

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

Washington State Economic and Revenue Forecast

November 2012
Volume XXXV, No. 4



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

November 2012
Volume XXXV, No. 4

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Preface

ERFC forecasting structure and schedule

The Economic and Revenue Forecast Council is required by Chapter 231, Section 34, Laws of 1992 (RCW 82.33.020) to prepare a quarterly state economic and revenue forecast and submit it to the Forecast Council. This report presents the state's economic and General Fund-State revenue forecast. It is issued four times a year. The Washington State GF-S revenue forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Council consists of six members, two appointed by the Governor and four appointed by the Legislature – one from each caucus of the Senate and House of Representatives. Current members of the Economic and Revenue Forecast Council are listed inside the front cover of this publication. The GF-S revenue forecast is updated four times per year: March (February in even-numbered years), June, September, and November. The staff of the Economic and Revenue Forecast Council is responsible for the preparation of the state's economic forecast and the forecast of the Department of Revenue's GF-S revenue sources as well as GF-S revenue from fines and forfeitures collected by the Administrative Office of the Courts. The staff is also responsible for review and coordination of the revenue forecasts of other agencies that collect relatively large amounts of GF-S revenue. These are the Department of Licensing, the Office of the Insurance Commissioner, the Lottery Commission, the State Treasurer, the Liquor Control Board and the Office of Financial Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies that collect relatively smaller amounts of GF-S revenue.

Forecast Procedure

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. After review by forecast workgroups; the Governor's Council of Economic Advisors; and the Economic and Revenue Forecast Council in public; this state economic forecast (updated for newly released data) is used to prepare a baseline revenue forecast for GF-S and the related funds. The forecasts are based on current law and administrative practices and do not reflect pending legal challenges to GF-S receipts until they are resolved. Additionally, at least two alternative forecasts are prepared for all GF-S and related fund sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GF-S and related fund revenues.

Data in this publication are accurate through December 3, 2012

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Executive Summary

- **The national economy continues to move forward at a slow pace. Economic activity is generally as expected: slow economic and job growth, high unemployment, and weak confidence. As a result, there is little change to the forecast.**
- **Federal fiscal policy regarding the “fiscal cliff” of tax increases and spending cuts set to occur at the beginning of next year has moved to the forefront as a source of economic uncertainty. The sovereign debt crisis in Europe remains a significant threat to the U.S. economy. Slowing Asian economies also pose risks to the U.S. economic recovery.**
- **Consumer confidence is growing again, although spending remains subdued. Job growth has been above expectations, but still not strong enough to make a significant dent in unemployment.**
- **The housing market has finally returned to growth, but from a very depressed level. The manufacturing sector, which had been a bright spot in the recovery, is starting to falter.**
- **As expected in September, the Washington economy continues to expand at a moderate pace.**
- **Home price appreciation has turned decidedly positive.**
- **Housing construction is improving, increasingly in the single-family market, but nonresidential construction continues to languish.**
- **Except for transportation equipment, Washington exports have weakened.**
- **Due to a \$31 million positive variance in collections since September, forecasted General Fund-State revenue for the 2011-13 biennium has increased by \$8 million despite a decreased outlook for the rest of the biennium.**
- **The slightly weaker economic forecast has resulted in reductions to forecasted revenue of \$88 million in the 2013-15 biennium and \$163 million in the 2015-17 biennium, decreases of less than half of one percent.**

U.S. Economic Forecast

The economic recovery remains slow

The national economy continues to move forward at a slow pace with weak growth and high unemployment. Economic activity since the September forecast has generally been in line with the baseline scenario. The recovery from the Great Recession has continued, although there remain several headwinds that could

pull the U.S. back into recession. We expect the economy to continue to grow and gradually pick up momentum. Consumer confidence is finally improving and the housing market has stabilized and begun to grow. Global and national events have kept uncertainty elevated, however, and have acted as a drag on growth. The level of downside uncertainty in the baseline remains high.

The federal fiscal cliff, European debt crisis, and slowing Asian economies all remain a threat

Federal fiscal policy regarding the “fiscal cliff” of tax increases and spending cuts set to occur at the beginning of next year has moved to the forefront as a source of economic uncertainty. The threat of tax increases and budget cuts may already be taking its toll on business risk-taking. According to the Congressional Budget Office (CBO) projections, if the scheduled fiscal tightening occurs, the U.S. economy will enter a recession. Europe remains a significant threat to the U.S. economy as well. Europe has entered into another recession, further complicating the debt troubles faced by many countries. An escalation of the sovereign debt crisis would ultimately have a negative impact on markets for goods and services and the U.S. economy would likely enter a new recession as well. The weakness in Europe has contributed to a slowdown in Asia as well. In particular, we continue to expect a slowdown in China due to their reliance on exports for growth.

Economic growth is expected to remain modest

The U.S. economy grew faster than originally believed in the third quarter. Real U.S. GDP grew at a 2.7% seasonally adjusted annualized rate (SAAR) in the third quarter, up from 2.0% growth in the previous estimate and up from the second quarter’s anemic 1.3% growth. The Blue Chip Consensus GDP forecast, our starting point each forecast cycle, now calls for real GDP growth of 2.2% in 2012 and 2.0% in 2013. Real GDP growth is unchanged from the previous forecast in 2012 although it is slightly weaker than the 2.2% in 2013 expected in September. Real GDP growth is expected to be 2.8% in 2014 and 3.1% in 2015. Growth in the September forecast was expected to be 3.0% each year. For 2016 and 2017, the forecast calls for real GDP growth of 2.9% and 2.8%, unchanged since September. Due to the lower growth in 2013 and 2014, real GDP is expected to be slightly lower throughout the forecast compared to September.

Consumer confidence is improving, although spending and job growth remain weak

After years of pessimism following the 2007-09 recession, consumers are finally starting to feel more optimistic. Consumer confidence readings show that consumer attitudes are finally breaking out of recessionary territory. Consumer spending, however, remains weak with real spending growth posting its largest decline in over three years in October. Hurricane Sandy contributed to the decline, although even without the hurricane’s impact, the trend remains weak. Employment growth has been better than expected in the September forecast. However, the

recent level of job growth has not been strong enough to make a significant dent in the percentage of people unemployed.

The housing sector continues to improve while manufacturing has slowed

The housing sector has continued to show further signs of improvement. The level of activity remains depressed, but it is clear that the sector has finally turned a corner. New home sales, single-family housing starts, and single-family permits have all been trending up in recent months. Existing homes sales continue to increase, providing another indication of recovery in the housing market. Home prices are increasing again after years of decline. Even with the recent increase in home prices, affordability remains near record levels. The manufacturing sector, which had been a bright spot early in the recovery, has lost momentum. Output has been flat to negative the past eight months after strong growth throughout the recovery. The sluggish growth in factory production is likely to continue as financial markets weaken, conditions in Europe deteriorate, and uncertainty about U.S. fiscal policy continues.

Washington Economic Forecast

The Washington economy continues to grow moderately

The state economy continues to recover at the moderate rate anticipated in the September forecast. Recent employment growth has been very close to our expectation and previously published employment estimates have been revised upward. Personal income is lower in this forecast but only because of historical revisions stretching back to 2009. Home prices appear to be on a solidly upward trend and affordability remains in record territory. Housing construction continues to improve, particularly in the single-family market. On the downside, nonresidential construction remains depressed, the manufacturing expansion is slowing, and Washington exports have weakened considerably.

The revisions to the forecast in November were small

The Washington State forecast is based on a new national forecast that is very similar to the forecast adopted in September. As a result, the revisions to the state forecast were also minimal. There are two important changes to the national forecast that feed through to the state forecast. First, real GDP growth is slightly weaker than in the September forecast. The weaker U.S. growth reduces growth in Washington as well. Second, the oil price forecast is lower in the third and fourth quarters of 2012. Oil prices remain lower through the remainder of the forecast but also fall at a slower rate than expected in September. The new oil price forecast subtracts from national and regional inflation in the second half of this year but adds to inflation during the remainder of the forecast.

The outlook is slightly weaker than expected in September

Our November economic forecast for Washington is slightly weaker than the forecast adopted in September based on a downward revision to the historical estimates of Washington personal income and a slightly weaker U.S. forecast. Recent data

on employment and housing have been somewhat stronger than expected in September. As in September, we expect Washington job and income growth to gradually improve throughout the forecast. Housing construction, as measured by building permits, is now growing, though from a very low base, but nonresidential construction remains very weak. We continue to expect the state of Washington to outperform the U.S. economy, however the recovery will continue to be slow by historical standards and unemployment will decline only gradually.

Revenue Forecast

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

As there has been little overall change in the national and state economic forecasts from September to November 2012, the change in the revenue forecast is also small. While total revenue collections have come in slightly above the September forecast, forecasted activity for the rest of the biennium is weaker. The forecast contains slightly decreased Revenue Act collections with some offsetting increases in non-Revenue Act sources such as real estate excise and insurance taxes. As in September, however, there remain considerable downside risks to the forecast. The most immediate worry is the federal “fiscal cliff” that will cause sudden increases in federal taxes and decreases in federal spending unless Congress and the President can reach a compromise before January 1st. Failure to reach resolution of this issue will result in nationwide negative repercussions for the economy and also for forecasted state revenue collections.

GF-S forecast change by biennium (millions):

*11-13: +\$8
13-15: -\$88
15-17: -\$163*

As of November 10th, revenue collections were \$31.0 million ahead of the September 2012 forecast. For the remainder of the current biennium, \$22.9 million was subtracted from the forecast, for a total increase of \$8.0 million. Changes to the economic forecast resulted in reductions of \$88.3 million in forecasted revenue in the 2013-15 biennium and \$163.4 million in the 2015-17 biennium, reductions of less than one-half of one percent. With these revisions, GF-S revenue for the 2011-13 biennium is forecasted to total \$30,477.5 million and revenues for the 2013-15 and 2015-17 biennia are forecasted at \$32,560.7 million and \$35,355.0 million respectively.

Special Report – Comparative Economic Performance of Northwest States

Comparing the Washington economy to the other Northwest states and to the nation helps to put state economic and revenue forecast data into context. For the purposes of this report, we will define the Northwest as the states of Alaska, Idaho, Montana, Oregon and Washington.

The NW states vary considerably in terms of population and GDP

The Northwest states vary considerably in terms of size, whether measured by population or size of their economies. Washington is the largest by both measures, with a 2011 population of 6.8 million people and accounting for 2.4% of U.S. GDP. With a population of nearly 723,000, Alaska has the smallest population of the Northwest states; Montana has the smallest economy with a GDP equal to 0.2% of U.S. GDP.

The recent labor market experience of the NW states has also varied considerably

The Northwest states have also differed in how their labor markets have performed during and after the 2007-09 recession. In terms of employment growth, Washington and Montana have roughly tracked national trends; Alaska has seen stronger growth than the U.S., while Oregon and Idaho have experienced weaker employment growth. Regarding the unemployment rate, Washington has also roughly tracked the U.S since the start of the recession, while Oregon has exceeded the national unemployment rate and the remaining Northwest states have been below the national rate.

Major employment sectors are similar across the NW states

There are also some similarities among the states. The same six sectors (trade, transportation and warehousing; government; professional and business services; financial activities; leisure and hospitality; health care) have the highest shares of employment in each state.

State leading indexes suggest all NW states will experience expanding economies over the next 6 months

Indicators of current and near-term economic activity also suggest some similarities among the states. The state coincident indexes show consistent positive changes for all states except Alaska over the last three and 12 month periods and improvements in the current economic picture for all states in the most recent month (October 2012) for which data are available. State indexes of leading economic activity suggest economic expansion into the first quarter of 2013 for all Northwest states.

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

- **The national economy continues to move forward at a slow pace. Economic activity is generally performing as expected: slow economic and job growth, high unemployment, and weak confidence. As a result, there is little change to the forecast.**
- **The housing sector remains the most significant upside risk. However, despite the relatively small change in the economic forecast, downside uncertainty remains elevated.**
- **Federal fiscal policy regarding the “fiscal cliff” of tax increases and spending cuts set to occur at the beginning of next year has moved to the forefront of economic uncertainty.**
- **The sovereign debt crisis in Europe remains a significant threat to the U.S. economy. If this leads to a financial crisis, the U.S. economy is likely to enter a new recession as well. Slowing Asian economies, and threats to world oil supplies also pose risks to the U.S. economic recovery.**
- **The U.S. economy grew faster than originally believed in the third quarter at a 2.7% seasonally adjusted annualized rate (SAAR). Payroll employment has picked up, but has not been consistently strong enough to substantially reduce unemployment.**
- **Consumer attitudes continued to improve and are beginning to break out of recessionary territory. Consumer spending remains subdued.**
- **The housing market has finally returned to growth, but from a very depressed level. Housing starts have strengthened, particularly the multi-family segment. Home prices are once again appreciating, which is critical for the recovery in housing.**
- **The manufacturing sector, which had been a bright spot in the recovery, is starting to falter. While this sector is not yet dragging down the recovery, it is no longer adding to growth either.**

Current Conditions

The economic recovery remains slow

The national economy continues to move forward at a slow pace with weak growth and high unemployment. Economic activity since the September forecast has generally been in line with the baseline scenario. The recovery from the Great Recession has continued, although there remain several headwinds that could pull the U.S. back into recession. We expect the economy to

continue to grow and gradually pick up momentum. Consumer confidence is finally improving and the housing market has stabilized and begun to grow. Global and national events have kept uncertainty elevated, however, and have acted as a drag on growth. The level of downside uncertainty in the baseline remains high.

The federal fiscal cliff is looming at the end of the year

Federal fiscal policy regarding the “fiscal cliff” of tax increases and spending cuts set to occur at the beginning of next year has moved to the forefront of economic uncertainty. Under current law, this fiscal tightening will occur automatically unless Congress and President Obama can agree to policy changes. Addressing the fiscal cliff is complicated further by the need to raise the debt ceiling at around the same time. The threat of tax increases and budget cuts may already be taking its toll on business risk-taking. According to the Congressional Budget Office (CBO) projections, if the scheduled fiscal tightening occurs, real gross domestic product (GDP) will drop by 0.5 percentage points in 2013. The reduction reflects the immediate decline in output in the first half of the year, with the U.S. economy dipping back into recession, followed by a recovery in the second half of 2013. Under these conditions, the CBO expects the unemployment rate to rise to 9.1 percent in the fourth quarter of next year. The CBO also illustrates the threat of extending all of the current policies indefinitely. Under this scenario, there is an increased risk of a fiscal crisis in which the government loses the ability to borrow money at affordable interest rates. Our baseline scenario assumes that the cliff is avoided and replaced by a program of tax increases and spending cuts that begins in earnest in 2014. Even under this scenario, uncertainty is heightened due to the likelihood of a deal only being reached at the last minute as both parties engage in political brinkmanship.

Monetary policy will remain accommodative

With the November election over, the one uncertainty regarding monetary policy has been cleared up. While it is unclear whether Ben Bernanke will continue for another term, it is probable that if he is replaced, it will be someone with similar views. That is, the present monetary policy stance of aggressive monetary expansion until the labor market outlook improves substantially will remain in place. At the Federal Open Market Committee (FOMC) meeting on October 24-25, the Federal Reserve announced no change as expected after beginning another round of quantitative easing (QE3) aimed at strengthening the recovery in September. The committee decided to keep its purchases of mortgage-backed securities unchanged at \$40 billion per month while reiterating its pledge to keep interest rates “exceptionally low” until mid-2015. However, it continues to look as if the economy is caught in a classic “liquidity trap” where monetary policy playing a lone hand has lost its effectiveness. Interest rates are already at a historically low level and lowering the rates further is unlikely to solve the major problems affecting the economy. In such conditions, for macroeconomic policy to be

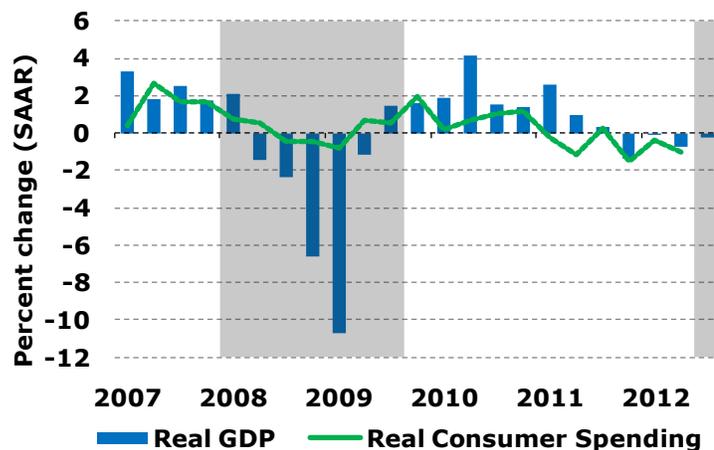
effective, both monetary and fiscal policies need to be working in tandem. That does not appear likely right now.

The crisis in Europe remains a significant threat to the recovery

In addition to the threat of policy miscalculations domestically, the sovereign debt crisis in Europe remains a significant threat to the U.S. economy. Europe has entered into another recession, further complicating the debt troubles faced by many countries. The unemployment rate climbed for the seventeenth successive month and hit a record high of 11.6 percent in September. Growth in gross domestic product in the 17 country Eurozone has been negative for four consecutive quarters, fueled in large part due to weakness in consumer spending (see Figure 1.1). Consumer confidence in the Eurozone continues to deteriorate and adds to concerns that the region is likely heading for a deeper contraction in the fourth quarter as households again cut back on spending in the near term. Struggling southern periphery countries continue to drag down the core northern Eurozone economies. The combination of slow or negative economic growth and rising borrowing costs puts countries like Greece, Spain and Italy at increased risk of default. An escalation of the sovereign debt crisis could cause panic in financial markets and further weaken economic growth. If the financial sector deteriorates, this would ultimately have a negative impact on markets for goods and services and the U.S. economy would likely enter a new recession as well. Apart from potentially causing financial markets to seize up, the European sovereign debt problems threaten U.S. exports in three ways - by weakening European growth, by strengthening the dollar via a "flight to safety" and by negatively affecting Asian economies.

Figure 1.1: Eurozone Real GDP and Consumer Spending Growth

The Eurozone has entered another recession



Source: Eurostat; data through 2012 Q3

The weakness in Europe has contributed to a slowdown in Asia

The weakness in Europe has contributed to a slowdown in Asia as well. In particular, we continue to expect a slowdown in China due to their reliance on exports for growth. Chinese GDP has been weak recently, coming in at 7.4% year-over-year in the third quarter, down slightly from the 7.6% year-over-year growth in the second quarter. Prior to this year, growth had been consistently in the double-digit range. While industrial production and fixed-asset investment have remained firm, weakness in the property market has put a damper on growth. Weak external demand has also been a drag on the Chinese economy. Orders for China's exported goods have fallen, pointing to sluggish growth over the next few quarters. Political tensions between China and Japan have also taken a toll on trade. The once-a-decade leadership change in China is unfolding and will be completed by the end of the year. So far, it is unclear what new policy positions the new leaders will take and what impacts this will have on the Chinese economy.

GDP growth in the third quarter was above expectations

The U.S. economy grew faster than originally believed in the third quarter. Real U.S. GDP grew at a 2.7% seasonally adjusted annualized rate (SAAR) in the third quarter of this year according to the Bureau of Economic Analysis. This was revised up from 2.0% growth in the previous estimate and is up from the second quarter's anemic 1.3% growth. Consumer spending growth remains sluggish at 1.4%, down slightly from the 1.5% growth in the previous quarter (see Figure 1.1). Business fixed investment declined and exports remained weak, although residential fixed investment was up 14.2% as the housing recovery took hold. Despite GDP growth coming in at the highest rate of the year, some of the increase was temporary and we do not expect this same level of growth going forward. Of the 2.7% growth rate, 0.8 percentage point comes from inventory accumulation and 0.7 percentage point comes from a spike in federal spending, primarily defense. Both of these are unlikely to continue and may bring down overall growth in the fourth quarter.

Consumer spending remains weak

Consumer spending remains weak with real spending growth posting its largest decline in over three years in October. Hurricane Sandy contributed to the decline of 0.3%, although even without the hurricane's impact, the trend remains weak. Over the past six months, real spending growth has averaged just 0.6%. Retail sales fell 0.3% in October after a strong 1.3% gain in September. Gasoline and grocery stores posted the strongest gains, but this was due to price increases and stocking up in advance of the hurricane. Light-vehicle sales continue to lead overall retail sales. Vehicle sales rebounded to a seasonally adjusted 15.5 million units (SAAR) in November, up from 14.3 million units (SAAR) in October. This was the highest rate of sales in almost five years. Some of the increase was due to Hurricane Sandy as purchases that were delayed by the hurricane were made up in November, and some of the hundreds of thousands of vehicles destroyed in the storm were replaced. Excluding auto sales, other retail sales appear headed for a

strong November as well. From most accounts, retail sales during Black Friday were up from last year. However, this year's surge in sales could be an even less useful indicator of the trend as the fiscal cliff approaches. If no legislation is passed, consumers could pull back later in December in anticipation of higher taxes.

Real disposable income has fallen in recent months

Rising personal income is a key for confidence to continue to rise and personal consumption expenditures to improve. Unfortunately, real disposable personal income (income after taxes) declined at a seasonally annualized rate of 0.5% in October, the second decline in three months. Nominal disposable personal income growth was flat, the weakest reading of the year. The savings rate increased slightly to 3.4% from 3.3%. Given the consistently low savings rate, spending growth will have to rely on income gains, which so far have been elusive. Wage and salary disbursements contracted at a 1.0% rate, the worse month since April. Government transfers were even weaker, declining at a 1.1% rate. Income from dividends and interest ended three months of decline and increased at a 4.1% rate in October. Some of the decline in income in October was due to Hurricane Sandy, although it is unclear how large the effect was.

Employment growth has been better than expected

Employment growth has been better than expected in the September forecast. Nonfarm payroll employment increased by 171,000 in October while August and September figures were revised up by a total of 84,000 jobs. Employment growth for the year has averaged 157,000 jobs per month, compared to 153,000 jobs per month in 2011. Private sector payrolls added 184,000, the most since February, while government payrolls fell 13,000. Payroll gains were spread across a wide swath of industries in both goods-producing and services-providing in October. Construction employment gained 17,000, helped by the recovery in the housing market while manufacturing employment gained 13,000 despite weaker orders for producers. The private services industries gained 163,000, with 36,000 of the gain in retail trade which has benefited from the rise in consumer confidence. While job gains this year are up slightly from 2011, job growth has been much slower than is typical for a recovery. Fifty-nine months after the start of the last recession, we are still 4.1 million jobs below pre-recession employment.

Un-employment remains elevated

The recent level of job growth has not been strong enough to make a significant dent in the percentage of people unemployed. However, confidence in the labor market appears to be improving as new entrants and people leaving jobs voluntarily have increased. The October unemployment rate increased to 7.9% from 7.8% in September as the number of people entering the workforce exceeded the number of newly created jobs. Joblessness remains high with nearly 12.3 million people unemployed by the traditional measure. The most

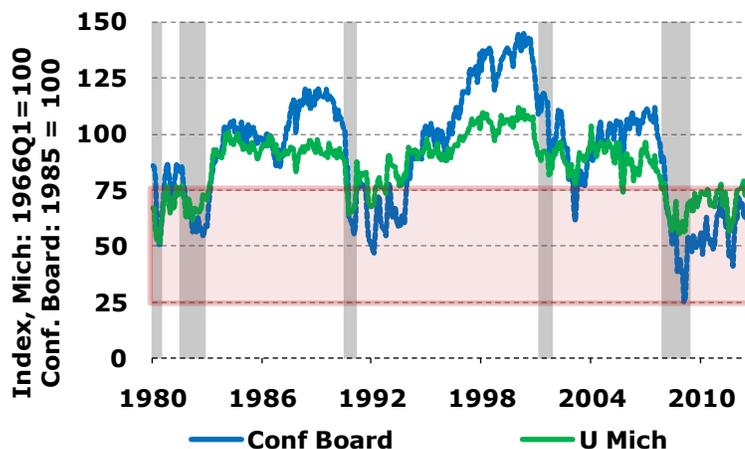
comprehensive measure of underemployment declined slightly from the September reading of 14.7% to 14.6% in October. This includes workers who would like a job but are not currently looking plus those working part-time that would rather work full-time. Those out of work for a long time are still having a tough time getting back into the workforce. The median duration of unemployment increased to 19.6 weeks. The number of seasonally adjusted new unemployment insurance claims points to a slowly recovering labor market as well. For the week ending November 24th, initial claims decreased by 23,000 to 393,000. This number is still elevated, however, from the temporary effects of Hurricane Sandy. The four week moving average of initial claims prior to the hurricane was 372,000, down from 396,250 a year ago. The average workweek was unchanged and average hourly earnings were flat suggesting employers are now hiring more rather than adding hours.

Consumer confidence is starting to improve

After years of pessimisms following the 2007-09 recession, consumers are finally starting to feel more optimistic. Consumer confidence readings from both the Conference Board and the University of Michigan show that consumer attitudes are finally breaking out of the recessionary territory they have been stuck in (see Figure 1.2). While the November readings of both measures showed just a minor uptick, index levels remain significantly above where they were during the summer. The Conference Board's consumer confidence index is now at 73.7, the highest reading since early 2008. The University of Michigan consumer sentiment index increased to 82.7 in November, the fourth consecutive gain. Both the present conditions and the future expectations components have been trending upward. In addition, consumers are feeling better about employment prospects and the strength in the housing market.

Figure 1.2: Conference Board Consumer Confidence and University of Michigan Consumer Sentiment

Confidence is starting to return to normal levels



Source: University of Michigan, Conference Board; data through November 2012

Business confidence has improved but remains weak

The National Federation of Independent Business (NFIB) small business optimism index increased to 93.1 in October from 92.8 in September. While an improvement, the number is still consistent with recessionary readings and lower than earlier in the year. The index is still around the levels observed in late 2010, suggesting that the economy has not made much progress from a small business perspective. However, the survey has reflected some positive signs recently. The outlook for general business conditions remained in positive territory in October after having the first positive reading in September in a year and a half. Sales expectations in October were at a six month high, reflecting renewed confidence. On the other hand, actual sales changes was the lowest reading in almost two years and few small businesses think it is a good time to expand. Highlighting the effect of the "fiscal cliff" on small businesses, the percent of owners viewing the current period as a bad time to expand due to the political climate remains elevated at 19%.

Lending standards have eased

Credit market conditions have improved since the meltdown that followed the collapse of Lehman Brothers in September 2008. The Federal Reserve Board's April survey of senior loan officers shows a continuation of gradual easing of lending standards. In October, lending standards for commercial and industrial (C&I) loans eased slightly for large firms, although less than in September. Lending standards to small businesses eased to their loosest level since the third quarter of last year. Demand fell for large C&I borrowers while demand picked up again for small C&I borrowers. At the household level, standards for residential mortgage loans eased for prime mortgages (i.e., traditional mortgages to borrowers with high credit standards) although nontraditional loan standards were unchanged. Demand remained in the net stronger range for both types of loans, consistent with a strengthening housing market and record low interest rates.

Oil prices are declining

After increasing throughout the summer and finally peaking at over \$116 per barrel in late August, oil prices have softened to \$109 per barrel for Brent crude oil. Gasoline prices have lagged, peaking at \$3.94 per gallon (for all grades) in mid September before finally retreating to \$3.46 per gallon in early December. Gas prices are now 3.4% higher than a year ago. Gas prices in the Northeast remain abnormally high due to the recent hurricane, but should return to normal by the end of the year. U.S. and Canadian oil production will rise as Iranian output remains depressed due to economic sanctions. Uncertainty over Iran's response to those sanctions is likely to keep oil and gasoline prices volatile for the near future. Falling energy prices kept headline inflation modest even as food prices rose in October. Energy prices fell 0.2%, mainly due to falling gasoline prices, while food prices rose 0.2%. The consumer price index

(CPI) was up 2.2% in October from a year ago. Core inflation, which excludes food and energy, rose 0.2% due to rising shelter costs, although it remains up just 2.0% year-over-year in October.

The outlook for global economic growth has been revised down

In October, the International Monetary Fund updated its forecast of global economic growth. Their baseline calls for the global economy to expand 3.3% in 2012 and 3.6% in 2013. This is down from their previous estimate of 3.5% growth in 2012 and 3.9% growth in 2013. A key reason for the forecast reduction is that major advanced economies have failed to rebuild confidence in economic prospects. Investors remain worried about the Euro area and uncertainty surrounding fiscal policy in the U.S. The forecast assumes uncertainty will continue to dampen growth but major policy errors will be avoided. They assume European policymakers will adopt policies that ease the financial conditions of periphery countries in the Eurozone and that the U.S. avoids the fiscal cliff and restores fiscal sustainability. Going forward, economic output is expected to remain sluggish in advanced economies but remain solid in emerging markets and developing economies.

The housing sector continues to improve

The housing sector has continued to show further signs of improvement. The level of activity remains depressed, but it is clear that the sector has finally turned a corner. New home sales, single-family housing starts, and single-family permits have all been trending up in recent months. Housing starts are 42% above their year-ago level after increasing another 31,000 units (SAAR) to 894,000 units (SAAR) in October. The growth in housing starts has been accelerating in recent months and is now at levels last seen in the summer of 2008. Multi-family construction increased 32,000 (SAAR) units in October and is now 57% above year ago levels. Single-family starts were flat, falling 1,000 units (SAAR) in August, but the trend remains positive and this segment is up 35% from a year ago. There remains a considerable level of underlying demographic demand as people have put off forming new households due to weakness in the economy. Overbuilding during the boom years also contributed to the depressed level of new starts. Now it appears that these issues are diminishing and new homes will have to be built to meet the ever increasing demand from population growth.

The trend in home sales is improving

Existing homes sales continue to increase, providing another indication of recovery in the housing market. Sales were up 2.1% in October to 4.79 million (SAAR) and 10.9% higher than a year ago. The trend going forward is clearly positive. Even with the number of homes for sale increasing, the housing inventory has been moving down and is now at 5.4 months. House prices have improved, but a declining share of distress sales is behind some of these price gains. As banks release more distressed homes on the market, house price appreciation should slow.

Home prices are now rising

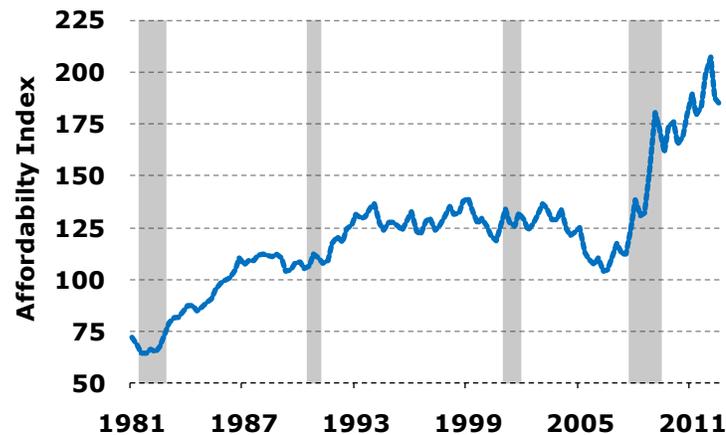
Sales of new homes decreased slightly in October to 368,000 (SAAR) from 369,000 (SAAR) in September. New home sales, which reached an all-time low in 2011, have had to compete with a stream of distressed sales. The total supply of new homes remained flat in October and is 7.5% lower than it was a year ago. At 147,000 units, supply remains near all time lows.

Home prices are increasing again after years of decline. This had been a major hurdle to housing market recovery. Potential buyers were reluctant to enter the market when home values were declining. Banks are also less willing to lend against depreciating collateral. According to data from CoreLogic, overall home prices declined slightly in October by 0.2% but were still up 6.3% from a year ago. Prices of distressed properties rose 6.1% in October over last year. The seasonally adjusted Case-Shiller 20-city home price index increased 0.4% in September from the previous month, the eighth consecutive monthly increase. The index is now 3.0% above the year-ago level. Even with the recent increase in home prices, affordability remains near record levels (See Figure 1.3). Record low mortgage rates and modest income gains have kept affordability high, just off the peak reached in the beginning of the year. We believe any price appreciation will be slow, as foreclosed properties will continue to add to the supply of for-sale houses. Longer-term equilibrium will also depend on how the federal government unwinds its ownership of Fannie Mae and Freddie Mac, the largest players in the secondary mortgage market.

Figure 1.3: Housing Affordability Index

Affordability is 100 when the median income can just afford the median-priced home.

Above 100 means the median income can afford more than the median-priced home



Source: National Association of Realtors; data through 2012 Q3

The manufacturing sector has lost momentum

The manufacturing sector, which had been a bright spot early in the recovery, has lost momentum. According to the Federal Reserve's latest G-17 report, manufacturing output fell 0.9% (SA) in October, although the decrease was attributed to the effect of Hurricane Sandy. Excluding the estimated storm effects, manufacturing output was little changed from September. Output

has been flat to negative the past eight months after strong growth throughout the recovery. Durable goods output declined 0.6% in October with widespread declines among the major industries. Total manufacturing output remains 1.6% above last year while durable goods output is up 4.2%. Core capital goods (nondefense capital goods excluding aircraft) orders increased by 1.7% in October after declining in three of the past four months, while shipments fell 0.4% in October, the fourth consecutive monthly decline. The Institute of Supply Management (ISM) Report on Business indicated that activity in the manufacturing sector contracted in November after showing weak expansion the past two months. The ISM index declined to 49.5 from 51.7 in November. Details were generally weak as new orders fell and the employment index dropped below 50 for the first time since 2009. Since about midyear, factory production has been flat as the ISM index has hovered around the 50 point threshold for growth. The sluggish growth in factory production is likely to continue as financial markets weaken, conditions in Europe deteriorate, and uncertainty of U.S. fiscal policy drags on.

Forecast

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

The November 2012 economic forecast was based on a modified version of Global Insight's November 2012 Control forecast for the U.S. economy. As in September, the U.S. real GDP forecast was adjusted to match the Blue Chip "Consensus" GDP forecasts for 2012 and 2013. We also incorporated the latest long term Blue Chip GDP forecast for 2014 through 2017. Our oil price forecast was adjusted to incorporate futures prices for both Brent crude oil and for West Texas Intermediate crude to better track world oil prices.

GDP is expected to be lower

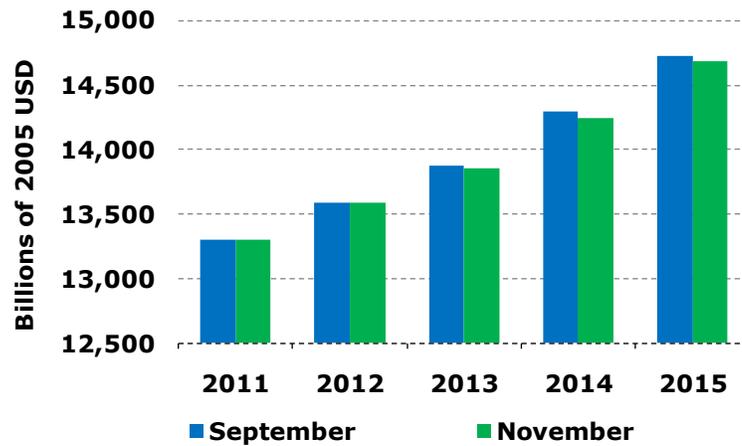
The Blue Chip Consensus GDP forecast, our starting point each forecast cycle, now calls for real GDP growth of 2.2% in 2012 and 2.0% in 2013. Real GDP growth is unchanged from the previous forecast in 2012 although it is slightly weaker than the 2.2% in 2013 expected in September. Real GDP growth is expected to be 2.8% in 2014 and 3.1% in 2015. Growth in the September forecast was expected to be 3.0% each year. For 2016 and 2017, the forecast calls for real GDP growth of 2.9% and 2.8%, unchanged since September. Due to the lower growth in 2013 and 2014, real GDP is expected to be slightly lower throughout the forecast compared to September (see Figure 1.4). The similarity in forecasts points to a continuation of the slow growth and high unemployment scenario anticipated in the previous forecast.

Oil prices are expected to be lower

Along with a slightly weaker forecast of growth, we expect a slightly lower oil price throughout the forecast compared to September. Hurricane Isaac and Sandy had temporary effects on prices, although those impacts appear to be over. Hurricane

Figure 1.4: Blue Chip Real GDP Forecasts

The forecast for GDP is lower than in September



Source: BEA, ERFC November 2012 forecast; historical data through 2011

Isaac caused oil prices to drift higher due to fears of its impact to refinery operations along the Gulf Coast. Despite the limited storm damage, offshore oil production recovered slowly due to worries of offshore spills. Hurricane Sandy caused a temporary distortion in petroleum demand which has since corrected itself. Starting in 2013 prices should decline and we expect oil prices to remain below \$100 a barrel throughout the forecast. We expect oil prices to decrease further throughout the forecast period, reaching \$85 by the end of 2017. Much of this decline is due to the continued crisis in Europe and slower growth in Asia, particularly China. This will continue to weigh on demand as global supplies increase putting downward pressure on prices. As a result we continue to expect low headline inflation this year of just 2.1% and 1.6% in 2013. We expect inflation to increase slightly to 1.9% and 1.8% in 2014 and 2015 before dropping again to 1.6% in both 2016 and 2017.

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

In the absence of Congressional action, the payroll tax cut and emergency unemployment benefits extension will expire at the end of this year, income tax rates will increase, and across-the-board budget cuts will be implemented as well. The Congressional Budget Office estimates that the impact of not addressing this "fiscal cliff" would be a return to recession in the first half of 2013. Now that the November elections are over, focus has shifted to another attempt at a "grand bargain" to address the looming fiscal tightening. With neither party emerging with a clear mandate, compromise will be essential in the coming months, something that has proved elusive over the last few years. Our November forecast assumes that the outgoing Congress will extend the deadlines to avoid tax increases or budget cuts, with a compromise on fiscal policy to be enacted by the new Congress. The forecast assumes that the 2% payroll tax cut and emergency unemployment insurance

benefits are extended for 2013 and then phased out over several years. We also expect the automatic spending cuts scheduled to begin in January 2013 to be delayed. This will give the president and new Congress time to agree on a package of spending cuts and tax increases which are expected to begin in 2014.

Federal fiscal policy is tightening

The election did remove some uncertainty that existed in the September forecast. In particular, the Patient Protection and Affordable Care Act is almost certainly going to remain in place with full implementation in 2014. Also, there is reduced likelihood of a more hawkish monetary policy stance and the fear that interest rates could be raised prematurely. Still, federal fiscal policy is tightening as the temporary stimulus spending is all but over and policymakers focus on deficit reduction. The forecast calls for a \$226 billion reduction in the federal deficit between 2012 and 2013. We expect real defense spending to fall throughout the forecast reflecting a combination of some budget cuts and overseas contingency operations winding down. Declining federal support is also affecting state and local governments. State and local administrations appear to be relying more on spending cuts than tax increases to close budget gaps. The pace of budget tightening has eased slightly as revenues have started to improve, but municipalities remain under pressure. We expect total real government purchases to decline 1.5% this year followed by declines of 1.3% in 2013, 1.2% in 2014 and 0.5% in 2015. We expect real government spending to flatten thereafter. The decline in government spending will reduce overall GDP growth by 0.3 percentage points this year and in 2013 before moderating to 0.2 and 0.1 percentage point reductions in 2014 and 2015.

Consumer spending will not be a strong driver in the recovery

As in September, a robust recovery in consumer spending is unlikely. Recent data on consumer confidence does indicate there is some upside risk, although households face too many negatives for a quick rebound. High debt burdens, low house prices, and weak employment growth all remain a drag. Consumer spending will not be a strong driver of growth in the recovery as is usually the case. The extension of the payroll tax cut assumed in the forecast through 2013 should help consumers, although the effect will be more of a continuation of weak spending as opposed to any boost to growth. Although the extension is assumed in the baseline scenario, there does appear to be renewed doubts that this will survive a compromise deal on the "fiscal cliff". If the payroll tax cut and extended unemployment insurance benefits are not extended, the Congressional Budget Office estimates that the resulting reduction in spending will decrease GDP by 0.7%. We expect real consumer spending growth of 1.9% this year and 2.0% in 2013. We then expect growth to increase to 2.6% in 2014 and 2.7% in 2015 and 2016 before moderating to 2.6% in 2017.

The housing sector is improving, but from a depressed level

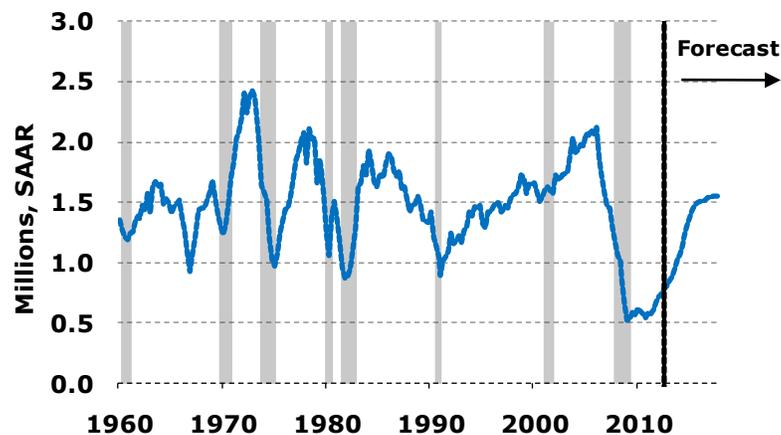
The housing sector has continued to show signs of strengthening, although the market is still depressed and the improvements have been modest. Home prices have finally stabilized but there remain a significant number of distressed properties. Continued improvement remains dependent on stronger job growth and access to financing. Pent-up demand for housing should spur growth, particularly in multi-family, as young adults move away from home as employment prospects improve. Multi-family starts should continue to improve due to declining apartment vacancies and rising rents. Starts for this segment are now close to levels considered historically normal after being depressed since late 2008. Single family starts will take longer to reach levels seen prior to the boom and bust. We expect growth, from a very low base, to continue throughout the forecast for single-family housing. The housing market will continue to improve, so long as the economy is creating jobs. Population remains on an upward trend and people will need a place to live.

We expect strong growth in housing starts

Total housing starts this year are forecast to rise 24.5% to 762,000 units followed by a 21.9% increase in 2013 to 929,000 units. The forecast does not anticipate a return to more typical levels of housing starts until 2014, when we expect 1.18 million starts. It should be noted that even with the large percentage increase in 2012 and 2013, starts will still be well below one million units for the sixth consecutive year. Prior to 2008, starts had never been below one million units in the post-war era on an annualized basis. The forecast calls for total housing starts to reach 1.44 million units in 2015 and 1.52 million units in 2016 and 1.55 million units in 2017 (see Figure 1.5). The destruction of homes caused by Hurricane Sandy does create the need for replacement homes that was not included at the time of the forecast. The impact however is small and is estimated at about 40,000 additional new housing starts through 2015.

Figure 1.5: U.S. Housing Starts

Housing starts will be over 1.5 million by the end of the forecast



Source: U.S. Census Bureau, November 2012 Forecast; historical data through 2012 Q3

Business investment in equipment and software is slowing

Growth in business investment has continued to deteriorate after being an important source of GDP growth early in the recovery. Tight credit conditions for commercial real estate, high vacancy rates, and uncertainty over the economy's direction will dampen growth through most of 2013. As a result, nonresidential construction is expected to decline slightly through the first quarter of next year. The forecast calls for spending to remain subdued with growth of just 1.6% in 2013. Going forward, nonresidential construction will become a contributor to overall growth. The forecast calls for a rebound in 2014 with 10.1% growth followed by 6.0%, 3.4% and 4.7% in 2015 through 2017. Although business investment in equipment and software was flat in the third quarter, we expect this pause to be temporary. Businesses have high levels of cash and profits remain high, providing an opportunity to improve productivity by addressing replacement needs neglected during the recession. Although we do not expect to see a continuation of the robust growth early in the recovery, we do expect capital equipment to remain an important driver of GDP growth going forward. The forecast calls for equipment and software spending to grow in real terms by 7.0% this year, 6.8% in 2013 and 7.3% in 2014. The forecast calls for growth to moderate to 6.1% in 2015, 4.7% in 2016, and 4.5% in 2017. We expect overall real nonresidential fixed investment is to grow 7.5% this year, 5.3% in 2013 as nonresidential construction slows, 8.1% in 2014, and then moderate to 6.1%, 4.3%, and 4.6% in 2015 through 2017.

Export growth has slowed

Export growth remains weak and is not expected to be a significant contributor to U.S. GDP growth going forward. We expect weak foreign demand for U.S. goods and services as economic growth in major U.S. trading partners remains slow. The crisis in Europe has pushed the Eurozone back into recession and has contributed to a slowdown in growth in other important U.S. trading partners as well. GDP growth in major U.S. export markets is forecasted to slow to 2.6% this year from 3.4% in 2011. GDP growth for these countries will remain weak in 2013, growing another 2.6% before increasing to 3.5% and 3.8% in 2014 and 2015, 3.6% in 2016, and 3.4% in 2017. Further deterioration of the situation in Europe remains a significant risk and would adversely affect trade in multiple ways. First, weaker demand in Europe would directly hurt our exports. Second, a stronger dollar relative to the Euro would make U.S. produced goods and services less competitive, further hurting exports and boosting imports. Finally, weaker growth in Europe will reduce Chinese exports, in turn reducing Chinese economic growth. This will further dampen U.S. exports to China, which is our largest export market outside of North America. IHS Global Insight expects real GDP growth in China to remain below 8.0% for both 2012 and 2013 limiting the potential for strong export growth. The forecast calls for U.S. export growth to slow to 3.4% this year, down from 6.7% in 2011 and 11.1% in 2010. We do expect gradual improvement in exports throughout the forecast, with growth reaching 6.8% by 2015. Export growth is largely

offset by increased imports, however, and is not expected to add to GDP in the near term. Net exports are not expected to be a significant contributor to real GDP growth until 2016 when they are expected to add 0.4 percentage points to growth for that year and 0.3 percentage points for 2017.

Unemployment remains elevated throughout the forecast

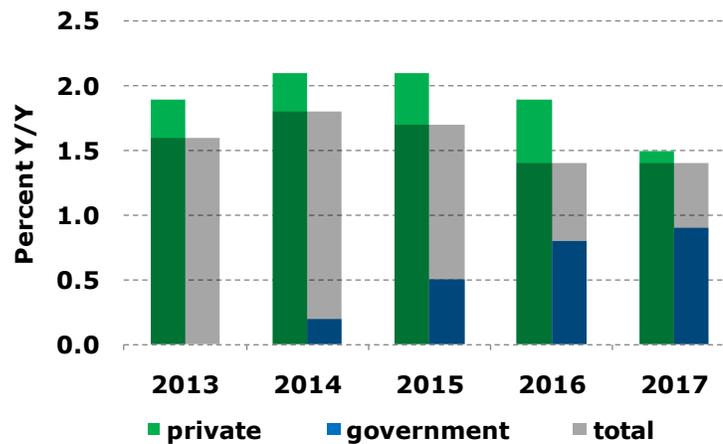
The outlook for payroll employment remains essentially unchanged compared to the September forecast. Payrolls did come in higher than forecasted in September resulting in a slightly higher forecast for 2012 growth, although the forecast in the first quarter of next year has been reduced. Going forward, the growth and level of employment in the forecast is virtually identical to the previous forecast. End-of-period job growth (fourth quarter-to-fourth quarter averages) for 2012 is expected to total 2.0 million jobs for 2012. This is up from the 1.8 million jobs gained in 2011 (although annual rebenchmarking adjustments are expected to increase this number to 2.1 million). We expect 2013 to be stronger with a 2.4 million job gain. Despite the recent job gains, we are still 4.1 million jobs below the pre-recession employment peak. Going forward, we expect the U.S. economy to add about 180,000 jobs per month through the end of this year, picking up to about 200,000 per month in 2013. The forecast calls for employment growth, on an annual average basis, of 1.5% this year, picking up to 1.6% in 2013 and 1.8% in 2014 and 2015 before moderating to 1.7% and 1.4% in 2016 and 2017. By the third quarter of 2014 we expect to have gained 8.8 million jobs since the recession trough in 2010, making up all of the job losses since the beginning of the Great Recession. As a result, we expect an unemployment rate of 8.1% for 2012, gradually falling to 6.0% in 2017.

Private sector job growth will outpace public sector growth throughout the forecast

While growth in private sector employment has been slow during the recovery, government employment growth has been negative. Going forward, we expect employment in the public sector to flatten and begin growing again, albeit slowly. Federal government employment will continue to decline throughout the forecast, but this will be offset by modest gains in state and local government employment. While the public sector is not expected to subtract from payrolls going forward, it will remain a drag on overall employment growth. The forecast calls for total government employment to decline another 0.6% this year after declining in each of the past two years. We expect government employment growth to flatten in 2013 and turn positive in 2014 with growth of 0.2%. The forecast calls for public sector growth of 0.5%, 0.8% and 0.9% in 2015 through 2017. With the public sector no longer experiencing job losses, and an increase in private sector hiring, this will result in higher overall job gains starting in 2014 (see Figure 1.6). We expect private sector job growth of 1.9%, an increase from the 1.8% growth in 2011. Going forward, we expect private sector job growth of 1.9% in 2013, increasing to 2.1% in 2014 and 2015, then moderating to 1.9% in 2016 and 1.5% in 2017.

Figure 1.6: U.S. Nonfarm Payroll Employment Growth

Government job growth will no longer be negative



Source: BLS, November 2012 Forecast; historical data through 2012 Q3

Forecast by Fiscal Year

FY 2012 GDP growth will be weak

U.S. economic growth for the third quarter of 2012 was revised up to a moderate 2.7% (SAAR). The economy is still moving forward at a slow pace, facing headwinds from weak exports and business caution in capital spending. Real GDP is forecast to grow 1.9% in FY 2013, down from 2.0% in FY 2012. Going forward, growth is forecasted to increase to 2.4% in FY 2014 and 3.1% in FY 2015 before moderating to 3.0% in FY 2016 and 2.9% in FY 2017.

Consumer spending will remain subdued

The lackluster job market, worry over the fiscal cliff and the ongoing situation in Europe have caused the consumer to be reluctant to spend money. Consumer spending is not expected to be a strong driver in this recovery although the recent firming of confidence reduces the downside risk in this area. The forecast expects real consumer spending growth in FY 2013 of 1.9%, down from the 2.0% growth in FY 2012. Growth is expected to pick up to 2.3% FY 2014 and 2.7% in FY 2015 through FY 2017.

The housing market has stabilized

The housing market has begun growing again after experiencing the worst downturn in the post-war period. The forecast calls for an increase in housing starts in FY 2013 to 830,000 units, from 686,000 in FY 2012. The housing market will continue to improve so long as the economy is creating jobs. Housing starts are expected to increase in each year of the forecast period, rising to 1.54 million units by FY 2017.

Business investment growth will slow

Business investment continued its upswing in FY 2012, although we do expect growth to slow this fiscal year. Uncertainty over the economy's direction and federal fiscal policy will cause companies to be cautious in deciding when to expand. The

forecast calls for real nonresidential fixed investment to increase by 3.7% this fiscal year, down from the 10.6% growth in FY 2012. We expect growth to increase to 8.1% in FY 2014 before moderating to 7.1% in FY 2015 and 5.0% and 4.6% in FY 2016 and FY 2017. Business investment growth has been led by investment in equipment and software during the recovery, although it too has slowed recently. It is expected to increase 4.9% this fiscal year, down from 10.5% in FY 2012. We expect growth of 8.2%, 6.6%, 5.4%, and 4.6% in FY 2014 through FY 2017. Investment in non-residential construction has lagged in the recovery, although FY 2012 did experience the first growth in this sector since FY 2007 at 10.9%. We expect growth to falter this fiscal year at just 0.6%. Going forward, the forecast calls for growth of 7.8%, 8.3%, 4.1%, and 4.5% in FY 2014 through FY 2017.

Exports will reduce the trade deficit

Although export growth is expected to be slower than in the September forecast, it is still expected to slightly outpace import growth this fiscal year. Going forward, net exports' contribution to GDP is expected to be flat to negative until FY 2016. Export growth this fiscal year and in the outer years of the forecast period will help to shrink the trade deficit from \$584 billion in FY 2012 to \$482 billion by FY 2017.

Employment growth will be weak

Employment growth in FY 2012 was 1.4%, twice that of the previous year but still lackluster especially for periods of economic recovery. Growth in FY 2013 is expected to be slightly higher than FY 2012 at 1.5%. We expect job growth to pick up to 1.8% in FY 2014 through FY 2016 before moderating to 1.6% in FY 2017. Because of the sluggish recovery in the labor market, the unemployment rate is expected to fall gradually, from 7.9% in FY 2013, to 6.1% in FY 2017.

Inflation remains moderate

High unemployment and excess capacity in the economy are helping to keep inflation subdued. The consumer price index is expected to rise by 1.7% in FY 2013 before increasing slightly to a 1.8% increase in FY 2014 and 1.9% in FY 2015. We then expect inflation to moderate further in FY 2016 and FY 2017 increasing 1.7% and 1.6%. Given geopolitical tensions with Iran, one risk to our inflation forecast is a spike in oil prices caused by supply interruptions.

Risks to the Forecast

The level of uncertainty remains high

The level of uncertainty in the baseline is high. Downside risks are still elevated, and considerably higher than upside risks. Our view of the risks is essentially unchanged since September. There remain many significant risks to the forecast on the downside, but the housing sector remains a significant upside risk.

Downside Risks (35% Probability)

Sovereign debt contagion...

Risks associated with the sovereign debt crisis in Europe remain high. European policymakers remain obsessed with austerity measures which further reduce economic activity and make it even more difficult for troubled nations to reach specific fiscal targets. Funding for Greece is cut and they leave the Eurozone in early 2013. The Greek exit puts intensifying pressure on Spain and Italy. Financial markets panic, stock prices plunge and the safe haven U.S. dollar soars. A series of sovereign debt defaults would trigger a European banking crisis which in turn would affect U.S. banks. Credit would tighten and economic activity would shrink, pushing the U.S. back into another recession.

Failure to address "fiscal cliff"

A failure by Congress to address the "fiscal cliff". The lack of a clear mandate after the November 6th elections brings back strident partisanship with neither party willing to make concessions. The combination of higher taxes and lower spending would push the U.S. economy into recession in the first half of 2013.

Slowdown in Asia

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

Turmoil in oil-producing countries

Turmoil in oil-producing countries or oil transit routes. While Iranian talk of a blockade of the Strait of Hormuz has died down, there is an increased risk of a military strike to address Iran's emerging nuclear capabilities. A major disruption would result in sharply higher oil prices.

Territorial dispute

The territorial dispute between Japan and China over islands in the East China Sea escalates, dragging the U.S. into the conflict.

Unexpected events – natural disasters, political upheaval, etc.

Upside Risks (15% Probability)

Housing improves faster than expected

The housing sector improves faster than anticipated. Home prices continue to increase and buyers move off the fence helped by low interest rates. Homebuilders respond and starts increase, leading to more hiring.

Pent-up demand

Pent-up demand could boost consumer spending after years of economizing fueled by a rebound in confidence.

Jobs

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

No European contagion

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

European banking crisis averted

The European Central Bank develops a credible plan to tackle sovereign debt issues and prevent a financial meltdown. The Eurozone takes decisive steps towards a banking and fiscal union that stabilizes markets. This in turn leads to rising stock markets in the U.S. and internationally, boosting consumer confidence and consumption.

U.S. policymakers come to an agreement

President Obama and the newly elected Congress quickly come to a tax and spending compromise that lays the foundation for stronger growth and deficit reduction.

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2013 to 2017

Fiscal Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Real National Income Accounts (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Gross Domestic Product | 12,896.8 | 13,183.3 | 13,450.7 | 13,708.0 | 14,040.5 | 14,469.7 | 14,902.9 | 15,327.9 |
| % Ch | 0.2 | 2.2 | 2.0 | 1.9 | 2.4 | 3.1 | 3.0 | 2.9 |
| Real Consumption | 9,087.9 | 9,327.1 | 9,515.1 | 9,697.9 | 9,919.3 | 10,189.6 | 10,463.3 | 10,741.4 |
| % Ch | 0.1 | 2.6 | 2.0 | 1.9 | 2.3 | 2.7 | 2.7 | 2.7 |
| Real Nonresidential Fixed Investment | 1,233.6 | 1,312.6 | 1,452.0 | 1,505.4 | 1,626.8 | 1,741.6 | 1,828.2 | 1,911.4 |
| % Ch | -11.4 | 6.4 | 10.6 | 3.7 | 8.1 | 7.1 | 5.0 | 4.6 |
| Real Residential Fixed Investment | 343.4 | 323.3 | 343.5 | 395.5 | 455.7 | 536.6 | 591.1 | 605.7 |
| % Ch | -9.8 | -5.8 | 6.2 | 15.1 | 15.2 | 17.7 | 10.2 | 2.5 |
| Real Personal Income | 10,895.7 | 11,287.0 | 11,437.6 | 11,694.0 | 12,074.1 | 12,467.0 | 12,860.9 | 13,241.4 |
| % Ch | -2.5 | 3.6 | 1.3 | 2.2 | 3.2 | 3.3 | 3.2 | 3.0 |
| Real Per Capita Income (\$/Person) | 35,278 | 36,269 | 36,450 | 36,908 | 37,740 | 38,593 | 39,430 | 40,209 |
| % Ch | -3.3 | 2.8 | 0.5 | 1.3 | 2.3 | 2.3 | 2.2 | 2.0 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.102 | 1.123 | 1.149 | 1.166 | 1.183 | 1.203 | 1.224 | 1.244 |
| % Ch | 1.3 | 1.9 | 2.3 | 1.5 | 1.5 | 1.7 | 1.7 | 1.7 |
| U.S. Consumer Price Index (1982-84=1.0) | 2.168 | 2.211 | 2.276 | 2.315 | 2.355 | 2.400 | 2.441 | 2.481 |
| % Ch | 1.0 | 2.0 | 2.9 | 1.7 | 1.8 | 1.9 | 1.7 | 1.6 |
| Employment Cost Index (Dec. 2005=1.0) | 1.112 | 1.130 | 1.150 | 1.171 | 1.196 | 1.222 | 1.249 | 1.277 |
| % Ch | 1.4 | 1.7 | 1.7 | 1.9 | 2.1 | 2.2 | 2.2 | 2.3 |
| Current Dollar National Income (Billions of Dollars) | | | | | | | | |
| Gross Domestic Product | 14,192.4 | 14,782.6 | 15,387.0 | 15,980.7 | 16,654.4 | 17,452.5 | 18,253.5 | 19,080.4 |
| % Ch | 0.9 | 4.2 | 4.1 | 3.9 | 4.2 | 4.8 | 4.6 | 4.5 |
| Personal Income | 12,010.4 | 12,675.6 | 13,144.6 | 13,635.0 | 14,284.0 | 15,004.0 | 15,739.1 | 16,472.9 |
| % Ch | -1.3 | 5.5 | 3.7 | 3.7 | 4.8 | 5.0 | 4.9 | 4.7 |
| Employment (Millions) | | | | | | | | |
| U.S. Civilian Labor Force | 153.9 | 153.6 | 154.3 | 155.7 | 157.3 | 158.6 | 159.9 | 161.3 |
| Total U.S. Employment | 138.9 | 139.4 | 141.1 | 143.5 | 145.4 | 147.5 | 149.6 | 151.4 |
| Unemployment Rate (%) | 9.74 | 9.28 | 8.55 | 7.86 | 7.51 | 6.99 | 6.47 | 6.10 |
| Nonfarm Payroll Employment | 129.67 | 130.52 | 132.30 | 134.23 | 136.59 | 139.04 | 141.54 | 143.81 |
| % Ch | -3.2 | 0.7 | 1.4 | 1.5 | 1.8 | 1.8 | 1.8 | 1.6 |
| Manufacturing | 11.53 | 11.63 | 11.85 | 12.02 | 12.25 | 12.45 | 12.59 | 12.70 |
| % Ch | -8.9 | 0.9 | 1.9 | 1.4 | 1.9 | 1.7 | 1.1 | 0.9 |
| Durable Manufacturing | 7.04 | 7.17 | 7.39 | 7.53 | 7.76 | 8.00 | 8.17 | 8.27 |
| % Ch | -10.9 | 1.7 | 3.1 | 1.9 | 3.1 | 3.1 | 2.1 | 1.3 |
| Nondurable Manufacturing | 4.48 | 4.46 | 4.47 | 4.49 | 4.49 | 4.45 | 4.43 | 4.43 |
| % Ch | -5.7 | -0.5 | 0.1 | 0.6 | -0.1 | -0.7 | -0.6 | 0.1 |
| Construction | 5.66 | 5.49 | 5.53 | 5.58 | 5.84 | 6.39 | 7.00 | 7.43 |
| % Ch | -14.5 | -2.9 | 0.7 | 0.9 | 4.7 | 9.5 | 9.5 | 6.2 |
| Service-Providing | 111.81 | 112.66 | 114.10 | 115.81 | 117.69 | 119.39 | 121.18 | 122.93 |
| % Ch | -1.8 | 0.8 | 1.3 | 1.5 | 1.6 | 1.4 | 1.5 | 1.4 |
| Miscellaneous Indicators | | | | | | | | |
| Oil-WTI (\$ per barrel) | 75.2 | 89.4 | 95.0 | 87.8 | 88.1 | 87.1 | 85.8 | 85.1 |
| Personal Saving/Disposable Income (%) | 4.5 | 5.0 | 3.7 | 3.6 | 4.0 | 4.2 | 4.5 | 4.6 |
| Auto Sales (Millions) | 5.8 | 6.0 | 6.7 | 7.6 | 7.8 | 8.1 | 8.3 | 8.6 |
| % Ch | 7.6 | 3.6 | 11.5 | 12.3 | 3.8 | 3.0 | 3.2 | 3.6 |
| Housing Starts (Millions) | 0.594 | 0.570 | 0.686 | 0.834 | 1.048 | 1.325 | 1.497 | 1.538 |
| % Ch | -8.1 | -4.1 | 20.4 | 21.6 | 25.7 | 26.5 | 13.0 | 2.7 |
| Federal Budget Surplus (Billions) | -1,306.7 | -1,283.1 | -1,144.8 | -960.1 | -773.7 | -698.0 | -685.5 | -716.1 |
| Net Exports (Billions) | -462.3 | -540.8 | -584.3 | -530.3 | -537.0 | -551.8 | -532.9 | -482.1 |
| 3-Month Treasury Bill Rate (%) | 0.12 | 0.12 | 0.05 | 0.11 | 0.12 | 0.20 | 1.69 | 3.43 |
| 10-Year Treasury Note Yield (%) | 3.55 | 3.08 | 2.08 | 1.83 | 2.52 | 3.09 | 3.91 | 4.66 |
| Bond Index of 20 G.O. Munis. (%) | 4.37 | 4.56 | 3.96 | 3.79 | 4.16 | 4.54 | 5.14 | 5.64 |
| 30-Year Fixed Mortgage Rate (%) | 5.00 | 4.59 | 4.01 | 3.45 | 3.65 | 4.66 | 5.71 | 6.46 |

Table 1.2
Forecast Analysis
 Comparison of Forecasts for 2011-13

| Forecast Date | 2010 | | | | 2011 | | | | 2012 | | | |
|--------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|
| | <u>Feb.</u> | <u>June</u> | <u>Sept.</u> | <u>Nov.</u> | <u>Mar.</u> | <u>June</u> | <u>Sept.</u> | <u>Nov.</u> | <u>Feb.</u> | <u>June</u> | <u>Sept.</u> | <u>Nov.</u> |
| U.S. | | | | | | | | | | | | |
| Percent Growth, 2011:2-2013:2 | | | | | | | | | | | | |
| Real GDP | 6.9 | 6.8 | 6.8 | 6.4 | 6.6 | 6.5 | 5.3 | 5.0 | 4.8 | 4.5 | 4.3 | 4.1 |
| Implicit Price Deflator | 3.7 | 3.7 | 3.1 | 3.3 | 3.6 | 3.2 | 2.4 | 3.0 | 3.3 | 3.1 | 3.6 | 3.1 |
| Average Rate, 2011:3 to 2013:2 | | | | | | | | | | | | |
| 3 Month T-Bill Rate | 3.57 | 2.90 | 1.62 | 1.66 | 1.69 | 1.26 | 0.07 | 0.08 | 0.06 | 0.06 | 0.08 | 0.08 |
| Mortgage Rate | 6.26 | 5.82 | 4.88 | 5.13 | 5.53 | 5.13 | 4.61 | 4.55 | 4.22 | 3.94 | 3.75 | 3.73 |

Table 1.3

Fiscal Years

Forecast Comparison

Forecast 2013 to 2015

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| U.S. | | | | | | | |
| Real GDP | | | | | | | |
| November Baseline | 13183.3 | 13450.7 | 13708.0 | 14040.5 | 14469.7 | 14902.9 | 15327.9 |
| % Ch | 2.2 | 2.0 | 1.9 | 2.4 | 3.1 | 3.0 | 2.9 |
| September Baseline | 13183.3 | 13454.7 | 13720.3 | 14075.2 | 14518.1 | 14937.1 | 15366.4 |
| % Ch | 2.2 | 2.1 | 2.0 | 2.6 | 3.1 | 2.9 | 2.9 |
| Implicit Price Deflator | | | | | | | |
| November Baseline | 1.123 | 1.149 | 1.166 | 1.183 | 1.203 | 1.224 | 1.244 |
| % Ch | 1.9 | 2.3 | 1.5 | 1.5 | 1.7 | 1.7 | 1.7 |
| September Baseline | 1.123 | 1.149 | 1.170 | 1.190 | 1.213 | 1.237 | 1.260 |
| % Ch | 1.9 | 2.3 | 1.8 | 1.7 | 1.9 | 2.0 | 1.9 |
| Unemployment Rate | | | | | | | |
| November Baseline | 9.28 | 8.55 | 7.86 | 7.51 | 6.99 | 6.47 | 6.10 |
| September Baseline | 9.28 | 8.55 | 8.09 | 7.73 | 7.17 | 6.69 | 6.29 |
| Mortgage Rate | | | | | | | |
| November Baseline | 4.59 | 4.01 | 3.45 | 3.65 | 4.66 | 5.71 | 6.46 |
| September Baseline | 4.59 | 4.01 | 3.50 | 4.08 | 4.81 | 5.50 | 6.34 |
| 3 Month T-Bill Rate | | | | | | | |
| November Baseline | 0.12 | 0.05 | 0.11 | 0.12 | 0.20 | 1.69 | 3.43 |
| September Baseline | 0.12 | 0.05 | 0.12 | 0.15 | 0.20 | 1.25 | 3.09 |



Chapter 2: Washington Economy – Current Conditions and Forecast

- **As expected in September, the Washington economy continues to expand at a moderate pace.**
- **Employment and income growth are on target.**
- **Home price appreciation has turned decidedly positive.**
- **Housing construction is improving, increasingly in the single-family market, but nonresidential construction continues to languish.**
- **Except for transportation equipment, Washington exports have weakened.**
- **Inflation in the Seattle area has slowed.**
- **We expect the Washington economy to continue to outperform the U.S. economy by a narrow margin.**

Current Conditions

The Washington economy continues to grow moderately

The state economy continues to recover at the moderate rate anticipated in the September forecast. Recent employment growth has been very close to our expectation and previously published employment estimates have been revised upward. Personal income is lower in this forecast but only because of historical revisions stretching back to 2009. Home prices appear to be on a solidly upward trend and affordability remains in record territory. Housing construction continues to improve, particularly in the single-family market. On the downside, nonresidential construction remains depressed, the manufacturing expansion is slowing, and Washington exports have weakened considerably.

Job growth has been right on target

The Washington economy added 9,500 jobs in September and October, which was almost exactly the 9,600 expected in the September forecast. Manufacturing employment increased 1,500 in September and October. We had expected 2,100 manufacturing jobs. However construction employment rose 1,100 compared to our forecast of 400 jobs. Government employment declined by 700 in the last two months but private

service-providing employment rose 6,900. The state's unemployment rate declined from 8.6% in August to 8.5% in September and 8.2% in October.

New data shows employment is higher

In addition to the month of new employment data, we also have another quarter of Quarterly Census of Payrolls and Employment (QCEW) data. The new QCEW data and other revisions raised the level of total employment in August 2012 by 9,000. The net effect of the upward revisions to history through August and slightly weaker than expected growth in September and October is an estimate of October employment that is 8,800 (0.3%) higher than expected in the September forecast.

Hours and earnings are flat

Other labor market indicators have been disappointing in recent months. The average weekly hours worked in the private sector had been trending upward since reaching a trough in early 2010. Average weekly hours improved from 34.1 in 2010 to 34.6 in 2011 but this year average weekly hours have shown no further improvement, running at an average rate of 34.6 hours per week through October. Private sector average hourly earnings have also leveled off. Hourly earnings averaged \$27.33 (SA) in the first 10 months of 2012, only 0.2% higher than in the first 10 months of 2011. The lack of growth in either average hours worked or average hourly earnings means that the average weekly paycheck is not growing.

Initial claims for unemployment insurance have decreased

Washington's initial claims for unemployment insurance are pointing to continued, but moderate job growth. The four-week moving average of initial claims edged up in the week ending November 24 to 9,794 from 9,322 the previous week. The moving average has now remained below 10,000 for 17 consecutive weeks. The last time that happened was in the week ending July 26, 2008. The four-week moving average is now 41% below the peak reached in March 2009 but still 36% above the pre-recession minimum.

Single-family construction is improving

Washington housing construction continues to strengthen. Total housing units authorized by building permits edged up to 28,400 units (SAAR) in the third quarter, up slightly from 28,100 in the second quarter. The September forecast had expected 28,000 units. Single-family permits totaled 17,700 in the third quarter while multi-family permits came in at a 10,700 annual rate. The total number of units authorized by permits has nearly doubled since the trough in the second quarter of 2009. Most of the housing recovery to date has been in the multi-family segment which has largely recovered from historic lows. However, the single-family segment has now moved past the late 2009-2010 spike caused by the homebuyer's tax credits to its highest level since the second quarter of 2008. We believe the housing recovery will be increasingly led by single-family construction spurred by record affordability and improving consumer confidence.

October permits were strong

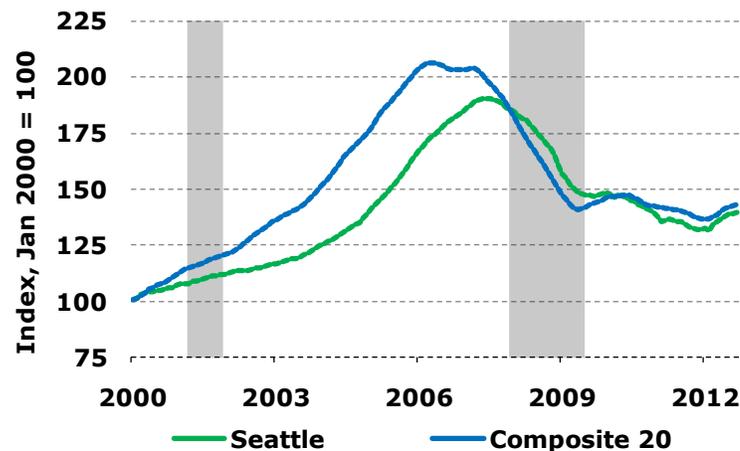
Fourth quarter housing construction got off to a strong start according to the permit data. Multi-family units totaled 10,700 (SAAR) in October which is slightly weaker than the forecast of 11,100 for the fourth quarter as a whole but October's 19,200 single-family permits were much stronger than 17,200 expected for the quarter and were, in fact, stronger than in any month since February 2008. Total units authorized were 30,000 (SAAR) compared to our forecast of 28,300 for the quarter.

Seattle area home prices are up 4.8% over the year

Regional home prices also appear to be on the upswing. According to the S&P/Case-Shiller Home Price Indices through September 2012, seasonally adjusted Seattle area home prices have risen in six of the last seven months and, as of September, are now 4.8% higher than in the previous September (see Figure 2.1). Prior to the recent upturn, Seattle home prices had not registered a year-over-year gain since December 2007. Foreclosures continue to put downward pressure on home prices but demographics and record affordability are working in the opposite direction. Even with the recent gains, Seattle area home prices are 26.6% lower than their 2007 peak.

Home prices are rising again

Figure 2.1: Case-Shiller Home Price Indices



Source: S&P/Case-Shiller; data through September 2012

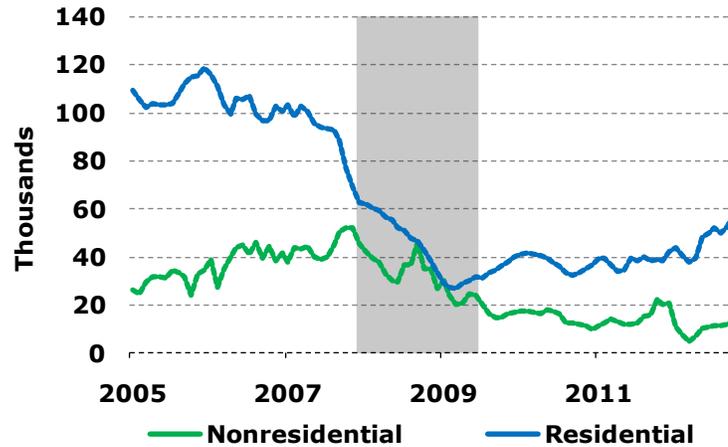
Residential construction gains are partially offset by weak nonresidential construction

Contract data for new construction projects, which give an indication of the level of activity roughly six months in the future, have stabilized and even begun to increase. Residential contracts have been trending higher, consistent with the housing permit data. As of October, the three-month moving average of residential contract square footage was up 120% compared to the March 2009 trough. This growth, however, is off a depressed level and square footage under contract is still down 51% since the height of the housing boom in late 2005. Nonresidential construction is a different story. After a spike at the end of last year, nonresidential contract square footage stumbled again, falling to a new all-time low (our data go back to 1980) in March

(see Figure 2.2). While there has been a partial recovery since March, the three-month moving average remains below the levels prevailing in 2011, signaling continued weakness in nonresidential construction.

Nonresidential construction remains weak

Figure 2.2: Dodge Construction Data - Square Feet under Contract



Source: Dodge/McGraw-Hill Construction; data through October 2012

Manufacturing is slowing

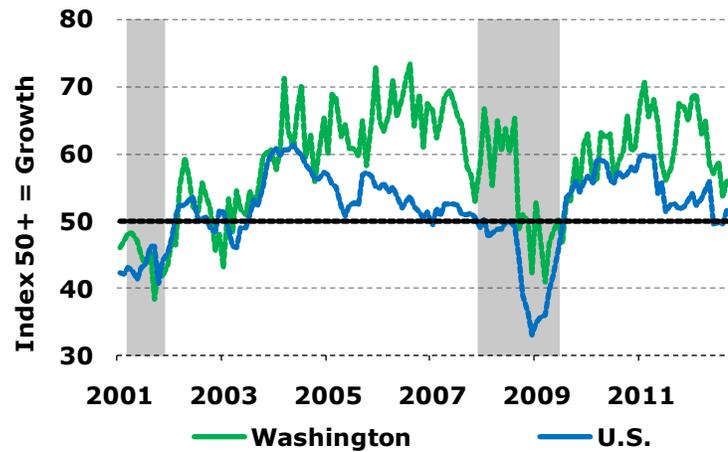
The recovery in Washington, as in the nation, has been driven largely by the manufacturing sector. The Institute of Supply Management - Western Washington Index (ISM-WW), which measures strength in the manufacturing sector, has now indicated growth since August 2009 (index readings above 50 indicate expansion). In a sign the manufacturing expansion may be slowing, however, the index declined to 53.5 in August, barely exceeding the critical 50 mark, before partially recovering to 56.0 in September and 56.3 in October (see Figure 2.3). The August results were the lowest since September 2009. While still indicating growth, the fact that the index level has moved closer to 50 in recent months suggests a slowdown in manufacturing growth.

Aerospace is still expanding

Boeing built up a huge backlog of orders in 2005, 2006, and 2007. This enabled Boeing to ride out the recession with only minimal production and job cuts. Since the May 2010 trough in aerospace employment, this sector has added 15,700 jobs, surpassing the previous peak by nearly 10,000 jobs. We believe the outlook for Boeing remains positive. Worldwide air traffic, both passenger and cargo, recovered surprisingly quickly from the recession. As a result, Boeing was able to add to its backlog in 2010, 2011, and so far in 2012. The backlog as of the end of the third quarter of 2012 was 4,144 planes representing nearly seven years of production at the current rate of 149 planes per quarter.

The indices have moved closer to neutral

Figure 2.3: Institute of Supply Management Indices



Source: Institute of Supply Management; data through October 2012

The trend is still positive in light vehicle sales

After strong growth from late 2011 through the middle of this year, the recovery in Washington car sales stalled in the third quarter. Seasonally adjusted new vehicle registrations slipped 1.8% in the third quarter after rising 7.8%, 7.1%, and 5.2% during the previous three quarters. Third quarter 2012 registrations are still 19.4% higher than in the third quarter of 2011. Data for the month of October suggest sales will rebound in the fourth quarter. We believe the trend is positive for vehicle sales due to improving consumer confidence and the need to replace an aging fleet.

Exports are growing thanks to Boeing

Washington exports in the third quarter were 19.7% higher than in the third quarter of 2011 but the positive growth was due entirely to two sectors. Exports of transportation equipment (mostly Boeing planes) increased 43.4% over the year. Excluding transportation equipment, exports were up a mere 0.4% in the third quarter following a 2.8% decline in the second quarter. The reason non-transportation equipment exports returned to positive territory in the third quarter was an 11.0% jump in exports of agricultural products.

Personal income was revised lower

After our forecast was released in September, the Bureau of Economic Analysis (BEA) released state personal income estimates with revisions extending back to 2009. The revised data indicate a more severe recession in 2009 and initially less robust recovery than previously believed. According to the new estimates, Washington nominal personal income fell 4.4% in 2009 rather than 3.6% and grew 2.4% in 2010 rather than 3.0%. The new estimate for growth in 2011 is higher, 5.8% rather than 5.2%, but the level in 2011 is still \$2.844 billion (0.9%) lower than previously reported. The historical revisions were more than accounted for by reductions in the estimates for property income (dividends, interest, and rent). Our current

estimate of Washington personal income reflects the BEA revision as well as more up-to-date wage data than were available to the BEA at the time of their latest release. Our estimate as of the second quarter of 2012 is \$2.1 billion (1.1%) lower than the September forecast. The downward revision was due to the historical revision to nonwage personal income. Wage and salary disbursements were \$0.4 billion higher than assumed in the September forecast.

Seattle inflation has slowed

Local area inflation is moving more in line with the national average after exceeding national rates by a large margin earlier this year. Seattle headline inflation over the twelve months ending in October 2012 was 2.3% compared to 2.2% for the U.S. city average. Core inflation in Seattle was 2.4% compared to 2.0% for the nation. Both headline and core inflation in Seattle exceeded the national average by more than a percentage point as recently as August. A major reason for the convergence is a slowdown in shelter cost growth in Seattle. Two months ago Seattle shelter costs were up 3.7% year over year compared to 2.1% for the nation. In October, Seattle shelter costs were up only 2.2% over the year compared to the U.S. rate of 2.3%.

Washington State Forecast

The revisions to the forecast in November were small

The Washington State forecast is based on a new national forecast that is very similar to the forecast adopted in September. As a result, the revisions to the state forecast were also minimal. There are two important changes to the national forecast that feed through to the state forecast. First, real GDP growth is slightly weaker than in the September forecast. The weaker U.S. growth reduces growth in Washington as well. Second, the oil price forecast is lower in the third and fourth quarters of 2012. Oil prices remain lower through the remainder of the forecast but also fall at a slower rate than expected in September. The new oil price forecast subtracts from national and regional inflation in the second half of this year but adds to inflation during the remainder of the forecast.

The outlook is slightly weaker than expected in September

Our November economic forecast for Washington is slightly weaker than the forecast adopted in September based on a downward revision to the historical estimates of Washington personal income and a slightly weaker U.S. forecast. Recent data on employment and housing have been somewhat stronger than expected in September. As in September, we expect Washington job and income growth to gradually improve throughout the forecast. Housing construction, as measured by building permits, is now growing, though from a very low base, but nonresidential construction remains very weak. We continue to expect the state of Washington to outperform the U.S. economy, however the recovery will continue to be slow by historical standards and unemployment will decline only gradually.

Washington Payroll Employment

The private sector is driving the recovery in jobs

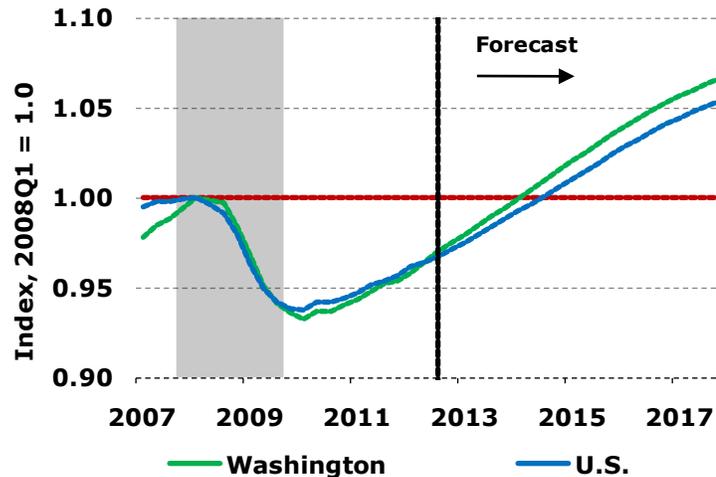
Our forecast for Washington employment is very similar to the forecast adopted in September. As in September, we expect aerospace employment to peak at the end of this year and begin a gradual decline in mid-2013. Construction employment is expected to remain moderate through the remainder of this year with growth gradually picking up beginning in the second half of 2013. Government employment is expected to decline through mid-2013 with only modest growth thereafter. Our new Washington employment growth forecast for 2012 through 2015 averages 1.9% per year which is the same rate as assumed in September. By the end of our forecast horizon in 2017, total employment will be 197,000 (6.6%) above the previous peak. Private sector employment will be 180,100 (7.4%) higher while public sector employment will be 6,700 (1.2%) higher than its previous peak.

The jobs recovery is slow

Employment in the state has grown at an average annual rate of 1.6% since the employment trough in the first quarter of 2010 through the second quarter of 2012 compared to 1.3% for the nation. The 111,800 jobs gained over this period represent 56% of the jobs lost in the downturn. We don't expect to get back to our pre-recession peak until the second quarter of 2014. This is one quarter sooner than the U.S., but still represents more than six years of lost employment growth (see Figure 2.4).

Washington employment will return to its previous peak in the second quarter of 2014

Figure 2.4: Total Nonfarm Payroll Employment Indices



Source: BLS, WA ESD, ERFC; historical data through 2012 Q3

Boeing is expanding, for now

Boeing continues to grow in early 2012 but at a slower rate than in 2011. Boeing's order book remains full with a backlog that would take more than six years to work off at the current rate of production. Despite rising production, Boeing has indicated that it

thinks 2012 will be the peak in employment in its Commercial Airplane Division as development programs are ramped down and productivity continues to improve. As in September, we assume that aerospace employment peaks at the end of 2012 and begins to gradually decline in the second half of 2013. Aerospace employment grew 7.2% in 2011 and we expect an 8.7% growth rate this year. We expect aerospace employment to grow 2.0% in 2013 on a calendar year basis before declining 1.4% in 2014 and 1.5% per year in 2015 through 2017.

We expect the software sector to continue to add jobs

The software sector is growing again and has recovered all of the jobs lost in the recession. In 2011 Microsoft restructured employee compensation, calling it "the most significant investment in overall compensation we have ever made." The higher wages will help Microsoft attract and retain top talent and the spending out of those higher wages will have a positive impact on the Washington economy. We expect fairly strong job gains going forward. While the software employment growth is not expected to be spectacular, it will continue to have an outsized impact on the overall economy due to the high wages in this industry. Software employment rose 1.5% in 2011 following an unprecedented 1.1% decline in 2010. We expect software employment growth to improve to 1.8% this year and 2.4% next year, slowing to 1.5%, 1.6%, 1.7%, and 1.8% in 2014 through 2017.

Construction employment growth has turned positive

Construction employment finally reached a trough in early 2011 after huge declines over the previous three years. This year we expect overall construction employment to post its first increase in five years but we anticipate a mere 2.3% gain. Residential construction employment has turned slightly positive but nonresidential construction employment has been essentially flat. We expect residential construction employment to grow 4.0% this year but nonresidential employment will grow only 1.0%. Residential employment growth will grow even faster in future years and nonresidential construction will also accelerate. We expect overall construction employment growth to improve to 4.0% in 2013, 6.5% in 2014, and 8.0% in 2015 before slowing to 5.5% and 3.4% in 2016 and 2017. Even with these impressive growth rates, construction employment will still be 23,900 below its previous peak at the end of 2007.

Employment growth in financial activities will be positive but modest

The slump in financial activities employment has been even more protracted, though not as deep, as construction. Financial activities employment has now fallen in 5 consecutive years, though the decline in 2011 was a slight 0.1%. Employment in credit intermediation and related activities accounts for most of the decline, followed by real estate and rental and leasing. Going forward, we expect modest growth for the next four years with growth of 1.2% this year, 1.5% in 2013, and 1.2% in 2014. We expect a cyclical downturn in the last three years of the forecast

with growth rates of -0.1% in 2015, -1.4% in 2016, and -1.2% in 2017.

The retail trade recovery will be slow

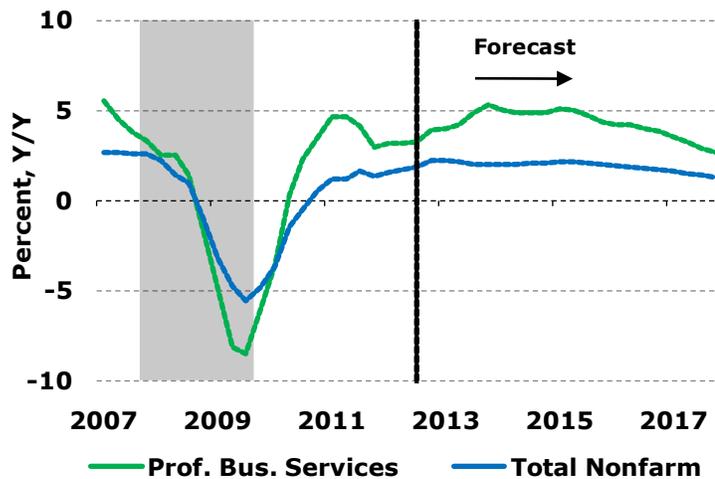
Retail trade is another highly cyclical sector that declined early and sharply but has now turned around. Retail trade employment grew 1.5% in 2011 following declines of 0.2%, 5.5%, and 0.4% in 2008, 2009, and 2010. We expect retail trade growth to improve to 2.5% in 2012 based on fairly strong growth in recent quarters. The forecast assumes much weaker growth in the next five years as labor markets remain weak and households continue to repair their balance sheets. We expect growth to slow to 1.5%, 0.4%, 0.7%, 0.9%, and 0.6% in 2013 through 2017. It will be mid-2016 when retail trade employment finally surpasses its previous peak.

We expect strong growth in professional and business services employment

As is typical during recoveries, professional and business services will be one of Washington's fastest growing sectors. During a recovery, growth in this sector is boosted by gains in employment services, mainly temporary help services. As businesses gauge whether the increase in demand will continue, they typically hire temporary staff before they hire permanent employees. Employment growth in professional and business services rebounded to 4.1% in 2011 from just 0.6% in 2010 and a 6.9% decline in 2009. We expect growth to slow slightly to 3.4% this year based on the actual data we have through October. We expect growth to remain very strong in this sector throughout the forecast with growth rates of 4.6%, 4.9%, 4.8%, 4.1%, and 3.1% in 2013 through 2017 (see Figure 2.5). Professional and business services employment surpassed its previous peak in the third quarter of 2012.

Professional and business services growth will outpace the overall economy

Figure 2.5: Washington Employment Growth



Source: BLS, WA ESD, ERFC; historical data through 2012 Q3

State and local government employment cuts are nearly over

State and local government employment has been a drag on the overall jobs recovery long after most other sectors have turned around. We believe we are finally at or at least near the bottom, however. We expect essentially flat employment over the next few quarters with modest growth beginning in the second half of next year. On an average annual basis, we expect state and local government employment to fall 0.5% this year and rise only 0.1% in 2013. We expect employment growth to improve gradually in 2014 through 2017 with growth rates of 0.7%, 1.2%, 1.3%, and 1.2%. We do not expect government employment to reach the previous peak until the second quarter of 2016.

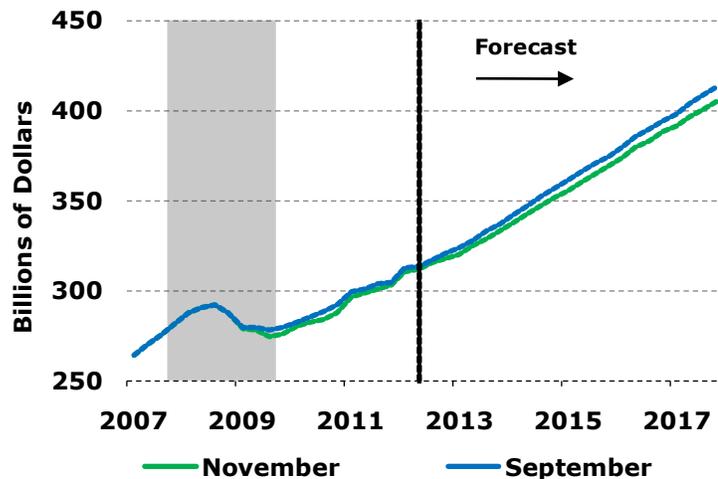
Washington Personal Income

We assume the fiscal cliff will be avoided

As in September, we expect to largely avoid the “fiscal cliff” at the end of the year. Not only would the scheduled tax increases and spending cuts affect personal income via their effect on the economy, some components, such as the payroll tax cut, affect personal income directly. We assume that the outgoing Congress will extend the deadlines to avoid tax increases or budget cuts and that a compromise on fiscal policy will be enacted by the new Congress that phases in the tax increases and spending cuts over several years, thus avoiding a sharp fiscal contraction in 2013.

The personal income forecast is slightly lower than in the September forecast

Figure 2.6: Washington Personal Income



Source: Bureau of Economic Analysis, ERFC; historical data through 2012 Q2

Washington personal income was revised lower

After the September forecast was released, The BEA revised its historical estimates of state personal income beginning in 2009. Revisions are usually made each September to incorporate source data that are more complete and more detailed than previously available. The latest revisions lowered the personal

income estimates for each year since 2009. According to the new estimates, the level of Washington personal income in 2011 was \$2.844 billion (0.9%) lower than previously reported. The historical revisions were more than accounted for by reductions in the estimates for property income (dividends, interest, and rent).

Income growth is about the same as in November

Personal income growth increased to 5.8% in 2011 from 2.4% in 2010. The growth in 2011 was boosted by the payroll tax cut. Without that, growth would have been nearly a full percentage point lower. Our new forecast for Washington personal income growth averages 4.9% per year in 2012 through 2017 which is only slightly less than the 5.0% per year growth rate assumed in September, however, the level of personal income is significantly lower than in the September forecast due to the historical revision (see Figure 2.6).

Washington Building Permits

Growth in housing construction is increasingly in the single-family segment

To date, the housing recovery has been driven by multi-family construction but this is changing. Housing construction surged in early 2012 with strong growth in the single-family segment as well as the multi-family segment. Since the first quarter, single-family construction has continued to trend up but multi-family construction has declined slightly. The net result has been a gradual improvement in overall activity. The number of housing units authorized by building permits came in at 28,400 (SAAR) in the third quarter of 2012 compared to 28,100 in the second quarter and 27,700 in the first quarter. Single-family units totaled 17,700 in the third quarter (the highest since the second quarter of 2008) while multi-family units came in at a 10,700 annual rate.

We have raised our near-term housing forecast

As a result of the recent strength in housing, we have again raised our housing forecast for 2012 and 2013. While both single-family construction and multi-family construction have improved, single-family, which is still competing with a stream of distressed sales, remains relatively depressed. Multi-family construction, which is benefiting from rising rents and low vacancy rates, is back in the normal range for Washington. We expect the total number of units to increase 34.8% this year to 28,100 units. Multi-family permits will grow 49.1% to 11,500 units and single-family construction will increase 26.3% to 16,600 units. During the remainder of the forecast we believe the growth will increasingly shift to the single-family market. The combination of low inventories and record affordability argues for strong growth in single-family housing construction as the economy recovers. We expect housing units to rise 4.0% to 29,200 in 2013, 9.5% to 32,000 in 2014, 13.2% to 36,300 in 2015, 6.0% to 38,400 in 2016, and 3.2% to 39,600 in 2017.

Seattle Consumer Price Index

Seattle area inflation will slow as energy costs decline

Inflation, as measured by the Seattle Consumer Price Index, has increased sharply since being less than one percent per year in 2009 and 2010. Declining shelter costs, which are measured by rents in the CPI, were responsible for much of the low inflation. Rents are now rising, however, and energy costs have risen sharply, causing inflation to jump to 2.7% in 2011. We expect another 2.7% increase this year as energy costs remain high. We expect declining oil prices during the remainder of the forecast which should help restrain inflation. We expect Seattle inflation to decline to 2.3% in 2013, 2.1% in 2014, 2.0% in 2015 and 1.8% in 2016 and 2017.

Core inflation will remain moderate

Core inflation (excluding food and energy) in Seattle came in at 1.3% in 2011 after a negative 0.5% in 2010. Falling shelter costs were the main reason for the decline but rents have since turned around. As the economic recovery continues, Seattle core inflation will increase but remain in a moderate range. We expect the core Seattle CPI to rise 2.8% this year, 2.4% in 2013, 2.2% in 2014, 2.1% in 2015, 1.9% in 2016, and 1.8% in 2017.

Forecast by Fiscal Year

Personal income growth will improve as the economy recovers

Nominal personal income growth improved to an estimated 5.2% in FY 2012 following a 4.8% increase in 2011 and a 1.3% decline in FY 2010. The turnaround in personal income growth is mostly due to a resumption of positive job growth after a big decline in fiscal 2010. Property income (dividends, interest, and rent) also recovered strongly in the last two years. The payroll tax cut, which took place halfway through fiscal 2011, added about one-half of a percentage point to growth in each of fiscal 2011 and fiscal 2012. We expect personal income growth to slow slightly to 4.2% in fiscal 2013 before rebounding to 5.0%, 5.4%, 5.1% and 4.8% in fiscal 2014 through fiscal 2017.

Job growth is expected to accelerate

Washington nonfarm payroll employment continues to recover, rising 1.6% in fiscal 2012 following a 0.6% increase in fiscal 2010 and a 3.9% decline in fiscal 2010. Manufacturing employment increased 4.9% in fiscal 2012 while construction employment edged down 0.3%. Private service-providing employment rose 2.0% in fiscal 2012 but government employment declined 1.1%. We expect employment growth to continue to improve for the next few years as improving construction employment growth more than offsets declining manufacturing growth and the reductions in government employment subsidy. As the economic recovery continues, we expect overall employment growth to improve to 2.1% in FY 2013, 2.0% in FY 2014, and 2.1% in FY 2015, slowing slightly to 1.9% in FY 2016 and 1.6% in FY 2017.

The number of housing units authorized by building permits in Washington continues to recover slowly, rising 16.0% in fiscal

Housing construction will continue to build momentum

2012 following an 8.9% gain in fiscal 2011. Previously, permits had fallen 64% since the peak in FY 2006. Single-family permits increased 7.4% in FY 2012 to 14,500 units while multi-family units rose 31.5% to 9,900 units. We expect strong growth in both single-family and multi-family construction this fiscal year as single-family construction increases 21.8% to 17,600 units and multi-family construction increases 12.0% to 11,100 units. Overall permits will increase 17.9% this fiscal year to 28,700 units. Housing construction should continue to improve, growing 5.4% in FY 2014 to 30,200 units, 13.1% in FY 2015 to 34,200 units, 10.2% in FY 2016 to 37,700 units, and 3.8% in FY 2017 to 39,100 units.

Inflation will remain moderate

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased to 1.2% in FY 2011 and 3.1% in FY 2012 from just 0.3% in FY 2010. Energy costs are largely responsible for the increase in inflation. Core inflation (excluding food and energy) rose a more moderate 2.4% in fiscal 2012. Energy costs will subtract from inflation in FY 2013 through FY 2017 as oil prices decline. We expect headline inflation of 2.6% this fiscal year, 2.1% in FY 2014, 2.1% in FY 2015, 1.9% in FY 2016, and 1.8% in FY 2017.

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

Alternative Scenarios

Alternate forecasts are prepared in accordance with state law

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

Optimistic

The optimistic scenario assumes strong growth in housing and employment

In the optimistic scenario, economic growth improves in the fourth quarter and accelerates into 2013. This scenario is driven in part by a stronger recovery in residential construction. As credit conditions ease, nonresidential fixed investment also accelerates. On the policy front, President Obama and the newly elected Congress quickly come to a tax and spending compromise, and the looming fiscal cliff is avoided. Across the Atlantic, policymakers develop a credible plan to tackle sovereign-debt issues and prevent a financial meltdown. There are no exits from the Eurozone, as members take decisive steps towards a banking and fiscal union that stabilize markets. This reduced anxiety about the outlook boosts consumer and business confidence sharply. The labor market returns to form following the late-spring swoon, and by mid-2013 the economy is adding roughly 300,000 jobs per month. By the end of 2017 real GDP is

1.1% higher in the optimistic forecast than in the baseline. More GDP growth translates into more jobs and the unemployment rate falls to 5.6% by the fourth quarter of 2017 compared to 5.9% in the baseline forecast.

The optimistic scenario also assumes a much stronger Washington economy

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes that aerospace employment grows faster than assumed in the baseline forecast and continues to expand through late 2016 rather than leveling off in 2013 and declining in 2014 through 2017. Software employment growth is also stronger than in the baseline forecast. Seattle inflation is higher than in the baseline forecast due to the stronger regional economy as is average wage growth. The strong local economy also drives population growth higher. The recovery in construction employment is much stronger than in the baseline forecast. By the end of 2017, Washington nonagricultural employment is higher by 125,600 jobs than in the baseline forecast and Washington personal income is \$33.0 billion higher.

Pessimistic

In the pessimistic alternative, Europe and gridlock in Washington derail the recovery

In the pessimistic scenario, the lack of a clear verdict in the election brings back strident partisanship. With neither party willing to make concessions, the US economy slips over the fiscal cliff for a few weeks after January 1, 2013. Policymakers subsequently manage to pass an extension of all expiring measures, with the notable exception of the Social Security tax cut for employees ("payroll tax cut"). The ensuing fiscal contraction, as well as the damage to confidence from the brief trip over the cliff, have a severe impact on the economy. The rapidly deteriorating global outlook further restrains US growth. European policymakers remain obsessed by deficits and debt-to-GDP ratios, failing to see that each additional austerity measure further reduces economic activity. The "troika" decides to cut funding for Greece, which proves unable to meet its structural reform targets. Insolvent and illiquid, Greece has no choice but to exit the Eurozone in early 2013. This scenario assumes a much more severe European recession than in the baseline. In addition, global growth is restrained by a harder landing in China. The US economy slows sharply in the fourth quarter of 2012 and enters recession territory in early 2013. By the end of 2015 real GDP is 5.3% below the baseline forecast. The unemployment rate begins rising again, reaching 9.0% in the second quarter of 2014 before beginning to decline again. At the end of 2017 unemployment is still at 7.7% compared to 5.9% in the baseline.

This scenario also assumes a weaker local economy

At the state level, aerospace employment grows less in 2012 and declines much more rapidly in 2013 through 2017 than assumed in the baseline forecast. Software employment begins to decline in 2013 and the reductions accelerate in 2014 and 2015. Population growth is also weaker than in the baseline forecast as

migration into Washington drops. Construction employment also goes into a renewed slump, declining through the third quarter of 2014. The Seattle CPI is lower than in the baseline forecast, as are Washington wage rates, further depressing personal income. By the end of 2017, Washington non-agricultural employment is 222,600 lower than in the baseline forecast and Washington personal income is \$45.7 billion lower.

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

Governor’s Council of Economic Advisors (GCEA)

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

The GCEA scenario predicts less real growth but more inflation

At the national level, the GCEA outlook for real GDP is very close to the baseline forecast in calendar years 2012 and 2013 but consistently weaker in 2014 through 2017. Real consumer spending in the Governor’s Council scenario was very close to the baseline scenario throughout the forecast. In spite of the weaker real GDP growth expected by the GCEA members, they expect higher inflation in every year. As a result, nominal GDP is actually higher in the Governor’s Council scenario than in the baseline forecast. The GCEA expects slightly lower oil prices in 2012 and 2013 but they do not expect the significant declines the baseline forecast assumes in 2014 through 2017. As a result, their oil price forecast is more than \$10 higher than the baseline forecast by 2017. The Council members’ mortgage rate forecasts are very close to the baseline forecasts in 2012 through 2014 but lower in 2015 through 2017.

For Washington, the GCEA scenario is very close to the baseline

The GCEA scenario for Washington is very similar to the baseline forecast. The council members’ forecast for total employment is a bit higher than the baseline forecast in some years and a bit lower in others. Overall, their forecast is almost identical to the baseline forecast. Their real personal income forecast is lower than the baseline forecast however, their inflation assumption is higher as noted above. As a result, their nominal personal income forecast is very close to the baseline forecast. The GCEA forecast for manufacturing employment is weaker than the baseline forecast in each year. The council members’ construction employment forecast is also generally weaker than the baseline forecast in spite of the fact that their housing permit forecast is very similar. At the end of 2017, the GCEA forecast for Washington nonfarm employment is 2,700 higher than in the baseline forecast and Washington personal income is \$1.2 billion higher.

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

Table 2.1
Washington Economic Forecast Summary
 Forecast 2013 to 2017

Fiscal Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Real Income (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Personal Income | 252.317 | 259.564 | 266.751 | 274.044 | 283.551 | 293.804 | 303.798 | 313.315 |
| % Ch | -3.4 | 2.9 | 2.8 | 2.7 | 3.5 | 3.6 | 3.4 | 3.1 |
| Real Wage and Salary Disb. | 133.366 | 135.361 | 138.989 | 142.824 | 147.497 | 152.375 | 156.981 | 161.181 |
| % Ch | -2.6 | 1.5 | 2.7 | 2.8 | 3.3 | 3.3 | 3.0 | 2.7 |
| Real Nonwage Income | 118.951 | 124.203 | 127.762 | 131.220 | 136.054 | 141.429 | 146.817 | 152.134 |
| % Ch | -4.1 | 4.4 | 2.9 | 2.7 | 3.7 | 4.0 | 3.8 | 3.6 |
| Real Per Capita Income (\$/Person) | 37,551 | 38,185 | 38,740 | 39,301 | 40,125 | 41,015 | 41,859 | 42,648 |
| % Ch | -4.2 | 1.7 | 1.5 | 1.4 | 2.1 | 2.2 | 2.1 | 1.9 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.102 | 1.123 | 1.149 | 1.166 | 1.183 | 1.203 | 1.224 | 1.244 |
| % Ch | 1.3 | 1.9 | 2.3 | 1.5 | 1.5 | 1.7 | 1.7 | 1.7 |
| Seattle Cons. Price Index (1982-84=1.0) | 2.263 | 2.290 | 2.360 | 2.421 | 2.471 | 2.523 | 2.571 | 2.618 |
| % Ch | 0.3 | 1.2 | 3.1 | 2.6 | 2.1 | 2.1 | 1.9 | 1.8 |
| Average Nonfarm Annual Wage | 50,432 | 51,928 | 53,763 | 54,957 | 56,539 | 58,288 | 59,964 | 61,618 |
| % Ch | 2.5 | 3.0 | 3.5 | 2.2 | 2.9 | 3.1 | 2.9 | 2.8 |
| Avg. Hourly Earnings-Mfg. (\$/Hour) | 23.53 | 23.75 | 24.04 | 24.15 | 24.53 | 24.97 | 25.43 | 25.91 |
| % Ch | 6.8 | 0.9 | 1.2 | 0.5 | 1.6 | 1.8 | 1.8 | 1.9 |
| Current Dollar Income (Billions of Dollars) | | | | | | | | |
| Personal Income | 278.117 | 291.496 | 306.558 | 319.527 | 335.451 | 353.591 | 371.786 | 389.779 |
| % Ch | -2.2 | 4.8 | 5.2 | 4.2 | 5.0 | 5.4 | 5.1 | 4.8 |
| Disposable Personal Income | 251.561 | 261.491 | 273.064 | 283.475 | 295.887 | 311.258 | 326.903 | 342.453 |
| % Ch | -1.0 | 3.9 | 4.4 | 3.8 | 4.4 | 5.2 | 5.0 | 4.8 |
| Per Capita Income (\$/Person) | 41,390 | 42,881 | 44,521 | 45,824 | 47,468 | 49,360 | 51,226 | 53,055 |
| % Ch | -3.0 | 3.6 | 3.8 | 2.9 | 3.6 | 4.0 | 3.8 | 3.6 |
| Employment (Thousands) | | | | | | | | |
| Washington Civilian Labor Force | 3,520.1 | 3,496.1 | 3,497.0 | 3,502.2 | 3,545.3 | 3,595.7 | 3,643.0 | 3,686.4 |
| Total Washington Employment | 3,168.9 | 3,161.4 | 3,195.4 | 3,214.3 | 3,266.7 | 3,330.7 | 3,391.8 | 3,443.6 |
| Unemployment Rate (%) | 9.98 | 9.57 | 8.63 | 8.22 | 7.86 | 7.37 | 6.90 | 6.59 |
| Nonfarm Payroll Employment | 2,786.1 | 2,802.4 | 2,846.3 | 2,906.3 | 2,965.0 | 3,027.1 | 3,085.8 | 3,136.3 |
| % Ch | -3.9 | 0.6 | 1.6 | 2.1 | 2.0 | 2.1 | 1.9 | 1.6 |
| Manufacturing | 258.4 | 262.1 | 275.0 | 285.3 | 290.7 | 296.0 | 299.9 | 303.6 |
| % Ch | -7.4 | 1.4 | 4.9 | 3.8 | 1.9 | 1.8 | 1.3 | 1.2 |
| Durable Manufacturing | 184.5 | 187.6 | 199.5 | 208.4 | 212.7 | 217.3 | 220.6 | 222.9 |
| % Ch | -8.4 | 1.7 | 6.3 | 4.5 | 2.0 | 2.2 | 1.5 | 1.1 |
| Aerospace | 81.1 | 82.5 | 90.8 | 96.1 | 95.4 | 93.9 | 92.5 | 91.1 |
| % Ch | -2.2 | 1.7 | 10.1 | 5.8 | -0.8 | -1.5 | -1.5 | -1.5 |
| Nondurable Manufacturing | 73.8 | 74.5 | 75.5 | 76.9 | 78.1 | 78.8 | 79.3 | 80.6 |
| % Ch | -4.6 | 0.9 | 1.3 | 1.9 | 1.5 | 0.9 | 0.7 | 1.6 |
| Construction | 146.4 | 138.5 | 138.1 | 143.4 | 150.2 | 162.1 | 173.4 | 180.9 |
| % Ch | -19.2 | -5.4 | -0.3 | 3.8 | 4.8 | 7.9 | 7.0 | 4.3 |
| Service-Providing | 2,375.4 | 2,395.8 | 2,427.3 | 2,471.7 | 2,517.5 | 2,561.7 | 2,604.6 | 2,643.9 |
| % Ch | -2.4 | 0.9 | 1.3 | 1.8 | 1.9 | 1.8 | 1.7 | 1.5 |
| Software Publishers | 50.8 | 51.2 | 52.0 | 53.3 | 54.2 | 55.1 | 56.0 | 57.0 |
| % Ch | -2.6 | 0.8 | 1.5 | 2.6 | 1.7 | 1.6 | 1.7 | 1.7 |
| Nonfarm Payroll Employment, EOP* | 2,786.9 | 2,819.4 | 2,867.3 | 2,927.8 | 2,986.9 | 3,050.1 | 3,106.2 | 3,152.5 |
| % Ch* | -1.5 | 1.2 | 1.7 | 2.1 | 2.0 | 2.1 | 1.8 | 1.5 |
| Housing Indicators (Thousands) | | | | | | | | |
| Housing Units Authorized by Bldg. Permit | 19.263 | 20.976 | 24.338 | 28.684 | 30.220 | 34.178 | 37.661 | 39.094 |
| % Ch | -2.3 | 8.9 | 16.0 | 17.9 | 5.4 | 13.1 | 10.2 | 3.8 |
| Single-Family | 15.240 | 13.471 | 14.468 | 17.626 | 18.971 | 22.068 | 25.396 | 26.693 |
| % Ch | 17.2 | -11.6 | 7.4 | 21.8 | 7.6 | 16.3 | 15.1 | 5.1 |
| Multi-Family | 4.023 | 7.505 | 9.871 | 11.057 | 11.249 | 12.110 | 12.265 | 12.401 |
| % Ch | -40.0 | 86.5 | 31.5 | 12.0 | 1.7 | 7.7 | 1.3 | 1.1 |
| 30-Year Fixed Mortgage Rate (%) | 5.00 | 4.59 | 4.01 | 3.45 | 3.65 | 4.66 | 5.71 | 6.46 |

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

Table 2.2
Comparison of Alternative Forecasts

Fiscal Years

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------|------|------|------|------|------|
| U.S. | | | | | | |
| Real GDP, Percent Change | | | | | | |
| Optimistic | 2.0 | 2.1 | 2.8 | 3.6 | 3.1 | 2.8 |
| Baseline | 2.0 | 1.9 | 2.4 | 3.1 | 3.0 | 2.9 |
| Pessimistic | 2.0 | 0.8 | -0.1 | 2.3 | 2.6 | 2.5 |
| Implicit Price Deflator, Percent Change | | | | | | |
| Optimistic | 2.3 | 1.3 | 1.3 | 1.7 | 1.8 | 2.1 |
| Baseline | 2.3 | 1.5 | 1.5 | 1.7 | 1.7 | 1.7 |
| Pessimistic | 2.3 | 1.1 | 0.9 | 1.8 | 2.1 | 2.4 |
| Mortgage Rate, Percent | | | | | | |
| Optimistic | 4.01 | 3.38 | 3.52 | 4.63 | 5.65 | 6.64 |
| Baseline | 4.01 | 3.45 | 3.65 | 4.66 | 5.71 | 6.46 |
| Pessimistic | 4.01 | 3.25 | 2.91 | 4.04 | 5.15 | 6.45 |
| 3 Month T-Bill Rate, Percent | | | | | | |
| Optimistic | 0.05 | 0.13 | 0.22 | 0.40 | 1.99 | 3.86 |
| Baseline | 0.05 | 0.11 | 0.12 | 0.20 | 1.69 | 3.43 |
| Pessimistic | 0.05 | 0.09 | 0.08 | 0.07 | 0.10 | 1.31 |
| Washington | | | | | | |
| Real Personal Income, Percent Change | | | | | | |
| Optimistic | 2.8 | 4.2 | 5.2 | 5.1 | 4.7 | 3.9 |
| Baseline | 2.8 | 2.7 | 3.5 | 3.6 | 3.4 | 3.1 |
| Pessimistic | 2.8 | 1.0 | -0.2 | 0.8 | 1.3 | 1.4 |
| Personal Income, Percent Change | | | | | | |
| Optimistic | 5.2 | 5.5 | 6.6 | 6.9 | 6.6 | 6.2 |
| Baseline | 5.2 | 4.2 | 5.0 | 5.4 | 5.1 | 4.8 |
| Pessimistic | 5.2 | 2.1 | 0.6 | 2.6 | 3.5 | 3.8 |
| Employment, Percent Change | | | | | | |
| Optimistic | 1.6 | 2.5 | 2.9 | 2.9 | 2.8 | 2.2 |
| Baseline | 1.6 | 2.1 | 2.0 | 2.1 | 1.9 | 1.6 |
| Pessimistic | 1.6 | 1.4 | -0.1 | 0.4 | 0.7 | 0.7 |
| Housing Permits, Thousands of Authorized Units | | | | | | |
| Optimistic | 24.3 | 30.8 | 36.8 | 43.2 | 48.1 | 49.5 |
| Baseline | 24.3 | 28.7 | 30.2 | 34.2 | 37.7 | 39.1 |
| Pessimistic | 24.3 | 26.8 | 23.5 | 25.6 | 28.6 | 30.9 |

Table 2.3

Calendar Years

Governor's Council of Economic Advisor's Forecast

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|-------|-------|-------|-------|-------|-------|
| U.S. | | | | | | |
| Real GDP | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 2.2 | 2.0 | 2.8 | 3.1 | 2.9 | 2.8 |
| GCEA Average | 2.0 | 2.1 | 2.7 | 2.8 | 2.7 | 2.6 |
| Real Consumption | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 1.9 | 2.0 | 2.6 | 2.7 | 2.7 | 2.6 |
| GCEA Average | 2.0 | 2.1 | 2.5 | 2.6 | 2.6 | 2.6 |
| Implicit Price Deflator, PCE | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 1.8 | 1.4 | 1.6 | 1.7 | 1.7 | 1.6 |
| GCEA Average | 1.9 | 1.8 | 1.9 | 2.0 | 2.0 | 2.0 |
| Mortgage Rate | | | | | | |
| <i>Percent</i> | | | | | | |
| ERFC | 3.7 | 3.5 | 4.1 | 5.2 | 6.1 | 6.6 |
| GCEA Average | 3.6 | 3.6 | 4.1 | 4.8 | 5.6 | 6.0 |
| Oil Price (Brent) | | | | | | |
| <i>Dollars per barrel</i> | | | | | | |
| ERFC | 111.2 | 103.6 | 98.9 | 95.1 | 92.4 | 91.0 |
| GCEA Average | 108.0 | 103.2 | 101.7 | 100.7 | 100.2 | 101.3 |
| Washington State | | | | | | |
| Real Personal Income | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 2.6 | 2.7 | 3.8 | 3.4 | 3.4 | 2.9 |
| GCEA Average | 2.5 | 2.6 | 3.2 | 3.1 | 3.1 | 2.8 |
| Wage and Salary Employment | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 1.7 | 2.1 | 2.0 | 2.1 | 1.8 | 1.4 |
| GCEA Average | 1.7 | 1.9 | 2.1 | 2.0 | 1.9 | 1.6 |
| Manufacturing Employment | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 4.5 | 2.6 | 1.9 | 1.6 | 1.2 | 1.1 |
| GCEA Average | 3.9 | 2.0 | 1.7 | 1.3 | 1.0 | 1.0 |
| Construction Employment | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 1.1 | 4.0 | 6.5 | 8.0 | 5.5 | 3.4 |
| GCEA Average | 1.5 | 3.1 | 5.0 | 6.8 | 5.3 | 3.9 |
| Housing Permits | | | | | | |
| <i>Thousands of authorized units</i> | | | | | | |
| ERFC | 27.7 | 29.2 | 32.0 | 36.3 | 38.4 | 39.6 |
| GCEA Average | 27.1 | 30.7 | 33.9 | 36.7 | 39.0 | 39.0 |
| Washington Average Annual Wage | | | | | | |
| <i>Growth</i> | | | | | | |
| ERFC | 3.5 | 2.0 | 3.1 | 3.0 | 2.8 | 2.9 |
| GCEA Average | 2.9 | 2.3 | 2.6 | 2.7 | 2.9 | 3.0 |

Table 2.4
Forecast Analysis
 Comparison of Forecasts for 2011-13

| Forecast Date | 2010 | | | | 2011 | | | | 2012 | | | |
|--|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|
| | <u>Feb.</u> | <u>June</u> | <u>Sept.</u> | <u>Nov.</u> | <u>Mar.</u> | <u>June</u> | <u>Sept.</u> | <u>Nov.</u> | <u>Feb.</u> | <u>June</u> | <u>Sept.</u> | <u>Nov.</u> |
| Washington | | | | | | | | | | | | |
| Percent Growth, 2011:2-2013:2 | | | | | | | | | | | | |
| Employment | 5.6 | 6.2 | 6.1 | 5.5 | 5.3 | 4.5 | 3.4 | 3.0 | 3.7 | 3.3 | 3.6 | 3.8 |
| Personal Income | 12.5 | 12.0 | 11.1 | 10.9 | 10.8 | 10.0 | 7.4 | 7.4 | 7.6 | 8.2 | 9.1 | 8.8 |
| Real Personal Income | 8.4 | 8.0 | 7.8 | 7.4 | 7.0 | 6.6 | 4.9 | 4.3 | 4.2 | 5.0 | 5.3 | 5.6 |
| Total (Thousands of units), 2011:3 to 2013:2 | | | | | | | | | | | | |
| Housing Units Authorized | 86.7 | 85.3 | 69.5 | 66.8 | 55.8 | 50.9 | 43.8 | 42.8 | 42.0 | 47.1 | 51.8 | 53.0 |

Table 2.5
Forecast Comparison
 Forecast 2013 to 2015

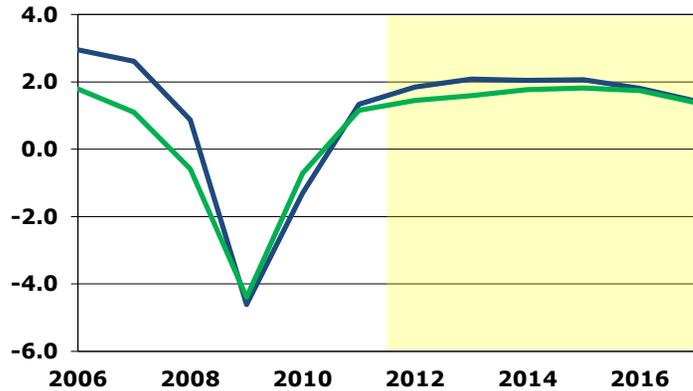
Fiscal Years

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Washington | | | | | | | |
| Real Personal Income | | | | | | | |
| November Baseline | 259.564 | 266.751 | 274.044 | 283.551 | 293.804 | 303.798 | 313.315 |
| % Ch | 2.9 | 2.8 | 2.7 | 3.5 | 3.6 | 3.4 | 3.1 |
| September Baseline | 262.857 | 268.537 | 275.525 | 285.381 | 295.935 | 305.254 | 314.619 |
| % Ch | 3.0 | 2.2 | 2.6 | 3.6 | 3.7 | 3.1 | 3.1 |
| Personal Income | | | | | | | |
| November Baseline | 291.496 | 306.558 | 319.527 | 335.451 | 353.591 | 371.786 | 389.779 |
| % Ch | 4.8 | 5.2 | 4.2 | 5.0 | 5.4 | 5.1 | 4.8 |
| September Baseline | 295.184 | 308.620 | 322.252 | 339.603 | 358.935 | 377.476 | 396.533 |
| % Ch | 5.0 | 4.6 | 4.4 | 5.4 | 5.7 | 5.2 | 5.0 |
| Employment | | | | | | | |
| November Baseline | 2802.4 | 2846.3 | 2906.3 | 2965.0 | 3027.1 | 3085.8 | 3136.3 |
| % Ch | 0.6 | 1.6 | 2.1 | 2.0 | 2.1 | 1.9 | 1.6 |
| September Baseline | 2802.4 | 2845.9 | 2898.6 | 2960.0 | 3023.5 | 3080.4 | 3132.3 |
| % Ch | 0.6 | 1.6 | 1.9 | 2.1 | 2.1 | 1.9 | 1.7 |
| Housing Permits | | | | | | | |
| November Baseline | 20.976 | 24.338 | 28.684 | 30.220 | 34.178 | 37.661 | 39.094 |
| % Ch | 8.9 | 16.0 | 17.9 | 5.4 | 13.1 | 10.2 | 3.8 |
| September Baseline | 20.976 | 24.338 | 27.474 | 29.398 | 34.178 | 37.828 | 39.145 |
| % Ch | 8.9 | 16.0 | 12.9 | 7.0 | 16.3 | 10.7 | 3.5 |

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

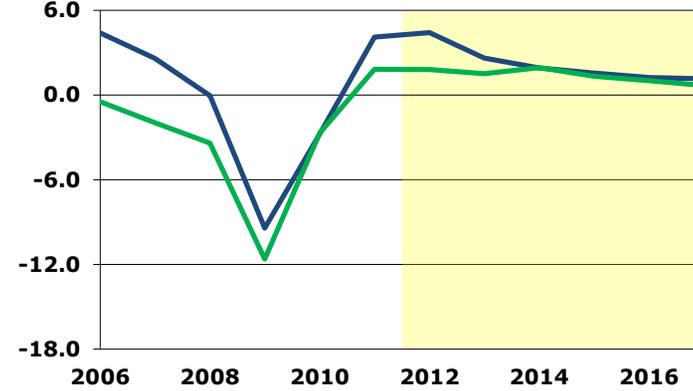
Forecast

Total nonfarm payroll employment



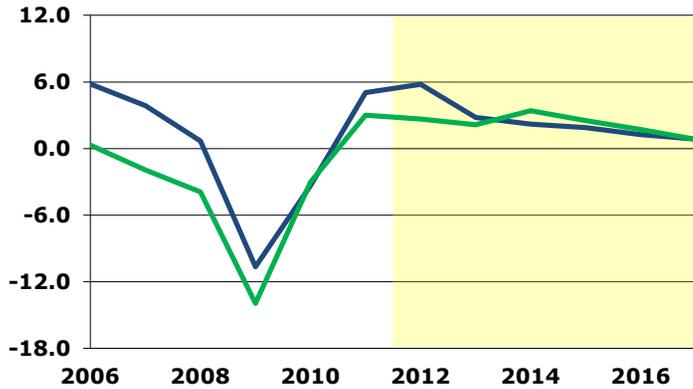
Source: WA State Employment Security Dept. 2011, ERFC 2017

Manufacturing employment



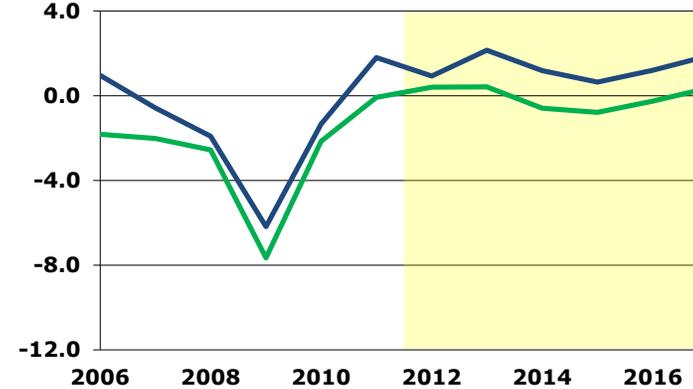
Source: WA State Employment Security Dept. 2011, ERFC 2017

Durable manufacturing employment



Source: WA State Employment Security Dept. 2011, ERFC 2017

Nondurable manufacturing employment



Source: WA State Employment Security Dept. 2011, ERFC 2017

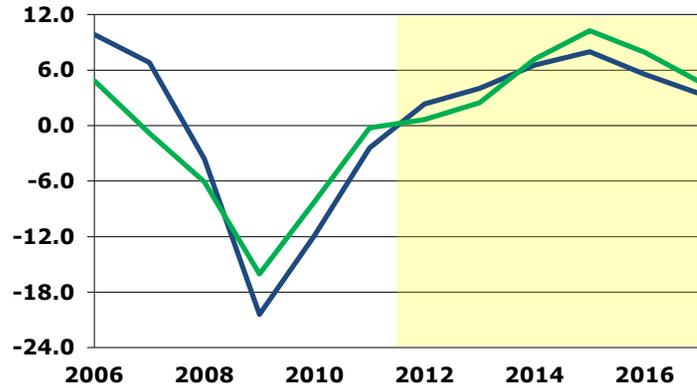
Washington

U.S.

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

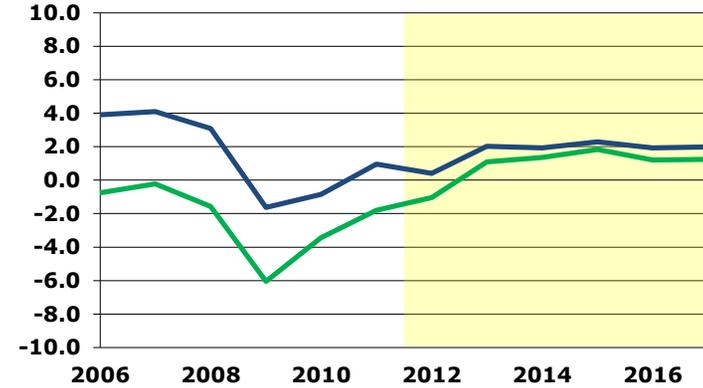
Forecast

Construction employment



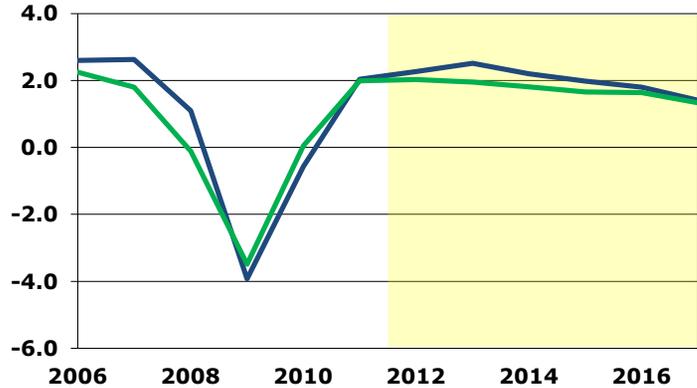
Source: WA State Employment Security Dept. 2011, ERFC 2017

Information employment



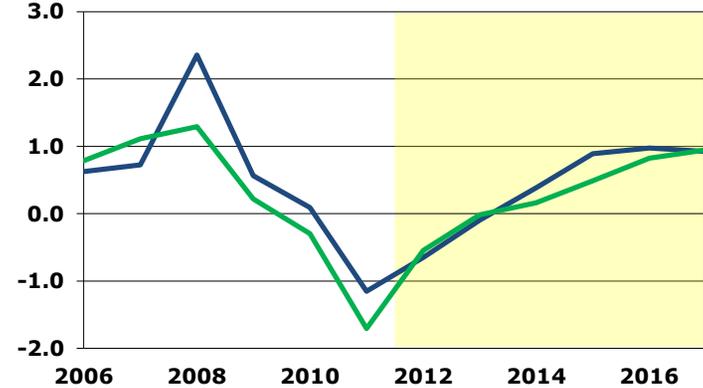
Source: WA State Employment Security Dept. 2011, ERFC 2017

Other private employment



Source: WA State Employment Security Dept. 2011, ERFC 2017

Government employment



Source: WA State Employment Security Dept. 2011, ERFC 2017

Washington

U.S.

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

(Percent change)

Forecast

Real personal income



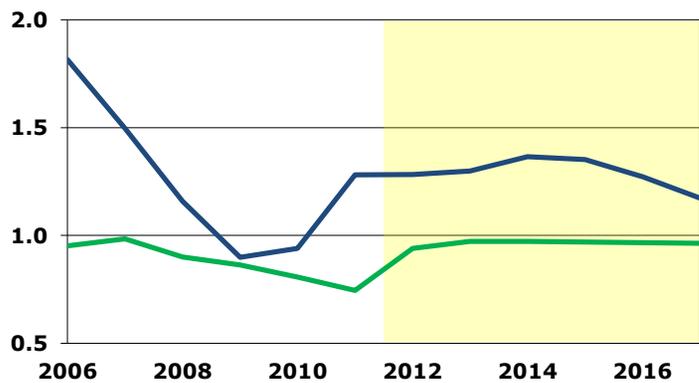
Source: Bureau of Economic Analysis 2011, ERFC 2017

Consumer price indices



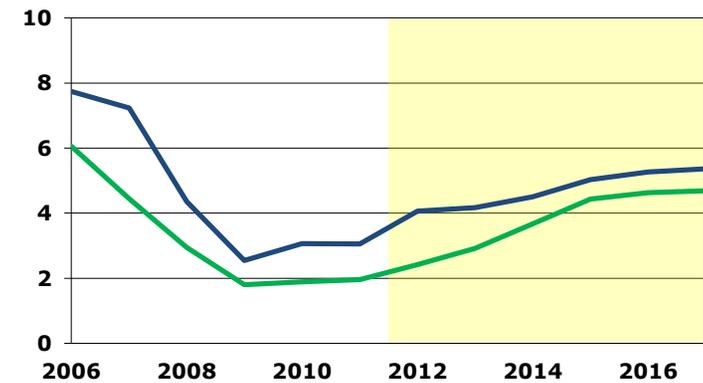
Source: Bureau of Labor Statistics 2011, ERFC 2017

Population



Source: Office of Financial Management 2010, ERFC 2017

New Housing Units Per 1,000 population (level)



Source: Census Bureau 2011, ERFC 2017

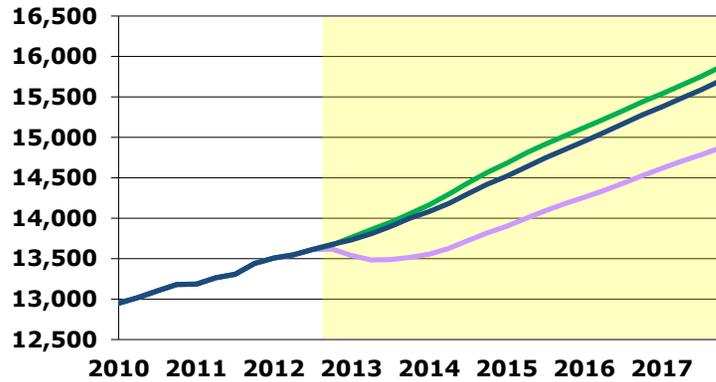
Washington

U.S.

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

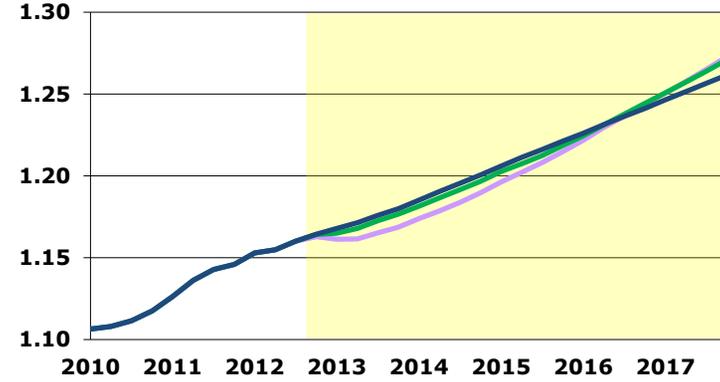
Forecast

Real GDP, billions of chained 2005 dollars



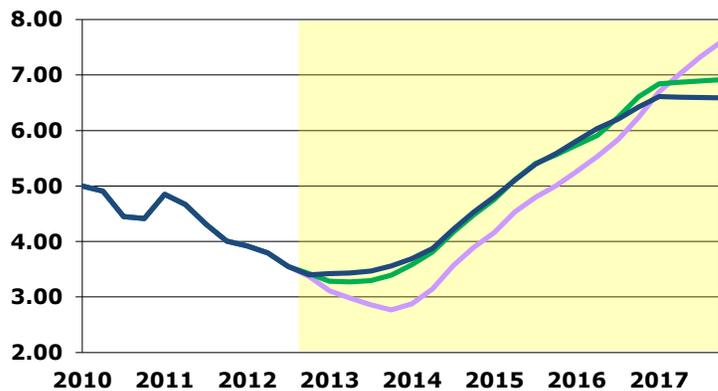
Source: Bureau of Economic Analysis 2012 Q3, ERFC 2017

Implicit price deflator, index 2005 = 1.0



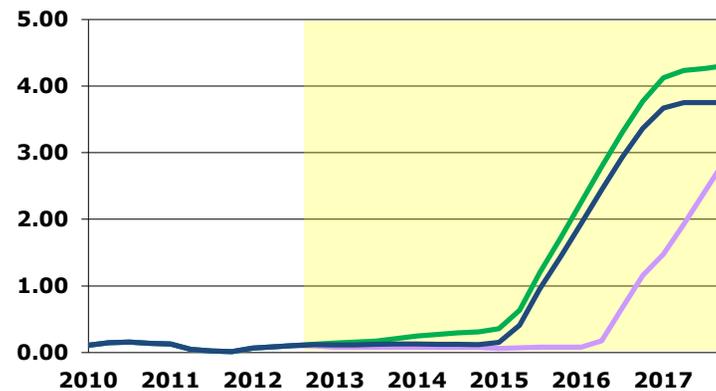
Source: Bureau of Economic Analysis 2012 Q3, ERFC 2017

Mortgage rate, percent



Source: Freddie Mac 2012 Q3, ERFC 2017

Three month T-bill rate, percent



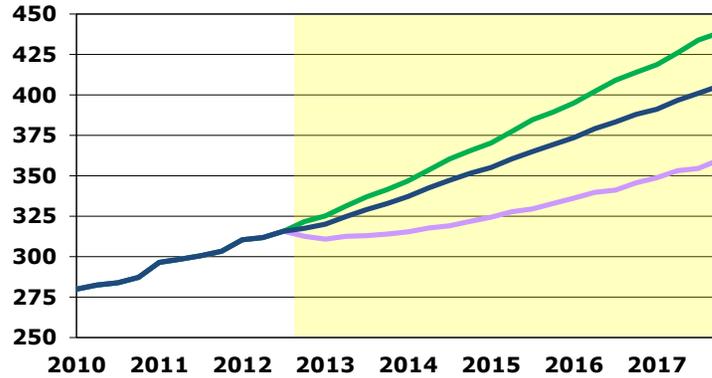
Source: Federal Reserve Board 2012 Q3, ERFC 2017

■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts

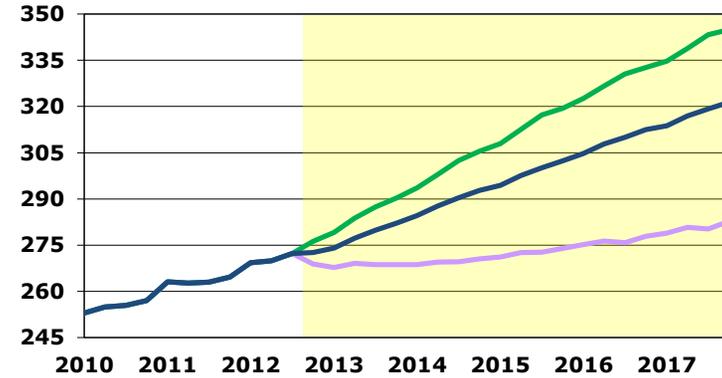
Forecast

Personal income, billions of dollars



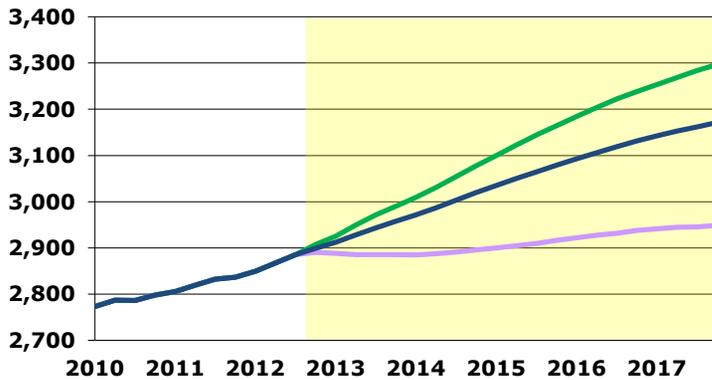
Source: Bureau of Economic Analysis 2011 Q4, ERFC 2017

Real personal income, billions of chained 2005 dollars



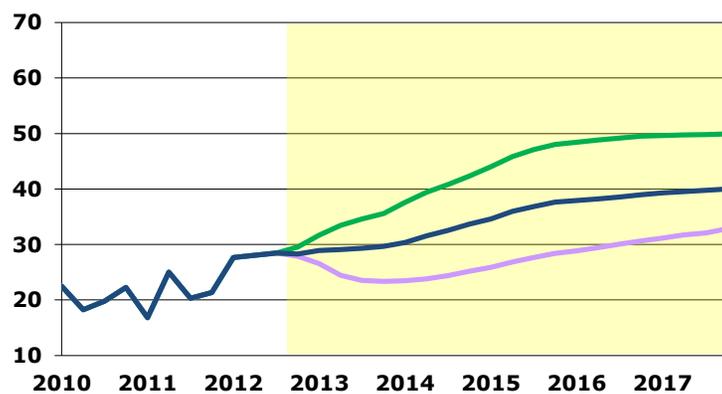
Source: Bureau of Economic Analysis 2011 Q4, ERFC 2017

Total nonfarm payroll employment, thousands



Source: WA State Employment Security 2012 Q3, ERFC 2017

Housing permits, thousands



Source: Census Bureau 2012 Q3, ERFC 2017

■ Baseline ■ Optimistic ■ Pessimistic

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Chapter 3: Washington State Revenue Forecast Summary

- **The November state economic forecast was slightly weaker than that of September.**
- **Due to a \$31 million positive variance in collections since September, forecasted General Fund-State revenue for the 2011-13 biennium has increased by \$8 million despite a decreased outlook for the rest of the biennium.**
- **The slightly weaker economic forecast has resulted in reductions to forecasted revenue of \$88 million in the 2013-15 biennium and \$163 million in the 2015-17 biennium, decreases of less than half of one percent.**
- **There remain considerable downside risks to the forecast, especially the upcoming "fiscal cliff".**

Overview

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

As there has been little overall change in the national and state economic forecasts from September to November 2012, the change in the revenue forecast is also small. While total revenue collections have come in slightly above the September forecast, forecasted activity for the rest of the biennium is weaker. The forecast contains slightly decreased Revenue Act collections with some offsetting increases in non-Revenue Act sources such as real estate excise and insurance taxes. As in September, however, there remain considerable downside risks to the forecast. The most immediate worry is the federal "fiscal cliff" that will cause sudden increases in federal taxes and decreases in federal spending unless Congress and the President can reach a compromise before January 1st. Failure to reach resolution of this issue will result in nationwide negative repercussions for the economy and also for forecasted state revenue collections.

GF-S forecast change by biennium (millions):...

Table 3.1 summarizes the changes to the forecast of General Fund-State (GF-S) revenue for the 2011-13 through 2015-17 biennia. As of November 10th, revenue collections were \$31.0 million ahead of the September 2012 forecast. For the remainder of the current biennium, \$22.9 million was subtracted from the forecast, for a total increase of \$8.0 million. Changes to the

...
 11-13: +\$8
 13-15: -\$88
 15-17: -\$163

economic forecast resulted in reductions of \$88.3 million in forecasted revenue in the 2013-15 biennium and \$163.4 million in the 2015-17 biennium, reductions of less than one-half of one percent. With these revisions, GF-S revenue for the 2011-13 biennium is forecasted to total \$30,477.5 million and revenues for the 2013-15 and 2015-17 biennia are forecasted at \$32,560.7 million and \$35,355.0 million respectively.

GF-S forecast
 (\$millions):

2011-13:
 \$30,477

2013-15:
 \$32,561

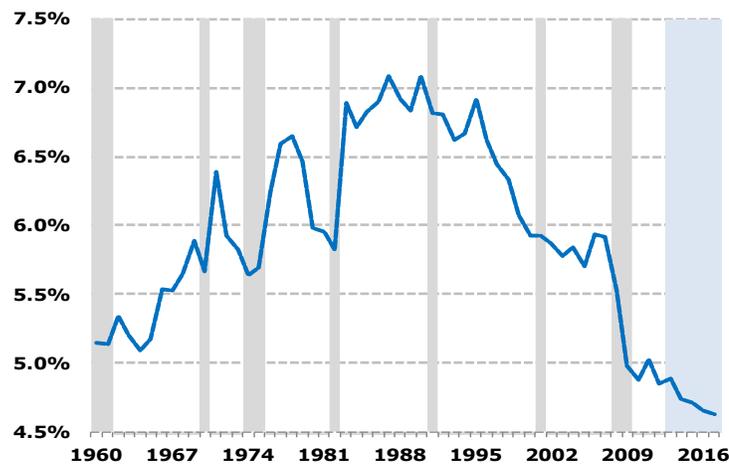
2015-17:
 \$35,355

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

| | 2011-13 Biennium | 2013-15 Biennium | 2015-17 Biennium |
|-----------------------|-----------------------------|-----------------------------|-----------------------------|
| Collection Experience | \$31.0 | NA | NA |
| Forecast Change | (\$22.9) | (\$88.3) | (\$163.4) |
| Total Change | \$8.0 | (\$88.3) | (\$163.4) |

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

GF-S revenue relative to state personal income has been on a declining trend since 1995



Source: ERFC, data through fiscal year 2012

The ratio of collections to income is at historical lows

As can be seen in Figure 3.1, the amount of GF-S revenue that is collected relative to state personal income is forecasted to reach its lowest levels in ERFC records. The ratio of revenue to income has been on a downward trend since 1995, broken only by the housing boom that raised the ratio from 2005 to mid-2008 and by temporary taxes and transfers of funds from non-GF-S sources into the GF-S that again boosted the ratio between fiscal years 2011 and 2013. The November forecast, as shown in the light blue shaded area, has the ratio decreasing sharply in FY 2014 as several temporary increases of taxes and transfers of

revenue to the GF-S expire. The ratio then continues to trend downward at a more gradual pace through FY 2017.

Forecast details are at the end of the chapter

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

Recent Collection Experience

Cumulative receipts from major sources that are tracked monthly were \$31.0 million (1.4 %) more than the September forecast

Revenue collections from the Department of Revenue (DOR), Department of Licensing, Administrative Office of the Courts, and Lottery are tracked monthly. In the period since the September forecast, total revenue from the above sources came in \$31.0 million (1.4%) higher than expected (see Table 3.2). Revenue Act collections reported by the DOR were \$136,000 (0.0%) below the September forecast. Revenue from other DOR tax sources from September through October, however, was \$32.3 million (11.2%) higher than expected. Much of this positive variance was due to higher-than-expected transfers of unclaimed property into the GF-S, which came in \$17.9 million above the forecast. Real estate excise tax (REET) receipts came in \$13.9 million (19.4%) above the forecast. Liquor tax receipts were \$2.2 million (5.1%) higher than forecasted and cigarette tax receipts came in \$2.8 million (4.0%) higher than forecasted. Property tax receipts were \$3.5 million (6.9%) lower than forecasted. The sum of the variances of other DOR sources was -\$0.9 million.

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

| <u>Agency/Source</u> | <u>Collection Variance</u> | <u>Percent of Estimate</u> |
|-------------------------------------|----------------------------|----------------------------|
| Department of Revenue | | |
| Revenue Act | (\$0.1) | 0.0% |
| Non Revenue Act | \$32.3 | 11.2% |
| Subtotal | \$32.2 | 1.4% |
| Department of Licensing | (\$0.2) | -15.4% |
| Administrative Office of the Courts | (\$1.1) | -6.7% |
| Total* | \$31.0 | 1.4% |

* Detail may not add to total due to rounding.

Source: ERFC; Period: September 11 - November 10, 2012

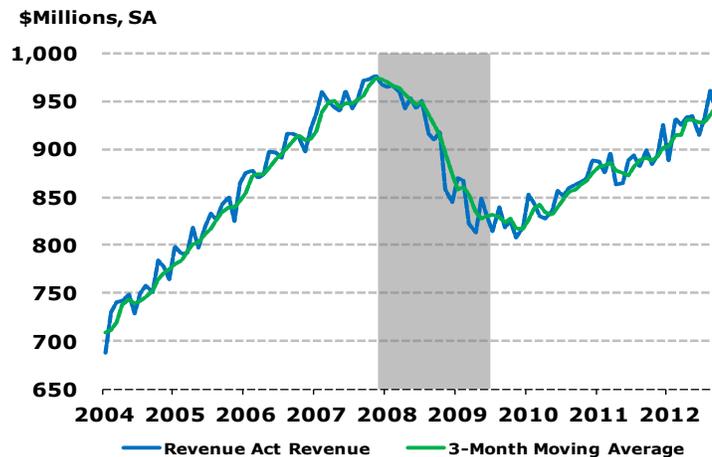
Revenue from the Department of Licensing was \$160,000 (15.4%) lower than forecasted and revenue from the Administrative Office of the Courts was \$1.1 million (6.7%) lower than forecasted.

Adjusted Revenue Act collections were up 2.3% year-over-year in the most recent collection period and 10.4% in the previous period

Figure 3.2 shows seasonally adjusted Revenue Act receipts excluding payments received under the tax amnesty program in early 2011 and other large payments. It is also adjusted for recent changes in payment patterns. As shown in the figure, collections have been on an upward trend since November 2009. Growth was aided by a temporary increase in the business and occupation tax rate paid by service industries that took effect in May 2010. Collections slowed in mid-2011 but have since resumed their upward course. Recent growth has been uneven, with year-over-year growth of 2.3% in the October 11-November 10 collection period and 10.4% in the previous period. Trend growth is still below the levels of 2004 through 2007.

Figure 3.2: Revenue Act Collections*

Seasonally adjusted Revenue Act collections remain on an upward trend



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

Quarterly year-over-year Revenue Act growth is moderate

Adjusted Revenue Act collections from August 11 – November 10, 2012, which primarily reflected third quarter 2012 activity, were up 5.3% year-over-year. This was lower than the 6.8% year-over-year growth in second quarter activity (May 11 – August 10, 2012 adjusted collections), but year-ago activity was weaker in the second quarter than it was in the third. Collections that represented first quarter activity grew at 4.4% year-over-year.

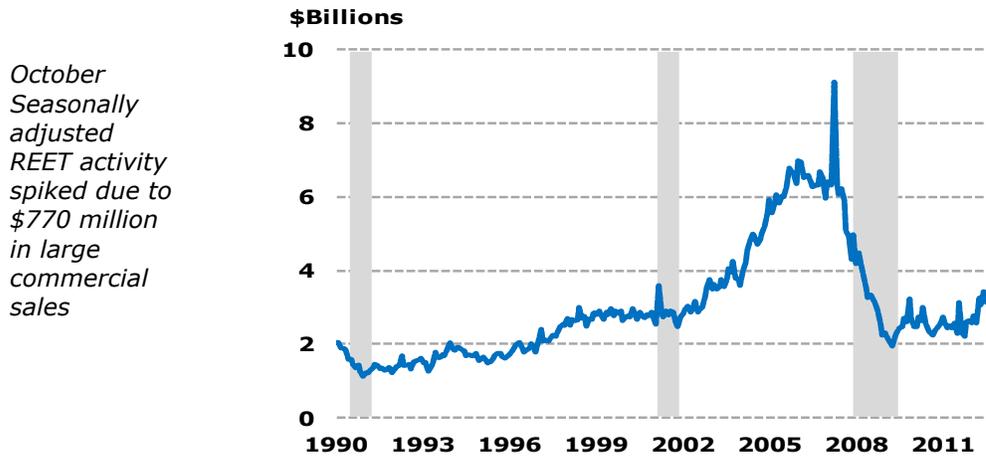
REET collections continue to be boosted ...

As noted in the June and September publications, since the spring there has been an above-average number of large sales of commercial property. The largest of these was the \$480 million sale of Seattle’s Russell Center in April, which caused a visible

...by large sales of commercial property

spike in the chart of taxable activity (see Figure 3.3). April's spike, however, was surpassed by that of October, which was the result of several large sales totaling \$770 million. While most of the recent elevated activity has come from commercial sales, residential sales have also been increasing in number and value.

Figure 3.3: Taxable Real Estate Excise Activity, SA



Source: ERFC; data through October 2012

Revenue Forecasts by Source

Department of Revenue

Taxes collected by DOR are most of GF-S taxes

The Department of Revenue (DOR) collects and administers the majority of Washington's GF-S revenue, accounting for 95% of total GF-S revenue in the 2009-11 biennium. The largest tax sources administered by the DOR are the retail sales tax, business and occupation tax, property tax, use tax, cigarette tax and real estate excise tax. The revenue forecasts discussed below can be found in Tables 3.5-3.8.

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

The retail sales tax is the largest source of GF-S revenue, accounting for 45.3% of GF-S revenue in FY 2012. The state's share of the tax is 6.5% of the sales price. While construction labor, repair services, and some other services are taxed, the tax does not apply to most services. Taxable sales as a share of personal income has been declining. Their share fell sharply during the recession and has continued to fall through FY 2012. In that year, an estimated 34.6% of personal income was spent on taxable items, the lowest percentage on record. The taxable sales share of personal income is forecasted to remain roughly constant from FY 2012 through FY 2017 due mainly to forecasted

growth in residential construction. The historical relationship between taxable sales and income is illustrated in Figure 3.4.

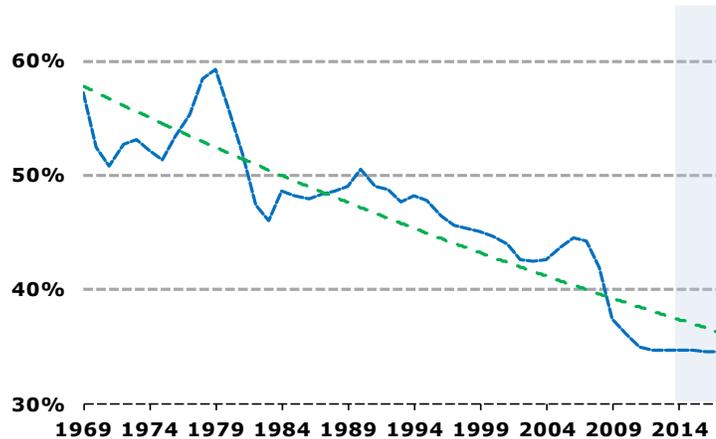
Retail sales tax receipt growth forecast:

FY13: 4.9%
 FY14: 5.1%
 FY15: 5.3%
 FY16: 4.9%
 FY17: 4.9%

After declines of 10.4% in FY 2009 and 6.0% in FY 2010, taxable retail sales managed an increase of 1.8% in FY 2011 (see Table 3.4). Extra sales tax collections from the tax penalty amnesty program in the spring of 2011, however, brought the growth rate of actual collections up to 3.2% for the fiscal year. The growth rate of taxable activity is forecasted to improve from 4.1% in FY 2012 to 5.2% in FY 2015 before slowing to 4.9% in FY 2016 and 4.8% in FY 2017. Taxable activity is not forecasted to regain its fourth quarter, 2007 peak until the third quarter of 2014. Taking into account the lag between taxable activity and collections and factoring in tax deferrals, credits and refunds, actual retail sales tax collections are forecasted to grow by 4.9% in FY 2013, 5.1% in FY 2014 and 5.3% in FY2015. FY 2016 and FY 2017 collections are both forecasted to grow at 4.9%.

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

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



*Past tax base adjusted to represent current base. Shaded area indicates forecast
 Source: ERFC; forecast through FY 2017

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 21.0% of GF-S revenue in FY 2012. 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 2012, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.8% (the rate will revert to 1.5% in July 2013) and represented an estimated 45% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented an estimated 21% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented an estimated 19% of taxes due.

B&O tax growth forecast:

*FY13: 5.5%
FY14: -1.3%
FY15: 4.6%
FY16: 5.2%
FY17: 5.0%*

Due mainly to new revenue from the temporary increase of the B&O services tax from 1.5% to 1.8%, B&O tax collections grew by 16.9% in FY 2011. Receipts for the fiscal year were also increased by the tax penalty amnesty program and other legislative changes described in the [June 2010 Washington State Economic and Revenue Forecast](#) publication. FY 2011's elevated receipts from the tax amnesty program, coupled with several large refunds in 2012, reduced FY 2012 growth to 3.9%. The refunds in FY 2012, coupled with an improving economy, increased the forecasted FY 2013 growth rate to 5.5%. The expiration of the temporary increase in the B&O service tax rate is forecasted to cause receipts to shrink by 1.3% in FY 2014 before growing by 4.6% in FY 2015, 5.2% in FY 2016 and 5.0% in FY 2017.

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

The state property tax levy is the third largest source of GF-S revenue, accounting for 12.6% of total revenue in FY 2012. Though the tax goes into the GF-S, it is dedicated to the funding of basic education. Under Initiative-728, passed in November 2000, a portion of the state property tax levy was transferred monthly from the General Fund to the Student Achievement Account, but beginning in FY 2010 the account has been consolidated into the GF-S under ESSB 5073. This added approximately \$260 million to FY 2010 GF-S revenue, inflating the growth rate to 19.4%. Absent the transfer, growth would have been 2.1%.

GF-S property tax growth forecast:

*FY13: 1.9%
FY14: 1.9%
FY15: 2.1%
FY16: 2.2%
FY17: 2.5%*

Under Initiative 747, approved by voters in November 2001, the total state tax levy on existing property can only increase by the lesser of 1% per year or the rate of inflation as measured by the year-over-year change in the U.S. Implicit Price Deflator in July of the year preceding the levy, unless a greater increase is approved by the voters (I-747 was ruled unconstitutional in 2007, but the legislature adopted a similar limit in a special session that year). The year-to-year growth in the total amount levied, however, can exceed the aforementioned limits due to the value of new construction, property improvements, and other additions to real property assessed by the state. Collections can also grow faster or slower than the rate of assessment growth due to the payment of past due taxes or nonpayment of current taxes. Property tax receipts grew by 2.1% in FY 2012 and are forecasted to grow by 1.9% in FY 2013 and FY 2014, 2.1% in FY 2015, 2.2% in FY 2016 and 2.5% in FY 2017.

Use tax was the fourth largest GF-S source in FY 2012

The state use tax was the fourth largest GF-S revenue source in FY 2012 at 3.2% of total receipts. The state portion of the tax is 6.5% of the purchase price for items used in the state that were not subject to the state retail sales tax. Examples of items subject to the state use tax are goods purchased out-of-state; online and mail-order purchases, where sales tax was not collected; or purchases of used vehicles from private individuals.

Use tax growth forecast:

FY13: 4.2%
FY14: 4.7%
FY15: 6.2%
FY16: 5.2%
FY17: 4.5%

The tax penalty amnesty program brought in a large amount of past-due use taxes. As a result, FY 2011 collections increased 26.2% year-over-year. FY 2011 collections were also supported by an increase of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. Because of the high FY 2011 collections, use tax receipts declined by 10.1% in FY 2012. Growth in receipts is forecasted to accelerate through FY 2015 due to increases in residential construction and manufacturing. Growth is forecasted at 4.2% in FY 2013, 4.7% in FY 2014 and 6.2% in FY 2015. Growth is then forecasted to slow to 5.2% in FY 2016 and 4.5% in FY 2017.

The cigarette tax was the fifth largest GF-S source in FY 2012

The state tax on cigarettes was the fifth largest DOR GF-S revenue source in FY 2012 at 2.9% of total receipts. Prior to FY 2010, the tax made up a much smaller portion of GF-S revenue because much of the tax was dedicated to non-GF-S accounts. In FY 2010, all of the tax except the portion dedicated to the Education Legacy Trust account was redirected to the GF-S, and in FY 2011 all of the cigarette tax was redirected to the GF-S. The current tax rate, which took effect May 1, 2010, is \$3.025 per pack of 20 cigarettes. Prior to that date, the tax rate was \$2.025 per pack.

Cigarette tax growth forecast:

FY13: -3.6%
FY14: 0.7%
FY15: -0.6%
FY16: 0.0%
FY17: -1.4%

While the 2010 tax increase raised the total revenue brought in by the tax, the total number of taxed cigarettes has been on a downward trend, due to both a continuing decline in the number of smokers and an increase in tax avoidance by various means. In recent years, a growing number of people had been avoiding the cigarette tax by buying loose tobacco at a lower tax rate and assembling them into cigarettes in automated "roll your own" cigarette machines in the same store in which they had bought the tobacco. 3E2SHB 2565, passed in the second 2012 special legislative session, established that roll-your-own cigarettes assembled in a store are also subject to the cigarette tax as of July 1, 2012. Subsequent to the passage of the bill, however, a federal law that classified the owners of roll-your-own cigarette machines as manufacturers subject to all applicable federal regulations effectively halted their use nationwide. Going forward, without the increasing tax avoidance from the machines, cigarette sales are forecasted to decline much more slowly, with a declining smoking rate just offsetting population growth. Cigarette tax receipts are forecasted to decline by 3.6% in FY 2013 after a 1.8% decrease in FY 2012, then increase by 0.7% in FY 2014 and decrease by 0.6% in FY 2015. Receipts are then forecasted to remain at FY 2015 levels in FY 2016 before declining by 1.4% in FY 2017. As forecasted sales are more or less flat, these fluctuations in forecasted year-to-year growth rates in tax collections are due mainly to the peculiarities of tax-stamp accounting rather than the underlying pattern of cigarette sales.

REET was the sixth largest GF-S source in FY 2012

The real estate excise tax (REET) was the sixth largest DOR source of GF-S revenue in FY 2012, accounting for 2.7% of total revenues. The state portion of REET is 1.28% of the sales price. The tax is divided between the GF-S (92.3%), a fund for local public works (6.1%) and a fund for assistance of cities and counties (1.6%). The tax is applied to both residential and commercial real estate, including purchases of vacant land.

REET growth forecast:

*FY13: 9.9%
FY14: 1.8%
FY15: 17.2%
FY16: 12.5%
FY17: 4.8%*

Since peaking in FY 2007 in the final days of the real estate boom, REET collections have declined precipitously. Receipts dropped 38.0% year-over-year in FY 2008 and 41.3% in FY 2009. A federal tax credit for homebuyers slowed the rate of decline to 2.4% in FY 2010, but the decline reaccelerated in FY 2011, with a drop of 7.8%. The rash of large commercial sales mentioned above boosted FY 2012 growth to 14.1%. Due to the continuation of these sales into the first half of FY 2013, the November forecast has been increased by \$29.6 million, increasing the forecasted growth rate to 9.9% from September's rate of 2.5%. Media reports have indicated the upturn in commercial sales in 2012 is at least partially due to anticipated changes in the federal tax rate on capital gains that would take effect in January 2013. The number of commercial sales is therefore expected to decrease after the end of this year. Forecasted improvement in residential sales, however, is expected to increase FY 2014 collections to a level 1.8% above that of FY 2013. Despite this improvement, forecasted FY 2014 revenue is still at a historically low level. Because of this, along with the expectation that transactions will move closer to their historical level of per capita activity and continued recovery in house prices, REET collections are forecasted to increase by 17.2% in FY 2015 and 12.5% in FY 2016 before slowing to 4.8% growth in FY 2017.

Public utility taxes were the seventh largest GF-S source in FY 2012

Public utility taxes were the seventh largest DOR source of GF-S revenue in FY 2012, bringing in 2.5% of total receipts. The tax applies to the gross income of sales to consumers by public and privately owned utilities and is in lieu of the B&O tax. The largest source of public utility taxes is the 3.873% tax on the distribution and generation of electrical power, followed by the 3.852% tax on the distribution of natural gas.

Growth forecast:

*FY13: 3.1%
FY14: 7.0%
FY15: 6.6%
FY16: 4.0%
FY17: 4.0%*

FY 2012 utility taxes declined by 2.1% from their FY 2011 level, due mainly to falling natural gas prices. Increasing gas prices, along with forecasted increases in the price of electricity, are forecasted to increase receipts by 3.1% in FY 2013, 7.0% in FY 2014 and 6.6% in FY 2015 before slowing to 4.0% growth in FY 2016 and FY 2017.

Department of Licensing

*Forecast
change by
biennium
(millions):*

11-13: *-\$0.1*
13-15: *\$0.0*
15-17: *\$0.0*

The majority of GF-S revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. The department's forecast for the 2011-13 biennium has been reduced \$0.1 million to \$33.5 million and its forecast of GF-S revenue for the 2013-15 and 2015-17 biennia is unchanged at \$31.6 million.

The Office of Financial Management (Other Agencies)

*Forecast
change by
biennium
(millions):*

11-13: *-\$13.2*
13-15: *-\$4.1*
15-17: *-\$5.0*

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, the Washington State Lottery, and the State Treasurer. The office's forecast for the 2011-13 biennium was decreased \$13.2 million to \$204.7 million, due mainly to the final FY 2012 accounting of payments made and received by the Department of Health and Social Services and other larger agencies. The forecast for the 2013-15 biennium was decreased \$4.1 million to \$209.3 million and the forecast for the 2015-17 biennium was decreased \$5.0 million to negative \$4.7 million. The forecast decreases in both years were due to decreases in forecasted fee revenue from the Department of Financial Institutions. The large decrease in forecasted revenue for the 2015-17 biennium is due to the assumed reinstatement of a \$102 million per year transfer of GF-S revenue to the Education Construction Account that has been suspended since FY 2010. The negative value of the 2015-17 biennial forecast indicates forecasted transfers of GF-S funds to the agencies reviewed here exceeds the revenue generated by those agencies.

State Treasurer

*Forecast
change by
biennium
(millions):*

11-13: *\$0.7*
13-15: *\$6.8*
15-17: *-\$3.7*

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2011-13 biennium has been increased \$0.7 million to negative \$20.7 million due to an increase in the forecasted average GF-S daily balance. The office's forecast of GF-S revenue for the 2013-15 biennium has been increased \$6.8 million to negative \$14.8 million due to a decrease in forecasted service fees paid by the GF-S, and the forecast for the 2015-17 biennium has been decreased \$3.7 million to negative \$7.6 million due to a reduction in forecasted interest earnings. The forecasted revenues for each biennium are negative because the average daily balance for each biennium is forecasted to be negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

11-13: \$0.0
13-15: \$23.0
15-17: \$44.5

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the GF-S and various accounts in support of fire services. The office's forecast for the 2011-13 biennium is unchanged at \$857.9 million. The office's forecast of GF-S revenue for the 2013-15 biennium has been increased \$23.0 million to \$948.9 million and the forecast for the 2015-17 biennium has been increased \$44.5 million to \$1,044.3 million. Forecast changes for the 2013-15 and 2015-17 biennia were mainly the result of revised estimates of the revenue impacts of the federal Affordable Care Act.

Liquor Control Board

*Forecast
change by
biennium
(millions):*

11-13: -\$7.0
13-15: \$1.5
15-17: -\$0.6

Historically, the Liquor Control Board generated GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. Under Initiative 1183, however, which was passed in November 2011, the Liquor Control Board no longer operates liquor stores as of June 1, 2012. The board will still collect new distributors' and retailers' fees created by the initiative, a portion of which will be passed on to the GF-S. The projected sum of these fees, along with the profits collected before closure of the stores and other fees collected by the board, has been decreased \$6.6 million to \$205.5 million for the 2011-13 biennium. The forecast of beer and wine surtaxes for the 2011-13 biennium has been decreased \$0.5 million to \$154.6 million. The forecast of revenue from fees for the 2013-15 biennium has been increased \$1.2 million to \$135.2 million and the forecast of revenue from beer and wine surtaxes has been increased \$0.3 million to \$55.2 million. The forecast of revenue from fees for the 2015-17 biennium has been decreased \$0.3 million to \$125.3 million and the forecast of revenue from beer and wine surtaxes has been decreased \$0.3 million to \$55.8 million. Forecasted fee revenue for the 2013-15 and 2015-17 biennia is lower than that of the current biennium due to a scheduled reduction of the distributor's fee. Forecasted beer and wine surtaxes for the 2013-15 and 2015-17 biennia are lower than those of the current biennium due to the scheduled expiration of a temporary surtax on beer.

Lottery Commission

*Washington
Opportunities
Pathways
Account
forecast
change...*

The disposition of proceeds from the state lottery was substantially changed by E2SSB 6409 in the 2010 legislative session. Prior to the passage of the bill, the Lottery Commission transferred the bulk of its net proceeds to the School Construction Account, and any proceeds remaining after that account and several smaller accounts received their allotments

*...by biennium
(millions):*

11-13: *-\$2.3*
13-15: *\$4.8*
15-17: *-\$5.2*

was transferred to the GF-S. Under the 2010 legislation, existing obligations to the Stadium/Exhibition Center, Problem Gambling and Economic Development accounts were maintained, but the remaining revenue, which represents the bulk of the proceeds, are transferred entirely to the Washington Opportunity Pathways Account, with no transfers to the GF-S. The forecast of transfers to the Opportunity Pathways Account for the 2011-13 biennium has been reduced \$2.3 million to \$224.7 million. The forecast of transfers for the 2013-15 biennium has been increased \$4.8 million to \$222.3 million, and the forecast for the 2015-17 biennium has been decreased \$5.2 million to \$218.7 million. Details of the forecast of the distribution of Lottery earnings can be found in Table 3.15 on a cash basis and Table 3.16 on a GAAP basis.

Administrative Office of the Courts

*Forecast
change by
biennium
(millions):*

11-13: *-\$1.0*
13-15: *-\$2.3*
15-17: *-\$2.3*

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties and transfers this revenue to the GF-S on a monthly basis. The forecasted total transfer for the 2011-13 biennium has been decreased \$1.0 million to \$189.7 million. The forecast of transfers to the GF-S for the 2013-15 biennium has been decreased \$2.3 million to \$194.3 million and the forecast for the 2015-17 biennium has also been decreased \$2.3 million to \$204.2 million.

Track Record for the 2011-13 Biennium

*The November
forecast is \$1.4
billion (4.5%)
lower than the
March 2011
forecast on
which the
initial 2011-13
budget was
based*

Table 3.10 summarizes the historical changes to the GF-S revenue forecast for the 2011-13 biennium. The February 2010 forecast was the initial forecast for the biennium. The November 2012 forecast for the biennium is \$1.75 billion (5.4%) lower than the initial forecast. Non-economic changes have increased the forecast by \$1.7 billion (5.4%). Excluding non-economic changes, the current forecast is \$3.48 billion (10.8%) lower than the initial forecast. The current forecast is \$1.43 billion (4.5%) lower than the March 2011 forecast, which was the basis for the initial 2011-13 budget passed in the 2011 legislative session.

Track Record for the 2013-15 Biennium

*The November
forecast is
\$132 million
(0.4%) higher
than the initial
February 2012
forecast*

Table 3.11 summarizes the historical changes to the GF-S revenue forecast for the 2013-15 biennium. The February 2012 forecast was the initial forecast for the biennium. The November forecast for the biennium is \$132 million (0.4%) higher than the initial forecast. Non-economic changes have increased the forecast by \$330 million (1.0%). Excluding non-economic changes, the current forecast is \$198 million (0.6%) lower than the initial forecast.

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

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

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GF-S revenue forecast on both a cash and GAAP basis. The GAAP forecasts of GF-S revenue for the 2011-13 and 2013-15 biennia are presented in Tables 3.6 and 3.8 respectively, and the GAAP forecast of Lottery revenue transfers for both biennia is in Table 3.16. The primary difference between the cash and GAAP forecasts is the timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GF-S forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, figures from revenue tables other than Tables 3.6, 3.8 and 3.16 are projected on a cash basis.

Budgetary Balance Sheet for the 2011-13 Biennium

The forecast implies total GF-S reserves of \$374 million at the end of the 2011-13 biennium

Table 3.12 shows the budgetary balance sheet for the 2011-13 biennium as prepared by the Office of Financial Management and the House and Senate fiscal committees. By the final tally of 2009-11 revenue, the GF-S had a \$92.0 million deficit at the end of the 2009-11 biennium. Based on an assumed spending level of \$30,630.5 million in the 2011-13 biennium (a decrease of \$45.9 million from September's level due to larger-than-expected reversions of unspent agency funds in FY 2012), the GF-S is projected to have total reserves of \$373.7 million at the end of the 2011-13 biennium. The expected total reserves are comprised of a projected GF-S ending balance of \$106.3 million and a projected balance of \$267.4 million in the Budget Stabilization Account.

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

Optimistic scenario:

*2011-13:
+604 million*

Chapter 1 outlines upside and downside risks associated with the baseline economic forecast. The forecast assigns a probability of 50% to the baseline forecast, 15% to a scenario based on the upside risks and 35% to a scenario based on the downside risks.

(cont.)
2013-15:
+\$3.0 billion

*Pessimistic
scenario:*

2011-13:
-\$607 million

2013-15:
+\$3.1 billion

*GCEA
scenario:*
2011-13:
-\$7 million

2013-15:
+\$21 million

The revenue implications of these alternative scenarios for the 2011-13 and 2013-15 biennia are shown in Tables 3.13 and 3.14 respectively. For the 2011-13 biennium, the optimistic forecast generates \$31,082 million in revenue, \$604 million more than the baseline scenario, while the pessimistic forecast produces \$29,871 million in revenue, \$607 million less than the baseline. For the 2013-15 biennium, the optimistic forecast generates \$35,545 million in revenue, \$2,984 million more than the baseline scenario, while the pessimistic forecast produces \$29,477 million in revenue, \$3,084 million less 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 \$7 million less than the baseline scenario in the 2011-13 biennium and \$21 million more than the baseline scenario for the 2013-15 biennium.

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

*Near General
Fund
Forecast:*

2011-13:
\$30,710.8
million

2013-15:
\$32,821.5
million

2015-17:
\$35,621.0
million

"Near General Fund" accounts are those included in the GF-S plus the Education Legacy Trust Account. The Education Legacy Trust Account was previously funded by a portion of the state tax on cigarettes and a tax on estates of over \$2 million. Legislation from the 2011 session, however, requires the cigarette taxes that formerly went into the account to instead be deposited into the GF-S. The Near General Fund forecast for the 2011-13 biennium is \$30,710.8 million, an increase of \$7.7 million from the September forecast. The forecasted increase is less than that of the GF-S due to a \$0.3 million decrease in forecasted estate tax receipts for the Education Legacy Trust Account. The Near General Fund forecast for the 2013-15 biennium is \$32,821.5 million, \$76.9 million less than the September forecast, and the forecast for the 2015-17 biennium is \$35,621.0 million, \$151.7 million less than the September forecast. The Education Legacy Trust Account forecast was increased by \$11.4 million for the 2013-15 biennium and \$11.7 million for the 2015-17 biennium. The Near General Fund forecast and recent history by fiscal year are presented in Table 3.17.

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

| Biennium | Current Dollars | Percent Change | 2005 Chained Dollars | Percent Change |
|----------------------|------------------------|-----------------------|-----------------------------|-----------------------|
| 1961-63 | \$817.1 | | \$4,300.0 | |
| 1963-65 | 866.2 | 6.0% | 4,439.3 | 3.2% |
| 1965-67 | 1,128.6 | 30.3% | 5,565.5 | 25.4% |
| 1967-69 | 1,440.5 | 27.6% | 6,658.6 | 19.6% |
| 1969-71 | 1,732.7 | 20.3% | 7,321.2 | 10.0% |
| 1971-73 | 1,922.1 | 10.9% | 7,514.0 | 2.6% |
| 1973-75 | 2,372.4 | 23.4% | 8,011.9 | 6.6% |
| 1975-77 | 3,395.0 | 43.1% | 9,972.5 | 24.5% |
| 1977-79 | 4,490.0 | 32.3% | 11,578.1 | 16.1% |
| 1979-81 | 5,356.4 | 19.3% | 11,495.6 | -0.7% |
| 1981-83 | 6,801.4 | 27.0% | 12,716.3 | 10.6% |
| 1983-85 | 8,202.4 | 20.6% | 14,151.3 | 11.3% |
| 1985-87 | 9,574.6 | 16.7% | 15,570.1 | 10.0% |
| 1987-89 | 10,934.1 | 14.2% | 16,506.2 | 6.0% |
| 1989-91 | 13,309.0 | 21.7% | 18,473.5 | 11.9% |
| 1991-93 | 14,862.2 | 11.7% | 19,325.8 | 4.6% |
| 1993-95 | 16,564.6 | 11.5% | 20,621.0 | 6.7% |
| 1995-97 | 17,637.7 | 6.5% | 21,038.1 | 2.0% |
| 1997-99 | 19,620.1 | 11.2% | 22,726.8 | 8.0% |
| 1999-01 | 21,262.1 | 8.4% | 23,682.0 | 4.2% |
| 2001-03 | 21,140.7 | -0.6% | 22,766.8 | -3.9% |
| 2003-05 | 23,388.5 | 10.6% | 24,088.7 | 5.8% |
| 2005-07 | 27,772.0 | 18.7% | 27,024.1 | 12.2% |
| 2007-09 | 27,703.0 | -0.2% | 25,624.1 | -5.2% |
| 2009-11 | 28,218.1 | 1.9% | 25,363.1 | -1.0% |
| 2011-13 ^F | 30,477.5 | 8.0% | 26,329.1 | 3.8% |
| 2013-15 ^F | 32,560.7 | 6.8% | 27,288.3 | 3.6% |
| 2015-17 ^F | 35,355.0 | 8.6% | 28,653.6 | 5.0% |

^F November 2012 Forecast.

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

Source: Department of Revenue, the Office of Financial Management and the Economic and Revenue Forecast Council 's November 2012 forecast.

Table 3.4
Taxable retail sales*
(millions of dollars)

| Fiscal Year | Amount | Percent Change |
|--------------------|---------------|-----------------------|
| 1979 | 22,309 | 5.6% |
| 1980 | 24,057 | 7.8% |
| 1981 | 25,197 | 4.7% |
| 1982 | 26,097 | 3.6% |
| 1983 | 29,368 | 12.5% |
| 1984 | 29,156 | -0.7% |
| 1985 | 30,687 | 5.3% |
| 1986 | 32,158 | 4.8% |
| 1987 | 34,647 | 7.7% |
| 1988 | 37,452 | 8.1% |
| 1989 | 41,429 | 10.6% |
| 1990 | 47,183 | 13.9% |
| 1991 | 49,812 | 5.6% |
| 1992 | 53,189 | 6.8% |
| 1993 | 55,319 | 4.0% |
| 1994 | 59,009 | 6.7% |
| 1995 | 61,927 | 4.9% |
| 1996 | 62,817 | 1.4% |
| 1997 | 66,748 | 6.3% |
| 1998 | 72,059 | 8.0% |
| 1999 | 77,197 | 7.1% |
| 2000 | 83,335 | 8.0% |
| 2001 | 85,633 | 2.8% |
| 2002 | 84,418 | -1.4% |
| 2003 | 86,165 | 2.1% |
| 2004 | 90,139 | 4.6% |
| 2005 | 97,253 | 7.9% |
| 2006 | 107,071 | 10.1% |
| 2007 | 115,527 | 7.9% |
| 2008 | 118,676 | 2.7% |
| 2009 | 106,379 | -10.4% |
| 2010 | 99,983 | -6.0% |
| 2011 | 101,825 | 1.8% |
| 2012 ^F | 106,036 | 4.1% |
| 2013 ^F | 110,673 | 4.4% |
| 2014 ^F | 116,184 | 5.0% |
| 2015 ^F | 122,254 | 5.2% |
| 2016 ^F | 128,253 | 4.9% |
| 2017 ^F | 134,406 | 4.8% |

^F Forecast
Source: ERFC

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

Table 3.5

Comparison of the General Fund-State forecast by agency

2011-13 biennium; cash basis

(millions of dollars)

| Forecast by Agency | Sept. 2012 Forecast¹ | Non- Economic Changes | Forecast Revision | Nov. 2012 Forecast² | Total Change |
|--|--|--------------------------------------|------------------------------|---|-------------------------|
| Department of Revenue | | | | | |
| Retail Sales | \$13,812.6 | \$0.0 | \$6.8 | \$13,819.4 | \$6.8 |
| Business & Occupation Use | 6,444.2 | 0.0 | (20.3) | 6,423.9 | (20.3) |
| Public Utility | 982.0 | 0.0 | (1.0) | 981.0 | (1.0) |
| Liquor Sales/Liter | 770.5 | 0.0 | (4.2) | 766.2 | (4.2) |
| Cigarette | 478.8 | 0.0 | 1.6 | 480.3 | 1.6 |
| Property (State Levy) | 837.7 | 0.0 | (3.2) | 834.5 | (3.2) |
| Real Estate Excise | 3,792.9 | 0.0 | 1.9 | 3,794.8 | 1.9 |
| Timber Excise | 808.2 | 0.0 | 29.6 | 837.8 | 29.6 |
| Other | 6.9 | 0.0 | (0.1) | 6.8 | (0.1) |
| Subtotal | 889.9 | 0.0 | 17.7 | 907.6 | 17.7 |
| | 28,823.5 | 0.0 | 28.8 | 28,852.3 | 28.8 |
| Department of Licensing | | | | | |
| Boat excise, licenses, fees & other | 33.6 | 0.0 | (0.1) | 33.5 | (0.1) |
| Insurance Commissioner | | | | | |
| Insurance Premiums | 857.9 | 0.0 | 0.0 | 857.9 | 0.0 |
| Liquor Control Board | | | | | |
| Liquor Profits and Fees | 212.0 | 0.0 | (6.6) | 205.5 | (6.6) |
| Beer & Wine Surtax | 155.0 | 0.0 | (0.5) | 154.6 | (0.5) |
| Lottery Commission | | | | | |
| Lottery Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| State Treasurer | | | | | |
| Interest Earnings | (21.3) | 0.0 | 0.7 | (20.7) | 0.7 |
| Office of Financial Management | | | | | |
| Other Agencies | 218.0 | 0.0 | (13.2) | 204.7 | (13.2) |
| Administrative Office of the Courts | | | | | |
| Fines and Forfeitures | 190.6 | 0.0 | (1.0) | 189.7 | (1.0) |
| Total General Fund-State * | \$30,469.4 | \$0.0 | \$8.0 | \$30,477.5 | \$8.0 |

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

*Detail may not add to totals because of rounding.

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

Table 3.6

Comparison of the General Fund-State forecast by agency

2011-13 biennium; GAAP basis

(millions of dollars)

| Forecast by Agency | Sept. 2012 Forecast¹ | Non- Economic Changes | Forecast Revision | Nov. 2012 Forecast² | Total Change |
|--|--|--------------------------------------|------------------------------|---|-------------------------|
| Department of Revenue | | | | | |
| Retail Sales | \$13,893.2 | \$0.0 | \$1.7 | \$13,894.9 | \$1.7 |
| Business & Occupation | 6,451.9 | 0.0 | (19.3) | 6,432.6 | (19.3) |
| Use | 968.9 | 0.0 | (1.0) | 967.9 | (1.0) |
| Public Utility | 779.9 | 0.0 | (6.4) | 773.5 | (6.4) |
| Liquor Sales/Liter | 482.4 | 0.0 | 1.6 | 484.0 | 1.6 |
| Cigarette | 831.3 | 0.0 | (3.2) | 828.1 | (3.2) |
| Property (State Levy) | 3,792.9 | 0.0 | 1.9 | 3,794.7 | 1.9 |
| Real Estate Excise | 803.9 | 0.0 | 29.6 | 833.5 | 29.6 |
| Timber Excise | 6.5 | 0.0 | (0.1) | 6.5 | (0.1) |
| Other | 888.1 | 0.0 | 17.7 | 905.8 | 17.7 |
| Subtotal | 28,899.1 | 0.0 | 22.4 | 28,921.5 | 22.4 |
| Department of Licensing | | | | | |
| Boat excise, licenses, fees & other | 33.6 | 0.0 | (0.1) | 33.5 | (0.1) |
| Insurance Commissioner | | | | | |
| Insurance Premiums | 857.9 | 0.0 | 0.0 | 857.9 | 0.0 |
| Liquor Control Board | | | | | |
| Liquor Profits and Fees | 212.0 | 0.0 | (6.6) | 205.5 | (6.6) |
| Beer & Wine Surtax | 155.0 | 0.0 | (0.5) | 154.6 | (0.5) |
| Lottery Commission | | | | | |
| Lottery Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| State Treasurer | | | | | |
| Interest Earnings | (22.7) | 0.0 | 0.9 | (21.8) | 0.9 |
| Office of Financial Management | | | | | |
| Other | 218.0 | 0.0 | (13.2) | 204.7 | (13.2) |
| Administrative Office of the Courts | | | | | |
| Fines and Forfeitures | 190.6 | 0.0 | (1.0) | 189.7 | (1.0) |
| Total General Fund-State * | \$30,543.5 | \$0.0 | \$2.0 | \$30,545.5 | \$2.0 |

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

*Detail may not add to totals because of rounding.

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

Table 3.7

Comparison of the General Fund-State forecast by agency

2013-15 biennium; cash basis

(millions of dollars)

| Forecast by Agency | Sept. 2012 Forecast¹ | Non- Economic Changes | Forecast Revision | Nov. 2012 Forecast² | Total Change |
|--|--|--------------------------------------|------------------------------|---|-------------------------|
| Department of Revenue | | | | | |
| Retail Sales | \$15,271.7 | \$0.0 | (\$2.7) | \$15,269.1 | (\$2.7) |
| Business & Occupation | 6,717.9 | 0.0 | (59.6) | 6,658.3 | (59.6) |
| Use | 1,113.0 | 0.0 | (32.1) | 1,081.0 | (32.1) |
| Public Utility | 866.5 | 0.0 | (6.7) | 859.7 | (6.7) |
| Liquor Sales/Liter | 484.0 | 0.0 | 3.0 | 487.0 | 3.0 |
| Cigarette | 828.3 | 0.0 | (5.8) | 822.5 | (5.8) |
| Property (State Levy) | 3,943.0 | 0.0 | 2.1 | 3,945.1 | 2.1 |
| Real Estate Excise | 970.7 | 0.0 | (0.8) | 969.9 | (0.8) |
| Timber Excise | 6.7 | 0.0 | (0.1) | 6.6 | (0.1) |
| Other | 912.4 | 0.0 | (10.5) | 901.8 | (10.5) |
| Subtotal | 31,114.1 | 0.0 | (113.1) | 31,001.0 | (113.1) |
| Department of Licensing | | | | | |
| Boat excise, licenses, fees & other | 31.6 | 0.0 | 0.0 | 31.6 | 0.0 |
| Insurance Commissioner | | | | | |
| Insurance Premiums | 926.0 | 0.0 | 23.0 | 948.9 | 23.0 |
| Liquor Control Board | | | | | |
| Liquor Profits and Fees | 134.0 | 0.0 | 1.2 | 135.2 | 1.2 |
| Beer & Wine Surtax | 54.9 | 0.0 | 0.3 | 55.2 | 0.3 |
| Lottery Commission | | | | | |
| Lottery Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| State Treasurer | | | | | |
| Interest Earnings | (21.6) | 0.0 | 6.8 | (14.8) | 6.8 |
| Office of Financial Management | | | | | |
| Other | 213.4 | 0.0 | (4.1) | 209.3 | (4.1) |
| Administrative Office of the Courts | | | | | |
| Fines and Forfeitures | 196.6 | 0.0 | (2.3) | 194.3 | (2.3) |
| Total General Fund-State * | \$32,648.9 | \$0.0 | (\$88.3) | \$32,560.7 | (\$88.3) |

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

*Detail may not add to totals because of rounding.

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

Table 3.8

Comparison of the General Fund-State forecast by agency

2013-15 biennium; GAAP basis

(millions of dollars)

| Forecast by Agency | Sept. 2012 Forecast¹ | Non- Economic Changes | Forecast Revision | Nov. 2012 Forecast² | Total Change |
|--|--|--------------------------------------|------------------------------|---|-------------------------|
| Department of Revenue | | | | | |
| Retail Sales | \$15,271.7 | \$0.0 | (\$2.7) | \$15,269.1 | (\$2.7) |
| Business & Occupation | 6,717.9 | 0.0 | (59.6) | 6,658.3 | (59.6) |
| Use | 1,113.0 | 0.0 | (32.1) | 1,081.0 | (32.1) |
| Public Utility | 866.5 | 0.0 | (6.7) | 859.7 | (6.7) |
| Liquor Sales/Liter | 484.0 | 0.0 | 3.0 | 487.0 | 3.0 |
| Cigarette | 828.3 | 0.0 | (5.8) | 822.5 | (5.8) |
| Property (State Levy) | 3,943.0 | 0.0 | 2.1 | 3,945.1 | 2.1 |
| Real Estate Excise | 970.7 | 0.0 | (0.8) | 969.9 | (0.8) |
| Timber Excise | 6.7 | 0.0 | (0.1) | 6.6 | (0.1) |
| Other | 912.4 | 0.0 | (10.5) | 901.8 | (10.5) |
| Subtotal | 31,114.0 | 0.0 | (113.1) | 31,001.0 | (113.1) |
| Department of Licensing | | | | | |
| Boat excise, licenses, fees & other | 31.6 | 0.0 | 0.0 | 31.6 | 0.0 |
| Insurance Commissioner | | | | | |
| Insurance Premiums | 926.0 | 0.0 | 23.0 | 948.9 | 23.0 |
| Liquor Control Board | | | | | |
| Liquor Profits and Fees | 134.0 | 0.0 | 1.2 | 135.2 | 1.2 |
| Beer & Wine Surtax | 54.9 | 0.0 | 0.3 | 55.2 | 0.3 |
| Lottery Commission | | | | | |
| Lottery Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| State Treasurer | | | | | |
| Interest Earnings | (21.3) | 0.0 | 6.9 | (14.5) | 6.9 |
| Office of Financial Management | | | | | |
| Other | 213.4 | 0.0 | (4.1) | 209.3 | (4.1) |
| Administrative Office of the Courts | | | | | |
| Fines and Forfeitures | 196.6 | 0.0 | (2.3) | 194.3 | (2.3) |
| Total General Fund-State * | \$32,649.2 | \$0.0 | (\$88.2) | \$32,561.0 | (\$88.2) |

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

*Detail may not add to totals because of rounding.

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

Table 3.9

**November 2012 General Fund-State forecast
2011-13 to 2015-17 biennia; cash basis**

(Millions of Dollars)

| Forecast by Source | Fiscal 2012 | Fiscal 2013 | 2011-13 Biennium | Fiscal 2014 | Fiscal 2015 | 2013-15 Biennium | Fiscal 2016 | Fiscal 2017 | 2015-17 Biennium |
|-----------------------------------|------------------------|------------------------|-----------------------------|------------------------|------------------------|-----------------------------|------------------------|------------------------|-----------------------------|
| State Taxes | | | | | | | | | |
| Retail sales** | \$6,745.5 | \$7,073.9 | \$13,819.4 | \$7,436.3 | \$7,832.8 | \$15,269.1 | \$8,218.7 | \$8,624.2 | \$16,842.9 |
| Business & occupation Use** | 3,126.0 | 3,297.9 | 6,423.9 | 3,254.9 | 3,403.4 | 6,658.3 | 3,579.3 | 3,757.7 | 7,337.0 |
| Public Utility | 480.4 | 500.5 | 981.0 | 524.3 | 556.7 | 1,081.0 | 585.7 | 612.3 | 1,197.9 |
| Liquor sales/liter | 377.2 | 389.0 | 766.3 | 416.1 | 443.6 | 859.7 | 461.5 | 480.1 | 941.5 |
| Beer & wine surtax | 215.0 | 265.3 | 480.3 | 240.1 | 246.8 | 487.0 | 252.1 | 257.5 | 509.6 |
| Cigarette | 77.3 | 77.3 | 154.6 | 27.5 | 27.7 | 55.2 | 27.8 | 28.0 | 55.8 |
| Tobacco products | 424.8 | 409.7 | 834.5 | 412.6 | 409.9 | 822.5 | 409.7 | 404.2 | 813.9 |
| Property (state school levy) | 46.6 | 43.0 | 89.5 | 42.8 | 43.2 | 86.0 | 43.6 | 43.9 | 87.4 |
| Public utility district | 1,879.4 | 1,915.4 | 3,794.8 | 1,952.1 | 1,993.0 | 3,945.1 | 2,037.8 | 2,088.0 | 4,125.7 |
| Real estate excise | 44.8 | 45.2 | 90.0 | 45.7 | 46.1 | 91.8 | 46.6 | 47.1 | 93.8 |
| Timber excise | 399.1 | 438.7 | 837.8 | 446.6 | 523.3 | 969.9 | 588.5 | 616.9 | 1,205.4 |
| Estate/inheritance | 3.8 | 3.1 | 6.8 | 3.3 | 3.3 | 6.6 | 3.4 | 3.5 | 6.9 |
| Boat excise | 0.7 | 0.2 | 0.9 | 0.1 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| Insurance premiums | 12.4 | 11.8 | 24.2 | 11.4 | 11.5 | 22.9 | 11.6 | 11.6 | 23.2 |
| Other | 420.9 | 437.1 | 857.9 | 454.0 | 495.0 | 948.9 | 512.9 | 531.4 | 1,044.3 |
| Total Taxes | 243.6 | 260.0 | 503.6 | 271.5 | 289.3 | 560.8 | 288.0 | 306.4 | 594.4 |
| | 14,497.4 | 15,168.0 | 29,665.4 | 15,539.3 | 16,325.7 | 31,865.0 | 17,067.2 | 17,812.5 | 34,879.7 |
| State Non-Tax Sources | | | | | | | | | |
| Licenses, permits, fees | 90.7 | 90.6 | 181.2 | 91.0 | 92.1 | 183.1 | 87.2 | 87.6 | 174.8 |
| Liquor profits & fees*** | 56.8 | 148.7 | 205.5 | 72.8 | 62.5 | 135.2 | 62.2 | 63.0 | 125.3 |
| Earnings on investments | (9.5) | (11.1) | (20.7) | (7.5) | (7.3) | (14.8) | (7.7) | 0.1 | (7.6) |
| Lottery transfers | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other revenue & transfers | 238.9 | 207.1 | 446.1 | 196.7 | 195.5 | 392.2 | 93.8 | 89.1 | 182.9 |
| Total Non-Tax | 376.9 | 435.2 | 812.1 | 353.0 | 342.7 | 695.7 | 235.5 | 239.7 | 475.2 |
| Total General Fund-State * | \$14,874.2 | \$15,603.2 | \$30,477.5 | \$15,892.3 | \$16,668.3 | \$32,560.7 | \$17,302.7 | \$18,052.3 | \$35,355.0 |

a - Actual

* Detail may not add to totals due to rounding

**GFS portion after Initiative 900 transfer

***Does not include profits after FY 2013

Table 3.10

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

February 2010 through November 2012

Cash Basis - Millions of Dollars

| Date of Forecast | Department of Revenue* | Other Agencies | Subtotal* | Non-Economic Changes** | Total Change | Total General Fund-State Cash Basis* |
|----------------------------|-------------------------------|-----------------------|------------------|-------------------------------|---------------------|---|
| February 2010*** | \$30,658 | \$1,566 | | | | \$32,224 |
| Changes to Forecast | | | | | | |
| June 2010 | 219 | (21) | 197 | 1,661 #1 | 1,858 | 34,083 |
| September 2010 | (610) | (48) | (659) | (10) #2 | (669) | 33,414 |
| November 2010 | (584) | (7) | (591) | (218) #3 | (809) | 32,605 |
| March 2011 | (640) | (29) | (668) | (30) #4 | (698) | 31,907 |
| June 2011 | (217) | (6) | (223) | 40 #5 | (183) | 31,724 |
| September 2011 | (1,403) | (24) | (1,427) | 14 #6 | (1,413) | 30,311 |
| November 2011 | (159) | (1) | (160) | 38 #7 | (122) | 30,188 |
| February 2012 | 27 | 6 | 32 | 63 #8 | 96 | 30,284 |
| June 2012 | (27) | 11 | (16) | 172 #9 | 156 | 30,440 |
| September 2012 | 44 | (15) | 29 | 0 | 29 | 30,469 |
| November 2012 | 29 | (21) | 8 | 0 | 8 | 30,477 |
| Total change***: | | | | | | |
| From February 2008 | (3,323) | (155) | (3,477) | 1,730 | (1,747) | |
| Percent change | (10.8) | (9.9) | (10.8) | 5.4 | (5.4) | |

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

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

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

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

*** First official forecast for the 2011-13 biennium.

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

#2 Reversal of DOR RTA administrative fee

#3 Effects of initiative 1107

#4 Effects of legislation from December 2010 session

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

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

#7 Effects of initiative 1183 minus large expected DOR refund

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

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

Table 3.11

Track Record for the 2013-15 General Fund-State Cash Forecast

February 2012 through November 2012

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 2012 # | \$31,110 | \$1,319 | | | | \$32,428 |
| Changes to Forecast | | | | | | |
| June 2010 | (120) | (13) | (133) | 330 #1 | 197 | 32,626 |
| September 2012 | 39 | (15) | 23 | 0 | 23 | 32,649 |
| November 2012 | (113) | 25 | (88) | 0 | (88) | 32,561 |
| Total change***: | | | | | | |
| From February 2008 | (195) | (3) | (198) | 330 | 132 | |
| Percent change | (0.6) | (0.3) | (0.6) | 1.0 | 0.4 | |

* 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 2011-13 biennium.

#1 Effects of legislation from 2012 special sessions subsequent to February forecast

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

| RESOURCES | |
|--|-----------------|
| Beginning Fund Balance | (92.0) |
| September 2012 Forecast | 30,469.4 |
| November 2012 Update | 8.0 |
| Current Revenue Totals | 30,477.5 |
| Transfer to Budget Stabilization Account | (266.7) |
| Other Enacted Fund Transfers | 378.6 |
| Alignment to the Comprehensive Financial Statements | 1.5 |
| Adjustment to Working Capital (HB 2822) | 238.0 |
| Total Resources (including beginning fund balance) | 30,736.8 |
| EXPENDITURES | |
| 2011-13 Enacted Budgets | |
| Enacted 2011-13 Budget (including supplementals) | 30,796.4 |
| Actual Reversions in Fiscal Year 2012 | (105.9) |
| Assumed Reversions in Fiscal Year 2013 | (60.0) |
| Total Expenditures | 30,630.5 |
| RESERVES | |
| Projected General Fund Ending Balance | 106.3 |
| Budget Stabilization Account Beginning Balance | 0.6 |
| Transfer from General Fund and Interest Earnings | 266.9 |
| Projected Budget Stabilization Account Ending Balance | 267.4 |
| Total Reserves (General Fund plus Budget Stabilization) | 373.7 |

Table 3.13

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

(cash basis, millions of dollars)

| Forecast by Source | Optimistic Forecast | Baseline Forecast | Pessimistic Forecast |
|---|--------------------------------|------------------------------|---------------------------------|
| Department of Revenue | | | |
| Retail Sales | \$14,161.8 | \$13,819.4 | \$13,429.5 |
| Business & Occupation Use | 6,553.9 | 6,423.9 | 6,262.2 |
| Public Utility | 1,005.4 | 981.0 | 950.5 |
| Property (school levy) | 781.5 | 766.2 | 747.3 |
| Real Estate Excise | 3,799.9 | 3,794.8 | 3,789.8 |
| Other | 939.3 | 837.8 | 815.2 |
| Subtotal | 2,178.6 | 2,229.2 | 2,284.5 |
| | 29,420.4 | 28,852.3 | 28,279.1 |
| Department of Licensing | | | |
| | 34.0 | 33.5 | 33.0 |
| Insurance Commissioner¹ | | | |
| | 868.8 | 857.9 | 847.0 |
| Lottery Commission | | | |
| | 0.0 | 0.0 | 0.0 |
| State Treasurer - Interest earnings | | | |
| | (13.4) | (20.7) | (24.6) |
| Liquor Profits & Fees² | | | |
| | 371.3 | 360.0 | 348.7 |
| Office of Financial Management | | | |
| Other agencies | 209.9 | 204.7 | 199.6 |
| Administrative Office of the Courts | | | |
| Fines and Forfeitures | 190.8 | 189.7 | 187.7 |
| Total General Fund - State* | \$31,081.9 | \$30,477.5 | \$29,870.5 |
| Difference from November 2012 Baseline | \$604.4 | | (\$606.9) |

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.14

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

(cash basis, millions of dollars)

| Forecast by Source | Optimistic Forecast | Baseline Forecast | Pessimistic Forecast |
|---|--------------------------------|------------------------------|---------------------------------|
| Department of Revenue | | | |
| Retail Sales | \$17,035.1 | \$15,269.1 | \$13,467.5 |
| Business & Occupation | 7,266.0 | 6,658.3 | 5,963.6 |
| Use | 1,196.5 | 1,081.0 | 958.5 |
| Public Utility | 923.0 | 859.7 | 783.1 |
| Property (school levy) | 3,965.9 | 3,945.1 | 3,908.9 |
| Real Estate Excise | 1,295.9 | 969.9 | 784.7 |
| Other | 2,241.7 | 2,217.9 | 2,126.1 |
| Subtotal | 33,924.1 | 31,001.0 | 27,992.4 |
| Department of Licensing | 32.5 | 31.6 | 30.6 |
| Insurance Commissioner¹ | 972.7 | 948.9 | 925.2 |
| Lottery Commission | 0.0 | 0.0 | 0.0 |
| State Treasurer - Interest earnings | (5.5) | (14.8) | (31.2) |
| Liquor Surtaxes & Fees² | 199.9 | 190.4 | 180.9 |
| Office of Financial Management | | | |
| Other agencies | 219.7 | 209.3 | 198.8 |
| Administrative Office of the Courts | | | |
| Fines and Forfeitures | 201.1 | 194.3 | 180.0 |
| Total General Fund - State* | \$35,544.5 | \$32,560.7 | \$29,476.8 |
| Difference from November 2012 Baseline | \$2,983.9 | | (\$3,083.9) |

1 Insurance premiums, General Fund-State portion.

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

* Detail may not add to total due to rounding.

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

Table 3.15

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

| | Lottery: Total Transfers:* | General Fund | Mariners Stadium | Exhibition Center & Stadium | Student Achievement Account | School Construction Account | Problem Gambling Account | Economic Development Account | Opportunity Pathways Account | Veteran's VIP Account |
|------------------|---------------------------------------|---------------------|-----------------------------|--|--|--|---|---|---|--------------------------------------|
| 2006 | 125.1 | 1.9 | 4.4 | 7.9 | 0.0 | 107.8 | 0.2 | 3.0 | 0.0 | 0.0 |
| 2007 | 120.6 | 7.6 | 4.5 | 8.2 | 0.0 | 97.0 | 0.3 | 3.0 | 0.0 | 0.0 |
| 2005-07 Biennium | 245.7 | 9.5 | 8.9 | 16.1 | 0.0 | 204.8 | 0.4 | 6.0 | 0.0 | 0.0 |
| 2008 | 124.1 | 0.0 | 4.7 | 8.5 | 0.0 | 106.9 | 0.3 | 3.7 | 0.0 | 0.0 |
| 2009 | 122.2 | 11.1 | 4.9 | 8.9 | 0.0 | 94.4 | 0.2 | 2.7 | 0.0 | 0.0 |
| 2007-09 Biennium | 246.4 | 11.1 | 9.6 | 17.4 | 0.0 | 201.3 | 0.5 | 6.4 | 0.0 | 0.0 |
| 2010 | 126.4 | 12.9 | 5.1 | 9.2 | 0.0 | 95.6 | 0.3 | 3.3 | 0.0 | 0.0 |
| 2011 | 137.2 | 8.6 | 5.3 | 9.6 | 0.0 | 9.4 | 0.3 | 4.5 | 99.5 | 0.0 |
| 2009-11 Biennium | 263.6 | 21.5 | 10.4 | 18.8 | 0.0 | 105.0 | 0.5 | 7.9 | 99.5 | 0.0 |
| 2012 | 135.1 | 0.0 | 2.7 | 10.0 | 0.0 | 0.0 | 0.3 | 3.3 | 118.5 | 0.2 |
| 2013 | 120.7 | 0.0 | 0.0 | 10.4 | 0.0 | 0.0 | 0.3 | 3.5 | 106.2 | 0.3 |
| 2011-13 Biennium | 255.7 | 0.0 | 2.7 | 20.4 | 0.0 | 0.0 | 0.6 | 6.8 | 224.7 | 0.6 |
| 2014 | 127.3 | 0.0 | 0.0 | 10.4 | 0.0 | 0.0 | 0.3 | 3.1 | 113.2 | 0.3 |
| 2015 | 124.1 | 0.0 | 0.0 | 10.8 | 0.0 | 0.0 | 0.3 | 3.5 | 109.2 | 0.4 |
| 2013-15 Biennium | 251.3 | 0.0 | 0.0 | 21.2 | 0.0 | 0.0 | 0.6 | 6.6 | 222.3 | 0.7 |
| 2016 | 123.9 | 0.0 | 0.0 | 10.8 | 0.0 | 0.0 | 0.3 | 3.5 | 109.0 | 0.4 |
| 2017 | 125.0 | 0.0 | 0.0 | 11.2 | 0.0 | 0.0 | 0.3 | 3.5 | 109.7 | 0.4 |
| 2015-17 Biennium | 249.0 | 0.0 | 0.0 | 22.0 | 0.0 | 0.0 | 0.6 | 6.9 | 218.7 | 0.7 |

Table 3.16

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

| | Lottery: Total Transfers:* | General Fund | Mariners Stadium | Exhibition Center & Stadium | Student Achievement Account | School Construction Account | Problem Gambling Account | Economic Development Account | Opportunity Pathways Account | Veteran's VIP Account |
|------------------|---------------------------------------|---------------------|-----------------------------|--|--|--|---|---|---|--------------------------------------|
| 2006 | 125.1 | 1.9 | 4.4 | 7.9 | 0.0 | 107.8 | 0.2 | 3.0 | 0.0 | 0.0 |
| 2007 | 120.6 | 7.6 | 4.5 | 8.2 | 0.0 | 97.0 | 0.3 | 3.0 | 0.0 | 0.0 |
| 2005-07 Biennium | 245.7 | 9.5 | 8.9 | 16.1 | 0.0 | 204.8 | 0.4 | 6.0 | 0.0 | 0.0 |
| 2008 | 124.1 | 0.0 | 4.7 | 8.5 | 0.0 | 106.9 | 0.3 | 3.7 | 0.0 | 0.0 |
| 2009 | 122.2 | 11.1 | 4.9 | 8.9 | 0.0 | 94.4 | 0.2 | 2.7 | 0.0 | 0.0 |
| 2007-09 Biennium | 246.4 | 11.1 | 9.6 | 17.4 | 0.0 | 201.3 | 0.5 | 6.4 | 0.0 | 0.0 |
| 2010 | 129.4 | 12.9 | 5.1 | 9.2 | 0.0 | 97.4 | 0.3 | 4.6 | 0.0 | 0.0 |
| 2011 | 138.2 | 7.0 | 5.3 | 9.6 | 0.0 | 0.0 | 0.3 | 3.7 | 112.3 | 0.0 |
| 2009-11 Biennium | 267.6 | 19.9 | 10.4 | 18.8 | 0.0 | 97.4 | 0.5 | 8.3 | 112.3 | 0.0 |
| 2012 | 138.1 | 0.0 | 2.7 | 10.0 | 0.0 | 0.0 | 0.3 | 3.0 | 121.8 | 0.2 |
| 2013 | 121.9 | 0.0 | 2.7 | 10.0 | 0.0 | 0.0 | 0.3 | 3.3 | 118.5 | 0.2 |
| 2011-13 Biennium | 259.9 | 0.0 | 5.4 | 20.0 | 0.0 | 0.0 | 0.6 | 6.3 | 240.3 | 0.5 |
| 2014 | 123.7 | 0.0 | 0.0 | 10.4 | 0.0 | 0.0 | 0.3 | 3.5 | 106.2 | 0.3 |
| 2015 | 124.3 | 0.0 | 0.0 | 10.4 | 0.0 | 0.0 | 0.3 | 3.1 | 113.2 | 0.3 |
| 2013-15 Biennium | 248.1 | 0.0 | 0.0 | 20.8 | 0.0 | 0.0 | 0.5 | 6.6 | 219.4 | 0.7 |
| 2016 | 125.4 | 0.0 | 0.0 | 10.8 | 0.0 | 0.0 | 0.3 | 3.5 | 109.2 | 0.4 |
| 2017 | 128.7 | 0.0 | 0.0 | 10.8 | 0.0 | 0.0 | 0.3 | 3.5 | 109.0 | 0.4 |
| 2015-17 Biennium | 254.1 | 0.0 | 0.0 | 21.6 | 0.0 | 0.0 | 0.6 | 6.9 | 218.2 | 0.7 |

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

Source: Lottery Commission

Table 3.17

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

November 2012 - Millions of Dollars

| | General Fund-State | | Related Fund | | General Fund-State plus Related Fund (current definition of GF-S) | | Other Near General Fund* | | Total Near General Fund | |
|------------------------|--------------------|--------------|----------------|----------------|---|--------------|-----------------------------|---------------|----------------------------|--------------|
| | Level | % Chg. | Level | % Chg. | Level | % Chg. | Level | % Chg. | Level | % Chg. |
| History: | | | | | | | | | | |
| FY 1995 | \$8,551 | | \$248 | | \$8,799 | | | | \$8,799 | |
| FY 1996 | \$8,581 | 0.3% | \$353 | 42.6% | \$8,934 | 1.5% | | | \$8,934 | 1.5% |
| FY 1997 | \$9,057 | 5.5% | \$392 | 11.1% | \$9,449 | 5.8% | | | \$9,449 | 5.8% |
| FY 1998 | \$9,641 | 6.5% | \$416 | 6.1% | \$10,057 | 6.4% | | | \$10,057 | 6.4% |
| FY 1999 | \$9,979 | 3.5% | \$435 | 4.5% | \$10,414 | 3.6% | | | \$10,414 | 3.6% |
| FY 2000 | \$10,433 | 4.5% | \$634 | 45.9% | \$11,068 | 6.3% | | | \$11,068 | 6.3% |
| FY 2001 | \$10,829 | 3.8% | \$731 | 15.2% | \$11,560 | 4.4% | | | \$11,560 | 4.4% |
| FY 2002 | \$10,451 | -3.5% | \$1,182 | 61.6% | \$11,632 | 0.6% | | | \$11,632 | 0.6% |
| FY 2003 | \$10,690 | 2.3% | \$1,031 | -12.7% | \$11,721 | 0.8% | | | \$11,721 | 0.8% |
| FY 2004 | \$11,321 | 5.9% | \$1,037 | 0.6% | \$12,358 | 5.4% | | | \$12,358 | 5.4% |
| FY 2005 | \$12,067 | 6.6% | \$969 | -6.6% | \$13,036 | 5.5% | | | \$13,036 | 5.5% |
| FY 2006 | \$13,329 | 10.5% | \$989 | 2.0% | \$14,318 | 9.8% | \$115 | | \$14,432 | 10.7% |
| FY 2007 | \$14,443 | 8.4% | \$1,024 | 3.6% | \$15,467 | 8.0% | \$266 | 132.2% | \$15,734 | 9.0% |
| FY 2008 | \$14,614 | 1.2% | \$1,045 | 2.0% | \$15,659 | 1.2% | \$213 | -20.1% | \$15,872 | 0.9% |
| FY 2009 | \$13,089 | -10.4% | \$1,069 | 2.3% | \$14,158 | -9.6% | \$224 | 5.4% | \$14,382 | -9.4% |
| FY 2010 | \$13,571 | 3.7% | \$0 | -100.0% | \$13,571 | -4.1% | \$157 | -29.9% | \$13,728 | -4.6% |
| FY 2011 | \$14,648 | 7.9% | \$0 | 0.0% | \$14,648 | 7.9% | \$112 | -29.0% | \$14,759 | 7.5% |
| FY 2012 | \$14,874 | 1.5% | \$0 | 0.0% | \$14,874 | 1.5% | \$114 | 2.3% | \$14,988 | 1.6% |
| Forecast: | | | | | | | | | | |
| FY 2013 | \$15,603 | 4.9% | \$0 | 0.0% | \$15,603 | 4.9% | \$119 | 4.4% | \$15,722 | 4.9% |
| FY 2014 | \$15,892 | 1.9% | \$0 | 0.0% | \$15,892 | 1.9% | \$128 | 7.2% | \$16,020 | 1.9% |
| FY 2015 | \$16,668 | 4.9% | \$0 | 0.0% | \$16,668 | 4.9% | \$133 | 4.1% | \$16,801 | 4.9% |
| FY 2016 | \$17,303 | 3.8% | \$0 | 0.0% | \$17,303 | 3.8% | \$133 | 0.0% | \$17,436 | 3.8% |
| FY 2017 | \$18,052 | 4.3% | \$0 | 0.0% | \$18,052 | 4.3% | \$133 | 0.0% | \$18,185 | 4.3% |
| Biennial Totals | | | | | | | | | | |
| 03-05 Biennium | \$23,389 | 10.6% | \$2,006 | -9.3% | \$25,395 | 8.7% | \$0 | NA | \$25,395 | 8.7% |
| 05-07 Biennium | \$27,772 | 18.7% | \$2,013 | 0.3% | \$29,785 | 17.3% | \$381 | NA | \$30,166 | 18.8% |
| 07-09 Biennium | \$27,703 | -0.2% | \$2,114 | 5.0% | \$29,817 | 0.1% | \$437 | 14.8% | \$30,254 | 0.3% |
| 09-11 Biennium | \$28,218 | 1.9% | \$0 | -100.0% | \$28,218 | -5.4% | \$269 | -38.5% | \$28,487 | -5.8% |
| 11-13 Biennium | \$30,477 | 8.0% | \$0 | 0.0% | \$30,477 | 8.0% | \$233 | -13.2% | \$30,711 | 7.8% |
| 13-15 Biennium | \$32,561 | 6.8% | \$0 | 0.0% | \$32,561 | 6.8% | \$261 | 11.8% | \$32,821 | 6.9% |
| 15-17 Biennium | \$35,355 | 8.6% | \$0 | 0.0% | \$35,355 | 8.6% | \$266 | 2.0% | \$35,621 | 8.5% |

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



Chapter 4: Special Report – Comparative Economic Performance of Northwest States

- **This chapter provides a brief comparison of the economies of the Northwest states: Washington, Alaska, Idaho, Montana and Oregon**
- **Washington has the largest economy of the Northwest states, accounting for 2.4% of U.S. GDP in 2011**
- **Washington and Montana employment growth has roughly tracked the U.S. since the start of the 2007-09 recession, with Alaska employment growing faster and Oregon and Idaho employment growing slower than the nation**
- **Washington unemployment rates have also roughly tracked the U.S. since the start of the 2007-09 recession, with Oregon unemployment rates above the nation and all other Northwest states below**
- **State coincident economic indexes show positive changes for all Northwest states except Alaska over the last 12 months and for all Northwest states over the last month**
- **State leading economic indexes suggest expansion into the first quarter of 2013 for all Northwest states**

Introduction

This chapter provides some basic information on the similarities and differences among Northwest economies

Comparing the Washington economy to the other Northwest states and to the nation helps to put state economic and revenue forecast data into context. This chapter provides some basic information on the similarities and differences among Northwest economies and on their recent performance. For the purposes of this chapter, we will define the Northwest as the states of Alaska, Idaho, Montana, Oregon and Washington.

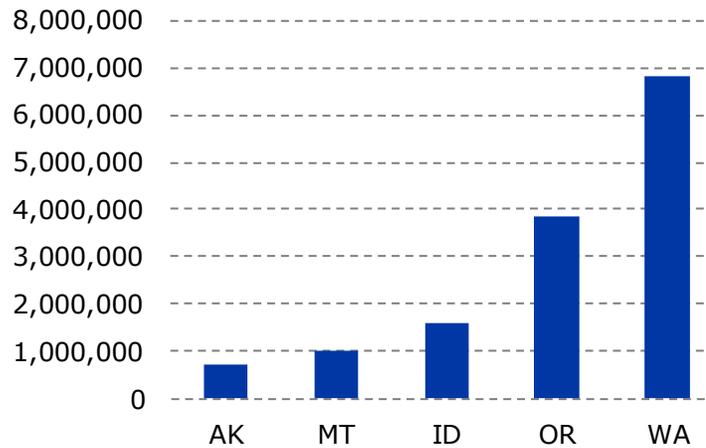
Please note that to ensure consistent comparisons across the Northwest states, some of the data used in this chapter may differ from sources used to produce the Washington economic and revenue forecasts.

Demographics and Labor Markets

While not the Northwest's largest state in terms of area, Washington has far and away the largest population (see Figure 4.1).

Figure 4.1: 2011 State Populations

Washington has the largest population among the NW states

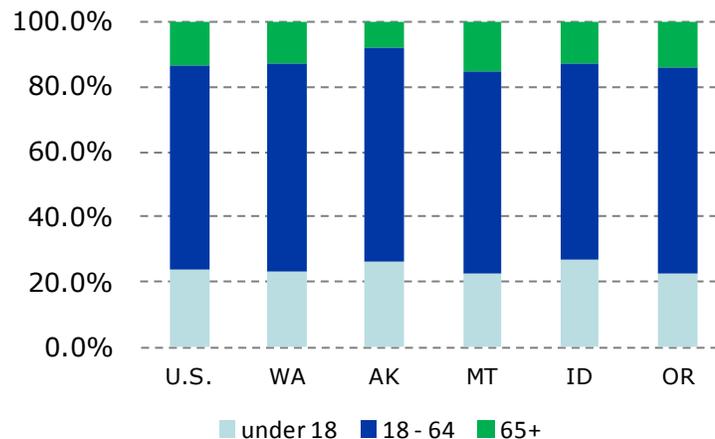


Source: U.S. Census, data through 2011

Not only do the states' populations differ in size but also in terms of the age distribution. Figure 4.2 shows how each state's age distribution differs from that of the U.S. For example, Alaska has proportionately more young and working age people than the U.S. but proportionately fewer seniors. Montana's population mix is older than the U.S. while Idaho's is younger.

Figure 4.2: Age distribution of Northwest states

Washington's age distribution is similar to that of the U.S.



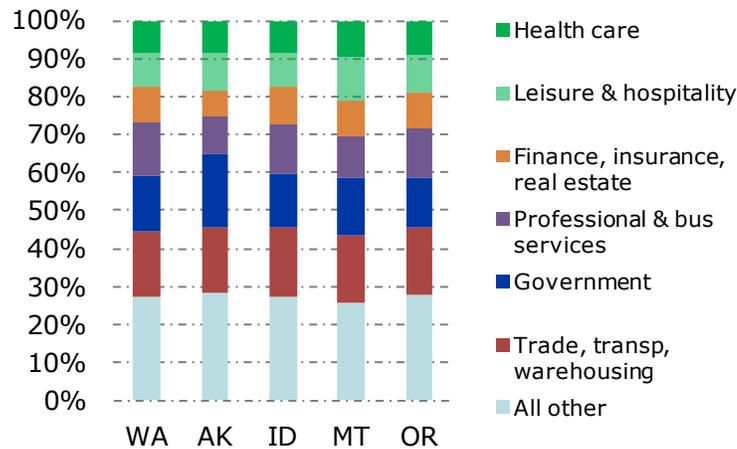
Source: U.S. Census, 2011 data

Northwest states appear to be fairly similar in regards to employment by sector

Looking at employment by sector, the Northwest states appear to be fairly similar (Figure 4.3). In each case, the same six sectors (trade, transportation and warehousing; government; professional and business services; finance, insurance and real estate; leisure and hospitality; health care) accounted for over 75% of non-farm employment in 2011. However, the employment share of these sectors does vary by state. Government (federal, state and local) made up 19.0% of Alaska’s employment but only 13.2% of Oregon jobs. The share of employment in professional and business services was 13.9% for Washington but only 10.2% for Alaska.

Figure 4.3: Employment by Sector

Nearly 14% of Washington’s nonfarm employment is in professional and business services



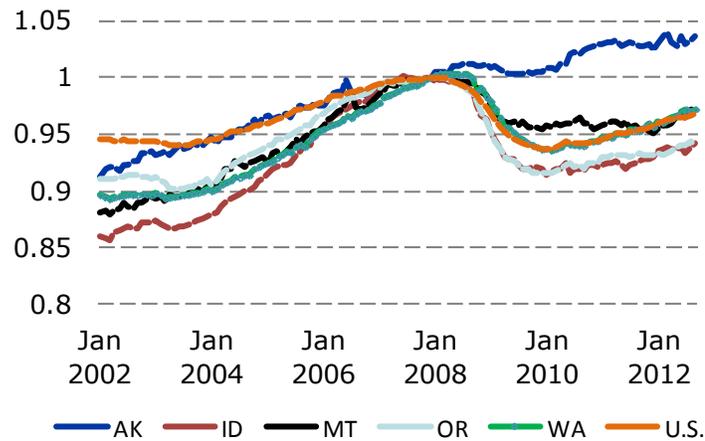
Source: Bureau of Economic Analysis, 2011 data

The recent employment experience of the NW states has been quite varied

The Northwest states’ employment experience has been quite varied. If we create an employment index set to 1.0 in December 2007 (the official start of the Great Recession) for each state and the U.S., we can track relative employment growth (see Figure 4.4). At one extreme, employment in Alaska has remained above the December 2007 level and is nearly 4% higher (SA) in September 2012 than it was in December 2007. On the other hand, Oregon and Idaho suffered greater employment declines than the U.S. as a whole and September 2012 employment was approximately 6% (SA) lower than in December 2007 in both states. Washington and Montana employment tracked the national experience more closely; September 2012 employment in both states is about 3% (SA) below their December 2007 levels.

Figure 4.4: Tracking relative employment growth

For each state, the employment index is set to 1.0 in December 2007



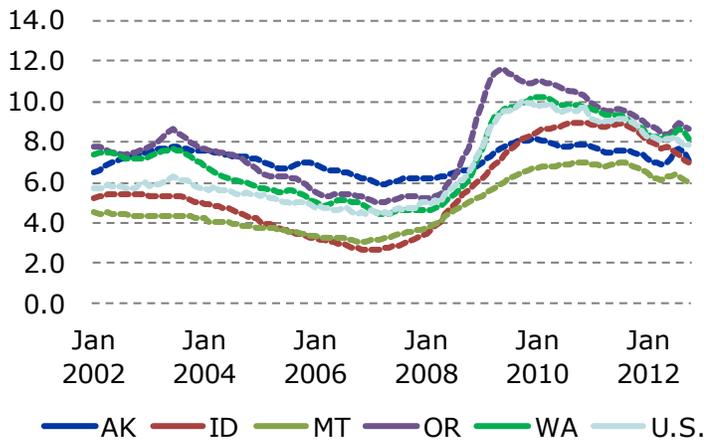
Source: Bureau of Labor Statistics, data through 2011

Although WA had an unemployment rate higher than the U.S. from 2002 - 2006, by early 2007 levels had converged

Figure 4.5 shows unemployment rates for the Northwest states starting in 2002. Idaho and Montana have remained below the U.S. unemployment rate before, during, and after the Great Recession. Alaska had higher unemployment rates than the U.S. prior to the recession but fell below the U.S. rate in late 2008 and has remained there. Oregon has had an unemployment rate above the national level throughout the period and since summer 2008 the highest unemployment rate of the Northwest states. Although Washington had an unemployment rate above the national level from 2002 - 2006, by early 2007 the Washington and U.S. unemployment levels converged. By late 2009, the Washington rate was tracking above the U.S. rate in a range of 0.1% to 0.7% higher.

Figure 4.5: Unemployment rates

Unemployment rates for the Northwest states starting in 2002



Source: Bureau of Labor Statistics, data through 2011

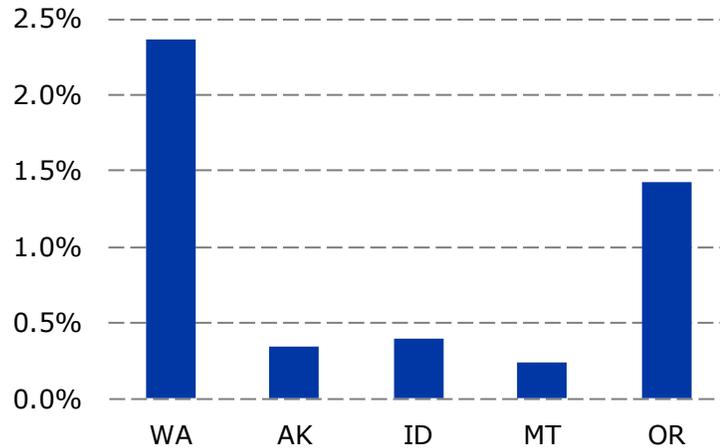
Gross Domestic Product

WA is the largest Northwest economy

To get a sense of the relative size of the Northwest states' economies, Figure 4.6 displays each state's 2011 real gross domestic product (GDP) as a percentage of total U.S. real GDP for 2011. Washington is the largest Northwest economy, accounting for 2.4% of national GDP, followed by Oregon, Idaho, Alaska and Montana.

Figure 4.6: Real state GDP as a percent of real U.S. GDP, 2011

WA accounts for 2.4% of national GDP

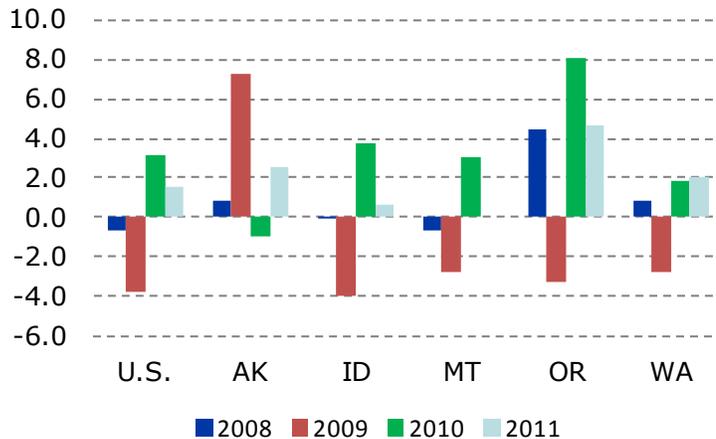


Source: Bureau of Economic Analysis, 2011 data

Figure 4.7 shows real GDP growth rates for the U.S. and the Northwest states for the years 2008 through 2011. Although Oregon had consistently stronger growth than the U.S. for this period, other Northwest states have had years of both outperforming and underperforming the national economy since 2008.

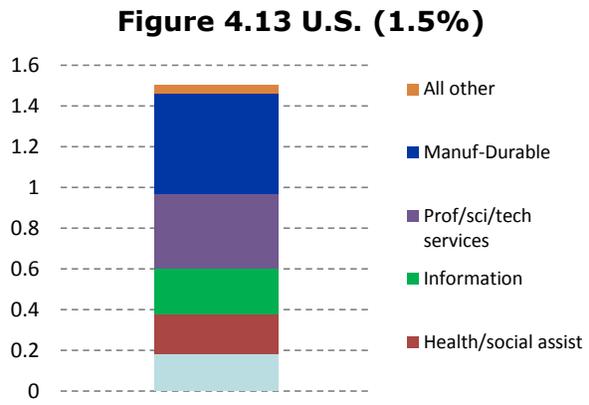
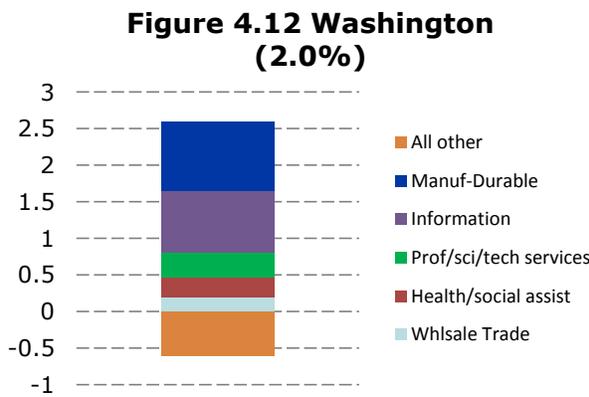
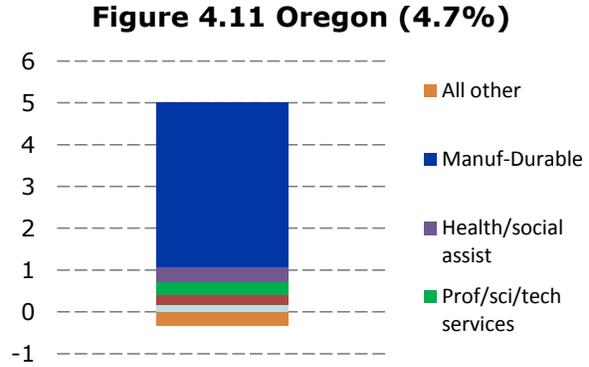
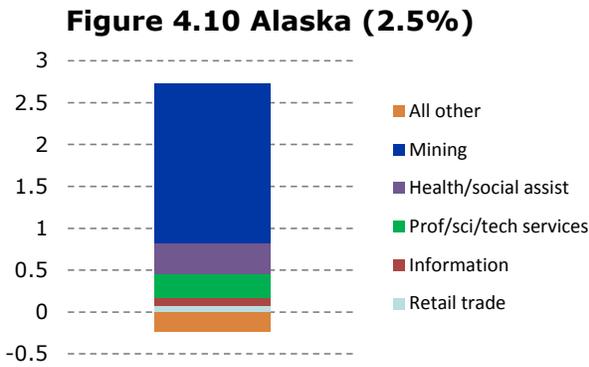
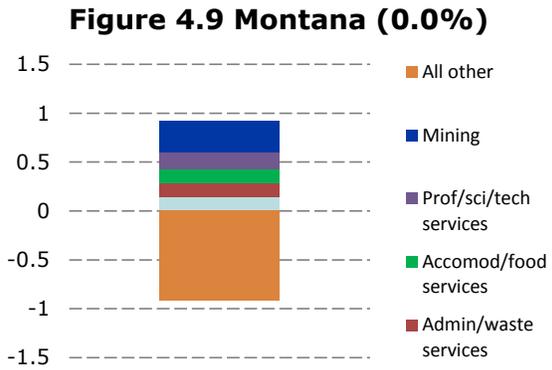
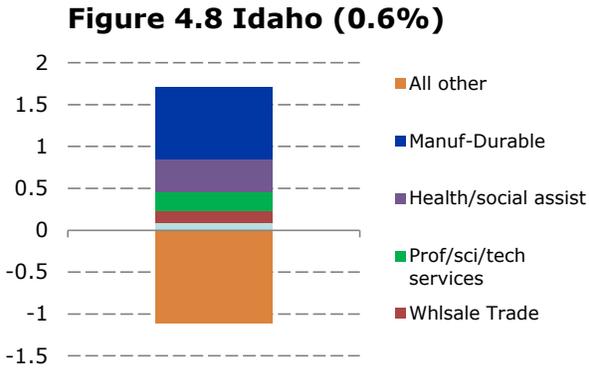
Figure 4.7: GDP growth rates, 2008 - 2011

Oregon had consistently stronger GDP growth than the U.S. for this time period



Source: Bureau of Economic Analysis, data through 2011

Figures 4.8 - 4.13: Contributions to 2011 GDP Growth



Source: Bureau of Economic Analysis, data through 2011

Figures 4.8 – 4.13 show the five industries making the largest contribution to 2011 GDP growth in each state and the US

To get a sense of which sectors have contributed to economic growth among Northwest states, figures 4.8 – 4.13 show the five industries making the largest contribution to GDP growth in each state and in the U.S. Washington and Oregon have the same five top industries contributing to 2011 growth as the U.S. as a whole (durable manufacturing; professional, scientific and technical services; information; health care and social assistance; wholesale trade). However, some states have key sectors that differ from national trends. Mining is an important growth sector in Alaska and Montana, while retail trade makes the top five in both Alaska and Idaho.

Coincident and Leading Indicators

The Philadelphia Federal Reserve produces two indices that summarize current and expected state economic activity

The Philadelphia Federal Reserve Bank has developed two indexes to summarize current and expected economic activity in each state. Current economic activity is measured by the coincident index, based on non-farm employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary disbursements for each state. Over time, increasing values of the index indicate stronger economic activity while decreasing index values point to a weakening economy.

Table 4.1 shows the one-month, three-month and twelve-month changes in the coincident index for the Northwest states and Washington. With the exception of Alaska, the index suggests consistently stronger current economic conditions in the Northwest than in the U.S. economy over all three periods. While economic conditions in Alaska appear to have deteriorated over the last three and twelve month periods, the October index does show improvement compared to September.

Table 4.1: State Coincident Indexes

| | Oct-12 | 1 mo ch | 3 mo ch | 12 mo ch | |
|---|------------|---------|---------|----------|-------|
| <i>The coincident index suggests improving economic conditions in the Northwest</i> | Alaska | 118.81 | 0.1% | -0.2% | -0.9% |
| | Idaho | 196.31 | 0.6% | 1.6% | 4.3% |
| | Montana | 159.01 | 0.5% | 1.4% | 3.7% |
| | Oregon | 203.37 | 0.4% | 0.7% | 3.4% |
| | Washington | 154.45 | 0.4% | 0.9% | 3.2% |
| | U.S. | 152.09 | 0.2% | 0.6% | 2.8% |

Source: Federal Reserve Bank of Philadelphia, July 1992 = 100, data through October 2012

The leading index provides a forecast of economic activity six months in the future

Expected economic activity is measured by the leading index, which provides a six month forecast of the growth rate of the coincident index and makes use of state data on housing permits, initial unemployment claims, supplier delivery times from the Institute of Supply Management manufacturing survey, and the difference in interest rates (spread) between 10 year

Treasury bonds and 3 month Treasury bills. A positive index value for September, the most recent month available, suggests economic expansion through the first quarter of 2013 while a negative index number indicates economic contraction for the same period.

The leading index values for July, August, and September are displayed in Table 4.2 for the Northwest states and the U.S. The September leading index for all Northwest states and the U.S. suggest economic expansion through the first quarter of 2013.

The September leading index for all Northwest states suggest economic expansion through the first quarter of 2013

Table 4.2: State Leading Indexes

| | July | August | September |
|------------|-------|--------|-----------|
| Alaska | -2.24 | -1.19 | 0.68 |
| Idaho | 3.67 | 3.99 | 4.68 |
| Montana | 1.34 | 2.81 | 3.13 |
| Oregon | 0.84 | 3.59 | 4.59 |
| Washington | 0.64 | 1.31 | 1.19 |
| U.S. | 1.26 | 1.41 | 1.36 |

Source: Federal Reserve Bank of Philadelphia, data through October 2012

Summary

The Northwest states vary considerably in terms of size, whether measured by population or size of their economies. Washington is the largest by both measures, with a 2011 population of 6.8 million people and accounting for 2.4% of U.S.GDP. With a population of nearly 723,000, Alaska has the smallest population of the Northwest states; Montana has the smallest economy with a GDP equal to 0.2% of U.S. GDP.

The Northwest states have also differed in how their labor markets have performed during and after the 2007-09 recession. In terms of employment growth, Washington and Montana have roughly tracked national trends; Alaska has seen stronger growth than the U.S., while Oregon and Idaho have experienced weaker employment growth. Regarding the unemployment rate, Washington has also roughly tracked the U.S since the start of the recession, while Oregon has exceeded the national unemployment rate and the remaining Northwest states have been below the national rate.

There are also some similarities among the states. The same six sectors (trade, transportation and warehousing; government; professional and business services; financial activities; leisure and hospitality; health care) have the highest shares of employment in each state.

Indicators of current and near-term economic activity also suggest some similarities among the states. The state coincident indexes show consistent positive changes for all states except Alaska over the last three and 12 month periods and improvements in the current economic picture for all states in the most recent month (October 2012) for which data are available. State indexes of leading economic activity suggest economic expansion into the first quarter of 2013 for all Northwest states.

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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 2012 to 2017

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Real National Income Accounts (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Gross Domestic Product | 13,063.0 | 13,299.1 | 13,586.7 | 13,859.2 | 14,247.2 | 14,688.9 | 15,114.9 | 15,538.1 |
| % Ch | 2.4 | 1.8 | 2.2 | 2.0 | 2.8 | 3.1 | 2.9 | 2.8 |
| Real Consumption | 9,196.2 | 9,428.8 | 9,610.2 | 9,798.7 | 10,053.3 | 10,324.6 | 10,603.3 | 10,879.0 |
| % Ch | 1.8 | 2.5 | 1.9 | 2.0 | 2.6 | 2.7 | 2.7 | 2.6 |
| Real Nonresidential Fixed Investment | 1,268.5 | 1,378.2 | 1,481.1 | 1,560.2 | 1,686.7 | 1,789.6 | 1,867.2 | 1,952.3 |
| % Ch | 0.7 | 8.6 | 7.5 | 5.3 | 8.1 | 6.1 | 4.3 | 4.6 |
| Real Residential Fixed Investment | 332.2 | 327.6 | 368.6 | 423.1 | 495.9 | 569.6 | 601.6 | 608.1 |
| % Ch | -3.7 | -1.4 | 12.5 | 14.8 | 17.2 | 14.9 | 5.6 | 1.1 |
| Real Personal Income | 11,091.8 | 11,378.4 | 11,567.3 | 11,867.6 | 12,280.1 | 12,655.4 | 13,062.7 | 13,416.8 |
| % Ch | 1.9 | 2.6 | 1.7 | 2.6 | 3.5 | 3.1 | 3.2 | 2.7 |
| Real Per Capita Income (\$/Person) | 35,772 | 36,426 | 36,685 | 37,274 | 38,198 | 38,988 | 39,857 | 40,547 |
| % Ch | 1.1 | 1.8 | 0.7 | 1.6 | 2.5 | 2.1 | 2.2 | 1.7 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.111 | 1.138 | 1.158 | 1.174 | 1.193 | 1.214 | 1.234 | 1.254 |
| % Ch | 1.9 | 2.4 | 1.8 | 1.4 | 1.6 | 1.7 | 1.7 | 1.6 |
| U.S. Consumer Price Index (1982-84=1.0) | 2.181 | 2.249 | 2.296 | 2.334 | 2.378 | 2.421 | 2.460 | 2.501 |
| % Ch | 1.6 | 3.1 | 2.1 | 1.6 | 1.9 | 1.8 | 1.6 | 1.6 |
| Employment Cost Index (Dec. 2005=1.0) | 1.121 | 1.140 | 1.161 | 1.183 | 1.209 | 1.235 | 1.263 | 1.291 |
| % Ch | 1.6 | 1.7 | 1.8 | 1.9 | 2.2 | 2.2 | 2.3 | 2.3 |
| Current Dollar National Income (Billions of Dollars) | | | | | | | | |
| Gross Domestic Product | 14,498.9 | 15,075.7 | 15,685.9 | 16,295.9 | 17,044.6 | 17,852.9 | 18,664.5 | 19,490.4 |
| % Ch | 3.8 | 4.0 | 4.0 | 3.9 | 4.6 | 4.7 | 4.5 | 4.4 |
| Personal Income | 12,321.9 | 12,947.3 | 13,396.6 | 13,931.1 | 14,651.1 | 15,360.8 | 16,117.9 | 16,827.0 |
| % Ch | 3.8 | 5.1 | 3.5 | 4.0 | 5.2 | 4.8 | 4.9 | 4.4 |
| Employment (Millions) | | | | | | | | |
| U.S. Civilian Labor Force | 153.9 | 153.6 | 155.0 | 156.6 | 157.9 | 159.2 | 160.6 | 161.9 |
| Total U.S. Employment | 139.1 | 139.9 | 142.5 | 144.5 | 146.4 | 148.6 | 150.5 | 152.2 |
| Unemployment Rate (%) | 9.63 | 8.95 | 8.09 | 7.68 | 7.28 | 6.71 | 6.27 | 5.97 |
| Nonfarm Payroll Employment | 129.86 | 131.36 | 133.27 | 135.39 | 137.79 | 140.30 | 142.74 | 144.71 |
| % Ch | -0.7 | 1.2 | 1.5 | 1.6 | 1.8 | 1.8 | 1.7 | 1.4 |
| Manufacturing | 11.53 | 11.74 | 11.95 | 12.13 | 12.36 | 12.53 | 12.65 | 12.74 |
| % Ch | -2.7 | 1.8 | 1.8 | 1.5 | 1.9 | 1.3 | 1.0 | 0.7 |
| Durable Manufacturing | 7.06 | 7.28 | 7.47 | 7.63 | 7.89 | 8.09 | 8.23 | 8.30 |
| % Ch | -3.0 | 3.0 | 2.7 | 2.2 | 3.4 | 2.5 | 1.7 | 0.8 |
| Nondurable Manufacturing | 4.46 | 4.46 | 4.48 | 4.50 | 4.47 | 4.44 | 4.42 | 4.44 |
| % Ch | -2.2 | -0.1 | 0.4 | 0.4 | -0.6 | -0.8 | -0.3 | 0.4 |
| Construction | 5.52 | 5.50 | 5.54 | 5.68 | 6.08 | 6.71 | 7.24 | 7.58 |
| % Ch | -8.2 | -0.3 | 0.7 | 2.5 | 7.2 | 10.2 | 7.9 | 4.7 |
| Service-Providing | 112.11 | 113.34 | 114.95 | 116.77 | 118.53 | 120.27 | 122.09 | 123.67 |
| % Ch | -0.1 | 1.1 | 1.4 | 1.6 | 1.5 | 1.5 | 1.5 | 1.3 |
| Miscellaneous Indicators | | | | | | | | |
| Oil-WTI (\$ per barrel) | 79.4 | 95.1 | 93.7 | 87.2 | 87.7 | 86.4 | 85.4 | 85.0 |
| Personal Saving/Disposable Income (%) | 5.1 | 4.3 | 3.7 | 3.7 | 4.2 | 4.3 | 4.7 | 4.5 |
| Auto Sales (Millions) | 5.7 | 6.2 | 7.3 | 7.7 | 8.0 | 8.2 | 8.5 | 8.7 |
| % Ch | 5.0 | 8.1 | 17.9 | 5.9 | 3.2 | 2.3 | 4.4 | 2.2 |
| Housing Starts (Millions) | 0.586 | 0.612 | 0.762 | 0.929 | 1.182 | 1.440 | 1.518 | 1.551 |
| % Ch | 5.7 | 4.5 | 24.5 | 21.9 | 27.2 | 21.8 | 5.5 | 2.2 |
| Federal Budget Surplus (Billions) | -1,308.1 | -1,237.4 | -1,063.0 | -836.5 | -738.9 | -676.1 | -705.6 | -717.4 |
| Net Exports (Billions) | -511.6 | -568.1 | -565.4 | -526.9 | -548.3 | -550.7 | -505.9 | -457.3 |
| 3-Month Treasury Bill Rate (%) | 0.14 | 0.05 | 0.09 | 0.12 | 0.12 | 0.74 | 2.67 | 3.73 |
| 10-Year Treasury Note Yield (%) | 3.21 | 2.79 | 1.83 | 2.15 | 2.79 | 3.49 | 4.31 | 4.80 |
| Bond Index of 20 G.O. Munis. (%) | 4.29 | 4.50 | 3.77 | 3.95 | 4.34 | 4.84 | 5.41 | 5.73 |
| 30-Year Fixed Mortgage Rate (%) | 4.69 | 4.46 | 3.67 | 3.47 | 4.08 | 5.22 | 6.12 | 6.60 |

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2012 to 2017

| | 2012:1 | 2012:2 | 2012:3 | 2012:4 | 2013:1 | 2013:2 | 2013:3 | 2013:4 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Real National Income Accounts (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Gross Domestic Product | 13,506.4 | 13,548.5 | 13,616.2 | 13,675.7 | 13,732.0 | 13,808.3 | 13,898.1 | 13,998.2 |
| % Ch , Annual Rate | 2.0 | 1.3 | 2.0 | 1.8 | 1.7 | 2.2 | 2.6 | 2.9 |
| Real Consumption | 9,546.8 | 9,582.5 | 9,630.3 | 9,681.1 | 9,715.7 | 9,764.7 | 9,825.5 | 9,889.0 |
| % Ch , Annual Rate | 2.4 | 1.5 | 2.0 | 2.1 | 1.4 | 2.0 | 2.5 | 2.6 |
| Real Nonresidential Fixed Investment | 1,470.0 | 1,482.9 | 1,478.2 | 1,493.2 | 1,508.8 | 1,541.3 | 1,576.6 | 1,614.1 |
| % Ch , Annual Rate | 7.5 | 3.6 | -1.3 | 4.1 | 4.2 | 8.9 | 9.5 | 9.9 |
| Real Residential Fixed Investment | 352.1 | 359.3 | 371.6 | 391.5 | 403.5 | 415.2 | 427.4 | 446.4 |
| % Ch , Annual Rate | 20.6 | 8.4 | 14.4 | 23.2 | 12.9 | 12.1 | 12.3 | 19.0 |
| Real Personal Income | 11,471.9 | 11,565.2 | 11,590.9 | 11,641.3 | 11,722.3 | 11,821.6 | 11,913.3 | 12,013.0 |
| % Ch , Annual Rate | 4.0 | 3.3 | 0.9 | 1.8 | 2.8 | 3.4 | 3.1 | 3.4 |
| Real Per Capita Income (\$/Person) | 36,515 | 36,723 | 36,716 | 36,786 | 36,953 | 37,176 | 37,373 | 37,595 |
| % Ch , Annual Rate | 3.0 | 2.3 | -0.1 | 0.8 | 1.8 | 2.4 | 2.1 | 2.4 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.153 | 1.155 | 1.160 | 1.164 | 1.168 | 1.171 | 1.176 | 1.180 |
| % Ch , Annual Rate | 2.5 | 0.7 | 1.8 | 1.5 | 1.2 | 1.2 | 1.6 | 1.4 |
| U.S. Consumer Price Index (1982-84=1.0) | 2.283 | 2.288 | 2.301 | 2.312 | 2.319 | 2.327 | 2.339 | 2.349 |
| % Ch , Annual Rate | 2.5 | 0.8 | 2.3 | 1.9 | 1.3 | 1.4 | 2.0 | 1.7 |
| Employment Cost Index (Dec. 2005=1.0) | 1.153 | 1.158 | 1.163 | 1.168 | 1.174 | 1.180 | 1.186 | 1.192 |
| % Ch , Annual Rate | 2.1 | 1.7 | 1.7 | 1.9 | 1.9 | 2.0 | 2.1 | 2.2 |
| Current Dollar National Income (Billions of Dollars) | | | | | | | | |
| Gross Domestic Product | 15,478.3 | 15,585.6 | 15,775.7 | 15,904.2 | 16,043.9 | 16,198.9 | 16,374.7 | 16,566.1 |
| % Ch , Annual Rate | 4.2 | 2.8 | 5.0 | 3.3 | 3.6 | 3.9 | 4.4 | 4.8 |
| Personal Income | 13,227.1 | 13,357.4 | 13,446.7 | 13,555.4 | 13,690.6 | 13,847.5 | 14,010.1 | 14,176.4 |
| % Ch , Annual Rate | 6.6 | 4.0 | 2.7 | 3.3 | 4.0 | 4.7 | 4.8 | 4.8 |
| Employment (Millions) | | | | | | | | |
| U.S. Civilian Labor Force | 154.7 | 154.8 | 154.9 | 155.6 | 156.0 | 156.4 | 156.7 | 157.1 |
| Total U.S. Employment | 141.9 | 142.2 | 142.4 | 143.4 | 143.9 | 144.3 | 144.7 | 145.2 |
| Unemployment Rate (%) | 8.27 | 8.17 | 8.07 | 7.86 | 7.78 | 7.74 | 7.66 | 7.56 |
| Nonfarm Payroll Employment | 132.68 | 133.00 | 133.42 | 133.97 | 134.47 | 135.06 | 135.70 | 136.33 |
| % Ch , Annual Rate | 2.1 | 1.0 | 1.3 | 1.7 | 1.5 | 1.8 | 1.9 | 1.9 |
| Manufacturing | 11.89 | 11.95 | 11.97 | 11.98 | 12.03 | 12.12 | 12.17 | 12.20 |
| % Ch , Annual Rate | 3.6 | 2.0 | 0.5 | 0.4 | 1.5 | 3.1 | 1.8 | 0.9 |
| Durable Manufacturing | 7.43 | 7.48 | 7.49 | 7.49 | 7.53 | 7.61 | 7.67 | 7.71 |
| % Ch , Annual Rate | 5.1 | 2.6 | 0.6 | 0.1 | 2.1 | 4.6 | 3.3 | 2.0 |
| Nondurable Manufacturing | 4.47 | 4.48 | 4.48 | 4.49 | 4.50 | 4.50 | 4.50 | 4.49 |
| % Ch , Annual Rate | 1.3 | 1.0 | 0.3 | 1.0 | 0.7 | 0.5 | -0.5 | -0.9 |
| Construction | 5.56 | 5.52 | 5.52 | 5.56 | 5.60 | 5.64 | 5.69 | 5.78 |
| % Ch , Annual Rate | 2.2 | -2.6 | -0.2 | 2.9 | 2.9 | 2.7 | 3.9 | 6.4 |
| Service-Providing | 114.39 | 114.69 | 115.10 | 115.61 | 116.02 | 116.50 | 117.03 | 117.53 |
| % Ch , Annual Rate | 1.9 | 1.0 | 1.4 | 1.8 | 1.4 | 1.6 | 1.8 | 1.7 |
| Miscellaneous Indicators | | | | | | | | |
| Oil-WTI (\$ per barrel) | 102.9 | 93.5 | 92.3 | 86.2 | 85.5 | 87.2 | 88.0 | 88.3 |
| Personal Saving/Disposable Income (%) | 3.6 | 4.0 | 3.7 | 3.5 | 3.6 | 3.7 | 3.7 | 3.8 |
| Auto Sales (Millions) | 7.3 | 7.1 | 7.3 | 7.4 | 7.6 | 7.8 | 7.9 | 7.7 |
| % Ch , Annual Rate | 60.2 | -14.0 | 15.7 | 6.0 | 9.8 | 10.7 | 1.8 | -9.9 |
| Housing Starts (Millions) | 0.715 | 0.736 | 0.786 | 0.812 | 0.853 | 0.884 | 0.952 | 1.025 |
| % Ch , Annual Rate | 23.2 | 12.3 | 30.3 | 13.9 | 21.9 | 15.3 | 34.6 | 34.6 |
| Federal Budget Surplus (Billions) | -1,058.7 | -1,105.7 | -1,061.4 | -1,026.1 | -900.8 | -852.0 | -809.1 | -784.3 |
| Net Exports (Billions) | -615.8 | -576.9 | -536.5 | -532.2 | -527.6 | -525.1 | -522.2 | -532.6 |
| 3-Month Treasury Bill Rate (%) | 0.07 | 0.09 | 0.10 | 0.12 | 0.11 | 0.11 | 0.12 | 0.13 |
| 10-Year Treasury Note Yield (%) | 2.04 | 1.82 | 1.64 | 1.80 | 1.88 | 1.98 | 2.24 | 2.49 |
| Bond Index of 20 G.O. Munis. (%) | 3.75 | 3.88 | 3.75 | 3.72 | 3.80 | 3.90 | 3.99 | 4.11 |
| 30-Year Fixed Mortgage Rate (%) | 3.92 | 3.80 | 3.55 | 3.40 | 3.42 | 3.43 | 3.46 | 3.56 |

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2012 to 2017

| | 2014:1 | 2014:2 | 2014:3 | 2014:4 | 2015:1 | 2015:2 | 2015:3 | 2015:4 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Real National Income Accounts (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Gross Domestic Product | 14,082.5 | 14,183.1 | 14,301.4 | 14,421.8 | 14,521.5 | 14,634.1 | 14,748.4 | 14,851.6 |
| % Ch , Annual Rate | 2.4 | 2.9 | 3.4 | 3.4 | 2.8 | 3.1 | 3.2 | 2.8 |
| Real Consumption | 9,949.3 | 10,013.3 | 10,085.3 | 10,165.3 | 10,219.1 | 10,288.9 | 10,360.2 | 10,430.2 |
| % Ch , Annual Rate | 2.5 | 2.6 | 2.9 | 3.2 | 2.1 | 2.8 | 2.8 | 2.7 |
| Real Nonresidential Fixed Investment | 1,643.2 | 1,673.4 | 1,701.4 | 1,728.6 | 1,757.0 | 1,779.5 | 1,801.8 | 1,820.1 |
| % Ch , Annual Rate | 7.4 | 7.5 | 6.9 | 6.6 | 6.7 | 5.2 | 5.1 | 4.1 |
| Real Residential Fixed Investment | 464.3 | 484.7 | 506.5 | 528.2 | 547.2 | 564.4 | 578.7 | 588.2 |
| % Ch , Annual Rate | 17.0 | 18.7 | 19.3 | 18.3 | 15.1 | 13.2 | 10.6 | 6.7 |
| Real Personal Income | 12,140.9 | 12,229.1 | 12,326.5 | 12,423.8 | 12,513.1 | 12,604.7 | 12,703.1 | 12,800.8 |
| % Ch , Annual Rate | 4.3 | 2.9 | 3.2 | 3.2 | 2.9 | 3.0 | 3.2 | 3.1 |
| Real Per Capita Income (\$/Person) | 37,903 | 38,087 | 38,297 | 38,506 | 38,690 | 38,879 | 39,088 | 39,294 |
| % Ch , Annual Rate | 3.3 | 1.9 | 2.2 | 2.2 | 1.9 | 2.0 | 2.2 | 2.1 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.185 | 1.191 | 1.196 | 1.201 | 1.206 | 1.211 | 1.216 | 1.221 |
| % Ch , Annual Rate | 1.8 | 1.8 | 1.7 | 1.7 | 1.8 | 1.7 | 1.6 | 1.6 |
| U.S. Consumer Price Index (1982-84=1.0) | 2.361 | 2.373 | 2.384 | 2.395 | 2.406 | 2.417 | 2.426 | 2.435 |
| % Ch , Annual Rate | 2.0 | 2.1 | 1.9 | 1.8 | 1.9 | 1.7 | 1.6 | 1.5 |
| Employment Cost Index (Dec. 2005=1.0) | 1.199 | 1.206 | 1.212 | 1.218 | 1.225 | 1.232 | 1.238 | 1.245 |
| % Ch , Annual Rate | 2.2 | 2.2 | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 2.3 |
| Current Dollar National Income (Billions of Dollars) | | | | | | | | |
| Gross Domestic Product | 16,742.7 | 16,934.0 | 17,144.8 | 17,357.0 | 17,553.2 | 17,754.9 | 17,956.2 | 18,147.2 |
| % Ch , Annual Rate | 4.3 | 4.6 | 5.1 | 5.0 | 4.6 | 4.7 | 4.6 | 4.3 |
| Personal Income | 14,390.2 | 14,559.4 | 14,737.8 | 14,916.8 | 15,092.6 | 15,268.6 | 15,450.1 | 15,631.7 |
| % Ch , Annual Rate | 6.2 | 4.8 | 5.0 | 4.9 | 4.8 | 4.7 | 4.8 | 4.8 |
| Employment (Millions) | | | | | | | | |
| U.S. Civilian Labor Force | 157.4 | 157.8 | 158.1 | 158.4 | 158.7 | 159.1 | 159.4 | 159.8 |
| Total U.S. Employment | 145.7 | 146.2 | 146.7 | 147.2 | 147.8 | 148.3 | 148.8 | 149.4 |
| Unemployment Rate (%) | 7.47 | 7.36 | 7.22 | 7.06 | 6.92 | 6.78 | 6.63 | 6.51 |
| Nonfarm Payroll Employment | 136.88 | 137.44 | 138.08 | 138.75 | 139.35 | 139.98 | 140.61 | 141.25 |
| % Ch , Annual Rate | 1.6 | 1.7 | 1.9 | 1.9 | 1.7 | 1.8 | 1.8 | 1.8 |
| Manufacturing | 12.29 | 12.34 | 12.39 | 12.44 | 12.48 | 12.51 | 12.54 | 12.58 |
| % Ch , Annual Rate | 2.9 | 1.8 | 1.5 | 1.6 | 1.5 | 1.0 | 0.8 | 1.2 |
| Durable Manufacturing | 7.80 | 7.87 | 7.92 | 7.98 | 8.03 | 8.07 | 8.11 | 8.15 |
| % Ch , Annual Rate | 4.7 | 3.4 | 2.9 | 2.9 | 2.5 | 2.3 | 1.9 | 1.9 |
| Nondurable Manufacturing | 4.49 | 4.48 | 4.47 | 4.46 | 4.45 | 4.44 | 4.43 | 4.42 |
| % Ch , Annual Rate | -0.2 | -0.9 | -0.9 | -0.8 | -0.4 | -1.2 | -1.1 | -0.2 |
| Construction | 5.88 | 6.00 | 6.15 | 6.31 | 6.47 | 6.63 | 6.79 | 6.94 |
| % Ch , Annual Rate | 7.1 | 8.6 | 10.2 | 10.7 | 10.7 | 10.5 | 9.8 | 8.9 |
| Service-Providing | 117.90 | 118.29 | 118.74 | 119.20 | 119.59 | 120.03 | 120.49 | 120.95 |
| % Ch , Annual Rate | 1.3 | 1.3 | 1.5 | 1.6 | 1.3 | 1.5 | 1.6 | 1.5 |
| Miscellaneous Indicators | | | | | | | | |
| Oil-WTI (\$ per barrel) | 88.1 | 87.8 | 87.5 | 87.3 | 86.9 | 86.5 | 86.1 | 85.9 |
| Personal Saving/Disposable Income (%) | 4.1 | 4.2 | 4.3 | 4.3 | 4.1 | 4.2 | 4.4 | 4.5 |
| Auto Sales (Millions) | 7.9 | 8.0 | 8.1 | 8.0 | 8.1 | 8.2 | 8.2 | 8.2 |
| % Ch , Annual Rate | 10.9 | 9.1 | 3.2 | -5.1 | 4.2 | 5.6 | 2.7 | -0.7 |
| Housing Starts (Millions) | 1.069 | 1.145 | 1.214 | 1.299 | 1.362 | 1.426 | 1.470 | 1.501 |
| % Ch , Annual Rate | 17.9 | 32.0 | 26.2 | 30.9 | 21.0 | 20.2 | 13.0 | 8.5 |
| Federal Budget Surplus (Billions) | -752.3 | -749.0 | -733.4 | -721.0 | -661.9 | -675.6 | -681.5 | -685.6 |
| Net Exports (Billions) | -545.4 | -547.9 | -546.8 | -553.0 | -553.8 | -553.8 | -551.1 | -544.3 |
| 3-Month Treasury Bill Rate (%) | 0.13 | 0.12 | 0.12 | 0.12 | 0.15 | 0.41 | 0.96 | 1.44 |
| 10-Year Treasury Note Yield (%) | 2.62 | 2.72 | 2.84 | 2.99 | 3.17 | 3.37 | 3.63 | 3.80 |
| Bond Index of 20 G.O. Munis. (%) | 4.23 | 4.30 | 4.38 | 4.44 | 4.57 | 4.79 | 4.97 | 5.04 |
| 30-Year Fixed Mortgage Rate (%) | 3.69 | 3.88 | 4.22 | 4.53 | 4.80 | 5.11 | 5.39 | 5.58 |

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2012 to 2017

| | 2016:1 | 2016:2 | 2016:3 | 2016:4 | 2017:1 | 2017:2 | 2017:3 | 2017:4 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Real National Income Accounts (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Gross Domestic Product | 14,953.9 | 15,057.8 | 15,168.3 | 15,279.5 | 15,379.9 | 15,483.9 | 15,588.5 | 15,699.9 |
| % Ch , Annual Rate | 2.8 | 2.8 | 3.0 | 3.0 | 2.7 | 2.7 | 2.7 | 2.9 |
| Real Consumption | 10,496.6 | 10,566.1 | 10,638.8 | 10,711.7 | 10,774.1 | 10,841.2 | 10,912.9 | 10,987.7 |
| % Ch , Annual Rate | 2.6 | 2.7 | 2.8 | 2.8 | 2.4 | 2.5 | 2.7 | 2.8 |
| Real Nonresidential Fixed Investment | 1,836.6 | 1,854.4 | 1,877.0 | 1,900.6 | 1,923.3 | 1,944.8 | 1,961.5 | 1,979.5 |
| % Ch , Annual Rate | 3.7 | 3.9 | 5.0 | 5.1 | 4.9 | 4.5 | 3.5 | 3.7 |
| Real Residential Fixed Investment | 596.2 | 601.3 | 604.1 | 604.7 | 606.8 | 607.3 | 607.9 | 610.5 |
| % Ch , Annual Rate | 5.5 | 3.5 | 1.9 | 0.4 | 1.4 | 0.4 | 0.4 | 1.7 |
| Real Personal Income | 12,924.2 | 13,015.4 | 13,107.0 | 13,204.2 | 13,281.0 | 13,373.4 | 13,461.7 | 13,551.2 |
| % Ch , Annual Rate | 3.9 | 2.9 | 2.8 | 3.0 | 2.3 | 2.8 | 2.7 | 2.7 |
| Real Per Capita Income (\$/Person) | 39,577 | 39,761 | 39,945 | 40,144 | 40,281 | 40,465 | 40,634 | 40,807 |
| % Ch , Annual Rate | 2.9 | 1.9 | 1.9 | 2.0 | 1.4 | 1.8 | 1.7 | 1.7 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.226 | 1.231 | 1.236 | 1.241 | 1.247 | 1.252 | 1.257 | 1.262 |
| % Ch , Annual Rate | 1.7 | 1.7 | 1.6 | 1.6 | 1.7 | 1.6 | 1.6 | 1.6 |
| U.S. Consumer Price Index (1982-84=1.0) | 2.445 | 2.456 | 2.466 | 2.476 | 2.486 | 2.496 | 2.506 | 2.516 |
| % Ch , Annual Rate | 1.6 | 1.7 | 1.6 | 1.6 | 1.7 | 1.6 | 1.6 | 1.7 |
| Employment Cost Index (Dec. 2005=1.0) | 1.252 | 1.259 | 1.266 | 1.273 | 1.280 | 1.288 | 1.295 | 1.303 |
| % Ch , Annual Rate | 2.3 | 2.3 | 2.3 | 2.2 | 2.2 | 2.3 | 2.3 | 2.3 |
| Current Dollar National Income (Billions of Dollars) | | | | | | | | |
| Gross Domestic Product | 18,353.2 | 18,557.4 | 18,767.7 | 18,979.8 | 19,186.7 | 19,387.6 | 19,588.2 | 19,799.0 |
| % Ch , Annual Rate | 4.6 | 4.5 | 4.6 | 4.6 | 4.4 | 4.3 | 4.2 | 4.4 |
| Personal Income | 15,847.2 | 16,027.2 | 16,205.9 | 16,391.5 | 16,556.3 | 16,738.0 | 16,916.0 | 17,097.8 |
| % Ch , Annual Rate | 5.6 | 4.6 | 4.5 | 4.7 | 4.1 | 4.5 | 4.3 | 4.4 |
| Employment (Millions) | | | | | | | | |
| U.S. Civilian Labor Force | 160.1 | 160.4 | 160.8 | 161.1 | 161.4 | 161.7 | 162.1 | 162.4 |
| Total U.S. Employment | 149.8 | 150.3 | 150.8 | 151.2 | 151.6 | 152.0 | 152.4 | 152.8 |
| Unemployment Rate (%) | 6.41 | 6.32 | 6.22 | 6.13 | 6.06 | 6.00 | 5.94 | 5.88 |
| Nonfarm Payroll Employment | 141.86 | 142.46 | 143.04 | 143.61 | 144.07 | 144.52 | 144.93 | 145.34 |
| % Ch, Annual Rate | 1.7 | 1.7 | 1.7 | 1.6 | 1.3 | 1.3 | 1.1 | 1.2 |
| Manufacturing | 12.61 | 12.64 | 12.67 | 12.70 | 12.72 | 12.73 | 12.75 | 12.75 |
| % Ch, Annual Rate | 1.1 | 0.9 | 1.0 | 0.8 | 0.8 | 0.4 | 0.4 | 0.1 |
| Durable Manufacturing | 8.19 | 8.21 | 8.25 | 8.27 | 8.29 | 8.29 | 8.30 | 8.30 |
| % Ch, Annual Rate | 1.7 | 1.4 | 1.5 | 1.2 | 0.9 | 0.3 | 0.4 | 0.0 |
| Nondurable Manufacturing | 4.42 | 4.42 | 4.42 | 4.43 | 4.43 | 4.44 | 4.44 | 4.45 |
| % Ch, Annual Rate | -0.1 | 0.1 | -0.1 | 0.1 | 0.7 | 0.6 | 0.3 | 0.3 |
| Construction | 7.07 | 7.19 | 7.30 | 7.39 | 7.48 | 7.55 | 7.62 | 7.67 |
| % Ch, Annual Rate | 7.9 | 7.1 | 6.1 | 5.1 | 4.7 | 4.2 | 3.4 | 2.9 |
| Service-Providing | 121.41 | 121.86 | 122.32 | 122.77 | 123.13 | 123.50 | 123.84 | 124.21 |
| % Ch, Annual Rate | 1.5 | 1.5 | 1.5 | 1.5 | 1.2 | 1.2 | 1.1 | 1.2 |
| Miscellaneous Indicators | | | | | | | | |
| Oil-WTI (\$ per barrel) | 85.7 | 85.4 | 85.2 | 85.1 | 85.0 | 85.0 | 84.9 | 84.9 |
| Personal Saving/Disposable Income (%) | 4.5 | 4.6 | 4.7 | 4.8 | 4.5 | 4.6 | 4.5 | 4.5 |
| Auto Sales (Millions) | 8.4 | 8.5 | 8.6 | 8.7 | 8.6 | 8.7 | 8.7 | 8.8 |
| % Ch, Annual Rate | 8.8 | 5.8 | 3.0 | 3.6 | -0.9 | 3.7 | 1.9 | 2.5 |
| Housing Starts (Millions) | 1.507 | 1.511 | 1.519 | 1.536 | 1.546 | 1.550 | 1.553 | 1.556 |
| % Ch, Annual Rate | 1.8 | 1.0 | 2.0 | 4.6 | 2.7 | 1.1 | 0.8 | 0.7 |
| Federal Budget Surplus (Billions) | -680.0 | -695.0 | -715.4 | -732.1 | -699.2 | -717.8 | -721.3 | -731.1 |
| Net Exports (Billions) | -526.1 | -510.2 | -499.8 | -487.7 | -476.5 | -464.6 | -451.4 | -436.6 |
| 3-Month Treasury Bill Rate (%) | 1.94 | 2.44 | 2.93 | 3.36 | 3.67 | 3.75 | 3.75 | 3.75 |
| 10-Year Treasury Note Yield (%) | 3.99 | 4.23 | 4.40 | 4.63 | 4.80 | 4.81 | 4.80 | 4.80 |
| Bond Index of 20 G.O. Munis. (%) | 5.18 | 5.36 | 5.47 | 5.63 | 5.74 | 5.73 | 5.72 | 5.71 |
| 30-Year Fixed Mortgage Rate (%) | 5.81 | 6.04 | 6.20 | 6.42 | 6.61 | 6.60 | 6.59 | 6.59 |

Table A1.3

Washington Economic Forecast Summary

Forecast 2012 to 2017

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Real Income (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Personal Income | 255.091 | 263.372 | 271.044 | 278.307 | 288.877 | 298.627 | 308.798 | 317.832 |
| % Ch | 0.5 | 3.2 | 2.9 | 2.7 | 3.8 | 3.4 | 3.4 | 2.9 |
| Real Wage and Salary Disb. | 133.851 | 136.806 | 141.338 | 145.057 | 149.929 | 154.704 | 159.103 | 163.293 |
| % Ch | -0.7 | 2.2 | 3.3 | 2.6 | 3.4 | 3.2 | 2.8 | 2.6 |
| Real Nonwage Income | 121.240 | 126.565 | 129.706 | 133.250 | 138.948 | 143.924 | 149.695 | 154.539 |
| % Ch | 1.8 | 4.4 | 2.5 | 2.7 | 4.3 | 3.6 | 4.0 | 3.2 |
| Real Per Capita Income (\$/Person) | 37,765 | 38,498 | 39,117 | 39,650 | 40,601 | 41,412 | 42,284 | 43,016 |
| % Ch | -0.5 | 1.9 | 1.6 | 1.4 | 2.4 | 2.0 | 2.1 | 1.7 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.111 | 1.138 | 1.158 | 1.174 | 1.193 | 1.214 | 1.234 | 1.254 |
| % Ch | 1.9 | 2.4 | 1.8 | 1.4 | 1.6 | 1.7 | 1.7 | 1.6 |
| Seattle Cons. Price Index (1982-84=1.0) | 2.267 | 2.328 | 2.391 | 2.446 | 2.498 | 2.547 | 2.594 | 2.641 |
| % Ch | 0.3 | 2.7 | 2.7 | 2.3 | 2.1 | 2.0 | 1.8 | 1.8 |
| Average Nonfarm Annual Wage | 51,051 | 52,809 | 54,566 | 55,681 | 57,415 | 59,129 | 60,772 | 62,537 |
| % Ch | 2.6 | 3.4 | 3.3 | 2.0 | 3.1 | 3.0 | 2.8 | 2.9 |
| Avg. Hourly Earnings-Mfg. (\$/Hour) | 23.49 | 23.98 | 24.06 | 24.32 | 24.75 | 25.20 | 25.67 | 26.16 |
| % Ch | 0.4 | 2.1 | 0.3 | 1.1 | 1.8 | 1.8 | 1.9 | 1.9 |
| Current Dollar Income (Billions of Dollars) | | | | | | | | |
| Personal Income | 283.369 | 299.685 | 313.903 | 326.701 | 344.656 | 362.467 | 381.026 | 398.619 |
| % Ch | 2.4 | 5.8 | 4.7 | 4.1 | 5.5 | 5.2 | 5.1 | 4.6 |
| Disposable Personal Income | 255.893 | 267.326 | 279.261 | 288.790 | 303.819 | 318.858 | 334.863 | 349.915 |
| % Ch | 2.3 | 4.5 | 4.5 | 3.4 | 5.2 | 4.9 | 5.0 | 4.5 |
| Per Capita Income (\$/Person) | 41,951 | 43,805 | 45,302 | 46,544 | 48,440 | 50,264 | 52,174 | 53,950 |
| % Ch | 1.4 | 4.4 | 3.4 | 2.7 | 4.1 | 3.8 | 3.8 | 3.4 |
| Employment (Thousands) | | | | | | | | |
| Washington Civilian Labor Force | 3,515.5 | 3,485.4 | 3,502.8 | 3,520.3 | 3,570.5 | 3,619.9 | 3,665.1 | 3,706.5 |
| Total Washington Employment | 3,167.0 | 3,165.6 | 3,211.0 | 3,238.3 | 3,297.9 | 3,362.6 | 3,418.5 | 3,466.8 |
| Unemployment Rate (%) | 9.91 | 9.17 | 8.33 | 8.01 | 7.64 | 7.11 | 6.73 | 6.47 |
| Nonfarm Payroll Employment | 2,786.2 | 2,823.3 | 2,875.4 | 2,935.4 | 2,995.5 | 3,057.3 | 3,112.5 | 3,157.0 |
| % Ch | -1.3 | 1.3 | 1.8 | 2.1 | 2.0 | 2.1 | 1.8 | 1.4 |
| Manufacturing | 258.2 | 268.8 | 280.7 | 288.0 | 293.5 | 298.1 | 301.8 | 305.2 |
| % Ch | -2.8 | 4.1 | 4.4 | 2.6 | 1.9 | 1.6 | 1.2 | 1.1 |
| Durable Manufacturing | 184.3 | 193.5 | 204.7 | 210.4 | 215.1 | 219.1 | 221.9 | 223.8 |
| % Ch | -3.3 | 5.0 | 5.8 | 2.8 | 2.2 | 1.9 | 1.3 | 0.9 |
| Aerospace | 80.8 | 86.6 | 94.2 | 96.0 | 94.7 | 93.2 | 91.8 | 90.5 |
| % Ch | -2.5 | 7.2 | 8.7 | 2.0 | -1.4 | -1.5 | -1.5 | -1.5 |
| Nondurable Manufacturing | 73.9 | 75.2 | 75.9 | 77.6 | 78.5 | 79.0 | 79.9 | 81.4 |
| % Ch | -1.3 | 1.8 | 0.9 | 2.1 | 1.2 | 0.6 | 1.2 | 1.9 |
| Construction | 140.7 | 137.3 | 140.6 | 146.2 | 155.8 | 168.2 | 177.5 | 183.6 |
| % Ch | -11.9 | -2.4 | 2.3 | 4.0 | 6.5 | 8.0 | 5.5 | 3.4 |
| Service-Providing | 2,381.4 | 2,411.2 | 2,448.3 | 2,495.0 | 2,539.4 | 2,583.4 | 2,625.1 | 2,660.3 |
| % Ch | -0.4 | 1.3 | 1.5 | 1.9 | 1.8 | 1.7 | 1.6 | 1.3 |
| Software Publishers | 50.9 | 51.6 | 52.6 | 53.8 | 54.7 | 55.5 | 56.5 | 57.5 |
| % Ch | -1.1 | 1.5 | 1.8 | 2.4 | 1.5 | 1.6 | 1.7 | 1.8 |
| Housing Indicators (Thousands) | | | | | | | | |
| Housing Units Authorized by Bldg. Permit | 20.691 | 20.864 | 28.117 | 29.240 | 32.023 | 36.255 | 38.425 | 39.646 |
| % Ch | 21.6 | 0.8 | 34.8 | 4.0 | 9.5 | 13.2 | 6.0 | 3.2 |
| Single-Family | 14.702 | 13.159 | 16.626 | 18.069 | 20.356 | 23.973 | 26.158 | 27.074 |
| % Ch | 13.2 | -10.5 | 26.3 | 8.7 | 12.7 | 17.8 | 9.1 | 3.5 |
| Multi-Family | 5.989 | 7.705 | 11.491 | 11.171 | 11.666 | 12.282 | 12.267 | 12.571 |
| % Ch | 49.0 | 28.7 | 49.1 | -2.8 | 4.4 | 5.3 | -0.1 | 2.5 |
| 30-Year Fixed Mortgage Rate (%) | 4.69 | 4.46 | 3.67 | 3.47 | 4.08 | 5.22 | 6.12 | 6.60 |

Table A1.4

Washington Economic Forecast Summary

Forecast 2012 to 2017

| | 2012:1 | 2012:2 | 2012:3 | 2012:4 | 2013:1 | 2013:2 | 2013:3 | 2013:4 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Real Income (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Personal Income | 269.339 | 269.968 | 272.253 | 272.618 | 274.019 | 277.286 | 279.808 | 282.114 |
| % Ch, Annual Rate | 7.2 | 0.9 | 3.4 | 0.5 | 2.1 | 4.9 | 3.7 | 3.3 |
| Real Wage and Salary Disb. | 141.251 | 140.047 | 142.119 | 141.937 | 142.614 | 144.627 | 145.978 | 147.008 |
| % Ch, Annual Rate | 10.0 | -3.4 | 6.1 | -0.5 | 1.9 | 5.8 | 3.8 | 2.9 |
| Real Nonwage Income | 128.088 | 129.921 | 130.134 | 130.681 | 131.405 | 132.659 | 133.830 | 135.105 |
| % Ch, Annual Rate | 4.3 | 5.8 | 0.7 | 1.7 | 2.2 | 3.9 | 3.6 | 3.9 |
| Real Per Capita Income (\$/Person) | 39,054 | 39,019 | 39,233 | 39,163 | 39,236 | 39,573 | 39,799 | 39,991 |
| % Ch, Annual Rate | 5.8 | -0.4 | 2.2 | -0.7 | 0.8 | 3.5 | 2.3 | 1.9 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.153 | 1.155 | 1.160 | 1.164 | 1.168 | 1.171 | 1.176 | 1.180 |
| % Ch, Annual Rate | 2.5 | 0.7 | 1.8 | 1.5 | 1.2 | 1.2 | 1.6 | 1.4 |
| Seattle Cons. Price Index (1982-84=1.0) | 2.364 | 2.382 | 2.400 | 2.417 | 2.428 | 2.439 | 2.452 | 2.464 |
| % Ch, Annual Rate | 0.7 | 3.0 | 3.1 | 2.7 | 1.9 | 1.8 | 2.2 | 1.9 |
| Average Nonfarm Annual Wage | 54,744 | 54,058 | 54,795 | 54,667 | 54,835 | 55,530 | 56,010 | 56,351 |
| % Ch, Annual Rate | 10.5 | -4.9 | 5.6 | -0.9 | 1.2 | 5.2 | 3.5 | 2.5 |
| Avg. Hourly Earnings-Mfg. (\$/Hour) | 24.02 | 24.06 | 24.08 | 24.08 | 24.17 | 24.27 | 24.37 | 24.48 |
| % Ch, Annual Rate | -1.4 | 0.6 | 0.4 | 0.0 | 1.5 | 1.6 | 1.7 | 1.8 |
| Current Dollar Income (Billions of Dollars) | | | | | | | | |
| Personal Income | 310.541 | 311.794 | 315.836 | 317.441 | 320.028 | 324.804 | 329.055 | 332.919 |
| % Ch, Annual Rate | 9.9 | 1.6 | 5.3 | 2.0 | 3.3 | 6.1 | 5.3 | 4.8 |
| Disposable Personal Income | 276.482 | 277.457 | 280.976 | 282.128 | 283.611 | 287.187 | 290.491 | 293.872 |
| % Ch, Annual Rate | 9.6 | 1.4 | 5.2 | 1.7 | 2.1 | 5.1 | 4.7 | 4.7 |
| Per Capita Income (\$/Person) | 45,029 | 45,065 | 45,514 | 45,602 | 45,824 | 46,354 | 46,804 | 47,193 |
| % Ch, Annual Rate | 8.5 | 0.3 | 4.0 | 0.8 | 2.0 | 4.7 | 3.9 | 3.4 |
| Employment (Thousands) | | | | | | | | |
| Washington Civilian Labor Force | 3,498.1 | 3,520.1 | 3,504.3 | 3,488.8 | 3,501.5 | 3,514.2 | 3,526.6 | 3,538.9 |
| Total Washington Employment | 3,206.9 | 3,228.9 | 3,204.7 | 3,203.6 | 3,218.0 | 3,231.0 | 3,244.8 | 3,259.2 |
| Unemployment Rate (%) | 8.33 | 8.27 | 8.55 | 8.18 | 8.10 | 8.06 | 7.99 | 7.90 |
| Nonfarm Payroll Employment | 2,849.6 | 2,867.3 | 2,885.1 | 2,899.5 | 2,912.6 | 2,927.8 | 2,943.2 | 2,958.0 |
| % Ch, Annual Rate | 1.9 | 2.5 | 2.5 | 2.0 | 1.8 | 2.1 | 2.1 | 2.0 |
| Manufacturing | 276.0 | 279.0 | 282.8 | 284.8 | 286.0 | 287.7 | 288.7 | 289.7 |
| % Ch, Annual Rate | 3.6 | 4.4 | 5.6 | 2.8 | 1.7 | 2.4 | 1.4 | 1.4 |
| Durable Manufacturing | 200.7 | 203.5 | 206.6 | 208.1 | 208.8 | 210.1 | 211.0 | 211.8 |
| % Ch, Annual Rate | 5.9 | 5.8 | 6.2 | 2.9 | 1.5 | 2.5 | 1.6 | 1.6 |
| Aerospace | 91.6 | 93.1 | 95.7 | 96.3 | 96.3 | 96.3 | 95.9 | 95.6 |
| % Ch, Annual Rate | 5.5 | 7.1 | 11.2 | 2.6 | 0.0 | 0.0 | -1.5 | -1.5 |
| Nondurable Manufacturing | 75.3 | 75.5 | 76.2 | 76.7 | 77.1 | 77.5 | 77.7 | 77.9 |
| % Ch, Annual Rate | -2.3 | 0.8 | 4.0 | 2.6 | 2.1 | 2.2 | 0.9 | 0.8 |
| Construction | 137.9 | 140.0 | 141.3 | 143.1 | 144.1 | 145.2 | 146.8 | 148.9 |
| % Ch, Annual Rate | 1.8 | 6.3 | 3.9 | 5.0 | 2.9 | 3.1 | 4.4 | 5.8 |
| Service-Providing | 2,429.7 | 2,442.5 | 2,455.2 | 2,466.0 | 2,476.7 | 2,488.8 | 2,501.5 | 2,513.1 |
| % Ch, Annual Rate | 1.7 | 2.1 | 2.1 | 1.8 | 1.7 | 2.0 | 2.0 | 1.9 |
| Software Publishers | 52.0 | 52.1 | 52.9 | 53.1 | 53.4 | 53.8 | 54.0 | 54.1 |
| % Ch, Annual Rate | 1.3 | 0.9 | 6.2 | 1.7 | 2.0 | 3.2 | 0.9 | 1.1 |
| Housing Indicators (Thousands) | | | | | | | | |
| Housing Units Authorized by Bldg. Permit | 27.676 | 28.054 | 28.431 | 28.305 | 28.940 | 29.059 | 29.323 | 29.637 |
| % Ch, Annual Rate | 183.0 | 5.6 | 5.5 | -1.8 | 9.3 | 1.7 | 3.7 | 4.4 |
| Single-Family | 15.658 | 15.870 | 17.743 | 17.232 | 17.630 | 17.900 | 18.119 | 18.625 |
| % Ch, Annual Rate | 86.0 | 5.5 | 56.2 | -11.0 | 9.6 | 6.3 | 5.0 | 11.6 |
| Multi-Family | 12.019 | 12.184 | 10.687 | 11.074 | 11.310 | 11.158 | 11.203 | 11.012 |
| % Ch, Annual Rate | 427.2 | 5.6 | -40.8 | 15.3 | 8.8 | -5.3 | 1.6 | -6.7 |
| 30-Year Fixed Mortgage Rate (%) | 3.92 | 3.80 | 3.55 | 3.40 | 3.42 | 3.43 | 3.46 | 3.56 |

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2012 to 2017

| | 2014:1 | 2014:2 | 2014:3 | 2014:4 | 2015:1 | 2015:2 | 2015:3 | 2015:4 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Real Income (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Personal Income | 284.576 | 287.704 | 290.422 | 292.805 | 294.417 | 297.570 | 300.131 | 302.391 |
| % Ch, Annual Rate | 3.5 | 4.5 | 3.8 | 3.3 | 2.2 | 4.4 | 3.5 | 3.0 |
| Real Wage and Salary Disb. | 147.539 | 149.463 | 150.825 | 151.888 | 152.423 | 154.364 | 155.571 | 156.456 |
| % Ch, Annual Rate | 1.5 | 5.3 | 3.7 | 2.8 | 1.4 | 5.2 | 3.2 | 2.3 |
| Real Nonwage Income | 137.037 | 138.241 | 139.597 | 140.917 | 141.994 | 143.206 | 144.560 | 145.935 |
| % Ch, Annual Rate | 5.8 | 3.6 | 4.0 | 3.8 | 3.1 | 3.5 | 3.8 | 3.9 |
| Real Per Capita Income (\$/Person) | 40,203 | 40,507 | 40,751 | 40,945 | 41,031 | 41,333 | 41,552 | 41,731 |
| % Ch, Annual Rate | 2.1 | 3.1 | 2.4 | 1.9 | 0.8 | 3.0 | 2.1 | 1.7 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.185 | 1.191 | 1.196 | 1.201 | 1.206 | 1.211 | 1.216 | 1.221 |
| % Ch, Annual Rate | 1.8 | 1.8 | 1.7 | 1.7 | 1.8 | 1.7 | 1.6 | 1.6 |
| Seattle Cons. Price Index (1982-84=1.0) | 2.478 | 2.491 | 2.504 | 2.517 | 2.530 | 2.542 | 2.553 | 2.565 |
| % Ch, Annual Rate | 2.2 | 2.2 | 2.1 | 2.0 | 2.1 | 1.9 | 1.8 | 1.8 |
| Average Nonfarm Annual Wage | 56,527 | 57,270 | 57,752 | 58,111 | 58,275 | 59,015 | 59,453 | 59,775 |
| % Ch, Annual Rate | 1.3 | 5.4 | 3.4 | 2.5 | 1.1 | 5.2 | 3.0 | 2.2 |
| Avg. Hourly Earnings-Mfg. (\$/Hour) | 24.59 | 24.70 | 24.81 | 24.91 | 25.03 | 25.14 | 25.25 | 25.37 |
| % Ch, Annual Rate | 1.9 | 1.8 | 1.7 | 1.7 | 1.8 | 1.8 | 1.8 | 1.9 |
| Current Dollar Income (Billions of Dollars) | | | | | | | | |
| Personal Income | 337.300 | 342.528 | 347.235 | 351.560 | 355.111 | 360.458 | 365.033 | 369.267 |
| % Ch, Annual Rate | 5.4 | 6.3 | 5.6 | 5.1 | 4.1 | 6.2 | 5.2 | 4.7 |
| Disposable Personal Income | 297.220 | 301.964 | 306.108 | 309.984 | 311.966 | 316.974 | 321.318 | 325.174 |
| % Ch, Annual Rate | 4.6 | 6.5 | 5.6 | 5.2 | 2.6 | 6.6 | 5.6 | 4.9 |
| Per Capita Income (\$/Person) | 47,652 | 48,226 | 48,722 | 49,161 | 49,490 | 50,068 | 50,538 | 50,960 |
| % Ch, Annual Rate | 3.9 | 4.9 | 4.2 | 3.7 | 2.7 | 4.8 | 3.8 | 3.4 |
| Employment (Thousands) | | | | | | | | |
| Washington Civilian Labor Force | 3,551.4 | 3,564.3 | 3,576.9 | 3,589.6 | 3,602.1 | 3,614.2 | 3,626.0 | 3,637.5 |
| Total Washington Employment | 3,273.6 | 3,289.3 | 3,305.7 | 3,322.9 | 3,339.2 | 3,355.1 | 3,370.7 | 3,385.3 |
| Unemployment Rate (%) | 7.82 | 7.71 | 7.58 | 7.43 | 7.30 | 7.17 | 7.04 | 6.93 |
| Nonfarm Payroll Employment | 2,971.7 | 2,986.9 | 3,003.2 | 3,019.9 | 3,035.0 | 3,050.1 | 3,064.8 | 3,079.2 |
| % Ch, Annual Rate | 1.9 | 2.1 | 2.2 | 2.2 | 2.0 | 2.0 | 1.9 | 1.9 |
| Manufacturing | 291.6 | 292.9 | 294.2 | 295.5 | 296.7 | 297.7 | 298.5 | 299.5 |
| % Ch, Annual Rate | 2.6 | 1.9 | 1.7 | 1.8 | 1.7 | 1.3 | 1.0 | 1.3 |
| Durable Manufacturing | 213.3 | 214.5 | 215.6 | 216.8 | 217.8 | 218.8 | 219.5 | 220.3 |
| % Ch, Annual Rate | 2.9 | 2.2 | 2.0 | 2.2 | 2.0 | 1.8 | 1.3 | 1.3 |
| Aerospace | 95.2 | 94.8 | 94.5 | 94.1 | 93.8 | 93.4 | 93.1 | 92.7 |
| % Ch, Annual Rate | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 |
| Nondurable Manufacturing | 78.2 | 78.4 | 78.6 | 78.7 | 78.9 | 78.9 | 78.9 | 79.2 |
| % Ch, Annual Rate | 1.9 | 0.9 | 0.8 | 0.8 | 0.9 | 0.0 | 0.1 | 1.3 |
| Construction | 151.2 | 154.2 | 157.2 | 160.5 | 163.9 | 166.9 | 169.8 | 172.3 |
| % Ch, Annual Rate | 6.4 | 8.1 | 8.1 | 8.6 | 8.6 | 7.7 | 7.1 | 6.2 |
| Service-Providing | 2,522.5 | 2,533.2 | 2,545.0 | 2,556.9 | 2,567.1 | 2,577.9 | 2,588.9 | 2,599.6 |
| % Ch, Annual Rate | 1.5 | 1.7 | 1.9 | 1.9 | 1.6 | 1.7 | 1.7 | 1.7 |
| Software Publishers | 54.3 | 54.6 | 54.8 | 55.0 | 55.2 | 55.4 | 55.6 | 55.9 |
| % Ch, Annual Rate | 1.7 | 1.6 | 1.6 | 1.3 | 1.6 | 1.7 | 1.7 | 1.7 |
| Housing Indicators (Thousands) | | | | | | | | |
| Housing Units Authorized by Bldg. Permit | 30.367 | 31.554 | 32.505 | 33.665 | 34.579 | 35.965 | 36.857 | 37.619 |
| % Ch, Annual Rate | 10.2 | 16.6 | 12.6 | 15.1 | 11.3 | 17.0 | 10.3 | 8.5 |
| Single-Family | 19.140 | 20.001 | 20.687 | 21.598 | 22.320 | 23.668 | 24.565 | 25.339 |
| % Ch, Annual Rate | 11.5 | 19.2 | 14.4 | 18.8 | 14.1 | 26.4 | 16.0 | 13.2 |
| Multi-Family | 11.226 | 11.553 | 11.818 | 12.067 | 12.259 | 12.297 | 12.292 | 12.281 |
| % Ch, Annual Rate | 8.0 | 12.2 | 9.5 | 8.7 | 6.5 | 1.2 | -0.2 | -0.4 |
| 30-Year Fixed Mortgage Rate (%) | 3.69 | 3.88 | 4.22 | 4.53 | 4.80 | 5.11 | 5.39 | 5.58 |

Table A1.4 (continued)
Washington Economic Forecast Summary
Forecast 2012 to 2017

| | 2016:1 | 2016:2 | 2016:3 | 2016:4 | 2017:1 | 2017:2 | 2017:3 | 2017:4 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Real Income (Billions of Chained 2005 Dollars) | | | | | | | | |
| Real Personal Income | 304.778 | 307.890 | 310.011 | 312.515 | 313.774 | 316.958 | 319.175 | 321.420 |
| % Ch, Annual Rate | 3.2 | 4.1 | 2.8 | 3.3 | 1.6 | 4.1 | 2.8 | 2.8 |
| Real Wage and Salary Disb. | 157.041 | 158.855 | 159.707 | 160.810 | 161.185 | 163.023 | 163.985 | 164.979 |
| % Ch, Annual Rate | 1.5 | 4.7 | 2.2 | 2.8 | 0.9 | 4.6 | 2.4 | 2.4 |
| Real Nonwage Income | 147.737 | 149.034 | 150.305 | 151.705 | 152.589 | 153.935 | 155.190 | 156.441 |
| % Ch, Annual Rate | 5.0 | 3.6 | 3.5 | 3.8 | 2.4 | 3.6 | 3.3 | 3.3 |
| Real Per Capita Income (\$/Person) | 41,927 | 42,224 | 42,386 | 42,600 | 42,647 | 42,957 | 43,138 | 43,323 |
| % Ch, Annual Rate | 1.9 | 2.9 | 1.5 | 2.0 | 0.4 | 2.9 | 1.7 | 1.7 |
| Price and Wage Indexes | | | | | | | | |
| U.S. Implicit Price Deflator, PCE (2005=1.0) | 1.226 | 1.231 | 1.236 | 1.241 | 1.247 | 1.252 | 1.257 | 1.262 |
| % Ch, Annual Rate | 1.7 | 1.7 | 1.6 | 1.6 | 1.7 | 1.6 | 1.6 | 1.6 |
| Seattle Cons. Price Index (1982-84=1.0) | 2.576 | 2.588 | 2.600 | 2.612 | 2.624 | 2.635 | 2.647 | 2.659 |
| % Ch, Annual Rate | 1.8 | 1.9 | 1.8 | 1.8 | 1.9 | 1.8 | 1.8 | 1.8 |
| Average Nonfarm Annual Wage | 59,954 | 60,675 | 61,006 | 61,455 | 61,618 | 62,393 | 62,836 | 63,303 |
| % Ch, Annual Rate | 1.2 | 4.9 | 2.2 | 3.0 | 1.1 | 5.1 | 2.9 | 3.0 |
| Avg. Hourly Earnings-Mfg. (\$/Hour) | 25.49 | 25.61 | 25.73 | 25.85 | 25.97 | 26.09 | 26.22 | 26.35 |
| % Ch, Annual Rate | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 2.0 |
| Current Dollar Income (Billions of Dollars) | | | | | | | | |
| Personal Income | 373.708 | 379.135 | 383.308 | 387.952 | 391.154 | 396.701 | 401.078 | 405.543 |
| % Ch, Annual Rate | 4.9 | 5.9 | 4.5 | 4.9 | 3.3 | 5.8 | 4.5 | 4.5 |
| Disposable Personal Income | 328.139 | 332.982 | 337.041 | 341.292 | 343.262 | 348.217 | 352.111 | 356.072 |
| % Ch, Annual Rate | 3.7 | 6.0 | 5.0 | 5.1 | 2.3 | 5.9 | 4.5 | 4.6 |
| Per Capita Income (\$/Person) | 51,410 | 51,995 | 52,407 | 52,884 | 53,165 | 53,765 | 54,207 | 54,661 |
| % Ch, Annual Rate | 3.6 | 4.6 | 3.2 | 3.7 | 2.1 | 4.6 | 3.3 | 3.4 |
| Employment (Thousands) | | | | | | | | |
| Washington Civilian Labor Force | 3,648.7 | 3,659.8 | 3,670.7 | 3,681.3 | 3,691.7 | 3,701.8 | 3,711.5 | 3,720.8 |
| Total Washington Employment | 3,399.0 | 3,412.2 | 3,425.2 | 3,437.8 | 3,450.0 | 3,461.5 | 3,472.5 | 3,483.3 |
| Unemployment Rate (%) | 6.85 | 6.77 | 6.69 | 6.61 | 6.55 | 6.49 | 6.44 | 6.38 |
| Nonfarm Payroll Employment | 3,092.8 | 3,106.2 | 3,119.3 | 3,131.5 | 3,142.1 | 3,152.5 | 3,162.0 | 3,171.5 |
| % Ch, Annual Rate | 1.8 | 1.7 | 1.7 | 1.6 | 1.4 | 1.3 | 1.2 | 1.2 |
| Manufacturing | 300.4 | 301.3 | 302.3 | 303.1 | 304.0 | 304.8 | 305.6 | 306.3 |
| % Ch, Annual Rate | 1.3 | 1.2 | 1.3 | 1.1 | 1.2 | 1.0 | 1.0 | 1.0 |
| Durable Manufacturing | 220.9 | 221.5 | 222.2 | 222.7 | 223.2 | 223.5 | 224.0 | 224.4 |
| % Ch, Annual Rate | 1.2 | 1.1 | 1.2 | 1.0 | 0.9 | 0.6 | 0.8 | 0.7 |
| Aerospace | 92.4 | 92.0 | 91.7 | 91.3 | 91.0 | 90.6 | 90.3 | 90.0 |
| % Ch, Annual Rate | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 |
| Nondurable Manufacturing | 79.5 | 79.8 | 80.1 | 80.4 | 80.8 | 81.3 | 81.6 | 82.0 |
| % Ch, Annual Rate | 1.4 | 1.6 | 1.4 | 1.7 | 2.2 | 2.2 | 1.7 | 1.8 |
| Construction | 174.7 | 176.7 | 178.6 | 180.2 | 181.7 | 183.1 | 184.3 | 185.4 |
| % Ch, Annual Rate | 5.5 | 4.8 | 4.2 | 3.6 | 3.4 | 3.2 | 2.7 | 2.4 |
| Service-Providing | 2,609.8 | 2,620.1 | 2,630.4 | 2,640.2 | 2,648.4 | 2,656.6 | 2,664.2 | 2,672.0 |
| % Ch, Annual Rate | 1.6 | 1.6 | 1.6 | 1.5 | 1.2 | 1.2 | 1.2 | 1.2 |
| Software Publishers | 56.1 | 56.4 | 56.6 | 56.8 | 57.1 | 57.3 | 57.6 | 57.8 |
| % Ch, Annual Rate | 1.7 | 1.6 | 1.7 | 1.7 | 1.9 | 1.7 | 1.8 | 1.7 |
| Housing Indicators (Thousands) | | | | | | | | |
| Housing Units Authorized by Bldg. Permit | 37.951 | 38.216 | 38.556 | 38.980 | 39.301 | 39.541 | 39.769 | 39.972 |
| % Ch, Annual Rate | 3.6 | 2.8 | 3.6 | 4.5 | 3.3 | 2.5 | 2.3 | 2.1 |
| Single-Family | 25.697 | 25.984 | 26.348 | 26.604 | 26.807 | 27.014 | 27.194 | 27.282 |
| % Ch, Annual Rate | 5.8 | 4.5 | 5.7 | 3.9 | 3.1 | 3.1 | 2.7 | 1.3 |
| Multi-Family | 12.253 | 12.233 | 12.207 | 12.375 | 12.494 | 12.527 | 12.575 | 12.690 |
| % Ch, Annual Rate | -0.9 | -0.7 | -0.8 | 5.6 | 3.9 | 1.1 | 1.5 | 3.7 |
| 30-Year Fixed Mortgage Rate (%) | 5.81 | 6.04 | 6.20 | 6.42 | 6.61 | 6.60 | 6.59 | 6.59 |

Table A2.1

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2017

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nonfarm Payroll Employment | 129.86 | 131.36 | 133.27 | 135.39 | 137.79 | 140.30 | 142.74 | 144.71 |
| % Ch | -0.7 | 1.2 | 1.5 | 1.6 | 1.8 | 1.8 | 1.7 | 1.4 |
| Manufacturing | 11.53 | 11.74 | 11.95 | 12.13 | 12.36 | 12.53 | 12.65 | 12.74 |
| % Ch | -2.7 | 1.8 | 1.8 | 1.5 | 1.9 | 1.3 | 1.0 | 0.7 |
| Durable Manufacturing | 7.06 | 7.28 | 7.47 | 7.63 | 7.89 | 8.09 | 8.23 | 8.30 |
| % Ch | -3.0 | 3.0 | 2.7 | 2.2 | 3.4 | 2.5 | 1.7 | 0.8 |
| Wood Products | 0.34 | 0.34 | 0.33 | 0.37 | 0.45 | 0.52 | 0.56 | 0.56 |
| % Ch | -5.0 | -2.1 | -1.2 | 10.3 | 22.3 | 17.2 | 6.1 | 0.0 |
| Primary and Fabricated Metals | 1.64 | 1.73 | 1.81 | 1.85 | 1.92 | 1.96 | 2.01 | 2.04 |
| % Ch | -1.8 | 5.5 | 4.2 | 2.3 | 3.9 | 2.0 | 2.5 | 1.8 |
| Computer and Electronic Products | 1.09 | 1.11 | 1.11 | 1.08 | 1.08 | 1.09 | 1.10 | 1.13 |
| % Ch | -3.7 | 1.1 | 0.0 | -2.2 | -0.5 | 0.9 | 1.3 | 2.6 |
| Machinery and Electrical Equipment | 1.36 | 1.42 | 1.48 | 1.51 | 1.52 | 1.53 | 1.55 | 1.57 |
| % Ch | -3.3 | 5.0 | 3.6 | 2.2 | 1.0 | 0.4 | 1.4 | 1.0 |
| Transportation Equipment | 1.33 | 1.38 | 1.46 | 1.52 | 1.59 | 1.64 | 1.64 | 1.62 |
| % Ch | -1.1 | 3.7 | 5.4 | 4.4 | 4.8 | 3.0 | 0.2 | -1.4 |
| Other Durables | 1.29 | 1.29 | 1.29 | 1.31 | 1.33 | 1.35 | 1.37 | 1.38 |
| % Ch | -5.0 | 0.0 | 0.0 | 1.0 | 2.0 | 1.6 | 1.2 | 0.7 |
| Nondurable Manufacturing | 4.46 | 4.46 | 4.48 | 4.50 | 4.47 | 4.44 | 4.42 | 4.44 |
| % Ch | -2.2 | -0.1 | 0.4 | 0.4 | -0.6 | -0.8 | -0.3 | 0.4 |
| Food Manufacturing | 1.45 | 1.46 | 1.46 | 1.49 | 1.51 | 1.53 | 1.55 | 1.57 |
| % Ch | -0.4 | 0.4 | 0.4 | 1.8 | 1.6 | 0.9 | 1.3 | 1.6 |
| Paper and Paper Products | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 |
| % Ch | -3.0 | -0.9 | 0.0 | 0.0 | -0.9 | -0.6 | 0.2 | 1.1 |
| Other Nondurables | 2.62 | 2.61 | 2.62 | 2.62 | 2.57 | 2.52 | 2.49 | 2.48 |
| % Ch | -3.0 | -0.2 | 0.4 | -0.3 | -1.8 | -1.8 | -1.3 | -0.6 |
| Natural Resources and Mining | 0.70 | 0.78 | 0.83 | 0.81 | 0.81 | 0.79 | 0.76 | 0.73 |
| % Ch | 1.5 | 11.3 | 6.2 | -2.2 | -0.6 | -2.0 | -4.5 | -4.3 |
| Construction | 5.52 | 5.50 | 5.54 | 5.68 | 6.08 | 6.71 | 7.24 | 7.58 |
| % Ch | -8.2 | -0.3 | 0.7 | 2.5 | 7.2 | 10.2 | 7.9 | 4.7 |
| Trade, Transportation, and Utilities | 24.64 | 25.02 | 25.35 | 25.71 | 26.01 | 26.34 | 26.72 | 27.04 |
| % Ch | -1.1 | 1.5 | 1.3 | 1.4 | 1.2 | 1.3 | 1.4 | 1.2 |
| Wholesale Trade | 5.45 | 5.53 | 5.63 | 5.72 | 5.83 | 5.95 | 6.07 | 6.18 |
| % Ch | -2.4 | 1.4 | 1.8 | 1.6 | 2.0 | 2.0 | 2.1 | 1.9 |
| Retail Trade | 14.44 | 14.64 | 14.78 | 14.95 | 14.98 | 15.04 | 15.13 | 15.19 |
| % Ch | -0.5 | 1.4 | 0.9 | 1.1 | 0.2 | 0.4 | 0.6 | 0.4 |
| Trans., Warehousing, and Utilities | 4.74 | 4.85 | 4.94 | 5.05 | 5.20 | 5.36 | 5.52 | 5.66 |
| % Ch | -1.2 | 2.2 | 2.0 | 2.2 | 3.1 | 3.0 | 3.0 | 2.7 |
| Information | 2.71 | 2.66 | 2.63 | 2.66 | 2.70 | 2.74 | 2.78 | 2.81 |
| % Ch | -3.4 | -1.8 | -1.0 | 1.1 | 1.4 | 1.8 | 1.2 | 1.2 |
| Publishing Industries | 0.76 | 0.75 | 0.74 | 0.73 | 0.72 | 0.72 | 0.72 | 0.72 |
| % Ch | -4.7 | -1.4 | -1.3 | -0.6 | -1.3 | -0.8 | -0.1 | 0.3 |
| Other Information | 1.95 | 1.91 | 1.89 | 1.92 | 1.97 | 2.02 | 2.06 | 2.09 |
| % Ch | -2.9 | -2.0 | -0.9 | 1.8 | 2.4 | 2.8 | 1.7 | 1.6 |
| Financial Activities | 7.65 | 7.68 | 7.74 | 7.80 | 7.90 | 7.93 | 7.88 | 7.83 |
| % Ch | -1.5 | 0.4 | 0.7 | 0.8 | 1.3 | 0.4 | -0.6 | -0.6 |
| Professional and Business Services | 16.72 | 17.33 | 17.91 | 18.66 | 19.50 | 20.35 | 21.13 | 21.74 |
| % Ch | 0.9 | 3.6 | 3.3 | 4.2 | 4.5 | 4.4 | 3.8 | 2.9 |
| Education and Health Services | 19.53 | 19.88 | 20.33 | 20.62 | 20.92 | 21.33 | 21.92 | 22.43 |
| % Ch | 1.8 | 1.8 | 2.2 | 1.4 | 1.5 | 2.0 | 2.8 | 2.3 |
| Leisure and Hospitality | 13.04 | 13.32 | 13.63 | 13.91 | 14.01 | 13.98 | 13.94 | 13.91 |
| % Ch | -0.2 | 2.1 | 2.4 | 2.0 | 0.7 | -0.2 | -0.3 | -0.2 |
| Other Services | 5.33 | 5.34 | 5.38 | 5.43 | 5.48 | 5.46 | 5.42 | 5.40 |
| % Ch | -0.7 | 0.2 | 0.7 | 1.0 | 0.9 | -0.4 | -0.6 | -0.5 |
| Federal Government | 2.98 | 2.86 | 2.81 | 2.75 | 2.69 | 2.63 | 2.59 | 2.55 |
| % Ch | 5.1 | -4.0 | -1.6 | -2.1 | -2.5 | -2.1 | -1.5 | -1.3 |
| State and Local Government | 19.51 | 19.25 | 19.17 | 19.23 | 19.33 | 19.49 | 19.72 | 19.96 |
| % Ch | -1.1 | -1.4 | -0.4 | 0.3 | 0.5 | 0.8 | 1.1 | 1.2 |

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2017

| | 2012:1 | 2012:2 | 2012:3 | 2012:4 | 2013:1 | 2013:2 | 2013:3 | 2013:4 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nonfarm Payroll Employment | 132.68 | 133.00 | 133.42 | 133.97 | 134.47 | 135.06 | 135.70 | 136.33 |
| % Ch, Annual Rate | 2.1 | 1.0 | 1.3 | 1.7 | 1.5 | 1.8 | 1.9 | 1.9 |
| Manufacturing | 11.89 | 11.95 | 11.97 | 11.98 | 12.03 | 12.12 | 12.17 | 12.20 |
| % Ch, Annual Rate | 3.6 | 2.0 | 0.5 | 0.4 | 1.5 | 3.1 | 1.8 | 0.9 |
| Durable Manufacturing | 7.43 | 7.48 | 7.49 | 7.49 | 7.53 | 7.61 | 7.67 | 7.71 |
| % Ch, Annual Rate | 5.1 | 2.6 | 0.6 | 0.1 | 2.1 | 4.6 | 3.3 | 2.0 |
| Wood Products | 0.33 | 0.33 | 0.33 | 0.33 | 0.34 | 0.36 | 0.37 | 0.39 |
| % Ch, Annual Rate | 2.6 | -4.2 | -2.0 | 3.6 | 9.1 | 22.6 | 20.4 | 21.0 |
| Primary and Fabricated Metals | 1.79 | 1.81 | 1.82 | 1.81 | 1.82 | 1.84 | 1.86 | 1.87 |
| % Ch, Annual Rate | 7.0 | 4.7 | 1.4 | -0.2 | 0.9 | 5.2 | 4.0 | 2.3 |
| Computer and Electronic Products | 1.11 | 1.11 | 1.10 | 1.10 | 1.10 | 1.08 | 1.07 | 1.07 |
| % Ch, Annual Rate | 0.0 | 0.7 | -2.0 | -0.6 | -1.2 | -6.3 | -2.9 | 0.2 |
| Machinery and Electrical Equipment | 1.47 | 1.48 | 1.48 | 1.48 | 1.49 | 1.51 | 1.52 | 1.51 |
| % Ch, Annual Rate | 6.1 | 3.3 | -0.3 | 1.0 | 2.0 | 6.4 | 1.9 | -1.1 |
| Transportation Equipment | 1.43 | 1.45 | 1.47 | 1.47 | 1.49 | 1.52 | 1.53 | 1.55 |
| % Ch, Annual Rate | 7.6 | 5.7 | 4.9 | -0.2 | 4.7 | 8.1 | 5.1 | 3.1 |
| Other Durables | 1.30 | 1.30 | 1.29 | 1.29 | 1.29 | 1.30 | 1.31 | 1.31 |
| % Ch, Annual Rate | 3.7 | -1.0 | -1.6 | -0.5 | 1.8 | 3.1 | 2.5 | 0.3 |
| Nondurable Manufacturing | 4.47 | 4.48 | 4.48 | 4.49 | 4.50 | 4.50 | 4.50 | 4.49 |
| % Ch, Annual Rate | 1.3 | 1.0 | 0.3 | 1.0 | 0.7 | 0.5 | -0.5 | -0.9 |
| Food Manufacturing | 1.45 | 1.46 | 1.47 | 1.47 | 1.48 | 1.49 | 1.49 | 1.50 |
| % Ch, Annual Rate | 0.6 | 2.8 | 1.9 | 1.8 | 1.5 | 2.3 | 1.3 | 1.3 |
| Paper and Paper Products | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 |
| % Ch, Annual Rate | 1.1 | -0.1 | -2.8 | -0.3 | 2.3 | 0.3 | -0.7 | -1.2 |
| Other Nondurables | 2.62 | 2.62 | 2.62 | 2.63 | 2.63 | 2.62 | 2.61 | 2.60 |
| % Ch, Annual Rate | 1.6 | 0.1 | -0.1 | 0.8 | 0.0 | -0.5 | -1.6 | -2.1 |
| Natural Resources and Mining | 0.83 | 0.84 | 0.84 | 0.82 | 0.82 | 0.81 | 0.81 | 0.82 |
| % Ch, Annual Rate | 9.8 | 2.6 | -1.9 | -7.0 | -0.8 | -3.6 | -0.3 | 2.9 |
| Construction | 5.56 | 5.52 | 5.52 | 5.56 | 5.60 | 5.64 | 5.69 | 5.78 |
| % Ch, Annual Rate | 2.2 | -2.6 | -0.2 | 2.9 | 2.9 | 2.7 | 3.9 | 6.4 |
| Trade, Transportation, and Utilities | 25.24 | 25.30 | 25.37 | 25.50 | 25.57 | 25.65 | 25.76 | 25.88 |
| % Ch, Annual Rate | 1.6 | 0.8 | 1.1 | 2.1 | 1.1 | 1.3 | 1.8 | 1.7 |
| Wholesale Trade | 5.59 | 5.62 | 5.64 | 5.66 | 5.67 | 5.69 | 5.73 | 5.77 |
| % Ch, Annual Rate | 2.4 | 2.2 | 1.6 | 1.1 | 0.8 | 1.6 | 2.9 | 2.8 |
| Retail Trade | 14.74 | 14.75 | 14.77 | 14.87 | 14.92 | 14.93 | 14.96 | 14.99 |
| % Ch, Annual Rate | 0.7 | 0.3 | 0.5 | 2.6 | 1.3 | 0.4 | 0.8 | 0.7 |
| Trans., Warehousing, and Utilities | 4.91 | 4.92 | 4.95 | 4.97 | 4.98 | 5.02 | 5.07 | 5.11 |
| % Ch, Annual Rate | 3.2 | 1.0 | 2.4 | 1.3 | 0.8 | 3.5 | 3.6 | 3.7 |
| Information | 2.63 | 2.63 | 2.63 | 2.63 | 2.62 | 2.67 | 2.68 | 2.67 |
| % Ch, Annual Rate | -2.0 | 0.1 | -0.1 | -0.9 | -0.5 | 7.2 | 1.7 | -2.1 |
| Publishing Industries | 0.74 | 0.74 | 0.74 | 0.74 | 0.74 | 0.74 | 0.73 | 0.73 |
| % Ch, Annual Rate | -3.0 | -1.1 | 0.1 | -1.2 | -0.9 | 2.2 | -3.0 | -2.6 |
| Other Information | 1.89 | 1.89 | 1.89 | 1.89 | 1.89 | 1.93 | 1.95 | 1.94 |
| % Ch, Annual Rate | -1.6 | 0.6 | -0.1 | -0.8 | -0.3 | 9.2 | 3.5 | -1.9 |
| Financial Activities | 7.71 | 7.73 | 7.75 | 7.76 | 7.77 | 7.78 | 7.81 | 7.84 |
| % Ch, Annual Rate | 0.9 | 1.3 | 0.8 | 0.8 | 0.5 | 0.4 | 1.3 | 1.9 |
| Professional and Business Services | 17.74 | 17.85 | 17.94 | 18.10 | 18.32 | 18.54 | 18.78 | 19.01 |
| % Ch, Annual Rate | 4.8 | 2.6 | 2.1 | 3.6 | 4.8 | 5.0 | 5.3 | 5.0 |
| Education and Health Services | 20.17 | 20.28 | 20.37 | 20.49 | 20.52 | 20.57 | 20.66 | 20.71 |
| % Ch, Annual Rate | 2.5 | 2.1 | 1.9 | 2.3 | 0.6 | 1.0 | 1.7 | 1.1 |
| Leisure and Hospitality | 13.55 | 13.59 | 13.67 | 13.74 | 13.82 | 13.90 | 13.94 | 13.99 |
| % Ch, Annual Rate | 3.5 | 1.2 | 2.3 | 2.0 | 2.6 | 2.2 | 1.1 | 1.6 |
| Other Services | 5.36 | 5.36 | 5.38 | 5.40 | 5.42 | 5.42 | 5.43 | 5.45 |
| % Ch, Annual Rate | 0.7 | 0.2 | 1.3 | 1.5 | 1.4 | -0.2 | 1.0 | 1.4 |
| Federal Government | 2.83 | 2.82 | 2.81 | 2.80 | 2.78 | 2.76 | 2.74 | 2.73 |
| % Ch, Annual Rate | -1.6 | -1.6 | -1.4 | -1.4 | -2.4 | -2.5 | -2.5 | -2.5 |
| State and Local Government | 19.16 | 19.13 | 19.18 | 19.20 | 19.20 | 19.21 | 19.23 | 19.26 |
| % Ch, Annual Rate | -0.1 | -0.7 | 1.1 | 0.4 | 0.0 | 0.2 | 0.4 | 0.6 |

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2017

| | 2014:1 | 2014:2 | 2014:3 | 2014:4 | 2015:1 | 2015:2 | 2015:3 | 2015:4 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nonfarm Payroll Employment | 136.88 | 137.44 | 138.08 | 138.75 | 139.35 | 139.98 | 140.61 | 141.25 |
| % Ch, Annual Rate | 1.6 | 1.7 | 1.9 | 1.9 | 1.7 | 1.8 | 1.8 | 1.8 |
| Manufacturing | 12.29 | 12.34 | 12.39 | 12.44 | 12.48 | 12.51 | 12.54 | 12.58 |
| % Ch, Annual Rate | 2.9 | 1.8 | 1.5 | 1.6 | 1.5 | 1.0 | 0.8 | 1.2 |
| Durable Manufacturing | 7.80 | 7.87 | 7.92 | 7.98 | 8.03 | 8.07 | 8.11 | 8.15 |
| % Ch, Annual Rate | 4.7 | 3.4 | 2.9 | 2.9 | 2.5 | 2.3 | 1.9 | 1.9 |
| Wood Products | 0.41 | 0.44 | 0.46 | 0.48 | 0.50 | 0.52 | 0.53 | 0.54 |
| % Ch, Annual Rate | 24.2 | 23.1 | 21.6 | 21.4 | 18.2 | 14.7 | 11.3 | 8.5 |
| Primary and Fabricated Metals | 1.90 | 1.91 | 1.93 | 1.94 | 1.95 | 1.95 | 1.96 | 1.97 |
| % Ch, Annual Rate | 5.6 | 3.8 | 2.7 | 2.8 | 1.7 | 0.9 | 1.4 | 2.8 |
| Computer and Electronic Products | 1.08 | 1.08 | 1.08 | 1.08 | 1.08 | 1.09 | 1.09 | 1.09 |
| % Ch, Annual Rate | 1.1 | -0.2 | -0.3 | 0.3 | 1.7 | 2.0 | 0.2 | 0.6 |
| Machinery and Electrical Equipment | 1.52 | 1.52 | 1.52 | 1.52 | 1.52 | 1.53 | 1.53 | 1.54 |
| % Ch, Annual Rate | 2.1 | 0.3 | 0.2 | 0.1 | 0.0 | 0.4 | 0.7 | 1.8 |
| Transportation Equipment | 1.57 | 1.59 | 1.60 | 1.62 | 1.63 | 1.64 | 1.65 | 1.65 |
| % Ch, Annual Rate | 5.7 | 4.7 | 4.0 | 3.6 | 2.9 | 2.8 | 2.0 | 0.1 |
| Other Durables | 1.32 | 1.33 | 1.33 | 1.34 | 1.35 | 1.35 | 1.36 | 1.36 |
| % Ch, Annual Rate | 3.0 | 1.8 | 1.6 | 1.7 | 1.5 | 1.4 | 1.5 | 1.8 |
| Nondurable Manufacturing | 4.49 | 4.48 | 4.47 | 4.46 | 4.45 | 4.44 | 4.43 | 4.42 |
| % Ch, Annual Rate | -0.2 | -0.9 | -0.9 | -0.8 | -0.4 | -1.2 | -1.1 | -0.2 |
| Food Manufacturing | 1.51 | 1.51 | 1.52 | 1.52 | 1.53 | 1.53 | 1.53 | 1.53 |
| % Ch, Annual Rate | 2.2 | 1.3 | 1.3 | 1.2 | 1.3 | 0.1 | 0.2 | 1.5 |
| Paper and Paper Products | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 |
| % Ch, Annual Rate | -0.7 | -1.5 | -1.0 | -0.7 | -0.2 | -0.6 | -0.6 | 0.1 |
| Other Nondurables | 2.59 | 2.58 | 2.56 | 2.55 | 2.54 | 2.53 | 2.52 | 2.51 |
| % Ch, Annual Rate | -1.6 | -2.1 | -2.1 | -2.0 | -1.4 | -2.0 | -1.9 | -1.3 |
| Natural Resources and Mining | 0.81 | 0.81 | 0.81 | 0.81 | 0.80 | 0.80 | 0.79 | 0.78 |
| % Ch, Annual Rate | -2.3 | -0.6 | -0.9 | -1.2 | -1.6 | -2.6 | -3.9 | -4.3 |
| Construction | 5.88 | 6.00 | 6.15 | 6.31 | 6.47 | 6.63 | 6.79 | 6.94 |
| % Ch, Annual Rate | 7.1 | 8.6 | 10.2 | 10.7 | 10.7 | 10.5 | 9.8 | 8.9 |
| Trade, Transportation, and Utilities | 25.90 | 25.96 | 26.05 | 26.14 | 26.20 | 26.30 | 26.39 | 26.48 |
| % Ch, Annual Rate | 0.4 | 0.9 | 1.3 | 1.4 | 1.0 | 1.4 | 1.5 | 1.3 |
| Wholesale Trade | 5.79 | 5.82 | 5.84 | 5.87 | 5.90 | 5.93 | 5.96 | 5.99 |
| % Ch, Annual Rate | 1.4 | 1.4 | 1.8 | 2.0 | 1.9 | 2.0 | 2.4 | 2.0 |
| Retail Trade | 14.96 | 14.97 | 14.99 | 15.01 | 15.01 | 15.03 | 15.05 | 15.07 |
| % Ch, Annual Rate | -0.8 | 0.2 | 0.7 | 0.5 | -0.1 | 0.7 | 0.5 | 0.4 |
| Trans., Warehousing, and Utilities | 5.15 | 5.18 | 5.22 | 5.26 | 5.30 | 5.34 | 5.38 | 5.42 |
| % Ch, Annual Rate | 2.8 | 2.5 | 2.7 | 3.0 | 3.2 | 2.9 | 3.1 | 3.0 |
| Information | 2.67 | 2.68 | 2.71 | 2.73 | 2.73 | 2.74 | 2.74 | 2.76 |
| % Ch, Annual Rate | 0.3 | 1.7 | 4.0 | 3.4 | 1.0 | 0.6 | 0.9 | 2.0 |
| Publishing Industries | 0.73 | 0.73 | 0.72 | 0.72 | 0.72 | 0.72 | 0.72 | 0.72 |
| % Ch, Annual Rate | -0.7 | -0.8 | -0.9 | -1.5 | -0.7 | -0.5 | -0.3 | -0.2 |
| Other Information | 1.94 | 1.95 | 1.98 | 2.01 | 2.01 | 2.02 | 2.03 | 2.04 |
| % Ch, Annual Rate | 0.8 | 2.7 | 5.9 | 5.2 | 1.6 | 1.0 | 1.3 | 2.7 |
| Financial Activities | 7.86 | 7.90 | 7.92 | 7.92 | 7.93 | 7.93 | 7.94 | 7.92 |
| % Ch, Annual Rate | 1.1 | 1.7 | 1.2 | 0.1 | 0.3 | 0.2 | 0.2 | -0.6 |
| Professional and Business Services | 19.16 | 19.36 | 19.61 | 19.86 | 20.06 | 20.25 | 20.45 | 20.65 |
| % Ch, Annual Rate | 3.2 | 4.3 | 5.2 | 5.3 | 4.1 | 3.8 | 4.1 | 3.9 |
| Education and Health Services | 20.81 | 20.88 | 20.96 | 21.05 | 21.13 | 21.27 | 21.40 | 21.53 |
| % Ch, Annual Rate | 1.8 | 1.5 | 1.5 | 1.8 | 1.6 | 2.6 | 2.4 | 2.5 |
| Leisure and Hospitality | 14.04 | 14.02 | 13.99 | 13.98 | 14.00 | 13.98 | 13.97 | 13.99 |
| % Ch, Annual Rate | 1.3 | -0.4 | -1.0 | -0.2 | 0.5 | -0.7 | 0.0 | 0.4 |
| Other Services | 5.46 | 5.48 | 5.49 | 5.48 | 5.47 | 5.46 | 5.45 | 5.44 |
| % Ch, Annual Rate | 1.0 | 1.1 | 1.1 | -0.8 | -0.6 | -0.7 | -0.8 | -0.9 |
| Federal Government | 2.71 | 2.69 | 2.68 | 2.66 | 2.65 | 2.63 | 2.62 | 2.61 |
| % Ch, Annual Rate | -2.5 | -2.5 | -2.4 | -2.2 | -2.2 | -1.7 | -1.7 | -1.6 |
| State and Local Government | 19.29 | 19.31 | 19.34 | 19.37 | 19.41 | 19.47 | 19.52 | 19.57 |
| % Ch, Annual Rate | 0.7 | 0.5 | 0.5 | 0.7 | 0.8 | 1.1 | 1.1 | 1.1 |

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2017

| | 2016:1 | 2016:2 | 2016:3 | 2016:4 | 2017:1 | 2017:2 | 2017:3 | 2017:4 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Nonfarm Payroll Employment | 141.86 | 142.46 | 143.04 | 143.61 | 144.07 | 144.52 | 144.93 | 145.34 |
| % Ch, Annual Rate | 1.7 | 1.7 | 1.7 | 1.6 | 1.3 | 1.3 | 1.1 | 1.2 |
| Manufacturing | 12.61 | 12.64 | 12.67 | 12.70 | 12.72 | 12.73 | 12.75 | 12.75 |
| % Ch, Annual Rate | 1.1 | 0.9 | 1.0 | 0.8 | 0.8 | 0.4 | 0.4 | 0.1 |
| Durable Manufacturing | 8.19 | 8.21 | 8.25 | 8.27 | 8.29 | 8.29 | 8.30 | 8.30 |
| % Ch, Annual Rate | 1.7 | 1.4 | 1.5 | 1.2 | 0.9 | 0.3 | 0.4 | 0.0 |
| Wood Products | 0.55 | 0.56 | 0.56 | 0.56 | 0.56 | 0.56 | 0.55 | 0.55 |
| % Ch, Annual Rate | 5.0 | 4.0 | 2.7 | -0.5 | -0.6 | -1.1 | -0.8 | -0.8 |
| Primary and Fabricated Metals | 1.99 | 2.00 | 2.02 | 2.03 | 2.04 | 2.04 | 2.05 | 2.05 |
| % Ch, Annual Rate | 2.7 | 2.6 | 3.5 | 2.8 | 1.5 | 1.0 | 1.0 | 0.4 |
| Computer and Electronic Products | 1.09 | 1.10 | 1.10 | 1.11 | 1.12 | 1.13 | 1.13 | 1.14 |
| % Ch, Annual Rate | 1.6 | 1.6 | 1.7 | 2.7 | 2.9 | 2.8 | 2.9 | 3.1 |
| Machinery and Electrical Equipment | 1.54 | 1.55 | 1.55 | 1.56 | 1.56 | 1.57 | 1.57 | 1.57 |
| % Ch, Annual Rate | 1.7 | 1.5 | 1.7 | 1.1 | 1.0 | 0.8 | 0.7 | 0.2 |
| Transportation Equipment | 1.65 | 1.65 | 1.64 | 1.64 | 1.64 | 1.63 | 1.62 | 1.60 |
| % Ch, Annual Rate | 0.2 | -0.7 | -1.1 | -0.3 | -0.9 | -2.5 | -2.7 | -2.9 |
| Other Durables | 1.36 | 1.37 | 1.37 | 1.37 | 1.37 | 1.38 | 1.38 | 1.38 |
| % Ch, Annual Rate | 1.0 | 0.8 | 1.2 | 0.1 | 0.8 | 0.6 | 1.1 | 0.6 |
| Nondurable Manufacturing | 4.42 | 4.42 | 4.42 | 4.43 | 4.43 | 4.44 | 4.44 | 4.45 |
| % Ch, Annual Rate | -0.1 | 0.1 | -0.1 | 0.1 | 0.7 | 0.6 | 0.3 | 0.3 |
| Food Manufacturing | 1.54 | 1.54 | 1.55 | 1.56 | 1.56 | 1.57 | 1.58 | 1.58 |
| % Ch, Annual Rate | 1.5 | 1.7 | 1.5 | 1.7 | 1.8 | 1.8 | 1.3 | 1.3 |
| Paper and Paper Products | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 |
| % Ch, Annual Rate | 0.2 | 0.5 | 0.5 | 0.7 | 1.5 | 1.6 | 1.3 | 1.3 |
| Other Nondurables | 2.50 | 2.49 | 2.49 | 2.48 | 2.48 | 2.48 | 2.48 | 2.47 |
| % Ch, Annual Rate | -1.2 | -1.0 | -1.1 | -1.0 | -0.2 | -0.2 | -0.5 | -0.5 |
| Natural Resources and Mining | 0.77 | 0.76 | 0.75 | 0.75 | 0.74 | 0.73 | 0.72 | 0.71 |
| % Ch, Annual Rate | -4.9 | -4.9 | -4.8 | -4.4 | -3.7 | -4.3 | -4.2 | -4.4 |
| Construction | 7.07 | 7.19 | 7.30 | 7.39 | 7.48 | 7.55 | 7.62 | 7.67 |
| % Ch, Annual Rate | 7.9 | 7.1 | 6.1 | 5.1 | 4.7 | 4.2 | 3.4 | 2.9 |
| Trade, Transportation, and Utilities | 26.57 | 26.67 | 26.78 | 26.87 | 26.95 | 27.01 | 27.07 | 27.12 |
| % Ch, Annual Rate | 1.4 | 1.5 | 1.7 | 1.3 | 1.2 | 1.0 | 0.9 | 0.7 |
| Wholesale Trade | 6.02 | 6.05 | 6.09 | 6.12 | 6.15 | 6.17 | 6.20 | 6.22 |
| % Ch, Annual Rate | 1.9 | 2.0 | 2.4 | 2.1 | 1.7 | 1.6 | 1.7 | 1.5 |
| Retail Trade | 15.09 | 15.12 | 15.15 | 15.17 | 15.19 | 15.20 | 15.20 | 15.19 |
| % Ch, Annual Rate | 0.7 | 0.7 | 0.9 | 0.5 | 0.5 | 0.2 | 0.0 | -0.2 |
| Trans., Warehousing, and Utilities | 5.46 | 5.49 | 5.54 | 5.58 | 5.61 | 5.65 | 5.68 | 5.71 |
| % Ch, Annual Rate | 2.9 | 2.8 | 3.1 | 2.9 | 2.7 | 2.4 | 2.4 | 2.1 |
| Information | 2.77 | 2.77 | 2.78 | 2.79 | 2.80 | 2.81 | 2.82 | 2.82 |
| % Ch, Annual Rate | 1.1 | 0.9 | 1.5 | 0.9 | 1.2 | 1.4 | 1.5 | 1.1 |
| Publishing Industries | 0.72 | 0.72 | 0.72 | 0.72 | 0.72 | 0.72 | 0.72 | 0.72 |
| % Ch, Annual Rate | 0.1 | -0.1 | 0.2 | -0.1 | 0.5 | 0.2 | 0.5 | 0.2 |
| Other Information | 2.05 | 2.05 | 2.06 | 2.07 | 2.08 | 2.09 | 2.10 | 2.10 |
| % Ch, Annual Rate | 1.4 | 1.3 | 1.9 | 1.3 | 1.5 | 1.8 | 1.8 | 1.4 |
| Financial Activities | 7.90 | 7.88 | 7.87 | 7.86 | 7.85 | 7.83 | 7.83 | 7.83 |
| % Ch, Annual Rate | -1.2 | -0.9 | -0.5 | -0.7 | -0.8 | -0.7 | -0.1 | 0.1 |
| Professional and Business Services | 20.84 | 21.04 | 21.22 | 21.40 | 21.54 | 21.68 | 21.80 | 21.93 |
| % Ch, Annual Rate | 3.7 | 3.8 | 3.5 | 3.4 | 2.6 | 2.6 | 2.3 | 2.5 |
| Education and Health Services | 21.69 | 21.86 | 22.00 | 22.14 | 22.23 | 22.37 | 22.49 | 22.61 |
| % Ch, Annual Rate | 2.9 | 3.2 | 2.5 | 2.6 | 1.8 | 2.5 | 2.1 | 2.2 |
| Leisure and Hospitality | 13.98 | 13.94 | 13.92 | 13.93 | 13.93 | 13.91 | 13.91 | 13.91 |
| % Ch, Annual Rate | -0.2 | -1.1 | -0.6 | 0.1 | 0.1 | -0.6 | -0.1 | 0.0 |
| Other Services | 5.43 | 5.42 | 5.42 | 5.41 | 5.41 | 5.40 | 5.39 | 5.38 |
| % Ch, Annual Rate | -0.5 | -0.6 | -0.4 | -0.5 | -0.4 | -0.4 | -0.5 | -0.6 |
| Federal Government | 2.60 | 2.59 | 2.58 | 2.57 | 2.57 | 2.56 | 2.55 | 2.54 |
| % Ch, Annual Rate | -1.5 | -1.5 | -1.4 | -1.4 | -1.3 | -1.3 | -1.2 | -1.2 |
| State and Local Government | 19.63 | 19.68 | 19.74 | 19.81 | 19.87 | 19.93 | 19.99 | 20.05 |
| % Ch, Annual Rate | 1.1 | 1.2 | 1.3 | 1.4 | 1.2 | 1.2 | 1.2 | 1.3 |

Table A2.3

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2017

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Nonfarm Payroll Employment | 2,786.2 | 2,823.3 | 2,875.4 | 2,935.4 | 2,995.5 | 3,057.3 | 3,112.5 | 3,157.0 |
| % Ch | -1.3 | 1.3 | 1.8 | 2.1 | 2.0 | 2.1 | 1.8 | 1.4 |
| Manufacturing | 258.2 | 268.8 | 280.7 | 288.0 | 293.5 | 298.1 | 301.8 | 305.2 |
| % Ch | -2.8 | 4.1 | 4.4 | 2.6 | 1.9 | 1.6 | 1.2 | 1.1 |
| Durable Manufacturing | 184.3 | 193.5 | 204.7 | 210.4 | 215.1 | 219.1 | 221.9 | 223.8 |
| % Ch | -3.3 | 5.0 | 5.8 | 2.8 | 2.2 | 1.9 | 1.3 | 0.9 |
| Wood Products | 12.9 | 12.7 | 12.4 | 13.6 | 16.2 | 18.5 | 19.3 | 19.1 |
| % Ch | -2.9 | -2.2 | -2.0 | 9.9 | 18.8 | 14.3 | 4.4 | -1.0 |
| Primary and Fabricated Metals | 21.4 | 22.9 | 24.4 | 25.4 | 26.7 | 27.5 | 28.6 | 29.4 |
| % Ch | -2.4 | 7.4 | 6.5 | 3.9 | 5.1 | 3.2 | 3.8 | 3.0 |
| Computer and Electronic Products | 19.1 | 19.6 | 20.2 | 19.8 | 19.8 | 20.4 | 21.1 | 22.2 |
| % Ch | -4.8 | 2.8 | 2.7 | -1.8 | 0.3 | 2.6 | 3.5 | 5.5 |
| Machinery and Electrical Equipment | 15.7 | 17.3 | 18.3 | 20.0 | 21.5 | 22.8 | 24.4 | 25.9 |
| % Ch | -3.7 | 10.0 | 5.9 | 9.4 | 7.6 | 5.9 | 7.0 | 6.1 |
| Aerospace | 80.8 | 86.6 | 94.2 | 96.0 | 94.7 | 93.2 | 91.8 | 90.5 |
| % Ch | -2.5 | 7.2 | 8.7 | 2.0 | -1.4 | -1.5 | -1.5 | -1.5 |
| Other Transportation Equip. | 8.9 | 9.2 | 10.0 | 9.9 | 9.8 | 9.6 | 9.1 | 8.6 |
| % Ch | -8.3 | 4.3 | 8.3 | -1.0 | -0.9 | -2.1 | -5.9 | -5.2 |
| Other Durables | 25.5 | 25.2 | 25.3 | 25.7 | 26.3 | 27.1 | 27.6 | 28.0 |
| % Ch | -3.6 | -1.2 | 0.4 | 1.7 | 2.4 | 2.8 | 1.9 | 1.6 |
| Nondurable Manufacturing | 73.9 | 75.2 | 75.9 | 77.6 | 78.5 | 79.0 | 79.9 | 81.4 |
| % Ch | -1.3 | 1.8 | 0.9 | 2.1 | 1.2 | 0.6 | 1.2 | 1.9 |
| Food Manufacturing | 33.6 | 34.5 | 34.7 | 35.0 | 35.2 | 35.3 | 35.8 | 36.4 |
| % Ch | -1.0 | 2.8 | 0.4 | 1.0 | 0.6 | 0.3 | 1.2 | 1.8 |
| Paper and Paper Products | 9.3 | 9.0 | 8.2 | 8.4 | 8.7 | 8.9 | 9.0 | 9.2 |
| % Ch | -3.8 | -3.8 | -8.7 | 2.5 | 3.4 | 2.1 | 1.9 | 2.3 |
| Other Nondurables | 31.0 | 31.7 | 33.0 | 34.1 | 34.5 | 34.8 | 35.1 | 35.8 |
| % Ch | -1.0 | 2.5 | 4.2 | 3.3 | 1.2 | 0.6 | 1.0 | 1.8 |
| Natural Resources and Mining | 5.9 | 6.0 | 5.8 | 6.2 | 6.8 | 7.6 | 8.0 | 7.9 |
| % Ch | -2.7 | 1.7 | -2.8 | 5.9 | 10.0 | 12.0 | 5.5 | -1.6 |
| Construction | 140.7 | 137.3 | 140.6 | 146.2 | 155.8 | 168.2 | 177.5 | 183.6 |
| % Ch | -11.9 | -2.4 | 2.3 | 4.0 | 6.5 | 8.0 | 5.5 | 3.4 |
| Trade, Transportation, and Utilities | 516.9 | 525.7 | 539.7 | 549.1 | 555.4 | 562.3 | 569.8 | 576.1 |
| % Ch | -1.1 | 1.7 | 2.7 | 1.7 | 1.1 | 1.2 | 1.3 | 1.1 |
| Wholesale Trade | 120.2 | 122.4 | 126.1 | 127.9 | 130.1 | 132.2 | 134.3 | 136.3 |
| % Ch | -2.1 | 1.8 | 3.0 | 1.5 | 1.7 | 1.6 | 1.6 | 1.5 |
| Retail Trade | 308.1 | 312.7 | 320.5 | 325.4 | 326.7 | 328.8 | 331.7 | 333.6 |
| % Ch | -0.4 | 1.5 | 2.5 | 1.5 | 0.4 | 0.7 | 0.9 | 0.6 |
| Trans., Warehousing, and Utilities | 88.6 | 90.7 | 93.2 | 95.8 | 98.6 | 101.3 | 103.8 | 106.2 |
| % Ch | -2.1 | 2.3 | 2.8 | 2.9 | 2.9 | 2.7 | 2.5 | 2.3 |
| Information | 103.0 | 104.0 | 104.4 | 106.5 | 108.6 | 111.1 | 113.2 | 115.4 |
| % Ch | -0.9 | 0.9 | 0.4 | 2.0 | 1.9 | 2.3 | 1.9 | 2.0 |
| Software Publishers | 50.9 | 51.6 | 52.6 | 53.8 | 54.7 | 55.5 | 56.5 | 57.5 |
| % Ch | -1.1 | 1.5 | 1.8 | 2.4 | 1.5 | 1.6 | 1.7 | 1.8 |
| Other Publishing Industries | 8.2 | 7.8 | 7.7 | 7.6 | 7.2 | 6.8 | 6.6 | 6.5 |
| % Ch | -6.3 | -4.6 | -1.3 | -1.3 | -6.0 | -4.5 | -3.1 | -2.4 |
| Other Information | 43.9 | 44.5 | 44.1 | 45.1 | 46.7 | 48.7 | 50.1 | 51.5 |
| % Ch | 0.5 | 1.4 | -0.9 | 2.1 | 3.7 | 4.1 | 2.9 | 2.8 |
| Financial Activities | 137.9 | 137.7 | 139.4 | 141.5 | 143.2 | 143.0 | 141.1 | 139.4 |
| % Ch | -3.5 | -0.1 | 1.2 | 1.5 | 1.2 | -0.1 | -1.4 | -1.2 |
| Professional and Business Services | 326.3 | 339.6 | 351.0 | 367.1 | 385.1 | 403.4 | 419.8 | 432.7 |
| % Ch | 0.6 | 4.1 | 3.4 | 4.6 | 4.9 | 4.8 | 4.1 | 3.1 |
| Education and Health Services | 375.4 | 381.5 | 385.7 | 393.7 | 402.3 | 411.8 | 423.3 | 433.1 |
| % Ch | 0.8 | 1.6 | 1.1 | 2.1 | 2.2 | 2.4 | 2.8 | 2.3 |
| Leisure and Hospitality | 266.5 | 270.8 | 277.9 | 287.0 | 292.3 | 294.4 | 295.3 | 295.9 |
| % Ch | -1.2 | 1.6 | 2.6 | 3.3 | 1.9 | 0.7 | 0.3 | 0.2 |
| Other Services | 105.5 | 108.4 | 110.1 | 110.5 | 110.9 | 110.9 | 110.8 | 110.7 |
| % Ch | -0.7 | 2.7 | 1.6 | 0.3 | 0.4 | 0.0 | -0.1 | -0.1 |
| Federal Government | 75.6 | 74.0 | 72.8 | 72.0 | 70.9 | 70.0 | 69.3 | 68.8 |
| % Ch | 3.9 | -2.2 | -1.5 | -1.2 | -1.6 | -1.3 | -0.9 | -0.8 |
| State and Local Government | 474.4 | 469.7 | 467.3 | 467.6 | 470.8 | 476.5 | 482.5 | 488.1 |
| % Ch | -0.5 | -1.0 | -0.5 | 0.1 | 0.7 | 1.2 | 1.3 | 1.2 |

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2017

| | 2012:1 | 2012:2 | 2012:3 | 2012:4 | 2013:1 | 2013:2 | 2013:3 | 2013:4 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Nonfarm Payroll Employment | 2,849.6 | 2,867.3 | 2,885.1 | 2,899.5 | 2,912.6 | 2,927.8 | 2,943.2 | 2,958.0 |
| % Ch, Annual Rate | 1.9 | 2.5 | 2.5 | 2.0 | 1.8 | 2.1 | 2.1 | 2.0 |
| Manufacturing | 276.0 | 279.0 | 282.8 | 284.8 | 286.0 | 287.7 | 288.7 | 289.7 |
| % Ch, Annual Rate | 3.6 | 4.4 | 5.6 | 2.8 | 1.7 | 2.4 | 1.4 | 1.4 |
| Durable Manufacturing | 200.7 | 203.5 | 206.6 | 208.1 | 208.8 | 210.1 | 211.0 | 211.8 |
| % Ch, Annual Rate | 5.9 | 5.8 | 6.2 | 2.9 | 1.5 | 2.5 | 1.6 | 1.6 |
| Wood Products | 12.3 | 12.3 | 12.4 | 12.6 | 12.8 | 13.4 | 13.9 | 14.5 |
| % Ch, Annual Rate | -3.5 | -1.1 | 2.9 | 6.0 | 7.1 | 19.0 | 17.1 | 17.7 |
| Primary and Fabricated Metals | 23.9 | 24.4 | 24.6 | 24.8 | 24.9 | 25.3 | 25.6 | 25.8 |
| % Ch, Annual Rate | 9.3 | 7.6 | 3.8 | 3.2 | 1.4 | 6.3 | 5.2 | 3.4 |
| Computer and Electronic Products | 19.9 | 20.1 | 20.3 | 20.3 | 20.2 | 19.8 | 19.6 | 19.6 |
| % Ch, Annual Rate | 3.5 | 4.4 | 4.2 | -1.5 | -1.2 | -8.4 | -3.5 | 1.2 |
| Machinery and Electrical Equipment | 17.9 | 18.2 | 18.4 | 18.7 | 19.2 | 19.9 | 20.4 | 20.6 |
| % Ch, Annual Rate | 5.6 | 6.2 | 4.6 | 7.2 | 10.2 | 16.9 | 9.4 | 4.7 |
| Aerospace | 91.6 | 93.1 | 95.7 | 96.3 | 96.3 | 96.3 | 95.9 | 95.6 |
| % Ch, Annual Rate | 5.5 | 7.1 | 11.2 | 2.6 | 0.0 | 0.0 | -1.5 | -1.5 |
| Other Transportation Equip. | 9.8 | 10.1 | 10.1 | 10.0 | 10.0 | 9.9 | 9.9 | 9.9 |
| % Ch, Annual Rate | 23.3 | 13.2 | -1.3 | -1.8 | -1.1 | -4.8 | -1.0 | 0.6 |
| Other Durables | 25.2 | 25.3 | 25.2 | 25.4 | 25.5 | 25.7 | 25.8 | 25.9 |
| % Ch, Annual Rate | 4.6 | 1.2 | -1.9 | 4.2 | 1.6 | 2.2 | 1.7 | 1.4 |
| Nondurable Manufacturing | 75.3 | 75.5 | 76.2 | 76.7 | 77.1 | 77.5 | 77.7 | 77.9 |
| % Ch, Annual Rate | -2.3 | 0.8 | 4.0 | 2.6 | 2.1 | 2.2 | 0.9 | 0.8 |
| Food Manufacturing | 34.4 | 34.4 | 34.8 | 35.1 | 35.0 | 35.0 | 35.0 | 35.0 |
| % Ch, Annual Rate | -6.4 | 0.8 | 4.8 | 2.6 | -0.8 | 0.7 | -0.5 | 0.0 |
| Paper and Paper Products | 8.5 | 8.2 | 8.2 | 8.0 | 8.2 | 8.4 | 8.5 | 8.6 |
| % Ch, Annual Rate | -14.8 | -12.8 | -1.0 | -5.4 | 10.4 | 6.8 | 4.8 | 3.5 |
| Other Nondurables | 32.5 | 32.9 | 33.2 | 33.6 | 33.9 | 34.1 | 34.2 | 34.3 |
| % Ch, Annual Rate | 6.1 | 4.5 | 4.4 | 4.7 | 3.2 | 2.8 | 1.4 | 1.0 |
| Natural Resources and Mining | 6.0 | 5.8 | 5.8 | 5.7 | 5.9 | 6.1 | 6.2 | 6.4 |
| % Ch, Annual Rate | -4.2 | -11.4 | -3.5 | -4.3 | 17.5 | 12.4 | 9.5 | 6.8 |
| Construction | 137.9 | 140.0 | 141.3 | 143.1 | 144.1 | 145.2 | 146.8 | 148.9 |
| % Ch, Annual Rate | 1.8 | 6.3 | 3.9 | 5.0 | 2.9 | 3.1 | 4.4 | 5.8 |
| Trade, Transportation, and Utilities | 533.3 | 538.3 | 542.5 | 544.8 | 546.2 | 547.8 | 550.1 | 552.3 |
| % Ch, Annual Rate | 2.8 | 3.8 | 3.2 | 1.7 | 1.1 | 1.2 | 1.7 | 1.6 |
| Wholesale Trade | 124.9 | 125.9 | 126.7 | 126.8 | 127.0 | 127.4 | 128.2 | 129.0 |
| % Ch, Annual Rate | 4.5 | 3.1 | 2.5 | 0.3 | 0.6 | 1.4 | 2.6 | 2.3 |
| Retail Trade | 317.0 | 319.6 | 321.6 | 323.7 | 324.6 | 325.0 | 325.7 | 326.3 |
| % Ch, Annual Rate | 2.3 | 3.3 | 2.6 | 2.6 | 1.2 | 0.4 | 0.9 | 0.8 |
| Trans., Warehousing, and Utilities | 91.3 | 92.8 | 94.2 | 94.3 | 94.6 | 95.4 | 96.2 | 97.0 |
| % Ch, Annual Rate | 2.4 | 6.6 | 6.3 | 0.4 | 1.3 | 3.4 | 3.3 | 3.3 |
| Information | 104.1 | 104.2 | 104.5 | 104.9 | 105.1 | 106.7 | 107.2 | 107.1 |
| % Ch, Annual Rate | 0.1 | 0.5 | 1.2 | 1.7 | 0.8 | 6.1 | 1.9 | -0.5 |
| Software Publishers | 52.0 | 52.1 | 52.9 | 53.1 | 53.4 | 53.8 | 54.0 | 54.1 |
| % Ch, Annual Rate | 1.3 | 0.9 | 6.2 | 1.7 | 2.0 | 3.2 | 0.9 | 1.1 |
| Other Publishing Industries | 7.6 | 7.6 | 7.7 | 7.9 | 7.8 | 7.7 | 7.6 | 7.4 |
| % Ch, Annual Rate | -2.9 | -1.2 | 7.3 | 9.9 | -6.8 | -2.3 | -8.7 | -8.0 |
| Other Information | 44.4 | 44.5 | 43.8 | 43.9 | 44.0 | 45.1 | 45.7 | 45.6 |
| % Ch, Annual Rate | -0.9 | 0.3 | -5.6 | 0.4 | 0.7 | 11.2 | 4.9 | -1.0 |
| Financial Activities | 138.1 | 138.7 | 139.9 | 140.9 | 141.0 | 141.1 | 141.6 | 142.3 |
| % Ch, Annual Rate | 1.3 | 1.9 | 3.4 | 2.9 | 0.3 | 0.3 | 1.4 | 1.9 |
| Professional and Business Services | 346.2 | 349.9 | 352.4 | 355.5 | 359.9 | 364.6 | 369.6 | 374.4 |
| % Ch, Annual Rate | 4.9 | 4.4 | 2.9 | 3.6 | 5.1 | 5.3 | 5.6 | 5.4 |
| Education and Health Services | 383.4 | 384.2 | 386.4 | 388.8 | 390.5 | 392.5 | 394.9 | 396.8 |
| % Ch, Annual Rate | -0.1 | 0.8 | 2.3 | 2.5 | 1.8 | 2.0 | 2.5 | 1.9 |
| Leisure and Hospitality | 275.3 | 277.1 | 278.6 | 280.6 | 283.7 | 286.2 | 288.1 | 290.0 |
| % Ch, Annual Rate | 4.1 | 2.7 | 2.2 | 2.8 | 4.5 | 3.7 | 2.6 | 2.6 |
| Other Services | 109.5 | 110.0 | 110.5 | 110.4 | 110.5 | 110.4 | 110.4 | 110.6 |
| % Ch, Annual Rate | 2.0 | 1.7 | 1.6 | -0.1 | 0.2 | -0.4 | 0.3 | 0.6 |
| Federal Government | 73.4 | 73.1 | 72.1 | 72.7 | 72.4 | 72.1 | 71.8 | 71.6 |
| % Ch, Annual Rate | -1.4 | -1.7 | -5.2 | 3.4 | -1.6 | -1.6 | -1.6 | -1.6 |
| State and Local Government | 466.5 | 467.0 | 468.2 | 467.4 | 467.2 | 467.4 | 467.7 | 468.1 |
| % Ch, Annual Rate | -0.6 | 0.4 | 1.1 | -0.7 | -0.1 | 0.1 | 0.3 | 0.3 |

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2017

| | 2014:1 | 2014:2 | 2014:3 | 2014:4 | 2015:1 | 2015:2 | 2015:3 | 2015:4 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Nonfarm Payroll Employment | 2,971.7 | 2,986.9 | 3,003.2 | 3,019.9 | 3,035.0 | 3,050.1 | 3,064.8 | 3,079.2 |
| % Ch, Annual Rate | 1.9 | 2.1 | 2.2 | 2.2 | 2.0 | 2.0 | 1.9 | 1.9 |
| Manufacturing | 291.6 | 292.9 | 294.2 | 295.5 | 296.7 | 297.7 | 298.5 | 299.5 |
| % Ch, Annual Rate | 2.6 | 1.9 | 1.7 | 1.8 | 1.7 | 1.3 | 1.0 | 1.3 |
| Durable Manufacturing | 213.3 | 214.5 | 215.6 | 216.8 | 217.8 | 218.8 | 219.5 | 220.3 |
| % Ch, Annual Rate | 2.9 | 2.2 | 2.0 | 2.2 | 2.0 | 1.8 | 1.3 | 1.3 |
| Wood Products | 15.2 | 15.8 | 16.5 | 17.2 | 17.8 | 18.4 | 18.8 | 19.1 |
| % Ch, Annual Rate | 20.5 | 19.5 | 18.2 | 18.0 | 15.2 | 12.1 | 9.0 | 6.5 |
| Primary and Fabricated Metals | 26.2 | 26.6 | 26.8 | 27.1 | 27.3 | 27.4 | 27.6 | 27.8 |
| % Ch, Annual Rate | 6.9 | 5.0 | 3.8 | 4.1 | 2.8 | 2.0 | 2.5 | 4.1 |
| Computer and Electronic Products | 19.8 | 19.8 | 19.9 | 19.9 | 20.1 | 20.3 | 20.4 | 20.6 |
| % Ch, Annual Rate | 2.7 | 0.9 | 0.8 | 1.8 | 3.8 | 4.4 | 1.7 | 2.3 |
| Machinery and Electrical Equipment | 21.1 | 21.4 | 21.7 | 22.0 | 22.3 | 22.6 | 23.0 | 23.4 |
| % Ch, Annual Rate | 9.1 | 6.3 | 6.0 | 5.7 | 5.4 | 5.9 | 6.2 | 7.6 |
| Aerospace | 95.2 | 94.8 | 94.5 | 94.1 | 93.8 | 93.4 | 93.1 | 92.7 |
| % Ch, Annual Rate | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 |
| Other Transportation Equip. | 9.9 | 9.8 | 9.8 | 9.8 | 9.7 | 9.7 | 9.6 | 9.4 |
| % Ch, Annual Rate | -0.5 | -1.0 | -1.1 | -1.5 | -1.9 | -1.1 | -3.7 | -7.7 |
| Other Durables | 26.0 | 26.2 | 26.4 | 26.6 | 26.8 | 27.0 | 27.1 | 27.3 |
| % Ch, Annual Rate | 2.9 | 2.9 | 2.9 | 3.0 | 2.8 | 2.7 | 2.4 | 2.4 |
| Nondurable Manufacturing | 78.2 | 78.4 | 78.6 | 78.7 | 78.9 | 78.9 | 78.9 | 79.2 |
| % Ch, Annual Rate | 1.9 | 0.9 | 0.8 | 0.8 | 0.9 | 0.0 | 0.1 | 1.3 |
| Food Manufacturing | 35.2 | 35.2 | 35.3 | 35.3 | 35.4 | 35.3 | 35.3 | 35.4 |
| % Ch, Annual Rate | 1.7 | 0.5 | 0.6 | 0.6 | 0.8 | -0.7 | -0.5 | 1.4 |
| Paper and Paper Products | 8.6 | 8.7 | 8.7 | 8.8 | 8.8 | 8.9 | 8.9 | 8.9 |
| % Ch, Annual Rate | 3.5 | 2.1 | 2.3 | 2.2 | 2.4 | 1.7 | 1.5 | 2.0 |
| Other Nondurables | 34.4 | 34.5 | 34.6 | 34.6 | 34.7 | 34.7 | 34.8 | 34.9 |
| % Ch, Annual Rate | 1.6 | 0.9 | 0.6 | 0.6 | 0.7 | 0.3 | 0.4 | 1.0 |
| Natural Resources and Mining | 6.5 | 6.7 | 6.9 | 7.1 | 7.3 | 7.5 | 7.7 | 7.8 |
| % Ch, Annual Rate | 9.0 | 10.6 | 13.0 | 14.4 | 13.7 | 10.8 | 8.9 | 7.4 |
| Construction | 151.2 | 154.2 | 157.2 | 160.5 | 163.9 | 166.9 | 169.8 | 172.3 |
| % Ch, Annual Rate | 6.4 | 8.1 | 8.1 | 8.6 | 8.6 | 7.7 | 7.1 | 6.2 |
| Trade, Transportation, and Utilities | 552.9 | 554.3 | 556.2 | 558.1 | 559.5 | 561.4 | 563.3 | 565.0 |
| % Ch, Annual Rate | 0.4 | 1.0 | 1.4 | 1.4 | 1.0 | 1.4 | 1.4 | 1.2 |
| Wholesale Trade | 129.4 | 129.8 | 130.3 | 130.8 | 131.3 | 131.8 | 132.5 | 133.0 |
| % Ch, Annual Rate | 1.3 | 1.3 | 1.5 | 1.7 | 1.6 | 1.5 | 1.9 | 1.6 |
| Retail Trade | 325.9 | 326.2 | 327.0 | 327.6 | 327.8 | 328.6 | 329.2 | 329.7 |
| % Ch, Annual Rate | -0.6 | 0.5 | 0.9 | 0.8 | 0.2 | 0.9 | 0.8 | 0.6 |
| Trans., Warehousing, and Utilities | 97.6 | 98.3 | 98.9 | 99.6 | 100.3 | 101.0 | 101.6 | 102.3 |
| % Ch, Annual Rate | 2.7 | 2.6 | 2.6 | 2.8 | 2.9 | 2.6 | 2.7 | 2.6 |
| Information | 107.4 | 108.0 | 109.0 | 109.9 | 110.3 | 110.8 | 111.2 | 111.9 |
| % Ch, Annual Rate | 1.3 | 2.2 | 3.7 | 3.2 | 1.8 | 1.6 | 1.7 | 2.4 |
| Software Publishers | 54.3 | 54.6 | 54.8 | 55.0 | 55.2 | 55.4 | 55.6 | 55.9 |
| % Ch, Annual Rate | 1.7 | 1.6 | 1.6 | 1.3 | 1.6 | 1.7 | 1.7 | 1.7 |
| Other Publishing Industries | 7.3 | 7.2 | 7.1 | 7.0 | 6.9 | 6.9 | 6.8 | 6.7 |
| % Ch, Annual Rate | -5.2 | -5.1 | -4.9 | -5.6 | -4.5 | -4.0 | -3.6 | -3.3 |
| Other Information | 45.8 | 46.2 | 47.1 | 47.9 | 48.2 | 48.5 | 48.8 | 49.3 |
| % Ch, Annual Rate | 1.9 | 4.1 | 7.6 | 6.8 | 2.8 | 2.2 | 2.5 | 4.1 |
| Financial Activities | 142.7 | 143.2 | 143.5 | 143.4 | 143.3 | 143.2 | 143.0 | 142.6 |
| % Ch, Annual Rate | 1.0 | 1.6 | 0.8 | -0.3 | -0.2 | -0.4 | -0.4 | -1.4 |
| Professional and Business Services | 377.8 | 382.2 | 387.4 | 392.8 | 397.1 | 401.2 | 405.6 | 409.8 |
| % Ch, Annual Rate | 3.7 | 4.7 | 5.6 | 5.6 | 4.5 | 4.2 | 4.4 | 4.2 |
| Education and Health Services | 399.2 | 401.2 | 403.3 | 405.5 | 407.6 | 410.5 | 413.1 | 415.9 |
| % Ch, Annual Rate | 2.4 | 2.1 | 2.0 | 2.2 | 2.1 | 2.9 | 2.6 | 2.7 |
| Leisure and Hospitality | 291.5 | 292.2 | 292.4 | 293.0 | 293.9 | 294.0 | 294.5 | 295.1 |
| % Ch, Annual Rate | 2.2 | 0.9 | 0.4 | 0.8 | 1.2 | 0.3 | 0.6 | 0.8 |
| Other Services | 110.7 | 110.9 | 111.1 | 111.0 | 111.0 | 111.0 | 110.9 | 110.8 |
| % Ch, Annual Rate | 0.5 | 0.6 | 0.6 | -0.2 | -0.1 | -0.1 | -0.1 | -0.2 |
| Federal Government | 71.3 | 71.0 | 70.7 | 70.5 | 70.2 | 70.0 | 69.9 | 69.7 |
| % Ch, Annual Rate | -1.6 | -1.6 | -1.5 | -1.4 | -1.4 | -1.0 | -1.0 | -0.9 |
| State and Local Government | 468.9 | 470.1 | 471.4 | 472.8 | 474.2 | 475.8 | 477.3 | 478.8 |
| % Ch, Annual Rate | 0.8 | 1.0 | 1.0 | 1.2 | 1.2 | 1.4 | 1.3 | 1.2 |

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2017

| | 2016:1 | 2016:2 | 2016:3 | 2016:4 | 2017:1 | 2017:2 | 2017:3 | 2017:4 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Nonfarm Payroll Employment | 3,092.8 | 3,106.2 | 3,119.3 | 3,131.5 | 3,142.1 | 3,152.5 | 3,162.0 | 3,171.5 |
| % Ch, Annual Rate | 1.8 | 1.7 | 1.7 | 1.6 | 1.4 | 1.3 | 1.2 | 1.2 |
| Manufacturing | 300.4 | 301.3 | 302.3 | 303.1 | 304.0 | 304.8 | 305.6 | 306.3 |
| % Ch, Annual Rate | 1.3 | 1.2 | 1.3 | 1.1 | 1.2 | 1.0 | 1.0 | 1.0 |
| Durable Manufacturing | 220.9 | 221.5 | 222.2 | 222.7 | 223.2 | 223.5 | 224.0 | 224.4 |
| % Ch, Annual Rate | 1.2 | 1.1 | 1.2 | 1.0 | 0.9 | 0.6 | 0.8 | 0.7 |
| Wood Products | 19.2 | 19.3 | 19.4 | 19.3 | 19.3 | 19.2 | 19.1 | 19.0 |
| % Ch, Annual Rate | 3.4 | 2.6 | 1.3 | -1.4 | -1.6 | -2.0 | -1.7 | -1.8 |
| Primary and Fabricated Metals | 28.1 | 28.4 | 28.7 | 29.0 | 29.2 | 29.4 | 29.5 | 29.6 |
| % Ch, Annual Rate | 4.1 | 3.9 | 4.8 | 4.2 | 2.6 | 2.1 | 2.1 | 1.5 |
| Computer and Electronic Products | 20.7 | 20.9 | 21.2 | 21.5 | 21.8 | 22.1 | 22.4 | 22.7 |
| % Ch, Annual Rate | 3.9 | 3.9 | 4.0 | 5.7 | 6.0 | 5.7 | 6.0 | 6.3 |
| Machinery and Electrical Equipment | 23.8 | 24.2 | 24.6 | 25.0 | 25.4 | 25.7 | 26.1 | 26.4 |
| % Ch, Annual Rate | 7.3 | 7.0 | 7.2 | 6.3 | 6.1 | 5.7 | 5.6 | 4.7 |
| Aerospace | 92.4 | 92.0 | 91.7 | 91.3 | 91.0 | 90.6 | 90.3 | 90.0 |
| % Ch, Annual Rate | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 | -1.5 |
| Other Transportation Equip. | 9.3 | 9.1 | 9.0 | 8.9 | 8.8 | 8.6 | 8.5 | 8.4 |
| % Ch, Annual Rate | -6.1 | -7.2 | -5.6 | -4.7 | -4.6 | -6.4 | -4.7 | -3.5 |
| Other Durables | 27.4 | 27.5 | 27.6 | 27.7 | 27.8 | 28.0 | 28.1 | 28.2 |
| % Ch, Annual Rate | 1.8 | 1.6 | 1.6 | 1.2 | 1.8 | 1.7 | 2.0 | 1.7 |
| Nondurable Manufacturing | 79.5 | 79.8 | 80.1 | 80.4 | 80.8 | 81.3 | 81.6 | 82.0 |
| % Ch, Annual Rate | 1.4 | 1.6 | 1.4 | 1.7 | 2.2 | 2.2 | 1.7 | 1.8 |
| Food Manufacturing | 35.5 | 35.7 | 35.8 | 36.0 | 36.2 | 36.4 | 36.5 | 36.6 |
| % Ch, Annual Rate | 1.5 | 1.9 | 1.5 | 1.9 | 2.1 | 2.1 | 1.4 | 1.5 |
| Paper and Paper Products | 9.0 | 9.0 | 9.1 | 9.1 | 9.2 | 9.2 | 9.3 | 9.3 |
| % Ch, Annual Rate | 1.9 | 2.0 | 1.8 | 1.9 | 2.6 | 2.6 | 2.2 | 2.1 |
| Other Nondurables | 34.9 | 35.1 | 35.2 | 35.3 | 35.5 | 35.7 | 35.9 | 36.0 |
| % Ch, Annual Rate | 1.1 | 1.4 | 1.2 | 1.4 | 2.2 | 2.2 | 1.9 | 2.0 |
| Natural Resources and Mining | 7.9 | 8.0 | 8.0 | 8.0 | 8.0 | 7.9 | 7.8 | 7.8 |
| % Ch, Annual Rate | 6.5 | 4.5 | 0.7 | -2.0 | -1.3 | -2.9 | -3.8 | -4.0 |
| Construction | 174.7 | 176.7 | 178.6 | 180.2 | 181.7 | 183.1 | 184.3 | 185.4 |
| % Ch, Annual Rate | 5.5 | 4.8 | 4.2 | 3.6 | 3.4 | 3.2 | 2.7 | 2.4 |
| Trade, Transportation, and Utilities | 566.8 | 568.8 | 571.0 | 572.7 | 574.3 | 575.6 | 576.8 | 577.7 |
| % Ch, Annual Rate | 1.3 | 1.4 | 1.5 | 1.2 | 1.1 | 0.9 | 0.8 | 0.6 |
| Wholesale Trade | 133.5 | 134.0 | 134.6 | 135.2 | 135.7 | 136.1 | 136.6 | 137.0 |
| % Ch, Annual Rate | 1.5 | 1.6 | 1.9 | 1.7 | 1.4 | 1.3 | 1.4 | 1.3 |
| Retail Trade | 330.5 | 331.3 | 332.2 | 332.7 | 333.3 | 333.6 | 333.8 | 333.7 |
| % Ch, Annual Rate | 0.9 | 1.0 | 1.1 | 0.7 | 0.7 | 0.4 | 0.2 | -0.1 |
| Trans., Warehousing, and Utilities | 102.9 | 103.5 | 104.2 | 104.8 | 105.4 | 105.9 | 106.5 | 107.0 |
| % Ch, Annual Rate | 2.4 | 2.4 | 2.6 | 2.4 | 2.3 | 2.1 | 2.1 | 1.8 |
| Information | 112.4 | 112.9 | 113.5 | 114.0 | 114.6 | 115.1 | 115.8 | 116.3 |
| % Ch, Annual Rate | 1.9 | 1.7 | 2.1 | 1.7 | 2.0 | 2.1 | 2.2 | 1.9 |
| Software Publishers | 56.1 | 56.4 | 56.6 | 56.8 | 57.1 | 57.3 | 57.6 | 57.8 |
| % Ch, Annual Rate | 1.7 | 1.6 | 1.7 | 1.7 | 1.9 | 1.7 | 1.8 | 1.7 |
| Other Publishing Industries | 6.7 | 6.6 | 6.6 | 6.6 | 6.5 | 6.5 | 6.4 | 6.4 |
| % Ch, Annual Rate | -2.9 | -3.0 | -2.6 | -3.0 | -2.0 | -2.4 | -1.9 | -2.4 |
| Other Information | 49.6 | 49.9 | 50.3 | 50.6 | 50.9 | 51.3 | 51.7 | 52.1 |
| % Ch, Annual Rate | 2.7 | 2.5 | 3.2 | 2.5 | 2.7 | 3.0 | 3.1 | 2.6 |
| Financial Activities | 141.8 | 141.2 | 140.8 | 140.4 | 139.9 | 139.4 | 139.2 | 139.1 |
| % Ch, Annual Rate | -2.0 | -1.6 | -1.1 | -1.3 | -1.4 | -1.3 | -0.6 | -0.3 |
| Professional and Business Services | 413.8 | 418.0 | 421.8 | 425.5 | 428.5 | 431.4 | 434.0 | 436.8 |
| % Ch, Annual Rate | 4.0 | 4.1 | 3.7 | 3.5 | 2.8 | 2.8 | 2.4 | 2.6 |
| Education and Health Services | 418.9 | 422.1 | 424.8 | 427.5 | 429.5 | 432.1 | 434.3 | 436.6 |
| % Ch, Annual Rate | 2.9 | 3.2 | 2.6 | 2.6 | 1.9 | 2.5 | 2.1 | 2.1 |
| Leisure and Hospitality | 295.4 | 295.2 | 295.2 | 295.5 | 295.8 | 295.8 | 295.9 | 296.1 |
| % Ch, Annual Rate | 0.4 | -0.3 | 0.0 | 0.4 | 0.4 | -0.1 | 0.2 | 0.2 |
| Other Services | 110.8 | 110.8 | 110.8 | 110.8 | 110.8 | 110.8 | 110.7 | 110.7 |
| % Ch, Annual Rate | 0.0 | -0.1 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 |
| Federal Government | 69.5 | 69.4 | 69.2 | 69.1 | 69.0 | 68.8 | 68.7 | 68.6 |
| % Ch, Annual Rate | -0.9 | -0.9 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 |
| State and Local Government | 480.3 | 481.7 | 483.2 | 484.7 | 486.1 | 487.5 | 488.8 | 490.1 |
| % Ch, Annual Rate | 1.2 | 1.2 | 1.2 | 1.3 | 1.1 | 1.1 | 1.1 | 1.1 |

Table A3.1

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

Forecast 2012 to 2017

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Personal Income | 12,321.9 | 12,947.3 | 13,396.6 | 13,931.1 | 14,651.1 | 15,360.8 | 16,117.9 | 16,827.0 |
| % Ch | 3.8 | 5.1 | 3.5 | 4.0 | 5.2 | 4.8 | 4.9 | 4.4 |
| Total Wage and Salary Disbursements | 6,404.6 | 6,661.3 | 6,902.5 | 7,180.9 | 7,518.6 | 7,872.7 | 8,228.3 | 8,578.2 |
| % Ch | 2.1 | 4.0 | 3.6 | 4.0 | 4.7 | 4.7 | 4.5 | 4.3 |
| Nonwage Personal Income | 5,917.3 | 6,286.0 | 6,494.2 | 6,750.3 | 7,132.4 | 7,488.0 | 7,889.6 | 8,248.9 |
| % Ch | 5.7 | 6.2 | 3.3 | 3.9 | 5.7 | 5.0 | 5.4 | 4.6 |
| Supplements to Wages and Salaries | 1,565.4 | 1,633.9 | 1,686.5 | 1,753.9 | 1,846.5 | 1,950.6 | 2,064.5 | 2,175.9 |
| % Ch | 2.7 | 4.4 | 3.2 | 4.0 | 5.3 | 5.6 | 5.8 | 5.4 |
| Proprietor's Income | 1,103.4 | 1,157.4 | 1,205.8 | 1,272.0 | 1,351.3 | 1,434.2 | 1,504.7 | 1,560.4 |
| % Ch | 12.7 | 4.9 | 4.2 | 5.5 | 6.2 | 6.1 | 4.9 | 3.7 |
| Farm | 44.3 | 54.6 | 57.7 | 63.4 | 59.9 | 60.2 | 63.9 | 66.0 |
| % Ch | ... | ... | ... | ... | ... | ... | ... | ... |
| Nonfarm | 1,059.1 | 1,102.8 | 1,148.0 | 1,208.6 | 1,291.5 | 1,374.1 | 1,440.8 | 1,494.4 |
| % Ch | 12.7 | 4.1 | 4.1 | 5.3 | 6.9 | 6.4 | 4.9 | 3.7 |
| Less: Contribution For Govt. Soc. Ins. | 983.3 | 919.3 | 950.9 | 1,017.4 | 1,090.7 | 1,203.7 | 1,298.4 | 1,401.6 |
| % Ch | 2.1 | -6.5 | 3.4 | 7.0 | 7.2 | 10.4 | 7.9 | 8.0 |
| Dividends/Int./Rent | 1,947.5 | 2,094.8 | 2,178.8 | 2,286.3 | 2,422.5 | 2,561.8 | 2,715.9 | 2,877.8 |
| % Ch | 1.6 | 7.6 | 4.0 | 4.9 | 6.0 | 5.8 | 6.0 | 6.0 |
| Transfer Payments | 2,284.3 | 2,319.3 | 2,374.0 | 2,455.4 | 2,602.9 | 2,745.1 | 2,902.9 | 3,036.4 |
| % Ch | 6.7 | 1.5 | 2.4 | 3.4 | 6.0 | 5.5 | 5.7 | 4.6 |

Table A3.2

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

Forecast 2012 to 2017

| | 2012:1 | 2012:2 | 2012:3 | 2012:4 | 2013:1 | 2013:2 | 2013:3 | 2013:4 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Personal Income | 13,227.1 | 13,357.4 | 13,446.7 | 13,555.4 | 13,690.6 | 13,847.5 | 14,010.1 | 14,176.4 |
| % Ch, Annual Rate | 6.6 | 4.0 | 2.7 | 3.3 | 4.0 | 4.7 | 4.8 | 4.8 |
| Total Wage and Salary Disbursements | 6,825.9 | 6,881.1 | 6,924.4 | 6,978.5 | 7,060.4 | 7,138.5 | 7,220.4 | 7,304.3 |
| % Ch, Annual Rate | 8.2 | 3.3 | 2.5 | 3.2 | 4.8 | 4.5 | 4.7 | 4.7 |
| Nonwage Personal Income | 6,401.2 | 6,476.3 | 6,522.3 | 6,576.9 | 6,630.2 | 6,709.0 | 6,789.7 | 6,872.2 |
| % Ch, Annual Rate | 4.9 | 4.8 | 2.9 | 3.4 | 3.3 | 4.8 | 4.9 | 4.9 |
| Supplements to Wages and Salaries | 1,669.8 | 1,680.9 | 1,691.9 | 1,703.4 | 1,726.1 | 1,743.9 | 1,762.2 | 1,783.4 |
| % Ch, Annual Rate | 5.5 | 2.7 | 2.6 | 2.8 | 5.4 | 4.2 | 4.3 | 4.9 |
| Proprietor's Income | 1,184.4 | 1,194.9 | 1,212.9 | 1,230.9 | 1,244.6 | 1,263.6 | 1,280.4 | 1,299.3 |
| % Ch, Annual Rate | 6.7 | 3.6 | 6.2 | 6.1 | 4.5 | 6.3 | 5.4 | 6.0 |
| Farm | 52.3 | 52.5 | 60.8 | 65.4 | 64.3 | 64.7 | 63.0 | 61.6 |
| % Ch, Annual Rate | ... | ... | ... | ... | ... | ... | ... | ... |
| Nonfarm | 1,132.1 | 1,142.4 | 1,152.1 | 1,165.5 | 1,180.3 | 1,198.9 | 1,217.4 | 1,237.8 |
| % Ch, Annual Rate | 7.9 | 3.7 | 3.4 | 4.7 | 5.2 | 6.5 | 6.3 | 6.8 |
| Less: Contribution For Govt. Soc. Ins. | 942.6 | 948.3 | 953.1 | 959.5 | 1,003.3 | 1,013.3 | 1,020.2 | 1,032.7 |
| % Ch, Annual Rate | 8.8 | 2.5 | 2.0 | 2.7 | 19.5 | 4.0 | 2.8 | 5.0 |
| Dividends/Int./Rent | 2,141.7 | 2,183.5 | 2,187.8 | 2,202.1 | 2,236.6 | 2,269.9 | 2,302.2 | 2,336.6 |
| % Ch, Annual Rate | 5.2 | 8.0 | 0.8 | 2.6 | 6.4 | 6.1 | 5.8 | 6.1 |
| Transfer Payments | 2,348.0 | 2,365.2 | 2,382.7 | 2,400.0 | 2,426.2 | 2,444.9 | 2,465.1 | 2,485.5 |
| % Ch, Annual Rate | 4.9 | 3.0 | 3.0 | 2.9 | 4.4 | 3.1 | 3.3 | 3.4 |

Table A3.2 (continued)

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

Forecast 2012 to 2017

| | 2014:1 | 2014:2 | 2014:3 | 2014:4 | 2015:1 | 2015:2 | 2015:3 | 2015:4 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Personal Income | 14,390.2 | 14,559.4 | 14,737.8 | 14,916.8 | 15,092.6 | 15,268.6 | 15,450.1 | 15,631.7 |
| % Ch, Annual Rate | 6.2 | 4.8 | 5.0 | 4.9 | 4.8 | 4.7 | 4.8 | 4.8 |
| Total Wage and Salary Disbursements | 7,391.1 | 7,473.8 | 7,560.3 | 7,649.3 | 7,740.0 | 7,828.4 | 7,917.3 | 8,005.2 |
| % Ch, Annual Rate | 4.8 | 4.6 | 4.7 | 4.8 | 4.8 | 4.6 | 4.6 | 4.5 |
| Nonwage Personal Income | 6,999.1 | 7,085.6 | 7,177.5 | 7,267.5 | 7,352.6 | 7,440.2 | 7,532.8 | 7,626.5 |
| % Ch, Annual Rate | 7.6 | 5.0 | 5.3 | 5.1 | 4.8 | 4.8 | 5.1 | 5.1 |
| Supplements to Wages and Salaries | 1,813.1 | 1,834.7 | 1,856.7 | 1,881.4 | 1,912.7 | 1,937.3 | 1,962.5 | 1,989.9 |
| % Ch, Annual Rate | 6.8 | 4.9 | 4.9 | 5.4 | 6.8 | 5.2 | 5.3 | 5.7 |
| Proprietor's Income | 1,317.1 | 1,342.2 | 1,363.0 | 1,383.0 | 1,400.7 | 1,425.6 | 1,446.6 | 1,464.1 |
| % Ch, Annual Rate | 5.6 | 7.8 | 6.3 | 6.0 | 5.2 | 7.3 | 6.0 | 4.9 |
| Farm | 61.0 | 60.7 | 59.8 | 58.0 | 58.0 | 59.2 | 61.0 | 62.5 |
| % Ch, Annual Rate | ... | ... | ... | ... | ... | ... | ... | ... |
| Nonfarm | 1,256.1 | 1,281.5 | 1,303.2 | 1,325.0 | 1,342.8 | 1,366.4 | 1,385.6 | 1,401.6 |
| % Ch, Annual Rate | 6.1 | 8.3 | 6.9 | 6.9 | 5.5 | 7.2 | 5.7 | 4.7 |
| Less: Contribution For Govt. Soc. Ins. | 1,074.0 | 1,085.1 | 1,095.5 | 1,108.3 | 1,185.4 | 1,197.5 | 1,209.2 | 1,222.7 |
| % Ch, Annual Rate | 17.0 | 4.2 | 3.9 | 4.8 | 30.9 | 4.1 | 4.0 | 4.5 |
| Dividends/Int./Rent | 2,374.1 | 2,402.5 | 2,439.0 | 2,474.3 | 2,510.8 | 2,540.0 | 2,577.4 | 2,618.9 |
| % Ch, Annual Rate | 6.6 | 4.9 | 6.2 | 5.9 | 6.0 | 4.7 | 6.0 | 6.6 |
| Transfer Payments | 2,568.8 | 2,591.4 | 2,614.3 | 2,637.1 | 2,713.9 | 2,734.8 | 2,755.5 | 2,776.4 |
| % Ch, Annual Rate | 14.1 | 3.6 | 3.6 | 3.5 | 12.2 | 3.1 | 3.1 | 3.1 |

Table A3.2 (continued)

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

Forecast 2012 to 2017

| | 2016:1 | 2016:2 | 2016:3 | 2016:4 | 2017:1 | 2017:2 | 2017:3 | 2017:4 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Personal Income | 15,847.2 | 16,027.2 | 16,205.9 | 16,391.5 | 16,556.3 | 16,738.0 | 16,916.0 | 17,097.8 |
| % Ch, Annual Rate | 5.6 | 4.6 | 4.5 | 4.7 | 4.1 | 4.5 | 4.3 | 4.4 |
| Total Wage and Salary Disbursements | 8,097.7 | 8,184.3 | 8,271.9 | 8,359.4 | 8,449.8 | 8,535.1 | 8,620.4 | 8,707.4 |
| % Ch, Annual Rate | 4.7 | 4.4 | 4.3 | 4.3 | 4.4 | 4.1 | 4.1 | 4.1 |
| Nonwage Personal Income | 7,749.5 | 7,842.9 | 7,934.0 | 8,032.1 | 8,106.5 | 8,202.9 | 8,295.7 | 8,390.4 |
| % Ch, Annual Rate | 6.6 | 4.9 | 4.7 | 5.0 | 3.8 | 4.8 | 4.6 | 4.6 |
| Supplements to Wages and Salaries | 2,024.5 | 2,051.1 | 2,077.7 | 2,105.0 | 2,139.6 | 2,163.9 | 2,187.8 | 2,212.1 |
| % Ch, Annual Rate | 7.1 | 5.4 | 5.3 | 5.4 | 6.7 | 4.6 | 4.5 | 4.5 |
| Proprietor's Income | 1,480.0 | 1,498.0 | 1,512.6 | 1,528.0 | 1,538.9 | 1,553.7 | 1,565.6 | 1,583.4 |
| % Ch, Annual Rate | 4.4 | 5.0 | 4.0 | 4.1 | 2.9 | 3.9 | 3.1 | 4.6 |
| Farm | 63.1 | 63.3 | 64.3 | 64.8 | 65.6 | 66.0 | 66.4 | 66.2 |
| % Ch, Annual Rate | ... | ... | ... | ... | ... | ... | ... | ... |
| Nonfarm | 1,416.9 | 1,434.8 | 1,448.3 | 1,463.1 | 1,473.4 | 1,487.8 | 1,499.3 | 1,517.2 |
| % Ch, Annual Rate | 4.4 | 5.1 | 3.8 | 4.1 | 2.8 | 4.0 | 3.1 | 4.9 |
| Less: Contribution For Govt. Soc. Ins. | 1,280.6 | 1,292.3 | 1,303.8 | 1,316.9 | 1,384.2 | 1,395.7 | 1,406.7 | 1,419.8 |
| % Ch, Annual Rate | 20.3 | 3.7 | 3.6 | 4.1 | 22.1 | 3.4 | 3.2 | 3.7 |
| Dividends/Int./Rent | 2,657.9 | 2,696.0 | 2,734.1 | 2,775.8 | 2,819.5 | 2,860.2 | 2,898.3 | 2,933.3 |
| % Ch, Annual Rate | 6.1 | 5.9 | 5.8 | 6.3 | 6.4 | 5.9 | 5.4 | 4.9 |
| Transfer Payments | 2,867.8 | 2,890.1 | 2,913.5 | 2,940.2 | 2,992.7 | 3,020.8 | 3,050.6 | 3,081.4 |
| % Ch, Annual Rate | 13.8 | 3.2 | 3.3 | 3.7 | 7.3 | 3.8 | 4.0 | 4.1 |

Table A3.3

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2017

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Personal Income | 283.369 | 299.685 | 313.903 | 326.701 | 344.656 | 362.467 | 381.026 | 398.619 |
| % Ch | 2.4 | 5.8 | 4.7 | 4.1 | 5.5 | 5.2 | 5.1 | 4.6 |
| Total Wage and Salary Disbursements | 148.688 | 155.670 | 163.686 | 170.281 | 178.878 | 187.775 | 196.317 | 204.799 |
| % Ch | 1.2 | 4.7 | 5.1 | 4.0 | 5.0 | 5.0 | 4.5 | 4.3 |
| Manufacturing | 16.837 | 18.399 | 19.661 | 20.418 | 21.327 | 22.178 | 22.957 | 23.763 |
| % Ch | 0.6 | 9.3 | 6.9 | 3.8 | 4.5 | 4.0 | 3.5 | 3.5 |
| Durable Manufacturing | 13.247 | 14.624 | 15.798 | 16.375 | 17.111 | 17.811 | 18.418 | 19.007 |
| % Ch | 0.8 | 10.4 | 8.0 | 3.7 | 4.5 | 4.1 | 3.4 | 3.2 |
| Nondurable Manufacturing | 3.590 | 3.775 | 3.864 | 4.043 | 4.216 | 4.367 | 4.539 | 4.755 |
| % Ch | -0.2 | 5.2 | 2.4 | 4.6 | 4.3 | 3.6 | 4.0 | 4.8 |
| Nonmanufacturing | 125.404 | 130.702 | 137.236 | 143.039 | 150.667 | 158.605 | 166.202 | 173.677 |
| % Ch | 1.4 | 4.2 | 5.0 | 4.2 | 5.3 | 5.3 | 4.8 | 4.5 |
| Other Private Wages | 0.887 | 0.986 | 1.003 | 1.040 | 1.071 | 1.101 | 1.128 | 1.153 |
| % Ch | 0.8 | 11.2 | 1.7 | 3.7 | 2.9 | 2.9 | 2.5 | 2.2 |
| Farm Wages | 1.248 | 1.220 | 1.319 | 1.337 | 1.414 | 1.495 | 1.572 | 1.648 |
| % Ch | -9.0 | -2.2 | 8.1 | 1.3 | 5.8 | 5.7 | 5.2 | 4.8 |
| Military Wages | 4.313 | 4.363 | 4.467 | 4.447 | 4.399 | 4.396 | 4.457 | 4.558 |
| % Ch | 2.5 | 1.2 | 2.4 | -0.4 | -1.1 | -0.1 | 1.4 | 2.3 |
| Nonwage Personal Income | 134.681 | 144.015 | 150.216 | 156.420 | 165.778 | 174.692 | 184.709 | 193.820 |
| % Ch | 3.7 | 6.9 | 4.3 | 4.1 | 6.0 | 5.4 | 5.7 | 4.9 |
| Supplements to Wages and Salaries | 38.328 | 40.174 | 41.624 | 43.515 | 46.069 | 48.894 | 51.889 | 54.864 |
| % Ch | 1.9 | 4.8 | 3.6 | 4.5 | 5.9 | 6.1 | 6.1 | 5.7 |
| Proprietor's Income | 22.879 | 24.281 | 25.770 | 26.824 | 28.279 | 29.926 | 31.341 | 32.488 |
| % Ch | 9.8 | 6.1 | 6.1 | 4.1 | 5.4 | 5.8 | 4.7 | 3.7 |
| Farm | 1.072 | 1.715 | 2.058 | 1.794 | 1.470 | 1.348 | 1.353 | 1.362 |
| % Ch | ... | ... | ... | ... | ... | ... | ... | ... |
| Nonfarm | 21.808 | 22.566 | 23.712 | 25.031 | 26.809 | 28.578 | 29.988 | 31.126 |
| % Ch | 8.5 | 3.5 | 5.1 | 5.6 | 7.1 | 6.6 | 4.9 | 3.8 |
| Less: Contribution For Govt. Soc. Ins. | 25.499 | 23.820 | 24.547 | 26.265 | 28.162 | 30.986 | 33.329 | 35.877 |
| % Ch | 2.8 | -6.6 | 3.1 | 7.0 | 7.2 | 10.0 | 7.6 | 7.6 |
| Plus: Residence Adjustment | 2.768 | 3.192 | 3.343 | 3.471 | 3.631 | 3.800 | 3.981 | 4.160 |
| % Ch | 0.2 | 15.3 | 4.7 | 3.8 | 4.6 | 4.7 | 4.8 | 4.5 |
| Dividends/Int./Rent | 47.240 | 51.035 | 53.591 | 56.576 | 60.304 | 64.147 | 68.371 | 72.768 |
| % Ch | -2.3 | 8.0 | 5.0 | 5.6 | 6.6 | 6.4 | 6.6 | 6.4 |
| Transfer Payments | 48.964 | 49.152 | 50.435 | 52.299 | 55.656 | 58.911 | 62.456 | 65.418 |
| % Ch | 8.6 | 0.4 | 2.6 | 3.7 | 6.4 | 5.8 | 6.0 | 4.7 |
| State U.I. Benefits | 4.222 | 3.118 | 2.357 | 1.922 | 1.742 | 1.488 | 1.305 | 1.170 |
| % Ch | 14.4 | -26.2 | -24.4 | -18.4 | -9.4 | -14.6 | -12.3 | -10.3 |
| Other Transfers | 44.742 | 46.034 | 48.078 | 50.377 | 53.915 | 57.423 | 61.151 | 64.247 |
| % Ch | 8.1 | 2.9 | 4.4 | 4.8 | 7.0 | 6.5 | 6.5 | 5.1 |

Table A3.4

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2017

| | 2012:1 | 2012:2 | 2012:3 | 2012:4 | 2013:1 | 2013:2 | 2013:3 | 2013:4 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Personal Income | 310.541 | 311.794 | 315.836 | 317.441 | 320.028 | 324.804 | 329.055 | 332.919 |
| % Ch, Annual Rate | 9.9 | 1.6 | 5.3 | 2.0 | 3.3 | 6.1 | 5.3 | 4.8 |
| Total Wage and Salary Disbursements | 162.859 | 161.744 | 164.870 | 165.274 | 166.560 | 169.411 | 171.670 | 173.483 |
| % Ch, Annual Rate | 12.7 | -2.7 | 8.0 | 1.0 | 3.2 | 7.0 | 5.4 | 4.3 |
| Manufacturing | 19.961 | 19.193 | 19.651 | 19.841 | 20.079 | 20.329 | 20.530 | 20.735 |
| % Ch, Annual Rate | 24.4 | -14.5 | 9.9 | 3.9 | 4.9 | 5.1 | 4.0 | 4.1 |
| Durable Manufacturing | 16.130 | 15.372 | 15.768 | 15.921 | 16.105 | 16.303 | 16.464 | 16.629 |
| % Ch, Annual Rate | 32.6 | -17.5 | 10.7 | 3.9 | 4.7 | 5.0 | 4.0 | 4.1 |
| Nondurable Manufacturing | 3.832 | 3.821 | 3.884 | 3.919 | 3.974 | 4.026 | 4.065 | 4.106 |
| % Ch, Annual Rate | -3.6 | -1.1 | 6.8 | 3.7 | 5.7 | 5.3 | 4.0 | 4.0 |
| Nonmanufacturing | 136.034 | 135.806 | 138.436 | 138.668 | 139.636 | 142.252 | 144.317 | 145.950 |
| % Ch, Annual Rate | 11.0 | -0.7 | 8.0 | 0.7 | 2.8 | 7.7 | 5.9 | 4.6 |
| Other Private Wages | 0.957 | 1.012 | 1.020 | 1.022 | 1.030 | 1.037 | 1.044 | 1.051 |
| % Ch, Annual Rate | -18.5 | 25.3 | 2.9 | 1.0 | 2.9 | 2.7 | 2.9 | 2.8 |
| Farm Wages | 1.442 | 1.263 | 1.281 | 1.291 | 1.310 | 1.327 | 1.346 | 1.365 |
| % Ch, Annual Rate | 94.5 | -41.1 | 5.8 | 3.2 | 5.8 | 5.5 | 5.8 | 5.6 |
| Military Wages | 4.464 | 4.470 | 4.482 | 4.451 | 4.506 | 4.466 | 4.433 | 4.382 |
| % Ch, Annual Rate | 6.2 | 0.5 | 1.1 | -2.7 | 5.0 | -3.5 | -2.9 | -4.5 |
| Nonwage Personal Income | 147.682 | 150.050 | 150.967 | 152.167 | 153.468 | 155.392 | 157.385 | 159.436 |
| % Ch, Annual Rate | 6.9 | 6.6 | 2.5 | 3.2 | 3.5 | 5.1 | 5.2 | 5.3 |
| Supplements to Wages and Salaries | 41.257 | 41.373 | 41.772 | 42.094 | 42.739 | 43.243 | 43.752 | 44.326 |
| % Ch, Annual Rate | 3.7 | 1.1 | 3.9 | 3.1 | 6.3 | 4.8 | 4.8 | 5.4 |
| Proprietor's Income | 25.137 | 25.776 | 25.969 | 26.200 | 26.375 | 26.680 | 26.955 | 27.287 |
| % Ch, Annual Rate | 10.1 | 10.6 | 3.0 | 3.6 | 2.7 | 4.7 | 4.2 | 5.0 |
| Farm | 1.800 | 2.179 | 2.159 | 2.096 | 1.951 | 1.854 | 1.734 | 1.634 |
| % Ch, Annual Rate | ... | ... | ... | ... | ... | ... | ... | ... |
| Nonfarm | 23.337 | 23.597 | 23.810 | 24.104 | 24.424 | 24.825 | 25.220 | 25.653 |
| % Ch, Annual Rate | 8.4 | 4.5 | 3.7 | 5.0 | 5.4 | 6.7 | 6.5 | 7.0 |
| Less: Contribution For Govt. Soc. Ins. | 24.348 | 24.418 | 24.617 | 24.805 | 25.889 | 26.157 | 26.347 | 26.669 |
| % Ch, Annual Rate | 7.2 | 1.2 | 3.3 | 3.1 | 18.7 | 4.2 | 2.9 | 5.0 |
| Plus: Residence Adjustment | 3.312 | 3.346 | 3.341 | 3.374 | 3.413 | 3.451 | 3.490 | 3.531 |
| % Ch, Annual Rate | 16.2 | 4.2 | -0.6 | 3.9 | 4.8 | 4.5 | 4.6 | 4.9 |
| Dividends/Int./Rent | 52.396 | 53.770 | 53.900 | 54.298 | 55.224 | 56.127 | 57.008 | 57.946 |
| % Ch, Annual Rate | 6.1 | 10.9 | 1.0 | 3.0 | 7.0 | 6.7 | 6.4 | 6.7 |
| Transfer Payments | 49.928 | 50.203 | 50.602 | 51.006 | 51.605 | 52.049 | 52.528 | 53.015 |
| % Ch, Annual Rate | 8.4 | 2.2 | 3.2 | 3.2 | 4.8 | 3.5 | 3.7 | 3.8 |
| State U.I. Benefits | 2.761 | 2.476 | 2.189 | 2.000 | 1.963 | 1.945 | 1.911 | 1.870 |
| % Ch, Annual Rate | -10.9 | -35.3 | -38.9 | -30.3 | -7.2 | -3.5 | -6.8 | -8.4 |
| Other Transfers | 47.167 | 47.727 | 48.413 | 49.006 | 49.642 | 50.104 | 50.617 | 51.145 |
| % Ch, Annual Rate | 9.6 | 4.8 | 5.9 | 5.0 | 5.3 | 3.8 | 4.2 | 4.2 |

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2017

| | 2014:1 | 2014:2 | 2014:3 | 2014:4 | 2015:1 | 2015:2 | 2015:3 | 2015:4 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Personal Income | 337.300 | 342.528 | 347.235 | 351.560 | 355.111 | 360.458 | 365.033 | 369.267 |
| % Ch, Annual Rate | 5.4 | 6.3 | 5.6 | 5.1 | 4.1 | 6.2 | 5.2 | 4.7 |
| Total Wage and Salary Disbursements | 174.874 | 177.944 | 180.330 | 182.366 | 183.845 | 186.987 | 189.212 | 191.057 |
| % Ch, Annual Rate | 3.2 | 7.2 | 5.5 | 4.6 | 3.3 | 7.0 | 4.8 | 4.0 |
| Manufacturing | 20.994 | 21.220 | 21.436 | 21.658 | 21.881 | 22.086 | 22.274 | 22.471 |
| % Ch, Annual Rate | 5.1 | 4.4 | 4.1 | 4.2 | 4.2 | 3.8 | 3.4 | 3.6 |
| Durable Manufacturing | 16.837 | 17.023 | 17.200 | 17.383 | 17.564 | 17.738 | 17.894 | 18.048 |
| % Ch, Annual Rate | 5.1 | 4.5 | 4.2 | 4.3 | 4.2 | 4.0 | 3.6 | 3.5 |
| Nondurable Manufacturing | 4.157 | 4.197 | 4.236 | 4.275 | 4.317 | 4.348 | 4.380 | 4.423 |
| % Ch, Annual Rate | 5.0 | 3.9 | 3.8 | 3.8 | 3.9 | 2.9 | 3.0 | 4.1 |
| Nonmanufacturing | 146.987 | 149.842 | 152.008 | 153.833 | 154.983 | 157.912 | 159.938 | 161.588 |
| % Ch, Annual Rate | 2.9 | 8.0 | 5.9 | 4.9 | 3.0 | 7.8 | 5.2 | 4.2 |
| Other Private Wages | 1.059 | 1.067 | 1.075 | 1.082 | 1.091 | 1.098 | 1.105 | 1.112 |
| % Ch, Annual Rate | 3.1 | 2.9 | 3.0 | 3.0 | 3.1 | 2.7 | 2.6 | 2.4 |
| Farm Wages | 1.384 | 1.404 | 1.424 | 1.445 | 1.466 | 1.486 | 1.505 | 1.524 |
| % Ch, Annual Rate | 6.0 | 5.8 | 5.9 | 5.8 | 6.0 | 5.5 | 5.3 | 5.1 |
| Military Wages | 4.449 | 4.412 | 4.387 | 4.348 | 4.426 | 4.405 | 4.391 | 4.363 |
| % Ch, Annual Rate | 6.2 | -3.2 | -2.3 | -3.5 | 7.3 | -1.8 | -1.3 | -2.5 |
| Nonwage Personal Income | 162.427 | 164.584 | 166.906 | 169.194 | 171.266 | 173.471 | 175.821 | 178.209 |
| % Ch, Annual Rate | 7.7 | 5.4 | 5.8 | 5.6 | 5.0 | 5.3 | 5.5 | 5.5 |
| Supplements to Wages and Salaries | 45.139 | 45.749 | 46.360 | 47.029 | 47.893 | 48.551 | 49.214 | 49.916 |
| % Ch, Annual Rate | 7.5 | 5.5 | 5.4 | 5.9 | 7.5 | 5.6 | 5.6 | 5.8 |
| Proprietor's Income | 27.607 | 28.099 | 28.505 | 28.904 | 29.252 | 29.756 | 30.174 | 30.522 |
| % Ch, Annual Rate | 4.8 | 7.3 | 5.9 | 5.7 | 4.9 | 7.1 | 5.7 | 4.7 |
| Farm | 1.561 | 1.504 | 1.443 | 1.373 | 1.341 | 1.339 | 1.350 | 1.361 |
| % Ch, Annual Rate | ... | ... | ... | ... | ... | ... | ... | ... |
| Nonfarm | 26.045 | 26.596 | 27.063 | 27.531 | 27.912 | 28.417 | 28.824 | 29.161 |
| % Ch, Annual Rate | 6.3 | 8.7 | 7.2 | 7.1 | 5.6 | 7.4 | 5.9 | 4.8 |
| Less: Contribution For Govt. Soc. Ins. | 27.707 | 28.013 | 28.296 | 28.633 | 30.521 | 30.833 | 31.129 | 31.461 |
| % Ch, Annual Rate | 16.5 | 4.5 | 4.1 | 4.9 | 29.1 | 4.2 | 3.9 | 4.3 |
| Plus: Residence Adjustment | 3.572 | 3.610 | 3.649 | 3.692 | 3.733 | 3.776 | 3.821 | 3.868 |
| % Ch, Annual Rate | 4.7 | 4.2 | 4.5 | 4.7 | 4.6 | 4.7 | 4.8 | 4.9 |
| Dividends/Int./Rent | 58.968 | 59.756 | 60.760 | 61.732 | 62.738 | 63.554 | 64.581 | 65.715 |
| % Ch, Annual Rate | 7.2 | 5.5 | 6.9 | 6.6 | 6.7 | 5.3 | 6.6 | 7.2 |
| Transfer Payments | 54.847 | 55.382 | 55.926 | 56.471 | 58.170 | 58.667 | 59.158 | 59.650 |
| % Ch, Annual Rate | 14.6 | 4.0 | 4.0 | 3.9 | 12.6 | 3.5 | 3.4 | 3.4 |
| State U.I. Benefits | 1.831 | 1.778 | 1.716 | 1.642 | 1.578 | 1.516 | 1.455 | 1.403 |
| % Ch, Annual Rate | -8.1 | -10.9 | -13.3 | -16.1 | -14.7 | -14.8 | -15.2 | -13.5 |
| Other Transfers | 53.016 | 53.604 | 54.210 | 54.828 | 56.591 | 57.151 | 57.703 | 58.247 |
| % Ch, Annual Rate | 15.5 | 4.5 | 4.6 | 4.6 | 13.5 | 4.0 | 3.9 | 3.8 |

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2017

| | 2016:1 | 2016:2 | 2016:3 | 2016:4 | 2017:1 | 2017:2 | 2017:3 | 2017:4 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| Personal Income | 373.708 | 379.135 | 383.308 | 387.952 | 391.154 | 396.701 | 401.078 | 405.543 |
| % Ch, Annual Rate | 4.9 | 5.9 | 4.5 | 4.9 | 3.3 | 5.8 | 4.5 | 4.5 |
| Total Wage and Salary Disbursements | 192.558 | 195.615 | 197.466 | 199.627 | 200.935 | 204.037 | 206.065 | 208.158 |
| % Ch, Annual Rate | 3.2 | 6.5 | 3.8 | 4.5 | 2.6 | 6.3 | 4.0 | 4.1 |
| Manufacturing | 22.666 | 22.857 | 23.055 | 23.250 | 23.456 | 23.657 | 23.865 | 24.073 |
| % Ch, Annual Rate | 3.5 | 3.4 | 3.5 | 3.4 | 3.6 | 3.5 | 3.6 | 3.5 |
| Durable Manufacturing | 18.198 | 18.342 | 18.493 | 18.638 | 18.787 | 18.928 | 19.081 | 19.233 |
| % Ch, Annual Rate | 3.4 | 3.2 | 3.3 | 3.2 | 3.2 | 3.0 | 3.3 | 3.2 |
| Nondurable Manufacturing | 4.468 | 4.516 | 4.562 | 4.612 | 4.669 | 4.728 | 4.783 | 4.840 |
| % Ch, Annual Rate | 4.1 | 4.3 | 4.1 | 4.4 | 5.1 | 5.1 | 4.7 | 4.8 |
| Nonmanufacturing | 162.762 | 165.611 | 167.238 | 169.196 | 170.157 | 173.035 | 174.822 | 176.693 |
| % Ch, Annual Rate | 2.9 | 7.2 | 4.0 | 4.8 | 2.3 | 6.9 | 4.2 | 4.3 |
| Other Private Wages | 1.119 | 1.125 | 1.132 | 1.138 | 1.145 | 1.150 | 1.156 | 1.162 |
| % Ch, Annual Rate | 2.7 | 2.3 | 2.2 | 2.1 | 2.4 | 2.1 | 2.0 | 2.0 |
| Farm Wages | 1.544 | 1.563 | 1.582 | 1.600 | 1.620 | 1.639 | 1.658 | 1.676 |
| % Ch, Annual Rate | 5.5 | 5.0 | 4.9 | 4.7 | 5.1 | 4.7 | 4.6 | 4.6 |
| Military Wages | 4.467 | 4.458 | 4.460 | 4.443 | 4.557 | 4.556 | 4.565 | 4.554 |
| % Ch, Annual Rate | 9.9 | -0.8 | 0.2 | -1.5 | 10.6 | -0.1 | 0.7 | -0.9 |
| Nonwage Personal Income | 181.149 | 183.521 | 185.841 | 188.325 | 190.220 | 192.664 | 195.013 | 197.385 |
| % Ch, Annual Rate | 6.8 | 5.3 | 5.2 | 5.5 | 4.1 | 5.2 | 5.0 | 5.0 |
| Supplements to Wages and Salaries | 50.846 | 51.542 | 52.233 | 52.936 | 53.882 | 54.541 | 55.188 | 55.844 |
| % Ch, Annual Rate | 7.7 | 5.6 | 5.5 | 5.5 | 7.3 | 5.0 | 4.8 | 4.8 |
| Proprietor's Income | 30.840 | 31.209 | 31.502 | 31.815 | 32.037 | 32.346 | 32.595 | 32.973 |
| % Ch, Annual Rate | 4.2 | 4.9 | 3.8 | 4.0 | 2.8 | 3.9 | 3.1 | 4.7 |
| Farm | 1.357 | 1.347 | 1.355 | 1.356 | 1.362 | 1.363 | 1.365 | 1.358 |
| % Ch, Annual Rate | ... | ... | ... | ... | ... | ... | ... | ... |
| Nonfarm | 29.483 | 29.862 | 30.148 | 30.459 | 30.675 | 30.983 | 31.230 | 31.615 |
| % Ch, Annual Rate | 4.5 | 5.2 | 3.9 | 4.2 | 2.9 | 4.1 | 3.2 | 5.0 |
| Less: Contribution For Govt. Soc. Ins. | 32.886 | 33.182 | 33.465 | 33.782 | 35.437 | 35.729 | 36.008 | 36.333 |
| % Ch, Annual Rate | 19.4 | 3.6 | 3.5 | 3.8 | 21.1 | 3.3 | 3.2 | 3.7 |
| Plus: Residence Adjustment | 3.913 | 3.958 | 4.003 | 4.050 | 4.094 | 4.138 | 4.181 | 4.226 |
| % Ch, Annual Rate | 4.8 | 4.6 | 4.7 | 4.8 | 4.5 | 4.3 | 4.3 | 4.4 |
| Dividends/Int./Rent | 66.783 | 67.826 | 68.868 | 70.004 | 71.189 | 72.292 | 73.324 | 74.269 |
| % Ch, Annual Rate | 6.7 | 6.4 | 6.3 | 6.8 | 6.9 | 6.3 | 5.8 | 5.3 |
| Transfer Payments | 61.653 | 62.168 | 62.701 | 63.302 | 64.453 | 65.077 | 65.734 | 66.407 |
| % Ch, Annual Rate | 14.1 | 3.4 | 3.5 | 3.9 | 7.5 | 3.9 | 4.1 | 4.2 |
| State U.I. Benefits | 1.362 | 1.325 | 1.286 | 1.248 | 1.214 | 1.185 | 1.157 | 1.125 |
| % Ch, Annual Rate | -11.3 | -10.5 | -11.1 | -11.5 | -10.2 | -9.4 | -9.1 | -10.4 |
| Other Transfers | 60.291 | 60.843 | 61.415 | 62.055 | 63.239 | 63.892 | 64.577 | 65.281 |
| % Ch, Annual Rate | 14.8 | 3.7 | 3.8 | 4.2 | 7.9 | 4.2 | 4.4 | 4.4 |

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

| | Price Deflator* | | U.S. CPI# | | Seattle CPI+ | |
|----------|-----------------|----------------|-----------|----------------|--------------|----------------|
| | Index | Percent Change | Index | Percent Change | Index | Percent Change |
| 1971 | 0.247 | 4.2 | 0.405 | 4.2 | 0.382 | 2.1 |
| 1972 | 0.255 | 3.4 | 0.418 | 3.3 | 0.393 | 2.9 |
| 1973 | 0.269 | 5.4 | 0.444 | 6.3 | 0.418 | 6.4 |
| 1974 | 0.297 | 10.4 | 0.493 | 11.0 | 0.464 | 11.0 |
| 1975 | 0.322 | 8.3 | 0.538 | 9.1 | 0.511 | 10.2 |
| 1976 | 0.339 | 5.5 | 0.569 | 5.8 | 0.540 | 5.5 |
| 1977 | 0.361 | 6.5 | 0.606 | 6.5 | 0.583 | 8.0 |
| 1978 | 0.387 | 7.0 | 0.652 | 7.6 | 0.640 | 9.9 |
| 1979 | 0.421 | 8.9 | 0.726 | 11.3 | 0.709 | 10.8 |
| 1980 | 0.466 | 10.8 | 0.824 | 13.5 | 0.827 | 16.7 |
| 1981 | 0.508 | 8.8 | 0.909 | 10.4 | 0.916 | 10.8 |
| 1982 | 0.536 | 5.5 | 0.965 | 6.2 | 0.978 | 6.7 |
| 1983 | 0.559 | 4.3 | 0.996 | 3.2 | 0.993 | 1.5 |
| 1984 | 0.580 | 3.8 | 1.039 | 4.4 | 1.030 | 3.8 |
| 1985 | 0.599 | 3.3 | 1.076 | 3.5 | 1.056 | 2.5 |
| 1986 | 0.613 | 2.4 | 1.097 | 1.9 | 1.066 | 1.0 |
| 1987 | 0.636 | 3.7 | 1.136 | 3.6 | 1.092 | 2.4 |
| 1988 | 0.661 | 4.0 | 1.183 | 4.1 | 1.128 | 3.3 |
| 1989 | 0.690 | 4.4 | 1.239 | 4.8 | 1.181 | 4.7 |
| 1990 | 0.722 | 4.6 | 1.307 | 5.4 | 1.268 | 7.3 |
| 1991 | 0.748 | 3.6 | 1.362 | 4.2 | 1.341 | 5.8 |
| 1992 | 0.770 | 2.9 | 1.403 | 3.0 | 1.390 | 3.7 |
| 1993 | 0.787 | 2.2 | 1.445 | 3.0 | 1.429 | 2.8 |
| 1994 | 0.803 | 2.1 | 1.482 | 2.6 | 1.478 | 3.4 |
| 1995 | 0.821 | 2.2 | 1.524 | 2.8 | 1.522 | 3.0 |
| 1996 | 0.839 | 2.2 | 1.569 | 2.9 | 1.575 | 3.4 |
| 1997 | 0.854 | 1.9 | 1.605 | 2.3 | 1.630 | 3.5 |
| 1998 | 0.862 | 0.9 | 1.630 | 1.5 | 1.677 | 2.9 |
| 1999 | 0.876 | 1.6 | 1.666 | 2.2 | 1.728 | 3.0 |
| 2000 | 0.898 | 2.5 | 1.722 | 3.4 | 1.792 | 3.7 |
| 2001 | 0.915 | 1.9 | 1.770 | 2.8 | 1.857 | 3.6 |
| 2002 | 0.928 | 1.4 | 1.799 | 1.6 | 1.893 | 2.0 |
| 2003 | 0.947 | 2.0 | 1.840 | 2.3 | 1.924 | 1.6 |
| 2004 | 0.971 | 2.6 | 1.889 | 2.7 | 1.947 | 1.2 |
| 2005 | 1.000 | 3.0 | 1.953 | 3.4 | 2.002 | 2.8 |
| 2006 | 1.027 | 2.7 | 2.016 | 3.2 | 2.076 | 3.7 |
| 2007 | 1.055 | 2.7 | 2.073 | 2.9 | 2.157 | 3.9 |
| 2008 | 1.089 | 3.3 | 2.153 | 3.8 | 2.247 | 4.2 |
| 2009 | 1.090 | 0.1 | 2.146 | -0.3 | 2.260 | 0.6 |
| 2010 | 1.111 | 1.9 | 2.181 | 1.6 | 2.267 | 0.3 |
| 2011 | 1.138 | 2.4 | 2.249 | 3.1 | 2.328 | 2.7 |
| Forecast | | | | | | |
| 2012 | 1.158 | 1.8 | 2.296 | 2.1 | 2.391 | 2.7 |
| 2013 | 1.174 | 1.4 | 2.334 | 1.6 | 2.446 | 2.3 |
| 2014 | 1.193 | 1.6 | 2.378 | 1.9 | 2.498 | 2.1 |
| 2015 | 1.214 | 1.7 | 2.421 | 1.8 | 2.547 | 2.0 |
| 2016 | 1.234 | 1.7 | 2.460 | 1.6 | 2.594 | 1.8 |
| 2017 | 1.254 | 1.6 | 2.501 | 1.6 | 2.641 | 1.8 |

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

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

| | Services | | Food | | Fuels | | Gasoline | |
|----------|----------|----------------|---------|----------------|---------|----------------|----------|----------------|
| | Index | Percent Change | Index | Percent Change | Index | Percent Change | Index | Percent Change |
| 1971 | 19.284 | 5.5 | 25.847 | 2.3 | 8.320 | 6.4 | 14.588 | 0.7 |
| 1972 | 20.102 | 4.2 | 27.079 | 4.8 | 8.372 | 0.6 | 14.777 | 1.3 |
| 1973 | 21.077 | 4.9 | 30.506 | 12.7 | 9.596 | 14.6 | 16.190 | 9.6 |
| 1974 | 22.866 | 8.5 | 35.145 | 15.2 | 15.249 | 58.9 | 21.871 | 35.1 |
| 1975 | 24.834 | 8.6 | 37.788 | 7.5 | 16.546 | 8.5 | 23.339 | 6.7 |
| 1976 | 26.556 | 6.9 | 38.490 | 1.9 | 17.748 | 7.3 | 24.331 | 4.2 |
| 1977 | 28.558 | 7.5 | 40.757 | 5.9 | 20.082 | 13.2 | 25.740 | 5.8 |
| 1978 | 30.778 | 7.8 | 44.657 | 9.6 | 21.234 | 5.7 | 26.858 | 4.3 |
| 1979 | 33.350 | 8.4 | 49.043 | 9.8 | 29.275 | 37.9 | 35.994 | 34.0 |
| 1980 | 36.802 | 10.3 | 53.166 | 8.4 | 41.107 | 40.4 | 49.955 | 38.8 |
| 1981 | 40.555 | 10.2 | 56.954 | 7.1 | 50.292 | 22.3 | 55.584 | 11.3 |
| 1982 | 43.709 | 7.8 | 58.452 | 2.6 | 49.320 | -1.9 | 52.773 | -5.1 |
| 1983 | 46.430 | 6.2 | 59.124 | 1.1 | 45.470 | -7.8 | 51.047 | -3.3 |
| 1984 | 48.847 | 5.2 | 60.900 | 3.0 | 46.482 | 2.2 | 50.283 | -1.5 |
| 1985 | 51.049 | 4.5 | 61.563 | 1.1 | 44.670 | -3.9 | 50.689 | 0.8 |
| 1986 | 53.375 | 4.6 | 63.012 | 2.4 | 34.976 | -21.7 | 39.810 | -21.5 |
| 1987 | 55.409 | 3.8 | 65.000 | 3.2 | 35.885 | 2.6 | 41.340 | 3.8 |
| 1988 | 58.123 | 4.9 | 66.939 | 3.0 | 35.869 | 0.0 | 41.691 | 0.8 |
| 1989 | 60.840 | 4.7 | 70.469 | 5.3 | 38.004 | 6.0 | 45.539 | 9.2 |
| 1990 | 63.808 | 4.9 | 73.911 | 4.9 | 45.768 | 20.4 | 51.843 | 13.8 |
| 1991 | 66.581 | 4.3 | 76.232 | 3.1 | 43.574 | -4.8 | 51.162 | -1.3 |
| 1992 | 69.236 | 4.0 | 76.817 | 0.8 | 41.800 | -4.1 | 50.963 | -0.4 |
| 1993 | 71.294 | 3.0 | 77.891 | 1.4 | 41.512 | -0.7 | 50.446 | -1.0 |
| 1994 | 73.200 | 2.7 | 79.195 | 1.7 | 40.757 | -1.8 | 50.685 | 0.5 |
| 1995 | 75.365 | 3.0 | 80.912 | 2.2 | 40.377 | -0.9 | 51.491 | 1.6 |
| 1996 | 77.473 | 2.8 | 83.380 | 3.1 | 45.763 | 13.3 | 54.646 | 6.1 |
| 1997 | 79.812 | 3.0 | 84.969 | 1.9 | 45.838 | 0.2 | 54.634 | 0.0 |
| 1998 | 81.689 | 2.4 | 86.037 | 1.3 | 40.620 | -11.4 | 47.556 | -13.0 |
| 1999 | 83.509 | 2.2 | 87.446 | 1.6 | 41.316 | 1.7 | 51.789 | 8.9 |
| 2000 | 85.818 | 2.8 | 89.499 | 2.3 | 60.575 | 46.6 | 66.170 | 27.8 |
| 2001 | 88.422 | 3.0 | 92.130 | 2.9 | 59.392 | -2.0 | 63.776 | -3.6 |
| 2002 | 90.801 | 2.7 | 93.542 | 1.5 | 52.949 | -10.8 | 59.916 | -6.1 |
| 2003 | 93.686 | 3.2 | 95.296 | 1.9 | 64.078 | 21.0 | 69.783 | 16.5 |
| 2004 | 96.688 | 3.2 | 98.255 | 3.1 | 74.588 | 16.4 | 82.086 | 17.6 |
| 2005 | 100.000 | 3.4 | 100.000 | 1.8 | 100.000 | 34.1 | 100.000 | 21.8 |
| 2006 | 103.415 | 3.4 | 101.688 | 1.7 | 114.203 | 14.2 | 112.842 | 12.8 |
| 2007 | 106.981 | 3.4 | 105.647 | 3.9 | 123.490 | 8.1 | 123.921 | 9.8 |
| 2008 | 110.584 | 3.4 | 112.066 | 6.1 | 168.372 | 36.3 | 144.927 | 17.0 |
| 2009 | 112.157 | 1.4 | 113.366 | 1.2 | 114.319 | -32.1 | 105.517 | -27.2 |
| 2010 | 114.418 | 2.0 | 113.724 | 0.3 | 134.071 | 17.3 | 124.760 | 18.2 |
| 2011 | 116.435 | 1.8 | 118.230 | 4.0 | 171.644 | 28.0 | 156.913 | 25.8 |
| Forecast | | | | | | | | |
| 2012 | 118.842 | 2.1 | 120.931 | 2.3 | 172.821 | 0.7 | 162.026 | 3.3 |
| 2013 | 121.357 | 2.1 | 123.738 | 2.3 | 164.757 | -4.7 | 152.211 | -6.1 |
| 2014 | 124.229 | 2.4 | 123.952 | 0.2 | 163.615 | -0.7 | 148.139 | -2.7 |
| 2015 | 127.047 | 2.3 | 125.258 | 1.1 | 162.263 | -0.8 | 145.083 | -2.1 |
| 2016 | 129.777 | 2.1 | 127.067 | 1.4 | 161.963 | -0.2 | 142.947 | -1.5 |
| 2017 | 132.614 | 2.2 | 128.712 | 1.3 | 162.660 | 0.4 | 142.000 | -0.7 |

Table A5.1

Washington Resident Population and Components of Change*
(Thousands)

| | <u>Population</u> | <u>Change</u> | <u>Percent Change</u> | <u>Births</u> | <u>Deaths</u> | <u>Net Migration</u> |
|-----------------|-------------------|---------------|-----------------------|---------------|---------------|----------------------|
| 1970 | 3413.2 | 16.2 | 0.5 | 59.9 | 30.0 | -13.7 |
| 1971 | 3436.3 | 23.1 | 0.7 | 60.0 | 29.8 | -7.1 |
| 1972 | 3430.3 | -6.0 | -0.2 | 53.1 | 30.4 | -28.7 |
| 1973 | 3444.3 | 14.0 | 0.4 | 47.7 | 30.4 | -3.3 |
| 1974 | 3508.7 | 64.4 | 1.9 | 48.2 | 29.9 | 46.1 |
| 1975 | 3567.9 | 59.2 | 1.7 | 50.1 | 30.3 | 39.4 |
| 1976 | 3634.9 | 67.0 | 1.9 | 51.4 | 30.2 | 45.8 |
| 1977 | 3715.4 | 80.5 | 2.2 | 54.2 | 29.1 | 55.4 |
| 1978 | 3836.2 | 120.8 | 3.3 | 57.3 | 30.4 | 93.9 |
| 1979 | 3979.2 | 143.0 | 3.7 | 60.2 | 30.2 | 113.0 |
| 1980 | 4132.2 | 153.0 | 3.8 | 65.4 | 31.3 | 118.9 |
| 1981 | 4229.3 | 97.1 | 2.4 | 68.2 | 31.8 | 60.8 |
| 1982 | 4276.5 | 47.3 | 1.1 | 70.1 | 31.7 | 8.9 |
| 1983 | 4307.2 | 30.7 | 0.7 | 69.5 | 32.5 | -6.2 |
| 1984 | 4354.1 | 46.8 | 1.1 | 68.5 | 33.2 | 11.6 |
| 1985 | 4415.8 | 61.7 | 1.4 | 69.1 | 34.0 | 26.6 |
| 1986 | 4462.2 | 46.4 | 1.1 | 70.2 | 34.0 | 10.2 |
| 1987 | 4527.1 | 64.9 | 1.5 | 69.3 | 34.4 | 30.0 |
| 1988 | 4616.9 | 89.8 | 2.0 | 71.0 | 36.0 | 54.8 |
| 1989 | 4728.1 | 111.2 | 2.4 | 73.0 | 36.0 | 74.2 |
| 1990 | 4866.7 | 138.6 | 2.9 | 76.4 | 36.2 | 98.5 |
| 1991 | 5021.3 | 154.6 | 3.2 | 79.1 | 36.6 | 112.1 |
| 1992 | 5141.2 | 119.8 | 2.4 | 80.2 | 37.2 | 76.8 |
| 1993 | 5265.7 | 124.5 | 2.4 | 79.1 | 39.4 | 84.8 |
| 1994 | 5364.3 | 98.7 | 1.9 | 78.2 | 39.5 | 60.0 |
| 1995 | 5470.1 | 105.8 | 2.0 | 77.5 | 40.0 | 68.3 |
| 1996 | 5567.8 | 97.7 | 1.8 | 77.0 | 41.2 | 61.8 |
| 1997 | 5663.8 | 96.0 | 1.7 | 78.0 | 42.6 | 60.6 |
| 1998 | 5750.0 | 86.3 | 1.5 | 78.8 | 41.6 | 49.0 |
| 1999 | 5830.8 | 80.8 | 1.4 | 79.8 | 43.1 | 44.2 |
| 2000 | 5894.1 | 63.3 | 1.1 | 79.9 | 43.7 | 27.2 |
| 2001 | 5970.3 | 76.2 | 1.3 | 80.7 | 43.9 | 39.4 |
| 2002 | 6059.3 | 89.0 | 1.5 | 79.3 | 44.9 | 54.6 |
| 2003 | 6126.9 | 67.6 | 1.1 | 79.1 | 44.7 | 33.2 |
| 2004 | 6208.5 | 81.6 | 1.3 | 81.0 | 46.0 | 46.7 |
| 2005 | 6298.8 | 90.3 | 1.5 | 81.8 | 45.6 | 54.1 |
| 2006 | 6420.3 | 121.4 | 1.9 | 83.2 | 45.3 | 83.5 |
| 2007 | 6525.1 | 104.8 | 1.6 | 87.8 | 46.2 | 63.2 |
| 2008 | 6608.2 | 83.2 | 1.3 | 89.6 | 47.9 | 41.5 |
| 2009 | 6672.2 | 63.9 | 1.0 | 89.8 | 48.1 | 22.2 |
| 2010 | 6724.5 | 52.4 | 0.8 | 88.4 | 47.7 | 11.6 |
| 2011 | 6767.9 | 43.4 | 0.6 | 86.4 | 48.8 | 5.8 |
| 2012 | 6817.8 | 49.9 | 0.7 | 86.8 | 49.6 | 12.6 |
| Forecast | | | | | | |
| 2013 | 6881.5 | 63.7 | 0.9 | 87.6 | 50.5 | 26.6 |
| 2014 | 6954.7 | 73.2 | 1.1 | 88.3 | 51.5 | 36.4 |
| 2015 | 7029.8 | 75.1 | 1.1 | 88.9 | 53.0 | 39.2 |
| 2016 | 7105.7 | 75.9 | 1.1 | 89.4 | 55.5 | 42.0 |
| 2017 | 7182.2 | 76.6 | 1.1 | 90.9 | 56.4 | 42.0 |

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

| | 2010 | Actual 2011 | 2012 | 2013 | 2014 | Forecast 2015 | 2016 | 2017 |
|------------------|-------------|------------------------|-------------|-------------|-------------|--------------------------|-------------|-------------|
| Total Population | 6724.5 | 6767.9 | 6817.8 | 6881.5 | 6954.7 | 7029.8 | 7105.7 | 7182.2 |
| Percent Change | 0.8 | 0.6 | 0.7 | 0.9 | 1.1 | 1.1 | 1.1 | 1.1 |
| Age 17 and Under | 1581.4 | 1574.8 | 1573.5 | 1578.5 | 1587.9 | 1598.4 | 1609.6 | 1621.6 |
| Percent of Total | 23.5 | 23.3 | 23.1 | 22.9 | 22.8 | 22.7 | 22.7 | 22.6 |
| Age 6-18 | 1149.6 | 1142.5 | 1137.5 | 1140.7 | 1148.1 | 1156.0 | 1164.1 | 1171.3 |
| Percent of Total | 17.1 | 16.9 | 16.7 | 16.6 | 16.5 | 16.4 | 16.4 | 16.3 |
| Age 18 and Over | 5143.2 | 5193.1 | 5244.3 | 5303.0 | 5366.8 | 5431.4 | 5496.1 | 5560.6 |
| Percent of Total | 76.5 | 76.7 | 76.9 | 77.1 | 77.2 | 77.3 | 77.3 | 77.4 |
| Age 21 and Over | 4860.6 | 4910.6 | 4964.4 | 5027.3 | 5095.5 | 5161.9 | 5226.5 | 5289.4 |
| Percent of Total | 72.3 | 72.6 | 72.8 | 73.1 | 73.3 | 73.4 | 73.6 | 73.6 |
| Age 20-34 | 1395.3 | 1403.5 | 1413.5 | 1426.6 | 1440.4 | 1446.0 | 1452.1 | 1456.9 |
| Percent of Total | 20.7 | 20.7 | 20.7 | 20.7 | 20.7 | 20.6 | 20.4 | 20.3 |
| Age 18-64 | 4315.5 | 4341.7 | 4350.9 | 4366.4 | 4389.2 | 4411.4 | 4435.0 | 4456.4 |
| Percent of Total | 64.2 | 64.2 | 63.8 | 63.5 | 63.1 | 62.8 | 62.4 | 62.0 |
| Age 65 and Over | 827.7 | 851.4 | 893.4 | 936.6 | 977.5 | 1020.0 | 1061.1 | 1104.2 |
| Percent of Total | 12.3 | 12.6 | 13.1 | 13.6 | 14.1 | 14.5 | 14.9 | 15.4 |

* 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 2012 | + |
| U.S. Real GDP Growth | 3rd quarter 2012 | + |
| U.S. ISM Index | November 2012 | - |
| U.S. Employment YoY%Δ | October 2012 | + |
| U.S. Unemployment Rate | October 2012 | - |
| U.S. Job Openings | September 2012 | - |
| U.S. Fed Funds Target | November 2012 | unchanged |
| U.S. Consumer Confidence | November 2012 | + |
| U.S. Consumer Sentiment | November 2012 | + |
| U.S. Light Vehicle Sales | November 2012 | + |
| U.S. CPI | October 2012 | - |
| U.S. Monster Employment Index | October 2012 | + |
| S&P 500 Index | November 2012 | + |
| WA Leading Index | October 2012 | + |
| WA ISM-WW Index | October 2012 | + |
| WA Help Wanted Index | October 2012 | + |
| WA Employment YoY%Δ | October 2012 | + |
| WA Aerospace Empl. YoY%Δ | October 2012 | - |
| WA Unemployment Rate | October 2012 | + |
| WA Business Cycle Indicator | October 2012 | + |
| WA Initial Unemploy. Claims | November 2012 | - |
| WA Housing Permits | October 2012 | - |
| WA Weekly Hours in Mfg. | October 2012 | + |
| WA New Vehicle Registration | November 2012 | - |
| WA In-Migration | November 2012 | - |
| WA Exports-Total YoY%Δ | 3rd quarter 2012 | + |
| WA Exports- w/o Trans. Equip. YoY%Δ | 3rd quarter 2012 | + |
| Seattle CPI | October 2012 | + |
| Seattle Monster Employment Index | October 2012 | + |

*Change from the previous reading

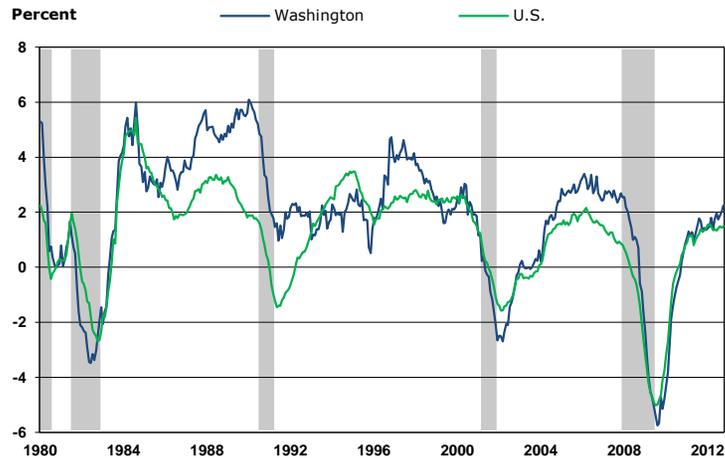
Table A6.2
Washington Business Indicators
 Historical Data

| | WA Index of Leading Indicators | U.S. Index of Leading Indicators | WA State Help-Wanted Index | WA Purchasing Management Index | U.S. Purchasing Management Index |
|----------------|---|---|---|---|---|
| 2008:01 | 114.8 | 101.9 | 119.1 | 66.7 | 50.3 |
| 2008:02 | 115.1 | 101.0 | 116.0 | 62.3 | 47.6 |
| 2008:03 | 115.5 | 99.5 | 123.2 | 55.2 | 48.3 |
| 2008:04 | 116.0 | 99.0 | 121.3 | 65.0 | 48.8 |
| 2008:05 | 114.6 | 98.1 | 118.5 | 60.3 | 48.8 |
| 2008:06 | 114.7 | 97.5 | 117.1 | 63.8 | 49.8 |
| 2008:07 | 113.2 | 95.4 | 111.2 | 60.2 | 50.0 |
| 2008:08 | 112.0 | 94.1 | 110.0 | 65.3 | 49.2 |
| 2008:09 | 110.4 | 92.0 | 110.2 | 48.6 | 44.8 |
| 2008:10 | 107.2 | 89.2 | 105.8 | 50.9 | 38.9 |
| 2008:11 | 104.1 | 86.8 | 99.8 | 50.0 | 36.5 |
| 2008:12 | 103.3 | 84.5 | 96.7 | 42.3 | 33.1 |
| 2009:01 | 102.1 | 82.9 | 91.8 | 52.8 | 34.9 |
| 2009:02 | 99.6 | 81.8 | 87.6 | 48.1 | 35.6 |
| 2009:03 | 97.3 | 80.4 | 78.7 | 40.9 | 36.0 |
| 2009:04 | 97.9 | 80.7 | 77.6 | 46.7 | 39.8 |
| 2009:05 | 98.4 | 81.1 | 77.1 | 48.5 | 42.0 |
| 2009:06 | 99.0 | 81.7 | 76.0 | 50.2 | 45.8 |
| 2009:07 | 99.4 | 82.4 | 77.9 | 46.7 | 49.2 |
| 2009:08 | 99.9 | 83.1 | 78.3 | 53.2 | 53.5 |
| 2009:09 | 100.2 | 83.7 | 77.6 | 52.9 | 54.2 |
| 2009:10 | 100.9 | 84.3 | 78.3 | 59.5 | 55.9 |
| 2009:11 | 102.0 | 85.2 | 81.5 | 54.8 | 54.3 |
| 2009:12 | 102.5 | 86.3 | 83.0 | 61.4 | 55.8 |
| 2010:01 | 103.2 | 86.8 | 83.8 | 63.0 | 56.7 |
| 2010:02 | 102.9 | 86.9 | 85.9 | 56.0 | 55.8 |
| 2010:03 | 103.9 | 88.4 | 88.3 | 56.1 | 59.3 |
| 2010:04 | 104.3 | 88.9 | 91.5 | 63.2 | 59.0 |
| 2010:05 | 103.8 | 89.0 | 92.4 | 62.4 | 58.8 |
| 2010:06 | 104.0 | 88.9 | 94.9 | 63.0 | 56.0 |
| 2010:07 | 104.6 | 89.1 | 94.2 | 55.9 | 55.7 |
| 2010:08 | 104.9 | 89.2 | 92.1 | 58.6 | 57.4 |
| 2010:09 | 105.3 | 89.7 | 93.4 | 60.3 | 56.4 |
| 2010:10 | 106.2 | 89.8 | 94.4 | 65.8 | 57.0 |
| 2010:11 | 106.9 | 90.5 | 94.6 | 60.4 | 58.0 |
| 2010:12 | 107.7 | 91.7 | 95.5 | 61.0 | 57.3 |
| 2011:01 | 107.9 | 91.8 | 99.9 | 68.0 | 59.9 |
| 2011:02 | 108.3 | 92.7 | 99.7 | 70.5 | 59.8 |
| 2011:03 | 109.4 | 93.7 | 100.3 | 65.5 | 59.7 |
| 2011:04 | 111.2 | 93.7 | 102.8 | 68.2 | 59.7 |
| 2011:05 | 111.3 | 94.2 | 102.1 | 64.7 | 54.2 |
| 2011:06 | 111.1 | 94.2 | 102.2 | 58.5 | 55.8 |
| 2011:07 | 112.5 | 94.4 | 107.0 | 56.1 | 51.4 |
| 2011:08 | 112.3 | 93.7 | 108.5 | 57.8 | 52.5 |
| 2011:09 | 111.8 | 93.2 | 107.3 | 61.3 | 52.5 |
| 2011:10 | 111.7 | 93.8 | 108.0 | 67.4 | 51.8 |
| 2011:11 | 112.9 | 94.1 | 108.8 | 67.0 | 52.2 |
| 2011:12 | 113.3 | 94.7 | 108.9 | 65.0 | 53.1 |
| 2012:01 | 111.9 | 94.7 | 107.7 | 68.5 | 54.1 |
| 2012:02 | 113.7 | 95.4 | 106.0 | 68.9 | 52.4 |
| 2012:03 | 115.4 | 95.6 | 111.1 | 62.9 | 53.4 |
| 2012:04 | 114.3 | 95.5 | 109.7 | 64.9 | 54.8 |
| 2012:05 | 114.4 | 95.8 | 111.4 | 58.5 | 55.9 |
| 2012:06 | 114.1 | 95.3 | 111.2 | 57.0 | 49.7 |
| 2012:07 | 114.6 | 95.7 | 111.3 | 58.8 | 49.8 |
| 2012:08 | 115.0 | 95.3 | 113.7 | 53.5 | 49.6 |
| 2012:09 | 115.9 | 95.8 | 113.3 | 56.0 | 51.5 |
| 2012:10 | 116.7 | 96.0 | 116.8 | 56.3 | 51.7 |
| 2012:11 | | | | | 49.5 |

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

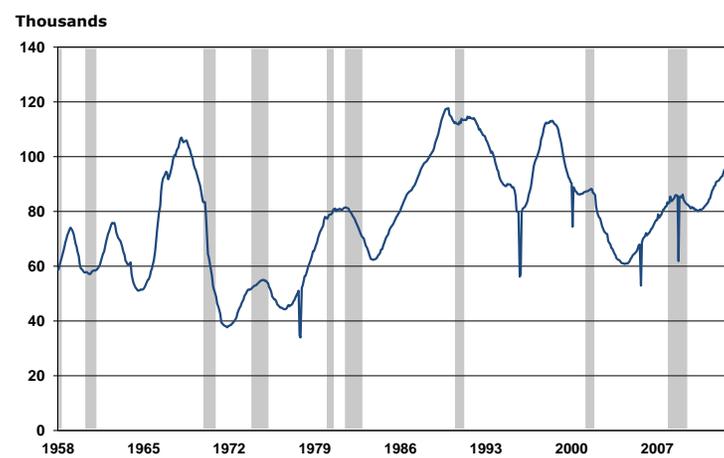
January 1980 to October 2012



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

Washington Aircraft and Parts Employment

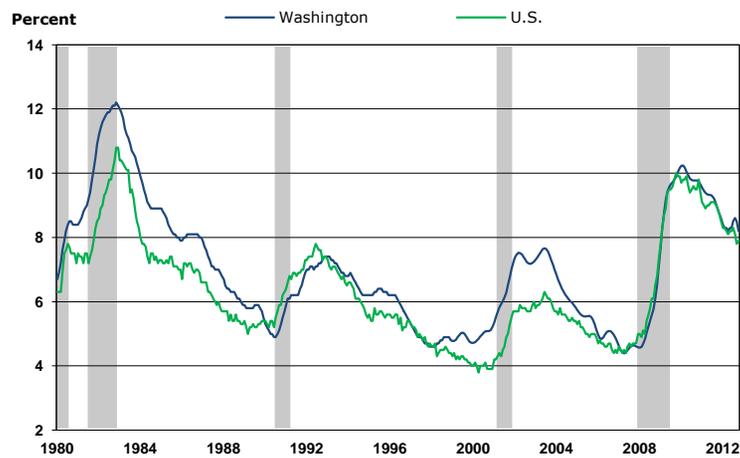
January 1958 to October 2012



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

January 1980 to October 2012



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

July 1971 to October 2012



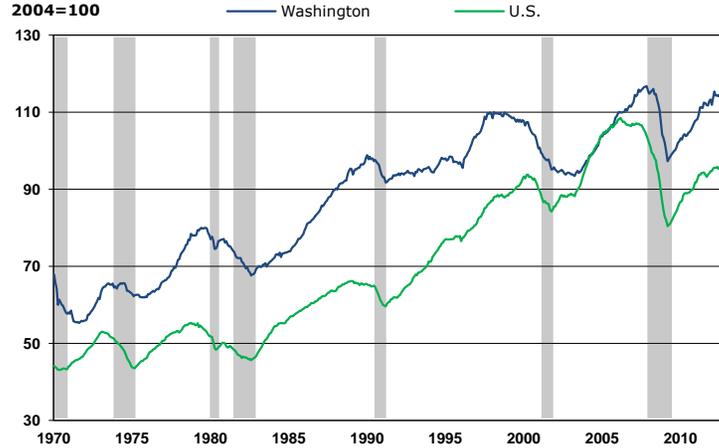
* Source: ERFC

* Shaded areas correspond with national recessions.
Appendix

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

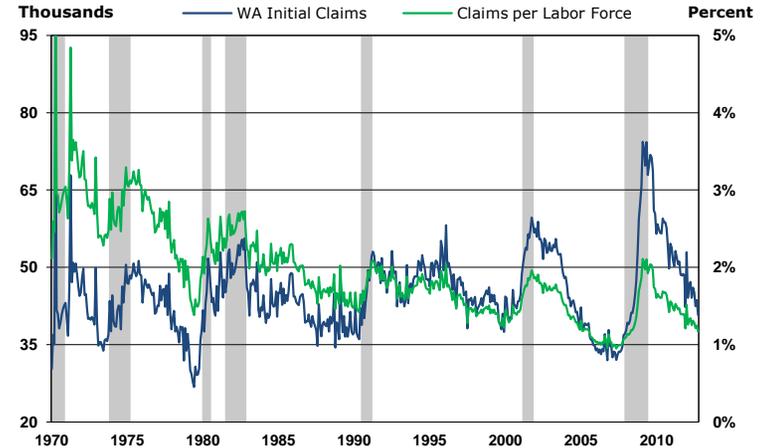
January 1970 to October 2012



* The Conference Board, ERFC

Washington Initial Claims for Unemployment Insurance

January 1970 to October 2012, S.A.



* Source: WA State Employment Security, ERFC

WA State Help Wanted Index

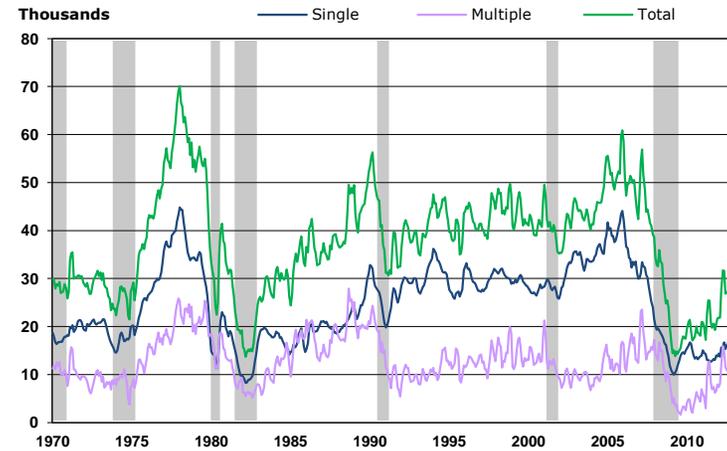
January 1970 to October 2012



* Source: ERFC

Housing Units Authorized in Washington State

January 1970 to October 2012, 3mma, SAAR



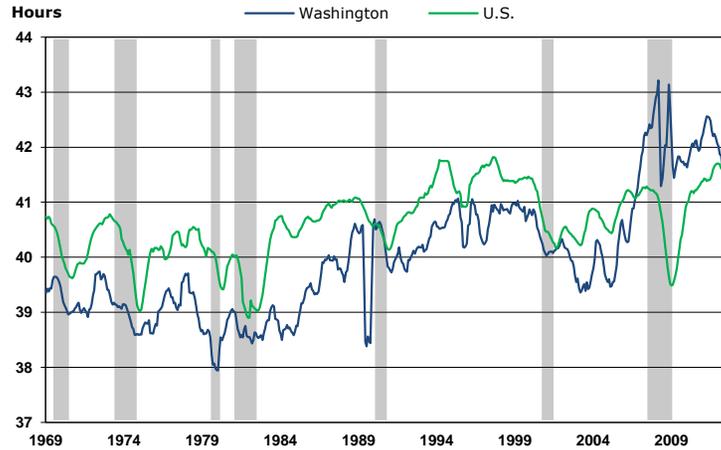
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.
Appendix

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

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



* Bureau of Labor Statistics, ERFC

Washington Driver's License In-Migration

January 1988 to November 2012, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

New Car and Truck Registrations in Washington

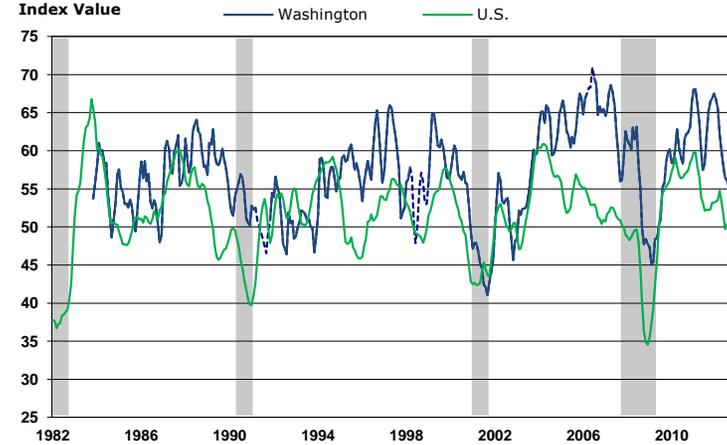
September 1970 to November 2012, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

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



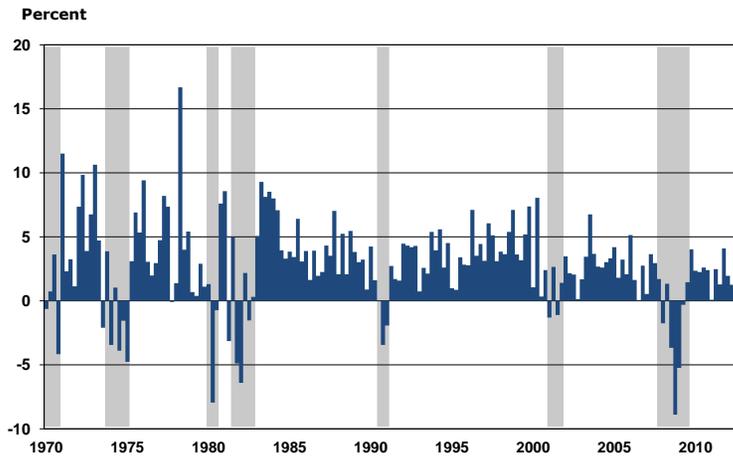
* Source: Institute for Supply Management, ISM-WW, ERFC

* Shaded areas correspond with national recessions.

Figure A7.4: Other Economic Indicators

Quarterly U.S. Real GDP Growth

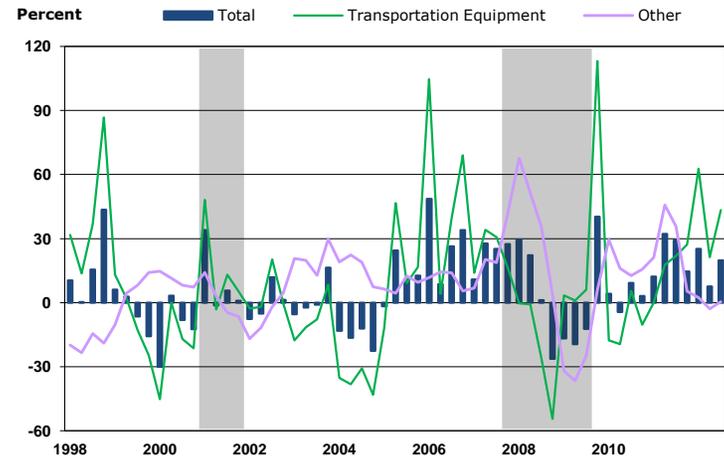
1970Q1 to 2012Q3, SAAR



* Source: Bureau of Economic Analysis

Washington State Export Composition

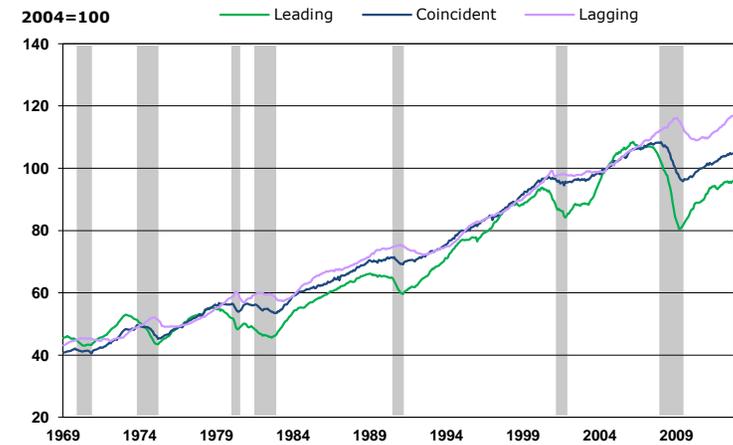
1998Q1 to 2012Q3, Year-over-year percent change



* Source: WISER

U.S. Economic Indicators

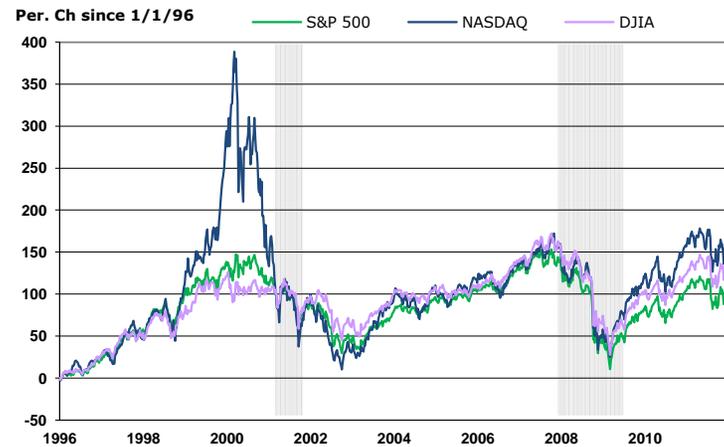
January 1969 to October 2012



* Source: The Conference Board

National Stock Indexes

January 1, 1996 to November 30, 2012



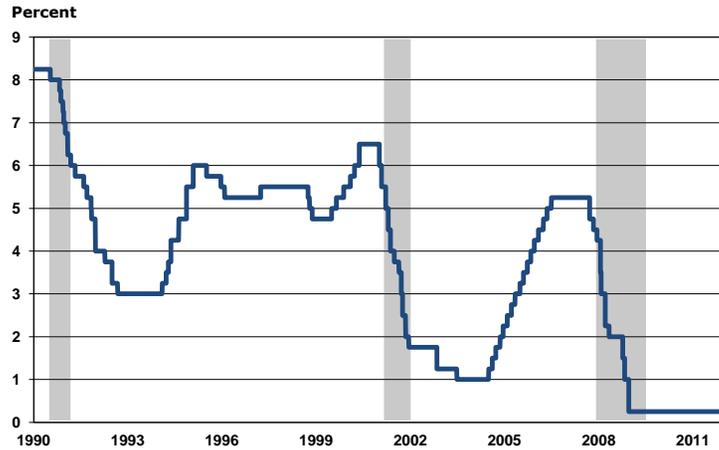
* Source: ERFC

* Shaded areas correspond with national recessions.
Appendix

Figure A7.4: Other Economic Indicators

Federal Funds Target Rate

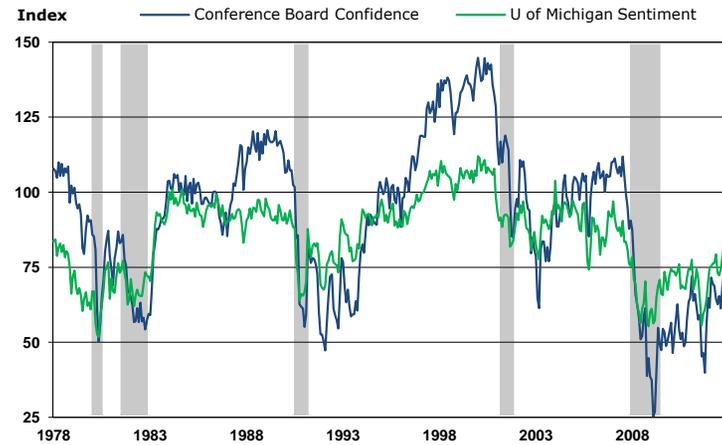
January 1, 1990 to November 30, 2012



* Federal Reserve

Consumer Confidence

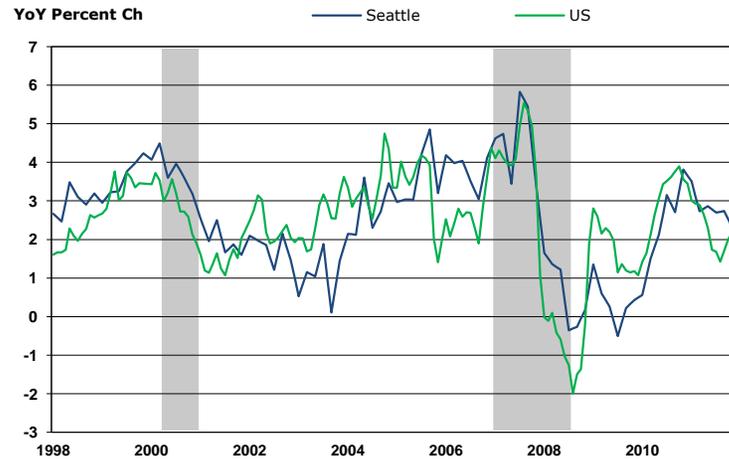
March 1978 to November 2012



* Source: The Conference Board, University of Michigan

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

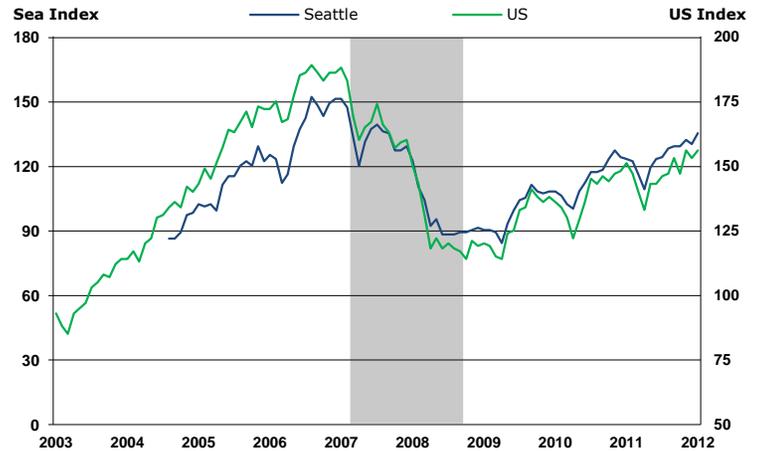
December 1998 to October 2012



* Source: Bureau of Labor Statistics

Monster Employment Index

October 2003 to October 2012, SA



* Source: Monster Worldwide, ERFC

* Shaded areas correspond with national recessions.



Glossary

Biennium: The state's two years budget cycle.

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

CPI: The Consumer Price Index for All Urban Consumers. The Bureau of Labor Statistics (BLS) updates the CPI monthly, surveying over 60,000 goods in 85 urban areas.

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

Fiscal Year: The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 2012, for example, ran from July 1, 2011 through June 30, 2012.

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

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

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

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

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

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

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

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

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

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

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

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