

A photograph of the Washington State Capitol building, featuring a large dome and classical columns, framed by blooming cherry blossom branches. The image is semi-transparent, allowing the text to be overlaid.

Washington State Economic and Revenue Forecast

November 2009
Volume XXXII, No. 4



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

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Preface

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

Data in this publication are accurate through December 11, 2009.

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Executive Summary

- Although the Great Recession of 2007-09 is now over, the economic recovery is beset by severe headwinds. Growth is likely to continue but it will be slow and drawn out. Gross Domestic Product will remain positive but weak, at least through the first half of 2010. Although initial claims have peaked, employment growth will lag the recovery in output.
- Consumer confidence is weak and still in recessionary territory. A high unemployment rate is continuing to weigh down on confidence. Households are continuing to pay down debts and save more. Consumer spending has stopped declining but is still very restrained.
- Small local and regional banks around the country are now increasingly at risk. Commercial real estate has hit a wall and these banks are disproportionately exposed to loans in this sector. This will cause credit to tighten, especially for small businesses, and slow down the economic recovery.
- A synchronized global recovery is under way, with both the Eurozone and East Asia now out of recession. Our trading partners are seeing incomes rise earlier in the cycle than they normally do. Along with a depreciating dollar, this should make U.S. exports more competitive further fueling the recovery.
- Recent data continue to indicate a turnaround in the state economy. Housing permits have already turned up. Payroll employment is still declining, but at a reduced pace, and initial claims for unemployment insurance are falling rapidly.
- Though residential construction is nearing bottom, the correction in non-residential construction has a long way to go.
- The November 2009 forecast for the 2009-11 biennium is \$28.8 billion, which is \$760 million less than expected in September. Of the \$760 million decrease in the forecast, \$97 million was due to a shortfall in collections during the last two months. The remaining \$663 million is attributable to weaker forecasted taxable activity during the remainder of the biennium.

U.S. Economic Forecast

The recession is over and the recovery is under way, but risks remain

Gross Domestic Product in the United States posted a 2.8% annualized increase in the third quarter, signaling an end to the Great Recession of 2007-09. Despite the increase, economic activity is far from where it was when the recession started. The decline in activity was severe and the recovery will be drawn out. The unemployment rate will continue to rise as job losses continue and employment takes time to pick up, as it typically lags the increase in activity. The fear of job losses continues to dampen consumer confidence which remains in recessionary territory. Consumer spending is also weak as households pay down debt and continue to save more. Net worth despite the recovery in equity markets is 19% below its peak, further suppressing confidence and spending. The financial services sector is not out of the woods. 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 a faltering commercial real estate sector. Government spending continues to provide much of the strength in the economy. As the fiscal stimulus winds down, private spending will have to pick up in order to keep the recovery going. If spending by businesses and consumers fails to improve by mid-summer 2010, there is a risk of a double-dip recession.

Real GDP is forecasted to remain positive through the forecast horizon

Real GDP is expected to grow by 2.8% (SAAR) in the fourth quarter of 2009, which is lower than 3.5% initially reported by the BEA for the third quarter and incorporated in the forecast. GDP growth is expected to remain in the high 2% range through the first half of 2011 and then accelerate to the high 3% range by the third quarter of the year. The early part of the recovery will continue to be supported by the first round effects of both fiscal and monetary stimuli. The full impact of the stimulus in the pipeline will be felt sometime around the third quarter of 2010. Real Consumer spending will remain positive but weak, reaching 3.6% (SAAR) growth by the third quarter of 2010 but then moderating in 2011 to an average annual growth rate of 2.5%. Business investment is beginning to stabilize due to recent strength in equipment investment, although investment in structures remains weak. Equipment spending returned to growth in the third quarter of this year and is forecasted to increase by 8.6% in 2010 and 15.0% in 2011. Investment in structures will continue to decline throughout 2010 dropping another 16.9% before finally stabilizing in 2011 at a 0.3% growth rate. There is a synchronized global recovery underway and export growth has returned sooner than previously expected. Real exports were up 14.7% in the third quarter of 2009.

The creation of jobs continues to lag in the recovery

Employment growth lags the recovery in output as employers hold off on rehiring workers until they are certain that demand has returned. While the overall economy returned to growth in the third quarter, employers will continue shedding jobs through the first quarter of next year. The jobs recovery will be quicker than experienced in either of the two previous recessions in 1990-91 and 2001, although not as rapid as the 1982-83 recession. It would have been quicker still, were it not for the fact that there are severe headwinds buffeting the economy. The unemployment rate is expected to peak in the second quarter of next year at 10.4%.

Washington Economic Forecast

The Washington economy has turned up but employment is lagging

The Washington economy is likely to have turned the corner in the third quarter of this year though payroll employment in the state continued to decline through November. This is to be expected. However, a number of measures indicate that we are near the point where employment growth will turn positive. Initial claims for unemployment insurance are now as low as they have been since January 2009, the Washington Purchasing Management index has been above the critical 50 mark for four consecutive months, and finally, mass layoffs in Washington, as measured by Worker Adjustment and Retraining Notification (WARN) notices, have fallen to pre-recession levels. We expect the Washington economy to recover sooner and stronger than the national economy. The synchronized global recovery now underway bodes well for the nation's most trade dependant state. The state's aerospace and software industries have fared relatively well during the recession and are likely to continue to do well once the expansion is under way. Despite continued setbacks to the 787 program, Boeing remains strong and has an extensive backlog of orders. The decision by Boeing to locate its second 1787 line outside the state does not affect our forecast for the current biennium. Microsoft is also healthy with a strong balance sheet and growth opportunities. Although recent job cuts at Microsoft have made headlines, the overall number is very small and new hiring at the company has offset much of the loss.

Further employment reductions are expected in construction, aerospace and government

The forecast calls for Washington average annual non-farm payroll employment to fall 4.0% this year. Average annual employment is expected to decline 0.2% in 2010 before rising 2.7% in 2011 as the economy recovers from the recession. The construction sector remains the weakest industry in Washington. We expect construction employment to decline by about 59,500 (28.3%) from its peak in the second quarter of 2007 through the third quarter of 2010. The aerospace employment forecast reflects Boeing's announcement that production of the 777 will be cut from seven per month to five in mid-2010. Boeing's recent announcement that its second 787 line will be located outside the state does not affect our forecast for the current biennium. We had not assumed a second line in any of our earlier forecasts – so

nothing has changed there. The forecast assumes a total reduction of 5,900 (6.9%) aerospace jobs from the peak in the third quarter of 2008 to the end of 2011. In contrast, manufacturing other than aerospace is expected to lose 35,900 jobs (16.8%) from peak to trough. Software employment has fallen by 2,000 (3.7%) from the peak in the first quarter of 2009 through the third quarter of 2009. We believe the third quarter will prove to be the bottom in software employment. State and local government employment tends to lag the private sector. We expect to see a decline of 5,500 (1.1%) state and local government jobs from the peak in the fourth quarter of 2008 through the third quarter of 2010.

Positive income growth will resume in 2010

Washington personal income is expected to decline 1.3% in 2009 before returning to positive growth rates of 4.0% and 5.6%, respectively, in 2010 and 2011. We believe the number of housing units authorized by building permit will fall this year to a cyclical low of 16,100 units before recovering to 25,200 in 2010 and 38,400 in 2011. Lower energy prices and flat shelter costs in 2009 should hold headline inflation in Seattle to just 0.7%. The forecast expects Seattle CPI inflation rates of 2.0% per year in 2010 and 2011.

Revenue Forecast

The improvement in the rate of revenue growth expected in September failed to materialize

At the time of the September forecast, state revenues had halted their decline and were showing signs of improvement. While the decline in revenues has indeed halted, the expected further improvement in revenues has failed to materialize even though the economic recovery has been proceeding largely as forecasted. By the time of the November forecast revenue collections were already \$97.4 million below the level forecasted in September. This weakened pace of revenue growth has resulted in a forecast reduction of \$760.2 million for the 2009-11 biennium.

If upheld, a recent state Supreme Court decision will reduce forecasted 2009-11 revenue by \$154 million

A September state Supreme Court decision (DOT Foods vs. Department of Revenue) has ruled certain sales by out-of-state sellers to be exempt from state business and occupation taxes. Because the decision is currently under reconsideration, the effects of the decision were not included in the forecast. If the decision is upheld, an estimated \$59 million in business and occupation taxes already collected would be subject to refund, and an estimated \$95 million in taxes would be foregone in the remainder of the biennium, for a total estimated forecast reduction on \$154 million.

Post-forecast collections fell short by 1.1%

One collection period has now passed since the adoption of the November forecast. The total cumulative variance for this period was a shortfall of \$17.1 million, which is only 1.1% lower than the forecasted value.



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

- Although the Great Recession of 2007-09 is now over, the economic recovery is beset by severe headwinds. Growth is likely to continue but it will be slow and drawn out. Gross Domestic Product will remain positive but weak, at least through the first half of 2010. Although initial claims for unemployment insurance have peaked, employment growth will lag the recovery in output.
- Consumer spending has stopped declining but is still very restrained. Households remain tentative about spending and have only shown a willingness to make purchases in the presence of incentives such as “Cash for Clunkers” and the federal home buyers’ tax credit. However, preliminary data indicate modestly improving retail activity after the Thanksgiving holiday.
- Consumer confidence is weak and still in recessionary territory. A high unemployment rate is continuing to weigh down on confidence. Households are continuing to pay down debts and save more.
- Small local and regional banks around the country are now increasingly at risk. Commercial real estate has hit a wall and these banks are disproportionately exposed to loans in this sector. This will cause credit to tighten, especially for small businesses, and slow down the economic recovery.
- Government spending and Federal Reserve policy accounts for most of the economic growth. Private spending, both by businesses and consumers, will have to pick up once the stimulus winds down in order for the economy to have self sustaining growth. The majority of the USD 787 billion fiscal stimulus package, however, is yet to be spent.
- A synchronized global recovery is under way, with both the Eurozone and East Asia now out of recession. Our trading partners are seeing incomes rise earlier in the cycle than they normally do. Along with a depreciating dollar, this should make U.S. exports more competitive earlier in the recovery cycle than usual.
- Housing metrics continue to improve. Home prices, while still down on an annual basis, are now seeing sequential monthly improvements. Housing starts have come off their historic lows and are increasing. The USD 8,000 tax credit for first time home buyers has been extended. The program has also been expanded to cover some existing home owners buying new homes with a smaller USD 6,500 tax credit.
- The upside risks to the outlook have diminished and downside risks once again are predominant.

Current Conditions

The recession is likely over and recovery is under way, but risks remain

Gross Domestic Product in the United States posted a 2.8% seasonally adjusted annualized increase in the third quarter, signaling an end to the Great Recession of 2007-09. However, all is not well with the economy yet. The unemployment rate will keep rising as job losses continue and employment takes time to recover. The fear of job losses continues to dampen consumer confidence which remains in recessionary territory. Consumer spending is weak as households pay down debt and continue to save more. Although household net worth has improved in the prior two quarters, it remains over \$12.5 trillion (or 19.1%) below its peak, and is keeping consumers from reopening their wallets. The financial services sector is not out of the woods. 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 a faltering commercial real estate sector. Government spending continues to provide much of the strength in the economy. As the fiscal stimulus winds down, private spending will have to pick up in order to keep the recovery going. If spending by businesses and consumers fails to improve by mid-summer 2010, there is a risk of a double-dip recession.

There are upside risks as well

While risks to the recovery predominate, there are several upside factors as well. The housing sector continues to improve, albeit at a slow pace. Home prices, while still down on a year-over-year basis, have increased for four consecutive months and investment by businesses is no longer declining. There is an unprecedented global recovery under way that began in the second quarter as countries in the Eurozone and East Asia have returned to growth. Combined with a somewhat weaker dollar, that should provide a boost to U.S. exports and help to sustain the recovery. Finally, the bulk of the fiscal stimulus package remains to be spent which will help offset continued weakness in consumer spending for a while.

GDP grew at a 2.8% SAAR in the third quarter

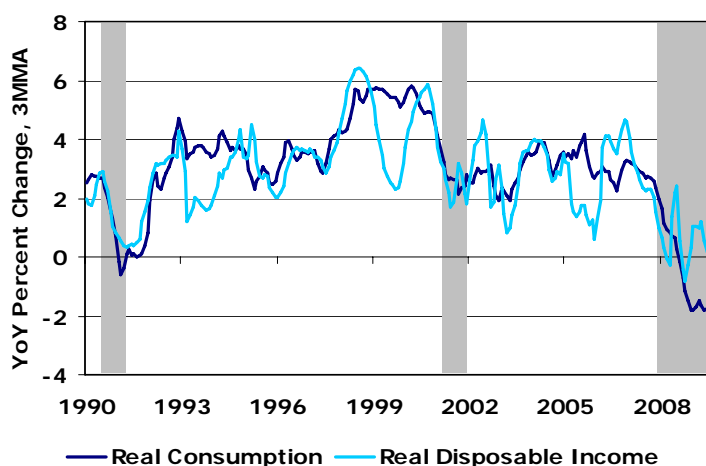
Real gross domestic product (GDP) grew in the third quarter at a seasonally adjusted annualized rate (SAAR) of 2.8%, revised down by the Bureau of Economic Analysis (BEA) from a previous estimate of 3.5%. Nevertheless, it ended four straight quarters of decline – the first time we have had such a decline since 1947. The third quarter increase came mainly from an improvement in consumer spending, fueled by the now expired “Cash for Clunkers” program. Consumer spending accounted for 2.1 percentage points of the growth with the “Cash for Clunkers” program alone adding 0.8 percentage points. Housing construction added 0.45 percentage points after 14 consecutive quarters of negative contribution. The BEA is expected to release its third estimate of official third quarter real GDP in late December.

Consumer spending is showing some signs of improving

A return to growth in personal consumption expenditures is essential to sustaining the economic recovery. On a year-over-year basis real consumer spending returned to growth in August and then posted two more months of increases, albeit very modest. This ended thirteen consecutive months of declines beginning in July 2008. The increase in October of 0.8% was the highest since April of last year ([see Figure 1.1](#)). On a month-on-month basis, real consumer spending has grown in five of the past six months with October recording a 0.4% gain. September was the only decline and resulted from the pull-back in spending after the “Cash for Clunkers” program expired. Although the level of real consumer spending is well above the trough experienced in December of last year, it is still 1.0% below its peak in November 2007.

Figure 1.1: Real Consumption and Real Disposable Income

Consumption has returned to growth and the downward trend in income has stopped



Source: BEA; data through October 2009

Disposable income and consumer confidence must rise for spending growth to continue

In order for personal consumption expenditures to continue to improve, three things must happen: (1) disposable incomes need to rise, (2) the savings rate needs to moderate, and (3) consumer confidence needs to get out of recessionary territory. The downward trend in disposable incomes appears to have ended with the 0.2% decline in June. In the four months since June, year-over-year growth in disposable income has averaged 2.1%. Despite the growth, disposable incomes are down 2.5% from their peak in May of 2008, a testament to the severity of the contraction. The savings rate has also been declining since it reached a peak of 6.4% in May. The latest figure for October shows a rate of 4.4% although it is still much higher than the 1.8% average from 2005 through 2007.

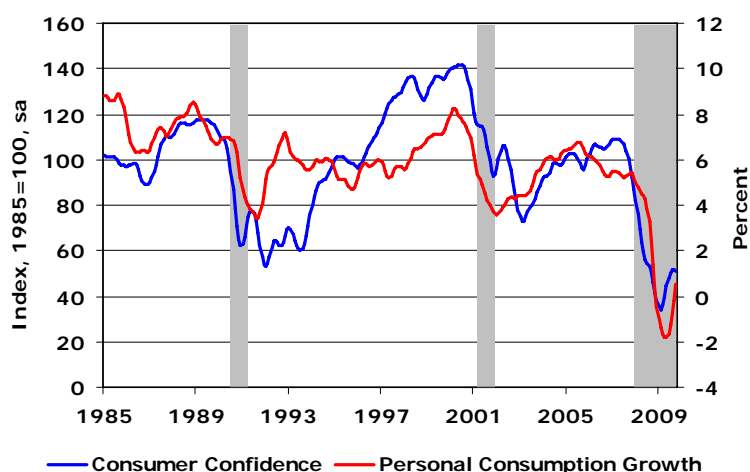
Consumer confidence is stuck at recessionary levels

Consumer confidence continues to be weak although better than the historic lows experienced at the beginning of the year. Neither the Conference Board's Consumer Confidence measure nor the University of Michigan's Consumer Sentiment Index have

given a clear indication of where confidence is headed. The mindset of consumers appears to be stuck within a band of pessimism at recessionary levels. The expectations component of each index has been stronger than the current conditions component. Consumers are still very concerned with the present conditions but, for the most part, have maintained optimism about the future. Since February of this year, when overall confidence reached a trough, the present conditions component has declined while the component for future expectations has more than doubled. For spending to gain any real traction, consumers need to feel better about their current situation. The growth in consumption depends on the growth in consumer confidence. This relationship is evident when the underlying trends of the Conference Board's Consumer Confidence Index and the growth in consumption are compared ([see Figure 1.2](#)).

Figure 1.2: Underlying Trends - Consumer Confidence and Personal Consumption Growth

Consumer confidence drives spending growth



Source: Conference Board, BEA, ERFC; data through October 2009

The variation in consumer confidence can be explained by the jobless rate and gas prices

The reason for this continued uncertainty can mostly be explained by two factors: (1) high and increasing unemployment rates, and (2) the expectation of high gas prices. Statistical analysis shows that the unemployment rate alone can explain 46% of the variation in consumer confidence. If gas prices are added, they explain another 30%. Both variables have a negative impact on confidence, which means the higher they are the weaker consumer confidence becomes ([see Figure 1.3](#)). With just over three quarters of the variation of consumer confidence being explained by these two variables, there is little room for improvement without the unemployment rate and gas prices moderating. Our forecast indicates continued weakness in the unemployment rate through the spring of 2010 and slow moderation, but steady to higher gas prices.

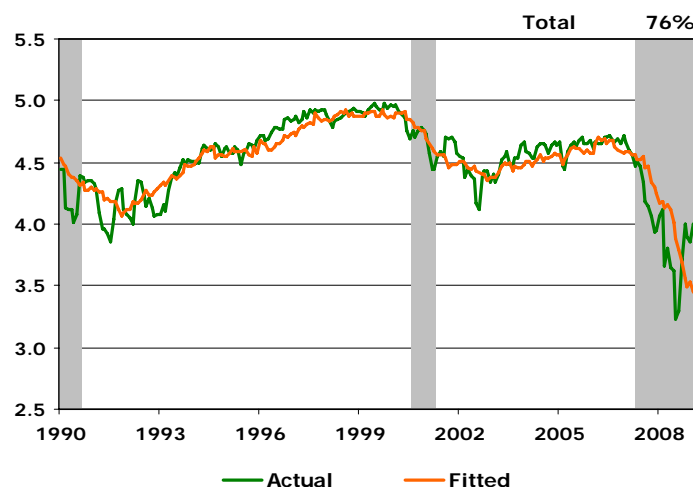
Figure 1.3: Regression of Consumer Confidence on the Unemployment Rate and Gas Prices

Regression Analysis

Dependent variable: Consumer Confidence

	Impact	Significant	% of variation explained
Unemployment Rate	Negative	Yes	46%
Gas Prices	Negative	Yes	30%

Together, the unemployment rate and gas prices explain 76% of the variation in consumer confidence



Regression Equation: consumer confidence = f (unemployment rate, gas prices) + constant

Large financial institutions appear to have eased credit standards

Despite the obvious improvement in credit conditions since last year's meltdown in credit markets, there are mixed signals about the health of financial institutions. The Federal Reserve Bank's survey of senior loan officers indicates that availability of credit has almost returned to normal. The survey reports net tightening minus easing as a percent of the total for various loan types and has a normal range of 8-15%. Tightness in the availability of credit reached a peak in the third quarter of last year with a range of 59-84%. Over the last year, standards have eased gradually, with net tightening minus easing at 14-17% in the third quarter of this year. This survey, however, is administered to the largest banks in the country and the middle and small bank market is not included.

Credit at regional and local banks remains tight

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

banks is likely to continue as the pace of regional bank failures increases. This could lead to a secondary round of credit contraction and further slowing in the recovery as small businesses provide the majority of jobs, particularly in a recovery.

Government stimulus has supported the recovery thus far

The economic recovery so far has been bolstered by government action. Fiscal and monetary stimulus accounted for the majority of the third quarter's rise in GDP. As the bulk of the USD 787 billion fiscal stimulus gets spent, it needs to spur private activity for the recovery to continue. The Fed will also move very slowly to reduce the size of its balance sheet and tighten the money supply. We don't expect interest rate hikes until late in the next year. However, as the impact of the stimulus fades, spending by businesses and consumers needs to pick up. Some private spending has been supported by government policies such as the "Cash for Clunkers" and the home buyer's credit. For the economic recovery to become self sustaining private sector activity must increase and replace government spending or there is risk of a "double dip" recession.

Policy stimuli has helped pull nations around the world out of recession

Intervention by government not only has propped up the U.S. economy, but helped create growth in other countries as well. Coordinated policy stimuli around the world have resulted in a synchronized global recovery. Both the Eurozone and East Asia have come out of the recession before us. Typically, other countries around the world lag the U.S. in coming out of a recession. The global recovery that started in the second quarter has continued and picked up strength. Incomes around the world are rising earlier than they normally do coming out of a recession. Along with a weaker U.S. dollar this has helped expand exports earlier in the recovery cycle than usual.

Figure 1.4: Real GDP Growth of Selected Economies

Many of our major trading partners are continuing to grow

	GDP share	Q/Q, SAAR %		
		2009 Q1	2009 Q2	2009 Q3
Japan	8.0%	-14.2	2.7	4.8
China	6.2%	5.6	16.0	11.5
Germany	6.0%	-13.4	1.8	2.9
France	4.7%	-5.7	1.0	1.3
India	2.0%	7.0	6.5	13.9
Korea	1.9%	0.5	9.7	12.3
Indonesia	0.8%	3.7	5.3	5.7
Taiwan	0.7%	-3.2	9.1	8.3
Thailand	0.4%	-7.2	9.6	9.5
Hong Kong SAR	0.4%	-14.7	13.8	1.3
Malaysia	0.3%	-17.7	13.2	
Singapore	0.3%	-12.2	20.7	14.9
Philippines	0.3%	-7.1	11.0	

Source: IMF, ERFC

Housing market conditions are improving

Housing market conditions have continued to improve with residential investment accounting for 0.45 percentage points of the 2.8% SAAR growth in GDP for the third quarter. Additionally, Total U.S. Housing starts increased to 589,000 annualized units in the third quarter from 540,000, while permits increased to 573,000 annualized units from 529,000. The recent decline in home prices and historically low interest rates has led to much better affordability and along with the first-time homebuyers' tax credit have boosted single-family home sales. Existing home sales climbed 10.1% in October to an annualized 6.1 million (SA) units. This is 23.5% higher than a year ago and the strongest since February 2007. New home sales increased as well, growing 6.2% in October to an annualized 430,000 (SA), its highest level in more than a year. Pending home sales are also increasing. The National Association of Realtor's Pending Home Sales Index rose 3.7% in October and is now 31.8% higher than a year ago, the largest annual increase in the history of the index. Strong sales have led to a decrease in the supply of both new and existing homes. The number of new homes available for sale in October was 293,000, the lowest amount since May 1971, and represents a 6.7 month supply at the current sales rate. The inventory of existing homes for sale fell 3.7% to 3.6 million which corresponds to a 7.0 month supply at the current sales rate.

Home prices appear to have stabilized

This increased sales activity has helped to stabilize home prices. The Case-Shiller 20-city composite home price index increased 0.3% in September and now has increased for four consecutive months, ending a run of 36 straight months of declines. Prices are still down 9.4% from year-ago levels and it will take some time to get back to the 2006 peak level again.

Manufacturing continues to expand

The manufacturing sector has also returned to growth. The Institute of Supply Management (ISM) Purchasing Manager's Index, which is correlated to strength in manufacturing, indicated growth again in November, coming in at 53.6. A reading above 50 indicates growth. This was the fourth straight month the sector has expanded after eighteen months of contraction. In addition, the past four months have been the strongest since the period ending in June of 2006. New orders continue to lead the way while inventories remain weak, which indicates continued growth in the sector.

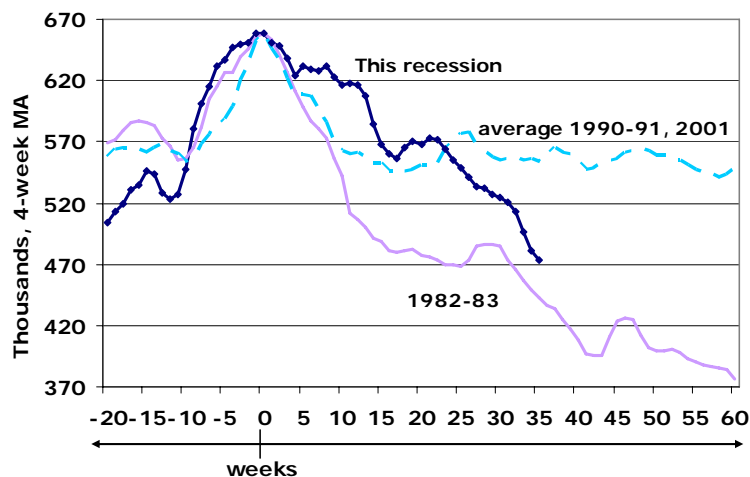
Initial jobless have fallen to the lowest level in a year

Initial jobless claims are continuing a downward trend and are well off their peak of 674,000 (SA) reached in March. For the period ending December 5, seasonally adjusted initial claims increased 17,000 over the prior period to 474,000. Initial claims have now been below 500,000 for three consecutive periods, resulting in the lowest four week moving average of the measure since September of last year. When compared to previous recessions, the rate at which initial unemployment claims are declining fall in between that of the 1982-83 recession

and the average of the 1990-91 and 2001 recessions ([see Figure 1.5](#)). This gives an indication of when the job market and unemployment rate are likely to turn around. Soon after claims peaked, it appeared the recovery in jobs would be slow and drawn out like those of the 1990-91 and 2001 recessions. More recently, however, the reduction in the layoff rate has been quicker which indicates a recovery in employment closer to the recovery after the 1982-83 recession than that of the previous two downturns.

Figure 1.5: U.S. Initial Unemployment Claims

The recovery in jobs should be quicker than the last two recessions



Source: U.S. Department of Labor, ERFC; data through December 5, 2009

Forecast

Our forecast was made with information available through mid-September

Our national economic forecast was made in the second week of November when some of the data referred to in the current conditions section were not available to us. In particular, we did not have the BEA's revisions to third quarter real GDP and its components. Nor did we have any of the October data on housing, personal income, and labor market conditions. Nevertheless, events have unfolded mostly along the lines we had anticipated.

The economy has performed as anticipated for the most part

Economic conditions continue to follow what was anticipated in the last two forecasts. The economy reached a trough in the third quarter as anticipated, and we still expect a gradual U-shaped recovery. Even though it is off its bottom, consumer confidence still remains weak, hampering consumption. There is significant idle capacity in the economy both in product and labor markets. Single family housing activity is improving while multi-family remains weak. The automotive sector has been boosted

by the federal “Cash for Clunkers” program and looks to be finally growing, albeit at a slow pace. Large national banks have returned to profitability while regional and local banks’ exposure to commercial real-estate is a growing problem.

*Real GDP is
forecasted to
remain
positive
through the
forecast
horizon*

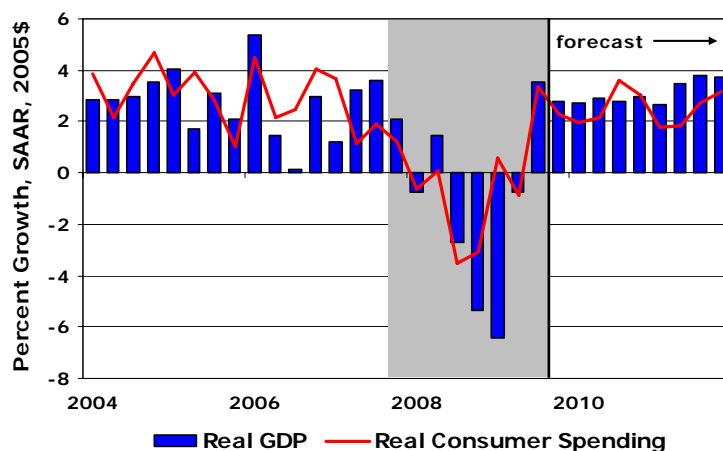
Real GDP is expected to grow by 2.8% (SAAR) in the fourth quarter of 2009, which is lower than 3.5% initially reported by the BEA for the third quarter and incorporated in the forecast. GDP growth is expected to remain in the high 2% range through the first half of 2011 and then accelerate to the high 3% range by the third quarter of the year. The early part of the recovery will continue to be supported by the first round effects of both fiscal and monetary stimuli. The full impact of the stimulus in the pipeline will be felt sometime around the third quarter of 2010. Real Consumer spending will remain positive but weak, reaching 3.6% (SAAR) growth by the third quarter of 2010 but then moderating in 2011 to an average annual growth rate of 2.5%. Business investment is beginning to stabilize due to recent strength in equipment investment, although investment in structures remains weak. Equipment spending returned to growth in the third quarter of this year and is forecasted to increase by 8.6% in 2010 and 15.0% in 2011. Investment in structures will continue to decline throughout 2010 dropping another 16.9% before finally stabilizing in 2011 at a 0.3% growth rate. Export growth has returned sooner than previously expected due to the global recovery that is now under way. Real exports were up 14.7% in the third quarter of 2009 and should average about 7.0% growth in 2010 and 2011.

*Employment
growth lags
in the
recovery*

Employment growth lags the recovery in output as employers hold off on rehiring workers until they are certain that demand has returned. While the overall economy returned to growth in the third quarter, employers will continue shedding jobs through the first quarter of next year. The jobs recovery will be quicker than experienced in either of the two previous recessions in 1990-91 and 2001, although not as rapid as the 1982-83 recession. It would have been quicker still, were it not for the fact that there are severe headwinds buffeting the economy. The unemployment rate is expected to peak in the second quarter of next year at 10.4%.

Figure 1.6: Real GDP and Real Consumer Spending Growth Forecast

Growth in GDP and consumer spending is expected to continue



Source: Bureau of Economic Analysis, ERFC; actual data through 2009 Q3 (BEA early release)

Consumption is expected to increase, although it remains a risk to the forecast

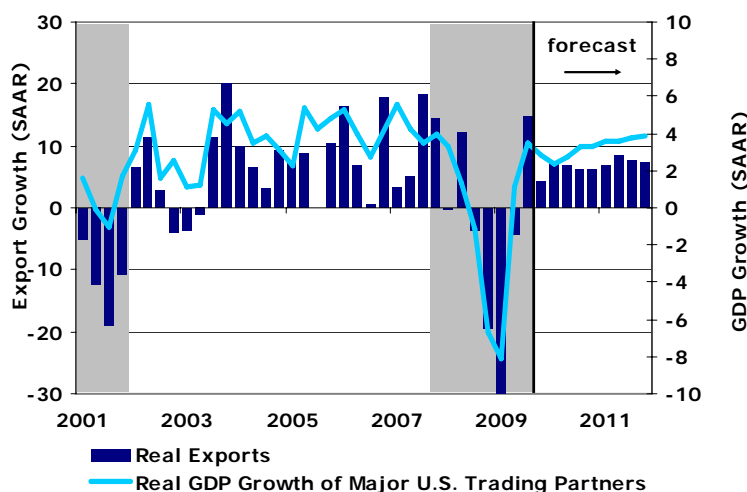
Real consumer spending is expected to rise at a 2.3% annualized rate in the fourth quarter before peaking at 3.6% in the third quarter of next year (see Figure 1.6). Weak growth in consumer spending remains a major risk to the recovery, however. Consumer confidence is low, debt burdens are still high, wealth is depleted, credit remains tight, and income growth is soft due to labor market weakness. The savings rate, now down to 4% from over 6%, is still limiting consumption and is expected to continue to decline through 2010 and remain under 2% for 2011. Real household net worth, after declining in 2008 and the first quarter of 2009, is expected to grow at a 5% rate in 2010 and 2011 as the economic recovery takes hold. Real disposable incomes, after increasing just 0.5% in 2008, will trough in 2009 and increase slowly reaching a 1.7% rate of growth in 2011.

The global recovery has contributed to the U.S. turnaround

The synchronized global recovery is expected to continue through 2011. This has helped U.S. exports contribute positively to GDP and will add to the strength of the U.S. recovery. Real GDP growth of our major trading partners is forecasted to reach 2% (SAAR) by the end of this year and gradually growing to 2.7% (SAAR) by the end of 2011. The weak U.S. dollar has also helped exports. It is expected to stabilize but remain weak through 2011. U.S. export growth will remain strong averaging just under 7% (SAAR) for 2010 and 2011.

Figure 1.7: U.S. export growth and GDP growth of major U.S. trading partners*

As GDP increases around the world, so will our exports



Source: WISER, Global Insight, ERFC, actual data through 2009 Q3

*Major trading partners as defined in the ERFC Composite GDP Index of Major U.S. Trading Partners, which includes a total of 45 countries

Housing is recovering, although off very low levels

Key housing metrics point to a long awaited recovery in that sector, but it will take time to get back to “normal” levels, because of the severity of the decline after the housing bubble collapsed. The recent increase in home prices along with the federal home buyers’ tax credit provided incentive for some prospective buyers to take the plunge. There is still risk of retrenchment in home prices, however, as adjustable rate mortgage (ARM) loans reset, especially a year from now, when rates are expected to be higher. The forecast assumes that the interest rate on conventional 30-year mortgages will increase gradually reaching 5.9% by the fourth quarter of 2011.

A decrease in the supply of homes has contributed to an increase in construction

The reduction of housing supply has enabled new construction to pick back up as well. Single family housing starts, which hit bottom in the first quarter of 2009 at an annual rate of just 358,000 (SA), have picked up reaching just under half a million in the third quarter. We expect starts of single family homes to rebound and reach 1.25 million annualized by the end of 2011. Housing starts for multi-family homes have been much weaker, with fewer than 10,000 units (annual rate) in the current quarter. Their growth will be much weaker as well, reaching just over 19,000 (annual rate) by the end of the forecast period.

Non-residential construction will recover slowly

The recovery in non-residential construction will be much slower than that in residential. This sector held up after housing construction peaked but plummeted once the recession began. Real non-residential construction dropped an incredible 44%

(SAAR) in the first quarter of this year. Since then the sector has continued to decline and we don't expect a return to growth until the end of 2011. This will continue to hamper small and mid-size banks across the country and limit their ability to lend, creating a drag on the recovery.

Forecast by Fiscal Year

GDP in FY 10 is expected to be slightly positive

The forecast by fiscal year, presented in Table 1.1, appears weaker in 2010 than the forecast by calendar year described above, because the fiscal year starts and ends two quarters earlier than the calendar year, and we are projecting the recovery to be slow. Real GDP declined by 2.2% (SAAR) in FY 2009, and will remain mostly flat in 2010 with a 0.6% growth rate, before picking up in 2011 at a 2.9% rate. In contrast, calendar year 2010 is expected to show real GDP growth of 2.0%, followed by 3.2% growth in 2011.

The decline in construction contributed to weakness in GDP

Much of the weakness in real GDP in FY 2010 can be explained by a continued contraction in construction, which also contributed to the decline in FY 2009. Real residential fixed investment is expected to decline by another 3.8% after dropping by 23.2% the previous fiscal year. Real non-residential fixed investment, which dropped by 10.6% in FY 2009 is expected to decline by another 10.0% in FY 2010. The decline in housing starts has ended and starts should approach 700,000 in FY 2010 after reaching a trough of under 650,000 in FY 2009. Real consumption is projected to rebound to a 1.3% growth rate in FY 2010 after dropping by 1.4% in FY 2009.

Residential investment will rebound strongly while non-residential growth will lag

In FY 2011, real residential fixed investment is expected grow a robust 12.6%, although it will be coming off very low levels. Real non-residential investment is expected to return to positive territory as well with a 4.9% growth in FY 2011. This too will be off a very low base and will only bring investment back to FY 2005 levels. Real consumption will continue its positive growth in FY 2011 increasing to 2.6%. Housing starts are expected to surpass the 1 million mark again in FY 2011, up 44.8% from FY 2010. Still, this will be only about half of what the number of starts were in FY 2005 and FY 2006.

Risks to the Forecast

Downside Risks (10%)

Downside Risks

Downside risks remain significant and at the same level as in September. Upside risks are lower, so downside risks now outweigh the upside risk.

Double-dip recovery

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

Banks remain at risk

A big risk still remains the health of the nation’s banking system – especially regional and local banks, now that the larger national banks appear to be making their way back to health. If the FDIC’s efforts at recapitalizing these banks fail, we will see a second round of credit contraction and slowdown in economic activity.

Inflation might start to become a concern

Fears of deflation have eased. But with the amount of liquidity that has been pumped into the economy, there is always a risk of inflation. Crude oil futures are now \$10 per barrel higher than they were in September. However, inflation expectations are “well anchored,” which means the risk of inflation is low, even with the injection of liquidity. If expectations become “unanchored” and we get an uptick in inflationary pressures, then the Federal Reserve may be compelled to raise interest rates earlier than planned further slowing the recovery.

Fears of an asset bubble in Asia may materialize

There are fears that that we are at the start of an asset bubble in Asia resulting from the liquidity injections into those economies. If not managed, and we get a bubble burst, it will hurt Washington exports to that region.

Bad Policy similar to the depression era

Policy errors could also slow down the recovery. One of the mistakes from the depression era was an early withdrawal of stimulus. Economic stimulus takes time to have its full effect. Another problem could result from policy uncertainty that slows down business decision making. To be effective, policy must be clear, swift and sustained.

Upside Risks (5%)

Upside Risks

Upside risks have diminished and remain small, although there is a chance that the recovery becomes stronger than forecasted.

Confidence returns sooner than expected

Consumer and business confidence returns earlier than expected. It is hard to predict when market psychology changes following a crash, and what triggers that change. Our baseline expects a gradual return of confidence at the same pace as the economy.

If confidence returns quicker, the recovery will come quicker. Commodity prices do not strengthen too fast as the recovery gets underway, putting upward pressure on inflation.

Good Policy

Good policy could also spur increased growth.

Table 1.1

Fiscal Years

U.S. Economic Forecast Summary
Forecast 2010 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,079.9	12,458.9	12,827.6	13,082.6	13,373.6	13,073.4	13,149.1	13,526.8
% Ch	3.7	3.1	3.0	2.0	2.2	-2.2	0.6	2.9
Real Consumption	8,397.8	8,683.0	8,943.9	9,207.2	9,349.9	9,215.3	9,339.6	9,582.7
% Ch	3.5	3.4	3.0	2.9	1.5	-1.4	1.3	2.6
Real Nonresidential Fixed Investment	1,223.4	1,313.3	1,400.6	1,490.1	1,590.1	1,421.2	1,279.6	1,341.9
% Ch	4.9	7.3	6.6	6.4	6.7	-10.6	-10.0	4.9
Real Residential Fixed Investment	703.4	753.9	770.5	649.9	511.0	392.7	377.6	425.0
% Ch	11.5	7.2	2.2	-15.7	-21.4	-23.2	-3.8	12.6
Real Personal Income	10,058.8	10,375.6	10,718.8	11,148.2	11,283.2	11,101.0	10,960.6	11,247.2
% Ch	2.7	3.1	3.3	4.0	1.2	-1.6	-1.3	2.6
Real Per Capita Income (\$/Person)	34,405	35,168	35,997	37,079	37,177	36,238	35,430	36,007
% Ch	1.8	2.2	2.4	3.0	0.3	-2.5	-2.2	1.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	0.957	0.984	1.016	1.040	1.074	1.091	1.104	1.124
% Ch	2.2	2.8	3.2	2.4	3.3	1.6	1.2	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.861	1.917	1.990	2.041	2.117	2.146	2.172	2.214
% Ch	2.2	3.0	3.8	2.6	3.7	1.4	1.2	1.9
Employment Cost Index (Dec. 2005=1.0)	0.955	0.980	1.005	1.038	1.072	1.096	1.111	1.128
% Ch	2.9	2.6	2.5	3.3	3.3	2.3	1.3	1.6
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,512.0	12,247.9	13,047.1	13,714.3	14,347.4	14,305.8	14,522.9	15,170.8
% Ch	6.2	6.4	6.5	5.1	4.6	-0.3	1.5	4.5
Personal Income	9,631.0	10,211.9	10,887.3	11,593.0	12,120.3	12,111.2	12,100.2	12,643.7
% Ch	4.9	6.0	6.6	6.5	4.5	-0.1	-0.1	4.5
Employment (Millions)								
U.S. Civilian Labor Force	146.8	148.2	150.4	152.4	153.7	154.6	154.0	154.8
Total U.S. Employment	138.3	140.4	143.1	145.5	146.1	142.9	138.3	139.5
Unemployment Rate (%)	5.82	5.32	4.83	4.53	4.95	7.57	10.16	9.86
Nonfarm Payroll Employment	130.47	132.47	135.02	136.97	137.76	134.63	130.60	131.78
% Ch	0.3	1.5	1.9	1.4	0.6	-2.3	-3.0	0.9
Manufacturing	14.33	14.29	14.20	14.03	13.71	12.73	11.67	11.62
% Ch	-3.7	-0.3	-0.6	-1.2	-2.3	-7.2	-8.3	-0.4
Durable Manufacturing	8.88	8.96	8.98	8.91	8.69	7.94	7.14	7.19
% Ch	-3.6	0.9	0.3	-0.8	-2.5	-8.6	-10.1	0.7
Nondurable Manufacturing	5.45	5.33	5.23	5.12	5.03	4.79	4.53	4.43
% Ch	-3.8	-2.1	-2.0	-2.1	-1.8	-4.7	-5.4	-2.2
Construction	6.84	7.13	7.57	7.69	7.47	6.75	5.86	5.56
% Ch	2.2	4.3	6.1	1.7	-2.9	-9.6	-13.2	-5.2
Service-Producing	108.73	110.45	112.59	114.54	115.83	114.38	112.38	113.92
% Ch	0.7	1.6	1.9	1.7	1.1	-1.3	-1.7	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	33.8	48.8	64.3	63.4	96.8	70.1	76.1	83.0
Personal Saving/Disposable Income (%)	3.5	2.4	1.8	2.2	1.9	3.7	2.8	2.0
Auto Sales (Millions)	7.6	7.6	7.8	7.7	7.6	5.4	5.8	6.8
% Ch	-4.2	1.0	2.3	-1.3	-1.3	-28.5	6.9	16.5
Housing Starts (Millions)	1.945	2.016	2.036	1.546	1.133	0.648	0.699	1.012
% Ch	12.5	3.7	1.0	-24.1	-26.7	-42.7	7.8	44.8
Federal Budget Surplus (Billions)	-405.9	-325.3	-248.0	-200.2	-438.6	-900.9	-1,294.8	-1,143.8
Net Exports (Billions)	-540.3	-672.5	-770.1	-743.6	-721.0	-516.4	-463.8	-529.7
3-Month Treasury Bill Rate (%)	0.96	2.21	4.06	4.89	2.89	0.56	0.22	1.37
10-Year Treasury Note Yield (%)	4.29	4.23	4.59	4.76	4.14	3.29	3.52	3.95
Bond Index of 20 G.O. Munis. (%)	4.79	4.50	4.45	4.30	4.56	4.97	4.31	4.63
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	5.57	5.12	5.55

Table 1.2

Forecast Analysis

Comparison of Forecasts for 2009-11

Forecast Date	2008				2009				2010				2011	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
U.S.														
Percent Growth, 2009:2-2011:2														
Real GDP	6.3	6.8	6.0	4.6	5.1	5.0	5.7	6.1						
Implicit Price Deflator	3.7	3.3	4.1	4.3	3.1	3.9	3.4	4.0						
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						
Mortgage Rate	6.66	6.75	6.75	5.84	5.17	5.32	5.35	5.34						

Table 1.3

Fiscal Years

Forecast Comparison

Forecast 2009 to 2011

	2007	2008	2009	2010	2011
U.S.					
Real GDP					
November Baseline	13082.6	13373.6	13073.4	13149.1	13526.8
% Ch	2.0	2.2	-2.2	0.6	2.9
September Baseline	13082.6	13373.6	13071.1	13108.5	13470.1
% Ch	2.0	2.2	-2.3	0.3	2.8
Implicit Price Deflator					
November Baseline	1.040	1.074	1.091	1.104	1.124
% Ch	2.4	3.3	1.6	1.2	1.8
September Baseline	1.040	1.074	1.091	1.100	1.118
% Ch	2.4	3.3	1.6	0.8	1.6
U.S. Unemployment Rate					
November Baseline	4.53	4.95	7.57	10.16	9.86
September Baseline	4.53	4.95	7.57	9.85	9.56
Mortgage Rate					
November Baseline	6.35	6.18	5.57	5.12	5.55
September Baseline	6.35	6.18	5.57	5.26	5.44
3 Month T-Bill Rate					
November Baseline	4.89	2.89	0.56	0.22	1.37
September Baseline	4.89	2.89	0.56	0.33	1.37

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Chapter 2: Washington Economy – Current Conditions and Forecast

- The November economic forecast is similar to the September forecast. As expected in September, the recession in Washington probably ended in the third quarter of 2009, about the same time as the turning point in the U.S. economy.
- Job losses, however, will continue through the end of the year and the unemployment rate will continue to rise through mid-2010. This is normal since the labor market recovery lags the recovery in other economic activity.
- The main differences since September are a higher initial level of personal income and lower initial level employment due mainly to historical revisions. The pattern of growth going forward is similar to the September forecast with job growth turning positive in early 2010.
- Recent data continue to indicate a turnaround in the state economy. Housing permits have already turned up. Payroll employment is still declining, but at a reduced pace, and initial claims for unemployment insurance are falling rapidly.
- The manufacturing sector appears poised for a turnaround. Growth in exports and the inventory cycle both favor manufacturing. The recent strength in the state's purchasing management index is evidence of optimism among the state's manufacturers.
- Though residential construction is nearing bottom, the correction in non-residential construction has a long way to go.
- Personal income growth is suffering from the loss of jobs, as well as, weaker wage growth and declining hours.
- Seattle inflation, which had been remaining ahead of national inflation, will be moderate due to the weak economy and lower energy costs.

Current Conditions

The Washington economy has turned up but employment is lagging

The Washington economy is likely to have turned the corner in the third quarter of this year though payroll employment in the state continued to decline through November. This is to be expected. Employment growth lags the recovery in activity as employers hold off on hiring until they are certain demand has returned. However, a number of measures indicate that we are near the point where employment growth will turn positive.

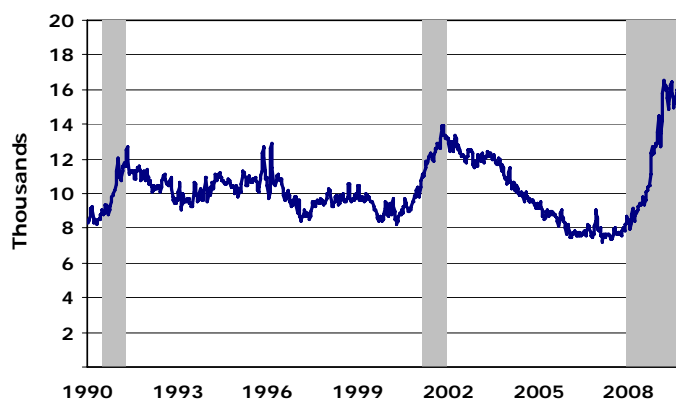
Initial claims for unemployment insurance are now as low as they have been since January 2009, the Washington Purchasing Management index has been above the critical 50 mark for four consecutive months, and finally, mass layoffs in Washington, as measured by Worker Adjustment and Retraining Notification (WARN) notices, have fallen to pre-recession levels. We expect the Washington economy to recover sooner and stronger than the national economy. The synchronized global recovery now underway bodes well for the nation's most trade dependant state. The state's aerospace and software industries have fared relatively well during the recession and are likely to continue to do well once the expansion is under way. Despite continued setbacks to the 787 program, Boeing remains strong and has an extensive backlog of orders. The decision by Boeing to locate its second 787 line outside the state does not affect our forecast for the current biennium. Microsoft is also healthy with a strong balance sheet and growth opportunities. Although recent job cuts at Microsoft have made headlines, the overall number is very small and new hiring at the company has offset much of the loss.

Washington initial claims peaked in March

The number of initial claims for unemployment insurance is widely considered one of the earliest and most accurate predictors of business cycle troughs. While the 4-week moving average of Washington initial claims peaked in March 2009, the improvement over the next six months was gradual and uneven. During the most recent three months, however, the declines have been pronounced and sustained ([see Figure 2.1](#)). As of November 28th, the 4-week moving average is at its lowest level since January 24th. The absolute level of initial claims is still high, however.

Figure 2.1: Washington Initial Claims for Unemployment Insurance

Initial jobless claims have dropped in recent months



Source: BLS, WA State ESD; data through December 3, 2009

Washington payroll employment losses are moderating

According to the Washington State Department of Employment Security, the state lost 4,800 nonfarm payroll jobs in November, the same number as in October. While the state is still losing jobs, the rate of decline has slowed substantially from the 17,000 jobs per month during the freefall stage of the recession in late 2008 and early 2009. To date, Washington nonfarm payroll is down 166,500 jobs (5.6%) since the employment peak in February 2008. The state's unemployment rate declined slightly to 9.2% in November from a revised 9.3% in October. In spite of the continued declines in payroll employment, there has not been a statistically significant change in the Washington unemployment rate since it jumped 0.8 percentage points from 8.3% to 9.1% in March 2009.

Construction has seen the greatest job losses of any sector

The construction sector has experienced the most severe employment declines during the current downturn. Losses in this sector have accounted for a third of the total decline in employment since the peak despite making up only seven percent of total employment. This sector has lost 55,800 jobs since February 2008, a 26.8% reduction. Many of these jobs are lost for good as we do not expect a return to the levels seen during the housing bubble. While we expect to see job losses through most of next year, the losses appear to be moderating. The past seven months averaged a decline of 2,300 jobs which is much better than the 4,500 average job losses during the previous six months. One bright spot in construction is in heavy and civil engineering which has remained virtually constant since March after declining 17% during the previous year. This construction sub sector is benefiting from ramped-up government spending on infrastructure.

Manufacturing employment has fallen sharply despite stable aerospace

Next to construction, the sector most hard-hit during this recession is manufacturing. In November manufacturing employment managed a slight gain for the first time in a year and a half. Still, manufacturing employment is down 37,400 (12.6%) since February 2008. Aerospace employment is only down 4,100 (4.8%) while all other manufacturing is down 33,300 (15.7%). The biggest percentage drop has been in wood products employment, which fell nearly 30% as housing collapsed. The housing market is finally turning around which will boost wood product manufacturing and it appears that the bulk of the aerospace layoffs are now behind us. The low dollar and strong foreign economies should boost exports of manufactured goods while here at home, inventory re-stocking should lead to larger orders and higher production of manufactured goods.

Professional and business services employment is flat - retail employment is still falling

Among the services-producing industries, two sectors accounted for two-thirds of the net job loss during the recession to date: retail trade and professional and business services. The financial crisis and collapse of consumer confidence affected nearly every aspect of retail trade, but especially motor vehicles and the housing related subsectors (furniture and home furnishings

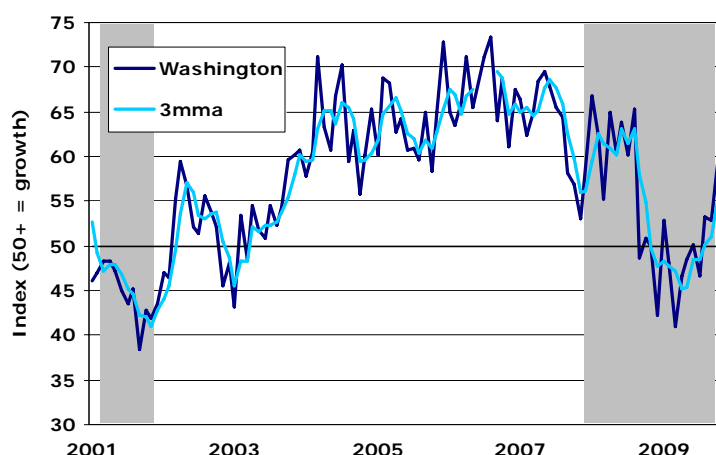
stores and building material and garden supply stores). After leveling off in the spring and early summer, retail trade employment has declined in each of the last four months. Professional and business services employment growth has been positive in the last two months. Most of the recent growth was in employment services (mainly temporary help) which was also where most of the reductions had been. This is an encouraging sign. Firms can be expected to increase their use of temporary help services in the early stage of a recovery until they are convinced the upturn will be sustained.

Washington's purchasing managers signal manufacturing growth

The National Association of Purchasing Managers Western Washington Index has now been above 50 for the last four months ([see Figure 2.2](#)). Values above 50 indicate expansion while values below 50 indicate contraction. This suggests that the state's manufacturing sector is turning around. Perhaps even more encouraging, the employment component of the index has also been above 50 for four months.

Figure 2.2: Washington Purchasing Manager's Index

The Purchasing Management Index has been above 50 for four months



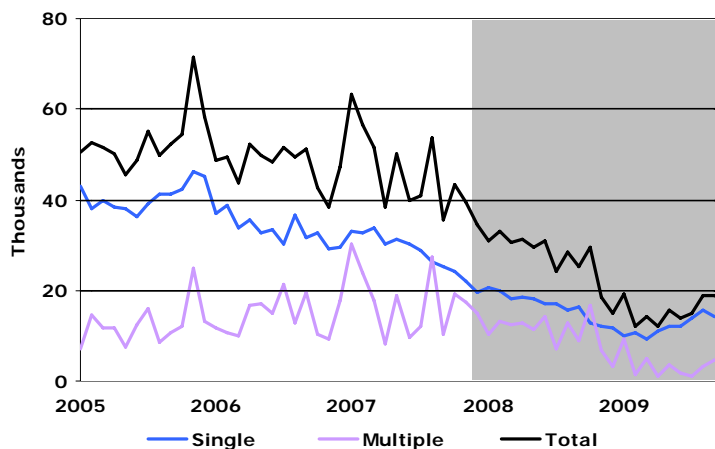
Source: NAPM-WW, data through November 2009

The housing upturn continues

It is increasingly clear that Washington housing construction has finally turned the corner. April's seasonally adjusted annual rate (SAAR) of 12,100 units was the lowest since 1982 and more than 80% below the November 2005 peak. While multi-family permits continue to bounce along the bottom, single-family permits have trended up ([see Figure 2.3](#)). The number of units authorized in October was 18,000 which, while down slightly from September, is nearly 50% higher than the April trough.

Figure 2.3: Washington Housing Units Authorized by Building Permits (seasonally adjusted annualized rate)

Single-family housing permits are improving; multi-family are struggling



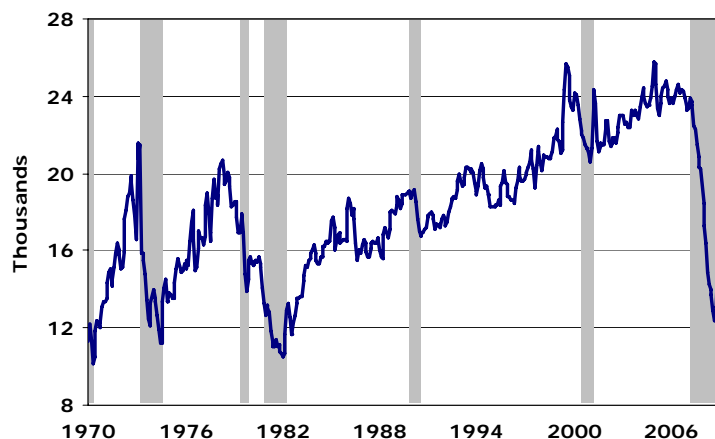
Source: U.S. Census Bureau; data through October 2009

Car and truck sales have experienced a record decline

The number of new car and truck registrations in Washington has stabilized after a sharp drop. Figure 2.4 shows a blip due to the Cash for Clunkers program which temporarily boosted sales and registrations. Not only is that program no longer in effect, but it undoubtedly pulled sales forward, reducing sales in later months. Even so, registrations after the expiration of the program are similar to the levels preceding the Cash for Clunkers program.

Figure 2.4: Washington New Car and Truck Registrations, Seasonally Adjusted, 3-month Moving Average

New car and truck registrations have bottomed out



Source: WA State DOL, data through November 2009

The revised personal income estimates show a higher level of income but slower growth

The Bureau of Economic Analysis (BEA) has now incorporated the impact of the recent comprehensive revision to the national income and product accounts on state personal income. The revised data show that historical Washington non-wage personal income had been much higher than previously believed. The revisions were mainly to the proprietors' income and property income (dividends, interest, and rent) components and reflected newly available IRS data. While the level was revised up, the growth in recent years was revised down, since the recent past was revised upward by less than the distant past. The new estimates of Washington wages are slightly lower than previously reported but the pattern of growth through the first quarter of 2009 is very similar to what we had assumed in September. Overall, the revised personal income estimates show a higher level of income but slower growth than did the previous estimates. While the revised data continue to show a sharp drop in wages in the first quarter, we have data for Washington wages that shows there will be a partial rebound in the second quarter. The second quarter wage data are not yet reflected in the official BEA data. The rebound in the second quarter confirms our belief that the very weak first quarter results were the result of a one-time collapse in bonus and stock option income in the first quarter and did not signal a trend.

Shelter costs have tamed Seattle inflation

Inflation, as measured by the Seattle Consumer Price Index, remains very weak so far in 2009. Consumer prices rose at only a 0.7% seasonally adjusted annual rate from December to October. Core inflation (excluding food and energy) was also low at 0.6%. In comparison, last year headline Seattle consumer prices rose 1.7% (December to December) and core prices rose 3.6%. The tame performance of inflation in Seattle is mainly due to shelter costs which have flattened out this year as the housing market collapsed.

Washington State Forecast

Washington will once again outperform the U.S.

The Washington recovery, like the national recovery, will be slow and U-shaped, however we expect to once again outperform the U.S. economy. Our state's economy is more trade intensive than others, and will be helped relatively more than others as a result of the global economic recovery. Also, job losses in our key basic industries, aerospace and software, were relatively mild and are now mostly behind us. While we clearly experienced a severe housing downturn, we are fortunate not to be among the "bubble" states that will be slower to recover.

The November revisions are minimal

The November revision to our Washington economic outlook has been minimal. The main differences are a lower starting point for employment and a higher starting point for personal income than assumed in September. As in September, we believe the state's economy will continue to shed jobs through the end of this year - with a peak-to-trough decline of 165,000 jobs. We expect the

unemployment rate to peak in the second quarter of 2010 at 9.8%. We expect the recovery will be very slow at first, only 0.7% in the first quarter of 2010. Growth should gradually improve over the course of 2010 and 2011. By the end of 2011 we expect employment to be growing more than 3% per year.

Positive Q4-Q4 employment growth will resume in 2010

On an annual average basis, Washington nonfarm payroll employment grew 0.9% in 2008 despite declines in each of the last three quarters of the year. On a Q4 to Q4 basis employment declined 1.1%. The forecast calls for Washington average annual nonfarm payroll employment to fall 4.0% this year and 0.2% in 2010 before rising 2.7% in 2011 as the economy recovers from the recession. The Q4 over Q4 growth rates forecast for nonfarm payroll employment for 2009, 2010, and 2011 are respectively, minus 4.0%, +1.7%, and +3.2%.

Personal income will rebound in 2010

Washington personal income growth fell from 7.5% in 2007 to 3.6% in 2008. Personal income is expected to decline 1.3% in 2009 before returning to positive growth rates of 4.0% and 5.6%, respectively, in 2010 and 2011.

Calendar 2009 will be the bottom for housing

After three years in excess of 50,000 per year, the number of housing units authorized by building permit fell to 47,400 in 2007 and 28,900 in 2008. The forecast projects permits will fall again this year to a cyclical low of 16,100 units before recovering to 25,200 in 2010 and 38,400 in 2011.

Seattle inflation will remain moderate

Inflation, as measured by the Seattle CPI, increased to 4.2% in 2008 from 3.9% in 2007. Core inflation (excluding food and energy) declined slightly to 3.4% in 2008 from 3.5% in 2007. Lower energy prices and flat shelter costs in 2009 should hold headline inflation in Seattle to just 0.7%. The forecast expects Seattle CPI inflation rates of 2.0% per year in 2010 and 2011.

Washington State Forecast Assumptions

The economic forecast is on track

The state forecast reflects a new national forecast that has not changed much since September, or since June for that matter. The new national forecast expects slightly stronger GDP growth than predicted in September but weaker employment and personal income growth. The Washington economy has also behaved very much as expected in the September forecast with declining employment losses, improving income growth, rising housing permits, and moderate inflation. As in September, we expect a trough in Washington payroll employment in the fourth quarter of this year and a peak in the state's unemployment rate in the second quarter of next year.

Further employment reductions are expected in construction, aerospace and government

In addition to reflecting the new national forecast, the state construction forecast reflects the positive impact of the stimulus infrastructure spending on Washington construction employment. Even with the stimulus spending, the construction sector remains the weakest industry in Washington. We expect construction employment to decline by about 59,500 (28.3%) from its peak in the second quarter of 2007 through the third quarter of 2010. The aerospace employment forecast reflects Boeing's announcement that production of the 777 will be cut from seven per month to five in mid-2010. Boeing's recent announcement that its second 787 line will be located outside the state does not affect our forecast for the current biennium. We had not assumed a second line in any of our earlier forecasts – so nothing has changed there. The forecast assumes a total reduction of 5,900 (6.9%) aerospace jobs from the peak in the third quarter of 2008 to the end of 2011. In contrast, manufacturing other than aerospace is expected to lose 35,900 jobs (16.8%) from peak to trough. Software employment has fallen by 2,000 (3.7%) from the peak in the first quarter of 2009 through the third quarter of 2009. We believe the third quarter will prove to be the bottom in software employment. State and local government employment tends to lag the private sector. We expect to see a decline of 5,500 (1.1%) state and local government jobs from the peak in the fourth quarter of 2008 through the third quarter of 2010.

Washington Payroll Employment

The bulk of the Boeing's announced layoffs are behind us

The bulk of the Boeing's announced layoffs are now behind us. In January Boeing announced company-wide employment reductions of 10,000 of which more than half were expected to be in Washington State. Some of the cuts were to be contract employees who are not counted in the aerospace sector. This initial round of cuts was not related to production. However, in April Boeing said it would reduce monthly production of the 777 to five from seven starting in June 2010. This is in spite a Boeing Commercial Airplanes contractual backlog of more than seven times expected 2009 revenues. Boeing did not indicate the number of job cuts that would result from the 777 production cut. Our forecast calls for a decline of about 5,900 aerospace employees from the third quarter of 2008 through mid-2011. The 5,900 reduction assumed in the forecast does not include an additional reduction of 1,200 contract workers. While these cuts are significant, they pale in comparison to the last aerospace downturn during which Washington lost a total of 52,000 aerospace jobs.

The software layoffs are unusual, but moderate

Microsoft also announced layoffs in January amounting to about 5,000 company-wide. This is Microsoft's first mass layoff. During the last recession software employment leveled off but did not decline as continued hiring at Microsoft offset cuts at other software firms. The recent Microsoft layoffs were not all in Washington State and they continued to hire in some positions

while reducing others. We do not believe the layoffs will result in net job reductions beyond those already experienced through the third quarter of 2009. The software sector experienced a fairly mild peak-to-trough employment reduction of 2,000 (3.7%). Positive growth will return in the fourth quarter of 2009, accelerating during 2010. By 2011 we expect a strong recovery in software employment.

Construction will bottom out in the third quarter of 2010

Construction has experienced the most severe employment decline of any industry in Washington during this recession. We are close to a turning point in residential construction employment. Housing permits bottomed out in the second quarter of 2009. There is about a one year lag between permits and employment so we expect a turnaround in residential construction employment in the second quarter of 2010. However, non-residential construction is lagging residential construction by about a year. We expect non-residential construction employment to decline through the second quarter of 2011. The decline in non-residential construction would have been even more severe without the stimulus funding for infrastructure investment. The forecast expects overall construction employment to decline through the third quarter of 2010, a thirteen-quarter peak-to-trough drop of 59,500 or 28.3%. An initially modest recovery is expected to pick up steam during 2011 as both housing and non-residential construction eventually revive.

The WAMU purchase and financial-real estate meltdown reduced financial activities employment

Financial activities employment has been in decline since the first quarter of 2006, more than three years ago. Employment is down 13,700 (8.7%) since the peak. Unsurprisingly, credit intermediation and related activities, a victim of the meltdown in the financial markets, accounts for most of the decline, falling by 10,500 (18.6%). The decline during 2009 was exacerbated by the sale of WAMU to JPMorgan which resulted in layoffs for most of the former's headquarters staff. Employment in recent months has been supported by growth in real estate services employment. We think this was the result of the first-time home-buyers credit which boosted existing home sales. The effect of this on employment will fade. Financial activities employment is expected to decline through the fourth quarter of 2010 with a total peak-to-trough decline of 16,400 (10.5%). Healthy growth is expected to resume in 2011.

Retail trade employment is down due to weak demand, but will recover sharply in 2010

Employment in retail trade peaked along with the overall economy in the first quarter of 2008. The decline since then has been precipitous. Initially the weakest retail trade sectors were those most closely connected to the housing market: furniture and home furnishings, and building materials and garden supplies. These turned down nearly two years ago as housing went into decline. The freezing-up of credit and collapse of consumer confidence since last fall have affected the entire spectrum of consumer spending. The largest declines are in

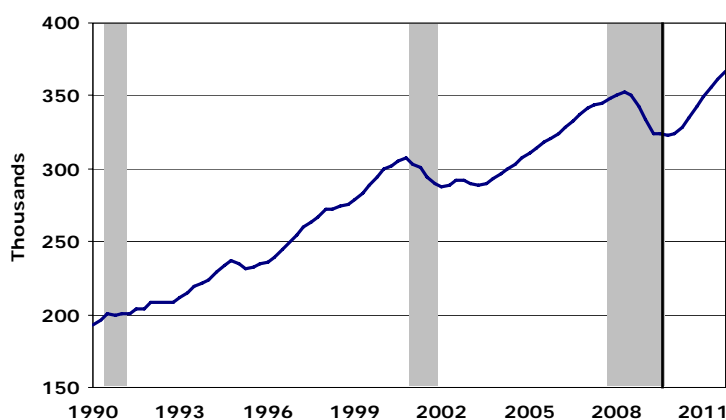
motor vehicle dealers, furniture and home furnishings stores, and building materials and garden supplies. The trend in recent months in retail trade employment has not been encouraging. After flattening out in the spring and early summer, employment declined in August, September, October and November. We believe the first quarter of next year will prove to be the bottom for retail trade employment. The forecast expects a peak to trough decline of 25,000 jobs overall, about 7.5%. The rebound should also be strong as pent-up demand is released. The forecast assumes a 3.7% jump in retail trade employment during the first year of the recovery.

The professional and business services sector is strongly pro-cyclical

Professional and business services had been one of Washington's strongest sectors in recent years but during the recession it has also experienced the largest percentage employment decline of any of the services-producing sectors ([see Figure 2.5](#)). Employment in professional and business services peaked in the second quarter of 2008 and fell 28,100 (8.0%) since then. More than half the overall decline was in employment services (largely temporary help) which shed 14,800 jobs (29.6%).

Figure 2.5: Professional and Business Services Employment

Strong employment growth will resume in 2010 and 2011



Source: WA State ESD actual data through 2009Q3; ERFC Forecast

Employers prefer to cut temporary help before their own staff. In fact, employment services peaked in early 2007. We expect employment in professional and business services to continue to decline through the fourth quarter of 2009 with a total peak-to trough decline of 29,800 jobs (8.5%). Strong growth is expected to resume in this highly pro-cyclical industry in 2010 and 2011. Professional and business services will also benefit greatly from the recently enacted stimulus. The additional \$2 billion going to the Hanford cleanup effort will mostly affect employment in

waste management and remediation services, a component of professional and business services.

Tight budgets are forcing cutbacks in state and local government employment

State and local government employment tends to be more stable than other sectors of the economy. It also tends to lag other sectors through the business cycle. Employment grew throughout the last recession but the protracted slowdown in the state's economy continued to put pressure on state and local governments' budgets long after the recession ended. State and local government is one of the two sectors (the other being construction) that stands to benefit disproportionately from the federal stimulus package. Nevertheless, we expect a decline of 5,500 (1.1%) state and local government jobs from the peak in the fourth quarter of 2008 through the trough in the third quarter of 2010. Without the stimulus payments, state and local governments would have had to make far more severe cuts in jobs. As was the case in the last recession, the downward pressure on state and local budgets will persist long after the recession is officially over. We do not expect any significant rebound in state and local government employment until late in 2011.

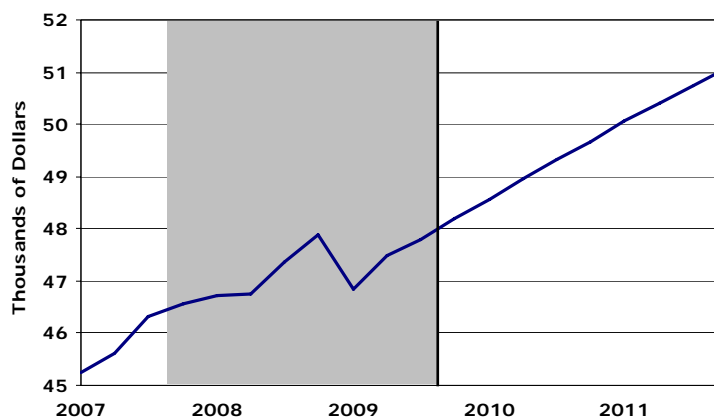
Washington Personal Income

Negative personal income growth is expected in 2009

Average wages bounced back in the second quarter of 2009 regaining much of the ground lost in the first quarter ([see Figure 2.6](#)). This supports our view that the first quarter drop was mostly due to a one-time collapse in stock option and bonus income and not part of an ongoing trend. Washington's total personal income growth is likely to be negative in calendar year 2009 for the first time since 1949. The tax cuts and increased transfer payments in the stimulus package will keep disposable personal income growth slightly positive in 2009, however.

Figure 2.6: Washington Average Annual Wage

Washington average wages bounce back



Source: BEA actual data through 2008; ERFC Forecast

Declining employment is the main reason for weak income growth

The severe decline in employment is the main reason for weak income growth this year, but growth in average annual wages is also weak. Not only has the depressed economy put downward pressure on hourly wage growth, but average hours are also down from last year, further reducing annual average wage growth in 2009. Non-wage income growth is also very weak. Proprietor's income is declining even faster than wage and salary disbursements in 2009 as is property income (dividends, interest, and rent). Partially offsetting these negative factors are transfer payments, which are rising rapidly. Transfer payments automatically increase in recessions as unemployment compensation rises. Transfers are being further boosted in this downturn by the stimulus package which is supplementing unemployment compensation as well as other transfer payments such as increased food stamp benefits and additional payments to social security recipients. This year should be the low point for Washington personal income growth. As the economy begins to recover in 2010 and picks up steam in 2011, most components of personal income will also revive, the main exception being unemployment compensation which should come down as job growth picks up.

Seattle Consumer Price Index

The weak economy and flat shelter costs are holding inflation down

Local consumer prices tend to rise faster than the national average when the local economy is relatively strong. They rise slower than the national average when the local economy is relatively weak. After trailing the U.S. in 2003, 2004, and 2005, Seattle inflation moved ahead of the national average in 2006, 2007, and 2008 as the local economy outpaced the U.S. economy. The stronger inflation in Seattle compared to the U.S. city average during the last few years was mostly due to shelter costs, in particular, rent and owners' equivalent rent. These components weakened considerably in 2009, both nationally and in Seattle. High vacancy rates, along with the generally weak economy, should continue to put downward pressure on shelter costs which will help keep inflation in check. On an annual average basis, energy costs should also be significantly lower this year than last year, putting additional downward pressure on headline inflation this year. As the economy begins to recover and energy prices stabilize, inflation will remain moderate in Seattle as well as elsewhere in the U.S. given the considerable slack that will persist in the economy for some time.

Washington Building Permits

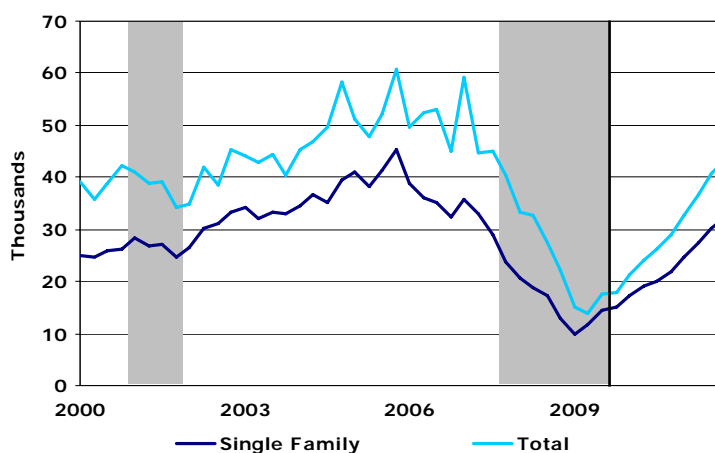
Housing construction is recovering

The number of housing units authorized by building permits rose 3,600 (SAAR) to 17,500 units in the third quarter of 2009 from 13,900 in the second quarter. This solid improvement followed an astounding 77% peak-to-trough plunge from the fourth quarter of 2005 to the second quarter of 2009. Single-family permits rose 2,800 units from 11,700 units to 14,500 units,

which is its highest level since credit markets seized up a year ago. Multi-family permits rose 800 from an all-time-low of 2,200 units in the second quarter to a still depressed 3,000 units in the third quarter. Homebuilding faces competing pressures going forward. Homebuilders have been very successful in reducing the inventory of unsold new homes to levels not seen since the early 1980s. In the future, the demand for new homes will have to be met by new construction. Also, with mortgage rates low and prices down, homes are very affordable. On the other hand, demand is restrained by the weak economy; new homes have to compete with a glut of existing homes on the market, and financing remains problematic. On balance, we expect both single-family and multi-family activity to steadily improve throughout 2010 and 2011. The growth rates may look

Figure 2.7: Housing Units Authorized by Building Permits

Single-family housing is leading the rebound



Source: BLS actual data through 2009Q2; ERFC Forecast

impressive but only because we are coming off a very low base. Housing construction will remain below the underlying demographic demand throughout the forecast.

Forecast by Fiscal Year

Personal income growth will remain weak through FY 2010

Nominal personal income growth slowed to just 0.5% in FY 2009 from 6.3% in FY 2008 and 8.3% in FY 2007. 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 another very weak year in FY 2010 with income growth of only 0.7%. Nominal personal income growth is expected to bounce back to 5.3% in FY 2011 as the economy recovers.

No positive annual average job growth is expected until FY 2011

Washington non-farm payroll employment fell 1.8% on an annual average basis in FY 2009, following four years of growth in excess of 2%. The sharpest declines were in construction which fell 11.8% and manufacturing which fell 5.5% but services-producing industries were also down 0.5% in FY 2009. We expect another 3.0% decline in FY 2010 followed by a modest 1.7% rebound in FY 2011. On an end-of-period basis (second quarter of 2008 to second quarter of 2009) employment fell 4.2% during FY 2009. Employment is expected to decline 0.6% this fiscal year on an end of period basis, followed by growth of 2.4% during FY 2011.

Housing permits will turn around in FY 2011

The number of housing units authorized by building permits in Washington plummeted 48.0% in FY 2009 to 19,700 units following declines of 6.1% in FY 2007 and 25.0% in FY 2008. Permits in FY 2009 were off more than 63% since the cyclical peak in FY 2006. Single-family permits fell 43.8% in FY 2009 to 13,000 units and multi-family units fell 54.5% to 6,700 units which was the lowest multi-family count in at least 40 years (our data begin in FY 1969). Rising vacancies and financing difficulties will further depress multi-family permits in FY 2010 to a new record low of 3,700 units. However we think we have seen the bottom in single-family construction and expect a modest improvement in FY 2010, picking up steam in FY 2011. The forecast for total housing units authorized by building permits is for a 2.6% increase in FY 2010 to 20,200 units followed by a 54.0% increase in FY 2011 to 31,100 units. While the FY 2011 increase seems large, it is only because it is following a very low base in FY 2010. Housing construction will remain below the underlying demographic demand for new housing throughout the forecast.

Seattle inflation will be moderate in FY 2010 and 2011

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, fell to 2.4% in FY 2009 from 4.2% in FY 2008. Energy costs, which fell 9.6% in FY 2009 after soaring 11.3% in FY 2008, accounted for most of the improvement in headline inflation but core (excluding food and energy) inflation also improved from 3.5% in FY 2008 to 3.1% in FY 2009. The weak economy should produce even more moderate inflation in the future. The forecast expects the Seattle CPI to grow 1.3% in FY 2010, and 2.0% in FY 2011.

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

Alternative Scenarios

In accordance with state law, the Washington State Economic and Revenue Forecast Council also adopted an optimistic forecast and a pessimistic forecast in November 2009. In addition to the official optimistic and pessimistic forecasts, the staff has prepared

a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA).

Optimistic (5% probability)

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

In the optimistic scenario, the rapid response of the Federal Reserve to the crisis in financial markets, coupled with the Treasury's "rescue" plan, Congress' stimulus package, and help from central banks abroad work, and limit the downside. There is no additional economic stimulus above the level in the baseline, but the primary difference is that the wheels of stimulus start to achieve traction more quickly and profoundly, generating growth of 4.7% in the fourth quarter. In addition, the standard optimistic scenario assumption of stronger total factor productivity growth is also in place. This allows lower inflation and stronger income growth over the long term—but in the short term, a stronger economy means higher inflation in the optimistic scenario than in the baseline (particularly in commodities). The stronger sales pace in the optimistic scenario requires less of an inventory reduction than in the baseline, with demand recovery trimming inventories back to desirable levels. With credit again flowing late this year, business fixed investment rebounds 7.3% in 2010, after contracting 17.1% in 2009. The downturn in residential investment is also less severe in the optimistic scenario, with housing starts making a sharper recovery over the rest of 2009, and rising above 1.0 million units in 2010. The optimistic scenario also assumes faster growth in the rest of the world, and a dollar that is initially weaker than the baseline. These assumptions produce more of a "V" shaped recovery rather than the more gradual "U" shape assumed in the baseline forecast. After rebounding 3.5% in the third quarter, real GDP continues to climb, posting a 4.7% gain in the fourth quarter and a stronger 5.4% advance in the first quarter of 2010.

This scenario also assumes higher growth in key Washington industries

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes aerospace employment begins to grow again, rather than continue to decline slightly as in the baseline. Software employment also grows faster than in the baseline forecast. Washington's wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is higher in the optimistic scenario and population growth is stronger. Finally, construction employment bottoms out in the first quarter of 2010, two quarters sooner than the trough in the baseline forecast, and the subsequent recovery is much stronger. By the end of the 2009-11 biennium, Washington non-agricultural employment is higher by 99,600 jobs than in the baseline forecast and Washington personal income is \$15.0 billion higher.

Pessimistic (10% probability)

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

The pessimistic scenario is worse than a recession, but not quite a depression. The financial crisis worsens, prolonging the economy's deepest and longest downturn since the Great Depression. The recession is W-shaped and lasts 11 quarters. Credit markets remain clogged, both domestically and across the world. Without access to credit, domestic spending contracts and the housing market falls into an even deeper hole. The pessimistic scenario assumes that the downward spiral in financial markets continues into 2010. The spread between 30-year fixed mortgage rates and the 10-year Treasury note yield widens again, and remains wider than normal throughout 2010, reflecting tight credit conditions. Oil prices are lower over the short run in this scenario because world demand is falling. As a result, bottom-line inflation is lower. Core inflation is also lower because demand is so weak. In this scenario, the housing recession drags on. Housing starts begin to turn around from record-low levels—just as in the baseline—but the rebound is sluggish. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench sharply. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Foreign economic growth is lower, which cuts into export growth. After a brief recovery in the second half of 2009, real GDP drops over the first three quarters of 2010. Employment drops for 11 straight quarters, with the national economy losing 8-9 million jobs.

The pessimistic scenario also assumes lower growth in key Washington industries

At the state level, the decline in aerospace employment is much more severe than in the baseline and continues throughout 2011. Software employment continues to decline through mid-2010 rather than beginning to recover in late 2009. In this scenario data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario. Construction employment continues to fall rapidly through mid 2011 rather than flattening out in mid 2010. Seattle inflation is lower than in the baseline forecast and the weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2009-11 biennium, Washington non-agricultural employment is 104,500 lower than in the baseline forecast and Washington personal income is \$21.3 billion lower.

Governor's Council of Economic Advisors (GCEA)

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

The GCEA scenario expects less real GDP growth but more inflation

At the national level, the Governor's Council members expect less real GDP growth in both FY (fiscal year) 2010 and FY 2011. Despite the expectation of weaker real growth, the Council members expect somewhat higher inflation in both years. The Council members' mortgage interest rate forecast is also slightly higher than the baseline forecast.

For Washington, the GCEA expects weaker near-term real personal income growth

The GCEA scenario for Washington is quite similar to the baseline forecast. Their employment forecast is much stronger than the baseline forecast in FY 2010 though their forecast for 2011 is weaker. For the biennium as a whole, the GCEA employment forecast is more optimistic than the baseline. In spite of the rosier employment picture, the Council members expect lower real personal income growth in both years than is assumed in the baseline forecast. However, their nominal income forecast is almost identical, on average, to the baseline forecast as a result of their higher inflation forecast. The GCEA housing permit forecast is lower than the baseline forecast in both fiscal years. At the end of the 2009-11 biennium Washington non-agricultural employment is 1,200 lower in the GCEA forecast than in the baseline forecast and Washington personal income is \$0.4 billion lower.

Table 2.2 compares the alternative forecasts with the baseline forecast.

Table 2.1

Fiscal Years

Washington Economic Forecast Summary
Forecast 2010 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	220.991	232.208	237.406	251.097	258.406	255.793	254.632	263.237
% Ch	2.2	5.1	2.2	5.8	2.9	-1.0	-0.5	3.4
Real Wage and Salary Disb.	120.191	123.490	127.959	134.609	138.813	136.758	134.423	138.533
% Ch	1.2	2.7	3.6	5.2	3.1	-1.5	-1.7	3.1
Real Nonwage Income	100.800	108.718	109.447	116.487	119.593	119.035	120.209	124.705
% Ch	3.3	7.9	0.7	6.4	2.7	-0.5	1.0	3.7
Real Per Capita Income (\$/Person)	35,873	37,171	37,323	38,789	39,301	38,323	37,667	38,460
% Ch	1.0	3.6	0.4	3.9	1.3	-2.5	-1.7	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	0.957	0.984	1.016	1.040	1.074	1.091	1.104	1.124
% Ch	2.2	2.8	3.2	2.4	3.3	1.6	1.2	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.935	1.973	2.035	2.116	2.205	2.257	2.286	2.331
% Ch	1.3	1.9	3.2	4.0	4.2	2.4	1.3	2.0
Average Nonfarm Annual Wage	41,331	42,578	44,150	46,446	48,404	49,185	50,304	51,929
% Ch	2.6	3.0	3.7	5.2	4.2	1.6	2.3	3.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.57	19.32	20.22	20.90	22.05	23.26	23.33
% Ch	1.6	2.3	4.0	4.6	3.4	5.5	5.5	0.3
Current Dollar Income (Billions of Dollars)								
Personal Income	211.570	228.512	241.138	261.115	277.568	279.080	281.111	295.922
% Ch	4.4	8.0	5.5	8.3	6.3	0.5	0.7	5.3
Disposable Personal Income	189.618	203.288	212.676	229.077	243.895	249.550	255.322	266.442
% Ch	5.4	7.2	4.6	7.7	6.5	2.3	2.3	4.4
Per Capita Income (\$/Person)	34,343	36,578	37,908	40,335	42,213	41,812	41,584	43,234
% Ch	3.2	6.5	3.6	6.4	4.7	-1.0	-0.5	4.0
Employment (Thousands)								
Washington Civilian Labor Force	3,175.3	3,224.1	3,294.8	3,348.6	3,433.4	3,524.5	3,566.3	3,613.4
Total Washington Employment	2,956.0	3,036.6	3,125.7	3,191.4	3,270.4	3,267.9	3,227.2	3,274.9
Unemployment Rate (%)	6.91	5.82	5.13	4.69	4.74	7.27	9.51	9.37
Nonfarm Payroll Employment	2,673.5	2,737.5	2,820.6	2,896.7	2,960.0	2,905.4	2,819.3	2,867.3
% Ch	0.7	2.4	3.0	2.7	2.2	-1.8	-3.0	1.7
Manufacturing	263.2	267.8	279.2	289.7	295.5	279.2	260.0	261.8
% Ch	-4.2	1.7	4.3	3.8	2.0	-5.5	-6.9	0.7
Durable Manufacturing	181.0	186.8	197.6	208.1	214.5	201.6	186.2	188.1
% Ch	-5.0	3.2	5.8	5.3	3.1	-6.0	-7.6	1.0
Aerospace	62.1	63.4	69.0	76.7	83.1	83.1	81.4	80.4
% Ch	-11.4	2.1	8.8	11.1	8.3	0.0	-2.0	-1.3
Nondurable Manufacturing	82.2	81.0	81.6	81.6	81.0	77.7	73.8	73.7
% Ch	-2.5	-1.5	0.7	0.0	-0.7	-4.1	-5.0	-0.1
Construction	159.8	170.0	186.6	202.7	207.7	183.2	153.8	151.0
% Ch	3.2	6.4	9.7	8.7	2.5	-11.8	-16.0	-1.8
Service-Producing	2,241.7	2,290.5	2,346.0	2,395.8	2,448.9	2,436.1	2,399.4	2,447.7
% Ch	1.2	2.2	2.4	2.1	2.2	-0.5	-1.5	2.0
Software Publishers	38.5	40.1	42.8	46.5	48.8	52.4	51.5	53.8
% Ch	5.5	4.1	6.7	8.8	4.9	7.3	-1.7	4.5
Nonfarm Payroll Employment, EOP*	2,694.5	2,768.3	2,853.0	2,929.3	2,970.5	2,845.6	2,829.4	2,898.4
% Ch*	1.7	2.7	3.1	2.7	1.4	-4.2	-0.6	2.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.250	51.780	53.755	50.484	37.874	19.702	20.219	31.138
% Ch	3.7	17.0	3.8	-6.1	-25.0	-48.0	2.6	54.0
Single-Family	34.353	38.422	40.400	34.075	23.070	12.969	16.539	23.514
% Ch	5.2	11.8	5.1	-15.7	-32.3	-43.8	27.5	42.2
Multi-Family	9.897	13.357	13.355	16.408	14.803	6.733	3.680	7.624
% Ch	-1.0	35.0	0.0	22.9	-9.8	-54.5	-45.3	107.2
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	5.57	5.12	5.55

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

Table 2.2
Comparison of Alternative Forecasts

	Fiscal Year 2009				Fiscal Year 2010				Fiscal Year 2011			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	13,073	13,073	13,073	13,073	13,250	13,149	13,019	13,113	13,775	13,527	13,039	13,442
%Ch	-2.2	-2.2	-2.2	-2.2	1.4	0.6	-0.4	0.3	4.0	2.9	0.1	2.5
Implicit Price Deflator	1.091	1.091	1.091	1.091	1.106	1.104	1.099	1.108	1.123	1.124	1.118	1.129
%Ch	1.6	1.6	1.6	1.6	1.4	1.2	0.7	1.5	1.6	1.8	1.7	1.9
Mortgage Rate	5.57	5.57	5.57	5.57	5.20	5.12	5.01	5.31	5.47	5.55	5.40	5.71
3 Month T-Bill Rate	0.56	0.56	0.56	0.56	0.36	0.22	0.16	0.17	1.38	1.37	1.04	1.21
Washington												
Real Personal Income	255.793	255.793	255.793	255.793	258.151	254.632	251.013	254.296	274.716	263.237	249.438	262.013
%Ch	-1.0	-1.0	-1.0	-1.0	0.9	-0.5	-1.9	-0.6	6.4	3.4	-0.6	3.0
Personal Income	279.080	279.080	279.080	279.080	285.479	281.111	275.860	281.666	308.541	295.922	278.773	295.814
%Ch	0.5	0.5	0.5	0.5	2.3	0.7	-1.2	0.9	8.1	5.3	1.1	5.0
Employment	2905.4	2905.4	2905.4	2905.4	2843.9	2819.3	2805.1	2831.2	2949.9	2867.3	2788.0	2870.8
%Ch	-1.8	-1.8	-1.8	-1.8	-2.1	-3.0	-3.5	-2.6	3.7	1.7	-0.6	1.4
Housing Permits	19.702	19.702	19.702	19.702	21.769	20.219	18.045	18.468	38.406	31.138	24.470	27.760
%Ch	-48.0	-48.0	-48.0	-48.0	10.5	2.6	-8.4	-6.3	76.4	54.0	35.6	50.3

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

Table 2.4

Fiscal Years

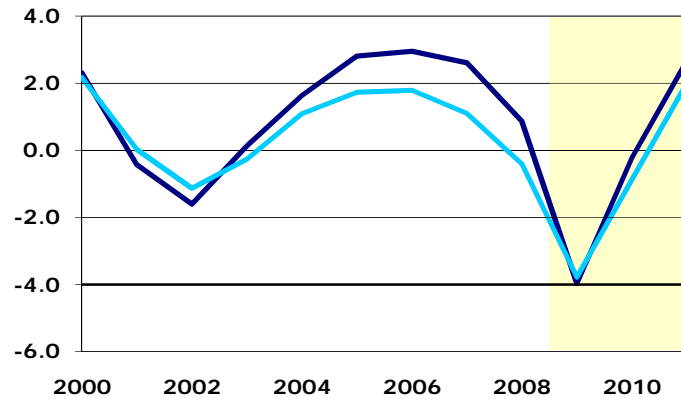
Forecast Comparison

Forecast 2009 to 2011

	2007	2008	2009	2010	2011
Washington					
Real Personal Income					
November Baseline	251.097	258.406	255.793	254.632	263.237
% Ch	5.8	2.9	-1.0	-0.5	3.4
September Baseline	245.470	253.839	252.049	253.847	261.711
% Ch	5.5	3.4	-0.7	0.7	3.1
Personal Income					
November Baseline	261.115	277.568	279.080	281.111	295.922
% Ch	8.3	6.3	0.5	0.7	5.3
September Baseline	255.266	272.664	274.993	279.250	292.517
% Ch	8.0	6.8	0.9	1.5	4.8
Employment					
November Baseline	2896.7	2960.0	2905.4	2819.3	2867.3
% Ch	2.7	2.2	-1.8	-3.0	1.7
September Baseline	2896.7	2960.0	2906.8	2845.3	2891.9
% Ch	2.7	2.2	-1.8	-2.1	1.6
Housing Permits					
November Baseline	50.484	37.874	19.702	20.219	31.138
% Ch	-6.1	-25.0	-48.0	2.6	54.0
September Baseline	50.484	37.874	19.702	17.710	27.645
% Ch	-6.1	-25.0	-48.0	-10.1	56.1

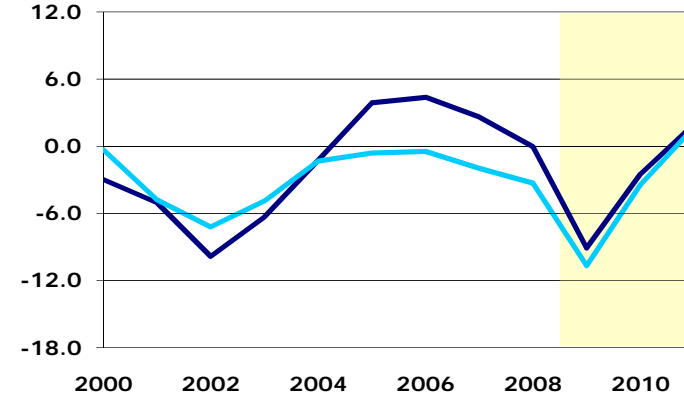
Figure 2.8: Comparison of Washington and U.S. Economic Forecasts
(Percent change)

Total nonfarm payroll employment



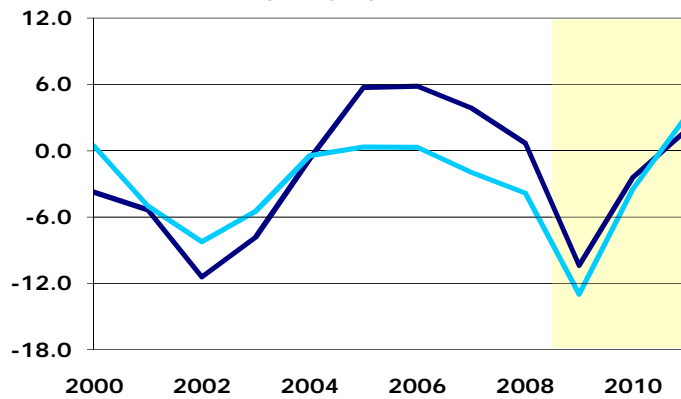
Source: WA State ESD 2008, ERFC 2011

Manufacturing employment



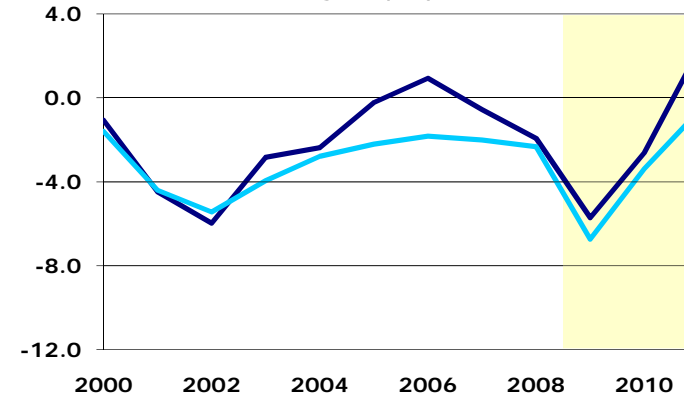
Source: WA State ESD 2008, ERFC 2011

Durable manufacturing employment



Source: WA State ESD 2008, ERFC 2011

Nondurable manufacturing employment



Source: WA State ESD 2008, ERFC 2011

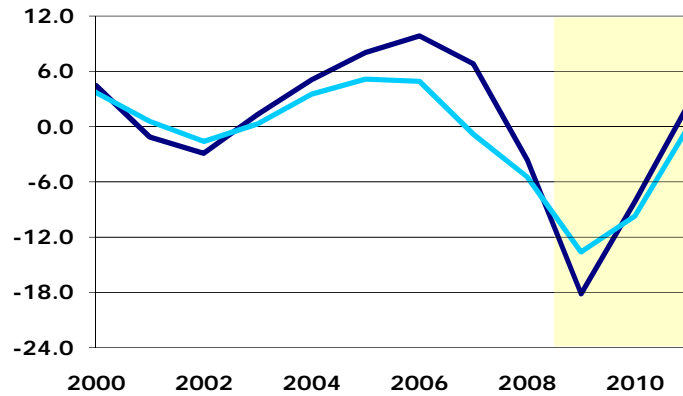
■ Washington

■ U.S.

Figure 2.8: Comparison of Washington and U.S. Economic Forecasts (continued)
(Percent change)

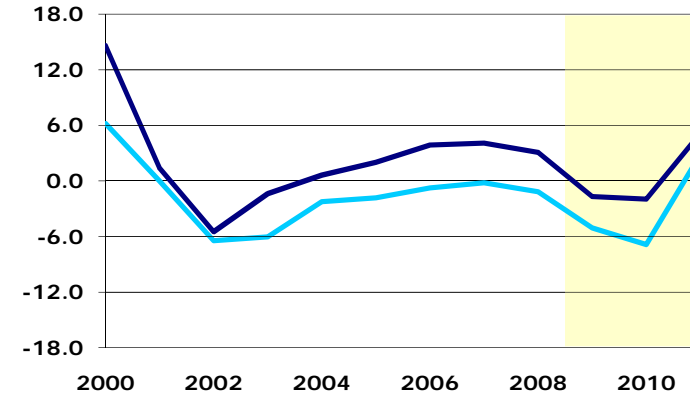
Forecast

Construction employment



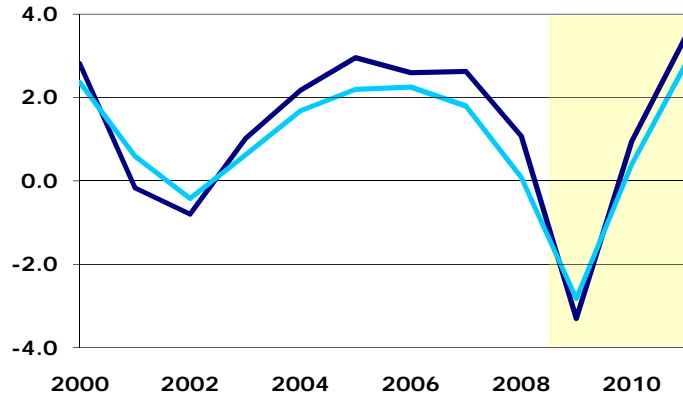
Source: WA State Employment Security Dept. 2008, ERFC 2011

Information employment



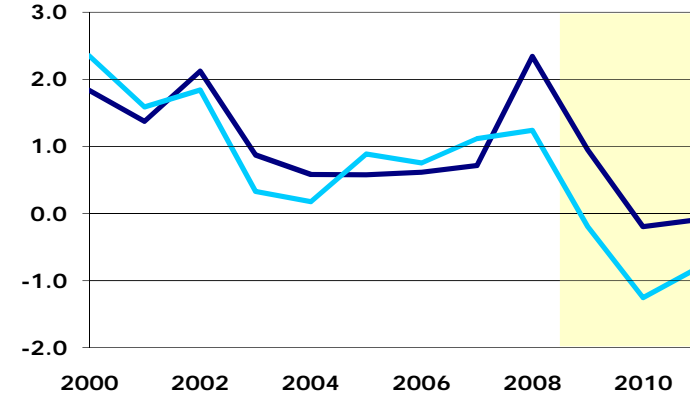
Source: WA State Employment Security Dept. 2008, ERFC 2011

Other private employment



Source: WA State Employment Security Dept. 2008, ERFC 2011

Government employment



Source: WA State Employment Security Dept. 2008, ERFC 2011

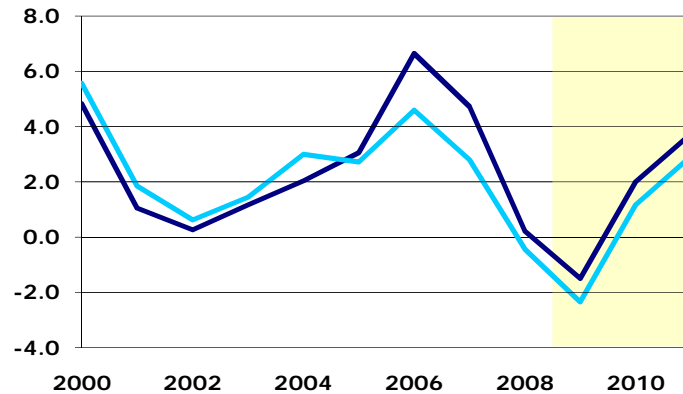
Washington

U.S.

Figure 2.8: Comparison of Washington and U.S. Economic Forecasts (continued)
(Percent change)

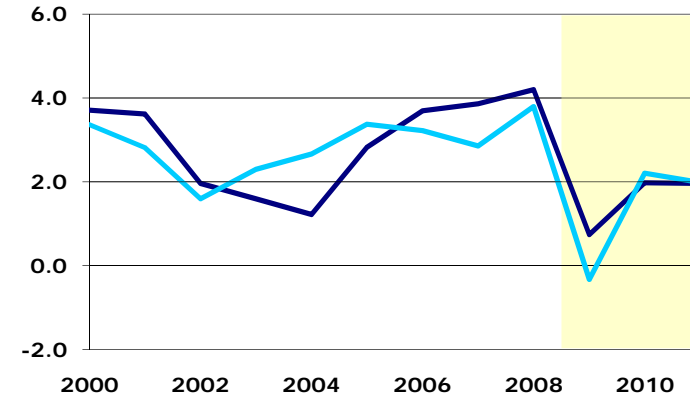
Forecast

Real personal income



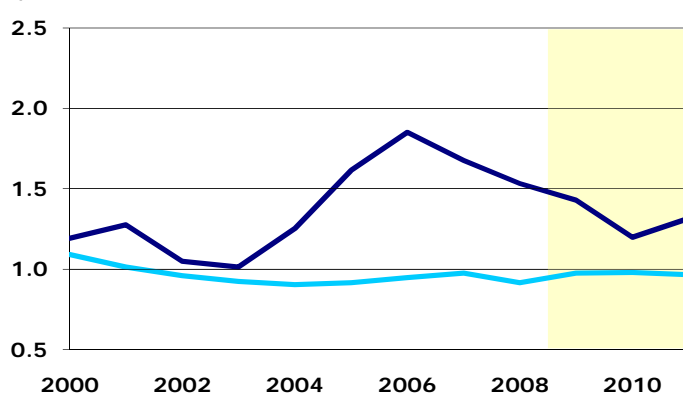
Source: Bureau of Economic Analysis 2008, ERFC 2011

Consumer price indices



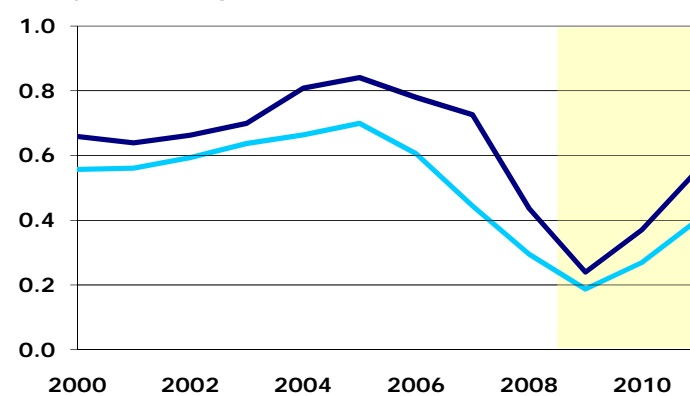
Source: Bureau of Labor Statistics 2008, ERFC 2011

Population



Source: Census Bureau 2008, ERFC 2011

Per capita housing units



Source: Census Bureau 2008, ERFC 2011

Washington

U.S.

Figure 2.9: Comparison of Alternative U.S. Economic Forecasts

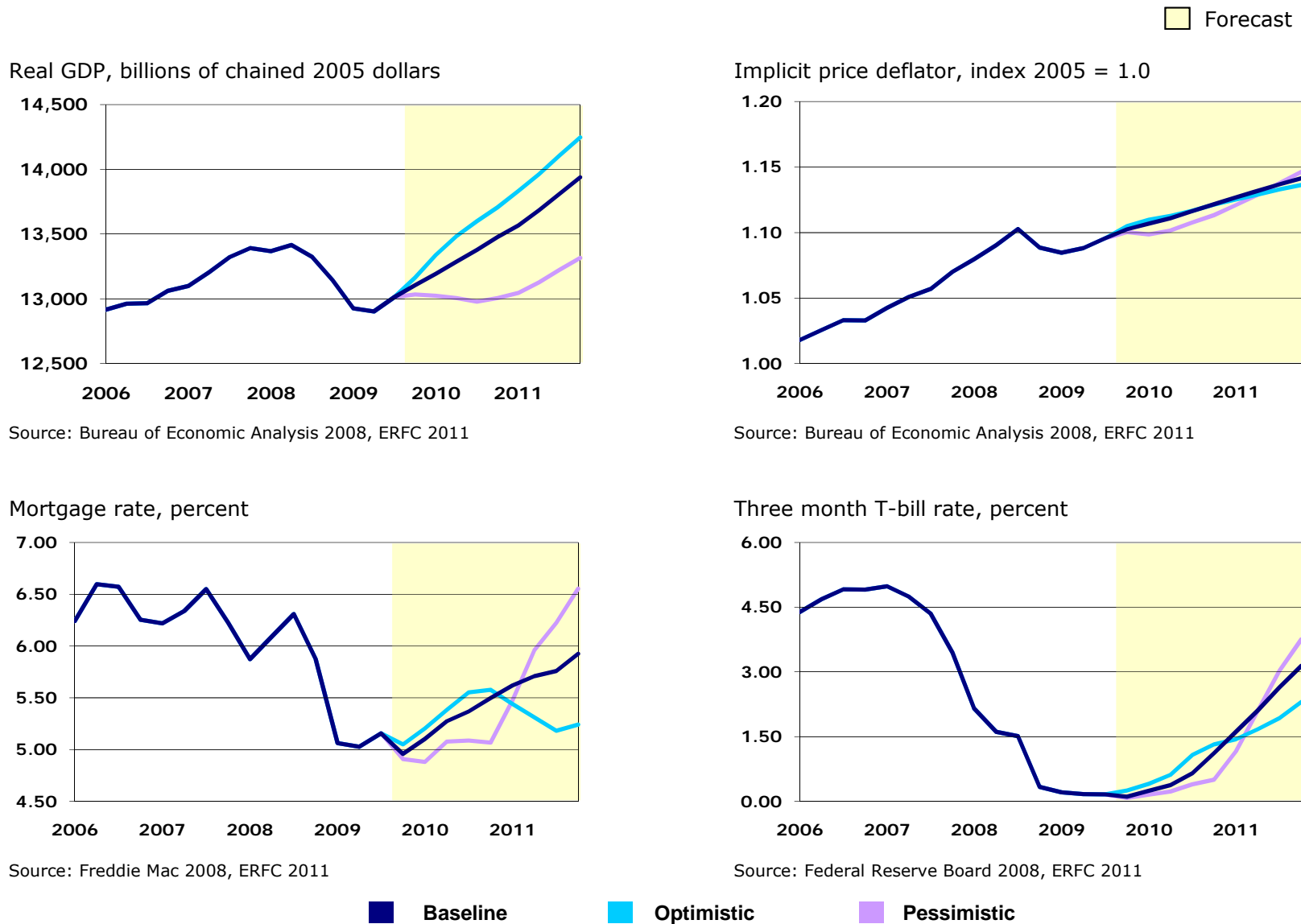
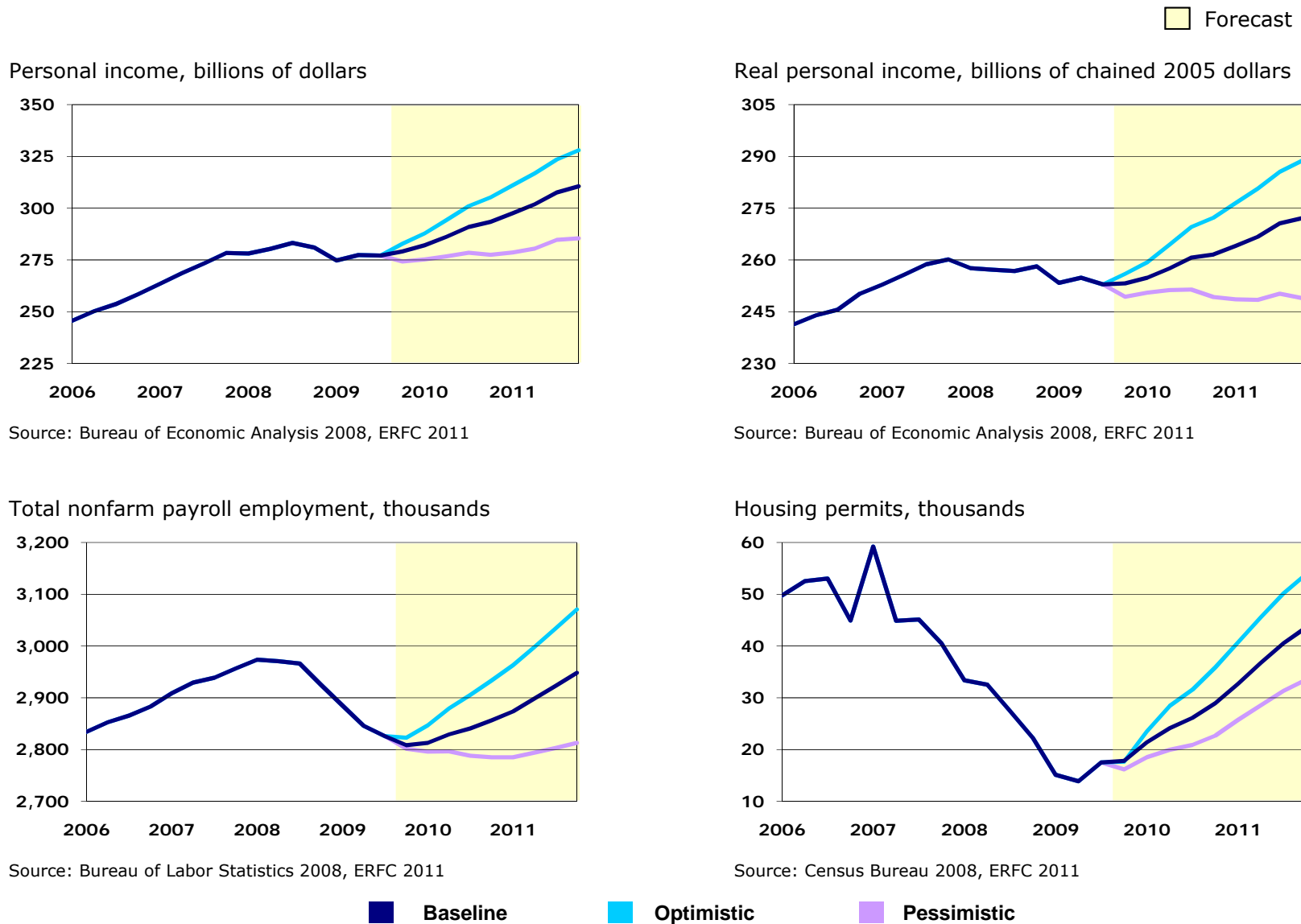


Figure 2.10: Comparison of Alternative Washington Economic Forecasts





Chapter 3: Washington State Revenue Forecast Summary

- While the recovery is largely proceeding along the lines of the September economic forecast, revenue-generating activity has been below expected levels.
- Seasonally-adjusted revenues have ceased their decline but are improving at a very slow pace
- If upheld, a State Supreme Court decision could further reduce forecasted revenues by \$154 million
- In the period immediately following the forecast, revenues came in 1.1% below the expected value

Overview

The improvement in the rate of revenue growth expected in September failed to materialize

At the time of the September forecast, state revenues had halted their decline and were showing signs of improvement. While the decline in revenues has indeed halted, the expected further improvement in revenues has failed to materialize even though the economic recovery has been proceeding largely as forecasted. By the time of the November forecast, revenue collections were already \$97.4 million below the level forecasted in September. This weakened pace of revenue growth has resulted in a forecast reduction of \$760.2 million for the 2009-11 biennium.

13% of the forecast reduction is due to the shortfall from the September forecast

Table 3.1 summarizes the change in forecasted revenues for the current biennium and the forecast variance for the 2007-09 biennium which ended on June 30th. As shown in the table, the November tally of 2007-09 GF-S revenue came in \$3.5 million above the September forecast. By the time of the November forecast, revenues for the 2009-11 biennium were \$97.4 million below their forecasted value. An additional \$662.8 million reduction in forecasted revenue for the remainder of the biennium brought the total forecast reduction for the current biennium to \$760.2 million and the total reduction for the two biennia to \$756.7 million.

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

	2007-09 Biennium	2009-11 Biennium	Total
Collection Experience	\$3.5	(\$97.4)	(\$93.9)
Non-Economic Change	\$0.0	\$0.0	\$0.0
Forecast Change	\$0.0	(\$662.8)	(\$662.8)
Total Change	\$3.5	(\$760.2)	(\$756.7)

Source: ERFC

If upheld, a recent state Supreme Court decision will reduce forecasted 2009-11 revenue by \$154 million

A September state Supreme Court decision (DOT Foods vs. Department of Revenue) has ruled certain sales by out-of-state sellers to be exempt from state business and occupation taxes. Because the decision is currently under reconsideration, the effects of the decision were not included in the forecast. If the decision is upheld, an estimated \$59 million in business and occupation taxes already collected would be subject to refund, and an estimated \$95 million in taxes would be foregone in the remainder of the biennium, for a total estimated forecast reduction on \$154 million.

GF-S revenue by agency and major revenue classification for the 2007-09 biennium can be found in Table 3.5 (cash) and 3.6 (GAAP). GF-S forecast changes by agency and major revenue classification for the 2009-11 biennium can be found in Table 3.7 (cash) and 3.8 (GAAP).

The Forecast Procedure and Assumptions

ERFC forecasting structure and schedule

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

These are the Department of Licensing, the Office of the Insurance Commissioner, the Lottery Commission, the State Treasurer, the Liquor Control Board and the Office of Financial Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies that collect relatively smaller amounts of GF-S revenue.

*Forecast
Procedure*

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

Recent Collection Experience

*The
cumulative
variance since
the June
forecast was
negative
\$97.4 million*

Cumulatively, Revenue Act receipts (retail sales, use, business and occupation, tobacco products and public utility taxes) from September 11 through November 10, 2009 were \$85.7 million (4.7%) below the value forecasted in September (see Table 3.2). Revenue from other Department of Revenue tax sources was \$11.8 million (4.8%) lower than expected. Revenue from the Department of Licensing was \$6,000 (0.7%) higher, 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 \$94,000 (0.8%) higher than forecasted in September. The cumulative total variance of the above sources was negative \$97.4 million (4.7%).

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

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$85.7)	-4.7%
Non Revenue Act	(\$11.8)	-4.8%
Subtotal	(\$97.5)	-4.7%
Department of Licensing	\$0.0	0.7%
Administrative Office of the Courts	\$0.1	0.8%
Total*	(\$97.4)	-4.7%

* Detail may not add to total due to rounding.

Source: ERFC

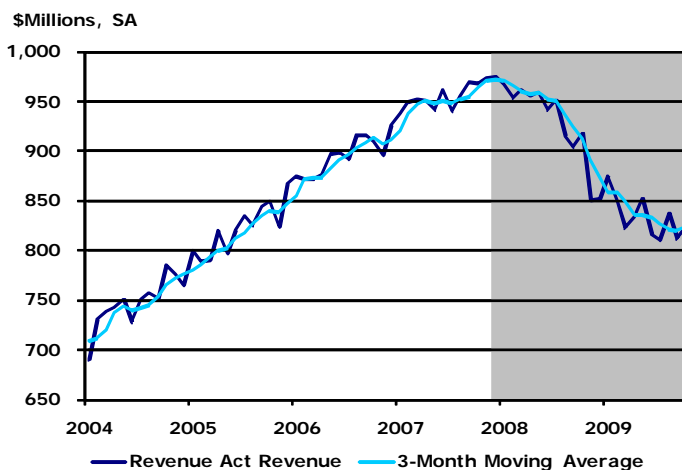
Period: September 11 - November 10, 2009

GF-S receipts since the November forecast are only 1.1% lower than expected

One collection period has now passed since the adoption of the November forecast. The total cumulative variance for this period was a shortfall of \$17.1 million, which is only 1.1% lower than the forecasted value. The shortfall was due mainly to a \$24.2 million shortfall in Revenue Act receipts. Non-Revenue Act revenues collected by the Department of Revenue came in \$6.2 million above the forecast and total revenue from the Department of Licensing and the Administrative Office of the Courts was \$0.9 million above the forecast.

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

Seasonally adjusted Revenue Act receipts have leveled off and are showing signs of increasing



Data through December 11, 2009. Source: ERFC

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

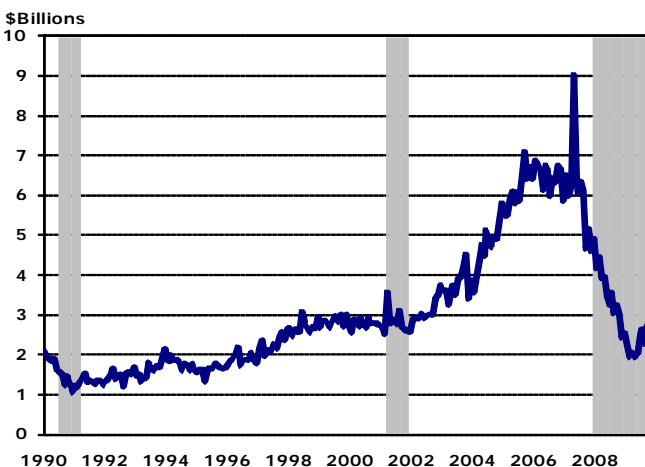
As shown in [Figure 3.1](#), on a seasonally adjusted basis, Revenue Act collections have leveled off after over a year of steep decline and are showing signs of recovery. Revenue Act collections have declined on a year-over-year basis in every collection period except one since the June 11-July 10, 2008 collection period. Collections in the most recent monthly collection period (November 11 - December 10, 2009) were down 11.2% year-over-year after adjusting past revenue to the current definition of Revenue Act revenue. Collections in the October 11 - November 10 collection period were down 9.0% year-over-year after adjusting for large one-time refunds and the definitional change. Adjusted Revenue Act tax payments in the August 11 - November 10, 2009 period, which primarily reflected third quarter 2009 business activity, declined 11.0% year-over-year, showing improvement from the adjusted decline of 11.8% from second quarter activity (May 11 - August 10, 2009 collections). Adjusted payments reflecting first quarter activity showed a 12.5% decline.

Real estate excise tax receipts are improving due to an increasing number of transactions

After three years of weakness, taxable real estate activity began to improve in June ([see Figure 3.2](#)). The gains have been due to an increase in the number of transactions, which showed positive year-over-year growth in July and August and only slight negative growth in September. While the year-over-year decline in the average value per taxable transaction continues to moderate, the measure was still down 13% in September. Transaction detail is not yet available for October and November collections.

Figure 3.2: Seasonally Adjusted Taxable Real Estate Excise Activity

Seasonally adjusted taxable real estate activity has trended upward since June



Source: ERFC data through November 2009.

Recent EFT Payments by Industry

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

Detailed information on tax payments by type and industry is compiled by the Department of Revenue on a quarterly basis. While data on fourth quarter activity will not be complete until April 2010, a preliminary indication of recent activity by industry sector can be created by looking at payments by taxpayers who file their tax returns electronically. Payments from the most recent collection period can be compared to the year-ago payments by the same taxpayers.

Electronic returns indicate year-over-year declines are continuing to moderate

Electronic tax returns from the November 11 – December 10 period mainly represent October taxable activity. Most of the returns continue to show year-over-year declines, but the rates of decline have been slowing since May. Total tax payments from businesses in the retail trade sector were up 0.5% year-over-year. Excluding the report on August activity, which managed 0.04% year-over-year growth due to “cash for clunkers” (CARS)-enhanced vehicle sales, this was the first year-over-year increase in retail trade EFT payments since February 2008. Once again, the increase was due to the motor vehicles and parts sector, which showed a 7.4% year-over-year increase in payments. This increase, however, was due mainly to weak payments during the same period last year. Excluding the motor vehicle sector, payments from businesses engaged in retail trade were down 1.1% year-over-year. The largest declines in the retail trade sector were in food and beverage stores (-9.6%), building materials and garden equipment (-8.6%), gas stations and convenience stores (-5.7%) and furniture and home furnishings (-5.7%). For the first time since February 2008, none of the retail trade sectors showed double-digit declines. Besides the auto sector, the retail trade categories showing the largest gains were sporting goods, toys, books, and music stores (+7.6%), drug and health stores (+7.5%), general merchandise stores (+5.4%) and apparel and accessories (+5.3%). Non-retail trade sectors were down 9.0% collectively. Tax payments in the construction sector were down 23.8% year-over-year. Payments in the manufacturing sector were up 12.6% year-over-year due to last year’s aerospace strike. Utilities (+6.7%) and finance and insurance (+4.2%) were the only other non-retail sectors to show year-over-year gains. Total payments from all sectors were down 5.7% year-over-year.

Department of Revenue

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

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

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

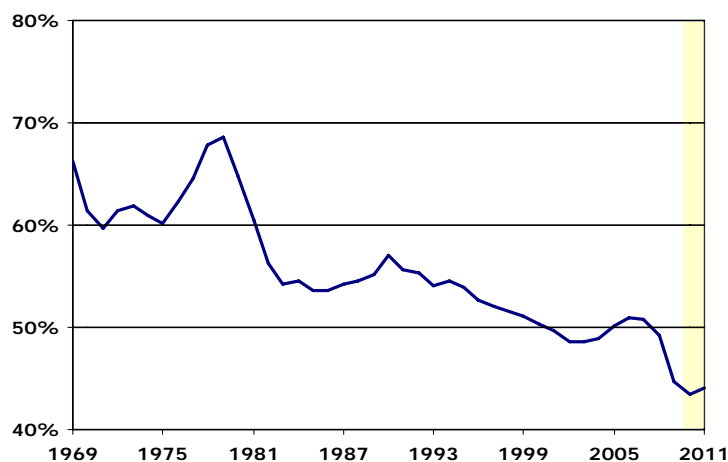
The retail sales tax is the largest source of GF-S revenue, accounting for 52.4% of GF-S revenue in FY 2009. The state's share of the tax is 6.5% of the sales price. While construction labor, repair services, and some other services are taxed, the tax does not apply to most services. Taxable sales as a share of personal income has been declining, and fell sharply during this recession. Our forecast has the taxable sales share of personal income decreasing through FY 2010 before increasing in FY 2011. This relationship is illustrated in [Figure 3.3](#).

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

As both construction materials and labor are subject to the retail sales tax, the construction sector has historically made up a large portion of total retail sales tax receipts. In FY 2009, the sector represented 20% of total taxable sales activity. Another large contributor to the tax is motor vehicle and parts sales, which represented 9% of taxable sales activity in FY 2009. The end of the housing boom, coupled with a collapse in automobile sales, took a large toll on retail sales in both FY 2008 and 2009. As shown in Table 3.4, taxable sales declined 10.4% in FY 2009 after an increase of only 2.7% in FY 2008.

Figure 3.3: Taxable Sales* as Percentage of State Personal Income

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



*Adjusted base. Shaded area indicates forecast
Source: ERFC

Retail sales tax growth forecast:
FY08: 4.3%
FY09: -10.8%
FY10: -3.5%
FY11: 10.4%

While taxable activity in the construction sector is forecasted to continue to decline through the second quarter of 2010, most other consumer activity is expected to start showing gradual improvement in the fourth quarter of 2009. Taxable activity is forecasted to decline a further 0.9% in FY 2010 before improving to a more normal growth rate of 7.5% in FY 2011. Taking into account the lag between taxable activity and collections and factoring in actual and forecasted tax deferrals, credits, and refunds, actual retail sales tax collections are forecasted to

decline by 3.5% in FY 2010 before growing 10.4% in FY 2011. In September, sales taxes were forecasted to remain at FY 2009 levels in FY 2010 and grow by 8.0% in FY 2011. Retail sales tax collections increased by 4.3% in FY 2008 and declined by 10.8% in FY 2009.

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

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

*B&O tax growth forecast:
FY08: 5.5%
FY09: -8.2%
FY10: -1.3%
FY11: 15.6%*

As shown in Table 3.9, B&O taxes decreased by 8.2% year-over-year in FY 2009 after increasing 5.5% in FY 2008. Collections are forecasted to decrease by 1.3% in FY 2010 before increasing by 15.6% in fiscal 2011. It should be noted that part of the increase in forecasted FY 2010 revenue is due to the inclusion of the B&O tax on hospitals to the GF-S beginning that fiscal year per ESSB 5073. Without those taxes, the forecasted decline for FY 2010 would be -4.7%. Fiscal 2010 revenue has also been reduced by \$20.2 million in refunds that occurred subsequent to the September forecast. In September, B&O taxes were forecasted to increase by 5.4% in FY 2010 and 12.0% in FY 2011.

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

The state property tax levy is the third largest source of GF-S revenue, accounting for 11.6% of total revenue in FY 2009. Though the tax goes into the GF-S, it is dedicated to the funding of basic education. Under Initiative-728, passed in November 2000, a portion of the state property tax levy was transferred monthly from the General Fund to the Student Achievement Account, but beginning in FY 2010 the account has been consolidated into the GF-S under ESSB 5073.

*GF-S property tax growth forecast:
FY08: 3.5%
FY09: 2.7%
FY10: 17.6%
FY11: 3.2%*

As shown in Table 3.9, the state GF-S share of property taxes increased by 2.7% year-over-year in FY 2009 after increasing 3.5% in FY 2008. The forecast for FY 2010 property taxes, however, is inflated by the elimination of the aforementioned transfer to the Student Achievement Account. Without the elimination of the transfer, FY 2010 property tax collections would have been forecasted at \$1.51 billion, which is 0.1% less than the FY 2009 total, and FY 2011 collections would have been \$1.56 billion, a growth rate of 3.4%. With the elimination of the transfer, the forecasted state GF-S property tax growth rates for FY 2010 and 2011 are 17.6% and 3.2% respectively. In

September, property taxes were forecasted to increase by 19.8% in FY 2010 and 1.9% in FY 2011.

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

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

*Use tax growth forecast:
FY08: 1.4%
FY09: -10.0%
FY10: -4.5%
FY11: 12.0%*

After a 1.4% increase in FY 2008, use tax receipts declined by 10.0% in FY 2009 and are forecasted to decrease by 4.5% in FY 2010 before increasing by 12.0% in FY 2011. Much of the reason for the sharp decline in 2009 and forecasted steep rise in 2011 is the behavior 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. The September forecast was an increase of 0.4% in FY 2010 and 9.3% in FY 2011.

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

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

*Real estate excise tax growth forecast:
FY08 -38.0%
FY09: -41.3%
FY10: 11.0%
FY11: 24.0%*

While housing prices may continue to decline through the end of the year, the November forecast predicts that the low point in seasonally adjusted taxable real estate activity was in the first quarter of 2009. Tax receipts have begun to increase due to an increase in the number of transactions (including sales of foreclosed homes), but later the increase will also be bolstered by increasing prices. As noted above, seasonally adjusted state real estate activity began to improve in June. REET receipts declined by 41.3% in FY 2009 after a 38.0% decline in FY 2008. FY 2010 growth is forecasted at 11.0% and FY 2011 growth is forecasted at 24.0%. Even with the forecasted growth, expected FY 2011 receipts are below the receipts of FY 2004. In September, taxes were forecasted to increase by 13.4% in FY 2010 and 25.3% in FY 2011.

Recovery began in the second quarter of 2009

Department of Licensing

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

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's final tally of General Fund-State forecast for the 2007-09 biennium was \$44.8 million. The department's forecast for the 2009-11 biennium has been decreased \$0.1 million to \$44.9 million.

The Office of Financial Management (Other Agencies)

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

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's final total for the 2007-09 biennium was \$33.1 million, \$3.5 million above the September forecast. The office's forecast for the 2009-11 biennium has been increased \$2.0 million to \$211.1 million.

State Treasurer

*Forecast
change by
biennium
(millions):*

*07-09: \$3.5
09-11: \$2.0*

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's final tally for the 2007-09 biennium was \$175.4 million. The office's forecast for the 2009-11 biennium has been decreased \$5.1 million to -\$0.5 million. The forecasted earnings for the biennium are negative because the forecasted daily balance of the GF-S for the biennium is now negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office.

Insurance Commissioner

*Forecast
change for
2009-11
biennium:
-\$5.1 million*

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the GF-S and various accounts in support of fire services. The office's final tally for the 2007-09 biennium was \$513.2 million. The office's forecast for the 2009-11 biennium is unchanged at \$844.6 million.

Liquor Control Board

*Forecast
change for
2009-11
biennium:
-\$4.6 million*

The Liquor Control Board forecasts GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's final account of excess funds and fees for the 2007-09 biennium was \$79.7 million. The board's forecast for the 2009-11 biennium has been decreased \$4.4 million to \$75.0 million. The board's final tally of beer and wine surtaxes for the 2007-09 biennium was \$4.5 million. The board's forecast for the 2009-11 biennium has been decreased \$0.2 million to \$61.5 million.

Lottery Commission

*No forecast
change for
2009-11
biennium*

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Funds are not transferred unless there is lottery revenue remaining after the School Construction and Stadium/Exhibition

Center accounts receive their allotments. The Commission's final tally of GF-S cash transfers for the 2007-09 biennium was \$11.1 million. The Commission's forecast for the 2009-11 biennium is unchanged at \$17.3 million. The Commission's final tally of revenues for the School Construction Account for the 2007-09 biennium was \$201.3 million. The forecast for the 2009-11 biennium has been increased \$13.8 million to \$189.6 million due to the expected addition of Powerball lottery ticket sales in early 2010. The forecast of the distribution of Lottery earnings can be found in Table 3.14.

Administrative Office of the Courts

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

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties to fund the Public Safety and Education Account (PSEA) and the Equal Justice sub account. Under ESSB 5073, the revenue and activities of these accounts have been consolidated into the GF-S starting July 1, 2009. The forecast of these funds for the 2009-11 biennium has been decreased \$0.1 million to \$202.8 million.

Track Record for the 2007-09 Biennium

*Total revenue
for the 2007-
09 biennium
is \$1.33
billion lower
than the
initial
forecast in
February
2006*

Table 3.10 summarizes the changes to the GF-S revenue forecast for the 2007-09 biennium. The final tally of GF-S revenue for the biennium is \$1.33 billion (4.6%) lower than the initial forecast that was released in February 2006. Excluding non-economic changes, the current forecast for the 2007-09 biennium is \$1.07 billion (3.7%) lower than the initial forecast. There have been fifteen quarterly updates to the forecast; six have increased the forecast and nine have reduced the forecast.

Track Record for the 2009-11 Biennium

*The
November
forecast for
the 2009-11
biennium is
\$5.32 billion
lower than
the initial
forecast in
February
2008*

Table 3.11 summarizes the changes to the GF-S revenue forecast for the 2009-11 biennium. The values of the previous forecasts have been adjusted to reflect the new definition of GF-S under ESSB 5073 (these values were previously classified as "GF-S and Related Fund"). The initial forecast for the biennium was released in February 2008. The June 2009 forecast for the 2009-11 biennium is \$5.32 billion (15.6%) lower than the initial forecast. Non-economic changes (excluding the classification changes from ESSB 5073) have increased the forecast by \$109 million (0.3%). Excluding non-economic changes, the current forecast is \$5.42 billion (15.9%) lower than the initial forecast. All forecasts subsequent to the initial forecast have reduced the forecast for the biennium.

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

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

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GF-S revenue forecast on both a cash and GAAP basis. The GAAP forecasts of GF-S revenue for the 2007-09 and 2009-11 biennia are presented in Tables 3.6 and 3.8 respectively. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GF-S forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.6 and 3.8 are on a cash basis.

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

The November forecast predicts a shortfall of \$947.8 million at the end of the 2009-11 biennium

Table 3.12 shows the budgetary balance sheet the 2007-09 and 2009-11 biennia as prepared by the Office of Financial Management and the House and Senate fiscal committees. With adoption of the November 2009 GF-S forecast, the projected total balance at the end of the 2009-11 biennium is negative \$947.8 million. This is based on an enacted 2009-11 appropriations level of \$30,918.1 million. The total ending balance is comprised of a projected ending GF-S balance of negative \$1,183.5 million and a \$235.7 million balance in the Budget Stabilization Account.

Alternative Forecasts for the 2009-11 Biennium

The optimistic scenario brings in a total of \$1.33 billion more than the baseline; the pessimistic brings in \$1.37 billion less

Chapter 2 outlines optimistic and pessimistic alternatives to the baseline Washington economic forecast. The revenue implications of these alternative scenarios for the 2009-11 biennium are shown in Table 3.13. The optimistic forecast for the 2009-11 biennium generates \$30,175 million in revenue, \$1,332 million more than the baseline scenario, while the pessimist forecast produces \$27,475 million in revenue, \$1,368 million less than the baseline. In addition to the changes in the pessimistic economic scenario, the pessimistic forecast assumes the DOT foods decision will not be reconsidered by the Supreme Court and that the resulting refunds and foregone revenue will be at the high end of the forecasted range. The September forecast assigns a probability of 85% to the baseline forecast,

5% to the optimistic forecast and 10% to the pessimistic forecast.

A scenario based on the outlook of the GCEA brings in \$58 million more than the baseline

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 \$58 million more than the baseline scenario for the 2009-11 biennium.

Related Fund and Near General Fund Forecasts for the 2007-09 and 2009-11 Biennia

"Related Fund" revenues can be found in Tables 3.15 and 3.16

"Related Fund" is defined in RCW 43.135.025 and consists of six funds: the public safety and education account, the water quality account, the violence reduction and drug enforcement account, the student achievement account, and the health services account. Under ESSB 5073 the "Related Fund" has been consolidated into the GF-S as of July 1, 2009. The total related fund revenues for the 2007-09 biennium can be found in Table 3.15. The history of the sum of the GF-S and Related Fund and the forecast of the redefined GF-S that incorporates the fund can be found in Table 3.16.

The "Near General Fund" forecast can be found in Table 3.16

ESHB 2687, passed in the 2008 legislative session, charged the Economic and Revenue Forecast Council with forecasting "Near General Fund" revenues as defined by the Legislative Evaluation and Accountability Program (LEAP) Committee. The Committee has defined near general fund accounts as those included in the "Related Fund" plus the Education Legacy Trust Account and the Pension Funding Stabilization Account. As of July 1, 2009, "Near General Fund" consists of the Education Legacy Trust Account and the Pension Funding Stabilization Account. These forecasts are included in Table 3.15. As can be seen from the forecast, however, no additional revenues are forecasted for the Pension Funding Stabilization Account for the 2009-11 biennium.

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

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2005 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$4,300.0	
1963-65	866.2	6.0%	4,439.3	3.2%
1965-67	1,128.6	30.3%	5,565.5	25.4%
1967-69	1,440.5	27.6%	6,658.6	19.6%
1969-71	1,732.7	20.3%	7,324.5	10.0%
1971-73	1,922.1	10.9%	7,517.5	2.6%
1973-75	2,372.4	23.4%	8,015.4	6.6%
1975-77	3,395.0	43.1%	9,977.1	24.5%
1977-79	4,490.0	32.3%	11,583.4	16.1%
1979-81	5,356.4	19.3%	11,500.8	-0.7%
1981-83	6,801.4	27.0%	12,722.0	10.6%
1983-85	8,202.4	20.6%	14,157.7	11.3%
1985-87	9,574.6	16.7%	15,577.2	10.0%
1987-89	10,934.1	14.2%	16,513.6	6.0%
1989-91	13,309.0	21.7%	18,481.9	11.9%
1991-93	14,862.2	11.7%	19,334.5	4.6%
1993-95	16,564.6	11.5%	20,630.3	6.7%
1995-97	17,637.7	6.5%	21,047.7	2.0%
1997-99	19,620.1	11.2%	22,737.1	8.0%
1999-01	21,262.1	8.4%	23,692.8	4.2%
2001-03	21,140.7	-0.6%	22,776.9	-3.9%
2003-05	23,388.5	10.6%	24,094.0	5.8%
2005-07	27,772.0	18.7%	27,024.1	12.2%
2007-09	27,703.0	-0.2%	25,589.3	-5.3%
2009-11 ^F	28,842.9	4.1%	25,890.5	1.2%

^F November 2009 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 September 2009 forecast.

Table 3.4
Taxable retail sales*
 (millions of dollars)

Fiscal		Percent
Year	Amount	Change
1978	\$21,121	
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 ^P	106,379	-10.4%
2010 ^F	105,475	-0.9%
2011 ^F	113,405	7.5%

^P Preliminary

^F Forecast

Source: ERFC

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

Table 3.5

Comparison of the General Fund-State forecast by agency

2007-09 biennium; cash basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Sept. 2009 Forecast</u>¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Nov. 2009 Forecast</u>²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$14,575.4	\$0.0	\$0.0	\$14,575.4	\$0.0
Business & Occupation	5,344.5	0.0	0.0	5,344.5	0.0
Use	971.2	0.0	0.0	971.2	0.0
Public Utility	741.5	0.0	0.0	741.5	0.0
Liquor Sales/Liter	319.8	0.0	0.0	319.8	0.0
Cigarette	99.2	0.0	0.0	99.2	0.0
Property (State Levy)	2,986.9	0.0	0.0	2,986.9	0.0
Real Estate Excise	1,052.4	0.0	0.0	1,052.4	0.0
Timber Excise	12.7	0.0	0.0	12.7	0.0
Other	739.7	0.0	0.0	739.7	0.0
Subtotal	26,843.3	0.0	0.0	26,843.3	0.0
<i>Department of Licensing</i>					
Boat excise, licenses, fees & oth	44.7	0.0	0.0	44.7	0.0
<i>Insurance Commissioner</i>					
Insurance Premiums	513.2	0.0	0.0	513.2	0.0
<i>Liquor Control Board</i>					
Liquor Profits and Fees	79.7	0.0	0.0	79.7	0.0
Beer & Wine Surtax	4.5	0.0	0.0	4.5	0.0
<i>Lottery Commission</i>					
Lottery Revenue	11.1	0.0	0.0	11.1	0.0
<i>State Treasurer</i>					
Interest Earnings	175.4	0.0	0.0	175.4	0.0
<i>Office of Financial Management</i>					
Other	27.6	0.0	3.5	31.1	3.5
<u>Total General Fund-State *</u>	\$27,699.5	\$0.0	\$3.5	\$27,703.0	\$3.5

1 General Fund-State forecast for the 2007-09 biennium adopted by the Economic and Revenue Forecast Council in September

2 General Fund-State forecast for the 2007-09 biennium, adopted November 2009

*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
 2007-09 biennium; GAAP basis
 (millions of dollars)

Forecast by Agency	Sept. 2009 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2009 Forecast²	Total Change
<i>Department of Revenue</i>					
Retail Sales	\$14,537.9	\$0.0	(\$14.0)	\$14,523.9	(\$14.0)
Business & Occupation	5,273.9	0.0	16.9	5,290.8	16.9
Use	964.4	0.0	2.0	966.3	2.0
Public Utility	745.2	0.0	(4.0)	741.2	(4.0)
Liquor Sales/Liter	320.0	0.0	0.0	320.0	0.0
Cigarette	98.9	0.0	0.0	98.9	0.0
Property (State Levy)	2,987.0	0.0	0.0	2,987.0	0.0
Real Estate Excise	1,056.6	0.0	0.0	1,056.6	0.0
Timber Excise	11.4	0.0	0.0	11.4	0.0
Other	739.3	0.0	(0.9)	738.4	(0.9)
Subtotal	26,734.6	0.0	0.0	26,734.6	0.0
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.7	0.0	0.0	44.7	0.0
<i>Insurance Commissioner</i>					
Insurance Premiums	513.2	0.0	0.0	513.2	0.0
<i>Liquor Control Board</i>					
Liquor Profits and Fees	79.7	0.0	0.0	79.7	0.0
Beer & Wine Surtax	4.5	0.0	0.0	4.5	0.0
<i>Lottery Commission</i>					
Lottery Revenue	13.1	0.0	0.0	13.1	0.0
<i>State Treasurer</i>					
Interest Earnings	165.0	0.0	0.0	165.0	0.0
<i>Office of Financial Management</i>					
Other	27.6	0.0	3.5	31.1	3.5
<u>Total General Fund-State *</u>	\$27,582.4	\$0.0	\$3.5	\$27,585.9	\$3.5

1 General Fund-State forecast for the 2007-09 biennium adopted by the Economic and Revenue Forecast Council in September 2009

2 General Fund-State forecast for the 2007-09 biennium, adopted November 2009

*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 agency2009-11 biennium; cash basis
(millions of dollars)

<u>Forecast by Agency</u>	<u>Sept. 2009 Forecast</u>¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Nov. 2009 Forecast</u>²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$14,289.0	\$0.0	(\$342.8)	\$13,946.2	(\$342.8)
Business & Occupation	5,714.9	0.0	(271.2)	5,443.6	(271.2)
Use	966.4	0.0	(35.4)	931.0	(35.4)
Public Utility	723.1	0.0	0.1	723.2	0.1
Liquor Sales/Liter	400.9	0.0	(0.0)	400.9	(0.0)
Cigarette	592.4	0.0	0.1	592.4	0.1
Property (State Levy)	3,662.7	0.0	(45.2)	3,617.6	(45.2)
Real Estate Excise	994.4	0.0	(26.8)	967.5	(26.8)
Timber Excise	6.9	0.0	0.0	7.0	0.0
Other	787.5	0.0	(30.8)	756.7	(30.8)
Subtotal	28,138.3	0.0	(752.1)	27,386.1	(752.1)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	45.1	0.0	(0.1)	44.9	(0.1)
<i>Insurance Commissioner</i>					
Insurance Premiums	844.6	0.0	0.0	844.6	0.0
<i>Liquor Control Board</i>					
Liquor Profits and Fees	79.4	0.0	(4.4)	75.0	(4.4)
Beer & Wine Surtax	61.8	0.0	(0.2)	61.5	(0.2)
<i>Lottery Commission</i>					
Lottery Revenue	17.3	0.0	0.0	17.3	0.0
<i>State Treasurer</i>					
Interest Earnings	4.6	0.0	(5.1)	(0.5)	(5.1)
<i>Office of Financial Management</i>					
Other	209.1	0.0	2.0	211.1	2.0
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	202.9	0.0	(0.1)	202.8	(0.1)
<u>Total General Fund-State *</u>	\$29,603.1	\$0.0	(\$760.2)	\$28,842.9	(\$760.2)

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

2 Forecast for the 2009-11 biennium, adopted November 2009

*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

2009-11 biennium; GAAP basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Sept. 2009 Forecast</u>¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Nov. 2009 Forecast</u>²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$14,273.6	\$0.0	(\$344.1)	\$13,929.5	(\$344.1)
Business & Occupation	5,708.2	0.0	(271.9)	5,436.4	(271.9)
Use	967.7	0.0	(35.4)	932.4	(35.4)
Public Utility	724.3	0.0	0.0	724.3	0.0
Liquor Sales/Liter	400.9	0.0	(0.0)	400.9	(0.0)
Cigarette	592.4	0.0	0.1	592.4	0.1
Property (State Levy)	3,662.7	0.0	(45.2)	3,617.5	(45.2)
Real Estate Excise	994.5	0.0	(26.8)	967.7	(26.8)
Timber Excise	6.1	0.0	0.1	6.2	0.1
Other	787.9	0.0	(30.9)	757.0	(30.9)
Subtotal	28,118.4	0.0	(754.0)	27,364.4	(754.0)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	45.1	0.0	(0.1)	44.9	(0.1)
<i>Insurance Commissioner</i>					
Insurance Premiums	844.6	0.0	0.0	844.6	0.0
<i>Liquor Control Board</i>					
Liquor Profits and Fees	79.4	0.0	(4.4)	75.0	(4.4)
Beer & Wine Surtax	61.8	0.0	(0.2)	61.5	(0.2)
<i>Lottery Commission</i>					
Lottery Revenue	15.3	0.0	0.0	15.3	0.0
<i>State Treasurer</i>					
Interest Earnings	2.5	0.0	(5.5)	(3.0)	(5.5)
<i>Office of Financial Management</i>					
Other	209.1	0.0	2.0	211.1	2.0
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	202.9	0.0	(0.1)	202.8	(0.1)
<u>Total General Fund-State</u>*	\$29,579.1	\$0.0	(\$762.5)	\$28,816.7	(\$762.5)

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

2 Forecast for the 2009-11 biennium, adopted November 2009

*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
November 2009 General Fund-State forecast
2007-09 & 2009-11 biennia
(cash basis, millions of dollars)

Forecast by Source	Fiscal 2007^a	Fiscal 2008^a	Fiscal 2009^a	2007-09 Biennium	Fiscal 2010[#]	Fiscal 2011[#]	2009-11 Biennium
State Taxes							
Retail sales***	\$7,388.0	\$7,705.2	\$6,870.2	\$14,575.4	\$6,628.7	\$7,317.5	\$13,946.2
Business & occupation ^{##}	2,640.9	2,786.2	2,558.2	5,344.5	2,524.8	2,918.8	5,443.6
Use***	504.4	511.2	460.0	971.2	439.1	491.9	931.0
Public Utility	352.9	367.9	373.7	741.5	362.6	360.6	723.2
Liquor sales/liter ^{##}	147.7	157.2	162.5	319.8	197.5	203.4	400.9
Beer & wine surtax ^{##}	2.2	2.2	2.4	4.5	30.5	31.0	61.5
Cigarette ^{##}	50.5	51.3	47.8	99.2	296.1	296.3	592.4
Tobacco products ^{##}	6.8	(9.3)	11.1	1.8	31.5	31.6	63.1
Property (state school levy)**	1,423.1	1,473.6	1,513.8	2,987.5	1,780.7	1,836.8	3,617.6
Public utility district	39.8	41.7	42.2	83.9	41.4	43.8	85.1
Real estate excise	1,069.6	663.3	389.1	1,052.4	431.9	535.6	967.5
Timber excise	8.0	7.3	5.4	12.7	3.7	3.3	7.0
Estate/inheritance	5.3	4.1	0.6	4.7	0.8	0.6	1.4
Boat excise	15.8	17.7	17.2	34.8	17.4	18.0	35.3
Insurance premiums ^{##}	249.0	260.6	252.7	513.2	416.0	428.6	844.6
Other	275.9	260.3	221.4	481.8	234.9	252.8	487.7
Total Taxes	14,180.0	14,300.5	12,928.3	27,228.8	13,437.7	14,770.6	28,208.3
State Non-Tax Sources							
Licenses, permits, fees ^{##}	91.8	97.5	95.1	192.6	91.9	93.7	185.6
Liquor profits & fees	49.0	38.9	40.8	79.7	35.8	39.2	75.0
Earnings on investments ^{##}	100.9	116.6	58.8	175.4	(1.7)	1.2	(0.5)
Lottery transfers	7.6	0.0	11.1	11.1	12.1	5.2	17.3
Other revenue & transfers ^{##}	13.9	60.4	(45.0)	15.4	176.0	181.2	357.2
Total Non-Tax	263.1	313.4	160.8	474.1	314.0	320.7	634.6
Total General Fund-State *	\$14,443.2	\$14,613.9	\$13,089.1	\$27,703.0	\$13,751.7	\$15,091.2	\$28,842.9

a - Actual;

* Detail may not add to totals due to rounding.

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

***GFS portion after Initiative 900 transfer.

[#] New definition of General Fund-State per ESSB 5073

^{##} FY10-11 Amounts include taxes that were part of "Related Fund" prior to FY10

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

Table 3.10

Track record for the 2007-09 General Fund-State forecast

February 2006 through November 2009

(cash basis - millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State</u>
February 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	204	9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008	(405)	(19)	(423)		(423)	29,463
June 2008	(36)	(14)	(50)	(11) #4	(61)	29,402
September 2008	(288)	15	(273)		(273)	29,129
November 2008	(506)	3	(503)		(503)	28,627
March 2009	(650)	(20)	(670)	(66) #5	(736)	27,891
June 2009	(186)	3	(184)	(1) #6	(185)	27,706
September 2009	(11)	5	(7)		(7)	27,700
November 2009	0	3	3		3	27,703
Total change***:						
From February 2006	(1,129)	56	(1,073)	(252)	(1,325)	
Percent change	(4.0)	6.6	(3.7)	(0.9)	(4.6)	

* 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.

**** First official forecast for the 2007-09 biennium

#1 Change to the forecast due to 2006 legislation

#2 Change to the forecast due to 2007 legislation/budget driven revenue and the tobacco product tax settlement

#3 Change to the forecast due to change in federal law regarding taxation of internet access

#4 Impact of 2008 legislation and budget driven revenue

#5 Expected refunds, large audit payments, and adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

#6 2009 Supplemental budget-driven change to Liquor Control Board excess funds distribution

Source: ERFC

Table 3.11
Track Record for the 2009-11 General Fund-State Cash Forecast
 February 2008 through November 2009
 Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis#</u>
February 2008##	\$32,443	\$1,715				\$34,158
Changes to Forecast						
June 2008	(85)	(28)	(112)	(46) #1	(158)	34,000
September 2008	(238)	(29)	(267)	0	(267)	33,733
November 2008	(1,376)	(77)	(1,453)	36 #2	(1,417)	32,316
March 2009	(2,030)	(94)	(2,124)	(61) #3	(2,185)	30,131
June 2009	(509)	(15)	(523)	226 #4	(297)	29,834
September 2009	(177)	(8)	(185)	(46) #5	(231)	29,603
November 2009	(752)	(8)	(760)	0	(760)	28,843
Total change***:						
From February 2008	(5,166)	(258)	(5,424)	109	(5,315)	
Percent change	(15.9)	(15.1)	(15.9)	0.3	(15.6)	

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

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

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

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

#1 Impact of 2008 legislation and budget driven revenue.

#2 Expiration of Sales Tax Exemption on Renewable Energy Equipment

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

#4 Sum of 2009 legislation and budget-driven revenue

Table 3.12

2007-09 and 2009-11 Enacted Budget Balance Sheet**General Fund-State**

Dollars in Millions

	2007-09	2009-11 *
RESOURCES		
Beginning Fund Balance	780.5	193.0
September 2009 Forecast	27,699.5	29,603.1
November 2009 Update	3.5	(760.2)
Current Revenue Totals	27,703.0	28,842.9
Legislatively Enacted Fund Transfers	1,064.5	873.9
2008: Prior Period Adjustments	(6.9)	-
Transfer to Budget Stabilization Account	(115.1)	(259.3)
Transfer Related Fund Balances	-	84.1
Total Resources (including beginning fund balance)	29,426.1	29,734.6
EXPENDITURES		
2007-09 and 2009-11 Enacted Budgets	29,233.1	30,918.1
RESERVES		
Projected General Fund Ending Balance	193.0	(1,183.5)
Budget Stabilization Account Beginning Balance	0.0	21.4
Transfer To Budget Stabilization Account (From Emergency Reserve Account)	303.2	-
Transfer from General Fund and Interest Earnings	118.2	259.4
Transfer to General Fund	(400.0)	(45.1)
Projected Budget Stabilization Account Ending Balance	21.4	235.7
Total Reserves (General Fund plus Budget Stabilization)	214.4	(947.8)

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

Note regarding future potential change to the revenue forecast: There is a state Supreme Court case (DOT Foods vs. Dept. of Revenue (DOR)) currently under reconsideration. If the court's final determination indicates that DOR must refund Business and Occupation taxes that DOT Foods and similar businesses paid to the state, total refunds are estimated at \$59 million, and a potential \$95 million in taxes lost going forward.

Table 3.13
Alternative forecasts compared to the baseline forecast
2009-11 biennium
(cash basis, millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$14,691.8	\$13,946.2	\$13,276.7
Business & Occupation	5,702.3	5,443.6	5,088.7
Use	1,003.2	931.0	881.5
Public Utility	739.0	723.2	705.1
Property (school levy)	3,636.1	3,617.6	3,554.0
Real Estate Excise	1,064.7	967.5	881.2
Other	1,815.1	1,757.0	1,689.6
Subtotal	28,652.2	27,386.1	26,076.7
<i>Department of Licensing</i>	46.3	44.9	43.6
<i>Insurance Commissioner¹</i>	865.7	844.6	823.5
<i>Lottery Commission</i>	20.0	17.3	12.0
<i>State Treasurer - Interest earnings</i>	24.3	(0.5)	(14.6)
<i>Liquor Profits & Fees²</i>	139.2	136.5	133.8
<i>Office of Financial Management</i>			
Other agencies	221.1	211.1	201.1
<i>Administrative Office of the Courts</i>			
Fines and Forfeitures	206.4	202.8	198.8
Total General Fund - State*	\$30,175.2	\$28,842.9	\$27,474.9
Difference from November 2009 Baseline	\$1,332.3		(\$1,368.0)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.14

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

	<u>Lottery: Total Transfers:*</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account</u>	<u>School Construction Account</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>
2004	113.3	0.0	4.0	7.3	76.5	25.5		
2005	112.2	4.3	4.2	7.6	0.0	96.2		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4
2010	120.3	12.1	5.2	9.2	0.0	91.1	0.2	2.4
2011	121.5	5.2	5.3	9.6	0.0	98.5	0.2	2.6
2009-11 Biennium	241.8	17.3	10.5	18.8	0.0	189.6	0.5	5.0

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

Source: Lottery Commission

Table 3.15

General Fund-State, Related Fund*, and Near General Fund**

November 2009 and September 2009 forecasts

2007-09 & 2009-11 biennia

(cash basis, millions of dollars)

	2007-09 Biennium			2009-11 Biennium		
	<u>Sept. 2009 Forecast</u>	<u>Nov. 2009 Forecast</u>	<u>Difference</u>	<u>Sept. 2009 Forecast</u>	<u>Nov. 2009 Forecast</u>	<u>Difference</u>
General Fund-State	\$27,699.5	\$27,703.0	\$3.5	\$29,603.1	\$28,842.9	(\$760.2)
Related Fund*						
Health Services Account	\$1,245.4	\$1,245.4	\$0.0	\$0.0	\$0.0	\$0.0
Violence Reduction and Drug Enforcement Acct.	92.0	92.0	0.0	0.0	0.0	0.0
Water Quality Account	67.8	67.8	0.0	0.0	0.0	0.0
Student Achievement Account	503.4	503.4	0.0	0.0	0.0	0.0
Public Safety and Education Account	205.2	205.2	0.0	0.0	0.0	0.0
Total Related Fund	\$2,113.9	\$2,113.9	\$0.0	\$0.0	\$0.0	\$0.0
Total General Fund-State and Related Fund	\$29,813.4	\$29,816.8	\$3.5	\$29,603.1	\$28,842.9	(\$760.2)
Near General Fund Not in Related Funds**						
Education Legacy Trust Account	\$414.0	\$414.0	\$0.0	\$376.7	\$381.1	\$4.4
Pension Funding Stabilization Account	23.0	23.0	0.0	0.0	0.0	0.0
Total Near General Fund	\$2,550.8	\$2,550.8	\$0.0	\$376.7	\$381.1	\$4.4
Total General Fund-State and Near General Fund	\$30,250.3	\$30,253.8	\$3.5	\$29,979.8	\$29,224.0	(\$755.8)

*As defined in RCW 43.135.025; Cash forecast; state sources.

**Prior to FY2010 Near General Fund included all Related Funds plus the Education Legacy Trust and Pension Funding Stabilization Accounts;

Per ESSB 5073, as of FY2010 Near General Fund includes the Education Legacy Trust and Pension Funding Stabilization Accounts

Source: ERFC, Department of Revenue

Table 3.16

General Fund-State: history and forecast of components

history and forecast by fiscal year

(cash basis, millions of dollars)

	General Fund-State		Related Fund		General Fund-State plus Related Fund	
	Level	% Change	Level	% Change	Level	% Change
History:						
FY 1995	\$8,551		\$248		\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%
Forecast:						
FY 2010*	\$13,752	5.1%	\$0	-100.0%	\$13,752	-2.9%
FY 2011*	\$15,091	9.7%	\$0	0.0%	\$15,091	9.7%
<u>Biennial Totals</u>						
0305 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%
0507 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%
0709 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%
0911 Biennium	\$28,843	4.1%	\$0	-100.0%	\$28,843	-3.3%

*FY 2010-11: New definition of GF-S per ESSB 5073 which includes funds previously classified as the "Related Fund"

Source: ERFC

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Detail Components of the Washington State Economic and Revenue Forecast

Calendar Years

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

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,263.8	12,638.4	12,976.3	13,254.1	13,312.2	12,986.3	13,333.6	13,750.2
% Ch	3.6	3.1	2.7	2.1	0.4	-2.4	2.7	3.1
Real Consumption	8,532.7	8,819.0	9,073.5	9,313.9	9,290.9	9,245.1	9,460.6	9,694.1
% Ch	3.5	3.4	2.9	2.6	-0.2	-0.5	2.3	2.5
Real Nonresidential Fixed Investment	1,263.0	1,347.3	1,453.9	1,544.3	1,569.7	1,292.4	1,290.4	1,429.8
% Ch	6.0	6.7	7.9	6.2	1.6	-17.7	-0.2	10.8
Real Residential Fixed Investment	729.5	775.0	718.2	585.0	451.1	362.1	395.6	475.0
% Ch	9.8	6.2	-7.3	-18.5	-22.9	-19.7	9.3	20.1
Real Personal Income	10,233.3	10,485.1	10,966.4	11,273.4	11,225.4	10,962.6	11,090.2	11,414.5
% Ch	3.3	2.5	4.6	2.8	-0.4	-2.3	1.2	2.9
Real Per Capita Income (\$/Person)	34,843	35,377	36,653	37,317	36,821	35,612	35,675	36,367
% Ch	2.3	1.5	3.6	1.8	-1.3	-3.3	0.2	1.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	0.971	1.000	1.027	1.055	1.090	1.093	1.114	1.134
% Ch	2.6	3.0	2.7	2.7	3.4	0.2	1.9	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.889	1.953	2.016	2.073	2.152	2.145	2.193	2.236
% Ch	2.7	3.4	3.2	2.9	3.8	-0.3	2.2	2.0
Employment Cost Index (Dec. 2005=1.0)	0.968	0.992	1.021	1.055	1.087	1.103	1.119	1.137
% Ch	2.7	2.5	2.9	3.4	3.0	1.5	1.5	1.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,867.8	12,638.4	13,398.9	14,077.7	14,441.4	14,269.0	14,831.3	15,557.7
% Ch	6.5	6.5	6.0	5.1	2.6	-1.2	3.9	4.9
Personal Income	9,937.3	10,485.9	11,268.1	11,894.1	12,238.8	11,978.3	12,353.7	12,946.8
% Ch	6.0	5.5	7.5	5.6	2.9	-2.1	3.1	4.8
Employment (Millions)								
U.S. Civilian Labor Force	147.4	149.3	151.4	153.1	154.3	154.3	154.1	155.6
Total U.S. Employment	139.2	141.7	144.4	146.0	145.4	139.9	138.3	141.0
Unemployment Rate (%)	5.54	5.08	4.62	4.63	5.81	9.30	10.23	9.35
Nonfarm Payroll Employment	131.42	133.70	136.10	137.60	137.05	131.87	130.72	133.35
% Ch	1.1	1.7	1.8	1.1	-0.4	-3.8	-0.9	2.0
Manufacturing	14.31	14.23	14.16	13.88	13.42	11.99	11.58	11.77
% Ch	-1.3	-0.6	-0.5	-2.0	-3.3	-10.7	-3.4	1.7
Durable Manufacturing	8.92	8.95	8.98	8.81	8.47	7.37	7.11	7.34
% Ch	-0.4	0.3	0.3	-1.9	-3.8	-13.0	-3.5	3.2
Nondurable Manufacturing	5.39	5.27	5.18	5.07	4.95	4.62	4.46	4.43
% Ch	-2.8	-2.2	-1.8	-2.0	-2.3	-6.7	-3.4	-0.7
Construction	6.97	7.33	7.69	7.63	7.21	6.23	5.63	5.63
% Ch	3.5	5.2	4.9	-0.8	-5.5	-13.6	-9.7	0.1
Service-Producing	109.54	111.51	113.56	115.37	115.64	112.92	112.84	115.27
% Ch	1.3	1.8	1.8	1.6	0.2	-2.3	-0.1	2.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	41.5	56.6	66.1	72.2	99.8	62.0	80.9	84.3
Personal Saving/Disposable Income (%)	3.4	1.4	2.4	1.7	2.6	3.7	2.5	1.8
Auto Sales (Millions)	7.5	7.7	7.8	7.6	6.8	5.4	6.0	7.5
% Ch	-0.9	2.3	1.3	-2.6	-10.6	-20.2	9.9	25.2
Housing Starts (Millions)	1.950	2.073	1.812	1.342	0.900	0.575	0.835	1.263
% Ch	5.2	6.3	-12.6	-25.9	-32.9	-36.2	45.3	51.3
Federal Budget Surplus (Billions)	-379.5	-283.0	-203.8	-236.5	-642.6	-1,222.3	-1,271.2	-997.8
Net Exports (Billions)	-618.7	-722.7	-769.3	-713.8	-707.8	-390.1	-516.5	-545.2
3-Month Treasury Bill Rate (%)	1.36	3.13	4.72	4.38	1.40	0.16	0.60	2.37
10-Year Treasury Note Yield (%)	4.27	4.29	4.79	4.63	3.67	3.25	3.70	4.16
Bond Index of 20 G.O. Munis. (%)	4.68	4.40	4.40	4.39	4.86	4.61	4.38	4.84
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.04	5.05	5.31	5.75

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,915.9	12,962.5	12,965.9	13,060.7	13,099.9	13,204.0	13,321.1	13,391.2
% Ch , Annual Rate	5.4	1.5	0.1	3.0	1.2	3.2	3.6	2.1
Real Consumption	8,986.6	9,035.0	9,090.7	9,181.6	9,265.1	9,291.5	9,335.6	9,363.6
% Ch , Annual Rate	4.5	2.2	2.5	4.1	3.7	1.1	1.9	1.2
Real Nonresidential Fixed Investment	1,424.9	1,450.3	1,466.0	1,474.5	1,489.6	1,530.3	1,565.8	1,591.3
% Ch , Annual Rate	17.9	7.3	4.4	2.3	4.2	11.4	9.6	6.7
Real Residential Fixed Investment	775.2	740.1	697.4	660.2	631.7	610.4	572.9	525.0
% Ch , Annual Rate	-4.2	-16.9	-21.2	-19.7	-16.2	-12.8	-22.4	-29.5
Real Personal Income	10,831.4	10,923.6	10,973.0	11,137.5	11,229.6	11,252.5	11,303.5	11,308.2
% Ch , Annual Rate	9.2	3.4	1.8	6.1	3.4	0.8	1.8	0.2
Real Per Capita Income (\$/Person)	36,340	36,562	36,626	37,085	37,311	37,295	37,366	37,296
% Ch , Annual Rate	8.3	2.5	0.7	5.1	2.5	-0.2	0.8	-0.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.018	1.026	1.033	1.033	1.042	1.051	1.057	1.070
% Ch , Annual Rate	1.7	3.0	3.0	-0.1	3.7	3.2	2.3	5.1
U.S. Consumer Price Index (1982-84=1.0)	1.996	2.012	2.030	2.025	2.044	2.065	2.077	2.107
% Ch , Annual Rate	1.9	3.4	3.6	-1.0	3.9	4.2	2.4	5.8
Employment Cost Index (Dec. 2005=1.0)	1.008	1.016	1.025	1.033	1.043	1.050	1.059	1.067
% Ch , Annual Rate	2.8	3.2	3.6	3.2	3.9	2.7	3.5	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,183.5	13,347.8	13,452.9	13,611.5	13,795.6	13,997.2	14,179.9	14,337.9
% Ch , Annual Rate	8.6	5.1	3.2	4.8	5.5	6.0	5.3	4.5
Personal Income	11,026.7	11,204.0	11,336.9	11,504.8	11,706.9	11,823.4	11,945.6	12,100.3
% Ch , Annual Rate	11.1	6.6	4.8	6.1	7.2	4.0	4.2	5.3
Employment (Millions)								
U.S. Civilian Labor Force	150.5	151.1	151.6	152.4	153.0	152.8	153.1	153.6
Total U.S. Employment	143.4	144.1	144.6	145.6	146.1	145.9	146.0	146.3
Unemployment Rate (%)	4.73	4.67	4.63	4.43	4.50	4.53	4.70	4.80
Nonfarm Payroll Employment	135.43	135.90	136.29	136.77	137.27	137.56	137.59	138.00
% Ch , Annual Rate	2.4	1.4	1.1	1.4	1.5	0.9	0.1	1.2
Manufacturing	14.22	14.21	14.15	14.06	14.00	13.91	13.83	13.78
% Ch , Annual Rate	0.5	-0.2	-1.6	-2.7	-1.8	-2.3	-2.3	-1.6
Durable Manufacturing	8.99	9.02	8.99	8.93	8.89	8.84	8.78	8.73
% Ch , Annual Rate	1.3	1.0	-1.3	-2.4	-2.1	-2.3	-2.6	-2.0
Nondurable Manufacturing	5.22	5.19	5.16	5.12	5.11	5.08	5.06	5.04
% Ch , Annual Rate	-0.8	-2.4	-2.0	-3.2	-1.2	-2.3	-1.8	-0.9
Construction	7.66	7.71	7.71	7.69	7.69	7.68	7.61	7.55
% Ch , Annual Rate	8.2	2.4	0.2	-0.9	0.1	-1.0	-3.5	-3.1
Service-Producing	112.89	113.31	113.74	114.32	114.86	115.25	115.43	115.94
% Ch , Annual Rate	2.2	1.5	1.5	2.1	1.9	1.3	0.6	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	63.4	70.6	70.5	60.1	58.1	65.0	75.2	90.5
Personal Saving/Disposable Income (%)	2.2	2.5	2.3	2.5	2.1	1.8	1.7	1.5
Auto Sales (Millions)	7.9	7.8	7.9	7.7	7.6	7.6	7.4	7.8
% Ch , Annual Rate	22.7	-8.1	5.7	-9.4	-2.3	-2.5	-8.7	22.2
Housing Starts (Millions)	2.120	1.855	1.702	1.570	1.461	1.451	1.289	1.166
% Ch , Annual Rate	10.4	-41.4	-29.1	-27.7	-24.9	-2.8	-37.7	-33.0
Federal Budget Surplus (Billions)	-207.3	-229.4	-215.5	-163.0	-200.9	-221.3	-258.8	-265.0
Net Exports (Billions)	-775.8	-781.4	-805.7	-714.3	-729.4	-724.8	-698.4	-702.5
3-Month Treasury Bill Rate (%)	4.38	4.68	4.91	4.91	4.98	4.75	4.35	3.44
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.63	4.68	4.85	4.73	4.26
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.18	4.20	4.37	4.58	4.43
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,366.9	13,415.3	13,324.6	13,141.9	12,925.4	12,901.5	13,014.0	13,104.2
% Ch , Annual Rate	-0.7	1.5	-2.7	-5.4	-6.4	-0.7	3.5	2.8
Real Consumption	9,349.6	9,351.0	9,267.7	9,195.3	9,209.2	9,189.0	9,265.1	9,317.1
% Ch , Annual Rate	-0.6	0.1	-3.5	-3.1	0.6	-0.9	3.4	2.3
Real Nonresidential Fixed Investment	1,598.9	1,604.4	1,579.2	1,496.1	1,321.2	1,288.4	1,280.2	1,279.8
% Ch , Annual Rate	1.9	1.4	-6.1	-19.4	-39.2	-9.6	-2.5	-0.1
Real Residential Fixed Investment	483.2	462.9	443.3	415.0	367.9	344.4	362.9	373.0
% Ch , Annual Rate	-28.2	-15.8	-15.9	-23.2	-38.2	-23.2	23.3	11.6
Real Personal Income	11,245.5	11,275.7	11,142.0	11,238.3	11,021.5	11,002.1	10,912.6	10,914.3
% Ch , Annual Rate	-2.2	1.1	-4.7	3.5	-7.5	-0.7	-3.2	0.1
Real Per Capita Income (\$/Person)	37,016	37,032	36,504	36,730	35,934	35,783	35,405	35,324
% Ch , Annual Rate	-3.0	0.2	-5.6	2.5	-8.4	-1.7	-4.2	-0.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.090	1.103	1.089	1.085	1.088	1.096	1.102
% Ch , Annual Rate	3.7	3.9	4.7	-5.0	-1.5	1.4	2.8	2.5
U.S. Consumer Price Index (1982-84=1.0)	2.130	2.154	2.186	2.139	2.126	2.133	2.152	2.169
% Ch , Annual Rate	4.5	4.5	6.2	-8.3	-2.4	1.3	3.6	3.2
Employment Cost Index (Dec. 2005=1.0)	1.076	1.084	1.091	1.096	1.098	1.100	1.105	1.108
% Ch , Annual Rate	3.4	3.0	2.6	1.8	0.7	0.7	1.8	1.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,373.9	14,497.8	14,546.7	14,347.3	14,178.0	14,151.2	14,301.5	14,445.3
% Ch , Annual Rate	1.0	3.5	1.4	-5.4	-4.6	-0.8	4.3	4.1
Personal Income	12,142.2	12,292.9	12,286.6	12,233.5	11,952.7	11,971.8	11,956.3	12,032.5
% Ch , Annual Rate	1.4	5.1	-0.2	-1.7	-8.9	0.6	-0.5	2.6
Employment (Millions)								
U.S. Civilian Labor Force	153.7	154.3	154.7	154.6	154.0	154.9	154.4	153.8
Total U.S. Employment	146.1	146.0	145.3	144.0	141.6	140.6	139.5	138.0
Unemployment Rate (%)	4.93	5.37	6.07	6.87	8.07	9.27	9.63	10.23
Nonfarm Payroll Employment	137.94	137.51	137.00	135.73	133.66	132.12	131.19	130.50
% Ch , Annual Rate	-0.2	-1.3	-1.5	-3.7	-5.9	-4.5	-2.8	-2.1
Manufacturing	13.69	13.55	13.39	13.06	12.47	12.01	11.78	11.71
% Ch , Annual Rate	-2.4	-4.1	-4.7	-9.4	-17.0	-14.0	-7.5	-2.4
Durable Manufacturing	8.67	8.56	8.44	8.20	7.75	7.38	7.20	7.15
% Ch , Annual Rate	-2.7	-5.0	-5.4	-11.1	-20.2	-17.9	-9.4	-2.4
Nondurable Manufacturing	5.02	4.99	4.94	4.86	4.72	4.63	4.58	4.55
% Ch , Annual Rate	-1.9	-2.6	-3.4	-6.4	-11.4	-7.1	-4.4	-2.3
Construction	7.45	7.29	7.17	6.95	6.59	6.30	6.10	5.93
% Ch , Annual Rate	-5.4	-8.2	-6.3	-11.8	-19.1	-16.3	-12.2	-10.8
Service-Producing	116.05	115.91	115.66	114.92	113.84	113.08	112.60	112.17
% Ch , Annual Rate	0.4	-0.5	-0.9	-2.5	-3.7	-2.6	-1.7	-1.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.9	123.8	118.3	59.1	43.2	59.7	68.1	76.9
Personal Saving/Disposable Income (%)	1.2	3.4	2.2	3.8	3.8	4.9	3.4	2.8
Auto Sales (Millions)	7.5	7.6	6.7	5.4	4.8	4.9	6.4	5.7
% Ch , Annual Rate	-12.8	4.7	-40.7	-58.3	-37.3	6.6	194.0	-35.4
Housing Starts (Millions)	1.059	1.017	0.868	0.658	0.528	0.540	0.590	0.641
% Ch , Annual Rate	-32.0	-14.9	-46.9	-67.0	-58.6	9.7	42.5	39.1
Federal Budget Surplus (Billions)	-433.5	-796.9	-665.7	-674.1	-969.1	-1,294.5	-1,333.8	-1,291.6
Net Exports (Billions)	-744.4	-738.7	-757.5	-590.5	-378.5	-339.1	-387.5	-455.2
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.33	0.21	0.17	0.16	0.11
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.25	2.74	3.31	3.52	3.44
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.73	4.52	4.20
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.96

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,191.8	13,286.4	13,378.5	13,477.7	13,567.0	13,684.2	13,811.8	13,937.9
% Ch , Annual Rate	2.7	2.9	2.8	3.0	2.7	3.5	3.8	3.7
Real Consumption	9,362.9	9,413.3	9,497.2	9,569.0	9,610.6	9,653.8	9,718.1	9,793.9
% Ch , Annual Rate	2.0	2.2	3.6	3.1	1.8	1.8	2.7	3.2
Real Nonresidential Fixed Investment	1,277.8	1,280.4	1,290.2	1,313.1	1,354.6	1,409.7	1,456.2	1,498.6
% Ch , Annual Rate	-0.6	0.8	3.1	7.3	13.3	17.3	13.9	12.2
Real Residential Fixed Investment	379.5	394.8	399.8	408.3	432.1	459.6	488.6	519.7
% Ch , Annual Rate	7.1	17.1	5.2	8.7	25.5	27.9	27.8	28.0
Real Personal Income	10,962.3	11,053.1	11,138.2	11,207.3	11,279.8	11,363.6	11,458.3	11,556.1
% Ch , Annual Rate	1.8	3.4	3.1	2.5	2.6	3.0	3.4	3.5
Real Per Capita Income (\$/Person)	35,393	35,599	35,787	35,922	36,068	36,249	36,463	36,686
% Ch , Annual Rate	0.8	2.4	2.1	1.5	1.6	2.0	2.4	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.107	1.111	1.116	1.121	1.127	1.132	1.137	1.141
% Ch , Annual Rate	1.6	1.6	2.0	1.8	2.0	1.7	1.8	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.178	2.187	2.198	2.208	2.220	2.230	2.242	2.253
% Ch , Annual Rate	1.6	1.6	2.0	1.8	2.1	2.0	2.1	2.0
Employment Cost Index (Dec. 2005=1.0)	1.112	1.117	1.122	1.127	1.131	1.135	1.139	1.143
% Ch , Annual Rate	1.4	1.7	1.8	1.7	1.5	1.4	1.4	1.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,595.0	14,750.0	14,906.3	15,074.0	15,254.9	15,447.8	15,659.5	15,868.7
% Ch , Annual Rate	4.2	4.3	4.3	4.6	4.9	5.2	5.6	5.5
Personal Income	12,132.0	12,279.9	12,434.8	12,568.3	12,711.3	12,860.4	13,025.8	13,189.8
% Ch , Annual Rate	3.3	5.0	5.1	4.4	4.6	4.8	5.2	5.1
Employment (Millions)								
U.S. Civilian Labor Force	153.8	153.9	154.2	154.5	154.9	155.4	155.8	156.2
Total U.S. Employment	137.9	137.9	138.5	139.1	139.8	140.6	141.4	142.3
Unemployment Rate (%)	10.34	10.41	10.21	9.97	9.77	9.51	9.22	8.92
Nonfarm Payroll Employment	130.20	130.53	130.80	131.36	132.05	132.90	133.78	134.67
% Ch, Annual Rate	-0.9	1.0	0.8	1.7	2.1	2.6	2.7	2.7
Manufacturing	11.66	11.54	11.52	11.59	11.67	11.71	11.79	11.93
% Ch, Annual Rate	-1.5	-4.1	-0.8	2.5	2.8	1.3	2.9	4.6
Durable Manufacturing	7.14	7.07	7.08	7.16	7.25	7.28	7.36	7.49
% Ch, Annual Rate	-0.7	-3.7	0.2	4.9	4.8	1.5	4.5	7.3
Nondurable Manufacturing	4.52	4.47	4.44	4.43	4.42	4.43	4.44	4.44
% Ch, Annual Rate	-2.7	-4.8	-2.3	-1.2	-0.5	1.1	0.4	0.3
Construction	5.77	5.64	5.54	5.55	5.55	5.59	5.66	5.73
% Ch, Annual Rate	-10.3	-8.7	-6.9	0.3	0.1	3.0	4.9	5.0
Service-Producing	112.08	112.67	113.07	113.54	114.16	114.92	115.65	116.33
% Ch, Annual Rate	-0.3	2.1	1.4	1.7	2.2	2.7	2.6	2.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	78.7	80.5	81.7	82.7	83.5	84.1	84.6	85.2
Personal Saving/Disposable Income (%)	2.4	2.7	2.6	2.3	1.5	1.7	1.9	1.9
Auto Sales (Millions)	5.5	5.7	6.2	6.5	7.0	7.4	7.6	8.0
% Ch, Annual Rate	-15.3	15.5	41.9	23.5	28.2	27.5	12.3	19.5
Housing Starts (Millions)	0.761	0.804	0.843	0.933	1.067	1.207	1.341	1.439
% Ch, Annual Rate	99.1	24.5	20.6	50.1	71.0	63.9	52.2	32.7
Federal Budget Surplus (Billions)	-1,264.1	-1,289.8	-1,286.2	-1,244.6	-1,034.7	-1,009.6	-984.3	-962.6
Net Exports (Billions)	-499.9	-512.7	-523.6	-529.6	-527.8	-537.8	-550.7	-564.5
3-Month Treasury Bill Rate (%)	0.24	0.38	0.65	1.12	1.61	2.11	2.64	3.14
10-Year Treasury Note Yield (%)	3.53	3.61	3.73	3.92	4.04	4.12	4.16	4.31
Bond Index of 20 G.O. Munis. (%)	4.24	4.29	4.40	4.59	4.71	4.80	4.85	5.02
30-Year Fixed Mortgage Rate (%)	5.10	5.27	5.37	5.50	5.62	5.71	5.76	5.93

Table A1.3
Washington Economic Forecast Summary
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	228.963	229.992	245.281	256.858	257.427	253.585	258.662	268.347
% Ch	4.7	0.4	6.6	4.7	0.2	-1.5	2.0	3.7
Real Wage and Salary Disb.	121.598	124.702	131.507	138.096	138.201	134.474	136.206	141.318
% Ch	1.8	2.6	5.5	5.0	0.1	-2.7	1.3	3.8
Real Nonwage Income	107.365	105.289	113.774	118.762	119.227	119.110	122.456	127.029
% Ch	8.2	-1.9	8.1	4.4	0.4	-0.1	2.8	3.7
Real Per Capita Income (\$/Person)	36,918	36,499	38,218	39,362	38,855	37,736	38,034	38,946
% Ch	3.4	-1.1	4.7	3.0	-1.3	-2.9	0.8	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	0.971	1.000	1.027	1.055	1.090	1.093	1.114	1.134
% Ch	2.6	3.0	2.7	2.7	3.4	0.2	1.9	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.947	2.002	2.076	2.157	2.247	2.264	2.309	2.354
% Ch	1.2	2.8	3.7	3.9	4.2	0.7	2.0	2.0
Average Nonfarm Annual Wage	41,983	43,002	45,346	47,773	48,855	49,463	51,145	52,712
% Ch	2.8	2.4	5.5	5.4	2.3	1.2	3.4	3.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.28	18.82	19.91	20.51	21.00	23.22	23.28	23.35
% Ch	1.4	2.9	5.8	3.0	2.4	10.5	0.3	0.3
Current Dollar Income (Billions of Dollars)								
Personal Income	222.379	230.002	252.023	271.008	280.678	277.091	288.135	304.376
% Ch	7.5	3.4	9.6	7.5	3.6	-1.3	4.0	5.6
Disposable Personal Income	198.923	203.492	221.774	237.036	247.824	251.564	261.075	272.387
% Ch	7.6	2.3	9.0	6.9	4.6	1.5	3.8	4.3
Per Capita Income (\$/Person)	35,855	36,499	39,267	41,529	42,364	41,233	42,367	44,174
% Ch	6.1	1.8	7.6	5.8	2.0	-2.7	2.7	4.3
Employment (Thousands)								
Washington Civilian Labor Force	3,199.2	3,258.8	3,319.6	3,391.2	3,476.8	3,551.7	3,588.8	3,641.6
Total Washington Employment	2,999.5	3,079.5	3,157.0	3,237.4	3,291.0	3,232.0	3,241.3	3,319.8
Unemployment Rate (%)	6.24	5.50	4.90	4.54	5.34	9.00	9.68	8.84
Nonfarm Payroll Employment	2,701.0	2,776.9	2,859.0	2,933.5	2,958.8	2,841.3	2,834.9	2,910.7
% Ch	1.6	2.8	3.0	2.6	0.9	-4.0	-0.2	2.7
Manufacturing	263.7	272.6	285.9	293.3	291.2	266.5	259.9	265.0
% Ch	-1.3	3.4	4.9	2.6	-0.7	-8.5	-2.5	2.0
Durable Manufacturing	182.4	191.5	204.0	211.9	211.3	191.2	186.5	190.1
% Ch	-0.7	5.0	6.6	3.9	-0.3	-9.5	-2.4	1.9
Aerospace	61.5	65.6	73.4	80.1	83.0	83.2	80.8	80.0
% Ch	-5.8	6.8	11.9	9.1	3.6	0.2	-2.9	-0.9
Nondurable Manufacturing	81.3	81.1	81.9	81.4	79.8	75.3	73.3	75.0
% Ch	-2.4	-0.2	0.9	-0.6	-1.9	-5.7	-2.6	2.2
Construction	164.2	177.4	194.8	208.2	200.6	164.2	150.8	154.6
% Ch	5.1	8.0	9.9	6.8	-3.6	-18.1	-8.1	2.5
Service-Producing	2,264.0	2,318.0	2,369.5	2,423.8	2,459.5	2,404.5	2,417.8	2,484.0
% Ch	1.7	2.4	2.2	2.3	1.5	-2.2	0.6	2.7
Software Publishers	39.3	41.3	44.7	47.6	50.9	51.9	52.4	55.6
% Ch	5.1	5.1	8.4	6.4	7.0	1.9	1.0	6.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.089	52.988	50.033	47.397	28.919	16.095	25.164	38.407
% Ch	17.0	5.8	-5.6	-5.3	-39.0	-44.3	56.3	52.6
Single-Family	36.489	41.407	35.611	30.390	17.440	12.832	19.646	28.663
% Ch	10.3	13.5	-14.0	-14.7	-42.6	-26.4	53.1	45.9
Multi-Family	13.600	11.581	14.422	17.007	11.479	3.263	5.518	9.744
% Ch	39.7	-14.8	24.5	17.9	-32.5	-71.6	69.1	76.6
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.04	5.05	5.31	5.75

Table A1.4
Washington Economic Forecast Summary
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	241.354	243.959	245.584	250.227	252.822	255.754	258.725	260.130
% Ch, Annual Rate	12.7	4.4	2.7	7.8	4.2	4.7	4.7	2.2
Real Wage and Salary Disb.	130.536	130.267	130.885	134.338	135.845	137.369	138.939	140.230
% Ch, Annual Rate	14.0	-0.8	1.9	11.0	4.6	4.6	4.6	3.8
Real Nonwage Income	110.817	113.691	114.698	115.888	116.977	118.385	119.787	119.901
% Ch, Annual Rate	11.2	10.8	3.6	4.2	3.8	4.9	4.8	0.4
Real Per Capita Income (\$/Person)	37,856	38,097	38,183	38,735	38,968	39,269	39,574	39,638
% Ch, Annual Rate	10.6	2.6	0.9	5.9	2.4	3.1	3.1	0.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.018	1.026	1.033	1.033	1.042	1.051	1.057	1.070
% Ch, Annual Rate	1.7	3.0	3.0	-0.1	3.7	3.2	2.3	5.1
Seattle Cons. Price Index (1982-84=1.0)	2.043	2.069	2.089	2.104	2.126	2.147	2.157	2.197
% Ch, Annual Rate	2.9	5.2	3.9	2.9	4.2	4.0	2.0	7.5
Average Nonfarm Annual Wage	44,919	44,900	45,285	46,281	46,817	47,401	48,046	48,828
% Ch, Annual Rate	12.2	-0.2	3.5	9.1	4.7	5.1	5.6	6.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.58	19.85	20.16	20.04	20.21	20.44	20.63	20.77
% Ch, Annual Rate	1.4	5.5	6.5	-2.4	3.4	4.7	3.7	2.7
Current Dollar Income (Billions of Dollars)								
Personal Income	245.694	250.212	253.717	258.470	263.555	268.719	273.413	278.345
% Ch, Annual Rate	14.6	7.6	5.7	7.7	8.1	8.1	7.2	7.4
Disposable Personal Income	216.249	220.282	223.406	227.161	230.698	235.043	239.067	243.337
% Ch, Annual Rate	13.0	7.7	5.8	6.9	6.4	7.8	7.0	7.3
Per Capita Income (\$/Person)	38,537	39,073	39,447	40,011	40,622	41,260	41,820	42,413
% Ch, Annual Rate	12.5	5.7	3.9	5.8	6.2	6.4	5.5	5.8
Employment (Thousands)								
Washington Civilian Labor Force	3,302.5	3,317.0	3,321.9	3,337.1	3,354.0	3,381.3	3,401.9	3,427.8
Total Washington Employment	3,143.0	3,152.9	3,156.5	3,175.5	3,203.7	3,230.1	3,246.3	3,269.3
Unemployment Rate (%)	4.83	4.95	4.98	4.84	4.48	4.47	4.57	4.62
Nonfarm Payroll Employment	2,834.3	2,853.0	2,865.7	2,882.8	2,908.8	2,929.3	2,938.9	2,956.9
% Ch, Annual Rate	3.4	2.7	1.8	2.4	3.7	2.8	1.3	2.5
Manufacturing	283.0	284.9	287.0	288.7	290.9	292.3	294.3	295.7
% Ch, Annual Rate	6.9	2.6	3.0	2.5	3.1	1.9	2.8	1.9
Durable Manufacturing	201.0	202.8	204.9	207.4	209.1	211.0	212.9	214.6
% Ch, Annual Rate	7.4	3.7	4.1	5.0	3.4	3.6	3.7	3.3
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.4
Nondurable Manufacturing	82.0	82.0	82.1	81.3	81.8	81.3	81.5	81.1
% Ch, Annual Rate	5.6	0.0	0.4	-3.8	2.1	-2.2	0.7	-1.5
Construction	189.7	193.9	196.5	199.3	205.3	209.9	208.6	208.9
% Ch, Annual Rate	13.0	9.1	5.4	5.8	12.8	9.1	-2.5	0.5
Service-Producing	2,352.8	2,365.4	2,373.7	2,386.3	2,404.2	2,418.8	2,427.9	2,444.3
% Ch, Annual Rate	2.2	2.2	1.4	2.1	3.0	2.5	1.5	2.7
Software Publishers	43.0	44.4	45.4	46.1	47.1	47.6	47.7	48.1
% Ch, Annual Rate	7.8	13.7	9.8	5.9	8.7	4.4	0.8	3.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	49.719	52.501	53.021	44.892	59.179	44.844	45.135	40.431
% Ch, Annual Rate	-55.2	24.3	4.0	-48.6	202.0	-67.0	2.6	-35.6
Single-Family	38.849	36.189	35.013	32.392	35.899	32.998	29.018	23.646
% Ch, Annual Rate	-46.1	-24.7	-12.4	-26.7	50.9	-28.6	-40.2	-55.9
Multi-Family	10.869	16.311	18.008	12.500	23.280	11.846	16.117	16.785
% Ch, Annual Rate	-75.4	407.2	48.6	-76.8	1,103.2	-93.3	242.6	17.6
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	257.575	257.192	256.792	258.151	253.343	254.886	252.918	253.190
% Ch, Annual Rate	-3.9	-0.6	-0.6	2.1	-7.2	2.5	-3.1	0.4
Real Wage and Salary Disb.	138.611	137.473	138.110	138.611	135.148	135.164	134.011	133.573
% Ch, Annual Rate	-4.5	-3.2	1.9	1.5	-9.6	0.0	-3.4	-1.3
Real Nonwage Income	118.964	119.719	118.682	119.542	118.195	119.722	118.908	119.617
% Ch, Annual Rate	-3.1	2.6	-3.4	2.9	-4.4	5.3	-2.7	2.4
Real Per Capita Income (\$/Person)	39,100	38,893	38,685	38,743	37,879	37,984	37,572	37,510
% Ch, Annual Rate	-5.3	-2.1	-2.1	0.6	-8.6	1.1	-4.3	-0.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.090	1.103	1.089	1.085	1.088	1.096	1.102
% Ch, Annual Rate	3.7	3.9	4.7	-5.0	-1.5	1.4	2.8	2.5
Seattle Cons. Price Index (1982-84=1.0)	2.222	2.246	2.268	2.253	2.253	2.255	2.265	2.282
% Ch, Annual Rate	4.7	4.3	4.1	-2.7	0.0	0.4	1.7	3.2
Average Nonfarm Annual Wage	48,315	48,426	49,232	49,447	48,617	49,443	49,664	50,129
% Ch, Annual Rate	-4.1	0.9	6.8	1.8	-6.5	7.0	1.8	3.8
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.94	21.25	20.95	20.88	23.02	23.34	23.29	23.23
% Ch, Annual Rate	3.3	6.1	-5.5	-1.5	47.8	5.8	-0.9	-1.1
Current Dollar Income (Billions of Dollars)								
Personal Income	278.114	280.398	283.180	281.018	274.758	277.362	277.115	279.130
% Ch, Annual Rate	-0.3	3.3	4.0	-3.0	-8.6	3.8	-0.4	2.9
Disposable Personal Income	243.029	250.148	250.053	248.068	247.466	252.614	252.244	253.932
% Ch, Annual Rate	-0.5	12.2	-0.2	-3.1	-1.0	8.6	-0.6	2.7
Per Capita Income (\$/Person)	42,218	42,402	42,661	42,175	41,080	41,333	41,167	41,353
% Ch, Annual Rate	-1.8	1.8	2.5	-4.5	-10.0	2.5	-1.6	1.8
Employment (Thousands)								
Washington Civilian Labor Force	3,444.9	3,458.9	3,489.0	3,514.2	3,539.9	3,554.8	3,563.6	3,548.6
Total Washington Employment	3,283.4	3,282.7	3,300.2	3,297.6	3,243.4	3,230.5	3,240.1	3,214.1
Unemployment Rate (%)	4.69	5.10	5.41	6.16	8.38	9.12	9.08	9.43
Nonfarm Payroll Employment	2,973.7	2,970.5	2,966.2	2,924.8	2,885.1	2,845.6	2,826.0	2,808.5
% Ch, Annual Rate	2.3	-0.4	-0.6	-5.5	-5.3	-5.4	-2.7	-2.4
Manufacturing	297.1	294.9	293.0	279.6	276.9	267.4	263.0	258.6
% Ch, Annual Rate	1.8	-2.8	-2.6	-17.0	-3.9	-13.0	-6.4	-6.6
Durable Manufacturing	215.8	214.7	214.0	200.8	200.0	191.4	188.6	184.8
% Ch, Annual Rate	2.3	-2.1	-1.3	-22.4	-1.5	-16.2	-5.8	-7.8
Aerospace	84.1	84.5	85.8	77.5	85.4	83.5	82.7	81.1
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	47.0	-8.5	-3.8	-7.4
Nondurable Manufacturing	81.3	80.3	79.0	78.8	76.9	76.0	74.5	73.8
% Ch, Annual Rate	0.6	-4.7	-6.0	-1.0	-9.6	-4.3	-7.9	-3.5
Construction	208.7	204.8	199.4	189.7	177.1	166.6	159.2	153.9
% Ch, Annual Rate	-0.4	-7.2	-10.2	-18.0	-24.1	-21.6	-16.7	-12.6
Service-Producing	2,460.2	2,463.2	2,466.3	2,448.2	2,424.5	2,405.5	2,397.8	2,390.2
% Ch, Annual Rate	2.6	0.5	0.5	-2.9	-3.8	-3.1	-1.3	-1.3
Software Publishers	49.1	50.4	51.7	52.6	53.0	52.2	51.1	51.3
% Ch, Annual Rate	8.5	10.8	10.5	7.1	3.6	-5.8	-8.7	1.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.378	32.552	27.482	22.264	15.148	13.913	17.503	17.816
% Ch, Annual Rate	-53.6	-9.5	-49.2	-56.9	-78.6	-28.8	150.5	7.3
Single-Family	20.676	18.942	17.258	12.884	9.990	11.744	14.518	15.076
% Ch, Annual Rate	-41.5	-29.6	-31.1	-68.9	-63.9	90.9	133.6	16.3
Multi-Family	12.701	13.610	10.225	9.380	5.157	2.170	2.985	2.740
% Ch, Annual Rate	-67.2	31.9	-68.1	-29.2	-90.9	-96.9	258.3	-29.0
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.96

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	254.845	257.573	260.634	261.596	264.041	266.677	270.573	272.097
% Ch, Annual Rate	2.6	4.4	4.8	1.5	3.8	4.1	6.0	2.3
Real Wage and Salary Disb.	134.419	135.687	137.336	137.381	138.983	140.430	142.898	142.959
% Ch, Annual Rate	2.6	3.8	4.9	0.1	4.7	4.2	7.2	0.2
Real Nonwage Income	120.426	121.886	123.298	124.215	125.057	126.247	127.675	129.138
% Ch, Annual Rate	2.7	4.9	4.7	3.0	2.7	3.9	4.6	4.7
Real Per Capita Income (\$/Person)	37,648	37,939	38,266	38,283	38,516	38,773	39,206	39,288
% Ch, Annual Rate	1.5	3.1	3.5	0.2	2.5	2.7	4.5	0.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.107	1.111	1.116	1.121	1.127	1.132	1.137	1.141
% Ch, Annual Rate	1.6	1.6	2.0	1.8	2.0	1.7	1.8	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.293	2.303	2.314	2.325	2.337	2.347	2.360	2.372
% Ch, Annual Rate	1.8	1.7	2.1	1.8	2.0	1.9	2.1	2.0
Average Nonfarm Annual Wage	50,515	50,910	51,593	51,562	52,095	52,465	53,245	53,046
% Ch, Annual Rate	3.1	3.2	5.5	-0.2	4.2	2.9	6.1	-1.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.24	23.27	23.30	23.33	23.34	23.35	23.35	23.36
% Ch, Annual Rate	0.2	0.5	0.6	0.4	0.2	0.1	0.2	0.1
Current Dollar Income (Billions of Dollars)								
Personal Income	282.039	286.161	290.974	293.364	297.548	301.802	307.588	310.564
% Ch, Annual Rate	4.2	6.0	6.9	3.3	5.8	5.8	7.9	3.9
Disposable Personal Income	255.685	259.427	263.824	265.364	266.499	270.079	275.171	277.800
% Ch, Annual Rate	2.8	6.0	7.0	2.4	1.7	5.5	7.8	3.9
Per Capita Income (\$/Person)	41,666	42,150	42,720	42,933	43,404	43,880	44,569	44,842
% Ch, Annual Rate	3.1	4.7	5.5	2.0	4.5	4.5	6.4	2.5
Employment (Thousands)								
Washington Civilian Labor Force	3,565.3	3,587.7	3,596.0	3,606.3	3,617.7	3,633.4	3,649.2	3,665.9
Total Washington Employment	3,218.9	3,235.7	3,247.4	3,263.4	3,281.6	3,307.0	3,332.1	3,358.3
Unemployment Rate (%)	9.71	9.81	9.69	9.51	9.29	8.98	8.69	8.39
Nonfarm Payroll Employment	2,813.2	2,829.4	2,840.8	2,856.2	2,873.9	2,898.4	2,922.7	2,948.0
% Ch, Annual Rate	0.7	2.3	1.6	2.2	2.5	3.5	3.4	3.5
Manufacturing	259.1	259.2	259.7	261.4	262.5	263.7	265.7	268.2
% Ch, Annual Rate	0.9	0.1	0.8	2.6	1.7	1.9	3.0	3.9
Durable Manufacturing	185.4	186.1	186.6	188.0	188.8	189.0	190.3	192.2
% Ch, Annual Rate	1.5	1.5	1.0	3.1	1.7	0.5	2.6	4.1
Aerospace	80.9	80.9	80.8	80.5	80.3	80.0	79.9	79.9
% Ch, Annual Rate	-0.8	0.0	-0.8	-1.2	-1.2	-1.2	-0.4	0.0
Nondurable Manufacturing	73.7	73.1	73.1	73.4	73.7	74.7	75.4	76.0
% Ch, Annual Rate	-0.6	-3.3	0.2	1.3	1.8	5.6	3.8	3.5
Construction	151.8	150.5	150.4	150.8	150.7	152.3	155.2	160.4
% Ch, Annual Rate	-5.5	-3.3	-0.3	1.0	-0.1	4.3	7.7	14.1
Service-Producing	2,396.2	2,413.4	2,424.2	2,437.3	2,453.8	2,475.4	2,494.7	2,512.2
% Ch, Annual Rate	1.0	2.9	1.8	2.2	2.7	3.6	3.2	2.8
Software Publishers	51.7	52.0	52.6	53.4	54.2	55.1	56.0	57.0
% Ch, Annual Rate	3.3	2.2	4.6	6.5	5.9	6.8	7.2	7.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	21.421	24.135	26.139	28.960	32.682	36.770	40.562	43.616
% Ch, Annual Rate	109.0	61.2	37.6	50.7	62.2	60.2	48.1	33.7
Single-Family	17.381	19.181	20.070	21.952	24.518	27.514	30.308	32.313
% Ch, Annual Rate	76.7	48.3	19.9	43.1	55.6	58.6	47.2	29.2
Multi-Family	4.040	4.954	6.068	7.007	8.164	9.255	10.254	11.303
% Ch, Annual Rate	372.7	126.1	125.0	77.8	84.3	65.2	50.7	47.7
30-Year Fixed Mortgage Rate (%)	5.10	5.27	5.37	5.50	5.62	5.71	5.76	5.93

Table A2.1
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	131.42	133.70	136.10	137.60	137.05	131.87	130.72	133.35
% Ch	1.1	1.7	1.8	1.1	-0.4	-3.8	-0.9	2.0
Manufacturing	14.31	14.23	14.16	13.88	13.42	11.99	11.58	11.77
% Ch	-1.3	-0.6	-0.5	-2.0	-3.3	-10.7	-3.4	1.7
Durable Manufacturing	8.92	8.95	8.98	8.81	8.47	7.37	7.11	7.34
% Ch	-0.4	0.3	0.3	-1.9	-3.8	-13.0	-3.5	3.2
Wood Products	0.55	0.56	0.56	0.52	0.46	0.37	0.37	0.42
% Ch	2.3	1.7	0.0	-7.8	-10.9	-19.1	-0.1	14.4
Primary and Fabricated Metals	1.96	1.99	2.02	2.02	1.97	1.69	1.53	1.54
% Ch	0.4	1.2	1.5	0.1	-2.4	-14.4	-9.3	0.8
Computer and Electronic Products	1.32	1.32	1.31	1.27	1.25	1.15	1.21	1.20
% Ch	-2.4	-0.5	-0.7	-2.7	-2.0	-7.7	5.4	-1.3
Machinery and Electrical Equipment	1.59	1.60	1.62	1.62	1.61	1.41	1.30	1.34
% Ch	-1.3	0.5	1.1	0.0	-0.5	-12.6	-7.4	3.2
Transportation Equipment	1.77	1.77	1.77	1.71	1.61	1.35	1.30	1.39
% Ch	-0.5	0.3	-0.2	-3.2	-6.2	-15.9	-3.6	6.5
Other Durables	1.73	1.72	1.71	1.67	1.58	1.40	1.40	1.45
% Ch	0.2	-0.6	-0.4	-2.4	-5.7	-11.1	-0.6	3.7
Nondurable Manufacturing	5.39	5.27	5.18	5.07	4.95	4.62	4.46	4.43
% Ch	-2.8	-2.2	-1.8	-2.0	-2.3	-6.7	-3.4	-0.7
Food Manufacturing	1.49	1.48	1.48	1.48	1.48	1.47	1.47	1.47
% Ch	-1.5	-1.1	0.1	0.3	0.0	-0.8	-0.5	0.3
Paper and Paper Products	0.50	0.48	0.47	0.46	0.45	0.41	0.39	0.39
% Ch	-4.0	-2.3	-2.8	-2.6	-2.8	-7.8	-5.3	0.4
Other Nondurables	3.40	3.31	3.22	3.13	3.02	2.74	2.61	2.57
% Ch	-3.2	-2.7	-2.5	-3.0	-3.4	-9.5	-4.6	-1.4
Natural Resources and Mining	0.59	0.63	0.68	0.72	0.77	0.73	0.68	0.68
% Ch	3.2	6.2	9.1	5.8	6.8	-6.1	-6.4	0.1
Construction	6.97	7.33	7.69	7.63	7.21	6.23	5.63	5.63
% Ch	3.5	5.2	4.9	-0.8	-5.5	-13.6	-9.7	0.1
Trade, Transportation, and Utilities	25.54	25.96	26.28	26.63	26.38	25.25	24.92	25.27
% Ch	1.0	1.7	1.2	1.3	-0.9	-4.3	-1.3	1.4
Wholesale Trade	5.66	5.76	5.90	6.02	5.96	5.69	5.58	5.66
% Ch	0.9	1.8	2.5	1.9	-0.9	-4.5	-2.0	1.5
Retail Trade	15.06	15.28	15.36	15.52	15.35	14.77	14.67	14.78
% Ch	1.0	1.5	0.5	1.1	-1.1	-3.8	-0.7	0.8
Trans., Warehousing, and Utilities	4.81	4.92	5.02	5.09	5.06	4.79	4.67	4.83
% Ch	1.1	2.2	2.0	1.5	-0.6	-5.3	-2.5	3.3
Information	3.12	3.06	3.04	3.03	3.00	2.84	2.65	2.73
% Ch	-2.2	-1.8	-0.8	-0.2	-1.2	-5.1	-6.9	2.9
Publishing Industries	0.91	0.90	0.90	0.90	0.88	0.80	0.72	0.70
% Ch	-1.7	-0.6	-0.2	-0.1	-2.1	-9.0	-10.5	-2.1
Other Information	2.21	2.16	2.14	2.13	2.11	2.04	1.93	2.02
% Ch	-2.5	-2.3	-1.0	-0.2	-0.8	-3.4	-5.4	4.7
Financial Activities	8.03	8.15	8.33	8.30	8.14	7.77	7.60	7.66
% Ch	0.7	1.5	2.2	-0.3	-1.9	-4.6	-2.2	0.7
Professional and Business Services	16.39	16.95	17.57	17.95	17.78	16.74	17.00	18.36
% Ch	2.5	3.4	3.7	2.1	-0.9	-5.9	1.6	8.0
Education and Health Services	16.95	17.37	17.82	18.32	18.86	19.27	19.82	20.44
% Ch	2.2	2.5	2.6	2.8	2.9	2.2	2.9	3.1
Leisure and Hospitality	12.49	12.81	13.11	13.43	13.46	13.18	13.27	13.36
% Ch	2.6	2.6	2.3	2.4	0.2	-2.0	0.7	0.7
Other Services	5.41	5.40	5.44	5.49	5.53	5.41	5.40	5.45
% Ch	0.2	-0.3	0.8	1.0	0.6	-2.1	-0.2	0.9
Federal Government	2.73	2.73	2.73	2.73	2.76	2.82	2.90	2.77
% Ch	-1.1	0.0	0.0	0.1	1.1	1.9	3.1	-4.6
State and Local Government	18.89	19.08	19.24	19.49	19.73	19.64	19.27	19.22
% Ch	0.4	1.0	0.9	1.3	1.3	-0.5	-1.9	-0.2

Table A2.2
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	135.43	135.90	136.29	136.77	137.27	137.56	137.59	138.00
% Ch, Annual Rate	2.4	1.4	1.1	1.4	1.5	0.9	0.1	1.2
Manufacturing	14.22	14.21	14.15	14.06	14.00	13.91	13.83	13.78
% Ch, Annual Rate	0.5	-0.2	-1.6	-2.7	-1.8	-2.3	-2.3	-1.6
Durable Manufacturing	8.99	9.02	8.99	8.93	8.89	8.84	8.78	8.73
% Ch, Annual Rate	1.3	1.0	-1.3	-2.4	-2.1	-2.3	-2.6	-2.0
Wood Products	0.57	0.57	0.56	0.54	0.53	0.52	0.51	0.50
% Ch, Annual Rate	4.6	-3.2	-7.2	-11.3	-7.6	-6.8	-6.5	-9.1
Primary and Fabricated Metals	2.01	2.02	2.03	2.02	2.02	2.02	2.01	2.01
% Ch, Annual Rate	2.3	2.5	1.7	-1.0	0.6	-0.3	-1.6	-0.2
Computer and Electronic Products	1.31	1.31	1.31	1.30	1.29	1.28	1.27	1.26
% Ch, Annual Rate	-1.7	1.6	-1.7	-2.4	-2.8	-4.8	-3.0	-1.9
Machinery and Electrical Equipment	1.61	1.62	1.62	1.62	1.62	1.62	1.61	1.62
% Ch, Annual Rate	1.6	1.8	0.8	-0.1	-0.3	-0.3	-0.5	0.7
Transportation Equipment	1.77	1.78	1.77	1.75	1.73	1.72	1.71	1.69
% Ch, Annual Rate	1.0	1.4	-2.8	-3.5	-4.5	-3.6	-2.0	-3.6
Other Durables	1.72	1.72	1.71	1.70	1.69	1.68	1.67	1.65
% Ch, Annual Rate	1.7	-0.6	-2.9	-1.8	-1.9	-2.1	-4.6	-3.0
Nondurable Manufacturing	5.22	5.19	5.16	5.12	5.11	5.08	5.06	5.04
% Ch, Annual Rate	-0.8	-2.4	-2.0	-3.2	-1.2	-2.3	-1.8	-0.9
Food Manufacturing	1.48	1.48	1.48	1.48	1.48	1.48	1.49	1.49
% Ch, Annual Rate	1.1	0.8	0.2	-0.8	0.0	1.2	1.2	0.1
Paper and Paper Products	0.48	0.47	0.47	0.47	0.46	0.46	0.46	0.45
% Ch, Annual Rate	-1.6	-3.9	-2.7	-2.2	-1.4	-4.4	-3.1	-0.8
Other Nondurables	3.27	3.24	3.21	3.18	3.16	3.14	3.11	3.10
% Ch, Annual Rate	-1.6	-3.7	-2.9	-4.4	-1.7	-3.6	-3.0	-1.4
Natural Resources and Mining	0.66	0.68	0.69	0.70	0.71	0.72	0.73	0.74
% Ch, Annual Rate	10.7	11.8	5.8	6.5	5.8	5.2	3.0	5.4
Construction	7.66	7.71	7.71	7.69	7.69	7.68	7.61	7.55
% Ch, Annual Rate	8.2	2.4	0.2	-0.9	0.1	-1.0	-3.5	-3.1
Trade, Transportation, and Utilities	26.20	26.23	26.28	26.40	26.54	26.62	26.64	26.71
% Ch, Annual Rate	1.4	0.5	0.8	1.8	2.2	1.1	0.3	1.2
Wholesale Trade	5.86	5.89	5.92	5.95	5.98	6.01	6.03	6.04
% Ch, Annual Rate	3.3	2.6	1.6	2.1	2.1	2.2	1.2	1.0
Retail Trade	15.36	15.33	15.33	15.39	15.48	15.52	15.51	15.56
% Ch, Annual Rate	0.5	-0.8	0.0	1.5	2.4	0.9	-0.2	1.2
Trans., Warehousing, and Utilities	4.98	5.00	5.03	5.06	5.08	5.08	5.10	5.11
% Ch, Annual Rate	2.1	2.1	2.2	2.2	1.8	0.2	0.9	1.2
Information	3.05	3.04	3.03	3.03	3.03	3.04	3.03	3.03
% Ch, Annual Rate	-0.2	-1.8	-1.4	-0.2	0.5	0.7	-0.7	-0.5
Publishing Industries	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
% Ch, Annual Rate	-0.2	-0.1	-1.4	0.5	1.0	-0.6	-1.0	-0.6
Other Information	2.15	2.14	2.13	2.13	2.13	2.13	2.13	2.13
% Ch, Annual Rate	-0.2	-2.5	-1.4	-0.5	0.3	1.3	-0.6	-0.4
Financial Activities	8.30	8.33	8.33	8.36	8.35	8.31	8.29	8.25
% Ch, Annual Rate	2.8	1.6	0.2	1.1	-0.4	-1.6	-0.9	-2.0
Professional and Business Services	17.38	17.52	17.65	17.75	17.88	17.93	17.94	18.05
% Ch, Annual Rate	3.9	3.4	2.9	2.3	3.0	1.1	0.2	2.6
Education and Health Services	17.68	17.76	17.85	18.00	18.12	18.25	18.39	18.53
% Ch, Annual Rate	3.1	2.0	2.1	3.4	2.6	3.0	3.0	3.1
Leisure and Hospitality	12.99	13.06	13.14	13.25	13.34	13.40	13.44	13.53
% Ch, Annual Rate	3.4	2.2	2.5	3.4	2.7	1.8	1.0	3.0
Other Services	5.43	5.43	5.44	5.46	5.48	5.50	5.50	5.51
% Ch, Annual Rate	2.4	0.3	0.5	1.7	1.2	1.4	0.1	0.8
Federal Government	2.73	2.73	2.74	2.73	2.73	2.73	2.73	2.74
% Ch, Annual Rate	-0.6	0.3	0.6	-1.6	0.7	-0.2	0.7	0.8
State and Local Government	19.15	19.20	19.28	19.35	19.40	19.48	19.48	19.59
% Ch, Annual Rate	0.7	1.1	1.6	1.5	1.1	1.7	0.0	2.3

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.94	137.51	137.00	135.73	133.66	132.12	131.19	130.50
% Ch, Annual Rate	-0.2	-1.3	-1.5	-3.7	-5.9	-4.5	-2.8	-2.1
Manufacturing	13.69	13.55	13.39	13.06	12.47	12.01	11.78	11.71
% Ch, Annual Rate	-2.4	-4.1	-4.7	-9.4	-17.0	-14.0	-7.5	-2.4
Durable Manufacturing	8.67	8.56	8.44	8.20	7.75	7.38	7.20	7.15
% Ch, Annual Rate	-2.7	-5.0	-5.4	-11.1	-20.2	-17.9	-9.4	-2.4
Wood Products	0.49	0.47	0.45	0.43	0.39	0.37	0.36	0.35
% Ch, Annual Rate	-10.3	-13.1	-13.9	-19.6	-28.2	-18.7	-12.3	-8.1
Primary and Fabricated Metals	2.01	1.99	1.97	1.91	1.80	1.69	1.64	1.61
% Ch, Annual Rate	-0.7	-3.9	-4.3	-10.7	-22.6	-20.6	-11.5	-6.8
Computer and Electronic Products	1.26	1.25	1.25	1.23	1.20	1.16	1.13	1.12
% Ch, Annual Rate	-0.7	-1.5	-1.6	-4.8	-10.4	-13.4	-10.2	-1.6
Machinery and Electrical Equipment	1.62	1.62	1.61	1.58	1.50	1.41	1.37	1.35
% Ch, Annual Rate	0.8	0.1	-1.9	-7.6	-19.5	-20.9	-11.4	-6.8
Transportation Equipment	1.67	1.63	1.59	1.52	1.42	1.34	1.33	1.32
% Ch, Annual Rate	-4.6	-8.8	-9.5	-17.0	-25.1	-20.5	-3.3	-1.2
Other Durables	1.63	1.60	1.57	1.52	1.45	1.40	1.37	1.39
% Ch, Annual Rate	-5.8	-7.6	-6.5	-11.2	-18.0	-12.3	-9.1	7.5
Nondurable Manufacturing	5.02	4.99	4.94	4.86	4.72	4.63	4.58	4.55
% Ch, Annual Rate	-1.9	-2.6	-3.4	-6.4	-11.4	-7.1	-4.4	-2.3
Food Manufacturing	1.49	1.48	1.48	1.48	1.47	1.47	1.47	1.48
% Ch, Annual Rate	0.2	-1.5	-0.3	0.6	-4.3	1.7	0.2	0.3
Paper and Paper Products	0.45	0.45	0.44	0.44	0.42	0.41	0.41	0.40
% Ch, Annual Rate	-2.9	-1.5	-4.3	-6.9	-12.2	-10.1	-5.1	-4.3
Other Nondurables	3.08	3.05	3.02	2.94	2.83	2.75	2.70	2.67
% Ch, Annual Rate	-2.7	-3.3	-4.8	-9.6	-14.8	-11.0	-6.7	-3.5
Natural Resources and Mining	0.75	0.76	0.79	0.79	0.77	0.73	0.71	0.69
% Ch, Annual Rate	8.6	6.4	12.6	3.1	-11.3	-18.4	-10.5	-9.2
Construction	7.45	7.29	7.17	6.95	6.59	6.30	6.10	5.93
% Ch, Annual Rate	-5.4	-8.2	-6.3	-11.8	-19.1	-16.3	-12.2	-10.8
Trade, Transportation, and Utilities	26.67	26.51	26.35	26.00	25.61	25.31	25.14	24.96
% Ch, Annual Rate	-0.7	-2.3	-2.5	-5.1	-5.9	-4.5	-2.7	-2.9
Wholesale Trade	6.02	5.99	5.96	5.89	5.78	5.70	5.66	5.64
% Ch, Annual Rate	-1.4	-2.2	-2.2	-4.6	-7.2	-5.6	-2.7	-1.1
Retail Trade	15.53	15.43	15.33	15.13	14.93	14.81	14.73	14.60
% Ch, Annual Rate	-0.6	-2.7	-2.5	-5.2	-5.0	-3.1	-2.3	-3.5
Trans., Warehousing, and Utilities	5.11	5.09	5.06	4.99	4.90	4.80	4.75	4.72
% Ch, Annual Rate	-0.1	-1.3	-2.8	-5.5	-7.2	-7.4	-4.0	-3.0
Information	3.02	3.01	2.99	2.96	2.92	2.86	2.83	2.77
% Ch, Annual Rate	-0.6	-1.5	-2.8	-3.7	-6.2	-7.1	-4.6	-7.7
Publishing Industries	0.90	0.89	0.88	0.86	0.84	0.81	0.79	0.78
% Ch, Annual Rate	-1.3	-2.4	-4.6	-6.6	-12.3	-12.1	-9.5	-7.4
Other Information	2.13	2.12	2.11	2.10	2.08	2.05	2.04	2.00
% Ch, Annual Rate	-0.3	-1.1	-2.1	-2.4	-3.5	-5.0	-2.6	-7.8
Financial Activities	8.21	8.18	8.14	8.05	7.90	7.78	7.72	7.69
% Ch, Annual Rate	-1.8	-1.8	-2.0	-4.3	-7.0	-6.0	-3.3	-1.6
Professional and Business Services	18.01	17.89	17.73	17.49	17.05	16.73	16.61	16.56
% Ch, Annual Rate	-0.8	-2.8	-3.5	-5.4	-9.6	-7.2	-2.9	-1.2
Education and Health Services	18.66	18.80	18.93	19.04	19.14	19.21	19.29	19.42
% Ch, Annual Rate	2.8	3.1	2.9	2.2	2.2	1.6	1.7	2.7
Leisure and Hospitality	13.53	13.50	13.45	13.35	13.24	13.18	13.16	13.15
% Ch, Annual Rate	-0.1	-0.9	-1.4	-3.1	-3.3	-1.7	-0.5	-0.4
Other Services	5.53	5.54	5.53	5.51	5.45	5.42	5.41	5.38
% Ch, Annual Rate	1.8	0.6	-0.5	-1.8	-4.4	-1.9	-0.9	-1.8
Federal Government	2.74	2.76	2.77	2.78	2.80	2.85	2.82	2.79
% Ch, Annual Rate	0.8	2.6	1.4	1.0	3.0	7.6	-3.9	-4.4
State and Local Government	19.67	19.73	19.77	19.76	19.74	19.73	19.62	19.45
% Ch, Annual Rate	1.7	1.1	0.9	-0.2	-0.3	-0.2	-2.2	-3.5

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	130.20	130.53	130.80	131.36	132.05	132.90	133.78	134.67
% Ch, Annual Rate	-0.9	1.0	0.8	1.7	2.1	2.6	2.7	2.7
Manufacturing	11.66	11.54	11.52	11.59	11.67	11.71	11.79	11.93
% Ch, Annual Rate	-1.5	-4.1	-0.8	2.5	2.8	1.3	2.9	4.6
Durable Manufacturing	7.14	7.07	7.08	7.16	7.25	7.28	7.36	7.49
% Ch, Annual Rate	-0.7	-3.7	0.2	4.9	4.8	1.5	4.5	7.3
Wood Products	0.36	0.36	0.37	0.39	0.40	0.42	0.43	0.45
% Ch, Annual Rate	6.3	5.1	10.0	14.1	18.5	14.2	15.5	16.1
Primary and Fabricated Metals	1.59	1.52	1.51	1.51	1.52	1.53	1.54	1.57
% Ch, Annual Rate	-6.9	-15.2	-4.2	0.4	4.6	0.6	4.6	7.5
Computer and Electronic Products	1.16	1.22	1.23	1.24	1.22	1.20	1.19	1.19
% Ch, Annual Rate	15.2	20.8	3.1	5.7	-7.9	-7.5	-3.0	-0.1
Machinery and Electrical Equipment	1.33	1.30	1.29	1.30	1.32	1.33	1.35	1.37
% Ch, Annual Rate	-5.5	-9.3	-3.0	4.5	7.3	2.7	5.3	7.2
Transportation Equipment	1.31	1.29	1.29	1.32	1.34	1.36	1.39	1.44
% Ch, Annual Rate	-3.6	-6.9	1.3	8.4	8.5	5.9	8.8	14.4
Other Durables	1.40	1.39	1.39	1.41	1.43	1.44	1.45	1.47
% Ch, Annual Rate	0.2	-2.4	2.0	4.0	7.7	1.9	3.0	4.0
Nondurable Manufacturing	4.52	4.47	4.44	4.43	4.42	4.43	4.44	4.44
% Ch, Annual Rate	-2.7	-4.8	-2.3	-1.2	-0.5	1.1	0.4	0.3
Food Manufacturing	1.47	1.46	1.46	1.46	1.46	1.47	1.47	1.48
% Ch, Annual Rate	-0.2	-2.8	-0.7	-0.6	-0.3	2.6	1.5	1.5
Paper and Paper Products	0.40	0.39	0.38	0.38	0.39	0.39	0.39	0.39
% Ch, Annual Rate	-4.5	-7.2	-5.0	-1.4	2.1	5.2	1.7	1.6
Other Nondurables	2.65	2.61	2.59	2.58	2.58	2.57	2.57	2.57
% Ch, Annual Rate	-3.8	-5.5	-2.8	-1.5	-0.9	-0.4	-0.5	-0.6
Natural Resources and Mining	0.69	0.68	0.68	0.68	0.68	0.68	0.68	0.68
% Ch, Annual Rate	-4.7	-3.6	-1.8	0.7	0.2	1.0	1.1	0.6
Construction	5.77	5.64	5.54	5.55	5.55	5.59	5.66	5.73
% Ch, Annual Rate	-10.3	-8.7	-6.9	0.3	0.1	3.0	4.9	5.0
Trade, Transportation, and Utilities	24.86	24.86	24.95	25.01	25.07	25.17	25.30	25.53
% Ch, Annual Rate	-1.5	0.1	1.4	0.9	1.1	1.5	2.2	3.7
Wholesale Trade	5.64	5.59	5.56	5.53	5.54	5.62	5.70	5.78
% Ch, Annual Rate	-0.4	-3.5	-1.7	-2.1	0.6	5.8	6.0	5.8
Retail Trade	14.54	14.61	14.72	14.80	14.82	14.76	14.73	14.80
% Ch, Annual Rate	-1.6	1.9	3.0	2.1	0.6	-1.6	-0.7	1.8
Trans., Warehousing, and Utilities	4.68	4.67	4.67	4.68	4.71	4.78	4.87	4.95
% Ch, Annual Rate	-2.9	-1.5	0.0	0.8	3.1	6.3	6.9	6.8
Information	2.70	2.63	2.62	2.66	2.70	2.72	2.74	2.74
% Ch, Annual Rate	-10.7	-9.9	-1.3	6.5	6.1	3.6	2.5	0.4
Publishing Industries	0.75	0.72	0.70	0.70	0.70	0.70	0.70	0.71
% Ch, Annual Rate	-12.5	-16.2	-7.4	0.4	-1.1	0.1	0.9	0.9
Other Information	1.95	1.91	1.91	1.95	2.00	2.02	2.03	2.04
% Ch, Annual Rate	-10.0	-7.3	1.0	8.8	8.8	4.9	3.0	0.2
Financial Activities	7.71	7.65	7.55	7.49	7.55	7.63	7.69	7.75
% Ch, Annual Rate	1.2	-3.1	-5.3	-3.0	3.5	4.0	3.4	2.9
Professional and Business Services	16.59	16.80	17.11	17.51	17.87	18.24	18.55	18.79
% Ch, Annual Rate	0.7	5.2	7.8	9.5	8.5	8.6	7.1	5.2
Education and Health Services	19.54	19.75	19.94	20.06	20.18	20.38	20.56	20.66
% Ch, Annual Rate	2.5	4.2	4.1	2.3	2.4	4.1	3.6	1.9
Leisure and Hospitality	13.13	13.24	13.35	13.37	13.36	13.37	13.35	13.37
% Ch, Annual Rate	-0.5	3.3	3.3	0.6	-0.2	0.1	-0.3	0.5
Other Services	5.38	5.39	5.42	5.43	5.46	5.45	5.45	5.45
% Ch, Annual Rate	-0.5	0.9	2.2	1.1	1.7	-0.1	-0.3	-0.1
Federal Government	2.83	3.07	2.90	2.82	2.80	2.77	2.76	2.75
% Ch, Annual Rate	5.3	39.1	-20.5	-10.6	-3.4	-2.9	-1.9	-1.6
State and Local Government	19.35	19.29	19.23	19.20	19.17	19.19	19.23	19.29
% Ch, Annual Rate	-1.9	-1.3	-1.3	-0.6	-0.6	0.4	0.9	1.2

Table A2.3
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	2,701.0	2,776.9	2,859.0	2,933.5	2,958.8	2,841.3	2,834.9	2,910.7
% Ch	1.6	2.8	3.0	2.6	0.9	-4.0	-0.2	2.7
Manufacturing	263.7	272.6	285.9	293.3	291.2	266.5	259.9	265.0
% Ch	-1.3	3.4	4.9	2.6	-0.7	-8.5	-2.5	2.0
Durable Manufacturing	182.4	191.5	204.0	211.9	211.3	191.2	186.5	190.1
% Ch	-0.7	5.0	6.6	3.9	-0.3	-9.5	-2.4	1.9
Wood Products	18.8	20.0	20.3	19.2	17.0	13.2	13.0	14.4
% Ch	5.4	6.9	1.1	-5.4	-11.4	-22.3	-1.2	10.7
Primary and Fabricated Metals	22.3	23.1	24.3	25.9	26.3	22.1	20.1	20.5
% Ch	0.9	3.8	4.9	6.8	1.5	-16.2	-8.9	1.9
Computer and Electronic Products	22.1	22.2	22.5	22.7	22.5	20.0	22.1	22.1
% Ch	-5.3	0.2	1.2	1.1	-0.8	-11.0	10.3	-0.2
Machinery and Electrical Equipment	17.0	17.8	19.0	19.6	19.9	16.7	16.4	18.2
% Ch	4.3	4.8	6.5	3.4	1.2	-15.8	-1.8	11.2
Aerospace	61.5	65.6	73.4	80.1	83.0	83.2	80.8	80.0
% Ch	-5.8	6.8	11.9	9.1	3.6	0.2	-2.9	-0.9
Other Transportation Equip.	12.1	13.2	13.7	13.1	12.2	9.8	9.1	9.2
% Ch	9.2	8.7	4.1	-4.9	-6.5	-19.7	-6.8	1.2
Other Durables	28.6	29.5	30.9	31.3	30.5	26.2	25.0	25.6
% Ch	2.7	3.1	4.9	1.4	-2.8	-13.9	-4.8	2.4
Nondurable Manufacturing	81.3	81.1	81.9	81.4	79.8	75.3	73.3	75.0
% Ch	-2.4	-0.2	0.9	-0.6	-1.9	-5.7	-2.6	2.2
Food Manufacturing	34.1	33.8	33.9	34.1	34.3	33.4	32.5	33.8
% Ch	-2.0	-1.0	0.3	0.7	0.5	-2.6	-2.7	4.1
Paper and Paper Products	12.7	12.2	11.9	11.2	10.5	9.8	9.3	9.4
% Ch	-4.6	-3.6	-2.1	-6.3	-6.5	-6.6	-4.9	1.1
Other Nondurables	34.5	35.1	36.1	36.1	35.1	32.1	31.5	31.7
% Ch	-1.9	1.8	2.6	0.2	-2.8	-8.5	-1.9	0.6
Natural Resources and Mining	9.1	9.0	8.7	8.2	7.5	6.1	6.4	7.0
% Ch	5.7	-1.9	-3.0	-6.1	-7.6	-19.0	4.9	9.8
Construction	164.2	177.4	194.8	208.2	200.6	164.2	150.8	154.6
% Ch	5.1	8.0	9.9	6.8	-3.6	-18.1	-8.1	2.5
Trade, Transportation, and Utilities	518.4	530.4	541.6	553.3	553.5	526.5	523.6	542.7
% Ch	1.7	2.3	2.1	2.2	0.0	-4.9	-0.6	3.7
Wholesale Trade	119.3	122.2	126.6	129.3	130.1	124.0	122.3	126.1
% Ch	2.8	2.4	3.6	2.2	0.6	-4.7	-1.4	3.1
Retail Trade	309.4	316.1	321.0	327.9	327.4	311.5	310.8	322.4
% Ch	1.1	2.2	1.6	2.1	-0.2	-4.9	-0.2	3.7
Trans., Warehousing, and Utilities	89.8	92.2	94.0	96.1	96.0	90.9	90.5	94.2
% Ch	2.1	2.7	2.0	2.2	-0.1	-5.2	-0.5	4.0
Information	92.9	94.7	98.4	102.5	105.6	103.8	101.8	107.1
% Ch	0.6	2.0	3.9	4.1	3.1	-1.7	-2.0	5.2
Software Publishers	39.3	41.3	44.7	47.6	50.9	51.9	52.4	55.6
% Ch	5.1	5.1	8.4	6.4	7.0	1.9	1.0	6.1
Other Publishing Industries	11.3	11.2	11.0	10.8	10.4	8.7	7.7	7.7
% Ch	-6.7	-0.6	-2.0	-1.7	-4.4	-16.0	-11.1	-0.3
Other Information	42.3	42.2	42.7	44.0	44.3	43.2	41.7	43.8
% Ch	-1.2	-0.1	1.1	3.1	0.7	-2.5	-3.6	5.0
Financial Activities	151.8	154.5	156.2	155.5	152.4	144.6	142.1	143.8
% Ch	-0.1	1.8	1.1	-0.5	-2.0	-5.1	-1.7	1.2
Professional and Business Services	301.7	316.1	330.5	344.6	348.6	326.1	332.5	358.4
% Ch	3.9	4.8	4.6	4.3	1.2	-6.5	2.0	7.8
Education and Health Services	319.7	329.3	337.2	348.2	362.1	375.1	382.8	391.7
% Ch	2.2	3.0	2.4	3.3	4.0	3.6	2.1	2.3
Leisure and Hospitality	255.6	263.5	271.7	280.5	283.7	271.7	279.5	284.1
% Ch	2.7	3.1	3.1	3.3	1.1	-4.2	2.9	1.6
Other Services	100.3	102.7	104.0	105.3	107.3	105.3	105.1	106.4
% Ch	1.4	2.4	1.2	1.3	1.9	-1.9	-0.2	1.2
Federal Government	69.8	69.6	69.3	68.7	70.0	73.0	75.3	72.9
% Ch	-0.6	-0.3	-0.4	-0.9	1.9	4.3	3.1	-3.1
State and Local Government	453.9	457.2	460.7	465.1	476.3	478.5	475.1	477.0
% Ch	0.8	0.7	0.8	1.0	2.4	0.5	-0.7	0.4

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,834.3	2,853.0	2,865.7	2,882.8	2,908.8	2,929.3	2,938.9	2,956.9
% Ch, Annual Rate	3.4	2.7	1.8	2.4	3.7	2.8	1.3	2.5
Manufacturing	283.0	284.9	287.0	288.7	290.9	292.3	294.3	295.7
% Ch, Annual Rate	6.9	2.6	3.0	2.5	3.1	1.9	2.8	1.9
Durable Manufacturing	201.0	202.8	204.9	207.4	209.1	211.0	212.9	214.6
% Ch, Annual Rate	7.4	3.7	4.1	5.0	3.4	3.6	3.7	3.3
Wood Products	20.6	20.4	20.3	19.8	19.5	19.3	19.0	18.8
% Ch, Annual Rate	5.3	-2.8	-3.6	-9.5	-5.9	-2.4	-6.0	-4.6
Primary and Fabricated Metals	23.9	24.1	24.4	24.7	25.3	26.3	25.9	26.1
% Ch, Annual Rate	6.0	4.5	4.2	6.3	9.7	16.8	-5.7	2.7
Computer and Electronic Products	22.2	22.5	22.6	22.6	22.6	22.7	22.9	22.7
% Ch, Annual Rate	0.0	4.5	1.6	0.2	-0.1	1.8	3.5	-2.4
Machinery and Electrical Equipment	18.6	18.9	19.0	19.3	19.3	19.4	19.7	20.0
% Ch, Annual Rate	9.9	6.1	2.4	4.9	1.7	1.0	7.0	5.6
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.4
Other Transportation Equip.	13.8	13.8	13.6	13.6	13.3	13.0	13.0	12.9
% Ch, Annual Rate	12.3	1.1	-5.8	0.4	-10.5	-6.6	-2.4	-0.7
Other Durables	30.5	30.9	31.0	31.3	31.4	31.3	31.3	31.3
% Ch, Annual Rate	5.4	5.1	2.0	3.5	1.5	-1.3	0.1	0.1
Nondurable Manufacturing	82.0	82.0	82.1	81.3	81.8	81.3	81.5	81.1
% Ch, Annual Rate	5.6	0.0	0.4	-3.8	2.1	-2.2	0.7	-1.5
Food Manufacturing	33.9	33.7	34.0	33.8	34.1	33.8	34.3	34.1
% Ch, Annual Rate	6.3	-1.6	3.4	-2.5	4.2	-4.1	5.6	-1.4
Paper and Paper Products	12.2	12.1	11.9	11.5	11.6	11.3	11.0	10.9
% Ch, Annual Rate	4.9	-0.6	-6.8	-13.0	2.2	-9.9	-10.0	-4.0
Other Nondurables	36.0	36.2	36.2	36.0	36.0	36.2	36.2	36.1
% Ch, Annual Rate	5.2	1.6	0.0	-1.7	0.3	2.3	-0.2	-0.8
Natural Resources and Mining	8.9	8.8	8.6	8.5	8.3	8.3	8.1	7.9
% Ch, Annual Rate	5.2	-2.0	-9.6	-4.1	-7.1	-3.1	-8.5	-8.3
Construction	189.7	193.9	196.5	199.3	205.3	209.9	208.6	208.9
% Ch, Annual Rate	13.0	9.1	5.4	5.8	12.8	9.1	-2.5	0.5
Trade, Transportation, and Utilities	538.6	541.0	542.5	544.4	549.8	552.8	553.9	556.9
% Ch, Annual Rate	2.7	1.8	1.1	1.4	4.0	2.3	0.8	2.2
Wholesale Trade	125.8	126.2	127.0	127.2	128.1	129.1	129.6	130.5
% Ch, Annual Rate	6.7	1.4	2.6	0.7	2.7	3.2	1.5	3.0
Retail Trade	319.6	320.7	321.0	322.8	326.3	327.5	328.0	329.9
% Ch, Annual Rate	1.1	1.4	0.4	2.2	4.5	1.5	0.6	2.3
Trans., Warehousing, and Utilities	93.2	94.0	94.4	94.3	95.3	96.2	96.3	96.5
% Ch, Annual Rate	2.9	3.6	1.8	-0.4	4.4	3.7	0.5	0.8
Information	96.1	97.6	99.4	100.5	101.7	102.6	102.6	102.9
% Ch, Annual Rate	2.8	6.6	7.6	4.4	4.8	3.7	0.0	0.9
Software Publishers	43.0	44.4	45.4	46.1	47.1	47.6	47.7	48.1
% Ch, Annual Rate	7.8	13.7	9.8	5.9	8.7	4.4	0.8	3.7
Other Publishing Industries	11.1	11.0	11.0	11.0	10.9	10.9	10.8	10.8
% Ch, Annual Rate	-3.6	-1.8	1.5	-2.5	-3.7	-0.3	-1.0	-2.1
Other Information	42.1	42.2	43.0	43.4	43.8	44.2	44.1	44.0
% Ch, Annual Rate	-0.4	1.7	7.1	4.6	2.9	4.0	-0.5	-1.4
Financial Activities	156.8	156.5	156.0	155.6	155.8	156.1	155.2	155.0
% Ch, Annual Rate	0.3	-0.6	-1.4	-1.1	0.6	0.6	-2.1	-0.7
Professional and Business Services	323.7	328.7	332.9	336.8	341.7	343.5	345.3	348.1
% Ch, Annual Rate	3.5	6.3	5.2	4.7	5.9	2.2	2.1	3.2
Education and Health Services	334.6	336.5	337.8	339.8	343.1	346.5	349.5	353.8
% Ch, Annual Rate	2.3	2.3	1.6	2.4	3.9	4.1	3.5	5.1
Leisure and Hospitality	270.0	270.7	272.1	273.8	277.3	279.7	281.1	284.0
% Ch, Annual Rate	3.1	1.1	2.0	2.7	5.1	3.5	2.1	4.1
Other Services	103.4	103.9	104.1	104.4	104.6	105.1	105.2	106.3
% Ch, Annual Rate	0.0	1.8	0.8	1.0	0.9	1.8	0.5	4.1
Federal Government	69.6	69.5	69.0	69.0	69.0	68.6	68.6	68.4
% Ch, Annual Rate	0.1	-0.5	-2.9	0.0	0.1	-2.4	-0.1	-0.9
State and Local Government	460.0	460.9	459.8	462.0	461.2	463.8	466.4	469.0
% Ch, Annual Rate	1.5	0.8	-0.9	1.9	-0.7	2.3	2.2	2.2

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,973.7	2,970.5	2,966.2	2,924.8	2,885.1	2,845.6	2,826.0	2,808.5
% Ch, Annual Rate	2.3	-0.4	-0.6	-5.5	-5.3	-5.4	-2.7	-2.4
Manufacturing	297.1	294.9	293.0	279.6	276.9	267.4	263.0	258.6
% Ch, Annual Rate	1.8	-2.8	-2.6	-17.0	-3.9	-13.0	-6.4	-6.6
Durable Manufacturing	215.8	214.7	214.0	200.8	200.0	191.4	188.6	184.8
% Ch, Annual Rate	2.3	-2.1	-1.3	-22.4	-1.5	-16.2	-5.8	-7.8
Wood Products	18.2	17.5	16.7	15.6	13.9	13.3	13.0	12.7
% Ch, Annual Rate	-12.8	-14.7	-17.6	-22.0	-37.1	-18.2	-8.4	-9.1
Primary and Fabricated Metals	26.4	26.6	26.7	25.5	23.6	22.1	21.6	21.0
% Ch, Annual Rate	5.2	3.1	0.4	-16.7	-26.1	-24.0	-8.8	-9.9
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.2	19.9	19.6	19.4
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-16.5	-21.9	-6.0	-4.4
Machinery and Electrical Equipment	20.2	20.1	19.9	19.3	17.7	16.6	16.4	16.2
% Ch, Annual Rate	3.8	-2.1	-3.4	-12.1	-29.3	-21.7	-5.1	-5.8
Aerospace	84.1	84.5	85.8	77.5	85.4	83.5	82.7	81.1
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	47.0	-8.5	-3.8	-7.4
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.6	9.6	9.6	9.4
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-32.1	-31.2	-0.8	-8.7
Other Durables	31.4	31.0	30.3	29.1	27.7	26.4	25.7	25.1
% Ch, Annual Rate	1.2	-5.3	-8.3	-15.6	-17.9	-16.9	-9.8	-10.3
Nondurable Manufacturing	81.3	80.3	79.0	78.8	76.9	76.0	74.5	73.8
% Ch, Annual Rate	0.6	-4.7	-6.0	-1.0	-9.6	-4.3	-7.9	-3.5
Food Manufacturing	34.6	34.2	33.9	34.4	33.8	34.1	33.2	32.4
% Ch, Annual Rate	5.4	-4.7	-3.4	6.6	-7.3	3.2	-9.5	-9.6
Paper and Paper Products	10.8	10.6	10.3	10.2	10.1	9.8	9.6	9.6
% Ch, Annual Rate	-4.6	-6.0	-9.6	-5.5	-2.7	-10.8	-8.8	-2.0
Other Nondurables	35.9	35.5	34.8	34.2	33.0	32.1	31.6	31.9
% Ch, Annual Rate	-2.4	-4.4	-7.5	-6.8	-13.9	-9.7	-5.9	2.7
Natural Resources and Mining	7.7	7.6	7.6	7.3	6.6	6.0	5.9	5.9
% Ch, Annual Rate	-8.5	-9.5	-0.1	-12.5	-33.8	-29.1	-7.0	-5.2
Construction	208.7	204.8	199.4	189.7	177.1	166.6	159.2	153.9
% Ch, Annual Rate	-0.4	-7.2	-10.2	-18.0	-24.1	-21.6	-16.7	-12.6
Trade, Transportation, and Utilities	559.3	556.4	553.9	544.5	536.0	527.3	523.8	519.0
% Ch, Annual Rate	1.7	-2.1	-1.8	-6.6	-6.1	-6.3	-2.6	-3.6
Wholesale Trade	131.0	130.6	130.1	128.8	127.1	124.3	122.7	122.1
% Ch, Annual Rate	1.4	-1.2	-1.5	-4.0	-5.3	-8.3	-5.3	-1.7
Retail Trade	331.8	329.4	327.5	321.1	315.9	312.5	310.6	307.1
% Ch, Annual Rate	2.4	-3.0	-2.3	-7.6	-6.2	-4.3	-2.4	-4.5
Trans., Warehousing, and Utilities	96.5	96.4	96.4	94.6	93.0	90.4	90.5	89.9
% Ch, Annual Rate	-0.2	-0.2	-0.3	-6.9	-6.9	-10.5	0.5	-2.9
Information	104.3	105.2	106.2	106.7	106.0	104.5	102.3	102.6
% Ch, Annual Rate	5.7	3.7	3.8	1.8	-2.6	-5.7	-8.2	1.2
Software Publishers	49.1	50.4	51.7	52.6	53.0	52.2	51.1	51.3
% Ch, Annual Rate	8.5	10.8	10.5	7.1	3.6	-5.8	-8.7	1.7
Other Publishing Industries	10.8	10.6	10.2	9.8	9.4	9.0	8.4	8.1
% Ch, Annual Rate	-0.2	-5.4	-13.6	-16.6	-16.1	-16.0	-23.8	-12.6
Other Information	44.4	44.2	44.3	44.4	43.6	43.3	42.8	43.2
% Ch, Annual Rate	4.1	-1.5	0.9	0.2	-6.5	-3.2	-4.0	3.6
Financial Activities	154.6	153.5	151.6	149.8	146.8	144.4	143.1	144.0
% Ch, Annual Rate	-0.9	-2.8	-4.8	-4.8	-7.6	-6.4	-3.5	2.4
Professional and Business Services	350.2	352.2	349.9	342.2	333.4	324.3	324.1	322.4
% Ch, Annual Rate	2.5	2.2	-2.5	-8.5	-9.9	-10.5	-0.3	-2.1
Education and Health Services	356.8	359.9	364.0	367.5	372.5	373.4	375.9	378.7
% Ch, Annual Rate	3.4	3.5	4.7	3.9	5.5	1.0	2.7	3.1
Leisure and Hospitality	285.8	284.9	284.2	279.7	274.0	271.5	272.3	268.8
% Ch, Annual Rate	2.5	-1.2	-1.0	-6.2	-7.9	-3.6	1.2	-5.0
Other Services	107.3	107.6	107.7	106.6	106.1	105.9	104.6	104.5
% Ch, Annual Rate	3.7	1.2	0.5	-4.3	-1.6	-1.0	-4.8	-0.4
Federal Government	69.2	69.6	70.3	70.9	71.6	74.1	72.9	73.3
% Ch, Annual Rate	4.9	1.9	4.1	3.5	4.0	15.0	-6.4	2.1
State and Local Government	472.7	473.9	478.3	480.3	478.0	480.2	478.8	476.9
% Ch, Annual Rate	3.2	1.0	3.8	1.7	-1.9	1.8	-1.1	-1.6

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,813.2	2,829.4	2,840.8	2,856.2	2,873.9	2,898.4	2,922.7	2,948.0
% Ch, Annual Rate	0.7	2.3	1.6	2.2	2.5	3.5	3.4	3.5
Manufacturing	259.1	259.2	259.7	261.4	262.5	263.7	265.7	268.2
% Ch, Annual Rate	0.9	0.1	0.8	2.6	1.7	1.9	3.0	3.9
Durable Manufacturing	185.4	186.1	186.6	188.0	188.8	189.0	190.3	192.2
% Ch, Annual Rate	1.5	1.5	1.0	3.1	1.7	0.5	2.6	4.1
Wood Products	12.8	12.9	13.1	13.4	13.9	14.2	14.6	15.1
% Ch, Annual Rate	4.0	3.0	7.1	10.5	14.1	10.5	11.6	12.1
Primary and Fabricated Metals	20.7	20.0	19.8	19.9	20.2	20.3	20.5	21.0
% Ch, Annual Rate	-5.1	-13.7	-3.1	1.3	5.6	1.8	5.7	8.6
Computer and Electronic Products	20.6	22.2	22.6	23.1	22.5	22.0	21.8	21.9
% Ch, Annual Rate	26.2	35.3	6.7	10.7	-9.9	-9.4	-2.7	1.6
Machinery and Electrical Equipment	16.3	16.2	16.3	16.8	17.5	17.9	18.4	19.1
% Ch, Annual Rate	3.3	-3.2	4.2	13.3	16.3	9.7	12.8	14.9
Aerospace	80.9	80.9	80.8	80.5	80.3	80.0	79.9	79.9
% Ch, Annual Rate	-0.8	0.0	-0.8	-1.2	-1.2	-1.2	-0.4	0.0
Other Transportation Equip.	9.2	9.1	9.1	9.1	9.2	9.2	9.3	9.3
% Ch, Annual Rate	-7.5	-4.3	-0.6	1.6	1.9	2.1	2.0	2.0
Other Durables	24.9	24.9	25.0	25.1	25.3	25.4	25.6	25.9
% Ch, Annual Rate	-1.9	-0.6	0.9	2.2	3.6	2.0	3.1	4.2
Nondurable Manufacturing	73.7	73.1	73.1	73.4	73.7	74.7	75.4	76.0
% Ch, Annual Rate	-0.6	-3.3	0.2	1.3	1.8	5.6	3.8	3.5
Food Manufacturing	32.5	32.3	32.4	32.6	32.8	33.6	34.2	34.7
% Ch, Annual Rate	1.4	-2.6	1.9	2.3	2.6	9.6	6.8	6.2
Paper and Paper Products	9.5	9.3	9.2	9.2	9.3	9.4	9.5	9.5
% Ch, Annual Rate	-3.6	-6.5	-4.3	-0.7	2.9	6.0	2.3	2.1
Other Nondurables	31.7	31.5	31.5	31.5	31.6	31.7	31.8	31.9
% Ch, Annual Rate	-1.8	-3.0	-0.2	0.9	0.7	1.5	1.2	1.0
Natural Resources and Mining	6.1	6.3	6.5	6.7	6.8	7.0	7.1	7.2
% Ch, Annual Rate	21.0	11.4	11.6	12.7	8.8	7.8	8.8	8.3
Construction	151.8	150.5	150.4	150.8	150.7	152.3	155.2	160.4
% Ch, Annual Rate	-5.5	-3.3	-0.3	1.0	-0.1	4.3	7.7	14.1
Trade, Transportation, and Utilities	519.3	521.6	525.3	528.0	532.7	540.1	546.0	551.9
% Ch, Annual Rate	0.2	1.8	2.9	2.0	3.7	5.6	4.5	4.4
Wholesale Trade	122.5	122.1	122.3	122.1	122.7	125.1	127.2	129.4
% Ch, Annual Rate	1.3	-1.2	0.5	-0.8	2.2	7.8	7.2	7.0
Retail Trade	306.8	309.2	312.3	314.8	318.1	321.6	323.9	326.1
% Ch, Annual Rate	-0.3	3.1	4.1	3.2	4.2	4.5	2.9	2.8
Trans., Warehousing, and Utilities	90.0	90.3	90.7	91.1	92.0	93.4	94.9	96.4
% Ch, Annual Rate	0.6	1.3	1.8	2.1	3.6	6.4	6.6	6.5
Information	101.7	100.8	101.4	103.3	105.0	106.5	107.8	108.9
% Ch, Annual Rate	-3.5	-3.2	2.5	7.4	6.9	5.7	5.1	3.9
Software Publishers	51.7	52.0	52.6	53.4	54.2	55.1	56.0	57.0
% Ch, Annual Rate	3.3	2.2	4.6	6.5	5.9	6.8	7.2	7.4
Other Publishing Industries	8.0	7.7	7.6	7.7	7.7	7.7	7.7	7.7
% Ch, Annual Rate	-6.7	-12.9	-4.1	3.4	0.6	1.0	1.2	0.7
Other Information	42.0	41.2	41.3	42.2	43.2	43.7	44.1	44.1
% Ch, Annual Rate	-10.6	-7.8	1.1	9.4	9.4	5.3	3.3	0.2
Financial Activities	143.9	143.0	141.3	140.4	141.7	143.2	144.6	145.8
% Ch, Annual Rate	-0.2	-2.6	-4.7	-2.4	3.8	4.4	3.8	3.3
Professional and Business Services	324.0	328.8	334.9	342.2	349.0	355.9	361.9	366.8
% Ch, Annual Rate	2.0	6.0	7.6	9.1	8.1	8.2	7.0	5.5
Education and Health Services	379.5	381.7	384.3	385.8	387.5	390.6	393.5	395.2
% Ch, Annual Rate	0.8	2.4	2.7	1.5	1.8	3.2	3.0	1.8
Leisure and Hospitality	274.3	278.8	281.9	283.1	283.5	283.9	284.2	284.9
% Ch, Annual Rate	8.4	6.7	4.6	1.6	0.6	0.7	0.3	1.0
Other Services	104.5	104.8	105.3	105.7	106.1	106.3	106.4	106.6
% Ch, Annual Rate	0.3	1.1	1.9	1.3	1.6	0.7	0.6	0.8
Federal Government	73.4	78.8	75.0	73.9	73.4	73.0	72.7	72.5
% Ch, Annual Rate	0.5	32.8	-17.9	-5.5	-2.8	-2.3	-1.4	-1.1
State and Local Government	475.6	475.1	474.8	475.1	474.9	476.0	477.5	479.5
% Ch, Annual Rate	-1.1	-0.4	-0.3	0.3	-0.1	0.9	1.3	1.6

Table A3.1

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

Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	9,937.3	10,485.9	11,268.1	11,894.1	12,238.8	11,978.3	12,353.7	12,946.8
% Ch	6.0	5.5	7.5	5.6	2.9	-2.1	3.1	4.8
Total Wage and Salary Disbursements	5,425.7	5,701.0	6,068.9	6,408.9	6,545.9	6,252.7	6,385.6	6,679.1
% Ch	5.6	5.1	6.5	5.6	2.1	-4.5	2.1	4.6
Nonwage Personal Income	4,511.6	4,784.9	5,199.2	5,485.2	5,693.0	5,725.6	5,968.2	6,267.7
% Ch	6.4	6.1	8.7	5.5	3.8	0.6	4.2	5.0
Supplements to Wages and Salaries	1,282.7	1,359.1	1,406.9	1,453.8	1,496.6	1,500.1	1,546.2	1,624.7
% Ch	4.5	6.0	3.5	3.3	2.9	0.2	3.1	5.1
Proprietor's Income	1,033.8	1,069.8	1,133.0	1,096.4	1,106.2	1,037.9	1,089.7	1,175.6
% Ch	11.1	3.5	5.9	-3.2	0.9	-6.2	5.0	7.9
Farm	49.7	43.9	29.4	39.5	48.7	27.3	28.5	38.3
% Ch	...	...	...	...	...	...	...	...
Nonfarm	984.1	1,025.9	1,103.6	1,056.9	1,057.5	1,010.6	1,061.2	1,137.3
% Ch	10.1	4.2	7.6	-4.2	0.1	-4.4	5.0	7.2
Less: Contribution For Govt. Soc. Ins.	827.3	872.7	921.8	959.3	990.6	962.7	991.7	1,042.0
% Ch	6.2	5.5	5.6	4.1	3.3	-2.8	3.0	5.1
Dividends/Int./Rent	1,606.9	1,720.2	1,976.2	2,176.4	2,204.8	2,045.3	2,105.8	2,243.2
% Ch	5.9	7.1	14.9	10.1	1.3	-7.2	3.0	6.5
Transfer Payments	1,415.5	1,508.6	1,605.0	1,718.0	1,875.9	2,104.9	2,218.1	2,266.1
% Ch	5.5	6.6	6.4	7.0	9.2	12.2	5.4	2.2

Table A3.2

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

Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	11,026.7	11,204.0	11,336.9	11,504.8	11,706.9	11,823.4	11,945.6	12,100.3
% Ch, Annual Rate	11.1	6.6	4.8	6.1	7.2	4.0	4.2	5.3
Total Wage and Salary Disbursements	5,978.9	6,018.6	6,075.4	6,202.6	6,343.6	6,372.2	6,412.5	6,507.3
% Ch, Annual Rate	12.2	2.7	3.8	8.6	9.4	1.8	2.6	6.0
Nonwage Personal Income	5,047.8	5,185.4	5,261.5	5,302.2	5,363.3	5,451.2	5,533.1	5,593.0
% Ch, Annual Rate	9.8	11.4	6.0	3.1	4.7	6.7	6.1	4.4
Supplements to Wages and Salaries	1,394.8	1,401.3	1,408.6	1,422.6	1,438.6	1,447.6	1,457.1	1,472.1
% Ch, Annual Rate	5.2	1.9	2.1	4.0	4.6	2.5	2.6	4.2
Proprietor's Income	1,126.9	1,133.2	1,131.2	1,140.6	1,094.2	1,096.0	1,093.2	1,102.1
% Ch, Annual Rate	11.8	2.3	-0.7	3.4	-15.3	0.7	-1.0	3.3
Farm	28.4	28.4	28.4	32.2	36.7	35.7	37.5	47.9
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,098.5	1,104.8	1,102.8	1,108.4	1,057.5	1,060.3	1,055.7	1,054.2
% Ch, Annual Rate	17.1	2.3	-0.7	2.0	-17.1	1.1	-1.7	-0.6
Less: Contribution For Govt. Soc. Ins.	915.4	917.4	920.8	933.8	952.5	953.7	958.6	972.6
% Ch, Annual Rate	14.4	0.9	1.5	5.8	8.3	0.5	2.1	6.0
Dividends/Int./Rent	1,872.4	1,970.4	2,021.6	2,040.3	2,089.3	2,162.3	2,216.0	2,237.8
% Ch, Annual Rate	13.7	22.6	10.8	3.8	10.0	14.7	10.3	4.0
Transfer Payments	1,569.0	1,597.9	1,620.7	1,632.4	1,693.8	1,699.1	1,725.5	1,753.7
% Ch, Annual Rate	10.7	7.6	5.8	2.9	15.9	1.3	6.4	6.7

Table A3.2 (continued)

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

Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	12,142.2	12,292.9	12,286.6	12,233.5	11,952.7	11,971.8	11,956.3	12,032.5
% Ch, Annual Rate	1.4	5.1	-0.2	-1.7	-8.9	0.6	-0.5	2.6
Total Wage and Salary Disbursements	6,533.0	6,539.2	6,567.7	6,543.5	6,307.8	6,230.9	6,226.4	6,245.9
% Ch, Annual Rate	1.6	0.4	1.8	-1.5	-13.6	-4.8	-0.3	1.3
Nonwage Personal Income	5,609.2	5,753.7	5,718.9	5,690.0	5,644.9	5,740.9	5,729.9	5,786.6
% Ch, Annual Rate	1.2	10.7	-2.4	-2.0	-3.1	7.0	-0.8	4.0
Supplements to Wages and Salaries	1,484.5	1,493.5	1,501.4	1,506.8	1,498.0	1,496.9	1,500.6	1,505.1
% Ch, Annual Rate	3.4	2.5	2.1	1.5	-2.3	-0.3	1.0	1.2
Proprietor's Income	1,115.1	1,111.9	1,114.4	1,083.5	1,037.8	1,028.0	1,038.3	1,047.7
% Ch, Annual Rate	4.8	-1.1	0.9	-10.6	-15.8	-3.7	4.1	3.7
Farm	57.2	49.4	49.3	39.0	27.3	28.9	28.5	24.6
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,057.9	1,062.5	1,065.1	1,044.5	1,010.5	999.1	1,009.8	1,023.1
% Ch, Annual Rate	1.4	1.8	1.0	-7.5	-12.4	-4.4	4.4	5.4
Less: Contribution For Govt. Soc. Ins.	985.3	988.9	994.9	993.3	969.7	959.7	959.3	962.2
% Ch, Annual Rate	5.4	1.4	2.4	-0.6	-9.2	-4.0	-0.2	1.2
Dividends/Int./Rent	2,200.7	2,200.1	2,223.7	2,194.8	2,091.4	2,035.4	2,019.1	2,035.2
% Ch, Annual Rate	-6.5	-0.1	4.4	-5.1	-17.6	-10.3	-3.2	3.2
Transfer Payments	1,794.1	1,937.0	1,874.3	1,898.0	1,987.3	2,140.3	2,131.3	2,160.8
% Ch, Annual Rate	9.5	35.9	-12.3	5.2	20.2	34.5	-1.7	5.6

Table A3.2 (continued)

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

Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,132.0	12,279.9	12,434.8	12,568.3	12,711.3	12,860.4	13,025.8	13,189.8
% Ch, Annual Rate	3.3	5.0	5.1	4.4	4.6	4.8	5.2	5.1
Total Wage and Salary Disbursements	6,287.7	6,351.0	6,416.9	6,486.7	6,566.1	6,639.6	6,716.4	6,794.4
% Ch, Annual Rate	2.7	4.1	4.2	4.4	5.0	4.6	4.7	4.7
Nonwage Personal Income	5,844.3	5,928.8	6,017.9	6,081.6	6,145.2	6,220.7	6,309.4	6,395.5
% Ch, Annual Rate	4.1	5.9	6.1	4.3	4.3	5.0	5.8	5.6
Supplements to Wages and Salaries	1,522.7	1,535.6	1,553.9	1,572.8	1,595.9	1,613.0	1,634.7	1,655.1
% Ch, Annual Rate	4.8	3.4	4.9	5.0	6.0	4.4	5.5	5.1
Proprietor's Income	1,058.5	1,079.8	1,098.1	1,122.4	1,145.1	1,167.9	1,186.2	1,203.3
% Ch, Annual Rate	4.2	8.3	7.0	9.1	8.3	8.2	6.4	5.9
Farm	23.9	27.4	29.3	33.5	37.5	38.4	38.7	38.7
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,034.6	1,052.4	1,068.7	1,088.9	1,107.6	1,129.5	1,147.5	1,164.6
% Ch, Annual Rate	4.6	7.1	6.3	7.8	7.0	8.1	6.5	6.1
Less: Contribution For Govt. Soc. Ins.	981.7	986.3	994.4	1,004.3	1,028.2	1,038.2	1,046.0	1,055.4
% Ch, Annual Rate	8.4	1.9	3.3	4.0	9.9	4.0	3.0	3.7
Dividends/Int./Rent	2,047.6	2,086.5	2,129.9	2,159.2	2,188.4	2,219.2	2,259.2	2,306.1
% Ch, Annual Rate	2.5	7.8	8.6	5.6	5.5	5.8	7.4	8.6
Transfer Payments	2,197.2	2,213.3	2,230.4	2,231.4	2,244.1	2,258.9	2,275.2	2,286.3
% Ch, Annual Rate	6.9	3.0	3.1	0.2	2.3	2.7	2.9	2.0

Table A3.3
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	222.379	230.002	252.023	271.008	280.678	277.091	288.135	304.376
% Ch	7.5	3.4	9.6	7.5	3.6	-1.3	4.0	5.6
Total Wage and Salary Disbursements	118.073	124.704	135.118	145.705	150.683	146.936	151.724	160.291
% Ch	4.4	5.6	8.4	7.8	3.4	-2.5	3.3	5.6
Manufacturing	13.841	15.093	16.794	17.685	17.977	16.547	16.862	17.664
% Ch	2.2	9.0	11.3	5.3	1.7	-8.0	1.9	4.8
Durable Manufacturing	10.369	11.507	13.051	13.772	14.077	12.963	13.224	13.842
% Ch	2.9	11.0	13.4	5.5	2.2	-7.9	2.0	4.7
Nondurable Manufacturing	3.472	3.586	3.742	3.913	3.900	3.585	3.638	3.822
% Ch	-0.1	3.3	4.4	4.6	-0.3	-8.1	1.5	5.1
Nonmanufacturing	99.568	104.332	112.859	122.469	126.568	123.977	128.135	135.779
% Ch	4.8	4.8	8.2	8.5	3.3	-2.0	3.4	6.0
Other Private Wages	0.770	0.800	0.855	0.880	0.898	0.852	0.867	0.903
% Ch	4.3	3.9	6.9	2.9	2.1	-5.1	1.8	4.1
Farm Wages	0.969	1.181	1.133	1.025	1.254	1.283	1.326	1.399
% Ch	-2.4	21.9	-4.1	-9.6	22.4	2.4	3.4	5.5
Military Wages	2.926	3.299	3.478	3.647	3.987	4.277	4.534	4.547
% Ch	6.3	12.7	5.4	4.9	9.3	7.3	6.0	0.3
Nonwage Personal Income	104.306	105.298	116.905	125.303	129.995	130.155	136.410	144.085
% Ch	11.1	1.0	11.0	7.2	3.7	0.1	4.8	5.6
Supplements to Wages and Salaries	29.244	31.203	32.606	34.378	35.803	36.505	37.950	40.254
% Ch	5.3	6.7	4.5	5.4	4.1	2.0	4.0	6.1
Proprietor's Income	21.413	21.346	23.469	23.539	23.618	22.006	23.369	25.348
% Ch	8.3	-0.3	9.9	0.3	0.3	-6.8	6.2	8.5
Farm	0.952	0.527	0.653	1.066	1.081	0.331	0.483	0.703
% Ch	...	...	...	...	...	...	...	...
Nonfarm	20.462	20.818	22.817	22.474	22.538	21.675	22.886	24.645
% Ch	8.6	1.7	9.6	-1.5	0.3	-3.8	5.6	7.7
Less: Contribution For Govt. Soc. Ins.	20.666	21.964	23.325	24.515	25.507	25.254	26.178	27.686
% Ch	6.5	6.3	6.2	5.1	4.0	-1.0	3.7	5.8
Plus: Residence Adjustment	2.512	2.630	2.795	3.076	3.073	2.833	2.884	3.025
% Ch	1.3	4.7	6.3	10.0	-0.1	-7.8	1.8	4.9
Dividends/Int./Rent	43.572	42.281	49.329	54.525	55.550	50.727	52.182	55.799
% Ch	22.8	-3.0	16.7	10.5	1.9	-8.7	2.9	6.9
Transfer Payments	28.230	29.803	32.030	34.300	37.459	43.338	46.204	47.346
% Ch	1.6	5.6	7.5	7.1	9.2	15.7	6.6	2.5
State U.I. Benefits	1.184	0.782	0.733	0.739	1.195	4.018	4.953	4.381
% Ch	-47.1	-33.9	-6.2	0.8	61.7	236.3	23.3	-11.6
Other Transfers	27.047	29.021	31.297	33.562	36.264	39.320	41.251	42.965
% Ch	5.8	7.3	7.8	7.2	8.1	8.4	4.9	4.2

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	245.694	250.212	253.717	258.470	263.555	268.719	273.413	278.345
% Ch, Annual Rate	14.6	7.6	5.7	7.7	8.1	8.1	7.2	7.4
Total Wage and Salary Disbursements	132.883	133.606	135.220	138.763	141.612	144.333	146.826	150.049
% Ch, Annual Rate	15.9	2.2	4.9	10.9	8.5	7.9	7.1	9.1
Manufacturing	16.777	16.775	16.353	17.269	17.276	17.723	17.700	18.040
% Ch, Annual Rate	33.6	0.0	-9.7	24.4	0.2	10.8	-0.5	7.9
Durable Manufacturing	13.019	13.100	12.588	13.498	13.401	13.814	13.809	14.064
% Ch, Annual Rate	37.3	2.5	-14.7	32.2	-2.8	12.9	-0.1	7.6
Nondurable Manufacturing	3.758	3.675	3.765	3.771	3.875	3.909	3.891	3.976
% Ch, Annual Rate	21.7	-8.5	10.2	0.6	11.5	3.6	-1.8	9.0
Nonmanufacturing	110.540	111.323	113.422	116.151	118.908	121.128	123.503	126.337
% Ch, Annual Rate	13.6	2.9	7.8	10.0	9.8	7.7	8.1	9.5
Other Private Wages	0.875	0.867	0.867	0.812	0.856	0.880	0.902	0.882
% Ch, Annual Rate	-2.3	-3.6	0.0	-23.1	23.5	11.7	10.4	-8.6
Farm Wages	1.127	1.134	1.136	1.134	1.020	1.020	1.024	1.034
% Ch, Annual Rate	-19.3	2.5	0.7	-0.7	-34.5	0.0	1.6	4.0
Military Wages	3.564	3.507	3.442	3.397	3.552	3.582	3.697	3.756
% Ch, Annual Rate	35.1	-6.2	-7.2	-5.1	19.5	3.4	13.5	6.5
Nonwage Personal Income	112.810	116.605	118.497	119.706	121.943	124.386	126.587	128.297
% Ch, Annual Rate	13.1	14.2	6.6	4.1	7.7	8.3	7.3	5.5
Supplements to Wages and Salaries	32.441	32.429	32.541	33.014	33.431	34.112	34.676	35.292
% Ch, Annual Rate	8.9	-0.1	1.4	5.9	5.1	8.4	6.8	7.3
Proprietor's Income	23.007	23.512	23.551	23.807	23.278	23.582	23.491	23.805
% Ch, Annual Rate	15.8	9.1	0.7	4.4	-8.6	5.3	-1.5	5.5
Farm	0.397	0.694	0.687	0.832	0.752	0.997	1.090	1.423
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.610	22.818	22.864	22.975	22.526	22.585	22.401	22.383
% Ch, Annual Rate	15.8	3.7	0.8	2.0	-7.6	1.1	-3.2	-0.3
Less: Contribution For Govt. Soc. Ins.	23.247	23.191	23.242	23.620	24.006	24.315	24.631	25.108
% Ch, Annual Rate	16.3	-1.0	0.9	6.7	6.7	5.2	5.3	8.0
Plus: Residence Adjustment	2.769	2.771	2.797	2.844	3.062	3.070	3.067	3.104
% Ch, Annual Rate	20.3	0.3	3.8	6.9	34.4	1.0	-0.4	4.9
Dividends/Int./Rent	46.584	49.178	50.516	51.037	52.375	54.051	55.518	56.157
% Ch, Annual Rate	15.6	24.2	11.3	4.2	10.9	13.4	11.3	4.7
Transfer Payments	31.256	31.906	32.334	32.624	33.803	33.886	34.466	35.046
% Ch, Annual Rate	13.7	8.6	5.5	3.6	15.3	1.0	7.0	6.9
State U.I. Benefits	0.742	0.746	0.699	0.746	0.701	0.693	0.771	0.790
% Ch, Annual Rate	-5.2	2.2	-22.9	29.7	-22.0	-4.5	53.2	10.2
Other Transfers	30.514	31.161	31.635	31.878	33.102	33.193	33.695	34.256
% Ch, Annual Rate	14.2	8.8	6.2	3.1	16.3	1.1	6.2	6.8

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	278.114	280.398	283.180	281.018	274.758	277.362	277.115	279.130
% Ch, Annual Rate	-0.3	3.3	4.0	-3.0	-8.6	3.8	-0.4	2.9
Total Wage and Salary Disbursements	149.664	149.877	152.302	150.889	146.572	147.083	146.832	147.258
% Ch, Annual Rate	-1.0	0.6	6.6	-3.7	-11.0	1.4	-0.7	1.2
Manufacturing	18.195	17.711	17.959	18.042	16.529	16.701	16.553	16.406
% Ch, Annual Rate	3.5	-10.2	5.7	1.9	-29.6	4.2	-3.5	-3.5
Durable Manufacturing	14.248	13.839	14.090	14.130	12.994	13.068	12.968	12.820
% Ch, Annual Rate	5.3	-11.0	7.5	1.1	-28.5	2.3	-3.0	-4.5
Nondurable Manufacturing	3.947	3.872	3.869	3.912	3.535	3.633	3.585	3.585
% Ch, Annual Rate	-2.9	-7.4	-0.3	4.5	-33.3	11.6	-5.2	0.0
Nonmanufacturing	125.478	126.140	128.070	126.583	123.737	123.995	123.796	124.381
% Ch, Annual Rate	-2.7	2.1	6.3	-4.6	-8.7	0.8	-0.6	1.9
Other Private Wages	0.878	0.866	0.904	0.945	0.854	0.854	0.851	0.850
% Ch, Annual Rate	-1.8	-5.4	18.7	19.4	-33.3	-0.2	-1.3	-0.5
Farm Wages	1.241	1.253	1.259	1.261	1.274	1.285	1.285	1.288
% Ch, Annual Rate	107.5	3.9	1.9	0.6	4.2	3.5	0.0	0.9
Military Wages	3.872	3.907	4.110	4.058	4.178	4.248	4.347	4.334
% Ch, Annual Rate	12.9	3.7	22.5	-5.0	12.4	6.9	9.6	-1.1
Nonwage Personal Income	128.450	130.521	130.878	130.131	128.186	130.279	130.284	131.872
% Ch, Annual Rate	0.5	6.6	1.1	-2.3	-5.8	6.7	0.0	5.0
Supplements to Wages and Salaries	35.421	35.557	36.154	36.079	36.291	36.488	36.582	36.660
% Ch, Annual Rate	1.5	1.5	6.9	-0.8	2.4	2.2	1.0	0.8
Proprietor's Income	23.971	23.593	23.833	23.076	21.725	21.821	22.110	22.369
% Ch, Annual Rate	2.8	-6.2	4.1	-12.1	-21.4	1.8	5.4	4.8
Farm	1.445	0.959	1.133	0.785	0.099	0.418	0.432	0.375
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.526	22.634	22.700	22.291	21.626	21.403	21.678	21.993
% Ch, Annual Rate	2.6	1.9	1.2	-7.0	-11.4	-4.1	5.2	5.9
Less: Contribution For Govt. Soc. Ins.	25.289	25.358	25.776	25.605	25.327	25.217	25.210	25.263
% Ch, Annual Rate	2.9	1.1	6.8	-2.6	-4.3	-1.7	-0.1	0.8
Plus: Residence Adjustment	3.094	3.110	3.059	3.028	2.881	2.815	2.810	2.824
% Ch, Annual Rate	-1.3	2.1	-6.4	-4.0	-18.0	-8.9	-0.6	1.9
Dividends/Int./Rent	55.305	55.381	56.098	55.414	52.277	50.329	49.946	50.358
% Ch, Annual Rate	-5.9	0.6	5.3	-4.8	-20.8	-14.1	-3.0	3.3
Transfer Payments	35.948	38.238	37.510	38.139	40.339	44.043	44.044	44.925
% Ch, Annual Rate	10.7	28.0	-7.4	6.9	25.1	42.1	0.0	8.2
State U.I. Benefits	0.866	0.972	1.273	1.668	2.534	4.043	4.598	4.898
% Ch, Annual Rate	44.4	58.7	194.2	194.8	432.7	548.0	67.3	28.8
Other Transfers	35.083	37.266	36.237	36.471	37.805	40.000	39.446	40.027
% Ch, Annual Rate	10.0	27.3	-10.6	2.6	15.5	25.3	-5.4	6.0

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	282.039	286.161	290.974	293.364	297.548	301.802	307.588	310.564
% Ch, Annual Rate	4.2	6.0	6.9	3.3	5.8	5.8	7.9	3.9
Total Wage and Salary Disbursements	148.762	150.747	153.323	154.065	156.621	158.926	162.447	163.170
% Ch, Annual Rate	4.1	5.4	7.0	1.9	6.8	6.0	9.2	1.8
Manufacturing	16.588	16.756	16.937	17.165	17.352	17.521	17.752	18.032
% Ch, Annual Rate	4.5	4.1	4.4	5.5	4.4	3.9	5.4	6.5
Durable Manufacturing	12.978	13.143	13.291	13.482	13.628	13.724	13.897	14.120
% Ch, Annual Rate	5.0	5.2	4.6	5.9	4.4	2.8	5.1	6.6
Nondurable Manufacturing	3.610	3.613	3.646	3.683	3.724	3.796	3.855	3.912
% Ch, Annual Rate	2.8	0.3	3.7	4.1	4.5	8.1	6.3	6.0
Nonmanufacturing	125.520	127.290	129.626	130.105	132.360	134.544	137.864	138.346
% Ch, Annual Rate	3.7	5.8	7.5	1.5	7.1	6.8	10.2	1.4
Other Private Wages	0.856	0.864	0.871	0.879	0.888	0.898	0.907	0.917
% Ch, Annual Rate	2.8	4.1	3.3	3.5	4.4	4.3	4.4	4.5
Farm Wages	1.301	1.319	1.334	1.350	1.369	1.389	1.409	1.429
% Ch, Annual Rate	4.2	5.5	4.7	4.9	5.8	5.8	5.9	5.9
Military Wages	4.498	4.518	4.555	4.565	4.651	4.575	4.515	4.445
% Ch, Annual Rate	16.0	1.8	3.3	0.9	7.8	-6.3	-5.2	-6.1
Nonwage Personal Income	133.276	135.414	137.651	139.300	140.928	142.876	145.141	147.394
% Ch, Annual Rate	4.3	6.6	6.8	4.9	4.8	5.6	6.5	6.4
Supplements to Wages and Salaries	37.245	37.679	38.178	38.699	39.374	39.920	40.551	41.170
% Ch, Annual Rate	6.5	4.7	5.4	5.6	7.2	5.7	6.5	6.2
Proprietor's Income	22.644	23.149	23.570	24.115	24.627	25.166	25.597	26.001
% Ch, Annual Rate	5.0	9.2	7.5	9.6	8.8	9.0	7.0	6.5
Farm	0.378	0.457	0.506	0.594	0.679	0.702	0.714	0.718
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.266	22.692	23.064	23.521	23.948	24.465	24.883	25.283
% Ch, Annual Rate	5.1	7.9	6.7	8.2	7.5	8.9	7.0	6.6
Less: Contribution For Govt. Soc. Ins.	25.847	26.038	26.272	26.556	27.224	27.557	27.823	28.142
% Ch, Annual Rate	9.6	3.0	3.6	4.4	10.5	5.0	3.9	4.7
Plus: Residence Adjustment	2.838	2.865	2.898	2.934	2.973	3.006	3.042	3.077
% Ch, Annual Rate	2.0	3.8	4.8	5.0	5.4	4.5	4.8	4.7
Dividends/Int./Rent	50.679	51.675	52.800	53.574	54.344	55.163	56.222	57.466
% Ch, Annual Rate	2.6	8.1	9.0	6.0	5.9	6.2	7.9	9.2
Transfer Payments	45.717	46.086	46.478	46.534	46.833	47.177	47.553	47.822
% Ch, Annual Rate	7.2	3.3	3.4	0.5	2.6	3.0	3.2	2.3
State U.I. Benefits	5.001	5.023	4.951	4.837	4.683	4.484	4.282	4.074
% Ch, Annual Rate	8.7	1.7	-5.6	-8.9	-12.2	-15.9	-16.9	-18.0
Other Transfers	40.716	41.063	41.527	41.697	42.150	42.692	43.272	43.748
% Ch, Annual Rate	7.1	3.5	4.6	1.6	4.4	5.2	5.5	4.5

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

	Price Deflator*		U.S. CPI #		Seattle CPI +	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.507	8.8	0.909	10.4	0.916	10.8
1982	0.535	5.5	0.965	6.2	0.978	6.7
1983	0.558	4.3	0.996	3.2	0.993	1.5
1984	0.579	3.8	1.039	4.4	1.030	3.8
1985	0.598	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.3	1.239	4.8	1.181	4.7
1990	0.721	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.769	2.9	1.403	3.0	1.390	3.7
1993	0.786	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.820	2.2	1.524	2.8	1.522	3.0
1996	0.838	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.927	1.4	1.799	1.6	1.893	2.0
2003	0.946	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.055	2.7	2.073	2.9	2.157	3.9
2008	1.090	3.4	2.152	3.8	2.247	4.2
Forecast						
2009	1.093	0.2	2.145	-0.3	2.264	0.7
2010	1.114	1.9	2.193	2.2	2.309	2.0
2011	1.134	1.8	2.236	2.0	2.354	2.0

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

Statistics and Bureau of Economic Analysis.

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

	Services		Food		Fuels		Gasoline	
	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>
1971	19.285	5.5	25.843	2.3	8.336	6.4	14.588	0.7
1972	20.103	4.2	27.075	4.8	8.388	0.6	14.777	1.3
1973	21.078	4.9	30.502	12.7	9.614	14.6	16.190	9.6
1974	22.868	8.5	35.140	15.2	15.278	58.9	21.871	35.1
1975	24.836	8.6	37.782	7.5	16.578	8.5	23.339	6.7
1976	26.558	6.9	38.484	1.9	17.782	7.3	24.331	4.2
1977	28.560	7.5	40.751	5.9	20.121	13.2	25.740	5.8
1978	30.780	7.8	44.650	9.6	21.275	5.7	26.858	4.3
1979	33.353	8.4	49.035	9.8	29.331	37.9	35.994	34.0
1980	36.805	10.3	53.158	8.4	41.187	40.4	49.955	38.8
1981	40.558	10.2	56.946	7.1	50.390	22.3	55.584	11.3
1982	43.712	7.8	58.444	2.6	49.415	-1.9	52.773	-5.1
1983	46.433	6.2	59.115	1.1	45.558	-7.8	51.047	-3.3
1984	48.850	5.2	60.891	3.0	46.572	2.2	50.283	-1.5
1985	51.053	4.5	61.554	1.1	44.756	-3.9	50.689	0.8
1986	53.379	4.6	63.003	2.4	35.044	-21.7	39.810	-21.5
1987	55.413	3.8	64.991	3.2	35.954	2.6	41.340	3.8
1988	58.127	4.9	66.929	3.0	35.938	0.0	41.691	0.8
1989	60.845	4.7	70.458	5.3	38.077	6.0	45.539	9.2
1990	63.812	4.9	73.900	4.9	45.856	20.4	51.843	13.8
1991	66.586	4.3	76.221	3.1	43.658	-4.8	51.162	-1.3
1992	69.241	4.0	76.806	0.8	41.881	-4.1	50.963	-0.4
1993	71.299	3.0	77.880	1.4	41.592	-0.7	50.446	-1.0
1994	73.205	2.7	79.184	1.7	40.836	-1.8	50.685	0.5
1995	75.371	3.0	80.900	2.2	40.455	-0.9	51.491	1.6
1996	77.479	2.8	83.368	3.1	45.851	13.3	54.646	6.1
1997	79.817	3.0	84.956	1.9	45.927	0.2	54.634	0.0
1998	81.695	2.4	86.024	1.3	40.699	-11.4	47.555	-13.0
1999	83.515	2.2	87.433	1.6	41.395	1.7	51.789	8.9
2000	85.824	2.8	89.486	2.3	60.692	46.6	66.170	27.8
2001	88.429	3.0	92.116	2.9	59.506	-2.0	63.776	-3.6
2002	90.807	2.7	93.528	1.5	53.051	-10.8	59.916	-6.1
2003	93.692	3.2	95.296	1.9	64.182	21.0	69.783	16.5
2004	96.688	3.2	98.267	3.1	74.736	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	33.8	100.000	21.8
2006	103.411	3.4	101.709	1.7	114.090	14.1	112.842	12.8
2007	106.964	3.4	105.623	3.8	121.874	6.8	122.411	8.5
2008	110.582	3.4	111.926	6.0	166.173	36.3	142.242	16.2
Forecast								
2009	112.216	1.5	113.236	1.2	111.497	-32.9	105.010	-26.2
2010	114.007	1.6	114.334	1.0	125.557	12.6	128.347	22.2
2011	116.414	2.1	116.624	2.0	130.473	3.9	132.153	3.0

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

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual				Forecast	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Population	6375.6	6488.0	6587.6	6668.2	6734.7	6807.1
Percent Change	1.9	1.8	1.5	1.2	1.0	1.1
Age 17 and Under	1549.0	1566.2	1576.8	1582.2	1585.2	1592.1
Percent of Total	24.3	24.1	23.9	23.7	23.5	23.4
Age 6-18	1142.9	1151.9	1155.9	1152.2	1147.5	1145.1
Percent of Total	17.9	17.8	17.5	17.3	17.0	16.8
Age 18 and Over	4826.6	4921.8	5010.8	5086.0	5149.5	5215.1
Percent of Total	75.7	75.9	76.1	76.3	76.5	76.6
Age 21 and Over	4552.8	4645.1	4727.2	4798.2	4859.7	4927.5
Percent of Total	71.4	71.6	71.8	72.0	72.2	72.4
Age 20-34	1309.0	1335.6	1365.0	1389.7	1408.6	1431.6
Percent of Total	20.5	20.6	20.7	20.8	20.9	21.0
Age 18-64	4099.3	4174.9	4238.5	4288.3	4328.0	4370.9
Percent of Total	64.3	64.3	64.3	64.3	64.3	64.2
Age 65 and Over	727.3	746.8	772.4	797.6	821.5	844.2
Percent of Total	11.4	11.5	11.7	12.0	12.2	12.4

* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1
Summary of National and State Indicators

Indicator	Latest Data	Indication
U.S. Leading Index	October 2009	+
U.S. Real GDP Growth	3rd quarter 2009	+
U.S. ISM Index	November 2009	+
U.S. Employment YoY%Δ	November 2009	-
U.S. Unemployment Rate	November 2009	+
U.S. Job Openings	October 2009	-
U.S. Fed Funds Target	December 15, 2009	unchanged
U.S. Consumer Confidence	December 2009	+
U.S. Light Vehicle Sales	November 2009	+
U.S. CPI	November 2009	+
U.S. Monster Employment Index	November 2009	-
S&P 500 Index	December 11, 2009	+
WA Leading Index	October 2009	+
WA ISM Index	November 2009	+
WA Help Wanted Index	November 2009	+
WA Employment YoY%Δ	November 2009	-
WA Aerospace Empl. YoY%Δ	November 2009	-
WA Unemployment Rate	November 2009	+
WA Business Cycle Indicator	October 2009	-
WA Initial Unemploy. Claims	November 2009	+
WA Housing Permits	October 2009	-
WA Weekly Hours in Mfg.	November 2009	+
WA New Vehicle Registration	November 2009	+
WA Migration (DOL data)	November 2009	-
WA Exports-Total	3rd quarter 2009	-
WA Exports- w/o Trans. Equip.	3rd quarter 2009	+
Seattle CPI	October 2009	+
Seattle Monster Employment Index	November 2009	+

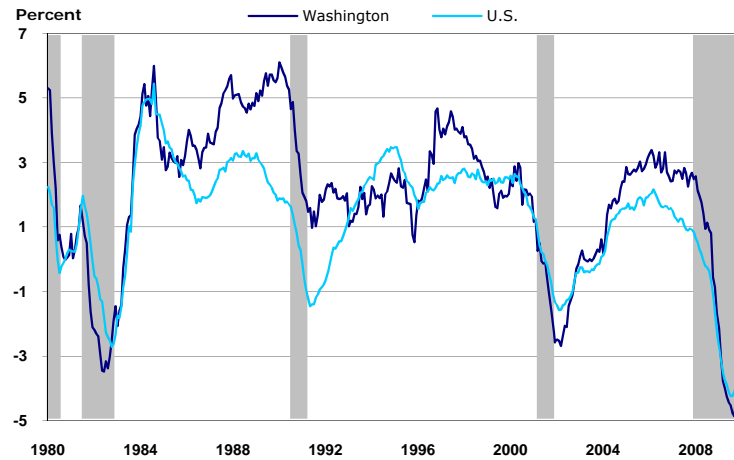
Table A6.2
Washington Business Indicators
 Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	WA State Help-Wanted Index	Washington Purchasing Management Index	U.S. Purchasing Management Index
2006:08	109.9	103.5	108.4	73.3	53.0
2006:09	111.0	104.0	109.1	64.1	51.8
2006:10	111.7	104.2	110.6	68.8	51.0
2006:11	111.4	104.1	111.5	61.1	50.0
2006:12	112.3	104.7	105.3	67.5	52.2
2007:01	112.9	104.4	116.8	66.4	49.4
2007:02	114.3	104.1	118.0	62.3	51.9
2007:03	114.1	104.3	120.5	64.9	51.1
2007:04	114.3	104.1	123.5	68.4	52.8
2007:05	115.5	104.3	128.7	69.6	52.5
2007:06	115.3	104.1	127.0	67.8	52.9
2007:07	116.3	104.8	126.5	65.4	51.9
2007:08	116.5	103.9	127.6	64.3	50.6
2007:09	117.1	103.9	131.1	58.1	50.5
2007:10	117.3	103.5	130.2	56.8	50.2
2007:11	117.6	103.1	133.3	53.0	50.4
2007:12	117.1	103.0	125.0	58.7	49.1
2008:01	116.3	102.5	120.9	66.7	50.8
2008:02	117.4	102.2	119.9	62.3	48.8
2008:03	117.5	102.0	120.5	55.2	49.0
2008:04	117.8	102.1	120.9	65.0	48.6
2008:05	116.8	102.0	115.2	60.3	49.3
2008:06	117.5	102.1	115.9	63.8	49.5
2008:07	116.6	101.4	112.4	60.2	49.5
2008:08	115.8	100.6	108.8	65.3	49.3
2008:09	114.7	100.6	112.0	48.6	43.4
2008:10	112.5	99.6	105.2	50.9	38.7
2008:11	110.2	99.0	99.7	50.0	36.6
2008:12	110.2	98.9	97.7	42.3	32.9
2009:01	109.3	98.6	92.7	52.8	35.6
2009:02	106.6	98.2	86.9	48.1	35.8
2009:03	104.7	97.9	77.4	40.9	36.3
2009:04	105.6	98.9	76.5	46.7	40.1
2009:05	106.4	100.2	74.5	48.5	42.8
2009:06	107.4	101.1	76.4	50.2	44.8
2009:07	108.4	102.1	78.7	46.7	48.9
2009:08	108.6	102.5	77.1	53.2	52.9
2009:09	108.8	103.5	79.0	52.9	52.6
2009:10	109.6	103.8	77.6	59.5	55.7
2009:11			81.6	54.8	53.6

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

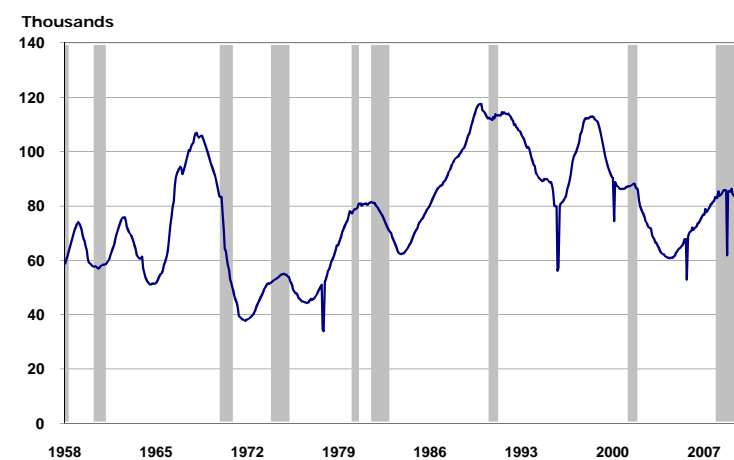
January 1980 to November 2009



* Bureau of Labor Statistics, WA State Employment Security

Washington Aircraft and Parts Employment

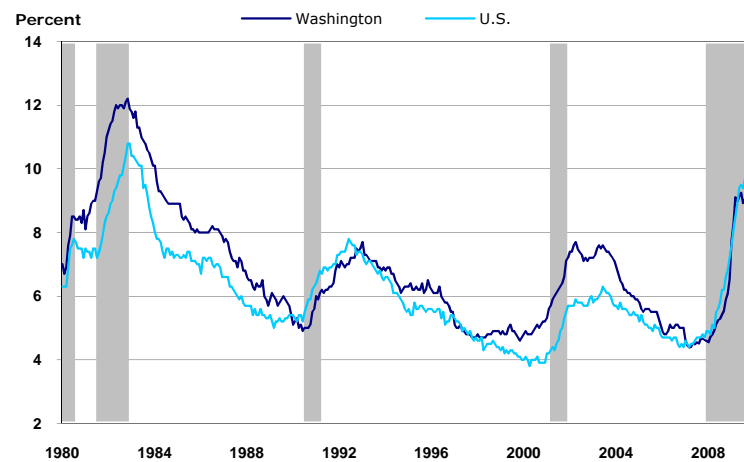
January 1958 to November 2009



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

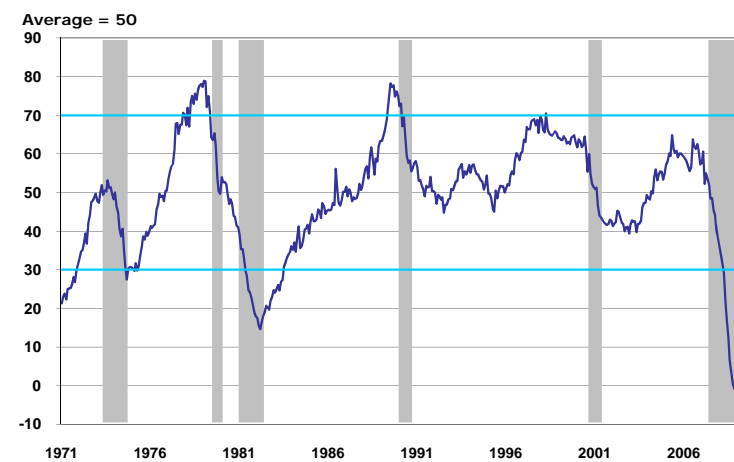
January 1980 to November 2009



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

July 1971 to October 2009



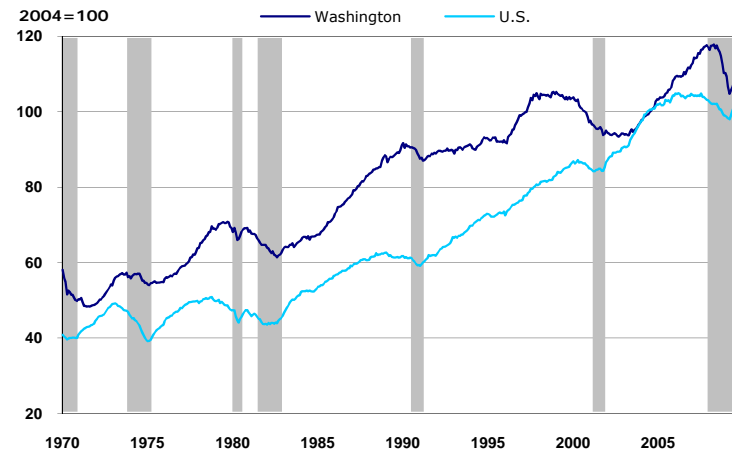
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

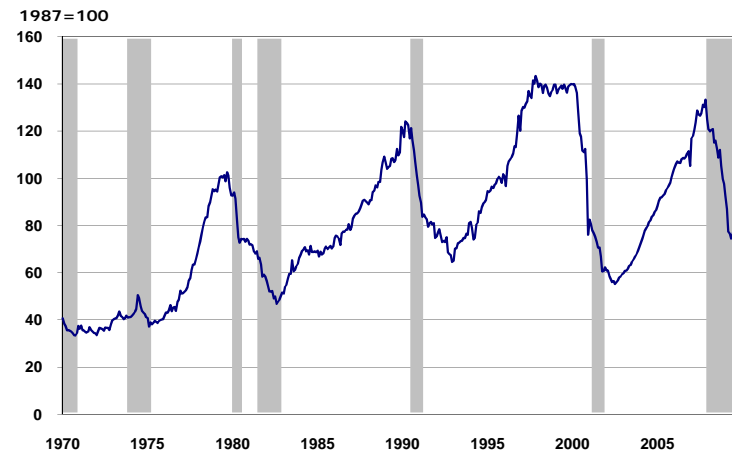
January 1970 to October 2009



* The Conference Board, ERFC

WA State Help Wanted Index

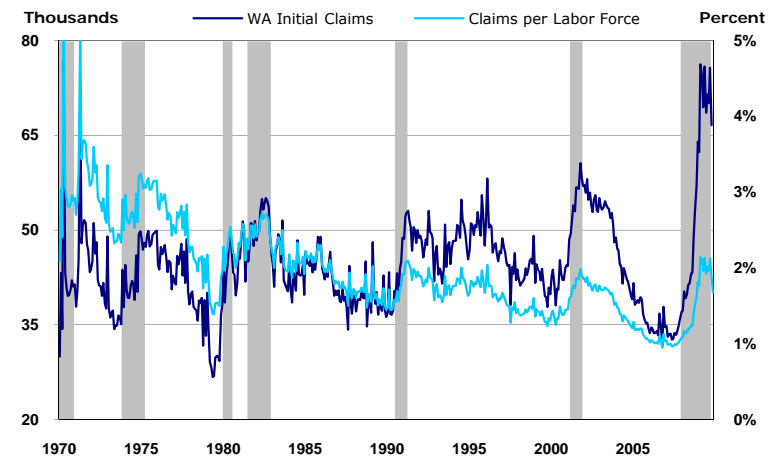
January 1970 to November 2009



* Source: ERFC

Washington Initial Claims for Unemployment Insurance

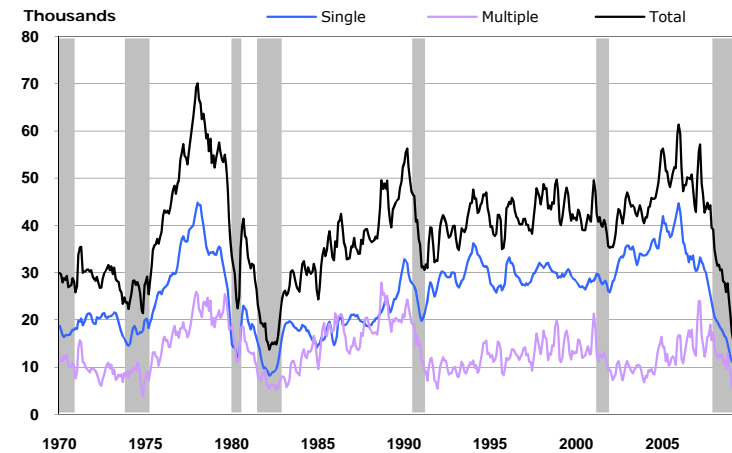
January 1970 to November 2009, S.A.



* Source: WA State Employment Security, ERFC

Housing Units Authorized in Washington State

January 1970 to October 2009, 3 Month Moving Average, S.A.



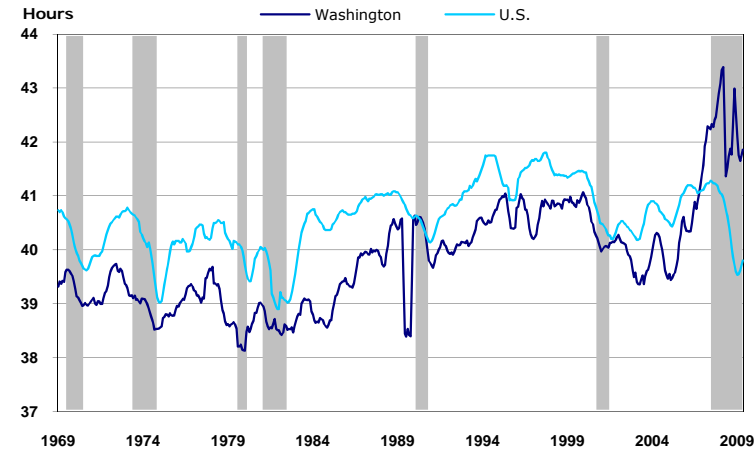
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

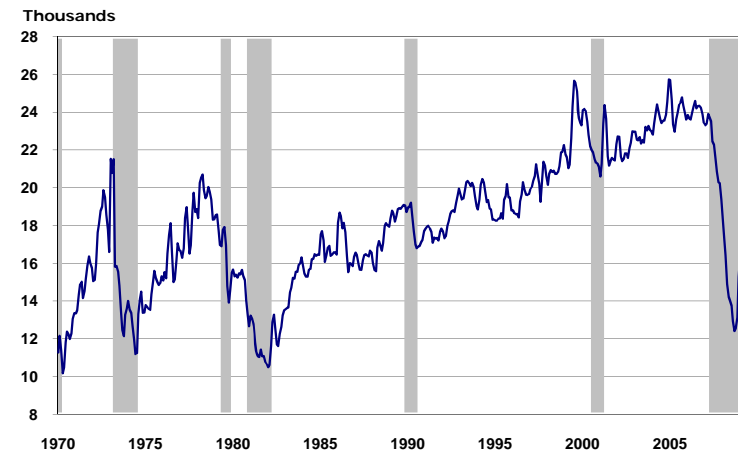
June 1969 to November 2009, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

New Car and Truck Registrations in Washington

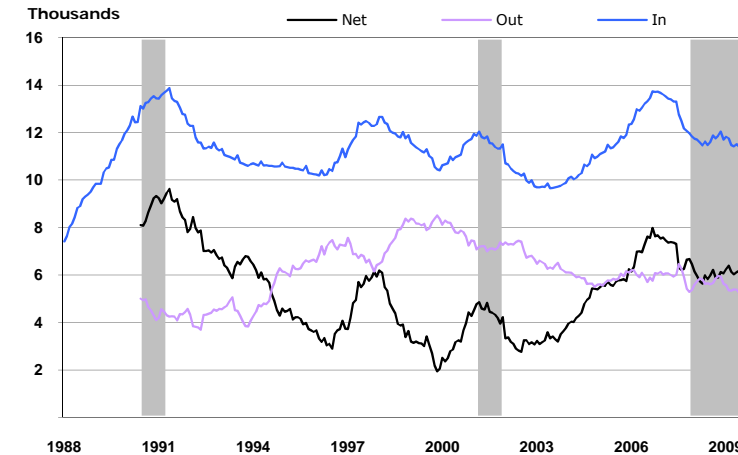
September 1970 to November 2009, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Washington Driver's License Migration

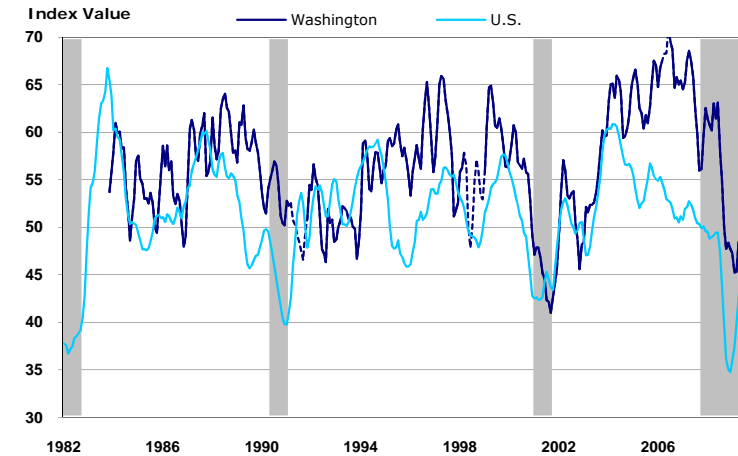
January 1988 to November 2009, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

March 1982 to November 2009, 3-Mo. Moving Average



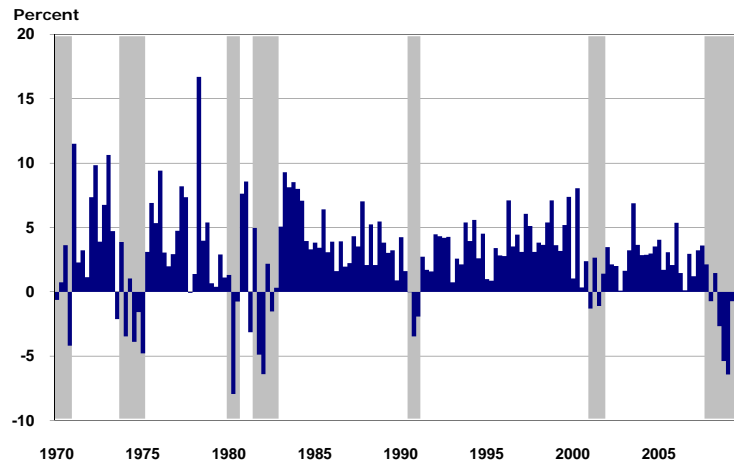
* Source: Institute for Supply Management, NAPM-WW

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators

Quarterly U.S. Real GDP Growth

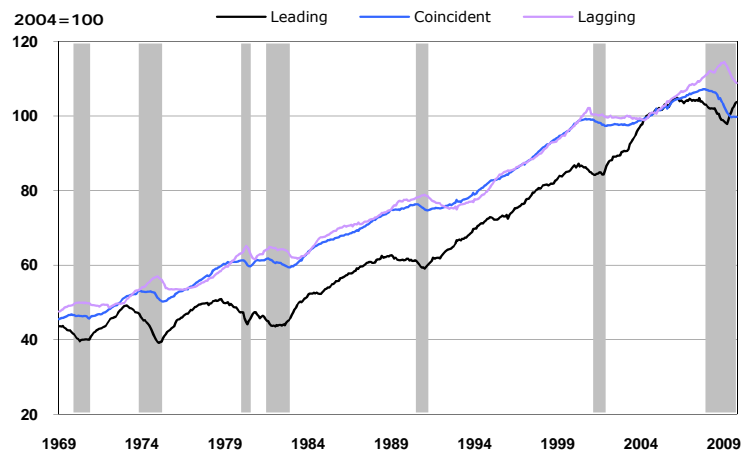
1970Q1 to 2009Q3



* Source: Bureau of Economic Analysis

U.S. Economic Indicators

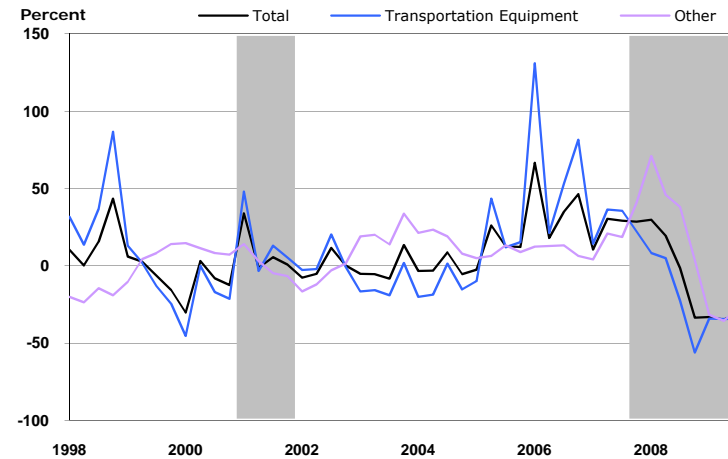
January 1969 to October 2009



* Source: The Conference Board

Washington State Export Composition

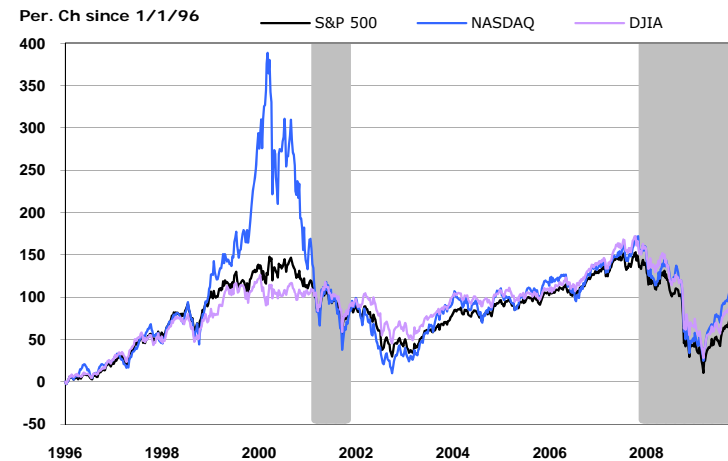
1998Q1 to 2009Q3, Change from Same Quarter Year Ago



* Source: WISER

National Stock Indexes

January 1, 1996 to December 4, 2009



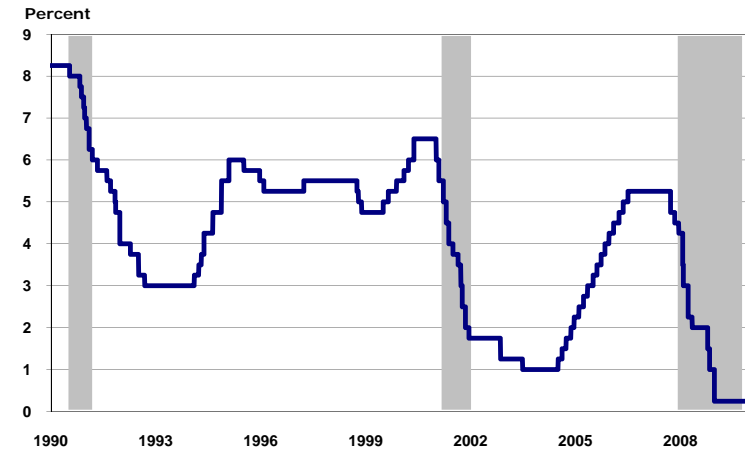
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators

Federal Funds Target Rate

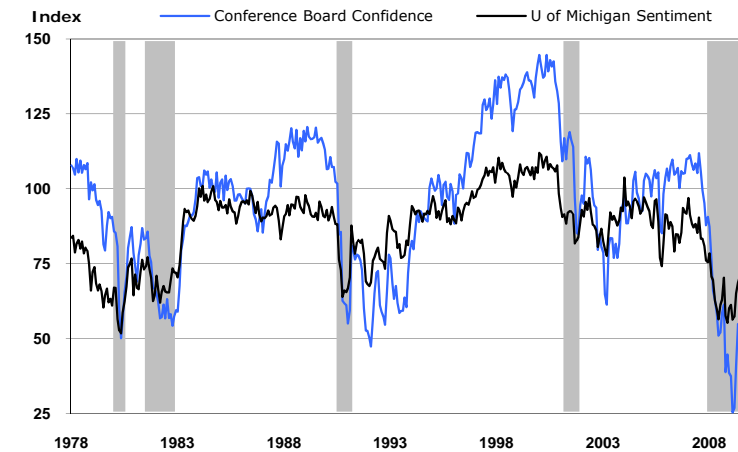
January 1, 1990 to December 15, 2009



* Federal Reserve

Consumer Confidence

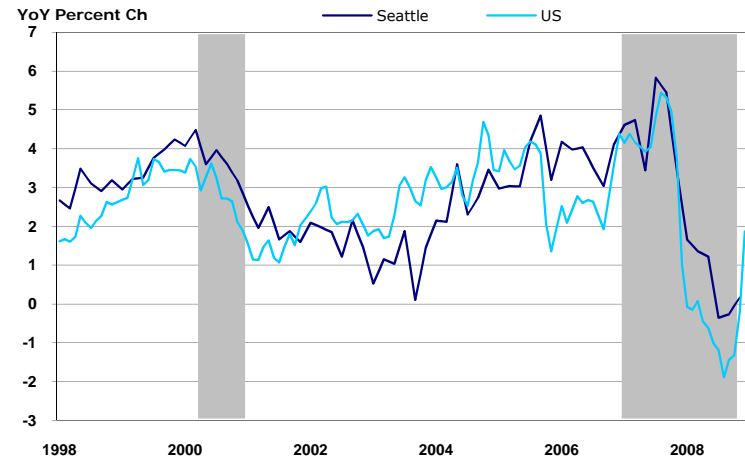
March 1978 to December 2009



* Source: The Conference Board, University of Michigan

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

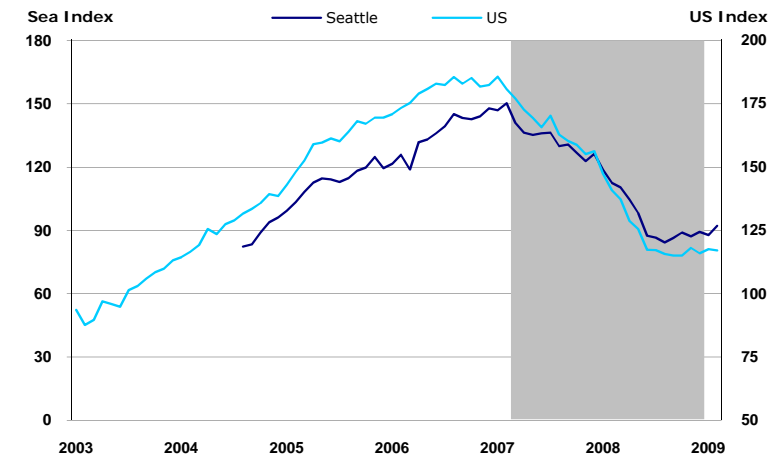
December 1998 to November 2009



* Source: Bureau of Labor Statistics

Monster Employment Index

October 2003 to November 2009, SA



* Source: Monster Worldwide, ERFC

* Shaded areas correspond with national recessions.

Glossary



Biennium: The state's two years budget cycle. The 2007-2009 biennium started on July 1, 2007 and ended June 30, 2009. The current 2009-2011 biennium started July 1, 2009 and ends June 30, 2011.

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

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

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

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

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

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

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

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

Mortgage Rate: The average interest rate on 25 year conventional loan (as reported by Freddie Mac).

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

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

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

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

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