

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

# **Washington State Economic and Revenue Forecast**

March 2011  
Volume XXXIV, No. 1



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# **Washington State Economic and Revenue Forecast**

Prepared by the  
Economic and Revenue Forecast Council

March 2011  
Volume XXXIV, No. 1

# 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 March 29, 2011.

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## Executive Summary

- **The national economy remains fragile, and the outlook is still clouded with a great deal of uncertainty. Recent geopolitical developments have cast yet another shadow over the economic recovery.**
- **Real GDP growth is expected to remain moderate in the near term. Private nonfarm payroll employment growth has been slow, but has risen in every month since February 2010.**
- **Construction remains a significant drag on the economy. The housing market is going through a double-dip and does not appear to have hit bottom yet. Moreover, the financial sector is not yet out of the woods.**
- **GDP growth will have to rely on private demand which is only slowly recovering. State and local governments are struggling to balance their budgets as the federal stimulus winds down.**
- **Geopolitical developments and the Japanese earthquake and tsunami pose new threats to the Washington recovery.**
- **Boeing's tanker win will provide an important economic and psychological boost to Washington. Even without the tanker win, we expected job growth in aerospace related to already-announced production increases.**
- **The recovery in housing and construction in the state will be later than previously expected. New construction faces headwinds from high vacancies, rising foreclosures, and falling prices.**
- **The net reduction to the General Fund-State forecast is \$80 million in the 2009-11 biennium and \$698 million in the 2011-13 biennium.**
- **We have implemented a filtering method to improve the accuracy of the current estimates of the state's employment. These improved estimates were used in the March 2011 forecast.**
- **The downside risks to the outlook have increased and continue to exceed the upside risks.**

## U.S. Economic Forecast

*The outlook is clouded with a great deal of uncertainty*

The immense damage from the Great Recession continues to linger as we close in on the second year of recovery. The national economy remains fragile, and the outlook is clouded with a great deal of uncertainty. Recent geopolitical developments have cast yet another shadow over the economic recovery. Just as the economy was picking up steam, events in the Middle East and North Africa (MENA) have added another layer of uncertainty to the outlook. Oil prices have spiked, and their volatility has increased because of political unrest in that region. The tragedy in Japan, the world's third largest economy, is still unfolding. The immense losses of human lives are still being tallied, and it is still too early to gauge the extent of the economic impact of this tragedy on the U.S. recovery.

*The slow economic recovery has continued*

We have now had six consecutive quarters of GDP growth since the recession ended in June 2009. Real GDP grew at a 3.1% seasonally adjusted annualized rate (SAAR) in the fourth quarter of 2010. Real consumer spending growth did better over the same period, improving to 4.0% (SAAR). The latest employment situation report showed the labor market may be gaining momentum. In February, nonfarm payroll employment increased by 192,000. Excluding the effect of temporary Census workers, nonfarm payroll employment has risen in every month since February 2010, although the growth has been weak. The unemployment rate fell to 8.9% in February due to job gains outpacing a modest increase in the labor force.

*There are still significant downside risks*

There are many factors slowing down the economic recovery. Construction remains a significant drag on the economy. Housing stumbled after the federal tax credit ended, and the financial system is also a risk. The European sovereign debt crisis is still alive with debt fears spreading to Portugal. Consumer confidence, which just started to improve after treading water for a year, plunged in March due to rising gas prices and uncertainty abroad.

*Despite near term uncertainty, the outlook has improved modestly*

Despite the near term uncertainty, we will see somewhat stronger growth than previously forecasted for 2011 through 2013 due to the higher Blue Chip Consensus GDP forecast. We do not expect any new stimulus spending. The payroll tax cut was an upside surprise, although it was only for one year so its absence in 2012 will be a drag on growth in that year. There will also be a considerable drag from state and local governments who are dealing with budget shortfalls by cutting spending, raising taxes, or both. This means that GDP growth from now on will depend on growth in private demand. Business spending is growing again and we expect strong growth in equipment and software spending in 2011, 2012, and 2013. Consumer spending is likely to improve as well, but slowly. A meaningful recovery in housing will not happen until 2012 and only after home prices

start to rise again. Job growth will also help revitalize the depressed household formation rate which will go a long way towards reducing the housing glut.

## Washington Economic Forecast

*Geopolitical developments and the disaster in Japan pose new threats to the Washington recovery*

The Washington economy has continued to recover close to expectations - slowly and hesitantly. However, geopolitical developments and the Japanese earthquake and tsunami pose new threats to the recovery. First, we had the volatility in oil prices because of political unrest in the Middle East and North Africa (MENA), then we had the tragedy in Japan, the world's third largest economy, and one of the state's leading trade partners. Even without these unfortunate foreign developments, the state's economy faced considerable headwinds from slow job growth and a sluggish housing market.

*Job growth is still positive but weak*

As expected, the Washington economy has continued to recover slowly since our last forecast. In the four months since the November forecast was released, the state's economy netted 7,500 new jobs, which is less than the 9,300 predicted in November. The state's private sector did better than the overall economy, adding 8,300 jobs in the November through February period. The manufacturing sector showed strong growth during the last four months, adding 3,200 jobs of which 2,400 were in the aerospace industry. Construction remains weak, shedding 3,400 net jobs, mostly in nonresidential construction. Private services-producing employment grew by 8,300 in the last three months, led by an increase of 3,800 jobs in retail trade. In the public sector, the federal government added 300 jobs but state and local government employment fell by 1,100 jobs.

*Washington will outperform the nation in income growth, but the recovery will be slow*

As in November, we expect job growth to improve gradually during the course of 2011 from last year's anemic pace. Boeing's tanker win will boost manufacturing employment growth in Washington. Even without that, we were expecting strong growth in manufacturing. Construction employment is bottoming out so that sector will cease to be a drag on growth. Trade and services are benefitting from improved personal income growth. We expect that Washington State will outperform the U.S. economy, especially in income growth. However, state and local governments will continue to cut back. The state's trade intensity should help boost activity as economies recover around the world, particularly in the Pacific Rim. In the short term, the tragedy in Japan will adversely affect our exports. However, the stability and growth prospects of our major industries, software and aerospace, will help drive employment and personal income growth.

## Revenue Forecast

*The recovery in revenues has been slowed by a confluence of world events that have raised energy prices, disrupted production, and increased uncertainty*

At the time of the November forecast, the recovery in state revenues that had begun a year earlier appeared to be solidifying. After a slight pause in the summer, year-over-year growth rates began to increase once again, albeit slowly. While strength in November sales turned out to be largely borrowed from December sales, overall holiday sales came in close to the forecast. Other economic activity, however, began to slow as the December uprising in Tunisia began to spread across the Middle East and North Africa (MENA) region, creating uncertainty and concerns about oil prices. These concerns proved to be well-founded as oil and gas prices began to climb, remaining at high levels through March. Further economic disruption came from the March 11 earthquake in Japan and subsequent tsunami, which brought fears of widespread nuclear contamination and worldwide shortages of manufactured components. The degree to which these disruptions will affect revenues is still unfolding, but the negative impacts are unlikely to dissipate soon. Accordingly, we have lowered our forecasted revenue growth for the remainder of this biennium and the first half of the next biennium.

*The forecast was reduced by \$80 million in the 2009-11 biennium and \$698 million in the 2011-13 biennium*

By the time of the March forecast, revenues for the 2009-11 biennium were \$84.7 million below their forecasted value. Weaker forecasted revenue growth subtracted \$105.8 million in collections for the remainder of the current biennium and \$668.3 million in the next biennium. Various non-economic factors including legislation enacted in the December 2010 special session added \$110.7 million in revenue to the 2009-11 biennium but subtracted \$30.1 million from the 2011-13 biennium. The net forecast reductions for GF-S revenue are \$79.8 million in the 2009-11 biennium and \$698.4 million in the 2011-13 biennium.

## Improving Employment Estimates

*We have applied a filter to improve the accuracy of employment estimates*

The employment data used in the preparation of the March forecast differs from the estimates produced by the Washington State Department of Employment Security and the U.S. Bureau of Labor Statistics. To both improve the estimates, as well as reduce their variance from final benchmarked data, we have applied a Kalman-type filter to the data. In simple terms, we combine the employment information from the Washington sample with information derived from a system of predictive equations. By combining the sample-based measure with model-based prediction we are able to produce more accurate employment estimates. In addition to providing better monthly estimates of employment, it will also enable us to improve our forecasts by having a more accurate input and one which is less subject to revision.



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

- **The immense damage from the Great Recession continues to linger as we close in on the second year of a tepid recovery. The national economy remains fragile, and the outlook is still clouded with a great deal of uncertainty.**
- **Recent geopolitical developments have cast yet another shadow over the economic recovery. Just as the economy appeared to be picking up steam, events in the Middle East and the devastation in Japan have added another layer of uncertainty to the outlook.**
- **We have now had six consecutive quarters of GDP growth since the recession ended in June 2009. However, real GDP growth is expected to remain moderate in the near term.**
- **Private nonfarm payroll employment has risen in every month since February 2010. The most recent report indicated that the labor market may at last be gaining momentum.**
- **Construction remains a significant drag on the economy. The housing market is going through a double-dip and does not appear to have hit bottom yet. A meaningful recovery will not happen until 2012, and only after home prices start to rise again.**
- **With federal stimulus spending winding down and state and local governments struggling to balance their budgets, GDP growth will have to rely on private demand which is only slowly recovering.**
- **The financial system is still not entirely out of the woods.**
- **The downside risks to the outlook have increased and continue to exceed the upside risks.**

### Current Conditions

*The outlook is clouded with a great deal of uncertainty*

The immense damage from the Great Recession continues to linger as we close in on the second year of recovery. The national economy remains fragile, and the outlook is clouded with a great deal of uncertainty. Recent geopolitical developments have cast yet another shadow over the economic recovery. Just as the economy was picking up steam, events in the Middle East and North Africa have added another layer of

uncertainty to the outlook. Oil prices have spiked, and their volatility has increased because of political unrest in the Middle East and North Africa (MENA). The tragedy in Japan, the world's third largest economy, is still unfolding. The immense losses of human lives are still being tallied, and it is still too early to gauge the extent of the economic impact of this tragedy on the U.S. recovery.

*Rising gas prices will hurt consumer confidence*

If the current Libyan crisis continues, and more importantly threatens to spread to other countries in the MENA region, oil prices will continue to rise. As the price of gas keeps rising at the pump, it will have a disproportionate dampening effect on consumer confidence, and on the recovery, which depends on the return of private demand.

*The devastation in Japan has added to uncertainty*

Although it is too early to fully quantify the impact of the Japanese disaster on the U.S. economy, it has already added to near term uncertainty. Despite Japan's making up close to 9% of global GDP, its net impact on U.S. GDP is likely to be small. The role of Japan in U.S. economic growth has declined in recent decades. Japan now accounts for less than 5% of total U.S. goods exports, down from 11% fifteen years ago. U.S. goods exports to Japan accounted for just 0.4% of U.S. GDP in 2010. Services exports to Japan accounted for another 0.3% of U.S. GDP.

*U.S. exports will benefit, but only when Japan begins rebuilding its damaged infrastructure*

U.S. food and agricultural products are backing up at ports stateside as the Japanese infrastructure is incapable of receiving them. In the longer term, as Japan addresses possible food shortages, U.S. agricultural exporters may benefit. Also, U.S. exports of building materials and construction equipment will increase as Japan undertakes reconstruction. Over the years, a continuing gradual shift away from traditional post and beam construction in Japan to prefab and 2x4 framing will also increase the demand for more value added lumber products as opposed to just un-milled logs. The superior performance of framed structures during the 1995 Kobe earthquake increased acceptance of North American construction techniques may again drive demand as homes are rebuilt.

*Japan's export capacity will be limited*

Damage to factories, transportation infrastructure and power generation will limit Japan's ability to produce goods for export. Some production will be moved to U.S. factories to make up for lost capacity and imports from Japan will fall. This may provide a small boost to U.S. growth. These gains will likely be offset, however, by supply chain disruptions for goods where alternate production facilities are unavailable. Also, the reduction of Japan's ability to produce electricity will delay resumption of pre-Sendai production levels.

*U.S. gas prices may be affected*

The loss of refining capacity in Japan could also affect gasoline prices here in the U.S. Until refineries are able to come back on

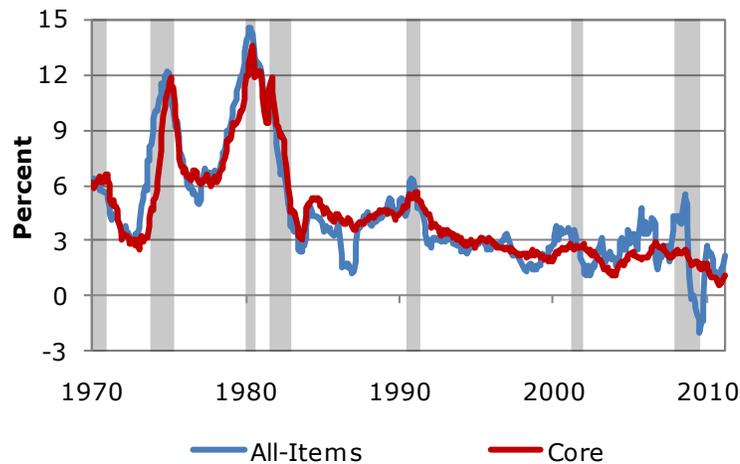
line, Japan will have to import more gasoline causing pump prices to rise. This could occur even if crude oil prices experience some softening from their current levels.

*Inflation fears are picking up*

Rising gas prices along with an increase in food prices have led to fears of inflation picking up. Headline inflation has indeed started to rise with the consumer price index (CPI) up 2.2% in February from a year ago. This was fueled primarily by energy price inflation which was up 11.2%. Food prices have also been increasing, up 2.3% year-over-year in February, the highest since the middle of 2009. Despite this upward pressure, core inflation, which excludes food and energy, is still up only a benign 1.1%. Core inflation is what the Federal Reserve tries to keep under control. Food and energy prices are volatile and beyond the control of policy making authorities. Up until the early 1980's, an increase in top line inflation would be followed shortly by an increase in core inflation. Then starting in the mid 1980's and continuing today, this pass through to the core stopped (see Figure 1.1). The reason behind this disconnect is that the Federal Reserve has established itself as an inflation fighter. Inflation expectations remain well-anchored, and that keeps core inflation in check. Also with 9% unemployment, and slack in the labor market, inflationary pressures are weak, so it is unlikely the Fed will raise interest rates any time soon.

**Figure 1.1: Headline and Core inflation, Consumer Price Index, Y/Y Percent Change**

*Since the mid 1980's, food and energy inflation has not passed through to the core*



Source: Bureau of Labor Statistics; data through February 2011

*GDP continues to grow, but modestly*

We have now had six consecutive quarters of GDP growth since the recession ended in June 2009. Real GDP grew at a 3.1% seasonally adjusted annualized rate (SAAR) in the fourth quarter according to the Bureau of Economic Analysis' (BEA) third estimate. This was higher than the third quarter's 2.6% SAAR growth, but still only slightly higher than trend growth. Real consumer spending growth did better over the same period,

improving to 4.0% SAAR from 2.4% SAAR. Real GDP growth is expected to remain moderate in the near term as the remaining effect of the stimulus comes to a close and state and local governments struggle to balance their budgets. In the longer term, 2012 and 2013, real GDP growth will depend upon growth in private demand.

*Job growth has been uneven and weak*

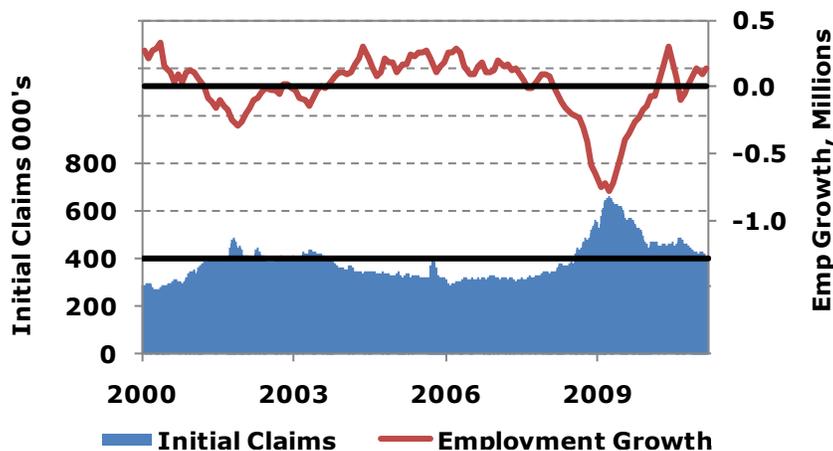
The latest employment situation report showed the labor market may be gaining momentum. In February, nonfarm payroll employment increased by 192,000. Excluding the effect of temporary Census workers, nonfarm payroll employment has risen in every month since February 2010. Still, recent job growth has been uneven and generally weak. Over the past twelve months, total payroll employment has grown by 1.27 million, which is an average of just 106,000 per month. Total job gains continue to be weighted down by public sector cutbacks, which were 30,000 in February. Private-sector job creation, at 222,000, was at its fastest pace since last April, and jobs are up 1.53 million from last year. The breadth of the gains has also been encouraging. In February, only 32% of private sector industries reduced payrolls, the lowest number since the late 1990s.

*Unemployment has fallen, but remains high*

The unemployment rate fell to 8.9% in February due to job gains outpacing a modest increase in the labor force. This is the first time the unemployment rate has been below 9% since April 2009. Average weekly hours in manufacturing, considered a leading indicator, rose by 0.1 hours to 40.5 hours. The number of new unemployment insurance applicants decreased by 5,000 (seasonally adjusted), to 382,000, in the week ended March 12<sup>th</sup>. The four-week moving average of initial claims, a more stable measure, decreased by 1,500, to 385,250, which was the lowest rate since July 2008 (see Figure 1.2).

**Figure 1.2: U.S. Employment Growth and Initial Claims (4-week moving average), seasonally adjusted**

*Initial claims have fallen, corresponding to an upturn in hiring*



Source: Bureau of Labor Statistics, ERFC; data through March 12, 2011

*There are many factors slowing down the economic recovery*

There are many factors slowing down the economic recovery. Construction remains a significant drag on the economy. It is clear that nonresidential construction will decline for some time. On the residential side, the homebuyer tax credits only temporarily propped up activity. Housing stumbled after this support ended. The financial system is also a risk. While large national banks are making their way back to profitability, local and regional banks across the country remain vulnerable because of their disproportionate exposure to commercial real estate. The European sovereign debt crisis is still alive with debt fears spreading to Portugal. The current political turmoil highlights expectations that Portugal will follow fellow euro-zone members Greece and Ireland in seeking an international bailout. The sovereign debt problems threaten U.S. exports in two ways, by weakening European growth, and strengthening the dollar via a "flight to safety." The positive impact of federal stimulus is all but gone and cutbacks at the state and local level are creating a substantial fiscal drag. This means that future growth will have to rely on private demand which is only slowly recovering. Finally, home prices have again started to decline, adding to the strains on the financial system.

*But, there are some upside risks as well*

While downside risks to the recovery predominate, there are some upside risks as well. The sustained growth in payroll employment (ex-Census) over the last twelve months and growth in average weekly earnings means that private sector wage income is growing. The recent payroll tax cut will also give a boost to incomes. Business investment in equipment and software remained positive at a 5.5% (SAAR) increase in the fourth quarter of 2010 following increases of 15.4%, 24.8% and 20.4% in the first three quarters. Consumer spending continued to strengthen, rising at a 4.0% rate, its strongest showing since 2006. The global recovery is continuing. The U.S. dollar remains relatively weak and is expected to decline further in the forecast, helping U.S. products be more competitive in overseas markets.

*Consumer spending is increasing at a modest pace*

Consumer spending growth improved to 4.0% in the fourth quarter of 2010, its strongest pace in nearly four years, and has now increased in each of the last six quarters. Growth in consumer spending is finally starting to pick up enough to drive overall growth. The growth in real consumer spending in the fourth quarter has been led by a pickup in consumer spending on durables, especially autos (due to pent-up demand), falling durables prices, and higher income.

*Personal income is growing*

In order for personal consumption expenditures to continue to improve, disposable personal income needs to rise and the personal saving rate needs to moderate. Personal income growth slowed in February to 0.3% after being temporarily boosted in January by the 2% cut in employee contributions to payroll taxes. Personal consumption expenditures, however, grew 0.7%, dropping the savings rate to 5.8% from 6.1%. The post-holiday

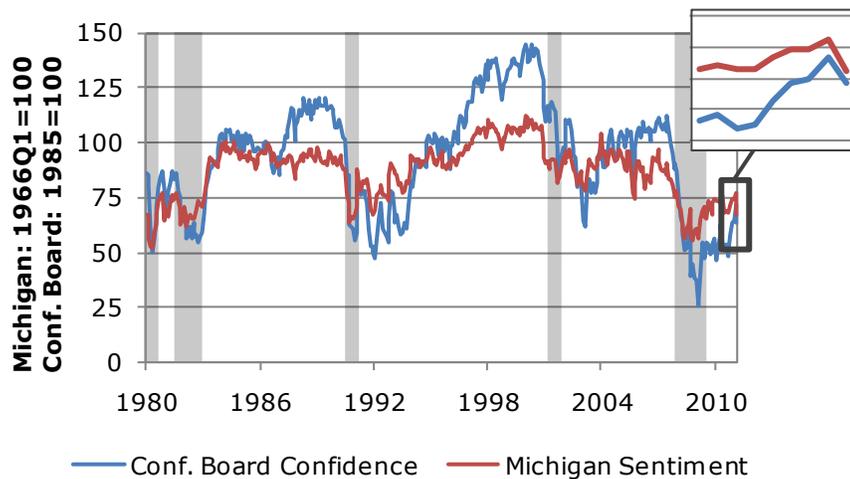
retrenchment in consumer spending appears to be waning as consumers once again appear to be opening up their wallets. Retail sales, which are broader than consumer spending, were up 8.9% year-over-year in February, as severe weather in January delayed some sales into February. Much of this was a strong month for car sales of 13.4 million (SAAR) units (up 28% year-over-year). Excluding autos, retail sales were up 6.0% from a year ago, led by gas stations, nonstore retailers and building supply stores.

*Consumer confidence retreated in March...*

Consumer confidence, which just started to improve after treading water for a year, plunged in March. The University of Michigan consumer sentiment index dropped 10 points in March after reaching a post-recession high in February (see Figure 1.3). The Conference Board Confidence number also fell significantly in March, down 8.6 points. The decline was likely caused by soaring gas prices resulting from recent turmoil in the MENA region - 25% of the historical variation in confidence can be explained by movements in gas prices. This, combined with uncertainty due to events in Libya and Japan, overwhelmed the positives in the index. Strong spending growth, increased take-home pay, and an improving labor market partially offset some of the decline.

**Figure 1.3: Consumer Confidence/Sentiment**

*... and is still weak*



Source: Reuters/Michigan, Conference Board; data through March 2011

*Lending standards are returning to normal at large banks*

Credit market conditions have improved significantly since the meltdown that followed the collapse of Lehman Brothers in September 2008. There are still mixed signals about the health of financial institutions, however. The Federal Reserve Board’s survey of senior loan officers shows that most banks are now easing credit standards and reducing spreads for commercial and industrial loans. But they still report a slight net tightening of standards for commercial real estate loans. At the household level, the banks report a loosening of standards for credit card loans and other consumer loans but a slight tightening of terms

for traditional and nontraditional mortgage loans. This survey, however, is administered to the largest banks in the country and the middle and small bank market is not included.

*Credit conditions for small businesses are improving, but remain tight*

While large national banks are returning to profitability and their lending standards appear to be easing, regional and local banks across the country have lagged behind. The latter saw a rapid deterioration in their asset quality, as a result of their disproportionately high exposure to commercial real estate. This has limited their ability to lend, as they divert cash to reserves. The asset quality of regional and local banks is improving, but the overall quality is still poor. Small businesses, which get a major portion of their loans from local and regional banks, are disproportionately hurt when these banks are unable to lend. The National Federation of Independent Business, which reports on small business activity across the country, indicates that loans still remain hard to get. The proportion saying conditions are getting worse has declined in recent months and is now at the lowest level since October 2008.

*The global recovery continues*

The global recovery continues and should support the U.S. economy through export growth. The fiscal austerity measures being undertaken in Europe and credit tightening in China will slow global growth but will not derail it. The global recovery that started in the second quarter of 2009 has continued through the fourth quarter of 2010. Real trade-weighted foreign GDP rose at an estimated 3.2% rate (SAAR) in the fourth quarter of 2010, up from 2.3% in the third quarter. The trade-weighted dollar fell 3.2% in the fourth quarter of 2010 and appears headed for another decline in the first quarter of this year.

*Recent housing data have been disappointing*

Harsh weather, building code changes, and questionable data have made it difficult to get an accurate reading of the housing market. December and January were colder and had more snow than normal in heavily populated areas across the country. While this suppressed housing starts for those months, February's data was even worse. Building permits have also plummeted, although some of this may have been due to building code changes in large markets. The changes took effect at the beginning of the year which may have caused some permitting activity to be pulled forward into December. Questionable sales data have also made the housing picture less clear. There are reports that existing home sales numbers may have been overstated as far back as 2007 by as much as 20%.

*Housing remains in neutral at a depressed level*

Housing is now in neutral, although recent data indicate there may be further declines before we see any improvement. Housing starts, which had shown an uptick in January, plunged 22.5% in February to 479,000 (SAAR) units, just above the record low reached in April 2009. New single family home sales fell 16.9% in February, erasing all the gains from the end of last year. Given the pace of sales, it would take nine months to clear

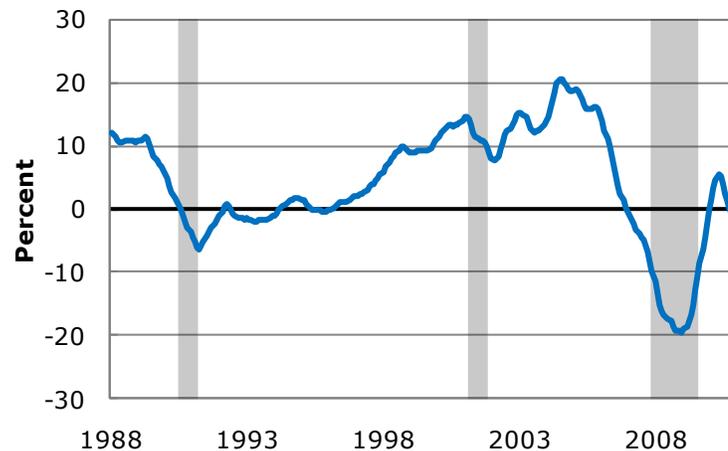
new homes off the market, three months longer than what is considered healthy. Existing home sales also dropped in February, down 9.6%. Building permits, which are forward looking and give an indication of future activity, also fell. Building permits fell to an annual rate of 534,000 permits last month, down 5.2% from January.

*Home prices must stabilize for housing to recover*

Housing activity will not start to recover until there is a recovery in home prices. Potential buyers are reluctant to enter the market when home values are declining. The same is true for banks, which are more willing to lend against appreciating collateral. Unfortunately, home prices are experiencing a double-dip decline after increasing in the early part of last year. The Case-Shiller 10-city home price index fell 0.2% (SA) in January, its seventh consecutive monthly drop, and is down 2.0% from a year ago (see Figure 1.4). Prices will continue to be weighed down as foreclosures are dumped back on the market. 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. This is an issue worth keeping an eye on, especially as it moves to the forefront.

**Figure 1.4: Case-Shiller Composite-10 Home Price Index, year-over-year percent change**

*Home prices are again headed down*



Source: S&P/Case-Shiller; data through January 2011

*The manufacturing recovery continues*

The manufacturing sector continues to grow. According to the Federal Reserve’s latest G-17 report, manufacturing output grew a solid 0.4% (SA) in January and 6.9% over the last year. The Institute of Supply Management (ISM) Purchasing Managers Index for manufacturing also shows continued growth. The overall index increased to 61.4 in February from 60.8 in January (a reading above 50 indicates growth while an index below 50

indicates contraction). This is the highest reading of the index since 1983 and February was the nineteenth consecutive month manufacturing has expanded. The employment component remained strong in February at 64.5 indicating that substantially more firms are now adding to manufacturing payrolls than cutting.

## Forecast

Our national economic forecast was made in early March when some of the data referred to in the current conditions section above were not available to us.

*The March forecast incorporates only early estimates of the economic impact of the Japanese crisis*

The March 2011 economic forecast was based on a modified version of Global Insight's March 2011 Control forecast for the U.S. economy. As in November, the U.S. forecast was adjusted in two ways. We adjusted real GDP to match the Blue Chip "Consensus" GDP forecasts for 2011 through 2013. We also adjusted our oil price forecast to match the New York Mercantile Exchange (NYMEX) futures prices for West Texas Intermediate. Additionally, we have updated our models with very early and rough estimates of the economic impact of the earthquake and tsunami off the coast of north-eastern Japan.

*The recovery was firming until the recent round of uncertainty*

Until recently, there were positive developments since the November forecast, indicating that the economic recovery was firming. GDP grew slightly above trend in the fourth quarter and consumer spending improved. The 2001/2003 Bush tax cuts were extended by two years and payroll taxes were cut by 2% for a year, increasing disposable personal income. Consumer confidence was also improving. Despite the near term uncertainty, we will see somewhat stronger growth than previously forecasted for 2011 through 2013 due to the higher Blue Chip GDP forecast.

*GDP growth is no longer being supported by fiscal stimulus*

The early part of the recovery was supported by fiscal stimulus and the inventory cycle. We do not expect any new stimulus spending. While an extension of the 2001/2003 tax cuts had been assumed in the November forecast, the 2% payroll tax cut was an upside surprise, adding nearly 1% to disposable personal income in 2011. The payroll tax cut was only for one year so its absence in 2012 will be a drag on growth in that year. There will also be a considerable drag from state and local governments who are dealing with budget shortfalls by cutting spending, raising taxes, or both. This means that GDP growth from now on will depend on growth in private demand. Business spending is growing again thanks to investment in equipment and software. Businesses have plenty of cash and are addressing replacement needs. We expect strong growth in equipment and software spending in 2011, 2012, and 2013. Consumer spending is likely to improve as well, but slowly.

*Non-residential construction will act as a drag on growth*

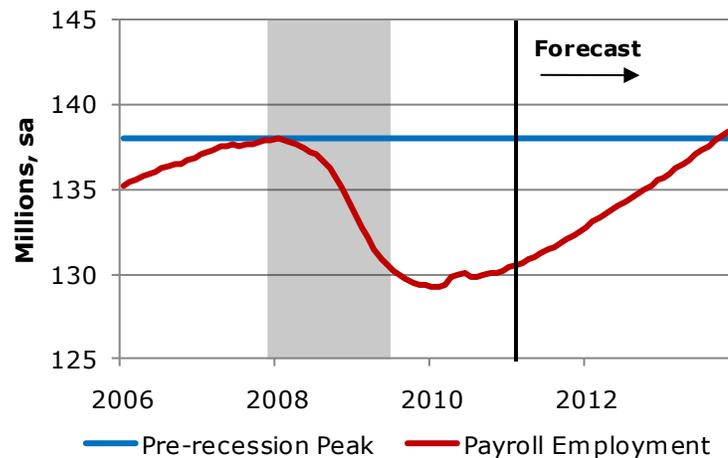
Nonresidential construction remains in decline, however, and will lag the recovery in residential construction. While the latter peaked in 2005, nonresidential construction continued to grow for another three years, peaking in 2008. The problems facing nonresidential construction are the same as those that caused the housing crash – a price bubble and oversupply. The downturn in the economy has idled factories and emptied office buildings so there is little need for new construction in the near future. We do not expect any significant growth in nonresidential construction until 2013. Residential fixed investment will return to positive growth in the second quarter of this year and pick up steam through 2012. Export growth has returned due to the global recovery that is now under way, and exports will continue to contribute to GDP growth.

*Job growth will pick up modestly in 2011*

Employment has grown in every month since February 2010 (excluding the distorting impact of temporary Census hiring) but the rate of growth has been uneven. The February 2011 employment report showed an increase of 192,000 jobs, a welcome lift from the weather-affected January increase of just 63,000 jobs. Despite adding 1.27 million jobs since the trough, employment is still short of the pre-recession peak of 138 million jobs by 7.5 million. We expect roughly one-quarter of that shortfall to be made by the end of this year. Over all four

**Figure 1.5: Nonfarm Payroll Employment, seasonally adjusted**

*Employment won't reach its pre-recession peak until the end of the forecast*



Source: Bureau of Labor Statistics, ERFC; data through February 2011

quarters of 2011 we expect an increase of only 1.6% in employment. Growth will improve throughout the forecast reaching a peak of 2.2% in 2013. Payroll employment will not exceed its pre-recession peak until the fourth quarter of 2013; six years after the previous peak (see Figure 1.5). Despite employment regaining its prior peak, the unemployment rate is

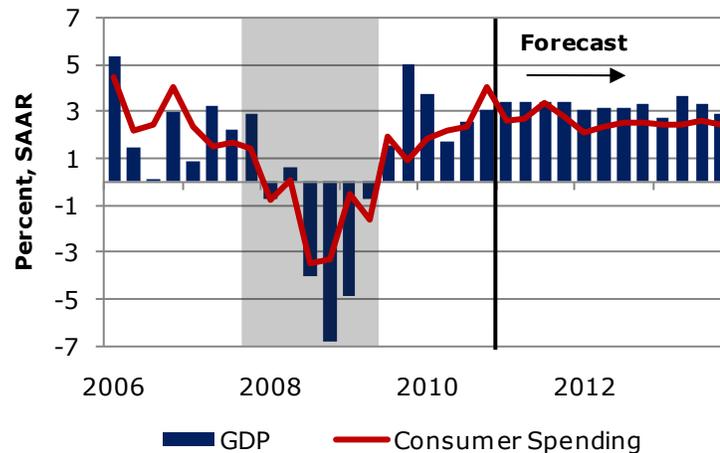
expected to be a still high 6.6% by the end of 2013, because of growth in the labor force.

*Consumer spending will improve slowly*

Consumer spending typically powers a recovery, but this time it is expected to improve slowly. Gas prices, which have a disproportionate effect on consumer confidence, have spiked. The national average gas price at the pump, as of March 21, was \$3.56 per gallon, up 46 cents since the start of February, and up 77 cents from a year ago. Energy price inflation in February was 11.0% over the year. Continued labor market weakness has also been a drag, but that may be lifting. Household balance sheets are being repaired. Household debt levels have been reduced, credit is gradually becoming more available, and wealth is growing. However, real consumer spending growth is expected to moderate from the 4.0% in the fourth quarter of 2010 and lag overall GDP growth. We expect it to remain below trend throughout the forecast. The forecast expects real consumer spending to increase only 3.0% in 2011 and 2.6%, and 2.5% in 2012 and 2013 (see Figure 1.6).

**Figure 1.6: U.S. GDP and Consumer Spending Growth**

*Consumer spending growth will be moderate*



Source: Bureau of Economic Analysis, ERFC; data through Q4 2010

*The dollar will remain weak, boosting U.S. exports*

The U.S. dollar has experienced cross-currents recently. As a “safe haven” currency, it is strengthened by the ongoing European sovereign debt crisis. The devastation in Japan has also eventually pushed the dollar higher against the yen. Initially, the yen had strengthened after the Sendai disaster as Japanese firms repatriated profits back to Japan. But, intervention by the Group-7 major industrialized countries halted that trend. On the other hand, monetary policy by the Federal Reserve, including the continuation of its second round of quantitative easing, has put downward pressure on the dollar. We expect to see a fairly stable, but weak dollar over the forecast horizon. We also expect the global recovery to continue through 2013, boosting U.S. exports. Real GDP growth of our

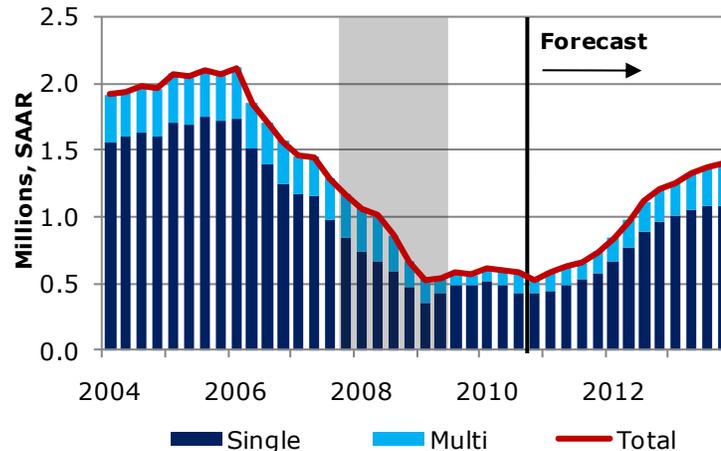
trading partners is expected to improve through the remainder of 2010 and 2011 and remain in the 3.5% to 4.0% range in 2012 and 2013.

*Housing will gradually recover*

The housing market remains stuck at a depressed level. Home prices have dropped recently due in large part to weak demand and foreclosures. Going forward, the improving labor market should help alleviate home price declines, particularly in stemming the rate of foreclosures. Once prices stabilize, activity should start to recover. We anticipate another year of muddle-through as the market sheds excess inventory, some of which is still on the sidelines. A meaningful recovery will not happen until 2012 and only after home prices start to rise again. Job growth will also help revitalize the depressed household formation rate which will go a long way towards reducing the housing glut. Housing starts are expected to increase from 585,000 in 2010 to 653,000 in 2011 (see figure 1.7). We expect growth in 2012 and 2013 to pick up reaching 1.34 million units by the end of the forecast. In addition to more jobs, we assume that credit markets will loosen, allowing builders to finance new construction and allowing buyers easier access to credit.

**Figure 1.7: U.S. Housing Starts**

*Housing won't regain its previous peak until after 2013*



Source: Census Bureau, ERFC; data through Q4 2010

**Forecast by Fiscal Year**

*GDP growth turned modestly positive in FY 2010*

The U.S. economy grew in FY 2010, but barely. Real GDP inched up 0.7% in FY 2010 following a 2.8% drop in FY 2009. Much of the recovery in GDP was due to the inventory cycle and federal stimulus spending. These positive effects are now essentially gone, but improved private spending is picking up some of the slack. Since we do not expect a strong rebound in housing we believe the recovery will be slow. We expect real GDP to grow 2.9% in FY 2011, improving to 3.3% in FY 2012 and moderating slightly to 3.2% in FY 2013.

<i>Consumer spending will face headwinds</i>	Consumer spending also turned positive in FY 2010, posting a 0.4% increase following a 1.7% decline in 2009. Consumer spending is not expected to be the strong driver it usually is in a recovery. Consumer confidence has improved but remains in recessionary territory and credit remains tight. Consumers are also rebuilding wealth lost in the housing and stock markets which has raised savings rates at the expense of consumption. The forecast expects consumer spending growth to continue to lag behind overall GDP growth and be below 3.0% throughout the forecast.
<i>Housing will begin to recover in FY 2012</i>	Housing starts fell 8.6% to just 592,000 in FY 2010 in spite of the two homebuyer tax credit programs which shifted some construction activity forward in time but had little permanent effect. We expect only a slight weakening in FY 2011 to 586,000 units as the housing market struggles to regain its footing. The forecast calls for an increase to 803,000 units in FY 2012 and to 1.228 million units in FY 2013.
<i>Businesses investment is mixed</i>	Businesses are willing to invest again, at least in equipment and software. On a fiscal year basis, business spending on equipment and software turned around in FY 2010, rising 0.2%. Strong growth should resume in FY 2011 at 15.1%, and continue in FY 2012 and FY 2013. However the correction in nonresidential construction still has a long way to go. Nonresidential investment in structures is expected to continue to decline in FY 2011 and 2012 by another 22.3% and 2.7% respectively. We do not expect positive growth in nonresidential fixed investment until FY 2013.
<i>Export growth will be strong</i>	Real exports returned to growth in FY 2010 with a 3.0% increase following a rare 6.0% decline in FY 2009. With the global economy leading the U.S. economy in the recovery, we expect strong export growth in FY 2011 of 9.9%. Exports will continue to grow throughout the forecast with growth rates of 10.1% and 8.7% in FY 2012 and FY 2013.
<i>Job growth will return in FY 2011</i>	Labor markets tend to lag the economy at turning points. Thus, while GDP grew slightly in FY 2010, nonfarm payroll employment declined another 3.1%. The forecast expects a weak 0.6% increase in jobs in FY 2011, improving to 1.8% and 2.2% in FY 2012 and FY 2013.
<i>Inflation will remain low</i>	With unemployment stubbornly high and so much excess capacity in the economy, inflation is expected to remain subdued for some time. We expect only a 1.6% increase in the implicit price deflator for personal consumption expenditures in FY 2011, up slightly from 1.3% in FY 2010. The inflation rate is expected to rise next fiscal year to 2.3% on higher energy costs before moderating to 1.7% in FY 2013. The lack of inflationary pressure means that the Fed can hold short-term rates at very low levels for the time being.

## Risks to the Forecast

### Downside Risks (20%) probability

Downside risks have increased since the November forecast, and continue to outweigh upside risks.

*Energy prices pose the biggest risk to the recovery*

Energy prices. The biggest risk to the recovery is a sustained and significant rise in the price of energy. The chance of a double-dip, or "W-shaped" recovery, where the economy falls back into recession this year, had been decreasing in recent months. However, instability in the Middle East has raised that specter again.

*A worse than expected crisis in Japan*

A nuclear meltdown in Japan. This will hurt the global, national and state economies far more than the havoc wrought by the earthquake and tsunami in the north-eastern part of that country.

*Another round of financial jitters*

Renewed financial market jitters. While financial markets have slowly recovered since the crisis in late 2008, they still remain more vulnerable and nervous than usual about negative news. Case in point is their initial retreat following the Japan tragedy.

*Inflation expectations rising*

Inflation. Top line inflation has ticked up in recent months, but we don't believe it will feed through to the non-food, non-energy sectors (i.e. the core). However, it may compel the Fed to tighten prematurely, putting the recovery in jeopardy.

*A hard landing in China*

A hard landing in China, which is a sharp slowing in their growth, rather than a recession.

*European sovereign debt fears*

Renewed European sovereign debts fears spreading through Portugal and possibly further.

The high level of uncertainty.

### Upside Risks: (10%)

*Job growth could be stronger*

Employment growth is faster than expected. After-tax corporate profits, with inventory valuation and capital consumption adjustments (i.e. profits from current production) are healthy and growing. At the same time, the rate of productivity growth has moderated. So any growth in final demand will require hiring, and corporations have the resources to do so.

*Consumer confidence rebounds*

Consumer confidence is not overly dampened by the recent energy price volatility or the events in Japan. Our baseline expects a gradual return of consumer confidence as the job situation improves. If job growth is faster than expected,

consumer confidence will return quicker, and the pace of the recovery will be faster.

*Commodity  
prices are  
tame*

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

Table 1.1

Fiscal Years

**U.S. Economic Forecast Summary**  
 Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Real National Income Accounts (Billions of Chained 2005 Dollars)</b>								
Real Gross Domestic Product	12,827.6	13,077.5	13,332.6	12,965.0	13,053.4	13,431.6	13,876.4	14,319.6
% Ch	3.0	1.9	2.0	-2.8	0.7	2.9	3.3	3.2
Real Consumption	8,943.9	9,194.5	9,325.6	9,170.2	9,211.4	9,448.8	9,719.9	9,957.4
% Ch	3.0	2.8	1.4	-1.7	0.4	2.6	2.9	2.4
Real Nonresidential Fixed Investment	1,400.6	1,494.7	1,592.7	1,406.9	1,304.8	1,419.2	1,558.2	1,655.7
% Ch	6.6	6.7	6.6	-11.7	-7.3	8.8	9.8	6.3
Real Residential Fixed Investment	770.5	650.1	510.1	379.2	341.2	326.9	377.3	496.3
% Ch	2.2	-15.6	-21.5	-25.7	-10.0	-4.2	15.4	31.6
Real Personal Income	10,718.8	11,148.3	11,365.0	11,256.0	11,154.0	11,455.7	11,730.9	12,070.3
% Ch	3.3	4.0	1.9	-1.0	-0.9	2.7	2.4	2.9
Real Per Capita Income (\$/Person)	35,971	37,047	37,409	36,725	36,059	36,677	37,199	37,908
% Ch	2.3	3.0	1.0	-1.8	-1.8	1.7	1.4	1.9
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.075	1.091	1.104	1.121	1.147	1.166
% Ch	3.2	2.4	3.3	1.5	1.3	1.6	2.3	1.7
U.S. Consumer Price Index (1982-84=1.0)	1.989	2.041	2.117	2.146	2.168	2.208	2.270	2.310
% Ch	3.8	2.6	3.7	1.4	1.0	1.9	2.8	1.8
Employment Cost Index (Dec. 2005=1.0)	1.005	1.038	1.072	1.097	1.112	1.132	1.157	1.183
% Ch	2.5	3.3	3.2	2.3	1.4	1.8	2.2	2.3
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	13,047.1	13,715.5	14,312.4	14,190.1	14,354.3	14,969.8	15,733.2	16,493.6
% Ch	6.5	5.1	4.4	-0.9	1.2	4.3	5.1	4.8
Personal Income	10,887.3	11,598.8	12,214.3	12,275.0	12,317.6	12,848.1	13,460.2	14,080.4
% Ch	6.6	6.5	5.3	0.5	0.3	4.3	4.8	4.6
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	150.4	152.4	153.7	154.6	153.9	153.7	154.7	156.2
Total U.S. Employment	143.1	145.5	146.1	142.8	138.9	139.6	142.2	144.9
Unemployment Rate (%)	4.83	4.52	4.93	7.60	9.74	9.16	8.12	7.24
Nonfarm Payroll Employment	135.01	136.97	137.72	133.88	129.67	130.39	132.69	135.64
% Ch	1.9	1.4	0.6	-2.8	-3.1	0.6	1.8	2.2
Manufacturing	14.20	14.03	13.71	12.66	11.53	11.64	12.07	12.51
% Ch	-0.6	-1.2	-2.3	-7.7	-8.9	1.0	3.7	3.6
Durable Manufacturing	8.98	8.91	8.69	7.90	7.05	7.19	7.56	7.97
% Ch	0.2	-0.8	-2.5	-9.0	-10.9	2.0	5.2	5.4
Nondurable Manufacturing	5.23	5.12	5.02	4.75	4.48	4.45	4.51	4.54
% Ch	-2.0	-2.1	-1.9	-5.4	-5.7	-0.7	1.4	0.7
Construction	7.56	7.69	7.46	6.61	5.66	5.51	5.48	5.78
% Ch	6.0	1.7	-2.9	-11.4	-14.5	-2.6	-0.6	5.5
Service-Producing	112.59	114.54	115.81	113.86	111.80	112.51	114.39	116.62
% Ch	1.9	1.7	1.1	-1.7	-1.8	0.6	1.7	1.9
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	64.3	63.4	96.8	70.1	75.2	90.5	107.1	103.9
Personal Saving/Disposable Income (%)	1.8	2.3	2.9	5.3	5.7	5.6	4.6	3.6
Auto Sales (Millions)	7.8	7.7	7.6	5.4	5.8	6.0	7.3	8.2
% Ch	2.3	-1.1	-1.6	-28.4	7.1	3.4	21.2	12.7
Housing Starts (Millions)	2.036	1.546	1.132	0.648	0.592	0.586	0.803	1.228
% Ch	1.0	-24.1	-26.8	-42.8	-8.6	-1.1	37.0	53.0
Federal Budget Surplus (Billions)	-248.0	-204.4	-420.1	-916.7	-1,329.4	-1,305.1	-1,068.2	-780.9
Net Exports (Billions)	-770.1	-744.0	-722.6	-515.6	-463.5	-553.6	-614.7	-548.4
3-Month Treasury Bill Rate (%)	4.06	4.89	2.89	0.56	0.12	0.17	0.57	2.81
10-Year Treasury Note Yield (%)	4.59	4.76	4.14	3.29	3.55	3.19	3.80	4.46
Bond Index of 20 G.O. Munis. (%)	4.45	4.30	4.56	4.97	4.37	4.69	5.32	5.54
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	4.99	4.70	5.19	5.86

Table 1.2  
**Forecast Analysis**  
 Comparison of Forecasts for 2009-11

Forecast Date	<b>2008</b>				<b>2009</b>				<b>2010</b>				<b>2011</b>	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
<b>U.S.</b>														
Percent Growth, 2009:2-2011:2														
Real GDP	6.3	6.8	6.0	4.6	5.1	5.0	5.7	6.1	6.1	6.7	5.4	5.4	6.1	
Implicit Price Deflator	3.7	3.3	4.1	4.3	3.1	3.9	3.4	4.0	3.6	3.5	3.4	3.6	4.2	
Average Rate, 2009:3 to 2011:2														
3 Month T-Bill Rate	4.07	3.99	3.97	2.05	0.91	0.83	0.85	0.80	0.70	0.34	0.16	0.15	0.15	
Mortgage Rate	6.66	6.75	6.75	5.84	5.17	5.32	5.35	5.34	5.20	4.98	4.63	4.63	4.85	

Table 1.3

Fiscal Years

**Forecast Comparison**

Forecast 2011 to 2013

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>U.S.</b>					
<b>Real GDP</b>					
March Baseline	12965.0	13053.4	13431.6	13876.4	14319.6
% Ch	-2.8	0.7	2.9	3.3	3.2
November Baseline	12965.0	13053.4	13377.0	13767.2	14210.0
% Ch	-2.8	0.7	2.5	2.9	3.2
<b>Implicit Price Deflator</b>					
March Baseline	1.091	1.104	1.121	1.147	1.166
% Ch	1.5	1.3	1.6	2.3	1.7
November Baseline	1.091	1.104	1.120	1.138	1.157
% Ch	1.5	1.3	1.5	1.6	1.7
<b>U.S. Unemployment Rate</b>					
March Baseline	7.60	9.74	9.16	8.12	7.24
November Baseline	7.61	9.77	9.57	8.80	7.71
<b>Mortgage Rate</b>					
March Baseline	5.57	4.99	4.70	5.19	5.86
November Baseline	5.57	4.99	4.28	4.63	5.63
<b>3 Month T-Bill Rate</b>					
March Baseline	0.56	0.12	0.17	0.57	2.81
November Baseline	0.56	0.12	0.17	0.56	2.76



## Chapter 2: Washington Economy – Current Conditions and Forecast

- **Geopolitical developments and the Japanese earthquake and tsunami pose new threats to the Washington recovery.**
- **In the four months since our last forecast was released in November, the state's economy netted 7,500 new jobs. The private sector did a little better, adding 8,300 jobs but government shed 800 jobs.**
- **Boeing's tanker win will provide an important economic and psychological boost to Washington. Even without the tanker win, we expected job growth in aerospace related to already-announced production increases.**
- **The recovery in housing and construction will be later than previously expected. New construction faces headwinds from high vacancies, rising foreclosures, and falling prices.**
- **The Washington personal income forecast got an unexpected boost from the recent tax deal between the President and Congress. Strong average wage growth is also boosting personal income in the state.**
- **The Seattle CPI will spike in 2012 due to higher energy costs. However, high unemployment will prevent a wage-price spiral.**

### Current Conditions

*Geopolitical developments and the disaster in Japan pose new threats to the Washington recovery*

The Washington economy has continued to recover close to expectations - slowly and hesitantly. However, geopolitical developments and the Japanese earthquake and tsunami pose new threats to the recovery. First, we had the volatility in oil prices because of political unrest in the Middle East, then we had the tragedy in Japan, the world's third largest economy, and one of the state's leading trade partners. Even without these unfortunate foreign developments, the state's economy faced considerable headwinds from slow job growth and a sluggish housing market.

*Job growth is still positive but weak*

As expected, the Washington economy has continued to recover slowly since our last forecast. In the four months since the November forecast was released, the state's economy netted 7,500 new jobs, which is less than the 9,300 predicted in

November. The state's private sector did better than the overall economy, adding 8,300 jobs in the November through February period. The manufacturing sector showed strong growth during the last four months, adding 3,200 jobs of which 2,400 were in the aerospace industry. Construction remains weak, shedding 3,400 net jobs, mostly in nonresidential construction. Private services-producing employment grew by 8,300 in the last three months, led by an increase of 3,800 jobs in retail trade. In the public sector, the federal government added 300 jobs but state and local government employment fell by 1,100 jobs.

*The state's unemployment rate is down nearly one percentage point since a year ago*

Other labor market indicators have been mixed in recent months. Both the average weekly hours worked and average hourly earnings declined in the private sector this past month. However, the decline in hours is off a very strong January when the average work week was at its highest level in three years. The trend in hours is clearly positive after a long decline. Average hours are up 0.6% over the year in spite of February's decline. Private sector average hourly earnings also declined on a seasonally adjusted basis in February but are also on an upward trend. Over the year average hourly earnings are up 2.0%. The combination of higher hours and higher hourly earnings means that the average paycheck was 2.6% higher in February 2011 than in February 2010. The number of people filing for unemployment insurance compensation fell in each of the last two weeks but the four-week moving average moved up slightly. Initial claims are now 28.9% below the peak reached in March 2009. The unemployment rate edged down to 9.1% in February 2011 from 9.2% in January. More importantly, the unemployment rate is down nearly a full percentage point from 10.0% a year ago which is a significant decline.

*Housing may falter again*

New home construction in Washington, as measured by building permit data, did somewhat better in the fourth quarter of 2010 than we had expected, improving to 22,100 units from 19,700 in the third quarter. However, much of the strength was a due to a December spike in the volatile multi-family segment. Data for the first two months of 2011 indicate that multi-family permits will be weaker in the first quarter. Permits for single family units improved to 14,500 (SAAR) in the fourth quarter from 13,700 in the second quarter while multi-family units increased to 7,600 from 6,000. While the recent data are somewhat encouraging, it should be noted that the growth is off of a very low base. Also new home construction in Washington is in competition with an increasing stream of foreclosures, so likely to stay weak.

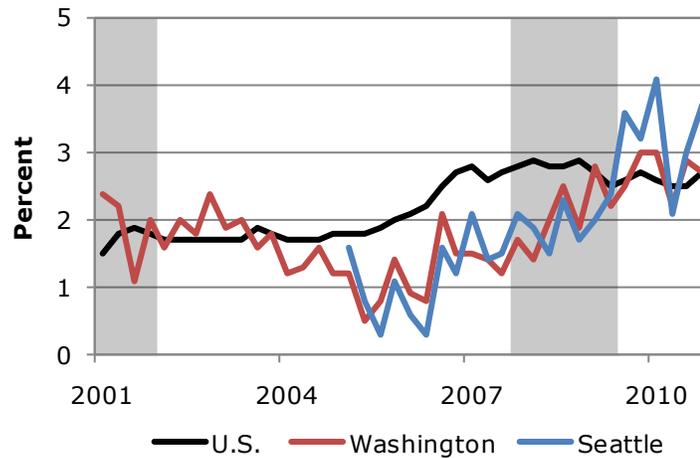
*Seattle area home prices continue to fall*

On the price front, the Case-Shiller Home Price Index for Seattle showed signs of firming last spring but prices have declined in each of the past eight months and are now down 6.6% since a year ago. Washington has tended to lag the U.S. in the housing cycle. Homeowner vacancies have been lower here than

elsewhere in the U.S. until recently but not anymore. Washington vacancies are now as high as the U.S. average and Seattle area vacancies are even higher (see Figure 2.1). High vacancies are pushing down prices. We are unlikely to see a strong recovery in housing construction until home prices begin rising again.

**Figure 2.1: Homeowner Vacancy Rates**

*Local homeowner vacancies have caught up to the U.S.*



Source: Bureau of the Census; data through Q4 2010

*Contract data signals continued weakness*

Contract data for new construction projects, which gives an indication of the level of activity roughly six months in the future, has also been bumping along the bottom in recent months. Since bottoming out in early 2009, the square footage of residential contracts has increased over 30% through February on a seasonally adjusted basis. Nonresidential contracts continue to bump along the bottom. We do not expect to see any improvement in nonresidential construction until 2012. This sector is considered a “late cycle” industry and growth does not typically return until at least two to three years after a recession has ended.

*Manufacturing is expanding*

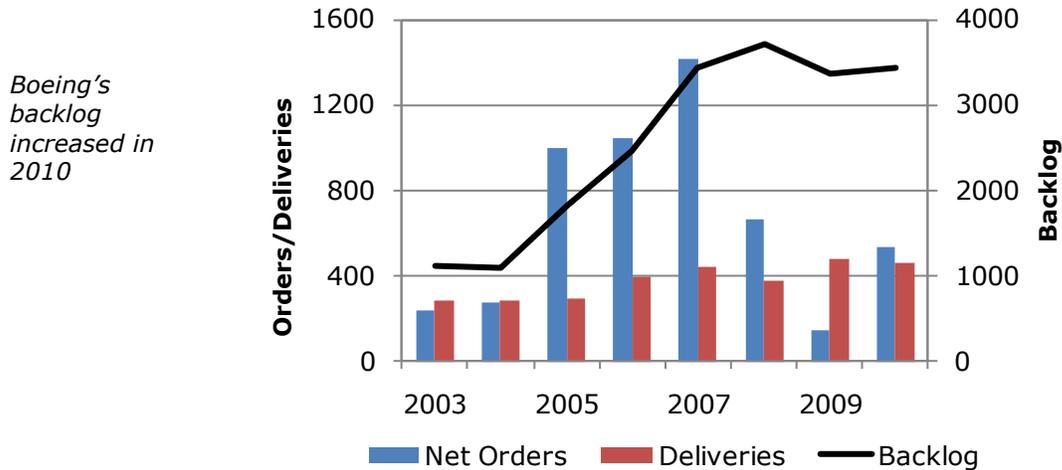
Manufacturing continues to expand in Washington. The National Association of Purchasing Managers’ Western Washington Index, which measures strength in the manufacturing sector, has now indicated growth for over a year-and-a-half (index readings above 50 indicate expansion). The new orders, production and employment components have been particularly strong. All three were 80 or higher in February. The forecast portion of the survey also points toward continued strength in the sector as the respondents remain optimistic about production and employment in the next 90 days.

*Boeing is hiring again*

Manufacturing employment has been rising for nearly a year now – the trough was March 2010 – but until recently the gains have been slight. This was because aerospace employment had been relatively flat. The aerospace sector added 2,500 of the 3,200

net new manufacturing jobs in the last four months, however. Boeing built up a huge backlog of orders in 2005, 2006, and 2007 (see Figure 2.2). 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. The recent tanker win adds to the positive outlook.

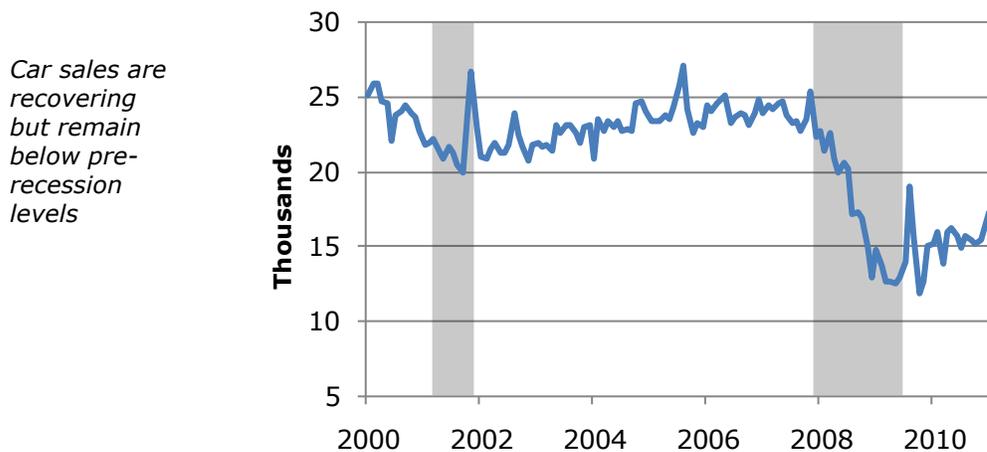
**Figure 2.2: Boeing Orders, Deliveries, and Backlog**



*Car sales jumped in the first two months of 2011*

Purchases of new vehicles in Washington improved to a seasonally adjusted 17,500 in February from 17,300 in January. Excluding August 2009, which was boosted by cash for clunkers, the last two months have been the highest since the financial

**Figure 2.3: Washington New Vehicle Registrations**



meltdown in September 2008 (see Figure 2.3). Still, car sales are well below their pre-recession peaks. The fleet of cars and trucks currently on the road is already the oldest on record, with data going back to 1982. The tragedy in Japan has disrupted automotive supply chains and production schedules, and in the short-term will exacerbate this problem. The longer new car sales remains depressed, the greater the pent-up demand for vehicles in the future.

*2010 was an excellent year for exports*

Washington State exports rose 2.9% in 2010 following a 22.6% decline in 2009. Exports excluding transportation equipment (mostly Boeing planes) were even stronger, rebounding 17.8% after a 22.6% decline in 2009. Around 50-60% of our exports are transportation equipment. Transportation equipment declined 10.9% in 2010. Agriculture exports, the state's second largest export category, were particularly strong, increasing 16.4%. Double-digit increases were also achieved in several major manufacturing sectors: computer and electronic products, food and kindred products, nonelectrical machinery, and primary metals. On a per capita basis, Washington is the nation's most trade dependent state. Exports will give the state an edge in the recovery because of the state's trade links with the Pacific Rim, and the robust recovery in those economies.

*The devastation in Japan hurts Washington's economy in the near term*

The devastation in Japan, from the earthquake, tsunami and the damage to the Fukushima Daiichi nuclear power plant is having a negative short-term effect on the State's trade volumes. Japan is Washington's third largest trade partner. While it is still too early to fully calibrate the economic impact of the still unfolding human tragedy, there is anecdotal evidence that exports to Japan are backing up at Washington ports. The Japanese infrastructure is not able to receive these shipments. In the longer term, as Japan rebuilds, we expect our exports to that nation will recover.

*Personal income continues to grow*

The BEA released preliminary annual personal income estimates after the March forecast was completed but the results were virtually identical to our March forecast assumptions. We had expected growth of 2.6%. The preliminary BEA estimate was slightly weaker at 2.5%. Wage and salary disbursements grew 0.9% in 2010, which was actually pretty good considering that payroll employment fell 1.6%. The implication is that average wages rose 2.5%. Now that employment growth is positive, we should see significantly stronger growth in wage and salary disbursements. A 3.7% increase in proprietors' income indicates business is turning around for the state's small businesses. Dividends, interest, and rent rose only 1.3% in 2010 due to the impact of extremely low interest rates. However, transfer payments were up 8.6%.

*The Seattle CPI is growing faster thanks to higher energy and shelter costs*

The seasonally adjusted Seattle CPI grew 0.6% from December 2010 to February 2011. In part, this strong growth was due to rising energy costs but core inflation, which excludes food and energy, also rose 0.4%. This is in contrast to the experience during 2010 when core prices declined by 0.4% from December 2009 to December 2010. The reason for the stronger core inflation this year is shelter costs, which are measured by rents in the CPI. Rents have been rising recently after falling through most of 2010.

## Washington State Forecast

*Recent geopolitical developments have cast yet another shadow over the economic recovery*

The Washington State forecast is based on a new national forecast that is slightly stronger than the forecast adopted in November and this is reflected in the forecasts for employment and income as well as GDP. However, the turmoil in the Middle East and North Africa has resulted in higher energy costs, threatening to both raise inflation and slow down the recovery. The tragedy in Japan has disrupted global supply chains as well as economic activity in that country. It has also affected Washington's exports. On the upside, the new forecast incorporates the implications of the recent tax deal between the President and Congress. While an extension of the 2001/2003 tax cuts was assumed in the November forecast, the payroll tax cut was a surprise. It adds nearly one percent to disposable personal income in 2011.

*Washington will outperform the nation in income growth, but the recovery will be slow*

As in November, we expect job growth to improve gradually during the course of 2011 from last year's anemic pace. Boeing's tanker win will boost manufacturing employment growth in Washington. Even without that, we were expecting strong growth in manufacturing. Construction employment is bottoming out so that sector will cease to be a drag on growth. Trade and services are benefitting from improved personal income growth, some of it stimulus driven. However, state and local governments will continue to cut back. We continue to expect that Washington State will outperform the U.S. economy, especially in income growth. The state's trade intensity should help boost activity as economies recover around the world, particularly in the Pacific Rim. Additionally, the stability and growth prospects of our major industries, software and aerospace, will help drive employment and personal income growth.

## Washington Payroll Employment

*Employment growth will pick up in 2011*

The Washington labor market has been in recovery for a year now but the improvement has been disappointing. During the last twelve months, the state's economy has generated only 19,300 jobs (0.7%). Our forecast for employment growth in 2011-13 is a little weaker than in November. We now expect Washington employment to grow 1.1% in 2011 and 2.6% per year in 2012 and 2013 compared to 1.2% in 2011 and 2.7% per year in 2012

and 2013. The private sector will do better, growing 1.7 % this year, and more than 3% per year in 2012 and 2013. We do not expect to reach our pre-recession peak in overall employment until the fourth quarter of 2013, one quarter later than previously forecasted.

*Boeing's tanker win will provide an important economic and psychological boost to Washington*

The impact of Boeing's tanker win has been incorporated in the final March forecast. The tanker contract will preserve the 767 production line which otherwise would likely have been shut down in a few years. Instead, Boeing is increasing production from one plane per month to two. While this is definitely good news for Boeing and the Washington economy, we believe the bulk of the positive impact will occur after the 2011-13 biennium. Production is expected to start in 2015 with the first deliveries in 2017, though there could be some hiring or non-layoff of engineering and production talent prior to the start of the program. Even without the tanker win, we were expecting job growth in the aerospace sector related to scheduled production increases in the 777 and 737 as well as production of the new 787 and 747-8 models. In addition to the tanker win, the improving prospects for Boeing are due to improving air cargo and passenger traffic, which have rebounded surprisingly quickly from the global recession. Boeing's order book remains full and it will take several years to work through the backlog. We expect fourth quarter to fourth quarter employment growth to improve to 4.3% this year after edging up 0.2% in 2010.

*As in November, we expect the software sector to continue to grow*

The outlook for the software sector is also similar to what was expected in November. Microsoft's balance sheet remains healthy. Also encouraging is that they have now transitioned from mostly consumer demand for products to more lucrative business demand. According to Microsoft's latest quarterly report, the business division's revenue grew 24% over the year. After unprecedented layoffs in 2009, software employment grew 1.7% in 2010 (fourth quarter to fourth quarter). We expect slightly stronger growth this year at 2.3%, accelerating to around 5% per year in 2012 and 2013.

*Construction employment declines are leveling off*

Construction employment began to flatten in 2010 after huge declines in 2008 and 2009. We expect overall construction employment to bottom out in the third quarter of this year. Nonresidential construction has been lagging residential construction and will continue to do so. We believe employment in residential building and related special trades will reach its cyclical low in the current quarter but nonresidential construction employment growth will not turn positive until 2012. In spite of a recovery in 2012 and 2013, construction employment will still be 54,800 below its previous peak at the end of 2013.

*Financial activities employment will begin to grow in 2011*

We expect the current quarter to be the trough in financial activities' employment after five years of decline. Next to construction, the financial activities sector experienced the most severe employment reductions during the recession. Employment in credit intermediation and related activities, a victim of the meltdown in financial markets, accounts for most of the decline. Like construction, the recent declines are much more moderate than the earlier cuts. We expect positive growth beginning in the second quarter of 2011.

*Employment in retail trade is trending higher*

Retail trade employment grew rapidly during the first half of last year but faltered in the third quarter when consumer confidence sank in response to the threatened European debt crisis. Still, the sector managed a 0.7% increase over all four quarters of 2010. Preliminary employment data for the first quarter suggests strong growth going into 2011 but consumer confidence faces new threats from rising gas prices and the tragedy in Japan. The forecast calls for year-end-to-year-end growth to improve to 2.4% in 2011 and 2.7% in 2012 but this could be undermined by a new slump in consumer confidence and spending.

*Growth in the professional and business services sector will be strong*

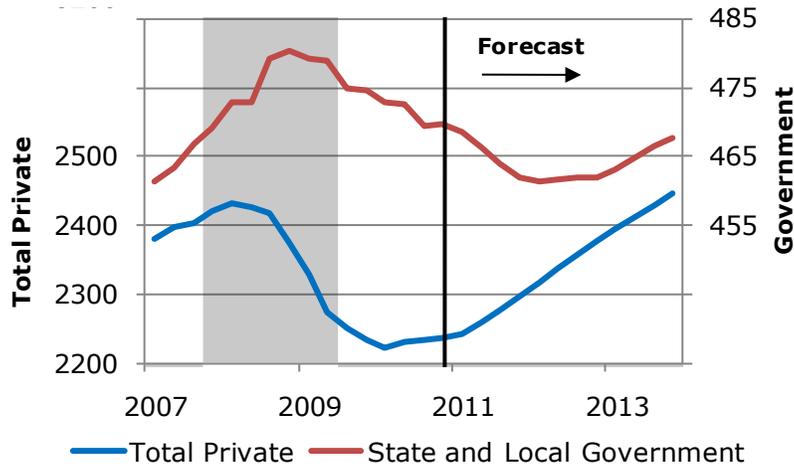
As is typical during recoveries, we expect the professional and business services to be one of Washington's fastest growing sectors. This sector was helped early on in the recovery from growth in employment services, which is largely temporary help. As businesses gauge whether the increase in demand will continue, they typically hire temporary staff before they hire permanent employees. We expect growth to continue in this highly pro-cyclical industry throughout the forecast. Professional and business services is also benefitting greatly from the federal stimulus. The additional \$2 billion allocated for the Hanford cleanup effort has mostly affected employment in waste management and remediation services, a component of professional and business services. The forecast expects average annual growth of 3.3% this year, increasing to 4.0% per year in 2012 and 2013.

*Tight budgets are forcing cutbacks in state and local government employment*

State and local Government employment tends to be more stable than other sectors of the economy. It also tends to lag other sectors through the business cycle. Private sector employment peaked in the first quarter of 2008 but state and local government employment continued to rise for three more quarters. Now private sector employment growth has turned positive but state and local government employment continues to decline (see Figure 2.4). State and local government job cuts are expected to continue through the rest of this year and into the next. We expect a loss of another 8,400 government jobs from the fourth quarter of 2010 to the first quarter of 2012 in addition to the 10,600 lost so far. This results in a 19,000 (4.0%) job loss from the peak in the fourth quarter of 2008. We do not expect government employment to reach the 2009 peak until after 2013.

**Figure 2.4: Private Sector and State and Local Government Employment**

*State and local government employment will lag in the recovery as it did in the recession*



Source: WA State ESD, ERFC; data through February 2011, ERFC forecast

**Washington Personal Income**

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

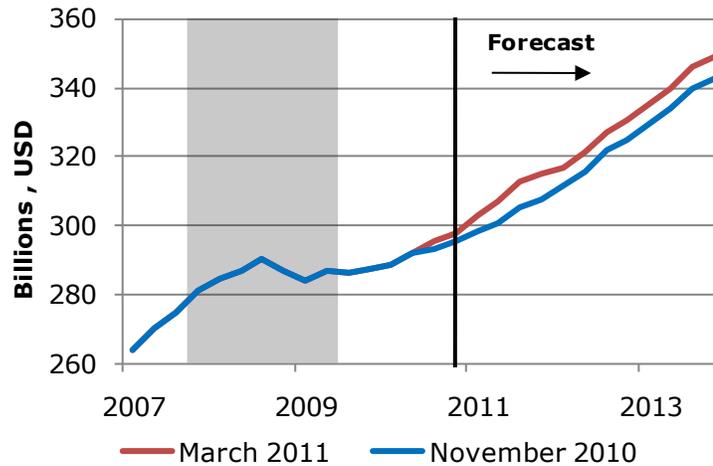
Washington personal income growth is expected to outperform the nation in the recovery. One of the primary reasons for optimism is the resurgence of the Pacific Rim economies, who are important trade partners. This will disproportionately help the state economy due to our high reliance on exports. Growth in our high-wage industries, aerospace and software will also boost personal income in the state. Total wage and salary disbursements increased in 2010 as healthy growth in average wages overcame another decline in employment. Going forward, we expect stronger wage growth as employment growth turns positive and average wage growth strengthens.

*Washington personal income gets a boost from the payroll tax cut*

The personal income forecast got an unexpected boost from the recent tax deal between the President and Congress. While an extension of the 2001/2003 tax cuts had been assumed in the November forecast, the payroll tax cut was an upside surprise, adding nearly 1% to disposable personal income in 2011. The payroll tax cut was only for one year so its absence in 2012 will be a drag on growth in that year. Largely because of the payroll tax cut, we have raised our 2011 personal income forecast to 5.4% growth from 3.7% but lowered our 2012 forecast to 4.7% growth from 5.1% (see Figure 2.5). As the economy continues to recover this year and gathers momentum, most other components of personal income will also grow, the main exception being unemployment compensation, which should come down as the job market improves.

**Figure 2.5: Washington Personal Income Forecast**

*Washington personal income is revised higher*



Source: BEA, ERFC through 2010 Q4, ERFC forecast

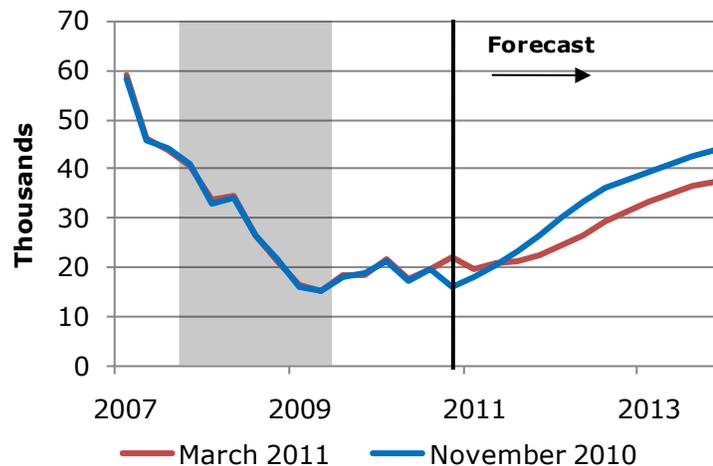
**Washington Building Permits**

*Housing will remain weak in 2011*

Housing activity in Washington, as measured by building permits, reached a trough in the second quarter of 2009, but remains weak. Since then, growth has been sporadic. We will not see a recovery in single-family construction until home prices start to rise. That will get fence sitters back into the market, as well as give banks confidence to lend against appreciating collateral. Unfortunately, home prices are headed downward again, both nationally and in Seattle. We expect prices will remain soft this

**Figure 2.6: Washington Housing Permits, SAAR**

*The recovery in housing will be delayed*



Source: U.S. Census Bureau, ERFC; data through 2010 Q4, ERFC forecast

year as more foreclosures and dumped back on the market, but we should see some firming by 2012. There is some support for multi-family construction. Migration into Washington is picking up, which tends to increase the demand for multi-family housing, and rental vacancy rates are falling.

*Housing  
faces  
headwinds*

We have pushed out the recovery in housing construction (see Figure 2.6). We no longer expect to see any significant improvement in 2011. We expect the total number of units to rise just 3.4% to 20,900, consisting of 15,800 single-family units and 5,100 multi-family units. We expect stronger growth in 2012 and 2013. The number of housing units will rise 33.2% to 27,900 in 2012 and 27.7% to 35,600 in 2013.

## Seattle Consumer Price Index

*Energy costs  
will cause a  
spike in the  
Seattle CPI in  
2011*

Inflation, as measured by the Seattle Consumer Price Index, has been less than one percent per year for each of the last two years. This has been due to declining shelter costs, which are measured by rents in the CPI. Rents have been firming recently and energy costs have risen sharply. We expect the Seattle CPI to jump 2.5% this year compared to only 0.3% last year. We don't believe the increase in energy cost will cause inflation to get out of control. Continuing high unemployment will prevent a wage-price spiral. Seattle inflation will decline to about 2% per year in 2012 and 2013.

*Core inflation  
is expected  
to remain  
low*

Core inflation (excluding food and energy) in Seattle came in at a negative 0.5% in 2010. Falling shelter costs were the main reason for the decline but rents have already turned around. As the economy continues to recover, Seattle inflation will remain moderate but will gradually increase. We expect the core Seattle CPI to rise 0.9% in 2011 and about 2% per year in 2012 and 2013.

## Forecast by Fiscal Year

*Personal  
income  
growth will  
increase  
throughout  
the forecast*

Nominal personal income grew by an estimated 0.6% in FY 2010, down from 1.8% in FY 2009. These are both very low by historical standards and much lower than the 7.2% average growth rate from 2006 through 2008. The slowdown in growth is mostly due to declining employment but average wage growth has also slowed as has income from non-wage sources such as dividends, interest, and rent. The forecast expects a rebound in FY 2011 with nominal personal income growth of 4.2%. Growth is expected to increase further to 5.2% in FY 2012 and 5.3% in FY 2013 as the economy continues to recover.

*Job growth is  
expected to  
be flat in FY  
2011*

Washington non-farm payroll employment fell 2.0% in FY 2009 and another 4.0% in FY 2010. We expect nonfarm employment to remain mostly flat in FY 2011 with just 0.1% growth.

Manufacturing is expected to grow 1.2% while construction continues to fall, declining by another 5.6%. The service-providing sector should stabilize with 0.3% growth in FY 2011. As the economic recovery picks up steam, we expect employment growth to improve by 2.1% in FY 2012 and 2.7% in FY 2013. On an end-of-period basis (second calendar quarter of 2009 to second calendar quarter of 2010) employment fell 1.6% during FY 2010. Employment is expected to increase by 0.6% this fiscal year on an end-of-period basis, and then grow 2.6% per year during FY 2012 and FY 2013.

*Housing permits will grow in FY 2011 for the first time in five years*

The number of housing units authorized by building permits in Washington declined 3.9% to 19,000 in FY 2010 after plummeting 48.2% in FY 2009. Single-family permits increased 17.6% in FY 2010 to 15,300 units while multi-family units fell 45.5% to 3,700 units, which was the lowest multi-family count in at least 40 years (our data begin in FY 1969). We expect multi-family permits to increase 51.9% this year to 5,600 units. While the percentage increase seems high, this is still a very low level. Single-family construction will experience continued weakness in FY 2011, falling 2.3% to 14,900 units. Overall permits are expected to rise 8.2% this fiscal year to 20,500 units. Construction should improve in FY 2012 and FY 2013 with the forecast calling for 23,600 units in 2012 and 32,200 in 2013.

*Seattle inflation will spike in FY 2012*

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, fell to just 0.3% in FY 2010 from 2.4% in FY 2009. Energy costs, which fell 9.6% in FY 2009, increased 2.1% FY 2010. Core inflation (excluding food and energy) decreased from 3.1% in FY 2009 to 0.5% in FY 2010. Inflation will remain low given the slack that has built up throughout the economy. The forecast expects the Seattle CPI to increase 1.2% in FY 2011. The recent rise in energy costs will show up mostly in fiscal 2012 when the Seattle CPI is expected to jump 2.6%. Seattle inflation will moderate to 1.8% in FY 2013.

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 also prepared an optimistic and a pessimistic forecast in March 2011. 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 (10% probability)

In the optimistic scenario, the momentum building in the private sector continues and brings with it sustained economic growth.

*The recovery accelerates in the optimistic scenario*

This scenario is driven primarily by a revival in private sector confidence that leads to increases in both consumer spending and business investment. The optimistic simulation also assumes stronger growth in productivity. Higher productivity supports lower inflation and stronger income gains. In this scenario, the rebellion in Libya is resolved quickly and without any damage to oil facilities. The new regime quickly resumes oil production and exports, relieving some of the pressure on global oil prices. With credit channels functioning more normally, business fixed investment rebounds 11.9% in 2011 while consumer spending grows 3.5%. The optimistic scenario also sees a stronger recovery in residential investment, with housing starts rising to 769,000 units in 2011. The optimistic scenario assumes a stronger growth rate for global GDP across the forecast period. Exports increase 11.0% in 2011. These assumptions produce a much brighter economic outlook than the baseline. The unemployment rate falls immediately in the optimistic scenario, dropping below 8% by the end of 2011 and below 7% by the end of 2012.

*This scenario also assumes higher growth in key Washington industries*

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes that the recovery in aerospace employment is stronger than assumed in the baseline forecast. Software employment growth is also stronger than in the baseline forecast. Even with the lower oil prices in the optimistic scenario, the Seattle inflation is higher than in the baseline forecast due to the stronger regional economy. Wage growth is also faster than in the baseline forecast. Both Washington personal income and population growth are stronger throughout the forecast. Finally, construction employment returns to sustained growth in the second quarter of 2011, two quarters sooner than in the baseline forecast and the subsequent recovery is stronger. By the end of 2013, Washington nonagricultural employment is higher by 103,500 jobs than in the baseline forecast and Washington personal income is \$14.5 billion higher.

### **Pessimistic (20% probability)**

*Oil prices surge in the pessimistic scenario*

In the pessimistic scenario, turmoil in the Middle East brings about a surge in oil prices that hits the U.S. economy at a bad time. Growth momentum slows early in the year and then turns negative during the summer. Households have no alternative but to cut other spending in the face of higher grocery and gasoline prices. Businesses, also facing higher input costs, are forced to cut all remaining costs, including payrolls. The housing sector also suffers from the poor consumer confidence, tight credit, and weak employment. As a result, demand for housing continues to decline and home prices plumb new depths. This scenario assumes that Congress is unable to come to terms on the fiscal 2011 budget, resulting in a federal government shutdown. This further reduces first-quarter GDP growth. Europe continues to

languish, as tighter fiscal and monetary policies and lack of a long-term solution to the sovereign debt issue prevents a sustainable recovery. Low demand and oversupply push housing prices lower. Housing starts drop back to a low of 500,000 units in 2011 and recover to only 810,000 units in 2012. In this scenario, higher oil prices lead to a weaker dollar and cause headline inflation to spike to 3.7% in 2011.

*This scenario also assumes lower growth in key Washington industries*

At the state level, the aerospace employment recovery is short lived and employment begins to decline again in the second half of 2011. Software employment remains essentially flat throughout the forecast rather than rising as in the baseline. The recovery in personal income is also weaker than was assumed in the baseline. Population growth is much weaker than in the baseline forecast as migration into Washington drops. Construction employment continues to fall through early 2012. The Seattle CPI is lower than in the baseline forecast, as are Washington wages. By the end of 2013, Washington non-agricultural employment is 143,800 lower than in the baseline forecast and Washington personal income is \$22.1 billion lower.

**Governor’s Council of Economic Advisors (GCEA)**

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

*The GCEA scenario expects slightly less real GDP and consumer spending growth*

At the national level, the GCEA scenario was very close to the baseline forecast but there were some differences. The Governor’s Council members expect slightly less real GDP growth and real consumer spending growth than the baseline forecast assumes. Inflation is slightly lower in FY 2012 but higher in FY2013. Overall, the price level is close to the baseline forecast. The GCEA oil price forecast is lower in each fiscal year by about \$5 per barrel. The Council members’ mortgage interest rate forecast is virtually identical to the baseline forecast.

*For Washington, the GCEA scenario is slightly weaker*

The GCEA scenario for Washington is also very close to the baseline forecast. The council members do not expect as strong a recovery in manufacturing as is assumed in the baseline forecast but their overall employment forecast is about the same. The council members expect slightly higher construction employment and more housing permits than assumed in the baseline forecast. The Council member’s forecast of personal income is a little weaker in the near term and a little stronger later on. By the end of 2013, the GCEA forecast for Washington nonfarm employment is 4,800 lower than in the baseline forecast but personal income in the state is \$0.5 billion lower.

Table 2.2 compares the alternative forecasts with the baseline forecast.

Table 2.1  
**Washington Economic Forecast Summary**  
 Forecast 2011 to 2013

Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Real Income (Billions of Chained 2005 Dollars)</b>								
Real Personal Income	237.467	251.495	262.217	263.141	261.375	268.242	275.814	285.743
% Ch	2.2	5.9	4.3	0.4	-0.7	2.6	2.8	3.6
Real Wage and Salary Disb.	127.959	134.604	139.289	136.692	132.600	135.160	139.708	145.915
% Ch	3.6	5.2	3.5	-1.9	-3.0	1.9	3.4	4.4
Real Nonwage Income	109.508	116.891	122.929	126.448	128.775	133.082	136.105	139.828
% Ch	0.7	6.7	5.2	2.9	1.8	3.3	2.3	2.7
Real Per Capita Income (\$/Person)	37,333	38,850	39,887	39,528	38,864	39,485	40,132	41,027
% Ch	0.4	4.1	2.7	-0.9	-1.7	1.6	1.6	2.2
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.075	1.091	1.104	1.121	1.147	1.166
% Ch	3.2	2.4	3.3	1.5	1.3	1.6	2.3	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.035	2.116	2.205	2.257	2.263	2.290	2.351	2.393
% Ch	3.2	4.0	4.2	2.4	0.3	1.2	2.6	1.8
Average Nonfarm Annual Wage	44,150	46,451	48,547	49,189	50,253	51,970	53,926	55,891
% Ch	3.7	5.2	4.5	1.3	2.2	3.4	3.8	3.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.32	20.22	20.90	22.03	23.53	23.53	23.78	24.07
% Ch	4.0	4.7	3.4	5.4	6.8	0.0	1.0	1.2
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	241.199	261.659	281.809	286.959	288.632	300.840	316.473	333.329
% Ch	5.5	8.5	7.7	1.8	0.6	4.2	5.2	5.3
Disposable Personal Income	212.731	229.580	247.873	256.516	262.164	271.801	283.800	294.980
% Ch	4.6	7.9	8.0	3.5	2.2	3.7	4.4	3.9
Per Capita Income (\$/Person)	37,918	40,419	42,865	43,107	42,917	44,282	46,048	47,858
% Ch	3.6	6.6	6.1	0.6	-0.4	3.2	4.0	3.9
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,290.2	3,352.2	3,436.3	3,521.2	3,531.6	3,524.9	3,556.4	3,609.1
Total Washington Employment	3,120.0	3,193.0	3,271.3	3,257.3	3,185.7	3,198.6	3,252.3	3,331.7
Unemployment Rate (%)	5.17	4.75	4.80	7.49	9.79	9.26	8.55	7.69
Nonfarm Payroll Employment	2,820.6	2,896.6	2,960.1	2,900.1	2,782.8	2,785.8	2,843.0	2,919.9
% Ch	3.0	2.7	2.2	-2.0	-4.0	0.1	2.1	2.7
Manufacturing	279.2	289.7	295.5	278.9	258.4	261.3	274.5	288.3
% Ch	4.3	3.8	2.0	-5.6	-7.4	1.2	5.0	5.0
Durable Manufacturing	197.6	208.1	214.5	201.5	184.5	186.9	197.9	209.1
% Ch	5.8	5.3	3.1	-6.1	-8.4	1.3	5.9	5.7
Aerospace	69.0	76.7	83.1	82.9	81.1	82.1	85.3	87.9
% Ch	8.8	11.1	8.3	-0.2	-2.2	1.3	3.8	3.2
Nondurable Manufacturing	81.6	81.6	81.0	77.4	73.8	74.4	76.6	79.1
% Ch	0.7	0.0	-0.7	-4.5	-4.7	0.8	3.0	3.3
Construction	186.6	202.8	207.8	181.2	146.5	138.2	137.6	146.0
% Ch	9.7	8.7	2.5	-12.8	-19.1	-5.6	-0.5	6.1
Service-Producing	2,345.9	2,395.7	2,448.9	2,433.2	2,372.1	2,380.2	2,424.3	2,478.1
% Ch	2.4	2.1	2.2	-0.6	-2.5	0.3	1.9	2.2
Software Publishers	42.8	46.5	48.8	52.1	50.8	51.4	53.0	55.7
% Ch	6.7	8.8	4.9	6.8	-2.6	1.3	3.1	5.0
Nonfarm Payroll Employment, EOP*	2,852.5	2,928.2	2,968.7	2,827.6	2,782.9	2,800.1	2,872.1	2,947.8
% Ch*	3.0	2.7	1.4	-4.8	-1.6	0.6	2.6	2.6
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	53.834	50.628	38.102	19.749	18.973	20.524	23.581	32.234
% Ch	3.9	-6.0	-24.7	-48.2	-3.9	8.2	14.9	36.7
Single-Family	40.408	34.072	23.059	13.016	15.304	14.950	16.462	21.298
% Ch	5.1	-15.7	-32.3	-43.6	17.6	-2.3	10.1	29.4
Multi-Family	13.425	16.557	15.043	6.734	3.669	5.575	7.118	10.935
% Ch	0.4	23.3	-9.1	-55.2	-45.5	51.9	27.7	53.6
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	4.99	4.70	5.19	5.86

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

Table 2.2  
**Comparison of Alternative Forecasts**

	Fiscal Year 2011				Fiscal Year 20112				Fiscal Year 2013			
	O	B	P	G	O	B	P	G	O	B	P	G
<b>U.S.</b>												
Real GDP	13,460	13,432	13,391	13,430	14,066	13,876	13,482	13,860	14,572	14,320	13,783	14,274
%Ch	3.1	2.9	2.6	2.9	4.5	3.3	0.7	3.2	3.6	3.2	2.2	3.0
Implicit Price Deflator	1.120	1.121	1.123	1.120	1.138	1.147	1.153	1.145	1.154	1.166	1.172	1.169
%Ch	1.5	1.6	1.7	1.5	1.6	2.3	2.7	2.2	1.4	1.7	1.6	2.1
Mortgage Rate	4.73	4.70	4.71	4.72	5.62	5.19	4.90	5.23	5.70	5.86	5.97	5.85
3 Month T-Bill Rate	0.17	0.17	0.14	0.14	1.75	0.57	0.31	0.51	3.21	2.81	1.88	2.91
<b>Washington</b>												
Real Personal Income	269.782	268.242	266.236	268.240	284.620	275.814	265.008	276.033	298.808	285.743	267.958	285.387
%Ch	3.2	2.6	1.9	2.6	5.5	2.8	-0.5	2.9	5.0	3.6	1.1	3.4
Personal Income	302.291	300.840	299.107	300.531	323.924	316.473	305.657	316.095	344.835	333.329	313.922	333.735
%Ch	4.7	4.2	3.6	4.1	7.2	5.2	2.2	5.2	6.5	5.3	2.7	5.6
Employment	2791.0	2785.8	2779.8	2788.8	2880.6	2843.0	2788.2	2847.1	2992.6	2919.9	2812.9	2916.3
%Ch	0.3	0.1	-0.1	0.2	3.2	2.1	0.3	2.1	3.9	2.7	0.9	2.4
Housing Permits	21.539	20.524	19.728	20.668	29.315	23.581	18.708	25.085	41.900	32.234	26.605	32.940
%Ch	13.5	8.2	4.0	8.9	36.1	14.9	-5.2	21.4	42.9	36.7	42.2	31.3

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

Table 2.3  
**Forecast Analysis**  
 Comparison of Forecasts for 2009-11

Forecast Date	<b>2008</b>				<b>2009</b>				<b>2010</b>				<b>2011</b>	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
<b>Washington</b>														
Percent Growth, 2009:2-2011:2														
Employment	3.6	3.6	3.6	2.3	2.7	1.9	2.3	1.9	1.6	1.2	-1.0	-0.9	-1.0	
Personal Income	12.3	12.7	11.8	8.3	7.9	7.8	9.0	8.8	9.1	9.3	5.6	5.0	7.1	
Real Personal Income	8.3	9.1	7.5	3.8	4.6	3.7	5.4	4.6	5.3	5.6	2.2	1.3	2.8	
Total (Thousands of units), 2009:3 to 2011:2														
Housing Units Authorized	95.2	97.8	85.6	72.6	59.7	47.3	45.4	51.4	44.5	44.0	37.4	37.3	39.5	

Table 2.4

Fiscal Years

**Forecast Comparison**

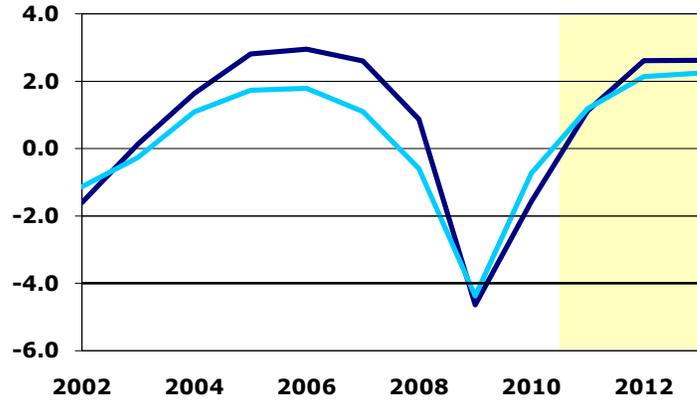
Forecast 2011 to 2013

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Washington</b>					
<b>Real Personal Income</b>					
March Baseline	263.141	261.375	268.242	275.814	285.743
% Ch	0.4	-0.7	2.6	2.8	3.6
November Baseline	263.141	261.356	265.136	272.627	283.084
% Ch	0.4	-0.7	1.4	2.8	3.8
<b>Personal Income</b>					
March Baseline	286.959	288.632	300.840	316.473	333.329
% Ch	1.8	0.6	4.2	5.2	5.3
November Baseline	286.959	288.610	297.061	310.205	327.445
% Ch	1.8	0.6	2.9	4.4	5.6
<b>Employment</b>					
March Baseline	2900.1	2782.8	2785.8	2843.0	2919.9
% Ch	-2.0	-4.0	0.1	2.1	2.7
November Baseline	2901.7	2789.7	2793.3	2853.8	2934.4
% Ch	-2.0	-3.9	0.1	2.2	2.8
<b>Housing Permits</b>					
March Baseline	19.749	18.973	20.524	23.581	32.234
% Ch	-48.2	-3.9	8.2	14.9	36.7
November Baseline	19.834	18.855	18.489	28.284	38.518
% Ch	-48.0	-4.9	-1.9	53.0	36.2

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

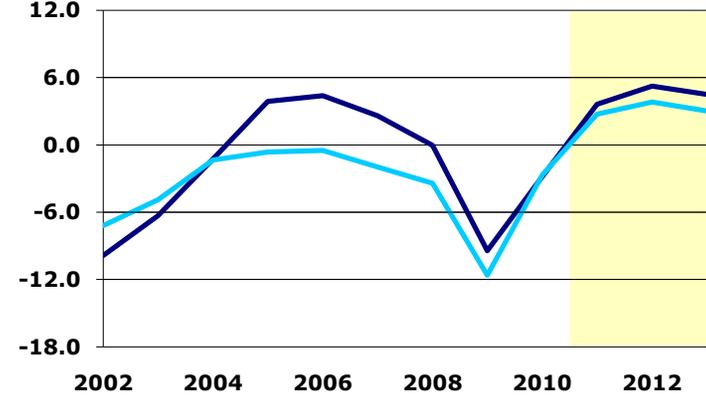
Forecast

Total nonfarm payroll employment



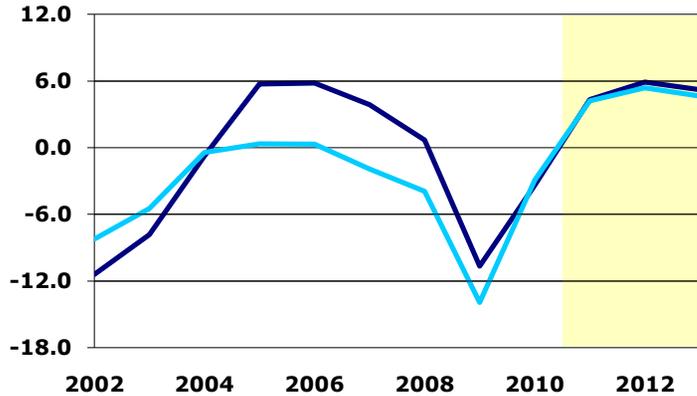
Source: WA State Employment Security Dept. 2010, ERFC 2013

Manufacturing employment



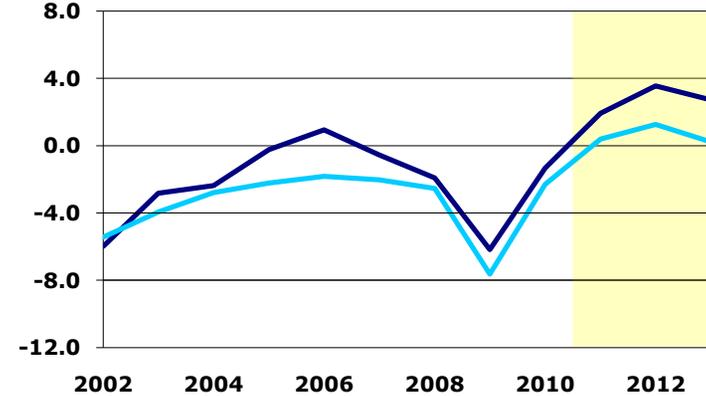
Source: WA State Employment Security Dept. 2010, ERFC 2013

Durable manufacturing employment



Source: WA State Employment Security Dept. 2010, ERFC 2013

Nondurable manufacturing employment



Source: WA State Employment Security Dept. 2010, ERFC 2013

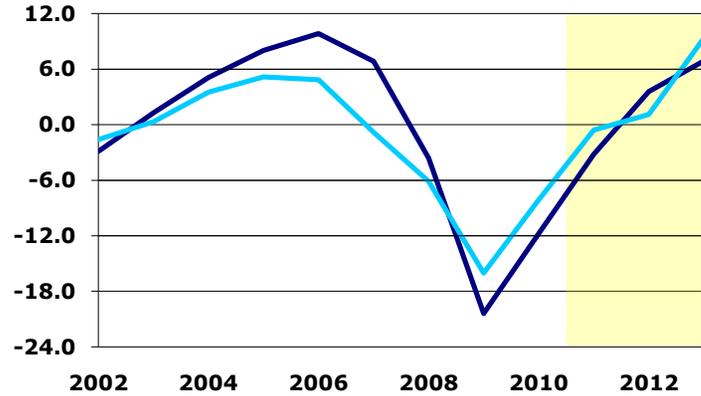
Washington

U.S.

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

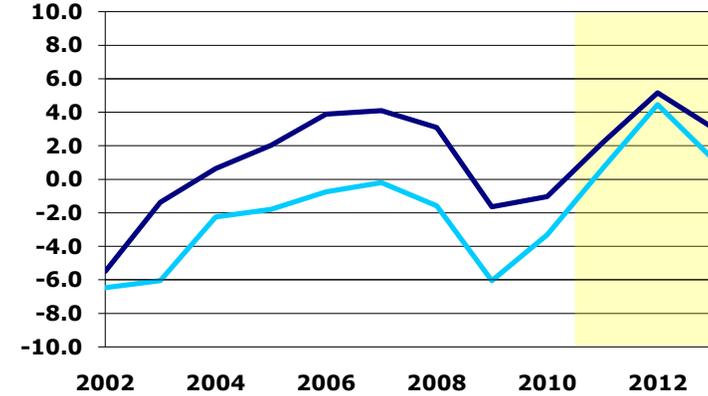
Forecast

Construction employment



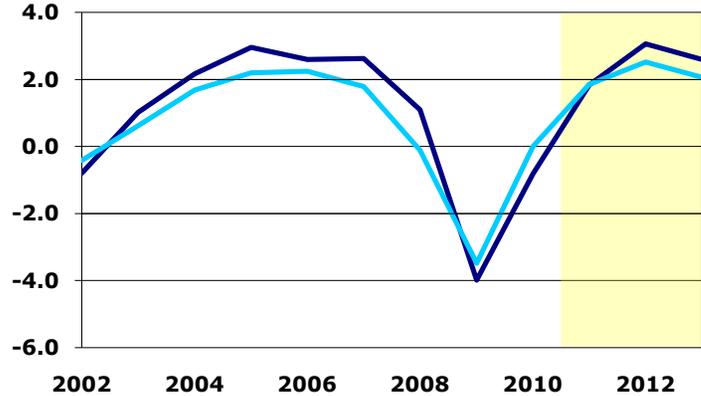
Source: WA State Employment Security Dept. 2010, ERFC 2013

Information employment



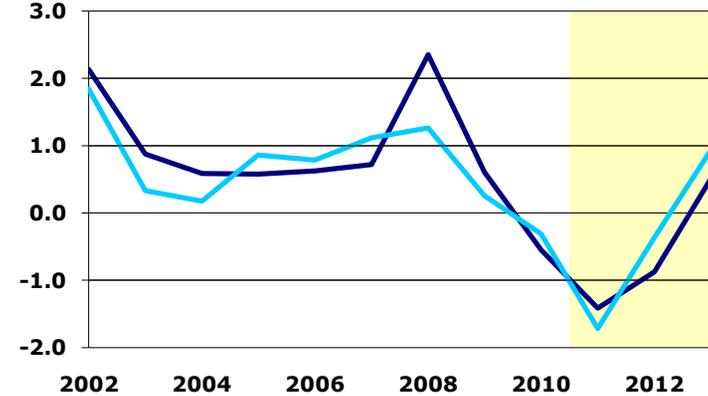
Source: WA State Employment Security Dept. 2010, ERFC 2013

Other private employment



Source: WA State Employment Security Dept. 2010, ERFC 2013

Government employment



Source: WA State Employment Security Dept. 2010, ERFC 2013

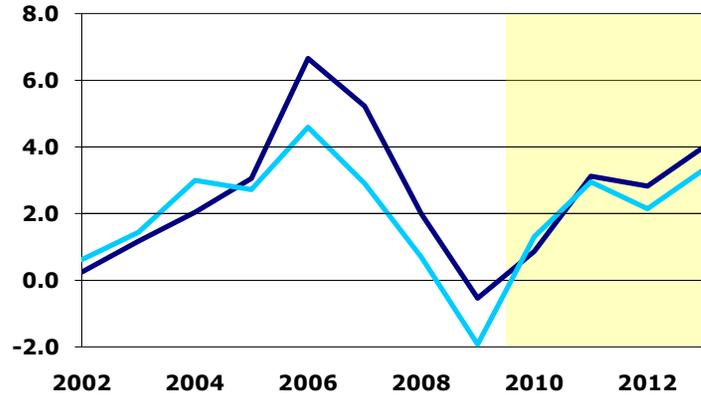
Washington

U.S.

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

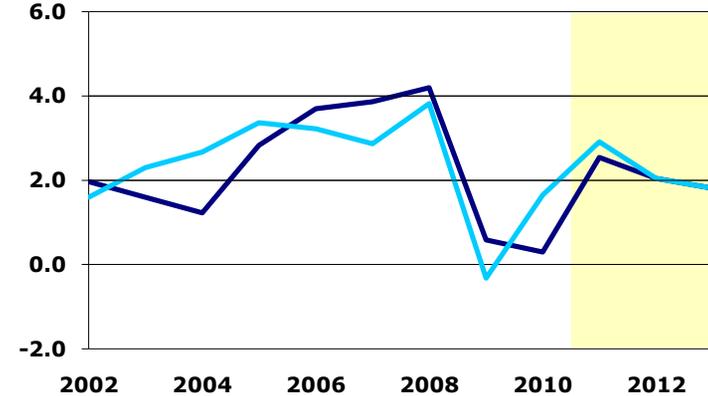
Forecast

Real personal income



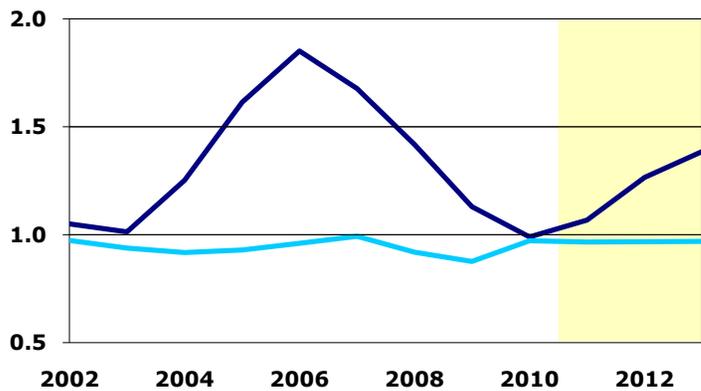
Source: Bureau of Economic Analysis 2009, ERFC 2013

Consumer price indices



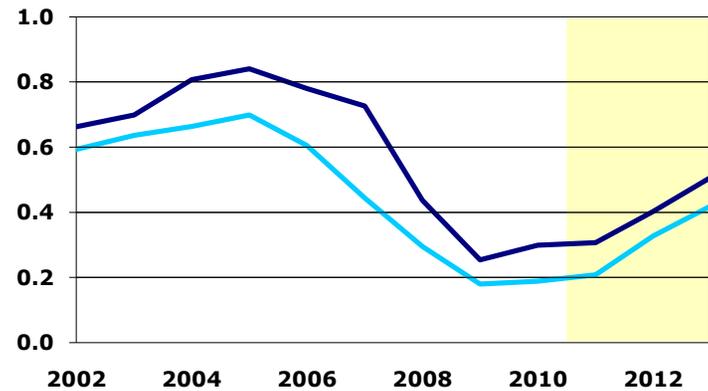
Source: Bureau of Labor Statistics 2010, ERFC 2013

Population



Source: Office of Financial Management 2010, ERFC 2013

Per capita housing units



Source: Census Bureau 2010, ERFC 2013

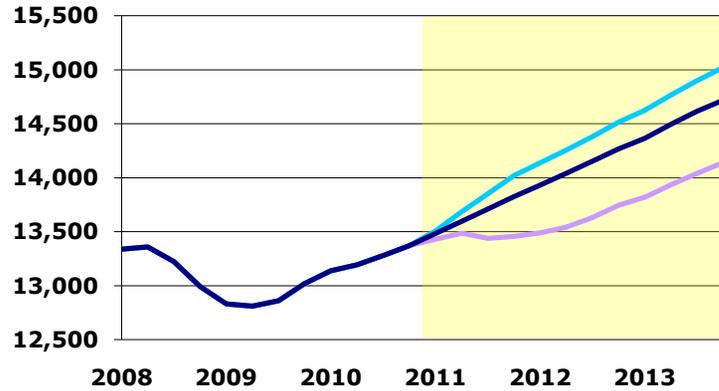
Washington

U.S.

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

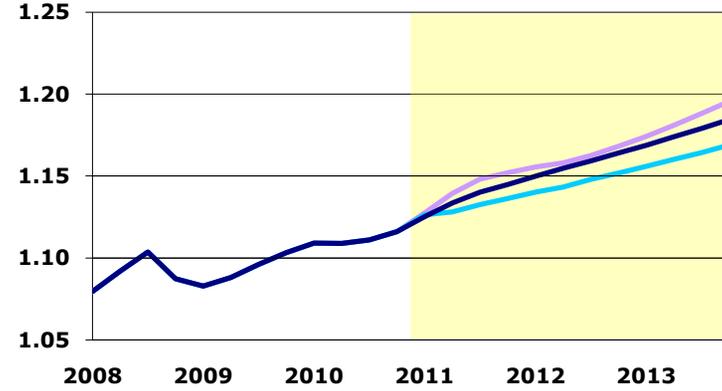
Forecast

Real GDP, billions of chained 2005 dollars



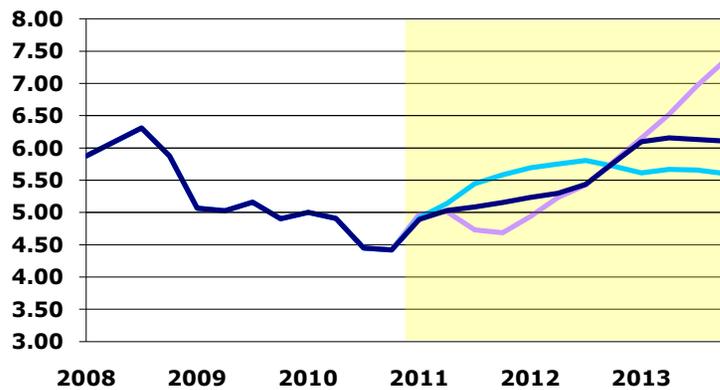
Source: Bureau of Economic Analysis 2010 Q2, ERFC 2013

Implicit price deflator, index 2005 = 1.0



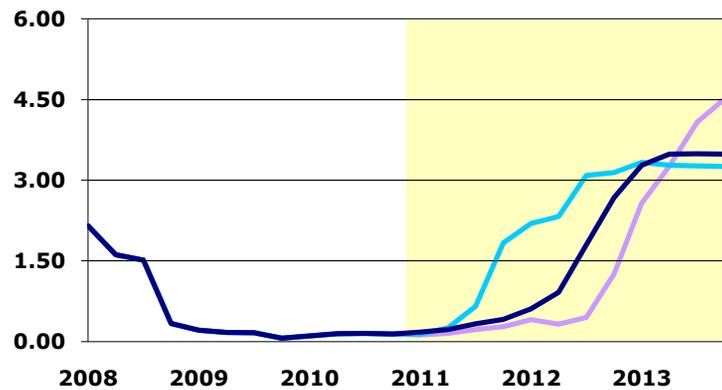
Source: Bureau of Economic Analysis 2010 Q2, ERFC 2013

Mortgage rate, percent



Source: Freddie Mac 2010 Q2, ERFC 2013

Three month T-bill rate, percent



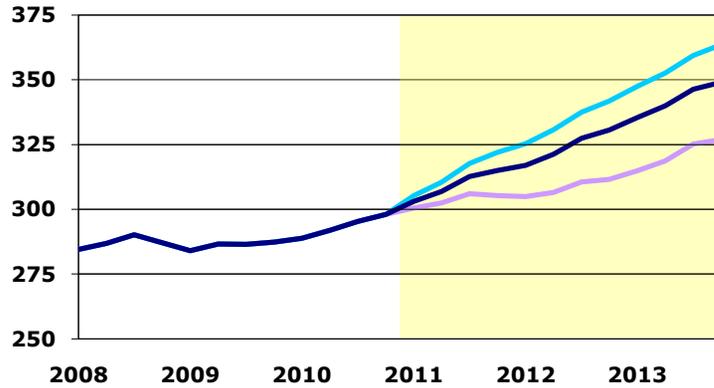
Source: Federal Reserve Board 2010 Q2, ERFC 2013

■ Baseline      ■ Optimistic      ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts

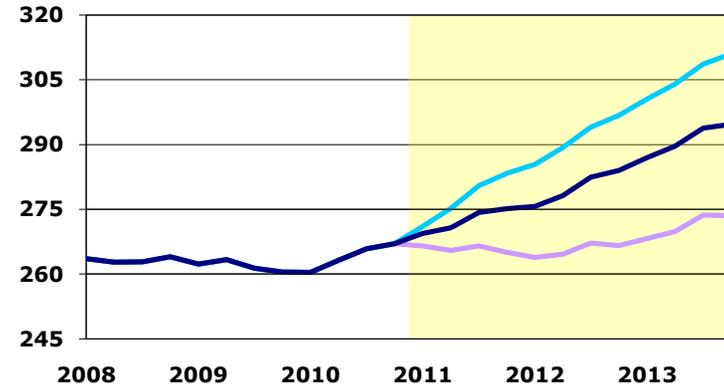
Forecast

Personal income, billions of dollars



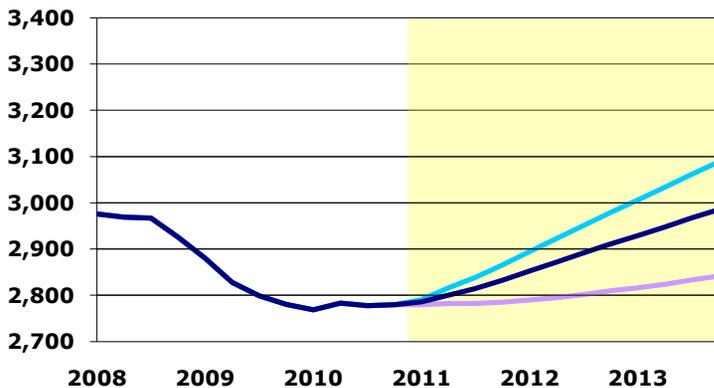
Source: Bureau of Economic Analysis 2008 Q4, ERFC 2013

Real personal income, billions of chained 2005 dollars



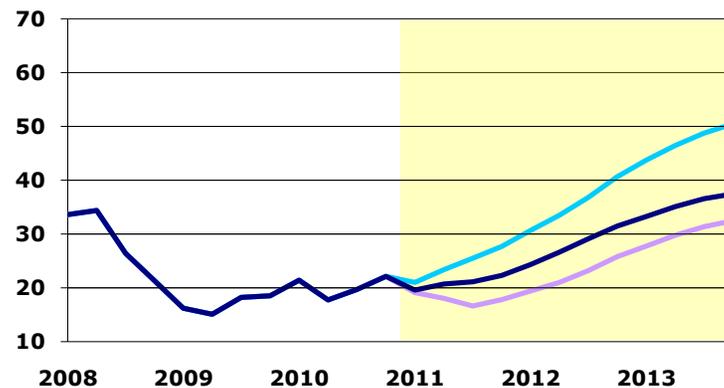
Source: Bureau of Economic Analysis 2008 Q4, ERFC 2013

Total nonfarm payroll employment, thousands



Source: WA State Employment Security 2010 Q2, ERFC 2013

Housing permits, thousands



Source: Census Bureau 2010 Q2, ERFC 2013

■ Baseline      ■ Optimistic      ■ Pessimistic

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## Chapter 3: Washington State Revenue Forecast Summary

- **While the current economic forecast is slightly stronger than the previous one, the trend of revenue growth is not expected to keep pace.**
- **Strong growth in October and November has given way to weaker growth in December and January, resulting in an \$85 million cumulative shortfall in General Fund-State revenue.**
- **Increased gas prices and uncertainty from the turmoil in the Middle East and North Africa will dampen taxable activity, as will supply disruptions and uncertainty from the Japanese earthquake and tsunami.**
- **Non-economic changes, including legislation from the December 2010 emergency session, have provided \$111 million in additional revenue to the current biennium but have taken away \$30 million from the next biennium.**
- **The net reduction to the General Fund-State forecast is \$80 million in the 2009-11 biennium and \$698 million in the 2011-13 biennium.**

### Overview

*The recovery in revenues has been slowed by a confluence of world events that have raised energy prices, disrupted production, and increased uncertainty*

At the time of the November forecast, the recovery in state revenues that had begun a year earlier appeared to be solidifying. After a slight pause in the summer, year-over-year growth rates began to increase once again, albeit slowly. While strength in November sales turned out to be largely borrowed from December sales, overall holiday sales came in close to the forecast. Other economic activity, however, began to slow as the December uprising in Tunisia began to spread across the Middle East and North Africa (MENA) region, creating uncertainty and concerns about oil prices. These concerns proved to be well-founded as oil and gas prices began to climb, remaining at high levels through March. Further economic disruption came from the March 11 earthquake in Japan and subsequent tsunami, which brought fears of widespread nuclear contamination and worldwide shortages of manufactured components. The degree to which these disruptions will affect revenues is still unfolding, but the negative impacts are unlikely to dissipate soon. Accordingly, we have lowered our forecasted revenue growth for

the remainder of this biennium and the first half of the next biennium.

*GF-S forecast changes (\$millions):*  
 2009-11: -\$80  
 2011-13: -\$698

Table 3.1 summarizes the change in forecasted revenues for the 2009-11 and 2011-13 biennia. By the time of the March forecast, revenues for the 2009-11 biennium were \$84.7 million below their forecasted value. Weaker forecasted revenue growth subtracted \$105.8 million in collections for the remainder of the current biennium and \$668.3 million in the next biennium. Various non-economic factors including legislation enacted in the December 2010 special session added \$110.7 million in revenue to the 2009-11 biennium but subtracted \$30.1 million from the 2011-13 biennium. The net forecast reductions for GF-S revenue are \$79.8 million in the 2009-11 biennium and \$698.4 million in the 2011-13 biennium.

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

<i>GF-S forecast (\$millions):</i>	<b>2009-11 Biennium</b>	<b>2011-13 Biennium</b>	<b>Total*</b>
2009-11: \$28,047	Collection Experience (\$84.7)	NA	(\$84.7)
	Non-Economic Change \$110.7	(\$30.1)	\$80.6
	Forecast Change (\$105.8)	(\$668.3)	(\$774.2)
2011-13: \$31,907	<b>Total Change (\$79.8)</b>	<b>(\$698.4)</b>	<b>(\$778.3)</b>

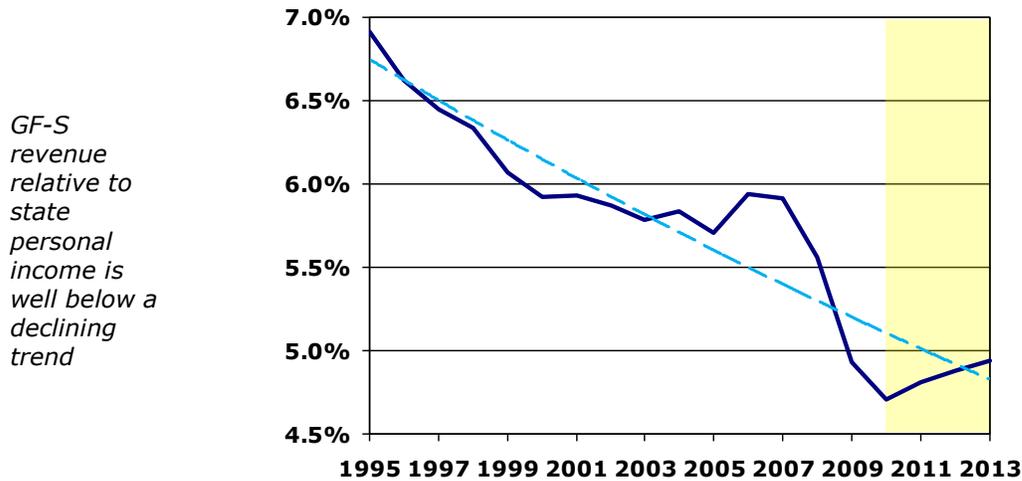
Source: ERFC, March 2011  
 \*Totals might not add due to rounding

With the revisions above, GF-S revenue for the 2009-11 biennium is forecasted to total \$28,047.2 million and GF-S revenue for the 2011-13 biennium is forecasted to total \$31,906.8 million.

*The ratio of revenue collections to personal income is predicted to remain below 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 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. The March forecast, as shown in the yellow shaded area, temporarily increases the ratio of collections to income due to the forecasted economic recovery and the portions of the revenue-enhancing legislation passed in the 2010 session that were not reversed by Initiative 1107. Nevertheless, the ratio is still far lower than the ratios for fiscal years 1995 through 2008.

**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 well below a declining trend*

Source: ERFC, data through fiscal year 2010

*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 2009-11 biennium can be found in Table 3.5 (cash) and Table 3.6 (GAAP). The GF-S forecast by agency and major revenue classification for the 2011-13 biennium can be found in Table 3.7 (cash) and Table 3.8 (GAAP).

### Recent Collection Experience

*The cumulative revenue variance since the November forecast was negative \$84.7 million*

Cumulatively, Revenue Act receipts from November 11, 2010 through March 10, 2011 were \$91.0 million (2.5%) below the value forecasted in November (see Table 3.2). Revenue from other Department of Revenue tax sources was \$7.4 million (0.6%) higher than expected. Much of the positive variance in non-Revenue Act collections and some of the shortfall in Revenue Act collections was due to \$8.1 million transfer of funds from the Revenue Act accounts to the soft drink syrup tax account to correct for a past misallocation. Cigarette tax receipts also added to the positive non-Revenue Act variance, coming in \$2.8 million (2.4%) above the forecast. Cumulative liquor tax receipts came in \$563,000 (0.8%) below the November forecast. Property tax collections were \$5.2 million (0.6%) lower than forecasted and real estate taxes came in \$4.7 million (4.4%) below the forecast. Revenue from the Department of Licensing was \$4,000 (0.6%) higher than forecasted and revenue from the Administrative Office of the Courts, which began to be deposited in the GF-S on July 1, 2009 (formerly part of the Public Safety and Education Account), was \$1.2 million (3.7%) lower than forecasted. The cumulative total variance of the above sources was negative \$84.7 million (-1.8%).

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

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$91.0)	-2.5%
Non Revenue Act	\$7.4	0.6%
Subtotal	(\$83.6)	-1.8%
Department of Licensing	\$0.004	0.6%
Administrative Office of the Courts	(\$1.2)	-3.7%
<b>Total*</b>	<b>(\$84.7)</b>	<b>-1.8%</b>

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

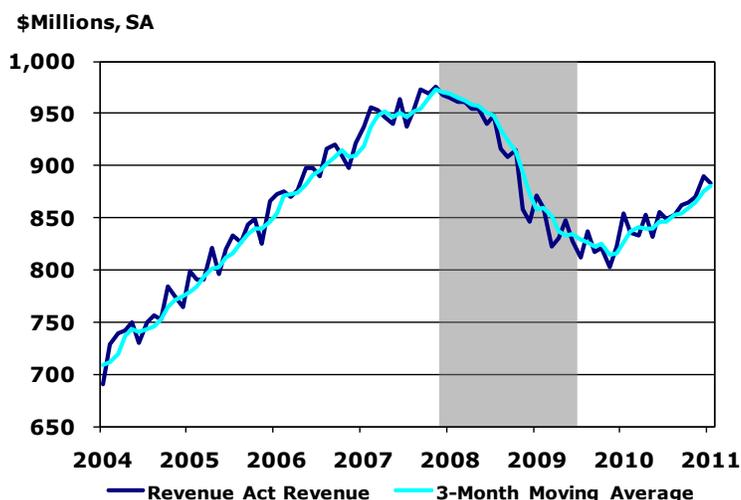
Source: ERFC; Period: November 11 - March 10, 2011

*Year-over-year growth in Revenue Act collections slowed in the most recent period*

As shown in Figure 3.2, on a seasonally adjusted basis, Revenue Act collections have been on an upward trend since November 2009. After two collection periods of above 8% year-over-year growth, however, collections in the February 11 - March 10, 2011 period increased only 3.5% year-over-year after adjusting for one-time payments and a shift in payment patterns described in the "Non-Economic Forecast Changes" section below. Adjusted collections have now shown year-over-year growth in ten out of the last eleven collection periods. Adjusted collections in the November 11, 2010 - February 10, 2011 period, which primarily reflected fourth quarter 2010 activity, were up 7.2% year-over-year. Third quarter activity (August 11 - November 10, 2010 adjusted collections) was up 3.8% year-over-year and adjusted collections reflecting second quarter activity were up 1.3%.

**Figure 3.2: Revenue Act Collections\***

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



Source: ERFC; Data through March 10, 2011

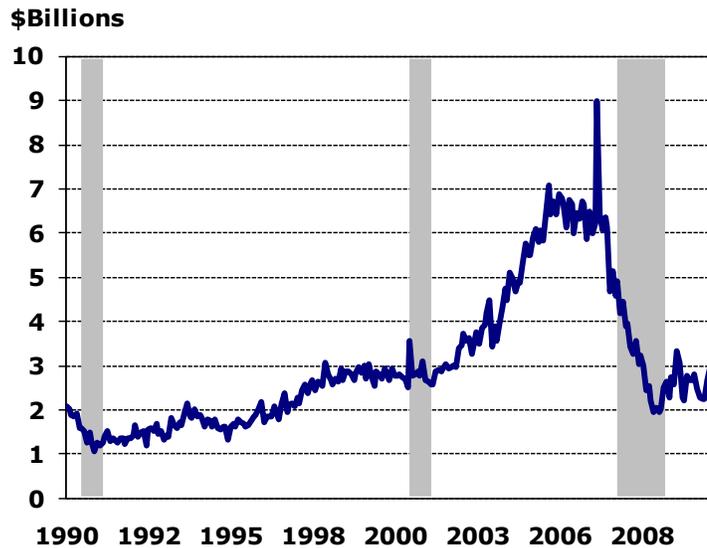
\*Adjusted for large payments/refunds and payment pattern change

*Now that the rush of activity from federal tax incentives has subsided, taxable real estate sales are fluctuating at lower levels*

Two rounds of federal tax credits for homebuyers have made real estate excise tax collections extremely erratic over the last year and a half. The first round of tax credits, for first-time homebuyers only, caused real estate excise tax collections to soar in November and December 2009 (see Figure 3.3). Though the federal tax credit for first-time homebuyers was extended and expanded to other homebuyers before the first round of credits expired, tax collections dropped sharply in January and February 2010. Collections recovered in March through June due to the second round of credits but then declined sharply in July and August and stayed flat through October. After a brief spike in activity in November 2010 through January 2011, February sales dropped to the levels of the fall, though they were still up 4.2% over sales in February 2010.

**Figure 3.3: Taxable Real Estate Excise Activity, SA**

*Sales are up from the levels seen during the recession and are improving in fits and starts*



Source: ERFC; data through February 2011

### 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 2011, 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.

*Revenue from electronic filers who also filed a year ago has been increasing year-over-year for twelve months*

Electronic tax returns from the February 11 – March 10, 2011 period mainly represent the January taxable activity of monthly taxpayers. For the twelfth consecutive collection period, payments from electronic filers who also filed electronically last year were higher than their levels a year ago. Total payments were up 5.1% year-over-year. Total tax payments from businesses in the retail trade sector were up 6.8% year-over-year. Eleven out of the twelve major retail trade sectors showed year-over-year growth in payments. The largest year-over-year increases in tax payments from the retail trade sector were in electronics and appliances (+35.4%), non-store retailers (+16.4%), gas stations and convenience stores (+8.4%) and apparel and accessories (+5.1%). Building materials and garden equipment was the only retail trade sector to show a year-over-year decline (-3.6%). Total payments from sectors other than retail trade increased 4.1%. Tax payments in the construction sector were down 7.0% year-over-year and payments in the manufacturing sector were down 0.3% year-over-year. Excluding both the manufacturing and construction sectors, payments from non-retail trade sectors were up 7.3%. The number of increasing non-retail sectors outnumbered declining sectors twelve to four.

## **Non-Economic Forecast Changes**

*Impacts of legislation from the December 2010 emergency session:*

*2009-11 biennium: +\$70.3 million*

*2011-13 biennium: -\$30.1 million*

In December 2010, Governor Chris Gregoire called an emergency session of the Washington State Legislature due to a forecasted shortfall of revenue relative to budgeted spending for the 2009-11 biennium. In addition to cuts in budgeted spending for the remainder of FY 2011, the session produced two bills that impacted GF-S revenue. House bill 3225 included provisions for enhanced activity by state auditors that is expected to bring in \$19.5 million in extra payments of B&O taxes on activity conducted in Washington by out-of-state companies. Substitute Senate Bill 6892 created a temporary amnesty program for payment of several taxes administered by the state Department of Revenue. Under the program, companies and individuals who owe taxes on past activity and have not yet been subject to an audit assessment can pay those taxes without penalty or interest if the payments are approved by April 18, 2011. Payments are then due by April 30<sup>th</sup>. At the time of the March forecast, amnesty agreements totaling \$54.4 million had been signed but not yet remitted. Net of the \$3.6 million of forecasted penalty and interest payments that will be foregone by the program, the net forecast increase from the amnesty program was \$50.8 million for the 2009-11 biennium. The program, however, is forecasted to reduce penalty, interest, and audit assessment payments by \$30.1 million in the 2011-13 biennium. It is likely that more amnesty requests will be approved before the program deadline, but the amount of resulting revenue cannot be accurately forecasted.

*The shift of a large number of taxpayers from quarterly to monthly filing will increase revenue in the 2009-11 biennium by \$50 million*

In addition to the legislative changes, a change in the payment pattern of a large number of taxpayers will result in extra revenue in the 2009-11 biennium. In order to cut back on processing expenses and reduce reporting errors, the Department of Revenue switched 32,600 taxpayers from quarterly filing of paper tax returns to monthly filing of electronic returns, starting with October taxable activity. This shift was not accounted for in the November forecast. With the change in frequency, taxpayers who would have formerly paid taxes on activity for the entire second quarter of 2011 on July 31<sup>st</sup>, 2011 will instead pay taxes for April and May activity in May and June 2011. This will bring an estimated \$50 million in revenue that would have been collected in FY 2012 into FY 2011 instead. While this shift lowers July 2011 collections, it raises May and June 2012 collections by a similar amount so it does not have a material impact on FY 2012 collections, and FY 2013 collections as well by the same reasoning.

*Net changes:  
2009-11:  
\$110.7 million*

At the time of the forecast, a \$9.6 million refund of retail sales taxes had been approved but not yet paid by the Department of Revenue. The sum of the forecast changes from new legislation, taxpayer payment frequency, and the expected refund is an increase of \$110.7 million for the 2009-11 biennium and a decrease of \$30.1 million for the 2011-13 biennium.

*2011-13:  
-\$30.1 million*

## Department of Revenue

*Taxes collected by DOR are most of GF-S taxes*

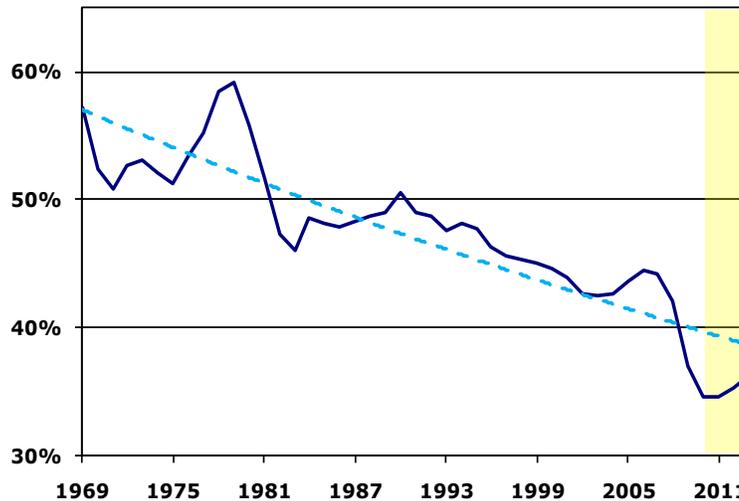
The Department of Revenue (DOR) collects and administers the majority of Washington's GF-S revenue, accounting for 97% of total GF-S revenue in the 2007-09 biennium. The largest tax sources administered by the DOR are the retail sales tax, business and occupation tax, property tax, use tax, and real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

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

The retail sales tax is the largest source of GF-S revenue, accounting for 47.3% of GF-S revenue in FY 2010. The state's share of the tax is 6.5% of the sales price. While construction labor, repair services, and some other services are taxed, the tax does not apply to most services. Taxable sales as a share of personal income have been declining, and fell sharply during this recession. While the taxable sales share of personal income is forecasted to increase from FY 2011 through FY 2013, the increase will not be enough to bring the ratio back to its pre-recession trend. This relationship is illustrated in Figure 3.4.

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

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



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

Source: ERFC; forecast through FY 2013

*Much of the decline in retail sales over the last biennium was due to the collapse in construction...*

As both construction materials and labor are subject to the retail sales tax, the construction sector has historically made up a large portion of total retail sales tax receipts. From FY 2007 through FY 2009, the sector represented an average of 20% of total taxable sales activity. The end of the housing boom took a huge toll on retail sales in both FY 2009 and FY 2010. Taxable sales in the construction sector declined by 15% in FY 2009 and by an estimated 20% in FY 2010. By FY 2010, the construction sector only accounted for 16.5% of taxable sales.

*...and auto sales*

Another large contributor to the retail sales tax is motor vehicle and parts sales, which represented an average of 10.6% of taxable sales activity in FY 2007 and 2008. Taxable activity in this sector declined by 23% in FY 2009 and then grew only 0.3% in FY 2010. The declines in just the automobile and construction sectors were responsible for 31% of the decline in taxable sales in FY 2009 and 54% of the decline in FY 2010. Total taxable sales declined 10.4% in FY 2009 and 6.0% in FY 2010.

*Retail sales tax receipt growth forecast:*

FY11: 3.9%  
 FY12: 7.2%  
 FY13: 7.9%

In the third quarter of 2010, which was the first quarter of fiscal 2011, taxable retail sales showed year-over-year growth for the first time since the first quarter of 2008. At the time of the November forecast, preliminary data indicated a 0.5% growth rate for the quarter, but final data showed a 0.3% rate. Preliminary data for fourth quarter sales indicate a year-over-year growth rate between 3% and 4%, close to but falling short of the 4.2% growth forecasted in November. In the first quarter,

however, the growth in oil prices and nationwide uncertainty from the unrest in the MENA region have caused sales to diverge further from the previous forecast. In addition, production disruptions from the Japanese earthquake and tsunami will negatively impact sales of vehicles and other products. Because of these factors, we have lowered our forecast of FY 2011 taxable activity growth from 5.1 % to 4.0% (see Table 3.4). Due to the further delay in the forecasted recovery of the construction sector coupled with ongoing effects of uncertainty and supply disruptions, the forecast of FY 2012 taxable activity has been lowered from 9.1% to 7.3%. The shift of substantial recovery in construction activity into FY 2013, however, has increased its forecasted growth rate to 8.2% from November's forecast of 7.3%. Taking into account the lag between taxable activity and collections and factoring in tax deferrals, credits, refunds, and the other non-economic factors outlined above, actual retail sales tax collections are forecasted to grow by 3.9% in FY 2011, 7.2% in FY 2012 and 7.9% in FY 2013. Retail sales tax collections declined by 10.8% in FY 2009 and 6.6% in FY 2010.

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

The business and occupation (B&O) tax is the second largest source of GF-S revenue, accounting for 19.0% of GF-S revenue in FY 2010. 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 2010, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.5% (1.8% effective May 2010) and represented an estimated 42% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented 24% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented 19% of taxes due.

*B&O tax growth forecast:*

*FY11: 16.9%  
FY12: 10.0%  
FY13: 7.2%*

Due mainly to new revenue from an increase of the B&O services tax from 1.5% to 1.8% and other legislative changes described in the June 2010 Washington State Economic and Revenue Forecast publication, B&O tax collections are forecasted to grow by 16.9% in FY 2011. This is a reduction from November's forecasted growth rate of 17.5%. Forecasted FY 2012 growth has been decreased to 10.0% from November's rate of 12.6%. FY 2013 growth is now forecasted at 7.2%, down slightly from November's forecasted 7.3% rate. B&O taxes decreased by 8.2% year-over-year in FY 2009 and increased 0.6% in FY 2010.

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

The state property tax levy is the third largest source of GF-S revenue, accounting for 13.3% of total revenue in FY 2010. 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:*

*FY11: 1.1%*  
*FY12: 2.0%*  
*FY13: 2.4%*

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 June of the year preceding the levy, unless a greater increase is approved by the voters. 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. In practice, since the rate of inflation is typically more than 1%, the total levy on existing property has grown by only 1%, but in June 2009 the rate of inflation was -0.85%. This caused the levy on existing property to decrease by that amount for calendar year 2010, affecting receipts for both FY 2010 and FY 2011. Property tax receipts are forecasted to grow by 1.1% in FY 2011, down from the 1.4% rate forecasted in November. FY 2012 growth is now forecasted at 2.0%, up from November's forecasted growth of 1.9% due to the lower FY 2011 revenues. Similarly, forecasted growth for FY 2013 has increased from 2.3% to 2.4%. GF-S property tax receipts increased by 2.7% year-over-year in FY 2009.

*Use tax was the fourth largest GF-S source in FY 2010*

The state use tax was the fourth largest GF-S revenue source in FY 2010 at 3.1% 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:*

*FY11: 11.2%*  
*FY12: 7.7%*  
*FY13: 10.1%*

Use tax receipts for FY 2010 were 8.0% below their FY 2009 level. The forecasted growth rate for FY 2011 has been decreased from 11.7% to 11.2%. Much of the reason for the forecasted steep rise in FY 2011 is a projected increase of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. 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 decrease in FY 2010. The price and volume of used vehicle sales are also likely to be positively impacted by supply disruptions of new cars due to the Japanese earthquake and tsunami. Use tax receipts are forecasted to grow by 7.7% in FY 2012 and 10.1% in FY 2013, with FY 2013 sales boosted by recovery in the construction industry.

*REET was the fifth largest source of GF-S revenue in FY 2010*

The real estate excise tax (REET) was the fifth largest source of GF-S revenue in FY 2010, accounting for 2.8% of total revenues. The state portion of the tax is 1.28% of the sales price. The tax is divided between the GF-S (92.3%), a fund for local public works (6.1%) and a fund for assistance of cities and counties (1.6%). The tax is applied to both residential and commercial real estate, including purchases of vacant land.

*REET growth forecast:*

*FY11: 1.1%  
FY12: 23.5%  
FY13: 9.0%*

Due to the negative forecast variance mentioned above and the diminished outlook for the housing sector, REET collections in FY 2011 are now expected to grow only at a 1.1% rate, down from the 6.3% growth forecasted in November. Taxable activity is expected to improve in FY 2012, with an expected growth rate of 23.5%. The high FY 2012 growth rate does not represent a strong recovery in the real estate market, but instead a return to an activity rate approaching normalcy after declines of 38.0% in FY 2008, 41.3% in FY 2009 and 2.4% in FY 2010. Even with the forecasted growth, expected FY 2012 receipts are roughly equal to the receipts of FY 2003. Growth is forecasted to slow to 9.0% in FY 2013. In November, REET receipts were forecasted to increase by 24.9% in FY 2012 and 5.4% in FY 2013.

## Department of Licensing

*Forecast change by biennium (millions):*

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

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. The department's forecast for the 2009-11 biennium has been increased \$0.1 million to \$34.2 million and its forecast for the 2011-13 biennium has been decreased \$0.1 million to \$37.0 million.

## The Office of Financial Management (Other Agencies)

*Forecast change by biennium (millions):*

*09-11: \$7.4  
11-13: \$7.9*

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, the Washington State Lottery, and the State Treasurer. The office's forecast for the 2009-11 biennium has been increased \$7.4 million to \$211.6 million due mainly to increases in tobacco settlement payments and fines, forfeitures, and seizures from the Department of Social and Health Services. The forecast for the 2011-13 biennium has been increased \$7.9 million to \$203.0 million, primarily due to forecasted increases in tobacco settlement payments.

## State Treasurer

*Forecast  
change by  
biennium  
(millions):*

09-11: *-\$0.3*  
11-13: *-\$2.0*

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2009-11 biennium has been decreased \$0.3 million to negative \$11.2 million due to a lower-than-forecasted average account balance. The forecasted earnings for the biennium are negative because the forecasted and actual average daily balance of the GF-S for the biennium is negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office. The office's forecast for the 2011-13 biennium has been reduced \$2.0 million to \$2.7 million due to a decrease in forecasted daily balances.

## Insurance Commissioner

*Forecast  
change by  
biennium  
(millions):*

09-11: *-\$10.1*  
11-13: *-\$32.2*

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the GF-S and various accounts in support of fire services. The office's forecast for the 2009-11 biennium has been decreased \$10.1 million to \$799.4 million due to lower-than-expected premium volume reported in February and March. The forecast for the 2011-13 biennium has been reduced \$32.2 million to \$862.1 million due to a reduction in forecasted growth rates.

## Liquor Control Board

*Forecast  
change by  
biennium  
(millions):*

09-11: *-\$0.5*  
11-13: *-\$0.8*

The Liquor Control Board forecasts GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2009-11 biennium has been decreased \$0.5 million to \$72.5 million and its forecast for the 2011-13 biennium has been decreased \$0.9 million to \$79.1 million. The board's forecast of beer and wine surtaxes for the 2009-11 biennium is unchanged at \$121.6 million and its forecast for the 2011-13 biennium has been increased \$0.1 million to \$176.0 million.

## Lottery Commission

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

The disposition of proceeds from the state lottery was substantially changed by E2SSB 6409 in the 2010 legislative session. Prior to the passage of the bill, the Lottery Commission transferred the bulk of its net proceeds to the School Construction Account, and any proceeds remaining after that account and the Stadium, Exhibition Center, Problem Gambling and Economic Development accounts received their allotments was transferred to the GF-S. Under the new legislation, existing

*GF-S  
Forecast  
change by  
biennium  
(millions):*

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

obligations to the Stadium/Exhibition Center, Problem Gambling and Economic Development accounts will be maintained, but the remaining revenue, which represents the bulk of the proceeds, will be transferred entirely to the Washington Opportunity Pathways Account, with no transfers to the GF-S. Budget legislation from the 2008 legislative sessions did, however, authorize separate transfers of unclaimed prize revenue to the GF-S for the 2009-11 biennium, which will continue. The forecast of these transfers is unchanged at \$20.1 million. There will be no revenue transfers to the GF-S in the 2011-13 biennium. The School Construction Account is forecasted to receive \$105.0 million during the current biennium, representing FY 2010 proceeds, and the Opportunity Pathways Account is forecasted to receive \$93.4 million, representing FY 2011 proceeds. The Opportunity Pathways Account is forecasted to receive \$219.7 million in the 2011-13 biennium. Details of the forecast of the distribution of Lottery earnings can be found in Table 3.15 on a cash basis and Table 3.16 on a GAAP basis.

## **Administrative Office of the Courts**

*Forecast  
change by  
biennium  
(millions):*

*09-11: -\$1.8  
11-13: -\$1.3*

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties to fund the Public Safety and Education Account (PSEA) and the Equal Justice sub account. Under ESSB 5073, the revenue and activities of these accounts have been consolidated into the GF-S starting July 1, 2009. The forecast of these funds for the 2009-11 biennium has been decreased \$1.8 million to \$197.8 million and the forecast for the 2011-13 biennium has been decreased \$1.3 million to \$206.8 million.

## **Track Record for the 2009-11 Biennium**

*The March  
forecast for  
the 2009-11  
biennium is  
\$6.11 billion  
(17.9%)  
lower than  
the initial  
forecast in  
February  
2008*

Table 3.10 summarizes the changes to the GF-S revenue forecast for the 2009-11 biennium. The values of the previous forecasts have been adjusted to reflect the new definition of GF-S under ESSB 5073 (these values were previously classified as "GF-S and Related Funds"). The initial forecast for the biennium was released in February 2008. The March forecast for the 2009-11 biennium is \$6.11 billion (17.9%) lower than the initial forecast. Non-economic changes (excluding the classification changes from ESSB 5073) have increased the forecast by \$804 million (2.4%). Excluding non-economic changes, the current forecast is \$6.92 billion (20.2%) lower than the initial forecast. The current forecast is \$2.08 billion (6.9%) lower than the March 2009 forecast, which was the basis for the initial 2009-11 budget.

## Track Record for the 2011-13 Biennium

*The March forecast for the 2011-13 biennium is \$318 million (1.0%) lower than the February 2010 forecast*

Table 3.11 summarizes the changes to the GF-S revenue forecast for the 2011-13 biennium. The February 2010 forecast was the initial forecast for the biennium. The March forecast for the 2011-13 biennium is \$318 million (1.0%) lower than the initial forecast. Non-economic changes have increased the forecast by \$1.40 billion (4.4%). Excluding non-economic changes, the current forecast is \$1.72 billion (5.3%) lower than the initial forecast. The current forecast will be the basis for the initial budget for the 2011-13 biennium.

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

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

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

## Budgetary Balance Sheets for the 2009-11 Biennium

*The forecast implies an ending GF-S deficit of \$79 million at the end of the 2009-11 biennium*

Table 3.12 shows the budgetary balance sheet for the 2009-11 biennium as prepared by the Office of Financial Management and the House and Senate fiscal committees. With adoption of the March 2011 forecast, the GF-S is projected to have a \$78.8 million deficit at the end of the 2009-11 biennium. This number is based on a total expenditures level of \$29,743.0 million as established in the current supplemental budget from the 2011 legislative session. The total ending balance is comprised of a projected ending GF-S deficit of \$78.8 million and a projected depletion of the Budget Stabilization Account. Further action by the legislature, the Governor or both is expected to eliminate the ending-fund deficit by June 30, 2011.

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

<i>Optimistic scenario:</i>	Chapter 2 outlines optimistic and pessimistic alternatives to the baseline Washington economic forecast. The revenue implications of these alternative scenarios are shown in Table 3.13 for the 2009-11 biennium and Table 3.14 for the 2011-13 biennium. The optimistic forecast for the 2009-11 biennium generates \$28,167 million in revenue, \$120 million more than the baseline scenario, while the pessimistic forecast produces \$27,887 million in revenue, \$160 million less than the baseline. The forecast assigns a probability of 70% to the baseline forecast, 10% to the optimistic forecast and 20% to the pessimistic forecast. The optimistic forecast for the 2011-13 biennium generates \$34,231 million in revenue, \$2,325 million more than the baseline scenario, while the pessimist forecast produces \$29,421 million in revenue, \$2,486 million less than the baseline. The forecast also assigns a probability of 70% to the baseline forecast, 10% to the optimistic forecast and 20% to the pessimistic forecast.
2009-11: +\$120 million	
2011-13: +\$2.3 billion	
<i>Pessimistic scenario:</i>	
2009-11: -\$160 million	
2011-13: -\$2.5 billion	
<i>GCEA scenario:</i>	In addition to the official optimistic and pessimistic alternatives, the Economic and Revenue Forecast Council routinely prepares a third alternative forecast. This is prepared by using a scenario developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA) as described in Chapter 2. The GCEA alternative revenue forecast was \$14 million less than the baseline scenario for the 2009-11 biennium and \$6 million more than the baseline scenario for the 2011-13 biennium.
2009-11: -\$14 million	
2011-13: +\$6 million	

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

<i>Near General Fund forecast:</i>	"Near General Fund" accounts are those included in the GF-S plus the Education Legacy Trust Account. The forecast for the Education Legacy Trust account for the 2009-11 biennium has been increased \$5.0 million to \$341.2 million. This brings the Near General Fund forecast for the biennium to \$28,388.4 million. The forecast of Education Legacy Trust Account revenue for the 2011-13 biennium has been increased \$4.3 million to \$398.9 million, for a total Near General Fund forecast of \$32,305.7 million. The Near General Fund forecast and recent history by fiscal year are presented in Table 3.19.
2009-11: \$28,388.4 million	
2011-13: \$32,305.7 million	

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

<b>Biennium</b>	<b>Current Dollars</b>	<b>Percent Change</b>	<b>2005 Chained Dollars</b>	<b>Percent Change</b>
1961-63	\$817.1		\$4,300.0	
1963-65	866.2	6.0%	4,439.3	3.2%
1965-67	1,128.6	30.3%	5,565.5	25.4%
1967-69	1,440.5	27.6%	6,658.6	19.6%
1969-71	1,732.7	20.3%	7,324.5	10.0%
1971-73	1,922.1	10.9%	7,517.5	2.6%
1973-75	2,372.4	23.4%	8,015.4	6.6%
1975-77	3,395.0	43.1%	9,977.1	24.5%
1977-79	4,490.0	32.3%	11,583.4	16.1%
1979-81	5,356.4	19.3%	11,500.8	-0.7%
1981-83	6,801.4	27.0%	12,722.0	10.6%
1983-85	8,202.4	20.6%	14,157.7	11.3%
1985-87	9,574.6	16.7%	15,577.2	10.0%
1987-89	10,934.1	14.2%	16,513.6	6.0%
1989-91	13,309.0	21.7%	18,481.9	11.9%
1991-93	14,862.2	11.7%	19,334.5	4.6%
1993-95	16,564.6	11.5%	20,630.3	6.7%
1995-97	17,637.7	6.5%	21,047.7	2.0%
1997-99	19,620.1	11.2%	22,737.1	8.0%
1999-01	21,262.1	8.4%	23,692.8	4.2%
2001-03	21,140.7	-0.6%	22,776.9	-3.9%
2003-05	23,388.5	10.6%	24,094.0	5.8%
2005-07	27,772.0	18.7%	27,017.5	12.1%
2007-09	27,703.0	-0.2%	25,589.5	-5.3%
2009-11 <sup>F</sup>	28,047.2	1.2%	25,202.6	-1.5%
2011-13 <sup>F</sup>	31,906.8	13.8%	27,808.2	10.3%

<sup>F</sup> March 2011 Forecast. Reflects new definition of General Fund-State per ESSB 5073

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

Source: Department of Revenue, the Office of Financial Management and the Economic and Revenue Forecast Council 's March 2011 forecast.

Table 3.4  
**Taxable retail sales\***  
(millions of dollars)

<b>Fiscal Year</b>	<b>Amount</b>	<b>Percent Change</b>
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 <sup>F</sup>	103,946	4.0%
2012 <sup>F</sup>	111,512	7.3%
2013 <sup>F</sup>	120,640	8.2%

<sup>F</sup> 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**

2009-11 biennium; cash basis

(millions of dollars)

<b>Forecast by Agency</b>	<b>Nov. 2010 Forecast<sup>1</sup></b>	<b>Non- Economic Changes</b>	<b>Forecast Revision</b>	<b>Mar. 2011 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$13,118.8	\$57.3	(\$94.3)	\$13,081.8	(\$37.1)
Business & Occupation Use	5,598.5	48.4	(63.4)	5,583.6	(14.9)
Public Utility	896.0	4.8	(6.9)	893.9	(2.1)
Liquor Sales/Liter	737.4	3.7	(1.8)	739.3	1.9
Cigarette	399.3	0.0	(1.0)	398.3	(1.0)
Property (State Levy)	668.2	0.0	2.5	670.6	2.5
Real Estate Excise	3,640.2	0.0	(6.2)	3,634.0	(6.2)
Timber Excise	783.1	0.0	(19.6)	763.5	(19.6)
Other	7.6	0.0	0.2	7.8	0.2
Subtotal	826.7	(3.4)	5.1	828.3	1.6
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	26,675.9	110.7	(185.3)	26,601.2	(74.6)
<b>Insurance Commissioner</b>					
Insurance Premiums	34.1	0.0	0.1	34.2	0.1
<b>Liquor Control Board</b>					
Liquor Profits and Fees	73.1	0.0	(0.5)	72.5	(0.5)
Beer & Wine Surtax	121.6	0.0	0.0	121.6	0.0
<b>Lottery Commission</b>					
Lottery Revenue	20.1	0.0	0.0	20.1	0.0
<b>State Treasurer</b>					
Interest Earnings	(10.9)	0.0	(0.3)	(11.2)	(0.3)
<b>Office of Financial Management</b>					
Other	204.2	0.0	7.4	211.6	7.4
<b>Administrative Office of the Courts</b>					
Fines and Forfeitures	199.6	0.0	(1.8)	197.8	(1.8)
<b>Total General Fund-State *</b>	<b>\$28,127.1</b>	<b>\$110.7</b>	<b>(\$190.5)</b>	<b>\$28,047.2</b>	<b>(\$79.8)</b>

<sup>1</sup> Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council November 2010.<sup>2</sup> Forecast for the 2009-11 biennium, adopted March 2011.

\*Detail may not add to totals because of rounding.

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

Table 3.6

**Comparison of the General Fund-State forecast by agency**

2009-11 biennium; GAAP basis

(millions of dollars)

<b><u>Forecast by Agency</u></b>	<b><u>Nov. 2010 Forecast</u></b> <sup>1</sup>	<b><u>Non- Economic Changes</u></b>	<b><u>Forecast Revision</u></b>	<b><u>Mar. 2011 Forecast</u></b> <sup>2</sup>	<b><u>Total Change</u></b>
<b><i>Department of Revenue</i></b>					
Retail Sales	\$13,071.4	\$57.3	(\$94.4)	\$13,034.2	(\$37.2)
Business & Occupation Use	5,651.1	48.4	(62.5)	5,637.0	(14.1)
Public Utility	894.9	4.8	(6.9)	892.7	(2.1)
Liquor Sales/Liter	735.5	3.7	(1.8)	737.4	1.9
Cigarette	399.3	0.0	(1.0)	398.3	(1.0)
Property (State Levy)	667.3	0.0	2.5	669.7	2.5
Real Estate Excise	3,639.7	0.0	(6.2)	3,633.5	(6.2)
Timber Excise	782.6	0.0	(19.6)	763.0	(19.6)
Other	7.3	0.0	0.2	7.5	0.2
Subtotal	826.7	(3.4)	5.1	828.3	1.6
<b><i>Department of Licensing</i></b>					
Boat excise, licenses, fees & other	26,675.6	110.7	(184.6)	26,601.7	(73.9)
<b><i>Insurance Commissioner</i></b>					
Insurance Premiums	34.1	0.0	0.0	34.2	0.0
<b><i>Liquor Control Board</i></b>					
Liquor Profits and Fees	73.1	0.0	(0.5)	72.5	(0.5)
Beer & Wine Surtax	121.6	0.0	0.0	121.6	0.0
<b><i>Lottery Commission</i></b>					
Lottery Revenue	18.1	0.0	0.0	18.1	0.0
<b><i>State Treasurer</i></b>					
Interest Earnings	(13.2)	0.0	(1.3)	(14.5)	(1.3)
<b><i>Office of Financial Management</i></b>					
Other	204.2	0.0	7.4	211.6	7.4
<b><i>Administrative Office of the Courts</i></b>					
Fines and Forfeitures	199.6	0.0	(1.8)	197.8	(1.8)
<b><u>Total General Fund-State*</u></b>	<b>\$28,122.5</b>	<b>\$110.7</b>	<b>(\$190.9)</b>	<b>\$28,042.4</b>	<b>(\$80.2)</b>

<sup>1</sup> Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council November 2010.<sup>2</sup> Forecast for the 2009-11 biennium, adopted March 2011.

\*Detail may not add to totals because of rounding.

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

Table 3.7

**Comparison of the General Fund-State forecast by agency**

2011-13 biennium; cash basis

(millions of dollars)

<b>Forecast by Agency</b>	<b>Nov. 2010 Forecast<sup>1</sup></b>	<b>Non- Economic Changes</b>	<b>Forecast Revision</b>	<b>Mar. 2011 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$15,259.6	(\$15.1)	(\$395.6)	\$14,848.9	(\$410.7)
Business & Occupation Use	7,062.3	(6.1)	(193.4)	6,862.8	(199.5)
Public Utility	1,074.2	(1.1)	(7.8)	1,065.3	(8.9)
Liquor Sales/Liter	794.2	(0.9)	1.9	795.1	1.0
Cigarette	425.7	0.0	(2.0)	423.7	(2.0)
Property (State Levy)	707.8	0.0	8.6	716.4	8.6
Real Estate Excise	3,779.6	0.0	(10.2)	3,769.3	(10.2)
Timber Excise	1,035.6	0.0	(44.7)	990.9	(44.7)
Other	4.5	0.0	0.1	4.6	0.1
Subtotal	866.8	(6.8)	3.3	863.2	(3.5)
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	31,010.1	(30.1)	(639.8)	30,340.2	(669.9)
<b>Insurance Commissioner</b>					
Insurance Premiums	37.1	0.0	(0.1)	37.0	(0.1)
<b>Liquor Control Board</b>					
Liquor Profits and Fees	80.0	0.0	(0.9)	79.1	(0.9)
Beer & Wine Surtax	175.9	0.0	0.1	176.0	0.1
<b>Lottery Commission</b>					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
<b>State Treasurer</b>					
Interest Earnings	4.7	0.0	(2.0)	2.7	(2.0)
<b>Office of Financial Management</b>					
Other	195.1	0.0	7.9	203.0	7.9
<b>Administrative Office of the Courts</b>					
Fines and Forfeitures	208.0	0.0	(1.3)	206.8	(1.3)
<b>Total General Fund-State *</b>	<b>\$32,605.2</b>	<b>(\$30.1)</b>	<b>(\$668.3)</b>	<b>\$31,906.8</b>	<b>(\$698.4)</b>

<sup>1</sup> Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council November 2010.<sup>2</sup> Forecast for the 2011-13 biennium, adopted March 2011.

\*Detail may not add to totals because of rounding.

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

Table 3.8

**Comparison of the General Fund-State forecast by agency**

2011-13 biennium; GAAP basis

(millions of dollars)

<b>Forecast by Agency</b>	<b>Nov. 2010 Forecast<sup>1</sup></b>	<b>Non- Economic Changes</b>	<b>Forecast Revision</b>	<b>Mar. 2011 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$15,239.6	(\$15.1)	(\$395.6)	\$14,828.9	(\$410.7)
Business & Occupation Use	7,042.3	(6.1)	(193.4)	6,842.8	(199.5)
Public Utility	1,054.2	(1.1)	(7.8)	1,045.3	(8.9)
Liquor Sales/Liter	794.8	(0.9)	1.9	795.7	1.0
Cigarette	425.7	0.0	(2.0)	423.7	(2.0)
Property (State Levy)	707.8	0.0	8.6	716.4	8.6
Real Estate Excise	3,779.6	0.0	(10.2)	3,769.3	(10.2)
Timber Excise	1,035.6	0.0	(44.7)	990.9	(44.7)
Other	4.1	0.0	0.2	4.4	0.2
Subtotal	867.2	(6.8)	3.3	863.6	(3.5)
	30,950.8	(30.1)	(639.7)	30,280.9	(669.8)
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	37.1	0.0	(0.1)	37.0	(0.1)
<b>Insurance Commissioner</b>					
Insurance Premiums	894.3	0.0	(32.2)	862.1	(32.2)
<b>Liquor Control Board</b>					
Liquor Profits and Fees	80.0	0.0	(0.9)	79.1	(0.9)
Beer & Wine Surtax	175.9	0.0	0.1	176.0	0.1
<b>Lottery Commission</b>					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
<b>State Treasurer</b>					
Interest Earnings	6.7	0.0	(2.0)	4.7	(2.0)
<b>Office of Financial Management</b>					
Other	195.1	0.0	7.9	203.0	7.9
<b>Administrative Office of the Courts</b>					
Fines and Forfeitures	208.0	0.0	(1.3)	206.8	(1.3)
<b>Total General Fund-State *</b>	<b>\$32,547.9</b>	<b>(\$30.1)</b>	<b>(\$668.2)</b>	<b>\$31,849.6</b>	<b>(\$698.3)</b>

<sup>1</sup> Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council November 2010.<sup>2</sup> Forecast for the 2011-13 biennium, adopted March 2011.

\*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  
**March 2011 General Fund-State Forecast**  
**2009-11 & 2011-13 Biennia; Cash Basis**  
(Millions of Dollars)

<b>Forecast by Source</b>	<b>Fiscal 2009</b>	<b>2007-09 Biennium</b>	<b>Fiscal 2010</b>	<b>Fiscal 2011</b>	<b>2009-11 Biennium</b>	<b>Fiscal 2012</b>	<b>Fiscal 2013</b>	<b>2011-13 Biennium</b>
<b>State Taxes</b>								
Retail sales***	\$6,870.2	\$14,575.4	\$6,416.7	\$6,665.1	\$13,081.8	\$7,142.1	\$7,706.8	\$14,848.9
Business & occupation <sup>#</sup>	2,558.2	5,344.5	2,573.7	3,009.9	5,583.6	3,311.8	3,551.0	6,862.8
Use***	460.0	971.2	423.2	470.7	893.9	507.0	558.3	1,065.3
Public Utility	373.7	741.5	358.4	380.9	739.3	388.0	407.1	795.1
Liquor sales/liter <sup>##</sup>	162.5	319.8	197.6	200.7	398.3	208.7	215.0	423.7
Beer & wine surtax <sup>##</sup>	2.4	4.5	35.1	86.5	121.6	87.5	88.5	176.0
Cigarette <sup>##</sup>	47.8	99.2	309.4	361.3	670.6	361.1	355.3	716.4
Tobacco products <sup>##</sup>	11.1	1.8	33.4	44.7	78.1	45.8	47.0	92.9
Property (state school levy)**	1,513.8	2,987.5	1,807.3	1,826.6	3,634.0	1,862.7	1,906.6	3,769.3
Public utility district	42.2	83.9	39.1	42.8	81.9	44.1	45.6	89.7
Real estate excise	389.1	1,052.4	379.6	383.9	763.5	474.1	516.8	990.9
Timber excise	5.4	12.7	3.8	4.1	7.8	2.7	2.0	4.6
Estate/inheritance	0.6	4.7	0.2	1.0	1.2	0.3	0.3	0.6
Boat excise	17.2	34.8	12.5	13.0	25.6	13.6	14.2	27.9
Insurance premiums <sup>##</sup>	252.7	513.2	396.6	402.8	799.4	422.9	439.3	862.1
Other <sup>##</sup>	221.4	481.8	247.9	271.6	519.5	263.1	274.0	537.1
<b>Total Taxes</b>	<b>12,928.3</b>	<b>27,228.8</b>	<b>13,234.6</b>	<b>14,165.6</b>	<b>27,400.2</b>	<b>15,135.4</b>	<b>16,127.8</b>	<b>31,263.2</b>
<b>State Non-Tax Sources</b>								
Licenses, permits, fees <sup>##</sup>	95.1	192.6	85.6	85.9	171.5	88.5	90.8	179.3
Liquor profits & fees	40.8	79.7	35.6	36.9	72.5	36.9	42.2	79.1
Earnings on investments <sup>##</sup>	58.8	175.4	1.8	(12.9)	(11.2)	(5.7)	8.3	2.7
Lottery transfers	11.1	11.1	12.9	7.2	20.1	0.0	0.0	0.0
Other revenue & transfers <sup>###</sup>	(45.0)	15.4	199.9	194.1	394.0	189.1	193.5	382.6
<b>Total Non-Tax</b>	<b>160.8</b>	<b>474.1</b>	<b>335.9</b>	<b>311.1</b>	<b>647.0</b>	<b>308.8</b>	<b>334.9</b>	<b>643.6</b>
<b>Total General Fund-State *</b>	<b>\$13,089.1</b>	<b>\$27,703.0</b>	<b>\$13,570.5</b>	<b>\$14,476.7</b>	<b>\$28,047.2</b>	<b>\$15,444.1</b>	<b>\$16,462.6</b>	<b>\$31,906.8</b>

a - Actual;

\* Detail may not add to totals due to rounding

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

\*\*\*GFS portion after Initiative 900 transfer

#Includes Hospital B&O for FY10-13

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

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

Table 3.10

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

February 2008 through March 2011

Cash Basis - Millions of Dollars

<b>Date of Forecast</b>	<b>Department of Revenue*</b>	<b>Other Agencies</b>	<b>Subtotal*</b>	<b>Non-Economic Changes**</b>	<b>Total Change</b>	<b>Total General Fund-State Cash Basis#</b>
<b>February 2008##</b>	\$32,443	\$1,715				\$34,158
<b>Changes to Forecast</b>						
June 2008	(85)	(28)	(112)	(46) #1	(158)	34,000
September 2008	(238)	(29)	(267)	0	(267)	33,733
November 2008	(1,376)	(77)	(1,453)	36 #2	(1,417)	32,316
March 2009	(2,030)	(94)	(2,124)	(61) #3	(2,185)	30,131
June 2009	(509)	(15)	(523)	226 #4	(297)	29,834
September 2009	(177)	(8)	(185)	(46) #5	(231)	29,603
November 2009	(752)	(8)	(760)	0	(760)	28,843
February 2010	9	23	32	(150) #6	(118)	28,725
June 2010	(192)	(52)	(245)	802 #7	558	29,282
September 2010	(742)	(23)	(765)	(5) #8	(770)	28,512
November 2010	(316)	(6)	(322)	(63) #9	(385)	28,127
March 2011	(185)	(5)	(191)	111 #10	(80)	28,047
<b>Total change***:</b>						
From February 2008	(6,592)	(323)	(6,915)	804	(6,111)	
Percent change	(20.3)	(18.8)	(20.2)	2.4	(17.9)	

Table 3.11

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

February 2010 through March 2011

Cash Basis - Millions of Dollars

<b>Date of Forecast</b>	<b>Department of Revenue*</b>	<b>Other Agencies</b>	<b>Subtotal*</b>	<b>Non-Economic Changes**</b>	<b>Total Change</b>	<b>Total General Fund-State Cash Basis#</b>
<b>February 2010###</b>	\$30,658	\$1,566				\$32,224
<b>Changes to Forecast</b>						
June 2010	219	(21)	197	1661 #11	1858	34,083
September 2010	(610)	(48)	(659)	(10) #8	(669)	33,414
November 2010	(584)	(7)	(591)	(218) #9	(809)	32,605
March 2011	(640)	(29)	(668)	(30) #12	(698)	31,907
<b>Total change***:</b>						
From February 2008	(1,616)	(105)	(1,721)	1,403	(318)	
Percent change	(5.3)	(6.7)	(5.3)	4.4	(1.0)	

\* 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 2008 legislation and budget driven revenue.

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

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

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

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

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

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

#8 Reversal of DOR RTA administrative fee

#9 Effects of Initiative 1107

Table 3.12  
**2009-11 Enacted Budget Balance Sheet**  
**Including Supplemental Budgets**  
**General Fund-State**  
**Dollars in Millions**

<b>RESOURCES</b>	
Beginning Fund Balance	<b>189.3</b>
November 2010 Forecast	28,127.1
December 2010 Legislation with Revenue Impacts	70.3
March 2011 Update (excluding December 2010 legislation)	<u>(150.1)</u>
<b>Current Revenue Totals</b>	<b>28,047.2</b>
Transfer to Budget Stabilization Account	(245.5)
Transfer from Budget Stabilization Account	267.0
Previously Enacted Fund Transfers	1,225.7
Prior Period Adjustments	(4.5)
Fund Transfers HB 3225 and ESHB 1086	185.0
<b>Total Resources (including beginning fund balance)</b>	<b>29,664.2</b>
<b>EXPENDITURES</b>	
<b>2009-11 Enacted Budget (including supplementals)</b>	<b>30,465.2</b>
December 2010 (HB 3225)	<b>(487.9)</b>
February 2011 (ESHB 1086)	<b>(240.8)</b>
Governor's Vetoes of ESHB 1086	<u>6.4</u>
	<b>29,743.0</b>
<b>RESERVES</b>	
<b>Projected General Fund Ending Balance</b>	<b>(78.8)</b>
Budget Stabilization Account Beginning Balance	21.4
Transfer from General Fund and Interest Earnings	245.6
Transfer to General Fund	<u>(267.0)</u>
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>0.0</b>
<b>Total Reserves (General Fund plus Budget Stabilization)</b>	<b>(78.8)</b>

House and Senate Fiscal Committees and the Office of Financial Management

Table 3.13

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

(cash basis, millions of dollars)

<b>Forecast by Source</b>	<b>Optimistic Forecast</b>	<b>Baseline Forecast</b>	<b>Pessimistic Forecast</b>
<b>Department of Revenue</b>			
Retail Sales	\$13,155.3	\$13,081.8	\$13,001.6
Business & Occupation Use	5,608.9	5,583.6	5,555.6
Public Utility	900.1	893.9	887.0
Property (school levy)	742.2	739.3	736.0
Real Estate Excise	3,636.3	3,634.0	3,631.5
Other	771.3	763.5	755.2
Subtotal	1,897.4	1,905.1	1,880.7
	26,711.4	26,601.2	26,447.5
<b>Department of Licensing</b>			
	34.7	34.2	33.7
<b>Insurance Commissioner<sup>1</sup></b>			
	799.2	799.4	799.6
<b>Lottery Commission</b>			
	20.1	20.1	20.1
<b>State Treasurer - Interest earnings</b>			
	(6.9)	(11.2)	(11.8)
<b>Liquor Profits &amp; Fees<sup>2</sup></b>			
	196.6	194.1	191.7
<b>Office of Financial Management</b>			
Other agencies	213.7	211.6	209.4
<b>Administrative Office of the Courts</b>			
Fines and Forfeitures	198.3	197.8	197.2
<b>Total General Fund - State*</b>	<b>\$28,167.1</b>	<b>\$28,047.2</b>	<b>\$27,887.4</b>
<b>Difference from March 2011 Baseline</b>	<b>\$119.8</b>		<b>(\$159.8)</b>

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

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

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

Table 3.14

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

(cash basis, millions of dollars)

<b>Forecast by Source</b>	<b>Optimistic Forecast</b>	<b>Baseline Forecast</b>	<b>Pessimistic Forecast</b>
<b>Department of Revenue</b>			
Retail Sales	\$16,205.1	\$14,848.9	\$13,404.5
Business & Occupation Use	7,333.3	6,862.8	6,322.5
Public Utility	1,164.5	1,065.3	946.9
Property (school levy)	837.3	795.1	751.3
Real Estate Excise	3,782.6	3,769.3	3,756.8
Other	1,237.2	990.9	862.8
Subtotal	2,006.1	2,007.9	1,880.6
	32,566.1	30,340.2	27,925.5
<b>Department of Licensing</b>			
	38.1	37.0	35.9
<b>Insurance Commissioner<sup>1</sup></b>			
	883.7	862.1	840.6
<b>Lottery Commission</b>			
	0.0	0.0	0.0
<b>State Treasurer - Interest earnings</b>			
	57.6	2.7	(20.9)
<b>Liquor Profits &amp; Fees<sup>2</sup></b>			
	260.1	255.0	249.9
<b>Office of Financial Management</b>			
Other agencies	213.1	203.0	192.8
<b>Administrative Office of the Courts</b>			
Fines and Forfeitures	212.7	206.8	197.2
<b>Total General Fund - State*</b>	<b>\$34,231.4</b>	<b>\$31,906.8</b>	<b>\$29,421.0</b>
<b>Difference from March 2011 Baseline</b>	<b>\$2,324.6</b>		<b>(\$2,485.8)</b>

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 3.15  
**Lottery transfers by fund**  
 (cash basis, millions of dollars)

	<b>Lottery: Total Transfers:*</b>	<b>General Fund</b>	<b>Mariners Stadium</b>	<b>Exhibition Center &amp; Stadium</b>	<b>Student Achievement Account</b>	<b>School Construction Account</b>	<b>Problem Gambling Account</b>	<b>Economic Development Account</b>	<b>Opportunity Pathways Account</b>
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0
2011	129.3	7.2	5.3	9.6	0.0	9.4	0.3	4.2	93.4
2009-11 Biennium	255.7	20.1	10.4	18.8	0.0	105.0	0.5	7.6	93.4
2012	123.2	0.0	2.7	10.0	0.0	0.0	0.3	3.0	107.3
2013	126.1	0.0	0.0	10.4	0.0	0.0	0.3	3.0	112.5
2011-13 Biennium	249.3	0.0	2.7	20.4	0.0	0.0	0.5	6.0	219.7

Table 3.16  
**Lottery transfers by fund**  
 (GAAP basis, millions of dollars)

	<b>Lottery: Total Transfers:*</b>	<b>General Fund</b>	<b>Mariners Stadium</b>	<b>Exhibition Center &amp; Stadium</b>	<b>Student Achievement Account</b>	<b>School Construction Account</b>	<b>Problem Gambling Account</b>	<b>Economic Development Account</b>	<b>Opportunity Pathways Account</b>
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0
2011	124.3	5.2	5.3	9.6	0.0	0.0	0.3	3.0	100.9
2009-11 Biennium	253.7	18.1	10.4	18.8	0.0	97.4	0.5	7.6	100.9
2012	123.7	0.0	2.7	10.0	0.0	0.0	0.3	3.0	107.8
2013	126.6	0.0	0.0	10.4	0.0	0.0	0.3	3.0	113.0
2011-13 Biennium	250.3	0.0	2.7	20.4	0.0	0.0	0.5	6.0	220.7

\* Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)  
 Source: Lottery Commission

Table 3.17

**General Fund-State: History and Forecast of Components**

History and Forecast by Fiscal Year (Cash basis)

March 2011 - 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%
Forecast:										
FY 2011*	\$14,477	6.7%	\$0	0.0%	\$14,477	6.7%	\$184	17.0%	\$14,661	6.8%
FY 2012*	\$15,444	6.7%	\$0	0.0%	\$15,444	6.7%	\$199	8.2%	\$15,643	6.7%
FY 2013*	\$16,463	6.6%	\$0	0.0%	\$16,463	6.6%	\$200	0.4%	\$16,663	6.5%
<b>Biennial Totals</b>										
<b>03-05 Biennium</b>	<b>\$23,389</b>	<b>10.6%</b>	<b>\$2,006</b>	<b>-9.3%</b>	<b>\$25,395</b>	<b>8.7%</b>	<b>\$0</b>	<b>NA</b>	<b>\$25,395</b>	<b>8.7%</b>
<b>05-07 Biennium</b>	<b>\$27,772</b>	<b>18.7%</b>	<b>\$2,013</b>	<b>0.3%</b>	<b>\$29,785</b>	<b>17.3%</b>	<b>\$381</b>	<b>NA</b>	<b>\$30,166</b>	<b>18.8%</b>
<b>07-09 Biennium</b>	<b>\$27,703</b>	<b>-0.2%</b>	<b>\$2,114</b>	<b>5.0%</b>	<b>\$29,817</b>	<b>0.1%</b>	<b>\$437</b>	<b>14.8%</b>	<b>\$30,254</b>	<b>0.3%</b>
<b>09-11 Biennium</b>	<b>\$28,047</b>	<b>1.2%</b>	<b>\$0</b>	<b>-100.0%</b>	<b>\$28,047</b>	<b>-5.9%</b>	<b>\$341</b>	<b>-21.9%</b>	<b>\$28,388</b>	<b>-6.2%</b>
<b>11-13 Biennium</b>	<b>\$31,907</b>	<b>13.8%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$31,907</b>	<b>13.8%</b>	<b>\$399</b>	<b>16.9%</b>	<b>\$32,306</b>	<b>13.8%</b>

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

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



## Chapter 4: Improving Employment Estimates

- **Starting with this forecast, we have implemented a method to improve the accuracy of the current estimates of the state's employment.**
- **The Quarterly Census of Employment and Wages (QCEW) is a virtual census of employment, but data are only available with a long lag.**
- **In between QCEW publications, sample data are available to indicate month-to-month growth of employment. These data are measured with an error.**
- **Economic models can also predict month-to-month growth with an error.**
- **A data filter can be constructed that combines information from the sample and the economic model.**
- **The filtered estimate is more accurate than either the sample or the model by itself. Moreover, it minimizes the variance in the estimates of employment growth.**

### Introduction

*We have applied a Kalman-type filtering methodology to employment estimates*

The employment data used in the preparation of the March forecast differs from the estimates produced by the Washington State Department of Employment Security and the U.S. Bureau of Labor Statistics. To both improve the estimates, as well as reduce their variance from final benchmarked data, we have applied a Kalman-type filter to the data. In simple terms, we combine the employment information from the Washington sample with information derived from a system of predictive equations. The sample-based estimate measures the true but unseen employment growth with an error. The system of equations predicts that same unseen employment growth, also with an error. Combining the two estimates produces more accurate and less volatile results than either does by itself.

### A simple example of static Kalman filtering

There are two sailors lost at sea in a boat. One sailor is very experienced. Let's call him Bret. He is able to make very accurate estimates of his location. Statistically speaking, the variance of Bret's estimates is small. The other sailor is a novice. We'll call him Lance. His estimates are much less accurate than Bret's. In other words, the variance of the Lance's estimates is much larger than the variance of Bret's estimates.

Lance made the first estimate of their location. Immediately afterwards (so the boat has not had time to move), Bret made his estimate – which of course was different from Lance's

estimate. Now you might think the best strategy would be to disregard Lance's estimate and rely only on Bret's estimate, but this would not result in the most accurate estimate of their location. The optimal strategy uses all available information concerning their location, which includes Lance's imprecise estimate as well as Bret's superior estimate. It turns out that the most accurate (least variance) possible estimate, given the information available, is a weighted average of the Bret's estimate and Lance's estimate. Bret's estimate gets a greater weight than Lance's due to its smaller variance. The result is more accurate than either sailor's independent estimate.

## The Current Employment Statistics

*The QCEW is a virtual census of employment*

The Quarterly Census of Employment and Wages (QCEW) serves as a virtual census of payroll employment. The QCEW program produces a comprehensive tabulation of employment and wage information for workers covered by unemployment insurance (UI) laws. Approximately 95 percent of private and total nonfarm employment is covered by UI in Washington. A separate estimate is made for non-covered employment.

*BLS maintains a sample of employers*

The employment figures from the QCEW program are available approximately four to six months after to the reference month. Because of this lag, The Current Employment Statistic (CES) program is used to get timely estimates of employment. CES collects data each month on employment from a sample of nonfarm establishments. The sample includes about 7,000 businesses and government agencies, which cover approximately 20,000 individual worksites drawn from a sampling frame of roughly 530,000 Unemployment Insurance tax accounts. The active CES sample includes approximately one-third of all nonfarm payroll employees.

*CES extrapolates employment based on the sample*

Employment levels derived from the QCEW are projected forward for each subsequent month using the growth indicated by the sample. CES uses a weighted matched sample concept to estimate growth of employment in firms that exist in both the reference period and the period before. A matched sample is defined to be all sample members that have reported data for

the reference month and the month prior. A model-based component is added to account for employment changes resulting from new businesses and business closures.

*Estimates are replaced with actual data during benchmarking*

As the QCEW data become available, CES sample based estimates are replaced with the actual data from the QCEW. This process of re-anchoring the employment figures to their true levels, or benchmarking, is done on a quarterly basis. Employment levels are then recalculated going forward based on the previously calculated growth indicated by the sample.

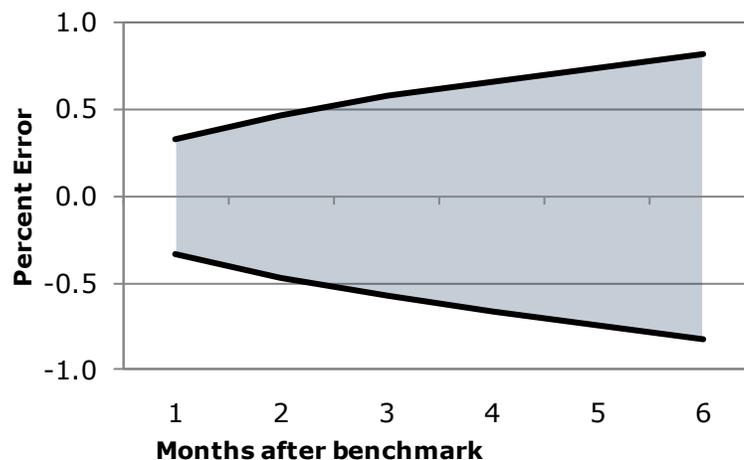
**Current CES Confidence Intervals**

*Employment growth is estimated with an error*

As described above, the un-benchmarked Current Employment Statistics are generated from a sample of firms. Also, as noted above, the sample does not provide an estimate of the level of employment but rather it indicates the growth in employment from month to month. The level of employment is estimated by applying successive growth rates to each month since the last benchmarked month. Since each month’s growth is estimated with an error, the uncertainty about the level of employment grows over time. Using estimates derived from the actual revisions in the data for total private employment, we can calculate confidence intervals around the un-benchmarked estimates. The data show that there is a 90% probability that the initial month’s estimate will be within three tenths of one percent of the actual level but after six months the 90% confidence interval rises to plus or minus eight tenths of one percent (see Figure 4.1).

**Figure 4.1: 90% Confidence Interval for Employment Estimates**

*...the errors grow the farther estimates are from the benchmark month*



Source: ERFC, Washington State ESD

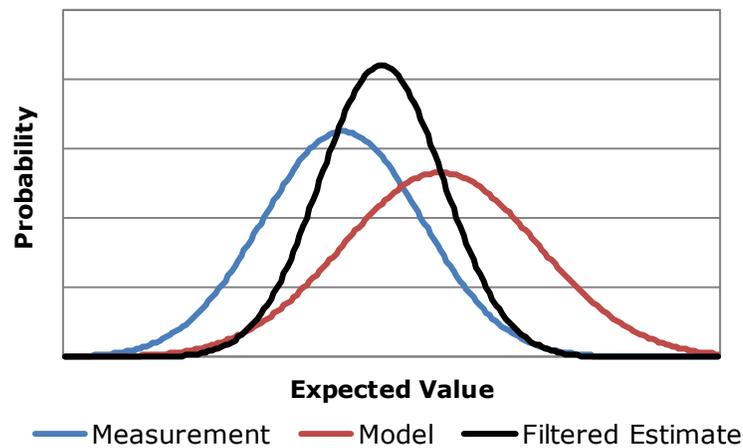
## The Kalman Filter

*The Kalman filter combines multiple estimates to produce an optimal estimate*

Rather than rely on a single estimate, the Kalman filter uses information provided by multiple estimates in order to produce more accurate estimates than any could produce on its own. Some estimates may be less accurate than others, but they all provide information that can improve the accuracy of the final estimate. Specifically, the Kalman filter combines information from measurements, which are subject to error with the prediction of a system of equations (or model) which is also subject to error. The filtered estimate is a weighted average of the two. The weights are determined by the variances of two estimates. The greatest weight is given to the estimate with the least uncertainty. The filtered estimates produced in this fashion have less error than any individual estimate does by itself. For example, suppose the measurement has a variance of 600. Now we add to that a model that can predict the same variable but has a variance of 900. The filter would give a weight of 60% to the measurement and a weight of 40% to the model. The filtered estimate would have a variance of 360, which is less than either of the two separate variances. The probability density functions shown in Figure 4.2 indicate the likelihood that a random variable occurs at a certain point. The more tightly clustered the probability density function is around the expected value, the more confidence one can have in the estimate. The measurement is clearly more accurate than the model but the filtered estimate is better than either of the others.

**Figure 4.2: Probability Density Functions**

*Filtered estimates are more accurate*



Source: ERFC

*The filter combines two estimates*

In our case the measurement is provided by the monthly growth rate of employment indicated by the sample data. To this, we add a model that separately predicts monthly employment growth. It turns out that the measurement produces smaller errors than does the model. If we had to choose, we would use

the measurement indicated by the sample due to its lower variance. Fortunately we do not have to choose. Our filtered estimate of employment growth is produced by taking a weighted average of the growth measured by the sample and the growth predicted by the model. The weights are determined by the variances of the two estimates. The estimate with the lower variance gets more weight than the estimate with the higher variance. In our case, the optimal weights turn out to be about 60% for the sample-based measurement and about 40% for the model prediction. The filtered estimate has a variance that is 40% lower than the variance of the original sample-based estimate.

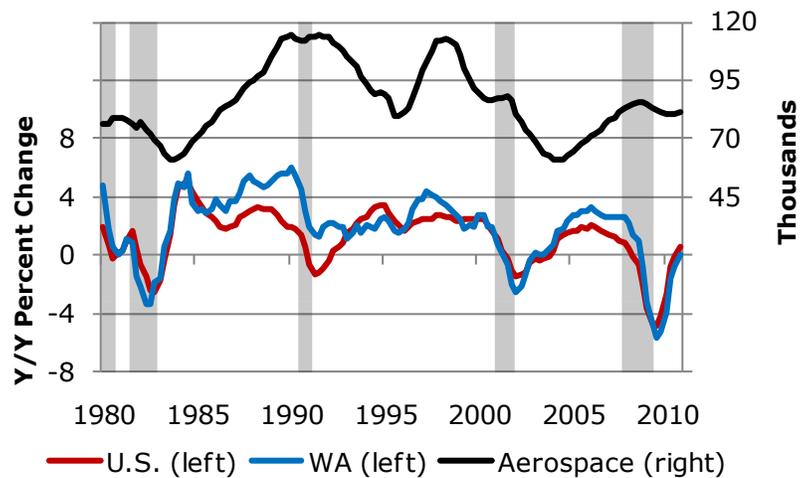
**The Model**

*A model provides the second estimate of employment growth*

The process for measuring employment growth with the sample has been described above. The other input is a model which can separately predict employment growth. One of the reasons the payroll employment estimates get so much attention is that they are among the timeliest indicators of the state economy. Our model needs to be just as up-to-date as the payroll employment estimates. It cannot rely on data that are not available in real time. National private employment growth is very highly correlated with state private employment growth (see Figure 4.3) and is available in real time. The national estimates that are available in real time are also sample-based estimates but the national sample is much larger than the state sample and therefore less subject to sampling error. We estimated the model using archived national employment data that showed national employment growth as it was believed to be at the time.

**Figure 4.3 U.S. and Washington Private Employment Growth and Washington Aerospace Employment**

*Washington employment growth is highly correlated with U.S. employment growth*



Source: Washington State ESD, BLS, ERFC; data through 2010Q4

*National employment growth explains most of the variation in Washington employment growth*

National employment explains most of the variation in Washington employment. However, there are extended periods when Washington employment grows much faster than U.S. employment and other periods when Washington grows at about the same rate or less. Historically, the most important reason for this has been the impact of aerospace on Washington employment. Washington usually grows much faster than the U.S. when Boeing is expanding and, conversely, Washington grows more slowly when Boeing is contracting (see Figure 4.3). We have Boeing employment data available in real time and use it in our model.

*A time varying parameter accounts for residual under/over prediction*

Even with the national and Boeing data, the model still tends to either over-predict or under-predict employment growth for periods of time. This is most likely due to the exclusion of variables that are not available in real-time, for example migration trends, which tend to have some persistence. So we included a time-varying parameter in our model to pick up such influences on employment growth. This variable adds to or subtracts from predicted employment growth an amount that changes over time based on recent employment trends.

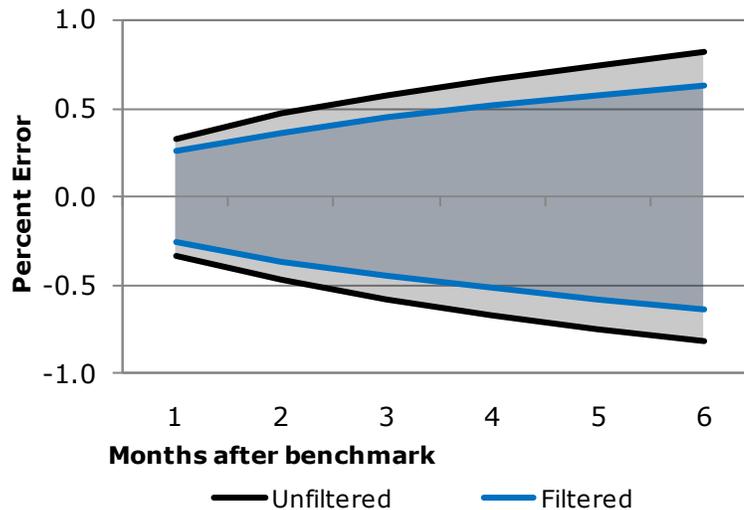
**Our Results**

*The filter reduces variance by 40%*

As mentioned above, combining the model prediction with the sample results reduces the variance in employment growth by about 40%. This reduction narrows the confidence interval as shown in Figure 4.4. This means we have increased the probability that our employment estimates are close to their true value.

*The margin of error is reduced throughout the sample estimate period*

**Figure 4.4: 90% Confidence Interval for Employment Estimates with Filtered Estimates**

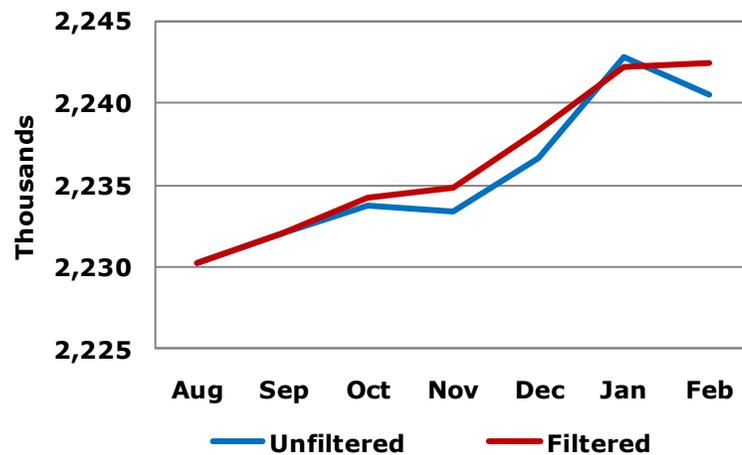


Source: ERFC, Washington State ESD

*The filter produces smoother estimates*

Not only does the filter produce more accurate employment estimates, it also reduces the noise, resulting in smoother estimates. The variance in the monthly growth, a measure of smoothness over time, is nearly 50% less in the filtered estimate than in the sample-based estimate alone (see Figure 4.5). Shown below are the filtered estimates compared to the estimates produced using the sample-based methodology.

**Figure 4.5: Filtered and Unfiltered Washington Private Employment Estimates**



Source: ERFC, Washington State ESD

**Conclusions**

*The filter produces more accurate employment estimates*

The Current Employment Statistics program is designed to provide more up to date employment estimates than are available from the Quarterly Census of Employment and Wages. Rather than drastically alter the original estimates, our filter has refined them. By combining the sample-based measure with model-based prediction we are able to produce more accurate employment estimates. In addition to providing better monthly estimates of employment, it will also enable us to improve our forecasts by having a more accurate input and one which is less subject to revision.

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## Detail Components of the Washington State Economic and Revenue Forecast

Calendar Years

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

Table A1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Real National Income Accounts (Billions of Chained 2005 Dollars)</b>								
Real Gross Domestic Product	12,976.3	13,228.9	13,228.9	12,880.6	13,245.6	13,653.0	14,097.5	14,548.7
% Ch	2.7	1.9	0.0	-2.6	2.8	3.1	3.3	3.2
Real Consumption	9,073.5	9,289.5	9,265.0	9,153.9	9,314.4	9,591.4	9,836.5	10,081.4
% Ch	2.9	2.4	-0.3	-1.2	1.8	3.0	2.6	2.5
Real Nonresidential Fixed Investment	1,453.9	1,552.0	1,556.6	1,290.8	1,363.0	1,486.1	1,614.1	1,699.3
% Ch	7.9	6.7	0.3	-17.1	5.6	9.0	8.6	5.3
Real Residential Fixed Investment	718.2	584.2	444.2	342.7	332.4	341.4	435.4	539.3
% Ch	-7.3	-18.7	-24.0	-22.9	-3.0	2.7	27.5	23.8
Real Personal Income	10,966.4	11,284.0	11,362.0	11,143.6	11,288.5	11,621.0	11,870.6	12,265.0
% Ch	4.6	2.9	0.7	-1.9	1.3	2.9	2.1	3.3
Real Per Capita Income (\$/Person)	36,624	37,316	37,232	36,200	36,316	37,028	37,461	38,334
% Ch	3.6	1.9	-0.2	-2.8	0.3	2.0	1.2	2.3
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.056	1.091	1.093	1.111	1.136	1.157	1.177
% Ch	2.7	2.7	3.3	0.2	1.7	2.2	1.9	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.016	2.073	2.153	2.145	2.181	2.244	2.290	2.331
% Ch	3.2	2.9	3.8	-0.3	1.6	2.9	2.0	1.8
Employment Cost Index (Dec. 2005=1.0)	1.020	1.055	1.087	1.104	1.121	1.144	1.170	1.197
% Ch	2.9	3.4	3.0	1.5	1.6	2.0	2.3	2.3
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	13,398.9	14,061.8	14,369.1	14,119.1	14,657.8	15,340.4	16,109.5	16,896.4
% Ch	6.0	4.9	2.2	-1.7	3.8	4.7	5.0	4.9
Personal Income	11,268.1	11,912.3	12,391.2	12,174.9	12,544.6	13,201.3	13,734.4	14,430.9
% Ch	7.5	5.7	4.0	-1.7	3.0	5.2	4.0	5.1
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	151.4	153.1	154.3	154.2	153.9	153.9	155.5	157.0
Total U.S. Employment	144.4	146.0	145.4	139.9	139.1	140.8	143.6	146.3
Unemployment Rate (%)	4.61	4.62	5.80	9.28	9.63	8.53	7.67	6.85
Nonfarm Payroll Employment	136.09	137.59	136.78	130.79	129.82	131.36	134.17	137.18
% Ch	1.8	1.1	-0.6	-4.4	-0.7	1.2	2.1	2.2
Manufacturing	14.16	13.88	13.40	11.85	11.53	11.84	12.30	12.67
% Ch	-0.5	-2.0	-3.4	-11.6	-2.7	2.7	3.8	3.0
Durable Manufacturing	8.98	8.81	8.46	7.28	7.07	7.37	7.76	8.12
% Ch	0.3	-1.9	-3.9	-13.9	-2.9	4.2	5.4	4.6
Nondurable Manufacturing	5.17	5.07	4.94	4.56	4.46	4.48	4.53	4.54
% Ch	-1.8	-2.0	-2.5	-7.6	-2.3	0.4	1.3	0.2
Construction	7.69	7.63	7.16	6.01	5.53	5.50	5.56	6.07
% Ch	4.9	-0.8	-6.1	-16.0	-8.1	-0.6	1.1	9.3
Service-Producing	113.56	115.36	115.45	112.24	112.06	113.27	115.58	117.72
% Ch	1.8	1.6	0.1	-2.8	-0.2	1.1	2.0	1.9
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	66.1	72.2	99.8	61.8	79.4	104.1	105.5	103.0
Personal Saving/Disposable Income (%)	2.4	2.1	4.1	5.9	5.8	5.3	4.0	3.2
Auto Sales (Millions)	7.8	7.6	6.8	5.5	5.7	6.6	7.8	8.5
% Ch	1.3	-2.6	-10.6	-19.9	5.1	15.1	18.9	8.9
Housing Starts (Millions)	1.812	1.342	0.900	0.554	0.585	0.653	1.036	1.342
% Ch	-12.6	-25.9	-32.9	-38.4	5.6	11.5	58.8	29.5
Federal Budget Surplus (Billions)	-203.8	-245.2	-616.3	-1,251.8	-1,334.1	-1,219.1	-934.1	-640.1
Net Exports (Billions)	-769.3	-714.0	-710.5	-386.4	-515.7	-611.2	-584.6	-516.3
3-Month Treasury Bill Rate (%)	4.72	4.38	1.40	0.15	0.14	0.29	1.50	3.44
10-Year Treasury Note Yield (%)	4.79	4.63	3.67	3.26	3.21	3.64	4.04	4.71
Bond Index of 20 G.O. Munis. (%)	4.40	4.39	4.86	4.62	4.29	5.20	5.42	5.61
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.69	5.04	5.43	6.12

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
<b>Real National Income Accounts (Billions of Chained 2005 Dollars)</b>								
Real Gross Domestic Product	13,339.2	13,359.0	13,223.5	12,993.7	12,832.6	12,810.0	12,860.8	13,019.0
% Ch , Annual Rate	-0.7	0.6	-4.0	-6.8	-4.9	-0.7	1.6	5.0
Real Consumption	9,324.1	9,326.2	9,243.5	9,166.3	9,154.1	9,117.0	9,161.6	9,182.9
% Ch , Annual Rate	-0.8	0.1	-3.5	-3.3	-0.5	-1.6	2.0	0.9
Real Nonresidential Fixed Investment	1,603.7	1,597.0	1,561.5	1,464.2	1,313.7	1,288.3	1,282.9	1,278.3
% Ch , Annual Rate	2.0	-1.7	-8.6	-22.7	-35.2	-7.5	-1.7	-1.4
Real Residential Fixed Investment	482.2	464.4	435.6	394.7	352.7	333.9	342.4	341.7
% Ch , Annual Rate	-27.9	-14.0	-22.6	-32.6	-36.2	-19.7	10.6	-0.8
Real Personal Income	11,394.1	11,412.6	11,277.8	11,363.6	11,167.4	11,215.3	11,098.7	11,092.8
% Ch , Annual Rate	1.4	0.7	-4.6	3.1	-6.7	1.7	-4.1	-0.2
Real Per Capita Income (\$/Person)	37,466	37,443	36,909	37,111	36,401	36,480	36,012	35,905
% Ch , Annual Rate	0.5	-0.2	-5.6	2.2	-7.4	0.9	-5.0	-1.2
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.092	1.104	1.087	1.083	1.088	1.096	1.103
% Ch , Annual Rate	3.9	4.6	4.4	-5.8	-1.6	1.9	2.9	2.7
U.S. Consumer Price Index (1982-84=1.0)	2.128	2.156	2.189	2.138	2.125	2.135	2.154	2.169
% Ch , Annual Rate	4.5	5.3	6.4	-9.1	-2.4	1.9	3.7	2.7
Employment Cost Index (Dec. 2005=1.0)	1.076	1.084	1.091	1.096	1.098	1.101	1.105	1.110
% Ch , Annual Rate	3.4	3.0	2.6	1.8	0.7	1.1	1.5	1.8
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	14,328.4	14,471.8	14,484.9	14,191.2	14,049.7	14,034.5	14,114.7	14,277.3
% Ch , Annual Rate	1.0	4.1	0.4	-7.9	-3.9	-0.4	2.3	4.7
Personal Income	12,300.4	12,460.9	12,447.0	12,356.3	12,093.2	12,203.4	12,164.0	12,239.0
% Ch , Annual Rate	5.3	5.3	-0.4	-2.9	-8.2	3.7	-1.3	2.5
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	153.9	154.1	154.6	154.7	154.2	154.7	154.3	153.7
Total U.S. Employment	146.2	145.9	145.2	144.1	141.6	140.3	139.3	138.3
Unemployment Rate (%)	4.97	5.30	6.03	6.90	8.20	9.27	9.67	9.97
Nonfarm Payroll Employment	137.92	137.44	136.69	135.06	132.81	130.96	129.96	129.43
% Ch , Annual Rate	0.1	-1.4	-2.2	-4.7	-6.5	-5.5	-3.0	-1.6
Manufacturing	13.69	13.56	13.36	13.00	12.39	11.88	11.63	11.49
% Ch , Annual Rate	-1.6	-3.8	-5.8	-10.3	-17.6	-15.4	-8.2	-4.7
Durable Manufacturing	8.67	8.58	8.43	8.17	7.71	7.30	7.11	7.01
% Ch , Annual Rate	-1.9	-4.4	-6.5	-12.0	-20.7	-19.4	-10.1	-5.8
Nondurable Manufacturing	5.02	4.98	4.92	4.83	4.68	4.58	4.51	4.48
% Ch , Annual Rate	-1.1	-2.9	-4.7	-7.3	-12.0	-8.6	-5.2	-2.8
Construction	7.44	7.28	7.10	6.83	6.43	6.09	5.85	5.69
% Ch , Annual Rate	-4.8	-8.3	-9.1	-14.8	-21.1	-20.0	-14.6	-10.7
Service-Producing	116.04	115.85	115.45	114.46	113.25	112.30	111.81	111.59
% Ch , Annual Rate	0.6	-0.7	-1.4	-3.4	-4.2	-3.3	-1.7	-0.8
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	97.9	123.8	118.3	59.1	43.2	59.7	68.1	76.0
Personal Saving/Disposable Income (%)	2.7	4.8	3.6	5.2	5.4	7.2	5.6	5.6
Auto Sales (Millions)	7.6	7.7	6.7	5.3	4.9	5.0	6.4	5.6
% Ch , Annual Rate	-7.8	5.4	-43.7	-59.4	-30.4	8.8	174.3	-39.3
Housing Starts (Millions)	1.064	1.011	0.862	0.663	0.530	0.537	0.586	0.565
% Ch , Annual Rate	-30.7	-18.6	-47.0	-65.1	-59.3	5.4	42.2	-13.8
Federal Budget Surplus (Billions)	-376.7	-761.6	-646.7	-680.0	-1,003.2	-1,336.8	-1,356.7	-1,310.3
Net Exports (Billions)	-738.5	-751.9	-763.1	-588.4	-375.7	-335.2	-408.3	-426.4
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.33	0.21	0.17	0.16	0.06
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.25	2.74	3.31	3.52	3.46
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.73	4.52	4.26
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

Table A1.2 (continued)  
**U.S. Economic Forecast Summary**  
 Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
<b>Real National Income Accounts (Billions of Chained 2005 Dollars)</b>								
Real Gross Domestic Product	13,138.8	13,194.9	13,278.5	13,370.1	13,482.3	13,595.5	13,709.6	13,824.7
% Ch , Annual Rate	3.7	1.7	2.6	2.8	3.4	3.4	3.4	3.4
Real Consumption	9,225.4	9,275.7	9,330.6	9,425.9	9,487.8	9,551.1	9,630.2	9,696.5
% Ch , Annual Rate	1.9	2.2	2.4	4.1	2.7	2.7	3.4	2.8
Real Nonresidential Fixed Investment	1,302.6	1,355.3	1,388.0	1,405.9	1,420.7	1,462.1	1,511.5	1,550.3
% Ch , Annual Rate	7.8	17.2	10.0	5.3	4.3	12.2	14.2	10.7
Real Residential Fixed Investment	330.7	350.1	323.3	325.5	324.6	334.1	345.4	361.6
% Ch , Annual Rate	-12.3	25.6	-27.3	2.7	-1.1	12.3	14.2	20.1
Real Personal Income	11,136.3	11,288.1	11,336.9	11,392.8	11,515.5	11,577.7	11,660.3	11,730.7
% Ch , Annual Rate	1.6	5.6	1.7	2.0	4.4	2.2	2.9	2.4
Real Per Capita Income (\$/Person)	35,958	36,359	36,428	36,520	36,825	36,935	37,109	37,244
% Ch , Annual Rate	0.6	4.5	0.8	1.0	3.4	1.2	1.9	1.5
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.109	1.109	1.111	1.116	1.125	1.134	1.140	1.145
% Ch , Annual Rate	2.1	0.0	0.8	1.8	3.3	3.0	2.3	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.175	2.173	2.180	2.195	2.218	2.239	2.254	2.265
% Ch , Annual Rate	1.3	-0.5	1.4	2.6	4.4	3.8	2.7	1.9
Employment Cost Index (Dec. 2005=1.0)	1.113	1.119	1.124	1.129	1.134	1.140	1.147	1.153
% Ch , Annual Rate	1.1	2.2	1.8	1.8	1.9	2.2	2.2	2.4
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	14,446.4	14,578.7	14,745.1	14,861.0	15,025.8	15,247.4	15,469.3	15,619.1
% Ch , Annual Rate	4.8	3.7	4.6	3.2	4.5	6.0	5.9	3.9
Personal Income	12,350.3	12,517.1	12,595.5	12,715.3	12,957.0	13,124.7	13,293.6	13,430.1
% Ch , Annual Rate	3.7	5.5	2.5	3.9	7.8	5.3	5.2	4.2
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	153.6	154.1	154.0	153.9	153.3	153.7	154.2	154.6
Total U.S. Employment	138.7	139.3	139.2	139.1	139.9	140.4	141.1	141.8
Unemployment Rate (%)	9.70	9.63	9.57	9.63	8.77	8.67	8.44	8.23
Nonfarm Payroll Employment	129.32	129.96	129.88	130.13	130.52	131.04	131.62	132.26
% Ch , Annual Rate	-0.3	2.0	-0.2	0.8	1.2	1.6	1.8	1.9
Manufacturing	11.47	11.53	11.56	11.55	11.65	11.80	11.91	12.01
% Ch , Annual Rate	-0.8	2.3	1.0	-0.2	3.5	5.0	4.0	3.2
Durable Manufacturing	7.00	7.06	7.10	7.11	7.22	7.33	7.42	7.50
% Ch , Annual Rate	-0.3	3.5	2.2	0.7	6.1	6.1	5.1	4.7
Nondurable Manufacturing	4.47	4.47	4.46	4.44	4.44	4.47	4.50	4.50
% Ch , Annual Rate	-1.6	0.4	-1.0	-1.6	-0.5	3.1	2.3	0.8
Construction	5.56	5.54	5.51	5.50	5.50	5.51	5.51	5.46
% Ch , Annual Rate	-8.9	-1.5	-1.7	-0.5	-0.4	1.1	-0.6	-3.4
Service-Producing	111.63	112.19	112.09	112.34	112.63	112.97	113.45	114.04
% Ch , Annual Rate	0.1	2.0	-0.4	0.9	1.0	1.2	1.7	2.1
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	78.8	77.9	76.1	85.0	94.3	106.5	107.8	107.7
Personal Saving/Disposable Income (%)	5.5	6.2	6.0	5.4	5.5	5.4	5.2	5.0
Auto Sales (Millions)	5.7	5.6	5.7	5.9	6.3	6.2	6.7	7.1
% Ch , Annual Rate	7.0	-8.4	6.7	16.0	32.1	-8.0	37.1	27.9
Housing Starts (Millions)	0.617	0.602	0.588	0.534	0.591	0.629	0.656	0.735
% Ch , Annual Rate	42.6	-9.4	-8.8	-32.3	50.7	28.3	17.8	57.9
Federal Budget Surplus (Billions)	-1,314.2	-1,336.5	-1,343.4	-1,342.5	-1,278.6	-1,255.7	-1,192.1	-1,149.9
Net Exports (Billions)	-479.9	-539.3	-550.5	-493.0	-562.1	-608.6	-626.4	-647.8
3-Month Treasury Bill Rate (%)	0.11	0.15	0.15	0.14	0.17	0.22	0.33	0.41
10-Year Treasury Note Yield (%)	3.72	3.49	2.79	2.86	3.50	3.62	3.70	3.75
Bond Index of 20 G.O. Munis. (%)	4.34	4.35	4.07	4.39	5.16	5.14	5.23	5.28
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.45	4.42	4.90	5.03	5.08	5.16

Table A1.2 (continued)  
**U.S. Economic Forecast Summary**  
 Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
<b>Real National Income Accounts (Billions of Chained 2005 Dollars)</b>								
Real Gross Domestic Product	13,930.6	14,040.7	14,151.7	14,267.1	14,365.1	14,494.5	14,615.1	14,719.9
% Ch , Annual Rate	3.1	3.2	3.2	3.3	2.8	3.7	3.4	2.9
Real Consumption	9,747.9	9,804.8	9,866.1	9,927.2	9,987.8	10,048.5	10,114.2	10,175.0
% Ch , Annual Rate	2.1	2.4	2.5	2.5	2.5	2.5	2.6	2.4
Real Nonresidential Fixed Investment	1,571.1	1,600.0	1,627.3	1,658.1	1,653.1	1,684.4	1,714.1	1,745.5
% Ch , Annual Rate	5.5	7.6	7.0	7.8	-1.2	7.8	7.3	7.5
Real Residential Fixed Investment	384.3	417.8	453.2	486.5	511.2	534.5	549.7	561.9
% Ch , Annual Rate	27.7	39.6	38.5	32.7	21.9	19.5	11.9	9.2
Real Personal Income	11,716.1	11,816.6	11,922.7	12,027.2	12,112.2	12,219.1	12,317.9	12,411.0
% Ch , Annual Rate	-0.5	3.5	3.6	3.6	2.9	3.6	3.3	3.1
Real Per Capita Income (\$/Person)	37,108	37,336	37,581	37,819	37,994	38,237	38,454	38,651
% Ch , Annual Rate	-1.4	2.5	2.6	2.6	1.9	2.6	2.3	2.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.150	1.155	1.159	1.164	1.169	1.174	1.179	1.184
% Ch , Annual Rate	1.8	1.7	1.6	1.6	1.7	1.8	1.7	1.9
U.S. Consumer Price Index (1982-84=1.0)	2.275	2.285	2.295	2.305	2.315	2.326	2.337	2.349
% Ch , Annual Rate	1.8	1.8	1.6	1.8	1.8	1.9	1.9	2.1
Employment Cost Index (Dec. 2005=1.0)	1.160	1.166	1.173	1.179	1.186	1.193	1.200	1.207
% Ch , Annual Rate	2.2	2.3	2.2	2.2	2.3	2.4	2.4	2.4
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	15,829.0	16,015.5	16,196.5	16,397.1	16,581.0	16,800.0	17,005.2	17,199.5
% Ch , Annual Rate	5.5	4.8	4.6	5.0	4.6	5.4	5.0	4.6
Personal Income	13,472.4	13,644.7	13,821.2	13,999.3	14,156.7	14,344.3	14,522.3	14,700.5
% Ch , Annual Rate	1.3	5.2	5.3	5.3	4.6	5.4	5.1	5.0
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	154.9	155.3	155.7	156.0	156.4	156.8	157.2	157.6
Total U.S. Employment	142.5	143.2	143.9	144.6	145.3	145.9	146.6	147.3
Unemployment Rate (%)	8.01	7.78	7.56	7.31	7.14	6.94	6.74	6.57
Nonfarm Payroll Employment	133.06	133.80	134.53	135.27	135.98	136.77	137.61	138.37
% Ch, Annual Rate	2.5	2.2	2.2	2.2	2.1	2.3	2.5	2.2
Manufacturing	12.12	12.26	12.36	12.45	12.57	12.66	12.70	12.74
% Ch, Annual Rate	3.7	4.7	3.4	3.0	3.8	3.0	1.1	1.2
Durable Manufacturing	7.60	7.73	7.82	7.91	8.02	8.12	8.16	8.19
% Ch, Annual Rate	5.2	6.8	4.8	4.6	6.1	4.8	1.9	1.9
Nondurable Manufacturing	4.52	4.53	4.54	4.54	4.54	4.54	4.54	4.54
% Ch, Annual Rate	1.1	1.1	1.0	0.3	0.0	0.0	-0.2	0.0
Construction	5.45	5.49	5.59	5.70	5.84	5.99	6.15	6.32
% Ch, Annual Rate	-0.9	3.4	7.1	8.4	10.0	11.0	11.3	11.0
Service-Producing	114.75	115.31	115.85	116.39	116.84	117.39	118.04	118.61
% Ch, Annual Rate	2.5	2.0	1.9	1.9	1.6	1.9	2.2	1.9
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	107.0	105.9	104.9	104.2	103.6	103.0	102.7	102.5
Personal Saving/Disposable Income (%)	4.0	4.1	4.1	4.0	3.2	3.2	3.1	3.3
Auto Sales (Millions)	7.5	7.9	7.9	8.1	8.4	8.6	8.6	8.6
% Ch, Annual Rate	24.0	19.0	1.7	8.8	16.4	11.3	-1.6	0.9
Housing Starts (Millions)	0.843	0.976	1.118	1.208	1.259	1.325	1.377	1.406
% Ch, Annual Rate	73.3	79.9	71.8	36.3	18.1	22.6	16.6	8.8
Federal Budget Surplus (Billions)	-981.2	-949.7	-919.5	-886.1	-677.6	-640.5	-617.6	-624.7
Net Exports (Billions)	-596.7	-587.7	-588.2	-565.9	-526.3	-513.2	-513.0	-512.5
3-Month Treasury Bill Rate (%)	0.61	0.92	1.80	2.68	3.28	3.49	3.49	3.49
10-Year Treasury Note Yield (%)	3.85	3.91	4.04	4.37	4.69	4.74	4.71	4.69
Bond Index of 20 G.O. Munis. (%)	5.37	5.40	5.42	5.47	5.65	5.62	5.59	5.56
30-Year Fixed Mortgage Rate (%)	5.23	5.30	5.43	5.77	6.10	6.15	6.13	6.11

Table A1.3

**Washington Economic Forecast Summary**

Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Real Income (Billions of Chained 2005 Dollars)</b>								
Real Personal Income	245.347	258.158	263.291	261.880	264.136	272.366	280.067	291.267
% Ch	6.7	5.2	2.0	-0.5	0.9	3.1	2.8	4.0
Real Wage and Salary Disb.	131.507	138.143	138.332	134.473	133.490	136.759	142.850	148.871
% Ch	5.5	5.0	0.1	-2.8	-0.7	2.4	4.5	4.2
Real Nonwage Income	113.841	120.015	124.959	127.407	130.647	135.607	137.217	142.396
% Ch	8.1	5.4	4.1	2.0	2.5	3.8	1.2	3.8
Real Per Capita Income (\$/Person)	38,228	39,561	39,785	39,130	39,079	39,872	40,486	41,530
% Ch	4.7	3.5	0.6	-1.6	-0.1	2.0	1.5	2.6
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.056	1.091	1.093	1.111	1.136	1.157	1.177
% Ch	2.7	2.7	3.3	0.2	1.7	2.2	1.9	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.076	2.157	2.247	2.260	2.267	2.325	2.372	2.415
% Ch	3.7	3.9	4.2	0.6	0.3	2.5	2.0	1.8
Average Nonfarm Annual Wage	45,346	47,784	48,843	49,780	51,007	52,854	54,921	56,843
% Ch	5.4	5.4	2.2	1.9	2.5	3.6	3.9	3.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.91	20.51	21.01	23.40	23.45	23.63	23.92	24.22
% Ch	5.8	3.0	2.4	11.4	0.2	0.8	1.2	1.3
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	252.091	272.544	287.148	286.114	293.521	309.407	324.042	342.705
% Ch	9.6	8.1	5.4	-0.4	2.6	5.4	4.7	5.8
Disposable Personal Income	221.834	238.483	253.816	259.323	266.213	278.513	289.151	301.069
% Ch	9.0	7.5	6.4	2.2	2.7	4.6	3.8	4.1
Per Capita Income (\$/Person)	39,278	41,764	43,390	42,751	43,427	45,293	46,843	48,864
% Ch	7.6	6.3	3.9	-1.5	1.6	4.3	3.4	4.3
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,319.0	3,392.9	3,479.2	3,534.7	3,531.2	3,532.9	3,582.6	3,635.9
Total Washington Employment	3,154.7	3,236.6	3,286.4	3,206.4	3,192.0	3,216.5	3,292.4	3,370.7
Unemployment Rate (%)	4.95	4.61	5.54	9.29	9.60	8.96	8.10	7.30
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.2	2,821.8	2,777.2	2,808.4	2,881.8	2,957.5
% Ch	3.0	2.6	0.9	-4.6	-1.6	1.1	2.6	2.6
Manufacturing	285.9	293.3	291.2	265.5	258.0	267.4	281.4	294.1
% Ch	4.9	2.6	-0.7	-8.8	-2.8	3.6	5.2	4.5
Durable Manufacturing	204.0	211.9	211.3	190.6	184.1	192.1	203.4	214.0
% Ch	6.6	3.9	-0.3	-9.8	-3.4	4.3	5.9	5.2
Aerospace	73.4	80.1	83.0	82.9	80.8	83.9	86.6	89.3
% Ch	11.9	9.1	3.6	-0.1	-2.6	3.9	3.2	3.1
Nondurable Manufacturing	81.9	81.4	79.8	74.9	73.9	75.3	78.0	80.1
% Ch	0.9	-0.6	-1.9	-6.2	-1.3	1.9	3.6	2.7
Construction	194.8	208.1	200.6	159.7	140.9	136.4	141.2	151.0
% Ch	9.9	6.8	-3.6	-20.4	-11.8	-3.2	3.6	6.9
Service-Producing	2,369.6	2,423.9	2,459.9	2,390.6	2,372.4	2,398.3	2,452.1	2,504.5
% Ch	2.2	2.3	1.5	-2.8	-0.8	1.1	2.2	2.1
Software Publishers	44.7	47.6	50.9	51.5	51.0	52.0	54.3	57.0
% Ch	8.4	6.4	7.0	1.1	-0.8	1.8	4.5	4.9
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	50.033	47.397	28.919	17.011	20.235	20.927	27.880	35.590
% Ch	-5.6	-5.3	-39.0	-41.2	19.0	3.4	33.2	27.7
Single-Family	35.611	30.390	17.440	12.991	14.843	15.811	18.534	23.631
% Ch	-14.0	-14.7	-42.6	-25.5	14.3	6.5	17.2	27.5
Multi-Family	14.422	17.007	11.479	4.020	5.392	5.116	9.346	11.959
% Ch	24.5	17.9	-32.5	-65.0	34.1	-5.1	82.7	28.0
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.69	5.04	5.43	6.12

Table A1.4

**Washington Economic Forecast Summary**

Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
<b>Real Income (Billions of Chained 2005 Dollars)</b>								
Real Personal Income	263.551	262.720	262.861	264.032	262.290	263.380	261.390	260.460
% Ch, Annual Rate	1.4	-1.3	0.2	1.8	-2.6	1.7	-3.0	-1.4
Real Wage and Salary Disb.	139.877	137.898	138.043	137.511	135.792	135.423	134.036	132.640
% Ch, Annual Rate	-1.3	-5.5	0.4	-1.5	-4.9	-1.1	-4.0	-4.1
Real Nonwage Income	123.674	124.823	124.819	126.520	126.498	127.957	127.352	127.821
% Ch, Annual Rate	4.5	3.8	0.0	5.6	-0.1	4.7	-1.9	1.5
Real Per Capita Income (\$/Person)	40,007	39,759	39,660	39,716	39,334	39,402	39,009	38,776
% Ch, Annual Rate	-0.2	-2.5	-1.0	0.6	-3.8	0.7	-3.9	-2.4
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.092	1.104	1.087	1.083	1.088	1.096	1.103
% Ch, Annual Rate	3.9	4.6	4.4	-5.8	-1.6	1.9	2.9	2.7
Seattle Cons. Price Index (1982-84=1.0)	2.221	2.248	2.268	2.251	2.252	2.258	2.263	2.268
% Ch, Annual Rate	4.7	5.0	3.7	-3.0	0.1	1.2	0.8	1.0
Average Nonfarm Annual Wage	48,668	48,620	49,187	48,897	48,829	49,842	50,135	50,314
% Ch, Annual Rate	-0.9	-0.4	4.7	-2.3	-0.6	8.6	2.4	1.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.91	21.28	20.97	20.86	22.88	23.40	23.56	23.78
% Ch, Annual Rate	2.8	7.2	-5.7	-2.0	44.6	9.5	2.7	3.8
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	284.514	286.856	290.118	287.103	284.033	286.582	286.473	287.367
% Ch, Annual Rate	5.4	3.3	4.6	-4.1	-4.2	3.6	-0.2	1.3
Disposable Personal Income	248.990	256.200	256.500	253.574	255.534	260.456	260.167	261.133
% Ch, Annual Rate	5.4	12.1	0.5	-4.5	3.1	7.9	-0.4	1.5
Per Capita Income (\$/Person)	43,189	43,412	43,772	43,186	42,595	42,873	42,753	42,782
% Ch, Annual Rate	3.8	2.1	3.4	-5.3	-5.4	2.6	-1.1	0.3
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,451.5	3,462.7	3,486.6	3,516.0	3,537.9	3,544.5	3,534.7	3,521.9
Total Washington Employment	3,288.7	3,285.4	3,288.9	3,282.6	3,244.7	3,212.8	3,193.8	3,174.1
Unemployment Rate (%)	4.72	5.12	5.67	6.64	8.29	9.36	9.64	9.88
Nonfarm Payroll Employment	2,975.7	2,968.7	2,966.8	2,925.8	2,880.2	2,827.6	2,799.2	2,780.2
% Ch, Annual Rate	2.6	-0.9	-0.3	-5.4	-6.1	-7.1	-3.9	-2.7
Manufacturing	297.2	294.7	293.0	279.7	276.6	266.3	261.8	257.2
% Ch, Annual Rate	1.9	-3.3	-2.3	-16.9	-4.4	-14.1	-6.6	-6.8
Durable Manufacturing	215.9	214.6	214.0	200.8	200.1	191.2	187.0	184.1
% Ch, Annual Rate	2.6	-2.3	-1.1	-22.6	-1.4	-16.7	-8.5	-6.0
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.1	81.3
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.1	-5.1	-4.0
Nondurable Manufacturing	81.3	80.1	79.0	79.0	76.6	75.1	74.8	73.1
% Ch, Annual Rate	0.1	-5.7	-5.6	0.1	-11.8	-7.2	-1.7	-8.7
Construction	209.3	204.8	199.1	189.2	174.4	162.0	154.2	148.1
% Ch, Annual Rate	1.5	-8.3	-10.8	-18.4	-27.7	-25.7	-17.8	-15.0
Service-Producing	2,461.4	2,461.5	2,467.2	2,449.6	2,422.6	2,393.3	2,377.2	2,369.2
% Ch, Annual Rate	2.7	0.0	0.9	-2.8	-4.3	-4.7	-2.7	-1.4
Software Publishers	49.1	50.3	51.7	52.6	52.6	51.7	50.9	50.6
% Ch, Annual Rate	7.9	10.5	11.3	7.3	-0.5	-6.1	-5.9	-2.5
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	33.584	34.401	26.399	21.291	16.208	15.098	18.207	18.531
% Ch, Annual Rate	-53.1	10.1	-65.3	-57.7	-66.4	-24.7	111.5	7.3
Single-Family	20.547	19.146	17.313	12.754	10.002	11.993	14.714	15.255
% Ch, Annual Rate	-41.5	-24.6	-33.1	-70.5	-62.2	106.7	126.6	15.5
Multi-Family	13.037	15.255	9.087	8.537	6.206	3.105	3.493	3.276
% Ch, Annual Rate	-66.1	87.5	-87.4	-22.1	-72.1	-93.7	60.1	-22.7
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

Table A1.4 (continued)  
**Washington Economic Forecast Summary**  
 Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
<b>Real Income (Billions of Chained 2005 Dollars)</b>								
Real Personal Income	260.417	263.232	265.859	267.037	269.387	270.687	274.256	275.133
% Ch, Annual Rate	-0.1	4.4	4.1	1.8	3.6	1.9	5.4	1.3
Real Wage and Salary Disb.	131.145	132.578	134.921	135.315	134.756	135.648	138.179	138.450
% Ch, Annual Rate	-4.4	4.4	7.3	1.2	-1.6	2.7	7.7	0.8
Real Nonwage Income	129.272	130.654	130.937	131.723	134.630	135.038	136.077	136.683
% Ch, Annual Rate	4.6	4.3	0.9	2.4	9.1	1.2	3.1	1.8
Real Per Capita Income (\$/Person)	38,676	38,996	39,286	39,361	39,607	39,687	40,094	40,099
% Ch, Annual Rate	-1.0	3.3	3.0	0.8	2.5	0.8	4.2	0.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.109	1.109	1.111	1.116	1.125	1.134	1.140	1.145
% Ch, Annual Rate	2.1	0.0	0.8	1.8	3.3	3.0	2.3	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.266	2.256	2.265	2.279	2.298	2.319	2.335	2.346
% Ch, Annual Rate	-0.3	-1.7	1.6	2.5	3.3	3.8	2.7	1.9
Average Nonfarm Annual Wage	50,130	50,432	51,553	51,910	51,962	52,455	53,492	53,509
% Ch, Annual Rate	-1.5	2.4	9.2	2.8	0.4	3.9	8.1	0.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.58	23.20	23.44	23.57	23.53	23.60	23.66	23.74
% Ch, Annual Rate	-3.2	-6.3	4.2	2.1	-0.6	1.1	1.1	1.3
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	288.799	291.887	295.368	298.029	303.107	306.855	312.674	314.992
% Ch, Annual Rate	2.0	4.3	4.9	3.7	7.0	5.0	7.8	3.0
Disposable Personal Income	262.266	265.091	267.739	269.757	273.215	276.493	281.269	283.074
% Ch, Annual Rate	1.7	4.4	4.1	3.0	5.2	4.9	7.1	2.6
Per Capita Income (\$/Person)	42,892	43,241	43,646	43,929	44,565	44,990	45,710	45,908
% Ch, Annual Rate	1.0	3.3	3.8	2.6	5.9	3.9	6.6	1.7
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,532.9	3,536.8	3,526.5	3,528.4	3,517.6	3,527.2	3,537.5	3,549.3
Total Washington Employment	3,179.8	3,195.2	3,194.1	3,199.0	3,193.5	3,207.9	3,223.3	3,241.2
Unemployment Rate (%)	10.00	9.66	9.43	9.34	9.22	9.05	8.88	8.68
Nonfarm Payroll Employment	2,768.9	2,782.9	2,777.5	2,779.5	2,786.2	2,800.1	2,815.0	2,832.4
% Ch, Annual Rate	-1.6	2.0	-0.8	0.3	1.0	2.0	2.1	2.5
Manufacturing	256.8	257.6	258.4	259.3	261.9	265.7	269.3	272.6
% Ch, Annual Rate	-0.7	1.3	1.2	1.4	4.1	6.0	5.5	4.9
Durable Manufacturing	183.4	183.6	184.3	185.0	187.5	190.8	193.6	196.3
% Ch, Annual Rate	-1.4	0.4	1.5	1.4	5.5	7.3	6.1	5.6
Aerospace	80.9	80.3	80.7	81.4	82.9	83.6	84.3	84.9
% Ch, Annual Rate	-2.0	-2.8	2.0	3.6	7.7	3.2	3.2	3.2
Nondurable Manufacturing	73.3	74.0	74.1	74.3	74.4	74.9	75.7	76.3
% Ch, Annual Rate	1.0	3.6	0.4	1.3	0.8	2.7	4.1	3.0
Construction	142.9	140.8	141.1	138.7	136.7	136.3	136.0	136.5
% Ch, Annual Rate	-13.4	-5.7	1.0	-6.6	-5.9	-0.9	-1.0	1.6
Service-Producing	2,363.5	2,378.6	2,372.0	2,375.6	2,381.6	2,391.7	2,403.2	2,416.6
% Ch, Annual Rate	-1.0	2.6	-1.1	0.6	1.0	1.7	1.9	2.3
Software Publishers	50.7	50.9	51.1	51.5	51.4	51.7	52.1	52.6
% Ch, Annual Rate	0.4	1.6	1.7	2.9	-0.5	2.4	3.3	3.8
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	21.439	17.714	19.689	22.097	19.596	20.714	21.100	22.296
% Ch, Annual Rate	79.2	-53.4	52.6	58.6	-38.1	24.8	7.7	24.7
Single-Family	17.031	14.216	13.673	14.451	15.745	15.929	15.731	15.838
% Ch, Annual Rate	55.4	-51.5	-14.4	24.8	40.9	4.7	-4.9	2.7
Multi-Family	4.408	3.498	6.016	7.646	3.851	4.786	5.368	6.458
% Ch, Annual Rate	228.0	-60.3	774.8	160.9	-93.6	138.5	58.4	109.4
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.45	4.42	4.90	5.03	5.08	5.16

Table A1.4 (continued)  
**Washington Economic Forecast Summary**  
Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
<b>Real Income (Billions of Chained 2005 Dollars)</b>								
Real Personal Income	275.666	278.199	282.430	283.973	286.966	289.602	293.779	294.720
% Ch, Annual Rate	0.8	3.7	6.2	2.2	4.3	3.7	5.9	1.3
Real Wage and Salary Disb.	140.471	141.734	144.538	144.657	146.660	147.807	150.682	150.336
% Ch, Annual Rate	6.0	3.6	8.2	0.3	5.7	3.2	8.0	-0.9
Real Nonwage Income	135.195	136.465	137.893	139.316	140.307	141.795	143.097	144.384
% Ch, Annual Rate	-4.3	3.8	4.2	4.2	2.9	4.3	3.7	3.6
Real Per Capita Income (\$/Person)	40,050	40,287	40,763	40,845	41,132	41,366	41,817	41,807
% Ch, Annual Rate	-0.5	2.4	4.8	0.8	2.8	2.3	4.4	-0.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.150	1.155	1.159	1.164	1.169	1.174	1.179	1.184
% Ch, Annual Rate	1.8	1.7	1.6	1.6	1.7	1.8	1.7	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.357	2.367	2.377	2.387	2.398	2.409	2.420	2.433
% Ch, Annual Rate	1.8	1.8	1.6	1.8	1.8	1.9	1.9	2.1
Average Nonfarm Annual Wage	54,159	54,543	55,526	55,454	56,113	56,472	57,492	57,297
% Ch, Annual Rate	5.0	2.9	7.4	-0.5	4.8	2.6	7.4	-1.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.81	23.89	23.96	24.03	24.10	24.18	24.26	24.35
% Ch, Annual Rate	1.2	1.3	1.2	1.2	1.2	1.4	1.3	1.4
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	316.988	321.239	327.403	330.537	335.405	339.972	346.354	349.087
% Ch, Annual Rate	2.6	5.5	7.9	3.9	6.0	5.6	7.7	3.2
Disposable Personal Income	283.773	287.085	291.835	293.913	295.579	298.592	303.730	306.376
% Ch, Annual Rate	1.0	4.8	6.8	2.9	2.3	4.1	7.1	3.5
Per Capita Income (\$/Person)	46,054	46,520	47,254	47,543	48,076	48,560	49,300	49,519
% Ch, Annual Rate	1.3	4.1	6.5	2.5	4.6	4.1	6.2	1.8
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,562.8	3,575.8	3,589.1	3,602.6	3,615.6	3,629.1	3,643.0	3,656.0
Total Washington Employment	3,262.2	3,282.4	3,302.6	3,322.5	3,341.2	3,360.6	3,381.1	3,399.7
Unemployment Rate (%)	8.44	8.21	7.98	7.77	7.59	7.40	7.19	7.01
Nonfarm Payroll Employment	2,852.6	2,872.1	2,891.6	2,911.0	2,929.0	2,947.8	2,967.6	2,985.5
% Ch, Annual Rate	2.9	2.8	2.7	2.7	2.5	2.6	2.7	2.4
Manufacturing	276.3	279.8	283.2	286.3	290.1	293.4	295.4	297.4
% Ch, Annual Rate	5.6	5.2	5.0	4.3	5.5	4.6	2.7	2.7
Durable Manufacturing	199.3	202.1	204.8	207.3	210.8	213.6	215.0	216.4
% Ch, Annual Rate	6.2	5.8	5.3	5.0	7.0	5.4	2.7	2.6
Aerospace	85.6	86.3	86.9	87.6	88.3	89.0	89.6	90.3
% Ch, Annual Rate	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1
Nondurable Manufacturing	77.0	77.7	78.4	79.0	79.3	79.8	80.4	80.9
% Ch, Annual Rate	3.9	3.5	4.1	2.7	1.9	2.6	2.7	2.8
Construction	137.9	139.8	142.4	144.9	147.1	149.4	152.2	155.1
% Ch, Annual Rate	4.0	5.9	7.4	7.3	6.3	6.3	7.8	7.6
Service-Producing	2,431.7	2,445.5	2,458.8	2,472.3	2,484.1	2,497.1	2,511.9	2,525.0
% Ch, Annual Rate	2.5	2.3	2.2	2.2	1.9	2.1	2.4	2.1
Software Publishers	53.2	54.0	54.7	55.3	56.0	56.6	57.3	57.9
% Ch, Annual Rate	4.7	5.6	5.1	4.9	5.1	4.6	4.5	4.4
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	24.291	26.636	29.110	31.483	33.265	35.077	36.570	37.450
% Ch, Annual Rate	40.9	44.6	42.7	36.8	24.6	23.6	18.2	10.0
Single-Family	16.670	17.609	19.107	20.749	22.020	23.318	24.361	24.826
% Ch, Annual Rate	22.7	24.5	38.6	39.1	26.9	25.7	19.1	7.9
Multi-Family	7.621	9.026	10.003	10.735	11.245	11.759	12.209	12.624
% Ch, Annual Rate	93.9	96.8	50.9	32.6	20.4	19.6	16.2	14.3
30-Year Fixed Mortgage Rate (%)	5.23	5.30	5.43	5.77	6.10	6.15	6.13	6.11

Table A2.1

**U.S. Nonagricultural Employment by Industry (Millions)**

Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	136.09	137.59	136.78	130.79	129.82	131.36	134.17	137.18
% Ch	1.8	1.1	-0.6	-4.4	-0.7	1.2	2.1	2.2
Manufacturing	14.16	13.88	13.40	11.85	11.53	11.84	12.30	12.67
% Ch	-0.5	-2.0	-3.4	-11.6	-2.7	2.7	3.8	3.0
Durable Manufacturing	8.98	8.81	8.46	7.28	7.07	7.37	7.76	8.12
% Ch	0.3	-1.9	-3.9	-13.9	-2.9	4.2	5.4	4.6
Wood Products	0.56	0.52	0.46	0.36	0.34	0.36	0.44	0.51
% Ch	0.0	-7.8	-11.5	-21.3	-4.8	4.9	23.1	15.6
Primary and Fabricated Metals	2.02	2.02	1.97	1.67	1.65	1.72	1.77	1.84
% Ch	1.4	0.1	-2.4	-15.0	-1.7	4.3	2.9	4.3
Computer and Electronic Products	1.31	1.27	1.24	1.14	1.10	1.15	1.19	1.25
% Ch	-0.7	-2.7	-2.2	-8.6	-3.2	5.0	3.2	4.8
Machinery and Electrical Equipment	1.62	1.62	1.61	1.40	1.35	1.43	1.50	1.51
% Ch	1.1	0.0	-0.3	-13.0	-3.5	5.6	4.8	0.8
Transportation Equipment	1.77	1.71	1.61	1.35	1.33	1.39	1.49	1.60
% Ch	-0.2	-3.2	-6.1	-16.2	-1.3	4.3	7.0	7.6
Other Durables	1.71	1.67	1.57	1.36	1.30	1.32	1.38	1.41
% Ch	-0.4	-2.3	-6.0	-13.4	-4.9	1.7	4.6	2.5
Nondurable Manufacturing	5.17	5.07	4.94	4.56	4.46	4.48	4.53	4.54
% Ch	-1.8	-2.0	-2.5	-7.6	-2.3	0.4	1.3	0.2
Food Manufacturing	1.48	1.48	1.48	1.46	1.45	1.47	1.53	1.55
% Ch	0.1	0.3	-0.2	-1.6	-0.6	1.9	3.5	1.8
Paper and Paper Products	0.47	0.46	0.44	0.41	0.40	0.40	0.41	0.42
% Ch	-2.8	-2.6	-2.9	-8.5	-2.5	1.5	2.5	1.7
Other Nondurables	3.22	3.13	3.02	2.70	2.61	2.60	2.59	2.57
% Ch	-2.5	-3.0	-3.6	-10.5	-3.2	-0.6	-0.2	-0.9
Natural Resources and Mining	0.68	0.72	0.77	0.69	0.71	0.75	0.74	0.72
% Ch	9.1	5.7	5.8	-9.4	1.6	6.2	-1.4	-2.4
Construction	7.69	7.63	7.16	6.01	5.53	5.50	5.56	6.07
% Ch	4.9	-0.8	-6.1	-16.0	-8.1	-0.6	1.1	9.3
Trade, Transportation, and Utilities	26.28	26.63	26.29	24.90	24.61	24.97	25.73	26.43
% Ch	1.2	1.3	-1.2	-5.3	-1.2	1.5	3.1	2.7
Wholesale Trade	5.90	6.02	5.94	5.59	5.46	5.60	5.85	6.01
% Ch	2.5	1.9	-1.2	-6.0	-2.3	2.6	4.6	2.7
Retail Trade	15.36	15.52	15.28	14.52	14.42	14.49	14.73	15.07
% Ch	0.5	1.0	-1.5	-5.0	-0.7	0.5	1.6	2.3
Trans., Warehousing, and Utilities	5.02	5.09	5.07	4.80	4.73	4.88	5.15	5.35
% Ch	2.0	1.5	-0.6	-5.3	-1.3	3.1	5.6	3.8
Information	3.04	3.03	2.98	2.80	2.71	2.73	2.85	2.88
% Ch	-0.8	-0.2	-1.6	-6.0	-3.3	0.6	4.5	1.2
Publishing Industries	0.90	0.90	0.88	0.80	0.76	0.76	0.76	0.76
% Ch	-0.2	-0.1	-2.3	-9.5	-4.4	-0.3	-0.2	0.6
Other Information	2.14	2.13	2.10	2.01	1.95	1.97	2.09	2.12
% Ch	-1.0	-0.2	-1.3	-4.6	-2.9	1.0	6.3	1.4
Financial Activities	8.33	8.30	8.14	7.77	7.63	7.63	7.79	7.89
% Ch	2.1	-0.3	-1.9	-4.6	-1.8	0.0	2.1	1.2
Professional and Business Services	17.57	17.95	17.74	16.57	16.68	17.28	17.95	18.61
% Ch	3.7	2.1	-1.1	-6.6	0.7	3.6	3.8	3.7
Education and Health Services	17.82	18.32	18.84	19.19	19.56	19.96	20.35	20.66
% Ch	2.6	2.8	2.8	1.9	1.9	2.0	2.0	1.5
Leisure and Hospitality	13.11	13.43	13.44	13.07	13.02	13.15	13.40	13.53
% Ch	2.3	2.4	0.1	-2.7	-0.4	1.0	1.9	0.9
Other Services	5.44	5.49	5.51	5.37	5.36	5.45	5.48	5.51
% Ch	0.8	1.0	0.4	-2.7	0.0	1.6	0.6	0.4
Federal Government	2.73	2.73	2.76	2.83	2.97	2.83	2.78	2.71
% Ch	0.0	0.1	1.0	2.5	4.8	-4.5	-2.1	-2.3
State and Local Government	19.24	19.49	19.74	19.73	19.52	19.27	19.24	19.51
% Ch	0.9	1.3	1.3	-0.1	-1.0	-1.3	-0.1	1.4

Table A2.2

**U.S. Nonagricultural Employment by Industry (Millions)**

Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.92	137.44	136.69	135.06	132.81	130.96	129.96	129.43
% Ch, Annual Rate	0.1	-1.4	-2.2	-4.7	-6.5	-5.5	-3.0	-1.6
Manufacturing	13.69	13.56	13.36	13.00	12.39	11.88	11.63	11.49
% Ch, Annual Rate	-1.6	-3.8	-5.8	-10.3	-17.6	-15.4	-8.2	-4.7
Durable Manufacturing	8.67	8.58	8.43	8.17	7.71	7.30	7.11	7.01
% Ch, Annual Rate	-1.9	-4.4	-6.5	-12.0	-20.7	-19.4	-10.1	-5.8
Wood Products	0.49	0.47	0.45	0.42	0.38	0.36	0.35	0.35
% Ch, Annual Rate	-9.7	-14.1	-16.2	-21.9	-32.4	-20.7	-12.8	-3.3
Primary and Fabricated Metals	2.01	1.99	1.97	1.91	1.79	1.68	1.62	1.60
% Ch, Annual Rate	0.3	-2.8	-5.4	-11.8	-22.3	-22.4	-12.9	-4.6
Computer and Electronic Products	1.26	1.25	1.24	1.22	1.19	1.15	1.11	1.10
% Ch, Annual Rate	-0.4	-1.3	-2.6	-6.1	-11.3	-13.7	-10.4	-5.3
Machinery and Electrical Equipment	1.62	1.63	1.62	1.58	1.50	1.41	1.36	1.34
% Ch, Annual Rate	1.4	2.2	-2.3	-8.2	-18.8	-23.0	-11.8	-7.9
Transportation Equipment	1.67	1.64	1.59	1.52	1.42	1.34	1.33	1.31
% Ch, Annual Rate	-3.5	-7.8	-10.4	-16.8	-25.2	-20.8	-3.1	-4.3
Other Durables	1.63	1.59	1.56	1.51	1.43	1.37	1.34	1.31
% Ch, Annual Rate	-5.0	-8.2	-7.9	-12.5	-19.8	-14.4	-10.3	-7.8
Nondurable Manufacturing	5.02	4.98	4.92	4.83	4.68	4.58	4.51	4.48
% Ch, Annual Rate	-1.1	-2.9	-4.7	-7.3	-12.0	-8.6	-5.2	-2.8
Food Manufacturing	1.49	1.48	1.47	1.48	1.46	1.46	1.46	1.45
% Ch, Annual Rate	1.2	-2.5	-1.9	0.4	-4.5	-0.3	-0.3	-0.6
Paper and Paper Products	0.45	0.45	0.44	0.43	0.42	0.41	0.40	0.40
% Ch, Annual Rate	-1.9	-1.1	-5.7	-7.6	-13.1	-10.8	-5.1	-4.7
Other Nondurables	3.08	3.05	3.01	2.92	2.80	2.71	2.66	2.63
% Ch, Annual Rate	-2.0	-3.4	-6.0	-10.9	-15.5	-12.4	-7.7	-3.7
Natural Resources and Mining	0.75	0.76	0.78	0.78	0.75	0.70	0.67	0.66
% Ch, Annual Rate	8.4	5.8	9.8	-1.5	-14.4	-23.8	-13.3	-6.0
Construction	7.44	7.28	7.10	6.83	6.43	6.09	5.85	5.69
% Ch, Annual Rate	-4.8	-8.3	-9.1	-14.8	-21.1	-20.0	-14.6	-10.7
Trade, Transportation, and Utilities	26.67	26.47	26.23	25.81	25.32	24.96	24.75	24.58
% Ch, Annual Rate	-0.6	-3.0	-3.6	-6.2	-7.5	-5.6	-3.2	-2.7
Wholesale Trade	6.02	5.98	5.93	5.84	5.72	5.60	5.54	5.49
% Ch, Annual Rate	-0.9	-2.8	-3.3	-6.2	-8.0	-7.7	-4.7	-3.6
Retail Trade	15.53	15.39	15.23	14.99	14.70	14.55	14.47	14.37
% Ch, Annual Rate	-0.6	-3.8	-3.9	-6.3	-7.5	-4.0	-2.3	-2.8
Trans., Warehousing, and Utilities	5.11	5.10	5.06	4.99	4.90	4.80	4.75	4.73
% Ch, Annual Rate	0.0	-0.5	-3.0	-5.9	-6.8	-7.7	-4.5	-1.5
Information	3.02	3.01	2.98	2.93	2.87	2.81	2.77	2.75
% Ch, Annual Rate	-0.6	-1.9	-4.1	-5.8	-7.5	-8.4	-5.6	-2.7
Publishing Industries	0.90	0.89	0.88	0.86	0.83	0.80	0.78	0.77
% Ch, Annual Rate	-1.1	-2.4	-5.5	-7.8	-13.1	-12.7	-9.3	-5.9
Other Information	2.13	2.12	2.10	2.07	2.04	2.01	1.99	1.98
% Ch, Annual Rate	-0.4	-1.7	-3.6	-5.0	-5.0	-6.5	-4.1	-1.5
Financial Activities	8.21	8.19	8.14	8.04	7.90	7.78	7.72	7.69
% Ch, Annual Rate	-1.4	-1.1	-2.5	-4.9	-6.7	-6.0	-2.9	-1.7
Professional and Business Services	18.00	17.89	17.70	17.36	16.91	16.54	16.40	16.44
% Ch, Annual Rate	-0.4	-2.4	-4.2	-7.5	-10.0	-8.6	-3.4	1.2
Education and Health Services	18.65	18.79	18.92	18.99	19.08	19.14	19.23	19.32
% Ch, Annual Rate	2.8	3.2	2.7	1.5	2.0	1.1	1.9	1.9
Leisure and Hospitality	13.54	13.49	13.41	13.30	13.18	13.09	13.06	12.97
% Ch, Annual Rate	0.5	-1.3	-2.4	-3.4	-3.5	-2.8	-0.9	-2.7
Other Services	5.53	5.53	5.52	5.48	5.41	5.37	5.36	5.32
% Ch, Annual Rate	1.9	0.3	-1.3	-2.8	-4.9	-2.7	-0.8	-2.7
Federal Government	2.74	2.76	2.77	2.78	2.80	2.87	2.82	2.84
% Ch, Annual Rate	0.0	1.8	1.5	1.4	2.7	10.5	-5.6	2.2
State and Local Government	19.68	19.71	19.79	19.78	19.78	19.75	19.70	19.67
% Ch, Annual Rate	1.7	0.6	1.7	-0.3	0.0	-0.5	-1.1	-0.6

Table A2.2 (continued)

**U.S. Nonagricultural Employment by Industry (Millions)**

Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	129.32	129.96	129.88	130.13	130.52	131.04	131.62	132.26
% Ch, Annual Rate	-0.3	2.0	-0.2	0.8	1.2	1.6	1.8	1.9
Manufacturing	11.47	11.53	11.56	11.55	11.65	11.80	11.91	12.01
% Ch, Annual Rate	-0.8	2.3	1.0	-0.2	3.5	5.0	4.0	3.2
Durable Manufacturing	7.00	7.06	7.10	7.11	7.22	7.33	7.42	7.50
% Ch, Annual Rate	-0.3	3.5	2.2	0.7	6.1	6.1	5.1	4.7
Wood Products	0.34	0.35	0.34	0.34	0.34	0.35	0.36	0.38
% Ch, Annual Rate	-2.3	3.7	-6.8	-3.6	9.2	6.7	12.5	20.4
Primary and Fabricated Metals	1.61	1.64	1.66	1.67	1.70	1.71	1.72	1.73
% Ch, Annual Rate	1.0	8.4	5.5	2.6	7.0	3.2	1.4	1.9
Computer and Electronic Products	1.09	1.10	1.10	1.11	1.12	1.15	1.17	1.18
% Ch, Annual Rate	-1.8	1.2	2.0	1.6	3.7	11.2	8.5	5.0
Machinery and Electrical Equipment	1.33	1.35	1.36	1.37	1.40	1.42	1.44	1.46
% Ch, Annual Rate	-1.0	5.5	3.1	3.3	8.1	6.8	6.5	3.0
Transportation Equipment	1.32	1.33	1.34	1.33	1.36	1.38	1.40	1.42
% Ch, Annual Rate	3.4	1.5	3.8	-2.4	7.2	7.1	5.8	6.0
Other Durables	1.30	1.30	1.29	1.29	1.30	1.31	1.32	1.34
% Ch, Annual Rate	-3.1	-0.5	-1.5	-0.9	3.1	3.9	3.0	4.4
Nondurable Manufacturing	4.47	4.47	4.46	4.44	4.44	4.47	4.50	4.50
% Ch, Annual Rate	-1.6	0.4	-1.0	-1.6	-0.5	3.1	2.3	0.8
Food Manufacturing	1.45	1.45	1.45	1.44	1.45	1.47	1.49	1.50
% Ch, Annual Rate	-1.9	1.3	-0.8	-1.7	1.7	5.1	5.2	3.4
Paper and Paper Products	0.40	0.40	0.40	0.40	0.40	0.40	0.41	0.41
% Ch, Annual Rate	-1.0	1.0	-0.9	-0.1	-0.2	6.1	3.3	2.1
Other Nondurables	2.62	2.62	2.61	2.60	2.59	2.60	2.60	2.60
% Ch, Annual Rate	-1.4	-0.1	-1.2	-1.7	-1.7	1.6	0.5	-0.8
Natural Resources and Mining	0.67	0.70	0.72	0.73	0.74	0.75	0.75	0.75
% Ch, Annual Rate	6.8	14.6	13.2	9.2	4.1	4.3	2.3	-0.8
Construction	5.56	5.54	5.51	5.50	5.50	5.51	5.51	5.46
% Ch, Annual Rate	-8.9	-1.5	-1.7	-0.5	-0.4	1.1	-0.6	-3.4
Trade, Transportation, and Utilities	24.54	24.58	24.61	24.70	24.77	24.91	25.00	25.20
% Ch, Annual Rate	-0.7	0.7	0.5	1.4	1.2	2.2	1.5	3.3
Wholesale Trade	5.45	5.45	5.45	5.47	5.50	5.55	5.63	5.71
% Ch, Annual Rate	-2.9	0.1	0.6	1.4	2.1	3.2	6.2	5.5
Retail Trade	14.39	14.42	14.42	14.45	14.48	14.53	14.46	14.51
% Ch, Annual Rate	0.7	0.7	0.1	0.8	0.8	1.5	-2.0	1.4
Trans., Warehousing, and Utilities	4.70	4.72	4.74	4.78	4.79	4.83	4.91	4.99
% Ch, Annual Rate	-2.3	1.5	1.5	3.5	1.2	3.1	7.0	6.5
Information	2.73	2.71	2.71	2.70	2.69	2.69	2.74	2.80
% Ch, Annual Rate	-3.5	-2.6	-0.7	-1.4	-1.7	0.0	8.7	8.4
Publishing Industries	0.77	0.76	0.76	0.76	0.76	0.76	0.76	0.75
% Ch, Annual Rate	-2.8	-2.2	-0.6	-1.4	-0.2	2.5	-0.1	-3.9
Other Information	1.96	1.95	1.95	1.94	1.93	1.92	1.98	2.04
% Ch, Annual Rate	-3.8	-2.8	-0.7	-1.4	-2.3	-0.9	12.3	13.5
Financial Activities	7.66	7.64	7.62	7.62	7.61	7.61	7.64	7.67
% Ch, Annual Rate	-1.6	-0.9	-1.1	0.0	-0.4	0.1	1.5	1.7
Professional and Business Services	16.53	16.65	16.70	16.84	16.98	17.16	17.40	17.59
% Ch, Annual Rate	2.2	2.7	1.4	3.2	3.4	4.4	5.7	4.4
Education and Health Services	19.41	19.51	19.60	19.73	19.83	19.89	20.01	20.12
% Ch, Annual Rate	1.9	2.1	2.0	2.6	2.1	1.2	2.4	2.3
Leisure and Hospitality	12.94	13.00	13.06	13.07	13.09	13.14	13.14	13.21
% Ch, Annual Rate	-0.9	1.9	1.6	0.4	0.7	1.5	0.1	2.1
Other Services	5.32	5.34	5.37	5.42	5.44	5.44	5.45	5.47
% Ch, Annual Rate	0.0	1.6	2.2	3.3	1.4	0.5	0.7	1.5
Federal Government	2.89	3.19	2.94	2.85	2.85	2.84	2.83	2.81
% Ch, Annual Rate	6.9	49.6	-28.3	-11.9	0.9	-2.1	-1.1	-2.6
State and Local Government	19.61	19.56	19.48	19.43	19.37	19.30	19.23	19.16
% Ch, Annual Rate	-1.3	-0.9	-1.6	-1.2	-1.1	-1.4	-1.4	-1.6

Table A2.2 (continued)

**U.S. Nonagricultural Employment by Industry (Millions)**

Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	133.06	133.80	134.53	135.27	135.98	136.77	137.61	138.37
% Ch, Annual Rate	2.5	2.2	2.2	2.2	2.1	2.3	2.5	2.2
Manufacturing	12.12	12.26	12.36	12.45	12.57	12.66	12.70	12.74
% Ch, Annual Rate	3.7	4.7	3.4	3.0	3.8	3.0	1.1	1.2
Durable Manufacturing	7.60	7.73	7.82	7.91	8.02	8.12	8.16	8.19
% Ch, Annual Rate	5.2	6.8	4.8	4.6	6.1	4.8	1.9	1.9
Wood Products	0.40	0.43	0.46	0.48	0.50	0.51	0.51	0.52
% Ch, Annual Rate	25.3	31.8	28.1	23.4	14.7	9.5	5.3	3.5
Primary and Fabricated Metals	1.74	1.76	1.78	1.79	1.81	1.83	1.85	1.87
% Ch, Annual Rate	1.5	5.8	3.6	4.2	4.5	4.6	3.6	3.6
Computer and Electronic Products	1.20	1.19	1.19	1.19	1.24	1.26	1.25	1.25
% Ch, Annual Rate	4.7	-3.4	0.8	-0.3	16.8	8.4	-2.9	-2.1
Machinery and Electrical Equipment	1.48	1.50	1.51	1.51	1.51	1.51	1.51	1.51
% Ch, Annual Rate	6.0	6.9	1.6	1.0	0.1	0.7	-0.8	-0.8
Transportation Equipment	1.44	1.47	1.50	1.53	1.56	1.59	1.61	1.63
% Ch, Annual Rate	5.8	9.6	7.4	9.3	7.4	7.0	6.4	6.0
Other Durables	1.35	1.38	1.39	1.40	1.41	1.41	1.42	1.42
% Ch, Annual Rate	3.9	7.8	4.0	3.0	1.6	2.1	0.7	0.8
Nondurable Manufacturing	4.52	4.53	4.54	4.54	4.54	4.54	4.54	4.54
% Ch, Annual Rate	1.1	1.1	1.0	0.3	0.0	0.0	-0.2	0.0
Food Manufacturing	1.51	1.52	1.53	1.54	1.54	1.55	1.56	1.56
% Ch, Annual Rate	3.4	2.9	3.3	1.7	1.0	1.6	1.8	1.8
Paper and Paper Products	0.41	0.41	0.41	0.42	0.42	0.42	0.42	0.42
% Ch, Annual Rate	2.4	1.9	1.8	2.0	1.8	1.7	1.1	1.3
Other Nondurables	2.60	2.60	2.59	2.59	2.58	2.57	2.56	2.56
% Ch, Annual Rate	-0.4	-0.1	-0.4	-0.8	-0.9	-1.3	-1.6	-1.3
Natural Resources and Mining	0.75	0.74	0.74	0.73	0.73	0.72	0.72	0.71
% Ch, Annual Rate	-2.6	-3.1	-3.3	-2.4	-1.4	-2.2	-3.1	-2.7
Construction	5.45	5.49	5.59	5.70	5.84	5.99	6.15	6.32
% Ch, Annual Rate	-0.9	3.4	7.1	8.4	10.0	11.0	11.3	11.0
Trade, Transportation, and Utilities	25.42	25.64	25.84	26.03	26.18	26.35	26.52	26.65
% Ch, Annual Rate	3.5	3.6	3.1	3.0	2.4	2.6	2.6	2.0
Wholesale Trade	5.77	5.83	5.88	5.93	5.95	5.99	6.04	6.07
% Ch, Annual Rate	4.6	4.4	3.5	3.0	1.6	3.0	3.0	2.3
Retail Trade	14.59	14.68	14.77	14.86	14.95	15.03	15.11	15.16
% Ch, Annual Rate	2.2	2.6	2.4	2.6	2.4	2.1	2.0	1.4
Trans., Warehousing, and Utilities	5.06	5.13	5.19	5.24	5.28	5.32	5.37	5.42
% Ch, Annual Rate	6.1	5.3	4.6	4.0	3.1	3.5	3.7	3.4
Information	2.82	2.83	2.85	2.90	2.89	2.87	2.88	2.88
% Ch, Annual Rate	3.4	0.8	3.2	7.3	-0.9	-2.8	1.7	0.0
Publishing Industries	0.75	0.76	0.76	0.76	0.76	0.76	0.76	0.76
% Ch, Annual Rate	-0.5	1.9	0.9	0.6	1.1	0.1	0.0	-0.3
Other Information	2.07	2.07	2.09	2.14	2.13	2.11	2.12	2.12
% Ch, Annual Rate	4.8	0.4	4.0	9.7	-1.6	-3.9	2.4	0.1
Financial Activities	7.71	7.75	7.83	7.87	7.88	7.87	7.89	7.92
% Ch, Annual Rate	2.2	2.1	4.1	1.9	0.6	-0.5	0.9	1.6
Professional and Business Services	17.76	17.89	18.00	18.13	18.26	18.46	18.73	18.97
% Ch, Annual Rate	3.9	2.9	2.6	3.0	2.9	4.4	5.9	5.2
Education and Health Services	20.24	20.32	20.39	20.47	20.52	20.63	20.70	20.77
% Ch, Annual Rate	2.2	1.6	1.4	1.7	0.9	2.3	1.3	1.3
Leisure and Hospitality	13.31	13.39	13.43	13.46	13.50	13.51	13.53	13.57
% Ch, Annual Rate	3.2	2.4	1.1	1.0	1.1	0.2	0.8	1.1
Other Services	5.49	5.47	5.48	5.49	5.50	5.50	5.51	5.51
% Ch, Annual Rate	1.2	-1.2	0.6	0.8	1.0	-0.3	0.5	0.3
Federal Government	2.80	2.79	2.77	2.75	2.74	2.72	2.70	2.69
% Ch, Annual Rate	-1.7	-2.0	-2.5	-2.8	-1.9	-2.1	-2.5	-2.7
State and Local Government	19.20	19.23	19.26	19.29	19.37	19.47	19.57	19.65
% Ch, Annual Rate	0.8	0.7	0.7	0.5	1.7	2.2	2.0	1.6

Table A2.3

**Washington Nonagricultural Employment by Industry (Thousands)**

Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.2	2,821.8	2,777.2	2,808.4	2,881.8	2,957.5
% Ch	3.0	2.6	0.9	-4.6	-1.6	1.1	2.6	2.6
Manufacturing	285.9	293.3	291.2	265.5	258.0	267.4	281.4	294.1
% Ch	4.9	2.6	-0.7	-8.8	-2.8	3.6	5.2	4.5
Durable Manufacturing	204.0	211.9	211.3	190.6	184.1	192.1	203.4	214.0
% Ch	6.6	3.9	-0.3	-9.8	-3.4	4.3	5.9	5.2
Wood Products	20.3	19.2	17.0	13.3	13.0	13.3	15.6	17.5
% Ch	1.1	-5.4	-11.3	-21.6	-2.7	2.4	17.8	11.8
Primary and Fabricated Metals	24.3	25.9	26.3	21.9	21.3	21.7	22.6	23.9
% Ch	4.9	6.8	1.5	-16.8	-2.6	1.7	4.2	5.7
Computer and Electronic Products	22.5	22.7	22.5	20.1	19.1	20.6	22.2	24.3
% Ch	1.2	1.1	-0.8	-10.9	-5.0	7.9	7.7	9.7
Machinery and Electrical Equipment	19.0	19.6	19.9	16.3	15.6	17.8	20.9	22.5
% Ch	6.5	3.4	1.2	-17.9	-4.0	13.5	17.4	8.1
Aerospace	73.4	80.1	83.0	82.9	80.8	83.9	86.6	89.3
% Ch	11.9	9.1	3.6	-0.1	-2.6	3.9	3.2	3.1
Other Transportation Equip.	13.7	13.1	12.2	9.7	8.9	9.2	9.2	9.5
% Ch	4.1	-4.9	-6.5	-20.8	-8.3	3.4	0.8	3.3
Other Durables	30.9	31.3	30.5	26.4	25.4	25.7	26.3	26.9
% Ch	4.9	1.4	-2.8	-13.3	-3.7	1.0	2.4	2.3
Nondurable Manufacturing	81.9	81.4	79.8	74.9	73.9	75.3	78.0	80.1
% Ch	0.9	-0.6	-1.9	-6.2	-1.3	1.9	3.6	2.7
Food Manufacturing	33.9	34.1	34.3	33.9	33.7	34.1	35.5	36.8
% Ch	0.3	0.7	0.5	-0.9	-0.7	1.1	4.2	3.4
Paper and Paper Products	11.9	11.2	10.5	9.7	9.4	9.7	10.0	10.2
% Ch	-2.1	-6.3	-6.5	-7.1	-3.4	3.2	3.1	2.1
Other Nondurables	36.1	36.1	35.1	31.3	30.8	31.6	32.5	33.2
% Ch	2.7	0.2	-2.8	-11.0	-1.4	2.4	3.0	2.1
Natural Resources and Mining	8.7	8.2	7.5	6.0	5.9	6.4	7.1	7.9
% Ch	-3.0	-6.1	-7.6	-19.8	-2.3	8.0	11.6	11.4
Construction	194.8	208.1	200.6	159.7	140.9	136.4	141.2	151.0
% Ch	9.9	6.8	-3.6	-20.4	-11.8	-3.2	3.6	6.9
Trade, Transportation, and Utilities	541.6	553.3	553.4	522.5	517.2	527.6	545.3	560.8
% Ch	2.1	2.2	0.0	-5.6	-1.0	2.0	3.4	2.8
Wholesale Trade	126.6	129.3	130.1	122.7	120.8	123.9	129.0	131.7
% Ch	3.6	2.2	0.6	-5.7	-1.5	2.5	4.1	2.1
Retail Trade	321.1	327.9	327.4	309.3	307.8	313.6	320.3	328.9
% Ch	1.6	2.1	-0.2	-5.5	-0.5	1.9	2.1	2.7
Trans., Warehousing, and Utilities	94.0	96.1	95.9	90.5	88.6	90.2	96.0	100.2
% Ch	2.0	2.2	-0.2	-5.6	-2.1	1.8	6.5	4.4
Information	98.4	102.5	105.6	103.9	102.8	105.1	110.5	113.9
% Ch	3.9	4.1	3.1	-1.6	-1.0	2.2	5.2	3.1
Software Publishers	44.7	47.6	50.9	51.5	51.0	52.0	54.3	57.0
% Ch	8.4	6.4	7.0	1.1	-0.8	1.8	4.5	4.9
Other Publishing Industries	11.0	10.8	10.4	8.7	8.1	7.9	8.1	8.2
% Ch	-2.0	-1.7	-4.4	-15.6	-7.9	-2.0	3.1	0.6
Other Information	42.7	44.0	44.3	43.7	43.7	45.2	48.1	48.7
% Ch	1.1	3.1	0.7	-1.5	0.1	3.3	6.3	1.4
Financial Activities	156.2	155.5	152.4	141.7	134.8	135.4	140.2	143.6
% Ch	1.1	-0.5	-2.0	-7.0	-4.9	0.5	3.5	2.5
Professional and Business Services	330.5	344.7	348.7	324.5	325.3	336.1	349.4	363.5
% Ch	4.6	4.3	1.2	-6.9	0.2	3.3	4.0	4.0
Education and Health Services	337.2	348.3	362.1	372.4	374.8	380.1	387.4	394.2
% Ch	2.4	3.3	4.0	2.8	0.7	1.4	1.9	1.7
Leisure and Hospitality	271.6	280.5	283.6	269.6	266.0	270.8	279.6	285.0
% Ch	3.1	3.3	1.1	-4.9	-1.3	1.8	3.2	1.9
Other Services	104.0	105.3	107.7	106.3	104.8	104.2	105.4	106.6
% Ch	1.2	1.3	2.3	-1.4	-1.4	-0.6	1.2	1.1
Federal Government	69.3	68.7	70.0	72.8	75.5	73.8	72.5	71.3
% Ch	-0.4	-0.9	2.0	4.0	3.7	-2.3	-1.7	-1.7
State and Local Government	460.7	465.1	476.4	476.9	471.2	465.2	461.7	465.6
% Ch	0.8	1.0	2.4	0.1	-1.2	-1.3	-0.8	0.9

Table A2.4

**Washington Nonagricultural Employment by Industry (Thousands)**

Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,975.7	2,968.7	2,966.8	2,925.8	2,880.2	2,827.6	2,799.2	2,780.2
% Ch, Annual Rate	2.6	-0.9	-0.3	-5.4	-6.1	-7.1	-3.9	-2.7
Manufacturing	297.2	294.7	293.0	279.7	276.6	266.3	261.8	257.2
% Ch, Annual Rate	1.9	-3.3	-2.3	-16.9	-4.4	-14.1	-6.6	-6.8
Durable Manufacturing	215.9	214.6	214.0	200.8	200.1	191.2	187.0	184.1
% Ch, Annual Rate	2.6	-2.3	-1.1	-22.6	-1.4	-16.7	-8.5	-6.0
Wood Products	18.3	17.5	16.6	15.6	14.1	13.3	13.1	12.8
% Ch, Annual Rate	-11.0	-16.2	-17.9	-21.8	-33.3	-20.6	-7.3	-9.2
Primary and Fabricated Metals	26.5	26.6	26.7	25.5	23.4	21.8	21.2	21.0
% Ch, Annual Rate	5.7	3.0	0.7	-17.3	-28.0	-24.9	-10.3	-3.5
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.5	20.2	19.5	19.1
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-12.4	-21.4	-13.3	-8.4
Machinery and Electrical Equipment	20.2	20.1	20.0	19.2	17.6	16.6	15.7	15.3
% Ch, Annual Rate	3.9	-1.6	-2.3	-13.7	-30.0	-21.4	-18.6	-10.3
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.1	81.3
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.1	-5.1	-4.0
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.6	9.7	9.3	9.1
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-31.2	-31.0	-13.5	-9.9
Other Durables	31.4	31.0	30.3	29.1	27.7	26.4	26.0	25.6
% Ch, Annual Rate	1.3	-6.0	-7.7	-15.7	-18.1	-17.0	-6.0	-6.7
Nondurable Manufacturing	81.3	80.1	79.0	79.0	76.6	75.1	74.8	73.1
% Ch, Annual Rate	0.1	-5.7	-5.6	0.1	-11.8	-7.2	-1.7	-8.7
Food Manufacturing	34.7	34.1	33.7	34.5	33.9	34.1	34.4	33.3
% Ch, Annual Rate	5.6	-6.9	-4.3	10.3	-6.9	1.5	4.4	-12.0
Paper and Paper Products	10.7	10.6	10.4	10.2	10.0	9.8	9.6	9.5
% Ch, Annual Rate	-7.1	-5.4	-7.2	-6.0	-6.3	-10.0	-8.1	-5.1
Other Nondurables	35.9	35.5	34.9	34.2	32.6	31.3	30.8	30.3
% Ch, Annual Rate	-2.7	-4.7	-6.3	-7.3	-18.0	-14.8	-6.1	-5.9
Natural Resources and Mining	7.8	7.6	7.5	7.3	6.6	6.0	6.0	5.7
% Ch, Annual Rate	-5.9	-10.2	-2.8	-11.9	-33.7	-32.6	1.3	-18.3
Construction	209.3	204.8	199.1	189.2	174.4	162.0	154.2	148.1
% Ch, Annual Rate	1.5	-8.3	-10.8	-18.4	-27.7	-25.7	-17.8	-15.0
Trade, Transportation, and Utilities	559.3	556.6	553.5	544.3	533.3	522.9	519.1	514.8
% Ch, Annual Rate	1.8	-1.9	-2.2	-6.5	-7.8	-7.5	-2.9	-3.3
Wholesale Trade	131.0	130.7	130.1	128.6	126.2	122.9	121.3	120.4
% Ch, Annual Rate	1.8	-1.0	-1.6	-4.5	-7.4	-10.1	-5.0	-2.8
Retail Trade	332.0	329.4	327.2	321.2	314.1	309.5	307.9	305.7
% Ch, Annual Rate	2.4	-3.1	-2.6	-7.2	-8.5	-5.8	-2.1	-2.9
Trans., Warehousing, and Utilities	96.4	96.5	96.1	94.4	93.0	90.6	89.9	88.7
% Ch, Annual Rate	-0.5	0.7	-1.7	-6.9	-6.1	-10.0	-2.9	-5.4
Information	104.3	105.2	106.3	106.8	105.8	104.3	103.0	102.6
% Ch, Annual Rate	5.2	3.6	4.2	2.0	-3.7	-5.7	-4.9	-1.6
Software Publishers	49.1	50.3	51.7	52.6	52.6	51.7	50.9	50.6
% Ch, Annual Rate	7.9	10.5	11.3	7.3	-0.5	-6.1	-5.9	-2.5
Other Publishing Industries	10.8	10.6	10.2	9.8	9.3	8.8	8.5	8.3
% Ch, Annual Rate	-1.7	-6.4	-12.4	-15.3	-20.9	-17.8	-12.2	-8.8
Other Information	44.4	44.3	44.3	44.4	44.0	43.7	43.5	43.6
% Ch, Annual Rate	4.1	-1.4	0.7	0.2	-3.4	-2.3	-2.2	1.0
Financial Activities	154.7	153.6	151.7	149.5	145.9	142.9	140.3	137.7
% Ch, Annual Rate	-0.2	-2.7	-4.9	-5.7	-9.2	-8.0	-7.0	-7.3
Professional and Business Services	350.3	351.9	350.3	342.2	333.1	323.1	320.4	321.4
% Ch, Annual Rate	2.6	1.8	-1.8	-8.9	-10.3	-11.5	-3.3	1.3
Education and Health Services	356.8	359.6	363.9	368.1	371.9	371.7	372.6	373.5
% Ch, Annual Rate	3.0	3.1	4.9	4.6	4.2	-0.2	0.9	1.0
Leisure and Hospitality	286.3	284.9	283.8	279.6	274.1	269.7	268.7	265.9
% Ch, Annual Rate	3.6	-1.9	-1.6	-5.8	-7.6	-6.2	-1.5	-4.1
Other Services	107.4	107.7	108.3	107.5	107.5	106.4	105.7	105.4
% Ch, Annual Rate	3.9	1.4	2.1	-2.8	-0.1	-3.8	-2.7	-1.2
Federal Government	69.4	69.1	70.2	71.3	71.8	73.4	72.6	73.2
% Ch, Annual Rate	4.3	-1.7	6.5	6.4	3.0	9.2	-4.2	3.1
State and Local Government	473.0	472.9	479.2	480.3	479.2	478.8	474.9	474.8
% Ch, Annual Rate	3.4	0.0	5.5	0.9	-1.0	-0.3	-3.3	-0.1

Table A2.4 (continued)

**Washington Nonagricultural Employment by Industry (Thousands)**

Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,768.9	2,782.9	2,777.5	2,779.5	2,786.2	2,800.1	2,815.0	2,832.4
% Ch, Annual Rate	-1.6	2.0	-0.8	0.3	1.0	2.0	2.1	2.5
Manufacturing	256.8	257.6	258.4	259.3	261.9	265.7	269.3	272.6
% Ch, Annual Rate	-0.7	1.3	1.2	1.4	4.1	6.0	5.5	4.9
Durable Manufacturing	183.4	183.6	184.3	185.0	187.5	190.8	193.6	196.3
% Ch, Annual Rate	-1.4	0.4	1.5	1.4	5.5	7.3	6.1	5.6
Wood Products	13.0	13.2	12.9	12.8	12.9	13.0	13.3	13.8
% Ch, Annual Rate	6.2	7.1	-7.7	-3.9	3.4	4.4	9.1	15.7
Primary and Fabricated Metals	21.2	21.2	21.4	21.5	21.4	21.6	21.8	22.0
% Ch, Annual Rate	2.2	1.5	3.4	1.2	-1.5	4.4	2.7	3.3
Computer and Electronic Products	18.9	19.1	19.2	19.1	19.3	20.3	21.1	21.6
% Ch, Annual Rate	-4.2	3.9	2.9	-1.3	3.9	21.5	16.6	10.7
Machinery and Electrical Equipment	15.4	15.5	15.8	15.9	16.3	17.4	18.3	19.0
% Ch, Annual Rate	2.6	1.8	7.3	4.6	9.7	28.7	24.0	16.0
Aerospace	80.9	80.3	80.7	81.4	82.9	83.6	84.3	84.9
% Ch, Annual Rate	-2.0	-2.8	2.0	3.6	7.7	3.2	3.2	3.2
Other Transportation Equip.	8.7	8.8	9.0	8.9	9.0	9.3	9.2	9.2
% Ch, Annual Rate	-14.8	5.5	7.2	-4.2	6.9	10.2	-3.6	-1.5
Other Durables	25.5	25.6	25.4	25.3	25.6	25.6	25.7	25.8
% Ch, Annual Rate	-1.5	1.5	-3.0	-0.5	3.7	0.9	1.1	2.1
Nondurable Manufacturing	73.3	74.0	74.1	74.3	74.4	74.9	75.7	76.3
% Ch, Annual Rate	1.0	3.6	0.4	1.3	0.8	2.7	4.1	3.0
Food Manufacturing	33.3	33.7	33.8	34.1	33.9	33.8	34.2	34.4
% Ch, Annual Rate	-0.9	5.4	1.2	3.5	-2.4	-0.7	4.0	3.2
Paper and Paper Products	9.4	9.4	9.3	9.4	9.5	9.7	9.8	9.8
% Ch, Annual Rate	-0.8	-2.4	-1.6	1.5	5.0	7.1	4.1	2.8
Other Nondurables	30.6	30.9	30.9	30.8	31.1	31.4	31.8	32.0
% Ch, Annual Rate	3.7	3.7	0.2	-1.1	3.1	5.1	4.2	2.7
Natural Resources and Mining	5.8	6.0	6.0	5.9	6.1	6.3	6.5	6.6
% Ch, Annual Rate	9.0	13.4	-1.2	-7.3	13.6	19.2	13.0	6.1
Construction	142.9	140.8	141.1	138.7	136.7	136.3	136.0	136.5
% Ch, Annual Rate	-13.4	-5.7	1.0	-6.6	-5.9	-0.9	-1.0	1.6
Trade, Transportation, and Utilities	514.8	519.0	517.0	518.0	521.3	526.3	529.2	533.7
% Ch, Annual Rate	0.0	3.3	-1.5	0.8	2.6	3.9	2.2	3.4
Wholesale Trade	119.9	121.1	120.7	121.5	122.1	122.9	124.5	126.0
% Ch, Annual Rate	-1.8	4.2	-1.4	2.6	2.0	2.7	5.1	5.1
Retail Trade	307.0	309.2	307.4	307.8	311.1	314.2	313.9	315.1
% Ch, Annual Rate	1.7	2.9	-2.4	0.5	4.5	4.0	-0.4	1.6
Trans., Warehousing, and Utilities	87.9	88.7	89.0	88.8	88.1	89.2	90.9	92.5
% Ch, Annual Rate	-3.4	3.7	1.2	-0.9	-3.1	5.1	7.9	7.4
Information	102.9	102.6	102.6	103.2	103.3	103.8	105.6	107.6
% Ch, Annual Rate	1.5	-1.3	-0.1	2.2	0.7	1.7	7.3	7.6
Software Publishers	50.7	50.9	51.1	51.5	51.4	51.7	52.1	52.6
% Ch, Annual Rate	0.4	1.6	1.7	2.9	-0.5	2.4	3.3	3.8
Other Publishing Industries	8.3	8.2	8.0	7.8	7.7	7.9	8.0	8.0
% Ch, Annual Rate	-3.6	-5.3	-7.0	-11.3	-5.6	12.3	6.2	-0.3
Other Information	44.0	43.6	43.5	43.9	44.3	44.2	45.5	46.9
% Ch, Annual Rate	3.8	-3.8	-0.8	4.1	3.1	-0.9	12.3	13.6
Financial Activities	135.6	134.4	134.4	134.6	134.3	134.8	135.8	136.8
% Ch, Annual Rate	-5.9	-3.4	0.0	0.6	-1.1	1.5	3.0	3.2
Professional and Business Services	321.0	324.4	327.0	328.8	330.5	333.9	338.2	341.9
% Ch, Annual Rate	-0.6	4.4	3.2	2.2	2.1	4.2	5.3	4.4
Education and Health Services	373.2	374.5	375.4	376.3	377.8	378.8	380.9	382.9
% Ch, Annual Rate	-0.3	1.4	0.9	1.0	1.6	1.1	2.1	2.2
Leisure and Hospitality	264.8	266.7	266.2	266.3	267.8	270.1	271.5	273.9
% Ch, Annual Rate	-1.6	2.9	-0.8	0.1	2.4	3.4	2.1	3.6
Other Services	104.5	104.7	105.1	104.7	103.7	104.0	104.3	104.7
% Ch, Annual Rate	-3.4	0.9	1.5	-1.4	-4.0	1.1	1.2	1.7
Federal Government	73.7	79.3	74.9	73.9	74.2	73.9	73.7	73.3
% Ch, Annual Rate	2.8	34.0	-20.3	-5.6	1.8	-1.8	-1.0	-2.2
State and Local Government	472.9	472.7	469.4	469.8	468.7	466.2	464.0	461.9
% Ch, Annual Rate	-1.5	-0.2	-2.8	0.3	-0.9	-2.1	-1.9	-1.8

Table A2.4 (continued)

**Washington Nonagricultural Employment by Industry (Thousands)**

Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	2,852.6	2,872.1	2,891.6	2,911.0	2,929.0	2,947.8	2,967.6	2,985.5
% Ch, Annual Rate	2.9	2.8	2.7	2.7	2.5	2.6	2.7	2.4
Manufacturing	276.3	279.8	283.2	286.3	290.1	293.4	295.4	297.4
% Ch, Annual Rate	5.6	5.2	5.0	4.3	5.5	4.6	2.7	2.7
Durable Manufacturing	199.3	202.1	204.8	207.3	210.8	213.6	215.0	216.4
% Ch, Annual Rate	6.2	5.8	5.3	5.0	7.0	5.4	2.7	2.6
Wood Products	14.5	15.3	16.1	16.7	17.2	17.5	17.6	17.7
% Ch, Annual Rate	19.7	24.9	22.0	18.1	11.0	6.6	3.2	1.7
Primary and Fabricated Metals	22.1	22.5	22.8	23.1	23.4	23.8	24.1	24.4
% Ch, Annual Rate	2.7	7.1	5.1	5.6	6.0	6.1	5.2	5.2
Computer and Electronic Products	22.1	22.0	22.2	22.3	23.8	24.6	24.5	24.4
% Ch, Annual Rate	10.1	-2.7	3.7	1.7	29.0	15.1	-2.3	-1.2
Machinery and Electrical Equipment	19.9	20.7	21.2	21.7	22.0	22.4	22.7	23.0
% Ch, Annual Rate	18.6	18.3	10.1	8.7	7.1	7.5	5.2	4.9
Aerospace	85.6	86.3	86.9	87.6	88.3	89.0	89.6	90.3
% Ch, Annual Rate	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1
Other Transportation Equip.	9.2	9.2	9.2	9.3	9.4	9.5	9.6	9.6
% Ch, Annual Rate	1.3	1.1	0.5	5.4	3.5	4.4	2.9	1.4
Other Durables	26.0	26.2	26.4	26.6	26.7	26.9	27.0	27.1
% Ch, Annual Rate	2.3	3.8	3.0	2.8	2.1	1.9	1.5	1.6
Nondurable Manufacturing	77.0	77.7	78.4	79.0	79.3	79.8	80.4	80.9
% Ch, Annual Rate	3.9	3.5	4.1	2.7	1.9	2.6	2.7	2.8
Food Manufacturing	34.9	35.3	35.8	36.1	36.3	36.5	36.9	37.3
% Ch, Annual Rate	5.4	4.6	6.2	3.0	1.7	3.3	4.1	4.0
Paper and Paper Products	9.9	10.0	10.0	10.1	10.1	10.2	10.2	10.2
% Ch, Annual Rate	3.0	2.4	2.3	2.4	2.1	2.0	1.4	1.5
Other Nondurables	32.2	32.4	32.6	32.8	33.0	33.1	33.3	33.4
% Ch, Annual Rate	2.6	2.7	2.5	2.4	2.0	2.0	1.7	1.8
Natural Resources and Mining	6.8	7.0	7.2	7.5	7.7	7.9	8.0	8.1
% Ch, Annual Rate	9.6	13.6	14.3	14.2	11.8	10.1	7.8	5.8
Construction	137.9	139.8	142.4	144.9	147.1	149.4	152.2	155.1
% Ch, Annual Rate	4.0	5.9	7.4	7.3	6.3	6.3	7.8	7.6
Trade, Transportation, and Utilities	538.4	543.3	547.7	551.9	555.5	559.1	562.8	565.7
% Ch, Annual Rate	3.6	3.7	3.3	3.1	2.6	2.7	2.6	2.1
Wholesale Trade	127.4	128.6	129.6	130.4	130.7	131.3	132.1	132.6
% Ch, Annual Rate	4.4	4.0	3.0	2.4	1.0	2.0	2.2	1.7
Retail Trade	317.0	319.2	321.4	323.7	326.0	328.1	330.1	331.5
% Ch, Annual Rate	2.4	2.9	2.7	3.0	2.9	2.5	2.4	1.8
Trans., Warehousing, and Utilities	94.1	95.4	96.7	97.8	98.8	99.7	100.7	101.6
% Ch, Annual Rate	6.8	6.0	5.4	4.7	3.9	3.9	3.9	3.6
Information	108.8	109.6	110.8	112.7	113.2	113.3	114.2	114.8
% Ch, Annual Rate	4.6	3.2	4.4	6.8	1.8	0.5	3.2	2.1
Software Publishers	53.2	54.0	54.7	55.3	56.0	56.6	57.3	57.9
% Ch, Annual Rate	4.7	5.6	5.1	4.9	5.1	4.6	4.5	4.4
Other Publishing Industries	8.0	8.1	8.2	8.2	8.2	8.2	8.2	8.1
% Ch, Annual Rate	2.3	4.0	1.9	0.9	1.0	-0.5	-1.0	-1.5
Other Information	47.5	47.5	48.0	49.2	49.0	48.5	48.8	48.8
% Ch, Annual Rate	4.9	0.4	4.1	9.9	-1.7	-3.9	2.4	0.1
Financial Activities	138.1	139.2	141.1	142.2	142.9	143.1	143.8	144.8
% Ch, Annual Rate	3.7	3.4	5.5	3.2	1.8	0.6	2.0	2.7
Professional and Business Services	345.3	348.1	350.7	353.7	356.6	360.7	366.0	370.7
% Ch, Annual Rate	4.0	3.2	3.1	3.4	3.4	4.7	5.9	5.3
Education and Health Services	385.0	386.6	388.2	390.0	391.3	393.6	395.2	396.8
% Ch, Annual Rate	2.2	1.8	1.6	1.9	1.3	2.4	1.7	1.6
Leisure and Hospitality	276.7	279.1	280.6	282.0	283.5	284.3	285.4	286.7
% Ch, Annual Rate	4.2	3.4	2.2	2.1	2.0	1.2	1.6	1.7
Other Services	105.1	105.2	105.5	105.9	106.2	106.4	106.7	107.0
% Ch, Annual Rate	1.5	0.2	1.2	1.3	1.5	0.7	1.1	1.0
Federal Government	73.0	72.8	72.4	72.0	71.8	71.5	71.2	70.8
% Ch, Annual Rate	-1.3	-1.6	-2.0	-2.2	-1.3	-1.5	-1.8	-2.0
State and Local Government	461.3	461.6	461.9	462.0	463.2	465.0	466.6	467.8
% Ch, Annual Rate	-0.5	0.2	0.2	0.1	1.1	1.5	1.4	1.0

Table A3.1

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

Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	11,268.1	11,912.3	12,391.2	12,174.9	12,544.6	13,201.3	13,734.4	14,430.9
% Ch	7.5	5.7	4.0	-1.7	3.0	5.2	4.0	5.1
Total Wage and Salary Disbursements	6,068.9	6,421.7	6,559.1	6,274.1	6,405.3	6,704.8	7,077.5	7,451.0
% Ch	6.5	5.8	2.1	-4.3	2.1	4.7	5.6	5.3
Nonwage Personal Income	5,199.2	5,490.6	5,832.1	5,900.8	6,139.3	6,496.6	6,656.9	6,979.9
% Ch	8.7	5.6	6.2	1.2	4.0	5.8	2.5	4.9
Supplements to Wages and Salaries	1,406.8	1,440.4	1,506.8	1,532.6	1,586.1	1,650.3	1,731.4	1,820.7
% Ch	3.5	2.4	4.6	1.7	3.5	4.0	4.9	5.2
Proprietor's Income	1,133.0	1,090.4	1,102.0	1,011.9	1,055.3	1,128.2	1,198.1	1,247.4
% Ch	5.9	-3.8	1.1	-8.2	4.3	6.9	6.2	4.1
Farm	29.4	37.8	50.9	30.5	44.9	60.4	56.6	52.5
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,103.6	1,052.6	1,051.2	981.5	1,010.4	1,067.8	1,141.5	1,195.0
% Ch	7.6	-4.6	-0.1	-6.6	2.9	5.7	6.9	4.7
Less: Contribution For Govt. Soc. Ins.	921.8	959.5	987.2	970.3	1,004.4	947.8	1,133.0	1,227.6
% Ch	5.6	4.1	2.9	-1.7	3.5	-5.6	19.5	8.3
Dividends/Int./Rent	1,976.2	2,200.7	2,331.3	2,193.7	2,207.6	2,306.1	2,429.0	2,610.1
% Ch	14.9	11.4	5.9	-5.9	0.6	4.5	5.3	7.5
Transfer Payments	1,605.0	1,718.5	1,879.3	2,132.9	2,294.8	2,359.8	2,431.5	2,529.4
% Ch	6.4	7.1	9.4	13.5	7.6	2.8	3.0	4.0

Table A3.2

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

Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	12,300.4	12,460.9	12,447.0	12,356.3	12,093.2	12,203.4	12,164.0	12,239.0
% Ch, Annual Rate	5.3	5.3	-0.4	-2.9	-8.2	3.7	-1.3	2.5
Total Wage and Salary Disbursements	6,595.9	6,575.1	6,567.9	6,497.3	6,260.0	6,287.7	6,263.9	6,284.9
% Ch, Annual Rate	4.5	-1.3	-0.4	-4.2	-13.8	1.8	-1.5	1.3
Nonwage Personal Income	5,704.5	5,885.8	5,879.1	5,859.0	5,833.2	5,915.7	5,900.1	5,954.1
% Ch, Annual Rate	6.3	13.3	-0.5	-1.4	-1.7	5.8	-1.1	3.7
Supplements to Wages and Salaries	1,486.3	1,502.3	1,515.1	1,523.5	1,517.6	1,531.4	1,534.8	1,546.5
% Ch, Annual Rate	7.2	4.4	3.5	2.2	-1.5	3.7	0.9	3.1
Proprietor's Income	1,107.3	1,116.1	1,111.6	1,073.0	1,018.6	1,000.5	1,006.4	1,022.1
% Ch, Annual Rate	6.8	3.2	-1.6	-13.2	-18.8	-6.9	2.4	6.4
Farm	60.7	52.7	50.5	39.5	29.6	28.0	28.0	36.2
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,046.6	1,063.4	1,061.1	1,033.5	989.0	972.5	978.4	985.9
% Ch, Annual Rate	1.3	6.6	-0.9	-10.0	-16.1	-6.5	2.4	3.1
Less: Contribution For Govt. Soc. Ins.	988.3	987.8	989.5	983.4	964.2	971.6	970.6	974.7
% Ch, Annual Rate	7.1	-0.2	0.7	-2.4	-7.6	3.1	-0.4	1.7
Dividends/Int./Rent	2,306.0	2,320.7	2,366.8	2,331.7	2,237.4	2,195.3	2,170.2	2,172.0
% Ch, Annual Rate	3.6	2.6	8.2	-5.8	-15.2	-7.3	-4.5	0.3
Transfer Payments	1,793.2	1,934.4	1,875.2	1,914.2	2,023.7	2,160.2	2,159.3	2,188.2
% Ch, Annual Rate	9.3	35.4	-11.7	8.6	24.9	29.8	-0.2	5.5

Table A3.2 (continued)

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

Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,350.3	12,517.1	12,595.5	12,715.3	12,957.0	13,124.7	13,293.6	13,430.1
% Ch, Annual Rate	3.7	5.5	2.5	3.9	7.8	5.3	5.2	4.2
Total Wage and Salary Disbursements	6,291.4	6,388.8	6,443.7	6,497.1	6,558.5	6,664.4	6,752.1	6,844.0
% Ch, Annual Rate	0.4	6.3	3.5	3.4	3.8	6.6	5.4	5.6
Nonwage Personal Income	6,058.9	6,128.3	6,151.8	6,218.2	6,398.5	6,460.3	6,541.5	6,586.0
% Ch, Annual Rate	7.2	4.7	1.5	4.4	12.1	3.9	5.1	2.8
Supplements to Wages and Salaries	1,566.7	1,581.1	1,592.5	1,604.1	1,625.2	1,641.1	1,658.6	1,676.2
% Ch, Annual Rate	5.3	3.7	2.9	2.9	5.4	4.0	4.3	4.3
Proprietor's Income	1,030.8	1,049.7	1,059.5	1,081.1	1,098.6	1,122.0	1,139.4	1,152.9
% Ch, Annual Rate	3.4	7.5	3.8	8.4	6.6	8.8	6.4	4.8
Farm	36.8	38.9	48.5	55.5	60.4	63.5	61.1	56.7
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	994.0	1,010.8	1,011.0	1,025.6	1,038.2	1,058.4	1,078.3	1,096.2
% Ch, Annual Rate	3.3	6.9	0.1	5.9	5.0	8.0	7.7	6.8
Less: Contribution For Govt. Soc. Ins.	987.8	1,001.9	1,010.2	1,017.6	929.1	943.9	953.3	964.9
% Ch, Annual Rate	5.5	5.8	3.3	3.0	-30.5	6.5	4.0	5.0
Dividends/Int./Rent	2,203.8	2,213.3	2,193.5	2,219.6	2,271.3	2,290.9	2,315.1	2,346.9
% Ch, Annual Rate	6.0	1.7	-3.5	4.8	9.7	3.5	4.3	5.6
Transfer Payments	2,245.5	2,286.1	2,316.4	2,331.1	2,332.4	2,350.3	2,381.6	2,375.0
% Ch, Annual Rate	10.9	7.4	5.4	2.6	0.2	3.1	5.4	-1.1

Table A3.2 (continued)

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

Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	13,472.4	13,644.7	13,821.2	13,999.3	14,156.7	14,344.3	14,522.3	14,700.5
% Ch, Annual Rate	1.3	5.2	5.3	5.3	4.6	5.4	5.1	5.0
Total Wage and Salary Disbursements	6,939.3	7,031.7	7,123.4	7,215.6	7,309.8	7,404.9	7,499.0	7,590.4
% Ch, Annual Rate	5.7	5.4	5.3	5.3	5.3	5.3	5.2	5.0
Nonwage Personal Income	6,533.1	6,612.9	6,697.8	6,783.7	6,846.9	6,939.4	7,023.3	7,110.1
% Ch, Annual Rate	-3.2	5.0	5.2	5.2	3.8	5.5	4.9	5.0
Supplements to Wages and Salaries	1,701.6	1,721.2	1,741.0	1,761.9	1,786.6	1,809.6	1,831.1	1,855.6
% Ch, Annual Rate	6.2	4.7	4.7	4.9	5.7	5.3	4.8	5.5
Proprietor's Income	1,171.6	1,192.8	1,207.5	1,220.5	1,226.6	1,241.1	1,253.8	1,268.1
% Ch, Annual Rate	6.6	7.5	5.0	4.4	2.0	4.8	4.2	4.7
Farm	56.4	57.3	57.2	55.4	53.9	53.1	52.1	50.7
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,115.2	1,135.5	1,150.3	1,165.1	1,172.7	1,188.0	1,201.7	1,217.4
% Ch, Annual Rate	7.1	7.5	5.3	5.2	2.7	5.3	4.7	5.3
Less: Contribution For Govt. Soc. Ins.	1,113.3	1,125.6	1,139.3	1,153.8	1,209.2	1,222.7	1,232.1	1,246.4
% Ch, Annual Rate	77.2	4.5	5.0	5.2	20.7	4.5	3.1	4.7
Dividends/Int./Rent	2,371.1	2,405.8	2,447.8	2,491.1	2,548.9	2,593.0	2,629.7	2,668.5
% Ch, Annual Rate	4.2	6.0	7.2	7.3	9.6	7.1	5.8	6.0
Transfer Payments	2,402.2	2,418.8	2,440.8	2,464.1	2,494.0	2,518.3	2,540.8	2,564.3
% Ch, Annual Rate	4.7	2.8	3.7	3.9	4.9	4.0	3.6	3.7

Table A3.3

**Washington Personal Income by Component (Billions of Dollars)**

Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	252.091	272.544	287.148	286.114	293.521	309.407	324.042	342.705
% Ch	9.6	8.1	5.4	-0.4	2.6	5.4	4.7	5.8
Total Wage and Salary Disbursements	135.118	145.839	150.863	146.911	148.341	155.360	165.279	175.162
% Ch	8.4	7.9	3.4	-2.6	1.0	4.7	6.4	6.0
Manufacturing	16.794	17.686	17.978	16.796	16.894	18.335	20.040	21.665
% Ch	11.3	5.3	1.7	-6.6	0.6	8.5	9.3	8.1
Durable Manufacturing	13.051	13.773	14.078	13.139	13.314	14.552	15.978	17.357
% Ch	13.4	5.5	2.2	-6.7	1.3	9.3	9.8	8.6
Nondurable Manufacturing	3.742	3.913	3.900	3.657	3.580	3.783	4.062	4.308
% Ch	4.4	4.6	-0.3	-6.2	-2.1	5.7	7.4	6.1
Nonmanufacturing	112.859	122.502	126.558	123.652	124.763	130.113	138.244	146.459
% Ch	8.2	8.5	3.3	-2.3	0.9	4.3	6.2	5.9
Other Private Wages	0.855	0.880	0.899	0.842	0.826	0.859	0.902	0.943
% Ch	6.9	2.9	2.1	-6.3	-1.8	4.0	5.0	4.5
Farm Wages	1.133	1.126	1.399	1.431	1.469	1.522	1.608	1.693
% Ch	-4.1	-0.6	24.3	2.3	2.7	3.6	5.7	5.3
Military Wages	3.478	3.646	4.030	4.190	4.388	4.530	4.485	4.402
% Ch	5.4	4.8	10.5	4.0	4.7	3.2	-1.0	-1.9
Nonwage Personal Income	116.974	126.705	136.285	139.203	145.180	154.047	158.762	167.543
% Ch	11.0	8.3	7.6	2.1	4.3	6.1	3.1	5.5
Supplements to Wages and Salaries	32.606	34.125	36.006	36.883	37.620	39.227	41.551	44.039
% Ch	4.5	4.7	5.5	2.4	2.0	4.3	5.9	6.0
Proprietor's Income	23.469	23.521	23.476	21.648	22.502	24.058	25.693	26.834
% Ch	9.9	0.2	-0.2	-7.8	3.9	6.9	6.8	4.4
Farm	0.653	1.093	1.009	0.543	0.779	1.105	1.058	0.992
% Ch	...	...	...	...	...	...	...	...
Nonfarm	22.817	22.428	22.467	21.106	21.723	22.953	24.635	25.842
% Ch	9.6	-1.7	0.2	-6.1	2.9	5.7	7.3	4.9
Less: Contribution For Govt. Soc. Ins.	23.325	24.476	25.208	24.812	25.203	23.774	28.334	30.787
% Ch	6.2	4.9	3.0	-1.6	1.6	-5.7	19.2	8.7
Plus: Residence Adjustment	2.864	3.030	3.086	2.907	3.034	3.207	3.398	3.592
% Ch	6.7	5.8	1.8	-5.8	4.4	5.7	6.0	5.7
Dividends/Int./Rent	49.329	55.770	60.730	57.741	58.588	61.267	64.722	69.830
% Ch	16.7	13.1	8.9	-4.9	1.5	4.6	5.6	7.9
Transfer Payments	32.030	34.735	38.195	44.837	48.638	50.061	51.732	54.034
% Ch	7.5	8.4	10.0	17.4	8.5	2.9	3.3	4.5
State U.I. Benefits	0.733	0.739	1.197	3.641	4.097	3.489	2.856	2.076
% Ch	-6.2	0.7	62.1	204.2	12.5	-14.8	-18.1	-27.3
Other Transfers	31.297	33.996	36.998	41.196	44.541	46.572	48.876	51.958
% Ch	7.8	8.6	8.8	11.3	8.1	4.6	4.9	6.3

Table A3.4

**Washington Personal Income by Component (Billions of Dollars)**

Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	284.514	286.856	290.118	287.103	284.033	286.582	286.473	287.367
% Ch, Annual Rate	5.4	3.3	4.6	-4.1	-4.2	3.6	-0.2	1.3
Total Wage and Salary Disbursements	151.003	150.566	152.357	149.527	147.049	147.353	146.898	146.342
% Ch, Annual Rate	2.6	-1.2	4.8	-7.2	-6.5	0.8	-1.2	-1.5
Manufacturing	18.422	17.895	17.976	17.619	16.786	16.853	16.793	16.753
% Ch, Annual Rate	11.7	-11.0	1.8	-7.7	-17.6	1.6	-1.4	-0.9
Durable Manufacturing	14.466	13.996	14.084	13.765	13.149	13.160	13.139	13.109
% Ch, Annual Rate	15.2	-12.4	2.5	-8.8	-16.7	0.3	-0.6	-0.9
Nondurable Manufacturing	3.956	3.899	3.892	3.854	3.637	3.693	3.654	3.644
% Ch, Annual Rate	-0.1	-5.6	-0.7	-3.8	-20.7	6.3	-4.2	-1.1
Nonmanufacturing	126.400	126.439	127.948	125.443	123.851	124.080	123.547	123.130
% Ch, Annual Rate	0.2	0.1	4.9	-7.6	-5.0	0.7	-1.7	-1.3
Other Private Wages	0.888	0.871	0.887	0.948	0.837	0.811	0.902	0.816
% Ch, Annual Rate	10.6	-7.4	7.6	30.5	-39.2	-11.9	53.0	-33.0
Farm Wages	1.389	1.391	1.400	1.416	1.415	1.430	1.439	1.441
% Ch, Annual Rate	106.3	0.6	2.6	4.7	-0.3	4.3	2.5	0.6
Military Wages	3.904	3.970	4.146	4.101	4.160	4.179	4.217	4.202
% Ch, Annual Rate	16.3	6.9	18.9	-4.3	5.9	1.8	3.7	-1.4
Nonwage Personal Income	133.511	136.290	137.762	137.575	136.984	139.229	139.573	141.026
% Ch, Annual Rate	8.6	8.6	4.4	-0.5	-1.7	6.7	1.0	4.2
Supplements to Wages and Salaries	35.468	35.763	36.479	36.315	36.679	36.926	36.978	36.949
% Ch, Annual Rate	5.4	3.4	8.3	-1.8	4.1	2.7	0.6	-0.3
Proprietor's Income	24.176	23.586	23.445	22.695	21.555	21.307	21.742	21.988
% Ch, Annual Rate	13.3	-9.4	-2.4	-12.2	-18.6	-4.5	8.4	4.6
Farm	1.446	0.936	0.992	0.663	0.518	0.373	0.636	0.643
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.731	22.651	22.453	22.032	21.037	20.934	21.106	21.345
% Ch, Annual Rate	13.2	-1.4	-3.5	-7.3	-16.9	-1.9	3.3	4.6
Less: Contribution For Govt. Soc. Ins.	25.279	25.177	25.412	24.963	24.830	24.905	24.813	24.701
% Ch, Annual Rate	4.4	-1.6	3.8	-6.9	-2.1	1.2	-1.5	-1.8
Plus: Residence Adjustment	3.124	3.126	3.068	3.024	2.930	2.914	2.879	2.903
% Ch, Annual Rate	7.2	0.3	-7.2	-5.6	-11.9	-2.2	-4.7	3.4
Dividends/Int./Rent	59.513	60.204	61.963	61.238	58.672	57.712	57.184	57.397
% Ch, Annual Rate	5.9	4.7	12.2	-4.6	-15.7	-6.4	-3.6	1.5
Transfer Payments	36.508	38.787	38.219	39.266	41.978	45.275	45.603	46.490
% Ch, Annual Rate	10.2	27.4	-5.7	11.4	30.6	35.3	2.9	8.0
State U.I. Benefits	0.865	0.933	1.275	1.715	2.528	3.555	4.171	4.309
% Ch, Annual Rate	26.9	35.4	248.7	227.4	372.1	291.1	89.5	13.9
Other Transfers	35.643	37.854	36.945	37.551	39.451	41.720	41.433	42.180
% Ch, Annual Rate	9.9	27.2	-9.3	6.7	21.8	25.1	-2.7	7.4

Table A3.4 (continued)

**Washington Personal Income by Component (Billions of Dollars)**

Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	288.799	291.887	295.368	298.029	303.107	306.855	312.674	314.992
% Ch, Annual Rate	2.0	4.3	4.9	3.7	7.0	5.0	7.8	3.0
Total Wage and Salary Disbursements	145.438	147.010	149.897	151.019	151.624	153.773	157.535	158.507
% Ch, Annual Rate	-2.4	4.4	8.1	3.0	1.6	5.8	10.2	2.5
Manufacturing	16.142	16.662	17.294	17.477	17.656	18.138	18.565	18.981
% Ch, Annual Rate	-13.8	13.5	16.1	4.3	4.1	11.4	9.7	9.3
Durable Manufacturing	12.666	13.130	13.657	13.802	13.977	14.392	14.745	15.095
% Ch, Annual Rate	-12.9	15.5	17.0	4.3	5.2	12.4	10.2	9.8
Nondurable Manufacturing	3.476	3.532	3.637	3.675	3.679	3.747	3.820	3.886
% Ch, Annual Rate	-17.2	6.6	12.5	4.2	0.4	7.5	8.1	7.1
Nonmanufacturing	122.663	123.688	125.897	126.806	127.118	128.742	132.017	132.576
% Ch, Annual Rate	-1.5	3.4	7.3	2.9	1.0	5.2	10.6	1.7
Other Private Wages	0.808	0.813	0.840	0.844	0.843	0.854	0.865	0.876
% Ch, Annual Rate	-3.9	2.7	13.5	1.9	-0.1	5.3	5.0	5.1
Farm Wages	1.453	1.464	1.475	1.486	1.490	1.511	1.532	1.554
% Ch, Annual Rate	3.4	3.1	3.0	2.9	1.1	5.9	5.6	5.7
Military Wages	4.373	4.382	4.391	4.407	4.517	4.527	4.556	4.521
% Ch, Annual Rate	17.3	0.8	0.8	1.4	10.4	0.9	2.6	-3.0
Nonwage Personal Income	143.361	144.877	145.471	147.010	151.482	153.082	155.138	156.485
% Ch, Annual Rate	6.8	4.3	1.7	4.3	12.7	4.3	5.5	3.5
Supplements to Wages and Salaries	37.243	37.383	37.812	38.042	38.519	38.945	39.463	39.980
% Ch, Annual Rate	3.2	1.5	4.7	2.5	5.1	4.5	5.4	5.3
Proprietor's Income	22.094	22.404	22.523	22.988	23.367	23.905	24.314	24.646
% Ch, Annual Rate	1.9	5.7	2.1	8.5	6.8	9.5	7.0	5.6
Farm	0.648	0.648	0.835	0.984	1.090	1.161	1.124	1.047
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	21.446	21.756	21.688	22.004	22.277	22.744	23.190	23.599
% Ch, Annual Rate	1.9	5.9	-1.2	6.0	5.1	8.7	8.1	7.2
Less: Contribution For Govt. Soc. Ins.	24.876	25.067	25.356	25.512	23.278	23.644	23.922	24.251
% Ch, Annual Rate	2.9	3.1	4.7	2.5	-30.7	6.4	4.8	5.6
Plus: Residence Adjustment	2.986	3.024	3.047	3.078	3.128	3.188	3.232	3.279
% Ch, Annual Rate	11.9	5.2	3.1	4.1	6.8	7.9	5.6	5.9
Dividends/Int./Rent	58.355	58.644	58.351	59.004	60.301	60.844	61.519	62.405
% Ch, Annual Rate	6.8	2.0	-2.0	4.6	9.1	3.6	4.5	5.9
Transfer Payments	47.559	48.489	49.094	49.411	49.445	49.843	50.532	50.426
% Ch, Annual Rate	9.5	8.1	5.1	2.6	0.3	3.3	5.6	-0.8
State U.I. Benefits	4.411	4.237	4.029	3.711	3.600	3.531	3.457	3.368
% Ch, Annual Rate	9.8	-14.9	-18.2	-28.0	-11.4	-7.5	-8.1	-9.8
Other Transfers	43.148	44.252	45.065	45.700	45.845	46.312	47.075	47.058
% Ch, Annual Rate	9.5	10.6	7.6	5.8	1.3	4.1	6.8	-0.2

Table A3.4 (continued)

**Washington Personal Income by Component (Billions of Dollars)**

Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	316.988	321.239	327.403	330.537	335.405	339.972	346.354	349.087
% Ch, Annual Rate	2.6	5.5	7.9	3.9	6.0	5.6	7.7	3.2
Total Wage and Salary Disbursements	161.527	163.661	167.553	168.377	171.415	173.514	177.648	178.069
% Ch, Annual Rate	7.8	5.4	9.9	2.0	7.4	5.0	9.9	1.0
Manufacturing	19.409	19.838	20.258	20.654	21.122	21.544	21.846	22.150
% Ch, Annual Rate	9.3	9.1	8.7	8.1	9.4	8.2	5.7	5.7
Durable Manufacturing	15.453	15.812	16.156	16.491	16.905	17.266	17.507	17.750
% Ch, Annual Rate	9.8	9.6	9.0	8.5	10.4	8.8	5.7	5.7
Nondurable Manufacturing	3.957	4.026	4.102	4.164	4.217	4.278	4.338	4.400
% Ch, Annual Rate	7.4	7.2	7.8	6.2	5.2	5.9	5.8	5.8
Nonmanufacturing	135.089	136.814	140.303	140.770	143.236	144.925	148.764	148.910
% Ch, Annual Rate	7.8	5.2	10.6	1.3	7.2	4.8	11.0	0.4
Other Private Wages	0.887	0.897	0.908	0.918	0.928	0.938	0.948	0.957
% Ch, Annual Rate	5.2	4.8	4.7	4.5	4.7	4.4	4.2	3.8
Farm Wages	1.576	1.597	1.619	1.640	1.662	1.683	1.704	1.724
% Ch, Annual Rate	5.8	5.5	5.5	5.3	5.5	5.2	5.1	4.7
Military Wages	4.567	4.514	4.466	4.395	4.468	4.424	4.387	4.328
% Ch, Annual Rate	4.1	-4.5	-4.2	-6.2	6.8	-3.8	-3.3	-5.3
Nonwage Personal Income	155.461	157.578	159.850	162.160	163.990	166.458	168.706	171.018
% Ch, Annual Rate	-2.6	5.6	5.9	5.9	4.6	6.2	5.5	5.6
Supplements to Wages and Salaries	40.699	41.256	41.832	42.417	43.125	43.748	44.322	44.961
% Ch, Annual Rate	7.4	5.6	5.7	5.7	6.8	5.9	5.4	5.9
Proprietor's Income	25.082	25.570	25.910	26.212	26.361	26.690	26.980	27.307
% Ch, Annual Rate	7.3	8.0	5.4	4.7	2.3	5.1	4.4	4.9
Farm	1.047	1.071	1.073	1.042	1.016	1.003	0.986	0.962
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	24.035	24.499	24.837	25.170	25.344	25.686	25.994	26.345
% Ch, Annual Rate	7.6	8.0	5.6	5.5	2.8	5.5	4.9	5.5
Less: Contribution For Govt. Soc. Ins.	27.782	28.128	28.517	28.911	30.293	30.656	30.914	31.285
% Ch, Annual Rate	72.2	5.1	5.6	5.6	20.5	4.9	3.4	4.9
Plus: Residence Adjustment	3.327	3.375	3.421	3.469	3.517	3.567	3.617	3.667
% Ch, Annual Rate	6.0	5.8	5.6	5.7	5.6	5.8	5.7	5.6
Dividends/Int./Rent	63.095	64.070	65.251	66.472	68.086	69.339	70.393	71.504
% Ch, Annual Rate	4.5	6.3	7.6	7.7	10.1	7.6	6.2	6.5
Transfer Payments	51.040	51.435	51.953	52.501	53.194	53.771	54.309	54.864
% Ch, Annual Rate	5.0	3.1	4.1	4.3	5.4	4.4	4.1	4.2
State U.I. Benefits	3.160	2.956	2.754	2.555	2.367	2.176	1.975	1.787
% Ch, Annual Rate	-22.6	-23.4	-24.7	-25.9	-26.3	-28.7	-32.1	-32.9
Other Transfers	47.880	48.480	49.200	49.946	50.827	51.595	52.334	53.077
% Ch, Annual Rate	7.2	5.1	6.1	6.2	7.2	6.2	5.8	5.8

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.507	8.8	0.909	10.4	0.916	10.8
1982	0.535	5.5	0.965	6.2	0.978	6.7
1983	0.558	4.3	0.996	3.2	0.993	1.5
1984	0.579	3.8	1.039	4.4	1.030	3.8
1985	0.598	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.3	1.239	4.8	1.181	4.7
1990	0.721	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.769	2.9	1.403	3.0	1.390	3.7
1993	0.786	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.820	2.2	1.524	2.8	1.522	3.0
1996	0.838	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.927	1.4	1.799	1.6	1.893	2.0
2003	0.946	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.056	2.7	2.073	2.9	2.157	3.9
2008	1.091	3.3	2.153	3.8	2.247	4.2
2009	1.093	0.2	2.145	-0.3	2.260	0.6
2010	1.111	1.7	2.181	1.6	2.267	0.3
Forecast						
2011	1.136	2.2	2.244	2.9	2.325	2.5
2012	1.157	1.9	2.290	2.0	2.372	2.0
2013	1.177	1.7	2.331	1.8	2.415	1.8

\* 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	19.285	5.5	25.843	2.3	8.336	6.4	14.588	0.7
1972	20.103	4.2	27.075	4.8	8.388	0.6	14.777	1.3
1973	21.078	4.9	30.502	12.7	9.614	14.6	16.190	9.6
1974	22.868	8.5	35.140	15.2	15.278	58.9	21.871	35.1
1975	24.836	8.6	37.782	7.5	16.578	8.5	23.339	6.7
1976	26.558	6.9	38.484	1.9	17.782	7.3	24.331	4.2
1977	28.560	7.5	40.751	5.9	20.121	13.2	25.740	5.8
1978	30.780	7.8	44.650	9.6	21.275	5.7	26.858	4.3
1979	33.353	8.4	49.035	9.8	29.331	37.9	35.994	34.0
1980	36.805	10.3	53.158	8.4	41.187	40.4	49.955	38.8
1981	40.558	10.2	56.946	7.1	50.390	22.3	55.584	11.3
1982	43.712	7.8	58.444	2.6	49.415	-1.9	52.773	-5.1
1983	46.433	6.2	59.115	1.1	45.558	-7.8	51.047	-3.3
1984	48.850	5.2	60.891	3.0	46.572	2.2	50.283	-1.5
1985	51.053	4.5	61.554	1.1	44.756	-3.9	50.689	0.8
1986	53.379	4.6	63.003	2.4	35.044	-21.7	39.810	-21.5
1987	55.413	3.8	64.991	3.2	35.954	2.6	41.340	3.8
1988	58.127	4.9	66.929	3.0	35.938	0.0	41.691	0.8
1989	60.845	4.7	70.458	5.3	38.077	6.0	45.539	9.2
1990	63.812	4.9	73.900	4.9	45.856	20.4	51.843	13.8
1991	66.586	4.3	76.221	3.1	43.658	-4.8	51.162	-1.3
1992	69.241	4.0	76.806	0.8	41.881	-4.1	50.963	-0.4
1993	71.299	3.0	77.880	1.4	41.592	-0.7	50.446	-1.0
1994	73.205	2.7	79.184	1.7	40.836	-1.8	50.685	0.5
1995	75.371	3.0	80.900	2.2	40.455	-0.9	51.491	1.6
1996	77.479	2.8	83.368	3.1	45.851	13.3	54.646	6.1
1997	79.817	3.0	84.956	1.9	45.927	0.2	54.634	0.0
1998	81.695	2.4	86.024	1.3	40.699	-11.4	47.555	-13.0
1999	83.515	2.2	87.433	1.6	41.395	1.7	51.789	8.9
2000	85.824	2.8	89.486	2.3	60.692	46.6	66.170	27.8
2001	88.429	3.0	92.116	2.9	59.506	-2.0	63.776	-3.6
2002	90.807	2.7	93.528	1.5	53.051	-10.8	59.916	-6.1
2003	93.692	3.2	95.296	1.9	64.182	21.0	69.783	16.5
2004	96.688	3.2	98.267	3.1	74.736	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	33.8	100.000	21.8
2006	103.411	3.4	101.709	1.7	114.090	14.1	112.842	12.8
2007	106.973	3.4	105.728	4.0	123.294	8.1	123.921	9.8
2008	110.566	3.4	112.090	6.0	167.246	35.6	144.451	16.6
2009	112.233	1.5	113.539	1.3	114.671	-31.4	105.862	-26.7
2010	114.167	1.7	113.938	0.4	134.439	17.2	124.975	18.1

Forecast

2011	115.899	1.5	118.419	3.9	168.464	25.3	157.337	25.9
2012	118.290	2.1	121.342	2.5	171.673	1.9	159.980	1.7
2013	120.817	2.1	123.244	1.6	171.589	0.0	157.841	-1.3

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

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.3
2004	6167.8	69.5	1.1	81.0	46.0	34.6
2005	6256.4	88.6	1.4	81.8	45.6	52.4
2006	6375.6	119.2	1.9	83.2	45.3	81.3
2007	6488.0	112.4	1.8	87.8	46.2	70.8
2008	6587.6	99.6	1.5	89.6	47.9	58.0
2009	6668.2	80.6	1.2	89.8	48.1	38.9
2010	6733.3	65.1	1.0	89.1	48.2	24.1
<b>Forecast</b>						
2011	6801.4	68.2	1.0	89.3	49.3	28.2
2012	6878.0	76.5	1.1	91.1	50.6	36.0
2013	6968.6	90.6	1.3	92.2	51.9	50.3

\* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2  
**Washington Population\***  
 (Thousands)

	<b><u>2008</u></b>	<b><u>Actual</u></b> <b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>Forecast</u></b> <b><u>2012</u></b>	<b><u>2013</u></b>
Total Population	6587.6	6668.2	6733.3	6801.4	6878.0	6968.6
Percent Change	1.5	1.2	1.0	1.0	1.1	1.3
Age 17 and Under	1577.1	1581.9	1582.3	1585.5	1595.9	1612.3
Percent of Total	23.9	23.7	23.5	23.3	23.2	23.1
Age 6-18	1155.9	1152.3	1147.2	1144.1	1144.1	1154.1
Percent of Total	17.5	17.3	17.0	16.8	16.6	16.6
Age 18 and Over	5010.5	5086.3	5151.0	5216.0	5282.0	5356.2
Percent of Total	76.1	76.3	76.5	76.7	76.8	76.9
Age 21 and Over	4726.9	4798.5	4861.3	4928.7	4999.8	5078.1
Percent of Total	71.8	72.0	72.2	72.5	72.7	72.9
Age 20-34	1365.1	1389.8	1408.1	1429.9	1451.9	1476.4
Percent of Total	20.7	20.8	20.9	21.0	21.1	21.2
Age 18-64	4238.5	4288.5	4327.6	4368.7	4393.2	4425.1
Percent of Total	64.3	64.3	64.3	64.2	63.9	63.5
Age 65 and Over	772.0	797.7	823.4	847.3	888.9	931.1
Percent of Total	11.7	12.0	12.2	12.5	12.9	13.4

\* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1

**Summary of National and State Indicators**

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

Table A6.2

**Washington Business Indicators**

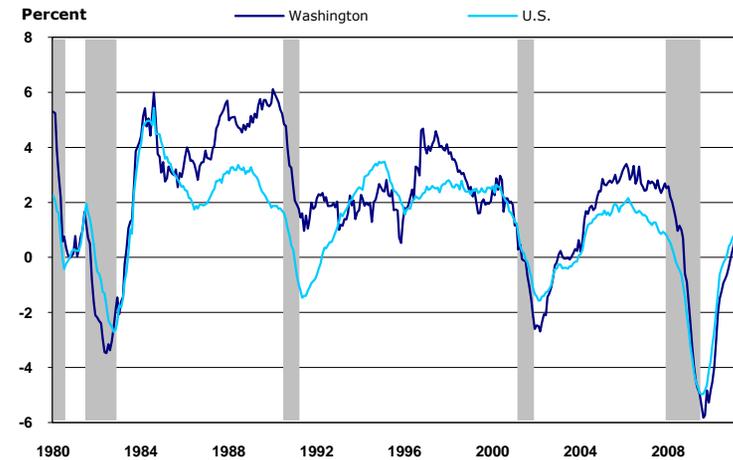
Historical Data

	<b>Washington Index of Leading Indicators</b>	<b>U.S. Index of Leading Indicators</b>	<b>WA State Help-Wanted Index</b>	<b>Washington Purchasing Management Index</b>	<b>U.S. Purchasing Management Index</b>
<b>2007:01</b>	113.1	104.6	116.5	65.0	50.8
<b>2007:02</b>	114.7	104.3	119.8	65.4	51.3
<b>2007:03</b>	114.5	104.7	123.7	64.5	51.1
<b>2007:04</b>	115.0	104.5	127.1	65.2	52.0
<b>2007:05</b>	116.3	104.6	131.7	67.6	52.1
<b>2007:06</b>	115.9	104.4	129.7	68.6	52.4
<b>2007:07</b>	116.5	104.7	127.1	67.6	52.1
<b>2007:08</b>	116.7	104.1	129.1	65.9	51.4
<b>2007:09</b>	117.5	104.1	132.8	62.6	50.6
<b>2007:10</b>	117.7	103.8	131.5	59.8	50.4
<b>2007:11</b>	118.0	103.5	132.7	56.0	50.8
<b>2007:12</b>	117.5	103.4	127.0	56.2	50.5
<b>2008:01</b>	116.5	102.8	120.0	59.5	50.5
<b>2008:02</b>	117.7	102.4	117.4	62.6	49.7
<b>2008:03</b>	118.3	102.4	124.8	61.4	49.7
<b>2008:04</b>	118.8	102.3	123.4	60.8	48.9
<b>2008:05</b>	117.7	102.1	118.8	60.2	48.9
<b>2008:06</b>	118.1	102.2	118.2	63.1	48.9
<b>2008:07</b>	116.9	101.1	112.3	61.4	49.1
<b>2008:08</b>	116.0	100.3	111.2	63.1	48.9
<b>2008:09</b>	115.3	100.2	111.5	58.0	47.1
<b>2008:10</b>	112.9	99.2	106.5	55.0	43.6
<b>2008:11</b>	110.6	98.5	100.8	49.8	39.9
<b>2008:12</b>	110.5	98.2	98.0	47.7	36.4
<b>2009:01</b>	109.8	98.1	92.7	48.4	35.3
<b>2009:02</b>	107.4	97.7	88.2	47.7	35.0
<b>2009:03</b>	105.6	97.4	79.2	47.3	36.1
<b>2009:04</b>	106.5	98.6	78.3	45.2	37.5
<b>2009:05</b>	107.5	99.9	77.6	45.3	39.5
<b>2009:06</b>	108.1	100.6	77.1	48.4	42.2
<b>2009:07</b>	108.6	101.7	79.2	48.5	45.2
<b>2009:08</b>	109.3	102.5	78.8	50.0	48.4
<b>2009:09</b>	109.8	103.6	79.0	51.0	51.2
<b>2009:10</b>	110.4	104.0	78.7	55.2	53.5
<b>2009:11</b>	111.8	105.1	82.0	55.7	54.6
<b>2009:12</b>	112.2	106.2	83.5	58.6	55.6
<b>2010:01</b>	113.0	106.7	85.4	59.8	56.5
<b>2010:02</b>	112.5	107.2	86.4	60.1	57.3
<b>2010:03</b>	113.7	108.6	89.1	58.4	58.6
<b>2010:04</b>	113.9	108.6	92.2	58.4	59.0
<b>2010:05</b>	113.7	109.0	92.8	60.6	59.3
<b>2010:06</b>	113.8	108.8	96.1	62.8	57.6
<b>2010:07</b>	114.6	109.0	96.2	60.4	56.1
<b>2010:08</b>	115.0	109.1	93.0	59.2	55.2
<b>2010:09</b>	115.4	109.9	93.7	58.3	55.2
<b>2010:10</b>	116.4	110.1	95.4	61.6	55.8
<b>2010:11</b>	117.5	111.3	95.4	62.2	56.8
<b>2010:12</b>	118.3	112.4	96.3	62.4	57.9
<b>2011:01</b>	118.8	112.5	101.8	63.1	59.2
<b>2011:02</b>	118.5	113.4	100.3	66.5	60.2

# Figure A7.1: Washington State Economic Indicators

## Year-over-Year Employment Growth

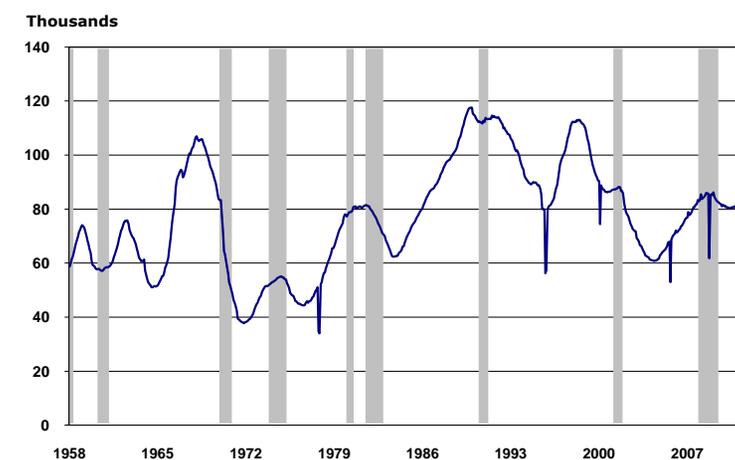
January 1980 to February 2011



\* Bureau of Labor Statistics, WA State Employment Security

## Washington Aircraft and Parts Employment

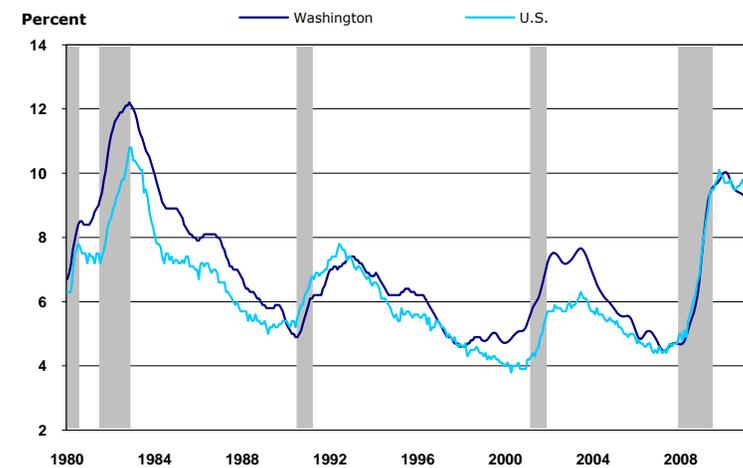
January 1958 to February 2011



\* Source: Bureau of Labor Statistics, ERFC

## Unemployment Rate, S.A.

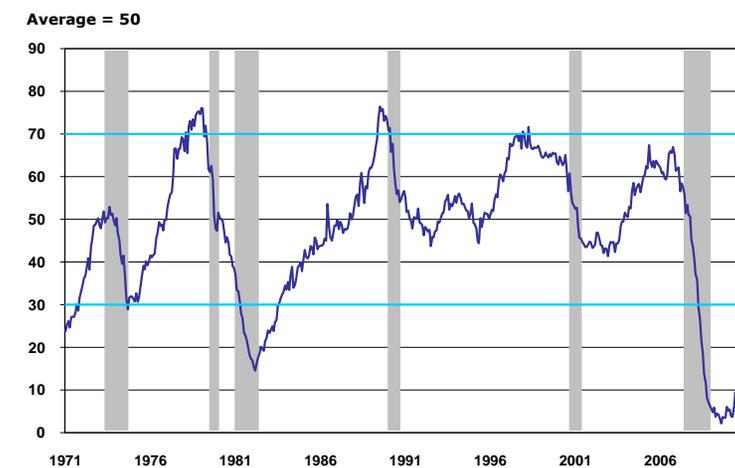
January 1980 to February 2011



\* Source: Bureau of Labor Statistics

## Washington Business Cycle Indicator

October 2003 to February 2011, SA



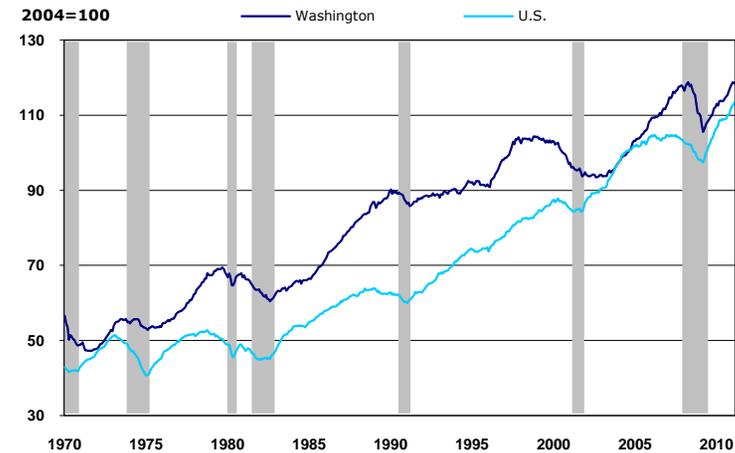
\* Source: ERFC

\* Shaded areas correspond with national recessions.

# Figure A7.2: Washington State Leading Indicators

## The Washington and U.S. Indexes of Leading Indicators

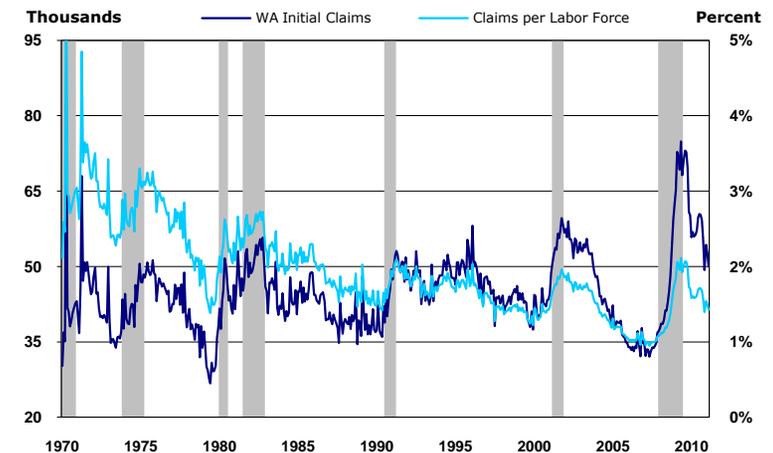
January 1970 to February 2011



\* The Conference Board, ERFC

## Washington Initial Claims for Unemployment Insurance

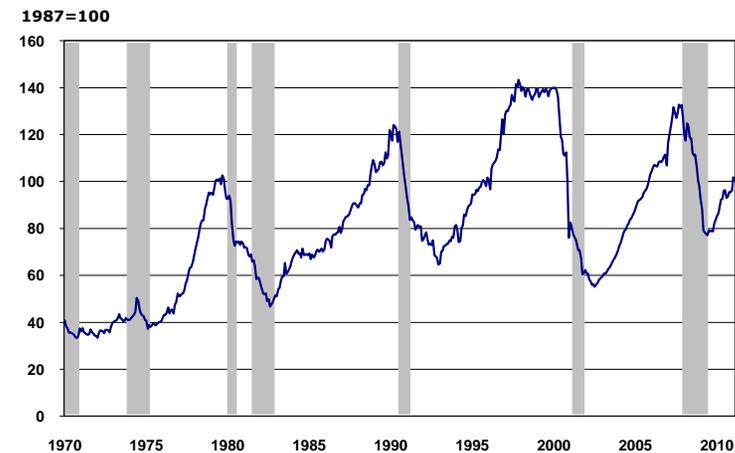
January 1970 to February 2011, S.A.



\* Source: WA State Employment Security, ERFC

## WA State Help Wanted Index

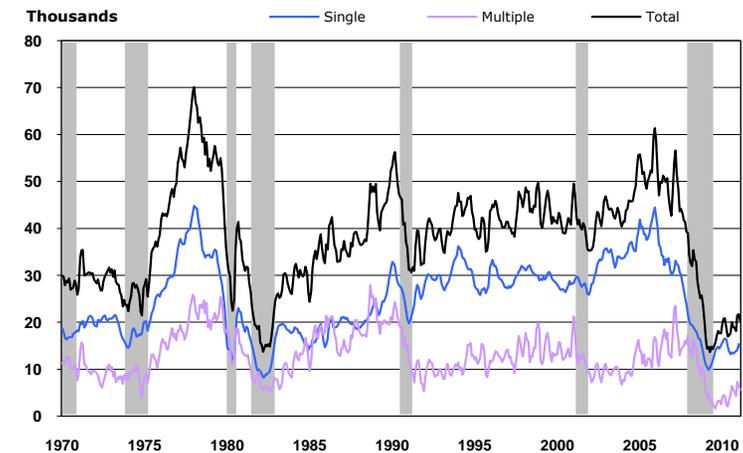
January 1970 to February 2011



\* Source: ERFC

## Housing Units Authorized in Washington State

January 1970 to February 2011, SA



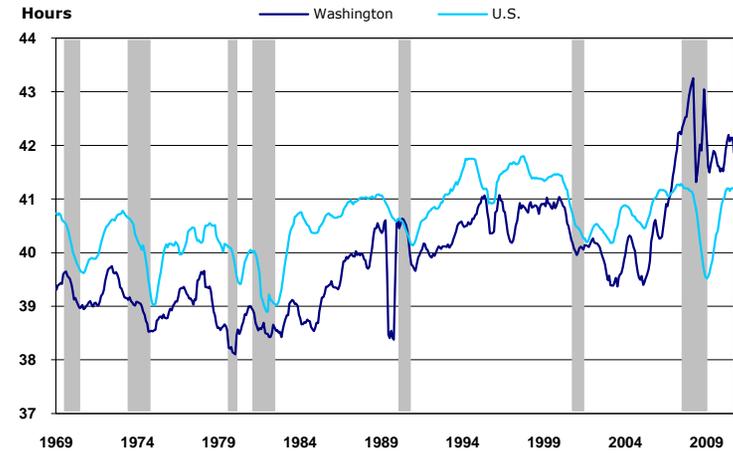
\* Source: Census Bureau, ERFC

\* Shaded areas correspond with national recessions.

# Figure A7.3: Other State Economic Indicators

## Average Weekly Hours in Manufacturing

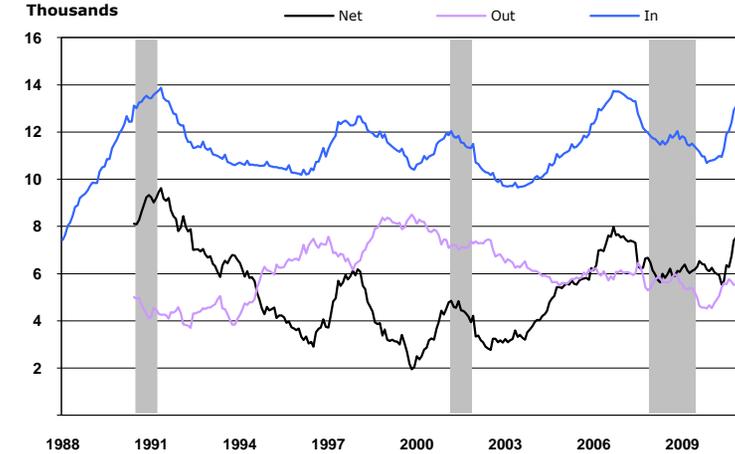
June 1969 to February 2011, 6-Mo. Moving Average, S.A.



\* Bureau of Labor Statistics, ERFC

## Washington Driver's License Migration

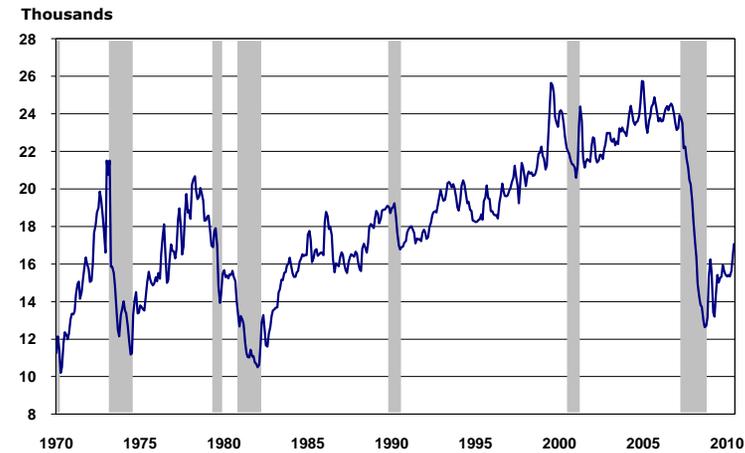
January 1988 to February 2011, 12-Month Moving Average



\* Source: WA State Department of Licensing, ERFC

## New Car and Truck Registrations in Washington

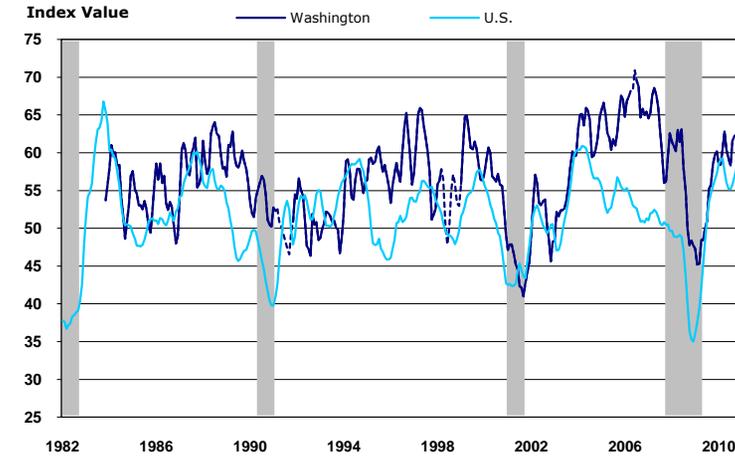
September 1970 to February 2011, 3-Month Moving Average, S.A.



\* Source: WA State Department of Licensing, ERFC

## Institute for Supply Management Index

October 2003 to February 2011, SA



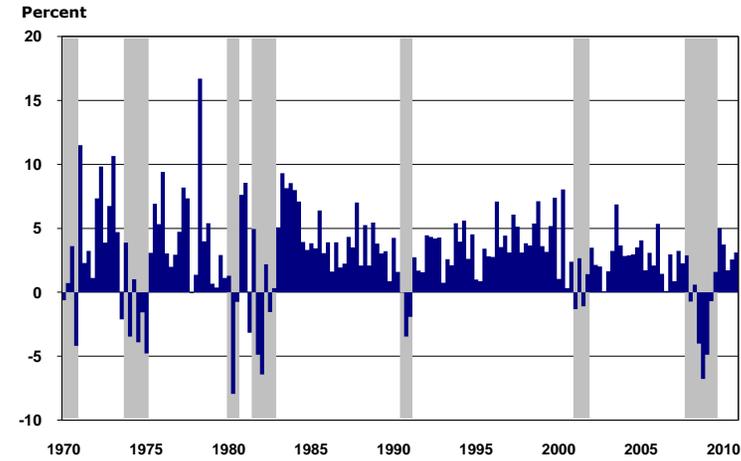
\* Source: Institute for Supply Management, NAPM-WW

\* Shaded areas correspond with national recessions.

# Figure A7.3: Other Economic Indicators

## Quarterly U.S. Real GDP Growth

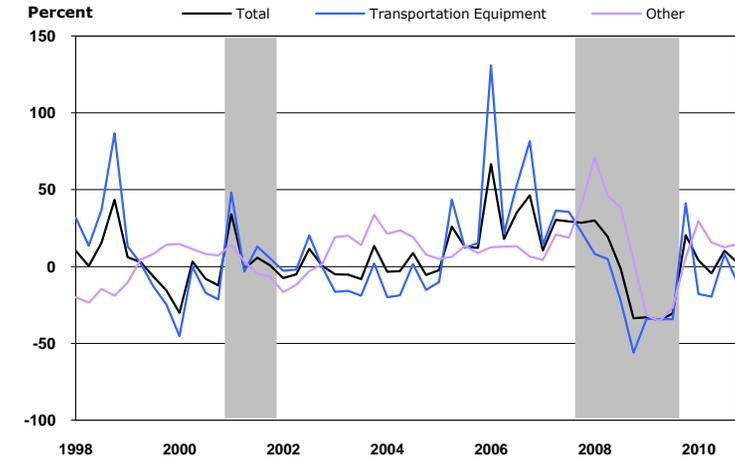
1970Q1 to 2010Q4



\* Source: Bureau of Economic Analysis

## Washington State Export Composition

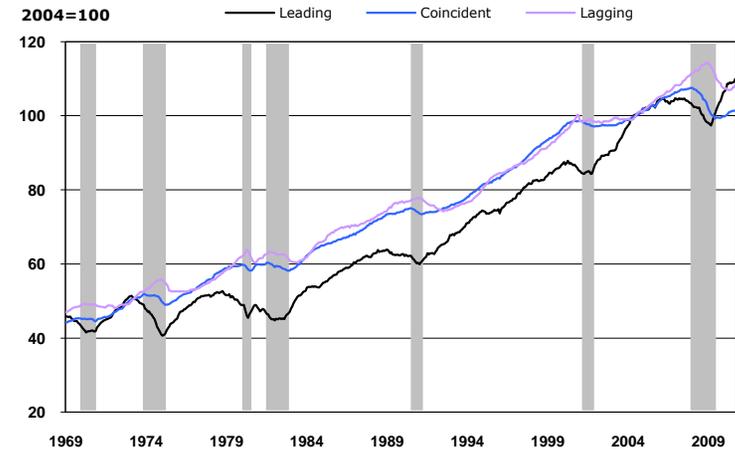
1998Q1 to 2010Q4, Change from Same Quarter Year Ago



\* Source: WISER

## U.S. Economic Indicators

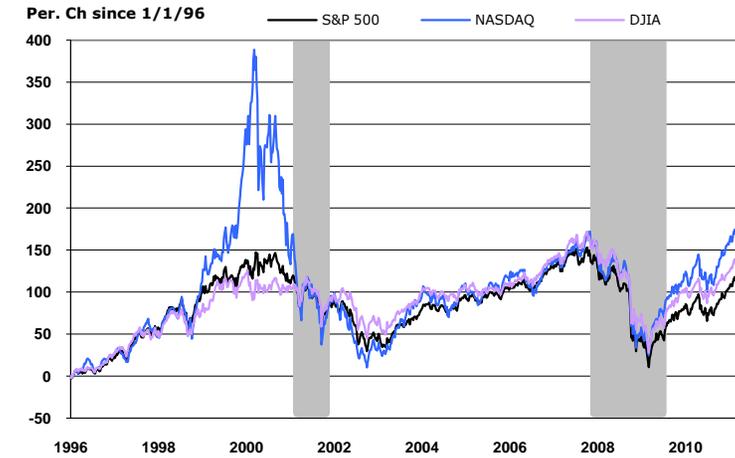
January 1969 to February 2011



\* Source: The Conference Board

## National Stock Indexes

January 3, 1996 to March 25, 2011



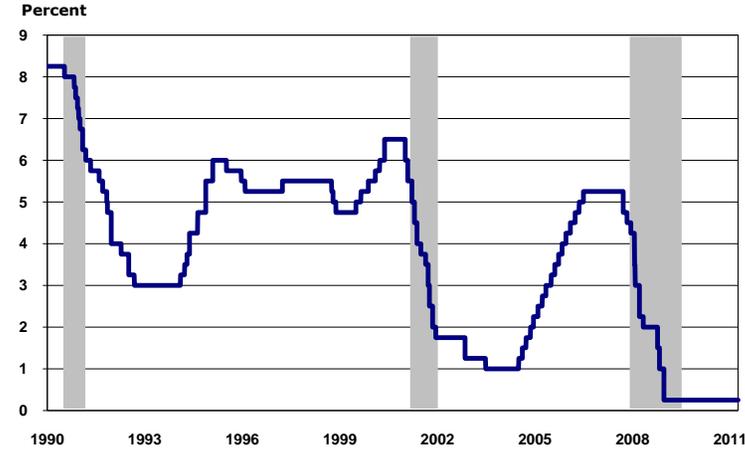
\* Source: ERFC

\* Shaded areas correspond with national recessions.

# Figure A7.3: Other Economic Indicators

## Federal Funds Target Rate

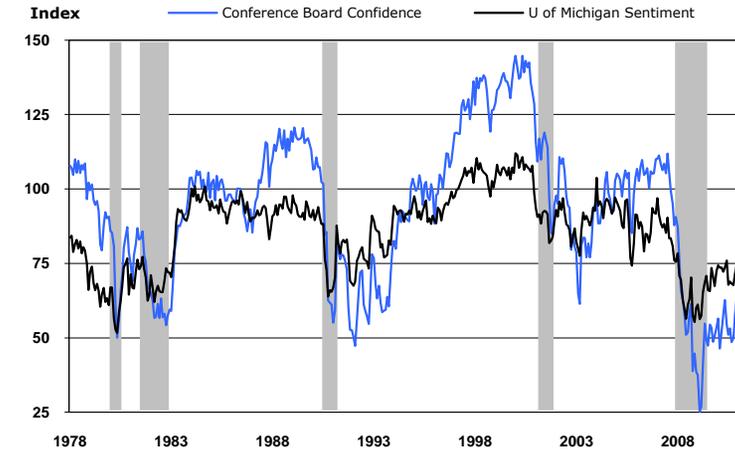
January 1, 1990 to March 29, 2011



\* Federal Reserve

## Consumer Confidence

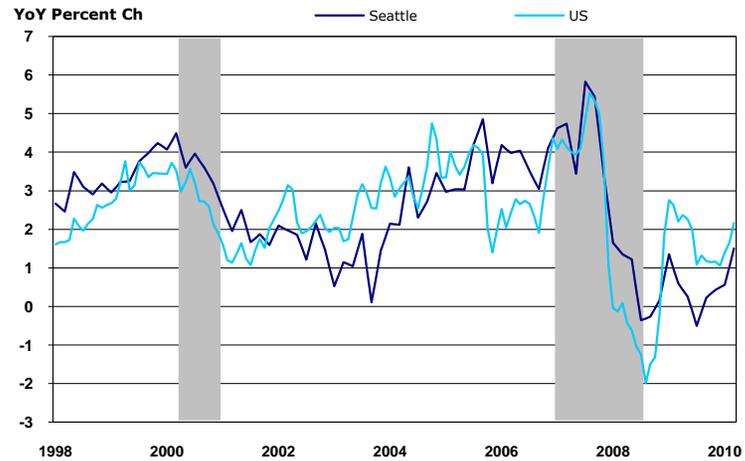
March 1978 to March 2011



\* Source: The Conference Board, University of Michigan

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

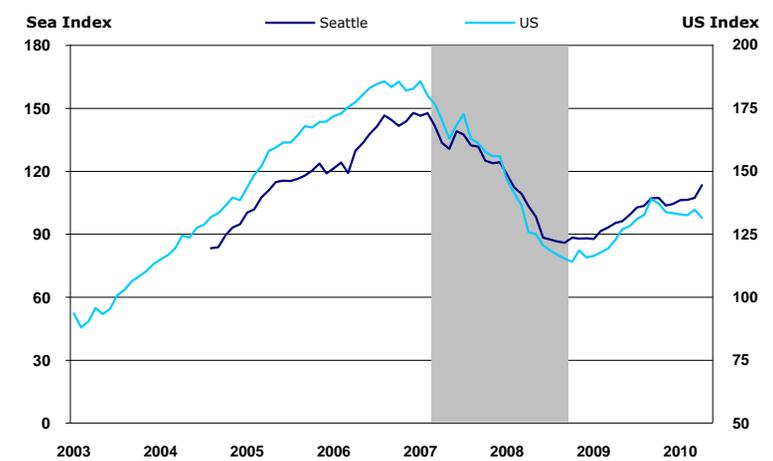
December 1998 to February 2011



\* Source: Bureau of Labor Statistics

## Monster Employment Index

October 2003 to February 2011, SA



\* Source: Monster Worldwide, ERFC

\* Shaded areas correspond with national recessions.

# Glossary



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

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

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

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

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

**GAAP Basis:** Generally Accepted Accounting Principles measure revenue in the period during which they accrue rather than the period in which they are received.  
**General Fund:** Accounts for all financial resources and transactions not accounted for in another fund.

**General Fund-State (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.

**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.