

# Economic Review Meeting

June 5, 2009

# Agenda

Economic Review Meeting

June 5, 2009

2:30 p.m.



- De-facto approval of March 19, 2009 meeting minutes
- Executive summary
- Presentation of economic outlook and revenue collection experience
- Governor's Council of Economic Advisors



STATE OF WASHINGTON

## ECONOMIC AND REVENUE FORECAST COUNCIL

*Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100*

### **Meeting Minutes**

### **Revenue Review**

**March 19, 2009**

**John A. Cherberg, Conference Rooms A, B, & C**

#### **Members Present**

*Economic and Revenue Forecast Council:*

Craig Pridemore, Senate

Joseph Zarelli, Senate

Ed Orcutt, House of Representatives

Cindi Holmstrom, Director, Department of Revenue

Victor Moore, Office of Financial Management

Ross Hunter, House of Representatives

*Staff:*

Arun Raha, Executive Director, ERFC

#### **Call to Order**

The meeting was called to order by Senator Pridemore at 10:00 a.m.

#### **Motion**

Minutes from the March 6, 2009 Economic Review meeting were adopted de-facto.

#### **Presentation on Revenue Forecast**

Arun Raha presented information on the revenue forecast. Arun summarized the forecast changes and provided background information on both the U.S. and Washington economies.

#### **Motion**

Representative Orcutt moved to adopt the baseline revenue forecast, seconded by Representative Hunter.

Motion passed unanimously.

#### **Adjournment**

Senator Pridemore adjourned the meeting at 10:20 a.m.

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

**Economic Review: June 5, 2009**

**Executive Summary**

- The worst of the “Great Recession” is behind us. Activity continues to decline, but at a slower pace, bringing to an end the scary free-fall we experienced in the late fall and winter. We continue to expect that both the national and Washington economies will trough in the third quarter. Job losses will continue through the end of the year, and the unemployment rate will rise into the second quarter of 2010.
- Credit conditions have eased significantly since the freeze in September. Inter-bank lending spreads have come down to earth. Consumers with good credit scores now have access to reasonably priced credit. Large corporations with strong balance sheets are also able to access funds directly through the bond market. Credit, however, still remains tight for small businesses especially in construction related activities.
- We are seeing the first tentative signs that the trough of the recession is near. Equity markets, forward looking by nature, turned up early in March – indicating a recession trough within six months. Both housing starts and car sales are now bumping along the bottom. Home sales have ticked up modestly, but home prices are still expected to decline further. Consumer spending appears to have stabilized, albeit at low levels. Initial jobless claims appear to have peaked, indicating that the pace of job losses is receding.
- The recovery is likely to be gradual, or U-shaped, rather than V-shaped. Even with the improvement in the last two months, consumer confidence still remains weak. There is significant idle capacity in the economy, and business investment is very weak. The housing correction is likely to drag out into next year. The automotive sector will take time to get back on its legs. The federal government’s plan to clean “toxic assets” from bank balance sheets appears to be faltering again. Banks may now have to deal with the problem through growing profits – a slower process.
- Washington’s economy is well positioned to recover at the same time as the national economy. Boeing’s order book is full, and Microsoft’s balance sheet still quite healthy. But, as with the national economy, the recovery will be slow and U-shaped.
- Initial unemployment claims in Washington appear to have peaked and monthly job losses appear to be moderating. The state’s unemployment rate was unchanged in April at 9.1%, its highest level since 1984. But, we expect the state’s unemployment rate will continue to rise, even after the recovery is underway, and to peak at 10.6% in the first half of 2010.
- The weakest sectors have been construction, professional and business services, and non-aerospace manufacturing. Residential building employment has been declining since mid-2007. Nonresidential building employment was

flat through October 2008, but since then has also been declining rapidly. Heavy construction is also in decline. The federal stimulus package has yet to affect construction activity in any significant way.

- As is the case nationally, single-family housing permits in the state seem to be leveling off but multi-family housing is hitting new lows. Vacancies in both renter and owner occupied dwellings have been steadily increasing, and housing prices continue to fall. We don't expect construction employment to hit bottom until late in 2010. Many of the jobs created during the boom in this sector have gone away for good.
- Washington's personal income growth is likely to be negative in calendar year 2009. While, this is mainly due to the loss of so many jobs, the bad economy will also restrain wage growth for those who keep their jobs. The tax cuts and increased transfer payments in the stimulus package will keep disposable personal income growth slightly positive in 2009.
- Inflation appears to be moderating in the Seattle area as rents and imputed rents flatten out. Core inflation in Seattle averaged only 0.9% (annual rate) during the first four months of 2009 compared to 3.6% for all twelve months of 2008. We expect core inflation in the Seattle area will be 0.4% for all of 2009.
- Revenue collections since our March forecast have been weaker than predicted. However, in the three months for which we have collection data, we are an estimated USD 10 million below target, mainly because of a large positive variance in last month's property tax collection. The recovery in revenue will lag the recovery in economic activity because consumers need to be more confident of their economic circumstances before they increase their spending levels. We'll have more on this at our June 18, 2009 meeting.

#### **Downside Risks: 15% probability**

- Downside risks have diminished considerably since our March forecast, but remain significant and outweigh upside risks.
- The biggest risk still remains the health of the nation's banking system. Banks were profitable in the first quarter after a long series of losses. However, toxic assets based on housing values still remain on bank balance sheets, and not all the losses have yet been recognized. The treasury's plan to clean bank balance sheets appears to have run into a hitch. Now banks are faced with the prospect of having to grow their earnings enough to cover the losses from these assets. This will slow down the recovery.
- Housing prices are still declining, and that makes it harder to value the toxic assets on bank balance sheets or for banks to recognize the losses.
- The global economy is in recession, and Washington is a trade dependant state. Exports will support our recovery only late in the cycle, because our customers' economies tend to recover with a six-month lag to the nation's.

- Fears of deflation 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.

#### **Upside Risks: 10% probability**

- The banking sector returns to health sooner than expected.
- Consumer and business confidence returns earlier than expected. It is hard to predict when market psychology changes following a crash, and what triggers that change. Our baseline expects a gradual return of confidence at the same pace as the economy. If confidence returns quicker, the recovery will come quicker.
- Commodity prices do not strengthen too fast as the recovery gets underway.
- Good policy.

# Washington State Economic Outlook & Revenue Collection Experience

Presented to  
Economic & Revenue Forecast Council

Arun Raha  
Chief Economist & Executive Director

June 5, 2009  
Olympia, Washington



**Washington State Economic and Revenue Forecast Council**



## Summary

- We expect the recession will trough in the 3<sup>rd</sup> quarter, followed by weak growth until mid-2010
- Our current outlook is modestly weaker than in March
- Washington's economy will recover at the same time as the nation
- Job losses in the state are expected to continue through the end of 2009
- The unemployment rate is expected to continue to rise into 2010
- Collections to date are weaker than our March forecast

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## The recession trough is in sight

State Revenues will recover only after the economic recovery gains traction - some time in the first half of 2010



**Housing bubble bursts** - sub-prime mortgage defaults trigger a credit crisis, bear market

**Economy in recession** - job losses; consumer and business spending falls

**Recession trough in sight** - rate of decline in activity slows or levels off, equity markets recover, initial jobless claims peak

**Recession trough** - expected in Q3; activity turns around, but job losses continue

**Slow recovery** - job losses level off, but the unemployment rate keeps rising; housing will be late to recover

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**We are here**

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## Inter-bank lending has stabilized

The spread indicates the premium banks have to pay to borrow from each other

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USD 3m LIBOR - 3m US T-bill Spread

Basis Points



Source: British Bankers Association, US Federal Reserve Bank, ERFC; data through May 29, 2009

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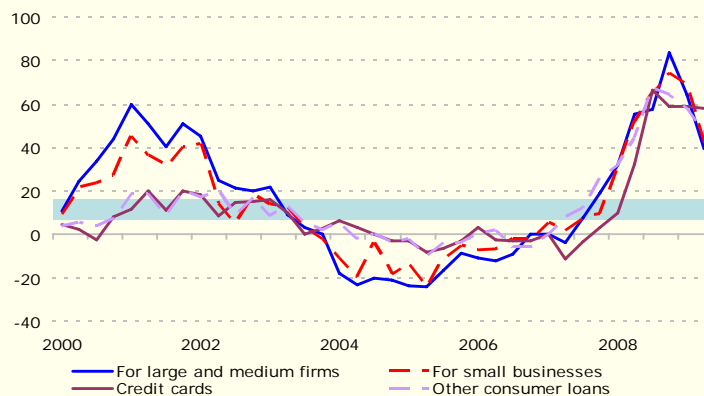
## Bank lending to businesses and consumers is easing

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Net Tightening minus Easing

Percent



Source: Federal Reserve Board, Senior Loan Officers Quarterly Survey, data through April 2009 survey

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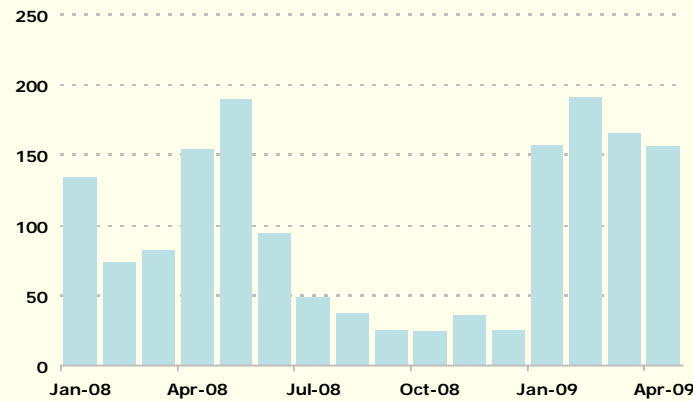
## Corporate bond issuance volume is recovering

Y-T-D issuance is 50% higher than year ago, and 5 times what it was in the last four months of 2008

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USD, billions



Source: SIFMA, data through April 2009

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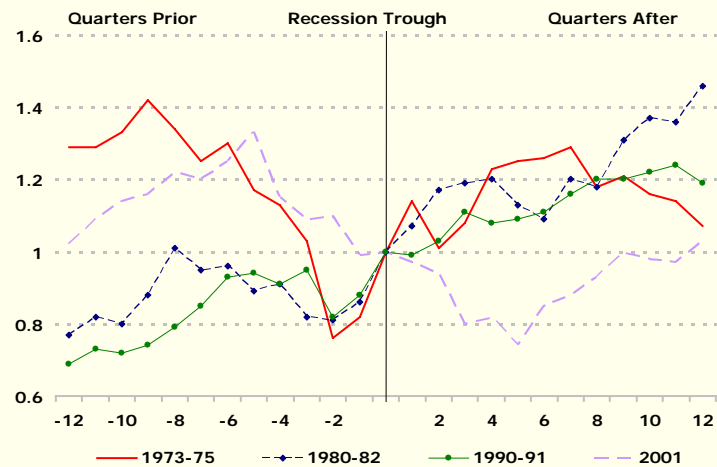


## The S&P 500 typically turns up two quarters prior to the recession trough

For each recession, the S&P 500 index has been normalized to 1 at the recession trough

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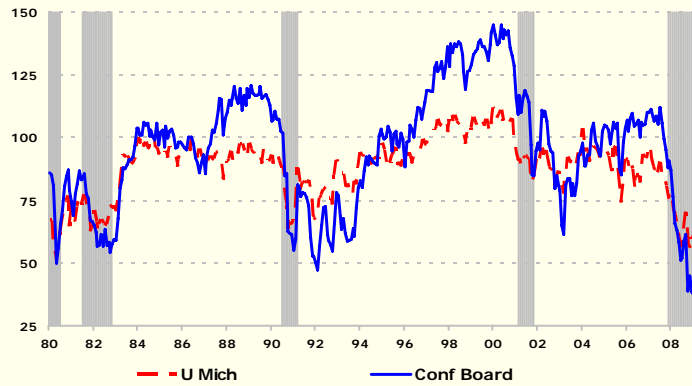
Source: S&P, NBER, ERFCC

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## Consumer confidence is improving

Index  
Mich: 1966Q1 = 100, SA  
Conf Board: 1985 = 100, SA



Source: University of Michigan; Conference Board, data through May 2009.

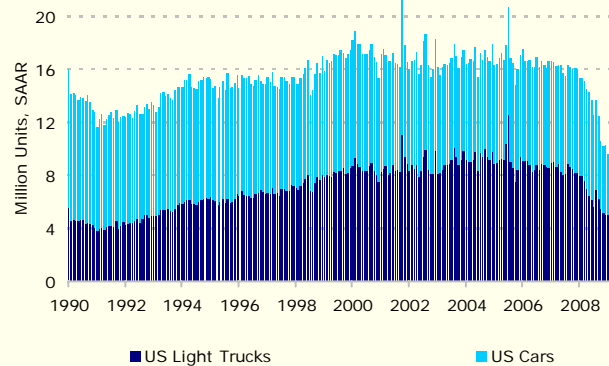
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## Automotive sales have stabilized at around 9 million, annualized



Source: Autodata Corporation; data through May 2009

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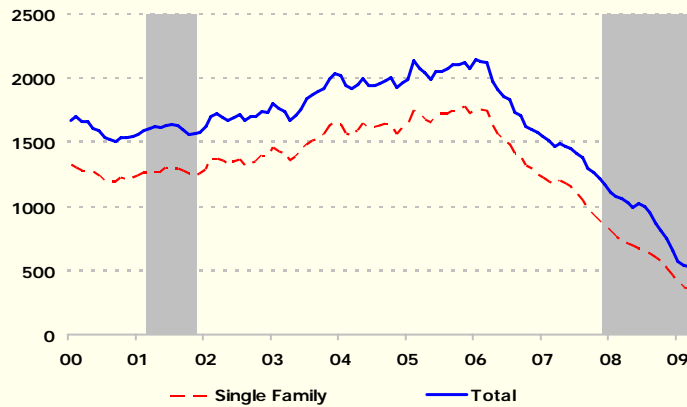
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## Housing starts have stopped declining

Thousands, SA, 3MMA



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Source: U.S. Census, Data through April 2009

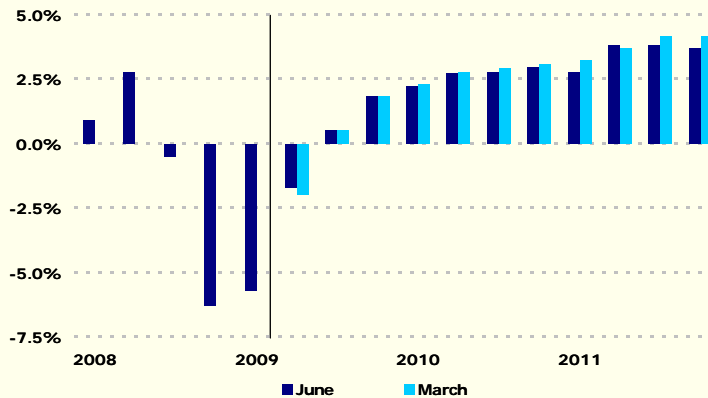
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## The U.S. Real GDP forecast shows a mildly slower recovery than in March

U.S. Real GDP

SAAR, percent



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Source: Bureau of Economic Analysis, ERFEC

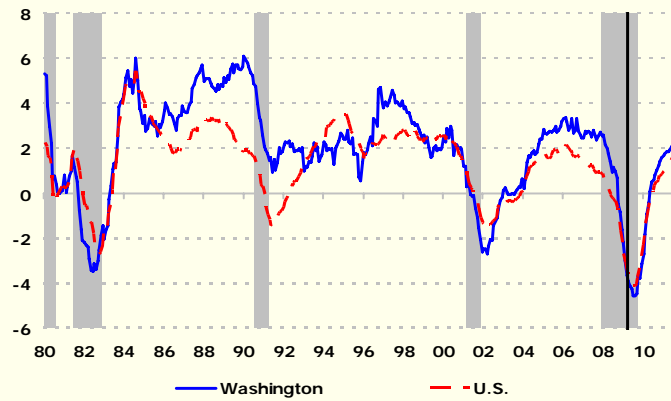
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## WA employment lagged the nation in the downturn, but will recover at about the same rate as the nation

Percent change, year ago



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Source: ERFC June 2009 preliminary forecast, actual through April 2009

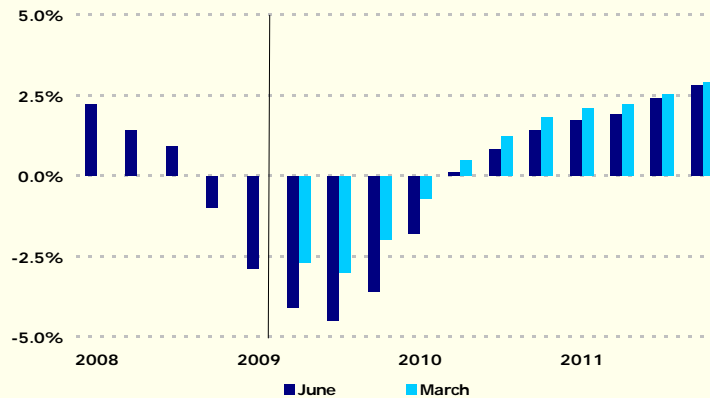
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## Washington employment is expected to be weaker than projected in March

WA Non-farm payroll employment

Y/Y percent



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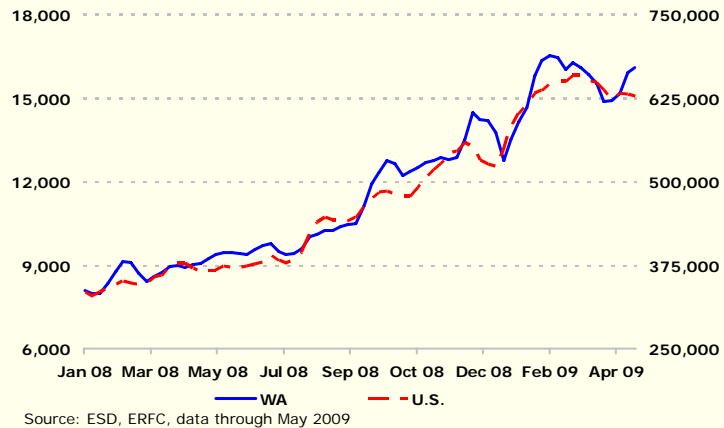
Source: ERFC

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## Initial jobless claims appear to have peaked

Initial Claims, SA, 4-wk MA



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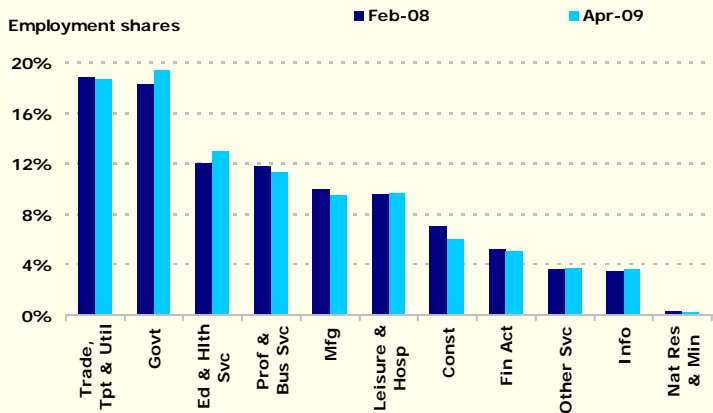
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## Not much evidence of a structural change in employment

Employment shares



Since peaking in February 2008, WA has lost about 122,000 jobs

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Source: ESD, ERFC

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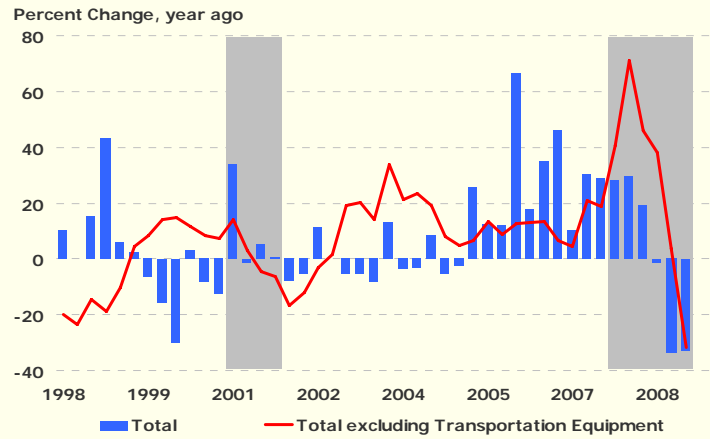


## WA exports are unlikely to help the recovery, until late in the cycle

2009 Q1 did not show much improvement, even with the resumption of Boeing production

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Source: Wiser Trade Data, through 2009 Q1

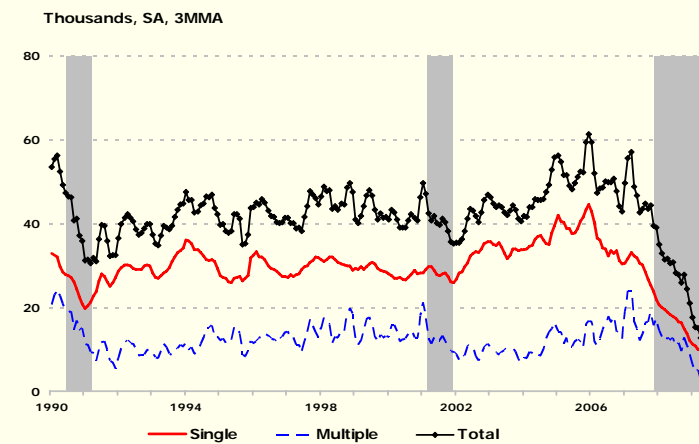
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## WA single family building permits are showing signs of stabilization

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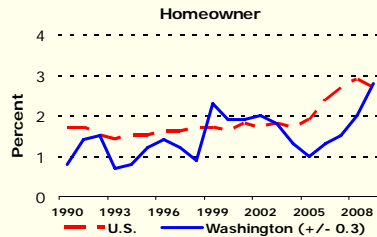


Source: U.S. Census, Data through April 2009

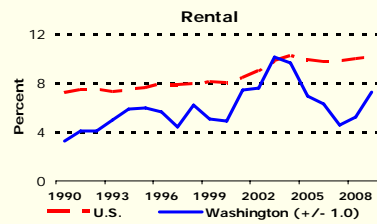
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## Vacancy rates are rising in Washington



- Homeowner vacancy rates in Washington are rising, and are now at national levels



- Rental vacancies have gone up sharply

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Source: Bureau of the Census; data through 2009 Q1

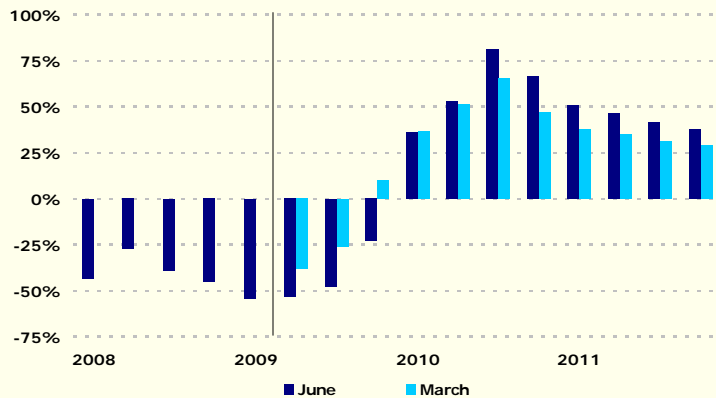
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## The outlook for housing is weaker

WA housing permits

Y/Y percent



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Source: Bureau of Economic Analysis, ERFC

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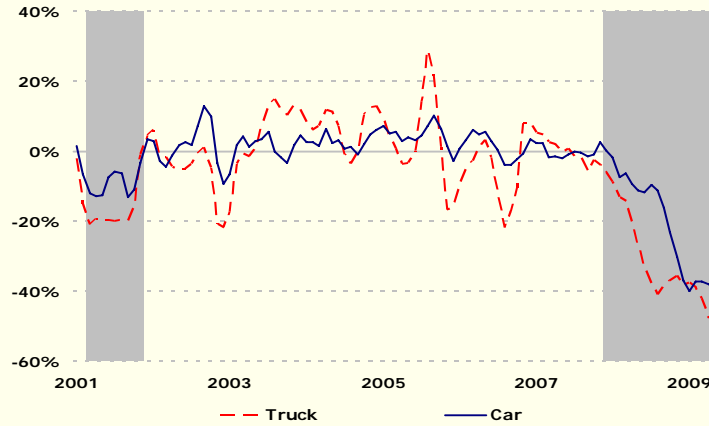
## WA car sales appear to be bottoming out

WA new vehicle registrations

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Y/Y 3MMA percent



Source: WA State DOL, Data through May 2009

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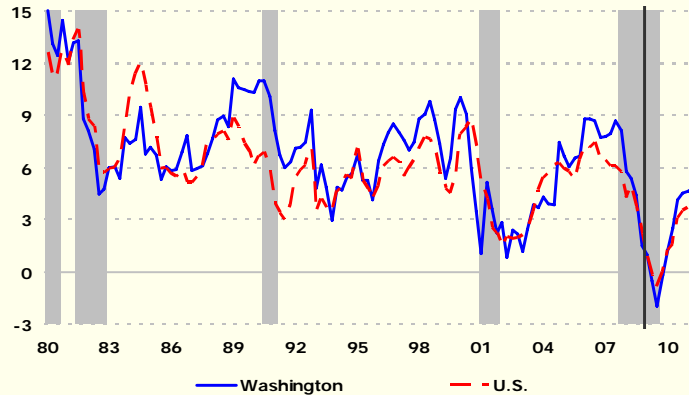


## The recovery in WA personal income growth is expected to match the nation's

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Percent change, year ago



Source: ERFC June 2009 preliminary forecast; actual data through 2008Q4

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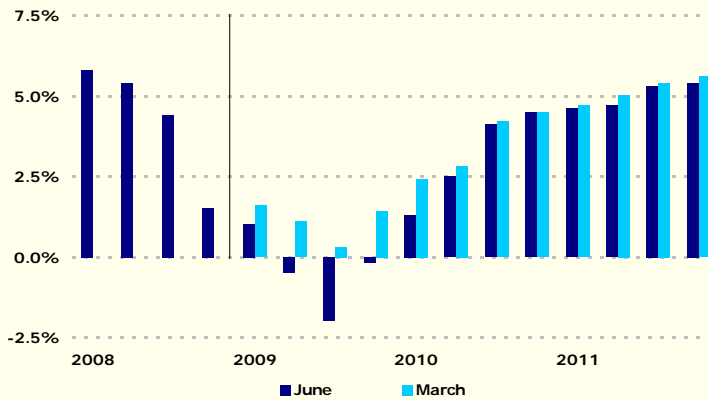
## The outlook for personal income growth is weaker in the near term

WA nominal personal income growth

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Y/Y percent



Source: Bureau of Economic Analysis, ERFC

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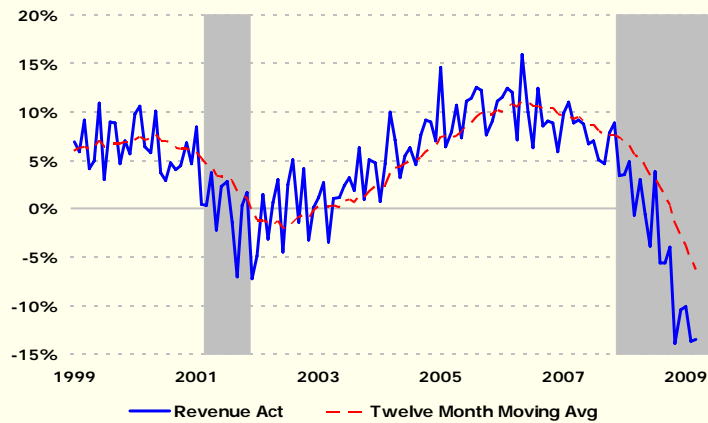
## Year-over-year Revenue Act declines are the steepest on record

Revenue Act collections, adjusted for new legislation and special factors

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Y/Y percent



Source: ERFC

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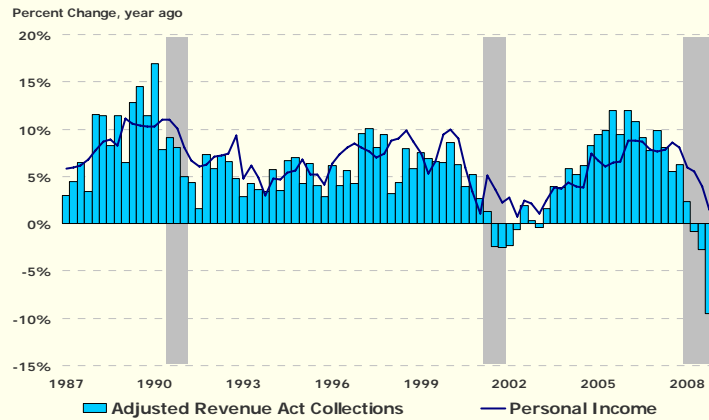
## The gap between income and taxable activity has widened even more

\* Adjusted for new legislation and special factors

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### Net Revenue Act Collections\* and State Personal Income



Source: ERFC

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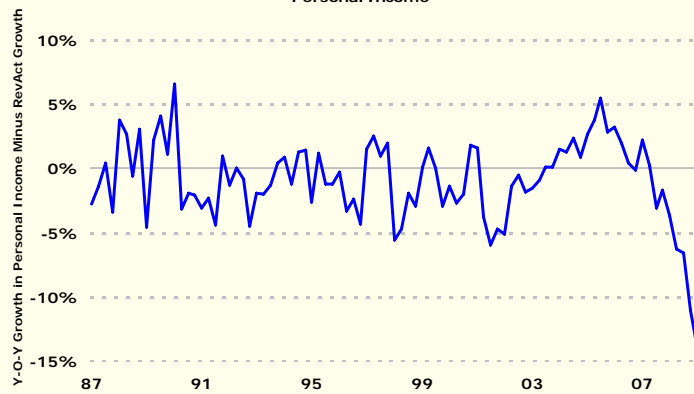
## Revenue growth relative to income continues to drop

\* Adjusted for new legislation and special factors

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### Growth in Net Revenue Act Collections\* Relative to Growth in State Personal Income

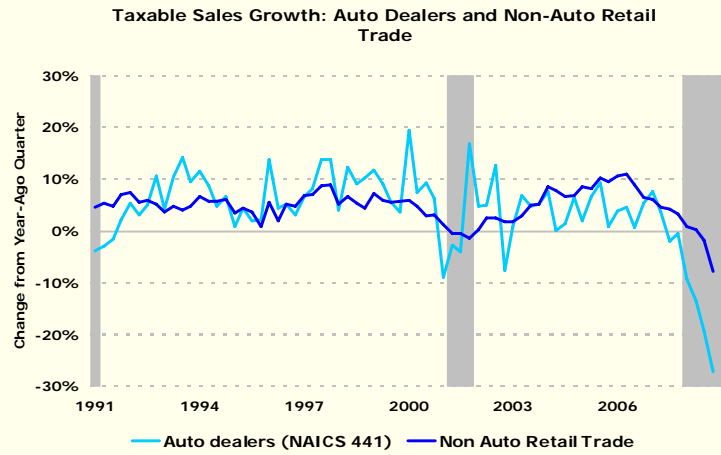


Source: ERFC; data through 2009Q1

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## The decline in taxable retail sales steepened in the fourth quarter



Source: ERFC; data through 2008Q4

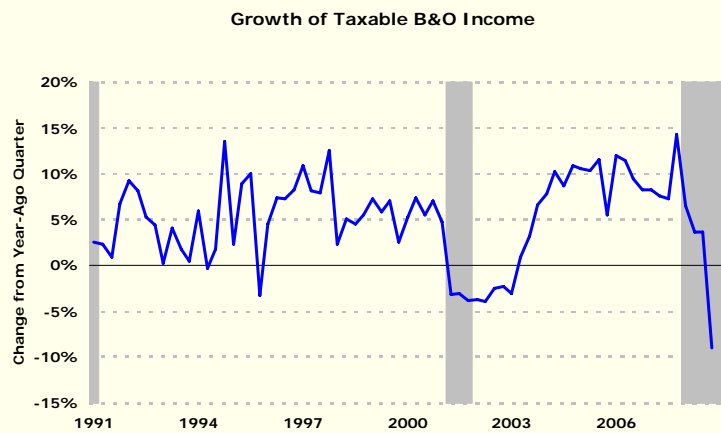
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## B&O activity "fell off a cliff" in the fourth quarter



Source: ERFC; data through 2008Q4

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## Is the decline in Real Estate Excise Tax coming to an end?

WA  
Taxable  
REET  
Activity, SA

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USD, billions



Source: ERFC, data through May 2009

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## REET improvement is likely to come from more transactions, not value

\*Taxable activity divided by the total number of transactions.

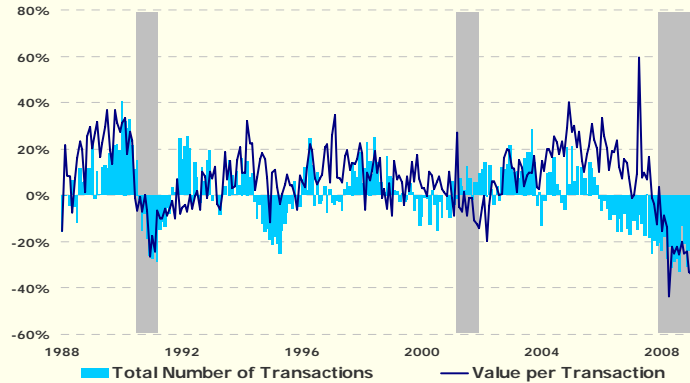
Activity based on real estate excise tax paid at closing.

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### Real Estate Activity - Number of Transactions and Value Per Transaction\*

Percent Change, year ago



Source: ERFC, data through March 2009

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## Conclusion

- The economy is still likely to bottom out at the same time as we had estimated in March, but at a lower level of activity
- Washington's economy is well positioned to recover at the same time as the nation
- The recovery in state revenues will lag the recovery in activity
- Stay tuned for our next revenue forecast on June 18<sup>th</sup>.

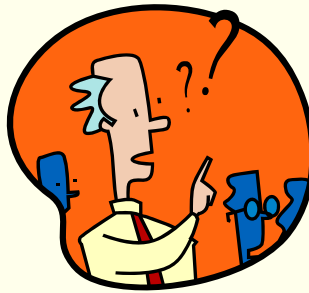
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## Questions



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U.S. Forecast Comparison	Fiscal years			
	2008	2009	2010	2011
<b>Real GDP</b>				
2000 USD billions				
June Forecast	11,655	11,467	11,394	11,708
<i>Growth</i>	2.4%	-1.6%	-0.6%	2.8%
March Forecast	11,655	11,480	11,416	11,743
<i>Growth</i>	2.4%	-1.5%	-0.6%	2.9%
Difference in level	0.0	-12.7	-21.8	-35.5
<i>Difference in growth forecast</i>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>	<b>-0.1%</b>
<b>Implicit Price Deflator</b>				
Index 2000 = 100				
June Forecast	119.7	121.8	122.3	124.6
<i>Growth</i>	3.2%	1.7%	0.4%	1.9%
March Forecast	119.7	121.6	121.5	123.7
<i>Growth</i>	3.2%	1.5%	0.0%	1.8%
Difference in level	0.00	0.24	0.81	0.88
<i>Difference in growth forecast</i>	<b>0.0%</b>	<b>0.2%</b>	<b>0.5%</b>	<b>0.0%</b>
<b>Unemployment Rate</b>				
Percent of Labor Force				
June Forecast	5.0%	7.5%	9.8%	9.7%
March Forecast	5.0%	7.4%	9.4%	9.3%
<i>Difference in forecast</i>	<b>0.0%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>0.3%</b>
<b>30 Year Fixed Mortgage Rate</b>				
Annual Average				
June Forecast	6.2%	5.5%	4.9%	5.2%
March Forecast	6.2%	5.5%	5.0%	5.4%
<i>Difference in forecast</i>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-0.2%</b>
<b>3 Month T-Bill Rate</b>				
Annual Average				
June Forecast	2.9%	0.6%	0.4%	1.3%
March Forecast	2.9%	0.6%	0.4%	1.4%
<i>Difference in forecast</i>	<b>0.0%</b>	<b>0.0%</b>	<b>-0.1%</b>	<b>-0.1%</b>

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**Washington Forecast Comparison** **Fiscal years**

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Real Personal Income</b>				
2000 USD billions				
June Forecast	228.0	227.7	227.6	233.5
<i>Growth</i>	3.6%	-0.1%	0.0%	2.6%
March Forecast	228.0	229.1	233.1	239.4
<i>Growth</i>	3.6%	0.5%	1.8%	2.7%
Difference in level	0.0	-1.4	-5.5	-5.9
<i>Difference in growth forecast</i>	<b>0.0%</b>	<b>-0.6%</b>	<b>-1.8%</b>	<b>-0.1%</b>

**Nominal Personal Income**

USD billions

June Forecast	273.0	277.3	278.4	291.0
<i>Growth</i>	6.9%	1.6%	0.4%	4.5%
March Forecast	273.0	278.4	283.3	296.2
<i>Growth</i>	6.9%	2.0%	1.7%	4.6%
Difference in level	0.0	-1.1	-4.8	-5.3
<i>Difference in growth forecast</i>	<b>0.0%</b>	<b>-0.4%</b>	<b>-1.3%</b>	<b>-0.1%</b>

**Nonfarm Payroll Employment, End of Period**

Thousands

June Forecast	2967	2845	2846	2901
<i>Growth</i>	1.4%	-4.1%	0.1%	1.9%
March Forecast	2967	2886	2899	2964
<i>Growth</i>	1.4%	-2.7%	0.5%	2.2%
Difference in level	-0.2	-41.0	-53.0	-62.7
<i>Difference in growth forecast</i>	<b>0.0%</b>	<b>-1.4%</b>	<b>-0.4%</b>	<b>-0.3%</b>

**Housing Permits**

Units Authorized, Thousands

June Forecast	37.9	20.0	18.8	30.0
<i>Growth</i>	-25.0%	-47.2%	-5.9%	59.2%
March Forecast	36.9	21.3	24.4	35.3
<i>Growth</i>	-26.9%	-42.4%	14.5%	44.8%
Difference in level	0.9	-1.3	-5.5	-5.3
<i>Difference in growth forecast</i>	<b>1.9%</b>	<b>-4.8%</b>	<b>-20.4%</b>	<b>14.3%</b>

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## Year-Over-Year Employment Growth by Industry (April 2008 to April 2009)

### Washington vs. U.S.

	Washington		U.S.
	(000)	% Chg.	% Chg.
<b>Total</b>	<b>-114.4</b>	<b>-3.9%</b>	<b>-3.8%</b>
Software Publishers	2.4	4.9%	-
Education and Health Services	10.5	2.9%	2.2%
Government Education	4.6	1.9%	-0.1%
Government Non-Education	4.2	1.8%	-0.2%
Aerospace Product and Parts Manufacturing	-0.4	-0.5%	-
Other Services	-2.7	-2.5%	-2.3%
Leisure and Hospitality	-10.1	-3.6%	-2.7%
Transportation, Warehousing and Utilities	-3.7	-3.8%	-5.7%
Retail Trade	-15.5	-4.8%	-4.2%
Wholesale Trade	-6.8	-5.2%	-5.0%
Financial Activities	-8.2	-5.3%	-4.8%
Information Excluding Software	-3.3	-6.0%	-
Professional and Business Services	-27.5	-7.8%	-6.4%
Manufacturing Excluding Aerospace	-24.1	-11.6%	-
Natural Resources and Mining	-0.9	-13.0%	-2.3%
Construction	-34.6	-17.2%	-13.6%
Information	-0.8	-0.8%	-4.2%
Manufacturing	-24.6	-8.4%	-10.7%

### Washington Geographic Breakdown

Seattle MSA	-53.2	-3.6%
Tacoma MSA	-12.2	-4.3%
Spokane MSA	-8.4	-3.8%
Rest of WA	-40.5	-4.1%

Source: WA State Employment Security Department, U.S. Bureau of Labor Statistics

**General Fund-State Collection Experience  
Since the March 2009 Forecast  
Millions of Dollars**

<u>Collection/Activity Period</u>	<u>Estimate</u>	<u>Actual</u>	<u>Difference</u>	<u>Cumulative Difference*</u>
<b>I. March 11 - April10, 2009: February 2009 activity</b>				
Revenue Act	\$709.7	\$663.2	(\$46.5)	(\$46.5)
Non Revenue Act	49.0	40.3	(8.7)	(8.7)
Real estate excise	27.7	19.8	(7.9)	(7.9)
Property	(1.6)	4.2	5.8	5.8
Other	23.0	16.3	(6.7)	(6.7)
Dept. of Revenue, subtotal	\$758.7	\$703.5	(\$55.2)	(\$55.2)
Dept. of Licensing (revised)	\$0.4	\$0.4	(\$0.0)	(\$0.1)
Lottery	0.0	0.0	0.0	0.0
<b>Total</b>	<b>\$759.2</b>	<b>\$704.0</b>	<b>(\$55.2)</b>	<b>(\$55.3)</b>
<b>II. April 11, 2008 - May 10: March 2009 and Q1 2009 activity</b>				
Revenue Act	\$909.9	\$873.6	(\$36.3)	(\$82.7)
Non Revenue Act	102.8	97.3	(5.5)	(14.2)
Real estate excise	30.0	24.7	(5.3)	(13.1)
Property	39.0	38.6	(0.4)	5.4
Other	33.9	34.1	0.2	(6.5)
Dept. of Revenue, subtotal	\$1,012.7	\$970.9	(\$41.8)	(\$97.0)
Dept. of Licensing (revised)	\$4.8	\$5.7	\$0.9	\$0.7
Lottery	0.0	0.0	0.0	0.0
<b>Total</b>	<b>\$1,017.5</b>	<b>\$976.6</b>	<b>(\$40.9)</b>	<b>(\$96.2)</b>
<b>III. May 11 - June 10, 2009: April 2009 activity</b>				
Revenue Act	\$795.6	\$735.0 est**	(\$60.6)	(\$143.4)
Non Revenue Act	571.0	718.8	147.8	133.6
Real estate excise	32.1	24.6	(7.5)	(20.7)
Property	501.9	663.4	161.5	167.0
Other	37.0	30.8	(6.2)	(12.7)
Dept. of Revenue, subtotal	\$1,366.6	\$1,453.8	\$87.2	(\$9.8)
Dept. of Licensing	\$4.8	\$3.9	(\$0.9)	(\$0.2)
Lottery	0.0	0.0	0.0	0.0
<b>Total</b>	<b>\$1,371.4</b>	<b>\$1,457.7</b>	<b>\$86.3</b>	<b>(\$9.9)</b>

\* Includes revisions to history.

\*\* Based on collection variance as of June 3, 2009

**County Taxable Retail Sales**  
**Quarter 4, 2007 to Quarter 4, 2008**  
**(Dollars in Thousands)**

Rank	County	4th Quarter, 2007	4th Quarter, 2008	Percent Change	Taxbase Distribution
1	Douglas	133,092	243,591	83.0%	0.9%
2	Adams	46,210	58,511	26.6%	0.2%
3	Ferry	10,707	13,186	23.2%	0.0%
4	Klickitat	46,630	51,987	11.5%	0.2%
5	Asotin	50,020	53,530	7.0%	0.2%
6	Chelan	375,276	396,274	5.6%	1.4%
7	Okanogan	132,983	136,361	2.5%	0.5%
8	Walla Walla	185,266	186,336	0.6%	0.7%
9	Yakima	749,204	749,586	0.1%	2.7%
10	Stevens	99,366	99,354	0.0%	0.4%
11	Jefferson	95,485	95,097	-0.4%	0.3%
12	Benton	680,643	670,741	-1.5%	2.4%
13	Grant	380,352	371,992	-2.2%	1.3%
14	Whitman	127,824	124,563	-2.6%	0.4%
15	Mason	142,294	136,073	-4.4%	0.5%
16	Lincoln	21,399	20,389	-4.7%	0.1%
17	Lewis	292,347	277,480	-5.1%	1.0%
18	San Juan	92,978	88,061	-5.3%	0.3%
19	Pacific	55,572	52,379	-5.7%	0.2%
20	Columbia	10,523	9,812	-6.8%	0.0%
21	<b>Spokane</b>	<b>2,014,732</b>	<b>1,864,248</b>	<b>-7.5%</b>	<b>6.7%</b>
22	Skamania	20,483	18,695	-8.7%	0.1%
23	Pend Oreille	28,059	25,579	-8.8%	0.1%
24	Island	219,623	198,973	-9.4%	0.7%
25	Whatcom	873,379	780,803	-10.6%	2.8%
26	Thurston	1,101,217	984,196	-10.6%	3.6%
27	Kitsap	925,281	826,664	-10.7%	3.0%
	<b>Statewide</b>	<b>31,073,162</b>	<b>27,712,403</b>	<b>-10.8%</b>	<b>100.0%</b>
28	Kittitas	213,878	188,015	-12.1%	0.7%
29	<b>Pierce</b>	<b>3,237,056</b>	<b>2,835,656</b>	<b>-12.4%</b>	<b>10.2%</b>
30	Wahkiakum	6,249	5,466	-12.5%	0.0%
31	<b>King</b>	<b>12,544,358</b>	<b>10,930,798</b>	<b>-12.9%</b>	<b>39.4%</b>
32	Clark	1,267,855	1,095,097	-13.6%	4.0%
33	Skagit	626,585	537,081	-14.3%	1.9%
34	Cowlitz	355,875	303,133	-14.8%	1.1%
35	<b>Snohomish</b>	<b>3,104,947</b>	<b>2,623,752</b>	<b>-15.5%</b>	<b>9.5%</b>
36	Clallam	273,431	226,960	-17.0%	0.8%
37	Franklin	273,724	225,424	-17.6%	0.8%
38	Grays Harbor	251,939	201,904	-19.9%	0.7%
39	Garfield	6,322	4,656	-26.4%	0.0%

King/Snohomish/Pierce	18,886,361	16,390,207	-13.2%	59.1%
Remainder of State	12,186,801	11,322,196	-7.1%	40.9%

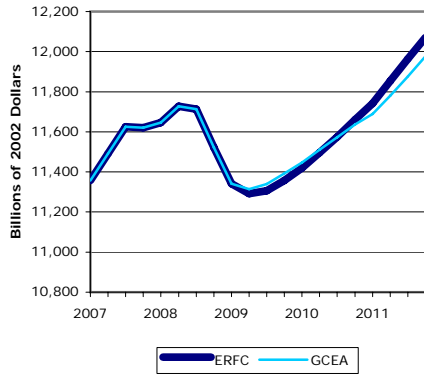
## Governor's Council of Economic Advisor's Forecast

June 5, 2009

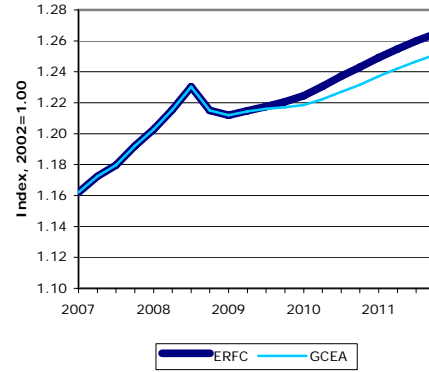
	2009	2010	2011
<b><u>U.S.</u></b>			
<b>Real GDP</b>			
<i>Growth</i>			
Baseline	-2.8	1.9	3.2
GCEA Average	-2.6	1.7	2.5
<b>Implicit Price Deflator, PCE</b>			
<i>Growth</i>			
Baseline	0.0	1.4	1.9
GCEA Average	-0.1	0.8	1.6
<b>Mortgage Rate</b>			
<i>Percent</i>			
Baseline	4.9	5.0	5.7
GCEA Average	5.1	5.4	5.7
<b>Oil Price (WTI)</b>			
<i>USD per barrel</i>			
Baseline	53.8	64.3	68.4
GCEA Average	58.8	72.1	79.2
<b>In which quarter will the recession end?</b>	2009Q4		
<b><u>Washington State</u></b>			
<b>Real Personal Income</b>			
<i>Growth</i>			
Baseline	-0.5	1.6	3.1
GCEA Average	0.2	1.1	2.5
<b>Wage and Salary Employment</b>			
<i>Growth</i>			
Baseline	-3.8	0.1	2.2
GCEA Average	-3.8	-0.5	1.6
<b>Manufacturing Employment</b>			
<i>Growth</i>			
Baseline	-8.8	-3.9	1.7
GCEA Average	-8.9	-5.3	0.0
<b>Construction Employment</b>			
<i>Growth</i>			
Baseline	-16.3	-6.9	0.8
GCEA Average	-15.9	-7.3	-0.7
<b>Housing Permits</b>			
<i>Thousands of authorized units</i>			
Baseline	15.4	24.6	35.4
GCEA Average	14.9	20.4	29.2
<b>Washington Average Annual Wage</b>			
<i>Growth</i>			
Baseline	2.0	2.4	3.0
GCEA Average	2.2	2.2	2.5

# U.S. Forecast Comparison

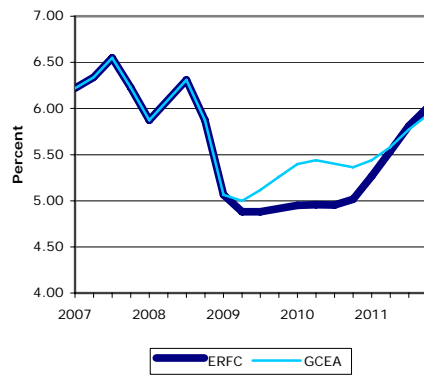
### Real GDP



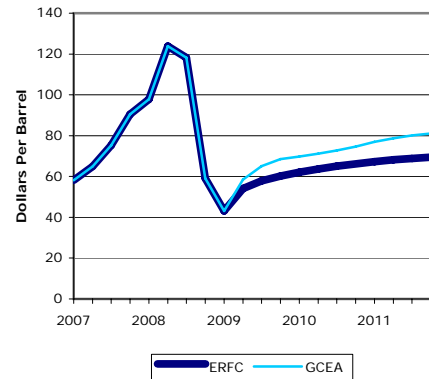
### Implicit Price Deflator, PCE



### Mortgage Rate

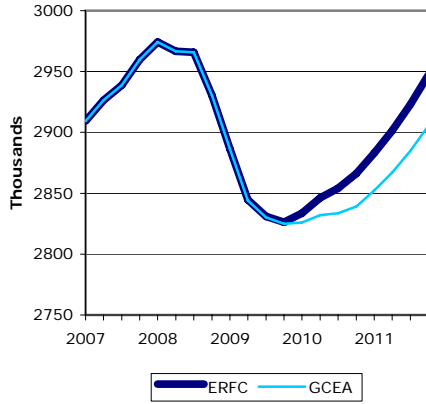


### WTI Oil Price

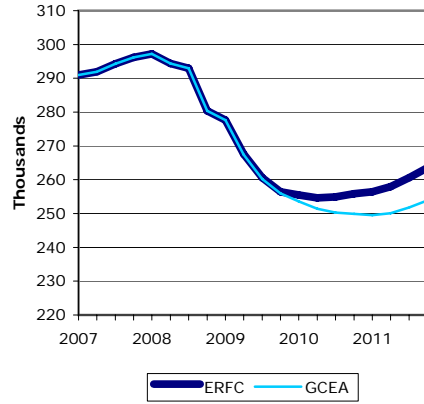


# Washington Forecast Comparison

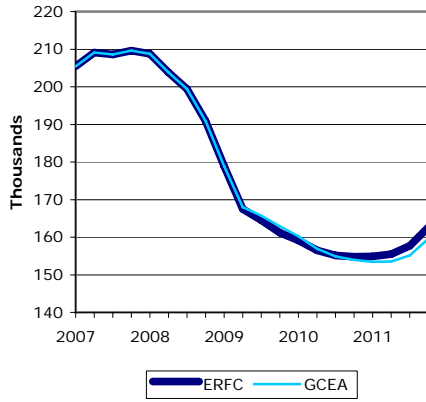
## Nonfarm Payroll Employment



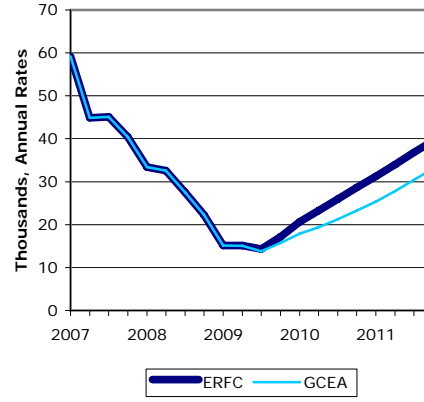
## Manufacturing Employment



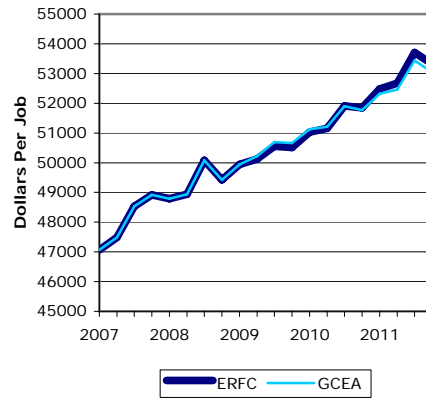
## Construction Employment



## Housing Units Authorized



## Average Annual Wage



## Personal Income

