

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

Washington State Economic and Revenue Forecast

September 2010
Volume XXXIII, No. 3



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

September 2010
Volume XXXIII, 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.

Data in this publication are accurate through September 29, 2010.

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Table of Contents

Preface	iii
List of Tables	vi
List of Figures	vii
Executive Summary	1
U.S. Economic Forecast.....	2
Washington Economic Forecast	3
Revenue Forecast.....	3
Chapter 1: U.S. Economy – Current Conditions and Forecast	5
Current Conditions	5
Forecast.....	12
Forecast by Fiscal Year.....	16
Risks to the Forecast	17
Chapter 2: Washington Economy – Current Conditions and Forecast	22
Current Conditions	22
Washington State Forecast	29
Washington State Forecast Assumptions	30
Washington Payroll Employment	31
Washington Personal Income	35
Seattle Consumer Price Index	35
Washington Building Permits	35
Forecast by Fiscal Year.....	37
Alternative Scenarios.....	38
Chapter 3: Washington State Revenue Forecast Summary	50
Overview.....	50
The Forecast Procedure and Assumptions	52
Recent Collection Experience	53
Recent EFT Payments by Industry	55
Department of Revenue	56
Department of Licensing	60
The Office of Financial Management (Other Agencies)	60
State Treasurer.....	61
Insurance Commissioner	61
Liquor Control Board.....	61
Lottery Commission.....	61
Administrative Office of the Courts	62
Track Record for the 2009-11 Biennium	62
Track Record for the 2011-13 Biennium	63
The Relationship between the Cash and GAAP GF-S Revenue Forecasts	63
Budgetary Balance Sheets for the 2009-11 Biennium.....	63
Alternative Forecasts for the 2009-11 and 2011-13 Biennia	64
Near GF-S Forecasts for the 2009-11 and 2011-13 Biennia	64
Appendix	78
Glossary	114

List of Tables

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

Table 1.1	U.S. Economic Forecast Summary	19
Table 1.2	Forecast Analysis	20
Table 1.3	Forecast Comparison	21

Chapter 2: Washington Economy – Current Conditions and Forecast

Table 2.1	Washington Economic Forecast Summary	41
Table 2.2	Comparison of Alternative Forecasts	42
Table 2.3	Forecast Analysis	43
Table 2.4	Forecast Comparison	44

Chapter 3: Washington State Revenue Forecast Summary

Table 3.1	Revisions to the General Fund-State Forecast	51
Table 3.2	Collection Variance of Major General Fund-State Taxes by Agency	53
Table 3.3	General Fund-State Collections	65
Table 3.4	Taxable Retail Sales	66
Table 3.5	General Fund-State forecast by agency, 2009-11 biennium, Cash	67
Table 3.6	General Fund-State forecast by agency, 2009-11 biennium, GAAP	68
Table 3.7	General Fund-State forecast by agency, 2011-13 biennium, Cash	69
Table 3.8	General Fund-State forecast by agency, 2011-13 biennium, GAAP	70
Table 3.9	September 2010 General Fund-State Forecast, 2009-11 & 2011-13	71
Table 3.10	Track Record for the 2009-11 General Fund-State Cash Forecast	72
Table 3.11	Track Record for the 2011-13 General Fund-State Cash Forecast	72
Table 3.12	2009-11 Enacted Budget Balance Sheet Including 2010 Supplemental	73
Table 3.13	Alternative Forecasts Compared to the Baseline Forecast, 2009-11	74
Table 3.14	Alternative Forecasts Compared to the Baseline Forecast, 2011-13	75
Table 3.15	Lottery Transfers by Fund	76
Table 3.16	General Fund-State: History and Forecast of Components	77

Appendix:

Detail Components of the Washington State Economic and Revenue Forecast

Table A1.1	U.S. Economic Forecast Summary, Annual	79
Table A1.2	U.S. Economic Forecast Summary, Quarterly	80
Table A1.3	Washington Economic Forecast Summary, Annual	83
Table A1.4	Washington Economic Forecast Summary, Quarterly	84
Table A2.1	U.S. Nonagricultural Employment by Industry, Annual	87
Table A2.2	U.S. Nonagricultural Employment by Industry, Quarterly	88
Table A2.3	Washington Nonagricultural Employment by Industry, Annual	91
Table A2.4	Washington Nonagricultural Employment by Industry, Quarterly	92
Table A3.1	U.S. Personal Income by Component, Annual	95
Table A3.2	U.S. Personal Income by Component, Quarterly	96
Table A3.3	Washington Personal Income by Component, Annual	99
Table A3.4	Washington Personal Income by Component, Quarterly	100
Table A4.1	Selected Inflation Indicators	103
Table A4.2	Chain-Weighted Price Indices	104
Table A5.1	Washington Resident Population and Components of Change	105
Table A5.2	Washington Population	106
Table A6.1	Summary of National and State Indicators	107
Table A6.2	Washington Business Indicators	108

List of Figures

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

Figure 1.1	Final Sales and GDP Growth	6
Figure 1.2	The Personal Saving Rate	8
Figure 1.3	Single Family Home Sales	11
Figure 1.4	ISM Manufacturing Index	12
Figure 1.5	Real GDP Forecasts	13
Figure 1.6	Nonfarm Payroll Employment.....	14
Figure 1.7	Household Net Worth.....	15
Figure 1.8	Housing Starts	15

Chapter 2: Washington Economy – Current Conditions and Forecast

Figure 2.1	Washington Total Private Employment	23
Figure 2.2:	Change in Washington Nonfarm Employment Since Recession Trough.....	24
Figure 2.3	Percentage of Foreclosures Started During the Quarter	25
Figure 2.4	National Association of Purchasing Managers Index	27
Figure 2.5	Washington State Private and Government Employment	32
Figure 2.6	Washington Housing Units Authorized by Building Permits	36
Figure 2.7	Comparison of Washington and U.S. Economic Forecasts	45
Figure 2.8	Comparison of Alternative U.S. Economic Forecasts	48
Figure 2.9	Comparison of Alternative Washington Economic Forecasts	49

Chapter 3: Washington State Revenue Forecast Summary

Figure 3.1	GF-S Revenue as Percentage of State Personal Income.....	51
Figure 3.2	Revenue Act Collections	54
Figure 3.3	Taxable Real Estate Excise Activity	55
Figure 3.4	Taxable Sales as a Percentage of State Personal Income	57

Appendix:

Detail Components of the Washington State Economic and Revenue Forecast

Figure A7.1	Washington State Economic Indicators.....	109
Figure A7.2	Washington State Leading Indicators	110
Figure A7.3	Other State Economic Indicators	111



Executive Summary

- **U.S. economic growth has slowed sharply since our last forecast in June as financial markets were rattled by European sovereign debt concerns. Job growth remains anemic; housing is looking for a new bottom; and, despite some easing in credit conditions, small businesses continue to face a tight credit environment.**
- **GDP grew at a below trend 1.6% seasonally adjusted annualized rate (SAAR) in the second quarter of 2010. Also, revisions to historical data by the Bureau of Economic Analysis (BEA) reveal that consumer spending was lower and savings higher than previously announced. Households also continue to pay down debt.**
- **The positive impact of federal government spending and the inventory cycle on growth is winding down. Private spending, both by businesses and consumers, will have to pick in order for the economy to generate self sustaining growth.**
- **The housing market retreated following the expiration of home buyer's tax credit. The recovery in home sales and home construction will be weaker and later than expected in June. Non-residential construction will continue to decline for even longer due to oversupply, weak demand, and lack of financing.**
- **The Washington recovery lost momentum during the summer as a result of the slowdown in the U.S. economy. Revised data show that the severity of the downturn was worse than was known to us earlier. Like the nation, uncertainty is plaguing the recovery.**
- **The employment recovery in Washington this recession has been the weakest of any post-war recovery. Employment in the state will recover at about the same pace as the nation while personal income growth is expected to outpace the nation in the expansion.**
- **Housing continues to falter in Washington, although manufacturing remains strong. Exports will give the state a boost as foreign economies are emerging faster than the U.S. from the recession.**
- **Due to the slowdown in economic activity, the revenue forecast has been reduced by \$770 million in the 2009-11 biennium and \$669 million in the 2011-13 biennium.**
- **The downside risks to the outlook have increased and continue to exceed the upside risks.**

U.S. Economic Forecast

*The recovery
stumbled
since our
June forecast*

Economic growth has slowed sharply since our last forecast in June. Revisions to historical data by the Bureau of Economic Analysis (BEA) reveal that consumer spending was lower and savings higher than previously announced. May and June saw a pause in activity; July and August brought little relief. Job growth remains anemic; housing is looking for a new bottom; and, despite some easing in credit conditions, small businesses continue to face a challenging credit environment. There is still considerable drag in the economy, little indication of any impending acceleration, and increased uncertainty.

*The near-
term outlook
has
weakened
since June*

The recovery in economic activity continued in the second quarter of 2010 as real GDP registered its fourth consecutive increase since the now official trough in the second quarter of 2009. However the marked slowdown in growth in the second quarter was a disappointment and portends an even weaker and more uneven recovery than expected in June. The job market is also signaling weaker growth. After strong growth in March and April, job growth slowed to a below-trend monthly average of 55,000 in the last four months (excluding temporary Census employment). The housing market also pulled back more than we had anticipated in June which means the recovery in construction will be delayed further. While we expect a U-shaped recovery to continue, it will be more stretched out at the bottom than expected in June.

*Growth will
be below
trend in 2010
and 2011*

The early part of the recovery was supported by fiscal stimulus and the inventory cycle. We do not expect any significant new stimulus spending. While our forecast models have inherited Global Insight's assumption that the 2001/2003 tax cuts will be extended in 2011, the overall impact of fiscal policy on growth will turn negative as stimulus spending winds down. There will also be a considerable drag from state and local governments who are dealing with budget shortfalls by cutting spending, raising taxes, or both. The inventory cycle is also largely complete. This means that GDP growth from now on will depend on growth in private demand. Consumer spending will not lead the economy out of recession this time. The strains on households are too great for that. However, business spending is growing again thanks to investment in equipment and software. Nonresidential construction remains in decline, however, and will continue to decline through late-2011. We expect a dip in residential fixed investment in the second half of this year due to the expiration of the tax credits. Residential fixed investment growth should resume next year. Export growth has returned due to the global recovery that is now under way, and exports will continue to contribute to GDP growth.

Washington Economic Forecast

Much like the nation, the recovery in Washington lost momentum in the summer

The recovery in Washington lost momentum in the summer months as a result of the sharp slowdown in the U.S. economy. Uncertainty is plaguing the economy. After strong growth in the spring, the state's private sector added just 6,600 jobs in June, July and August. This was slightly better than the national rate, but still weaker than previously forecasted. During the same period, state and local governments shed 5,400 jobs, offsetting most of the private sector gains. Recent housing data has also been disappointing due to the expiration of federal tax credits. Initial claims for unemployment insurance have also been trending up since February and the unemployment rate remains high.

Washington is still expected to outperform the nation in the recovery

Washington is still expected to outperform the nation in the recovery. Exports will benefit from robust economic growth in the economies of our trading partners. An increase in migration from surrounding states will also provide a boost as we outperform them in the recovery. Aerospace has remained relatively stable during the downturn and should return to growth soon. Microsoft has also fared well and we expect employment in software publishing will continue to increase. State and local government employment will continue to decline due to severe budgetary pressures.

Compared to June, we expect slower job growth and a weaker recovery in housing

The Washington economy grew less in the three months since our June forecast than we had expected. Recent data revisions indicate that the state's employment situation was worse than reported in June. We now expect job growth to continue, but at a more subdued rate. The unemployment rate peaked in the first quarter of this year but we don't expect any substantial improvements until 2011. Historical personal income growth in Washington was revised higher, although it is now expected to grow less through 2013. We also expect that the recovery in housing will be more drawn out, with building permits in the state continuing to decline through the end of this year.

Revenue Forecast

Collections were \$192 million below the forecast

Revenue collections have come in well below our June forecast. In the three months since the forecast, total collections are \$191.8 million lower than forecasted. The main contributor to the shortfall was Revenue Act taxes.

The forecast was reduced by \$770 million in the current biennium and \$669 million in the next

Changes to the underlying economic forecast subtracted \$573.1 million from the forecast for the remainder of the 2009-11 biennium and \$658.7 million from the forecast for the 2011-13 biennium. There was an additional \$5 million subtracted from the 2009-11 biennium and \$10 million from the 2011-13 biennium due to the reversal of a decision by the Department of Revenue to charge an administrative fee for the collection of Regional Transit Authority taxes. The combined effects of the collection variance, the forecast change and the non-economic change for the 2009-11 biennium is a decrease of \$769.9 million. Adding together the economic and non-economic changes for the 2011-13 biennium, the forecast is decreased by \$668.7 million.



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

- **Economic growth has slowed sharply since our last forecast in June as financial markets were rattled by European sovereign debt concerns. Job growth remains anemic; housing is looking for a new bottom; and, despite some easing in credit conditions, small businesses continue to face a challenging credit environment.**
- **GDP grew at a below trend 1.6% seasonally adjusted annualized rate (SAAR) in the second quarter of 2010. Also, revisions to historical data by the Bureau of Economic Analysis (BEA) reveal that consumer spending was lower and savings higher than previously announced. Households also continue to pay down debt.**
- **Ex-Census employment growth slowed from 160,000 in March and 247,000 in April to an average of only 55,000 per month during the last four months. While positive, this is too weak to bring down the unemployment rate which increased slightly in August to 9.6%.**
- **Consumer confidence is still in recessionary territory. A high unemployment rate is continuing to weigh on confidence.**
- **The positive impact of federal government spending and the inventory cycle on growth is winding down. Private spending, both by businesses and consumers, will have to pick in order for the economy to generate self sustaining growth.**
- **While local and regional banks around the country are still at risk due to their exposure to commercial real estate loans, asset quality at these banks is slowly improving.**
- **The housing market retreated following the expiration of home buyer's tax credit. The recovery in home sales and home construction will be weaker and later than expected in June. Non-residential construction will continue to decline for even longer due to oversupply, weak demand, and lack of financing.**
- **The downside risks to the outlook have increased and continue to exceed the upside risks.**

Current Conditions

*The recovery
stumbled
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June forecast*

Economic growth has slowed sharply since our last forecast in June. Revisions to historical data by the Bureau of Economic Analysis (BEA) reveal that consumer spending was lower and savings higher than previously announced. May and June saw a

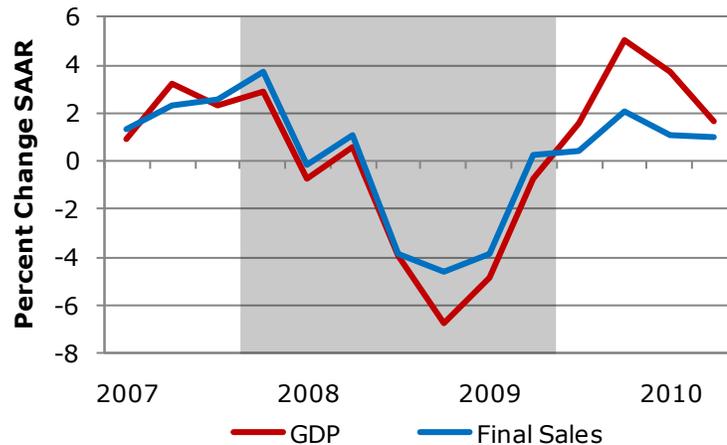
pause in activity; July and August brought little relief. Job growth remains anemic; housing is looking for a new bottom; and, despite some easing in credit conditions, small businesses continue to face a challenging credit environment. There is still considerable drag in the economy, little indication of any impending acceleration, and increased uncertainty.

GDP growth is moderating...

We have now had four consecutive quarters of positive but moderating GDP growth. For the second quarter of 2010, GDP growth was revised from a below trend 2.4% SAAR (seasonally adjusted annualized rate) to an even slower 1.6%. It had grown by 3.7% in the first quarter and 5.0% in the last quarter of 2009. Though we have seen moderate growth in final sales (see Figure 1.1), the diminishing impact of the inventory cycle has served to drag overall growth lower.

Figure 1.1: Final Sales and GDP Growth

GDP growth has been boosted by the inventory cycle



Source: Bureau of Economic Analysis; ERFC; data through Q2 2010

... yet the recession is officially over

The National Bureau of Economic Research (NBER), the generally accepted arbiter of business cycle turning points, has determined that the recession ended in June 2009. This by no means suggests that the economy is now healthy. As the NBER puts it, "the committee did not conclude that economic conditions since that month have been favorable or that the economy has returned to operating at normal capacity. Rather, the committee determined only that the recession ended and a recovery began in that month."

Joblessness remains high

Employment trends during 2010 have been distorted by temporary 2010 Census hiring. Excluding the temporary Census hiring, nonfarm payroll employment has risen in every month so far this year. That is the good news. The bad news is that ex-Census employment growth slowed from 160,000 in March and 247,000 in April to an average of only 55,000 per month in the

last four months. While positive, this is too weak to bring down the unemployment rate which increased slightly in August to 9.6% but remains lower than its peak of 10.1% reached last October. The fear of job loss continues to dampen consumer confidence which remains in recessionary territory. Consumer spending is weak as households pay down debt and rebuild wealth. Although household net worth improved 10% since the low point in the first quarter of 2009, it was still \$12 trillion (or 19%) below its peak, and is keeping consumers from fully reopening their wallets.

Downside risks have increased

Construction remains a significant drag on the economy. It is clear that nonresidential construction will decline for some time. On the residential side, the homebuyer's tax credits only temporarily propped up activity. Housing has stumbled now that this support has been withdrawn. The financial system is also a risk. While large national banks are making their way back to profitability, local and regional banks across the country remain vulnerable because of their disproportionate exposure to commercial real estate. The European sovereign debt crisis is out of the headlines but serious problems remain. The sovereign debt problems threaten U.S. exports in two ways, by weakening European growth and strengthening the dollar via a "flight to safety." The inventory cycle has been contributing significantly to GDP growth since the recovery began but its impact is waning. The positive impact of federal stimulus is also waning. This means that future growth will have to rely on private demand which is only slowly recovering.

There are also some positive trends

While risks to the recovery predominate, there are some upside factors as well. The sustained growth in payroll employment (ex-Census) over the last eight months and growth in average weekly earnings means that private sector wage income is growing. Business investment in equipment and software posted a strong 24.9% (SAAR) increase in the second quarter of 2010 following a 20.5% increase in the first quarter. Consumer spending rose at a 2.0% rate, matching its strongest increase since the recovery began. The stimulus package is still adding to growth and the global recovery is continuing, albeit hesitantly. Though the U.S. dollar has strengthened recently due to a flight to safety from the euro, it remains relatively weak and is expected to decline further in the forecast. Finally, home prices appear to be stabilizing, reducing the strains on the financial system.

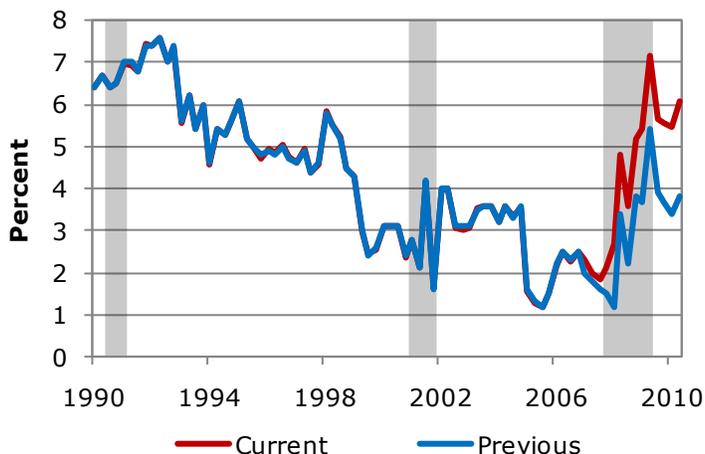
Data revisions show higher saving and lower consumption

The latest annual revision of the national income and product accounts paints a different picture of the recession and recovery than we had in June. The level and growth of real GDP was revised down in 2007, 2008, and 2009. The GDP peak is now the fourth quarter of 2007 rather than the second quarter of 2008 and the peak to trough decline in real GDP is now 4.1% rather than 3.8%. Even though disposable personal income was revised

up, consumption was revised sharply downward. This means that the personal saving rate is much higher than we had been led to believe earlier (see Figure 1.2). The new estimate for personal saving is over 6% of disposable income rather than below 4%. We have not seen this high a saving rate since the early 1990s. This low consumption, high savings reality is consistent with the great loss of wealth households have suffered and low consumer confidence, but it also portends a weaker recovery than previously expected.

Figure 1.2: The Personal Saving Rate

The personal saving rate has been revised up



Source: Bureau of Economic Analysis; data through Q2 2010

Consumer spending is increasing at a modest pace

The recovery cannot be sustained without the participation of household sector. Consumer spending rose at a moderate 2.0% pace in the second quarter of 2010 and has now increased in each of the last four quarters, albeit moderately. At this slow rate of growth, consumer spending cannot really be considered an engine of growth, but it is steady and gradually improving. The third quarter got off to a good start with a 0.4% (not annualized) increase in nominal consumer spending. Consumer spending growth got a boost from motor vehicles and parts which rebounded by 2.5% after a 1.7% decline in June. Even without the rebound in autos, however, consumer spending would have increased 0.4% in July. The stronger growth in July means that the third quarter growth rate in real consumer spending is likely to be the strongest so far in this recovery. We expect a 2.4% growth rate in the third quarter (SAAR).

Disposable income is rising, but slowly

In order for personal consumption expenditures to continue to improve, disposable personal income needs to rise and the personal saving rate needs to moderate. Both personal income and disposable personal income rose only 0.2% in July following a flat June. Personal saving as a percent of personal income edged down to 5.9% in July from 6.2% in June as income growth trailed consumption growth. Disposable personal income got a

big boost from the federal stimulus package in 2009 which lowered taxes and increased transfer payments such as unemployment insurance benefits. As a result, disposable personal income in December 2009 was up 3.2% over the previous December even though total personal income was up only 0.4%. Barring a new stimulus package, the gradual withdrawal of fiscal stimulus will soon begin to weigh on disposable income growth. Fortunately other sources of income are now growing faster. So far this year personal income has been growing at an average rate of 3.0% (SAAR) and disposable income has been growing nearly as fast at a 2.8% rate.

Consumer confidence remains weak

The two major surveys of consumer attitudes agree that consumers remain pessimistic. The Reuters/University of Michigan's Index of Consumer Sentiment declined by 2.3 points in mid-September to 66.6 on lower consumer expectations. The index has now retreated by 9.4 points since reaching a post-recession high of 76.0 in June. The current economic conditions index edged up 0.1 point to 78.4 but the consumer expectations index fell 3.8 points to 59.1. The Conference Board Consumer Confidence Index fell 4.7 points in September to 48.5, mostly on a drop in the expectations index which fell 6.6 points to 65.4. The present situation index fell 1.8 points to 23.1. The Conference Board index has now retreated by 14.2 points since reaching a post-recession high of 62.7 in May. Thus, both measures of consumer's attitudes have retreated from post-recession highs in the last few months as the economic recovery faltered.

Lending standards are returning to normal at large banks

A variety of measures shows that credit market conditions have improved significantly since the meltdown that followed the collapse of Lehman Brothers in September 2008. There are still mixed signals about the health of financial institutions, however. The Federal Reserve Board's survey of senior loan officers shows that most banks are now easing credit standards and reducing spreads for commercial and industrial loans. But, they still report a slight net tightening of standards for commercial real estate loans. At the household level, the banks report a loosening of standards for traditional mortgages, credit card loans and other consumer loans but a tightening of terms for non-traditional mortgage loans. This survey, however, is administered to the largest banks in the country and the middle and small bank market is not included.

Regional bank asset quality is improving, but loans remain tight

While large national banks are returning to profitability and their lending standards appear to be easing, the picture is different at regional and local banks across the country. These banks saw a rapid deterioration in their asset quality, due to their disproportionately high exposure to commercial real estate. This has limited their ability to lend, as they divert cash to reserves. The asset quality of regional and local banks is improving, but the quality is still poor. Small businesses, which get a major portion of their loans from local and regional banks, are

disproportionately hurt when these banks are unable to lend. The National Federation of Independent Business, which reports on small business activity across the country, indicates that loans are indeed harder to obtain but the proportion saying conditions are getting worse has declined a little this year.

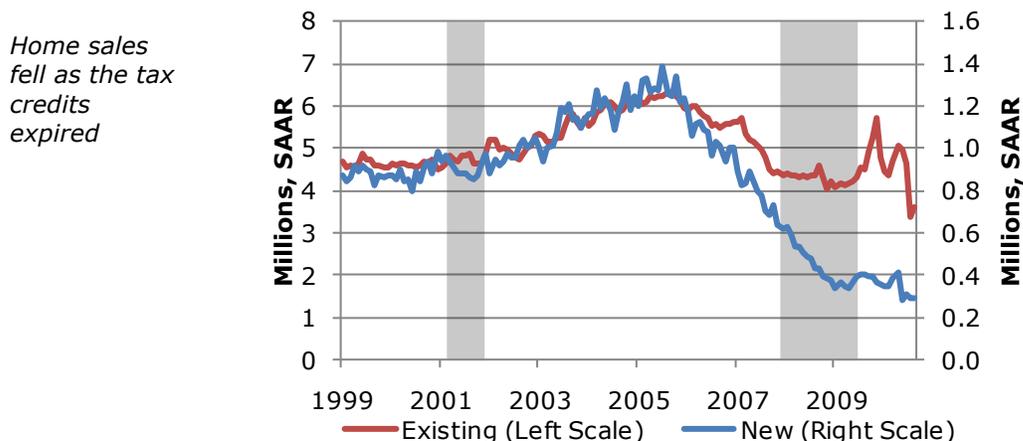
The global recovery continues

Coordinated policy stimuli around the world have contributed to a synchronized global recovery from the Great Recession. Both the Eurozone and East Asia came out of the recession before the United States. Typically, other countries around the world lag the U.S. coming out of a recession. Fiscal austerity measures now being undertaken in Europe and elsewhere may slow the global recovery but will not likely derail it. The recovery that started in the second quarter of 2009 has continued through the second quarter of 2010. Real trade-weighted global GDP rose at an estimated 5.4% rate (SAAR) in the second quarter of 2010 following an even stronger 5.7% rate in the first quarter. The trade-weighted dollar rose 1.9% in the second quarter following a 1.5% increase in the first quarter. The recent strength in the dollar is due to a "flight to quality" as investors worry about the Euro's future. We believe that this is a temporary aberration and that the underlying trend in the dollar is still downward.

It is payback time in the housing market

Recent monthly data show that the payback for the expiration of the second homebuyer's tax credit was much more severe than we had previously expected. The credit applied to sales made by April 30th 2010 and closed by September 30th. Since new home sales are counted at signing while existing home sales are counted at closing, the impact of the expiration of the credits first showed up in the new home sales data. Sales of new single-family homes declined 32% in May to 282,000 units and have hardly budged from that all-time low. As of August, new single-family home sales stood at only 288,000. Sales of existing single-family homes plunged 27% to 3.370 million units in July. They improved 7% in August but, at just 3.620 million units, remain very low (see Figure 1.3). The expiration of the credits also affected new home construction. Single-family housing starts, which had been generally rising through April 2010, plunged 18% in May to 459,000 units and declined in June and July as well. Starts improved 4% in August to 438,000 units from July's all-time low. Clearly, the main impact of the tax credit was to pull activity into the months just before the deadline at the expense of the months following the deadline. Later in the year we will have a better indication of the underlying trend. On the plus side, homes are very affordable now with mortgage rates currently close to historic lows. Also, new home construction has already been cut so drastically that the inventory of new homes for sale in August was the lowest in more than 40 years. However, there is a steady stream of distressed properties on the market that are in competition with new home construction and will delay the recovery.

Figure 1.3: Single Family Home Sales



Source: National Association of Realtors, Census; data through August 2010

Home prices appear to be stabilizing, but remain soft

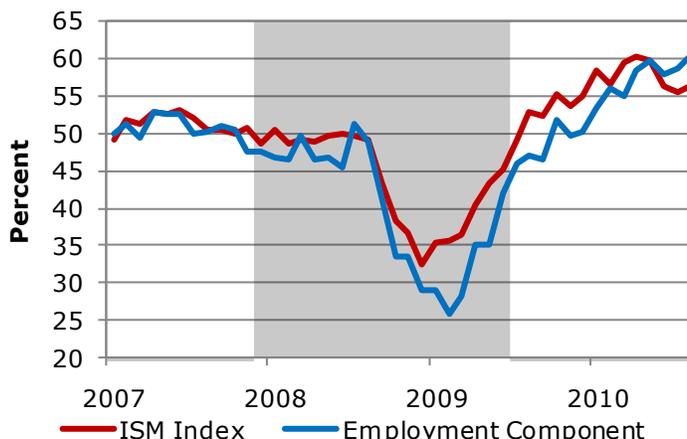
The S&P/Case-Shiller Home Price Index has been generally trending up since reaching a cyclical low in May 2009. The seasonally adjusted 20-city index edged down 0.1% in July but rose in eleven of the previous thirteen months. Even with the slight decline in July the index is now 4.8% higher than at the trough though it is still nearly 30% below the previous peak. Home prices may remain soft. The two homebuyer’s tax credits, which led to a temporary surge in home sales, probably boosted prices as well. Now that sales have fallen off, we may see some pull-back in prices as well. The Case-Shiller index is a three-month moving average so the July index is based on sales closed in May, June, and July which were mostly before the credit expired.

Manufacturing growth has also slowed...

The manufacturing sector continues to grow but at a reduced rate in recent months. According to the Federal Reserve’s latest G-17 report, manufacturing output grew 0.2% (SA) in August following a 0.7% gain in July and a 0.4% decline in June. The previous three months saw much stronger gains of 1.1%, 0.8%, and 1.0%. Once again we are seeing a downshift in the rate of growth. The Institute of Supply Management (ISM) Purchasing Managers Index for manufacturing also shows continued, but somewhat slower growth in recent months. The overall index edged up to 56.3 in August from 55.5 in July but is well below the post-recession peak of 60.4 reached in April (see Figure 1.4). A reading above 50 indicates growth while an index below 50 indicates contraction. August was the thirteenth consecutive month manufacturing has expanded after eighteen months of contraction. While the overall index has weakened in recent months, the employment component actually reached a post-recession high of 60.4 in August indicating that substantially more firms are now adding to payrolls than cutting. Previously employment had been lagging the overall index.

Figure 1.4: ISM Manufacturing Index

...but continues



Source: Institute of Supply Management; data through August 2010

Forecast

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

The "Blue Chip" short-term GDP forecast was weaker than in June

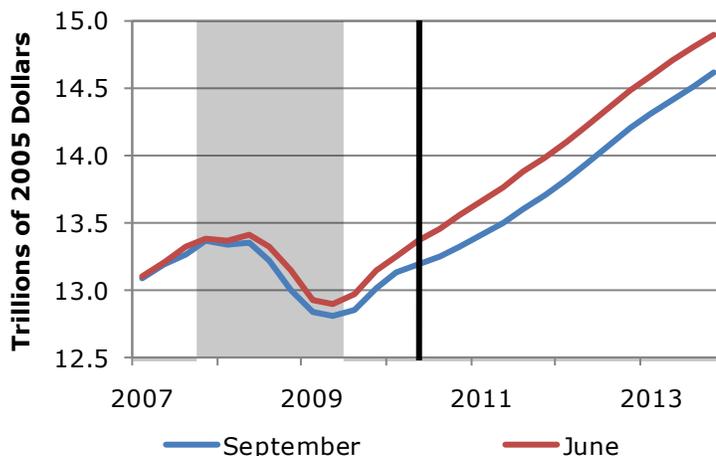
The September 2010 economic forecast was based on a modified version of Global Insight's September 2010 Control forecast for the U.S. economy. As in June, the U.S. forecast was adjusted in two ways. We adjusted real GDP to match the Blue Chip "Consensus" GDP forecasts for 2010, 2011 (made in September) and the longer term 2012 and 2013 forecasts (made in March). We also adjusted our oil price forecast to match the New York Mercantile Exchange (NYMEX) futures prices for West Texas Intermediate. The new Blue Chip average expects weaker near-term GDP growth now than it did in June.

The near-term outlook has weakened since June

The recovery in economic activity continued in the second quarter of 2010 as real GDP registered its fourth consecutive increase since the now official trough in the second quarter of 2009. However the marked slowdown in growth in the second quarter was a disappointment and portends an even weaker and more uneven recovery than expected in June (see Figure 1.5). The job market is also signaling weaker growth. After strong growth in March and April, job growth slowed to a below-trend monthly average of 55,000 in the last four months (excluding temporary Census employment). The housing market also pulled back more than we had anticipated in June which means the recovery in construction will be delayed further. While we expect a U-shaped recovery to continue, it will be more stretched out at the bottom than expected in June.

Figure 1.5: Real GDP Forecasts

The GDP forecast has been revised down since June



Source: BEA, ERFC; data through Q2 2010

Growth will be below trend in 2010 and 2011

The early part of the recovery was supported by fiscal stimulus and the inventory cycle. We do not expect any significant new stimulus spending. While our forecast models have inherited Global Insight’s assumption that the 2001/2003 tax cuts will be extended in 2011, the overall impact of fiscal policy on growth will turn negative as stimulus spending winds down. There will also be a considerable drag from state and local governments who are dealing with budget shortfalls by cutting spending, raising taxes, or both. The inventory cycle is also largely complete. This means that GDP growth from now on will depend on growth in private demand. Consumer spending will not lead the economy out of recession this time. The strains on households are too great for that. However, business spending is growing again thanks to investment in equipment and software. Nonresidential construction remains in decline, however, and will continue to decline through late-2011. We do not expect any significant growth in nonresidential construction until 2012. We expect a dip in residential fixed investment in the second half of this year due to the expiration of the tax credits. Residential fixed investment growth should resume next year. Export growth has returned due to the global recovery that is now under way, and exports will continue to contribute to GDP growth.

GDP growth:

2010: 2.7%
2011: 2.5%

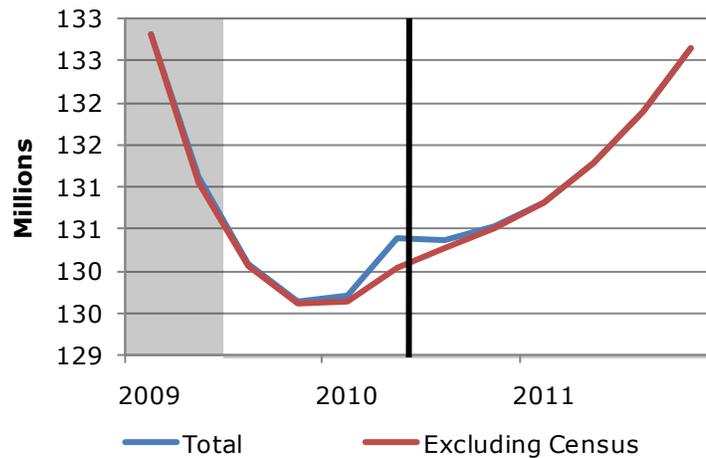
As a result of the recent GDP revision and weaker near-term outlook, we have reduced our forecast for GDP growth for 2010 to 2.7% from 3.2% expected in June and we have reduced our forecast for 2011 to 2.5% from the 3.1% expected in June. We will finally see above trend GDP growth rates of 3.4% and 3.2% in 2012 and 2013.

Positive job growth continues, but not fast enough to counteract the "Growth Recession"

Employment has grown in every month in 2010 (excluding the distorting impact of temporary Census hiring) but the rate of growth since April has slowed to an average of only 55,000 per month. This rate of job growth is not enough to bring down the unemployment rate, a condition often described as a growth recession. Employers are holding off on hiring workers until they are confident that demand has returned. Temporary 2010 Census hiring added to growth in the first half of the year but will reduce growth in the second half (see Figure 1.6). Over all four quarters of 2010 we expect an increase of only 0.7%. Growth will improve during 2011, reaching a peak of 2.4% per year in 2012 and 2013. Payroll employment will not return to its pre-recession peak until the third quarter of 2013, nearly six years after the previous peak. The unemployment rate is expected to decline to 6.5% by the end of 2013.

Figure 1.6: Nonfarm Payroll Employment

Temporary Census workers are distorting employment growth in 2010



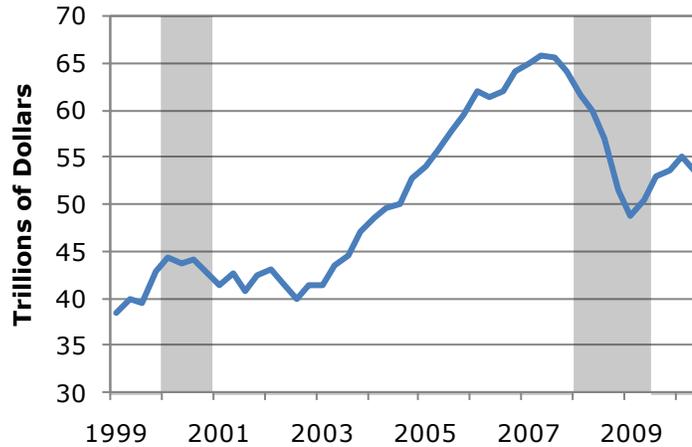
Source: BEA, ERFC; data through Q2 2010

Consumer spending will lag

Consumer spending typically leads the recovery, but not this time. Consumer sentiment has improved slightly since the depths of the recession, but remains anemic. A weak job market and tight credit are holding consumers back. Households are also saving more than they have since the early 1990's in order to pay down debt and rebuild the wealth they lost when the housing market and stock markets crashed. Households lost nearly \$17 trillion (26%) in wealth between the peak in the second quarter of 2005 and the the first quarter of 2009 (see Figure 1.7). While there has been some improvement due mainly to a partial recovery in the stock market, net worth is still down by nearly \$12 trillion (19%) since the peak. Real consumer spending growth is expected to lag overall GDP growth and remain below trend throughout the forecast.

Figure 1.7: Household Net Worth

Households have lost \$12 trillion in wealth



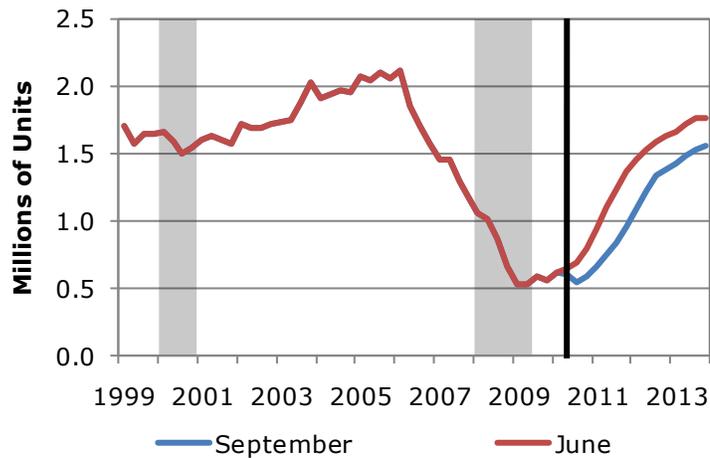
Source: Federal Reserve Board; data through Q2 2010

Exports will continue to contribute to growth

The dollar has experienced cross-currents recently. As a “safe haven” currency, it is strengthened by the ongoing European sovereign debt crisis. On the other hand, the dollar fell when the Federal Reserve recently appeared to imply a need for further quantitative easing. We expect to see the dollar fluctuate over the next year or so and then gradually decline over the remainder of the forecast. We also expect the global recovery to continue through 2013, boosting U.S. exports. Real GDP growth of our trading partners is expected to improve through the remainder of 2010 and 2011 and remain in the 3.5% to 4.0% range in 2012 and 2013.

Figure 1.8: Housing Starts

The housing recovery will be delayed



Source: Census, ERFC; data through Q2 2010

We have reduced our forecast for housing starts for 2010 and 2011

The pullback we have seen in home sales, permits, and starts since the second homebuyer's tax credit expired reveals a much weaker near-term housing market than believed in June (see Figure 1.8). We no longer expect to see any improvement in housing starts in the second half of this year. We have reduced our forecast of 2010 housing starts to 590,000 from 689,000 expected in the June forecast and we have reduced our 2011 forecast to 802,000 from 1,162,000 units.

Businesses are buying equipment; but not structures

The recovery in nonresidential construction will lag the recovery in residential construction. While the latter peaked in 2005, nonresidential construction continued to grow for another three years, peaking in 2008. The problems facing nonresidential construction are the same as those that caused the housing crash – a price bubble and oversupply. The downturn in the economy has idled factories and emptied office buildings so there is little need for new construction in the near future. We expect further reductions in nonresidential construction in 2010 and 2011. Only in 2012 do we expect to see any recovery in nonresidential construction. On the other hand, nonresidential spending on equipment and software turned up more than a year ago and has been a major contributor to the recovery in GDP. Businesses have plenty of cash and are addressing replacement needs. We expect double-digit growth in equipment and software spending in 2010, 2011, and 2012.

Forecast by Fiscal Year

GDP growth turned positive in FY 2010

The U.S. economy grew in FY 2010, but barely. Real GDP inched up 0.7% in FY 2010 following a 2.8% drop in FY 2009. Much of the recent strength in GDP was due to the inventory cycle and federal stimulus spending. These positive impacts are fading. Since we do not expect a strong rebound in housing or consumer spending, we believe the recovery will initially be slow. We expect real GDP to grow a below trend 2.4% in FY 2011, improving to 3.0% and 3.5% in FY 2012 and FY 2013, respectively.

Businesses are investing in equipment

Businesses are willing to invest again, at least in equipment and software. On a fiscal year basis, business spending on equipment and software turned around in FY 2010, rising 0.2%. Strong growth should resume in FY 2011, and continue in FY 2012 and FY 2013. However the correction in nonresidential construction still has a long way to go. Nonresidential investment in structures is expected to continue to decline in FY 2011 and 2012. We do not expect any significant improvement in nonresidential fixed investment until FY 2013. Residential fixed investment fell 10.0% in FY 2010 in spite of the two homebuyer's tax credit programs. We have seen a noticeable pull back in activity after the tax credits expired. As a result, we expect to see a slight decline in residential fixed investment in FY 2011. While we expect double-digit increases in residential fixed

investment starting in FY 2012, it has to be kept in mind that these increases are off a very low base.

Export growth will be strong

Real exports returned to growth in FY 2010 with a 3.0% increase following a rare 6.0% decline in FY 2009. With the global economy leading the U.S. economy in the recovery, we expect strong export growth in the 7% to 10% per year range through FY 2013.

Consumer spending will face headwinds

Consumer spending also turned positive in FY 2010, posting a 0.4% increase following a 1.7% decline in 2008. Consumer spending is not expected to be the strong driver it usually is in a recovery. Consumer confidence has improved but remains in recessionary territory and credit remains tight. Consumers are also rebuilding wealth lost in the housing and stock markets which has raised savings rates at the expense of consumption. The forecast expects consumer spending growth to continue to lag behind overall GDP growth.

Job growth will return in FY 2011

Labor markets tend to lag the economy at turning points. Thus, while GDP grew slightly in FY 2010, nonfarm payroll employment declined another 3.0% following a 2.8% decline in FY 2009. The forecast expects positive, but modest job growth in FY 2011 and fairly strong growth in FY 2012 and FY 2013.

Inflation will remain low

With unemployment stubbornly high and so much excess capacity in the economy, inflation is expected to remain subdued for some time. We expect only a 1.3% increase in the implicit price deflator for personal consumption expenditures in 2011, the same rate as in 2010. The inflation rate is expected to rise during the next two years but will remain under 2%. The lack of inflationary pressure means that the Fed can hold short-term rates at very low levels for the time being.

Risks to the Forecast

Downside Risks (25%)

Downside risks have increased significantly since June, and outweigh upside risks.

A "double-dip" is possible

The risk of a double-dip, or "W-shaped" recovery, where economic activity sags in the second half of 2010 has increased as a consequence of weak private demand at the time that the stimulus starts to wind down.

Fiscal policy mistakes

If the 2001/2003 tax cuts due to expire at the end of 2010 are not extended either wholly or at least partially, this would result in premature fiscal tightening at a time when the economic recovery has yet to gain traction.

<i>Renewed financial market jitters</i>	The recent financial market volatility stemming from fears of a European sovereign debt default showed that memories of the September 2008 meltdown are still fresh in the markets' memories.
<i>Deflation</i>	There is a risk of deflation; although given the actions of the Fed to date, the economy's demographic profile, and the fact that banks by and large have recognized their losses, this risk is minimal.
	Upside Risks: (10%)
<i>Job growth could be stronger</i>	Employment growth is faster than expected. After-tax corporate profits, with inventory valuation and capital consumption adjustments (i.e. profits from current production) are now back above pre-recession levels. At the same time, the rate of productivity growth has started to slow. So any growth in final demand will require hiring, and corporations have the resources to do so.
<i>Consumer confidence rebounds</i>	Consumer confidence returns earlier than expected. Our baseline expects a gradual return of consumer confidence as the job situation improves. If consumer confidence returns quicker, the recovery will come quicker.
<i>Commodity prices are tame</i>	Commodity prices do not strengthen too fast as the recovery gets underway.

Table 1.1

U.S. Economic Forecast Summary
 Forecast 2011 to 2013

Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,827.6	13,077.5	13,332.6	12,965.0	13,052.5	13,371.6	13,772.0	14,252.9
% Ch	3.0	1.9	2.0	-2.8	0.7	2.4	3.0	3.5
Real Consumption	8,943.9	9,194.5	9,325.6	9,170.2	9,210.0	9,409.7	9,651.5	9,889.0
% Ch	3.0	2.8	1.4	-1.7	0.4	2.2	2.6	2.5
Real Nonresidential Fixed Investment	1,400.6	1,494.7	1,592.7	1,406.9	1,305.1	1,403.1	1,505.2	1,644.1
% Ch	6.6	6.7	6.6	-11.7	-7.2	7.5	7.3	9.2
Real Residential Fixed Investment	770.5	650.1	510.1	379.2	341.5	327.0	409.2	518.0
% Ch	2.2	-15.6	-21.5	-25.7	-10.0	-4.3	25.1	26.6
Real Personal Income	10,718.8	11,148.3	11,365.0	11,256.0	11,143.6	11,372.1	11,646.6	12,032.9
% Ch	3.3	4.0	1.9	-1.0	-1.0	2.1	2.4	3.3
Real Per Capita Income (\$/Person)	35,971	37,047	37,409	36,725	36,025	36,410	36,932	37,790
% Ch	2.3	3.0	1.0	-1.8	-1.9	1.1	1.4	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.075	1.091	1.104	1.119	1.134	1.152
% Ch	3.2	2.4	3.3	1.5	1.3	1.3	1.4	1.6
U.S. Consumer Price Index (1982-84=1.0)	1.989	2.041	2.117	2.146	2.168	2.195	2.228	2.269
% Ch	3.8	2.6	3.7	1.4	1.0	1.3	1.5	1.8
Employment Cost Index (Dec. 2005=1.0)	1.005	1.038	1.072	1.097	1.112	1.131	1.150	1.174
% Ch	2.5	3.3	3.2	2.3	1.4	1.7	1.7	2.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,047.1	13,715.5	14,312.4	14,190.1	14,353.4	14,902.4	15,555.4	16,347.0
% Ch	6.5	5.1	4.4	-0.9	1.2	3.8	4.4	5.1
Personal Income	10,887.3	11,598.8	12,214.3	12,275.0	12,306.1	12,722.2	13,206.0	13,858.8
% Ch	6.6	6.5	5.3	0.5	0.3	3.4	3.8	4.9
Employment (Millions)								
U.S. Civilian Labor Force	150.4	152.4	153.7	154.6	153.9	154.4	155.9	157.4
Total U.S. Employment	143.1	145.5	146.1	142.8	138.9	139.7	142.3	145.6
Unemployment Rate (%)	4.83	4.52	4.93	7.61	9.77	9.54	8.69	7.47
Nonfarm Payroll Employment	135.01	136.97	137.73	133.91	129.95	130.75	133.10	136.57
% Ch	1.9	1.4	0.6	-2.8	-3.0	0.6	1.8	2.6
Manufacturing	14.21	14.03	13.71	12.66	11.62	11.78	12.16	12.52
% Ch	-0.6	-1.2	-2.3	-7.7	-8.2	1.4	3.2	3.0
Durable Manufacturing	8.98	8.91	8.69	7.91	7.11	7.26	7.60	7.93
% Ch	0.2	-0.8	-2.5	-9.0	-10.1	2.1	4.6	4.4
Nondurable Manufacturing	5.23	5.12	5.02	4.75	4.51	4.52	4.57	4.60
% Ch	-2.0	-2.0	-1.8	-5.4	-5.1	0.3	1.0	0.6
Construction	7.57	7.69	7.47	6.61	5.71	5.51	5.50	5.90
% Ch	6.1	1.7	-3.0	-11.4	-13.7	-3.4	-0.3	7.3
Service-Producing	112.58	114.54	115.81	113.89	111.94	112.73	114.73	117.45
% Ch	1.9	1.7	1.1	-1.7	-1.7	0.7	1.8	2.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	64.3	63.4	96.8	70.1	75.2	77.8	82.9	85.0
Personal Saving/Disposable Income (%)	1.8	2.3	2.9	5.3	5.7	5.6	4.6	3.8
Auto Sales (Millions)	7.8	7.7	7.6	5.4	5.8	6.2	7.4	8.4
% Ch	2.3	-1.1	-1.6	-28.4	7.1	5.6	20.3	14.0
Housing Starts (Millions)	2.036	1.546	1.132	0.648	0.592	0.636	1.030	1.407
% Ch	1.0	-24.1	-26.8	-42.8	-8.6	7.4	61.9	36.6
Federal Budget Surplus (Billions)	-248.0	-204.4	-420.1	-916.7	-1,326.6	-1,252.5	-988.5	-745.7
Net Exports (Billions)	-770.1	-744.0	-722.6	-515.6	-462.7	-494.9	-477.5	-453.5
3-Month Treasury Bill Rate (%)	4.06	4.89	2.89	0.56	0.12	0.20	0.48	2.76
10-Year Treasury Note Yield (%)	4.59	4.76	4.14	3.29	3.55	2.55	2.64	4.00
Bond Index of 20 G.O. Munis. (%)	4.45	4.30	4.56	4.97	4.37	3.90	3.86	4.85
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	4.99	4.26	4.27	5.49

Table 1.2
Forecast Analysis
 Comparison of Forecasts for 2009-11

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

Table 1.3

Fiscal Years

Forecast Comparison

Forecast 2010 to 2013

	2009	2010	2011	2012	2013
U.S.					
Real GDP					
September Baseline	12965.0	13052.5	13371.6	13772.0	14252.9
% Ch	-2.8	0.7	2.4	3.0	3.5
June Baseline	13073.4	13183.3	13615.6	14050.4	14538.2
% Ch	-2.2	0.8	3.3	3.2	3.5
Implicit Price Deflator					
September Baseline	1.091	1.104	1.119	1.134	1.152
% Ch	1.5	1.3	1.3	1.4	1.6
June Baseline	1.091	1.103	1.119	1.138	1.160
% Ch	1.6	1.1	1.5	1.7	1.9
U.S. Unemployment Rate					
September Baseline	7.61	9.77	9.54	8.69	7.47
June Baseline	7.61	9.80	9.41	8.27	7.00
Mortgage Rate					
September Baseline	5.57	4.99	4.26	4.27	5.49
June Baseline	5.57	5.00	4.95	5.49	6.14
3 Month T-Bill Rate					
September Baseline	0.56	0.12	0.20	0.48	2.76
June Baseline	0.56	0.12	0.56	2.33	3.48

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Chapter 2: Washington Economy – Current Conditions and Forecast

- **Uncertainty is plaguing the economy both at the national and state level. The Washington recovery lost momentum during the summer as a result of the slowdown in the U.S. economy. Revised data show that the severity of the downturn was worse than was known to us earlier. The employment situation, in particular, was revised sharply downward.**
- **The employment recovery in Washington this recession has been the weakest of any post-war recovery. Employment in the state will recover at about the same pace as the nation.**
- **Housing continues to falter. Foreclosures are weighing down new activity. The recent uptick in construction was due solely to federal incentives that pulled activity forward a few months.**
- **Manufacturing remains strong both in the state and at the national level. Exports will also give our state a boost as our trade partners' economies are emerging faster than the U.S. from the recession.**
- **Washington's personal income growth is expected to continue, and will outpace the nation in the expansion, because of higher average wages.**

Current Conditions

Much like the nation, the recovery in Washington lost momentum in the summer

The recovery in Washington lost momentum in the summer months as a result of the sharp slowdown in the U.S. economy. Uncertainty is plaguing the economy, both at the national and state level. After strong growth in the spring, the state's private sector added just 6,600 jobs in June, July and August. This was slightly better than the national rate, but still weaker than previously forecasted. During the same period, state and local governments shed 5,400 jobs, offsetting most of the private sector gains. Recent housing data has also been disappointing due to the expiration of federal tax credits. Initial claims for unemployment insurance have also been trending up since February and the unemployment rate remains high. Despite some easing in credit conditions, small businesses continue to

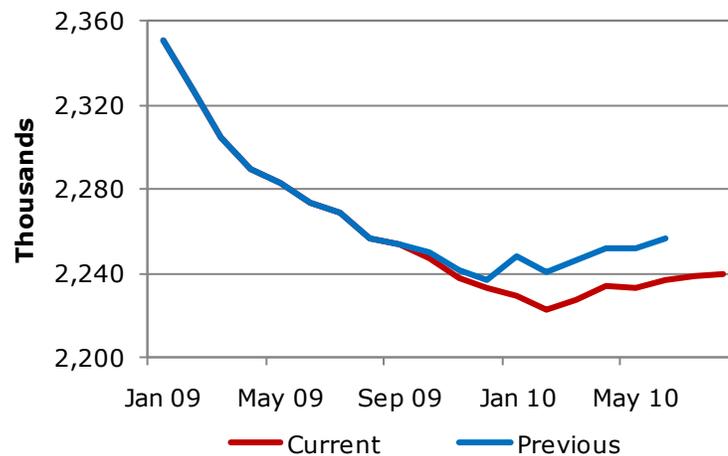
face a challenging credit environment. Consumer confidence is again starting to wane.

Data revisions indicate that the initial recovery was weaker than first believed

In addition to the recent slowdown, the initial part of the recovery in Washington was weaker than previously believed. Recent data revisions indicate that the state’s employment situation was worse than reported in June. Peak to trough private sector job losses now total 210,300 as opposed to the initially recorded 196,400 decline, a difference of 13,900 jobs (see Figure 2.1). The revision also showed that the duration of the employment decline was longer. Instead of private sector employment reaching a trough in December 2009, employers continued shedding jobs through February of this year.

Figure 2.1: Washington Total Private Employment, SA

Private employment was revised lower



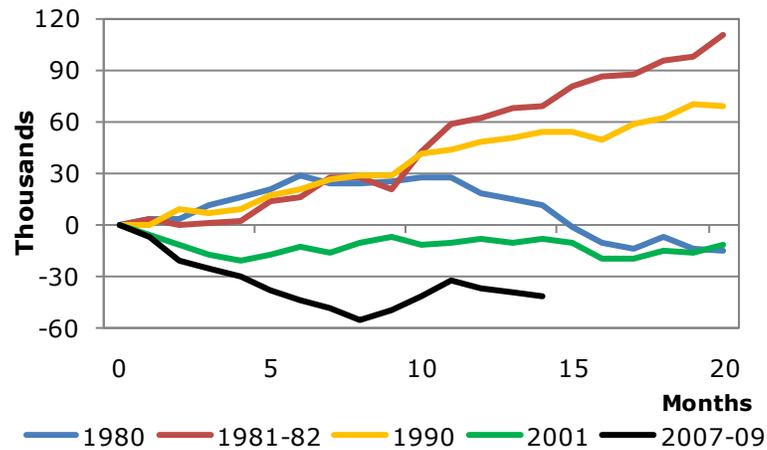
Source: WA State ESD, ERFC; data through August 2010

This has been the weakest employment recovery since WWII

While the effect of the recession has brought employment down to 2005 levels, private sector job growth has now been positive in five of the previous six months. Since February, private sector employment has increased 0.8% (17,300 jobs), which is just above the national rate of 0.6% during this time. As expected, the recovery in employment has been uneven and the weakness in recent months is evidence of this. Mirroring the sluggish growth nationally, the state increased private payrolls by just 900 jobs in August. This likely represents a temporary slowdown in new hiring and not the beginning of a new round of declines. Still, the recovery in the labor market from this recession has been weak by historical standards (see Figure 2.2). Not only is the state coming back from the largest employment deficit since the Great Depression, it is coming back at a slower rate than any of the past four recessions. In 1981-82, which prior to this had been the worst post war recession, 2.9% of the labor force in the state lost their jobs. This time around, 5.5% of the labor force lost their jobs at the employment trough.

Figure 2.2: Change in Washington Nonfarm Employment Since Recession Trough

Job growth since the recession trough has been anemic



Source: WA State ESD, ERFC; data through August 2010

Wages and hours are firming up, although unemployment insurance claims remain high

Other labor market indicators, however, were positive in August. Both the average weekly hours worked and average hourly earnings increased in the private sector this past month. Average weekly hours increased from 34.1 to 34.5 while earnings increased from \$26.93 to \$27.05 an hour, both on a seasonally adjusted basis. This points to future employment growth as employers are still increasing worker hours and pay. Despite this, the number of people filing for unemployment insurance compensation remains at elevated levels. Seasonally adjusted weekly initial claims in Washington have been trending upward since reaching a trough in February. Since then, the four-week-moving-average of initial claims has increased 8.1%. Even with the upward trend so far this year, initial claims are still 20.6% below the peak reached in March 2009.

Housing is again showing signs of weakness

The housing sector has been hit hard this recession and is again looking for a new bottom after initially showing some improvement during the spring. After reaching a post-recession high of 17,800 units (SAAR) in March of 2010, single-family permits have weakened to 13,400 units (SAAR) in August. It is apparent that the earlier strength was mainly due to the federal home-buyer tax credits which had the effect of pulling activity forward by a few months. It does appear that permits for multiple unit structures have finally come up off the floor. After averaging just over 3,000 units (SAAR) the previous 18 months, permits have averaged 7,700 (SAAR) units from June through August.

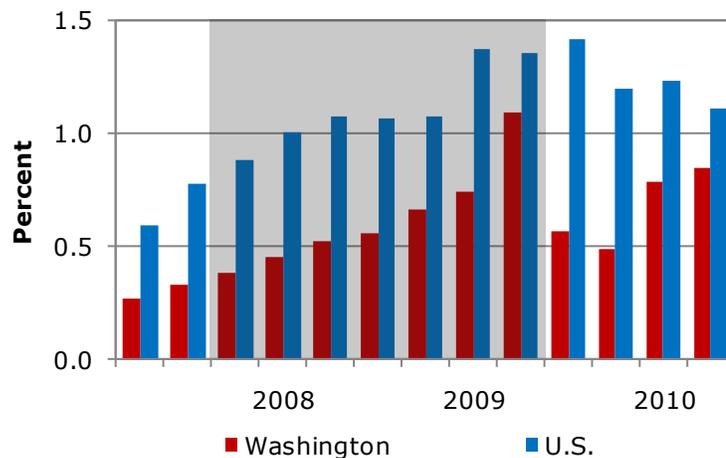
Foreclosures have kept new construction activity low

Construction activity is coming off very low levels and the housing recovery will be slow as it is still weighed down by low confidence and an excess supply of housing. Some of the housing inventory has yet to be put on the market as

foreclosures swell or sellers wait for prices to recover. This so called "shadow inventory" will keep new construction growth subdued. It also appears that Washington lags the nation in foreclosures (see Figure 2.3). While the percentage of foreclosures started has been declining nationally since the second quarter of 2009, Washington has experienced the opposite trend. After increasing the past two quarters, the percentage of homes entering foreclosure in the state reached 0.9% in the second quarter. This indicates Washington will have longer to go before the shadow inventory is cleared.

Figure 2.3: Percentage of Foreclosures Started During the Quarter

New foreclosures are again trending upward in Washington



Source: Mortgage Bankers Association; data through 2010 Q2

Seattle area home prices continue to fall

While home prices nationally have begun to recover, Seattle area prices have not. As measured by the Case-Shiller Home Price Index, prices nationally have increased 4.8% since reaching a trough in May 2009 while Seattle area prices have fallen 2.3% over the same period. The rate of decline is slowing, however, and despite lagging the nation in the turnaround, local prices fared much better during the downturn. Nationally prices remain 28.6% below their peak, while Seattle area prices are down 23.7%. Price appreciation will be slow as the same factors weighing down new construction will weigh on home values.

Contract data signals continued weakness

Contract data for new construction projects, which gives an indication of the level of activity roughly six months in the future, has also been trending downward in recent months. Since bottoming out in early 2009 both the square footage and value of residential contracts have increased over 50% through May on a seasonally adjusted basis. In the three months since, however, both the value and square footage of contracts have declined by over 33%. Non-residential contracts have shown even more weakness. After bumping along the bottom since the middle of last year, the square footage of contracts reached a

new low in August. Square footage under contract for non-residential buildings has now declined more than 80% since the peak in 2007.

Due to a weak housing market, construction employment remains depressed

Due to the weakness in the housing market, construction employment has remained depressed. Employment in this sector was the hardest hit as the housing bubble collapsed and home values plummeted during the recession. From the peak in 2007, construction employment declined 30% through the first quarter of this year. While this sector made up only 7% of total employment before the recession began, it accounted for close to a third of the total job losses. Many of those jobs are likely gone for good. Construction employment is expected to recover slowly as the overall economy recovers, and there has been evidence of this in recent months. Since reaching a trough in March, the construction sector has added 1,700 jobs. Much of the increase has come from heavy and civil engineering, which has received a boost from the spending due to the government stimulus package and accounted for 1,500 of the job gain. Employment in residential construction initially started to turn around with help from the homebuyers' tax credit, although this effect was temporary. Since March, residential construction employment has decreased by 1,000 jobs.

Non-residential construction will continue to drag on the recovery

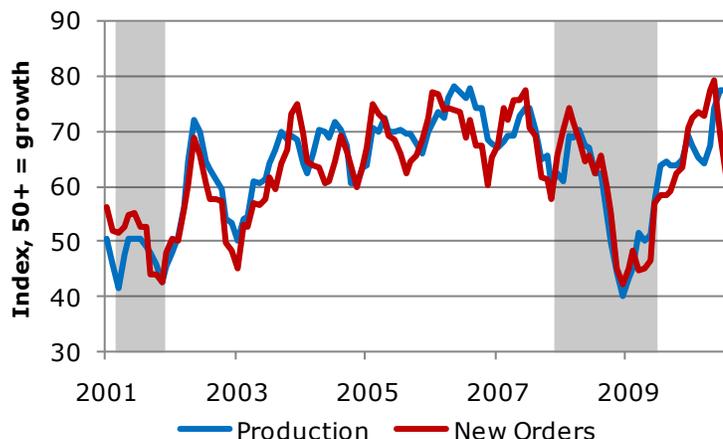
Non-residential construction is now starting to stabilize after a prolonged decline. Growth in this sector has been weighed down by weakness in commercial real estate that will continue to be a drag on the overall recovery. Employment in non-residential building and specialty trade is up 1,200 jobs since March, indicating that the sharp declines in the sector are behind us. Despite the recent growth in employment, contract data for new non-residential construction projects has again started to decline as stimulus money winds down. This sector is considered a "late cycle" industry and growth does not typically return until at least two to three years after a recession has ended.

The manufacturing sector is improving

Unlike construction, the manufacturing sector in the state has experienced a turnaround in activity. The National Association of Purchasing Managers Western Washington Index, which measures strength in the manufacturing sector, has now indicated growth for over a year. New orders and production have been particularly strong with both reaching cyclical highs recently (see Figure 2.4). The only component of the index that has been below 50 (values above 50 indicate growth while values below 50 indicate contraction) in this time frame has been the level of inventories. While this component can signal pessimism from businesses in that they are not building up inventories, it also points to the need for increased production in the future. Perhaps most encouraging, the employment component of the index has been at 50 or above during this time as well, pointing to continued hiring in the sector.

Figure 2.4: National Association of Purchasing Managers Index – Western Washington, SA, 3MMA

Production and new orders indices point to expansion in the manufacturing sector



Source: NAPM-WW, ERFC; data through August 2010

Manufacturing employment is increasing

Employment in manufacturing has indeed been increasing, albeit slowly, and is now up 900 jobs since January. Overall employment in this sector has been weighed down so far this year by weakness in transportation equipment manufacturing, which has declined by 900 over the same period. Much of this decline is due to Boeing’s scheduled reduction in staff that was planned in 2009, which is now complete. Manufacturing outside of transportation equipment has experienced solid gains so far this year with both durable and non-durable goods employment increasing.

The service sector has returned to growth

The service sector has also increased payrolls this year, adding 12,500 jobs since reaching a trough in February. Part of this increase has come from temporary census workers, although most of this effect is now gone. After peaking in May at 11,900 jobs in the state, temporary census workers have now declined to 1,500. Outside of census employment, the government sector has been weak, weighed down by budget constraints. In the past three months alone, government employment in Washington has decline by 5,000. Federal government employment has increased by 400 since May while state and local government employment has declined by 3,600 and 1,800 respectively.

Employment in private sector service providing jobs has increased

Private sector service providing jobs have fared better increasing at a 1.7% annualized rate since February. This growth equates to an increase of 15,600 jobs. Leisure and hospitality, retail trade, and professional and business services have accounted for most of the employment gains during this time, all growing at a 2.5% annual rate or more. Recently, however, as the economy hit a soft-patch, growth has slowed. Consumer confidence has also softened as measured by both the Conference Board and the

University of Michigan. This may further dampen the recovery already weighed down by weak construction, financial services, and declining government employment.

New vehicle registrations have slowed

Purchases of new vehicles in Washington have slowed in the past few months. The number of new car and truck registrations had started to rebound, increasing to 16,300 vehicles in May. Since then, however, registrations of new cars and trucks have averaged just 15,100 the past three months. The slow pace of new vehicle purchases continues to push the relative age of the car fleet to the oldest it has ever been with data going back to 1982. The long-term average of vehicles on the road three years old or newer is 31%. This past August, however, that percentage of new cars and new trucks each hit a new low at 25% and 20%, respectively. We believe this could be an indication of potential pent up demand, but there is a risk it reflects a structural shift in buying patterns.

Exports outside of transportation equipment remain strong

Washington State exports weakened in the second quarter of this year. Overall exports were down 4.5% year-over-year, but that was mostly due to exports of transportation equipment being down 19.5%. Exports excluding transportation equipment were up 15.6% over the year. In addition, 17 of the top 20 sectors by value in the state still experienced year-over-year increases in the second quarter. On a per capita basis, Washington is the nation's most trade dependent state. Exports will give the state an edge in the recovery because of the states trade links with the Pacific Rim, and the robust recovery in those economies.

The presence of Boeing and Microsoft will also help the state in the recovery

Washington will also benefit from the presence of Boeing and Microsoft which have fared relatively well during the recession. Boeing navigated the recession with only minimal job cuts. Both air cargo and passenger traffic are now rebounding. The company recently announced that it will employ 900 people in a composite research center in Seattle which will initially manufacture sections of the 787-9 airplane. Boeing has an extensive backlog of orders that will take years to work through. Software employment has netted 1100 new jobs so far this year and Microsoft is healthy, spurred by the overwhelming success of its launch of Windows 7 in October 2009. The company also recently increased its dividend by 23%, further demonstrating its solid financial position. Strength in these firms will help drive employment in their respective industries and generate a local base of skilled labor that will spur growth of supplier firms.

Personal income growth in Washington has been stronger than first anticipated

Personal income in the state has rebounded and is now growing moderately. According to the Bureau of Economic Analysis (BEA), personal income grew at a 4.7% annualized rate in the second quarter after growing by an upwardly revised 4.4% rate in the first quarter. From the second quarter of 2009 through the second quarter of 2010 total personal income managed a 2.5% increase despite a 1.7% decline in employment. Average wages

per job rose 2.4% over the year, offsetting most of the impact of lower employment, and income from other sources continued to rise. In addition, the BEA revised their estimates for Washington personal income, which resulted in a higher growth than previously reported back through 2007. Most of the unanticipated upward revision came from non-wage income. In particular, property income, which is income from dividends, interest and rent, was revised up sharply.

Washington State Forecast

Washington will experience a U-shaped recovery

The economic recovery in Washington is expected to be U-shaped and slow, much like the national recovery, although we continue to expect the state to outperform the U.S. economy in income growth. The risk of double-dip recession has increased, but the odds are that it is still unlikely to happen. The economy will muddle along with modest growth. The state's trade intensity should help boost to activity as economies recover around the world, particularly in the Pacific Rim. Additionally, the stability and growth prospects of our major industries, software and aerospace, will help drive employment and personal income growth. Washington is also a good location for business expansion as West Coast economies turn around.

The recovery is slower than originally anticipated

Economic conditions have improved slower than anticipated in the previous forecast. The economy is getting better, but at a slower than expected pace. We have now had economic growth nationally for four consecutive quarters, but it is moderating. Major state economic variables are also coming in slightly weaker than what had been expected. The reason behind that are not Washington specific, but have to do with the slowing national economy. The downward revisions to the Washington State economic forecast reflect the anemic national recovery. The balance of risks, given the increased uncertainty and fragile and uneven nature of this recovery, remains weighted more heavily to the downside.

The employment forecast was cut in half

Washington nonfarm payroll employment returned to growth in the second quarter of 2010, one quarter later than previously estimated. In addition, the 2011 employment growth forecast was cut roughly in half, from 2.7% to 1.3% (annual average basis). Washington will not reach its pre-recession peak in overall employment until the second quarter of 2013, almost a year later than previously anticipated. The outlook for the aerospace sector is similar to the June forecast. As in June, we expect a slight decline through mid-2011, and sustained but modest growth in aerospace employment after that. The outlook for the software sector is also similar to what was expected in June. We expect modest software employment growth through 2011 with growth accelerating in 2012 and 2013.

Personal income will continue to grow throughout the forecast

Washington's rate of personal income growth has been above 4% in each of the past two quarters after falling 0.4% in 2009. We should see income growth picking up now that positive, albeit weak, job growth has resumed. Personal income in the state will continue to grow throughout the year, although at a slower rate than experienced in the first half. Growth will then increase to 3.9% in 2011, 5.2% in 2012 and 5.7% in 2013. This is consistent with the average growth rate since 1990 of 5.9% per year.

Growth in housing construction won't resume until 2011

New housing construction fell in the second quarter according to housing permit data. We expected a pause in growth due to the expiration of the homebuyer's tax credit, but the decline was greater than anticipated in the June forecast. The number of housing units permitted fell to 17,300 (SAAR) in the second quarter of 2010 from 21,100 in the first quarter. The decline was mostly in the single-family segment. There will be a slight downward trend in overall permits in the second half of this year, with modest growth resuming in 2011. In the longer term, we are optimistic about housing construction. Population growth has been well below trend in recent years due to the recession and the housing crisis, which have tended to lock people into their existing homes. We believe a return to trend population growth will boost housing construction in Washington in 2012 and 2013. Housing construction will not return to the levels reached in bubble years of 2004-2006, however.

Seattle inflation will remain low

The Seattle Consumer Price Index declined in the first two quarters of 2010. The reason for the decline in the Seattle CPI was shelter costs which fell as a result of the depressed housing market. Excluding shelter, Seattle inflation is low, but positive. The most recent CPI report showed a modest firming in shelter costs and overall Seattle inflation. It now appears likely that inflation will be close to zero in 2010, picking up in 2011, 2012, and 2013.

Washington State Forecast Assumptions

Forecast assumptions are weaker than in June

The Washington State forecast is based on a new national forecast that has been revised downward since June. Growth in real gross domestic product has been reduced in 2010 and 2011. Inflation, as measured by the consumer price index, is lower than previously forecasted due to weaker economic growth. The near-term recovery in payroll employment is also weaker and, as a result, the unemployment rate doesn't drop until the first quarter of 2011. Growth in real personal income is weaker, although the level is initially higher due to recent data revisions. Interest rates are also lower than before throughout this forecast.

Compared to June, we expect ...

The Washington economy has performed worse than we expected in the June forecast. Data revisions have pushed the turning point in employment to two months later and recent growth has been sluggish. We now expect job growth to continue, but to be

...slower job growth and a weaker recovery in housing

more subdued than in June. We expect the unemployment rate peaked in the first quarter of this year but we don't expect any substantial improvements until 2011. Historical personal income growth in Washington was revised higher, although it is now expected to be weaker through 2013. We also expect that the recovery in housing will be more drawn out, with building permits in the state continuing to decline through the end of this year.

Washington will benefit from exports and migration from neighboring states

Our exports benefit from being mostly to Pacific Rim economies, which are experiencing robust economic growth. Washington will also benefit from an increase in migration from surrounding states as we outperform them in the recovery. These new households will increase demand for services and lead to stronger growth once business and consumer confidence returns. Aerospace has remained relatively stable during the downturn and should return to growth soon. Microsoft has also fared well and we expect employment in software publishing will continue to increase. While we believe that economy will continue to grow throughout the forecast, the recovery will be tepid as state and local governments deal with severe budgetary pressures.

Washington Payroll Employment

Employment will be weaker throughout the forecast

Washington's recovery in employment started later than initially estimated as the economy continued to shed jobs through February. The level of employment was also revised down as the state lost more jobs than originally reported. Despite the slowdown in statewide job creation, we remain confident that growth will continue, although at a slower pace than the June forecast. We have cut our 2011 employment growth forecast roughly in half, from 2.7% to 1.3% (annual average basis). We do not expect to reach our pre-recession peak in overall employment until the second quarter of 2013, two quarters later than previously forecasted. The weaker growth in the September forecast is mainly due to the slower in U.S. recovery rather than anything specific to the Washington economy. We expect private sector job growth to remain subdued through the rest of the year, growing at a 1.0% annual rate in the final two quarters. Private employment growth should then pick up steam, increasing at a 1.8% rate in 2011 and 3.6% in 2012 before moderating to 3.4% in 2013.

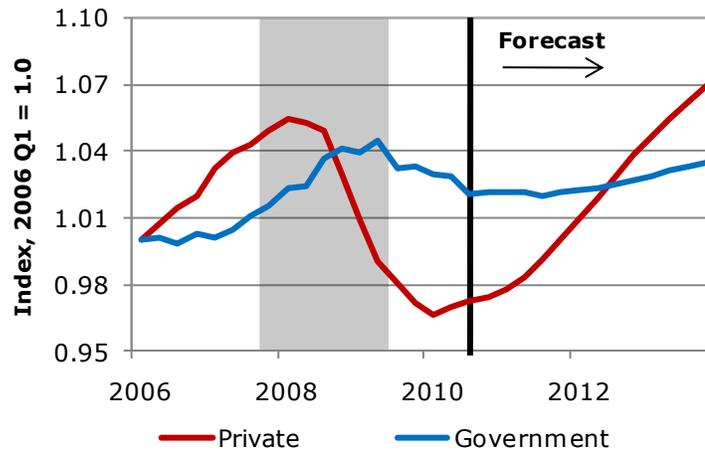
Tight budgets are forcing cutbacks in state and local government employment

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 2001 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. The same is true this time around. While the public sector did not experience the sharp employment declines that occurred in the private sector, job losses are expected to continue through the rest of this year and growth will remain subdued thereafter (see Figure 2.5).

Apart from the effect of temporary Census workers, we expect a loss of another 4,600 government jobs from the second quarter of 2010 to the third quarter of 2011. This results in a 13,100 (2.4%) job loss from the peak in the second quarter of 2009. Without the stimulus payments, state and local governments would have had to make far more severe cuts in jobs. We do not expect government employment to reach the 2009 peak until after 2013.

Figure 2.5: Washington State Private and Government* Employment, SA, change since 2006 Q1

Private sector job growth will outpace the public sector in the recovery



Source:

WA State ESD, ERFC; data through May 2010, ERFC forecast

*Temporary Census workers have been removed

We remain optimistic about the prospects for the state's aerospace sector

The employment forecast for the aerospace sector is similar to the June forecast. As in June, we expect a slight decline through mid-2011, with sustained but modest growth after that. Boeing's order book remains full and it will take several years to work through the backlog. Although we are optimistic that Boeing will eventually be awarded the military's contract to build the next generation air refueling tanker, it is not included in our estimates. The long-delayed 787 Dreamliner is now going through test flights and has some niggling issues remaining, but we are confident that it will begin service in 2011. Boeing also recently announced that it will begin hiring and training more production workers early next year to support an increase of production at its 737 assembly plant. Our forecast calls for a further reduction of 500 jobs after the second quarter, for a total reduction of 5,900 (6.9%) jobs from the peak in the third quarter of 2008 to the trough at the second quarter of 2011. These cuts pale in comparison to the last aerospace downturn during which Washington lost a total of 52,000 aerospace jobs. With the global economic rebound continuing, we expect aerospace employment to reach its previous peak in the third quarter of 2013.

As in June, we expect the software sector to continue to grow

The outlook for the software sector is also similar to what was expected in June. Microsoft's balance sheet remains healthy. Also encouraging is the news that we are now beginning to see a transition from mostly consumer demand for products to more lucrative business demand. After unprecedented layoffs in 2009, the software sector has added about 1100 jobs so far this year. The release of Microsoft Windows 7 should buoy hopes of Microsoft overcoming its difficulties. In addition, Microsoft unveiled their new platform for Mobile Windows 7, which should help provide growth in the mobile market. We expect software employment growth through 2011, accelerating in 2012 and 2013.

Residential construction employment will not reach the previous 2007 peak through the forecast horizon of 2013

Construction employment in the state is weaker than we expected in the June forecast as a result of the delayed recovery in housing construction. This sector also experienced the most severe decline of any industry in the state during the recession. Recent housing data are also disappointing and single-family building permits are once again faltering. Employment in residential building and related special trades will be essentially flat over the next four quarters with strong growth resuming in the second half of 2011. We expect the current quarter to prove to be the trough in residential construction employment. This corresponds to an overall peak-to-trough decline of 39,100 jobs, representing a loss of over one third (38.4%) of the employment in this sector since the height of the housing bubble. By the end of the forecast in 2013, employment will still be 15.0% below the 2007 peak.

Non-residential construction will remain weak until 2012

We expect a drop of similar magnitude in nonresidential construction employment, although job losses will continue through most of 2011. We expect to lose another 2,800 nonresidential construction jobs after the second quarter for a total peak-to-trough employment decline of 33,500 jobs (30.2%). Typically, non-residential construction is the last sector to recover in the cycle as the growth in new contracts lags the end of the recession by about two to three years. It then takes up to a year before employment starts to increase. Continued weakness in commercial real estate will hamper employment growth in this sector. The decline in non-residential construction would have been even more severe without the stimulus funding for infrastructure investment.

The worst of the job losses in construction are behind us

While we do not expect growth overall construction employment to remain positive until the second half of next year, we think the worst is behind us. We expect to lose about 3,200 total construction jobs over the next four quarters compared to 65,700 lost to date. In spite of a fairly strong recovery in 2012 and 2013, construction employment will still be 41,500 below the previous peak at the end of 2013.

Financial activities employment growth won't resume until 2011

Employment in financial activities has now been in decline for over four years. Since the peak in the first quarter of 2006, employment is down 23,000 (14.7%). Not surprisingly, credit intermediation and related activities, a victim of the meltdown in financial markets, accounts for most of the decline, falling by 14,300 (25.4%). The decline during 2009 was exacerbated by the sale of WAMU to JPMorgan, which resulted in around 3,400 layoffs for most of the former's headquarters staff. Financial activities employment is expected to decline by another 2,400 jobs through the fourth quarter of this year. Strong growth is expected to resume in the first quarter of 2011 and then moderate in 2013. Employment in this sector will still be 6.8% below its previous peak at the end of 2013.

Retail trade employment will remain flat through 2011

Employment in retail trade peaked along with the overall economy in the first quarter of 2008. The decline during the recession was 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 three years ago as housing went into decline. The freezing-up of credit and collapse of consumer confidence since the fall of 2008 affected the entire spectrum of consumer spending. Early in the year, the retail trade sector began to turn around as confidence slowly improved. With consumer confidence once again waning, we expect retail trade employment to remain flat through the middle of 2011. The forecast calls for strong growth in employment in the second half of 2011 and 2012, moderating during 2013.

Growth in the professional and business services sector will continue

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

Recent legislation and stimulus projects should provide a boost to jobs

Also helping the state's employment prospects are the recently passed tax breaks to help entice (and keep) tech firms to build large data centers in rural counties. Washington also received funding of up to \$0.5 billion dollars toward a high-speed rail network between Portland and Seattle. That should help create new jobs, make travel more efficient for commuters, make shipping faster for businesses, and have clear environmental and energy benefits.

Washington Personal Income

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

Washington personal income growth is expected to outperform the nation in the recovery. One of the primary reasons for optimism is the resurgence of the Pacific Rim economies, who are an important trade partner. This will disproportionately help the state economy due to our high reliance on exports. Growth in our high-wage industries, aerospace and software will also boost personal income in the state.

Most components of personal income will grow

As the economy continues to recover this year and gathers momentum, most components of personal income will also grow, the main exception being unemployment compensation, which should come down as job growth picks up. Non-wage personal income is expected to grow 4.3% this year and then moderate to 3.4% in 2011 due to a decrease in interest income and reduced transfer payments. We then expect Washington non-wage personal income to pick up steam reaching 5.4% growth in 2013. Total wage and salary disbursements are forecasted to return to positive growth in 2010 (0.5%) after declining the previous year. We expect growth to pick up in 2011 to 4.4% and then reach 5.9% in 2013. Overall, personal income is expected to increase 2.3% in 2010 with growth improving to 5.7% by the end of the forecast in 2013.

Seattle Consumer Price Index

The weak economy and shelter costs are keeping inflation benign

The forecast of the Seattle consumer price index calls for inflation to be low in 2010, growing at a 0.1% annual rate. Typically local consumer prices tend to rise faster than the national average when the local economy is relatively strong and rise slower when the local economy is relatively weak. The reason this is not the case this time around is because of falling shelter costs in the Seattle area. Previously, rising shelter costs had contributed to the higher inflation in the Seattle area from 2006 through 2009.

Core inflation in Seattle will remain low

Core inflation (excluding food and energy) in Seattle is expected to be negative 0.5% in 2010 compared to positive 1.0% nationwide. Falling shelter costs have been the main reason for the decline this year. As the economy begins to recover, Seattle inflation will remain moderate but will gradually increase. We expect the Seattle CPI to rise 1.1% in 2011, 1.6% in 2012, and 2.0% in 2013.

Washington Building Permits

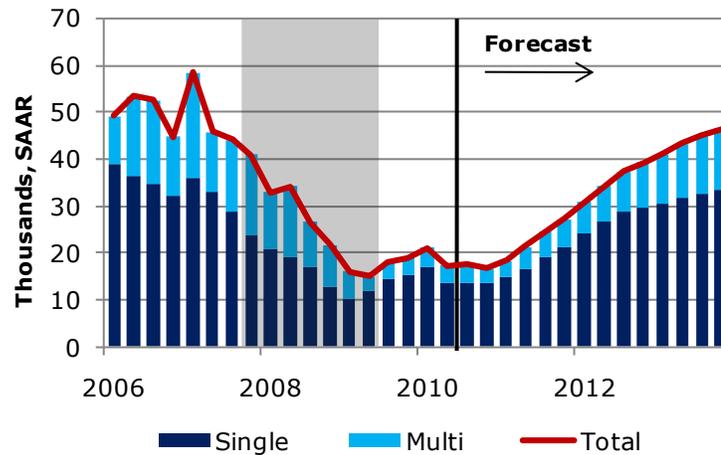
Housing activity has hit bottom but remains weak

Housing activity in Washington finally reached a trough in the second quarter of 2009, but remains weak. From the peak in the fourth quarter of 2005 to the trough, the number of housing units authorized by building permits dropped an astounding 77%. The trough of 15,000 annualized units was the lowest

since the depths of the 1981-82 recession. From the middle of 2009, permits increased 6,100 units to 21,100 in the first quarter boosted by the federal homebuyer tax credits. Since then, construction has slumped with permits totaling 17,300 units in the second quarter. We expect this weakness to continue through the fourth quarter of 2010 as activity was pulled forward by the tax credit.

Figure 2.6: Washington Housing Units Authorized by Building Permits, SAAR

Building permits won't return to growth until 2011



Source: U.S. Census Bureau, ERFC; data through 2010 Q2, ERFC forecast

Despite near term weakness in housing, there are positive factors going forward

In the longer term, we are more optimistic about housing construction. Homebuilders have been very successful in reducing the inventory of unsold new homes to levels not seen since the 1960's. In the future, the demand for new homes will have to be met by new construction. Also, with mortgage rates low and prices down, homes are very affordable. Population growth has been well below trend in recent years due to the recession and the housing crisis, which have tended to lock people into their existing homes. We believe a return to trend population growth will boost housing construction in Washington in 2012 and 2013

Building permits will pick up strength in 2011, but remain below previous peak throughout the forecast

The forecast calls for permits for single-family homes to increase to 14,400 in 2010 from 13,000 in 2009. Permits for multiple-unit structures will remain weak throughout the year dropping from 4,000 in 2009 to 3,700 in 2010. On balance, we expect both single-family and multi-family activity to pick up strength in 2011 and grow through the end of the forecast in 2013. We expect single-family permits to reach 32,200 and multi-family permits to reach 11,800 in 2013 (see Figure 2.6). The forecasted growth rates look impressive but only because activity is coming off a very low base. By 2013 permits will have risen to levels more consistent with the underlying demographic demand for new housing. Even by the end of 2013, the total number of

building permits is expected to be 23% below the peak reached in 2005.

Forecast by Fiscal Year

Personal income growth will increase throughout the forecast

Nominal personal income grew by an estimated 0.9% in FY 2010 according to recently release data by the Bureau of Economic Analysis (BEA). This is higher than the 0.2% forecasted prior to the release. Still, this is very low by historical standards and much lower than the 6.7% average growth rate from 2006 through 2008. The slowdown in growth is mostly due to declining employment but average wage growth has also slowed as has income from non-wage sources such as dividends, interest and rent. The forecast expects a rebound in FY 2011 with nominal personal income growth of 3.3%. Growth is expected to increase further to 4.5% in FY 2012 and 5.7% in FY 2013 as the economy continues to recover.

Job growth is expected to be flat in FY 2011 before picking up somewhat

After years of growth in excess of 2%, Washington non-farm payroll employment fell 2.0% in FY 2009 and 3.9% in FY 2010. The sharpest declines were in construction, which fell 18.2% and manufacturing which fell 7.3%. Services-producing industries were also down 2.4% in FY 2010. These declines were even worse than originally thought as there were downward revisions to historical data. We expect nonfarm employment to remain mostly flat in FY 2011 with just 0.2% growth. As the economic recovery picks up steam, we expect employment growth to improve with 2.3% growth in FY 2012 and 3.1% in FY 2013. On an end-of-period basis (second quarter of 2009 to second quarter of 2010) employment fell 1.7% during FY 2010. Employment is expected to increase by 0.7% this fiscal year on an end of period basis, and then grow 2.9% and 3.0% during FY 2012 and FY 2013.

FY 2011 will prove to be the trough in housing permits

The number of housing units authorized by building permits in Washington declined 4.9% in FY 2010 after plummeting 48.0% in FY 2009. Single-family permits increased 16.6% in FY 2010 to 15,200 units while multi-family units fell 45.8% to 3,700 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 continue to depress multi-family permits in FY 2011, which are forecasted to increase to 3,900 units. Single-family construction will experience continued weakness in FY 2011 dropping to 14,600 units due to hangover effects from the expired homebuyer credits. FY 2011 will prove to be the trough in permits totaling 18,500 units, a 66% peak to trough decline. Construction should rebound FY 2012 and FY 2013 with the forecast calling for single-family units to reach 30,400, still 25.0% below the peak in FY 2006. Permits for multi-family structures should have robust growth throughout FY 2012 and FY 2013, reaching 10,000 units by FY 2013.

Seattle inflation will remain low

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, fell to just 0.3% in FY 2010 from 2.4% in FY 2009. Energy costs, which fell 9.6% in FY 2009, increased 2.1% FY 2010. Core inflation (excluding food and energy) decreased from 3.1% in FY 2009 to 0.5% in FY 2010. Inflation will remain low given the slack that has built up throughout the economy. The forecast expects the Seattle CPI to increase 0.6% in FY 2011, 1.5% in FY2012, and 1.8% in FY 2013 respectively.

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).

Optimistic (10% probability)

The optimistic scenario projects growth to pick up immediately

In the optimistic scenario, the Federal Reserve’s arsenal of emergency measures, the Treasury’s “rescue plan”, Congress’s stimulus package, and help from central banks around the world fuel a lasting, robust recovery. Fears of a collapse following the removal of government support prove unfounded, thanks to robust and self-sustaining private-sector growth. The economy grows rapidly, with quarterly real GDP growth reaching 4.7% (annualized) in the fourth quarter of 2011. Productivity is enhanced by reinvigorated innovation. Higher productivity supports lower inflation and stronger income growth over the long term, but a stronger recovery will result in accelerated price gains in the short term. With credit channels functioning more normally, business fixed investment rebounds. The recovery in residential investment is also stronger in the optimistic scenario. Global GDP will have faster growth and the dollar will initially be weaker than in the baseline as investors no longer covet its safe-haven status. The lower dollar helps U.S. GDP early in the forecast period as businesses take advantage of growing domestic demand in emerging markets giving a boost to exports. This scenario assumes higher energy prices in the near term due to stronger global demand. These assumptions produce a stronger and more-stable growth profile than the baseline.

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 in the third quarter of 2010, rather than decline through the middle 2011 as in the baseline. Software employment growth is also much

stronger than the baseline forecast. After a weak year in 2009, Washington's wages grow faster than in the baseline. The strong regional economy raises the Seattle CPI and Washington wages above the baseline forecast in the optimistic scenario. Both Washington personal income and population growth are stronger throughout the forecast. Finally, construction employment returns to sustained growth in the third quarter, one year sooner than the trough in the baseline forecast, and the subsequent recovery is stronger. By the end of the 2011-13 biennium, Washington nonagricultural employment is higher by 111,900 jobs than in the baseline forecast and Washington personal income is \$16.5 billion higher.

Pessimistic (25% probability)

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

In the pessimistic scenario, the expansion proves to be a mirage. At the end of the second quarter of 2010, the recovery stalls as unresolved worries from the financial crisis come back. Credit constraints prevent the economy from building momentum and the labor market improvement halts. As the boosts to growth from the inventory cycle and fiscal stimulus fade, the private sector is unable to sustain the expansion. In addition, the European debt crisis ripples across the world, stock markets fall further, and the euro drops to parity with the dollar. This reduces competitiveness of U.S. exports and acts as an additional drag on growth. The recovery is "W-shaped" with the economy peaking at 5.0% growth in the fourth quarter of 2009, but then slowing thereafter. By the end of 2010, the recovery comes to a grinding halt, with GDP shrinking as the credit markets remain clogged, both domestically and globally. Financial markets suffer new reverses and risk aversion increases. The housing recession drags on. Home prices fall, sales are much slower, and housing starts slump. The weakness in housing undermines consumer confidence. This, along with a drop in wealth 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. These assumptions cause GDP growth to remain slower than the baseline throughout the forecast.

This 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 only starts to recover at the end of 2013. Software employment remains flat and there is no recovery until the third quarter of 2012. The recovery in personal income is also weaker than was assumed in the baseline. Population growth is much slower in this scenario, averaging about half the growth as in the baseline. Construction employment continues to fall through early 2012. The Seattle CPI is lower than in the baseline forecast as are Washington wages. By the end of the 2011-13 biennium, Washington non-agricultural employment is 173,700 lower than in the baseline forecast and Washington personal income is \$29.1 billion lower.

Governor's Council of Economic Advisors (GCEA)

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

The GCEA scenario expects less real GDP growth

At the national level, the Governor's Council members expect less real GDP growth than in the baseline. They also expect lower consumer spending growth than in the baseline through FY 2012 and slightly higher in FY 2013. Inflation is lower in FY 2011 but higher in FY 2012 and 2013 in the scenario. The GCEA oil price forecast is lower in each fiscal year. The Council members' mortgage interest rate forecast is higher in each fiscal year.

For Washington, the GCEA scenario is slightly weaker

The GCEA scenario for Washington is very similar to the baseline forecast. The council members forecast for total nonfarm payroll employment is stronger than the baseline forecast in the near term but weaker later on. The GCEA scenario expects weaker growth in manufacturing employment. Construction employment does not experience as severe a decline in this scenario but the recovery is also not as strong. The GCEA housing permit forecast is lower throughout the forecast. The Council member's forecast of personal income is slightly higher than our baseline forecast. By the end of the 2011-13 biennium, Washington non-agricultural employment is 12,500 lower than in the baseline forecast. Washington nominal personal income is \$1.1 billion higher, due to higher inflation. Real personal income in the state is \$600 million lower in this scenario.

Table 2.2 compares the alternative forecasts with the baseline forecast.

*Percentages reflect probabilities for the current biennium. For the 2011-13 biennium, optimistic and pessimistic probabilities are balanced at 5%.

Table 2.1
Washington Economic Forecast Summary
 Forecast 2011 to 2013

Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	237.406	250.988	259.426	259.404	256.700	261.838	269.832	280.692
% Ch	2.2	5.7	3.4	0.0	-1.0	2.0	3.1	4.0
Real Wage and Salary Disb.	127.959	134.544	138.753	136.973	133.000	134.739	139.909	146.061
% Ch	3.6	5.1	3.1	-1.3	-2.9	1.3	3.8	4.4
Real Nonwage Income	109.447	116.443	120.673	122.431	123.700	127.099	129.924	134.631
% Ch	0.7	6.4	3.6	1.5	1.0	2.7	2.2	3.6
Real Per Capita Income (\$/Person)	37,323	38,772	39,463	38,966	38,157	38,522	39,314	40,365
% Ch	0.4	3.9	1.8	-1.3	-2.1	1.0	2.1	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.075	1.091	1.104	1.119	1.134	1.152
% Ch	3.2	2.4	3.3	1.5	1.3	1.3	1.4	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.035	2.116	2.205	2.257	2.263	2.276	2.311	2.353
% Ch	3.2	4.0	4.2	2.4	0.3	0.6	1.5	1.8
Average Nonfarm Annual Wage	44,151	46,447	48,404	49,307	50,288	51,489	53,020	54,653
% Ch	3.7	5.2	4.2	1.9	2.0	2.4	3.0	3.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.32	20.21	20.90	22.03	23.53	23.67	23.79	24.01
% Ch	4.0	4.6	3.4	5.4	6.8	0.6	0.5	0.9
Current Dollar Income (Billions of Dollars)								
Personal Income	241.138	261.128	278.799	282.886	283.471	292.923	305.962	323.287
% Ch	5.5	8.3	6.8	1.5	0.2	3.3	4.5	5.7
Disposable Personal Income	212.676	229.115	245.221	252.865	257.527	265.553	274.952	285.991
% Ch	4.6	7.7	7.0	3.1	1.8	3.1	3.5	4.0
Per Capita Income (\$/Person)	37,908	40,337	42,408	42,495	42,136	43,094	44,577	46,489
% Ch	3.6	6.4	5.1	0.2	-0.8	2.3	3.4	4.3
Employment (Thousands)								
Washington Civilian Labor Force	3,289.4	3,350.2	3,434.5	3,517.2	3,525.5	3,546.7	3,586.8	3,644.9
Total Washington Employment	3,119.5	3,192.5	3,272.8	3,261.6	3,199.4	3,230.2	3,291.6	3,391.9
Unemployment Rate (%)	5.16	4.71	4.71	7.26	9.25	8.92	8.23	6.94
Nonfarm Payroll Employment	2,820.5	2,896.6	2,960.0	2,901.7	2,788.5	2,793.7	2,857.4	2,946.8
% Ch	3.0	2.7	2.2	-2.0	-3.9	0.2	2.3	3.1
Manufacturing	279.2	289.7	295.5	279.0	258.7	260.1	273.1	286.2
% Ch	4.3	3.8	2.0	-5.6	-7.3	0.5	5.0	4.8
Durable Manufacturing	197.6	208.1	214.5	201.5	184.6	186.5	196.8	207.0
% Ch	5.8	5.3	3.1	-6.0	-8.4	1.0	5.6	5.1
Aerospace	69.0	76.7	83.1	82.9	81.2	80.3	81.6	84.5
% Ch	8.8	11.1	8.3	-0.2	-2.0	-1.2	1.7	3.5
Nondurable Manufacturing	81.6	81.6	81.0	77.5	74.1	73.6	76.3	79.2
% Ch	0.7	0.0	-0.7	-4.4	-4.3	-0.7	3.6	3.9
Construction	186.6	202.7	207.7	181.5	148.5	142.6	145.4	157.9
% Ch	9.7	8.7	2.5	-12.6	-18.2	-4.0	2.0	8.6
Service-Producing	2,345.9	2,395.7	2,448.9	2,434.3	2,375.3	2,384.7	2,431.8	2,494.8
% Ch	2.4	2.1	2.2	-0.6	-2.4	0.4	2.0	2.6
Software Publishers	42.8	46.5	48.8	52.1	50.8	52.3	54.5	57.3
% Ch	6.7	8.8	4.9	6.8	-2.6	2.9	4.2	5.3
Nonfarm Payroll Employment, EOP*	2,852.5	2,928.4	2,969.4	2,835.3	2,787.2	2,807.7	2,890.5	2,977.8
% Ch*	3.0	2.7	1.4	-4.5	-1.7	0.7	2.9	3.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	53.813	50.438	38.155	19.834	18.855	18.518	29.209	40.335
% Ch	3.9	-6.3	-24.4	-48.0	-4.9	-1.8	57.7	38.1
Single-Family	40.418	34.094	23.054	12.998	15.153	14.641	22.716	30.364
% Ch	5.1	-15.6	-32.4	-43.6	16.6	-3.4	55.2	33.7
Multi-Family	13.395	16.345	15.101	6.836	3.702	3.877	6.493	9.971
% Ch	0.3	22.0	-7.6	-54.7	-45.8	4.7	67.5	53.6
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	4.99	4.26	4.27	5.49

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

Table 2.2
Comparison of Alternative Forecasts

	Fiscal Year 2011				Fiscal Year 20112				Fiscal Year 2013			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	13,498	13,372	13,127	13,373	14,041	13,772	13,183	13,747	14,518	14,253	13,527	14,188
%Ch	3.4	2.4	0.6	2.5	4.0	3.0	0.4	2.8	3.4	3.5	2.6	3.2
Implicit Price Deflator	1.124	1.119	1.114	1.118	1.142	1.134	1.127	1.136	1.152	1.152	1.154	1.157
%Ch	1.8	1.3	0.9	1.2	1.6	1.4	1.2	1.6	0.9	1.6	2.4	1.9
Mortgage Rate	4.90	4.26	3.92	4.41	5.37	4.27	3.90	4.77	5.63	5.49	5.78	5.50
3 Month T-Bill Rate	0.43	0.20	0.13	0.24	2.19	0.48	0.21	0.70	3.16	2.76	1.81	3.07
Washington												
Real Personal Income	264.818	261.838	257.571	262.984	278.626	269.832	255.450	270.582	294.314	280.692	256.808	280.529
%Ch	3.2	2.0	0.3	2.4	5.2	3.1	-0.8	2.9	5.6	4.0	0.5	3.7
Personal Income	297.683	292.923	286.848	293.917	318.104	305.962	287.884	307.390	339.153	323.287	296.400	324.614
%Ch	5.0	3.3	1.2	3.7	6.9	4.5	0.4	4.6	6.6	5.7	3.0	5.6
Employment	2818.7	2793.7	2763.4	2806.1	2924.7	2857.4	2760.1	2855.0	3047.3	2946.8	2792.3	2936.6
%Ch	1.1	0.2	-0.9	0.6	3.8	2.3	-0.1	1.7	4.2	3.1	1.2	2.9
Housing Permits	21.175	18.518	15.353	18.185	35.825	29.209	22.572	27.206	50.315	40.335	32.347	35.725
%Ch	12.3	-1.8	-18.6	-3.6	69.2	57.7	47.0	49.6	40.4	38.1	43.3	31.3

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

Table 2.3
Forecast Analysis
 Comparison of Forecasts for 2009-11

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

Table 2.4

Fiscal Years

Forecast Comparison

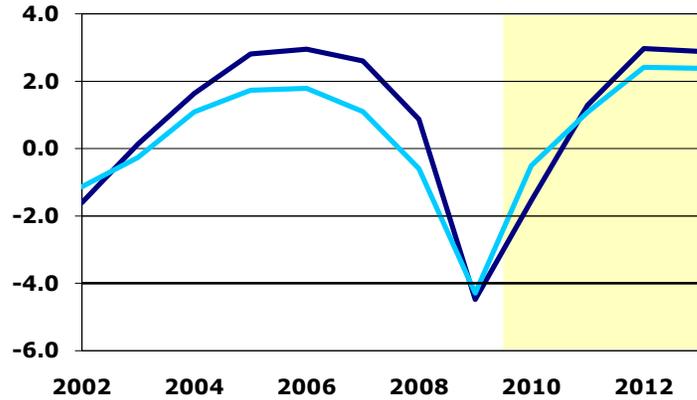
Forecast 2010 to 2013

	2009	2010	2011	2012	2013
Washington					
Real Personal Income					
September Baseline	259.404	256.700	261.838	269.832	280.692
% Ch	0.0	-1.0	2.0	3.1	4.0
June Baseline	256.018	255.735	266.027	276.538	287.458
% Ch	-0.9	-0.1	4.0	4.0	3.9
Personal Income					
September Baseline	282.886	283.471	292.923	305.962	323.287
% Ch	1.5	0.2	3.3	4.5	5.7
June Baseline	279.324	282.017	297.645	314.771	333.428
% Ch	0.6	1.0	5.5	5.8	5.9
Employment					
September Baseline	2901.7	2788.5	2793.7	2857.4	2946.8
% Ch	-2.0	-3.9	0.2	2.3	3.1
June Baseline	2901.7	2798.3	2839.4	2931.7	3018.0
% Ch	-2.0	-3.6	1.5	3.3	2.9
Housing Permits					
September Baseline	19.834	18.855	18.518	29.209	40.335
% Ch	-48.0	-4.9	-1.8	57.7	38.1
June Baseline	19.834	19.505	24.480	39.322	45.934
% Ch	-48.0	-1.7	25.5	60.6	16.8

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

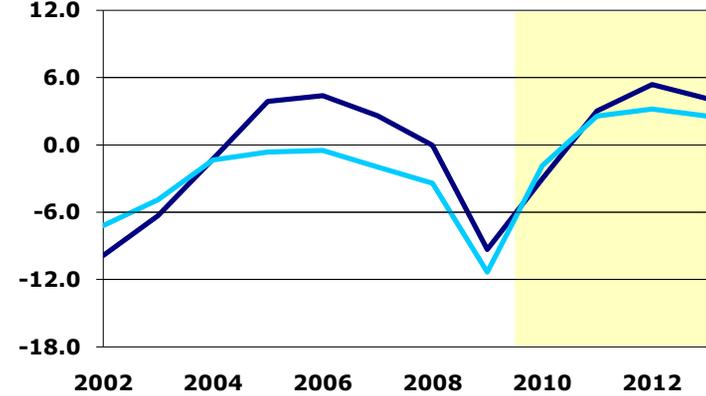
Forecast

Total nonfarm payroll employment



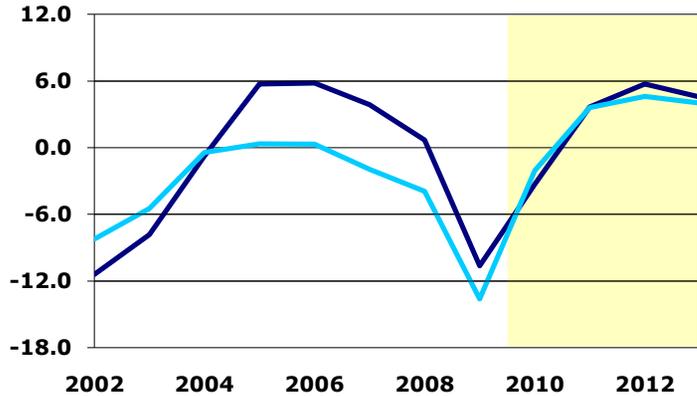
Source: WA State Employment Security Dept. 2009, ERFC 2013

Manufacturing employment



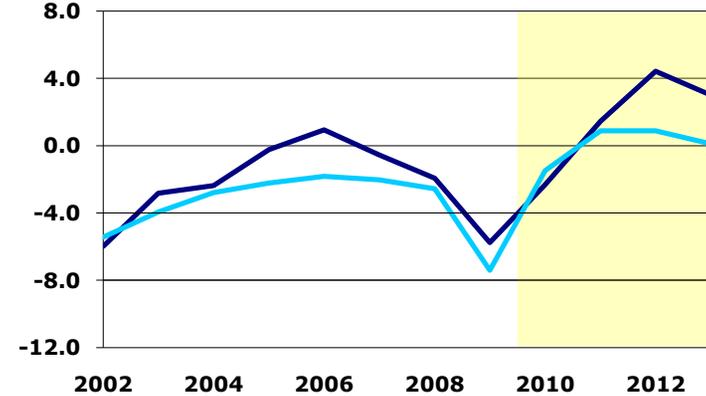
Source: WA State Employment Security Dept. 2009, ERFC 2013

Durable manufacturing employment



Source: WA State Employment Security Dept. 2009, ERFC 2013

Nondurable manufacturing employment



Source: WA State Employment Security Dept. 2009, ERFC 2013

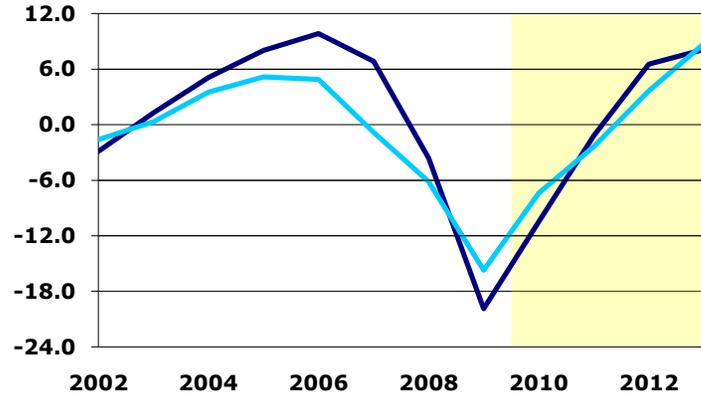
Washington

U.S.

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

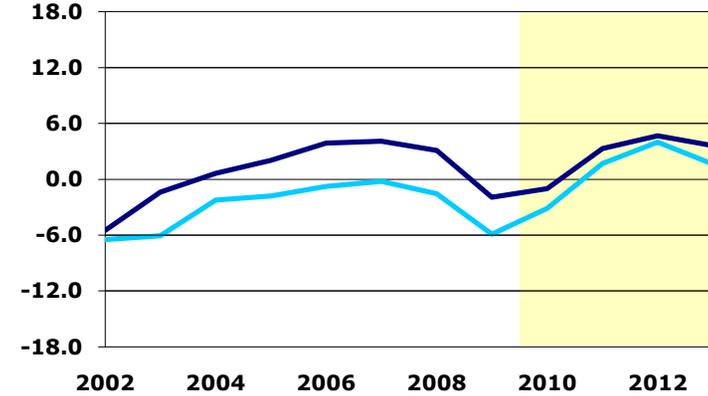
Forecast

Construction employment



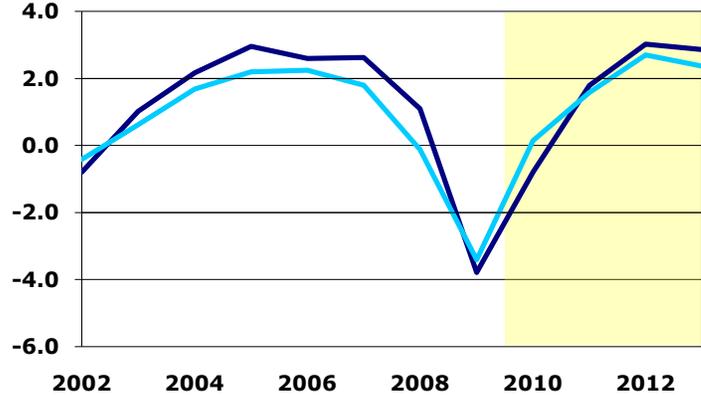
Source: WA State Employment Security Dept. 2009, ERFC 2013

Information employment



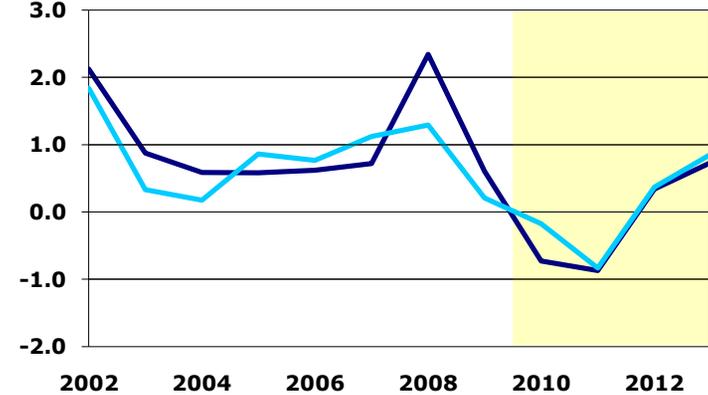
Source: WA State Employment Security Dept. 2009, ERFC 2013

Other private employment



Source: WA State Employment Security Dept. 2009, ERFC 2013

Government employment



Source: WA State Employment Security Dept. 2009, ERFC 2013

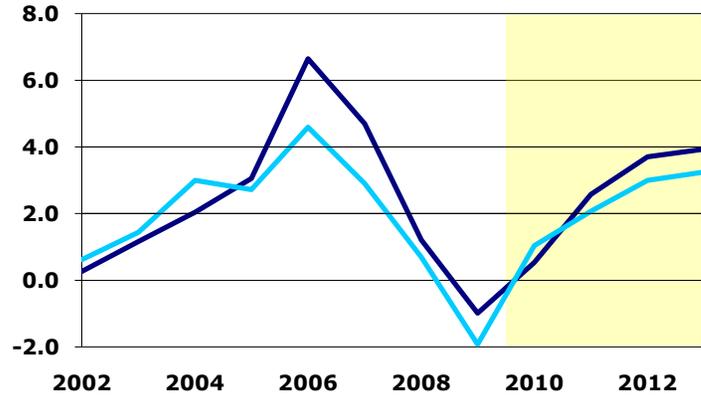
Washington

U.S.

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

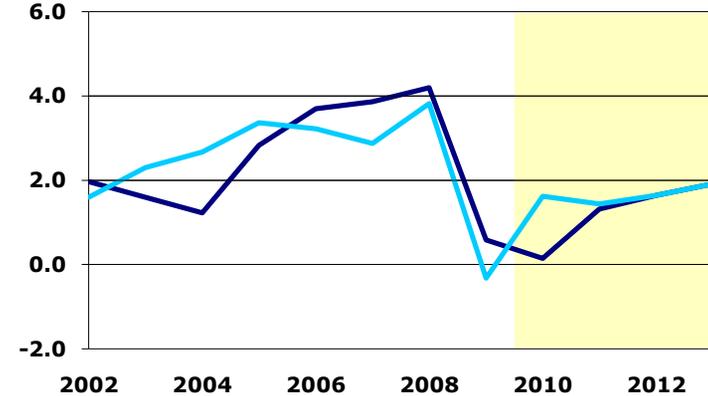
Forecast

Real personal income



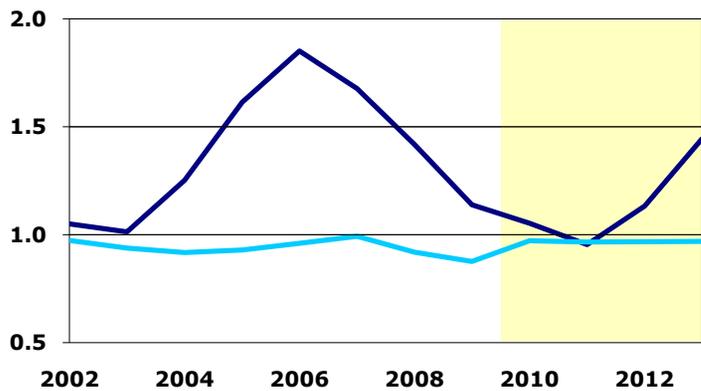
Source: Bureau of Economic Analysis 2008, ERFC 2013

Consumer price indices



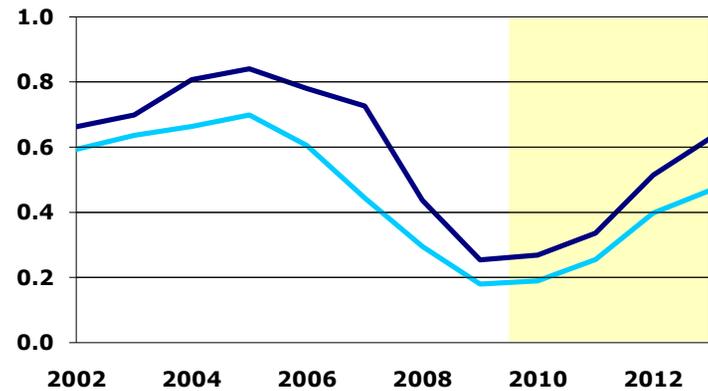
Source: Bureau of Labor Statistics 2009, ERFC 2013

Population



Source: Office of Financial Management 2009, ERFC 2013

Per capita housing units



Source: Census Bureau 2009, ERFC 2013

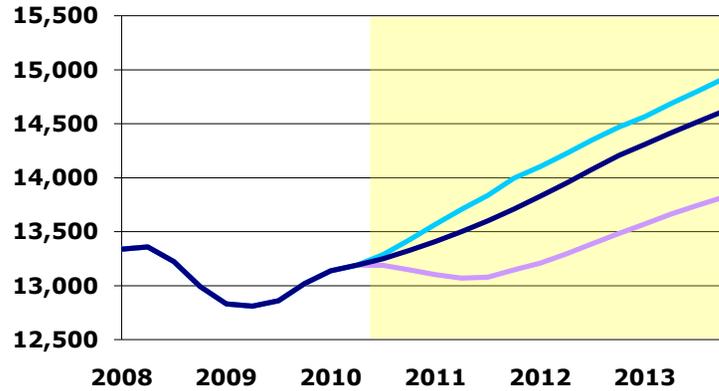
Washington

U.S.

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

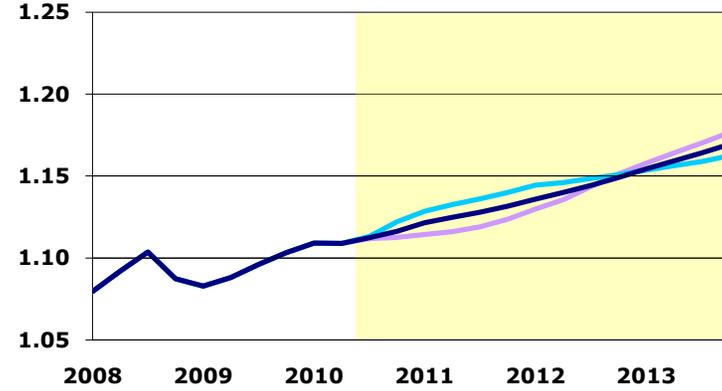
Forecast

Real GDP, billions of chained 2005 dollars



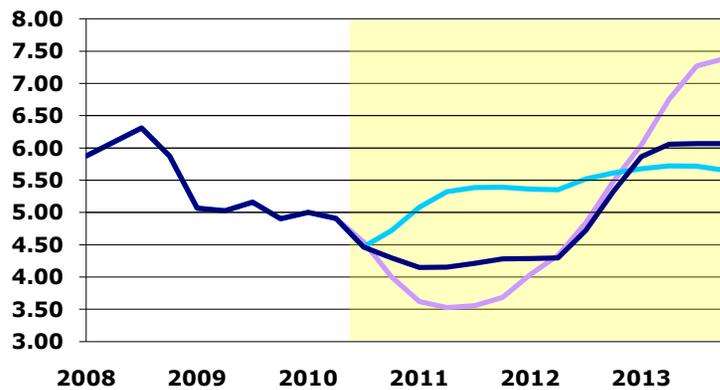
Source: Bureau of Economic Analysis 2010 Q2, ERFC 2013

Implicit price deflator, index 2005 = 1.0



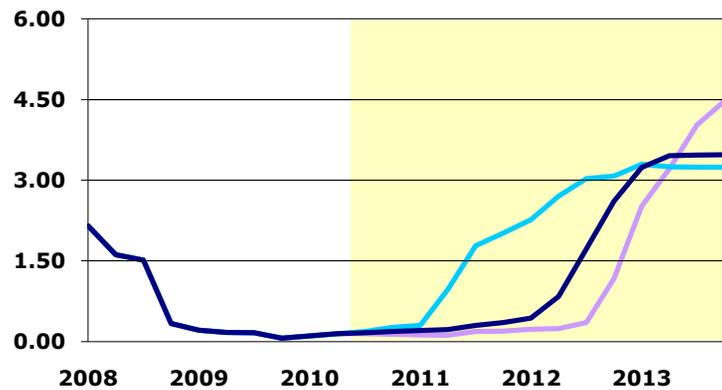
Source: Bureau of Economic Analysis 2010 Q2, ERFC 2013

Mortgage rate, percent



Source: Freddie Mac 2010 Q2, ERFC 2013

Three month T-bill rate, percent



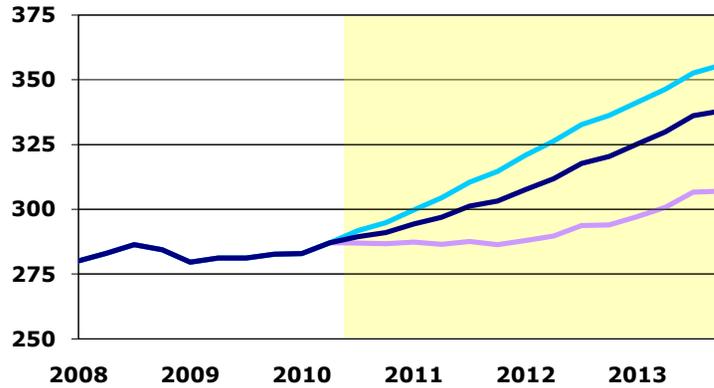
Source: Federal Reserve Board 2010 Q2, ERFC 2013

■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts

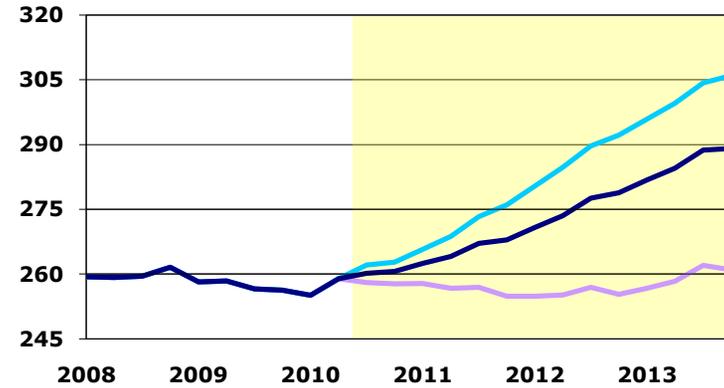
Forecast

Personal income, billions of dollars



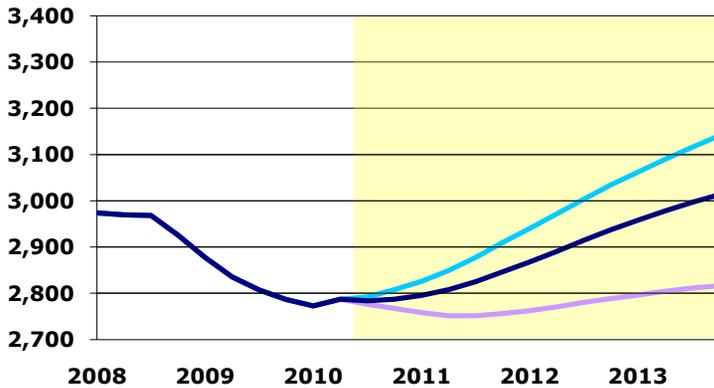
Source: Bureau of Economic Analysis 2008 Q4, ERFC 2013

Real personal income, billions of chained 2005 dollars



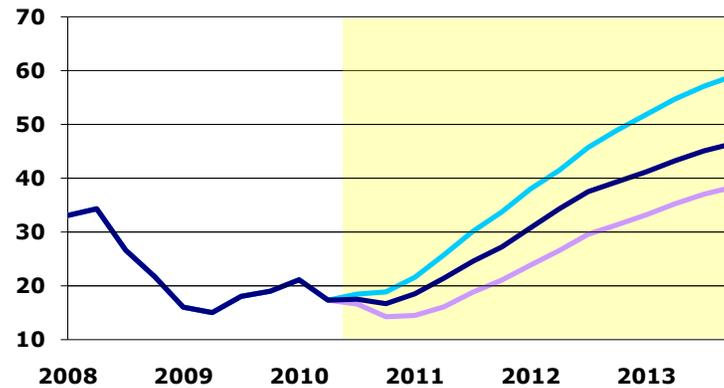
Source: Bureau of Economic Analysis 2008 Q4, ERFC 2013

Total nonfarm payroll employment, thousands



Source: WA State Employment Security 2010 Q2, ERFC 2013

Housing permits, thousands



Source: Census Bureau 2010 Q2, ERFC 2013

■ Baseline ■ Optimistic ■ Pessimistic



Chapter 3: Washington State Revenue Forecast Summary

- **Based on the economic forecast, the revenue forecast predicts slower revenue growth in both the current biennium and the next.**
- **Although seasonally-adjusted revenues have stopped falling and are now trending upward, they are doing so at a slower pace than previously forecasted.**
- **Due to the unanticipated mid-summer “soft patch” in the state and national economies, cumulative General Fund-State revenues through September 10th fell short of the June forecast by 5.7%.**
- **The General Fund-State forecast has been reduced by \$770 million in the 2009-11 biennium and \$669 million in the 2011-13 biennium.**

Overview

Revenue growth slowed unexpectedly right after the June forecast

At the time of the June forecast, the upward trend in state tax revenues appeared to be strengthening. Key tax measures in May and June had shown year-over-year growth for the first time since July 2008 and the economic outlook was improving. As outlined in Chapter 1 and Chapter 2, however, the state and national economies hit a “soft patch” immediately after the forecast was released. Revenue collections stalled as consumers and businesses cut their spending in the face of new uncertainty. Recent collections have firmed somewhat, but the outlook for future growth has been revised downward due to the renewed economic headwinds.

A weaker economic forecast is the main reason for lower projected revenue growth

Table 3.1 summarizes the change in forecasted revenues for the 2009-11 and 2011-13 biennia. By the time of the September forecast, revenues for the 2009-11 biennium were \$191.8 million below their forecasted value. Weaker forecasted revenue growth due to a weaker economic outlook subtracted \$573.1 million in collections for the remainder of the current biennium and \$658.7 million in the next biennium. A decision to cancel a planned Department of Revenue administrative fee for the collection of Regional Transit Authority taxes reduced the forecast further by \$5.0 million in the 2009-11 biennium and \$10.0 million in the

2011-13 biennium. Netted out, forecast reductions for General Fund-State (GF-S) revenue is \$769.9 million in the 2009-11 biennium and \$668.7 million in the 2011-13 biennium.

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

		2009-11 Biennium	2011-13 Biennium	Total*
<i>GF-S forecast (\$millions):</i>	Collection Experience	(\$191.8)	NA	(\$191.8)
	Non-Economic Change	(\$5.0)	(\$10.0)	(\$15.0)
	Forecast Change	(\$573.1)	(\$658.7)	(\$1,231.8)
2009-11: \$28,512	Total Change	(\$769.9)	(\$668.7)	(\$1,438.6)
2011-13: \$33,414				

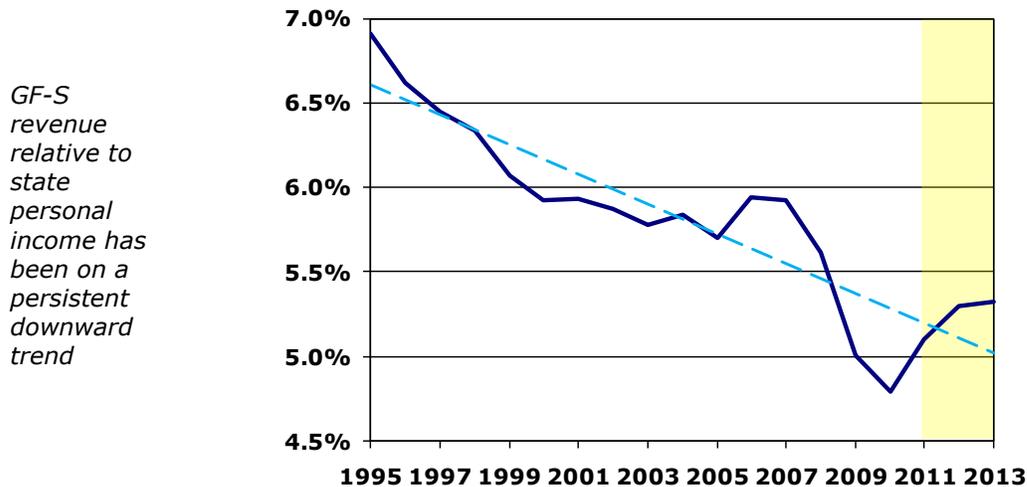
Source: ERFC, September 2010
*Totals might not add due to rounding

With the revisions above, GF-S revenue for the 2009-11 biennium is forecasted to total \$28,512.5 million and GF-S revenue for the 2011-13 biennium is forecasted to total \$33,414.2 million.

The ratio of collections to personal income is predicted to remain below 1995-2008 levels

As can be seen in [Figure 3.1](#), the amount of GF-S revenue that is collected relative to state personal income has been on a persistent downward trend since 1995 (the first year that a series consistent with the current definition of GF-S revenue can be created). The increase in real estate excise taxes and retail sales taxes on construction materials during the housing boom

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



Source: ERFC, data through fiscal year 2010

from 2005 to mid-2008 caused collections to rise above this trend, while the subsequent bust caused collections to fall below the trend. The September forecast, as shown in the yellow shaded area, temporarily increases the ratio of collections to income due to the forecasted economic recovery and revenue-enhancing legislation passed in the 2010 session (see the June Washington State Economic and Revenue Forecast publication for details). Nevertheless, the ratio is still far lower than the ratios of fiscal years 1995 through 2008.

Forecast details are at the end of the chapter

The history of nominal and real GF-S revenue by biennium can be found in Table 3.3. GF-S revenue by agency and major revenue classification for the 2009-11 biennium can be found in Table 3.5 (cash) and Table 3.6 (GAAP). The GF-S forecast by agency and major revenue classification for the 2011-13 biennium can be found in Table 3.7 (cash) and Table 3.8 (GAAP).

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

Forecast Procedure

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington’s economy to the national economy. After review by forecast workgroups; the Governor’s Council of Economic Advisors; and the Economic and Revenue Forecast Council in public; this state economic forecast (updated for newly released data) is used to prepare a baseline revenue forecast for GF-S and the related funds. The forecasts are based on current law and administrative practices and do not reflect pending legal challenges to GF-S receipts until they are resolved. Additionally, at least two alternative forecasts are prepared for all GF-S and related fund sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GF-S and related fund revenues. The history and forecast of GF-S revenue by biennium can be found in Table 3.3.

Recent Collection Experience

The cumulative total variance since the June forecast was negative \$191.8 million

Cumulatively, Revenue Act receipts (retail sales, use, business and occupation, tobacco products and public utility taxes) from June 11 through September 10, 2010 were \$193.0 million (6.9%) below the value forecasted in June (see Table 3.2). Revenue from other Department of Revenue tax sources was \$3.6 million (0.7%) higher than expected. Most of the positive variance in non-Revenue Act collections was due to \$13.2 million in greater-than-forecasted transfers of unclaimed property into the GF-S. This positive variance was partially offset by negative variances of \$8.2 million in cigarette tax collections and \$2.6

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

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$193.0)	-6.9%
Non Revenue Act	\$3.6	0.7%
Subtotal	(\$189.4)	-5.7%
Department of Licensing	(\$1.0)	-7.4%
Administrative Office of the Courts	(\$1.4)	-5.4%
Total*	(\$191.8)	-5.7%

* Detail may not add to total due to rounding.
Source: ERFC; Period: June 11 - September 10, 2010

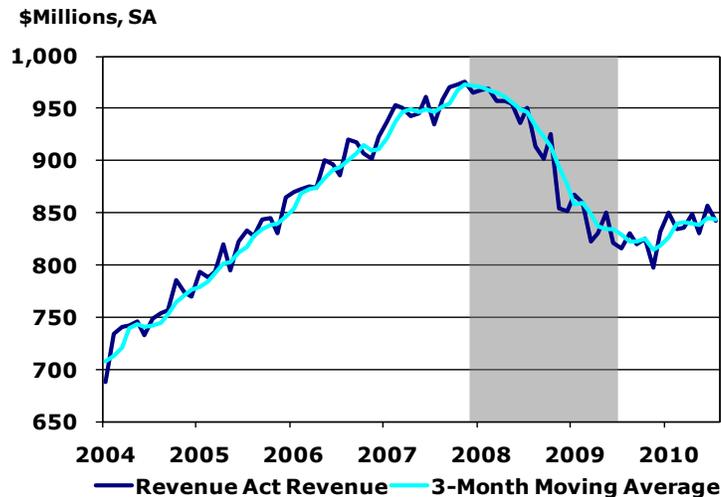
million in real estate excise tax. Liquor tax and property tax receipts came in \$2.4 million and \$1.5 million above the forecast respectively. Cumulative revenue from the Department of Licensing was \$1.0 million (7.4%) lower than forecasted in June and revenue from the Administrative Office of the Courts, which began to be deposited in the GF-S on July 1, 2009 (formerly part of the Public Safety and Education Account) was \$1.4 million (5.4%) lower than forecasted. The cumulative total variance of the above sources was -\$191.8 million (-5.7%).

Revenue Act collections have shown positive year-over-year growth in four out of the last five collection periods

As shown in [Figure 3.2](#), on a seasonally adjusted basis, Revenue Act collections have been on an upward trend since November 2009. In the August 11 - September 10, 2010 collection period, Revenue Act collections increased 3.2% year-over-year after adjusting for one-time payments and the FY 10 change in the definition of Revenue Act taxes. Adjusted collections have now shown year-over-year growth in four out of the last five collection periods. Prior to the April 11 - May 10, 2010 collection period, adjusted collections had not shown a year-over-year increase since the June 11 - July 10, 2008 period. Adjusted collections in the May 11 - August 10, 2010 period, which primarily reflected second quarter 2010 activity, were up 1.3% year-over-year, the first quarterly year-over-year increase since the second quarter of 2008. First quarter activity (February 11 - May 10, 2010 adjusted collections) was down 1.0% year-over-year, while adjusted collections reflecting fourth quarter 2009 activity showed a 6.2% decline.

Figure 3.2: Revenue Act Collections (ESSB 5073 Definition, Adjusted for Large Payments/Refunds), SA

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



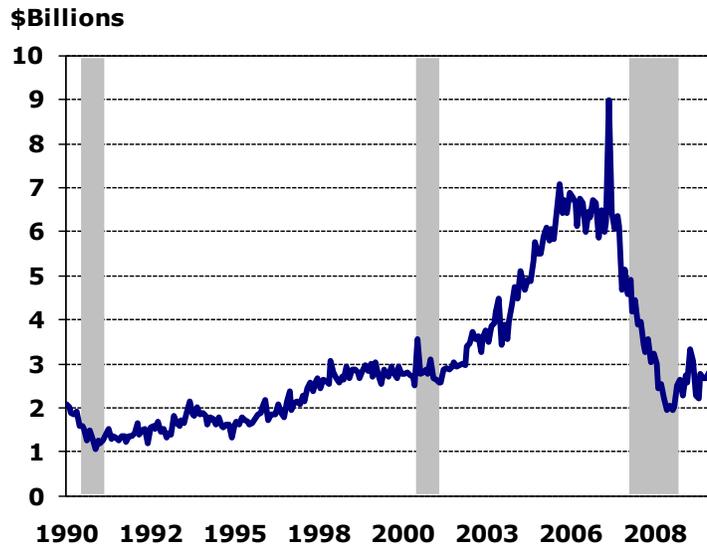
Source: ERFC; Data through September 10, 2010

Real estate excise tax collections fell after the expiration of the first round of federal tax credits for homebuyers and did not recover much in the second round

The expiration of two rounds of federal tax credits for homebuyers have made real estate excise tax collections extremely erratic over the last several months. The first round of tax credits, for first-time homebuyers only, applied to contracts signed before December 1, 2009. The rush to complete sales before the expiration of the credit caused real estate excise tax collections to soar in November and December 2009 (see Figure 3.3). Though the federal tax credit for first-time homebuyers was extended through April 30 and expanded to other homebuyers before the first round of credits expired, tax collections dropped sharply in January and February. Collections recovered in March through June (though homebuyers had to agree to purchases by April 30 they had until September 30 to close the sale) but then declined by a larger-than-expected amount in July and August. Despite the decline, August collections were still 1.7% above their year-ago level.

Figure 3.3: Taxable Real Estate Excise Activity, SA

The second round of federal tax credits saw REET receipts increase less than expected



Source: ERFC; data through August 2010

Recent EFT Payments by Industry

Tax payments by electronic filers provide an estimate of activity by industry.

Detailed information on tax payments by type and industry is compiled by the Department of Revenue on a quarterly basis. While data on third quarter activity will not be complete until January 2011, a preliminary indication of recent activity by industry sector can be inferred by looking at payments by taxpayers who file their tax returns electronically. Payments from the most recent collection period can be compared to the year-ago payments by the same taxpayers.

Revenue from electronic filers has shown year-over-year increases for the last six months

Electronic tax returns from the August 11 – September 10, 2010 period mainly represent July taxable activity. For the sixth consecutive collection period, payments from electronic filers who also filed electronically last year were higher than their levels a year ago. Total payments were up 1.7% year-over-year. Total tax payments from businesses in the retail trade sector were up 3.4% year-over-year. Nine out of the twelve major retail trade sectors showed year-over-year growth in payments. The largest year-over-year increases in tax payments from the retail trade sector were in electronics and appliances (+18.0%), nonstore retailers (+13.0%), gas stations and convenience stores (+11.3%) and drug and health stores (+6.4%). The three decreasing sectors were food and beverage stores (-2.4%), miscellaneous retailers (-1.8%) and motor vehicles and parts (-0.5%). Total payments from sectors other than retail trade increased 0.7%. Tax payments in the construction sector were down 15.4% year-over-year, while payments in the manufacturing sector were up 2.4% year-over-year. Excluding both the manufacturing and construction sectors, payments from non-retail trade sectors were up 5.5%. The number of increasing non-retail sectors outnumbered declining sectors twelve to four.

Department of Revenue

Taxes collected by DOR are most of GF-S taxes

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

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

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

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

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

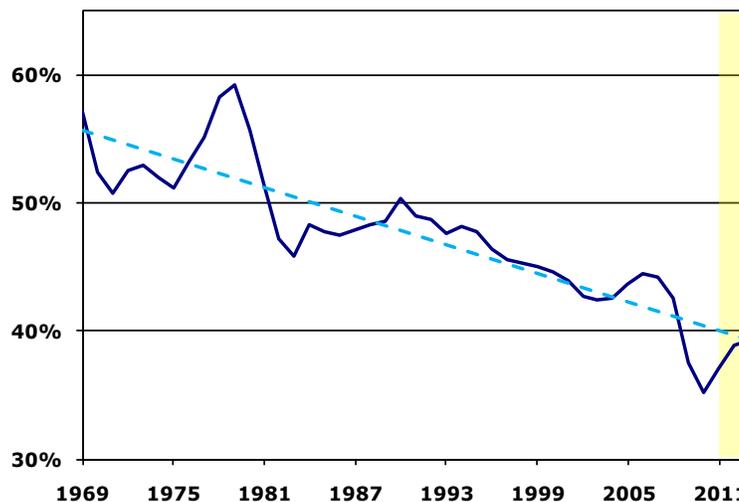
estimated 20% in FY 2010. By FY 2010, the construction sector only accounted for an estimated 16.5% of taxable sales.

...and auto sales

Another large contributor to the retail sales tax is motor vehicle and parts sales, which represented an average of 10.6% of taxable sales activity in FY 2007 and 2008. Taxable activity in this sector declined by 23% in FY 2009 and then grew only an estimated 0.2% FY 2010. The declines in just these two sectors were responsible for 31% of the decline in taxable sales in FY 2009 and an estimated 54% of the decline in FY 2010. Total taxable sales declined 10.4% in FY 2009 and an estimated 6.1% in FY 2010.

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

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



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

Source: ERFC; forecast through FY 2013

Retail sales tax receipt growth forecast:

*FY10: -6.6%
FY11: 8.3%
FY12: 9.3%
FY13: 7.4%*

On a seasonally adjusted basis, taxable sales showed a quarter-to-quarter increase in the first quarter of 2010, the first such increase since the fourth quarter of 2007. The June forecast had expected activity to remain on an upward trend in the second quarter, but instead it declined as the economic recovery took an unexpected pause, as described in Chapters 1 and 2. While growth is expected to resume in the third quarter, its rate has been revised downward. This has lowered our forecast of FY 2011 taxable activity growth from 10.9% to 8.7% (see Table 3.4). As is common in periods of economic recovery, this growth rate is magnified by the exceptionally low level of FY 2010 activity. Growth was also increased by the new retail sales taxes on candy and bottled water effective June 1, 2010 (see the June

Economic and Revenue Forecast publication for details). Even at the forecasted growth rate, projected FY 2011 sales would be 8.5% below their level of FY 2008. Taxable sales are not forecasted to surpass their FY 2008 level until FY 2012, with total sales in that fiscal year just 0.3% above the FY 2008 level. The recovery in taxable activity in the construction sector is now expected to start in the second quarter of 2011, two quarters later than forecasted in June. Having such a large sector switch from being a drag on sales to a positive contributor, coupled with the downward revision of the FY 2011 forecast, has increased forecasted FY 2012 growth to 9.7% from June's forecast of 6.3%. Taxable sales are forecasted to grow at 6.5% in FY 2013. 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 grow by 8.3% in FY 2011, 9.3% in FY 2012 and 7.4% in FY 2013. In June, sales taxes were forecasted to decline by 6.0% in FY 2010 and grow by 12.4% in FY 2011, 6.9% in FY 2012 and 4.5% in FY 2013. 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 19.0% of GF-S revenue in FY 2010. It is a tax on the gross receipts of all businesses operating in Washington. The state portion of the tax applies ten different rates according to various classifications of business activities. In FY 2010, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.5% (1.8% effective May 2010) and represented an estimated 42% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented 24% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented 19% of taxes due.

B&O tax growth forecast:

*FY10: 0.6%
FY11: 20.9%
FY12: 11.8%
FY13: 7.3%*

In June, B&O tax receipts were forecasted to grow by 3.4% in FY 2010. Actual collections came in \$71 million lower than forecasted, for a growth rate of 0.6%. Over half of the shortfall, however, was the result of \$11.3 million in unexpected large refunds and \$28.3 million of transfers of B&O funds to the hazardous substances tax to correct for past misallocations. Without these \$39.6 million in reductions, the growth rate would have been 2.2%. Due mainly to new revenue from an increase of the B&O services tax from 1.5% to 1.8% and other legislative changes described in the June Washington State Economic and Revenue Forecast publication, taxes are forecasted to grow by 20.9% in FY 2011. This is a reduction from June's forecasted growth rate of 27.0%. As much of the economic recovery is now expected to occur toward the latter part of FY 2011 and early FY 2012, forecasted FY 2012 growth has been increased to 11.8% from June's rate of 9.3%. Tax receipts are forecasted to grow at 7.3% in FY 2013, up from 6.4% in June. Despite the increased growth rates for FY 2012 and 2013, forecasted total B&O collections for the 2011-13 biennium have been decreased by

\$360 million (4.8%). B&O taxes decreased by 8.2% year-over-year in FY 2009 after increasing 5.5% in FY 2008.

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

The state property tax levy is the third largest source of GF-S revenue, accounting for 13.3% of total revenue in FY 2010. Though the tax goes into the GF-S, it is dedicated to the funding of basic education. Under Initiative-728, passed in November 2000, a portion of the state property tax levy was transferred monthly from the General Fund to the Student Achievement Account, but beginning in FY 2010 the account has been consolidated into the GF-S under ESSB 5073.

GF-S property tax growth forecast:

FY10: 19.4%
FY11: 1.4%
FY12: 2.4%
FY13: 2.4%*

**inflated by legislative changes*

The forecast of GF-S property tax receipts has been decreased by \$3.1 million in the current biennium and \$4.6 million in the 2011-13 biennium. FY 2010 receipts grew by 19.4%. This growth rate, however, is inflated by the FY 2010 elimination of the transfer to the Student Achievement Account. If the transfer had not occurred in FY 2009, property tax collections would have been \$1.77 billion, which would correspond to a growth rate of only 2.1%. Property tax receipts are forecasted to grow by 1.6% in FY 2011, 2.2% in FY 2012 and 2.5% in FY 2013. In June, property taxes were forecasted to increase by 19.4% in FY 2010, 1.6% in FY 2011, 2.2% in FY 2012 and 2.5% in FY 2013. GF-S property tax receipts increased by 2.7% year-over-year in FY 2009 after increasing 3.5% in FY 2008.

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

The state use tax was the fourth largest GF-S revenue source in FY 2010 at 3.1% of total receipts. The state portion of the tax is 6.5% of the purchase price for items used in the state that were not subject to the state retail sales tax. Examples of items subject to the state use tax are goods purchased out-of-state or purchases of used vehicles from private individuals.

Use tax growth forecast:

*FY10: -8.0%
FY11: 16.1%
FY12: 9.2%
FY13: 5.9%*

Use tax receipts for FY 2010 were 8.0% below their FY 2009 level. The June forecast had predicted a 6.9% decline. Due to a change in the forecasted distribution of tax refunds, the forecasted growth rate for FY 2011 has been increased from 15.5% to 16.1%. Nevertheless, the forecast of total receipts for the current biennium has been reduced by \$8 million (0.9%). Much of the reason for the forecasted steep rise in FY 2011 is a projected increase of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. Used vehicle sales exhibit sharp declines and increases during times of downturn and recovery. Such sales were responsible for much of the 10.0% decline in FY 2009 taxes as well as the decrease in FY 2010. Use tax receipts are forecasted to grow by 9.2% in FY 2012 and 5.9% in FY 2013. In June, use tax receipts were forecasted to increase 10.3% in FY 2012 and 5.6% in FY 2013. Use tax receipts increased by 1.4% in FY 2008.

REET was the fifth largest source of GF-S revenue in FY 2009

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

REET growth forecast:

*FY10: -2.4%
FY11: 10.4%
FY12: 25.1%
FY13: 5.2%*

Due to the negative forecast variance mentioned above and the diminished outlook for the housing sector, the total REET forecast for the current biennium has been decreased by \$48.1 million. Collections in FY 2011 are now expected to grow at a 10.4% rate, down considerably from the 23.6% growth forecasted in June. The recovery that was expected to take place in FY 2011 has been pushed into FY 2012, with an expected growth rate of 25.1%. The high FY 2012 growth rate does not represent a strong recovery in the real estate market, but instead a return to an activity rate approaching normalcy after declines of 38.0% in FY 2008, 41.3% in FY 2009 and 2.4% in FY 2010. Even with the forecasted growth, expected FY 2012 receipts are below the receipts of FY 2004. Growth is forecasted to slow to 5.2% in FY 2013. In June, REET receipts were forecasted to increase by 16.3% in FY 2012 and 4.5% in FY 2013.

Department of Licensing

Forecast change by biennium (millions):

*09-11: -\$4.5
11-13: -\$3.0*

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. The department's forecast for the 2009-11 biennium has been decreased \$4.5 million to \$34.0 million and its forecast for the 2011-13 biennium has been decreased \$3.0 million to \$37.0 million due mainly to decreased vessel registrations and watercraft excise taxes.

The Office of Financial Management (Other Agencies)

Forecast change by biennium (millions):

*09-11: -\$10.4
11-13: -\$10.3*

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, the Washington State Lottery, and the State Treasurer. The office's forecast for the 2009-11 biennium has been decreased \$10.4 million to \$209.7 million and its forecast for the 2011-13 biennium has been decreased \$10.3 million to \$194.2 million. Most of the forecast reduction was due to a decrease in forecasted settlement payments from tobacco companies and lower actual and forecasted license and fee revenue from the Department of Financial Institutions.

State Treasurer

*Forecast
change by
biennium
(millions):*

09-11: *-\$4.5*
11-13: *-\$15.9*

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2009-11 biennium has been decreased \$4.5 million to negative \$11.1 million. The forecasted earnings for the biennium are negative because the forecasted daily balance of the GF-S for the biennium is now negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office. The office's forecast for the 2011-13 biennium has been reduced \$15.9 million to \$11.3 million due to a decrease in forecasted interest rates.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

09-11: *\$0.2*
11-13: *\$0.0*

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the GF-S and various accounts in support of fire services. The office's forecast for the 2009-11 biennium has been increased \$0.2 million to \$809.5 million. The office's forecast for the 2011-13 biennium is unchanged at \$894.3 million.

Liquor Control Board

*Forecast
change by
biennium
(millions):*

09-11: *-\$2.6*
11-13: *-\$13.2*

The Liquor Control Board forecasts GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2009-11 biennium is unchanged at \$73.1million and its forecast for the 2011-13 biennium has been decreased \$8.5 million to \$80.0 million. The board's forecast of beer and wine surtaxes for the 2009-11 biennium has been decreased \$2.6 million to \$121.6 million and its forecast for the 2011-13 biennium has been decreased \$4.7 million to \$175.9 million.

Lottery Commission

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

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

*Forecast
change by
biennium
(millions):*

09-11: \$1.9

will be transferred entirely to the Washington Opportunity Pathways Account, with no transfers to the GF-S. Budget legislation from the 2008 legislative sessions did, however, authorize separate transfers of unclaimed prize revenue to the GF-S for the 2009-11 biennium, which will continue. The forecast of these transfers has been increased \$1.9 million to \$20.1 million. There will be no revenue transfers to the GF-S in the 2011-13 biennium. The School Construction Account is forecasted to receive \$104.8 million during the current biennium, representing FY 2010 proceeds, and the Opportunity Pathways Account is forecasted to receive \$94.2 million, representing FY 2011 proceeds. The Opportunity Pathways Account is forecasted to receive \$230.6 million in the 2011-13 biennium. Details of 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: -\$3.4

11-13: -\$5.7

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties to fund the Public Safety and Education Account (PSEA) and the Equal Justice sub account. Under ESSB 5073, the revenue and activities of these accounts have been consolidated into the GF-S starting July 1, 2009. The forecast of these funds for the 2009-11 biennium has been decreased \$3.4 million to \$200.4 million and the forecast for the 2011-13 biennium has been decreased \$5.7 million to \$209.4 million.

Track Record for the 2009-11 Biennium

*The
September
2010
forecast for
the 2009-11
biennium is
\$5.65 billion
(16.5%)
lower than
the initial
forecast in
February
2008*

Table 3.10 summarizes the changes to the GF-S revenue forecast for the 2009-11 biennium. The values of the previous forecasts have been adjusted to reflect the new definition of GF-S under ESSB 5073 (these values were previously classified as "GF-S and Related Funds"). The initial forecast for the biennium was released in February 2008. The September forecast for the 2009-11 biennium is \$5.65 billion (16.5%) lower than the initial forecast. Non-economic changes (excluding the classification changes from ESSB 5073) have increased the forecast by \$757 million (2.2%). Excluding non-economic changes, the current forecast is \$6.40 billion (18.7%) lower than the initial forecast. The September forecast is \$1.62 billion (5.4%) lower than the March 2009 forecast, which was the basis for the initial 2009-11 budget.

Track Record for the 2011-13 Biennium

The September forecast for the 2011-13 biennium is \$1.19 billion (3.7%) higher than the February 2010 forecast

Table 3.11 summarizes the changes to the GF-S revenue forecast for the 2011-13 biennium. The February 2010 forecast was the initial forecast for the biennium. The September forecast for the 2009-11 biennium is \$1.19 billion (3.7%) higher than the initial forecast. Non-economic changes have increased the forecast by \$1.65 billion (5.1%). Excluding non-economic changes, the current forecast is \$461 million (1.4%) lower than the initial forecast.

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

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

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

Budgetary Balance Sheets for the 2009-11 Biennium

The forecast implies an ending GF-S deficit of \$516 million at the end of the 2009-11 biennium

Table 3.12 shows the budgetary balance sheet for the 2009-11 biennium as prepared by the Office of Financial Management and the House and Senate fiscal committees. With adoption of the September 2010 forecast, the GF-S is projected to have a \$516.2 deficit at the end of the 2009-11 biennium. This is based on a total expenditures level of \$30,465.2 million as established in the 2010 legislative session. The total ending balance is comprised of a projected ending GF-S deficit of \$520.0 million and a \$3.8 million balance in the Budget Stabilization Account. By law, the deficit must be eliminated by June 30, 2011 by either

across-the-board spending cuts by the Governor, legislative action, or both.

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

<i>Optimistic scenario:</i>	Chapter 2 outlines optimistic and pessimistic alternatives to the baseline Washington economic forecast. The revenue implications of these alternative scenarios are shown in Table 3.13 for the 2009-11 biennium and Table 3.14 for the 2011-13 biennium. The optimistic forecast for the 2009-11 biennium generates \$28,888 million in revenue, \$375 million more than the baseline scenario, while the pessimistic forecast produces \$28,078 million in revenue, \$435 million less than the baseline. The forecast assigns a probability of 65% to the baseline forecast, 10% to the optimistic forecast and 25% to the pessimistic forecast. The optimistic forecast for the 2011-13 biennium generates \$35,845 million in revenue, \$2,430 million more than the baseline scenario, while the pessimist forecast produces \$30,597 million in revenue, \$2,817 million less than the baseline. The forecast assigns a probability of 90% to the baseline forecast, 5% to the optimistic forecast and 5% to the pessimistic forecast.
2009-11: +\$0.4 billion	
2011-13: +\$2.4 billion	
<i>Pessimistic scenario:</i>	
2009-11: -\$0.4 billion	
2011-13: -\$2.8 billion	

<i>GCEA scenario:</i>	In addition to the official optimistic and pessimistic alternatives, the Economic and Revenue Forecast Council routinely prepares a third alternative forecast. This is prepared by using a scenario developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA) as described in Chapter 2. The GCEA alternative revenue forecast was \$33 million more than the baseline scenario for the 2009-11 biennium and \$95 million less than the baseline scenario for the 2011-13 biennium.
2009-11: +\$33 million	
2011-13: -\$0.1 billion	

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

<i>Near General Fund forecast:</i>	"Near General Fund" accounts are those included in the GF-S plus the Education Legacy Trust Account. The forecast for the Education Legacy Trust account for the 2009-11 biennium has been decreased \$19.0 million to \$340.4 million. This brings the Near General Fund forecast for the biennium to \$28,852.8 million. The forecast of Education Legacy Trust Account revenue for the 2011-13 biennium has been decreased \$9.3 million to \$387.6 million, for a total Near General Fund forecast of \$33,801.8 million.
2009-11: \$28,852.8 million	
2011-13: \$33,801.8 million	

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

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	2005 <u>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%	27,017.5	12.1%
2007-09	27,703.0	-0.2%	25,589.5	-5.3%
2009-11 ^F	28,512.5	2.9%	25,652.5	0.2%
2011-13 ^F	33,414.2	17.2%	29,469.5	14.9%

^F September 2010 Forecast. Reflects new definition of General Fund-State per ESSB 5073

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

Source: Department of Revenue, the Office of Financial Management and the Economic and Revenue Forecast Council 's June 2010 forecast.

Table 3.4
Taxable retail sales*
(millions of dollars)

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>	<u>Percent</u> <u>Change</u>
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008	118,676	2.7%
2009	106,379	-10.4%
2010 ^P	99,911	-6.1%
2011 ^F	108,567	8.7%
2012 ^F	119,088	9.7%
2013 ^F	126,860	6.5%

^P Preliminary

^F Forecast

Source: ERFC

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

Table 3.5

Comparison of the General Fund-State forecast by agency

2009-11 biennium; cash basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>June 2010 Forecast</u> ¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Sept. 2010 Forecast</u> ²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$13,718.7	\$0.0	(\$354.5)	\$13,364.2	(\$354.5)
Business & Occupation Use	6,002.4	0.0	(316.3)	5,686.1	(316.3)
Public Utility	922.7	0.0	(8.0)	914.7	(8.0)
Liquor Sales/Liter	732.2	0.0	3.1	735.3	3.1
Cigarette	401.9	0.0	(2.7)	399.3	(2.7)
Property (State Levy)	684.0	0.0	(16.5)	667.4	(16.5)
Real Estate Excise	3,642.5	0.0	(3.1)	3,639.4	(3.1)
Timber Excise	846.8	0.0	(48.1)	798.8	(48.1)
Other	7.4	0.0	0.2	7.6	0.2
Subtotal	843.2	(5.0)	4.3	842.5	(0.7)
	27,801.8	(5.0)	(741.6)	27,055.2	(746.6)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	38.5	0.0	(4.5)	34.0	(4.5)
<i>Insurance Commissioner</i>					
Insurance Premiums	809.3	0.0	0.2	809.5	0.2
<i>Liquor Control Board</i>					
Liquor Profits and Fees	73.1	0.0	(0.0)	73.1	(0.0)
Beer & Wine Surtax	124.1	0.0	(2.6)	121.6	(2.6)
<i>Lottery Commission</i>					
Lottery Revenue	18.2	0.0	1.9	20.1	1.9
<i>State Treasurer</i>					
Interest Earnings	(6.6)	0.0	(4.5)	(11.1)	(4.5)
<i>Office of Financial Management</i>					
Other	220.1	0.0	(10.4)	209.7	(10.4)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	203.8	0.0	(3.4)	200.4	(3.4)
<u>Total General Fund-State *</u>	\$29,282.4	(\$5.0)	(\$764.9)	\$28,512.5	(\$769.9)

1 Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council June 2010.

2 Forecast for the 2009-11 biennium, adopted September 2010.

*Detail may not add to totals because of rounding.

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

Table 3.6

Comparison of the General Fund-State forecast by agency

2009-11 biennium; GAAP basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>June 2010 Forecast</u>¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Sept. 2010 Forecast</u>²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$13,697.0	\$0.0	(\$350.3)	\$13,346.7	(\$350.3)
Business & Occupation	5,982.1	0.0	(272.3)	5,709.8	(272.3)
Use	924.2	0.0	(11.7)	912.5	(11.7)
Public Utility	732.2	0.0	1.6	733.7	1.6
Liquor Sales/Liter	401.9	0.0	(2.6)	399.3	(2.6)
Cigarette	684.0	0.0	(17.5)	666.5	(17.5)
Property (State Levy)	3,642.5	0.0	(3.7)	3,638.8	(3.7)
Real Estate Excise	846.7	0.0	(48.5)	798.2	(48.5)
Timber Excise	7.3	0.0	0.0	7.3	0.0
Other	843.4	(5.0)	(1.0)	837.4	(6.0)
Subtotal	27,761.3	(5.0)	(706.0)	27,050.3	(711.0)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	38.5	0.0	(4.4)	34.1	(4.4)
<i>Insurance Commissioner</i>					
Insurance Premiums	809.3	0.0	0.2	809.5	0.2
<i>Liquor Control Board</i>					
Liquor Profits and Fees	73.1	0.0	(0.0)	73.1	(0.0)
Beer & Wine Surtax	124.1	0.0	(2.6)	121.6	(2.6)
<i>Lottery Commission</i>					
Lottery Revenue	16.2	0.0	1.9	18.1	1.9
<i>State Treasurer</i>					
Interest Earnings	(9.4)	0.0	(4.0)	(13.3)	(4.0)
<i>Office of Financial Management</i>					
Other	220.1	0.0	(10.4)	209.7	(10.4)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	203.8	0.0	(3.4)	200.4	(3.4)
<u>Total General Fund-State*</u>	\$29,237.1	(\$5.0)	(\$728.7)	\$28,503.4	(\$733.7)

1 Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council June 2010.

2 Forecast for the 2009-11 biennium, adopted September 2010.

*Detail may not add to totals because of rounding.

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

Table 3.7

Comparison of the General Fund-State forecast by agency

2011-13 biennium; cash basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>June 2010 Forecast</u> ¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Sept. 2010 Forecast</u> ²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$15,869.5	\$0.0	(\$122.7)	\$15,746.8	(\$122.7)
Business & Occupation Use	7,574.1	0.0	(359.9)	7,214.3	(359.9)
Public Utility	1,121.8	0.0	(17.0)	1,104.9	(17.0)
Liquor Sales/Liter	801.8	0.0	(8.3)	793.5	(8.3)
Cigarette	426.0	0.0	(0.3)	425.7	(0.3)
Property (State Levy)	728.2	0.0	(24.1)	704.1	(24.1)
Real Estate Excise	3,800.9	0.0	(4.6)	3,796.3	(4.6)
Timber Excise	1,113.9	0.0	(37.7)	1,076.1	(37.7)
Other	4.9	0.0	(0.0)	4.9	(0.0)
Subtotal	991.4	(10.0)	(35.8)	945.6	(45.8)
	32,432.6	(10.0)	(610.5)	31,812.1	(620.5)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	40.0	0.0	(3.0)	37.0	(3.0)
<i>Insurance Commissioner</i>					
Insurance Premiums	894.3	0.0	0.0	894.3	0.0
<i>Liquor Control Board</i>					
Liquor Profits and Fees	88.5	0.0	(8.5)	80.0	(8.5)
Beer & Wine Surtax	180.6	0.0	(4.7)	175.9	(4.7)
<i>Lottery Commission</i>					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
<i>State Treasurer</i>					
Interest Earnings	27.2	0.0	(15.9)	11.3	(15.9)
<i>Office of Financial Management</i>					
Other	204.5	0.0	(10.3)	194.2	(10.3)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	215.2	0.0	(5.7)	209.4	(5.7)
<u>Total General Fund-State *</u>	\$34,082.9	(\$10.0)	(\$658.7)	\$33,414.2	(\$668.7)

1 Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council June 2010.

2 Forecast for the 2011-13 biennium, adopted September 2010.

*Detail may not add to totals because of rounding.

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

Table 3.8

Comparison of the General Fund-State forecast by agency

2011-13 biennium; GAAP basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>June 2010 Forecast</u> ¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Sept. 2010 Forecast</u> ²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$15,849.5	\$0.0	(\$122.7)	\$15,726.8	(\$122.7)
Business & Occupation Use	7,554.1	0.0	(359.9)	7,194.3	(359.9)
Public Utility	1,101.8	0.0	(17.0)	1,084.9	(17.0)
Liquor Sales/Liter	802.4	0.0	(8.3)	794.1	(8.3)
Cigarette	426.0	0.0	(0.3)	425.7	(0.3)
Property (State Levy)	728.2	0.0	(24.1)	704.1	(24.1)
Real Estate Excise	3,800.9	0.0	(4.6)	3,796.3	(4.6)
Timber Excise	1,113.9	0.0	(37.7)	1,076.1	(37.7)
Other	4.5	0.0	0.0	4.6	0.0
Subtotal	991.8	(10.0)	(35.8)	946.0	(45.8)
	32,373.2	(10.0)	(610.4)	31,752.8	(620.4)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	40.0	0.0	(3.0)	37.0	(3.0)
<i>Insurance Commissioner</i>					
Insurance Premiums	894.3	0.0	0.0	894.3	0.0
<i>Liquor Control Board</i>					
Liquor Profits and Fees	88.5	0.0	(8.5)	80.0	(8.5)
Beer & Wine Surtax	180.6	0.0	(4.7)	175.9	(4.7)
<i>Lottery Commission</i>					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
<i>State Treasurer</i>					
Interest Earnings	29.7	0.0	(15.8)	13.9	(15.8)
<i>Office of Financial Management</i>					
Other	204.5	0.0	(10.3)	194.2	(10.3)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	215.2	0.0	(5.7)	209.4	(5.7)
<u>Total General Fund-State *</u>	\$34,026.0	(\$10.0)	(\$658.5)	\$33,357.5	(\$668.5)

1 Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council in June 2010.

2 Forecast for the 2011-13 biennium, adopted September 2010.

*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
September 2010 General Fund-State Forecast
2009-11 & 2011-13 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2009	2007-09 Biennium	Fiscal 2010	Fiscal 2011	2009-11 Biennium	Fiscal 2012	Fiscal 2013	2011-13 Biennium
State Taxes								
Retail sales***	\$6,870.2	\$14,575.4	\$6,416.7	\$6,947.5	\$13,364.2	\$7,591.0	\$8,155.7	\$15,746.8
Business & occupation [#]	2,558.2	5,344.5	2,573.7	3,112.3	5,686.1	3,479.6	3,734.7	7,214.3
Use***	460.0	971.2	423.2	491.5	914.7	536.7	568.1	1,104.9
Public Utility	373.7	741.5	358.4	376.8	735.3	388.1	405.5	793.5
Liquor sales/liter ^{##}	162.5	319.8	197.6	201.6	399.3	209.7	216.0	425.7
Beer & wine surtax ^{##}	2.4	4.5	35.1	86.5	121.6	87.4	88.5	175.9
Cigarette ^{##}	47.8	99.2	309.4	358.1	667.4	355.0	349.1	704.1
Tobacco products ^{##}	11.1	1.8	33.2	39.8	73.0	44.2	46.1	90.3
Property (state school levy)**	1,513.8	2,987.5	1,807.3	1,832.1	3,639.4	1,875.5	1,920.8	3,796.3
Public utility district	42.2	83.9	39.1	43.5	82.6	45.0	47.0	92.0
Real estate excise	389.1	1,052.4	379.6	419.1	798.8	524.5	551.7	1,076.1
Timber excise	5.4	12.7	3.8	3.8	7.6	2.7	2.2	4.9
Estate/inheritance	0.6	4.7	0.2	0.3	0.5	0.3	0.3	0.7
Boat excise	17.2	34.8	12.6	13.0	25.6	13.6	14.2	27.9
Insurance premiums ^{##}	252.7	513.2	396.6	412.9	809.5	436.5	457.7	894.3
Other ^{##}	221.4	481.8	247.9	298.5	546.4	307.1	321.1	628.2
Total Taxes	12,928.3	27,228.8	13,234.4	14,637.3	27,871.7	15,897.1	16,878.7	32,775.8
State Non-Tax Sources								
Licenses, permits, fees ^{##}	95.1	192.6	85.7	85.1	170.8	87.5	89.8	177.4
Liquor profits & fees	40.8	79.7	35.6	37.4	73.1	37.3	42.7	80.0
Earnings on investments ^{##}	58.8	175.4	1.8	(12.9)	(11.1)	(5.5)	16.8	11.3
Lottery transfers	11.1	11.1	12.9	7.2	20.1	0.0	0.0	0.0
Other revenue & transfers ^{###}	(45.0)	15.4	204.9	183.0	387.9	181.2	188.6	369.8
Total Non-Tax	160.8	474.1	341.0	299.8	640.7	300.5	337.9	638.4
Total General Fund-State *	\$13,089.1	\$27,703.0	\$13,575.4	\$14,937.1	\$28,512.5	\$16,197.5	\$17,216.7	\$33,414.2

a - Actual;

* Detail may not add to totals due to rounding

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

***GFS portion after Initiative 900 transfer

#Includes Hospital B&O for FY10-13

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

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

Table 3.10

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

February 2008 through September 2010

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis*</u>
February 2008**	\$32,443	\$1,715				\$34,158
Changes to Forecast						
June 2008	(85)	(28)	(112)	(46) #1	(158)	34,000
September 2008	(238)	(29)	(267)	0	(267)	33,733
November 2008	(1,376)	(77)	(1,453)	36 #2	(1,417)	32,316
March 2009	(2,030)	(94)	(2,124)	(61) #3	(2,185)	30,131
June 2009	(509)	(15)	(523)	226 #4	(297)	29,834
September 2009	(177)	(8)	(185)	(46) #5	(231)	29,603
November 2009	(752)	(8)	(760)	0	(760)	28,843
February 2010	9	23	32	(150) #6	(118)	28,725
June 2010	(192)	(52)	(245)	802 #7	558	29,282
September 2010	(742)	(23)	(765)	(5) #8	(770)	28,512
Total change***:						
From February 2008	(6,091)	(311)	(6,402)	757	(5,646)	
Percent change	(18.8)	(18.2)	(18.7)	2.2	(16.5)	

Table 3.11

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

February 2010 through September 2010

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis*</u>
February 2010***	\$30,658	\$1,566				\$32,224
Changes to Forecast						
June 2010	219	(21)	197	1661 #9	1858	34,083
September 2010	(610)	(48)	(659)	(10) #8	(669)	33,414
Total change***:						
From February 2008	(392)	(69)	(461)	1,651	1,190	
Percent change	(1.3)	(4.4)	(1.4)	5.1	3.7	

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

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

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

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

First official forecast for the 2011-13 biennium.

#1 Impact of 2008 legislation and budget driven revenue.

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

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

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

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

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

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

#8 Reversal of DOR RTA administrative fee

#9 Impact of 2010 legislation and budget driven revenue.

Table 3.12

**2009-11 Enacted Budget Balance Sheet
Including 2010 Supplemental
General Fund-State
Dollars in Millions**

RESOURCES	
Beginning Fund Balance	189.3
June 2010 Forecast	29,282.4
September 2010 Update	(769.9)
Current Revenue Totals	28,512.5
Transfer to Budget Stabilization Account	(256.4)
Transfer from Budget Stabilization Account	274.1
Other Enacted Fund Transfers	1,225.7
Total Resources (including beginning fund balance)	29,945.2
EXPENDITURES	
2009-11 Enacted Budget (including 2010 supplemental)	30,465.2
RESERVES	
Projected General Fund Ending Balance	(520.0)
Budget Stabilization Account Beginning Balance	21.4
Transfer from General Fund and Interest Earnings	256.5
Transfer to General Fund	(274.1)
Projected Budget Stabilization Account Ending Balance	3.8
Total Reserves (General Fund plus Budget Stabilization)	(516.2)

House and Senate Fiscal Committees and the Office of Financial Management

Table 3.13

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

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$13,560.3	\$13,364.2	\$13,127.9
Business & Occupation Use	5,766.8	5,686.1	5,591.2
Public Utility	932.5	914.7	892.1
Property (school levy)	742.2	735.3	727.9
Real Estate Excise	3,644.5	3,639.4	3,634.5
Other	817.0	798.8	776.9
Subtotal	1,933.9	1,916.7	1,894.3
	27,397.1	27,055.2	26,644.9
Department of Licensing	34.6	34.0	33.5
Insurance Commissioner¹	819.8	809.5	799.1
Lottery Commission	20.1	20.1	20.1
State Treasurer - Interest earnings	0.9	(11.1)	(13.8)
Liquor Profits & Fees²	198.5	194.6	190.8
Office of Financial Management			
Other agencies	214.8	209.7	204.7
Administrative Office of the Courts			
Fines and Forfeitures	202.0	200.4	198.3
Total General Fund - State*	\$28,887.7	\$28,512.5	\$28,077.6
Difference from September 2010 Baseline	\$375.3		(\$434.9)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.14

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

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$17,100.0	\$15,746.8	\$14,189.1
Business & Occupation Use	7,768.6	7,214.3	6,558.5
Public Utility	1,203.1	1,104.9	986.7
Property (school levy)	843.0	793.5	746.1
Real Estate Excise	3,821.5	3,796.3	3,761.5
Other	1,330.1	1,076.1	901.9
Subtotal	2,100.6	2,080.2	1,930.4
	34,166.9	31,812.1	29,074.3
Department of Licensing	38.1	37.0	35.9
Insurance Commissioner¹	916.6	894.3	871.9
Lottery Commission	0.0	0.0	0.0
State Treasurer - Interest earnings	39.3	11.3	(14.6)
Liquor Profits & Fees²	261.0	255.9	250.8
Office of Financial Management			
Other agencies	203.9	194.2	184.5
Administrative Office of the Courts			
Fines and Forfeitures	218.8	209.4	194.5
Total General Fund - State*	\$35,844.7	\$33,414.2	\$30,597.3
Difference from September 2010 Baseline	\$2,430.5		(\$2,816.9)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.15

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0
2011	129.7	7.2	5.3	9.6	0.0	9.2	0.3	4.0	94.2
2009-11 Biennium	256.2	20.1	10.4	18.8	0.0	104.8	0.5	7.3	94.2
2012	128.9	0.0	2.7	10.0	0.0	0.0	0.3	3.0	112.9
2013	131.4	0.0	0.0	10.4	0.0	0.0	0.3	3.0	117.7
2011-13 Biennium	260.3	0.0	2.7	20.4	0.0	0.0	0.5	6.0	230.6

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

Source: Lottery Commission

Table 3.16

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

September 2010 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund	
	Level	% Change	Level	% Change	Level	% Change
History:						
FY 1995	\$8,551		\$248		\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%
FY 2010*	\$13,575	3.7%	\$0	-100.0%	\$13,575	-4.1%
Forecast:						
FY 2011*	\$14,937	10.0%	\$0	0.0%	\$14,937	10.0%
FY 2012*	\$16,198	8.4%	\$0	0.0%	\$16,198	8.4%
FY 2013*	\$17,217	6.3%	\$0	0.0%	\$17,217	6.3%
<u>Biennial Totals</u>						
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%
09-11 Biennium	\$28,512	2.9%	\$0	-100.0%	\$28,512	-4.4%
11-13 Biennium	\$33,414	17.2%	\$0	0.0%	\$33,414	17.2%

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



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 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,976.3	13,228.9	13,228.9	12,880.6	13,226.7	13,555.1	14,016.0	14,464.5
% Ch	2.7	1.9	0.0	-2.6	2.7	2.5	3.4	3.2
Real Consumption	9,073.5	9,289.5	9,265.0	9,153.9	9,299.8	9,530.4	9,767.8	10,018.5
% Ch	2.9	2.4	-0.3	-1.2	1.6	2.5	2.5	2.6
Real Nonresidential Fixed Investment	1,453.9	1,552.0	1,556.6	1,290.8	1,355.4	1,448.5	1,575.6	1,698.9
% Ch	7.9	6.7	0.3	-17.1	5.0	6.9	8.8	7.8
Real Residential Fixed Investment	718.2	584.2	444.2	342.7	329.7	355.5	473.6	537.5
% Ch	-7.3	-18.7	-24.0	-22.9	-3.8	7.8	33.2	13.5
Real Personal Income	10,966.4	11,284.0	11,362.0	11,143.6	11,258.7	11,491.5	11,835.8	12,219.9
% Ch	4.6	2.9	0.7	-1.9	1.0	2.1	3.0	3.2
Real Per Capita Income (\$/Person)	36,624	37,316	37,232	36,200	36,220	36,616	37,351	38,193
% Ch	3.6	1.9	-0.2	-2.8	0.1	1.1	2.0	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.056	1.091	1.093	1.112	1.126	1.142	1.162
% Ch	2.7	2.7	3.3	0.2	1.7	1.3	1.4	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.016	2.073	2.152	2.145	2.180	2.212	2.248	2.291
% Ch	3.2	2.9	3.8	-0.3	1.6	1.4	1.6	1.9
Employment Cost Index (Dec. 2005=1.0)	1.020	1.055	1.087	1.104	1.121	1.141	1.161	1.188
% Ch	2.9	3.4	3.0	1.5	1.6	1.7	1.8	2.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,398.9	14,061.8	14,369.1	14,119.1	14,633.2	15,206.8	15,953.6	16,710.0
% Ch	6.0	4.9	2.2	-1.7	3.6	3.9	4.9	4.7
Personal Income	11,268.1	11,912.3	12,391.2	12,174.9	12,515.8	12,944.6	13,520.5	14,196.6
% Ch	7.5	5.7	4.0	-1.7	2.8	3.4	4.4	5.0
Employment (Millions)								
U.S. Civilian Labor Force	151.4	153.1	154.3	154.2	154.0	155.2	156.6	158.2
Total U.S. Employment	144.4	146.0	145.4	139.9	139.1	140.9	143.9	147.2
Unemployment Rate (%)	4.61	4.61	5.82	9.28	9.68	9.20	8.10	6.92
Nonfarm Payroll Employment	136.09	137.59	136.78	130.91	130.25	131.66	134.84	138.06
% Ch	1.8	1.1	-0.6	-4.3	-0.5	1.1	2.4	2.4
Manufacturing	14.16	13.88	13.40	11.88	11.66	11.96	12.35	12.66
% Ch	-0.5	-2.0	-3.4	-11.3	-1.8	2.6	3.2	2.6
Durable Manufacturing	8.98	8.81	8.46	7.31	7.16	7.42	7.76	8.07
% Ch	0.3	-1.9	-3.9	-13.6	-2.1	3.6	4.6	4.0
Nondurable Manufacturing	5.17	5.07	4.94	4.57	4.51	4.55	4.59	4.59
% Ch	-1.8	-2.0	-2.6	-7.4	-1.5	0.9	0.9	0.1
Construction	7.69	7.63	7.16	6.04	5.59	5.46	5.66	6.15
% Ch	4.9	-0.8	-6.1	-15.7	-7.4	-2.4	3.6	8.7
Service-Producing	113.55	115.36	115.45	112.29	112.27	113.53	116.14	118.56
% Ch	1.8	1.6	0.1	-2.7	0.0	1.1	2.3	2.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	66.1	72.2	99.8	61.8	77.1	80.9	84.1	85.7
Personal Saving/Disposable Income (%)	2.4	2.1	4.1	5.9	5.8	5.1	4.2	3.3
Auto Sales (Millions)	7.8	7.6	6.8	5.5	5.8	6.7	8.0	8.8
% Ch	1.3	-2.6	-10.6	-19.9	5.4	17.1	18.7	9.7
Housing Starts (Millions)	1.812	1.342	0.900	0.554	0.590	0.802	1.260	1.499
% Ch	-12.6	-25.9	-32.9	-38.4	6.4	35.9	57.2	19.0
Federal Budget Surplus (Billions)	-203.8	-245.2	-616.3	-1,251.8	-1,324.9	-1,122.4	-869.7	-650.5
Net Exports (Billions)	-769.3	-714.0	-710.5	-386.4	-508.3	-481.1	-468.5	-435.0
3-Month Treasury Bill Rate (%)	4.72	4.38	1.40	0.15	0.15	0.27	1.40	3.41
10-Year Treasury Note Yield (%)	4.79	4.63	3.67	3.26	3.14	2.51	3.10	4.55
Bond Index of 20 G.O. Munis. (%)	4.40	4.39	4.86	4.62	4.18	3.84	4.14	5.26
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.67	4.20	4.66	6.01

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2010 to 2013

	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	13,339.2	13,359.0	13,223.5	12,993.7	12,832.6	12,810.0	12,860.8	13,019.0
% Ch , Annual Rate	-0.7	0.6	-4.0	-6.8	-4.9	-0.7	1.6	5.0
Real Consumption	9,324.1	9,326.2	9,243.5	9,166.3	9,154.1	9,117.0	9,161.6	9,182.9
% Ch , Annual Rate	-0.8	0.1	-3.5	-3.3	-0.5	-1.6	2.0	0.9
Real Nonresidential Fixed Investment	1,603.7	1,597.0	1,561.5	1,464.2	1,313.7	1,288.3	1,282.9	1,278.3
% Ch , Annual Rate	2.0	-1.7	-8.6	-22.7	-35.2	-7.5	-1.7	-1.4
Real Residential Fixed Investment	482.2	464.4	435.6	394.7	352.7	333.9	342.4	341.7
% Ch , Annual Rate	-27.9	-14.0	-22.6	-32.6	-36.2	-19.7	10.6	-0.8
Real Personal Income	11,394.1	11,412.6	11,277.8	11,363.6	11,167.4	11,215.3	11,098.7	11,092.8
% Ch , Annual Rate	1.4	0.7	-4.6	3.1	-6.7	1.7	-4.1	-0.2
Real Per Capita Income (\$/Person)	37,466	37,443	36,909	37,111	36,401	36,480	36,012	35,905
% Ch , Annual Rate	0.5	-0.2	-5.6	2.2	-7.4	0.9	-5.0	-1.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.092	1.104	1.087	1.083	1.088	1.096	1.103
% Ch , Annual Rate	3.9	4.6	4.4	-5.8	-1.6	1.9	2.9	2.7
U.S. Consumer Price Index (1982-84=1.0)	2.128	2.156	2.189	2.137	2.125	2.135	2.154	2.168
% Ch , Annual Rate	4.7	5.2	6.4	-9.2	-2.2	1.9	3.7	2.6
Employment Cost Index (Dec. 2005=1.0)	1.076	1.084	1.091	1.096	1.098	1.101	1.105	1.110
% Ch , Annual Rate	3.4	3.0	2.6	1.8	0.7	1.1	1.5	1.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,328.4	14,471.8	14,484.9	14,191.2	14,049.7	14,034.5	14,114.7	14,277.3
% Ch , Annual Rate	1.0	4.1	0.4	-7.9	-3.9	-0.4	2.3	4.7
Personal Income	12,300.4	12,460.9	12,447.0	12,356.3	12,093.2	12,203.4	12,164.0	12,239.0
% Ch , Annual Rate	5.3	5.3	-0.4	-2.9	-8.2	3.7	-1.3	2.5
Employment (Millions)								
U.S. Civilian Labor Force	153.9	154.2	154.6	154.7	154.2	154.8	154.2	153.5
Total U.S. Employment	146.3	146.0	145.2	143.9	141.6	140.5	139.3	138.1
Unemployment Rate (%)	4.97	5.30	6.03	6.97	8.17	9.27	9.63	10.03
Nonfarm Payroll Employment	137.90	137.49	136.70	135.02	132.81	131.11	130.08	129.64
% Ch , Annual Rate	0.1	-1.2	-2.3	-4.8	-6.4	-5.0	-3.1	-1.3
Manufacturing	13.69	13.57	13.36	12.98	12.38	11.92	11.69	11.55
% Ch , Annual Rate	-1.5	-3.4	-6.0	-10.9	-17.4	-14.0	-7.6	-4.4
Durable Manufacturing	8.67	8.58	8.44	8.16	7.70	7.33	7.15	7.05
% Ch , Annual Rate	-1.8	-3.9	-6.6	-12.6	-20.6	-17.8	-9.4	-5.6
Nondurable Manufacturing	5.02	4.99	4.93	4.83	4.68	4.59	4.53	4.50
% Ch , Annual Rate	-1.0	-2.7	-4.8	-7.9	-11.9	-7.5	-4.7	-2.5
Construction	7.44	7.28	7.11	6.82	6.43	6.11	5.88	5.73
% Ch , Annual Rate	-4.7	-8.0	-9.4	-15.3	-21.0	-18.3	-14.0	-10.3
Service-Producing	116.02	115.88	115.45	114.45	113.27	112.38	111.83	111.69
% Ch , Annual Rate	0.6	-0.5	-1.4	-3.4	-4.1	-3.1	-2.0	-0.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.9	123.8	118.3	59.1	43.2	59.7	68.1	76.0
Personal Saving/Disposable Income (%)	2.7	4.8	3.6	5.2	5.4	7.2	5.6	5.6
Auto Sales (Millions)	7.6	7.7	6.7	5.3	4.9	5.0	6.4	5.6
% Ch , Annual Rate	-7.8	5.4	-43.7	-59.4	-30.4	8.8	174.3	-39.3
Housing Starts (Millions)	1.064	1.011	0.862	0.663	0.530	0.537	0.586	0.565
% Ch , Annual Rate	-30.7	-18.6	-47.0	-65.1	-59.3	5.4	42.2	-13.8
Federal Budget Surplus (Billions)	-376.7	-761.6	-646.7	-680.0	-1,003.2	-1,336.8	-1,356.7	-1,310.3
Net Exports (Billions)	-738.5	-751.9	-763.1	-588.4	-375.7	-335.2	-408.3	-426.4
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.33	0.21	0.17	0.16	0.06
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.25	2.74	3.31	3.52	3.46
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.73	4.52	4.26
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2010 to 2013

	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	13,138.8	13,191.5	13,250.5	13,326.0	13,408.5	13,501.4	13,601.6	13,709.1
% Ch , Annual Rate	3.7	1.6	1.8	2.3	2.5	2.8	3.0	3.2
Real Consumption	9,225.4	9,270.3	9,324.7	9,378.7	9,439.8	9,495.7	9,561.7	9,624.7
% Ch , Annual Rate	1.9	2.0	2.4	2.3	2.6	2.4	2.8	2.7
Real Nonresidential Fixed Investment	1,302.6	1,356.5	1,376.4	1,386.2	1,411.9	1,437.8	1,461.9	1,482.4
% Ch , Annual Rate	7.8	17.6	6.0	2.9	7.6	7.5	6.9	5.7
Real Residential Fixed Investment	330.7	351.1	319.9	317.3	325.1	345.5	361.4	389.9
% Ch , Annual Rate	-12.3	27.1	-31.1	-3.2	10.3	27.6	19.7	35.4
Real Personal Income	11,136.3	11,246.5	11,298.1	11,353.9	11,386.7	11,449.8	11,526.1	11,603.3
% Ch , Annual Rate	1.6	4.0	1.9	2.0	1.2	2.2	2.7	2.7
Real Per Capita Income (\$/Person)	35,958	36,225	36,304	36,395	36,413	36,527	36,682	36,839
% Ch , Annual Rate	0.6	3.0	0.9	1.0	0.2	1.3	1.7	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.109	1.109	1.112	1.116	1.121	1.125	1.128	1.132
% Ch , Annual Rate	2.1	0.0	1.2	1.5	1.8	1.2	1.1	1.3
U.S. Consumer Price Index (1982-84=1.0)	2.176	2.172	2.182	2.191	2.201	2.207	2.215	2.223
% Ch , Annual Rate	1.5	-0.7	1.7	1.6	1.9	1.2	1.3	1.6
Employment Cost Index (Dec. 2005=1.0)	1.114	1.119	1.124	1.129	1.133	1.138	1.143	1.148
% Ch , Annual Rate	1.4	1.8	1.8	1.7	1.7	1.7	1.7	1.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,446.4	14,575.0	14,706.9	14,804.5	14,975.9	15,122.2	15,280.0	15,449.1
% Ch , Annual Rate	4.8	3.6	3.7	2.7	4.7	4.0	4.2	4.5
Personal Income	12,350.3	12,471.2	12,567.1	12,674.6	12,769.2	12,877.8	13,000.4	13,131.1
% Ch , Annual Rate	3.7	4.0	3.1	3.5	3.0	3.4	3.9	4.1
Employment (Millions)								
U.S. Civilian Labor Force	153.5	154.3	153.9	154.3	154.6	155.0	155.3	155.7
Total U.S. Employment	138.6	139.3	139.2	139.2	139.9	140.5	141.2	141.9
Unemployment Rate (%)	9.70	9.70	9.58	9.73	9.54	9.33	9.08	8.84
Nonfarm Payroll Employment	129.70	130.39	130.38	130.53	130.81	131.29	131.89	132.65
% Ch , Annual Rate	0.2	2.2	0.0	0.5	0.9	1.5	1.8	2.3
Manufacturing	11.57	11.66	11.69	11.74	11.81	11.90	12.02	12.13
% Ch , Annual Rate	0.6	2.9	1.1	1.7	2.5	3.0	4.1	3.6
Durable Manufacturing	7.08	7.15	7.19	7.22	7.28	7.36	7.46	7.56
% Ch , Annual Rate	1.4	4.2	2.1	1.8	3.5	4.2	6.0	5.4
Nondurable Manufacturing	4.50	4.51	4.50	4.52	4.53	4.54	4.55	4.56
% Ch , Annual Rate	-0.6	0.9	-0.3	1.4	0.8	1.1	1.1	0.7
Construction	5.61	5.61	5.60	5.54	5.47	5.44	5.45	5.46
% Ch , Annual Rate	-7.7	0.0	-0.8	-4.5	-4.5	-2.1	0.7	0.5
Service-Producing	111.82	112.41	112.35	112.52	112.81	113.23	113.71	114.36
% Ch , Annual Rate	0.5	2.1	-0.2	0.6	1.0	1.5	1.7	2.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	78.8	77.9	75.8	76.0	79.0	80.6	81.7	82.6
Personal Saving/Disposable Income (%)	5.5	6.1	5.9	5.9	5.2	5.2	5.1	5.1
Auto Sales (Millions)	5.7	5.6	5.6	6.1	6.3	6.6	6.8	7.1
% Ch , Annual Rate	7.0	-8.4	-1.1	40.6	16.4	22.5	10.7	20.4
Housing Starts (Millions)	0.617	0.601	0.549	0.592	0.659	0.745	0.842	0.960
% Ch , Annual Rate	42.6	-9.8	-30.4	35.1	53.5	62.9	63.8	68.8
Federal Budget Surplus (Billions)	-1,314.2	-1,325.3	-1,329.7	-1,330.4	-1,191.7	-1,158.2	-1,086.1	-1,053.5
Net Exports (Billions)	-479.9	-536.0	-520.2	-496.9	-480.5	-482.0	-482.4	-479.5
3-Month Treasury Bill Rate (%)	0.11	0.15	0.16	0.19	0.20	0.22	0.30	0.35
10-Year Treasury Note Yield (%)	3.72	3.49	2.78	2.56	2.42	2.45	2.54	2.63
Bond Index of 20 G.O. Munis. (%)	4.34	4.35	4.12	3.91	3.78	3.81	3.86	3.89
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.46	4.29	4.15	4.15	4.21	4.28

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,827.0	13,950.3	14,079.8	14,206.9	14,308.5	14,416.3	14,516.9	14,616.5
% Ch , Annual Rate	3.5	3.6	3.8	3.7	2.9	3.0	2.8	2.8
Real Consumption	9,678.1	9,741.5	9,796.3	9,855.2	9,918.3	9,986.1	10,051.2	10,118.5
% Ch , Annual Rate	2.2	2.6	2.3	2.4	2.6	2.8	2.6	2.7
Real Nonresidential Fixed Investment	1,520.5	1,556.2	1,592.9	1,632.9	1,662.0	1,688.8	1,711.3	1,733.6
% Ch , Annual Rate	10.7	9.7	9.8	10.4	7.3	6.6	5.4	5.3
Real Residential Fixed Investment	423.5	461.8	493.3	515.8	526.4	536.3	539.9	547.5
% Ch , Annual Rate	39.3	41.3	30.3	19.5	8.5	7.7	2.8	5.8
Real Personal Income	11,677.9	11,779.2	11,885.7	12,000.3	12,070.4	12,175.2	12,272.4	12,361.6
% Ch , Annual Rate	2.6	3.5	3.7	3.9	2.4	3.5	3.2	2.9
Real Per Capita Income (\$/Person)	36,987	37,218	37,464	37,734	37,863	38,100	38,312	38,497
% Ch , Annual Rate	1.6	2.5	2.7	2.9	1.4	2.5	2.2	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.136	1.140	1.144	1.149	1.154	1.159	1.164	1.169
% Ch , Annual Rate	1.5	1.4	1.5	1.7	1.8	1.7	1.7	1.8
U.S. Consumer Price Index (1982-84=1.0)	2.233	2.242	2.252	2.264	2.275	2.285	2.296	2.307
% Ch , Annual Rate	1.8	1.6	1.8	2.0	2.0	1.9	1.8	2.0
Employment Cost Index (Dec. 2005=1.0)	1.153	1.158	1.164	1.170	1.177	1.184	1.191	1.198
% Ch , Annual Rate	1.7	1.9	2.1	2.2	2.4	2.3	2.4	2.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	15,651.7	15,840.8	16,053.4	16,268.6	16,443.1	16,622.8	16,796.1	16,978.1
% Ch , Annual Rate	5.4	4.9	5.5	5.5	4.4	4.4	4.2	4.4
Personal Income	13,265.7	13,426.8	13,600.4	13,789.2	13,932.3	14,113.4	14,285.6	14,455.2
% Ch , Annual Rate	4.2	4.9	5.3	5.7	4.2	5.3	5.0	4.8
Employment (Millions)								
U.S. Civilian Labor Force	156.0	156.4	156.8	157.2	157.6	158.0	158.4	158.8
Total U.S. Employment	142.6	143.4	144.3	145.2	146.0	146.9	147.7	148.4
Unemployment Rate (%)	8.57	8.27	7.94	7.61	7.31	7.03	6.78	6.55
Nonfarm Payroll Employment	133.48	134.36	135.30	136.21	137.01	137.76	138.43	139.04
% Ch, Annual Rate	2.5	2.7	2.8	2.7	2.4	2.2	2.0	1.8
Manufacturing	12.20	12.31	12.39	12.48	12.58	12.66	12.69	12.72
% Ch, Annual Rate	2.6	3.6	2.5	2.9	3.2	2.5	1.1	1.0
Durable Manufacturing	7.63	7.73	7.80	7.88	7.98	8.06	8.10	8.14
% Ch, Annual Rate	3.5	5.2	3.6	4.5	4.9	4.2	2.1	1.9
Nondurable Manufacturing	4.58	4.58	4.59	4.59	4.60	4.60	4.59	4.58
% Ch, Annual Rate	1.2	0.9	0.6	0.3	0.3	-0.3	-0.5	-0.5
Construction	5.50	5.59	5.70	5.84	5.97	6.09	6.21	6.33
% Ch, Annual Rate	2.7	6.6	8.5	10.0	9.2	8.5	8.1	7.7
Service-Producing	115.08	115.77	116.52	117.20	117.77	118.32	118.84	119.31
% Ch, Annual Rate	2.5	2.4	2.6	2.4	2.0	1.9	1.8	1.6
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	83.3	83.9	84.4	84.9	85.2	85.5	85.8	86.1
Personal Saving/Disposable Income (%)	4.1	4.1	4.2	4.3	3.4	3.2	3.2	3.3
Auto Sales (Millions)	7.7	8.0	8.1	8.2	8.6	8.8	8.8	8.8
% Ch, Annual Rate	32.5	19.1	2.9	9.3	19.8	10.3	-1.6	0.7
Housing Starts (Millions)	1.097	1.222	1.339	1.382	1.424	1.484	1.527	1.560
% Ch, Annual Rate	70.2	53.9	44.3	13.5	12.8	17.8	12.1	9.0
Federal Budget Surplus (Billions)	-924.3	-890.1	-849.8	-814.8	-675.2	-643.0	-632.4	-651.7
Net Exports (Billions)	-472.7	-475.5	-469.2	-456.5	-449.8	-438.6	-428.4	-423.0
3-Month Treasury Bill Rate (%)	0.44	0.84	1.72	2.61	3.24	3.46	3.47	3.47
10-Year Treasury Note Yield (%)	2.67	2.72	3.18	3.82	4.39	4.60	4.61	4.60
Bond Index of 20 G.O. Munis. (%)	3.86	3.81	4.18	4.73	5.18	5.30	5.29	5.27
30-Year Fixed Mortgage Rate (%)	4.29	4.30	4.72	5.33	5.86	6.06	6.07	6.07

Table A1.3
Washington Economic Forecast Summary
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	245.281	256.807	259.912	257.342	258.717	265.379	275.196	286.018
% Ch	6.6	4.7	1.2	-1.0	0.5	2.6	3.7	3.9
Real Wage and Salary Disb.	131.507	138.015	138.166	134.674	132.985	137.069	143.024	148.995
% Ch	5.5	4.9	0.1	-2.5	-1.3	3.1	4.3	4.2
Real Nonwage Income	113.774	118.792	121.746	122.668	125.731	128.311	132.172	137.023
% Ch	8.1	4.4	2.5	0.8	2.5	2.1	3.0	3.7
Real Per Capita Income (\$/Person)	38,218	39,354	39,275	38,449	38,250	38,865	39,851	40,829
% Ch	4.7	3.0	-0.2	-2.1	-0.5	1.6	2.5	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.056	1.091	1.093	1.112	1.126	1.142	1.162
% Ch	2.7	2.7	3.3	0.2	1.7	1.3	1.4	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.076	2.157	2.247	2.260	2.264	2.293	2.331	2.376
% Ch	3.7	3.9	4.2	0.6	0.1	1.3	1.6	1.9
Average Nonfarm Annual Wage	45,346	47,772	48,848	49,777	50,693	52,279	53,825	55,548
% Ch	5.5	5.4	2.3	1.9	1.8	3.1	3.0	3.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.91	20.51	21.01	23.40	23.51	23.73	23.88	24.16
% Ch	5.8	3.0	2.4	11.4	0.5	0.9	0.6	1.2
Current Dollar Income (Billions of Dollars)								
Personal Income	252.023	271.113	283.464	281.155	287.601	298.939	314.370	332.288
% Ch	9.6	7.6	4.6	-0.8	2.3	3.9	5.2	5.7
Disposable Personal Income	221.774	237.232	250.561	254.827	261.235	270.391	280.271	291.927
% Ch	9.0	7.0	5.6	1.7	2.5	3.5	3.7	4.2
Per Capita Income (\$/Person)	39,267	41,545	42,833	42,006	42,521	43,779	45,523	47,433
% Ch	7.6	5.8	3.1	-1.9	1.2	3.0	4.0	4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,317.2	3,391.0	3,477.0	3,528.8	3,534.3	3,563.8	3,615.0	3,673.5
Total Washington Employment	3,153.8	3,236.8	3,289.4	3,215.5	3,212.6	3,252.6	3,341.2	3,438.4
Unemployment Rate (%)	4.93	4.55	5.39	8.88	9.10	8.73	7.58	6.40
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.2	2,826.7	2,782.9	2,818.7	2,902.4	2,986.2
% Ch	3.0	2.6	0.9	-4.5	-1.5	1.3	3.0	2.9
Manufacturing	285.9	293.3	291.2	265.9	257.8	265.6	279.9	291.4
% Ch	4.9	2.6	-0.7	-8.7	-3.0	3.0	5.4	4.1
Durable Manufacturing	204.0	211.9	211.3	190.6	184.3	191.0	202.0	211.2
% Ch	6.6	3.9	-0.3	-9.8	-3.3	3.7	5.7	4.5
Aerospace	73.4	80.1	83.0	83.0	80.6	80.5	83.0	85.9
% Ch	11.9	9.1	3.6	0.0	-2.8	-0.2	3.2	3.5
Nondurable Manufacturing	81.9	81.4	79.8	75.3	73.5	74.6	77.9	80.2
% Ch	0.9	-0.6	-1.9	-5.8	-2.3	1.5	4.4	3.0
Construction	194.8	208.2	200.6	160.7	143.9	142.1	151.4	163.7
% Ch	9.9	6.8	-3.6	-19.9	-10.5	-1.2	6.5	8.1
Service-Producing	2,369.6	2,423.9	2,459.9	2,394.0	2,375.1	2,404.3	2,463.6	2,522.8
% Ch	2.2	2.3	1.5	-2.7	-0.8	1.2	2.5	2.4
Software Publishers	44.7	47.6	50.9	51.4	51.3	53.3	55.8	58.9
% Ch	8.4	6.4	7.0	1.0	-0.3	4.0	4.7	5.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.033	47.397	28.919	17.011	18.147	22.917	35.484	44.006
% Ch	-5.6	-5.3	-39.0	-41.2	6.7	26.3	54.8	24.0
Single-Family	35.611	30.390	17.440	12.991	14.432	17.943	27.357	32.197
% Ch	-14.0	-14.7	-42.6	-25.5	11.1	24.3	52.5	17.7
Multi-Family	14.422	17.007	11.479	4.020	3.715	4.974	8.127	11.809
% Ch	24.5	17.9	-32.5	-65.0	-7.6	33.9	63.4	45.3
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.67	4.20	4.66	6.01

Table A1.4
Washington Economic Forecast Summary
 Forecast 2010 to 2013

	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	259.392	259.225	259.481	261.549	258.155	258.433	256.544	256.235
% Ch, Annual Rate	-2.1	-0.3	0.4	3.2	-5.1	0.4	-2.9	-0.5
Real Wage and Salary Disb.	138.638	137.267	137.994	138.764	135.888	135.246	134.274	133.287
% Ch, Annual Rate	-4.8	-3.9	2.1	2.3	-8.0	-1.9	-2.8	-2.9
Real Nonwage Income	120.754	121.959	121.487	122.785	122.267	123.186	122.269	122.949
% Ch, Annual Rate	1.0	4.1	-1.5	4.3	-1.7	3.0	-2.9	2.2
Real Per Capita Income (\$/Person)	39,376	39,231	39,150	39,342	38,714	38,660	38,282	38,141
% Ch, Annual Rate	-3.6	-1.5	-0.8	2.0	-6.2	-0.6	-3.9	-1.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.092	1.104	1.087	1.083	1.088	1.096	1.103
% Ch, Annual Rate	3.9	4.6	4.4	-5.8	-1.6	1.9	2.9	2.7
Seattle Cons. Price Index (1982-84=1.0)	2.222	2.246	2.268	2.253	2.253	2.255	2.263	2.270
% Ch, Annual Rate	4.7	4.3	4.1	-2.7	0.0	0.4	1.4	1.3
Average Nonfarm Annual Wage	48,315	48,445	49,199	49,433	48,942	49,656	50,074	50,434
% Ch, Annual Rate	-4.1	1.1	6.4	1.9	-3.9	6.0	3.4	2.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.91	21.26	20.96	20.89	22.89	23.36	23.55	23.82
% Ch, Annual Rate	2.6	6.7	-5.4	-1.4	44.0	8.6	3.2	4.7
Current Dollar Income (Billions of Dollars)								
Personal Income	280.024	283.040	286.387	284.404	279.555	281.199	281.162	282.705
% Ch, Annual Rate	1.7	4.4	4.8	-2.7	-6.6	2.4	-0.1	2.2
Disposable Personal Income	245.061	252.791	253.202	251.190	251.505	255.564	255.343	256.897
% Ch, Annual Rate	1.8	13.2	0.7	-3.1	0.5	6.6	-0.3	2.5
Per Capita Income (\$/Person)	42,508	42,835	43,209	42,780	41,924	42,065	41,955	42,081
% Ch, Annual Rate	0.2	3.1	3.5	-3.9	-7.8	1.4	-1.0	1.2
Employment (Thousands)								
Washington Civilian Labor Force	3,449.6	3,461.5	3,484.9	3,512.1	3,532.4	3,539.3	3,528.8	3,514.8
Total Washington Employment	3,290.3	3,288.6	3,292.9	3,285.9	3,248.2	3,219.3	3,203.9	3,190.4
Unemployment Rate (%)	4.62	5.00	5.51	6.44	8.05	9.04	9.21	9.23
Nonfarm Payroll Employment	2,973.7	2,969.4	2,968.2	2,925.7	2,877.6	2,835.3	2,807.3	2,786.5
% Ch, Annual Rate	2.3	-0.6	-0.2	-5.6	-6.4	-5.7	-3.9	-2.9
Manufacturing	297.1	294.9	293.1	279.5	276.5	266.9	262.4	257.7
% Ch, Annual Rate	2.0	-2.9	-2.5	-17.2	-4.3	-13.2	-6.6	-6.9
Durable Manufacturing	215.9	214.8	214.0	200.6	200.1	191.4	187.0	184.0
% Ch, Annual Rate	2.8	-2.1	-1.4	-22.8	-1.0	-16.2	-9.0	-6.3
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.2	81.4
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.0	-4.9	-3.8
Nondurable Manufacturing	81.2	80.2	79.1	78.9	76.4	75.5	75.4	73.8
% Ch, Annual Rate	-0.2	-4.9	-5.3	-0.8	-12.3	-4.8	-0.2	-8.6
Construction	208.9	204.5	199.6	189.5	173.9	163.0	156.3	149.8
% Ch, Annual Rate	0.3	-8.2	-9.2	-18.8	-29.1	-22.7	-15.6	-15.5
Service-Producing	2,459.9	2,462.4	2,467.9	2,449.4	2,420.7	2,399.3	2,382.6	2,373.3
% Ch, Annual Rate	2.5	0.4	0.9	-3.0	-4.6	-3.5	-2.8	-1.6
Software Publishers	49.1	50.3	51.7	52.6	52.5	51.7	51.0	50.6
% Ch, Annual Rate	7.8	10.6	11.9	6.9	-0.6	-6.3	-5.5	-3.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.074	34.312	26.612	21.678	16.011	15.035	18.025	18.974
% Ch, Annual Rate	-57.5	15.8	-63.8	-56.0	-70.2	-22.2	106.6	22.8
Single-Family	20.803	19.064	17.032	12.861	10.191	11.908	14.395	15.470
% Ch, Annual Rate	-39.6	-29.5	-36.3	-67.5	-60.6	86.4	113.5	33.4
Multi-Family	12.272	15.248	9.579	8.817	5.819	3.127	3.630	3.504
% Ch, Annual Rate	-75.1	138.4	-84.4	-28.2	-81.0	-91.7	81.5	-13.2
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2010 to 2013

	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	255.121	258.901	260.197	260.648	262.457	264.050	267.081	267.929
% Ch, Annual Rate	-1.7	6.1	2.0	0.7	2.8	2.4	4.7	1.3
Real Wage and Salary Disb.	131.083	133.356	133.946	133.556	135.240	136.214	138.398	138.423
% Ch, Annual Rate	-6.5	7.1	1.8	-1.2	5.1	2.9	6.6	0.1
Real Nonwage Income	124.038	125.545	126.250	127.092	127.217	127.836	128.683	129.506
% Ch, Annual Rate	3.6	4.9	2.3	2.7	0.4	2.0	2.7	2.6
Real Per Capita Income (\$/Person)	37,881	38,325	38,407	38,388	38,571	38,720	39,072	39,097
% Ch, Annual Rate	-2.7	4.8	0.9	-0.2	1.9	1.5	3.7	0.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.109	1.109	1.112	1.116	1.121	1.125	1.128	1.132
% Ch, Annual Rate	2.1	0.0	1.2	1.5	1.8	1.2	1.1	1.3
Seattle Cons. Price Index (1982-84=1.0)	2.268	2.252	2.262	2.272	2.283	2.289	2.296	2.306
% Ch, Annual Rate	-0.4	-2.7	1.8	1.6	1.9	1.2	1.3	1.6
Average Nonfarm Annual Wage	50,008	50,637	51,080	51,049	51,755	52,071	52,748	52,543
% Ch, Annual Rate	-3.3	5.1	3.5	-0.2	5.7	2.5	5.3	-1.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.60	23.17	23.63	23.66	23.68	23.71	23.74	23.77
% Ch, Annual Rate	-3.8	-7.1	8.2	0.5	0.5	0.5	0.5	0.5
Current Dollar Income (Billions of Dollars)								
Personal Income	282.927	287.089	289.420	290.969	294.323	296.981	301.243	303.208
% Ch, Annual Rate	0.3	6.0	3.3	2.2	4.7	3.7	5.9	2.6
Disposable Personal Income	256.932	260.936	262.895	264.176	266.385	268.756	272.367	274.054
% Ch, Annual Rate	0.1	6.4	3.0	2.0	3.4	3.6	5.5	2.5
Per Capita Income (\$/Person)	42,010	42,497	42,721	42,854	43,254	43,548	44,070	44,245
% Ch, Annual Rate	-0.7	4.7	2.1	1.3	3.8	2.7	4.9	1.6
Employment (Thousands)								
Washington Civilian Labor Force	3,514.7	3,543.6	3,536.5	3,542.3	3,550.4	3,557.5	3,567.6	3,579.8
Total Washington Employment	3,183.5	3,220.0	3,221.8	3,225.1	3,231.8	3,242.2	3,258.4	3,278.1
Unemployment Rate (%)	9.42	9.13	8.90	8.95	8.97	8.86	8.67	8.43
Nonfarm Payroll Employment	2,772.9	2,787.2	2,784.0	2,787.3	2,795.6	2,807.7	2,825.2	2,846.2
% Ch, Annual Rate	-1.9	2.1	-0.5	0.5	1.2	1.7	2.5	3.0
Manufacturing	256.9	257.9	257.7	258.8	260.5	263.3	267.5	271.3
% Ch, Annual Rate	-1.3	1.7	-0.4	1.8	2.5	4.3	6.6	5.9
Durable Manufacturing	183.4	184.0	184.3	185.5	187.0	189.1	192.6	195.6
% Ch, Annual Rate	-1.2	1.3	0.6	2.5	3.3	4.7	7.5	6.5
Aerospace	81.0	80.5	80.7	80.4	80.2	79.9	80.6	81.3
% Ch, Annual Rate	-1.9	-2.6	1.0	-1.2	-1.2	-1.2	3.5	3.5
Nondurable Manufacturing	73.4	73.9	73.4	73.4	73.5	74.2	74.9	75.7
% Ch, Annual Rate	-1.7	2.5	-2.8	0.1	0.7	3.5	4.1	4.5
Construction	144.0	144.0	144.2	143.4	142.0	140.8	141.8	144.0
% Ch, Annual Rate	-14.6	-0.1	0.8	-2.4	-3.9	-3.3	2.9	6.6
Service-Producing	2,366.2	2,379.3	2,376.1	2,378.9	2,386.9	2,397.1	2,409.2	2,423.9
% Ch, Annual Rate	-1.2	2.2	-0.5	0.5	1.4	1.7	2.0	2.5
Software Publishers	50.6	51.0	51.5	52.0	52.5	53.0	53.6	54.1
% Ch, Annual Rate	0.2	3.3	4.3	3.4	4.6	3.7	4.1	4.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	21.095	17.326	17.478	16.690	18.483	21.422	24.558	27.204
% Ch, Annual Rate	52.8	-54.5	3.6	-16.8	50.4	80.5	72.7	50.6
Single-Family	17.012	13.736	13.515	13.466	14.883	16.700	18.996	21.192
% Ch, Annual Rate	46.3	-57.5	-6.3	-1.5	49.2	58.5	67.4	54.9
Multi-Family	4.083	3.590	3.962	3.225	3.600	4.722	5.562	6.013
% Ch, Annual Rate	84.4	-40.3	48.4	-56.1	55.3	196.0	92.6	36.6
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.46	4.29	4.15	4.15	4.21	4.28

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	270.822	273.497	277.608	278.856	281.772	284.533	288.707	289.061
% Ch, Annual Rate	4.4	4.0	6.1	1.8	4.2	4.0	6.0	0.5
Real Wage and Salary Disb.	140.721	142.093	144.814	144.467	146.832	148.130	150.958	150.059
% Ch, Annual Rate	6.8	4.0	7.9	-1.0	6.7	3.6	7.9	-2.4
Real Nonwage Income	130.101	131.404	132.793	134.389	134.940	136.402	137.750	139.002
% Ch, Annual Rate	1.9	4.1	4.3	4.9	1.6	4.4	4.0	3.7
Real Per Capita Income (\$/Person)	39,409	39,677	40,140	40,177	40,448	40,693	41,137	41,036
% Ch, Annual Rate	3.2	2.7	4.7	0.4	2.7	2.4	4.4	-1.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.136	1.140	1.144	1.149	1.154	1.159	1.164	1.169
% Ch, Annual Rate	1.5	1.4	1.5	1.7	1.8	1.7	1.7	1.8
Seattle Cons. Price Index (1982-84=1.0)	2.316	2.325	2.336	2.347	2.359	2.370	2.381	2.393
% Ch, Annual Rate	1.8	1.6	1.8	2.0	2.0	1.9	1.8	2.0
Average Nonfarm Annual Wage	53,231	53,557	54,409	54,104	54,857	55,242	56,243	55,851
% Ch, Annual Rate	5.3	2.5	6.5	-2.2	5.7	2.8	7.4	-2.8
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.80	23.84	23.90	23.97	24.05	24.12	24.20	24.28
% Ch, Annual Rate	0.5	0.7	1.0	1.1	1.3	1.3	1.3	1.3
Current Dollar Income (Billions of Dollars)								
Personal Income	307.646	311.753	317.656	320.426	325.237	329.829	336.068	338.018
% Ch, Annual Rate	6.0	5.4	7.8	3.5	6.1	5.8	7.8	2.3
Disposable Personal Income	275.068	278.321	282.927	284.768	286.631	289.636	294.704	296.739
% Ch, Annual Rate	1.5	4.8	6.8	2.6	2.6	4.3	7.2	2.8
Per Capita Income (\$/Person)	44,767	45,227	45,931	46,166	46,688	47,171	47,885	47,986
% Ch, Annual Rate	4.8	4.2	6.4	2.1	4.6	4.2	6.2	0.8
Employment (Thousands)								
Washington Civilian Labor Force	3,592.8	3,607.0	3,622.4	3,637.7	3,652.4	3,667.0	3,680.8	3,693.8
Total Washington Employment	3,302.2	3,327.9	3,354.7	3,380.0	3,404.5	3,428.2	3,450.3	3,470.6
Unemployment Rate (%)	8.09	7.74	7.39	7.08	6.79	6.51	6.26	6.04
Nonfarm Payroll Employment	2,867.6	2,890.5	2,914.5	2,937.1	2,957.8	2,977.8	2,996.3	3,013.0
% Ch, Annual Rate	3.0	3.2	3.4	3.1	2.9	2.7	2.5	2.3
Manufacturing	274.9	278.6	281.5	284.5	287.9	290.7	292.6	294.5
% Ch, Annual Rate	5.4	5.5	4.3	4.3	4.8	4.0	2.6	2.6
Durable Manufacturing	198.1	201.0	203.3	205.6	208.3	210.7	212.2	213.7
% Ch, Annual Rate	5.3	6.0	4.5	4.7	5.2	4.7	2.9	2.8
Aerospace	82.0	82.7	83.4	84.1	84.8	85.6	86.3	87.0
% Ch, Annual Rate	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Nondurable Manufacturing	76.8	77.6	78.3	78.9	79.6	80.1	80.4	80.8
% Ch, Annual Rate	5.7	4.2	3.6	3.0	3.8	2.3	1.8	1.8
Construction	146.3	149.4	153.3	156.7	159.4	162.1	165.2	168.1
% Ch, Annual Rate	6.4	8.9	10.8	9.1	7.1	7.0	7.7	7.4
Service-Producing	2,439.2	2,455.0	2,472.0	2,488.0	2,502.5	2,516.8	2,530.1	2,542.0
% Ch, Annual Rate	2.6	2.6	2.8	2.6	2.3	2.3	2.1	1.9
Software Publishers	54.8	55.5	56.2	56.9	57.7	58.5	59.3	60.1
% Ch, Annual Rate	4.8	5.1	5.5	5.4	5.6	5.6	5.6	5.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	30.785	34.291	37.508	39.351	41.203	43.278	45.101	46.440
% Ch, Annual Rate	64.0	53.9	43.2	21.2	20.2	21.7	17.9	12.4
Single-Family	24.105	26.573	28.897	29.854	30.756	31.951	32.776	33.306
% Ch, Annual Rate	67.4	47.7	39.8	13.9	12.7	16.5	10.7	6.6
Multi-Family	6.680	7.718	8.611	9.498	10.447	11.328	12.325	13.134
% Ch, Annual Rate	52.3	78.2	55.0	48.0	46.4	38.2	40.2	28.9
30-Year Fixed Mortgage Rate (%)	4.29	4.30	4.72	5.33	5.86	6.06	6.07	6.07

Table A2.1
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	136.09	137.59	136.78	130.91	130.25	131.66	134.84	138.06
% Ch	1.8	1.1	-0.6	-4.3	-0.5	1.1	2.4	2.4
Manufacturing	14.16	13.88	13.40	11.88	11.66	11.96	12.35	12.66
% Ch	-0.5	-2.0	-3.4	-11.3	-1.8	2.6	3.2	2.6
Durable Manufacturing	8.98	8.81	8.46	7.31	7.16	7.42	7.76	8.07
% Ch	0.3	-1.9	-3.9	-13.6	-2.1	3.6	4.6	4.0
Wood Products	0.56	0.52	0.46	0.36	0.35	0.37	0.47	0.52
% Ch	0.0	-7.8	-11.5	-20.9	-3.3	6.7	25.2	12.5
Primary and Fabricated Metals	2.02	2.02	1.97	1.68	1.67	1.72	1.76	1.85
% Ch	1.5	0.1	-2.4	-14.6	-0.6	2.7	2.6	4.7
Computer and Electronic Products	1.31	1.27	1.24	1.14	1.10	1.18	1.23	1.25
% Ch	-0.7	-2.7	-2.2	-8.7	-3.2	7.4	4.2	1.8
Machinery and Electrical Equipment	1.62	1.62	1.61	1.41	1.37	1.42	1.45	1.45
% Ch	1.1	0.0	-0.3	-12.6	-2.8	3.6	2.1	0.2
Transportation Equipment	1.77	1.71	1.61	1.35	1.35	1.37	1.46	1.57
% Ch	-0.2	-3.2	-6.1	-15.8	-0.4	2.0	6.1	7.8
Other Durables	1.71	1.67	1.57	1.37	1.32	1.35	1.39	1.43
% Ch	-0.4	-2.4	-6.0	-12.9	-3.6	2.4	3.1	2.3
Nondurable Manufacturing	5.17	5.07	4.94	4.57	4.51	4.55	4.59	4.59
% Ch	-1.8	-2.0	-2.6	-7.4	-1.5	0.9	0.9	0.1
Food Manufacturing	1.48	1.48	1.48	1.46	1.46	1.49	1.53	1.56
% Ch	0.1	0.3	-0.2	-1.4	0.1	2.0	2.7	1.8
Paper and Paper Products	0.47	0.46	0.44	0.41	0.40	0.41	0.42	0.42
% Ch	-2.8	-2.6	-2.9	-8.4	-2.3	2.0	2.9	1.2
Other Nondurables	3.22	3.13	3.02	2.71	2.65	2.65	2.64	2.61
% Ch	-2.6	-3.0	-3.6	-10.2	-2.2	0.1	-0.5	-1.1
Natural Resources and Mining	0.68	0.72	0.77	0.70	0.72	0.71	0.70	0.69
% Ch	9.1	5.8	5.7	-8.5	3.0	-1.2	-2.4	-1.0
Construction	7.69	7.63	7.16	6.04	5.59	5.46	5.66	6.15
% Ch	4.9	-0.8	-6.1	-15.7	-7.4	-2.4	3.6	8.7
Trade, Transportation, and Utilities	26.28	26.63	26.29	24.95	24.74	24.89	25.66	26.35
% Ch	1.2	1.3	-1.3	-5.1	-0.8	0.6	3.1	2.7
Wholesale Trade	5.90	6.02	5.94	5.62	5.59	5.70	5.95	6.12
% Ch	2.5	1.9	-1.2	-5.4	-0.7	2.0	4.4	2.9
Retail Trade	15.35	15.52	15.28	14.53	14.44	14.32	14.58	14.89
% Ch	0.5	1.1	-1.5	-4.9	-0.7	-0.8	1.8	2.1
Trans., Warehousing, and Utilities	5.02	5.09	5.07	4.79	4.72	4.87	5.13	5.34
% Ch	2.0	1.5	-0.5	-5.3	-1.5	3.1	5.4	4.0
Information	3.04	3.03	2.98	2.81	2.72	2.77	2.88	2.92
% Ch	-0.8	-0.2	-1.6	-5.9	-3.1	1.7	4.0	1.6
Publishing Industries	0.90	0.90	0.88	0.80	0.76	0.78	0.79	0.80
% Ch	-0.2	-0.1	-2.3	-9.5	-4.3	1.9	1.9	0.8
Other Information	2.14	2.13	2.10	2.01	1.96	1.99	2.08	2.13
% Ch	-1.0	-0.2	-1.3	-4.4	-2.7	1.6	4.8	2.0
Financial Activities	8.33	8.30	8.14	7.76	7.57	7.63	7.84	7.96
% Ch	2.2	-0.3	-1.9	-4.7	-2.4	0.8	2.8	1.5
Professional and Business Services	17.57	17.94	17.74	16.57	16.73	17.58	18.54	19.38
% Ch	3.6	2.1	-1.2	-6.5	1.0	5.1	5.5	4.5
Education and Health Services	17.82	18.32	18.84	19.19	19.57	19.91	20.31	20.63
% Ch	2.6	2.8	2.8	1.8	2.0	1.8	2.0	1.6
Leisure and Hospitality	13.11	13.43	13.44	13.10	13.09	13.02	13.10	13.31
% Ch	2.3	2.4	0.1	-2.5	-0.1	-0.5	0.6	1.6
Other Services	5.44	5.49	5.51	5.36	5.34	5.39	5.40	5.42
% Ch	0.8	1.0	0.4	-2.8	-0.4	1.0	0.1	0.4
Federal Government	2.73	2.73	2.76	2.83	2.96	2.82	2.77	2.73
% Ch	0.0	0.1	1.0	2.4	4.7	-4.7	-1.7	-1.6
State and Local Government	19.24	19.48	19.74	19.72	19.55	19.51	19.64	19.87
% Ch	0.9	1.3	1.3	-0.1	-0.9	-0.2	0.7	1.2

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.90	137.49	136.70	135.02	132.81	131.11	130.08	129.64
% Ch, Annual Rate	0.1	-1.2	-2.3	-4.8	-6.4	-5.0	-3.1	-1.3
Manufacturing	13.69	13.57	13.36	12.98	12.38	11.92	11.69	11.55
% Ch, Annual Rate	-1.5	-3.4	-6.0	-10.9	-17.4	-14.0	-7.6	-4.4
Durable Manufacturing	8.67	8.58	8.44	8.16	7.70	7.33	7.15	7.05
% Ch, Annual Rate	-1.8	-3.9	-6.6	-12.6	-20.6	-17.8	-9.4	-5.6
Wood Products	0.49	0.47	0.45	0.42	0.38	0.36	0.35	0.35
% Ch, Annual Rate	-9.7	-13.4	-16.5	-22.5	-32.6	-17.9	-12.5	-2.2
Primary and Fabricated Metals	2.01	1.99	1.97	1.91	1.79	1.69	1.64	1.62
% Ch, Annual Rate	-0.1	-2.5	-5.1	-12.2	-22.9	-20.5	-11.1	-4.2
Computer and Electronic Products	1.26	1.25	1.24	1.22	1.19	1.15	1.11	1.10
% Ch, Annual Rate	-0.9	-1.0	-2.4	-6.3	-11.6	-13.4	-10.2	-6.0
Machinery and Electrical Equipment	1.62	1.63	1.62	1.58	1.50	1.42	1.37	1.34
% Ch, Annual Rate	1.9	3.3	-2.6	-9.8	-18.2	-20.7	-12.0	-8.6
Transportation Equipment	1.67	1.64	1.60	1.52	1.42	1.34	1.33	1.32
% Ch, Annual Rate	-2.9	-7.2	-10.9	-17.7	-24.5	-19.3	-2.7	-3.9
Other Durables	1.63	1.59	1.56	1.51	1.43	1.38	1.35	1.32
% Ch, Annual Rate	-4.6	-8.2	-8.3	-12.7	-19.4	-13.2	-9.5	-6.5
Nondurable Manufacturing	5.02	4.99	4.93	4.83	4.68	4.59	4.53	4.50
% Ch, Annual Rate	-1.0	-2.7	-4.8	-7.9	-11.9	-7.5	-4.7	-2.5
Food Manufacturing	1.49	1.48	1.48	1.47	1.46	1.46	1.46	1.46
% Ch, Annual Rate	1.1	-2.1	-1.6	-0.3	-5.0	1.4	0.5	-1.1
Paper and Paper Products	0.45	0.45	0.44	0.43	0.42	0.41	0.40	0.40
% Ch, Annual Rate	-1.6	-0.9	-5.7	-8.2	-12.6	-10.3	-5.4	-4.4
Other Nondurables	3.08	3.06	3.01	2.92	2.80	2.72	2.67	2.65
% Ch, Annual Rate	-1.9	-3.2	-6.1	-11.4	-15.0	-11.6	-7.2	-2.9
Natural Resources and Mining	0.75	0.76	0.78	0.77	0.75	0.70	0.68	0.67
% Ch, Annual Rate	8.2	7.3	8.5	-1.9	-14.0	-21.3	-11.8	-3.9
Construction	7.44	7.28	7.11	6.82	6.43	6.11	5.88	5.73
% Ch, Annual Rate	-4.7	-8.0	-9.4	-15.3	-21.0	-18.3	-14.0	-10.3
Trade, Transportation, and Utilities	26.67	26.48	26.23	25.80	25.33	25.00	24.81	24.67
% Ch, Annual Rate	-0.4	-2.8	-3.7	-6.4	-7.1	-5.1	-3.0	-2.2
Wholesale Trade	6.02	5.98	5.93	5.84	5.71	5.63	5.59	5.57
% Ch, Annual Rate	-1.1	-2.7	-3.5	-6.0	-8.2	-6.0	-2.7	-1.4
Retail Trade	15.54	15.39	15.23	14.97	14.72	14.57	14.47	14.37
% Ch, Annual Rate	-0.2	-3.6	-4.1	-6.8	-6.6	-3.9	-2.8	-2.7
Trans., Warehousing, and Utilities	5.11	5.10	5.07	4.99	4.90	4.80	4.75	4.73
% Ch, Annual Rate	-0.2	-0.4	-2.7	-5.8	-7.4	-7.5	-4.1	-1.7
Information	3.02	3.01	2.98	2.93	2.87	2.82	2.78	2.76
% Ch, Annual Rate	-0.7	-1.7	-3.9	-5.9	-7.7	-7.9	-5.0	-2.6
Publishing Industries	0.89	0.89	0.88	0.86	0.83	0.80	0.78	0.77
% Ch, Annual Rate	-1.1	-2.3	-5.6	-7.9	-12.9	-12.4	-9.6	-6.1
Other Information	2.12	2.12	2.10	2.07	2.04	2.01	2.00	1.99
% Ch, Annual Rate	-0.5	-1.5	-3.2	-5.0	-5.4	-6.1	-3.1	-1.2
Financial Activities	8.21	8.19	8.14	8.03	7.90	7.77	7.70	7.66
% Ch, Annual Rate	-1.4	-1.0	-2.5	-5.0	-6.6	-6.1	-3.8	-1.9
Professional and Business Services	18.00	17.90	17.69	17.35	16.93	16.56	16.38	16.44
% Ch, Annual Rate	-0.3	-2.4	-4.5	-7.4	-9.4	-8.5	-4.3	1.5
Education and Health Services	18.65	18.80	18.92	19.00	19.08	19.13	19.22	19.32
% Ch, Annual Rate	2.7	3.3	2.7	1.6	1.9	1.1	1.8	2.0
Leisure and Hospitality	13.53	13.50	13.42	13.29	13.18	13.11	13.09	13.02
% Ch, Annual Rate	0.4	-1.0	-2.4	-3.7	-3.5	-2.0	-0.5	-2.3
Other Services	5.53	5.53	5.51	5.48	5.41	5.37	5.35	5.32
% Ch, Annual Rate	1.8	0.2	-1.4	-2.5	-5.1	-2.9	-1.2	-2.4
Federal Government	2.75	2.76	2.77	2.78	2.80	2.86	2.82	2.83
% Ch, Annual Rate	0.2	2.1	1.0	1.4	3.1	10.0	-6.6	2.1
State and Local Government	19.67	19.72	19.80	19.79	19.78	19.76	19.69	19.67
% Ch, Annual Rate	1.5	1.1	1.6	-0.2	-0.2	-0.3	-1.4	-0.4

Table A2.2 (continued)
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	129.70	130.39	130.38	130.53	130.81	131.29	131.89	132.65
% Ch, Annual Rate	0.2	2.2	0.0	0.5	0.9	1.5	1.8	2.3
Manufacturing	11.57	11.66	11.69	11.74	11.81	11.90	12.02	12.13
% Ch, Annual Rate	0.6	2.9	1.1	1.7	2.5	3.0	4.1	3.6
Durable Manufacturing	7.08	7.15	7.19	7.22	7.28	7.36	7.46	7.56
% Ch, Annual Rate	1.4	4.2	2.1	1.8	3.5	4.2	6.0	5.4
Wood Products	0.35	0.35	0.35	0.35	0.35	0.36	0.38	0.40
% Ch, Annual Rate	0.6	5.1	-6.8	-1.9	1.0	15.9	23.6	28.9
Primary and Fabricated Metals	1.63	1.67	1.69	1.70	1.70	1.71	1.72	1.74
% Ch, Annual Rate	3.3	9.0	4.8	2.6	1.0	0.9	4.0	3.4
Computer and Electronic Products	1.09	1.10	1.10	1.11	1.14	1.17	1.20	1.22
% Ch, Annual Rate	-1.9	1.3	2.7	1.7	10.2	13.1	10.6	5.6
Machinery and Electrical Equipment	1.34	1.36	1.37	1.39	1.40	1.41	1.43	1.44
% Ch, Annual Rate	0.9	6.2	2.8	4.2	2.3	3.5	6.1	2.3
Transportation Equipment	1.34	1.35	1.36	1.35	1.37	1.37	1.37	1.40
% Ch, Annual Rate	5.5	2.6	2.8	-1.7	4.6	0.6	1.0	7.2
Other Durables	1.32	1.32	1.32	1.33	1.33	1.34	1.36	1.37
% Ch, Annual Rate	-1.5	0.5	-1.0	3.2	2.2	2.5	5.4	3.4
Nondurable Manufacturing	4.50	4.51	4.50	4.52	4.53	4.54	4.55	4.56
% Ch, Annual Rate	-0.6	0.9	-0.3	1.4	0.8	1.1	1.1	0.7
Food Manufacturing	1.45	1.46	1.46	1.47	1.47	1.49	1.50	1.51
% Ch, Annual Rate	-1.2	1.9	0.1	2.1	1.6	3.1	2.6	2.8
Paper and Paper Products	0.40	0.40	0.40	0.40	0.40	0.41	0.41	0.41
% Ch, Annual Rate	-0.7	1.2	-0.8	-0.6	2.6	5.2	3.1	2.8
Other Nondurables	2.65	2.65	2.64	2.65	2.65	2.65	2.65	2.65
% Ch, Annual Rate	-0.2	0.3	-0.4	1.4	0.2	-0.6	-0.1	-0.8
Natural Resources and Mining	0.69	0.72	0.74	0.74	0.72	0.71	0.71	0.70
% Ch, Annual Rate	11.6	15.9	11.4	-0.2	-6.7	-5.5	-3.3	-2.4
Construction	5.61	5.61	5.60	5.54	5.47	5.44	5.45	5.46
% Ch, Annual Rate	-7.7	0.0	-0.8	-4.5	-4.5	-2.1	0.7	0.5
Trade, Transportation, and Utilities	24.68	24.74	24.76	24.79	24.78	24.79	24.90	25.11
% Ch, Annual Rate	0.2	1.0	0.4	0.4	-0.2	0.2	1.8	3.4
Wholesale Trade	5.56	5.58	5.60	5.61	5.61	5.66	5.73	5.79
% Ch, Annual Rate	-0.5	1.1	1.3	0.7	0.1	3.8	4.7	4.7
Retail Trade	14.42	14.44	14.44	14.44	14.39	14.29	14.27	14.34
% Ch, Annual Rate	1.5	0.6	-0.2	0.1	-1.3	-2.7	-0.7	2.2
Trans., Warehousing, and Utilities	4.70	4.72	4.73	4.75	4.77	4.83	4.91	4.97
% Ch, Annual Rate	-2.7	1.8	1.0	1.2	2.5	5.1	6.0	5.6
Information	2.74	2.72	2.71	2.71	2.74	2.76	2.77	2.80
% Ch, Annual Rate	-3.4	-2.4	-1.7	0.3	3.6	3.1	2.6	3.8
Publishing Industries	0.77	0.76	0.76	0.76	0.77	0.77	0.78	0.79
% Ch, Annual Rate	-2.5	-2.0	-1.2	0.9	3.4	2.4	4.5	2.5
Other Information	1.97	1.96	1.95	1.95	1.97	1.98	1.99	2.01
% Ch, Annual Rate	-3.8	-2.5	-1.9	0.0	3.6	3.4	1.8	4.4
Financial Activities	7.62	7.60	7.57	7.47	7.57	7.62	7.65	7.69
% Ch, Annual Rate	-2.0	-1.2	-1.5	-5.0	5.0	2.7	1.8	1.9
Professional and Business Services	16.55	16.67	16.75	16.96	17.19	17.45	17.73	17.96
% Ch, Annual Rate	2.7	2.9	2.1	5.1	5.5	6.1	6.6	5.4
Education and Health Services	19.41	19.50	19.62	19.74	19.75	19.86	19.97	20.08
% Ch, Annual Rate	1.9	2.0	2.4	2.5	0.1	2.2	2.3	2.3
Leisure and Hospitality	13.03	13.09	13.12	13.13	13.05	13.04	13.01	13.00
% Ch, Annual Rate	0.2	1.8	1.1	0.4	-2.4	-0.6	-0.9	-0.2
Other Services	5.32	5.33	5.34	5.36	5.39	5.39	5.39	5.40
% Ch, Annual Rate	-0.4	1.3	0.9	1.2	2.3	-0.3	0.4	0.8
Federal Government	2.88	3.19	2.94	2.84	2.83	2.82	2.82	2.81
% Ch, Annual Rate	6.5	50.6	-27.8	-12.5	-1.4	-1.7	-0.3	-0.9
State and Local Government	19.60	19.57	19.53	19.50	19.51	19.53	19.47	19.51
% Ch, Annual Rate	-1.3	-0.8	-0.7	-0.6	0.2	0.3	-1.1	0.7

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	133.48	134.36	135.30	136.21	137.01	137.76	138.43	139.04
% Ch, Annual Rate	2.5	2.7	2.8	2.7	2.4	2.2	2.0	1.8
Manufacturing	12.20	12.31	12.39	12.48	12.58	12.66	12.69	12.72
% Ch, Annual Rate	2.6	3.6	2.5	2.9	3.2	2.5	1.1	1.0
Durable Manufacturing	7.63	7.73	7.80	7.88	7.98	8.06	8.10	8.14
% Ch, Annual Rate	3.5	5.2	3.6	4.5	4.9	4.2	2.1	1.9
Wood Products	0.43	0.46	0.48	0.50	0.51	0.52	0.53	0.53
% Ch, Annual Rate	27.8	27.8	21.0	17.5	12.5	7.7	3.8	2.9
Primary and Fabricated Metals	1.74	1.75	1.77	1.79	1.82	1.84	1.86	1.87
% Ch, Annual Rate	0.3	3.4	3.1	5.3	5.8	5.0	4.0	3.6
Computer and Electronic Products	1.23	1.24	1.23	1.23	1.24	1.26	1.26	1.25
% Ch, Annual Rate	3.0	3.2	-1.6	-1.1	5.4	5.1	-1.2	-0.9
Machinery and Electrical Equipment	1.44	1.45	1.45	1.45	1.45	1.45	1.45	1.44
% Ch, Annual Rate	0.8	1.6	0.8	1.7	-0.4	-0.2	-1.2	-1.0
Transportation Equipment	1.42	1.44	1.47	1.50	1.53	1.56	1.58	1.61
% Ch, Annual Rate	6.1	8.0	8.0	8.9	8.6	7.5	5.9	5.3
Other Durables	1.38	1.39	1.40	1.41	1.42	1.42	1.43	1.43
% Ch, Annual Rate	1.7	3.9	2.1	3.0	2.4	2.3	1.2	0.9
Nondurable Manufacturing	4.58	4.58	4.59	4.59	4.60	4.60	4.59	4.58
% Ch, Annual Rate	1.2	0.9	0.6	0.3	0.3	-0.3	-0.5	-0.5
Food Manufacturing	1.52	1.53	1.54	1.54	1.55	1.56	1.56	1.57
% Ch, Annual Rate	3.6	2.4	1.9	1.6	2.6	1.5	1.2	1.2
Paper and Paper Products	0.41	0.42	0.42	0.42	0.42	0.42	0.42	0.42
% Ch, Annual Rate	2.9	2.7	2.5	1.8	1.1	0.5	0.0	0.2
Other Nondurables	2.64	2.64	2.64	2.63	2.63	2.62	2.60	2.59
% Ch, Annual Rate	-0.5	-0.3	-0.4	-0.7	-1.1	-1.5	-1.7	-1.6
Natural Resources and Mining	0.70	0.69	0.69	0.69	0.69	0.69	0.69	0.68
% Ch, Annual Rate	-2.7	-2.8	-0.3	0.3	-1.0	-1.1	-1.8	-2.8
Construction	5.50	5.59	5.70	5.84	5.97	6.09	6.21	6.33
% Ch, Annual Rate	2.7	6.6	8.5	10.0	9.2	8.5	8.1	7.7
Trade, Transportation, and Utilities	25.34	25.57	25.78	25.96	26.14	26.29	26.43	26.53
% Ch, Annual Rate	3.8	3.7	3.3	2.8	2.7	2.5	2.1	1.6
Wholesale Trade	5.86	5.92	5.98	6.02	6.06	6.10	6.14	6.17
% Ch, Annual Rate	4.9	4.2	3.8	3.1	2.6	2.5	2.4	1.9
Retail Trade	14.44	14.54	14.63	14.71	14.80	14.87	14.93	14.97
% Ch, Annual Rate	2.6	3.0	2.5	2.2	2.3	2.0	1.5	1.0
Trans., Warehousing, and Utilities	5.04	5.11	5.17	5.22	5.28	5.32	5.37	5.40
% Ch, Annual Rate	5.8	5.1	4.9	4.3	4.2	3.6	3.3	2.7
Information	2.84	2.87	2.89	2.90	2.92	2.92	2.93	2.92
% Ch, Annual Rate	6.0	4.1	2.9	1.9	2.0	0.8	0.4	-0.8
Publishing Industries	0.79	0.79	0.79	0.79	0.80	0.80	0.80	0.80
% Ch, Annual Rate	2.0	0.8	0.6	0.1	1.4	1.2	0.7	-0.3
Other Information	2.05	2.08	2.10	2.11	2.12	2.13	2.13	2.12
% Ch, Annual Rate	7.6	5.4	3.8	2.6	2.3	0.7	0.3	-0.9
Financial Activities	7.76	7.82	7.89	7.91	7.93	7.94	7.97	8.00
% Ch, Annual Rate	3.5	3.2	3.7	1.3	0.7	0.5	1.5	1.9
Professional and Business Services	18.15	18.38	18.68	18.97	19.14	19.29	19.45	19.62
% Ch, Annual Rate	4.3	5.0	6.7	6.3	3.6	3.3	3.3	3.6
Education and Health Services	20.19	20.29	20.35	20.41	20.48	20.60	20.69	20.76
% Ch, Annual Rate	2.2	2.0	1.3	1.1	1.3	2.4	1.8	1.3
Leisure and Hospitality	13.05	13.08	13.11	13.16	13.24	13.29	13.33	13.37
% Ch, Annual Rate	1.5	0.9	1.0	1.6	2.3	1.5	1.3	1.1
Other Services	5.41	5.39	5.39	5.40	5.41	5.41	5.42	5.43
% Ch, Annual Rate	0.3	-1.4	0.5	0.4	0.7	0.1	0.9	0.5
Federal Government	2.79	2.77	2.76	2.75	2.74	2.73	2.72	2.71
% Ch, Annual Rate	-2.5	-2.5	-1.7	-1.5	-1.6	-1.4	-1.4	-1.1
State and Local Government	19.55	19.60	19.66	19.73	19.78	19.85	19.90	19.96
% Ch, Annual Rate	0.9	1.1	1.2	1.4	1.1	1.2	1.1	1.1

Table A2.3
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.2	2,826.7	2,782.9	2,818.7	2,902.4	2,986.2
% Ch	3.0	2.6	0.9	-4.5	-1.5	1.3	3.0	2.9
Manufacturing	285.9	293.3	291.2	265.9	257.8	265.6	279.9	291.4
% Ch	4.9	2.6	-0.7	-8.7	-3.0	3.0	5.4	4.1
Durable Manufacturing	204.0	211.9	211.3	190.6	184.3	191.0	202.0	211.2
% Ch	6.6	3.9	-0.3	-9.8	-3.3	3.7	5.7	4.5
Wood Products	20.3	19.2	17.0	13.4	12.9	13.4	16.0	17.5
% Ch	1.1	-5.4	-11.3	-21.4	-3.4	4.1	19.5	9.2
Primary and Fabricated Metals	24.3	25.9	26.3	21.9	21.7	22.4	23.3	24.7
% Ch	4.9	6.8	1.5	-16.7	-0.9	3.1	4.0	6.2
Computer and Electronic Products	22.5	22.7	22.5	20.0	19.0	21.6	23.4	24.5
% Ch	1.2	1.1	-0.8	-11.2	-5.1	13.6	8.4	4.7
Machinery and Electrical Equipment	19.0	19.6	19.9	16.3	15.6	18.2	20.3	21.6
% Ch	6.5	3.4	1.2	-17.9	-4.1	16.3	11.5	6.6
Aerospace	73.4	80.1	83.0	83.0	80.6	80.5	83.0	85.9
% Ch	11.9	9.1	3.6	0.0	-2.8	-0.2	3.2	3.5
Other Transportation Equip.	13.7	13.1	12.2	9.7	8.9	9.2	9.6	9.8
% Ch	4.1	-4.9	-6.5	-20.9	-8.3	3.4	4.4	2.9
Other Durables	30.9	31.3	30.5	26.4	25.6	25.9	26.4	27.1
% Ch	4.9	1.4	-2.8	-13.2	-3.1	1.0	2.3	2.5
Nondurable Manufacturing	81.9	81.4	79.8	75.3	73.5	74.6	77.9	80.2
% Ch	0.9	-0.6	-1.9	-5.8	-2.3	1.5	4.4	3.0
Food Manufacturing	33.9	34.1	34.3	34.0	33.9	33.8	35.6	37.0
% Ch	0.3	0.7	0.5	-0.7	-0.5	0.0	5.1	4.0
Paper and Paper Products	11.9	11.2	10.5	9.7	9.2	9.5	9.9	10.1
% Ch	-2.1	-6.3	-6.5	-7.0	-5.8	3.3	4.8	2.3
Other Nondurables	36.1	36.1	35.1	31.5	30.5	31.3	32.4	33.1
% Ch	2.6	0.2	-2.8	-10.4	-3.1	2.5	3.5	2.1
Natural Resources and Mining	8.7	8.2	7.5	6.1	6.0	6.6	7.5	8.3
% Ch	-3.0	-6.1	-7.6	-19.2	-0.8	9.9	13.0	10.2
Construction	194.8	208.2	200.6	160.7	143.9	142.1	151.4	163.7
% Ch	9.9	6.8	-3.6	-19.9	-10.5	-1.2	6.5	8.1
Trade, Transportation, and Utilities	541.6	553.3	553.4	524.0	521.0	529.2	547.2	561.7
% Ch	2.1	2.2	0.0	-5.3	-0.6	1.6	3.4	2.6
Wholesale Trade	126.6	129.3	130.1	123.0	120.8	124.0	129.9	133.6
% Ch	3.6	2.2	0.6	-5.4	-1.9	2.7	4.7	2.9
Retail Trade	321.0	327.9	327.4	310.0	310.3	311.9	319.2	326.1
% Ch	1.6	2.1	-0.1	-5.3	0.1	0.5	2.3	2.2
Trans., Warehousing, and Utilities	94.0	96.1	95.9	91.0	90.0	93.3	98.1	101.9
% Ch	2.0	2.2	-0.2	-5.1	-1.1	3.7	5.2	3.8
Information	98.4	102.5	105.6	103.6	102.6	106.0	110.9	114.9
% Ch	3.9	4.1	3.1	-1.9	-1.0	3.3	4.7	3.6
Software Publishers	44.7	47.6	50.9	51.4	51.3	53.3	55.8	58.9
% Ch	8.4	6.4	7.0	1.0	-0.3	4.0	4.7	5.5
Other Publishing Industries	11.0	10.8	10.4	8.8	8.1	8.5	8.7	8.7
% Ch	-2.0	-1.7	-4.4	-15.4	-7.0	4.1	2.4	-0.2
Other Information	42.7	44.0	44.3	43.4	43.1	44.2	46.4	47.3
% Ch	1.1	3.1	0.7	-2.1	-0.6	2.4	5.0	2.0
Financial Activities	156.2	155.5	152.4	142.2	133.5	135.3	140.8	144.7
% Ch	1.1	-0.5	-2.0	-6.7	-6.1	1.3	4.1	2.7
Professional and Business Services	330.5	344.7	348.7	324.8	324.2	338.4	356.0	373.5
% Ch	4.6	4.3	1.2	-6.8	-0.2	4.4	5.2	4.9
Education and Health Services	337.2	348.3	362.1	372.8	375.3	379.9	386.5	393.5
% Ch	2.4	3.3	4.0	3.0	0.7	1.2	1.7	1.8
Leisure and Hospitality	271.6	280.5	283.6	269.9	266.9	268.8	273.9	281.7
% Ch	3.1	3.3	1.1	-4.8	-1.1	0.7	1.9	2.8
Other Services	104.0	105.3	107.7	106.9	106.0	105.8	105.6	106.3
% Ch	1.2	1.3	2.3	-0.7	-0.9	-0.2	-0.2	0.6
Federal Government	69.3	68.7	70.0	72.8	75.5	73.0	72.0	71.3
% Ch	-0.4	-0.9	1.9	4.0	3.7	-3.3	-1.4	-1.0
State and Local Government	460.7	465.1	476.3	476.9	470.1	467.8	470.7	475.3
% Ch	0.8	1.0	2.4	0.1	-1.4	-0.5	0.6	1.0

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,973.7	2,969.4	2,968.2	2,925.7	2,877.6	2,835.3	2,807.3	2,786.5
% Ch, Annual Rate	2.3	-0.6	-0.2	-5.6	-6.4	-5.7	-3.9	-2.9
Manufacturing	297.1	294.9	293.1	279.5	276.5	266.9	262.4	257.7
% Ch, Annual Rate	2.0	-2.9	-2.5	-17.2	-4.3	-13.2	-6.6	-6.9
Durable Manufacturing	215.9	214.8	214.0	200.6	200.1	191.4	187.0	184.0
% Ch, Annual Rate	2.8	-2.1	-1.4	-22.8	-1.0	-16.2	-9.0	-6.3
Wood Products	18.2	17.5	16.6	15.6	14.1	13.4	13.1	12.8
% Ch, Annual Rate	-10.6	-15.2	-18.8	-22.5	-32.9	-18.7	-8.3	-9.9
Primary and Fabricated Metals	26.5	26.7	26.7	25.4	23.5	21.9	21.2	21.0
% Ch, Annual Rate	6.7	2.6	0.0	-17.3	-26.9	-24.9	-11.7	-3.6
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.5	20.2	19.4	18.9
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-12.4	-22.0	-14.2	-9.4
Machinery and Electrical Equipment	20.1	20.1	20.0	19.2	17.6	16.6	15.7	15.3
% Ch, Annual Rate	3.8	-0.8	-2.7	-14.2	-29.9	-20.5	-19.3	-11.0
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.2	81.4
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.0	-4.9	-3.8
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.6	9.7	9.3	9.0
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-31.2	-31.0	-14.2	-10.7
Other Durables	31.4	31.0	30.3	29.0	27.7	26.5	26.0	25.5
% Ch, Annual Rate	1.8	-5.4	-8.2	-16.2	-17.7	-15.6	-7.0	-7.6
Nondurable Manufacturing	81.2	80.2	79.1	78.9	76.4	75.5	75.4	73.8
% Ch, Annual Rate	-0.2	-4.9	-5.3	-0.8	-12.3	-4.8	-0.2	-8.6
Food Manufacturing	34.6	34.1	33.8	34.5	33.8	34.2	34.7	33.5
% Ch, Annual Rate	5.0	-5.6	-3.1	7.8	-7.9	4.6	6.7	-13.7
Paper and Paper Products	10.7	10.6	10.4	10.2	10.0	9.8	9.6	9.5
% Ch, Annual Rate	-8.3	-5.1	-7.1	-4.8	-8.0	-9.3	-7.7	-3.0
Other Nondurables	35.9	35.5	34.9	34.2	32.6	31.5	31.1	30.8
% Ch, Annual Rate	-2.5	-4.2	-6.9	-7.5	-17.7	-12.6	-4.9	-4.3
Natural Resources and Mining	7.8	7.6	7.5	7.3	6.5	6.0	6.1	5.7
% Ch, Annual Rate	-5.8	-7.8	-2.6	-14.9	-33.6	-27.5	2.0	-21.2
Construction	208.9	204.5	199.6	189.5	173.9	163.0	156.3	149.8
% Ch, Annual Rate	0.3	-8.2	-9.2	-18.8	-29.1	-22.7	-15.6	-15.5
Trade, Transportation, and Utilities	559.1	556.8	554.0	543.9	532.8	524.7	521.8	516.8
% Ch, Annual Rate	1.8	-1.6	-2.0	-7.1	-7.9	-5.9	-2.2	-3.8
Wholesale Trade	130.9	130.7	130.2	128.7	126.0	123.2	121.8	121.1
% Ch, Annual Rate	1.3	-0.7	-1.4	-4.4	-8.2	-8.5	-4.4	-2.6
Retail Trade	331.9	329.6	327.5	320.8	313.9	310.6	309.2	306.3
% Ch, Annual Rate	2.7	-2.7	-2.6	-7.9	-8.3	-4.2	-1.8	-3.6
Trans., Warehousing, and Utilities	96.3	96.5	96.3	94.4	92.9	90.9	90.7	89.4
% Ch, Annual Rate	-0.6	0.9	-0.9	-7.7	-6.2	-8.2	-0.8	-5.7
Information	104.3	105.1	106.3	106.8	105.8	104.1	102.6	101.9
% Ch, Annual Rate	5.4	3.2	4.6	1.8	-3.5	-6.5	-5.5	-2.9
Software Publishers	49.1	50.3	51.7	52.6	52.5	51.7	51.0	50.6
% Ch, Annual Rate	7.8	10.6	11.9	6.9	-0.6	-6.3	-5.5	-3.2
Other Publishing Industries	10.8	10.6	10.2	9.8	9.3	8.8	8.6	8.4
% Ch, Annual Rate	-1.1	-6.7	-12.3	-15.8	-20.2	-17.4	-12.0	-9.3
Other Information	44.5	44.2	44.3	44.4	44.0	43.5	43.1	43.0
% Ch, Annual Rate	4.5	-2.1	1.0	0.3	-2.9	-4.5	-4.1	-1.2
Financial Activities	154.6	153.5	151.8	149.5	145.8	143.5	141.1	138.4
% Ch, Annual Rate	-0.4	-2.7	-4.5	-5.8	-9.5	-6.3	-6.3	-7.5
Professional and Business Services	350.2	352.0	350.0	342.5	333.0	324.0	320.5	321.8
% Ch, Annual Rate	2.2	2.1	-2.2	-8.3	-10.7	-10.4	-4.2	1.5
Education and Health Services	356.6	359.5	364.2	368.2	371.5	372.2	373.4	374.2
% Ch, Annual Rate	2.6	3.3	5.3	4.5	3.6	0.7	1.4	0.8
Leisure and Hospitality	286.0	285.0	284.2	279.4	273.6	270.5	269.6	265.9
% Ch, Annual Rate	3.2	-1.3	-1.1	-6.6	-8.0	-4.6	-1.2	-5.5
Other Services	107.3	107.8	108.3	107.6	107.4	107.1	106.6	106.7
% Ch, Annual Rate	3.4	1.8	2.1	-2.6	-0.9	-1.2	-1.6	0.2
Federal Government	69.3	69.4	70.3	71.0	71.6	74.0	72.7	72.8
% Ch, Annual Rate	4.5	0.9	4.9	4.1	3.6	13.7	-6.5	0.2
State and Local Government	472.7	473.3	478.9	480.4	479.0	479.4	474.0	474.9
% Ch, Annual Rate	3.1	0.5	4.8	1.3	-1.2	0.3	-4.4	0.8

Table A2.4 (continued)
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,772.9	2,787.2	2,784.0	2,787.3	2,795.6	2,807.7	2,825.2	2,846.2
% Ch, Annual Rate	-1.9	2.1	-0.5	0.5	1.2	1.7	2.5	3.0
Manufacturing	256.9	257.9	257.7	258.8	260.5	263.3	267.5	271.3
% Ch, Annual Rate	-1.3	1.7	-0.4	1.8	2.5	4.3	6.6	5.9
Durable Manufacturing	183.4	184.0	184.3	185.5	187.0	189.1	192.6	195.6
% Ch, Annual Rate	-1.2	1.3	0.6	2.5	3.3	4.7	7.5	6.5
Wood Products	13.0	13.1	12.8	12.7	12.7	13.1	13.6	14.3
% Ch, Annual Rate	6.7	2.7	-8.1	-2.9	-0.4	11.9	18.3	22.6
Primary and Fabricated Metals	21.3	21.7	21.8	22.0	22.1	22.2	22.5	22.7
% Ch, Annual Rate	6.3	7.4	1.0	3.7	1.9	2.0	5.2	4.8
Computer and Electronic Products	18.7	18.8	19.1	19.3	20.2	21.2	22.2	22.7
% Ch, Annual Rate	-4.4	1.5	6.2	5.1	18.4	22.9	18.8	10.8
Machinery and Electrical Equipment	15.3	15.4	15.5	16.4	17.1	17.8	18.6	19.2
% Ch, Annual Rate	-0.2	4.2	0.7	26.4	18.9	17.8	19.4	12.5
Aerospace	81.0	80.5	80.7	80.4	80.2	79.9	80.6	81.3
% Ch, Annual Rate	-1.9	-2.6	1.0	-1.2	-1.2	-1.2	3.5	3.5
Other Transportation Equip.	8.7	8.8	9.0	9.0	9.1	9.1	9.2	9.3
% Ch, Annual Rate	-15.6	4.6	9.5	2.1	1.7	3.1	2.4	4.4
Other Durables	25.4	25.8	25.6	25.6	25.7	25.8	25.9	26.0
% Ch, Annual Rate	-1.4	5.6	-3.2	1.0	1.0	1.0	2.2	2.3
Nondurable Manufacturing	73.4	73.9	73.4	73.4	73.5	74.2	74.9	75.7
% Ch, Annual Rate	-1.7	2.5	-2.8	0.1	0.7	3.5	4.1	4.5
Food Manufacturing	33.3	34.1	34.3	33.7	33.4	33.6	33.9	34.4
% Ch, Annual Rate	-2.4	10.6	1.9	-6.1	-3.5	2.5	3.5	5.2
Paper and Paper Products	9.3	9.2	9.0	9.1	9.2	9.4	9.5	9.7
% Ch, Annual Rate	-9.9	-2.1	-7.5	2.7	5.8	8.2	5.5	4.9
Other Nondurables	30.9	30.5	30.0	30.5	30.8	31.1	31.4	31.7
% Ch, Annual Rate	1.6	-4.4	-6.4	6.9	4.1	3.4	4.3	3.6
Natural Resources and Mining	5.9	6.1	6.1	6.2	6.3	6.6	6.8	7.0
% Ch, Annual Rate	9.7	16.0	-1.7	10.4	5.0	18.8	15.2	10.4
Construction	144.0	144.0	144.2	143.4	142.0	140.8	141.8	144.0
% Ch, Annual Rate	-14.6	-0.1	0.8	-2.4	-3.9	-3.3	2.9	6.6
Trade, Transportation, and Utilities	517.4	520.4	522.8	523.3	524.6	526.6	530.4	535.3
% Ch, Annual Rate	0.4	2.4	1.8	0.4	1.0	1.6	2.9	3.8
Wholesale Trade	120.2	120.1	121.2	121.5	121.9	123.1	124.7	126.4
% Ch, Annual Rate	-2.9	-0.1	3.5	1.2	1.1	4.2	5.3	5.4
Retail Trade	307.9	310.8	311.3	311.0	311.2	310.9	311.7	313.7
% Ch, Annual Rate	2.1	3.8	0.7	-0.4	0.3	-0.4	1.0	2.6
Trans., Warehousing, and Utilities	89.3	89.5	90.3	90.7	91.5	92.6	93.9	95.2
% Ch, Annual Rate	-0.6	1.1	3.4	2.0	3.2	5.0	5.9	5.5
Information	101.7	102.3	102.8	103.4	104.5	105.5	106.3	107.5
% Ch, Annual Rate	-0.5	2.3	2.0	2.2	4.5	3.7	3.4	4.4
Software Publishers	50.6	51.0	51.5	52.0	52.5	53.0	53.6	54.1
% Ch, Annual Rate	0.2	3.3	4.3	3.4	4.6	3.7	4.1	4.3
Other Publishing Industries	8.3	8.1	8.0	8.2	8.3	8.4	8.6	8.6
% Ch, Annual Rate	-1.8	-10.8	-3.1	6.8	7.8	5.2	6.5	3.5
Other Information	42.8	43.2	43.2	43.2	43.6	44.0	44.2	44.7
% Ch, Annual Rate	-1.2	3.7	0.2	0.0	3.8	3.5	1.9	4.5
Financial Activities	136.2	133.8	132.7	131.4	133.5	134.8	135.9	136.9
% Ch, Annual Rate	-6.3	-6.9	-3.2	-3.9	6.6	4.0	3.2	3.2
Professional and Business Services	320.8	323.8	324.4	327.9	331.8	336.1	340.8	345.0
% Ch, Annual Rate	-1.1	3.7	0.8	4.4	4.8	5.3	5.8	4.9
Education and Health Services	373.4	373.6	376.4	377.9	377.6	379.0	380.6	382.3
% Ch, Annual Rate	-0.8	0.2	3.1	1.5	-0.2	1.5	1.7	1.8
Leisure and Hospitality	264.8	267.1	267.8	268.1	268.0	268.1	269.2	270.1
% Ch, Annual Rate	-1.6	3.6	1.0	0.4	-0.1	0.2	1.6	1.4
Other Services	105.8	106.0	106.1	106.0	106.1	105.8	105.7	105.7
% Ch, Annual Rate	-3.2	0.9	0.3	-0.4	0.3	-1.0	-0.4	0.0
Federal Government	73.5	80.1	74.9	73.5	73.3	73.0	73.0	72.8
% Ch, Annual Rate	4.0	41.2	-23.5	-7.3	-1.1	-1.5	-0.3	-0.7
State and Local Government	472.6	472.1	468.2	467.6	467.7	468.1	467.3	468.2
% Ch, Annual Rate	-1.9	-0.4	-3.3	-0.5	0.1	0.4	-0.7	0.8

Table A2.4 (continued)
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	2,867.6	2,890.5	2,914.5	2,937.1	2,957.8	2,977.8	2,996.3	3,013.0
% Ch, Annual Rate	3.0	3.2	3.4	3.1	2.9	2.7	2.5	2.3
Manufacturing	274.9	278.6	281.5	284.5	287.9	290.7	292.6	294.5
% Ch, Annual Rate	5.4	5.5	4.3	4.3	4.8	4.0	2.6	2.6
Durable Manufacturing	198.1	201.0	203.3	205.6	208.3	210.7	212.2	213.7
% Ch, Annual Rate	5.3	6.0	4.5	4.7	5.2	4.7	2.9	2.8
Wood Products	15.0	15.8	16.4	16.9	17.3	17.5	17.6	17.7
% Ch, Annual Rate	21.7	21.7	16.2	13.3	9.1	5.2	1.9	1.2
Primary and Fabricated Metals	22.8	23.1	23.4	23.8	24.2	24.6	24.9	25.2
% Ch, Annual Rate	1.7	4.8	4.6	6.7	7.3	6.5	5.6	5.2
Computer and Electronic Products	23.1	23.5	23.4	23.5	24.0	24.6	24.6	24.6
% Ch, Annual Rate	6.5	6.9	-0.5	0.2	10.1	9.7	0.0	0.5
Machinery and Electrical Equipment	19.6	20.1	20.5	20.9	21.2	21.5	21.8	22.0
% Ch, Annual Rate	9.4	9.8	8.2	8.8	5.8	5.8	4.4	4.5
Aerospace	82.0	82.7	83.4	84.1	84.8	85.6	86.3	87.0
% Ch, Annual Rate	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Other Transportation Equip.	9.4	9.5	9.6	9.7	9.8	9.9	9.9	9.8
% Ch, Annual Rate	4.3	5.6	5.4	4.6	3.0	2.1	-0.1	-0.5
Other Durables	26.2	26.4	26.5	26.7	26.9	27.1	27.2	27.3
% Ch, Annual Rate	2.1	2.8	2.5	2.8	2.7	2.5	2.0	1.8
Nondurable Manufacturing	76.8	77.6	78.3	78.9	79.6	80.1	80.4	80.8
% Ch, Annual Rate	5.7	4.2	3.6	3.0	3.8	2.3	1.8	1.8
Food Manufacturing	35.0	35.4	35.8	36.1	36.6	36.9	37.2	37.4
% Ch, Annual Rate	7.7	4.9	3.9	3.3	6.0	3.3	2.7	2.6
Paper and Paper Products	9.8	9.9	10.0	10.0	10.1	10.1	10.2	10.2
% Ch, Annual Rate	4.8	4.3	3.9	3.0	2.1	1.4	0.8	0.9
Other Nondurables	32.0	32.3	32.5	32.7	32.9	33.0	33.1	33.2
% Ch, Annual Rate	3.7	3.4	3.2	2.7	1.9	1.5	1.2	1.2
Natural Resources and Mining	7.2	7.4	7.6	7.9	8.1	8.2	8.4	8.4
% Ch, Annual Rate	12.5	12.8	12.9	13.4	11.2	8.6	5.5	3.4
Construction	146.3	149.4	153.3	156.7	159.4	162.1	165.2	168.1
% Ch, Annual Rate	6.4	8.9	10.8	9.1	7.1	7.0	7.7	7.4
Trade, Transportation, and Utilities	540.3	545.4	549.7	553.4	557.1	560.5	563.4	565.7
% Ch, Annual Rate	3.8	3.8	3.2	2.8	2.7	2.4	2.1	1.7
Wholesale Trade	128.0	129.3	130.6	131.6	132.4	133.3	134.1	134.8
% Ch, Annual Rate	5.1	4.4	4.0	3.1	2.5	2.5	2.5	2.1
Retail Trade	315.9	318.4	320.3	322.1	324.0	325.7	326.9	327.9
% Ch, Annual Rate	2.8	3.2	2.4	2.2	2.4	2.1	1.6	1.1
Trans., Warehousing, and Utilities	96.5	97.6	98.7	99.7	100.7	101.5	102.3	103.0
% Ch, Annual Rate	5.4	4.9	4.6	4.0	3.9	3.4	3.2	2.7
Information	109.0	110.4	111.6	112.6	113.7	114.5	115.4	116.0
% Ch, Annual Rate	5.9	4.9	4.4	3.8	3.8	3.1	2.9	2.2
Software Publishers	54.8	55.5	56.2	56.9	57.7	58.5	59.3	60.1
% Ch, Annual Rate	4.8	5.1	5.5	5.4	5.6	5.6	5.6	5.4
Other Publishing Industries	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.6
% Ch, Annual Rate	2.3	0.6	-0.1	-0.8	0.3	0.0	-0.6	-1.9
Other Information	45.6	46.2	46.7	47.0	47.3	47.3	47.4	47.3
% Ch, Annual Rate	7.9	5.7	4.0	2.7	2.4	0.7	0.3	-1.0
Financial Activities	138.6	140.1	141.9	142.8	143.5	144.1	145.0	146.1
% Ch, Annual Rate	4.9	4.6	5.1	2.6	1.9	1.7	2.7	3.0
Professional and Business Services	348.5	352.8	358.5	364.1	368.0	371.6	375.3	379.1
% Ch, Annual Rate	4.2	5.0	6.6	6.5	4.3	4.0	4.0	4.2
Education and Health Services	384.1	385.9	387.2	388.7	390.2	392.7	394.7	396.4
% Ch, Annual Rate	1.9	1.9	1.4	1.5	1.6	2.5	2.1	1.7
Leisure and Hospitality	271.4	272.9	274.6	276.6	279.1	281.1	282.7	283.8
% Ch, Annual Rate	2.0	2.2	2.5	3.0	3.6	2.9	2.4	1.4
Other Services	105.7	105.5	105.6	105.7	106.0	106.1	106.4	106.6
% Ch, Annual Rate	-0.1	-0.8	0.5	0.6	0.9	0.6	1.1	0.8
Federal Government	72.5	72.1	71.9	71.7	71.5	71.4	71.3	71.2
% Ch, Annual Rate	-2.1	-2.0	-1.2	-1.0	-1.0	-0.8	-0.8	-0.4
State and Local Government	469.1	470.0	471.1	472.4	473.5	474.8	476.0	477.1
% Ch, Annual Rate	0.8	0.7	0.9	1.1	0.9	1.1	1.0	0.9

Table A3.1
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	11,268.1	11,912.3	12,391.2	12,174.9	12,515.8	12,944.6	13,520.5	14,196.6
% Ch	7.5	5.7	4.0	-1.7	2.8	3.4	4.4	5.0
Total Wage and Salary Disbursements	6,068.9	6,421.7	6,559.1	6,274.1	6,362.3	6,599.5	6,926.0	7,289.0
% Ch	6.5	5.8	2.1	-4.3	1.4	3.7	4.9	5.2
Nonwage Personal Income	5,199.2	5,490.6	5,832.1	5,900.8	6,153.5	6,345.1	6,594.6	6,907.6
% Ch	8.7	5.6	6.2	1.2	4.3	3.1	3.9	4.7
Supplements to Wages and Salaries	1,406.9	1,440.4	1,506.8	1,532.6	1,583.6	1,647.4	1,732.6	1,823.8
% Ch	3.5	2.4	4.6	1.7	3.3	4.0	5.2	5.3
Proprietor's Income	1,133.0	1,090.4	1,102.0	1,011.9	1,049.4	1,113.3	1,186.1	1,234.8
% Ch	5.9	-3.8	1.1	-8.2	3.7	6.1	6.5	4.1
Farm	29.4	37.8	50.9	30.5	40.7	45.1	43.6	43.5
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,103.6	1,052.6	1,051.2	981.5	1,008.6	1,068.2	1,142.5	1,191.3
% Ch	7.6	-4.6	-0.1	-6.6	2.8	5.9	7.0	4.3
Less: Contribution For Govt. Soc. Ins.	921.8	959.5	987.2	970.3	998.8	1,043.6	1,109.2	1,201.4
% Ch	5.6	4.1	2.9	-1.7	2.9	4.5	6.3	8.3
Dividends/Int./Rent	1,976.2	2,200.7	2,331.3	2,193.7	2,214.6	2,252.4	2,361.3	2,559.6
% Ch	14.9	11.4	5.9	-5.9	1.0	1.7	4.8	8.4
Transfer Payments	1,605.0	1,718.5	1,879.3	2,132.9	2,304.7	2,375.6	2,423.8	2,490.8
% Ch	6.4	7.1	9.4	13.5	8.1	3.1	2.0	2.8

Table A3.2

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

Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	12,300.4	12,460.9	12,447.0	12,356.3	12,093.2	12,203.4	12,164.0	12,239.0
% Ch, Annual Rate	5.3	5.3	-0.4	-2.9	-8.2	3.7	-1.3	2.5
Total Wage and Salary Disbursements	6,595.9	6,575.1	6,567.9	6,497.3	6,260.0	6,287.7	6,263.9	6,284.9
% Ch, Annual Rate	4.5	-1.3	-0.4	-4.2	-13.8	1.8	-1.5	1.3
Nonwage Personal Income	5,704.5	5,885.8	5,879.1	5,859.0	5,833.2	5,915.7	5,900.1	5,954.1
% Ch, Annual Rate	6.3	13.3	-0.5	-1.4	-1.7	5.8	-1.1	3.7
Supplements to Wages and Salaries	1,486.3	1,502.3	1,515.1	1,523.5	1,517.6	1,531.4	1,534.8	1,546.5
% Ch, Annual Rate	7.1	4.4	3.5	2.2	-1.5	3.7	0.9	3.1
Proprietor's Income	1,107.3	1,116.1	1,111.6	1,073.0	1,018.6	1,000.5	1,006.4	1,022.1
% Ch, Annual Rate	6.8	3.2	-1.6	-13.2	-18.8	-6.9	2.4	6.4
Farm	60.7	52.7	50.5	39.5	29.6	28.0	28.0	36.2
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,046.6	1,063.4	1,061.1	1,033.5	989.0	972.5	978.4	985.9
% Ch, Annual Rate	1.3	6.6	-0.9	-10.0	-16.1	-6.5	2.4	3.1
Less: Contribution For Govt. Soc. Ins.	988.3	987.7	989.5	983.4	964.2	971.6	970.6	974.8
% Ch, Annual Rate	7.0	-0.2	0.7	-2.4	-7.6	3.1	-0.4	1.7
Dividends/Int./Rent	2,306.0	2,320.7	2,366.8	2,331.7	2,237.4	2,195.3	2,170.2	2,172.0
% Ch, Annual Rate	3.6	2.6	8.2	-5.8	-15.2	-7.3	-4.5	0.3
Transfer Payments	1,793.2	1,934.4	1,875.2	1,914.2	2,023.7	2,160.2	2,159.3	2,188.2
% Ch, Annual Rate	9.3	35.4	-11.7	8.6	24.9	29.8	-0.2	5.5

Table A3.2 (continued)
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,350.3	12,471.2	12,567.1	12,674.6	12,769.2	12,877.8	13,000.4	13,131.1
% Ch, Annual Rate	3.7	4.0	3.1	3.5	3.0	3.4	3.9	4.1
Total Wage and Salary Disbursements	6,291.4	6,340.9	6,384.2	6,432.6	6,496.6	6,561.4	6,631.7	6,708.3
% Ch, Annual Rate	0.4	3.2	2.8	3.1	4.0	4.0	4.4	4.7
Nonwage Personal Income	6,058.9	6,130.3	6,182.9	6,242.0	6,272.6	6,316.4	6,368.7	6,422.8
% Ch, Annual Rate	7.2	4.8	3.5	3.9	2.0	2.8	3.4	3.4
Supplements to Wages and Salaries	1,566.7	1,577.7	1,587.5	1,602.5	1,622.6	1,638.2	1,654.6	1,674.2
% Ch, Annual Rate	5.3	2.8	2.5	3.8	5.1	3.9	4.1	4.8
Proprietor's Income	1,030.8	1,048.4	1,052.0	1,066.3	1,085.5	1,105.9	1,122.4	1,139.3
% Ch, Annual Rate	3.4	7.0	1.4	5.6	7.4	7.7	6.1	6.2
Farm	36.8	35.7	44.7	45.7	45.3	46.1	45.1	43.9
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	994.0	1,012.7	1,007.2	1,020.7	1,040.2	1,059.9	1,077.2	1,095.4
% Ch, Annual Rate	3.3	7.7	-2.1	5.4	7.9	7.8	6.7	6.9
Less: Contribution For Govt. Soc. Ins.	987.8	995.3	1,002.2	1,009.8	1,030.9	1,039.9	1,046.9	1,056.5
% Ch, Annual Rate	5.4	3.1	2.8	3.1	8.7	3.5	2.7	3.7
Dividends/Int./Rent	2,203.8	2,209.9	2,216.5	2,228.1	2,230.0	2,239.6	2,259.3	2,280.8
% Ch, Annual Rate	6.0	1.1	1.2	2.1	0.3	1.7	3.6	3.9
Transfer Payments	2,245.5	2,289.7	2,328.9	2,354.8	2,365.4	2,372.6	2,379.3	2,384.9
% Ch, Annual Rate	10.9	8.1	7.0	4.5	1.8	1.2	1.1	0.9

Table A3.2 (continued)
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	13,265.7	13,426.8	13,600.4	13,789.2	13,932.3	14,113.4	14,285.6	14,455.2
% Ch, Annual Rate	4.2	4.9	5.3	5.7	4.2	5.3	5.0	4.8
Total Wage and Salary Disbursements	6,795.8	6,878.8	6,968.3	7,060.9	7,157.7	7,247.2	7,333.4	7,417.8
% Ch, Annual Rate	5.3	5.0	5.3	5.4	5.6	5.1	4.8	4.7
Nonwage Personal Income	6,469.8	6,548.1	6,632.1	6,728.3	6,774.6	6,866.2	6,952.2	7,037.5
% Ch, Annual Rate	3.0	4.9	5.2	5.9	2.8	5.5	5.1	5.0
Supplements to Wages and Salaries	1,700.9	1,722.6	1,742.5	1,764.6	1,790.1	1,813.0	1,834.1	1,858.1
% Ch, Annual Rate	6.5	5.2	4.7	5.2	5.9	5.2	4.7	5.4
Proprietor's Income	1,157.2	1,179.1	1,196.8	1,211.3	1,217.1	1,229.4	1,239.5	1,253.1
% Ch, Annual Rate	6.4	7.8	6.2	4.9	1.9	4.1	3.4	4.4
Farm	43.8	44.9	43.3	42.5	42.5	43.5	44.1	43.8
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,113.3	1,134.2	1,153.5	1,168.8	1,174.6	1,185.9	1,195.4	1,209.2
% Ch, Annual Rate	6.7	7.7	7.0	5.4	2.0	3.9	3.3	4.7
Less: Contribution For Govt. Soc. Ins.	1,090.7	1,101.6	1,115.0	1,129.5	1,184.6	1,197.2	1,205.4	1,218.6
% Ch, Annual Rate	13.6	4.0	5.0	5.3	21.0	4.3	2.8	4.5
Dividends/Int./Rent	2,302.9	2,334.9	2,376.4	2,430.9	2,491.9	2,540.4	2,583.3	2,622.7
% Ch, Annual Rate	3.9	5.7	7.3	9.5	10.4	8.0	6.9	6.2
Transfer Payments	2,399.6	2,413.1	2,431.4	2,451.0	2,460.0	2,480.5	2,500.7	2,522.1
% Ch, Annual Rate	2.5	2.3	3.1	3.3	1.5	3.4	3.3	3.5

Table A3.3
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	252.023	271.113	283.464	281.155	287.601	298.939	314.370	332.288
% Ch	9.6	7.6	4.6	-0.8	2.3	3.9	5.2	5.7
Total Wage and Salary Disbursements	135.118	145.705	150.684	147.132	147.832	154.403	163.383	173.097
% Ch	8.4	7.8	3.4	-2.4	0.5	4.4	5.8	5.9
Manufacturing	16.794	17.685	17.977	16.770	16.192	17.163	18.561	19.911
% Ch	11.3	5.3	1.7	-6.7	-3.4	6.0	8.1	7.3
Durable Manufacturing	13.051	13.772	14.077	13.164	12.673	13.496	14.634	15.748
% Ch	13.4	5.5	2.2	-6.5	-3.7	6.5	8.4	7.6
Nondurable Manufacturing	3.742	3.913	3.900	3.606	3.519	3.667	3.927	4.164
% Ch	4.4	4.6	-0.3	-7.5	-2.4	4.2	7.1	6.0
Nonmanufacturing	112.859	122.469	126.569	123.914	124.883	130.201	137.672	145.979
% Ch	8.2	8.5	3.3	-2.1	0.8	4.3	5.7	6.0
Other Private Wages	0.855	0.880	0.898	0.869	0.822	0.846	0.884	0.924
% Ch	6.9	2.9	2.1	-3.2	-5.4	3.0	4.4	4.5
Farm Wages	1.133	1.025	1.254	1.291	1.338	1.394	1.471	1.555
% Ch	-4.1	-9.6	22.4	3.0	3.7	4.2	5.6	5.7
Military Wages	3.478	3.647	3.987	4.289	4.597	4.798	4.795	4.729
% Ch	5.4	4.9	9.3	7.6	7.2	4.4	-0.1	-1.4
Nonwage Personal Income	116.905	125.409	132.780	134.023	139.769	144.536	150.987	159.191
% Ch	11.0	7.3	5.9	0.9	4.3	3.4	4.5	5.4
Supplements to Wages and Salaries	32.606	34.110	36.007	37.113	38.220	39.990	42.440	45.010
% Ch	4.5	4.6	5.6	3.1	3.0	4.6	6.1	6.1
Proprietor's Income	23.469	23.420	23.534	21.236	22.033	23.655	25.449	26.607
% Ch	9.9	-0.2	0.5	-9.8	3.8	7.4	7.6	4.5
Farm	0.653	1.033	1.123	0.234	0.410	0.680	0.744	0.788
% Ch	...	...	...	...	...	...	...	...
Nonfarm	22.817	22.387	22.411	21.002	21.623	22.976	24.705	25.819
% Ch	9.6	-1.9	0.1	-6.3	3.0	6.3	7.5	4.5
Less: Contribution For Govt. Soc. Ins.	23.325	24.518	25.440	25.394	26.018	27.253	29.120	31.614
% Ch	6.2	5.1	3.8	-0.2	2.5	4.7	6.9	8.6
Plus: Residence Adjustment	2.795	3.076	3.073	2.899	2.919	3.039	3.203	3.389
% Ch	6.3	10.0	-0.1	-5.7	0.7	4.1	5.4	5.8
Dividends/Int./Rent	49.329	55.013	58.079	53.827	54.264	55.176	57.972	63.238
% Ch	16.7	11.5	5.6	-7.3	0.8	1.7	5.1	9.1
Transfer Payments	32.030	34.309	37.527	44.342	48.352	49.928	51.043	52.560
% Ch	7.5	7.1	9.4	18.2	9.0	3.3	2.2	3.0
State U.I. Benefits	0.733	0.739	1.195	4.305	5.428	5.080	4.024	2.814
% Ch	-6.2	0.8	61.7	260.3	26.1	-6.4	-20.8	-30.1
Other Transfers	31.297	33.570	36.332	40.037	42.924	44.847	47.020	49.747
% Ch	7.8	7.3	8.2	10.2	7.2	4.5	4.8	5.8

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	280.024	283.040	286.387	284.404	279.555	281.199	281.162	282.705
% Ch, Annual Rate	1.7	4.4	4.8	-2.7	-6.6	2.4	-0.1	2.2
Total Wage and Salary Disbursements	149.666	149.877	152.303	150.889	147.153	147.161	147.159	147.056
% Ch, Annual Rate	-1.0	0.6	6.6	-3.7	-9.5	0.0	0.0	-0.3
Manufacturing	18.195	17.711	17.959	18.042	16.663	16.740	16.788	16.888
% Ch, Annual Rate	3.5	-10.2	5.7	1.9	-27.2	1.9	1.1	2.4
Durable Manufacturing	14.248	13.839	14.090	14.130	13.118	13.094	13.158	13.284
% Ch, Annual Rate	5.3	-11.0	7.5	1.1	-25.7	-0.7	2.0	3.9
Nondurable Manufacturing	3.947	3.872	3.869	3.912	3.544	3.645	3.629	3.604
% Ch, Annual Rate	-2.9	-7.4	-0.3	4.5	-32.6	11.9	-1.7	-2.7
Nonmanufacturing	125.480	126.140	128.071	126.583	124.172	124.051	123.784	123.646
% Ch, Annual Rate	-2.7	2.1	6.3	-4.6	-7.4	-0.4	-0.9	-0.4
Other Private Wages	0.878	0.866	0.904	0.945	0.865	0.836	0.931	0.845
% Ch, Annual Rate	-1.8	-5.4	18.7	19.4	-29.9	-12.7	54.0	-32.2
Farm Wages	1.241	1.253	1.259	1.261	1.274	1.285	1.296	1.307
% Ch, Annual Rate	107.5	3.9	1.9	0.6	4.2	3.5	3.5	3.4
Military Wages	3.872	3.907	4.110	4.058	4.179	4.249	4.360	4.369
% Ch, Annual Rate	12.9	3.7	22.5	-5.0	12.5	6.9	10.9	0.8
Nonwage Personal Income	130.359	133.163	134.085	133.514	132.403	134.038	134.002	135.650
% Ch, Annual Rate	5.0	8.9	2.8	-1.7	-3.3	5.0	-0.1	5.0
Supplements to Wages and Salaries	35.456	35.732	36.428	36.412	36.793	37.098	37.216	37.346
% Ch, Annual Rate	4.5	3.1	8.0	-0.2	4.3	3.4	1.3	1.4
Proprietor's Income	23.815	23.677	23.777	22.866	21.332	21.070	21.115	21.426
% Ch, Annual Rate	4.6	-2.3	1.7	-14.5	-24.3	-4.8	0.9	6.0
Farm	1.515	1.025	1.157	0.795	0.144	0.224	0.191	0.375
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.300	22.652	22.620	22.071	21.188	20.846	20.924	21.051
% Ch, Annual Rate	2.5	6.5	-0.6	-9.4	-15.1	-6.3	1.5	2.5
Less: Contribution For Govt. Soc. Ins.	25.348	25.335	25.668	25.407	25.323	25.453	25.400	25.399
% Ch, Annual Rate	4.2	-0.2	5.4	-4.0	-1.3	2.1	-0.8	0.0
Plus: Residence Adjustment	3.094	3.110	3.059	3.028	2.961	2.920	2.861	2.854
% Ch, Annual Rate	-1.3	2.1	-6.4	-4.0	-8.6	-5.4	-7.8	-1.0
Dividends/Int./Rent	57.411	57.793	58.960	58.152	55.197	53.527	53.062	53.523
% Ch, Annual Rate	2.1	2.7	8.3	-5.4	-18.8	-11.6	-3.4	3.5
Transfer Payments	35.931	38.186	37.528	38.463	41.442	44.876	45.149	45.900
% Ch, Annual Rate	10.5	27.6	-6.7	10.3	34.8	37.5	2.5	6.8
State U.I. Benefits	0.866	0.972	1.273	1.668	2.964	4.360	4.890	5.006
% Ch, Annual Rate	44.4	58.7	194.2	194.8	897.1	368.2	58.2	9.8
Other Transfers	35.065	37.214	36.255	36.795	38.478	40.516	40.259	40.894
% Ch, Annual Rate	9.8	26.9	-9.9	6.1	19.6	22.9	-2.5	6.5

Table A3.4 (continued)
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	282.927	287.089	289.420	290.969	294.323	296.981	301.243	303.208
% Ch, Annual Rate	0.3	6.0	3.3	2.2	4.7	3.7	5.9	2.6
Total Wage and Salary Disbursements	145.370	147.876	148.990	149.093	151.660	153.202	156.100	156.649
% Ch, Annual Rate	-4.5	7.1	3.0	0.3	7.1	4.1	7.8	1.4
Manufacturing	15.897	16.166	16.267	16.439	16.664	16.953	17.337	17.697
% Ch, Annual Rate	-21.5	6.9	2.5	4.3	5.6	7.1	9.4	8.6
Durable Manufacturing	12.433	12.635	12.737	12.889	13.083	13.317	13.643	13.940
% Ch, Annual Rate	-23.3	6.7	3.3	4.8	6.2	7.4	10.1	9.0
Nondurable Manufacturing	3.465	3.531	3.529	3.550	3.582	3.636	3.695	3.757
% Ch, Annual Rate	-14.6	7.9	-0.2	2.4	3.5	6.2	6.6	7.0
Nonmanufacturing	122.771	124.971	125.943	125.848	128.026	129.243	131.687	131.849
% Ch, Annual Rate	-2.8	7.4	3.1	-0.3	7.1	3.9	7.8	0.5
Other Private Wages	0.813	0.822	0.825	0.828	0.835	0.842	0.850	0.859
% Ch, Annual Rate	-14.3	4.5	1.2	1.6	3.5	3.3	4.0	4.2
Farm Wages	1.318	1.336	1.344	1.354	1.369	1.384	1.402	1.420
% Ch, Annual Rate	3.4	5.6	2.4	2.8	4.7	4.5	5.1	5.3
Military Wages	4.570	4.581	4.612	4.623	4.766	4.779	4.824	4.824
% Ch, Annual Rate	19.7	1.0	2.7	1.0	12.9	1.1	3.8	0.0
Nonwage Personal Income	137.557	139.213	140.430	141.876	142.663	143.779	145.143	146.559
% Ch, Annual Rate	5.7	4.9	3.5	4.2	2.2	3.2	3.8	4.0
Supplements to Wages and Salaries	37.834	38.092	38.290	38.663	39.264	39.716	40.210	40.770
% Ch, Annual Rate	5.3	2.8	2.1	3.9	6.4	4.7	5.1	5.7
Proprietor's Income	21.528	21.989	22.114	22.500	22.970	23.463	23.881	24.308
% Ch, Annual Rate	1.9	8.8	2.3	7.2	8.6	8.9	7.3	7.4
Farm	0.233	0.287	0.524	0.595	0.633	0.685	0.699	0.702
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	21.295	21.701	21.589	21.905	22.336	22.778	23.182	23.607
% Ch, Annual Rate	4.7	7.8	-2.0	6.0	8.1	8.1	7.3	7.5
Less: Contribution For Govt. Soc. Ins.	25.754	25.946	26.096	26.277	26.867	27.128	27.362	27.653
% Ch, Annual Rate	5.7	3.0	2.3	2.8	9.3	3.9	3.5	4.3
Plus: Residence Adjustment	2.890	2.903	2.928	2.957	2.988	3.021	3.055	3.093
% Ch, Annual Rate	5.1	1.8	3.6	3.9	4.3	4.5	4.5	5.1
Dividends/Int./Rent	53.971	54.149	54.331	54.604	54.631	54.855	55.339	55.878
% Ch, Annual Rate	3.4	1.3	1.3	2.0	0.2	1.6	3.6	4.0
Transfer Payments	47.088	48.027	48.863	49.429	49.677	49.853	50.020	50.163
% Ch, Annual Rate	10.8	8.2	7.1	4.7	2.0	1.4	1.3	1.1
State U.I. Benefits	5.358	5.457	5.457	5.439	5.343	5.183	5.000	4.795
% Ch, Annual Rate	31.2	7.6	0.0	-1.3	-6.9	-11.4	-13.4	-15.4
Other Transfers	41.730	42.570	43.406	43.990	44.333	44.669	45.020	45.367
% Ch, Annual Rate	8.4	8.3	8.1	5.5	3.2	3.1	3.2	3.1

Table A3.4 (continued)
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	307.646	311.753	317.656	320.426	325.237	329.829	336.068	338.018
% Ch, Annual Rate	6.0	5.4	7.8	3.5	6.1	5.8	7.8	2.3
Total Wage and Salary Disbursements	159.855	161.968	165.706	166.003	169.482	171.712	175.721	175.474
% Ch, Annual Rate	8.4	5.4	9.6	0.7	8.6	5.4	9.7	-0.6
Manufacturing	18.043	18.406	18.727	19.066	19.438	19.787	20.069	20.351
% Ch, Annual Rate	8.1	8.3	7.2	7.4	8.0	7.4	5.8	5.7
Durable Manufacturing	14.210	14.509	14.768	15.049	15.353	15.647	15.879	16.111
% Ch, Annual Rate	8.0	8.7	7.4	7.8	8.3	7.9	6.1	6.0
Nondurable Manufacturing	3.833	3.898	3.959	4.018	4.085	4.139	4.190	4.240
% Ch, Annual Rate	8.4	6.9	6.4	6.0	6.9	5.4	4.9	4.9
Nonmanufacturing	134.603	136.399	139.844	139.842	142.819	144.716	148.450	147.931
% Ch, Annual Rate	8.6	5.4	10.5	0.0	8.8	5.4	10.7	-1.4
Other Private Wages	0.869	0.879	0.889	0.899	0.910	0.919	0.928	0.937
% Ch, Annual Rate	4.9	4.4	4.7	4.6	5.0	4.3	4.0	3.8
Farm Wages	1.441	1.460	1.481	1.502	1.525	1.545	1.565	1.584
% Ch, Annual Rate	6.0	5.6	5.9	5.7	6.1	5.5	5.2	5.0
Military Wages	4.899	4.824	4.764	4.694	4.790	4.745	4.709	4.671
% Ch, Annual Rate	6.4	-6.0	-4.9	-5.7	8.4	-3.7	-3.0	-3.2
Nonwage Personal Income	147.791	149.785	151.951	154.423	155.755	158.117	160.346	162.545
% Ch, Annual Rate	3.4	5.5	5.9	6.7	3.5	6.2	5.8	5.6
Supplements to Wages and Salaries	41.536	42.148	42.733	43.345	44.083	44.714	45.294	45.949
% Ch, Annual Rate	7.7	6.0	5.7	5.9	7.0	5.9	5.3	5.9
Proprietor's Income	24.754	25.279	25.710	26.053	26.197	26.480	26.718	27.033
% Ch, Annual Rate	7.5	8.8	7.0	5.5	2.2	4.4	3.6	4.8
Farm	0.723	0.762	0.748	0.745	0.756	0.785	0.804	0.805
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	24.031	24.517	24.962	25.308	25.440	25.695	25.913	26.228
% Ch, Annual Rate	7.4	8.3	7.5	5.7	2.1	4.1	3.4	4.9
Less: Contribution For Govt. Soc. Ins.	28.577	28.903	29.298	29.703	31.129	31.489	31.734	32.105
% Ch, Annual Rate	14.0	4.6	5.6	5.7	20.6	4.7	3.2	4.8
Plus: Residence Adjustment	3.137	3.178	3.223	3.272	3.321	3.368	3.412	3.456
% Ch, Annual Rate	5.7	5.4	5.8	6.2	6.2	5.7	5.4	5.2
Dividends/Int./Rent	56.445	57.278	58.366	59.800	61.413	62.714	63.875	64.952
% Ch, Annual Rate	4.1	6.0	7.8	10.2	11.2	8.7	7.6	6.9
Transfer Payments	50.496	50.805	51.216	51.655	51.871	52.330	52.781	53.260
% Ch, Annual Rate	2.7	2.5	3.3	3.5	1.7	3.6	3.5	3.7
State U.I. Benefits	4.490	4.178	3.864	3.562	3.254	2.953	2.663	2.386
% Ch, Annual Rate	-23.1	-25.0	-26.8	-27.8	-30.4	-32.2	-33.8	-35.6
Other Transfers	46.006	46.627	47.352	48.093	48.617	49.377	50.118	50.874
% Ch, Annual Rate	5.8	5.5	6.4	6.4	4.4	6.4	6.1	6.2

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.507	8.8	0.909	10.4	0.916	10.8
1982	0.535	5.5	0.965	6.2	0.978	6.7
1983	0.558	4.3	0.996	3.2	0.993	1.5
1984	0.579	3.8	1.039	4.4	1.030	3.8
1985	0.598	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.3	1.239	4.8	1.181	4.7
1990	0.721	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.769	2.9	1.403	3.0	1.390	3.7
1993	0.786	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.820	2.2	1.524	2.8	1.522	3.0
1996	0.838	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.927	1.4	1.799	1.6	1.893	2.0
2003	0.946	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.056	2.7	2.073	2.9	2.157	3.9
2008	1.091	3.3	2.152	3.8	2.247	4.2
2009	1.093	0.2	2.145	-0.3	2.260	0.6
Forecast						
2010	1.112	1.7	2.180	1.6	2.264	0.1
2011	1.126	1.3	2.212	1.4	2.293	1.3
2012	1.142	1.4	2.248	1.6	2.331	1.6
2013	1.162	1.7	2.291	1.9	2.376	1.9

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

Statistics and Bureau of Economic Analysis.

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

	Services		Food		Fuels		Gasoline	
	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>
1971	19.285	5.5	25.843	2.3	8.336	6.4	14.588	0.7
1972	20.103	4.2	27.075	4.8	8.388	0.6	14.777	1.3
1973	21.078	4.9	30.502	12.7	9.614	14.6	16.190	9.6
1974	22.868	8.5	35.139	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	106.973	3.4	105.728	4.0	123.294	8.1	123.921	9.8
2008	110.566	3.4	112.090	6.0	167.246	35.6	144.451	16.6
2009	112.233	1.5	113.539	1.3	114.671	-31.4	105.862	-26.7
Forecast								
2010	114.316	1.9	114.158	0.5	132.022	15.1	122.559	15.8
2011	116.108	1.6	116.184	1.8	133.760	1.3	130.546	6.5
2012	118.237	1.8	116.957	0.7	138.147	3.3	134.364	2.9
2013	120.790	2.2	118.513	1.3	141.191	2.2	136.010	1.2

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

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.3
2004	6167.8	69.5	1.1	81.0	46.0	34.6
2005	6256.4	88.6	1.4	81.8	45.6	52.4
2006	6375.6	119.2	1.9	83.2	45.3	81.3
2007	6488.0	112.4	1.8	87.8	46.2	70.8
2008	6587.6	99.6	1.5	89.3	47.5	57.8
2009	6668.2	80.6	1.2	90.5	48.8	38.9
Forecast						
2010	6734.7	66.5	1.0	91.3	50.6	25.8
2011	6807.1	72.4	1.1	92.0	51.2	31.6
2012	6899.3	92.2	1.4	93.1	51.9	51.0
2013	6987.7	88.4	1.3	93.1	52.8	48.1

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		2010	Forecast		2013
	2008	2009		2011	2012	
Total Population	6587.6	6668.2	6734.7	6807.1	6899.3	6987.7
Percent Change	1.5	1.2	1.0	1.1	1.4	1.3
Age 17 and Under	1576.8	1582.2	1585.2	1592.1	1608.8	1625.2
Percent of Total	23.9	23.7	23.5	23.4	23.3	23.3
Age 6-18	1155.9	1152.2	1147.5	1145.1	1148.2	1157.8
Percent of Total	17.5	17.3	17.0	16.8	16.6	16.6
Age 18 and Over	5010.8	5086.0	5149.5	5215.1	5290.5	5362.5
Percent of Total	76.1	76.3	76.5	76.6	76.7	76.7
Age 21 and Over	4727.2	4798.2	4859.7	4927.5	5006.9	5083.5
Percent of Total	71.8	72.0	72.2	72.4	72.6	72.7
Age 20-34	1365.0	1389.7	1408.6	1431.6	1459.3	1483.0
Percent of Total	20.7	20.8	20.9	21.0	21.2	21.2
Age 18-64	4238.5	4288.3	4328.0	4370.9	4405.0	4435.5
Percent of Total	64.3	64.3	64.3	64.2	63.8	63.5
Age 65 and Over	772.4	797.6	821.5	844.2	885.4	927.0
Percent of Total	11.7	12.0	12.2	12.4	12.8	13.3

* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1
Summary of National and State Indicators

Indicator	Latest Data	Indication
U.S. Leading Index	August 2010	+
U.S. Real GDP Growth	2nd quarter 2010	+ but slowing
U.S. ISM Index	August 2010	+
U.S. Employment YoY%Δ	August 2010	+
U.S. Unemployment Rate	August 2010	-
U.S. Job Openings	July 2010	+
U.S. Fed Funds Target	September 2010	unchanged
U.S. Consumer Confidence	September 2010	-
U.S. Light Vehicle Sales	August 2010	unchanged
U.S. CPI	August 2010	neutral
U.S. Monster Employment Index	August 2010	-
S&P 500 Index	September 20, 2010	+
WA Leading Index	August 2010	+
WA NAPM-WW Index	August 2010	+
WA Help Wanted Index	August 2010	-
WA Employment YoY%Δ	August 2010	-
WA Aerospace Empl. YoY%Δ	August 2010	-
WA Unemployment Rate	August 2010	unchanged
WA Business Cycle Indicator	August 2010	+
WA Initial Unemploy. Claims	August 2010	+
WA Housing Permits	August 2010	+
WA Weekly Hours in Mfg.	August 2010	+
WA New Vehicle Registration	August 2010	+
WA Migration (DOL data)	August 2010	+
WA Exports-Total	2nd quarter 2010	-
WA Exports- w/o Trans. Equip.	2nd quarter 2010	+
Seattle CPI	August 2010	+
Seattle Monster Employment Index	August 2010	-

Table A6.2

Washington Business Indicators

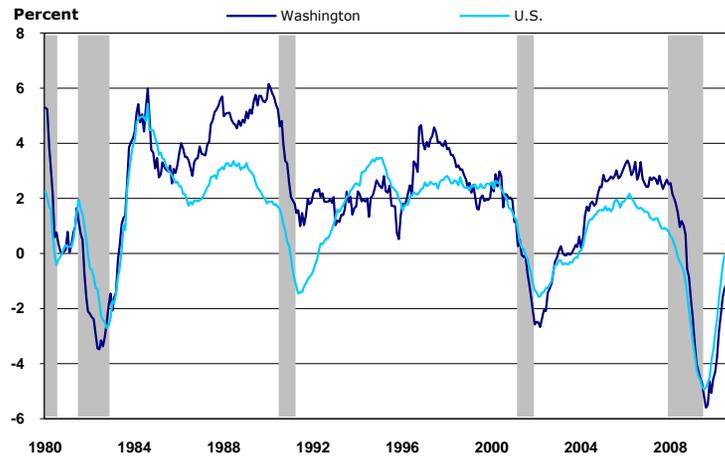
Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	WA State Help-Wanted Index	Washington Purchasing Management Index	U.S. Purchasing Management Index
2007:01	113.6	104.9	116.1	66.4	49.2
2007:02	115.3	104.5	119.8	62.3	51.9
2007:03	115.0	104.9	124.5	64.9	51.2
2007:04	115.5	104.6	129.3	68.4	52.9
2007:05	116.8	104.7	132.4	69.6	52.6
2007:06	116.4	104.4	131.3	67.8	53.2
2007:07	117.0	104.8	128.6	65.4	52.1
2007:08	117.3	104.1	128.3	64.3	50.5
2007:09	117.8	104.1	131.5	58.1	50.4
2007:10	118.2	103.8	130.6	56.8	49.9
2007:11	118.7	103.6	134.7	53.0	50.7
2007:12	118.0	103.6	126.8	58.7	48.7
2008:01	117.2	103.1	119.8	66.7	50.5
2008:02	117.9	102.7	118.3	62.3	48.7
2008:03	118.8	102.8	124.4	55.2	49.1
2008:04	119.6	102.7	125.9	65.0	48.9
2008:05	118.5	102.5	120.5	60.3	49.6
2008:06	118.8	102.6	118.4	63.8	50.0
2008:07	117.7	101.6	113.1	60.2	49.6
2008:08	117.1	100.9	111.2	65.3	49.2
2008:09	115.8	100.8	111.0	48.6	43.2
2008:10	113.7	99.8	106.1	50.9	38.4
2008:11	111.7	99.2	101.5	50.0	36.7
2008:12	111.6	99.1	97.9	42.3	32.5
2009:01	110.9	98.8	93.4	52.8	35.5
2009:02	108.4	98.3	88.2	48.1	35.7
2009:03	106.4	98.1	79.4	40.9	36.4
2009:04	107.6	99.2	79.3	46.7	40.4
2009:05	108.6	100.6	78.6	48.5	43.2
2009:06	109.0	101.3	77.7	50.2	45.3
2009:07	109.8	102.5	79.9	46.7	49.1
2009:08	110.3	103.1	78.1	53.2	52.8
2009:09	110.7	104.2	78.2	52.9	52.4
2009:10	111.8	104.7	78.9	59.5	55.2
2009:11	113.0	105.8	82.4	54.8	53.7
2009:12	113.6	107.0	83.5	61.4	54.9
2010:01	114.5	107.6	86.0	63.0	58.4
2010:02	113.9	108.0	86.3	56.0	56.5
2010:03	114.9	109.5	88.8	56.1	59.6
2010:04	115.5	109.5	94.8	63.2	60.4
2010:05	114.9	110.0	92.9	62.4	59.7
2010:06	115.2	109.8	96.8	63.0	56.2
2010:07	116.2	109.9	97.8	55.9	55.5
2010:08	116.4	110.2	92.2	58.6	56.3

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

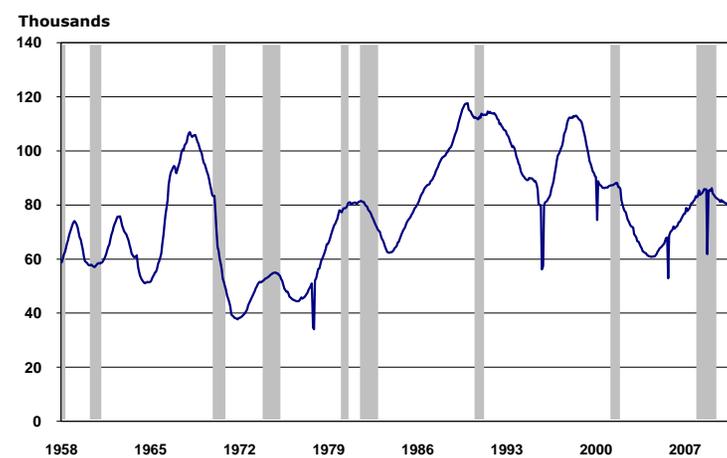
January 1980 to August 2010



* Bureau of Labor Statistics, WA State Employment Security

Washington Aircraft and Parts Employment

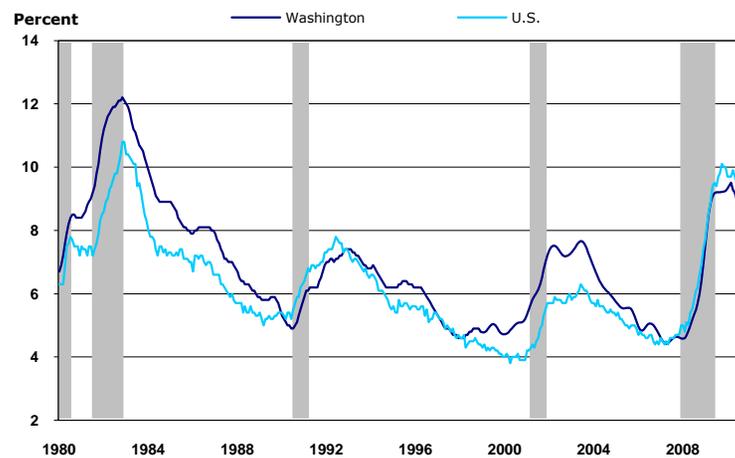
January 1958 to August 2010



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

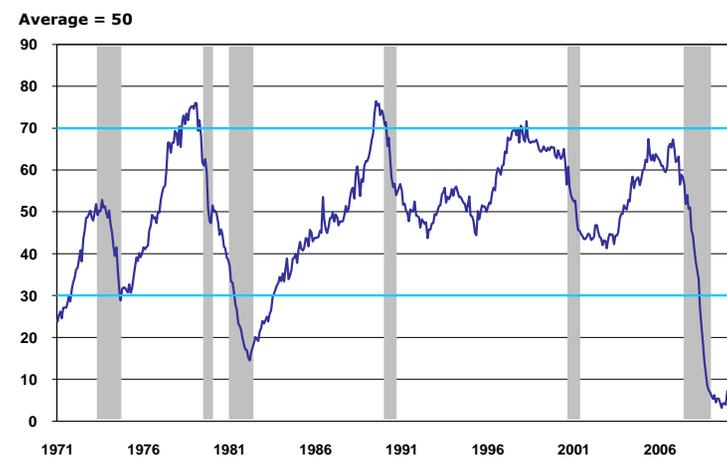
January 1980 to August 2010



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

October 2003 to August 2010, SA



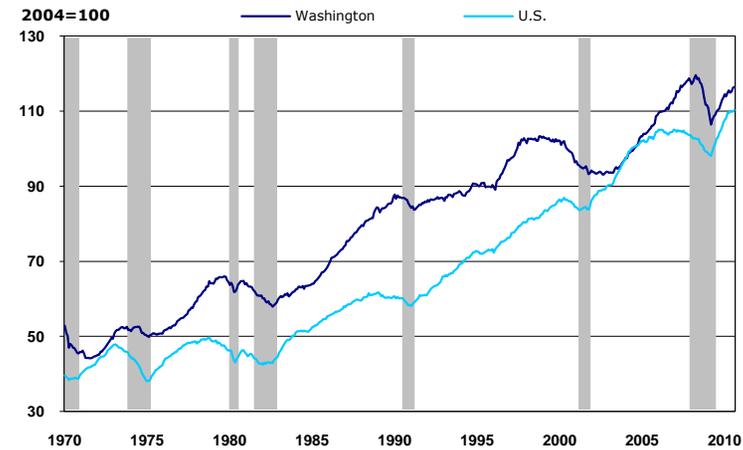
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

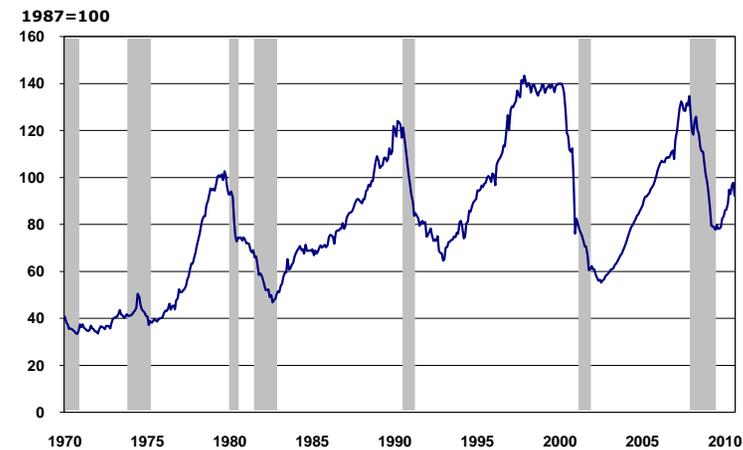
January 1970 to August 2010



* The Conference Board, ERFC

WA State Help Wanted Index

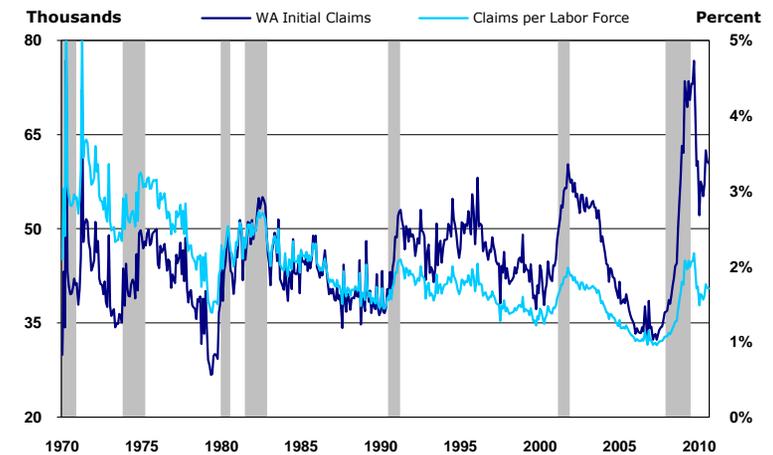
January 1970 to August 2010



* Source: ERFC

Washington Initial Claims for Unemployment Insurance

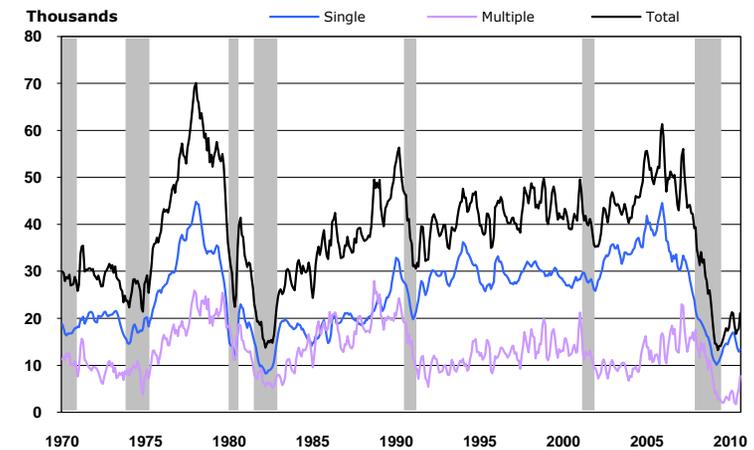
January 1970 to August 2010, S.A.



* Source: WA State Employment Security, ERFC

Housing Units Authorized in Washington State

October 2003 to August 2010, SA



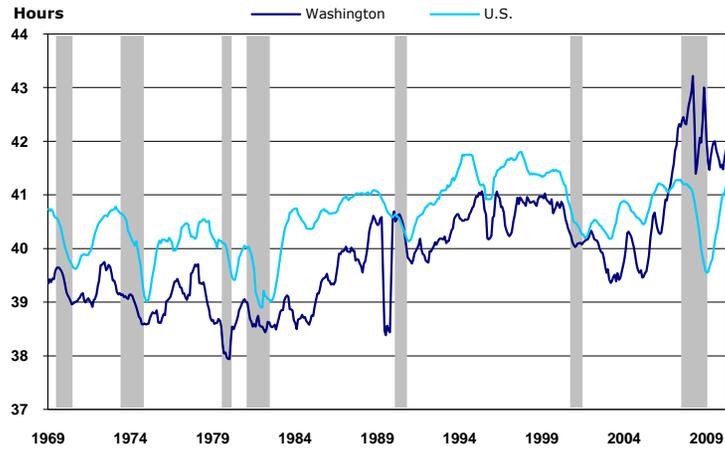
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

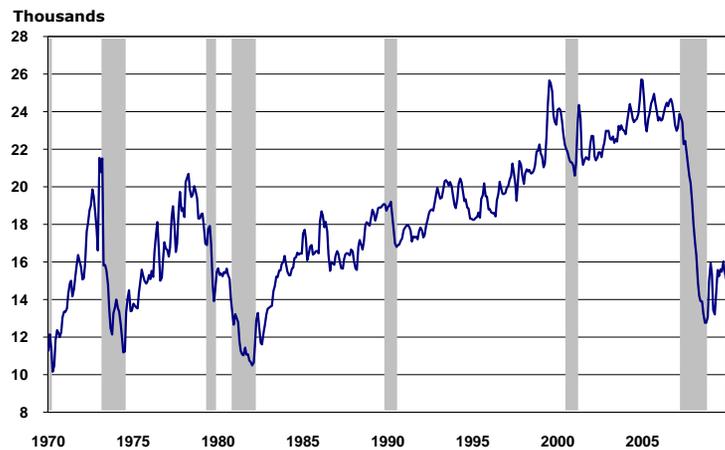
June 1969 to August 2010, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

New Car and Truck Registrations in Washington

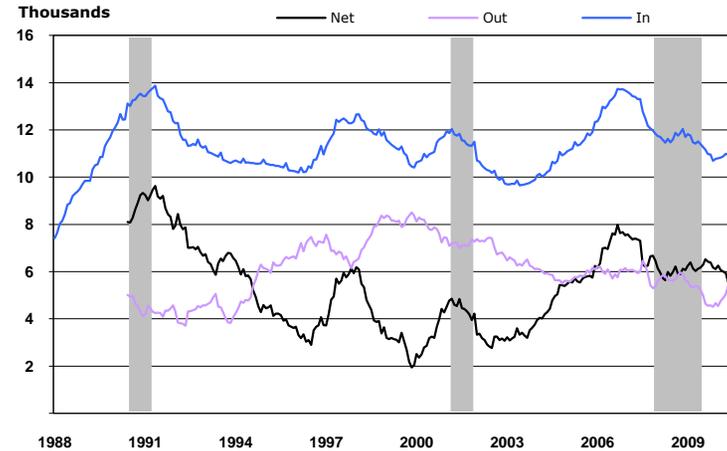
September 1970 to August 2010, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Washington Driver's License Migration

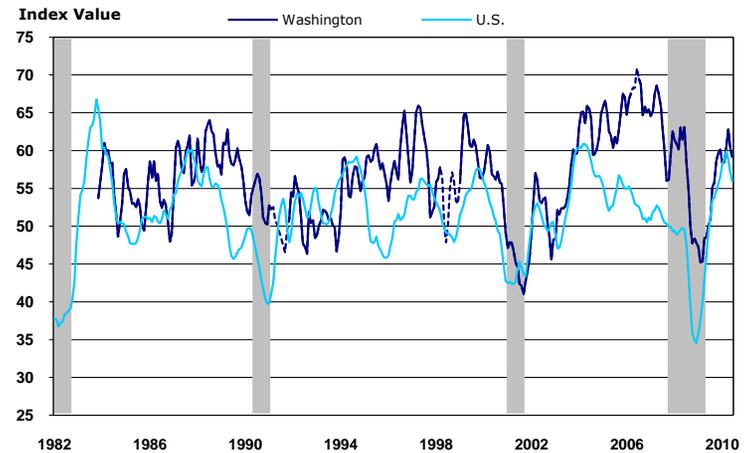
January 1988 to August 2010, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

October 2003 to August 2010, SA



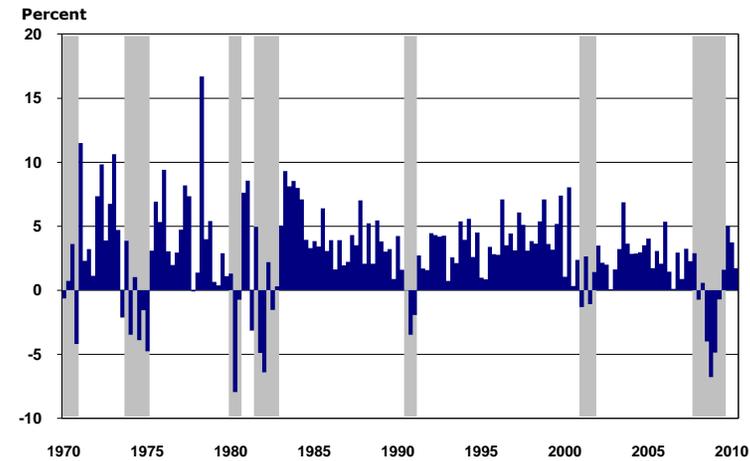
* Source: Institute for Supply Management, NAPM-WW

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators (cont.)

Quarterly U.S. Real GDP Growth

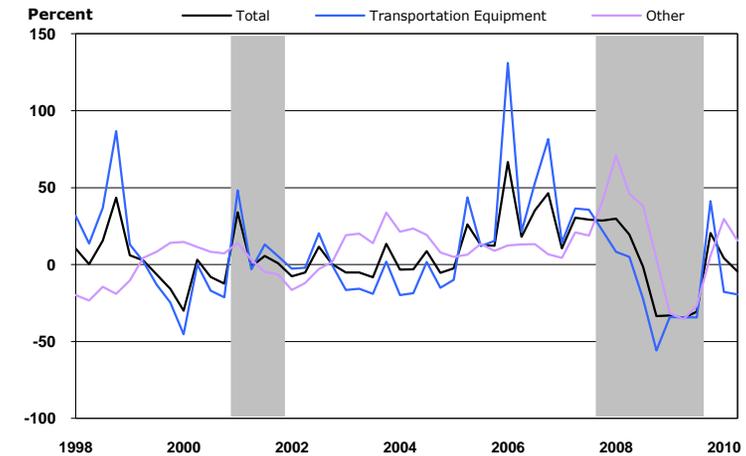
1970Q1 to 2010Q2



* Source: Bureau of Economic Analysis

Washington State Export Composition

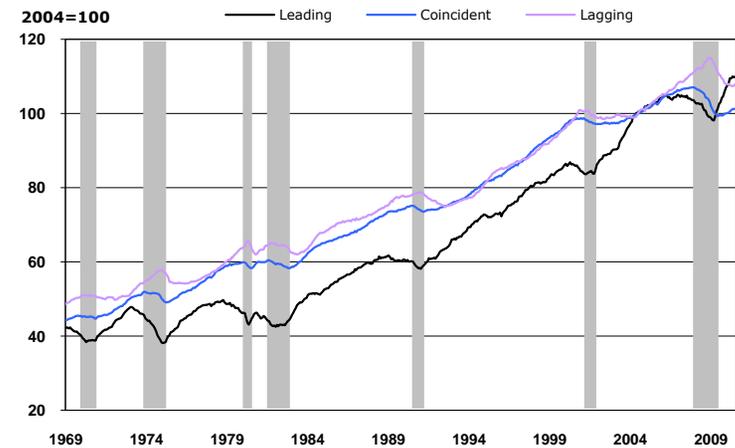
1998Q1 to 2010Q2, Change from Same Quarter Year Ago



* Source: WISER

U.S. Economic Indicators

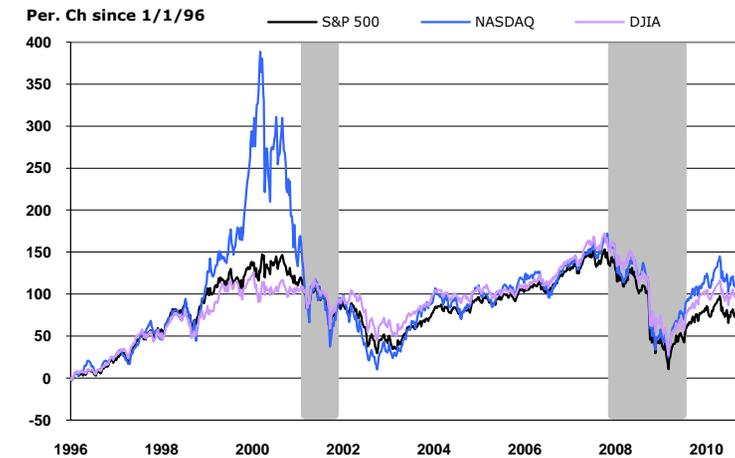
January 1969 to August 2010



* Source: The Conference Board

National Stock Indexes

October 2003 to September 2010, SA



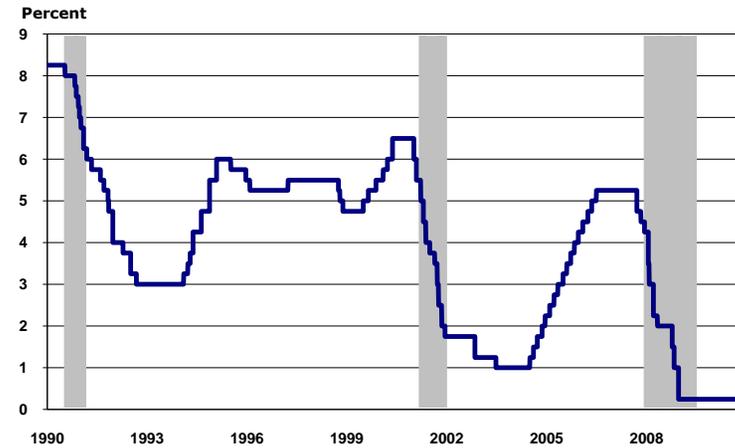
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators (cont.)

Federal Funds Target Rate

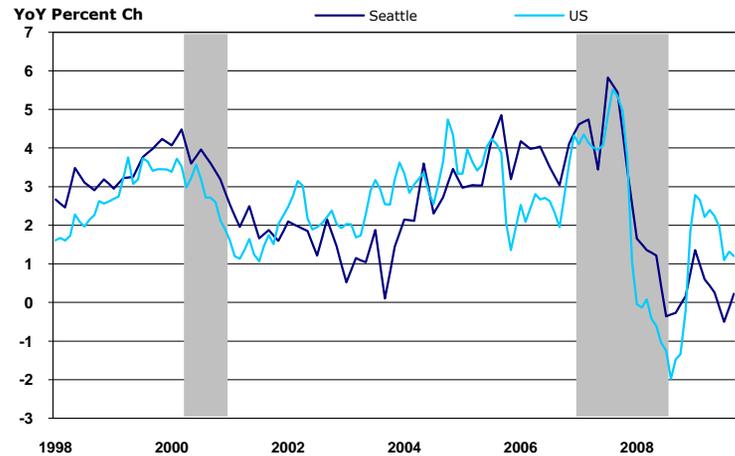
January 1, 1990 to September 30, 2010



* Federal Reserve

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

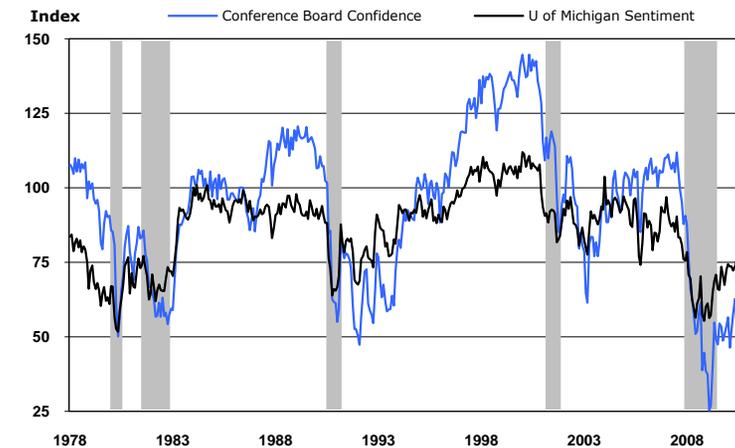
December 1998 to August 2010



* Source: Bureau of Labor Statistics

Consumer Confidence

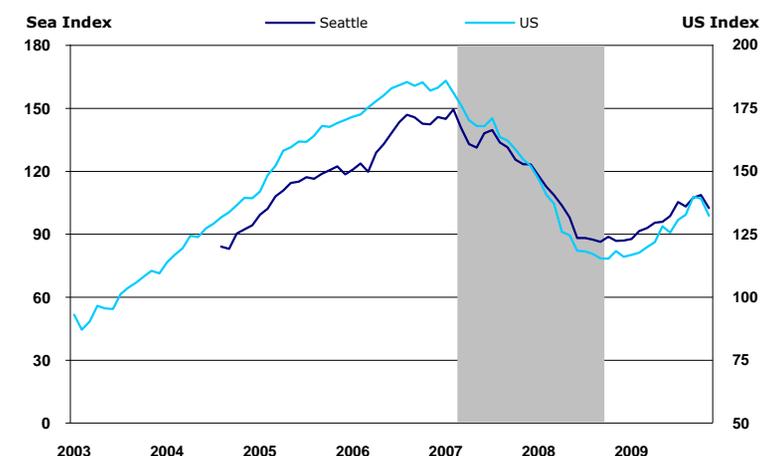
March 1978 to September 2010



* Source: The Conference Board, University of Michigan

Monster Employment Index

October 2003 to August 2010, SA



* Source: Monster Worldwide, ERFC

* Shaded areas correspond with national recessions.

Glossary



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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