

A photograph of the Washington State Capitol building, featuring its prominent dome and classical columns. The building is framed by the branches of cherry blossom trees in full bloom, with white flowers and green leaves visible against a clear blue sky. The image has a slightly faded, artistic quality.

Washington State Economic and Revenue Forecast

September 2009
Volume XXXII, No. 3



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

September 2009
Volume XXXII, No. 3

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Preface

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

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Executive Summary

- It is almost certain the Great Recession of 2007-09 is over and economic activity has stopped declining. It will be a while before output returns to its previous peak because the recovery will be slow. Employment growth will lag the recovery in output, as will the peak in the unemployment rate.
- An unprecedented global recovery is under way. Typically nations that lag the U.S. in coming out of recession are returning to growth at the same time or even earlier.
- The housing situation has improved in recent months as well. Home prices appear to have hit bottom and have begun to increase. We expect them to improve slowly. Housing starts have started to climb as well coming off their historic lows.
- The risk to the outlook is still significant, but downside risks have diminished and are now balanced with upside risks.
- Recent data are showing signs of imminent turnaround in the Washington economy. Employment is still declining, but at a reduced pace. Initial jobless claims appear to have peaked. Housing permits and new vehicle registrations have both turned up.
- Job losses, however, will continue through the end of the year and the unemployment rate will continue to rise through mid-2010. This is normal since the labor market recovery lags the recovery in activity.
- Though residential construction has hit bottom, the correction in non-residential construction has a long way to go.
- While the recovery is largely proceeding along the lines of the June economic forecast, revenue-generating activity has been below expected levels.
- The September 2009 forecast for the 2009-11 biennium is \$29.6 billion, which is \$230.9 million less than expected in June. Twenty percent of the forecast reduction is the result of a state Supreme Court decision on Business and Occupation taxes.

U.S. Economic Forecast

*The recession
is over but
risks remain*

With the economy reaching a trough early in the third quarter, the recession now appears to be over. This does not mean that

economic activity is back to where it was before the recession started, but rather that it has stopped falling and is now in the process of recovering. Employment will take time to pick up again as it typically lags the upturn in activity. Businesses wait to hire until they are sure demand has returned. Consumer spending remains weak as households have lost nearly one-fifth of household wealth, and the fear of additional job losses remains. Consumer confidence, though improving, remains in recessionary territory. The banking sector is still vulnerable. While large national banks have returned to profitability, regional banks across the country remain vulnerable to deteriorating asset quality because of their disproportionate exposure to a weakening commercial real estate sector. Despite this, there are plenty of positive signs of a turnaround. Home prices have turned up, housing activity is improving and business investment is starting to stabilize. Perhaps the most promising development has been the synchronized global recovery that is under way. Countries in East Asia and some in Western Europe have come out of the recession earlier than the United States, which should provide a boost to our growth through higher exports. Finally, the full extent of the fiscal stimulus package has yet to be felt. Only 19% has effectively gone out through the end of the third quarter.

GDP has been stronger than first anticipated

Real GDP is expected to grow by 3.0% (SAAR) in the third quarter of 2009 (see Figure 1.5), much stronger than the 0.6% originally anticipated in June. Growth is then forecasted to moderate slightly and then gradually increase to 3.7% by the third quarter of 2011. The early part of the recovery will be supported by the first round effects of both the fiscal and monetary stimulus to date. The full impact of the stimulus in the pipeline will be felt sometime around the third quarter of 2010. Real Consumer spending will remain positive but weak, reaching 3.9% (SAAR) growth by the third quarter of 2010 but then moderating in 2011 with an average annual growth rate of 2.4%. Business investment will rebound strongly in the current quarter, largely as a result of inventory restocking and peak in the fourth quarter of this year. Export growth will return much sooner than previously expected and is forecasted to grow 8.1% this quarter due to the global recovery that is now under way.

The labor market lags the real economy

Employment growth typically lags the recovery in activity, and it is no different this time around. While the overall economy returns to growth in the current quarter, employers will continue shedding jobs through the first quarter of next year (see Figure 1.6). Businesses will first meet demand by ramping up excess capacity and increasing workers' hours. Only after they are sure the recovery is going to be sustained will they start adding to payrolls. The unemployment rate is expected to peak in the same quarter at just over 10%.

Washington Economic Forecast

*The
synchronized
global
recovery
bodes well
for
Washington*

In June we saw the first hints of a turnaround in the state economy. The state's economic performance since then has confirmed that we were on the right track, especially in the critical areas of jobs and housing. It is increasingly clear that we have seen the bottom in housing permits which means we should soon see a pickup in residential construction activity and related employment. Non-residential construction will continue to decline for a couple of years, though. Overall payroll employment is still declining, but the rate of decline slowed in the last five months to a seasonally adjusted annual rate of 1.4% compared to a 6.5% rate of decline during the previous six months. We expect the Washington economy to recover sooner and stronger than the national economy. The synchronized global recovery now underway bodes well for the nation's most trade dependant state. The state's aerospace and software industries have fared relatively well during the recession and are likely to continue to do well once the expansion is under way. Despite continued setbacks to the 787 program, Boeing remains strong and has an extensive backlog of orders. Microsoft is also healthy with a strong balance sheet and growth opportunities. Although recent job cuts at Microsoft have made headlines, the overall number is very small and new hiring at the company has offset much of the loss.

*Further
employment
reductions
are expected
in
construction,
aerospace,
software and
government*

The construction sector remains the weakest industry in Washington. We expect construction employment to decline by about 55,100 (26.2%) from its peak in the fourth quarter of 2007 through the third quarter of 2010. The aerospace employment forecast reflects Boeing's announcement that production of the 777 will be cut from seven per month to five in mid-2010. The forecast projects a total reduction of 5,200 (6.1%) aerospace jobs from the peak in the third quarter of 2008 to the end of 2011. In contrast, manufacturing other than aerospace is expected to lose 30,600 jobs (14.3%) from peak to trough. Software employment is expected to decline by 1,400 (2.7%) from the peak in the first quarter of 2009 to the trough in the fourth quarter of 2009, turning positive again in 2010 and 2011. The net reduction in software employment is less than the initial 2,400 layoff assumption due to hiring in other areas. We also expect a decline of 10,400 (2.2%) state and local government jobs from the peak in the fourth quarter of 2008 through the first quarter of 2010.

*Positive
employment
growth will
resume in
2010*

The forecast calls for Washington average annual non-farm payroll employment to fall 3.5% this year. Average annual employment is expected to grow 0.3% and 2.2% in 2010 and 2011, respectively, as the state economy recovers from the recession. Washington personal income is expected to decline 0.6% in 2009 before returning to positive growth rates of 4.0% and 5.2%, respectively, in 2010 and 2011. We believe the

number of housing units authorized by building permit will fall this year to a cyclical low of 15,200 units before recovering to 22,000 in 2010 and 34,200 in 2011. Lower energy prices in 2009 should hold headline inflation in Seattle to just 0.8%. The forecast expects Seattle CPI inflation rates of 1.7% in 2010 and 2.1% in 2011.

Revenue Forecast

The economic recovery is tracking the June forecast but revenues are lagging

The economic recovery forecasted in June is proceeding largely as expected with only minor revisions for September. Revenues are also recovering, but at a slower pace than anticipated. The downward revision to estimated first quarter state personal income outlined in Chapter 2 is a likely contributor to the shortfall. This revenue forecast extends the weaker activity to the end of 2009 but is close to the activity projected in June by the end of the biennium.

The General Fund-State forecast for 2009-11 is \$29.6 billion, \$230.9 million less than expected in June

Actual General Fund-State revenue in the 2007-09 biennium was \$27.7 billion, which was \$6.8 million less than expected in the June forecast. The September 2009 forecast for the 2009-11 biennium is \$29.6 billion, which is \$230.9 million less than expected in June. Of the \$230.9 million decrease in the forecast for the 2009-11 biennium, \$109.6 million is attributable to weaker forecasted spending by consumers. A decrease of \$46.1 million is from recognizing potential B&O refunds and lower collections going forward, as a result of the recent State Supreme Court decision in the HomeStreet case regarding B&O taxes on interest earnings. The remaining \$75.2 million forecast reduction was due to actual collection experience during the first two months of this biennium.

FY 2009-11 revenue will be lower than in FY 2007-09

While Washington consumers and businesses are expected to start spending again by the end of the year, the forecasted recovery in state revenues is quite slow. By the end of the forecast period (FY 2011), GF-S revenue is still expected to be below the level of FY 2008. Biennial totals of GF-S revenue were forecasted to contract by 0.7% in the 2009-11 biennium following a meager 0.1% increase in 2007-09.



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

- It is almost certain the Great Recession of 2007-09 is over and economic activity has stopped declining. It will be a while before output returns to its previous peak, however, the recovery will be slow. Employment growth will lag the recovery in output, as will the peak in the unemployment rate.
- Consumer spending remains weak but it has stopped declining. While households remain tentative about spending, they have shown a willingness to take advantage of deals such as “Cash for Clunkers” and the \$8000 first time home buyers credit. Still confidence remains low and households continue to pay down debts and save more.
- An unprecedented global recovery is under way. Typically nations that lag the U.S. in coming out of recession are returning to growth at the same time or even earlier.
- The housing situation has improved in recent months as well. Home prices appear to have hit bottom and have begun to increase. We expect them to improve slowly. Housing starts have started to climb as well coming off their historic lows.
- Initial unemployment claims have peaked, but their rate of decline matches the recoveries in 1991 and 2001, which were slow.
- The full impact of the USD 787 billion fiscal stimulus package is yet to be felt. At the end of the third quarter, just USD 63 billion has gone out in tax cuts, and USD 86 billion has been spent.
- The risk to the outlook is still significant, but downside risks have diminished and are now balanced with upside risks.

Current Conditions

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

With the economy reaching a trough early in the third quarter, the recession now appears to be over. This does not mean that economic activity is back to where it was before the recession started, but rather that it has stopped falling and is now in the process of recovering. Employment will take time to pick up again as it typically lags the upturn in activity. Businesses wait to hire until they are sure demand has returned. Consumer

spending remains weak households have lost nearly one-fifth of household wealth, and the fear of additional job losses remains. Consumer confidence remains in recessionary territory. The banking sector also remains vulnerable. While large national banks are getting profitable and healthy again, regional banks across the country remain vulnerable to deteriorating asset quality because of their disproportionate exposure to a weakening commercial real estate sector. Despite this, there are plenty of positive signs of the turnaround. Home prices have turned up, housing activity is improving and business investment is starting to stabilize. Perhaps the most promising development has been the synchronized global recovery that is under way. Countries in East Asia and some in Western Europe have come out of the recession earlier than the United States, which should provide a boost to our growth through higher exports. Finally, the full extent of the fiscal stimulus package has yet to be felt. Only 19% has effectively gone out through the end of the third quarter.

GDP is expected to grow in the third quarter

Real gross domestic product (GDP) declined in the second quarter at a seasonally adjusted annualized rate (SAAR) of 0.7%, the fourth straight quarter of decline. This is the first time GDP has posted negative growth in four consecutive quarters since the Bureau of Economic Analysis (BEA) started keeping track of quarterly data in 1947. Despite this, the decline of 0.7% is a marked improvement over downwardly revised 6.4% drop in the first quarter. It is also widely expected to be the last quarter of decline as the economy begins to recover and effects from the fiscal stimulus take hold. According to Macroeconomic Advisers, a St. Louis based economic research firm, real GDP for the third quarter is tracking at 3.3%. Most of this is due to production for inventory restocking, primarily in the automotive sector. The BEA is expected to release its advance estimate of official third quarter real GDP in late October.

Consumer spending is starting to increase

Nominal consumer spending has stabilized and is starting to grow; posting a 0.25% gain in July, followed by a 1.29% increase in August. The most recent increase was boosted by strong sales of light motor vehicles due to the Cash for Clunkers program. Excluding automobiles, consumer spending was still strong with growth of 0.88% in August. Although Real consumer spending, which is spending adjusted for inflation, is down 0.7% since the peak in November 2007, it is now up 0.3% on a year-over-year basis. Real spending has also increased for four straight months, something that has not happened since before the recession began.

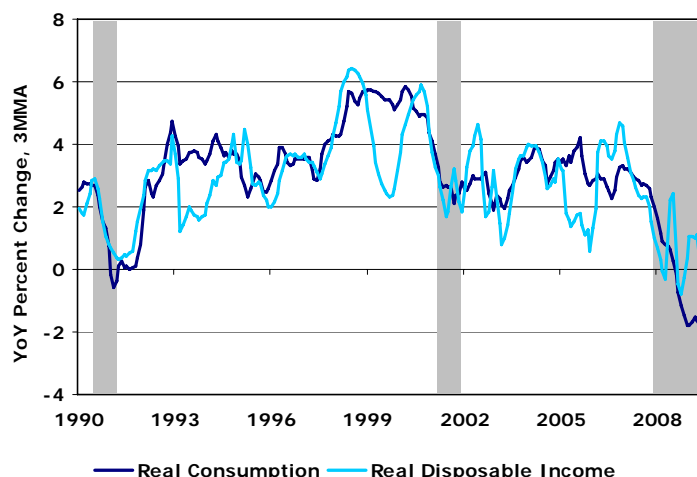
Disposable income continues to decline

Continued growth in spending is not guaranteed however. Real disposable income growth has been trending downward (see Figure 1.1). Since its peak in May of last year, real disposable incomes are down 3.7%. Without a moderation in the recent

increase in the savings rate, incomes must rise for consumption growth to continue.

Figure 1.1: Real Consumption and Real Disposable Income

Disposable income and consumption and bumping along the bottom



Source: BEA, data through August 2009

Consumer confidence remains weak

Consumer confidence, while off its historic lows, remains weak. The September Conference Board reading shows that people are still pessimistic about their present conditions, but remain hopeful about the future. In fact, the present conditions component hasn't improved since April while the expectations component has increased by almost 50%. Consumers need to start feeling that current conditions are getting better for spending to recover. Our current forecast expects a slow recovery in confidence as the economy recovers.

Regional and local banks remain at risk from commercial real estate

There are lingering worries about the health of the financial sector, although large national banks are returning to profitability and becoming healthy again. Inter-bank lending too has returned to normal and the Ted Spread, which measures the risk premium banks pay to borrow from each other, has returned to pre-crisis levels. However, regional and local banks across the country remain vulnerable due to their disproportionate exposure to the sharp downturn in commercial real estate. The pace of regional bank failures has accelerated, and many more are being added to watch lists. A large number of regional bank failures around the country would lead to a secondary round of credit contraction and further slow the recovery.

A global recovery is under way

While downside risks remain, there are also upside risks in play. A synchronized global recovery is currently underway (see Figure 1.2). This is a result of the over 720 pieces of fiscal and monetary stimuli enacted globally as counted by the ISI group in New York. Countries in East Asia and some in Western Europe

have come out of the recession before us. Typically, our trading partners and other countries around the world lag the U.S. in coming out of a recession. The quicker global recovery means exports will kick in earlier in this recovery cycle than in previous recoveries.

Figure 1.2: GDP Growth of Selected Economies

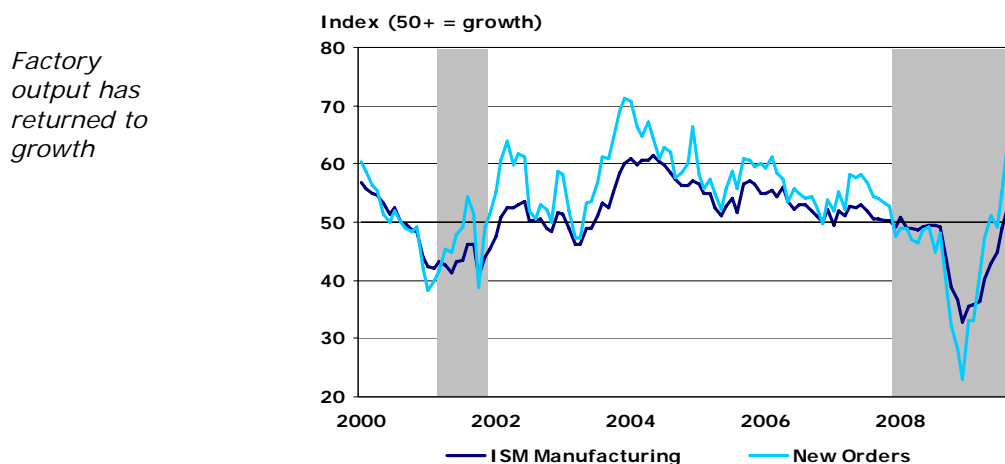
East Asia and parts of Western Europe have returned to growth

	GDP share	Q/Q, SAAR %	
		2009 Q1	2009 Q2
Japan	8.0%	-14.2	3.7
China	6.2%	5.6	16.0
Germany	6.0%	-13.4	1.3
France	4.7%	-5.7	1.2
India	2.0%	7.0	6.5
Korea	1.9%	0.5	9.7
Indonesia	0.8%	3.7	5.3
Taiwan	0.7%	-3.2	9.1
Thailand	0.4%	-7.2	9.6
Hong Kong SAR	0.4%	-14.7	13.8
Malaysia	0.3%	-17.7	13.2
Singapore	0.3%	-12.2	20.7
Philippines	0.3%	-7.1	11.0

Source: IMF, ERFC

Economic activity is picking up in the U.S. as well

Economic activity is showing signs of positive growth in the United States as well. The manufacturing sector has rebounded and is now expanding. The Institute of Supply Management (ISM) Purchasing Manager's Index, which is correlated to strength in manufacturing, indicated growth in August for the first time since January 2008. The August reading of 52.9 was the strongest in over two years. This was followed by a still strong 52.6 in September (see Figure 1.3). The new orders component led the way while inventories declined. This points to continued growth in the sector.

Figure 1.3: Institute of Supply Management Manufacturing Index

Source: ISM; data through September 2009

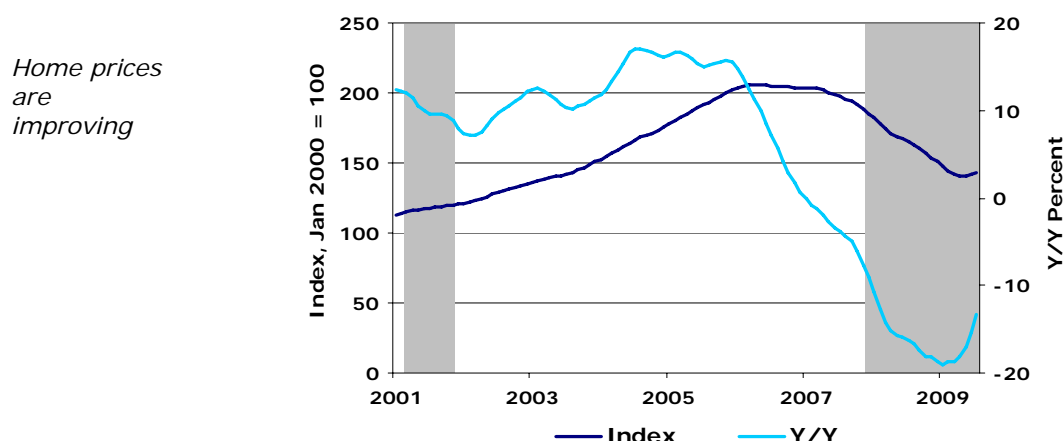
The housing market is improving, albeit slowly

The housing market conditions are beginning to turn around as well. Existing home sales have increased for four consecutive months from April to July, the first time this has happened in five years. In addition, the July increase of 7.2% was the highest monthly percentage increase in total home sales in 23 years. August data show a 2.7% decline from July, but the underlying trend remains upward. The \$8,000 tax credit for first time home buyers, historically low interest rates, and improving affordability has helped boost sales. The inventory of existing homes is still above normal, but now at a two year low with an 8.5 month supply at the current sales rate. Housing starts have begun to inch up slowly as well and have averaged about 590,000 starts (annualized) for the past three months. Starts in August were 23% higher than the trough in January but still 30% lower than the year ago levels.

Home prices have are beginning to firm up

Home prices have stopped declining as well (see Figure 1.4). The Case-Shiller 20-city composite home price index increased 0.7% in June and another 1.2% in July, ending a run of 36 straight months of declines. Prices are still down 13% from year ago levels and it will take some time before to get back to the 2006 peak level again. The end of the freefall and some element of stability in home prices bode well both for housing and banking. The so called "toxic assets" on banks' balance sheets have housing as collateral. Reaching a floor in home prices will allow easier valuation of those assets.

Figure 1.4: Case-Shiller 20-city composite home prices, seasonally adjusted



Source: S&P/Case-Shiller, data through July 2009

Initial jobless claims have come down significantly

Initial jobless claims are now well off their peak of 674,000 (SA) reached in March, coming in at 551,000 (SA) for the period ending September 26. While this represents an 18% reduction from the peak it is still significantly higher than the average of 322,000 (SA) claims from 2005-07. It will take some time before the labor market returns to pre-recession levels, but the recent drop in claims is an early indication that activity is moving in the right direction.

The impact of policy stimuli will continue to be felt in the recovery

The impact of fiscal stimulus will continue to be felt as the recovery starts to gain traction. The majority of The American Recovery and Reinvestment Act (ARRA) funds, commonly known as the \$787 billion federal fiscal stimulus, have yet to be spent. The Fed will also move very slowly to reduce the size of its balance sheet and tighten the money supply. We don't expect interest rate hikes until late in the next year.

Forecast

Our forecast was made with information available through mid September

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

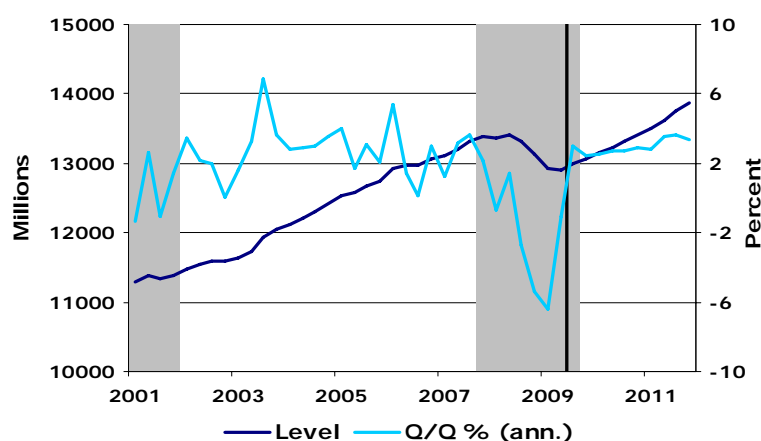
Much of what we said in our June forecast remains true. Our national forecast still projects a recession trough in the third

There have been few surprises since our last forecast

quarter of the current year, followed by a gradual or U-shaped, rather than V-shaped, recovery. Even though it is off its bottom, consumer confidence still remains weak. There is significant idle capacity in the economy both in product and labor markets, and business investment is very weak. We are now seeing signs that a housing correction is under way. The automotive sector has been temporarily boosted by the federal Cash for Clunkers program as many people took advantage of the generous rebates. Large national banks are now returning to profitability although regional and local banks' exposure to commercial real-estate is a growing problem.

Figure 1.5: Real GDP growth forecast

Real GDP is forecasted to turn positive in 2009 Q3



Source: Bureau of Economic Analysis, ERFC

GDP has been stronger than first anticipated

Real GDP is expected to grow by 3.0% (SAAR) in the third quarter of 2009 (see Figure 1.5), much stronger than the 0.6% originally anticipated in June. Growth is then forecasted to moderate slightly and then gradually increase to 3.7% by the third quarter of 2011. The early part of the recovery will be supported by the first round effects of both the fiscal and monetary stimulus to date. The full impact of the stimulus in the pipeline will be felt sometime around the third quarter of 2010. Real Consumer spending will remain positive but weak, reaching 3.9% (SAAR) growth by the third quarter of 2010 but then moderating in 2011 with an average annual growth rate of 2.4%. Business investment will rebound strongly in the current quarter, largely as a result of inventory restocking and peak in the fourth quarter of this year. Export growth will return much sooner than previously expected and is forecasted to grow 8.1% this quarter due to the global recovery that is now under way.

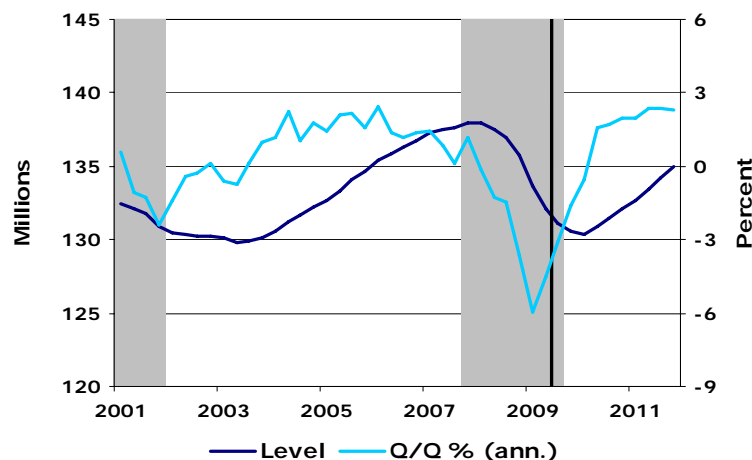
The labor market lags the real economy

Employment growth typically lags the recovery in activity, and it is no different this time around. While the overall economy returns to growth in the current quarter, employers will continue shedding jobs through the first quarter of next year (see Figure

1.6). Businesses will first meet demand by ramping up excess capacity and increasing workers' hours. Only after they are sure the recovery is going to be sustained will they start adding to payrolls. The unemployment rate is expected to peak in the same quarter at just over 10%.

Figure 1.6: U.S. non-farm payroll employment forecast

Job losses will continue into the recovery



Source: Bureau of Labor Statistics, ERFC, actual data through 2009 Q2

Households are paying down debt and saving more

The trend of household de-leveraging is expected to continue. With employment growth lagging in the recovery and net worth only now beginning to turn around, consumers have shied away from spending out of credit. This has also been compounded by the recent tightening of standards recently that is only beginning to ease. Households are paying down their debt, spending much more frugally, and saving more. The rate of saving out of disposable income had declined from about 8% in the early 1990s to under 2% by 2005. Savings remained low through the first quarter of 2008 averaging just 1.8%. In sharp contrast to that the savings rate peaked at 6% in May before coming back down to 4.2% in July. Our forecast expects the savings rate to remain positive over the entire forecast horizon, but moderating to around 2.5% in 2011, as the economic recovery takes hold, and household net worth starts to improve.

The global recovery under way will provide a boost to our national recovery

The concerted global recovery currently under way is forecasted to continue through 2011. Instead of providing a boost late in the recovery, this will help U.S. exports contribute positively to GDP in the near term as well (see Figure 1.7). Whereas the lag in our trading partners' recovery typically weighs down our recovery from recession, this time around it will help us pull out stronger. Real GDP growth of our major trading partners is forecasted to be just over 1.5% (SAAR) by the end of this year and gradually growing to 2.6% (SAAR) by the end of 2011. U.S. exports will get a near term boost growing about 8% (SAAR) in

the current quarter before settling down and gradually reaching that level again in the middle of 2011.

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

As GDP increases around the world, so will our exports



Source: WISER, Global Insight, ERFC, actual data through 2009 Q2

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

Housing has improved but will take some time to fully recover

Despite the bottoming in housing, it will be a while before we see a full recovery, since the sector is coming off such a low base. The recent increase in home prices provided a floor that buyers needed to feel confident enough to make a purchase. Historically low interest rates have also helped, although the effect of this on purchases has been offset somewhat by the tightening of loan standards. The interest rate on conventional 30-year mortgages will stay low throughout the forecast reaching 5.75% by the fourth quarter of 2011.

Excess supply and foreclosures will continue to put a damper on the demand for new housing

There is still a considerable overhang of excess housing supply which will put a limit on new construction. Foreclosures are still a problem and only adding to the number of available houses. Single family housing starts hit bottom in the first quarter of 2009 at an annual rate of just 358,000. Starts for multi-family homes have just now hit bottom and we expect third quarter numbers to come in at just under 10,000 units (annual rate). Single-family starts will continue to improve and reach levels seen in 2000-01 (about 1.25 million annually) by the end of 2011. Multi-family starts meanwhile, will improve but remain weak reaching just 20,000 (annual rate) by the end of the forecast period.

Non-residential construction will recover slowly

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

Non-residential fixed investment in structures dropped an incredible 43% (SAAR) in the first quarter of this year followed by a 15% (SAAR) drop in the second quarter. We expect this contraction to continue through all of 2010 return to growth no sooner than late in 2011.

Forecast by Fiscal Year

FY 10 is now expected to have positive growth

The forecast by fiscal year, presented in Table 1.1, appears worse in 2010 than the forecast by calendar year described above, because the fiscal year starts and ends two quarters earlier than the calendar year, and we are projecting a slow recovery from the current recession. Real GDP is expected to decline by 2.3% (SAAR) in FY 2009, remain mostly flat in 2010 with a 0.3% growth rate, before picking up in 2011 at a 2.8% rate. In contrast, calendar year 2010 is expected to show real GDP growth of 2.4%, followed by 3.1% growth in 2011.

FY 10's weakness continue to come from weakness in construction

Much of the weakness in real GDP in FY 2010 can be explained by a continued contraction in construction, which also contributed to the decline in FY 2009. Real residential fixed investment is expected to decline by another 7.7% after dropping by 23.1% the previous fiscal year. Real non-residential fixed investment, which dropped by 10.7% in FY 2009 is expected to decline by another 9.9% in FY 2010. Real consumption is projected to rebound to a 1.1% growth rate after dropping by 1.2% in FY 2009.

Construction will start improving in FY 11, lead by residential

In FY 2011, real residential fixed investment is expected grow a robust 19.2%, although off very low levels. Real non-residential investment is expected to return to positive territory as well with a 5.5% growth in FY 2011. This too will be off a very low base and will only bring investment back to FY 2005 levels. Real consumption will continue its positive growth in FY 2011 increasing to 2.7%. Housing starts are expected to surpass the 1 million mark again increasing to 1.1 million in FY 2011, up 51.9% from FY 2010.

Risks to the Forecast

Downside Risks (10%)

Downside risks

Downside risks have diminished further since our June forecast, and are now balanced with upside risk.

Double-dip recovery

There is a risk of a double-dip, or "W-shaped" recovery, where economic activity sags in the fourth quarter of 2010. This can

happen if by the middle of next year consumer spending and confidence fail to recover as we expect them to.

Banks remain at risk

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

Inflation might start to become a concern

Fears of deflation have eased. But with the amount of liquidity that has been pumped into the economy, there is always a risk of inflation. However, inflation expectations are "well anchored," which means the risk of inflation is low, even with the injection of liquidity. If expectations become "unanchored" and we get an uptick in inflationary pressures, then the Federal Reserve may be compelled to raise interest rates earlier than planned, further slowing the recovery.

Bad Policy similar to the depression era

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

Upside Risks: (10%)

Upside Risks

Downside risks have diminished, but upside risks remain small. There is a chance that the recovery becomes stronger than forecasted

Strong global recovery

A sharper than expected global rebound could occur. Already our trading partners are recovering sooner than first anticipated which will help our recovery. Increased growth around the world will only add to our growth potential.

Commercial real estate recovers

The downturn in commercial real estate is less severe than expected allowing smaller regional banks to remain healthy.

Confidence returns sooner

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

Inflation remains low

Commodity prices do not strengthen too fast as the recovery gets underway, putting upward pressure on inflation.

Good Policy

Good policy could also spur increased growth.

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,079.9	12,458.9	12,827.6	13,082.6	13,373.6	13,071.1	13,108.5	13,470.1
% Ch	3.7	3.1	3.0	2.0	2.2	-2.3	0.3	2.8
Real Consumption	8,397.8	8,683.0	8,943.9	9,207.2	9,349.9	9,214.7	9,312.0	9,562.0
% Ch	3.5	3.4	3.0	2.9	1.5	-1.4	1.1	2.7
Real Nonresidential Fixed Investment	1,223.4	1,313.3	1,400.6	1,490.1	1,590.1	1,420.0	1,278.9	1,349.7
% Ch	4.9	7.3	6.6	6.4	6.7	-10.7	-9.9	5.5
Real Residential Fixed Investment	703.4	753.9	770.5	649.9	511.0	392.8	362.5	432.1
% Ch	11.5	7.2	2.2	-15.7	-21.4	-23.1	-7.7	19.2
Real Personal Income	10,058.8	10,375.6	10,718.8	11,148.2	11,283.2	11,104.5	11,035.5	11,310.1
% Ch	2.7	3.1	3.3	4.0	1.2	-1.6	-0.6	2.5
Real Per Capita Income (\$/Person)	34,405	35,168	35,997	37,079	37,177	36,249	35,672	36,208
% Ch	1.8	2.2	2.4	3.0	0.3	-2.5	-1.6	1.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	0.957	0.984	1.016	1.040	1.074	1.091	1.100	1.118
% Ch	2.2	2.8	3.2	2.4	3.3	1.6	0.8	1.6
U.S. Consumer Price Index (1982-84=1.0)	1.861	1.917	1.990	2.041	2.117	2.146	2.159	2.196
% Ch	2.2	3.0	3.8	2.6	3.7	1.4	0.6	1.7
Employment Cost Index (Dec. 2005=1.0)	0.955	0.980	1.005	1.038	1.072	1.096	1.108	1.123
% Ch	2.9	2.6	2.5	3.3	3.3	2.3	1.0	1.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,512.0	12,247.9	13,047.1	13,714.3	14,347.4	14,303.8	14,481.7	15,075.3
% Ch	6.2	6.4	6.5	5.1	4.6	-0.3	1.2	4.1
Personal Income	9,631.0	10,211.9	10,887.3	11,593.0	12,120.3	12,114.9	12,139.8	12,641.4
% Ch	4.9	6.0	6.6	6.5	4.5	0.0	0.2	4.1
Employment (Millions)								
U.S. Civilian Labor Force	146.8	148.2	150.4	152.4	153.7	154.6	154.4	155.4
Total U.S. Employment	138.3	140.4	143.1	145.5	146.1	142.9	139.2	140.5
Unemployment Rate (%)	5.82	5.32	4.83	4.53	4.95	7.57	9.85	9.56
Nonfarm Payroll Employment	130.47	132.47	135.02	136.97	137.76	134.63	130.72	132.43
% Ch	0.3	1.5	1.9	1.4	0.6	-2.3	-2.9	1.3
Manufacturing	14.33	14.29	14.20	14.03	13.71	12.73	11.63	11.45
% Ch	-3.7	-0.3	-0.6	-1.2	-2.3	-7.2	-8.6	-1.5
Durable Manufacturing	8.88	8.96	8.98	8.91	8.69	7.94	7.12	7.05
% Ch	-3.6	0.9	0.3	-0.8	-2.5	-8.6	-10.4	-1.0
Nondurable Manufacturing	5.45	5.33	5.23	5.12	5.03	4.79	4.51	4.40
% Ch	-3.8	-2.1	-2.0	-2.1	-1.8	-4.7	-5.8	-2.4
Construction	6.84	7.13	7.57	7.69	7.47	6.75	5.86	5.61
% Ch	2.2	4.3	6.1	1.7	-2.9	-9.6	-13.2	-4.2
Service-Producing	108.73	110.45	112.59	114.54	115.83	114.38	112.55	114.69
% Ch	0.7	1.6	1.9	1.7	1.1	-1.3	-1.6	1.9
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	33.8	48.8	64.3	63.4	96.8	70.1	69.5	74.0
Personal Saving/Disposable Income (%)	3.5	2.4	1.8	2.2	1.9	3.7	3.9	2.9
Auto Sales (Millions)	7.6	7.6	7.8	7.7	7.6	5.4	5.8	6.7
% Ch	-4.2	1.0	2.3	-1.3	-1.3	-28.5	6.1	16.9
Housing Starts (Millions)	1.945	2.016	2.036	1.546	1.133	0.648	0.710	1.079
% Ch	12.5	3.7	1.0	-24.1	-26.7	-42.8	9.5	51.9
Federal Budget Surplus (Billions)	-405.9	-325.3	-248.0	-200.2	-438.6	-901.0	-1,231.4	-1,096.4
Net Exports (Billions)	-540.3	-672.5	-770.1	-743.6	-721.0	-516.3	-466.1	-530.8
3-Month Treasury Bill Rate (%)	0.96	2.21	4.06	4.89	2.89	0.56	0.33	1.37
10-Year Treasury Note Yield (%)	4.29	4.23	4.59	4.76	4.14	3.29	3.68	3.92
Bond Index of 20 G.O. Munis. (%)	4.79	4.50	4.45	4.30	4.56	4.97	4.63	4.83
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	5.57	5.26	5.44

Table 1.2

Forecast Analysis

Comparison of Forecasts for 2009-11

Forecast Date	2008				2009				2010				2011	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
U.S.														
Percent Growth, 2009:2-2011:2														
Real GDP	6.3	6.8	6.0	4.6	5.1	5.0	5.7							
Implicit Price Deflator	3.7	3.3	4.1	4.3	3.1	3.9	3.4							
Average Rate, 2009:3 to 2011:2														
3 Month T-Bill Rate	4.07	3.99	3.97	2.05	0.91	0.83	0.85							
Mortgage Rate	6.66	6.75	6.75	5.84	5.17	5.32	5.35							

Table 1.3
Forecast Comparison
 Forecast 2009 to 2011

Fiscal Years

	2007	2008	2009	2010	2011
U.S.					
Real GDP					
September Baseline	13082.6	13373.6	13071.1	13108.5	13470.1
% Ch	2.0	2.2	-2.3	0.3	2.8
June Baseline	11379.9	11655.0	11472.6	11412.8	11732.1
% Ch	2.0	2.4	-1.6	-0.5	2.8
Implicit Price Deflator					
September Baseline	1.040	1.074	1.091	1.100	1.118
% Ch	2.4	3.3	1.6	0.8	1.6
June Baseline	1.160	1.197	1.219	1.232	1.257
% Ch	2.4	3.2	1.8	1.1	2.0
U.S. Unemployment Rate					
September Baseline	4.53	4.95	7.57	9.85	9.56
June Baseline	4.53	4.95	7.56	9.91	9.72
Mortgage Rate					
September Baseline	6.35	6.18	5.57	5.26	5.44
June Baseline	6.35	6.18	5.53	5.18	5.46
3 Month T-Bill Rate					
September Baseline	4.89	2.89	0.56	0.33	1.37
June Baseline	4.89	2.89	0.56	0.37	1.29



Chapter 2: Washington Economy – Current Conditions and Forecast

- The September economic forecast is very similar to the June forecast. As expected, the recession in Washington probably ended in the third quarter of 2009, about the same time as the turning point in the U.S. economy.
- The end of the recession does not mean the good times are back, only that the decline in the economy has stopped. A full recovery is a long way off. The recession was the deepest since the Depression and the recovery will be slow.
- Recent data are showing signs of an imminent turnaround in the state economy. Employment is still declining, but at a reduced pace. Initial jobless claims appear to have peaked. Housing permits and new vehicle registrations have both turned up.
- Job losses, however, will continue through the end of the year and the unemployment rate will continue to rise through mid-2010. This is normal since the labor market recovery lags the recovery in activity.
- The modest job cuts expected in aerospace and software will have minimal impact. The biggest cuts have been in construction, non-aerospace manufacturing, trade, and employment services – mainly temporary help.
- Though residential construction is nearing bottom, the correction in non-residential construction has a long way to go.
- Personal income growth is suffering from the loss of jobs as well as weaker wage growth and declining hours.
- Seattle inflation, which had been remaining ahead of national inflation, will be moderate due to the weak economy and lower energy costs.

Current Conditions

*The
synchronized
global
recovery
bodes well
for
Washington*

In June we saw the first hints of a turnaround in the state economy. The state's economic performance since then has confirmed that we were on the right track, especially in the critical areas of jobs and housing. It is increasingly clear that we have seen the bottom in housing permits which means we should soon see a pickup in residential construction activity and related

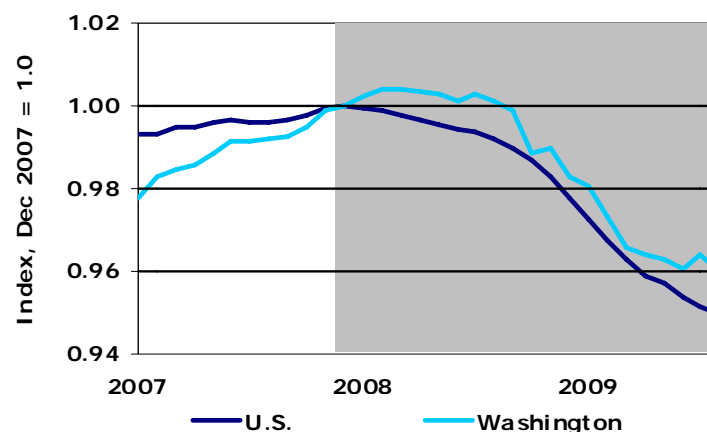
employment. Non-residential construction will continue to decline for a couple of years, though. Overall payroll employment is still declining, but the rate of decline slowed in the last five months to a seasonally adjusted annual rate of 1.4% compared to a 6.5% rate of decline during the previous six months. We expect the Washington economy to recover sooner and stronger than the national economy. The synchronized global recovery now underway bodes well for the nation's most trade dependant state. The state's aerospace and software industries have fared relatively well during the recession and are likely to continue to do well once the expansion is under way. Despite continued setbacks to the 787 program, Boeing remains strong and has an extensive backlog of orders. Microsoft is also healthy with a strong balance sheet and growth opportunities. Although recent job cuts at Microsoft have made headlines, the overall number is very small and new hiring at the company has offset much of the loss.

Washington job cuts are subsiding

Washington employment, although still declining, appears to be stabilizing, and stabilizing faster than U.S. payroll employment (see Figure 2.1). Though the state's economy lost 12,400 jobs in August, this followed an increase of 9,400 in July. As noted above, the rate of decline in Washington employment has slowed considerably since March, much more so than in U.S. employment. Washington was late in entering this recession; it now seems likely we will emerge earlier and stronger.

Figure 2.1: U.S. and Washington payroll employment

Washington employment bottoming out sooner than U.S. employment



Source: BLS, WA State ESD, August 2009

The biggest employment decline has been in construction.

Employment in construction has been particularly hard-hit during the current downturn. Losses in this sector have accounted for a third of the total decline in employment since the peak despite making up only six percent of total employment. Many of these jobs are lost for good as we do not expect a return to the levels

seen during the housing bubble. While we expect to see job losses through most of next year, the losses appear to be moderating. The past five months averaged a decline of 1,700 jobs which is much better than the 4,100 average job losses during the previous six months. One bright spot in construction is in heavy and civil engineering which is benefiting from stimulus spending on infrastructure. This construction subsector, while small, has grown in each of the last three months.

Manufacturing is also suffering, but don't blame Boeing

Next to construction, the sector most hard-hit during this recession is non-aerospace manufacturing. Aerospace employment has not been a major contributor to the employment decline in this recession. On the contrary, it has been a stabilizing influence. Manufacturing employment is down nearly 11% from its peak in February 2008. Aerospace employment is down only 3.5% while other manufacturing employment is down 13.9%. The biggest percentage drop has been in wood products employment, which fell more than 30% as housing collapsed. Manufacturing employment appears to be stabilizing. In the last five months manufacturing employment declined at an average rate of 1,200 per month which is a significant improvement over the 3,300 per month during the previous six months.

Retail trade employment and professional and business employment have fallen sharply

Among the services-producing industries, two sectors accounted for about 80% of the net job loss during the recession to date: retail trade and professional and business services. The financial crisis and collapse of consumer confidence affected nearly every aspect of retail trade, but especially motor vehicles and the housing related subsectors (furniture and home furnishings stores and building material and garden supply stores). Overall retail trade has shown almost no change in the last few months after dropping precipitously at the end of last year and early this year. Professional and business services employment has also been virtually flat in recent months after very steep declines. Most of the reduction in this sector has been in employment services (mainly temporary help) which firms tend to cut before their own staff.

The unemployment rate is stabilizing

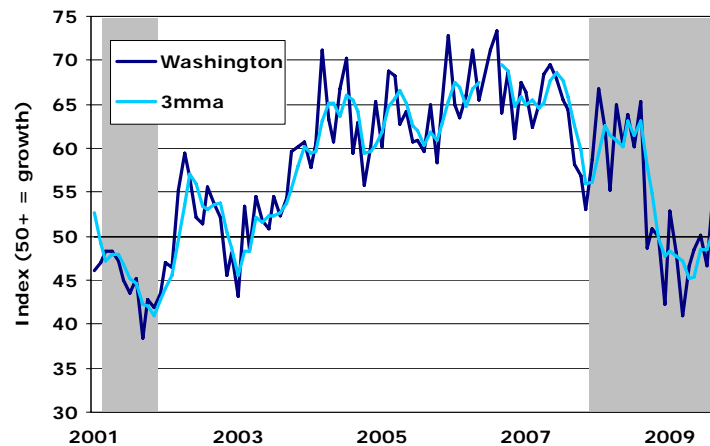
The unemployment rate in Washington edged up in August to 9.2% from a revised 8.9% in July. The unemployment rate has been essentially unchanged since the end of the free-fall stage of the recession in March when it reached 9.1%. While the number of payroll jobs has continued to decline since March, employment in the household survey, which figures into the unemployment rate calculation, has risen slightly since then, nearly matching the increase in the labor force. There are a number of differences between the two measures of employment. One is that employment in the household survey includes the self-employed while payroll employment does not.

*Washington's
purchasing
managers
signal growth*

In another indication that the state's economy is turning, National Association of Purchasing Managers Western Washington Index moved above 50 in August and September (see figure 2.2). Values above 50 indicate expansion while values below 50 indicate contraction. This is a fairly noisy series, but the three-month moving average is also above 50 in both August and September for the first time since last October.

Figure 2.2: Washington Purchasing Manager's Index

*The
Purchasing
Management
Index rises
above 50*



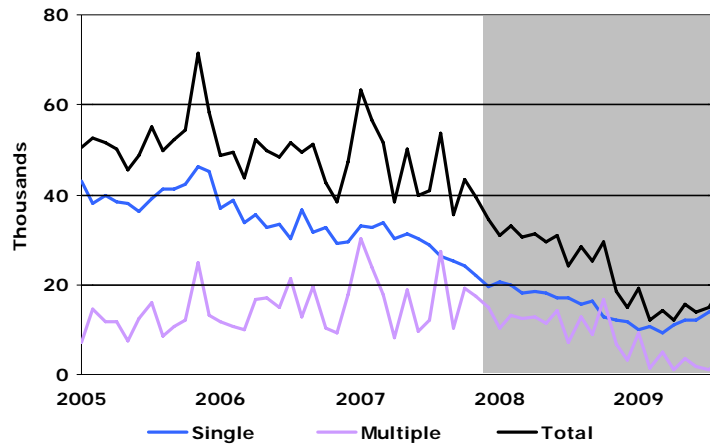
Source: NAPM-WW, September 2009

*Housing
construction
has finally
reach a
trough*

It also appears that Washington housing construction has finally turned the corner. We continue to believe that the second quarter will turn out to be the bottom in the number of housing units authorized by building permits. While multi-family permits continue to bounce along the bottom, single-family permits have increased in four of the last five months and they were essentially unchanged in the other month (see figure 2.3).

Figure 2.3: Washington housing units authorized by building permits, seasonally adjusted annualized rate

Single-family housing permits are improving



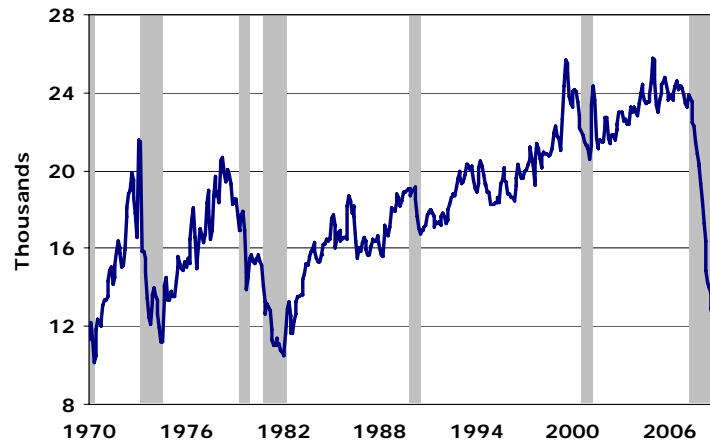
Source: U.S. Census Bureau, August 2009

Car and truck sales have experienced a record decline

The number of new car and truck registrations in Washington has started to rebound as well (see Figure 2.4). Even before the Cash for Clunkers program, it appeared the number of new vehicle registrations had finally stopped falling, reaching a trough of 12,300 registrations in May. Since then, with a boost from the federal program, the number has increased 45% to 18,800 in August. While this growth is impressive, it comes off a historically low base. New vehicle registrations in Washington are still almost 20% lower than the average of the past decade.

Figure 2.4: Washington new car and truck registrations, seasonally adjusted, 3-month moving average

Registrations were increasing even before "Cash for Clunkers"



Source: WA State DOL, August 2009

*Job losses
are hurting
personal
income*

Weakness in personal income in Washington continues to weigh on the local economy. According to the Bureau of Economic Analysis, personal income in the state declined 1.5% in the first quarter of 2009. We believe, based on data the BEA has yet to incorporate in their estimates, that decline was actually 5.3%. This follows a 5.4% decline in the fourth quarter of last year. Large reductions in employment are the main reason for the personal income declines, but wage rates and non-wage income such as proprietors' income and property income are also declining.

*Seattle
inflation has
slowed*

Inflation, as measured by the Seattle Consumer Price Index, remains weak. Consumer prices rose at only a 0.6% seasonally adjusted annual rate from June to August. Core inflation was also low at 0.8%. So far this year (December 2008 to August 2009) core inflation is rising at only a 0.8 % rate and overall inflation only 1.1%. The tame performance of inflation in Seattle is due to shelter costs which have flattened out this year as the housing market collapsed.

Washington State Forecast

*Washington
will once
again
outperform
the U.S.*

We now again expect Washington to outperform the nation in the recovery. Our state's economy is more trade intensive than others, and will be helped relatively more than others as a result of the global economic recovery. Boeing's order book, while full, has been vulnerable to cancellations and deferments. With a recovery in East Asia and Western Europe, the financial condition of a large portion of its customers will start to get repaired. Microsoft's balance sheet remains quite healthy, and from all accounts its launch of Windows 7 in October is expected to be a success.

*The revisions
to the
economic
forecast in
September
are minimal*

The September revision to our Washington economic outlook has been minimal, compared to June. The rate at which employment is declining has slowed in recent months, much more so than in the national economy. During the last five months the state has lost jobs at a 1.4% annual rate compared to 6.5% during the six months prior to that. The state's economy will continue to shed jobs through the end of this year - with a peak-to-trough decline of 137,000 jobs. To date we have lost 130,000. Manufacturing and construction job losses will trough later than the overall economy. Manufacturing is expected to lose jobs into early 2010, while construction will lose jobs into late 2010.

*Positive
employment
growth will
resume in
2010*

On an annual average basis, Washington nonfarm payroll employment grew 0.9% in 2008 despite declines in each of the last three quarters of the year. On a Q4 to Q4 basis employment declined 1.1%. The forecast calls for Washington average annual nonfarm payroll employment to fall 3.5% this year. Average

annual employment is expected to grow 0.3% and 2.2% in 2010 and 2011, respectively, as the national economy recovers from the recession. The Q4 over Q4 growth rates forecast for nonfarm payroll employment for 2009, 2010, and 2011 are respectively, -3.0%, 1.6%, and 2.5%.

Personal income will rebound in 2010.

Washington personal income growth fell from 8.1% in 2007 to 3.9% in 2008. Personal income is expected to decline 0.6% in 2009 before returning to positive growth rates of 4.0% and 5.2%, respectively, in 2010 and 2011

Calendar 2009 will be the bottom for housing

After three years in excess of 50,000 per year, the number of housing units authorized by building permit fell to 47,400 in 2007 and 28,900 in 2008. The forecast projects permits will fall again this year to a cyclical low of 15,200 units before recovering to 22,000 in 2010 and 34,200 in 2011.

Seattle inflation will remain moderate

Inflation, as measured by the Seattle CPI, increased to 4.2% in 2008 from 3.9% in 2007. Core inflation (excluding food and energy) declined slightly to 3.4% in 2008 from 3.5% in 2007. Lower energy prices in 2009 should hold headline inflation in Seattle to just 0.8%. The forecast expects Seattle CPI inflation rates of 1.7% in 2010 and 2.1% in 2011.

Washington State Forecast Assumptions

The economic forecast is on track

The state forecast reflects the new national forecast which, for the first time in more than a year, shows no significant change from the previous forecast. The Washington economy has also behaved very much as expected in the June forecast. Washington employment growth during the last several months has been very close to the assumption made in June and housing appears to be turning around as expected. The only significant surprise at the state level is a revision to the level of personal income early this year. The lower income in the first quarter, evident in both the national and state data, is due to a collapse in stock option and bonus income that was missed in the initial estimate.

Further employment reductions are expected in construction, aerospace, software and government

In addition to reflecting the new national forecast, the state construction forecast reflects the positive impact of the stimulus infrastructure spending on Washington construction employment. Even with the stimulus spending, the construction sector remains the weakest industry in Washington. We expect construction employment to decline by about 55,100 (26.2%) from its peak in the fourth quarter of 2007 through the third quarter of 2010. The aerospace employment forecast reflects Boeing's announcement that production of the 777 will be cut from seven per month to five in mid-2010. The forecast assumes a total reduction of 5,200 (6.1%) aerospace jobs from the peak in the third quarter of 2008 to the end of 2011. In contrast, manufacturing other than

aerospace is expected to lose 30,600 jobs (14.3%) from peak to trough. Software employment is expected to decline by 1,400 (2.7%) from the peak in the first quarter of 2009 to the trough in the fourth quarter of 2009, turning positive again in 2010 and 2011. The net reduction in software employment is less than the initial 2,400 layoff assumption due to hiring in other areas. We also expect a decline of 10,400 (2.2%) state and local government jobs from the peak in the fourth quarter of 2008 through the first quarter of 2010.

Washington Payroll Employment

The aerospace reductions are mild by historical standards

Aerospace employment will decline over the next couple of years, but the reductions will be quite moderate compared to other aerospace downturns. In January Boeing announced company-wide employment reductions of 10,000 of which more than half were expected to be in Washington State. Not all the reductions will result from layoffs. Some of the cuts will be through attrition and some will be contract employees. This initial round of cuts is not expected to affect production. In April Boeing said it would reduce monthly production of the 777 to five from seven starting in June 2010. This is in spite a Boeing Commercial Airplanes contractual backlog of more than seven times expected 2009 revenues. Boeing did not indicate the number of job cuts that would result from the 777 production cut. Our forecast calls for a decline of about 5,200 aerospace employees from the third quarter of 2008 through mid-2011. The 5,200 reduction assumed in the forecast does not include an additional reduction of 1,200 contract workers. While these cuts are significant, they pale in comparison to the last aerospace downturn during which Washington lost a total of 52,000 aerospace jobs.

The software layoffs are unusual, but moderate

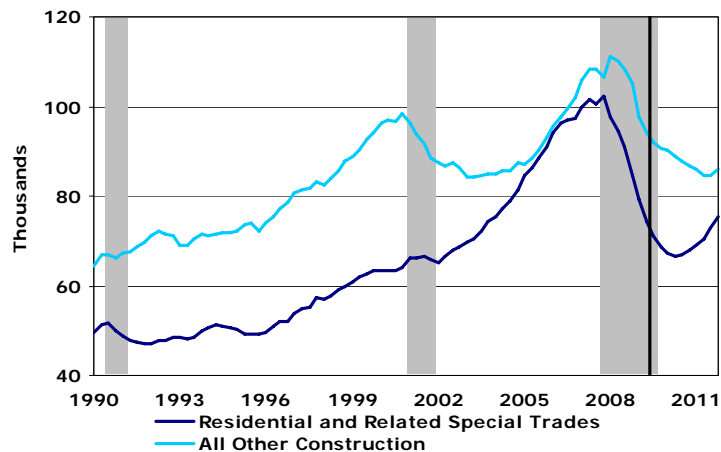
Microsoft also announced layoffs in January amounting to about 5,000 company-wide. This is Microsoft's first mass layoff. During the last recession software employment leveled off but did not decline as continued hiring at Microsoft offset cuts at other software firms. The upcoming Microsoft layoffs will not all be in Washington State and they will continue to hire in some positions so the net loss for Washington software employment will be much less than the 5,000 announcement. The forecast projects a net reduction in Washington software job loss of about 1,400 from the peak in the first quarter of 2009 to the trough in the fourth quarter of 2009. . The net reduction in software employment is less than the initial 2,400 layoff assumption due to hiring in other areas. Positive growth will return in 2010, accelerating during the year. By 2011 we expect a strong recovery in software employment.

Construction will bottom out in the third quarter of 2010

Construction has experienced the most severe employment decline of any industry in Washington during this recession. Figure 2.6 (below) separates total construction employment into two parts: residential is comprised of residential building and related special trades while non-residential is comprised of non-residential building and related trades plus heavy and civil engineering construction. In the 1990-91 recession, residential construction declined but non-residential did not. In the 2001 recession it was the other way around. Non-residential construction declined sharply but residential construction held steady. In this cycle, residential construction employment peaked first but now both are in a steep decline. We expect residential

Figure 2.5: Washington construction employment

Residential construction employment will begin to recover soon, other construction much later



Source: WA State ESD actual data through 2009Q2, ERFC Forecast

construction employment to bottom out in the second quarter of 2010. Non-residential construction employment will continue to decline for another year, bottoming out in the second quarter of 2011. The decline in non-residential construction would have been even more severe without the stimulus funding for infrastructure investment. The forecast expects overall construction employment to decline through the third quarter of 2010, a thirteen-quarter peak-to-trough drop of 55,100 or 26.2%. An initially modest recovery is expected to pick up steam during 2011 as both housing and nonresidential construction eventually revive.

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

Financial activities employment has been in decline since the first quarter of 2006, three years ago. Employment is down 11,300 (7.2%) since then. Unsurprisingly, credit intermediation and related activities, a victim of the meltdown in the financial markets, accounts for most decline, falling by 9,100 (16.1%). Most of Washington Mutual's headquarters staff have been laid off during 2009 as a result of their purchase by JPMorgan. Branch

and retail banking staff were not much affected. Financial activities employment is expected to decline through the third quarter of 2010 with a total peak-to-trough decline of 15,200 (9.7%). Healthy growth is expected to resume in 2011.

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

Employment in retail trade peaked along with the overall economy in the first quarter of 2008. The decline since then has been precipitous. Initially the weakest retail trade sectors were those most closely connected to the housing market: furniture and home furnishings, and building materials and garden supplies. These turned down nearly two years ago as housing went into decline. The freezing-up of credit and collapse of consumer confidence since last fall have affected the entire spectrum of consumer spending. The largest declines are in motor vehicle dealers, furniture and home furnishings stores, and building materials and garden supplies. We think the third quarter of this year will prove to be the bottom for retail trade employment. The forecast expects a peak to trough decline of 18,300 jobs overall, about 5.5%. The rebound should also be strong as pent-up demand is released. The forecast assumes a 2.6% jump in retail trade employment during the first year of the recovery.

The professional and business services sector is strongly pro-cyclical

Professional and business services had been one of Washington's strongest sectors in recent years but during the recession it has also experienced the largest percentage employment decline of any of the services-producing sectors. Employment in professional and business services peaked in the second quarter of 2008 and fell 23,700 (6.7%) since then. More than half the overall decline was in employment services (largely temporary help) which shed 13,500 jobs (27.1%). Employers prefer to cut temporary help before their own staff. In fact, employment services peaked in early 2007. The forecast expects employment in professional and business services to continue to decline through the third quarter of 2009. The peak to trough decline is expected to reach 23,900 (6.8%). Strong growth is expected to resume in this highly pro-cyclical industry once the recovery takes hold in 2010 and 2011. Professional and business services will also benefit greatly from the recently enacted stimulus. The additional \$2 billion going to the Hanford cleanup effort will mostly affect employment in waste management and remediation services, a component of professional and business services.

The large declines in the last two years will reverse in 2010 and 2011

Tight budgets are forcing cutbacks in state and local government employment

State and local government employment tends to be more stable than other sectors of the economy. It also tends to lag other sectors through the business cycle. Employment grew throughout the last recession but the protracted slowdown in the state's economy continued to put pressure on state and local governments' budgets long after the recession ended. State and local government is one of the two sectors (the other being construction) that stands to benefit disproportionately from the federal stimulus package. Nevertheless, we expect a decline of

10,400 (2.2%) state and local government jobs from the peak in the fourth quarter of 2008 through the trough in the first quarter of 2010. Without the stimulus payments, state and local governments would have had to make far more severe cuts in jobs. As was the case in the last recession, the downward pressure on state and local budgets will persist long after the recession is officially over. We do not expect any significant rebound in state and local government employment until late in 2011.

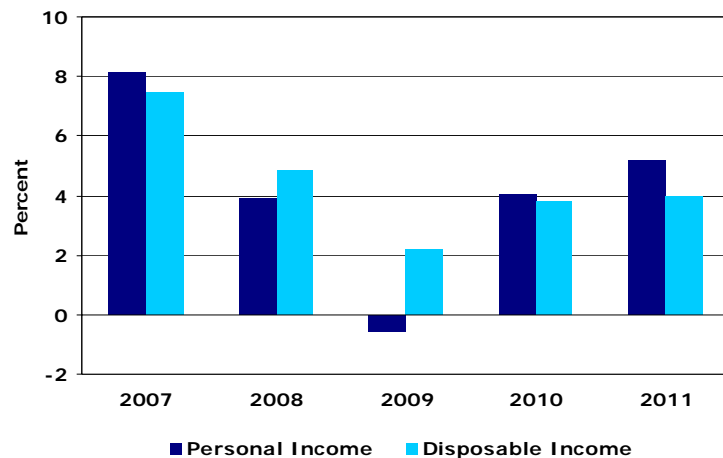
Washington Personal Income

Washington personal income is suffering from job losses, slow wage growth, and declines in other non-wage sources of income, but recover in 2010

The one significant negative surprise since our last forecast in June was the discovery that wages were much weaker in the first quarter of this year than the initial data had indicated. This was probably due to a collapse in stock option and bonus income which would not have been picked up in the initial survey but would have been included in the more complete data that are now available. Washington's personal income growth is likely to be negative in calendar year 2009 for the first time since 1949. The tax cuts and increased transfer payments in the stimulus package will keep disposable personal income growth slightly positive in 2009, however (see figure 2.6).

Figure 2.6: Washington personal income growth

Disposable personal income growth will remain positive in 2009 thanks to tax cuts



Source: BEA actual data through 2007, ERFC Forecast

Personal income growth should recover in 2010 and 2011

The severe decline in employment is the main reason for weak income growth this year, but growth in average annual wages will also be weak. Not only is the depressed economy putting downward pressure on hourly wage growth, but average hours are also declining, further reducing average wage growth. Non-wage income growth is also very weak. Proprietor's income is

declining even faster than wage and salary disbursements in 2009 as is property income (dividends, interest, and rent). Partially offsetting these negative factors are transfer payments, which are rising rapidly. Transfer payments automatically increase in recessions as unemployment compensation rises. Transfers are being further boosted in this downturn by the stimulus package which is supplementing unemployment compensation as well as other transfer payments such as increased food stamp benefits and additional payments to social security recipients. This year should be the low point for Washington personal income growth. As the economy begins to recover in 2010 and picks up steam in 2011, most components of personal income will also revive, the main exception being unemployment compensation which should come down as job growth picks up.

WA personal income growth will outperform the national average

Going forward, we expect Washington personal income growth to continue to outperform the national average. The reasons for optimism include the resurgent economies around the world, particularly in Asia, as well as the relative stability in our high wage industries, aerospace and software. As a result of these strengths, we have increased our Washington personal income growth forecast over the next four quarters from 2.6% to 3.8%.

Seattle Consumer Price Index

Shelter costs have flattened out, reducing inflation

Local consumer prices tend to rise faster than the national average when the local economy is relatively strong. They rise slower than the national average when the local economy is relatively weak. After trailing the U.S. in 2003, 2004, and 2005, Seattle inflation moved ahead of the national average in 2006, 2007, and 2008 as the local economy outpaced the U.S. economy. The stronger inflation in Seattle compared to the U.S. city average during the last few years was mostly due to shelter costs, in particular, rent and owners' equivalent rent. These components weakened considerably in the first six months of 2009. As a result, core inflation (excluding food and energy) in Seattle averaged only 0.8% (annual rate) during the first six months of 2009 compared to 3.6% for all twelve months of 2008. High vacancy rates should continue to put downward pressure on rents which will help keep inflation in check. On an annual average basis, energy costs should also be significantly lower this year than last year, putting additional downward pressure on headline inflation this year. As the economy begins to recover and energy prices stabilize, inflation will remain moderate in Seattle as well as elsewhere in the U.S. given the considerable slack that will persist in the economy for some time (see figure 2.7).

Figure 2.7: Seattle CPI inflation

The weak economy and lower energy costs are holding inflation down.



Source: BLS actual data through 2009Q2, ERFC Forecast

Washington Building Permits

Housing construction has nowhere to go but up

The number of housing units authorized by building permits fell an astounding 77% from 60,800 (SAAR) at the peak in the fourth quarter of 2005 to 13,900 in the second quarter of 2009. Only once, in the first quarter of 1982, were permits lower. On a per capita basis, the second quarter of 2009 was easily the worst on record. Initially the weakness in housing was confined to the single-family market. Multi-family permits held up well through most of 2008, buoyed by strong net in-migration into Washington. Multi-family permits plummeted after the credit markets seized up in September 2008. While the initial plunge in multi-family permits was likely caused by the inability to finance these projects, the timing was fortuitous as the deepening of the recession late last year and early this year caused a spike in vacancies. We believe that the second quarter of 2009 will turn out to be the bottom for housing permits (see figure). But the recovery in housing will continue to be hampered by oversupply, poor consumer confidence, and difficulty arranging financing.

Forecast by Fiscal Year

Personal income growth will remain weak through FY

Nominal personal income growth slowed to just 0.9% in FY 2009 from 6.8% in FY 2008 and 8.0% in FY 2007. The slow down in growth is mostly due to declining employment but average wage growth has also slowed as had income from non-wage sources such as dividends, interest and rent. The forecast expects another very weak year in FY 2010 with income growth of only

1.5%. Nominal person income growth is expected to bounce back to 4.8% in FY 2011 as the economy recovers.

No positive annual average job growth is expected until FY 2011

Washington non-farm payroll employment fell 1.8% on an annual average basis in FY 2009, following four years of growth in excess of 2%. The sharpest declines were in construction which fell 11.5% and manufacturing which fell 5.5% but services-producing industries were also down 0.5% in FY 2009. We expect another 2.1% decline in FY 2010 followed by a modest 1.6% rebound in FY 2011. On an end-of-period basis (second quarter of 2008 to second quarter of 2009) employment fell 4.0% during FY 2009. Employment is expected to inch up 0.2% this fiscal year on an end of period basis, followed by growth of 2.1% during FY 2011.

Housing permits will turn around in FY 2011

The number of housing units authorized by building permits in Washington plummeted 48.0% in FY 2009 to 19,700 units following declines of 6.1% in FY 2007 and 25.0% in FY 2008. Permits in FY 2009 were off more than 63% since the cyclical peak in FY 2006. Single-family permits fell 43.8% in FY 2009 to 13,000 units and multi-family units fell 54.5% to 6,700 units which was the lowest multi-family count in at least 40 years (our data begin in FY 1969). Rising vacancies and financing difficulties will further depress multi-family permits in FY 2010 to a new record low of 2,100 units. However we think we have seen the bottom in single-family construction and expect a modest improvement in FY 2010, picking up steam in FY 2011. The forecast for total housing units authorized by building permits is for a 10.1% decline in FY 2010 to 17,700 units followed by a 56.1% increase in FY 2011 to 27,600 units. While the FY 2011 increase seems large, it is only because it is following a very low base in FY 2010. Housing construction will remain below the underlying demographic demand for new housing throughout the forecast.

Seattle inflation rate will be moderate

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, fell to 2.4% in FY 2009 from 4.2% in FY 2008. Energy costs, which fell 9.6% in FY 2009 after soaring 11.3% in FY 2008, accounted for most of the improvement in headline inflation but core (excluding food and energy) inflation also improved from 3.5% in FY 2008 to 3.1% in FY 2009. A further decline in energy costs in FY 2010 and a generally weak economy should produce even more moderate inflation in the future. The forecast expects the Seattle CPI to grow 1.2% in FY 2010, and 1.8% in FY 2011.

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

Alternative Scenarios

In accordance with state law, the Washington State Economic and Revenue Forecast Council also adopted an optimistic forecast and a pessimistic forecast in September 2009. In addition to the official optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA).

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

Optimistic (10% probability). In the optimistic scenario, the rapid response of the Federal Reserve to the crisis in financial markets, coupled with the Treasury's "rescue" plan, Congress' stimulus package, and help from central banks abroad work, and limit the downside. There is no additional economic stimulus above the level in the baseline, but the primary difference is that the wheels of stimulus start to achieve traction more quickly. In addition, the standard optimistic scenario assumption of stronger total factor productivity growth is also in place. This allows lower inflation and stronger income growth over the long term—but in the short term, a stronger economy means that inflation is higher in the optimistic scenario than in the baseline (particularly in commodities). The stronger sales pace in the optimistic scenario requires less of an inventory reduction than in the baseline, with demand recovery trimming inventories back to desirable levels. With credit again flowing late this year, business fixed investment rebounds 7.2% in 2010, after suffering a severe 16.6% contraction in 2009. The downturn in residential investment is also less severe in the optimistic scenario, with housing starts making a sharper recovery during the second half of 2009 and rising above 1.0 million units in 2010. The optimistic scenario also assumes faster growth in the rest of the world than does the baseline. These assumptions produce more of a "V" shaped recovery rather than the more gradual "U" shape assumed in the baseline forecast. After falling 1.0% in the second quarter, real GDP undergoes a sharp turnaround, climbing 5.0% in both the third and fourth quarters of 2009.

This scenario also assumes higher growth in key Washington industries

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes aerospace employment begins to grow again, rather than continue to decline slightly as in the baseline. Software employment also turns around sooner and grows faster than in the baseline forecast. After a weak first half of 2009, Washington's wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is higher in the optimistic scenario and population growth is stronger. Finally, construction employment bottoms out in the fourth quarter of 2009, three quarters sooner than the trough in the baseline forecast, and the subsequent recovery is much stronger. By the end of the 2009-11 biennium, Washington

nonagricultural employment is higher by 114,300 jobs than in the baseline forecast and Washington personal income is \$17.2 billion higher.

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

Pessimistic (10% probability). The pessimistic scenario is more than a recession, but not quite a depression. The simulation assumes that the financial crisis worsens, prolonging the economy's deepest and longest downturn since the Great Depression. The recession is W-shaped and lasts 11 quarters. Credit markets remain clogged, both domestically and across the world. Without access to credit, domestic spending contracts and the housing market falls into an even deeper hole. The pessimistic scenario assumes that the downward spiral in financial markets continues into 2010. The risk premia paid by banks, known as the TED spread, widens again to more than 100 basis points. The spread between 30-year fixed mortgage rates and the 10-year Treasury note yield also remains wider than normal through 2010. Oil prices are lower over the short run in this scenario because world demand is falling. As a result, bottom-line inflation is lower. Core inflation is also lower because demand is so weak. In this scenario, the housing recession drags on. Housing starts begin to turn around from record-low levels—just as in the baseline—but the rebound is sluggish. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench sharply. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Foreign economic growth is lower, which cuts into export growth. After a brief recovery in the second half of 2009, real GDP drops over the first three quarters of 2010. Employment drops for 11 straight quarters with the U.S. economy losing 8.2-million jobs.

The pessimistic scenario also assumes lower growth in key Washington industries

At the state level, the decline in aerospace employment is much more severe than in the baseline and continues throughout 2011. The decline in software employment is also more severe than in the baseline forecast and there is no strong recovery in the second half of 2010 and 2011 as in the baseline forecast. In this scenario data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario. Construction employment continues to fall rapidly through mid 2011 rather than flattening out in mid 2010. Seattle inflation is lower than in the baseline forecast and the weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2009-11 biennium, Washington non-agricultural employment is 108,700 lower than in the baseline forecast and Washington personal income is \$21.3 billion lower.

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

The GCEA scenario expects less real GDP growth but more inflation

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

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

The GCEA scenario for Washington is quite similar to the baseline forecast. Their overall employment forecast is virtually identical to the baseline forecast in both FY 2010 and FY 2011. Their housing permit forecast is also virtually identical to ours in FY 2010 but slightly lower in FY 2011. The main difference between our forecast and the average view of the Council members is the near-term real personal income forecast. The Council members expect a decline of 0.5% in FY 2010 compared to our 0.7% increase. This is partially due to their higher inflation outlook. The difference between their nominal income forecast and ours is narrower, 0.6% compared to 1.5%. The GCEA also expects somewhat stronger income growth, both real and nominal, in FY 2011 than is projected in our baseline forecast which partially offsets the lower growth in FY 2010. Still, the average level of nominal personal income in the GCEA scenario is 0.7% lower than in the baseline forecast which is the main reason their assumptions produce a lower revenue forecast. At the end of the 2009-11 biennium Washington non-agricultural employment is 1,900 higher in the GCEA forecast than in the baseline forecast but Washington personal income is \$1.2 billion lower.

Table 2.2 compares the alternative forecasts with the baseline forecast.

Table 2.1
Washington Economic Forecast Summary
 Forecast 2009 to 2011

Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	216.273	228.710	232.688	245.470	253.839	252.049	253.847	261.711
% Ch	1.7	5.8	1.7	5.5	3.4	-0.7	0.7	3.1
Real Wage and Salary Disb.	121.309	124.616	129.177	135.711	139.908	137.243	135.831	139.753
% Ch	1.4	2.7	3.7	5.1	3.1	-1.9	-1.0	2.9
Real Nonwage Income	94.964	104.094	103.512	109.759	113.931	114.805	118.016	121.958
% Ch	2.2	9.6	-0.6	6.0	3.8	0.8	2.8	3.3
Real Per Capita Income (\$/Person)	35,108	36,611	36,582	37,919	38,607	37,764	37,554	38,236
% Ch	0.6	4.3	-0.1	3.7	1.8	-2.2	-0.6	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	0.957	0.984	1.016	1.040	1.074	1.091	1.100	1.118
% Ch	2.2	2.8	3.2	2.4	3.3	1.6	0.8	1.6
Seattle Cons. Price Index (1982-84=1.0)	1.935	1.973	2.035	2.116	2.205	2.257	2.285	2.327
% Ch	1.3	1.9	3.2	4.0	4.2	2.4	1.2	1.8
Average Nonfarm Annual Wage	41,571	42,806	44,448	46,667	48,672	49,232	50,121	51,592
% Ch	2.7	3.0	3.8	5.0	4.3	1.2	1.8	2.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.57	19.32	20.22	20.90	22.05	23.25	23.27
% Ch	1.6	2.3	4.0	4.6	3.4	5.5	5.5	0.1
Current Dollar Income (Billions of Dollars)								
Personal Income	207.051	225.074	236.337	255.266	272.664	274.993	279.250	292.517
% Ch	3.9	8.7	5.0	8.0	6.8	0.9	1.5	4.8
Disposable Personal Income	185.569	200.229	208.444	223.944	239.588	245.817	253.602	263.439
% Ch	4.9	7.9	4.1	7.4	7.0	2.6	3.2	3.9
Per Capita Income (\$/Person)	33,610	36,028	37,154	39,431	41,468	41,202	41,311	42,735
% Ch	2.8	7.2	3.1	6.1	5.2	-0.6	0.3	3.4
Employment (Thousands)								
Washington Civilian Labor Force	3,175.3	3,224.1	3,294.8	3,348.6	3,433.4	3,524.5	3,582.4	3,637.1
Total Washington Employment	2,956.0	3,036.6	3,125.7	3,191.4	3,270.4	3,267.9	3,237.3	3,285.6
Unemployment Rate (%)	6.91	5.82	5.13	4.69	4.74	7.27	9.63	9.67
Nonfarm Payroll Employment	2,673.5	2,737.5	2,820.6	2,896.7	2,960.0	2,906.8	2,845.3	2,891.9
% Ch	0.7	2.4	3.0	2.7	2.2	-1.8	-2.1	1.6
Manufacturing	263.2	267.8	279.2	289.7	295.5	279.3	264.9	265.5
% Ch	-4.2	1.7	4.3	3.8	2.0	-5.5	-5.2	0.2
Durable Manufacturing	181.0	186.8	197.6	208.1	214.5	201.8	189.7	189.6
% Ch	-5.0	3.2	5.8	5.3	3.1	-5.9	-6.0	0.0
Aerospace	62.1	63.4	69.0	76.7	83.1	83.1	82.0	81.1
% Ch	-11.4	2.1	8.8	11.1	8.3	0.0	-1.3	-1.1
Nondurable Manufacturing	82.2	81.0	81.6	81.6	81.0	77.6	75.2	75.9
% Ch	-2.5	-1.5	0.7	0.0	-0.7	-4.3	-3.0	0.9
Construction	159.8	170.0	186.6	202.7	207.7	183.7	158.8	154.9
% Ch	3.2	6.4	9.7	8.7	2.5	-11.5	-13.6	-2.4
Service-Producing	2,241.7	2,290.5	2,346.0	2,395.8	2,448.9	2,436.9	2,415.6	2,465.1
% Ch	1.2	2.2	2.4	2.1	2.2	-0.5	-0.9	2.0
Software Publishers	38.5	40.1	42.8	46.5	48.8	52.4	51.6	53.3
% Ch	5.5	4.1	6.7	8.8	4.9	7.4	-1.6	3.3
Nonfarm Payroll Employment, EOP*	2,694.5	2,768.3	2,853.0	2,929.3	2,970.5	2,852.1	2,857.6	2,916.3
% Ch*	1.7	2.7	3.1	2.7	1.4	-4.0	0.2	2.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.250	51.780	53.755	50.484	37.874	19.702	17.710	27.645
% Ch	3.7	17.0	3.8	-6.1	-25.0	-48.0	-10.1	56.1
Single-Family	34.353	38.422	40.400	34.075	23.070	12.969	15.562	22.700
% Ch	5.2	11.8	5.1	-15.7	-32.3	-43.8	20.0	45.9
Multi-Family	9.897	13.357	13.355	16.408	14.803	6.733	2.147	4.944
% Ch	-1.0	35.0	0.0	22.9	-9.8	-54.5	-68.1	130.3
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	5.57	5.26	5.44

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

Table 2.2
Comparison of Alternative Forecasts

	Fiscal Year 2009				Fiscal Year 2010				Fiscal Year 2011			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	13,071	13,071	13,071	13,071	13,267	13,109	12,963	13,067	13,727	13,470	13,001	13,384
%Ch	-2.3	-2.3	-2.3	-2.3	1.5	0.3	-0.8	0.0	3.5	2.8	0.3	2.4
Implicit Price Deflator	1.091	1.091	1.091	1.091	1.105	1.100	1.095	1.103	1.124	1.118	1.114	1.124
%Ch	1.6	1.6	1.6	1.6	1.3	0.8	0.3	1.1	1.7	1.6	1.7	1.9
Mortgage Rate	5.57	5.57	5.57	5.57	5.34	5.26	5.13	5.41	5.44	5.44	5.36	5.60
3 Month T-Bill Rate	0.56	0.56	0.56	0.56	0.47	0.33	0.24	0.25	1.41	1.37	1.08	1.21
Washington												
Real Personal Income	252.049	252.049	252.049	252.049	258.606	253.847	248.343	250.730	273.312	261.711	246.855	259.111
%Ch	-0.7	-0.7	-0.7	-0.7	2.6	0.7	-1.5	-0.5	5.7	3.1	-0.6	3.3
Personal Income	274.993	274.993	274.993	274.993	285.797	279.250	271.827	276.538	307.110	292.517	274.891	291.253
%Ch	0.9	0.9	0.9	0.9	3.9	1.5	-1.2	0.6	7.5	4.8	1.1	5.3
Employment	2906.8	2906.8	2906.8	2906.8	2886.8	2845.3	2826.9	2845.3	2989.3	2891.9	2807.8	2893.3
%Ch	-1.8	-1.8	-1.8	-1.8	-0.7	-2.1	-2.7	-2.1	3.6	1.6	-0.7	1.7
Housing Permits	19.702	19.702	19.702	19.702	21.286	17.710	15.420	17.727	36.331	27.645	20.642	25.773
%Ch	-48.0	-48.0	-48.0	-48.0	8.0	-10.1	-21.7	-10.0	70.7	56.1	33.9	45.4

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

Table 2.3

Forecast Analysis

Comparison of Forecasts for 2009-11

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

Table 2.4

Fiscal Years

Forecast Comparison

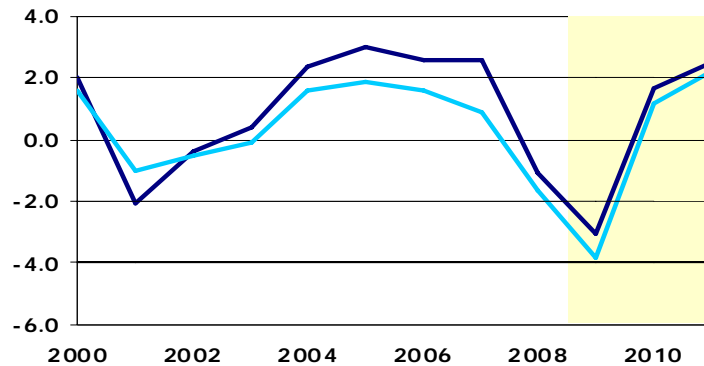
Forecast 2009 to 2011

	2007	2008	2009	2010	2011
Washington					
Real Personal Income					
September Baseline	245.470	253.839	252.049	253.847	261.711
% Ch	5.5	3.4	-0.7	0.7	3.1
June Baseline	220.012	227.689	227.397	226.651	233.071
% Ch	5.5	3.5	-0.1	-0.3	2.8
Personal Income					
September Baseline	255.266	272.664	274.993	279.250	292.517
% Ch	8.0	6.8	0.9	1.5	4.8
June Baseline	255.266	272.650	277.191	279.346	292.889
% Ch	8.0	6.8	1.7	0.8	4.8
Employment					
September Baseline	2896.7	2960.0	2906.8	2845.3	2891.9
% Ch	2.7	2.2	-1.8	-2.1	1.6
June Baseline	2896.5	2959.8	2908.0	2836.0	2881.2
% Ch	2.7	2.2	-1.8	-2.5	1.6
Housing Permits					
September Baseline	50.484	37.874	19.702	17.710	27.645
% Ch	-6.1	-25.0	-48.0	-10.1	56.1
June Baseline	50.484	37.874	19.417	17.827	29.471
% Ch	-6.1	-25.0	-48.7	-8.2	65.3

Figure 2.8: Comparison of Washington and U.S. economic forecasts
(Percent change)

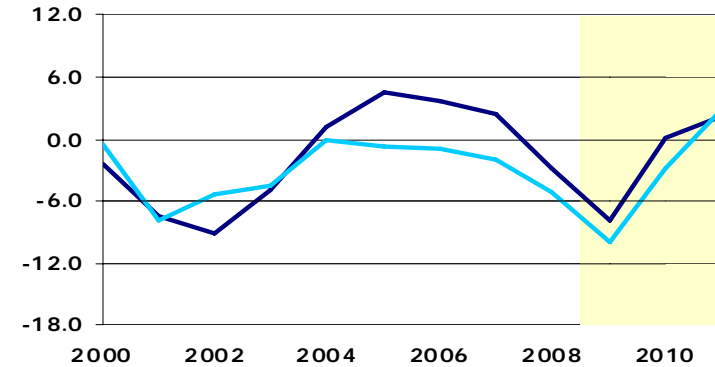
Forecast

Total nonfarm payroll employment



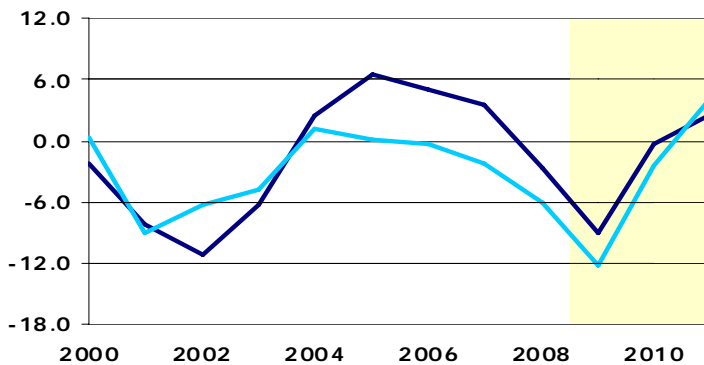
Source: WA State ESD 2008, ERFC 2011

Manufacturing employment



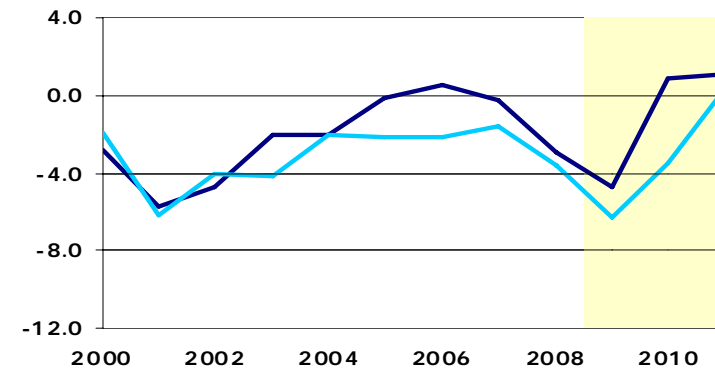
Source: WA State ESD 2008, ERFC 2011

Durable manufacturing employment



Source: WA State ESD 2008, ERFC 2011

Nondurable manufacturing employment



Source: WA State ESD 2008, ERFC 2011

Washington

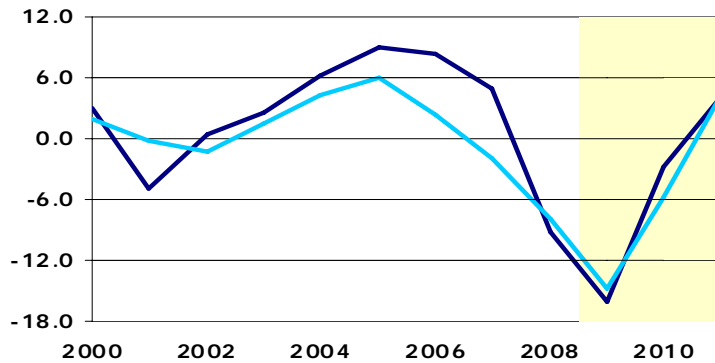
U.S.

Figure 2.8: Comparison of Washington and U.S. economic forecasts (continued)

(Percent change)

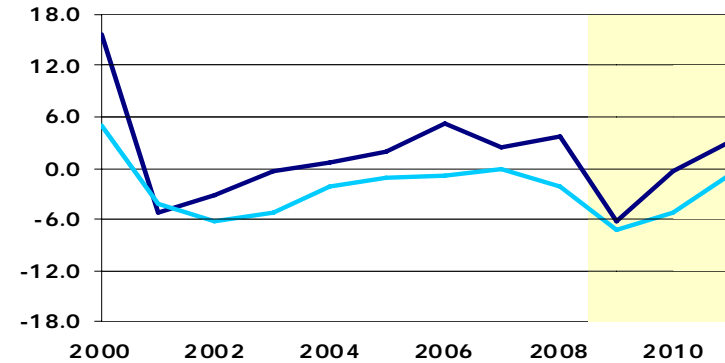
Forecast

Construction employment



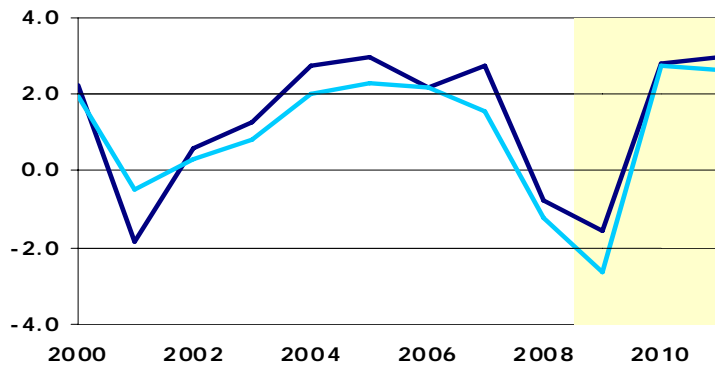
Source: WA State Employment Security Dept. 2008, ERFC 2011

Information employment



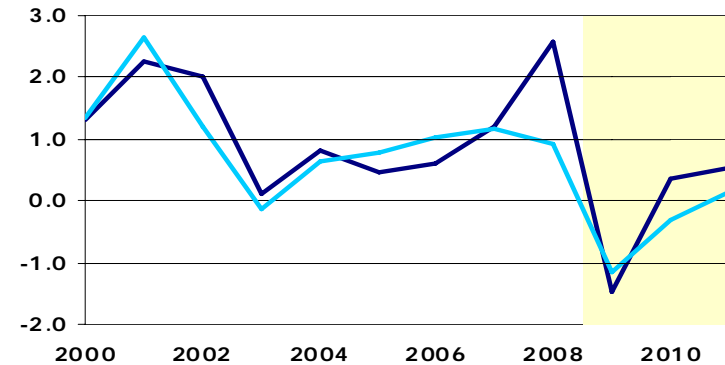
Source: WA State Employment Security Dept. 2008, ERFC 2011

Other private employment



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

Government employment



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

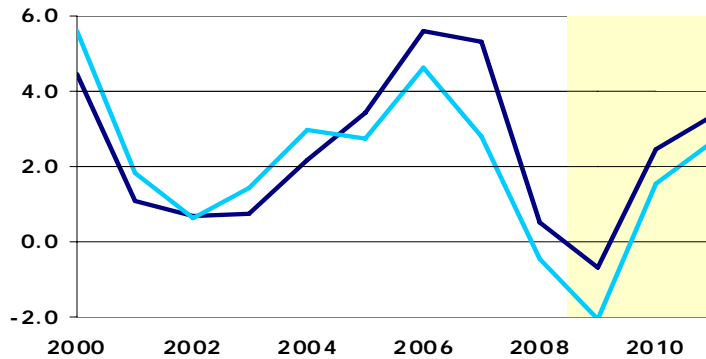
Washington

U.S.

Figure 2.8: Comparison of Washington and U.S. economic forecasts (continued)
(Percent change)

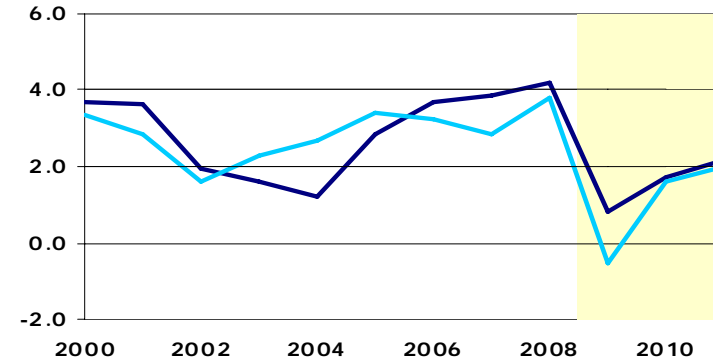
Forecast

Real personal income



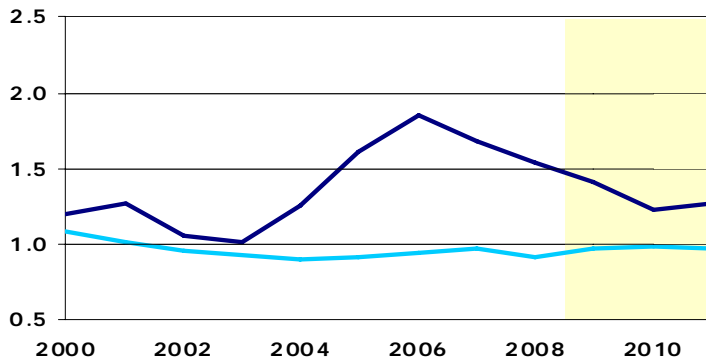
Source: Bureau of Economic Analysis 2008, ERFC 2011

Consumer price indices



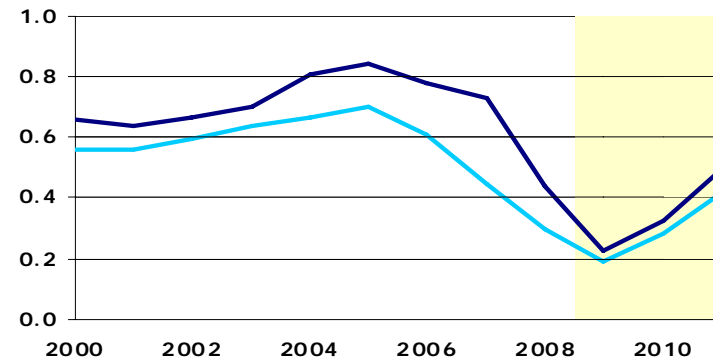
Source: Bureau of Labor Statistics 2008, ERFC 2011

Population



Source: Census Bureau 2008, ERFC 2011

Per capita housing units



Source: Census Bureau 2008, ERFC 2011

Washington

U.S.

Figure 2.9: Comparison of alternative U.S. economic forecasts

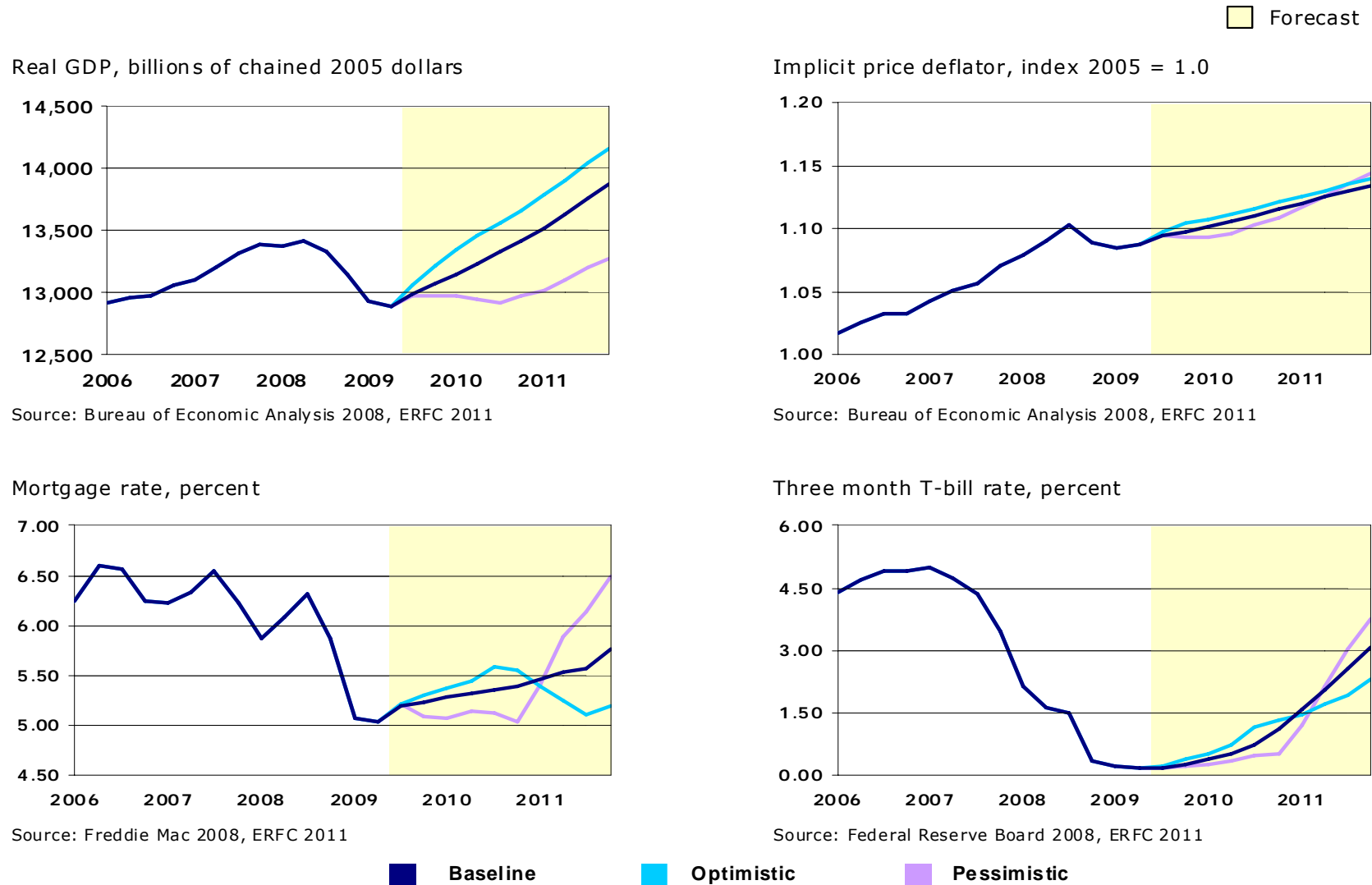
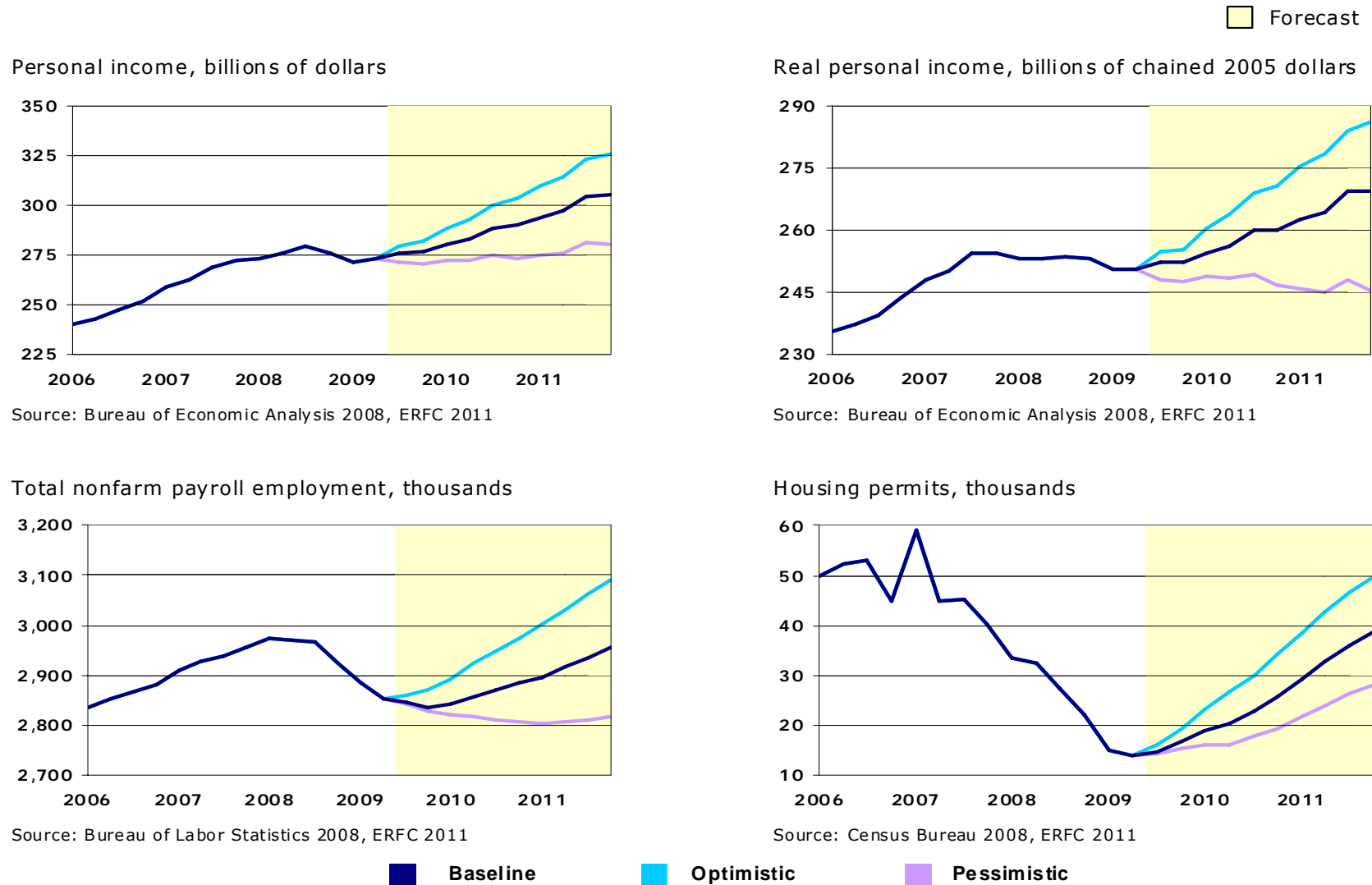


Figure 2.9: Comparison of alternative Washington economic forecasts (continued)





Chapter 3: Washington State Revenue Forecast Summary

- While the recovery is largely proceeding along the lines of the June economic forecast, revenue-generating activity has been below expected levels.
- Most of the change from June's forecast is a reduction in expected activity for the remainder of calendar 2009.
- Twenty percent of the forecast reduction is the result of a state Supreme Court decision on Business and Occupation taxes.
- The September forecast reduction of 0.8% of expected revenue for the current biennium is the smallest forecast reduction since June 2008.

Overview

The September revenue forecast is similar to June's but with weaker activity in the near term

As presented in the previous chapters, the economic recovery forecasted in June is proceeding largely as expected with only minor revisions for September. Revenues are also recovering, but at a slower pace than anticipated. The downward revision to estimated first quarter state personal income outlined in Chapter 2 is a likely contributor to the shortfall. This revenue forecast extends the weaker activity to the end of 2009 but is close to the activity projected in June by the end of the biennium.

About half of the forecast reduction is due to the shortfall from the June forecast plus the impact of a court ruling on B&O taxes

Table 3.1 summarizes the change in forecasted revenues for the current biennium and the forecast variance for the 2007-09 biennium which ended on June 30th. As shown in the table, the September tally of 2007-09 GF-S revenue came in \$6.8 million below the June forecast. By the time of the September forecast, revenues for the 2009-11 biennium were \$75.2 million below their forecasted value. In addition, a Washington Supreme Court decision issued just after the June forecast resulted in the classification of certain forms of bank income as "interest earnings", exempting them from Business and Occupation (B&O) taxes. This decision is expected to result in \$28.2 million in tax refunds during the current biennium and reduce expected B&O tax receipts by an additional \$17.9 million, for a total non-

economic forecast change of \$46.1 million. An additional \$109.6 million reduction in forecasted revenue for the remainder of the biennium brought the total forecast reduction for the current biennium to \$230.9 million and the total reduction for the two biennia to \$237.7 million.

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

	2007-09 Biennium	2009-11 Biennium	Total
Collection Experience	(\$6.8)	(\$75.2)	(\$82.0)
Non-Economic Change	\$0.0	(\$46.1)	(\$46.1)
Forecast Change	\$0.0	(\$109.6)	(\$109.6)
Total Change	(\$6.8)	(\$230.9)	(\$237.7)

Source: ERFC

GF-S revenue by agency and major revenue classification for the 2007-09 biennium can be found in Table 3.6 (cash) and 3.7 (GAAP). GF-S forecast changes by agency and major revenue classification for the 2009-11 biennium can be found in Table 3.8 (cash) and 3.9 (GAAP).

The Forecast Procedure and Assumptions

ERFC forecasting structure and schedule

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

Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies that collect relatively smaller amounts of GF-S revenue.

*Forecast
Procedure*

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline revenue forecast for GF-S and the related fund. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare revenue forecasts. The revenue forecasts for most major General Fund and related fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. The forecasts are based on current law and administrative practices and do not reflect pending legal challenges to GF-S receipts until they are resolved. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GF-S and related fund sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GF-S and related fund revenue. A diagram of the ERFC forecast procedure along with the associated 2007-09 biennial forecast can be found in Table 3.3. The history and forecast of GF-S revenue by biennium can be found in Table 3.4.

Recent Collection Experience

*The
cumulative
variance
since the
June
forecast is
negative
\$86.0
million*

Cumulatively, Revenue Act receipts (retail sales, use, business and occupation, tobacco products and public utility taxes) from June 11 through September 10, 2009 were \$67.9 million (2.6%) below the value forecasted in June (see Table 3.2). Revenue from other Department of Revenue tax sources was \$19.3 million (4.3%) lower than expected. Revenue from the Department of Licensing was \$641,000 (6.3%) higher, and revenue from the Administrative Office of the Courts, which began to be deposited in the GF-S on July 1, 2009 (formerly part of the Public Safety and Education Account) was \$486,000 (2.8%) higher than forecasted in June. The cumulative total variance of the above sources was negative \$86.0 million, of which \$75.2 million was in the 2009-11 biennium.

Revenue Act collections have declined on a year-over-year basis in every collection period except one since the June 11-July 10, 2008 collection period. Collections in the most recent monthly

Revenue Act collections have been negative year-over-year for almost all of FY 2009

collection period (August 11 - September 10, 2009) were down 13.5% year-over-year after adjustment for special factors. Adjusted collections fell 11.9% year-over-year in the July 11 - August 10 collection period. Adjusted Revenue Act tax payments in the May 11 - August 10, 2009 period, which primarily reflected second quarter 2009 business activity, declined 12.0% year-over-year, showing slight improvement from the adjusted decline of 12.5% from first quarter activity (February 11 - May 10, 2009 collections). Adjusted payments reflecting fourth quarter 2008 activity showed a 9.5% decline.

Table 3.2: Collection variance of major General Fund-State taxes by agency (based on June 2009 forecast, cash basis, millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$67.9)	-2.6%
Non Revenue Act	(\$19.3)	-4.3%
Subtotal	(\$87.1)	-2.8%
Department of Licensing	\$0.6	6.3%
Administrative Office of the Courts	\$0.5	2.8%
Total*	(\$86.0)	-2.8%

* Detail may not add to total due to rounding.

Source: ERFC

Period: June 11 - September 10, 2009

June taxable real estate activity grew strongly

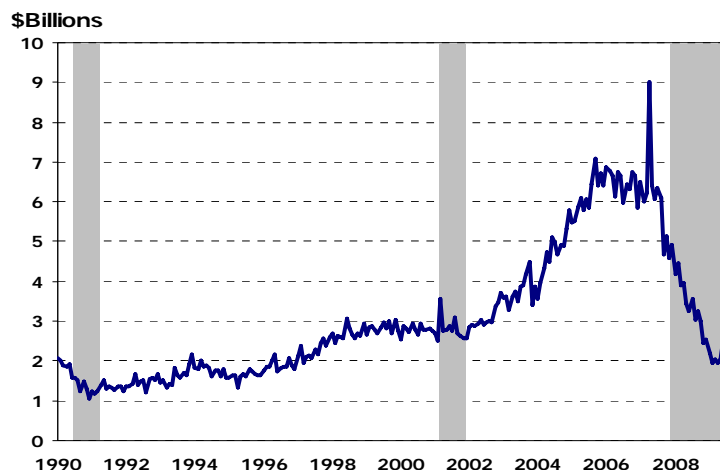
The number of monthly real estate transactions increased on a year-over-year basis in July and August

Real estate activity has been weak for three years. Taxable activity has declined on a year-over-year basis for twenty-five consecutive months and thirty-three of the last thirty-six months. On a seasonally adjusted basis, however, taxable activity increased sharply in June and showed continued growth in July (see figure 3.2). While August's seasonally adjusted level declined from July's, it is still above the low levels of March through May. The improvement is mainly due to an increase in the number of real estate transactions. July transactions were up 1.2% year-over-year and August's were up 0.3%. Those were the first year-over-year increases since September 2007 and the only sustained two-month increases since October and November 2005. The average value per transaction, however, was down 26.7% year-over-year in July and 25.0% in August. While the level of taxable activity is improving on a seasonally adjusted basis, activity was still down 25.8% year-over-year in July and 24.9% in August.

Figure 3.2: Seasonally adjusted taxable real estate excise activity

Seasonally adjusted taxable activity increased in June and July

August activity decreased but is still above springtime lows



Data through August 2009. Source: ERFC

Recent EFT Payments by Industry

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

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

Electronic returns indicate year-over-year declines continuing to

Electronic tax returns from the August 11 – September 10 period mainly represent July taxable activity. Most of the returns continue to show year-over-year declines, but the rates of decline are slowing from previous months' reports. Tax payments by businesses in the retail trade sector were augmented by a week of increased vehicle sales from the federal "Cash for Clunkers" (CARS) program, which ran from July 24th through August 24th. Due to the program, tax payments in the motor vehicles and parts sector were up 0.6% year-over-year, the first year-over-year improvement since November 2007. Returns from the sector had been down 11.3% year-over-year in the previous month. Due to the increased auto sales, payments in the retail trade sector were down only 3.5% year-over-year after being down 6.0% in the previous period. Nine out of twelve three digit NAICS retail sectors showed year-over-year declines. The largest declines were in gas stations and convenience stores (-16.2%), building materials/garden equipment (-14.0%), furniture and home furnishings (-13.9%)

and electronics and appliances (-8.3%). Besides the auto sector, retail trade sectors showing gains were drug and health stores (+4.5%) and food and beverage stores (+1.7%). Non-retail trade sectors were down 13.0% year-over-year collectively after a 13.3% decline in the previous period. Tax payments in the construction sector were down 21.4% year-over-year after a previous decline of 21.2% while payments in the manufacturing sector were down 26.9% after a previous decline of 31.0%. Management, education and health services was the only major non-retail sector to show a year-over-year gain (6.5%). This sector has not had a year-over-year decline since November 2008.

Department of Revenue

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

The Department of Revenue (DOR) collects and administers the majority of Washington's GF-S revenue, accounting for 97% of total GF-S revenue in the 2007-09 biennium. The largest tax sources administered by the DOR are the retail sales tax, business and occupation tax, property tax, use tax, and real estate excise tax. The revenue forecasts discussed below can be found in Tables 3.6-3.10.

Retail sales taxes are the largest source of GF-S

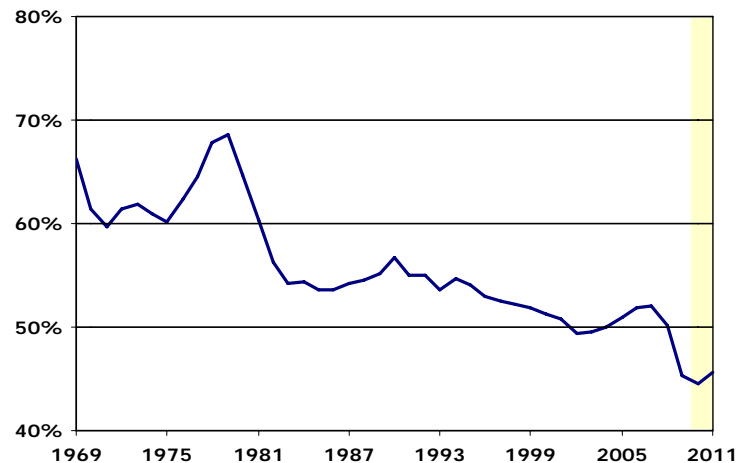
The retail sales tax is the largest source of GF-S revenue, accounting for 53% of GF-S revenue in FY 2009. The state's share of the tax is 6.5% of the sales price. While construction labor, repair services, and some other services are taxed, the tax does not apply to most services. As can be seen, taxable sales as a share of personal income has been declining, and fell sharply during this recession. Our forecast has the taxable sales share of personal income increasing modestly in the forecast period. This relationship is illustrated in Figure 3.3.

The housing bust and collapse in auto sales took a large toll on retail sales tax in both FY 2008 and FY 2009

As both construction materials and labor are subject to the retail sales tax, the construction sector has historically made up a large portion of total retail sales tax receipts. In FY 2008, the sector represented 21% of total taxable sales activity. Another large contributor to the tax is motor vehicle and parts sales, which represented 10% of taxable sales activity in FY 2008. The end of the housing boom, coupled with a collapse in automobile sales, took a large toll on retail sales in both FY 2008 and 2009. As shown in Table 3.5, the preliminary estimate of taxable sales shows a 10.4% decline in FY 2009 after an increase of only 2.7% in FY 2008.

Figure 3.3: Taxable sales* as percentage of state personal income

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



*Adjusted base. Shaded area indicates forecast
Source: ERFC

Retail sales tax growth forecast:
FY08: 4.3%
FY09: -10.8%
FY10: 0.0%
FY11: 8.0%

While taxable activity in the construction sector is forecasted to continue to decline through the second quarter of 2010, most other consumer activity is expected to start showing improvement in the fourth quarter of 2009. Taxable activity is forecasted to grow by a slight 1.4% in FY 2010 before improving to a more normal growth rate of 7.9% in FY 2011. Taking into account the lag between taxable activity and collections and factoring in actual and forecasted tax deferrals, credits, and refunds, actual retail sales tax collections are forecasted to show no growth at all in FY 2010 before growing 8.0% in FY 2011. In June, sales taxes were forecasted to decline 10.7% in FY 2009, and then increase by 1.1% in FY 2010 and 7.5% in FY 2011. Retail sales tax collections increased by 4.3% in FY 2008 and declined by 10.8% in FY 2009.

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

The business and occupation (B&O) tax is the second largest source of GF-S revenue, accounting for 19.5% of GF-S revenue in FY 2009. It is a tax on the gross receipts of all businesses operating in Washington. The state portion of the tax applies ten different rates according to various classifications of business activities. In FY 2008, the largest contributor to total state B&O tax was the services sector, which has a gross tax rate of 1.5% and represented 40% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented 26% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented 22% of taxes due.

As shown in Table 3.10, B&O taxes decreased by 8.2% year-over-year in FY 2009 after increasing 5.5% in FY 2008.

*B&O tax
growth
forecast:
FY08: 5.5%
FY09: -8.2%
FY10: 5.2%
FY11: 12.0%*

*Growth
impacted by
ESSB 5073
and Supreme
Court
decision*

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

*GF-S
property tax
growth
forecast:
FY08: 3.5%
FY09: 2.7%
FY10: 19.8%
FY11: 1.9%*

*FY 10 growth
inflated by
ESSB 5073*

*Use tax was
the fourth
largest GF-S
source in FY
2008*

*Use tax
growth
forecast:
FY08: 1.4%
FY09: -11.0%
FY10: 0.4%
FY11: 9.3%*

Collections are forecasted to increase by 5.4% in FY 2010 and 12.0% in fiscal 2011. It should be noted that part of the increase in forecasted FY 2010 revenue is due to the inclusion of the B&O tax on hospitals to the GF-S beginning that fiscal year per ESSB 5073. Without those taxes, the forecasted growth rate for FY 2010 would be only 1.5%. The forecast was also affected by a June ruling by the state Supreme Court which disallowed B&O taxes on certain types of banking income. Expected refunds and reduced income from this ruling reduced expected B&O receipts by \$46.1 million for the biennium. In June, B&O taxes were forecasted to decline 7.9% in FY 2009, and then increase by 7.9% in FY 2010 and 9.0% in FY 2011.

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

As shown in Table 3.10, the state GF-S share of property taxes increased by 2.7% year-over-year in FY 2009 after increasing 3.5% in FY 2008. The value for FY 2010 property taxes, however, is inflated by the elimination of the aforementioned transfer to the Student Achievement Account. Without the elimination of the transfer, FY 2010 property tax collections would have been forecasted at \$1.54 billion, which is 2.0% more than the FY 2009 total, and FY 2011 collections would have been \$1.58 billion, a growth rate of 2.0%. With the elimination of the transfer, the forecasted state GF-S property tax growth rates for FY 2010 and 2011 are 19.8 and 1.9% respectively. In June, property taxes were forecasted to increase by 3.4% in FY 2009, 19.1% in FY 2010 and 2.0% in FY 2011.

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

After a 1.4% increase in FY 2008, use tax receipts declined by 11.0% in FY 2009 and are forecasted to increase by 0.4% in FY 2010 and 9.3% in FY 2011. Much of the reason for the forecasted sharp decline in 2009 and steep rise in 2011 is the behavior of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. The June forecast was a decrease of 11.4% and 0.2% in FY 2009 and 2010 respectively and then an increase of 13.9% in FY 2011.

Real estate excise taxes were the fifth largest source of GF-S revenue in FY 2008

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

*Real estate excise tax growth forecast:
FY08: -38.0%
FY09: -42.0%
FY10: 13.4%
FY11: 25.3%*

While housing prices may continue to decline through the end of the year, the September forecast predicts that the low point in seasonally adjusted taxable real estate activity was in the first quarter of 2009. Tax receipts have begun to increase due to an increase in the number of transactions (including sales of foreclosed homes), but later the increase will also be bolstered by increasing prices. As noted above, seasonally adjusted state real estate activity began to improve in June. REET receipts declined by 41.3% in FY 2009 after a 38.0% decline in FY 2008. FY 2010 growth is forecasted at 13.4% and FY 2011 growth is forecasted at 25.3%. Even with the forecasted growth, expected FY 2011 receipts are below the receipts of FY 2004. In June, taxes were forecasted to decrease by 42.0% in FY 2009 and then increase by 16.2% in FY 2010 and 23.6% in FY 2011.

Recovery began in the second quarter of 2009

Department of Licensing

Forecast change by biennium (millions):

*07-09: \$0.5
09-11: \$1.0*

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's final tally of General Fund-State forecast for the 2007-09 biennium was \$44.8 million, \$0.5 million more than the June forecast. The department's forecast for the 2009-11 biennium has been increased \$1.0 million to \$45.1 million.

The Office of Financial Management (Other Agencies)

Forecast change by biennium (millions):

*07-09: \$3.8
09-11: -\$0.1*

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's preliminary total for the 2007-09 biennium was \$27.6 million, \$3.8 million above the June forecast. The office's forecast for the 2009-11 biennium has been decreased \$0.1 million to \$209.1 million. It should be noted that the June forecast value of \$209.2 million for the 2009-11 biennium presented in Tables 3.8 and 3.9 of this publication differs from the value presented in the June ERFC publication. This is because much of the revenue that was

previously classified as the "Related Fund" but was brought into the GF-S by ESSB 5073 was accounted for as "other" elsewhere in the documentation. The revenue is now properly classified.

State Treasurer

*Forecast
change by
biennium
(millions):*

07-09: \$0.2
09-11: -\$7.8

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's final tally for the 2007-09 biennium was \$175.4 million, \$0.2 million more than forecasted in June. The office's forecast for the 2009-11 biennium has been decreased \$7.8 million to \$4.6 million due to forecasted decreases in the average daily balances of interest-earning funds.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

07-09: -
\$0.05
09-11: -\$0.1

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the GF-S and various accounts in support of fire services. The office's final tally for the 2007-09 biennium was \$513.2 million, \$50,000 less than forecasted in June. The office's forecast for the 2009-11 biennium has been decreased \$0.1 million to \$844.6 million.

Liquor Control Board

*Forecast
change by
biennium
(millions):*

07-09: \$0.1
09-11: -\$4.1

The Liquor Control Board forecasts GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's final account of excess funds and fees for the 2007-09 biennium was \$79.7 million, the same as forecasted in June. The board's forecast for the 2009-11 biennium has been decreased \$4.2 million to \$79.4 million. The board's final tally of beer and wine surtaxes for the 2007-09 biennium was \$4.5 million, \$0.1 million more than forecasted in June. The board's forecast for the 2009-11 biennium has been increased \$0.1 million to \$61.8 million.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Funds are not transferred unless there is lottery revenue

*Forecast
change by
biennium
(millions):*

07-09: \$0.0

09-11: \$2.0

remaining after the School Construction and Stadium/Exhibition Center accounts receive their allotments. The Commission's final tally of GF-S cash transfers for the 2007-09 biennium is unchanged at \$11.1 million. The Commission's forecast for the 2009-11 biennium has been increased \$2.0 million to \$17.3 million. The Commission's final tally of revenues for the School Construction Account for the 2007-09 biennium was \$201.3 million, \$1.4 million more than forecasted in June, and its forecast for the 2009-11 biennium has been increased \$1.1 million to \$175.8 million. The forecast of the distribution of Lottery earnings can be found in Table 3.15.

Administrative Office of the Courts

*Forecast
change by
biennium
(millions):*

09-11: \$1.0

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties to fund the Public Safety and Education Account (PSEA) and the Equal Justice sub account. Under ESSB 5073, the revenue and activities of these accounts have been consolidated into the GF-S starting July 1, 2009. The forecast of these funds for the 2009-11 biennium has been increased \$1.0 million to \$202.9 million.

Track Record for the 2007-09 Biennium

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

Table 3.11 summarizes the changes to the GF-S revenue forecast for the 2007-09 biennium. The September 2009 forecast for the 2007-09 biennium is \$1.33 billion (4.6%) lower than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes, the current forecast for the 2007-09 biennium is \$1.07 billion (3.7%) lower than the initial forecast. There have been fourteen quarterly updates to the forecast; five have increased the forecast and nine, including the September 2009 update, have reduced the forecast.

Track Record for the 2009-11 Biennium

*The June
forecast for
the 2009-11
biennium is
\$4.56 billion
lower than
the initial
forecast in
February
2008*

Table 3.12 summarizes the changes to the GF-S revenue forecast for the 2009-11 biennium. The values of the previous forecasts have been adjusted to reflect the new definition of GF-S under ESSB 5073 (these values were previously classified as "GF-S and Related Fund"). The initial forecast for the biennium was released in February 2008. The June 2009 forecast for the 2009-11 biennium is \$4.56 billion (13.3%) lower than the initial forecast. Non-economic changes (excluding the classification

changes from ESSB 5073) have increased the forecast by \$109 million (0.3%). Excluding non-economic changes, the current forecast is \$4.66 billion (13.7%) lower than the initial forecast. All forecasts subsequent to the initial forecast have reduced the forecast for the biennium.

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

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

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GF-S revenue forecast on both a cash and GAAP basis. The GAAP forecasts of GF-S revenue for the 2007-09 and 2009-11 biennia are presented in Tables 3.7 and 3.9 respectively. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GF-S forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.7 and 3.9 are on a cash basis.

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

The September forecast predicts a shortfall of \$184.9 million at the end of the 2009-11 biennium

Table 3.13 shows the budgetary balance sheet the 2007-09 and 2009-11 biennia as prepared by the Office of Financial Management and the House and Senate fiscal committees. With adoption of the September 2009 GF-S forecast, the projected total balance at the end of the 2009-11 biennium is negative \$184.9 million. This is based on an enacted 2007-09 appropriations level of \$29,333.1 million and an enacted 2009-11 appropriations level of \$30,918.1 million. The total ending balance is comprised of a projected ending GF-S balance of negative \$430.1 million and a \$245.2 million balance in the Budget Stabilization Account.

Alternative Forecasts for the 2007-09 and 2009-11 Biennia

The optimistic scenario for the 2009-11 biennium brings in a total of \$1.45 billion more than the baseline; the pessimistic brings in \$1.36 billion less

Chapter 2 outlines optimistic and pessimistic alternatives to the baseline economic forecast. The revenue implications of these alternative scenarios for the 2009-11 biennium are shown in Table 3.14. The optimistic forecast for the 2009-11 biennium generates \$31,048 million in revenue, \$1,445 million more than the baseline scenario, while the pessimist forecast produces \$28,246 million in revenue, \$1,357 million less than the baseline. The September forecast assigns a probability of 80% to the baseline forecast, 10% to the optimistic forecast and 10% to the pessimistic forecast.

A scenario based on the outlook of the GCEA brings in \$49 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 was \$49 million less than the baseline scenario for the 2009-11 biennium.

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

The "Related Fund" forecast can be found in Tables 3.16 and 3.17

"Related Fund" is defined in RCW 43.135.025 and consists of six funds: the public safety and education account, the water quality account, the violence reduction and drug enforcement account, the student achievement account, and the health services account. Under ESSB 5073 the "Related Fund" has been consolidated into the GF-S as of July 1, 2009. The preliminary total related fund revenues for the 2007-09 biennium can be found in Table 3.16. The history of the sum of the GF-S and Related Fund and the forecast of the redefined GF-S that incorporates the fund can be found in Table 3.17.

2007-09 forecast change: \$7.9 million

The preliminary total related fund revenue for the 2007-09 biennium is \$2,113.9 million, \$7.9 million more than expected in June. The combined GF-S and related fund for the 2007-09 biennium totals \$29,813 million, \$1.1 million more than the June forecast.

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

ESHB 2687, passed in the 2008 legislative session, charged the Economic and Revenue Forecast Council with forecasting "Near General Fund" revenues as defined by the Legislative Evaluation and Accountability Program (LEAP) Committee. The Committee has defined near general fund accounts as those included in the "Related Fund" plus the Education Legacy Trust Account and the Pension Funding Stabilization Account. As of July 1, 2009, "Near

General Fund” will consist of the Education Legacy Trust Account and the Pension Funding Stabilization Account. These forecasts are included in Table 3.16. As can be seen from the forecast, however, no additional revenues are forecasted for the Pension Funding Stabilization Account for the 2009-11 biennium.

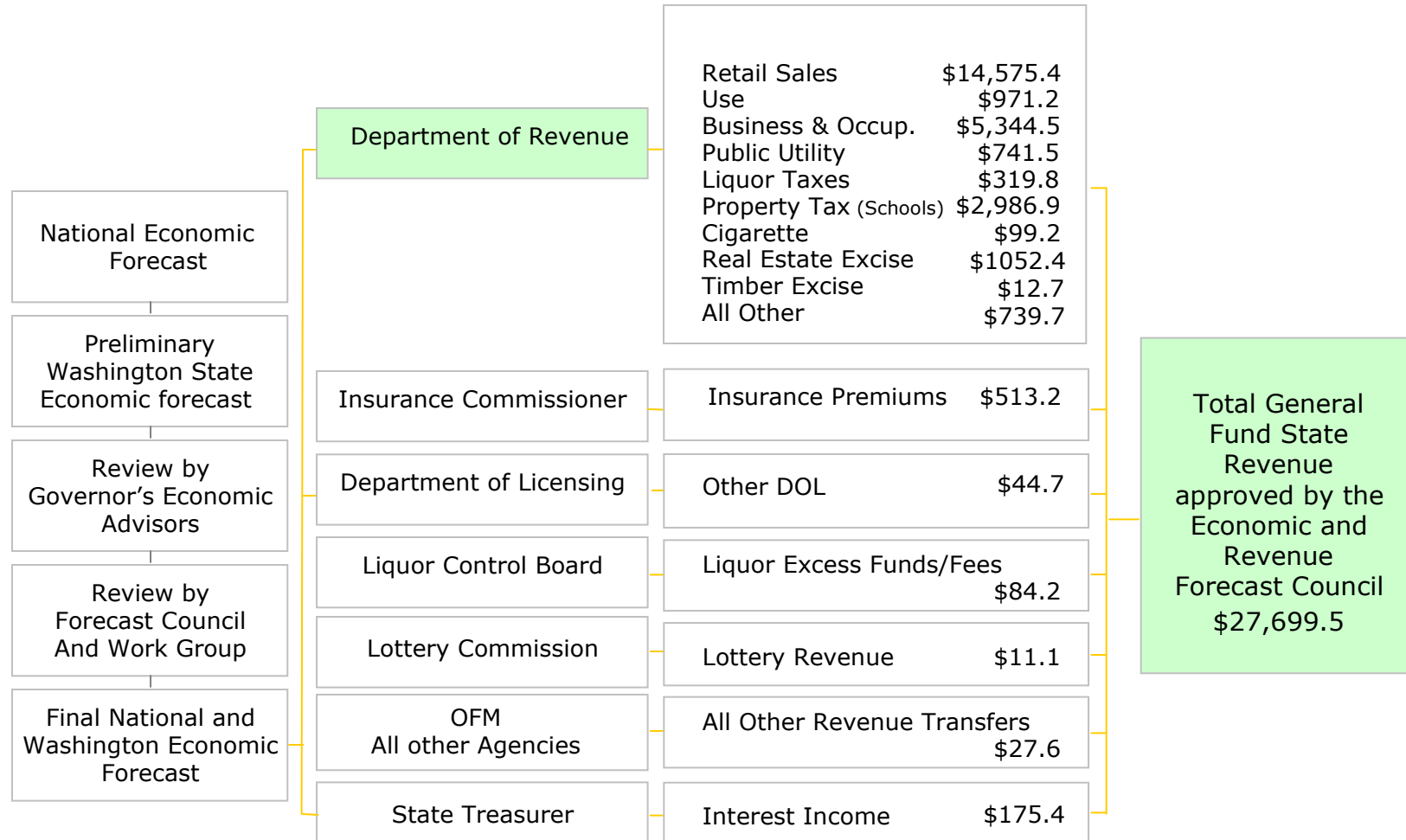
Table 3.3

Economic and revenue forecast flow chart

General Fund-State

2007-09 biennium

(cash basis, millions of dollars)



* Cash Basis

Table 3.4
General Fund-State collections*
(millions of dollars, cash basis)

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2005 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$4,300.0	
1963-65	866.2	6.0%	4,439.3	3.2%
1965-67	1,128.6	30.3%	5,565.5	25.4%
1967-69	1,440.5	27.6%	6,658.6	19.6%
1969-71	1,732.7	20.3%	7,324.5	10.0%
1971-73	1,922.1	10.9%	7,517.5	2.6%
1973-75	2,372.4	23.4%	8,015.4	6.6%
1975-77	3,395.0	43.1%	9,977.1	24.5%
1977-79	4,490.0	32.3%	11,583.4	16.1%
1979-81	5,356.4	19.3%	11,500.8	-0.7%
1981-83	6,801.4	27.0%	12,722.0	10.6%
1983-85	8,202.4	20.6%	14,157.7	11.3%
1985-87	9,574.6	16.7%	15,577.2	10.0%
1987-89	10,934.1	14.2%	16,513.6	6.0%
1989-91	13,309.0	21.7%	18,481.9	11.9%
1991-93	14,862.2	11.7%	19,334.5	4.6%
1993-95	16,564.6	11.5%	20,630.3	6.7%
1995-97	17,637.7	6.5%	21,047.7	2.0%
1997-99	19,620.1	11.2%	22,737.1	8.0%
1999-01	21,262.1	8.4%	23,692.8	4.2%
2001-03	21,140.7	-0.6%	22,776.9	-3.9%
2003-05	23,388.5	10.6%	24,094.0	5.8%
2005-07	27,772.0	18.7%	27,024.1	12.2%
2007-09	27,699.5	-0.3%	25,586.1	-5.3%
2009-11 ^F	29,603.1	6.9%	26,696.9	4.3%

^F September 2009 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 September 2009 forecast

Table 3.5
Taxable retail sales*
 (millions of dollars)

Fiscal		Percent
Year	Amount	Change
1978	\$21,121	
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008	118,676	2.7%
2009 ^F	106,278	-10.4%
2010 ^F	107,816	1.4%
2011 ^F	116,282	7.9%

^F Forecast.

Source: ERFC

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

Table 3.6

Comparison of the General Fund-State forecast by agency

2007-09 biennium; cash basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Jun. 2009 Forecast</u>¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Sept. 2009 Forecast</u>²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$14,582.3	\$0.0	(\$6.9)	\$14,575.4	(\$6.9)
Business & Occupation	5,352.0	0.0	(7.6)	5,344.5	(7.6)
Use	964.0	0.0	7.2	971.2	7.2
Public Utility	736.3	0.0	5.2	741.5	5.2
Liquor Sales/Liter	320.2	0.0	(0.4)	319.8	(0.4)
Cigarette	99.2	0.0	(0.1)	99.2	(0.1)
Property (State Levy)	2,996.3	0.0	(9.4)	2,986.9	(9.4)
Real Estate Excise	1,048.0	0.0	4.4	1,052.4	4.4
Timber Excise	12.7	0.0	0.0	12.7	0.0
Other	743.5	0.0	(3.7)	739.7	(3.7)
Subtotal	26,854.6	0.0	(11.3)	26,843.3	(11.3)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & oth	44.2	0.0	0.5	44.7	0.5
<i>Insurance Commissioner</i>					
Insurance Premiums	513.3	0.0	(0.0)	513.2	(0.0)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	79.7	0.0	0.0	79.7	0.0
Beer & Wine Surtax	4.4	0.0	0.1	4.5	0.1
<i>Lottery Commission</i>					
Lottery Revenue	11.1	0.0	0.0	11.1	0.0
<i>State Treasurer</i>					
Interest Earnings	175.1	0.0	0.2	175.4	0.2
<i>Office of Financial Management</i>					
Other	23.8	0.0	3.8	27.6	3.8
<u>Total General Fund-State *</u>	\$27,706.3	\$0.0	(\$6.8)	\$27,699.5	(\$6.8)

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

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

*Detail may not add to totals because of rounding.

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

Table 3.7
Comparison of the General Fund-State forecast by agency
 2007-09 biennium; GAAP basis
 (millions of dollars)

Forecast by Agency	Jun. 2009 Forecast¹	Non- Economic Changes	Forecast Revision	Sep. 2009 Forecast²	Total Change
<i>Department of Revenue</i>					
Retail Sales	\$14,655.9	\$0.0	(\$118.0)	\$14,537.9	(\$118.0)
Business & Occupation	5,322.0	0.0	(48.2)	5,273.9	(48.2)
Use	965.9	0.0	(1.5)	964.4	(1.5)
Public Utility	739.7	0.0	5.4	745.2	5.4
Liquor Sales/Liter	320.1	0.0	(0.1)	320.0	(0.1)
Cigarette	98.2	0.0	0.7	98.9	0.7
Property (State Levy)	2,996.7	0.0	(9.7)	2,987.0	(9.7)
Real Estate Excise	1,052.4	0.0	4.3	1,056.6	4.3
Timber Excise	11.0	0.0	0.5	11.4	0.5
Other	744.7	0.0	(5.3)	739.3	(5.3)
Subtotal	26,906.6	0.0	(172.0)	26,734.6	(172.0)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.4	0.0	0.3	44.7	0.3
<i>Insurance Commissioner</i>					
Insurance Premiums	513.3	0.0	(0.0)	513.2	(0.0)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	79.7	0.0	0.0	79.7	0.0
Beer & Wine Surtax	4.4	0.0	0.1	4.5	0.1
<i>Lottery Commission</i>					
Lottery Revenue	11.1	0.0	2.0	13.1	2.0
<i>State Treasurer</i>					
Interest Earnings	164.0	0.0	1.0	165.0	1.0
<i>Office of Financial Management</i>					
Other	23.8	0.0	3.8	27.6	3.8
<u>Total General Fund-State *</u>	\$27,747.3	\$0.0	(\$164.9)	\$27,582.4	(\$164.9)

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

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

*Detail may not add to totals because of rounding.

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

Table 3.8
Comparison of the General Fund-State forecast by agency
 2009-11 biennium; cash basis
 (millions of dollars)

<u>Forecast by Agency</u>	<u>Jun. 2009 Forecast</u>¹	<u>Non- Economic Changes</u>²	<u>Forecast Revision</u>	<u>Sep. 2009 Forecast</u>³	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$14,428.6	\$0.0	(\$139.5)	\$14,289.0	(\$139.5)
Business & Occupation	5,784.5	(46.1)	(23.5)	5,714.9	(69.6)
Use	967.1	0.0	(0.7)	966.4	(0.7)
Public Utility	722.3	0.0	0.8	723.1	0.8
Liquor Sales/Liter	401.2	0.0	(0.2)	400.9	(0.2)
Cigarette	598.0	0.0	(5.6)	592.4	(5.6)
Property (State Levy)	3,662.9	0.0	(0.2)	3,662.7	(0.2)
Real Estate Excise	999.4	0.0	(5.1)	994.4	(5.1)
Timber Excise	8.2	0.0	(1.2)	6.9	(1.2)
Other	789.1	0.0	(1.7)	787.5	(1.7)
Subtotal	28,361.2	(46.1)	(176.7)	28,138.3	(222.8)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.0	0.0	1.0	45.1	1.0
<i>Insurance Commissioner</i>					
Insurance Premiums	844.7	0.0	(0.1)	844.6	(0.1)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	83.6	0.0	(4.2)	79.4	(4.2)
Beer & Wine Surtax	61.7	0.0	0.1	61.8	0.1
<i>Lottery Commission</i>					
Lottery Revenue	15.3	0.0	2.0	17.3	2.0
<i>State Treasurer</i>					
Interest Earnings	12.4	0.0	(7.8)	4.6	(7.8)
<i>Office of Financial Management</i>					
Other	209.2	0.0	(0.1)	209.1	(0.1)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	201.9	0.0	1.0	202.9	1.0
<u>Total General Fund-State *</u>	\$29,834.0	(\$46.1)	(\$184.8)	\$29,603.1	(\$230.9)

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

2 Effects of Supreme Court decision on B&O taxes paid on interest earnings

3 Forecast for the 2009-11 biennium, adopted September 2009

*Detail may not add to totals because of rounding.

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

Table 3.9

Comparison of the General Fund-State forecast by agency

2009-11 biennium; GAAP basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Jun. 2009 Forecast</u>¹	<u>Other Non- Economic Changes</u>²	<u>Forecast Revision</u>	<u>Sep. 2009 Forecast</u>³	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$14,488.6	\$0.0	(\$215.0)	\$14,273.6	(\$215.0)
Business & Occupation	5,805.3	(46.1)	(51.0)	5,708.2	(97.1)
Use	968.5	0.0	(0.8)	967.7	(0.8)
Public Utility	722.9	0.0	1.5	724.3	1.5
Liquor Sales/Liter	401.2	0.0	(0.2)	400.9	(0.2)
Cigarette	598.0	0.0	(5.6)	592.4	(5.6)
Property (State Levy)	3,662.7	0.0	0.0	3,662.7	0.0
Real Estate Excise	999.4	0.0	(4.9)	994.5	(4.9)
Timber Excise	8.0	0.0	(1.9)	6.1	(1.9)
Other	781.8	0.0	6.0	787.9	6.0
Subtotal	28,436.3	(46.1)	(271.8)	28,118.4	(317.9)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.7	0.0	0.4	45.1	0.4
<i>Insurance Commissioner</i>					
Insurance Premiums	844.7	0.0	(0.1)	844.6	(0.1)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	83.6	0.0	(4.2)	79.4	(4.2)
Beer & Wine Surtax	61.7	0.0	0.1	61.8	0.1
<i>Lottery Commission</i>					
Lottery Revenue	15.3	0.0	0.0	15.3	0.0
<i>State Treasurer</i>					
Interest Earnings	8.6	0.0	(6.0)	2.5	(6.0)
<i>Office of Financial Management</i>					
Other	209.2	0.0	(0.1)	209.1	(0.1)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	201.9	0.0	1.0	202.9	1.0
<u>Total General Fund-State *</u>	\$29,906.0	(\$46.1)	(\$280.7)	\$29,579.1	(\$326.8)

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

2 Effects of Supreme Court decision on B&O taxes paid on interest earnings

3 Forecast for the 2009-11 biennium, adopted September 2009

*Detail may not add to totals because of rounding.

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

Table 3.10
September 2009 General Fund-State forecast
2007-09 & 2009-11 biennia
(cash basis, millions of dollars)

Forecast by Source	Fiscal 2007a	Fiscal 2008a	Fiscal 2009a	2007-09 Biennium	Fiscal 2010[#]	Fiscal 2011[#]	2009-11 Biennium
State Taxes							
Retail sales***	\$7,388.0	\$7,705.2	\$6,870.2	\$14,575.4	\$6,870.7	\$7,418.3	\$14,289.0
Business & occupation ^{##}	2,640.9	2,786.2	2,558.2	5,344.5	2,695.4	3,019.5	5,714.9
Use***	504.4	511.2	460.0	971.2	461.8	504.7	966.4
Public Utility	352.9	367.9	373.7	741.5	360.7	362.4	723.1
Liquor sales/liter ^{##}	147.7	157.2	162.5	319.8	197.5	203.4	400.9
Beer & wine surtax ^{##}	2.2	2.2	2.4	4.5	30.6	31.1	61.8
Cigarette ^{##}	50.5	51.3	47.8	99.2	296.5	295.9	592.4
Tobacco products ^{##}	6.8	(9.3)	11.1	1.8	27.9	32.5	60.5
Property (state school levy)**	1,423.1	1,473.6	1,513.8	2,987.5	1,813.7	1,849.0	3,662.7
Public utility district	39.8	41.7	42.2	83.9	43.2	45.1	88.2
Real estate excise	1,069.6	663.3	389.1	1,052.4	441.3	553.0	994.4
Timber excise	8.0	7.3	5.4	12.7	3.8	3.2	6.9
Estate/inheritance	5.3	4.1	0.6	4.7	0.8	0.6	1.4
Boat excise	15.8	17.7	17.2	34.8	17.4	17.9	35.3
Insurance premiums ^{##}	249.0	260.6	252.7	513.2	416.0	428.6	844.6
Other	275.9	260.3	221.4	481.8	245.3	265.2	510.5
Total Taxes	14,180.0	14,300.5	12,928.3	27,228.8	13,922.6	15,030.3	28,952.9
State Non-Tax Sources							
Licenses, permits, fees ^{##}	91.8	97.5	95.1	192.6	92.1	95.5	187.7
Liquor profits & fees	49.0	38.9	40.8	79.7	37.9	41.5	79.4
Earnings on investments ^{##}	100.9	116.6	58.8	175.4	1.2	3.5	4.6
Lottery transfers	7.6	0.0	11.1	11.1	12.1	5.2	17.3
Other revenue & transfers ^{##}	13.9	60.4	(48.5)	12.0	177.7	183.4	361.2
Total Non-Tax	263.1	313.4	157.3	470.7	321.0	329.2	650.2
Total General Fund-State *	\$14,443.2	\$14,613.9	\$13,085.6	\$27,699.5	\$14,243.6	\$15,359.5	\$29,603.1

a - Actual;

* Detail may not add to totals due to rounding.

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

***GFS portion after Initiative 900 transfer.

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

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

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

Table 3.11
Track record for the 2007-09 General Fund-State forecast
 February 2006 through September 2009
 (cash basis - millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State</u>
February 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	204	9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008	(405)	(19)	(423)		(423)	29,463
June 2008	(36)	(14)	(50)	(11) #4	(61)	29,402
September 2008	(288)	15	(273)		(273)	29,129
November 2008	(506)	3	(503)		(503)	28,627
March 2009	(650)	(20)	(670)	(66) #5	(736)	27,891
June 2009	(186)	3	(184)	(1) #6	(185)	27,706
September 2009	(11)	5	(7)		(7)	27,700
Total change***:						
From February 2006	(1129)	53	(1076)	(252)	(1328)	
Percent change	(4.0)	6.2	(3.7)	(0.9)	(4.6)	

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

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

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

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

#1 Change to the forecast due to 2006 legislation

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

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

#4 Impact of 2008 legislation and budget driven revenue

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

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

Source: ERFC

Table 3.12
Track record for the 2009-11 General Fund-State forecast
 February 2008 through September 2009
 (cash basis - millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State#</u>
February 2008##	\$33,291	\$867				\$34,158
Changes to Forecast						
June 2008	(85)	(28)	(112)	(46) #1	(158)	34,000
September 2008	(238)	(29)	(267)	0	(267)	33,733
November 2008	(1,376)	(77)	(1,453)	36 #2	(1,417)	32,316
March 2009	(2,030)	(94)	(2,124)	(61) #3	(2,185)	30,131
June 2009	(509)	(15)	(523)	226 #4	(297)	29,834
September 2009	(177)	(8)	(185)	(46) #5	(231)	29,603
Total change***:						
From February 2008	(4,414)	(250)	(4,664)	109	(4,555)	
Percent change	(13.3)	(28.9)	(13.7)	0.3	(13.3)	

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

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

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

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

#1 Impact of 2008 legislation and budget driven revenue.

#2 Expiration of Sales Tax Exemption on Renewable Energy Equipment

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

#4 Sum of 2009 legislation and budget-driven revenue

#5 Effects of Supreme Court decision on B&O taxes paid on interest earnings

Source: ERFC

Table 3.13

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

Dollars in Millions

	2007-09	2009-11 *
RESOURCES		
Beginning Fund Balance	780.5	189.5
June 2009 Forecast	27,706.3	29,834.0
September 2009 Update	(6.8)	(230.9)
Current Revenue Totals	27,699.5	29,603.1
Legislatively Enacted Fund Transfers	1,064.5	873.9
2008: Prior Period Adjustments	(6.9)	-
Transfer to Budget Stabilization Account	(115.1)	(268.8)
Transfer Related Fund Balances	-	90.4
Total Resources (including beginning fund balance)	29,422.6	30,488.0
EXPENDITURES		
2007-09 and 2009-11 Enacted Budgets	29,233.1	30,918.1
RESERVES		
Projected General Fund Ending Balance	189.5	(430.1)
Budget Stabilization Account Beginning Balance	0.0	21.4
Transfer To Budget Stabilization Account (From Emergency Reserve Ac	303.2	-
Transfer from General Fund and Interest Earnings	118.2	268.9
Transfer to General Fund	(400.0)	(45.1)
Projected Budget Stabilization Account Ending Balance	21.4	245.2
Total Reserves (General Fund plus Budget Stabilization)	210.9	(184.9)

Source: House and Senate Fiscal Committees and Office of Financial Management

* 2009-11 includes revenue and spending changes required by ESSB 5073 - Account Consolidation, Chapter 479, Laws of 2009, which consolidates the public safety and education account, health services account, violence reduction and drug enforcement account

Table 3.14
Alternative forecasts compared to the baseline forecast
2009-11 biennium
(cash basis, millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$15,049.1	\$14,289.0	\$13,589.2
Business & Occupation Use	6,043.8	5,714.9	5,325.8
Public Utility	1,044.5	966.4	916.7
Property (school levy)	737.8	723.1	706.7
Real Estate Excise	3,669.8	3,662.7	3,657.0
Other	1,105.6	994.4	912.4
Subtotal	1,856.1	1,787.7	1,742.0
	29,506.8	28,138.3	26,849.9
<i>Department of Licensing</i>	46.4	45.1	43.7
<i>Insurance Commissioner¹</i>	865.7	844.6	823.5
<i>Lottery Commission</i>	20.0	17.3	12.0
<i>State Treasurer - Interest earnings</i>	35.2	4.6	(14.4)
<i>Liquor Profits & Fees²</i>	144.0	141.2	138.3
<i>Office of Financial Management</i>			
Other agencies	219.1	209.1	199.1
<i>Administrative Office of the Courts</i>			
Fines and Forfeitures	210.4	202.9	194.1
Total General Fund - State*	\$31,047.6	\$29,603.1	\$28,246.2
Difference from June 2009 Baseline	\$1,444.5		(\$1,356.8)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.15

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

	<u>Lottery: Total Transfers:*</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account</u>	<u>School Construction Account</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>
2004	113.3	0.0	4.0	7.3	76.5	25.5		
2005	112.2	4.3	4.2	7.6	0.0	96.2		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4
2010	117.5	12.1	5.2	9.2	0.0	88.4	0.2	2.4
2011	110.5	5.2	5.3	9.6	0.0	87.4	0.2	2.6
2009-11 Biennium	228.0	17.3	10.5	18.8	0.0	175.8	0.5	5.0

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

Source: Lottery Commission

Table 3.16

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

September 2009 and June 2009 forecasts

2007-09 & 2009-11 biennia

(cash basis, millions of dollars)

	2007-09 Biennium			2009-11 Biennium		
	<u>June 09 Forecast</u>	<u>Sept. 2009 Forecast</u>	<u>Difference</u>	<u>June 09 Forecast</u>	<u>Sept. 2009 Forecast</u>	<u>Difference</u>
General Fund-State	\$27,706.3	\$27,699.5	(\$6.8)	\$29,834.0	\$29,603.1	(\$230.9)
Related Fund*						
Health Services Account	\$1,237.2	\$1,245.4	\$8.2	\$0.0	\$0.0	\$0.0
Violence Reduction and Drug Enforcement Acct.	92.2	92.0	(0.2)	0.0	0.0	0.0
Water Quality Account	68.0	67.8	(0.2)	0.0	0.0	0.0
Student Achievement Account	503.4	503.4	0.0	0.0	0.0	0.0
Public Safety and Education Account	205.1	205.2	0.1	0.0	0.0	0.0
Total Related Fund	\$2,106.0	\$2,113.9	\$7.9	\$0.0	\$0.0	\$0.0
Total General Fund-State and Related Fund	\$29,812.2	\$29,813.4	\$1.1	\$29,834.0	\$29,603.1	(\$230.9)
Near General Fund Not in Related Funds**						
Education Legacy Trust Account	\$415.6	\$414.0	(\$1.6)	\$375.8	\$376.7	\$0.9
Pension Funding Stabilization Account	22.8	23.0	0.2	0.0	0.0	0.0
Total Near General Fund	\$2,544.3	\$2,550.8	\$6.5	\$375.8	\$376.7	\$0.9
Total General Fund-State and Near General Fund	\$30,250.6	\$30,250.3	(\$0.3)	\$30,209.7	\$29,979.8	(\$230.0)

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

**Prior to FY2010 Near General Fund included all Related Funds plus the Education Legacy Trust and Pension Funding Stabilization Account. Per ESSB 5073, as of FY2010 Near General Fund includes the Education Legacy Trust and Pension Funding Stabilization Accounts.

Source: ERFC, Department of Revenue

Table 3.17

General Fund-State: history and forecast of components

history and forecast by fiscal year

(cash basis, millions of dollars)

	General Fund-State		Related Fund		General Fund-State plus Related Fund	
	Level	% Change	Level	% Change	Level	% Change
History:						
FY 1995	\$8,551		\$248		\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%
FY 2009	\$13,086	-10.5%	\$1,069	2.3%	\$14,154	-9.6%
Forecast:						
FY 2010*	\$14,244	8.8%	\$0	-100.0%	\$14,244	0.6%
FY 2011*	\$15,359	7.8%	\$0	0.0%	\$15,359	7.8%
Biennial Totals						
0305 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%
0507 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%
0709 Biennium	\$27,700	-0.3%	\$2,114	5.0%	\$29,813	0.1%
0911 Biennium	\$29,603	6.9%	\$0	-100.0%	\$29,603	-0.7%

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

Source: ERFC



Detail Components of the Washington State Economic and Revenue Forecast

Calendar Years

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

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

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,263.8	12,638.4	12,976.3	13,254.1	13,312.2	12,967.9	13,280.4	13,689.5
% Ch	3.6	3.1	2.7	2.1	0.4	-2.6	2.4	3.1
Real Consumption	8,532.7	8,819.0	9,073.5	9,313.9	9,290.9	9,230.7	9,437.5	9,668.4
% Ch	3.5	3.4	2.9	2.6	-0.2	-0.6	2.2	2.4
Real Nonresidential Fixed Investment	1,263.0	1,347.3	1,453.9	1,544.3	1,569.7	1,288.9	1,294.1	1,441.5
% Ch	6.0	6.7	7.9	6.2	1.6	-17.9	0.4	11.4
Real Residential Fixed Investment	729.5	775.0	718.2	585.0	451.1	353.9	389.7	488.9
% Ch	9.8	6.2	-7.3	-18.5	-22.9	-21.5	10.1	25.5
Real Personal Income	10,233.3	10,485.1	10,966.4	11,273.4	11,225.4	10,999.6	11,166.6	11,465.0
% Ch	3.3	2.5	4.6	2.8	-0.4	-2.0	1.5	2.7
Real Per Capita Income (\$/Person)	34,843	35,377	36,653	37,317	36,821	35,731	35,921	36,528
% Ch	2.3	1.5	3.6	1.8	-1.3	-3.0	0.5	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	0.971	1.000	1.027	1.055	1.090	1.091	1.108	1.128
% Ch	2.6	3.0	2.7	2.7	3.4	0.1	1.5	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.889	1.953	2.016	2.073	2.152	2.141	2.176	2.220
% Ch	2.7	3.4	3.2	2.9	3.8	-0.5	1.6	2.0
Employment Cost Index (Dec. 2005=1.0)	0.968	0.992	1.021	1.055	1.087	1.102	1.115	1.131
% Ch	2.7	2.5	2.9	3.4	3.0	1.4	1.2	1.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,867.8	12,638.4	13,398.9	14,077.7	14,441.4	14,256.0	14,756.5	15,449.2
% Ch	6.5	6.5	6.0	5.1	2.6	-1.3	3.5	4.7
Personal Income	9,937.3	10,485.9	11,268.1	11,894.1	12,238.8	12,005.7	12,374.2	12,927.9
% Ch	6.0	5.5	7.5	5.6	2.9	-1.9	3.1	4.5
Employment (Millions)								
U.S. Civilian Labor Force	147.4	149.3	151.4	153.1	154.3	154.4	154.7	156.2
Total U.S. Employment	139.2	141.7	144.4	146.0	145.4	140.3	139.5	141.8
Unemployment Rate (%)	5.54	5.08	4.62	4.63	5.81	9.18	9.86	9.20
Nonfarm Payroll Employment	131.42	133.70	136.10	137.60	137.05	131.86	131.19	133.87
% Ch	1.1	1.7	1.8	1.1	-0.4	-3.8	-0.5	2.0
Manufacturing	14.31	14.23	14.16	13.88	13.42	12.01	11.45	11.59
% Ch	-1.3	-0.6	-0.5	-2.0	-3.3	-10.6	-4.7	1.3
Durable Manufacturing	8.92	8.95	8.98	8.81	8.47	7.39	7.02	7.18
% Ch	-0.4	0.3	0.3	-1.9	-3.8	-12.8	-5.0	2.4
Nondurable Manufacturing	5.39	5.27	5.18	5.07	4.95	4.62	4.43	4.41
% Ch	-2.8	-2.2	-1.8	-2.0	-2.3	-6.7	-4.1	-0.4
Construction	6.97	7.33	7.69	7.63	7.21	6.22	5.65	5.73
% Ch	3.5	5.2	4.9	-0.8	-5.5	-13.7	-9.2	1.4
Service-Producing	109.54	111.51	113.56	115.37	115.64	112.90	113.43	115.87
% Ch	1.3	1.8	1.8	1.6	0.2	-2.4	0.5	2.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	41.5	56.6	66.1	72.2	99.8	59.8	72.1	75.2
Personal Saving/Disposable Income (%)	3.4	1.4	2.4	1.7	2.6	4.2	3.5	2.6
Auto Sales (Millions)	7.5	7.7	7.8	7.6	6.8	5.4	6.0	7.4
% Ch	-0.9	2.3	1.3	-2.6	-10.6	-20.8	10.3	24.9
Housing Starts (Millions)	1.950	2.073	1.812	1.342	0.900	0.583	0.870	1.314
% Ch	5.2	6.3	-12.6	-25.9	-32.9	-35.3	49.3	51.0
Federal Budget Surplus (Billions)	-379.5	-283.0	-203.8	-236.5	-642.6	-1,193.3	-1,206.5	-965.7
Net Exports (Billions)	-618.7	-722.7	-769.3	-713.8	-707.8	-396.3	-510.4	-554.7
3-Month Treasury Bill Rate (%)	1.36	3.13	4.72	4.38	1.40	0.20	0.69	2.32
10-Year Treasury Note Yield (%)	4.27	4.29	4.79	4.63	3.67	3.31	3.83	4.00
Bond Index of 20 G.O. Munis. (%)	4.68	4.40	4.40	4.39	4.86	4.71	4.73	4.92
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.04	5.13	5.34	5.58

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

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

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,366.9	13,415.3	13,324.6	13,141.9	12,925.4	12,892.5	12,988.2	13,065.4
% Ch , Annual Rate	-0.7	1.5	-2.7	-5.4	-6.4	-1.0	3.0	2.4
Real Consumption	9,349.6	9,351.0	9,267.7	9,195.3	9,209.2	9,186.7	9,248.3	9,278.7
% Ch , Annual Rate	-0.6	0.1	-3.5	-3.1	0.6	-1.0	2.7	1.3
Real Nonresidential Fixed Investment	1,598.9	1,604.4	1,579.2	1,496.1	1,321.2	1,283.6	1,273.9	1,277.0
% Ch , Annual Rate	1.9	1.4	-6.1	-19.4	-39.2	-10.9	-3.0	1.0
Real Residential Fixed Investment	483.2	462.9	443.3	415.0	367.9	344.8	347.9	355.0
% Ch , Annual Rate	-28.2	-15.8	-15.9	-23.2	-38.2	-22.8	3.6	8.5
Real Personal Income	11,245.5	11,275.7	11,142.0	11,238.3	11,021.5	11,016.1	10,963.2	10,997.7
% Ch , Annual Rate	-2.2	1.1	-4.7	3.5	-7.5	-0.2	-1.9	1.3
Real Per Capita Income (\$/Person)	37,016	37,032	36,504	36,730	35,934	35,829	35,569	35,594
% Ch , Annual Rate	-3.0	0.2	-5.6	2.5	-8.4	-1.2	-2.9	0.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.090	1.103	1.089	1.085	1.088	1.095	1.098
% Ch , Annual Rate	3.7	3.9	4.7	-5.0	-1.5	1.3	2.7	1.0
U.S. Consumer Price Index (1982-84=1.0)	2.130	2.154	2.186	2.139	2.126	2.133	2.149	2.155
% Ch , Annual Rate	4.5	4.5	6.2	-8.3	-2.4	1.3	2.9	1.1
Employment Cost Index (Dec. 2005=1.0)	1.076	1.084	1.091	1.096	1.098	1.100	1.103	1.106
% Ch , Annual Rate	3.4	3.0	2.6	1.8	0.7	0.7	1.0	1.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,373.9	14,497.8	14,546.7	14,347.3	14,178.0	14,143.3	14,304.0	14,398.8
% Ch , Annual Rate	1.0	3.5	1.4	-5.4	-4.6	-1.0	4.6	2.7
Personal Income	12,142.2	12,292.9	12,286.6	12,233.5	11,952.7	11,986.8	12,008.0	12,075.1
% Ch , Annual Rate	1.4	5.1	-0.2	-1.7	-8.9	1.1	0.7	2.3
Employment (Millions)								
U.S. Civilian Labor Force	153.7	154.3	154.7	154.6	154.0	154.9	154.4	154.4
Total U.S. Employment	146.1	146.0	145.3	144.0	141.6	140.6	139.7	139.1
Unemployment Rate (%)	4.93	5.37	6.07	6.87	8.07	9.27	9.54	9.87
Nonfarm Payroll Employment	137.94	137.51	137.00	135.73	133.66	132.13	131.08	130.55
% Ch , Annual Rate	-0.2	-1.3	-1.5	-3.7	-5.9	-4.5	-3.1	-1.6
Manufacturing	13.69	13.55	13.39	13.06	12.47	12.01	11.79	11.76
% Ch , Annual Rate	-2.4	-4.1	-4.7	-9.4	-17.0	-14.0	-7.0	-0.9
Durable Manufacturing	8.67	8.56	8.44	8.20	7.75	7.38	7.21	7.20
% Ch , Annual Rate	-2.7	-5.0	-5.4	-11.1	-20.2	-18.0	-8.6	-0.4
Nondurable Manufacturing	5.02	4.99	4.94	4.86	4.72	4.63	4.58	4.56
% Ch , Annual Rate	-1.9	-2.6	-3.4	-6.4	-11.4	-7.3	-4.4	-1.7
Construction	7.45	7.29	7.17	6.95	6.59	6.30	6.07	5.93
% Ch , Annual Rate	-5.4	-8.2	-6.3	-11.8	-19.1	-16.4	-14.1	-8.7
Service-Producing	116.05	115.91	115.66	114.92	113.84	113.09	112.51	112.17
% Ch , Annual Rate	0.4	-0.5	-0.9	-2.5	-3.7	-2.6	-2.1	-1.2
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.9	123.8	118.3	59.1	43.2	59.7	67.7	68.6
Personal Saving/Disposable Income (%)	1.2	3.4	2.2	3.8	3.8	5.0	4.1	4.1
Auto Sales (Millions)	7.5	7.6	6.7	5.4	4.8	4.9	6.3	5.7
% Ch , Annual Rate	-12.8	4.7	-40.7	-58.3	-37.3	6.6	179.0	-34.7
Housing Starts (Millions)	1.059	1.017	0.868	0.658	0.528	0.539	0.601	0.665
% Ch , Annual Rate	-32.0	-14.9	-46.9	-67.0	-58.6	8.9	54.1	49.9
Federal Budget Surplus (Billions)	-433.5	-796.9	-665.7	-674.1	-969.1	-1,295.0	-1,238.4	-1,270.6
Net Exports (Billions)	-744.4	-738.7	-757.5	-590.5	-378.5	-338.7	-388.0	-479.8
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.33	0.21	0.17	0.18	0.25
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.25	2.74	3.31	3.56	3.64
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.73	4.56	4.58
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.19	5.23

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

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,146.3	13,234.2	13,322.7	13,418.3	13,510.6	13,629.0	13,751.9	13,866.4
% Ch , Annual Rate	2.5	2.7	2.7	2.9	2.8	3.6	3.7	3.4
Real Consumption	9,327.9	9,393.0	9,482.1	9,547.0	9,588.2	9,630.8	9,692.0	9,762.7
% Ch , Annual Rate	2.1	2.8	3.9	2.8	1.7	1.8	2.6	2.9
Real Nonresidential Fixed Investment	1,284.6	1,280.3	1,289.5	1,322.1	1,366.8	1,420.3	1,467.8	1,511.0
% Ch , Annual Rate	2.4	-1.3	2.9	10.5	14.2	16.6	14.1	12.3
Real Residential Fixed Investment	365.3	381.9	396.6	414.9	442.4	474.4	506.1	532.9
% Ch , Annual Rate	12.1	19.4	16.3	19.8	29.2	32.2	29.5	22.9
Real Personal Income	11,054.0	11,127.1	11,204.6	11,280.9	11,341.7	11,413.3	11,500.9	11,604.3
% Ch , Annual Rate	2.1	2.7	2.8	2.8	2.2	2.6	3.1	3.6
Real Per Capita Income (\$/Person)	35,689	35,837	36,000	36,158	36,266	36,408	36,599	36,839
% Ch , Annual Rate	1.1	1.7	1.8	1.8	1.2	1.6	2.1	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.101	1.105	1.110	1.115	1.120	1.125	1.130	1.135
% Ch , Annual Rate	1.3	1.5	1.8	1.7	1.8	1.8	1.9	1.4
U.S. Consumer Price Index (1982-84=1.0)	2.162	2.170	2.180	2.190	2.201	2.214	2.227	2.237
% Ch , Annual Rate	1.3	1.6	1.9	1.8	2.0	2.3	2.4	1.8
Employment Cost Index (Dec. 2005=1.0)	1.109	1.113	1.117	1.121	1.125	1.128	1.132	1.136
% Ch , Annual Rate	1.3	1.5	1.4	1.4	1.4	1.3	1.4	1.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,542.8	14,681.3	14,822.4	14,979.7	15,150.8	15,348.3	15,556.1	15,741.7
% Ch , Annual Rate	4.1	3.9	3.9	4.3	4.6	5.3	5.5	4.9
Personal Income	12,175.2	12,300.8	12,441.8	12,579.1	12,703.0	12,841.8	13,001.5	13,165.4
% Ch , Annual Rate	3.4	4.2	4.7	4.5	4.0	4.4	5.1	5.1
Employment (Millions)								
U.S. Civilian Labor Force	154.4	154.6	154.8	155.2	155.6	156.0	156.4	156.8
Total U.S. Employment	138.9	139.2	139.6	140.2	140.8	141.5	142.2	142.8
Unemployment Rate (%)	10.05	9.95	9.81	9.63	9.50	9.30	9.10	8.89
Nonfarm Payroll Employment	130.37	130.89	131.43	132.07	132.71	133.48	134.26	135.03
% Ch, Annual Rate	-0.5	1.6	1.7	2.0	1.9	2.3	2.3	2.3
Manufacturing	11.58	11.40	11.38	11.42	11.48	11.53	11.62	11.75
% Ch, Annual Rate	-6.2	-5.9	-0.8	1.6	1.9	1.7	3.2	4.5
Durable Manufacturing	7.09	6.97	6.98	7.03	7.08	7.12	7.21	7.33
% Ch, Annual Rate	-6.1	-6.7	0.5	2.8	3.0	2.1	5.0	7.1
Nondurable Manufacturing	4.48	4.43	4.40	4.40	4.40	4.41	4.41	4.42
% Ch, Annual Rate	-6.2	-4.6	-2.7	-0.3	0.2	0.9	0.2	0.2
Construction	5.80	5.65	5.56	5.59	5.62	5.68	5.76	5.84
% Ch, Annual Rate	-8.7	-9.7	-6.4	2.3	2.4	4.3	5.9	5.6
Service-Producing	112.33	113.17	113.83	114.39	114.94	115.60	116.19	116.75
% Ch, Annual Rate	0.6	3.0	2.4	2.0	1.9	2.3	2.1	1.9
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	70.1	71.6	72.7	73.7	74.5	75.0	75.5	75.9
Personal Saving/Disposable Income (%)	3.6	3.6	3.4	3.2	2.4	2.5	2.6	2.7
Auto Sales (Millions)	5.5	5.7	6.2	6.5	6.9	7.4	7.6	7.9
% Ch, Annual Rate	-13.0	16.6	41.2	22.8	28.0	27.5	12.3	18.9
Housing Starts (Millions)	0.766	0.808	0.896	1.011	1.138	1.269	1.384	1.465
% Ch, Annual Rate	76.6	23.7	51.3	62.0	60.5	54.5	41.7	25.5
Federal Budget Surplus (Billions)	-1,201.0	-1,215.6	-1,212.4	-1,197.0	-1,004.5	-971.8	-950.1	-936.3
Net Exports (Billions)	-490.4	-506.3	-518.4	-526.6	-534.3	-543.7	-561.0	-579.8
3-Month Treasury Bill Rate (%)	0.38	0.52	0.74	1.12	1.58	2.06	2.57	3.07
10-Year Treasury Note Yield (%)	3.73	3.80	3.86	3.91	3.93	3.96	3.97	4.14
Bond Index of 20 G.O. Munis. (%)	4.65	4.71	4.76	4.82	4.85	4.88	4.90	5.05
30-Year Fixed Mortgage Rate (%)	5.28	5.33	5.36	5.40	5.47	5.53	5.57	5.76

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

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	224.892	226.575	239.191	251.865	253.214	251.498	257.721	266.379
% Ch	4.9	0.7	5.6	5.3	0.5	-0.7	2.5	3.4
Real Wage and Salary Disb.	122.776	125.931	132.704	139.193	138.988	135.286	137.677	142.276
% Ch	1.8	2.6	5.4	4.9	-0.1	-2.7	1.8	3.3
Real Nonwage Income	102.116	100.645	106.487	112.672	114.226	116.212	120.044	124.103
% Ch	8.8	-1.4	5.8	5.8	1.4	1.7	3.3	3.4
Real Per Capita Income (\$/Person)	36,261	35,957	37,269	38,597	38,220	37,432	37,891	38,671
% Ch	3.5	-0.8	3.6	3.6	-1.0	-2.1	1.2	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	0.971	1.000	1.027	1.055	1.090	1.091	1.108	1.128
% Ch	2.6	3.0	2.7	2.7	3.4	0.1	1.5	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.947	2.002	2.076	2.157	2.247	2.265	2.304	2.353
% Ch	1.2	2.8	3.7	3.9	4.2	0.8	1.7	2.1
Average Nonfarm Annual Wage	42,234	43,288	45,613	48,003	49,032	49,400	50,860	52,419
% Ch	2.7	2.5	5.4	5.2	2.1	0.8	3.0	3.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.28	18.82	19.91	20.51	21.00	23.22	23.26	23.28
% Ch	1.4	2.9	5.8	3.0	2.4	10.5	0.2	0.1
Current Dollar Income (Billions of Dollars)								
Personal Income	218.432	226.585	245.765	265.738	276.087	274.511	285.593	300.370
% Ch	7.6	3.7	8.5	8.1	3.9	-0.6	4.0	5.2
Disposable Personal Income	195.392	200.469	216.267	232.427	243.772	249.176	258.681	268.926
% Ch	7.8	2.6	7.9	7.5	4.9	2.2	3.8	4.0
Per Capita Income (\$/Person)	35,218	35,957	38,292	40,721	41,671	40,856	41,988	43,605
% Ch	6.3	2.1	6.5	6.3	2.3	-2.0	2.8	3.9
Employment (Thousands)								
Washington Civilian Labor Force	3,199.2	3,258.8	3,319.6	3,391.2	3,476.8	3,558.2	3,610.0	3,662.9
Total Washington Employment	2,999.5	3,079.5	3,157.0	3,237.4	3,291.0	3,235.0	3,255.9	3,321.0
Unemployment Rate (%)	6.24	5.50	4.90	4.54	5.34	9.08	9.81	9.33
Nonfarm Payroll Employment	2,701.0	2,776.9	2,859.0	2,933.5	2,958.9	2,854.5	2,863.2	2,926.3
% Ch	1.6	2.8	3.0	2.6	0.9	-3.5	0.3	2.2
Manufacturing	263.7	272.6	285.9	293.3	291.2	268.8	264.8	267.8
% Ch	-1.3	3.4	4.9	2.6	-0.7	-7.7	-1.5	1.1
Durable Manufacturing	182.4	191.5	204.0	211.9	211.3	193.1	189.2	191.6
% Ch	-0.7	5.0	6.6	3.9	-0.3	-8.6	-2.1	1.3
Aerospace	61.5	65.6	73.4	80.1	83.0	83.4	81.5	80.7
% Ch	-5.8	6.8	11.9	9.1	3.6	0.4	-2.3	-0.9
Nondurable Manufacturing	81.3	81.1	81.9	81.4	79.8	75.6	75.6	76.2
% Ch	-2.4	-0.2	0.9	-0.6	-1.9	-5.3	0.0	0.8
Construction	164.2	177.4	194.8	208.2	200.7	167.0	155.6	157.2
% Ch	5.1	8.0	9.9	6.8	-3.6	-16.8	-6.8	1.1
Service-Producing	2,264.0	2,318.0	2,369.5	2,423.8	2,459.5	2,412.6	2,436.6	2,494.5
% Ch	1.7	2.4	2.2	2.3	1.5	-1.9	1.0	2.4
Software Publishers	39.3	41.3	44.7	47.6	50.9	52.2	52.1	55.0
% Ch	5.1	5.1	8.4	6.4	7.0	2.5	-0.1	5.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.089	52.988	50.033	47.397	28.919	15.166	21.991	34.164
% Ch	17.0	5.8	-5.6	-5.3	-39.0	-47.6	45.0	55.4
Single-Family	36.489	41.407	35.611	30.390	17.440	12.326	18.828	27.607
% Ch	10.3	13.5	-14.0	-14.7	-42.6	-29.3	52.8	46.6
Multi-Family	13.600	11.581	14.422	17.007	11.479	2.840	3.162	6.557
% Ch	39.7	-14.8	24.5	17.9	-32.5	-75.3	11.3	107.4
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.04	5.13	5.34	5.58

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	235.882	237.302	239.580	243.999	248.214	250.085	254.498	254.661
% Ch, Annual Rate	8.9	2.4	3.9	7.6	7.1	3.1	7.2	0.3
Real Wage and Salary Disb.	131.887	131.058	132.257	135.614	137.030	137.942	140.738	141.061
% Ch, Annual Rate	12.8	-2.5	3.7	10.5	4.2	2.7	8.4	0.9
Real Nonwage Income	103.995	106.244	107.322	108.386	111.184	112.143	113.761	113.599
% Ch, Annual Rate	4.2	8.9	4.1	4.0	10.7	3.5	5.9	-0.6
Real Per Capita Income (\$/Person)	36,998	37,057	37,249	37,771	38,257	38,398	38,927	38,804
% Ch, Annual Rate	6.9	0.6	2.1	5.7	5.2	1.5	5.6	-1.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.018	1.026	1.033	1.033	1.042	1.051	1.057	1.070
% Ch, Annual Rate	1.7	3.0	3.0	-0.1	3.7	3.2	2.3	5.1
Seattle Cons. Price Index (1982-84=1.0)	2.043	2.069	2.089	2.104	2.126	2.147	2.157	2.197
% Ch, Annual Rate	2.9	5.2	3.9	2.9	4.2	4.0	2.0	7.5
Average Nonfarm Annual Wage	45,270	45,031	45,601	46,552	47,075	47,440	48,526	48,970
% Ch, Annual Rate	10.9	-2.1	5.2	8.6	4.6	3.1	9.5	3.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.58	19.85	20.16	20.04	20.21	20.44	20.63	20.77
% Ch, Annual Rate	1.4	5.5	6.5	-2.4	3.4	4.7	3.7	2.7
Current Dollar Income (Billions of Dollars)								
Personal Income	240.123	243.384	247.514	252.037	258.751	262.763	268.946	272.493
% Ch, Annual Rate	10.8	5.5	7.0	7.5	11.1	6.3	9.7	5.4
Disposable Personal Income	211.345	214.271	217.944	221.507	226.492	229.834	235.161	238.221
% Ch, Annual Rate	9.2	5.7	7.0	6.7	9.3	6.0	9.6	5.3
Per Capita Income (\$/Person)	37,663	38,007	38,483	39,016	39,881	40,345	41,137	41,521
% Ch, Annual Rate	8.7	3.7	5.1	5.7	9.2	4.7	8.1	3.8
Employment (Thousands)								
Washington Civilian Labor Force	3,302.5	3,317.0	3,321.9	3,337.1	3,354.0	3,381.3	3,401.9	3,427.8
Total Washington Employment	3,143.0	3,152.9	3,156.5	3,175.5	3,203.7	3,230.1	3,246.3	3,269.3
Unemployment Rate (%)	4.83	4.95	4.98	4.84	4.48	4.47	4.57	4.62
Nonfarm Payroll Employment	2,834.3	2,853.0	2,865.7	2,882.8	2,908.8	2,929.3	2,938.9	2,956.9
% Ch, Annual Rate	3.4	2.7	1.8	2.4	3.7	2.8	1.3	2.5
Manufacturing	283.0	284.9	287.0	288.7	290.9	292.3	294.3	295.7
% Ch, Annual Rate	6.9	2.6	3.0	2.5	3.1	1.9	2.8	1.9
Durable Manufacturing	201.0	202.8	204.9	207.4	209.1	211.0	212.9	214.6
% Ch, Annual Rate	7.4	3.7	4.1	5.0	3.4	3.6	3.7	3.3
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.4
Nondurable Manufacturing	82.0	82.0	82.1	81.3	81.8	81.3	81.5	81.1
% Ch, Annual Rate	5.6	0.0	0.4	-3.8	2.1	-2.2	0.7	-1.5
Construction	189.7	193.9	196.5	199.3	205.3	209.9	208.6	208.9
% Ch, Annual Rate	13.0	9.1	5.4	5.8	12.8	9.1	-2.5	0.5
Service-Producing	2,352.8	2,365.4	2,373.7	2,386.3	2,404.2	2,418.8	2,427.9	2,444.3
% Ch, Annual Rate	2.2	2.2	1.4	2.1	3.0	2.5	1.5	2.7
Software Publishers	43.0	44.4	45.4	46.1	47.1	47.6	47.7	48.1
% Ch, Annual Rate	7.8	13.7	9.8	5.9	8.7	4.4	0.8	3.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	49.719	52.501	53.021	44.892	59.179	44.844	45.135	40.431
% Ch, Annual Rate	-55.2	24.3	4.0	-48.6	202.0	-67.0	2.6	-35.6
Single-Family	38.849	36.189	35.013	32.392	35.899	32.998	29.018	23.646
% Ch, Annual Rate	-46.1	-24.7	-12.4	-26.7	50.9	-28.6	-40.2	-55.9
Multi-Family	10.869	16.311	18.008	12.500	23.280	11.846	16.117	16.785
% Ch, Annual Rate	-75.4	407.2	48.6	-76.8	1,103.2	-93.3	242.6	17.6
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	253.078	253.119	253.437	253.221	250.718	250.819	252.304	252.151
% Ch, Annual Rate	-2.5	0.1	0.5	-0.3	-3.9	0.2	2.4	-0.2
Real Wage and Salary Disb.	139.790	138.043	139.432	138.686	136.251	134.604	135.610	134.677
% Ch, Annual Rate	-3.6	-4.9	4.1	-2.1	-6.8	-4.7	3.0	-2.7
Real Nonwage Income	113.288	115.076	114.006	114.535	114.466	116.214	116.694	117.474
% Ch, Annual Rate	-1.1	6.5	-3.7	1.9	-0.2	6.2	1.7	2.7
Real Per Capita Income (\$/Person)	38,417	38,277	38,180	38,003	37,486	37,385	37,496	37,360
% Ch, Annual Rate	-3.9	-1.4	-1.0	-1.8	-5.3	-1.1	1.2	-1.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.090	1.103	1.089	1.085	1.088	1.095	1.098
% Ch, Annual Rate	3.7	3.9	4.7	-5.0	-1.5	1.3	2.7	1.0
Seattle Cons. Price Index (1982-84=1.0)	2.222	2.246	2.268	2.253	2.253	2.255	2.273	2.280
% Ch, Annual Rate	4.7	4.3	4.1	-2.7	0.0	0.4	3.3	1.3
Average Nonfarm Annual Wage	48,646	48,544	49,622	49,316	48,964	49,026	49,852	49,759
% Ch, Annual Rate	-2.6	-0.8	9.2	-2.4	-2.8	0.5	6.9	-0.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.94	21.25	20.95	20.88	23.02	23.34	23.27	23.25
% Ch, Annual Rate	3.3	6.1	-5.5	-1.5	47.8	5.8	-1.3	-0.3
Current Dollar Income (Billions of Dollars)								
Personal Income	273.258	275.958	279.481	275.652	271.911	272.929	276.351	276.854
% Ch, Annual Rate	1.1	4.0	5.2	-5.4	-5.3	1.5	5.1	0.7
Disposable Personal Income	238.785	246.187	246.787	243.331	244.901	248.250	251.458	252.095
% Ch, Annual Rate	1.0	13.0	1.0	-5.5	2.6	5.6	5.3	1.0
Per Capita Income (\$/Person)	41,481	41,731	42,103	41,370	40,655	40,681	41,069	41,020
% Ch, Annual Rate	-0.4	2.4	3.6	-6.8	-6.7	0.3	3.9	-0.5
Employment (Thousands)								
Washington Civilian Labor Force	3,444.9	3,458.9	3,489.0	3,514.2	3,539.9	3,554.8	3,565.5	3,572.6
Total Washington Employment	3,283.4	3,282.7	3,300.2	3,297.6	3,243.4	3,230.5	3,237.6	3,228.4
Unemployment Rate (%)	4.69	5.10	5.41	6.16	8.38	9.12	9.20	9.64
Nonfarm Payroll Employment	2,973.7	2,970.5	2,966.2	2,925.2	2,883.7	2,852.1	2,845.6	2,836.7
% Ch, Annual Rate	2.3	-0.4	-0.6	-5.4	-5.6	-4.3	-0.9	-1.2
Manufacturing	297.1	294.9	293.0	279.6	276.8	267.8	265.6	264.9
% Ch, Annual Rate	1.8	-2.8	-2.6	-17.0	-4.0	-12.3	-3.4	-1.0
Durable Manufacturing	215.8	214.7	214.0	200.9	199.8	192.4	190.5	189.9
% Ch, Annual Rate	2.3	-2.1	-1.3	-22.3	-2.0	-14.2	-3.8	-1.3
Aerospace	84.1	84.5	85.8	77.5	85.4	83.5	82.8	81.8
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	46.9	-8.3	-3.5	-4.7
Nondurable Manufacturing	81.3	80.3	79.0	78.8	76.9	75.5	75.0	75.0
% Ch, Annual Rate	0.6	-4.7	-6.0	-1.3	-9.0	-7.3	-2.3	-0.1
Construction	208.7	204.8	199.4	189.9	177.2	168.5	163.0	159.3
% Ch, Annual Rate	-0.4	-7.2	-10.2	-17.7	-24.2	-18.1	-12.5	-8.8
Service-Producing	2,460.2	2,463.2	2,466.3	2,448.3	2,423.2	2,409.7	2,411.1	2,406.4
% Ch, Annual Rate	2.6	0.5	0.5	-2.9	-4.0	-2.2	0.2	-0.8
Software Publishers	49.1	50.4	51.7	52.6	53.0	52.5	51.6	51.6
% Ch, Annual Rate	8.5	10.8	10.5	7.1	3.6	-3.6	-7.1	-0.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.378	32.552	27.482	22.264	15.148	13.913	14.794	16.808
% Ch, Annual Rate	-53.6	-9.5	-49.2	-56.9	-78.6	-28.8	27.8	66.6
Single-Family	20.676	18.942	17.258	12.884	9.990	11.744	13.067	14.502
% Ch, Annual Rate	-41.5	-29.6	-31.1	-68.9	-63.9	90.9	53.3	51.7
Multi-Family	12.701	13.610	10.225	9.380	5.157	2.170	1.727	2.306
% Ch, Annual Rate	-67.2	31.9	-68.1	-29.2	-90.9	-96.9	-59.8	217.5
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.19	5.23

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

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	254.639	256.293	259.832	260.122	262.580	264.312	269.177	269.447
% Ch, Annual Rate	4.0	2.6	5.6	0.4	3.8	2.7	7.6	0.4
Real Wage and Salary Disb.	136.197	136.840	139.205	138.468	140.321	141.019	144.517	143.246
% Ch, Annual Rate	4.6	1.9	7.1	-2.1	5.5	2.0	10.3	-3.5
Real Nonwage Income	118.442	119.453	120.627	121.654	122.259	123.293	124.659	126.201
% Ch, Annual Rate	3.3	3.5	4.0	3.4	2.0	3.4	4.5	5.0
Real Per Capita Income (\$/Person)	37,615	37,743	38,142	38,063	38,303	38,434	39,017	38,930
% Ch, Annual Rate	2.8	1.4	4.3	-0.8	2.5	1.4	6.2	-0.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.101	1.105	1.110	1.115	1.120	1.125	1.130	1.135
% Ch, Annual Rate	1.3	1.5	1.8	1.7	1.8	1.8	1.9	1.4
Seattle Cons. Price Index (1982-84=1.0)	2.289	2.298	2.309	2.321	2.333	2.347	2.361	2.373
% Ch, Annual Rate	1.5	1.6	2.0	2.0	2.1	2.4	2.6	2.0
Average Nonfarm Annual Wage	50,369	50,504	51,426	51,143	51,806	51,994	53,259	52,618
% Ch, Annual Rate	5.0	1.1	7.5	-2.2	5.3	1.5	10.1	-4.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.24	23.25	23.26	23.27	23.27	23.27	23.28	23.29
% Ch, Annual Rate	-0.1	0.2	0.1	0.1	0.1	-0.1	0.1	0.1
Current Dollar Income (Billions of Dollars)								
Personal Income	280.469	283.327	288.522	290.057	294.096	297.392	304.298	305.695
% Ch, Annual Rate	5.3	4.1	7.5	2.1	5.7	4.6	9.6	1.8
Disposable Personal Income	254.105	256.749	261.507	262.362	263.576	266.310	272.383	273.437
% Ch, Annual Rate	3.2	4.2	7.6	1.3	1.9	4.2	9.4	1.6
Per Capita Income (\$/Person)	41,431	41,724	42,353	42,444	42,900	43,244	44,108	44,167
% Ch, Annual Rate	4.1	2.9	6.2	0.9	4.4	3.3	8.2	0.5
Employment (Thousands)								
Washington Civilian Labor Force	3,586.2	3,605.1	3,618.0	3,630.5	3,643.6	3,656.2	3,669.2	3,682.6
Total Washington Employment	3,233.3	3,250.1	3,263.4	3,276.6	3,291.3	3,310.8	3,330.8	3,351.2
Unemployment Rate (%)	9.84	9.85	9.80	9.75	9.67	9.45	9.22	9.00
Nonfarm Payroll Employment	2,841.4	2,857.6	2,870.6	2,883.3	2,897.5	2,916.3	2,935.7	2,955.5
% Ch, Annual Rate	0.7	2.3	1.8	1.8	2.0	2.6	2.7	2.7
Manufacturing	264.6	264.6	265.1	265.0	265.4	266.5	268.4	270.8
% Ch, Annual Rate	-0.5	0.0	0.8	-0.2	0.6	1.8	2.8	3.6
Durable Manufacturing	189.4	188.9	189.1	189.3	189.6	190.4	192.1	194.3
% Ch, Annual Rate	-1.0	-1.1	0.4	0.6	0.6	1.6	3.6	4.8
Aerospace	81.6	81.6	81.5	81.2	81.0	80.7	80.6	80.6
% Ch, Annual Rate	-0.8	0.0	-0.8	-1.2	-1.2	-1.2	-0.4	0.0
Nondurable Manufacturing	75.2	75.7	76.0	75.6	75.7	76.2	76.3	76.5
% Ch, Annual Rate	0.8	2.6	2.0	-2.0	0.6	2.4	0.7	0.7
Construction	157.3	155.5	154.8	154.8	154.8	155.1	157.6	161.5
% Ch, Annual Rate	-5.0	-4.4	-1.8	0.0	0.0	0.6	6.6	10.4
Service-Producing	2,413.4	2,431.4	2,444.4	2,457.1	2,470.8	2,488.0	2,502.9	2,516.2
% Ch, Annual Rate	1.2	3.0	2.2	2.1	2.2	2.8	2.4	2.1
Software Publishers	51.7	51.7	52.2	52.9	53.7	54.5	55.5	56.5
% Ch, Annual Rate	0.6	0.5	3.8	5.8	5.8	6.3	7.1	7.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	18.956	20.281	22.932	25.795	29.081	32.771	36.117	38.688
% Ch, Annual Rate	61.8	31.0	63.5	60.1	61.6	61.3	47.5	31.7
Single-Family	16.753	17.928	19.347	21.286	23.652	26.515	29.202	31.059
% Ch, Annual Rate	78.1	31.2	35.6	46.5	52.4	57.9	47.1	28.0
Multi-Family	2.203	2.352	3.586	4.508	5.428	6.256	6.915	7.629
% Ch, Annual Rate	-16.6	29.9	440.0	149.9	110.2	76.3	49.3	48.1
30-Year Fixed Mortgage Rate (%)	5.28	5.33	5.36	5.40	5.47	5.53	5.57	5.76

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

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	131.42	133.70	136.10	137.60	137.05	131.86	131.19	133.87
% Ch	1.1	1.7	1.8	1.1	-0.4	-3.8	-0.5	2.0
Manufacturing	14.31	14.23	14.16	13.88	13.42	12.01	11.45	11.59
% Ch	-1.3	-0.6	-0.5	-2.0	-3.3	-10.6	-4.7	1.3
Durable Manufacturing	8.92	8.95	8.98	8.81	8.47	7.39	7.02	7.18
% Ch	-0.4	0.3	0.3	-1.9	-3.8	-12.8	-5.0	2.4
Wood Products	0.55	0.56	0.56	0.52	0.46	0.37	0.38	0.44
% Ch	2.3	1.7	0.0	-7.8	-10.9	-18.8	1.1	15.9
Primary and Fabricated Metals	1.96	1.99	2.02	2.02	1.97	1.68	1.42	1.45
% Ch	0.4	1.2	1.5	0.1	-2.4	-14.7	-15.2	1.5
Computer and Electronic Products	1.32	1.32	1.31	1.27	1.25	1.16	1.19	1.16
% Ch	-2.4	-0.5	-0.7	-2.7	-2.0	-7.0	2.2	-2.1
Machinery and Electrical Equipment	1.59	1.60	1.62	1.62	1.61	1.40	1.26	1.29
% Ch	-1.3	0.5	1.1	0.0	-0.5	-13.1	-9.7	2.0
Transportation Equipment	1.77	1.77	1.77	1.71	1.61	1.38	1.41	1.44
% Ch	-0.5	0.3	-0.2	-3.2	-6.2	-14.2	2.4	2.0
Other Durables	1.73	1.72	1.71	1.67	1.58	1.40	1.36	1.41
% Ch	0.2	-0.6	-0.4	-2.4	-5.7	-11.5	-3.0	4.1
Nondurable Manufacturing	5.39	5.27	5.18	5.07	4.95	4.62	4.43	4.41
% Ch	-2.8	-2.2	-1.8	-2.0	-2.3	-6.7	-4.1	-0.4
Food Manufacturing	1.49	1.48	1.48	1.48	1.48	1.47	1.46	1.48
% Ch	-1.5	-1.1	0.1	0.3	0.0	-0.9	-0.5	0.9
Paper and Paper Products	0.50	0.48	0.47	0.46	0.45	0.41	0.39	0.39
% Ch	-4.0	-2.3	-2.8	-2.6	-2.8	-7.7	-6.2	0.4
Other Nondurables	3.40	3.31	3.22	3.13	3.02	2.74	2.58	2.55
% Ch	-3.2	-2.7	-2.5	-3.0	-3.4	-9.5	-5.7	-1.3
Natural Resources and Mining	0.59	0.63	0.68	0.72	0.77	0.73	0.67	0.68
% Ch	3.2	6.2	9.1	5.8	6.8	-6.2	-8.0	2.0
Construction	6.97	7.33	7.69	7.63	7.21	6.22	5.65	5.73
% Ch	3.5	5.2	4.9	-0.8	-5.5	-13.7	-9.2	1.4
Trade, Transportation, and Utilities	25.54	25.96	26.28	26.63	26.38	25.23	25.08	25.38
% Ch	1.0	1.7	1.2	1.3	-0.9	-4.4	-0.6	1.2
Wholesale Trade	5.66	5.76	5.90	6.02	5.96	5.66	5.49	5.57
% Ch	0.9	1.8	2.5	1.9	-0.9	-5.0	-3.1	1.4
Retail Trade	15.06	15.28	15.36	15.52	15.35	14.79	14.91	14.97
% Ch	1.0	1.5	0.5	1.1	-1.1	-3.7	0.8	0.4
Trans., Warehousing, and Utilities	4.81	4.92	5.02	5.09	5.06	4.78	4.68	4.84
% Ch	1.1	2.2	2.0	1.5	-0.6	-5.7	-1.9	3.3
Information	3.12	3.06	3.04	3.03	3.00	2.83	2.56	2.61
% Ch	-2.2	-1.8	-0.8	-0.2	-1.2	-5.5	-9.5	1.8
Publishing Industries	0.91	0.90	0.90	0.90	0.88	0.79	0.68	0.67
% Ch	-1.7	-0.6	-0.2	-0.1	-2.1	-10.0	-14.6	-1.8
Other Information	2.21	2.16	2.14	2.13	2.11	2.04	1.88	1.94
% Ch	-2.5	-2.3	-1.0	-0.2	-0.8	-3.6	-7.5	3.2
Financial Activities	8.03	8.15	8.33	8.30	8.14	7.79	7.64	7.77
% Ch	0.7	1.5	2.2	-0.3	-1.9	-4.4	-1.9	1.7
Professional and Business Services	16.39	16.95	17.57	17.95	17.78	16.70	17.07	18.45
% Ch	2.5	3.4	3.7	2.1	-0.9	-6.0	2.2	8.1
Education and Health Services	16.95	17.37	17.82	18.32	18.86	19.30	19.98	20.62
% Ch	2.2	2.5	2.6	2.8	2.9	2.3	3.6	3.2
Leisure and Hospitality	12.49	12.81	13.11	13.43	13.46	13.19	13.31	13.36
% Ch	2.6	2.6	2.3	2.4	0.2	-2.0	0.9	0.4
Other Services	5.41	5.40	5.44	5.49	5.53	5.41	5.45	5.49
% Ch	0.2	-0.3	0.8	1.0	0.6	-2.1	0.8	0.7
Federal Government	2.73	2.73	2.73	2.73	2.76	2.82	2.93	2.79
% Ch	-1.1	0.0	0.0	0.1	1.1	1.9	3.9	-4.5
State and Local Government	18.89	19.08	19.24	19.49	19.73	19.63	19.41	19.40
% Ch	0.4	1.0	0.9	1.3	1.3	-0.5	-1.2	-0.1

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

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

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.94	137.51	137.00	135.73	133.66	132.13	131.08	130.55
% Ch, Annual Rate	-0.2	-1.3	-1.5	-3.7	-5.9	-4.5	-3.1	-1.6
Manufacturing	13.69	13.55	13.39	13.06	12.47	12.01	11.79	11.76
% Ch, Annual Rate	-2.4	-4.1	-4.7	-9.4	-17.0	-14.0	-7.0	-0.9
Durable Manufacturing	8.67	8.56	8.44	8.20	7.75	7.38	7.21	7.20
% Ch, Annual Rate	-2.7	-5.0	-5.4	-11.1	-20.2	-18.0	-8.6	-0.4
Wood Products	0.49	0.47	0.45	0.43	0.39	0.37	0.36	0.36
% Ch, Annual Rate	-10.3	-13.1	-13.9	-19.6	-28.2	-19.0	-12.7	0.5
Primary and Fabricated Metals	2.01	1.99	1.97	1.91	1.80	1.69	1.64	1.59
% Ch, Annual Rate	-0.7	-3.9	-4.3	-10.7	-22.6	-20.7	-11.2	-13.4
Computer and Electronic Products	1.26	1.25	1.25	1.23	1.20	1.16	1.12	1.16
% Ch, Annual Rate	-0.7	-1.5	-1.6	-4.8	-10.4	-13.4	-12.0	16.5
Machinery and Electrical Equipment	1.62	1.62	1.61	1.58	1.50	1.41	1.36	1.33
% Ch, Annual Rate	0.8	0.1	-1.9	-7.6	-19.5	-21.0	-14.3	-9.0
Transportation Equipment	1.67	1.63	1.59	1.52	1.42	1.34	1.35	1.41
% Ch, Annual Rate	-4.6	-8.8	-9.5	-17.0	-25.1	-20.4	3.8	17.8
Other Durables	1.63	1.60	1.57	1.52	1.45	1.40	1.38	1.36
% Ch, Annual Rate	-5.8	-7.6	-6.5	-11.2	-18.0	-12.4	-6.9	-5.0
Nondurable Manufacturing	5.02	4.99	4.94	4.86	4.72	4.63	4.58	4.56
% Ch, Annual Rate	-1.9	-2.6	-3.4	-6.4	-11.4	-7.3	-4.4	-1.7
Food Manufacturing	1.49	1.48	1.48	1.48	1.47	1.47	1.47	1.48
% Ch, Annual Rate	0.2	-1.5	-0.3	0.6	-4.3	1.4	-0.9	1.9
Paper and Paper Products	0.45	0.45	0.44	0.44	0.42	0.41	0.41	0.40
% Ch, Annual Rate	-2.9	-1.5	-4.3	-6.9	-12.2	-10.2	-3.3	-4.8
Other Nondurables	3.08	3.05	3.02	2.94	2.83	2.74	2.70	2.68
% Ch, Annual Rate	-2.7	-3.3	-4.8	-9.6	-14.8	-11.0	-6.5	-3.2
Natural Resources and Mining	0.75	0.76	0.79	0.79	0.77	0.73	0.72	0.68
% Ch, Annual Rate	8.6	6.4	12.6	3.1	-11.3	-17.8	-8.4	-16.7
Construction	7.45	7.29	7.17	6.95	6.59	6.30	6.07	5.93
% Ch, Annual Rate	-5.4	-8.2	-6.3	-11.8	-19.1	-16.4	-14.1	-8.7
Trade, Transportation, and Utilities	26.67	26.51	26.35	26.00	25.61	25.31	25.06	24.94
% Ch, Annual Rate	-0.7	-2.3	-2.5	-5.1	-5.9	-4.5	-3.9	-1.9
Wholesale Trade	6.02	5.99	5.96	5.89	5.78	5.70	5.62	5.57
% Ch, Annual Rate	-1.4	-2.2	-2.2	-4.6	-7.2	-5.6	-5.3	-3.7
Retail Trade	15.53	15.43	15.33	15.13	14.93	14.81	14.72	14.69
% Ch, Annual Rate	-0.6	-2.7	-2.5	-5.2	-5.0	-3.1	-2.6	-0.7
Trans., Warehousing, and Utilities	5.11	5.09	5.06	4.99	4.90	4.80	4.73	4.68
% Ch, Annual Rate	-0.1	-1.3	-2.8	-5.5	-7.2	-7.3	-6.4	-3.7
Information	3.02	3.01	2.99	2.96	2.92	2.86	2.80	2.75
% Ch, Annual Rate	-0.6	-1.5	-2.8	-3.7	-6.2	-7.3	-8.0	-7.1
Publishing Industries	0.90	0.89	0.88	0.86	0.84	0.81	0.78	0.75
% Ch, Annual Rate	-1.3	-2.4	-4.6	-6.6	-12.3	-12.2	-12.2	-17.7
Other Information	2.13	2.12	2.11	2.10	2.08	2.05	2.02	2.00
% Ch, Annual Rate	-0.3	-1.1	-2.1	-2.4	-3.5	-5.3	-6.3	-2.7
Financial Activities	8.21	8.18	8.14	8.05	7.90	7.78	7.75	7.72
% Ch, Annual Rate	-1.8	-1.8	-2.0	-4.3	-7.0	-5.9	-1.9	-1.5
Professional and Business Services	18.01	17.89	17.73	17.49	17.05	16.73	16.56	16.48
% Ch, Annual Rate	-0.8	-2.8	-3.5	-5.4	-9.6	-7.3	-4.0	-2.0
Education and Health Services	18.66	18.80	18.93	19.04	19.14	19.21	19.35	19.48
% Ch, Annual Rate	2.8	3.1	2.9	2.2	2.2	1.6	3.0	2.5
Leisure and Hospitality	13.53	13.50	13.45	13.35	13.24	13.18	13.18	13.16
% Ch, Annual Rate	-0.1	-0.9	-1.4	-3.1	-3.3	-1.7	0.1	-0.7
Other Services	5.53	5.54	5.53	5.51	5.45	5.42	5.41	5.38
% Ch, Annual Rate	1.8	0.6	-0.5	-1.8	-4.4	-1.9	-0.7	-2.3
Federal Government	2.74	2.76	2.77	2.78	2.80	2.85	2.81	2.81
% Ch, Annual Rate	0.8	2.6	1.4	1.0	3.0	7.7	-5.2	-1.0
State and Local Government	19.67	19.73	19.77	19.76	19.74	19.74	19.58	19.47
% Ch, Annual Rate	1.7	1.1	0.9	-0.2	-0.3	-0.1	-3.2	-2.3

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	130.37	130.89	131.43	132.07	132.71	133.48	134.26	135.03
% Ch, Annual Rate	-0.5	1.6	1.7	2.0	1.9	2.3	2.3	2.3
Manufacturing	11.58	11.40	11.38	11.42	11.48	11.53	11.62	11.75
% Ch, Annual Rate	-6.2	-5.9	-0.8	1.6	1.9	1.7	3.2	4.5
Durable Manufacturing	7.09	6.97	6.98	7.03	7.08	7.12	7.21	7.33
% Ch, Annual Rate	-6.1	-6.7	0.5	2.8	3.0	2.1	5.0	7.1
Wood Products	0.37	0.37	0.38	0.39	0.41	0.43	0.45	0.46
% Ch, Annual Rate	4.4	3.3	11.9	16.3	20.1	16.0	17.0	16.7
Primary and Fabricated Metals	1.48	1.41	1.40	1.40	1.42	1.43	1.45	1.48
% Ch, Annual Rate	-24.1	-17.3	-3.2	1.2	5.5	1.9	5.5	8.6
Computer and Electronic Products	1.19	1.18	1.18	1.19	1.15	1.15	1.16	1.18
% Ch, Annual Rate	8.4	-1.0	-0.6	1.9	-11.9	-0.6	4.6	6.3
Machinery and Electrical Equipment	1.29	1.26	1.25	1.26	1.27	1.28	1.29	1.31
% Ch, Annual Rate	-10.2	-10.4	-2.1	2.1	5.4	1.8	4.6	6.4
Transportation Equipment	1.42	1.41	1.41	1.41	1.42	1.43	1.44	1.47
% Ch, Annual Rate	3.8	-2.9	-0.3	-0.3	3.6	1.8	4.9	7.8
Other Durables	1.35	1.34	1.36	1.38	1.40	1.41	1.41	1.42
% Ch, Annual Rate	-3.8	-2.1	5.7	5.6	7.1	1.4	2.0	3.4
Nondurable Manufacturing	4.48	4.43	4.40	4.40	4.40	4.41	4.41	4.42
% Ch, Annual Rate	-6.2	-4.6	-2.7	-0.3	0.2	0.9	0.2	0.2
Food Manufacturing	1.47	1.46	1.46	1.46	1.47	1.48	1.48	1.49
% Ch, Annual Rate	-2.0	-1.6	-0.9	1.0	1.0	2.4	1.3	1.5
Paper and Paper Products	0.39	0.39	0.38	0.38	0.38	0.39	0.39	0.39
% Ch, Annual Rate	-8.4	-7.5	-5.8	-0.3	2.7	4.3	1.0	1.3
Other Nondurables	2.62	2.58	2.56	2.55	2.55	2.55	2.54	2.54
% Ch, Annual Rate	-8.0	-5.8	-3.2	-1.1	-0.7	-0.5	-0.4	-0.7
Natural Resources and Mining	0.67	0.67	0.67	0.67	0.67	0.68	0.69	0.69
% Ch, Annual Rate	-10.6	2.6	-1.6	0.3	0.5	5.2	5.5	3.9
Construction	5.80	5.65	5.56	5.59	5.62	5.68	5.76	5.84
% Ch, Annual Rate	-8.7	-9.7	-6.4	2.3	2.4	4.3	5.9	5.6
Trade, Transportation, and Utilities	24.90	25.01	25.18	25.23	25.26	25.30	25.39	25.55
% Ch, Annual Rate	-0.6	1.8	2.7	0.9	0.4	0.7	1.4	2.6
Wholesale Trade	5.51	5.49	5.49	5.46	5.46	5.53	5.61	5.67
% Ch, Annual Rate	-3.7	-1.4	-0.4	-2.1	0.1	5.4	5.6	4.3
Retail Trade	14.72	14.84	15.00	15.07	15.07	14.97	14.90	14.94
% Ch, Annual Rate	0.7	3.4	4.3	2.0	-0.1	-2.5	-1.8	0.9
Trans., Warehousing, and Utilities	4.67	4.68	4.69	4.70	4.73	4.80	4.88	4.95
% Ch, Annual Rate	-1.0	0.6	1.3	0.9	2.6	5.9	6.6	5.7
Information	2.59	2.51	2.54	2.61	2.65	2.62	2.59	2.59
% Ch, Annual Rate	-21.1	-11.8	4.1	11.6	6.0	-4.6	-4.3	0.7
Publishing Industries	0.71	0.68	0.66	0.67	0.67	0.66	0.67	0.67
% Ch, Annual Rate	-19.0	-17.5	-7.1	2.1	-0.4	-0.6	0.8	1.0
Other Information	1.88	1.84	1.87	1.94	1.98	1.95	1.92	1.92
% Ch, Annual Rate	-21.8	-9.6	8.4	15.1	8.3	-5.9	-6.0	0.6
Financial Activities	7.69	7.63	7.61	7.64	7.69	7.74	7.80	7.84
% Ch, Annual Rate	-1.5	-3.2	-0.8	1.3	2.9	2.7	3.0	2.3
Professional and Business Services	16.67	16.87	17.16	17.58	17.95	18.34	18.65	18.85
% Ch, Annual Rate	4.6	5.0	7.2	10.1	8.5	9.1	6.9	4.4
Education and Health Services	19.63	19.89	20.15	20.26	20.38	20.58	20.74	20.81
% Ch, Annual Rate	3.1	5.5	5.5	2.1	2.2	4.1	3.1	1.4
Leisure and Hospitality	13.17	13.30	13.38	13.38	13.36	13.35	13.35	13.38
% Ch, Annual Rate	0.4	3.8	2.6	0.1	-0.8	-0.1	-0.2	0.9
Other Services	5.42	5.44	5.48	5.48	5.50	5.50	5.49	5.48
% Ch, Annual Rate	2.7	2.1	2.5	0.4	1.5	-0.4	-0.5	-0.4
Federal Government	2.85	3.11	2.92	2.83	2.81	2.80	2.79	2.78
% Ch, Annual Rate	7.1	40.0	-21.6	-12.1	-2.3	-1.8	-1.6	-1.6
State and Local Government	19.42	19.42	19.41	19.38	19.35	19.36	19.40	19.46
% Ch, Annual Rate	-1.0	-0.1	-0.3	-0.6	-0.5	0.2	0.8	1.2

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

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	2,701.0	2,776.9	2,859.0	2,933.5	2,958.9	2,854.5	2,863.2	2,926.3
% Ch	1.6	2.8	3.0	2.6	0.9	-3.5	0.3	2.2
Manufacturing	263.7	272.6	285.9	293.3	291.2	268.8	264.8	267.8
% Ch	-1.3	3.4	4.9	2.6	-0.7	-7.7	-1.5	1.1
Durable Manufacturing	182.4	191.5	204.0	211.9	211.3	193.1	189.2	191.6
% Ch	-0.7	5.0	6.6	3.9	-0.3	-8.6	-2.1	1.3
Wood Products	18.8	20.0	20.3	19.2	17.0	13.2	13.2	14.7
% Ch	5.4	6.9	1.1	-5.4	-11.4	-22.5	0.1	11.5
Primary and Fabricated Metals	22.3	23.1	24.3	25.9	26.3	22.3	19.8	20.2
% Ch	0.9	3.8	4.9	6.8	1.5	-15.2	-11.2	2.2
Computer and Electronic Products	22.1	22.2	22.5	22.7	22.5	20.8	21.8	21.2
% Ch	-5.3	0.2	1.2	1.1	-0.8	-7.5	4.6	-2.8
Machinery and Electrical Equipment	17.0	17.8	19.0	19.6	19.9	17.1	16.7	18.0
% Ch	4.3	4.8	6.5	3.4	1.2	-13.7	-2.3	7.3
Aerospace	61.5	65.6	73.4	80.1	83.0	83.4	81.5	80.7
% Ch	-5.8	6.8	11.9	9.1	3.6	0.4	-2.3	-0.9
Other Transportation Equip.	12.1	13.2	13.7	13.1	12.2	10.1	10.4	10.4
% Ch	9.2	8.7	4.1	-4.9	-6.5	-17.2	2.8	0.3
Other Durables	28.6	29.5	30.9	31.3	30.5	26.2	25.8	26.4
% Ch	2.7	3.1	4.9	1.4	-2.8	-13.8	-1.7	2.1
Nondurable Manufacturing	81.3	81.1	81.9	81.4	79.8	75.6	75.6	76.2
% Ch	-2.4	-0.2	0.9	-0.6	-1.9	-5.3	0.0	0.8
Food Manufacturing	34.1	33.8	33.9	34.1	34.3	33.4	34.1	34.3
% Ch	-2.0	-1.0	0.3	0.7	0.5	-2.5	2.0	0.7
Paper and Paper Products	12.7	12.2	11.9	11.2	10.5	9.8	9.4	9.5
% Ch	-4.6	-3.6	-2.1	-6.3	-6.5	-6.0	-4.2	0.7
Other Nondurables	34.5	35.1	36.1	36.1	35.1	32.4	32.1	32.4
% Ch	-1.9	1.8	2.6	0.2	-2.9	-7.8	-0.8	0.8
Natural Resources and Mining	9.1	9.0	8.7	8.2	7.5	6.1	6.3	6.8
% Ch	5.7	-1.9	-3.0	-6.1	-7.6	-18.6	1.9	8.2
Construction	164.2	177.4	194.8	208.2	200.7	167.0	155.6	157.2
% Ch	5.1	8.0	9.9	6.8	-3.6	-16.8	-6.8	1.1
Trade, Transportation, and Utilities	518.4	530.4	541.6	553.3	553.5	532.2	536.1	550.0
% Ch	1.7	2.3	2.1	2.2	0.0	-3.8	0.7	2.6
Wholesale Trade	119.3	122.2	126.6	129.3	130.1	124.9	122.9	125.4
% Ch	2.8	2.4	3.6	2.2	0.6	-4.0	-1.6	2.0
Retail Trade	309.4	316.1	321.0	327.9	327.4	314.5	319.8	328.6
% Ch	1.1	2.2	1.6	2.1	-0.2	-4.0	1.7	2.7
Trans., Warehousing, and Utilities	89.8	92.2	94.0	96.1	96.0	92.8	93.4	96.0
% Ch	2.1	2.7	2.0	2.2	-0.1	-3.3	0.6	2.9
Information	92.9	94.7	98.4	102.5	105.6	102.2	97.6	101.9
% Ch	0.6	2.0	3.9	4.1	3.1	-3.3	-4.5	4.4
Software Publishers	39.3	41.3	44.7	47.6	50.9	52.2	52.1	55.0
% Ch	5.1	5.1	8.4	6.4	7.0	2.5	-0.1	5.6
Other Publishing Industries	11.3	11.2	11.0	10.8	10.4	8.4	7.2	7.3
% Ch	-6.7	-0.6	-2.0	-1.7	-4.4	-18.8	-14.1	0.6
Other Information	42.3	42.2	42.7	44.0	44.3	41.6	38.2	39.6
% Ch	-1.2	-0.1	1.1	3.1	0.7	-6.2	-8.1	3.6
Financial Activities	151.8	154.5	156.2	155.5	152.3	144.9	142.1	145.0
% Ch	-0.1	1.8	1.1	-0.5	-2.1	-4.8	-2.0	2.1
Professional and Business Services	301.7	316.1	330.5	344.6	348.8	330.0	340.7	364.9
% Ch	3.9	4.8	4.6	4.3	1.2	-5.4	3.3	7.1
Education and Health Services	319.7	329.3	337.2	348.2	362.0	374.3	385.8	395.6
% Ch	2.2	3.0	2.4	3.3	4.0	3.4	3.1	2.5
Leisure and Hospitality	255.6	263.5	271.7	280.5	283.7	275.7	282.3	284.2
% Ch	2.7	3.1	3.1	3.3	1.1	-2.8	2.4	0.7
Other Services	100.3	102.7	104.0	105.3	107.3	105.4	106.3	107.1
% Ch	1.4	2.4	1.2	1.3	1.9	-1.8	0.8	0.8
Federal Government	69.8	69.6	69.3	68.7	70.0	72.2	75.1	72.9
% Ch	-0.6	-0.3	-0.4	-0.9	1.9	3.1	4.1	-2.9
State and Local Government	453.9	457.2	460.7	465.1	476.3	475.8	470.7	472.8
% Ch	0.8	0.7	0.8	1.0	2.4	-0.1	-1.1	0.5

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

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

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,973.7	2,970.5	2,966.2	2,925.2	2,883.7	2,852.1	2,845.6	2,836.7
% Ch, Annual Rate	2.3	-0.4	-0.6	-5.4	-5.6	-4.3	-0.9	-1.2
Manufacturing	297.1	294.9	293.0	279.6	276.8	267.8	265.6	264.9
% Ch, Annual Rate	1.8	-2.8	-2.6	-17.0	-4.0	-12.3	-3.4	-1.0
Durable Manufacturing	215.8	214.7	214.0	200.9	199.8	192.4	190.5	189.9
% Ch, Annual Rate	2.3	-2.1	-1.3	-22.3	-2.0	-14.2	-3.8	-1.3
Wood Products	18.2	17.5	16.7	15.6	13.9	13.3	12.7	12.7
% Ch, Annual Rate	-12.8	-14.7	-17.6	-22.0	-37.2	-17.4	-15.7	0.0
Primary and Fabricated Metals	26.4	26.6	26.7	25.5	23.6	22.3	22.0	21.4
% Ch, Annual Rate	5.2	3.1	0.4	-16.5	-26.5	-20.7	-5.4	-10.8
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.2	20.5	20.3	21.4
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-16.6	-13.4	-3.8	24.3
Machinery and Electrical Equipment	20.2	20.1	19.9	19.3	17.7	17.1	17.0	16.8
% Ch, Annual Rate	3.8	-2.1	-3.4	-12.1	-29.3	-12.9	-2.0	-3.5
Aerospace	84.1	84.5	85.8	77.5	85.4	83.5	82.8	81.8
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	46.9	-8.3	-3.5	-4.7
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.6	9.4	10.1	10.3
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-32.1	-36.5	30.6	10.6
Other Durables	31.4	31.0	30.3	29.1	27.5	26.3	25.7	25.5
% Ch, Annual Rate	1.2	-5.3	-8.3	-15.2	-20.3	-16.0	-8.8	-4.0
Nondurable Manufacturing	81.3	80.3	79.0	78.8	76.9	75.5	75.0	75.0
% Ch, Annual Rate	0.6	-4.7	-6.0	-1.3	-9.0	-7.3	-2.3	-0.1
Food Manufacturing	34.6	34.2	33.9	34.4	33.8	33.4	33.2	33.3
% Ch, Annual Rate	5.4	-4.7	-3.4	6.7	-7.1	-4.8	-2.4	1.2
Paper and Paper Products	10.8	10.6	10.3	10.2	10.1	9.9	9.7	9.6
% Ch, Annual Rate	-4.6	-6.0	-9.6	-5.5	-2.7	-9.3	-6.4	-3.1
Other Nondurables	35.9	35.5	34.8	34.2	33.0	32.2	32.1	32.1
% Ch, Annual Rate	-2.4	-4.4	-7.5	-7.4	-12.8	-9.3	-1.1	-0.5
Natural Resources and Mining	7.7	7.6	7.6	7.3	6.6	6.1	5.9	6.0
% Ch, Annual Rate	-8.5	-9.5	-0.1	-11.9	-33.8	-28.7	-11.5	8.8
Construction	208.7	204.8	199.4	189.9	177.2	168.5	163.0	159.3
% Ch, Annual Rate	-0.4	-7.2	-10.2	-17.7	-24.2	-18.1	-12.5	-8.8
Trade, Transportation, and Utilities	559.3	556.4	553.9	544.4	535.8	531.9	530.9	530.2
% Ch, Annual Rate	1.7	-2.1	-1.8	-6.7	-6.1	-2.9	-0.8	-0.5
Wholesale Trade	131.0	130.6	130.1	128.7	127.0	125.1	124.2	123.5
% Ch, Annual Rate	1.4	-1.2	-1.5	-4.1	-5.2	-6.0	-2.9	-2.2
Retail Trade	331.8	329.4	327.5	321.0	316.0	314.4	313.6	314.0
% Ch, Annual Rate	2.4	-3.0	-2.3	-7.6	-6.2	-1.9	-1.1	0.5
Trans., Warehousing, and Utilities	96.5	96.4	96.4	94.6	92.8	92.4	93.2	92.7
% Ch, Annual Rate	-0.2	-0.2	-0.3	-7.0	-7.4	-1.8	3.3	-1.7
Information	104.3	105.2	106.2	106.7	105.0	103.0	100.5	100.1
% Ch, Annual Rate	5.7	3.7	3.8	1.7	-6.1	-7.4	-9.3	-1.7
Software Publishers	49.1	50.4	51.7	52.6	53.0	52.5	51.6	51.6
% Ch, Annual Rate	8.5	10.8	10.5	7.1	3.6	-3.6	-7.1	-0.1
Other Publishing Industries	10.8	10.6	10.2	9.8	9.4	8.7	7.9	7.7
% Ch, Annual Rate	-0.2	-5.4	-13.6	-16.6	-16.2	-23.9	-34.7	-8.8
Other Information	44.4	44.2	44.3	44.3	42.6	41.7	41.1	40.9
% Ch, Annual Rate	4.1	-1.5	0.9	0.1	-14.6	-8.1	-6.0	-2.3
Financial Activities	154.6	153.5	151.6	149.6	146.7	145.5	144.1	143.4
% Ch, Annual Rate	-0.9	-2.8	-4.8	-5.3	-7.4	-3.3	-3.7	-2.0
Professional and Business Services	350.2	352.2	349.9	342.7	334.6	328.5	328.3	328.5
% Ch, Annual Rate	2.5	2.2	-2.5	-8.0	-9.2	-7.1	-0.2	0.2
Education and Health Services	356.8	359.9	364.0	367.3	371.6	371.8	375.5	378.3
% Ch, Annual Rate	3.4	3.5	4.7	3.7	4.7	0.3	4.0	3.0
Leisure and Hospitality	285.8	284.9	284.2	279.8	273.9	274.0	276.7	278.1
% Ch, Annual Rate	2.5	-1.2	-1.0	-6.1	-8.1	0.1	4.0	2.0
Other Services	107.3	107.6	107.7	106.7	106.0	105.5	104.9	105.0
% Ch, Annual Rate	3.7	1.2	0.5	-3.9	-2.4	-2.0	-2.2	0.1
Federal Government	69.2	69.6	70.3	70.9	71.4	72.1	72.6	72.6
% Ch, Annual Rate	4.9	1.9	4.1	3.5	2.7	4.3	2.8	0.3
State and Local Government	472.7	473.9	478.3	480.3	478.1	477.4	477.6	470.3
% Ch, Annual Rate	3.2	1.0	3.8	1.7	-1.8	-0.6	0.2	-6.0

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,841.4	2,857.6	2,870.6	2,883.3	2,897.5	2,916.3	2,935.7	2,955.5
% Ch, Annual Rate	0.7	2.3	1.8	1.8	2.0	2.6	2.7	2.7
Manufacturing	264.6	264.6	265.1	265.0	265.4	266.5	268.4	270.8
% Ch, Annual Rate	-0.5	0.0	0.8	-0.2	0.6	1.8	2.8	3.6
Durable Manufacturing	189.4	188.9	189.1	189.3	189.6	190.4	192.1	194.3
% Ch, Annual Rate	-1.0	-1.1	0.4	0.6	0.6	1.6	3.6	4.8
Wood Products	12.9	13.0	13.3	13.6	14.1	14.5	14.9	15.3
% Ch, Annual Rate	4.5	4.3	8.5	9.5	15.1	11.8	12.7	12.4
Primary and Fabricated Metals	20.4	19.7	19.6	19.6	19.9	20.0	20.3	20.8
% Ch, Annual Rate	-17.3	-12.4	-2.1	-0.6	6.2	2.8	6.3	9.3
Computer and Electronic Products	21.8	21.8	21.8	21.8	20.9	20.8	21.3	21.8
% Ch, Annual Rate	7.1	1.0	-0.7	0.9	-16.6	-0.1	8.0	10.8
Machinery and Electrical Equipment	16.8	16.6	16.7	16.9	17.4	17.7	18.1	18.7
% Ch, Annual Rate	-1.4	-4.4	2.7	5.2	11.6	7.1	10.5	12.5
Aerospace	81.6	81.6	81.5	81.2	81.0	80.7	80.6	80.6
% Ch, Annual Rate	-0.8	0.0	-0.8	-1.2	-1.2	-1.2	-0.4	0.0
Other Transportation Equip.	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.5
% Ch, Annual Rate	2.3	0.8	-1.4	-1.3	0.9	1.6	1.1	0.7
Other Durables	25.6	25.8	25.9	25.9	26.1	26.2	26.4	26.6
% Ch, Annual Rate	2.8	2.2	2.0	0.1	3.5	1.7	2.5	3.6
Nondurable Manufacturing	75.2	75.7	76.0	75.6	75.7	76.2	76.3	76.5
% Ch, Annual Rate	0.8	2.6	2.0	-2.0	0.6	2.4	0.7	0.7
Food Manufacturing	33.5	34.0	34.6	34.3	34.2	34.4	34.4	34.4
% Ch, Annual Rate	2.1	7.1	6.3	-3.3	-1.0	2.3	-0.1	0.2
Paper and Paper Products	9.6	9.5	9.3	9.3	9.4	9.5	9.5	9.6
% Ch, Annual Rate	-2.6	-4.1	-5.0	-2.0	3.4	4.9	1.5	1.7
Other Nondurables	32.1	32.1	32.1	32.0	32.2	32.3	32.4	32.5
% Ch, Annual Rate	0.4	0.1	-0.4	-0.7	1.6	1.7	1.3	1.0
Natural Resources and Mining	6.1	6.2	6.3	6.4	6.5	6.7	6.8	7.0
% Ch, Annual Rate	8.6	4.7	5.7	6.7	9.3	9.3	10.0	9.5
Construction	157.3	155.5	154.8	154.8	154.8	155.1	157.6	161.5
% Ch, Annual Rate	-5.0	-4.4	-1.8	0.0	0.0	0.6	6.6	10.4
Trade, Transportation, and Utilities	531.3	534.5	538.5	540.1	543.1	548.4	552.4	556.1
% Ch, Annual Rate	0.8	2.4	3.1	1.2	2.3	3.9	3.0	2.7
Wholesale Trade	123.0	122.9	123.1	122.6	122.8	124.6	126.4	127.8
% Ch, Annual Rate	-1.7	-0.1	0.6	-1.8	0.8	5.9	6.0	4.6
Retail Trade	315.4	318.3	321.8	323.7	326.0	328.4	329.4	330.5
% Ch, Annual Rate	1.9	3.7	4.5	2.4	2.8	2.9	1.2	1.4
Trans., Warehousing, and Utilities	92.9	93.2	93.5	93.8	94.3	95.4	96.7	97.8
% Ch, Annual Rate	0.7	1.3	1.4	1.0	2.3	4.8	5.3	4.7
Information	97.3	96.0	97.3	99.7	101.4	101.5	101.8	102.9
% Ch, Annual Rate	-10.9	-5.1	5.5	10.2	6.9	0.6	1.1	4.3
Software Publishers	51.7	51.7	52.2	52.9	53.7	54.5	55.5	56.5
% Ch, Annual Rate	0.6	0.5	3.8	5.8	5.8	6.3	7.1	7.4
Other Publishing Industries	7.4	7.2	7.1	7.2	7.2	7.3	7.3	7.3
% Ch, Annual Rate	-12.7	-13.4	-2.9	6.1	1.8	0.6	1.3	1.0
Other Information	38.2	37.1	38.0	39.5	40.4	39.7	39.0	39.1
% Ch, Annual Rate	-23.7	-10.7	9.6	17.1	9.4	-6.6	-6.7	0.7
Financial Activities	142.7	141.7	141.6	142.2	143.4	144.5	145.7	146.6
% Ch, Annual Rate	-2.0	-2.7	-0.3	1.7	3.2	3.1	3.4	2.7
Professional and Business Services	333.1	337.4	342.6	349.8	356.1	362.9	368.4	372.1
% Ch, Annual Rate	5.8	5.2	6.3	8.7	7.4	7.9	6.1	4.1
Education and Health Services	380.8	384.4	388.2	389.8	391.6	394.7	397.3	398.6
% Ch, Annual Rate	2.7	3.9	4.1	1.6	1.8	3.3	2.6	1.4
Leisure and Hospitality	279.5	282.0	283.7	284.0	283.8	284.0	284.1	284.9
% Ch, Annual Rate	2.1	3.6	2.5	0.4	-0.3	0.3	0.2	1.1
Other Services	105.7	106.1	106.5	106.7	107.0	107.1	107.1	107.2
% Ch, Annual Rate	2.7	1.5	1.8	0.7	1.2	0.2	0.2	0.3
Federal Government	73.2	78.8	74.9	73.6	73.3	73.0	72.8	72.7
% Ch, Annual Rate	3.2	34.4	-18.8	-6.8	-1.6	-1.2	-1.1	-1.0
State and Local Government	469.9	470.5	471.0	471.2	471.1	471.9	473.3	475.1
% Ch, Annual Rate	-0.3	0.5	0.4	0.2	-0.1	0.6	1.2	1.5

Table A3.1
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	9,937.3	10,485.9	11,268.1	11,894.1	12,238.8	12,005.7	12,374.2	12,927.9
% Ch	6.0	5.5	7.5	5.6	2.9	-1.9	3.1	4.5
Total Wage and Salary Disbursements	5,425.7	5,701.0	6,068.9	6,408.9	6,545.9	6,253.8	6,383.7	6,656.1
% Ch	5.6	5.1	6.5	5.6	2.1	-4.5	2.1	4.3
Nonwage Personal Income	4,511.6	4,784.9	5,199.2	5,485.2	5,693.0	5,751.8	5,990.5	6,271.8
% Ch	6.4	6.1	8.7	5.5	3.8	1.0	4.2	4.7
Supplements to Wages and Salaries	1,282.7	1,359.1	1,406.9	1,453.8	1,496.6	1,502.2	1,558.3	1,627.3
% Ch	4.5	6.0	3.5	3.3	2.9	0.4	3.7	4.4
Proprietor's Income	1,033.8	1,069.8	1,133.0	1,096.4	1,106.2	1,038.7	1,090.7	1,172.5
% Ch	11.1	3.5	5.9	-3.2	0.9	-6.1	5.0	7.5
Farm	49.7	43.9	29.4	39.5	48.7	29.2	36.6	40.9
% Ch	...	...	...	...	...	...	...	...
Nonfarm	984.1	1,025.9	1,103.6	1,056.9	1,057.5	1,009.5	1,054.1	1,131.7
% Ch	10.1	4.2	7.6	-4.2	0.1	-4.5	4.4	7.4
Less: Contribution For Govt. Soc. Ins.	827.3	872.7	921.8	959.3	990.6	962.4	990.5	1,037.5
% Ch	6.2	5.5	5.6	4.1	3.3	-2.9	2.9	4.7
Dividends/Int./Rent	1,606.9	1,720.2	1,976.2	2,176.4	2,204.8	2,077.1	2,153.8	2,270.9
% Ch	5.9	7.1	14.9	10.1	1.3	-5.8	3.7	5.4
Transfer Payments	1,415.5	1,508.6	1,605.0	1,718.0	1,875.9	2,096.2	2,178.2	2,238.5
% Ch	5.5	6.6	6.4	7.0	9.2	11.7	3.9	2.8

Table A3.2

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

Forecast 2009 to 2011

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

Table A3.2 (continued)

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

Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	12,142.2	12,292.9	12,286.6	12,233.5	11,952.7	11,986.8	12,008.0	12,075.1
% Ch, Annual Rate	1.4	5.1	-0.2	-1.7	-8.9	1.1	0.7	2.3
Total Wage and Salary Disbursements	6,533.0	6,539.2	6,567.7	6,543.5	6,307.8	6,229.8	6,228.0	6,249.7
% Ch, Annual Rate	1.6	0.4	1.8	-1.5	-13.6	-4.9	-0.1	1.4
Nonwage Personal Income	5,609.2	5,753.7	5,718.9	5,690.0	5,644.9	5,757.0	5,780.1	5,825.4
% Ch, Annual Rate	1.2	10.7	-2.4	-2.0	-3.1	8.2	1.6	3.2
Supplements to Wages and Salaries	1,484.5	1,493.5	1,501.4	1,506.8	1,498.0	1,496.6	1,501.2	1,512.8
% Ch, Annual Rate	3.4	2.5	2.1	1.5	-2.3	-0.4	1.2	3.1
Proprietor's Income	1,115.1	1,111.9	1,114.4	1,083.5	1,037.8	1,029.4	1,040.6	1,047.0
% Ch, Annual Rate	4.8	-1.1	0.9	-10.6	-15.8	-3.2	4.4	2.5
Farm	57.2	49.4	49.3	39.0	27.3	30.2	30.3	28.9
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,057.9	1,062.5	1,065.1	1,044.5	1,010.5	999.2	1,010.3	1,018.1
% Ch, Annual Rate	1.4	1.8	1.0	-7.5	-12.4	-4.4	4.5	3.1
Less: Contribution For Govt. Soc. Ins.	985.3	988.9	994.9	993.3	969.7	959.5	958.5	961.8
% Ch, Annual Rate	5.4	1.4	2.4	-0.6	-9.2	-4.1	-0.4	1.4
Dividends/Int./Rent	2,200.7	2,200.1	2,223.7	2,194.8	2,091.4	2,050.9	2,076.9	2,089.1
% Ch, Annual Rate	-6.5	-0.1	4.4	-5.1	-17.6	-7.5	5.2	2.4
Transfer Payments	1,794.1	1,937.0	1,874.3	1,898.0	1,987.3	2,139.5	2,119.8	2,138.2
% Ch, Annual Rate	9.5	35.9	-12.3	5.2	20.2	34.3	-3.6	3.5

Table A3.2 (continued)

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

Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,175.2	12,300.8	12,441.8	12,579.1	12,703.0	12,841.8	13,001.5	13,165.4
% Ch, Annual Rate	3.4	4.2	4.7	4.5	4.0	4.4	5.1	5.1
Total Wage and Salary Disbursements	6,290.9	6,351.2	6,413.2	6,479.4	6,551.9	6,619.9	6,690.7	6,761.9
% Ch, Annual Rate	2.7	3.9	4.0	4.2	4.6	4.2	4.3	4.3
Nonwage Personal Income	5,884.3	5,949.6	6,028.6	6,099.7	6,151.0	6,221.8	6,310.7	6,403.4
% Ch, Annual Rate	4.1	4.5	5.4	4.8	3.4	4.7	5.8	6.0
Supplements to Wages and Salaries	1,533.5	1,548.0	1,567.7	1,583.9	1,602.7	1,617.7	1,635.9	1,652.9
% Ch, Annual Rate	5.6	3.8	5.2	4.2	4.8	3.8	4.6	4.2
Proprietor's Income	1,057.9	1,079.6	1,101.0	1,124.5	1,145.2	1,164.8	1,181.2	1,198.9
% Ch, Annual Rate	4.2	8.5	8.2	8.8	7.6	7.0	5.7	6.2
Farm	30.4	35.6	39.3	41.1	42.7	40.3	39.0	41.5
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,027.5	1,044.0	1,061.7	1,083.4	1,102.6	1,124.5	1,142.2	1,157.4
% Ch, Annual Rate	3.8	6.6	6.9	8.4	7.3	8.2	6.4	5.4
Less: Contribution For Govt. Soc. Ins.	981.2	985.4	993.0	1,002.3	1,025.1	1,034.3	1,041.1	1,049.6
% Ch, Annual Rate	8.3	1.7	3.1	3.8	9.4	3.6	2.7	3.3
Dividends/Int./Rent	2,114.1	2,138.5	2,169.6	2,192.9	2,216.0	2,244.8	2,286.9	2,336.0
% Ch, Annual Rate	4.9	4.7	5.9	4.4	4.3	5.3	7.7	8.9
Transfer Payments	2,160.1	2,168.9	2,183.4	2,200.6	2,212.2	2,228.8	2,247.9	2,265.2
% Ch, Annual Rate	4.2	1.6	2.7	3.2	2.1	3.0	3.5	3.1

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

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	218.432	226.585	245.765	265.738	276.087	274.511	285.593	300.370
% Ch	7.6	3.7	8.5	8.1	3.9	-0.6	4.0	5.2
Total Wage and Salary Disbursements	119.217	125.934	136.348	146.862	151.542	147.661	152.566	160.430
% Ch	4.5	5.6	8.3	7.7	3.2	-2.6	3.3	5.2
Manufacturing	13.903	15.159	16.859	17.749	18.055	16.583	16.827	17.490
% Ch	2.2	9.0	11.2	5.3	1.7	-8.2	1.5	3.9
Durable Manufacturing	10.410	11.552	13.096	13.817	14.150	13.033	13.166	13.700
% Ch	3.0	11.0	13.4	5.5	2.4	-7.9	1.0	4.1
Nondurable Manufacturing	3.493	3.607	3.763	3.931	3.906	3.550	3.661	3.790
% Ch	-0.1	3.3	4.3	4.5	-0.7	-9.1	3.1	3.5
Nonmanufacturing	100.184	105.061	113.557	123.079	127.021	124.424	128.804	135.911
% Ch	4.8	4.9	8.1	8.4	3.2	-2.0	3.5	5.5
Other Private Wages	1.183	1.236	1.337	1.369	1.435	1.324	1.357	1.418
% Ch	4.7	4.5	8.2	2.4	4.9	-7.8	2.6	4.5
Farm Wages	0.985	1.155	1.094	1.047	1.083	1.102	1.135	1.188
% Ch	3.8	17.3	-5.2	-4.3	3.4	1.8	3.0	4.7
Military Wages	2.963	3.323	3.502	3.620	3.948	4.228	4.443	4.424
% Ch	6.1	12.2	5.4	3.4	9.1	7.1	5.1	-0.4
Nonwage Personal Income	99.215	100.653	109.416	118.876	124.546	126.850	133.027	139.940
% Ch	11.7	1.4	8.7	8.6	4.8	1.9	4.9	5.2
Supplements to Wages and Salaries	29.208	31.144	32.771	34.386	35.866	36.844	38.589	40.604
% Ch	8.8	6.6	5.2	4.9	4.3	2.7	4.7	5.2
Proprietor's Income	17.812	18.067	19.526	20.682	20.699	20.074	21.437	23.342
% Ch	8.9	1.4	8.1	5.9	0.1	-3.0	6.8	8.9
Farm	0.541	0.226	0.147	0.614	0.420	0.170	0.464	0.617
% Ch	...	...	...	...	...	...	...	...
Nonfarm	17.271	17.842	19.379	20.069	20.280	19.904	20.973	22.725
% Ch	10.5	3.3	8.6	3.6	1.1	-1.9	5.4	8.4
Less: Contribution For Govt. Soc. Ins.	20.290	21.503	23.085	24.359	25.304	25.292	26.219	27.602
% Ch	7.1	6.0	7.4	5.5	3.9	0.0	3.7	5.3
Plus: Residence Adjustment	2.436	2.543	2.701	2.983	3.058	2.943	2.998	3.131
% Ch	1.4	4.4	6.2	10.4	2.5	-3.8	1.9	4.5
Dividends/Int./Rent	41.866	40.788	45.785	51.450	53.672	50.413	52.321	55.212
% Ch	22.2	-2.6	12.3	12.4	4.3	-6.1	3.8	5.5
Transfer Payments	28.183	29.615	31.719	33.734	36.554	41.868	43.902	45.252
% Ch	0.9	5.1	7.1	6.4	8.4	14.5	4.9	3.1
State U.I. Benefits	1.183	0.783	0.734	0.739	1.229	3.640	4.428	4.024
% Ch	-47.1	-33.9	-6.3	0.7	66.4	196.2	21.7	-9.1
Other Transfers	27.000	28.832	30.985	32.996	35.325	38.228	39.474	41.229
% Ch	5.1	6.8	7.5	6.5	7.1	8.2	3.3	4.4

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	240.123	243.384	247.514	252.037	258.751	262.763	268.946	272.493
% Ch, Annual Rate	10.8	5.5	7.0	7.5	11.1	6.3	9.7	5.4
Total Wage and Salary Disbursements	134.258	134.417	136.637	140.081	142.847	144.935	148.728	150.939
% Ch, Annual Rate	14.7	0.5	6.8	10.5	8.1	6.0	10.9	6.1
Manufacturing	16.870	16.815	16.339	17.410	17.350	17.748	17.661	18.235
% Ch, Annual Rate	30.8	-1.3	-10.9	28.9	-1.4	9.5	-1.9	13.6
Durable Manufacturing	13.078	13.130	12.569	13.606	13.435	13.841	13.778	14.215
% Ch, Annual Rate	33.9	1.6	-16.0	37.3	-4.9	12.6	-1.8	13.3
Nondurable Manufacturing	3.792	3.685	3.770	3.804	3.915	3.907	3.883	4.020
% Ch, Annual Rate	20.8	-10.8	9.6	3.7	12.2	-0.8	-2.4	14.9
Nonmanufacturing	111.441	111.654	114.341	116.791	119.582	121.215	124.955	126.562
% Ch, Annual Rate	12.4	0.8	10.0	8.9	9.9	5.6	12.9	5.2
Other Private Wages	1.290	1.334	1.391	1.332	1.361	1.362	1.386	1.365
% Ch, Annual Rate	18.7	14.4	18.2	-15.9	9.0	0.3	7.2	-5.9
Farm Wages	1.086	1.086	1.094	1.111	1.029	1.046	1.056	1.058
% Ch, Annual Rate	-22.4	0.0	3.0	6.4	-26.4	6.8	3.9	0.8
Military Wages	3.571	3.528	3.472	3.437	3.525	3.564	3.670	3.719
% Ch, Annual Rate	32.1	-4.7	-6.2	-4.0	10.6	4.5	12.4	5.4
Nonwage Personal Income	105.865	108.967	110.876	111.956	115.904	117.828	120.219	121.554
% Ch, Annual Rate	6.0	12.2	7.2	4.0	14.9	6.8	8.4	4.5
Supplements to Wages and Salaries	32.572	32.545	32.747	33.221	33.530	34.057	34.773	35.185
% Ch, Annual Rate	9.9	-0.3	2.5	5.9	3.8	6.4	8.7	4.8
Proprietor's Income	19.095	19.675	19.629	19.703	20.519	20.506	20.827	20.877
% Ch, Annual Rate	7.0	12.7	-0.9	1.5	17.6	-0.3	6.4	1.0
Farm	0.029	0.111	0.164	0.284	0.673	0.503	0.680	0.598
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	19.066	19.564	19.465	19.420	19.846	20.003	20.147	20.279
% Ch, Annual Rate	9.3	10.9	-2.0	-0.9	9.1	3.2	2.9	2.6
Less: Contribution For Govt. Soc. Ins.	22.886	22.860	23.082	23.512	23.905	24.110	24.590	24.832
% Ch, Annual Rate	16.3	-0.5	3.9	7.7	6.9	3.5	8.2	4.0
Plus: Residence Adjustment	2.675	2.677	2.702	2.750	2.960	2.980	2.973	3.019
% Ch, Annual Rate	19.0	0.3	3.8	7.3	34.2	2.7	-0.9	6.3
Dividends/Int./Rent	43.350	45.346	46.888	47.554	49.410	50.948	52.355	53.086
% Ch, Annual Rate	0.2	19.7	14.3	5.8	16.5	13.0	11.5	5.7
Transfer Payments	31.059	31.584	31.992	32.239	33.390	33.447	33.881	34.219
% Ch, Annual Rate	16.4	6.9	5.3	3.1	15.1	0.7	5.3	4.1
State U.I. Benefits	0.748	0.750	0.683	0.753	0.702	0.694	0.754	0.805
% Ch, Annual Rate	-2.1	1.1	-31.2	47.7	-24.5	-4.5	39.3	29.9
Other Transfers	30.311	30.834	31.309	31.486	32.688	32.754	33.127	33.414
% Ch, Annual Rate	16.9	7.1	6.3	2.3	16.2	0.8	4.6	3.5

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	273.258	275.958	279.481	275.652	271.911	272.929	276.351	276.854
% Ch, Annual Rate	1.1	4.0	5.2	-5.4	-5.3	1.5	5.1	0.7
Total Wage and Salary Disbursements	150.937	150.499	153.760	150.971	147.769	146.470	148.535	147.871
% Ch, Annual Rate	0.0	-1.2	9.0	-7.1	-8.2	-3.5	5.8	-1.8
Manufacturing	18.401	17.945	18.087	17.788	16.935	16.426	16.438	16.535
% Ch, Annual Rate	3.7	-9.6	3.2	-6.4	-17.8	-11.5	0.3	2.4
Durable Manufacturing	14.443	14.071	14.223	13.862	13.357	12.903	12.903	12.970
% Ch, Annual Rate	6.6	-9.9	4.4	-9.8	-13.8	-12.9	0.0	2.1
Nondurable Manufacturing	3.958	3.874	3.864	3.926	3.578	3.523	3.535	3.565
% Ch, Annual Rate	-6.0	-8.3	-1.1	6.6	-31.1	-6.0	1.5	3.4
Nonmanufacturing	126.258	126.256	129.100	126.470	124.260	123.402	125.420	124.615
% Ch, Annual Rate	-1.0	0.0	9.3	-7.9	-6.8	-2.7	6.7	-2.5
Other Private Wages	1.391	1.362	1.421	1.566	1.331	1.316	1.322	1.325
% Ch, Annual Rate	7.9	-8.2	18.7	47.5	-47.9	-4.2	1.7	1.1
Farm Wages	1.069	1.078	1.087	1.096	1.105	1.096	1.102	1.106
% Ch, Annual Rate	4.2	3.4	3.4	3.4	3.3	-3.3	2.2	1.6
Military Wages	3.817	3.859	4.065	4.050	4.138	4.230	4.253	4.290
% Ch, Annual Rate	11.0	4.5	23.1	-1.5	9.0	9.2	2.2	3.5
Nonwage Personal Income	122.321	125.459	125.721	124.681	124.142	126.459	127.816	128.983
% Ch, Annual Rate	2.5	10.7	0.8	-3.3	-1.7	7.7	4.4	3.7
Supplements to Wages and Salaries	35.430	35.561	36.387	36.086	36.615	36.600	36.921	37.239
% Ch, Annual Rate	2.8	1.5	9.6	-3.3	6.0	-0.2	3.6	3.5
Proprietor's Income	20.735	20.767	20.830	20.465	19.882	19.801	20.200	20.412
% Ch, Annual Rate	-2.7	0.6	1.2	-6.8	-10.9	-1.6	8.3	4.3
Farm	0.515	0.477	0.363	0.324	0.033	0.151	0.225	0.270
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	20.220	20.290	20.467	20.141	19.849	19.650	19.975	20.142
% Ch, Annual Rate	-1.2	1.4	3.5	-6.2	-5.7	-4.0	6.8	3.4
Less: Contribution For Govt. Soc. Ins.	25.124	25.160	25.643	25.288	25.402	25.149	25.265	25.351
% Ch, Annual Rate	4.8	0.6	7.9	-5.4	1.8	-3.9	1.9	1.4
Plus: Residence Adjustment	3.071	3.097	3.034	3.029	2.979	2.933	2.925	2.935
% Ch, Annual Rate	7.1	3.4	-7.9	-0.7	-6.4	-6.0	-1.2	1.4
Dividends/Int./Rent	53.211	53.878	54.588	53.012	50.703	49.794	50.423	50.732
% Ch, Annual Rate	0.9	5.1	5.4	-11.1	-16.3	-7.0	5.2	2.5
Transfer Payments	34.998	37.316	36.525	37.377	39.365	42.480	42.612	43.015
% Ch, Annual Rate	9.4	29.2	-8.2	9.7	23.0	35.6	1.2	3.8
State U.I. Benefits	0.928	1.034	1.281	1.673	2.423	3.644	4.144	4.349
% Ch, Annual Rate	76.6	54.1	135.6	190.9	340.0	411.6	67.2	21.3
Other Transfers	34.070	36.282	35.244	35.704	36.942	38.836	38.468	38.667
% Ch, Annual Rate	8.1	28.6	-11.0	5.3	14.6	22.1	-3.7	2.1

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	280.469	283.327	288.522	290.057	294.096	297.392	304.298	305.695
% Ch, Annual Rate	5.3	4.1	7.5	2.1	5.7	4.6	9.6	1.8
Total Wage and Salary Disbursements	150.012	151.275	154.575	154.403	157.163	158.669	163.373	162.517
% Ch, Annual Rate	5.9	3.4	9.0	-0.4	7.3	3.9	12.4	-2.1
Manufacturing	16.643	16.753	16.897	17.014	17.156	17.340	17.586	17.876
% Ch, Annual Rate	2.6	2.7	3.5	2.8	3.4	4.4	5.8	6.8
Durable Manufacturing	13.042	13.103	13.204	13.314	13.425	13.563	13.777	14.034
% Ch, Annual Rate	2.2	1.9	3.1	3.4	3.4	4.2	6.5	7.7
Nondurable Manufacturing	3.601	3.651	3.693	3.700	3.731	3.777	3.809	3.843
% Ch, Annual Rate	4.1	5.6	4.8	0.7	3.4	5.0	3.5	3.5
Nonmanufacturing	126.476	127.569	130.725	130.446	132.952	134.292	138.765	137.633
% Ch, Annual Rate	6.1	3.5	10.3	-0.9	7.9	4.1	14.0	-3.2
Other Private Wages	1.337	1.352	1.364	1.377	1.393	1.409	1.426	1.443
% Ch, Annual Rate	3.5	4.5	3.6	4.0	4.8	4.6	4.9	4.9
Farm Wages	1.117	1.130	1.140	1.152	1.167	1.181	1.196	1.211
% Ch, Annual Rate	3.9	4.7	3.9	4.3	5.0	4.9	5.2	5.1
Military Wages	4.439	4.471	4.449	4.413	4.494	4.447	4.400	4.354
% Ch, Annual Rate	14.6	3.0	-2.0	-3.2	7.6	-4.2	-4.1	-4.1
Nonwage Personal Income	130.457	132.053	133.947	135.654	136.933	138.724	140.924	143.178
% Ch, Annual Rate	4.6	5.0	5.9	5.2	3.8	5.3	6.5	6.6
Supplements to Wages and Salaries	37.890	38.337	38.842	39.286	39.850	40.317	40.864	41.386
% Ch, Annual Rate	7.2	4.8	5.4	4.7	5.9	4.8	5.5	5.2
Proprietor's Income	20.714	21.190	21.661	22.183	22.655	23.160	23.575	23.977
% Ch, Annual Rate	6.0	9.5	9.2	10.0	8.8	9.2	7.4	7.0
Farm	0.337	0.438	0.516	0.566	0.608	0.603	0.606	0.649
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	20.377	20.753	21.145	21.618	22.046	22.556	22.969	23.328
% Ch, Annual Rate	4.7	7.6	7.8	9.2	8.2	9.6	7.5	6.4
Less: Contribution For Govt. Soc. Ins.	25.930	26.096	26.297	26.554	27.191	27.484	27.725	28.006
% Ch, Annual Rate	9.5	2.6	3.1	4.0	9.9	4.4	3.5	4.1
Plus: Residence Adjustment	2.952	2.980	3.012	3.046	3.082	3.114	3.148	3.182
% Ch, Annual Rate	2.4	3.9	4.4	4.5	4.8	4.3	4.4	4.4
Dividends/Int./Rent	51.343	51.944	52.706	53.289	53.867	54.577	55.604	56.798
% Ch, Annual Rate	4.9	4.8	6.0	4.5	4.4	5.4	7.7	8.9
Transfer Payments	43.487	43.698	44.021	44.403	44.670	45.039	45.458	45.842
% Ch, Annual Rate	4.5	1.9	3.0	3.5	2.4	3.3	3.8	3.4
State U.I. Benefits	4.464	4.466	4.423	4.359	4.271	4.109	3.945	3.770
% Ch, Annual Rate	11.1	0.2	-3.8	-5.7	-7.8	-14.3	-15.1	-16.6
Other Transfers	39.023	39.231	39.599	40.044	40.399	40.930	41.514	42.072
% Ch, Annual Rate	3.7	2.1	3.8	4.6	3.6	5.4	5.8	5.5

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

	Price Deflator*		U.S. CPI #		Seattle CPI +	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.507	8.8	0.909	10.4	0.916	10.8
1982	0.535	5.5	0.965	6.2	0.978	6.7
1983	0.558	4.3	0.996	3.2	0.993	1.5
1984	0.579	3.8	1.039	4.4	1.030	3.8
1985	0.598	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.3	1.239	4.8	1.181	4.7
1990	0.721	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.769	2.9	1.403	3.0	1.390	3.7
1993	0.786	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.820	2.2	1.524	2.8	1.522	3.0
1996	0.838	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.927	1.4	1.799	1.6	1.893	2.0
2003	0.946	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.055	2.7	2.073	2.9	2.157	3.9
2008	1.090	3.4	2.152	3.8	2.247	4.2
Forecast						
2009	1.091	0.1	2.141	-0.5	2.265	0.8
2010	1.108	1.5	2.176	1.6	2.304	1.7
2011	1.128	1.8	2.220	2.0	2.353	2.1

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

Statistics and Bureau of Economic Analysis.

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

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	19.285	5.5	25.843	2.3	8.336	6.4	14.588	0.7
1972	20.103	4.2	27.075	4.8	8.388	0.6	14.777	1.3
1973	21.078	4.9	30.502	12.7	9.614	14.6	16.190	9.6
1974	22.868	8.5	35.139	15.2	15.278	58.9	21.871	35.1
1975	24.836	8.6	37.782	7.5	16.578	8.5	23.339	6.7
1976	26.558	6.9	38.484	1.9	17.782	7.3	24.331	4.2
1977	28.560	7.5	40.751	5.9	20.121	13.2	25.740	5.8
1978	30.780	7.8	44.650	9.6	21.275	5.7	26.858	4.3
1979	33.353	8.4	49.035	9.8	29.331	37.9	35.993	34.0
1980	36.805	10.3	53.158	8.4	41.187	40.4	49.955	38.8
1981	40.557	10.2	56.946	7.1	50.390	22.3	55.584	11.3
1982	43.712	7.8	58.444	2.6	49.415	-1.9	52.773	-5.1
1983	46.433	6.2	59.115	1.1	45.558	-7.8	51.047	-3.3
1984	48.850	5.2	60.891	3.0	46.572	2.2	50.283	-1.5
1985	51.053	4.5	61.554	1.1	44.756	-3.9	50.689	0.8
1986	53.379	4.6	63.003	2.4	35.044	-21.7	39.810	-21.5
1987	55.413	3.8	64.991	3.2	35.954	2.6	41.340	3.8
1988	58.127	4.9	66.929	3.0	35.938	0.0	41.691	0.8
1989	60.845	4.7	70.458	5.3	38.077	6.0	45.539	9.2
1990	63.812	4.9	73.900	4.9	45.856	20.4	51.843	13.8
1991	66.586	4.3	76.221	3.1	43.658	-4.8	51.162	-1.3
1992	69.240	4.0	76.805	0.8	41.881	-4.1	50.963	-0.4
1993	71.299	3.0	77.880	1.4	41.592	-0.7	50.446	-1.0
1994	73.205	2.7	79.184	1.7	40.836	-1.8	50.685	0.5
1995	75.371	3.0	80.900	2.2	40.455	-0.9	51.491	1.6
1996	77.479	2.8	83.368	3.1	45.851	13.3	54.646	6.1
1997	79.817	3.0	84.956	1.9	45.927	0.2	54.634	0.0
1998	81.695	2.4	86.024	1.3	40.699	-11.4	47.555	-13.0
1999	83.515	2.2	87.433	1.6	41.395	1.7	51.789	8.9
2000	85.824	2.8	89.486	2.3	60.692	46.6	66.170	27.8
2001	88.429	3.0	92.116	2.9	59.506	-2.0	63.776	-3.6
2002	90.807	2.7	93.528	1.5	53.051	-10.8	59.916	-6.1
2003	93.692	3.2	95.296	1.9	64.182	21.0	69.783	16.5
2004	96.688	3.2	98.267	3.1	74.736	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	33.8	100.000	21.8
2006	103.411	3.4	101.709	1.7	114.090	14.1	112.842	12.8
2007	106.964	3.4	105.623	3.8	121.874	6.8	122.411	8.5
2008	110.582	3.4	111.926	6.0	166.173	36.3	142.242	16.2
Forecast								
2009	112.179	1.4	113.328	1.3	109.647	-34.0	102.180	-28.2
2010	113.759	1.4	114.276	0.8	120.685	10.1	119.224	16.7
2011	116.153	2.1	116.389	1.8	125.850	4.3	122.812	3.0

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

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.3
2004	6167.8	69.5	1.1	81.0	46.0	34.6
2005	6256.4	88.6	1.4	81.8	45.6	52.4
2006	6375.6	119.2	1.9	83.2	45.3	81.3
2007	6488.0	112.4	1.8	87.8	46.2	70.8
2008	6587.6	99.6	1.5	89.3	47.5	57.8
Forecast						
2009	6688.3	100.7	1.5	90.8	49.0	58.9
2010	6776.6	88.3	1.3	91.5	50.6	47.4
2011	6870.8	94.2	1.4	92.0	51.3	53.5

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	<u>2006</u>	<u>Actual</u> <u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Forecast</u> <u>2010</u>	<u>2011</u>
Total Population	6375.6	6488.0	6587.6	6688.3	6776.6	6870.8
Percent Change	1.9	1.8	1.5	1.5	1.3	1.4
Age 17 and Under	1549.0	1566.2	1576.8	1588.5	1597.7	1610.3
Percent of Total	24.3	24.1	23.9	23.8	23.6	23.4
Age 6-18	1142.9	1151.9	1155.9	1156.5	1156.4	1158.7
Percent of Total	17.9	17.8	17.5	17.3	17.1	16.9
Age 18 and Over	4826.6	4921.8	5010.8	5099.8	5178.9	5260.5
Percent of Total	75.7	75.9	76.1	76.2	76.4	76.6
Age 21 and Over	4552.8	4645.1	4727.2	4810.7	4886.3	4969.0
Percent of Total	71.4	71.6	71.8	71.9	72.1	72.3
Age 20-34	1309.0	1335.6	1365.0	1397.2	1424.4	1455.9
Percent of Total	20.5	20.6	20.7	20.9	21.0	21.2
Age 18-64	4099.3	4174.9	4238.5	4301.4	4355.6	4413.4
Percent of Total	64.3	64.3	64.3	64.3	64.3	64.2
Age 65 and Over	727.3	746.8	772.4	798.4	823.3	847.1
Percent of Total	11.4	11.5	11.7	11.9	12.1	12.3

* As of April 1 of Each Year

Source: Office of Financial Management

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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