

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, bright blue.

Washington State Economic and Revenue Forecast

June 2011
Volume XXXIV, No. 2



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

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Preface

ERFC forecasting structure and schedule

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

Forecast Procedure

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

Data in this publication are accurate through June 22, 2011.

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Executive Summary

- **The U.S. economy has entered another soft-patch in a recovery that is proving to be far more bumpy and fragile than usual. High gas prices and disruptions to the manufacturing supply chain have taken the wind out of the sails of the recovery.**
- **The impact from the devastation in Japan has been worse than originally anticipated and the turmoil in the Middle-East has added to uncertainty in oil markets. Oil prices have since retreated from their peaks but remain elevated.**
- **GDP growth will have to rely on private demand that is only slowly recovering. Strain on state and local government budgets will act as a drag on the recovery.**
- **High oil prices and supply chain disruptions caused by the Japanese earthquake and tsunami slowed the Washington economic recovery in the first half of 2011.**
- **The private sector added 11,100 jobs in March, April, and May but public sector employment declined by 2,700 jobs yielding a statewide gain of 8,400 jobs. We had expected 14,800 jobs in our March forecast.**
- **We will see stronger growth in the second half of 2011 as oil prices stabilize, Japanese supply chains are restored and rebuilding picks up.**
- **Non-economic changes since the March forecast, including legislation from the 2011 session, account for \$147 million in additional revenue to the current biennium and a net of \$40 million extra in the next biennium.**
- **The net General Fund-State forecast changes are an increase of \$171 million in the 2009-11 biennium and a decrease of \$183 million in the 2011-13 biennium.**

U.S. Economic Forecast

The U.S. economy has entered another soft-patch

The U.S. economy has entered another soft-patch in a recovery that is proving to be far more bumpy and fragile than usual. While growth continues, it does so at a slower rate than before. Sustained high gas prices and disruptions to the manufacturing supply chain due to power shortages in Japan have taken the wind out of the sails of the recovery. Growth, however, is likely to continue and even pick up momentum in the second half of the year, as oil prices stabilize, supply chains are restored, and Japan starts rebuilding.

The impact from the Japanese disaster has been worse than first anticipated

The repercussions from the disaster in Japan have turned out to be worse than we had thought. Japan is a critical part of the global manufacturing supply chain, especially for automobiles and smart chips. Disruptions to Japanese production due to power shortages following the natural disaster put a crimp in the remarkable recovery that had been unfolding in the U.S. manufacturing sector. It also constrained consumer spending by reducing the available supply of cars and electronic products. Although progress has been made in alleviating some of the supply bottlenecks, the problems are likely to linger. Once Japan's rebuilding gathers momentum, later this year, much of the current negative impact will be offset.

High gas prices have reduced spending on other goods

Gas prices remain high, although they have recently retreated from their peaks. The largest part of the increase in consumer spending in April was money spent on gas and other energy goods. The crisis in the Middle-East, particularly in Libya continues to create uncertainty in energy markets. Oil prices remain elevated without the roughly 1.4 million barrels a day of Libyan oil production. In April, crude prices reached almost \$110 per barrel pushing gas prices near the \$4.00 mark. If gas prices increase again, it will continue to have a disproportionate dampening effect on consumer confidence, and on the recovery, which depends on the return of private demand.

The recovery has softened and headwinds will keep it subdued

Since the March forecast, the economic recovery has softened. GDP growth was weak in the first quarter and we expect growth to remain weak into the second quarter. Growth is expected to pick up in the second half of the year, but we will see somewhat weaker growth than previously forecasted for 2011 through 2012. Although the recovery has entered a soft-patch, we believe this will be temporary. We expect the recovery to continue unfolding on a subdued path and don't believe the recent weakness is a precursor to a double-dip recession. The payroll tax cut, which added nearly 1% to disposable personal income, was only for one year so its absence in 2012 will be a drag on growth in that year. There will also be a considerable drag from state and local governments who are dealing with budget shortfalls by cutting spending, raising taxes, or both. This means that GDP growth from now on will depend on growth in private demand.

Washington Economic Forecast

Geopolitical developments and the disaster in Japan slowed growth in Washington in the first half of 2011

The Washington economic recovery has hit another speed bump. Geopolitical developments in the Middle East and North Africa (MENA) boosted oil and gasoline prices, eroding consumers' purchasing power and confidence. The Japanese disaster was another blow to the state's recovery. Eventually reconstruction activity will be a plus for our state's economy but in the near term the devastation has disrupted supply chains and reduced demand for Washington products. Washington employment grew

less than expected in the three months since the March forecast was released. The economy added 8,400 net new jobs in March and April. There was no job growth in May. Over the three months, we had expected 14,800 jobs in our March forecast. Aerospace and software are expanding, but construction remains in a prolonged slump.

Washington job growth has been slower than expected

The private sector added 11,100 jobs in March, April, and May but public sector employment declined by 2,700 jobs yielding a statewide gain of 8,400 jobs. Construction employment was unchanged over the last three months while manufacturing added 2,600 of which 1,800 were in the aerospace sector. Private service-providing industries, which account for two out of three jobs in Washington, added 8,500 jobs. Though Washington employment growth was weaker than the March forecast projected, the level of employment is higher because of revised historical data.

Washington will out-perform the U.S.

We expect job growth to improve gradually during the remainder of 2011 from last year's anemic pace. Boeing and Microsoft are expanding again, adding significantly to jobs and incomes. Construction employment is bottoming out so that sector will be less of a drag on growth. Trade and services are benefitting from improved personal income growth, some of it stimulus driven. However, state and local governments will continue to cut back. We still expect that Washington State will outperform the U.S. economy, especially in income growth. The state's trade intensity should help boost activity as economies recover around the world, particularly in the Pacific Rim. Additionally, the stability and growth prospects of our major industries, software and aerospace, will help drive employment and personal income growth.

Revenue Forecast

The near-term slowdown in taxable activity turned out to be more severe than forecasted in March

The March forecast had anticipated a slowdown in the first half of 2011 but it turned out to be steeper than expected. In particular, the earthquake and tsunami in Japan, which occurred less than one week before the March forecast was released, ended up disrupting manufacturing worldwide due to the resulting shortages in components for a large range of products. The turmoil in the Middle East and North Africa has not lessened, keeping oil prices high, and in addition, worries of a Greek default on its debt have resurfaced. As evidenced by the most recent revenue collections, the slowdown started in April and is expected to persist into the third quarter. As a result, forecasted revenue excluding non-economic changes has been reduced for the remainder of the current biennium and for part of the next biennium.

The forecast was increased by \$171 million in the 2009-11 biennium, and reduced by \$183 million in the 2011-13 biennium

By the time of the June forecast, revenues for the 2009-11 biennium were \$93.1 million above their expected value. The positive variance, however, was due entirely to the success of the February-April program which allowed taxpayers to pay past-due taxes with amnesty from penalties and interest charges. Weaker forecasted revenue growth subtracted \$69.2 million in collections for the remainder of the 2009-11 biennium and \$223.0 million in the 2011-13 biennium. Non-economic factors added \$171.2 million in revenue to the 2009-11 biennium and \$40.0 million in the 2011-13 biennium. The net forecast changes for GF-S revenue are a \$171.2 million increase in the 2009-11 biennium and \$183.0 million reduction in the 2011-13 biennium.



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

- **The U.S. economy has entered another soft-patch in a recovery that is proving to be far more bumpy and fragile than usual. High gas prices and disruptions to the manufacturing supply chain have taken the wind out of the sails of the recovery.**
- **The impact from the devastation in Japan has been worse than originally anticipated and the turmoil in the Middle-East has added to uncertainty in oil markets. Oil prices have since retreated from their peaks but remain elevated.**
- **Growth is likely to pick up momentum in the second half of the year as oil prices stabilize, supply chains are restored, and Japan starts rebuilding.**
- **We have now had seven consecutive quarters of GDP growth since the recession ended in June 2009. However, real GDP growth weakened in the first quarter, and the second quarter is expected to be only marginally better.**
- **Private nonfarm payroll employment has grown in every month since February 2010. However, the most recent employment situation report indicated that the labor market has softened along with the overall economy.**
- **Construction remains a significant drag on the economy. Housing prices are going through a double-dip and do not appear to have hit bottom yet. A meaningful recovery will not happen until 2012, and only after home prices start to rise again.**
- **GDP growth will have to rely on private demand that is only slowly recovering. Strain on state and local government budgets will act as a drag on the recovery.**
- **Fears of contagion from a potential Greek sovereign debt default continue to simmer and keep financial markets jittery.**
- **The downside risks to the outlook remain high and continue to exceed the upside risks.**

Current Conditions

The U.S. economy has entered another soft-patch

The U.S. economy has entered another soft-patch in a recovery that is proving to be far more bumpy and fragile than usual. While growth continues, it does so at a slower rate than before. Sustained high gas prices and disruptions to the manufacturing supply chain due to power shortages in Japan have taken the wind out of the sails of the recovery. Growth, however, is likely

to continue and even pick up momentum in the second half of the year, as oil prices stabilize, supply chains are restored, and Japan starts rebuilding.

The impact from the Japanese disaster has been worse than first anticipated

The repercussions from the disaster in Japan have turned out to be worse than we had thought. The role of Japan in U.S. economic growth has declined in recent decades. Japan now accounts for less than 5% of total U.S. goods exports, down from 11% fifteen years ago. U.S. goods exports to Japan accounted for just 0.4% of U.S. GDP in 2010. Services exports to Japan accounted for another 0.3% of U.S. GDP. However, Japan makes up close to 9% of global GDP, and is a critical part of the global manufacturing supply chain, especially for automobiles and smart chips. Disruptions to Japanese production due to power shortages following the natural disaster put a crimp in the remarkable recovery that had been unfolding in the U.S. manufacturing sector. It also constrained consumer spending by reducing the available supply of cars and electronic products. Although progress has been made in alleviating some of the supply bottlenecks, the problems are likely to linger. Once Japan's rebuilding gathers momentum, later this year, much of the current negative impact will be offset.

High gas prices have reduced spending on other goods

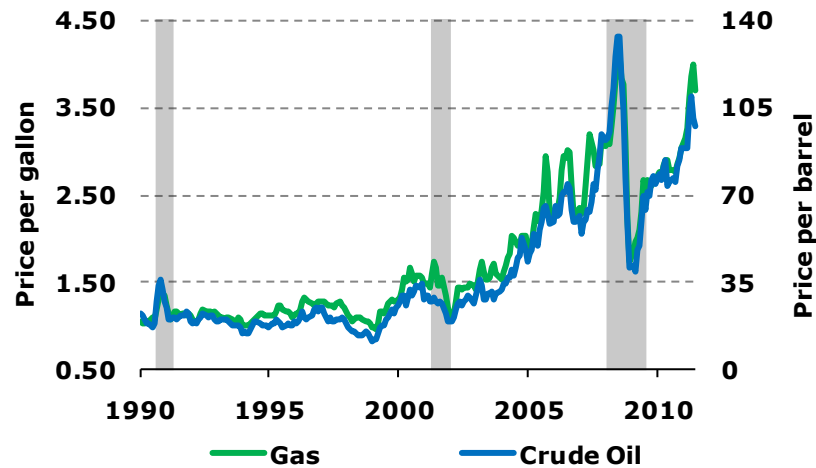
Gas prices remain high, although they have recently retreated from their peaks. The largest part of the increase in consumer spending in April was money spent on gas and other energy goods. The main reason the 2% cut in payroll taxes this year has not been as stimulative to the economy as anticipated is that roughly half of that tax cut is going overseas to pay for imported petroleum products. Approximately 20% of the growth in spending has been on energy goods, and 51% of our petroleum consumption is imported oil and gas. That means 10% of the \$50 billion annual increase in consumption, i.e. half the tax cut, is leaking overseas. As gas prices fall, it is likely that more of the tax cut will be available for domestic discretionary spending.

Uncertainty in oil markets is hurting consumer confidence

The crisis in the Middle-East, particularly in Libya continues to create uncertainty in energy markets. Oil prices remain elevated without the roughly 1.4 million barrels a day of Libyan oil production. In April, crude prices reached almost \$110 per barrel pushing gas prices near the \$4.00 mark (see Figure 1.1). Prices have come down since then because of the recent economic weakness across the globe and the IEA's release of 60 million barrels of oil from its strategic reserves. Saudi Arabia, however, failed to persuade its fellow OPEC members to increase output. As the price of gas retreats, but stays relatively elevated, it will continue to have a disproportionate dampening effect on consumer confidence, and on the recovery, which depends on the return of private demand.

Figure 1.1: U.S. Average Gas and WTI Crude Oil Prices

Gas and oil prices remain elevate, though off their peaks



Source: Source: U.S. Energy Information Administration; data through June 13, 2011

Headline inflation is picking up, but core inflation remains benign

Gas prices along with an increase in food prices have led to a strengthening of headline inflation. The consumer price index (CPI) was up 3.6% in May from a year ago. This was fueled primarily by energy price inflation, which was up 21.5%. Food prices have also been increasing, up 3.5% year-over-year in May, the highest since early 2009. Although inflation continues to increase, the rate of increase has slowed. Over the month, headline inflation increased just 0.2% due to a 1.0% drop in energy prices. In addition, core inflation, which excludes food and energy, is still up only a benign 1.5% over the year. Core inflation is what the Federal Reserve tries to keep under control. Food and energy prices are volatile and beyond the control of policy making authorities. Up until the early 1980's, an increase in top line inflation would be followed shortly by an increase in core inflation. Then starting in the mid 1980's and continuing today, this pass through to the core stopped. The reason behind this disconnect is that the Federal Reserve has established itself as an inflation fighter. Inflation expectations remain well-anchored, and that keeps core inflation in check. Also with 9% unemployment, inflationary pressures are weak, so it is unlikely the Fed will raise interest rates any time soon.

GDP growth has weakened

We have now had seven consecutive quarters of GDP growth since the recession ended in June 2009. Real GDP grew at a below trend 1.9% seasonally adjusted annualized rate (SAAR) in the first quarter according to the Bureau of Economic Analysis' (BEA) third estimate. This was down from the fourth quarter's 3.1% SAAR growth. Despite the slowdown in growth, we still believe the economy will continue to recover. Real consumer spending growth was also below expectations at just 2.2% SAAR from 4.0% SAAR in the fourth quarter. This weakness too should prove to be temporary. Consumers had to cut back due to rising

energy costs but energy costs are now declining. Business investment in equipment and software remains an important driver in GDP growth, improving to an 8.8% rate in the first quarter. Businesses are addressing replacement needs neglected during the recession. Overall, real GDP growth is expected to remain weak through the middle of this year as the economy works through this soft-patch in the recovery.

Job growth has been uneven and weak

What appeared to be a sustainable level of job growth stalled abruptly in May. The latest employment situation report showed nonfarm payroll employment increasing by just 54,000 jobs, and revisions to the prior two months shaved another 39,000 from payrolls. The private sector added 83,000 jobs in May, the weakest showing since June 2010. State government losses slowed slightly, although local governments shed 28,000 jobs, mostly in education. Like output, the slowdown in employment should be temporary. Some of the weakness can be attributed to temporary disruptions in manufacturing supply chains stemming from the Japanese disaster. Excluding the effect of temporary Census workers, nonfarm payroll employment has risen in every month since February 2010. Still, job growth in this recovery has been generally weak. Over the past fifteen months, total payroll employment has grown by 1.84 million, which is an average of just 122,000 jobs per month.

Un-employment remains elevated

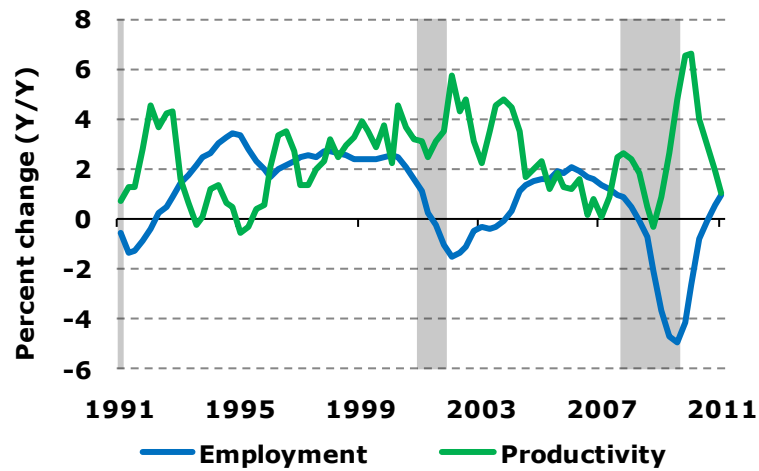
The unemployment rate increased to 9.1% in May as both the number of employed and unemployed rose. The labor force increased by 272,000, and the participation rate remained at 64.2%, the lowest in 27 years. The U-6 measure of unemployment, which counts discouraged workers and those compelled to work part time, ticked lower to 15.8%. The number of new unemployment insurance applicants decreased by 16,000 (seasonally adjusted), to 414,000, in the week ended June 4th. The four-week moving average of initial claims, a more stable measure, remained at 424,750. While this is down slightly from the spike in May, it is not below the 400,000 level that is typically consistent with net job creation.

Increases in productivity has caused job growth to be slow

The reason behind the disconnect between increasing output and weak job growth in this recovery has been due to the remarkable gains in labor productivity. This has allowed more to be produced with fewer workers. Recently, however, the productivity cycle has turned. After increasing rapidly throughout the recovery, productivity in the first quarter was the lowest in two years at 1.1% year-over-year growth (see Figure 1.2). This drop has been mirrored by gains in employment. We are now at the stage in the productivity cycle where any increase in final demand will translate into job growth.

Figure 1.2: U.S. Employment and Productivity Growth

The productivity cycle has turned, pointing to potential job growth if demand increases



Source: Bureau of Labor Statistics, ERFC; data through 2011 Q1

Construction and fears of European sovereign debt contagion remain a drag on the recovery

There are many factors slowing down the economic recovery. Construction remains a significant drag. It is clear that nonresidential construction will continue to decline for some more time. On the residential side, the federal homebuyer tax credits of late 2009 and early 2010 only temporarily propped up activity. Housing stumbled after this support ended. The financial system remains at risk due to falling home prices. Fears of European sovereign debt contagion is still simmering a year after first appearing on the radar. After their bailouts, Portugal and Ireland appear to be in a less precarious position than Greece, but there is still a chance that both will also need a further bailout like Greece. Apart from potentially causing financial markets to seize up, the sovereign debt problems also threaten U.S. exports in two ways - by weakening European growth, and strengthening the dollar via a "flight to safety." A delay in raising the U.S. debt limit could also add to financial market jitters and cause another recession. Meanwhile cutbacks at the state and local level are creating a substantial fiscal drag. Growth must now rely on private demand that is only slowly recovering.

But, there are some upside risks as well

While downside risks to the recovery predominate, there are some upside risks as well. The sustained growth in payroll employment (ex-Census) has been a positive. Growth in average hourly earnings means that private sector wage income is growing. There are also discussions of extending the payroll tax cut and expanding it to employers. The U.S. dollar remains relatively weak and is expected to decline further in the forecast, helping U.S. products be more competitive in overseas markets.

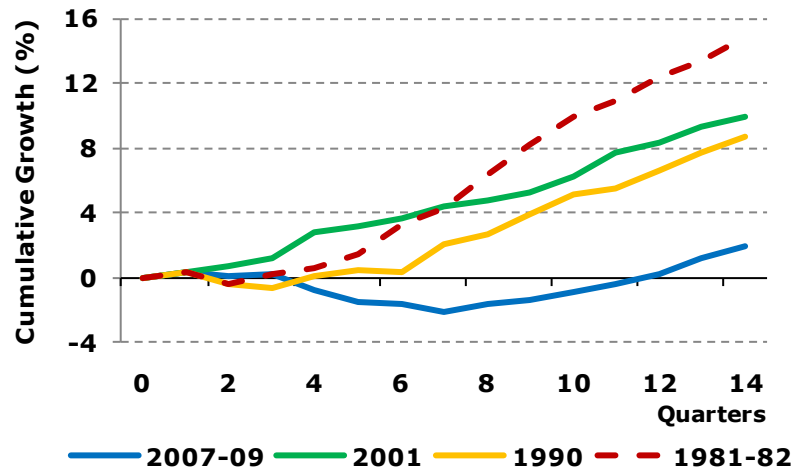
Consumer spending has weakened along with overall GDP

Consumer spending growth fell to just 2.2% in the first quarter of 2011, following 4.0% in the last quarter of 2010. Although consumer spending has increased in each of the last seven quarters, it remains weak. Typically during a recession,

consumption flattens out but does not decline. During the 1990 recession consumption did fall, but only briefly. This recession saw a prolonged decline in consumer spending that took three years to get back to the pre-recession level (see Figure 1.3). Consumer spending is finally above the pre-recession level and should start to pick up modestly to drive overall growth in the second half of this year.

Figure 1.3: U.S. Consumption after Business Cycle Peak

This time the recovery in consumption has been the weakest in recent memory



Source: Bureau of Economic Analysis, ERFC; data through 2011 Q1

Personal income growth has remained positive

In order for personal consumption expenditures to continue to improve, disposable personal income needs to rise and the personal saving rate needs to moderate. Personal income grew 0.4% for the third consecutive month and disposable income was up 0.3% in April but high gas prices eroded consumer purchasing power. The savings rate was revised downward from 5.5% in March to 4.9% and remained unchanged in April. Retail sales, which are broader than consumer spending, were down 0.2% in May. Light-vehicle sales plunged from 13.1 million (SAAR) units in April to just 11.8 million (SAAR) units in May. Production disruptions, not a decrease in demand, were behind the drop. While production should improve later in the year, inventories will be depressed enough to keep sales weak into the summer.

Consumer confidence retreated in June

The most recent reading of consumer confidence, the University of Michigan's sentiment index, dropped again in June due to slower job gains and a faltering stock market. Confidence is still in recessionary territory and the improvement seen at the start of the year has evaporated. Consumer's views deteriorated broadly over the last month. Assessments of present conditions and the economic outlook have worsened. The softening of consumer confidence is an important factor for consumer spending growth, which is likely to show only modest growth.

The weak housing market is another drag as house prices are falling again.

Lending standards are returning to normal at large banks

Credit market conditions have improved significantly since the meltdown that followed the collapse of Lehman Brothers in September 2008. The Federal Reserve Board's survey of senior loan officers shows that banks are no longer tightening standards on loans to businesses. Standards on commercial real estate loans eased for the first time since the fourth quarter of 2005. Demand for loans increased as well. At the household level, the banks report a loosening of standards for credit card loans and other consumer loans. Residential mortgage loans remain the only loan category for which banks have yet to ease standards. This is also the only category for which demand has not risen in recent months. This survey, however, is administered to the largest banks in the country and the middle and small bank market is not included.

Credit conditions for small businesses are improving, but remain tight

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

The global recovery continues

The global recovery continues and should support the U.S. economy through export growth. The fiscal austerity measures being undertaken along with currency appreciation and monetary tightening in Europe will act as a drag on global growth. Credit tightening and fears of inflation in China will slow global growth but will not derail it. The global recovery that started in the second quarter of 2009 has continued through the first quarter of 2011. Real trade-weighted foreign GDP rose at an estimated 4.5% rate (SAAR) in the first quarter of 2011, up from 3.5% in the fourth quarter. The trade-weighted dollar fell 1.4% in the first quarter of 2011 and appears headed for another decline in the second quarter of this year.

Recent housing data have been disappointing

Recent single family housing data have remained in neutral at depressed levels. Single-family housing starts in May inched up 3.7% from April's weak number, and are now down 8.9% year-over-year at 419,000 units (SAAR). Building permits for single family homes have also been weak, increasing 2.5% to 405,000

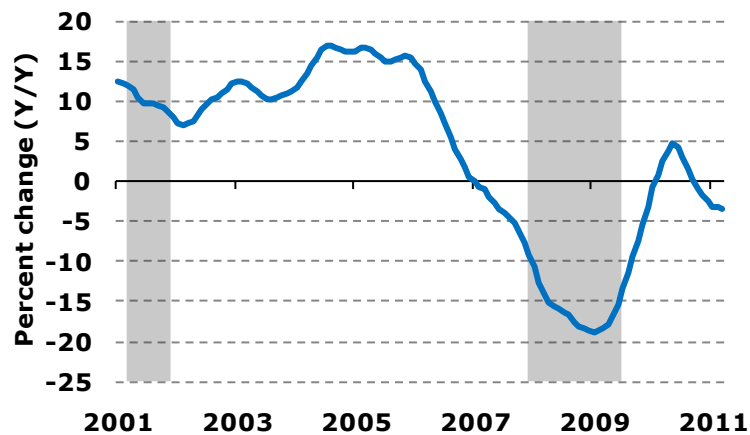
units (SAAR) in May, but down 6.9% year-over-year. Existing home sales fell by 3.8% in May bringing the pace of home sales down to 4.8 million units (SAAR). The supply of homes available also increased to 9.3 months in May from 9.0 in April.

Foreclosure processing delays have constrained home sales further by slowing the pace of distress sales that have become a large share of existing-home sales.

Home prices must stabilize for housing to recover

Housing activity will not start to recover until there is a recovery in home prices. Potential buyers are reluctant to enter the market when home values are declining. Banks are also less willing to lend against depreciating collateral. Unfortunately, home prices are experiencing a double-dip decline after increasing in the early part of last year. The Case-Shiller 10-city home price index fell 0.1% (SA) in March, its ninth consecutive monthly drop, and is down 2.8% from a year ago (see Figure 1.4). Prices will continue to be weighed down as foreclosed properties are put back on the market. Longer-term equilibrium will also depend on how the federal government unwinds its ownership of Fannie Mae and Freddie Mac, the largest players in the secondary mortgage market. This is an issue worth keeping an eye on, especially as it moves to the forefront.

Figure 1.4: Case-Shiller Composite-10 Home Price Index



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

The manufacturing recovery continues, although it has slowed

The manufacturing sector continues to grow, although it is slowing. According to the Federal Reserve's latest G-17 report, manufacturing output rose 0.4% (SA) in May after falling 0.5% in April. New orders for durable goods fell 3.6% in April while shipments were down 1.0%. The Institute of Supply Management (ISM) Purchasing Managers Index for manufacturing also shows slowing in the sector. The overall index plummeted 6.9 points to 53.5 in May (a reading above 50 indicates growth while an index below 50 indicates contraction). This is the lowest reading of the index since September 2009 and

the largest single month drop in over 25 years. Some of this weakness is due to auto supply-chain disruptions from Japan. The new orders component fell 10.7 points to 51, production fell 9.8 points to 54, both barely remaining in positive territory. The employment index fell to 58.2, the third consecutive decline and the lowest since November 2010. Overall, manufacturing has weakened and its contribution to growth and payrolls will be limited in the near term.

Forecast

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

The June forecast has incorporated the latest Blue Chip Consensus GDP forecast

The June 2011 economic forecast was based on a modified version of Global Insight's June 2011 Control forecast for the U.S. economy. As in March, the U.S. forecast was adjusted in two ways. We adjusted real GDP to match the Blue Chip "Consensus" GDP forecasts for 2011 through 2013. We also adjusted our oil price forecast to match the New York Mercantile Exchange (NYMEX) futures prices for West Texas Intermediate crude.

The recovery has softened since the March forecast

Since the March forecast, the economic recovery has softened. Higher fuel and energy prices have largely offset the stimulative effects of the payroll tax cuts. The repercussions from the disaster in Japan have turned out to be worse than expected. GDP growth was weak in the first quarter and we expect growth to remain weak into the second quarter. Growth is expected to pick up in the second half of the year, but we will see somewhat weaker growth than previously forecasted for 2011 through 2012 – reflected in a lower Blue Chip GDP forecast.

Headwinds will keep the recovery subdued

Although the recovery has entered a soft-patch, we believe this will be temporary. We expect the recovery to continue unfolding on a subdued path and don't believe the recent weakness is a precursor to a double-dip recession. The payroll tax cut, which added nearly 1% to disposable personal income, was only for one year so its absence in 2012 will be a drag on growth in that year. There will also be a considerable drag from state and local governments who are dealing with budget shortfalls by cutting spending, raising taxes, or both. This means that GDP growth from now on will depend on growth in private demand.

High oil prices have put upward pressure on inflation

Oil prices have come down from their peaks but remain high. This, combined with rising food prices, has sent headline inflation higher. Still, wage inflation is low and we don't think the rise in overall inflation will pass through to the core. Thus, the risk that the Federal Reserve will raise interest rates prematurely remains low. With more oil coming back on the market, we expect crude prices to remain flat. While the recent spike has had a negative

impact on growth, we don't expect this to be a large factor going forward.

The slowdown in manufacturing will be temporary

Since the beginning of the recovery in third quarter of 2009, the manufacturing sector has been leading the way. In 2010, manufacturing output grew 5.4% compared to a 2.9% increase for the overall economy. The negative impacts from the Japanese disaster have caused output in this sector to slow, but this will be temporary. The production of light vehicles over the next six months will be limited due to ongoing supply chain disruptions. Still, industrial production remains on pace to grow nearly 2 percentage points faster than the overall economy this year. In 2012 and 2013, as the economy picks up steam, industrial production is still expected to outperform overall output, growing 3.8% and 3.3% respectively.

Non-residential construction will act as a drag on growth

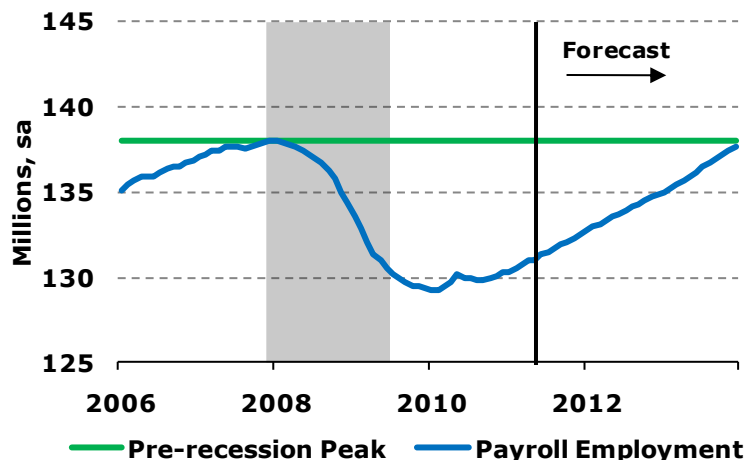
Nonresidential construction remains in decline, however, and will lag the recovery in residential construction. While the latter peaked in 2005, nonresidential construction continued to grow for another three years, peaking in 2008. The problems facing nonresidential construction are the same as those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

The loss of jobs will take years to make up

The sharp drop in employment during the recession coupled with one of the weakest jobs recoveries in memory have left a huge hole to fill in the number of unemployed workers. Almost two years into the recovery we are still seven million jobs below the pre-recession peak. Although we expect the weakness in the May employment numbers to be temporary, we are not projecting robust employment growth. The forecast calls for just over 200,000 per month through the end of 2013 (see Figure 1.5). We expect roughly one-quarter of the shortfall in employment to be made by the end of this year. Over all four quarters of 2011 we expect an increase of only 1.2% in employment. Growth will improve throughout the forecast reaching a peak of 1.9% in 2013. Payroll employment will not exceed its pre-recession peak until after the forecast horizon in 2013; at least six years after the previous peak. Though employment will be nearly back to its pre-recession level at the end of 2013, the unemployment rate will still be a high 7.4%, because of growth in the labor force.

Figure 1.5: Nonfarm Payroll Employment, seasonally adjusted

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

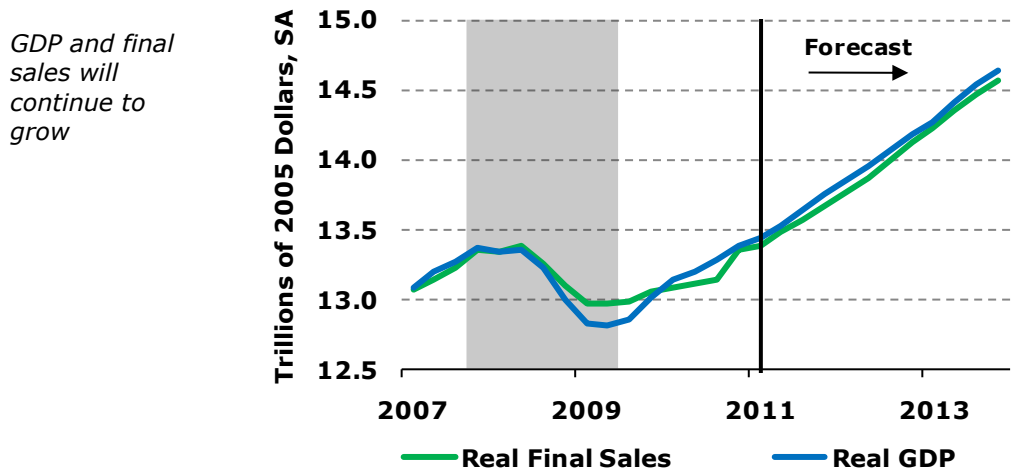


Source: Bureau of Labor Statistics; data through May 2011, ERFC forecast

Consumer spending will improve slowly

Consumer spending typically powers a recovery, but this time it is expected to improve slowly. Gas prices, which have a disproportionate effect on consumer confidence, remain elevated. The national average gas price at the pump, as of June 13, was \$3.77 per gallon, down from the recent spike of \$4.02, but still up over one dollar from last year. Recent labor market weakness has also been a drag, but will eventually improve. After slashing production much more than final sales to work off excess inventories during the recession, firms were then able to increase production rapidly. Production is now largely back in line with sales. This means that GDP growth from now on will depend on growth in final sales rather than inventories (see Figure 1.6). Household debt levels have been reduced, credit is gradually becoming more available, and wealth is growing. However, real consumer spending growth is expected to remain weak in the second quarter, growing at a 1.8% rate. Growth will strengthen in the second half of the year, reaching 3.2% in the fourth quarter. We expect consumption to lag overall GDP growth and remain below trend throughout the forecast. The forecast expects real consumer spending to increase only 2.6% in 2011 and 3.0% and 2.4% in 2012 and 2013. Business spending is growing again thanks to investment in equipment and software. Business spending on equipment and software is forecasted to grow at double-digit rates in 2010 and 2011, tapering off in 2012 and 2013 as the expansion matures.

Figure 1.6: GDP and Final Sales



Source: Bureau of Economic Analysis; data through 2011 Q1, ERFC forecast

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

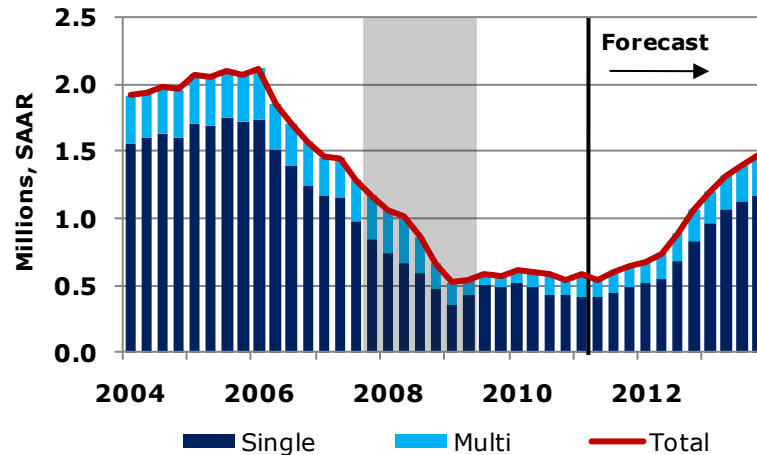
The U.S. dollar has experienced cross-currents recently. As a “safe haven” currency, it is strengthened by the ongoing European sovereign debt crisis. The devastation in Japan has also pushed the dollar higher against the Yen. On the other hand, monetary policy by the Federal Reserve, including the two rounds of quantitative easing, has put downward pressure on the dollar. We expect to see a fairly stable, but weak dollar over the forecast horizon. The Federal Reserve has made clear that it has no plans to launch another round of quantitative easing, although we don’t expect an interest rate hike until 2012. We also expect the global recovery to continue through 2013, boosting U.S. exports. Real GDP growth of our trading partners is expected to be 3.8% in 2011 through 2013.

Housing will gradually recover

The housing market remains stuck at a depressed level. Home prices have dropped recently due to weak demand and foreclosures. Going forward, any housing improvement will depend on the job market, access to financing, and a firming of home prices. Once prices stabilize, activity should start to recover. We anticipate gradual improvement through the first half of 2012 as the market sheds excess inventory, some of which is still on the sidelines. A meaningful recovery will not happen until the second half of 2012 and only after home prices start to rise again. Job growth will also help revitalize the depressed household formation rate, which will go a long way towards reducing the housing glut. In addition to more jobs, we assume that credit markets will loosen, allowing builders to finance new construction and allowing buyers easier access to credit. Housing starts are expected to increase from 585,000 in 2010 to 590,000 in 2011 (see Figure 1.7). We expect growth in 2012 and 2013 to pick up reaching 1.35 million units by the end of the forecast.

Figure 1.7: U.S. Housing Starts

Housing will start to recover after another year of bumping along the bottom



Source: Census Bureau; data through 2011 Q1, ERFC forecast

Forecast by Fiscal Year

GDP growth turned modestly positive in FY 2010

The U.S. economy grew in FY 2010, but barely. Real GDP inched up 0.7% in FY 2010 following a 2.8% drop in FY 2009. Much of the recovery in GDP was due to the inventory cycle and federal stimulus spending. These positive effects are now essentially gone, but improved private spending is picking up some of the slack. We do not expect a strong rebound in housing and believe the recovery will be slow. We expect real GDP to grow 2.7% in FY 2011, improving to 2.9% in FY 2012 and 3.1% in 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 2009. Consumer spending is not expected to be the strong driver it usually is in a recovery. Consumer confidence has improved but remains in recessionary territory, as gas prices remain high and unemployment elevated. Credit conditions are starting to ease, but remain tight. Consumers are also rebuilding wealth lost in the housing and stock markets, which has raised savings rates at the expense of consumption. The forecast expects consumer spending growth to continue to lag behind overall GDP growth and be below 3.0% throughout the forecast.

Housing will begin to recover in FY 2012

Housing starts fell 8.2% to just 593,000 in FY 2010 in spite of the two homebuyer tax credit programs. The tax credits shifted some construction activity forward in time but had little permanent effect. We expect only a slight weakening in FY 2011 to 561,000 units as the housing market struggles to regain its footing. The forecast calls for an increase to 664,000 units in FY 2012 and to 1.117 million units in FY 2013.

<i>Businesses investment is mixed</i>	Businesses are willing to invest again, at least in equipment and software. On a fiscal year basis, business spending on equipment and software turned around in FY 2010, rising 0.2%. Growth has picked up and is expected to be 15.0% in FY 2011. From there, growth will moderate but remain strong in FY 2012 and FY 2013 at 11.8% and 8.0% respectively. However, the correction in nonresidential construction still has a long way to go. After declining 21.3% in FY 2010, nonresidential investment in structures is expected to continue to decline in FY 2011 by another 5.7%. We expect slight positive growth of 0.5% in FY 2012 before again declining 2.2% in FY 2013.
<i>Export growth will be strong</i>	Real exports returned to growth in FY 2010 with a 3.0% increase following a rare 6.0% decline in FY 2009. With the global economy leading the U.S. economy in the recovery, we expect strong export growth in FY 2011 of 9.6%. Exports will continue to grow throughout the forecast with growth rates of 9.8% and 9.3% in FY 2012 and FY 2013.
<i>Job growth will return in FY 2011</i>	Labor markets tend to lag the economy at turning points. Thus, while GDP grew slightly in FY 2010, nonfarm payroll employment declined another 3.1%. The forecast expects a weak 0.6% increase in jobs in FY 2011, improving to 1.7% and 1.8% in FY 2012 and FY 2013.
<i>Inflation will remain low</i>	With unemployment stubbornly high and so much excess capacity in the economy, inflation is expected to remain subdued for some time. We expect only a 1.6% increase in the implicit price deflator for personal consumption expenditures in FY 2011, up slightly from 1.3% in FY 2010. The inflation rate is expected to rise next fiscal year to 2.1% on higher energy costs before moderating to 1.6% in FY 2013. The lack of inflationary pressure means that the Fed can hold short-term rates at very low levels for the time being.

Risks to the Forecast

Downside Risks (20%) probability

Downside risks are still elevated as in March, and far outweigh upside risks.

<i>Failure by Congress to raise the debt limit is not a zero probability event</i>	Failure by Congress to raise the federal debt limit. Although this is unlikely, we are beginning to see some indications that market has started pricing in a default. Not in bond prices yet, but in the relatively thinly traded market for credit default swaps (CDS)—financial products that work like insurance against a bond default—prices for one-year default protection on U.S. debt have been rising faster than longer-term CDS contracts. That suggests that some have bought that protection, or are making speculative bets, on the outside chance of a technical default. The lack of a rally in prices for longer-term protection suggests
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<i>Energy price volatility remains a risk</i>	that right now the concern is related to the debt-ceiling debate, not the long-term U.S. fiscal picture. Energy price volatility remains a risk; although to date it has slowed but not derailed the recovery.
<i>Sovereign debt fears</i>	Other financial market jitters, e.g. renewed fears of a Greek debt crisis. While financial markets have slowly recovered since the meltdown in late 2008, they still remain more vulnerable and nervous than usual about negative news.
<i>Inflation expectations rising</i>	Inflation. Top line inflation has ticked up in recent months, but we don't believe it will feed through to the non-food, non-energy sectors (i.e. the core). However, it may compel the Fed to tighten prematurely, putting the recovery in jeopardy.
<i>A hard landing in China</i>	A hard landing in China and the rest of Asia, which is a sharp slowing in their growth, rather than a recession.
<i>Uncertainty</i>	The high level of uncertainty.
Upside Risks: (5%)	
<i>Decrease in energy prices</i>	A sustained decrease in energy prices.
<i>Consumer confidence improves</i>	Consumer confidence is not overly dampened by the recent energy price volatility.
<i>Commodity prices</i>	Commodity prices increases do not feed through to other sectors.
<i>Exports</i>	Higher than expected export growth.
<i>Strong job growth</i>	Employment growth is faster than expected.
<i>Stimulus</i>	Fiscal stimulus (tax cuts or increased spending), although highly unlikely at this time.

Table 1.1

Fiscal Years

U.S. Economic Forecast Summary
 Forecast 2011 to 2013

	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	13,053.4	13,407.4	13,801.2	14,233.5
% Ch	3.0	1.9	2.0	-2.8	0.7	2.7	2.9	3.1
Real Consumption	8,943.9	9,194.5	9,325.6	9,170.2	9,211.4	9,435.9	9,691.1	9,972.5
% Ch	3.0	2.8	1.4	-1.7	0.4	2.4	2.7	2.9
Real Nonresidential Fixed Investment	1,400.6	1,494.7	1,592.7	1,406.9	1,304.8	1,420.6	1,546.4	1,631.6
% Ch	6.6	6.7	6.6	-11.7	-7.3	8.9	8.9	5.5
Real Residential Fixed Investment	770.5	650.1	510.1	379.2	341.2	324.2	339.6	435.7
% Ch	2.2	-15.6	-21.5	-25.7	-10.0	-5.0	4.7	28.3
Real Personal Income	10,718.8	11,148.3	11,365.0	11,256.0	11,154.0	11,431.5	11,698.6	12,009.3
% Ch	3.3	4.0	1.9	-1.0	-0.9	2.5	2.3	2.7
Real Per Capita Income (\$/Person)	35,971	37,047	37,409	36,725	36,059	36,600	37,097	37,716
% Ch	2.3	3.0	1.0	-1.8	-1.8	1.5	1.4	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.075	1.091	1.104	1.122	1.146	1.164
% Ch	3.2	2.4	3.3	1.5	1.3	1.6	2.1	1.6
U.S. Consumer Price Index (1982-84=1.0)	1.989	2.041	2.117	2.146	2.168	2.210	2.268	2.306
% Ch	3.8	2.6	3.7	1.4	1.0	2.0	2.6	1.7
Employment Cost Index (Dec. 2005=1.0)	1.005	1.038	1.072	1.096	1.112	1.130	1.152	1.177
% Ch	2.5	3.3	3.2	2.3	1.4	1.6	1.9	2.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,047.1	13,715.5	14,312.4	14,190.1	14,354.3	14,956.8	15,622.2	16,328.3
% Ch	6.5	5.1	4.4	-0.9	1.2	4.2	4.4	4.5
Personal Income	10,887.3	11,598.8	12,214.3	12,275.0	12,317.6	12,825.3	13,405.1	13,975.6
% Ch	6.6	6.5	5.3	0.5	0.3	4.1	4.5	4.3
Employment (Millions)								
U.S. Civilian Labor Force	150.4	152.4	153.7	154.6	153.9	153.7	154.6	156.0
Total U.S. Employment	143.1	145.5	146.1	142.8	138.9	139.4	141.4	143.8
Unemployment Rate (%)	4.83	4.52	4.93	7.60	9.74	9.26	8.49	7.83
Nonfarm Payroll Employment	135.01	136.97	137.72	133.88	129.67	130.44	132.62	135.00
% Ch	1.9	1.4	0.6	-2.8	-3.1	0.6	1.7	1.8
Manufacturing	14.20	14.03	13.71	12.66	11.53	11.62	11.91	12.29
% Ch	-0.6	-1.2	-2.3	-7.7	-8.9	0.8	2.5	3.2
Durable Manufacturing	8.98	8.91	8.69	7.90	7.05	7.17	7.45	7.81
% Ch	0.2	-0.8	-2.5	-9.0	-10.9	1.8	3.9	4.9
Nondurable Manufacturing	5.23	5.12	5.02	4.75	4.48	4.45	4.46	4.48
% Ch	-2.0	-2.1	-1.9	-5.4	-5.7	-0.8	0.3	0.4
Construction	7.56	7.69	7.46	6.61	5.66	5.51	5.34	5.39
% Ch	6.0	1.7	-2.9	-11.4	-14.5	-2.7	-3.1	1.0
Service-Providing	112.59	114.54	115.81	113.86	111.80	112.58	114.60	116.57
% Ch	1.9	1.7	1.1	-1.7	-1.8	0.7	1.8	1.7
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	64.2	63.4	97.0	69.8	75.2	89.7	102.8	104.1
Personal Saving/Disposable Income (%)	1.8	2.3	2.9	5.3	5.7	5.4	4.3	2.9
Auto Sales (Millions)	7.8	7.7	7.6	5.4	5.8	6.1	7.0	8.1
% Ch	2.3	-1.1	-1.6	-28.4	7.1	3.9	16.1	15.1
Housing Starts (Millions)	2.036	1.546	1.132	0.646	0.593	0.561	0.664	1.117
% Ch	1.0	-24.1	-26.8	-42.9	-8.2	-5.4	18.2	68.3
Federal Budget Surplus (Billions)	-248.0	-204.4	-420.1	-916.7	-1,329.4	-1,312.9	-1,078.4	-767.4
Net Exports (Billions)	-770.1	-744.0	-722.6	-515.6	-463.5	-541.4	-590.8	-550.3
3-Month Treasury Bill Rate (%)	4.06	4.89	2.89	0.56	0.12	0.13	0.39	2.14
10-Year Treasury Note Yield (%)	4.59	4.76	4.14	3.29	3.55	3.10	3.37	4.01
Bond Index of 20 G.O. Munis. (%)	4.45	4.30	4.56	4.97	4.37	4.58	4.81	5.17
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	4.99	4.61	4.88	5.37

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	5.4	6.1	5.6
Implicit Price Deflator	3.7	3.3	4.1	4.3	3.1	3.9	3.4	4.0	3.6	3.5	3.4	3.6	4.2	4.3
Average Rate, 2009:3 to 2011:2														
3 Month T-Bill Rate	4.07	3.99	3.97	2.05	0.91	0.83	0.85	0.80	0.70	0.34	0.16	0.15	0.15	0.13
Mortgage Rate	6.66	6.75	6.75	5.84	5.17	5.32	5.35	5.34	5.20	4.98	4.63	4.63	4.85	4.80

Table 1.3

Fiscal Years

Forecast Comparison

Forecast 2011 to 2013

	2009	2010	2011	2012	2013
U.S.					
Real GDP					
June Baseline	12965.0	13053.4	13407.4	13801.2	14233.5
% Ch	-2.8	0.7	2.7	2.9	3.1
March Baseline	12965.0	13053.4	13431.6	13876.4	14319.6
% Ch	-2.8	0.7	2.9	3.3	3.2
Implicit Price Deflator					
June Baseline	1.091	1.104	1.122	1.146	1.164
% Ch	1.5	1.3	1.6	2.1	1.6
March Baseline	1.091	1.104	1.121	1.147	1.166
% Ch	1.5	1.3	1.6	2.3	1.7
U.S. Unemployment Rate					
June Baseline	7.60	9.74	9.26	8.49	7.83
March Baseline	7.60	9.74	9.16	8.12	7.24
Mortgage Rate					
June Baseline	5.57	4.99	4.61	4.88	5.37
March Baseline	5.57	4.99	4.70	5.19	5.86
3 Month T-Bill Rate					
June Baseline	0.56	0.12	0.13	0.39	2.14
March Baseline	0.56	0.12	0.17	0.57	2.81



Chapter 2: Washington Economy – Current Conditions and Forecast

- **High oil prices and supply chain disruptions caused by the Japanese earthquake and tsunami slowed the Washington economic recovery in the first half of 2011.**
- **The private sector added 11,100 jobs in March, April, and May but public sector employment declined by 2,700 jobs yielding a statewide gain of 8,400 jobs. We had expected 14,800 jobs in our March forecast.**
- **We will see stronger growth in the second half of 2011 as oil prices stabilize, Japanese supply chains are restored and rebuilding picks up.**
- **The aerospace sector has added 4,300 jobs over the last year which is more than two-thirds of the jobs lost during the recession. Aerospace job growth will continue as Boeing increases production more than 40% during the next two years.**
- **The recovery in housing and construction will be later than previously expected. New construction faces headwinds from high vacancies, rising foreclosures, and falling prices.**
- **The Seattle CPI will spike in 2011 due to higher energy costs. However, high unemployment will prevent a wage-price spiral from taking hold.**

Current Conditions

Geopolitical developments and the disaster in Japan slowed growth in Washington in the first half of 2011

The Washington economic recovery has hit another speed bump. Geopolitical developments in the Middle East and North Africa (MENA) boosted oil and gasoline prices, eroding consumers' purchasing power and confidence. The Japanese disaster was another blow to the state's recovery. Eventually reconstruction activity will be a plus for our state's economy but in the near term the devastation has disrupted supply chains and reduced demand for Washington products. Washington employment grew less than expected in the three months since the March forecast was released. The economy added 8,400 net new jobs in March and April. There was no job growth in May. Over the three months, we had expected 14,800 jobs in our March forecast. Aerospace and software are expanding, but construction remains in a prolonged slump.

Washington job growth has been slower than expected

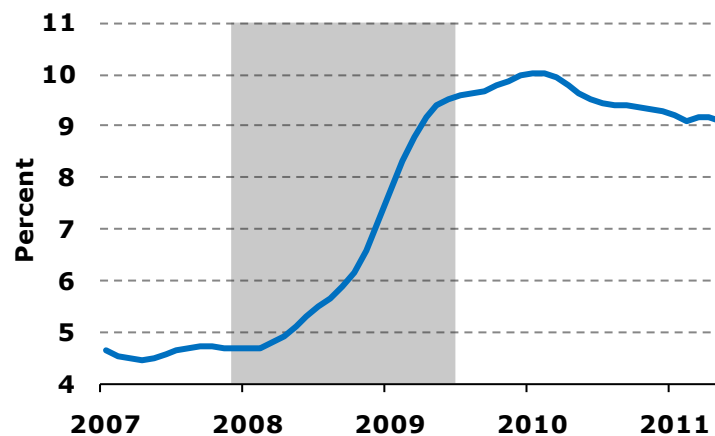
The private sector added 11,100 jobs in March, April, and May but public sector employment declined by 2,700 jobs yielding a statewide gain of 8,400 jobs. Construction employment was unchanged over the last three months while manufacturing added 2,600 of which 1,800 were in the aerospace sector. Private service-providing industries, which account for two out of three jobs in Washington, added 8,500 jobs. Though Washington employment growth was weaker than the March forecast projected, the level of employment is higher because of revised historical data.

Hours and earnings are growing but the improvement in the jobless rate has stalled

Other labor market indicators have been mixed in recent months. Both the average weekly hours worked and average hourly earnings in the private sector are showing moderate growth. In the most recent three months (March April, and May) private sector average hours are up 0.9% over the previous year. In addition, private sector average hourly earnings are up 2.2% over the year. The combination of higher hours and higher hourly earnings means that the average weekly paycheck was 3.2% higher in the most recent three months than in the same period last year. The number of people filing for unemployment insurance compensation has been drifting up in recent months after a sharp decline at the end of 2010 and early 2011. As of June 11, the four-week moving average of initial claims was just shy of 12,000. The last time the moving average was above 12,000 was in December 2010. Still, initial claims are about 30% below the peak reached in March 2009. The recent rise in claims does not suggest another employment downturn but it does indicate slower growth. Consistent with the slowdown in job growth and increase in claims, the state's unemployment rate was 9.1% in May, the same rate as in February. During the previous year the unemployment rate fell nearly a full percentage point from a 10.0% rate in February 2010 (see Figure 2.1).

The unemployment rate has flattened in recent months

Figure 2.1: Washington Unemployment Rate



Source: Bureau Labor Statistics; data through May 2011

Housing has also weakened

New home construction in Washington, as measured by building permit data, slumped to 16,900 units (SAAR) in the first quarter of 2011 from 22,800 in the fourth quarter of 2010. Previously permits had risen in both the third and fourth quarters of 2010. Single-family permits were unchanged at 14,300 units in the first quarter but multi-family units dropped from 8,500 to 2,600. Permits jumped to 34,600 in April (SAAR) but the improvement was almost entirely in the volatile the multi-family sector which soared to 20,800 units. Single-family permits were much more moderate at 13,800 units. We believe the trend is positive in multi-family housing but permits will retreat from the very high level reached in April. The outlook for single-family construction is flat to negative. Single-family construction in Washington is in competition with a stream of foreclosures and prices are still falling, so it will likely stay weak for some time.

Seattle area home prices still trending down

On the price front, the Case-Shiller Home Price Index for Seattle rose in March for the first time in ten months. It remains to be seen whether local home prices have turned the corner. Over the last year, Seattle area prices have fallen 7.4% which is more than twice the 3.5% decline in the U.S. 20-city index. High vacancies and foreclosures continue to put downward pressure on prices and new home construction. We are unlikely to see a strong recovery in housing construction until home prices begin rising again.

Contract data signal continued weakness in nonresidential construction

Contract data for new construction projects, which gives an indication of the level of activity roughly six months in the future, have also weakened in recent months. Residential contract square footage rallied at the end of last year and early this year but slumped again in March, April, and May. The best description for the residential side over the last couple of years is bumping along the bottom. Nonresidential contract square footage has been even weaker, continuing to find new all-time lows. We do not expect to see any improvement in nonresidential construction until 2012. This sector is considered a "late cycle" industry and growth does not typically return until at least two to three years after a recession has ended.

Manufacturing is still growing

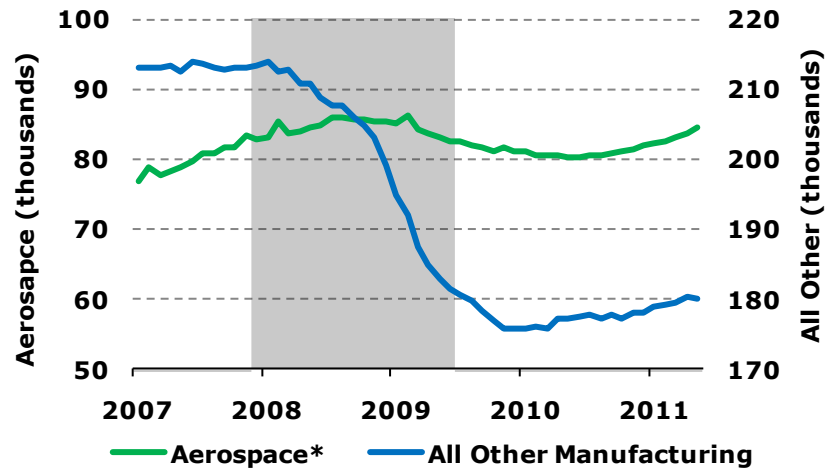
Manufacturing continues to expand in Washington according to local purchasing managers. The Institute of Supply Management - Western Washington Index, which measures strength in the manufacturing sector, has now indicated growth since August 2009, nearly two years ago (index readings above 50 indicate expansion). While the index declined to 64.7 in May from 68.2 in April, it remains solidly in positive territory. The new orders, production and employment components have been particularly strong. All three were 70 or higher in May. The main reason for the decline in the composite index in May was the inventory component, which fell from 59.1 to 41.7.

Boeing is driving manufacturing employment growth

Manufacturing employment has been rising for more than a year now – the trough was March 2010 – but until recently the gains have been slight. This was because the upturn in aerospace employment lagged the upturn in other manufacturing by six months (see Figure 2.2). Over the last year the aerospace sector has been responsible for 4,300 of the 7,200 net new manufacturing jobs in Washington. Boeing built up a huge backlog of orders in 2005, 2006, and 2007. This enabled Boeing to ride out the recession with only minimal production and job cuts. We believe the outlook for Boeing remains positive. Worldwide air traffic, both passenger and cargo, recovered surprisingly quickly from the recession. As a result, Boeing was able to add to its backlog in 2010. The current backlog of over 3,400 planes represents more than eight years of production at current rates. This is higher than Boeing would like it, so production needs to grow.

Figure 2.2: Washington Manufacturing Employment, SA

Aerospace is leading the manufacturing recovery



* Adjusted for Labor Dispute in October 2010
 Source: Employment Security Department, ERFC; data through May 2011

Car sales are affected by Japanese supply chain disruptions

Purchases of new vehicles in Washington continued to recover in the first four months of 2011. Except for August 2008, which was boosted by “Cash for Clunkers, April’s reading of 18,000 new vehicle registrations (SAAR) was the highest since July 2008. Washington new car registrations dipped in May to 16,800 but this was probably due to the tragedy in Japan which disrupted automotive supply chains and production schedules. As these systems are restored in the second half of this year, we should see a rebound in car sales. We believe that car sales have plenty of room for growth. While car sales have recovered somewhat from the recession lows, they are still well below their pre-recession peaks. The fleet of cars and trucks currently on the road is already the oldest on record, with data going back to 1982. The tragedy in Japan has will only exacerbate this

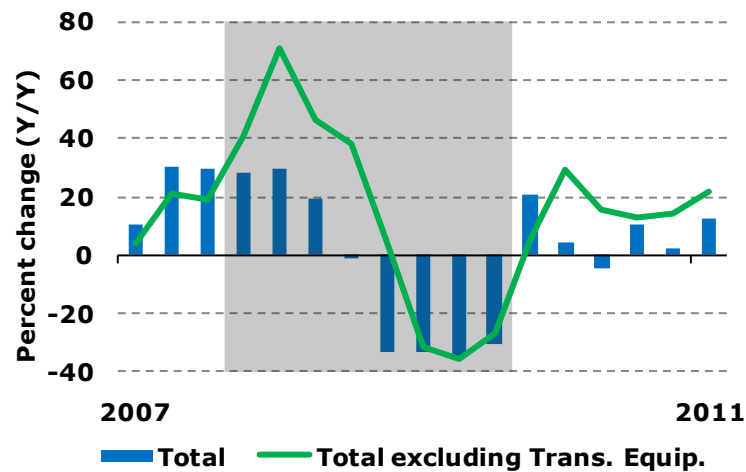
problem. The longer new car sales remains depressed, the greater the pent-up demand for vehicles in the future.

Strong export growth continued in the first quarter of 2011

Washington State exports rose 12.4% in the first quarter of 2011 compared to the first quarter of 2010 (see Figure 2.3). Exports of transportation equipment (mostly Boeing planes) were flat compared to the previous year. Transportation equipment exports normally account for about 50 to 60% of our exports. Excluding transportation equipment, exports were up 21.5% over the year. Double-digit increases were achieved in several major manufacturing sectors: petroleum and coal, computer and electronic products, machinery, primary metals, paper, forestry products, and wood products. The earthquake and tsunami in Japan occurred mid-March and probably did not have a major impact on the quarterly statistics. We expect to see some weakening in exports when the data for the second quarter become available.

Figure 2.3: Washington Exports

Washington State exports rose 12.4% in the first quarter of 2011



Source: WISER; data through Q1 2011

Washington is a leader in personal income growth

In June the Bureau of Economic Analysis (BEA) released preliminary first quarter state personal income estimates. Washington personal income grew at a rate of 8.6% (SAAR) in the first quarter which was eighth strongest in the nation. Personal income growth was boosted in the first quarter by the temporary 2 percentage point reduction in the social security contribution rate for employees. Since employee contributions for government social insurance are a subtraction in the calculation of personal income, a reduction in contributions increases personal income. Even without the payroll tax cut Washington personal income would have growth at a healthy 5.1% in the quarter, well above the U.S. rate of 3.9%. The main reason for the above average growth in Washington in the first quarter was durable manufacturing wage growth which was boosted by the ongoing aerospace expansion. In addition to strong earnings

growth, property income (dividends, interest, and rent) rose at a 10.6% rate in the first quarter. Income from transfer payments declined at a 2.5% rate in the first quarter but this was entirely due to a reduction in unemployment insurance benefits.

Core Seattle inflation remains moderate

We now have Seattle consumer price data through April 2011. So far this year prices have been rising at an average annual rate of 3.0%. The strong inflation in early 2011 was driven by rising energy costs. Core inflation in Seattle averaged only 1.2% in the first four months of the year. With energy costs easing since April, we expect more moderate Seattle headline inflation going forward.

Washington State Forecast

Geopolitical developments and natural disasters slowed the recovery in Washington in the first half of 2011

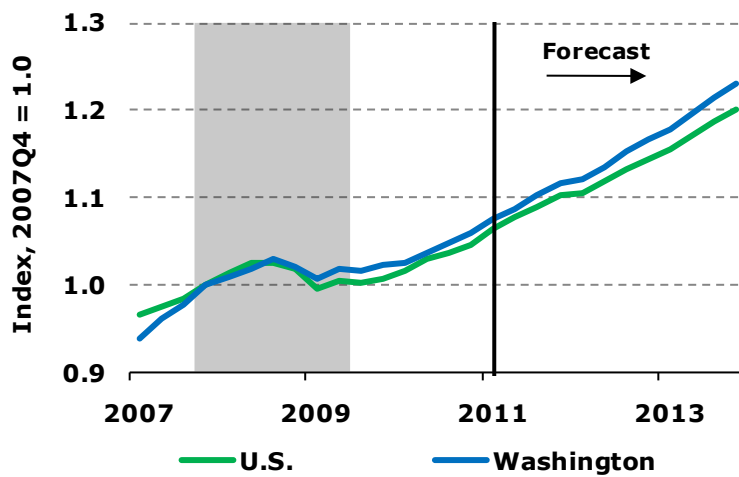
The Washington State forecast is based on a new national forecast that is slightly weaker than the forecast adopted in March. This is reflected in the forecasts for employment and income as well as GDP. In the first half of 2011 the state's economic recovery was held back first by the turmoil in the Middle East and North Africa which raised energy costs and sapped consumer confidence and spending power, and then by the tragedy in Japan which disrupted global supply chains as well as economic activity in that country. Washington has been particularly affected as Japan is the state's third largest export market. Going forward, however, these adverse impacts will recede or even turn into advantages in the second half of 2011. Oil prices have declined since April; Japanese supply chains should be restored by the end of the year, and reconstruction in Japan will boost Washington exports.

Washington job growth will improve

We expect job growth to improve gradually during the remainder of 2011 from last year's anemic pace. Boeing and Microsoft are expanding again, adding significantly to jobs and incomes. Construction employment is bottoming out so that sector will cease to be a drag on growth. Trade and services are benefitting from improved personal income growth, some of it stimulus driven. However, state and local governments will continue to cut back. We continue to expect that Washington State will outperform the U.S. economy, especially in income growth (see Figure 2.4). The state's trade intensity should help boost activity as economies recover around the world, particularly in the Pacific Rim. Additionally, the stability and growth prospects of our major industries, software and aerospace, will help drive employment and personal income growth.

Figure 2.4: Washington and U.S. Personal Income

Washington will outperform the U.S. in personal income growth



Source: BEA, ERFC; data through Q1 2011, ERFC forecast

Washington Payroll Employment

We have lowered our employment growth forecast since March

The Washington labor market has been in recovery for more than a year now but the improvement has been disappointing. Employment in the state has grown at an average annual rate of 1.2% since the employment trough in February 2010. The 40,500 jobs gained over this period represent less than one-fifth of the jobs lost in the downturn. Our forecast for employment growth in calendar 2011 is stronger than in March, but only because of a data revision to the fourth quarter of 2010. We now expect Washington employment will grow 1.2% in 2011 compared to the 1.1% expected in March. However, we have lowered our forecasts for 2012 and 2013 to 2.2% per year from 2.6% per year. The private sector will do better, growing 2.0 % this year, 3.0% in 2012, and 2.6% in 2013.

Boeing will increase production more than 40% during the next two years

Boeing is growing again after layoffs in 2009 and early 2010. The aerospace sector has added 4,300 employees since last May, more than two-thirds of the 6,000 jobs lost from February 2009 through May 2010. We expect the job growth to continue. Over the next couple of years as Boeing plans significant production increases in all five models of commercial aircraft. Between early 2011 and early 2013, total production will rise from 42 planes per month to 60 planes per month, an increase of more than 40%. Boeing’s order book remains full and it will take several years to work through the backlog. We expect aerospace employment growth to improve to 4.4% this year after declining 2.5% in 2010. Job growth will slow as production nears its peak. We expect aerospace employment to grow 3.3% in 2012 and 1.8% in 2013.

Microsoft will enhance employee compensation

After unprecedented layoffs in 2009, software employment continues to grow in Washington. The software sector has now recovered 40% of the jobs lost (peak to trough) in the recession. In April, Microsoft announced a plan to increase and restructure employee compensation. Microsoft called it "the most significant investment in overall compensation we have ever made." The higher wages will help Microsoft attract and retain top talent and the spending out of those higher wages will have a positive impact on the Washington economy. Microsoft's balance sheet remains healthy. Also encouraging is that they have now transitioned from mostly consumer demand for products to more lucrative business demand. According to Microsoft's latest quarterly report, the business division's revenue grew 21% over the year. We expect software employment to grow 1.6% this year, improving to 3.6% in 2012 and 4.4% in 2013.

Construction employment declines are leveling off

Construction employment began to flatten in 2010 after huge declines in 2008 and 2009. We expect overall construction employment to bottom out in the fourth quarter of this year. With a stream of foreclosures becoming available and prices continuing to fall, there is little incentive to buy a new home in today's market. Therefore, we no longer expect to see any improvement in residential construction until 2012. Nonresidential construction employment will also decline through the remainder of this year. Though nonresidential construction lagged residential construction in the downturn, we think it will be coincident in the recovery. In spite of a recovery in 2012 and 2013, construction employment at the end of 2013 will still be 56,600 below its previous peak.

Financial activities employment will begin to grow in the fourth quarter

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

Employment in retail trade is still growing despite headwinds

Retail trade employment grew rapidly during the first half of last year but faltered in the third quarter when consumer confidence sank in response to the threatened European debt crisis. Growth resumed in the fourth quarter of 2010 averaging a healthy 2.5% (SAAR) in both the fourth quarter of 2010 and first quarter of 2011. Consumer confidence and spending were buffeted again by higher gas prices, the tragedy in Japan, and Congressional wrangling over the debt ceiling. So far these hindrances have not derailed the recovery in retail trade employment in Washington. Preliminary monthly data through May suggest only a modest slowdown to about 2.0% (SAAR) growth in the second quarter of 2010. The forecast assumes growth will continue to average

about 2% during the second half of this year but this could be undermined by a new slump in consumer confidence and spending. On a calendar year basis, the forecast calls for growth rates of 1.9%, 2.0%, and 1.8% in 2011, 2012, and 2013.

We expect continued strong growth in professional and business services employment

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 strong growth to continue in this highly pro-cyclical industry throughout the forecast. Professional and business services also benefitted from the federal stimulus. The additional \$2 billion allocated for the Hanford cleanup effort has mostly affected employment in waste management and remediation services, a component of professional and business services. The forecast expects a sizzling annual average growth rate of 4.8% this year, slowing to 4.1% in 2012 and 3.8% in 2013.

Tight budgets are forcing cutbacks in state and local government employment

State and local Government employment tends to be more stable than other sectors of the economy. It also tends to lag other sectors through the business cycle. Private sector employment peaked in the first quarter of 2008 but state and local government employment continued to rise for three more quarters. Now private sector employment growth has turned positive but state and local government employment continues to decline. State and local government job cuts are expected to continue through the first quarter of 2012. We expect a loss of another 7,900 government jobs from the first quarter of 2011 to the first quarter of 2012 in addition to the 9,000 lost so far. This results in a 16,900 (3.5%) job loss from the peak in the fourth quarter of 2008. We do not expect government employment to reach the 2009 peak until after 2013.

Washington Personal Income

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

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

Washington personal income got a boost from the payroll tax cut

The recently enacted payroll tax cut adds nearly 1% to disposable personal income in 2011. The payroll tax cut was only for one year so its absence in 2012 will be a drag on growth in that year. As the economy continues to recover this year and gathers momentum, most other components of personal income will also grow, the main exception being unemployment compensation, which should come down as the job market improves. The forecast expects 5.1% personal income growth this year, slowing to 4.4% in 2012, and then rebounding to 5.3% in 2013.

Washington Building Permits

The housing recovery has been pushed out

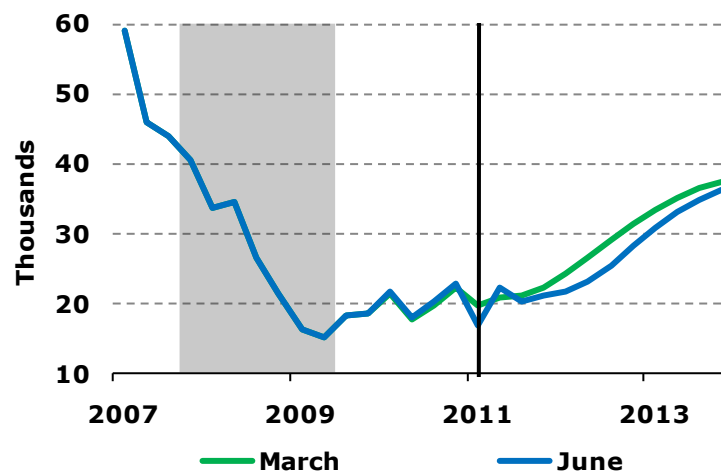
Housing activity in Washington, as measured by building permits, reached a trough in the second quarter of 2009, but remains weak. Since then, growth has been sporadic. We will not see a recovery in single-family construction until home prices start to rise. That will get fence sitters back into the market, as well as give banks confidence to lend against appreciating collateral. Unfortunately, home prices are headed downward again, both nationally and in Seattle. We expect prices will remain soft this year as more foreclosures are dumped back on the market. There is support for multi-family construction. Migration into Washington is picking up, which tends to increase the demand for multi-family housing, and rental vacancy rates are falling.

Housing will remain weak until mid-2012

We have pushed out the recovery in housing construction (see Figure 2.5). We now expect the total number of units to decline 2.9% this year to 20,100 units, consisting of 14,000 single-family units and 6,100 multi-family units. We expect stronger growth in 2012 and 2013. The number of housing units will rise 22.2% to 24,600 in 2012 and 37.4% to 33,700 in 2013.

Figure 2.5: Washington Building Permits, SAAR

The recovery in housing construction is delayed



Source: Census Bureau through 2011 Q1, ERFC forecast

Seattle Consumer Price Index

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

Inflation, as measured by the Seattle Consumer Price Index, has been less than one percent per year for each of the last two years. This has been due to declining shelter costs, which are measured by rents in the CPI. Rents have been firming recently and energy costs have risen sharply. We expect the Seattle CPI to jump 2.5% this year compared to only 0.3% last year. We don't believe the increase in energy costs will cause inflation to get out of control. Continuing high unemployment will prevent a wage-price spiral. Seattle inflation will decline to about 1.8% in 2012 and 1.7% in 2013.

Core inflation is expected to remain low

Core inflation (excluding food and energy) in Seattle came in at a negative 0.5% in 2010. Falling shelter costs were the main reason for the decline but rents have already turned around. As the economy continues to recover, Seattle inflation will remain moderate but will gradually increase. We expect the core Seattle CPI to rise 1.0% in 2011, 1.6% in 2012, and 1.8% in 2013.

Forecast by Fiscal Year

Personal income growth will increase throughout the forecast

Nominal personal income grew by an estimated 0.6% in FY 2010, down from 1.7% in FY 2009. These are both very low by historical standards and much lower than the 7.2% average growth rate from 2006 through 2008. The slowdown in growth is mostly due to declining employment but average wage growth has also slowed as has income from non-wage sources such as dividends, interest, and rent. The forecast expects a rebound in FY 2011 with nominal personal income growth of 4.1%. Growth is expected to increase further to 4.8% in FY 2012 and 4.9% in FY 2013 as the economy continues to recover.

Job growth is expected to be flat in FY 2011

Washington non-farm payroll employment fell 2.0% in FY 2009 and another 4.0% in FY 2010. We expect nonfarm employment to remain mostly flat in FY 2011 with just 0.4% growth. Manufacturing is expected to grow 1.0% while construction continues to fall, declining by another 5.1%. The service-providing sector should turn around with 0.7% growth in FY 2011. As the economic recovery picks up steam, we expect employment growth to improve by 1.8% in FY 2012 and 2.3% in FY 2013. On an end-of-period basis (second calendar quarter of 2009 to second calendar quarter of 2010) employment fell 1.5% during FY 2010. Employment is expected to increase by 0.9% this fiscal year on an end-of-period basis, and then grow 2.2% per year during FY 2012 and FY 2013.

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

The number of housing units authorized by building permits in Washington declined 3.2% to 19,100 in FY 2010 after plummeting 48.2% in FY 2009. Single-family permits increased 17.0% in FY 2010 to 15,200 units while multi-family units fell 42.3% to 3,900 units, which was the lowest multi-family count in

at least 40 years (our data begin in FY 1969). We expect multi-family permits to increase 67.4% this year to 6,500 units. While the percentage increase seems high, this is still a very low level. Single-family construction will experience continued weakness in FY 2011, falling 7.9% to 14,000 units. Overall permits are expected to rise 7.4% this fiscal year to 20,500 units. Housing construction should improve in FY 2012 and FY 2013 with the forecast calling for 21,500 units in 2012 and 29,400 in 2013.

Seattle inflation will spike in FY 2012

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, fell to just 0.3% in FY 2010 from 2.4% in FY 2009. Energy costs, which fell 9.6% in FY 2009, increased 2.1% in FY 2010. Core inflation (excluding food and energy) decreased from 3.1% in FY 2009 to 0.5% in FY 2010. Inflation will remain low given the slack that has built up throughout the economy. The forecast expects the Seattle CPI to increase 1.2% in FY 2011. The recent rise in energy costs will show up mostly in fiscal 2012 when the Seattle CPI is expected to jump 2.4%. Seattle inflation will moderate to 1.7% in FY 2013.

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

Alternative Scenarios

Alternate forecasts are prepared in accordance with state law

In accordance with state law, the Washington State Economic and Revenue Forecast Council also prepared an optimistic and a pessimistic forecast in June 2011. In addition to the official optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor’s Council of Economic Advisors (GCEA).

Optimistic (5% probability)

In the optimistic scenario, fears of another slowdown prove short-lived

In the optimistic scenario, fears of another slowdown prove short-lived, and growth revives quickly. Falling food and gasoline prices take some of the pressures off consumers. The optimistic simulation also assumes stronger growth in productivity, which supports lower inflation and stronger income gains over the long term. In this scenario, increased stability in the Middle East and North Africa relieves some of the pressure on global oil prices. Supply chain disruptions due to Japan's natural disaster prove temporary, and U.S. automakers are not affected for as long as was initially feared. The optimistic scenario also sees a quicker, sustained recovery in residential construction. The optimistic scenario assumes a stronger growth rate for global GDP across the forecast period, as Europe moves toward a longer-term solution to its sovereign debt issues. Taken together, these assumptions produce a much brighter economic outlook than the baseline. The unemployment rate falls to 8.1% by the end of 2011 and below 7.3% by the fourth quarter of 2012

This scenario also assumes higher growth in key Washington industries

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes that the recovery in aerospace employment is stronger than assumed in the baseline forecast. Software employment growth is also stronger than in the baseline forecast. Even with the lower oil prices in the optimistic scenario, the Seattle inflation is higher than in the baseline forecast due to the stronger regional economy. Wage growth is also faster than in the baseline forecast. Both Washington personal income and population growth are stronger throughout the forecast. Finally, construction employment returns to sustained growth in the second quarter of 2011, three quarters sooner than in the baseline forecast and the subsequent recovery is stronger. By the end of 2013, Washington nonagricultural employment is higher by 101,100 jobs than in the baseline forecast and Washington personal income is \$14.8 billion higher.

Pessimistic (20% probability)

In the pessimistic scenario, the temporary soft patch morphs into a more severe and more permanent slowdown

In the pessimistic scenario, the temporary soft patch morphs into a more severe and more permanent slowdown, with the U.S. economy coming to a screeching halt in the second half of 2011. Abroad, turmoil in the Middle East leads to higher oil prices and commodities prices, Europe sinks further into its sovereign debt crisis, and emerging-market growth slows as overheating risks become more apparent. Domestically, the housing outlook deteriorates, as home prices and sales slip even further. Concerns over the public debt grow, aggravated by a bitter dispute over raising the debt ceiling. Higher commodities and food prices squeeze incomes and force U.S. households to retrench once again. Businesses, facing higher costs and lower demand, pull back on hiring. As the private sector retrenches and foreign growth downshifts, the U.S. economy slows rapidly. U.S. GDP growth falls below zero in the third quarter of 2011 and the unemployment rate begins to rise once again.

This scenario also assumes lower growth in key Washington industries

At the state level, the aerospace employment recovery is short-lived and employment begins to decline again in the second half of 2011. Software employment remains essentially flat throughout the forecast rather than rising as in the baseline. The recovery in personal income is also weaker than was assumed in the baseline. Population growth is much weaker than in the baseline forecast as migration into Washington drops. Construction employment continues to fall through mid-2013 rather than beginning to recover in early 2012. The Seattle CPI is lower than in the baseline forecast, as are Washington wages. By the end of 2013, Washington non-agricultural employment is 145,200 lower than in the baseline forecast and Washington personal income is \$21.8 billion lower.

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

Governor’s Council of Economic Advisors (GCEA)

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

The GCEA scenario expects less real growth and higher inflation

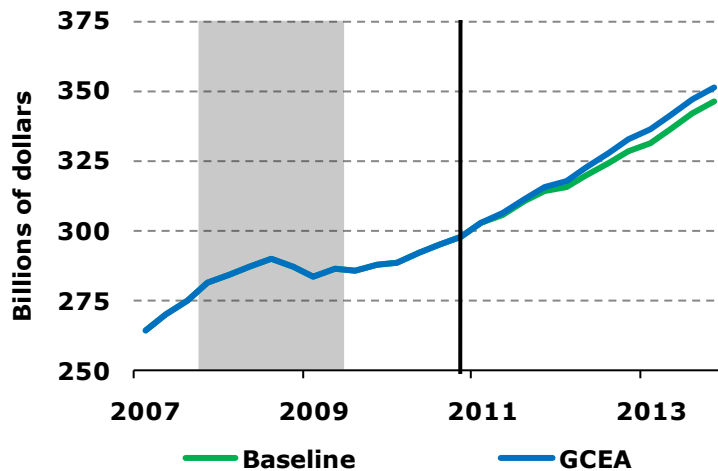
At the national level, the GCEA outlook for the real economy was similar to the baseline forecast. The Governor’s Council members expect slightly less real GDP growth and real consumer spending growth in both 2012 and 2013 than does the baseline forecast. However, they expect more inflation in both years, resulting in a higher nominal forecast. Consistent with the higher inflation outlook, the Council members predicted higher mortgage rates in both 2012 and 2013.

For Washington, the GCEA scenario is slightly stronger

The GCEA scenario for Washington is also very close to the baseline forecast. The council members are more pessimistic in their outlook for both manufacturing and construction employment however their overall employment forecast is a bit stronger than ours on average. The council members are more pessimistic in their housing forecast than we are but the difference is very small. The Council member’s real personal income forecast is only slightly higher than the baseline forecast. However, this combined with their expectation of higher inflation produces a significantly higher nominal income forecast (see Figure 2.6). By the end of 2013, the GCEA forecast for Washington nonfarm employment is 4,000 higher than in the baseline forecast and personal income in the state is \$5.6 billion higher.

Figure 2.6: Washington Personal Income

The Governor’s Council of Economic Advisors personal income forecast is higher than the baseline forecast



Source: BEA, ERFC; data through 2011 Q1, ERFC forecast

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

Table 2.1
Washington Economic Forecast Summary
 Forecast 2011 to 2013

Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	237.467	251.470	262.188	262.871	261.155	267.698	274.695	283.612
% Ch	2.2	5.9	4.3	0.3	-0.7	2.5	2.6	3.2
Real Wage and Salary Disb.	127.959	134.529	139.255	136.579	132.689	135.063	138.315	143.765
% Ch	3.6	5.1	3.5	-1.9	-2.8	1.8	2.4	3.9
Real Nonwage Income	109.508	116.941	122.933	126.292	128.466	132.635	136.381	139.846
% Ch	0.7	6.8	5.1	2.7	1.7	3.2	2.8	2.5
Real Per Capita Income (\$/Person)	37,333	38,846	39,883	39,488	38,832	39,406	39,983	40,747
% Ch	0.4	4.1	2.7	-1.0	-1.7	1.5	1.5	1.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.075	1.091	1.104	1.122	1.146	1.164
% Ch	3.2	2.4	3.3	1.5	1.3	1.6	2.1	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.035	2.116	2.205	2.257	2.263	2.291	2.345	2.384
% Ch	3.2	4.0	4.2	2.4	0.3	1.2	2.4	1.7
Average Nonfarm Annual Wage	44,150	46,424	48,534	49,150	50,254	51,747	53,238	55,062
% Ch	3.7	5.2	4.5	1.3	2.2	3.0	2.9	3.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.32	20.22	20.90	22.03	23.53	23.75	24.20	24.47
% Ch	4.0	4.7	3.4	5.4	6.8	1.0	1.9	1.1
Current Dollar Income (Billions of Dollars)								
Personal Income	241.199	261.634	281.775	286.666	288.390	300.333	314.768	330.049
% Ch	5.5	8.5	7.7	1.7	0.6	4.1	4.8	4.9
Disposable Personal Income	212.731	229.558	247.842	256.252	261.945	270.996	281.814	291.994
% Ch	4.6	7.9	8.0	3.4	2.2	3.5	4.0	3.6
Per Capita Income (\$/Person)	37,918	40,415	42,860	43,063	42,881	44,209	45,815	47,418
% Ch	3.6	6.6	6.1	0.5	-0.4	3.1	3.6	3.5
Employment (Thousands)								
Washington Civilian Labor Force	3,290.2	3,352.2	3,436.3	3,521.2	3,531.6	3,512.4	3,515.3	3,566.8
Total Washington Employment	3,120.0	3,193.0	3,271.3	3,257.3	3,185.7	3,186.9	3,209.4	3,280.2
Unemployment Rate (%)	5.17	4.75	4.80	7.49	9.79	9.27	8.70	8.04
Nonfarm Payroll Employment	2,820.6	2,896.7	2,960.1	2,899.8	2,784.6	2,797.1	2,847.0	2,912.4
% Ch	3.0	2.7	2.2	-2.0	-4.0	0.4	1.8	2.3
Manufacturing	279.2	289.7	295.5	278.9	258.4	261.0	271.5	283.1
% Ch	4.3	3.8	2.0	-5.6	-7.4	1.0	4.0	4.3
Durable Manufacturing	197.6	208.1	214.5	201.5	184.5	186.8	196.8	206.9
% Ch	5.8	5.3	3.1	-6.1	-8.4	1.2	5.3	5.1
Aerospace	69.0	76.7	83.1	82.9	81.1	82.3	85.9	88.2
% Ch	8.8	11.1	8.3	-0.2	-2.2	1.4	4.4	2.7
Nondurable Manufacturing	81.6	81.6	81.0	77.4	73.8	74.2	74.7	76.2
% Ch	0.7	0.0	-0.7	-4.5	-4.7	0.5	0.7	2.1
Construction	186.6	202.8	207.8	181.2	146.5	139.0	137.8	144.7
% Ch	9.7	8.7	2.5	-12.8	-19.1	-5.1	-0.8	5.0
Service-Providing	2,346.0	2,395.7	2,449.0	2,432.9	2,373.9	2,391.2	2,431.7	2,478.2
% Ch	2.4	2.1	2.2	-0.7	-2.4	0.7	1.7	1.9
Software Publishers	42.8	46.5	48.8	52.1	50.8	51.2	52.5	54.8
% Ch	6.7	8.8	4.9	6.8	-2.6	0.8	2.6	4.3
Nonfarm Payroll Employment, EOP*	2,852.8	2,928.8	2,969.6	2,826.9	2,784.9	2,810.4	2,872.1	2,935.7
% Ch*	3.1	2.7	1.4	-4.8	-1.5	0.9	2.2	2.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	53.834	50.628	38.102	19.749	19.117	20.531	21.509	29.397
% Ch	3.9	-6.0	-24.7	-48.2	-3.2	7.4	4.8	36.7
Single-Family	40.408	34.072	23.059	13.016	15.230	14.022	13.748	18.190
% Ch	5.1	-15.7	-32.3	-43.6	17.0	-7.9	-1.9	32.3
Multi-Family	13.425	16.557	15.043	6.734	3.888	6.510	7.760	11.207
% Ch	0.4	23.3	-9.1	-55.2	-42.3	67.4	19.2	44.4
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	4.99	4.61	4.88	5.37

*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	O	B	P	O	B	P
U.S.									
Real GDP	13,411	13,407	13,394	13,933	13,801	13,489	14,437	14,233	13,709
%Ch	2.7	2.7	2.6	3.9	2.9	0.7	3.6	3.1	1.6
Implicit Price Deflator	1.122	1.122	1.122	1.141	1.146	1.154	1.157	1.164	1.173
%Ch	1.6	1.6	1.6	1.8	2.1	2.8	1.4	1.6	1.7
Mortgage Rate	4.61	4.61	4.60	5.38	4.88	4.71	5.67	5.37	5.28
3 Month T-Bill Rate	0.12	0.13	0.11	1.10	0.39	0.16	2.97	2.14	1.16
Washington									
Real Personal Income	268.236	267.698	266.936	280.976	274.695	264.804	295.302	283.612	266.095
%Ch	2.7	2.5	2.2	4.7	2.6	-0.8	5.1	3.2	0.5
Personal Income	300.891	300.333	299.527	320.704	314.768	305.544	341.629	330.049	312.165
%Ch	4.3	4.1	3.9	6.6	4.8	2.0	6.5	4.9	2.2
Employment	2798.5	2797.1	2794.3	2876.9	2847.0	2801.2	2981.3	2912.4	2810.0
%Ch	0.5	0.4	0.3	2.8	1.8	0.2	3.6	2.3	0.3
Housing Permits	20.734	20.531	20.218	25.909	21.509	16.346	37.249	29.397	19.073
%Ch	8.5	7.4	5.8	25.0	4.8	-19.2	43.8	36.7	16.7

(O) Optimistic; (B) Baseline; (P) Pessimistic

Please note: The Governor's Council of Economic Advisors comparison has been moved to Table 2.3.

Table 2.3

Governor's Council of Economic Advisor's Forecast

Calendar Years

	2011	2012	2013
U.S.			
Real GDP			
<i>Growth</i>			
ERFC	2.6	3.1	3.2
GCEA Average	2.6	2.9	3.0
Real Consumption			
<i>Growth</i>			
ERFC	2.6	3.0	2.4
GCEA Average	2.6	2.6	2.7
Implicit Price Deflator, PCE			
<i>Growth</i>			
ERFC	2.2	1.6	1.6
GCEA Average	2.4	2.3	2.4
Mortgage Rate			
<i>Percent</i>			
ERFC	4.8	5.1	5.8
GCEA Average	4.9	5.4	5.9
Oil Price (WTI)			
<i>USD per barrel</i>			
ERFC	100.4	104.0	103.6
GCEA Average	101.0	101.3	102.1
Washington State			
Real Personal Income			
<i>Growth</i>			
ERFC	2.8	2.7	3.6
GCEA Average	2.8	2.9	3.4
Wage and Salary Employment			
<i>Growth</i>			
ERFC	1.2	2.2	2.2
GCEA Average	1.4	2.1	2.3
Manufacturing Employment			
<i>Growth</i>			
ERFC	3.1	4.4	3.8
GCEA Average	2.6	3.2	3.2
Construction Employment			
<i>Growth</i>			
ERFC	-2.6	2.4	6.2
GCEA Average	-2.0	1.7	4.7
Housing Permits			
<i>Thousands of authorized units</i>			
ERFC	20.1	24.6	33.7
GCEA Average	19.8	25.2	31.3
Washington Average Annual Wage			
<i>Growth</i>			
ERFC	2.9	3.4	3.4
GCEA Average	2.8	3.2	3.2

Table 2.4
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	-0.9	-1.0	-0.6
Personal Income	12.3	12.7	11.8	8.3	7.9	7.8	9.0	8.8	9.1	9.3	5.6	5.0	7.1	6.9
Real Personal Income	8.3	9.1	7.5	3.8	4.6	3.7	5.4	4.6	5.3	5.6	2.2	1.3	2.8	2.5
Total (Thousands of units), 2009:3 to 2011:2														
Housing Units Authorized	95.2	97.8	85.6	72.6	59.7	47.3	45.4	51.4	44.5	44.0	37.4	37.3	39.5	39.6

Table 2.5

Fiscal Years

Forecast Comparison

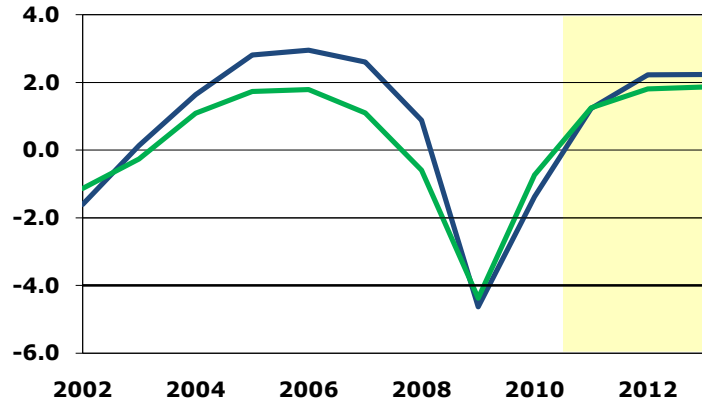
Forecast 2011 to 2013

	2009	2010	2011	2012	2013
Washington					
Real Personal Income					
June Baseline	262.871	261.155	267.698	274.695	283.612
% Ch	0.3	-0.7	2.5	2.6	3.2
March Baseline	263.141	261.375	268.242	275.814	285.743
% Ch	0.4	-0.7	2.6	2.8	3.6
Personal Income					
June Baseline	286.666	288.390	300.333	314.768	330.049
% Ch	1.7	0.6	4.1	4.8	4.9
March Baseline	286.959	288.632	300.840	316.473	333.329
% Ch	1.8	0.6	4.2	5.2	5.3
Employment					
June Baseline	2899.8	2784.6	2797.1	2847.0	2912.4
% Ch	-2.0	-4.0	0.4	1.8	2.3
March Baseline	2900.1	2782.8	2785.8	2843.0	2919.9
% Ch	-2.0	-4.0	0.1	2.1	2.7
Housing Permits					
June Baseline	19.749	19.117	20.531	21.509	29.397
% Ch	-48.2	-3.2	7.4	4.8	36.7
March Baseline	19.749	18.973	20.524	23.581	32.234
% Ch	-48.2	-3.9	8.2	14.9	36.7

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

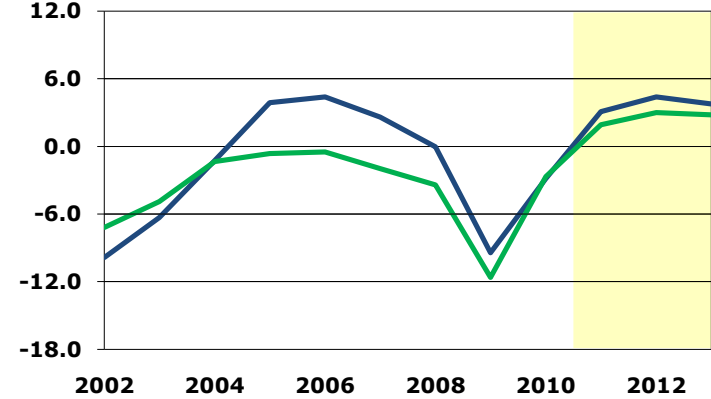
Forecast

Total nonfarm payroll employment



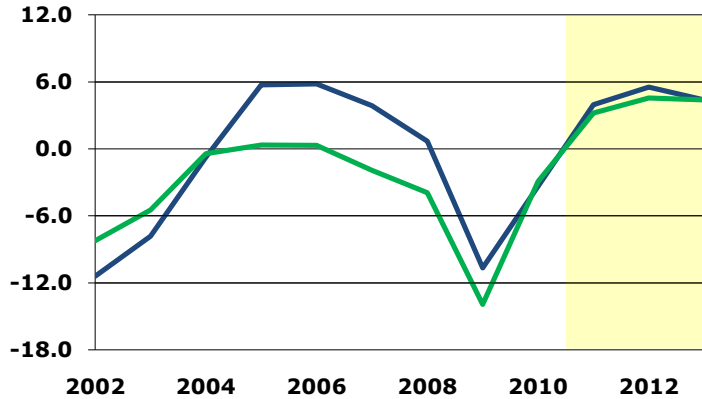
Source: WA State Employment Security Dept. 2010, ERFC 2013

Manufacturing employment



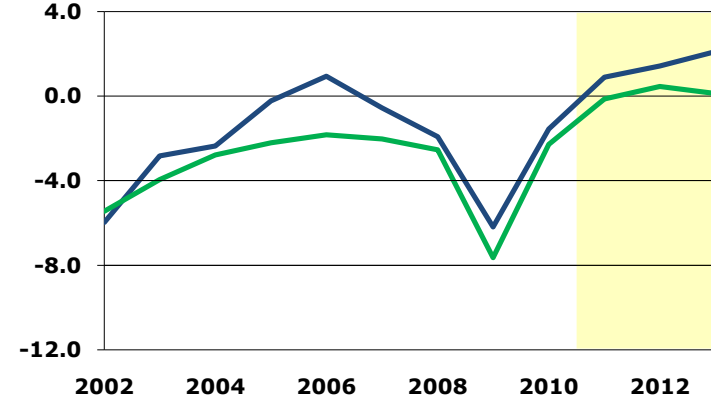
Source: WA State Employment Security Dept. 2010, ERFC 2013

Durable manufacturing employment



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

Nondurable manufacturing employment



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

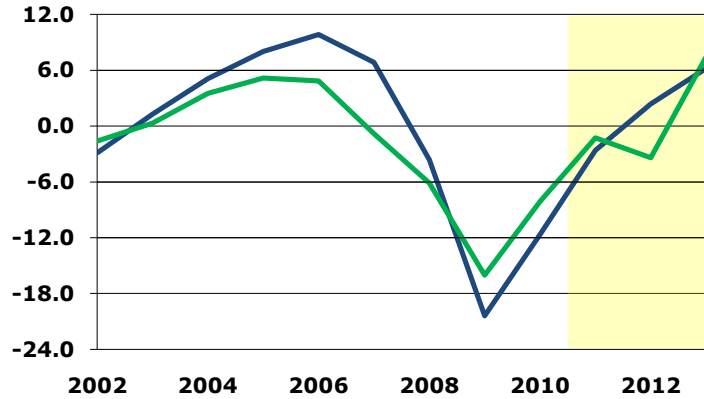
Washington

U.S.

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

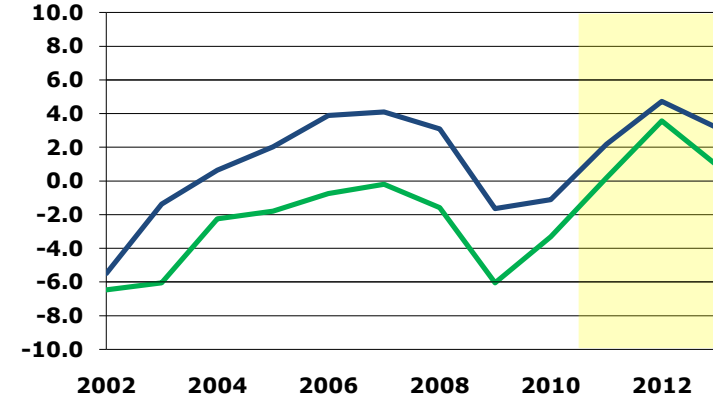
Forecast

Construction employment



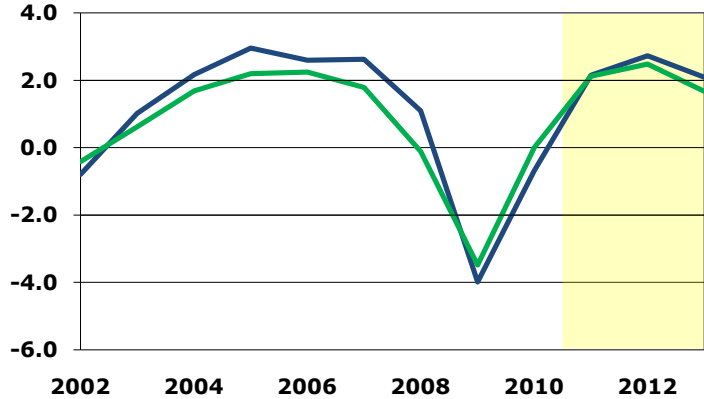
Source: WA State Employment Security Dept. 2010, ERFC 2013

Information employment



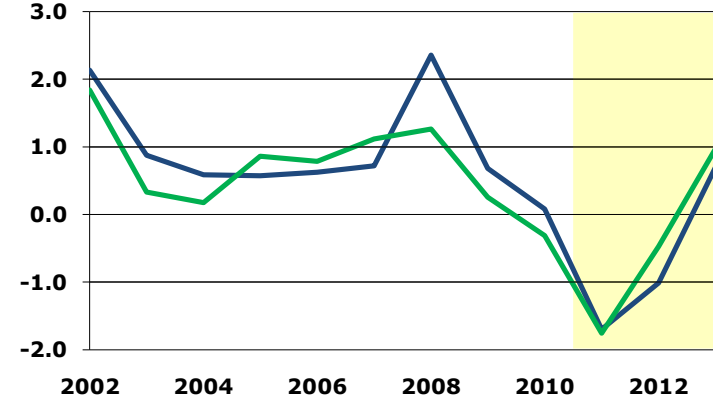
Source: WA State Employment Security Dept. 2010, ERFC 2013

Other private employment



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

Government employment



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

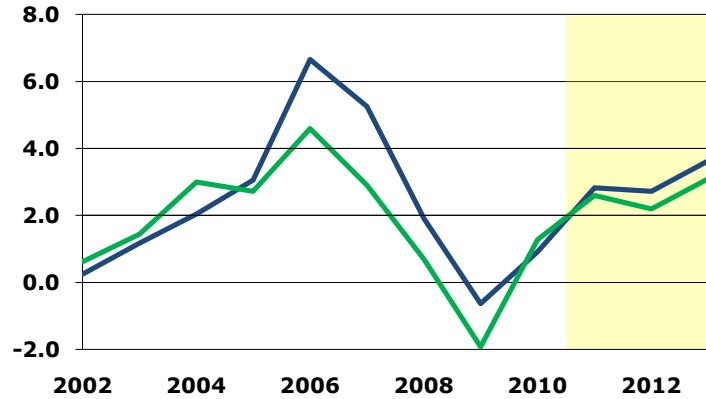
Washington

U.S.

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

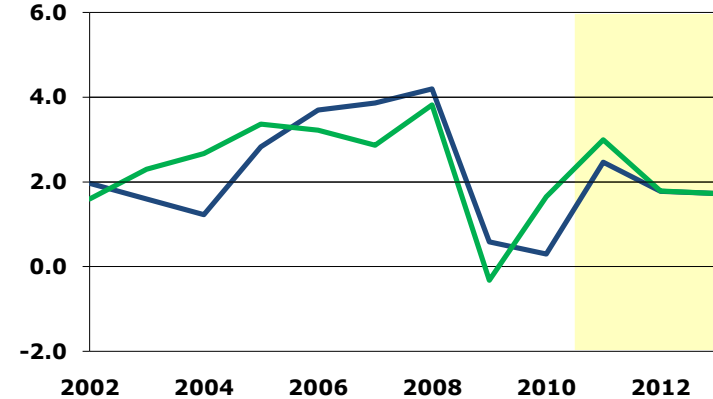
Forecast

Real personal income



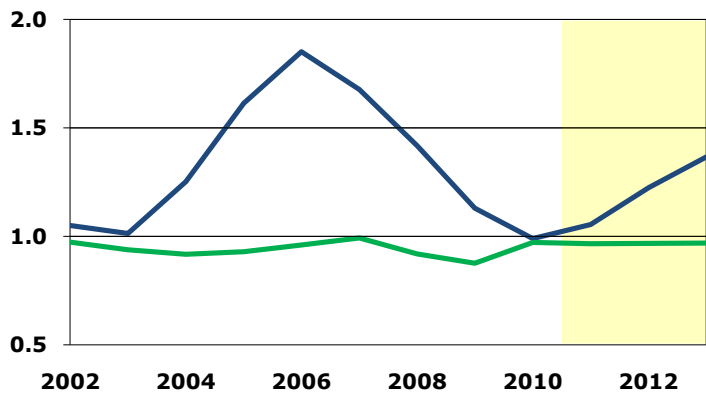
Source: Bureau of Economic Analysis 2009, ERFC 2013

Consumer price indices



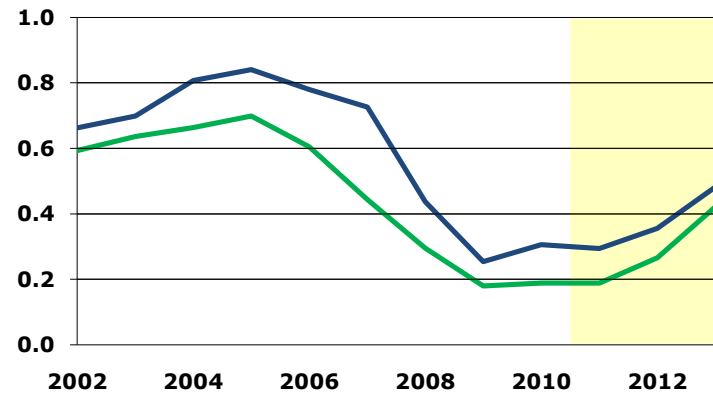
Source: Bureau of Labor Statistics 2010, ERFC 2013

Population



Source: Office of Financial Management 2010, ERFC 2013

Per capita housing units



Source: Census Bureau 2010, ERFC 2013

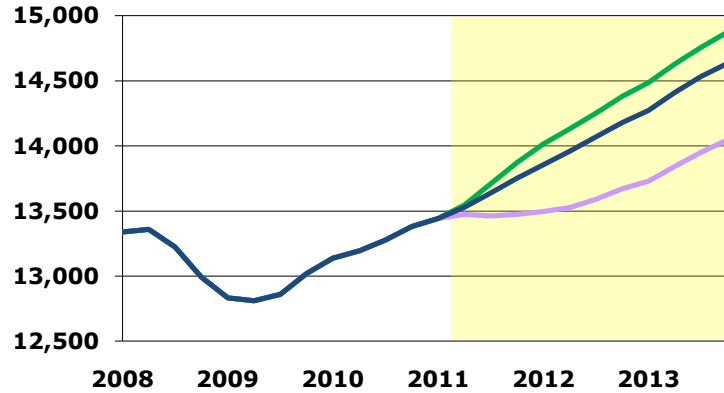
Washington

U.S.

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

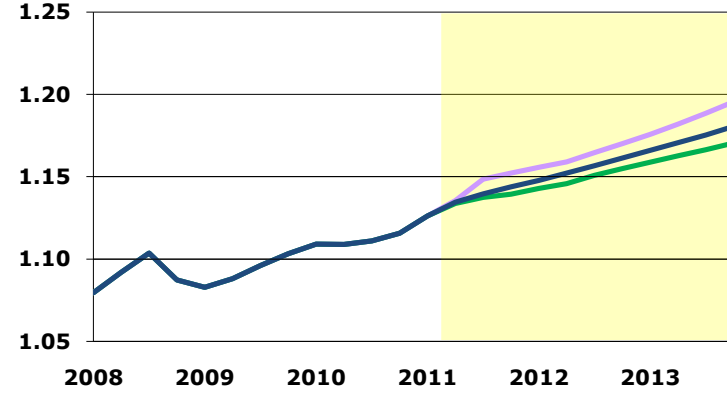
Forecast

Real GDP, billions of chained 2005 dollars



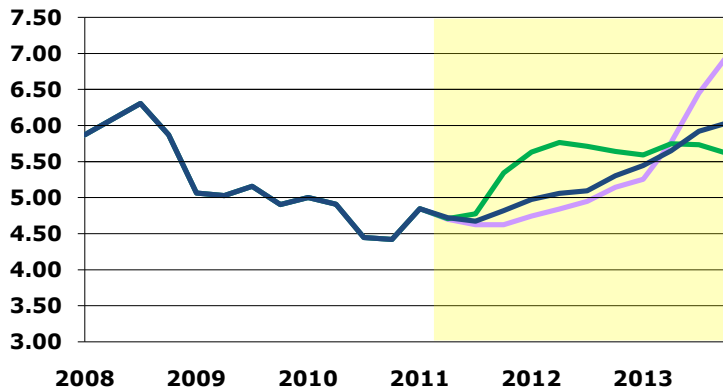
Source: Bureau of Economic Analysis 2011 Q1, ERFC 2013

Implicit price deflator, index 2005 = 1.0



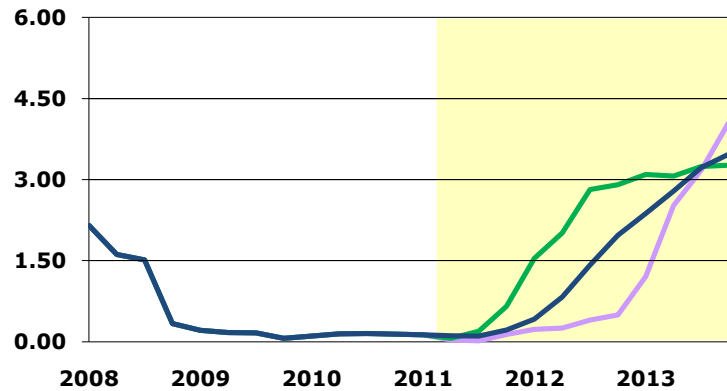
Source: Bureau of Economic Analysis 2011 Q1, ERFC 2013

Mortgage rate, percent



Source: Freddie Mac 2011 Q1, ERFC 2013

Three month T-bill rate, percent



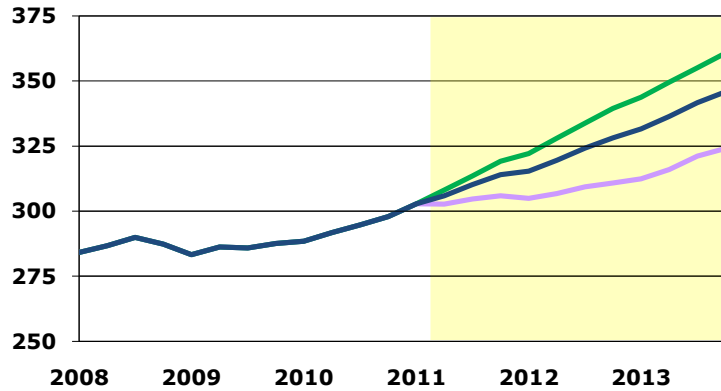
Source: Federal Reserve Board 2011 Q1, ERFC 2013

■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts

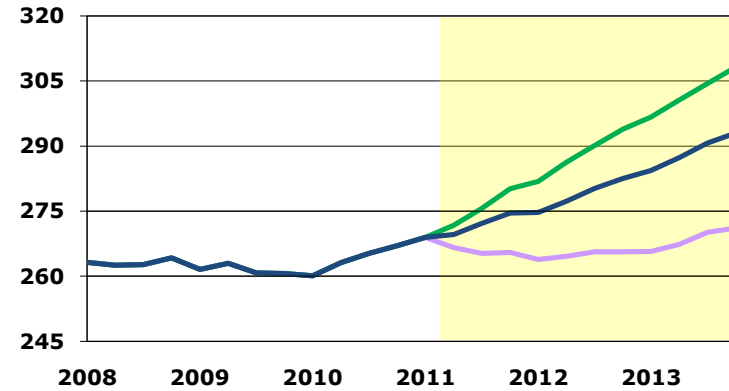
Forecast

Personal income, billions of dollars



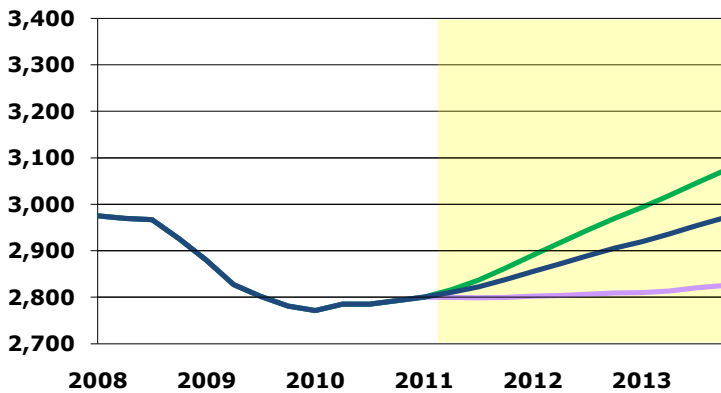
Source: Bureau of Economic Analysis 2009 Q4, ERFC 2013

Real personal income, billions of chained 2005 dollars



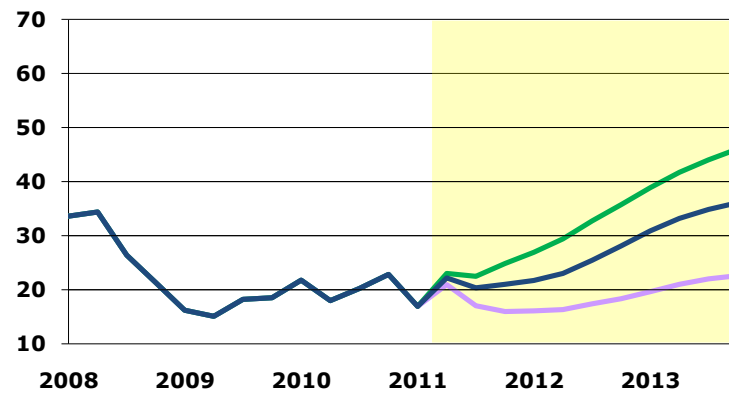
Source: Bureau of Economic Analysis 2009 Q4, ERFC 2013

Total nonfarm payroll employment, thousands



Source: WA State Employment Security 2011 Q1, ERFC 2013

Housing permits, thousands



Source: Census Bureau 2011 Q1, ERFC 2013

■ Baseline
 ■ Optimistic
 ■ Pessimistic



Chapter 3: Washington State Revenue Forecast Summary

- **The slowdown in taxable activity that we had forecasted in March turned out to be worse than projected. This was mostly due to larger-than-expected supply disruptions from the Japanese earthquake and tsunami and continued high gas prices and turmoil in the Middle East and North Africa.**
- **General Fund-State revenue collections since March were actually \$93 million higher than expected, but the entire surplus was due to non-economic factors. Minus these factors, collections would have been \$142 million lower than forecast.**
- **Non-economic changes since the March forecast, including legislation from the 2011 session, account for \$147 million in additional revenue to the current biennium and a net of \$40 million extra in the next biennium.**
- **The net General Fund-State forecast changes are an increase of \$171 million in the 2009-11 biennium and a decrease of \$183 million in the 2011-13 biennium. Without the legislation from the 2011 session, the increase in the revenue forecast for the current biennium would be lower and the expected decrease in the next biennium would be higher.**

Overview

The near-term slowdown in taxable activity turned out to be more severe than forecasted in March

As outlined in Chapters 1 and 2, economic growth in both the U.S. and in Washington is passing through a “soft-patch” in the first half of 2011. The March forecast had anticipated the slowdown but it turned out to be sharper than expected. In particular, the earthquake and tsunami in Japan, which occurred less than one week before the March forecast was released, ended up disrupting manufacturing worldwide due to the resulting shortages in components for a large range of products. The turmoil in the Middle East and North Africa has not lessened, keeping oil prices high, and in addition, worries of a Greek default on its debt have resurfaced. As evidenced by the most recent revenue collections, the slowdown started in April and is expected to persist into the third quarter. As a result, forecasted revenue excluding non-economic changes has been reduced for the remainder of the current biennium and for part of the next biennium.

GF-S forecast changes (\$millions):
 2009-11: \$171
 2011-13: -\$183

Table 3.1 summarizes the change in forecasted revenue for the 2009-11 and 2011-13 biennia. By the time of the June forecast, revenue for the 2009-11 biennium was \$93.1 million above its forecasted value but the positive variance was mainly due to non-economic factors. Those are described below. Weaker forecasted revenue growth subtracted \$69.2 million in collections for the remainder of the current biennium and \$223.0 million in the next biennium. Non-economic factors added \$171.2 million in revenue to the 2009-11 biennium and \$40.0 million in the 2011-13 biennium. The net forecast changes for GF-S revenue are a \$171.2 million increase in the 2009-11 biennium and \$183.0 million reduction in the 2011-13 biennium.

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

<i>GF-S forecast (\$millions):</i>	2009-11 Biennium	2011-13 Biennium	Total*
2009-11: \$28,219	Collection Experience \$93.1	NA	\$93.1
	Non-Economic Change \$147.4	\$40.0	\$187.4
	Forecast Change <u>(\$69.2)</u>	<u>(\$223.0)</u>	<u>(\$292.3)</u>
2011-13: \$31,724	Total Change	(\$183.0)	(\$11.8)

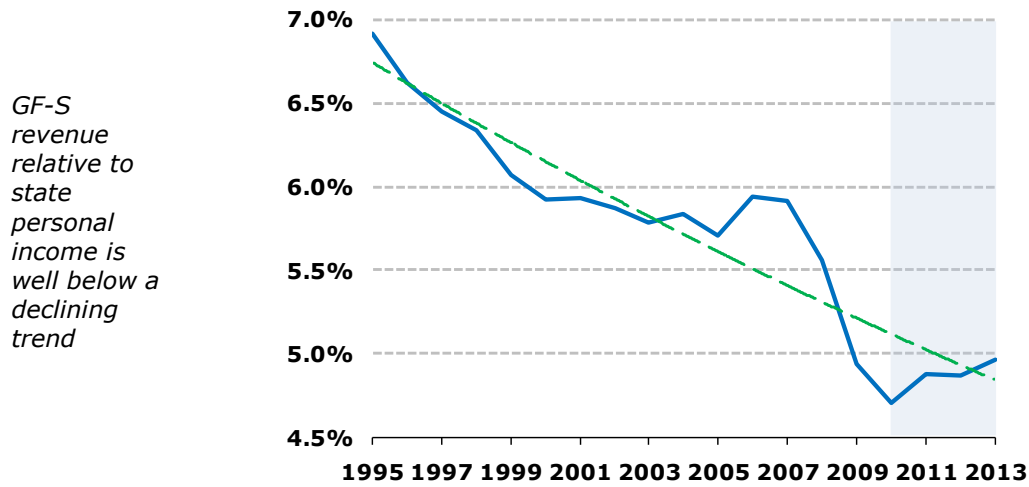
Source: ERFC, June 2011
 *Totals might not add due to rounding

With the revisions above, GF-S revenue for the 2009-11 biennium is forecasted to total \$28,218.5 million and GF-S revenue for the 2011-13 biennium is forecasted to total \$31,723.7 million.

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

As can be seen in Figure 3.1, the amount of GF-S revenue that is collected relative to state personal income has been on a persistent downward trend since 1995 (the first year that a series consistent with the current definition of GF-S revenue can be created). The increase in real estate excise taxes and retail sales taxes on construction materials during the housing boom from 2005 to mid-2008 caused collections to rise above this trend, while the subsequent housing market collapse caused collections to fall below the trend. The June forecast, as shown in the light blue shaded area, temporarily increases the ratio of collections to income due to the forecasted economic recovery and increases in GF-S revenue from legislation passed in 2010 and 2011. Nevertheless, the ratio is still far lower than the ratios for fiscal years 1995 through 2008.

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



Source: ERFC, data through fiscal year 2010

Forecast details are at the end of the chapter

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

Recent Collection Experience

Cumulative receipts were \$93.1 million more than the March forecast, due entirely to the success of the tax penalty amnesty program

Cumulatively, Revenue Act receipts from March 11 through June 10, 2011 were \$125.5 million (4.7%) above the March forecast (see Table 3.2). The positive variance, however, was due entirely to the success of the February-April program which allowed taxpayers to pay past-due taxes with amnesty from penalties and interest charges. As described in the March Washington State Economic and Revenue Forecast, the program, coupled with a new program of enhanced audit activity, was expected to bring in an a total of \$84.6 million in extra revenue (\$10.7 million had already been collected at the time of the March forecast). Instead, the GF-S share of the payments collected totaled \$282.2 million, a difference of \$197.6 million. In addition, a \$40 million payment for an assessment of past due taxes unrelated to the amnesty program was collected during the period. Without the extra revenue from the amnesty program and the \$40 million payment, collections would have fallen \$112 million (4.2%) short of the forecast.

Revenue from other DOR tax sources was \$31.1 million (2.9%) below the March forecast, due mainly to weak real estate excise tax collections

Revenue from other Department of Revenue tax sources was \$31.1 million (2.9%) lower than expected. Real estate excise tax collections, described below, were responsible for \$26.0 million of the shortfall. Property tax collections came in \$6.9 million (0.9%) lower than forecasted. Cigarette tax receipts fell \$4.5 million (5.3%) short of the forecast, but half of the shortfall was due to the timing of tax stamp payments that will be made up in the next collection period. Cumulative liquor tax receipts came in \$1.2 million (2.6%) above the March forecast, and other taxes collected by the department came in \$5.1 million (14.8%) higher. The cumulative total of Revenue Act and other Department of Revenue sources was \$94.4 million (2.5%) greater than forecasted in March.

The shortfall in Department of Licensing receipts is expected to be made up in June

Revenue from the Department of Licensing was \$0.9 million (15.2%) lower than forecasted, but this shortfall is expected to be made up in June as the rest of this year’s boat registration fees are received. 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 \$441,000 (1.7%) lower than forecasted. The cumulative total variance of all the sources listed above was \$93.1 million (2.5%).

Table 3.2: Pre-Forecast Collection Variance of Major General Fund-State Taxes by Agency (based on March 2011 forecast, cash basis, millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	\$125.5	4.7%
Non Revenue Act	(\$31.1)	-2.9%
Subtotal	\$94.4	2.5%
Department of Licensing	(\$0.9)	-15.2%
Administrative Office of the Courts	(\$0.4)	-1.7%
Total*	\$93.1	2.5%

* Detail may not add to total due to rounding.
Source: ERF; Period: March 11 - June 10, 2011

Growth in seasonally adjusted Revenue Act collections has slowed over the last two collection periods

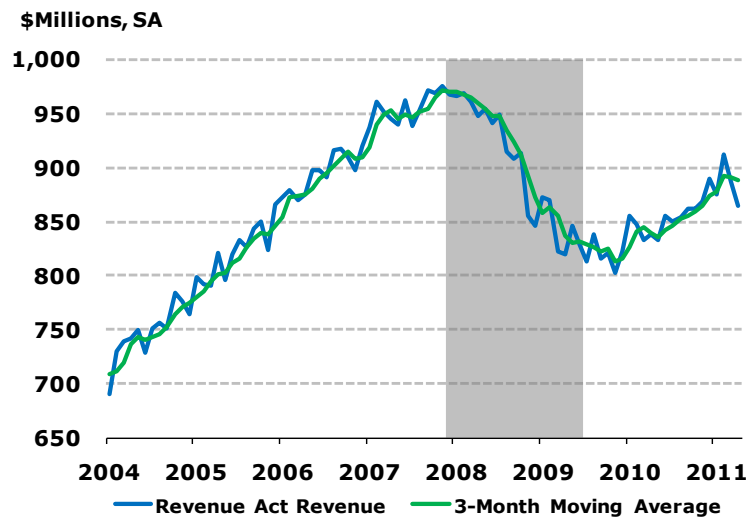
As shown in Figure 3.2, on a seasonally adjusted basis, Revenue Act collections have been on an upward trend since November 2009. During the last two collection periods, however, preliminary seasonally adjusted receipts appear to have declined after adjusting for the amnesty payments described above, other large payments, and recent changes in payment patterns. These collection periods mainly reflect taxable activity in March and April, a period which saw a national slowdown in economic activity and reduced spending on taxable items due to high gas

prices as described in Chapter 1. Both the economic and revenue forecasts assume this slowdown is temporary. Despite the slowdown, adjusted receipts for the May 11 - June 10 collection period were still up 3.1% year-over-year.

Year-over-year Revenue Act growth slowed in the first quarter

Adjusted collections in the February 11 – May 10, 2011 period, which primarily reflected first quarter 2011 activity, were up 5.4% year-over-year. This was a slowdown from the growth in fourth quarter 2010 activity (November 11, 2010 – February 10, 2011 adjusted collections) which grew 7.2% year-over-year. Adjusted collections reflecting third quarter 2010 activity were up 3.8%.

Figure 3.2: Revenue Act Collections*

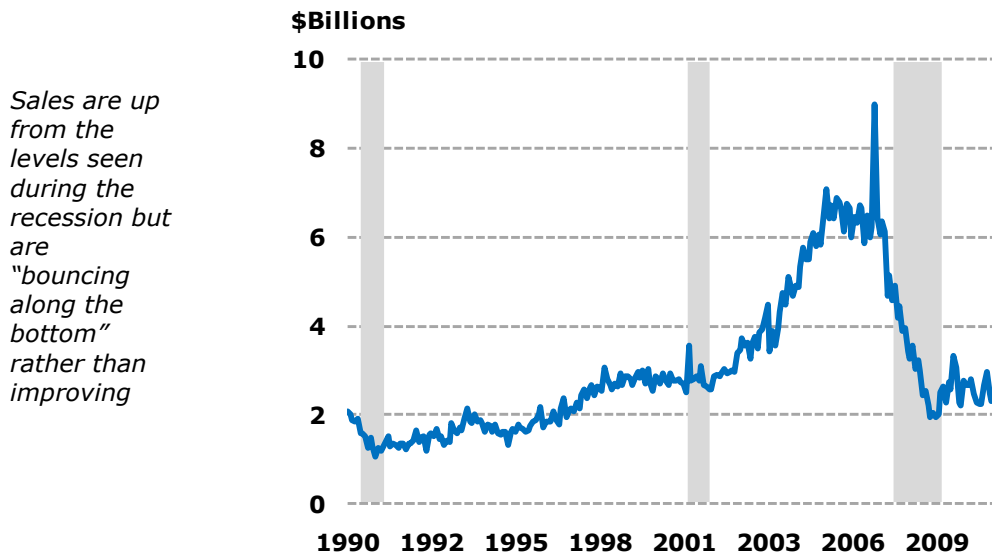


Source: ERFC; Data through June 10, 2011 preliminary allocation
 *Adjusted for large payments/refunds and payment pattern change

Though the number of taxable real estate transactions is improving, the value per transaction is dropping once again

At the time of the March forecast, the average value per taxable real estate transaction had stabilized, while the number of transactions was increasing. The forecast had the number of transactions gradually increasing while the value per transaction stayed roughly constant. Instead, as outlined in the two previous chapters, the decline in home prices began to accelerate in what has become a “double dip” housing bust, while transactions grew more slowly than forecasted as part of the nationwide slowdown in economic activity. As a result, seasonally adjusted taxable activity fluctuated around the levels seen in February (see Figure 3.3) instead of returning to levels midway between those of December 2010 and January as forecasted.

Figure 3.3: Taxable Real Estate Excise Activity, SA



Source: ERFC; data through May 2011

Recent EFT Payments by Industry

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

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

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

Electronic tax returns from the May 11 – June 10, 2011 period mainly represent the April taxable activity of monthly taxpayers. For the fifteenth consecutive collection period, payments from electronic filers who also filed electronically last year were higher than their levels a year ago. Total payments were up 5.6% year-over-year. Total tax payments from businesses in the retail trade sector were up 6.3% year-over-year. Eleven out of the twelve major retail trade sectors showed year-over-year growth in payments. The largest year-over-year increases in tax payments from the retail trade sector were in electronics and appliances (+28.9%), non-store retailers (+12.5%), gas stations and convenience stores (+10.4%) and apparel and accessories (+9.4%). Building materials and garden equipment was the only retail trade sector to show a year-over-year decline (-3.3%). Total payments from sectors other than retail trade increased 5.1%. Tax payments in the construction sector were down 8.2% year-over-year while payments in the manufacturing sector were

down 15.7% year-over-year. Excluding both the manufacturing and construction sectors, payments from non-retail trade sectors were up 6.6%. The number of increasing non-retail sectors outnumbered declining sectors thirteen to three.

Non-Economic Forecast Changes

The Non-economic increase of \$147 million for the 2009-11 biennium mainly resulted from deposits of existing non-GF-S taxes into the GF-S

Non-economic factors increased forecasted GF-S revenue by \$147.4 million in the current biennium. Most of the increase, however, was the result of legislation from the 2011 session that deposited non-GF-S taxes into the GF-S. \$73.9 million came from cigarette taxes that formerly went into the Education Legacy Trust Account but will be deposited into the GF-S for FY 2011 through FY 2013. \$72.1 million came from taxes that formerly went into the Public Works Assistance Account but will now be deposited into the GF-S for FY 2011 only (this revenue had previously been included in the March balance sheet as a resource but has now been re-classified as GF-S revenue). An additional \$1.4 million came from a new fee established by the Department of Revenue for the administration of taxes collected on behalf of regional transit authorities.

The net forecast increase of \$40 million for the 2011-13 biennium was the result of \$204 million in legislative increases offset by \$164 million in non-legislative reductions

Non-economic changes for the 2011-13 biennium were more complicated. Details of the changes can be found in Table 3.18. Changes from direct legislation and budget-related legislation added \$204.0 million to the forecast. \$146.0 million of this amount was from the aforementioned transfer of non-GF-S cigarette taxes into the GF-S and \$53.5 million was from enhanced auditing resources included in the Department of Revenue budget. Other non-economic changes, however, reduced the forecast by \$164 million. Chief among these was a \$164.5 million reduction in forecasted collections from audit assessments and penalty and interest payments due to the large amount of past-due taxes collected under the tax penalty amnesty program. The loss was offset by the continuation of the new tax administration fee discussed above. The net of the legislative and other non-economic changes was a forecast increase of \$40.0 million.

Department of Revenue

Taxes collected by DOR are most of GF-S taxes

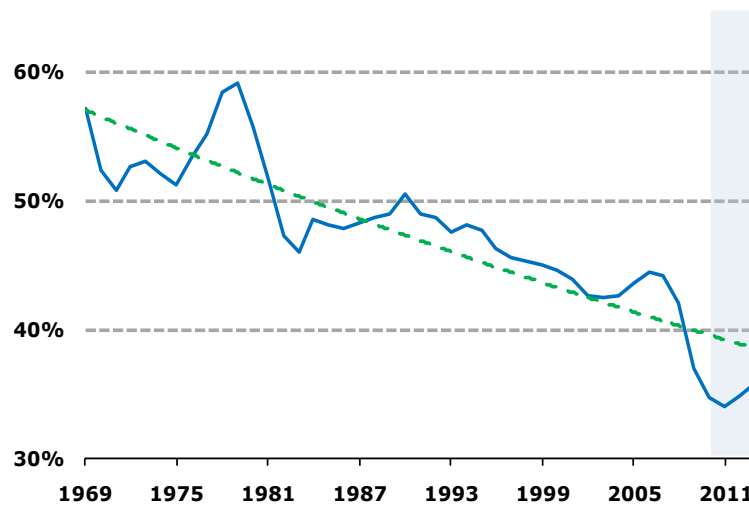
The Department of Revenue (DOR) collects and administers the majority of Washington's GF-S revenue, accounting for 97% of total GF-S revenue in the 2007-09 biennium. The largest tax sources administered by the DOR are the retail sales tax, business and occupation tax, property tax, use tax, and real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

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

The retail sales tax is the largest source of GF-S revenue, accounting for 47.3% of GF-S revenue in FY 2010. The state’s share of the tax is 6.5% of the sales price. While construction labor, repair services, and some other services are taxed, the tax does not apply to most services. Taxable sales as a share of personal income have been declining. Their share fell sharply during the recession and continued to fall through FY 2011. In FY 2011, it is estimated that 34.1% of personal income will be spent on taxable items, the lowest percentage on record. While the taxable sales share of personal income is forecasted to increase from FY 2012 and FY 2013, the increase will not be enough to bring the ratio back to its pre-recession trend. This relationship is illustrated in Figure 3.4.

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

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



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

Source: ERFC; forecast through FY 2013

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

As both construction materials and labor are subject to the retail sales tax, the construction sector has historically made up a large portion of total retail sales tax receipts. From FY 2007 through FY 2009, the sector represented an average of 20% of total taxable sales activity. The end of the housing boom took a huge toll on retail sales in FY 2009 and FY 2010 and continues to dampen sales in FY 2011. Taxable sales in the construction sector declined by 15% in FY 2009 and by an estimated 20% in FY 2010. By FY 2010, the construction sector only accounted for 16.5% of taxable sales.

...and auto sales

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

Retail sales tax receipt growth forecast:

*FY11: 3.9%
FY12: 5.9%
FY13: 7.2%*

In the third quarter of 2010, which was the first quarter of fiscal 2011, taxable retail sales showed year-over-year growth for the first time since the first quarter of 2008, growing at a 0.3% rate. Fourth quarter taxable sales grew at 3.0% year-over-year. In the first quarter, however, year-over-year growth slowed to an estimated 1.5% in concert with the nationwide slowdown. This slowdown is expected to persist through the second quarter, with dampened sales of Japanese cars and other products due to earthquake-related shortages contributing. Supply shortages should diminish and overall sales are expected to improve in the second half of the year. Because of the slowdown, we have lowered our forecast of FY 2011 taxable activity growth from 4.0% to 2.3% (see Table 3.4). Extra sales tax collections from the tax penalty amnesty program, however, are expected to bring the growth rate of actual collections to 3.9% for the fiscal year. While the forecasted level of FY 2012 taxable activity has been lowered substantially, the forecasted growth rate has only been lowered from 7.3% to 7.2% due to the reduction in forecasted activity in FY 2011. The above-average growth rate is due not only to the low levels of FY 2011, but also due to the expected continuation of double-digit growth in vehicle sales for much of the period. Estimated growth in taxable activity for FY 2013 has been lowered to 7.8% from March's forecast of 8.2%. FY 2013 growth will be supported by diminished but continuing growth in vehicle sales as well as the forecasted end of the downturn in residential construction. Taking into account the lag between taxable activity and collections and factoring in tax deferrals, credits, refunds, and the other non-economic factors outlined above, actual retail sales tax collections are forecasted to grow by 5.9% in FY 2012 and 7.2% in FY 2013. Retail sales tax collections declined by 10.8% in FY 2009 and 6.6% in FY 2010.

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

The business and occupation (B&O) tax is the second largest source of GF-S revenue, accounting for 19.0% of GF-S revenue in FY 2010. It is a tax on the gross receipts of all businesses operating in Washington. The state portion of the tax applies ten different rates according to various classifications of business activities. In FY 2010, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.5% (1.8% effective May 2010) and represented an estimated 42% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented 24% of taxes due, followed by

the wholesaling sector, which is taxed at 0.484% and represented 19% of taxes due.

B&O tax growth forecast:

*FY11: 16.8%
FY12: 8.7%
FY13: 9.6%*

Due mainly to new revenue from an increase of the B&O services tax from 1.5% to 1.8% and other legislative changes described in the June 2010 Washington State Economic and Revenue Forecast publication, B&O tax collections are forecasted to grow by 16.8% in FY 2011. While this is only a slight reduction from March’s forecasted growth rate of 16.9%, collections were boosted by extra receipts from the tax penalty amnesty program. Due to the slowdown in underlying activity, forecasted FY 2012 growth has been decreased to 8.7% from March’s rate of 10.0%. As the slowdown is expected to be temporary, FY 2013 collections have only been reduced slightly, resulting in a forecasted growth rate of 9.6%, up from March’s forecasted rate of 7.2%. B&O taxes decreased by 8.2% year-over-year in FY 2009 and increased 0.6% in FY 2010.

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

The state property tax levy is the third largest source of GF-S revenue, accounting for 13.3% of total revenue in FY 2010. Though the tax goes into the GF-S, it is dedicated to the funding of basic education. Under Initiative-728, passed in November 2000, a portion of the state property tax levy was transferred monthly from the General Fund to the Student Achievement Account, but beginning in FY 2010 the account has been consolidated into the GF-S under ESSB 5073. This added approximately \$260 million to FY 2010 GF-S revenue, inflating the growth rate to 19.4%. Absent the transfer, growth would have been 2.1%.

GF-S property tax growth forecast:

*FY11: 0.2%
FY12: 2.3%
FY13: 2.6%*

Under Initiative 747, approved by voters in November 2001, the total state tax levy on existing property can only increase by the lesser of 1% per year or the rate of inflation as measured by the year-over-year change in the U.S. Implicit Price Deflator in June of the year preceding the levy, unless a greater increase is approved by the voters. The year-to-year growth in the total amount levied, however, can exceed the aforementioned limits due to the value of new construction, property improvements, and other additions to real property assessed by the state. In practice, since the rate of inflation is typically more than 1%, the total levy on existing property has grown by only 1%, but in June 2009 the rate of inflation was -0.85%. This caused the levy on existing property to decrease by that amount for calendar year 2010, affecting receipts for both FY 2010 and FY 2011. Property tax receipts are forecasted to grow by 0.2% in FY 2011, down from the 1.1% rate forecasted in March. FY 2012 growth is now forecasted at 2.3%, up from March’s forecasted growth of 2.0% due to the lower FY 2011 revenues. Similarly, forecasted growth for FY 2013 has increased from 2.4% to 2.6%. GF-S property tax receipts increased by 2.7% year-over-year in FY 2009.

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

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

Use tax growth forecast:

*FY11: 24.7%
FY12: -3.3%
FY13: 7.6%*

The tax penalty amnesty program brought in a large amount of past-due use taxes. As a result, the forecasted growth rate of FY 2011 collections has been increased from 11.2% to 24.7%. FY 2011 collections have also been supported by an increase of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. Used vehicle sales exhibit sharp declines during economic downturns and increases during recoveries. This pattern was responsible for much of the 10.0% decline in FY 2009 taxes as well as the 8.0% decrease in FY 2010. Because of the high FY 2011 collections, use tax receipts are forecasted to decline by 3.3% in FY 2012 even though used vehicle sales are expected to be strong during that period. FY 2013 use tax collections are forecasted to grow by 7.6%, boosted by recovery in the construction industry.

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

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

REET growth forecast:

*FY11: -0.1%
FY12: 20.6%
FY13: 23.7%*

Due to the negative forecast variance mentioned above and the diminished outlook for the housing sector in the near term, REET collections in FY 2011 are now expected to decline at a 0.1% rate, down from the feeble 1.1% growth forecasted in March. Taxable activity is expected to improve in FY 2012, with an expected growth rate of 20.6%. 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 12% less than the receipts of FY 2003. Due to the still-low FY 2012 starting level and the expected recovery in residential construction, growth is forecasted to grow at 23.7% in FY 2013.

Department of Licensing

*Forecast
change by
biennium
(millions):*

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

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. The department's forecast for the 2009-11 biennium has been increased \$0.1 million to \$34.3 million and its forecast for the 2011-13 biennium has been decreased \$0.1 million to \$36.9 million.

The Office of Financial Management (Other Agencies)

*Forecast
change by
biennium
(millions):*

09-11: \$7.8
11-13: \$24.1

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, the Washington State Lottery, and the State Treasurer. The office's forecast for the 2009-11 biennium has been increased \$7.8 million to \$219.4 million due mainly to a \$9.5 million transfer from the Washington Convention and Trade Center Public Facilities District as the result of an agreement with the state when the district was formed. The forecast for the 2011-13 biennium has been increased \$24.1 million to \$227.0 million. Of this change, \$21.2 million is from the public facilities district agreement described above. An additional \$4.2 million in revenue was the result of legislative changes to fees and distributions of revenue to cities and counties. These increases were partially offset by a reduction in projected tobacco settlement payments and other forecast changes.

State Treasurer

*Forecast
change by
biennium
(millions):*

09-11: -\$1.0
11-13: -\$3.9

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 \$1.0 million to negative \$12.2 million due to lower realized interest rates. The office's forecast for the 2011-13 biennium has been reduced \$3.9 million to negative \$1.2 million due to a decrease in forecasted daily balances. The forecasted earnings for each biennium are negative because the forecasted and actual average daily balance of the GF-S for the current biennium and much of the next one is negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These

<p><i>Forecast change by biennium (millions):</i></p> <p>09-11: \$0.3</p>	<p>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 \$0.3 million to \$799.7 million and its forecast for the 2011-13 biennium has been reduced \$0.7 million to \$861.5 million.</p>
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Liquor Control Board

<p><i>Forecast change by biennium (millions):</i></p> <p>09-11: -\$4.7</p> <p>11-13: -\$15.2</p>	<p>The Liquor Control Board forecasts GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board’s forecast of excess funds and fees for the 2009-11 biennium has been increased \$5.1 million to \$77.6 million and its forecast for the 2011-13 biennium has been increased \$5.0 million to \$84.0 million. \$3.5 million of the forecast increase for the 2011-13 biennium is the result of the authority to open several new stores and implement other store improvements stemming from 2ESHB 1087 from the 2011 legislative session. The board’s forecast of beer and wine surtaxes for the 2009-11 biennium has been decreased \$9.8 million to \$111.8 million and its forecast for the 2011-13 biennium has been decreased \$20.2 million to \$155.8 million. The decreased forecasts were the result of a lower than expected number of breweries paying the higher beer tax rate on production above 60,000 barrels per year that was established on June 1, 2010.</p>
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Lottery Commission

<p><i>As of FY 2011, most Lottery proceeds go to the Washington Opportunity Pathways Account</i></p> <p><i>GF-S Forecast change by biennium (millions):</i></p> <p>09-11: \$1.6</p> <p>11-13: \$0.0</p>	<p>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, 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. The forecast of these transfers has been increased \$1.6 million to \$21.7 million. There will be no revenue transfers to the GF-S in the 2011-13 biennium. The School Construction Account is forecasted to receive \$105.0 million during the current biennium, representing FY 2010 proceeds, and the Opportunity Pathways Account is forecasted to receive \$97.0 million, representing FY 2011 proceeds. The</p>
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Opportunity Pathways Account is forecasted to receive \$205.5 million in the 2011-13 biennium. Details of the forecast of the distribution of Lottery earnings can be found in Table 3.15 on a cash basis and Table 3.16 on a GAAP basis.

Administrative Office of the Courts

Forecast change by biennium (millions):

09-11: *-\$0.8*
11-13: *-\$3.3*

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties to fund the Public Safety and Education Account (PSEA) and the Equal Justice sub account. Under ESSB 5073, the revenue and activities of these accounts have been consolidated into the GF-S starting July 1, 2009. The forecast of these funds for the 2009-11 biennium has been decreased \$0.8 million to \$197.0 million. The forecast for the 2011-13 biennium has been decreased \$3.3 million to \$203.5 million due to a \$2.5 million reduction in forecasted revenue and a \$0.8 million reduction due to the effects of legislation from the 2011 session.

Track Record for the 2009-11 Biennium

The June forecast for the biennium is \$1.91 billion (6.3%) lower than the forecast in March 2009 – the basis for the initial 2009-11 budget

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 June forecast for the 2009-11 biennium is \$5.94 billion (17.4%) lower than the initial forecast. Non-economic changes (excluding the classification changes from ESSB 5073) have increased the forecast by \$951 million (2.8%). Excluding non-economic changes, the current forecast is \$6.89 billion (20.2%) lower than the initial forecast. The current forecast is \$1.91 billion (6.3%) lower than the March 2009 forecast, which was the basis for the initial 2009-11 budget.

Track Record for the 2011-13 Biennium

The June forecast is \$183 million (0.6%) lower than the March 2011 forecast on which the 2011-13 budget is based

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 June forecast for the 2011-13 biennium is \$501 million (1.6%) lower than the initial forecast. Non-economic changes have increased the forecast by \$1.44 billion (4.5%). Excluding non-economic changes, the current forecast is \$1.94 billion (6.0%) lower than the initial forecast. The current forecast is \$183 million (0.6%) lower than the March 2011 forecast, which was the basis for the 2011-13 budget.

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 \$84 million at the end of the 2009-11 biennium and a \$163 million positive balance at the end of the 2011-13 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 June 2011 forecast, the GF-S is projected to have an \$84.0 million deficit at the end of the 2009-11 biennium. This number is based on a total expenditures level of \$29,857.8 million as established in the current supplemental budget from the 2011 legislative session (this expenditure level is \$115.7 million higher than the projected expenditures in the March 2011 balance sheet). The total ending balance is comprised of a projected ending GF-S deficit of \$84 million and a projected depletion of the Budget Stabilization Account. The GF-S is projected to have an ending balance of \$163.3 million at the end of the 2011-13 biennium. The total ending balance is comprised of a projected ending GF-S deficit of \$118.1 million and a projected balance of \$281.4 million in the Budget Stabilization Account.

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

*Optimistic scenario:
2009-11:
+\$41 million
2011-13:
+\$2.2 billion*

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

Pessimistic scenario:
 2009-11: -\$40 million
 2011-13: -\$2.3 billion

generates \$28,260 million in revenue, \$41 million more than the baseline scenario, while the pessimistic forecast produces \$28,178 million in revenue, \$40 million less than the baseline. The forecast assigns a probability of 75% to the baseline forecast, 5% to the optimistic forecast and 20% to the pessimistic forecast. The optimistic forecast for the 2011-13 biennium generates \$33,921 million in revenue, \$2,197 million more than the baseline scenario, while the pessimistic forecast produces \$29,424 million in revenue, \$2,300 million less than the baseline. The forecast also assigns a probability of 75% to the baseline forecast, 5% to the optimistic forecast and 20% to the pessimistic forecast.

GCEA scenario:
 2009-11: +\$1 million
 2011-13: +\$106 million

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 \$1 million more than the baseline scenario for the 2009-11 biennium and \$106 million more than the baseline scenario for the 2011-13 biennium.

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

Near General Fund forecast:
 2009-11: \$28,492.8 million
 2011-13: \$31,975.4 million

“Near General Fund” accounts are those included in the GF-S plus the Education Legacy Trust Account. The Education Legacy Trust Account is funded by a portion of the state tax on cigarettes and a tax on estates of over \$2 million. Legislation from the 2011 session, however, requires the cigarette taxes that formerly went into the account to instead be deposited into the GF-S for fiscal years 2011 through 2013. As a result of this change, the forecast for the Education Legacy Trust account for the 2009-11 biennium has been decreased \$66.8 million to \$274.4 million and the forecast for the 2011-13 biennium has been decreased \$147.3 million to \$251.6 million. The resulting Near General Fund forecast for the 2009-11 biennium is \$28,492.8 million, an increase of \$104.4 million over the March forecast. The Near General Fund forecast for the 2011-13 biennium is \$31,975.4 million, a decrease of \$330.3 million from the March forecast. The Near General Fund forecast and recent history by fiscal year are presented in Table 3.17.

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

Biennium	Current Dollars	Percent Change	2005 Chained Dollars	Percent Change
1961-63	\$817.1		\$4,300.0	
1963-65	866.2	6.0%	4,439.3	3.2%
1965-67	1,128.6	30.3%	5,565.5	25.4%
1967-69	1,440.5	27.6%	6,658.6	19.6%
1969-71	1,732.7	20.3%	7,324.5	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	28,218.5	1.9%	25,352.1	-0.9%
2011-13 ^F	31,723.7	12.4%	27,685.8	9.2%

^F June 2011 Forecast. Reflects new definition of General Fund-State per ESSB 5073

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

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

Table 3.4
Taxable retail sales*
(millions of dollars)

Fiscal Year	Amount	Percent Change
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008	118,676	2.7%
2009	106,379	-10.4%
2010	99,983	-6.0%
2011 ^F	102,268	2.3%
2012 ^F	109,621	7.2%
2013 ^F	118,134	7.8%

^F Forecast

Source: ERFC

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

Table 3.5

Comparison of the General Fund-State forecast by agency

2009-11 biennium; cash basis

(millions of dollars)

Forecast by Agency	Mar. 2011 Forecast¹	Non- Economic Changes	Forecast Revision	June 2011 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,081.8	\$0.0	\$1.9	\$13,083.7	\$1.9
Business & Occupation Use	5,583.6	0.0	(4.5)	5,579.1	(4.5)
Public Utility	893.9	0.0	56.9	950.8	56.9
Liquor Sales/Liter	739.3	0.0	5.7	745.0	5.7
Cigarette	398.3	0.0	0.8	399.1	0.8
Property (State Levy)	670.6	73.9	(1.8)	742.7	72.1
Real Estate Excise	3,634.0	0.0	(15.3)	3,618.7	(15.3)
Timber Excise	763.5	0.0	(38.9)	724.7	(38.9)
Other	7.8	0.0	0.3	8.1	0.3
Subtotal	828.3	73.5	15.4	917.2	88.9
Department of Licensing					
Boat excise, licenses, fees & other	26,601.2	147.4	20.5	26,769.1	167.9
Insurance Commissioner					
Insurance Premiums	34.2	0.0	0.1	34.3	0.1
Liquor Control Board					
Liquor Profits and Fees	72.5	0.0	5.1	77.6	5.1
Beer & Wine Surtax	121.6	0.0	(9.8)	111.8	(9.8)
Lottery Commission					
Lottery Revenue	20.1	0.0	1.6	21.7	1.6
State Treasurer					
Interest Earnings	(11.2)	0.0	(1.0)	(12.2)	(1.0)
Office of Financial Management					
Other	211.6	0.0	7.8	219.4	7.8
Administrative Office of the Courts					
Fines and Forfeitures	197.8	0.0	(0.8)	197.0	(0.8)
Total General Fund-State *	\$28,047.2	\$147.4	\$23.9	\$28,218.5	\$171.2

¹ Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council March 2011.² Forecast for the 2009-11 biennium, adopted June 2011.

*Detail may not add to totals because of rounding.

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

Table 3.6

Comparison of the General Fund-State forecast by agency

2009-11 biennium; GAAP basis

(millions of dollars)

<u>Forecast by Agency</u>	<u>Mar. 2011 Forecast</u> ¹	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>June 2011 Forecast</u> ²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$13,034.2	\$0.0	\$0.1	\$13,034.4	\$0.1
Business & Occupation Use	5,637.0	0.0	(4.6)	5,632.4	(4.6)
Public Utility	892.7	0.0	56.8	949.5	56.8
Liquor Sales/Liter	737.4	0.0	5.9	743.4	5.9
Cigarette	398.3	0.0	0.8	399.1	0.8
Property (State Levy)	669.7	73.9	(1.7)	742.0	72.2
Real Estate Excise	3,633.5	0.0	(15.1)	3,618.4	(15.1)
Timber Excise	763.0	0.0	(38.9)	724.1	(38.9)
Other	7.5	0.0	0.8	8.3	0.8
Subtotal	828.3	73.5	15.4	917.2	88.9
	26,601.7	147.4	19.7	26,768.7	167.0
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	34.2	0.0	0.1	34.3	0.1
<i>Insurance Commissioner</i>					
Insurance Premiums	799.4	0.0	0.3	799.7	0.3
<i>Liquor Control Board</i>					
Liquor Profits and Fees	72.5	0.0	5.1	77.6	5.1
Beer & Wine Surtax	121.6	0.0	(9.8)	111.8	(9.8)
<i>Lottery Commission</i>					
Lottery Revenue	18.1	0.0	1.6	19.7	1.6
<i>State Treasurer</i>					
Interest Earnings	(14.5)	0.0	(0.3)	(14.8)	(0.3)
<i>Office of Financial Management</i>					
Other	211.6	0.0	7.8	219.4	7.8
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	197.8	0.0	(0.8)	197.0	(0.8)
<u>Total General Fund-State*</u>	\$28,042.4	\$147.4	\$23.8	\$28,213.5	\$171.2

¹ Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council March 2011.² Forecast for the 2009-11 biennium, adopted June 2011.

*Detail may not add to totals because of rounding.

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

Table 3.7

Comparison of the General Fund-State forecast by agency

2011-13 biennium; cash basis

(millions of dollars)

Forecast by Agency	Mar. 2011 Forecast¹	Non- Economic Changes	Forecast Revision	June 2011 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$14,848.9	(\$60.0)	(\$153.5)	\$14,635.3	(\$213.6)
Business & Occupation Use	6,862.8	(15.6)	(2.2)	6,845.1	(17.7)
Public Utility	1,065.3	(17.0)	10.4	1,058.7	(6.6)
Liquor Sales/Liter	795.1	(0.2)	14.5	809.5	14.4
Cigarette	423.7	0.4	(0.2)	423.8	0.1
Property (State Levy)	716.4	146.0	(6.6)	855.8	139.4
Real Estate Excise	3,769.3	0.0	(15.7)	3,753.7	(15.7)
Timber Excise	990.9	0.0	(60.5)	930.3	(60.5)
Other	4.6	0.0	0.9	5.6	0.9
Subtotal	863.2	(20.4)	(4.4)	838.4	(24.8)
Department of Licensing	30,340.2	33.1	(217.3)	30,156.1	(184.1)
Boat excise, licenses, fees & other	37.0	(0.0)	(0.0)	36.9	(0.1)
Insurance Commissioner					
Insurance Premiums	862.1	0.0	(0.6)	861.5	(0.6)
Liquor Control Board					
Liquor Profits and Fees	79.1	3.5	1.5	84.0	5.0
Beer & Wine Surtax	176.0	0.0	(20.2)	155.8	(20.2)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	2.7	0.0	(3.9)	(1.2)	(3.9)
Office of Financial Management					
Other	203.0	4.2	19.9	227.0	24.1
Administrative Office of the Courts					
Fines and Forfeitures	206.8	(0.8)	(2.5)	203.5	(3.3)
Total General Fund-State *	\$31,906.8	\$40.0	(\$223.0)	\$31,723.7	(\$183.0)

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council March 2011.² Forecast for the 2011-13 biennium, adopted June 2011.

*Detail may not add to totals because of rounding.

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

Table 3.8

Comparison of the General Fund-State forecast by agency

2011-13 biennium; GAAP basis

(millions of dollars)

Forecast by Agency	Mar. 2011 Forecast¹	Non- Economic Changes	Forecast Revision	June 2011 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$14,828.9	(\$60.0)	(\$153.5)	\$14,615.3	(\$213.6)
Business & Occupation Use	6,842.8	(15.6)	(2.2)	6,825.1	(17.7)
Public Utility	1,045.3	(17.0)	10.4	1,038.7	(6.6)
Liquor Sales/Liter	795.7	(0.2)	14.5	810.1	14.4
Cigarette	423.7	0.4	(0.2)	423.8	0.1
Property (State Levy)	716.4	146.0	(6.6)	855.8	139.4
Real Estate Excise	3,769.3	0.0	(15.7)	3,753.7	(15.7)
Timber Excise	990.9	0.0	(60.5)	930.3	(60.5)
Other	4.4	0.0	0.5	4.9	0.5
Subtotal	863.6	(20.4)	(4.4)	838.8	(24.8)
Department of Licensing	30,280.9	33.1	(217.7)	30,096.4	(184.5)
Boat excise, licenses, fees & other	37.0	(0.0)	(0.0)	36.9	(0.1)
Insurance Commissioner					
Insurance Premiums	862.1	0.0	(0.6)	861.5	(0.6)
Liquor Control Board					
Liquor Profits and Fees	79.1	3.5	1.5	84.0	5.0
Beer & Wine Surtax	176.0	0.0	(20.2)	155.8	(20.2)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	4.7	0.0	(4.6)	0.1	(4.6)
Office of Financial Management					
Other	203.0	4.2	19.9	227.0	24.1
Administrative Office of the Courts					
Fines and Forfeitures	206.8	(0.8)	(2.5)	203.5	(3.3)
Total General Fund-State *	\$31,849.6	\$40.0	(\$224.2)	\$31,665.4	(\$184.2)

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council March 2011.² Forecast for the 2011-13 biennium, adopted June 2011.

*Detail may not add to totals because of rounding.

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

Table 3.9
June 2011 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	\$6,667.0	\$13,083.7	\$7,062.7	\$7,572.6	\$14,635.3
Business & occupation [#]	2,558.2	5,344.5	2,573.7	3,005.4	5,579.1	3,265.7	3,579.4	6,845.1
Use***	460.0	971.2	423.2	527.6	950.8	509.9	548.8	1,058.7
Public Utility	373.7	741.5	358.4	386.6	745.1	396.6	412.9	809.5
Liquor sales/liter ^{##}	162.5	319.8	197.6	201.5	399.1	208.8	215.0	423.8
Beer & wine surtax ^{##}	2.4	4.5	35.1	76.7	111.8	77.5	78.3	155.8
Cigarette ^{##}	47.8	99.2	309.4	433.4	742.7	431.6	424.2	855.8
Tobacco products ^{##}	11.1	1.8	33.4	47.1	80.5	49.7	50.2	99.8
Property (state school levy)**	1,513.8	2,987.5	1,807.3	1,811.3	3,618.7	1,852.4	1,901.2	3,753.7
Public utility district	42.2	83.9	39.1	39.7	78.9	40.9	42.4	83.4
Real estate excise	389.1	1,052.4	379.6	345.0	724.7	415.9	514.4	930.3
Timber excise	5.4	12.7	3.8	4.3	8.1	3.2	2.3	5.6
Estate/inheritance	0.6	4.7	0.2	1.2	1.4	0.3	0.3	0.6
Boat excise	17.2	34.8	12.5	13.0	25.6	13.6	14.2	27.8
Insurance premiums ^{##}	252.7	513.2	396.6	403.1	799.7	422.6	439.0	861.5
Other ^{##}	221.4	481.8	247.9	359.7	607.7	252.2	256.4	508.6
Total Taxes	12,928.3	27,228.8	13,234.6	14,322.7	27,557.3	15,003.7	16,051.6	31,055.3
State Non-Tax Sources								
Licenses, permits, fees ^{##}	95.1	192.6	85.6	86.2	171.8	88.7	90.5	179.2
Liquor profits & fees	40.8	79.7	35.6	42.0	77.6	40.1	44.0	84.0
Earnings on investments ^{##}	58.8	175.4	1.8	(14.0)	(12.2)	(9.2)	8.0	(1.2)
Lottery transfers	11.1	11.1	12.9	8.8	21.7	0.0	0.0	0.0
Other revenue & transfers ^{###}	(45.0)	15.4	199.9	202.3	402.2	201.0	205.4	406.5
Total Non-Tax	160.8	474.1	335.9	325.3	661.2	320.6	347.9	668.5
Total General Fund-State *	\$13,089.1	\$27,703.0	\$13,570.5	\$14,648.0	\$28,218.5	\$15,324.3	\$16,399.5	\$31,723.7

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 June 2011

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
November 2010	(316)	(6)	(322)	(63) #9	(385)	28,127
March 2011	(185)	(5)	(191)	111 #10	(80)	28,047
June 2011	20	3	24	147 #11	171	28,218
Total change***:						
From February 2008	(6,572)	(319)	(6,891)	951	(5,940)	
Percent change	(20.3)	(18.6)	(20.2)	2.8	(17.4)	

Table 3.11

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

February 2010 through June 2011

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 #12	1858	34,083
September 2010	(610)	(48)	(659)	(10) #8	(669)	33,414
November 2010	(584)	(7)	(591)	(218) #9	(809)	32,605
March 2011	(640)	(29)	(668)	(30) #13	(698)	31,907
June 2011	(217)	(6)	(223)	40 #14	(183)	31,724
Total change***:						
From February 2008	(1,833)	(111)	(1,944)	1,443	(501)	
Percent change	(6.0)	(7.1)	(6.0)	4.5	(1.6)	

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

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

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

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

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 Effects of initiative 1107

#10 Effects of legislation from December 2010 session, shift of taxpayers from quarterly to monthly reporting, large expected refund

#11 Effects of 2011 legislative and budget-driven revenue change plus DOR fee change

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

#13 Effects of legislation from December 2010 session

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

Table 3.12

2009-11 with Enacted Supplementals and 2011-13 Enacted Budget Balance Sheet
General Fund-State
Dollars in Millions

	2009-11	2011-13
RESOURCES		
Beginning Fund Balance	189.3	(84.0)
March 2011 Forecast	28,047.2	31,906.8
2011 Legislative Session:		
Movement of certain tax revenues to general fund	146.0	146.0
Reduction in various city and county distributions	-	10.0
Other Legislation with Revenue Impacts	-	(10.1)
Budget Driven Revenue	-	58.1
June 2011 Update *	25.3	(387.1)
Current Revenue Totals	28,218.5	31,723.7
Transfer to Budget Stabilization Account	(245.6)	(281.4)
Transfer from Budget Stabilization Account	267.1	-
Previously Enacted Fund Transfers (including HB 3225 and ESHB 1086)	1,400.7	(204.0)
Prior Period Adjustments	18.7	-
Fund Transfers (2ESHB 1087 and ESHB 1497)	(74.1)	448.6
Total Resources (including beginning fund balance)	29,774.6	31,602.9
EXPENDITURES		
2009-11 Enacted Budget (including HB 3225 and ESHB 1086)	29,743.0	
2ESHB 1087	115.7	31,724.2
Governor's Vetoes of 2ESHB 1087	-	(3.2)
	29,858.7	31,721.0
RESERVES		
Projected General Fund Ending Balance	(84.0)	(118.1)
Budget Stabilization Account Beginning Balance	21.4	0.0
Transfer from General Fund and Interest Earnings	245.7	281.4
Transfer to General Fund	(267.1)	-
Projected Budget Stabilization Account Ending Balance	0.0	281.4
Total Reserves (General Fund plus Budget Stabilization)	(84.0)	163.3

* The June 2011 Update includes interest and penalty deferral.

Source: 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	\$13,104.7	\$13,083.7	\$13,064.8
Business & Occupation Use	5,586.8	5,579.1	5,572.1
Public Utility	952.4	950.8	949.3
Property (school levy)	746.0	745.0	744.3
Real Estate Excise	3,622.0	3,618.7	3,616.9
Other	725.0	724.7	724.1
Subtotal	2,067.6	2,067.1	2,062.3
Department of Licensing			
	35.2	34.3	33.4
Insurance Commissioner¹			
	799.4	799.7	799.9
Lottery Commission			
	21.7	21.7	21.7
State Treasurer - Interest earnings			
	(10.7)	(12.2)	(12.7)
Liquor Profits & Fees²			
	191.8	189.4	187.1
Office of Financial Management			
Other agencies	220.5	219.4	218.2
Administrative Office of the Courts			
Fines and Forfeitures	197.2	197.0	196.7
Total General Fund - State*	\$28,259.7	\$28,218.5	\$28,178.1
Difference from March 2011 Baseline	\$41.2		(\$40.4)

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	\$15,906.5	\$14,635.3	\$13,321.7
Business & Occupation Use	7,321.4	6,845.1	6,356.3
Public Utility	1,156.7	1,058.7	952.0
Property (school levy)	856.2	809.5	772.5
Real Estate Excise	3,775.4	3,753.7	3,731.9
Other	1,145.7	930.3	772.7
Subtotal	2,110.9	2,123.6	2,018.1
	32,272.8	30,156.1	27,925.2
Department of Licensing			
	38.1	36.9	35.8
Insurance Commissioner¹			
	883.1	861.5	840.0
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	35.2	(1.2)	(22.5)
Liquor Profits & Fees²			
	244.7	239.9	235.1
Office of Financial Management			
Other agencies	238.4	227.0	215.7
Administrative Office of the Courts			
Fines and Forfeitures	209.0	203.5	195.0
Total General Fund - State*	\$33,921.2	\$31,723.7	\$29,424.3
Difference from March 2011 Baseline	\$2,197.4		(\$2,299.5)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0
2011	135.2	8.8	5.3	9.6	0.0	9.4	0.3	4.9	97.0	0.0
2009-11 Biennium	261.7	21.7	10.4	18.8	0.0	105.0	0.5	8.2	97.0	0.0
2012	118.5	0.0	2.7	10.0	0.0	0.0	0.3	3.2	101.9	0.4
2013	117.9	0.0	0.0	10.4	0.0	0.0	0.3	3.2	103.6	0.4
2011-13 Biennium	236.5	0.0	2.7	20.4	0.0	0.0	0.5	6.4	205.5	0.9

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0	0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0	0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0	0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0
2011	130.5	6.9	5.3	9.6	0.0	0.0	0.3	3.7	104.8	0.0
2009-11 Biennium	259.9	19.7	10.4	18.8	0.0	97.4	0.5	8.2	104.8	0.0
2012	118.7	0.0	2.7	10.0	0.0	0.0	0.3	3.2	102.1	0.4
2013	118.5	0.0	0.0	10.4	0.0	0.0	0.3	3.2	104.1	0.4
2011-13 Biennium	237.2	0.0	2.7	20.4	0.0	0.0	0.5	6.4	206.2	0.9

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

Table 3.17

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

June 2011 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund (current definition of GF-S)		Other Near General Fund**		Total Near General Fund	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1995	\$8,551		\$248		\$8,799				\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%			\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%	\$115		\$14,432	10.7%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%
FY 2010*	\$13,571	3.7%	\$0	-100.0%	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%
Forecast:										
FY 2011*	\$14,648	7.9%	\$0	0.0%	\$14,648	7.9%	\$117	-25.5%	\$14,765	7.6%
FY 2012*	\$15,324	4.6%	\$0	0.0%	\$15,324	4.6%	\$125	6.5%	\$15,449	4.6%
FY 2013*	\$16,399	7.0%	\$0	0.0%	\$16,399	7.0%	\$127	1.6%	\$16,526	7.0%
Biennial Totals										
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%	\$0	NA	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%	\$381	NA	\$30,166	18.8%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%
09-11 Biennium	\$28,218	1.9%	\$0	-100.0%	\$28,218	-5.4%	\$274	-37.2%	\$28,493	-5.8%
11-13 Biennium	\$31,724	12.4%	\$0	0.0%	\$31,724	12.4%	\$252	-8.3%	\$31,975	12.2%

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

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

Table 3.18

Non-economic changes to the June forecast

(Change in GF-S revenue, millions of dollars)

	FY 2011	2009-11 Biennium	FY 2012	FY 2013	2011-13 Biennium
Legislative/budget driven changes					
2011 legislation: movement of other funds into GF-S	145.967	145.967	73.627	72.357	145.984
HB 1497 Public Works Assistance funds into GF-S	72.058	72.058	0.000	0.000	0.000
HB 2019 Ed. Legacy cigarette tax into GF-S	73.908	73.908	73.627	72.357	145.984
Reduction in various city and county distributions	0.000	0.000	4.840	5.202	10.042
2ESHB 1087 Reduction in distributions from GF-S	0.000	0.000	4.840	5.202	10.042
Other 2011 legislation with Revenue Impacts	0.000	0.000	(4.663)	(5.432)	(10.094)
2ESHB 1224 B&O deduction/mental health	0.000	0.000	(0.620)	(0.795)	(1.415)
HB 1347 Sales & use tax exemptions	0.000	0.000	(0.063)	(0.066)	(0.129)
SHB 1506 Fire suppression efforts	0.000	0.000	0.059	0.059	0.118
HB 1582 Forest practice applications	0.000	0.000	(0.011)	(0.011)	(0.021)
E2SHB 1789 DUI accountability	0.000	0.000	0.059	0.059	0.118
SHB 1793 Access to juvenile records	0.000	0.000	(0.013)	(0.013)	(0.026)
ESHB 1902 Child welfare service/B&O tax	0.000	0.000	(0.722)	(1.149)	(1.871)
SHB 2017 Master license program	0.000	0.000	(0.015)	(0.014)	(0.028)
SB 5083 Real estate firms B&O tax	0.000	0.000	(0.863)	(0.910)	(1.773)
SB 5289 Property management/B&O tax	0.000	0.000	(0.258)	(0.324)	(0.582)
SSB 5359 Contiguous land/property tax	0.000	0.000	(0.004)	(0.004)	(0.008)
SSB 5385 State wildlife account	0.000	0.000	(1.479)	(1.479)	(2.958)
SB 5501 Taxation of employee meals	0.000	0.000	(0.307)	(0.359)	(0.666)
SSB 5531 Commitments/judicial costs	0.000	0.000	(0.427)	(0.427)	(0.853)
Budget-Driven Revenue Changes	0.000	0.000	29.050	29.050	58.100
2ESHB 1087 Liquor Control Board new initiatives	0.000	0.000	1.800	1.800	3.600
2ESHB 1087 DOR audit resources	0.000	0.000	7.250	7.250	14.500
2ESHB 1087 Increase child care licensing fees	0.000	0.000	0.500	0.500	1.000
HB 3225 (2010) Continuation of DOR targeted audits	0.000	0.000	19.500	19.500	39.000
Total legislative/budget driven changes	145.967	145.967	102.854	101.178	204.032
Other non-economic changes	1.420	1.420	-65.049	-98.978	-164.027
Loss of future audit and penalty and interest payments from amnesty program, net of newly discovered taxpayers	0.000	0.000	(63.600)	(100.900)	(164.500)
New RTA administrative fee	1.420	1.420	1.407	1.653	3.059
Other miscellaneous non-economic changes	0.000	0.000	(2.856)	0.269	(2.586)
Total non-economic changes	147.387	147.387	37.805	2.200	40.005

Source: Office of Financial Management; ERFC



Detail Components of the Washington State Economic and Revenue Forecast

Calendar Years

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

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2011 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	13,248.2	13,590.5	14,015.2	14,463.7
% Ch	2.7	1.9	0.0	-2.6	2.9	2.6	3.1	3.2
Real Consumption	9,073.5	9,289.5	9,265.0	9,153.9	9,313.6	9,555.3	9,840.8	10,080.8
% Ch	2.9	2.4	-0.3	-1.2	1.7	2.6	3.0	2.4
Real Nonresidential Fixed Investment	1,453.9	1,552.0	1,556.6	1,290.8	1,365.0	1,481.4	1,594.3	1,678.0
% Ch	7.9	6.7	0.3	-17.1	5.7	8.5	7.6	5.2
Real Residential Fixed Investment	718.2	584.2	444.2	342.7	332.5	326.7	374.0	499.1
% Ch	-7.3	-18.7	-24.0	-22.9	-3.0	-1.7	14.5	33.5
Real Personal Income	10,966.4	11,284.0	11,362.0	11,143.6	11,286.1	11,579.4	11,833.2	12,199.2
% Ch	4.6	2.9	0.7	-1.9	1.3	2.6	2.2	3.1
Real Per Capita Income (\$/Person)	36,624	37,316	37,232	36,200	36,308	36,896	37,343	38,128
% Ch	3.6	1.9	-0.2	-2.8	0.3	1.6	1.2	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.056	1.091	1.093	1.111	1.136	1.154	1.173
% Ch	2.7	2.7	3.3	0.2	1.7	2.2	1.6	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.016	2.073	2.153	2.145	2.181	2.246	2.286	2.326
% Ch	3.2	2.9	3.8	-0.3	1.6	3.0	1.8	1.7
Employment Cost Index (Dec. 2005=1.0)	1.021	1.055	1.086	1.103	1.121	1.140	1.164	1.190
% Ch	2.9	3.4	3.0	1.6	1.6	1.7	2.1	2.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,398.9	14,061.8	14,369.1	14,119.1	14,660.4	15,288.1	15,952.7	16,727.3
% Ch	6.0	4.9	2.2	-1.7	3.8	4.3	4.3	4.9
Personal Income	11,268.1	11,912.3	12,391.2	12,174.9	12,541.0	13,155.1	13,661.8	14,312.6
% Ch	7.5	5.7	4.0	-1.7	3.0	4.9	3.9	4.8
Employment (Millions)								
U.S. Civilian Labor Force	151.4	153.1	154.3	154.2	153.9	153.8	155.3	156.8
Total U.S. Employment	144.4	146.0	145.4	139.9	139.1	140.3	142.6	145.1
Unemployment Rate (%)	4.61	4.62	5.80	9.28	9.63	8.78	8.18	7.43
Nonfarm Payroll Employment	136.09	137.59	136.78	130.79	129.82	131.44	133.83	136.33
% Ch	1.8	1.1	-0.6	-4.4	-0.7	1.2	1.8	1.9
Manufacturing	14.16	13.88	13.40	11.85	11.53	11.75	12.10	12.44
% Ch	-0.5	-2.0	-3.4	-11.6	-2.7	1.9	3.0	2.8
Durable Manufacturing	8.98	8.81	8.46	7.28	7.07	7.30	7.63	7.96
% Ch	0.3	-1.9	-3.9	-13.9	-2.9	3.2	4.6	4.4
Nondurable Manufacturing	5.17	5.07	4.94	4.56	4.46	4.45	4.47	4.48
% Ch	-1.8	-2.0	-2.5	-7.6	-2.3	-0.1	0.5	0.1
Construction	7.69	7.63	7.16	6.01	5.53	5.46	5.27	5.66
% Ch	4.9	-0.8	-6.1	-16.0	-8.1	-1.3	-3.4	7.4
Service-Providing	113.56	115.36	115.45	112.24	112.06	113.47	115.70	117.49
% Ch	1.8	1.6	0.1	-2.8	-0.2	1.3	2.0	1.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	66.1	72.3	99.6	61.7	79.4	100.4	104.0	103.6
Personal Saving/Disposable Income (%)	2.4	2.1	4.1	5.9	5.8	5.0	3.6	2.6
Auto Sales (Millions)	7.8	7.6	6.8	5.5	5.7	6.5	7.6	8.4
% Ch	1.3	-2.6	-10.6	-19.9	5.1	13.2	17.8	10.2
Housing Starts (Millions)	1.812	1.342	0.900	0.554	0.585	0.590	0.842	1.347
% Ch	-12.6	-25.9	-32.9	-38.4	5.6	0.9	42.7	59.9
Federal Budget Surplus (Billions)	-203.8	-245.2	-616.3	-1,251.8	-1,333.5	-1,244.0	-918.2	-630.6
Net Exports (Billions)	-769.3	-714.0	-710.5	-386.4	-516.4	-570.8	-589.0	-513.5
3-Month Treasury Bill Rate (%)	4.72	4.38	1.40	0.15	0.14	0.14	1.16	2.96
10-Year Treasury Note Yield (%)	4.79	4.63	3.67	3.26	3.21	3.28	3.69	4.39
Bond Index of 20 G.O. Munis. (%)	4.40	4.39	4.86	4.62	4.29	4.80	5.03	5.36
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.69	4.76	5.11	5.76

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
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	2.138	2.125	2.135	2.154	2.169
% Ch , Annual Rate	4.5	5.3	6.4	-9.1	-2.4	1.9	3.7	2.7
Employment Cost Index (Dec. 2005=1.0)	1.076	1.084	1.090	1.095	1.098	1.101	1.105	1.109
% Ch , Annual Rate	3.4	3.0	2.2	1.8	1.1	1.1	1.5	1.5
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	154.1	154.6	154.7	154.2	154.7	154.3	153.7
Total U.S. Employment	146.2	145.9	145.2	144.1	141.6	140.3	139.3	138.3
Unemployment Rate (%)	4.97	5.30	6.03	6.90	8.20	9.27	9.67	9.97
Nonfarm Payroll Employment	137.92	137.44	136.69	135.06	132.81	130.96	129.96	129.43
% Ch , Annual Rate	0.1	-1.4	-2.2	-4.7	-6.5	-5.5	-3.0	-1.6
Manufacturing	13.69	13.56	13.36	13.00	12.39	11.88	11.63	11.49
% Ch , Annual Rate	-1.6	-3.8	-5.8	-10.3	-17.6	-15.4	-8.2	-4.7
Durable Manufacturing	8.67	8.58	8.43	8.17	7.71	7.30	7.11	7.01
% Ch , Annual Rate	-1.9	-4.4	-6.5	-12.0	-20.7	-19.4	-10.1	-5.8
Nondurable Manufacturing	5.02	4.98	4.92	4.83	4.68	4.58	4.51	4.48
% Ch , Annual Rate	-1.1	-2.9	-4.7	-7.3	-12.0	-8.6	-5.2	-2.8
Construction	7.44	7.28	7.10	6.83	6.43	6.09	5.85	5.69
% Ch , Annual Rate	-4.8	-8.3	-9.1	-14.8	-21.1	-20.0	-14.6	-10.7
Service-Providing	116.04	115.85	115.45	114.46	113.25	112.30	111.81	111.59
% Ch , Annual Rate	0.6	-0.7	-1.4	-3.4	-4.2	-3.3	-1.7	-0.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	98.0	124.0	118.0	58.5	43.0	59.5	68.2	76.1
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	0.526	0.534	0.588	0.568
% Ch , Annual Rate	-30.7	-18.6	-47.0	-65.1	-60.5	6.8	47.0	-13.3
Federal Budget Surplus (Billions)	-376.7	-761.6	-646.7	-680.0	-1,003.2	-1,336.8	-1,356.7	-1,310.3
Net Exports (Billions)	-738.5	-751.9	-763.1	-588.4	-375.7	-335.2	-408.3	-426.4
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.33	0.21	0.17	0.16	0.06
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.25	2.74	3.31	3.52	3.46
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.73	4.52	4.26
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

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

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,138.8	13,194.9	13,278.5	13,380.7	13,441.9	13,528.4	13,638.7	13,753.2
% Ch , Annual Rate	3.7	1.7	2.6	3.1	1.8	2.6	3.3	3.4
Real Consumption	9,225.4	9,275.7	9,330.6	9,422.9	9,473.5	9,516.4	9,578.2	9,652.8
% Ch , Annual Rate	1.9	2.2	2.4	4.0	2.2	1.8	2.6	3.2
Real Nonresidential Fixed Investment	1,302.6	1,355.3	1,388.0	1,413.9	1,425.7	1,454.6	1,498.7	1,546.4
% Ch , Annual Rate	7.8	17.2	10.0	7.7	3.4	8.4	12.7	13.4
Real Residential Fixed Investment	330.7	350.1	323.3	325.9	323.2	324.5	324.1	335.0
% Ch , Annual Rate	-12.3	25.6	-27.3	3.3	-3.3	1.6	-0.6	14.2
Real Personal Income	11,136.3	11,288.1	11,336.9	11,383.0	11,482.6	11,523.4	11,609.5	11,702.0
% Ch , Annual Rate	1.6	5.6	1.7	1.6	3.5	1.4	3.0	3.2
Real Per Capita Income (\$/Person)	35,958	36,359	36,428	36,489	36,720	36,762	36,948	37,153
% Ch , Annual Rate	0.6	4.5	0.8	0.7	2.6	0.5	2.0	2.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.109	1.109	1.111	1.116	1.126	1.135	1.140	1.144
% Ch , Annual Rate	2.1	0.0	0.8	1.7	3.8	3.0	1.8	1.5
U.S. Consumer Price Index (1982-84=1.0)	2.175	2.173	2.180	2.195	2.223	2.243	2.255	2.264
% Ch , Annual Rate	1.3	-0.5	1.4	2.6	5.2	3.7	2.1	1.7
Employment Cost Index (Dec. 2005=1.0)	1.114	1.119	1.123	1.128	1.132	1.137	1.143	1.149
% Ch , Annual Rate	1.8	1.8	1.4	1.8	1.4	1.9	2.0	2.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,446.4	14,578.7	14,745.1	14,871.4	15,010.3	15,200.6	15,407.1	15,534.5
% Ch , Annual Rate	4.8	3.7	4.6	3.5	3.8	5.2	5.5	3.3
Personal Income	12,350.3	12,517.1	12,595.5	12,700.9	12,930.9	13,073.8	13,230.8	13,384.9
% Ch , Annual Rate	3.7	5.5	2.5	3.4	7.4	4.5	4.9	4.7
Employment (Millions)								
U.S. Civilian Labor Force	153.6	154.1	154.0	153.9	153.3	153.6	154.0	154.4
Total U.S. Employment	138.7	139.3	139.2	139.1	139.6	139.8	140.6	141.2
Unemployment Rate (%)	9.70	9.63	9.57	9.63	8.90	8.94	8.72	8.57
Nonfarm Payroll Employment	129.32	129.96	129.88	130.13	130.56	131.21	131.70	132.31
% Ch , Annual Rate	-0.3	2.0	-0.2	0.8	1.3	2.0	1.5	1.8
Manufacturing	11.47	11.53	11.56	11.55	11.65	11.71	11.77	11.86
% Ch , Annual Rate	-0.8	2.3	1.0	-0.2	3.4	2.1	2.2	2.9
Durable Manufacturing	7.00	7.06	7.10	7.11	7.21	7.26	7.31	7.41
% Ch , Annual Rate	-0.3	3.5	2.2	0.7	5.5	2.7	3.2	5.1
Nondurable Manufacturing	4.47	4.47	4.46	4.44	4.44	4.45	4.46	4.46
% Ch , Annual Rate	-1.6	0.4	-1.0	-1.6	0.1	1.1	0.6	-0.5
Construction	5.56	5.54	5.51	5.50	5.50	5.51	5.45	5.37
% Ch , Annual Rate	-8.9	-1.5	-1.7	-0.5	0.0	0.1	-3.9	-6.1
Service-Providing	111.63	112.19	112.09	112.34	112.66	113.23	113.70	114.31
% Ch , Annual Rate	0.1	2.0	-0.4	0.9	1.1	2.0	1.7	2.2
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	78.6	77.9	76.1	85.0	94.0	103.7	101.3	102.6
Personal Saving/Disposable Income (%)	5.5	6.2	6.0	5.4	5.1	5.0	5.0	4.9
Auto Sales (Millions)	5.7	5.6	5.7	5.9	6.6	6.0	6.3	7.0
% Ch , Annual Rate	7.0	-8.4	6.7	16.0	56.6	-30.0	17.0	55.3
Housing Starts (Millions)	0.615	0.602	0.584	0.539	0.580	0.542	0.596	0.643
% Ch , Annual Rate	37.5	-8.0	-11.2	-27.8	34.1	-23.4	45.9	35.2
Federal Budget Surplus (Billions)	-1,314.2	-1,336.5	-1,343.4	-1,339.7	-1,288.4	-1,280.1	-1,218.7	-1,188.9
Net Exports (Billions)	-479.9	-539.3	-550.5	-495.9	-570.7	-548.4	-543.5	-620.6
3-Month Treasury Bill Rate (%)	0.11	0.15	0.15	0.14	0.13	0.11	0.10	0.22
10-Year Treasury Note Yield (%)	3.72	3.49	2.79	2.86	3.46	3.28	3.13	3.27
Bond Index of 20 G.O. Munis. (%)	4.34	4.35	4.07	4.39	5.11	4.76	4.59	4.75
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.45	4.42	4.85	4.72	4.67	4.82

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

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,855.2	13,957.9	14,068.3	14,179.5	14,274.2	14,412.0	14,534.0	14,634.7
% Ch , Annual Rate	3.0	3.0	3.2	3.2	2.7	3.9	3.4	2.8
Real Consumption	9,725.5	9,807.8	9,879.6	9,950.3	10,002.3	10,057.6	10,107.3	10,156.0
% Ch , Annual Rate	3.0	3.4	3.0	2.9	2.1	2.2	2.0	1.9
Real Nonresidential Fixed Investment	1,561.9	1,578.4	1,603.0	1,634.1	1,628.3	1,661.0	1,694.7	1,728.1
% Ch , Annual Rate	4.1	4.3	6.4	8.0	-1.4	8.3	8.4	8.1
Real Residential Fixed Investment	343.2	356.1	380.8	416.0	453.6	492.2	516.8	533.9
% Ch , Annual Rate	10.1	15.9	30.9	42.4	41.4	38.6	21.5	13.9
Real Personal Income	11,696.6	11,786.1	11,878.2	11,971.7	12,040.0	12,147.3	12,255.6	12,353.8
% Ch , Annual Rate	-0.2	3.1	3.2	3.2	2.3	3.6	3.6	3.2
Real Per Capita Income (\$/Person)	37,046	37,240	37,440	37,644	37,768	38,013	38,259	38,473
% Ch , Annual Rate	-1.1	2.1	2.2	2.2	1.3	2.6	2.6	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.148	1.152	1.157	1.161	1.166	1.171	1.175	1.181
% Ch , Annual Rate	1.4	1.5	1.6	1.6	1.6	1.6	1.6	1.8
U.S. Consumer Price Index (1982-84=1.0)	2.272	2.281	2.291	2.301	2.311	2.321	2.330	2.341
% Ch , Annual Rate	1.4	1.6	1.8	1.8	1.7	1.7	1.7	1.9
Employment Cost Index (Dec. 2005=1.0)	1.155	1.161	1.167	1.174	1.180	1.187	1.193	1.200
% Ch , Annual Rate	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	15,694.3	15,853.1	16,034.1	16,229.2	16,415.8	16,634.0	16,833.6	17,025.6
% Ch , Annual Rate	4.2	4.1	4.6	5.0	4.7	5.4	4.9	4.6
Personal Income	13,425.3	13,579.4	13,739.8	13,903.0	14,038.4	14,221.2	14,405.3	14,585.6
% Ch , Annual Rate	1.2	4.7	4.8	4.8	4.0	5.3	5.3	5.1
Employment (Millions)								
U.S. Civilian Labor Force	154.7	155.1	155.4	155.8	156.2	156.6	156.9	157.3
Total U.S. Employment	141.7	142.3	142.9	143.5	144.1	144.8	145.5	146.1
Unemployment Rate (%)	8.42	8.27	8.10	7.92	7.75	7.53	7.31	7.12
Nonfarm Payroll Employment	132.95	133.53	134.13	134.71	135.24	135.91	136.71	137.45
% Ch, Annual Rate	1.9	1.8	1.8	1.7	1.6	2.0	2.4	2.2
Manufacturing	11.93	12.08	12.15	12.24	12.35	12.42	12.47	12.52
% Ch, Annual Rate	2.4	5.1	2.5	2.8	3.5	2.5	1.6	1.4
Durable Manufacturing	7.47	7.61	7.68	7.76	7.86	7.95	8.00	8.04
% Ch, Annual Rate	3.4	7.7	3.6	4.5	5.4	4.2	2.5	2.2
Nondurable Manufacturing	4.46	4.47	4.48	4.48	4.48	4.48	4.48	4.48
% Ch, Annual Rate	0.7	0.8	0.6	0.0	0.3	-0.3	-0.1	0.0
Construction	5.29	5.24	5.25	5.31	5.43	5.57	5.74	5.92
% Ch, Annual Rate	-5.7	-3.7	1.0	4.9	8.8	11.2	12.3	13.1
Service-Providing	114.96	115.45	115.97	116.41	116.72	117.17	117.76	118.29
% Ch, Annual Rate	2.3	1.7	1.8	1.5	1.1	1.6	2.0	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	103.3	104.0	104.3	104.4	104.0	103.7	103.3	103.3
Personal Saving/Disposable Income (%)	3.9	3.6	3.4	3.3	2.5	2.4	2.6	3.0
Auto Sales (Millions)	7.3	7.6	7.7	8.0	8.2	8.5	8.5	8.5
% Ch, Annual Rate	14.0	21.5	5.0	16.0	13.1	11.8	-1.5	2.2
Housing Starts (Millions)	0.676	0.740	0.890	1.064	1.199	1.315	1.402	1.472
% Ch, Annual Rate	22.1	44.1	109.2	103.9	61.6	44.5	29.1	21.7
Federal Budget Surplus (Billions)	-966.4	-939.7	-901.9	-864.8	-675.6	-627.2	-604.0	-615.8
Net Exports (Billions)	-601.7	-597.2	-585.1	-571.9	-528.1	-516.4	-508.6	-501.1
3-Month Treasury Bill Rate (%)	0.42	0.83	1.42	1.97	2.37	2.78	3.23	3.47
10-Year Treasury Note Yield (%)	3.48	3.62	3.72	3.93	4.09	4.28	4.54	4.64
Bond Index of 20 G.O. Munis. (%)	4.90	5.01	5.09	5.12	5.19	5.28	5.46	5.53
30-Year Fixed Mortgage Rate (%)	4.97	5.06	5.09	5.30	5.45	5.65	5.92	6.03

Table A1.3
Washington Economic Forecast Summary
 Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	245.347	258.233	263.165	261.496	263.871	271.322	278.703	288.822
% Ch	6.7	5.3	1.9	-0.6	0.9	2.8	2.7	3.6
Real Wage and Salary Disb.	131.507	138.127	138.257	134.377	133.592	135.964	141.090	146.453
% Ch	5.5	5.0	0.1	-2.8	-0.6	1.8	3.8	3.8
Real Nonwage Income	113.841	120.106	124.908	127.119	130.279	135.358	137.614	142.368
% Ch	8.1	5.5	4.0	1.8	2.5	3.9	1.7	3.5
Real Per Capita Income (\$/Person)	38,228	39,572	39,766	39,073	39,040	39,724	40,311	41,211
% Ch	4.7	3.5	0.5	-1.7	-0.1	1.8	1.5	2.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.056	1.091	1.093	1.111	1.136	1.154	1.173
% Ch	2.7	2.7	3.3	0.2	1.7	2.2	1.6	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.076	2.157	2.247	2.260	2.267	2.323	2.364	2.405
% Ch	3.7	3.9	4.2	0.6	0.3	2.5	1.8	1.7
Average Nonfarm Annual Wage	45,346	47,779	48,815	49,735	50,926	52,381	54,144	55,983
% Ch	5.4	5.4	2.2	1.9	2.4	2.9	3.4	3.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.91	20.51	21.01	23.40	23.49	24.03	24.34	24.62
% Ch	5.8	3.0	2.4	11.4	0.4	2.3	1.3	1.2
Current Dollar Income (Billions of Dollars)								
Personal Income	252.091	272.625	287.011	285.696	293.207	308.243	321.777	338.862
% Ch	9.6	8.1	5.3	-0.5	2.6	5.1	4.4	5.3
Disposable Personal Income	221.834	238.554	253.695	258.945	265.939	276.797	286.894	297.684
% Ch	9.0	7.5	6.3	2.1	2.7	4.1	3.6	3.8
Per Capita Income (\$/Person)	39,278	41,776	43,369	42,688	43,380	45,128	46,540	48,351
% Ch	7.6	6.4	3.8	-1.6	1.6	4.0	3.1	3.9
Employment (Thousands)								
Washington Civilian Labor Force	3,319.0	3,392.9	3,479.2	3,534.7	3,531.2	3,500.3	3,540.5	3,593.1
Total Washington Employment	3,154.7	3,236.6	3,286.4	3,206.4	3,192.0	3,185.1	3,243.8	3,317.6
Unemployment Rate (%)	4.95	4.61	5.54	9.29	9.60	9.00	8.38	7.67
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.3	2,822.2	2,783.5	2,817.8	2,880.5	2,944.8
% Ch	3.0	2.6	0.9	-4.6	-1.4	1.2	2.2	2.2
Manufacturing	285.9	293.3	291.2	265.5	257.9	265.9	277.5	287.9
% Ch	4.9	2.6	-0.7	-8.8	-2.8	3.1	4.4	3.8
Durable Manufacturing	204.0	211.9	211.3	190.6	184.2	191.4	202.0	210.8
% Ch	6.6	3.9	-0.3	-9.8	-3.4	3.9	5.5	4.4
Aerospace	73.4	80.1	83.0	82.9	80.8	84.4	87.2	88.7
% Ch	11.9	9.1	3.6	-0.1	-2.5	4.4	3.3	1.8
Nondurable Manufacturing	81.9	81.4	79.9	74.9	73.8	74.4	75.5	77.1
% Ch	0.9	-0.6	-1.9	-6.2	-1.6	0.9	1.4	2.1
Construction	194.8	208.1	200.6	159.7	141.1	137.4	140.7	149.4
% Ch	9.8	6.8	-3.6	-20.4	-11.6	-2.6	2.4	6.2
Service-Providing	2,369.6	2,423.9	2,460.0	2,391.0	2,378.6	2,408.6	2,456.3	2,500.9
% Ch	2.2	2.3	1.5	-2.8	-0.5	1.3	2.0	1.8
Software Publishers	44.7	47.6	50.9	51.5	50.9	51.7	53.6	56.0
% Ch	8.4	6.4	7.0	1.1	-1.0	1.6	3.6	4.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.033	47.397	28.919	17.011	20.691	20.099	24.567	33.744
% Ch	-5.6	-5.3	-39.0	-41.2	21.6	-2.9	22.2	37.4
Single-Family	35.611	30.390	17.440	12.991	14.702	13.990	14.834	21.622
% Ch	-14.0	-14.7	-42.6	-25.5	13.2	-4.8	6.0	45.8
Multi-Family	14.422	17.007	11.479	4.020	5.989	6.109	9.733	12.122
% Ch	24.5	17.9	-32.5	-65.0	49.0	2.0	59.3	24.5
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.69	4.76	5.11	5.76

Table A1.4
Washington Economic Forecast Summary
 Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	263.215	262.540	262.651	264.255	261.575	263.004	260.783	260.622
% Ch, Annual Rate	0.2	-1.0	0.2	2.5	-4.0	2.2	-3.3	-0.2
Real Wage and Salary Disb.	139.607	137.798	137.855	137.769	135.360	135.334	133.721	133.091
% Ch, Annual Rate	-2.9	-5.1	0.2	-0.2	-6.8	-0.1	-4.7	-1.9
Real Nonwage Income	123.608	124.742	124.797	126.485	126.215	127.669	127.061	127.531
% Ch, Annual Rate	3.8	3.7	0.2	5.5	-0.8	4.7	-1.9	1.5
Real Per Capita Income (\$/Person)	39,956	39,732	39,628	39,749	39,227	39,346	38,919	38,800
% Ch, Annual Rate	-1.3	-2.2	-1.0	1.2	-5.2	1.2	-4.3	-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
Seattle Cons. Price Index (1982-84=1.0)	2.221	2.248	2.268	2.251	2.252	2.258	2.263	2.268
% Ch, Annual Rate	4.7	5.0	3.7	-3.0	0.1	1.2	0.8	1.0
Average Nonfarm Annual Wage	48,586	48,565	49,114	48,994	48,676	49,815	49,971	50,477
% Ch, Annual Rate	-2.5	-0.2	4.6	-1.0	-2.6	9.7	1.3	4.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.91	21.28	20.97	20.86	22.88	23.40	23.56	23.78
% Ch, Annual Rate	2.8	7.2	-5.7	-2.0	44.6	9.5	2.7	3.8
Current Dollar Income (Billions of Dollars)								
Personal Income	284.152	286.659	289.886	287.346	283.259	286.173	285.808	287.545
% Ch, Annual Rate	4.1	3.6	4.6	-3.5	-5.6	4.2	-0.5	2.5
Disposable Personal Income	248.673	256.024	256.295	253.789	254.838	260.085	259.563	261.295
% Ch, Annual Rate	4.2	12.4	0.4	-3.9	1.7	8.5	-0.8	2.7
Per Capita Income (\$/Person)	43,134	43,382	43,737	43,223	42,479	42,812	42,653	42,809
% Ch, Annual Rate	2.6	2.3	3.3	-4.6	-6.7	3.2	-1.5	1.5
Employment (Thousands)								
Washington Civilian Labor Force	3,451.5	3,462.7	3,486.6	3,516.0	3,537.9	3,544.5	3,534.7	3,521.9
Total Washington Employment	3,288.7	3,285.4	3,288.9	3,282.6	3,244.7	3,212.8	3,193.8	3,174.1
Unemployment Rate (%)	4.72	5.12	5.67	6.64	8.29	9.36	9.64	9.88
Nonfarm Payroll Employment	2,974.9	2,969.6	2,966.9	2,925.7	2,879.6	2,826.9	2,801.4	2,781.0
% Ch, Annual Rate	2.5	-0.7	-0.4	-5.4	-6.1	-7.1	-3.6	-2.9
Manufacturing	297.2	294.7	292.9	279.9	276.6	266.2	261.7	257.4
% Ch, Annual Rate	1.7	-3.3	-2.4	-16.6	-4.6	-14.2	-6.6	-6.3
Durable Manufacturing	215.9	214.6	214.0	200.8	200.0	191.2	187.0	184.1
% Ch, Annual Rate	2.5	-2.3	-1.2	-22.5	-1.5	-16.6	-8.5	-5.9
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.1	81.3
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.1	-5.1	-4.0
Nondurable Manufacturing	81.3	80.1	78.9	79.1	76.6	75.0	74.7	73.3
% Ch, Annual Rate	-0.3	-6.0	-5.5	1.0	-12.3	-7.7	-1.6	-7.5
Construction	209.4	205.0	199.0	189.0	174.6	162.1	154.1	147.9
% Ch, Annual Rate	1.9	-8.1	-11.2	-18.6	-27.2	-25.6	-18.5	-15.2
Service-Providing	2,460.6	2,462.4	2,467.5	2,449.4	2,421.9	2,392.6	2,379.7	2,369.9
% Ch, Annual Rate	2.7	0.3	0.8	-2.9	-4.4	-4.7	-2.1	-1.6
Software Publishers	49.1	50.3	51.7	52.6	52.6	51.7	51.0	50.7
% Ch, Annual Rate	7.8	10.3	11.6	7.4	-0.5	-6.4	-5.6	-2.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.584	34.401	26.399	21.291	16.208	15.098	18.207	18.531
% Ch, Annual Rate	-53.1	10.1	-65.3	-57.7	-66.4	-24.7	111.5	7.3
Single-Family	20.547	19.146	17.313	12.754	10.002	11.993	14.714	15.255
% Ch, Annual Rate	-41.5	-24.6	-33.1	-70.5	-62.2	106.7	126.6	15.5
Multi-Family	13.037	15.255	9.087	8.537	6.206	3.105	3.493	3.276
% Ch, Annual Rate	-66.1	87.5	-87.4	-22.1	-72.1	-93.7	60.1	-22.7
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

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

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	260.086	263.130	265.246	267.024	268.915	269.608	272.193	274.572
% Ch, Annual Rate	-0.8	4.8	3.3	2.7	2.9	1.0	3.9	3.5
Real Wage and Salary Disb.	131.152	132.792	134.801	135.624	134.804	135.024	136.444	137.585
% Ch, Annual Rate	-5.7	5.1	6.2	2.5	-2.4	0.7	4.3	3.4
Real Nonwage Income	128.935	130.338	130.445	131.400	134.111	134.584	135.750	136.987
% Ch, Annual Rate	4.5	4.4	0.3	3.0	8.5	1.4	3.5	3.7
Real Per Capita Income (\$/Person)	38,627	38,981	39,195	39,359	39,538	39,531	39,798	40,028
% Ch, Annual Rate	-1.8	3.7	2.2	1.7	1.8	-0.1	2.7	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.109	1.109	1.111	1.116	1.126	1.135	1.140	1.144
% Ch, Annual Rate	2.1	0.0	0.8	1.7	3.8	3.0	1.8	1.5
Seattle Cons. Price Index (1982-84=1.0)	2.266	2.256	2.265	2.279	2.299	2.319	2.331	2.341
% Ch, Annual Rate	-0.3	-1.7	1.6	2.5	3.5	3.6	2.1	1.7
Average Nonfarm Annual Wage	50,088	50,480	51,363	51,773	51,780	52,071	52,650	53,021
% Ch, Annual Rate	-3.0	3.2	7.2	3.2	0.1	2.3	4.5	2.8
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.58	23.20	23.44	23.71	23.80	24.06	24.11	24.17
% Ch, Annual Rate	-3.2	-6.3	4.2	4.7	1.4	4.5	0.8	0.9
Current Dollar Income (Billions of Dollars)								
Personal Income	288.433	291.774	294.687	297.933	302.828	305.883	310.205	314.058
% Ch, Annual Rate	1.2	4.7	4.1	4.5	6.7	4.1	5.8	5.1
Disposable Personal Income	261.933	264.988	267.122	269.711	272.329	274.823	278.392	281.642
% Ch, Annual Rate	1.0	4.7	3.3	3.9	3.9	3.7	5.3	4.8
Per Capita Income (\$/Person)	42,837	43,224	43,545	43,915	44,524	44,850	45,355	45,784
% Ch, Annual Rate	0.3	3.7	3.0	3.4	5.7	3.0	4.6	3.8
Employment (Thousands)								
Washington Civilian Labor Force	3,532.9	3,536.8	3,526.5	3,528.4	3,508.7	3,486.0	3,497.3	3,509.0
Total Washington Employment	3,179.8	3,195.2	3,194.1	3,199.0	3,187.0	3,167.4	3,184.9	3,201.1
Unemployment Rate (%)	10.00	9.66	9.43	9.34	9.17	9.14	8.93	8.78
Nonfarm Payroll Employment	2,771.2	2,784.9	2,784.9	2,792.9	2,800.2	2,810.4	2,822.5	2,838.1
% Ch, Annual Rate	-1.4	2.0	0.0	1.2	1.0	1.5	1.7	2.2
Manufacturing	256.8	257.5	258.2	259.3	261.9	264.7	267.1	269.7
% Ch, Annual Rate	-1.1	1.2	1.1	1.7	4.2	4.3	3.6	4.0
Durable Manufacturing	183.4	183.7	184.3	185.4	187.6	190.1	192.6	195.4
% Ch, Annual Rate	-1.6	0.5	1.4	2.4	5.0	5.3	5.5	5.9
Aerospace	80.9	80.3	80.7	81.5	82.7	84.3	85.0	85.6
% Ch, Annual Rate	-2.0	-2.8	2.0	3.9	6.2	8.2	3.0	3.0
Nondurable Manufacturing	73.3	73.8	73.9	73.9	74.3	74.6	74.4	74.3
% Ch, Annual Rate	0.2	2.8	0.5	-0.2	2.3	1.8	-1.2	-0.7
Construction	143.1	141.0	140.9	139.4	137.6	138.0	137.0	137.0
% Ch, Annual Rate	-12.4	-5.8	-0.2	-4.2	-5.1	1.2	-2.7	-0.2
Service-Providing	2,365.6	2,380.4	2,379.8	2,388.4	2,394.7	2,401.7	2,412.4	2,425.5
% Ch, Annual Rate	-0.7	2.5	-0.1	1.4	1.1	1.2	1.8	2.2
Software Publishers	50.7	50.8	51.1	51.1	51.2	51.5	51.9	52.3
% Ch, Annual Rate	0.3	1.2	1.8	0.2	0.5	2.9	3.1	2.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	21.766	17.966	20.225	22.806	16.893	22.200	20.328	20.975
% Ch, Annual Rate	90.3	-53.6	60.6	61.7	-69.9	198.2	-29.7	13.3
Single-Family	16.869	14.081	13.543	14.314	14.281	13.948	13.918	13.814
% Ch, Annual Rate	49.5	-51.5	-14.4	24.8	-0.9	-9.0	-0.9	-3.0
Multi-Family	4.896	3.885	6.682	8.492	2.613	8.252	6.410	7.161
% Ch, Annual Rate	399.2	-60.3	774.8	160.9	-99.1	9,849.4	-63.6	55.8
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.45	4.42	4.85	4.72	4.67	4.82

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

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	274.732	277.284	280.243	282.555	284.364	287.287	290.675	292.962
% Ch, Annual Rate	0.2	3.8	4.3	3.3	2.6	4.2	4.8	3.2
Real Wage and Salary Disb.	138.911	140.318	142.036	143.093	144.260	145.672	147.520	148.361
% Ch, Annual Rate	3.9	4.1	5.0	3.0	3.3	4.0	5.2	2.3
Real Nonwage Income	135.821	136.966	138.206	139.462	140.104	141.614	143.155	144.600
% Ch, Annual Rate	-3.4	3.4	3.7	3.7	1.9	4.4	4.4	4.1
Real Per Capita Income (\$/Person)	39,930	40,175	40,471	40,667	40,787	41,064	41,405	41,589
% Ch, Annual Rate	-1.0	2.5	3.0	2.0	1.2	2.7	3.4	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.148	1.152	1.157	1.161	1.166	1.171	1.175	1.181
% Ch, Annual Rate	1.4	1.5	1.6	1.6	1.6	1.6	1.6	1.8
Seattle Cons. Price Index (1982-84=1.0)	2.349	2.359	2.369	2.379	2.390	2.400	2.409	2.421
% Ch, Annual Rate	1.4	1.6	1.8	1.8	1.7	1.7	1.7	1.9
Average Nonfarm Annual Wage	53,404	53,874	54,470	54,829	55,226	55,722	56,346	56,639
% Ch, Annual Rate	2.9	3.6	4.5	2.7	2.9	3.6	4.6	2.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.24	24.30	24.37	24.44	24.50	24.58	24.65	24.73
% Ch, Annual Rate	1.1	1.1	1.1	1.1	1.1	1.3	1.2	1.3
Current Dollar Income (Billions of Dollars)								
Personal Income	315.334	319.473	324.163	328.135	331.563	336.336	341.661	345.888
% Ch, Annual Rate	1.6	5.4	6.0	5.0	4.2	5.9	6.5	5.0
Disposable Personal Income	281.939	285.284	288.761	291.590	292.259	295.368	299.575	303.535
% Ch, Annual Rate	0.4	4.8	5.0	4.0	0.9	4.3	5.8	5.4
Per Capita Income (\$/Person)	45,831	46,287	46,813	47,227	47,557	48,075	48,668	49,102
% Ch, Annual Rate	0.4	4.0	4.6	3.6	2.8	4.4	5.0	3.6
Employment (Thousands)								
Washington Civilian Labor Force	3,521.0	3,533.7	3,546.9	3,560.2	3,573.5	3,586.7	3,599.8	3,612.6
Total Washington Employment	3,217.3	3,234.4	3,252.6	3,271.1	3,289.0	3,308.3	3,327.7	3,345.3
Unemployment Rate (%)	8.63	8.47	8.30	8.12	7.96	7.76	7.56	7.40
Nonfarm Payroll Employment	2,855.3	2,872.1	2,889.3	2,905.4	2,919.4	2,935.7	2,953.9	2,970.4
% Ch, Annual Rate	2.4	2.4	2.4	2.2	1.9	2.2	2.5	2.3
Manufacturing	272.8	276.6	279.1	281.5	284.4	287.4	289.2	290.6
% Ch, Annual Rate	4.7	5.6	3.8	3.4	4.2	4.2	2.6	1.9
Durable Manufacturing	198.0	201.3	203.3	205.5	208.0	210.6	212.0	212.8
% Ch, Annual Rate	5.5	6.7	4.2	4.2	5.1	5.1	2.6	1.5
Aerospace	86.2	86.9	87.5	88.2	88.5	88.8	88.8	88.8
% Ch, Annual Rate	3.0	3.0	3.0	3.0	1.5	1.5	0.0	0.0
Nondurable Manufacturing	74.8	75.3	75.8	76.0	76.4	76.8	77.2	77.8
% Ch, Annual Rate	2.7	2.8	2.5	1.4	2.0	1.9	2.6	3.0
Construction	137.8	139.5	141.6	143.8	145.8	147.8	150.5	153.4
% Ch, Annual Rate	2.6	4.9	6.3	6.2	5.7	5.8	7.5	7.7
Service-Providing	2,438.7	2,450.1	2,462.4	2,473.9	2,482.8	2,493.8	2,507.4	2,519.5
% Ch, Annual Rate	2.2	1.9	2.0	1.9	1.4	1.8	2.2	2.0
Software Publishers	52.7	53.3	53.9	54.5	55.1	55.7	56.2	56.8
% Ch, Annual Rate	2.9	4.5	5.0	4.5	4.5	4.1	4.2	4.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	21.697	23.035	25.438	28.098	30.873	33.177	34.835	36.089
% Ch, Annual Rate	14.5	27.0	48.7	48.8	45.8	33.4	21.5	15.2
Single-Family	13.631	13.631	15.060	17.013	19.393	21.294	22.460	23.341
% Ch, Annual Rate	-5.2	0.0	49.0	62.9	68.8	45.4	23.8	16.6
Multi-Family	8.066	9.405	10.378	11.085	11.481	11.883	12.375	12.748
% Ch, Annual Rate	60.9	84.8	48.3	30.1	15.1	14.8	17.6	12.6
30-Year Fixed Mortgage Rate (%)	4.97	5.06	5.09	5.30	5.45	5.65	5.92	6.03

Table A2.1
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	136.09	137.59	136.78	130.79	129.82	131.44	133.83	136.33
% Ch	1.8	1.1	-0.6	-4.4	-0.7	1.2	1.8	1.9
Manufacturing	14.16	13.88	13.40	11.85	11.53	11.75	12.10	12.44
% Ch	-0.5	-2.0	-3.4	-11.6	-2.7	1.9	3.0	2.8
Durable Manufacturing	8.98	8.81	8.46	7.28	7.07	7.30	7.63	7.96
% Ch	0.3	-1.9	-3.9	-13.9	-2.9	3.2	4.6	4.4
Wood Products	0.56	0.52	0.46	0.36	0.34	0.35	0.40	0.47
% Ch	0.0	-7.8	-11.5	-21.3	-4.8	1.2	15.3	18.2
Primary and Fabricated Metals	2.02	2.02	1.97	1.67	1.65	1.73	1.79	1.87
% Ch	1.4	0.1	-2.4	-15.0	-1.7	5.4	3.1	4.6
Computer and Electronic Products	1.31	1.27	1.24	1.14	1.10	1.13	1.17	1.19
% Ch	-0.7	-2.7	-2.2	-8.6	-3.2	3.1	3.6	1.0
Machinery and Electrical Equipment	1.62	1.62	1.61	1.40	1.35	1.42	1.47	1.49
% Ch	1.1	0.0	-0.3	-13.0	-3.5	4.6	3.9	1.4
Transportation Equipment	1.77	1.71	1.61	1.35	1.33	1.37	1.46	1.56
% Ch	-0.2	-3.2	-6.1	-16.2	-1.3	2.7	6.7	6.9
Other Durables	1.71	1.67	1.57	1.36	1.30	1.30	1.34	1.38
% Ch	-0.4	-2.3	-6.0	-13.4	-4.9	0.2	2.9	3.5
Nondurable Manufacturing	5.17	5.07	4.94	4.56	4.46	4.45	4.47	4.48
% Ch	-1.8	-2.0	-2.5	-7.6	-2.3	-0.1	0.5	0.1
Food Manufacturing	1.48	1.48	1.48	1.46	1.45	1.46	1.49	1.50
% Ch	0.1	0.3	-0.2	-1.6	-0.6	0.7	1.9	1.3
Paper and Paper Products	0.47	0.46	0.44	0.41	0.40	0.40	0.40	0.40
% Ch	-2.8	-2.6	-2.9	-8.5	-2.5	-0.1	0.8	1.3
Other Nondurables	3.22	3.13	3.02	2.70	2.61	2.60	2.59	2.57
% Ch	-2.5	-3.0	-3.6	-10.5	-3.2	-0.6	-0.4	-0.7
Natural Resources and Mining	0.68	0.72	0.77	0.69	0.71	0.77	0.76	0.74
% Ch	9.1	5.7	5.8	-9.4	1.6	8.4	-1.1	-2.4
Construction	7.69	7.63	7.16	6.01	5.53	5.46	5.27	5.66
% Ch	4.9	-0.8	-6.1	-16.0	-8.1	-1.3	-3.4	7.4
Trade, Transportation, and Utilities	26.28	26.63	26.29	24.90	24.61	24.98	25.69	26.20
% Ch	1.2	1.3	-1.2	-5.3	-1.2	1.5	2.9	2.0
Wholesale Trade	5.90	6.02	5.94	5.59	5.46	5.57	5.80	5.92
% Ch	2.5	1.9	-1.2	-6.0	-2.3	2.2	4.1	2.1
Retail Trade	15.36	15.52	15.28	14.52	14.42	14.56	14.80	15.03
% Ch	0.5	1.0	-1.5	-5.0	-0.7	1.0	1.7	1.5
Trans., Warehousing, and Utilities	5.02	5.09	5.07	4.80	4.73	4.84	5.09	5.24
% Ch	2.0	1.5	-0.6	-5.3	-1.3	2.3	5.0	3.1
Information	3.04	3.03	2.98	2.80	2.71	2.72	2.81	2.84
% Ch	-0.8	-0.2	-1.6	-6.0	-3.3	0.2	3.6	0.9
Publishing Industries	0.90	0.90	0.88	0.80	0.76	0.76	0.75	0.75
% Ch	-0.2	-0.1	-2.3	-9.5	-4.4	-0.5	-1.5	0.2
Other Information	2.14	2.13	2.10	2.01	1.95	1.96	2.07	2.09
% Ch	-1.0	-0.2	-1.3	-4.6	-2.9	0.5	5.5	1.2
Financial Activities	8.33	8.30	8.14	7.77	7.63	7.61	7.75	7.83
% Ch	2.1	-0.3	-1.9	-4.6	-1.8	-0.2	1.8	1.0
Professional and Business Services	17.57	17.95	17.74	16.57	16.68	17.35	18.07	18.70
% Ch	3.7	2.1	-1.1	-6.6	0.7	4.0	4.2	3.5
Education and Health Services	17.82	18.32	18.84	19.19	19.56	20.02	20.41	20.61
% Ch	2.6	2.8	2.8	1.9	1.9	2.4	1.9	1.0
Leisure and Hospitality	13.11	13.43	13.44	13.07	13.02	13.26	13.50	13.62
% Ch	2.3	2.4	0.1	-2.7	-0.4	1.8	1.9	0.9
Other Services	5.44	5.49	5.51	5.37	5.36	5.45	5.47	5.49
% Ch	0.8	1.0	0.4	-2.7	0.0	1.5	0.4	0.4
Federal Government	2.73	2.73	2.76	2.83	2.97	2.84	2.78	2.70
% Ch	0.0	0.1	1.0	2.5	4.8	-4.2	-2.3	-2.8
State and Local Government	19.24	19.49	19.74	19.73	19.52	19.25	19.21	19.50
% Ch	0.9	1.3	1.3	-0.1	-1.0	-1.4	-0.2	1.5

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2011 to 2013

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

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	129.32	129.96	129.88	130.13	130.56	131.21	131.70	132.31
% Ch, Annual Rate	-0.3	2.0	-0.2	0.8	1.3	2.0	1.5	1.8
Manufacturing	11.47	11.53	11.56	11.55	11.65	11.71	11.77	11.86
% Ch, Annual Rate	-0.8	2.3	1.0	-0.2	3.4	2.1	2.2	2.9
Durable Manufacturing	7.00	7.06	7.10	7.11	7.21	7.26	7.31	7.41
% Ch, Annual Rate	-0.3	3.5	2.2	0.7	5.5	2.7	3.2	5.1
Wood Products	0.34	0.35	0.34	0.34	0.34	0.34	0.35	0.35
% Ch, Annual Rate	-2.3	3.7	-6.8	-3.6	6.4	0.3	4.6	5.6
Primary and Fabricated Metals	1.61	1.64	1.66	1.67	1.70	1.73	1.75	1.75
% Ch, Annual Rate	1.0	8.4	5.5	2.6	7.6	6.1	4.4	1.5
Computer and Electronic Products	1.09	1.10	1.10	1.11	1.12	1.13	1.13	1.16
% Ch, Annual Rate	-1.8	1.2	2.0	1.6	4.0	2.8	2.0	10.9
Machinery and Electrical Equipment	1.33	1.35	1.36	1.37	1.39	1.41	1.43	1.44
% Ch, Annual Rate	-1.0	5.5	3.1	3.3	6.3	4.5	5.3	3.0
Transportation Equipment	1.32	1.33	1.34	1.33	1.36	1.35	1.36	1.40
% Ch, Annual Rate	3.4	1.5	3.8	-2.4	7.2	-0.2	1.8	11.3
Other Durables	1.30	1.30	1.29	1.29	1.30	1.30	1.30	1.30
% Ch, Annual Rate	-3.1	-0.5	-1.5	-0.9	1.6	-0.2	1.6	0.8
Nondurable Manufacturing	4.47	4.47	4.46	4.44	4.44	4.45	4.46	4.46
% Ch, Annual Rate	-1.6	0.4	-1.0	-1.6	0.1	1.1	0.6	-0.5
Food Manufacturing	1.45	1.45	1.45	1.44	1.45	1.46	1.46	1.46
% Ch, Annual Rate	-1.9	1.3	-0.8	-1.7	2.2	2.0	0.7	0.9
Paper and Paper Products	0.40	0.40	0.40	0.40	0.40	0.39	0.40	0.40
% Ch, Annual Rate	-1.0	1.0	-0.9	-0.1	0.7	-3.6	4.1	-0.5
Other Nondurables	2.62	2.62	2.61	2.60	2.59	2.60	2.60	2.59
% Ch, Annual Rate	-1.4	-0.1	-1.2	-1.7	-1.2	1.4	0.0	-1.3
Natural Resources and Mining	0.67	0.70	0.72	0.73	0.75	0.76	0.78	0.77
% Ch, Annual Rate	6.8	14.6	13.2	9.2	6.9	10.1	6.5	-2.5
Construction	5.56	5.54	5.51	5.50	5.50	5.51	5.45	5.37
% Ch, Annual Rate	-8.9	-1.5	-1.7	-0.5	0.0	0.1	-3.9	-6.1
Trade, Transportation, and Utilities	24.54	24.58	24.61	24.70	24.77	24.89	25.02	25.22
% Ch, Annual Rate	-0.7	0.7	0.5	1.4	1.1	2.0	2.0	3.3
Wholesale Trade	5.45	5.45	5.45	5.47	5.51	5.53	5.58	5.67
% Ch, Annual Rate	-2.9	0.1	0.6	1.4	2.5	1.9	3.1	7.1
Retail Trade	14.39	14.42	14.42	14.45	14.48	14.55	14.59	14.61
% Ch, Annual Rate	0.7	0.7	0.1	0.8	0.8	2.1	1.1	0.6
Trans., Warehousing, and Utilities	4.70	4.72	4.74	4.78	4.78	4.81	4.85	4.94
% Ch, Annual Rate	-2.3	1.5	1.5	3.5	0.5	1.9	3.5	7.5
Information	2.73	2.71	2.71	2.70	2.68	2.68	2.70	2.79
% Ch, Annual Rate	-3.5	-2.6	-0.7	-1.4	-1.8	-0.1	2.1	15.1
Publishing Industries	0.77	0.76	0.76	0.76	0.76	0.76	0.76	0.75
% Ch, Annual Rate	-2.8	-2.2	-0.6	-1.4	-0.5	1.1	1.3	-4.5
Other Information	1.96	1.95	1.95	1.94	1.93	1.93	1.94	2.04
% Ch, Annual Rate	-3.8	-2.8	-0.7	-1.4	-2.3	-0.5	2.5	23.6
Financial Activities	7.66	7.64	7.62	7.62	7.61	7.62	7.60	7.63
% Ch, Annual Rate	-1.6	-0.9	-1.1	0.0	-0.5	0.4	-0.6	1.5
Professional and Business Services	16.53	16.65	16.70	16.84	17.01	17.22	17.47	17.70
% Ch, Annual Rate	2.2	2.7	1.4	3.2	4.1	5.2	5.9	5.3
Education and Health Services	19.41	19.51	19.60	19.73	19.83	19.96	20.09	20.21
% Ch, Annual Rate	1.9	2.1	2.0	2.6	2.0	2.8	2.5	2.4
Leisure and Hospitality	12.94	13.00	13.06	13.07	13.12	13.23	13.33	13.33
% Ch, Annual Rate	-0.9	1.9	1.6	0.4	1.7	3.4	3.0	0.0
Other Services	5.32	5.34	5.37	5.42	5.43	5.45	5.45	5.46
% Ch, Annual Rate	0.0	1.6	2.2	3.3	1.0	1.0	0.7	0.0
Federal Government	2.89	3.19	2.94	2.85	2.85	2.85	2.84	2.82
% Ch, Annual Rate	6.9	49.6	-28.3	-11.9	0.7	0.1	-1.9	-2.1
State and Local Government	19.61	19.56	19.48	19.43	19.35	19.31	19.20	19.14
% Ch, Annual Rate	-1.3	-0.9	-1.6	-1.2	-1.5	-0.8	-2.4	-1.2

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	132.95	133.53	134.13	134.71	135.24	135.91	136.71	137.45
% Ch, Annual Rate	1.9	1.8	1.8	1.7	1.6	2.0	2.4	2.2
Manufacturing	11.93	12.08	12.15	12.24	12.35	12.42	12.47	12.52
% Ch, Annual Rate	2.4	5.1	2.5	2.8	3.5	2.5	1.6	1.4
Durable Manufacturing	7.47	7.61	7.68	7.76	7.86	7.95	8.00	8.04
% Ch, Annual Rate	3.4	7.7	3.6	4.5	5.4	4.2	2.5	2.2
Wood Products	0.36	0.39	0.41	0.43	0.45	0.47	0.48	0.49
% Ch, Annual Rate	14.6	29.4	25.2	24.2	20.1	13.4	8.8	6.7
Primary and Fabricated Metals	1.75	1.78	1.80	1.82	1.85	1.86	1.88	1.90
% Ch, Annual Rate	-1.2	7.4	3.9	5.4	5.4	3.5	3.4	4.4
Computer and Electronic Products	1.19	1.19	1.17	1.15	1.16	1.19	1.20	1.19
% Ch, Annual Rate	10.7	-0.3	-6.0	-8.1	4.4	12.6	2.6	-4.4
Machinery and Electrical Equipment	1.44	1.47	1.48	1.49	1.50	1.49	1.49	1.49
% Ch, Annual Rate	1.5	7.8	2.9	2.8	1.9	-1.3	-1.5	-0.3
Transportation Equipment	1.42	1.45	1.47	1.50	1.53	1.55	1.57	1.59
% Ch, Annual Rate	5.8	8.9	5.9	9.6	7.6	4.4	5.4	6.5
Other Durables	1.30	1.33	1.35	1.37	1.38	1.38	1.38	1.39
% Ch, Annual Rate	0.2	8.6	4.8	5.7	3.6	1.3	0.6	1.4
Nondurable Manufacturing	4.46	4.47	4.48	4.48	4.48	4.48	4.48	4.48
% Ch, Annual Rate	0.7	0.8	0.6	0.0	0.3	-0.3	-0.1	0.0
Food Manufacturing	1.47	1.48	1.49	1.49	1.50	1.50	1.51	1.51
% Ch, Annual Rate	3.0	2.4	1.9	0.6	1.1	1.1	1.5	2.0
Paper and Paper Products	0.40	0.40	0.40	0.40	0.40	0.40	0.41	0.41
% Ch, Annual Rate	0.8	0.8	1.2	1.4	1.6	1.1	1.5	1.4
Other Nondurables	2.59	2.59	2.59	2.58	2.58	2.57	2.57	2.56
% Ch, Annual Rate	-0.6	-0.1	-0.3	-0.5	-0.4	-1.3	-1.3	-1.3
Natural Resources and Mining	0.77	0.76	0.75	0.75	0.74	0.74	0.74	0.73
% Ch, Annual Rate	-2.2	-3.6	-3.6	-4.2	-1.2	-1.1	-2.0	-2.0
Construction	5.29	5.24	5.25	5.31	5.43	5.57	5.74	5.92
% Ch, Annual Rate	-5.7	-3.7	1.0	4.9	8.8	11.2	12.3	13.1
Trade, Transportation, and Utilities	25.42	25.61	25.80	25.94	26.01	26.11	26.27	26.40
% Ch, Annual Rate	3.2	3.0	2.9	2.2	1.1	1.6	2.3	2.0
Wholesale Trade	5.73	5.78	5.83	5.86	5.87	5.90	5.95	5.99
% Ch, Annual Rate	4.3	3.5	3.4	2.1	0.3	2.1	3.3	2.9
Retail Trade	14.68	14.76	14.85	14.92	14.96	15.00	15.05	15.09
% Ch, Annual Rate	1.9	2.3	2.2	1.9	1.2	1.1	1.3	1.0
Trans., Warehousing, and Utilities	5.01	5.06	5.12	5.16	5.18	5.21	5.27	5.32
% Ch, Annual Rate	5.9	4.6	4.2	3.1	1.9	2.6	4.1	4.0
Information	2.82	2.80	2.80	2.84	2.85	2.84	2.84	2.83
% Ch, Annual Rate	3.5	-2.9	-0.4	5.7	1.6	-1.5	0.2	-0.9
Publishing Industries	0.74	0.74	0.75	0.75	0.75	0.75	0.75	0.75
% Ch, Annual Rate	-4.2	0.0	1.4	0.3	0.5	-0.7	-0.3	0.1
Other Information	2.07	2.05	2.05	2.09	2.10	2.09	2.09	2.08
% Ch, Annual Rate	6.4	-3.9	-1.0	7.8	2.0	-1.7	0.4	-1.2
Financial Activities	7.68	7.71	7.78	7.83	7.85	7.83	7.82	7.83
% Ch, Annual Rate	2.6	1.6	3.9	2.5	0.9	-1.0	-0.5	0.4
Professional and Business Services	17.93	18.03	18.11	18.23	18.35	18.55	18.84	19.06
% Ch, Annual Rate	5.2	2.3	1.8	2.6	2.6	4.6	6.3	4.9
Education and Health Services	20.28	20.38	20.47	20.50	20.50	20.59	20.65	20.71
% Ch, Annual Rate	1.5	1.9	1.7	0.7	-0.1	1.8	1.3	1.3
Leisure and Hospitality	13.41	13.49	13.54	13.57	13.60	13.61	13.62	13.65
% Ch, Annual Rate	2.5	2.4	1.4	0.9	0.9	0.2	0.3	1.0
Other Services	5.46	5.45	5.47	5.48	5.49	5.48	5.49	5.49
% Ch, Annual Rate	0.7	-1.0	1.4	0.8	0.6	-0.6	0.4	0.4
Federal Government	2.81	2.79	2.77	2.75	2.73	2.71	2.69	2.67
% Ch, Annual Rate	-2.7	-2.3	-2.7	-3.0	-2.5	-2.9	-2.9	-3.0
State and Local Government	19.15	19.19	19.23	19.27	19.35	19.45	19.55	19.64
% Ch, Annual Rate	0.1	0.8	1.0	0.9	1.6	2.1	2.0	1.8

Table A2.3
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.3	2,822.2	2,783.5	2,817.8	2,880.5	2,944.8
% Ch	3.0	2.6	0.9	-4.6	-1.4	1.2	2.2	2.2
Manufacturing	285.9	293.3	291.2	265.5	257.9	265.9	277.5	287.9
% Ch	4.9	2.6	-0.7	-8.8	-2.8	3.1	4.4	3.8
Durable Manufacturing	204.0	211.9	211.3	190.6	184.2	191.4	202.0	210.8
% Ch	6.6	3.9	-0.3	-9.8	-3.4	3.9	5.5	4.4
Wood Products	20.3	19.2	17.0	13.3	12.9	12.7	14.0	16.0
% Ch	1.1	-5.4	-11.3	-21.6	-2.9	-2.2	11.0	13.9
Primary and Fabricated Metals	24.3	25.9	26.3	21.9	21.4	22.3	23.2	24.6
% Ch	4.9	6.8	1.5	-16.8	-2.2	4.3	4.0	6.0
Computer and Electronic Products	22.5	22.7	22.5	20.1	19.1	19.8	21.5	22.4
% Ch	1.2	1.1	-0.8	-10.9	-4.8	3.8	8.7	4.0
Machinery and Electrical Equipment	19.0	19.6	19.9	16.3	15.7	17.4	20.2	22.1
% Ch	6.5	3.4	1.2	-17.9	-3.8	11.0	16.3	9.3
Aerospace	73.4	80.1	83.0	82.9	80.8	84.4	87.2	88.7
% Ch	11.9	9.1	3.6	-0.1	-2.5	4.4	3.3	1.8
Other Transportation Equip.	13.7	13.1	12.2	9.7	8.9	9.3	9.9	10.5
% Ch	4.1	-4.9	-6.5	-20.8	-8.3	5.3	6.4	5.3
Other Durables	30.9	31.3	30.5	26.4	25.4	25.5	25.9	26.5
% Ch	4.9	1.4	-2.8	-13.3	-3.9	0.6	1.4	2.6
Nondurable Manufacturing	81.9	81.4	79.9	74.9	73.8	74.4	75.5	77.1
% Ch	0.9	-0.6	-1.9	-6.2	-1.6	0.9	1.4	2.1
Food Manufacturing	33.9	34.1	34.3	33.9	33.6	33.5	33.5	34.1
% Ch	0.3	0.7	0.5	-0.9	-1.1	-0.1	-0.1	1.8
Paper and Paper Products	11.9	11.2	10.5	9.7	9.4	9.4	9.6	9.8
% Ch	-2.1	-6.3	-6.5	-7.1	-3.8	1.0	1.9	1.8
Other Nondurables	36.1	36.1	35.1	31.3	30.8	31.5	32.4	33.2
% Ch	2.7	0.2	-2.8	-11.0	-1.3	2.0	2.9	2.5
Natural Resources and Mining	8.7	8.2	7.5	6.0	5.9	5.9	6.1	6.7
% Ch	-3.0	-6.1	-7.6	-19.8	-2.5	0.8	2.3	10.1
Construction	194.8	208.1	200.6	159.7	141.1	137.4	140.7	149.4
% Ch	9.8	6.8	-3.6	-20.4	-11.6	-2.6	2.4	6.2
Trade, Transportation, and Utilities	541.6	553.4	553.5	522.5	517.5	527.7	544.3	555.6
% Ch	2.1	2.2	0.0	-5.6	-1.0	2.0	3.1	2.1
Wholesale Trade	126.6	129.3	130.1	122.7	120.8	123.3	128.6	130.8
% Ch	3.6	2.2	0.6	-5.7	-1.6	2.1	4.3	1.7
Retail Trade	321.1	328.0	327.5	309.3	308.1	314.1	320.5	326.3
% Ch	1.6	2.1	-0.2	-5.5	-0.4	1.9	2.0	1.8
Trans., Warehousing, and Utilities	94.0	96.1	95.9	90.5	88.6	90.3	95.3	98.6
% Ch	2.0	2.2	-0.2	-5.6	-2.1	2.0	5.4	3.5
Information	98.4	102.5	105.6	103.9	102.8	105.0	110.0	113.4
% Ch	3.9	4.1	3.1	-1.6	-1.1	2.2	4.7	3.2
Software Publishers	44.7	47.6	50.9	51.5	50.9	51.7	53.6	56.0
% Ch	8.4	6.4	7.0	1.1	-1.0	1.6	3.6	4.4
Other Publishing Industries	11.0	10.8	10.4	8.7	8.1	7.7	7.5	7.4
% Ch	-2.0	-1.7	-4.4	-15.6	-7.5	-5.3	-2.7	-0.9
Other Information	42.7	44.0	44.3	43.7	43.7	45.6	48.9	50.1
% Ch	1.1	3.1	0.7	-1.5	0.1	4.3	7.3	2.4
Financial Activities	156.2	155.5	152.4	141.7	134.6	133.5	135.7	136.9
% Ch	1.1	-0.5	-2.0	-7.0	-5.0	-0.8	1.7	0.9
Professional and Business Services	330.5	344.7	348.7	324.5	326.6	342.1	356.0	369.6
% Ch	4.6	4.3	1.2	-6.9	0.6	4.8	4.1	3.8
Education and Health Services	337.2	348.3	362.1	372.4	375.5	382.7	390.0	395.2
% Ch	2.4	3.3	4.0	2.8	0.8	1.9	1.9	1.4
Leisure and Hospitality	271.6	280.5	283.7	269.6	266.3	271.7	279.0	283.8
% Ch	3.1	3.3	1.1	-4.9	-1.2	2.1	2.7	1.7
Other Services	104.0	105.3	107.7	106.3	104.9	104.7	105.6	106.8
% Ch	1.2	1.3	2.3	-1.4	-1.3	-0.2	0.9	1.1
Federal Government	69.3	68.7	70.0	72.8	75.6	73.1	71.7	70.5
% Ch	-0.4	-0.9	2.0	4.0	3.8	-3.3	-1.9	-1.7
State and Local Government	460.7	465.1	476.4	477.3	475.0	468.1	464.0	468.9
% Ch	0.8	1.0	2.4	0.2	-0.5	-1.5	-0.9	1.1

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,974.9	2,969.6	2,966.9	2,925.7	2,879.6	2,826.9	2,801.4	2,781.0
% Ch, Annual Rate	2.5	-0.7	-0.4	-5.4	-6.1	-7.1	-3.6	-2.9
Manufacturing	297.2	294.7	292.9	279.9	276.6	266.2	261.7	257.4
% Ch, Annual Rate	1.7	-3.3	-2.4	-16.6	-4.6	-14.2	-6.6	-6.3
Durable Manufacturing	215.9	214.6	214.0	200.8	200.0	191.2	187.0	184.1
% Ch, Annual Rate	2.5	-2.3	-1.2	-22.5	-1.5	-16.6	-8.5	-5.9
Wood Products	18.2	17.4	16.6	15.7	14.1	13.3	13.1	12.8
% Ch, Annual Rate	-11.6	-16.4	-17.6	-21.2	-34.0	-20.8	-6.6	-8.5
Primary and Fabricated Metals	26.4	26.7	26.7	25.4	23.4	21.8	21.3	21.0
% Ch, Annual Rate	5.8	3.3	0.6	-17.8	-27.8	-24.5	-10.5	-4.4
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.5	20.2	19.5	19.1
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-12.4	-21.4	-13.3	-8.4
Machinery and Electrical Equipment	20.1	20.1	20.0	19.2	17.6	16.6	15.7	15.3
% Ch, Annual Rate	3.6	-1.4	-2.4	-13.6	-30.2	-21.2	-18.7	-10.2
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.1	81.3
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.1	-5.1	-4.0
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.6	9.7	9.3	9.1
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-31.2	-31.0	-13.5	-9.9
Other Durables	31.4	31.0	30.3	29.1	27.7	26.4	26.0	25.6
% Ch, Annual Rate	1.2	-6.0	-8.1	-15.0	-18.3	-17.1	-6.5	-5.6
Nondurable Manufacturing	81.3	80.1	78.9	79.1	76.6	75.0	74.7	73.3
% Ch, Annual Rate	-0.3	-6.0	-5.5	1.0	-12.3	-7.7	-1.6	-7.5
Food Manufacturing	34.7	34.1	33.7	34.6	34.0	34.0	34.4	33.4
% Ch, Annual Rate	5.4	-7.4	-4.6	11.8	-7.3	0.4	4.3	-10.3
Paper and Paper Products	10.7	10.5	10.4	10.2	10.0	9.8	9.6	9.5
% Ch, Annual Rate	-8.4	-5.4	-6.7	-4.7	-8.2	-10.1	-7.4	-3.3
Other Nondurables	35.9	35.5	34.9	34.3	32.6	31.3	30.8	30.4
% Ch, Annual Rate	-3.0	-4.7	-6.1	-7.1	-18.3	-14.9	-5.9	-5.7
Natural Resources and Mining	7.8	7.6	7.5	7.3	6.6	5.9	6.0	5.7
% Ch, Annual Rate	-7.6	-10.8	-2.8	-8.7	-35.7	-33.3	1.6	-14.2
Construction	209.4	205.0	199.0	189.0	174.6	162.1	154.1	147.9
% Ch, Annual Rate	1.9	-8.1	-11.2	-18.6	-27.2	-25.6	-18.5	-15.2
Trade, Transportation, and Utilities	559.1	556.4	553.8	544.6	532.9	522.5	519.6	515.2
% Ch, Annual Rate	1.4	-1.9	-1.8	-6.5	-8.3	-7.6	-2.2	-3.4
Wholesale Trade	130.9	130.6	130.2	128.7	126.1	122.8	121.4	120.5
% Ch, Annual Rate	1.5	-0.9	-1.4	-4.5	-7.8	-10.0	-4.6	-2.8
Retail Trade	331.8	329.2	327.4	321.5	313.8	309.1	308.2	306.1
% Ch, Annual Rate	2.0	-3.1	-2.1	-7.1	-9.2	-5.9	-1.2	-2.8
Trans., Warehousing, and Utilities	96.4	96.5	96.2	94.4	93.0	90.5	90.0	88.6
% Ch, Annual Rate	-0.5	0.8	-1.3	-7.4	-5.9	-10.0	-2.3	-6.3
Information	104.2	105.1	106.3	106.8	105.8	104.2	103.0	102.6
% Ch, Annual Rate	5.1	3.5	4.5	1.9	-3.8	-5.7	-4.5	-1.7
Software Publishers	49.1	50.3	51.7	52.6	52.6	51.7	51.0	50.7
% Ch, Annual Rate	7.8	10.3	11.6	7.4	-0.5	-6.4	-5.6	-2.4
Other Publishing Industries	10.8	10.6	10.2	9.8	9.3	8.8	8.5	8.3
% Ch, Annual Rate	-1.4	-6.7	-12.4	-15.3	-20.6	-18.3	-12.1	-8.7
Other Information	44.4	44.3	44.4	44.4	43.9	43.7	43.5	43.6
% Ch, Annual Rate	3.9	-1.2	1.1	-0.1	-3.8	-2.1	-1.6	0.5
Financial Activities	154.7	153.6	151.6	149.5	145.9	142.9	140.3	137.7
% Ch, Annual Rate	-0.2	-2.6	-5.1	-5.6	-9.2	-7.9	-7.1	-7.3
Professional and Business Services	350.2	352.0	350.4	342.1	333.0	323.2	320.5	321.3
% Ch, Annual Rate	2.5	2.1	-1.8	-9.1	-10.3	-11.2	-3.2	0.9
Education and Health Services	356.8	359.6	364.1	367.9	371.9	371.7	372.8	373.3
% Ch, Annual Rate	3.1	3.1	5.1	4.3	4.4	-0.2	1.2	0.5
Leisure and Hospitality	286.2	284.9	283.9	279.6	274.0	269.6	268.9	266.0
% Ch, Annual Rate	3.3	-1.8	-1.4	-5.8	-7.9	-6.2	-1.2	-4.2
Other Services	107.3	107.8	108.3	107.4	107.5	106.6	105.7	105.3
% Ch, Annual Rate	4.1	1.8	1.9	-3.3	0.3	-3.5	-3.1	-1.7
Federal Government	69.4	69.1	70.3	71.3	71.8	73.3	72.7	73.2
% Ch, Annual Rate	4.1	-1.9	7.1	6.3	2.7	8.8	-3.4	2.9
State and Local Government	472.7	473.9	478.7	480.1	479.2	478.6	476.1	475.4
% Ch, Annual Rate	3.4	1.1	4.1	1.2	-0.8	-0.5	-2.0	-0.6

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,771.2	2,784.9	2,784.9	2,792.9	2,800.2	2,810.4	2,822.5	2,838.1
% Ch, Annual Rate	-1.4	2.0	0.0	1.2	1.0	1.5	1.7	2.2
Manufacturing	256.8	257.5	258.2	259.3	261.9	264.7	267.1	269.7
% Ch, Annual Rate	-1.1	1.2	1.1	1.7	4.2	4.3	3.6	4.0
Durable Manufacturing	183.4	183.7	184.3	185.4	187.6	190.1	192.6	195.4
% Ch, Annual Rate	-1.6	0.5	1.4	2.4	5.0	5.3	5.5	5.9
Wood Products	13.0	13.2	12.9	12.8	12.8	12.5	12.6	12.7
% Ch, Annual Rate	4.7	6.7	-7.7	-4.0	-0.4	-6.8	2.6	3.4
Primary and Fabricated Metals	21.2	21.3	21.4	21.8	21.8	22.3	22.5	22.7
% Ch, Annual Rate	2.6	2.4	3.1	6.0	1.0	8.7	5.1	2.1
Computer and Electronic Products	18.9	19.1	19.2	19.3	19.3	19.4	19.8	20.8
% Ch, Annual Rate	-4.2	3.9	2.9	1.3	1.3	2.3	7.3	21.4
Machinery and Electrical Equipment	15.4	15.5	15.8	16.1	16.6	16.8	17.8	18.5
% Ch, Annual Rate	2.3	2.0	7.2	8.8	12.4	5.4	25.2	18.0
Aerospace	80.9	80.3	80.7	81.5	82.7	84.3	85.0	85.6
% Ch, Annual Rate	-2.0	-2.8	2.0	3.9	6.2	8.2	3.0	3.0
Other Transportation Equip.	8.7	8.8	9.0	8.9	9.1	9.2	9.4	9.6
% Ch, Annual Rate	-14.8	5.5	7.1	-3.4	10.5	0.6	12.0	9.0
Other Durables	25.5	25.5	25.3	25.1	25.4	25.6	25.6	25.5
% Ch, Annual Rate	-2.0	1.4	-3.6	-2.6	3.6	3.3	-0.2	-0.2
Nondurable Manufacturing	73.3	73.8	73.9	73.9	74.3	74.6	74.4	74.3
% Ch, Annual Rate	0.2	2.8	0.5	-0.2	2.3	1.8	-1.2	-0.7
Food Manufacturing	33.3	33.6	33.7	33.6	33.8	33.9	33.3	33.0
% Ch, Annual Rate	-1.5	3.7	0.9	-1.1	2.8	1.1	-7.2	-3.8
Paper and Paper Products	9.4	9.4	9.3	9.3	9.3	9.4	9.5	9.5
% Ch, Annual Rate	-3.3	-2.6	-1.0	-1.8	2.0	2.6	5.3	0.4
Other Nondurables	30.6	30.9	30.9	31.0	31.1	31.3	31.6	31.8
% Ch, Annual Rate	3.2	3.5	0.4	1.2	1.7	2.4	3.7	2.3
Natural Resources and Mining	5.8	6.0	6.0	5.9	5.9	5.9	6.0	5.9
% Ch, Annual Rate	4.4	11.9	-0.3	-5.4	3.8	0.8	2.2	-2.6
Construction	143.1	141.0	140.9	139.4	137.6	138.0	137.0	137.0
% Ch, Annual Rate	-12.4	-5.8	-0.2	-4.2	-5.1	1.2	-2.7	-0.2
Trade, Transportation, and Utilities	514.3	518.4	517.4	519.9	522.5	525.0	529.6	533.7
% Ch, Annual Rate	-0.7	3.2	-0.8	2.0	2.0	2.0	3.5	3.1
Wholesale Trade	119.8	121.1	120.8	121.4	122.0	122.4	123.4	125.4
% Ch, Annual Rate	-2.4	4.3	-0.9	2.0	2.2	1.1	3.3	6.6
Retail Trade	306.6	308.7	307.6	309.6	311.5	313.0	315.7	316.1
% Ch, Annual Rate	0.7	2.7	-1.3	2.5	2.5	2.0	3.5	0.6
Trans., Warehousing, and Utilities	87.9	88.7	88.9	88.9	88.9	89.7	90.6	92.2
% Ch, Annual Rate	-3.0	3.6	1.1	0.0	0.0	3.2	4.1	7.5
Information	102.9	102.6	102.6	102.9	103.4	103.9	104.8	107.8
% Ch, Annual Rate	1.3	-1.3	0.3	1.2	1.8	2.1	3.4	12.1
Software Publishers	50.7	50.8	51.1	51.1	51.2	51.5	51.9	52.3
% Ch, Annual Rate	0.3	1.2	1.8	0.2	0.5	2.9	3.1	2.8
Other Publishing Industries	8.3	8.2	8.0	7.9	7.7	7.6	7.7	7.6
% Ch, Annual Rate	-3.0	-6.1	-6.9	-5.1	-8.3	-4.7	2.4	-6.1
Other Information	43.9	43.6	43.6	43.9	44.5	44.8	45.2	48.0
% Ch, Annual Rate	3.2	-3.4	0.0	3.5	5.3	2.4	3.8	27.2
Financial Activities	135.6	134.4	134.2	134.0	133.6	133.6	133.1	133.6
% Ch, Annual Rate	-6.0	-3.2	-0.7	-0.6	-1.1	-0.1	-1.4	1.2
Professional and Business Services	320.8	324.5	328.2	332.6	336.2	339.6	344.1	348.4
% Ch, Annual Rate	-0.6	4.7	4.6	5.5	4.4	4.0	5.5	5.1
Education and Health Services	373.2	374.4	376.1	378.2	379.6	381.6	383.8	385.9
% Ch, Annual Rate	-0.1	1.3	1.8	2.2	1.5	2.1	2.3	2.2
Leisure and Hospitality	264.7	266.6	266.1	267.7	269.4	270.5	273.0	274.1
% Ch, Annual Rate	-2.0	3.0	-0.8	2.4	2.5	1.6	3.8	1.7
Other Services	104.5	104.8	105.0	105.1	104.6	104.5	104.8	105.0
% Ch, Annual Rate	-2.7	1.2	0.8	0.4	-2.1	-0.4	1.1	0.8
Federal Government	73.7	79.2	75.1	74.3	74.3	72.9	72.7	72.5
% Ch, Annual Rate	2.6	33.2	-19.1	-4.4	0.2	-7.1	-1.2	-1.3
State and Local Government	475.8	475.4	475.0	473.6	471.1	470.1	466.5	464.6
% Ch, Annual Rate	0.4	-0.4	-0.3	-1.2	-2.1	-0.8	-3.0	-1.7

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	2,855.3	2,872.1	2,889.3	2,905.4	2,919.4	2,935.7	2,953.9	2,970.4
% Ch, Annual Rate	2.4	2.4	2.4	2.2	1.9	2.2	2.5	2.3
Manufacturing	272.8	276.6	279.1	281.5	284.4	287.4	289.2	290.6
% Ch, Annual Rate	4.7	5.6	3.8	3.4	4.2	4.2	2.6	1.9
Durable Manufacturing	198.0	201.3	203.3	205.5	208.0	210.6	212.0	212.8
% Ch, Annual Rate	5.5	6.7	4.2	4.2	5.1	5.1	2.6	1.5
Wood Products	13.1	13.7	14.4	15.0	15.6	15.9	16.2	16.3
% Ch, Annual Rate	10.9	23.0	19.6	18.8	15.4	9.9	6.1	4.4
Primary and Fabricated Metals	22.6	23.1	23.4	23.8	24.2	24.4	24.7	25.1
% Ch, Annual Rate	-0.9	8.7	5.1	6.8	6.8	4.9	4.8	5.9
Computer and Electronic Products	21.8	21.9	21.5	21.0	21.5	22.6	22.9	22.7
% Ch, Annual Rate	20.6	2.5	-6.4	-9.7	9.4	22.4	6.3	-4.5
Machinery and Electrical Equipment	19.1	20.0	20.6	21.2	21.7	22.0	22.2	22.5
% Ch, Annual Rate	13.5	20.8	12.6	11.7	9.8	5.2	4.5	5.8
Aerospace	86.2	86.9	87.5	88.2	88.5	88.8	88.8	88.8
% Ch, Annual Rate	3.0	3.0	3.0	3.0	1.5	1.5	0.0	0.0
Other Transportation Equip.	9.7	9.9	10.0	10.2	10.3	10.4	10.5	10.6
% Ch, Annual Rate	4.0	6.4	4.3	7.7	5.3	4.6	4.3	3.7
Other Durables	25.6	25.8	26.0	26.2	26.4	26.5	26.6	26.7
% Ch, Annual Rate	0.2	3.4	2.9	3.5	2.7	1.8	1.6	1.9
Nondurable Manufacturing	74.8	75.3	75.8	76.0	76.4	76.8	77.2	77.8
% Ch, Annual Rate	2.7	2.8	2.5	1.4	2.0	1.9	2.6	3.0
Food Manufacturing	33.2	33.4	33.6	33.6	33.7	33.9	34.1	34.5
% Ch, Annual Rate	2.8	2.8	2.3	-0.2	1.4	1.8	3.3	4.4
Paper and Paper Products	9.6	9.6	9.6	9.7	9.7	9.8	9.8	9.9
% Ch, Annual Rate	1.6	1.4	1.8	1.9	2.1	1.5	1.8	1.7
Other Nondurables	32.0	32.3	32.5	32.7	32.9	33.1	33.3	33.4
% Ch, Annual Rate	3.0	3.2	2.9	2.9	2.6	2.1	2.1	1.9
Natural Resources and Mining	5.9	6.0	6.1	6.3	6.4	6.6	6.8	6.9
% Ch, Annual Rate	-0.3	5.2	8.0	9.4	12.1	11.6	9.5	9.6
Construction	137.8	139.5	141.6	143.8	145.8	147.8	150.5	153.4
% Ch, Annual Rate	2.6	4.9	6.3	6.2	5.7	5.8	7.5	7.7
Trade, Transportation, and Utilities	538.1	542.5	546.7	549.9	551.7	554.0	557.1	559.7
% Ch, Annual Rate	3.3	3.3	3.1	2.4	1.3	1.6	2.3	1.9
Wholesale Trade	126.8	128.1	129.3	130.0	130.0	130.4	131.1	131.7
% Ch, Annual Rate	4.8	4.2	3.7	2.1	0.0	1.2	2.3	1.9
Retail Trade	317.6	319.5	321.5	323.2	324.4	325.6	327.0	328.0
% Ch, Annual Rate	1.9	2.4	2.4	2.2	1.5	1.4	1.7	1.3
Trans., Warehousing, and Utilities	93.6	94.8	95.9	96.7	97.3	98.1	99.0	100.0
% Ch, Annual Rate	6.2	5.1	4.7	3.6	2.5	3.0	4.0	3.8
Information	109.1	109.2	109.9	111.6	112.6	113.0	113.7	114.3
% Ch, Annual Rate	4.6	0.6	2.5	6.4	3.6	1.4	2.6	1.9
Software Publishers	52.7	53.3	53.9	54.5	55.1	55.7	56.2	56.8
% Ch, Annual Rate	2.9	4.5	5.0	4.5	4.5	4.1	4.2	4.2
Other Publishing Industries	7.4	7.4	7.5	7.5	7.4	7.4	7.4	7.3
% Ch, Annual Rate	-6.1	-0.5	1.2	-0.5	-0.5	-2.3	-1.9	-1.5
Other Information	48.9	48.5	48.5	49.7	50.1	50.0	50.1	50.1
% Ch, Annual Rate	8.2	-3.3	0.0	9.6	3.3	-0.9	1.5	-0.3
Financial Activities	134.4	134.9	136.3	137.2	137.5	136.9	136.6	136.7
% Ch, Annual Rate	2.6	1.4	4.3	2.7	0.8	-1.5	-0.9	0.1
Professional and Business Services	352.7	355.0	356.9	359.5	362.3	366.6	372.4	377.1
% Ch, Annual Rate	5.1	2.5	2.2	3.0	3.1	4.9	6.5	5.1
Education and Health Services	387.4	389.3	391.1	392.1	392.6	394.5	396.1	397.7
% Ch, Annual Rate	1.6	1.9	1.9	1.1	0.5	2.0	1.6	1.6
Leisure and Hospitality	276.3	278.4	280.0	281.2	282.5	283.3	284.2	285.3
% Ch, Annual Rate	3.2	3.0	2.3	1.8	1.8	1.2	1.2	1.6
Other Services	105.3	105.4	105.8	106.1	106.5	106.6	106.9	107.2
% Ch, Annual Rate	1.2	0.4	1.6	1.3	1.2	0.7	1.1	1.1
Federal Government	72.2	71.9	71.6	71.3	71.0	70.7	70.3	70.0
% Ch, Annual Rate	-1.7	-1.4	-1.7	-2.0	-1.5	-1.8	-1.8	-1.9
State and Local Government	463.3	463.6	464.2	464.8	466.2	468.1	469.9	471.6
% Ch, Annual Rate	-1.1	0.3	0.5	0.5	1.1	1.7	1.6	1.4

Table A3.1

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

Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	11,268.1	11,912.3	12,391.2	12,174.9	12,541.0	13,155.1	13,661.8	14,312.6
% Ch	7.5	5.7	4.0	-1.7	3.0	4.9	3.9	4.8
Total Wage and Salary Disbursements	6,068.9	6,421.7	6,559.1	6,274.1	6,398.9	6,639.4	6,966.1	7,314.7
% Ch	6.5	5.8	2.1	-4.3	2.0	3.8	4.9	5.0
Nonwage Personal Income	5,199.2	5,490.6	5,832.1	5,900.8	6,142.1	6,515.8	6,695.7	6,997.9
% Ch	8.7	5.6	6.2	1.2	4.1	6.1	2.8	4.5
Supplements to Wages and Salaries	1,406.9	1,440.4	1,506.8	1,532.6	1,585.7	1,643.0	1,715.3	1,798.9
% Ch	3.5	2.4	4.6	1.7	3.5	3.6	4.4	4.9
Proprietor's Income	1,133.0	1,090.4	1,102.0	1,011.9	1,055.1	1,124.6	1,191.2	1,241.2
% Ch	5.9	-3.8	1.1	-8.2	4.3	6.6	5.9	4.2
Farm	29.4	37.8	50.9	30.5	44.9	55.5	55.6	50.2
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,103.6	1,052.6	1,051.2	981.5	1,010.1	1,069.1	1,135.6	1,190.9
% Ch	7.6	-4.6	-0.1	-6.6	2.9	5.8	6.2	4.9
Less: Contribution For Govt. Soc. Ins.	921.8	959.5	987.2	970.3	1,003.5	938.5	1,115.1	1,205.1
% Ch	5.6	4.1	2.9	-1.7	3.4	-6.5	18.8	8.1
Dividends/Int./Rent	1,976.2	2,200.7	2,331.3	2,193.7	2,208.5	2,324.0	2,469.1	2,628.4
% Ch	14.9	11.4	5.9	-5.9	0.7	5.2	6.2	6.5
Transfer Payments	1,605.0	1,718.5	1,879.3	2,132.9	2,296.4	2,362.5	2,435.1	2,534.6
% Ch	6.4	7.1	9.4	13.5	7.7	2.9	3.1	4.1

Table A3.2

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

Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	12,300.4	12,460.9	12,447.0	12,356.3	12,093.2	12,203.4	12,164.0	12,239.0
% Ch, Annual Rate	5.3	5.3	-0.4	-2.9	-8.2	3.7	-1.3	2.5
Total Wage and Salary Disbursements	6,595.9	6,575.1	6,567.9	6,497.3	6,260.0	6,287.7	6,263.9	6,284.9
% Ch, Annual Rate	4.5	-1.3	-0.4	-4.2	-13.8	1.8	-1.5	1.3
Nonwage Personal Income	5,704.5	5,885.8	5,879.1	5,859.0	5,833.2	5,915.7	5,900.1	5,954.1
% Ch, Annual Rate	6.3	13.3	-0.5	-1.4	-1.7	5.8	-1.1	3.7
Supplements to Wages and Salaries	1,486.3	1,502.3	1,515.1	1,523.5	1,517.6	1,531.4	1,534.8	1,546.5
% Ch, Annual Rate	7.1	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 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,350.3	12,517.1	12,595.5	12,700.9	12,930.9	13,073.8	13,230.8	13,384.9
% Ch, Annual Rate	3.7	5.5	2.5	3.4	7.4	4.5	4.9	4.7
Total Wage and Salary Disbursements	6,291.4	6,388.8	6,443.7	6,471.6	6,524.2	6,598.2	6,677.4	6,757.5
% Ch, Annual Rate	0.4	6.3	3.5	1.7	3.3	4.6	4.9	4.9
Nonwage Personal Income	6,058.9	6,128.3	6,151.8	6,229.3	6,406.7	6,475.6	6,553.3	6,627.4
% Ch, Annual Rate	7.2	4.7	1.5	5.1	11.9	4.4	4.9	4.6
Supplements to Wages and Salaries	1,566.7	1,581.1	1,592.5	1,602.4	1,622.1	1,634.9	1,649.6	1,665.4
% Ch, Annual Rate	5.3	3.7	2.9	2.5	5.0	3.2	3.6	3.9
Proprietor's Income	1,030.8	1,049.7	1,059.5	1,080.2	1,097.5	1,113.9	1,136.0	1,151.1
% Ch, Annual Rate	3.4	7.5	3.8	8.0	6.6	6.1	8.2	5.4
Farm	36.8	38.9	48.5	55.5	57.2	55.0	55.7	54.2
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	994.0	1,010.8	1,011.0	1,024.7	1,040.3	1,058.9	1,080.4	1,097.0
% Ch, Annual Rate	3.3	6.9	0.1	5.5	6.2	7.4	8.3	6.3
Less: Contribution For Govt. Soc. Ins.	987.8	1,001.9	1,010.2	1,014.2	924.2	934.4	942.6	952.6
% Ch, Annual Rate	5.4	5.9	3.3	1.6	-31.0	4.5	3.6	4.3
Dividends/Int./Rent	2,203.8	2,213.3	2,193.5	2,223.5	2,272.7	2,303.0	2,340.1	2,380.2
% Ch, Annual Rate	6.0	1.7	-3.5	5.6	9.1	5.4	6.6	7.0
Transfer Payments	2,245.5	2,286.1	2,316.4	2,337.7	2,338.5	2,358.2	2,370.2	2,383.2
% Ch, Annual Rate	10.9	7.4	5.4	3.7	0.1	3.4	2.1	2.2

Table A3.2 (continued)

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

Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	13,425.3	13,579.4	13,739.8	13,903.0	14,038.4	14,221.2	14,405.3	14,585.6
% Ch, Annual Rate	1.2	4.7	4.8	4.8	4.0	5.3	5.3	5.1
Total Wage and Salary Disbursements	6,841.7	6,923.4	7,007.1	7,092.2	7,179.7	7,270.1	7,360.9	7,448.0
% Ch, Annual Rate	5.1	4.9	4.9	5.0	5.0	5.1	5.1	4.8
Nonwage Personal Income	6,583.6	6,656.0	6,732.7	6,810.7	6,858.7	6,951.1	7,044.4	7,137.6
% Ch, Annual Rate	-2.6	4.5	4.7	4.7	2.8	5.5	5.5	5.4
Supplements to Wages and Salaries	1,688.5	1,706.0	1,723.7	1,743.2	1,766.1	1,788.2	1,808.5	1,832.6
% Ch, Annual Rate	5.7	4.2	4.2	4.6	5.4	5.1	4.6	5.4
Proprietor's Income	1,166.9	1,186.6	1,199.0	1,212.3	1,220.1	1,236.2	1,248.3	1,260.0
% Ch, Annual Rate	5.6	6.9	4.3	4.5	2.6	5.4	4.0	3.8
Farm	55.1	57.2	55.9	54.0	51.8	50.7	49.9	48.5
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,111.8	1,129.4	1,143.1	1,158.2	1,168.3	1,185.5	1,198.4	1,211.5
% Ch, Annual Rate	5.5	6.5	5.0	5.4	3.5	6.0	4.4	4.5
Less: Contribution For Govt. Soc. Ins.	1,097.6	1,108.2	1,120.7	1,134.0	1,187.6	1,200.3	1,209.3	1,223.0
% Ch, Annual Rate	76.2	3.9	4.6	4.8	20.3	4.4	3.0	4.6
Dividends/Int./Rent	2,418.3	2,448.5	2,486.6	2,523.1	2,564.1	2,605.3	2,650.1	2,694.2
% Ch, Annual Rate	6.6	5.1	6.4	6.0	6.7	6.6	7.0	6.8
Transfer Payments	2,407.3	2,423.1	2,444.0	2,466.2	2,496.0	2,521.8	2,546.8	2,573.7
% Ch, Annual Rate	4.1	2.7	3.5	3.7	4.9	4.2	4.0	4.3

Table A3.3
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2011 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	252.091	272.625	287.011	285.696	293.207	308.243	321.777	338.862
% Ch	9.6	8.1	5.3	-0.5	2.6	5.1	4.4	5.3
Total Wage and Salary Disbursements	135.118	145.824	150.781	146.808	148.445	154.466	162.896	171.827
% Ch	8.4	7.9	3.4	-2.6	1.1	4.1	5.5	5.5
Manufacturing	16.794	17.630	17.921	16.731	16.828	17.836	19.239	20.592
% Ch	11.3	5.0	1.7	-6.6	0.6	6.0	7.9	7.0
Durable Manufacturing	13.051	13.770	14.074	13.136	13.266	14.189	15.413	16.551
% Ch	13.4	5.5	2.2	-6.7	1.0	7.0	8.6	7.4
Nondurable Manufacturing	3.742	3.860	3.847	3.595	3.562	3.648	3.826	4.041
% Ch	4.4	3.1	-0.3	-6.6	-0.9	2.4	4.9	5.6
Nonmanufacturing	112.859	122.543	126.533	123.609	124.928	129.768	136.735	144.280
% Ch	8.2	8.6	3.3	-2.3	1.1	3.9	5.4	5.5
Other Private Wages	0.855	0.880	0.898	0.841	0.837	0.884	0.918	0.954
% Ch	6.9	2.8	2.1	-6.4	-0.5	5.7	3.8	3.9
Farm Wages	1.133	1.126	1.399	1.437	1.476	1.516	1.588	1.665
% Ch	-4.1	-0.6	24.3	2.7	2.7	2.7	4.8	4.8
Military Wages	3.478	3.646	4.030	4.190	4.377	4.462	4.415	4.336
% Ch	5.4	4.8	10.5	4.0	4.5	1.9	-1.0	-1.8
Nonwage Personal Income	116.974	126.800	136.229	138.889	144.762	153.777	158.881	167.035
% Ch	11.0	8.4	7.4	2.0	4.2	6.2	3.3	5.1
Supplements to Wages and Salaries	32.606	34.110	36.013	36.872	37.716	39.024	41.022	43.292
% Ch	4.5	4.6	5.6	2.4	2.3	3.5	5.1	5.5
Proprietor's Income	23.469	23.635	23.444	21.665	22.474	23.922	25.480	26.644
% Ch	9.9	0.7	-0.8	-7.6	3.7	6.4	6.5	4.6
Farm	0.653	1.098	1.012	0.547	0.749	0.993	1.030	0.945
% Ch	...	...	...	...	...	...	...	...
Nonfarm	22.817	22.537	22.432	21.119	21.725	22.928	24.450	25.699
% Ch	9.6	-1.2	-0.5	-5.9	2.9	5.5	6.6	5.1
Less: Contribution For Govt. Soc. Ins.	23.325	24.476	25.205	24.806	25.280	23.621	27.907	30.189
% Ch	6.2	4.9	3.0	-1.6	1.9	-6.6	18.1	8.2
Plus: Residence Adjustment	2.864	3.027	3.053	2.580	2.686	2.841	3.014	3.200
% Ch	6.7	5.7	0.9	-15.5	4.1	5.8	6.1	6.2
Dividends/Int./Rent	49.329	55.770	60.730	57.741	58.465	61.427	65.414	69.904
% Ch	16.7	13.1	8.9	-4.9	1.3	5.1	6.5	6.9
Transfer Payments	32.030	34.735	38.195	44.837	48.701	50.185	51.858	54.185
% Ch	7.5	8.4	10.0	17.4	8.6	3.0	3.3	4.5
State U.I. Benefits	0.733	0.739	1.197	3.641	4.121	3.072	2.514	1.782
% Ch	-6.2	0.7	62.1	204.2	13.2	-25.5	-18.2	-29.1
Other Transfers	31.297	33.996	36.998	41.196	44.581	47.113	49.345	52.403
% Ch	7.8	8.6	8.8	11.3	8.2	5.7	4.7	6.2

Table A3.4

Washington Personal Income by Component (Billions of Dollars)

Forecast 2011 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	284.152	286.659	289.886	287.346	283.259	286.173	285.808	287.545
% Ch, Annual Rate	4.1	3.6	4.6	-3.5	-5.6	4.2	-0.5	2.5
Total Wage and Salary Disbursements	150.712	150.457	152.149	149.807	146.581	147.256	146.553	146.840
% Ch, Annual Rate	0.9	-0.7	4.6	-6.0	-8.3	1.9	-1.9	0.8
Manufacturing	18.356	17.830	17.947	17.552	16.699	16.743	16.730	16.751
% Ch, Annual Rate	10.6	-11.0	2.7	-8.5	-18.1	1.1	-0.3	0.5
Durable Manufacturing	14.460	13.985	14.103	13.748	13.131	13.110	13.128	13.173
% Ch, Annual Rate	14.1	-12.5	3.4	-9.7	-16.8	-0.6	0.6	1.4
Nondurable Manufacturing	3.896	3.845	3.844	3.804	3.568	3.633	3.602	3.578
% Ch, Annual Rate	-1.2	-5.1	-0.1	-4.1	-22.6	7.5	-3.4	-2.6
Nonmanufacturing	126.182	126.388	127.769	125.791	123.473	124.079	123.260	123.624
% Ch, Annual Rate	-1.5	0.7	4.4	-6.1	-7.2	2.0	-2.6	1.2
Other Private Wages	0.881	0.878	0.887	0.947	0.828	0.819	0.901	0.816
% Ch, Annual Rate	7.1	-1.4	4.2	29.9	-41.6	-4.3	46.5	-32.7
Farm Wages	1.389	1.391	1.400	1.416	1.421	1.436	1.445	1.447
% Ch, Annual Rate	106.3	0.6	2.6	4.7	1.4	4.3	2.5	0.6
Military Wages	3.904	3.970	4.146	4.101	4.160	4.179	4.217	4.202
% Ch, Annual Rate	16.3	6.9	18.9	-4.3	5.9	1.8	3.7	-1.4
Nonwage Personal Income	133.440	136.202	137.738	137.537	136.678	138.916	139.254	140.706
% Ch, Annual Rate	7.9	8.5	4.6	-0.6	-2.5	6.7	1.0	4.2
Supplements to Wages and Salaries	35.424	35.762	36.470	36.396	36.600	36.913	36.912	37.063
% Ch, Annual Rate	4.2	3.9	8.2	-0.8	2.3	3.5	0.0	1.6
Proprietor's Income	24.143	23.524	23.444	22.665	21.590	21.330	21.769	21.971
% Ch, Annual Rate	10.0	-9.9	-1.4	-12.6	-17.7	-4.7	8.5	3.8
Farm	1.471	0.907	1.009	0.661	0.524	0.384	0.653	0.625
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.671	22.617	22.436	22.004	21.066	20.946	21.116	21.346
% Ch, Annual Rate	9.3	-0.9	-3.2	-7.5	-16.0	-2.3	3.3	4.4
Less: Contribution For Govt. Soc. Ins.	25.244	25.168	25.393	25.014	24.770	24.898	24.769	24.786
% Ch, Annual Rate	3.0	-1.2	3.6	-5.8	-3.8	2.1	-2.1	0.3
Plus: Residence Adjustment	3.097	3.093	3.034	2.986	2.608	2.584	2.555	2.571
% Ch, Annual Rate	4.7	-0.5	-7.4	-6.2	-41.8	-3.6	-4.4	2.5
Dividends/Int./Rent	59.513	60.204	61.963	61.238	58.672	57.712	57.184	57.397
% Ch, Annual Rate	5.9	4.7	12.2	-4.6	-15.7	-6.4	-3.6	1.5
Transfer Payments	36.508	38.787	38.219	39.266	41.978	45.275	45.603	46.490
% Ch, Annual Rate	10.2	27.4	-5.7	11.4	30.6	35.3	2.9	8.0
State U.I. Benefits	0.865	0.933	1.275	1.715	2.528	3.555	4.171	4.309
% Ch, Annual Rate	26.9	35.4	248.7	227.4	372.1	291.1	89.5	13.9
Other Transfers	35.643	37.854	36.945	37.551	39.451	41.720	41.433	42.180
% Ch, Annual Rate	9.9	27.2	-9.3	6.7	21.8	25.1	-2.7	7.4

Table A3.4 (continued)
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2011 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	288.433	291.774	294.687	297.933	302.828	305.883	310.205	314.058
% Ch, Annual Rate	1.2	4.7	4.1	4.5	6.7	4.1	5.8	5.1
Total Wage and Salary Disbursements	145.446	147.248	149.763	151.323	151.804	153.191	155.498	157.371
% Ch, Annual Rate	-3.7	5.0	7.0	4.2	1.3	3.7	6.2	4.9
Manufacturing	16.153	16.703	17.249	17.209	17.358	17.670	17.993	18.323
% Ch, Annual Rate	-13.5	14.3	13.7	-0.9	3.5	7.4	7.5	7.5
Durable Manufacturing	12.666	13.162	13.621	13.616	13.755	14.031	14.331	14.637
% Ch, Annual Rate	-14.5	16.6	14.7	-0.1	4.1	8.3	8.8	8.8
Nondurable Manufacturing	3.487	3.541	3.627	3.592	3.603	3.639	3.662	3.686
% Ch, Annual Rate	-9.8	6.4	10.1	-3.8	1.2	4.1	2.5	2.6
Nonmanufacturing	122.652	123.875	125.792	127.391	127.633	128.669	130.611	132.157
% Ch, Annual Rate	-3.1	4.0	6.3	5.2	0.8	3.3	6.2	4.8
Other Private Wages	0.809	0.818	0.845	0.876	0.875	0.880	0.887	0.896
% Ch, Annual Rate	-3.6	4.5	14.1	15.7	-0.5	2.1	3.3	4.0
Farm Wages	1.459	1.470	1.481	1.492	1.495	1.507	1.522	1.541
% Ch, Annual Rate	3.4	3.1	3.0	3.0	0.8	3.2	4.2	4.9
Military Wages	4.373	4.382	4.397	4.355	4.443	4.465	4.484	4.454
% Ch, Annual Rate	17.3	0.8	1.4	-3.8	8.3	2.0	1.7	-2.6
Nonwage Personal Income	142.987	144.526	144.924	146.610	151.024	152.692	154.707	156.687
% Ch, Annual Rate	6.6	4.4	1.1	4.7	12.6	4.5	5.4	5.2
Supplements to Wages and Salaries	37.340	37.483	37.944	38.097	38.538	38.791	39.155	39.613
% Ch, Annual Rate	3.0	1.5	5.0	1.6	4.7	2.7	3.8	4.8
Proprietor's Income	22.036	22.364	22.590	22.905	23.291	23.671	24.181	24.542
% Ch, Annual Rate	1.2	6.1	4.1	5.7	6.9	6.7	8.9	6.1
Farm	0.586	0.600	0.851	0.957	1.007	0.978	1.003	0.985
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	21.450	21.764	21.739	21.948	22.285	22.693	23.178	23.558
% Ch, Annual Rate	2.0	6.0	-0.5	3.9	6.3	7.5	8.8	6.7
Less: Contribution For Govt. Soc. Ins.	24.955	25.143	25.447	25.574	23.288	23.514	23.702	23.978
% Ch, Annual Rate	2.8	3.0	4.9	2.0	-31.2	3.9	3.2	4.7
Plus: Residence Adjustment	2.641	2.678	2.697	2.726	2.771	2.820	2.865	2.907
% Ch, Annual Rate	11.3	5.7	2.9	4.4	6.8	7.2	6.7	5.9
Dividends/Int./Rent	58.355	58.644	58.025	58.837	60.071	60.844	61.850	62.943
% Ch, Annual Rate	6.8	2.0	-4.2	5.7	8.7	5.2	6.8	7.3
Transfer Payments	47.570	48.500	49.115	49.619	49.642	50.080	50.357	50.660
% Ch, Annual Rate	9.6	8.1	5.2	4.2	0.2	3.6	2.2	2.4
State U.I. Benefits	4.411	4.237	4.030	3.804	3.234	3.100	3.010	2.942
% Ch, Annual Rate	9.8	-14.9	-18.2	-20.6	-47.8	-15.6	-11.1	-8.8
Other Transfers	43.159	44.263	45.085	45.815	46.408	46.980	47.347	47.718
% Ch, Annual Rate	9.6	10.6	7.6	6.6	5.3	5.0	3.2	3.2

Table A3.4 (continued)
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2011 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	315.334	319.473	324.163	328.135	331.563	336.336	341.661	345.888
% Ch, Annual Rate	1.6	5.4	6.0	5.0	4.2	5.9	6.5	5.0
Total Wage and Salary Disbursements	159.441	161.668	164.297	166.176	168.205	170.543	173.396	175.164
% Ch, Annual Rate	5.4	5.7	6.7	4.7	5.0	5.7	6.9	4.1
Manufacturing	18.679	19.085	19.425	19.766	20.128	20.495	20.758	20.986
% Ch, Annual Rate	8.0	9.0	7.3	7.2	7.5	7.5	5.2	4.5
Durable Manufacturing	14.937	15.285	15.568	15.861	16.170	16.484	16.691	16.860
% Ch, Annual Rate	8.5	9.6	7.6	7.7	8.0	8.0	5.1	4.1
Nondurable Manufacturing	3.741	3.800	3.857	3.905	3.958	4.011	4.067	4.126
% Ch, Annual Rate	6.2	6.4	6.1	5.0	5.6	5.5	5.7	5.9
Nonmanufacturing	133.805	135.650	137.954	139.532	141.098	143.085	145.683	147.255
% Ch, Annual Rate	5.1	5.6	7.0	4.7	4.6	5.8	7.5	4.4
Other Private Wages	0.905	0.914	0.923	0.932	0.941	0.950	0.959	0.967
% Ch, Annual Rate	4.3	3.9	3.9	3.9	4.0	3.9	4.0	3.4
Farm Wages	1.560	1.579	1.598	1.617	1.636	1.656	1.676	1.694
% Ch, Annual Rate	5.2	4.8	4.9	4.8	4.9	4.8	4.9	4.4
Military Wages	4.492	4.440	4.397	4.330	4.401	4.358	4.321	4.263
% Ch, Annual Rate	3.4	-4.5	-3.9	-6.0	6.8	-3.9	-3.3	-5.3
Nonwage Personal Income	155.893	157.805	159.866	161.959	163.358	165.793	168.266	170.724
% Ch, Annual Rate	-2.0	5.0	5.3	5.3	3.5	6.1	6.1	6.0
Supplements to Wages and Salaries	40.270	40.760	41.261	41.797	42.434	43.010	43.556	44.167
% Ch, Annual Rate	6.8	5.0	5.0	5.3	6.2	5.5	5.2	5.7
Proprietor's Income	24.911	25.365	25.664	25.979	26.167	26.534	26.805	27.069
% Ch, Annual Rate	6.1	7.5	4.8	5.0	2.9	5.7	4.2	4.0
Farm	1.012	1.059	1.039	1.009	0.971	0.953	0.940	0.917
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	23.900	24.306	24.624	24.970	25.197	25.581	25.865	26.152
% Ch, Annual Rate	5.9	7.0	5.3	5.7	3.7	6.2	4.5	4.5
Less: Contribution For Govt. Soc. Ins.	27.430	27.723	28.061	28.415	29.734	30.064	30.309	30.651
% Ch, Annual Rate	71.3	4.3	5.0	5.1	19.9	4.5	3.3	4.6
Plus: Residence Adjustment	2.949	2.992	3.036	3.081	3.127	3.176	3.225	3.273
% Ch, Annual Rate	6.0	5.9	6.0	6.1	6.1	6.5	6.2	6.1
Dividends/Int./Rent	63.990	64.835	65.901	66.930	68.087	69.253	70.515	71.762
% Ch, Annual Rate	6.8	5.4	6.7	6.4	7.1	7.0	7.5	7.3
Transfer Payments	51.203	51.577	52.066	52.588	53.277	53.883	54.474	55.104
% Ch, Annual Rate	4.4	2.9	3.9	4.1	5.3	4.6	4.5	4.7
State U.I. Benefits	2.776	2.605	2.427	2.246	2.071	1.876	1.679	1.502
% Ch, Annual Rate	-20.7	-22.5	-24.7	-26.6	-27.7	-32.7	-35.8	-36.1
Other Transfers	48.427	48.972	49.639	50.342	51.206	52.007	52.795	53.602
% Ch, Annual Rate	6.1	4.6	5.6	5.8	7.0	6.4	6.2	6.3

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.507	8.8	0.909	10.4	0.916	10.8
1982	0.535	5.5	0.965	6.2	0.978	6.7
1983	0.558	4.3	0.996	3.2	0.993	1.5
1984	0.579	3.8	1.039	4.4	1.030	3.8
1985	0.598	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.3	1.239	4.8	1.181	4.7
1990	0.721	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.769	2.9	1.403	3.0	1.390	3.7
1993	0.786	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.820	2.2	1.524	2.8	1.522	3.0
1996	0.838	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.927	1.4	1.799	1.6	1.893	2.0
2003	0.946	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.056	2.7	2.073	2.9	2.157	3.9
2008	1.091	3.3	2.153	3.8	2.247	4.2
2009	1.093	0.2	2.145	-0.3	2.260	0.6
2010	1.111	1.7	2.181	1.6	2.267	0.3
Forecast						
2011	1.136	2.2	2.246	3.0	2.323	2.5
2012	1.154	1.6	2.286	1.8	2.364	1.8
2013	1.173	1.6	2.326	1.7	2.405	1.7

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

Statistics and Bureau of Economic Analysis.

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

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	19.285	5.5	25.843	2.3	8.336	6.4	14.588	0.7
1972	20.103	4.2	27.075	4.8	8.388	0.6	14.777	1.3
1973	21.078	4.9	30.502	12.7	9.614	14.6	16.190	9.6
1974	22.868	8.5	35.140	15.2	15.278	58.9	21.871	35.1
1975	24.836	8.6	37.782	7.5	16.578	8.5	23.339	6.7
1976	26.558	6.9	38.484	1.9	17.782	7.3	24.331	4.2
1977	28.560	7.5	40.751	5.9	20.121	13.2	25.740	5.8
1978	30.780	7.8	44.650	9.6	21.275	5.7	26.858	4.3
1979	33.353	8.4	49.035	9.8	29.331	37.9	35.994	34.0
1980	36.805	10.3	53.158	8.4	41.187	40.4	49.955	38.8
1981	40.558	10.2	56.946	7.1	50.390	22.3	55.584	11.3
1982	43.712	7.8	58.444	2.6	49.415	-1.9	52.773	-5.1
1983	46.433	6.2	59.115	1.1	45.558	-7.8	51.047	-3.3
1984	48.850	5.2	60.891	3.0	46.572	2.2	50.283	-1.5
1985	51.053	4.5	61.554	1.1	44.756	-3.9	50.689	0.8
1986	53.379	4.6	63.003	2.4	35.044	-21.7	39.810	-21.5
1987	55.413	3.8	64.991	3.2	35.954	2.6	41.340	3.8
1988	58.127	4.9	66.929	3.0	35.938	0.0	41.691	0.8
1989	60.845	4.7	70.458	5.3	38.077	6.0	45.539	9.2
1990	63.812	4.9	73.900	4.9	45.856	20.4	51.843	13.8
1991	66.586	4.3	76.221	3.1	43.658	-4.8	51.162	-1.3
1992	69.241	4.0	76.806	0.8	41.881	-4.1	50.963	-0.4
1993	71.299	3.0	77.880	1.4	41.592	-0.7	50.446	-1.0
1994	73.205	2.7	79.184	1.7	40.836	-1.8	50.685	0.5
1995	75.371	3.0	80.900	2.2	40.455	-0.9	51.491	1.6
1996	77.479	2.8	83.368	3.1	45.851	13.3	54.646	6.1
1997	79.817	3.0	84.956	1.9	45.927	0.2	54.634	0.0
1998	81.695	2.4	86.024	1.3	40.699	-11.4	47.555	-13.0
1999	83.515	2.2	87.433	1.6	41.395	1.7	51.789	8.9
2000	85.824	2.8	89.486	2.3	60.692	46.6	66.170	27.8
2001	88.429	3.0	92.116	2.9	59.506	-2.0	63.776	-3.6
2002	90.807	2.7	93.528	1.5	53.051	-10.8	59.916	-6.1
2003	93.692	3.2	95.296	1.9	64.182	21.0	69.783	16.5
2004	96.688	3.2	98.267	3.1	74.736	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	33.8	100.000	21.8
2006	103.411	3.4	101.709	1.7	114.090	14.1	112.842	12.8
2007	106.973	3.4	105.728	4.0	123.294	8.1	123.921	9.8
2008	110.566	3.4	112.090	6.0	167.246	35.6	144.451	16.6
2009	112.233	1.5	113.539	1.3	114.671	-31.4	105.862	-26.7
2010	114.156	1.7	113.938	0.4	134.441	17.2	124.964	18.0
Forecast								
2011	115.909	1.5	118.501	4.0	169.384	26.0	155.738	24.6
2012	117.997	1.8	121.067	2.2	174.657	3.1	158.392	1.7
2013	120.390	2.0	122.492	1.2	176.147	0.9	157.734	-0.4

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

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1

Summary of National and State Indicators

Indicator	Latest Data	Indication*
U.S. Leading Index	May 2011	+
U.S. Real GDP Growth	1st quarter 2011	-
U.S. ISM Index	May 2011	-
U.S. Employment YoY%Δ	May 2011	-
U.S. Unemployment Rate	May 2011	-
U.S. Job Openings	April 2011	-
U.S. Fed Funds Target	June 2011	unchanged
U.S. Consumer Confidence	June 2011	-
U.S. Light Vehicle Sales	May 2011	-
U.S. CPI	May 2011	-
U.S. Monster Employment Index	May 2011	-
S&P 500 Index	June 2011	+
WA Leading Index	April 2011	+
WA NAPM-WW Index	May 2011	-
WA Help Wanted Index	May 2011	-
WA Employment YoY%Δ	May 2011	-
WA Aerospace Empl. YoY%Δ	May 2011	+
WA Unemployment Rate	May 2011	+
WA Business Cycle Indicator	April 2011	+
WA Initial Unemploy. Claims	May 2011	unchanged
WA Housing Permits	April 2011	+
WA Weekly Hours in Mfg.	May 2011	+
WA New Vehicle Registration	May 2011	-
WA Migration (DOL data)	May 2011	-
WA Exports-Total	1st quarter 2011	+
WA Exports- w/o Trans. Equip.	1st quarter 2011	+
Seattle CPI	April 2011	-
Seattle Monster Employment Index	May 2011	-

*Change from the previous reading

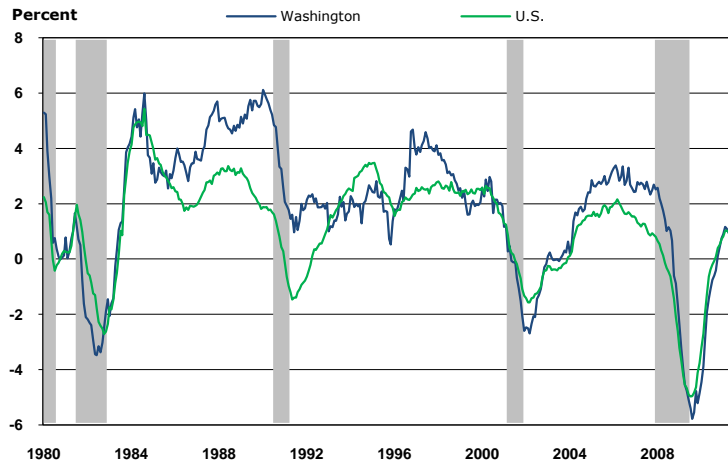
Table A6.2
Washington Business Indicators
 Historical Data

	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	113.1	104.6	116.5	66.4	49.9
2007:02	114.7	104.3	119.8	62.3	52.0
2007:03	114.5	104.7	123.7	64.9	51.3
2007:04	115.0	104.5	127.1	68.4	52.6
2007:05	116.3	104.6	131.7	69.6	52.3
2007:06	115.9	104.4	129.7	67.8	52.4
2007:07	116.5	104.7	127.1	65.4	51.7
2007:08	116.7	104.1	129.1	64.3	50.2
2007:09	117.5	104.1	132.8	58.1	50.0
2007:10	117.7	103.8	131.5	56.8	50.9
2007:11	118.0	103.5	132.7	53.0	51.5
2007:12	117.5	103.4	127.0	58.7	49.0
2008:01	116.5	102.8	120.0	66.7	51.1
2008:02	117.7	102.4	117.4	62.3	48.9
2008:03	118.3	102.4	124.8	55.2	49.0
2008:04	118.8	102.3	123.4	65.0	48.8
2008:05	117.7	102.1	118.8	60.3	48.8
2008:06	118.1	102.2	118.2	63.8	49.0
2008:07	116.9	101.1	112.3	60.2	49.6
2008:08	116.0	100.3	111.2	65.3	48.0
2008:09	115.3	100.2	111.5	48.6	43.8
2008:10	112.9	99.2	106.5	50.9	39.0
2008:11	110.6	98.5	100.8	50.0	36.9
2008:12	110.5	98.2	98.0	42.3	33.3
2009:01	109.8	98.1	92.7	52.8	35.7
2009:02	107.3	97.7	88.2	48.1	36.0
2009:03	105.6	97.4	79.2	40.9	36.6
2009:04	106.5	98.6	78.3	46.7	39.9
2009:05	107.4	99.9	77.6	48.5	41.9
2009:06	108.1	100.6	77.1	50.2	44.7
2009:07	108.6	101.7	79.2	46.7	49.0
2009:08	109.3	102.5	78.8	53.2	51.4
2009:09	109.8	103.6	79.0	52.9	53.2
2009:10	110.4	104.0	78.7	59.5	55.8
2009:11	111.7	105.1	82.0	54.8	54.7
2009:12	112.2	106.2	83.5	61.4	56.4
2010:01	113.0	106.7	85.4	63.0	58.3
2010:02	112.5	107.2	86.4	56.0	57.1
2010:03	113.7	108.6	89.1	56.1	60.4
2010:04	113.9	108.6	92.2	63.2	59.6
2010:05	113.7	109.0	92.8	62.4	57.8
2010:06	113.8	108.8	96.1	63.0	55.3
2010:07	114.6	109.0	96.2	55.9	55.1
2010:08	114.9	109.1	93.0	58.6	55.2
2010:09	115.4	109.9	93.7	60.3	55.3
2010:10	116.5	110.1	95.4	65.8	56.9
2010:11	117.6	111.4	95.4	60.4	58.2
2010:12	118.1	112.3	96.3	61.0	58.5
2011:01	118.7	112.5	101.8	68.0	60.8
2011:02	118.5	113.5	100.3	70.5	61.4
2011:03	119.8	114.3	100.3	65.5	61.2
2011:04	121.9	113.8	104.8	68.2	60.4
2011:05		114.7	102.3	64.7	53.5

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

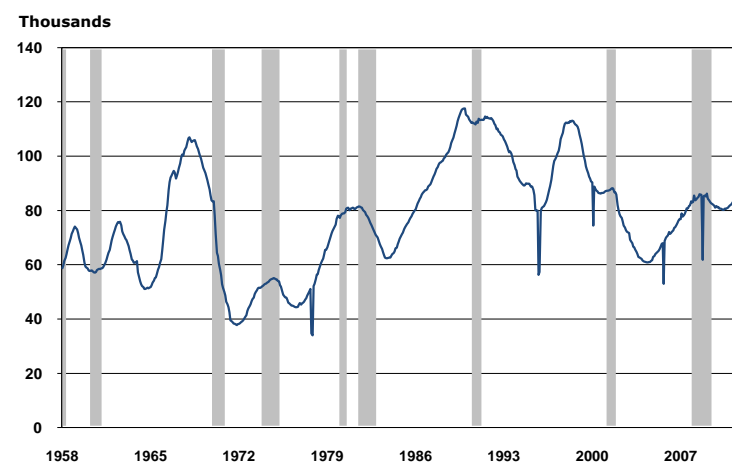
January 1980 to May 2011



* Bureau of Labor Statistics, WA State Employment Security

Washington Aircraft and Parts Employment

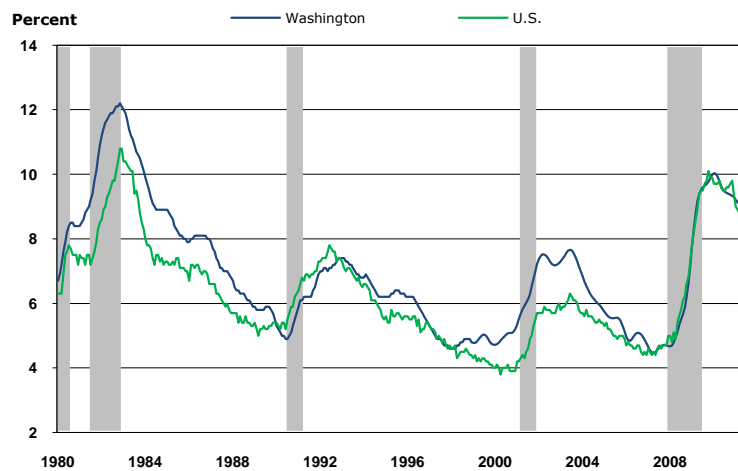
January 1958 to May 2011



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

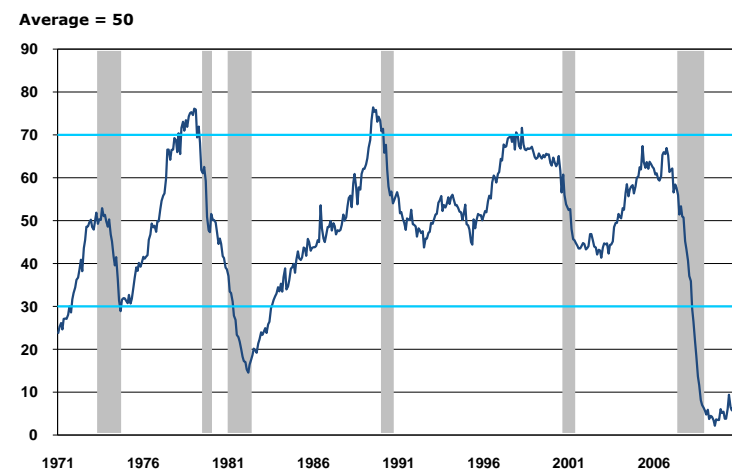
January 1980 to May 2011



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

October 2003 to April 2011, SA



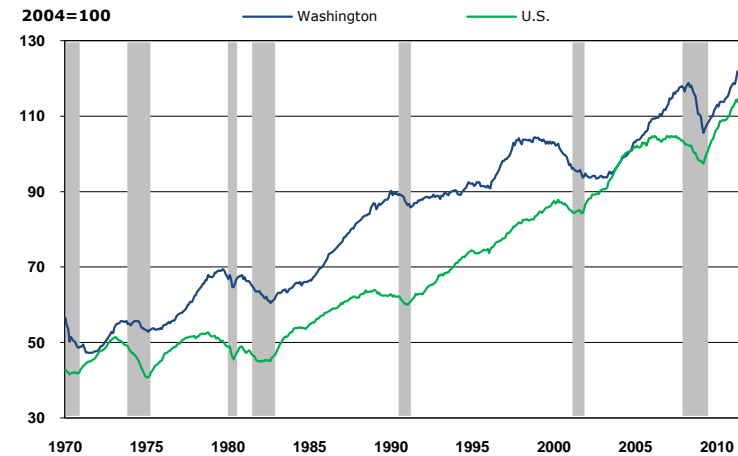
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

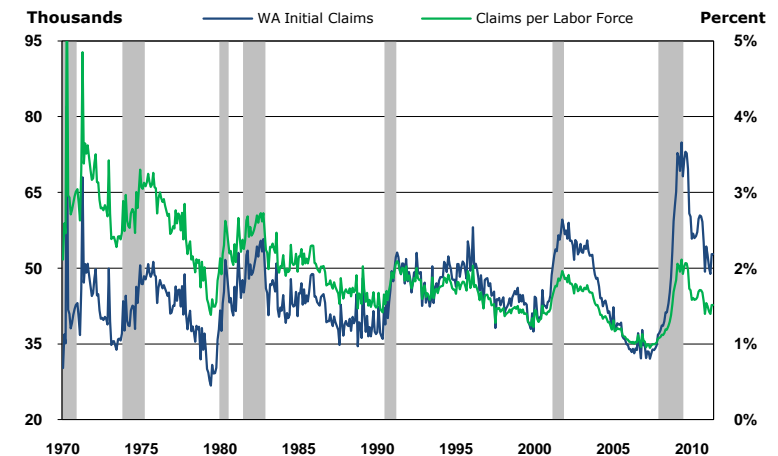
January 1970 to May 2011



* The Conference Board, ERFC

Washington Initial Claims for Unemployment Insurance

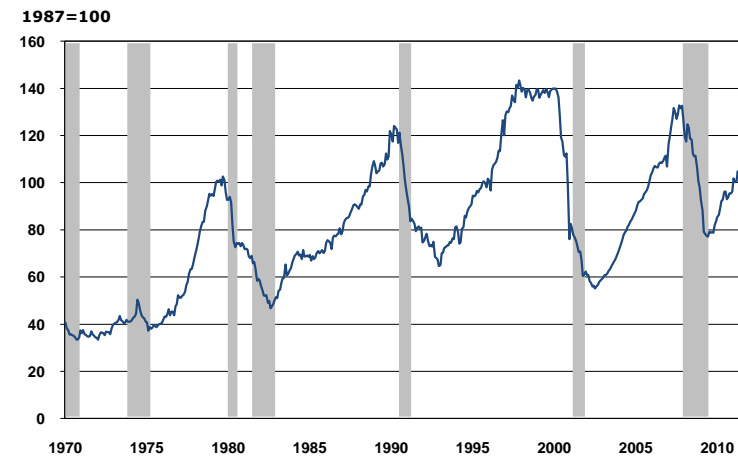
January 1970 to May 2011, S.A.



* Source: WA State Employment Security, ERFC

WA State Help Wanted Index

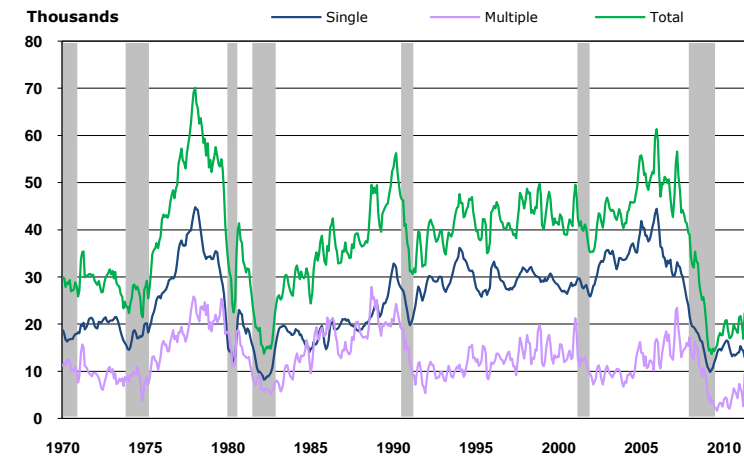
January 1970 to May 2011



* Source: ERFC

Housing Units Authorized in Washington State

January 1970 to April 2011, SA



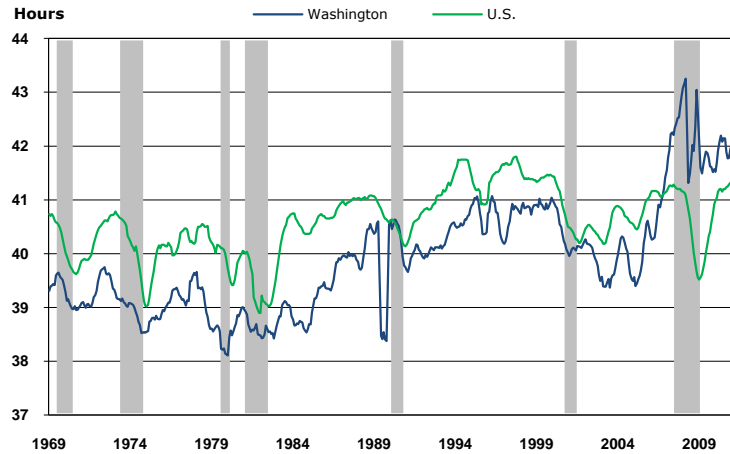
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

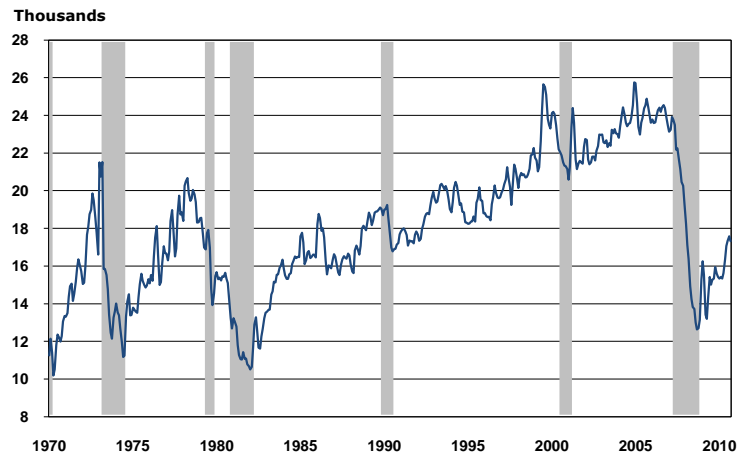
June 1969 to May 2011. 6-Mo. Moving Average. S.A.



* Bureau of Labor Statistics, ERFC

New Car and Truck Registrations in Washington

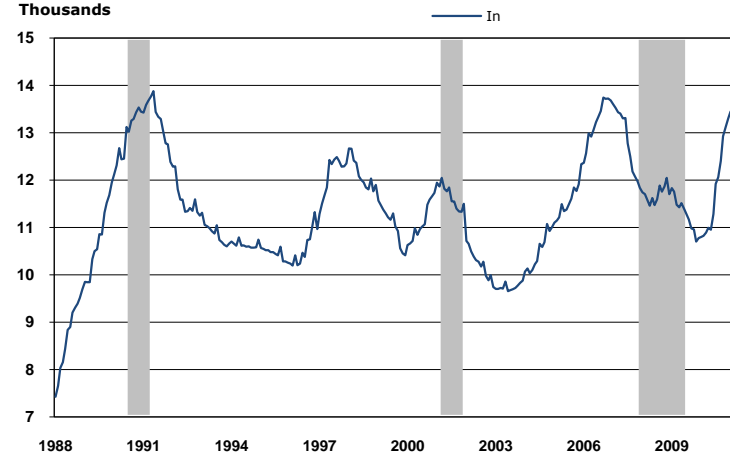
September 1970 to May 2011. 3-Month Moving Average. S.A.



* Source: WA State Department of Licensing, ERFC

Washington Driver's License In-Migration

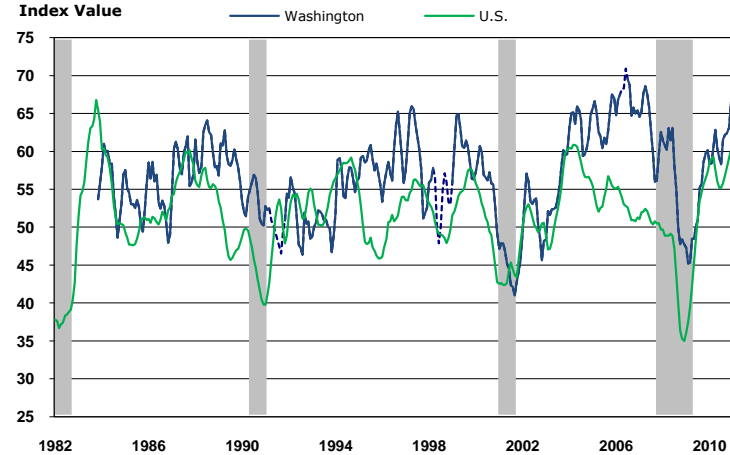
January 1988 to May 2011. 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

October 2003 to May 2011. 3-Month Moving Average. S.A.

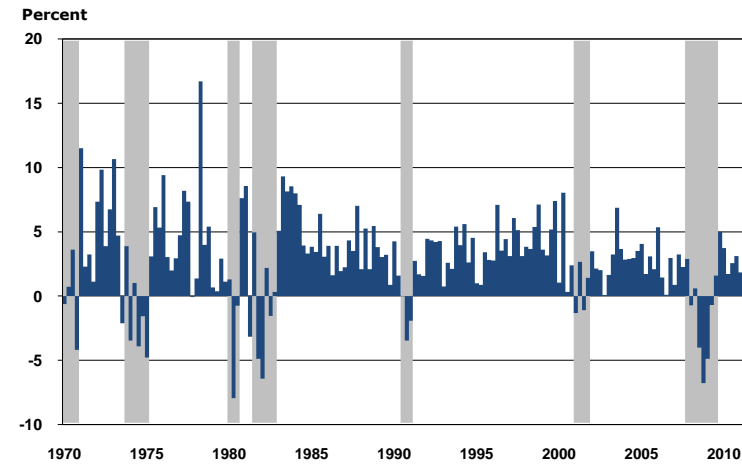


* Source: Institute for Supply Management, NAPM-WW

Figure A7.3: Other Economic Indicators

Quarterly U.S. Real GDP Growth

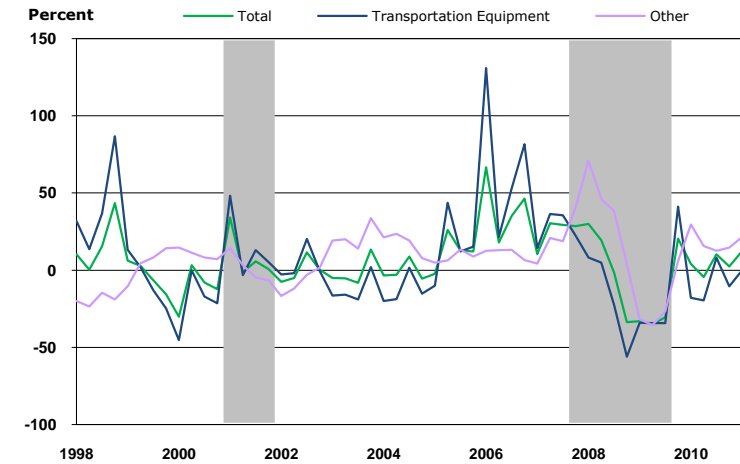
1970Q1 to 2011Q1



* Source: Bureau of Economic Analysis

Washington State Export Composition

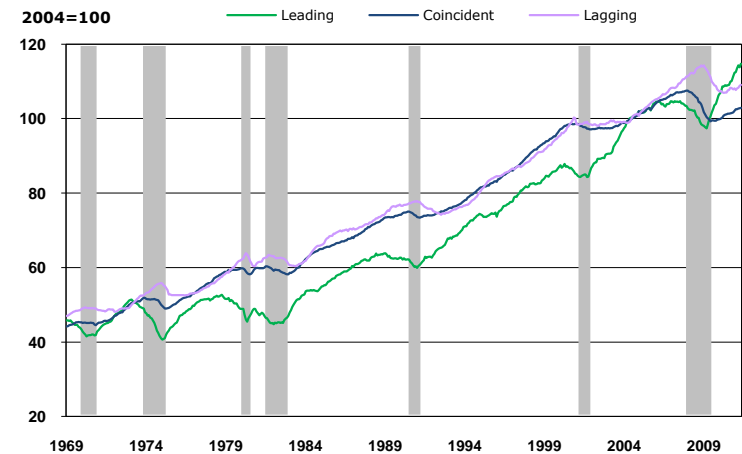
1998Q1 to 2011Q1, Change from Same Quarter Year Ago



* Source: WISER

U.S. Economic Indicators

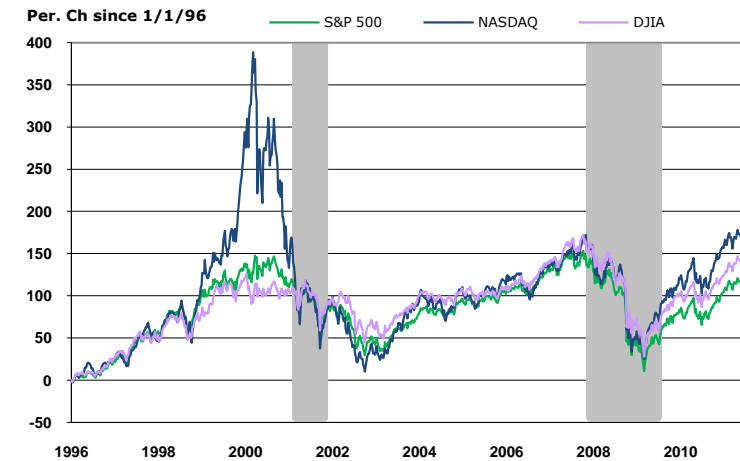
January 1969 to May 2011



* Source: The Conference Board

National Stock Indexes

January 3, 1996 to June 17, 2011



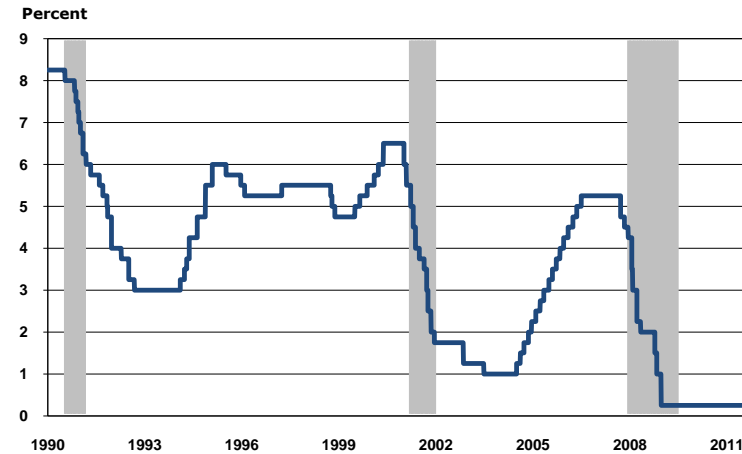
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators

Federal Funds Target Rate

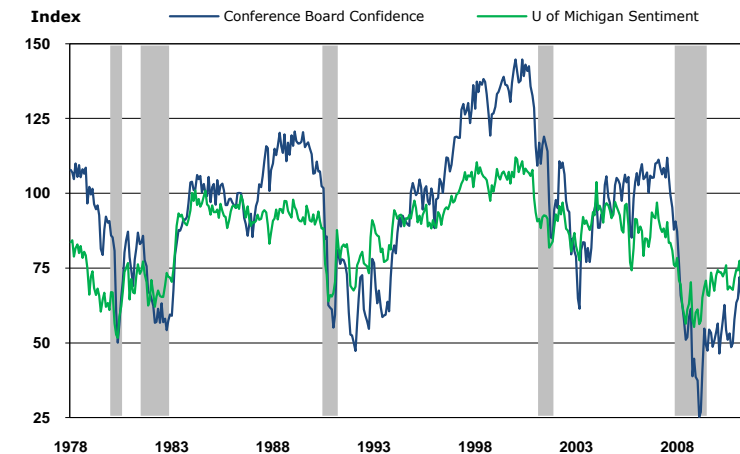
January 1, 1990 to June 23, 2011



* Federal Reserve

Consumer Confidence

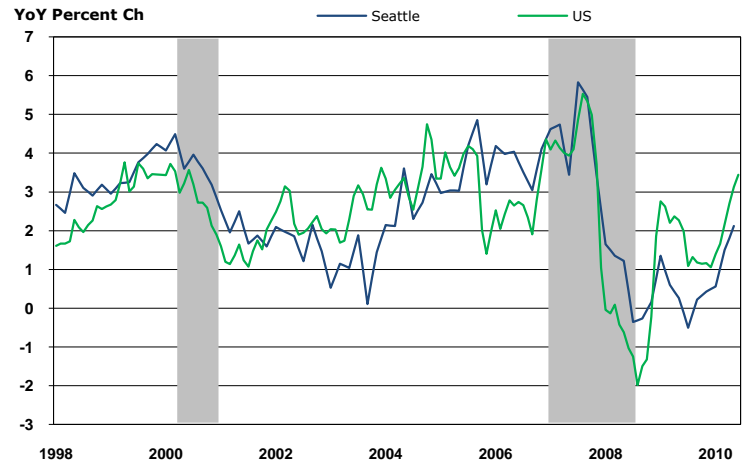
March 1978 to June 2011



* Source: The Conference Board, University of Michigan

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

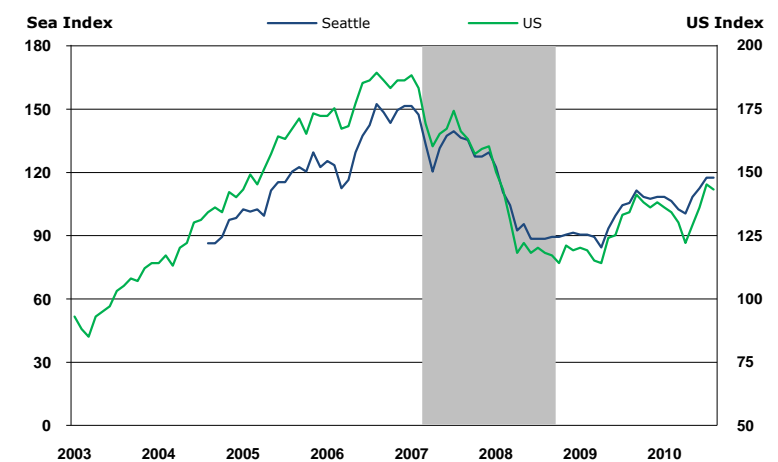
December 1998 to May 2011



* Source: Bureau of Labor Statistics

Monster Employment Index

October 2003 to May 2011, SA



* Source: Monster Worldwide, ERFC

* Shaded areas correspond with national recessions.

Glossary



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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