

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

Washington State Economic and Revenue Forecast

June 2012
Volume XXXV, No. 2



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

June 2012
Volume XXXV, No. 2

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Preface

ERFC forecasting structure and schedule

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. 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 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's economic forecast and the forecast of the Department of Revenue's GF-S revenue sources as well as 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 other 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. After review by forecast workgroups; the Governor's Council of Economic Advisors; and the Economic and Revenue Forecast Council in public; this state economic forecast (updated for newly released data) is used to prepare a baseline revenue forecast for GF-S and the related funds. 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. Additionally, at least two alternative forecasts are prepared for all GF-S and related fund sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GF-S and related fund revenues.

Data in this publication are accurate through June 29, 2012.

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Executive Summary

- **The U.S. economy is performing as expected; slow economic and job growth, high unemployment, and weak confidence. As a result, the June forecast is similar to the one released in February.**
- **A high level of downside uncertainty remains. External factors remain a large part of the high downside risk. The biggest threat to the U.S. economy remains the sovereign debt crisis in Europe. The upcoming "fiscal cliff" and slowing Asian economies remain significant threats to the recovery as well.**
- **Growth in GDP and employment have been disappointing. We expect continued slow growth throughout the forecast.**
- **The Washington economy has performed about as expected in the February forecast. As anticipated, the recovery has continued but at a moderate rate.**
- **Washington job growth in recent months has been in line with the forecast but earlier estimates were revised down.**
- **Housing construction in Washington is picking up, especially in the multi-family sector, but from a very low base. Home price appreciation has turned slightly positive.**
- **The outlook for the Washington aerospace sector remains positive. While we expect aircraft production to continue to grow, we believe we are near the peak in employment.**
- **The General Fund-State forecast has increased by \$156 million in the 2011-13 biennium and \$197 million in the 2013-15 biennium**
- **Without new legislation that added \$172 million to forecasted revenue in the 2011-13 biennium and \$330 million in the 2013-15 biennium, the forecast for both biennia would have decreased slightly**
- **This quarter's publication includes a summary of the Federal Reserve's Survey of Consumer Finances. The survey, released every three years, is one of the most widely accepted snapshots available on Americans' finances. The survey includes questions regarding income, net worth, assets, and liabilities.**
- **The June 2012 release is the first in-depth survey that looks at how Americans have used credit since the Great Recession struck in 2008. The survey highlighted the elimination of nearly two decades of household wealth by the recent financial crisis, which helps explain why the recovery has been so slow.**

U.S. Economic Forecast

The economy has performed close to expectations

In the three months since the February forecast, U.S. economic activity has generally been in line with the baseline scenario. We continue to see a lackluster recovery, with low growth, high unemployment and weak confidence. As a result, the June forecast is similar to the one released in February. Despite the relatively small change in the economic forecast, the level of downside uncertainty in the baseline remains high.

The crisis in Europe is the biggest threat to the recovery

The biggest threat to the U.S. economy remains the sovereign debt crisis in Europe. The Blue Chip consensus forecast shows the Eurozone with negative economic growth for 2012. The combination of slow or negative economic growth and rising borrowing costs puts countries like Greece, Spain and Italy at increased risk of default, which would spill over into the financial sector and ultimately have a negative impact on the U.S. economy. If the sovereign debt crisis leads to a financial crisis, the U.S. economy is likely to enter a new recession as well. The weakness in Europe has contributed to a slowdown in Asia as well.

Failure to address the "fiscal cliff" will push the U.S. back into recession

The extension of the payroll tax cut and emergency unemployment benefits was passed by both houses of Congress on February 17. While the extension of the payroll tax cut and emergency unemployment benefits does reflect a bipartisan effort to address economic issues, political gridlock in the nation's capital has shown few other signs of improvement. The "fiscal cliff" of tax increases and spending cuts is approaching at the end of 2012. The Congressional Budget Office estimates that the impact of not addressing this "fiscal cliff" would be a return to recession in the first half of 2013.

We expect slow GDP and employment growth throughout the forecast

Real U.S. GDP grew at a below trend 1.9% seasonally adjusted annualized rate (SAAR) in the first quarter according to the Bureau of Economic Analysis. The Blue Chip Consensus GDP forecast, our starting point each forecast cycle, now calls for real GDP growth of 2.3% in 2012 and 2.5% in 2013. Real GDP growth rates for 2014 and 2015 are 3.0% per year. Employment growth has been far worse than anticipated in the past two months. Going forward, we expect the U.S. economy to add about 150,000 jobs per month through the end of this year. We expect an unemployment rate of 8.1% for 2012, gradually falling to 6.9% by 2015.

Washington Economic Forecast

The Washington recovery remains on track

The Washington economy continues to perform close to our February forecast. Washington payroll employment grew 11,900 in the four months since the February forecast was adopted, precisely the job growth expected in the forecast. Aerospace employment is still expanding, but at a slower rate than in 2011.

Exports have been a source of strength during this recovery but Washington has experienced a slowdown in export growth outside of transportation equipment. Housing construction has been stronger than expected in the first four months of 2012 and the payroll tax cut and emergency unemployment compensation were extended through the rest of this year raising personal income. Energy costs are no longer adding to inflation but shelter costs are driving local inflation higher.

The revisions to the forecast in June were small

The Washington State forecast is based on a new national forecast that in terms of the real economy (GDP, employment, etc.) is very similar to the forecast adopted in February. As a result, the revisions to the state forecast were also minimal. The main difference in the state forecast as in the national forecast is a higher level of personal income due to the extension of the payroll tax cut and emergency unemployment compensation. The other major change is the incorporation of a new, lower oil price outlook which reduces inflation locally as well as nationally. In Washington, the forecast also reflects stronger than previously expected housing construction in early 2012 but somewhat lower employment.

The recovery will remain slow

We expect Washington job and income growth to gradually improve throughout the forecast. Boeing and Microsoft are expanding, however we expect aerospace employment will peak at the end of 2012. Housing construction is now growing though from a very low base. Construction employment has bottomed out and will add to employment growth in the future. However, state and local governments will continue to cut back. The recovery will continue to be slow by historical standards and unemployment will decline only gradually. We continue to expect that the state of Washington will outperform the U.S. economy in both employment and income growth, although the outlook for both remains weak.

Revenue Forecast

The state economic forecast has changed little since February; the revenue forecast change is similarly small

As there has been little overall change in the national and state economic forecasts from February to June 2012, the change in the revenue forecast is also small. Revenue collections since the February forecast have also come in very close to their forecasted values. Due to the effects of legislation passed in the 2012 regular and special legislative sessions, the forecast has been increased very slightly in both the current and ensuing biennia, but absent the legislation the forecast for each biennia would have very slightly decreased. As in February, there remain considerable downside risks to the forecast. The European debt crisis continues to ramble onward, while worries about Iran have been replaced by worries about gridlock in Washington, D.C. leading to a "fiscal cliff". The fragile recovery could be derailed by trouble on either of these fronts, with negative repercussions for revenue.

GF-S forecast change by biennium (millions):

11-13: +\$156
13-15: +\$197

New legislation and budgetary changes from the 2012 regular and special legislative sessions added \$172.3 million in revenue to the current biennium and \$330.3 million in the next biennium. Forecast changes due to changes to the economic forecast lowered the forecast by \$16.1 million in the current biennium and \$132.9 million in the next biennium. The resulting total forecast changes for GF-S revenue are an increase of \$156.2 million the 2011-13 biennium and \$197.3 million in the 2013-15 biennium. With these revisions, GF-S revenue for the 2011-13 biennium is forecasted to total \$30,440.2 million and GF-S revenue for the 2013-15 biennium is forecasted to total \$32,625.7 million.

Special Report – Survey of Consumer Finances

The survey is a triennial cross-sectional survey of U.S. families.

The Federal Reserve board conducts the Survey of Consumer Finances (SCF) every three years to provide detailed information on the finances of U.S. families. This survey is widely used by major economic research centers, the Federal Reserve, and other branches of government. The study is sponsored by the Federal Reserve Board in cooperation with the Department of Treasury; the data is collected by the National Opinion Research Center at the University of Chicago. Respondents are selected randomly and participation in the study is strictly voluntary. The current study included interviews from approximately 6,500 families. The survey does exclude the possibility of one-person families. survey data include information on families' balance sheets, income, pensions, and demographic characteristics. The information is available at <http://www.federalreserve.gov/econresdata/scf/scfindex.htm>.

The release of the SCF for 2010 provides data on changes since the 2007 survey.

The June 2012 release of the Survey on Consumer Finances for 2010 provides data on changes in family income and net worth since the 2007 survey. The survey collects information on families' total income before taxes for the calendar year preceding the survey. A key finding is that American household's median net worth fell a whopping 38.8% between 2007 and 2010, thanks largely to the collapse in value of many people's homes. Meanwhile, median incomes fell for most consumers, with the steepest drops in income sustained by highly educated families, families headed by someone younger than 55, and families living in the South and the West.



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

- **The U.S. economy is performing as expected; slow economic and job growth, high unemployment, and weak confidence. As a result, the June forecast is similar to the one released in February.**
- **Despite the relatively small change in the economic forecast, the high level of downside uncertainty in the baseline remains the same as before.**
- **External factors remain a large part of the high downside risk. The biggest threat to the U.S. economy remains the sovereign debt crisis in Europe. If the sovereign debt crisis leads to a financial crisis, the U.S. economy is likely to enter a new recession as well.**
- **The upcoming “fiscal cliff”, slowing Asian economies and threats to world oil supplies also pose risks to U.S. economic recovery.**
- **U.S. GDP and employment growth has slowed. Real U.S. GDP grew at a below trend 1.9% seasonally adjusted annualized rate (SAAR) in the first quarter. Payroll employment increased by only 69,000 in May and 77,000 in April.**
- **Consumer attitudes have again worsened after initially improving early in the year. Consumer confidence remains at levels typically associated with recessions. Consumer spending remains subdued.**
- **Housing remains weak, although the worst is now behind us. Housing starts appear to have reached an inflection point, particularly in the multi-family segment. There are indications that the decline in home prices is ending which is critical for a recovery in housing.**
- **We have adjusted our oil price forecast to more accurately reflect world market conditions.**

Current Conditions

The economy has performed close to expectations

In the three months since the February forecast, U.S. economic activity has generally been in line with the baseline scenario. We continue to see a lackluster recovery, with low growth, high unemployment and weak confidence. Despite the relatively small change in the economic forecast, the level of downside uncertainty in the baseline remains high.

The crisis in Europe...

The biggest threat to the U.S. economy remains the sovereign debt crisis in Europe. Unemployment rates are high in several

...remains the biggest threat to the recovery

European countries and it is likely that Europe will enter another recession or is already in one. The Blue Chip consensus forecast shows the Eurozone with negative economic growth for 2012. The combination of slow or negative economic growth and rising borrowing costs puts countries like Greece, Spain and Italy at increased risk of default, which would spill over into the financial sector and ultimately have a negative impact on the U.S. economy. If the sovereign debt crisis leads to a financial crisis, the U.S. economy is likely to enter a new recession as well. Apart from potentially causing financial markets to seize up, the European sovereign debt problems threaten U.S. exports in three ways - by weakening European growth, by strengthening the dollar via a "flight to safety" and by negatively affecting Asian economies.

The recent Greek election put to rest fears of a quick Greek exit from the Euro

The election of a pro-bailout government in Greece has eased fears of a quick exit from the Eurozone, although fears that Greece will eventually leave the Euro remain. The initial proposed bailout of Spain's banking system appeared to be insufficient, with Moody's rating agency cutting the debt rating on 28 Spanish banks after having downgraded the Spanish government's credit rating a month before. However, the recent European Union summit appeared to agree on centralized banking supervision and directly injecting funds into ailing banks in Spain and elsewhere in the Eurozone. Financial markets responded positively to the summit, but details on the agreement remain vague.

The weakness in Europe has contributed to a slowdown in Asia

The weakness in Europe has contributed to a slowdown in Asia as well. In particular, we continue to expect slower growth in China. Recent data show weakness in China's economy, with slowdowns in exports, imports, industrial production, and fixed-asset investment. It still appears that China will experience a soft landing, although the government has resisted any substantial stimulus measures despite the recent slowdown. If this is not managed properly and the Chinese economy experiences a hard landing, this could create another global recession.

The payroll tax cut extension occurred since the February forecast

The extension of the payroll tax cut and emergency unemployment benefits was passed by both houses of Congress on February 17. While the extension of the payroll tax cut and emergency unemployment benefits does reflect a bipartisan effort to address economic issues, political gridlock in the nation's capital has shown few other signs of improvement. The "fiscal cliff" of tax increases and spending cuts is approaching at the end of 2012. This is complicated further by the need to raise the debt ceiling at around the same time. The threat of all or some of this coming to pass may already be taking its toll on consumer confidence and business risk-taking. The only certainty is that for the next year, at least, the path of fiscal policy is very uncertain.

Monetary policy will remain accommodative

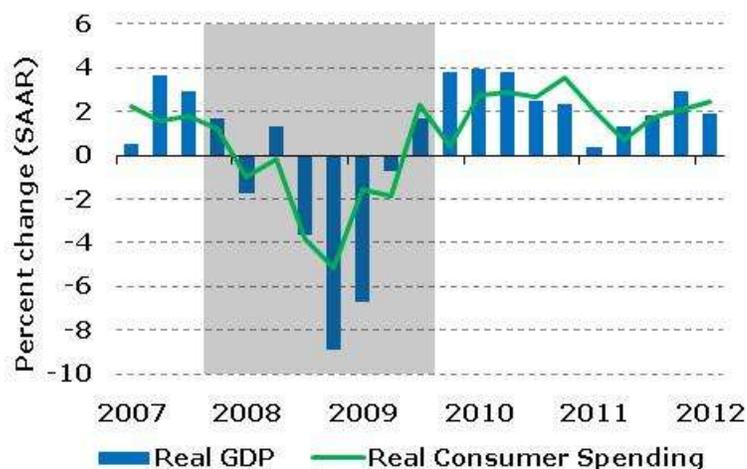
In contrast to uncertainty regarding fiscal policy, the stance of monetary policy has been clear and consistent. At their meeting on June 20-21, the Federal Open Market Committee decided to extend its Operation Twist. This is the monetary process where the Fed sells short and medium term bonds and buys longer term ones in hopes of lowering longer term interest rates. This was viewed by markets as the minimum the Fed could do and it appears they are buying time to judge whether the economy hit a temporary soft patch or if growth appears to be stalling. If the economy continues to weaken, it is likely that the Fed will engage in more quantitative easing. However, it looks increasingly as if the economy is caught in a classic "Liquidity Trap" where monetary policy playing a lone hand has lost its effectiveness. Interest rates are already at a historically low level and lowering the rates further cannot solve the major problems affecting the economy. In such conditions, for macroeconomic policy to be effective, both monetary and fiscal policies need to be working in tandem. That does not appear likely right now.

The first quarter GDP release was disappointing

Real U.S. GDP grew at a below trend 1.9% seasonally adjusted annualized rate (SAAR) in the first quarter according to the Bureau of Economic Analysis (See figure 1.1). This was revised down from 2.2% growth in the advance estimate and was down from the fourth quarter's 3.0% growth. Much of the revision was due to less inventory accumulation which added 0.1 percentage points rather than the 0.6 initially believed. Real consumer spending, which increased at a 2.5% rate, remains subdued as consumers continue to be anxious about economic conditions. Business investment in equipment and software remains a solid

Figure 1.1: Real GDP and Consumer Spending Growth

Real GDP and consumer spending remain weak but positive



Source: U.S. Bureau of Economic Analysis, data through 2012 Q1, third estimate

driver in GDP growth, although it did weaken to a 3.5% rate in the first quarter. Government spending remains the largest drag on growth, subtracting 0.8 percentage points from overall GDP and decreasing at a 4.0% rate. Overall, real GDP growth is expected to remain weak through the middle of this year as the economy works through another soft-patch in the recovery.

Spending growth has been sluggish

Real consumer spending growth was 2.5% (SAAR) in the first quarter of 2012, up from a 2.1% rate in the fourth quarter of 2011. Despite the recent improvement, it does appear that second quarter spending may soften. Consumer spending declined in May, although the decline was less than 0.1%. The decline came from a reduction of spending on goods while service spending remained healthy. Retail sales fell 0.2% in both April and May. Some of the weakness is due to payback from inflated sales during the mild winter which pulled spring sales forward. Light-vehicle sales also fell in May to a seasonally adjusted 13.8 million units (SAAR), the lowest sales figure of the year. Persistent high unemployment, weak income growth, low consumer sentiment, stock market volatility, and uncertainty about tax policy all appear to be taking a toll on spending.

Growth in personal income has been slow

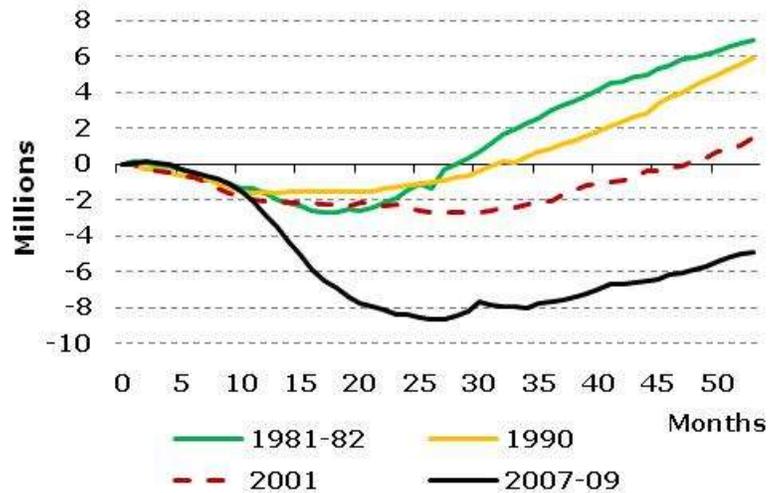
Rising personal income is a key for personal consumption expenditures to continue to improve. Real disposable personal income (income after taxes) was up at a seasonally annualized rate of 4.2% in May, following a 1.7% rate in April. The increase was more due to a drop in prices, particularly energy, than a rebound of income. Nominal disposable personal income was up just 1.9% (SAAR). The savings rate increased to 3.9% from 3.7% and consumers again spent slightly less than income. Consumers are again saving more out of current income after reaching a post-recession low in savings during February. Growth in wage and salary disbursements slowed to a 0.2% rate, the slowest of the year. Government transfers (mostly Social Security) was also weak, increasing at a 0.7% rate. Income from dividends and interest remained strong, although it slowed from an 11.4% rate in April to an 8.6% rate in May.

Employment growth has been far worse than anticipated

Employment growth has been far worse than anticipated in the past two months. Payroll employment increased by only 69,000 in May while April's gain was revised down to just 77,000. While employment gains averaging over 250,000 per month from December to February appeared to indicate the economic recovery was gaining traction, this was more likely due to an unusually warm winter which affected the seasonal employment pattern. Some of the recent labor market weakness may be due to this seasonal variation, although this effect should dissipate going forward. Job growth has been very slow in this recovery (see Figure 1.2). Fifty-three months after the start of the last recession, we are still 5.0 million jobs below pre-recession employment.

Figure 1.2: U.S. Employment after Business Cycle Peak

The recovery in jobs has been remarkably slow



Source: U.S. Bureau of Labor Statistics, ERFC; data through May 2012

Un-employment remains elevated

The weakness in the labor market is reflected in the unemployment rate which increased to 8.2% from 8.1% in May. Joblessness remains high with nearly 12.8 million people unemployed by the traditional measure. The most comprehensive measure of underemployment increased from 14.5% in April to 14.8% in May. This includes workers who would like a job but are not currently looking plus those working part-time that would rather work full-time. The number of seasonally adjusted new unemployment insurance claims points to tepid job growth as well. For the week ending June 23, initial claims dropped 6,000 to 386,000. The four-week moving average, a more stable measure, decreased to 387,000, just below last week's 388,000, the highest reading so far this year.

Consumer confidence remains weak

After showing mixed signals early in the year consumer confidence appears to have settled on a new trend. Unfortunately, consumer attitudes are becoming more pessimistic, particularly about the future. The Conference Board's consumer confidence index declined in June to 62.0 from its May level of 64.4, as consumers become more concerned with where the economy is headed. This was the fourth consecutive decline and the fifth in six months. The University of Michigan consumer sentiment index declined in June to 73.2, its lowest level of 2012. Weaker confidence was reflected in perceptions of both current and future conditions. Weighing heavily on confidence is the slowing trend of job growth the past few months. Both measures remain in recessionary territory.

Business confidence remains weak

The National Federation of Independent Business (NFIB) small business optimism index declined to 94.4 in May after increasing in seven of the past nine months. While this is certainly a positive trend, it represents regaining lost ground. The index is still about at the levels observed in February 2011, suggesting that the economy has not made much progress from a small business perspective. Therefore, the index likely reflects a small business expectation of continued below-normal growth.

Lending standards have not changed substantially since late 2011

Credit market conditions have improved since the meltdown that followed the collapse of Lehman Brothers in September 2008. The Federal Reserve Board's April survey of senior loan officers shows a continuation of a gradual easing of lending standards. In April, standards for commercial and industrial (C&I), consumer, and commercial real estate loans all eased. Demand for loans by businesses increased as well. At the household level, standards for residential mortgage loans were about unchanged for prime mortgages (i.e., traditional mortgages to borrowers with high credit standards) although there was a strengthening in demand. In general, demand for all types of consumer loans increased, with demand for auto loans showing the largest increase.

Headline inflation has eased due to dropping energy prices

After peaking at over \$126 per barrel in mid April, oil prices have fallen to \$90 per barrel for Brent crude oil. Gasoline prices have also retreated from \$4 per gallon to \$3.50 in late-June. Gas prices are now 4% lower than a year ago. Weaker global demand and higher production from Saudi Arabia are expected to make up for the loss of Iranian oil due to sanctions from the U.S. and European Union. Still, uncertainty regarding Iran's response to economic sanctions is likely to keep oil and gasoline prices volatile for the near future. The decline in energy prices has resulted in lower headline inflation. Food prices, while higher than a year ago have stopped rising after increasing throughout most of last year. The consumer price index (CPI) was up 1.7% in May from a year ago, the lowest inflation reading since January 2011. Core inflation, which excludes food and energy, remains stable, increasing 2.3% year-over-year in May.

The global recovery is expected to be slow

In April, the International Monetary Fund revised its forecast of 2012 global economic growth to 3.50%, up from its January forecast of nearly 3.25%. The small change is largely due to strengthening global prospects due to improved activity in the U.S. and better policies in the euro area. Emerging and developing economies are also expected to slow in 2012 but then reaccelerate in 2013 due to easing macroeconomic policies and strengthening foreign demand. At the worst, the European sovereign debt crisis could lead to another credit meltdown that would affect the global economy, including the United States.

Housing appears to have hit bottom

Continuing a trend started in 2008, new home sales, single-family housing starts, and single-family permits remain well below the levels recorded prior to the financial crisis and recession. Housing starts in particular remain at a very depressed level, particularly when viewed in relation to population (see Figure 1.3). There remains a considerable level of underlying demographic demand as people have put off forming new households due to weakness in the economy. It does appear that new construction has turned a corner however, particularly in the multi-family segment. Housing starts are 28% above a year ago despite dropping 36,000 units (SAAR) to 708,000 units (SAAR) in May. Housing starts this year through May averaged 719,000 units (SAAR), the highest since the end of 2008. While multi-family construction is still low by historical standards and fell another 52,000 units in May (SAAR), it is recovering as vacancy rates have fallen and rents have risen. Despite an increase in May of 16,000 units (SAAR), single-family starts show no sign of a strong rebound as new construction is in competition with foreclosures.

Figure 1.3: Housing Starts per 1,000 People

Housing starts are well below demographic demand



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

The trend in home sales is improving

Existing homes sales dropped 1.5% to 4.55 million units (SAAR) in May, but remain 9.6% above a year ago. The trend flattened in 2011 and is now increasing. Existing home sales have been supported by sales of distressed properties which slowed in May, driving down sales overall. New home sales, which reached an all-time low in 2011, have had to compete with a stream of distressed sales. Sales of new homes increased significantly in May to a level of 369,000 (SAAR) from 343,000 (SAAR) in April. Total housing supply in May increased 0.1 months from April to 6.6 months. Distressed homes accounted for 25% of sales in May, down from 31% a year ago.

Home prices must stabilize for housing to recover

Housing activity will not start to recover to pre-recession levels until there is a recovery in home prices. Potential buyers are reluctant to enter the market when home values are declining. Banks are also less willing to lend against depreciating collateral. Fortunately, there are indications that the decline in home prices is ending. According to data from CoreLogic, overall home prices were up 1.1% from a year ago, the second consecutive month of price appreciation. Prices of distressed properties also rose 1.1% in April over last year. Similarly, the seasonally adjusted Case-Shiller 20-city home price index increased 0.7% in April from the previous month, the third consecutive monthly increase. The index does remain 1.9% below the year-ago level, but also points to an inflection point being reached in home prices. We believe any price appreciation will be slow, as foreclosed properties will continue to add to the supply of for-sale houses. Longer-term equilibrium will also depend on how the federal government unwinds its ownership of Fannie Mae and Freddie Mac, the largest players in the secondary mortgage market.

The manufacturing recovery is continuing

The manufacturing sector continues to grow but at a slower and more sporadic rate than earlier in the recovery. According to the Federal Reserve's latest G-17 report, manufacturing output fell 0.4% (SA) in May following a 0.7% increase in April. Durable goods output declined 0.5% in May after a strong 1.4% gain in April. Total manufacturing output remains 5.2% above last year while durable goods output is up 5.0%. Core capital goods (nondefense capital goods excluding aircraft) orders increased by 1.6% in May after decreasing 1.4% the month before. Shipments grew 0.4% in May, up from April's 0.6% decline. The Institute of Supply Management (ISM) Purchasing Managers Index for manufacturing declined to 53.5 in May from 54.8 in April. Details were mixed as new orders rose but production fell. The ISM indicated that of the 18 manufacturing industries, 13 reported growth in May. The sluggish growth in factory production is likely to continue as financial markets weaken, conditions in Europe deteriorate, and growth in emerging markets slows.

The forecast assumes implementation of the ACA

The Supreme Court has upheld the constitutionality of the mandate to buy health insurance that lies at the heart of the Patient Protection and Affordable Care Act (ACA). The ruling means no immediate change in the healthcare assumptions in our U.S. macro forecast. Since the final passage of the ACA in 2010, the forecast has incorporated an assumption that it would be implemented in full and on schedule. We incorporated a major increase in healthcare insurance coverage and increased healthcare spending because of the effects of greater coverage combined with extra fees imposed on medical-care providers. While the ruling eliminates one source of uncertainty, there remain uncertainties about implementation going forward.

Forecast

The June forecast is based on the latest Blue Chip Consensus forecast

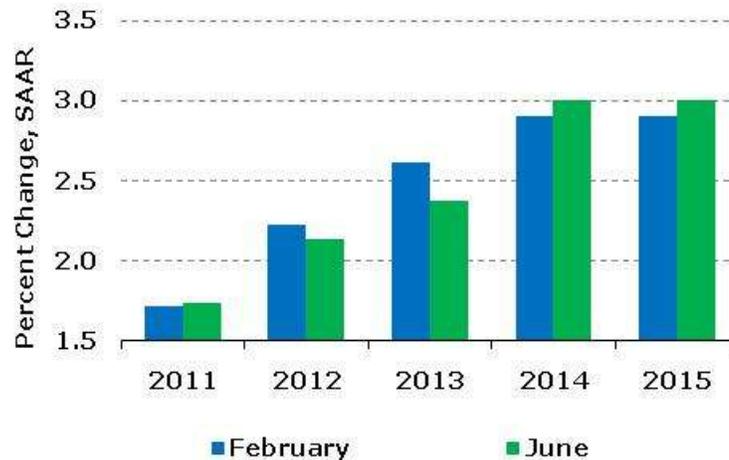
The June 2012 economic forecast was based on a modified version of Global Insight's February 2012 Control forecast for the U.S. economy. As in February, the U.S. real GDP forecast was adjusted to match the Blue Chip "Consensus" GDP forecasts for 2012 and 2013. We also incorporated the latest long term Blue Chip GDP forecast for 2014 and 2015. Our oil price forecast was adjusted to incorporate future prices for both Brent crude oil and for West Texas Intermediate crude to better track world oil prices. Following the release of the February forecast, the payroll tax cut and emergency unemployment compensation were extended through the rest of 2012, an assumption that was not included in that forecast.

The Blue Chip outlook is close to February estimates

The Blue Chip Consensus GDP forecast, our starting point each forecast cycle, now calls for real GDP growth of 2.3% in 2012 and 2.5% in 2013. This is very close to the 2.2% for 2012 and 2.6% in 2013 expected in the February forecast. Real GDP growth rates for 2014 and 2015 are 3.0% per year, up slightly from 2.9% per year (see Figure 1.4). The similarity in forecasts tells us we can expect a continuation of the slow growth and high unemployment scenario anticipated in February.

The forecast for GDP growth is similar to February

Figure 1.4: Blue Chip Real GDP Forecasts



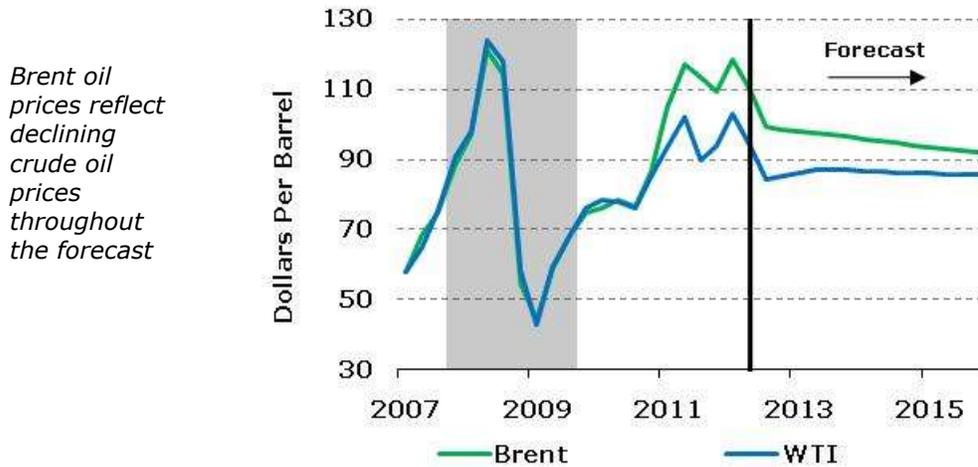
Source: June 2012 and February 2012 Blue Chip Economic Indicators

Brent futures prices are a more reliable indicator than WTI for oil prices

For the last few years we have relied on the futures prices for West Texas Intermediate (WTI) oil as a guide to oil prices in our forecasts. WTI prices have become an unreliable indicator of the prices faced by the majority of U.S. oil refiners. For the time being, we believe the Brent (North Sea oil) benchmark is a better indicator of the oil price faced by the majority of U.S. oil refiners. Normally the benchmark oil prices move together but recently WTI prices have dropped below Brent prices due to

transportation bottlenecks (see Figure 1.5). WTI prices also affect U.S. refiner's costs, and we incorporate the future WTI prices in our forecast, but the Brent prices are much more important and dominate our oil price forecast. The latest futures prices indicate that oil prices will decline sooner and more rapidly than expected in February.

Figure 1.5: Oil Prices, West Texas Intermediate and Brent



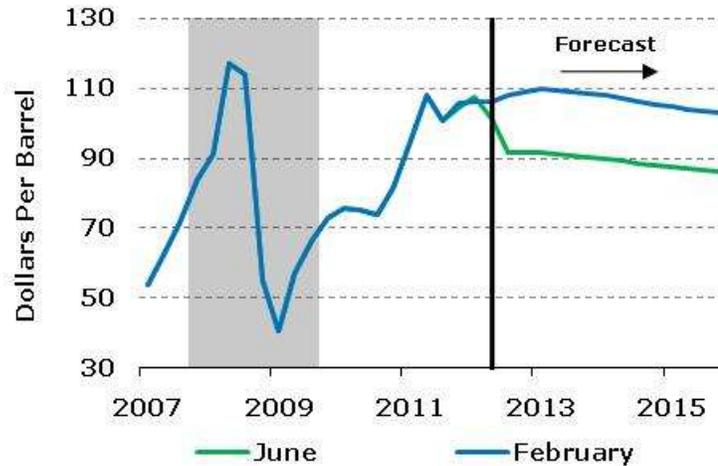
Source: Blue Chip Economic Indicators, NYMEX, ICE Futures Europe, ERFC

WTI prices have become unreflective of world prices due to bottlenecks in oil pipelines

Like West Texas Intermediate (WTI), the Brent blend is a light, sweet crude oil, though not quite as light (low density) or sweet (low sulfur) as WTI. It therefore normally trades at a slight discount to WTI. Beginning in mid-2010 the usual spread reversed with the Brent price rising above the WTI price. The gap widened in 2011 with the spread reaching nearly \$24 in the third quarter of 2011. The reason for the reversal of the WTI-Brent spread is a glut of oil at Cushing, OK which is the delivery point for WTI oil. Until very recently, the Cushing pipelines flowed to the Midwest, not to the Gulf Coast so there was no way for prices to equalize. The situation will eventually normalize. The Seaway oil pipeline was only recently reversed, allowing some oil to flow from Cushing to the Gulf coast. The capacity of this pipeline will expand in phases through mid-2014. In addition, construction of the southern leg of the Keystone pipeline, expected by late 2013, will help alleviate the glut of oil at Cushing. The futures markets for Brent and WTI do show a narrowing of the spread but not a complete return to the usual relationship. The narrowing spread causes the expected WTI price to rise in the second half of this year even though world prices are expected to decline. The refiner acquisition cost of crude oil (which is more closely linked to the Brent futures price) is the oil price concept that affects energy prices in the forecast. By this measure, oil prices are both lower now and decline more rapidly than assumed in February (see Figure 1.6). The lower oil prices reduce the forecast for inflation, especially in 2012.

Figure 1.6: Average Refiner's Acquisition Price of Crude Oil

Oil prices are both lower now and decline more rapidly than assumed in February



Source: Blue Chip Economic Indicators, ERFC

Slower world economic growth has led to lower oil prices

Oil prices are headed back down and Brent crude prices have fallen below \$100 a barrel for the first time since early 2011. Much of this is due to the crisis unfolding in Europe and slower growth in Asia, particularly China. Based on updated futures data, this forecast has lower oil prices than predicted in February. We expect oil prices to drop to \$92 per barrel in the third quarter and then gradually decline throughout the forecast, reaching \$87 per barrel in 2015. As a result we expect lower headline inflation this year of just 1.9% and 1.8% in 2013. We expect inflation to rise slightly but remain moderate at 2.4% in 2014 and 2.3% in 2015.

The payroll tax cut resulted in an increase in our forecast

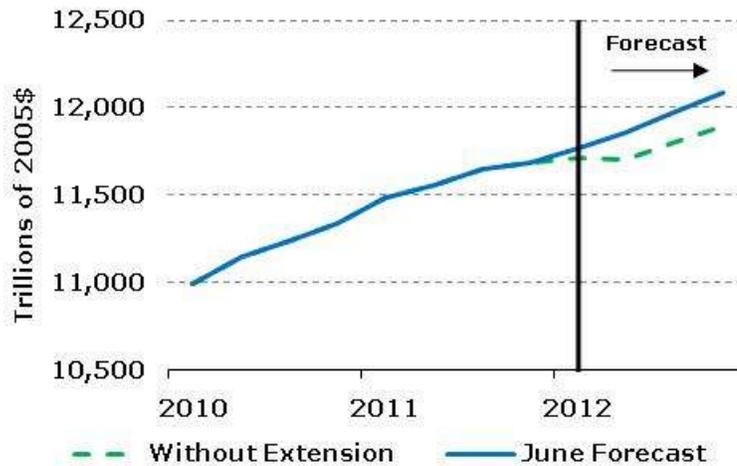
In our February forecast we had assumed that the payroll tax cut and emergency unemployment compensation would expire at the end of February. These have now been extended through the end of 2012. As a result, we now expect 2012 disposable personal income growth to be \$143.5 billion higher than if the extension had not been passed (see Figure 1.7). This corresponds to an average annual growth rate of 1.1% compared to no growth assumed in 2012 in our February forecast. Going forward the forecast expects real disposable personal income growth to increase to 1.8% in 2013, 2.6% in 2014, and 2.8% in 2015.

The "fiscal cliff" scenario would pull the U.S. back into recession

In the absence of Congressional action, the payroll tax cut and emergency unemployment benefits extension will expire at the end of this year, income tax rates will increase, and across-the-board budget cuts will be implemented as well. The Congressional Budget Office estimates that the impact of not addressing this "fiscal cliff" would be a return to recession in the first half of 2013 under current law (see Figure 1.8). Our June

Figure 1.7: U.S. Disposable Personal Income, SAAR

Extension of the payroll tax break and emergency unemployment compensation will boost income

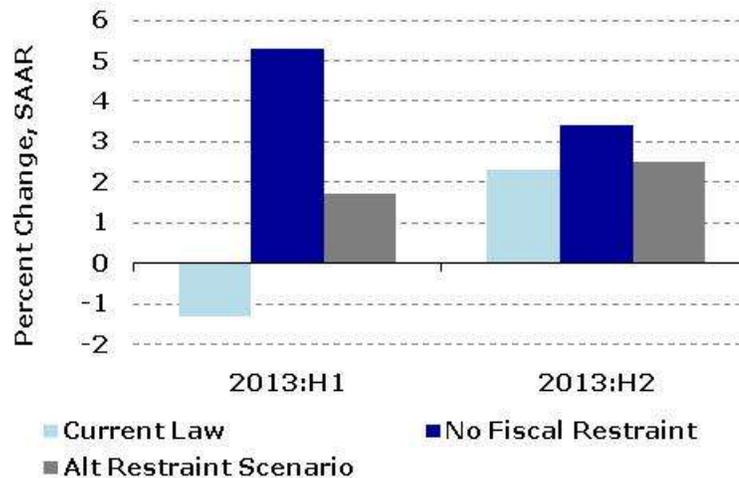


Source: Bureau of Economic Analysis; data through 2011 Q4, ERFC forecast

forecast assumes that the outgoing Congress will extend the deadlines to avoid tax increases or budget cuts, with a compromise on fiscal policy to be enacted by the new Congress. While Congressional action that extended all expiring tax cuts and avoided budget reductions (the no restraint scenario) does lead to higher GDP growth in 2013, CBO believes that the higher debt levels associated with this scenario will lead to lower economic growth in the future.

Figure 1.8: Real GDP Growth for 2013

If Congress fails to act, GDP growth will be negative in the first half of 2013



Source: The Congressional Budget Office

Declining government purchases...

In addition to the threat of the "fiscal cliff" scenario, federal fiscal policy is tightening as the temporary stimulus spending runs out and the focus shifts to deficit reduction. The forecast calls for a \$285 billion reduction in the federal deficit between 2012 and

...will slow overall growth

2013. Declining federal support is also affecting state and local governments. State and local administrations appear to be relying more on spending cuts than tax increases to close budget gaps for fiscal years 2012 and 2013. We expect total real government purchases to decline 2.3% this year followed by declines of 1.6% in 2013, 1.1% in 2014 and 0.4% in 2015. The decline in government spending will reduce overall GDP growth by 0.5 percentage points this year before moderating to 0.3, 0.2, and 0.1 percentage point reduction in 2013, 2014, and 2015.

Consumer spending will not be a strong driver in the recovery

Consumer spending is expected to continue along the slow growth path forecasted in February. High unemployment, weak equity markets and high debt burdens continue to weigh down spending and confidence. Declining home values will also continue to act as a drag on spending as people rebuild wealth out of current income. Consumer spending will not be a strong driver of growth in the recovery as is usually the case. The boost to spending earlier in the year from increased auto sales is not likely to be a strong driver of growth going forward. The extension of the payroll tax cut should help consumers for the remainder of this year as will gasoline prices which have started to fall after spiking earlier in the year. Overall, we expect real consumer spending growth of 2.2% this year and in 2013. We then expect growth to increase to 2.7% in 2014 and 2.8% in 2015.

Housing is still deeply depressed

Single-family housing remains weak, as distressed sales push home prices down and housing starts remain at very low levels. Improvement is dependent on stronger job growth, access to financing, and a firming of home prices. At some point, pent-up demand from housing should spur growth as young adults move away from home as employment prospects improve. Multi-family starts, while also low, are now improving due to declining apartment vacancies and rising rents. Still, overall housing construction will show no significant improvement until the larger single-family segment improves. The forecast does expect growth, although from a very low base, starting at the end of this year for single-family housing. Total housing starts this year are forecast to rise 21.3% to 742,000 units followed by an 18.9% increase in 2013 to 882,000 units. The forecast does not anticipate a return to more typical levels of housing starts until 2014, when we expect 1.13 million starts. It should be noted that even with the large percentage increase in 2012 and 2013, starts will still be well below one million units for the sixth consecutive year. Prior to 2008, starts had never been below one million units in the post-war era.

Businesses investment in equipment and software is driving the recovery

Business fixed investment remains an important source of growth in the current recovery. Nonresidential construction continues to lag although it does appear to be firming. Tight credit conditions for commercial real estate and high vacancy rates will dampen growth through the middle of 2013. Business

investment in equipment and software continues to grow. Businesses have high levels of cash and profits remain high, providing an opportunity to improve productivity by addressing replacement needs neglected during the recession. However, weak demand and low consumer and business confidence means slow growth going forward. We expect equipment and software spending to grow in real terms by 8.2% in this year, then pick up to 8.9% in 2013, before slowing to 7.2% in 2014, and 5.6% in 2015. The forecast calls for real spending on overall nonresidential fixed investment to grow 6.6% this year, 7.1% in 2013, 7.0% in 2014, and 5.7% in 2015.

Export growth has slowed

Export growth has slowed and is no longer expected to be a significant contributor to U.S. GDP growth going forward. The crisis in Europe has pushed the Eurozone back into recession and has contributed to a slowdown in growth in other important U.S. trading partners as well. GDP growth in these countries is forecasted to slow to 2.6% this year before increasing to 2.9% in 2013, 3.6% in 2014, and 3.7% in 2015. Further deterioration of the situation in Europe remains a significant risk and would adversely affect trade in two ways. First, weaker demand in Europe would directly hurt our exports. Second, a stronger dollar would make U.S. produced goods and services less competitive, further hurting exports and boosting imports. The forecast calls for U.S. exports to increase 4.7% this year, improving to 5.7% in 2013, 6.1% in 2014, and 6.2% in 2015. Export growth is largely offset by increased imports, however, and is not expected to add to GDP this year. Net exports are expected to add 0.1 percentage points to real GDP growth in 2013 and 0.2 percentage points in 2014 while remaining neutral in 2015.

Unemployment will remain elevated throughout the forecast

The huge drop in employment during the recession coupled with one of the weakest jobs recoveries in memory have resulted in a persistently high unemployment rate. We are more than two years into the recovery and are still 5.9 million jobs below the pre-recession employment peak. In addition, the U.S. labor market posted anemic employment growth in April and May of 77,000 and 69,000 net new jobs. Despite the weak payroll numbers from the past two months, we do not believe this represents a new pattern in labor market growth. Some of the weakness may still be due to seasonal payback from unusually warmer winter months. Going forward, we expect the U.S. economy to add about 150,000 jobs per month through the end of this year. Our current forecast expects job growth of 1.5% this year and 2013, 1.6% in 2014, and 1.5% in 2015. As a result, we expect an unemployment rate of 8.1% for 2012, gradually falling to 6.9% by 2015.

Forecast by Fiscal Year

FY 2012 GDP growth will be weak

U.S. economic growth for the first quarter of 2012 was a disappointing 1.9% (SAAR). Some of the weakness can be attributed to reduced inventory accumulation, which should be less of a drag going forward. Real GDP is forecast to grow 1.8% in FY 2012, rising to 2.2% in FY 2013, 2.7% in FY 2014 and 3.1% in FY 2015.

Consumer spending growth will remain modest

Consumer spending is not expected to be a strong driver in this recovery and the weakness in consumer confidence suggests continued downside risk in this area. The forecast expects real consumer spending growth of 1.9% per year in FY 2012, rising to 2.2% in FY 2013, 2.4% in FY 2014 and 2.8% in FY 2015.

Housing will begin to recover in FY 2012

The housing market appears to be stabilizing after experiencing the worst downturn in the post-war period. The forecast calls for an increase in housing starts in FY 2012 to 682,000 units, the first such annual increase since 2006. Housing starts are expected to increase in each year of the forecast period, rising to 1.28 million units by FY 2015.

The business investment trend is positive

Business investment started an upswing in FY 2011 that we expect to continue through the forecast period. On a fiscal year basis, real nonresidential fixed investment will increase by 8.2% this fiscal year, followed by increases of 6.3% in FY 2013, 7.4% in FY 2014 and 6.2% in FY 2015. Business investment growth has been led by investment in equipment and software which is expected to increase 9.2% this year followed by growth of 8.4%, 8.2%, and 6.5% in FY 2013 through FY 2015. Investment in non-residential construction has lagged in the recovery, although we do expect 5.5% growth this fiscal year due to a strong first quarter increase. The forecast calls for growth in FY 2013 of 0.4% before picking up to 5.1% and 5.5% in 2014 and 2015.

Exports will reduce the trade deficit

Although export growth is expected to be slower than in the February forecast, it is still expected to slightly outpace import growth. Export growth throughout the forecast period will help to shrink the trade deficit from an expected \$590 billion in FY 2012 to \$502 billion by FY 2015.

Employment growth will be weak

After two years of shrinking payroll employment, FY 2011 saw employment increase but only by 0.7%. Growth in FY 2012 and FY 2013 is expected to be 1.4%, followed by an increase of 1.6% in both FY 2014 and FY 2015. Because of the sluggish recovery in the labor market, the unemployment rate will still be 8.0% in FY 2013, eventually dropping to 7.2% in FY 2015.

Inflation remains moderate

High unemployment and excess capacity in the economy are helping to keep inflation relatively subdued. The consumer price index is expected to rise by 3.0% in FY 2012 before slowing to a 1.4% increase in FY 2013. Inflation is expected to increase

slightly but remain moderate at 2.2% in FY 2014 and 2.4% in FY 2015. Given geopolitical tensions with Iran, one risk to our inflation forecast is a spike in oil prices caused by supply interruptions.

Risks to the Forecast

The level of uncertainty in the baseline is high. Downside risks are still elevated, and considerably higher than upside risks.

Downside Risks (40% Probability)

Sovereign debt contagion...

Risks associated with the sovereign debt crisis in Europe remain high. Despite the election of a pro-bailout government, the potential for a Greek default and exit from the Eurozone remains. Other, larger European economies such as Italy and Spain continue to have debt problems. Spanish banks remain at risk despite a recent proposed bailout. A series of sovereign debt defaults would trigger a European banking crisis which in turn would affect U.S. banks. Credit would tighten and economic activity would shrink, pushing the U.S. back into another recession.

Failure to address "fiscal cliff"

A failure by Congress to address the "fiscal cliff". The combination of higher taxes and lower spending would push the U.S. bank into recession in the first half of 2013.

Slowdown in Asia

Although the chances of a hard landing in China (growth less than 5%) appear to be receding, slowing economies in the Eurozone could lead to slower growth in China and other Asian countries. In turn, this could reduce U.S. exports and GDP growth.

Turmoil in oil-producing countries

Turmoil in oil-producing countries or oil transit routes. Some Iranian lawmakers have proposed a blockade of the Strait of Hormuz in response to the July 1st embargo of Iranian oil by the European Union. A major disruption would result in sharply higher oil prices.

Surprises

Unexpected events – natural disasters, political upheaval, etc.

Upside Risks (10% Probability)

Housing recovers

The housing sector improves faster than anticipated.

Pent-up demand

Pent-up demand could boost consumer spending after years of economizing.

Jobs

Hiring could pick up, triggering a virtuous cycle of jobs, income spending and yet more jobs.

*No European
contagion*

The new Greek government is successful meeting its austerity goals, the rest of the Eurozone provides sufficient, credible support to stabilize financial markets and prevent any contagion.

*European
banking crisis
averted*

The recent European Union summit agreement proves sufficient. European governments are able to build a firewall around their banks, so the sovereign debt crisis does not turn into a banking crisis. This in turn leads to rising stock markets in the U.S. and internationally, boosting consumer confidence and consumption.

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2012 to 2015

Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,293.3	12,843.7	12,876.1	13,213.9	13,452.9	13,750.9	14,120.2	14,561.2
% Ch	1.8	-3.4	0.3	2.6	1.8	2.2	2.7	3.1
Real Consumption	9,293.2	9,077.9	9,104.6	9,336.2	9,515.0	9,728.9	9,964.9	10,244.3
% Ch	1.3	-2.3	0.3	2.5	1.9	2.2	2.4	2.8
Real Nonresidential Fixed Investment	1,583.2	1,388.0	1,260.9	1,376.9	1,489.3	1,582.4	1,699.8	1,805.8
% Ch	5.9	-12.3	-9.2	9.2	8.2	6.3	7.4	6.2
Real Residential Fixed Investment	509.6	380.7	343.0	322.4	341.9	381.1	433.0	500.9
% Ch	-21.6	-25.3	-9.9	-6.0	6.0	11.5	13.6	15.7
Real Personal Income	11,427.6	11,189.2	10,936.1	11,315.1	11,461.2	11,769.3	12,109.6	12,470.9
% Ch	2.5	-2.1	-2.3	3.5	1.3	2.7	2.9	3.0
Real Per Capita Income (\$/Person)	37,614	36,510	35,381	36,274	36,391	37,010	37,714	38,467
% Ch	1.5	-2.9	-3.1	2.5	0.3	1.7	1.9	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.074	1.089	1.104	1.123	1.150	1.165	1.187	1.213
% Ch	3.2	1.5	1.3	1.8	2.4	1.3	1.9	2.2
U.S. Consumer Price Index (1982-84=1.0)	2.117	2.147	2.168	2.211	2.276	2.309	2.359	2.416
% Ch	3.7	1.4	1.0	2.0	3.0	1.4	2.2	2.4
Employment Cost Index (Dec. 2005=1.0)	1.072	1.096	1.112	1.130	1.150	1.173	1.200	1.230
% Ch	3.2	2.3	1.4	1.7	1.8	2.0	2.3	2.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,267.2	14,056.2	14,188.4	14,810.3	15,388.1	16,016.1	16,739.7	17,577.8
% Ch	4.2	-1.5	0.9	4.4	3.9	4.1	4.5	5.0
Personal Income	12,270.8	12,190.5	12,068.9	12,708.3	13,177.7	13,710.2	14,370.5	15,126.7
% Ch	5.8	-0.7	-1.0	5.3	3.7	4.0	4.8	5.3
Employment (Millions)								
U.S. Civilian Labor Force	153.7	154.6	153.9	153.6	154.3	155.5	156.9	158.2
Total U.S. Employment	146.1	142.8	138.9	139.4	141.1	143.1	144.9	146.9
Unemployment Rate (%)	4.95	7.60	9.74	9.28	8.55	7.96	7.64	7.15
Nonfarm Payroll Employment	137.73	133.89	129.67	130.52	132.31	134.16	136.31	138.45
% Ch	0.6	-2.8	-3.2	0.7	1.4	1.4	1.6	1.6
Manufacturing	13.71	12.66	11.53	11.63	11.85	12.07	12.42	12.59
% Ch	-2.3	-7.7	-8.9	0.9	1.9	1.8	2.9	1.4
Durable Manufacturing	8.69	7.90	7.04	7.17	7.39	7.60	7.97	8.20
% Ch	-2.5	-9.0	-10.9	1.7	3.1	2.9	4.9	2.8
Nondurable Manufacturing	5.02	4.75	4.48	4.46	4.46	4.47	4.44	4.40
% Ch	-1.9	-5.4	-5.7	-0.5	0.1	0.1	-0.6	-1.1
Construction	7.46	6.61	5.66	5.49	5.53	5.57	5.78	6.25
% Ch	-2.9	-11.4	-14.5	-2.9	0.8	0.8	3.7	8.2
Service-Providing	115.81	113.87	111.81	112.66	114.10	115.71	117.33	118.84
% Ch	1.1	-1.7	-1.8	0.8	1.3	1.4	1.4	1.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.0	69.8	75.2	89.4	95.2	85.8	86.9	86.1
Personal Saving/Disposable Income (%)	3.8	5.8	4.8	5.2	4.0	3.6	3.1	3.1
Auto Sales (Millions)	7.6	5.4	5.8	6.1	6.8	7.3	7.9	8.3
% Ch	-1.7	-28.3	7.0	3.8	12.0	7.0	8.4	5.4
Housing Starts (Millions)	1.132	0.646	0.594	0.570	0.682	0.799	0.994	1.284
% Ch	-26.8	-42.9	-8.1	-4.1	19.8	17.2	24.3	29.3
Federal Budget Surplus (Billions)	-423.8	-899.4	-1,281.2	-1,255.4	-1,071.5	-836.3	-636.0	-585.2
Net Exports (Billions)	-721.5	-518.1	-467.8	-552.2	-589.8	-522.7	-494.2	-502.3
3-Month Treasury Bill Rate (%)	2.84	0.54	0.12	0.12	0.04	0.08	0.13	0.88
10-Year Treasury Note Yield (%)	4.14	3.29	3.55	3.08	2.09	1.88	2.82	3.51
Bond Index of 20 G.O. Munis. (%)	4.56	4.97	4.37	4.56	3.95	3.88	4.39	4.83
30-Year Fixed Mortgage Rate (%)	6.19	5.57	5.00	4.59	4.01	3.86	4.62	5.33

Table 1.2
Forecast Analysis
 Comparison of Forecasts for 2011-13

Forecast Date	2010				2011				2012			
	<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.S.												
Percent Growth, 2011:2-2013:2												
Real GDP	6.9	6.8	6.8	6.4	6.6	6.5	5.3	5.0	4.8	4.5		
Implicit Price Deflator	3.7	3.7	3.1	3.3	3.6	3.2	2.4	3.0	3.3	3.1		
Average Rate, 2011:3 to 2013:2												
3 Month T-Bill Rate	3.57	2.90	1.62	1.66	1.69	1.26	0.07	0.08	0.06	0.06		
Mortgage Rate	6.26	5.82	4.88	5.13	5.53	5.13	4.61	4.55	4.22	3.94		

Table 1.3

Fiscal Years

Forecast Comparison

Forecast 2012 to 2015

	2009	2010	2011	2012	2013	2014	2015
U.S.							
Real GDP							
June Baseline	12843.7	12876.1	13213.9	13452.9	13750.9	14120.2	14561.2
% Ch	-3.4	0.3	2.6	1.8	2.2	2.7	3.1
February Baseline	12843.7	12876.1	13213.9	13453.1	13778.1	14160.6	14582.9
% Ch	-3.4	0.3	2.6	1.8	2.4	2.8	3.0
Implicit Price Deflator							
June Baseline	1.089	1.104	1.123	1.150	1.165	1.187	1.213
% Ch	1.5	1.3	1.8	2.4	1.3	1.9	2.2
February Baseline	1.089	1.104	1.123	1.148	1.167	1.189	1.214
% Ch	1.5	1.3	1.8	2.2	1.6	1.9	2.1
Unemployment Rate							
June Baseline	7.60	9.74	9.28	8.55	7.96	7.64	7.15
February Baseline	7.60	9.74	9.28	8.59	8.11	7.76	7.26
Mortgage Rate							
June Baseline	5.57	5.00	4.59	4.01	3.86	4.62	5.33
February Baseline	5.57	5.00	4.59	4.07	4.37	4.90	5.45
3 Month T-Bill Rate							
June Baseline	0.54	0.12	0.12	0.04	0.08	0.13	0.88
February Baseline	0.54	0.12	0.12	0.03	0.08	0.07	0.47



Chapter 2: Washington Economy – Current Conditions and Forecast

- **The Washington economy has performed about as expected in the February forecast. As anticipated, the recovery has continued but at a moderate rate.**
- **Job growth in recent months has been in line with the forecast but earlier estimates were revised down.**
- **Housing construction is picking up, especially in the multi-family sector, but from a very low base. Home price appreciation has turned slightly positive.**
- **The outlook for the aerospace sector remains positive. While we expect aircraft production to continue to grow, we believe we are near the peak in employment.**
- **The employment recovery continues to be weighed down by public sector job cuts and a construction sector that is not yet contributing to growth.**
- **We expect the Washington economy to continue to outperform the U.S. economy in the recovery although neither will fully recover for several years.**

Current Conditions

The Washington recovery remains on track

The Washington economy continues to perform close to our February forecast. Washington payroll employment grew 11,900 in the four months since the February forecast was adopted, precisely the job growth expected in the forecast. Aerospace employment is still expanding, but at a slower rate than in 2011. Exports have been a source of strength during this recovery but Washington has experienced a slowdown in export growth outside of transportation equipment. Housing construction has been stronger than expected in the first four months of 2012 and the payroll tax cut and emergency unemployment compensation were extended through the rest of this year raising personal income. Energy costs are no longer adding to inflation but shelter costs are driving local inflation higher.

As expected, job growth has been moderate

In the four months since the February forecast was adopted, the Washington economy added 11,900 jobs through May which was exactly the job growth predicted in the February forecast. As expected, manufacturing employment growth has been strong, adding 2,600 jobs of which 1,200 were in the aerospace sector.

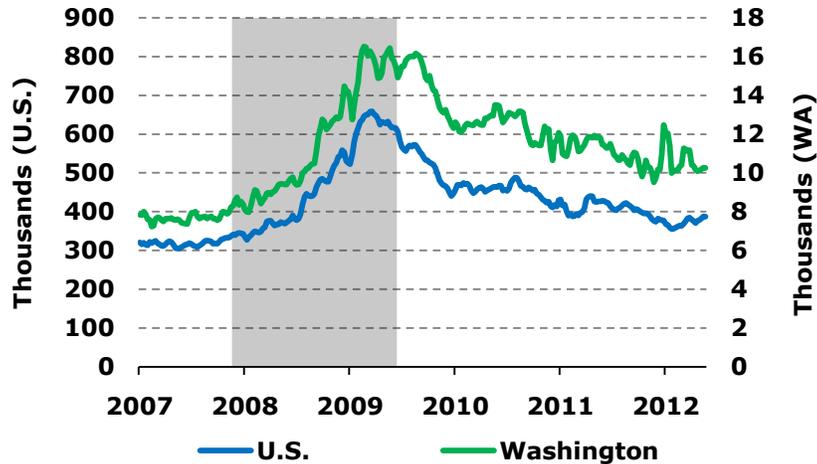
Also as expected, construction employment remained flat over the last four months and government employment continued to decline, losing 2,500 jobs. Nearly all of the net new jobs were in private service-providing industries which added 11,800 jobs in February, March, April, and May. Even though job growth in the last four months has been right on target, a downward revision to the historical data leaves the level of employment in May slightly below our forecast. Washington's unemployment rate edged up to 8.3% in May from a 38-month low of 8.2% in April.

Hours and earnings are flat

Other labor market indicators have been disappointing in recent months. The average weekly hours worked had been trending upward since reaching a trough in early 2010. Average weekly hours in the first five months of 2011 were 34.6 (SA), up from 34.1 hours in 2010 but still lower than the 35.1 hour average in 2007. So far this year, however, private sector average hours slipped slightly to 34.5. Private sector average hourly earnings have also leveled off. Hourly earnings averaged \$27.30 (SA) in the first five months of 2012, virtually the same rate as in the previous year. The lack of growth in either average hours worked or average hourly earnings means that the average weekly paycheck is not growing.

Figure 2.1: Washington Initial Claims for Unemployment Insurance

U.I claims are still elevated



Source: Washington State ESD; data through June 23, 2012

Initial claims for unemployment insurance are also moving sideways

Washington's initial claims for unemployment insurance are also indicating a possible weakening in labor market conditions. Initial claims fell steadily in the second half of 2011 but the improvement stopped around the end of the year. There are a couple of spikes this year. The first was due to the snow and ice storms in January. The second was due to a surge in the first week of April. Aside from these spikes, claims have been moving mostly sideways this year (see Figure 2.1). The four-week

moving average of initial claims is now 38% below the peak reached in March 2009 but still 42% above the pre-recession minimum.

Multi-family housing construction is leading the housing recovery

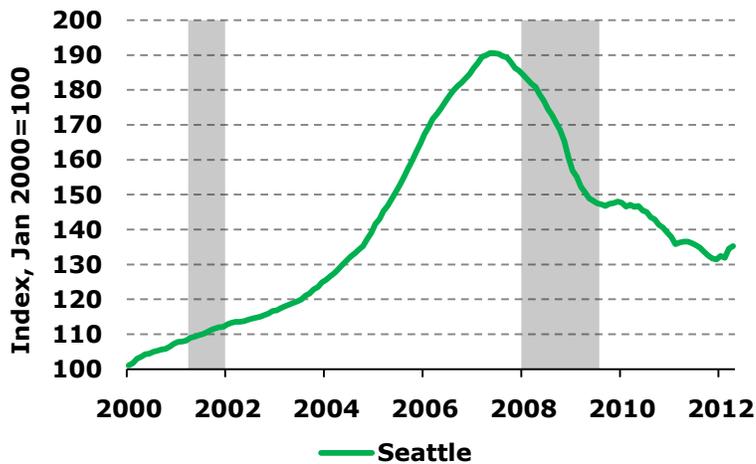
Housing construction in Washington is strengthening, led by an upturn in multi-family construction. So far this year (through May) multi-family permits are averaging 11,700 (SAAR) compared to just 4,000 for all of 2009, the low point in housing construction. In contrast, single-family permits have improved much less, to an average rate of 15,700 so far this year from 13,000 in 2009. Overall housing permits are averaging 27,400 so far this year which is 61% higher than the 2009 average. While this sounds like a huge rate of growth, it should be remembered that it is off a very low base. Permits this year are still running 48% below the 53,000 units permitted in 2005.

Home prices are may finally be turning

Regional home prices may have finally bottomed though it is too soon to know for certain. According to the S&P/Case-Shiller Home Price Indices through April 2012, seasonally adjusted Seattle home prices have increased in three of the last four months (See Figure 2.2). Home prices are up 2.9% from the December trough but still down 0.9% from the previous year and 29.1% below the peak in May 2007. Foreclosures continue to put downward pressure on prices but demographics and record affordability are working in the opposite direction.

Figure 2.2: Seattle Single Family Home Prices, SA

Home prices are nearly 30% below the peak



Source: S&P/Case-Shiller Home Price Indices; data through April 2012

Nonresidential contracts are still weak

Contract data for new construction projects, which gives an indication of the level of activity roughly six months in the future, have stabilized and even begun to increase. Residential contracts have been trending gradually higher, consistent with the permit data. The three-month moving average of residential contract square footage reached a trough in March 2009 and is up 80%

since then. This growth, however, is off a depressed level and square footage under contract is still down 59% since the height of the housing boom in 2005. After a spike at the end of last year, nonresidential contract square footage has stumbled again, falling to a new all-time low (our data go back to 1980) in March. While there was a partial recovery in April and May, the three-month moving average remains below the levels prevailing in 2011.

Manufacturing is still growing

The recovery in Washington, as in the nation, has been driven largely by the manufacturing sector. The Institute of Supply Management - Western Washington Index (ISM-WW), which measures strength in the manufacturing sector, has now indicated growth since August 2009 (index readings above 50 indicate expansion). The index declined in May to 58.5 from 64.9 in April. While it remains well above 50, it could be signaling slower growth. The highest components were production at 65.0 and employment at 63.6.

Aerospace is still expanding

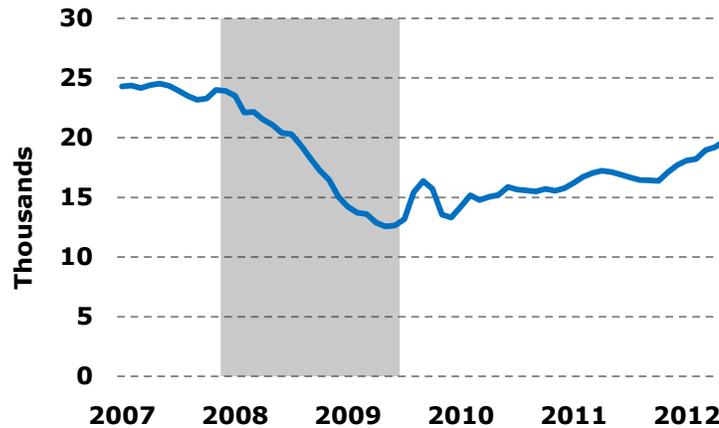
Manufacturing employment has been rising for more than two years now – the trough was March 2010. During this period, the aerospace sector accounted for 11,900 of the 22,000 net new manufacturing jobs. Since the aerospace trough, this sector has now added back 12,400 jobs, which is more than double the number lost during the recession. Boeing built up a huge backlog of orders in 2005, 2006, and 2007. This enabled Boeing to ride out the recession with only minimal production and job cuts. We believe the outlook for Boeing remains positive. Worldwide air traffic, both passenger and cargo, recovered surprisingly quickly from the recession. As a result, Boeing was able to add to its backlog in 2010, 2011, and so far in 2012. The current backlog of 3,953 planes represents more than seven years of production at current rates.

New vehicle purchases are recovering on replacement demand

Purchases of new vehicles in Washington are again recovering after faltering in the middle part of 2011. Washington new car registrations improved to 20,200 in May which was the second highest monthly total since July 2008 (registrations were slightly higher in March 2012). The three-month moving average is now the highest since July 2008 (see Figure 2.3). Much of the decline last summer was due to the tragedy in Japan which disrupted automotive supply chains and production schedules. We believe the recent growth in motor vehicle sales has been driven by replacement demand, and not so much a return of confidence. The relative age of the vehicles on the road in Washington was at an all-time high in September 2011.

Figure 2.3: Washington New Vehicle Registrations

Car sales are recovering, but remain well below the peak



Source: Washington State DOL; data through May 2012

Washington export growth is slowing

One of our state’s advantages in the current recovery has been our exports and in particular those to the growing economies in the Pacific Rim. Aside from transportation equipment (mainly Boeing planes), export growth slowed to a crawl in the first quarter as the global economy weakened. Overall exports were up 24.9% over the year-ago-level on a 63.0% increase in exports of transportation equipment. Excluding transportation equipment, exports were up only 2.0% over the year.

Washington income growth was strong in 2012Q1

According to the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) Washington personal income grew 1.4% (seasonally adjusted but not annualized) in the first quarter of 2012 compared to 0.8% for the U.S. as a whole. Only North Dakota and Nebraska had stronger growth. Most of the differential between Washington personal income growth and U.S. personal income growth was due to earnings in durable manufacturing and information, suggesting that Boeing and Microsoft were largely responsible.

Seattle inflation has moved ahead of U.S. inflation

Seattle headline inflation over the twelve months ending in April 2012 was 2.9% compared to 2.3% for the U.S. city average. Core inflation in Seattle was 3.0% compared for 2.3% for the nation. The main reason for the higher inflation in Seattle is faster growth in shelter costs which are driven primarily by rents. Seattle shelter costs have risen 3.6% over the last year compared to 2.2% for the U.S. city average. This explains most of the 0.7 percentage point differential in core inflation.

Washington State Forecast

The revisions to the forecast in June were small

The Washington State forecast is based on a new national forecast that in terms of the real economy (GDP, employment, etc.) is very similar to the forecast adopted in February. As a result, the revisions to the state forecast were also minimal. The main difference in the state forecast as in the national forecast is a higher level of personal income due to the extension of the payroll tax cut and emergency unemployment compensation. The other major change is the incorporation of a new, lower oil price outlook which reduces inflation locally as well as nationally. In Washington, the forecast also reflects stronger than previously expected housing construction in early 2012 but somewhat lower employment.

The recovery will remain slow

We expect Washington job and income growth to gradually improve throughout the forecast. Boeing and Microsoft are expanding, however we expect aerospace employment will peak at the end of 2012. Housing construction is now growing though from a very low base. Construction employment has bottomed out and will add to employment growth in the future. However, state and local governments will continue to cut back. The recovery will continue to be slow by historical standards and unemployment will decline only gradually. We continue to expect that the state of Washington will outperform the U.S. economy in both employment and income growth, although the outlook for both remains weak.

Washington Payroll Employment

Washington will continue to outperform the U.S. in job growth

Washington added jobs at a slightly faster rate than the nation in 2011, although the recovery for both has been uneven and weak. Employment in the state has grown at an average annual rate of 1.4% since the employment trough in the first quarter of 2010 compared to 1.3% for the nation. The 78,600 jobs gained over this period represent 39% of the jobs lost in the downturn. We don't expect to get back to our pre-recession peak until the third quarter of 2014. This is one quarter sooner than the U.S., but still represents four-and-a-half years of lost employment growth. Washington employment is expected to be 67,400 higher than the previous peak at the end of our forecast horizon in 2015.

The near-term outlook is weaker than expected in February

Washington employment grew at a moderate 1.3% rate in 2011 following declines of 4.6% and 1.3% in 2009 and 2010. As in February, we expect job growth to improve though the near-term outlook is somewhat weaker. In our current forecast we slightly lowered our Washington job growth forecast for 2012 and 2013 to 1.5% and 1.8% from 1.7% and 2.0% assumed in February. Our job growth forecast of 1.9% for 2014 and 1.7% for 2015 are essentially unchanged from the February forecast of 1.8% growth in each year. We expect private sector employment to continue to do better than government employment. Private employment

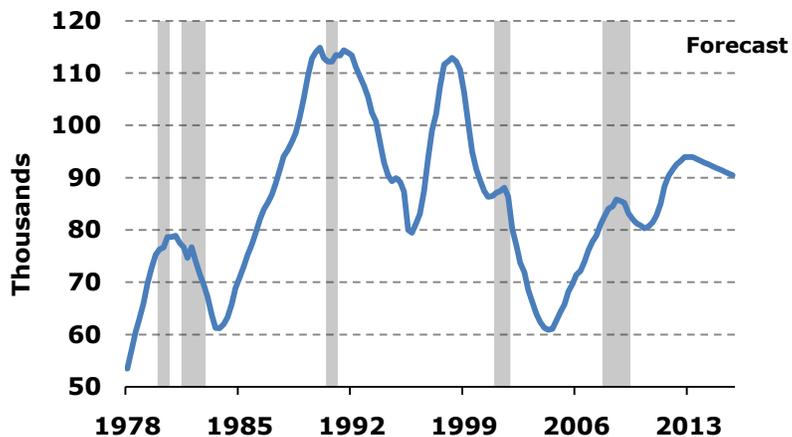
increased 1.9% in 2011. We expect private sector job growth to improve to 2.1% this year and 2.3% next year before slowing slightly to 2.2% in 2014 and 1.8% in 2015. Other than a slight, 0.1% decline in information employment, all major private sectors industries are expected to grow in each year of the forecast. The public sector is another matter. We expect government employment to contract another 1.0% this year and 0.3% next year before turning slightly positive in 2014 and 2015 with growth rates of 0.5% and 0.9%. By the end of our forecast horizon in 2015, private sector employment will be 63,300 jobs higher than the previous peak but public sector employment will be 8,200 lower than its previous peak.

Boeing is expanding, for now

Boeing continues to grow in early 2012 but at a slower rate than in 2011. Boeing's order book remains full with a backlog that would take more than seven years to work off at the current rate of production. Despite rising production, Boeing has indicated that it thinks 2012 will be the peak in employment in its Commercial Airplane Division as development programs are ramped down and productivity continues to improve. In the current forecast we assume that aerospace employment peaks at the end of 2012 and begins to gradually decline in the second half of 2013 (See Figure 2.4). Previously we had assumed that the peak was two quarters later, in mid-2013. Aerospace employment grew 7.2% in 2011 and we expect a similar, 7.1% growth rate this year. We expect aerospace employment to grow 0.9% in 2013 on a calendar year basis before declining 1.4% in 2014 and 1.5% in 2015.

Figure 2.4: Washington Aerospace Employment¹

Aerospace employment is nearing a peak



Source: Washington State ESD, ERFC June 2012 forecast; actual through 2012 Q1

¹ Adjusted for strikes.

The software sector has restored the jobs lost in the recession

The software sector is growing again and has recovered virtually all of the jobs lost in the recession. Microsoft recently restructured employee compensation, calling it "the most significant investment in overall compensation we have ever made." The higher wages will help Microsoft attract and retain top talent and the spending out of those higher wages will have a positive impact on the Washington economy. We expect fairly strong job gains going forward. While the software employment growth is not expected to be spectacular, it will continue to have an outsized impact on the overall economy due to the high wages in this industry. Software employment rose 1.5% in 2011 following an unprecedented 1.1% decline in 2010. We expect software employment growth to improve to 1.9% this year and 2.5% next year, slowing slightly to 2.4% in 2014 and 2.0% in 2015.

Construction employment has reached a trough

Construction employment finally reached a trough in early 2011 after huge declines over the previous three years. This year we expect overall construction employment to post its first increase in five years but we anticipate a mere 1.0% gain. Residential construction employment has turned slightly positive but nonresidential construction employment continues to decline. We expect residential construction employment to grow 2.6% this year but nonresidential employment will decline 0.3%. Residential employment growth will accelerate in future years and nonresidential construction will begin growing again. We expect overall construction employment growth to improve to 4.2% next year and 6.8% and 6.5% in 2014 and 2015. Even with these impressive growth rates, construction employment will still be 42,000 below its previous peak at the end of 2015.

Financial activities employment will remain weak

The slump in financial activities employment has been even more protracted, though not as deep, as construction. According to our latest estimates, financial activities employment reached a trough in the second quarter of 2010 but has barely budged since then. As of the first quarter of 2012, financial activities employment was 137,700, only 200 higher than the trough. It has now been six years since the previous peak and employment is still down 19,100 (12.2%). Employment in credit intermediation and related activities accounts for most of the decline. Going forward, we expect this sector to remain flat, with growth averaging just 0.3% from 2013 through 2015.

Retail trade has rebounded but remains below the previous peak

Retail trade employment grew 1.5% in 2011 following declines of 0.2%, 5.5%, and 0.4% in 2008, 2009, and 2010. Consumer finances were hammered during the recession by severe job losses and plummeting housing and stock market wealth. We expect retail trade growth to improve to 2.3% in 2012 based on fairly strong growth in recent quarters. The forecast assumes much weaker growth in the next three years as labor markets remain weak and households continue to repair their balance sheets. We expect growth to slow 0.6%, 0.1% and 0.5% in 2013,

2014, and 2015. At the end of 2015 retail trade employment will still be 7,500 (2.3%) below the previous peak.

We expect strong growth in professional and business services employment

As is typical during recoveries, professional and business services will be one of Washington's fastest growing sectors. This sector was helped early on in the recovery from growth in employment services, which is largely temporary help. As businesses gauge whether the increase in demand will continue, they typically hire temporary staff before they hire permanent employees. We expect growth to continue throughout the forecast, picking up in the first quarter of 2012. As the overall economic recovery unfolds, we expect growth to pick up in this highly pro-cyclical industry. The forecast expects an annual average growth rate of 2.6% this year, increasing to 4.6% in 2013 and 2014, slowing slightly to 3.7% in 2015.

Tight budgets are forcing cutbacks in state and local government employment

State and local government employment continues to be a drag on the overall jobs recovery. Private sector employment growth has turned positive but state and local government employment continues to decline. To date there have been 14,000 jobs lost in this sector. We expect another 1,600 job losses in state and local government over the next three quarters. This includes the reduction of approximately 900 employees of the Liquor Control Board resulting from the passage of Initiative 1183. On an average annual basis, we expect state and local government employment to fall 0.8% this year and 0.1% next year. We expect employment growth to turn moderately positive in 2014 and 2015 with growth rates of 0.8% and 1.2%. We do not expect government employment to reach the previous peak until after the forecast horizon of 2015.

Washington Personal Income

The payroll tax cut and emergency unemployment compensation have been extended

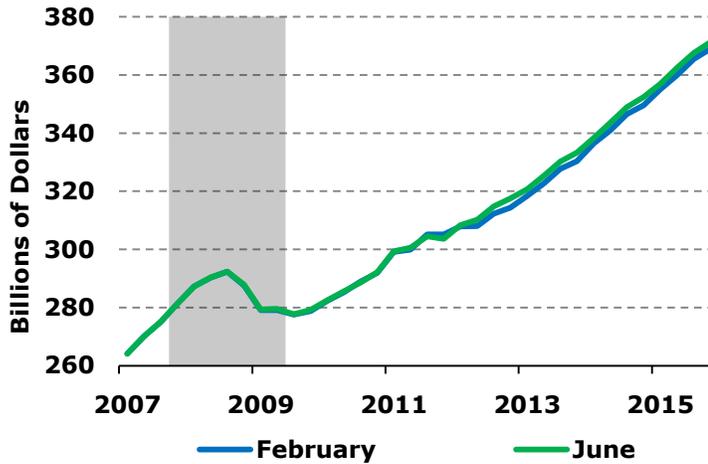
In February, we assumed that the payroll tax cut and emergency unemployment compensation would expire at the end of February, which was current law at the time. Shortly after the forecast was officially adopted, these measures were extended through the end of the year, adding about 1.2 percent to Washington personal income in 2012. This is the main reason our June personal income forecast is higher than our February forecast (see Figure 2.5).

Washington personal income will gradually improve

Personal income growth increased to 5.2% in 2011 from 3.0% in 2010. The growth in 2011 was boosted by the payroll tax cut. Without that, growth would have been nearly a full percentage point lower. This year we expect personal income growth to slow to 3.5% due to slower average wage growth. Going forward, however, we expect stronger employment growth and stronger average wage growth. We expect personal income growth to improve to 4.7% in 2013 and 5.6% and 5.4% in 2014 and 2015.

Figure 2.5: Washington Personal Income

Washington personal income is higher than expected in February



Source: BEA, ERFC June 2012 forecast; actual through 2011 Q4

Washington Building Permits

Housing has turned the corner

Housing construction, as measured by housing units authorized by building permits, is gradually, if sporadically, improving. First quarter single-family housing permits averaged 15,700 units, multi-family averaged 12,000 units, and the total averaged 27,700 units, all at seasonally adjusted annual rates (SAAR). These are all stronger than our February forecast of 12,300 for single family, 7,100 for multi-family, and 19,400 for total units. While housing tends to be volatile from quarter to quarter, the recent trend is positive.

Multi-family will lead the way

We do not expect housing construction to continue at the first quarter's strong rate but we have increased our forecast for the remainder of 2012 based on the recent experience. The improvement has mostly been in the multifamily segment which is benefiting from rising rents and low vacancy rates. Single-family construction, which is still competing with a stream of distressed sales, has been moving mostly sideways. We expect this pattern to continue for the remainder of this year. We now expect the total number of units to increase 19.3% this year to 24,600 units. Multi-family permits will lead the way, growing 50.8% to 10,800 units. Single-family construction will edge up 2.4% to 13,700 units. Both single-family construction and multi-family construction will grow moderately in 2013, with single-family increasing 5.8% to 14,500 units and multi-family increasing 2.6% to 11,100 units. We believe multifamily growth will remain moderate in the next two years with 5.9% and 5.0% growth rates. Single-family permits will pick up steam in 2014, growing 30.9% before moderating somewhat to 27.4% in 2015. Overall building permits will grow 20.0% in 2014 to 30,800 units and 18.8% in 2015 to 36,500. While the growth rates appear

impressive, they are off a low very base. Even with the strong growth, housing units in 2015 will still be 31% below the previous peak in 2005.

Seattle Consumer Price Index

Inflation is expected to slow

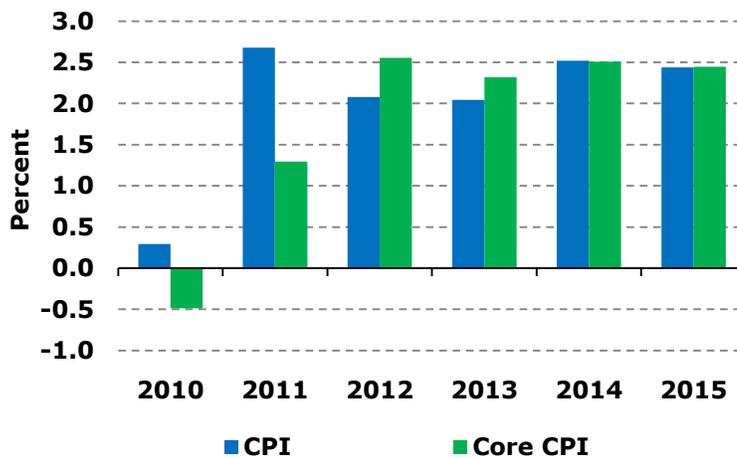
Inflation, as measured by the Seattle Consumer Price Index, has increased sharply since being less than one percent per year in 2009 and 2010. Declining shelter costs, which are measured by rents in the CPI, were responsible for much of the low inflation. Rents are now rising, however, and energy costs have risen sharply, causing inflation to jump to 2.7% in 2011. The recent drop in oil prices will restrain inflation in the next couple of years. We expect Seattle inflation to fall to 2.1% in 2012 and 2.0% in 2013 before rising to a still moderate 2.5% in 2014 and 2.4% in 2015.

Shelter costs are once again rising

Core inflation (excluding food and energy) in Seattle came in at 1.3% in 2011 after a negative 0.5% in 2010. Falling shelter costs were the main reason for the decline but rents have since turned around. As the economic recovery continues, Seattle core inflation will increase but remain in a moderate range (See figure 2.6). We expect the core Seattle CPI to rise 2.6% this year, 2.3% in 2013, 2.5% in 2014, and 2.4% in 2015.

Figure 2.6: Seattle CPI

Core inflation will remain moderate



Source: BLS, ERFC June 2012 forecast; actual through 2011

Forecast by Fiscal Year

Personal income growth will accelerate in 2013, 2014, and 2015

Nominal personal income growth improved to an estimated 5.0% in FY 2011 following a 1.3% decline in FY 2010. The improvement in 2011 was due largely to the payroll tax cut, which took place halfway through the year, and a surge in property income (dividends, interest, and rent). In spite of

stronger job and wage growth, the forecast expects a slowdown in FY 2012 with nominal personal income growth of 3.9% due to declining unemployment insurance benefits and slower growth in property income and proprietors' income. We expect personal income growth to improve to 4.2% in FY 2013, 5.2% in FY 2014, and 5.6% in FY 2015.

Job growth is expected to remain moderate

Washington non-farm payroll employment rose 0.6% in FY 2011 after falling 3.9% in FY 2010. We expect nonfarm employment to increase moderately in FY 2012 with 1.5% growth. We expect manufacturing to grow 4.9% due largely to a strong aerospace sector but we expect construction employment to decline 0.5%. The private, service-providing sector should continue its recovery with 2.0% growth in FY 2012 but we expect government employment to decline another 1.1%. As the economic recovery continues, we expect overall employment growth to improve to 1.6% in FY 2013 and 1.9% in FY 2014, slowing slightly to 1.8% in FY 2015.

Housing construction will gradually improve

The number of housing units authorized by building permits in Washington increased 8.2% to 21,500 in FY 2011 after declining 2.3% in FY 2010. Single-family permits decreased 10.8% in FY 2011 to 13,600 units while multi-family units almost doubled to 7,200 units, although this was coming off the lowest multi-family count in at least 40 years (our data begin in FY 1969). We expect multi-family permits to increase 28.0% this fiscal year to 9,300 units. Single-family construction will experience continued weakness in FY 2012, edging up 3.1% to 14,000 units. Overall permits will increase 11.8% this fiscal year to 23,300 units. Housing construction should continue to improve, growing 2.4% in 2013 to 23,800 units, 16.8% in 2014 to 27,900 units, and 22.0% in 2015% to 34,000 units.

Core inflation will remain moderate

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased to 1.2% in FY 2011 from 0.3% in FY 2010. Energy costs, which increased just 2.1% in FY 2010, increased 12.2% in FY 2011. Core inflation (excluding food and energy) decreased from 0.5% in FY 2010 to 0.0% in FY 2011. Energy costs will add to inflation again in FY 2012 but subtract from inflation in FY 2013. We expect headline inflation of 2.9% this year but only 1.7% in FY 2013 while core inflation remains stable, rising 2.3% and 2.4%. Energy price fluctuations are not expected to play a role in inflation in the next biennium. We expect Seattle inflation rates of 2.4% and 2.5% in FY 2014 and FY 2015.

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

Alternative Scenarios

Alternate forecasts are prepared in accordance with state law

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

Optimistic

In the optimistic scenario solid job growth and an upturn in housing produce a stronger recovery

In the optimistic scenario, renewed solid payroll growth and a sustained improvement in the housing sector signal that recent weaker data are only a temporary weather-related setback. Fiscal and monetary stimulus are withdrawn more quickly than in the baseline, but only because the economy shows it does not need them. The outlook in Europe is decidedly better, as well, with faster action to address the sovereign-debt problem and stronger growth. By the end of 2015 real GDP is 3.5% higher in the optimistic forecast than in the baseline. More GDP growth translates into more jobs and the unemployment rate falls to 5.0% by the fourth quarter of 2015 compared to 6.8% in the baseline forecast.

The optimistic scenario also assumes a much stronger Washington economy

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes that aerospace employment grows faster than assumed in the baseline forecast and continues to expand through 2015 rather than leveling off in 2013 and declining in 2014 and 2015. Software employment growth is also stronger than in the baseline forecast. Seattle inflation is higher than in the baseline forecast due to the stronger regional economy as is average wage growth. The strong local economy also drives population growth higher. The recovery in construction employment is much stronger than in the baseline forecast. By the end of 2015, Washington nonagricultural employment is higher by 200,900 jobs than in the baseline forecast and Washington personal income is \$28.6 billion higher.

Pessimistic

In the pessimistic scenario, the Eurozone sovereign-debt crisis triggers another recession

In the pessimistic scenario, the Eurozone sovereign-debt crisis intensifies as large financial institutions come under increased liquidity pressure, and weakened state finances push sovereign bond yields to new heights. With Greece unable to meet its economic reform targets, and the newly elected government unwilling to stick with the austerity program, financial support is cut and the country exits the common currency zone this summer. Panic grips financial markets as investors turn their attention to the rapidly deteriorating economies of Spain and Italy. Domestically, credit conditions tighten, private-sector confidence plunges, the housing market plumbs new lows, and

the unemployment rate returns toward 10%. By the end of 2015 real GDP is 4.7% below the baseline forecast. The unemployment rate begins rising again, reaching 9.2% in the second quarter of 2014 before beginning to decline again. At the end of 2015 unemployment is still at 8.5% compared to 6.8% in the baseline.

This scenario also assumes a weaker local economy

At the state level, aerospace employment grows less in 2012 and declines much more rapidly in 2013 through 2015 than assumed in the baseline forecast. Software employment begins to decline immediately and the reductions accelerate in 2014 and 2015. Population growth is also weaker than in the baseline forecast as migration into Washington drops. Construction employment also goes into a renewed slump, declining through the third quarter of 2014. The Seattle CPI is lower than in the baseline forecast, as are Washington wage rates, further depressing personal income. By the end of 2015, Washington non-agricultural employment is 207,400 lower than in the baseline forecast and Washington personal income is \$40.7 billion lower.

Table 2.2 compares the optimistic and pessimistic forecasts with the baseline forecast.

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 predicts less real growth but more inflation

At the national level, the GCEA outlook for the real economy was weaker than the baseline forecast but their inflation outlook was higher. On a calendar year basis, the Governor's Council members expect the same 2.1% real GDP growth rate in 2012 as assumed in the baseline forecast but significantly less growth in 2013, 2014, and 2015. Real consumer spending growth is weaker in every year of the forecast. However, they expect more inflation in 2012, 2013, and 2015 (2014 was the same). The GCEA outlook for oil prices was generally similar to the baseline forecast with slightly lower prices in 2012 and 2013 and higher prices in 2014 and 2015. The Council members predicted slightly higher mortgage rates than the baseline this year and next year but lower rates in 2014 and 2015.

For Washington, the GCEA scenario is slightly weaker in 2014 and 2015

The GCEA scenario for Washington was very similar to the baseline forecast. On balance, the council members forecast for real personal income is lower than the baseline. They expect higher growth in 2012 but lower growth in 2013, 2014, and 2015. The GCEA employment forecast is very close to the baseline forecast, with slightly more growth in 2012 and 2015, less growth in 2014, and the same growth in 2013. Their forecast for manufacturing employment was also very close to the baseline. The most significant differences at the state level came in the area of housing and construction. The Governor's Council forecasts for both construction employment growth and housing

permits were similar to the baseline in 2012 and 2013 but significantly weaker in 2014 and 2015. The GCEA forecast for average wage growth was the same as the baseline forecast in 2012 but lower in 2013, 2014, and 2015. By the end of 2015, the GCEA forecast for Washington nonfarm employment is 4,500 higher than in the baseline forecast but Washington personal income is \$2.3 billion lower.

Table 2.3 compares the Governor's Council of Economic Advisors forecast with the baseline forecast.

Table 2.1
Washington Economic Forecast Summary
 Forecast 2012 to 2015

Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	263.988	261.381	254.822	262.805	266.713	274.318	283.419	292.793
% Ch	4.9	-1.0	-2.5	3.1	1.5	2.9	3.3	3.3
Real Wage and Salary Disb.	139.335	136.837	133.193	135.377	137.767	140.741	144.987	148.990
% Ch	3.5	-1.8	-2.7	1.6	1.8	2.2	3.0	2.8
Real Nonwage Income	124.653	124.545	121.628	127.428	128.946	133.577	138.432	143.803
% Ch	6.6	-0.1	-2.3	4.8	1.2	3.6	3.6	3.9
Real Per Capita Income (\$/Person)	40,018	39,228	37,923	38,662	38,737	39,343	40,141	40,936
% Ch	3.6	-2.0	-3.3	1.9	0.2	1.6	2.0	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.074	1.089	1.104	1.123	1.150	1.165	1.187	1.213
% Ch	3.2	1.5	1.3	1.8	2.4	1.3	1.9	2.2
Seattle Cons. Price Index (1982-84=1.0)	2.205	2.257	2.263	2.290	2.357	2.398	2.455	2.516
% Ch	4.2	2.4	0.3	1.2	2.9	1.7	2.4	2.5
Average Nonfarm Annual Wage	48,513	49,188	50,406	51,889	53,280	54,370	56,085	57,935
% Ch	4.5	1.4	2.5	2.9	2.7	2.0	3.2	3.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.90	22.03	23.53	23.75	23.99	24.12	24.58	25.12
% Ch	3.4	5.4	6.8	0.9	1.0	0.5	1.9	2.2
Current Dollar Income (Billions of Dollars)								
Personal Income	283.468	284.773	281.207	295.156	306.651	319.558	336.334	355.147
% Ch	8.3	0.5	-1.3	5.0	3.9	4.2	5.2	5.6
Disposable Personal Income	249.375	254.563	254.593	264.871	273.193	282.371	294.694	310.382
% Ch	8.6	2.1	0.0	4.0	3.1	3.4	4.4	5.3
Per Capita Income (\$/Person)	42,969	42,739	41,850	43,420	44,537	45,831	47,635	49,652
% Ch	6.9	-0.5	-2.1	3.8	2.6	2.9	3.9	4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,430.2	3,512.9	3,520.1	3,496.1	3,496.9	3,547.2	3,594.1	3,641.1
Total Washington Employment	3,268.5	3,251.1	3,168.9	3,161.4	3,195.6	3,262.3	3,317.0	3,377.2
Unemployment Rate (%)	4.72	7.44	9.98	9.57	8.62	8.03	7.71	7.25
Nonfarm Payroll Employment	2,960.1	2,900.0	2,786.0	2,802.3	2,845.6	2,891.2	2,947.2	3,001.1
% Ch	2.2	-2.0	-3.9	0.6	1.5	1.6	1.9	1.8
Manufacturing	295.5	278.9	258.4	262.1	274.9	282.5	289.6	294.0
% Ch	2.0	-5.6	-7.4	1.4	4.9	2.8	2.5	1.5
Durable Manufacturing	214.5	201.5	184.5	187.6	199.1	206.7	213.5	217.8
% Ch	3.1	-6.0	-8.4	1.7	6.2	3.8	3.3	2.0
Aerospace	83.1	82.9	81.1	82.5	90.7	93.8	93.0	91.6
% Ch	8.3	-0.2	-2.2	1.7	9.9	3.4	-0.8	-1.5
Nondurable Manufacturing	81.0	77.4	73.8	74.5	75.7	75.8	76.1	76.2
% Ch	-0.7	-4.5	-4.6	0.9	1.6	0.1	0.5	0.1
Construction	207.8	181.2	146.3	138.5	137.8	140.8	149.1	159.5
% Ch	2.5	-12.8	-19.2	-5.4	-0.5	2.2	5.9	7.0
Service-Providing	2,448.9	2,433.1	2,375.4	2,395.8	2,426.9	2,461.7	2,501.9	2,540.2
% Ch	2.2	-0.6	-2.4	0.9	1.3	1.4	1.6	1.5
Software Publishers	48.8	52.2	50.8	51.2	52.1	53.2	54.6	55.8
% Ch	4.8	6.8	-2.6	0.8	1.8	2.1	2.7	2.1
Nonfarm Payroll Employment, EOP*	2,969.1	2,827.2	2,785.9	2,818.4	2,860.2	2,912.3	2,968.0	3,018.7
% Ch*	1.4	-4.8	-1.5	1.2	1.5	1.8	1.9	1.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	38.110	19.708	19.263	20.835	23.290	23.850	27.852	33.976
% Ch	-24.8	-48.3	-2.3	8.2	11.8	2.4	16.8	22.0
Single-Family	23.035	13.007	15.240	13.595	14.022	13.242	16.463	21.855
% Ch	-32.4	-43.5	17.2	-10.8	3.1	-5.6	24.3	32.8
Multi-Family	15.075	6.701	4.023	7.240	9.268	10.607	11.389	12.121
% Ch	-9.1	-55.5	-40.0	80.0	28.0	14.4	7.4	6.4
30-Year Fixed Mortgage Rate (%)	6.19	5.57	5.00	4.59	4.01	3.86	4.62	5.33

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

Table 2.2

Comparison of Alternative Forecasts

	Fiscal Year 2012			Fiscal Year 2013			Fiscal Year 2014			Fiscal Year 2015		
	O	B	P	O	B	P	O	B	P	O	B	P
U.S.												
Real GDP	13,460	13,453	13,443	13,909	13,751	13,448	14,452	14,120	13,564	15,016	14,561	13,885
%Ch	1.9	1.8	1.7	3.3	2.2	0.0	3.9	2.7	0.9	3.9	3.1	2.4
Implicit Price Deflator	1.150	1.150	1.149	1.172	1.165	1.152	1.192	1.187	1.169	1.212	1.213	1.195
%Ch	2.4	2.4	2.3	1.9	1.3	0.2	1.7	1.9	1.5	1.6	2.2	2.2
Mortgage Rate	4.02	4.01	4.02	4.50	3.86	3.53	5.85	4.62	4.27	6.49	5.33	4.89
3 Month T-Bill Rate	0.05	0.04	0.04	0.18	0.08	0.05	1.21	0.13	0.06	3.26	0.88	0.06
Washington												
Real Personal Income	267.516	266.713	265.867	278.665	274.318	268.061	293.741	283.419	267.574	311.925	292.793	268.465
%Ch	1.8	1.5	1.2	4.2	2.9	0.8	5.4	3.3	-0.2	6.2	3.3	0.3
Personal Income	307.627	306.651	305.552	326.591	319.558	308.705	350.278	336.334	312.718	377.960	355.147	320.732
%Ch	4.2	3.9	3.5	6.2	4.2	1.0	7.3	5.2	1.3	7.9	5.6	2.6
Employment	2847.6	2845.6	2843.4	2928.7	2891.2	2839.3	3041.5	2947.2	2830.2	3154.7	3001.1	2827.9
%Ch	1.6	1.5	1.5	2.8	1.6	-0.1	3.9	1.9	-0.3	3.7	1.8	-0.1
Housing Permits	23.590	23.290	23.083	30.598	23.850	18.389	40.173	27.852	17.474	48.033	33.976	22.308
%Ch	13.2	11.8	10.8	29.7	2.4	-20.3	31.3	16.8	-5.0	19.6	22.0	27.7

(O) Optimistic; (B) Baseline; (P) Pessimistic

Table 2.3
Governor's Council of Economic Advisor's Forecast

Calendar Years

	2012	2013	2014	2015
<u>U.S.</u>				
Real GDP				
<i>Growth</i>				
ERFC	2.1	2.4	3.0	3.0
GCEA Average	2.1	2.1	2.5	2.5
Real Consumption				
<i>Growth</i>				
ERFC	2.2	2.2	2.7	2.8
GCEA Average	2.1	2.0	2.3	2.4
Implicit Price Deflator, PCE				
<i>Growth</i>				
ERFC	1.7	1.5	2.1	2.2
GCEA Average	1.9	1.9	2.1	2.3
Mortgage Rate				
<i>Percent</i>				
ERFC	3.9	4.2	4.9	5.8
GCEA Average	4.0	4.3	4.7	5.3
Oil Price (Brent)				
<i>Dollars per barrel</i>				
ERFC	106.5	97.5	95.1	92.7
GCEA Average	101.1	96.9	97.5	99.3
<u>Washington State</u>				
Real Personal Income				
<i>Growth</i>				
ERFC	1.8	3.1	3.4	3.1
GCEA Average	1.9	2.7	2.8	2.8
Wage and Salary Employment				
<i>Growth</i>				
ERFC	1.5	1.8	1.9	1.7
GCEA Average	1.7	1.8	1.8	1.8
Manufacturing Employment				
<i>Growth</i>				
ERFC	3.8	2.6	2.1	1.0
GCEA Average	3.7	2.7	1.5	1.3
Construction Employment				
<i>Growth</i>				
ERFC	1.0	4.2	6.8	6.5
GCEA Average	1.3	3.0	4.5	5.2
Housing Permits				
<i>Thousands of authorized units</i>				
ERFC	24.6	25.6	30.8	36.5
GCEA Average	23.6	26.9	29.4	32.0
Washington Average Annual Wage				
<i>Growth</i>				
ERFC	2.1	2.6	3.3	3.2
GCEA Average	2.1	2.4	2.7	2.8

Table 2.4
Forecast Analysis
 Comparison of Forecasts for 2011-13

Forecast Date	2010				2011				2012			
	<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>
Washington												
Percent Growth, 2011:2-2013:2												
Employment	5.6	6.2	6.1	5.5	5.3	4.5	3.4	3.0	3.7	3.3		
Personal Income	12.5	12.0	11.1	10.9	10.8	10.0	7.4	7.4	7.6	8.2		
Real Personal Income	8.4	8.0	7.8	7.4	7.0	6.6	4.9	4.3	4.2	5.0		
Total (Thousands of units), 2011:3 to 2013:2												
Housing Units Authorized	86.7	85.3	69.5	66.8	55.8	50.9	43.8	42.8	42.0	47.1		

Table 2.5
Forecast Comparison
 Forecast 2012 to 2015

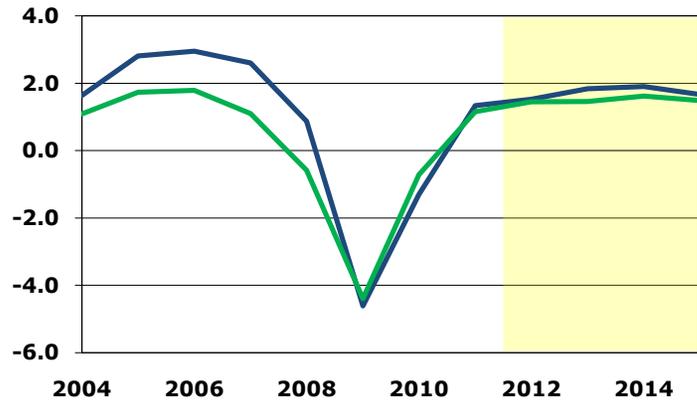
Fiscal Years

	2009	2010	2011	2012	2013	2014	2015
Washington							
Real Personal Income							
June Baseline	261.381	254.822	262.805	266.713	274.318	283.419	292.793
% Ch	-1.0	-2.5	3.1	1.5	2.9	3.3	3.3
February Baseline	261.166	254.615	262.659	266.999	271.585	280.789	290.467
% Ch	-1.1	-2.5	3.2	1.7	1.7	3.4	3.4
Personal Income							
June Baseline	284.773	281.207	295.156	306.651	319.558	336.334	355.147
% Ch	0.5	-1.3	5.0	3.9	4.2	5.2	5.6
February Baseline	284.539	280.979	294.989	306.541	316.928	333.851	352.740
% Ch	0.4	-1.3	5.0	3.9	3.4	5.3	5.7
Employment							
February Baseline	2900.0	2786.0	2802.3	2845.6	2891.2	2947.2	3001.1
% Ch	-2.0	-3.9	0.6	1.5	1.6	1.9	1.8
November Baseline	2899.8	2784.6	2799.3	2847.3	2897.8	2952.5	3005.3
% Ch	-2.0	-4.0	0.5	1.7	1.8	1.9	1.8
Housing Permits							
February Baseline	19.708	19.263	20.835	23.290	23.850	27.852	33.976
% Ch	-48.3	-2.3	8.2	11.8	2.4	16.8	22.0
November Baseline	19.749	19.117	20.948	20.010	21.951	29.197	34.991
% Ch	-48.2	-3.2	9.6	-4.5	9.7	33.0	19.8

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

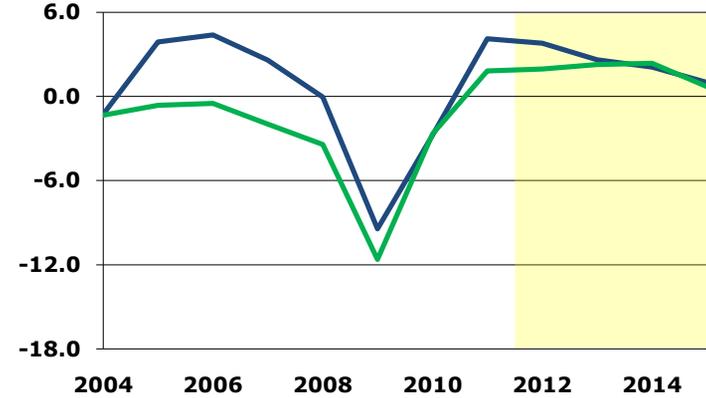
Forecast

Total nonfarm payroll employment



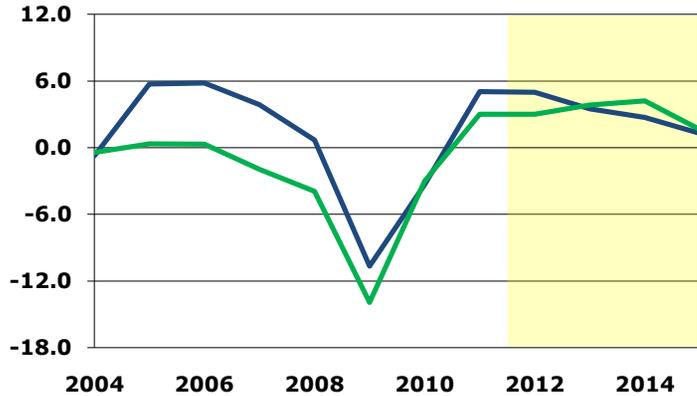
Source: WA State Employment Security Dept. 2011, ERFC 2015

Manufacturing employment



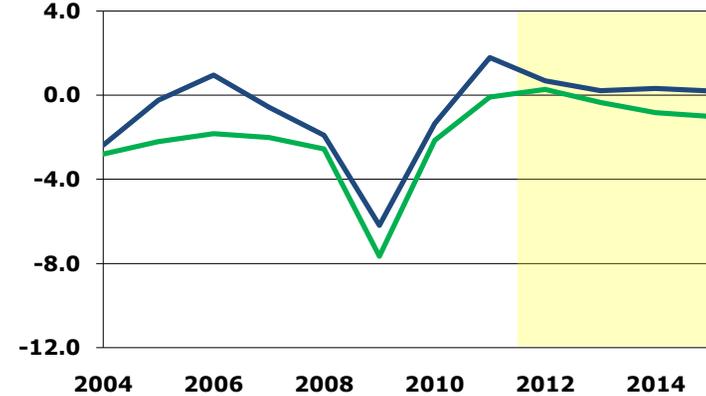
Source: WA State Employment Security Dept. 2011, ERFC 2015

Durable manufacturing employment



Source: WA State Employment Security Dept. 2011, ERFC 2015

Nondurable manufacturing employment



Source: WA State Employment Security Dept. 2011, ERFC 2015

Washington

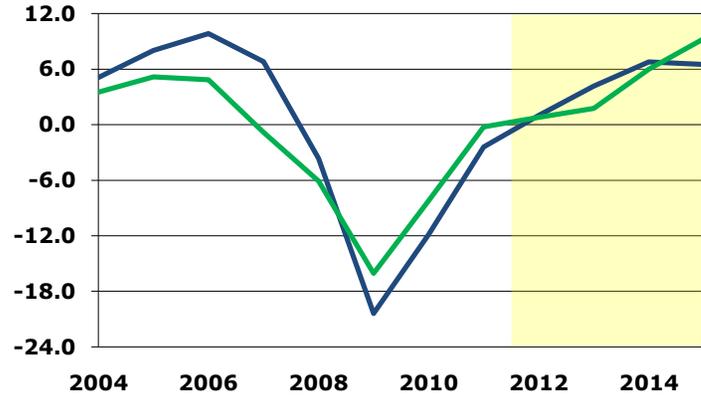
U.S.

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

(Percent change)

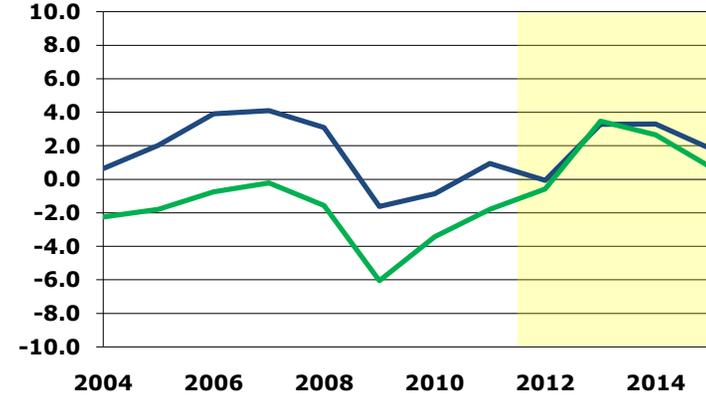
Forecast

Construction employment



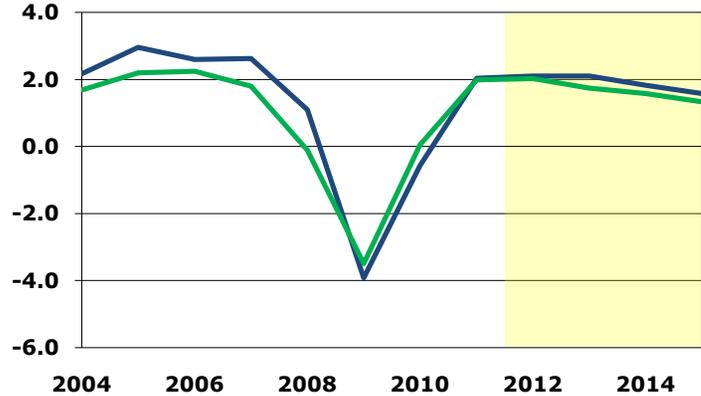
Source: WA State Employment Security Dept. 2011, ERFC 2015

Information employment



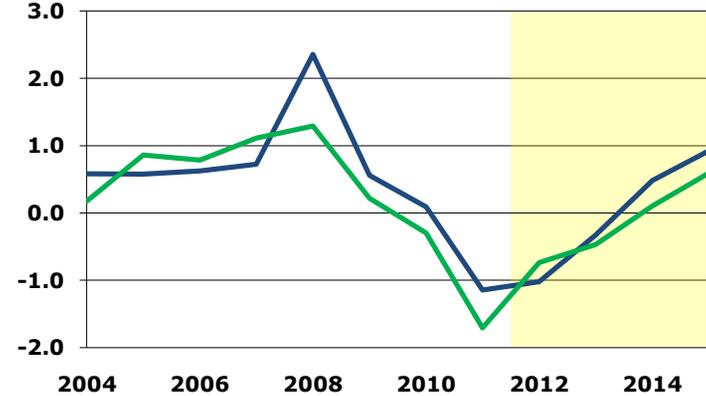
Source: WA State Employment Security Dept. 2011, ERFC 2015

Other private employment



Source: WA State Employment Security Dept. 2011, ERFC 2015

Government employment



Source: WA State Employment Security Dept. 2011, ERFC 2015

Washington

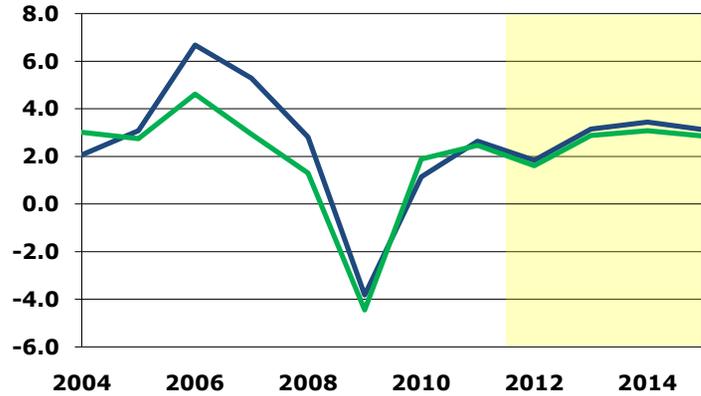
U.S.

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

(Percent change)

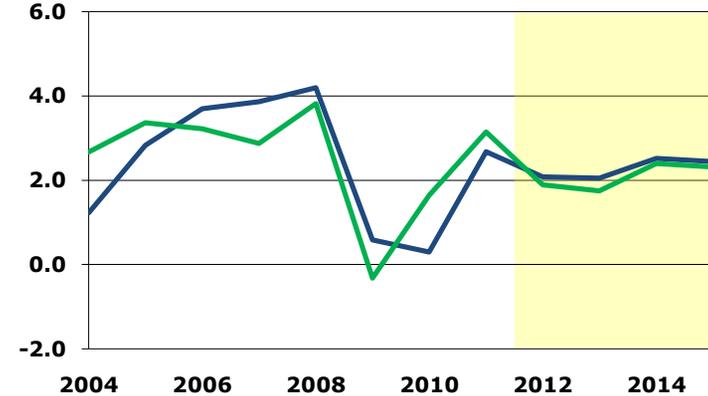
Forecast

Real personal income



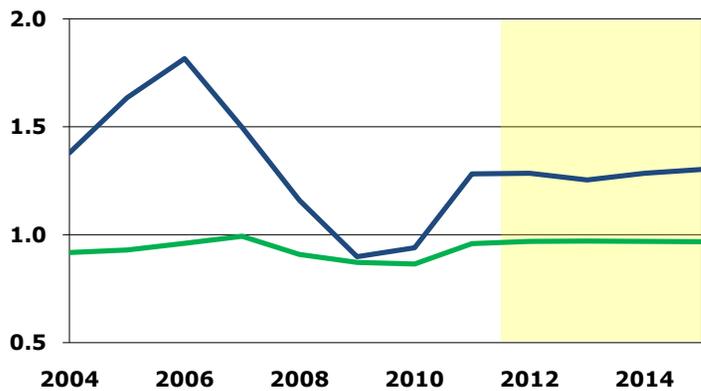
Source: Bureau of Economic Analysis 2010, ERFC 2015

Consumer price indices



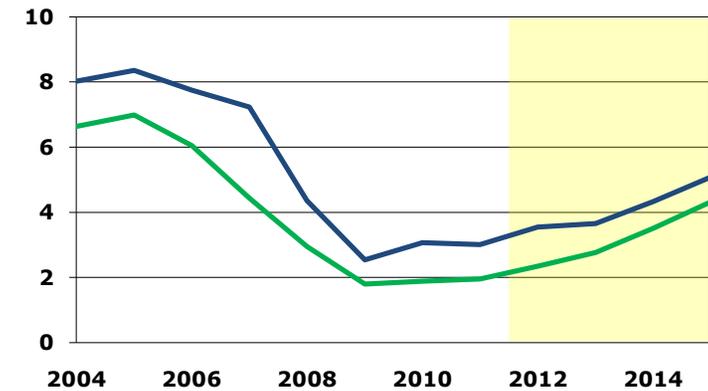
Source: Bureau of Labor Statistics 2011, ERFC 2015

Population



Source: Office of Financial Management 2010, ERFC 2015

New Housing Units Per 1,000 population (level)



Source: Census Bureau 2011, ERFC 2015

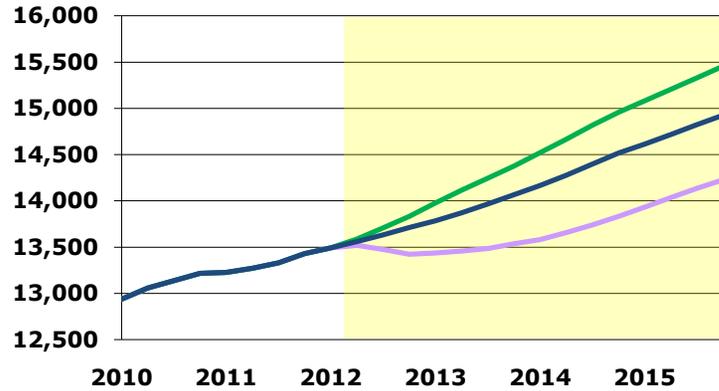
Washington

U.S.

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

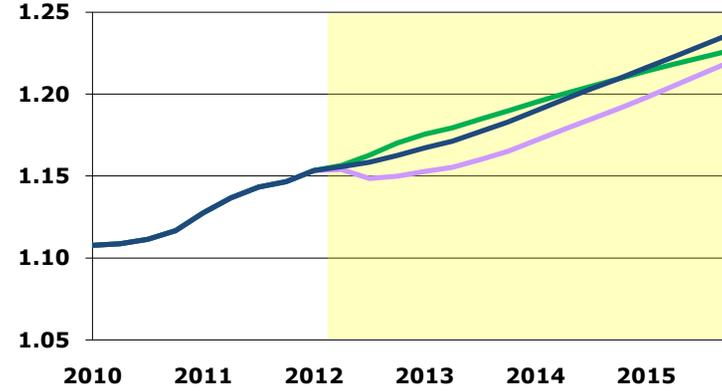
Forecast

Real GDP, billions of chained 2005 dollars



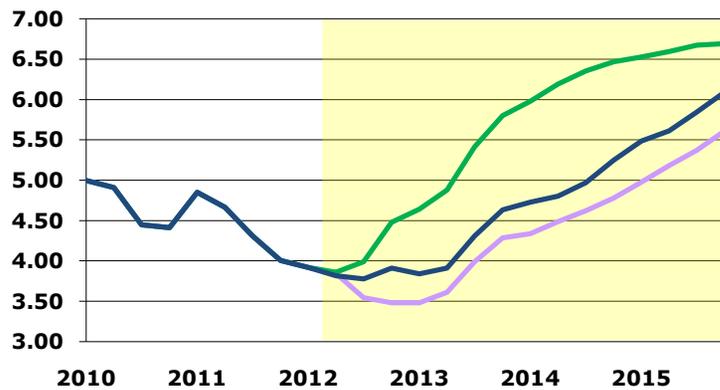
Source: Bureau of Economic Analysis 2011 Q4, ERFC 2015

Implicit price deflator, index 2005 = 1.0



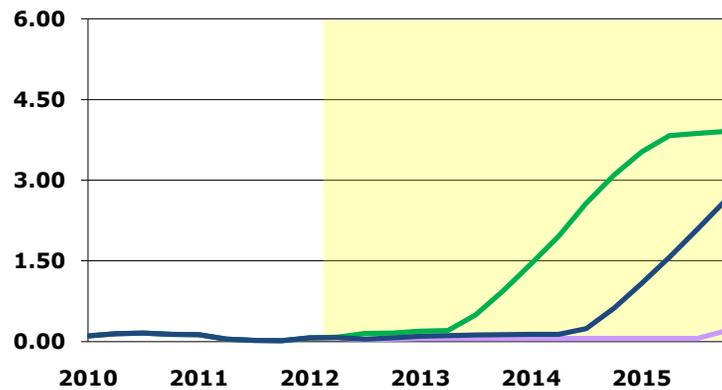
Source: Bureau of Economic Analysis 2011 Q4, ERFC 2015

Mortgage rate, percent



Source: Freddie Mac 2011 Q4, ERFC 2015

Three month T-bill rate, percent



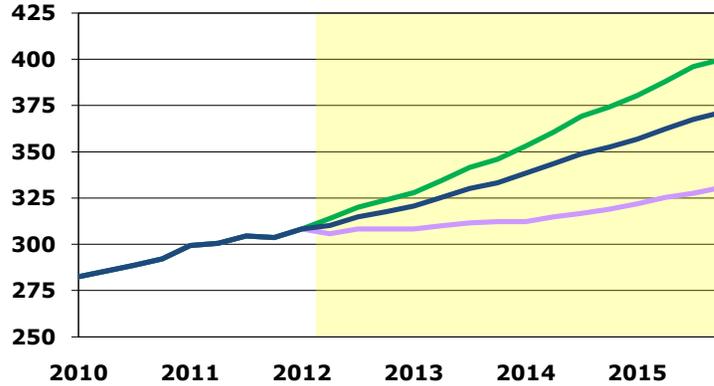
Source: Federal Reserve Board 2011 Q4, ERFC 2015

■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts

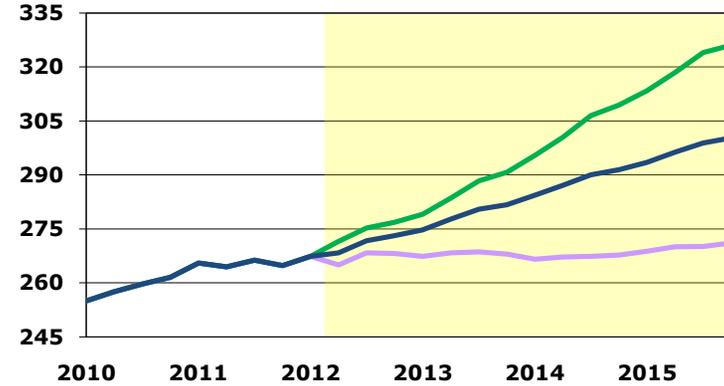
Forecast

Personal income, billions of dollars



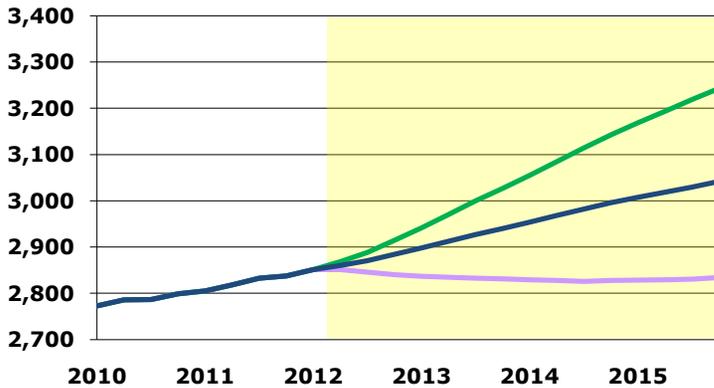
Source: Bureau of Economic Analysis 2010 Q4, ERFC 2015

Real personal income, billions of chained 2005 dollars



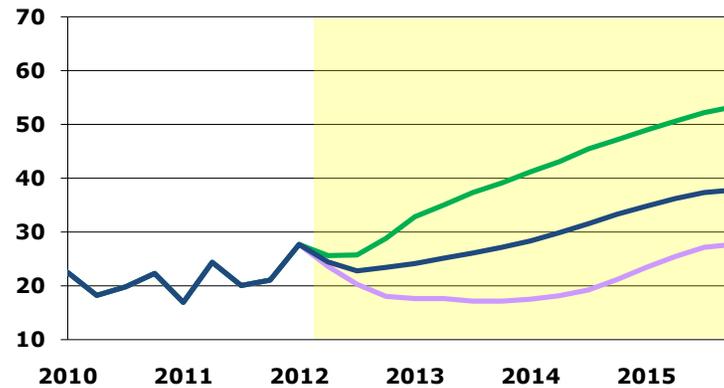
Source: Bureau of Economic Analysis 2010 Q4, ERFC 2015

Total nonfarm payroll employment, thousands



Source: WA State Employment Security 2011 Q4, ERFC 2015

Housing permits, thousands



Source: Census Bureau 2011 Q4, ERFC 2015

■ Baseline ■ Optimistic ■ Pessimistic

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Chapter 3: Washington State Revenue Forecast Summary

- **General Fund-State revenue collections since February were close to their forecasted value, and changes to the state economic forecast for June were small.**
- **The General Fund-State forecast has increased by \$156 million in the 2011-13 biennium and \$197 million in the 2013-15 biennium**
- **Without new legislation that added \$172 million to forecasted revenue in the 2011-13 biennium and \$330 million in the 2013-15 biennium, the forecast for both biennia would have decreased slightly**
- **There remain considerable downside risks to the forecast.**

Overview

The state economic forecast has changed little since February; the revenue forecast change is similarly small

As there has been little overall change in the national and state economic forecasts from February to June 2012, the change in the revenue forecast is also small. Revenue collections since the February forecast have also come in very close to their forecasted values. Due to the effects of legislation passed in the 2012 regular and special legislative sessions, the forecast has been increased very slightly in both the current and ensuing biennia. Absent the legislation, the forecast for each biennia would have very slightly decreased. As in February, there remain considerable downside risks to the forecast. The European debt crisis continues to ramble onward, while worries about Iran have been replaced by worries about gridlock in Washington, D.C. leading to a “fiscal cliff”. The fragile recovery could be derailed by trouble on either of these fronts, with negative repercussions for revenue.

GF-S forecast change by biennium (millions):

*11-13: +\$156
13-15: +\$197*

Table 3.1 summarizes the changes to the forecast of General Fund-State (GF-S) revenue for the 2011-13 and 2013-15 biennia. New legislation and budgetary changes from the 2012 regular and special legislative sessions added \$172.3 million in revenue to the current biennium and \$330.3 million in the next biennium. Forecast changes due to changes to the economic forecast lowered the forecast by \$16.1 million in the current

GF-S forecast
(\$millions):

2011-13:
\$30,440

2013-15:
\$32,626

biennium and \$132.9 million in the next biennium. The resulting total forecast changes for GF-S revenue are an increase of \$156.2 million in the 2011-13 biennium and \$197.3 million in the 2013-15 biennium. With these revisions, GF-S revenue for the 2011-13 biennium is forecasted to total \$30,440.2 million and GF-S revenue for the 2013-15 biennium is forecasted to total \$32,625.7 million.

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

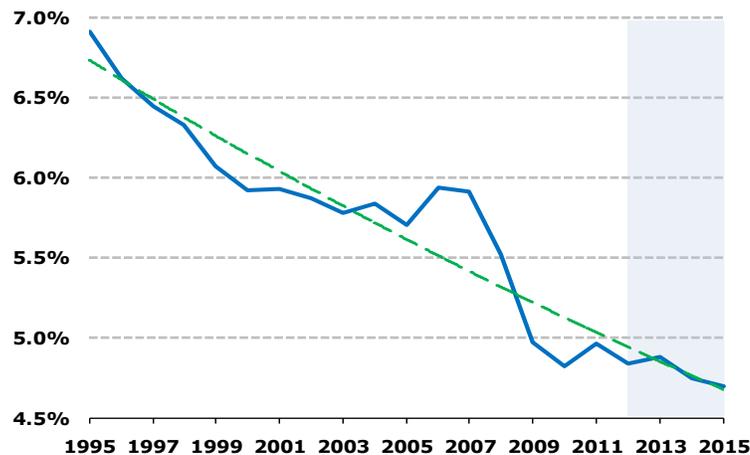
	2011-13 Biennium	2013-15 Biennium
Non-Economic Change	\$172.3	\$330.3
Forecast Change	<u>(\$16.1)</u>	<u>(\$132.9)</u>
Total Change	\$156.2	\$197.3

The ratio of collections to income is predicted to stay below its 1995-2008 levels

As can be seen in Figure 3.1, the amount of GF-S revenue that is collected relative to state personal income has been on a persistent downward trend since 1995 (the first year that a series fully consistent with the current definition of GF-S revenue can be created). The increase in real estate excise taxes and retail sales taxes on construction materials during the housing boom from 2005 to mid-2008 caused collections to rise above this trend, while the subsequent housing market collapse caused collections to fall below the trend. Collections for FY 2011 were boosted by one-time transfers of funds from non-GF-S sources

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

GF-S revenue relative to state personal income is on a declining trend



Source: ERFC, data through fiscal year 2011

into the GF-S, causing the ratio of collections to income to spike in that year. The June forecast, as shown in the light blue shaded area, has the ratio increasing in FY 2013 due to the continued economic recovery and increases in GF-S revenue from legislation passed in 2010, 2011 and 2012. In FY 2014 and 2015, however, the ratio is forecasted to resume its downward trend, aided by the FY 2014 expiration of several temporary increases of taxes and transfers of revenue to the GF-S.

Forecast details are at the end of the chapter

The history of nominal and real GF-S revenue by biennium can be found in Table 3.3. GF-S revenue by agency and major revenue classification for the 2011-13 biennium can be found in Table 3.5 (cash) and Table 3.6 (GAAP). GF-S revenue by agency and major revenue classification for the 2013-15 biennium can be found in Table 3.7 (cash) and Table 3.8 (GAAP). The GF-S forecast by fiscal year and major source category can be found in Table 3.9.

Recent Collection Experience

Cumulative receipts from major sources that are tracked monthly were \$24.8 million (0.5%) more than the February forecast

Revenue collections from the Department of Revenue (DOR), Department of Licensing, Administrative Office of the Courts, and Lottery are tracked monthly. In the period since the February forecast, total revenue from the above sources came in \$24.8 million (0.5%) higher than expected (see Table 3.2). Revenue Act collections reported by the DOR were \$48.0 million (1.4%) below the February forecast. Revenue from other DOR tax sources from February through January, however, was \$71.9 million (6.3%) higher than expected. Much of this positive variance was due to the effects of ESHB 2823, discussed in the "Non-Economic Forecast Changes" section below. Under the law, \$31.4 million that was previously part of the non-GF-S Public Works Assistance Account was transferred into the GF-S in May. Real Estate Excise tax (REET) receipts were also higher than expected, coming in \$27.7 million (27.4%) above the forecast. Cigarette tax receipts were \$6.3 million (5.0%) higher than forecasted and liquor tax receipts came in \$2.3 million (3.6%) higher than forecasted. Property tax receipts came in right on target, beating the forecast by only \$77,000 (0.01%). The sum of the variances of other DOR sources was \$35.6 million, most of which was the abovementioned transfer of \$31.4 million. Revenue from the Department of Licensing was \$881,000 (18.0%) higher than forecasted while revenue from the Administrative Office of the Courts was \$54,000 (0.5%) lower than forecasted.

Table 3.2: Pre-Forecast Collection Variance of Major General Fund-State Taxes by Agency (based on February 2012 forecast, cash basis, millions of dollars)

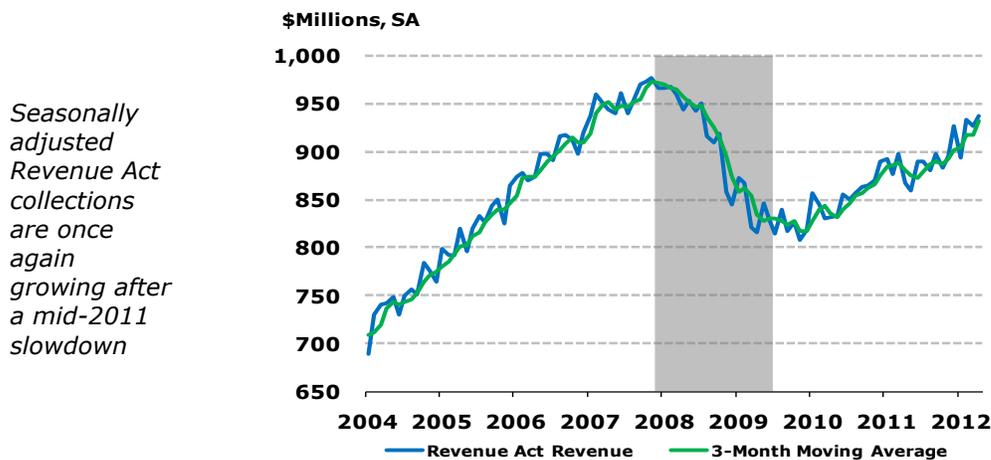
<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$48.0)	-1.4%
Non Revenue Act	\$71.9	6.3%
Subtotal	\$23.9	0.5%
Department of Licensing	\$0.9	17.4%
Administrative Office of the Courts	(\$0.1)	-1.0%
Total*	\$24.8	0.5%

* Detail may not add to total due to rounding.
Source: ERFC; Period: February 11 - June 10, 2012

Adjusted Revenue Act collections were up 7.2% year-over-year in the most recent collection period but only 3.7% in the previous period

Figure 3.2 shows seasonally adjusted Revenue Act receipts excluding payments received under the tax amnesty program in early 2011 and other large payments. It is also adjusted for recent changes in payment patterns. As shown in the figure, collections have been on an upward trend since November 2009. Growth was subsequently aided by a temporary increase in the business and occupation tax rate paid by service industries that took effect in May 2010. Collections slowed in mid-2011 but have since resumed their upward course. Recent growth has been uneven, with year-over-year growth of 7.2% in the May 11-June 10 collection period (adjusted for large one-time payments) but growth of only 3.7% in the previous period. Trend growth is still below the levels of 2004 through 2007.

Figure 3.2: Revenue Act Collections*



Seasonally adjusted Revenue Act collections are once again growing after a mid-2011 slowdown

Source: ERFC; Data through June 10, 2012 preliminary allocation
*Adjusted for large payments/refunds and payment pattern change

Quarterly year-over-year Revenue Act growth is moderate

Adjusted Revenue Act collections from February 11 – May 10, 2012, which primarily reflected first quarter 2012 activity, were up 4.4% year-over-year. This was an improvement from the 3.6% year-over-year growth in fourth quarter activity (November 11, 2011 – February 10, 2012 adjusted collections), and the 3.9% year-over-year growth in collections that represented third quarter activity.

REET collections since the February forecast have been boosted by several large sales of commercial property

Since the February forecast, there have been a number of large sales of commercial property that have boosted real estate excise tax receipts well beyond the forecast. The largest of these was the \$480 million sale of Seattle’s Russell Center in April, which caused a visible spike in the chart of taxable activity (see Figure 3.3). May activity was close to that of April’s due to several more large transactions in that month as well. All in all, since the February forecast there have been \$1.2 billion in exceptionally large commercial sales, which have generated \$14.8 million in GF-S revenue.

Figure 3.3: Taxable Real Estate Excise Activity, SA

April seasonally adjusted REET activity was the highest since July 2008



Source: ERFC; data through May 2012

Recent EFT Payments by Industry

Tax payments by electronic filers provide an estimate 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 detailed data on first quarter activity will not be complete until July 2012, a preliminary indication of recent activity by industry sector can be inferred 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.

May tax payments from electronic filers who paid both this year and last increased by 3.1% year-over-year

Electronic tax returns from the May 11 – June 10, 2012 period mainly represent the April 2011 taxable activity of monthly taxpayers. Total payments increased by 3.1% year-over-year. Payments in the retail trade sector were up 2.8% year-over-year. While this rate was lower than it has been in recent months, it was affected by a 23.4% year-over-year decline in payments from the electronics and appliances sector due to unusually high payments last year. Without the decline in the electronics sector, payments from the retail trade sector would have increased by 4.8% and total payments would have increased by 3.8%. The largest year-over-year increases in tax payments from the retail trade sector were in building materials and garden equipment (+10.4%), non-store retailers (+7.7%), motor vehicle and parts (7.4%) and sporting goods, toys, books and music (+5.7%). One retail trade sector besides electronics saw a decrease in payments: furniture and home furnishings (-2.6%). Total payments from sectors other than retail trade increased 3.2%. Tax payments in the construction sector were up 5.1% year-over-year. Payments from the manufacturing sector were up 7.3%, with a large decline in payments from petroleum refiners due to the February Cherry Point refinery fire offset by very strong growth in payments from the transportation equipment sector. Excluding both the manufacturing and construction sectors, payments from non-retail trade sectors were up 2.3%.

Non-Economic Forecast Changes

Legislative and budgetary changes increased the forecast by \$172 million in the 2011-13 biennium and \$330 million in the 2013-15 biennium

Legislation and budgetary changes passed in the regular and special 2012 sessions added to forecasted GF-S revenue in both the 2011-13 and 2013-15 biennia. Most of the changes stemmed from ESHB 2823, which redirected existing revenue that was not part of the GF-S into the GF-S and suspended some future fund transfers. Under the bill, revenue from a DOR-collected tax on solid waste collection services that was previously allocated to the Public Works Assistance Account will instead go fully into the GF-S through the end of the 2013-15 biennium, with 50% of the tax going into the GF-S after that time. This change will bring an additional \$70.1 million into the GF-S in the current biennium and \$76.5 million in the next. In addition, the bill re-directs the part of the liquor sales tax that was previously distributed to local governments to the GF-S for the duration of FY 2013 and transfers \$2.5 million of the tax receipts per quarter into the GF-S beginning in the fourth quarter of 2013. Certain other LCB-collected revenue was also redirected by the bill, for a total GF-S increase of \$73.7 million in liquor-related revenue for the 2011-13 biennium and \$49.3 million in the 2013-15 biennium. The other large change from the bill was the suspension of \$204 million in payments from the GF-S to the Education Construction Account. Other legislation from the sessions included an extension of the cigarette tax to roll-your-own cigarettes that are

assembled in stores (3E2SHB 2565) and changes to several tax exemptions and preferences (ESB 6635). The total effects of the legislation and legislated budgetary changes on the GF-S revenue forecast were an increase of \$172.3 million in the 2011-13 biennium and \$330.3 million in the 2013-15 biennium. Revenue-affecting legislation and corresponding GF-S impacts are listed in Table 3.17.

Department of Revenue

Taxes collected by DOR are most of GF-S taxes

The Department of Revenue (DOR) collects and administers the majority of Washington's GF-S revenue, accounting for 95% of total GF-S revenue in the 2009-11 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 45.3% of GF-S revenue in FY 2011. 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 has been declining. Their share fell sharply during the recession and continued to fall through FY 2011. In that year, 34.5% of personal income was spent on taxable items, the lowest percentage on record. The taxable sales share of personal income is forecasted to increase slightly in FY 2012 and level off through FY 2014 before continuing its long-time downward trend in FY 2015. Despite the FY 2012 increase, the ratio will still remain far below its pre-recession trend through FY 2015. This relationship is illustrated in Figure 3.4.

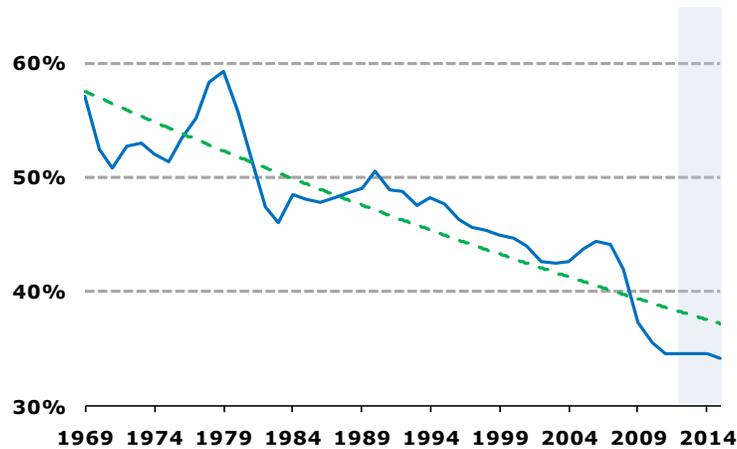
Retail sales tax receipt growth forecast:

*FY12: 1.5%
FY13: 5.0%
FY14: 5.1%
FY15: 4.9%*

After declines of 10.4% in FY 2009 and 6.0% in FY 2010, taxable retail sales managed an increase of 1.8% in FY 2011 (see Table 3.4). Extra sales tax collections from the tax penalty amnesty program in the spring of 2011, however, brought the growth rate of actual collections up to 3.2% for the fiscal year. The growth rate of taxable activity is forecasted to improve from 4.1% in FY 2012 to 5.1% in FY 2014 before slowing to 4.7% in FY 2015. Taxable activity is not forecasted to regain its fourth quarter, 2007 peak until the fourth quarter of 2014. Taking into account the lag between taxable activity and collections and factoring in tax deferrals, credits and refunds, actual retail sales tax collections are forecasted to grow by 1.5% in FY 2012, 5.0% in FY 2013, 5.1% in FY 2014 and 4.9% in FY2015.

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

The ratio of taxable sales to state personal income is below a declining trend



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

Source: ERFC; forecast through FY 2015

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 20.6% of GF-S revenue in FY 2011. 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 2011, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.8% (the rate will revert to 1.5% in July 2013) and represented an estimated 45% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented an estimated 22% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented an estimated 18% of taxes due.

B&O tax growth forecast:

FY12: 2.5%
 FY13: 7.9%
 FY14: -1.1%
 FY15: 4.8%

Due mainly to new revenue from the temporary increase of the B&O services tax from 1.5% to 1.8%, B&O tax collections grew by 16.9% in FY 2011. Receipts for the fiscal year were also increased by the tax penalty amnesty program and other legislative changes described in the [June 2010 Washington State Economic and Revenue Forecast](#) publication. Due to the moderate economic recovery, lowered expected audit payments in the wake of the 2011 tax amnesty program and several large tax refunds, receipts are forecasted to grow only 2.5% in FY 2012. The refunds in FY 2012, coupled with an improving economy, increased the forecasted FY 2013 growth rate to 7.9%. Expiration of the temporary increase in the B&O service tax rate will cause receipts to shrink by 1.1% in FY 2014 before growing by 4.8% in FY 2015.

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

The state property tax levy is the third largest source of GF-S revenue, accounting for 12.6% of total revenue in FY 2011. 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. This added approximately \$260 million to FY 2010 GF-S revenue, inflating the growth rate to 19.4%. Absent the transfer, growth would have been 2.1%.

GF-S property tax growth forecast:

*FY12: 2.2 %
FY13: 1.7%
FY14: 1.8%
FY15: 1.9%*

Under Initiative 747, approved by voters in November 2001, the total state tax levy on existing property can only increase by the lesser of 1% per year or the rate of inflation as measured by the year-over-year change in the U.S. Implicit Price Deflator in July of the year preceding the levy, unless a greater increase is approved by the voters (I-747 was ruled unconstitutional in 2007, but the legislature adopted a similar limit in a special session that year). The year-to-year growth in the total amount levied, however, can exceed the aforementioned limits due to the value of new construction, property improvements, and other additions to real property assessed by the state. Collections can also grow faster or slower than the rate of assessment growth due to the payment of past due taxes or nonpayment of current taxes. Property tax receipts grew by 1.8% in FY 2011 and are forecasted to grow by 2.2% in FY 2012, 1.7% in FY 2013, 1.8% in FY 2014 and 1.9% in FY 2015.

Use tax was the fourth largest GF-S source in FY 2011

The state use tax was the fourth largest GF-S revenue source in FY 2011 at 3.7% 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; online and mail-order purchases, where sales tax was not collected; or purchases of used vehicles from private individuals.

Use tax growth forecast:

*FY12: -9.3%
FY13: 6.3%
FY14: 6.6%
FY15: 6.0%*

The tax penalty amnesty program brought in a large amount of past-due use taxes. As a result, FY 2011 collections increased 26.2% year-over-year. FY 2011 collections have also been supported by an 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. Used vehicle sales exhibit sharp declines during economic downturns and increases during recoveries. This pattern was responsible for much of the 10.0% decline in FY 2009 taxes as well as the 8.0% decrease in FY 2010. Because of the high FY 2011 collections, use tax receipts are forecasted to decline by 9.3% in FY 2012 even though used vehicle sales are expected to be stronger during that period. Use taxes for the next three fiscal years are forecasted to be buoyed not only by continued growth in used vehicle sales but also by taxes paid by the manufacturing and service-producing sectors.

Receipts are forecasted to grow by 6.3% in FY2013, 6.6% in FY 2014 and 6.0% in FY 2015.

The cigarette tax was the fifth largest GF-S source in FY 2011

The state tax on cigarettes was the fifth largest DOR GF-S revenue source in FY 2011 at 3.0% of total receipts. Prior to FY 2010, the tax made up a much smaller portion of GF-S revenue because much of the tax was dedicated to non-GF-S accounts. In FY 2010, all of the tax except the portion dedicated to the Education Legacy Trust account was redirected to the GF-S, and in FY 2011 all of the cigarette tax was redirected to the GF-S. The current tax rate, which took effect May 1, 2010, is \$3.025 per pack of 20 cigarettes. Prior to that date, the tax rate was \$2.025 per pack.

Cigarette tax growth forecast:

*FY12: -2.9%
FY13: -0.8%
FY14: -0.8%
FY15: -0.4%*

While the 2010 tax increase increased the total revenue brought in by the tax, the total number of taxed cigarettes has been on a downward trend, due to both a continuing decline in the number of smokers and an increase in tax avoidance by various means. In recent years, a growing number of people had been avoiding the cigarette tax by buying loose tobacco at a lower tax rate and assembling them into cigarettes in automated "roll your own" cigarette machines in the same store in which they had bought the tobacco. 3E2SHB 2565, passed in the second 2012 special legislative session, established that roll-your-own cigarettes assembled in a store are also subject to the cigarette tax as of July 1, 2012. The bill is estimated to increase cigarette tax receipts by \$10.8 million in the 2011-13 biennium and \$23.6 million in the 2013-15 biennium, with associated increases in B&O and retail sales taxes. Even so, cigarette tax receipts are forecasted to decline by 0.8% in FY 2013 after a 2.9% decrease in FY 2012, then decline by a further 0.8% and 0.4% in FY 2014 and 2015 respectively.

Public utility taxes were the sixth largest GF-S source in FY 2011

Public utility taxes were the sixth largest DOR source of GF-S revenue in FY 2011, bringing in 2.6% of total receipts. The tax applies to the gross income of sales to consumers by public and privately owned utilities and is in lieu of the B&O tax. The largest source of public utility taxes is the 3.873% tax on the distribution and generation of electrical power, followed by the 3.852% tax on the distribution of natural gas.

Growth forecast:

*FY12: 2.6%
FY13: 4.7%
FY14: 6.0%
FY15: 4.8%*

After 7.5% growth in FY 2011, falling natural gas prices are forecasted to limit FY 2012 growth to 2.6%. Increasing gas prices, along with forecasted increases in the price of electricity, are forecasted to increase receipts by 4.7% in FY 2013, 6.0% in FY 2014 and 4.8% in FY 2015.

REET was the seventh largest GF-S source in FY 2011

The real estate excise tax (REET) was the seventh largest DOR source of GF-S revenue in FY 2011, accounting for 2.4% of total revenues. The state portion of REET 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.

*REET growth
forecast:*

*FY12: 10.7%
FY13: 0.3%
FY14: 14.1%
FY15: 14.4%*

Since peaking in FY 2007 in the final days of the real estate boom, REET collections have declined precipitously. Receipts dropped 38.0% year-over-year in FY 2008 and 41.3% in FY 2009. A federal tax credit for homebuyers slowed the rate of decline to 2.4% in FY 2010, but the decline reaccelerated in FY 2011, with a drop of 7.8%. In February, receipts were forecasted to flatten in FY 2012, growing at 0.9%, but the rash of large commercial sales mentioned above have boosted forecasted FY 2012 growth to 10.7%. Such sales are not expected to continue to grow at their current pace, but continued commercial sales coupled with rising residential sales are forecasted to maintain FY 2013 activity at a level 0.3% higher than FY 2012. At that level, FY 2013 receipts will still be below levels of FY 1999. Because forecasted FY 2013 activity is at such a low level, the forecasted slow recovery in housing prices starting in mid-2013, along with the expectation that transactions will move closer to their historical level of per capita activity, are forecasted to increase REET collections by 14.1% in FY 2014 and 14.4% in FY 2015.

Department of Licensing

*Forecast
change by
biennium
(millions):*

*11-13: \$0.4
13-15: \$0.4*

The majority of GF-S revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. The department's forecast for the 2011-13 biennium has been increased \$0.4 million to \$33.6 million and its forecast of GF-S revenue for the 2013-15 biennium has been increased \$0.4 million to \$33.4 million.

The Office of Financial Management (Other Agencies)

*Forecast
change by
biennium
(millions):*

*11-13: -\$3.9
13-15: \$210.5*

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, the Washington State Lottery, and the State Treasurer. The office's forecast for the 2011-13 biennium was decreased \$3.9 million to \$227.6 million. \$1.5 million of this reduction was due to legislative and budgetary changes. The office's forecast for the 2013-15 biennium was increased \$210.5 million to \$222.3 million. The increase was due to \$212.8 million in legislative and budgetary changes, most of which was the suspension of a \$204 million transfer of funds out of the GF-S mentioned above. Without the legislative changes, the office's forecast would have decreased by \$2.3 million, mainly due to decreases in forecasted state timber income and fee revenue from the Department of Financial Institutions.

State Treasurer

*Forecast
change by
biennium
(millions):*

11-13: \$3.9
13-15: -\$1.5

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2011-13 biennium has been increased \$3.9 million to negative \$23.0 million due to an increase in the forecasted average GF-S daily balance. The office's initial forecast of GF-S revenue for the 2013-15 biennium has been reduced \$1.5 million to negative \$20.8 million due to a forecasted decrease in interest rates. The forecasted earnings for each biennium are negative because the average daily balance for each biennium is forecasted to be negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

11-13: -\$3.8
13-15: -\$4.6

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 2011-13 biennium has been decreased \$3.8 million to \$857.8 million. The office's forecast of GF-S revenue for the 2013-15 biennium has been decreased \$4.6 million to \$926.0 million.

Liquor Control Board

*Forecast
change by
biennium
(millions):*

11-13: \$75.1
13-15: \$26.8

Historically, the Liquor Control Board generated GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. Under Initiative 1183, however, which was passed in November 2011, the Liquor Control Board no longer operates liquor stores as of June 1, 2012. The board will still collect new distributors' and retailers' fees created by the initiative, a portion of which will be passed on to the GF-S. The projected sum of these fees, along with the profits collected before closure of the stores and other fees collected by the board, has been increased \$81.8 million to \$220.6 million for the 2011-13 biennium. Most of the increase was due to legislative and budget-driven revenue changes which totaled \$61.9 million. The changes included reduced distributions of fees revenue to local governments as well as the budgetary booking of expected revenue from the sale of the state liquor distribution center. The remainder of the increase came from the state's share of the proceeds from auctioning off state liquor stores. The forecast of beer and wine surtaxes for the 2011-13 biennium has been reduced \$6.7 million to \$153.1 million. The forecast of revenue from fees for the 2013-15 biennium has been increased \$29.6 million to \$135.9 million. In the forecast, an increase of \$31.8 million from the legislated withholding of funds that were previously distributed to local governments was partially offset

by a \$2.2 million reduction in forecasted fee revenue. The forecast of revenue from beer and wine surtaxes for the 2013-15 biennium has been decreased \$2.8 million to \$55.3 million. Forecasted beer and wine surtaxes for the 2013-15 biennium are lower than those of the current biennium due to the expiration of a temporary surtax on beer.

Lottery Commission

Forecasted Washington Opportunities Pathways Account transfers are up \$20.1 million for the 2011-13 biennium and \$4.4 million for the 2013-15 biennium

The disposition of proceeds from the state lottery was substantially changed by E2SSB 6409 in the 2010 legislative session. Prior to the passage of the bill, the Lottery Commission transferred the bulk of its net proceeds to the School Construction Account, and any proceeds remaining after that account and several smaller accounts received their allotments was transferred to the GF-S. Under the new legislation, existing obligations to the Stadium/Exhibition Center, Problem Gambling and Economic Development accounts will be maintained, but the remaining revenue, which represents the bulk of the proceeds, will be transferred entirely to the Washington Opportunity Pathways Account, with no transfers to the GF-S. The forecast of transfers to the Opportunity Pathways Account for the 2011-13 biennium has been increased \$20.1 million to \$227.8 million due to increased ticket sales from March's record Mega Millions jackpot. The forecast of transfers for the 2013-15 biennium has been increased \$4.4 million to \$213.7 million. Details of the forecast of the distribution of Lottery earnings can be found in Table 3.14 on a cash basis and Table 3.15 on a GAAP basis.

Administrative Office of the Courts

Forecast change by biennium (millions):

*11-13: \$0.0
13-15: \$0.1*

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties and transfers this revenue to the GF-S on a monthly basis. The forecasted total transfer for the 2011-13 biennium is unchanged at \$191.4 million. The forecast of transfers to the GF-S for the 2013-15 biennium has been increased \$0.1 million to \$198.2 million.

Track Record for the 2011-13 Biennium

The June forecast is \$1.5 billion (4.6%) lower than the March 2011 forecast on which the initial 2011-13 budget was based

Table 3.10 summarizes the historical changes to the GF-S revenue forecast for the 2011-13 biennium. The February 2010 forecast was the initial forecast for the biennium. The June 2012 forecast for the biennium is \$1.78 billion (5.5%) lower than the initial forecast. Non-economic changes have increased the forecast by \$1.7 billion (5.4%). Excluding non-economic changes, the current forecast is \$3.52 billion (10.9%) lower than the initial forecast. The current forecast is \$1.47 billion (4.6%)

lower than the March 2011 forecast, which was the basis for the initial 2011-13 budget passed in the 2011 legislative session.

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 2011-13 and 2013-15 biennia are presented in Tables 3.6 and 3.8 respectively, and the GAAP forecast of Lottery revenue transfers for both biennia is in Table 3.14. The primary difference between the cash and GAAP forecasts is the timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GF-S forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, figures from revenue tables other than Tables 3.6, 3.8 and 3.14 are projected on a cash basis.

Budgetary Balance Sheet for the 2011-13 Biennium

The forecast implies total GF-S reserves of \$289 million at the end of the 2011-13 biennium

Table 3.11 shows the budgetary balance sheet for the 2011-13 biennium as prepared by the Office of Financial Management and the House and Senate fiscal committees. By the final tally of 2009-11 revenue, the GF-S had a \$92.0 million deficit at the end of the 2009-11 biennium. Based on an assumed spending level of \$30,676.4 million in the 2011-13 biennium, the GF-S is projected to have total reserves of \$289.1 million at the end of the 2011-13 biennium. The expected total reserves are comprised of a projected GF-S ending balance of \$22.7 million and a projected balance of \$266.3 million in the Budget Stabilization Account.

Alternative Forecasts for the 2011-13 and 2013-15 Biennia

Optimistic scenario:

*2011-13:
+\$1.2 billion*

*2013-15:
+\$3.7 billion*

Chapter 1 outlines upside and downside risks associated with the baseline economic forecast. The forecast assigns a probability of 50% to the baseline forecast, 10% to the upside risks and 40% to the downside risks. The revenue implications of these alternative scenarios for the 2011-13 and 2013-15 biennia are

Pessimistic scenario:

*2011-13:
-\$1.3 billion*

*2013-15:
-\$3.7 billion*

shown in Tables 3.12 and 3.13 respectively. For the 2011-13 biennium, the optimistic forecast generates \$31,674 million in revenue, \$1,234 million more than the baseline scenario, while the pessimistic forecast produces \$29,159 million in revenue, \$1,281 million less than the baseline. For the 2013-15 biennium, the optimistic forecast generates \$36,293 million in revenue, \$3,668 million more than the baseline scenario, while the pessimistic forecast produces \$28,950 million in revenue, \$3,676 million less than the baseline.

*GCEA scenario:
2011-13:
+\$32 million*

*2013-15:
-\$148 million*

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 \$32 million more than the baseline scenario in the 2011-13 biennium and \$148 million less than the baseline scenario for the 2013-15 biennium.

Near General Fund Forecasts for the 2011-13 and 2013-15 Biennia

Near General Fund Forecast:

*2011-13:
\$30,658.3 million*

*2013-15:
\$32,828.8 million*

"Near General Fund" accounts are those included in the GF-S plus the Education Legacy Trust Account. The Education Legacy Trust Account was previously funded by a portion of the state tax on cigarettes and a tax on estates of over \$2 million. Legislation from the 2011 session, however, requires the cigarette taxes that formerly went into the account to instead be deposited into the GF-S. The Near General Fund forecast for the 2011-13 biennium is \$30,658.3 million, an increase of \$159.8 million from the February forecast. The forecasted increase is greater than that of the GF-S due to a \$3.6 million increase in actual and forecasted estate tax receipts for the Education Legacy Trust Account. The Near General Fund forecast for the 2013-15 biennium is \$32,828.8 million, \$197.3 million more than the February forecast. The Near General Fund forecast and recent history by fiscal year are presented in Table 3.16.

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

Biennium	Current Dollars	Percent Change	2005 Chained Dollars	Percent Change
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%	7,321.2	10.0%
1971-73	1,922.1	10.9%	7,514.0	2.6%
1973-75	2,372.4	23.4%	8,011.9	6.6%
1975-77	3,395.0	43.1%	9,972.5	24.5%
1977-79	4,490.0	32.3%	11,578.1	16.1%
1979-81	5,356.4	19.3%	11,495.6	-0.7%
1981-83	6,801.4	27.0%	12,716.3	10.6%
1983-85	8,202.4	20.6%	14,151.3	11.3%
1985-87	9,574.6	16.7%	15,570.1	10.0%
1987-89	10,934.1	14.2%	16,506.2	6.0%
1989-91	13,309.0	21.7%	18,473.5	11.9%
1991-93	14,862.2	11.7%	19,325.8	4.6%
1993-95	16,564.6	11.5%	20,621.0	6.7%
1995-97	17,637.7	6.5%	21,038.1	2.0%
1997-99	19,620.1	11.2%	22,726.8	8.0%
1999-01	21,262.1	8.4%	23,682.0	4.2%
2001-03	21,140.7	-0.6%	22,766.8	-3.9%
2003-05	23,388.5	10.6%	24,088.7	5.8%
2005-07	27,772.0	18.7%	27,024.1	12.2%
2007-09	27,703.0	-0.2%	25,614.1	-5.2%
2009-11	28,218.1	1.9%	25,347.0	-1.0%
2011-13 ^F	30,440.2	7.9%	26,302.7	3.8%
2013-15 ^F	32,625.7	7.2%	27,193.3	3.4%

^F June 2012 Forecast.

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

Source: Department of Revenue, the Office of Financial Management and the Economic and Revenue Forecast Council 's June 2012 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	99,983	-6.0%
2011	101,825	1.8%
2012 ^F	106,031	4.1%
2013 ^F	110,344	4.1%
2014 ^F	115,968	5.1%
2015 ^F	121,474	4.7%

^F Forecast
Source: ERFC

* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Reported totals affected by enacted legislation. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984); extension of the sales tax base to candy, gum and bottled water (June 1 - December 2, 2010).

Table 3.5

Comparison of the General Fund-State forecast by agency

2011-13 biennium; cash basis

(millions of dollars)

Forecast by Agency	Feb. 2012 Forecast¹	Non- Economic Changes	Forecast Revision	June 2012 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,848.9	(\$3.3)	(\$65.9)	\$13,779.8	(\$69.2)
Business & Occupation Use	6,444.0	4.4	(33.5)	6,414.8	(29.1)
Public Utility	983.4	0.0	15.8	999.1	15.8
Liquor Sales/Liter	807.8	0.0	1.6	809.4	1.6
Cigarette	435.1	28.8	3.9	467.8	32.7
Property (State Levy)	823.7	10.8	4.1	838.6	14.9
Real Estate Excise	3,768.2	6.0	20.5	3,794.7	26.5
Timber Excise	726.2	0.0	49.9	776.1	49.9
Other	6.0	0.0	1.6	7.6	1.6
Subtotal	851.5	65.1	(25.5)	891.1	39.6
	28,694.8	111.9	(27.5)	28,779.2	84.4
Department of Licensing					
Boat excise, licenses, fees & other	33.2	0.0	0.4	33.6	0.4
Insurance Commissioner					
Insurance Premiums	861.6	0.0	(3.8)	857.8	(3.8)
Liquor Control Board					
Liquor Profits and Fees	138.8	61.9	19.9	220.6	81.8
Beer & Wine Surtax	159.8	0.0	(6.7)	153.1	(6.7)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(26.9)	0.0	3.9	(23.0)	3.9
Office of Financial Management					
Other	231.4	(1.5)	(2.4)	227.6	(3.9)
Administrative Office of the Courts					
Fines and Forfeitures	191.4	0.0	(0.0)	191.4	(0.0)
Total General Fund-State *	\$30,284.0	\$172.3	(\$16.1)	\$30,440.2	\$156.2

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council February 2012.² Forecast for the 2011-13 biennium, adopted June 2012.

*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

2011-13 biennium; GAAP basis

(millions of dollars)

Forecast by Agency	Feb. 2012 Forecast¹	Non- Economic Changes	Forecast Revision	June 2012 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,831.3	(\$3.3)	(\$45.2)	\$13,782.9	(\$48.5)
Business & Occupation Use	6,432.4	4.4	(26.5)	6,410.3	(22.1)
Public Utility	972.4	0.0	16.1	988.5	16.1
Liquor Sales/Liter	811.1	0.0	(0.2)	810.9	(0.2)
Cigarette	435.1	28.8	3.9	467.8	32.7
Property (State Levy)	824.9	10.8	2.2	837.9	13.0
Real Estate Excise	3,767.3	6.0	21.4	3,794.7	27.4
Timber Excise	726.4	0.0	50.3	776.7	50.3
Other	5.5	0.0	1.9	7.4	1.9
Subtotal	851.8	65.1	(25.5)	891.3	39.6
	28,658.2	111.9	(1.7)	28,768.4	110.2
Department of Licensing					
Boat excise, licenses, fees & other	33.2	0.0	0.4	33.6	0.4
Insurance Commissioner					
Insurance Premiums	861.6	0.0	(3.8)	857.8	(3.8)
Liquor Control Board					
Liquor Profits and Fees	138.8	61.9	19.9	220.6	81.8
Beer & Wine Surtax	159.8	0.0	(6.7)	153.1	(6.7)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(27.9)	0.0	4.2	(23.7)	4.2
Office of Financial Management					
Other	231.4	(1.5)	(2.4)	227.6	(3.9)
Administrative Office of the Courts					
Fines and Forfeitures	198.2	0.0	0.1	198.2	0.1
Total General Fund-State *	\$30,253.2	\$172.3	\$10.1	\$30,435.6	\$182.4

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council February 2012.² Forecast for the 2011-13 biennium, adopted June 2012.

*Detail may not add to totals because of rounding.

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

Table 3.7

Comparison of the General Fund-State forecast by agency

2013-15 biennium; cash basis

(millions of dollars)

Forecast by Agency	Feb. 2012 Forecast¹	Non- Economic Changes	Forecast Revision	June 2012 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,339.5	(\$13.6)	(\$120.3)	\$15,205.6	(\$133.9)
Business & Occupation Use	6,769.3	10.9	(37.2)	6,743.0	(26.3)
Public Utility	1,104.2	0.0	25.7	1,130.0	25.7
Liquor Sales/Liter	888.5	0.0	10.0	898.5	10.0
Cigarette	475.8	0.0	(6.6)	469.2	(6.6)
Property (State Levy)	789.9	23.6	13.6	827.1	37.3
Real Estate Excise	3,917.7	0.0	15.2	3,932.9	15.2
Timber Excise	947.1	0.0	3.3	950.4	3.3
Other	5.6	0.0	2.3	7.8	2.3
Subtotal	872.3	64.7	(26.0)	911.0	38.7
	31,109.8	85.7	(120.0)	31,075.4	(34.3)
Department of Licensing					
Boat excise, licenses, fees & other	33.1	0.0	0.4	33.4	0.4
Insurance Commissioner					
Insurance Premiums	930.5	0.0	(4.6)	926.0	(4.6)
Liquor Control Board					
Liquor Profits and Fees	106.4	31.8	(2.2)	135.9	29.6
Beer & Wine Surtax	58.0	0.0	(2.8)	55.3	(2.8)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(19.3)	0.0	(1.5)	(20.8)	(1.5)
Office of Financial Management					
Other	11.8	212.8	(2.3)	222.3	210.5
Administrative Office of the Courts					
Fines and Forfeitures	198.2	0.0	0.1	198.2	0.1
Total General Fund-State *	\$32,428.3	\$330.2	(\$132.9)	\$32,625.7	\$197.3

¹ Forecast for the 2013-15 biennium adopted by the Economic and Revenue Forecast Council February 2012.² Forecast for the 2013-15 biennium, adopted June 2012.

*Detail may not add to totals because of rounding.

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

Table 3.8

Comparison of the General Fund-State forecast by agency

2013-15 biennium; GAAP basis

(millions of dollars)

Forecast by Agency	Feb. 2012 Forecast¹	Non- Economic Changes	Forecast Revision	June 2012 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,339.5	(\$13.6)	(\$120.3)	\$15,205.6	(\$133.9)
Business & Occupation Use	6,769.3	10.9	(37.2)	6,743.0	(26.3)
Public Utility	1,104.2	0.0	25.7	1,130.0	25.7
Liquor Sales/Liter	888.5	0.0	10.0	898.5	10.0
Cigarette	475.8	0.0	(6.6)	469.2	(6.6)
Property (State Levy)	789.9	23.6	13.6	827.1	37.3
Real Estate Excise	3,917.7	0.0	15.2	3,932.9	15.2
Timber Excise	947.1	0.0	3.3	950.4	3.3
Other	6.5	0.0	2.5	9.0	2.5
Subtotal	872.3	64.7	(26.0)	911.0	38.7
	31,110.7	85.7	(119.7)	31,076.6	(34.1)
Department of Licensing					
Boat excise, licenses, fees & other	33.1	0.0	0.4	33.4	0.4
Insurance Commissioner					
Insurance Premiums	930.5	0.0	(4.6)	926.0	(4.6)
Liquor Control Board					
Liquor Profits and Fees	106.4	31.8	(2.2)	135.9	29.6
Beer & Wine Surtax	58.0	0.0	(2.8)	55.3	(2.8)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(18.5)	0.0	(2.0)	(20.5)	(2.0)
Office of Financial Management					
Other	11.8	212.8	(2.3)	222.3	210.5
Administrative Office of the Courts					
Fines and Forfeitures	198.2	0.0	0.1	198.2	0.1
Total General Fund-State *	\$32,430.1	\$330.2	(\$133.2)	\$32,627.2	\$197.1

¹ Forecast for the 2013-15 biennium adopted by the Economic and Revenue Forecast Council February 2012.² Forecast for the 2013-15 biennium, adopted June 2012.

*Detail may not add to totals because of rounding.

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

Table 3.9
June 2012 General Fund-State forecast
2009-11 to 2013-15 biennia; cash basis
(Millions of Dollars)

Forecast by Source	Fiscal 2011^a	2009-11 Biennium^a	Fiscal 2012	Fiscal 2013	2011-13 Biennium	Fiscal 2014	Fiscal 2015	2013-15 Biennium
State Taxes								
Retail sales**	\$6,619.6	\$13,036.2	\$6,721.7	\$7,058.0	\$13,779.8	\$7,419.7	\$7,785.9	\$15,205.6
Business & occupation Use**	3,009.9	5,583.7	3,086.0	3,328.9	6,414.8	3,292.6	3,450.4	6,743.0
Public Utility	534.1	957.3	484.4	514.7	999.1	548.6	581.4	1,130.0
Liquor sales/liter	385.2	743.6	395.4	414.0	809.4	438.7	459.8	898.5
Beer & wine surtax	201.3	398.9	213.3	254.6	467.8	231.4	237.8	469.2
Cigarette	78.9	113.9	76.2	76.9	153.1	27.5	27.8	55.3
Tobacco products	432.8	742.1	421.0	417.5	838.6	414.3	412.8	827.2
Property (state school levy)	46.4	79.8	47.3	44.7	92.0	44.5	44.5	89.0
Public utility district	1,840.1	3,647.5	1,881.1	1,913.7	3,794.7	1,947.8	1,985.1	3,932.9
Real estate excise	39.7	78.9	39.9	40.1	80.0	40.4	40.6	81.0
Timber excise	349.9	729.5	387.5	388.7	776.1	443.4	507.0	950.4
Estate/inheritance	3.7	7.5	3.8	3.8	7.6	3.9	3.9	7.8
Boat excise	1.3	1.5	0.8	0.3	1.1	0.2	0.1	0.3
Insurance premiums	13.6	26.1	12.3	12.3	24.6	12.3	12.3	24.7
Other	403.6	800.2	420.7	437.1	857.8	454.0	472.0	926.0
Total Taxes	14,313.4	27,548.1	14,431.0	15,179.4	29,610.5	15,609.7	16,326.9	31,936.7
State Non-Tax Sources								
Licenses, permits, fees	88.3	173.9	89.0	92.5	181.5	94.9	94.6	189.5
Liquor profits & fees***	38.4	74.0	67.5	153.1	220.6	73.6	62.4	135.9
Earnings on investments	(12.1)	(10.3)	(10.6)	(12.4)	(23.0)	(11.9)	(9.0)	(20.8)
Lottery transfers	8.6	21.5	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue & transfers	211.1	411.0	257.1	193.5	450.6	190.1	194.4	384.5
Total Non-Tax	334.2	670.0	402.9	426.8	829.7	346.6	342.4	689.0
Total General Fund-State *	\$14,647.6	\$28,218.1	\$14,834.0	\$15,606.2	\$30,440.2	\$15,956.4	\$16,669.3	\$32,625.7

a - Actual

* Detail may not add to totals due to rounding

**GFS portion after Initiative 900 transfer

***Does not include profits after FY 2013

Table 3.10

Track Record for the 2011-13 General Fund-State Cash Forecast

February 2010 through June 2012

Cash Basis - Millions of Dollars

Date of Forecast	Department of Revenue*	Other Agencies	Subtotal*	Non-Economic Changes**	Total Change	Total General Fund-State Cash Basis#
February 2010###	\$30,658	\$1,566				\$32,224
Changes to Forecast						
June 2010	219	(21)	197	1,661 #1	1,858	34,083
September 2010	(610)	(48)	(659)	(10) #2	(669)	33,414
November 2010	(584)	(7)	(591)	(218) #3	(809)	32,605
March 2011	(640)	(29)	(668)	(30) #4	(698)	31,907
June 2011	(217)	(6)	(223)	40 #5	(183)	31,724
September 2011	(1,403)	(24)	(1,427)	14 #6	(1,413)	30,311
November 2011	(159)	(1)	(160)	38 #7	(122)	30,188
February 2012	27	6	32	63 #8	96	30,284
June 2012	(27)	11	(16)	172 #9	156	30,440
Total change***:						
From February 2008	(3,396)	(119)	(3,515)	1,730	(1,784)	
Percent change	(11.1)	(7.6)	(10.9)	5.4	(5.5)	

* 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.

First official forecast for the 2011-13 biennium.

#1 Impact of 2010 legislation (regular session) and budget driven revenue.

#2 Reversal of DOR RTA administrative fee

#3 Effects of initiative 1107

#4 Effects of legislation from December 2010 session

#5 Effects of 2011 legislative and budget-driven revenue change, DOR fee change, and reduced future revenue due to 2011 amnesty program

#6 Expiration of local sales and use tax credit upon retirement of Safeco Field bonds

#7 Effects of initiative 1183 minus large expected DOR refund

#8 Effects of SHB 2169 plus large expected audit payment and expansion of leasehold excise tax roll

#9 Legislative and budget-driven revenue changes from 2012 regular and special sessions

Table 3.11

2011-13 Enacted Budget Balance Sheet
Including 2012 Supplemental Budget
General Fund-State (and Budget Stabilization Account)
Dollars in Millions

RESOURCES	
Beginning Fund Balance	(92.0)
February 2012 Forecast	30,284.0
June 2012 Update	
Redirection of Existing Revenue (ESHB 2823)	143.9
Other 2012 Revenue Legislation and Budget Driven Revenue	28.4
June 2012 Update (Economic Changes)	(16.1)
Total June 2012 Update	156.2
Current Revenue Totals	30,440.2
Transfer to Budget Stabilization Account	(265.6)
Previously Enacted Fund Transfers	350.3
2012 Supplemental	
Fund Transfers	28.4
Adjustment to Working Capital (HB 2822)	238.0
Total Resources (including beginning fund balance)	30,699.2
EXPENDITURES	
2011-13 Enacted Budgets	
Enacted 2011-13 Budget (including December 2011 Supplemental)	31,398.1
3ESHB 2127 - 2012 Supplemental	(609.6)
Governor's Vetoes of 3ESHB 2127 - 2012 Supplemental	7.9
Assumed Reversions	(120.0)
Total Expenditures	30,676.4
RESERVES	
Projected General Fund Ending Balance	22.7
Budget Stabilization Account Beginning Balance	0.6
Transfer from General Fund and Interest Earnings	265.8
Projected Budget Stabilization Account Ending Balance	266.3
Total Reserves (General Fund plus Budget Stabilization)	289.1

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	\$14,484.2	\$13,779.8	\$13,061.0
Business & Occupation Use	6,705.6	6,414.8	6,110.1
Public Utility	1,056.0	999.1	939.4
Property (school levy)	839.7	809.4	777.2
Real Estate Excise	3,805.7	3,794.7	3,778.4
Other	905.2	776.1	723.5
Subtotal	2,163.6	2,205.1	2,157.6
	29,960.0	28,779.2	27,547.3
Department of Licensing			
	34.6	33.6	32.6
Insurance Commissioner¹			
	868.7	857.8	846.8
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	(14.1)	(23.0)	(26.8)
Liquor Profits & Fees²			
	397.0	373.7	350.4
Office of Financial Management			
Other agencies	234.3	227.6	220.9
Administrative Office of the Courts			
Fines and Forfeitures	193.8	191.4	187.8
Total General Fund - State*	\$31,674.3	\$30,440.2	\$29,159.0
Difference from June 2012 Baseline	\$1,234.1		(\$1,281.2)

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

**Alternative forecasts compared to the baseline forecast
2013-15 biennium**

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$17,307.1	\$15,205.6	\$13,138.9
Business & Occupation Use	7,550.8	6,743.0	5,950.6
Public Utility	1,275.1	1,130.0	982.4
Property (school levy)	974.5	898.5	819.5
Real Estate Excise	3,962.5	3,932.9	3,884.5
Other	1,310.9	950.4	690.7
Subtotal	2,283.3	2,215.1	2,007.6
	34,664.3	31,075.4	27,474.2
Department of Licensing			
	34.4	33.4	32.4
Insurance Commissioner¹			
	949.1	926.0	902.8
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	(0.6)	(20.8)	(31.1)
Liquor Surtaxes & Fees²			
	203.9	191.2	178.5
Office of Financial Management			
Other agencies	233.4	222.3	211.2
Administrative Office of the Courts			
Fines and Forfeitures	208.7	198.2	181.7
Total General Fund - State*	\$36,293.3	\$32,625.7	\$28,949.7
Difference from June 2012 Baseline	\$3,667.6		(\$3,676.0)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax, distributor fees, retailer fees, licensing fees.

* Detail may not add to total due to rounding.

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

Table 3.14

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5	99.5	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9	99.5	0.0
2012	138.5	0.0	2.7	10.0	0.0	0.0	0.3	3.1	122.1	0.3
2013	119.8	0.0	0.0	10.4	0.0	0.0	0.3	3.2	105.6	0.3
2011-13 Biennium	258.3	0.0	2.7	20.4	0.0	0.0	0.6	6.3	227.8	0.5
2014	121.6	0.0	0.0	10.8	0.0	0.0	0.3	3.4	106.8	0.4
2015	122.1	0.0	0.0	11.2	0.0	0.0	0.3	3.4	106.9	0.4
2013-15 Biennium	243.7	0.0	0.0	22.0	0.0	0.0	0.6	6.7	213.7	0.7

Table 3.15

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0
2012	136.5	0.0	2.7	10.0	0.0	0.0	0.3	2.9	120.4	0.3
2013	119.1	0.0	0.0	10.4	0.0	0.0	0.3	3.4	104.9	0.3
2011-13 Biennium	255.7	0.0	2.7	20.4	0.0	0.0	0.6	6.3	225.2	0.5
2014	121.5	0.0	0.0	10.8	0.0	0.0	0.3	3.4	106.7	0.4
2015	122.2	0.0	0.0	11.2	0.0	0.0	0.3	3.4	107.0	0.4
2013-15 Biennium	243.6	0.0	0.0	22.0	0.0	0.0	0.6	6.7	213.6	0.7

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

Source: Lottery Commission

Table 3.16

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

June 2012 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund (current definition of GF-S)		Other Near General Fund*		Total Near General Fund	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1995	\$8,551		\$248		\$8,799				\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%			\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%	\$115		\$14,432	10.7%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%
FY 2010	\$13,571	3.7%	\$0	-100.0%	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$0	0.0%	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%
Forecast:										
FY 2012	\$14,834	1.3%	\$0	0.0%	\$14,834	1.3%	\$121	8.8%	\$14,955	1.3%
FY 2013	\$15,606	5.2%	\$0	0.0%	\$15,606	5.2%	\$97	-20.5%	\$15,703	5.0%
FY 2014	\$15,956	2.2%	\$0	0.0%	\$15,956	7.6%	\$100	-18.0%	\$16,056	7.4%
FY 2015	\$16,669	4.5%	\$0	0.0%	\$16,669	4.5%	\$104	4.0%	\$16,773	4.5%
Biennial Totals										
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%	\$0	NA	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%	\$381	NA	\$30,166	18.8%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%
09-11 Biennium	\$28,218	1.9%	\$0	-100.0%	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%
11-13 Biennium	\$30,440	7.9%	\$0	0.0%	\$30,440	7.9%	\$218	-18.9%	\$30,658	7.6%
13-15 Biennium	\$32,626	7.2%	\$0	0.0%	\$32,626	7.2%	\$203	-6.9%	\$32,829	7.1%

*Education legacy trust fund (plus pension stabilization fund interest FY 08, 09)

Table 3.17

**Legislation affecting General Fund-State revenue
passed in the 2012 regular and special legislative sessions**
(Revenue change in millions of dollars)

Bill ID	Description	FY 2012	FY 2013	FY 2014	FY 2015	2011-13 Biennium	2013-15 Biennium
ESSB 5978	Medicaid fraud	0.000	-4.881	-4.881	-4.881	-4.881	-9.762
SSB 6073	SR 16 project/sales & use tx	0.000	-4.402	-4.402	-4.402	-4.402	-8.804
E2SSB 5539	Motion pictures	0.000	-3.500	-3.500	-3.500	-3.500	-7.000
2ESSB 6406	State's natural resources	0.000	-0.303	-0.303	-0.303	-0.303	-0.606
SB 6159	Dispute resolution/B&O tax	0.000	-0.008	-0.008	-0.008	-0.008	-0.016
SSB 6371	Customized emplymnt training	0.000	-0.006	-0.006	-0.006	-0.006	-0.012
SSB 6277	Multiple-unit dwellings	0.000	0.000	-0.031	-0.060	0.000	-0.091
SSB 6581	Accounts and funds	0.000	0.479	0.000	0.000	0.479	0.000
ESB 6635	Tax prefs and license fees	0.000	2.746	-0.361	-0.806	2.746	-1.167
SHB 2149	Personal property tax admin	0.000	6.066	0.000	0.000	6.066	0.000
3E2SHB 2565	Roll your own cigarettes	0.000	12.027	13.122	13.122	12.027	26.244
HB 1381	Water nonuse/suffic. cause	0.001	0.001	0.001	0.001	0.002	0.002
ESHB 2823	State revenues/general fund - Total	34.424	109.436	165.848	163.953	143.860	329.801
ESHB 2823	Solid Waste Tax to GF-S (prev. PWA)	34.424	35.724	37.357	39.190	70.148	76.547
ESHB 2823	Liquor taxes to GF-S (prev. local)	0.000	28.767	7.500	10.000	28.767	17.500
ESHB 2823	Liquor funds to GF-S (prev. local)	0.000	44.945	18.991	12.763	44.945	31.754
ESHB 2823	Elimination of transfer to Ed. Construction Acct.	0.000	0.000	102.000	102.000	0.000	204.000
Total GF-S Revenue Impact		34.425	117.655	165.479	163.110	152.080	328.589
	Budget Driven Revenue	2.361	17.845	0.845	0.845	20.206	1.690
Total Impact of Legislation & Budget Driven Revenue		36.786	135.500	166.324	163.955	172.286	330.279

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Chapter 4: Special Report – Survey of Consumer Finances

- **The Federal Reserve’s Survey of Consumer Finances is released every three years. It is one of the most widely accepted snapshots available on Americans’ finances. The survey includes questions regarding income, net worth, assets, and liabilities.**
- **The June 2012 release is the first in-depth survey that looks at how Americans have used credit since the Great Recession struck in 2008. The survey highlighted the elimination of nearly two decades of household wealth by the recent financial crisis, which helps explain why the recovery has been so slow.**
- **American household's median net worth fell a whopping 38.8% between 2007 and 2010, thanks largely to the collapse in value of many people's homes. Meanwhile, median incomes fell for most consumers, with the steepest drops in income sustained by highly educated families, families headed by someone younger than 55, and families living in the South and the West.**
- **A decline in wages also helped account for the slow growth in net worth. While the median income rose 1.6 percent, to \$43,200, after adjusting for inflation, median wages fell 6.2 percent. Wages make up the largest part of family income. The homeownership rate, which had risen noticeably between the 2001 and 2004 surveys, continued to trend downward and was down to 2001 levels.**
- **Despite lower interest rates between 2007 and 2010, families spent more of their incomes paying off debt.**
- **More families said they were saving as a precautionary measure to make sure they had funds to meet short-term needs. Fewer said they were saving for retirement, education or for a down payment on a home.**

Background

The survey is a triennial cross-sectional survey of U.S. families.

The Federal Reserve board conducts the Survey of Consumer Finances (SCF) every three years to provide detailed information on the finances of U.S. Families. This survey is widely used by major economic research centers, the Federal Reserve, and other branches of government. The study is sponsored by the Federal Reserve Board in cooperation with the Department of Treasury; the data is collected by the National Opinion Research Center at the University of Chicago. Respondents are selected randomly and participation in the study is strictly voluntary. The current study included interviews from approximately 6,500 families. The

survey does exclude the possibility of one-person families. Survey data include information on families' balance sheets, income, pensions, and demographic characteristics. The information is available at <http://www.federalreserve.gov/econresdata/scf/scfindex.htm>.

The release of the SCF for 2010 provides data on changes since the 2007 survey.

The June 2012 release of the Survey on Consumer Finances for 2010 provides data on changes in family income and net worth since the 2007 survey. The survey collects information on families' total income before taxes for the calendar year preceding the survey. The bulk of the data covers the status of families as of the time of the interview, roughly between May and December of each survey year. The majority of the interviews for this survey were completed in 2010, although a few were completed in early 2011. The survey data are largely unaffected by changes in economic activity since 2011.

Over the 2007-10 period, the U.S. economy had the biggest downturn since the Great Depression

While families' finances are affected by their own decisions, the state of the broader economy clearly has an impact on incomes and net worth. Over the 2007-10 period, the U.S. economy experienced its most substantial downturn since the Great Depression. The National Bureau of Economic Research (NBER) determined the official period of recession spanned the first quarter of 2008 through the second quarter of 2009. The U.S. economy watched unemployment rates rise, financial markets fluctuate, housing prices decline, and pensions shrink. With a slow recovery from the Great Recession, confidence continues to be soft and investment gains slow to buffer the decline in net worth.

Legislative measures, including extending tax reductions, were used to respond to the economic situation.

The U.S. responded to the economic situation with several legislative measures including extending tax reductions originally scheduled to expire in 2010 and reducing payroll taxes earmarked for Social Security. Other measures included the Troubled Asset Relief program, allowing government infusion of equity into stressed financial institutions, and the Dodd-Frank Wall Street Reform. The Consumer Protection Act passed in July 2010 containing provisions to prohibit certain lending practices and creating the Consumer Financial Protection Bureau.

Population and Household Formation

Overall population growth was about 2.7% from 2007-2010

According to the 2007-2010 SCF, several demographic shifts had important consequences for the structure of the population. The baby-boom population increased the population aged 55 to 64 by 11 percent. Overall population growth was about 2.7 percent, and according to figures from the U.S. Census Bureau, 21.5 percent of that was growth due to net immigration.

Number of households increased 1.2%

According to Census Bureau estimates, the number of households increased 1.2 percent during the three year period, below the 2.3 percent rate of household formation between 2004 and 2007. With the population growing more rapidly than household formation, the average number of persons per household rose from 2.59 people in 2007 to 2.63 in 2010.

Income

The change in real before-tax income fell sharply.

Family income between 2007 and 2010 defied patterns seen in recent surveys. The change in real before-tax family income fell sharply. Both median and mean income fell sharply, though the drop in median (7.7 percent) was smaller than the drop in the mean (11.1 percent). The growth in income was the slowest since the Fed's 1992 survey, when median income actually fell 6.7 percent, to \$35,100, between 1989 and 1992.

Family capital gains fell to 0.9%

Underlying the change was a shift in the composition of income. Family income attributable to capital gains fell from 6.7 percent in 2007 to only 0.9 percent in 2010. The decline was largest among the wealthiest 10 percent of families.

Mean income declined between 5.8% and 16.2%

Across the income distribution, between 2007 and 2010 only the lowest quintile did not experience a substantial reduction in median and mean income. For other groups, the median decreased between 5.3 percent and 8.9 percent; the mean income ranged from 5.8 to a 16.2 percent decline.

Most age groups saw decreases in income

Every age group less than 65 saw decreases in median income; in contrast, mean income fell for all age groups but especially for the 65-to-74 age group (a decline of 21.7 percent).

Decreases in incomes were larger for higher education groups

Higher educational attainment of the head of the family is consistently associated with higher mean and median income. In 2010, families headed by someone with a college degree had more than three times the mean income of those whose head had less than a high school diploma. Between 2007 and 2010, however, the decreases in incomes were much larger for the higher education groups, and mean income actually rose for the no-high-school-diploma group.

Income fell more for those who were self-employed

Median income fell 5.7 percent from 2007 to 2010 for families headed by a person who was working for someone else, but it fell much more (18.7 percent) for those who were self-employed. The mean over this period fell for all worker groups, especially for the self-employed group (a decrease of 25.4 percent).

Median income for sales & service jobs fell 9.3%

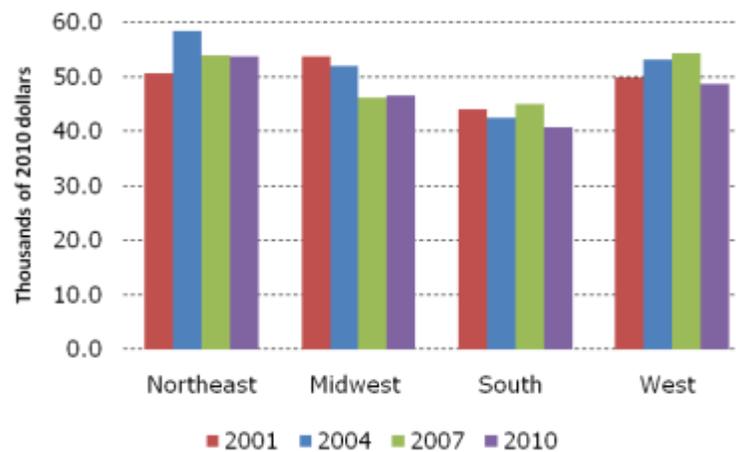
Median incomes declined the most in those regions that also had the largest home price declines

Between 2007 and 2010, families headed by individuals in traditional blue-collar occupations saw median incomes fall by 3.3 percent, while families with heads in technical, sales, or service jobs suffered a 9.3 percent decline in median income.

While the SCF does not break down results by state, they do provide a regional overview for the Northeast, Midwest, West, and South (see Figure 4.1). In the most recent survey, median incomes in the Northeast and the Midwest were little changed between 2007 and 2010, while medians in the West and South decreased substantially. These changes in medians contrast the results during the period from 2004 to 2007 when incomes increased in the West and South. Income changes by region mirror the regional pattern of home price changes across the two time periods. Overall, mean incomes declined across all four regions between 2007 and 2010, with changes in the South and West being the largest.

Figure 4.1: Median Income by Region, 2001-2010

Median income by region



Source: Board of Governors of the Federal Reserve System; data through June 2012

Median and mean incomes fell both for homeowners and for other families.

Families are uncertain about future income

The SCF data indicate that median and mean incomes fell from 2007 to 2010 regardless of housing status. The median income for homeowners decreased 7.7 percent, while the median income for families who reported renting decreased even more (10.3 percent). Mean income declined for both groups, but especially for homeowners, 11.2 percent versus 3.6 percent for other families.

The SCF data over the recent three-year period show some increase in the families' uncertainty about their future income. In 2010, 35.1 percent of families reported that they did not have a good idea of what their income would be for the next year. The corresponding figures in 2007 were lower at 31.4 percent.

Saving

Fewer families are saving

Respondents of the survey are asked, over the preceding year, if the family's spending was less than, more than, or about equal to its income. Overall, from 2007 to 2010, the proportion of families that reported that they had saved in the preceding year fell from 56.4 percent to 52.0 percent. This is the lowest level since the SCF began collecting such information in 1992.

Economic conditions had only modest effects on longer-run saving plans

Answering a separate question in the survey, 6.0 percent of families reported that their spending usually exceeds their income, while 19.6 percent reported equilibrium, 34.8 percent reported they save income left over at the end of the year while 39.6 percent save regularly. A small decrease between 2007 and 2010 suggests that economic conditions over this period had only modest effects on the longer-run saving plans of families.

Saving funds for precautionary purposes was a strong motivation

When asked about the reasons for saving, past survey respondents indicated the primary reason was retirement and the secondary reason was for liquidity, typically kept for emergencies or other precautionary purposes. However, the 2010 survey results indicated liquidity was the strongest motivation, with retirement secondary. Saving for purchases rose 1.5 percentage points from 2007 to 2010 to a level 3.8 percentage points above that in 2004.

Net Worth

Median net worth fell 38.8% since 2007

Net worth, the difference between gross assets and liabilities, fell dramatically from 2007 to 2010 both in terms of the median and the mean. The median fell 38.8 percent and the mean fell 14.7 percent. Differences in net worth values are the result of changes in investment, valuation, and ownership patterns of financial and non financial assets, as well as decisions about paying down debt. The median family had a net worth of \$77,300 in 2010, down from \$126,400 in 2007 – down to levels last seen in 1992. A drop in home prices is a big reason behind this loss.

Substantial declines in net worth across almost all age groups

According to the Federal Reserve Bulletin, from 2007 to 2010, the median for the lowest quartile of net worth fell from \$1,300 to zero, a 100 percent decline while the mean fell from negative \$2,300 to negative \$12,800. The middle of the income distributions saw consistently large drops in median net worth between 2007 and 2010, with much smaller drops in mean net worth within those groups.

The poorest families saw a 100% decline in mean net worth

The survey shows substantial declines in median and mean net worth by age group between 2007 and 2010, with the exception that mean net worth rose modestly (1.3 percent) for the 75-or-more age group. The 35-to-44 age group saw a 54.4 percent decline in median net worth and a 36.4 percent decline in mean

net worth. The wealth decreases for the less-than-35 age group were also large; the median fell 25.0 percent while the mean fell 41.2 percent. The declines in median and mean net worth for middle-aged families (the 45-to-54 and 55-to 64 age groups) were also large.

Mean net worth fell for all family groups

The largest drops in wealth by family structure were seen by single families headed by a person younger than 55 with no children and couples with children, declines of 44.5 and 41.2 percent, respectively. Mean net worth fell for all family groups, though the extent of the decrease ranged from 4.2 percent to 45.9 percent.

Net worth fell for all education & occupation groups

From 2007 to 2010, all education and occupation groups saw a decline in median and mean net worth. Markedly, median and mean net worth for families headed by a worker in technical, sales, or service occupation decreased 57.7 percent and 32.8 percent, respectively.

Those living in the West saw a 55.3% decline in median net worth

Median net worth fell significantly for families living in all regions, but especially in the West, with a 55.3 percent decline reflecting the collapse of housing values in several parts of the region. By housing status, median net worth for homeowners fell 29.1 percent while the mean fell 12.7 percent. The decline in median net worth for non-homeowners was only 5.6 percent, though the decline in the mean was much larger at 23.4 percent.

Assets

Median and mean assets fell

The survey breaks down assets into two categories: financial assets such as stocks and bonds, and non-financial assets such as homes. From 2007 to 2010, median assets for families having any assets fell 19.3 percent and the mean fell 12.8 percent.

Housing values have large effect on assets

The percentage change in median assets between 2007 and 2010 is only half the percentage change in median net worth, mostly due to housing. Because houses are frequently mortgaged, net equity in homes tends to be smaller than the asset value of the home itself; thus a change in housing values will tend to have a larger proportion impact on net worth than on gross assets.

Median financial assets are low

According to the Fed, the overall ratio of financial assets to total assets rose over the recent period, attributed to the relatively larger declines in the value of nonfinancial assets. The change in the median left financial assets at their lowest level since 1995 survey.

More data on assets is available

The survey includes review of types of transaction accounts, certificates of deposit, savings bonds, stocks, bonds, pooled investment funds, retirement accounts, cash value life insurance

and other assets. Like all the data in the survey, it is broken down between family characteristics including age, percentile of income, family structure and education attainment of the head of household.

Liabilities

Families spent more of their incomes paying off debt

Despite lower interest rates between 2007 and 2010, families spent more of their incomes paying off debt. The share of families with debt decreased over the 2007-10 period. The overall median and mean values of outstanding debt did not change significantly between 2007 and 2010.

Middle and high income consumers reduced credit card debt

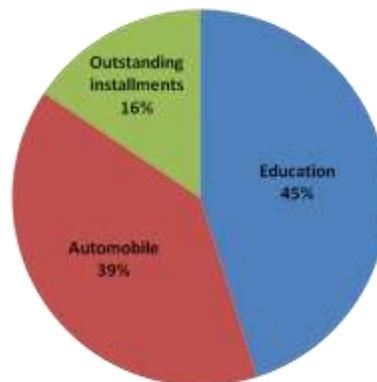
Middle and high income consumers reduced or stopped carrying a balance on their credit cards. Among households carrying credit card debt, the median amount dropped 16.1%, from \$3,100 to \$2,600. The mean amount slipped 7.8%, from \$7,700 to \$7,100. When the mean and the median are significantly different, it is because the data points are not clustered in the middle, thus there are a lot of people who have a higher balance on their credit cards, skewing the average high.

Home-secured debt fell

The median amount of home-secured debt fell 2.2 percent, the mean fell 1.2 percent, according the survey. Also noted, among families with home-secured debt, median home equity fell from \$95,300 in 2007 to \$55,000 in 2010, a 42.3 percent decrease.

Figure 4.2: Installment Borrowing

Education loans made up a larger share of the average family's obligations than loans to buy automobiles for the first time in the history of the survey



Source: Board of Governors of the Federal Reserve System; data through June 2012

Junior-lien and home equity loans decreased

The fraction of homeowners with a junior-lien (e.g., second) mortgage fell 2.7 percentage points—to 5.8 percent in 2010, a level lower than any seen in the SCF since at least the 1989 survey. Homeowners who had a home equity line of credit

decreased 3.1 percentage points, to 15.3 percent in 2010. The share of homeowners with an outstanding balance fell 2.3 percentage points to 10.3 percent.

Education loans make up a larger share

The Federal Reserve noted that education loans made up a larger share of the average family's obligations than loans to buy automobiles for the first time in the history of the survey. Figure 4.2 breaks installment borrowing out between education, automobile, and other.

Debt service ratio dropped 2.2 percentage points

The Federal Reserve staff has constructed an aggregate-level debt service ratio, defined as an estimate of total scheduled loan payments (interest plus minimum repayments of principal) for all families, divided by total disposable personal income. From the third quarter of 2007 to the same period in 2010, the aggregate-level measure dropped 2.2 percentage points, to 11.7 percent.

Late payments increased to 10.8% in 2010

The proportion of debtors who were 60 or more days late with their payments on any of their loans in the preceding year increased from 7.1 percent in 2007 to 10.8 percent in 2010. The measure rose for families in each of the income groups, but the changes were largest for higher-income groups. The share of families with debt that were at least 60 days late on payment during the preceding year rose across all age groups and for both homeowners and renters.

Debt fell but indebtedness rose

Debt fell over the three-year survey period, but slower than assets causing overall indebtedness as a share of assets to rise. Home-secured debt fell slightly as a share of total family debt, but in 2010 it remained the largest component of family debt.



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 2012 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,161.9	12,703.1	13,088.0	13,315.1	13,599.5	13,922.7	14,340.3	14,770.5
% Ch	-0.3	-3.5	3.0	1.7	2.1	2.4	3.0	3.0
Real Consumption	9,211.7	9,037.5	9,220.9	9,421.3	9,625.5	9,838.1	10,103.4	10,386.4
% Ch	-0.6	-1.9	2.0	2.2	2.2	2.2	2.7	2.8
Real Nonresidential Fixed Investment	1,537.7	1,263.2	1,319.2	1,435.5	1,530.6	1,639.6	1,754.4	1,854.4
% Ch	-0.8	-17.9	4.4	8.8	6.6	7.1	7.0	5.7
Real Residential Fixed Investment	444.4	345.6	330.8	326.4	362.6	405.1	464.5	534.3
% Ch	-23.9	-22.2	-4.3	-1.3	11.1	11.7	14.7	15.0
Real Personal Income	11,437.7	10,928.9	11,135.8	11,410.8	11,594.7	11,928.3	12,295.1	12,646.2
% Ch	1.3	-4.4	1.9	2.5	1.6	2.9	3.1	2.9
Real Per Capita Income (\$/Person)	37,484	35,508	35,868	36,406	36,637	37,329	38,108	38,821
% Ch	0.4	-5.3	1.0	1.5	0.6	1.9	2.1	1.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.089	1.092	1.111	1.138	1.158	1.175	1.200	1.226
% Ch	3.3	0.2	1.8	2.5	1.7	1.5	2.1	2.2
U.S. Consumer Price Index (1982-84=1.0)	2.153	2.146	2.181	2.249	2.292	2.332	2.388	2.443
% Ch	3.8	-0.3	1.6	3.1	1.9	1.8	2.4	2.3
Employment Cost Index (Dec. 2005=1.0)	1.087	1.103	1.121	1.140	1.161	1.186	1.215	1.245
% Ch	3.0	1.5	1.6	1.7	1.9	2.1	2.5	2.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,291.6	13,938.9	14,526.6	15,094.0	15,692.9	16,357.6	17,156.3	17,992.2
% Ch	1.9	-2.5	4.2	3.9	4.0	4.2	4.9	4.9
Personal Income	12,460.2	11,930.2	12,373.5	12,991.2	13,421.5	14,012.6	14,751.5	15,508.2
% Ch	4.6	-4.3	3.7	5.0	3.3	4.4	5.3	5.1
Employment (Millions)								
U.S. Civilian Labor Force	154.3	154.2	153.9	153.6	154.9	156.2	157.5	158.8
Total U.S. Employment	145.4	139.9	139.1	139.9	142.4	144.0	145.9	147.8
Unemployment Rate (%)	5.80	9.28	9.63	8.95	8.12	7.82	7.41	6.93
Nonfarm Payroll Employment	136.79	130.79	129.86	131.36	133.27	135.21	137.40	139.45
% Ch	-0.6	-4.4	-0.7	1.2	1.5	1.5	1.6	1.5
Manufacturing	13.40	11.84	11.53	11.74	11.97	12.24	12.53	12.62
% Ch	-3.4	-11.6	-2.7	1.8	2.0	2.3	2.4	0.7
Durable Manufacturing	8.46	7.28	7.06	7.28	7.49	7.78	8.11	8.24
% Ch	-3.9	-13.9	-3.0	3.0	3.0	3.9	4.2	1.6
Nondurable Manufacturing	4.94	4.56	4.46	4.46	4.47	4.46	4.42	4.38
% Ch	-2.6	-7.7	-2.2	-0.1	0.3	-0.3	-0.8	-1.0
Construction	7.16	6.01	5.52	5.50	5.55	5.65	5.99	6.54
% Ch	-6.1	-16.0	-8.2	-0.3	0.8	1.8	6.0	9.3
Service-Providing	115.46	112.23	112.11	113.34	114.92	116.54	118.11	119.53
% Ch	0.1	-2.8	-0.1	1.1	1.4	1.4	1.3	1.2
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	99.6	61.7	79.4	95.1	91.7	86.9	86.5	85.8
Personal Saving/Disposable Income (%)	5.4	5.2	5.3	4.7	3.7	3.2	3.2	3.1
Auto Sales (Millions)	6.8	5.5	5.7	6.2	7.2	7.6	8.1	8.5
% Ch	-10.6	-19.9	5.0	8.3	16.7	4.4	7.5	4.1
Housing Starts (Millions)	0.900	0.554	0.586	0.612	0.742	0.882	1.133	1.406
% Ch	-32.9	-38.4	5.7	4.5	21.3	18.9	28.4	24.1
Federal Budget Surplus (Billions)	-613.5	-1,217.9	-1,273.7	-1,187.8	-976.4	-691.4	-606.7	-588.7
Net Exports (Billions)	-709.8	-391.5	-516.9	-578.8	-572.0	-499.9	-495.4	-515.4
3-Month Treasury Bill Rate (%)	1.37	0.15	0.14	0.05	0.06	0.12	0.28	1.83
10-Year Treasury Note Yield (%)	3.67	3.26	3.21	2.79	1.87	2.33	3.11	3.95
Bond Index of 20 G.O. Munis. (%)	4.86	4.62	4.29	4.50	3.82	4.11	4.57	5.15
30-Year Fixed Mortgage Rate (%)	6.04	5.04	4.69	4.46	3.86	4.17	4.94	5.76

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2012 to 2015

	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	12,937.7	13,058.5	13,139.6	13,216.1	13,227.9	13,271.8	13,331.6	13,429.0
% Ch , Annual Rate	3.9	3.8	2.5	2.3	0.4	1.3	1.8	3.0
Real Consumption	9,121.2	9,186.9	9,247.1	9,328.4	9,376.7	9,392.7	9,433.5	9,482.1
% Ch , Annual Rate	2.7	2.9	2.6	3.6	2.1	0.7	1.7	2.1
Real Nonresidential Fixed Investment	1,253.3	1,308.0	1,343.6	1,371.9	1,378.9	1,413.2	1,465.6	1,484.2
% Ch , Annual Rate	6.0	18.6	11.3	8.7	2.1	10.3	15.7	5.2
Real Residential Fixed Investment	330.8	348.2	321.1	323.1	321.1	324.4	325.4	334.5
% Ch , Annual Rate	-15.3	22.8	-27.7	2.5	-2.5	4.2	1.2	11.7
Real Personal Income	10,957.2	11,117.8	11,205.4	11,262.9	11,394.4	11,397.7	11,420.9	11,430.4
% Ch , Annual Rate	4.9	6.0	3.2	2.1	4.8	0.1	0.8	0.3
Real Per Capita Income (\$/Person)	35,413	35,858	36,053	36,151	36,485	36,408	36,395	36,337
% Ch , Annual Rate	4.0	5.1	2.2	1.1	3.8	-0.8	-0.1	-0.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.108	1.109	1.111	1.117	1.127	1.137	1.143	1.147
% Ch , Annual Rate	1.9	0.3	1.0	1.9	3.9	3.3	2.3	1.2
U.S. Consumer Price Index (1982-84=1.0)	2.174	2.173	2.180	2.196	2.221	2.245	2.262	2.270
% Ch , Annual Rate	0.9	-0.3	1.4	3.0	4.5	4.4	3.1	1.3
Employment Cost Index (Dec. 2005=1.0)	1.114	1.119	1.123	1.128	1.132	1.138	1.142	1.147
% Ch , Annual Rate	1.8	1.8	1.4	1.8	1.4	2.1	1.4	1.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,277.9	14,467.8	14,605.5	14,755.0	14,867.8	15,012.8	15,176.1	15,319.4
% Ch , Annual Rate	5.5	5.4	3.9	4.2	3.1	4.0	4.4	3.8
Personal Income	12,137.7	12,325.6	12,453.2	12,577.6	12,846.9	12,955.3	13,056.8	13,105.7
% Ch , Annual Rate	6.9	6.3	4.2	4.1	8.8	3.4	3.2	1.5
Employment (Millions)								
U.S. Civilian Labor Force	153.7	154.1	153.9	153.8	153.3	153.5	153.7	154.0
Total U.S. Employment	138.7	139.3	139.3	139.1	139.5	139.6	139.8	140.6
Unemployment Rate (%)	9.77	9.63	9.53	9.57	9.00	9.03	9.07	8.70
Nonfarm Payroll Employment	129.32	129.96	129.92	130.23	130.68	131.24	131.53	131.99
% Ch , Annual Rate	-0.4	2.0	-0.1	0.9	1.4	1.7	0.9	1.4
Manufacturing	11.46	11.53	11.56	11.56	11.66	11.73	11.77	11.79
% Ch , Annual Rate	-1.2	2.3	1.0	0.2	3.4	2.3	1.4	0.7
Durable Manufacturing	7.00	7.06	7.09	7.11	7.20	7.26	7.30	7.34
% Ch , Annual Rate	-0.9	3.4	2.0	0.9	5.4	3.5	2.2	1.9
Nondurable Manufacturing	4.47	4.47	4.46	4.46	4.46	4.46	4.47	4.45
% Ch , Annual Rate	-1.6	0.5	-0.6	-0.8	0.4	0.4	0.2	-1.3
Construction	5.56	5.53	5.50	5.49	5.48	5.50	5.51	5.53
% Ch , Annual Rate	-8.7	-2.1	-2.2	-0.7	-0.6	1.1	1.1	1.2
Service-Providing	111.62	112.21	112.15	112.44	112.80	113.24	113.45	113.85
% Ch , Annual Rate	0.1	2.1	-0.2	1.0	1.3	1.6	0.8	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	78.6	77.9	76.1	85.0	94.0	102.6	89.7	94.0
Personal Saving/Disposable Income (%)	4.9	5.6	5.6	5.2	5.0	4.8	4.6	4.2
Auto Sales (Millions)	5.7	5.6	5.7	5.9	6.5	6.0	5.8	6.5
% Ch , Annual Rate	1.2	-5.3	10.2	14.8	47.5	-28.3	-14.1	57.7
Housing Starts (Millions)	0.618	0.602	0.580	0.542	0.583	0.573	0.614	0.678
% Ch , Annual Rate	40.5	-10.0	-14.0	-23.4	33.8	-7.1	32.1	49.0
Federal Budget Surplus (Billions)	-1,271.8	-1,278.0	-1,257.7	-1,287.3	-1,201.1	-1,275.4	-1,160.7	-1,114.1
Net Exports (Billions)	-495.8	-531.2	-540.3	-500.2	-571.3	-597.1	-562.3	-584.3
3-Month Treasury Bill Rate (%)	0.11	0.15	0.16	0.14	0.13	0.05	0.02	0.01
10-Year Treasury Note Yield (%)	3.72	3.49	2.79	2.86	3.46	3.21	2.43	2.05
Bond Index of 20 G.O. Munis. (%)	4.34	4.35	4.07	4.39	5.11	4.67	4.19	4.04
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.45	4.41	4.85	4.66	4.31	4.01

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2012 to 2015

	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	13,491.0	13,559.9	13,633.0	13,714.0	13,786.0	13,870.8	13,966.4	14,067.5
% Ch , Annual Rate	1.9	2.1	2.2	2.4	2.1	2.5	2.8	2.9
Real Consumption	9,545.6	9,598.7	9,651.3	9,706.5	9,752.2	9,805.4	9,865.8	9,928.8
% Ch , Annual Rate	2.7	2.2	2.2	2.3	1.9	2.2	2.5	2.6
Real Nonresidential Fixed Investment	1,491.3	1,516.1	1,544.2	1,570.7	1,593.2	1,621.7	1,655.2	1,688.3
% Ch , Annual Rate	1.9	6.8	7.6	7.0	5.9	7.4	8.5	8.2
Real Residential Fixed Investment	349.6	358.1	367.2	375.6	385.3	396.4	411.8	426.7
% Ch , Annual Rate	19.3	10.1	10.6	9.4	10.8	12.0	16.5	15.3
Real Personal Income	11,459.1	11,534.7	11,645.8	11,739.2	11,800.8	11,891.3	11,969.4	12,051.7
% Ch , Annual Rate	1.0	2.7	3.9	3.2	2.1	3.1	2.7	2.8
Real Per Capita Income (\$/Person)	36,341	36,492	36,755	36,961	37,065	37,259	37,413	37,580
% Ch , Annual Rate	0.0	1.7	2.9	2.3	1.1	2.1	1.7	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.153	1.156	1.158	1.162	1.167	1.171	1.177	1.183
% Ch , Annual Rate	2.4	0.8	0.9	1.4	1.7	1.4	2.0	2.0
U.S. Consumer Price Index (1982-84=1.0)	2.283	2.288	2.293	2.303	2.314	2.324	2.338	2.352
% Ch , Annual Rate	2.5	0.8	0.9	1.7	2.0	1.6	2.5	2.3
Employment Cost Index (Dec. 2005=1.0)	1.153	1.158	1.164	1.170	1.176	1.182	1.189	1.196
% Ch , Annual Rate	2.1	1.8	2.0	2.0	2.1	2.2	2.3	2.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	15,454.0	15,603.0	15,773.1	15,941.4	16,098.3	16,251.6	16,445.2	16,635.5
% Ch , Annual Rate	3.6	3.9	4.4	4.3	4.0	3.9	4.9	4.7
Personal Income	13,216.8	13,331.5	13,491.5	13,646.2	13,774.8	13,928.5	14,090.2	14,257.1
% Ch , Annual Rate	3.4	3.5	4.9	4.7	3.8	4.5	4.7	4.8
Employment (Millions)								
U.S. Civilian Labor Force	154.7	154.8	155.0	155.3	155.7	156.0	156.4	156.7
Total U.S. Employment	141.9	142.2	142.5	142.9	143.3	143.8	144.2	144.7
Unemployment Rate (%)	8.27	8.16	8.09	7.96	7.92	7.86	7.79	7.69
Nonfarm Payroll Employment	132.68	133.04	133.43	133.91	134.39	134.92	135.49	136.04
% Ch , Annual Rate	2.1	1.1	1.2	1.5	1.4	1.6	1.7	1.6
Manufacturing	11.89	11.96	12.00	12.01	12.06	12.21	12.30	12.39
% Ch , Annual Rate	3.6	2.1	1.5	0.2	1.7	4.9	3.1	2.9
Durable Manufacturing	7.43	7.48	7.53	7.54	7.60	7.74	7.85	7.94
% Ch , Annual Rate	5.1	3.0	2.4	0.5	3.4	7.8	5.3	4.9
Nondurable Manufacturing	4.47	4.47	4.48	4.47	4.46	4.46	4.45	4.45
% Ch , Annual Rate	1.3	0.7	0.2	-0.1	-1.1	-0.1	-0.6	-0.5
Construction	5.56	5.53	5.54	5.56	5.58	5.61	5.66	5.74
% Ch , Annual Rate	2.2	-2.1	1.0	1.4	1.6	1.6	3.8	5.6
Service-Providing	114.39	114.72	115.05	115.53	115.95	116.32	116.75	117.14
% Ch , Annual Rate	1.9	1.1	1.2	1.7	1.4	1.3	1.5	1.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	102.9	94.0	84.4	85.4	86.4	86.9	87.1	87.1
Personal Saving/Disposable Income (%)	3.6	3.6	3.8	3.8	3.4	3.2	3.2	3.1
Auto Sales (Millions)	7.7	7.1	7.2	6.9	7.3	7.6	7.8	7.5
% Ch , Annual Rate	98.5	-26.3	6.3	-18.5	29.0	12.6	12.6	-11.7
Housing Starts (Millions)	0.712	0.723	0.753	0.781	0.810	0.853	0.907	0.959
% Ch , Annual Rate	21.6	6.4	17.1	15.8	16.1	22.9	27.4	25.2
Federal Budget Surplus (Billions)	-998.9	-1,012.3	-974.2	-920.3	-754.3	-696.3	-665.8	-649.4
Net Exports (Billions)	-620.1	-592.4	-550.2	-525.4	-511.5	-503.4	-492.3	-492.2
3-Month Treasury Bill Rate (%)	0.07	0.08	0.05	0.07	0.10	0.11	0.12	0.13
10-Year Treasury Note Yield (%)	2.04	1.84	1.74	1.85	1.84	2.09	2.57	2.83
Bond Index of 20 G.O. Munis. (%)	3.75	3.82	3.79	3.90	3.93	3.91	4.19	4.41
30-Year Fixed Mortgage Rate (%)	3.92	3.82	3.78	3.91	3.84	3.91	4.31	4.63

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2012 to 2015

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	14,168.3	14,278.6	14,397.7	14,516.8	14,613.8	14,716.5	14,823.0	14,928.9
% Ch, Annual Rate	2.9	3.2	3.4	3.3	2.7	2.8	2.9	2.9
Real Consumption	10,000.1	10,064.9	10,134.5	10,214.3	10,277.2	10,351.3	10,422.1	10,494.8
% Ch, Annual Rate	2.9	2.6	2.8	3.2	2.5	2.9	2.8	2.8
Real Nonresidential Fixed Investment	1,714.0	1,741.6	1,768.7	1,793.1	1,819.9	1,841.6	1,865.7	1,890.5
% Ch, Annual Rate	6.2	6.6	6.4	5.6	6.1	4.9	5.3	5.4
Real Residential Fixed Investment	439.9	453.6	471.5	492.8	511.5	527.7	543.0	555.2
% Ch, Annual Rate	12.9	13.1	16.7	19.3	16.1	13.3	12.2	9.3
Real Personal Income	12,170.1	12,247.3	12,336.2	12,426.8	12,516.9	12,603.6	12,688.5	12,775.7
% Ch, Annual Rate	4.0	2.6	2.9	3.0	2.9	2.8	2.7	2.8
Real Per Capita Income (\$/Person)	37,858	38,006	38,190	38,378	38,563	38,737	38,905	39,078
% Ch, Annual Rate	3.0	1.6	1.9	2.0	1.9	1.8	1.7	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.190	1.197	1.203	1.209	1.216	1.223	1.230	1.236
% Ch, Annual Rate	2.3	2.3	2.2	2.1	2.2	2.2	2.2	2.2
U.S. Consumer Price Index (1982-84=1.0)	2.367	2.381	2.395	2.408	2.422	2.436	2.450	2.464
% Ch, Annual Rate	2.6	2.5	2.3	2.2	2.3	2.3	2.3	2.3
Employment Cost Index (Dec. 2005=1.0)	1.203	1.211	1.219	1.226	1.234	1.241	1.249	1.257
% Ch, Annual Rate	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	16,834.7	17,043.6	17,264.3	17,482.5	17,681.4	17,882.9	18,093.2	18,311.3
% Ch, Annual Rate	4.9	5.1	5.3	5.2	4.6	4.6	4.8	4.9
Personal Income	14,479.4	14,655.3	14,841.7	15,029.7	15,222.9	15,412.6	15,602.0	15,795.2
% Ch, Annual Rate	6.4	4.9	5.2	5.2	5.2	5.1	5.0	5.0
Employment (Millions)								
U.S. Civilian Labor Force	157.0	157.4	157.7	158.0	158.3	158.7	159.0	159.3
Total U.S. Employment	145.1	145.6	146.1	146.6	147.1	147.6	148.0	148.5
Unemployment Rate (%)	7.60	7.48	7.35	7.20	7.09	6.98	6.88	6.78
Nonfarm Payroll Employment	136.58	137.11	137.67	138.23	138.71	139.19	139.68	140.21
% Ch, Annual Rate	1.6	1.6	1.7	1.6	1.4	1.4	1.4	1.5
Manufacturing	12.46	12.52	12.55	12.59	12.62	12.62	12.61	12.63
% Ch, Annual Rate	2.4	1.7	1.2	1.2	0.8	0.0	-0.1	0.5
Durable Manufacturing	8.02	8.09	8.14	8.19	8.22	8.24	8.25	8.26
% Ch, Annual Rate	4.1	3.4	2.6	2.4	1.6	0.7	0.4	0.9
Nondurable Manufacturing	4.44	4.43	4.41	4.40	4.39	4.38	4.37	4.36
% Ch, Annual Rate	-0.7	-1.3	-1.4	-1.1	-0.6	-1.2	-1.0	-0.4
Construction	5.82	5.91	6.04	6.18	6.33	6.47	6.61	6.75
% Ch, Annual Rate	5.7	6.8	8.6	9.8	9.9	9.6	9.1	8.7
Service-Providing	117.52	117.90	118.31	118.70	119.01	119.35	119.70	120.08
% Ch, Annual Rate	1.3	1.3	1.4	1.3	1.0	1.1	1.2	1.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	86.9	86.6	86.3	86.3	86.1	85.8	85.7	85.7
Personal Saving/Disposable Income (%)	3.1	3.2	3.2	3.1	3.0	3.1	3.2	3.3
Auto Sales (Millions)	7.9	8.2	8.3	8.0	8.3	8.5	8.7	8.4
% Ch, Annual Rate	21.7	13.9	7.4	-13.7	13.5	9.2	10.7	-14.5
Housing Starts (Millions)	1.018	1.091	1.169	1.255	1.322	1.390	1.442	1.472
% Ch, Annual Rate	26.8	31.9	32.2	32.5	23.3	22.1	15.8	8.4
Federal Budget Surplus (Billions)	-614.4	-614.5	-602.5	-595.5	-558.4	-584.3	-600.8	-611.2
Net Exports (Billions)	-497.5	-494.7	-491.9	-497.3	-504.9	-515.1	-520.5	-520.9
3-Month Treasury Bill Rate (%)	0.13	0.14	0.24	0.62	1.08	1.56	2.08	2.61
10-Year Treasury Note Yield (%)	2.90	2.97	3.13	3.42	3.67	3.81	4.05	4.27
Bond Index of 20 G.O. Munis. (%)	4.46	4.49	4.59	4.75	4.91	5.08	5.24	5.35
30-Year Fixed Mortgage Rate (%)	4.73	4.80	4.97	5.25	5.48	5.61	5.84	6.09

Table A1.3

Washington Economic Forecast Summary

Forecast 2012 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	265.673	255.534	258.454	265.277	270.143	278.643	288.228	297.232
% Ch	2.8	-3.8	1.1	2.6	1.8	3.1	3.4	3.1
Real Wage and Salary Disb.	138.318	134.558	133.901	136.609	139.085	142.918	146.996	150.754
% Ch	0.1	-2.7	-0.5	2.0	1.8	2.8	2.9	2.6
Real Nonwage Income	127.356	120.976	124.553	128.668	131.058	135.725	141.232	146.479
% Ch	6.0	-5.0	3.0	3.3	1.9	3.6	4.1	3.7
Real Per Capita Income (\$/Person)	40,059	38,187	38,262	38,777	38,986	39,715	40,560	41,290
% Ch	1.6	-4.7	0.2	1.3	0.5	1.9	2.1	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.089	1.092	1.111	1.138	1.158	1.175	1.200	1.226
% Ch	3.3	0.2	1.8	2.5	1.7	1.5	2.1	2.2
Seattle Cons. Price Index (1982-84=1.0)	2.247	2.260	2.267	2.328	2.376	2.425	2.486	2.546
% Ch	4.2	0.6	0.3	2.7	2.1	2.0	2.5	2.4
Average Nonfarm Annual Wage	48,778	49,741	51,041	52,704	53,797	55,199	57,000	58,838
% Ch	2.1	2.0	2.6	3.3	2.1	2.6	3.3	3.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	21.01	23.40	23.49	23.98	23.98	24.34	24.85	25.39
% Ch	2.4	11.4	0.4	2.1	0.0	1.5	2.1	2.2
Current Dollar Income (Billions of Dollars)								
Personal Income	289.434	278.944	287.175	302.005	312.703	327.335	345.816	364.502
% Ch	6.2	-3.6	3.0	5.2	3.5	4.7	5.6	5.4
Disposable Personal Income	256.085	252.258	259.466	269.515	277.789	287.717	302.577	318.630
% Ch	7.3	-1.5	2.9	3.9	3.1	3.6	5.2	5.3
Per Capita Income (\$/Person)	43,641	41,685	42,514	44,145	45,128	46,654	48,663	50,634
% Ch	5.0	-4.5	2.0	3.8	2.2	3.4	4.3	4.0
Employment (Thousands)								
Washington Civilian Labor Force	3,472.8	3,523.5	3,515.5	3,485.4	3,522.1	3,570.8	3,617.6	3,663.7
Total Washington Employment	3,283.3	3,194.2	3,167.0	3,165.6	3,233.4	3,289.3	3,346.9	3,405.4
Unemployment Rate (%)	5.45	9.35	9.91	9.17	8.20	7.88	7.49	7.05
Nonfarm Payroll Employment	2,959.3	2,822.9	2,786.2	2,823.5	2,866.6	2,919.2	2,974.9	3,024.5
% Ch	0.9	-4.6	-1.3	1.3	1.5	1.8	1.9	1.7
Manufacturing	291.2	265.5	258.2	268.8	278.9	286.2	292.2	295.1
% Ch	-0.7	-8.8	-2.8	4.1	3.8	2.6	2.1	1.0
Durable Manufacturing	211.3	190.6	184.3	193.5	203.2	210.3	216.0	218.8
% Ch	-0.3	-9.8	-3.3	5.0	5.0	3.5	2.7	1.3
Aerospace	83.0	82.9	80.8	86.6	92.8	93.7	92.3	91.0
% Ch	3.6	-0.1	-2.5	7.2	7.1	0.9	-1.4	-1.5
Nondurable Manufacturing	79.9	74.9	73.9	75.2	75.7	75.9	76.2	76.3
% Ch	-1.9	-6.2	-1.3	1.8	0.7	0.2	0.3	0.2
Construction	200.6	159.7	140.7	137.3	138.7	144.5	154.3	164.3
% Ch	-3.6	-20.4	-11.9	-2.4	1.0	4.2	6.8	6.5
Service-Providing	2,460.0	2,391.6	2,381.5	2,411.4	2,442.8	2,482.2	2,521.4	2,557.4
% Ch	1.5	-2.8	-0.4	1.3	1.3	1.6	1.6	1.4
Software Publishers	50.9	51.5	50.9	51.6	52.6	53.9	55.2	56.3
% Ch	7.0	1.0	-1.1	1.5	1.9	2.5	2.4	2.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	28.919	17.011	20.691	20.588	24.555	25.622	30.759	36.549
% Ch	-39.0	-41.2	21.6	-0.5	19.3	4.3	20.0	18.8
Single-Family	17.440	12.991	14.702	13.408	13.731	14.521	19.006	24.210
% Ch	-42.6	-25.5	13.2	-8.8	2.4	5.8	30.9	27.4
Multi-Family	11.479	4.020	5.989	7.180	10.825	11.102	11.753	12.338
% Ch	-32.5	-65.0	49.0	19.9	50.8	2.6	5.9	5.0
30-Year Fixed Mortgage Rate (%)	6.04	5.04	4.69	4.46	3.86	4.17	4.94	5.76

Table A1.4

Washington Economic Forecast Summary

Forecast 2012 to 2015

	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	254.987	257.560	259.700	261.571	265.528	264.423	266.345	264.812
% Ch, Annual Rate	2.9	4.1	3.4	2.9	6.2	-1.7	2.9	-2.3
Real Wage and Salary Disb.	132.713	133.417	134.458	135.018	136.795	135.238	137.921	136.484
% Ch, Annual Rate	-0.8	2.1	3.2	1.7	5.4	-4.5	8.2	-4.1
Real Nonwage Income	122.273	124.143	125.243	126.553	128.733	129.185	128.424	128.328
% Ch, Annual Rate	7.1	6.3	3.6	4.3	7.1	1.4	-2.3	-0.3
Real Per Capita Income (\$/Person)	37,919	38,197	38,390	38,543	39,001	38,715	38,870	38,522
% Ch, Annual Rate	2.1	3.0	2.0	1.6	4.8	-2.9	1.6	-3.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.108	1.109	1.111	1.117	1.127	1.137	1.143	1.147
% Ch, Annual Rate	1.9	0.3	1.0	1.9	3.9	3.3	2.3	1.2
Seattle Cons. Price Index (1982-84=1.0)	2.266	2.257	2.268	2.277	2.298	2.317	2.335	2.360
% Ch, Annual Rate	-0.1	-1.6	1.9	1.7	3.8	3.3	3.2	4.3
Average Nonfarm Annual Wage	50,638	50,740	51,259	51,526	52,604	52,169	53,274	52,771
% Ch, Annual Rate	2.4	0.8	4.1	2.1	8.6	-3.3	8.7	-3.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.60	23.18	23.46	23.69	23.82	24.03	23.96	24.11
% Ch, Annual Rate	-2.6	-7.0	4.9	4.0	2.2	3.5	-1.1	2.4
Current Dollar Income (Billions of Dollars)								
Personal Income	282.453	285.535	288.613	292.097	299.365	300.550	304.489	303.617
% Ch, Annual Rate	4.8	4.4	4.4	4.9	10.3	1.6	5.3	-1.1
Disposable Personal Income	255.775	258.306	260.505	263.279	267.536	268.161	271.628	270.734
% Ch, Annual Rate	4.8	4.0	3.5	4.3	6.6	0.9	5.3	-1.3
Per Capita Income (\$/Person)	42,003	42,346	42,664	43,041	43,971	44,004	44,437	44,167
% Ch, Annual Rate	4.0	3.3	3.0	3.6	8.9	0.3	4.0	-2.4
Employment (Thousands)								
Washington Civilian Labor Force	3,522.9	3,526.1	3,510.4	3,502.5	3,491.1	3,480.4	3,480.2	3,489.8
Total Washington Employment	3,163.1	3,175.7	3,167.1	3,162.0	3,160.6	3,155.8	3,161.1	3,184.9
Unemployment Rate (%)	10.21	9.94	9.78	9.72	9.47	9.33	9.17	8.74
Nonfarm Payroll Employment	2,772.9	2,785.9	2,786.9	2,799.1	2,805.0	2,818.4	2,832.9	2,837.6
% Ch, Annual Rate	-1.6	1.9	0.1	1.8	0.8	1.9	2.1	0.7
Manufacturing	256.8	257.5	258.3	260.1	263.2	266.8	271.3	273.7
% Ch, Annual Rate	-1.4	1.2	1.2	2.9	4.9	5.6	7.0	3.6
Durable Manufacturing	183.5	183.5	184.3	185.8	188.3	192.0	195.9	197.9
% Ch, Annual Rate	-1.8	0.0	1.7	3.3	5.6	8.0	8.5	4.0
Aerospace	80.9	80.3	80.7	81.5	82.8	85.0	88.3	90.4
% Ch, Annual Rate	-2.0	-2.8	2.0	4.0	6.7	11.3	16.4	9.5
Nondurable Manufacturing	73.3	74.1	74.0	74.3	74.9	74.8	75.4	75.9
% Ch, Annual Rate	-0.2	4.2	-0.3	1.6	3.1	-0.3	3.0	2.6
Construction	142.9	140.3	140.3	139.3	136.8	137.6	137.5	137.4
% Ch, Annual Rate	-13.4	-7.0	-0.1	-2.9	-7.0	2.4	-0.4	-0.4
Service-Providing	2,367.5	2,382.1	2,382.4	2,393.9	2,399.0	2,408.0	2,418.1	2,420.4
% Ch, Annual Rate	-0.8	2.5	0.0	1.9	0.9	1.5	1.7	0.4
Software Publishers	50.7	50.8	51.0	51.1	51.3	51.5	51.9	51.9
% Ch, Annual Rate	0.0	1.0	1.0	1.2	1.4	1.8	2.9	-0.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	22.470	18.224	19.787	22.282	16.892	24.379	20.029	21.052
% Ch, Annual Rate	122.6	-56.7	39.0	60.8	-67.0	333.9	-54.4	22.1
Single-Family	17.016	14.203	13.392	14.198	14.154	12.638	13.179	13.661
% Ch, Annual Rate	59.5	-51.5	-21.0	26.3	-1.2	-36.4	18.3	15.4
Multi-Family	5.454	4.022	6.395	8.084	2.738	11.742	6.849	7.391
% Ch, Annual Rate	690.1	-70.4	539.4	155.3	-98.7	33,717.4	-88.4	35.6
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.45	4.41	4.85	4.66	4.31	4.01

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2012 to 2015

	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	267.357	268.339	271.748	273.130	274.693	277.700	280.494	281.685
% Ch, Annual Rate	3.9	1.5	5.2	2.0	2.3	4.5	4.1	1.7
Real Wage and Salary Disb.	138.531	138.132	139.827	139.851	140.772	142.512	144.193	144.194
% Ch, Annual Rate	6.1	-1.1	5.0	0.1	2.7	5.0	4.8	0.0
Real Nonwage Income	128.826	130.207	131.921	133.278	133.920	135.189	136.301	137.491
% Ch, Annual Rate	1.6	4.4	5.4	4.2	1.9	3.8	3.3	3.5
Real Per Capita Income (\$/Person)	38,770	38,785	39,157	39,234	39,337	39,644	39,918	39,961
% Ch, Annual Rate	2.6	0.2	3.9	0.8	1.1	3.2	2.8	0.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.153	1.156	1.158	1.162	1.167	1.171	1.177	1.183
% Ch, Annual Rate	2.4	0.8	0.9	1.4	1.7	1.4	2.0	2.0
Seattle Cons. Price Index (1982-84=1.0)	2.364	2.369	2.379	2.392	2.405	2.416	2.431	2.446
% Ch, Annual Rate	0.7	0.8	1.7	2.1	2.2	1.9	2.5	2.4
Average Nonfarm Annual Wage	53,632	53,441	54,076	54,040	54,366	54,998	55,694	55,737
% Ch, Annual Rate	6.7	-1.4	4.8	-0.3	2.4	4.7	5.2	0.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.02	23.88	23.97	24.06	24.17	24.28	24.39	24.52
% Ch, Annual Rate	-1.4	-2.4	1.6	1.6	1.7	1.8	1.9	2.1
Current Dollar Income (Billions of Dollars)								
Personal Income	308.359	310.140	314.817	317.497	320.641	325.276	330.193	333.230
% Ch, Annual Rate	6.4	2.3	6.2	3.4	4.0	5.9	6.2	3.7
Disposable Personal Income	274.576	275.834	279.516	281.230	282.861	285.878	289.820	292.309
% Ch, Annual Rate	5.8	1.8	5.4	2.5	2.3	4.3	5.6	3.5
Per Capita Income (\$/Person)	44,715	44,827	45,363	45,607	45,917	46,436	46,991	47,273
% Ch, Annual Rate	5.1	1.0	4.9	2.2	2.7	4.6	4.9	2.4
Employment (Thousands)								
Washington Civilian Labor Force	3,498.1	3,519.7	3,529.5	3,541.0	3,553.1	3,565.1	3,576.7	3,588.1
Total Washington Employment	3,206.9	3,229.5	3,241.1	3,256.2	3,269.3	3,282.4	3,295.9	3,309.5
Unemployment Rate (%)	8.33	8.24	8.17	8.04	7.99	7.93	7.85	7.77
Nonfarm Payroll Employment	2,851.6	2,860.2	2,870.5	2,884.2	2,897.8	2,912.3	2,926.8	2,940.1
% Ch, Annual Rate	2.0	1.2	1.5	1.9	1.9	2.0	2.0	1.8
Manufacturing	276.0	278.4	280.0	281.4	282.9	285.7	287.2	289.0
% Ch, Annual Rate	3.3	3.6	2.3	2.0	2.2	3.9	2.2	2.4
Durable Manufacturing	200.2	202.5	204.4	205.6	207.2	209.8	211.3	212.9
% Ch, Annual Rate	4.9	4.7	3.7	2.5	3.2	5.0	2.9	3.0
Aerospace	91.6	92.5	93.2	93.9	93.9	93.9	93.6	93.2
% Ch, Annual Rate	5.4	4.4	3.0	3.0	0.0	0.0	-1.5	-1.5
Nondurable Manufacturing	75.7	75.9	75.6	75.8	75.7	75.9	75.9	76.1
% Ch, Annual Rate	-0.7	0.8	-1.2	0.7	-0.3	1.1	0.2	0.9
Construction	138.3	138.0	138.7	139.8	141.5	143.3	145.5	147.7
% Ch, Annual Rate	2.7	-0.8	2.1	3.1	4.9	5.2	6.3	6.3
Service-Providing	2,431.2	2,437.7	2,445.7	2,456.8	2,467.2	2,477.1	2,487.7	2,496.9
% Ch, Annual Rate	1.8	1.1	1.3	1.8	1.7	1.6	1.7	1.5
Software Publishers	52.2	52.6	52.8	53.0	53.3	53.7	54.2	54.5
% Ch, Annual Rate	2.3	3.2	1.7	1.4	2.4	3.1	3.5	2.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	27.676	24.403	22.742	23.399	24.109	25.148	26.104	27.129
% Ch, Annual Rate	198.7	-39.6	-24.6	12.1	12.7	18.4	16.1	16.6
Single-Family	15.658	13.589	12.790	12.887	13.225	14.067	14.956	15.834
% Ch, Annual Rate	72.6	-43.3	-21.5	3.1	10.9	28.0	27.8	25.6
Multi-Family	12.019	10.815	9.953	10.512	10.884	11.081	11.148	11.294
% Ch, Annual Rate	599.2	-34.4	-28.3	24.5	14.9	7.5	2.4	5.4
30-Year Fixed Mortgage Rate (%)	3.92	3.82	3.78	3.91	3.84	3.91	4.31	4.63

Table A1.4 (continued)

Washington Economic Forecast Summary

Forecast 2012 to 2015

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	284.389	287.110	289.985	291.429	293.445	296.313	298.892	300.280
% Ch, Annual Rate	3.9	3.9	4.1	2.0	2.8	4.0	3.5	1.9
Real Wage and Salary Disb.	144.980	146.582	148.145	148.278	149.022	150.515	151.748	151.731
% Ch, Annual Rate	2.2	4.5	4.3	0.4	2.0	4.1	3.3	0.0
Real Nonwage Income	139.409	140.528	141.840	143.151	144.423	145.798	147.144	148.549
% Ch, Annual Rate	5.7	3.2	3.8	3.7	3.6	3.9	3.7	3.9
Real Per Capita Income (\$/Person)	40,216	40,470	40,743	40,812	40,960	41,228	41,455	41,518
% Ch, Annual Rate	2.6	2.6	2.7	0.7	1.5	2.6	2.2	0.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.190	1.197	1.203	1.209	1.216	1.223	1.230	1.236
% Ch, Annual Rate	2.3	2.3	2.2	2.1	2.2	2.2	2.2	2.2
Seattle Cons. Price Index (1982-84=1.0)	2.462	2.479	2.494	2.508	2.524	2.539	2.554	2.569
% Ch, Annual Rate	2.7	2.7	2.5	2.4	2.5	2.4	2.4	2.4
Average Nonfarm Annual Wage	56,098	56,813	57,494	57,595	57,965	58,688	59,301	59,399
% Ch, Annual Rate	2.6	5.2	4.9	0.7	2.6	5.1	4.2	0.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.65	24.78	24.92	25.05	25.19	25.32	25.45	25.59
% Ch, Annual Rate	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.1
Current Dollar Income (Billions of Dollars)								
Personal Income	338.354	343.558	348.881	352.472	356.886	362.351	367.521	371.250
% Ch, Annual Rate	6.3	6.3	6.3	4.2	5.1	6.3	5.8	4.1
Disposable Personal Income	296.012	300.635	305.244	308.414	311.328	316.542	321.554	325.098
% Ch, Annual Rate	5.2	6.4	6.3	4.2	3.8	6.9	6.5	4.5
Per Capita Income (\$/Person)	47,847	48,427	49,018	49,360	49,816	50,416	50,973	51,331
% Ch, Annual Rate	4.9	4.9	5.0	2.8	3.7	4.9	4.5	2.8
Employment (Thousands)								
Washington Civilian Labor Force	3,599.8	3,611.8	3,623.5	3,635.4	3,647.1	3,658.2	3,669.3	3,680.0
Total Washington Employment	3,323.7	3,339.0	3,354.4	3,370.4	3,385.1	3,398.8	3,412.3	3,425.4
Unemployment Rate (%)	7.67	7.55	7.43	7.29	7.18	7.09	7.00	6.92
Nonfarm Payroll Employment	2,953.8	2,968.0	2,981.9	2,995.9	3,007.7	3,018.7	3,029.8	3,041.8
% Ch, Annual Rate	1.9	1.9	1.9	1.9	1.6	1.5	1.5	1.6
Manufacturing	290.5	291.7	292.7	293.7	294.6	294.9	295.2	295.7
% Ch, Annual Rate	2.2	1.6	1.4	1.4	1.1	0.5	0.3	0.8
Durable Manufacturing	214.3	215.5	216.6	217.6	218.3	218.7	218.9	219.2
% Ch, Annual Rate	2.7	2.3	2.1	1.8	1.3	0.7	0.3	0.6
Aerospace	92.9	92.5	92.2	91.8	91.5	91.1	90.8	90.4
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Nondurable Manufacturing	76.2	76.2	76.1	76.1	76.2	76.2	76.3	76.5
% Ch, Annual Rate	0.6	-0.3	-0.4	0.1	0.6	-0.1	0.2	1.3
Construction	150.1	153.0	155.6	158.4	161.0	163.0	165.4	167.9
% Ch, Annual Rate	6.6	8.1	6.9	7.5	6.5	5.1	6.0	6.4
Service-Providing	2,506.5	2,516.4	2,526.5	2,536.4	2,544.7	2,553.1	2,561.5	2,570.3
% Ch, Annual Rate	1.5	1.6	1.6	1.6	1.3	1.3	1.3	1.4
Software Publishers	54.8	55.1	55.4	55.6	55.9	56.2	56.5	56.7
% Ch, Annual Rate	2.1	2.1	2.1	1.8	2.1	2.1	1.8	1.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	28.317	29.859	31.524	33.335	34.807	36.237	37.322	37.828
% Ch, Annual Rate	18.7	23.6	24.2	25.0	18.9	17.5	12.5	5.5
Single-Family	16.844	18.219	19.698	21.261	22.543	23.919	24.938	25.442
% Ch, Annual Rate	28.0	36.9	36.6	35.7	26.4	26.7	18.2	8.3
Multi-Family	11.473	11.640	11.826	12.074	12.264	12.319	12.384	12.386
% Ch, Annual Rate	6.5	6.0	6.5	8.7	6.4	1.8	2.2	0.1
30-Year Fixed Mortgage Rate (%)	4.73	4.80	4.97	5.25	5.48	5.61	5.84	6.09

Table A2.1

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Nonfarm Payroll Employment	136.79	130.79	129.86	131.36	133.27	135.21	137.40	139.45
% Ch	-0.6	-4.4	-0.7	1.2	1.5	1.5	1.6	1.5
Manufacturing	13.40	11.84	11.53	11.74	11.97	12.24	12.53	12.62
% Ch	-3.4	-11.6	-2.7	1.8	2.0	2.3	2.4	0.7
Durable Manufacturing	8.46	7.28	7.06	7.28	7.49	7.78	8.11	8.24
% Ch	-3.9	-13.9	-3.0	3.0	3.0	3.9	4.2	1.6
Wood Products	0.46	0.36	0.34	0.34	0.34	0.39	0.48	0.54
% Ch	-11.5	-21.3	-5.0	-2.1	0.8	15.9	23.2	12.4
Primary and Fabricated Metals	1.97	1.67	1.64	1.73	1.81	1.87	1.96	1.97
% Ch	-2.4	-15.0	-1.8	5.5	4.3	3.4	4.5	0.9
Computer and Electronic Products	1.24	1.14	1.09	1.11	1.11	1.12	1.11	1.12
% Ch	-2.2	-8.6	-3.7	1.1	0.1	0.7	-0.1	0.9
Machinery and Electrical Equipment	1.61	1.40	1.36	1.42	1.48	1.53	1.55	1.53
% Ch	-0.3	-13.0	-3.3	5.0	4.2	3.4	0.9	-1.3
Transportation Equipment	1.61	1.35	1.33	1.38	1.45	1.54	1.64	1.70
% Ch	-6.1	-16.2	-1.1	3.7	5.2	5.9	6.7	3.4
Other Durables	1.57	1.36	1.29	1.29	1.30	1.33	1.37	1.38
% Ch	-6.0	-13.4	-5.0	0.0	0.7	2.2	2.7	0.6
Nondurable Manufacturing	4.94	4.56	4.46	4.46	4.47	4.46	4.42	4.38
% Ch	-2.6	-7.7	-2.2	-0.1	0.3	-0.3	-0.8	-1.0
Food Manufacturing	1.48	1.46	1.45	1.46	1.46	1.47	1.48	1.49
% Ch	-0.2	-1.6	-0.4	0.4	0.0	0.9	0.6	0.7
Paper and Paper Products	0.44	0.41	0.39	0.39	0.39	0.39	0.39	0.39
% Ch	-2.9	-8.5	-3.0	-0.9	0.3	-0.3	0.1	-0.5
Other Nondurables	3.02	2.70	2.62	2.61	2.62	2.60	2.55	2.50
% Ch	-3.6	-10.5	-3.0	-0.2	0.4	-1.0	-1.8	-2.1
Natural Resources and Mining	0.77	0.69	0.70	0.78	0.83	0.79	0.77	0.75
% Ch	5.8	-9.3	1.5	11.3	5.5	-5.0	-1.4	-2.7
Construction	7.16	6.01	5.52	5.50	5.55	5.65	5.99	6.54
% Ch	-6.1	-16.0	-8.2	-0.3	0.8	1.8	6.0	9.3
Trade, Transportation, and Utilities	26.30	24.91	24.64	25.02	25.36	25.70	25.95	26.23
% Ch	-1.2	-5.3	-1.1	1.5	1.4	1.4	1.0	1.1
Wholesale Trade	5.94	5.59	5.45	5.53	5.64	5.75	5.86	5.96
% Ch	-1.2	-6.0	-2.4	1.4	2.0	2.1	1.9	1.7
Retail Trade	15.29	14.52	14.44	14.64	14.77	14.85	14.85	14.89
% Ch	-1.5	-5.0	-0.5	1.4	0.9	0.5	0.0	0.3
Trans., Warehousing, and Utilities	5.07	4.80	4.74	4.85	4.95	5.09	5.24	5.38
% Ch	-0.5	-5.3	-1.2	2.2	2.1	3.0	2.8	2.7
Information	2.98	2.80	2.71	2.66	2.64	2.73	2.81	2.83
% Ch	-1.6	-6.0	-3.4	-1.8	-0.6	3.5	2.6	0.7
Publishing Industries	0.88	0.80	0.76	0.75	0.74	0.75	0.74	0.74
% Ch	-2.3	-9.5	-4.7	-1.4	-1.4	1.1	-0.4	-0.2
Other Information	2.10	2.01	1.95	1.91	1.90	1.99	2.06	2.08
% Ch	-1.3	-4.6	-2.9	-2.0	-0.3	4.4	3.8	1.0
Financial Activities	8.14	7.77	7.65	7.68	7.72	7.78	7.79	7.83
% Ch	-1.9	-4.6	-1.5	0.4	0.6	0.8	0.0	0.5
Professional and Business Services	17.74	16.57	16.72	17.33	17.92	18.69	19.49	20.14
% Ch	-1.2	-6.6	0.9	3.6	3.4	4.3	4.3	3.3
Education and Health Services	18.84	19.19	19.53	19.88	20.34	20.53	20.82	21.16
% Ch	2.8	1.9	1.8	1.8	2.3	0.9	1.4	1.7
Leisure and Hospitality	13.44	13.07	13.04	13.32	13.62	13.82	13.93	13.92
% Ch	0.1	-2.7	-0.2	2.1	2.2	1.5	0.8	-0.1
Other Services	5.51	5.37	5.33	5.34	5.37	5.44	5.47	5.43
% Ch	0.4	-2.7	-0.7	0.2	0.6	1.2	0.6	-0.7
Federal Government	2.76	2.83	2.98	2.86	2.81	2.73	2.66	2.61
% Ch	1.0	2.5	5.1	-4.0	-1.7	-2.6	-2.6	-2.0
State and Local Government	19.74	19.72	19.51	19.25	19.13	19.10	19.20	19.38
% Ch	1.3	-0.1	-1.1	-1.4	-0.6	-0.2	0.5	1.0

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2015

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	129.32	129.96	129.92	130.23	130.68	131.24	131.53	131.99
% Ch, Annual Rate	-0.4	2.0	-0.1	0.9	1.4	1.7	0.9	1.4
Manufacturing	11.46	11.53	11.56	11.56	11.66	11.73	11.77	11.79
% Ch, Annual Rate	-1.2	2.3	1.0	0.2	3.4	2.3	1.4	0.7
Durable Manufacturing	7.00	7.06	7.09	7.11	7.20	7.26	7.30	7.34
% Ch, Annual Rate	-0.9	3.4	2.0	0.9	5.4	3.5	2.2	1.9
Wood Products	0.34	0.35	0.34	0.34	0.34	0.34	0.33	0.33
% Ch, Annual Rate	-4.8	4.0	-5.6	-4.6	4.9	-5.6	-7.4	1.8
Primary and Fabricated Metals	1.61	1.64	1.66	1.67	1.70	1.73	1.75	1.76
% Ch, Annual Rate	1.1	6.9	5.4	3.0	7.6	7.6	3.0	2.9
Computer and Electronic Products	1.09	1.09	1.09	1.10	1.10	1.11	1.11	1.11
% Ch, Annual Rate	-1.9	-0.2	0.4	0.2	2.2	1.9	1.7	-1.0
Machinery and Electrical Equipment	1.33	1.35	1.36	1.38	1.40	1.42	1.43	1.44
% Ch, Annual Rate	-1.4	5.5	3.6	4.1	7.0	5.5	3.9	3.5
Transportation Equipment	1.32	1.33	1.34	1.34	1.36	1.37	1.39	1.41
% Ch, Annual Rate	1.7	4.1	3.4	-1.5	7.1	3.7	3.9	5.8
Other Durables	1.30	1.30	1.29	1.29	1.30	1.30	1.30	1.29
% Ch, Annual Rate	-3.5	-0.9	-2.0	-0.5	2.0	0.0	0.4	-2.9
Nondurable Manufacturing	4.47	4.47	4.46	4.46	4.46	4.46	4.47	4.45
% Ch, Annual Rate	-1.6	0.5	-0.6	-0.8	0.4	0.4	0.2	-1.3
Food Manufacturing	1.45	1.45	1.45	1.45	1.46	1.46	1.46	1.45
% Ch, Annual Rate	-2.4	1.9	0.5	-1.0	2.5	0.4	-1.2	-2.4
Paper and Paper Products	0.40	0.40	0.39	0.39	0.39	0.39	0.39	0.39
% Ch, Annual Rate	-1.3	-0.3	-2.9	-1.3	-1.2	-0.3	1.1	0.1
Other Nondurables	2.62	2.62	2.62	2.61	2.61	2.61	2.62	2.61
% Ch, Annual Rate	-1.2	-0.1	-0.9	-0.7	-0.5	0.5	1.0	-0.9
Natural Resources and Mining	0.68	0.70	0.71	0.73	0.75	0.78	0.80	0.82
% Ch, Annual Rate	8.3	12.6	11.2	10.3	7.3	18.3	11.8	8.4
Construction	5.56	5.53	5.50	5.49	5.48	5.50	5.51	5.53
% Ch, Annual Rate	-8.7	-2.1	-2.2	-0.7	-0.6	1.1	1.1	1.2
Trade, Transportation, and Utilities	24.55	24.59	24.65	24.75	24.86	25.00	25.06	25.15
% Ch, Annual Rate	-0.7	0.7	0.9	1.7	1.8	2.3	1.0	1.3
Wholesale Trade	5.45	5.44	5.45	5.47	5.50	5.52	5.54	5.56
% Ch, Annual Rate	-3.1	-0.4	0.6	1.4	2.1	2.0	0.8	1.5
Retail Trade	14.40	14.43	14.45	14.50	14.56	14.63	14.67	14.72
% Ch, Annual Rate	0.7	0.7	0.6	1.6	1.5	2.1	1.0	1.2
Trans., Warehousing, and Utilities	4.70	4.73	4.75	4.78	4.81	4.84	4.86	4.87
% Ch, Annual Rate	-2.2	1.8	2.5	2.3	2.2	3.0	1.1	1.4
Information	2.73	2.71	2.70	2.69	2.67	2.67	2.64	2.65
% Ch, Annual Rate	-3.3	-3.4	-1.0	-1.6	-2.2	-0.6	-4.0	0.3
Publishing Industries	0.77	0.76	0.76	0.75	0.75	0.75	0.75	0.75
% Ch, Annual Rate	-2.6	-2.7	-1.5	-2.4	-1.3	-0.7	-0.5	-0.9
Other Information	1.96	1.95	1.94	1.94	1.92	1.92	1.89	1.90
% Ch, Annual Rate	-3.5	-3.6	-0.9	-1.3	-2.6	-0.6	-5.4	0.8
Financial Activities	7.66	7.65	7.64	7.66	7.67	7.68	7.68	7.69
% Ch, Annual Rate	-1.5	-0.5	-0.2	0.9	0.6	0.6	-0.3	0.6
Professional and Business Services	16.53	16.66	16.76	16.93	17.12	17.28	17.39	17.53
% Ch, Annual Rate	2.2	3.2	2.4	4.0	4.5	3.9	2.5	3.3
Education and Health Services	19.41	19.49	19.56	19.66	19.72	19.83	19.94	20.05
% Ch, Annual Rate	1.9	1.8	1.3	2.1	1.3	2.1	2.3	2.2
Leisure and Hospitality	12.93	13.01	13.09	13.13	13.20	13.30	13.35	13.43
% Ch, Annual Rate	-1.3	2.5	2.4	1.2	2.0	3.0	1.5	2.6
Other Services	5.32	5.33	5.33	5.35	5.33	5.34	5.34	5.35
% Ch, Annual Rate	-0.1	0.2	0.0	1.6	-1.0	0.3	0.6	0.6
Federal Government	2.89	3.20	2.95	2.87	2.88	2.87	2.85	2.84
% Ch, Annual Rate	6.8	50.6	-27.3	-11.3	1.4	-1.3	-2.7	-1.1
State and Local Government	19.60	19.57	19.47	19.41	19.34	19.28	19.20	19.17
% Ch, Annual Rate	-1.4	-0.7	-2.0	-1.2	-1.4	-1.4	-1.5	-0.7

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2015

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	132.68	133.04	133.43	133.91	134.39	134.92	135.49	136.04
% Ch, Annual Rate	2.1	1.1	1.2	1.5	1.4	1.6	1.7	1.6
Manufacturing	11.89	11.96	12.00	12.01	12.06	12.21	12.30	12.39
% Ch, Annual Rate	3.6	2.1	1.5	0.2	1.7	4.9	3.1	2.9
Durable Manufacturing	7.43	7.48	7.53	7.54	7.60	7.74	7.85	7.94
% Ch, Annual Rate	5.1	3.0	2.4	0.5	3.4	7.8	5.3	4.9
Wood Products	0.33	0.33	0.34	0.35	0.36	0.38	0.40	0.42
% Ch, Annual Rate	2.6	-3.5	9.6	11.0	16.4	22.6	23.3	25.7
Primary and Fabricated Metals	1.79	1.81	1.82	1.82	1.82	1.86	1.89	1.91
% Ch, Annual Rate	7.0	4.8	2.2	0.2	0.8	7.9	6.5	5.7
Computer and Electronic Products	1.11	1.11	1.11	1.10	1.11	1.12	1.11	1.11
% Ch, Annual Rate	0.0	0.8	0.4	-4.2	5.1	2.8	-2.8	-0.6
Machinery and Electrical Equipment	1.47	1.48	1.49	1.49	1.50	1.53	1.55	1.55
% Ch, Annual Rate	6.1	4.6	1.5	1.7	2.5	7.2	4.4	2.0
Transportation Equipment	1.43	1.45	1.46	1.47	1.49	1.53	1.56	1.58
% Ch, Annual Rate	7.6	5.4	2.9	1.9	6.0	10.8	7.1	6.9
Other Durables	1.30	1.30	1.31	1.31	1.31	1.32	1.34	1.35
% Ch, Annual Rate	3.7	-0.2	3.0	-0.8	0.3	5.8	5.1	3.8
Nondurable Manufacturing	4.47	4.47	4.48	4.47	4.46	4.46	4.45	4.45
% Ch, Annual Rate	1.3	0.7	0.2	-0.1	-1.1	-0.1	-0.6	-0.5
Food Manufacturing	1.45	1.46	1.46	1.46	1.46	1.47	1.47	1.48
% Ch, Annual Rate	0.6	1.5	0.6	1.4	0.3	1.5	0.4	1.4
Paper and Paper Products	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
% Ch, Annual Rate	1.1	-0.1	-0.3	-0.4	-1.5	0.3	0.6	0.5
Other Nondurables	2.62	2.63	2.63	2.62	2.61	2.60	2.59	2.58
% Ch, Annual Rate	1.6	0.4	0.0	-0.9	-1.8	-1.0	-1.4	-1.7
Natural Resources and Mining	0.83	0.84	0.83	0.81	0.79	0.79	0.78	0.78
% Ch, Annual Rate	9.8	1.6	-4.3	-9.5	-6.8	-4.3	-1.5	-0.5
Construction	5.56	5.53	5.54	5.56	5.58	5.61	5.66	5.74
% Ch, Annual Rate	2.2	-2.1	1.0	1.4	1.6	1.6	3.8	5.6
Trade, Transportation, and Utilities	25.24	25.30	25.39	25.49	25.57	25.64	25.76	25.84
% Ch, Annual Rate	1.6	1.0	1.4	1.6	1.2	1.1	1.9	1.2
Wholesale Trade	5.59	5.62	5.66	5.68	5.70	5.73	5.77	5.81
% Ch, Annual Rate	2.4	2.4	2.3	1.7	1.7	1.9	3.1	2.4
Retail Trade	14.74	14.75	14.78	14.82	14.84	14.84	14.87	14.87
% Ch, Annual Rate	0.7	0.2	0.8	1.2	0.4	0.1	0.7	0.0
Trans., Warehousing, and Utilities	4.91	4.93	4.96	4.99	5.03	5.07	5.12	5.16
% Ch, Annual Rate	3.2	1.6	2.4	2.5	3.2	3.3	3.7	3.3
Information	2.63	2.63	2.63	2.68	2.70	2.73	2.75	2.76
% Ch, Annual Rate	-2.0	-0.1	-0.3	8.1	2.4	5.2	3.2	0.9
Publishing Industries	0.74	0.74	0.74	0.74	0.74	0.75	0.75	0.75
% Ch, Annual Rate	-3.0	-1.1	-1.7	1.7	-0.1	5.4	1.0	-1.1
Other Information	1.89	1.89	1.89	1.94	1.96	1.98	2.00	2.01
% Ch, Annual Rate	-1.6	0.3	0.2	10.6	3.4	5.2	4.0	1.6
Financial Activities	7.71	7.72	7.73	7.75	7.77	7.78	7.79	7.80
% Ch, Annual Rate	0.9	0.7	0.3	1.1	1.2	0.4	0.5	0.4
Professional and Business Services	17.74	17.85	17.96	18.15	18.38	18.58	18.81	19.00
% Ch, Annual Rate	4.8	2.6	2.4	4.5	5.0	4.6	4.9	4.2
Education and Health Services	20.17	20.30	20.42	20.47	20.47	20.51	20.56	20.59
% Ch, Annual Rate	2.5	2.5	2.3	1.1	0.0	0.8	0.9	0.6
Leisure and Hospitality	13.55	13.58	13.63	13.70	13.77	13.80	13.83	13.88
% Ch, Annual Rate	3.5	1.1	1.4	2.0	2.0	1.0	0.6	1.7
Other Services	5.36	5.36	5.37	5.40	5.42	5.43	5.44	5.45
% Ch, Annual Rate	0.7	0.1	0.9	1.6	2.0	0.2	1.2	0.8
Federal Government	2.83	2.82	2.80	2.78	2.76	2.74	2.73	2.71
% Ch, Annual Rate	-1.6	-1.3	-2.4	-2.7	-2.6	-2.8	-2.8	-2.8
State and Local Government	19.16	19.15	19.12	19.10	19.10	19.10	19.10	19.12
% Ch, Annual Rate	-0.1	-0.3	-0.6	-0.4	0.0	0.0	-0.1	0.4

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2015

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Nonfarm Payroll Employment	136.58	137.11	137.67	138.23	138.71	139.19	139.68	140.21
% Ch, Annual Rate	1.6	1.6	1.7	1.6	1.4	1.4	1.4	1.5
Manufacturing	12.46	12.52	12.55	12.59	12.62	12.62	12.61	12.63
% Ch, Annual Rate	2.4	1.7	1.2	1.2	0.8	0.0	-0.1	0.5
Durable Manufacturing	8.02	8.09	8.14	8.19	8.22	8.24	8.25	8.26
% Ch, Annual Rate	4.1	3.4	2.6	2.4	1.6	0.7	0.4	0.9
Wood Products	0.45	0.47	0.50	0.51	0.53	0.54	0.55	0.55
% Ch, Annual Rate	25.3	22.2	21.8	15.5	12.9	8.2	5.5	3.6
Primary and Fabricated Metals	1.94	1.95	1.96	1.97	1.98	1.97	1.97	1.98
% Ch, Annual Rate	4.6	3.4	1.9	2.1	0.7	-0.6	-0.5	0.9
Computer and Electronic Products	1.11	1.11	1.11	1.12	1.12	1.12	1.12	1.13
% Ch, Annual Rate	0.0	0.1	0.7	1.0	1.3	1.4	0.1	1.0
Machinery and Electrical Equipment	1.55	1.55	1.55	1.54	1.53	1.53	1.52	1.52
% Ch, Annual Rate	-0.1	-0.7	-1.4	-1.1	-1.6	-1.8	-1.5	0.0
Transportation Equipment	1.61	1.63	1.65	1.67	1.69	1.70	1.71	1.71
% Ch, Annual Rate	7.1	6.3	4.9	4.5	3.1	2.5	2.3	1.4
Other Durables	1.36	1.37	1.37	1.37	1.38	1.38	1.38	1.38
% Ch, Annual Rate	2.2	1.6	0.9	1.1	1.0	-0.2	-0.2	0.1
Nondurable Manufacturing	4.44	4.43	4.41	4.40	4.39	4.38	4.37	4.36
% Ch, Annual Rate	-0.7	-1.3	-1.4	-1.1	-0.6	-1.2	-1.0	-0.4
Food Manufacturing	1.48	1.48	1.48	1.48	1.49	1.49	1.49	1.50
% Ch, Annual Rate	0.9	-0.1	-0.1	0.7	1.3	0.3	0.7	1.9
Paper and Paper Products	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
% Ch, Annual Rate	0.4	-0.4	-0.6	-0.6	-0.4	-0.7	-0.5	-0.1
Other Nondurables	2.57	2.56	2.54	2.53	2.52	2.50	2.49	2.48
% Ch, Annual Rate	-1.8	-2.1	-2.3	-2.2	-1.7	-2.2	-2.1	-1.8
Natural Resources and Mining	0.78	0.78	0.77	0.77	0.76	0.76	0.75	0.75
% Ch, Annual Rate	-1.4	-0.7	-1.9	-2.5	-3.0	-3.6	-2.8	-2.0
Construction	5.82	5.91	6.04	6.18	6.33	6.47	6.61	6.75
% Ch, Annual Rate	5.7	6.8	8.6	9.8	9.9	9.6	9.1	8.7
Trade, Transportation, and Utilities	25.85	25.89	25.98	26.07	26.13	26.20	26.26	26.33
% Ch, Annual Rate	0.2	0.7	1.3	1.3	1.0	1.1	0.9	1.0
Wholesale Trade	5.83	5.85	5.87	5.90	5.92	5.95	5.98	6.00
% Ch, Annual Rate	1.3	1.4	1.7	1.6	1.6	1.8	2.1	1.8
Retail Trade	14.83	14.83	14.85	14.88	14.89	14.90	14.89	14.89
% Ch, Annual Rate	-1.0	-0.1	0.7	0.8	0.1	0.3	-0.2	0.1
Trans., Warehousing, and Utilities	5.19	5.22	5.25	5.29	5.32	5.36	5.40	5.43
% Ch, Annual Rate	2.4	2.4	2.6	2.6	2.8	2.7	2.7	2.5
Information	2.79	2.82	2.81	2.81	2.83	2.83	2.83	2.82
% Ch, Annual Rate	5.3	3.1	-1.0	-0.1	3.0	0.0	-0.3	-0.7
Publishing Industries	0.75	0.74	0.74	0.74	0.74	0.74	0.74	0.74
% Ch, Annual Rate	-1.5	-0.9	-0.7	-0.9	0.0	0.4	0.1	-0.1
Other Information	2.05	2.07	2.07	2.07	2.09	2.09	2.08	2.08
% Ch, Annual Rate	8.0	4.6	-1.2	0.3	4.1	-0.2	-0.5	-0.9
Financial Activities	7.78	7.77	7.79	7.80	7.81	7.83	7.84	7.83
% Ch, Annual Rate	-0.8	-0.3	0.8	0.6	0.6	0.7	0.7	-0.2
Professional and Business Services	19.16	19.37	19.61	19.82	19.94	20.06	20.20	20.37
% Ch, Annual Rate	3.4	4.5	5.0	4.4	2.4	2.5	2.8	3.4
Education and Health Services	20.71	20.79	20.85	20.91	20.98	21.10	21.22	21.35
% Ch, Annual Rate	2.5	1.5	1.1	1.2	1.4	2.3	2.2	2.4
Leisure and Hospitality	13.93	13.94	13.93	13.93	13.94	13.92	13.92	13.92
% Ch, Annual Rate	1.4	0.3	-0.3	0.0	0.2	-0.6	0.0	0.0
Other Services	5.46	5.47	5.48	5.46	5.44	5.43	5.42	5.41
% Ch, Annual Rate	0.7	0.6	0.5	-1.3	-1.0	-0.7	-0.8	-1.1
Federal Government	2.69	2.67	2.65	2.64	2.63	2.61	2.60	2.59
% Ch, Annual Rate	-2.8	-2.5	-2.3	-2.1	-2.1	-1.8	-1.6	-1.6
State and Local Government	19.15	19.17	19.21	19.26	19.30	19.35	19.41	19.46
% Ch, Annual Rate	0.7	0.5	0.8	1.0	0.9	1.1	1.2	1.1

Table A2.3

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Nonfarm Payroll Employment	2,959.3	2,822.9	2,786.2	2,823.5	2,866.6	2,919.2	2,974.9	3,024.5
% Ch	0.9	-4.6	-1.3	1.3	1.5	1.8	1.9	1.7
Manufacturing	291.2	265.5	258.2	268.8	278.9	286.2	292.2	295.1
% Ch	-0.7	-8.8	-2.8	4.1	3.8	2.6	2.1	1.0
Durable Manufacturing	211.3	190.6	184.3	193.5	203.2	210.3	216.0	218.8
% Ch	-0.3	-9.8	-3.3	5.0	5.0	3.5	2.7	1.3
Wood Products	17.0	13.3	12.9	12.6	12.8	14.5	17.3	19.1
% Ch	-11.5	-21.5	-2.9	-2.3	1.0	13.3	19.6	10.1
Primary and Fabricated Metals	26.3	21.9	21.4	22.9	24.4	25.5	27.0	27.5
% Ch	1.6	-16.8	-2.4	7.4	6.3	4.5	5.8	2.1
Computer and Electronic Products	22.5	20.1	19.1	19.6	19.8	20.3	20.7	21.3
% Ch	-0.8	-10.9	-4.8	2.9	0.6	2.9	1.6	3.2
Machinery and Electrical Equipment	19.9	16.3	15.7	17.3	18.5	20.7	22.2	22.9
% Ch	1.3	-17.9	-3.7	10.0	7.3	12.0	7.1	3.2
Aerospace	83.0	82.9	80.8	86.6	92.8	93.7	92.3	91.0
% Ch	3.6	-0.1	-2.5	7.2	7.1	0.9	-1.4	-1.5
Other Transportation Equip.	12.2	9.7	8.9	9.2	9.6	9.8	9.8	9.7
% Ch	-6.6	-20.7	-8.3	4.3	4.4	1.1	0.9	-1.5
Other Durables	30.5	26.4	25.5	25.2	25.3	25.8	26.7	27.3
% Ch	-2.7	-13.4	-3.6	-1.2	0.5	2.2	3.2	2.4
Nondurable Manufacturing	79.9	74.9	73.9	75.2	75.7	75.9	76.2	76.3
% Ch	-1.9	-6.2	-1.3	1.8	0.7	0.2	0.3	0.2
Food Manufacturing	34.3	33.9	33.6	34.5	35.2	34.6	34.2	34.1
% Ch	0.5	-0.9	-1.0	2.8	1.9	-1.8	-1.0	-0.2
Paper and Paper Products	10.5	9.7	9.4	9.0	8.2	8.4	8.7	8.8
% Ch	-6.6	-7.1	-3.8	-3.8	-8.5	2.0	3.5	1.5
Other Nondurables	35.1	31.3	31.0	31.7	32.3	33.0	33.3	33.3
% Ch	-2.7	-11.1	-1.0	2.4	2.0	1.9	0.9	0.2
Natural Resources and Mining	7.5	6.0	5.9	6.0	6.1	6.3	7.0	7.7
% Ch	-7.5	-19.8	-2.7	1.7	2.7	3.3	10.2	9.8
Construction	200.6	159.7	140.7	137.3	138.7	144.5	154.3	164.3
% Ch	-3.6	-20.4	-11.9	-2.4	1.0	4.2	6.8	6.5
Trade, Transportation, and Utilities	553.4	522.5	516.9	525.7	538.7	546.2	551.4	557.1
% Ch	0.0	-5.6	-1.1	1.7	2.5	1.4	0.9	1.0
Wholesale Trade	130.1	122.7	120.2	122.4	126.1	128.4	130.5	131.9
% Ch	0.6	-5.7	-2.1	1.9	3.0	1.8	1.6	1.1
Retail Trade	327.4	309.3	308.1	312.7	319.8	321.8	322.2	324.0
% Ch	-0.2	-5.5	-0.4	1.5	2.3	0.6	0.1	0.5
Trans., Warehousing, and Utilities	95.9	90.5	88.6	90.7	92.8	95.9	98.7	101.2
% Ch	-0.2	-5.6	-2.1	2.3	2.3	3.4	2.8	2.5
Information	105.6	103.9	103.0	104.0	103.9	107.3	110.9	112.9
% Ch	3.1	-1.6	-0.9	0.9	-0.1	3.3	3.3	1.8
Software Publishers	50.9	51.5	50.9	51.6	52.6	53.9	55.2	56.3
% Ch	7.0	1.0	-1.1	1.5	1.9	2.5	2.4	2.0
Other Publishing Industries	10.3	8.7	8.2	7.8	7.3	7.4	7.2	7.1
% Ch	-4.6	-15.4	-6.3	-4.6	-6.0	0.4	-2.2	-2.3
Other Information	44.3	43.7	43.9	44.5	43.9	46.0	48.4	49.5
% Ch	0.8	-1.5	0.5	1.4	-1.4	4.8	5.3	2.2
Financial Activities	152.4	142.9	137.9	137.7	138.0	139.4	139.3	139.2
% Ch	-2.0	-6.2	-3.5	-0.1	0.2	1.0	-0.1	-0.1
Professional and Business Services	348.7	324.5	326.3	339.6	348.3	364.2	381.0	395.3
% Ch	1.2	-6.9	0.6	4.1	2.6	4.6	4.6	3.7
Education and Health Services	362.1	372.4	375.4	381.5	389.2	394.1	400.6	408.1
% Ch	4.0	2.8	0.8	1.6	2.0	1.2	1.6	1.9
Leisure and Hospitality	283.7	269.6	266.5	270.9	277.4	285.2	289.8	291.5
% Ch	1.1	-4.9	-1.2	1.6	2.4	2.8	1.6	0.6
Other Services	107.7	106.3	105.5	108.3	109.1	109.4	109.6	109.4
% Ch	2.3	-1.4	-0.7	2.7	0.7	0.2	0.2	-0.2
Federal Government	70.0	72.8	75.6	74.0	72.3	70.9	69.8	69.0
% Ch	1.9	3.9	3.8	-2.1	-2.3	-1.9	-1.5	-1.1
State and Local Government	476.4	476.7	474.4	469.7	465.8	465.5	469.1	474.9
% Ch	2.4	0.1	-0.5	-1.0	-0.8	-0.1	0.8	1.2

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2015

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,772.9	2,785.9	2,786.9	2,799.1	2,805.0	2,818.4	2,832.9	2,837.6
% Ch, Annual Rate	-1.6	1.9	0.1	1.8	0.8	1.9	2.1	0.7
Manufacturing	256.8	257.5	258.3	260.1	263.2	266.8	271.3	273.7
% Ch, Annual Rate	-1.4	1.2	1.2	2.9	4.9	5.6	7.0	3.6
Durable Manufacturing	183.5	183.5	184.3	185.8	188.3	192.0	195.9	197.9
% Ch, Annual Rate	-1.8	0.0	1.7	3.3	5.6	8.0	8.5	4.0
Wood Products	12.9	13.1	12.9	12.8	12.8	12.7	12.6	12.5
% Ch, Annual Rate	2.6	4.9	-5.9	-2.4	-0.5	-2.2	-4.3	-4.4
Primary and Fabricated Metals	21.2	21.2	21.4	21.7	22.3	22.9	23.2	23.4
% Ch, Annual Rate	2.2	0.1	3.8	7.2	10.2	10.8	5.9	3.8
Computer and Electronic Products	18.9	19.1	19.2	19.3	19.3	19.6	19.8	19.8
% Ch, Annual Rate	-4.2	3.9	2.8	1.5	1.8	5.1	5.3	-1.3
Machinery and Electrical Equipment	15.4	15.5	15.8	16.2	16.8	17.1	17.5	17.7
% Ch, Annual Rate	0.6	2.0	7.8	10.6	15.7	9.2	8.5	3.7
Aerospace	80.9	80.3	80.7	81.5	82.8	85.0	88.3	90.4
% Ch, Annual Rate	-2.0	-2.8	2.0	4.0	6.7	11.3	16.4	9.5
Other Transportation Equip.	8.7	8.8	9.0	8.9	9.1	9.3	9.2	9.3
% Ch, Annual Rate	-14.8	5.1	7.3	-3.2	9.9	8.0	-3.5	3.6
Other Durables	25.5	25.6	25.4	25.4	25.2	25.3	25.3	24.9
% Ch, Annual Rate	-1.4	0.8	-3.1	0.5	-3.3	1.7	-0.5	-5.5
Nondurable Manufacturing	73.3	74.1	74.0	74.3	74.9	74.8	75.4	75.9
% Ch, Annual Rate	-0.2	4.2	-0.3	1.6	3.1	-0.3	3.0	2.6
Food Manufacturing	33.2	33.8	33.6	33.8	34.2	34.2	34.7	35.1
% Ch, Annual Rate	-3.1	6.2	-1.5	1.9	5.3	-0.7	6.4	4.3
Paper and Paper Products	9.4	9.4	9.4	9.3	9.2	9.1	8.9	8.9
% Ch, Annual Rate	-3.7	-1.6	-0.1	-3.4	-4.4	-4.4	-8.7	-0.5
Other Nondurables	30.6	30.9	31.0	31.2	31.5	31.6	31.8	31.9
% Ch, Annual Rate	4.1	3.9	0.9	2.9	3.1	1.5	3.0	1.6
Natural Resources and Mining	5.8	5.9	6.0	5.8	6.0	6.0	5.9	6.1
% Ch, Annual Rate	4.7	9.3	1.7	-6.9	7.9	-0.2	-1.7	9.7
Construction	142.9	140.3	140.3	139.3	136.8	137.6	137.5	137.4
% Ch, Annual Rate	-13.4	-7.0	-0.1	-2.9	-7.0	2.4	-0.4	-0.4
Trade, Transportation, and Utilities	514.6	517.7	516.4	519.1	519.8	524.1	529.0	530.1
% Ch, Annual Rate	-0.5	2.4	-1.0	2.1	0.5	3.3	3.8	0.9
Wholesale Trade	119.8	120.6	119.9	120.3	121.0	122.0	122.9	123.7
% Ch, Annual Rate	-2.9	2.6	-2.1	1.3	2.1	3.5	3.0	2.5
Retail Trade	306.9	308.5	307.5	309.7	309.8	311.7	313.7	315.6
% Ch, Annual Rate	1.2	2.1	-1.2	2.8	0.1	2.5	2.6	2.5
Trans., Warehousing, and Utilities	87.9	88.6	88.9	89.1	89.1	90.4	92.4	90.8
% Ch, Annual Rate	-3.1	3.3	1.3	1.0	-0.1	5.9	9.1	-6.5
Information	103.0	102.7	102.8	103.4	103.8	103.9	104.2	104.0
% Ch, Annual Rate	1.8	-1.0	0.4	2.2	1.7	0.2	1.3	-1.0
Software Publishers	50.7	50.8	51.0	51.1	51.3	51.5	51.9	51.9
% Ch, Annual Rate	0.0	1.0	1.0	1.2	1.4	1.8	2.9	-0.2
Other Publishing Industries	8.3	8.2	8.2	8.1	8.0	7.9	7.7	7.7
% Ch, Annual Rate	-2.4	-2.0	-4.1	-2.3	-5.0	-6.8	-6.3	-4.0
Other Information	44.0	43.7	43.7	44.2	44.6	44.5	44.6	44.4
% Ch, Annual Rate	4.9	-3.1	0.5	4.2	3.3	-0.3	0.7	-1.4
Financial Activities	138.2	137.5	137.7	138.1	137.7	137.8	137.7	137.6
% Ch, Annual Rate	-4.3	-2.0	0.8	1.1	-1.3	0.5	-0.2	-0.4
Professional and Business Services	320.8	324.3	327.9	332.3	335.6	339.2	341.4	342.0
% Ch, Annual Rate	-0.6	4.4	4.5	5.5	4.0	4.5	2.6	0.7
Education and Health Services	372.9	374.5	375.9	378.2	379.4	380.1	382.9	383.7
% Ch, Annual Rate	-0.6	1.7	1.4	2.6	1.2	0.7	3.1	0.8
Leisure and Hospitality	264.5	266.5	266.6	268.4	268.5	271.0	271.1	272.9
% Ch, Annual Rate	-2.2	3.1	0.1	2.7	0.2	3.8	0.1	2.8
Other Services	104.5	104.8	105.8	106.8	107.5	108.4	108.6	108.9
% Ch, Annual Rate	-2.6	1.2	3.6	3.8	2.7	3.4	0.9	1.0
Federal Government	73.6	79.4	75.1	74.2	74.4	73.3	74.0	74.2
% Ch, Annual Rate	2.4	35.3	-20.0	-4.8	1.3	-5.8	3.5	1.1
State and Local Government	475.3	474.7	474.2	473.4	472.3	470.2	469.2	467.1
% Ch, Annual Rate	-0.4	-0.5	-0.4	-0.7	-0.9	-1.7	-0.9	-1.8

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2015

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	2,851.6	2,860.2	2,870.5	2,884.2	2,897.8	2,912.3	2,926.8	2,940.1
% Ch, Annual Rate	2.0	1.2	1.5	1.9	1.9	2.0	2.0	1.8
Manufacturing	276.0	278.4	280.0	281.4	282.9	285.7	287.2	289.0
% Ch, Annual Rate	3.3	3.6	2.3	2.0	2.2	3.9	2.2	2.4
Durable Manufacturing	200.2	202.5	204.4	205.6	207.2	209.8	211.3	212.9
% Ch, Annual Rate	4.9	4.7	3.7	2.5	3.2	5.0	2.9	3.0
Wood Products	12.6	12.6	12.8	13.1	13.5	14.1	14.8	15.5
% Ch, Annual Rate	4.8	-0.5	7.5	8.8	13.6	19.1	19.6	21.8
Primary and Fabricated Metals	23.9	24.4	24.6	24.6	24.7	25.3	25.7	26.2
% Ch, Annual Rate	8.9	8.6	2.7	0.7	1.4	9.3	8.0	7.1
Computer and Electronic Products	19.6	19.8	19.9	19.7	20.2	20.5	20.3	20.4
% Ch, Annual Rate	-2.6	3.1	2.6	-4.3	9.8	6.1	-2.3	0.9
Machinery and Electrical Equipment	17.9	18.3	18.8	19.2	19.7	20.5	21.1	21.6
% Ch, Annual Rate	4.7	10.1	10.4	10.0	10.9	17.6	12.8	8.8
Aerospace	91.6	92.5	93.2	93.9	93.9	93.9	93.6	93.2
% Ch, Annual Rate	5.4	4.4	3.0	3.0	0.0	0.0	-1.5	-1.5
Other Transportation Equip.	9.5	9.7	9.7	9.7	9.7	9.7	9.8	9.8
% Ch, Annual Rate	9.7	6.5	1.7	-1.2	1.8	0.6	0.9	1.2
Other Durables	25.1	25.2	25.4	25.4	25.5	25.7	25.9	26.2
% Ch, Annual Rate	3.9	1.5	1.9	0.7	1.5	3.8	3.4	3.2
Nondurable Manufacturing	75.7	75.9	75.6	75.8	75.7	75.9	75.9	76.1
% Ch, Annual Rate	-0.7	0.8	-1.2	0.7	-0.3	1.1	0.2	0.9
Food Manufacturing	35.2	35.5	35.1	35.0	34.7	34.6	34.5	34.4
% Ch, Annual Rate	1.5	3.2	-3.5	-1.8	-2.9	-1.0	-2.1	-0.3
Paper and Paper Products	8.5	8.2	8.1	8.2	8.2	8.3	8.4	8.5
% Ch, Annual Rate	-14.4	-15.3	-5.9	5.8	3.7	5.3	5.1	4.4
Other Nondurables	32.0	32.2	32.4	32.6	32.7	32.9	33.0	33.1
% Ch, Annual Rate	0.9	2.7	2.6	2.2	1.5	2.2	1.4	1.2
Natural Resources and Mining	6.1	6.1	6.1	6.2	6.2	6.3	6.4	6.5
% Ch, Annual Rate	2.5	2.5	-0.9	2.6	2.1	3.5	7.9	10.6
Construction	138.3	138.0	138.7	139.8	141.5	143.3	145.5	147.7
% Ch, Annual Rate	2.7	-0.8	2.1	3.1	4.9	5.2	6.3	6.3
Trade, Transportation, and Utilities	534.6	538.1	540.0	542.0	543.6	545.0	547.4	548.9
% Ch, Annual Rate	3.5	2.6	1.5	1.5	1.2	1.1	1.7	1.1
Wholesale Trade	125.0	126.0	126.5	126.9	127.4	128.0	128.8	129.5
% Ch, Annual Rate	4.3	3.3	1.7	1.2	1.6	1.8	2.7	2.0
Retail Trade	318.2	319.5	320.3	321.1	321.4	321.5	322.2	322.3
% Ch, Annual Rate	3.4	1.6	1.0	1.1	0.3	0.1	0.8	0.1
Trans., Warehousing, and Utilities	91.4	92.6	93.2	93.9	94.7	95.5	96.4	97.1
% Ch, Annual Rate	2.6	5.3	2.7	3.0	3.5	3.4	3.6	3.2
Information	103.6	103.8	103.3	104.8	105.7	106.9	108.0	108.6
% Ch, Annual Rate	-1.3	0.7	-1.9	6.1	3.2	4.9	4.1	2.2
Software Publishers	52.2	52.6	52.8	53.0	53.3	53.7	54.2	54.5
% Ch, Annual Rate	2.3	3.2	1.7	1.4	2.4	3.1	3.5	2.4
Other Publishing Industries	7.4	7.3	7.3	7.3	7.3	7.4	7.4	7.4
% Ch, Annual Rate	-11.2	-4.8	-2.9	1.7	-1.1	6.6	0.2	-3.0
Other Information	44.0	43.9	43.2	44.5	45.1	45.8	46.4	46.8
% Ch, Annual Rate	-3.6	-1.3	-6.0	12.8	4.8	6.8	5.5	2.8
Financial Activities	137.7	137.9	138.0	138.5	139.0	139.3	139.5	139.7
% Ch, Annual Rate	0.2	0.8	0.3	1.3	1.7	0.7	0.7	0.4
Professional and Business Services	344.5	346.6	349.0	353.1	357.7	362.0	366.6	370.7
% Ch, Annual Rate	3.0	2.4	2.8	4.8	5.3	4.9	5.2	4.5
Education and Health Services	386.4	388.2	390.5	391.9	392.4	393.5	394.7	395.7
% Ch, Annual Rate	2.9	1.8	2.4	1.4	0.5	1.1	1.2	1.0
Leisure and Hospitality	275.3	275.5	278.2	280.7	283.0	284.6	285.9	287.5
% Ch, Annual Rate	3.6	0.3	3.9	3.7	3.3	2.3	1.7	2.3
Other Services	108.9	109.2	109.1	109.2	109.3	109.3	109.4	109.5
% Ch, Annual Rate	0.2	0.9	-0.2	0.3	0.5	-0.2	0.3	0.3
Federal Government	73.6	72.1	71.9	71.6	71.3	71.1	70.8	70.5
% Ch, Annual Rate	-3.2	-7.7	-1.2	-1.5	-1.5	-1.6	-1.6	-1.6
State and Local Government	466.5	466.3	465.6	464.9	465.1	465.3	465.4	466.0
% Ch, Annual Rate	-0.5	-0.2	-0.6	-0.6	0.1	0.2	0.1	0.5

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2015

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Nonfarm Payroll Employment	2,953.8	2,968.0	2,981.9	2,995.9	3,007.7	3,018.7	3,029.8	3,041.8
% Ch, Annual Rate	1.9	1.9	1.9	1.9	1.6	1.5	1.5	1.6
Manufacturing	290.5	291.7	292.7	293.7	294.6	294.9	295.2	295.7
% Ch, Annual Rate	2.2	1.6	1.4	1.4	1.1	0.5	0.3	0.8
Durable Manufacturing	214.3	215.5	216.6	217.6	218.3	218.7	218.9	219.2
% Ch, Annual Rate	2.7	2.3	2.1	1.8	1.3	0.7	0.3	0.6
Wood Products	16.3	17.0	17.7	18.3	18.7	19.0	19.2	19.3
% Ch, Annual Rate	21.4	18.7	18.4	12.8	10.5	6.3	3.9	2.2
Primary and Fabricated Metals	26.6	26.9	27.1	27.3	27.4	27.5	27.5	27.7
% Ch, Annual Rate	5.9	4.6	3.0	3.3	1.9	0.5	0.7	2.3
Computer and Electronic Products	20.5	20.6	20.7	20.9	21.1	21.3	21.4	21.6
% Ch, Annual Rate	1.8	1.9	2.9	3.2	3.8	3.8	1.8	3.2
Machinery and Electrical Equipment	21.9	22.1	22.3	22.5	22.7	22.8	23.0	23.2
% Ch, Annual Rate	5.5	4.5	3.3	3.7	2.9	2.5	2.8	4.9
Aerospace	92.9	92.5	92.2	91.8	91.5	91.1	90.8	90.4
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Other Transportation Equip.	9.8	9.9	9.9	9.9	9.8	9.8	9.7	9.5
% Ch, Annual Rate	1.4	1.0	0.5	-0.4	-1.8	-1.8	-2.6	-6.1
Other Durables	26.4	26.6	26.8	27.0	27.1	27.3	27.4	27.5
% Ch, Annual Rate	3.2	3.3	3.0	2.9	2.7	1.9	1.6	1.5
Nondurable Manufacturing	76.2	76.2	76.1	76.1	76.2	76.2	76.3	76.5
% Ch, Annual Rate	0.6	-0.3	-0.4	0.1	0.6	-0.1	0.2	1.3
Food Manufacturing	34.4	34.2	34.1	34.1	34.1	34.1	34.1	34.3
% Ch, Annual Rate	-0.5	-1.7	-1.6	-0.3	0.6	-0.6	0.0	1.9
Paper and Paper Products	8.6	8.7	8.7	8.8	8.8	8.8	8.8	8.9
% Ch, Annual Rate	3.8	2.5	1.9	1.7	1.6	1.1	1.0	1.3
Other Nondurables	33.2	33.3	33.3	33.3	33.3	33.3	33.3	33.4
% Ch, Annual Rate	0.9	0.5	0.3	0.2	0.2	0.1	0.2	0.6
Natural Resources and Mining	6.7	6.9	7.1	7.3	7.5	7.6	7.8	7.8
% Ch, Annual Rate	11.0	10.8	11.3	12.7	11.2	8.3	6.0	4.2
Construction	150.1	153.0	155.6	158.4	161.0	163.0	165.4	167.9
% Ch, Annual Rate	6.6	8.1	6.9	7.5	6.5	5.1	6.0	6.4
Trade, Transportation, and Utilities	549.2	550.3	552.1	553.9	555.2	556.5	557.6	558.9
% Ch, Annual Rate	0.2	0.8	1.3	1.3	0.9	1.0	0.8	0.9
Wholesale Trade	129.8	130.3	130.7	131.0	131.4	131.7	132.2	132.6
% Ch, Annual Rate	1.2	1.3	1.2	1.1	1.0	1.0	1.4	1.2
Retail Trade	321.6	321.7	322.4	323.2	323.5	324.0	324.0	324.3
% Ch, Annual Rate	-0.9	0.1	0.9	1.0	0.4	0.6	0.0	0.3
Trans., Warehousing, and Utilities	97.7	98.4	99.0	99.6	100.3	100.9	101.5	102.0
% Ch, Annual Rate	2.5	2.5	2.6	2.6	2.6	2.4	2.4	2.3
Information	110.0	110.9	111.1	111.5	112.4	112.8	113.1	113.3
% Ch, Annual Rate	5.0	3.5	0.8	1.3	3.4	1.3	1.0	0.7
Software Publishers	54.8	55.1	55.4	55.6	55.9	56.2	56.5	56.7
% Ch, Annual Rate	2.1	2.1	2.1	1.8	2.1	2.1	1.8	1.5
Other Publishing Industries	7.3	7.2	7.2	7.1	7.1	7.1	7.0	7.0
% Ch, Annual Rate	-3.7	-3.0	-2.7	-3.2	-2.0	-1.4	-2.0	-2.3
Other Information	47.9	48.6	48.6	48.7	49.4	49.5	49.6	49.6
% Ch, Annual Rate	9.9	6.1	-0.2	1.4	5.6	0.9	0.5	0.2
Financial Activities	139.3	139.2	139.3	139.3	139.3	139.3	139.3	139.0
% Ch, Annual Rate	-1.0	-0.4	0.4	0.1	-0.1	-0.1	0.0	-0.9
Professional and Business Services	374.1	378.5	383.5	388.0	390.7	393.6	396.6	400.3
% Ch, Annual Rate	3.7	4.9	5.4	4.7	2.9	2.9	3.1	3.7
Education and Health Services	398.2	399.9	401.3	402.9	404.5	406.9	409.2	411.6
% Ch, Annual Rate	2.5	1.8	1.4	1.5	1.7	2.4	2.3	2.4
Leisure and Hospitality	288.8	289.6	290.1	290.6	291.2	291.3	291.7	292.0
% Ch, Annual Rate	1.9	1.1	0.6	0.7	0.8	0.2	0.5	0.5
Other Services	109.5	109.6	109.7	109.6	109.5	109.5	109.4	109.3
% Ch, Annual Rate	0.3	0.3	0.4	-0.5	-0.3	-0.1	-0.2	-0.3
Federal Government	70.2	69.9	69.7	69.5	69.3	69.1	69.0	68.8
% Ch, Annual Rate	-1.7	-1.5	-1.3	-1.2	-1.2	-0.9	-0.8	-0.9
State and Local Government	467.2	468.3	469.7	471.2	472.6	474.1	475.7	477.1
% Ch, Annual Rate	1.1	1.0	1.2	1.3	1.2	1.3	1.3	1.2

Table A3.1

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

Forecast 2012 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Personal Income	12,460.2	11,930.2	12,373.5	12,991.2	13,421.5	14,012.6	14,751.5	15,508.2
% Ch	4.6	-4.3	3.7	5.0	3.3	4.4	5.3	5.1
Total Wage and Salary Disbursements	6,550.9	6,270.4	6,408.2	6,668.2	6,889.7	7,177.6	7,513.1	7,865.0
% Ch	2.0	-4.3	2.2	4.1	3.3	4.2	4.7	4.7
Nonwage Personal Income	5,909.3	5,659.9	5,965.3	6,323.0	6,531.8	6,835.0	7,238.5	7,643.1
% Ch	7.6	-4.2	5.4	6.0	3.3	4.6	5.9	5.6
Supplements to Wages and Salaries	1,522.5	1,531.1	1,563.1	1,608.4	1,651.0	1,719.8	1,804.5	1,902.6
% Ch	5.7	0.6	2.1	2.9	2.6	4.2	4.9	5.4
Proprietor's Income	1,097.9	941.2	1,036.4	1,108.9	1,158.5	1,232.5	1,311.0	1,381.3
% Ch	0.7	-14.3	10.1	7.0	4.5	6.4	6.4	5.4
Farm	51.8	39.2	52.2	65.9	64.5	71.3	68.7	66.7
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,046.1	902.1	984.2	1,043.0	1,094.0	1,161.3	1,242.3	1,314.6
% Ch	-0.6	-13.8	9.1	6.0	4.9	6.2	7.0	5.8
Less: Contribution For Govt. Soc. Ins.	987.3	964.1	986.8	924.4	960.8	1,034.8	1,108.7	1,223.0
% Ch	2.9	-2.3	2.4	-6.3	3.9	7.7	7.1	10.3
Dividends/Int./Rent	2,397.0	2,013.6	2,071.4	2,193.9	2,313.6	2,459.2	2,608.2	2,794.2
% Ch	8.9	-16.0	2.9	5.9	5.5	6.3	6.1	7.1
Transfer Payments	1,879.2	2,138.1	2,281.2	2,336.3	2,369.5	2,458.2	2,623.6	2,788.0
% Ch	9.4	13.8	6.7	2.4	1.4	3.7	6.7	6.3

Table A3.2

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

Forecast 2012 to 2015

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,137.7	12,325.6	12,453.2	12,577.6	12,846.9	12,955.3	13,056.8	13,105.7
% Ch, Annual Rate	6.9	6.3	4.2	4.1	8.8	3.4	3.2	1.5
Total Wage and Salary Disbursements	6,301.6	6,399.8	6,454.5	6,477.0	6,578.2	6,617.1	6,724.3	6,753.2
% Ch, Annual Rate	1.9	6.4	3.5	1.4	6.4	2.4	6.6	1.7
Nonwage Personal Income	5,836.1	5,925.8	5,998.7	6,100.6	6,268.7	6,338.2	6,332.5	6,352.5
% Ch, Annual Rate	12.5	6.3	5.0	7.0	11.5	4.5	-0.4	1.3
Supplements to Wages and Salaries	1,550.9	1,560.2	1,567.7	1,573.7	1,594.4	1,602.7	1,613.9	1,622.6
% Ch, Annual Rate	4.7	2.4	1.9	1.5	5.4	2.1	2.8	2.2
Proprietor's Income	981.7	1,025.5	1,057.0	1,081.5	1,095.6	1,106.5	1,113.7	1,119.7
% Ch, Annual Rate	14.8	19.1	12.9	9.6	5.3	4.0	2.6	2.2
Farm	44.6	45.8	58.3	60.1	66.1	67.3	67.5	62.7
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	937.1	979.7	998.7	1,021.4	1,029.5	1,039.2	1,046.2	1,057.0
% Ch, Annual Rate	14.0	19.5	8.0	9.4	3.2	3.8	2.7	4.2
Less: Contribution For Govt. Soc. Ins.	976.0	985.7	991.5	994.1	911.5	917.4	932.4	936.3
% Ch, Annual Rate	6.2	4.0	2.4	1.1	-29.3	2.6	6.7	1.7
Dividends/Int./Rent	2,037.4	2,073.6	2,076.1	2,098.3	2,162.2	2,199.2	2,200.5	2,213.5
% Ch, Annual Rate	16.3	7.3	0.5	4.3	12.7	7.0	0.2	2.4
Transfer Payments	2,242.1	2,252.1	2,289.4	2,341.2	2,328.1	2,347.3	2,336.6	2,333.1
% Ch, Annual Rate	10.9	1.8	6.8	9.4	-2.2	3.3	-1.8	-0.6

Table A3.2 (continued)

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

Forecast 2012 to 2015

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	13,216.8	13,331.5	13,491.5	13,646.2	13,774.8	13,928.5	14,090.2	14,257.1
% Ch, Annual Rate	3.4	3.5	4.9	4.7	3.8	4.5	4.7	4.8
Total Wage and Salary Disbursements	6,806.9	6,847.9	6,916.0	6,988.0	7,062.8	7,136.7	7,215.2	7,295.9
% Ch, Annual Rate	3.2	2.4	4.0	4.2	4.3	4.2	4.5	4.5
Nonwage Personal Income	6,409.9	6,483.6	6,575.5	6,658.1	6,712.0	6,791.8	6,875.0	6,961.2
% Ch, Annual Rate	3.7	4.7	5.8	5.1	3.3	4.8	5.0	5.1
Supplements to Wages and Salaries	1,635.5	1,642.5	1,654.7	1,671.3	1,693.5	1,710.7	1,727.8	1,747.3
% Ch, Annual Rate	3.2	1.7	3.0	4.1	5.4	4.1	4.1	4.6
Proprietor's Income	1,130.8	1,145.9	1,168.8	1,188.4	1,205.9	1,223.8	1,241.8	1,258.6
% Ch, Annual Rate	4.0	5.4	8.2	6.9	6.0	6.1	6.0	5.5
Farm	60.3	62.9	66.6	68.2	71.2	72.3	71.7	69.8
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,070.5	1,083.0	1,102.2	1,120.2	1,134.7	1,151.5	1,170.1	1,188.7
% Ch, Annual Rate	5.2	4.7	7.3	6.7	5.3	6.1	6.6	6.5
Less: Contribution For Govt. Soc. Ins.	949.4	954.5	964.1	974.9	1,021.2	1,030.8	1,037.5	1,049.7
% Ch, Annual Rate	5.7	2.2	4.1	4.5	20.4	3.8	2.6	4.8
Dividends/Int./Rent	2,249.7	2,290.0	2,339.0	2,375.7	2,408.9	2,441.8	2,473.6	2,512.7
% Ch, Annual Rate	6.7	7.4	8.8	6.4	5.7	5.6	5.3	6.5
Transfer Payments	2,343.4	2,359.8	2,377.2	2,397.7	2,424.8	2,446.4	2,469.2	2,492.3
% Ch, Annual Rate	1.8	2.8	3.0	3.5	4.6	3.6	3.8	3.8

Table A3.2 (continued)

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

Forecast 2012 to 2015

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Personal Income	14,479.4	14,655.3	14,841.7	15,029.7	15,222.9	15,412.6	15,602.0	15,795.2
% Ch, Annual Rate	6.4	4.9	5.2	5.2	5.2	5.1	5.0	5.0
Total Wage and Salary Disbursements	7,382.8	7,467.5	7,556.0	7,646.1	7,736.0	7,821.9	7,908.1	7,994.2
% Ch, Annual Rate	4.9	4.7	4.8	4.9	4.8	4.5	4.5	4.4
Nonwage Personal Income	7,096.6	7,187.8	7,285.8	7,383.6	7,487.0	7,590.7	7,693.8	7,800.9
% Ch, Annual Rate	8.0	5.2	5.6	5.5	5.7	5.7	5.5	5.7
Supplements to Wages and Salaries	1,774.1	1,794.0	1,813.8	1,836.0	1,865.9	1,889.2	1,913.9	1,941.3
% Ch, Annual Rate	6.3	4.6	4.5	5.0	6.7	5.1	5.3	5.8
Proprietor's Income	1,276.8	1,301.9	1,322.2	1,343.0	1,357.2	1,375.3	1,389.1	1,403.6
% Ch, Annual Rate	5.9	8.1	6.4	6.4	4.3	5.4	4.1	4.3
Farm	69.3	69.1	68.3	68.0	67.0	66.8	66.5	66.7
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,207.4	1,232.7	1,254.0	1,275.0	1,290.3	1,308.6	1,322.5	1,336.9
% Ch, Annual Rate	6.4	8.6	7.1	6.9	4.9	5.8	4.3	4.4
Less: Contribution For Govt. Soc. Ins.	1,091.5	1,103.0	1,113.7	1,126.8	1,205.1	1,216.9	1,228.3	1,241.6
% Ch, Annual Rate	16.9	4.3	4.0	4.8	30.8	4.0	3.8	4.4
Dividends/Int./Rent	2,552.9	2,584.6	2,626.9	2,668.4	2,719.4	2,768.2	2,818.5	2,870.7
% Ch, Annual Rate	6.5	5.1	6.7	6.5	7.9	7.4	7.5	7.6
Transfer Payments	2,584.4	2,610.4	2,636.6	2,662.9	2,749.6	2,774.8	2,800.7	2,827.0
% Ch, Annual Rate	15.6	4.1	4.1	4.1	13.7	3.7	3.8	3.8

Table A3.3

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Personal Income	289.434	278.944	287.175	302.005	312.703	327.335	345.816	364.502
% Ch	6.2	-3.6	3.0	5.2	3.5	4.7	5.6	5.4
Total Wage and Salary Disbursements	150.684	146.885	148.780	155.525	160.996	167.892	176.366	184.871
% Ch	3.3	-2.5	1.3	4.5	3.5	4.3	5.0	4.8
Manufacturing	17.922	16.738	16.837	18.366	19.771	20.551	21.523	22.341
% Ch	1.7	-6.6	0.6	9.1	7.6	3.9	4.7	3.8
Durable Manufacturing	14.079	13.142	13.247	14.622	15.869	16.523	17.357	18.035
% Ch	2.2	-6.7	0.8	10.4	8.5	4.1	5.0	3.9
Nondurable Manufacturing	3.844	3.596	3.591	3.744	3.902	4.028	4.167	4.307
% Ch	-0.4	-6.4	-0.1	4.3	4.2	3.2	3.5	3.4
Nonmanufacturing	126.425	123.657	125.376	130.446	134.449	140.595	148.055	155.622
% Ch	3.2	-2.2	1.4	4.0	3.1	4.6	5.3	5.1
Other Private Wages	0.906	0.841	0.844	0.908	0.940	0.963	0.993	1.021
% Ch	3.0	-7.2	0.4	7.7	3.5	2.5	3.1	2.8
Farm Wages	1.400	1.435	1.388	1.421	1.458	1.522	1.597	1.674
% Ch	24.3	2.5	-3.2	2.3	2.7	4.4	5.0	4.8
Military Wages	4.032	4.215	4.335	4.384	4.378	4.261	4.198	4.213
% Ch	10.6	4.5	2.8	1.1	-0.1	-2.7	-1.5	0.4
Nonwage Personal Income	138.750	132.060	138.395	146.481	151.707	159.443	169.451	179.632
% Ch	9.4	-4.8	4.8	5.8	3.6	5.1	6.3	6.0
Supplements to Wages and Salaries	36.280	37.450	38.571	40.169	41.508	43.525	45.933	48.595
% Ch	6.4	3.2	3.0	4.1	3.3	4.9	5.5	5.8
Proprietor's Income	23.150	20.188	20.598	21.484	22.582	24.191	25.861	27.314
% Ch	-2.1	-12.8	2.0	4.3	5.1	7.1	6.9	5.6
Farm	1.094	0.454	1.081	1.063	1.122	1.339	1.335	1.321
% Ch	...	...	...	...	...	...	...	...
Nonfarm	22.056	19.734	19.516	20.421	21.460	22.852	24.525	25.992
% Ch	-2.1	-10.5	-1.1	4.6	5.1	6.5	7.3	6.0
Less: Contribution For Govt. Soc. Ins.	25.055	24.988	25.721	24.682	25.905	27.872	29.851	32.752
% Ch	2.4	-0.3	2.9	-4.0	5.0	7.6	7.1	9.7
Plus: Residence Adjustment	3.057	2.781	2.936	3.164	3.255	3.399	3.561	3.742
% Ch	1.0	-9.0	5.6	7.8	2.9	4.4	4.8	5.1
Dividends/Int./Rent	63.010	51.437	53.013	56.556	59.692	63.584	67.616	72.672
% Ch	13.0	-18.4	3.1	6.7	5.5	6.5	6.3	7.5
Transfer Payments	38.308	45.193	48.999	49.790	50.576	52.616	56.332	60.062
% Ch	10.3	18.0	8.4	1.6	1.6	4.0	7.1	6.6
State U.I. Benefits	1.192	3.675	4.216	3.245	2.646	2.484	2.290	2.069
% Ch	61.4	208.3	14.7	-23.0	-18.4	-6.1	-7.8	-9.6
Other Transfers	37.117	41.518	44.783	46.545	47.930	50.133	54.042	57.993
% Ch	9.2	11.9	7.9	3.9	3.0	4.6	7.8	7.3

Table A3.4

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2015

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	282.453	285.535	288.613	292.097	299.365	300.550	304.489	303.617
% Ch, Annual Rate	4.8	4.4	4.4	4.9	10.3	1.6	5.3	-1.1
Total Wage and Salary Disbursements	147.008	147.908	149.427	150.775	154.227	153.715	157.673	156.484
% Ch, Annual Rate	1.0	2.5	4.2	3.7	9.5	-1.3	10.7	-3.0
Manufacturing	16.669	16.730	17.021	16.928	18.040	17.592	19.083	18.748
% Ch, Annual Rate	-5.0	1.5	7.1	-2.2	29.0	-9.6	38.4	-6.8
Durable Manufacturing	13.145	13.152	13.374	13.315	14.331	13.859	15.402	14.895
% Ch, Annual Rate	-4.3	0.2	6.9	-1.8	34.2	-12.5	52.5	-12.5
Nondurable Manufacturing	3.524	3.578	3.647	3.613	3.710	3.733	3.681	3.854
% Ch, Annual Rate	-7.4	6.3	7.9	-3.7	11.1	2.5	-5.4	20.1
Nonmanufacturing	123.746	124.628	125.831	127.299	129.510	129.440	131.838	130.994
% Ch, Annual Rate	1.6	2.9	3.9	4.7	7.1	-0.2	7.6	-2.5
Other Private Wages	0.831	0.820	0.851	0.872	0.865	0.904	0.937	0.927
% Ch, Annual Rate	17.0	-5.2	16.0	10.2	-3.3	19.5	15.3	-4.1
Farm Wages	1.389	1.388	1.388	1.388	1.444	1.402	1.413	1.423
% Ch, Annual Rate	-14.9	-0.3	0.0	0.0	17.1	-11.1	3.2	2.9
Military Wages	4.373	4.342	4.336	4.288	4.368	4.376	4.402	4.391
% Ch, Annual Rate	13.9	-2.8	-0.6	-4.4	7.7	0.7	2.4	-1.0
Nonwage Personal Income	135.444	137.627	139.186	141.322	145.138	146.835	146.816	147.133
% Ch, Annual Rate	9.1	6.6	4.6	6.3	11.2	4.8	-0.1	0.9
Supplements to Wages and Salaries	38.255	38.298	38.688	39.042	39.625	39.796	40.498	40.756
% Ch, Annual Rate	6.1	0.5	4.1	3.7	6.1	1.7	7.2	2.6
Proprietor's Income	19.687	20.448	21.047	21.208	21.211	21.501	21.537	21.686
% Ch, Annual Rate	-18.3	16.4	12.2	3.1	0.1	5.6	0.7	2.8
Farm	0.815	0.921	1.326	1.263	1.065	1.138	1.053	0.994
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	18.872	19.527	19.721	19.945	20.146	20.363	20.484	20.692
% Ch, Annual Rate	-23.5	14.6	4.0	4.6	4.1	4.4	2.4	4.1
Less: Contribution For Govt. Soc. Ins.	25.429	25.547	25.828	26.079	24.206	24.315	24.955	25.250
% Ch, Annual Rate	7.2	1.9	4.5	3.9	-25.8	1.8	11.0	4.8
Plus: Residence Adjustment	2.886	2.935	2.960	2.962	3.123	3.159	3.171	3.203
% Ch, Annual Rate	19.5	7.0	3.5	0.3	23.6	4.7	1.5	4.1
Dividends/Int./Rent	51.978	53.077	53.152	53.843	55.688	56.762	56.739	57.034
% Ch, Annual Rate	19.0	8.7	0.6	5.3	14.4	7.9	-0.2	2.1
Transfer Payments	48.067	48.416	49.167	50.346	49.697	49.932	49.826	49.704
% Ch, Annual Rate	13.2	2.9	6.4	9.9	-5.1	1.9	-0.8	-1.0
State U.I. Benefits	4.587	4.300	4.102	3.876	3.521	3.154	3.153	3.150
% Ch, Annual Rate	17.9	-22.8	-17.2	-20.3	-31.9	-35.6	-0.1	-0.4
Other Transfers	43.480	44.116	45.065	46.470	46.176	46.778	46.673	46.554
% Ch, Annual Rate	12.7	6.0	8.9	13.1	-2.5	5.3	-0.9	-1.0

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2015

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	308.359	310.140	314.817	317.497	320.641	325.276	330.193	333.230
% Ch, Annual Rate	6.4	2.3	6.2	3.4	4.0	5.9	6.2	3.7
Total Wage and Salary Disbursements	159.776	159.649	161.988	162.569	164.320	166.927	169.742	170.579
% Ch, Annual Rate	8.7	-0.3	6.0	1.4	4.4	6.5	6.9	2.0
Manufacturing	20.207	19.355	19.632	19.890	20.136	20.447	20.683	20.938
% Ch, Annual Rate	34.9	-15.8	5.9	5.4	5.1	6.3	4.7	5.0
Durable Manufacturing	16.344	15.464	15.722	15.944	16.164	16.436	16.640	16.854
% Ch, Annual Rate	45.0	-19.8	6.9	5.8	5.6	6.9	5.1	5.3
Nondurable Manufacturing	3.863	3.890	3.910	3.946	3.973	4.011	4.043	4.083
% Ch, Annual Rate	1.0	2.9	2.0	3.8	2.7	4.0	3.2	4.1
Nonmanufacturing	132.729	133.500	135.597	135.969	137.403	139.724	142.319	142.936
% Ch, Annual Rate	5.4	2.3	6.4	1.1	4.3	6.9	7.6	1.7
Other Private Wages	0.938	0.935	0.940	0.946	0.953	0.960	0.967	0.973
% Ch, Annual Rate	5.0	-1.7	2.2	2.7	3.0	2.8	3.0	2.8
Farm Wages	1.447	1.447	1.461	1.478	1.495	1.513	1.531	1.548
% Ch, Annual Rate	7.0	-0.1	4.0	4.6	4.9	4.7	4.8	4.7
Military Wages	4.455	4.414	4.359	4.286	4.331	4.284	4.243	4.184
% Ch, Annual Rate	5.9	-3.6	-4.9	-6.5	4.3	-4.3	-3.8	-5.4
Nonwage Personal Income	148.582	150.490	152.829	154.928	156.322	158.349	160.451	162.650
% Ch, Annual Rate	4.0	5.2	6.4	5.6	3.6	5.3	5.4	5.6
Supplements to Wages and Salaries	41.066	41.255	41.614	42.098	42.767	43.270	43.759	44.303
% Ch, Annual Rate	3.1	1.9	3.5	4.7	6.5	4.8	4.6	5.1
Proprietor's Income	21.965	22.313	22.809	23.239	23.618	24.004	24.392	24.750
% Ch, Annual Rate	5.2	6.5	9.2	7.8	6.7	6.7	6.6	6.0
Farm	0.993	1.079	1.179	1.235	1.313	1.351	1.357	1.334
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	20.972	21.234	21.630	22.004	22.305	22.653	23.035	23.416
% Ch, Annual Rate	5.5	5.1	7.7	7.1	5.6	6.4	6.9	6.8
Less: Contribution For Govt. Soc. Ins.	25.595	25.740	25.992	26.294	27.483	27.762	27.957	28.287
% Ch, Annual Rate	5.6	2.3	4.0	4.7	19.4	4.1	2.8	4.8
Plus: Residence Adjustment	3.191	3.241	3.277	3.311	3.344	3.379	3.416	3.456
% Ch, Annual Rate	-1.5	6.5	4.5	4.3	4.1	4.1	4.5	4.9
Dividends/Int./Rent	57.995	59.069	60.362	61.341	62.229	63.113	63.972	65.023
% Ch, Annual Rate	6.9	7.6	9.1	6.6	5.9	5.8	5.6	6.7
Transfer Payments	49.961	50.352	50.759	51.232	51.846	52.345	52.869	53.405
% Ch, Annual Rate	2.1	3.2	3.3	3.8	4.9	3.9	4.1	4.1
State U.I. Benefits	2.759	2.650	2.617	2.558	2.533	2.505	2.469	2.428
% Ch, Annual Rate	-41.1	-14.9	-4.9	-8.8	-3.8	-4.3	-5.7	-6.5
Other Transfers	47.202	47.702	48.142	48.674	49.313	49.840	50.401	50.977
% Ch, Annual Rate	5.7	4.3	3.7	4.5	5.4	4.3	4.6	4.7

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2015

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Personal Income	338.354	343.558	348.881	352.472	356.886	362.351	367.521	371.250
% Ch, Annual Rate	6.3	6.3	6.3	4.2	5.1	6.3	5.8	4.1
Total Wage and Salary Disbursements	172.491	175.402	178.233	179.337	181.240	184.059	186.591	187.592
% Ch, Annual Rate	4.6	6.9	6.6	2.5	4.3	6.4	5.6	2.2
Manufacturing	21.184	21.413	21.637	21.861	22.075	22.257	22.427	22.607
% Ch, Annual Rate	4.8	4.4	4.3	4.2	4.0	3.4	3.1	3.2
Durable Manufacturing	17.062	17.262	17.457	17.646	17.820	17.971	18.106	18.241
% Ch, Annual Rate	5.0	4.8	4.6	4.4	4.0	3.4	3.0	3.0
Nondurable Manufacturing	4.121	4.151	4.180	4.215	4.254	4.286	4.321	4.365
% Ch, Annual Rate	3.8	2.9	2.8	3.4	3.8	3.0	3.3	4.2
Nonmanufacturing	144.517	147.206	149.805	150.690	152.269	154.901	157.246	158.071
% Ch, Annual Rate	4.5	7.7	7.3	2.4	4.3	7.1	6.2	2.1
Other Private Wages	0.981	0.989	0.997	1.004	1.012	1.018	1.024	1.030
% Ch, Annual Rate	3.3	3.1	3.1	3.0	3.1	2.5	2.5	2.4
Farm Wages	1.568	1.588	1.607	1.627	1.647	1.665	1.683	1.700
% Ch, Annual Rate	5.2	5.1	5.0	4.9	5.0	4.5	4.4	4.3
Military Wages	4.241	4.206	4.188	4.156	4.238	4.219	4.211	4.185
% Ch, Annual Rate	5.5	-3.2	-1.7	-3.0	8.1	-1.8	-0.7	-2.5
Nonwage Personal Income	165.863	168.157	170.648	173.136	175.646	178.291	180.931	183.658
% Ch, Annual Rate	8.1	5.6	6.1	6.0	5.9	6.2	6.1	6.2
Supplements to Wages and Salaries	45.076	45.650	46.200	46.805	47.639	48.252	48.894	49.593
% Ch, Annual Rate	7.2	5.2	4.9	5.3	7.3	5.2	5.4	5.8
Proprietor's Income	25.135	25.671	26.100	26.535	26.827	27.196	27.471	27.761
% Ch, Annual Rate	6.4	8.8	6.9	6.8	4.5	5.6	4.1	4.3
Farm	1.335	1.341	1.332	1.333	1.320	1.320	1.320	1.326
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	23.800	24.330	24.768	25.202	25.508	25.876	26.151	26.435
% Ch, Annual Rate	6.7	9.2	7.4	7.2	4.9	5.9	4.3	4.4
Less: Contribution For Govt. Soc. Ins.	29.374	29.700	29.992	30.339	32.296	32.598	32.890	33.225
% Ch, Annual Rate	16.3	4.5	4.0	4.7	28.4	3.8	3.6	4.1
Plus: Residence Adjustment	3.498	3.538	3.582	3.629	3.673	3.719	3.765	3.812
% Ch, Annual Rate	4.9	4.6	5.1	5.3	5.0	5.1	5.1	5.1
Dividends/Int./Rent	66.107	66.975	68.124	69.257	70.639	71.967	73.332	74.748
% Ch, Annual Rate	6.8	5.4	7.0	6.8	8.2	7.7	7.8	8.0
Transfer Payments	55.421	56.023	56.634	57.249	59.164	59.756	60.359	60.968
% Ch, Annual Rate	16.0	4.4	4.4	4.4	14.1	4.1	4.1	4.1
State U.I. Benefits	2.381	2.324	2.261	2.193	2.138	2.092	2.046	2.001
% Ch, Annual Rate	-7.4	-9.2	-10.4	-11.6	-9.6	-8.4	-8.6	-8.4
Other Transfers	53.039	53.699	54.373	55.057	57.026	57.664	58.313	58.967
% Ch, Annual Rate	17.2	5.1	5.1	5.1	15.1	4.6	4.6	4.6

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.508	8.8	0.909	10.4	0.916	10.8
1982	0.536	5.5	0.965	6.2	0.978	6.7
1983	0.559	4.3	0.996	3.2	0.993	1.5
1984	0.580	3.8	1.039	4.4	1.030	3.8
1985	0.599	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	4.4	1.239	4.8	1.181	4.7
1990	0.722	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.770	2.9	1.403	3.0	1.390	3.7
1993	0.787	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.821	2.2	1.524	2.8	1.522	3.0
1996	0.839	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	0.928	1.4	1.799	1.6	1.893	2.0
2003	0.947	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	1.089	3.3	2.153	3.8	2.247	4.2
2009	1.092	0.2	2.146	-0.3	2.260	0.6
2010	1.111	1.8	2.181	1.6	2.267	0.3
2011	1.138	2.5	2.249	3.1	2.328	2.7
Forecast						
2012	1.158	1.7	2.292	1.9	2.376	2.1
2013	1.175	1.5	2.332	1.8	2.425	2.0
2014	1.200	2.1	2.388	2.4	2.486	2.5
2015	1.226	2.2	2.443	2.3	2.546	2.4

* 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	Index	Percent Change
1971	19.284	5.5	25.847	2.3	8.320	6.4	14.588	0.7
1972	20.102	4.2	27.079	4.8	8.372	0.6	14.777	1.3
1973	21.077	4.9	30.506	12.7	9.596	14.6	16.190	9.6
1974	22.866	8.5	35.145	15.2	15.249	58.9	21.871	35.1
1975	24.834	8.6	37.788	7.5	16.546	8.5	23.339	6.7
1976	26.556	6.9	38.490	1.9	17.748	7.3	24.331	4.2
1977	28.558	7.5	40.757	5.9	20.082	13.2	25.740	5.8
1978	30.778	7.8	44.657	9.6	21.234	5.7	26.858	4.3
1979	33.350	8.4	49.043	9.8	29.275	37.9	35.994	34.0
1980	36.802	10.3	53.166	8.4	41.107	40.4	49.955	38.8
1981	40.555	10.2	56.954	7.1	50.292	22.3	55.584	11.3
1982	43.709	7.8	58.452	2.6	49.320	-1.9	52.773	-5.1
1983	46.430	6.2	59.124	1.1	45.470	-7.8	51.047	-3.3
1984	48.847	5.2	60.900	3.0	46.482	2.2	50.283	-1.5
1985	51.049	4.5	61.563	1.1	44.670	-3.9	50.689	0.8
1986	53.375	4.6	63.012	2.4	34.976	-21.7	39.810	-21.5
1987	55.409	3.8	65.000	3.2	35.885	2.6	41.340	3.8
1988	58.123	4.9	66.939	3.0	35.869	0.0	41.691	0.8
1989	60.840	4.7	70.469	5.3	38.004	6.0	45.539	9.2
1990	63.808	4.9	73.911	4.9	45.768	20.4	51.843	13.8
1991	66.581	4.3	76.232	3.1	43.574	-4.8	51.162	-1.3
1992	69.236	4.0	76.817	0.8	41.800	-4.1	50.963	-0.4
1993	71.294	3.0	77.891	1.4	41.512	-0.7	50.446	-1.0
1994	73.200	2.7	79.195	1.7	40.757	-1.8	50.685	0.5
1995	75.365	3.0	80.912	2.2	40.377	-0.9	51.491	1.6
1996	77.473	2.8	83.380	3.1	45.763	13.3	54.646	6.1
1997	79.812	3.0	84.969	1.9	45.838	0.2	54.634	0.0
1998	81.689	2.4	86.037	1.3	40.620	-11.4	47.556	-13.0
1999	83.509	2.2	87.446	1.6	41.316	1.7	51.789	8.9
2000	85.818	2.8	89.499	2.3	60.575	46.6	66.170	27.8
2001	88.422	3.0	92.130	2.9	59.392	-2.0	63.776	-3.6
2002	90.801	2.7	93.542	1.5	52.949	-10.8	59.916	-6.1
2003	93.686	3.2	95.296	1.9	64.078	21.0	69.783	16.5
2004	96.688	3.2	98.255	3.1	74.588	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	34.1	100.000	21.8
2006	103.415	3.4	101.688	1.7	114.203	14.2	112.842	12.8
2007	106.981	3.4	105.647	3.9	123.490	8.1	123.921	9.8
2008	110.584	3.4	112.066	6.1	168.372	36.3	144.927	17.0
2009	112.353	1.6	113.494	1.3	114.129	-32.2	106.069	-26.8
2010	114.464	1.9	113.853	0.3	133.927	17.3	125.441	18.3
2011	116.513	1.8	118.398	4.0	171.675	28.2	158.481	26.3
Forecast								
2012	119.008	2.1	121.697	2.8	169.561	-1.2	154.975	-2.2
2013	121.646	2.2	124.294	2.1	162.145	-4.4	146.058	-5.8
2014	124.851	2.6	127.634	2.7	162.006	-0.1	144.310	-1.2
2015	128.240	2.7	131.199	2.8	161.629	-0.2	142.606	-1.2

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	98.7	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	5970.3	76.2	1.3	80.7	43.9	39.4
2002	6059.3	89.0	1.5	79.3	44.9	54.6
2003	6126.9	67.6	1.1	79.1	44.7	33.2
2004	6208.5	81.6	1.3	81.0	46.0	46.7
2005	6298.8	90.3	1.5	81.8	45.6	54.1
2006	6420.3	121.4	1.9	83.2	45.3	83.5
2007	6525.1	104.8	1.6	87.8	46.2	63.2
2008	6608.2	83.2	1.3	89.6	47.9	41.5
2009	6672.2	63.9	1.0	89.8	48.1	22.2
2010	6724.5	52.4	0.8	88.4	47.7	11.6
2011	6767.9	43.4	0.6	86.5	48.0	4.8
Forecast						
2012	6816.6	48.7	0.7	87.5	48.9	10.1
2013	6875.9	59.3	0.9	88.7	49.9	20.5
2014	6944.7	68.8	1.0	90.0	51.5	30.3
2015	7022.2	77.5	1.1	91.3	53.0	39.2

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		2012	Forecast		
	2010	2011		2013	2014	2015
Total Population	6724.5	6767.9	6816.6	6875.9	6944.7	7022.2
Percent Change	0.8	0.6	0.7	0.9	1.0	1.1
Age 17 and Under	1581.4	1574.7	1573.4	1577.8	1587.4	1600.5
Percent of Total	23.5	23.3	23.1	22.9	22.9	22.8
Age 6-18	1149.6	1142.4	1136.9	1138.9	1145.1	1152.8
Percent of Total	17.1	16.9	16.7	16.6	16.5	16.4
Age 18 and Over	5143.2	5193.2	5243.2	5298.1	5357.3	5421.7
Percent of Total	76.5	76.7	76.9	77.1	77.1	77.2
Age 21 and Over	4860.6	4910.7	4963.6	5022.9	5086.9	5152.9
Percent of Total	72.3	72.6	72.8	73.1	73.2	73.4
Age 20-34	1395.3	1403.2	1412.1	1422.8	1434.2	1439.8
Percent of Total	20.7	20.7	20.7	20.7	20.7	20.5
Age 18-64	4315.5	4341.2	4348.9	4360.4	4379.1	4401.1
Percent of Total	64.2	64.1	63.8	63.4	63.1	62.7
Age 65 and Over	827.7	852.0	894.4	937.6	978.2	1020.6
Percent of Total	12.3	12.6	13.1	13.6	14.1	14.5

* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1

Summary of National and State Indicators

Indicator	Latest Data	Indication*
U.S. Leading Index	May 2012	+
U.S. Real GDP Growth	1st quarter 2012	-
U.S. ISM Index	June 2012	-
U.S. Employment YoY%Δ	May 2012	-
U.S. Unemployment Rate	May 2012	-
U.S. Job Openings	April 2012	-
U.S. Fed Funds Target	June 2012	unchanged
U.S. Consumer Confidence	June 2012	-
U.S. Consumer Sentiment	June 2012	-
U.S. Light Vehicle Sales	May 2012	-
U.S. CPI	May 2012	+
U.S. Monster Employment Index	May 2012	+
S&P 500 Index	June 2012	+
WA Leading Index	May 2012	unchanged
WA ISM-WW Index	May 2012	-
WA Help Wanted Index	May 2012	+
WA Employment YoY%Δ	May 2012	+
WA Aerospace Empl. YoY%Δ	May 2012	unchanged
WA Unemployment Rate	May 2012	-
WA Business Cycle Indicator	May 2012	-
WA Initial Unemploy. Claims	May 2012	+
WA Housing Permits	May 2012	-
WA Weekly Hours in Mfg.	May 2012	unchanged
WA New Vehicle Registration	May 2012	+
WA In-Migration	May 2012	unchanged
WA Exports-Total YoY%Δ	1st quarter 2012	+
WA Exports- w/o Trans. Equip. YoY%Δ	1st quarter 2012	-
Seattle CPI	April 2012	-
Seattle Monster Employment Index	May 2012	+

*Change from the previous reading

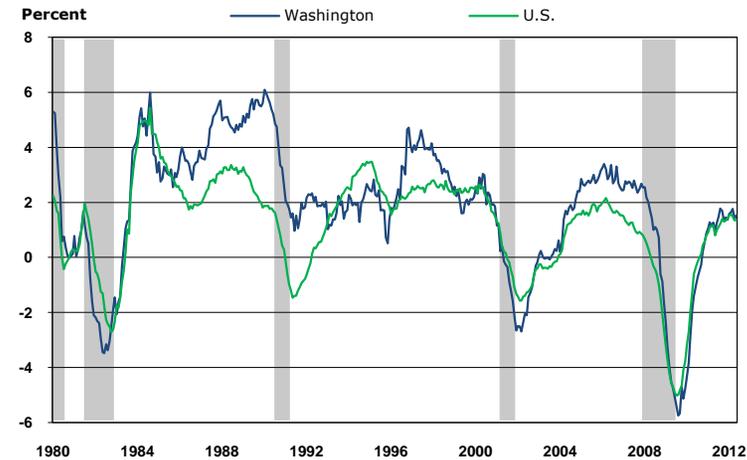
Table A6.2
Washington Business Indicators
 Historical Data

	WA Index of Leading Indicators	U.S. Index of Leading Indicators	WA State Help-Wanted Index	WA Purchasing Management Index	U.S. Purchasing Management Index
2007:01	112.7	106.7	115.0	66.4	49.5
2007:02	114.5	106.8	118.3	62.3	51.9
2007:03	114.1	107.1	122.1	64.9	50.7
2007:04	114.6	106.9	125.9	68.4	52.6
2007:05	115.9	107.0	131.0	69.6	52.5
2007:06	115.3	106.7	127.5	67.8	52.6
2007:07	115.8	106.6	126.2	65.4	52.4
2007:08	116.1	106.0	128.5	64.3	50.9
2007:09	116.5	105.4	131.0	58.1	51.0
2007:10	116.6	104.8	129.6	56.8	51.1
2007:11	116.8	103.9	132.8	53.0	50.5
2007:12	115.7	103.0	125.6	58.7	49.0
2008:01	114.8	101.9	119.1	66.7	50.3
2008:02	115.1	101.0	116.0	62.3	47.6
2008:03	115.5	99.5	123.2	55.2	48.3
2008:04	116.0	99.0	121.3	65.0	48.8
2008:05	114.6	98.1	118.5	60.3	48.8
2008:06	114.7	97.5	117.1	63.8	49.8
2008:07	113.2	95.4	111.2	60.2	50.0
2008:08	112.0	94.1	110.0	65.3	49.2
2008:09	110.4	92.0	110.2	48.6	44.8
2008:10	107.2	89.2	105.8	50.9	38.9
2008:11	104.1	86.8	99.8	50.0	36.5
2008:12	103.3	84.5	96.7	42.3	33.1
2009:01	102.1	82.9	91.8	52.8	34.9
2009:02	99.6	81.8	87.6	48.1	35.6
2009:03	97.3	80.4	78.7	40.9	36.0
2009:04	97.9	80.7	77.6	46.7	39.8
2009:05	98.4	81.1	77.1	48.5	42.0
2009:06	99.0	81.7	76.0	50.2	45.8
2009:07	99.4	82.4	77.9	46.7	49.2
2009:08	99.9	83.1	78.3	53.2	53.5
2009:09	100.2	83.7	77.6	52.9	54.2
2009:10	100.9	84.3	78.3	59.5	55.9
2009:11	102.0	85.2	81.5	54.8	54.3
2009:12	102.5	86.3	83.0	61.4	55.8
2010:01	103.2	86.8	83.8	63.0	56.7
2010:02	102.9	86.9	85.9	56.0	55.8
2010:03	103.9	88.4	88.3	56.1	59.3
2010:04	104.3	88.9	91.5	63.2	59.0
2010:05	103.8	89.0	92.4	62.4	58.8
2010:06	104.0	88.9	94.9	63.0	56.0
2010:07	104.6	89.1	94.2	55.9	55.7
2010:08	104.9	89.2	92.1	58.6	57.4
2010:09	105.3	89.7	93.4	60.3	56.4
2010:10	106.2	89.8	94.4	65.8	57.0
2010:11	106.9	90.5	94.6	60.4	58.0
2010:12	107.7	91.7	95.5	61.0	57.3
2011:01	107.9	91.8	99.9	68.0	59.9
2011:02	108.3	92.7	99.7	70.5	59.8
2011:03	109.4	93.7	100.3	65.5	59.7
2011:04	111.2	93.7	102.8	68.2	59.7
2011:05	111.3	94.2	102.1	64.7	54.2

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

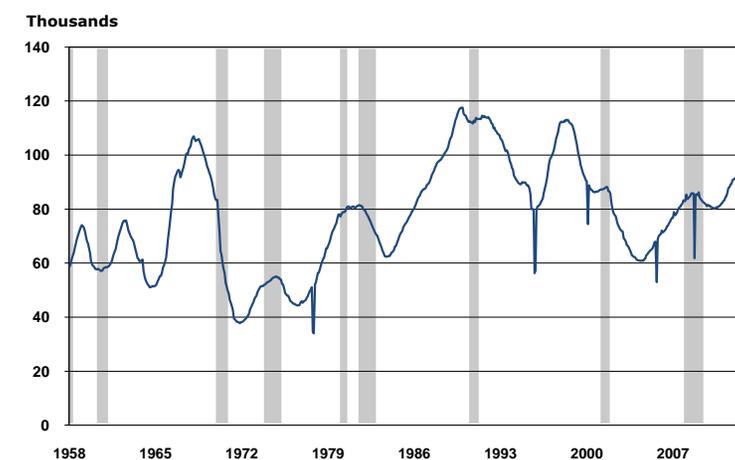
January 1980 to May 2012



* Bureau of Labor Statistics, WA State Employment Security, ERFC Kalman Filtered Data

Washington Aircraft and Parts Employment

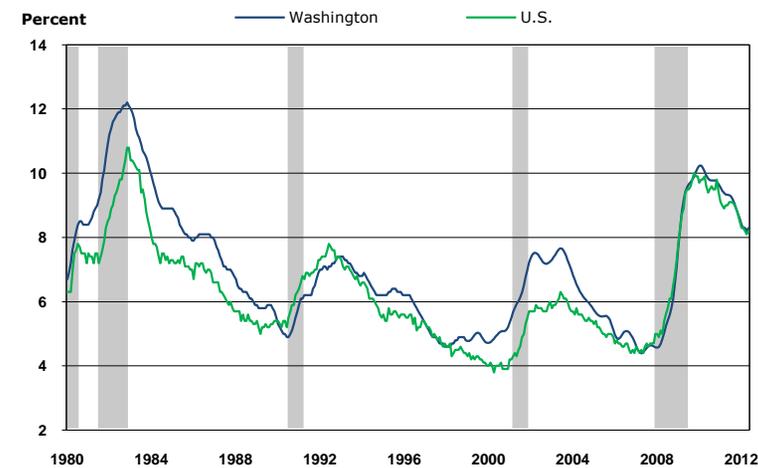
January 1958 to May 2012



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

January 1980 to January 2012



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

July 1971 to May 2012



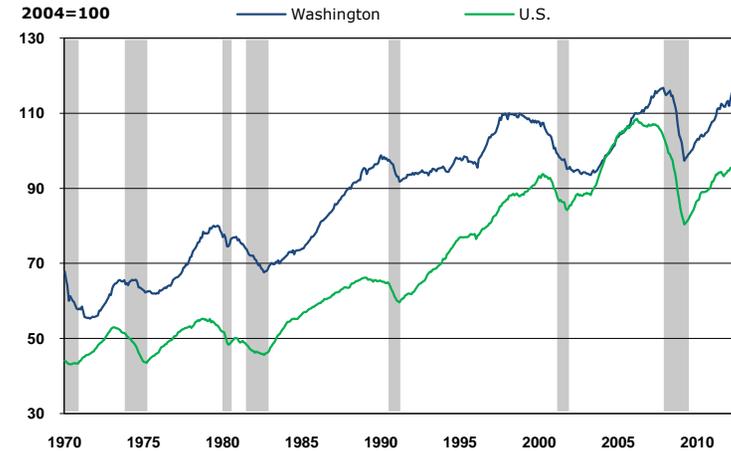
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

January 1970 to May 2012



* The Conference Board, ERFC

WA State Help Wanted Index

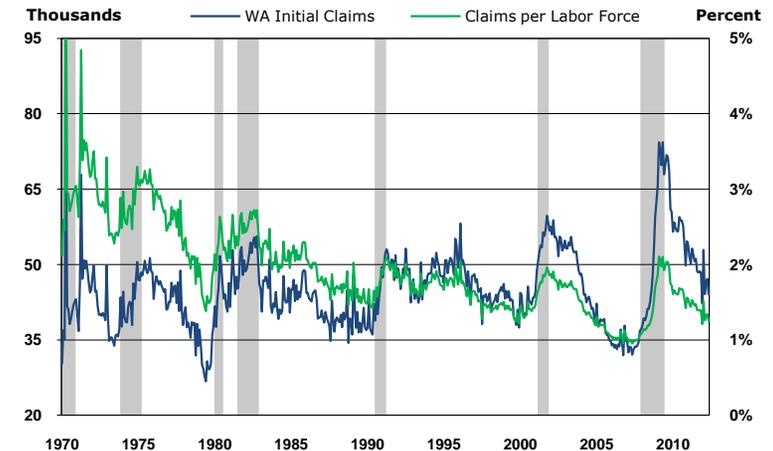
January 1970 to May 2012



* Source: ERFC

Washington Initial Claims for Unemployment Insurance

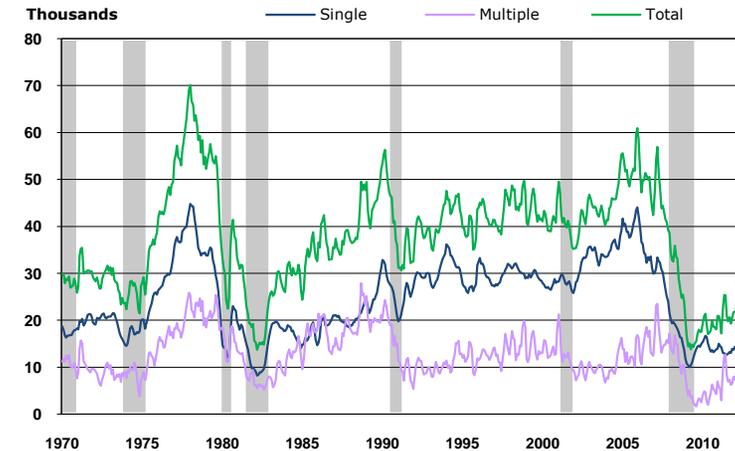
January 1970 to May 2012, S.A.



* Source: WA State Employment Security, ERFC

Housing Units Authorized in Washington State

January 1970 to May 2012, 3mma, SAAR



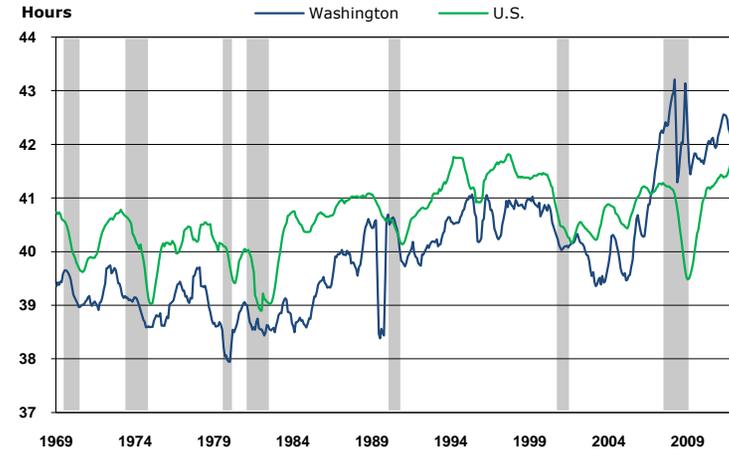
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

June 1969 to May 2012, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

Washington Driver's License In-Migration

January 1988 to May 2012, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

New Car and Truck Registrations in Washington

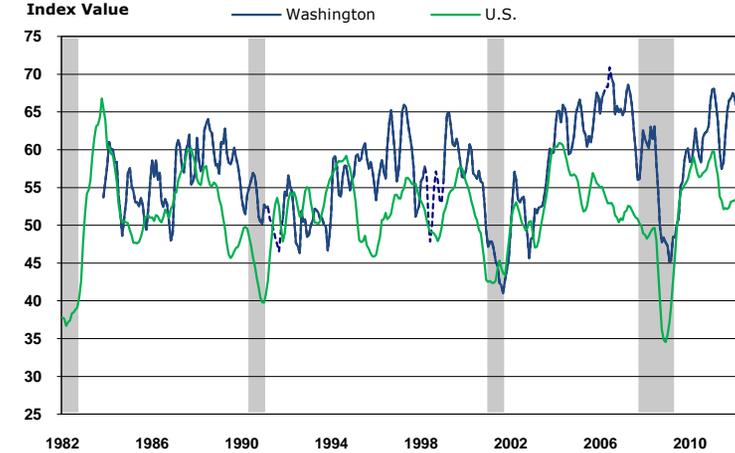
September 1970 to May 2012, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

March 1982 to June 2012, 3-Month Moving Average, S.A.



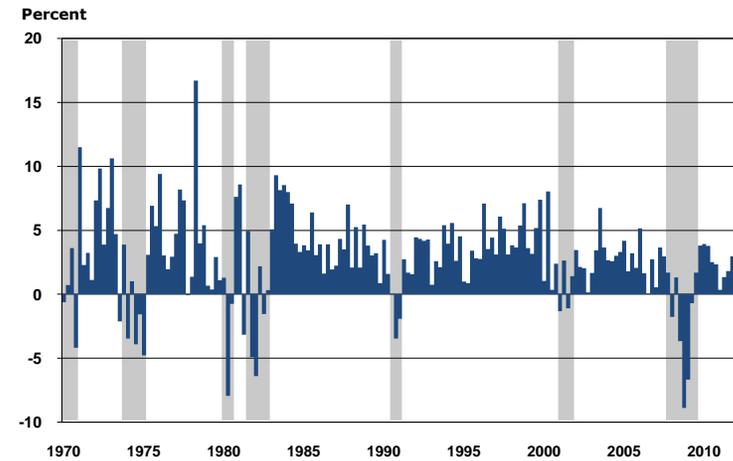
* Source: Institute for Supply Management, NAPM-WW

* Shaded areas correspond with national recessions.

Figure A7.4: Other Economic Indicators

Quarterly U.S. Real GDP Growth

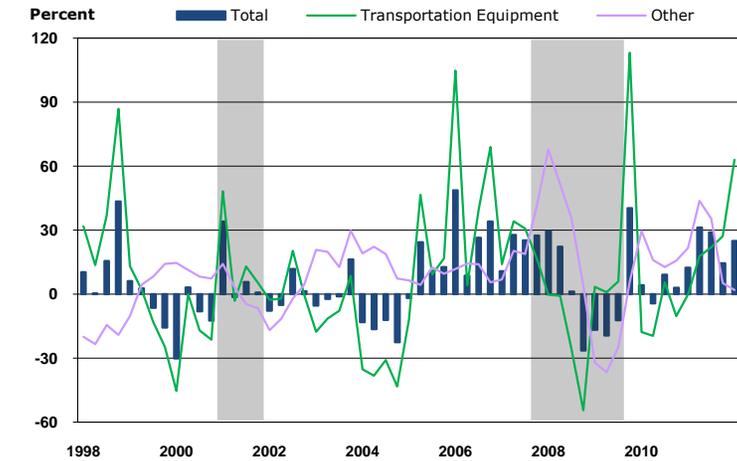
1970Q1 to 2012Q1



* Source: Bureau of Economic Analysis

Washington State Export Composition

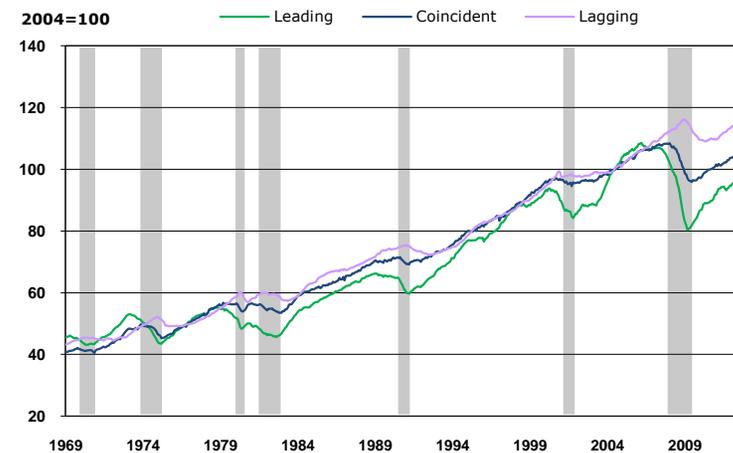
1998Q1 to 2012Q1, Year-over-year percent change



* Source: WISER

U.S. Economic Indicators

January 1969 to May 2012



* Source: The Conference Board

National Stock Indexes

January 1, 1996 to June 29, 2012



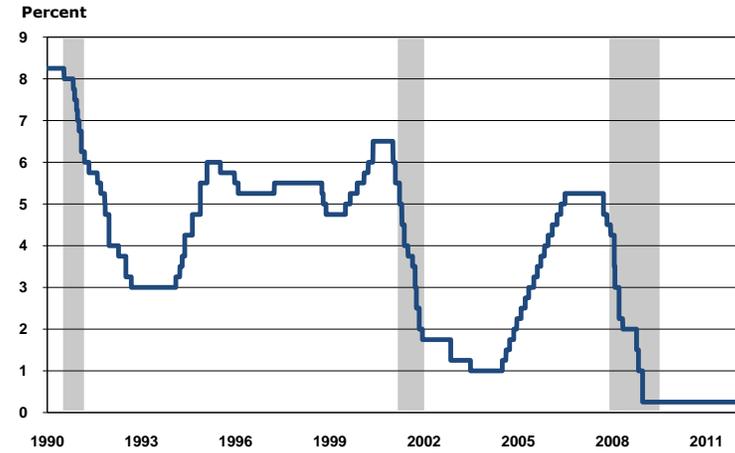
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.4: Other Economic Indicators

Federal Funds Target Rate

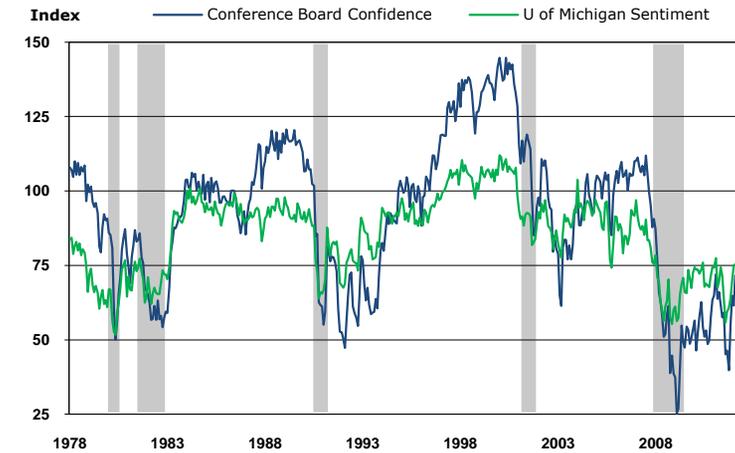
January 1, 1990 to July 1, 2012



* Federal Reserve

Consumer Confidence

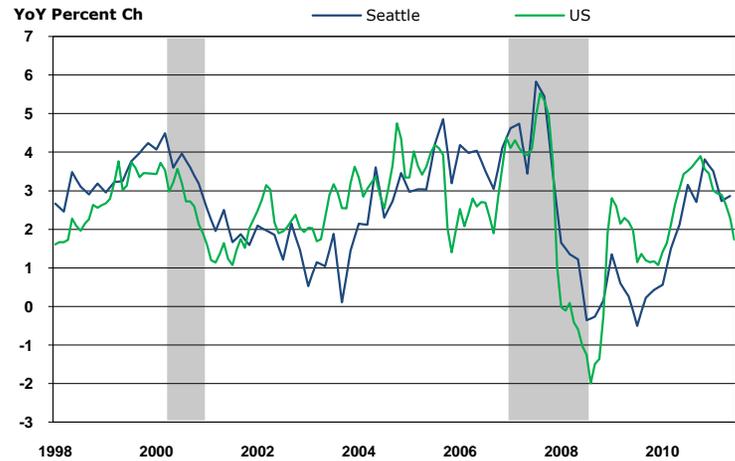
March 1978 to June 2012



* Source: The Conference Board, University of Michigan

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

December 1998 to May 2012



* Source: Bureau of Labor Statistics

Monster Employment Index

October 2003 to May 2012, SA



* Source: Monster Worldwide, ERFC

* Shaded areas correspond with national recessions.



Glossary

Biennium: The state's two years budget cycle.

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.

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 2012, for example, ran from July 1, 2011 through June 30, 2012.

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 (GF-S) Revenue: Resources from state sources only, excludes federal monies. The general fund is the principal state fund supporting the operation of the state.

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

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

Near General Fund: All accounts included in the General Fund - State plus the Education Legacy Trust Account.

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.

Seasonally Adjusted Annual Rate: A rate for a given period that is typically less than one year, but that is computed as if the rate were for a full year and seasonally adjusted.

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.