

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 flowers and green leaves visible in the foreground and around the building. The sky is a clear, light blue.

Washington State Economic and Revenue Forecast

February 2010
Volume XXXIII, No. 1



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

February 2010
Volume XXXIII, No. 1

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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 February 28, 2010.

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Table of Contents

Preface	iii
List of Tables	vi
List of Figures	vii
Executive Summary	1
U.S. Economic Forecast.....	2
Washington Economic Forecast	3
Revenue Forecast.....	4
Chapter 1: U.S. Economy – Current Conditions and Forecast	6
Current Conditions	7
Forecast.....	14
Forecast by Fiscal Year.....	17
Risks to the Forecast	18
Chapter 2: Washington Economy – Current Conditions and Forecast	23
Current Conditions	23
Washington State Forecast	30
Washington State Forecast Assumptions	31
Washington Payroll Employment	32
Washington Personal Income	36
Seattle Consumer Price Index	37
Washington Building Permits	38
Forecast by Fiscal Year.....	38
Alternative Scenarios	40
Chapter 3: Washington State Revenue Forecast Summary	52
Overview.....	52
The Forecast Procedure and Assumptions	53
Recent Collection Experience	54
Recent EFT Payments by Industry	57
Department of Revenue	58
Department of Licensing	61
The Office of Financial Management (Other Agencies)	62
State Treasurer.....	62
Insurance Commissioner	62
Liquor Control Board.....	62
Lottery Commission.....	63
Administrative Office of the Courts	63
Track Record for the 2009-11 Biennium	63
The Relationship between the Cash and GAAP GF-S Revenue Forecasts	64
Budgetary Balance Sheets for the 2007-09 and 2009-11 Biennia	64
Alternative Forecasts for the 2009-11 and 2011-13 Biennia.....	64
Near GF-S Forecasts for the 2009-11 and 2011-13 Biennia	65
Appendix	78
Glossary	114

List of Tables

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

Table 1.1	U.S. Economic Forecast Summary	20
Table 1.2	Forecast Analysis	21
Table 1.3	Forecast Comparison	22

Chapter 2: Washington Economy – Current Conditions and Forecast

Table 2.1	Washington Economic Forecast Summary	43
Table 2.2	Comparison of Alternative Forecasts	44
Table 2.3	Forecast Analysis	45
Table 2.4	Forecast Comparison	46

Chapter 3: Washington State Revenue Forecast Summary

Table 3.1	Revisions to the General Fund-State Forecast	53
Table 3.2	Collection Variance of Major General Fund-State Taxes by Agency	55
Table 3.3	General Fund-State Collections	66
Table 3.4	Taxable Retail Sales	67
Table 3.5	Comparison of the General Fund-State Forecast by agency, Cash	68
Table 3.6	Comparison of the General Fund-State Forecast by agency, GAAP	69
Table 3.7	General Fund-State forecast by agency, 2011-13 biennium	70
Table 3.8	February 2010 General Fund-State Forecast, 2009-11 & 2011-13	71
Table 3.9	Track Record for the 2009-11 General Fund-State Cash Forecast	72
Table 3.10	2007-09 and 2009-11 Enacted Budget Balance Sheet	73
Table 3.11	Alternative Forecasts Compared to the Baseline Forecast, 2009-11	74
Table 3.12	Alternative Forecasts Compared to the Baseline Forecast, 2011-13	75
Table 3.13	Lottery Transfers by Fund	76
Table 3.14	General Fund-State: History and Forecast of Components	77

Appendix:

Detail Components of the Washington State Economic and Revenue Forecast

Table A1.1	U.S. Economic Forecast Summary, Annual	79
Table A1.2	U.S. Economic Forecast Summary, Quarterly	80
Table A1.3	Washington Economic Forecast Summary, Annual	83
Table A1.4	Washington Economic Forecast Summary, Quarterly	84
Table A2.1	U.S. Nonagricultural Employment by Industry, Annual	87
Table A2.2	U.S. Nonagricultural Employment by Industry, Quarterly	88
Table A2.3	Washington Nonagricultural Employment by Industry, Annual	91
Table A2.4	Washington Nonagricultural Employment by Industry, Quarterly	92
Table A3.1	U.S. Personal Income by Component, Annual	95
Table A3.2	U.S. Personal Income by Component, Quarterly	96
Table A3.3	Washington Personal Income by Component, Annual	99
Table A3.4	Washington Personal Income by Component, Quarterly	100
Table A4.1	Selected Inflation Indicators	103
Table A4.2	Chain-Weighted Price Indices	104
Table A5.1	Washington Resident Population and Components of Change	105
Table A5.2	Washington Population	106
Table A6.1	Summary of National and State Indicators	107
Table A6.2	Washington Business Indicators	108

List of Figures

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

Figure 1.1	GDP and Final Sales	8
Figure 1.2	Real Consumer Spending	9
Figure 1.3	Cumulative Percent Change in Employment	10
Figure 1.4	Net Tightening Minus Easing	11
Figure 1.5	ISM Manufacturing Index	13
Figure 1.6	Personal Saving Rate	16
Figure 1.7	Residential and Nonresidential Construction.....	17

Chapter 2: Washington Economy – Current Conditions and Forecast

Figure 2.1	Washington Cumulative Job Losses in 1981-82 & 2007-09 Recessions	25
Figure 2.2:	Washington Initial Claims Normalized to Recession Peak	27
Figure 2.3	NAPM-WW Index, Overall and Employment	27
Figure 2.4	Washington State Exports	29
Figure 2.5	Washington Construction Employment	34
Figure 2.6	Component Contributions to Growth in Washington Personal Income	37
Figure 2.7	Comparison of Washington and U.S. Economic Forecasts	47
Figure 2.8	Comparison of Alternative U.S. Economic Forecasts	50

Chapter 3: Washington State Revenue Forecast Summary

Figure 3.1	Seasonally Adjusted Revenue Act Collections	56
Figure 3.2	Seasonally Adjusted Taxable Real Estate Excise Activity	57
Figure 3.3	Taxable Sales* as Percentage of State Personal Income	58

Appendix:

Detail Components of the Washington State Economic and Revenue Forecast

Figure A7.1	Washington State Economic Indicators.....	109
Figure A7.2	Washington State Leading Indicators	110
Figure A7.3	Other State Leading Indicators	111



Executive Summary

- **The recovery in economic activity continued in the fourth quarter of 2009. The recovery will be slow, weighed down by weak consumer confidence and construction, especially nonresidential. We are still waiting for a recovery in jobs which is essential for a sustained recovery in consumer confidence and spending.**
- **Consumer spending has clearly turned around and is now growing, but at a slow pace. Consumer confidence is weak and still in recessionary territory. A high unemployment rate is continuing to weigh down on confidence. Households are also continuing to pay down debts.**
- **Local and regional banks around the country are now increasingly at risk. Commercial real estate has hit a wall and these banks are disproportionately exposed to loans in this sector. This will cause credit to tighten, especially for small businesses, and slow down the economic recovery.**
- **The housing market is also giving mixed signals. Home prices have shown sequential monthly improvements. Housing starts have come off their historic lows and residential construction is growing. However, home sales dropped sharply after the expiration of the first-time home buyer's tax credit in November.**
- **Nonresidential construction will decline for some time due to oversupply, weak demand, and lack of financing.**
- **Recent data continue to indicate a turnaround in the state economy. Initial claims for unemployment insurance are falling rapidly, the manufacturing sector is expanding, housing permits have turned up, and new vehicle registrations are increasing.**
- **The construction sector experienced the most severe employment decline in the state. Though residential construction is nearing bottom, the correction in non-residential construction has a long way to go.**
- **The February 2010 General Fund-State forecast for the 2009-11 biennium is \$28.7 billion, which is \$118.2 million less than expected in November only because of a \$149.7 million reduction due to noneconomic factors, mainly the Dot Foods Supreme Court decision. Excluding noneconomic factors, the forecast would have been up by \$31.5 million. This is the first forecast to extend through the 2011-13 biennium. The General Fund-State forecast for the 2011-13 biennium is \$32.2 billion.**

U.S. Economic Forecast

The recovery in output continues but job growth is still lacking

Fourth quarter real GDP grew 5.9% (seasonally adjusted, annualized rate). This marks the second consecutive quarter of positive growth following four quarters of contraction in the economy. The strong fourth quarter GDP results overstate the underlying strength of the economy. Two-thirds of the growth was because business inventories fell by much less in the fourth quarter than they had in the third. Real Final Sales, which excludes inventories, grew at a more modest 1.9% rate in the fourth quarter. The labor market tends to lag output so it is not surprising that employment continues to decline. However, the job losses in recent months are much smaller than they had been previously. November saw modest job gains. The U.S. lost only 20,000 jobs in January 2010 compared to 779,000 in January 2009. Still, the fear of job loss continues to dampen consumer confidence which remains in recessionary territory. Consumer spending is weak as households pay down debt and save. Although household net worth has improved over the last three quarters, at the end of last year it was still an estimated \$11.3 trillion (or 17.1%) below its peak, and is keeping consumers from fully reopening their wallets.

After a slow start, growth will accelerate in 2011 and early 2012 before slowing to trend in 2013

Real GDP is expected to grow by 2.9% (SAAR) in the first quarter of 2010. The main reason for the slowdown from the fourth quarter of 2009 is a much smaller contribution from inventories. GDP growth is expected to remain in the high 2% range through the first quarter of 2011 and then accelerate to over 4% by the first half of 2012. After this surge, GDP growth is expected to slow to trend in 2013. The early part of the recovery will continue to be supported by the first round effects of both fiscal and monetary stimuli. The full impact of the stimulus in the pipeline will be felt sometime around the third quarter of 2010. Consumer spending will not lead the economy out of recession this time. The strains on households are too great for that. However, as the recovery picks up steam, consumer spending will also revive. Business investment is beginning to stabilize evident from the recent strength in equipment and software investment. Investment in structures remains in decline, however, and will continue to decline in 2010, and be essentially flat in 2011 on an annual average basis. It will finally return to solid growth in 2012. While there are significant near term risks to the housing recovery, we expect positive but weak growth in residential fixed investment in 2010 and a strong recovery beginning in 2011. 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 10% higher in 2010 than in 2009.

Positive job growth will resume in early 2010

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. Job growth is expected to resume in the first quarter of this year. The unemployment rate is also expected to peak in the first quarter at 10.2%. The jobs recovery will be quicker than experienced in either of the two previous recessions in 1990-91 and 2001, although not as rapid as the 1982-83 recession. 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 6.0% by the end of 2013.

Washington Economic Forecast

The state economy is recovering

The Washington economy turned a corner in the third quarter of last year and is beginning to stabilize. As expected, payroll employment has lagged in the cycle and is now just beginning to bottom out. Job losses have begun to moderate, signaling the labor market is beginning to turn around, although credit to small businesses that contribute the majority of the job creation remains depressed. The number of monthly claims for unemployment insurance has declined since reaching a peak in September of 2009, and is now at its lowest level since September 2008. Housing has also begun to improve after reaching a bottom. The number of permits has increased almost 65% since coming off the historic low reached in April 2008, and is now at its highest level in 15 months. Still, the sector remains weak and weighed down by low consumer confidence and an excess supply of housing. On the upside, the state is poised to recover more strongly than the national economy due to our high export intensity. The synchronized global recovery has helped exports in our state rebound and will help us to outperform the nation in the recovery. Washington's two major industries - aerospace and software publishing - have also fared relatively well during the recession and are likely to remain stable. Boeing is now starting to reach key milestones in the development of the 787 program and has an extensive backlog of orders. While the plans to locate a second 787 production line out of state may have effects in the long run, the immediate consequences are small and will actually add stability to in-state production in the near term. Microsoft is also healthy and the release of its Windows 7 operating system has been a success as evidenced by a strong earnings report for the fourth quarter.

Aerospace and software are stable but construction will decline

The construction sector remains the weakest industry in Washington. We expect construction employment to decline by an additional 6,200. Overall it will decline by about 61,600 (29.3%) from its peak in the second quarter of 2007 through the

third quarter of 2010. The aerospace employment forecast reflects Boeing's announcement that production of the 777 will be cut from seven per month to five in mid-2010. The forecast assumes a further reduction of 900 in aerospace jobs, for a total reduction of 5,700 (6.7%) jobs from the peak in the third quarter of 2008 to the trough at the end of 2011. Aerospace employment will then increase steadily to just under that peak by the end of 2013. In contrast, we believe manufacturing other than aerospace bottomed out in the fourth quarter of 2009 after 35,700 jobs (16.7%) lost from peak to trough. Software employment has fallen by 1,900 (3.5%) from the peak in the first quarter of 2009 through the fourth quarter of 2009. We believe the fourth quarter will prove to be the bottom in software employment with growth continuing through the next biennium. State and local government employment tends to lag the private sector. We expect to see a decline of 9,400 (2.0%) state and local government jobs from the peak in the fourth quarter of 2008 through the first quarter of 2010, and returning to growth thereafter reaching the 2008 peak by the end of 2013.

The recovery will pick up steam in 2011

We expect positive employment growth beginning in the first quarter of 2010. The forecast calls for a fourth quarter to fourth quarter growth rate of 1.5% though on an annual average basis employment will still show a slight 0.5% decline. Annual average employment growth is expected to rise to 2.8% and 2.9% in 2011 and 2012 as the economy recovers from the recession. Employment growth will slow in 2013 as the economy slows to its trend path. Washington personal income is expected to grow 4.3% this year after a rare 1.1% decline in 2009. Income growth is expected to improve to 5.4% in 2011 and 6.1% per year in 2012 and 2013. We believe the number of housing units authorized by building permit will rise 33% this year to a still relatively depressed 21,100 units. The housing recovery, such as it is, 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 above the forecast

Revenue collections have come in modestly ahead of our November forecast. In the three months since the forecast, collections have come in \$61.3 million higher than forecasted. Due mainly to a reduction in forecasted housing and construction activity, however, the forecast of revenue for the remainder of the biennium has been decreased by \$29.8 million.

Non-economic factors have lowered the forecast

The decision in "Dot Foods, Inc. vs. Washington Department of Revenue" will result in an estimated \$56.8 million in refunds to Dot Foods and similar businesses and \$94.8 in foregone taxes during the current biennium, totaling \$153.6 million. For the next biennium, the foregone taxes are estimated at an additional \$191

million. This non-economic change is partially offset by \$3.9 million in net assessments that are expected to be paid this quarter, for a total non-economic forecast reduction of \$149.7 million.

The 2009-11 revenue forecast is down \$118.2 million from November

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 reduced by \$118.2 million.

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

- **The recovery in economic activity continued in the fourth quarter of 2009, but it will be slow, weighed down by weak consumer confidence and construction, especially nonresidential. We are still waiting for a recovery in jobs which is essential for a sustained recovery in consumer confidence and spending.**
- **Our baseline forecast expects the national economy to gain traction by mid-year and gather momentum heading into the next. We expect above trend growth in 2011 and 2012, returning to trend by 2013.**
- **Consumer spending has clearly turned around and is now growing, but at a slow pace. Consumer confidence is weak and still in recessionary territory. A high unemployment rate is continuing to weigh down on confidence. Households are also continuing to pay down debts.**
- **Local and regional banks around the country are now increasingly at risk. Commercial real estate has hit a wall and these banks are disproportionately exposed to loans in this sector. This will cause credit to tighten, especially for small businesses, and slow down the economic recovery.**
- **The employment picture is mixed. The rate of job loss has fallen to a trickle and employment appears poised to show growth very soon. However a recent uptick in initial claims for unemployment insurance indicates a weak job market.**
- **Government spending and inventories accounted for most of the economic growth in the second half of 2009. These have only a temporary impact on growth, however. Private spending, both by businesses and consumers, will have to pick in order for the economy to have self sustaining growth.**
- **A synchronized global recovery is under way, with both the Eurozone and East Asia now out of recession. Our trading partners are seeing incomes rise earlier in the cycle than they normally do. This should boost U.S. exports earlier in the recovery cycle than usual.**
- **The housing market is giving mixed signals. Home prices have shown sequential monthly improvements. Housing starts have come off their historic lows and residential construction is growing. However, home sales dropped sharply after the expiration of the first home buyers tax credit in November.**
- **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 recovery in output continues but job growth is still lacking

Fourth quarter real GDP grew 5.9% (seasonally adjusted, annualized rate). This marks the second consecutive quarter of positive growth following four quarters of contraction in the economy. The labor market tends to lag output so it is not surprising that employment continues to decline. However, the job losses in recent months are much smaller than they had been previously, in fact November saw modest job gains. The U.S. lost only 20,000 jobs in January 2010 compared to 779,000 in January 2009. Still, the fear of job loss continues to dampen consumer confidence which remains in recessionary territory. Consumer spending is weak as households pay down debt and save. Although household net worth has improved over the last three quarters, at the end of last year it was still an estimated \$11.3 trillion (or 17.1%) below its peak, and is keeping consumers from fully reopening their wallets.

There are significant downside 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 are supporting the recovery. There is a very real risk that housing will falter when this support is 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 pick up in order to keep the recovery going. If spending by businesses and consumers fails to improve by mid-summer 2010, there is a risk of a double-dip recession.

...but also some positive trends

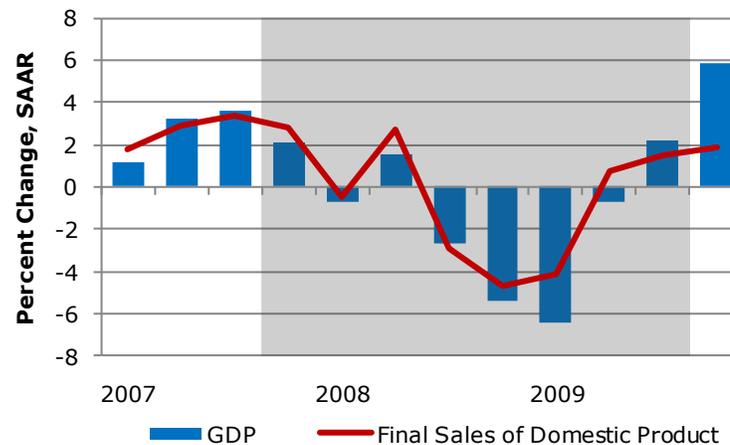
While risks to the recovery predominate, there are some upside factors as well. There is an unprecedented global recovery under way that began in the second quarter as countries in the Eurozone and East Asia have returned to growth. Though the dollar has strengthened recently due to a flight to safety from the Euro, it remains relatively weak and is expected to decline further in the forecast. The combination of foreign growth and a weak dollar should provide a boost to U.S. exports and help to sustain the recovery. Home prices, while still down on a year-over-year basis, have increased for seven consecutive months. Higher home prices add to household wealth and reduce the strains on the financial system. Business investment in equipment and software posted a strong 18.2% increase in the fourth quarter of 2009 after a small gain in the third quarter. Finally, the impact of the stimulus package on the economy is still growing which will help offset continued weakness in consumer spending for a while.

The inventory cycle is boosting GDP growth

At first glance the 5.9% (SAAR) GDP growth rate in the fourth quarter rate appears surprisingly strong. Drilling deeper into the numbers, however, reveals that the top line fourth quarter growth potentially overstates the strength of the recovery. Two-thirds of the growth was because business inventories fell by much less in the fourth quarter than they had in the third. Real final sales, which excludes inventories, grew at a more modest 1.9% rate in the fourth quarter following a 1.5% increase in the third quarter and a 0.7% rate in the second quarter ([See Figure 1.1](#)). Real consumer spending grew 1.7% in the fourth quarter, down from 2.8% in the third quarter which was helped by Cash for Clunkers. Consumer spending on goods and services other than motor vehicles and parts accelerated in the fourth quarter. Businesses also appear to be willing to spend. Investment in equipment and software grew by 18.2% (SAAR) accounting for 1.1 percentage points of fourth quarter growth.

Figure 1.1: GDP and Final Sales

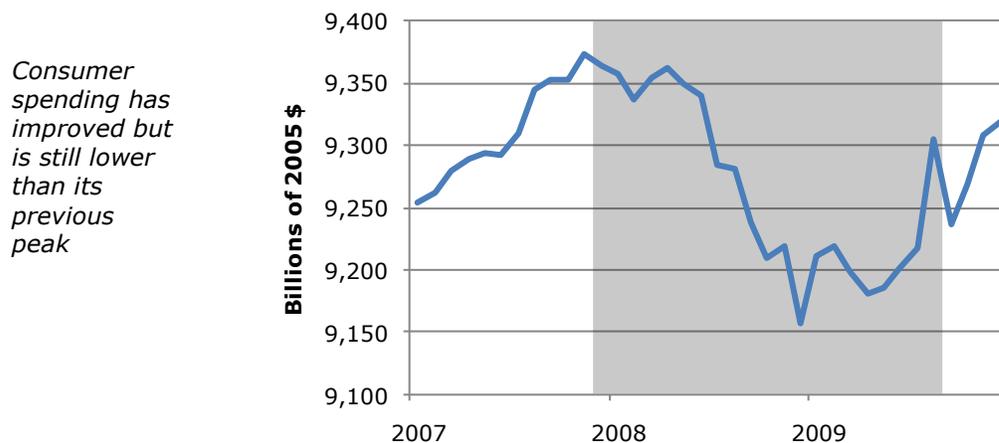
Final sales are slowly recovering



Source: BEA; data through Q4 2009

Consumer spending is slowly recovering.

A return to growth in personal consumption expenditures is essential to sustaining the economic recovery. Real consumer spending is clearly recovering though the pace of the recovery is frustratingly slow. Spending has grown in every month since May 2009 with the exception of September which was affected by the end of the Cash for Clunkers program ([See Figure 1.2](#)). December’s consumer spending rose only 0.1%, but this followed strong increases of 0.3% and 0.4% in October and November. Real spending on new motor vehicles posted another robust gain, climbing 2.2%. On a year-over-year basis the December increase was a 1.8% but the previous December was the absolute low point. Generally the year-over-year growth rates have been 1% or less which is weak. In normal times we would expect close to 3% per year. While consumer spending has grown 1.8% since the bottom last December, it remains 0.6% below its previous peak in November 2007.

Figure 1.2: Real Consumer Spending

Source: BEA; data through December 2009

Disposable income is rising

In order for personal consumption expenditures to continue to improve, three things must happen: (1) disposable incomes need to rise, (2) the savings rate needs to moderate, and (3) consumer confidence needs to get out of recessionary territory. Disposable personal income got a big boost from the federal stimulus package which lowered taxes and increased transfer payments such as unemployment insurance benefits. As a result, disposable personal income in December was up 1.5% over the previous December even though total personal income was up only 0.5%. Federal stimulus will not add to disposable income growth in the future, however. In fact, taxes are expected to rise. Fortunately other sources of income are now growing. In spite of continued job losses, employee compensation grew at a seasonally adjusted average annual rate of 1.9% from June to December while property income (dividends, interest, and rent) grew at a 5.3% rate. The savings rate edged up to 4.8% in December from 4.5% in November. This is down from the peak of 6.4% last May but it is still high relative to our recent past. We expect the savings rate to continue to trend down as household net worth improves and consumer confidence returns.

Consumer confidence remains in recessionary territory

Both major measures of consumer confidence fell in February. The Michigan Consumer Sentiment Index edged down to 73.6 from January's 74.4 while the Conference Board's Consumer Confidence Index dropped from 56.5 to 46.0, its lowest level since April 2009. After an initial improvement from the recession's lows, both measures have moved up and down, but remain in recessionary territory. In the Conference Board survey, the present situation index fell 5.8 points, to 19.4, on worsening assessments of both labor market and business conditions. This component now stands at its lowest level since February 1983. The expectations index also took a big hit in February, falling 13.5 points, to 63.8. The expectations component of the Michigan survey also declined but was partially offset by an increase in the current conditions component. With job losses continuing through January, consumers remain very cautious.

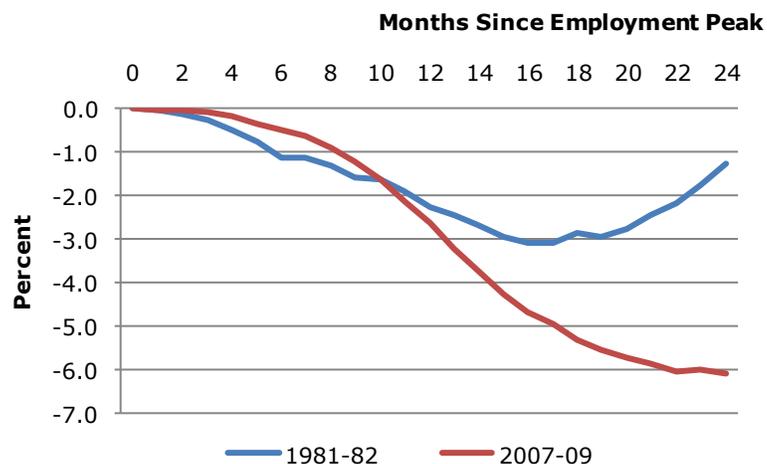
Joblessness and fuel costs drive consumer confidence

The persistent weakness in consumer confidence can mostly be explained by two factors: (1) high and increasing unemployment rates, and (2) the expectation of high gas prices. Statistical analysis shows that the unemployment rate alone can explain 45% of the variation in consumer confidence. If gas prices are added, they explain another 31%. Both variables have a negative impact on confidence, which means the higher they are the weaker consumer confidence becomes. With just over three quarters of the variation of consumer confidence being explained by these two variables, there is little room for improvement without the unemployment rate and gas prices moderating. Gasoline prices remain high despite the weak economy and show no signs of moderating. Despite the surprise drop in the unemployment rate in January, unemployment is still very high.

The recession's impact on jobs has been devastating

Recent signals for the U.S. job market are mixed. While initial claims for unemployment insurance have been creeping up recently, the payroll employment situation is firming. The recent initial claims data is likely distorted by bad weather. According to the payroll employment data, the U.S. economy lost a scant 20,000 jobs in January and an average of just 35,000 during the past three months. The declines were in the 700,000-800,000 range during the freefall stage of the recession. Just how bad was the 2007-09 recession? Of course it was much more severe than the relatively shallow recessions of the early 1990's and 2000's. But the latest downturn in employment has also been much more severe than the relatively steep 1981-82 recession. Two years after the December 2007 peak in employment, nonfarm payroll employment is down more than 6%. Two years after the peak in July 1981, employment was down only 1.3% and was rising ([See Figure 1.3](#)). In fact, the 2007-09 recession was so severe that it more than wiped out all the job gains in the first 8 years of the last decade. The result was that there were nearly a million fewer jobs in December 2009 than in December 1999.

Figure 1.3: Cumulative Percent Change in Employment



This recession has cost many more jobs than in 1981-82

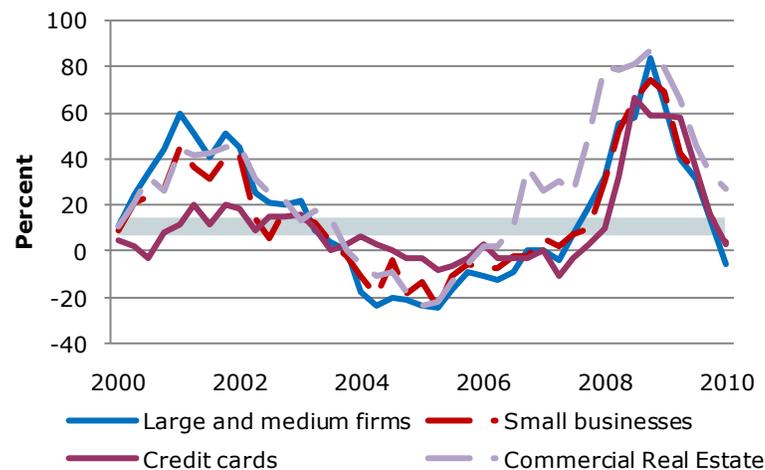
Source: BLS; data through December 2009

Lending standards are returning to normal at large banks

A variety of measures shows that credit market conditions have improved greatly 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 almost returned to normal for most types of loans (See Figure 1.4). 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 except for commercial real estate. This survey, however, is administered to the largest banks in the country and the middle and small bank market is not included.

Figure 1.4: Net Tightening Minus Easing

Bank lending appears to be easing, but not for commercial real estate



Source: Federal Reserve Board; data through January 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 are seeing a rapid deterioration in their asset quality, due to their disproportionately high exposure to commercial real estate, now in free-fall. This has limited their ability to lend, as they divert cash to reserves. 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. This lack of credit from smaller banks is likely to continue as the pace of regional bank failures increases. This could lead to a secondary round of credit contraction and further slowing in the recovery as small businesses provide the majority of jobs, particularly in a recovery.

A pickup in private demand is critical for a sustained recovery

The economic recovery so far has been bolstered by government action and inventories, both of which are transitory. Fiscal and monetary stimulus accounted for the majority of the third quarter's rise in GDP and most of the fourth quarter growth was due to a large reduction in the rate of inventory liquidation. The inventory cycle will add little to growth after the first quarter of 2010 and the positive contribution from federal stimulus will peak in the third quarter of 2010. The Fed will gradually reduce the size of its balance sheet. We don't expect interest rate hikes until late in the next year. However, as the impact of the stimulus spending and inventory cycle fades, spending by businesses and consumers needs to pick up or there is risk of a "double dip" recession.

The economic recovery is global

The U.S. was not the only country to pursue aggressive fiscal and monetary policies to combat the Great Recession. Coordinated policy stimuli around the world have contributed to a synchronized global recovery. Both the Eurozone and East Asia came out of the recession before us. Typically, other countries around the world lag the U.S. in coming out of a recession. The global recovery that started in the second quarter has continued through the end of the year. Incomes around the world are rising earlier than they normally do coming out of a recession.

The housing market is mixed

The housing market is giving mixed signals. After declining for three and a half years, residential fixed investment grew in the third and fourth quarters of 2010 though the growth rate slowed from 18.9% to 5.0% (SAAR). Housing starts, on the other hand, declined to 554,000 units (SAAR) in the fourth quarter from 587,000 in the third quarter after having risen in both the second and third quarters of 2009. Both single family and multi-family starts declined in the fourth quarter. The recent decline in home prices and historically low interest rates have led to much better affordability. The first-time homebuyers' tax credit boosted single-family home sales in September, October, and November of 2009. Existing home sales fell sharply in both December and January as the original credit expired, but are still 11.5% above January 2009. It remains to be seen whether existing home sales will bounce back now that the credit has been extended and expanded. The number of months' supply of existing homes rose from 6.5 in November to 7.8 in January due to the decline in sales. New home sales in January tumbled to a record-low 309,000 (SAAR). The median time for sale rose a one-tenth to an all-time high of 14.2 months.

Home prices appear to be stabilizing

Government programs including the home buyer's tax credit and Federal Reserve programs designed to lower mortgage interest costs have also helped to stabilize home prices. The seasonally adjusted Case-Shiller 20-city composite home price index increased 0.3% in December and now has increased for seven consecutive months, ending a run of 36 straight months of

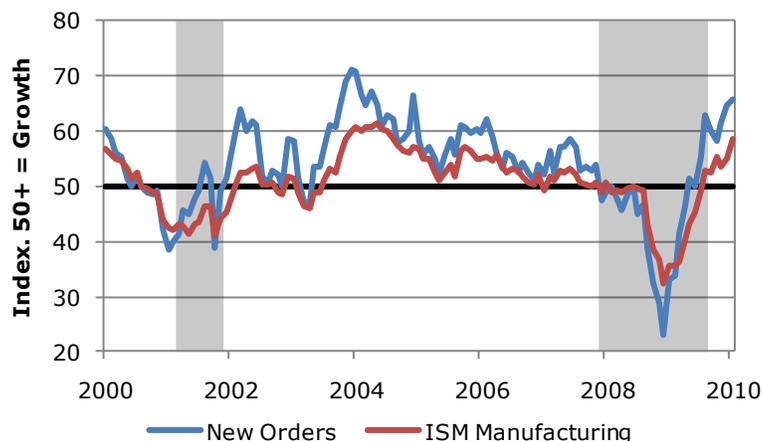
declines. Prices are still down 3.1% from year-ago levels, though.

Manufacturing is recovering

The manufacturing sector has returned to growth. The Institute of Supply Management (ISM) Purchasing Manager’s Index for manufacturing indicated growth again in January, coming in at 58.4, its highest level in five-and-a-half years (See Figure 1.5). A reading above 50 indicates growth while an index below 50 indicates contraction. January was the sixth straight month the sector has expanded after eighteen months of contraction. Production and orders were both very strong in January at 66.2 and 65.9. Even the employment component signaled growth, coming in at 53.3. This was the third above 50 reading for employment out of the last four months.

Figure 1.5: ISM Manufacturing Index

ISM index is signaling the strongest manufacturing growth in years



Source: Institute for Supply Management; data through January 2010

Jobless claims are up in recent weeks but much lower than the peak last year

Despite some backtracking in recent weeks, initial jobless claims are trending down. The number of new unemployment insurance claims totaled 496,000 in the week ended February 20, 22,000 higher than the previous week, but major winter storms have disrupted recent data, making a precise analysis of trends in the labor market difficult. The recent uptick in the claims is troubling but it follows an extended period of steep declines. The most recent four-week moving average is 185,000 (28%) lower than the peak in April 2009. This represents a much faster decline in claims than we saw in either the 2001 recession or in the 1990-91 recession. The recoveries that followed those recessions were labeled “jobless” or even “job-loss” recoveries. The recovery that followed the 1981-82 featured strong employment growth. It would appear that this recovery will be somewhere in between.

Forecast

GDP growth stronger than expected

Our national economic forecast was made in February when some of the data referred to in the current conditions section were not available to us. In particular, we did not have the BEA's advance estimate of fourth quarter real GDP and its components. Nor did we have any of the January data on housing, personal income, and labor market conditions. The big upside surprise was the fourth quarter real GDP growth which came in at a strong, 5.9% annual rate.

The recovery in output continues

The recovery in economic activity continued in the fourth quarter of 2009, but we are still waiting for a recovery in jobs. Typically, the depth of the recession, the rapid pace of layoffs, the historically thin levels of inventory and an unsustainable surge in productivity that we are witnessing all 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. Our baseline forecast expects the national economy to gain traction by mid-year and gather momentum heading into the next. We expect above trend growth in 2011 and 2012, returning to trend by 2013. In the short-term, however, downside risks continue to outweigh upside risks.

After a slow start, growth will accelerate in 2011 and early 2012 before slowing to trend in 2013

Real GDP is expected to grow by 2.9% (SAAR) in the first quarter of 2010. The main reason for the slowdown since the fourth quarter of 2009 is a much smaller contribution from inventories. GDP growth is expected to remain in the high 2% range through the first quarter of 2011 and then accelerate to over 4% by the first half of 2012. After this surge, GDP growth is expected to slow to trend in 2013. The early part of the recovery will continue to be supported by the first round effects of both fiscal and monetary stimuli. The full impact of the stimulus in the pipeline will be felt sometime around the third quarter of 2010. Consumer spending will not lead the economy out of recession this time. The strains on households are too great for that. However, as the recovery picks up steam, consumer spending will also revive. Consumer spending growth is expected to rise from around 2% (SAAR) in early 2010 to nearly 4% at the end of 2011 before slowing again to trend in 2013. Business investment is beginning to stabilize evident from the recent strength in equipment and software investment. Equipment spending returned to growth in the third quarter of 2009 and is forecasted to increase by 8.5% in 2010 and 12.8% in 2011, slowing again in 2012 and 2013 as the expansion matures. Investment in structures remains in decline, however, and will continue to decline, dropping another 17.5% in 2010, and be essentially flat in 2011 on an annual average basis. It will finally return to solid growth

in 2012. While there are significant near term risks to the housing recovery, we expect positive but weak growth in residential fixed investment in 2010 and a strong recovery beginning in 2011. 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 10% higher in 2010 than in 2009.

Positive job growth will resume in early 2010

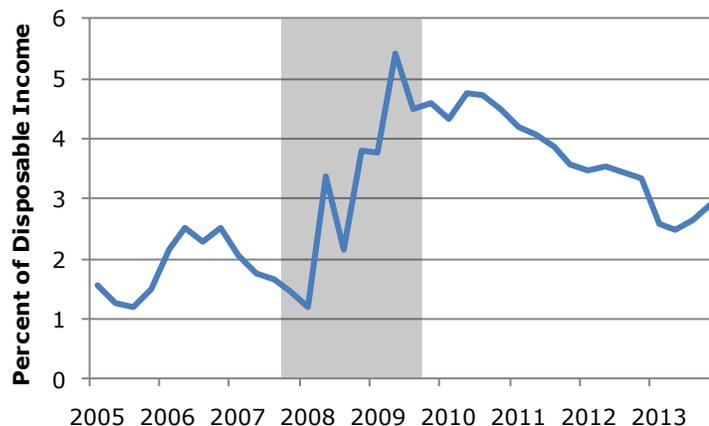
Employment growth typically lags the recovery in output as employers hold off on rehiring workers until they are confident that demand has returned. While the overall economy returned to growth in the third quarter, employers continued to shed jobs through the end of the year. Job growth is expected to resume in the first quarter of this year. The national unemployment rate is also expected to peak in the first quarter at 10.2%. The jobs recovery will be quicker than experienced in either of the two previous recessions in 1990-91 and 2001, although not as rapid as the 1982-83 recession. 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 6.0% by the end of 2013.

Consumers are rebuilding their wealth

One key reason we expect an initially slow, “U-shaped” recovery is consumer spending, which will recover only gradually. Consumer confidence is low, debt burdens are still high, wealth is depleted, credit remains tight, and income growth is soft due to labor market weakness. The personal saving rate, which averaged only 1.7% in 2007, jumped to 4.6% in 2009 as consumers retrenched ([See Figure 1.6](#)). We don’t expect much change in the saving rate in 2010 which means that spending growth will be limited to income growth which is weak. As the recovery gains momentum in 2011 and 2012, income growth will accelerate and the saving rate will decline, further boosting consumer spending.

Figure 1.6: Personal Saving Rate

The saving rate will decline



Source: BEA, ERFC; data through Q4 2009

Exports will contribute to growth

World GDP growth turned positive in the second quarter of 2009, one quarter before the upturn in U.S. GDP growth. The synchronized global recovery is expected to continue through 2013, boosting U.S. exports. Real GDP growth of our trading partners is expected to accelerate throughout 2010 and 2011, exceeding 4% by the end of 2011. Despite some recent strengthening, the dollar is still relatively weak and is expected to decline further throughout the forecast. The relatively low U.S. dollar will also help fuel a strong export recovery.

Housing has been supported by government programs

Housing market indicators are also signaling a potential turnaround, although we'll know for sure by mid-year. Single family housing starts and prices have begun to firm up, despite the overhang of excess housing which has yet to be absorbed. It appears that the two homebuyer tax credits, especially the \$8000 for first time owners, have been particularly effective in shoring up the market. These credits expire in April this year, and unless extended, we expect the housing recovery to lose steam. The Federal Reserve Bank has already announced it will end its mortgage backed security (MBS) purchase program as planned at the end of March, so mortgage rates are likely to start inching up now.

Housing will gradually recover

Though there are considerable risks to the housing forecast, we expect the recovery to continue. New home construction has already been cut so drastically that the inventory of new homes for sale in January was a record low (the data start in 1963). Single family housing starts, which hit bottom in the first quarter of 2009 at an annual rate of just 358,000 (SA), have picked up reaching just under half a million in the second half of 2009. We expect starts of single family homes to grow throughout 2010 and 2011, leveling off in 2012 and 2013. Multi-family starts

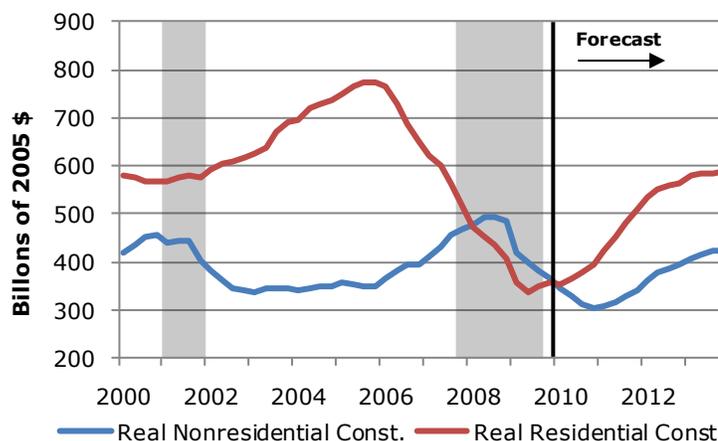
continued to decline throughout 2009, reaching 83,000 units at the end of the year. While we think we have seen the bottom in multi-family starts, the recovery will be hampered by high vacancy rates and financing difficulties. Multi-family activity is not expected to fully recover until the end of 2013.

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 (See Figure 1.7). 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 another large drop in nonresidential construction in 2010 and essentially no growth in 2011. Only in 2012 do we expect to see any significant recovery in nonresidential construction.

Figure 1.7: Residential and Nonresidential Construction

Non-residential construction will lag residential construction



Source: BEA, ERFC; data through Q4 2009

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 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 0.5% in FY 2010 before picking up to 3.0%, 3.4% and 3.6% in FY 2011, FY 2012 and FY 2013.

<i>Construction remains a drag on growth but businesses are beginning to invest in equipment</i>	<p>Much of the weakness in real GDP in FY 2010 can be explained by a continued contraction in construction, which also contributed to the decline in FY 2009. Residential fixed investment is expected to decline 6.7% in FY 2010 following a 23.2% drop in FY 2009. We expect to see double-digit increases in residential fixed investment starting in FY 2011 but these increases are off a very low base. The correction in nonresidential construction is just getting started. Nonresidential investment in structures is expected to fall 21.1% this fiscal year and 12.5% in FY 2011 following a 5.2% decline last year. Businesses do appear ready to begin investing in equipment and software. Business spending on equipment and software is expected to decline 5.1% this fiscal year following a 13.5 % drop in FY 2009. Strong growth should resume in FY 2011, FY 2012, and FY 2013.</p>
<i>Consumer spending will face headwinds.</i>	<p>Consumer spending, along with housing, typically leads the economy out of the recession, but not this time. Consumers are fearful about the future and credit remains tight. A desire to rebuild wealth lost in the housing and stock markets will also cause savings to increase at the expense of spending. After declining 1.0% in FY 2009, consumer spending should edge up 0.8% this year largely thanks to federal stimulus. The forecast expects consumer spending growth to lag behind overall GDP growth in 2011, 2012 and 2013.</p>
<i>Job growth will return in FY 2011</i>	<p>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 2.6% following a 2.3% decline in FY 2009. FY 2010 should prove to be the peak in the average unemployment rate at 9.9%. The forecast expects positive, but modest job growth in 2011 and fairly strong growth in 2012 and 2013.</p>
<i>Inflation will remain low.</i>	<p>With so much excess capacity in the economy, inflation is expected to remain subdued. The implicit price deflator for personal consumption expenditures rose only 1.6% in FY 2009 and is expected to rise only 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. The fed will not begin raising rates until early in FY 2011.</p>

Risks to the Forecast

<i>Downside risks are predominant</i>	<p>Downside Risks (10%)</p> <p>Downside risks remain significant and at the same level as in November. They continue to outweigh upside risks.</p>
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Consumer spending could falter

There is a risk of a double-dip, or “W-shaped” recovery, where economic activity sags in the fourth quarter of 2010. This can happen if by the middle of next year if consumer spending and confidence fail to recover as we expect them to.

Credit for small business is tight

There is considerable risk if credit doesn’t start flowing into the hands of small businesses again. The health of regional and local banks, their main creditors, is extremely fragile. There are several programs designed to make this happen, but it remains to be seen if that will be enough.

Inflationary expectations could resurface

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. Commodity prices have firmed well above where they were in the middle of last year. 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.

European sovereign debt; Asian asset bubble

Doubts about European sovereign debt has rattled financial markets in recent weeks. Greece, Spain, Portugal and Italy appear particularly vulnerable. However markets have reacted favorably to the EU’s proposed rescue plan for Greece. If not managed, a EU sovereign debt crisis will make the USD stronger relative to the EUR, and hurt our exports. Similarly, there are fears of an asset bubble building in Asia. That too could eventually hurt our exports.

Policy mistakes similar to the depression era

Policy errors could also slow down the recovery. One of the mistakes from the depression era was an early withdrawal of stimulus. Economic stimulus takes time to have its full effect. 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%)

Foreign growth

A sharper than expected global rebound.

Confidence returns sooner than expected

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 Fiscal Years
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	12,827.6	13,082.6	13,373.6	13,073.4	13,138.7	13,531.9	13,986.3	14,484.4
% Ch	3.0	2.0	2.2	-2.2	0.5	3.0	3.4	3.6
Real Consumption	8,943.9	9,207.2	9,349.9	9,215.3	9,318.8	9,555.2	9,871.8	10,199.7
% Ch	3.0	2.9	1.5	-1.4	1.1	2.5	3.3	3.3
Real Nonresidential Fixed Investment	1,400.6	1,490.1	1,590.1	1,421.2	1,267.7	1,327.0	1,483.2	1,640.5
% Ch	6.6	6.4	6.7	-10.6	-10.8	4.7	11.8	10.6
Real Residential Fixed Investment	770.5	649.9	511.0	392.7	366.2	421.8	528.0	581.9
% Ch	2.2	-15.7	-21.4	-23.2	-6.7	15.2	25.2	10.2
Real Personal Income	10,718.8	11,148.2	11,283.2	11,118.7	11,121.2	11,445.5	11,799.5	12,235.6
% Ch	3.3	4.0	1.2	-1.5	0.0	2.9	3.1	3.7
Real Per Capita Income (\$/Person)	35,997	37,079	37,177	36,295	35,949	36,641	37,413	38,424
% Ch	2.4	3.0	0.3	-2.4	-1.0	1.9	2.1	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.074	1.091	1.102	1.120	1.140	1.161
% Ch	3.2	2.4	3.3	1.6	1.0	1.6	1.8	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.990	2.041	2.117	2.146	2.171	2.208	2.255	2.301
% Ch	3.8	2.6	3.7	1.4	1.1	1.7	2.1	2.1
Employment Cost Index (Dec. 2005=1.0)	1.005	1.038	1.072	1.096	1.111	1.129	1.147	1.170
% Ch	2.5	3.3	3.3	2.3	1.3	1.6	1.6	2.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,047.1	13,714.3	14,347.4	14,305.8	14,471.8	15,103.1	15,919.6	16,803.4
% Ch	6.5	5.1	4.6	-0.3	1.2	4.4	5.4	5.6
Personal Income	10,887.3	11,593.0	12,120.3	12,130.4	12,260.7	12,815.2	13,452.5	14,207.5
% Ch	6.6	6.5	4.5	0.1	1.1	4.5	5.0	5.6
Employment (Millions)								
U.S. Civilian Labor Force	150.4	152.4	153.7	154.6	154.1	155.2	157.1	158.9
Total U.S. Employment	143.1	145.5	146.1	142.9	138.8	140.8	144.5	147.6
Unemployment Rate (%)	4.83	4.53	4.95	7.57	9.95	9.28	8.02	7.08
Nonfarm Payroll Employment	135.02	136.97	137.76	134.63	131.10	132.62	135.98	139.25
% Ch	1.9	1.4	0.6	-2.3	-2.6	1.2	2.5	2.4
Manufacturing	14.20	14.03	13.71	12.73	11.68	11.77	12.26	12.72
% Ch	-0.6	-1.2	-2.3	-7.2	-8.3	0.8	4.2	3.7
Durable Manufacturing	8.98	8.91	8.69	7.94	7.13	7.28	7.70	8.12
% Ch	0.3	-0.8	-2.5	-8.6	-10.2	2.0	5.9	5.4
Nondurable Manufacturing	5.23	5.12	5.03	4.79	4.55	4.50	4.56	4.59
% Ch	-2.0	-2.1	-1.8	-4.7	-5.0	-1.1	1.4	0.8
Construction	7.57	7.69	7.47	6.75	5.89	5.64	5.91	6.31
% Ch	6.1	1.7	-2.9	-9.6	-12.8	-4.3	4.8	6.8
Service-Producing	112.59	114.54	115.83	114.38	112.84	114.54	117.14	119.57
% Ch	1.9	1.7	1.1	-1.3	-1.3	1.5	2.3	2.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	64.3	63.4	96.8	70.1	73.9	79.2	82.6	84.5
Personal Saving/Disposable Income (%)	1.8	2.2	1.9	3.8	4.5	4.4	3.6	3.0
Auto Sales (Millions)	7.8	7.7	7.6	5.4	5.8	6.8	8.1	8.8
% Ch	2.3	-1.3	-1.3	-28.5	7.4	17.4	18.4	8.4
Housing Starts (Millions)	2.036	1.546	1.133	0.648	0.637	1.013	1.499	1.695
% Ch	1.0	-24.1	-26.7	-42.7	-1.8	59.0	48.0	13.1
Federal Budget Surplus (Billions)	-248.0	-200.2	-438.6	-894.5	-1,316.6	-1,185.1	-979.7	-824.4
Net Exports (Billions)	-770.1	-743.6	-721.0	-516.4	-452.7	-528.8	-570.5	-554.9
3-Month Treasury Bill Rate (%)	4.06	4.89	2.89	0.56	0.14	1.27	3.23	3.92
10-Year Treasury Note Yield (%)	4.59	4.76	4.14	3.29	3.58	3.94	4.55	4.88
Bond Index of 20 G.O. Munis. (%)	4.45	4.30	4.56	4.97	4.36	4.65	5.08	5.21
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	5.03	5.36	6.06	6.47

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					
Implicit Price Deflator	3.7	3.3	4.1	4.3	3.1	3.9	3.4	4.0	3.6					
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					
Mortgage Rate	6.66	6.75	6.75	5.84	5.17	5.32	5.35	5.34	5.20					

Table 1.3

Fiscal Years

Forecast Comparison

Forecast 2009 to 2011

	2007	2008	2009	2010	2011
U.S.					
Real GDP					
February Baseline	13082.6	13373.6	13073.4	13138.7	13531.9
% Ch	2.0	2.2	-2.2	0.5	3.0
November Baseline	13082.6	13373.6	13073.4	13149.1	13526.8
% Ch	2.0	2.2	-2.2	0.6	2.9
Implicit Price Deflator					
February Baseline	1.040	1.074	1.091	1.102	1.120
% Ch	2.4	3.3	1.6	1.0	1.6
November Baseline	1.040	1.074	1.091	1.104	1.124
% Ch	2.4	3.3	1.6	1.2	1.8
U.S. Unemployment Rate					
February Baseline	4.53	4.95	7.57	9.95	9.28
November Baseline	4.53	4.95	7.57	10.16	9.86
Mortgage Rate					
February Baseline	6.35	6.18	5.57	5.03	5.36
November Baseline	6.35	6.18	5.57	5.12	5.55
3 Month T-Bill Rate					
February Baseline	4.89	2.89	0.56	0.14	1.27
November Baseline	4.89	2.89	0.56	0.22	1.37

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Chapter 2: Washington Economy – Current Conditions and Forecast

- **The February economic forecast is similar to the November forecast. As expected, the recession in Washington probably ended in the third quarter of 2009, about the same time as the likely turning point in the U.S. economy.**
- **The end of the recession does not mean the good times are back, only that the decline in the economy has stopped. A full recovery is a long way off. The recession was the deepest since the Depression and the recovery will be slow.**
- **Employment in Washington is stabilizing. Job losses continued even as the recovery began, although growth should return in the first quarter of 2010. This is normal since the labor market recovery lags the recovery in other economic activity.**
- **Recent data continue to indicate a turnaround in the state economy. Initial claims for unemployment insurance are falling rapidly, the manufacturing sector is expanding, housing permits have turned up, and new vehicle registrations are increasing.**
- **Exports have rebounded due to a synchronized recovery around the world. Washington is the most trade dependent state and the strength in exports will help the state outperform the nation in the expansion.**
- **Personal income growth is expected to rebound after suffering from the loss of jobs and weaker wage growth.**
- **Seattle inflation, which had been remaining ahead of national inflation, will be moderate given the slack that will persist due to the weak economy. The construction sector experienced the most severe employment decline in the state. Though residential construction is nearing bottom, the correction in non-residential construction has a long way to go.**

Current Conditions

The Washington economy has turned up

The Washington economy turned a corner in the third quarter of last year and is beginning to stabilize. As expected, payroll employment has lagged in the cycle and is now just beginning to bottom out. Job losses have begun to moderate, signaling the labor market is beginning to turn around, although credit to small businesses that are responsible for a majority of jobs

created remains depressed. The number of monthly claims for unemployment insurance has declined since reaching a peak in September of 2009, and is now at its lowest level since September 2008.

Housing is recovering, but still vulnerable

Housing has also begun to improve after reaching a bottom. The number of permits has increased almost 65% since coming off the historic low reached in April 2008, and is now at its highest level in 15 months. Still, the sector remains weak and weighed down by low consumer confidence and an excess supply of housing. There is also a risk of a slump when government program, including the homebuyers' tax credit, are withdrawn.

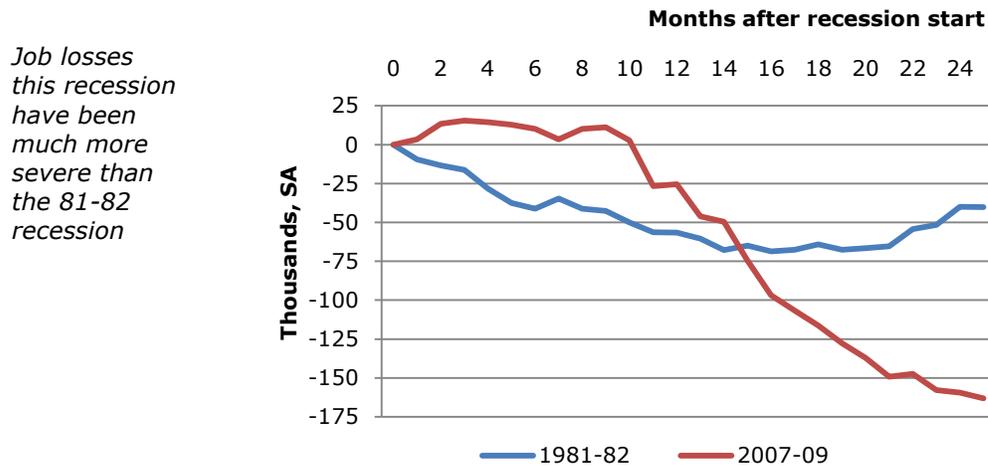
Washington is expected to outperform the nation in the recovery

On the upside, the state is poised to recover more strongly than the national economy due to its high export intensity. The synchronized global recovery has helped exports in our state rebound and will help us to outperform the nation in the recovery. Washington's two major industries – aerospace and software – have also fared relatively well during the recession and are likely to remain stable. Boeing is now starting to reach key milestones in the development of the 787 program and has an extensive backlog of orders. While the plans to locate a second 787 production line out-of-state may have effects in the long run, the immediate consequences are small and will actually add stability to in-state production in the near term. Microsoft is also healthy and the release of its Windows 7 operating system has been a success as evidenced by a strong earnings report for the fourth quarter.

Employment is stabilizing in the state

Employment in Washington appears to be stabilizing and should rebound faster than U.S. payroll employment. 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. Since the state's employment peak in February 2008, Washington's economy has lost 179,900 jobs, which equates to 5.1% of the labor force. This has been a much more dramatic decline than experienced in the 1981-82 recession where job losses peaked at 3.4% of the labor force ([See Figure 2.1](#)). In the 22 months since February 2008, the state has averaged almost 8,200 job losses per month including a seven month period beginning in October 2008 where the state averaged over 15,000 job losses a month. The last two months for which data are available, however, the state has averaged just 1,200 in employment declines.

Figure 2.1: Washington Cumulative Job Losses in 1981-82 and 2007-09 Recessions



Job losses this recession have been much more severe than the 81-82 recession

Source: WA State ESD, ERFC; data through December 2009

Construction has seen the worst job declines of any sector

Construction employment was hit particularly hard during the Great Recession and continues to experience large declines. Losses in this sector accounted for over 30% of the total losses despite making up only 7% of the total employment when the recession began. Job losses have total 55,000 since February 2008 and over a quarter of all jobs in this sector have been lost. Many of these jobs are likely gone for good and we don't expect to see a return to levels seen in the housing bubble.

Employment in residential construction has started to recover while non-residential continues to drop

While overall construction continues to be weak, employment in residential construction has started to recover. Residential building construction employment growth has been particularly strong in three of the past four months. This trend should continue as the number of building permits for single family homes also increases. Although the federal home buyers credit may have fueled some of the activity, permit activity is unlikely to decline again to rates seen during the past year even when the credit expires. Non-residential construction employment continues to decline and is still averaging almost 1,000 job losses per month. This trend is likely to continue into the near future as the commercial real estate market remains weak.

Manufacturing employment has fallen sharply despite stable aerospace

Although not as badly hit as construction, the manufacturing sector has also experienced large declines in employment during the recession. Overall, employment in manufacturing has declined by 39,300 and accounts for almost 22% of the total decline. Most of these losses occurred in the durable goods industries. Wood product manufacturing jobs have fallen 30% due to the collapse of housing. Outside of aerospace, durable goods manufacturing has declined by 22.0% since February 2008. Despite the large losses, employment does appear to be

stabilizing here as well. After averaging 1,500 in employment declines per month through October 2009, there has been a net increase in employment over the past two months.

Service related jobs have declined as well, although retail trade is showing signs of stabilizing

While many of the job losses have been centered on the goods producing sector, service related employment has declined as well. Employment in retail trade and professional and business services has declined by a combined 47,000 jobs since February 2008. The collapse of consumer confidence following the financial crisis caused consumers to pull back on spending and increase savings. Nearly every aspect of retail trade experienced losses with motor vehicles and furniture and home furnishings faring the worst, with employment declining 18.0% and 24.5% respectively. As with manufacturing, job losses have stabilized in this sector as well in recent months. Over the past four months, retail trade employment has averaged only 500 job losses per month.

Professional and business services employment has begun to increase

Professional and business services employment has begun to increase after losing 32,800 jobs in the fifteen month period from June 2008 to August 2009. Over the past four months, employment has increased by 5,300 jobs. Employment in temporary help services has also begun to increase, posting job gains in each of the past three months. This is an early indication that firms may start to boost payrolls as they typically increase their use of temporary staff until they are convinced the recovery will be sustained.

Initial claims have been falling, pointing to a turnaround in the labor market

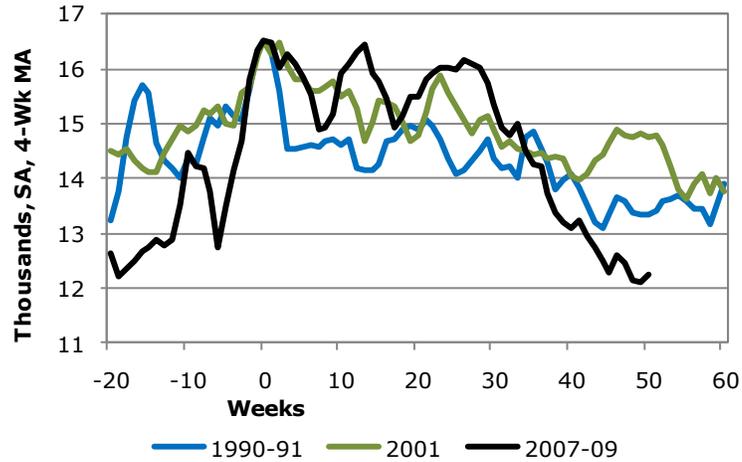
Washington's initial unemployment claims appear to be indicating an imminent turnaround in the state's labor market. Since peaking in March of 2009, the 4-week moving average of the number of initial claims in Washington remained at an elevated level, improving only slightly for the next six months. Since October, however, the declines have been pronounced and sustained. The 4-week moving average has continued to decline, reaching the lowest level since September 2008 in the week ending February 6th. Although the February 13th figure caused the 4-week moving average to increase slightly, it still remains 26% below the peak.

We are close to seeing job growth

During this recession, initial claims have come down from their peak much faster than they did in either of the last two recessions ([See Figure 2.2](#)). This is a good indication that employment is on the cusp of picking up in the state. The current level of claims is now close to the point where we started seeing sustained job growth following the 2001 recession.

Figure 2.2: Washington Initial Claims Normalized to Recession Peak

Initial claims have fallen sharper than they did in either of the past two recessions



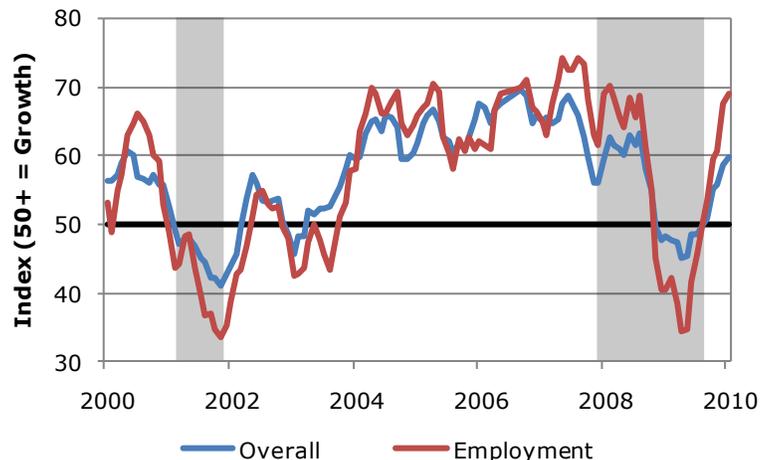
Source: WA State ESD, ERFC; data through February 13, 2010

Washington's purchasing managers index signal manufacturing

The National Association of Purchasing Managers Western Washington Index, which measures strength in the manufacturing sector, has indicated growth for six consecutive months (values above 50 indicate growth while values below 50 indicate contraction). In addition, the survey indicates that the level of activity has increased steadily reaching a reading of 63.0 in January. This is the strongest the measure has come in since August 2008. The only component of the index that has been below 50 in the past six 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 six months pointing to continued hiring in the sector.

Figure 2.3: NAPM-WW Index, Overall and Employment, 3-month moving average

Both employment and output in the manufacturing sector are expanding



Source: National Association of Purchasing Managers – Western Washington (NAPM-WW); data through January 2010

Single-family housing continues to improve, although multi-family is struggling

New housing construction in the state continues to improve according to the housing permit data, following a severe decline during the recession. The recent improvement is primarily in the single family market which, despite dropping to 16,700 units (SAAR) in January, has been increasing steadily since the low of 9,200 in March. In January, the number of housing units spiked to 27,200 (SAAR) due to an erratic increase in multi-family permits which came in well above the recent trend. In December, the number of housing units had improved to a seasonally adjusted annual rate (SAAR) of 19,900 from 16,000 in November. Excluding the spike in January, the number of multi-family units remains mired in the 2,000-3,000 range which is an unprecedented low. Before 2009, permits for multi-unit structures had only been below 3,000 units (SAAR) in a month twice dating back to 1969. This happened six times in 2009 with the final eleven months of the year averaging just 2,700 units. As in the case of the national economy, much of this recent growth can be traced to government incentives and Federal Reserve induced low mortgage rates.

Car and truck sales have improved even after Cash-for-Clunkers

The number of new car and truck registrations in Washington has started to recover as well. 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. The federal program did create a temporary boost in the third quarter of the year, but it also undoubtedly pulled sales forward, reducing sales in later months. Even so, registrations after the expiration of the program are still above the levels preceding Cash for Clunkers. Excluding months inflated by the program, the three-month moving average in January was the highest since December 2008. As evidence of the severity of the decline, this is still at levels previously seen in the 1980s and over 40% below the peak reached in September 2005.

Personal income growth has been weak

Weakness in personal income in Washington has weighed down the local economy, although it is starting to recover. According to the Bureau of Economic Analysis, personal income in the state increased 0.6% in the both the second and third quarters of 2009. We believe, based on data the BEA has yet to incorporate in their estimates, that the increases were actually 0.8% and 0.2% respectively with a fourth quarter increase of 0.6%. This still results in personal income being down 0.4% from the fourth quarter of 2008, which is the fourth consecutive quarter of year-over-year decline. Prior to 2009, personal income in Washington had not declined on an annual basis since 1949. Reductions in employment continue to weigh down personal income, but wages and non-wage income such as nonfarm proprietors' income and property income have led to the recent increase.

Inflation in Seattle is benign

Inflation, as measured by the Seattle Consumer Price Index, still remains benign. Consumer prices rose 1.4% in 2009, although this is mostly due to the low base in December 2008 caused by a

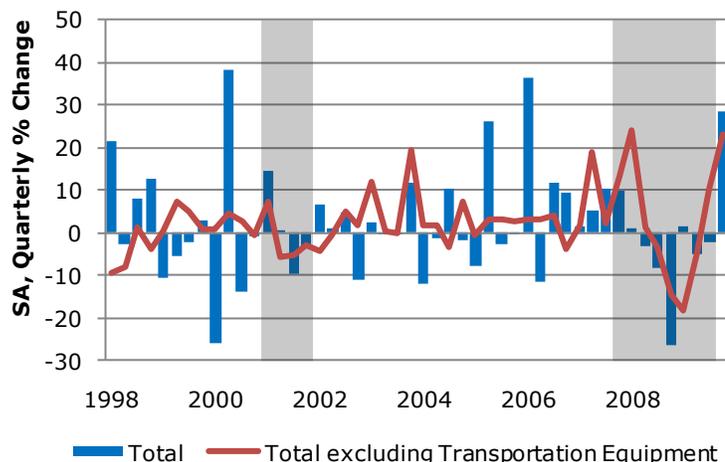
drop in energy prices. Since October 2008, prices have remained flat, dropping at a 0.1% annual rate. Core inflation (excluding food and energy) was also low at 0.4% since December 2008. In comparison, last year's headlines stated that Seattle consumer prices rose 1.7% (December to December) and core prices rose 3.6%. The tame performance of inflation in Seattle this year is due to shelter costs which have flattened out this year as the housing market collapsed.

Export growth has been robust

Washington exports have rebounded after dropping on an annual basis for five consecutive quarters. Total exports increased 28.4% on a seasonally adjusted basis in the fourth quarter and are now up 20.5% from the fourth quarter of 2008. Exports of transportation equipment increased 41.1% from a year ago when output was hampered from the machinists strike at Boeing. The increase from the third quarter of 2009 was 36.2%, the largest increase since 2005. Exports excluding transportation equipment have been strong as well, increasing 23.3% on a seasonally adjusted basis in the fourth quarter and are now up 5.9% from last year (See Figure 2.4). Of the 16 sectors that averaged over \$350 billion in exports the past two years, only one (forestry products) decreased from the third quarter. Exports in Washington have been helped by a recovery in global demand earlier in the cycle than usual.

Figure 2.4: Washington State Exports

Exports have rebounded after almost two years of weakness



Source: WISER Trade; data through 2009 Q4

Washington State Forecast

This is the first Economic and Revenue Forecast Council forecast to extend into the 2011-13 biennium.

Washington will outperform the U.S. in the recovery

The Washington recovery, like the national recovery, will be slow and U-shaped, however we expect to outperform the U.S. economy. Our state's economy is more trade intensive than others, and will be helped relatively more than others as a result of the global economic recovery. Also, job losses in our key basic industries, aerospace and software, were relatively mild and are now mostly behind us. Boeing's order book is full and many the problems causing the delays in the 787 and 747-8 programs have been addressed. Microsoft's balance sheet remains quite healthy and the launch of Windows 7 has been a success. While we clearly experienced a severe housing downturn, we are fortunate not to be among the "bubble" states that will be slower to recover.

The February forecast revisions were minimal

The February revision to our Washington economic outlook was minimal, since events unfolded as anticipated in November. The main differences are a lower starting point for employment, a higher starting point for personal income, and a lower number of housing permits. As in November, we believe the state's economy will start to add jobs in the first quarter of 2010, and that job losses are mostly behind us. The peak to trough decline in employment has been 176,000. Construction job losses will trough later than the overall economy with expected losses continuing into late 2010. We still expect the unemployment rate to continue to rise as employment growth returns and peak in the second quarter of 2010 at 9.8%. The recovery will be very slow at first, with employment increasing at only a 0.4% annual rate in the first quarter of 2010. Growth should gradually improve over the course of 2010 and 2011. By the middle of 2011 we expect employment to grow at more than 4% rate and before returning to a more normal long term rate of 2.3% by the end of 2013.

Employment will return to growth in the first quarter

On an annual average basis, Washington nonfarm payroll employment fell 4.2% in 2009, the largest decline since 1959, the first year of data available. The forecast calls for Washington average annual nonfarm payroll employment to fall another 0.5% this year. While employment is forecasted to grow in each quarter of the year, the number of people employed won't reach first quarter 2009 levels until the second quarter of 2011. Average annual employment is expected to grow 2.8% and 2.9% 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 second quarter of 2012. Average annual employment is anticipated to return to near trend growth of 2.6% in 2013.

<i>Personal income will rebound in 2010</i>	Washington personal income fell 1.1% in 2009 after growing 3.6% in 2008, the first decline in nominal income with data going back to 1958. Personal income is expected to rebound in 2010, growing 4.3%. Growth will continue to increase in 2011 to 5.4% and then level off to 6.1% in 2012 and 2013, which is just above the average growth of 5.9% since 1990.
<i>Calendar year 2009 will be the bottom in housing</i>	After three years in excess of 50,000 per year, the number of housing units authorized by building permit fell to 47,400 in 2007 and 28,900 in 2008. The collapse in housing resulted in permits falling to a cyclical low of 15,900 this past year, a drop of 70% from the peak in 2005. The forecast projects permits will recover in 2010 to 21,100 units and continue to increase to 33,700 in 2011, 44,300 in 2012 and finally return to 2007 levels in 2013.
<i>Seattle inflation will remain moderate</i>	Inflation, as measured by the Seattle CPI, dropped to 0.6% in 2009 from 4.2% in 2008. Core inflation (excluding food and energy) declined to 2.1% in 2009 from 3.4% in 2008. Low energy prices and relatively flat costs in 2010 should hold headline inflation in Seattle to just 1.3%. The forecast expects Seattle CPI inflation rates of 2.0% in 2011 and 2012 increasing slightly to 2.1% in 2013.

Washington State Forecast Assumptions

<i>The economic forecast is on track</i>	The state forecast reflects a new national forecast that has not changed much since November. The new national forecast expects a slightly sooner recovery in payroll employment and stronger personal income growth. The Washington economy has also behaved very much as expected in the November forecast. The February forecast has slightly deeper employment losses, improved income growth for 2010, and lower housing permits than previously forecasted. As in November, we expect Washington payroll employment to return to growth in the first quarter of this year and the state's unemployment rate to peak in the second quarter.
<i>The recovery in employment will be weak, despite the stability in aerospace and software publishing</i>	In addition to reflecting the new national forecast, the state construction forecast reflects the positive impact of the stimulus infrastructure spending on Washington construction employment. Even with the stimulus spending, the construction sector remains the weakest industry in Washington. With the 787 now flying, we believe the aerospace job losses are now largely behind us. Boeing has reiterated that they have no plans to reduce the 737 production rate. While there is a reduction scheduled in the 777 program this summer, they will also have both their 787 and 747-8 programs in flight testing this year. We believe manufacturing other than aerospace bottomed out in the fourth quarter of 2009 and will begin showing positive growth in the first quarter of 2010. We believe the fourth quarter of 2009 will also prove to be the bottom in software employment with growth continuing through the next biennium. While we expect to return

to positive growth in the second quarter of 2010, the recovery will be weak as state and local governments deal with severe budgetary pressures.

Washington Payroll Employment

The bulk of Boeing's announced layoffs are behind us

The majority of the Boeing's announced layoffs are now behind us. In January of 2009, Boeing announced company-wide employment reductions of 10,000 of which more than half were expected to be in Washington State. The recent layoff notice to 1,020 employees, mostly in the engineering unit, was part of this plan and comes as the development cycle of new aircraft is winding down. Some of the cuts announced in January were to be contract employees who are not counted in the aerospace sector. This initial round of cuts was not related to production. However, in April Boeing said it would reduce monthly production of the 777 to five from seven planes starting in June 2010. This is in spite of a Boeing Commercial Airplanes backlog of 3,375 airplanes, valued at more than seven times 2009 revenue. Boeing did not indicate the number of job cuts that would result from the 777 production cut. The company expects 2011 revenue to be higher than 2010 due primarily to higher deliveries of the 787 and 747-8 aircraft. Our forecast calls for a further reduction of 900 jobs, for a total reduction of 5,700 (6.7%) jobs from the peak in the third quarter of 2008 to the trough at the end of 2011. This reduction assumed in the forecast does not include an additional reduction of 1,200 contract workers. 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.

The software layoffs are moderate and won't result in net job reduction in 2010

Microsoft also announced layoffs in January amounting to about 5,000 company-wide. This is Microsoft's first mass layoff. During the last recession software employment leveled off but did not decline as continued hiring at Microsoft offset cuts at other software firms. The recent Microsoft layoffs were not all in Washington State and they continued to hire in some positions while reducing others. We do not believe the layoffs will result in net job reductions beyond those already experienced through the fourth quarter of 2009. The software sector experienced a fairly mild peak-to-trough employment reduction of 1,900 (3.5%). Positive growth will return in the first quarter of 2010, accelerating during the year. By 2012 we expect a strong recovery in software employment that lasts through 2013.

We are close to a turning point in residential construction employment

Construction has experienced the most severe employment decline of any industry in Washington during this recession. We are close to a turning point 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 a trough in residential construction employment in the second quarter of 2010. We expect a further reduction of 3,300 residential construction jobs, for an overall peak-to-trough decline of 34,700 jobs. This represents the loss of over one third of the employment in this sector since the height of the housing bubble. Employment will pick up in the second half of 2010 and accelerate through the end of 2011, before moderating by the end of 2013 ([See Figure 2.5](#)). By the end of the forecast in 2013, employment will still be 12.7% below the peak in 2007.

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

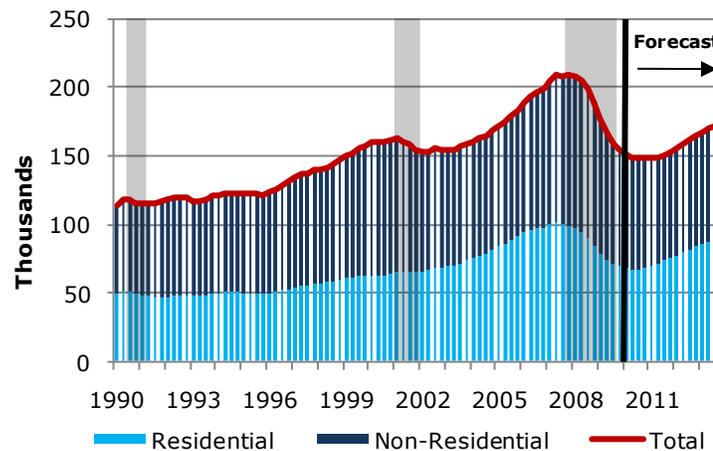
We expect a drop of similar magnitude in non-residential construction, although employment declines are expected to continue through the third quarter of 2011. We expect to lose another 7,300 nonresidential construction jobs for a total peak-to-trough employment decline of 34,400 jobs (31.0%). Typically, non-residential construction is the last thing to recover in the cycle as the growth in new contracts lag the end of the recession by two or three years. Continued weakness in commercial real estate will also hamper employment growth in this sector, and surplus office space is selling at a discount further reducing the demand for new buildings. 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 just above (0.6%) the previous trough in 2003. The decline in non-residential construction would have been even more severe without the stimulus funding for infrastructure investment.

Another 6,200 construction job losses are expected

The forecast expects overall construction employment to decline another 6,200 through the third quarter of 2010, a thirteen-quarter peak-to-trough drop of 61,600 or 29.3%. The prolonged decline and slow recovery in the non-residential sector will now cause employment to be below that of residential construction throughout the end of the forecast.

Figure 2.5: Washington Construction Employment, seasonally adjusted

Non-residential employment growth will lag residential in the recovery



Source: WA State ESD actual data through 2009 Q2; ERFC Estimate 2009 Q3-Q4, ERFC forecast

Financial activities employment growth won't resume until 2010 Q4

Financial activities employment has been in decline for over three years. Since the peak in the first quarter of 2006, employment is down 15,400 (9.8%). Unsurprisingly, credit intermediation and related activities, a victim of the meltdown in the financial markets, accounts for most of the decline, falling by 11,800 (20.9%). The decline during 2009 was exacerbated by the sale of WAMU to JPMorgan which resulted in layoffs for most of the former's headquarters staff. Employment in recent months has been supported by growth in real estate services. We think this was the result of the first-time home-buyers credit, and to a lesser extent the existing home-buyers credit, which boosted existing home sales. The effect of this on employment will fade. Financial activities employment is expected to decline another 2,900 through the fourth quarter of 2010 with a total peak-to-trough decline of 18,400 (11.7%). Healthy growth is expected to resume in 2011 and then moderate in 2012 and 2013, although it will still be 3.3% below the peak in 2006 at the end of 2013.

Retail trade employment is down due to weak demand, but will recover sharply in 2011

Employment in retail trade peaked along with the overall economy in the first quarter of 2008. The decline since then has been 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 two years ago as housing went into decline. The freezing-up of credit and collapse of consumer confidence since last fall have affected the entire spectrum of consumer spending. The largest declines are in furniture and home furnishings stores (23.6%), motor vehicle dealers (17.2%), and building materials and garden supplies (9.2%). The trend in recent months in retail trade appears to indicate that employment losses are moderating. We believe the

first quarter of 2010 will prove to be the bottom, with a peak-to-trough decline of 22,900 jobs overall, about 6.9%. The recovery in retail jobs is expected to benefit as pent-up demand is released. The forecast assumes a 4.6% increase in retail trade employment for 2011 before returning closer to the long-term trend with 2.1% and 2.0% growth in 2012 and 2013 respectively.

The professional and business services sector is strongly pro-cyclical

Professional and business services had been one of Washington's strongest sectors in recent years but during the recession it has also experienced the largest percentage employment decline of any of the services-producing sectors. Employment in professional and business services peaked in the second quarter of 2008 and fell 31,300 (8.9%) through the third quarter of 2009. More than half the overall decline was in employment services (largely temporary help) which shed 16,900 jobs (33.8%), despite accounting for less than 15% of the sector total. Employers prefer to cut temporary help before their own staff, and employment services peaked 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 permanent employees. In fact, 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 will also benefit greatly from the recently enacted stimulus. The additional \$2 billion going to the Hanford cleanup effort will mostly affect employment in waste management and remediation services, a component of professional and business services.

Tight budgets are forcing cutbacks in 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. State and local government is one of the two sectors (the other being construction) that stands to benefit disproportionately from the federal stimulus package. Nevertheless, we expect a loss of another 900 state and local government jobs in the first quarter of 2010 and resulting in a total of 9,400 (2.0%) from the peak in the fourth quarter of 2008 through the trough in the first quarter of 2010. Without the stimulus payments, state and local governments would have had to make far more severe cuts in jobs. As was the case in the last recession, the downward pressure on state and local budgets will persist long after the recession is officially over. We do not expect employment to reach the 2008 peak until the second half 2013.

Washington Personal Income

Personal income growth is estimated to be negative in 2009

Average wages are estimated to have increased in the fourth quarter of 2009 by an annualized rate of 1.9%. This after increasing in both the second and third quarters of the year following the 5.5% annualized decline in the first quarter. This further supports our view that the first quarter 2009 drop was mostly due to a one-time collapse in stock option and bonus income and not part of an ongoing trend. Washington's total personal income growth is likely to be negative in calendar year 2009 for the first time since 1949 despite growing again in the fourth quarter at an estimated 2.6% rate. The tax cuts and increased transfer payments in the stimulus package will keep disposable personal income growth slightly positive 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. Non-wage income (proprietors' income, dividends, interest, rent, and transfer payments) growth was also very weak increasing just 0.6% in 2009. Proprietor's income declined even more than wage and salary disbursements in 2009 as did property income (dividends, interest, and rent). Partially offsetting these negative factors are transfer payments, which are rising rapidly. Transfer payments automatically increase in recessions as unemployment compensation rises. Transfers are being further boosted in this downturn by the stimulus package which is supplementing unemployment compensation as well as other transfer payments such as increased food stamp benefits and additional payments to social security recipients. Excluding transfer payments, non-wage income would have declined 6.2% in 2009.

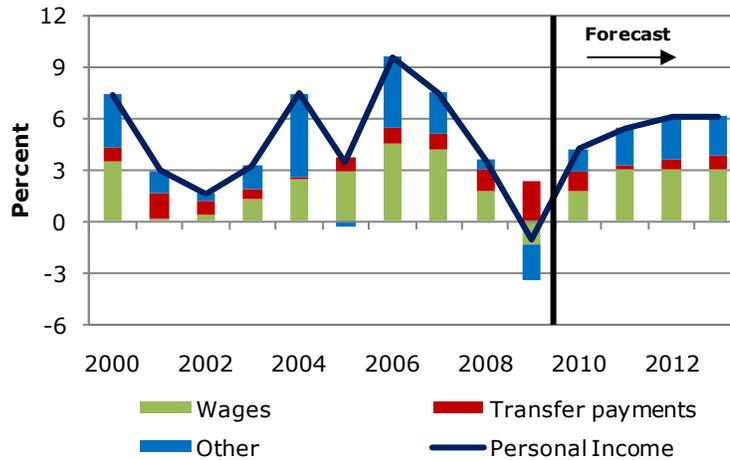
WA personal income growth will be higher than the U.S.

Washington personal income growth is expected to outperform the national average. One of the reasons for optimism is the resurgent economies around the world, particularly in Asia. This will disproportionately help the state economy due to our higher exposure to exports. The stability of our high wage industries, aerospace and software, will also prevent downward pressure on personal income in the state. Last year should be the low point for Washington personal income growth. As the economy begins to recover in 2010 and picks up steam in 2011, most components of personal income will also revive, the main exception being unemployment compensation which should come down as job growth picks up ([See Figure 2.6](#)). Non-wage personal income is expected to improve in 2010 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 at 3.3% and increase to an average of 5.8% annual growth from 2011 to 2013. Overall, personal income is

expected to increase 4.3% in 2010 with growth improving to 5.4% in 2011 and 6.1% in 2012 and 2013.

Figure 2.6: Component Contributions to Growth in Washington Personal Income

All components of personal income will contribute to growth in the forecast



Source: BEA actual data through 2008, ERFC Estimate 2009, ERFC forecast

Seattle Consumer Price Index

The weak economy and shelter costs are keeping inflation benign

Local consumer prices tend to rise faster than the national average when the local economy is relatively strong. They rise slower than the national average when the local economy is relatively weak. After trailing the U.S. in 2003, 2004, and 2005, Seattle inflation moved ahead of the national average in 2006, 2007, and 2008 as the local economy outpaced the U.S. economy. The stronger inflation in Seattle compared to the U.S. city average during the last few years was mostly due to shelter costs, in particular, rent and owners' equivalent rent. These components weakened considerably in 2009, both nationally and in Seattle. As a result, core inflation (excluding food and energy) in Seattle averaged only 0.6% during 2009 compared to 4.2% for 2008. High vacancy rates, along with the generally weak economy in 2010, should continue to put downward pressure on shelter costs which will help keep inflation in check. As the economy begins to recover and energy prices stabilize, 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 be 1.3% in 2010 rising to 2.0% in 2011 and 2012 and 2.1% in 2013.

Washington Building Permits

The decline in housing has been the worst on record

The number of housing units authorized by building permits increased 500 (SAAR) to 18,000 units in the fourth quarter of 2009 after increasing 3,600 (SAAR) in the third quarter. This followed an astounding 77% peak-to-trough plunge from the fourth quarter of 2005 to the second quarter of 2009. Single-family permits rose 800 units to 15,400 units, which is its highest level since credit markets seized up over a year ago. Multi-family permits dropped 300 to a still depressed 2,600 units in the fourth quarter. The past four quarters have been the four weakest on record with data going back to 1969. The number of permits for multi-family structures is less than half the previous low reached in the fourth quarter of 1991.

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 \$8,000 first time home buyers credit has also helped spur demand. The effect of the \$6,500 expanded credit is not as clear and the expiration of the credits could cause another drop in activity. In addition, demand is restrained by the weak economy; new homes have to compete with a glut of existing homes on the market, financing remains problematic, and consumer confidence remains low. On balance, we expect both single-family and multi-family activity to steadily improve throughout 2010 and pick up strength in 2011 and growing 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 remain weak through FY 2010

Nominal personal income grew slightly by 1.1% in FY 2010 up from 0.9% in FY 2009 but down from 6.8% growth in FY 2008. 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 income growth of 5.2%. Nominal personal income growth is expected to increase further to 5.7% in FY 2012 and 6.2% 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 3.4% on an annual average basis in FY 2010 following a 1.8% decline in FY 2009. The sharpest declines were in construction which fell 16.3% and manufacturing which

fell 6.8%, but services-producing industries were also down 2.0% in FY 2010. We expect employment to return to growth in FY 2011 at a 1.7% rate. As the economic recovery picks up steam, we expect employment growth to accelerate with 3.2% growth in FY 2012 and 2.7% in FY 2013. On an end-of-period basis (second quarter of 2008 to second quarter of 2009) employment fell 4.2% during FY 2009. Employment is expected to decline 1.0% this fiscal year on an end of period basis, then average growth of about 2.7% during FY 2011 through FY 2013.

Housing permits will begin to turn around in FY 2010

The number of housing units authorized by building permits in Washington plummeted 48.0% in FY 2009 to 19,700 units following declines of 25.0% in FY 2008 and 6.1% in FY 2007. Permits in FY 2009 were off more than 63% since the cyclical peak in FY 2006. Single-family permits fell 43.8% in FY 2009 to 13,000 units and multi-family units fell 54.5% to 6,700 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 further depress multi-family permits in FY 2010 to a new record low of 3,200 units. However we think we have seen the bottom in single-family construction and expect a modest improvement in FY 2010 to 15,400 units, picking up steam in FY 2011 and FY 2012. By FY 2013 the forecast calls for single family units to reach 33,400, still 17.3% below the peak in FY 2006. Permits for multi-family structures should have robust growth throughout the forecast horizon reaching 13,000 by FY 2013. The forecast for total housing units authorized by building permits is for a 5.6% decline in FY 2010 to 18,600 units followed by a 39.2% increase in FY 2011 to 25,900 units. Growth in FY 2012 is forecasted to be 55.8% as the economic recovery takes hold and new construction reaches levels more consistent with underlying demographic demand for new housing. Growth in FY 2013 is expected to moderate to 14.9% with permits total permits reaching 46,400.

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, fell to 2.4% in FY 2009 from 4.2% in FY 2008. Energy costs, which fell 9.6% in FY 2009 after soaring 11.3% in FY 2008, accounted for most of the increase in headline inflation but core (excluding food and energy) inflation also improved from 3.5% in FY 2008 to 3.1% in FY 2009. Initially, the weak economy should produce more moderate inflation. As the expansion continues, inflation should remain low given the slack that has built up throughout the economy. The forecast expects the Seattle CPI to grow 0.7% in FY 2010, 1.6% in FY 2011, and 2.1% for FY 2012 and FY 2013.

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).

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

Optimistic (5% probability*). In the optimistic scenario, the rapid response of the Federal Reserve to the crisis in financial markets, coupled with the Treasury's "rescue" plan, Congress' stimulus package, and help from central banks abroad work, and limit the downside. There is no additional economic stimulus above the level in the baseline, but the primary difference is that the wheels of stimulus start to achieve traction more quickly. In addition, the standard optimistic scenario assumption of stronger total factor productivity growth is also in place. This allows lower inflation and stronger income growth over the long term—but in the short term, a stronger economy means that inflation is higher in the optimistic scenario than in the baseline (particularly in commodities). The stronger sales pace in the optimistic scenario requires less of an inventory reduction than in the baseline, with demand recovery trimming inventories back to desirable levels. With credit again flowing, business fixed investment rebounds 5.5% in 2010, after contracting 17.6% in 2009. The downturn in residential investment is also less severe in the optimistic scenario, with housing starts making a sharper recovery in 2010. The optimistic scenario also assumes faster growth in the rest of the world than does the baseline. These assumptions produce more of a "V" shaped recovery rather than the more gradual "U" shape assumed in the baseline forecast. After rebounding 2.2% in the third quarter, real GDP growth accelerates, posting a strong 6.1% gain in the fourth quarter and a 5.4% advance in the first quarter of 2010.

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 first quarter of 2010, rather than decline through 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 bottoms out in the first quarter of 2010, two quarters sooner than the trough in the baseline forecast, and the subsequent recovery is much stronger. By the end of the 2011-13 biennium, Washington nonagricultural

employment is higher by 185,000 jobs than in the baseline forecast and Washington personal income is \$27.2 billion higher.

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

Pessimistic (10% probability*). In the pessimistic scenario, credit constraints prevent the economy from building on its upturn in the second half of 2009. As the boosts to growth from the inventory cycle and fiscal stimulus fade, the private sector is unable to sustain an expansion. The recession is W-shaped, with the economy peaking at 4% growth in the fourth quarter of 2009, and reverting back to 1% contractions in the second and third quarters of 2010. The credit markets remain clogged, both domestically and across the world. Without access to credit, domestic spending contracts and the housing market falls into an even deeper hole. The pessimistic scenario assumes that financial markets suffer new reverses in 2010. The spread between 30-year fixed mortgage rates and the 10-year Treasury note yield widens again and remains wide throughout 2010, reflecting tight credit conditions. Oil prices are lower over the short run in this scenario because world demand is falling. As a result, bottom-line inflation is lower. Core inflation is also lower because demand is so weak. In this scenario, the housing recession drags on. Housing starts begin to turn around from record-low levels—just as in the baseline—but the rebound is sluggish. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench sharply. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling projects. Foreign economic growth is lower, which cuts into export growth. After a brief recovery in the second half of 2009 and sluggish growth in the first quarter of 2010, real GDP declines 1% in the second and third quarters of 2010, and grows an anemic 0.2% in the fourth. Employment drops for 12 straight quarters, with the economy losing more than 9-million jobs.

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 late 2012. Software employment begins to decline immediately and there is no recovery through the end of the forecast. The recovery in personal income is much weaker than was assumed in the baseline and doesn't start to gain traction until 2012. Population growth is also slower in this scenario, particularly in 2012 and 2013. Construction employment continues to fall throughout the forecast rather than flattening out in the second half of 2010. Seattle inflation is 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 204,500 lower than in the baseline forecast and Washington personal income is \$28.4 billion lower.

Governor's Council of Economic Advisors (GCEA). In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members.

The GCEA scenario expects less real GDP growth but more inflation

At the national level, the Governor's Council members expect slightly less real GDP growth throughout the forecast. Despite the expectation of weaker real growth, the Council members expect somewhat higher inflation. The higher inflation is in 2012 and 2013, at least in part, explained by their assumption of higher growth in oil prices. The Council members' mortgage interest rate forecast is higher than the baseline in the near term, but below the baseline in the outer two years.

For Washington, the GCEA scenario is generally weaker after FY 2010

The GCEA scenario for Washington is slightly weaker than the baseline forecast. Their overall employment forecast is very close to the baseline forecast in FY 2010, but weaker from FY 2011 on. Their housing permits forecast is weaker throughout the forecast, although they do have slightly higher growth in FY 2013. The Council member's real personal income forecast is also more pessimistic than ours. The Council members expect a decline of 0.1% in FY 2010 compared to our 0.1% increase. This is partially due to their higher inflation outlook. The difference between their nominal income forecast and ours is narrower, 1.0% compared to 1.1%. The GCEA also expects somewhat weaker income growth, both real and nominal, in FY 2011 through FY 2013. Still, the average level of nominal personal income in the GCEA scenario is 0.9% lower than in the baseline forecast which is the main reason their assumptions produce a lower revenue forecast. At the end of the 2011-13 biennium, Washington non-agricultural employment is 23,200 lower in the GCEA forecast than in the baseline forecast and Washington personal income is \$4.4 billion lower.

Table 2.2 compares the alternative forecasts with the baseline forecast.

*Percentages reflect probabilities for the current biennium. For the 2011-13 biennium, optimistic and pessimistic probabilities are balanced at 5%.

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	255.959	256.114	265.331	275.515	287.249
% Ch	2.2	5.8	2.9	-0.9	0.1	3.6	3.8	4.3
Real Wage and Salary Disb.	127.959	134.609	138.813	136.808	134.521	139.254	144.862	150.315
% Ch	3.6	5.2	3.1	-1.4	-1.7	3.5	4.0	3.8
Real Nonwage Income	109.447	116.487	119.593	119.152	121.593	126.077	130.652	136.935
% Ch	0.7	6.4	2.7	-0.4	2.0	3.7	3.6	4.8
Real Per Capita Income (\$/Person)	37,323	38,789	39,309	38,449	38,068	38,969	39,917	40,994
% Ch	0.4	3.9	1.3	-2.2	-1.0	2.4	2.4	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.074	1.091	1.102	1.120	1.140	1.161
% Ch	3.2	2.4	3.3	1.6	1.0	1.6	1.8	1.8
Seattle Cons. Price Index (1982-84=1.0)	2.035	2.116	2.205	2.257	2.274	2.309	2.358	2.407
% Ch	3.2	4.0	4.2	2.4	0.7	1.6	2.1	2.1
Average Nonfarm Annual Wage	44,150	46,446	48,404	49,204	50,440	52,155	53,704	55,399
% Ch	3.7	5.2	4.2	1.7	2.5	3.4	3.0	3.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.32	20.22	20.90	22.05	23.83	24.05	24.15	24.36
% Ch	4.0	4.6	3.4	5.5	8.1	1.0	0.4	0.9
Current Dollar Income (Billions of Dollars)								
Personal Income	241.138	261.115	277.568	279.260	282.358	297.088	314.113	333.541
% Ch	5.5	8.3	6.3	0.6	1.1	5.2	5.7	6.2
Disposable Personal Income	212.676	229.077	243.895	249.670	256.741	268.492	282.359	296.962
% Ch	4.6	7.7	6.5	2.4	2.8	4.6	5.2	5.2
Per Capita Income (\$/Person)	37,908	40,335	42,222	41,950	41,968	43,632	45,509	47,599
% Ch	3.6	6.4	4.7	-0.6	0.0	4.0	4.3	4.6
Employment (Thousands)								
Washington Civilian Labor Force	3,294.8	3,348.6	3,433.4	3,524.5	3,532.3	3,562.2	3,624.1	3,682.0
Total Washington Employment	3,125.7	3,191.4	3,270.4	3,267.9	3,198.6	3,229.6	3,325.9	3,415.6
Unemployment Rate (%)	5.13	4.69	4.74	7.27	9.45	9.34	8.23	7.24
Nonfarm Payroll Employment	2,820.6	2,896.7	2,960.0	2,905.5	2,807.1	2,854.7	2,945.0	3,023.8
% Ch	3.0	2.7	2.2	-1.8	-3.4	1.7	3.2	2.7
Manufacturing	279.2	289.7	295.5	278.9	259.8	263.5	273.3	284.2
% Ch	4.3	3.8	2.0	-5.6	-6.8	1.4	3.7	4.0
Durable Manufacturing	197.6	208.1	214.5	201.3	184.9	188.4	194.7	202.7
% Ch	5.8	5.3	3.1	-6.2	-8.1	1.9	3.3	4.1
Aerospace	69.0	76.7	83.1	82.8	81.3	80.5	80.5	82.8
% Ch	8.8	11.1	8.3	-0.3	-1.9	-0.9	0.0	2.8
Nondurable Manufacturing	81.6	81.6	81.0	77.7	75.0	75.1	78.6	81.5
% Ch	0.7	0.0	-0.7	-4.1	-3.5	0.2	4.5	3.7
Construction	186.6	202.7	207.7	183.2	153.4	148.5	154.4	166.0
% Ch	9.7	8.7	2.5	-11.8	-16.3	-3.2	4.0	7.5
Service-Producing	2,346.0	2,395.8	2,448.9	2,436.5	2,387.8	2,436.2	2,510.3	2,566.3
% Ch	2.4	2.1	2.2	-0.5	-2.0	2.0	3.0	2.2
Software Publishers	42.8	46.5	48.8	52.4	51.4	52.5	53.9	56.1
% Ch	6.7	8.8	4.9	7.3	-1.9	2.1	2.7	4.1
Nonfarm Payroll Employment, EOP*	2,853.0	2,929.3	2,970.5	2,845.0	2,817.3	2,890.4	2,973.8	3,053.3
% Ch*	3.1	2.7	1.4	-4.2	-1.0	2.6	2.9	2.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	53.755	50.484	37.874	19.702	18.608	25.907	40.366	46.379
% Ch	3.8	-6.1	-25.0	-48.0	-5.6	39.2	55.8	14.9
Single-Family	40.400	34.075	23.070	12.969	15.438	20.668	30.016	33.392
% Ch	5.1	-15.7	-32.3	-43.8	19.0	33.9	45.2	11.2
Multi-Family	13.355	16.408	14.803	6.733	3.170	5.240	10.350	12.987
% Ch	0.0	22.9	-9.8	-54.5	-52.9	65.3	97.5	25.5
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	5.03	5.36	6.06	6.47

*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	13,240	13,139	13,079	13,127	13,802	13,532	13,101	13,485
%Ch	-2.2	-2.2	-2.2	-2.2	1.3	0.5	0.0	0.4	4.2	3.0	0.2	2.7
Implicit Price Deflator	1.091	1.091	1.091	1.091	1.105	1.102	1.101	1.103	1.122	1.120	1.120	1.123
%Ch	1.6	1.6	1.6	1.6	1.2	1.0	0.9	1.1	1.6	1.6	1.7	1.8
Mortgage Rate	5.57	5.57	5.57	5.57	5.14	5.03	5.11	5.10	5.54	5.36	5.44	5.62
3 Month T-Bill Rate	0.56	0.56	0.56	0.56	0.33	0.14	0.14	0.13	1.64	1.27	1.03	1.13
Washington												
Real Personal Income	255.959	255.959	255.959	255.959	258.698	256.114	254.242	255.731	276.206	265.331	253.380	263.211
%Ch	-0.9	-0.9	-0.9	-0.9	1.1	0.1	-0.7	-0.1	6.8	3.6	-0.3	2.9
Personal Income	279.260	279.260	279.260	279.260	285.739	282.358	279.808	282.057	309.874	297.088	283.698	295.515
%Ch	0.6	0.6	0.6	0.6	2.3	1.1	0.2	1.0	8.4	5.2	1.4	4.8
Employment	2905.5	2905.5	2905.5	2905.5	2820.7	2807.1	2799.9	2810.3	2915.9	2854.7	2780.6	2849.4
%Ch	-1.8	-1.8	-1.8	-1.8	-2.9	-3.4	-3.6	-3.3	3.4	1.7	-0.7	1.4
Housing Permits	19.702	19.702	19.702	19.702	19.858	18.608	17.554	18.239	32.782	25.907	21.001	23.148
%Ch	-48.0	-48.0	-48.0	-48.0	0.8	-5.6	-10.9	-7.4	65.1	39.2	19.6	26.9

(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					
Personal Income	12.3	12.7	11.8	8.3	7.9	7.8	9.0	8.8	9.1					
Real Personal Income	8.3	9.1	7.5	3.8	4.6	3.7	5.4	4.6	5.3					
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					

Table 2.4

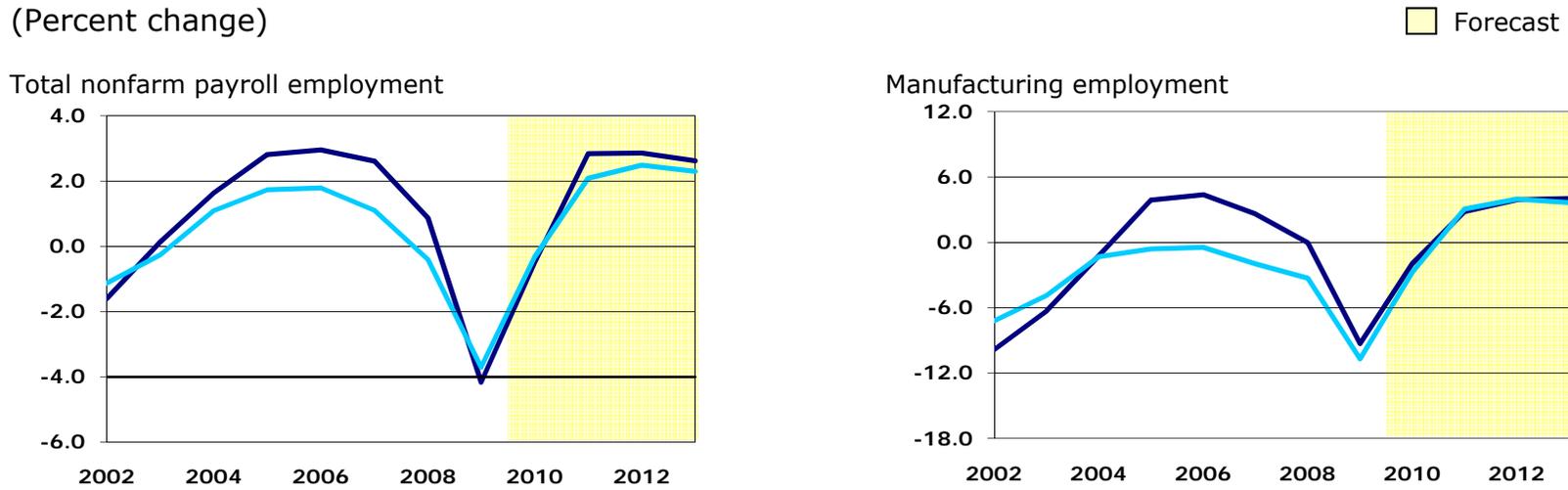
Fiscal Years

Forecast Comparison

Forecast 2009 to 2011

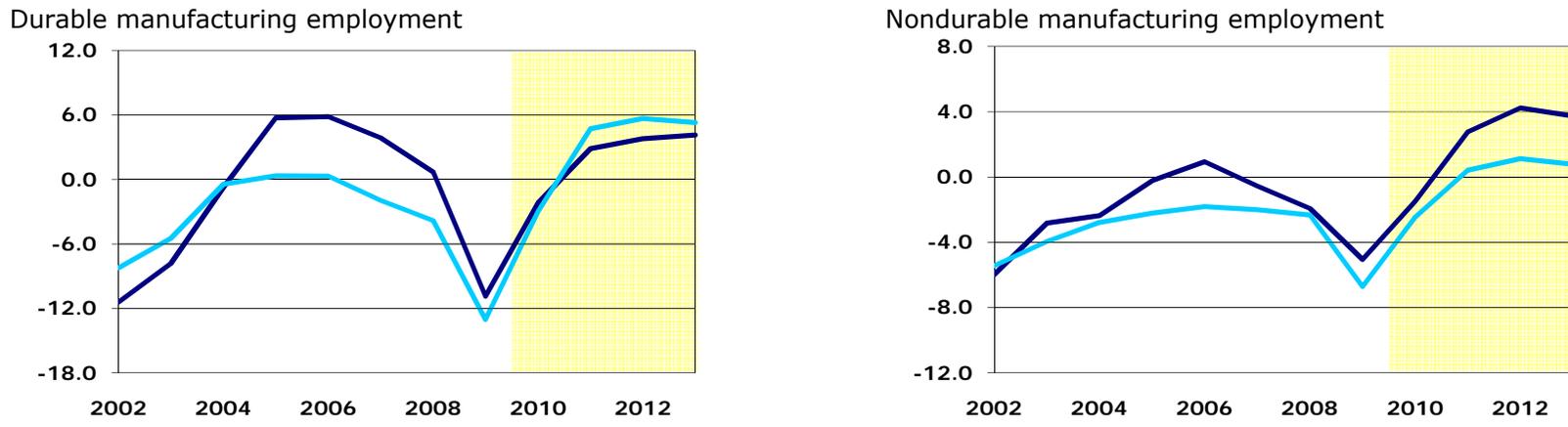
	2007	2008	2009	2010	2011
Washington					
Real Personal Income					
February Baseline	251.097	258.406	255.959	256.114	265.331
% Ch	5.8	2.9	-0.9	0.1	3.6
November Baseline	251.097	258.406	255.793	254.632	263.237
% Ch	5.8	2.9	-1.0	-0.5	3.4
Personal Income					
February Baseline	261.115	277.568	279.260	282.358	297.088
% Ch	8.3	6.3	0.6	1.1	5.2
November Baseline	261.115	277.568	279.080	281.111	295.922
% Ch	8.3	6.3	0.5	0.7	5.3
Employment					
February Baseline	2896.7	2960.0	2905.5	2807.1	2854.7
% Ch	2.7	2.2	-1.8	-3.4	1.7
November Baseline	2896.7	2960.0	2905.4	2819.3	2867.3
% Ch	2.7	2.2	-1.8	-3.0	1.7
Housing Permits					
February Baseline	50.484	37.874	19.702	18.608	25.907
% Ch	-6.1	-25.0	-48.0	-5.6	39.2
November Baseline	50.484	37.874	19.702	20.219	31.138
% Ch	-6.1	-25.0	-48.0	2.6	54.0

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)

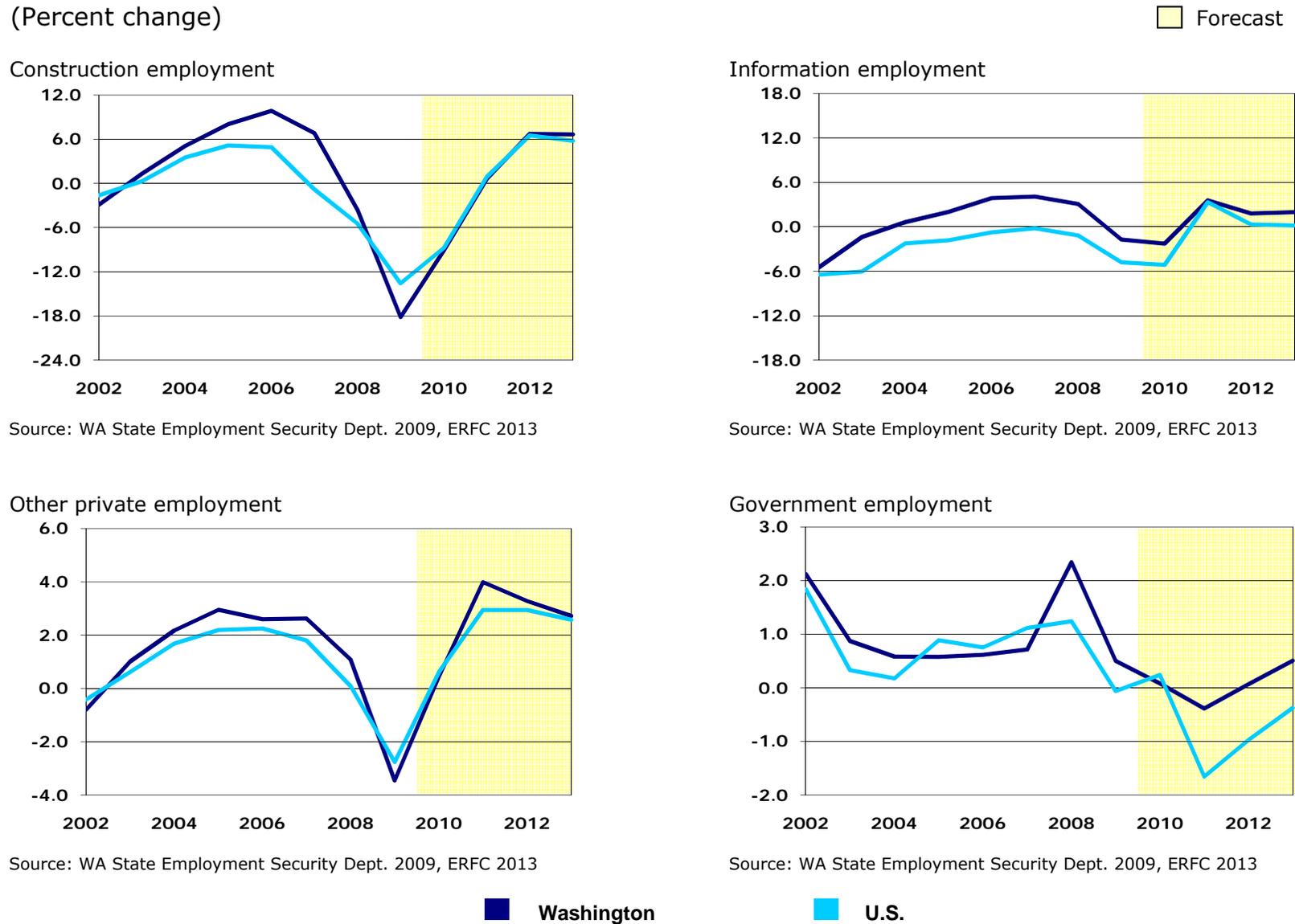
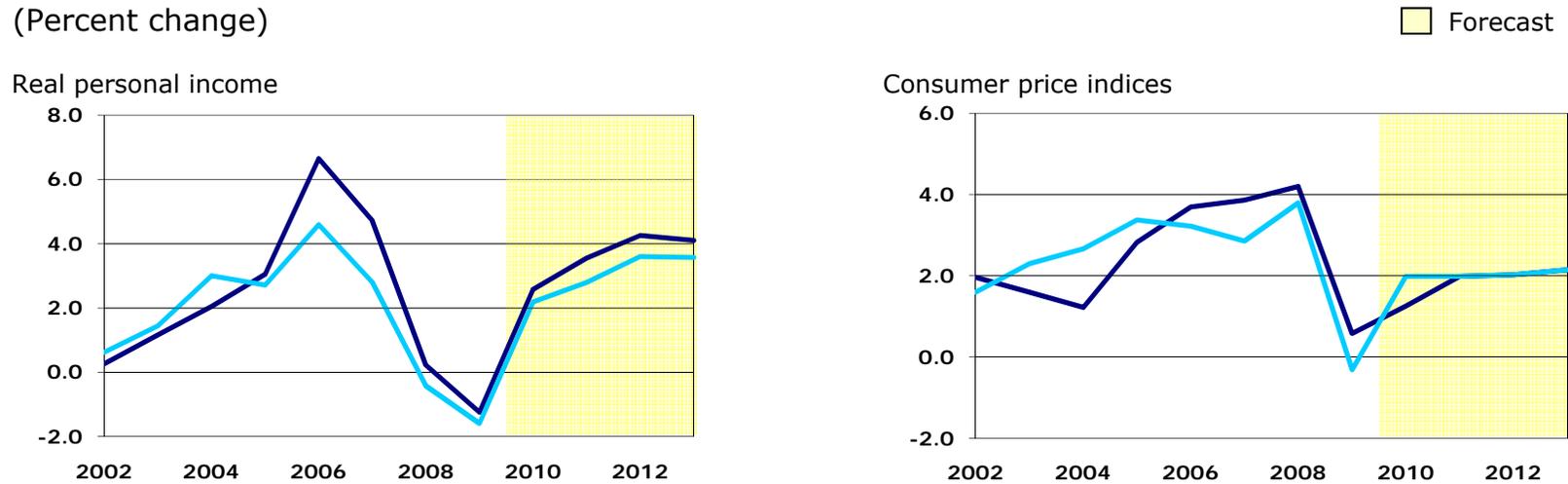
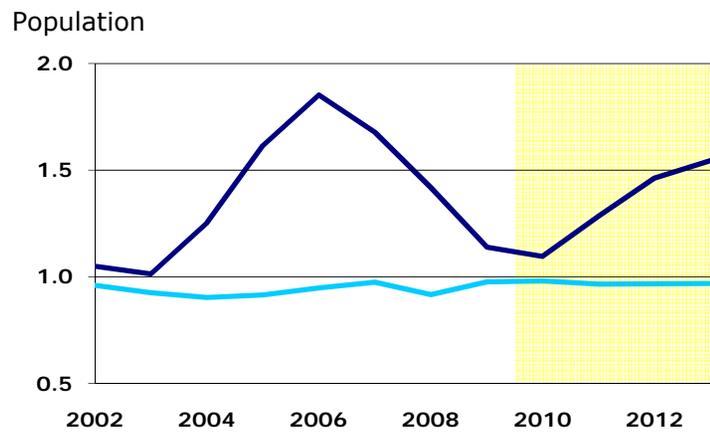


Figure 2.7: Comparison of Washington and U.S. Economic Forecasts (continued)
(Percent change)

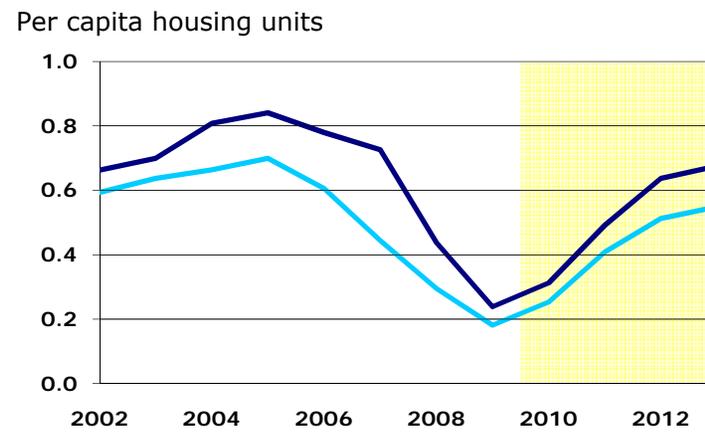


Source: Bureau of Economic Analysis 2008, ERFC 2013

Source: Bureau of Labor Statistics 2009, ERFC 2013



Source: Office of Financial Management 2009, ERFC 2013

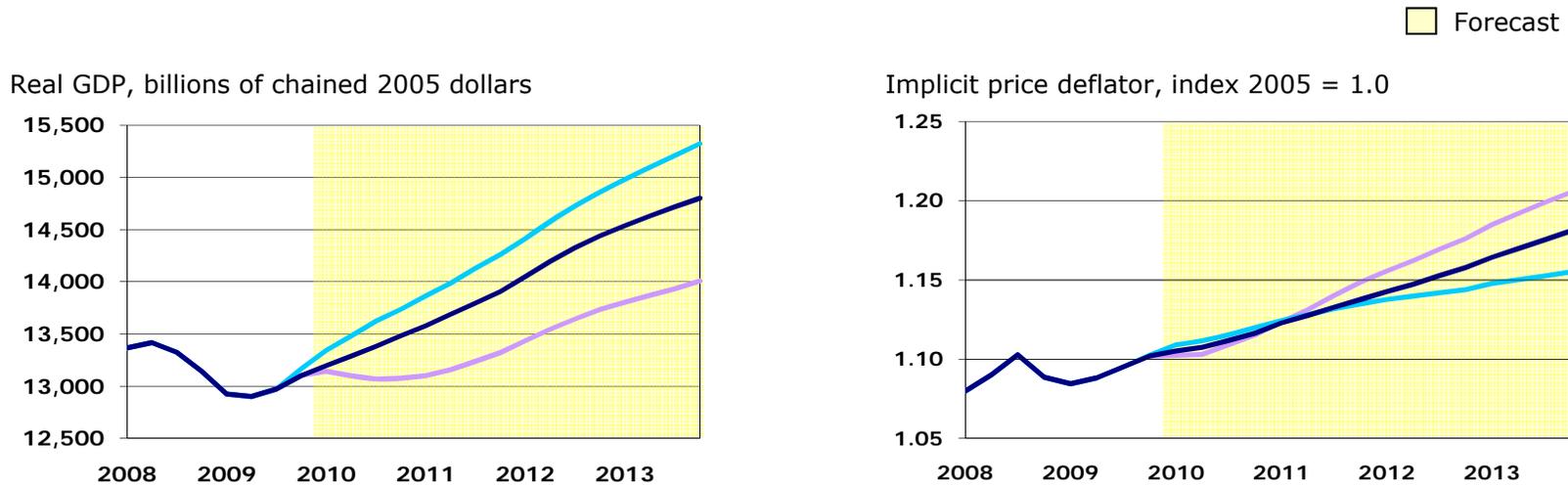


Source: Census Bureau 2008, ERFC 2013

█ Washington

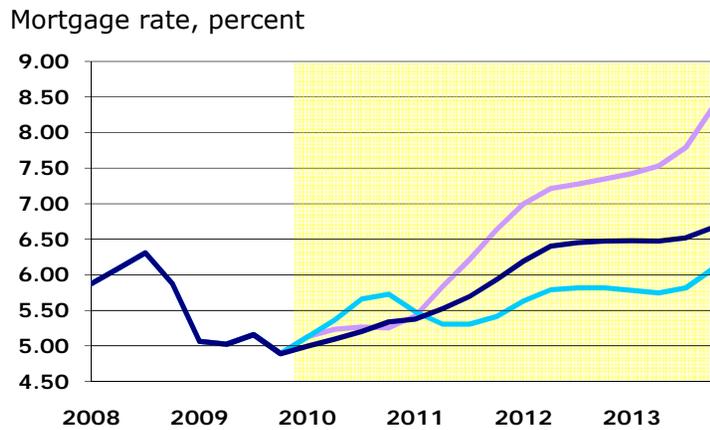
█ U.S.

Figure 2.8: Comparison of alternative U.S. economic forecasts

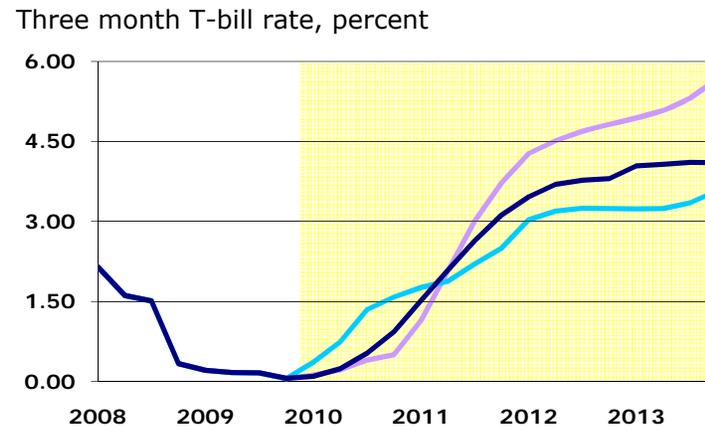


Source: Bureau of Economic Analysis 2008, ERFC 2013

Source: Bureau of Economic Analysis 2008, ERFC 2013



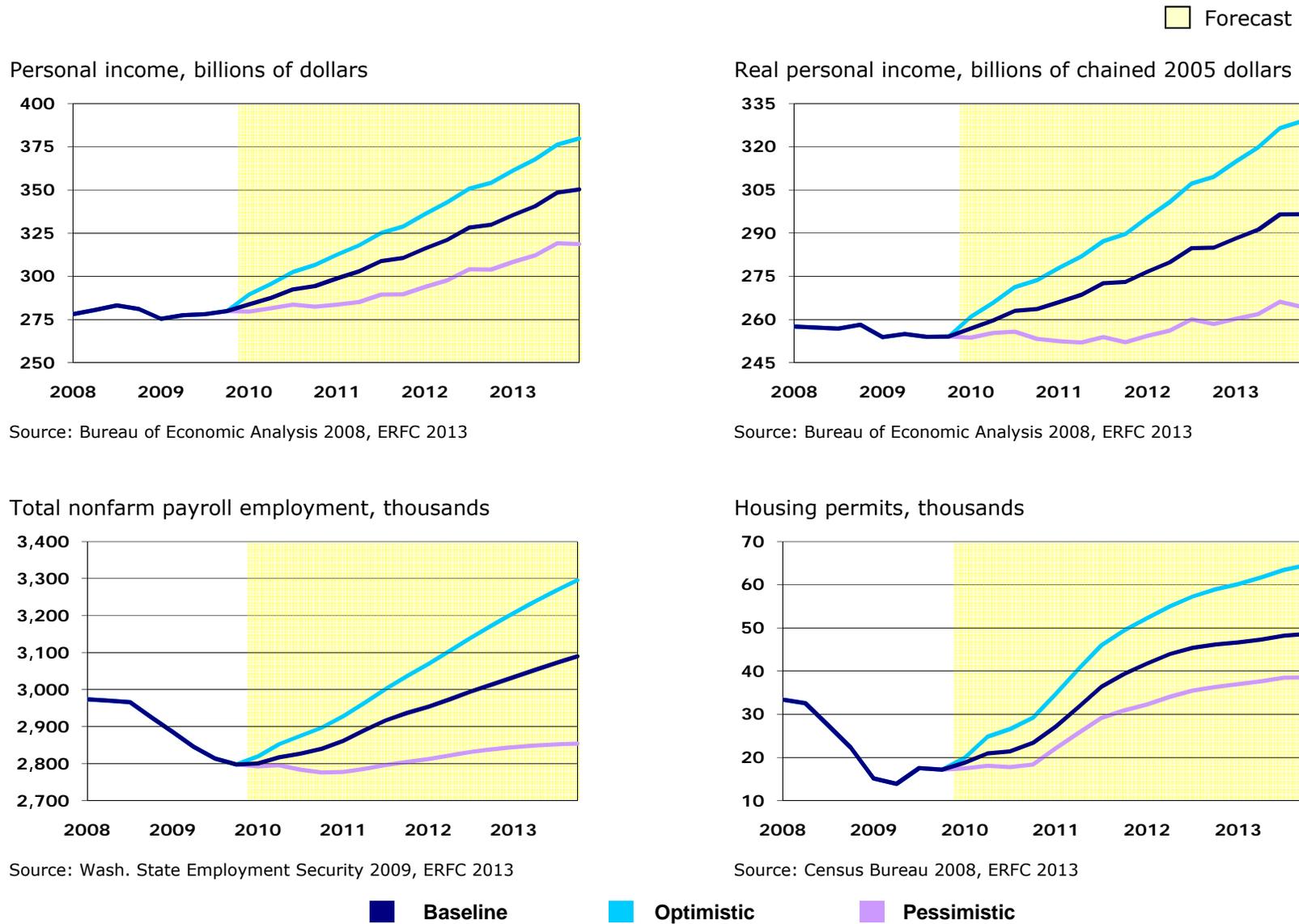
Source: Wash. State Employment Security 2009, ERFC 2013



Source: Census Bureau 2008, ERFC 2013

■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.8: Comparison of alternative U.S. economic forecasts



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Chapter 3: Washington State Revenue Forecast Summary

- **The recovery is largely proceeding along the lines of the November economic forecast.**
- **Revenue Act revenues since November were only 0.1% short of the forecast while total General Fund-State revenues exceeded the forecast by 1.7%.**
- **Seasonally-adjusted revenues have ceased their decline and are showing signs of improvement.**
- **A recently upheld State Supreme Court decision has reduced forecasted revenues by \$154 million in the current biennium and \$191 million in the next.**

Overview

The economic recovery is proceeding largely as forecasted in November but a court decision has reduced forecasted revenue

At the time of the November 2009 forecast, state revenues had halted their decline but were failing to improve as forecasted in September. The November forecast assumed the period of flat growth would last through the end of the year followed by signs of improvement. That assumption has been proven correct, as most revenues have come in very close to the forecasted values and a few have come in considerably above. While changes to the economic forecast have resulted in a slight reduction in forecasted revenues, the reduction was offset by the extra revenue that has come in since the November forecast as well as other forecast increases. A recently upheld state Supreme Court case, however, will subtract \$154 million from the forecast for the current biennium and \$191 million in the next. As a result of the court case, the net forecast change for the 2009-11 biennium is a reduction of \$118.2 million.

The net economic changes to the forecast were positive

Table 3.1 summarizes the change in forecasted revenues for the 2009-11 biennium. By the time of the February forecast, revenues for the 2009-11 biennium were \$61.3 million above their forecasted value. The sum of all of the forecast changes for General Fund-State (GF-S) revenue was negative 29.8 million. The extra collections and the forecast reductions would have resulted in a net increase to the forecast without the effects of

the court case mentioned above. The decision (Dot Foods vs. the Department of Revenue) exempts certain direct sales by out-of-state vendors from business and occupation (B&O) taxes. It is expected to result in \$58.8 million of refunds of taxes previously paid and the loss of \$94.8 million in foregone revenue in the remainder of the current biennium, for a total negative impact of \$153.6 million. This decrease was partially offset by \$3.9 million in expected net payments of audits and assessments in the current quarter, for a total non-economic impact of negative \$149.7 million.

Table 3.1: Revisions to the 2009-11 General Fund-State forecast (cash basis, millions of dollars)

Collection Experience	\$61.3
Non-Economic Change	(\$149.7)
Forecast Change	(\$29.8)
Total Change	(\$118.2)

Source: ERFC

GF-S forecast (\$millions):

2009-11:
\$28,725

2011-13:
\$32,225

With the revisions above, GF-S revenue for the 2009-11 biennium is forecasted to total \$28,724.7 million. This is also the first forecast period in which GF-S revenue for the 2011-13 biennium is forecasted. The initial forecast of GF-S revenue for the 2011-13 biennium is \$32,224.5 million.

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 3.6 (GAAP). The initial cash and GAAP GF-S forecast by agency and major revenue classification for the 2011-13 biennium can be found in Table 3.8.

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 the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline revenue forecast for GF-S and the related fund. 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 revenue. 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
June forecast
was positive
\$61.3 million*

Cumulatively, Revenue Act receipts (retail sales, use, business and occupation, tobacco products and public utility taxes) from November 11, 2009 through February 10, 2010 were \$3.3 million (0.1%) below the value forecasted in November (see Table 3.2). Revenue from other Department of Revenue tax sources, however, was \$64.0 million (6.3%) higher than expected. Most of the positive variance was from property tax (\$48.4 million) and real estate excise tax (\$5.7 million). The positive variance in property tax collections was due mainly to December collections, which came in \$49.4 million ahead of the forecast due to an unexpected shift in the portion of the fall payments that were recorded in December versus October and November. December collections were 33% above their year-

ago levels. Cumulative revenue from the Department of Licensing was \$7,000 (1.1%) higher than forecasted in November, 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 \$670,000 (2.8%) higher than forecasted in September. The cumulative total variance of the above sources was \$61.3 million (1.7%).

Table 3.2: Pre-Forecast Collection Variance of Major General Fund-State Taxes by Agency (based on November 2009 forecast, cash basis, millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$3.3)	-0.1%
Non Revenue Act	\$64.0	6.3%
Subtotal	\$60.6	1.7%
Department of Licensing	\$0.01	1.1%
Administrative Office of the Courts	\$0.7	2.8%
Total*	\$61.3	1.7%

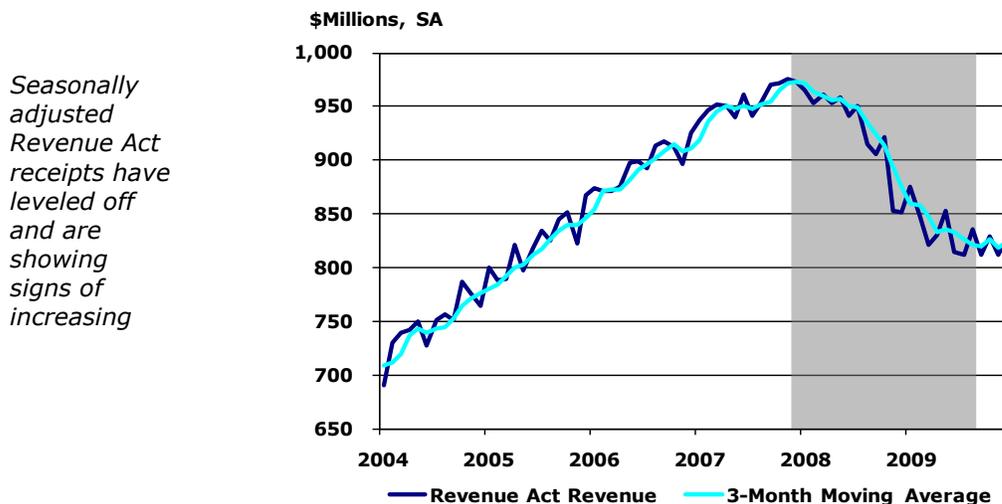
* Detail may not add to total due to rounding.

Source: ERFC; Period: November 11, 2009 - February 10, 2010

Revenue Act collections have been negative year-over-year for a year and a half

As shown in [Figure 3.1](#), on a seasonally adjusted basis, Revenue Act collections began to level off in the late summer after over a year of steep decline and are showing signs of recovery. Revenue Act collections have declined on a year-over-year basis in every collection period except one since the June 11-July 10, 2008 collection period. Collections in the most recent monthly collection period (January 11 - February 10, 2010) were down 2.0% year-over-year after adjusting past revenues to the current definition of Revenue Act revenue. This was the lowest year-over-year decline since the August 11-September 10, 2008 collection period. Collections in the December 11, 2009 - January 10, 2010 collection period were down 6.3% year-over-year after adjusting for the definitional change. Further, excluding large refunds and credits, adjusted Revenue Act tax payments in the November 11, 2009 - February 10, 2010 period, which primarily reflected fourth quarter 2009 business activity, declined 6.2% year-over-year, showing improvement from the adjusted decline of 10.8% from third quarter activity (August 11 - November 10, 2009 collections). Adjusted payments reflecting second quarter activity showed an 11.8% decline.

Figure 3.1: Seasonally Adjusted Revenue Act Collections (ESSB 5073 Definition, Adjusted for Large Payments/Refunds)

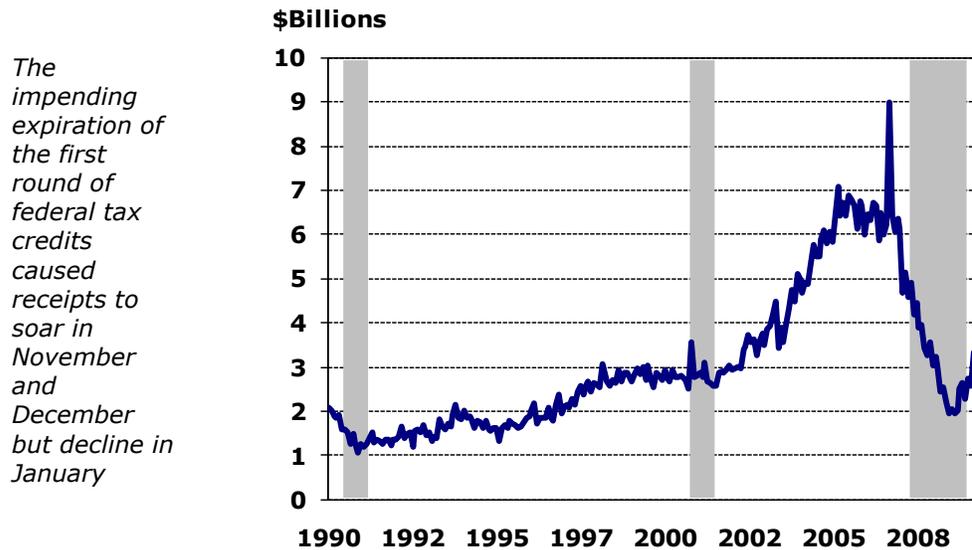


Source: ERFC; Data through February 11, 2010.

The average value per taxable real estate excise tax transaction is starting to improve

While real estate price declines have only recently begun to moderate, an increase in the number of real estate transactions caused seasonally adjusted real estate excise tax receipts to begin growing in June 2009 (see Figure 3.2). Though the federal tax credit for first-time homebuyers was extended past its initial November 30th deadline just before the November forecast, purchases initiated before the extension caused the number of transactions to soar in November and December, showing year-over-year growth rates of 28% and 34% respectively. The average value per transaction also showed year-over-year growth of 6% in November, the first year-over-year growth since December 2007. While the average value per transaction returned to negative year-over-year growth in December (-10%), it once again edged positive in January (+0.6%). Though the passing of the initial tax credit deadline caused the number of transactions and tax receipts to decline sharply, the number of taxable transactions in January was still 3% above its level of a year ago. The November forecast had assumed this drop would occur in December, resulting in a positive variance of \$8.4 million for the month, but the sharpness of the drop exceeded expectations, resulting in a \$2.4 million shortfall in January collections.

Figure 3.2: Seasonally Adjusted Taxable Real Estate Excise Activity



Source: ERFC; data through January 2010.

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 fourth quarter activity will not be complete until April 2010, 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 showed year-over-year growth for the first time since July 2008

Electronic tax returns from the January 11 – February 10, 2010 period mainly represent December 2009 taxable activity. For the first time since the July 2008 activity period, payments from electronic filers were above their levels of a year ago. Total payments were up 4.0% year-over-year. Total tax payments from businesses in the retail trade sector were up 9.5% year-over-year. For the first time since May 2007, none of the twelve retail trade sectors showed year-over-year declines in payments. The largest year-over-year increases in tax payments from the retail trade sector were in nonstore retailers (+21.3%), gas stations and convenience stores (+20.3%), furniture and home furnishings (+16.3%) and apparel and accessories (+14.1%). Payments from the motor vehicles parts sector were up 10.9%. Payments from non-retail trade sectors were down only 0.2% year-over-year collectively. Tax payments in the construction sector were down 21.8% year-over-year. Payments in the manufacturing sector were up 38.4% year-over-year due to increases in the gross receipts of petroleum refiners, which

reflected the year-over-year rebound in oil prices after last winter’s collapse. Excluding the manufacturing sector, payments from non-retail trade sectors were down 3.5%. Excluding both construction and manufacturing, however, payments from non-retail trade sectors were up 2.4%. Increasing non-retail sectors outnumbered declining sectors 10 to 6.

Department of Revenue

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

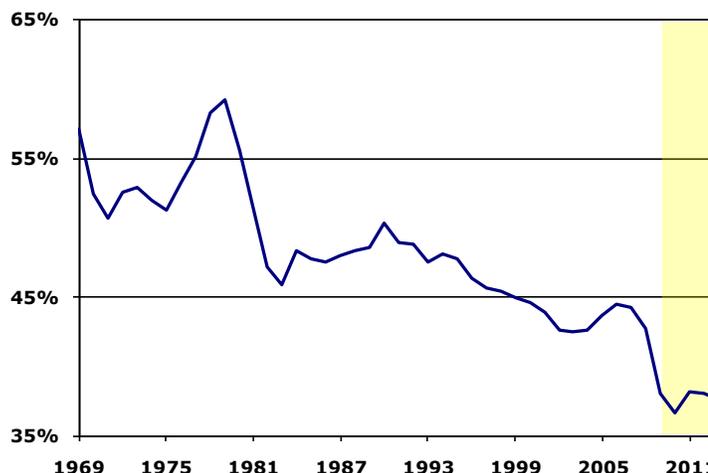
The Department of Revenue (DOR) collects and administers the majority of Washington’s GF-S revenue, accounting for 97% of total GF-S revenue in the 2007-09 biennium. The largest tax sources administered by the DOR are the retail sales tax, business and occupation tax, property tax, use tax, and real estate excise tax. The revenue forecasts discussed below can be found in Tables 3.5-3.8.

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 then declining slowly through FY 2013. This relationship is illustrated in [Figure 3.3](#).

Figure 3.3: 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: ERF; 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.

*Retail sales tax receipt growth forecast:
FY10: -3.9%
FY11: 10.3%
FY12: 5.2%
FY13: 4.7%*

The forecast of retail sales tax receipts for the current biennium has been reduced by \$67.6 million, due mainly to the reduction in forecasted and actual housing and construction activity outlined in Chapter 2. While taxable activity in the construction sector is forecasted to continue to decline through the second quarter of 2010, most other consumer activity is expected to start showing gradual improvement beginning in the fourth quarter of 2009. The slow pace of the improvement, however, is forecasted to result in a decline of 2.8% in total FY 2010 taxable sales (see Table 3.4). While taxable construction activity is only forecasted to grow at 0.5% in FY 2011, the elimination of such a large source of drag on taxable sales is forecasted to help boost total sales growth to 9.7% 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 4.4% 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 only 0.5% above the FY 2008 level. Taxable sales are forecasted to grow at 5.1% in FY 2012 and 4.9% 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 3.9% in FY 2010 before growing 10.3% in FY 2011, 5.2% in FY 2012 and 4.7% in FY 2013. In November, sales taxes were forecasted to decline by 3.5% in FY 2010 and grow by 10.4% in FY 2011. 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 has 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.

*B&O tax
growth
forecast:
FY10: -2.0%
FY11: 11.5%
FY12: 9.1%
FY13: 4.9%*

B&O tax collections are forecasted to decrease by 2.0% in FY 2010 before increasing by 11.5% in fiscal 2011. It should be noted that the inclusion of the B&O tax on hospitals into the GF-S beginning in FY 2010 per ESSB 5073 provides a boost to that year's growth. Without those taxes, the forecasted decline for FY 2010 would be -6.0%. The forecast has been reduced by \$153.6 million in the current biennium due to upholding of a state Supreme Court decision exempting certain direct sales from taxes. This reduction was partially offset by the expected payment of \$3.9 million in assessed back taxes in the current quarter, for a total non-economic reduction of \$149.7 million. Without the non-economic changes, the forecast would have increased by \$10.4 million due mainly to forecasted increases in payments from hospitals. The court decision also lowered the forecasted receipts in the 2011-13 biennium by \$190.8 million. B&O tax receipts are forecasted to grow at 9.1% in FY 2012 and 4.9% in FY 2013. In November, B&O taxes were forecasted to decrease by 1.3% in FY 2010 and increase by 15.6% in FY 2011. B&O taxes decreased by 8.2% year-over-year in FY 2009 after increasing 5.5% in FY 2008.

*State
property
taxes are the
third largest
source of
GF-S*

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.

*GF-S
property tax
growth
forecast:
FY10: 19.3%
FY11: 1.7%
FY12: 2.4%
FY13: 2.5%*

*FY 10 growth
inflated by
ESSB 5073*

The forecast of GF-S property tax receipts has been increased by \$27.0 million due mainly to the large December forecast variance discussed in the "Recent Collection Experience" section above. Forecasted FY 2010 growth is now 19.3%. 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 2.4% in FY 2012 and 2.5% in FY 2013. In November, property taxes were forecasted to increase by 17.6% in FY 2010 and 3.2% in FY 2011. 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: -6.4%
FY11: 13.6%
FY12: 10.6%
FY13: 5.7%*

The forecast of use tax receipts for the current biennium was decreased \$11.0 million due mainly to the reduction in forecasted and actual housing and construction activity outlined in Chapter 2. Receipts are now forecasted to decrease by 6.4% in FY 2010 before increasing by 13.6% in FY 2011, 10.6% in FY 2012, and 5.7% 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 November, use tax receipts were forecasted to decrease by 4.5% in FY 2010 and increase by 12.0% in FY 2011. 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: 8.3%
FY11: 29.6%
FY12: 3.7%
FY13: 3.3%*

The total REET forecast for the current biennium has been increased by only \$0.1 million despite the positive variance noted in the "Recent Collection Experience" section above. This is due to a downward revision of forecasted sales in the months after the April 2010 expiration of the extended federal tax credit for home purchases, based on the sharp decline in January sales that occurred after the expiration of the original credit. FY 2010 growth is now forecasted at 8.3% and FY 2011 growth is forecasted at 29.6%. 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. REET revenue is forecasted to grow at 3.7% in FY 2012 and 3.3% in FY 2013. In November, these taxes were forecasted to increase by 11.0% in FY 2010 and 24.0% in FY 2011.

Department of Licensing

*Forecast change for 2009-11 biennium:
-\$0.1 million*

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's forecast for the 2009-11 biennium has been decreased \$0.1 million to \$44.8 million. The department's initial revenue forecast for the 2011-13 biennium is \$47.5 million.

The Office of Financial Management (Other Agencies)

*Forecast
change for
2009-11
biennium:
\$30.5 million*

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, and the State Treasurer. The office's forecast for the 2009-11 biennium has been increased \$30.5 million to \$241.6 million. The increase was due to a reduction of forecasted payments to local governments for mitigation of the effects of prior streamlined sales tax legislation and a revision of prior accounting of forecast changes resulting from ESSB 5073. The office's initial revenue forecast for the 2011-13 biennium is \$225.3 million.

State Treasurer

*Forecast
change for
2009-11
biennium:
-\$6.8 million*

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 decreased \$6.8 million to negative \$7.2 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 initial revenue forecast for the 2011-13 biennium is \$31.3 million.

Insurance Commissioner

*Forecast
change for
2009-11
biennium:
-\$0.3 million*

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 \$0.3 million to \$844.3 million. The office's initial revenue forecast for the 2011-13 biennium is \$894.2 million.

Liquor Control Board

*Forecast
change for
2009-11
biennium:
-\$1.0 million*

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 \$1.0 million to \$74.0 million and its initial revenue forecast for the 2011-13 biennium is \$89.4 million. The board's forecast of beer and wine surtaxes for the 2009-11 biennium is unchanged at \$61.5 million and its initial revenue forecast for the 2011-13 biennium is \$63.2 million.

Lottery Commission

No forecast change for 2009-11 biennium

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the GF-S. Funds are not normally transferred to the GF-S unless there is lottery revenue remaining after the School Construction and Stadium/Exhibition Center accounts receive their allotments, but 2008 budget legislation authorized separate transfers of unclaimed prize revenue for the 2009-11 biennium. The Commission's forecast of GF-S cash transfers for the 2009-11 biennium is unchanged at \$17.3 million. The February forecast does not expect any GF-S revenue transfers in the 2011-13 biennium. The forecast of revenues for the School Construction Account for the 2009-11 biennium is unchanged at \$189.6 million and the initial forecast for the 2011-13 biennium is \$193.8 million. The forecast of the distribution of Lottery earnings can be found in Table 3.13.

Administrative Office of the Courts

Forecast change for 2009-11 biennium: \$0.3 million

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 \$0.3 million to \$203.1 million and the initial forecast for the 2011-13 biennium is \$215.2 million.

Track Record for the 2009-11 Biennium

The February 2010 forecast for the 2009-11 biennium is \$5.43 billion lower than the initial forecast in February 2008

Table 3.9 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 "GF-S and Related Fund"). The initial forecast for the biennium was released in February 2008. The February forecast for the 2009-11 biennium is \$5.43 billion (15.9%) lower than the initial forecast. Non-economic changes (excluding the classification changes from ESSB 5073) have decreased the forecast by \$41 million (0.1%). Excluding non-economic changes, the current forecast is \$5.39 billion (15.8%) lower than the initial forecast. All forecasts subsequent to the initial forecast have reduced the forecast for the biennium. The reduction of the current forecast, however, is the smallest to date.

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 3.7 respectively. The primary difference between the cash and GAAP forecasts is 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 the GAAP portion of Table 3.7 are on a cash basis.

Budgetary Balance Sheets for the 2007-09 and 2009-11 Biennia

The forecast implies a shortfall of \$1,064 million at the end of the 2009-11 biennium

Table 3.10 shows the budgetary balance sheet for the 2007-09 and 2009-11 biennia as prepared by the Office of Financial Management and the House and Senate fiscal committees. With adoption of the February 2010 GF-S forecast, the projected total balance at the end of the 2009-11 biennium is negative \$1,064.4 million. This is based on an enacted 2009-11 appropriations level of \$30,918.1 million. The total ending balance is comprised of a projected ending GF-S balance of negative \$1,292.9 million and a \$228.5 million balance in the Budget Stabilization Account.

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

*Optimistic scenario:
2009-11:
+\$0.9 billion
2011-13:
+\$2.5 billion*

*Pessimistic scenario:
2009-11:
-\$1.0 billion
2011-13:
-\$2.8 billion*

Chapter 2 outlines optimistic and pessimistic alternatives to the baseline Washington economic forecast. The revenue implications of these alternative scenarios are shown in Table 3.11 for the 2009-11 biennium and Table 3.12 for the 2011-13 biennium. The optimistic forecast for the 2009-11 biennium generates \$29,666 million in revenue, \$941 million more than the baseline scenario, while the pessimistic forecast produces \$27,771 million in revenue, \$954 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 \$34,711 million in revenue, \$2,487 million more than the baseline scenario, while the pessimist forecast produces \$29,402 million in revenue, \$2,822 million less than

the baseline. The forecast assigns a probability of 90% to the baseline forecast, 5% to the optimistic forecast and 5% to the pessimistic forecast.

*GCEA
scenario:
2009-11:
+\$0.1 billion
2011-13:
-\$0.4 billion*

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 \$139 million more than the baseline scenario for the 2009-11 biennium and \$420 million less than the baseline scenario for the 2011-13 biennium.

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

*Near General
Fund
forecast:
2009-11:
\$29,084.8
million
2011-13:
\$32,621.4
million*

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 \$21.0 million to \$360.1 million due to lower-than-forecasted actual estate tax receipts and a lower forecast of cigarette tax revenue. This brings the Near General Fund forecast for the biennium to \$29,084.8 million. The initial forecast of Education Legacy Trust Account revenue for the 2011-13 biennium is \$397.0 million, for a total Near General Fund forecast of \$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	28,724.7	3.7%	25,854.0	1.0%
2011-13 ^F	32,224.5	12.2%	28,266.1	9.3%

^F February 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 February 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	103,444	-2.8%
2011 ^F	113,458	9.7%
2012 ^F	119,290	5.1%
2013 ^F	125,170	4.9%

^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).

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>Nov. 2009 Forecast</u> ¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Feb. 2010 Forecast</u> ²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$13,946.2	\$0.0	(\$67.6)	\$13,878.6	(\$67.6)
Business & Occupation Use	5,443.6	(149.7)	10.4	5,304.4	(139.3)
Public Utility	931.0	0.0	(11.0)	920.0	(11.0)
Liquor Sales/Liter	723.2	0.0	26.2	749.3	26.2
Cigarette	400.9	0.0	1.0	401.9	1.0
Property (State Levy)	592.4	0.0	(14.3)	578.2	(14.3)
Real Estate Excise	3,617.6	0.0	27.0	3,644.6	27.0
Timber Excise	967.5	0.0	0.1	967.6	0.1
Other	7.0	0.0	0.3	7.3	0.3
Subtotal	756.7	0.0	36.9	793.5	36.9
	27,386.1	(149.7)	9.0	27,245.4	(140.7)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.9	0.0	(0.1)	44.8	(0.1)
<i>Insurance Commissioner</i>					
Insurance Premiums	844.6	0.0	(0.3)	844.3	(0.3)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	75.0	0.0	(1.0)	74.0	(1.0)
Beer & Wine Surtax	61.5	0.0	0.0	61.5	0.0
<i>Lottery Commission</i>					
Lottery Revenue	17.3	0.0	(0.0)	17.3	(0.0)
<i>State Treasurer</i>					
Interest Earnings	(0.5)	0.0	(6.8)	(7.2)	(6.8)
<i>Office of Financial Management</i>					
Other	211.1	0.0	30.5	241.6	30.5
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	202.8	0.0	0.3	203.1	0.3
<u>Total General Fund-State *</u>	\$28,842.9	(\$149.7)	\$31.5	\$28,724.7	(\$118.2)

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

2 Forecast for the 2009-11 biennium, adopted February 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>Nov. 2009 Forecast</u>¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Feb. 2010 Forecast</u>²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$13,929.5	\$0.0	(\$72.6)	\$13,856.9	(\$72.6)
Business & Occupation	5,436.4	(149.7)	(2.6)	5,284.1	(152.3)
Use	932.4	0.0	(10.9)	921.4	(10.9)
Public Utility	724.3	0.0	25.7	750.1	25.7
Liquor Sales/Liter	400.9	0.0	1.0	401.9	1.0
Cigarette	592.4	0.0	(15.0)	577.4	(15.0)
Property (State Levy)	3,617.5	0.0	26.8	3,644.3	26.8
Real Estate Excise	967.7	0.0	0.2	967.9	0.2
Timber Excise	6.2	0.0	0.5	6.6	0.5
Other	757.0	0.0	36.9	793.9	36.9
Subtotal	27,364.4	(149.7)	(9.9)	27,204.7	(159.6)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.9	0.0	(0.1)	44.8	(0.1)
<i>Insurance Commissioner</i>					
Insurance Premiums	844.6	0.0	(0.3)	844.3	(0.3)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	75.0	0.0	(1.0)	74.0	(1.0)
Beer & Wine Surtax	61.5	0.0	0.0	61.5	0.0
<i>Lottery Commission</i>					
Lottery Revenue	15.3	0.0	0.0	15.3	0.0
<i>State Treasurer</i>					
Interest Earnings	(3.0)	0.0	(7.0)	(10.0)	(7.0)
<i>Office of Financial Management</i>					
Other	211.1	0.0	30.5	241.6	30.5
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	202.8	0.0	0.3	203.1	0.3
<u>Total General Fund-State*</u>	\$28,816.7	(\$149.7)	\$12.4	\$28,679.3	(\$137.3)

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

2 Forecast for the 2009-11 biennium, adopted February 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
General Fund-State forecast by agency
 2011-13 biennium
 (millions of dollars)

<u>Forecast by Agency*</u>	<u>Cash Forecast</u>	<u>GAAP Forecast</u>
<i>Department of Revenue</i>		
Retail Sales	\$15,669.9	\$15,649.9
Business & Occupation Use	6,251.1	6,231.1
Public Utility	1,113.1	1,093.1
Liquor Sales/Liter	808.4	809.0
Cigarette	426.0	426.0
Property (State Levy)	554.6	554.6
Real Estate Excise	3,811.5	3,811.5
Timber Excise	1,152.2	1,152.2
Other	5.1	4.7
Subtotal	866.4	866.8
	30,658.3	30,598.9
<i>Department of Licensing</i>		
Boat excise, licenses, fees & other	47.5	47.5
<i>Insurance Commissioner</i>		
Insurance Premiums	894.2	894.2
<i>Liquor Control Board</i>		
Liquor Profits and Fees	89.4	89.4
Beer & Wine Surtax	63.2	63.2
<i>Lottery Commission</i>		
Lottery Revenue	0.0	0.0
<i>State Treasurer</i>		
Interest Earnings	31.3	34.0
<i>Office of Financial Management</i>		
Other	225.3	225.3
<i>Administrative Office of the Courts</i>		
Fines and Forfeitures	215.2	215.2
<u>Total General Fund-State **</u>	\$32,224.5	\$32,167.7

* Forecast for the 2009-11 biennium, adopted February 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
February 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	\$6,600.4	\$7,278.3	\$13,878.6	\$7,656.8	\$8,013.1	\$15,669.9
Business & occupation#	2,558.2	5,344.5	2,508.1	2,796.2	5,304.4	3,050.6	3,200.5	6,251.1
Use***	460.0	971.2	430.6	489.4	920.0	541.0	572.1	1,113.1
Public Utility	373.7	741.5	370.0	379.4	749.3	396.1	412.3	808.4
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	30.5	31.0	61.5	31.3	31.8	63.2
Cigarette##	47.8	99.2	292.1	286.1	578.2	280.3	274.3	554.6
Tobacco products##	11.1	1.8	42.5	42.2	84.8	43.1	44.0	87.2
Property (state school levy)**	1,513.8	2,987.5	1,806.7	1,837.8	3,644.6	1,881.9	1,929.6	3,811.5
Public utility district	42.2	83.9	42.1	43.1	85.2	43.9	44.5	88.3
Real estate excise	389.1	1,052.4	421.4	546.2	967.6	566.7	585.5	1,152.2
Timber excise	5.4	12.7	3.8	3.4	7.3	2.7	2.4	5.1
Estate/inheritance	0.6	4.7	0.9	0.8	1.7	0.8	0.9	1.7
Boat excise	17.2	34.8	17.4	18.0	35.4	18.7	19.4	38.1
Insurance premiums##	252.7	513.2	415.8	428.4	844.3	440.8	453.4	894.2
Other##	221.4	481.8	239.8	255.7	495.5	272.3	286.1	558.4
Total Taxes	12,928.3	27,228.8	13,420.2	14,639.9	28,060.1	15,437.0	16,086.0	31,523.0
State Non-Tax Sources								
Licenses, permits, fees##	95.1	192.6	90.7	93.6	184.2	92.1	93.9	186.0
Liquor profits & fees	40.8	79.7	35.3	38.7	74.0	42.0	47.5	89.4
Earnings on investments##	58.8	175.4	1.5	(8.8)	(7.2)	9.1	22.3	31.3
Lottery transfers	11.1	11.1	12.1	5.2	17.3	0.0	0.0	0.0
Other revenue & transfers###	(45.0)	15.4	195.8	200.6	396.4	194.0	200.7	394.7
Total Non-Tax	160.8	474.1	335.3	329.3	664.6	337.1	364.4	701.5
Total General Fund-State *	\$13,089.1	\$27,703.0	\$13,755.5	\$14,969.2	\$28,724.7	\$15,774.1	\$16,450.3	\$32,224.5

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 3.9

Track Record for the 2009-11 General Fund-State Cash Forecast

February 2008 through February 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
Total change***:						
From February 2008	(5,157)	(236)	(5,393)	(41)	(5,433)	
Percent change	(15.9)	(13.7)	(15.8)	(0.1)	(15.9)	

* 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.

Table 3.10

2007-09 and 2009-11 Enacted Budget Balance Sheet

General Fund-State

Dollars in Millions

	2007-09	2009-11*
RESOURCES		
Beginning Fund Balance	780.5	189.3
November 2009 Forecast	27,703.0	28,842.9
February 2010 Update	-	35.4
Current Revenue Totals	27,703.0	28,878.3
DOT Foods, Inc. v. Department of Revenue	-	(153.6)
Legislatively Enacted Fund Transfers	1,064.5	873.9
Adjustments and Other Changes	(10.5)	-
Transfer to Budget Stabilization Account	(115.1)	(252.2)
Transfer Related Fund Balances	-	89.4
Total Resources (including beginning fund balance)	29,422.5	29,625.2
EXPENDITURES		
2007-09 and 2009-11 Enacted Budgets	29,233.1	30,918.1
RESERVES		
Projected General Fund Ending Balance	189.3	(1,292.9)
Budget Stabilization Account Beginning Balance	0.0	21.4
Transfer To Budget Stabilization Account (From Emergency Reserve Account)	303.2	-
Transfer from General Fund and Interest Earnings	118.2	252.2
Transfer to General Fund	(400.0)	(45.1)
Projected Budget Stabilization Account Ending Balance	21.4	228.5
Total Reserves (General Fund plus Budget Stabilization)	210.7	(1,064.4)

* 2009-11 includes revenue and spending changes required by ESSB 5073 - Account Consolidation, Chapter 479, Laws of 2009, which consolidates the public safety and education account, health services account, violence reduction and drug enforcement account, student achievement fund, water quality account, and equal justice subaccount, into the General Fund as of June 30, 2009.

Table 3.11

**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	\$14,440.3	\$13,878.6	\$13,461.9
Business & Occupation Use	5,512.5	5,304.4	4,976.7
Public Utility	970.3	920.0	880.4
Property (school levy)	765.1	749.3	737.3
Real Estate Excise	3,652.8	3,644.6	3,644.6
Other	997.6	967.6	890.7
Subtotal	1,793.9	1,780.9	1,747.1
	28,132.5	27,245.4	26,338.9
Department of Licensing	46.2	44.8	43.5
Insurance Commissioner¹	865.4	844.3	823.2
Lottery Commission	17.3	17.3	17.3
State Treasurer - Interest earnings	7.4	(7.2)	(15.4)
Liquor Profits & Fees²	138.2	135.5	132.8
Office of Financial Management			
Other agencies	251.6	241.6	231.6
Administrative Office of the Courts			
Fines and Forfeitures	207.1	203.1	199.1
Total General Fund - State*	\$29,665.7	\$28,724.7	\$27,770.8
Difference from February 2010 Baseline	\$940.9		(\$953.9)

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 3.12

**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	\$17,195.6	\$15,669.9	\$14,105.0
Business & Occupation Use	6,827.4	6,251.1	5,617.8
Public Utility	1,238.8	1,113.1	993.2
Property (school levy)	830.4	808.4	782.9
Real Estate Excise	3,851.8	3,811.5	3,811.5
Other	1,227.2	1,152.2	846.5
Subtotal	1,878.5	1,852.1	1,751.3
	33,049.7	30,658.3	27,908.2
Department of Licensing	49.0	47.5	46.1
Insurance Commissioner¹	916.6	894.2	871.9
Lottery Commission	0.0	0.0	0.0
State Treasurer - Interest earnings	76.7	31.3	10.6
Liquor Profits & Fees²	155.7	152.6	149.6
Office of Financial Management			
Other agencies	235.3	225.3	215.3
Administrative Office of the Courts			
Fines and Forfeitures	228.5	215.2	200.7
Total General Fund - State*	\$34,711.4	\$32,224.5	\$29,402.3
Difference from February 2010 Baseline	\$2,487.0		(\$2,822.2)

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

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
2004	113.3	0.0	4.0	7.3	76.5	25.5		
2005	112.2	4.3	4.2	7.6	0.0	96.2		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4
2010	120.3	12.1	5.1	9.2	0.0	91.1	0.2	2.5
2011	121.5	5.2	5.3	9.6	0.0	98.5	0.3	2.6
2009-11 Biennium	241.8	17.3	10.4	18.8	0.0	189.6	0.5	5.1
2012	114.3	0.0	5.5	10.4	0.0	95.6	0.2	2.6
2013	117.5	0.0	5.7	10.8	0.0	98.2	0.2	2.6
2011-13 Biennium	231.8	0.0	11.2	21.2	0.0	193.8	0.4	5.2

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

Source: Lottery Commission

Table 3.14

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

February 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*	\$13,756	5.1%	\$0	-100.0%	\$13,756	-2.8%
FY 2011*	\$14,969	8.8%	\$0	0.0%	\$14,969	8.8%
FY 2012*	\$15,774	5.4%	\$0	0.0%	\$15,774	5.4%
FY 2013*	\$16,450	4.3%	\$0	0.0%	\$16,450	4.3%
<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	\$28,725	3.7%	\$0	-100.0%	\$28,725	-3.7%
11-13 Biennium	\$32,224	12.2%	\$0	0.0%	\$32,224	12.2%

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



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	12,975.2	13,335.8	13,741.8	14,252.6	14,672.5
% Ch	2.7	2.1	0.4	-2.5	2.8	3.0	3.7	2.9
Real Consumption	9,073.5	9,313.9	9,290.9	9,235.7	9,430.4	9,698.6	10,045.9	10,334.0
% Ch	2.9	2.6	-0.2	-0.6	2.1	2.8	3.6	2.9
Real Nonresidential Fixed Investment	1,453.9	1,544.3	1,569.7	1,285.4	1,280.7	1,399.9	1,570.6	1,686.6
% Ch	7.9	6.2	1.6	-18.1	-0.4	9.3	12.2	7.4
Real Residential Fixed Investment	718.2	585.0	451.1	359.9	382.4	475.9	562.0	594.6
% Ch	-7.3	-18.5	-22.9	-20.2	6.2	24.5	18.1	5.8
Real Personal Income	10,966.4	11,273.4	11,225.4	11,047.0	11,287.6	11,602.5	12,020.7	12,450.3
% Ch	4.6	2.8	-0.4	-1.6	2.2	2.8	3.6	3.6
Real Per Capita Income (\$/Person)	36,653	37,317	36,821	35,885	36,310	36,966	37,931	38,910
% Ch	3.6	1.8	-1.3	-2.5	1.2	1.8	2.6	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.055	1.090	1.092	1.110	1.130	1.150	1.173
% Ch	2.7	2.7	3.4	0.2	1.6	1.8	1.8	2.0
U.S. Consumer Price Index (1982-84=1.0)	2.016	2.073	2.152	2.146	2.188	2.232	2.277	2.326
% Ch	3.2	2.9	3.8	-0.3	2.0	2.0	2.0	2.1
Employment Cost Index (Dec. 2005=1.0)	1.021	1.055	1.087	1.103	1.120	1.138	1.158	1.184
% Ch	2.9	3.4	3.0	1.5	1.5	1.6	1.8	2.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,398.9	14,077.7	14,441.4	14,245.5	14,764.2	15,492.3	16,373.3	17,194.8
% Ch	6.0	5.1	2.6	-1.4	3.6	4.9	5.7	5.0
Personal Income	11,268.1	11,894.1	12,238.8	12,067.9	12,532.0	13,113.4	13,825.3	14,599.5
% Ch	7.5	5.6	2.9	-1.4	3.8	4.6	5.4	5.6
Employment (Millions)								
U.S. Civilian Labor Force	151.4	153.1	154.3	154.3	154.5	156.2	158.0	159.8
Total U.S. Employment	144.4	146.0	145.4	140.1	139.2	142.9	146.0	149.4
Unemployment Rate (%)	4.62	4.63	5.81	9.24	9.89	8.53	7.60	6.50
Nonfarm Payroll Employment	136.10	137.60	137.05	131.97	131.53	134.27	137.61	140.77
% Ch	1.8	1.1	-0.4	-3.7	-0.3	2.1	2.5	2.3
Manufacturing	14.16	13.88	13.42	11.99	11.65	12.01	12.48	12.94
% Ch	-0.5	-2.0	-3.3	-10.7	-2.8	3.0	4.0	3.6
Durable Manufacturing	8.98	8.81	8.47	7.36	7.14	7.48	7.90	8.32
% Ch	0.3	-1.9	-3.8	-13.0	-3.0	4.7	5.7	5.3
Nondurable Manufacturing	5.18	5.07	4.95	4.62	4.51	4.53	4.58	4.61
% Ch	-1.8	-2.0	-2.3	-6.7	-2.5	0.4	1.1	0.8
Construction	7.69	7.63	7.21	6.23	5.69	5.74	6.11	6.47
% Ch	4.9	-0.8	-5.5	-13.6	-8.8	0.9	6.5	5.8
Service-Producing	113.56	115.37	115.64	113.02	113.52	115.86	118.35	120.72
% Ch	1.8	1.6	0.2	-2.3	0.4	2.1	2.1	2.0
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	66.1	72.2	99.8	61.8	76.8	81.2	83.6	85.3
Personal Saving/Disposable Income (%)	2.4	1.7	2.6	4.6	4.6	3.9	3.4	2.7
Auto Sales (Millions)	7.8	7.6	6.8	5.4	6.1	7.5	8.5	9.0
% Ch	1.3	-2.6	-10.6	-21.1	14.0	22.4	13.3	6.3
Housing Starts (Millions)	1.812	1.342	0.900	0.556	0.788	1.281	1.625	1.757
% Ch	-12.6	-25.9	-32.9	-38.2	41.7	62.5	26.9	8.1
Federal Budget Surplus (Billions)	-203.8	-236.5	-642.6	-1,217.4	-1,311.3	-1,026.4	-941.8	-719.8
Net Exports (Billions)	-769.3	-713.8	-707.8	-390.5	-501.5	-551.6	-573.5	-516.9
3-Month Treasury Bill Rate (%)	4.72	4.38	1.40	0.15	0.45	2.34	3.68	4.08
10-Year Treasury Note Yield (%)	4.79	4.63	3.67	3.26	3.73	4.24	4.78	4.97
Bond Index of 20 G.O. Munis. (%)	4.40	4.39	4.86	4.62	4.43	4.86	5.23	5.12
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.03	5.16	5.63	6.38	6.53

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	13,100.9
% Ch , Annual Rate	-0.7	1.5	-2.7	-5.4	-6.4	-0.7	2.2	4.0
Real Consumption	9,349.6	9,351.0	9,267.7	9,195.3	9,209.2	9,189.0	9,252.6	9,291.9
% Ch , Annual Rate	-0.6	0.1	-3.5	-3.1	0.6	-0.9	2.8	1.7
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	1,263.2
% Ch , Annual Rate	1.9	1.4	-6.1	-19.4	-39.2	-9.6	-5.9	-1.8
Real Residential Fixed Investment	483.2	462.9	443.3	415.0	367.9	344.4	359.6	367.7
% Ch , Annual Rate	-28.2	-15.8	-15.9	-23.2	-38.2	-23.2	18.9	9.3
Real Personal Income	11,245.5	11,275.7	11,142.0	11,238.3	11,021.5	11,072.8	11,034.5	11,059.2
% Ch , Annual Rate	-2.2	1.1	-4.7	3.5	-7.5	1.9	-1.4	0.9
Real Per Capita Income (\$/Person)	37,016	37,032	36,504	36,730	35,934	36,013	35,801	35,793
% Ch , Annual Rate	-3.0	0.2	-5.6	2.5	-8.4	0.9	-2.3	-0.1
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)	2.130	2.154	2.186	2.139	2.126	2.133	2.152	2.170
% Ch , Annual Rate	4.5	4.5	6.2	-8.3	-2.4	1.3	3.6	3.4
Employment Cost Index (Dec. 2005=1.0)	1.076	1.084	1.091	1.096	1.098	1.100	1.105	1.109
% Ch , Annual Rate	3.4	3.0	2.6	1.8	0.7	0.7	1.8	1.4
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	14,410.7
% Ch , Annual Rate	1.0	3.5	1.4	-5.4	-4.6	-0.8	2.6	4.8
Personal Income	12,142.2	12,292.9	12,286.6	12,233.5	11,952.7	12,048.8	12,083.9	12,186.3
% Ch , Annual Rate	1.4	5.1	-0.2	-1.7	-8.9	3.3	1.2	3.4
Employment (Millions)								
U.S. Civilian Labor Force	153.7	154.3	154.7	154.6	154.0	154.9	154.4	153.9
Total U.S. Employment	146.1	146.0	145.3	144.0	141.6	140.6	139.5	138.5
Unemployment Rate (%)	4.93	5.37	6.07	6.87	8.07	9.27	9.63	9.99
Nonfarm Payroll Employment	137.94	137.51	137.00	135.73	133.66	132.12	131.26	130.82
% Ch , Annual Rate	-0.2	-1.3	-1.5	-3.7	-5.9	-4.5	-2.6	-1.3
Manufacturing	13.69	13.55	13.39	13.06	12.47	12.01	11.79	11.68
% Ch , Annual Rate	-2.4	-4.1	-4.7	-9.4	-17.0	-14.0	-7.2	-3.5
Durable Manufacturing	8.67	8.56	8.44	8.20	7.75	7.38	7.21	7.12
% Ch , Annual Rate	-2.7	-5.0	-5.4	-11.1	-20.2	-17.9	-8.9	-4.6
Nondurable Manufacturing	5.02	4.99	4.94	4.86	4.72	4.63	4.58	4.56
% Ch , Annual Rate	-1.9	-2.6	-3.4	-6.4	-11.4	-7.1	-4.4	-1.8
Construction	7.45	7.29	7.17	6.95	6.59	6.30	6.10	5.94
% Ch , Annual Rate	-5.4	-8.2	-6.3	-11.8	-19.1	-16.3	-12.2	-9.9
Service-Producing	116.05	115.91	115.66	114.92	113.84	113.08	112.67	112.51
% Ch , Annual Rate	0.4	-0.5	-0.9	-2.5	-3.7	-2.6	-1.5	-0.6
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.9	123.8	118.3	59.1	43.2	59.7	68.1	76.1
Personal Saving/Disposable Income (%)	1.2	3.4	2.2	3.8	3.8	5.4	4.5	4.6
Auto Sales (Millions)	7.5	7.6	6.7	5.4	4.8	4.9	6.4	5.5
% Ch , Annual Rate	-12.8	4.7	-40.7	-58.3	-37.3	6.6	194.0	-45.7
Housing Starts (Millions)	1.059	1.017	0.868	0.658	0.528	0.540	0.587	0.571
% Ch , Annual Rate	-32.0	-14.9	-46.9	-67.0	-58.6	9.7	39.3	-10.2
Federal Budget Surplus (Billions)	-433.5	-796.9	-665.7	-674.1	-969.1	-1,268.9	-1,327.0	-1,304.5
Net Exports (Billions)	-744.4	-738.7	-757.5	-590.5	-378.5	-339.1	-402.2	-442.1
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	3.47
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.73	4.52	4.24
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.89

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	13,194.8	13,286.2	13,381.5	13,480.7	13,577.4	13,688.1	13,796.3	13,905.4
% Ch , Annual Rate	2.9	2.8	2.9	3.0	2.9	3.3	3.2	3.2
Real Consumption	9,340.7	9,390.1	9,465.0	9,525.9	9,580.0	9,649.6	9,735.6	9,829.4
% Ch , Annual Rate	2.1	2.1	3.2	2.6	2.3	2.9	3.6	3.9
Real Nonresidential Fixed Investment	1,266.6	1,272.2	1,278.9	1,305.2	1,339.5	1,384.3	1,420.7	1,455.3
% Ch , Annual Rate	1.1	1.8	2.1	8.5	10.9	14.0	10.9	10.1
Real Residential Fixed Investment	361.8	375.7	387.9	404.0	432.7	462.8	490.6	517.5
% Ch , Annual Rate	-6.2	16.2	13.6	17.7	31.5	30.9	26.3	23.8
Real Personal Income	11,141.1	11,250.0	11,342.9	11,416.3	11,466.0	11,556.8	11,650.7	11,736.8
% Ch , Annual Rate	3.0	4.0	3.3	2.6	1.8	3.2	3.3	3.0
Real Per Capita Income (\$/Person)	35,970	36,233	36,444	36,592	36,663	36,865	37,076	37,260
% Ch , Annual Rate	2.0	3.0	2.3	1.6	0.8	2.2	2.3	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.105	1.108	1.112	1.116	1.123	1.128	1.133	1.137
% Ch , Annual Rate	1.2	0.8	1.6	1.6	2.3	1.7	1.9	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.178	2.182	2.191	2.201	2.214	2.226	2.238	2.249
% Ch , Annual Rate	1.5	0.8	1.6	1.8	2.4	2.1	2.3	1.9
Employment Cost Index (Dec. 2005=1.0)	1.113	1.118	1.122	1.127	1.131	1.135	1.140	1.144
% Ch , Annual Rate	1.4	1.8	1.7	1.7	1.5	1.5	1.6	1.6
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,553.9	14,680.5	14,830.0	14,992.2	15,199.4	15,390.9	15,592.3	15,786.9
% Ch , Annual Rate	4.0	3.5	4.1	4.4	5.6	5.1	5.3	5.1
Personal Income	12,313.0	12,459.4	12,611.0	12,744.5	12,874.1	13,031.3	13,198.3	13,349.8
% Ch , Annual Rate	4.2	4.8	5.0	4.3	4.1	5.0	5.2	4.7
Employment (Millions)								
U.S. Civilian Labor Force	154.0	154.3	154.6	155.0	155.4	155.9	156.5	156.9
Total U.S. Employment	138.3	138.9	139.5	140.0	141.3	142.5	143.5	144.2
Unemployment Rate (%)	10.20	9.98	9.77	9.63	9.10	8.61	8.28	8.11
Nonfarm Payroll Employment	130.91	131.42	131.67	132.13	132.80	133.88	134.83	135.59
% Ch , Annual Rate	0.3	1.5	0.8	1.4	2.0	3.3	2.9	2.3
Manufacturing	11.65	11.60	11.62	11.73	11.80	11.92	12.07	12.23
% Ch , Annual Rate	-1.1	-1.6	0.8	3.9	2.3	4.2	5.2	5.1
Durable Manufacturing	7.11	7.09	7.13	7.25	7.31	7.41	7.53	7.67
% Ch , Annual Rate	-0.9	-0.9	2.2	6.9	3.7	5.1	6.9	7.5
Nondurable Manufacturing	4.54	4.51	4.49	4.49	4.49	4.52	4.54	4.56
% Ch , Annual Rate	-1.5	-2.8	-1.3	-0.8	0.1	2.7	2.3	1.4
Construction	5.81	5.70	5.61	5.63	5.64	5.69	5.77	5.85
% Ch , Annual Rate	-8.5	-7.3	-6.7	1.5	0.7	3.9	5.8	5.8
Service-Producing	112.77	113.43	113.78	114.10	114.70	115.60	116.31	116.84
% Ch , Annual Rate	0.9	2.4	1.2	1.2	2.1	3.2	2.5	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	75.8	75.5	77.2	78.7	80.0	80.9	81.6	82.4
Personal Saving/Disposable Income (%)	4.3	4.7	4.7	4.5	4.2	4.1	3.9	3.6
Auto Sales (Millions)	5.6	5.9	6.3	6.7	7.0	7.4	7.6	8.0
% Ch , Annual Rate	11.3	20.5	32.2	26.4	17.8	28.8	11.6	18.5
Housing Starts (Millions)	0.651	0.739	0.829	0.936	1.072	1.214	1.366	1.472
% Ch , Annual Rate	68.8	65.9	58.7	62.2	72.7	64.1	60.6	34.7
Federal Budget Surplus (Billions)	-1,301.8	-1,333.2	-1,323.4	-1,286.8	-1,084.8	-1,045.4	-1,005.0	-970.6
Net Exports (Billions)	-474.7	-492.0	-510.9	-528.4	-531.0	-544.9	-557.9	-572.7
3-Month Treasury Bill Rate (%)	0.09	0.24	0.53	0.93	1.52	2.09	2.64	3.12
10-Year Treasury Note Yield (%)	3.63	3.71	3.78	3.78	3.99	4.19	4.30	4.47
Bond Index of 20 G.O. Munis. (%)	4.28	4.41	4.49	4.55	4.70	4.85	4.90	5.02
30-Year Fixed Mortgage Rate (%)	5.00	5.09	5.20	5.34	5.38	5.52	5.70	5.93

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	14,048.6	14,194.8	14,326.3	14,440.9	14,539.2	14,631.2	14,717.7	14,801.9
% Ch , Annual Rate	4.2	4.2	3.8	3.2	2.8	2.6	2.4	2.3
Real Consumption	9,915.3	10,007.0	10,090.1	10,171.4	10,235.2	10,302.2	10,366.8	10,431.7
% Ch , Annual Rate	3.5	3.7	3.4	3.3	2.5	2.6	2.5	2.5
Real Nonresidential Fixed Investment	1,504.5	1,552.4	1,596.5	1,629.2	1,656.3	1,680.1	1,698.0	1,711.8
% Ch , Annual Rate	14.2	13.3	11.9	8.5	6.8	5.9	4.3	3.3
Real Residential Fixed Investment	544.1	559.7	568.5	575.7	589.2	594.1	596.4	598.8
% Ch , Annual Rate	22.2	12.0	6.4	5.1	9.8	3.4	1.6	1.6
Real Personal Income	11,842.7	11,967.8	12,081.7	12,190.6	12,279.9	12,390.3	12,510.4	12,620.6
% Ch , Annual Rate	3.7	4.3	3.9	3.7	3.0	3.6	3.9	3.6
Real Per Capita Income (\$/Person)	37,506	37,810	38,079	38,329	38,517	38,770	39,051	39,301
% Ch , Annual Rate	2.7	3.3	2.9	2.7	2.0	2.7	2.9	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.143	1.147	1.153	1.158	1.164	1.170	1.175	1.181
% Ch , Annual Rate	1.8	1.6	1.9	1.8	2.3	1.9	1.9	1.9
U.S. Consumer Price Index (1982-84=1.0)	2.261	2.271	2.283	2.294	2.308	2.320	2.332	2.344
% Ch , Annual Rate	2.1	1.8	2.1	2.0	2.5	2.1	2.1	2.1
Employment Cost Index (Dec. 2005=1.0)	1.150	1.155	1.162	1.167	1.172	1.180	1.188	1.195
% Ch , Annual Rate	1.8	2.0	2.3	1.8	1.8	2.6	2.7	2.6
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	16,034.3	16,264.9	16,493.7	16,700.4	16,916.8	17,102.7	17,288.0	17,471.7
% Ch , Annual Rate	6.4	5.9	5.7	5.1	5.3	4.5	4.4	4.3
Personal Income	13,531.9	13,730.1	13,926.2	14,112.9	14,297.6	14,493.2	14,704.0	14,903.4
% Ch , Annual Rate	5.6	6.0	5.8	5.5	5.3	5.6	5.9	5.5
Employment (Millions)								
U.S. Civilian Labor Force	157.4	157.8	158.2	158.7	159.1	159.6	160.0	160.5
Total U.S. Employment	144.8	145.6	146.4	147.2	148.0	148.9	149.8	150.8
Unemployment Rate (%)	7.97	7.74	7.48	7.22	6.95	6.65	6.36	6.04
Nonfarm Payroll Employment	136.32	137.19	138.05	138.87	139.65	140.43	141.15	141.85
% Ch , Annual Rate	2.2	2.6	2.5	2.4	2.3	2.3	2.1	2.0
Manufacturing	12.34	12.42	12.53	12.64	12.79	12.90	12.98	13.06
% Ch , Annual Rate	3.6	2.7	3.6	3.7	4.7	3.5	2.5	2.5
Durable Manufacturing	7.77	7.85	7.95	8.05	8.19	8.30	8.37	8.44
% Ch , Annual Rate	5.4	4.0	5.2	5.5	7.0	5.2	3.6	3.5
Nondurable Manufacturing	4.56	4.57	4.58	4.59	4.60	4.61	4.62	4.62
% Ch , Annual Rate	0.5	0.6	1.0	0.7	1.0	0.6	0.7	0.8
Construction	5.95	6.06	6.17	6.27	6.36	6.44	6.50	6.55
% Ch , Annual Rate	6.7	7.9	7.0	6.8	6.0	5.1	4.0	2.9
Service-Producing	117.37	118.04	118.70	119.30	119.84	120.44	121.01	121.59
% Ch , Annual Rate	1.8	2.3	2.2	2.0	1.8	2.0	1.9	1.9
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	82.9	83.4	83.8	84.3	84.7	85.1	85.6	86.0
Personal Saving/Disposable Income (%)	3.5	3.5	3.4	3.3	2.6	2.5	2.6	2.9
Auto Sales (Millions)	8.3	8.5	8.6	8.6	8.9	9.1	9.1	9.1
% Ch , Annual Rate	18.6	11.1	0.9	1.9	15.8	9.4	-2.6	0.2
Housing Starts (Millions)	1.545	1.611	1.659	1.685	1.701	1.735	1.781	1.811
% Ch , Annual Rate	21.3	18.5	12.4	6.3	3.8	8.3	10.9	7.0
Federal Budget Surplus (Billions)	-978.7	-964.5	-926.6	-897.3	-758.1	-715.5	-700.4	-705.4
Net Exports (Billions)	-573.6	-578.0	-575.6	-566.8	-548.9	-528.5	-506.9	-483.4
3-Month Treasury Bill Rate (%)	3.46	3.69	3.77	3.80	4.04	4.07	4.11	4.10
10-Year Treasury Note Yield (%)	4.63	4.79	4.82	4.86	4.90	4.93	4.98	5.07
Bond Index of 20 G.O. Munis. (%)	5.14	5.27	5.27	5.25	5.19	5.11	5.08	5.09
30-Year Fixed Mortgage Rate (%)	6.19	6.40	6.45	6.47	6.48	6.48	6.52	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	254.229	260.791	270.049	281.533	293.089
% Ch	6.6	4.7	0.2	-1.2	2.6	3.5	4.3	4.1
Real Wage and Salary Disb.	131.507	138.096	138.201	134.478	136.661	142.111	147.648	153.153
% Ch	5.5	5.0	0.1	-2.7	1.6	4.0	3.9	3.7
Real Nonwage Income	113.774	118.762	119.227	119.751	124.130	127.937	133.885	139.936
% Ch	8.1	4.4	0.4	0.4	3.7	3.1	4.6	4.5
Real Per Capita Income (\$/Person)	38,218	39,362	38,899	37,984	38,541	39,403	40,486	41,507
% Ch	4.7	3.0	-1.2	-2.4	1.5	2.2	2.7	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.055	1.090	1.092	1.110	1.130	1.150	1.173
% Ch	2.7	2.7	3.4	0.2	1.6	1.8	1.8	2.0
Seattle Cons. Price Index (1982-84=1.0)	2.076	2.157	2.247	2.260	2.289	2.334	2.381	2.433
% Ch	3.7	3.9	4.2	0.6	1.3	2.0	2.0	2.1
Average Nonfarm Annual Wage	45,346	47,773	48,855	49,535	51,332	52,941	54,564	56,339
% Ch	5.5	5.4	2.3	1.4	3.6	3.1	3.1	3.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.91	20.51	21.00	23.43	24.01	24.09	24.24	24.52
% Ch	5.8	3.0	2.4	11.5	2.5	0.3	0.6	1.1
Current Dollar Income (Billions of Dollars)								
Personal Income	252.023	271.008	280.678	277.729	289.543	305.216	323.800	343.687
% Ch	9.6	7.5	3.6	-1.1	4.3	5.4	6.1	6.1
Disposable Personal Income	221.774	237.036	247.824	252.267	262.454	274.969	290.338	303.909
% Ch	9.0	6.9	4.6	1.8	4.0	4.8	5.6	4.7
Per Capita Income (\$/Person)	39,267	41,529	42,412	41,494	42,789	44,534	46,564	48,672
% Ch	7.6	5.8	2.1	-2.2	3.1	4.1	4.6	4.5
Employment (Thousands)								
Washington Civilian Labor Force	3,319.6	3,391.2	3,476.8	3,544.7	3,534.6	3,594.1	3,652.6	3,710.9
Total Washington Employment	3,157.0	3,237.4	3,291.0	3,227.6	3,192.7	3,278.9	3,369.6	3,460.9
Unemployment Rate (%)	4.90	4.54	5.34	8.95	9.67	8.77	7.75	6.74
Nonfarm Payroll Employment	2,859.0	2,933.5	2,958.8	2,835.5	2,821.1	2,901.1	2,983.9	3,062.1
% Ch	3.0	2.6	0.9	-4.2	-0.5	2.8	2.9	2.6
Manufacturing	285.9	293.3	291.2	265.9	260.6	268.0	278.5	289.7
% Ch	4.9	2.6	-0.7	-8.7	-2.0	2.8	3.9	4.0
Durable Manufacturing	204.0	211.9	211.3	190.1	185.9	191.2	198.5	206.7
% Ch	6.6	3.9	-0.3	-10.0	-2.2	2.8	3.8	4.1
Aerospace	73.4	80.1	83.0	82.7	80.9	80.2	81.6	84.0
% Ch	11.9	9.1	3.6	-0.4	-2.1	-0.9	1.7	3.0
Nondurable Manufacturing	81.9	81.4	79.8	75.8	74.7	76.7	80.0	83.0
% Ch	0.9	-0.6	-1.9	-5.1	-1.5	2.8	4.2	3.7
Construction	194.8	208.2	200.6	164.2	149.2	150.2	160.2	170.9
% Ch	9.9	6.8	-3.6	-18.1	-9.1	0.6	6.7	6.7
Service-Producing	2,369.5	2,423.8	2,459.5	2,399.1	2,405.1	2,476.2	2,538.0	2,594.2
% Ch	2.2	2.3	1.5	-2.5	0.2	3.0	2.5	2.2
Software Publishers	44.7	47.6	50.9	51.9	51.8	53.1	54.9	57.2
% Ch	8.4	6.4	7.0	2.0	-0.2	2.5	3.4	4.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.033	47.397	28.919	15.939	21.128	33.656	44.308	47.704
% Ch	-5.6	-5.3	-39.0	-44.9	32.6	59.3	31.7	7.7
Single-Family	35.611	30.390	17.440	12.651	17.414	25.701	32.398	33.901
% Ch	-14.0	-14.7	-42.6	-27.5	37.6	47.6	26.1	4.6
Multi-Family	14.422	17.007	11.479	3.288	3.714	7.955	11.910	13.803
% Ch	24.5	17.9	-32.5	-71.4	13.0	114.2	49.7	15.9
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.03	5.16	5.63	6.38	6.53

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	253.914	254.981	253.978	254.042
% Ch, Annual Rate	-3.9	-0.6	-0.6	2.1	-6.4	1.7	-1.6	0.1
Real Wage and Salary Disb.	138.611	137.473	138.110	138.611	135.360	135.152	134.180	133.219
% Ch, Annual Rate	-4.5	-3.2	1.9	1.5	-9.1	-0.6	-2.8	-2.8
Real Nonwage Income	118.964	119.719	118.682	119.542	118.554	119.829	119.798	120.823
% Ch, Annual Rate	-3.1	2.6	-3.4	2.9	-3.3	4.4	-0.1	3.5
Real Per Capita Income (\$/Person)	39,100	38,923	38,744	38,831	38,078	38,143	37,899	37,815
% Ch, Annual Rate	-5.3	-1.8	-1.8	0.9	-7.5	0.7	-2.5	-0.9
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	48,426	49,232	49,447	48,680	49,455	49,885	50,120
% Ch, Annual Rate	-4.1	0.9	6.8	1.8	-6.1	6.5	3.5	1.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.94	21.25	20.95	20.88	23.02	23.34	23.53	23.82
% Ch, Annual Rate	3.3	6.1	-5.5	-1.5	47.8	5.8	3.3	5.0
Current Dollar Income (Billions of Dollars)								
Personal Income	278.114	280.398	283.180	281.018	275.377	277.466	278.141	279.935
% Ch, Annual Rate	-0.3	3.3	4.0	-3.0	-7.8	3.1	1.0	2.6
Disposable Personal Income	243.029	250.148	250.053	248.068	248.023	252.535	253.142	255.370
% Ch, Annual Rate	-0.5	12.2	-0.2	-3.1	-0.1	7.5	1.0	3.6
Per Capita Income (\$/Person)	42,218	42,435	42,725	42,271	41,297	41,507	41,504	41,669
% Ch, Annual Rate	-1.8	2.1	2.8	-4.2	-8.9	2.0	0.0	1.6
Employment (Thousands)								
Washington Civilian Labor Force	3,444.9	3,458.9	3,489.0	3,514.2	3,539.9	3,554.8	3,562.0	3,522.3
Total Washington Employment	3,283.4	3,282.7	3,300.2	3,297.6	3,243.4	3,230.5	3,240.5	3,195.9
Unemployment Rate (%)	4.69	5.10	5.41	6.16	8.38	9.12	9.02	9.27
Nonfarm Payroll Employment	2,973.7	2,970.5	2,966.2	2,924.8	2,885.9	2,845.0	2,813.7	2,797.3
% Ch, Annual Rate	2.3	-0.4	-0.6	-5.5	-5.2	-5.5	-4.3	-2.3
Manufacturing	297.1	294.9	293.0	279.6	276.3	266.8	261.9	258.6
% Ch, Annual Rate	1.8	-2.8	-2.6	-17.0	-4.7	-13.1	-7.1	-5.0
Durable Manufacturing	215.8	214.7	214.0	200.8	199.5	190.8	186.5	183.7
% Ch, Annual Rate	2.3	-2.1	-1.3	-22.4	-2.7	-16.2	-8.8	-5.9
Aerospace	84.1	84.5	85.8	77.5	84.9	82.9	81.9	81.0
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	44.0	-9.0	-4.9	-4.5
Nondurable Manufacturing	81.3	80.3	79.0	78.8	76.9	76.0	75.5	75.0
% Ch, Annual Rate	0.6	-4.7	-6.0	-1.0	-9.6	-4.5	-2.5	-2.8
Construction	208.7	204.8	199.4	189.7	177.0	166.6	158.7	154.5
% Ch, Annual Rate	-0.5	-7.2	-10.2	-18.0	-24.2	-21.6	-17.7	-10.1
Service-Producing	2,460.2	2,463.2	2,466.3	2,448.2	2,425.9	2,405.6	2,386.9	2,378.0
% Ch, Annual Rate	2.6	0.5	0.5	-2.9	-3.6	-3.3	-3.1	-1.5
Software Publishers	49.1	50.4	51.7	52.6	53.0	52.2	51.3	51.2
% Ch, Annual Rate	8.5	10.8	10.5	7.1	3.6	-5.9	-6.8	-1.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.378	32.552	27.482	22.264	15.148	13.913	17.503	17.192
% Ch, Annual Rate	-53.6	-9.5	-49.2	-56.9	-78.6	-28.8	150.5	-6.9
Single-Family	20.676	18.942	17.258	12.884	9.990	11.744	14.518	14.352
% Ch, Annual Rate	-41.5	-29.6	-31.1	-68.9	-63.9	90.9	133.6	-4.5
Multi-Family	12.701	13.610	10.225	9.380	5.157	2.170	2.985	2.840
% Ch, Annual Rate	-67.2	31.9	-68.1	-29.2	-90.9	-96.9	258.3	-18.1
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.89

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	256.800	259.637	263.052	263.676	266.079	268.517	272.553	273.046
% Ch, Annual Rate	4.4	4.5	5.4	1.0	3.7	3.7	6.1	0.7
Real Wage and Salary Disb.	134.669	136.016	138.157	137.802	139.800	141.258	144.059	143.328
% Ch, Annual Rate	4.4	4.1	6.4	-1.0	5.9	4.2	8.2	-2.0
Real Nonwage Income	122.130	123.621	124.896	125.873	126.279	127.259	128.494	129.718
% Ch, Annual Rate	4.4	5.0	4.2	3.2	1.3	3.1	3.9	3.9
Real Per Capita Income (\$/Person)	38,131	38,428	38,814	38,790	39,022	39,251	39,704	39,635
% Ch, Annual Rate	3.4	3.2	4.1	-0.3	2.4	2.4	4.7	-0.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.105	1.108	1.112	1.116	1.123	1.128	1.133	1.137
% Ch, Annual Rate	1.2	0.8	1.6	1.6	2.3	1.7	1.9	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.278	2.283	2.292	2.302	2.316	2.328	2.341	2.352
% Ch, Annual Rate	1.4	0.8	1.6	1.8	2.4	2.1	2.3	1.9
Average Nonfarm Annual Wage	50,728	51,028	51,874	51,697	52,380	52,668	53,560	53,157
% Ch, Annual Rate	4.9	2.4	6.8	-1.4	5.4	2.2	7.0	-3.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.96	23.99	24.02	24.05	24.06	24.08	24.10	24.12
% Ch, Annual Rate	2.3	0.6	0.5	0.4	0.2	0.2	0.4	0.3
Current Dollar Income (Billions of Dollars)								
Personal Income	283.810	287.548	292.462	294.352	298.758	302.779	308.758	310.572
% Ch, Annual Rate	5.7	5.4	7.0	2.6	6.1	5.5	8.1	2.4
Disposable Personal Income	257.582	260.869	265.188	266.177	269.708	272.895	277.946	279.327
% Ch, Annual Rate	3.5	5.2	6.8	1.5	5.4	4.8	7.6	2.0
Per Capita Income (\$/Person)	42,141	42,559	43,153	43,302	43,814	44,259	44,979	45,082
% Ch, Annual Rate	4.6	4.0	5.7	1.4	4.8	4.1	6.7	0.9
Employment (Thousands)								
Washington Civilian Labor Force	3,515.2	3,529.8	3,540.5	3,552.8	3,568.9	3,586.7	3,603.3	3,617.6
Total Washington Employment	3,174.4	3,183.5	3,197.2	3,215.9	3,237.5	3,267.9	3,294.7	3,315.6
Unemployment Rate (%)	9.69	9.81	9.70	9.48	9.29	8.89	8.57	8.35
Nonfarm Payroll Employment	2,800.1	2,817.3	2,827.0	2,840.2	2,861.1	2,890.4	2,916.3	2,936.6
% Ch, Annual Rate	0.4	2.5	1.4	1.9	3.0	4.2	3.6	2.8
Manufacturing	259.1	259.7	260.9	262.8	264.0	266.4	269.3	272.1
% Ch, Annual Rate	0.8	0.8	1.9	3.1	1.8	3.7	4.4	4.3
Durable Manufacturing	184.2	185.1	186.3	188.1	189.0	190.2	191.9	193.8
% Ch, Annual Rate	1.2	2.0	2.6	4.0	1.9	2.4	3.7	4.0
Aerospace	81.1	81.1	80.9	80.7	80.4	80.2	80.1	80.1
% Ch, Annual Rate	0.5	0.0	-0.8	-1.2	-1.2	-1.2	-0.4	0.0
Nondurable Manufacturing	74.9	74.6	74.6	74.7	75.0	76.3	77.4	78.3
% Ch, Annual Rate	-0.2	-1.9	0.1	0.6	1.8	6.8	6.0	4.9
Construction	151.0	149.2	148.3	148.4	148.5	148.7	150.2	153.2
% Ch, Annual Rate	-8.7	-4.9	-2.3	0.4	0.3	0.5	4.1	8.0
Service-Producing	2,383.9	2,402.4	2,411.6	2,422.5	2,442.0	2,468.6	2,490.0	2,504.3
% Ch, Annual Rate	1.0	3.1	1.5	1.8	3.3	4.4	3.5	2.3
Software Publishers	51.4	51.7	51.9	52.3	52.7	53.0	53.2	53.5
% Ch, Annual Rate	1.6	2.8	1.4	3.0	3.4	1.9	2.0	2.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	18.805	20.931	21.384	23.392	27.120	31.733	36.402	39.368
% Ch, Annual Rate	43.2	53.5	8.9	43.2	80.7	87.4	73.2	36.8
Single-Family	15.859	17.022	17.601	19.173	21.487	24.410	27.464	29.443
% Ch, Annual Rate	49.1	32.7	14.3	40.8	57.8	66.5	60.3	32.1
Multi-Family	2.946	3.909	3.783	4.219	5.633	7.323	8.937	9.925
% Ch, Annual Rate	15.9	209.8	-12.2	54.6	217.8	185.6	121.9	52.1
30-Year Fixed Mortgage Rate (%)	5.00	5.09	5.20	5.34	5.38	5.52	5.70	5.93

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	276.606	279.854	284.745	284.929	288.186	291.139	296.454	296.578
% Ch, Annual Rate	5.3	4.8	7.2	0.3	4.7	4.2	7.5	0.2
Real Wage and Salary Disb.	145.366	146.696	149.931	148.599	150.678	152.050	155.631	154.254
% Ch, Annual Rate	5.8	3.7	9.1	-3.5	5.7	3.7	9.8	-3.5
Real Nonwage Income	131.239	133.158	134.814	136.329	137.507	139.089	140.823	142.324
% Ch, Annual Rate	4.8	6.0	5.1	4.6	3.5	4.7	5.1	4.3
Real Per Capita Income (\$/Person)	40,005	40,324	40,873	40,742	41,050	41,311	41,905	41,763
% Ch, Annual Rate	3.8	3.2	5.6	-1.3	3.1	2.6	5.9	-1.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.143	1.147	1.153	1.158	1.164	1.170	1.175	1.181
% Ch, Annual Rate	1.8	1.6	1.9	1.8	2.3	1.9	1.9	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.364	2.375	2.387	2.399	2.414	2.426	2.439	2.451
% Ch, Annual Rate	2.1	1.8	2.1	2.0	2.5	2.1	2.1	2.1
Average Nonfarm Annual Wage	53,859	54,241	55,383	54,773	55,503	55,937	57,245	56,671
% Ch, Annual Rate	5.4	2.9	8.7	-4.3	5.4	3.2	9.7	-3.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.16	24.21	24.29	24.33	24.36	24.46	24.57	24.67
% Ch, Annual Rate	0.6	0.9	1.2	0.6	0.6	1.7	1.8	1.6
Current Dollar Income (Billions of Dollars)								
Personal Income	316.059	321.066	328.216	329.859	335.537	340.552	348.435	350.223
% Ch, Annual Rate	7.3	6.5	9.2	2.0	7.1	6.1	9.6	2.1
Disposable Personal Income	283.934	288.228	294.112	295.079	297.613	301.044	307.601	309.378
% Ch, Annual Rate	6.8	6.2	8.4	1.3	3.5	4.7	9.0	2.3
Per Capita Income (\$/Person)	45,712	46,263	47,113	47,167	47,794	48,323	49,253	49,317
% Ch, Annual Rate	5.7	4.9	7.6	0.5	5.4	4.5	7.9	0.5
Employment (Thousands)								
Washington Civilian Labor Force	3,630.4	3,645.1	3,660.1	3,674.6	3,689.2	3,704.1	3,718.3	3,732.2
Total Washington Employment	3,335.0	3,358.1	3,381.5	3,403.7	3,426.8	3,450.3	3,472.6	3,494.0
Unemployment Rate (%)	8.14	7.87	7.61	7.37	7.11	6.85	6.61	6.38
Nonfarm Payroll Employment	2,953.4	2,973.8	2,994.5	3,014.0	3,033.4	3,053.3	3,071.9	3,089.7
% Ch, Annual Rate	2.3	2.8	2.8	2.6	2.6	2.6	2.5	2.3
Manufacturing	274.7	276.8	279.8	282.6	285.9	288.6	290.9	293.2
% Ch, Annual Rate	3.9	3.1	4.3	4.1	4.9	3.8	3.2	3.2
Durable Manufacturing	195.8	197.3	199.4	201.5	204.1	206.0	207.6	209.1
% Ch, Annual Rate	4.2	3.0	4.3	4.2	5.3	3.9	3.0	2.9
Aerospace	80.7	81.3	81.9	82.5	83.1	83.7	84.3	85.0
% Ch, Annual Rate	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Nondurable Manufacturing	78.9	79.6	80.4	81.1	81.9	82.6	83.3	84.2
% Ch, Annual Rate	3.1	3.4	4.1	3.6	3.8	3.5	3.7	4.1
Construction	155.6	158.8	161.9	164.7	167.4	170.1	172.4	173.8
% Ch, Annual Rate	6.5	8.7	8.0	7.0	6.8	6.5	5.6	3.3
Service-Producing	2,516.0	2,530.9	2,545.6	2,559.5	2,572.8	2,587.3	2,601.3	2,615.4
% Ch, Annual Rate	1.9	2.4	2.3	2.2	2.1	2.3	2.2	2.2
Software Publishers	54.1	54.6	55.2	55.8	56.4	56.9	57.5	58.0
% Ch, Annual Rate	4.5	4.0	4.4	4.3	4.2	4.0	3.8	3.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	41.761	43.935	45.373	46.163	46.674	47.308	48.207	48.628
% Ch, Annual Rate	26.6	22.5	13.7	7.2	4.5	5.6	7.8	3.5
Single-Family	30.868	32.289	33.101	33.332	33.416	33.721	34.151	34.318
% Ch, Annual Rate	20.8	19.7	10.4	2.8	1.0	3.7	5.2	2.0
Multi-Family	10.893	11.646	12.272	12.831	13.258	13.588	14.056	14.310
% Ch, Annual Rate	45.1	30.7	23.3	19.5	14.0	10.3	14.5	7.4
30-Year Fixed Mortgage Rate (%)	6.19	6.40	6.45	6.47	6.48	6.48	6.52	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	136.10	137.60	137.05	131.97	131.53	134.27	137.61	140.77
% Ch	1.8	1.1	-0.4	-3.7	-0.3	2.1	2.5	2.3
Manufacturing	14.16	13.88	13.42	11.99	11.65	12.01	12.48	12.94
% Ch	-0.5	-2.0	-3.3	-10.7	-2.8	3.0	4.0	3.6
Durable Manufacturing	8.98	8.81	8.47	7.36	7.14	7.48	7.90	8.32
% Ch	0.3	-1.9	-3.8	-13.0	-3.0	4.7	5.7	5.3
Wood Products	0.56	0.52	0.46	0.37	0.38	0.44	0.49	0.50
% Ch	0.0	-7.8	-10.9	-18.8	2.3	15.4	10.3	3.2
Primary and Fabricated Metals	2.02	2.02	1.97	1.69	1.61	1.64	1.73	1.84
% Ch	1.5	0.1	-2.4	-14.2	-4.8	2.0	5.2	6.6
Computer and Electronic Products	1.31	1.27	1.25	1.15	1.16	1.18	1.17	1.18
% Ch	-0.7	-2.7	-2.0	-7.8	1.0	1.6	-1.1	1.1
Machinery and Electrical Equipment	1.62	1.62	1.61	1.40	1.32	1.36	1.43	1.49
% Ch	1.1	0.0	-0.5	-12.7	-6.3	3.6	5.1	4.1
Transportation Equipment	1.77	1.71	1.61	1.35	1.32	1.42	1.59	1.74
% Ch	-0.2	-3.2	-6.2	-15.8	-2.6	8.1	11.5	9.5
Other Durables	1.71	1.67	1.58	1.39	1.36	1.43	1.50	1.57
% Ch	-0.4	-2.4	-5.7	-11.7	-2.6	5.4	5.1	4.4
Nondurable Manufacturing	5.18	5.07	4.95	4.62	4.51	4.53	4.58	4.61
% Ch	-1.8	-2.0	-2.3	-6.7	-2.5	0.4	1.1	0.8
Food Manufacturing	1.48	1.48	1.48	1.47	1.48	1.50	1.54	1.58
% Ch	0.1	0.3	0.0	-0.8	0.2	1.8	2.4	2.5
Paper and Paper Products	0.47	0.46	0.45	0.41	0.39	0.40	0.41	0.42
% Ch	-2.8	-2.6	-2.8	-7.8	-4.4	0.9	2.6	2.5
Other Nondurables	3.22	3.13	3.02	2.74	2.64	2.63	2.63	2.62
% Ch	-2.5	-3.0	-3.4	-9.5	-3.6	-0.5	0.1	-0.5
Natural Resources and Mining	0.68	0.72	0.77	0.72	0.68	0.67	0.66	0.65
% Ch	9.1	5.8	6.8	-6.3	-6.7	-1.0	-0.6	-2.8
Construction	7.69	7.63	7.21	6.23	5.69	5.74	6.11	6.47
% Ch	4.9	-0.8	-5.5	-13.6	-8.8	0.9	6.5	5.8
Trade, Transportation, and Utilities	26.28	26.63	26.38	25.27	25.05	25.48	26.22	26.95
% Ch	1.2	1.3	-0.9	-4.2	-0.9	1.7	2.9	2.8
Wholesale Trade	5.90	6.02	5.96	5.69	5.60	5.65	5.90	6.04
% Ch	2.5	1.9	-0.9	-4.6	-1.5	0.9	4.3	2.4
Retail Trade	15.36	15.52	15.35	14.79	14.73	14.99	15.22	15.61
% Ch	0.5	1.1	-1.1	-3.7	-0.3	1.8	1.5	2.6
Trans., Warehousing, and Utilities	5.02	5.09	5.06	4.79	4.71	4.84	5.10	5.30
% Ch	2.0	1.5	-0.6	-5.3	-1.7	2.7	5.5	3.8
Information	3.04	3.03	3.00	2.85	2.71	2.80	2.81	2.81
% Ch	-0.8	-0.2	-1.2	-4.8	-5.1	3.3	0.3	0.2
Publishing Industries	0.90	0.90	0.88	0.80	0.72	0.71	0.72	0.73
% Ch	-0.2	-0.1	-2.1	-9.0	-10.6	-1.0	0.9	1.5
Other Information	2.14	2.13	2.11	2.05	1.99	2.09	2.09	2.08
% Ch	-1.0	-0.2	-0.8	-3.0	-3.0	4.9	0.1	-0.3
Financial Activities	8.33	8.30	8.14	7.77	7.57	7.67	7.90	7.99
% Ch	2.2	-0.3	-1.9	-4.6	-2.6	1.4	3.0	1.1
Professional and Business Services	17.57	17.95	17.78	16.78	17.24	18.62	19.63	20.46
% Ch	3.7	2.1	-0.9	-5.6	2.7	8.0	5.5	4.2
Education and Health Services	17.82	18.32	18.86	19.27	19.75	20.27	20.73	21.11
% Ch	2.6	2.8	2.9	2.2	2.5	2.6	2.3	1.8
Leisure and Hospitality	13.11	13.43	13.46	13.18	13.28	13.43	13.67	14.07
% Ch	2.3	2.4	0.2	-2.0	0.7	1.2	1.8	2.9
Other Services	5.44	5.49	5.53	5.41	5.39	5.42	5.44	5.47
% Ch	0.8	1.0	0.6	-2.1	-0.3	0.5	0.3	0.6
Federal Government	2.73	2.73	2.76	2.82	3.03	2.82	2.73	2.65
% Ch	0.0	0.1	1.1	2.2	7.2	-6.8	-3.4	-2.9
State and Local Government	19.24	19.49	19.73	19.66	19.51	19.34	19.22	19.22
% Ch	0.9	1.3	1.3	-0.4	-0.8	-0.9	-0.6	0.0

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	137.94	137.51	137.00	135.73	133.66	132.12	131.26	130.82
% Ch, Annual Rate	-0.2	-1.3	-1.5	-3.7	-5.9	-4.5	-2.6	-1.3
Manufacturing	13.69	13.55	13.39	13.06	12.47	12.01	11.79	11.68
% Ch, Annual Rate	-2.4	-4.1	-4.7	-9.4	-17.0	-14.0	-7.2	-3.5
Durable Manufacturing	8.67	8.56	8.44	8.20	7.75	7.38	7.21	7.12
% Ch, Annual Rate	-2.7	-5.0	-5.4	-11.1	-20.2	-17.9	-8.9	-4.6
Wood Products	0.49	0.47	0.45	0.43	0.39	0.37	0.36	0.36
% Ch, Annual Rate	-10.3	-13.1	-13.9	-19.6	-28.2	-18.7	-11.9	-2.4
Primary and Fabricated Metals	2.01	1.99	1.97	1.91	1.80	1.69	1.65	1.63
% Ch, Annual Rate	-0.7	-3.9	-4.3	-10.7	-22.6	-20.6	-10.9	-4.3
Computer and Electronic Products	1.26	1.25	1.25	1.23	1.20	1.16	1.13	1.12
% Ch, Annual Rate	-0.7	-1.5	-1.6	-4.8	-10.4	-13.4	-9.9	-3.1
Machinery and Electrical Equipment	1.62	1.62	1.61	1.58	1.50	1.41	1.37	1.34
% Ch, Annual Rate	0.8	0.1	-1.9	-7.6	-19.5	-20.9	-11.6	-8.9
Transportation Equipment	1.67	1.63	1.59	1.52	1.42	1.34	1.33	1.33
% Ch, Annual Rate	-4.6	-8.8	-9.5	-17.0	-25.1	-20.5	-1.5	-2.0
Other Durables	1.63	1.60	1.57	1.52	1.45	1.40	1.37	1.35
% Ch, Annual Rate	-5.8	-7.6	-6.5	-11.2	-18.0	-12.3	-9.2	-4.5
Nondurable Manufacturing	5.02	4.99	4.94	4.86	4.72	4.63	4.58	4.56
% Ch, Annual Rate	-1.9	-2.6	-3.4	-6.4	-11.4	-7.1	-4.4	-1.8
Food Manufacturing	1.49	1.48	1.48	1.48	1.47	1.47	1.48	1.48
% Ch, Annual Rate	0.2	-1.5	-0.3	0.6	-4.3	1.7	0.6	0.0
Paper and Paper Products	0.45	0.45	0.44	0.44	0.42	0.41	0.41	0.40
% Ch, Annual Rate	-2.9	-1.5	-4.3	-6.9	-12.2	-10.1	-5.2	-3.2
Other Nondurables	3.08	3.05	3.02	2.94	2.83	2.75	2.70	2.68
% Ch, Annual Rate	-2.7	-3.3	-4.8	-9.6	-14.8	-11.0	-6.8	-2.6
Natural Resources and Mining	0.75	0.76	0.79	0.79	0.77	0.73	0.71	0.69
% Ch, Annual Rate	8.6	6.4	12.6	3.1	-11.3	-18.4	-11.5	-10.3
Construction	7.45	7.29	7.17	6.95	6.59	6.30	6.10	5.94
% Ch, Annual Rate	-5.4	-8.2	-6.3	-11.8	-19.1	-16.3	-12.2	-9.9
Trade, Transportation, and Utilities	26.67	26.51	26.35	26.00	25.61	25.31	25.14	25.02
% Ch, Annual Rate	-0.7	-2.3	-2.5	-5.1	-5.9	-4.5	-2.7	-1.8
Wholesale Trade	6.02	5.99	5.96	5.89	5.78	5.70	5.66	5.63
% Ch, Annual Rate	-1.4	-2.2	-2.2	-4.6	-7.2	-5.6	-2.4	-2.5
Retail Trade	15.53	15.43	15.33	15.13	14.93	14.81	14.72	14.68
% Ch, Annual Rate	-0.6	-2.7	-2.5	-5.2	-5.0	-3.1	-2.5	-1.2
Trans., Warehousing, and Utilities	5.11	5.09	5.06	4.99	4.90	4.80	4.76	4.72
% Ch, Annual Rate	-0.1	-1.3	-2.8	-5.5	-7.2	-7.4	-3.8	-3.0
Information	3.02	3.01	2.99	2.96	2.92	2.86	2.83	2.81
% Ch, Annual Rate	-0.6	-1.5	-2.8	-3.7	-6.2	-7.1	-4.4	-3.3
Publishing Industries	0.90	0.89	0.88	0.86	0.84	0.81	0.79	0.78
% Ch, Annual Rate	-1.3	-2.4	-4.6	-6.6	-12.3	-12.1	-9.4	-7.5
Other Information	2.13	2.12	2.11	2.10	2.08	2.05	2.04	2.03
% Ch, Annual Rate	-0.3	-1.1	-2.1	-2.4	-3.5	-5.0	-2.4	-1.6
Financial Activities	8.21	8.18	8.14	8.05	7.90	7.78	7.72	7.69
% Ch, Annual Rate	-1.8	-1.8	-2.0	-4.3	-7.0	-6.0	-3.2	-1.7
Professional and Business Services	18.01	17.89	17.73	17.49	17.05	16.73	16.63	16.73
% Ch, Annual Rate	-0.8	-2.8	-3.5	-5.4	-9.6	-7.2	-2.4	2.4
Education and Health Services	18.66	18.80	18.93	19.04	19.14	19.21	19.31	19.41
% Ch, Annual Rate	2.8	3.1	2.9	2.2	2.2	1.6	2.0	2.1
Leisure and Hospitality	13.53	13.50	13.45	13.35	13.24	13.18	13.17	13.15
% Ch, Annual Rate	-0.1	-0.9	-1.4	-3.1	-3.3	-1.7	-0.2	-0.6
Other Services	5.53	5.54	5.53	5.51	5.45	5.42	5.41	5.37
% Ch, Annual Rate	1.8	0.6	-0.5	-1.8	-4.4	-1.9	-1.0	-2.4
Federal Government	2.74	2.76	2.77	2.78	2.80	2.85	2.83	2.82
% Ch, Annual Rate	0.8	2.6	1.4	1.0	3.0	7.6	-3.5	-0.5
State and Local Government	19.67	19.73	19.77	19.76	19.74	19.73	19.64	19.51
% Ch, Annual Rate	1.7	1.1	0.9	-0.2	-0.3	-0.2	-1.8	-2.7

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	130.91	131.42	131.67	132.13	132.80	133.88	134.83	135.59
% Ch, Annual Rate	0.3	1.5	0.8	1.4	2.0	3.3	2.9	2.3
Manufacturing	11.65	11.60	11.62	11.73	11.80	11.92	12.07	12.23
% Ch, Annual Rate	-1.1	-1.6	0.8	3.9	2.3	4.2	5.2	5.1
Durable Manufacturing	7.11	7.09	7.13	7.25	7.31	7.41	7.53	7.67
% Ch, Annual Rate	-0.9	-0.9	2.2	6.9	3.7	5.1	6.9	7.5
Wood Products	0.37	0.37	0.38	0.40	0.42	0.43	0.45	0.46
% Ch, Annual Rate	8.3	6.7	11.4	17.8	16.1	17.0	16.9	14.6
Primary and Fabricated Metals	1.63	1.61	1.60	1.61	1.61	1.63	1.65	1.68
% Ch, Annual Rate	-0.5	-4.5	-2.6	3.7	0.8	2.9	5.9	6.9
Computer and Electronic Products	1.13	1.15	1.18	1.19	1.18	1.18	1.18	1.18
% Ch, Annual Rate	3.9	8.0	9.7	4.6	-2.3	-2.2	0.3	1.0
Machinery and Electrical Equipment	1.32	1.31	1.30	1.33	1.34	1.35	1.37	1.39
% Ch, Annual Rate	-4.0	-3.6	-2.9	7.5	3.2	4.9	5.8	5.8
Transportation Equipment	1.31	1.30	1.31	1.34	1.37	1.40	1.44	1.49
% Ch, Annual Rate	-4.1	-3.2	3.8	9.7	7.4	10.2	11.2	13.4
Other Durables	1.35	1.35	1.36	1.38	1.40	1.42	1.44	1.47
% Ch, Annual Rate	-1.4	-0.7	2.7	6.3	5.7	6.1	7.7	7.0
Nondurable Manufacturing	4.54	4.51	4.49	4.49	4.49	4.52	4.54	4.56
% Ch, Annual Rate	-1.5	-2.8	-1.3	-0.8	0.1	2.7	2.3	1.4
Food Manufacturing	1.47	1.47	1.48	1.48	1.48	1.50	1.51	1.52
% Ch, Annual Rate	-0.4	0.0	0.7	0.3	0.8	4.3	3.9	3.0
Paper and Paper Products	0.40	0.39	0.39	0.39	0.39	0.40	0.40	0.40
% Ch, Annual Rate	-3.7	-5.1	-4.0	-0.9	1.8	5.9	2.3	2.2
Other Nondurables	2.67	2.64	2.63	2.62	2.61	2.62	2.63	2.64
% Ch, Annual Rate	-1.8	-3.9	-2.0	-1.3	-0.6	1.3	1.5	0.4
Natural Resources and Mining	0.69	0.68	0.67	0.67	0.67	0.67	0.67	0.67
% Ch, Annual Rate	-1.9	-4.6	-5.1	-0.7	-1.1	0.3	2.1	0.6
Construction	5.81	5.70	5.61	5.63	5.64	5.69	5.77	5.85
% Ch, Annual Rate	-8.5	-7.3	-6.7	1.5	0.7	3.9	5.8	5.8
Trade, Transportation, and Utilities	25.04	25.02	25.08	25.06	25.17	25.39	25.58	25.80
% Ch, Annual Rate	0.2	-0.3	0.9	-0.2	1.7	3.6	3.0	3.4
Wholesale Trade	5.67	5.62	5.58	5.54	5.53	5.62	5.70	5.77
% Ch, Annual Rate	2.9	-2.9	-2.9	-2.9	-0.7	6.4	5.6	5.2
Retail Trade	14.64	14.68	14.79	14.83	14.92	14.97	15.00	15.07
% Ch, Annual Rate	-1.1	1.3	2.9	0.9	2.6	1.5	0.8	1.9
Trans., Warehousing, and Utilities	4.73	4.71	4.70	4.70	4.72	4.80	4.88	4.95
% Ch, Annual Rate	1.2	-2.0	-0.7	-0.4	1.6	7.2	6.9	6.2
Information	2.75	2.69	2.67	2.71	2.75	2.79	2.82	2.82
% Ch, Annual Rate	-8.4	-7.3	-3.0	5.8	6.1	5.4	4.9	-0.1
Publishing Industries	0.75	0.72	0.70	0.71	0.71	0.71	0.71	0.71
% Ch, Annual Rate	-13.4	-16.0	-7.1	2.2	0.6	1.0	1.4	1.3
Other Information	2.00	1.98	1.97	2.01	2.05	2.08	2.11	2.11
% Ch, Annual Rate	-6.4	-3.9	-1.5	7.1	8.2	7.0	6.1	-0.5
Financial Activities	7.65	7.60	7.54	7.48	7.55	7.64	7.72	7.79
% Ch, Annual Rate	-1.7	-2.9	-2.9	-3.4	3.9	5.1	4.1	3.5
Professional and Business Services	16.82	17.05	17.36	17.72	18.08	18.50	18.84	19.05
% Ch, Annual Rate	2.3	5.5	7.4	8.5	8.4	9.6	7.5	4.5
Education and Health Services	19.55	19.68	19.85	19.94	20.02	20.21	20.38	20.49
% Ch, Annual Rate	2.9	2.7	3.6	1.7	1.7	3.8	3.5	2.1
Leisure and Hospitality	13.14	13.23	13.35	13.38	13.39	13.43	13.45	13.46
% Ch, Annual Rate	-0.5	2.9	3.7	0.9	0.1	1.2	0.6	0.4
Other Services	5.38	5.38	5.40	5.42	5.44	5.43	5.41	5.42
% Ch, Annual Rate	0.5	0.1	1.8	1.1	1.5	-0.9	-0.8	0.1
Federal Government	2.92	3.26	3.03	2.90	2.87	2.84	2.81	2.78
% Ch, Annual Rate	14.8	54.3	-24.8	-16.8	-4.2	-3.9	-4.1	-3.9
State and Local Government	19.52	19.53	19.49	19.50	19.44	19.38	19.30	19.24
% Ch, Annual Rate	0.2	0.2	-0.9	0.3	-1.3	-1.1	-1.6	-1.2

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	136.32	137.19	138.05	138.87	139.65	140.43	141.15	141.85
% Ch, Annual Rate	2.2	2.6	2.5	2.4	2.3	2.3	2.1	2.0
Manufacturing	12.34	12.42	12.53	12.64	12.79	12.90	12.98	13.06
% Ch, Annual Rate	3.6	2.7	3.6	3.7	4.7	3.5	2.5	2.5
Durable Manufacturing	7.77	7.85	7.95	8.05	8.19	8.30	8.37	8.44
% Ch, Annual Rate	5.4	4.0	5.2	5.5	7.0	5.2	3.6	3.5
Wood Products	0.48	0.48	0.49	0.49	0.50	0.50	0.50	0.51
% Ch, Annual Rate	10.1	7.4	3.9	2.9	3.3	3.2	1.8	1.7
Primary and Fabricated Metals	1.70	1.71	1.74	1.76	1.80	1.83	1.86	1.88
% Ch, Annual Rate	4.2	4.6	4.9	6.8	8.2	7.2	5.8	5.4
Computer and Electronic Products	1.18	1.16	1.17	1.17	1.19	1.18	1.18	1.17
% Ch, Annual Rate	-1.6	-6.1	2.7	1.2	5.9	-0.5	-2.4	-1.2
Machinery and Electrical Equipment	1.41	1.42	1.44	1.46	1.48	1.49	1.50	1.50
% Ch, Annual Rate	5.4	3.8	4.8	4.8	5.1	4.1	2.3	0.8
Transportation Equipment	1.53	1.57	1.61	1.65	1.69	1.72	1.75	1.79
% Ch, Annual Rate	11.9	11.2	10.2	9.9	10.3	9.1	7.3	7.6
Other Durables	1.49	1.50	1.51	1.52	1.55	1.57	1.58	1.59
% Ch, Annual Rate	4.8	3.4	3.1	4.3	5.7	5.1	3.1	3.4
Nondurable Manufacturing	4.56	4.57	4.58	4.59	4.60	4.61	4.62	4.62
% Ch, Annual Rate	0.5	0.6	1.0	0.7	1.0	0.6	0.7	0.8
Food Manufacturing	1.53	1.53	1.54	1.55	1.56	1.57	1.58	1.60
% Ch, Annual Rate	1.3	1.8	2.5	2.4	2.6	2.5	2.8	3.1
Paper and Paper Products	0.40	0.41	0.41	0.41	0.41	0.42	0.42	0.42
% Ch, Annual Rate	2.2	2.5	2.9	2.5	3.0	2.1	2.0	2.2
Other Nondurables	2.63	2.63	2.63	2.63	2.62	2.62	2.61	2.61
% Ch, Annual Rate	-0.2	-0.5	-0.2	-0.6	-0.3	-0.8	-0.7	-0.8
Natural Resources and Mining	0.67	0.67	0.66	0.66	0.65	0.65	0.64	0.64
% Ch, Annual Rate	-1.1	-1.8	-1.9	-2.7	-3.4	-2.7	-3.0	-3.3
Construction	5.95	6.06	6.17	6.27	6.36	6.44	6.50	6.55
% Ch, Annual Rate	6.7	7.9	7.0	6.8	6.0	5.1	4.0	2.9
Trade, Transportation, and Utilities	25.96	26.14	26.31	26.47	26.65	26.86	27.05	27.23
% Ch, Annual Rate	2.5	2.8	2.7	2.5	2.8	3.1	2.8	2.8
Wholesale Trade	5.82	5.88	5.93	5.97	5.99	6.03	6.06	6.09
% Ch, Annual Rate	3.8	3.9	3.5	2.6	1.9	2.3	2.1	2.0
Retail Trade	15.12	15.19	15.24	15.32	15.42	15.56	15.67	15.79
% Ch, Annual Rate	1.3	1.8	1.5	1.9	2.8	3.4	2.9	3.1
Trans., Warehousing, and Utilities	5.01	5.07	5.13	5.19	5.24	5.28	5.32	5.35
% Ch, Annual Rate	4.8	4.8	5.2	4.4	3.7	3.2	3.1	2.6
Information	2.81	2.81	2.80	2.80	2.80	2.81	2.81	2.82
% Ch, Annual Rate	-1.1	-0.6	-1.4	-0.5	1.0	0.9	0.7	0.2
Publishing Industries	0.72	0.72	0.72	0.72	0.72	0.73	0.73	0.73
% Ch, Annual Rate	1.1	0.2	0.5	1.2	2.3	2.0	1.6	0.8
Other Information	2.10	2.09	2.08	2.08	2.08	2.08	2.08	2.08
% Ch, Annual Rate	-1.9	-0.9	-2.0	-1.1	0.5	0.5	0.4	-0.1
Financial Activities	7.84	7.88	7.93	7.95	7.97	7.98	8.00	8.02
% Ch, Annual Rate	2.7	2.4	2.4	1.1	0.6	0.5	1.2	1.2
Professional and Business Services	19.24	19.52	19.78	19.99	20.16	20.35	20.56	20.79
% Ch, Annual Rate	4.2	5.8	5.4	4.3	3.5	4.0	4.0	4.5
Education and Health Services	20.59	20.70	20.78	20.87	20.95	21.07	21.16	21.24
% Ch, Annual Rate	1.9	2.2	1.5	1.8	1.6	2.2	1.9	1.4
Leisure and Hospitality	13.53	13.61	13.72	13.83	13.94	14.02	14.11	14.21
% Ch, Annual Rate	1.9	2.6	3.1	3.5	3.0	2.4	2.5	2.9
Other Services	5.42	5.43	5.44	5.46	5.47	5.47	5.47	5.47
% Ch, Annual Rate	0.7	0.1	1.3	1.6	0.7	-0.3	0.0	-0.2
Federal Government	2.76	2.74	2.71	2.69	2.67	2.66	2.64	2.62
% Ch, Annual Rate	-3.1	-3.1	-3.2	-2.9	-2.9	-2.7	-2.7	-2.5
State and Local Government	19.22	19.22	19.23	19.23	19.22	19.23	19.22	19.21
% Ch, Annual Rate	-0.5	0.0	0.1	0.0	0.0	0.1	-0.2	-0.3

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	2,958.8	2,835.5	2,821.1	2,901.1	2,983.9	3,062.1
% Ch	3.0	2.6	0.9	-4.2	-0.5	2.8	2.9	2.6
Manufacturing	285.9	293.3	291.2	265.9	260.6	268.0	278.5	289.7
% Ch	4.9	2.6	-0.7	-8.7	-2.0	2.8	3.9	4.0
Durable Manufacturing	204.0	211.9	211.3	190.1	185.9	191.2	198.5	206.7
% Ch	6.6	3.9	-0.3	-10.0	-2.2	2.8	3.8	4.1
Wood Products	20.3	19.2	17.0	13.2	13.2	14.7	15.8	16.0
% Ch	1.1	-5.4	-11.4	-22.0	-0.6	11.6	7.3	1.5
Primary and Fabricated Metals	24.3	25.9	26.3	22.0	20.9	21.6	23.0	24.9
% Ch	4.9	6.8	1.5	-16.4	-4.8	3.1	6.5	8.1
Computer and Electronic Products	22.5	22.7	22.5	19.8	20.2	21.4	21.5	22.4
% Ch	1.2	1.1	-0.8	-12.2	2.3	5.6	0.8	3.8
Machinery and Electrical Equipment	19.0	19.6	19.9	16.4	16.1	18.3	20.6	22.7
% Ch	6.5	3.4	1.2	-17.4	-1.6	13.3	12.6	10.4
Aerospace	73.4	80.1	83.0	82.7	80.9	80.2	81.6	84.0
% Ch	11.9	9.1	3.6	-0.4	-2.1	-0.9	1.7	3.0
Other Transportation Equip.	13.7	13.1	12.2	9.6	8.9	9.0	9.0	9.0
% Ch	4.1	-4.9	-6.5	-21.4	-7.0	0.5	0.9	-0.1
Other Durables	30.9	31.3	30.5	26.4	25.6	26.2	27.0	27.7
% Ch	4.9	1.4	-2.8	-13.3	-3.0	2.1	3.1	2.6
Nondurable Manufacturing	81.9	81.4	79.8	75.8	74.7	76.7	80.0	83.0
% Ch	0.9	-0.6	-1.9	-5.1	-1.5	2.8	4.2	3.7
Food Manufacturing	33.9	34.1	34.3	34.0	33.0	34.2	36.2	38.3
% Ch	0.3	0.7	0.5	-0.7	-3.0	3.7	5.8	5.9
Paper and Paper Products	11.9	11.2	10.5	9.8	9.4	9.5	9.8	10.1
% Ch	-2.1	-6.3	-6.5	-6.6	-4.3	1.9	3.2	2.9
Other Nondurables	36.1	36.1	35.1	32.0	32.3	33.0	34.0	34.5
% Ch	2.6	0.2	-2.8	-8.8	1.0	2.1	2.9	1.7
Natural Resources and Mining	8.7	8.2	7.5	6.2	6.2	6.7	7.2	7.3
% Ch	-3.0	-6.1	-7.6	-17.6	-0.8	9.0	7.4	1.5
Construction	194.8	208.2	200.6	164.2	149.2	150.2	160.2	170.9
% Ch	9.9	6.8	-3.6	-18.1	-9.1	0.6	6.7	6.7
Trade, Transportation, and Utilities	541.6	553.3	553.5	527.5	524.1	544.4	561.3	574.6
% Ch	2.1	2.2	0.0	-4.7	-0.6	3.9	3.1	2.4
Wholesale Trade	126.6	129.3	130.1	124.1	121.9	124.6	129.9	133.0
% Ch	3.6	2.2	0.6	-4.6	-1.8	2.2	4.3	2.4
Retail Trade	321.0	327.9	327.4	312.3	312.1	326.4	333.3	339.9
% Ch	1.6	2.1	-0.2	-4.6	-0.1	4.6	2.1	2.0
Trans., Warehousing, and Utilities	94.0	96.1	96.0	91.1	90.0	93.4	98.2	101.7
% Ch	2.0	2.2	-0.1	-5.1	-1.1	3.8	5.1	3.5
Information	98.4	102.5	105.6	103.8	101.4	105.1	107.0	109.1
% Ch	3.9	4.1	3.1	-1.7	-2.3	3.6	1.8	2.0
Software Publishers	44.7	47.6	50.9	51.9	51.8	53.1	54.9	57.2
% Ch	8.4	6.4	7.0	2.0	-0.2	2.5	3.4	4.1
Other Publishing Industries	11.0	10.8	10.4	8.9	7.9	7.9	7.9	7.9
% Ch	-2.0	-1.7	-4.4	-14.4	-10.5	-0.5	-0.1	-0.1
Other Information	42.7	44.0	44.3	43.0	41.7	44.0	44.1	44.0
% Ch	1.1	3.1	0.7	-3.0	-3.1	5.6	0.2	-0.3
Financial Activities	156.2	155.5	152.4	143.6	139.6	142.8	148.1	150.6
% Ch	1.1	-0.5	-2.0	-5.7	-2.8	2.3	3.7	1.7
Professional and Business Services	330.5	344.6	348.6	325.8	334.4	360.1	380.5	398.4
% Ch	4.6	4.3	1.2	-6.5	2.6	7.7	5.7	4.7
Education and Health Services	337.2	348.2	362.1	373.4	379.6	387.8	396.6	404.7
% Ch	2.4	3.3	4.0	3.1	1.6	2.2	2.3	2.0
Leisure and Hospitality	271.7	280.5	283.7	270.0	270.6	282.3	289.7	298.1
% Ch	3.1	3.3	1.1	-4.8	0.2	4.3	2.6	2.9
Other Services	104.0	105.3	107.3	105.9	106.0	106.4	107.1	108.1
% Ch	1.2	1.3	1.9	-1.3	0.0	0.5	0.6	0.9
Federal Government	69.3	68.7	70.0	72.7	77.3	73.6	71.8	70.3
% Ch	-0.4	-0.9	1.9	3.9	6.3	-4.8	-2.5	-2.0
State and Local Government	460.7	465.1	476.3	476.3	472.1	473.7	475.9	480.1
% Ch	0.8	1.0	2.4	0.0	-0.9	0.3	0.5	0.9

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	2,970.5	2,966.2	2,924.8	2,885.9	2,845.0	2,813.7	2,797.3
% Ch, Annual Rate	2.3	-0.4	-0.6	-5.5	-5.2	-5.5	-4.3	-2.3
Manufacturing	297.1	294.9	293.0	279.6	276.3	266.8	261.9	258.6
% Ch, Annual Rate	1.8	-2.8	-2.6	-17.0	-4.7	-13.1	-7.1	-5.0
Durable Manufacturing	215.8	214.7	214.0	200.8	199.5	190.8	186.5	183.7
% Ch, Annual Rate	2.3	-2.1	-1.3	-22.4	-2.7	-16.2	-8.8	-5.9
Wood Products	18.2	17.5	16.7	15.6	13.9	13.3	13.0	12.8
% Ch, Annual Rate	-12.8	-14.7	-17.6	-22.0	-37.1	-18.1	-6.9	-6.9
Primary and Fabricated Metals	26.4	26.6	26.7	25.5	23.6	22.0	21.4	21.0
% Ch, Annual Rate	5.2	3.1	0.4	-16.7	-26.5	-24.1	-11.1	-6.5
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.2	19.9	19.2	18.7
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-16.5	-22.0	-13.6	-9.6
Machinery and Electrical Equipment	20.2	20.1	19.9	19.3	17.7	16.6	15.7	15.6
% Ch, Annual Rate	3.8	-2.1	-3.4	-12.1	-29.3	-21.7	-19.9	-3.2
Aerospace	84.1	84.5	85.8	77.5	84.9	82.9	81.9	81.0
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	44.0	-9.0	-4.9	-4.5
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.6	9.6	9.3	8.9
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-32.1	-31.0	-14.2	-14.2
Other Durables	31.4	31.0	30.3	29.1	27.6	26.4	26.0	25.6
% Ch, Annual Rate	1.2	-5.3	-8.3	-15.6	-19.0	-15.6	-7.1	-4.9
Nondurable Manufacturing	81.3	80.3	79.0	78.8	76.9	76.0	75.5	75.0
% Ch, Annual Rate	0.6	-4.7	-6.0	-1.0	-9.6	-4.5	-2.5	-2.8
Food Manufacturing	34.6	34.2	33.9	34.4	33.8	34.3	34.5	33.5
% Ch, Annual Rate	5.4	-4.7	-3.4	6.6	-7.3	5.9	3.3	-11.5
Paper and Paper Products	10.8	10.6	10.3	10.2	10.1	9.8	9.6	9.6
% Ch, Annual Rate	-4.6	-6.0	-9.6	-5.5	-2.7	-10.4	-10.8	0.5
Other Nondurables	35.9	35.5	34.8	34.2	33.0	31.9	31.4	31.9
% Ch, Annual Rate	-2.4	-4.4	-7.5	-6.8	-13.9	-12.7	-6.0	6.5
Natural Resources and Mining	7.7	7.6	7.6	7.3	6.6	6.0	6.1	6.1
% Ch, Annual Rate	-8.5	-9.5	-0.1	-12.5	-33.8	-29.0	7.0	-4.4
Construction	208.7	204.8	199.4	189.7	177.0	166.6	158.7	154.5
% Ch, Annual Rate	-0.5	-7.2	-10.2	-18.0	-24.2	-21.6	-17.7	-10.1
Trade, Transportation, and Utilities	559.3	556.4	553.9	544.5	536.0	527.1	525.1	521.7
% Ch, Annual Rate	1.7	-2.1	-1.8	-6.6	-6.1	-6.5	-1.6	-2.5
Wholesale Trade	131.0	130.6	130.1	128.8	127.1	124.1	122.8	122.4
% Ch, Annual Rate	1.4	-1.2	-1.5	-4.0	-5.2	-9.0	-4.3	-1.1
Retail Trade	331.8	329.4	327.5	321.1	316.0	312.3	311.7	309.4
% Ch, Annual Rate	2.4	-3.0	-2.3	-7.6	-6.2	-4.5	-0.9	-2.8
Trans., Warehousing, and Utilities	96.5	96.4	96.4	94.6	93.0	90.7	90.6	89.9
% Ch, Annual Rate	-0.2	-0.2	-0.3	-6.9	-6.9	-9.4	-0.2	-3.2
Information	104.3	105.2	106.2	106.7	106.0	104.4	102.7	102.1
% Ch, Annual Rate	5.7	3.7	3.8	1.8	-2.6	-5.9	-6.4	-2.5
Software Publishers	49.1	50.4	51.7	52.6	53.0	52.2	51.3	51.2
% Ch, Annual Rate	8.5	10.8	10.5	7.1	3.6	-5.9	-6.8	-1.1
Other Publishing Industries	10.8	10.6	10.2	9.8	9.4	9.0	8.6	8.5
% Ch, Annual Rate	-0.2	-5.4	-13.6	-16.6	-16.1	-16.0	-13.6	-7.8
Other Information	44.4	44.2	44.3	44.4	43.6	43.2	42.7	42.4
% Ch, Annual Rate	4.1	-1.5	0.9	0.2	-6.5	-3.5	-4.4	-3.0
Financial Activities	154.6	153.5	151.6	149.8	146.8	144.4	141.9	141.4
% Ch, Annual Rate	-0.9	-2.8	-4.8	-4.8	-7.7	-6.3	-6.8	-1.5
Professional and Business Services	350.2	352.2	349.9	342.2	333.8	325.0	320.8	323.8
% Ch, Annual Rate	2.5	2.2	-2.5	-8.5	-9.5	-10.1	-5.0	3.7
Education and Health Services	356.8	359.9	364.0	367.5	372.5	373.4	373.4	374.4
% Ch, Annual Rate	3.4	3.5	4.7	3.9	5.5	1.0	-0.1	1.2
Leisure and Hospitality	285.8	284.9	284.2	279.7	274.1	271.0	270.4	264.7
% Ch, Annual Rate	2.5	-1.2	-1.0	-6.2	-7.9	-4.4	-0.9	-8.2
Other Services	107.3	107.6	107.7	106.6	106.1	105.9	105.7	105.9
% Ch, Annual Rate	3.7	1.2	0.5	-4.3	-1.6	-0.8	-0.7	0.5
Federal Government	69.2	69.6	70.3	70.9	71.6	74.1	72.7	72.4
% Ch, Annual Rate	4.9	1.9	4.1	3.5	4.0	15.0	-7.5	-1.9
State and Local Government	472.7	473.9	478.3	480.3	479.1	480.2	474.2	471.7
% Ch, Annual Rate	3.2	1.0	3.8	1.7	-1.0	0.9	-4.9	-2.1

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	2,800.1	2,817.3	2,827.0	2,840.2	2,861.1	2,890.4	2,916.3	2,936.6
% Ch, Annual Rate	0.4	2.5	1.4	1.9	3.0	4.2	3.6	2.8
Manufacturing	259.1	259.7	260.9	262.8	264.0	266.4	269.3	272.1
% Ch, Annual Rate	0.8	0.8	1.9	3.1	1.8	3.7	4.4	4.3
Durable Manufacturing	184.2	185.1	186.3	188.1	189.0	190.2	191.9	193.8
% Ch, Annual Rate	1.2	2.0	2.6	4.0	1.9	2.4	3.7	4.0
Wood Products	12.8	13.0	13.2	13.7	14.0	14.5	14.9	15.3
% Ch, Annual Rate	1.4	4.3	8.3	13.6	12.1	12.9	12.7	10.9
Primary and Fabricated Metals	21.0	20.9	20.8	21.0	21.1	21.3	21.7	22.1
% Ch, Annual Rate	0.4	-3.0	-1.7	4.5	1.9	4.1	7.2	8.2
Computer and Electronic Products	19.0	19.8	20.7	21.3	21.2	21.2	21.4	21.6
% Ch, Annual Rate	6.8	17.3	19.6	10.7	-0.5	-0.5	3.2	4.1
Machinery and Electrical Equipment	15.6	15.9	16.1	16.9	17.4	18.0	18.6	19.2
% Ch, Annual Rate	0.0	7.8	6.8	19.7	12.4	13.8	14.4	13.9
Aerospace	81.1	81.1	80.9	80.7	80.4	80.2	80.1	80.1
% Ch, Annual Rate	0.5	0.0	-0.8	-1.2	-1.2	-1.2	-0.4	0.0
Other Transportation Equip.	9.0	8.9	8.9	8.9	8.9	9.0	9.0	9.0
% Ch, Annual Rate	3.9	-4.2	-0.8	1.0	0.8	1.6	1.1	0.4
Other Durables	25.6	25.5	25.6	25.7	25.9	26.0	26.2	26.5
% Ch, Annual Rate	-0.3	-0.9	0.5	2.3	2.2	2.6	3.3	3.8
Nondurable Manufacturing	74.9	74.6	74.6	74.7	75.0	76.3	77.4	78.3
% Ch, Annual Rate	-0.2	-1.9	0.1	0.6	1.8	6.8	6.0	4.9
Food Manufacturing	33.2	32.9	33.0	33.0	33.1	33.9	34.7	35.3
% Ch, Annual Rate	-4.1	-2.5	0.1	0.0	1.4	10.3	9.3	7.2
Paper and Paper Products	9.5	9.4	9.3	9.3	9.4	9.5	9.6	9.7
% Ch, Annual Rate	-4.7	-4.1	-3.1	0.1	2.8	6.9	3.1	2.9
Other Nondurables	32.3	32.3	32.3	32.4	32.6	32.9	33.1	33.4
% Ch, Annual Rate	5.5	-0.6	1.0	1.4	1.8	3.3	3.6	3.2
Natural Resources and Mining	6.0	6.1	6.2	6.4	6.4	6.6	6.8	7.0
% Ch, Annual Rate	-6.9	8.9	7.7	10.7	4.7	12.0	11.7	9.7
Construction	151.0	149.2	148.3	148.4	148.5	148.7	150.2	153.2
% Ch, Annual Rate	-8.7	-4.9	-2.3	0.4	0.3	0.5	4.1	8.0
Trade, Transportation, and Utilities	521.1	522.8	525.7	526.8	532.5	542.1	548.9	554.1
% Ch, Annual Rate	-0.5	1.3	2.3	0.9	4.4	7.4	5.1	3.9
Wholesale Trade	122.4	122.1	121.8	121.3	121.6	123.8	125.6	127.3
% Ch, Annual Rate	0.1	-1.1	-0.9	-1.9	1.0	7.4	6.1	5.4
Retail Trade	308.9	310.8	313.7	315.1	319.8	325.6	329.0	331.2
% Ch, Annual Rate	-0.6	2.4	3.8	1.8	6.1	7.5	4.2	2.7
Trans., Warehousing, and Utilities	89.7	89.9	90.1	90.4	91.1	92.7	94.2	95.6
% Ch, Annual Rate	-0.9	0.7	1.2	1.4	3.2	7.1	6.7	5.9
Information	101.5	101.1	101.0	102.3	103.7	104.8	105.8	106.0
% Ch, Annual Rate	-2.3	-1.6	-0.3	5.1	5.6	4.3	4.0	0.9
Software Publishers	51.4	51.7	51.9	52.3	52.7	53.0	53.2	53.5
% Ch, Annual Rate	1.6	2.8	1.4	3.0	3.4	1.9	2.0	2.1
Other Publishing Industries	8.2	7.9	7.8	7.8	7.9	7.9	7.9	7.9
% Ch, Annual Rate	-11.6	-14.8	-5.8	3.5	1.1	1.1	1.0	0.6
Other Information	41.9	41.4	41.3	42.1	43.1	43.9	44.6	44.6
% Ch, Annual Rate	-5.0	-4.0	-1.4	8.1	9.2	7.9	6.9	-0.4
Financial Activities	140.7	140.0	139.3	138.4	140.0	142.1	143.8	145.3
% Ch, Annual Rate	-1.8	-1.9	-2.0	-2.6	4.7	5.9	4.9	4.3
Professional and Business Services	326.4	331.0	336.8	343.3	350.0	357.6	364.1	368.5
% Ch, Annual Rate	3.3	5.7	7.1	8.0	8.0	9.0	7.4	4.9
Education and Health Services	376.8	378.5	380.9	382.1	383.5	386.6	389.6	391.7
% Ch, Annual Rate	2.6	1.7	2.6	1.3	1.5	3.2	3.2	2.2
Leisure and Hospitality	266.0	269.1	272.1	275.1	278.1	281.5	284.4	285.2
% Ch, Annual Rate	2.0	4.7	4.6	4.5	4.4	4.9	4.2	1.1
Other Services	105.8	105.8	106.0	106.2	106.5	106.4	106.4	106.5
% Ch, Annual Rate	-0.3	0.0	0.9	0.6	0.9	-0.2	0.0	0.6
Federal Government	74.7	82.2	77.3	75.1	74.4	73.9	73.3	72.8
% Ch, Annual Rate	13.7	46.2	-21.7	-11.0	-3.2	-2.9	-3.1	-2.8
State and Local Government	470.9	472.0	472.4	473.2	473.3	473.7	473.7	474.1
% Ch, Annual Rate	-0.7	1.0	0.4	0.6	0.1	0.4	0.0	0.3

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	2,953.4	2,973.8	2,994.5	3,014.0	3,033.4	3,053.3	3,071.9	3,089.7
% Ch, Annual Rate	2.3	2.8	2.8	2.6	2.6	2.6	2.5	2.3
Manufacturing	274.7	276.8	279.8	282.6	285.9	288.6	290.9	293.2
% Ch, Annual Rate	3.9	3.1	4.3	4.1	4.9	3.8	3.2	3.2
Durable Manufacturing	195.8	197.3	199.4	201.5	204.1	206.0	207.6	209.1
% Ch, Annual Rate	4.2	3.0	4.3	4.2	5.3	3.9	3.0	2.9
Wood Products	15.6	15.8	15.8	15.9	15.9	16.0	16.0	16.0
% Ch, Annual Rate	7.1	4.9	2.0	1.1	1.5	1.4	0.3	0.2
Primary and Fabricated Metals	22.4	22.8	23.1	23.6	24.1	24.7	25.1	25.5
% Ch, Annual Rate	5.5	6.0	6.3	8.2	9.7	8.7	7.4	7.0
Computer and Electronic Products	21.6	21.2	21.5	21.8	22.3	22.4	22.3	22.3
% Ch, Annual Rate	0.0	-7.0	6.5	4.1	11.2	1.3	-1.6	0.2
Machinery and Electrical Equipment	19.8	20.3	20.9	21.4	22.0	22.6	23.0	23.3
% Ch, Annual Rate	13.0	10.6	11.6	11.4	11.6	10.2	7.9	5.9
Aerospace	80.7	81.3	81.9	82.5	83.1	83.7	84.3	85.0
% Ch, Annual Rate	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Other Transportation Equip.	9.0	9.0	9.1	9.1	9.1	9.1	9.0	9.0
% Ch, Annual Rate	0.9	1.3	0.5	0.3	0.0	-0.4	-0.9	-1.4
Other Durables	26.7	26.9	27.1	27.2	27.4	27.6	27.8	27.9
% Ch, Annual Rate	3.3	2.7	2.4	2.7	3.1	2.8	2.0	1.8
Nondurable Manufacturing	78.9	79.6	80.4	81.1	81.9	82.6	83.3	84.2
% Ch, Annual Rate	3.1	3.4	4.1	3.6	3.8	3.5	3.7	4.1
Food Manufacturing	35.5	35.9	36.4	36.9	37.5	38.0	38.6	39.3
% Ch, Annual Rate	3.3	4.3	6.0	5.5	6.0	5.9	6.4	7.1
Paper and Paper Products	9.7	9.8	9.9	9.9	10.0	10.1	10.1	10.2
% Ch, Annual Rate	2.8	3.0	3.4	2.9	3.3	2.5	2.3	2.4
Other Nondurables	33.7	33.9	34.1	34.2	34.4	34.5	34.6	34.7
% Ch, Annual Rate	2.9	2.6	2.4	1.8	1.6	1.2	1.1	1.2
Natural Resources and Mining	7.1	7.2	7.3	7.3	7.3	7.3	7.3	7.3
% Ch, Annual Rate	7.8	5.3	3.1	1.5	1.3	1.3	0.4	-1.2
Construction	155.6	158.8	161.9	164.7	167.4	170.1	172.4	173.8
% Ch, Annual Rate	6.5	8.7	8.0	7.0	6.8	6.5	5.6	3.3
Trade, Transportation, and Utilities	556.8	559.9	562.9	565.7	569.1	573.0	576.5	579.9
% Ch, Annual Rate	1.9	2.3	2.1	2.1	2.4	2.8	2.4	2.4
Wholesale Trade	128.3	129.5	130.5	131.3	131.9	132.7	133.4	134.1
% Ch, Annual Rate	3.3	3.5	3.3	2.4	1.9	2.4	2.2	2.0
Retail Trade	331.8	332.8	333.6	334.8	336.7	339.0	341.0	343.1
% Ch, Annual Rate	0.7	1.2	1.0	1.4	2.3	2.8	2.4	2.5
Trans., Warehousing, and Utilities	96.6	97.7	98.8	99.7	100.5	101.3	102.1	102.7
% Ch, Annual Rate	4.4	4.3	4.6	3.9	3.4	3.1	3.0	2.5
Information	106.4	106.8	107.1	107.5	108.2	108.8	109.4	109.9
% Ch, Annual Rate	1.4	1.5	1.2	1.7	2.5	2.3	2.1	1.8
Software Publishers	54.1	54.6	55.2	55.8	56.4	56.9	57.5	58.0
% Ch, Annual Rate	4.5	4.0	4.4	4.3	4.2	4.0	3.8	3.5
Other Publishing Industries	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
% Ch, Annual Rate	0.0	-1.2	-1.0	-0.4	0.7	0.4	-0.1	-1.0
Other Information	44.4	44.3	44.0	43.9	43.9	44.0	44.0	44.0
% Ch, Annual Rate	-2.0	-1.0	-2.2	-1.2	0.6	0.6	0.5	-0.1
Financial Activities	146.5	147.6	148.7	149.4	149.8	150.2	150.9	151.6
% Ch, Annual Rate	3.4	3.0	3.0	1.7	1.3	1.1	1.8	1.7
Professional and Business Services	372.7	378.1	383.4	387.9	391.8	396.1	400.5	405.4
% Ch, Annual Rate	4.6	5.9	5.7	4.8	4.1	4.5	4.6	5.0
Education and Health Services	393.6	395.8	397.6	399.6	401.4	403.8	406.0	407.8
% Ch, Annual Rate	2.0	2.3	1.8	2.0	1.9	2.4	2.2	1.8
Leisure and Hospitality	286.6	288.5	290.7	293.1	295.2	297.1	299.0	301.1
% Ch, Annual Rate	2.1	2.6	3.0	3.3	3.0	2.5	2.6	2.9
Other Services	106.7	106.9	107.2	107.6	107.9	108.0	108.2	108.4
% Ch, Annual Rate	0.8	0.5	1.2	1.4	1.0	0.5	0.7	0.6
Federal Government	72.4	72.0	71.5	71.2	70.8	70.5	70.1	69.9
% Ch, Annual Rate	-2.3	-2.2	-2.3	-2.1	-2.1	-1.9	-1.8	-1.7
State and Local Government	474.3	475.3	476.5	477.5	478.5	479.8	480.7	481.5
% Ch, Annual Rate	0.1	0.9	1.0	0.9	0.8	1.0	0.8	0.7

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	12,067.9	12,532.0	13,113.4	13,825.3	14,599.5
% Ch	7.5	5.6	2.9	-1.4	3.8	4.6	5.4	5.6
Total Wage and Salary Disbursements	6,068.9	6,408.9	6,545.9	6,328.1	6,514.5	6,835.0	7,177.6	7,555.0
% Ch	6.5	5.6	2.1	-3.3	2.9	4.9	5.0	5.3
Nonwage Personal Income	5,199.2	5,485.2	5,693.0	5,739.8	6,017.4	6,278.4	6,647.7	7,044.5
% Ch	8.7	5.5	3.8	0.8	4.8	4.3	5.9	6.0
Supplements to Wages and Salaries	1,406.9	1,453.8	1,496.6	1,505.5	1,555.6	1,632.6	1,729.4	1,837.7
% Ch	3.5	3.3	2.9	0.6	3.3	5.0	5.9	6.3
Proprietor's Income	1,133.0	1,096.4	1,106.2	1,042.0	1,098.4	1,187.0	1,260.6	1,326.4
% Ch	5.9	-3.2	0.9	-5.8	5.4	8.1	6.2	5.2
Farm	29.4	39.5	48.7	29.5	32.7	37.8	41.8	44.0
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,103.6	1,056.9	1,057.5	1,012.4	1,065.7	1,149.2	1,218.8	1,282.4
% Ch	7.6	-4.2	0.1	-4.3	5.3	7.8	6.1	5.2
Less: Contribution For Govt. Soc. Ins.	921.8	959.3	990.6	972.9	1,009.4	1,072.8	1,131.2	1,219.0
% Ch	5.6	4.1	3.3	-1.8	3.7	6.3	5.4	7.8
Dividends/Int./Rent	1,976.2	2,176.4	2,204.8	2,057.5	2,141.7	2,274.2	2,447.2	2,643.4
% Ch	14.9	10.1	1.3	-6.7	4.1	6.2	7.6	8.0
Transfer Payments	1,605.0	1,718.0	1,875.9	2,107.7	2,231.1	2,257.3	2,341.7	2,456.1
% Ch	6.4	7.0	9.2	12.4	5.9	1.2	3.7	4.9

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	12,083.9	12,186.3
% Ch, Annual Rate	1.4	5.1	-0.2	-1.7	-8.9	3.3	1.2	3.4
Total Wage and Salary Disbursements	6,533.0	6,539.2	6,567.7	6,543.5	6,307.8	6,313.1	6,333.2	6,358.3
% Ch, Annual Rate	1.6	0.4	1.8	-1.5	-13.6	0.3	1.3	1.6
Nonwage Personal Income	5,609.2	5,753.7	5,718.9	5,690.0	5,644.9	5,735.7	5,750.7	5,828.0
% Ch, Annual Rate	1.2	10.7	-2.4	-2.0	-3.1	6.6	1.1	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	1,508.3	1,513.0
% Ch, Annual Rate	3.4	2.5	2.1	1.5	-2.3	1.3	1.5	1.3
Proprietor's Income	1,115.1	1,111.9	1,114.4	1,083.5	1,037.8	1,028.0	1,037.8	1,064.3
% Ch, Annual Rate	4.8	-1.1	0.9	-10.6	-15.8	-3.7	3.9	10.6
Farm	57.2	49.4	49.3	39.0	27.3	28.9	25.8	36.1
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,057.9	1,062.5	1,065.1	1,044.5	1,010.5	999.1	1,012.0	1,028.2
% Ch, Annual Rate	1.4	1.8	1.0	-7.5	-12.4	-4.4	5.3	6.6
Less: Contribution For Govt. Soc. Ins.	985.3	988.9	994.9	993.3	969.7	970.9	974.0	977.1
% Ch, Annual Rate	5.4	1.4	2.4	-0.6	-9.2	0.5	1.3	1.3
Dividends/Int./Rent	2,200.7	2,200.1	2,223.7	2,194.8	2,091.4	2,035.4	2,041.0	2,062.2
% Ch, Annual Rate	-6.5	-0.1	4.4	-5.1	-17.6	-10.3	1.1	4.2
Transfer Payments	1,794.1	1,937.0	1,874.3	1,898.0	1,987.3	2,140.3	2,137.5	2,165.6
% Ch, Annual Rate	9.5	35.9	-12.3	5.2	20.2	34.5	-0.5	5.4

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	12,313.0	12,459.4	12,611.0	12,744.5	12,874.1	13,031.3	13,198.3	13,349.8
% Ch, Annual Rate	4.2	4.8	5.0	4.3	4.1	5.0	5.2	4.7
Total Wage and Salary Disbursements	6,405.9	6,477.0	6,552.4	6,622.8	6,704.9	6,795.9	6,882.1	6,957.2
% Ch, Annual Rate	3.0	4.5	4.7	4.4	5.0	5.5	5.2	4.4
Nonwage Personal Income	5,907.1	5,982.4	6,058.6	6,121.7	6,169.3	6,235.5	6,316.2	6,392.6
% Ch, Annual Rate	5.5	5.2	5.2	4.2	3.1	4.4	5.3	4.9
Supplements to Wages and Salaries	1,531.4	1,544.2	1,564.3	1,582.5	1,604.0	1,620.5	1,642.7	1,663.4
% Ch, Annual Rate	5.0	3.4	5.3	4.7	5.5	4.2	5.6	5.1
Proprietor's Income	1,074.2	1,088.3	1,104.8	1,126.2	1,152.4	1,179.1	1,199.2	1,217.5
% Ch, Annual Rate	3.8	5.3	6.2	8.0	9.6	9.6	7.0	6.3
Farm	33.5	32.1	31.8	33.3	36.0	37.3	38.1	39.8
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,040.7	1,056.2	1,072.9	1,092.9	1,116.3	1,141.8	1,161.1	1,177.7
% Ch, Annual Rate	5.0	6.1	6.5	7.6	8.9	9.4	6.9	5.9
Less: Contribution For Govt. Soc. Ins.	997.8	1,003.5	1,013.1	1,023.0	1,056.6	1,069.3	1,078.2	1,087.0
% Ch, Annual Rate	8.8	2.3	3.8	4.0	13.8	4.9	3.4	3.3
Dividends/Int./Rent	2,084.3	2,123.7	2,162.5	2,196.5	2,231.3	2,254.5	2,287.4	2,323.6
% Ch, Annual Rate	4.4	7.8	7.5	6.4	6.5	4.2	6.0	6.5
Transfer Payments	2,214.9	2,229.7	2,240.2	2,239.5	2,238.3	2,250.7	2,265.2	2,275.1
% Ch, Annual Rate	9.4	2.7	1.9	-0.1	-0.2	2.2	2.6	1.8

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	13,531.9	13,730.1	13,926.2	14,112.9	14,297.6	14,493.2	14,704.0	14,903.4
% Ch, Annual Rate	5.6	6.0	5.8	5.5	5.3	5.6	5.9	5.5
Total Wage and Salary Disbursements	7,042.3	7,129.6	7,223.3	7,315.1	7,409.9	7,504.2	7,603.6	7,702.4
% Ch, Annual Rate	5.0	5.1	5.4	5.2	5.3	5.2	5.4	5.3
Nonwage Personal Income	6,489.7	6,600.5	6,702.9	6,797.8	6,887.7	6,989.0	7,100.4	7,200.9
% Ch, Annual Rate	6.2	7.0	6.3	5.8	5.4	6.0	6.5	5.8
Supplements to Wages and Salaries	1,692.4	1,715.6	1,742.8	1,766.9	1,803.8	1,825.4	1,849.6	1,871.8
% Ch, Annual Rate	7.1	5.6	6.5	5.6	8.6	4.9	5.4	4.9
Proprietor's Income	1,236.5	1,254.6	1,268.2	1,283.1	1,297.9	1,316.7	1,335.2	1,355.7
% Ch, Annual Rate	6.4	6.0	4.4	4.8	4.7	5.9	5.7	6.3
Farm	41.1	42.1	41.7	42.2	42.9	43.4	44.4	45.2
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,195.3	1,212.5	1,226.4	1,240.9	1,254.9	1,273.3	1,290.8	1,310.5
% Ch, Annual Rate	6.1	5.9	4.7	4.8	4.6	6.0	5.6	6.2
Less: Contribution For Govt. Soc. Ins.	1,112.7	1,123.7	1,137.3	1,151.2	1,200.7	1,213.6	1,223.3	1,238.4
% Ch, Annual Rate	9.8	4.0	4.9	5.0	18.3	4.4	3.2	5.0
Dividends/Int./Rent	2,365.0	2,422.0	2,477.6	2,524.2	2,573.2	2,621.0	2,668.7	2,710.5
% Ch, Annual Rate	7.3	10.0	9.5	7.7	8.0	7.6	7.5	6.4
Transfer Payments	2,308.5	2,332.0	2,351.6	2,374.9	2,413.6	2,439.5	2,470.2	2,501.2
% Ch, Annual Rate	6.0	4.1	3.4	4.0	6.7	4.4	5.1	5.1

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	277.729	289.543	305.216	323.800	343.687
% Ch	9.6	7.5	3.6	-1.1	4.3	5.4	6.1	6.1
Total Wage and Salary Disbursements	135.118	145.705	150.683	146.904	151.727	160.618	169.813	179.592
% Ch	8.4	7.8	3.4	-2.5	3.3	5.9	5.7	5.8
Manufacturing	16.794	17.685	17.977	16.662	17.135	18.144	19.375	20.800
% Ch	11.3	5.3	1.7	-7.3	2.8	5.9	6.8	7.4
Durable Manufacturing	13.051	13.772	14.077	13.058	13.456	14.250	15.204	16.335
% Ch	13.4	5.5	2.2	-7.2	3.0	5.9	6.7	7.4
Nondurable Manufacturing	3.742	3.913	3.900	3.604	3.679	3.893	4.172	4.464
% Ch	4.4	4.6	-0.3	-7.6	2.1	5.8	7.1	7.0
Nonmanufacturing	112.859	122.469	126.568	123.773	127.684	135.455	143.450	151.725
% Ch	8.2	8.5	3.3	-2.2	3.2	6.1	5.9	5.8
Other Private Wages	0.855	0.880	0.898	0.890	0.946	0.984	1.022	1.063
% Ch	6.9	2.9	2.1	-1.0	6.3	4.0	3.9	4.0
Farm Wages	1.133	1.025	1.254	1.288	1.336	1.413	1.493	1.579
% Ch	-4.1	-9.6	22.4	2.8	3.7	5.8	5.7	5.8
Military Wages	3.478	3.647	3.987	4.289	4.627	4.623	4.472	4.424
% Ch	5.4	4.9	9.3	7.6	7.9	-0.1	-3.2	-1.1
Nonwage Personal Income	116.905	125.303	129.995	130.826	137.816	144.598	153.987	164.095
% Ch	11.0	7.2	3.7	0.6	5.3	4.9	6.5	6.6
Supplements to Wages and Salaries	32.606	34.378	35.803	36.602	37.963	40.248	42.928	45.923
% Ch	4.5	5.4	4.1	2.2	3.7	6.0	6.7	7.0
Proprietor's Income	23.469	23.539	23.618	21.897	23.261	25.327	27.025	28.502
% Ch	9.9	0.3	0.3	-7.3	6.2	8.9	6.7	5.5
Farm	0.653	1.066	1.081	0.247	0.465	0.644	0.760	0.823
% Ch	...	...	...	...	...	...	...	...
Nonfarm	22.817	22.474	22.538	21.650	22.795	24.683	26.265	27.679
% Ch	9.6	-1.5	0.3	-3.9	5.3	8.3	6.4	5.4
Less: Contribution For Govt. Soc. Ins.	23.325	24.515	25.507	25.496	26.503	28.343	30.028	32.454
% Ch	6.2	5.1	4.0	0.0	4.0	6.9	5.9	8.1
Plus: Residence Adjustment	2.795	3.076	3.073	2.854	2.935	3.093	3.267	3.463
% Ch	6.3	10.0	-0.1	-7.1	2.8	5.4	5.6	6.0
Dividends/Int./Rent	49.329	54.525	55.550	50.939	52.864	56.326	60.954	66.282
% Ch	16.7	10.5	1.9	-8.3	3.8	6.5	8.2	8.7
Transfer Payments	32.030	34.300	37.459	44.030	47.295	47.947	49.840	52.379
% Ch	7.5	7.1	9.2	17.5	7.4	1.4	3.9	5.1
State U.I. Benefits	0.733	0.739	1.195	4.604	5.561	4.905	3.758	2.453
% Ch	-6.2	0.8	61.7	285.3	20.8	-11.8	-23.4	-34.7
Other Transfers	31.297	33.562	36.264	39.427	41.735	43.042	46.082	49.926
% Ch	7.8	7.2	8.1	8.7	5.9	3.1	7.1	8.3

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	275.377	277.466	278.141	279.935
% Ch, Annual Rate	-0.3	3.3	4.0	-3.0	-7.8	3.1	1.0	2.6
Total Wage and Salary Disbursements	149.664	149.877	152.302	150.889	146.802	147.070	146.946	146.797
% Ch, Annual Rate	-1.0	0.6	6.6	-3.7	-10.4	0.7	-0.3	-0.4
Manufacturing	18.195	17.711	17.959	18.042	16.522	16.728	16.747	16.652
% Ch, Annual Rate	3.5	-10.2	5.7	1.9	-29.7	5.1	0.5	-2.2
Durable Manufacturing	14.248	13.839	14.090	14.130	12.988	13.083	13.129	13.032
% Ch, Annual Rate	5.3	-11.0	7.5	1.1	-28.6	3.0	1.4	-2.9
Nondurable Manufacturing	3.947	3.872	3.869	3.912	3.534	3.644	3.618	3.620
% Ch, Annual Rate	-2.9	-7.4	-0.3	4.5	-33.4	13.0	-2.9	0.3
Nonmanufacturing	125.478	126.140	128.070	126.583	123.962	123.972	123.613	123.547
% Ch, Annual Rate	-2.7	2.1	6.3	-4.6	-8.0	0.0	-1.2	-0.2
Other Private Wages	0.878	0.866	0.904	0.945	0.864	0.836	0.930	0.929
% Ch, Annual Rate	-1.8	-5.4	18.7	19.4	-30.0	-12.6	53.3	-0.4
Farm Wages	1.241	1.253	1.259	1.261	1.274	1.285	1.296	1.299
% Ch, Annual Rate	107.5	3.9	1.9	0.6	4.2	3.5	3.5	0.9
Military Wages	3.872	3.907	4.110	4.058	4.179	4.249	4.360	4.370
% Ch, Annual Rate	12.9	3.7	22.5	-5.0	12.5	6.9	10.9	0.9
Nonwage Personal Income	128.450	130.521	130.878	130.131	128.575	130.396	131.195	133.138
% Ch, Annual Rate	0.5	6.6	1.1	-2.3	-4.7	5.8	2.5	6.1
Supplements to Wages and Salaries	35.421	35.557	36.154	36.079	36.369	36.474	36.770	36.793
% Ch, Annual Rate	1.5	1.5	6.9	-0.8	3.3	1.2	3.3	0.3
Proprietor's Income	23.971	23.593	23.833	23.076	21.721	21.619	21.823	22.424
% Ch, Annual Rate	2.8	-6.2	4.1	-12.1	-21.5	-1.9	3.8	11.5
Farm	1.445	0.959	1.133	0.785	0.096	0.242	0.203	0.448
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.526	22.634	22.700	22.291	21.625	21.377	21.620	21.976
% Ch, Annual Rate	2.6	1.9	1.2	-7.0	-11.4	-4.5	4.6	6.8
Less: Contribution For Govt. Soc. Ins.	25.289	25.358	25.776	25.605	25.408	25.419	25.569	25.587
% Ch, Annual Rate	2.9	1.1	6.8	-2.6	-3.0	0.2	2.4	0.3
Plus: Residence Adjustment	3.094	3.110	3.059	3.028	2.876	2.847	2.838	2.856
% Ch, Annual Rate	-1.3	2.1	-6.4	-4.0	-18.6	-4.0	-1.3	2.6
Dividends/Int./Rent	55.305	55.381	56.098	55.414	52.277	50.329	50.313	50.837
% Ch, Annual Rate	-5.9	0.6	5.3	-4.8	-20.8	-14.1	-0.1	4.2
Transfer Payments	35.948	38.238	37.510	38.139	40.740	44.546	45.020	45.815
% Ch, Annual Rate	10.7	28.0	-7.4	6.9	30.2	42.9	4.3	7.2
State U.I. Benefits	0.866	0.972	1.273	1.668	2.990	4.585	5.339	5.500
% Ch, Annual Rate	44.4	58.7	194.2	194.8	932.5	452.9	83.9	12.6
Other Transfers	35.083	37.266	36.237	36.471	37.750	39.961	39.681	40.315
% Ch, Annual Rate	10.0	27.3	-10.6	2.6	14.8	25.6	-2.8	6.5

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	283.810	287.548	292.462	294.352	298.758	302.779	308.758	310.572
% Ch, Annual Rate	5.7	5.4	7.0	2.6	6.1	5.5	8.1	2.4
Total Wage and Salary Disbursements	148.834	150.638	153.603	153.835	156.969	159.282	163.195	163.026
% Ch, Annual Rate	5.7	4.9	8.1	0.6	8.4	6.0	10.2	-0.4
Manufacturing	16.794	17.000	17.242	17.503	17.712	17.978	18.288	18.596
% Ch, Annual Rate	3.4	5.0	5.8	6.2	4.9	6.1	7.1	6.9
Durable Manufacturing	13.152	13.341	13.550	13.779	13.945	14.123	14.349	14.584
% Ch, Annual Rate	3.7	5.9	6.4	6.9	4.9	5.2	6.6	6.7
Nondurable Manufacturing	3.641	3.658	3.692	3.724	3.767	3.855	3.939	4.012
% Ch, Annual Rate	2.3	1.9	3.8	3.5	4.8	9.7	8.9	7.6
Nonmanufacturing	125.249	126.762	129.403	129.323	132.151	134.254	137.912	137.504
% Ch, Annual Rate	5.6	4.9	8.6	-0.2	9.0	6.5	11.4	-1.2
Other Private Wages	0.933	0.942	0.950	0.957	0.968	0.979	0.990	0.998
% Ch, Annual Rate	1.8	3.9	3.4	3.1	4.5	4.7	4.4	3.5
Farm Wages	1.310	1.328	1.345	1.360	1.381	1.403	1.424	1.443
% Ch, Annual Rate	3.3	5.7	5.1	4.8	6.3	6.6	6.2	5.2
Military Wages	4.548	4.606	4.663	4.691	4.757	4.668	4.581	4.485
% Ch, Annual Rate	17.4	5.2	5.0	2.5	5.8	-7.3	-7.3	-8.1
Nonwage Personal Income	134.976	136.910	138.859	140.518	141.788	143.496	145.563	147.545
% Ch, Annual Rate	5.6	5.9	5.8	4.9	3.7	4.9	5.9	5.6
Supplements to Wages and Salaries	37.253	37.676	38.211	38.713	39.391	39.916	40.549	41.137
% Ch, Annual Rate	5.1	4.6	5.8	5.4	7.2	5.4	6.5	5.9
Proprietor's Income	22.679	23.016	23.415	23.932	24.517	25.137	25.611	26.041
% Ch, Annual Rate	4.6	6.1	7.1	9.1	10.1	10.5	7.8	6.9
Farm	0.437	0.443	0.465	0.517	0.588	0.629	0.657	0.701
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.242	22.573	22.950	23.415	23.929	24.508	24.954	25.340
% Ch, Annual Rate	4.9	6.1	6.9	8.3	9.1	10.0	7.5	6.3
Less: Contribution For Govt. Soc. Ins.	26.138	26.351	26.620	26.903	27.835	28.227	28.518	28.794
% Ch, Annual Rate	8.9	3.3	4.1	4.3	14.6	5.7	4.2	3.9
Plus: Residence Adjustment	2.881	2.915	2.955	2.991	3.030	3.074	3.116	3.153
% Ch, Annual Rate	3.6	4.7	5.6	5.1	5.2	6.0	5.6	4.8
Dividends/Int./Rent	51.383	52.401	53.399	54.274	55.179	55.801	56.678	57.647
% Ch, Annual Rate	4.4	8.2	7.8	6.7	6.8	4.6	6.4	7.0
Transfer Payments	46.918	47.255	47.499	47.510	47.507	47.794	48.126	48.360
% Ch, Annual Rate	10.0	2.9	2.1	0.1	0.0	2.4	2.8	2.0
State U.I. Benefits	5.581	5.625	5.572	5.464	5.293	5.019	4.764	4.545
% Ch, Annual Rate	6.0	3.2	-3.7	-7.6	-11.9	-19.2	-18.8	-17.1
Other Transfers	41.337	41.629	41.927	42.046	42.214	42.775	43.362	43.815
% Ch, Annual Rate	10.5	2.9	2.9	1.1	1.6	5.4	5.6	4.2

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	316.059	321.066	328.216	329.859	335.537	340.552	348.435	350.223
% Ch, Annual Rate	7.3	6.5	9.2	2.0	7.1	6.1	9.6	2.1
Total Wage and Salary Disbursements	166.101	168.299	172.820	172.032	175.437	177.856	182.920	182.156
% Ch, Annual Rate	7.8	5.4	11.2	-1.8	8.2	5.6	11.9	-1.7
Manufacturing	18.901	19.179	19.535	19.887	20.271	20.626	20.976	21.328
% Ch, Annual Rate	6.7	6.0	7.6	7.4	8.0	7.2	7.0	6.9
Durable Manufacturing	14.832	15.047	15.328	15.609	15.922	16.205	16.474	16.741
% Ch, Annual Rate	7.0	5.9	7.7	7.5	8.3	7.3	6.8	6.6
Nondurable Manufacturing	4.069	4.132	4.207	4.278	4.349	4.421	4.501	4.587
% Ch, Annual Rate	5.8	6.4	7.5	6.9	6.8	6.8	7.5	7.8
Nonmanufacturing	140.168	142.122	146.310	145.199	148.091	150.165	154.875	153.770
% Ch, Annual Rate	8.0	5.7	12.3	-3.0	8.2	5.7	13.1	-2.8
Other Private Wages	1.008	1.017	1.027	1.037	1.048	1.058	1.069	1.079
% Ch, Annual Rate	3.8	3.8	4.1	3.8	4.2	4.0	4.2	3.9
Farm Wages	1.462	1.482	1.504	1.524	1.546	1.568	1.591	1.613
% Ch, Annual Rate	5.6	5.6	5.9	5.5	5.9	5.7	6.0	5.7
Military Wages	4.562	4.498	4.444	4.386	4.481	4.440	4.410	4.366
% Ch, Annual Rate	7.1	-5.5	-4.8	-5.1	9.0	-3.6	-2.7	-3.9
Nonwage Personal Income	149.959	152.767	155.396	157.827	160.101	162.696	165.515	168.067
% Ch, Annual Rate	6.7	7.7	7.1	6.4	5.9	6.6	7.1	6.3
Supplements to Wages and Salaries	41.934	42.561	43.286	43.933	44.988	45.595	46.246	46.866
% Ch, Annual Rate	8.0	6.1	7.0	6.1	10.0	5.5	5.8	5.5
Proprietor's Income	26.476	26.889	27.201	27.535	27.866	28.289	28.700	29.152
% Ch, Annual Rate	6.8	6.4	4.7	5.0	4.9	6.2	6.0	6.4
Farm	0.737	0.763	0.763	0.778	0.797	0.810	0.833	0.852
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	25.739	26.126	26.438	26.757	27.069	27.479	27.868	28.301
% Ch, Annual Rate	6.5	6.2	4.9	4.9	4.7	6.2	5.8	6.4
Less: Contribution For Govt. Soc. Ins.	29.501	29.817	30.204	30.589	31.933	32.301	32.583	33.002
% Ch, Annual Rate	10.2	4.4	5.3	5.2	18.8	4.7	3.5	5.2
Plus: Residence Adjustment	3.197	3.242	3.291	3.340	3.388	3.436	3.487	3.539
% Ch, Annual Rate	5.7	5.8	6.1	6.1	5.9	5.9	6.1	6.1
Dividends/Int./Rent	58.758	60.271	61.760	63.026	64.360	65.666	66.972	68.131
% Ch, Annual Rate	7.9	10.7	10.3	8.5	8.7	8.4	8.2	7.1
Transfer Payments	49.095	49.620	50.062	50.583	51.433	52.011	52.693	53.380
% Ch, Annual Rate	6.2	4.4	3.6	4.2	6.9	4.6	5.3	5.3
State U.I. Benefits	4.241	3.918	3.594	3.279	2.949	2.614	2.286	1.962
% Ch, Annual Rate	-24.2	-27.1	-29.2	-30.7	-34.5	-38.3	-41.5	-45.7
Other Transfers	44.854	45.702	46.468	47.304	48.484	49.397	50.407	51.418
% Ch, Annual Rate	9.8	7.8	6.9	7.4	10.4	7.7	8.4	8.3

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>
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	2.146	-0.3	2.260	0.6
Forecast						
2010	1.110	1.6	2.188	2.0	2.289	1.3
2011	1.130	1.8	2.232	2.0	2.334	2.0
2012	1.150	1.8	2.277	2.0	2.381	2.0
2013	1.173	2.0	2.326	2.1	2.433	2.1

* 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	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	<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	35.140	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	35.994	34.0
1980	36.805	10.3	53.158	8.4	41.187	40.4	49.955	38.8
1981	40.558	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	69.241	4.0	76.806	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	112.209	1.5	113.282	1.2	112.601	-32.2	104.591	-26.5
Forecast								
2010	113.879	1.5	113.460	0.2	125.530	11.5	124.075	18.6
2011	116.265	2.1	115.948	2.2	131.344	4.6	128.834	3.8
2012	118.707	2.1	118.054	1.8	136.001	3.5	132.072	2.5
2013	121.633	2.5	120.267	1.9	140.527	3.3	134.047	1.5

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		
	2008	2009		2011	2012	2013
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	January 2010	+
U.S. Real GDP Growth	4th quarter 2009	+
U.S. ISM Index	January 2010	+
U.S. Employment YoY%Δ	January 2010	-
U.S. Unemployment Rate	January 2010	+
U.S. Job Openings	December 2009	+
U.S. Fed Funds Target	January 27, 2010	unchanged
U.S. Consumer Confidence	February 2010	-
U.S. Light Vehicle Sales	January 2010	-
U.S. CPI	January 2010	+
U.S. Monster Employment Index	January 2010	+
S&P 500 Index	February 19, 2010	+
WA Leading Index	December 2009	+
WA NAPM-WW Index	January 2010	+
WA Help Wanted Index	January 2010	+
WA Employment YoY%Δ	December 2009	-
WA Aerospace Empl. YoY%Δ	December 2009	-
WA Unemployment Rate	December 2009	-
WA Business Cycle Indicator	December 2009	-
WA Initial Unemploy. Claims	January 2010	+
WA Housing Permits	January 2010	+
WA Weekly Hours in Mfg.	December 2009	-
WA New Vehicle Registration	January 2010	-
WA Migration (DOL data)	January 2010	+
WA Exports-Total	4th quarter 2009	+
WA Exports- w/o Trans. Equip.	4th quarter 2009	+
Seattle CPI	December 2009	neutral
Seattle Monster Employment Index	January 2010	+

Table A6.2

Washington Business Indicators

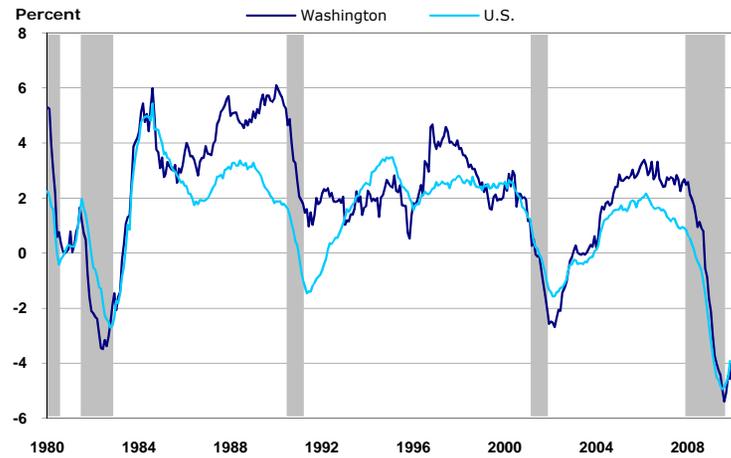
Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	WA State Help-Wanted Index	Washington Purchasing Management Index	U.S. Purchasing Management Index
2007:01	112.9	104.9	116.1	66.4	49.4
2007:02	114.5	104.5	119.8	62.3	51.9
2007:03	114.4	104.9	124.5	64.9	51.1
2007:04	114.7	104.6	129.3	68.4	52.8
2007:05	115.8	104.7	132.4	69.6	52.5
2007:06	115.5	104.4	131.3	67.8	52.9
2007:07	116.4	104.8	128.6	65.4	51.9
2007:08	116.4	104.1	128.3	64.3	50.6
2007:09	117.0	104.1	131.5	58.1	50.5
2007:10	117.2	103.8	130.6	56.8	50.2
2007:11	117.6	103.6	134.7	53.0	50.4
2007:12	117.2	103.6	126.8	58.7	49.1
2008:01	116.2	103.1	119.8	66.7	50.8
2008:02	117.4	102.7	118.3	62.3	48.8
2008:03	117.9	102.8	124.4	55.2	49.0
2008:04	118.2	102.7	125.9	65.0	48.6
2008:05	117.2	102.5	120.5	60.3	49.3
2008:06	117.6	102.6	118.4	63.8	49.5
2008:07	116.6	101.6	113.1	60.2	49.5
2008:08	115.9	100.9	111.2	65.3	49.3
2008:09	114.5	100.8	111.0	48.6	43.4
2008:10	112.5	99.8	106.1	50.9	38.7
2008:11	110.3	99.2	101.5	50.0	36.6
2008:12	110.3	99.1	97.9	42.3	32.9
2009:01	109.2	98.8	93.4	52.8	35.6
2009:02	106.8	98.3	88.2	48.1	35.8
2009:03	104.9	98.1	79.4	40.9	36.3
2009:04	105.8	99.2	79.3	46.7	40.1
2009:05	106.7	100.6	78.6	48.5	42.8
2009:06	107.3	101.3	77.7	50.2	44.8
2009:07	108.1	102.5	79.9	46.7	48.9
2009:08	108.5	103.1	78.1	53.2	52.9
2009:09	108.7	104.2	78.2	52.9	52.6
2009:10	109.8	104.7	78.9	59.5	55.7
2009:11	110.9	105.8	82.4	54.8	53.6
2009:12	111.8	107.1	83.5	61.4	55.9
2010:01		107.4	86.0	63.0	58.4

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

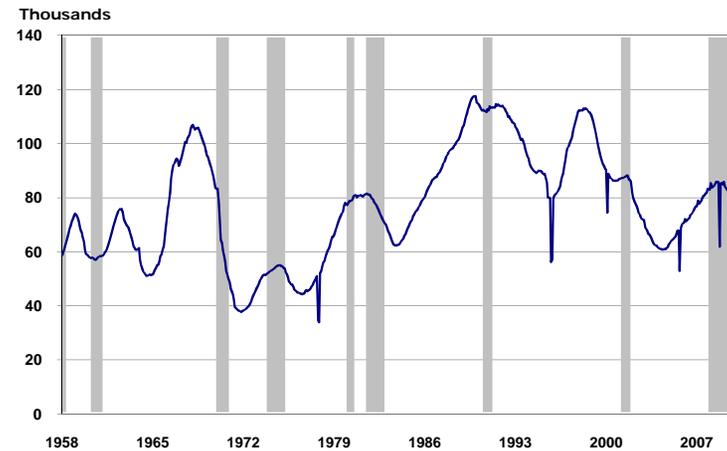
January 1980 to January 2010



* Bureau of Labor Statistics, WA State Employment Security

Washington Aircraft and Parts Employment

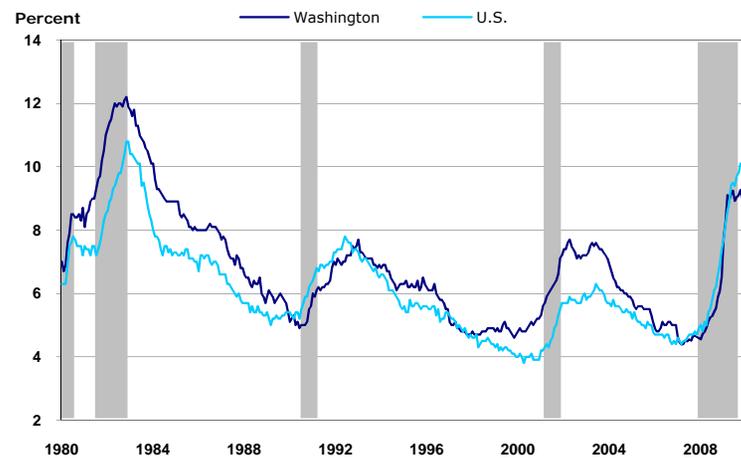
January 1958 to December 2009



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

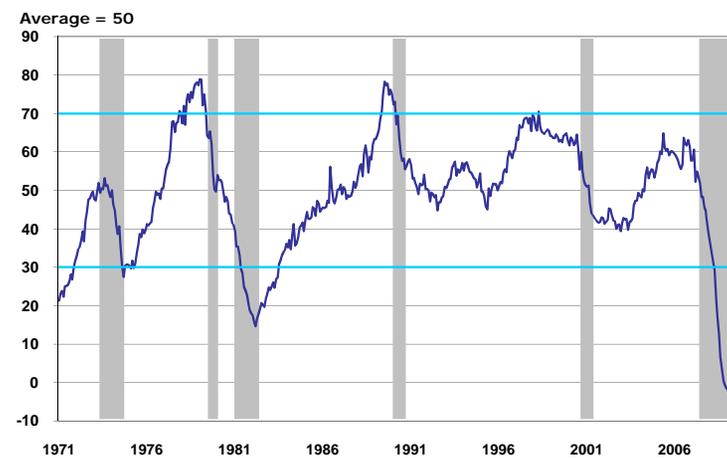
January 1980 to January 2010



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

July 1971 to December 2009



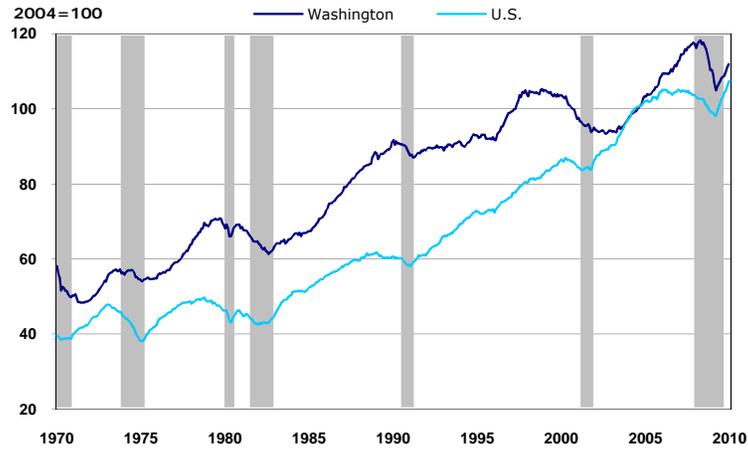
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

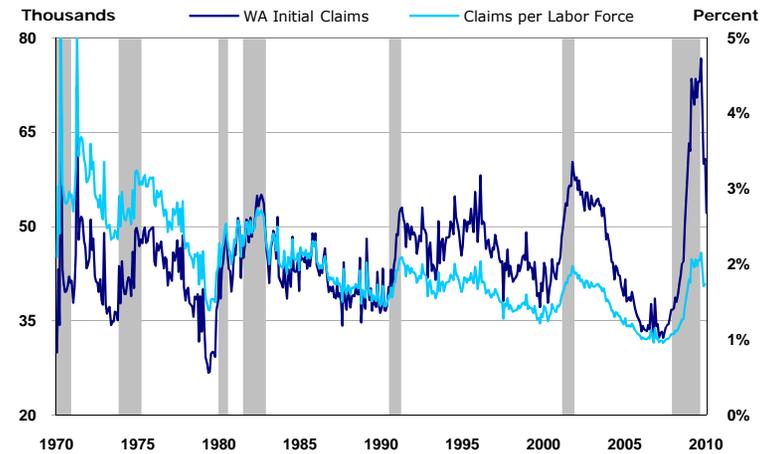
January 1970 to January 2010



* The Conference Board, ERFC

Washington Initial Claims for Unemployment Insurance

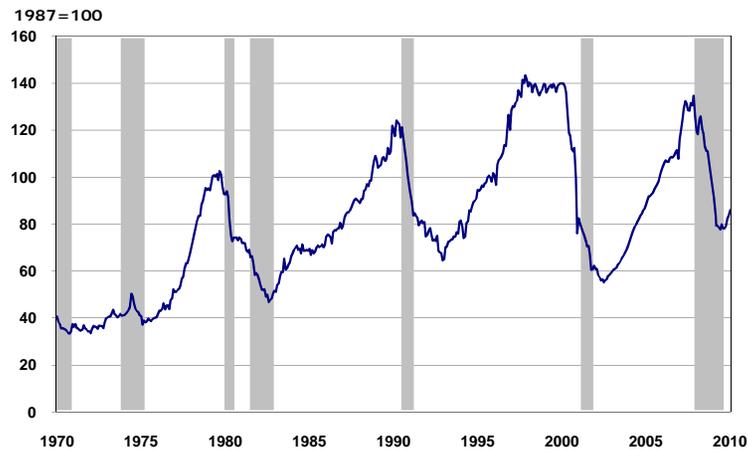
January 1970 to January 2010, S.A.



* Source: WA State Employment Security, ERFC

WA State Help Wanted Index

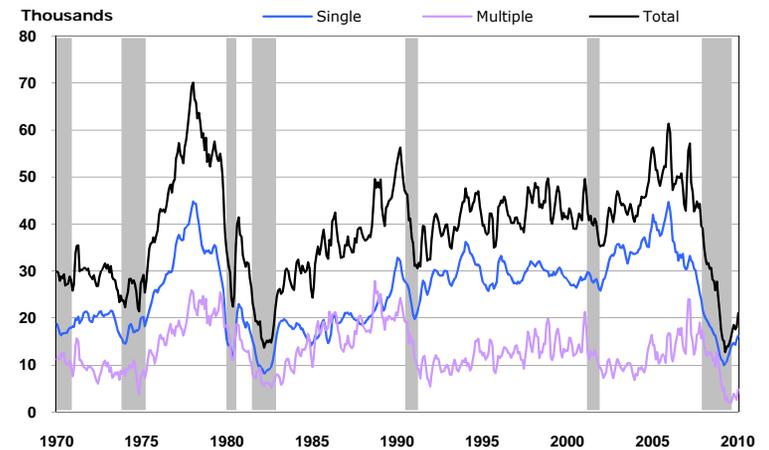
January 1970 to January 2010



* Source: ERFC

Housing Units Authorized in Washington State

January 1970 to January 2010, 3 Month Moving Average, S.A.



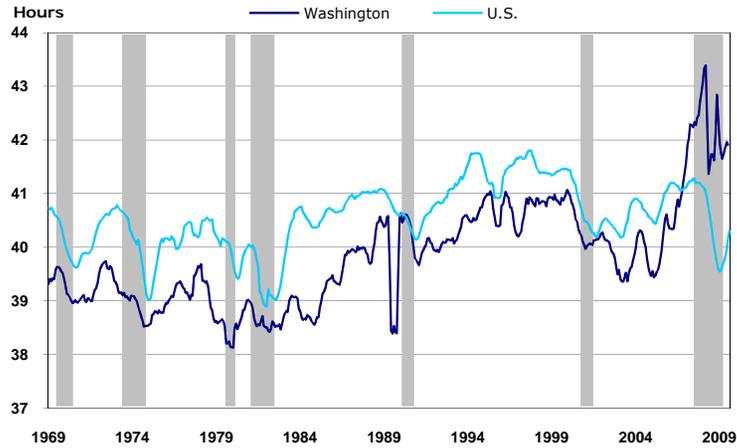
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

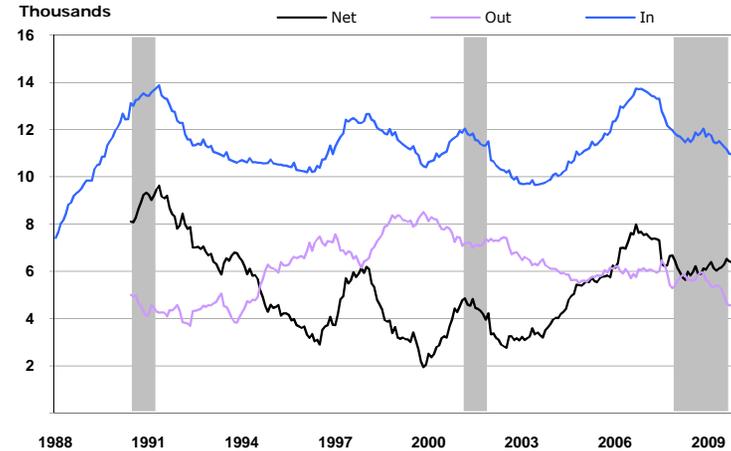
June 1969 to January 2010, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

Washington Driver's License Migration

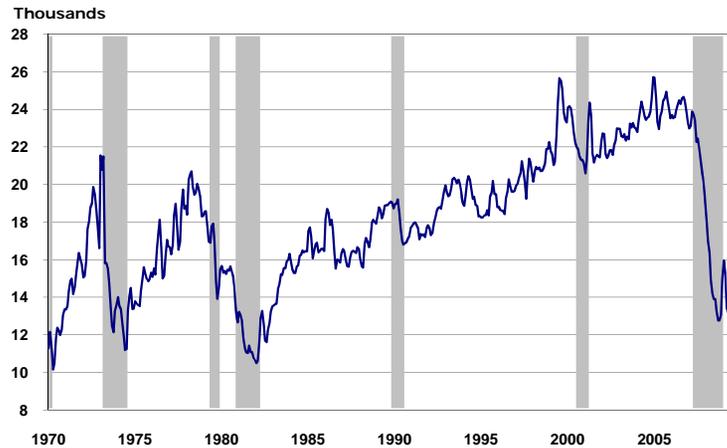
January 1988 to January 2010, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

New Car and Truck Registrations in Washington

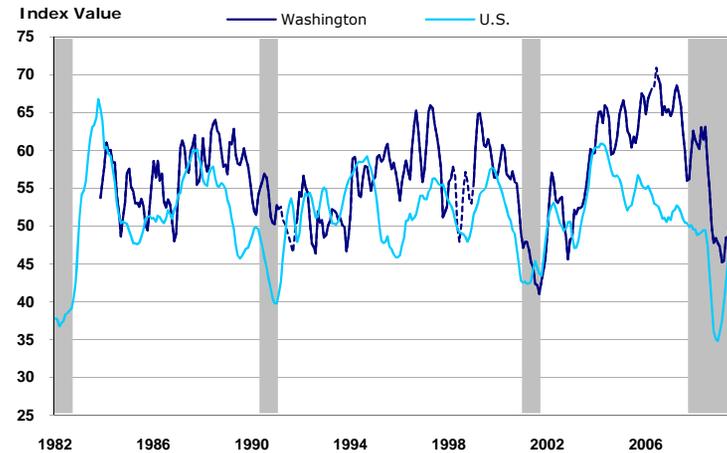
September 1970 to January 2010, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

March 1982 to January 2010, 3-Mo. Moving Average



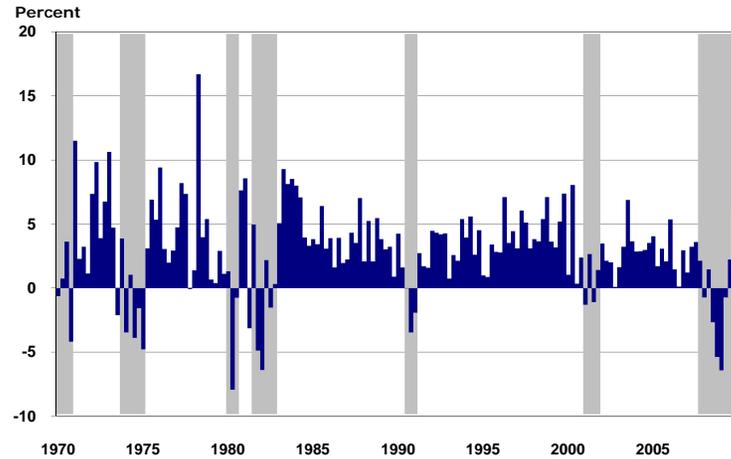
* Source: Institute for Supply Management, NAPM-WW

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators

Quarterly U.S. Real GDP Growth

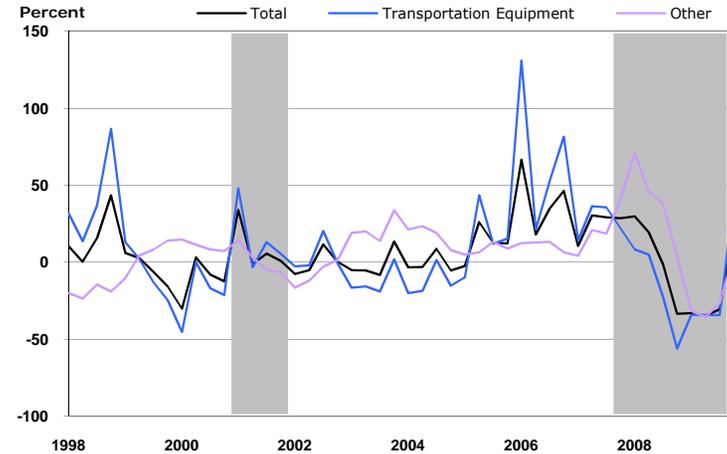
1970Q1 to 2009Q4



* Source: Bureau of Economic Analysis

Washington State Export Composition

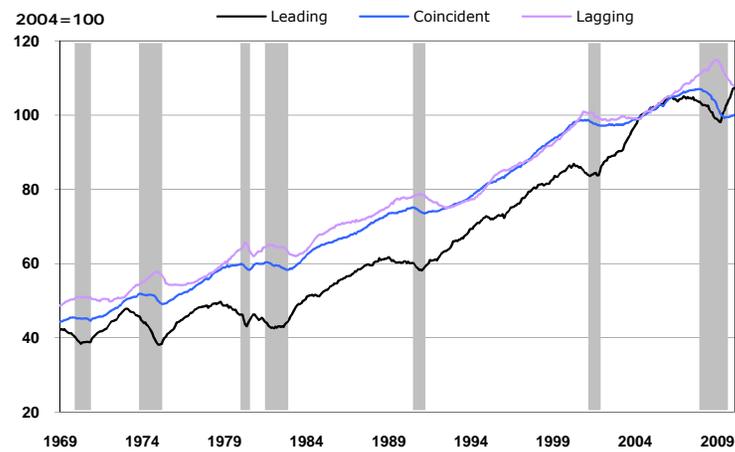
1998Q1 to 2009Q4, Change from Same Quarter Year Ago



* Source: WISER

U.S. Economic Indicators

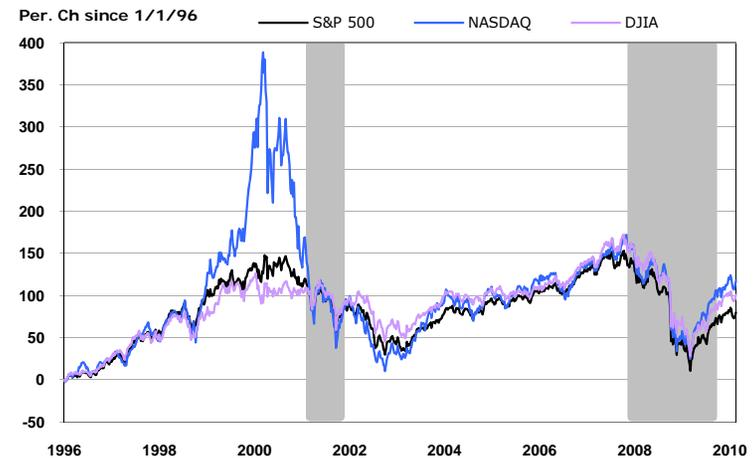
January 1969 to January 2010



* Source: The Conference Board

National Stock Indexes

January 1, 1996 to February 19, 2010



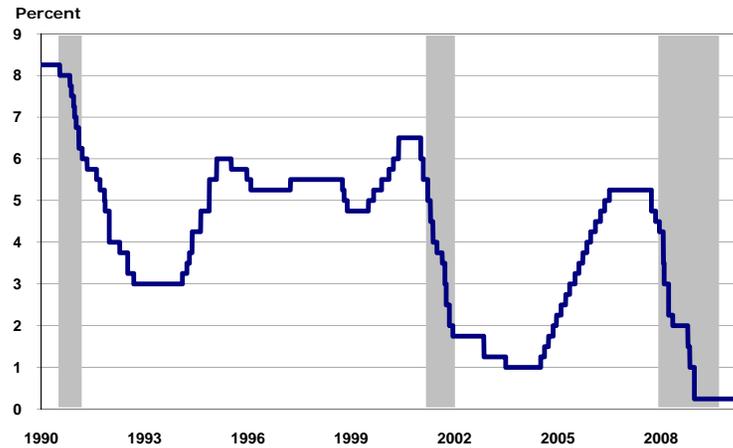
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators

Federal Funds Target Rate

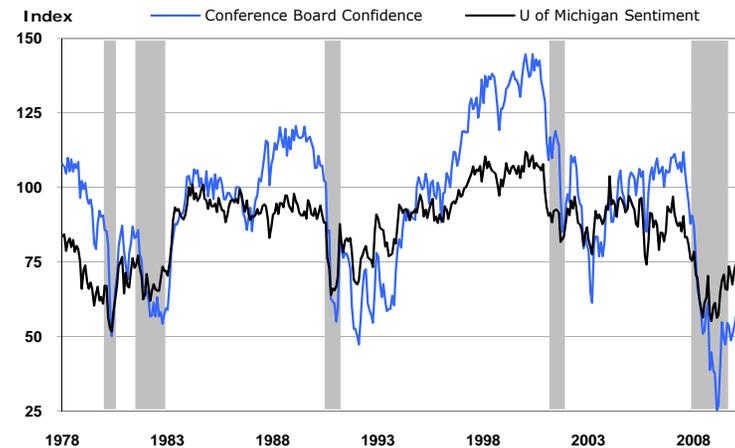
January 1, 1990 to February 26, 2010



* Federal Reserve

Consumer Confidence

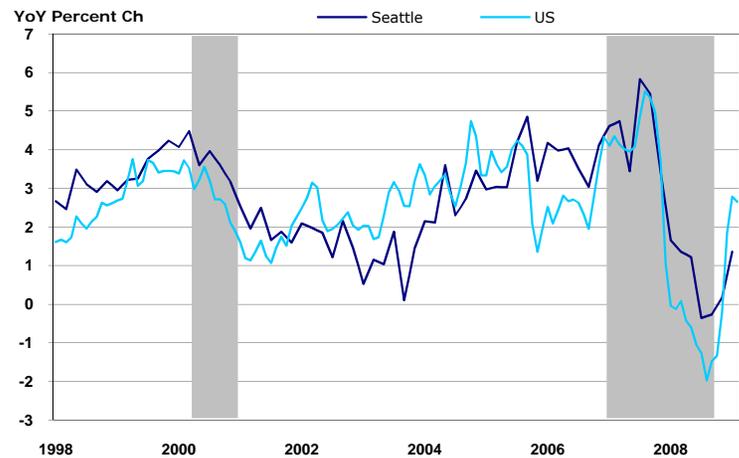
March 1978 to February 2010



* Source: The Conference Board, University of Michigan

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

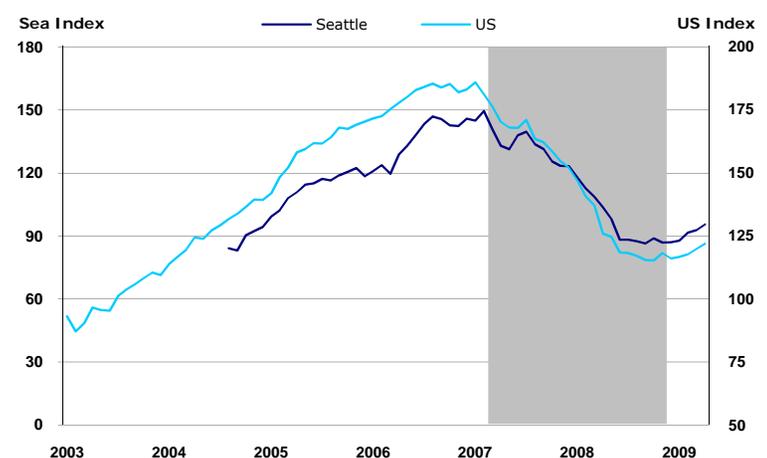
December 1998 to January 2010



* Source: Bureau of Labor Statistics

Monster Employment Index

October 2003 to January 2010, SA



* Source: Monster Worldwide, ERFC

* 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 25 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.