation from the 2010 session and other non-economic factors are forecasted to provide an additional \$802 million in revenues in the current biennium and \$1,661 million in the 2011-13 biennium.**
- **Including economic factors, the net revenue forecast increase is \$558 million in the 2009-11 biennium and \$1,858 million in the 2011-13 biennium.**

U.S. Economic Forecast

*The economy
hit a speed
bump in May*

The economic recovery lost some steam in May, but remains on track for the moderate growth we have been predicting. Recoveries are not smooth events, and this one is no exception. Fears about European sovereign debt contagion rattled financial markets, still spooked by the memory of the meltdown in September 2008. Employers, who had been increasing permanent staff, slowed down – choosing instead to increase hours or hire temporary help until there was greater clarity. The May jobs report consequently was disappointing. However the risk of a double-dip, or return to recession, is also receding. Private spending, especially by businesses is firming; the manufacturing and services sectors are both growing; and, only construction remains mired in the mud. We expect the economy to show some near-term weakness, but the recovery will continue.

*The recovery
will be
tentative and
uneven*

The recovery in economic activity continued in the first quarter of 2010 as real GDP registered its third consecutive increase. More importantly, the expansion included positive job growth for the first time in two years. With federal stimulus nearing its peak impact, job growth is essential to support a recovery in consumer spending. While we expect the recovery to continue, May's weak job report is a reminder that the recovery will be slow and uneven. Typically, the depth of the recession and an unsustainable surge in productivity that we have seen suggest a rapid labor market turnaround. But this was not a typical recession, and there are several reasons to worry. Credit to small businesses that create two-thirds of all new jobs remains depressed; the construction sector is still weighing down the recovery; and the return of consumer confidence remains tentative. So improvement in the labor market is likely to be hesitant and slow. We expect 3.5% real GDP growth in the current quarter based on an increase in hours worked, manufacturing production, and a temporary boost from the expiring homebuyer's tax credit. Growth will slow to around of 3% in the second half of the year and throughout 2011 due to the expiration of the credit, sluggish hiring, and lack of support from the inventory cycle. We expect growth to strengthen during 2012, returning to trend by the end of 2013.

*Downside
risks exceed
upside risks*

Construction remains a significant drag on the economy. It is clear that nonresidential construction will decline for some time. On the residential side, government programs such as the home buyer tax credit supported the recovery. There is a very real risk that housing will falter now that this support has been withdrawn. The financial system is also a risk. While large national banks are making their way back to profitability, local and regional banks across the country remain vulnerable because of their disproportionate exposure to commercial real estate. Government spending continues to provide much of the

recent strength in the economy. As the fiscal stimulus winds down, private spending will have to continue to pick up in order to keep the recovery going. A new but potentially significant risk to the recovery is the brewing worry about European sovereign debt. There are some upside factors as well. The sustained growth in payroll employment over the last five months and strong growth in average weekly earnings means that private sector wage income is growing at a healthy clip. Business investment in equipment and software is strong and consumer spending is recovering faster than we had expected.

Washington Economic Forecast

The recovery in the state is progressing, but hesitantly

Washington State's economic recovery stalled in May, adding just 200 private sector jobs. This was similar to what was experienced by the national economy as employers weighed the effects of the European debt crisis. Overall, however, the state's recovery is unfolding largely as expected in the February forecast. Payroll employment lagged in the cycle and returned to growth in the first quarter of the year. Prior to the May report, job gains were widespread, and private sector growth had been stronger than anticipated. Like the national economy, the recovery is expected to be bumpy and uneven. Initial claims for unemployment insurance have also been trending up since February and the unemployment rate remains high. Credit to small business is still tight and will continue to drag on growth. The housing sector appears to be nearing a trough, although risks remain as federal home buying incentives have now expired. On the upside, the state is expected to outperform the nation in the recovery, primarily due to our high export intensity. Washington will also benefit from the presence Boeing and Microsoft, especially as the recovery progresses.

The construction sector remains weak, although aerospace and software publishing are stable

The construction sector remains the weakest industry in Washington. It does appear that the sector is nearing a trough in activity. Contract data for both residential and non-residential construction shows that the square footage of projects are no longer in decline. However, now that government support has been withdrawn, it is likely that we'll see some softening in the data. Employment growth will lag and we expect the construction sector to lose another 1,300 jobs from through the third quarter of the year. We remain optimistic about the prospects for the state's aerospace industry, despite some near term weakness. Boeing's announced layoffs are behind us and there is evidence that passenger traffic and air cargo volumes are picking up sharply. The forecast calls for a further reduction of 1,000 aerospace jobs before the sector returns to growth in the third quarter of 2011. The software publishing sector is rapidly returning to growth and Microsoft's balance sheet is healthy.

Employment in this sector increased in the first quarter and we expect job gains to continue throughout the forecast.

Our major state indicators – employment, income, and housing, are all increasing

Overall, we expect private sector jobs to grow at a 1.7% annual rate in the second quarter and increase steadily into the first quarter of 2012, reaching a 3.3% rate before leveling off. Washington personal income is expected to grow 4.1% this year after a rare 1.0% decline in 2009. Income growth is expected to improve and remain in the 5.8% to 5.9% range through 2013. We believe the number of housing units authorized by building permits will rise 20.9% this year to a still relatively depressed 20,600 units. The recovery in housing, although weak, will be led by the single family market. Housing activity will gradually improve during the next three years, reaching its trend level only in 2013. Nonresidential construction will lag residential construction by at least a year.

Revenue Forecast

Collections are slightly below the forecast

Revenue collections have come in slightly below our February forecast. In the four months since the forecast, total collections are \$38.5 million lower than forecasted. The main contributors to the shortfall were Revenue Act taxes and the real estate excise tax.

Non-economic factors added \$802 million to the current biennium and \$1.7 billion to the next

New legislation from the 2010 session is forecasted to provide an additional \$761 million in revenues in the current biennium and \$1,659 million in the 2011-13 biennium. Additional non-economic factors such as expected one-time assessment payments and changes to tax administration contributed an additional \$42 million to the 2009-11 biennium and \$2.4 million to the 2011-13 biennium.

The total forecast change is \$558 million for the current biennium and \$1.9 billion for the next

Changes to the underlying economic forecast subtracted \$206.8 million from the forecast for the remainder of the 2009-11 biennium but added \$197.4 million to the forecast for the 2011-13 biennium. Netting out the combined effects of the collection variance, the forecast change, and the non-economic changes, the forecast of total collections for the 2009-11 biennium is increased by \$557.6 million. Adding together the economic and non-economic changes for the 2011-13 biennium, the forecast is increased by \$1,858.4 million.



Chapter 1: U.S. Economy – Current Conditions and Forecast

- **The economic recovery hit a road bump in May. However, growth is expected to continue. We expect a 3.5% growth rate in the current quarter based on an increase in hours worked, manufacturing production, and a temporary boost from the expiring homebuyer's tax credit.**
- **Growth will slow to around of 3% in the second half of the year and throughout 2011 due to the expiration of the credit, sluggish hiring, and lack of support from the inventory cycle. We expect growth to strengthen during 2012, returning to trend by the end of 2013.**
- **Despite a weak May jobs report, the economy has generated positive job growth in every month this year. The demand for labor is increasing faster than the employment data imply. Average weekly hours are growing rapidly as employers increase hours rather than add to payrolls.**
- **Consumer spending has turned around and is now growing at a moderate but hesitant pace. Consumer confidence is gradually improving but is still in recessionary territory. A high unemployment rate is continuing to weigh down on confidence. Households are also continuing to pay down debts.**
- **Financial markets have been rattled by European sovereign debt concerns, sending the U.S. dollar higher against the euro. Financial markets will remain jittery for a while which could be a drag on the recovery. The strengthening U.S. dollar could also hurt U.S. export competitiveness.**
- **The positive impact of federal government spending and the inventory cycle on growth is winding down. Private spending, both by businesses and consumers, will have to pick in order for the economy to generate self sustaining growth.**
- **While local and regional banks around the country are still at risk due to their exposure to commercial real estate loans, the deterioration in loan quality has slowed.**
- **The housing market is likely to weaken considerably following the expiration of home buyer's tax credit. New home sales and housing permits have already plummeted.**
- **Nonresidential construction will decline for some time due to oversupply, weak demand, and lack of financing.**
- **The downside risks to the outlook continue to exceed the upside risks.**

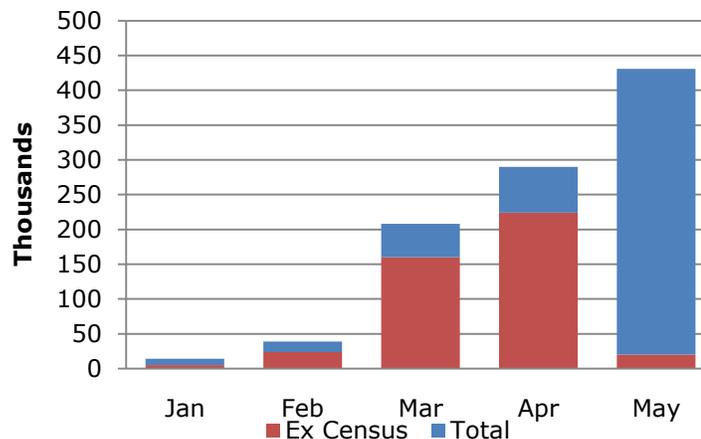
Current Conditions

The economy hit a speed bump in May

The economic recovery lost some steam in May, but remains on track for the moderate growth we have been predicting. Recoveries are not smooth events, and this one is no exception. Fears about European sovereign debt contagion rattled financial markets, still spooked by the memory of the meltdown in September 2008. Employers, who had been increasing permanent staff, slowed down – choosing instead to increase hours or hire temporary help until there was greater clarity. The May jobs report consequently was disappointing. However the risk of a double-dip, or return to recession, is also receding. Private spending, especially by businesses is firming; the manufacturing and services sectors are both growing; and, only construction remains mired in the mud. We expect the economy to show some near-term weakness, but the recovery will continue.

Figure 1.1: Payroll Employment Growth in 2010

Excluding Census hiring, May job growth was weak



Source: Bureau of Labor Statistics; data through May 2010

Employment is growing slowly

Real GDP grew at a 2.7%, seasonally adjusted, annualized rate (SAAR), in the first quarter of the year, slightly lower than our prediction of 3.0% (SAAR). As expected, this was slower than the fourth quarter’s 5.6% (SAAR) growth, but included growth in consumer spending that was faster. It was also the third consecutive quarter of GDP growth, providing more evidence that the “Great Recession” is now in the rear-view mirror. Industrial production also remains strong, growing 1.2% in May. The labor market also turned positive in the first quarter, though May’s job report was disappointing. Nonfarm employment has grown in each of the first five months of this year though nearly all of May’s gain was due to Census hiring (see Figure 1.1). The nation’s unemployment rate declined slightly in May to 9.7%. Still, the fear of job loss continues to dampen consumer

confidence which remains in recessionary territory. Consumer spending though improving is weak as households pay down debt and save. Although household net worth improved 13% over the last year, at the end of the first quarter it was still \$9.8 trillion (or 15.3%) below its peak, and is keeping consumers from fully reopening their wallets.

Downside risks predominate

Construction remains a significant drag on the economy. It is clear that nonresidential construction will decline for some time. On the residential side, government programs such as the home buyer tax credit supported the recovery. There is a very real risk that housing will falter now that this support has been withdrawn. The financial system is also a risk. While large national banks are making their way back to profitability, local and regional banks across the country remain vulnerable because of their disproportionate exposure to commercial real estate. Government spending continues to provide much of the recent strength in the economy. As the fiscal stimulus winds down, private spending will have to continue to pick up in order to keep the recovery going. Though the risk of a double-dip recession is less now than in February, it is still significant.

European sovereign debt crisis boosts the U.S. dollar, Treasuries

A new but potentially significant risk to the recovery is the brewing worry about European sovereign debt. Interbank lending spreads have widened, the S&P 500 VIX, or volatility index (a proxy for the level of nervousness in financial markets) has also spiked, and U.S. equity markets declined close to 10% in May. A "flight to safety" has seen the U.S. dollar strengthen against the euro, and U.S. Treasuries have rallied, driving down yields. The worries about European sovereign debt spring from a fear that Greece might default on its debt, and that the contagion may spread to Spain, Portugal, Ireland, Italy, and possibly even the United Kingdom. Financial markets will therefore remain jittery for a while and could be a drag on the recovery. The strengthening U.S. dollar could hurt U.S. export competitiveness.

There are also some positive trends

While risks to the recovery predominate, there are some upside factors as well. The sustained growth in payroll employment over the last five months and strong growth in average weekly earnings means that private sector wage income is growing at a healthy clip. Business investment in equipment and software posted a strong 11.4% (SAAR) increase in the first quarter of 2010 following a 19.0% surge in the fourth quarter of last year. Consumer spending rose at a 3.0% rate, much better than the 2.1% we had expected in February. The effect of the stimulus package on the economy is still growing and the global recovery is continuing, albeit hesitantly. Though the U.S. dollar has strengthened recently due to a flight to safety from the euro, it remains relatively weak and is expected to decline further in the forecast. China's decision to end its peg of the yuan to the U.S. dollar may be a slight positive though any change in the U.S. dollar price of the yuan is likely to be very gradual. Finally, home

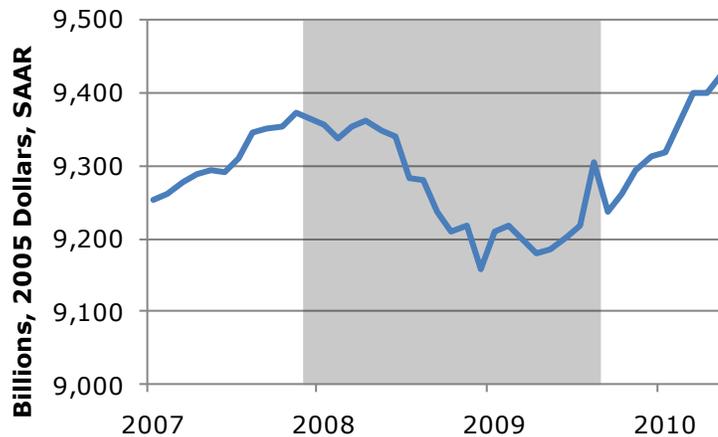
prices appear to be stabilizing, reducing the strains on the financial system.

The inventory cycle boosted GDP growth

The inventory cycle continued to add to growth in the first quarter of 2010, though not by as much as in the fourth quarter of last year. During the recession, inventories piled up and businesses responded by slashing production below final sales. Now that inventories have been aligned with sales, firms are no longer reducing inventories. Firms increased inventories by \$41.2 billion in the first quarter of 2010 following a \$19.7 billion reduction in the fourth quarter of 2009. The \$60.9 billion swing in inventory change added 1.9 percentage points to GDP growth in the first quarter. With federal stimulus winding down and state and local government spending declining, it is critical for private demand to pick up the slack. Real consumer spending grew 3.0% in the first quarter, the best showing since the first quarter of 2007. As mentioned above, businesses also appear to be willing to spend.

Figure 1.2: Real Consumer Spending

Consumer spending is now above its pre-recession peak



Source: Bureau of Economic Analysis; data through May 2010

Consumer spending is recovering

A return to growth in personal consumption expenditures is essential to sustaining the economic recovery. Real Consumer spending has grown in every month since May 2009 with the exception of September 2009, which was affected by the end of the Cash for Clunkers program, and April 2010 which was flat (see Figure 1.2). Consumer spending rose 0.3% (2.9% SAAR) in May and 2.6% over the year. We never expected consumer spending to lead the economy out of recession, but the growth over the last year, which is not much below trend, suggests that it is not a significant drag on growth either. Real consumer spending is now at an all-time high, surpassing the pre-recession peak in March 2010. Real spending on new motor vehicles posted a strong 4.4% increase in May following a 3.8% dip in April. . On a year-over-year basis the increase was a strong

14.8% but new motor vehicle sales are still more than 25% below their pre-recession peak.

Disposable income is rising even as the stimulus' impact wanes

In order for personal consumption expenditures to continue to improve, disposable personal income needs to rise and the personal saving rate needs to moderate. Both personal income and disposable personal income grew a respectable 0.4% in May but the personal saving rate edged up to 4.0% from 3.8% in April. Disposable personal income got a big boost from the federal stimulus package in 2009 which lowered taxes and increased transfer payments such as unemployment insurance benefits. As a result, disposable personal income in December 2009 was up 2.5% over the previous December even though total personal income was down 0.6%. Federal stimulus is no longer adding to personal income growth. Barring a new stimulus package, the gradual withdrawal of fiscal stimulus will soon begin to weigh on disposable income growth. Fortunately other sources of income are now growing faster. So far this year both personal income and disposable personal income have grown at an average rate of 4.4% (SAAR). Employee compensation grew at a seasonally adjusted average annual rate of 4.8% from December to May, much faster than the employment growth rate. The main reason, as noted above, is that while employers have been reluctant to add permanent employees, they have been increasing the hours of the employees already on their payrolls. Income growth, however, is not enough if consumers are unwilling to spend. May's 4.0% personal saving rate is below the recessionary peak of 6.4% last May but is still high relative to recent history. We expect the savings rate to trend down as household net worth improves and consumer confidence returns.

Consumer confidence is improving gradually

The two major surveys of consumer attitudes sent mixed signals in June. The Reuters/University of Michigan's Index of Consumer Sentiment increased by 2.4 points to reach 76.0. This is the highest level in the recovery period. However the Conference Board Consumer Confidence Index, which had been on the rise for three consecutive months, declined sharply in June to 52.9 from a post-recession peak in April of 62.7. The Conference Board is the more volatile of the two measures. Both measures of consumer's attitudes have trended gradually up since the recession lows last year.

The demand for labor is stronger than it appears

The May jobs report was disappointing, just as the April report had been encouraging. Although the economy added 431,000 net new jobs, the vast majority of those were temporary Federal Census workers. Private job growth, which had been a robust 218,000 in April, slowed to 41,000 in May. Since the beginning of the year private sector employment has grown at a 1.1% rate (SAAR) but this greatly understates the growth of labor demand. Average weekly hours in the private sector have been growing at a 2.9% annual rate and total hours have been growing at a strong 4.0% annual rate. Clearly employers have opted to increase the hours of workers already on their payrolls rather than hire large numbers of new employees until they are

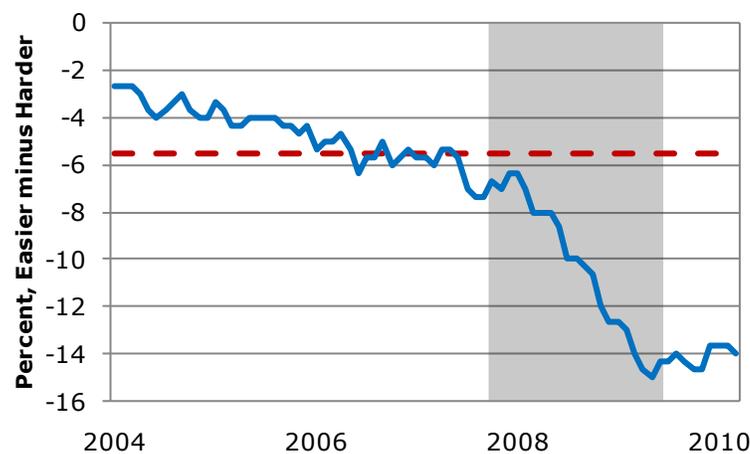
convinced the recovery will be sustained. The strong growth in hours should translate into GDP and wage income growth.

Lending standards are returning to normal at large banks

A variety of measures shows that credit market conditions have improved significantly since the meltdown that followed the collapse of Lehman Brothers in September 2008. There are still mixed signals about the health of financial institutions, however. The Federal Reserve Board’s survey of senior loan officers indicates that availability of credit has returned to normal. The survey reports net tightening minus easing as a percent of the total for various loan types and has a normal range of 8-15%. Tightness in the availability of credit peaked in late 2008 in a range of 59-84% depending on the type of loan. The percentage reporting tighter standards is now in the normal range for all types of loans. This survey, however, is administered to the largest banks in the country and the middle and small bank market is not included.

Figure 1.3: Availability of Loans

Small businesses report that loans are harder to get



Source: National Federation of Independent Business; data through May 2010

Regional banks are suffering from their exposure to commercial real estate

While large national banks are returning to profitability and their lending standards appear to be easing, the picture is quite different at regional and local banks across the country. These banks saw a rapid deterioration in their asset quality, due to their disproportionately high exposure to commercial real estate. This has limited their ability to lend, as they divert cash to reserves. The deterioration in the asset quality of regional and local banks is leveling off, but the quality is still poor. Small businesses, which get a major portion of their loans from local and regional banks, are disproportionately hurt when these banks are unable to lend. The National Federation of Independent Business, which reports on small business activity across the country, indicates that loans are indeed harder to obtain ([see Figure 1.3](#)). This lack of credit from smaller banks is

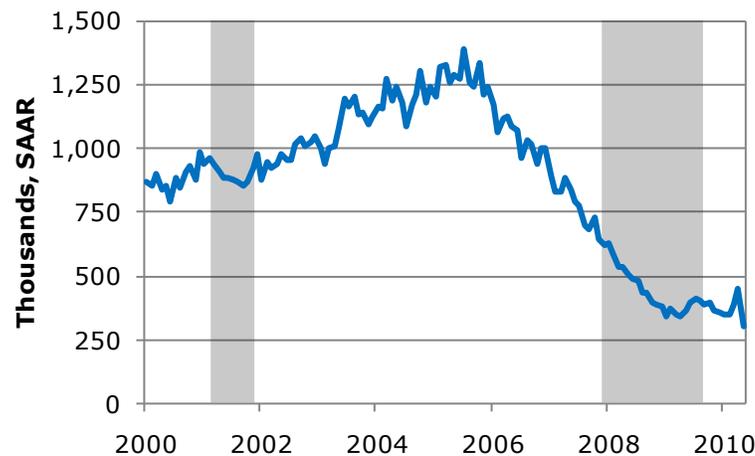
likely to continue as regional banks continue to struggle. This could lead to a slowing in the jobs recovery as small businesses provide the majority of jobs, particularly in a recovery.

The global recovery continues

Coordinated policy stimuli around the world have contributed to a synchronized global recovery from the Great Recession. Both the Eurozone and East Asia came out of the recession before the United States. Typically, other countries around the world lag the U.S. coming out of a recession. Fiscal austerity measures now being undertaken in Europe and elsewhere may slow the global recovery but will not likely derail it. The recovery that started in the second quarter of 2009 has continued through the first quarter of 2010. Real trade-weighted global GDP rose an estimated 5.1% in the first quarter of 2010 which was the strongest quarterly growth rate in three years.

Figure 1.4: New Home Sales

New home sales plummeted when the tax credit expired



Source: Bureau of the Census; data through May 2010

Payback time in the housing market

Recent monthly data suggest that the payback for the expiration of the second homebuyer’s tax credit is likely to be more severe than anticipated. The credit applies to sales made by April 30 2010 and closed by June 30. Sales of new single-family homes plunged 32.7% from April to May as the incentive expired ([see Figure 1.4](#)). It appears that the payback will show up in future home construction as well. Single-family housing permits, which had been generally rising through March 2010, plunged 10% in April and another 10% in May. The main impact of the April 30 deadline was to pull activity into the months just before the deadline at the expense of the months following the deadline. Later in the year we will have a better indication of the underlying trend. On the plus side, homes are very affordable now with mortgage rates currently close to historic lows. Also, new home construction has already been cut so drastically that the inventory of new homes for sale in May was the lowest in

more than 40 years. However, there is a steady stream of distressed properties on the market that are in competition with new home construction.

Home prices appear to be stabilizing, but may soften

Home prices are edging up according to the S&P/Case-Shiller Home Price Index. The seasonally adjusted 20-city index rose in nine of the last eleven months, reaching a post-recession high in April. Home prices have increased 4.0% since the trough in May 2009. The tax credit led to a surge in demand for existing homes. This increased home sales and probably prices as well. We have already seen a sharp decline in home sales which suggests we may see some pull-back in prices as well. The Case-Shiller index represents a three-month moving average of prices based on closed sales. The latest data are for February, March, and April which were before the credit expired. It is possible that home prices may soften in the near future.

The strong recovery in manufacturing continues

On a more positive note, the manufacturing sector has clearly returned to growth. Manufacturing output grew 1.1% (SA) in May, and is up 8.9% over the year according to the Federal Reserve Bank's latest G-17 report. Industrial capacity utilization also increased from 73.1% in April to 74.1% in May. The Institute of Supply Management (ISM) Purchasing Manager's Index for manufacturing indicated growth again in May coming in at strong 59.7, down only slightly from a six-year-high 60.4 in April. A reading above 50 indicates growth while an index below 50 indicates contraction. May was the tenth consecutive month the sector has expanded after eighteen months of contraction. Production and orders were both very strong in May at 66.6 and 65.7. The employment component, which had been lagging, also signaled strong growth, coming in at 59.8. This was the sixth consecutive above 50 reading for employment.

Forecast

First quarter GDP growth was revised down slightly

Our national economic forecast was made in early June when some of the data referred to in the current conditions section were not available to us. In particular, we did not have the Bureau of Economic Analysis' "third estimate" of first quarter real GDP and its components. Real GDP growth in the first quarter was revised down slightly to 2.7% from 3.0% in the previous estimate.

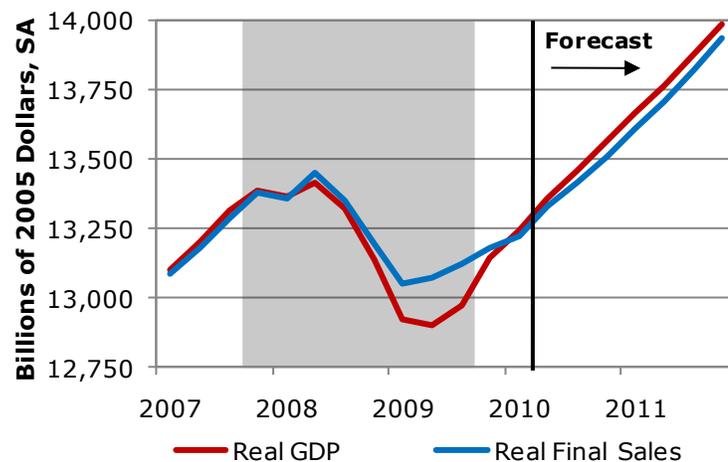
The recovery will be tentative and uneven

The recovery in economic activity continued in the first quarter of 2010 as real GDP registered its third consecutive increase. More importantly, the expansion included positive job growth for the first time in two years. With federal stimulus nearing its peak impact, job growth is essential to support a recovery in consumer spending. While we expect the recovery to continue, May's weak job report is a reminder that the recovery will be slow and uneven. Typically, the depth of the recession and an unsustainable surge in productivity that we have seen suggest a

rapid labor market turnaround. But this was not a typical recession, and there are several reasons to worry. Credit to small businesses that create two-thirds of all new jobs remains depressed; the construction sector is still weighing down the recovery; and the return of consumer confidence remains tentative. So improvement in the labor market is likely to be hesitant and slow. We expect 3.5% growth rate in the current quarter based on an increase in hours worked, manufacturing production, and a temporary boost from the expiring homebuyer's tax credit. Growth will slow to around of 3% in the second half of the year and throughout 2011 due to the expiration of the credit, sluggish hiring, and lack of support from the inventory cycle. We expect growth to strengthen during 2012, returning to trend by the end of 2013.

Figure 1.5: GDP and Final Sales

The inventory cycle is virtually complete



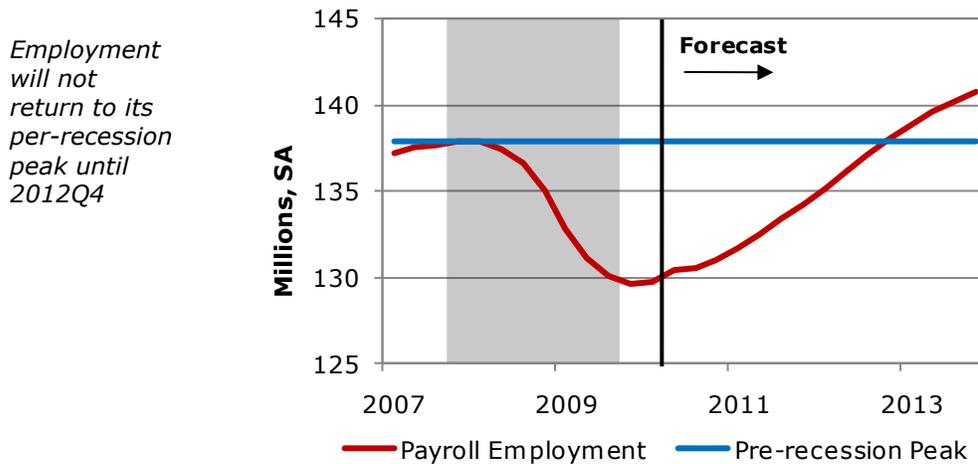
Source: Bureau of Labor Statistics; data through Q1 2010, ERFC forecast

Growth will accelerate in 2012 before slowing to trend in 2013

Despite the severity of the recession, we do not expect a strong rebound in the near term. We expect moderate real GDP growth of around 3% seasonally adjusted annual rate (SAAR) throughout 2010 and 2011 with growth accelerating to close to 4 percent by the end of 2012 then slowing again to trend growth in 2013. The early part of the recovery has been supported by the inventory cycle and fiscal and monetary stimuli. We do not expect any increase in short term interest rates until early next year but there appears to be little appetite for further fiscal stimulus as current programs wind down. Firms slashed production much more than final sales during the recession in an effort to work off excess inventories. Having achieved this inventory correction, they were then able to increase production rapidly, bringing production back into line with sales (see [Figure 1.5](#)). This process was largely complete by early 2010 which means that GDP growth from now on will depend on growth in final sales rather than inventories. Consumer spending will not lead the economy out of recession this time. The strains on

households are too great for that. However, business spending is growing again thanks to investment in equipment and software. This spending returned to growth in the third quarter of 2009 and is forecasted to grow at double-digit rates in 2010 and 2011, tapering off in 2012 and 2013 as the expansion matures. Then, as the recovery picks up steam, consumer spending will also revive. Nonresidential construction remains in decline, however, and will continue to decline through mid-2011. We do not expect any significant growth in nonresidential construction until 2012. We expect housing activity to dip in the near term as the government incentives expire. Residential fixed investment growth should resume next year. Export growth has returned sooner than previously expected due to the global recovery that is now under way. Real exports are expected to be nearly 12% higher in 2010 than in 2009.

Figure 1.6: U.S. Payroll Employment



Source: Bureau of Labor Statistics; data through Q1 2010, ERFC forecast

Positive job growth has resumed

Employment growth finally turned positive in the first quarter of 2010, two quarters after the turning point in GDP. Employment growth typically lags the recovery in output as employers hold off on rehiring workers until they are confident that demand has returned. While the overall economy returned to growth in the third quarter, employers continued to shed jobs through the end of the year. We believe the national unemployment rate peaked in the fourth quarter of 2009. The jobs recovery will be slow by historical standards, but quicker than experienced in either of the two previous recessions in 1990-91 and 2001. Even though the recovery will not be exactly job-less, payroll employment will not return to its pre-recession peak until the fourth quarter of 2012, five years after the previous peak (see Figure 1.6). Employment growth during 2010 will be significantly affected by temporary 2010 Census hiring which will add to growth in the first half of the year but will reduce growth in the second half. Over all four quarters of 2010 we expect an increase of only 1.0%.

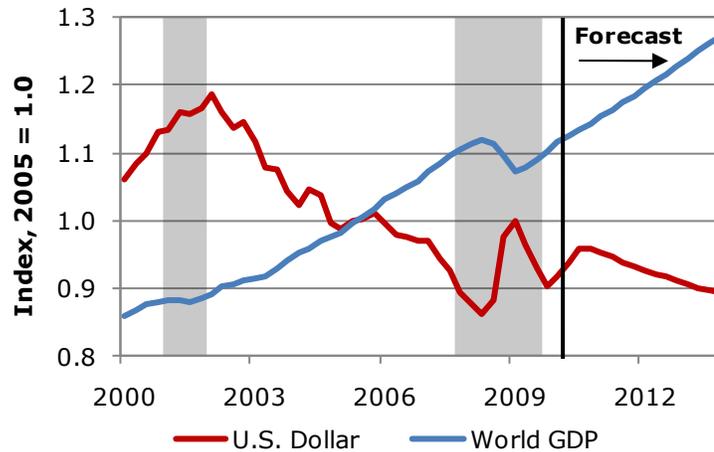
Employment growth will improve during 2011, reaching a peak of 2.7% in 2012, slowing again in 2013 as the economy approaches its long run potential. The unemployment rate is expected to decline to 6.1% by the end of 2013.

Exports will contribute to growth

The European sovereign debt crisis has raised doubts about the sustainability of the global recovery. The “flight to safety” has also resulted in a strengthening of the U.S. dollar against the euro which threatens to weaken our exports. While the downside risks have definitely increased we expect the global recovery to continue through 2013, boosting U.S. exports. Real GDP growth of our trading partners is expected to improve through the remainder of 2010 and 2011 and remain in the 3.5% to 4.0% range in 2012 and 2013. We think the dollar will continue to strengthen against our major trading partners’ currencies through the end of this year and then resume its downward trend in 2011, 2012, and 2013 as the fears of contagion subside (see Figure 1.7).

Figure 1.7: World GDP and the U.S. Dollar

The recovery in trade-weighted world GDP will continue and the dollar will eventually weaken as European debt fears subside



Source: Federal Reserve Board, ERFC; data through Q1 2010, ERFC forecast

Housing has been supported by government programs

The housing recovery, such as it is, has been propped up by government programs. It remains to be seen how much strength there will be housing after this support is withdrawn but the initial indications are not promising. Single-family housing starts and prices have improved slightly despite the overhang of excess housing. It appears that the two homebuyer tax credits, especially the \$8000 for first time owners, have been particularly effective in shoring up the market. Now that these credits have expired, we expect the housing recovery to lose steam. The recent plunge in housing starts and new home sales suggests a more severe payback for the credits than we had expected. The end of another federal program, Federal Reserve purchases of mortgage-backed securities, has not resulted in a spike in

mortgage interest rates. On the contrary, rates have fallen to their lowest levels since Freddie Mac began tracking rates in 1971. Also, new home construction has already been cut so drastically that the 213,000 new homes for sale in May were the lowest in more than 40 years. Still, we expect near-term weakness in housing construction as payback for the homebuyer's tax credit surge. Though there are considerable risks to the housing forecast, we expect single-family housing starts to pick up towards the end of this year and throughout 2011, leveling off in 2012 and 2013. Multi-family starts continued to decline throughout 2009, reaching 76,000 units at the end of the year. While we think we have seen the bottom in multi-family starts, the recovery will be hampered by high vacancy rates and difficulties with financing. Multi-family activity is not expected to fully recover until the end of 2013.

Non-residential construction will continue to decline

The recovery in nonresidential construction will lag the recovery in residential construction. While the latter peaked in 2005, nonresidential construction continued to grow for another three years, peaking in 2008. The problems facing nonresidential construction are the same as those that caused the housing crash – a price bubble and oversupply. The downturn in the economy has idled factories and emptied office buildings so there is little need for new construction in the near future. We expect further reductions in nonresidential construction in 2010 and 2011. Only in 2012 do we expect to see any recovery in nonresidential construction.

Forecast by Fiscal Year

We will begin to see positive GDP growth in FY 2010

The forecast by fiscal year, presented in Table 1.1, appears weaker in FY 2010 than the forecast by calendar year described above, because the fiscal year starts and ends two quarters earlier than the calendar year. Much of the recent strength in GDP is due to the inventory cycle and federal stimulus spending. These positive impacts will soon fade. Since we do not expect a strong rebound in housing or consumer spending, we believe the recovery will initially be slow. Real GDP declined by 2.2% (SAAR) in FY 2009, and will grow only 0.8% in FY 2010 before picking up to 3.3%, 3.2% and 3.5% in FY 2011, FY 2012 and FY 2013, respectively.

Construction remains a drag on growth but businesses are beginning to invest in equipment

Businesses are willing to invest again, at least in equipment and software. Business spending on equipment and software is expected to decline only 2.9% this fiscal year following a 13.5 % drop in FY 2009. Strong growth should resume in FY 2011, and continue in FY 2012 and FY 2013. However the correction in nonresidential construction still has a long way to go. Nonresidential investment in structures is expected to fall 19.8% this fiscal year and 10.3% in FY 2011 following a 5.2% decline last year. We do not expect any significant improvement in nonresidential fixed investment until FY 2013. The outlook for

residential fixed investment is somewhat cloudy as we do not yet know how much of the recent strength is due to temporary government incentives. We expect a 7.9% decline in FY 2010 following a 23.2% drop in FY 2009. While we expect double-digit increases in residential fixed investment starting in FY 2011, it has to be kept in mind that these increases are off a very low base.

Consumer spending will face headwinds

Consumer confidence has improved but remains in recessionary territory and credit remains tight. Consumers are also rebuilding wealth lost in the housing and stock markets which has raised savings at the expense of consumption. For all these reasons, consumer spending is not expected to be the strong driver it usually is in a recovery. After declining 1.4% in FY 2009, consumer spending should rise 1.3% this year thanks largely to federal stimulus. The forecast expects consumer spending growth to continue to lag behind overall GDP growth in FY 2011, FY 2012 and FY 2013.

Job growth will return in FY 2011

Labor markets tend to lag the economy at turning points. Thus, while GDP is expected to grow slightly in FY 2010, nonfarm payroll employment is expected to decline another 2.9% following a 2.8% decline in FY 2009. This should be the last fiscal year to show a decline as the monthly data are already showing job growth. FY 2010 should prove to be the peak in the average unemployment rate at 9.8%. The forecast expects positive, but modest job growth in FY 2011 and fairly strong growth in FY 2012 and FY 2013.

Inflation will remain low

With unemployment stubbornly high and so much excess capacity in the economy, inflation is expected to remain subdued for some time. The implicit price deflator for personal consumption expenditures rose only 1.6% in FY 2009 and is expected to rise 1.0% in FY 2010. The inflation rate is expected to rise during the next three years but will remain under 2%. The lack of inflationary pressure means that the Fed can hold short-term rates at very low levels for the time being.

Risks to the Forecast

Downside Risks (10%)

Downside risks are predominant

Downside risks remain significant and at the same level as in February. They continue to outweigh upside risks.

Contagion of European sovereign debt crisis

Financial markets remain jittery as evidenced by their reaction to the Greek debt crisis. If the crisis is not contained and there is contagion to the rest of Europe, we would see a flight to quality, renewed distress in financial markets with wider spreads and falling equities, and spending reductions. Specifically, there

would be downward adjustments to several components of consumer spending, business fixed investment and to home sales and housing starts because credit conditions would be tighter and would restrict spending, slowing the recovery. House prices would be lower, as would consumer sentiment and overseas GDP. In an extreme scenario, the EUR may collapse, although that seems unlikely.

Credit for small business is tight

Most of the downside risk now point to a slower recovery, rather than a double-dip recession, where economic activity sags in the fourth quarter of 2010. The risk of a W-shaped recovery is less now because private spending, especially business, appears to be strengthening. Nevertheless, it is not a zero probability event. Credit to small business, who are the main engine of job growth in a recovery, still remains tight.

Inflationary expectations could resurface

Fears of deflation remain, though they have eased. But with the amount of liquidity that has been pumped into the economy, there is always a risk of inflation. However, inflation expectations are "well anchored," which means the risk of inflation is low, even with the injection of liquidity. If expectations become "unanchored" and we get an uptick in inflationary pressures, then the Federal Reserve may be compelled to raise interest rates earlier than planned further slowing the recovery.

Policy errors

Policy errors could also slow down the recovery. One of the mistakes from the depression era was an early withdrawal of fiscal and monetary stimulus. Another problem could result from policy uncertainty that slows down business decision making. To be effective, policy must be clear, swift and sustained.

Upside Risks: (5%)

Strong world growth

A sharper than expected global rebound.

Confidence returns sooner than

Consumer confidence returns earlier than expected. Our baseline expects a gradual return of consumer confidence as the job situation improves. If consumer confidence returns quicker, the recovery will come quicker. One bright spot is that business confidence appears to be on the mend.

Tame commodity prices

Commodity prices do not strengthen too fast as the recovery gets underway.

Good Policy

Good policy could also spur growth.

Table 1.1

U.S. Economic Forecast Summary
 Forecast 2010 to 2013

Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,827.6	13,082.6	13,373.6	13,073.4	13,183.3	13,615.6	14,050.4	14,538.2
% Ch	3.0	2.0	2.2	-2.2	0.8	3.3	3.2	3.5
Real Consumption	8,943.9	9,207.2	9,349.9	9,215.3	9,333.4	9,624.1	9,921.4	10,220.7
% Ch	3.0	2.9	1.5	-1.4	1.3	3.1	3.1	3.0
Real Nonresidential Fixed Investment	1,400.6	1,490.1	1,590.1	1,421.2	1,294.0	1,381.5	1,499.7	1,649.7
% Ch	6.6	6.4	6.7	-10.6	-9.0	6.8	8.6	10.0
Real Residential Fixed Investment	770.5	649.9	511.0	392.7	361.5	399.2	518.6	582.8
% Ch	2.2	-15.7	-21.4	-23.2	-7.9	10.4	29.9	12.4
Real Personal Income	10,718.8	11,148.2	11,283.2	11,118.7	11,013.8	11,377.5	11,742.5	12,150.7
% Ch	3.3	4.0	1.2	-1.5	-0.9	3.3	3.2	3.5
Real Per Capita Income (\$/Person)	35,997	37,079	37,177	36,295	35,602	36,423	37,232	38,157
% Ch	2.4	3.0	0.3	-2.4	-1.9	2.3	2.2	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.074	1.091	1.103	1.119	1.138	1.160
% Ch	3.2	2.4	3.3	1.6	1.1	1.5	1.7	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.989	2.041	2.117	2.146	2.168	2.197	2.239	2.288
% Ch	3.8	2.6	3.7	1.4	1.0	1.3	1.9	2.2
Employment Cost Index (Dec. 2005=1.0)	1.005	1.038	1.072	1.097	1.113	1.137	1.159	1.186
% Ch	2.5	3.3	3.2	2.3	1.5	2.2	1.9	2.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,047.1	13,714.3	14,347.4	14,305.8	14,528.2	15,243.1	15,998.9	16,857.3
% Ch	6.5	5.1	4.6	-0.3	1.6	4.9	5.0	5.4
Personal Income	10,887.3	11,593.0	12,120.3	12,130.4	12,145.3	12,729.7	13,365.9	14,093.9
% Ch	6.6	6.5	4.5	0.1	0.1	4.8	5.0	5.4
Employment (Millions)								
U.S. Civilian Labor Force	150.4	152.4	153.7	154.6	154.0	155.7	157.3	158.9
Total U.S. Employment	143.1	145.5	146.1	142.8	138.9	141.1	144.3	147.8
Unemployment Rate (%)	4.83	4.52	4.93	7.61	9.80	9.41	8.27	7.00
Nonfarm Payroll Employment	135.01	136.97	137.73	133.91	129.95	131.44	134.75	138.39
% Ch	1.9	1.4	0.6	-2.8	-3.0	1.1	2.5	2.7
Manufacturing	14.21	14.03	13.71	12.66	11.63	12.01	12.53	12.94
% Ch	-0.6	-1.2	-2.3	-7.7	-8.2	3.3	4.4	3.3
Durable Manufacturing	8.98	8.91	8.69	7.91	7.11	7.44	7.90	8.28
% Ch	0.2	-0.8	-2.5	-9.0	-10.0	4.6	6.2	4.9
Nondurable Manufacturing	5.23	5.12	5.02	4.75	4.51	4.57	4.63	4.66
% Ch	-2.0	-2.0	-1.8	-5.4	-5.0	1.2	1.4	0.6
Construction	7.57	7.69	7.47	6.61	5.70	5.45	5.66	6.07
% Ch	6.1	1.7	-3.0	-11.4	-13.8	-4.4	3.9	7.2
Service-Producing	112.58	114.54	115.81	113.89	111.94	113.29	115.89	118.71
% Ch	1.9	1.7	1.1	-1.7	-1.7	1.2	2.3	2.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	64.3	63.4	96.8	70.1	74.9	76.0	80.4	82.5
Personal Saving/Disposable Income (%)	1.9	2.2	1.9	3.8	3.7	3.4	2.7	2.1
Auto Sales (Millions)	7.8	7.7	7.6	5.4	5.8	6.7	7.8	8.7
% Ch	2.3	-1.3	-1.3	-28.5	7.3	14.6	16.5	12.3
Housing Starts (Millions)	2.036	1.546	1.132	0.648	0.604	0.882	1.403	1.655
% Ch	1.0	-24.1	-26.8	-42.8	-6.7	46.0	59.0	18.0
Federal Budget Surplus (Billions)	-248.0	-200.2	-438.6	-894.5	-1,344.7	-1,183.4	-946.6	-806.1
Net Exports (Billions)	-770.1	-743.6	-721.0	-516.4	-452.8	-490.8	-531.7	-534.2
3-Month Treasury Bill Rate (%)	4.06	4.89	2.89	0.56	0.12	0.56	2.33	3.48
10-Year Treasury Note Yield (%)	4.59	4.76	4.14	3.29	3.56	3.59	4.07	4.70
Bond Index of 20 G.O. Munis. (%)	4.45	4.30	4.56	4.97	4.37	4.44	4.76	5.30
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	5.00	4.95	5.49	6.14

Table 1.2
Forecast Analysis
 Comparison of Forecasts for 2009-11

Forecast Date	2008				2009				2010				2011	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
U.S.														
Percent Growth, 2009:2-2011:2														
Real GDP	6.3	6.8	6.0	4.6	5.1	5.0	5.7	6.1	6.1	6.7				
Implicit Price Deflator	3.7	3.3	4.1	4.3	3.1	3.9	3.4	4.0	3.6	3.5				
Average Rate, 2009:3 to 2011:2														
3 Month T-Bill Rate	4.07	3.99	3.97	2.05	0.91	0.83	0.85	0.80	0.70	0.34				
Mortgage Rate	6.66	6.75	6.75	5.84	5.17	5.32	5.35	5.34	5.20	4.98				

Table 1.3

Forecast Comparison

Forecast 2009 to 2011

Fiscal Years

	2009	2010	2011	2012	2013
U.S.					
Real GDP					
June Baseline	13073.4	13183.3	13615.6	14050.4	14538.2
% Ch	-2.2	0.8	3.3	3.2	3.5
February Baseline	13073.4	13138.7	13531.9	13986.3	14484.4
% Ch	-2.2	0.5	3.0	3.4	3.6
Implicit Price Deflator					
June Baseline	1.091	1.103	1.119	1.138	1.160
% Ch	1.6	1.1	1.5	1.7	1.9
February Baseline	1.091	1.102	1.120	1.140	1.161
% Ch	1.6	1.0	1.6	1.8	1.8
U.S. Unemployment Rate					
June Baseline	7.61	9.80	9.41	8.27	7.00
February Baseline	7.57	9.95	9.28	8.02	7.08
Mortgage Rate					
June Baseline	5.57	5.00	4.95	5.49	6.14
February Baseline	5.57	5.03	5.36	6.06	6.47
3 Month T-Bill Rate					
June Baseline	0.56	0.12	0.56	2.33	3.48
February Baseline	0.56	0.14	1.27	3.23	3.92

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Chapter 2: Washington Economy – Current Conditions and Forecast

- **Washington’s economy was not immune to the May stumble in the national economy. However, the recovery in the state economy is expected to continue, although it will be U-shaped and slow. We continue to expect that the state will outperform the U.S. economy.**
- **As expected in our February forecast, Washington payroll employment returned to growth in early 2010. Employment in Washington is increasing and job gains since December have been widespread. Even so, we expect the recovery to be uneven as evidenced by sharp decline in new private sector jobs in May, and a slight upward trend in initial claims for unemployment insurance.**
- **The construction sector is finally approaching a trough after a precipitous decline, although we expect a lengthy crawl along the bottom. Manufacturing, on the other hand has been increasing sharply. We remain optimistic about the growth prospects of aerospace and software publishing.**
- **Exports have rebounded due to a synchronized recovery around the world, which will continue to disproportionately help Washington State, because of its trade intensity. The state is also likely to be minimally affected by the Greek sovereign debt crisis as long contagion to the rest of Europe can be avoided.**
- **Washington’s personal income growth is expected to continue, and will outpace the nation in the expansion.**
- **Seattle inflation will remain low in the near term and increase only slightly as the recovery unfolds.**

Current Conditions

The State’s economic recovery continues, but hesitantly

Washington State’s economy added just 200 private sector jobs in May, a sharp decline from the 5,600 such jobs added in April. This was similar to what was experienced by the national economy, as employers sat on their hands, waiting to see how the European debt problems are resolved. However, the State’s economic recovery has unfolded largely as expected in the first part of the year. Payroll employment lagged in the cycle but returned to growth in early 2010. Prior to the May report, the state had experienced widespread job gains so far this year,

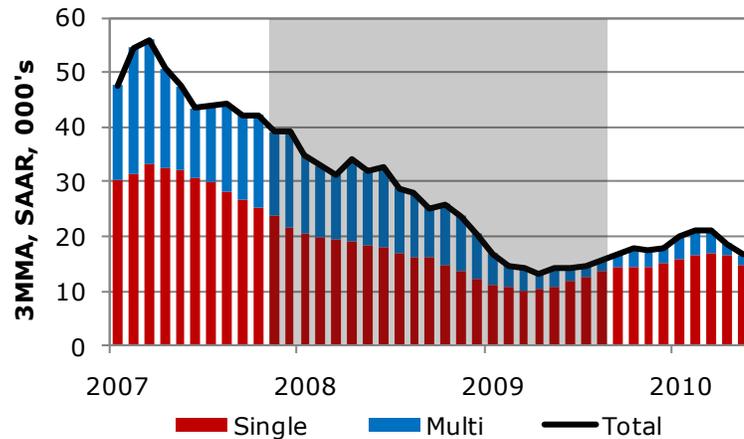
particularly in the private sector. Given May, however, the recovery is expected to be bumpy and uneven, much like that of the national economy. Initial claims for unemployment insurance have also been trending up since February and the unemployment rate remains high. Credit conditions to small businesses remain tight and many of the federal tax incentives put in place to spur the recovery have expired. Still, consumer confidence is improving and private spending growth is gradually making up for the withdrawal of government support.

Housing improvement is fading as federal tax credits expire

The housing sector has also witnessed some improvement, especially in the single-family segment. Much of this was due to the increased demand induced by the federal homebuyers' tax credits. Since reaching a trough of 9,500 annualized units in March of 2009, permits for single-family homes increased 86%, reaching 17,800 annualized units in March of this year (see [Figure 2.1](#)). Since then, there has been a slump in housing as builders anticipated the increased demand from the looming expiration of the homebuyers' tax credit and pulled some construction projects forward. Permits for single-family homes fell to 15,200 and 12,000 in April and May, respectively, as evidence of this. Overall, housing continues to be weighed down by the multi-family segment. Despite an increase of 600 units over April to 2,100 annualized in May, multi-family construction remains at depressed levels and well below the historical norm.

Figure 2.1: Washington Housing Units Authorized by Building Permits

Building permits have come off historic lows, but remain weak



Source: U.S. Census Bureau, ERFC; data through May 2010

Contract data for housing is likely to soften

Contract data for new construction projects, which gives an indication of the level of activity roughly six months in the future, has trended upward in recent months. Since bottoming out in January 2009, both the square footage and value of contracts

have increased over 50% through May on a seasonally adjusted basis. However, now that government support has been withdrawn, it is likely that we'll see some softening in the data. Activity is coming off very low levels and the housing recovery will be slow as it is still weighed down by low confidence and an excess supply of housing. Some of the housing inventory has yet to be put on the market as foreclosures swell or sellers wait for prices to recover. This so called "shadow inventory" will keep new construction growth subdued.

Seattle area home prices continue to fall

While home prices nationally have begun to recover, Seattle area prices have not. As measured by the Case-Shiller Home Price Index, prices nationally have increased 4.0% since reaching a trough in May 2009 while Seattle area prices have fallen 2.0% over the same time frame. The rate of decline is slowing however, and despite lagging the nation in the turnaround, local prices fared much better during the downturn. Even with the recent increase nationally, prices remain 29.1% below their peak, while Seattle area prices are down 23.4%. Price appreciation will be slow as the same factors weighing down new construction will weigh on home values.

Exports will help Washington outperform the nation in the recovery

On the upside, and one of Washington's strengths in the recovery is the state's high export intensity. On a per capita basis, Washington is the nation's most trade dependent state. Growing exports will help the state outperform the nation in the expansion. The global recovery, especially in the Pacific Rim, has helped exports in the state rebound. Total exports were up 4.1% over year ago in the first quarter after increasing 20.5% in the fourth quarter of last year. Exports excluding transportation equipment were up 29.6% in the first quarter as well. In addition, export gains were widespread, with 18 of the top 20 sectors by value experiencing year-over-year increases in the first quarter.

The European sovereign debt crisis should not have a significant impact on Washington exports

The recent turmoil in the Eurozone, particular the Greek sovereign debt crisis, poses a threat to U.S. exports. For Washington, however, the impact is expected to be minimal. The Eurozone does not import a significant portion of goods from Washington, accounting for only 13% in 2009. The recent strengthening of the dollar versus the euro will make our goods more expensive in that region but Washington's exports to the Eurozone are primary high-value added differentiated products which are less affected by short-term currency fluctuations. Transportation equipment, which makes up the majority of these exports, has prices negotiated well in advance by sophisticated buyers who minimize exchange rate risk through currency hedges.

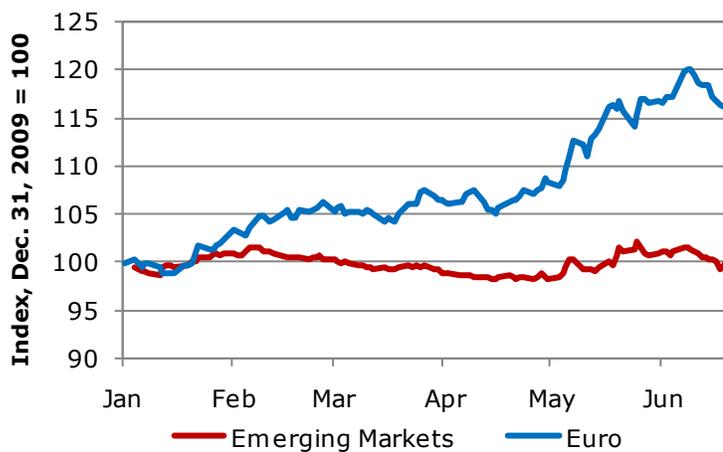
Commodity exports are mostly to Asia

Commodity producers, on the other hand, have little pricing power and have to take world prices as given. A stronger dollar against the currency of their markets would make U.S.

commodities less competitive. So while agricultural exports are vulnerable to currency changes, close to 90% of Washington agricultural exports are to Asia, with very little going to Eurozone countries. During the crisis, the U.S. dollar has remained stable against currencies of emerging markets; particularly those in Asia ([see Figure 2.2](#)). As long the rescue package put together by the European policy authorities is effective and contagion of the Greek crisis is avoided, Washington should remain relatively unaffected.

Figure 2.2: U.S. Dollar versus Select Currencies

The dollar has remained stable against emerging market currencies



Source: U.S. Federal Reserve, OANDA, ERFC; data through June 25, 2010

The presence of Boeing and Microsoft will also help the state in the recovery

Washington will also benefit from the presence of Boeing and Microsoft which have fared relatively well during the recession, and are likely to remain stable. The recent announcement from Boeing that it is grounding test flights of the 787 due to an assembly flaw is not expected to cause any additional major delays to the program. The company still expects to deliver the first 787 by the end of the year. Once testing is completed, Boeing has an extensive backlog of orders that will take years to work through. Both air cargo and passenger traffic are recovering as well. Software employment has netted 900 new jobs so far this year and Microsoft is healthy, spurred by the overwhelming success of its launch of Windows 7 in October. Strength in these firms will help drive employment in their respective industries and also generate a local base of skilled labor that will spur growth of supplier firms.

Employment growth has resumed after a severe downturn

Employment in Washington returned to growth in the first quarter of 2010. Although Washington didn't start to lose jobs until well into the recession, the reduction in employment for both the state and the nation has been severe bringing payrolls in Washington down to 2005 levels. The peak to trough decline in the state was 179,200 jobs, which equates to 5.1% of the labor force. Since December 2009 however, employment has

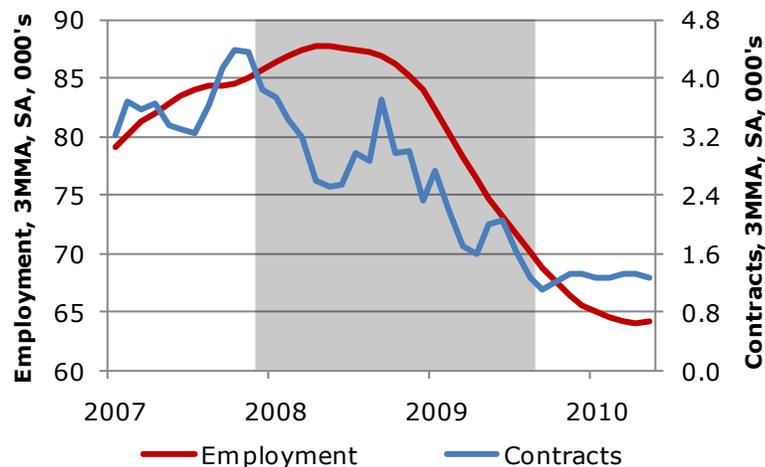
increased 25,100 in Washington. The temporary effect of Census hiring in May has inflated the growth somewhat, although most of the overall increase has been in the private sector which has gained 14,900 jobs over this time frame. As expected, the recovery in employment has been uneven, and the disappointing May jobs report was evidence of this. Mirroring the weak gains nationally, the state increased private payrolls by just 200 jobs. This likely represents a pause in new hiring and not the beginning of a new downward trend. Other labor market indicators were positive in May. Both average weekly hours and average hourly earnings in the private sector increased in May. This points to future employment growth as employers are still increasing worker hours and pay.

Construction has been the hardest hit industry this recession and will recovery slowly

Construction employment has also started to turn around after a long and sharp decline. Employment in this sector declined by 30% from its peak in 2007 through the first quarter of this year. In addition, despite making up only 7% of total employment when the recession began, this sector accounted for close to a third of the total job losses. Many of those jobs are likely gone for good. Construction employment is expected to recover slowly as the overall economy recovers, and there has been evidence of this in recent months. This increase has been led by heavy and civil engineering which has received a boost from the spending in the government stimulus package. Employment in residential construction has also begun to turn around, but this was helped by the homebuyers' tax credit. Job growth in this sector should continue, albeit slowly, as the underlying fundamentals recover.

Figure 2.3: Non-residential Construction, Employment and Square Footage of Contracts

Non-residential construction has reached a trough, although the recovery will be slow



Source: WA State ESD, McGraw-Hill Construction, ERFC; data through May 2010

<i>Non-residential construction will continue to drag on the recovery</i>	<p>Non-residential construction has lagged residential and is only now starting to stabilize. Growth in this sector has been weighed down by weakness in commercial real estate which will continue to be a drag on the overall recovery. Employment in non-residential building and specialty trade has been essentially flat so far this year, indicating that the sharp declines in the sector have are behind us. Contract data for new non-residential construction projects also indicates that the precipitous fall has ended (see Figure 2.3). This sector is considered a “late cycle” industry and growth doesn’t typically return until at least two years after a recession has ended.</p>
<i>The manufacturing sector is rebounding</i>	<p>The manufacturing sector has experienced a dramatic turnaround in activity. The National Association of Purchasing Managers Western Washington Index, which measures strength in the manufacturing sector, has now indicated growth for ten consecutive months. New orders and production have been particularly strong both reaching cyclical highs. The only component of the index that has been below 50 (values above 50 indicate growth while values below 50 indicate contraction) in the past ten months has been the level of inventories. While this component can signal pessimism from businesses in that they aren’t building up inventories, it can also point to the need for increased production in times of expansion as business try and meet demand. Perhaps most encouraging, the employment component of the index has been above 50 for the past ten months as well, pointing to continued hiring in the sector.</p>
<i>Employment in manufacturing is also increasing</i>	<p>Employment in manufacturing has indeed been increasing and is now up 900 jobs since December; this despite temporary weakness in transportation equipment manufacturing this year. Much of the decline in transportation equipment is due to Boeing’s scheduled reduction in staff that was planned in 2009. All of the scheduled layoffs at Boeing are now nearly complete, so some additional modest decline in aerospace employment is expected this year. Manufacturing outside of transportation equipment has experienced solid gains so far this year with both durable and non-durable goods employment increasing.</p>
<i>The service sector has returned to growth</i>	<p>The service sector has also increased payrolls this year. Much of this growth can be attributed to strength in retail trade, which has accounted for half the increase in total private employment since December. Retail trade employment has increased by 7,400 between December and May, with gains across most sub-sectors. This is no doubt linked to the rise in consumer confidence this year. While the overall trend of both the Conference Board’s measure of consumer confidence and the University of Michigan’s consumer sentiment remain positive, the recent reading from the Conference Board does cause some concern. The June reading decreased sharply after three straight months of gains. The declines were widespread across the components, although expectations about jobs and business</p>

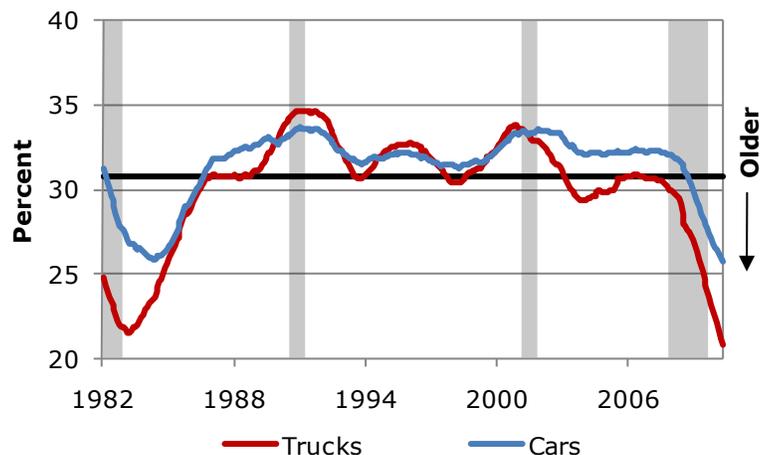
conditions were the primary drivers. Buying plans also fell sharply in June, although this may be temporary as incentives for home buying and appliances expired. Also, the Conference Board reading tends to be more volatile than other measures. Despite the recent drop, the three month moving average of both the Conference Board and the University of Michigan remain at cyclical highs. As the economy continues to grow, confidence will improve, especially as labor market conditions strengthen and housing recovers.

Automotive sales are improving

The number of new car and truck registrations in Washington has been recovering since the middle of last year. Even before the Cash for Clunkers program, it appeared the number of new registrations had finally stopped falling, reaching a trough of 12,700 registrations in May 2009. The number of new vehicle registrations has now been above 16,000 in three of the past four months, something that had not occurred since 2008. In addition, there is evidence of considerable pent up demand related to new vehicles. The ratio of new vehicle registrations in the past three years compared to the past ten years is at the lowest level seen in 30 years. This indicates the relative age of cars on the road in the state is older than it has ever been with data going back to 1982 (see Figure 2.4). The long-term average of vehicles on the road three years old or newer is 31%. This past May, however, that percentage of new cars and new trucks each hit a new low at 26% and 21%, respectively. Even with the recent uptick in sales, vehicles are not being replaced quickly enough to maintain the relative age of the car fleet. This indicates that as confidence returns, there should be a strong rebound in vehicle sales as consumers delayed purchases during the downturn.

Figure 2.4: Ratio (3YR/10YR) of New Vehicles Registered in Washington

The fleet of vehicles on the road is the oldest it has been in almost 30 years



Source: WA State DOL, ERFC; data through May 2010

Our estimate is Washington personal income is higher than the BEA's, although both point to growth

Washington state's personal income also started to recover in the first quarter of 2010 after four consecutive quarters of decline. According to the Bureau of Economic Analysis, personal income in the state increased 0.7% compared to a 0.9% increase for the U.S. in the first quarter. While the difference is small, this would put the state at the 10th lowest growth in the nation, including the District of Columbia. We believe, however, based on data the BEA has yet to incorporate in their estimates, that the increases in state personal income were actually higher in the first quarter as well as the end of last year. This still results in personal income being up 1.0% from the fourth quarter of 2008, and would give the state the 22nd highest growth in the nation, everything else remaining equal. Growth in wages and nonfarm proprietors' income contributed to the first quarter increase in Washington.

Initial claims for unemployment insurance have been increasing since February

One trend that has not been encouraging so far this year has been the recent increase in initial unemployment claims in Washington. After declining rapidly at the end of last year, new filings have increased slightly so far this year. Since the four-week-moving-average of initial claims reached a trough of 12,100 in February, initial claims have risen 11% on a seasonally adjusted basis to 13,500. Much of the increase during this period has come from agriculture, health care, and accommodation and food services. Even with the upward trend so far this year, initial claims are still 18% below their peak. Also, there is some indication that the number may be overstated for recent weeks. When there is a gap in extending unemployment insurance benefits in Congress, claimants have to re-file and are counted as initial claims as opposed to continued claims. This artificially increases the number of initial claims, although it is unclear how much this has contributed to the recent rise.

Washington State Forecast

Washington will experience a U-shaped recovery, although it will be stronger than the nation

The economic recovery in Washington is expected to be U-shaped and slow, much like the national recovery, although we continue to expect the state to outperform the U.S. economy. The state's trade intensity should give a higher boost to activity as economies around the world recover. Additionally, the stability and growth prospects of our major industries, software and aerospace, will help drive employment and personal income growth. Washington is also a good location for business expansion as West Coast economies turn around.

As expected, the recovery is slowly progressing

Events have unfolded substantially along the lines we had expected in February. Things are slowly getting better, and we have now had decent economic growth nationally for three consecutive quarters. Major state economic variables are also coming in very close to what we had expected. As a result, the revisions to the Washington State economic forecast are minimal.

The balance of risks, given the fragile and uneven nature of this recovery remains weighted to the downside.

Growth in private sector employment has been stronger than anticipated

Washington nonfarm payroll employment returned to growth as expected in the first quarter of 2010. Overall, the forecast was very close, predicting an employment increase of 16,100 in the quarter compared to an actual job gain of 17,000. Even with employment returning to growth, the forecast still calls for employment to fall 0.7% in 2010 on an annual average basis. The reason for this is that the pace of growth predicted for 2010 will not be as sharp as the rate of reduction in 2009. We don't expect the number of people employed to reach first quarter 2009 levels until the third quarter of 2011. Average annual employment in the state is expected to grow 2.7% and 3.2% in 2011 and 2012, respectively, as the national economy recovers from the recession. Employment will finally reach the first quarter 2008 peak of 2,974,000 in the third quarter of 2012.

Personal income will continue to grow throughout the forecast

Washington personal income increased at a 4.1% annual rate in the first quarter of 2010 after falling 1.1% in 2009, the first decline in nominal personal income since 1958. We expect personal income in the state to continue to grow throughout the year at about the same rate as in the first quarter. Growth will then increase to 5.8% in 2011 and 5.9% in 2012 before leveling off slightly in 2013 at 5.8%. This is consistent with the average growth rate since 1990 of 5.9% per year.

Building permits appear to have troughed

The number of housing units authorized by building permits started to increase in the second half of last year after falling to record lows earlier in the year. The collapse in housing resulted in permits falling to a cyclical low of 15,000 in 2009, a drop of over 70% from the peak in 2005. Since the trough, permits have rebounded 40% through the first quarter. We expect a decline in permits in the second and third quarters due to the expiration of the home buyer's tax credit, with growth resuming in the fourth quarter. On an annual average basis, we expect permits to average 20,600 in 2010 before increasing to 32,500 in 2011. By 2013, housing permits should reach 2007 levels and are expected to be around 47,700.

Seattle won't experience significant inflation

Inflation, as measured by the Seattle CPI, dropped to 0.6% in 2009 from 4.2% in 2008. In 2010, the forecast predicts slight deflation with the change in the CPI coming in at -0.1% due primarily to declining shelter costs. After that, inflation will remain subdued increasing to 1.3% in 2011. Seattle area inflation in 2012 and 2013 is expected to be 2.7% and 3.0%, respectively.

Washington State Forecast Assumptions

Forecast assumptions are similar to what they were in February

The Washington State forecast is based off a new national forecast that has not changed significantly since February. Growth in real gross domestic product is mostly unchanged, with a smoother, more stable forecast in the 3% range throughout the forecast. Inflation, as measured by the consumer price index, is lower in the near term than previously forecasted. The recovery in payroll employment is similar, although the trough is deeper due to actual job losses to date. Growth in real personal income is stronger in the near term but weaker in the outer years of the forecast.

Compared to February, we expect job growth will be a little slower, as will the recovery in housing

The Washington economy has performed very close to what was expected in February. Employment turned around as predicted in the early part of 2010, with private sector jobs growing better than anticipated. Despite this, we now expect job growth to be more subdued than in February, although continuing to increase. We also believe we have seen the peak in the unemployment rate in the first quarter of this year, which was sooner and lower than anticipated in February. Personal income growth in Washington is expected to be higher through 2011 then taper off faster in 2012 and 2013. We now expect the recovery in housing to be more drawn out, and as a result, building permits in the state flatten out until later this year.

Washington is likely to remain largely unaffected by the turmoil in Greece

We expect Washington to emerge relatively unscathed from the recent turmoil in Greece. Although fear has spread through financial markets that Greece may default on its debt, we expect that the European policy response will be sufficient to prevent contagion. The strengthening dollar against the euro will also have minimal impact on our exports. The majority of our exports with exchange rate risk go to counties outside of the Eurozone, and the dollar has remained stable against those currencies. The recent announcement from China to let the value of the Yuan appreciate should also not have significant short term effects as it appears to be more of a longer term policy change. Washington will benefit from an increase in migration from surrounding states as we outperform them in the recovery as well. These new households will increase demand for services and lead to stronger growth once business and consumer confidence returns. Aerospace has remained stable during the downturn and should return to growth soon. Microsoft has also fared well with the release of Windows 7 and we expect employment in software publishing will continue to increase. While we believe that economy will continue to grow throughout the forecast, the recovery will start out weak as state and local governments deal with severe budgetary pressures.

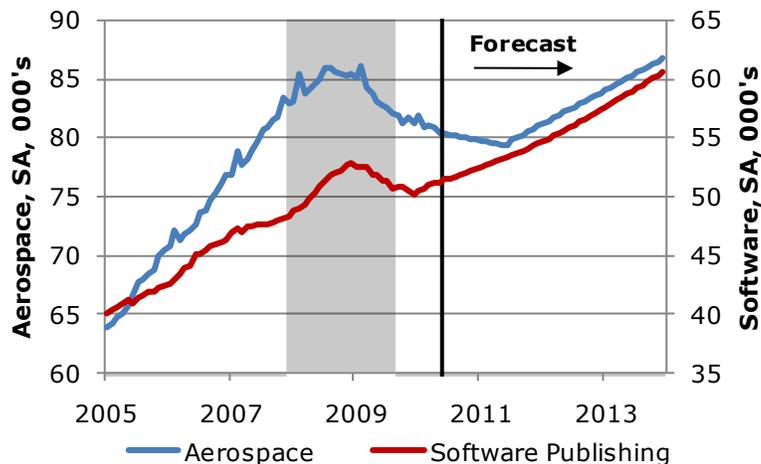
Washington Payroll Employment

Employment in the state is increasing, and despite the weak May figures, we expect growth to continue

The State of Washington finally started to see positive overall employment growth in early 2010. The level of employment is lower than in the February forecast due to revisions in the historical data, but the pattern of growth so far this year is right on track. Overall employment grew 16,100 from December through April, very close to the 17,000 increase we had predicted. Even more encouraging is the fact that 15,500 of the new jobs were in the private sector. We had expected an increase of only 7,000 private sector jobs. Despite the weak employment figures in May of only 200 net new private sector jobs, we remain confident that growth will continue. We expect private sector jobs to grow at a 1.7% annual rate in the current quarter and increase steadily into the first quarter of 2012, reaching a 3.3% rate before leveling off. Private sector employment is expected to reach fourth quarter 2007 peak levels by the end of 2012.

Figure 2.5: Washington Aerospace and Software Employment Forecast

Washington's two main industries will expand throughout the forecast



Source: WA State ESD, ERFC; data through May 2010, ERFC forecast

We remain confident that the state's aerospace industry will remain healthy

Despite some near term weakness, we remain bullish about the prospects for the state's aerospace industry. Boeing's announced layoffs in January 2009 are now behind us. The recent layoff of 500 information technology workers was part of this plan. Both air cargo and passenger traffic are recovering. April figures were negatively affected by flight cancellations due to the Icelandic volcano ash, but data from the International Air Transport Association (IATA) indicates that air travel and cargo indicators rebounded in May. Boeing's order book remains full and we expect aerospace employment to return to modest growth in 2012 and 2013. Although we are optimistic that Boeing will eventually be awarded the military's contract to build the next

generation air refueling tanker, it is not included in our estimates. Boeing still plans to temporarily reduce monthly production of the 777 to five from seven planes from June 2010 to the middle of 2011. Our forecast calls for a further reduction of 1,000 jobs, for a total reduction of 6,400 (7.5%) jobs from the peak in the third quarter of 2008 to the trough at the second quarter of 2011. While these cuts are significant, they pale in comparison to the last aerospace downturn during which Washington lost a total of 52,000 aerospace jobs. With the global economic rebound in progress, we expect aerospace employment to return to modest growth in 2012 and 2013 ([see Figure 2.5](#)).

Software publishing is expected to have a strong recovery

The state's software publishing industry is also rapidly returning to health. Microsoft's balance sheet remains healthy. Also encouraging is the news that we are now beginning to see a transition from mostly consumer demand for products to more lucrative business demand. The software sector experienced a fairly mild peak-to-trough employment reduction of 2,600 jobs (4.9%). Positive growth has returned in the first quarter of 2010, and should continue during the year. Year to date the sector has added 900 net new jobs. By 2011 we expect a strong recovery in software employment that lasts through 2013.

The construction sector continues to weigh down the recovery

The construction sector is currently the biggest drain on the Washington economy. This sector also experienced the most severe decline of any industry in the state during the recession. Despite this, we are close to a trough in residential construction employment. Housing permits bottomed out in the second quarter of 2009. There is about a one-year lag between permits and employment, so we expect the current quarter to prove to be the trough in residential construction employment. This corresponds to an overall peak-to-trough decline of 36,000 jobs, representing a loss of over one third (35.3%) of the employment in this sector since the height of the housing bubble. Employment will increase slowly through the first half of 2011 and accelerate thereafter. By the end of the forecast in 2013, employment will still be 11.9% below the peak in 2007.

The recovery in non-residential construction employment will lag that in residential construction

We expect a drop of similar magnitude in non-residential construction, although employment declines are expected to continue through the third quarter of 2011. We expect to lose another 4,200 nonresidential construction jobs after the first quarter for a total peak-to-trough employment decline of 33,200 jobs (29.9%). Typically, non-residential construction is the last sector to recover in the cycle as the growth in new contracts lags the end of the recession by about two years. It then takes up to a year before employment starts to increase. Continued weakness in commercial real estate will also hamper employment growth in this sector. Employment will begin to increase at the end of 2011, and continue growing, albeit slowly, through the end of the forecast in 2013. The level of employment in non-residential construction in the fourth quarter of 2013 is expected to be

barely above (0.9%) the previous trough in 2003. The decline in non-residential construction would have been even more severe without the stimulus funding for infrastructure investment.

Construction employment will reach a trough in the third quarter

Overall construction employment is forecasted to decline by another 2,100 from the first quarter through the second quarter of 2011, a sixteen-quarter peak-to-trough drop of 63,100 jobs or a 30.1% decline.

Financial activities employment growth won't resume until 2011

Financial activities employment has now been in decline for over four years. Since the peak in December 2005, employment is down 21,500 (13.7%). Not surprisingly, credit intermediation and related activities, a victim of the meltdown in financial markets, accounts for most of the decline, falling by 13,200 (23.4%). The decline during 2009 was exacerbated by the sale of WAMU to JPMorgan which resulted in around 3,400 layoffs for most of the former's headquarters staff. Financial activities employment is expected to level off and remain mostly flat, declining another 400 through the fourth quarter of 2010. Healthy growth is expected to resume in 2011 and then moderate in 2012 and 2013. Employment in this sector will still be 5.8% below its previous peak at the end of 2013.

Retail trade employment is increasing due to a rise in consumer confidence

Employment in retail trade peaked along with the overall economy in the first quarter of 2008. The decline during the recession was precipitous. Initially the weakest retail trade sectors were those most closely connected to the housing market: furniture and home furnishings, and building materials and garden supplies. These turned down nearly three years ago as housing went into decline. The freezing-up of credit and collapse of consumer confidence since the fall of 2008 affected the entire spectrum of consumer spending. Since the beginning of this year, however, the retail trade sector has begun to turn around as confidence has slowly improved. Overall retail trade employment is up 2.8% since December, led primarily by general merchandise stores. Home furnishings and building supply stores have also started to increase employment. This was helped by the uptick in housing caused by the federal homebuyer tax credit. Despite the weakness in the latest national retail sales report, we expect this sector to continue to grow as confidence improves and consumers release some of their pent up demand. The forecast calls for growth in employment through early 2012 and then moderation, but remaining positive through 2013.

Growth in the professional and business services sector will lead the overall economy

As is typical during recoveries, the professional and business services sector has now emerged as one of Washington's fastest growing sectors, by employment. During the recession, however, it experienced the largest percentage employment decline of any of the services-producing sectors. Employment in professional and business services peaked in April 2008 and fell 32,700 (9.3%) through the September of 2009. More than half the overall decline was in employment services (largely temporary

help) which shed 18,900 jobs (36.7%), despite accounting for less than 15% of the total jobs in the sector. Employers prefer to cut temporary help before their own staff, and employment services began declining in early 2007. The inverse is also true as recoveries start to gain traction. As businesses gauge whether the increase in demand will continue, they typically hire temporary staff before they hire permanent employees. As the recovery began, employment in professional and business services returned to growth due in large part to employment services. We expect growth to continue in this highly pro-cyclical industry throughout the forecast. Professional and business services is also benefitting greatly from the federal stimulus. The additional \$2 billion allocated for the Hanford cleanup effort has mostly affected employment in waste management and remediation services, a component of professional and business services.

Tight budgets are forcing cutbacks in state and local government employment

State and local government employment tends to be more stable than other sectors of the economy. It also tends to lag other sectors through the business cycle. Employment grew throughout the 2001 recession but the protracted slowdown in the state's economy continued to put pressure on state and local governments' budgets long after the recession ended. The same is true this time around as well. We expect a loss of another 2,700 state and local government jobs from the first quarter of 2010 to the first quarter of 2011. This results in a 10,500 (2.2%) job loss from the peak in the fourth quarter of 2008. Without the stimulus payments, state and local governments would have had to make far more severe cuts in jobs. We do not expect employment to reach the 2008 peak until the second half 2013.

Washington Personal Income

Washington personal income is now growing

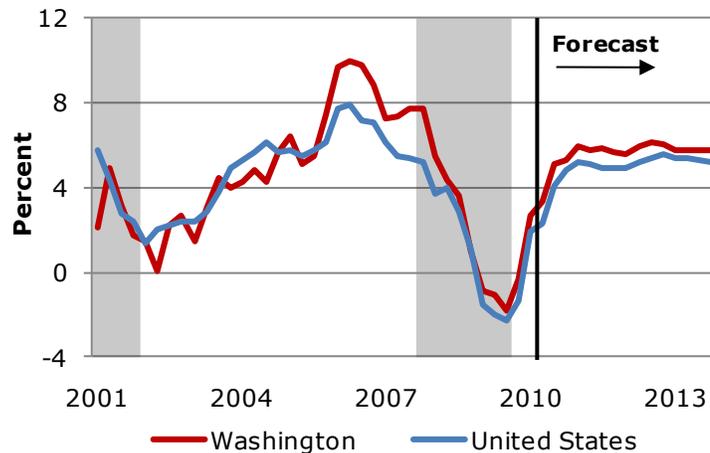
Personal income in Washington is estimated to have increased at a 4.1% annual rate in the first quarter after increasing at a 2.8% rate in the fourth quarter. Our number differs from that released by the Bureau of Economic Analysis (BEA) who estimated the increase at a 2.9% rate in the first quarter. We believe our estimates to be more accurate, because we have access to information not yet incorporated by the BEA in their figures. On an annual average basis, personal income growth in the state was negative (-1.0%) in 2009 for the first time since 1949. The tax cuts and increased transfer payments in the stimulus package did keep disposable personal income growth positive (1.8%) in 2009, however. The severe decline in employment was the main reason for weak income growth in 2009, but growth in average annual wages was also weak. Not only has the depressed economy put downward pressure on hourly wage growth, but average hours were also down from 2008, further reducing annual average wage growth in 2009.

Personal income growth in the state will be higher than the U.S.

Washington personal income growth is expected to outperform the national average in the recovery. One of the primary reasons for optimism is the resurgent economies around the world, particularly in Asia. This will disproportionately help the state economy due to our high reliance on exports. The stability of our high wage industries, aerospace and software, will also prevent downward pressure on personal income in the state. The first quarter estimate of a 4.1% growth rate in Washington did in fact outpace the national rate of 3.7%. The reason for this was a higher growth rate in wages and salaries for the state while non-wage income growth lagged slightly. As the economy continues to recover this year and gathers momentum in 2011, most components of personal income will also grow, the main exception being unemployment compensation which should come down as job growth picks up. Non-wage personal income is expected to grow 5.1% this year and pick up steam in 2011 through 2013 as increased growth in proprietor's income and property income more than offset the slower growth in transfer payments. Total wage and salary disbursements are also forecasted to rebound in 2010 to 3.2%, and increase to the 5.9% to 6.0% range from 2011 to 2013. Overall, personal income is expected to increase 4.1% in 2010 with growth improving to the 5.8% to 5.9% range throughout the forecast.

Figure 2.6: U.S. versus WA personal income growth

Washington will outperform the nation in personal income growth



Source: BEA data through 2008, ERFC Estimate through 2010 Q1, ERFC forecast

Seattle Consumer Price Index

The weak economy and shelter costs are keeping inflation benign

Seattle area inflation is expected to be historically low in 2010. The forecast of the Seattle consumer price index calls for slight deflation this year at negative 0.1%. Typically local consumer prices tend to rise faster than the national average when the local economy is relatively strong and rise slower when the local economy is relatively weak. The reason this is not the case this

time around is because of falling shelter costs in the Seattle area. Shelter costs contributed to the higher inflation in the Seattle area from 2006 through 2009. Core inflation (excluding food and energy) in Seattle is expected to be negative 1.0% in 2010 compared to positive 1.1% nationwide. High vacancy rates, along with the weak housing recovery in 2010, should continue to put downward pressure on shelter costs in Seattle which will help keep inflation in check. As the economy begins to recover, inflation will remain moderate in Seattle as well as elsewhere in the U.S. given the considerable slack that will persist in the economy for some time. We expect inflation in Seattle, as measured by the CPI, to remain lower than the U.S. in 2011 at 1.3% compared to 1.7%. In 2012, Seattle inflation is expected to be higher than the U.S. as the recovery is in full swing, coming in at 2.7% compared to the national rate of 2.0%. In 2013 local inflation is predicted to be 3.0% compared to a national rate of 2.2%.

Washington Building Permits

Housing activity has hit bottom but remains weak

Housing activity in Washington finally reached a trough in the second quarter of 2009, but remains weak. From its peak in the fourth quarter of 2005, at the trough, the number of housing units authorized by building permits had dropped an astounding 77%. The trough of 15,000 annualized units was the lowest ever in the state going back to 1959. Only during the 1960-61 recession did permits drop to the 15,000 range, a time when population was less than half of what it is today. Since the middle of 2009, permits have increased 6,100 units to 21,100 in the first quarter. Part of this increase was due to the federal homebuyers' tax credit and we expect permits to flatten in the second and third quarters of 2010, now that the tax credit has expired.

Homebuilding faces competing pressures

Homebuilding faces competing pressures going forward. Homebuilders have been very successful in reducing the inventory of unsold new homes to levels not seen since the early 1980s. In the future, the demand for new homes will have to be met by new construction. Also, with mortgage rates low and prices down, homes are very affordable. The downside comes from demand being restrained by a slow recovery, a high number of distressed sales, problematic financing, and relatively low consumer confidence. The forecast calls for permits for single-family homes to increase in 2010 to 16,900 from 13,000 in 2009. Permits for multiple-unit structures will remain weak throughout the year dropping from 4,000 in 2009 to 3,700 in 2010. On balance, we expect both single-family and multi-family activity to pick up strength in 2011 and grow through the end of the forecast in 2013. The growth rates may look impressive but only because we are coming off a very low base, as permits increase to levels more consistent with the underlying demographic demand for new housing. Even by the end of 2013,

the total number of building permits is expected to be 20% below the peak reached in 2005.

Forecast by Fiscal Year

Personal income growth will rebound in FY 2011

Nominal personal income grew by an estimated 1.0% in FY 2010, up from 0.6% in FY 2009. This is very low by historical standards and much lower than the 6.7% average growth rate in the prior three years. The slowdown in growth is mostly due to declining employment but average wage growth has also slowed as has income from non-wage sources such as dividends, interest and rent. The forecast expects a rebound in FY 2011 with nominal personal income growth of 5.5%. Growth is expected to increase further to 5.8% in FY 2012 and 5.9% in FY 2013 as the economy continues to recover.

Job growth is expected in FY 2011

After years of growth in excess of 2%, Washington non-farm payroll employment fell 2.0% in FY 2009 and again by an estimated 3.6% in FY 2010. The sharpest declines were in construction which fell 16.9% and manufacturing which fell 7.1%. Services-producing industries were also down 2.1% in FY 2010. These declines were even worse than originally thought as there were downward revisions to historical data. We expect employment to return to growth in FY 2011 at a 1.5% rate. As the economic recovery picks up steam, we expect employment growth to accelerate with 3.3% growth in FY 2012 and 2.9% in FY 2013. On an end-of-period basis (second quarter of 2008 to second quarter of 2009) employment fell 4.5% during FY 2009. Employment is expected to decline another 1.1% this fiscal year on an end of period basis, and then grow about 2.8% during each of FY 2011 through FY 2013.

Housing permits for will continue to increase in FY 2011 but remain at low levels until FY 2012

The number of housing units authorized by building permits in Washington declined an estimated 1.7% in FY 2010 after plummeting 48.0% in FY 2009. Permits in FY 2010 were estimated to be off more than 63% since the cyclical peak in FY 2006. Single-family permits are estimated to have actually increased 22.1% in FY 2010 to 15,900 units while multi-family units fell 46.9% to 3,600 units which was the lowest multi-family count in at least 40 years (our data begin in FY 1969). Rising vacancies and financing difficulties will continue to depress multi-family permits in FY 2011, which are forecasted to increase to 5,200 units. Single-family construction should continue to increase modestly in FY 2011 to 19,200 units, picking up steam in FY 2012. By FY 2013 the forecast calls for single family units to reach 33,100, still 18.2% below the peak in FY 2006. Permits for multi-family structures should have robust growth throughout the forecast horizon reaching 12,900 by FY 2013. The forecast for total housing units authorized by building permits is for a 25.5% increase in FY 2011 to 24,500 units followed by a 60.6% increase in FY 2012 to 39,300 units as the housing recovery takes hold. Growth in FY 2013 is forecasted to taper off to 16.8% as new

construction reaches levels more consistent with underlying demographic demand for new housing, with total permits reaching 45,900.

Seattle inflation will be moderate throughout the forecast

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, is estimated to have fallen to just 0.3% in FY 2010 from 2.4% in FY 2009. Energy costs, which fell 9.6% in FY 2009, remained mostly flat in FY 2010. Core inflation (excluding food and energy) decreased from 3.1% in FY 2009 to 0.4% in FY 2010. Initially, the soft recovery should pull the CPI out of deflation, but keep inflation low. As the expansion continues, inflation will remain low given the slack that has built up throughout the economy. The forecast expects the Seattle CPI to remain flat at 0.0% in FY 2011, and then increase to 2.1% and 3.1% in FY 2012 and FY 2013 respectively.

Table 2.1 provides a fiscal year summary of the state economic indicators.

Alternative Scenarios

In accordance with state law, the Washington State Economic and Revenue Forecast Council also adopted an optimistic forecast and a pessimistic forecast in September 2009. In addition to the official optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA).

Optimistic (5% probability)

The optimistic scenario projects a strong "V" shaped national recovery

In the optimistic scenario, the Federal Reserve's response to the crisis in financial markets, the Treasury's "rescue plan", Congress's stimulus package, and help from central banks around the world fuel a robust recovery. Fears of collapse following the removal of government support prove unfounded due to robust and self-sustaining private-sector growth. The economy grows rapidly, achieving an annualized growth rate of more than 4.0% through the first three quarters of 2011. Productivity is enhanced by reinvigorated innovation in the technology sector. Higher productivity supports lower inflation and stronger income growth over the long term, but stronger economy will result in accelerated price gains in the short term. There will be less inventory reduction than in the baseline, as surging demand trims inventories back to desired levels. With credit channels functioning more normally, business fixed investment rebounds. The recovery in residential investment is also stronger in the optimistic scenario. Global GDP will have faster growth and the dollar will initially be weaker than in the baseline due to lower risk aversion. The lower dollar helps U.S. GDP early in the forecast period as businesses take advantage of growing domestic demand in emerging markets giving a boost to exports.

This scenario assumes higher energy prices in the near term due to stronger global demand. These assumptions produce more of a “V” shaped recovery rather than the more gradual “U” shape assumed in the baseline forecast.

This scenario also assumes higher growth in key Washington industries

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes aerospace employment begins to grow again in the third quarter of 2010, rather than decline through the middle 2011 as in the baseline. Software employment growth is also much stronger than the baseline forecast. After a weak year in 2009, Washington’s wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. Both Washington personal income and population growth are stronger throughout the forecast. Finally, construction employment returns to sustained growth in the second quarter, five quarters sooner than the trough in the baseline forecast, and the subsequent recovery is stronger. By the end of the 2011-13 biennium, Washington nonagricultural employment is higher by 159,000 jobs than in the baseline forecast and Washington personal income is \$23.6 billion higher.

Pessimistic (10% probability)

The pessimistic scenario envisions a “W” shaped recovery with a relapse in late 2010

In the pessimistic scenario, the recovery loses steam as unresolved worries from the financial crisis come back. Credit constraints prevent the economy from building momentum and the labor market improvement stalls. As the boosts to growth from the inventory cycle and fiscal stimulus fade, the private sector is unable to sustain an expansion. In addition, the rescue package for Greece fails to prevent contagion to other countries. The effects of the Greek crisis ripple across the world, stock markets fall further, and the euro drops to parity with the dollar. This reduces competitiveness of U.S. exports and acts as an additional drag on growth. The recovery is “W-shaped” with the fourth quarter 2009 growth of 5.6% proving to be the peak, and slowing thereafter. By the end of 2010, the recovery comes to a halt, with GDP shrinking as the credit markets remain frozen, both domestically and globally. The housing recession drags on with home prices continuing to fall. Home sales and housing starts are much slower than the baseline. The weakness in housing undermines consumer confidence. This, combined with a drop in wealth and a slowdown in job growth, causes consumers to retrench sharply. Business investment is also weaker. After a brief recovery in the first half of 2010, GDP turns negative in the fourth quarter before finally increasing again in the third quarter of 2011.

This scenario also assumes lower growth in key Washington industries

At the state level, the decline in aerospace employment is much more severe than in the baseline and only starts to recover in the middle of 2013. Software employment begins to decline immediately and there is no recovery until the third quarter of 2012. The recovery in personal income is also weaker than was assumed in the baseline. Population growth is much slower in this scenario, particularly in 2012 and 2013. Construction employment continues to fall through the middle 2012. Seattle area prices are lower than in the baseline forecast. The weak economy also depresses Washington wage growth below the rate of growth in the baseline. By the end of the 2011-13 biennium, Washington non-agricultural employment is 217,400 lower than in the baseline forecast and Washington personal income is \$32.3 billion lower.

Governor's Council of Economic Advisors (GCEA)

The GCEA scenario expects less real GDP growth

In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members.

At the national level, the Governor's Council members expect less real GDP growth throughout the forecast. This is primarily due to their expectation of lower consumer spending growth than in the baseline. They also expect slightly lower inflation due in part to lower oil prices. The Council members' mortgage interest rate forecast is higher than the baseline in the near term, but then converges and becomes lower in fiscal year 2013.

For Washington, the GCEA scenario is generally weaker

The GCEA scenario for Washington is slightly weaker than the baseline forecast. Their overall employment forecast is slightly higher than the baseline forecast this biennium, but weaker from FY 2012 on. The GCEA scenario expects slightly higher manufacturing employment this biennium as well, but then is weaker in 2011-13. Construction employment is weaker throughout the forecast due to their expectation of less housing activity and a lower number of building permits. The Council member's personal income forecast is also more pessimistic than our baseline. The Council members expect growth in real personal income in Washington to average 3.6% from FY 2011 through FY 2013 compared to our forecast of 4.0%. The GCEA forecast also has lower average wage growth than the baseline in both FY 2010 and FY 2011.

Table 2.2 compares the alternative forecasts with the baseline forecast.

Table 2.1
Washington Economic Forecast Summary
 Forecast 2010 to 2013

Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	237.406	251.097	258.406	256.018	255.735	266.027	276.538	287.458
% Ch	2.2	5.8	2.9	-0.9	-0.1	4.0	4.0	3.9
Real Wage and Salary Disb.	127.959	134.609	138.813	136.866	134.639	139.628	145.591	151.332
% Ch	3.6	5.2	3.1	-1.4	-1.6	3.7	4.3	3.9
Real Nonwage Income	109.447	116.487	119.593	119.152	121.096	126.399	130.947	136.125
% Ch	0.7	6.4	2.7	-0.4	1.6	4.4	3.6	4.0
Real Per Capita Income (\$/Person)	37,323	38,789	39,309	38,458	38,012	39,054	40,050	40,999
% Ch	0.4	3.9	1.3	-2.2	-1.2	2.7	2.6	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.074	1.091	1.103	1.119	1.138	1.160
% Ch	3.2	2.4	3.3	1.6	1.1	1.5	1.7	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.035	2.116	2.205	2.257	2.264	2.264	2.313	2.384
% Ch	3.2	4.0	4.2	2.4	0.3	0.0	2.1	3.1
Average Nonfarm Annual Wage	44,151	46,447	48,404	49,291	50,684	52,596	54,173	55,836
% Ch	3.7	5.2	4.2	1.8	2.8	3.8	3.0	3.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.32	20.21	20.90	22.03	23.55	23.36	23.55	23.84
% Ch	4.0	4.6	3.4	5.4	6.9	-0.8	0.8	1.2
Current Dollar Income (Billions of Dollars)								
Personal Income	241.138	261.115	277.568	279.324	282.017	297.645	314.771	333.428
% Ch	5.5	8.3	6.3	0.6	1.0	5.5	5.8	5.9
Disposable Personal Income	212.676	229.077	243.895	249.727	256.944	269.547	282.646	296.285
% Ch	4.6	7.7	6.5	2.4	2.9	4.9	4.9	4.8
Per Capita Income (\$/Person)	37,908	40,335	42,222	41,960	41,918	43,695	45,586	47,555
% Ch	3.6	6.4	4.7	-0.6	-0.1	4.2	4.3	4.3
Employment (Thousands)								
Washington Civilian Labor Force	3,289.4	3,350.2	3,434.5	3,517.2	3,524.7	3,572.3	3,635.0	3,697.0
Total Washington Employment	3,119.5	3,192.5	3,272.8	3,261.6	3,198.0	3,247.9	3,338.9	3,435.9
Unemployment Rate (%)	5.16	4.71	4.71	7.26	9.27	9.08	8.15	7.06
Nonfarm Payroll Employment	2,820.5	2,896.6	2,960.0	2,901.7	2,798.3	2,839.4	2,931.7	3,018.0
% Ch	3.0	2.7	2.2	-2.0	-3.6	1.5	3.3	2.9
Manufacturing	279.2	289.7	295.5	279.0	259.3	263.7	276.2	288.9
% Ch	4.3	3.8	2.0	-5.6	-7.1	1.7	4.7	4.6
Durable Manufacturing	197.6	208.1	214.5	201.5	184.7	188.8	197.9	207.8
% Ch	5.8	5.3	3.1	-6.0	-8.3	2.2	4.9	5.0
Aerospace	69.0	76.7	83.1	82.9	81.3	79.7	81.1	83.9
% Ch	8.8	11.1	8.3	-0.2	-1.9	-1.9	1.7	3.5
Nondurable Manufacturing	81.6	81.6	81.0	77.5	74.6	74.9	78.2	81.1
% Ch	0.7	0.0	-0.7	-4.4	-3.7	0.5	4.4	3.7
Construction	186.6	202.7	207.7	181.5	150.9	147.1	152.4	164.9
% Ch	9.7	8.7	2.5	-12.6	-16.9	-2.6	3.6	8.2
Service-Producing	2,345.9	2,395.7	2,448.9	2,434.3	2,382.1	2,421.9	2,495.5	2,556.0
% Ch	2.4	2.1	2.2	-0.6	-2.1	1.7	3.0	2.4
Software Publishers	42.8	46.5	48.8	52.1	50.9	52.4	54.6	57.5
% Ch	6.7	8.8	4.9	6.8	-2.4	3.1	4.2	5.2
Nonfarm Payroll Employment, EOP*	2,852.5	2,928.4	2,969.4	2,835.3	2,805.2	2,870.4	2,964.4	3,047.2
% Ch*	3.0	2.7	1.4	-4.5	-1.1	2.3	3.3	2.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	53.813	50.438	38.155	19.834	19.505	24.480	39.322	45.934
% Ch	3.9	-6.3	-24.4	-48.0	-1.7	25.5	60.6	16.8
Single-Family	40.418	34.094	23.054	12.998	15.873	19.230	28.790	33.066
% Ch	5.1	-15.6	-32.4	-43.6	22.1	21.1	49.7	14.9
Multi-Family	13.395	16.345	15.101	6.836	3.632	5.249	10.532	12.868
% Ch	0.3	22.0	-7.6	-54.7	-46.9	44.5	100.6	22.2
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	5.00	4.95	5.49	6.14

*End of Period, for use in the Budget Stabilization Account calculation

Table 2.2
Comparison of Alternative Forecasts

	Fiscal Year 2009				Fiscal Year 2010				Fiscal Year 2011				
	O	B	P	G	O	B	P	G	O	B	P	G	
U.S.													
Real GDP	13,073	13,073	13,073	13,073	13,198	13,183	13,179	13,174	13,810	13,616	13,335	13,554	
%Ch	-2.2	-2.2	-2.2	-2.2	1.0	0.8	0.8	0.8	4.6	3.3	1.2	2.9	
Implicit Price Deflator	1.091	1.091	1.091	1.091	1.102	1.103	1.102	1.102	1.121	1.119	1.113	1.116	
%Ch	1.6	1.6	1.6	1.6	1.1	1.1	1.0	1.0	1.7	1.5	1.0	1.2	
Mortgage Rate	5.57	5.57	5.57	5.57	5.00	5.00	5.01	5.02	5.52	4.95	4.65	5.21	
3 Month T-Bill Rate	0.56	0.56	0.56	0.56	0.13	0.12	0.12	0.12	1.41	0.56	0.33	0.51	
Washington													
Real Personal Income	256.018	256.018	256.018	256.018	256.667	255.735	254.841	255.679	272.892	266.027	258.466	265.126	
%Ch	-0.9	-0.9	-0.9	-0.9	0.3	-0.1	-0.5	-0.1	6.3	4.0	1.4	3.7	
Personal Income	279.324	279.324	279.324	279.324	282.985	282.017	280.874	281.840	306.031	297.645	287.655	295.889	
%Ch	0.6	0.6	0.6	0.6	1.3	1.0	0.6	0.9	8.1	5.5	2.4	5.0	
Employment	2901.7	2901.7	2901.7	2901.7	2801.4	2798.3	2796.4	2800.5	2884.0	2839.4	2796.3	2848.0	
%Ch	-2.0	-2.0	-2.0	-2.0	-3.5	-3.6	-3.6	-3.5	2.9	1.5	0.0	1.7	
Housing Permits	19.834	19.834	19.834	19.834	19.753	19.505	19.166	19.613	27.997	24.480	19.003	22.985	
%Ch	-48.0	-48.0	-48.0	-48.0	-0.4	-1.7	-3.4	-1.1	41.7	25.5	-0.9	17.2	

(O) Optimistic; (B) Baseline; (P) Pessimistic; (G) Governor's Council of Economic Advisors

Table 2.3
Forecast Analysis
 Comparison of Forecasts for 2009-11

Forecast Date	2008				2009				2010				2011	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
Washington														
Percent Growth, 2009:2-2011:2														
Employment	3.6	3.6	3.6	2.3	2.7	1.9	2.3	1.9	1.6	1.2				
Personal Income	12.3	12.7	11.8	8.3	7.9	7.8	9.0	8.8	9.1	9.3				
Real Personal Income	8.3	9.1	7.5	3.8	4.6	3.7	5.4	4.6	5.3	5.6				
Total (Thousands of units), 2009:3 to 2011:2														
Housing Units Authorized	95.2	97.8	85.6	72.6	59.7	47.3	45.4	51.4	44.5	44.0				

Table 2.4

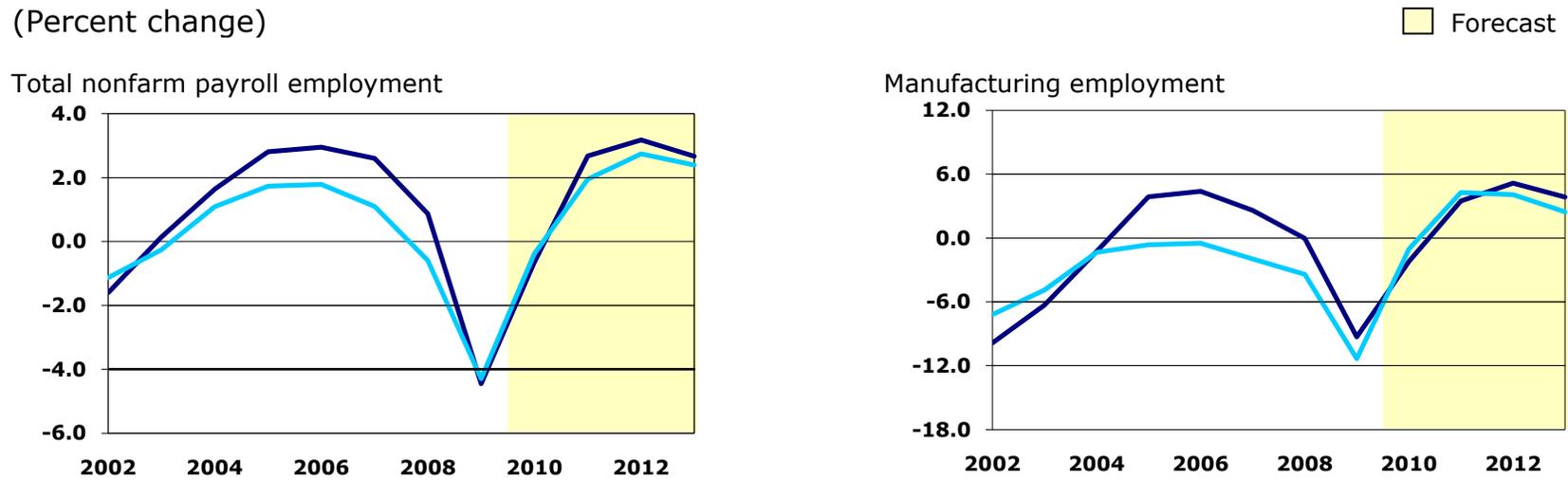
Fiscal Years

Forecast Comparison

Forecast 2009 to 2011

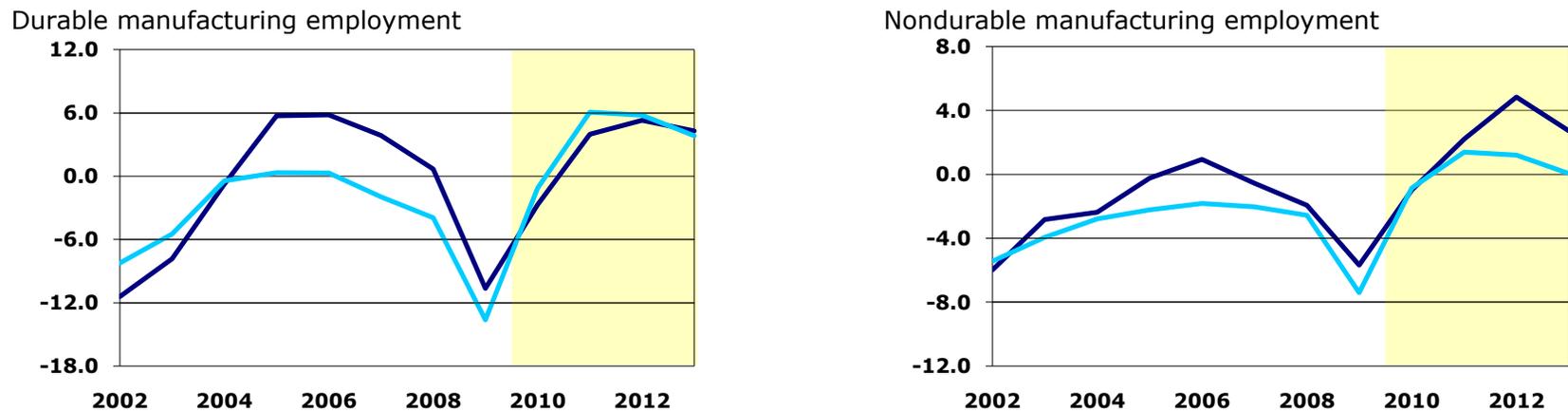
	2009	2010	2011	2012	2013
Washington					
Real Personal Income					
June Baseline	256.018	255.735	266.027	276.538	287.458
% Ch	-0.9	-0.1	4.0	4.0	3.9
February Baseline	255.959	256.114	265.331	275.515	287.249
% Ch	-0.9	0.1	3.6	3.8	4.3
Personal Income					
June Baseline	279.324	282.017	297.645	314.771	333.428
% Ch	0.6	1.0	5.5	5.8	5.9
February Baseline	279.260	282.358	297.088	314.113	333.541
% Ch	0.6	1.1	5.2	5.7	6.2
Employment					
June Baseline	2901.7	2798.3	2839.4	2931.7	3018.0
% Ch	-2.0	-3.6	1.5	3.3	2.9
February Baseline	2905.5	2807.1	2854.7	2945.0	3023.8
% Ch	-1.8	-3.4	1.7	3.2	2.7
Housing Permits					
June Baseline	19.834	19.505	24.480	39.322	45.934
% Ch	-48.0	-1.7	25.5	60.6	16.8
February Baseline	19.702	18.608	25.907	40.366	46.379
% Ch	-48.0	-5.6	39.2	55.8	14.9

Figure 2.7: Comparison of Washington and U.S. Economic Forecasts
(Percent change)



Source: WA State Employment Security Dept. 2009, ERFC 2013

Source: WA State Employment Security Dept. 2009, ERFC 2013



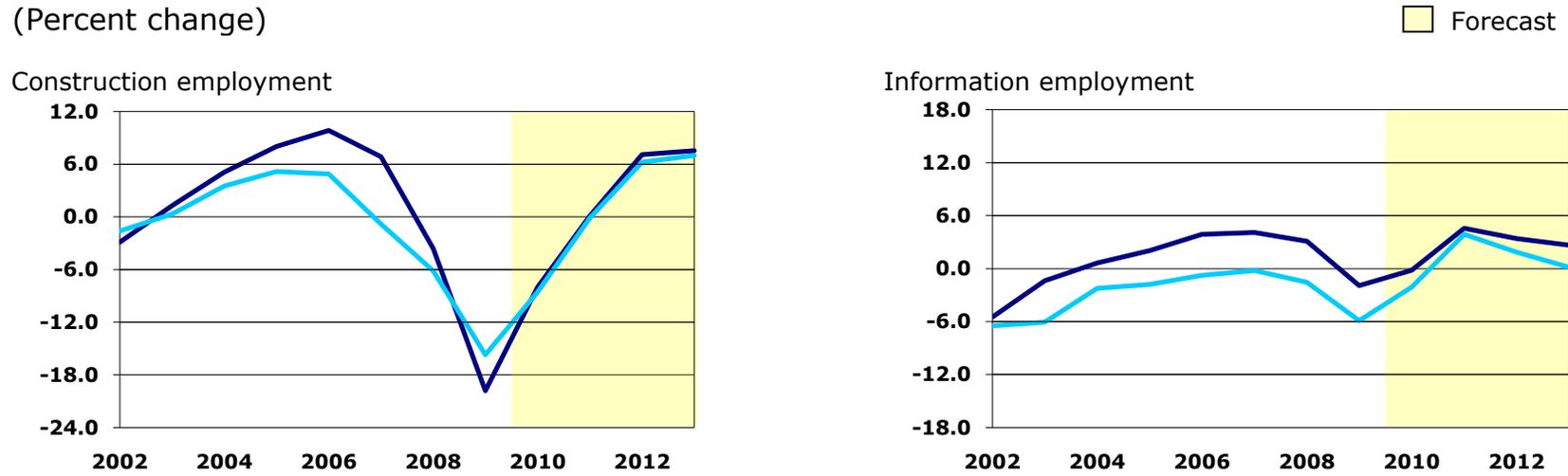
Source: WA State Employment Security Dept. 2009, ERFC 2013

Source: WA State Employment Security Dept. 2009, ERFC 2013

■ Washington

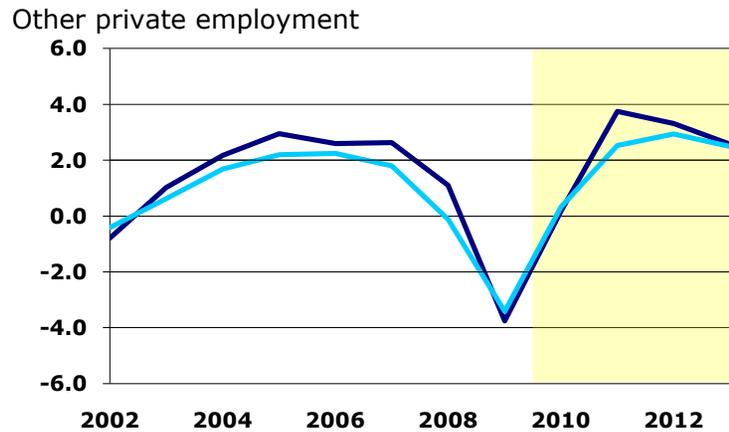
■ U.S.

Figure 2.7: Comparison of Washington and U.S. Economic Forecasts (continued)
(Percent change)

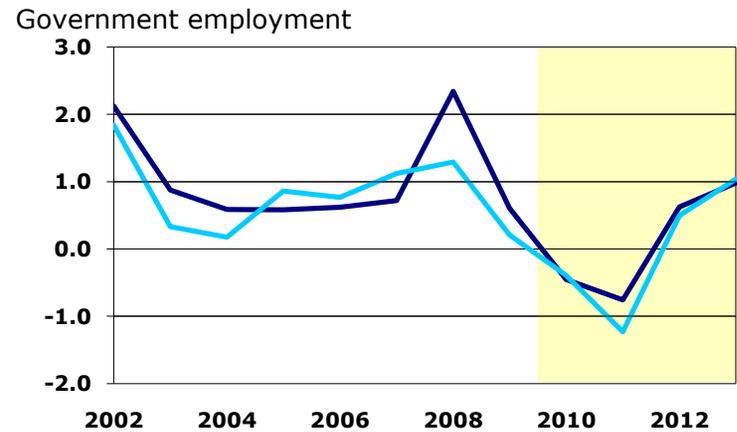


Source: WA State Employment Security Dept. 2009, ERFC 2013

Source: WA State Employment Security Dept. 2009, ERFC 2013



Source: WA State Employment Security Dept. 2009, ERFC 2013



Source: WA State Employment Security Dept. 2009, ERFC 2013

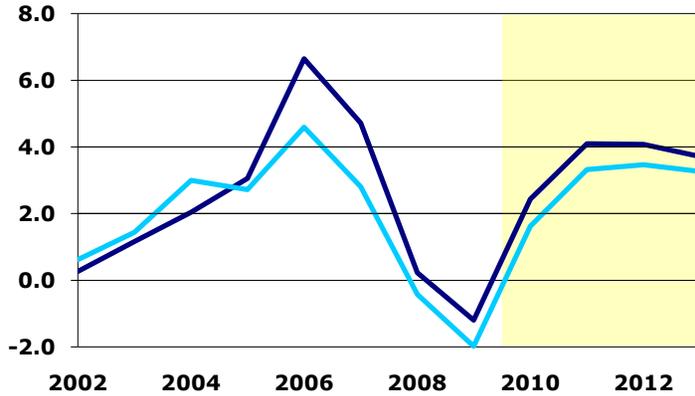
■ Washington

■ U.S.

Figure 2.7: Comparison of Washington and U.S. Economic Forecasts (continued)
(Percent change)

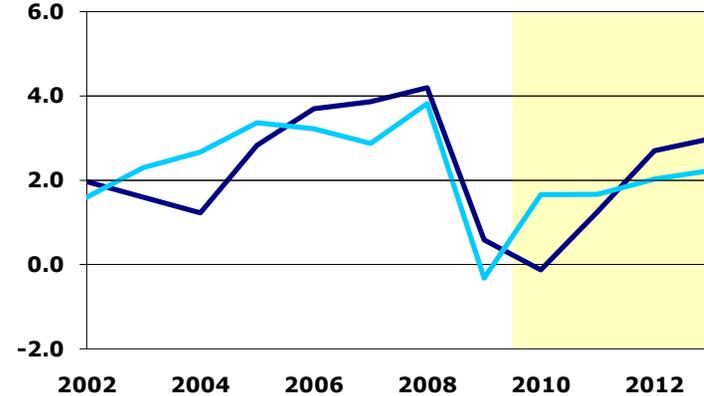
Forecast

Real personal income



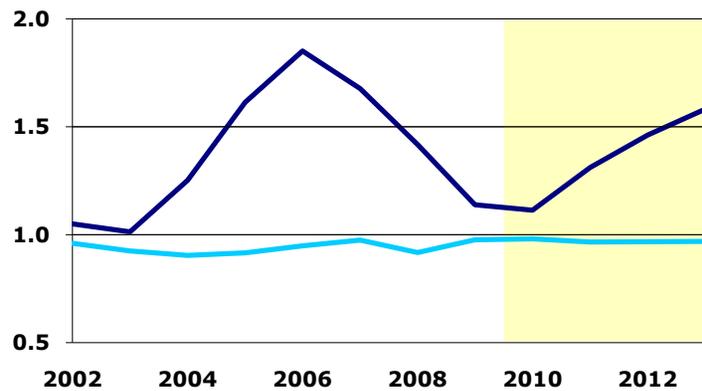
Source: Bureau of Economic Analysis 2008, ERFC 2013

Consumer price indices



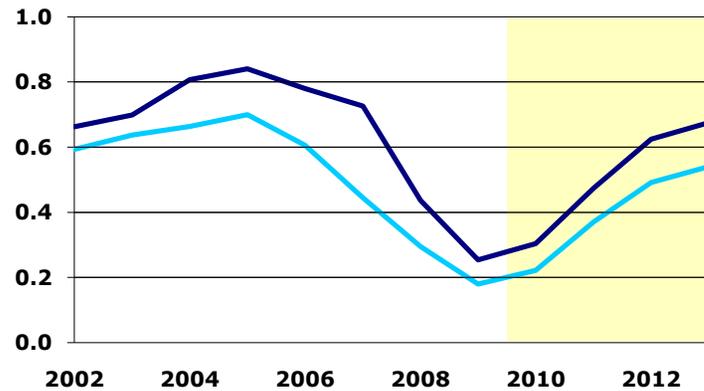
Source: Bureau of Labor Statistics 2009, ERFC 2013

Population



Source: Office of Financial Management 2009, ERFC 2013

Per capita housing units

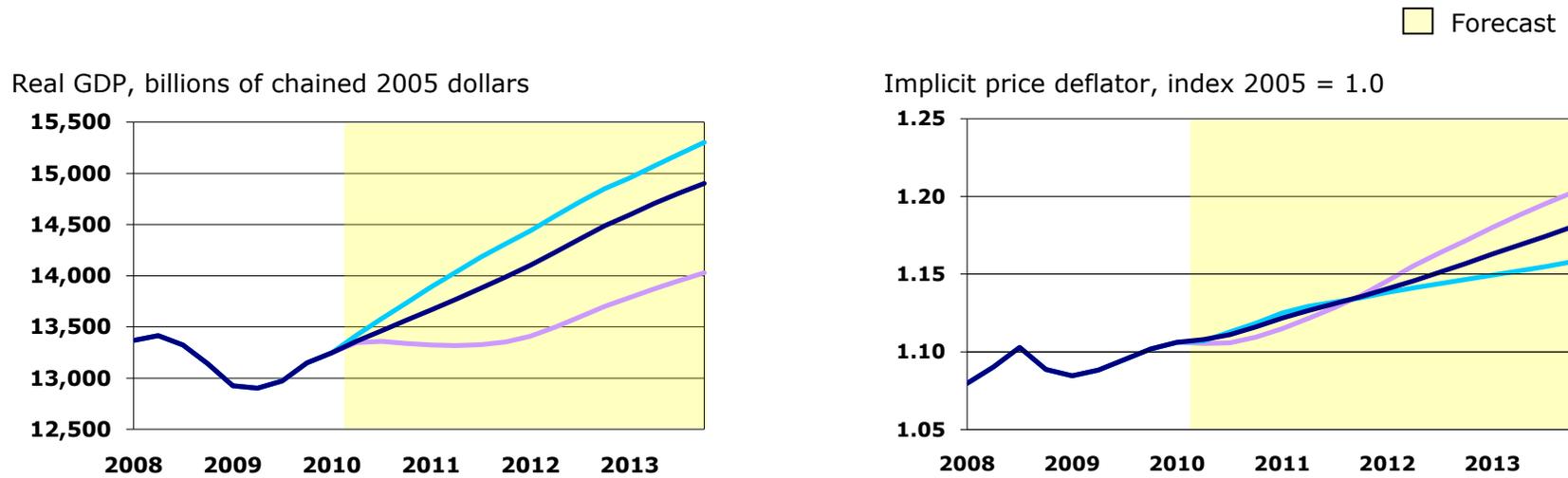


Source: Census Bureau 2008, ERFC 2013

Washington

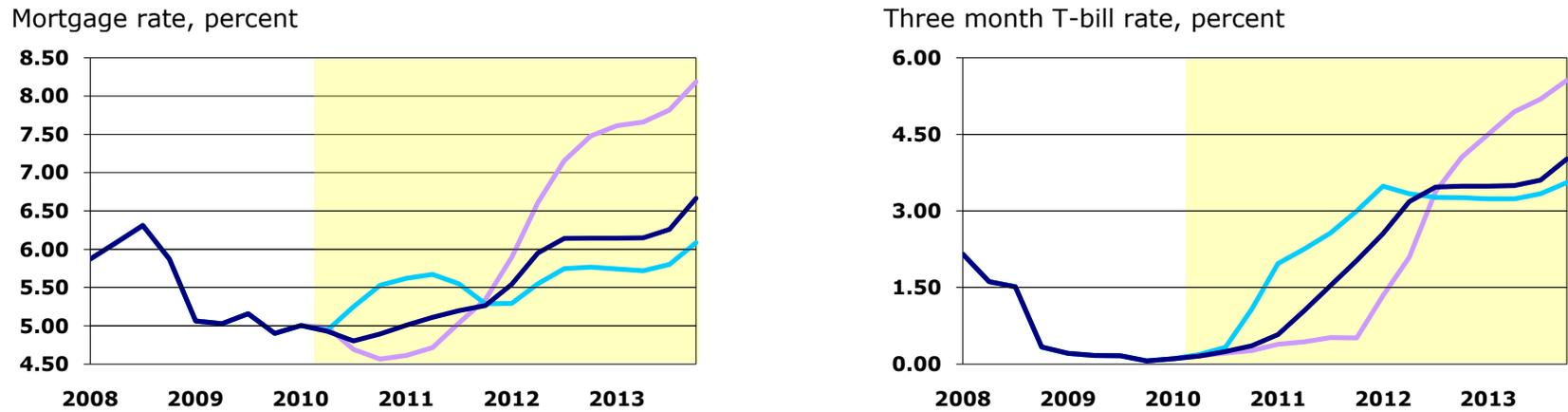
U.S.

Figure 2.8: Comparison of Alternative U.S. Economic Forecasts



Source: Bureau of Economic Analysis 2010 Q1, ERFC 2013

Source: Bureau of Economic Analysis 2010 Q1, ERFC 2013

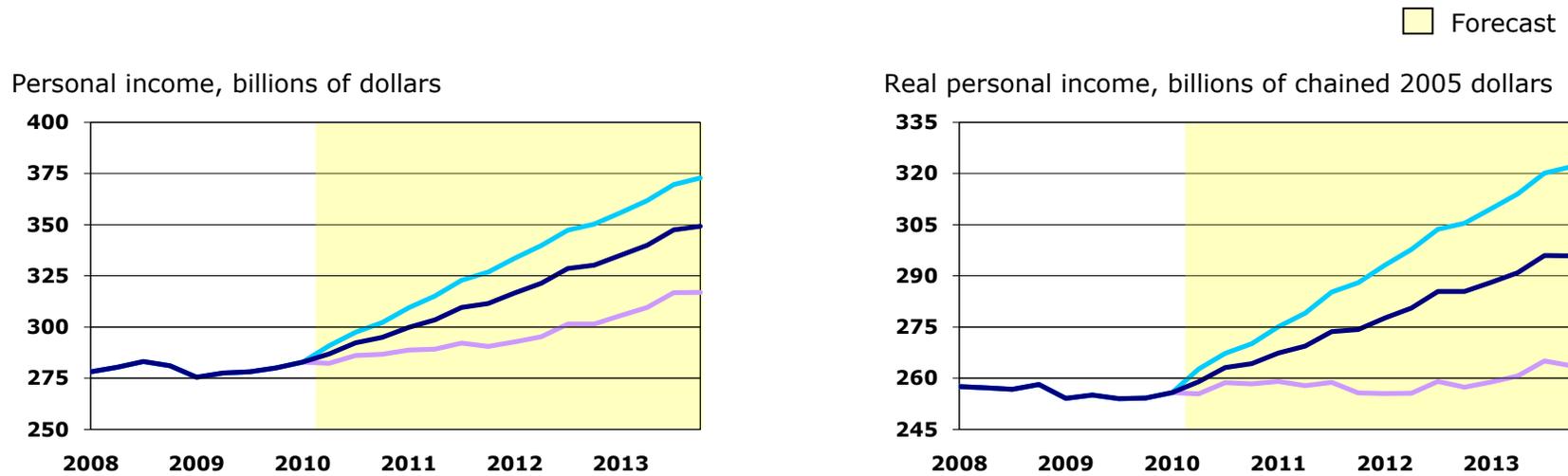


Source: Freddie Mac 2010 Q1, ERFC 2013

Source: Federal Reserve Board 2010 Q1, ERFC 2013

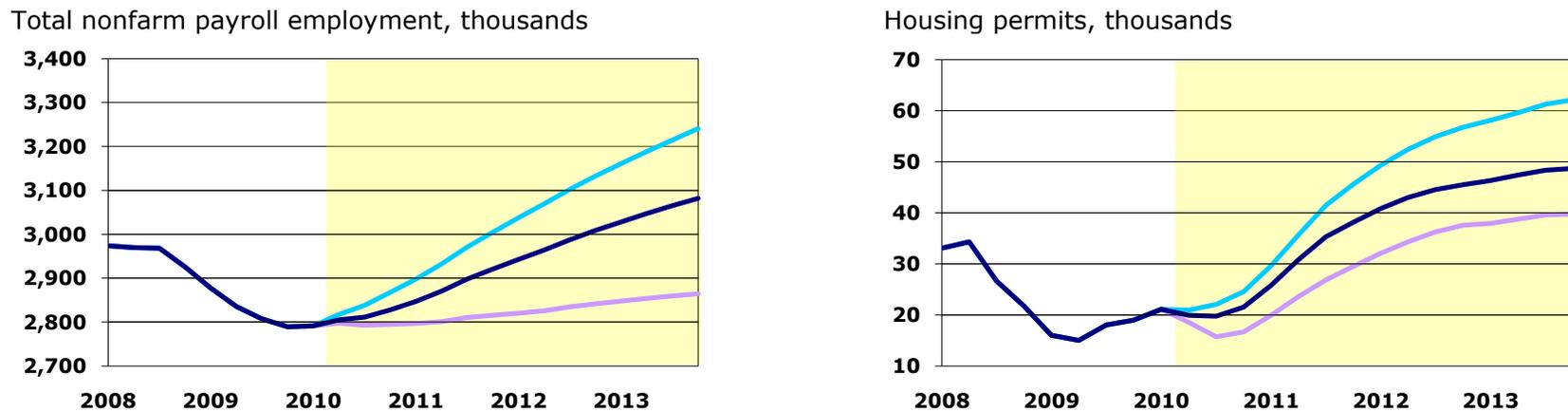
■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts



Source: Bureau of Economic Analysis 2008 Q4, ERFC 2013

Source: Bureau of Economic Analysis 2008 Q4, ERFC 2013



Source: WA State Employment Security 2010 Q1, ERFC 2013

Source: Census Bureau 2010 Q1, ERFC 2013

■ Baseline
 ■ Optimistic
 ■ Pessimistic

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Chapter 3: Washington State Revenue Forecast Summary

- **Similar to the economic forecast, the revenue forecast has been revised slightly downward in the near term but is stronger in the next biennium.**
- **Seasonally-adjusted revenues have ceased their decline and are trending upward.**
- **Cumulative General Fund-State revenues through June 10th were 0.9% short of the February forecast.**
- **New legislation from the 2010 session and other non-economic factors are forecasted to provide an additional \$802 million in revenues in the current biennium and \$1,661 million in the 2011-13 biennium.**
- **Including economic factors, the net forecast change is \$558 million in the 2009-11 biennium and \$1,858 million in the 2011-13 biennium.**

Overview

The economic and revenue recovery is proceeding at a slightly slower pace than forecasted in February

At the time of the February forecast, it was clear that state tax revenues were on an upward trend, but it was less clear how strong the trend would be. The economy and revenues have both shown improvement, but at a slightly slower pace than forecasted. Due to the recent economic events and disruptions outlined in Chapter 1, the pace of the recovery is expected to remain slow for a longer period than previously expected, reducing forecasted revenue in the near term. Newly passed legislation from the 2010 session, however, will provide extra revenue for both the current and subsequent biennia.

Non-economic factors added \$802 million to the revenue forecast for the current biennium and \$1,661 million to the next

Table 3.1 summarizes the change in forecasted revenues for the 2009-11 and 2011-13 biennia. By the time of the June forecast, revenues for the 2009-11 biennium were \$38.5 million below their forecasted value. The combination of revenue-generating legislation from the 2010 session and expected one-time payments of past liabilities and certain administrative changes is forecasted to bring in an extra \$802.4 million in the 2009-11 biennium and \$1,661.1 million in the 2011-13 biennium. The

weaker near-term forecast of revenue growth has subtracted \$206.2 million from the forecast for the remainder of the current biennium, while an improved outlook for the next biennium has added \$197.4 million in revenue for that period. The sum of all of the forecast changes for General Fund-State (GF-S) revenue is a \$557.6 million increase for the 2009-11 biennium, and a \$1,858.4 million increase for the 2011-13 biennium.

GF-S forecast (\$millions):

2009-11:
\$29,282

2011-13:
\$34,083

Table 3.1: Revisions to the General Fund-State forecast (cash basis, millions of dollars)

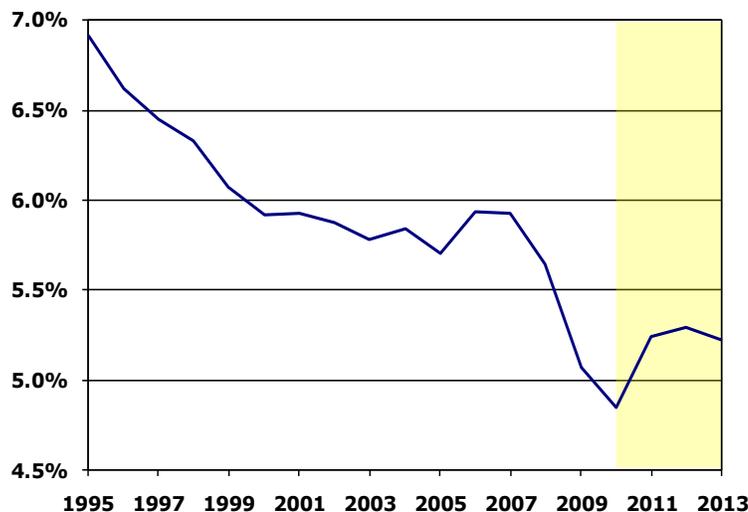
	2009-11 Biennium	2011-13 Biennium	Total*
Collection Experience	(\$38.5)	NA	(\$38.5)
Non-Economic Change	\$802.4	\$1,661.1	\$2,463.4
Forecast Change	(\$206.2)	\$197.4	(\$8.9)
Total Change	\$557.6	\$1,858.4	\$2,416.1

Source: ERFC, June 2010
*Totals might not add due to rounding

With the revisions above, GF-S revenue for the 2009-11 biennium is forecasted to total \$29,282.4 million and GF-S revenue for the 2011-13 biennium is forecasted to total \$34,082.9 million.

Figure 3.1: GF-S Revenue (Current Definition) as Percentage of State Personal Income (Fiscal Years)

GF-S revenue relative to state personal income has been on a persistent downward trend



Source: ERFC, data through fiscal year 2009

The June revenue forecast returns revenue as a percentage of personal income to the pre-housing boom trend

As can be seen in [Figure 3.1](#), the amount of GF-S revenue that is collected relative to state personal income has been on a persistent downward trend since 1995 (the first year that a series consistent with the current definition of GF-S revenue can be created). The increase in real estate excise taxes and retail sales taxes on construction materials during the housing boom from 2005 to mid-2008 caused collections to rise above this trend, while the subsequent bust caused collections to fall below the trend. The June forecast, as shown in the yellow shaded area, represents a return to the trend that was established before the housing boom and bust.

Details of the forecast can be found in the supplemental tables at the end of the chapter

The history of nominal and real GF-S revenue by biennium can be found in Table 3.3. GF-S revenue by agency and major revenue classification for the 2009-11 biennium can be found in Table 3.5 (cash) and Table 3.6 (GAAP). The GF-S forecast by agency and major revenue classification for the 2011-13 biennium can be found in Table 3.7 (cash) and Table 3.8 (GAAP). A summary of the net effects of 2010 legislation that impacts GF-S revenue can be found in Table 3.16.

The Forecast Procedure and Assumptions

ERFC forecasting structure and schedule

The Washington State GF-S revenue forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council was created by Chapter 138, Laws of 1984, to provide an objective revenue forecast for both the executive and legislative branches of state government. The Council consists of six members, two appointed by the Governor and four appointed by the Legislature – one from each caucus of the Senate and House of Representatives. Current members of the Economic and Revenue Forecast Council are listed inside the front cover of this publication. The GF-S revenue forecast is updated four times per year: March (February in even-numbered years), June, September, and November. The staff of the Economic and Revenue Forecast Council is responsible for the preparation of the state economic forecast and the revenue forecast of the Department of Revenue's GF-S sources and the forecast of GF-S revenue from fines and forfeitures collected by the Administrative Office of the Courts. The staff is also responsible for review and coordination of the revenue forecasts of agencies that collect relatively large amounts of GF-S revenue. These are the Department of Licensing, the Office of the Insurance Commissioner, the Lottery Commission, the State Treasurer, the Liquor Control Board and the Office of Financial Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies that collect relatively smaller amounts of GF-S revenue.

*Forecast
Procedure*

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by forecast workgroups; the Governor's Council of Economic Advisors; and the Economic and Revenue Forecast Council in public; the economic forecast is used to prepare a baseline revenue forecast for GF-S and the related funds. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare revenue forecasts. The revenue forecasts for most major General Fund and related fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. The forecasts are based on current law and administrative practices and do not reflect pending legal challenges to GF-S receipts until they are resolved. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GF-S and related fund sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GF-S and related fund revenues. The history and forecast of GF-S revenue by biennium can be found in Table 3.3.

Recent Collection Experience

*The
cumulative
variance
since the
February
forecast was
negative
\$38.5 million*

Cumulatively, Revenue Act receipts (retail sales, use, business and occupation, tobacco products and public utility taxes) from February 11 through June 10, 2010 were \$27.2 million (0.9%) below the value forecasted in February (see Table 3.2). Revenue from other Department of Revenue tax sources was \$6.3 million (0.6%) lower than expected. Most of the negative variance in non-Revenue Act collections was due to a \$30.7 million shortfall in real estate excise tax collections, which is discussed in more detail below. This negative variance was partially offset by positive variances of \$9.3 million in property tax collections, \$7.1 million in cigarette tax collections and \$8.0 million in other sources. Cumulative revenue from the Department of Licensing was \$5.8 million (59.8%) lower than forecasted in February and revenue from the Administrative Office of the Courts, which began to be deposited in the GF-S on July 1, 2009 (formerly part of the Public Safety and Education Account) was \$821,000 (2.5%) higher than forecasted in September. The cumulative total variance of the above sources was -\$38.5 million (-0.9%).

Table 3.2: Pre-Forecast Collection Variance of Major General Fund-State Taxes by Agency (based on February 2010 forecast, cash basis, millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$27.2)	-0.9%
Non Revenue Act	(\$6.3)	-0.6%
Subtotal	(\$33.5)	-0.8%
Department of Licensing	(\$5.8)	-59.8%
Administrative Office of the Courts	\$0.8	2.5%
Total*	(\$38.5)	-0.9%

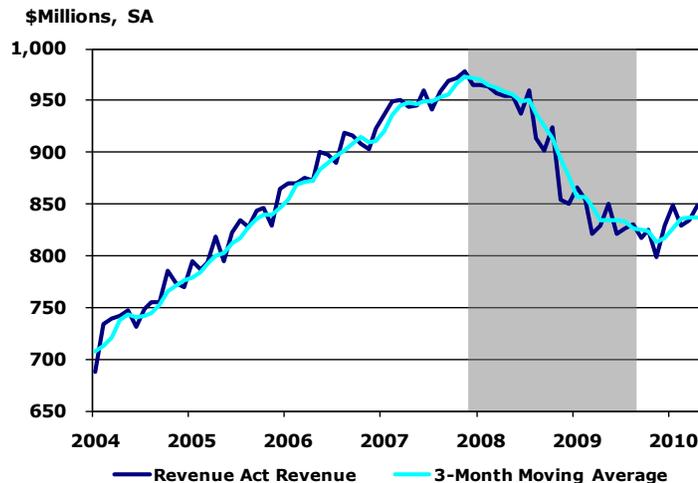
* Detail may not add to total due to rounding.
 Source: ERFC; Period: February 11 - June 10, 2010

Revenue Act collections began to show positive year-over-year growth in the collection period ending May 10, 2010

As shown in [Figure 3.2](#), on a seasonally adjusted basis, Revenue Act collections have been on an upward trend since November 2009. In the April 11 - May 10, 2010 collection period, Revenue Act collections increased 2.3% year-over-year after adjusting for one-time payments and the FY 10 change in the definition of Revenue Act taxes. This was the first year-over-year increase since the June 11 - July 10, 2008 collection period. Adjusted collections in the most recent period (May 11 - June 10, 2010) were up 2.2% year-over-year. Adjusted collections in the February 11 - May 10 period, which primarily reflected first quarter 2010 activity, were down 1.0% year-over-year, showing improvement from the adjusted decline of 6.2% from fourth quarter 2009 activity (November 11, 2009 - February 10, 2010 collections). Adjusted collections reflecting third quarter 2009 activity had showed a 10.8% decline.

Figure 3.2: Revenue Act Collections (ESSB 5073 Definition, Adjusted for Large Payments/Refunds), SA

Seasonally adjusted Revenue Act receipts have been on an upward trend since November 2009



Source: ERFC; Data through June 11, 2010

Real estate excise tax collections dropped after the expiration of the first round of federal tax credits for homebuyers and did not recover strongly during the second round

The expiration of two rounds of federal tax credits for homebuyers have made real estate excise tax collections extremely erratic over the last several months. The first round of tax credits, for first-time homebuyers only, applied to contracts signed before December 1, 2009. The rush to complete sales before the expiration of the credit caused real estate excise tax collections to soar in November and December 2009 (see Figure 3.3). Though the federal tax credit for first-time homebuyers was extended through April 30 and expanded to other homebuyers before the first round of credits expired, tax collections dropped sharply in January and February. Despite the expansion of the credit to include non-first time homebuyers, activity in February through May did not grow to anywhere near the extent of the November and December 2009 increase, instead reverting to levels near those of September and October 2009. As the forecast had not expected the sharp February drop and had anticipated stronger growth around the time of the second credit's expiration, the cumulative shortfall in real estate excise tax collections was \$30.7 million (-20.7%) from February through May.

Figure 3.3: Taxable Real Estate Excise Activity, SA

The expiration of the second round of federal tax credits caused REET receipts to increase less than expected



Source: ERFC; data through May 2010

Increased tax rates caused a positive variance in cigarette taxes

A tax increase enacted after the February forecast was mainly responsible for a cumulative \$7.1 million (8.0%) positive variance in cigarette tax receipts. The GF-S portion of the tax increased by \$0.914 per pack, effective May 1st. While the effect of the tax on cigarette purchases by consumers won't be seen until June, May receipts were increased by \$8 million due to "floor taxes," the extra tax owed on cigarettes in stock at the time of the tax change.

A shift in watercraft excise tax payment patterns caused a negative DOL variance

Cumulative revenue from the Department of Licensing was \$5.8 million (59.8%) lower than forecasted in February due to a shift in the annual payment pattern in watercraft excise taxes. Due to budget cuts, the department discontinued its usual practice of sending payment reminders to watercraft owners in March. This lowered collections in April and May, presumably shifting the payments closer to the June 30 due date.

Recent EFT Payments by Industry

Tax payments by electronic filers can provide an indication of activity by industry

Detailed information on tax payments by type and industry is compiled by the Department of Revenue on a quarterly basis. While data on second quarter activity will not be complete until October, a preliminary indication of recent activity by industry sector can be created by looking at payments by taxpayers who file their tax returns electronically. Payments from the most recent collection period can be compared to the year-ago payments by the same taxpayers.

Payments from firms that filed electronically both this year and last have shown year-over-year growth for four consecutive months

Payments for Revenue Act taxes generated in May are due on June 25th. A look at taxes collected from electronic filers as of June 29th gives a preliminary indication of May activity. For the fourth consecutive collection period, payments from electronic filers were above their levels of a year ago. Total payments were up 2.9% year-over-year. Total tax payments from businesses in the retail trade sector were up 3.3% year-over-year. Nine out of the twelve major retail trade sectors showed year-over-year growth in payments. The largest year-over-year increases in tax payments from the retail trade sector were in electronics and appliances (+24.0%), nonstore retailers (+14.8%), miscellaneous retailers (+10.5%) and furniture and home furnishings (+7.2%). Payments from the motor vehicles parts sector were up 4.7%. The largest decreasing sectors were building materials and garden equipment (-5.9%) and food and beverage stores (-2.9%). Total payments from sectors other than retail trade increased 2.7%, the third consecutive increase. Previously, total payments from non-retail trade sectors had not shown a year-over-year increase since July 2008. Tax payments in the construction sector were down 14.0% year-over-year. Payments in the manufacturing sector were up 25.0% year-over-year, largely reflecting increases in the gross receipts of petroleum refiners due to the year-over-year increase in oil prices. Excluding the manufacturing sector, payments from non-retail trade sectors were up 0.9%. The number of increasing non-retail sectors outnumbered declining sectors twelve to four.

Legislative Changes

The net effects of legislation that affects GF-S revenue are listed in Table 3.16

Legislation from the 2010 session that affects GF-S revenue is summarized in Table 3.16. The dollar values in the table represent the net changes in total revenue resulting from each piece of legislation. For example, ESHB 2493, which increased taxation of cigarettes and tobacco products, is forecasted to increase total cigarette and tobacco taxes in the current biennium by \$103.9 million. Since the higher tax will cause people to buy fewer cigarettes and tobacco products, however, less retail sales tax will be collected, with the net effect being an additional \$101.4 million in revenue as listed in the table. Since 2ESSB 6143 has a large effect on several sources, the bill's net impacts have been broken down into their projected individual impacts on the affected tax sources.

The legislature has imposed a temporary tax on carbonated beverages

While most of the 2010 legislation modified the rates or applications of existing taxes, the largest exception is the imposition of a new, temporary tax on carbonated beverages. The tax, two cents per twelve-ounce container imposed at the wholesale level, takes effect on July 1, 2010 and is set to expire on June 30, 2013. The tax is expected to bring in \$35.8 million in the current biennium and \$77.4 million in the next biennium.

Department of Revenue

Taxes collected by the DOR represent most of GF-S taxes

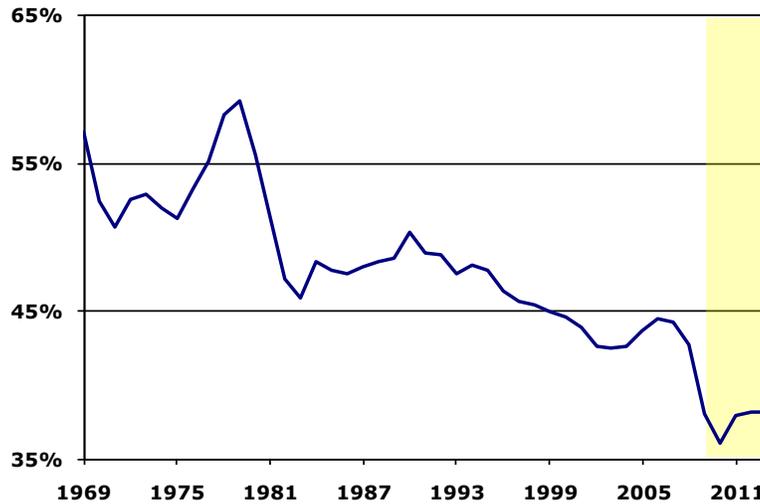
The Department of Revenue (DOR) collects and administers the majority of Washington's GF-S revenue, accounting for 97% of total GF-S revenue in the 2007-09 biennium. The largest tax sources administered by the DOR are the retail sales tax, business and occupation tax, property tax, use tax, and real estate excise tax. The revenue forecasts discussed below can be found in Tables 3.5-3.9.

Retail sales taxes are the largest source of GF-S revenue

The retail sales tax is the largest source of GF-S revenue, accounting for 52.4% of GF-S revenue in FY 2009. The state's share of the tax is 6.5% of the sales price. While construction labor, repair services, and some other services are taxed, the tax does not apply to most services. Taxable sales as a share of personal income have been declining, and fell sharply during this recession. Our forecast has the taxable sales share of personal income decreasing through FY 2010, increasing in FY 2011 and FY 2012, then declining very slightly in FY 2013. This relationship is illustrated in [Figure 3.4](#).

Figure 3.4: Taxable Sales* as Percentage of State Personal Income

The ratio of taxable sales to state personal income has followed a persistent downward trend



*Past tax base adjusted to represent current base. Shaded area indicates forecast

Source: ERFC; forecast through FY 2013

Much of the decline in retail sales over the last biennium was due to collapses in construction and auto sales

As both construction materials and labor are subject to the retail sales tax, the construction sector has historically made up a large portion of total retail sales tax receipts. In FY 2009, the sector represented 20% of total taxable sales activity. Another large contributor to the tax is motor vehicle and parts sales, which represented 9% of taxable sales activity in FY 2009. The end of the housing boom, coupled with a collapse in automobile sales, took a large toll on retail sales in both FY 2008 and 2009. Taxable sales declined 10.4% in FY 2009 after an increase of only 2.7% in FY 2008.

Non-economic factors, primarily legislative changes, added \$46 million in retail sales taxes to the 2009-11 biennium and \$120.6 million to the 2011-13 biennium

Legislation passed during the 2010 session expanded the state sales tax to include candy and gum sales (see Table 3.16). Previously these goods had been classified as tax-exempt food purchases. Taxation of these items is forecasted to add \$30.9 million in retail sales tax collections in the current biennium and \$63.0 million in the next biennium. In addition, the legislature temporarily extended the sales tax to bottled water sales, which is forecasted to increase sales tax receipts by \$33.0 million in the current biennium and \$69.8 million in the next biennium. The tax on bottled water is scheduled to expire on June 30, 2013. The above extensions were effective on June 1, 2010. In addition to the above legislation, several other measures listed in Table 3.16 also affected sales taxes. The increase in cigarette taxes enacted by ESHB 2493 is forecasted to decrease cigarette sales, which will lower the retail sales taxes on those purchases. Several tax credits were extended or made easier to claim, also lowering forecasted collections, while other measures intended to decrease tax evasion and make past liabilities easier to collect

will raise collections. The net forecasted increase in state retail sales tax collections from all of the legislation passed in the 2010 session is \$44.6 million in the current biennium and \$120.6 million in the next biennium. An additional \$1.4 million in expected assessment payments brought the total non-economic change for the current biennium to \$46.0 million.

Retail sales tax receipt growth forecast:

*FY10: -6.0%
FY11: 12.4%
FY12: 6.9%
FY13: 4.5%*

Without the non-economic changes outlined above, the forecast of retail sales tax receipts for the current biennium would have been reduced by \$205.9 million, due to the slowdown in consumer spending and lower forecasted construction activity outlined in Chapter 2. With the addition of the non-economic changes, the forecasted reduction is \$159.9 million. While taxable activity in the construction sector is forecasted to continue to decline through the third quarter of 2010, most other consumer activity is expected to start showing gradual improvement beginning in the first quarter of 2010. The slow pace of the improvement, however, is forecasted to result in a decline of 4.3% in total FY 2010 taxable sales (see Table 3.4). The resumption of growth in the construction sector, coupled with the newly enacted taxes, is forecasted to boost total sales growth to 10.9% in FY 2011. As is common in periods of economic recovery, this growth rate is magnified by the exceptionally low level of projected FY 2010 sales. Even after growing at this rate, projected FY 2011 sales are still 4.9% below their level of FY 2008. Taxable sales are not forecasted to surpass their FY 2008 level until FY 2012, with total sales in that fiscal year 1.1% above the FY 2008 level. The improved economic outlook for the 2011-13 biennium added \$79.0 million in forecasted revenue to that period, for a total increase of \$199.6 million including the non-economic factors outlined above. Taxable sales are forecasted to grow at 6.3% in FY 2012 and 5.8% in FY 2013. Taking into account the lag between taxable activity and collections and factoring in actual and forecasted tax deferrals, credits, and refunds, actual retail sales tax collections are forecasted to decline by 6.0% in FY 2010 before growing 12.4% in FY 2011, 6.9% in FY 2012 and 4.5% in FY 2013. In February, sales taxes were forecasted to decline by 3.9% in FY 2010 and grow by 10.3% in FY 2011, 5.2% in FY 2012 and 4.7% in FY 2013. Retail sales tax collections increased by 4.3% in FY 2008 and declined by 10.8% in FY 2009.

Business and Occupation taxes are the second largest source of GF-S revenue

The business and occupation (B&O) tax is the second largest source of GF-S revenue, accounting for 19.5% of GF-S revenue in FY 2009. It is a tax on the gross receipts of all businesses operating in Washington. The state portion of the tax applies ten different rates according to various classifications of business activities. In FY 2009, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.5% and represented 43% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented 26% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented 21% of taxes due.

<p><i>Non-economic changes:</i></p> <p><i>2009-11: \$553 million</i></p> <p><i>2011-13: \$1,142 million</i></p>	<p>Several bills passed during the 2010 legislative session had an impact on forecasted B&O tax revenues. Most of the changes stemmed from 2ESSB 6143. The bill included a legislative fix to a state Supreme Court decision which had decreased forecasted revenues in the February forecast, adding \$155 million in expected revenue to the current biennium and \$199.4 million in the next. The bill also restored revenue lost in other court decisions regarding the taxation of food canners and mortgage servicers. Another section of the bill that applies new standards to determine which out-of-state businesses are subject to the tax added \$84.7 million to the forecast in the current biennium and \$407.3 million in the next. The largest impact from the bill was from its temporary increase in the tax rate paid by service providers from 1.5% to 1.8%. The rate was effective May 1, 2010 and will revert to 1.5% on July 1, 2013. Coupled with a doubling of the Small Business Credit, the increase is expected to net an additional \$241.9 million in the current biennium and \$483.2 million in the next. The net impact of 2010 legislation is summarized in Table 3.16. The total impact of all of the legislative changes on B&O tax collections is estimated at \$511.1 million for the current biennium and \$1,142.2 million for the next biennium. In addition, expected one-time payments of past tax liabilities in the current biennium are forecasted at \$41.8 million, bringing the total non-economic change for the biennium to \$552.9 million.</p>
<p><i>B&O tax growth forecast:</i></p> <p><i>FY10: 3.4%</i> <i>FY11: 27.0%</i> <i>FY12: 9.3%</i> <i>FY13: 6.4%</i></p>	<p>Stronger-than-forecasted collections since the February forecast, including several large payments for past liabilities, have provided a basis for an increase to the B&O tax forecast of \$145.1 million for the 2009-11 biennium in addition to the non-economic increases listed above. The improved economic outlook for the 2011-13 biennium provided a \$180.9 million forecast increase in addition to the non-economic changes. The total forecast change is \$698.0 million in the current biennium and \$1323.0 million in the next. B&O tax collections are now forecasted to increase by 3.4% in FY 2010. Due mainly to new revenue from the legislative changes, taxes are forecasted to grow by 27.0% in fiscal 2011. Tax receipts are forecasted to grow at 9.3% in FY 2012 and 6.4% in FY 2013. In February, B&O taxes were forecasted to decrease by 2.0% in FY 2010 and then increase by 11.5% in FY 2011, 9.1% in FY 2012 and 4.9% in FY 2013. B&O taxes decreased by 8.2% year-over-year in FY 2009 after increasing 5.5% in FY 2008.</p>
<p><i>State property taxes are the third largest source of GF-S</i></p>	<p>The state property tax levy is the third largest source of GF-S revenue, accounting for 11.6% of total revenue in FY 2009. Though the tax goes into the GF-S, it is dedicated to the funding of basic education. Under Initiative-728, passed in November 2000, a portion of the state property tax levy was transferred monthly from the General Fund to the Student Achievement Account, but beginning in FY 2010 the account has been consolidated into the GF-S under ESSB 5073.</p>

*GF-S
property tax
growth
forecast:*

*FY10: 19.4%
FY11: 1.6%
FY12: 2.2%
FY13: 2.5%*

*FY 10 growth
inflated by
ESSB 5073*

The forecast of GF-S property tax receipts has been decreased by \$2.1 million in the current biennium and \$10.6 million in the 2011-13 biennium. Forecasted FY 2010 growth is now 19.4%. This growth rate, however, is inflated by the FY 2010 elimination of the transfer to the Student Achievement Account. If the transfer had not occurred in FY 2009, property tax collections would have been \$1.77 billion, which would correspond to a forecasted FY 2010 growth rate of only 2.1%. Property tax receipts are forecasted to grow by 1.6% in FY 2011, 2.2% in FY 2012 and 2.5% in FY 2013. In February, property taxes were forecasted to increase by 19.3% in FY 2010, 1.7% in FY 2011, 2.4% in FY 2012 and 2.5% in FY 2013. The state GF-S share of property taxes increased by 2.7% year-over-year in FY 2009 after increasing 3.5% in FY 2008.

*Use tax was
the fourth
largest GF-S
source in FY
2009*

The state use tax was the fourth largest GF-S revenue source in FY 2009 at 3.5% of total receipts. The state portion of the tax is 6.5% of the purchase price for items used in the state that were not subject to the state retail sales tax. Examples of items subject to the state use tax are goods purchased out-of-state or purchases of used vehicles from private individuals.

*Use tax
growth
forecast:*

*FY10: -6.9%
FY11: 15.5%
FY12: 10.3%
FY13: 5.6%*

The forecast of use tax receipts for the current biennium was increased \$2.7 million due mainly to a correction to the allocation of previously collected Revenue Act taxes. Prior to the correction, some use taxes were mistakenly allocated to tobacco products taxes. The tobacco products tax forecast has been reduced by a like amount prior to other adjustments. Without the correction, the forecast of use tax receipts would have been reduced similarly to the reduction in the retail sales tax forecast. Receipts are now forecasted to decrease by 6.9% in FY 2010 before increasing by 15.5% in FY 2011, 10.3% in FY 2012, and 5.6% in FY 2013. Much of the reason for the forecasted steep rises in FY 2011 and 2012 is a projected increase of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. Such vehicle sales exhibit sharp declines and increases during times of downturn and recovery. Such sales were responsible for much of the 10.0% decline in FY 2009 taxes as well as the forecasted decrease in FY 2010. In February, use tax receipts were forecasted to decrease by 6.4% in FY 2010 and increase by 13.6% in FY 2011, 10.6% in FY 2012, and 5.7% in FY 2013. Use tax receipts increased by 1.4% in FY 2008.

Real estate excise taxes were the fifth largest source of GF-S revenue in FY 2009

The real estate excise tax (REET) was the fifth largest source of GF-S revenue in FY 2009, accounting for 3.0% of total revenues. The state portion of the tax is 1.28% of the sales price. The tax is divided between the GF-S (92.3%), a fund for local public works (6.1%) and a fund for assistance of cities and counties (1.6%). The tax is applied to both residential and commercial real estate, including purchases of vacant land.

Real estate excise tax growth forecast:

*FY10: -2.7%
FY11: 23.6%
FY12: 16.3%
FY13: 4.5%*

Due to the large negative forecast variance mentioned above and an expected large decline in collections due to the expiration of the federal tax credit, the total REET forecast for the current biennium has been decreased by \$120.8 million. This is the net reduction after the addition of an expected \$4.4 million in receipts due to new legislation (2ESSB 6143) that makes it harder to evade the tax. Collections in FY 2010 are now expected to decline 2.7% from the levels of FY 2009. FY 2011 growth is now forecasted at 23.6%. The high FY 2011 growth rate does not represent a strong recovery in the real estate market, but instead a return to an activity rate approaching normalcy after declines of 41.3% in FY 2009 and 38.0% in FY 2008. Even with the forecasted growth, expected FY 2011 receipts are below the receipts of FY 2004. The total forecast for the 2011-13 biennium has been reduced by \$38.3 million, net of a \$9.8 million increase from the legislation cited above. Revenue is now forecasted to grow at 16.3% in FY 2012 and 4.5% in FY 2013. In February, these taxes were forecasted to increase by 8.3% in FY 2010, 29.6% in FY 2011, 3.7% in FY 2012 and 3.3% in FY 2013.

Department of Licensing

Forecast change by biennium (millions):

*09-11: -\$6.3
11-13: -\$7.5*

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. Due mainly to a change in the depreciation schedule for watercraft excise taxes, the department's forecast for the 2009-11 biennium has been decreased \$6.3 million to \$38.5 million and its forecast for the 2011-13 biennium has been decreased \$7.5 million to \$40.0 million.

The Office of Financial Management (Other Agencies)

Forecast change by biennium (millions):

*09-11: -\$21.5
11-13: -\$20.8*

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, the Washington State Lottery, and the State Treasurer. The office's forecast for the 2009-11 biennium has been decreased \$21.5 million to \$220.1 million and its forecast for the 2011-13 biennium has been decreased \$20.8 million to \$204.5 million. Most of the forecast reduction was due to a

decrease in forecasted settlement payments from tobacco companies and lower actual and forecasted fee revenue from the Department of Financial Institutions. Legislative changes such as shift of expenditures from the Crime Victims Compensation Fund to the GF-S were responsible for \$2.1 million of the reduction in the current biennium and \$4.2 million in the 2011-13 biennium.

State Treasurer

*Forecast
change by
biennium
(millions):*

09-11: \$0.6
11-13: -\$4.1

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2009-11 biennium has been increased \$0.6 million to negative \$6.6 million. The forecasted earnings for the biennium are negative because the forecasted daily balance of the GF-S for the biennium is now negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office. The office's forecast for the 2011-13 biennium has been reduced \$4.1 million to \$27.2 million due to a decrease in forecasted interest rates.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

09-11: -\$35.0
11-13: \$0.1

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the GF-S and various accounts in support of fire services. The office's forecast for the 2009-11 biennium has been reduced \$35.0 million to \$809.3 million due to lower actual and forecasted premium volume since the February forecast. The office's forecast for the 2011-13 biennium has been increased \$0.1 million to \$894.3 million.

Liquor Control Board

*Forecast
change by
biennium
(millions):*

09-11: \$61.8
11-13: \$116.5

The Liquor Control Board forecasts GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2009-11 biennium has been decreased \$0.8 million to \$73.1million and its forecast for the 2011-13 biennium has been decreased \$1.0 million to \$88.5 million. Due to a temporary increase in the beer surtax enacted under 2ESSB 6143 in the 2010 legislative session, the board's forecast of beer and wine surtaxes for the 2009-11 biennium has been increased \$62.6 million to \$124.1 million and its forecast for the 2011-13 biennium has been increased \$117.5 million to \$180.6 million. The temporary tax increase is scheduled to expire on June 30, 2013.

Lottery Commission

*Forecast
change by
biennium
(millions):*

09-11: \$0.9
11-13: \$0.0

*Starting in FY
2011, the
bulk of
Lottery
proceeds will
go to the
Washington
Opportunity
Pathways
Account*

The disposition of proceeds from the state lottery was substantially changed by E2SSB 6409 in the 2010 legislative session. Prior to the passage of the bill, the Lottery Commission transferred the bulk of its net proceeds to the School Construction Account, and any proceeds remaining after that account and the Stadium, Exhibition Center, Problem Gambling and Economic Development accounts received their allotments was transferred to the GF-S. Under the new legislation, existing obligations to the Stadium/Exhibition Center, Problem Gambling and Economic Development accounts will be maintained, but the remaining revenue, which represents the bulk of the proceeds, will be transferred entirely to the Washington Opportunity Pathways Account, with no transfers to the GF-S. Budget legislation from the 2008 legislative sessions did, however, authorize separate transfers of unclaimed prize revenue to the GF-S for the 2009-11 biennium, which will continue. The forecast of these transfers has been increased \$0.9 million to \$18.2 million. The February forecast did not expect any GF-S revenue transfers in the 2011-13 biennium, so the elimination of future transfers does not change this forecast. The School Construction Account is forecasted to receive \$91.5 million during the current biennium, representing FY 2010 proceeds, and the Opportunity Pathways Account is forecasted to receive \$103.6 million, representing FY 2011 proceeds. The Opportunity Pathways Account is forecasted to receive \$236.6 million in the 2011-13 biennium. Details of the forecast of the distribution of Lottery earnings can be found in Table 3.14.

Administrative Office of the Courts

*Forecast
change by
biennium
(millions):*

09-11: \$0.7
11-13: \$0.0

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties to fund the Public Safety and Education Account (PSEA) and the Equal Justice sub account. Under ESSB 5073, the revenue and activities of these accounts have been consolidated into the GF-S starting July 1, 2009. The forecast of these funds for the 2009-11 biennium has been increased \$0.7 million to \$203.8 million and the forecast for the 2011-13 biennium is unchanged at \$215.2 million.

Track Record for the 2009-11 Biennium

*The June
2010
forecast for
the 2009-11
biennium...*

Table 3.10 summarizes the changes to the GF-S revenue forecast for the 2009-11 biennium. The values of the previous forecasts have been adjusted to reflect the new definition of GF-S under ESSB 5073 (these values were previously classified as

...is \$4.88 billion (14.3%) lower than the initial forecast in February 2008

“GF-S and Related Funds”). The initial forecast for the biennium was released in February 2008. The June forecast for the 2009-11 biennium is \$4.88 billion (14.3%) lower than the initial forecast. Non-economic changes (excluding the classification changes from ESSB 5073) have increased the forecast by \$762 million (2.2%). Excluding non-economic changes, the current forecast is \$5.64 billion (16.5%) lower than the initial forecast. Prior to the current forecast, all forecasts subsequent to the initial forecast had reduced the forecast for the biennium.

The Relationship between the Cash and GAAP General Fund-State Revenue Forecasts

GAAP forecasts are based on the period in which the revenue is earned rather than received

Legislation enacted in 1987 requires that the state’s biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GF-S revenue forecast on both a cash and GAAP basis. The GAAP forecasts of GF-S revenue for the 2009-11 and 2011-13 biennia are presented in Tables 3.6 and 3.8 respectively. The primary difference between the cash and GAAP forecasts is the timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state’s budgetary balance sheet, which is the principal tool for assessing the General Fund’s current surplus or deficit position. References to the GF-S forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.6 and 3.8 are on a cash basis.

Budgetary Balance Sheets for the 2009-11 Biennium

The forecast implies an ending GF-S balance of \$254 million at the end of the 2009-11 biennium

Table 3.11 shows the budgetary balance sheet for the 2009-11 biennium as prepared by the Office of Financial Management and the House and Senate fiscal committees. With adoption of the June 2010 GF-S forecast, the projected total balance at the end of the 2009-11 biennium is \$253.6 million. This is based on a total expenditures level of \$30,465.2 million. The total ending balance is comprised of a projected ending GF-S balance of \$247.8 million and a \$5.8 million balance in the Budget Stabilization Account.

Alternative Forecasts for the 2009-11 and 2011-13 Biennia

<i>Optimistic scenario:</i>	Chapter 2 outlines optimistic and pessimistic alternatives to the baseline Washington economic forecast. The revenue implications of these alternative scenarios are shown in Table 3.12 for the 2009-11 biennium and Table 3.13 for the 2011-13 biennium. The optimistic forecast for the 2009-11 biennium generates \$29,862 million in revenue, \$579 million more than the baseline scenario, while the pessimistic forecast produces \$28,636 million in revenue, \$646 million less than the baseline. The forecast assigns a probability of 85% to the baseline forecast, 5% to the optimistic forecast and 10% to the pessimistic forecast. The optimistic forecast for the 2011-13 biennium generates \$36,624 million in revenue, \$2,541 million more than the baseline scenario, while the pessimist forecast produces \$31,180 million in revenue, \$2,903 million less than the baseline. The forecast also assigns a probability of 85% to the baseline forecast, 5% to the optimistic forecast and 10% to the pessimistic forecast.
2009-11: +\$0.6 billion	
2011-13: +\$2.5 billion	
<i>Pessimistic scenario:</i>	
2009-11: -\$0.6 billion	
2011-13: -\$2.9 billion	
<i>GCEA scenario:</i>	In addition to the official optimistic and pessimistic alternatives, the Economic and Revenue Forecast Council routinely prepares a third alternative forecast. This is prepared by using a scenario developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA) as described in Chapter 2. The GCEA alternative revenue forecast was \$85 million less than the baseline scenario for the 2009-11 biennium and \$440 million less than the baseline scenario for the 2011-13 biennium.
2009-11: -\$0.1 billion	
2011-13: -\$0.4 billion	

Near General Fund Forecasts for the 2009-11 and 2011-13 Biennia

<i>Near General Fund forecast:</i>	ESHB 2687, passed in the 2008 legislative session, charged the Economic and Revenue Forecast Council with forecasting "Near General Fund" revenues as defined by the Legislative Evaluation and Accountability Program (LEAP) Committee. The Committee has defined near general fund accounts as those included in the GF-S plus the Education Legacy Trust Account. The forecast for the Education Legacy Trust account for the 2009-11 biennium has been decreased \$0.7 million to \$359.4 million. This brings the Near General Fund forecast for the biennium to \$29,641.8 million. The forecast of Education Legacy Trust Account revenue for the 2011-13 biennium has been decreased \$0.1 million to \$396.9 million, for a total Near General Fund forecast of \$34,479.8 million.
2009-11: \$29,084.8 million	
2011-13: \$32,621.4 million	

Table 3.3
General Fund-State collections*
(millions of dollars, cash basis)

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	2005 <u>Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$4,300.0	
1963-65	866.2	6.0%	4,439.3	3.2%
1965-67	1,128.6	30.3%	5,565.5	25.4%
1967-69	1,440.5	27.6%	6,658.6	19.6%
1969-71	1,732.7	20.3%	7,324.5	10.0%
1971-73	1,922.1	10.9%	7,517.5	2.6%
1973-75	2,372.4	23.4%	8,015.4	6.6%
1975-77	3,395.0	43.1%	9,977.1	24.5%
1977-79	4,490.0	32.3%	11,583.4	16.1%
1979-81	5,356.4	19.3%	11,500.8	-0.7%
1981-83	6,801.4	27.0%	12,722.0	10.6%
1983-85	8,202.4	20.6%	14,157.7	11.3%
1985-87	9,574.6	16.7%	15,577.2	10.0%
1987-89	10,934.1	14.2%	16,513.6	6.0%
1989-91	13,309.0	21.7%	18,481.9	11.9%
1991-93	14,862.2	11.7%	19,334.5	4.6%
1993-95	16,564.6	11.5%	20,630.3	6.7%
1995-97	17,637.7	6.5%	21,047.7	2.0%
1997-99	19,620.1	11.2%	22,737.1	8.0%
1999-01	21,262.1	8.4%	23,692.8	4.2%
2001-03	21,140.7	-0.6%	22,776.9	-3.9%
2003-05	23,388.5	10.6%	24,094.0	5.8%
2005-07	27,772.0	18.7%	27,024.1	12.2%
2007-09	27,703.0	-0.2%	25,589.3	-5.3%
2009-11 ^F	29,282.4	5.7%	26,362.2	3.0%
2011-13 ^F	34,082.9	16.4%	29,944.5	13.6%

^F June 2010 Forecast. Reflects new definition of General Fund-State per ESSB 5073

*Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes.

Source: Department of Revenue, the Office of Financial Management and the Economic and Revenue Forecast Council 's June 2010 forecast.

Table 3.4
Taxable retail sales*
(millions of dollars)

Fiscal Year	Amount	Percent Change
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008	118,676	2.7%
2009	106,379	-10.4%
2010 ^F	101,812	-4.3%
2011 ^F	112,892	10.9%
2012 ^F	119,996	6.3%
2013 ^F	126,999	5.8%

^F Forecast

Source: ERFC

* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Reported totals affected by enacted legislation. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984); extension of the sales tax base to candy, gum and bottled water (2010:3 to end of forecast period).

Table 3.5

Comparison of the General Fund-State forecast by agency

2009-11 biennium; cash basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Feb. 2010 Forecast¹</u>	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>June 2010 Forecast²</u>	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$13,878.6	\$46.0	(\$205.9)	\$13,718.7	(\$159.9)
Business & Occupation Use	5,304.4	552.9	145.1	6,002.4	698.0
Public Utility	920.0	0.0	2.7	922.7	2.7
Liquor Sales/Liter	749.3	0.0	(17.2)	732.2	(17.2)
Cigarette	401.9	0.0	0.0	401.9	0.0
Property (State Levy)	578.2	95.8	10.0	684.0	105.8
Real Estate Excise	3,644.6	(0.0)	(2.1)	3,642.5	(2.1)
Timber Excise	967.6	4.4	(125.1)	846.8	(120.8)
Other	7.3	0.0	0.1	7.4	0.1
Subtotal	793.5	49.6	(0.0)	843.2	49.6
	27,245.4	748.7	(192.3)	27,801.8	556.4
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.8	(6.3)	0.0	38.5	(6.3)
<i>Insurance Commissioner</i>					
Insurance Premiums	844.3	0.0	(35.0)	809.3	(35.0)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	74.0	(0.5)	(0.3)	73.1	(0.8)
Beer & Wine Surtax	61.5	62.6	(0.0)	124.1	62.6
<i>Lottery Commission</i>					
Lottery Revenue	17.3	0.0	0.9	18.2	0.9
<i>State Treasurer</i>					
Interest Earnings	(7.2)	0.0	0.6	(6.6)	0.6
<i>Office of Financial Management</i>					
Other	241.6	(2.1)	(19.4)	220.1	(21.5)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	203.1	0.0	0.7	203.8	0.7
<u>Total General Fund-State *</u>	\$28,724.7	\$802.4	(\$244.8)	\$29,282.4	\$557.6

1 Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council in February 2010.

2 Forecast for the 2009-11 biennium, adopted June 2010.

*Detail may not add to totals because of rounding.

Source: ERFC, Department of Licensing, Insurance Commissioner, Lottery Commission, Office of the State Treasurer, Liquor Control Board, Office of Financial Management

Table 3.6

Comparison of the General Fund-State forecast by agency

2009-11 biennium; GAAP basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Feb. 2010 Forecast</u>¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>June 2010 Forecast</u>²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$13,856.9	\$46.0	(\$205.9)	\$13,697.0	(\$159.9)
Business & Occupation	5,284.1	552.9	145.1	5,982.1	698.0
Use	921.4	0.0	2.8	924.2	2.8
Public Utility	750.1	0.0	(17.9)	732.2	(17.9)
Liquor Sales/Liter	401.9	0.0	0.0	401.9	0.0
Cigarette	577.4	95.8	10.7	684.0	106.5
Property (State Levy)	3,644.3	(0.0)	(1.8)	3,642.5	(1.8)
Real Estate Excise	967.9	4.4	(125.6)	846.7	(121.2)
Timber Excise	6.6	0.0	0.6	7.3	0.6
Other	793.9	49.6	(0.1)	843.4	49.5
Subtotal	27,204.7	748.7	(192.1)	27,761.3	556.6
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.8	(6.3)	0.0	38.5	(6.3)
<i>Insurance Commissioner</i>					
Insurance Premiums	844.3	0.0	(35.0)	809.3	(35.0)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	74.0	(0.5)	(0.3)	73.1	(0.8)
Beer & Wine Surtax	61.5	62.6	(0.0)	124.1	62.6
<i>Lottery Commission</i>					
Lottery Revenue	15.3	0.0	0.9	16.2	0.9
<i>State Treasurer</i>					
Interest Earnings	(10.0)	0.0	0.6	(9.4)	0.6
<i>Office of Financial Management</i>					
Other	241.6	(2.1)	(19.4)	220.1	(21.5)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	203.1	0.0	0.7	203.8	0.7
<u>Total General Fund-State*</u>	\$28,679.3	\$802.4	(\$244.6)	\$29,237.1	\$557.8

1 Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council in February 2010.

2 Forecast for the 2009-11 biennium, adopted June 2010.

*Detail may not add to totals because of rounding.

Source: ERFC, Department of Licensing, Insurance Commissioner, Lottery Commission, Office of the State Treasurer, Liquor Control Board, Office of Financial Management

Table 3.7

Comparison of the General Fund-State forecast by agency

2011-13 biennium; cash basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Feb. 2010 Forecast¹</u>	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>June 2010 Forecast²</u>	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$15,669.9	\$120.6	\$79.0	\$15,869.5	\$199.6
Business & Occupation Use	6,251.1	1,142.2	180.9	7,574.1	1,323.0
Public Utility	1,113.1	0.0	8.7	1,121.8	8.7
Liquor Sales/Liter	808.4	0.0	(6.6)	801.8	(6.6)
Cigarette	426.0	0.0	(0.0)	426.0	(0.0)
Property (State Levy)	554.6	172.9	0.7	728.2	173.6
Real Estate Excise	3,811.5	(0.0)	(10.6)	3,800.9	(10.6)
Timber Excise	1,152.2	9.8	(48.0)	1,113.9	(38.3)
Other	5.1	0.0	(0.2)	4.9	(0.2)
Subtotal	866.4	110.3	14.7	991.4	125.0
	30,658.3	1,555.7	218.6	32,432.6	1,774.3
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	47.5	(7.6)	0.1	40.0	(7.5)
<i>Insurance Commissioner</i>					
Insurance Premiums	894.2	0.0	0.1	894.3	0.1
<i>Liquor Control Board</i>					
Liquor Profits and Fees	89.4	(0.2)	(0.7)	88.5	(1.0)
Beer & Wine Surtax	63.2	117.5	0.0	180.6	117.5
<i>Lottery Commission</i>					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
<i>State Treasurer</i>					
Interest Earnings	31.3	0.0	(4.1)	27.2	(4.1)
<i>Office of Financial Management</i>					
Other	225.3	(4.2)	(16.6)	204.5	(20.8)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	215.2	0.0	(0.0)	215.2	(0.0)
<u>Total General Fund-State *</u>	\$32,224.5	\$1,661.0	\$197.4	\$34,082.9	\$1,858.4

1 Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council in February 2010.

2 Forecast for the 2011-13 biennium, adopted June 2010.

*Detail may not add to totals because of rounding.

Source: ERFC, Department of Licensing, Insurance Commissioner, Lottery Commission, Office of the State Treasurer, Liquor Control Board, Office of Financial Management

Table 3.8

Comparison of the General Fund-State forecast by agency

2011-13 biennium; GAAP basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Feb. 2010 Forecast¹</u>	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>June 2010 Forecast²</u>	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$15,649.9	\$120.6	\$79.0	\$15,849.5	\$199.6
Business & Occupation Use	6,231.1	1,142.2	180.9	7,554.1	1,323.0
Public Utility	1,093.1	0.0	8.7	1,101.8	8.7
Liquor Sales/Liter	809.0	0.0	(6.6)	802.4	(6.6)
Cigarette	426.0	0.0	0.0	426.0	0.0
Property (State Levy)	554.6	172.9	0.7	728.2	173.6
Real Estate Excise	3,811.5	(0.0)	(10.6)	3,800.9	(10.6)
Timber Excise	1,152.2	9.8	(48.0)	1,113.9	(38.3)
Other	4.7	0.0	(0.2)	4.5	(0.2)
Subtotal	866.8	110.3	14.7	991.8	125.0
	30,598.9	1,555.7	218.6	32,373.2	1,774.3
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	47.5	(7.6)	0.1	40.0	(7.5)
<i>Insurance Commissioner</i>					
Insurance Premiums	894.2	0.0	0.1	894.3	0.1
<i>Liquor Control Board</i>					
Liquor Profits and Fees	89.4	(0.2)	(0.7)	88.5	(1.0)
Beer & Wine Surtax	63.2	117.5	0.0	180.6	117.5
<i>Lottery Commission</i>					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
<i>State Treasurer</i>					
Interest Earnings	34.0	0.0	(4.3)	29.7	(4.3)
<i>Office of Financial Management</i>					
Other	225.3	(4.2)	(16.6)	204.5	(20.8)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	215.2	0.0	(0.0)	215.2	(0.0)
<u>Total General Fund-State *</u>	\$32,167.7	\$1,661.0	\$197.2	\$34,026.0	\$1,858.3

1 Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council in February 2010.

2 Forecast for the 2011-13 biennium, adopted June 2010.

*Detail may not add to totals because of rounding.

Source: ERFC, Department of Licensing, Insurance Commissioner, Lottery Commission, Office of the State Treasurer, Liquor Control Board, Office of Financial Management

Table 3.9
June 2010 General Fund-State Forecast
2009-11 & 2011-13 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2009	2007-09 Biennium	Fiscal 2010	Fiscal 2011	2009-11 Biennium	Fiscal 2012	Fiscal 2013	2011-13 Biennium
State Taxes								
Retail sales***	\$6,870.2	\$14,575.4	\$6,459.5	\$7,259.2	\$13,718.7	\$7,760.8	\$8,108.7	\$15,869.5
Business & occupation [#]	2,558.2	5,344.5	2,644.7	3,357.7	6,002.4	3,670.0	3,904.1	7,574.1
Use***	460.0	971.2	428.1	494.6	922.7	545.5	576.3	1,121.8
Public Utility	373.7	741.5	356.5	375.6	732.2	391.5	410.4	801.8
Liquor sales/liter ^{##}	162.5	319.8	198.0	203.9	401.9	209.9	216.1	426.0
Beer & wine surtax ^{##}	2.4	4.5	35.3	88.9	124.1	89.8	90.9	180.6
Cigarette ^{##}	47.8	99.2	314.5	369.4	684.0	366.3	361.8	728.2
Tobacco products ^{##}	11.1	1.8	32.7	42.1	74.7	44.6	46.3	90.9
Property (state school levy)**	1,513.8	2,987.5	1,806.6	1,835.9	3,642.5	1,877.0	1,923.9	3,800.9
Public utility district	42.2	83.9	42.9	46.2	89.1	47.4	48.5	95.9
Real estate excise	389.1	1,052.4	378.7	468.1	846.8	544.6	569.3	1,113.9
Timber excise	5.4	12.7	3.8	3.6	7.4	2.7	2.2	4.9
Estate/inheritance	0.6	4.7	0.1	0.4	0.5	0.6	0.9	1.5
Boat excise	17.2	34.8	11.4	17.7	29.1	15.0	15.6	30.7
Insurance premiums ^{##}	252.7	513.2	396.4	412.9	809.3	436.5	457.7	894.3
Other ^{##}	221.4	481.8	244.6	302.1	546.7	320.3	335.7	656.0
Total Taxes	12,928.3	27,228.8	13,353.9	15,278.4	28,632.3	16,322.6	17,068.3	33,390.9
State Non-Tax Sources								
Licenses, permits, fees ^{##}	95.1	192.6	87.2	92.1	179.3	91.8	95.1	186.9
Liquor profits & fees	40.8	79.7	34.9	38.2	73.1	41.5	47.0	88.5
Earnings on investments ^{##}	58.8	175.4	1.5	(8.1)	(6.6)	7.1	20.1	27.2
Lottery transfers	11.1	11.1	12.9	5.2	18.2	0.0	0.0	0.0
Other revenue & transfers ^{###}	(45.0)	15.4	189.6	196.4	386.0	190.7	198.7	389.5
Total Non-Tax	160.8	474.1	326.1	323.9	650.1	331.1	360.9	692.0
Total General Fund-State *	\$13,089.1	\$27,703.0	\$13,680.0	\$15,602.4	\$29,282.4	\$16,653.7	\$17,429.2	\$34,082.9

a - Actual;

* Detail may not add to totals due to rounding

**General Fund-State portion of the state levy AFTER transfers to the Student Achievement Account prior to FY10

***GFS portion after Initiative 900 transfer

#Includes Hospital B&O for FY10-13

FY10-13 Amounts include revenue that went into "related Funds" prior to FY10

FY10-13 Amounts include funds that previously went into the PSEA and Equal Justice Subaccount

Table 3.10
Track Record for the 2009-11 General Fund-State Cash Forecast
 February 2008 through June 2010
 Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis#</u>
February 2008 ##	\$32,443	\$1,715				\$34,158
Changes to Forecast						
June 2008	(85)	(28)	(112)	(46) #1	(158)	34,000
September 2008	(238)	(29)	(267)	0	(267)	33,733
November 2008	(1,376)	(77)	(1,453)	36 #2	(1,417)	32,316
March 2009	(2,030)	(94)	(2,124)	(61) #3	(2,185)	30,131
June 2009	(509)	(15)	(523)	226 #4	(297)	29,834
September 2009	(177)	(8)	(185)	(46) #5	(231)	29,603
November 2009	(752)	(8)	(760)	0	(760)	28,843
February 2010	9	23	32	(150) #6	(118)	28,725
June 2010	(192)	(52)	(245)	802 #7	558	29,282
Total change***:						
From February 2008	(5,349)	(288)	(5,637)	762	(4,876)	
Percent change	(16.5)	(16.8)	(16.5)	2.2	(14.3)	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

#1 Impact of 2008 legislation and budget driven revenue.

#2 Expiration of Sales Tax Exemption on Renewable Energy Equipment.

#3 Adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales.

#4 Sum of 2009 legislation and budget-driven revenue.

#5 Effects of Supreme Court decision on B&O taxes on interest earnings.

#6 Effects of Supreme Court decision on B&O tax exemption for certain direct sellers minus expected assessment payments.

#7 Sum of 2010 legislation and budget-driven revenue plus expected assessment payments, DOR fee change and DOL non-economic changes

**2009-11 Enacted Budget Balance Sheet
Including 2010 Supplemental
General Fund-State**

Dollars in Millions

RESOURCES	
Beginning Fund Balance	\$ 189.3
February 2010 Update	\$ 28,724.7
2010 Legislation with Revenue Impacts	\$ 761.0
June 2010 Update	\$ (202.8)
Current Revenue Totals	\$ 29,282.9
Transfer to Budget Stabilization Account	\$ (258.5)
2009 Session	
Enacted Fund Transfers	\$ 918.2
Transfer from Budget Stabilization Account	\$ 45.1
2010 Session	
Enacted Fund Transfers	\$ 328.3
Governor's Vetoes of Fund Transfers to and from GFS	\$ (20.7)
Transfer from Budget Stabilization Account (HB 3197)	\$ 229.0
Budget Driven Revenue	\$ (0.5)
Total Resources (including beginning fund balance)	\$ 30,713.1
EXPENDITURES	
2009-11 Enacted Budgets	\$ 30,918.1
2010 Supplemental Budgets	
HB 2921	\$ (45.4)
ESSB 6444	\$ (414.3)
Governor's Vetoes of ESSB 6444	\$ 6.8
Total Expenditures	\$ 30,465.2
RESERVES	
Projected General Fund Ending Balance	\$ 247.8
Budget Stabilization Account Beginning Balance	\$ 21.4
Transfer from General Fund and Interest Earnings	\$ 258.5
Transfer to General Fund	\$ (274.1)
Projected Budget Stabilization Account Ending Balance	\$ 5.8
Total Reserves (General Fund plus Budget Stabilization)	\$ 253.6

Table 3.12

**Alternative forecasts compared to the baseline forecast
2009-11 biennium**

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$14,008.7	\$13,718.7	\$13,385.8
Business & Occupation Use	6,141.7	6,002.4	5,859.0
Public Utility	949.1	922.7	890.4
Property (school levy)	740.9	732.2	721.2
Real Estate Excise	3,652.9	3,642.5	3,631.9
Other	874.9	846.8	802.6
Subtotal	1,969.2	1,936.4	1,897.2
	28,337.4	27,801.8	27,188.0
Department of Licensing	39.7	38.5	37.4
Insurance Commissioner¹	819.6	809.3	799.0
Lottery Commission	18.2	18.2	18.2
State Treasurer - Interest earnings	8.5	(6.6)	(9.8)
Liquor Profits & Fees²	201.2	197.3	193.3
Office of Financial Management			
Other agencies	230.1	220.1	210.1
Administrative Office of the Courts			
Fines and Forfeitures	207.0	203.8	199.9
Total General Fund - State*	\$29,861.7	\$29,282.4	\$28,636.1
Difference from February 2010 Baseline	\$579.3		(\$646.3)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Source: ERFC, Department of Licensing, Insurance Commissioner, Lottery Commission, Office of the State Treasurer, Liquor Control Board, Office of Financial Management

Table 3.13

**Alternative forecasts compared to the baseline forecast
2011-13 biennium**

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$17,168.5	\$15,869.5	\$14,372.7
Business & Occupation Use	8,170.1	7,574.1	6,872.8
Public Utility	1,226.4	1,121.8	1,000.1
Property (school levy)	832.2	801.8	768.9
Real Estate Excise	3,826.8	3,800.9	3,774.1
Other	1,455.6	1,113.9	836.8
Subtotal	2,200.9	2,150.5	1,977.2
	34,880.5	32,432.6	29,602.6
Department of Licensing	41.2	40.0	38.8
Insurance Commissioner¹	916.6	894.3	871.9
Lottery Commission	0.0	0.0	0.0
State Treasurer - Interest earnings	69.4	27.2	10.1
Liquor Profits & Fees²	274.5	269.1	263.7
Office of Financial Management			
Other agencies	214.5	204.5	194.5
Administrative Office of the Courts			
Fines and Forfeitures	227.2	215.2	198.3
Total General Fund - State*	\$36,624.0	\$34,082.9	\$31,180.0
Difference from February 2010 Baseline	\$2,541.1		(\$2,902.9)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Source: ERFC, Department of Licensing, Insurance Commissioner, Lottery Commission, Office of the State Treasurer, Liquor Control Board, Office of Financial Management

Table 3.14

Lottery transfers by fund
(cash basis, millions of dollars)

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0
2010	122.4	12.9	5.1	9.2	0.0	91.5	0.3	3.4	0.0
2011	127.0	5.2	5.3	9.6	0.0	0.0	0.3	3.0	103.6
2009-11 Biennium	249.4	18.2	10.4	18.8	0.0	91.5	0.5	6.4	103.6
2012	132.3	0.0	2.7	10.0	0.0	0.0	0.3	3.0	116.4
2013	133.9	0.0	0.0	10.4	0.0	0.0	0.3	3.0	120.3
2011-13 Biennium	266.3	0.0	2.7	20.4	0.0	0.0	0.5	6.0	236.6

* Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)

Source: Lottery Commission

Table 3.15

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

June 2010 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund	
	Level	% Change	Level	% Change	Level	% Change
History:						
FY 1995	\$8,551		\$248		\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%
Forecast:						
FY 2010*	\$13,680	4.5%	\$0	-100.0%	\$13,680	-3.4%
FY 2011*	\$15,602	14.1%	\$0	0.0%	\$15,602	14.1%
FY 2012*	\$16,654	6.7%	\$0	0.0%	\$16,654	6.7%
FY 2013*	\$17,429	4.7%	\$0	0.0%	\$17,429	4.7%
<u>Biennial Totals</u>						
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%
09-11 Biennium	\$29,282	5.7%	\$0	-100.0%	\$29,282	-1.8%
11-13 Biennium	\$34,083	16.4%	\$0	0.0%	\$34,083	16.4%

*FY 2010-13: New definition of GF-S per ESSB 5073 which includes funds previously classified as the "Related Fund"

Table 3.16

Legislation Affecting General Fund-State Revenue Passed in the 2010 Legislative Session

(Change in GF-S revenue, millions of dollars)

Bill Number	Description	FY 2010	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
SHB 2402	Farmers market property tax exemption	\$0.000	(\$0.002)	(\$0.002)	(\$0.002)	(\$0.001)	(\$0.003)
2SHB 2436	Vehicle license fraud reduction	0.000	0.681	0.681	0.718	0.758	1.475
ESHB 2493	Cigarette and tobacco taxation	7.185	94.192	101.377	98.489	99.267	197.756
2SHB 2551	WA vaccine association	0.000	(0.700)	(0.700)	(0.700)	(0.700)	(1.400)
SHB 2620	Excise taxation	(0.087)	(0.853)	(0.940)	(0.743)	(0.583)	(1.326)
EHB 2672	Aluminum smelters/tax relief	0.000	0.000	0.000	(1.354)	(3.411)	(4.765)
ESHB 3014	Rural county investment projects	0.000	(7.788)	(7.788)	(6.961)	(6.741)	(13.702)
ESSB 5902	Persons with disabilities	0.000	(0.034)	(0.034)	(0.034)	(0.034)	(0.068)
2ESSB 6143	Excise tax law modifications	57.067	614.287	671.354	703.920	785.301	1,489.221
	Business and Occupation Tax	51.822	448.100	499.922	528.316	602.618	1,130.934
	Retail Sales Tax	0.380	67.098	67.478	72.554	78.911	151.465
	Real Estate Excise Tax	0.000	4.361	4.361	4.703	5.051	9.754
	Public Utilities District Tax	0.091	1.091	1.182	1.113	1.135	2.248
	Carbonated Beverage Tax	0.000	35.774	35.774	38.793	38.560	77.353
	Beer Tax	4.774	57.863	62.637	58.441	59.026	117.467
SB 6206	Tax incentive accountability	0.000	(0.339)	(0.339)	(0.339)	(0.339)	(0.678)
SSB 6339	Wax and ceramic materials	0.000	(0.173)	(0.173)	(0.199)	(0.209)	(0.408)
E2SSB 6504	Crime victims' compensation	0.000	(2.668)	(2.668)	(2.668)	(2.668)	(5.336)
E2SSB 6609	Local government infrastructure	0.000	0.000	0.000	0.000	(1.950)	(1.950)
SSB 6614	Bonneville power admin	(0.023)	(0.270)	(0.293)	(0.284)	(0.298)	(0.582)
SSB 6712	Extending tax incentives	0.000	(0.222)	(0.222)	(0.957)	(1.102)	(2.059)
SSB 6846	Enhanced 911 services	0.000	0.207	0.207	0.639	0.658	1.297
SB 6855	Community center taxation	0.000	0.010	0.010	0.040	0.041	0.081
ESSB 6444	Operating Supplemental Budget 2010		0.550	0.550	0.550	0.550	1.100
	Budget-driven revenue - LCB		(0.537)	(0.537)	0.000	0.000	0.000
Total GF-S Revenue Impact		\$64.142	\$696.340	\$760.482	\$790.115	\$868.538	\$1,658.653

Source: Office of Financial Management; ERFC

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Detail Components of the Washington State Economic and Revenue Forecast

Calendar Years

Note: The economic data discussed in these tables were current at the time the forecast was prepared. Many concepts including real GDP have changed since then due to new releases and data revisions.

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,976.3	13,254.1	13,312.2	12,987.4	13,409.4	13,825.9	14,296.0	14,753.4
% Ch	2.7	2.1	0.4	-2.4	3.2	3.1	3.4	3.2
Real Consumption	9,073.5	9,313.9	9,290.9	9,235.1	9,473.3	9,771.1	10,075.5	10,356.2
% Ch	2.9	2.6	-0.2	-0.6	2.6	3.1	3.1	2.8
Real Nonresidential Fixed Investment	1,453.9	1,544.3	1,569.7	1,291.0	1,331.9	1,437.5	1,575.2	1,705.8
% Ch	7.9	6.2	1.6	-17.8	3.2	7.9	9.6	8.3
Real Residential Fixed Investment	718.2	585.0	451.1	358.7	369.3	455.5	561.2	595.9
% Ch	-7.3	-18.5	-22.9	-20.5	2.9	23.4	23.2	6.2
Real Personal Income	10,966.4	11,273.4	11,225.4	11,002.6	11,181.2	11,552.7	11,952.8	12,343.3
% Ch	4.6	2.8	-0.4	-2.0	1.6	3.3	3.5	3.3
Real Per Capita Income (\$/Person)	36,653	37,317	36,821	35,741	35,968	36,807	37,717	38,576
% Ch	3.6	1.8	-1.3	-2.9	0.6	2.3	2.5	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.055	1.090	1.092	1.110	1.129	1.149	1.171
% Ch	2.7	2.7	3.4	0.2	1.6	1.7	1.8	2.0
U.S. Consumer Price Index (1982-84=1.0)	2.016	2.073	2.152	2.145	2.181	2.217	2.262	2.313
% Ch	3.2	2.9	3.8	-0.3	1.7	1.7	2.0	2.2
Employment Cost Index (Dec. 2005=1.0)	1.020	1.055	1.087	1.104	1.125	1.148	1.172	1.201
% Ch	2.9	3.4	3.0	1.5	2.0	2.0	2.1	2.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,398.9	14,077.7	14,441.4	14,256.3	14,886.4	15,608.7	16,422.5	17,271.1
% Ch	6.0	5.1	2.6	-1.3	4.4	4.9	5.2	5.2
Personal Income	11,268.1	11,894.1	12,238.8	12,019.0	12,414.1	13,039.6	13,729.7	14,460.5
% Ch	7.5	5.6	2.9	-1.8	3.3	5.0	5.3	5.3
Employment (Millions)								
U.S. Civilian Labor Force	151.4	153.1	154.3	154.2	154.8	156.5	158.1	159.8
Total U.S. Employment	144.4	146.0	145.4	139.9	139.7	142.7	146.0	149.5
Unemployment Rate (%)	4.61	4.61	5.82	9.28	9.72	8.86	7.64	6.44
Nonfarm Payroll Employment	136.09	137.59	136.78	130.91	130.41	132.96	136.61	139.89
% Ch	1.8	1.1	-0.6	-4.3	-0.4	2.0	2.7	2.4
Manufacturing	14.16	13.88	13.40	11.88	11.76	12.26	12.76	13.07
% Ch	-0.5	-2.0	-3.4	-11.3	-1.0	4.3	4.1	2.4
Durable Manufacturing	8.98	8.81	8.46	7.31	7.23	7.67	8.11	8.42
% Ch	0.3	-1.9	-3.9	-13.6	-1.1	6.1	5.8	3.8
Nondurable Manufacturing	5.17	5.07	4.94	4.57	4.53	4.60	4.65	4.65
% Ch	-1.8	-2.0	-2.6	-7.4	-0.9	1.4	1.2	0.0
Construction	7.69	7.63	7.16	6.04	5.52	5.51	5.86	6.26
% Ch	4.9	-0.8	-6.1	-15.7	-8.5	-0.1	6.2	7.0
Service-Producing	113.55	115.36	115.45	112.29	112.43	114.51	117.33	119.89
% Ch	1.8	1.6	0.1	-2.7	0.1	1.8	2.5	2.2
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	66.1	72.2	99.8	61.8	75.9	78.9	81.4	83.3
Personal Saving/Disposable Income (%)	2.4	1.7	2.7	4.2	3.6	3.1	2.5	1.7
Auto Sales (Millions)	7.8	7.6	6.8	5.4	6.1	7.1	8.3	9.0
% Ch	1.3	-2.6	-10.6	-20.4	11.7	17.9	16.7	8.3
Housing Starts (Millions)	1.812	1.342	0.900	0.554	0.689	1.162	1.558	1.731
% Ch	-12.6	-25.9	-32.9	-38.4	24.2	68.8	34.0	11.1
Federal Budget Surplus (Billions)	-203.8	-236.5	-642.6	-1,226.5	-1,334.8	-1,010.5	-896.8	-721.7
Net Exports (Billions)	-769.3	-713.8	-707.8	-392.3	-475.4	-518.1	-539.6	-517.4
3-Month Treasury Bill Rate (%)	4.72	4.38	1.40	0.15	0.22	1.30	3.17	3.65
10-Year Treasury Note Yield (%)	4.79	4.63	3.67	3.26	3.56	3.76	4.50	4.86
Bond Index of 20 G.O. Munis. (%)	4.40	4.39	4.86	4.62	4.36	4.52	5.16	5.33
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.91	5.15	5.94	6.30

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,366.9	13,415.3	13,324.6	13,141.9	12,925.4	12,901.5	12,973.0	13,149.5
% Ch , Annual Rate	-0.7	1.5	-2.7	-5.4	-6.4	-0.7	2.2	5.6
Real Consumption	9,349.6	9,351.0	9,267.7	9,195.3	9,209.2	9,189.0	9,252.6	9,289.5
% Ch , Annual Rate	-0.6	0.1	-3.5	-3.1	0.6	-0.9	2.8	1.6
Real Nonresidential Fixed Investment	1,598.9	1,604.4	1,579.2	1,496.1	1,321.2	1,288.4	1,269.0	1,285.5
% Ch , Annual Rate	1.9	1.4	-6.1	-19.4	-39.2	-9.6	-5.9	5.3
Real Residential Fixed Investment	483.2	462.9	443.3	415.0	367.9	344.4	359.6	362.9
% Ch , Annual Rate	-28.2	-15.8	-15.9	-23.2	-38.2	-23.2	18.9	3.7
Real Personal Income	11,245.5	11,275.7	11,142.0	11,238.3	11,021.5	11,072.8	10,962.7	10,953.3
% Ch , Annual Rate	-2.2	1.1	-4.7	3.5	-7.5	1.9	-3.9	-0.3
Real Per Capita Income (\$/Person)	37,016	37,032	36,504	36,730	35,934	36,013	35,568	35,450
% Ch , Annual Rate	-3.0	0.2	-5.6	2.5	-8.4	0.9	-4.9	-1.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.090	1.103	1.089	1.085	1.088	1.095	1.102
% Ch , Annual Rate	3.7	3.9	4.7	-5.0	-1.5	1.4	2.6	2.5
U.S. Consumer Price Index (1982-84=1.0)	2.128	2.156	2.189	2.137	2.125	2.135	2.154	2.168
% Ch , Annual Rate	4.7	5.2	6.4	-9.2	-2.2	1.9	3.7	2.6
Employment Cost Index (Dec. 2005=1.0)	1.076	1.084	1.091	1.096	1.098	1.101	1.105	1.110
% Ch , Annual Rate	3.4	3.0	2.6	1.8	0.7	1.1	1.5	1.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,373.9	14,497.8	14,546.7	14,347.3	14,178.0	14,151.2	14,242.1	14,453.8
% Ch , Annual Rate	1.0	3.5	1.4	-5.4	-4.6	-0.8	2.6	6.1
Personal Income	12,142.2	12,292.9	12,286.6	12,233.5	11,952.7	12,048.8	12,005.2	12,069.4
% Ch , Annual Rate	1.4	5.1	-0.2	-1.7	-8.9	3.3	-1.4	2.2
Employment (Millions)								
U.S. Civilian Labor Force	153.9	154.2	154.6	154.7	154.2	154.8	154.2	153.5
Total U.S. Employment	146.3	146.0	145.2	143.9	141.6	140.5	139.3	138.1
Unemployment Rate (%)	4.97	5.30	6.03	6.97	8.17	9.27	9.63	10.03
Nonfarm Payroll Employment	137.90	137.49	136.70	135.02	132.81	131.11	130.08	129.64
% Ch , Annual Rate	0.1	-1.2	-2.3	-4.8	-6.4	-5.0	-3.1	-1.3
Manufacturing	13.69	13.57	13.36	12.98	12.38	11.92	11.69	11.55
% Ch , Annual Rate	-1.5	-3.4	-6.0	-10.9	-17.4	-14.0	-7.6	-4.4
Durable Manufacturing	8.67	8.58	8.44	8.16	7.70	7.33	7.15	7.05
% Ch , Annual Rate	-1.8	-3.9	-6.6	-12.6	-20.6	-17.8	-9.4	-5.6
Nondurable Manufacturing	5.02	4.99	4.93	4.83	4.68	4.59	4.53	4.50
% Ch , Annual Rate	-1.0	-2.7	-4.8	-7.9	-11.9	-7.5	-4.7	-2.5
Construction	7.44	7.28	7.11	6.82	6.43	6.11	5.88	5.73
% Ch , Annual Rate	-4.7	-8.0	-9.4	-15.3	-21.0	-18.3	-14.0	-10.3
Service-Producing	116.02	115.88	115.45	114.45	113.27	112.38	111.83	111.69
% Ch , Annual Rate	0.6	-0.5	-1.4	-3.4	-4.1	-3.1	-2.0	-0.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.9	123.8	118.3	59.1	43.2	59.7	68.1	76.0
Personal Saving/Disposable Income (%)	1.2	3.4	2.2	3.8	3.7	5.4	3.9	3.7
Auto Sales (Millions)	7.5	7.6	6.7	5.4	4.8	4.9	6.4	5.7
% Ch , Annual Rate	-12.8	4.7	-40.7	-58.3	-37.3	6.6	194.0	-37.5
Housing Starts (Millions)	1.064	1.011	0.862	0.663	0.530	0.537	0.586	0.565
% Ch , Annual Rate	-30.7	-18.6	-47.0	-65.1	-59.3	5.4	42.2	-13.8
Federal Budget Surplus (Billions)	-433.5	-796.9	-665.7	-674.1	-969.1	-1,268.9	-1,353.6	-1,314.3
Net Exports (Billions)	-744.4	-738.7	-757.5	-590.5	-378.5	-339.1	-402.2	-449.5
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.33	0.21	0.17	0.16	0.06
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.25	2.74	3.31	3.52	3.46
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.73	4.52	4.26
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,248.2	13,362.6	13,461.7	13,564.9	13,665.5	13,770.2	13,879.1	13,988.8
% Ch , Annual Rate	3.0	3.5	3.0	3.1	3.0	3.1	3.2	3.2
Real Consumption	9,368.7	9,422.9	9,505.6	9,595.8	9,665.0	9,730.0	9,802.5	9,886.8
% Ch , Annual Rate	3.5	2.3	3.6	3.9	2.9	2.7	3.0	3.5
Real Nonresidential Fixed Investment	1,295.4	1,326.1	1,344.2	1,361.8	1,395.9	1,424.2	1,454.5	1,475.5
% Ch , Annual Rate	3.1	9.8	5.6	5.3	10.4	8.4	8.8	5.9
Real Residential Fixed Investment	352.8	370.7	370.1	383.5	405.7	437.7	471.6	507.3
% Ch , Annual Rate	-10.7	21.9	-0.7	15.3	25.2	35.5	34.7	33.9
Real Personal Income	11,011.5	11,127.8	11,250.1	11,335.5	11,423.9	11,500.3	11,596.0	11,690.5
% Ch , Annual Rate	2.1	4.3	4.5	3.1	3.2	2.7	3.4	3.3
Real Per Capita Income (\$/Person)	35,552	35,840	36,146	36,333	36,529	36,685	36,902	37,113
% Ch , Annual Rate	1.1	3.3	3.5	2.1	2.2	1.7	2.4	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.106	1.108	1.111	1.116	1.122	1.126	1.131	1.136
% Ch , Annual Rate	1.5	0.6	1.1	1.8	2.0	1.7	1.6	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.176	2.175	2.181	2.192	2.202	2.212	2.222	2.233
% Ch , Annual Rate	1.5	-0.2	1.0	2.0	2.0	1.8	1.8	1.9
Employment Cost Index (Dec. 2005=1.0)	1.114	1.123	1.129	1.135	1.139	1.145	1.150	1.156
% Ch , Annual Rate	1.4	3.4	2.1	1.8	1.8	1.9	1.9	2.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,601.4	14,815.5	14,991.9	15,136.7	15,329.3	15,514.4	15,700.1	15,890.8
% Ch , Annual Rate	4.1	6.0	4.8	3.9	5.2	4.9	4.9	4.9
Personal Income	12,178.9	12,327.7	12,498.8	12,651.0	12,814.1	12,954.8	13,114.5	13,275.1
% Ch , Annual Rate	3.7	5.0	5.7	5.0	5.3	4.5	5.0	5.0
Employment (Millions)								
U.S. Civilian Labor Force	153.5	154.8	155.2	155.5	155.9	156.3	156.8	157.2
Total U.S. Employment	138.6	139.6	140.1	140.6	141.4	142.2	143.1	143.9
Unemployment Rate (%)	9.70	9.85	9.73	9.59	9.31	9.02	8.71	8.41
Nonfarm Payroll Employment	129.70	130.38	130.58	130.98	131.68	132.51	133.37	134.28
% Ch , Annual Rate	0.2	2.1	0.6	1.2	2.2	2.6	2.6	2.7
Manufacturing	11.57	11.70	11.81	11.97	12.05	12.21	12.33	12.47
% Ch , Annual Rate	0.6	4.4	3.9	5.4	2.7	5.4	4.1	4.8
Durable Manufacturing	7.08	7.17	7.26	7.40	7.48	7.62	7.72	7.85
% Ch , Annual Rate	1.4	5.5	4.8	8.3	4.2	7.5	5.7	6.6
Nondurable Manufacturing	4.50	4.53	4.55	4.56	4.57	4.59	4.61	4.63
% Ch , Annual Rate	-0.5	2.5	2.5	0.8	0.3	2.1	1.4	1.7
Construction	5.61	5.58	5.46	5.43	5.43	5.47	5.54	5.61
% Ch , Annual Rate	-7.8	-2.5	-7.8	-2.2	0.0	2.6	5.8	4.8
Service-Producing	111.83	112.40	112.61	112.89	113.52	114.16	114.83	115.53
% Ch , Annual Rate	0.5	2.1	0.7	1.0	2.3	2.3	2.4	2.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	78.8	76.5	72.7	75.4	77.2	78.6	79.6	80.2
Personal Saving/Disposable Income (%)	3.4	3.8	3.9	3.5	3.3	3.1	3.0	2.8
Auto Sales (Millions)	5.7	5.6	6.3	6.6	6.7	7.1	7.2	7.6
% Ch , Annual Rate	2.5	-7.9	65.9	18.0	7.6	21.6	9.4	20.0
Housing Starts (Millions)	0.617	0.649	0.699	0.789	0.936	1.104	1.242	1.367
% Ch , Annual Rate	42.9	22.0	34.6	62.7	98.1	93.3	60.1	46.8
Federal Budget Surplus (Billions)	-1,352.5	-1,358.5	-1,337.2	-1,291.0	-1,077.5	-1,027.9	-987.1	-949.3
Net Exports (Billions)	-499.4	-460.2	-445.6	-496.3	-508.0	-513.4	-522.8	-528.2
3-Month Treasury Bill Rate (%)	0.11	0.16	0.25	0.36	0.58	1.04	1.54	2.03
10-Year Treasury Note Yield (%)	3.72	3.55	3.44	3.54	3.66	3.74	3.79	3.86
Bond Index of 20 G.O. Munis. (%)	4.34	4.34	4.35	4.41	4.48	4.50	4.50	4.58
30-Year Fixed Mortgage Rate (%)	5.00	4.93	4.80	4.89	5.01	5.11	5.20	5.27

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	14,103.5	14,230.4	14,360.1	14,489.9	14,596.0	14,706.7	14,808.4	14,902.6
% Ch , Annual Rate	3.3	3.6	3.7	3.7	3.0	3.1	2.8	2.6
Real Consumption	9,956.8	10,039.6	10,114.0	10,191.7	10,252.4	10,324.9	10,390.1	10,457.5
% Ch , Annual Rate	2.9	3.4	3.0	3.1	2.4	2.9	2.6	2.6
Real Nonresidential Fixed Investment	1,515.1	1,553.8	1,596.3	1,635.8	1,668.8	1,697.7	1,719.3	1,737.6
% Ch , Annual Rate	11.2	10.6	11.4	10.3	8.3	7.1	5.2	4.3
Real Residential Fixed Investment	537.9	557.7	570.3	579.1	587.8	593.9	599.5	602.5
% Ch , Annual Rate	26.4	15.5	9.3	6.3	6.1	4.3	3.8	2.0
Real Personal Income	11,784.5	11,898.9	12,011.0	12,116.9	12,183.7	12,291.1	12,398.4	12,499.9
% Ch , Annual Rate	3.3	3.9	3.8	3.6	2.2	3.6	3.5	3.3
Real Per Capita Income (\$/Person)	37,321	37,593	37,856	38,098	38,216	38,460	38,702	38,925
% Ch , Annual Rate	2.3	2.9	2.8	2.6	1.2	2.6	2.5	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.141	1.146	1.151	1.157	1.163	1.169	1.174	1.180
% Ch , Annual Rate	1.8	1.8	1.9	2.0	2.1	2.0	1.9	2.0
U.S. Consumer Price Index (1982-84=1.0)	2.244	2.256	2.268	2.281	2.294	2.307	2.319	2.331
% Ch , Annual Rate	2.1	2.1	2.3	2.3	2.3	2.2	2.1	2.2
Employment Cost Index (Dec. 2005=1.0)	1.162	1.168	1.175	1.182	1.189	1.197	1.205	1.213
% Ch , Annual Rate	2.0	2.1	2.3	2.5	2.6	2.6	2.7	2.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	16,097.0	16,307.7	16,528.6	16,756.8	16,967.9	17,175.8	17,371.4	17,569.3
% Ch , Annual Rate	5.3	5.3	5.5	5.6	5.1	5.0	4.6	4.6
Personal Income	13,441.7	13,632.5	13,826.6	14,017.9	14,167.7	14,363.4	14,558.7	14,752.3
% Ch , Annual Rate	5.1	5.8	5.8	5.6	4.3	5.6	5.5	5.4
Employment (Millions)								
U.S. Civilian Labor Force	157.5	157.9	158.3	158.7	159.2	159.6	160.0	160.4
Total U.S. Employment	144.7	145.6	146.5	147.4	148.3	149.1	149.9	150.6
Unemployment Rate (%)	8.13	7.81	7.47	7.14	6.84	6.55	6.30	6.09
Nonfarm Payroll Employment	135.21	136.14	137.10	138.02	138.83	139.60	140.26	140.85
% Ch, Annual Rate	2.8	2.8	2.8	2.7	2.4	2.2	1.9	1.7
Manufacturing	12.60	12.72	12.82	12.90	12.99	13.06	13.10	13.14
% Ch, Annual Rate	4.2	4.0	3.0	2.6	2.7	2.3	1.3	1.2
Durable Manufacturing	7.96	8.07	8.16	8.24	8.33	8.40	8.45	8.50
% Ch, Annual Rate	5.8	5.9	4.5	4.1	4.2	3.6	2.3	2.1
Nondurable Manufacturing	4.64	4.65	4.66	4.66	4.66	4.66	4.65	4.65
% Ch, Annual Rate	1.5	0.7	0.5	0.1	0.2	-0.2	-0.4	-0.4
Construction	5.69	5.80	5.91	6.02	6.12	6.23	6.32	6.39
% Ch, Annual Rate	6.0	7.9	7.6	7.6	7.2	6.8	5.8	4.6
Service-Producing	116.25	116.95	117.71	118.43	119.06	119.66	120.19	120.66
% Ch, Annual Rate	2.5	2.4	2.6	2.5	2.1	2.0	1.8	1.6
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	80.6	81.1	81.7	82.3	82.8	83.1	83.4	83.9
Personal Saving/Disposable Income (%)	2.6	2.5	2.4	2.3	1.9	1.6	1.6	1.8
Auto Sales (Millions)	8.0	8.3	8.4	8.6	8.9	9.1	9.1	9.1
% Ch, Annual Rate	26.1	18.1	2.8	7.7	15.4	10.3	-2.0	0.7
Housing Starts (Millions)	1.464	1.538	1.594	1.635	1.669	1.722	1.763	1.768
% Ch, Annual Rate	31.6	21.8	15.5	10.7	8.5	13.2	10.0	1.2
Federal Budget Surplus (Billions)	-938.3	-911.6	-883.7	-853.5	-766.7	-720.4	-696.7	-702.9
Net Exports (Billions)	-535.9	-540.1	-543.3	-539.3	-531.5	-522.7	-513.2	-502.1
3-Month Treasury Bill Rate (%)	2.56	3.18	3.47	3.48	3.48	3.50	3.60	4.02
10-Year Treasury Note Yield (%)	4.11	4.50	4.69	4.70	4.70	4.71	4.82	5.22
Bond Index of 20 G.O. Munis. (%)	4.80	5.17	5.34	5.34	5.29	5.22	5.26	5.56
30-Year Fixed Mortgage Rate (%)	5.54	5.95	6.14	6.14	6.14	6.15	6.26	6.66

Table A1.3
Washington Economic Forecast Summary
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	245.281	256.858	257.427	254.332	260.525	271.189	282.242	292.706
% Ch	6.6	4.7	0.2	-1.2	2.4	4.1	4.1	3.7
Real Wage and Salary Disb.	131.507	138.096	138.201	134.686	136.825	142.575	148.549	154.171
% Ch	5.5	5.0	0.1	-2.5	1.6	4.2	4.2	3.8
Real Nonwage Income	113.774	118.762	119.227	119.646	123.701	128.613	133.693	138.535
% Ch	8.1	4.4	0.4	0.4	3.4	4.0	3.9	3.6
Real Per Capita Income (\$/Person)	38,218	39,362	38,899	37,999	38,494	39,551	40,570	41,420
% Ch	4.7	3.0	-1.2	-2.3	1.3	2.7	2.6	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.055	1.090	1.092	1.110	1.129	1.149	1.171
% Ch	2.7	2.7	3.4	0.2	1.6	1.7	1.8	2.0
Seattle Cons. Price Index (1982-84=1.0)	2.076	2.157	2.247	2.260	2.257	2.286	2.347	2.417
% Ch	3.7	3.9	4.2	0.6	-0.1	1.3	2.7	3.0
Average Nonfarm Annual Wage	45,346	47,772	48,848	49,763	51,662	53,407	55,000	56,783
% Ch	5.5	5.4	2.3	1.9	3.8	3.4	3.0	3.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.91	20.51	21.01	23.40	23.37	23.45	23.68	24.04
% Ch	5.8	3.0	2.4	11.4	-0.1	0.3	1.0	1.5
Current Dollar Income (Billions of Dollars)								
Personal Income	252.023	271.008	280.678	277.843	289.255	306.095	324.200	342.916
% Ch	9.6	7.5	3.6	-1.0	4.1	5.8	5.9	5.8
Disposable Personal Income	221.774	237.036	247.824	252.377	263.021	276.026	289.726	303.146
% Ch	9.0	6.9	4.6	1.8	4.2	4.9	5.0	4.6
Per Capita Income (\$/Person)	39,267	41,529	42,412	41,511	42,739	44,641	46,601	48,524
% Ch	7.6	5.8	2.1	-2.1	3.0	4.5	4.4	4.1
Employment (Thousands)								
Washington Civilian Labor Force	3,317.2	3,391.0	3,477.0	3,528.8	3,542.4	3,603.6	3,666.2	3,726.1
Total Washington Employment	3,153.8	3,236.8	3,289.4	3,215.5	3,214.0	3,290.8	3,387.7	3,480.4
Unemployment Rate (%)	4.93	4.55	5.39	8.88	9.27	8.68	7.60	6.59
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.2	2,827.4	2,809.0	2,884.3	2,976.0	3,055.5
% Ch	3.0	2.6	0.9	-4.5	-0.7	2.7	3.2	2.7
Manufacturing	285.9	293.3	291.2	265.9	260.1	269.1	283.0	293.9
% Ch	4.9	2.6	-0.7	-8.7	-2.2	3.5	5.2	3.9
Durable Manufacturing	204.0	211.9	211.3	190.6	185.5	192.9	203.1	211.9
% Ch	6.6	3.9	-0.3	-9.8	-2.7	4.0	5.3	4.3
Aerospace	73.4	80.1	83.0	83.0	80.4	80.0	82.5	85.4
% Ch	11.9	9.1	3.6	0.0	-3.1	-0.6	3.2	3.5
Nondurable Manufacturing	81.9	81.4	79.8	75.3	74.6	76.2	79.9	82.1
% Ch	0.9	-0.6	-1.9	-5.7	-1.0	2.2	4.8	2.7
Construction	194.8	208.2	200.6	160.9	148.0	148.1	158.6	170.6
% Ch	9.9	6.8	-3.6	-19.8	-8.0	0.1	7.1	7.5
Service-Producing	2,369.6	2,423.9	2,459.9	2,394.5	2,394.6	2,459.9	2,526.4	2,582.7
% Ch	2.2	2.3	1.5	-2.7	0.0	2.7	2.7	2.2
Software Publishers	44.7	47.6	50.9	51.4	51.5	53.5	56.0	59.1
% Ch	8.4	6.4	7.0	1.0	0.0	4.0	4.7	5.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.033	47.397	28.919	17.011	20.572	32.524	43.470	47.700
% Ch	-5.6	-5.3	-39.0	-41.2	20.9	58.1	33.7	9.7
Single-Family	35.611	30.390	17.440	12.991	16.881	24.257	31.572	34.039
% Ch	-14.0	-14.7	-42.6	-25.5	29.9	43.7	30.2	7.8
Multi-Family	14.422	17.007	11.479	4.020	3.691	8.267	11.898	13.661
% Ch	24.5	17.9	-32.5	-65.0	-8.2	124.0	43.9	14.8
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.91	5.15	5.94	6.30

Table A1.4
Washington Economic Forecast Summary
 Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	257.575	257.192	256.792	258.151	254.076	255.054	254.000	254.199
% Ch, Annual Rate	-3.9	-0.6	-0.6	2.1	-6.2	1.5	-1.6	0.3
Real Wage and Salary Disb.	138.611	137.473	138.110	138.611	135.470	135.275	134.455	133.544
% Ch, Annual Rate	-4.5	-3.2	1.9	1.5	-8.8	-0.6	-2.4	-2.7
Real Nonwage Income	118.964	119.719	118.682	119.542	118.606	119.779	119.546	120.654
% Ch, Annual Rate	-3.1	2.6	-3.4	2.9	-3.1	4.0	-0.8	3.8
Real Per Capita Income (\$/Person)	39,100	38,923	38,744	38,831	38,103	38,154	37,902	37,838
% Ch, Annual Rate	-5.3	-1.8	-1.8	0.9	-7.3	0.5	-2.6	-0.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.090	1.103	1.089	1.085	1.088	1.095	1.102
% Ch, Annual Rate	3.7	3.9	4.7	-5.0	-1.5	1.4	2.6	2.5
Seattle Cons. Price Index (1982-84=1.0)	2.222	2.246	2.268	2.253	2.253	2.255	2.263	2.270
% Ch, Annual Rate	4.7	4.3	4.1	-2.7	0.0	0.4	1.4	1.3
Average Nonfarm Annual Wage	48,315	48,445	49,199	49,433	48,862	49,671	50,105	50,414
% Ch, Annual Rate	-4.1	1.1	6.4	1.9	-4.5	6.8	3.5	2.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.91	21.26	20.96	20.89	22.89	23.36	23.55	23.82
% Ch, Annual Rate	2.6	6.7	-5.4	-1.4	44.0	8.6	3.2	4.7
Current Dollar Income (Billions of Dollars)								
Personal Income	278.114	280.398	283.180	281.018	275.552	277.545	278.166	280.110
% Ch, Annual Rate	-0.3	3.3	4.0	-3.0	-7.6	2.9	0.9	2.8
Disposable Personal Income	243.029	250.148	250.053	248.068	248.181	252.607	253.353	255.368
% Ch, Annual Rate	-0.5	12.2	-0.2	-3.1	0.2	7.3	1.2	3.2
Per Capita Income (\$/Person)	42,218	42,435	42,725	42,271	41,323	41,519	41,508	41,695
% Ch, Annual Rate	-1.8	2.1	2.8	-4.2	-8.7	1.9	-0.1	1.8
Employment (Thousands)								
Washington Civilian Labor Force	3,449.6	3,461.5	3,484.9	3,512.1	3,532.4	3,539.3	3,528.8	3,514.8
Total Washington Employment	3,290.3	3,288.6	3,292.9	3,285.9	3,248.2	3,219.3	3,203.9	3,190.4
Unemployment Rate (%)	4.62	5.00	5.51	6.44	8.05	9.04	9.21	9.23
Nonfarm Payroll Employment	2,973.7	2,969.4	2,968.2	2,925.7	2,877.6	2,835.3	2,807.2	2,789.6
% Ch, Annual Rate	2.3	-0.6	-0.2	-5.6	-6.4	-5.7	-3.9	-2.5
Manufacturing	297.1	294.9	293.1	279.5	276.5	266.9	262.4	257.9
% Ch, Annual Rate	2.0	-2.9	-2.5	-17.2	-4.3	-13.2	-6.6	-6.6
Durable Manufacturing	215.9	214.8	214.0	200.6	200.1	191.4	187.0	184.0
% Ch, Annual Rate	2.8	-2.1	-1.4	-22.8	-1.0	-16.2	-9.0	-6.2
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.2	81.4
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.0	-4.9	-3.8
Nondurable Manufacturing	81.2	80.2	79.1	78.9	76.4	75.5	75.4	74.0
% Ch, Annual Rate	-0.2	-4.9	-5.3	-0.8	-12.3	-4.8	-0.2	-7.6
Construction	208.9	204.5	199.6	189.5	173.9	163.0	156.2	150.4
% Ch, Annual Rate	0.3	-8.2	-9.2	-18.8	-29.1	-22.7	-15.7	-14.2
Service-Producing	2,459.9	2,462.4	2,467.9	2,449.4	2,420.7	2,399.3	2,382.5	2,375.6
% Ch, Annual Rate	2.5	0.4	0.9	-3.0	-4.6	-3.5	-2.8	-1.2
Software Publishers	49.1	50.3	51.7	52.6	52.5	51.7	51.0	50.6
% Ch, Annual Rate	7.8	10.6	11.9	6.9	-0.6	-6.3	-5.5	-3.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.074	34.312	26.612	21.678	16.011	15.035	18.025	18.974
% Ch, Annual Rate	-57.5	15.8	-63.8	-56.0	-70.2	-22.2	106.6	22.8
Single-Family	20.803	19.064	17.032	12.861	10.191	11.908	14.395	15.470
% Ch, Annual Rate	-39.6	-29.5	-36.3	-67.5	-60.6	86.4	113.5	33.4
Multi-Family	12.272	15.248	9.579	8.817	5.819	3.127	3.630	3.504
% Ch, Annual Rate	-75.1	138.4	-84.4	-28.2	-81.0	-91.7	81.5	-13.2
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	255.781	258.960	263.115	264.246	267.342	269.406	273.692	274.315
% Ch, Annual Rate	2.5	5.1	6.6	1.7	4.8	3.1	6.5	0.9
Real Wage and Salary Disb.	134.401	136.156	138.458	138.284	140.259	141.511	144.546	143.984
% Ch, Annual Rate	2.6	5.3	6.9	-0.5	5.8	3.6	8.9	-1.5
Real Nonwage Income	121.380	122.804	124.656	125.962	127.082	127.894	129.146	130.330
% Ch, Annual Rate	2.4	4.8	6.2	4.3	3.6	2.6	4.0	3.7
Real Per Capita Income (\$/Person)	37,979	38,328	38,813	38,856	39,186	39,361	39,853	39,804
% Ch, Annual Rate	1.5	3.7	5.2	0.4	3.4	1.8	5.1	-0.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.106	1.108	1.111	1.116	1.122	1.126	1.131	1.136
% Ch, Annual Rate	1.5	0.6	1.1	1.8	2.0	1.7	1.6	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.268	2.255	2.250	2.257	2.269	2.281	2.291	2.302
% Ch, Annual Rate	-0.4	-2.3	-0.8	1.2	2.2	2.0	1.8	2.0
Average Nonfarm Annual Wage	50,856	51,362	52,284	52,147	52,819	53,135	54,036	53,637
% Ch, Annual Rate	3.5	4.0	7.4	-1.0	5.3	2.4	7.0	-2.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.60	23.25	23.31	23.35	23.38	23.43	23.47	23.52
% Ch, Annual Rate	-3.8	-5.8	1.0	0.7	0.6	0.8	0.8	0.9
Current Dollar Income (Billions of Dollars)								
Personal Income	282.908	286.883	292.318	294.910	299.875	303.477	309.532	311.495
% Ch, Annual Rate	4.1	5.7	7.8	3.6	6.9	4.9	8.2	2.6
Disposable Personal Income	257.751	261.303	265.746	267.284	271.204	273.952	278.841	280.107
% Ch, Annual Rate	3.8	5.6	7.0	2.3	6.0	4.1	7.3	1.8
Per Capita Income (\$/Person)	42,007	42,461	43,121	43,365	43,955	44,339	45,072	45,199
% Ch, Annual Rate	3.0	4.4	6.4	2.3	5.6	3.5	6.8	1.1
Employment (Thousands)								
Washington Civilian Labor Force	3,514.7	3,540.4	3,550.2	3,564.4	3,580.0	3,594.7	3,612.1	3,627.4
Total Washington Employment	3,183.5	3,214.1	3,220.7	3,237.7	3,255.6	3,277.5	3,304.4	3,325.9
Unemployment Rate (%)	9.42	9.22	9.28	9.17	9.06	8.83	8.52	8.31
Nonfarm Payroll Employment	2,791.2	2,805.2	2,811.6	2,828.1	2,847.4	2,870.4	2,898.3	2,921.1
% Ch, Annual Rate	0.2	2.0	0.9	2.4	2.8	3.3	3.9	3.2
Manufacturing	257.9	259.0	260.5	262.8	264.2	267.3	270.6	274.4
% Ch, Annual Rate	0.0	1.7	2.4	3.6	2.0	4.8	5.0	5.7
Durable Manufacturing	183.9	184.1	185.8	188.2	189.5	191.6	194.0	196.6
% Ch, Annual Rate	-0.2	0.5	3.8	5.2	2.7	4.4	5.1	5.6
Aerospace	81.3	80.5	80.1	79.9	79.6	79.4	80.1	80.8
% Ch, Annual Rate	-0.5	-4.0	-1.7	-1.2	-1.2	-1.3	3.5	3.5
Nondurable Manufacturing	74.0	74.9	74.7	74.6	74.7	75.7	76.6	77.8
% Ch, Annual Rate	0.4	4.7	-1.0	-0.5	0.3	5.8	4.8	6.0
Construction	148.6	148.4	147.3	147.6	146.8	146.5	148.1	151.0
% Ch, Annual Rate	-4.6	-0.6	-3.0	1.0	-2.2	-0.7	4.5	8.0
Service-Producing	2,378.8	2,391.5	2,397.3	2,411.0	2,429.7	2,449.5	2,472.3	2,488.2
% Ch, Annual Rate	0.5	2.2	1.0	2.3	3.1	3.3	3.8	2.6
Software Publishers	50.7	51.3	51.7	52.1	52.7	53.2	53.7	54.3
% Ch, Annual Rate	0.9	5.1	3.1	3.3	4.6	3.7	4.1	4.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	21.095	19.926	19.754	21.513	25.814	30.838	35.292	38.153
% Ch, Annual Rate	52.8	-20.4	-3.4	40.7	107.3	103.7	71.5	36.6
Single-Family	17.012	16.617	16.356	17.541	19.999	23.026	26.041	27.962
% Ch, Annual Rate	46.3	-9.0	-6.1	32.3	68.9	75.8	63.6	32.9
Multi-Family	4.083	3.309	3.399	3.972	5.816	7.812	9.251	10.190
% Ch, Annual Rate	84.4	-56.9	11.3	86.5	359.8	225.5	96.7	47.2
30-Year Fixed Mortgage Rate (%)	5.00	4.93	4.80	4.89	5.01	5.11	5.20	5.27

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	277.607	280.540	285.403	285.419	288.107	290.901	295.919	295.897
% Ch, Annual Rate	4.9	4.3	7.1	0.0	3.8	3.9	7.1	0.0
Real Wage and Salary Disb.	146.273	147.561	150.856	149.505	151.821	153.147	156.629	155.089
% Ch, Annual Rate	6.5	3.6	9.2	-3.5	6.3	3.5	9.4	-3.9
Real Nonwage Income	131.334	132.979	134.547	135.914	136.287	137.754	139.290	140.808
% Ch, Annual Rate	3.1	5.1	4.8	4.1	1.1	4.4	4.5	4.4
Real Per Capita Income (\$/Person)	40,135	40,407	40,949	40,790	41,012	41,246	41,793	41,628
% Ch, Annual Rate	3.4	2.7	5.5	-1.5	2.2	2.3	5.4	-1.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.141	1.146	1.151	1.157	1.163	1.169	1.174	1.180
% Ch, Annual Rate	1.8	1.8	1.9	2.0	2.1	2.0	1.9	2.0
Seattle Cons. Price Index (1982-84=1.0)	2.320	2.337	2.356	2.376	2.393	2.409	2.425	2.443
% Ch, Annual Rate	3.1	3.1	3.3	3.4	2.9	2.8	2.7	2.9
Average Nonfarm Annual Wage	54,329	54,690	55,803	55,180	55,959	56,404	57,684	57,086
% Ch, Annual Rate	5.3	2.7	8.4	-4.4	5.8	3.2	9.4	-4.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.57	23.63	23.71	23.79	23.89	23.99	24.09	24.19
% Ch, Annual Rate	0.8	1.0	1.3	1.5	1.6	1.7	1.7	1.7
Current Dollar Income (Billions of Dollars)								
Personal Income	316.645	321.412	328.546	330.197	335.022	339.948	347.481	349.214
% Ch, Annual Rate	6.8	6.2	9.2	2.0	6.0	6.0	9.2	2.0
Disposable Personal Income	284.014	287.624	293.226	294.042	297.356	300.517	306.548	308.164
% Ch, Annual Rate	5.7	5.2	8.0	1.1	4.6	4.3	8.3	2.1
Per Capita Income (\$/Person)	45,779	46,294	47,139	47,190	47,690	48,200	49,075	49,129
% Ch, Annual Rate	5.2	4.6	7.5	0.4	4.3	4.4	7.5	0.4
Employment (Thousands)								
Washington Civilian Labor Force	3,642.7	3,657.9	3,674.3	3,689.9	3,704.7	3,719.3	3,733.5	3,746.9
Total Washington Employment	3,350.6	3,374.7	3,400.9	3,424.7	3,447.8	3,470.3	3,491.8	3,511.9
Unemployment Rate (%)	8.02	7.74	7.44	7.19	6.93	6.70	6.47	6.27
Nonfarm Payroll Employment	2,943.0	2,964.4	2,987.8	3,008.9	3,028.3	3,047.2	3,065.1	3,081.6
% Ch, Annual Rate	3.0	2.9	3.2	2.9	2.6	2.5	2.4	2.2
Manufacturing	278.1	281.6	284.7	287.6	290.4	293.0	295.1	297.2
% Ch, Annual Rate	5.6	5.1	4.6	4.0	4.0	3.6	2.9	2.9
Durable Manufacturing	199.2	202.0	204.5	206.8	209.0	211.1	212.8	214.5
% Ch, Annual Rate	5.5	5.6	5.0	4.6	4.4	4.0	3.4	3.2
Aerospace	81.4	82.2	82.9	83.6	84.3	85.0	85.8	86.5
% Ch, Annual Rate	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Nondurable Manufacturing	78.8	79.6	80.3	80.8	81.4	81.9	82.3	82.7
% Ch, Annual Rate	5.7	3.8	3.4	2.7	2.9	2.4	1.8	2.0
Construction	153.6	156.9	160.5	163.4	166.4	169.2	172.0	174.6
% Ch, Annual Rate	7.2	8.7	9.6	7.4	7.6	6.9	6.8	6.0
Service-Producing	2,503.5	2,518.0	2,534.4	2,549.7	2,563.1	2,576.6	2,589.5	2,601.4
% Ch, Annual Rate	2.5	2.3	2.6	2.4	2.1	2.1	2.0	1.8
Software Publishers	54.9	55.6	56.4	57.1	57.9	58.7	59.5	60.3
% Ch, Annual Rate	4.8	5.0	5.5	5.4	5.6	5.6	5.6	5.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.846	42.998	44.528	45.508	46.325	47.376	48.374	48.722
% Ch, Annual Rate	31.4	22.8	15.0	9.1	7.4	9.4	8.7	2.9
Single-Family	29.829	31.328	32.349	32.781	33.179	33.955	34.480	34.541
% Ch, Annual Rate	29.5	21.7	13.7	5.5	4.9	9.7	6.3	0.7
Multi-Family	11.017	11.670	12.178	12.726	13.147	13.422	13.894	14.181
% Ch, Annual Rate	36.6	25.9	18.6	19.2	13.9	8.6	14.8	8.5
30-Year Fixed Mortgage Rate (%)	5.54	5.95	6.14	6.14	6.14	6.15	6.26	6.66

Table A2.1
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	136.09	137.59	136.78	130.91	130.41	132.96	136.61	139.89
% Ch	1.8	1.1	-0.6	-4.3	-0.4	2.0	2.7	2.4
Manufacturing	14.16	13.88	13.40	11.88	11.76	12.26	12.76	13.07
% Ch	-0.5	-2.0	-3.4	-11.3	-1.0	4.3	4.1	2.4
Durable Manufacturing	8.98	8.81	8.46	7.31	7.23	7.67	8.11	8.42
% Ch	0.3	-1.9	-3.9	-13.6	-1.1	6.1	5.8	3.8
Wood Products	0.56	0.52	0.46	0.36	0.36	0.43	0.50	0.53
% Ch	0.0	-7.8	-11.5	-20.9	0.6	17.5	17.5	5.7
Primary and Fabricated Metals	2.02	2.02	1.97	1.68	1.67	1.75	1.84	1.92
% Ch	1.5	0.1	-2.4	-14.6	-0.7	4.7	5.0	4.4
Computer and Electronic Products	1.31	1.27	1.24	1.14	1.12	1.13	1.14	1.20
% Ch	-0.7	-2.7	-2.2	-8.7	-1.9	1.0	1.6	5.2
Machinery and Electrical Equipment	1.62	1.62	1.61	1.41	1.38	1.49	1.55	1.55
% Ch	1.1	0.0	-0.3	-12.6	-2.0	8.0	4.3	-0.4
Transportation Equipment	1.77	1.71	1.61	1.35	1.36	1.45	1.58	1.70
% Ch	-0.2	-3.2	-6.1	-15.8	0.3	6.9	9.1	7.7
Other Durables	1.71	1.67	1.57	1.37	1.34	1.42	1.49	1.52
% Ch	-0.4	-2.4	-6.0	-12.9	-2.0	6.1	4.7	1.7
Nondurable Manufacturing	5.17	5.07	4.94	4.57	4.53	4.60	4.65	4.65
% Ch	-1.8	-2.0	-2.6	-7.4	-0.9	1.4	1.2	0.0
Food Manufacturing	1.48	1.48	1.48	1.46	1.47	1.50	1.54	1.57
% Ch	0.1	0.3	-0.2	-1.4	0.5	2.1	3.0	1.6
Paper and Paper Products	0.47	0.46	0.44	0.41	0.40	0.42	0.44	0.44
% Ch	-2.8	-2.6	-2.9	-8.4	-0.9	4.0	3.9	1.2
Other Nondurables	3.22	3.13	3.02	2.71	2.66	2.68	2.67	2.65
% Ch	-2.6	-3.0	-3.6	-10.2	-1.6	0.6	-0.3	-1.0
Natural Resources and Mining	0.68	0.72	0.77	0.70	0.70	0.67	0.66	0.66
% Ch	9.1	5.8	5.7	-8.5	-0.3	-3.5	-1.4	-1.0
Construction	7.69	7.63	7.16	6.04	5.52	5.51	5.86	6.26
% Ch	4.9	-0.8	-6.1	-15.7	-8.5	-0.1	6.2	7.0
Trade, Transportation, and Utilities	26.28	26.63	26.29	24.95	24.75	25.03	25.87	26.62
% Ch	1.2	1.3	-1.3	-5.1	-0.8	1.1	3.3	2.9
Wholesale Trade	5.90	6.02	5.94	5.62	5.58	5.71	5.97	6.13
% Ch	2.5	1.9	-1.2	-5.4	-0.8	2.4	4.5	2.7
Retail Trade	15.35	15.52	15.28	14.53	14.48	14.46	14.75	15.14
% Ch	0.5	1.1	-1.5	-4.9	-0.4	-0.1	2.0	2.6
Trans., Warehousing, and Utilities	5.02	5.09	5.07	4.79	4.69	4.86	5.14	5.34
% Ch	2.0	1.5	-0.5	-5.3	-2.1	3.6	5.8	3.9
Information	3.04	3.03	2.98	2.81	2.75	2.86	2.91	2.91
% Ch	-0.8	-0.2	-1.6	-5.9	-2.1	3.9	1.9	0.1
Publishing Industries	0.90	0.90	0.88	0.80	0.76	0.76	0.77	0.78
% Ch	-0.2	-0.1	-2.3	-9.5	-4.5	0.4	0.9	1.1
Other Information	2.14	2.13	2.10	2.01	1.99	2.09	2.14	2.13
% Ch	-1.0	-0.2	-1.3	-4.4	-1.1	5.2	2.2	-0.2
Financial Activities	8.33	8.30	8.14	7.76	7.58	7.66	7.88	7.93
% Ch	2.2	-0.3	-1.9	-4.7	-2.3	1.1	2.9	0.6
Professional and Business Services	17.57	17.94	17.74	16.57	16.88	18.14	19.01	19.79
% Ch	3.6	2.1	-1.2	-6.5	1.8	7.4	4.8	4.1
Education and Health Services	17.82	18.32	18.84	19.19	19.52	19.98	20.46	20.84
% Ch	2.6	2.8	2.8	1.8	1.8	2.3	2.4	1.8
Leisure and Hospitality	13.11	13.43	13.44	13.10	13.16	13.27	13.50	13.85
% Ch	2.3	2.4	0.1	-2.5	0.5	0.8	1.8	2.5
Other Services	5.44	5.49	5.51	5.36	5.33	5.39	5.40	5.42
% Ch	0.8	1.0	0.4	-2.8	-0.7	1.2	0.3	0.4
Federal Government	2.73	2.73	2.76	2.83	2.95	2.78	2.74	2.71
% Ch	0.0	0.1	1.0	2.4	4.3	-5.7	-1.5	-1.0
State and Local Government	19.24	19.48	19.74	19.72	19.51	19.41	19.56	19.82
% Ch	0.9	1.3	1.3	-0.1	-1.1	-0.6	0.8	1.3

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.90	137.49	136.70	135.02	132.81	131.11	130.08	129.64
% Ch, Annual Rate	0.1	-1.2	-2.3	-4.8	-6.4	-5.0	-3.1	-1.3
Manufacturing	13.69	13.57	13.36	12.98	12.38	11.92	11.69	11.55
% Ch, Annual Rate	-1.5	-3.4	-6.0	-10.9	-17.4	-14.0	-7.6	-4.4
Durable Manufacturing	8.67	8.58	8.44	8.16	7.70	7.33	7.15	7.05
% Ch, Annual Rate	-1.8	-3.9	-6.6	-12.6	-20.6	-17.8	-9.4	-5.6
Wood Products	0.49	0.47	0.45	0.42	0.38	0.36	0.35	0.35
% Ch, Annual Rate	-9.7	-13.4	-16.5	-22.5	-32.6	-17.9	-12.5	-2.2
Primary and Fabricated Metals	2.01	1.99	1.97	1.91	1.79	1.69	1.64	1.62
% Ch, Annual Rate	-0.1	-2.5	-5.1	-12.2	-22.9	-20.5	-11.1	-4.2
Computer and Electronic Products	1.26	1.25	1.24	1.22	1.19	1.15	1.11	1.10
% Ch, Annual Rate	-0.9	-1.0	-2.4	-6.3	-11.6	-13.4	-10.2	-6.0
Machinery and Electrical Equipment	1.62	1.63	1.62	1.58	1.50	1.42	1.37	1.34
% Ch, Annual Rate	1.9	3.3	-2.6	-9.8	-18.2	-20.7	-12.0	-8.6
Transportation Equipment	1.67	1.64	1.60	1.52	1.42	1.34	1.33	1.32
% Ch, Annual Rate	-2.9	-7.2	-10.9	-17.7	-24.5	-19.3	-2.7	-3.9
Other Durables	1.63	1.59	1.56	1.51	1.43	1.38	1.35	1.32
% Ch, Annual Rate	-4.6	-8.2	-8.3	-12.7	-19.4	-13.2	-9.5	-6.5
Nondurable Manufacturing	5.02	4.99	4.93	4.83	4.68	4.59	4.53	4.50
% Ch, Annual Rate	-1.0	-2.7	-4.8	-7.9	-11.9	-7.5	-4.7	-2.5
Food Manufacturing	1.49	1.48	1.48	1.47	1.46	1.46	1.46	1.46
% Ch, Annual Rate	1.1	-2.1	-1.6	-0.3	-5.0	1.4	0.5	-1.1
Paper and Paper Products	0.45	0.45	0.44	0.43	0.42	0.41	0.40	0.40
% Ch, Annual Rate	-1.6	-0.9	-5.7	-8.2	-12.6	-10.3	-5.4	-4.4
Other Nondurables	3.08	3.06	3.01	2.92	2.80	2.72	2.67	2.65
% Ch, Annual Rate	-1.9	-3.2	-6.1	-11.4	-15.0	-11.6	-7.2	-2.9
Natural Resources and Mining	0.75	0.76	0.78	0.77	0.75	0.70	0.68	0.67
% Ch, Annual Rate	8.2	7.3	8.5	-1.9	-14.0	-21.3	-11.8	-3.9
Construction	7.44	7.28	7.11	6.82	6.43	6.11	5.88	5.73
% Ch, Annual Rate	-4.7	-8.0	-9.4	-15.3	-21.0	-18.3	-14.0	-10.3
Trade, Transportation, and Utilities	26.67	26.48	26.23	25.80	25.33	25.00	24.81	24.67
% Ch, Annual Rate	-0.4	-2.8	-3.7	-6.4	-7.1	-5.1	-3.0	-2.2
Wholesale Trade	6.02	5.98	5.93	5.84	5.71	5.63	5.59	5.57
% Ch, Annual Rate	-1.1	-2.7	-3.5	-6.0	-8.2	-6.0	-2.7	-1.4
Retail Trade	15.54	15.39	15.23	14.97	14.72	14.57	14.47	14.37
% Ch, Annual Rate	-0.2	-3.6	-4.1	-6.8	-6.6	-3.9	-2.8	-2.7
Trans., Warehousing, and Utilities	5.11	5.10	5.07	4.99	4.90	4.80	4.75	4.73
% Ch, Annual Rate	-0.2	-0.4	-2.7	-5.8	-7.4	-7.5	-4.1	-1.7
Information	3.02	3.01	2.98	2.93	2.87	2.82	2.78	2.76
% Ch, Annual Rate	-0.7	-1.7	-3.9	-5.9	-7.7	-7.9	-5.0	-2.6
Publishing Industries	0.89	0.89	0.88	0.86	0.83	0.80	0.78	0.77
% Ch, Annual Rate	-1.1	-2.3	-5.6	-7.9	-12.9	-12.4	-9.6	-6.1
Other Information	2.12	2.12	2.10	2.07	2.04	2.01	2.00	1.99
% Ch, Annual Rate	-0.5	-1.5	-3.2	-5.0	-5.4	-6.1	-3.1	-1.2
Financial Activities	8.21	8.19	8.14	8.03	7.90	7.77	7.70	7.66
% Ch, Annual Rate	-1.4	-1.0	-2.5	-5.0	-6.6	-6.1	-3.8	-1.9
Professional and Business Services	18.00	17.90	17.69	17.35	16.93	16.56	16.38	16.44
% Ch, Annual Rate	-0.3	-2.4	-4.5	-7.4	-9.4	-8.5	-4.3	1.5
Education and Health Services	18.65	18.80	18.92	19.00	19.08	19.13	19.22	19.32
% Ch, Annual Rate	2.7	3.3	2.7	1.6	1.9	1.1	1.8	2.0
Leisure and Hospitality	13.53	13.50	13.42	13.29	13.18	13.11	13.09	13.02
% Ch, Annual Rate	0.4	-1.0	-2.4	-3.7	-3.5	-2.0	-0.5	-2.3
Other Services	5.53	5.53	5.51	5.48	5.41	5.37	5.35	5.32
% Ch, Annual Rate	1.8	0.2	-1.4	-2.5	-5.1	-2.9	-1.2	-2.4
Federal Government	2.75	2.76	2.77	2.78	2.80	2.86	2.82	2.83
% Ch, Annual Rate	0.2	2.1	1.0	1.4	3.1	10.0	-6.6	2.1
State and Local Government	19.67	19.72	19.80	19.79	19.78	19.76	19.69	19.67
% Ch, Annual Rate	1.5	1.1	1.6	-0.2	-0.2	-0.3	-1.4	-0.4

Table A2.2 (continued)
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	129.70	130.38	130.58	130.98	131.68	132.51	133.37	134.28
% Ch, Annual Rate	0.2	2.1	0.6	1.2	2.2	2.6	2.6	2.7
Manufacturing	11.57	11.70	11.81	11.97	12.05	12.21	12.33	12.47
% Ch, Annual Rate	0.6	4.4	3.9	5.4	2.7	5.4	4.1	4.8
Durable Manufacturing	7.08	7.17	7.26	7.40	7.48	7.62	7.72	7.85
% Ch, Annual Rate	1.4	5.5	4.8	8.3	4.2	7.5	5.7	6.6
Wood Products	0.35	0.36	0.37	0.38	0.39	0.41	0.44	0.46
% Ch, Annual Rate	0.7	9.1	10.8	14.3	15.0	24.7	24.8	22.6
Primary and Fabricated Metals	1.63	1.67	1.68	1.70	1.71	1.73	1.76	1.79
% Ch, Annual Rate	3.3	8.8	2.3	5.5	2.3	5.7	6.3	7.1
Computer and Electronic Products	1.09	1.10	1.12	1.14	1.14	1.14	1.12	1.11
% Ch, Annual Rate	-2.0	3.2	8.5	7.4	-2.5	0.7	-6.2	-3.5
Machinery and Electrical Equipment	1.34	1.37	1.38	1.42	1.45	1.48	1.51	1.53
% Ch, Annual Rate	1.1	8.0	3.3	11.9	7.4	8.8	7.6	6.7
Transportation Equipment	1.34	1.35	1.36	1.39	1.41	1.44	1.46	1.49
% Ch, Annual Rate	5.4	2.3	4.2	8.5	6.3	8.6	6.5	9.7
Other Durables	1.32	1.33	1.35	1.37	1.38	1.41	1.44	1.46
% Ch, Annual Rate	-1.5	3.5	5.6	7.1	4.0	8.6	6.9	6.4
Nondurable Manufacturing	4.50	4.53	4.55	4.56	4.57	4.59	4.61	4.63
% Ch, Annual Rate	-0.5	2.5	2.5	0.8	0.3	2.1	1.4	1.7
Food Manufacturing	1.45	1.47	1.47	1.47	1.48	1.49	1.50	1.52
% Ch, Annual Rate	-1.1	3.3	1.5	0.7	0.5	4.2	3.1	3.9
Paper and Paper Products	0.40	0.40	0.41	0.41	0.41	0.42	0.42	0.43
% Ch, Annual Rate	-0.7	7.4	0.4	1.6	4.1	7.5	3.9	4.5
Other Nondurables	2.65	2.65	2.68	2.68	2.68	2.68	2.68	2.68
% Ch, Annual Rate	-0.2	1.3	3.4	0.8	-0.3	0.1	0.1	0.1
Natural Resources and Mining	0.69	0.71	0.70	0.69	0.68	0.68	0.67	0.67
% Ch, Annual Rate	11.3	9.1	-2.1	-7.5	-6.0	-2.4	-2.4	-1.4
Construction	5.61	5.58	5.46	5.43	5.43	5.47	5.54	5.61
% Ch, Annual Rate	-7.8	-2.5	-7.8	-2.2	0.0	2.6	5.8	4.8
Trade, Transportation, and Utilities	24.68	24.73	24.77	24.82	24.87	24.92	25.07	25.29
% Ch, Annual Rate	0.2	0.9	0.6	0.7	0.8	0.8	2.4	3.5
Wholesale Trade	5.56	5.57	5.59	5.59	5.61	5.67	5.75	5.81
% Ch, Annual Rate	-0.5	0.9	1.4	-0.1	1.3	4.5	5.7	4.5
Retail Trade	14.42	14.48	14.49	14.52	14.50	14.43	14.41	14.50
% Ch, Annual Rate	1.5	1.6	0.4	0.9	-0.5	-2.1	-0.4	2.4
Trans., Warehousing, and Utilities	4.70	4.68	4.69	4.70	4.75	4.82	4.90	4.97
% Ch, Annual Rate	-2.8	-1.1	0.6	1.1	4.0	5.7	7.2	6.0
Information	2.74	2.73	2.75	2.78	2.82	2.84	2.87	2.89
% Ch, Annual Rate	-3.5	-0.5	1.8	4.8	5.9	3.8	3.2	3.4
Publishing Industries	0.77	0.76	0.75	0.76	0.77	0.76	0.76	0.77
% Ch, Annual Rate	-2.7	-0.9	-5.6	4.0	2.5	-1.4	0.4	1.1
Other Information	1.97	1.97	1.99	2.02	2.05	2.08	2.10	2.13
% Ch, Annual Rate	-3.8	-0.3	4.8	5.1	7.2	5.7	4.2	4.3
Financial Activities	7.62	7.59	7.58	7.51	7.57	7.62	7.69	7.77
% Ch, Annual Rate	-2.0	-1.7	-0.4	-3.7	3.1	2.8	3.9	3.8
Professional and Business Services	16.55	16.68	16.95	17.33	17.69	18.02	18.31	18.53
% Ch, Annual Rate	2.8	3.2	6.6	9.2	8.5	7.8	6.4	4.9
Education and Health Services	19.41	19.48	19.56	19.64	19.74	19.92	20.07	20.19
% Ch, Annual Rate	1.9	1.5	1.7	1.7	2.0	3.6	3.0	2.4
Leisure and Hospitality	13.03	13.15	13.23	13.23	13.25	13.27	13.26	13.28
% Ch, Annual Rate	0.4	3.8	2.4	-0.1	0.7	0.6	-0.2	0.3
Other Services	5.32	5.33	5.33	5.34	5.38	5.39	5.39	5.40
% Ch, Annual Rate	-0.4	0.8	0.1	0.8	3.4	0.2	0.4	0.4
Federal Government	2.88	3.13	2.95	2.83	2.80	2.78	2.77	2.76
% Ch, Annual Rate	6.7	40.8	-21.3	-15.7	-3.6	-2.8	-1.9	-1.6
State and Local Government	19.61	19.57	19.47	19.41	19.40	19.40	19.40	19.43
% Ch, Annual Rate	-1.3	-0.8	-1.9	-1.3	-0.2	-0.1	0.1	0.7

Table A2.2 (continued)
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	135.21	136.14	137.10	138.02	138.83	139.60	140.26	140.85
% Ch, Annual Rate	2.8	2.8	2.8	2.7	2.4	2.2	1.9	1.7
Manufacturing	12.60	12.72	12.82	12.90	12.99	13.06	13.10	13.14
% Ch, Annual Rate	4.2	4.0	3.0	2.6	2.7	2.3	1.3	1.2
Durable Manufacturing	7.96	8.07	8.16	8.24	8.33	8.40	8.45	8.50
% Ch, Annual Rate	5.8	5.9	4.5	4.1	4.2	3.6	2.3	2.1
Wood Products	0.48	0.50	0.51	0.52	0.52	0.53	0.53	0.53
% Ch, Annual Rate	18.0	15.1	9.8	6.4	5.1	4.0	2.1	1.7
Primary and Fabricated Metals	1.81	1.83	1.84	1.86	1.89	1.91	1.93	1.94
% Ch, Annual Rate	4.0	4.5	3.3	4.1	5.4	4.9	3.7	3.3
Computer and Electronic Products	1.12	1.13	1.15	1.17	1.19	1.20	1.21	1.22
% Ch, Annual Rate	2.7	5.3	8.0	6.3	5.2	4.1	3.6	3.5
Machinery and Electrical Equipment	1.54	1.56	1.56	1.56	1.56	1.55	1.54	1.54
% Ch, Annual Rate	4.0	3.1	0.2	-0.1	-0.1	-0.8	-2.1	-2.3
Transportation Equipment	1.53	1.57	1.60	1.63	1.66	1.69	1.72	1.74
% Ch, Annual Rate	9.7	10.3	8.8	8.2	7.9	7.4	5.8	5.4
Other Durables	1.48	1.49	1.50	1.50	1.51	1.52	1.52	1.52
% Ch, Annual Rate	4.7	3.7	1.5	1.5	2.2	2.1	0.5	0.6
Nondurable Manufacturing	4.64	4.65	4.66	4.66	4.66	4.66	4.65	4.65
% Ch, Annual Rate	1.5	0.7	0.5	0.1	0.2	-0.2	-0.4	-0.4
Food Manufacturing	1.53	1.54	1.55	1.55	1.56	1.57	1.57	1.57
% Ch, Annual Rate	3.6	2.2	2.0	1.4	1.7	1.5	1.1	1.3
Paper and Paper Products	0.43	0.44	0.44	0.44	0.44	0.44	0.44	0.44
% Ch, Annual Rate	4.8	3.0	2.4	1.7	1.3	0.5	0.0	-0.4
Other Nondurables	2.68	2.68	2.67	2.66	2.66	2.65	2.64	2.63
% Ch, Annual Rate	-0.2	-0.5	-0.7	-1.0	-0.9	-1.2	-1.4	-1.4
Natural Resources and Mining	0.67	0.66	0.66	0.66	0.66	0.66	0.66	0.65
% Ch, Annual Rate	-0.9	-1.8	-1.0	-0.7	-0.4	-0.8	-1.6	-2.5
Construction	5.69	5.80	5.91	6.02	6.12	6.23	6.32	6.39
% Ch, Annual Rate	6.0	7.9	7.6	7.6	7.2	6.8	5.8	4.6
Trade, Transportation, and Utilities	25.52	25.76	25.99	26.20	26.39	26.57	26.71	26.81
% Ch, Annual Rate	3.8	3.7	3.6	3.3	3.0	2.7	2.1	1.5
Wholesale Trade	5.88	5.94	6.00	6.05	6.09	6.12	6.15	6.17
% Ch, Annual Rate	4.8	4.2	4.1	3.1	2.4	2.1	2.0	1.5
Retail Trade	14.59	14.70	14.81	14.92	15.03	15.13	15.19	15.24
% Ch, Annual Rate	2.6	3.0	2.9	3.0	3.0	2.7	1.7	1.2
Trans., Warehousing, and Utilities	5.05	5.11	5.18	5.23	5.28	5.33	5.37	5.40
% Ch, Annual Rate	6.1	5.2	5.2	4.3	4.0	3.2	3.0	2.5
Information	2.91	2.91	2.91	2.91	2.92	2.91	2.91	2.91
% Ch, Annual Rate	2.8	-0.8	0.3	0.3	0.9	-0.1	-0.4	-0.5
Publishing Industries	0.77	0.77	0.77	0.77	0.78	0.78	0.78	0.78
% Ch, Annual Rate	1.9	1.1	0.7	0.4	1.7	1.5	1.4	0.8
Other Information	2.14	2.13	2.14	2.14	2.14	2.14	2.13	2.13
% Ch, Annual Rate	3.1	-1.5	0.1	0.3	0.6	-0.7	-1.0	-1.0
Financial Activities	7.83	7.87	7.91	7.92	7.92	7.93	7.94	7.94
% Ch, Annual Rate	3.5	2.0	1.9	0.4	0.3	0.3	0.7	0.1
Professional and Business Services	18.69	18.88	19.11	19.34	19.52	19.70	19.88	20.05
% Ch, Annual Rate	3.7	4.1	5.0	4.9	3.8	3.8	3.6	3.6
Education and Health Services	20.30	20.43	20.52	20.61	20.69	20.81	20.89	20.97
% Ch, Annual Rate	2.2	2.5	1.8	1.9	1.5	2.3	1.7	1.4
Leisure and Hospitality	13.36	13.45	13.55	13.66	13.76	13.81	13.88	13.94
% Ch, Annual Rate	2.6	2.7	3.0	3.4	2.8	1.6	1.8	2.0
Other Services	5.40	5.39	5.40	5.41	5.42	5.42	5.42	5.43
% Ch, Annual Rate	0.5	-0.9	0.9	0.8	0.6	-0.4	0.5	0.3
Federal Government	2.75	2.74	2.73	2.73	2.72	2.71	2.71	2.70
% Ch, Annual Rate	-1.5	-1.3	-1.3	-0.9	-1.0	-0.9	-0.9	-0.8
State and Local Government	19.47	19.53	19.59	19.65	19.72	19.79	19.85	19.91
% Ch, Annual Rate	0.8	1.2	1.2	1.3	1.3	1.4	1.3	1.3

Table A2.3
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.2	2,827.4	2,809.0	2,884.3	2,976.0	3,055.5
% Ch	3.0	2.6	0.9	-4.5	-0.7	2.7	3.2	2.7
Manufacturing	285.9	293.3	291.2	265.9	260.1	269.1	283.0	293.9
% Ch	4.9	2.6	-0.7	-8.7	-2.2	3.5	5.2	3.9
Durable Manufacturing	204.0	211.9	211.3	190.6	185.5	192.9	203.1	211.9
% Ch	6.6	3.9	-0.3	-9.8	-2.7	4.0	5.3	4.3
Wood Products	20.3	19.2	17.0	13.4	13.0	14.7	16.6	17.2
% Ch	1.1	-5.4	-11.3	-21.4	-2.6	12.7	13.3	3.5
Primary and Fabricated Metals	24.3	25.9	26.3	21.9	22.1	23.3	24.8	26.3
% Ch	4.9	6.8	1.5	-16.7	0.8	5.6	6.3	6.0
Computer and Electronic Products	22.5	22.7	22.5	20.0	19.5	20.1	21.0	23.1
% Ch	1.2	1.1	-0.8	-11.2	-2.6	3.4	4.3	9.9
Machinery and Electrical Equipment	19.0	19.6	19.9	16.3	16.1	19.8	22.4	23.5
% Ch	6.5	3.4	1.2	-17.9	-1.1	22.8	13.0	5.3
Aerospace	73.4	80.1	83.0	83.0	80.4	80.0	82.5	85.4
% Ch	11.9	9.1	3.6	0.0	-3.1	-0.6	3.2	3.5
Other Transportation Equip.	13.7	13.1	12.2	9.7	8.7	8.7	8.6	8.5
% Ch	4.1	-4.9	-6.5	-20.9	-9.8	0.1	-0.8	-1.1
Other Durables	30.9	31.3	30.5	26.4	25.7	26.3	27.2	27.8
% Ch	4.9	1.4	-2.8	-13.2	-2.9	2.5	3.3	2.3
Nondurable Manufacturing	81.9	81.4	79.8	75.3	74.6	76.2	79.9	82.1
% Ch	0.9	-0.6	-1.9	-5.7	-1.0	2.2	4.8	2.7
Food Manufacturing	33.9	34.1	34.3	34.1	33.9	34.0	36.2	37.5
% Ch	0.3	0.7	0.5	-0.5	-0.4	0.0	6.6	3.7
Paper and Paper Products	11.9	11.2	10.5	9.7	9.6	10.1	10.5	10.7
% Ch	-2.1	-6.3	-6.5	-7.0	-1.2	4.7	4.7	1.6
Other Nondurables	36.1	36.1	35.1	31.5	31.0	32.2	33.1	33.8
% Ch	2.6	0.2	-2.8	-10.3	-1.5	3.8	3.0	2.0
Natural Resources and Mining	8.7	8.2	7.5	6.1	6.4	7.2	8.0	8.4
% Ch	-3.0	-6.1	-7.6	-19.1	4.2	13.1	11.5	4.6
Construction	194.8	208.2	200.6	160.9	148.0	148.1	158.6	170.6
% Ch	9.9	6.8	-3.6	-19.8	-8.0	0.1	7.1	7.5
Trade, Transportation, and Utilities	541.6	553.3	553.4	524.2	525.0	545.8	565.5	576.5
% Ch	2.1	2.2	0.0	-5.3	0.1	4.0	3.6	2.0
Wholesale Trade	126.6	129.3	130.1	123.0	122.5	127.3	133.2	136.5
% Ch	3.6	2.2	0.6	-5.5	-0.4	3.9	4.7	2.4
Retail Trade	321.0	327.9	327.4	310.1	314.2	325.9	334.2	338.2
% Ch	1.6	2.1	-0.1	-5.3	1.3	3.7	2.5	1.2
Trans., Warehousing, and Utilities	94.0	96.1	95.9	91.0	88.3	92.6	98.0	101.8
% Ch	2.0	2.2	-0.2	-5.1	-3.0	4.9	5.9	3.9
Information	98.4	102.5	105.6	103.6	103.4	108.1	111.8	114.8
% Ch	3.9	4.1	3.1	-1.9	-0.2	4.6	3.4	2.7
Software Publishers	44.7	47.6	50.9	51.4	51.5	53.5	56.0	59.1
% Ch	8.4	6.4	7.0	1.0	0.0	4.0	4.7	5.5
Other Publishing Industries	11.0	10.8	10.4	8.8	8.1	8.4	8.4	8.5
% Ch	-2.0	-1.7	-4.4	-15.4	-7.1	2.7	1.0	0.0
Other Information	42.7	44.0	44.3	43.4	43.8	46.3	47.4	47.2
% Ch	1.1	3.1	0.7	-2.1	0.9	5.7	2.3	-0.2
Financial Activities	156.2	155.5	152.4	142.3	136.4	139.1	144.7	147.1
% Ch	1.1	-0.5	-2.0	-6.6	-4.1	1.9	4.0	1.7
Professional and Business Services	330.5	344.7	348.7	324.9	329.3	352.6	370.7	388.3
% Ch	4.6	4.3	1.2	-6.8	1.4	7.1	5.1	4.8
Education and Health Services	337.2	348.3	362.1	372.9	377.9	383.5	392.0	400.2
% Ch	2.4	3.3	4.0	3.0	1.3	1.5	2.2	2.1
Leisure and Hospitality	271.6	280.5	283.6	270.1	270.0	281.7	288.7	296.4
% Ch	3.1	3.3	1.1	-4.8	0.0	4.3	2.5	2.7
Other Services	104.0	105.3	107.7	107.0	105.6	106.1	106.7	107.6
% Ch	1.2	1.3	2.3	-0.7	-1.3	0.5	0.5	0.9
Federal Government	69.3	68.7	70.0	72.8	75.3	72.3	71.7	71.4
% Ch	-0.4	-0.9	1.9	4.0	3.5	-4.0	-0.9	-0.3
State and Local Government	460.7	465.1	476.3	476.8	471.8	470.6	474.7	480.2
% Ch	0.8	1.0	2.4	0.1	-1.1	-0.2	0.9	1.2

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,973.7	2,969.4	2,968.2	2,925.7	2,877.6	2,835.3	2,807.2	2,789.6
% Ch, Annual Rate	2.3	-0.6	-0.2	-5.6	-6.4	-5.7	-3.9	-2.5
Manufacturing	297.1	294.9	293.1	279.5	276.5	266.9	262.4	257.9
% Ch, Annual Rate	2.0	-2.9	-2.5	-17.2	-4.3	-13.2	-6.6	-6.6
Durable Manufacturing	215.9	214.8	214.0	200.6	200.1	191.4	187.0	184.0
% Ch, Annual Rate	2.8	-2.1	-1.4	-22.8	-1.0	-16.2	-9.0	-6.2
Wood Products	18.2	17.5	16.6	15.6	14.1	13.4	13.1	12.8
% Ch, Annual Rate	-10.6	-15.2	-18.8	-22.5	-32.9	-18.7	-8.3	-9.7
Primary and Fabricated Metals	26.5	26.7	26.7	25.4	23.5	21.9	21.2	21.0
% Ch, Annual Rate	6.7	2.6	0.0	-17.3	-26.9	-24.9	-11.7	-3.4
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.5	20.2	19.4	18.9
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-12.4	-22.0	-14.2	-9.4
Machinery and Electrical Equipment	20.1	20.1	20.0	19.2	17.6	16.6	15.7	15.3
% Ch, Annual Rate	3.8	-0.8	-2.7	-14.2	-29.9	-20.5	-19.3	-11.0
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.2	81.4
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.0	-4.9	-3.8
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.6	9.7	9.3	9.1
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-31.2	-31.0	-14.2	-10.0
Other Durables	31.4	31.0	30.3	29.0	27.7	26.5	26.0	25.5
% Ch, Annual Rate	1.8	-5.4	-8.2	-16.2	-17.7	-15.6	-7.0	-7.5
Nondurable Manufacturing	81.2	80.2	79.1	78.9	76.4	75.5	75.4	74.0
% Ch, Annual Rate	-0.2	-4.9	-5.3	-0.8	-12.3	-4.8	-0.2	-7.6
Food Manufacturing	34.6	34.1	33.8	34.5	33.8	34.2	34.7	33.6
% Ch, Annual Rate	5.0	-5.6	-3.1	7.8	-7.9	4.6	6.7	-11.9
Paper and Paper Products	10.7	10.6	10.4	10.2	10.0	9.8	9.6	9.5
% Ch, Annual Rate	-8.3	-5.1	-7.1	-4.8	-8.0	-9.3	-7.7	-3.0
Other Nondurables	35.9	35.5	34.9	34.2	32.6	31.5	31.1	30.8
% Ch, Annual Rate	-2.5	-4.2	-6.9	-7.5	-17.7	-12.6	-4.9	-4.0
Natural Resources and Mining	7.8	7.6	7.5	7.3	6.5	6.0	6.1	5.7
% Ch, Annual Rate	-5.8	-7.8	-2.6	-14.9	-33.6	-27.5	2.0	-20.5
Construction	208.9	204.5	199.6	189.5	173.9	163.0	156.2	150.4
% Ch, Annual Rate	0.3	-8.2	-9.2	-18.8	-29.1	-22.7	-15.7	-14.2
Trade, Transportation, and Utilities	559.1	556.8	554.0	543.9	532.8	524.7	521.8	517.4
% Ch, Annual Rate	1.8	-1.6	-2.0	-7.1	-7.9	-5.9	-2.3	-3.3
Wholesale Trade	130.9	130.7	130.2	128.7	126.0	123.2	121.8	121.0
% Ch, Annual Rate	1.3	-0.7	-1.4	-4.4	-8.2	-8.5	-4.4	-2.7
Retail Trade	331.9	329.6	327.5	320.8	313.9	310.6	309.2	306.8
% Ch, Annual Rate	2.7	-2.7	-2.6	-7.9	-8.3	-4.2	-1.8	-3.0
Trans., Warehousing, and Utilities	96.3	96.5	96.3	94.4	92.9	90.9	90.7	89.5
% Ch, Annual Rate	-0.6	0.9	-0.9	-7.7	-6.2	-8.2	-0.8	-5.4
Information	104.3	105.1	106.3	106.8	105.8	104.1	102.6	101.9
% Ch, Annual Rate	5.4	3.2	4.6	1.8	-3.5	-6.5	-5.5	-2.9
Software Publishers	49.1	50.3	51.7	52.6	52.5	51.7	51.0	50.6
% Ch, Annual Rate	7.8	10.6	11.9	6.9	-0.6	-6.3	-5.5	-3.2
Other Publishing Industries	10.8	10.6	10.2	9.8	9.3	8.8	8.6	8.4
% Ch, Annual Rate	-1.1	-6.7	-12.3	-15.8	-20.2	-17.4	-12.0	-9.2
Other Information	44.5	44.2	44.3	44.4	44.0	43.5	43.1	42.9
% Ch, Annual Rate	4.5	-2.1	1.0	0.3	-2.9	-4.5	-4.1	-1.3
Financial Activities	154.6	153.5	151.8	149.5	145.8	143.5	141.1	138.7
% Ch, Annual Rate	-0.4	-2.7	-4.5	-5.8	-9.5	-6.3	-6.4	-6.8
Professional and Business Services	350.2	352.0	350.0	342.5	333.0	324.0	320.5	322.1
% Ch, Annual Rate	2.2	2.1	-2.2	-8.3	-10.7	-10.4	-4.2	2.0
Education and Health Services	356.6	359.5	364.2	368.2	371.5	372.2	373.4	374.3
% Ch, Annual Rate	2.6	3.3	5.3	4.5	3.6	0.7	1.4	1.0
Leisure and Hospitality	286.0	285.0	284.2	279.4	273.6	270.5	269.6	266.7
% Ch, Annual Rate	3.2	-1.3	-1.1	-6.6	-8.0	-4.6	-1.2	-4.3
Other Services	107.3	107.8	108.3	107.6	107.4	107.1	106.6	106.8
% Ch, Annual Rate	3.4	1.8	2.1	-2.6	-0.9	-1.2	-1.6	0.8
Federal Government	69.3	69.4	70.3	71.0	71.6	74.0	72.7	72.8
% Ch, Annual Rate	4.5	0.9	4.9	4.1	3.6	13.7	-6.5	0.2
State and Local Government	472.7	473.3	478.9	480.4	479.0	479.4	474.0	474.9
% Ch, Annual Rate	3.1	0.5	4.8	1.3	-1.2	0.3	-4.4	0.7

Table A2.4 (continued)
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,791.2	2,805.2	2,811.6	2,828.1	2,847.4	2,870.4	2,898.3	2,921.1
% Ch, Annual Rate	0.2	2.0	0.9	2.4	2.8	3.3	3.9	3.2
Manufacturing	257.9	259.0	260.5	262.8	264.2	267.3	270.6	274.4
% Ch, Annual Rate	0.0	1.7	2.4	3.6	2.0	4.8	5.0	5.7
Durable Manufacturing	183.9	184.1	185.8	188.2	189.5	191.6	194.0	196.6
% Ch, Annual Rate	-0.2	0.5	3.8	5.2	2.7	4.4	5.1	5.6
Wood Products	12.8	12.8	13.0	13.4	13.7	14.3	15.0	15.6
% Ch, Annual Rate	1.8	-1.6	7.8	10.7	11.2	19.1	19.2	17.5
Primary and Fabricated Metals	21.5	22.0	22.2	22.5	22.7	23.1	23.5	24.0
% Ch, Annual Rate	10.1	9.5	3.5	5.9	3.1	6.6	7.4	8.3
Computer and Electronic Products	18.8	19.0	19.7	20.4	20.3	20.4	20.0	19.9
% Ch, Annual Rate	-3.6	5.7	15.4	13.5	-1.8	3.0	-7.3	-3.3
Machinery and Electrical Equipment	15.3	15.4	16.3	17.5	18.4	19.4	20.3	21.1
% Ch, Annual Rate	-0.6	4.6	24.8	33.3	22.8	22.5	19.1	16.8
Aerospace	81.3	80.5	80.1	79.9	79.6	79.4	80.1	80.8
% Ch, Annual Rate	-0.5	-4.0	-1.7	-1.2	-1.2	-1.3	3.5	3.5
Other Transportation Equip.	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
% Ch, Annual Rate	-13.9	0.9	-2.6	0.0	2.1	0.2	-1.1	-1.0
Other Durables	25.5	25.6	25.7	25.9	26.0	26.2	26.4	26.7
% Ch, Annual Rate	-0.8	2.4	1.6	2.1	1.9	3.5	3.2	3.9
Nondurable Manufacturing	74.0	74.9	74.7	74.6	74.7	75.7	76.6	77.8
% Ch, Annual Rate	0.4	4.7	-1.0	-0.5	0.3	5.8	4.8	6.0
Food Manufacturing	33.9	34.7	33.9	33.4	33.1	33.7	34.2	34.9
% Ch, Annual Rate	2.9	9.5	-9.0	-5.8	-3.3	7.4	6.0	8.7
Paper and Paper Products	9.6	9.6	9.6	9.7	9.8	10.0	10.1	10.3
% Ch, Annual Rate	2.2	0.1	1.9	2.9	5.4	8.8	4.9	5.3
Other Nondurables	30.6	30.7	31.2	31.6	31.8	32.0	32.3	32.6
% Ch, Annual Rate	-2.8	1.1	7.9	4.5	2.6	3.3	3.4	3.4
Natural Resources and Mining	6.0	6.4	6.5	6.6	6.8	7.1	7.4	7.6
% Ch, Annual Rate	16.4	30.8	7.5	8.4	8.6	21.4	15.8	11.7
Construction	148.6	148.4	147.3	147.6	146.8	146.5	148.1	151.0
% Ch, Annual Rate	-4.6	-0.6	-3.0	1.0	-2.2	-0.7	4.5	8.0
Trade, Transportation, and Utilities	520.2	523.8	525.3	530.5	535.1	541.8	550.7	555.6
% Ch, Annual Rate	2.2	2.8	1.2	4.0	3.5	5.1	6.8	3.6
Wholesale Trade	121.6	122.1	122.9	123.6	124.4	126.2	128.5	130.0
% Ch, Annual Rate	1.8	1.8	2.5	2.3	2.6	6.1	7.5	4.8
Retail Trade	310.7	314.0	314.1	317.8	320.4	323.8	328.7	330.6
% Ch, Annual Rate	5.1	4.3	0.2	4.7	3.3	4.4	6.2	2.4
Trans., Warehousing, and Utilities	87.9	87.7	88.3	89.1	90.3	91.7	93.5	94.9
% Ch, Annual Rate	-6.8	-1.1	2.8	3.8	5.3	6.5	8.0	6.1
Information	102.2	102.8	103.7	104.9	106.4	107.6	108.7	109.8
% Ch, Annual Rate	1.3	2.4	3.7	4.6	6.0	4.4	4.1	4.2
Software Publishers	50.7	51.3	51.7	52.1	52.7	53.2	53.7	54.3
% Ch, Annual Rate	0.9	5.1	3.1	3.3	4.6	3.7	4.1	4.3
Other Publishing Industries	8.3	8.0	8.0	8.2	8.3	8.3	8.4	8.4
% Ch, Annual Rate	-2.7	-12.5	0.0	9.3	6.0	0.4	1.5	1.5
Other Information	43.2	43.5	44.0	44.6	45.4	46.1	46.6	47.1
% Ch, Annual Rate	2.5	2.4	5.0	5.4	7.6	6.0	4.5	4.5
Financial Activities	138.2	135.9	136.2	135.4	136.8	138.1	139.9	141.6
% Ch, Annual Rate	-1.3	-6.4	0.8	-2.5	4.3	4.0	5.1	5.0
Professional and Business Services	323.1	325.7	330.8	337.6	344.2	350.3	355.7	360.2
% Ch, Annual Rate	1.3	3.2	6.5	8.5	7.9	7.3	6.4	5.1
Education and Health Services	377.2	377.4	378.0	378.8	379.9	382.5	384.7	386.8
% Ch, Annual Rate	3.1	0.2	0.6	0.8	1.3	2.7	2.4	2.1
Leisure and Hospitality	266.1	268.0	271.1	274.8	278.5	280.6	283.6	284.2
% Ch, Annual Rate	-0.9	3.0	4.7	5.5	5.5	3.1	4.3	0.9
Other Services	105.5	105.6	105.6	105.6	106.0	106.1	106.1	106.3
% Ch, Annual Rate	-4.9	0.4	-0.2	0.2	1.6	0.1	0.3	0.5
Federal Government	73.6	79.2	75.3	73.3	72.8	72.4	72.2	72.0
% Ch, Annual Rate	4.7	34.3	-18.6	-10.0	-2.7	-2.1	-1.3	-1.0
State and Local Government	472.6	473.0	471.3	470.1	469.9	470.2	470.6	471.8
% Ch, Annual Rate	-1.9	0.3	-1.4	-1.0	-0.2	0.2	0.4	1.0

Table A2.4 (continued)
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	2,943.0	2,964.4	2,987.8	3,008.9	3,028.3	3,047.2	3,065.1	3,081.6
% Ch, Annual Rate	3.0	2.9	3.2	2.9	2.6	2.5	2.4	2.2
Manufacturing	278.1	281.6	284.7	287.6	290.4	293.0	295.1	297.2
% Ch, Annual Rate	5.6	5.1	4.6	4.0	4.0	3.6	2.9	2.9
Durable Manufacturing	199.2	202.0	204.5	206.8	209.0	211.1	212.8	214.5
% Ch, Annual Rate	5.5	5.6	5.0	4.6	4.4	4.0	3.4	3.2
Wood Products	16.1	16.6	16.8	17.0	17.1	17.2	17.2	17.2
% Ch, Annual Rate	13.7	11.3	6.9	4.1	3.0	2.1	0.5	0.1
Primary and Fabricated Metals	24.3	24.6	24.9	25.3	25.7	26.1	26.5	26.8
% Ch, Annual Rate	5.3	5.9	4.8	5.8	7.0	6.5	5.4	5.0
Computer and Electronic Products	20.2	20.6	21.3	21.9	22.5	22.9	23.3	23.7
% Ch, Annual Rate	6.1	10.0	14.3	11.6	9.8	8.1	7.3	7.1
Machinery and Electrical Equipment	21.7	22.2	22.6	22.9	23.2	23.5	23.7	23.8
% Ch, Annual Rate	12.3	10.6	6.5	5.8	5.6	4.5	2.7	2.4
Aerospace	81.4	82.2	82.9	83.6	84.3	85.0	85.8	86.5
% Ch, Annual Rate	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Other Transportation Equip.	8.7	8.7	8.6	8.6	8.6	8.6	8.5	8.5
% Ch, Annual Rate	-1.0	-0.7	-0.5	-1.0	-1.3	-1.2	-1.6	-1.7
Other Durables	26.9	27.1	27.3	27.4	27.6	27.8	27.9	28.0
% Ch, Annual Rate	3.5	3.2	2.5	2.4	2.4	2.3	1.7	1.5
Nondurable Manufacturing	78.8	79.6	80.3	80.8	81.4	81.9	82.3	82.7
% Ch, Annual Rate	5.7	3.8	3.4	2.7	2.9	2.4	1.8	2.0
Food Manufacturing	35.6	36.0	36.4	36.7	37.1	37.4	37.7	37.9
% Ch, Annual Rate	8.4	5.0	4.4	3.4	4.1	3.5	2.6	3.0
Paper and Paper Products	10.4	10.5	10.6	10.6	10.7	10.7	10.7	10.7
% Ch, Annual Rate	5.6	3.7	3.0	2.2	1.7	0.8	0.3	-0.1
Other Nondurables	32.8	33.0	33.3	33.4	33.6	33.8	33.9	34.0
% Ch, Annual Rate	3.0	2.7	2.5	2.1	2.1	1.8	1.6	1.5
Natural Resources and Mining	7.8	8.0	8.1	8.2	8.3	8.4	8.4	8.4
% Ch, Annual Rate	11.7	10.6	7.5	4.8	5.2	3.4	1.8	0.2
Construction	153.6	156.9	160.5	163.4	166.4	169.2	172.0	174.6
% Ch, Annual Rate	7.2	8.7	9.6	7.4	7.6	6.9	6.8	6.0
Trade, Transportation, and Utilities	560.1	563.5	567.6	570.6	573.0	575.5	577.9	579.6
% Ch, Annual Rate	3.3	2.5	2.9	2.2	1.6	1.8	1.7	1.2
Wholesale Trade	131.5	132.6	133.9	134.8	135.5	136.1	136.8	137.4
% Ch, Annual Rate	4.6	3.6	4.0	2.6	2.0	1.9	2.1	1.8
Retail Trade	332.3	333.4	335.0	336.1	336.9	337.9	338.8	339.2
% Ch, Annual Rate	2.0	1.3	1.9	1.4	0.9	1.3	1.0	0.5
Trans., Warehousing, and Utilities	96.3	97.5	98.7	99.7	100.6	101.5	102.3	103.0
% Ch, Annual Rate	5.9	5.0	5.1	4.1	3.9	3.3	3.2	2.8
Information	110.9	111.4	112.1	112.9	113.8	114.5	115.1	115.8
% Ch, Annual Rate	3.9	1.8	2.8	2.7	3.1	2.5	2.4	2.3
Software Publishers	54.9	55.6	56.4	57.1	57.9	58.7	59.5	60.3
% Ch, Annual Rate	4.8	5.0	5.5	5.4	5.6	5.6	5.6	5.3
Other Publishing Industries	8.4	8.5	8.5	8.4	8.5	8.5	8.5	8.4
% Ch, Annual Rate	1.9	0.6	0.0	-0.7	0.6	0.2	0.1	-0.7
Other Information	47.5	47.3	47.3	47.3	47.4	47.3	47.2	47.1
% Ch, Annual Rate	3.3	-1.6	0.1	0.3	0.6	-0.8	-1.1	-1.0
Financial Activities	143.2	144.3	145.3	145.9	146.3	146.8	147.4	147.8
% Ch, Annual Rate	4.7	3.1	2.9	1.4	1.3	1.3	1.6	1.0
Professional and Business Services	363.9	368.1	373.0	377.9	382.1	386.3	390.4	394.5
% Ch, Annual Rate	4.2	4.6	5.5	5.4	4.5	4.5	4.3	4.3
Education and Health Services	388.8	391.1	393.1	395.1	396.9	399.4	401.4	403.2
% Ch, Annual Rate	2.1	2.4	2.0	2.1	1.8	2.5	2.0	1.8
Leisure and Hospitality	285.6	287.5	289.7	292.1	294.2	295.6	297.2	298.8
% Ch, Annual Rate	1.9	2.7	3.0	3.4	2.9	2.0	2.1	2.2
Other Services	106.4	106.5	106.7	107.0	107.3	107.5	107.7	108.0
% Ch, Annual Rate	0.7	0.0	1.1	1.1	1.1	0.5	1.0	0.9
Federal Government	71.8	71.7	71.6	71.6	71.5	71.5	71.4	71.4
% Ch, Annual Rate	-0.8	-0.7	-0.6	-0.2	-0.3	-0.2	-0.2	-0.1
State and Local Government	472.8	474.0	475.3	476.6	478.0	479.6	481.0	482.4
% Ch, Annual Rate	0.9	1.0	1.1	1.2	1.2	1.3	1.2	1.1

Table A3.1
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	11,268.1	11,894.1	12,238.8	12,019.0	12,414.1	13,039.6	13,729.7	14,460.5
% Ch	7.5	5.6	2.9	-1.8	3.3	5.0	5.3	5.3
Total Wage and Salary Disbursements	6,068.9	6,408.9	6,545.9	6,276.5	6,397.7	6,715.8	7,080.3	7,473.9
% Ch	6.5	5.6	2.1	-4.1	1.9	5.0	5.4	5.6
Nonwage Personal Income	5,199.2	5,485.2	5,693.0	5,742.5	6,016.3	6,323.8	6,649.3	6,986.6
% Ch	8.7	5.5	3.8	0.9	4.8	5.1	5.1	5.1
Supplements to Wages and Salaries	1,406.9	1,453.8	1,496.6	1,501.9	1,538.6	1,624.3	1,717.9	1,815.6
% Ch	3.5	3.3	2.9	0.4	2.4	5.6	5.8	5.7
Proprietor's Income	1,133.0	1,096.4	1,106.2	1,041.0	1,098.1	1,186.1	1,252.5	1,313.4
% Ch	5.9	-3.2	0.9	-5.9	5.5	8.0	5.6	4.9
Farm	29.4	39.5	48.7	29.3	33.7	40.3	43.2	43.1
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,103.6	1,056.9	1,057.5	1,011.7	1,064.3	1,145.8	1,209.3	1,270.4
% Ch	7.6	-4.2	0.1	-4.3	5.2	7.7	5.5	5.0
Less: Contribution For Govt. Soc. Ins.	921.8	959.3	990.6	965.9	987.9	1,051.1	1,122.5	1,219.6
% Ch	5.6	4.1	3.3	-2.5	2.3	6.4	6.8	8.7
Dividends/Int./Rent	1,976.2	2,176.4	2,204.8	2,060.8	2,129.5	2,268.4	2,444.0	2,632.3
% Ch	14.9	10.1	1.3	-6.5	3.3	6.5	7.7	7.7
Transfer Payments	1,605.0	1,718.0	1,875.9	2,104.8	2,238.0	2,296.2	2,357.4	2,445.0
% Ch	6.4	7.0	9.2	12.2	6.3	2.6	2.7	3.7

Table A3.2

U.S. Personal Income by Component (Billions of Dollars)

Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	12,142.2	12,292.9	12,286.6	12,233.5	11,952.7	12,048.8	12,005.2	12,069.4
% Ch, Annual Rate	1.4	5.1	-0.2	-1.7	-8.9	3.3	-1.4	2.2
Total Wage and Salary Disbursements	6,533.0	6,539.2	6,567.7	6,543.5	6,307.8	6,313.1	6,249.2	6,236.0
% Ch, Annual Rate	1.6	0.4	1.8	-1.5	-13.6	0.3	-4.0	-0.8
Nonwage Personal Income	5,609.2	5,753.7	5,718.9	5,690.0	5,644.9	5,735.7	5,756.0	5,833.4
% Ch, Annual Rate	1.2	10.7	-2.4	-2.0	-3.1	6.6	1.4	5.5
Supplements to Wages and Salaries	1,484.5	1,493.5	1,501.4	1,506.8	1,498.0	1,502.8	1,502.3	1,504.6
% Ch, Annual Rate	3.4	2.5	2.1	1.5	-2.3	1.3	-0.1	0.6
Proprietor's Income	1,115.1	1,111.9	1,114.4	1,083.5	1,037.8	1,028.0	1,037.8	1,060.3
% Ch, Annual Rate	4.8	-1.1	0.9	-10.6	-15.8	-3.7	3.9	9.0
Farm	57.2	49.4	49.3	39.0	27.3	28.9	25.8	35.2
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,057.9	1,062.5	1,065.1	1,044.5	1,010.5	999.1	1,012.0	1,025.1
% Ch, Annual Rate	1.4	1.8	1.0	-7.5	-12.4	-4.4	5.3	5.3
Less: Contribution For Govt. Soc. Ins.	985.3	988.9	994.9	993.3	969.7	970.9	962.5	960.6
% Ch, Annual Rate	5.4	1.4	2.4	-0.6	-9.2	0.5	-3.4	-0.8
Dividends/Int./Rent	2,200.7	2,200.1	2,223.7	2,194.8	2,091.4	2,035.4	2,041.0	2,075.2
% Ch, Annual Rate	-6.5	-0.1	4.4	-5.1	-17.6	-10.3	1.1	6.9
Transfer Payments	1,794.1	1,937.0	1,874.3	1,898.0	1,987.3	2,140.3	2,137.5	2,153.9
% Ch, Annual Rate	9.5	35.9	-12.3	5.2	20.2	34.5	-0.5	3.1

Table A3.2 (continued)
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,178.9	12,327.7	12,498.8	12,651.0	12,814.1	12,954.8	13,114.5	13,275.1
% Ch, Annual Rate	3.7	5.0	5.7	5.0	5.3	4.5	5.0	5.0
Total Wage and Salary Disbursements	6,285.5	6,361.3	6,436.1	6,508.0	6,591.7	6,673.2	6,756.0	6,842.1
% Ch, Annual Rate	3.2	4.9	4.8	4.5	5.2	5.0	5.1	5.2
Nonwage Personal Income	5,893.4	5,966.4	6,062.7	6,142.9	6,222.4	6,281.5	6,358.5	6,433.0
% Ch, Annual Rate	4.2	5.0	6.6	5.4	5.3	3.9	5.0	4.8
Supplements to Wages and Salaries	1,523.9	1,533.7	1,541.3	1,555.6	1,595.3	1,614.2	1,632.9	1,654.6
% Ch, Annual Rate	5.2	2.6	2.0	3.8	10.6	4.8	4.7	5.4
Proprietor's Income	1,066.3	1,087.5	1,109.8	1,128.7	1,152.6	1,178.4	1,197.8	1,215.7
% Ch, Annual Rate	2.3	8.2	8.5	7.0	8.7	9.3	6.8	6.1
Farm	31.0	32.1	35.4	36.4	37.4	39.8	41.9	42.1
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,035.3	1,055.4	1,074.4	1,092.3	1,115.2	1,138.5	1,156.0	1,173.6
% Ch, Annual Rate	4.0	8.0	7.4	6.8	8.7	8.6	6.3	6.2
Less: Contribution For Govt. Soc. Ins.	980.9	988.2	987.8	994.6	1,035.3	1,046.8	1,055.7	1,066.5
% Ch, Annual Rate	8.7	3.0	-0.2	2.8	17.4	4.5	3.4	4.2
Dividends/Int./Rent	2,067.7	2,096.5	2,154.9	2,199.0	2,230.2	2,246.8	2,278.9	2,317.7
% Ch, Annual Rate	-1.4	5.7	11.6	8.4	5.8	3.0	5.8	7.0
Transfer Payments	2,216.5	2,236.9	2,244.4	2,254.1	2,279.6	2,289.0	2,304.5	2,311.6
% Ch, Annual Rate	12.1	3.7	1.3	1.7	4.6	1.7	2.7	1.2

Table A3.2 (continued)
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	13,441.7	13,632.5	13,826.6	14,017.9	14,167.7	14,363.4	14,558.7	14,752.3
% Ch, Annual Rate	5.1	5.8	5.8	5.6	4.3	5.6	5.5	5.4
Total Wage and Salary Disbursements	6,938.8	7,030.0	7,126.3	7,226.1	7,331.3	7,428.3	7,522.4	7,613.4
% Ch, Annual Rate	5.8	5.4	5.6	5.7	6.0	5.4	5.2	4.9
Nonwage Personal Income	6,502.8	6,602.5	6,700.3	6,791.7	6,836.4	6,935.1	7,036.2	7,138.9
% Ch, Annual Rate	4.4	6.3	6.1	5.6	2.7	5.9	6.0	6.0
Supplements to Wages and Salaries	1,683.2	1,706.9	1,728.8	1,752.9	1,781.0	1,804.7	1,826.2	1,850.5
% Ch, Annual Rate	7.1	5.7	5.2	5.7	6.6	5.4	4.9	5.4
Proprietor's Income	1,231.5	1,248.2	1,258.8	1,271.6	1,285.6	1,305.4	1,322.2	1,340.6
% Ch, Annual Rate	5.3	5.5	3.4	4.1	4.5	6.3	5.3	5.7
Farm	43.1	44.1	43.3	42.4	42.4	43.0	43.6	43.3
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,188.4	1,204.1	1,215.5	1,229.2	1,243.2	1,262.4	1,278.6	1,297.3
% Ch, Annual Rate	5.1	5.4	3.8	4.6	4.6	6.3	5.3	6.0
Less: Contribution For Govt. Soc. Ins.	1,102.5	1,114.4	1,128.7	1,144.2	1,201.3	1,214.9	1,224.1	1,238.2
% Ch, Annual Rate	14.2	4.4	5.2	5.6	21.5	4.6	3.1	4.7
Dividends/Int./Rent	2,360.5	2,416.4	2,475.5	2,523.4	2,568.3	2,608.9	2,653.2	2,698.5
% Ch, Annual Rate	7.6	9.8	10.1	8.0	7.3	6.5	7.0	7.0
Transfer Payments	2,330.1	2,345.4	2,365.9	2,388.1	2,402.8	2,431.0	2,458.7	2,487.4
% Ch, Annual Rate	3.2	2.7	3.5	3.8	2.5	4.8	4.6	4.7

Table A3.3
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	252.023	271.008	280.678	277.843	289.255	306.095	324.200	342.916
% Ch	9.6	7.5	3.6	-1.0	4.1	5.8	5.9	5.8
Total Wage and Salary Disbursements	135.118	145.705	150.683	147.132	151.913	160.927	170.631	180.616
% Ch	8.4	7.8	3.4	-2.4	3.2	5.9	6.0	5.9
Manufacturing	16.794	17.685	17.977	16.776	17.505	18.692	20.173	21.611
% Ch	11.3	5.3	1.7	-6.7	4.3	6.8	7.9	7.1
Durable Manufacturing	13.051	13.772	14.077	13.167	13.778	14.766	15.951	17.143
% Ch	13.4	5.5	2.2	-6.5	4.6	7.2	8.0	7.5
Nondurable Manufacturing	3.742	3.913	3.900	3.610	3.727	3.926	4.222	4.468
% Ch	4.4	4.6	-0.3	-7.4	3.2	5.3	7.5	5.8
Nonmanufacturing	112.859	122.469	126.568	123.907	127.623	135.360	143.520	151.904
% Ch	8.2	8.5	3.3	-2.1	3.0	6.1	6.0	5.8
Other Private Wages	0.855	0.880	0.898	0.869	0.862	0.899	0.940	0.982
% Ch	6.9	2.9	2.1	-3.2	-0.9	4.4	4.5	4.4
Farm Wages	1.133	1.025	1.254	1.291	1.343	1.419	1.503	1.590
% Ch	-4.1	-9.6	22.4	3.0	4.0	5.7	5.9	5.8
Military Wages	3.478	3.647	3.987	4.289	4.580	4.557	4.494	4.530
% Ch	5.4	4.9	9.3	7.6	6.8	-0.5	-1.4	0.8
Nonwage Personal Income	116.905	125.303	129.995	130.711	137.342	145.167	153.569	162.300
% Ch	11.0	7.2	3.7	0.6	5.1	5.7	5.8	5.7
Supplements to Wages and Salaries	32.606	34.378	35.803	36.467	37.303	39.784	42.359	44.976
% Ch	4.5	5.4	4.1	1.9	2.3	6.7	6.5	6.2
Proprietor's Income	23.469	23.539	23.618	21.806	23.074	25.153	26.689	28.052
% Ch	9.9	0.3	0.3	-7.7	5.8	9.0	6.1	5.1
Farm	0.653	1.066	1.081	0.211	0.436	0.667	0.776	0.799
% Ch	...	...	...	...	...	...	...	...
Nonfarm	22.817	22.474	22.538	21.595	22.638	24.486	25.913	27.253
% Ch	9.6	-1.5	0.3	-4.2	4.8	8.2	5.8	5.2
Less: Contribution For Govt. Soc. Ins.	23.325	24.515	25.507	25.305	25.867	27.716	29.689	32.244
% Ch	6.2	5.1	4.0	-0.8	2.2	7.1	7.1	8.6
Plus: Residence Adjustment	2.795	3.076	3.073	2.911	2.975	3.133	3.321	3.530
% Ch	6.3	10.0	-0.1	-5.3	2.2	5.3	6.0	6.3
Dividends/Int./Rent	49.329	54.525	55.550	51.160	52.961	56.598	61.291	66.441
% Ch	16.7	10.5	1.9	-7.9	3.5	6.9	8.3	8.4
Transfer Payments	32.030	34.300	37.459	43.673	46.896	48.215	49.599	51.545
% Ch	7.5	7.1	9.2	16.6	7.4	2.8	2.9	3.9
State U.I. Benefits	0.733	0.739	1.195	4.394	4.535	3.899	2.817	1.648
% Ch	-6.2	0.8	61.7	267.8	3.2	-14.0	-27.7	-41.5
Other Transfers	31.297	33.562	36.264	39.279	42.361	44.315	46.782	49.897
% Ch	7.8	7.2	8.1	8.3	7.8	4.6	5.6	6.7

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	278.114	280.398	283.180	281.018	275.552	277.545	278.166	280.110
% Ch, Annual Rate	-0.3	3.3	4.0	-3.0	-7.6	2.9	0.9	2.8
Total Wage and Salary Disbursements	149.664	149.877	152.302	150.889	146.921	147.204	147.247	147.157
% Ch, Annual Rate	-1.0	0.6	6.6	-3.7	-10.1	0.8	0.1	-0.2
Manufacturing	18.195	17.711	17.959	18.042	16.533	16.759	16.801	17.012
% Ch, Annual Rate	3.5	-10.2	5.7	1.9	-29.5	5.6	1.0	5.1
Durable Manufacturing	14.248	13.839	14.090	14.130	12.994	13.111	13.170	13.390
% Ch, Annual Rate	5.3	-11.0	7.5	1.1	-28.5	3.6	1.8	6.8
Nondurable Manufacturing	3.947	3.872	3.869	3.912	3.539	3.647	3.630	3.622
% Ch, Annual Rate	-2.9	-7.4	-0.3	4.5	-33.0	12.9	-1.9	-0.9
Nonmanufacturing	125.478	126.140	128.070	126.583	124.073	124.074	123.857	123.623
% Ch, Annual Rate	-2.7	2.1	6.3	-4.6	-7.7	0.0	-0.7	-0.8
Other Private Wages	0.878	0.866	0.904	0.945	0.862	0.837	0.933	0.846
% Ch, Annual Rate	-1.8	-5.4	18.7	19.4	-30.7	-11.2	54.2	-32.4
Farm Wages	1.241	1.253	1.259	1.261	1.274	1.285	1.296	1.307
% Ch, Annual Rate	107.5	3.9	1.9	0.6	4.2	3.5	3.5	3.4
Military Wages	3.872	3.907	4.110	4.058	4.179	4.249	4.360	4.369
% Ch, Annual Rate	12.9	3.7	22.5	-5.0	12.5	6.9	10.9	0.8
Nonwage Personal Income	128.450	130.521	130.878	130.131	128.631	130.341	130.919	132.953
% Ch, Annual Rate	0.5	6.6	1.1	-2.3	-4.5	5.4	1.8	6.4
Supplements to Wages and Salaries	35.421	35.557	36.154	36.079	36.367	36.476	36.577	36.447
% Ch, Annual Rate	1.5	1.5	6.9	-0.8	3.2	1.2	1.1	-1.4
Proprietor's Income	23.971	23.593	23.833	23.076	21.723	21.621	21.735	22.144
% Ch, Annual Rate	2.8	-6.2	4.1	-12.1	-21.5	-1.9	2.1	7.7
Farm	1.445	0.959	1.133	0.785	0.098	0.242	0.147	0.355
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.526	22.634	22.700	22.291	21.625	21.379	21.588	21.789
% Ch, Annual Rate	2.6	1.9	1.2	-7.0	-11.4	-4.5	4.0	3.8
Less: Contribution For Govt. Soc. Ins.	25.289	25.358	25.776	25.605	25.410	25.421	25.249	25.140
% Ch, Annual Rate	2.9	1.1	6.8	-2.6	-3.0	0.2	-2.7	-1.7
Plus: Residence Adjustment	3.094	3.110	3.059	3.028	2.960	2.931	2.863	2.889
% Ch, Annual Rate	-1.3	2.1	-6.4	-4.0	-8.7	-3.9	-9.0	3.7
Dividends/Int./Rent	55.305	55.381	56.098	55.414	52.277	50.329	50.478	51.555
% Ch, Annual Rate	-5.9	0.6	5.3	-4.8	-20.8	-14.1	1.2	8.8
Transfer Payments	35.948	38.238	37.510	38.139	40.714	44.405	44.515	45.058
% Ch, Annual Rate	10.7	28.0	-7.4	6.9	29.9	41.5	1.0	5.0
State U.I. Benefits	0.866	0.972	1.273	1.668	2.964	4.444	5.118	5.051
% Ch, Annual Rate	44.4	58.7	194.2	194.8	897.1	405.3	75.9	-5.1
Other Transfers	35.083	37.266	36.237	36.471	37.750	39.961	39.397	40.007
% Ch, Annual Rate	10.0	27.3	-10.6	2.6	14.8	25.6	-5.5	6.3

Table A3.4 (continued)
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	282.908	286.883	292.318	294.910	299.875	303.477	309.532	311.495
% Ch, Annual Rate	4.1	5.7	7.8	3.6	6.9	4.9	8.2	2.6
Total Wage and Salary Disbursements	148.655	150.838	153.826	154.332	157.328	159.408	163.474	163.500
% Ch, Annual Rate	4.1	6.0	8.2	1.3	8.0	5.4	10.6	0.1
Manufacturing	17.121	17.322	17.625	17.952	18.177	18.506	18.852	19.232
% Ch, Annual Rate	2.6	4.8	7.2	7.6	5.1	7.4	7.7	8.3
Durable Manufacturing	13.471	13.599	13.872	14.171	14.367	14.617	14.893	15.190
% Ch, Annual Rate	2.4	3.8	8.3	8.9	5.6	7.1	7.8	8.2
Nondurable Manufacturing	3.650	3.723	3.753	3.781	3.810	3.890	3.960	4.043
% Ch, Annual Rate	3.1	8.2	3.4	3.0	3.1	8.6	7.4	8.7
Nonmanufacturing	124.829	126.761	129.378	129.523	132.219	134.014	137.761	137.447
% Ch, Annual Rate	4.0	6.3	8.5	0.4	8.6	5.5	11.7	-0.9
Other Private Wages	0.850	0.857	0.865	0.875	0.884	0.894	0.905	0.914
% Ch, Annual Rate	2.1	3.2	4.0	4.4	4.5	4.4	4.9	4.3
Farm Wages	1.318	1.333	1.350	1.369	1.389	1.408	1.430	1.450
% Ch, Annual Rate	3.4	4.6	5.4	5.7	5.8	5.7	6.2	5.7
Military Wages	4.537	4.565	4.607	4.612	4.659	4.585	4.526	4.456
% Ch, Annual Rate	16.3	2.5	3.7	0.5	4.1	-6.2	-5.1	-6.0
Nonwage Personal Income	134.253	136.046	138.492	140.579	142.547	144.069	146.058	147.995
% Ch, Annual Rate	4.0	5.4	7.4	6.2	5.7	4.3	5.6	5.4
Supplements to Wages and Salaries	36.917	37.146	37.351	37.798	38.936	39.484	40.061	40.656
% Ch, Annual Rate	5.3	2.5	2.2	4.9	12.6	5.8	6.0	6.1
Proprietor's Income	22.332	22.823	23.335	23.807	24.361	24.964	25.439	25.850
% Ch, Annual Rate	3.4	9.1	9.3	8.3	9.6	10.3	7.8	6.6
Farm	0.326	0.391	0.489	0.539	0.582	0.651	0.708	0.727
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.006	22.432	22.846	23.269	23.779	24.313	24.731	25.123
% Ch, Annual Rate	4.0	8.0	7.6	7.6	9.1	9.3	7.1	6.5
Less: Contribution For Govt. Soc. Ins.	25.674	25.860	25.851	26.084	27.226	27.570	27.874	28.192
% Ch, Annual Rate	8.8	2.9	-0.1	3.6	18.7	5.2	4.5	4.6
Plus: Residence Adjustment	2.915	2.959	2.997	3.030	3.072	3.113	3.151	3.195
% Ch, Annual Rate	3.7	6.2	5.2	4.4	5.8	5.4	4.9	5.7
Dividends/Int./Rent	51.361	52.113	53.615	54.756	55.574	56.027	56.880	57.913
% Ch, Annual Rate	-1.5	6.0	12.0	8.8	6.1	3.3	6.2	7.5
Transfer Payments	46.402	46.864	47.045	47.272	47.830	48.053	48.402	48.574
% Ch, Annual Rate	12.5	4.0	1.6	1.9	4.8	1.9	2.9	1.4
State U.I. Benefits	4.771	4.491	4.481	4.396	4.241	4.018	3.771	3.567
% Ch, Annual Rate	-20.4	-21.5	-0.8	-7.4	-13.4	-19.4	-22.4	-20.0
Other Transfers	41.631	42.373	42.564	42.876	43.589	44.035	44.631	45.007
% Ch, Annual Rate	17.3	7.3	1.8	3.0	6.8	4.2	5.5	3.4

Table A3.4 (continued)
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	316.645	321.412	328.546	330.197	335.022	339.948	347.481	349.214
% Ch, Annual Rate	6.8	6.2	9.2	2.0	6.0	6.0	9.2	2.0
Total Wage and Salary Disbursements	166.843	169.059	173.660	172.961	176.543	178.968	183.921	183.034
% Ch, Annual Rate	8.4	5.4	11.3	-1.6	8.5	5.6	11.5	-1.9
Manufacturing	19.614	19.993	20.362	20.724	21.093	21.450	21.784	22.118
% Ch, Annual Rate	8.2	8.0	7.6	7.3	7.3	6.9	6.4	6.3
Durable Manufacturing	15.489	15.802	16.107	16.408	16.712	17.009	17.287	17.563
% Ch, Annual Rate	8.1	8.3	7.9	7.7	7.6	7.3	6.7	6.5
Nondurable Manufacturing	4.125	4.191	4.255	4.316	4.380	4.441	4.497	4.555
% Ch, Annual Rate	8.4	6.5	6.3	5.8	6.1	5.7	5.2	5.2
Nonmanufacturing	140.278	142.131	146.364	145.308	148.368	150.425	155.023	153.799
% Ch, Annual Rate	8.5	5.4	12.5	-2.9	8.7	5.7	12.8	-3.1
Other Private Wages	0.925	0.935	0.945	0.955	0.967	0.977	0.987	0.996
% Ch, Annual Rate	4.9	4.2	4.6	4.3	4.9	4.2	4.1	3.8
Farm Wages	1.472	1.492	1.513	1.534	1.558	1.579	1.601	1.622
% Ch, Annual Rate	6.2	5.5	5.9	5.7	6.3	5.6	5.6	5.3
Military Wages	4.554	4.510	4.475	4.439	4.558	4.537	4.525	4.500
% Ch, Annual Rate	9.0	-3.8	-3.0	-3.2	11.2	-1.8	-1.0	-2.3
Nonwage Personal Income	149.802	152.353	154.886	157.237	158.479	160.980	163.560	166.180
% Ch, Annual Rate	5.0	7.0	6.8	6.2	3.2	6.5	6.6	6.6
Supplements to Wages and Salaries	41.444	42.058	42.657	43.279	44.051	44.680	45.258	45.914
% Ch, Annual Rate	8.0	6.1	5.8	6.0	7.3	5.8	5.3	5.9
Proprietor's Income	26.215	26.591	26.833	27.117	27.425	27.867	28.247	28.667
% Ch, Annual Rate	5.8	5.9	3.7	4.3	4.6	6.6	5.6	6.1
Farm	0.759	0.789	0.783	0.773	0.778	0.796	0.811	0.810
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	25.456	25.802	26.050	26.344	26.647	27.071	27.436	27.857
% Ch, Annual Rate	5.4	5.5	3.9	4.6	4.7	6.5	5.5	6.3
Less: Contribution For Govt. Soc. Ins.	29.147	29.470	29.866	30.272	31.738	32.108	32.369	32.759
% Ch, Annual Rate	14.2	4.5	5.5	5.5	20.8	4.7	3.3	4.9
Plus: Residence Adjustment	3.245	3.294	3.344	3.399	3.455	3.506	3.555	3.603
% Ch, Annual Rate	6.4	6.2	6.3	6.7	6.7	6.1	5.7	5.4
Dividends/Int./Rent	59.058	60.546	62.127	63.431	64.668	65.797	67.022	68.277
% Ch, Annual Rate	8.1	10.5	10.9	8.7	8.0	7.2	7.7	7.7
Transfer Payments	48.988	49.335	49.791	50.282	50.618	51.238	51.847	52.478
% Ch, Annual Rate	3.4	2.9	3.8	4.0	2.7	5.0	4.8	5.0
State U.I. Benefits	3.266	2.971	2.663	2.369	2.075	1.785	1.502	1.229
% Ch, Annual Rate	-29.7	-31.5	-35.5	-37.4	-41.1	-45.2	-49.8	-55.2
Other Transfers	45.721	46.364	47.128	47.914	48.543	49.453	50.344	51.249
% Ch, Annual Rate	6.5	5.7	6.8	6.8	5.4	7.7	7.4	7.4

Table A4.1
Selected Inflation Indicators
 (Deflator 2005=1.0; CPI 1982-84=1.0)

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.507	8.8	0.909	10.4	0.916	10.8
1982	0.535	5.5	0.965	6.2	0.978	6.7
1983	0.558	4.3	0.996	3.2	0.993	1.5
1984	0.579	3.8	1.039	4.4	1.030	3.8
1985	0.598	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.3	1.239	4.8	1.181	4.7
1990	0.721	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.769	2.9	1.403	3.0	1.390	3.7
1993	0.786	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.820	2.2	1.524	2.8	1.522	3.0
1996	0.838	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.927	1.4	1.799	1.6	1.893	2.0
2003	0.946	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.055	2.7	2.073	2.9	2.157	3.9
2008	1.090	3.4	2.152	3.8	2.247	4.2
2009	1.092	0.2	2.145	-0.3	2.260	0.6
Forecast						
2010	1.110	1.6	2.181	1.7	2.257	-0.1
2011	1.129	1.7	2.217	1.7	2.286	1.3
2012	1.149	1.8	2.262	2.0	2.347	2.7
2013	1.171	2.0	2.313	2.2	2.417	3.0

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

+ Consumer Price Index for the Seattle-Tacoma-Bremerton, WA CMSA

Consumer Price Index and Implicit Price Deflator values shown here are annual averages of seasonally adjusted quarterly data and may differ slightly from the annual values published by the Bureau of Labor

Statistics and Bureau of Economic Analysis.

Table A4.2
Chain-Weighted Price Indices
 (2005=100)

	Services		Food		Fuels		Gasoline	
	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>
1971	19.285	5.5	25.843	2.3	8.336	6.4	14.588	0.7
1972	20.103	4.2	27.075	4.8	8.388	0.6	14.777	1.3
1973	21.078	4.9	30.502	12.7	9.614	14.6	16.190	9.6
1974	22.868	8.5	35.139	15.2	15.278	58.9	21.871	35.1
1975	24.836	8.6	37.782	7.5	16.578	8.5	23.339	6.7
1976	26.558	6.9	38.484	1.9	17.782	7.3	24.331	4.2
1977	28.560	7.5	40.751	5.9	20.121	13.2	25.740	5.8
1978	30.780	7.8	44.650	9.6	21.275	5.7	26.858	4.3
1979	33.353	8.4	49.035	9.8	29.331	37.9	35.993	34.0
1980	36.805	10.3	53.158	8.4	41.187	40.4	49.955	38.8
1981	40.557	10.2	56.946	7.1	50.390	22.3	55.584	11.3
1982	43.712	7.8	58.444	2.6	49.415	-1.9	52.773	-5.1
1983	46.433	6.2	59.115	1.1	45.558	-7.8	51.047	-3.3
1984	48.850	5.2	60.891	3.0	46.572	2.2	50.283	-1.5
1985	51.053	4.5	61.554	1.1	44.756	-3.9	50.689	0.8
1986	53.379	4.6	63.003	2.4	35.044	-21.7	39.810	-21.5
1987	55.413	3.8	64.991	3.2	35.954	2.6	41.340	3.8
1988	58.127	4.9	66.929	3.0	35.938	0.0	41.691	0.8
1989	60.845	4.7	70.458	5.3	38.077	6.0	45.539	9.2
1990	63.812	4.9	73.900	4.9	45.856	20.4	51.843	13.8
1991	66.586	4.3	76.221	3.1	43.658	-4.8	51.162	-1.3
1992	69.240	4.0	76.805	0.8	41.881	-4.1	50.963	-0.4
1993	71.299	3.0	77.880	1.4	41.592	-0.7	50.446	-1.0
1994	73.205	2.7	79.184	1.7	40.836	-1.8	50.685	0.5
1995	75.371	3.0	80.900	2.2	40.455	-0.9	51.491	1.6
1996	77.479	2.8	83.368	3.1	45.851	13.3	54.646	6.1
1997	79.817	3.0	84.956	1.9	45.927	0.2	54.634	0.0
1998	81.695	2.4	86.024	1.3	40.699	-11.4	47.555	-13.0
1999	83.515	2.2	87.433	1.6	41.395	1.7	51.789	8.9
2000	85.824	2.8	89.486	2.3	60.692	46.6	66.170	27.8
2001	88.429	3.0	92.116	2.9	59.506	-2.0	63.776	-3.6
2002	90.807	2.7	93.528	1.5	53.051	-10.8	59.916	-6.1
2003	93.692	3.2	95.296	1.9	64.182	21.0	69.783	16.5
2004	96.688	3.2	98.267	3.1	74.736	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	33.8	100.000	21.8
2006	103.411	3.4	101.709	1.7	114.090	14.1	112.842	12.8
2007	106.964	3.4	105.623	3.8	121.874	6.8	122.411	8.5
2008	110.582	3.4	111.926	6.0	166.173	36.3	142.242	16.2
2009	112.252	1.5	113.288	1.2	111.415	-33.0	103.691	-27.1
Forecast								
2010	114.224	1.8	114.283	0.9	123.724	11.0	118.899	14.7
2011	116.456	2.0	116.217	1.7	126.059	1.9	125.756	5.8
2012	119.016	2.2	118.074	1.6	130.058	3.2	129.139	2.7
2013	121.980	2.5	120.408	2.0	134.540	3.4	131.216	1.6

Table A5.1
Washington Resident Population and Components of Change*
 (Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.3
2004	6167.8	69.5	1.1	81.0	46.0	34.6
2005	6256.4	88.6	1.4	81.8	45.6	52.4
2006	6375.6	119.2	1.9	83.2	45.3	81.3
2007	6488.0	112.4	1.8	87.8	46.2	70.8
2008	6587.6	99.6	1.5	89.3	47.5	57.8
2009	6668.2	80.6	1.2	90.5	48.8	38.9
Forecast						
2010	6734.7	66.5	1.0	91.3	50.6	25.8
2011	6807.1	72.4	1.1	92.0	51.2	31.6
2012	6899.3	92.2	1.4	93.1	51.9	51.0
2013	6987.7	88.4	1.3	93.1	52.8	48.1

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		2010	Forecast		2013
	2008	2009		2011	2012	
Total Population	6587.6	6668.2	6734.7	6807.1	6899.3	6987.7
Percent Change	1.5	1.2	1.0	1.1	1.4	1.3
Age 17 and Under	1576.8	1582.2	1585.2	1592.1	1608.8	1625.2
Percent of Total	23.9	23.7	23.5	23.4	23.3	23.3
Age 6-18	1155.9	1152.2	1147.5	1145.1	1148.2	1157.8
Percent of Total	17.5	17.3	17.0	16.8	16.6	16.6
Age 18 and Over	5010.8	5086.0	5149.5	5215.1	5290.5	5362.5
Percent of Total	76.1	76.3	76.5	76.6	76.7	76.7
Age 21 and Over	4727.2	4798.2	4859.7	4927.5	5006.9	5083.5
Percent of Total	71.8	72.0	72.2	72.4	72.6	72.7
Age 20-34	1365.0	1389.7	1408.6	1431.6	1459.3	1483.0
Percent of Total	20.7	20.8	20.9	21.0	21.2	21.2
Age 18-64	4238.5	4288.3	4328.0	4370.9	4405.0	4435.5
Percent of Total	64.3	64.3	64.3	64.2	63.8	63.5
Age 65 and Over	772.4	797.6	821.5	844.2	885.4	927.0
Percent of Total	11.7	12.0	12.2	12.4	12.8	13.3

* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1
Summary of National and State Indicators

Indicator	Latest Data	Indication
U.S. Leading Index	May 2010	+
U.S. Real GDP Growth	1st quarter 2010	+
U.S. ISM Index	May 2010	+
U.S. Employment YoY%Δ	May 2010	-
U.S. Unemployment Rate	May 2010	+
U.S. Job Openings	April 2010	+
U.S. Fed Funds Target	June 30, 2010	unchanged
U.S. Consumer Confidence	June 2010	mixed
U.S. Light Vehicle Sales	May 2010	+
U.S. CPI	May 2010	+
U.S. Monster Employment Index	May 2010	+
S&P 500 Index	June 21, 2010	-
WA Leading Index	May 2010	-
WA NAPM-WW Index	May 2010	+
WA Help Wanted Index	May 2010	-
WA Employment YoY%Δ	May 2010	-
WA Aerospace Empl. YoY%Δ	May 2010	-
WA Unemployment Rate	May 2010	-
WA Business Cycle Indicator	May 2010	-
WA Initial Unemploy. Claims	May 2010	-
WA Housing Permits	May 2010	-
WA Weekly Hours in Mfg.	May 2010	+
WA New Vehicle Registration	May 2010	+
WA Migration (DOL data)	April 2010	-
WA Exports-Total	1st quarter 2010	+
WA Exports- w/o Trans. Equip.	1st quarter 2010	+
Seattle CPI	April 2010	neutral
Seattle Monster Employment Index	May 2010	-

Table A6.2

Washington Business Indicators

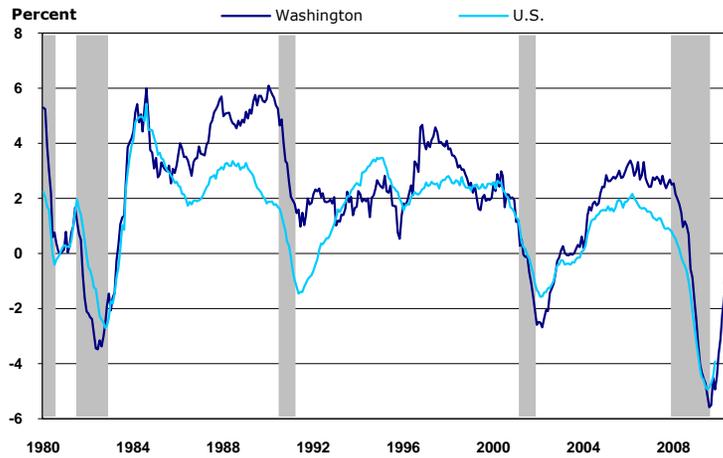
Historical Data

	WA Index of Leading Indicators	Washington Business Cycle Indicator	WA State Help-Wanted Index	WA Purchasing Management Index	U.S. Index of Leading Indicators	U.S. Purchasing Management Index
2007:01	113.6	65.4	116.1	66.4	104.9	49.2
2007:02	115.2	66.2	119.8	62.3	104.5	51.9
2007:03	115.0	65.3	124.5	64.9	104.9	51.2
2007:04	115.5	67.3	129.3	68.4	104.6	52.9
2007:05	116.8	65.5	132.4	69.6	104.7	52.6
2007:06	116.4	62.0	131.3	67.8	104.4	53.2
2007:07	117.0	62.2	128.6	65.4	104.8	52.1
2007:08	117.3	63.2	128.3	64.3	104.1	50.5
2007:09	117.8	56.5	131.5	58.1	104.1	50.4
2007:10	118.2	58.9	130.6	56.8	103.8	49.9
2007:11	118.7	58.3	134.7	53.0	103.6	50.7
2007:12	118.0	56.5	126.8	58.7	103.6	48.7
2008:01	117.2	51.8	119.8	66.7	103.1	50.5
2008:02	117.9	54.0	118.3	62.3	102.7	48.7
2008:03	118.7	50.8	124.4	55.2	102.8	49.1
2008:04	119.6	51.1	125.9	65.0	102.7	48.9
2008:05	118.5	45.7	120.5	60.3	102.5	49.6
2008:06	118.7	44.3	118.4	63.8	102.6	50.0
2008:07	117.7	41.2	113.1	60.2	101.6	49.6
2008:08	117.1	38.0	111.2	65.3	100.9	49.2
2008:09	115.8	36.1	111.0	48.6	100.8	43.2
2008:10	113.7	33.9	106.1	50.9	99.8	38.4
2008:11	111.7	27.1	101.5	50.0	99.2	36.7
2008:12	111.6	22.5	97.9	42.3	99.1	32.5
2009:01	110.9	18.9	93.4	52.8	98.8	35.5
2009:02	108.4	14.2	88.2	48.1	98.3	35.7
2009:03	106.4	11.7	79.4	40.9	98.1	36.4
2009:04	107.6	8.5	79.3	46.7	99.2	40.4
2009:05	108.6	7.4	78.6	48.5	100.6	43.2
2009:06	109.0	6.9	77.7	50.2	101.3	45.3
2009:07	109.8	6.1	79.9	46.7	102.5	49.1
2009:08	110.3	5.3	78.1	53.2	103.1	52.8
2009:09	110.7	6.2	78.2	52.9	104.2	52.4
2009:10	111.8	4.5	78.9	59.5	104.7	55.2
2009:11	113.0	5.4	82.4	54.8	105.8	53.7
2009:12	113.6	5.4	83.5	61.4	107.0	54.9
2010:01	114.6	4.6	86.0	63.0	107.6	58.4
2010:02	113.9	3.2	86.3	56.0	108.0	56.5
2010:03	114.9	4.3	88.8	56.1	109.5	59.6
2010:04	115.5	4.3	94.8	63.2	109.5	60.4
2010:05	114.8	4.1	92.9	62.4	109.9	59.7

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

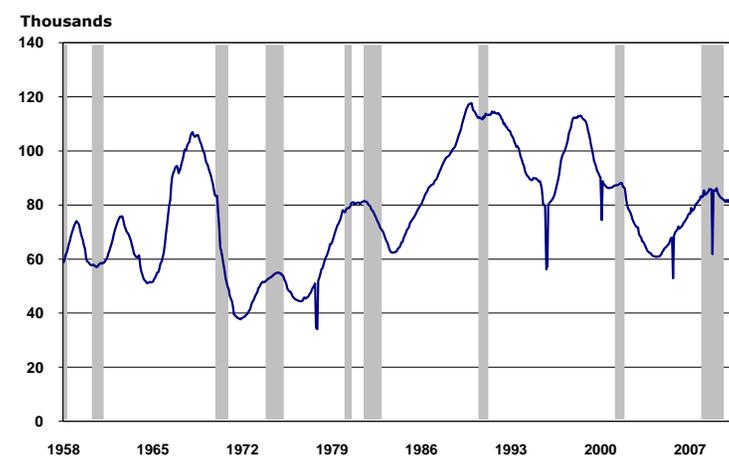
January 1980 to May 2010



* Bureau of Labor Statistics, WA State Employment Security

Washington Aircraft and Parts Employment

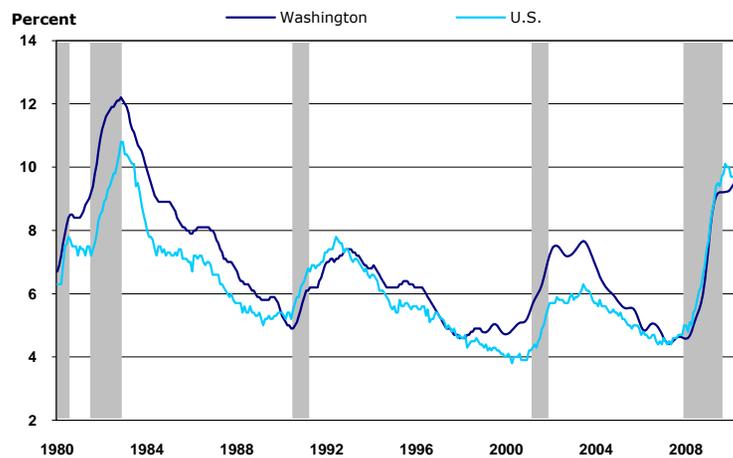
January 1958 to May 2010



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

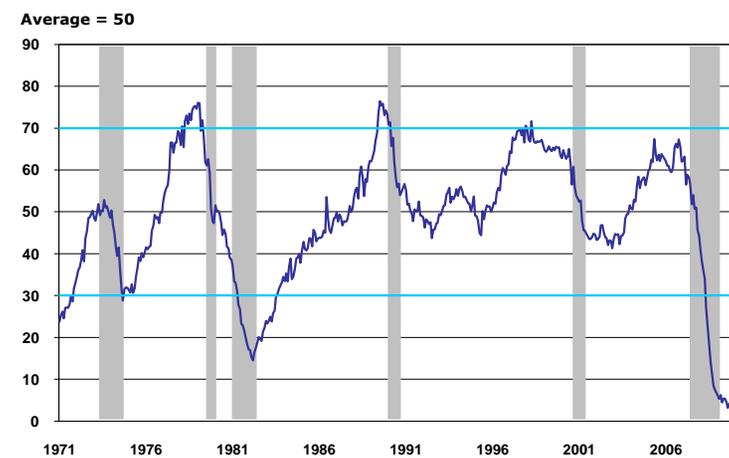
January 1980 to May 2010



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

October 2003 to May 2010, SA



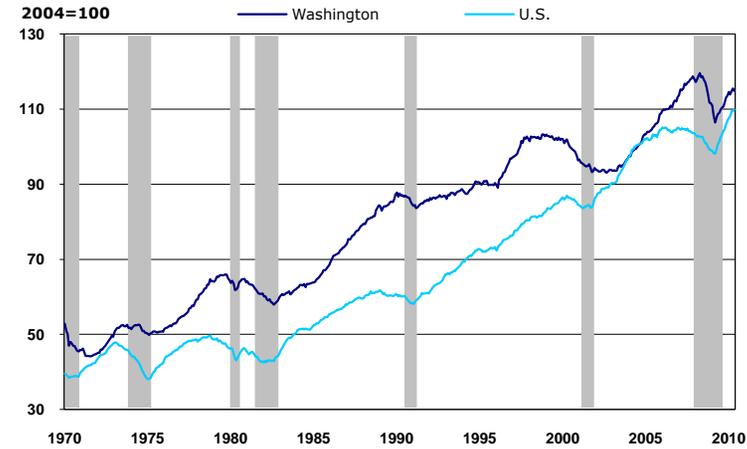
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

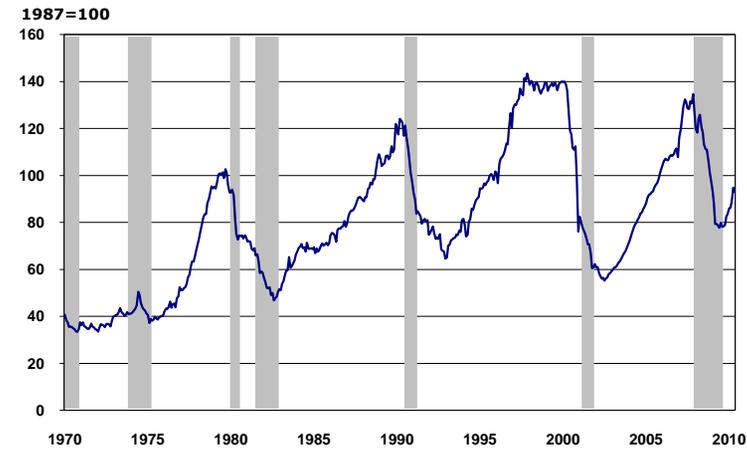
January 1970 to May 2010



* The Conference Board, ERFC

WA State Help Wanted Index

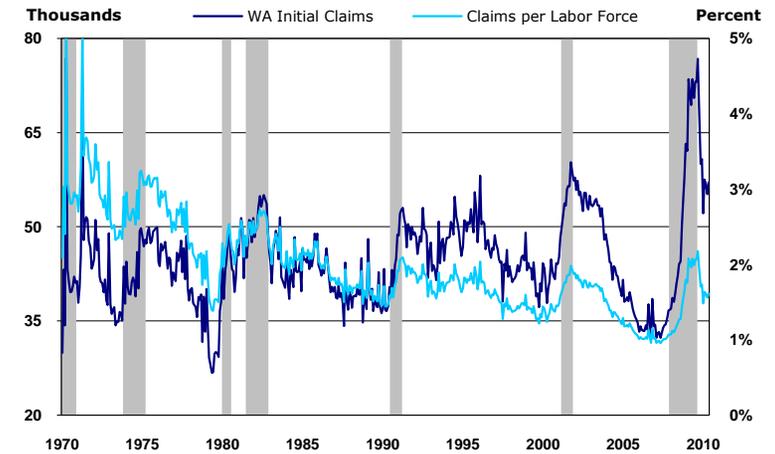
January 1970 to May 2010



* Source: ERFC

Washington Initial Claims for Unemployment Insurance

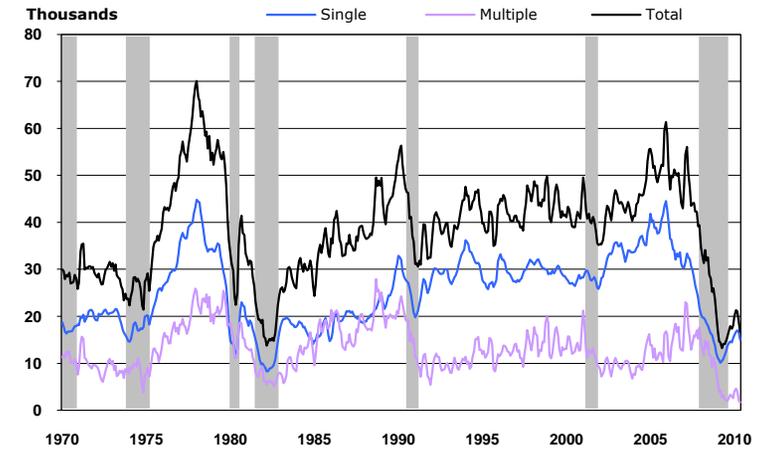
January 1970 to May 2010, S.A.



* Source: WA State Employment Security, ERFC

Housing Units Authorized in Washington State

October 2003 to May 2010, SA



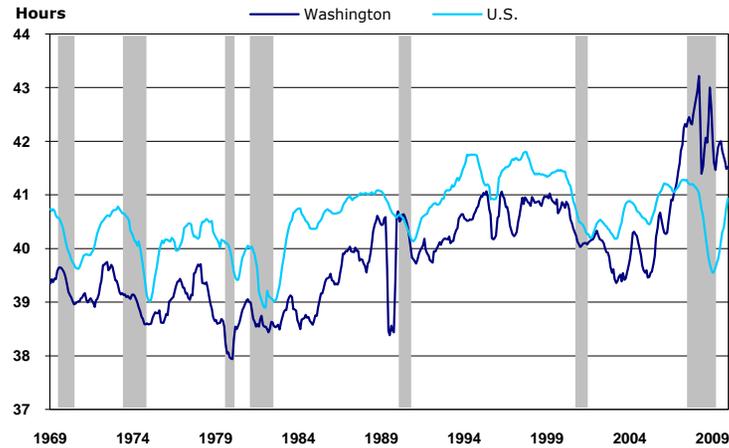
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

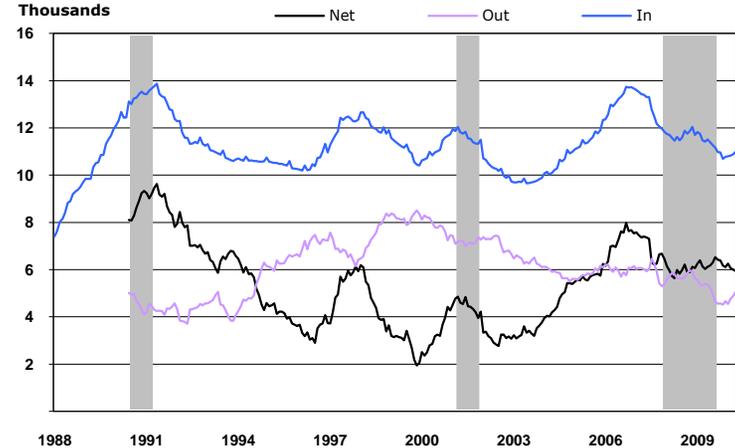
June 1969 to May 2010, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

Washington Driver's License Migration

January 1988 to April 2010, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

New Car and Truck Registrations in Washington

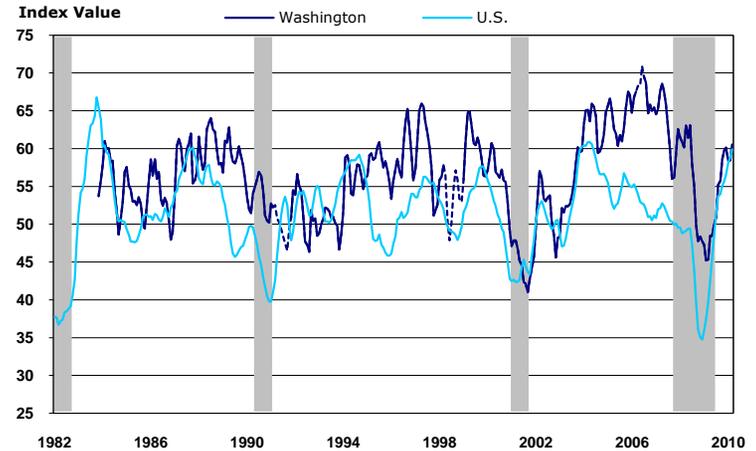
September 1970 to May 2010, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

October 2003 to May 2010, SA



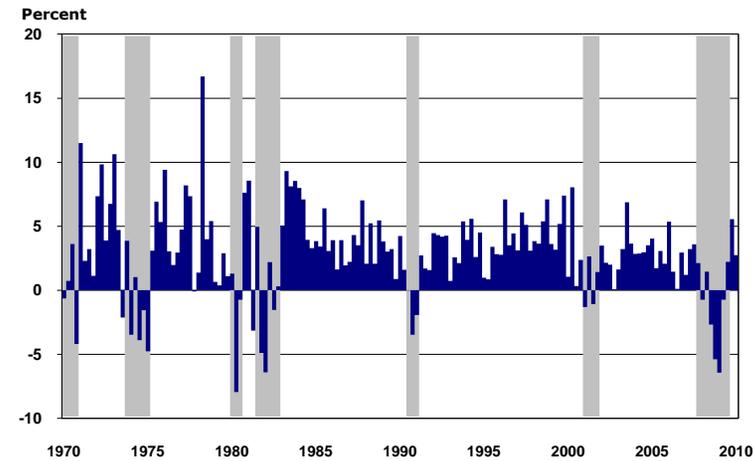
* Source: Institute for Supply Management, NAPM-WW

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators (cont.)

Quarterly U.S. Real GDP Growth

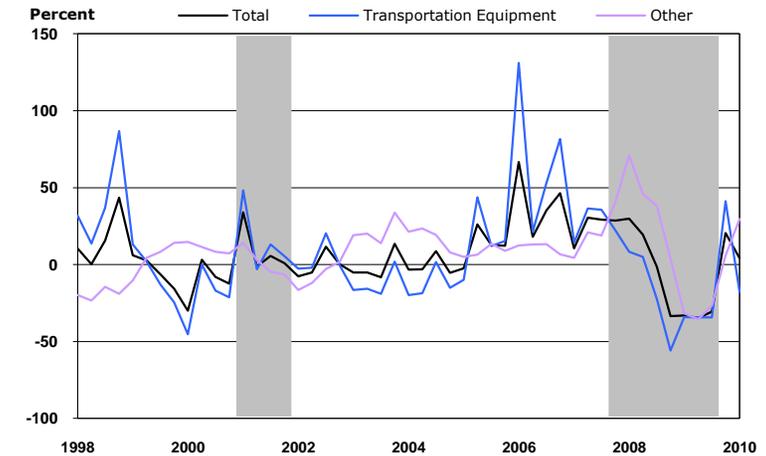
1970Q1 to 2010Q1



* Source: Bureau of Economic Analysis

Washington State Export Composition

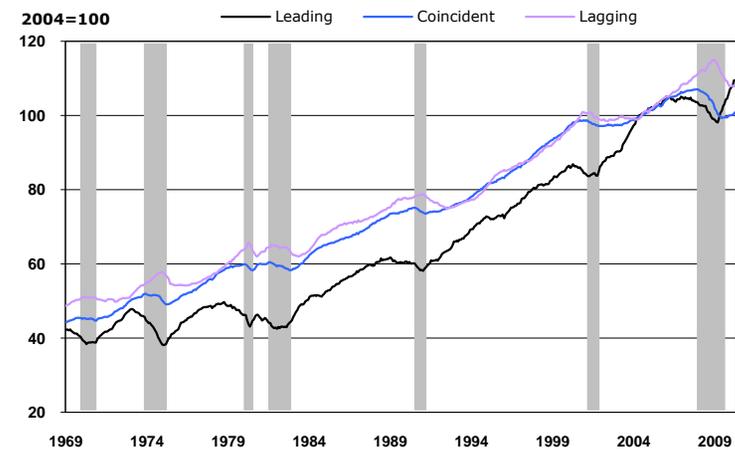
1998Q1 to 2010Q1, Change from Same Quarter Year Ago



* Source: WISER

U.S. Economic Indicators

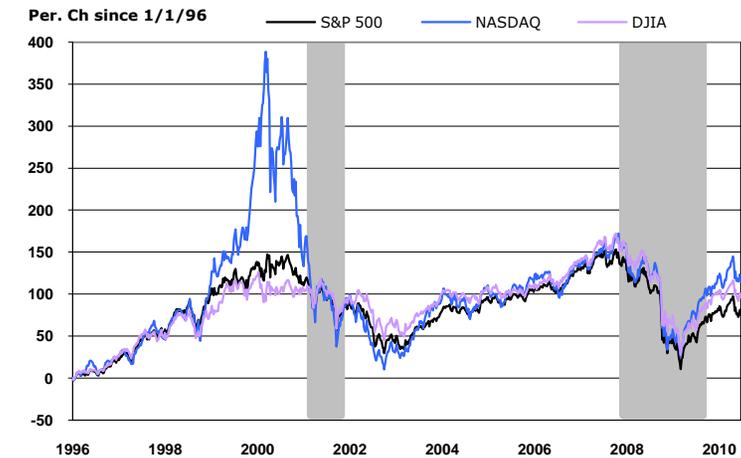
January 1969 to May 2010



* Source: The Conference Board

National Stock Indexes

October 2003 to May 2010, SA



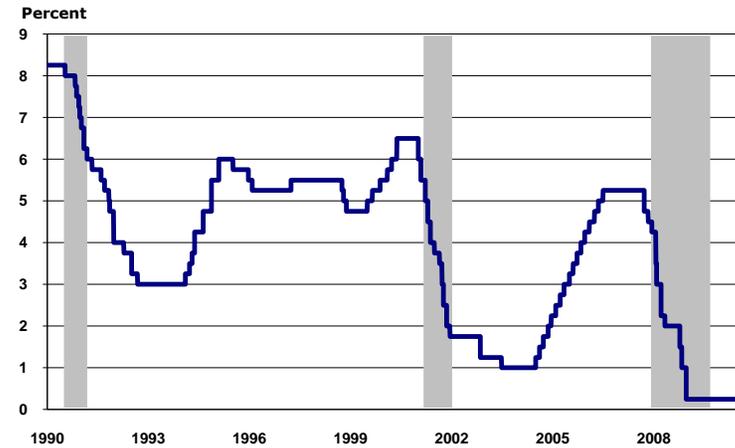
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators (cont.)

Federal Funds Target Rate

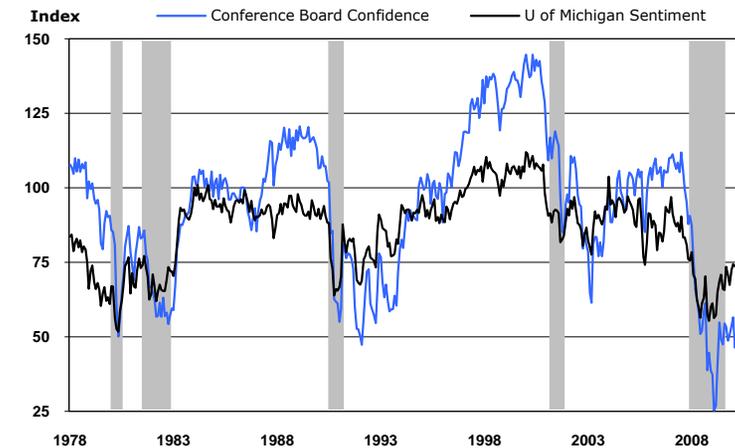
January 1, 1990 to June 30, 2010



* Federal Reserve

Consumer Confidence

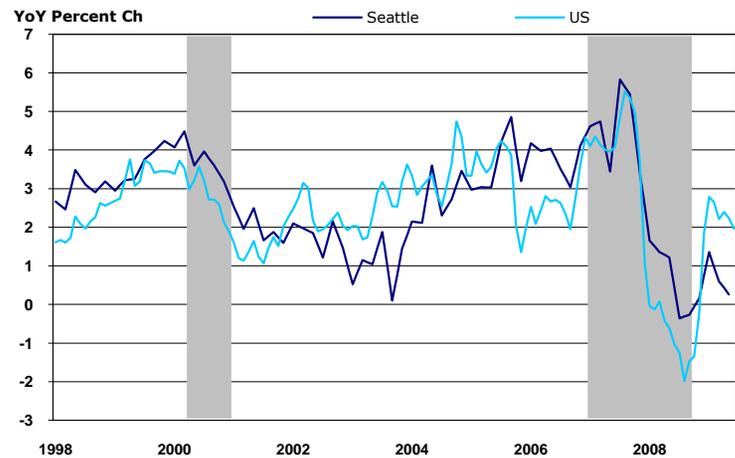
March 1978 to June 2010



* Source: The Conference Board, University of Michigan

Seattle vs U.S. CPI (All Urban Consumers)

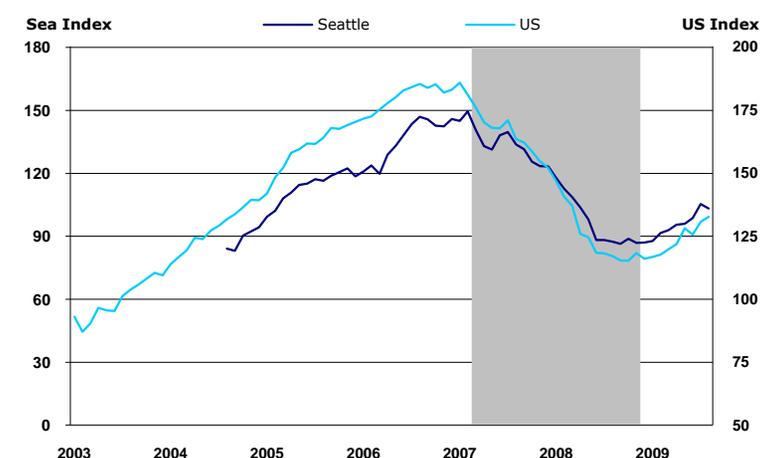
December 1998 to June 2010



* Source: Bureau of Labor Statistics

Monster Employment Index

October 2003 to May 2010, SA



* Source: Monster Worldwide, ERFEC

* Shaded areas correspond with national recessions.

Glossary



Biennium: The state's two years budget cycle. The current 2009-2011 biennium started July 1, 2009 and ends June 30, 2011. The 2011-2013 biennium will start on July 1, 2011 and end June 30, 2013.

Cash Basis: Cash receipts received during a period. The Forecast Council forecasts revenues on a Cash and GAAP (Generally Accepted Accounting Principles) basis.

CPI: The Consumer Price Index for All Urban Consumers. The Bureau of Labor Statistics (BLS) updates the CPI monthly, surveying over 60,000 goods in 85 urban areas. The BLS also produces a bimonthly Seattle-Tacoma-Bremerton CPI.

Tax Elasticity: A measure of how tax revenues respond to changes in personal income. If tax revenue elasticity is greater than one, a one percent change in personal income will be associated with more than a one percent increase in tax revenues. If elasticity is less than one, a one percent increase in personal income will be associated with less than a one percent increase in tax revenues.

Fiscal Year: The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 2009, for example, ran from July 1, 2008 through June 30, 2009.

GAAP Basis: Generally Accepted Accounting Principles measure revenue in the period during which they accrue rather than the period in which they are received.

General Fund: Accounts for all financial resources and transactions not accounted for in another fund.

General Fund-State Revenue: Resources from state sources only, excludes federal monies.

Implicit Price Deflator, PCE (IPD): The IPD for consumption is a by-product of the National Income and Product Accounts. It is derived by dividing current dollar (nominal) consumer expenditures by constant dollar (real) consumer expenditures.

Mortgage Rate: The average interest rate on 30 year conventional loan (as reported by Freddie Mac).

Non-Wage Income: Personal income other than from wages and salaries. The major components are: proprietor's income, transfer payments, and dividends, interest and rent.

Real GDP: Gross Domestic Production adjusted for the price level.

Personal Income: Income from wages and salaries; other labor income; proprietor's income; dividends, interest and rent; transfer payments; and a residence adjustment. It is reduced by employee contributions for social insurance.

Seasonally Adjusted: Adjusted for normal seasonal variations. Monthly statistics, such as the unemployment rate, are seasonally adjusted to make month-to-month comparisons possible.

Nonfarm Payroll Employment: Civilian non-farm payroll employees. The self-employed, farm workers, members of the armed forces, private household employees, and workers on strike are excluded.