

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

March 2013
Volume XXXVI, No. 1



Economic and Revenue Forecast Council Members

Representative Ross Hunter, Chair
Representative Terry Nealey
Treasurer Jim McIntire
David Schumacher, Director, OFM

Senator Andy Hill
Senator Jim Hargrove
Carol Nelson, Director, DOR

Forecast Council Staff

Dr. Steve Lerch, Executive Director, Chief Economist
Mr. Bret Bertolin, Senior Economist
Mr. Eric Swenson, Senior Economist
Mr. Lance Carey, Senior Economist
Ms. desirée Monroy, Operations Manager

This Publication is available on the Internet at <http://www.erfc.wa.gov>

Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

March 2013
Volume XXXVI, No. 1

This page left intentionally blank.

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 March 28, 2013

This page left intentionally blank.

Table of Contents

Preface	iii
List of Tables	vi
List of Figures	vii
Executive Summary	1
U.S. Economic Forecast.....	1
Washington Economic Forecast	3
Revenue Forecast.....	4
Chapter 1: U.S. Economy – Current Conditions and Forecast	5
Current Conditions	5
U.S. Forecast.....	14
Forecast by Fiscal Year.....	19
Risks to the Forecast	21
Chapter 2: Washington Economy – Current Conditions and Forecast	27
Current Conditions	27
Washington State Forecast	32
Washington Payroll Employment	32
Washington Personal Income	35
Washington Building Permits	36
Seattle Consumer Price Index	37
Forecast by Fiscal Year.....	38
Alternative Scenarios	39
Chapter 3: Washington State Revenue Forecast Summary	51
Overview.....	51
Recent Collection Experience	53
Revenue Forecasts by Source	55
Department of Revenue	55
Department of Licensing	59
The Office of Financial Management (Other Agencies)	59
State Treasurer.....	60
Insurance Commissioner	60
Liquor Control Board.....	60
Lottery Commission.....	61
Administrative Office of the Courts	61
Track Record for the 2011-13 Biennium	62
Track Record for the 2013-15 Biennium	62
The Relationship between the Cash and GAAP GF-S Revenue Forecasts	62
Budgetary Balance Sheets for the 2009-11 Biennium.....	63
Alternative Forecasts for the 2011-13 & 2013-15 Biennia	63
Near GF-S Forecasts for the 2009-11 and 2011-13 Biennia	63
Appendix	79
Glossary	115

List of Tables

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

Table 1.1	U.S. Economic Forecast Summary	23
Table 1.2	Forecast Analysis	24
Table 1.3	Forecast Comparison	25

Chapter 2: Washington Economy – Current Conditions and Forecast

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

Chapter 3: Washington State Revenue Forecast Summary

Table 3.1	Revisions to the General Fund-State Forecast	52
Table 3.2	Collection Variance of Major General Fund-State Taxes by Agency	53
Table 3.3	General Fund-State Collections	65
Table 3.4	Taxable Retail Sales	66
Table 3.5	General Fund-State forecast by agency, 2011-13 biennium, Cash	67
Table 3.6	General Fund-State forecast by agency, 2011-13 biennium, GAAP	68
Table 3.7	General Fund-State forecast by agency, 2013-15 biennium, Cash	69
Table 3.8	General Fund-State forecast by agency, 2013-15 biennium, GAAP	70
Table 3.9	March 2013 General Fund-State Forecast	71
Table 3.10	Track Record for the 2011-13 General Fund-State Cash Forecast	72
Table 3.11	Track Record for the 2013-15 General Fund-State Cash Forecast	73
Table 3.12	2011-13 Enacted Budget Balance Sheet	74
Table 3.13	Alternative Forecasts Compared to the Baseline Forecast, 2011-13	75
Table 3.14	Alternative Forecasts Compared to the Baseline Forecast, 2013-15	76
Table 3.15	Lottery Transfers by Fund, Cash	77
Table 3.16	Lottery Transfers by Fund, GAAP	77
Table 3.17	General Fund-State: History and Forecast of Components	78

Appendix: Detail Components of the State Economic and Revenue Forecast

Table A1.1	U.S. Economic Forecast Summary, Annual	80
Table A1.2	U.S. Economic Forecast Summary, Quarterly	81
Table A1.3	Washington Economic Forecast Summary, Annual	84
Table A1.4	Washington Economic Forecast Summary, Quarterly	85
Table A2.1	U.S. Nonagricultural Employment by Industry, Annual	88
Table A2.2	U.S. Nonagricultural Employment by Industry, Quarterly	89
Table A2.3	Washington Nonagricultural Employment by Industry, Annual	92
Table A2.4	Washington Nonagricultural Employment by Industry, Quarterly	93
Table A3.1	U.S. Personal Income by Component, Annual	96
Table A3.2	U.S. Personal Income by Component, Quarterly	97
Table A3.3	Washington Personal Income by Component, Annual	100
Table A3.4	Washington Personal Income by Component, Quarterly	101
Table A4.1	Selected Inflation Indicators	104
Table A4.2	Chain-Weighted Price Indices	105
Table A5.1	Washington Resident Population and Components of Change	106
Table A5.2	Washington Population	107
Table A6.1	Summary of National and State Indicators	108
Table A6.2	Washington Business Indicators	109

List of Figures

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

Figure 1.1	Eurozone Real GDP and Consumer Spending Growth	7
Figure 1.2	Initial Claims for Unemployment Insurance	10
Figure 1.3	Case Shiller Composite-20 Home Price Index	13
Figure 1.4	Blue Chip Real GDP Forecasts	15
Figure 1.5	U.S. Real Personal Income	16
Figure 1.6	U.S. Housing Starts	17

Chapter 2: Washington Economy – Current Conditions and Forecast

Figure 2.1	Private Sectors Hours and Earnings	28
Figure 2.2	Washington Housing Units Authorized by Building Permits	29
Figure 2.3	Boeing Orders, Deliveries, and Backlog	30
Figure 2.4	Washington Construction Employment	34
Figure 2.5	Washington Disposable Personal Income	36
Figure 2.6	Washington Housing Units Authorized by Building Permits	37
Figure 2.7	Comparison of Washington and U.S. Economic Forecasts	45
Figure 2.8	Comparison of Alternative U.S. Economic Forecasts	48
Figure 2.9	Comparison of Alternative Washington Economic Forecasts	49

Chapter 3: Washington State Revenue Forecast Summary

Figure 3.1	GF-S Revenue as Percentage of State Personal Income	52
Figure 3.2	Revenue Act Collections	54
Figure 3.3	Taxable Real Estate Excise Activity	55
Figure 3.4	Taxable Sales as a Percentage of State Personal Income	56

Appendix:

Detail Components of the Washington State Economic and Revenue Forecast

Figure A7.1	Washington State Economic Indicators	110
Figure A7.2	Washington State Leading Indicators	111
Figure A7.3	Other State Economic Indicators	112
Figure A7.4	Other Economic Indicators	113

This page left intentionally blank.



Executive Summary

- **The economic forecast is slightly weaker than in November, with lower U.S. GDP and Washington personal income but higher Washington housing permits**
- **The national and Washington economies continue to move forward at a modest pace. Economic fundamentals continue to improve and private-sector growth has firmed.**
- **Federal fiscal policy remains at the forefront of economic uncertainty. Automatic spending cuts and higher taxes have reduced personal income.**
- **The sovereign debt crisis in Europe remains a significant threat to the U.S. economy. If this leads to a financial crisis, the U.S. economy could enter a new recession as well. Slowing Asian economies, and threats to world oil supplies also pose risks to the U.S. economic recovery.**
- **Consumer attitudes appear to be firming after the latest setback caused by fiscal policy missteps, although spending remains subdued. Job growth has been above expectations, and is starting to make a dent in unemployment.**
- **The housing sector has continued to show further signs of improvement and home prices continue to appreciate. The manufacturing sector, which had been a bright spot in the recovery, has lost momentum.**
- **Except for transportation equipment, Washington exports have weakened.**
- **Inflation in the Seattle area has slowed.**
- **We expect the Washington economy to continue to outperform the U.S. economy by a narrow margin.**
- **Due to a \$125 million positive variance in collections since November, forecasted General Fund-State revenue for the 2011-13 biennium has increased by \$59 million despite a decreased outlook for the rest of the biennium.**
- **The weaker economic forecast has resulted in reductions to forecasted revenue of \$19 million in the 2013-15 biennium and \$49 million in the 2015-17 biennium.**
- **The revenue impacts of the weaker overall outlook were softened somewhat by an improved forecast of housing construction and sales.**

U.S. Economic Forecast

The national economy continues to move forward at a modest pace with weak growth and high unemployment. The economy's fundamentals continue to improve and private-sector growth has

The economic recovery remains modest

firmed. Economic activity since the November forecast has generally been in line with the baseline scenario. Despite the pause in growth at the end of last year, the recovery has continued, although there remain several headwinds that could push the U.S. back into recession. We expect the economy to continue to grow and gradually pick up momentum. The housing recovery is gathering momentum across all dimensions. Consumer confidence remains fragile, but the trend appears positive. Policy headwinds from the nation's capital and recent global events have kept uncertainty elevated, however, and have acted as a drag on growth. The level of downside uncertainty in the baseline remains high.

Uncertainty continues to surround federal fiscal policy

There continues to be uncertainty regarding federal fiscal policy. Since the November forecast was adopted, a bill was passed to avoid most of the tax increases and budget cuts that made up the "fiscal cliff." However, there was significant fiscal tightening as the payroll tax on employee wages rose and the top income tax rate for households with taxable income over \$450,000 per year was increased. In addition, automatic sequester spending cuts kicked in on March 1st consisting of \$1.2 trillion in spending reductions over nine years from 2013 through 2021. Unlike fiscal policy, monetary policy remains accommodative. The present monetary policy stance of aggressive monetary expansion until the labor market outlook improves substantially is likely to remain in place.

Troubles in Europe remain a significant threat to the U.S. economy

Europe remains a significant threat to the U.S. economy. Europe has entered into another recession, further complicating the debt troubles faced by many countries. The unemployment rate has continued to increase for the past two years and again hit a record high of 11.9 percent in January. Growth in gross domestic product in the 17 country Eurozone has been negative for five consecutive quarters, fueled in part by weakness in consumer spending. The combination of negative economic growth and rising borrowing costs puts countries like Greece, Spain and Italy at increased risk of default.

GDP growth has been weak, but is expected to pick up

The U.S. economy grew at a dismal 0.4% annualized rate (SAAR) in the fourth quarter of 2012. This was down from the third quarter's 3.1% growth. The Blue Chip Consensus GDP forecast, our starting point each forecast cycle, now calls for real GDP growth of 1.9% in 2013 and 2.7% in 2014. Real GDP growth is down slightly from the previous forecast in 2013 and 2014 which had called for growth of 2.0% and 2.8%. Real GDP growth is expected to be 3.1% in 2015, 2.9% in 2016, and 2.8% in 2017.

The housing sector continues to improve...

The housing sector has continued to show further signs of improvement. The level of activity is not yet back to normal, but it is clear that the sector has finally turned a corner. New home sales, single-family housing starts, and single-family permits

...while manufacturing has slowed

have all continued trending up in recent months. Prices have been increasing as well, helped by tight inventories. While housing has returned to growth, the manufacturing sector has lost momentum. The sluggish growth in the manufacturing is likely to continue in the near term as the effects of the sequester materialize, conditions in Europe deteriorate, and uncertainty of U.S. fiscal policy drags on.

Washington Economic Forecast

The revisions to the forecast were small

The Washington State forecast is based on a new national forecast that is very similar to the forecast adopted in November. As a result, the revisions to the state forecast were also minimal.

Housing construction has been higher than expected

The Washington housing recovery continues to exceed our expectations. Total housing units authorized by building permits averaged 31,000 (SAAR) in the fourth quarter, up from 28,000 in the third quarter. The November forecast had expected 28,300 units. The forecast variance was mostly in the single-family segment where permits averaged 19,500 units in the fourth quarter compared to our November forecast of 17,200 units. This was the strongest quarter for single-family housing since the first quarter of 2008. Multi-family permits came in at 11,500 units, slightly better than our forecast of 11,100 units. Initially the housing recovery in Washington was mostly in the multi-family segment but this is changing. Single-family as well as multi-family permits rose during 2012.

Exports are growing thanks to Boeing

Export growth weakened but remained positive in 2012. Total Washington exports rose 16.6% in 2012, down slightly from the 21.4% growth rate in 2011. The continued strong growth in exports was mostly due to acceleration in exports of transportation equipment (mostly aircraft) from a 17.4% growth rate in 2011 to 36.0% in 2012. Outside of transportation equipment, exports struggled to maintain positive growth, slowing from 24.6% in 2011 to just 1.7% in 2012.

Seattle inflation has slowed

Inflation in the Seattle metropolitan area has cooled substantially since last summer. As of February 2013, the all items Seattle CPI was up just 1.8% over the previous February, down from 2.7% inflation last June. Seattle core inflation in February 2013 was also 1.8%, down from 3.0% eight months earlier. The main reason for the reduction in Seattle area inflation was shelter costs which rose 3.9% YOY in June 2012 but only 2.1% in February 2013.

Washington is outperforming the U.S. in income growth

In late March, after our forecast adoption, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released preliminary state personal income estimates for the full year of 2012. According to these estimates, Washington personal income rose to \$313.2 billion in 2012 from \$299.7 billion in 2011. The 4.5% increase in Washington personal income was the 4th

largest among the states and District of Columbia, and substantially exceeded the 3.5% increase for the U.S. as a whole. Our well above average performance in 2012 was largely due to our two marquee industries, aerospace and software.

Revenue Forecast

The March economic forecast was weaker overall than November's but had a stronger forecast of housing permits and sales

Differences between the March and November forecasts stemmed from the differences between November's assumptions of federal budget decisions and the current state of those decisions. The November forecast assumed the federal payroll tax cuts would be maintained, but instead they were eliminated. The forecast had also assumed that the spending cuts known as the "sequester" would largely be avoided, but now they are forecasted to go into effect through June. Although state revenue collections have been coming in above the November forecasts, the impacts of the payroll tax increase and spending cuts have reduced forecasted collections for the rest of the current biennium and a weaker outlook going forward has reduced the forecast for the next two biennia as well. The negative impacts, however, were lessened by an improved outlook for housing construction and sales, which increased forecasted revenue from those sectors.

*GF-S forecast change by biennium (millions):
11-13: +\$59
13-15: -\$19
15-17: -\$49*

As of March 10th, revenue collections were \$125.5 million ahead of the November 2012 forecast. For the remainder of the current biennium, \$66.7 million was subtracted from the forecast, for a total increase of \$58.8 million. Changes to the economic forecast resulted in reductions of \$19.3 million in forecasted revenue in the 2013-15 biennium and \$48.7 million in the 2015-17 biennium. With these revisions, GF-S revenue for the 2011-13 biennium is forecasted to total \$30,536.2 million and revenues for the 2013-15 and 2015-17 biennia are forecasted at \$32,541.4 million and \$35,306.2 million respectively.



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

- **The national economy continues to move forward at a modest pace. The economy's fundamentals continue to improve and private-sector growth has firmed. There remain several headwinds that could push the U.S. back into recession.**
- **Federal fiscal policy remains at the forefront of economic uncertainty. On March 1, 2013, automatic sequester spending cuts kicked, potentially leading to \$1.2 trillion in spending reductions over nine years.**
- **The sovereign debt crisis in Europe remains a significant threat to the U.S. economy. If this leads to a financial crisis, the U.S. economy could enter a new recession as well. Slowing Asian economies and threats to world oil supplies also pose risks to the U.S. economic recovery.**
- **The U.S. economy grew at a dismal 0.4% annualized rate (SAAR) in the fourth quarter of 2012. However, payroll employment has picked up and continues to chip away at unemployment.**
- **Consumer attitudes appear to be firming after the latest setback caused by fiscal policy missteps. Consumer spending remains subdued.**
- **The housing sector has continued to show further signs of improvement. Housing starts have strengthened, boosted by low inventory. Home prices continue to appreciate, which is critical for the recovery in housing.**
- **The manufacturing sector, which had been a bright spot in the recovery, has lost momentum. While this sector is not dragging down the recovery, it is no longer substantially adding to growth either.**
- **The housing sector remains the most significant upside risk. Despite the relatively small change in the economic forecast, downside uncertainty remains elevated.**

Current Conditions

The economic recovery remains modest

The national economy continues to move forward at a modest pace with weak growth and high unemployment. The economy's fundamentals continue to improve and private-sector growth has firmed. Economic activity since the November forecast has generally been in line with the baseline scenario. Despite the pause in growth at the end of last year, the recovery has continued, although there remain several headwinds that could push the U.S. back into recession. We expect the economy to

continue to grow and gradually pick up momentum. The housing recovery is gathering momentum across all dimensions. Consumer confidence remains fragile, but the trend appears positive. Policy headwinds from the nation's capital and recent global events have kept uncertainty elevated, however, and have acted as a drag on growth. The level of downside uncertainty in the baseline remains high.

A "fiscal cliff" deal was signed that cut spending and increased taxes

Since the November forecast was adopted, a bill was passed to avoid most of the tax increases and budget cuts that made up the "fiscal cliff." However, there was significant fiscal tightening as the payroll tax on employee wages rose (from 4.2% to 6.2%) and the top income tax rate for households with taxable income over \$450,000 per year was increased from 35% to 39.6%. The November forecast had assumed the tax increases would be delayed and that the 2% payroll tax cut would be extended for 2013 and then phased out over several years. In total, the November forecast assumed \$66 billion in fiscal tightening for 2013 while the actual bill resulted in a tightening of \$148 billion. The payroll tax cut is expected to reduce GDP growth this year by 0.4 percentage points while total fiscal tightening initiated in 2013 is expected to subtract 0.7 percentage points from GDP growth.

Monetary policy will remain accommodative

Unlike fiscal policy, monetary policy remains accommodative. The present monetary policy stance of aggressive monetary expansion until the labor market outlook improves substantially is likely to remain in place. At the Federal Open Market Committee (FOMC) meeting on March 19-20, the Federal Reserve announced no policy change despite acknowledging that the economy has improved. The committee decided to keep its purchases of mortgage-backed securities and Treasury bonds unchanged at \$40 billion per month and \$45 billion per month respectively. The Fed also reiterated its pledge to keep the fed funds rate near 0% as long as the unemployment rate is above 6.5% and inflation below 2.5%. However, it continues to look as if the economy is caught in a classic "liquidity trap" where monetary policy playing a lone hand has lost its effectiveness. Interest rates are already at a historically low level and lowering the rates further is unlikely to solve the major problems affecting the economy. In such conditions, for macroeconomic policy to be effective, both monetary and fiscal policies need to be working in tandem. That is not the case, which compelled the Federal Reserve Board to state that fiscal policy has become somewhat more restrictive, something it usually refrains from.

The crisis in Europe remains a significant threat to the recovery

In addition to the threat of policy miscalculations domestically, the sovereign debt crisis in Europe remains a significant threat to the U.S. economy. Europe has entered into another recession, further complicating the debt troubles faced by many countries. The unemployment rate has continued to increase for the past two years and again hit a record high of 11.9 percent in January.

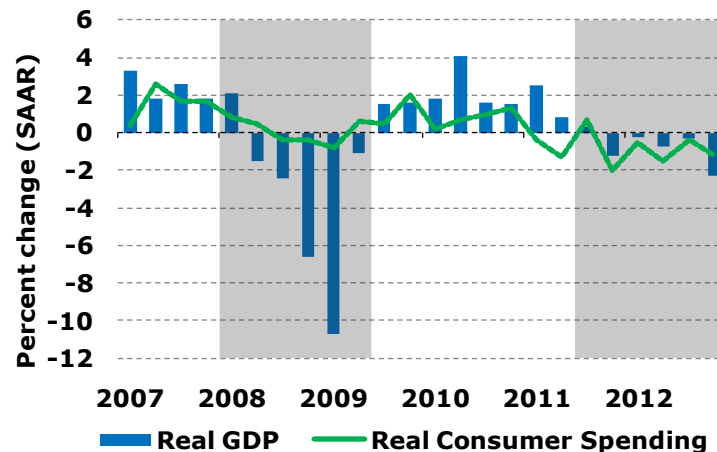
The youth unemployment situation (those under the age of 25) has been even worse and is now at 24.2 percent. Growth in gross domestic product in the 17 country Eurozone has been negative for five consecutive quarters, fueled in part by weakness in consumer spending (see Figure 1.1). Consumer confidence in the Eurozone continues to deteriorate and adds to concerns that the region is likely heading for continued contraction. France and Germany, the two largest economies in the Eurozone, had the largest drops in confidence in March. Struggling southern periphery countries continue to struggle as well. The combination of negative economic growth and rising borrowing costs puts countries like Greece, Spain and Italy at increased risk of default.

Cyprus was the latest country to highlight the weakness in Europe

Cyprus, the latest country to narrowly avoid default, had to hold emergency talks with European lenders to secure a financial bailout needed to keep the country's banks from collapsing. The fallout shook confidence in other European countries where banks are in a precarious position. An escalation of the crisis could cause panic financial markets and further weaken economic growth. If the financial sector deteriorates, this would ultimately have a negative impact on markets for goods and services and the U.S. economy could enter a new recession as well. Apart from potentially causing financial markets to seize up, the European sovereign debt problems threaten U.S. exports in three ways - by weakening European growth, by strengthening the dollar via a "flight to safety" and by negatively affecting Asian economies.

Figure 1.1: Eurozone Real GDP and Consumer Spending Growth

The Eurozone remains in a prolonged recession



Source: Eurostat, Centre for Economic Policy Research; data through 2012 Q4

The weakness in Europe has contributed to a slowdown in Asia

The weakness in Europe has contributed to a slowdown in Asia as well. In particular, we continue to expect modest growth in China due to their reliance on exports for growth. Chinese GDP growth had declined for seven consecutive quarters until the fourth quarter reading of 7.9% growth year-over-year, up from 7.4% in the third quarter. While this eased concerns that China was in a downward spiral, recent news suggests that growth may again be receding while inflation is rising. Weak external demand has taken a toll on the Chinese economy as have political tensions between China and Japan. Policy leaders have also had to manage a real estate bubble which could cause tighter controls by the central bank. The once-a-decade leadership change in China has recently taken place, but so far it is unclear what new policy positions the new leaders will take and what impacts this will have on the Chinese economy.

GDP growth in the fourth quarter was dismal

The U.S. economy grew at a dismal 0.4% annualized rate (SAAR) in the fourth quarter of 2012 according to the Bureau of Economic Analysis. This was revised up from 0.1% growth in the previous estimate and is down from the third quarter's 3.1% growth. The weak growth was driven by sharp declines in inventory accumulation and federal defense spending while exports also fell significantly. Nonresidential fixed investment, imports, and consumer spending growth all accelerated. Going forward, the inventory cycle, which reduced GDP by 1.5 percentage points in the fourth quarter, should cease to be a drag on overall GDP growth. Federal defense spending, which fell at a 22.1% rate, reduced GDP by 1.2 percentage points as cuts came from non-military personnel, suggesting the military has been aggressively preparing for sequestration. Consumer spending, which grew at a 1.8% rate, was lifted at the end of 2012 as businesses rushed to pay dividends and bonuses ahead of anticipated tax increases. Consumer spending growth is expected to remain weak in the current quarter due to the elimination of the 2% payroll tax cut. Business fixed investment turned positive, growing at a 13.2% rate after declining at a 1.8% rate in the third quarter. Residential fixed investment increased at a 17.6% rate as the housing recovery continued to unfold.

Real disposable income has been volatile due to policy changes

Rising personal income is a key for confidence to rise and personal consumption expenditures to improve. Recently, income growth has been volatile due to government policy changes. Real disposable personal income increased 0.7% in February after plummeting 4.0% in January and spiking 2.7% in December. Dividend and bonus payment changes due to anticipated and realized tax changes have been responsible for much of this volatility and accounted for the large growth in income in February. Also dragging down growth the past two months has been the elimination of the 2% payroll tax cut. Excluding all the special effects and the estimated impact of Hurricane Sandy in November, nominal personal income growth has averaged about 0.4% the past four months. Even with the drops in income,

spending growth remains moderate, causing the saving rate to plummet since December. In February, the saving rate was 2.6%, up from 2.2% in January but down from 6.4% in December. Wage and salary disbursements grew 0.6%, reversing the 0.6% decline in January. Government transfers grew 0.4% in February, up from 0.2%. Income from dividends and interest, which is responsible for the recent volatility, increased 3.6% in February after dropping 17.2% in January.

Employment growth has been better than expected

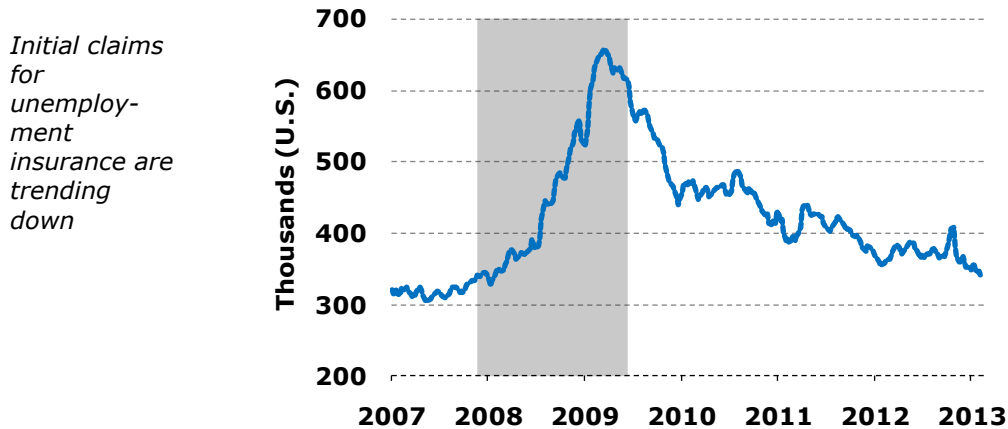
Employment growth has been better than expected in the November forecast. Nonfarm payroll employment increased by 236,000 in February, although January and December figures were revised down by a combined 15,000 jobs. Private sector payrolls added 246,000 while government payrolls fell 10,000. Private sector job gains have now been above 200,000 for four of the past five months. Payroll gains were spread across a wide swath of both goods-producing and services-providing industries in February. Construction employment gained 48,000, boosted by the ongoing recovery in the housing market while manufacturing employment gained 14,000 despite weaker orders for producers. The private services industries gained 179,000, with professional and business services leading the way, gaining 73,000 jobs. While job gains have continued to trend upward, job growth has been much slower than is typical for a recovery. Sixty-three months after the start of the last recession, we are still 2.9 million jobs below pre-recession employment.

The labor market is improving

The recent level of job growth is starting to become sufficient enough to absorb some unemployed workers as well as welcome some new entrants. The February unemployment rate fell to 7.7% from 7.9% due to a combination of a decline in the labor force and rising employment. Joblessness, however, remains high with nearly 12.0 million people unemployed by the traditional measure. The most comprehensive measure of underemployment, which includes those marginally attached to the labor force, plus total employed part time for economic reasons, declined as well, from 14.4% to 14.3% in February. Those out of work for a long time are still having a tough time getting back into the workforce. The number of Americans unemployed for six months or longer went up by 89,000 in February to a total of 4.8 million. The average duration of unemployment rose as well to 36.9 weeks in February, up from 35.3 weeks in January. The labor-force participation rate, which measures the percentage of working-age people in the workforce, dropped to 63.5%, the lowest in 30 years. The number of seasonally adjusted new unemployment insurance claims points to a slowly recovering labor market as well. Despite increasing in the latest week, initial claims remain on a downward trend and are almost back to pre-recession levels (see Figure 1.2). For the week ending March 23rd, four week moving average of initial claims increased by 2,500 to 343,500. The latest reading is down 5.6% from a year ago and down 47.9% since the peak in 2009. In the five year period prior to the

2007-09 recession, the number of new claims for unemployment insurance averaged 343,200, just below the latest March reading. The average workweek increased slightly and appears to have stabilized after falling in the second half of last year indicating employers are confident enough to increase hours and add to payrolls.

Figure 1.2: Initial Claims for Unemployment Insurance, 4-Week Moving Average, Seasonally Adjusted



Source: U.S. Department of Labor; data through March 23, 2013

Consumer confidence is starting to improve after faltering after November

After years of pessimism following the 2007-09 recession, consumers finally started feeling optimistic in the second half of last year, pushing confidence measures to post-recession highs. However, political scuffling after the November elections surrounding the fiscal cliff again caused consumer attitudes to fall. The failure to come up a deal to avoid the automatic sequestration sending cuts further suppressed confidence, as did rising gasoline prices. Also, the removal of the 2% payroll tax cut is likely to have a dampening impact as consumers continue to see smaller paychecks. Despite this, consumer attitudes appear to be slowly, although sporadically, moving up again. The labor market recovery has accelerated recently and equity markets are hitting all-time highs. The housing market recovery has also continued and people are feeling more confident about the value of their home, typically their largest asset. Also, the initial impact to confidence due to sequestration has worn off and a majority of consumers have felt few or no adverse effects to date. The most recent reading of consumer sentiment from the University of Michigan shows that confidence increased 1.0 point in March after increasing 3.8 points in February. The conference board reading, however, dropped 8.3 points in March after increasing 9.6 points in February. The decline was led by souring perceptions of future conditions. In total, it appears economic fundamentals are continuing to firm causing consumer attitudes to trend upward, although policy missteps have periodically dampened this trend.

Business confidence has improved since the lows late last year

The National Federation of Independent Business (NFIB) small business optimism index increased to 90.8 in February from 88.9 in January. While an improvement, the number is still consistent with recessionary readings and lower than earlier in the year. The index is still around the levels observed in late 2010, suggesting that the economy has not made much progress from a small business perspective. However, the survey has reflected some positive signs recently. Of the ten components of the index, eight improved and only one fell. There were large gains in capital spending and inventory investment plans, although both readings remain low by historical standards. On the other hand, outlook for business conditions remains low and actual sales and earnings continue to decline. While the primary reason for a negative outlook on expansion remains poor economic conditions, the percent of owners viewing the current period as a bad time to expand due to the political climate remains elevated at 15%.

Lending standards have eased

Credit market conditions have improved since the meltdown that followed the collapse of Lehman Brothers in September 2008. The Federal Reserve Board's January survey of senior loan officers shows a continuation of gradual easing of lending standards. Banks modestly loosened lending standards to both large and small businesses and demand for these loans was modestly stronger as well. Banks also loosened standards at a faster rate on commercial real estate loans, prime mortgages (i.e., traditional mortgages to borrowers with high credit standards), and consumer auto loans. Standards on consumer credit card loans were also loosened slightly, but at the slowest rate in almost three years. Demand for traditional mortgage loans was also stronger, consistent with a strengthening housing market and record low interest rates.

Oil prices are declining

After increasing early in the year and finally peaking at over \$117 per barrel in February, oil prices have softened to \$107 per barrel for Brent crude oil. Gasoline prices have followed, peaking at \$3.85 per gallon (for all grades) in late February before finally retreating to \$3.75 per gallon in late March. Gas prices are now 5.7% lower than a year ago. U.S. and Canadian oil production will rise as Iranian output remains depressed due to economic sanctions. Uncertainty over Iran's response to those sanctions is likely to keep oil and gasoline prices volatile for the near future. Headline inflation has remained modest even as prices have been relatively volatile. Energy prices increased 5.4% in February caused by rising gasoline prices and are now up 2.3% year-over-year. Food prices moved up slightly, increasing another 0.1%, and are now up 1.6% year-over-year. The consumer price index (CPI) increased 0.7% and is now up 2.0% year-over-year in February, the highest since October 2012. Core inflation, which excludes food and energy, rose 0.2% due to rising shelter costs, although it remains up just 2.0% year-over-year in February.

The housing sector continues to improve

The housing sector has continued to show further signs of improvement. The level of activity is not yet back to normal, but it is clear that the sector has finally turned a corner. New home sales, single-family housing starts, and single-family permits have all continued trending up in recent months. Housing starts are 28% above their year-ago level after increasing another 7,000 units (SAAR) to 917,000 units (SAAR) in February. The growth in housing starts remained solid in recent months and is now just shy of the 1 million unit level last seen in mid 2008. Multi-family construction increased 4,000 (SAAR) units in February and is now 21% above year ago levels. Single-family starts increased 3,000 units (SAAR) in February, and are up 31% from a year ago. There remains a considerable level of underlying demographic demand as people have put off forming new households due to weakness in the economy. Overbuilding during the boom years also contributed to the depressed level of new starts. Now that these issues are diminishing, new homes will have to be built to meet the ever increasing demand from population growth.

The trend in home sales is improving

Existing homes sales continue to increase, providing another indication of recovery in the housing market. Sales were up 0.8% in February to 4.98 million (SAAR), the highest since November 2009 when the first-time homebuyer's credit boosted sales. Inventories increased for the first time since last spring by 9.6% to 1.94 million in February. Even with the increase, the market remains tight with just 4.7 months of supply which has contributed to recent price gains. Banks have continued to release more distressed homes on the market, but the negative effect on prices is diminishing. Shortages of homes for sale have developed in some western markets, driving the 23% year-over-year increase in median home prices in this region. Despite strength in the housing market, sales of new homes decreased in February to 411,000 (SAAR) from 431,000 (SAAR) in January. The trend, however, remains strongly positive. February's pace of sales is the second strongest since April 2010. Also, the February sales number was hampered by concerns in late 2012 of fiscal austerity, when the decision to buy these homes was made. The market for new homes remains tight as well. Even with the number of new homes available increasing in five of the last six months, the months of supply in February remains near a historic low at 4.4.

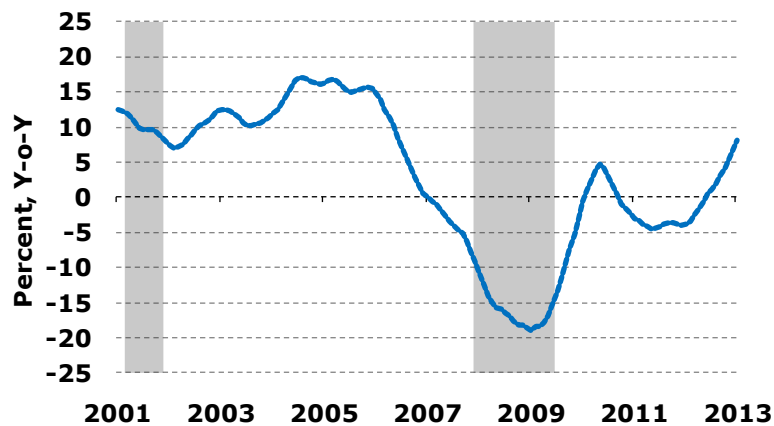
Home prices continue to rise

Home prices have continued to increase after years of decline surrounding the 2007-09 recession. This had been a major hurdle to housing market recovery. Potential buyers were reluctant to enter the market when home values were declining. Banks are also less willing to lend against depreciating collateral. According to data from CoreLogic, overall home prices increased in January by 0.6% and were up 9.7% from a year ago. Prices of distressed properties have also rebounded and are up 9.6% in January over last year. The seasonally adjusted Case-Shiller 20-city home price index increased 1.0% in January from the

previous month, the twelfth consecutive monthly increase. The index is now 8.1% above the year-ago level (see Figure 1.3). Even with the recent increase in home prices, affordability remains high due to record low mortgage rates. Price appreciation has been above expectations in recent months. Tight market conditions have outweighed downside effects of foreclosed properties hitting the market. Longer-term equilibrium will depend on how the federal government unwinds its ownership of Fannie Mae and Freddie Mac, the largest players in the secondary mortgage market.

Figure 1.3: Case Shiller Composite-20 Home Price Index, Seasonally Adjusted

Home price appreciation is accelerating



Source: S&P/Case-Shiller; data through January 2013

The manufacturing sector has lost momentum

The manufacturing sector, which had been a bright spot early in the recovery, has lost momentum. According to the Federal Reserve's latest G-17 report, manufacturing output increased 0.8% (SA) in February after falling 0.3% in January. Output growth has slowed the past twelve months after strong growth early in the recovery. Durable goods output increased 1.2% in February with strong gains in motor vehicles and parts, up 3.6%. Total manufacturing output remains 2.0% above last year while durable goods output is up 3.8%. Orders for core capital goods (nondefense capital goods excluding aircraft) declined by 2.7% in February, the largest decline in seven months. The decline followed a surge of growth of 6.7% in January. The trend remains modestly positive as businesses continue to look at expansion and modernization despite consistent headwinds. The Institute of Supply Management (ISM) Report on Business indicated that activity in the manufacturing sector slowed in March after gradually picking up steam the past two months. The ISM index declined to 51.3 from 54.2 this past month. Details were generally weak as new orders and production fell sharply, each down by more than 5 points. The employment component,

however, increased to 54.2, the third gain in the past four months. Aside from the first two months of 2013, factory production has been flat as the ISM index has hovered just above the 50 point threshold for growth. The sluggish growth in the manufacturing is likely to continue in the near term as the effects of the sequester materialize, conditions in Europe deteriorate, and uncertainty of U.S. fiscal policy drags on.

Global economic growth is expected to rebound in the first quarter

Economic growth in the world's largest developed economies will accelerate this year, according to the Organization for Economic Cooperation and Development (OECD). Strength in the United States and Japan is expected to help to offset the continuing struggle in Europe. After contracting by 0.5% (SAAR) in the fourth quarter of 2012, the Group of 7 industrialized nations (G-7) is expected to grow 2.4% (SAAR) in the first quarter and 1.8% (SAAR) in the second quarter of this year. Japan, which has committed to eliminating deflation, is expected to grow 3.2% (SAAR) in the first quarter of 2013 and 2.2% (SAAR) in the second quarter. The OECD expects continued weakness in the Eurozone, with Germany returning to growth (2.3%) in the current quarter while growth in the remaining nations is slow or negative. Britain is expected to return to positive growth as well after declining 1.2% (SAAR) in the fourth quarter. Going forward, economic growth in the developing nations is expected to continue to outpace growth in the advanced economies.

Forecast

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

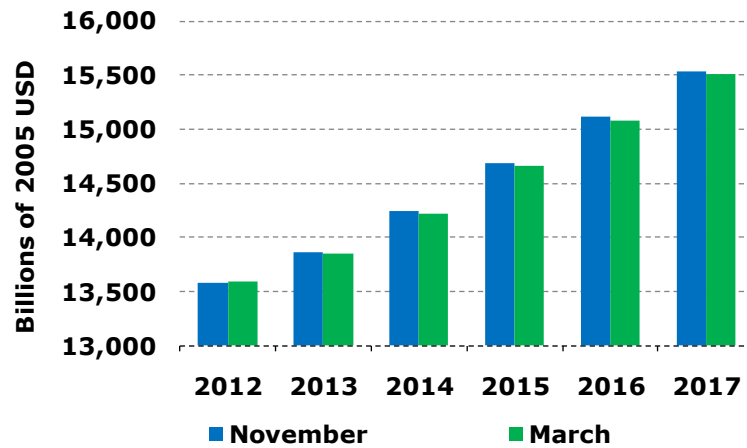
The March 2013 economic forecast was based on a modified version of Global Insight's March 2013 Control forecast for the U.S. economy. As in November, the U.S. real GDP forecast was adjusted to match the Blue Chip Consensus GDP forecasts for 2013 and 2014. We also incorporated the latest long term Blue Chip GDP forecast for 2015 through 2017. Our oil price forecast was adjusted to incorporate futures prices for both Brent crude oil and for West Texas Intermediate crude to better track world oil prices.

GDP is expected to be lower

The Blue Chip Consensus GDP forecast, our starting point each forecast cycle, now calls for real GDP growth of 1.9% in 2013 and 2.7% in 2014. Real GDP growth is down slightly from the previous forecast in 2013 and 2014 which had called for growth of 2.0% and 2.8%. Real GDP growth is expected to be 3.1% in 2015, 2.9% in 2016, and 2.8% in 2017, which is unchanged since November. Due to the lower growth in 2013 and 2014, real GDP is expected to be slightly lower throughout the forecast compared to November (see Figure 1.4). The similarity in forecasts points to a continuation of the slow growth and high unemployment scenario anticipated in the previous forecast.

Figure 1.4: Blue Chip Real GDP Forecasts

The forecast for GDP is lower than in November



Source: BEA, ERFC March 2013 forecast; historical data through 2012

The sequester could reduce spending by \$1.2 trillion over nine years

There continues to be uncertainty regarding federal fiscal policy. On March 1, automatic sequester spending cuts kicked in consisting of \$1.2 trillion in spending reductions over nine years from 2013 through 2021. This amounts to around \$1.0 trillion in cuts and around \$200 billion in interest savings. The cuts are split equally between defense and nondefense programs and are reductions in budget authority and not actual outlays. The cuts are around \$109 billion per federal fiscal year, although it could take several years for the cuts in actual spending to catch up with the reduction in budget authority. Given the lack of progress in replacing the sequester, we are now assuming that the sequester will remain in place until June 30. It will then be replaced by a mix of nondefense budget cuts and tax increases that will start in September. The remaining deficit reduction assumed in the Budget Control Act, \$912 billion plus \$216 billion in lower debt payments, will be spread over federal fiscal year 2014 through 2023 instead of 2013-2021 as in the Budget Control Act. The result of the sequester is a 0.3 percentage point reduction of GDP growth for 2013. A full-year sequester would cut another 0.2 percentage points off GDP growth for this year.

Policymakers are focusing on deficit reduction

With policymakers focusing on deficit reduction, and federal fiscal tightening in the wake of the stimulus, the forecast calls for a \$113 billion reduction in the federal deficit between 2013 and 2014. We expect real defense spending to fall throughout the forecast reflecting a combination of some budget cuts and overseas contingency operations winding down. Declining federal support is also affecting state and local governments. State and local administrations appear to be relying more on spending cuts than tax increases to close budget gaps. The pace of budget tightening has eased slightly as revenues have started to improve, but municipalities remain under pressure. We expect total real government purchases to decline 2.2% this year

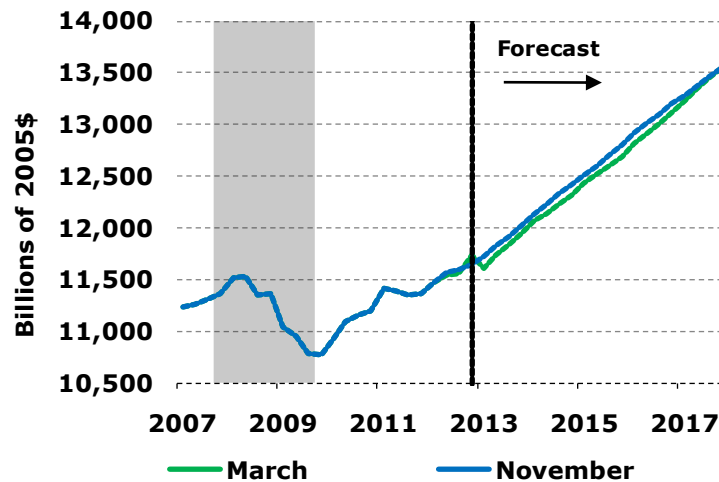
followed by declines of 0.3% in 2014, 0.4% in 2015 and 0.2% in 2016. We expect 2016 to be the trough in real government spending with slight growth of 0.2% in 2017. The decline in government spending will reduce overall GDP growth by 0.4 percentage points this year, followed by 0.1 point reductions in 2014 and 2015 before turning neutral.

The removal of the payroll tax cut reduced personal income

As a result of the fiscal cliff deal signed into law in January, which raised the top income tax rate and eliminated the payroll tax on employee wages, the March forecast for personal income has been lowered (see Figure 1.5). Growth in real personal income is now expected to decline to 1.7% in 2013 from 1.8% in 2012. The November forecast had expected growth to accelerate to 2.6% in 2013. We do expect growth in real personal to pick up in 2014 with growth reaching 3.4% as the economy continues to recover. Growth in real personal income is then expected to moderate slightly to 3.1% in 2015 and then grow 3.2% in 2016 and 3.3% in 2017.

Figure 1.5: U.S. Real Personal Income

The forecast for personal income is lower than November



Source: BEA, ERFC March 2013 forecast; historical data through 2012 Q4

The oil price forecast is higher

Despite a slightly weaker forecast of growth, we expect a slightly higher oil price throughout the forecast compared to November. After working through the temporary effects on Gulf Coast production caused by Hurricane Isaac, oil prices drifted higher due to higher refinery demand. This should ease more capacity is brought online as refineries begin wind down seasonal maintenance. Oil prices are expected to decline beginning in the second half of this year and we expect the first quarter of 2013 to prove to be the peak at \$113 a barrel for Brent crude oil. We expect oil prices to decrease throughout the forecast period, with the Brent price reaching \$93 by the end of 2017. Much of this decline is due to the continued crisis in Europe and slower growth in Asia, particularly China. This will continue to weigh on

demand as global supplies increase putting downward pressure on prices. As a result we continue to expect low headline inflation this year of just 1.7%. We expect inflation to increase to 2.0% in 2014 before moderating to 1.8% in 2015 and 1.6% in 2016 and then increase slightly to 1.7% in 2017.

Consumer spending will not be a strong driver in the recovery

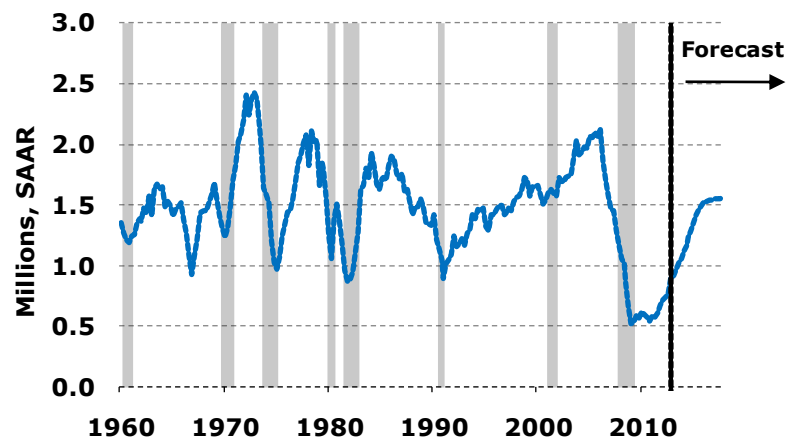
As in November, a robust recovery in consumer spending is unlikely. Consumer confidence continues to remain subdued and consumers are focused on lowering their debt burdens. Recent data on car sales does indicate there is some upside risk, although this appears to be driven by replacement demand and not a return of animal spirits. Increasing home values and improving equity markets should help spending, although the elimination of the 2% payroll tax cut will remain a burden. As a result, consumer spending will not be a strong driver of growth in the recovery as is usually the case. We expect real consumer spending growth of 1.9% this year and 2.5% in 2014. We then expect growth to increase to 2.7% in 2015 and 2016 before moderating to 2.6% in 2017.

The housing sector is improving, but from a low base

The housing sector has continued to show signs of strengthening, although gains have come from a very low base. Home prices are increasing again with growth reaching double-digits in some areas. Still, there remain a significant number of distressed properties that continue to saturate markets. Continued improvement remains dependent on job growth and access to financing. Pent-up demand for housing should spur growth going

Figure 1.6: U.S. Housing Starts

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



Source: U.S. Census Bureau, March 2013 Forecast; historical data through 2012 Q4

forward. After growing an estimated 27.6% in 2012, the forecast expects robust growth in housing starts to continue over the next couple of years (see Figure 1.6). Growth in multi-family starts is expected to slow, but only because the increase of 39.0% in 2012 was unsustainable. We expect growth of 22.5% this year

before moderating to 9.8% in 2014 and 6.8% in 2015 before flattening out. The forecast calls for growth in single family starts of 29.0% this year, 26.6% in 2014 and 24.1% in 2015. The single-family segment is expected to reach 1.08 million units in 2015 from just 530,000 in 2012. The housing market will continue to improve, particularly while interest rates remain low and inventories are lean. Population remains on an upward trend and people will need a place to live. The forecast calls for total housing starts to reach 1.56 million in 2017, up from 780 thousand in 2012.

Business investment in equipment and software is slowing

Growth in business investment deteriorated after being an important source of GDP growth early in the recovery. Investment in equipment and software and nonresidential construction both stalled in the third quarter of 2012 with fixed nonresidential investment declining at a 1.8% rate (SAAR). Tight credit conditions for commercial real estate, high vacancy rates, and uncertainty over the economy's direction will dampen growth and we expect nonresidential construction to decline 0.1% in 2013. Going forward, nonresidential construction is expected to rebound and become a contributor to overall growth. The forecast calls for growth in 2014 of 7.0% followed by 8.3%, 4.5% and 5.8% in 2015 through 2017. Investment in equipment and software is expected to remain positive in 2013 with growth of 6.1%. Businesses have high levels of cash and profits remain high, providing an opportunity to improve productivity by addressing replacement needs neglected during the recession. Although we do not expect to see a continuation of the robust growth early in the recovery, we do expect capital equipment to remain an important driver of GDP growth going forward. The forecast calls for equipment and software spending to grow in another 6.9% in 2014 and 5.8% in 2015. The forecast calls for growth to moderate to 4.9% in 2016 and 5.1% in 2017. We expect overall real nonresidential fixed investment is to grow 4.3% this year, 6.9% in 2014 as nonresidential construction picks up, 6.5% in 2015, and then moderate to 4.8% and 5.3% in 2016 and 2017.

Export growth has slowed

Export growth remains weak and is not expected to be a significant contributor to U.S. GDP growth going forward. We expect weak foreign demand for U.S. goods and services as economic growth in major U.S. trading partners remains slow. The crisis in Europe has pushed the Eurozone back into recession and has contributed to a slowdown in growth in other important U.S. trading partners as well. GDP growth in major U.S. export markets is forecasted to grow 2.7% this year after growing 2.6% in 2012. GDP growth for these countries is expected to increase beginning in 2014 as sovereign debt problems are resolved and Europe ceases to be a significant drag. The forecast calls for growth in these counties to improve to 3.5% in 2014, 3.6% in 2015, and 3.7% in 2016 before moderating to 3.5% in 2017. Further deterioration of the situation in Europe remains a significant risk and would adversely affect trade in multiple ways.

First, weaker demand in Europe would directly hurt our exports. Second, a stronger dollar relative to the Euro would make U.S. produced goods and services less competitive, further hurting exports and boosting imports. Finally, weaker growth in Europe will reduce Chinese exports, in turn reducing Chinese economic growth. This will further dampen U.S. exports to China, which is our largest export market outside of North America. The Blue Chip Consensus Forecast expects real GDP growth in China to be 8.1% for both 2013 and 2014, an improvement over 2012's 7.8% rate but not enough to generate strong export growth. We expect real U.S. export growth to slow to 3.1% this year, down from 3.3% in 2012 and 6.7% in 2011. We do expect gradual improvement in exports throughout the forecast, with growth reaching 6.4% by 2016. Export growth is largely offset by increased imports, however, and is not expected to add to GDP in the near term. Net exports are not expected to be a significant contributor to real GDP growth until 2016 when they are expected to add 0.3 percentage points to growth for that year and for 2017.

Unemployment remains elevated, but will be under 6% by the end of the forecast

The outlook for payroll employment has been lowered compared to the November forecast. Growth in payrolls was 1.6% last year compared to 1.8% forecasted in November. We also expect weaker growth in the near term of 1.8%, 1.9%, and 2.0% in 2013 through 2015. The November forecast expected growth of 2.1%, 2.0%, and 2.1% over that time period. Going forward, the level of employment in the forecast is lower than the previous forecast reaching a difference of 19,000 fewer jobs by 2015. We expect the U.S. economy to add about 180,000 jobs per month through the end of this year, gradually picking up to about 210,000 per month in 2015. By the third quarter of 2014 we expect to have gained 8.8 million jobs since the recession trough in 2010, making up all of the job losses since the beginning of the Great Recession. As a result, we expect an unemployment rate of 7.6% for 2013, gradually falling to 5.9% in 2017.

Forecast by Fiscal Year

FY 2013 GDP growth will be weak

Real GDP grew in the fourth quarter by 0.4% (SAAR), down sharply from 3.1% growth in the third quarter. Despite the pause in growth, the economy is still moving forward at a slow pace, facing headwinds both domestically and internationally. Real GDP is forecast to grow 1.9% in FY 2013, down from 2.0% in FY 2012. Going forward, growth is forecasted to increase to 2.3% in FY 2014, 2.9% in FY 2015, and 3.1% in FY 2016 before moderating to 2.8% in FY 2017.

Consumer spending will remain subdued

The lackluster job market, worry over the fiscal cliff and the ongoing situation in Europe have caused the consumer to be reluctant to spend money. Consumer spending is not expected to be a strong driver in this recovery. Consumer confidence again looks tentative after initially increasing since the November

forecast. The current forecast expects real consumer spending growth in FY 2013 of 1.8%, down from the 2.0% growth in FY 2012. Growth is expected to pick up to 2.2% FY 2014, 2.6% in FY 2015, and 2.7% in FY 2016 before dropping back to 2.6% in FY 2017.

The housing market has stabilized

The housing market has begun growing again after experiencing the worst downturn in the post-war period. The forecast calls for an increase in housing starts in FY 2013 to 890,000 units, from 686,000 in FY 2012. The housing market is expected to continue to improve as the economy adds jobs. Housing starts are expected to increase in each year of the forecast period, rising to 1.55 million units by FY 2017.

Business investment growth will slow

Business investment continued its upswing in FY 2012, although we do expect growth to slow this fiscal year. Uncertainty over the economy's direction and federal fiscal policy will cause companies to be cautious in deciding when to expand. The forecast calls for real nonresidential fixed investment to increase by 4.0% this fiscal year, down from the 10.6% growth in FY 2012. We expect growth to increase to 5.9% in FY 2014 and 7.1% in FY 2015 before moderating to 5.5% and 5.1% in FY 2016 and FY 2017. Business investment growth has been led by investment in equipment and software during the recovery, although it too has slowed recently. It is expected to increase 4.6% this fiscal year, down from 10.5% in FY 2012. We expect growth of 7.3%, 6.1%, 5.4%, and 5.0% in FY 2014 through FY 2017. Investment in non-residential construction has lagged in the recovery, although FY 2012 did experience the first growth in this sector since FY 2007 at 10.9%. We expect growth to falter this fiscal year and next at just 2.5% and 2.3%. Going forward, the forecast calls for growth of 9.5%, 5.7%, and 5.5% in FY 2015 through FY 2017.

Exports will reduce the trade deficit slightly

Although export growth is expected to be slower than in the September forecast, it is still expected to slightly outpace import growth this fiscal year, adding 0.2 percentage points to overall GDP growth. Going forward, net exports' contribution to GDP is expected to be slightly negative until FY 2016. Export growth this fiscal year and in the outer years of the forecast period will help to shrink the trade deficit from \$567 billion in FY 2012 to \$455 billion by FY 2017.

Employment growth will be weak

Employment growth in FY 2012 was 1.6%, up sharply from the previous year but still lackluster especially for periods of economic recovery. Growth in FY 2013 and FY 2014 is expected to match that of FY 2012. We expect job growth to pick up to 1.7% in FY 2015 and 1.8% in FY 2016 before moderating back to 1.6% in FY 2017. Because of the sluggish recovery in the labor market, the unemployment rate is expected to fall gradually, from 7.8% in FY 2013, to 6.1% in FY 2017.

Inflation remains moderate

High unemployment and excess capacity in the economy are helping to keep inflation subdued. The consumer price index is expected to rise by 1.8% in FY 2013 and FY 2014 before increasing slightly to a 1.9% increase in FY 2015. We then expect inflation to moderate further in FY 2016 and FY 2017 increasing 1.7%. Given geopolitical tensions with Iran, one risk to our inflation forecast is a spike in oil prices caused by supply interruptions. Our baseline oil price forecast has prices falling steadily throughout the forecast reaching \$84.50 per barrel in FY 2017 from \$91.70 in FY 2013.

Risks to the Forecast

The level of uncertainty remains high

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

Downside Risks (35% Probability)

Sovereign debt contagion...

Risks associated with the sovereign debt crisis in Europe remain high. Europe experiences a severe recession and continued austerity measures increase the financial strains in Europe's southern periphery countries. Funding for Greece dries up and they leave the Eurozone in the second half of 2013. The Greek exit puts intensifying pressure on Spain and Italy. Financial markets panic, stock prices plunge and the safe haven U.S. dollar soars. A series of sovereign debt defaults would trigger a European banking crisis which in turn would affect U.S. banks. Credit would tighten and economic activity would shrink, pushing the U.S. back into another recession.

Policy missteps

Partisan brinkmanship leads to a stalemate in Congress and the automatic sequester spending cuts remain in place throughout 2013. The inability of policymakers to resolve the issue weighs on private-sector confidence and economic activity slows. Facing a weak economy, policymakers decide on austerity and cut discretionary spending in 2014, further reducing growth.

Slowdown in Asia

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

Turmoil in oil-producing countries

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

<i>North Korea</i>	Tensions in North Korea erupt that lead to military action by the United States
<i>Unexpected events</i>	Unexpected events – natural disasters, political upheaval, etc.
	Upside Risks (15% Probability)
<i>Housing improves faster than expected</i>	The housing sector improves faster than anticipated. Home prices continue to increase and buyers move off the fence helped by low interest rates. Homebuilders respond and housing starts increase, leading to more hiring.
<i>Pent-up demand is unleashed</i>	Pent-up demand could boost consumer spending after years of economizing fueled by a rebound in confidence.
<i>Jobs</i>	Hiring could pick up, triggering a virtuous cycle of jobs, income, spending and yet more jobs.
<i>No European contagion and European banking crisis averted</i>	There are no exits from the Eurozone. Member countries take decisive steps towards a banking and fiscal union that stabilizes markets. The European Central Bank develops a credible plan to tackle sovereign debt issues and prevent a financial meltdown. This in turn leads to rising stock markets in the U.S. and internationally, boosting consumer confidence and consumption.
<i>U.S. policymakers come to an agreement</i>	Government policymakers become supportive instead of obstructive.

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

Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,896.8	13,183.3	13,450.7	13,708.9	14,023.0	14,432.3	14,875.9	15,293.4
% Ch	0.2	2.2	2.0	1.9	2.3	2.9	3.1	2.8
Real Consumption	9,087.9	9,327.1	9,515.1	9,687.2	9,895.9	10,158.1	10,431.7	10,706.1
% Ch	0.1	2.6	2.0	1.8	2.2	2.6	2.7	2.6
Real Nonresidential Fixed Investment	1,233.6	1,312.6	1,452.0	1,510.2	1,599.0	1,711.9	1,805.3	1,897.6
% Ch	-11.4	6.4	10.6	4.0	5.9	7.1	5.5	5.1
Real Residential Fixed Investment	343.4	323.3	343.5	396.4	461.2	536.2	595.8	605.6
% Ch	-9.8	-5.8	6.2	15.4	16.3	16.3	11.1	1.6
Real Personal Income	10,895.7	11,287.0	11,431.0	11,660.1	11,996.1	12,371.5	12,755.7	13,172.8
% Ch	-2.5	3.6	1.3	2.0	2.9	3.1	3.1	3.3
Real Per Capita Income (\$/Person)	35,278	36,269	36,468	36,924	37,695	38,576	39,469	40,447
% Ch	-3.3	2.8	0.5	1.3	2.1	2.3	2.3	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.102	1.123	1.149	1.165	1.182	1.202	1.221	1.240
% Ch	1.3	1.9	2.3	1.4	1.5	1.7	1.6	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.168	2.211	2.276	2.316	2.358	2.403	2.443	2.484
% Ch	1.0	2.0	2.9	1.8	1.8	1.9	1.7	1.7
Employment Cost Index (Dec. 2005=1.0)	1.112	1.130	1.150	1.170	1.195	1.221	1.248	1.278
% Ch	1.4	1.7	1.7	1.8	2.1	2.2	2.3	2.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,192.4	14,782.6	15,387.0	15,939.4	16,582.5	17,361.9	18,168.9	18,983.7
% Ch	0.9	4.2	4.1	3.6	4.0	4.7	4.6	4.5
Personal Income	12,010.4	12,675.6	13,137.0	13,582.2	14,178.4	14,869.8	15,574.3	16,340.9
% Ch	-1.3	5.5	3.6	3.4	4.4	4.9	4.7	4.9
Employment (Millions)								
U.S. Civilian Labor Force	153.9	153.6	154.3	155.6	157.0	158.3	159.6	160.7
Total U.S. Employment	138.9	139.4	141.2	143.4	145.3	147.3	149.3	151.0
Unemployment Rate (%)	9.76	9.27	8.53	7.82	7.43	6.95	6.42	6.08
Nonfarm Payroll Employment	129.73	130.56	132.65	134.74	136.89	139.22	141.77	144.02
% Ch	-3.2	0.6	1.6	1.6	1.6	1.7	1.8	1.6
Manufacturing	11.53	11.62	11.83	11.98	12.15	12.32	12.52	12.66
% Ch	-8.9	0.8	1.8	1.2	1.4	1.5	1.6	1.1
Durable Manufacturing	7.04	7.16	7.38	7.51	7.67	7.87	8.08	8.22
% Ch	-10.9	1.7	3.0	1.8	2.1	2.6	2.7	1.7
Nondurable Manufacturing	4.48	4.46	4.45	4.47	4.48	4.45	4.44	4.44
% Ch	-5.7	-0.5	-0.2	0.3	0.2	-0.5	-0.4	0.1
Construction	5.66	5.49	5.60	5.69	5.91	6.41	7.05	7.52
% Ch	-14.5	-2.9	2.0	1.6	3.9	8.4	10.0	6.6
Service-Providing	111.87	112.70	114.38	116.21	117.95	119.58	121.28	122.92
% Ch	-1.8	0.7	1.5	1.6	1.5	1.4	1.4	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	75.2	89.4	95.0	91.7	91.8	88.4	85.9	84.5
Personal Saving/Disposable Income (%)	4.5	5.0	3.7	3.6	3.6	4.0	4.2	4.7
Auto Sales (Millions)	5.8	6.0	6.7	7.6	7.9	8.1	8.4	8.7
% Ch	7.6	3.6	11.5	13.5	3.0	2.9	4.0	3.5
Housing Starts (Millions)	0.594	0.570	0.686	0.890	1.094	1.326	1.506	1.546
% Ch	-8.1	-4.1	20.4	29.7	23.0	21.2	13.6	2.7
Federal Budget Surplus (Billions)	-1,306.7	-1,283.1	-1,147.2	-957.6	-748.3	-681.4	-667.9	-729.9
Net Exports (Billions)	-462.3	-540.8	-584.3	-526.7	-525.6	-531.9	-511.7	-468.0
3-Month Treasury Bill Rate (%)	0.12	0.12	0.05	0.11	0.12	0.12	0.76	2.67
10-Year Treasury Note Yield (%)	3.55	3.08	2.08	1.83	2.37	2.79	3.52	4.32
Bond Index of 20 G.O. Munis. (%)	4.37	4.56	3.96	3.67	4.03	4.32	4.87	5.42
30-Year Fixed Mortgage Rate (%)	5.00	4.59	4.01	3.47	3.67	4.31	5.24	6.12

Table 1.2
Forecast Analysis
 Comparison of Forecasts for 2011-13

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

Table 1.3
Forecast Comparison
 Forecast 2011 to 2017

Fiscal Years

	2011	2012	2013	2014	2015	2016	2017
U.S.							
Real GDP							
March Baseline	13183.3	13450.7	13708.9	14023.0	14432.3	14875.9	15293.4
% Ch	2.2	2.0	1.9	2.3	2.9	3.1	2.8
November Baseline	13183.3	13450.7	13708.0	14040.5	14469.7	14902.9	15327.9
% Ch	2.2	2.0	1.9	2.4	3.1	3.0	2.9
Implicit Price Deflator							
March Baseline	1.123	1.149	1.165	1.182	1.202	1.221	1.240
% Ch	1.9	2.3	1.4	1.5	1.7	1.6	1.6
November Baseline	1.123	1.149	1.166	1.183	1.203	1.224	1.244
% Ch	1.9	2.3	1.5	1.5	1.7	1.7	1.7
Unemployment Rate							
March Baseline	9.27	8.53	7.82	7.43	6.95	6.42	6.08
November Baseline	9.28	8.55	7.86	7.51	6.99	6.47	6.10
Mortgage Rate							
March Baseline	4.59	4.01	3.47	3.67	4.31	5.24	6.12
November Baseline	4.59	4.01	3.45	3.65	4.66	5.71	6.46
3 Month T-Bill Rate							
March Baseline	0.12	0.05	0.11	0.12	0.12	0.76	2.67
November Baseline	0.12	0.05	0.11	0.12	0.20	1.69	3.43

This page left intentionally blank.



Chapter 2: Washington Economy – Current Conditions and Forecast

- **As expected in November, the Washington economy continues to expand at a moderate pace.**
- **Washington employment growth is on target.**
- **Washington disposable income is lower due to the “Fiscal Cliff” deal and sequestration.**
- **Washington housing construction is recovering faster than expected in November.**
- **Home prices are rising.**
- **Except for transportation equipment, Washington exports have weakened.**
- **Inflation in the Seattle area has slowed.**
- **We expect the Washington economy to continue to outperform the U.S. economy by a narrow margin.**

Current Conditions

Recent developments have been mixed

Recent developments at the state level have been mixed relative to our November forecast. Washington employment has been very close to our forecast but federal fiscal policy has been more restrictive than expected, resulting in lower Washington disposable personal income. On the plus side, the Washington housing market is rebounding faster than expected in the November forecast.

Job growth has been on target

Washington employment increased by 18,900 jobs in the four months since the November forecast was adopted, which was slightly more than 17,600 expected. As expected, manufacturing employment growth remained strong, adding 3,200 jobs in the last four months (the forecast expected only 1,500 jobs). Construction employment growth has now turned positive. The construction sector added 2,400 jobs in November, December, January, and February (the forecast was for an increase of 1,400). Government employment turned slightly positive with a gain of 1,100 jobs during the last four months compared to the

forecasted decline of 200. However, private service providers added 12,000 jobs which was less than the forecast of 14,600 net new jobs.

New data show lower historical employment

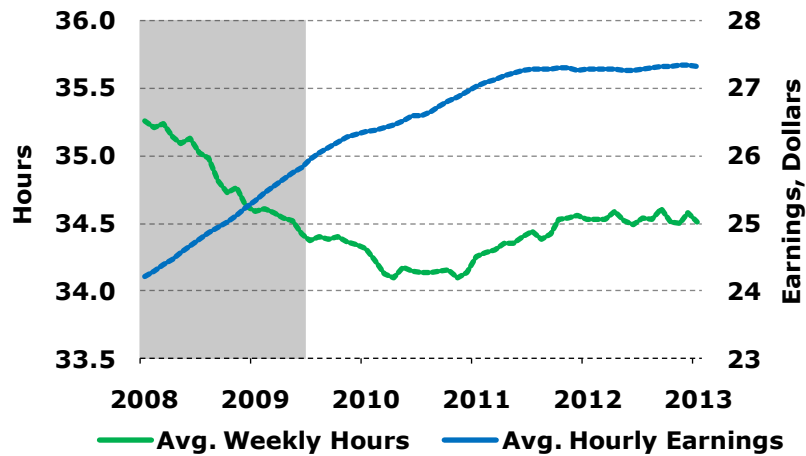
In addition to the four months of new employment data, we also have another quarter of Quarterly Census of Payrolls and Employment (QCEW) data. The new QCEW data and other revisions lowered the level of total employment in October 2012 by 9,000. The net effect of the downward revisions to history through October and slightly stronger than expected growth since October is an estimate of February employment that is 7,800 (0.3%) lower than expected in the November forecast.

Hours and earnings have stalled

While the payroll data show continued growth in the number of jobs, the hours and earnings data have been disappointing. The twelve month moving average of average weekly hours worked in the private sector did increase from a recessionary low of 34.1 to 34.5 in October 2011 but has shown no growth since then. Average weekly hours are still 2.1% lower than they were in 2007. Private sector average hourly earnings have also leveled off. The twelve month moving average of average hourly earnings rose throughout the recession but stopped growing in mid-2011 (see Figure 2.1). The lack of growth in either average hours worked or average hourly earnings means that the average weekly paycheck is not growing.

Average weekly hours and average hourly earnings are both flat

Figure 2.1: Private Sectors Hours and Earnings, 12-Month-Moving-Average, Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics; data through January 2013

Initial claims for unemployment insurance are still trending down

Washington's initial claims for unemployment insurance are pointing to continued, but moderate job growth. The four-week moving average of initial claims edged up in the week ending March 23 to 9,086 from 8,985 the previous week. Despite the slight uptick, claims are as low now as they were in January 2008, near the beginning of the recession and well before the

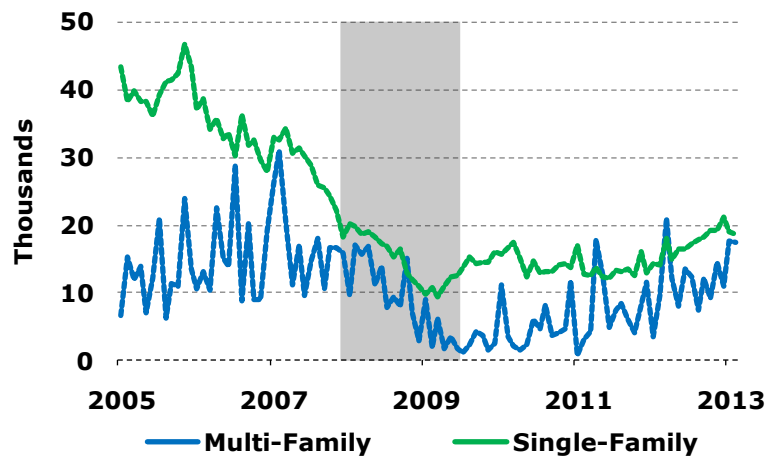
Lehman collapse. The four-week moving average is now 45% below the peak reached in March 2009 but still 26% above the pre-recession minimum.

Housing permits continue to exceed expectations

First quarter housing construction got off to a strong start according to the permit data (see Figure 2.2). Single-family permits in January and February averaged 17,500 units (SAAR) which is weaker than the 19,500 we expected in the March forecast. However, multi-family permits averaged 17,500 (see Figure 2) in the first two months of the year which is much stronger than the 14,100 we had expected in the March forecast. Total units authorized averaged 36,300 (SAAR) in the two month period compared to our forecast of 33,700 for the quarter.

First quarter permits off to a strong start

Figure 2.2: Washington Housing Units Authorized by Building Permits, SAAR



Source: U.S. Census Bureau; data through February 2013

Seattle area home prices are up 8.7% over the year

Regional home prices are also on the upswing. According to the S&P/Case-Shiller Home Price Indices through January 2013, seasonally adjusted Seattle area home prices have risen in ten of the last eleven months and, as of January, are now 8.7% higher than in the previous January. Prior to the recent upturn, Seattle home prices had not registered a year-over-year gain since December 2007. Foreclosures continue to put downward pressure on home prices but demographics and record affordability are working in the opposite direction. Even with the recent gains, Seattle area home prices are 24.3% lower than their 2007 peak.

Residential construction gains are partially offset...

Contract data for new construction projects give an indication of the level of activity roughly six months in the future. Residential contracts have been trending higher since early 2012, consistent with the housing permit data. As of February 2013, the three-month moving average of residential contract square footage was up 100% compared to the March 2009 trough. This growth,

... by weak nonresidential construction

however, is off a depressed level and square footage under contract is still down 55% since the height of the housing boom in late 2005. Nonresidential construction is a different story. Nonresidential construction remained at or near its all-time lows throughout 2012. However, nonresidential contracts jumped in early in 2013, signaling that this sector may be finally turning around. Contract data averaged 14,500 square feet (SAAR) in January and February compared to just 11,100 square feet for all of 2012.

Manufacturing is slowing

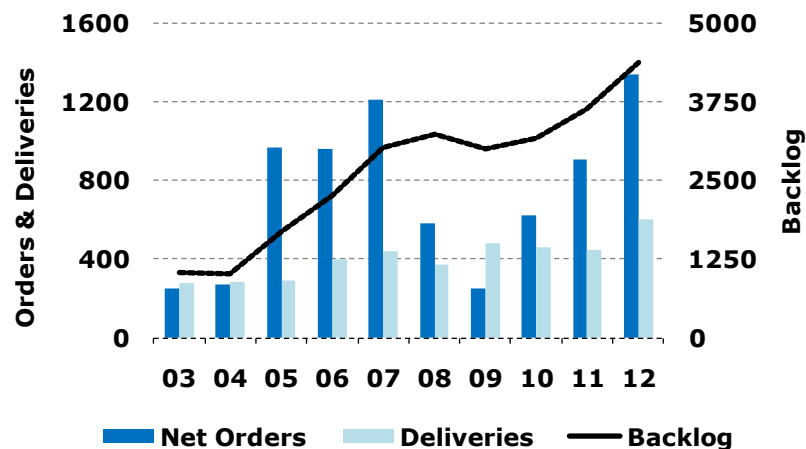
The manufacturing sector weakened in February but continues to indicate growth. The Institute of Supply Management - Western Washington Index (ISM-WW), which measures strength in the manufacturing sector declined to 56.3 in February from 60.2 in January (above 50 indicates positive growth). The last time the Western Washington index was below 50 was in July 2009.

Aerospace employment has peaked

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. 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, and 2011. In 2012 Boeing delivered a record 601 planes and was still able to again add to its backlog with 1,388 net new orders (See Figure 2.3). The backlog as of the end of 2012 was 4,144 planes representing more than seven years of production. From the employment trough in May 2010 through December 2012, the aerospace sector added 16,800 jobs, surpassing the previous peak by 10,800 jobs. That will probably prove to be the peak for this cycle. Boeing has announced that it plans to reduce employment by 2,000 to 2,300 this year and aerospace employment has already declined nearly 500 in January and February.

Figure 2.3: Boeing Orders, Deliveries, and Backlog

Boeing backlog is 7 years' worth of production



Source: The Boeing Company; data through December 2012

The trend is still positive in light of vehicle sales

Washington new car sales slowed in February but remained strong. New vehicle registrations in February were 267,600, down from January's 274,200 but over 20% higher than in February 2012. Washington car sales have now recovered nearly all the ground lost during the recession. The average rate so far in 2013 is 63% over the average in 2009 and only 6.6% lower than sales in 2006 which was the pre-recession peak. Consumers put off replacing vehicles during the recession and pent-up demand is likely driving the rebound in vehicle sales.

Exports are growing thanks to Boeing

Export growth weakened but remained positive in 2012. Total Washington exports rose 16.6% in 2012, down slightly from the 21.4% growth rate in 2011. The continued strong growth in exports was mostly due to acceleration in exports of transportation equipment (mostly aircraft) from a 17.4% growth rate in 2011 to 36.0% in 2012. Outside of transportation equipment, exports struggled to maintain positive growth, slowing from 24.6% in 2011 to just 1.7% in 2012.

Washington is outperforming the U.S. in income growth

In late March, after our forecast adoption, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released preliminary state personal income estimates for the full year of 2012. According to these estimates, Washington personal income rose to \$313.2 billion in 2012 from \$299.7 billion in 2011. The 4.5% increase in Washington personal income was the 4th largest among the states and District of Columbia, and substantially exceeded the 3.5% increase for the U.S. as a whole. Our well above average performance in 2012 was largely due to our two marquee industries. Earnings in the information sector (which includes software) rose 11.5% compared to 4.6% nationally and earnings in the durable goods sector (which includes aerospace) rose 7.2% compared to 6.6% for the nation. The other sector that significantly outperformed was retail trade where earnings rose 10.0% in Washington compared to 5.1% for the United States. Net earnings (wages, benefits, and proprietors' income less contributions for government social insurance plus an adjustment to convert earnings by place-of-work to a place-of-residence basis) rose 4.5% in 2012 and income from dividends, interest, and rent jumped 5.5%, but transfer receipts increased only 2.6%. Growth in transfer receipts was held back by a 26.1% decline in state unemployment insurance benefits. Other transfer payments were up 4.5%. The preliminary 2011 personal income estimate of \$313.2 billion was \$0.9 billion (0.3%) lower than the \$314.1 billion predicted in the March forecast.

Seattle inflation has slowed

Inflation in the Seattle metropolitan area has cooled substantially since last summer. As of February 2013, the all items Seattle CPI was up just 1.8% over the previous February, down from 2.7% inflation last June. Seattle core inflation in February 2013 was

also 1.8%, down from 3.0% eight months earlier. The main reason for the reduction in Seattle area inflation was shelter costs which rose 3.9% YOY in June 2012 but only 2.1% in February 2013.

Washington State Forecast

The revisions to the forecast were small

The Washington State forecast is based on a new national forecast that is very similar to the forecast adopted in November. As a result, the revisions to the state forecast were also minimal. There are two important changes to the national forecast that feed through to the state forecast. First, federal fiscal policy is more restrictive than assumed in the November forecast. The higher taxes and reduced spending result in lower disposable personal income in Washington. Second, oil prices unexpectedly spike higher in the first quarter of 2013. Oil prices remain higher through the forecast but also fall at a faster rate than expected in November. The new oil price forecast adds to national and regional inflation in early 2013 but reduces inflation during the remainder of the forecast.

Washington personal income is weaker due to tighter federal fiscal policy

Our November economic forecast for Washington is slightly weaker than the forecast adopted in November due to the lower personal income forecast resulting from the greater than expected fiscal tightening in 2013 as well as a downward revision to the historical estimates of Washington payroll employment. Partially offsetting these negative factors is a stronger than expected housing recovery. As in November, we expect Washington job and income growth to gradually improve throughout the forecast. Housing construction, as measured by building permits, has clearly turned the corner and will continue to improve. The aerospace expansion has probably peaked and will be a slight drag on growth in coming years. We continue to expect the state of Washington to outperform the U.S. economy, however the recovery will continue to be slow by historical standards and unemployment will decline only gradually.

Washington Payroll Employment

There were no major changes in the employment forecast

Our forecast for Washington employment is very similar to the forecast adopted in November. As in November, we expect flat aerospace employment in the first half of this year with a gradual decline beginning in mid-2013. On the other hand, construction employment growth is expected to accelerate over the next three years, tapering off in 2016 and 2017. While we believe we are at or near the trough in state and local government employment, we expect federal government employment to continue to shrink throughout the forecast. Our new Washington employment growth forecast for 2012 through 2017 averages 1.8% per year which is the same rate as assumed in November.

The jobs recovery is slow

Employment in the state has grown at an average annual rate of 1.5% since the employment trough in the first quarter of 2010 through the fourth quarter of 2012 compared to 1.4% for the nation. The 114,200 jobs gained over this period represent 57% of the jobs lost in the downturn. We don't expect to get back to our pre-recession peak until the third quarter of 2014. This represents more than six years of lost employment growth. By the end of our forecast horizon in 2017, total employment will be 177,900 (6.0%) above the previous peak.

The Boeing employment expansion has ended

Despite rising production, Boeing has indicated that it thinks 2012 will be the peak in employment in its Commercial Airplane Division as development programs are ramped down and productivity continues to improve. As in September, we assume that aerospace employment peaks at the end of 2012 and begins to gradually decline in the second half of 2013. On an annual average basis, aerospace employment grew 7.1% in 2011 and 8.8% in 2012. We expect aerospace employment to grow 2.2% in 2013 on an average annual basis before declining 1.4% in 2014 and 1.5% per year in 2015 through 2017.

We expect the software sector to continue to add jobs

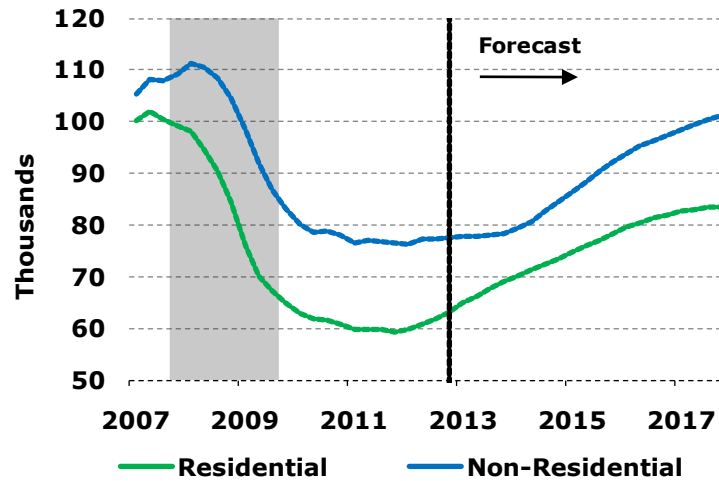
The software sector is growing again and has recovered all of the jobs lost in the recession. We expect moderate job gains going forward. While the software employment growth is not expected to be spectacular, it will continue to have an outsized impact on the overall economy due to the high wages in this industry. Software employment rose 1.5% in 2011 and 1.4% in 2012 following an unprecedented 1.1% decline in 2010. We expect software employment growth to improve to 1.6% per year and an average of 1.7% per year in 2014 through 2017.

Construction employment growth has turned positive

Construction employment finally stopped falling in early 2011 but remained flat for a year. Employment in the construction sector started showing sustained growth in spring of 2012 and posted a 1.5% growth rate for the year. This was the first increase in annual employment since 2008. Residential construction employment has turned strongly positive reflecting the upturn in housing construction but nonresidential construction employment has been essentially flat (see Figure 2.4). We expect residential construction employment to grow 9.1% this year but nonresidential employment will grow only 1.1%. Overall construction employment will grow 4.7%. We expect nonresidential construction employment growth to pick up beginning in 2014 and residential growth will remain strong. We expect overall construction employment growth to improve to 6.0% in 2014, and 8.0% in 2015 before slowing to 6.4% and 3.7% in 2016 and 2017. Even with these impressive growth rates, construction employment will still be 25,100 below its previous peak at the end of 2017.

Non-residential construction employment is lagging

Figure 2.4: Washington Construction Employment, Seasonally Adjusted



Source: WA State Employment Security Department, ERFC March 2013 forecast; historical data through 2012 Q4

Employment growth in financial activities will be positive but modest

The slump in financial activities employment was even more protracted, though not as deep, as construction. Financial activities employment fell from a peak in 2006 to a trough in 2011 with only a 1.5% increase in 2012. Employment in credit intermediation and related activities accounts for most of the decline, followed by real estate and rental and leasing. Going forward, we expect modest growth for the next four years with growth of 0.8% this year, 1.1% in 2014, and 0.1% in 2015. We expect a cyclical downturn in the last two years of the forecast with growth rates of -1.7% in 2016 and -1.8% in 2017.

The retail trade recovery will be slow

Retail trade is another highly cyclical sector that declined early and sharply but has now turned around. Retail trade employment grew 1.5% in 2011 and 2.1% in 2012 following declines of 0.2%, 5.5%, and 0.4% in 2008, 2009, and 2010. We expect retail trade growth to improve to 2.4% in 2013 based on fairly strong growth in recent quarters. The forecast assumes much weaker growth in the next four years as labor markets remain weak and households continue to repair their balance sheets. We expect growth to slow to 0.4%, 0.5%, 0.9%, and 0.7% in 2014 through 2017. It will be early 2016 when retail trade employment finally surpasses its previous peak.

We expect strong growth in professional and business services employment

As is typical during recoveries, professional and business services will be one of Washington's fastest growing sectors. During a recovery, growth in this sector is boosted by gains in employment services, mainly temporary help services. As businesses gauge whether the increase in demand will continue, they typically hire temporary staff before they hire permanent employees. Employment growth in professional and business

services rebounded to 4.0% in 2011 from just 0.6% in 2010 and a 6.9% decline in 2009. Growth slowed to 2.7% in 2012 due to a slowdown in employment services and big cuts in waste management (Hanford) and accounting services. We expect growth to remain very strong in this sector throughout the forecast with growth rates of 3.2%, 4.5%, 4.5%, 4.4%, and 3.4% in 2013 through 2017. Professional and business services employment surpassed its previous peak in the fourth quarter of 2012.

State and local government employment cuts are nearly over

State and local government employment was a drag on the overall jobs recovery long after most other sectors turned around but we believe we have finally passed the trough. State and local government employment peaked in the fourth quarter of 2008 and declined almost continuously through the first quarter of 2012. Since then, employment levels have risen slightly. We expect essentially flat employment over the next few quarters with modest growth beginning in 2014. On an average annual basis, we expect state and local government employment to rise 0.4% this year, following a 0.3% decline last year. We expect employment growth to improve gradually in 2014 through 2017 with growth rates of 0.7%, 1.2%, 1.2%, and 1.0%. We do not expect government employment to reach the previous peak until the fourth quarter of 2015.

Washington Personal Income

We assumed the fiscal cliff would be avoided - we were wrong

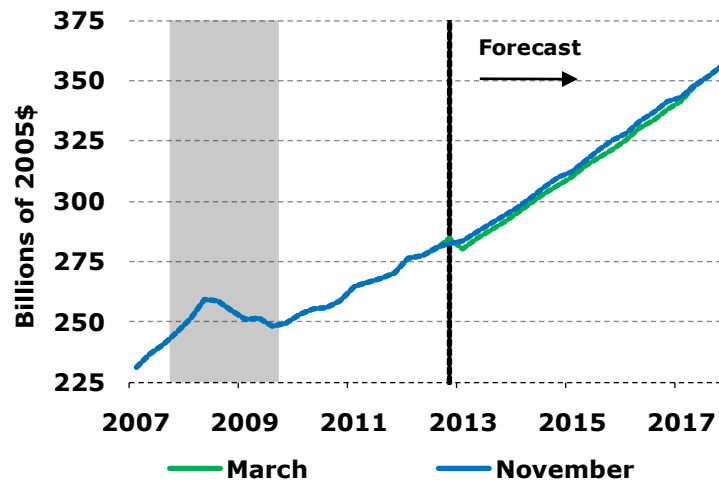
The "fiscal cliff" deal reached in January and the ongoing sequestration are expected to have a negative impact on Washington personal income. The higher taxes beginning in January will lower Washington disposable personal income in 2013 by an estimated \$3.469 billion while the sequestration will cost Washington residents another \$0.501 billion (assuming it lasts only four months). Also, the expectation of higher taxes in 2013 caused an estimated \$720 million in dividend and wage income to be shifted into the fourth quarter of 2012 to take advantage of the lower tax rates in 2012. As a result, the forecast for disposable personal income growth in 2013 revised down from 3.4% in the November forecast to 2.3% in the current forecast. Without these fiscal policy impacts, the disposable personal income forecast for growth in 2013 would have increased from 3.4% to 4.0%.

Personal income will be lower

We now expect Washington personal income to grow 2.9% this year, down from 4.1% in the November forecast due to the fiscal cliff deal and sequestration. Going forward, however, the personal income forecast is similar to the November forecast. We now expect growth to average 5.2% per year, slightly more than the 5.1% per year expected in November. The level of personal income will remain lower than expected in November throughout the forecast (see Figure 2.5).

"Fiscal Cliff" deal and sequestration reduce disposable income

Figure 2.5: Washington Disposable Personal Income



Source: U.S. Bureau of Economic Analysis, ERFC March 2013 Forecast; historical data through 2012 Q4

Washington Building Permits

Housing construction has been higher than expected

The Washington housing recovery continues to exceed our expectations. Total housing units authorized by building permits averaged 31,000 (SAAR) in the fourth quarter, up from 28,000 in the third quarter. The November forecast had expected 28,300 units. The forecast variance was mostly in the single-family segment where permits averaged 19,500 units in the fourth quarter compared to our November forecast of 17,200 units. This was the strongest quarter for single-family housing since the first quarter of 2008. Multi-family permits came in at 11,500 units, slightly better than our forecast of 11,100 units. Initially the housing recovery in Washington was mostly in the multi-family segment but this is changing. Single-family as well as multi-family permits rose during 2012.

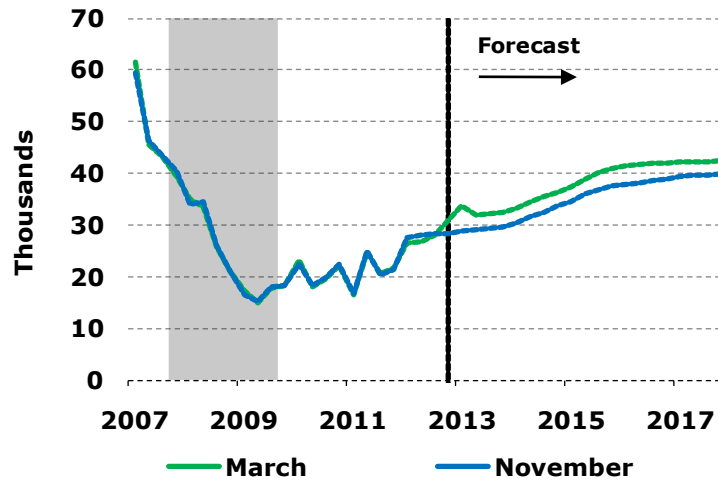
Growth in housing construction is increasingly in the single-family segment

As a result of the recent strength in housing, we have again raised our housing forecast for 2013 through 2017 (see Figure 2.6). While both single-family construction and multi-family construction have improved, single-family, which is still competing with a stream of distressed sales, remains relatively depressed. Multi-family construction, which is benefiting from rising rents and low vacancy rates, is back in the normal range for Washington. We expect the total number of units to increase 15.9% this year to 32,600 units. Multi-family permits will grow 11.9% to 12,500 units and single-family construction will increase 18.4% to 20,100 units. During the remainder of the forecast we believe the growth will increasingly shift to the

single-family market. The combination of low inventories and record affordability argues for strong growth in single-family housing construction as the economy recovers. We expect housing units to rise 7.2% to 34,900 in 2014, 12.5% to 39,300 in 2015, 6.5% to 41,800 in 2016, and 1.2% to 42,300 in 2017.

We have raised our housing forecast

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



Source: U.S. Census Bureau, ERFC March 2013 Forecast; historical data through 2012 Q4

Seattle Consumer Price Index

Seattle area inflation will slow as energy costs decline

Inflation, as measured by the Seattle Consumer Price Index, has increased sharply since being less than one percent per year in 2009 and 2010. Declining shelter costs, which are measured by rents in the CPI, were responsible for much of the low inflation. Rents are now rising, however, and energy costs have risen sharply, causing inflation to jump to 2.7% in 2011 and 2.5% in 2012. We expect declining oil prices during the remainder of the forecast which should help restrain inflation. We expect Seattle inflation to decline to 1.8% in 2013, 2.2% in 2014, 2.0% in 2015 and 1.8% in 2016 and 2017.

Core inflation will remain moderate

Core inflation (excluding food and energy) in Seattle rebounded to 1.3% in 2011 and 2.6% in 2012 after a negative 0.5% in 2010. Falling shelter costs were the main reason for the decline but rents have since turned around. As the economic recovery continues, Seattle core inflation will increase but remain in a moderate range. We expect the core Seattle CPI to rise 1.9% this year, 2.3% in 2014, 2.0% in 2015, 1.9% in 2016, and 1.8% in 2017.

Forecast by Fiscal Year

Personal income growth will improve as the economy recovers

Nominal personal income growth improved to an estimated 5.1% in FY 2012 following a 4.8% increase in 2011 and a 1.3% decline in FY 2010. The turnaround in personal income growth is mostly due to a resumption of positive job growth after a big decline in fiscal 2010. Property income (dividends, interest, and rent) also recovered strongly in the last two years. The payroll tax cut, which took place halfway through fiscal 2011, added about one-half of a percentage point to growth in each of fiscal 2011 and fiscal 2012. We expect personal income growth to slow to 3.7% in fiscal 2013 due to higher taxes and the sequester before recovering to 4.5%, 5.2%, 5.0%, and 5.2% in fiscal 2014 through fiscal 2017.

Job growth is expected to accelerate

Washington nonfarm payroll employment continues to recover, rising 1.5% in fiscal 2012 following a 0.6% increase in fiscal 2010 and a 3.9% decline in fiscal 2010. Manufacturing employment increased 4.8% in fiscal 2012 while construction employment edged down 1.1%. Private service-providing employment rose 2.0% in fiscal 2012 but government employment declined 1.1%. We expect employment growth to continue to improve for the next few years as improving construction employment growth more than offsets declining manufacturing growth and the reductions in government employment subside. As the economic recovery continues, we expect overall employment growth to improve to 1.8% in FY 2013 and FY 2014, and 2.0% in FY 2015 and 2016, slowing to 1.7% in FY 2017.

Housing construction will continue to build momentum

The number of housing units authorized by building permits in Washington continues to recover slowly, rising 15.2% in fiscal 2012 to 23,900 units following a 7.6% gain in fiscal 2011. Previously, permits had fallen 64% since the peak in FY 2006. Single-family permits increased 6.3% in FY 2012 to 14,300 units while multi-family units rose 31.8% to 9,600 units. We expect strong growth in both single-family and multi-family construction this fiscal year as single-family construction increases 33.2% to 19,100 units and multi-family construction increases 26.2% to 12,100 units. Overall permits will increase 30.4% this fiscal year to 31,100 units. Housing construction should continue to improve, growing 6.4% in FY 2014 to 33,100 units, 11.6% in FY 2015 to 37,000 units, 11.0% in FY 2016 to 41,100 units, and 2.5% in FY 2017% to 42,100 units.

Inflation will remain moderate

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

inflation of 2.1% this fiscal year, 1.9% in FY 2014, 2.1% in FY 2015, 1.9% in FY 2016, and 1.8% in FY 2017.

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

Alternative Scenarios

Alternate forecasts are prepared in accordance with state law

In accordance with state law, the Washington State Economic and Revenue Forecast Council adopted a forecast based on optimistic assumptions and a forecast based on pessimistic assumptions.

Optimistic

The optimistic scenario assumes faster employment growth and sustained improvements in the housing sector lead to a stronger economy

The optimistic scenario is driven in part by a stronger recovery in residential construction. Housing starts continue to rise rapidly and eclipse 1.25-million units by the end of 2013. As credit conditions ease, nonresidential fixed investment rises 5.3% in 2013 and 11.2% in 2014. On the policy front, the sequester's spending cuts are replaced early in the second quarter with a credible long-term deficit-reduction plan, including lower entitlement program spending and a revenue-generating tax reform. Across the Atlantic, policymakers develop a credible pro-growth plan to tackle sovereign-debt issues and prevent a financial meltdown. There are no exits from the Eurozone, as members take decisive steps towards a banking and fiscal union that stabilize markets. Chinese growth accelerates, driven by faster growth in domestic demand. With a stronger outlook and less fiscal uncertainty, consumer and business confidence rise sharply. The labor market continues to pick up steam, and by late 2013 the economy is adding more than 300,000 jobs per month. The unemployment rate drops below 7% by late 2013.

The optimistic scenario also assumes a much stronger Washington economy

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes that aerospace employment continues to expand through late 2016 rather than leveling off in 2013 and declining in 2014 through 2017. Software employment growth is also much stronger than in the baseline forecast. Seattle inflation is higher than in the baseline forecast due to the stronger regional economy as is average wage growth. The strong local economy also drives population growth higher. The recovery in construction employment is much stronger than in the baseline forecast. By the end of 2017, Washington nonagricultural employment is higher by 170,500 jobs than in the baseline forecast and Washington personal income is \$41.0 billion higher.

Pessimistic

In the pessimistic alternative, the US economy suffers from poor policymaking domestically and weak growth abroad

In the pessimistic scenario, the economy has less underlying momentum than it had seemed, so that there is less of a cushion to absorb the drag from the sequester. The economy contracts 1.7% in the second quarter of the year. Hopes of a fiscal “grand bargain” fade quickly, and the sequester’s automatic spending cuts extend for the whole of 2013. The inability of policymakers to resolve policy issues weighs on private-sector confidence, stock prices, and overall private-sector activity. The global outlook deteriorates rapidly, thus reducing the demand for US exports. This scenario assumes a more severe Europe-wide recession than in the baseline. Greece eventually exits the Eurozone in the second half of 2013 as funding from the “troika” dries up. Spain and Italy, in particular, face severe economic contractions and a renewed rise in interest rates to finance their debts, and Spain eventually must restructure its debt. In addition, global growth is restrained by a harder landing in China and weaker growth in other emerging economies. Weak sales lead to depressed income, low profits, and in turn declining employment, with the unemployment rate rising back toward 9%.

This scenario also assumes a weaker local economy

At the state level, aerospace employment declines much more rapidly in 2013 through 2017 than assumed in the baseline forecast. Software employment begins to decline in 2013 and the reductions accelerate in 2014 and 2015. Population growth is also weaker than in the baseline forecast as migration into Washington drops. Construction employment also goes into a renewed slump, declining through the third quarter of 2014. The Seattle CPI is lower than in the baseline forecast, as are Washington wage rates, further depressing personal income. By the end of 2017, Washington non-agricultural employment is 213,400 lower than in the baseline forecast and Washington personal income is \$44.5 billion lower.

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

Table 2.1
Washington Economic Forecast Summary
 Forecast 2013 to 2017

Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	252.316	259.564	266.655	272.943	281.148	290.812	300.604	311.162
% Ch	-3.4	2.9	2.7	2.4	3.0	3.4	3.4	3.5
Real Wage and Salary Disb.	133.365	135.361	138.940	141.925	146.383	151.058	155.964	160.394
% Ch	-2.6	1.5	2.6	2.1	3.1	3.2	3.2	2.8
Real Nonwage Income	118.951	124.203	127.715	131.017	134.766	139.754	144.639	150.768
% Ch	-4.1	4.4	2.8	2.6	2.9	3.7	3.5	4.2
Real Per Capita Income (\$/Person)	37,550	38,207	38,817	39,310	40,065	40,990	41,909	42,936
% Ch	-4.2	1.8	1.6	1.3	1.9	2.3	2.2	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.102	1.123	1.149	1.165	1.182	1.202	1.221	1.240
% Ch	1.3	1.9	2.3	1.4	1.5	1.7	1.6	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.263	2.290	2.360	2.409	2.456	2.507	2.554	2.601
% Ch	0.3	1.2	3.1	2.1	1.9	2.1	1.9	1.8
Average Nonfarm Annual Wage	50,383	51,892	53,746	54,692	56,324	58,045	59,749	61,444
% Ch	2.5	3.0	3.6	1.8	3.0	3.1	2.9	2.8
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.53	23.75	24.04	24.43	24.91	25.36	25.83	26.35
% Ch	6.8	0.9	1.2	1.6	2.0	1.8	1.9	2.0
Current Dollar Income (Billions of Dollars)								
Personal Income	278.117	291.496	306.448	317.931	332.293	349.540	367.027	385.998
% Ch	-2.2	4.8	5.1	3.7	4.5	5.2	5.0	5.2
Disposable Personal Income	251.560	261.491	272.980	282.340	293.503	308.673	323.856	340.261
% Ch	-1.0	3.9	4.4	3.4	4.0	5.2	4.9	5.1
Per Capita Income (\$/Person)	41,389	42,906	44,609	45,789	47,353	49,267	51,168	53,261
% Ch	-3.0	3.7	4.0	2.6	3.4	4.0	3.9	4.1
Employment (Thousands)								
Washington Civilian Labor Force	3,520.1	3,495.0	3,485.6	3,477.2	3,512.9	3,556.9	3,599.3	3,638.1
Total Washington Employment	3,168.9	3,160.5	3,181.7	3,211.8	3,262.0	3,317.8	3,373.3	3,419.0
Unemployment Rate (%)	9.98	9.57	8.72	7.63	7.14	6.72	6.28	6.02
Nonfarm Payroll Employment	2,788.8	2,804.3	2,846.1	2,898.5	2,949.8	3,007.4	3,067.7	3,119.1
% Ch	-3.9	0.6	1.5	1.8	1.8	2.0	2.0	1.7
Manufacturing	258.4	262.0	274.8	285.4	290.5	295.2	299.7	302.9
% Ch	-7.4	1.4	4.8	3.9	1.8	1.6	1.5	1.1
Durable Manufacturing	184.5	187.5	199.2	208.8	212.6	216.9	220.7	222.8
% Ch	-8.4	1.6	6.2	4.8	1.8	2.0	1.8	0.9
Aerospace	81.1	82.5	90.8	96.3	95.6	94.2	92.8	91.4
% Ch	-2.2	1.7	10.0	6.1	-0.7	-1.5	-1.5	-1.5
Nondurable Manufacturing	73.9	74.5	75.6	76.5	77.9	78.3	78.9	80.0
% Ch	-4.6	0.9	1.5	1.3	1.7	0.6	0.8	1.4
Construction	146.4	138.1	136.6	141.6	148.7	159.6	171.8	180.2
% Ch	-19.2	-5.7	-1.1	3.6	5.0	7.4	7.6	4.9
Service-Providing	2,378.1	2,398.3	2,428.8	2,465.6	2,504.3	2,545.6	2,588.5	2,628.0
% Ch	-2.4	0.8	1.3	1.5	1.6	1.6	1.7	1.5
Software Publishers	50.8	51.2	52.0	52.8	53.7	54.5	55.5	56.4
% Ch	-2.6	0.9	1.6	1.5	1.6	1.6	1.7	1.8
Nonfarm Payroll Employment, EOP*	2,790.1	2,821.5	2,866.0	2,918.0	2,970.8	3,030.1	3,088.7	3,135.5
% Ch*	-1.4	1.1	1.6	1.8	1.8	2.0	1.9	1.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	19.272	20.731	23.887	31.143	33.137	36.990	41.072	42.114
% Ch	-2.5	7.6	15.2	30.4	6.4	11.6	11.0	2.5
Single-Family	15.234	13.473	14.321	19.073	21.079	24.036	27.565	29.061
% Ch	17.1	-11.6	6.3	33.2	10.5	14.0	14.7	5.4
Multi-Family	4.038	7.258	9.566	12.070	12.058	12.954	13.506	13.053
% Ch	-40.1	79.7	31.8	26.2	-0.1	7.4	4.3	-3.4
30-Year Fixed Mortgage Rate (%)	5.00	4.59	4.01	3.47	3.67	4.31	5.24	6.12

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

Table 2.2
Comparison of Alternative Forecasts

Fiscal Years

	2012	2013	2014	2015	2016	2017
U.S.						
Real GDP, Percent Change						
Optimistic	2.0	2.1	3.8	3.9	3.1	3.0
Baseline	2.0	1.9	2.3	2.9	3.1	2.8
Pessimistic	2.0	1.6	0.0	1.6	2.5	2.6
Implicit Price Deflator, Percent Change						
Optimistic	2.3	1.5	1.8	1.3	1.1	1.4
Baseline	2.3	1.4	1.5	1.7	1.6	1.6
Pessimistic	2.3	1.2	0.8	1.6	2.0	2.2
Mortgage Rate, Percent						
Optimistic	4.01	3.54	4.72	5.90	6.47	6.57
Baseline	4.01	3.47	3.67	4.31	5.24	6.12
Pessimistic	4.01	3.41	3.19	3.61	4.63	5.53
3 Month T-Bill Rate, Percent						
Optimistic	0.05	0.13	0.47	2.20	3.71	3.88
Baseline	0.05	0.11	0.12	0.12	0.76	2.67
Pessimistic	0.05	0.09	0.08	0.08	0.08	0.08
Washington						
Real Personal Income, Percent Change						
Optimistic	2.7	3.1	5.3	6.7	5.8	4.8
Baseline	2.7	2.4	3.0	3.4	3.4	3.5
Pessimistic	2.7	1.6	0.2	0.3	1.0	1.4
Personal Income, Percent Change						
Optimistic	5.1	4.6	7.2	8.0	7.0	6.2
Baseline	5.1	3.7	4.5	5.2	5.0	5.2
Pessimistic	5.1	2.8	0.9	1.9	3.0	3.6
Employment, Percent Change						
Optimistic	1.5	2.1	3.1	3.4	3.0	2.4
Baseline	1.5	1.8	1.8	2.0	2.0	1.7
Pessimistic	1.5	1.6	0.1	0.1	0.5	0.6
Housing Permits, Thousands of Authorized Units						
Optimistic	23.9	31.6	38.2	45.8	50.8	51.6
Baseline	23.9	31.1	33.1	37.0	41.1	42.1
Pessimistic	23.9	30.3	25.9	27.8	30.5	31.6

Table 2.3
Forecast Analysis
 Comparison of Forecasts for 2011-13

Forecast Date	2010				2011				2012				2013	
	<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, 2011:2-2013:2														
Employment	5.6	6.2	6.1	5.5	5.3	4.5	3.4	3.0	3.7	3.3	3.6	3.8	3.4	
Personal Income	12.5	12.0	11.1	10.9	10.8	10.0	7.4	7.4	7.6	8.2	9.1	8.8	7.7	
Real Personal Income	8.4	8.0	7.8	7.4	7.0	6.6	4.9	4.3	4.2	5.0	5.3	5.6	4.6	
Total (Thousands of units), 2011:3 to 2013:2														
Housing Units Authorized	86.7	85.3	69.5	66.8	55.8	50.9	43.8	42.8	42.0	47.1	51.8	53.0	55.0	

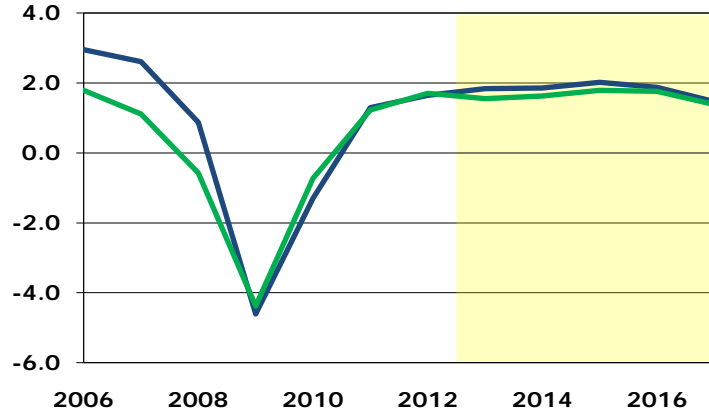
Table 2.4
Forecast Comparison
 Forecast 2011 to 2017

Fiscal Years

	2011	2012	2013	2014	2015	2016	2017
Washington							
Real Personal Income							
March Baseline	259.564	266.655	272.943	281.148	290.812	300.604	311.162
% Ch	2.9	2.7	2.4	3.0	3.4	3.4	3.5
November Baseline	259.564	266.751	274.044	283.551	293.804	303.798	313.315
% Ch	2.9	2.8	2.7	3.5	3.6	3.4	3.1
Personal Income							
March Baseline	291.496	306.448	317.931	332.293	349.540	367.027	385.998
% Ch	4.8	5.1	3.7	4.5	5.2	5.0	5.2
November Baseline	291.496	306.558	319.527	335.451	353.591	371.786	389.779
% Ch	4.8	5.2	4.2	5.0	5.4	5.1	4.8
Employment							
March Baseline	2804.3	2846.1	2898.5	2949.8	3007.4	3067.7	3119.1
% Ch	0.6	1.5	1.8	1.8	2.0	2.0	1.7
November Baseline	2802.4	2846.3	2906.3	2965.0	3027.1	3085.8	3136.3
% Ch	0.6	1.6	2.1	2.0	2.1	1.9	1.6
Housing Permits							
March Baseline	20.731	23.887	31.143	33.137	36.990	41.072	42.114
% Ch	7.6	15.2	30.4	6.4	11.6	11.0	2.5
November Baseline	20.976	24.338	28.684	30.220	34.178	37.661	39.094
% Ch	8.9	16.0	17.9	5.4	13.1	10.2	3.8

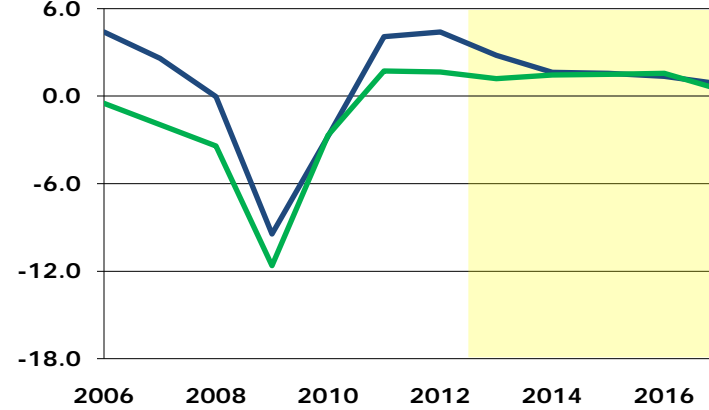
Figure 2.7: Comparison of Washington and U.S. Economic Forecasts
(Percent change)

Total nonfarm payroll employment



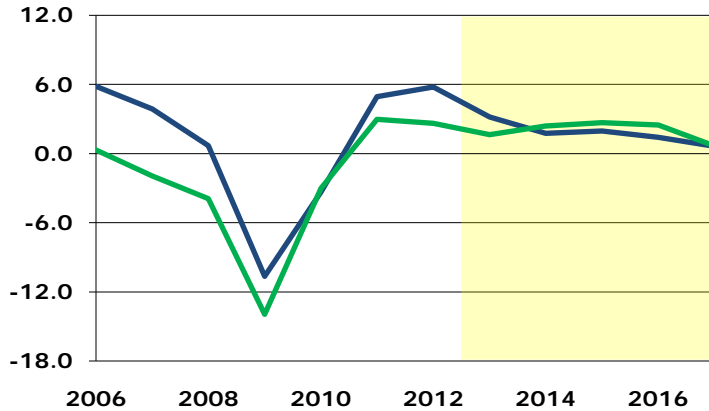
Source: WA State Employment Security Dept. 2012, ERFC 2017

Manufacturing employment



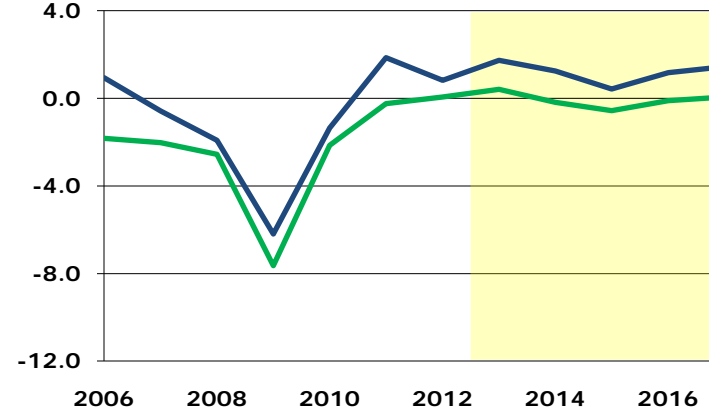
Source: WA State Employment Security Dept. 2012, ERFC 2017

Durable manufacturing employment



Source: WA State Employment Security Dept. 2012, ERFC 2017

Nondurable manufacturing employment



Source: WA State Employment Security Dept. 2012, ERFC 2017

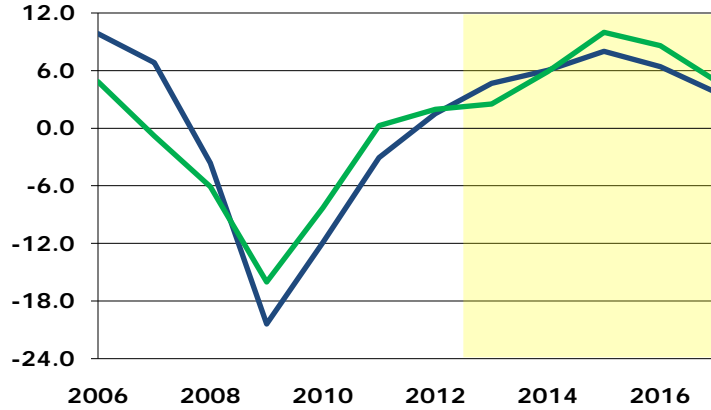
■ Washington

■ U.S.

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

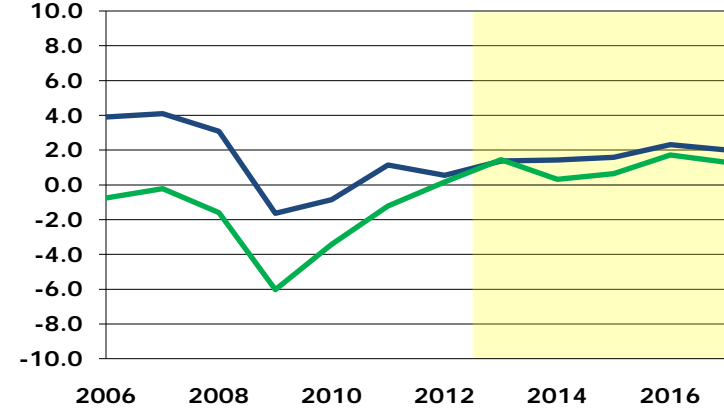
Forecast

Construction employment



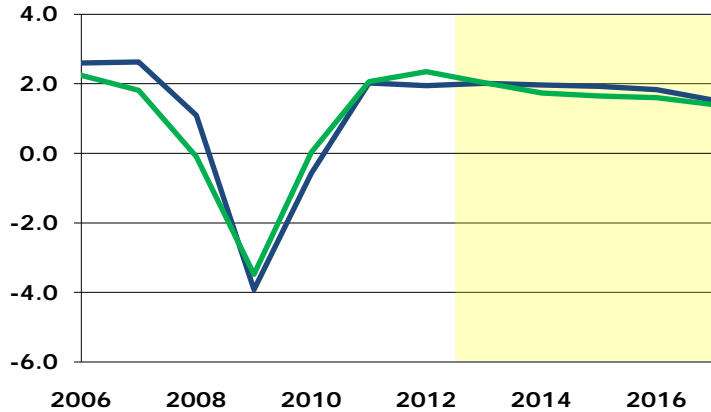
Source: WA State Employment Security Dept. 2012, ERFC 2017

Information employment



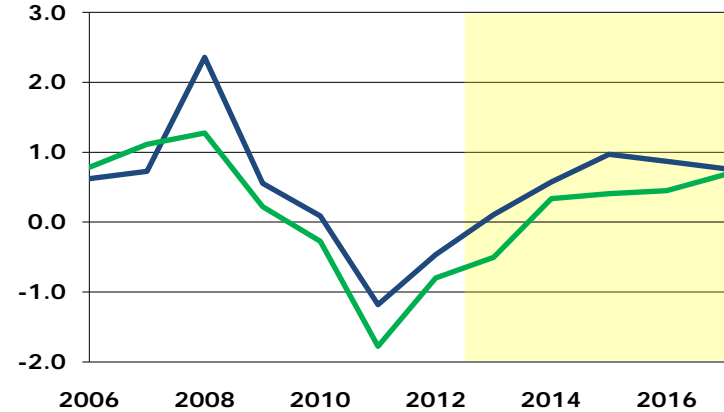
Source: WA State Employment Security Dept. 2012, ERFC 2017

Other private employment



Source: WA State Employment Security Dept. 2012, ERFC 2017

Government employment



Source: WA State Employment Security Dept. 2012, ERFC 2017

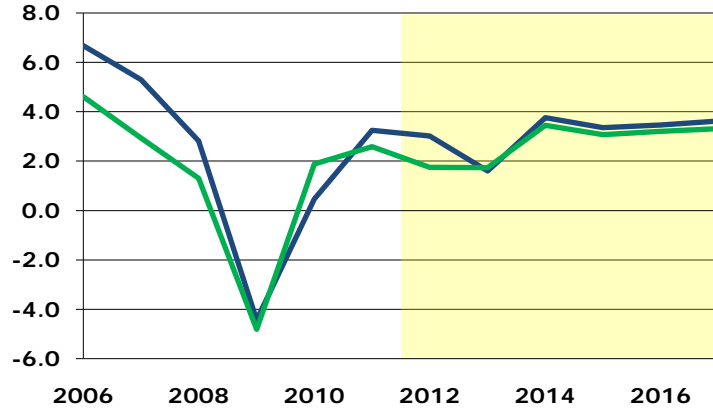
Washington

U.S.

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

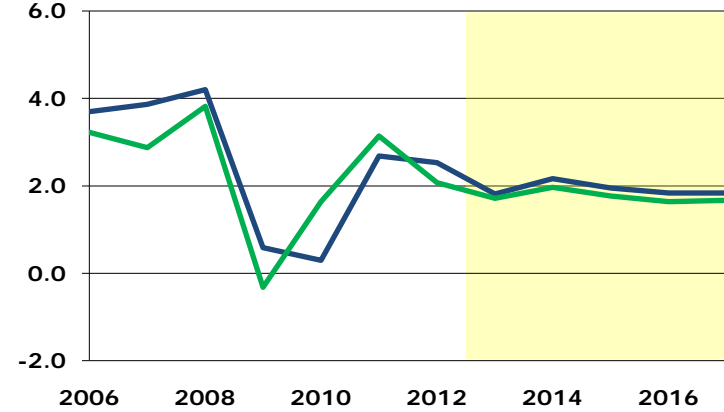
Forecast

Real personal income



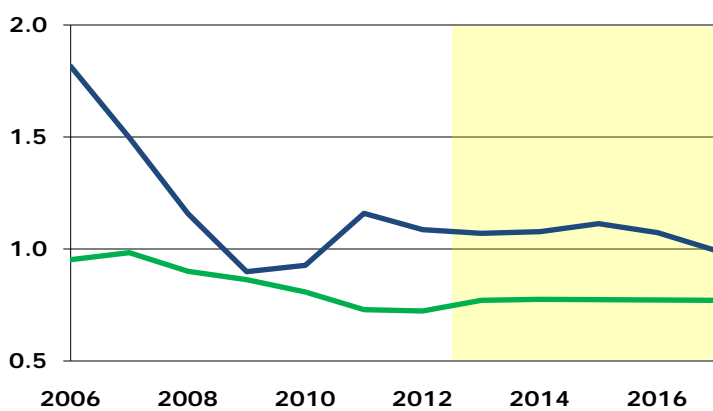
Source: Bureau of Economic Analysis 2011, ERFC 2017

Consumer price indices



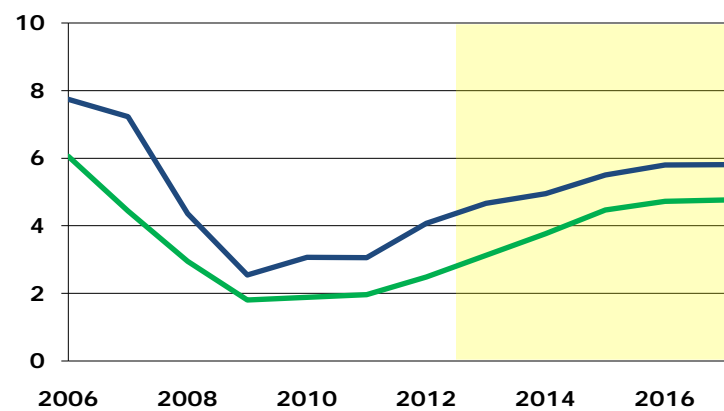
Source: Bureau of Labor Statistics 2012, ERFC 2017

Population



Source: Office of Financial Management 2010, ERFC 2017

New Housing Units Per 1,000 population (level)



Source: Census Bureau 2012, ERFC 2017

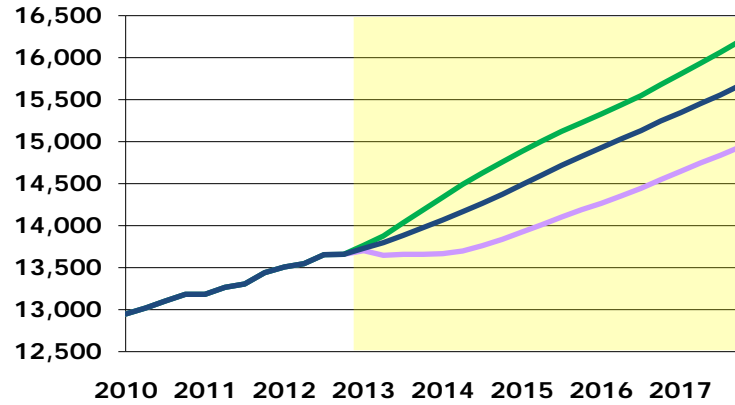
Washington

U.S.

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

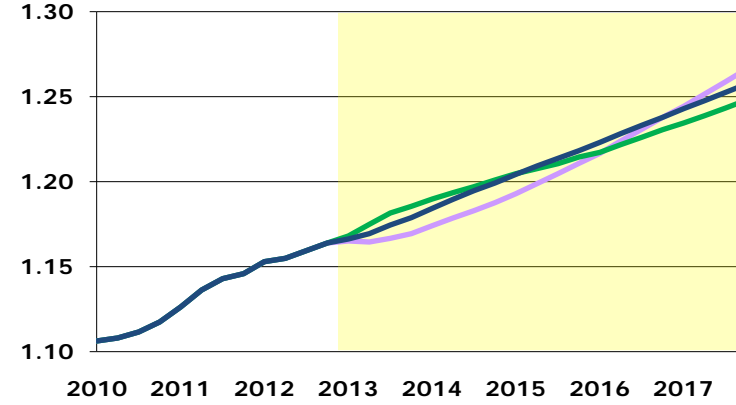
Forecast

Real GDP, billions of chained 2005 dollars



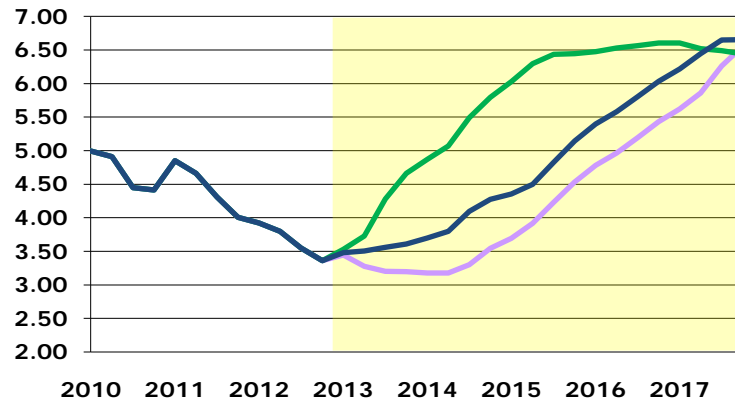
Source: Bureau of Economic Analysis 2012 Q4, ERFC 2017

Implicit price deflator, index 2005 = 1.0



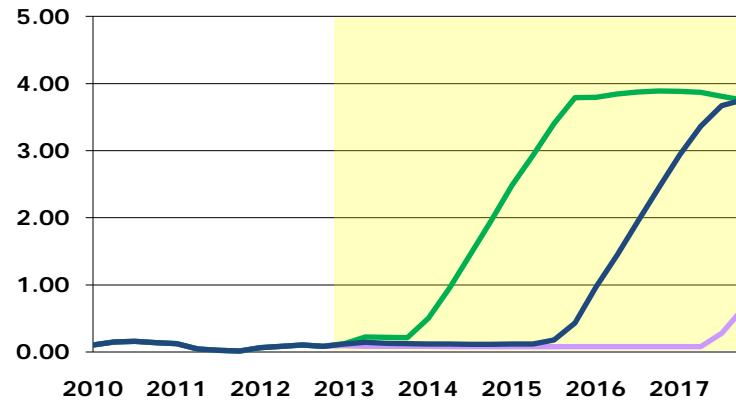
Source: Bureau of Economic Analysis 2012 Q4, ERFC 2017

Mortgage rate, percent



Source: Freddie Mac 2012 Q4, ERFC 2017

Three month T-bill rate, percent



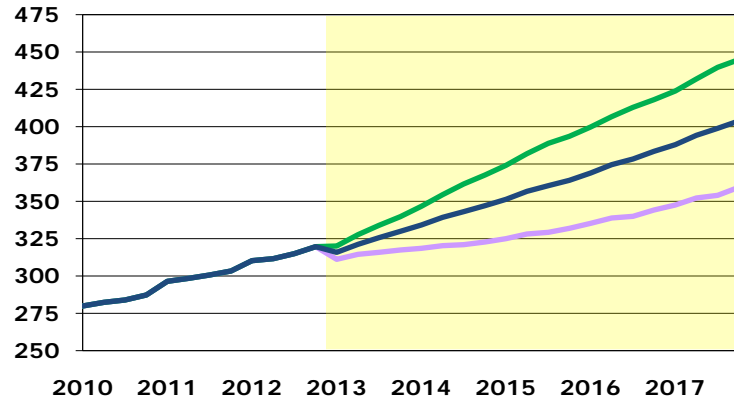
Source: Federal Reserve Board 2012 Q4, ERFC 2017

■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts

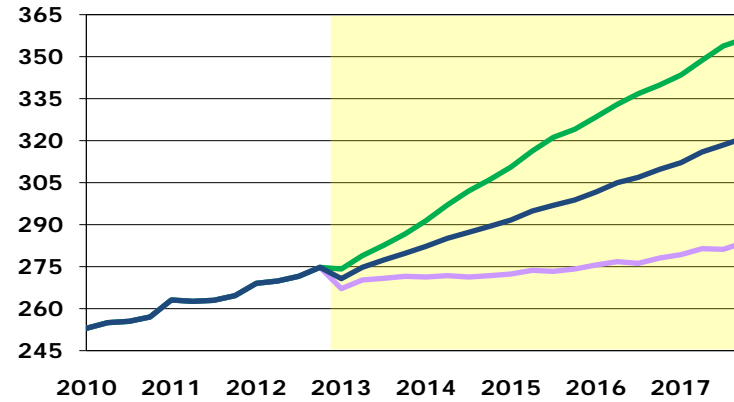
Forecast

Personal income, billions of dollars



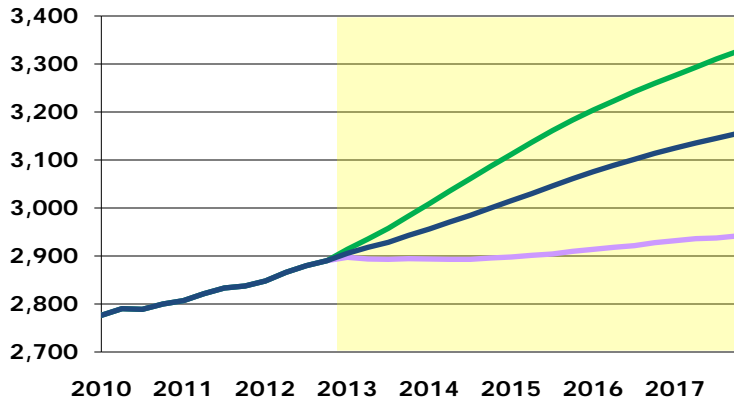
Source: Bureau of Economic Analysis 2011 Q4, ERFC 2017

Real personal income, billions of chained 2005 dollars



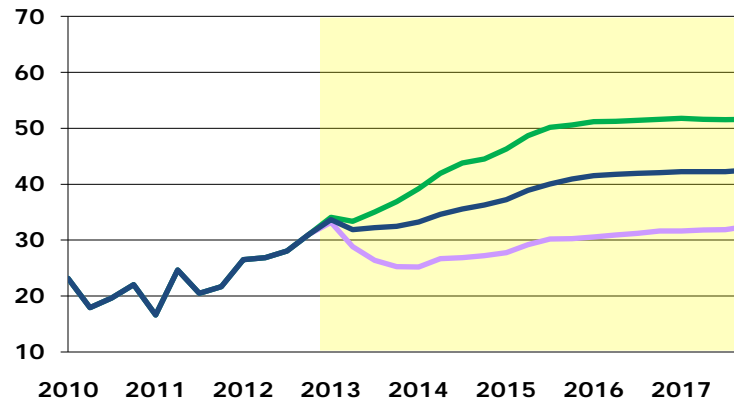
Source: Bureau of Economic Analysis 2011 Q4, ERFC 2017

Total nonfarm payroll employment, thousands



Source: WA State Employment Security 2012 Q4, ERFC 2017

Housing permits, thousands



Source: Census Bureau 2012 Q4, ERFC 2017

■ Baseline ■ Optimistic ■ Pessimistic

This page left intentionally blank.



Chapter 3: Washington State Revenue Forecast Summary

- **The March state economic forecast was slightly weaker than that of November.**
- **Due to a \$125 million positive variance in collections since November, forecasted General Fund-State revenue for the 2011-13 biennium has increased by \$59 million despite a decreased outlook for the rest of the biennium.**
- **The weaker economic forecast has resulted in reductions to forecasted revenue of \$19 million in the 2013-15 biennium and \$49 million in the 2015-17 biennium.**
- **The revenue impacts of the weaker overall outlook were softened somewhat by an improved forecast of housing construction and sales.**

Overview

The March economic forecast was weaker overall than November's but had a stronger forecast of housing permits and sales

As outlined in Chapters 1 and 2, much of the difference between the March and November forecasts stemmed from the differences between November's assumptions of federal budget decisions and the current state of those decisions. The November forecast assumed the federal payroll tax cuts would be maintained, but instead they were eliminated. The forecast had also assumed that the spending cuts known as the "sequester" would largely be avoided, but now they are forecasted to go into effect through June. Although state revenue collections have been coming in above the November forecasts, the impacts of the payroll tax increase and spending cuts have reduced forecasted collections for the rest of the current biennium and a weaker outlook going forward has reduced the forecast for the next two biennia as well. The negative impacts, however, were lessened by an improved outlook for housing construction and sales, which increased forecasted revenue from those sectors.

GF-S forecast change by biennium (millions):

*11-13: +\$59
13-15: -\$19
15-17: -\$49*

Table 3.1 summarizes the changes to the forecast of General Fund-State (GF-S) revenue for the 2011-13 through 2015-17 biennia. As of March 10th, revenue collections were \$125.5 million ahead of the November 2012 forecast. For the remainder of the current biennium, \$66.7 million was subtracted from the forecast, for a total increase of \$58.8 million. Changes to the economic forecast resulted in reductions of \$19.3 million in forecasted revenue in the 2013-15 biennium and \$48.7 million in

the 2015-17 biennium. With these revisions, GF-S revenue for the 2011-13 biennium is forecasted to total \$30,536.2 million and revenues for the 2013-15 and 2015-17 biennia are forecasted at \$32,541.4 million and \$35,306.2 million respectively.

GF-S forecast (\$millions):

2011-13:
\$30,536

2013-15:
\$32,541

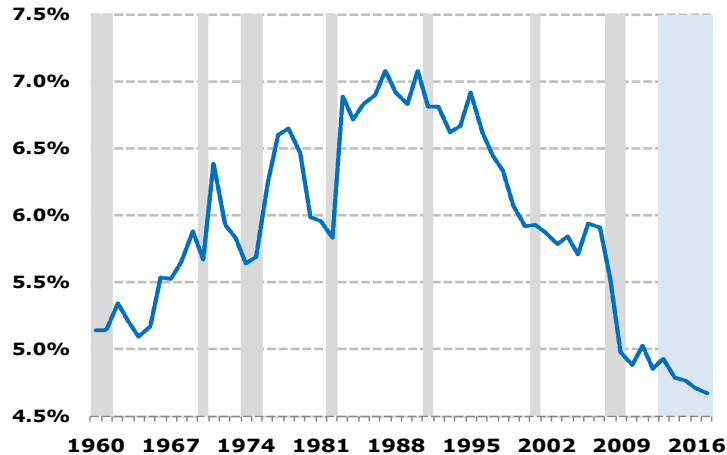
2015-17:
\$35,306

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

	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium
Collection Experience	\$125.5	NA	NA
Forecast Change	(\$66.7)	(\$19.3)	(\$48.7)
Total Change	\$58.8	(\$19.3)	(\$48.7)

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

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



Source: ERFC, data through fiscal year 2012

The ratio of collections to income is at historical lows

As can be seen in Figure 3.1, the amount of GF-S revenue that is collected relative to state personal income is forecasted to reach its lowest levels in ERFC records. The ratio of revenue to income has been on a downward trend since 1995, broken only by the housing boom that raised the ratio from 2005 to mid-2008 and by temporary taxes and transfers of funds from non-GF-S sources into the GF-S that again boosted the ratio between fiscal years 2011 and 2013. The March forecast, as shown in the light blue shaded area, has the ratio decreasing sharply in FY 2014 as several temporary increases of taxes and transfers of revenue to the GF-S expire. The ratio then continues to trend downward at a more gradual pace through FY 2017.

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

Forecast details are at the end of the chapter

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

Recent Collection Experience

Cumulative receipts from major sources that are tracked monthly were \$125 million (2.5 %) more than the November forecast

Revenue collections from the Department of Revenue (DOR), Department of Licensing, Administrative Office of the Courts, and Lottery are tracked monthly. In the period since the November forecast, total revenue from the above sources came in \$125.5 million (2.5%) higher than expected (see Table 3.2). Revenue Act collections reported by the DOR were \$70.2 million (1.9%) above the forecast. Revenue from other DOR tax sources from November through February was \$55.5 million (4.4%) higher than expected. Most of this positive variance was due to real

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

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	\$70.2	1.9%
Non Revenue Act	\$55.5	4.4%
Subtotal	\$125.8	2.5%
Department of Licensing	\$0.3	28.0%
Administrative Office of the Courts	(\$0.6)	-2.0%
Total*	\$125.5	2.5%

* Detail may not add to total due to rounding.
Source: ERFC; Period: November 11 - March 10, 2013

estate excise tax (REET) receipts, which came in \$51.6 million (40.5%) above the forecast. Liquor tax receipts were \$3.6 million (3.9%) higher than forecasted while cigarette tax receipts came in \$5.7 million (4.3%) lower than forecasted. Property tax receipts were \$0.4 million (0.0%) lower than forecasted. The sum of the variances of other DOR sources was \$6.4 million. Revenue from the Department of Licensing was \$272,000 (28.0%) higher than forecasted and revenue from the Administrative Office of the Courts was \$0.6 million (2.0%) lower than forecasted.

Adjusted Revenue Act collections were up 11.6% year-

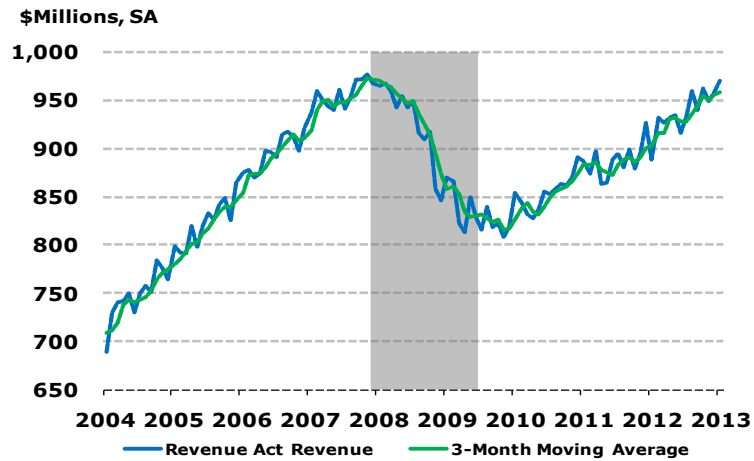
Figure 3.2 shows seasonally adjusted Revenue Act receipts excluding payments received under the tax amnesty program in early 2011 and other large payments. It is also adjusted for recent changes in payment patterns. As shown in the figure,

over-year in the most recent collection period but flat at 0.0% growth in the previous period

collections have been on an upward trend since November 2009. Growth was aided by a temporary increase in the business and occupation tax rate paid by service industries that took effect in May 2010. Collections slowed in mid-2011 but have since resumed their upward course. Recent growth has been uneven, with year-over-year growth of 11.6% in the February 11 - March 10 collection period and 0.0% in the previous period. Trend growth is still below the levels of 2004 through 2007.

Figure 3.2: Revenue Act Collections*

Seasonally adjusted Revenue Act collections remain on an upward trend



Source: ERFC; Data through March 10, 2013 preliminary allocation
*Adjusted for large payments/refunds and payment pattern change

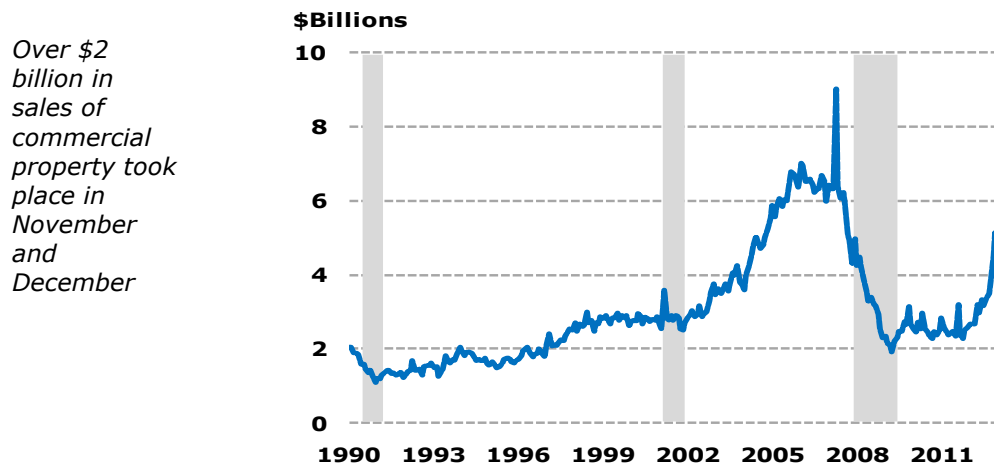
Quarterly year-over-year Revenue Act growth is moderate

Adjusted Revenue Act collections from November 11, 2012 – February 10, 2013, which primarily reflected fourth quarter 2012 activity, were up 5.0% year-over-year, down slightly from the 5.3% year-over-year growth in third quarter activity (August 11 – November 10, 2012 adjusted collections). Collections that represented second quarter 2012 activity grew at 6.8% year-over-year, due mainly to weak activity in the second quarter of 2011.

Year-end REET activity surged ahead of 2013 tax changes

The large positive variance in real estate excise tax REET collections was due to an end-of-the-year surge in sales of commercial property and high-end single-family homes. The surge occurred in response to anticipated increases in capital gains taxes that took effect in 2013. The forecast included an end-of-the-year increase in sales, but the size of the actual increase far surpassed the forecast, with commercial sales of over \$1 billion in both November and December. This spike is visible in the chart of taxable activity (see Figure 3.3). Activity in the two months since the spike is returning to the lower trend established before the acceleration in commercial sales, which began in the spring of 2012.

Figure 3.3: Taxable Real Estate Excise Activity, SA



Source: ERFC; data through February 2013

Revenue Forecasts by Source

Department of Revenue

Taxes collected by DOR are most of GF-S taxes

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

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

The retail sales tax is the largest source of GF-S revenue, accounting for 45.3% of GF-S revenue in FY 2012. The state’s share of the tax is 6.5% of the sales price. While construction labor, repair services, and some other services are taxed, the tax does not apply to most services. Taxable sales as a share of personal income has been declining. Their share fell sharply during the recession and has continued to fall through FY 2012. In that year, an estimated 34.6% of personal income was spent on taxable items, the lowest percentage on record. The taxable sales share of personal income is forecasted to remain roughly constant from FY 2013 through FY 2017 due mainly to forecasted growth in residential construction. The historical relationship between taxable sales and income is illustrated in Figure 3.4.

After declines of 10.4% in FY 2009 and 6.0% in FY 2010, taxable retail sales managed an increase of 1.8% in FY 2011 (see Table 3.4). Extra sales tax collections from the tax penalty amnesty program in the spring of 2011, however, brought the growth rate of actual collections up to 3.2% for the fiscal year. The growth rate of taxable activity is forecasted to improve from 4.1% in FY

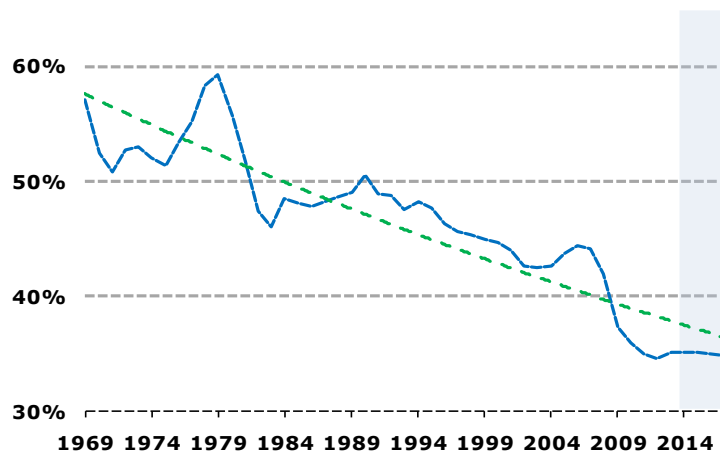
Retail sales tax receipt growth forecast:

FY13: 5.3%
 FY14: 5.0%
 FY15: 5.2%
 FY16: 4.8%
 FY17: 4.9%

2012 to 5.4% in FY 2013 before slowing to 4.5% in FY 2014. Forecasted growth rates for FY 2015, 2016 and 2017 are 5.1%, 4.8% and 4.7% respectively. Taxable activity is not forecasted to regain its fourth quarter, 2007 peak until the third quarter of 2014. Taking into account the lag between taxable activity and collections and factoring in tax deferrals, credits and refunds, actual retail sales tax collections are forecasted to grow by 5.3% in FY 2013, 5.0% in FY 2014 and 5.2% in FY 2015. FY 2016 and FY 2017 collections are forecasted to grow at 4.8% and 4.9% respectively.

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

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



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

B&O taxes are the second largest source of GF-S revenue

The business and occupation (B&O) tax is the second largest source of GF-S revenue, accounting for 21.0% of GF-S revenue in FY 2012. It is a tax on the gross receipts of all businesses operating in Washington. The state portion of the tax applies ten different rates according to various classifications of business activities. In FY 2012, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.8% (the rate will revert to 1.5% in July 2013) and represented an estimated 45% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented an estimated 21% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented an estimated 19% of taxes due.

Due mainly to new revenue from the temporary increase of the B&O services tax from 1.5% to 1.8%, B&O tax collections grew by 16.9% in FY 2011. Receipts for the fiscal year were also increased by the tax penalty amnesty program and other legislative changes described in the [June 2010 Washington State Economic and Revenue Forecast](#) publication. FY 2011's elevated

B&O tax growth forecast:

FY13: 5.4%
FY14: -1.8%
FY15: 4.4%
FY16: 4.9%
FY17: 5.4%

receipts from the tax amnesty program, coupled with several large refunds in 2012, reduced FY 2012 growth to 3.9%. The refunds in FY 2012, coupled with an improving economy, increased the forecasted FY 2013 growth rate to 5.4%. The expiration of the temporary increase in the B&O service tax rate is forecasted to cause receipts to shrink by 1.8% in FY 2014 before growing by 4.4% in FY 2015, 4.9% in FY 2016 and 5.4% in FY 2017.

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

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

GF-S property tax growth forecast:

FY13: 1.8%
FY14: 1.9%
FY15: 2.1%
FY16: 2.2%
FY17: 2.4%

Under Initiative 747, approved by voters in November 2001, the total state tax levy on existing property can only increase by the lesser of 1% per year or the rate of inflation as measured by the year-over-year change in the U.S. Implicit Price Deflator in July of the year preceding the levy, unless a greater increase is approved by the voters (I-747 was ruled unconstitutional in 2007, but the legislature adopted a similar limit in a special session that year). The year-to-year growth in the total amount levied, however, can exceed the aforementioned limits due to the value of new construction, property improvements, and other additions to real property assessed by the state. Collections can also grow faster or slower than the rate of assessment growth due to the payment of past due taxes or nonpayment of current taxes. Property tax receipts grew by 2.1% in FY 2012 and are forecasted to grow by 1.8% in FY 2013, 1.9% in FY 2014, 2.1% in FY 2015, 2.2% in FY 2016 and 2.4% in FY 2017.

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

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

Use tax growth forecast:

FY13: 7.7%
FY14: 2.8%
FY15: 5.7%
FY16: 5.2%
FY17: 4.4%

The tax penalty amnesty program brought in a large amount of past-due use taxes. As a result, FY 2011 collections increased 26.2% year-over-year. FY 2011 collections were also supported by an increase of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. Because of the high FY 2011 collections, use tax

receipts declined by 10.1% in FY 2012. Growth in FY 2013 is forecasted to jump to 7.7% due to increased used vehicle sales. Growth is forecasted to slow to 2.8% in FY 2014 before increasing to 5.7% in FY 2015 due to increases in residential construction and manufacturing. Growth is then forecasted to slow to 5.2% in FY 2016 and 4.4% in FY 2017.

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

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

Cigarette tax growth forecast:

*FY13: -4.4%
FY14: 0.5%
FY15: -1.0%
FY16: -0.4%
FY17: -1.6%*

While the 2010 tax increase increased the total revenue brought in by the tax, the total number of taxed cigarettes has been on a downward trend, due to both a continuing decline in the number of smokers and an increase in tax avoidance by various means. In recent years, a growing number of people had been avoiding the cigarette tax by buying loose tobacco at a lower tax rate and assembling them into cigarettes in automated "roll your own" cigarette machines in the same store in which they had bought the tobacco. 3E2SHB 2565, passed in the second 2012 special legislative session, established that roll-your-own cigarettes assembled in a store are also subject to the cigarette tax as of July 1, 2012. Subsequent to the passage of the bill, however, a federal law that classified the owners of roll-your-own cigarette machines as manufacturers subject to all applicable federal regulations effectively halted their use nationwide. Going forward, without the increasing tax avoidance from the machines, cigarette sales are forecasted to decline more slowly, with a declining smoking rate just outpacing population growth. Cigarette tax receipts are forecasted to decline by 4.4% in FY 2013 after a 1.8% decrease in FY 2012, then increase by 0.5% in FY 2014 and decrease by 1.0% in FY 2015. Receipts are then forecasted to decrease by 0.4% in FY 2016 and 1.6% in FY 2017.

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

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

Since peaking in FY 2007 in the final days of the real estate boom, REET collections have declined precipitously. Receipts dropped 38.0% year-over-year in FY 2008 and 41.3% in FY

REET growth forecast:

FY13: 23.5%
FY14: -6.8%
FY15: 14.9%
FY16: 12.2%
FY17: 6.0%

2009. A federal tax credit for homebuyers slowed the rate of decline to 2.4% in FY 2010, but the decline reaccelerated in FY 2011, with a drop of 7.8%. The increase in large commercial sales mentioned above boosted FY 2012 growth to 14.1%. Due to the continuation of these sales into the first half of FY 2013, the March forecast has been increased by \$54.2 million, increasing the forecasted growth rate to 23.5% from November's rate of 9.9%. Without the higher level of commercial sales, FY 2014 collections are forecasted to decline by 6.8%. An improving housing market is then forecasted to increase REET collections by 14.9% in FY 2015 and 12.2% in FY 2016 before slowing to 6.0% growth in FY 2017.

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

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

Growth forecast:

FY13: -0.7%
FY14: 7.6%
FY15: 6.3%
FY16: 4.1%
FY17: 4.6%

FY 2012 utility taxes declined by 2.1% from their FY 2011 level, due mainly to falling natural gas prices. FY 2013 taxes are forecasted to decrease by 0.7% for the same reason. Forecasted increases in the prices of natural gas and electricity are expected to increase receipts by 7.6% in FY 2014 and 6.3% in FY 2015 before slowing to growth rates of 4.1% in FY 2016 and 4.6% in FY 2017.

Department of Licensing

Forecast change by biennium (millions):

11-13: \$0.2
13-15: \$0.1
15-17: \$0.0

The majority of GF-S revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. The department's forecast for the 2011-13 biennium has been increased \$0.2 million to \$33.7 million. The forecast of GF-S revenue for the 2013-15 biennium has been increased \$0.1 million to \$31.7 million and the forecast for the 2015-17 biennium is unchanged at \$31.6 million.

The Office of Financial Management (Other Agencies)

Forecast change by biennium (millions):

11-13: \$7.8
13-15: \$1.5
15-17: \$7.4

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the

Department of Licensing, the Liquor Control Board, the Insurance Commissioner, the Washington State Lottery, and the State Treasurer. The office's forecast for the 2011-13 biennium was increased \$7.8 million to \$212.6 million, due to increased insurance license and fee revenue and settlement payments from tobacco companies. The forecast for the 2013-15 biennium was

increased \$1.5 million to \$210.8 million. The forecast for the 2015-17 biennium was increased \$7.4 million to \$2.7 million due to an increase in forecasted fee revenue from the Department of Financial Institutions. The large decrease in forecasted revenue for the 2015-17 biennium is due to the assumed reinstatement of a \$102 million per year transfer of GF-S revenue to the Education Construction Account that has been suspended since FY 2010.

State Treasurer

*Forecast
change by
biennium
(millions):*

11-13: \$1.6
13-15: \$1.6
15-17: -\$1.2

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2011-13 biennium has been increased \$1.6 million to negative \$19.1 million and the forecast for the 2013-15 biennium has been increased \$1.6 million to negative \$13.2 million due to increases in forecasted average GF-S daily balances. The forecast for the 2015-17 biennium has been decreased \$1.2 million to negative \$8.8 million due to a reduction in forecasted interest earnings. The forecasted revenues for each biennium are negative because the average daily balance for each biennium is forecasted to be negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

11-13: -\$10.4
13-15: \$14.5
15-17: \$30.9

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the GF-S and various accounts in support of fire services. The office's forecast for the 2011-13 biennium has been reduced \$10.4 million to \$847.5 million due to a large refund of previously paid taxes. The office's forecast of GF-S revenue for the 2013-15 biennium has been increased \$14.5 million to \$963.4 million and the forecast for the 2015-17 biennium has been increased \$30.9 million to \$1,075.3 million. Forecast changes for the 2013-15 and 2015-17 biennia were mainly the result of revised estimates of the revenue impacts of the federal Affordable Care Act.

Liquor Control Board

*Forecast
change by
biennium
(millions):*

11-13: -\$10.8
13-15: \$10.4
15-17: \$14.2

Historically, the Liquor Control Board generated GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. Under Initiative 1183, however, which was passed in November 2011, the Liquor Control Board no longer operates liquor stores as of June 1, 2012. The board will still collect new distributors' and retailers' fees created by the initiative, a portion of which will be passed on to the GF-S. The projected sum of these fees, along with the profits collected before closure of the stores and other fees collected by the

board, has been decreased \$10.4 million to \$195.1 million for the 2011-13 biennium. The forecast of beer and wine surtaxes for the 2011-13 biennium has been decreased \$0.5 million to \$154.1 million. The forecast of revenue from fees for the 2013-15 biennium has been increased \$10.7 million to \$145.9 million and the forecast of revenue from beer and wine surtaxes has been decreased \$0.3 million to \$54.9 million. The forecast of revenue from fees for the 2015-17 biennium has been increased \$14.4 million to \$139.7 million and the forecast of revenue from beer and wine surtaxes has been decreased \$0.3 million to \$55.5 million. Forecasted fee revenue for the 2013-15 and 2015-17 biennia is lower than that of the current biennium due to a scheduled reduction of the distributor's fee. Forecasted beer and wine surtaxes for the 2013-15 and 2015-17 biennia are lower than those of the current biennium due to the scheduled expiration of a temporary surtax on beer.

The March forecast does not include revenue from I-502

While Initiative 502, passed in November 2012, charges the Liquor Control Board with collecting fees from the growth, processing, and sale of cannabis and cannabis products, the forecast does not yet include any revenue from this source due to continued uncertainty over the federal response to such activities.

Lottery Commission

Washington Opportunities Pathways Account forecast change by biennium (millions):

11-13: \$8.6
13-15: \$0.5
15-17: \$12.1

The disposition of proceeds from the state lottery was substantially changed by E2SSB 6409 in the 2010 legislative session. Prior to the passage of the bill, the Lottery Commission transferred the bulk of its net proceeds to the School Construction Account, and any proceeds remaining after that account and several smaller accounts received their allotments was transferred to the GF-S. Under the 2010 legislation, existing obligations to the Stadium/Exhibition Center, Problem Gambling and Economic Development accounts were maintained, but the remaining revenue, which represents the bulk of the proceeds, are transferred entirely to the Washington Opportunity Pathways Account, with no transfers to the GF-S. The forecast of transfers to the Opportunity Pathways Account for the 2011-13 biennium has been increased \$8.6 million to \$233.3 million. The forecast of transfers for the 2013-15 biennium has been increased \$0.5 million to \$222.8 million, and the forecast for the 2015-17 biennium has been increased \$12.1 million to \$230.8 million. Details of the forecast of the distribution of Lottery earnings can be found in Table 3.15 on a cash basis and Table 3.16 on a GAAP basis.

Administrative Office of the Courts

Forecast change by biennium (millions):...

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties and transfers this revenue to the GF-S on a monthly basis. The forecasted total

...
11-13: -\$2.7
13-15: -\$9.7
15-17: -\$7.8

transfer for the 2011-13 biennium has been decreased \$2.7 million to \$186.9 million. The forecast of transfers to the GF-S for the 2013-15 biennium has been decreased \$9.7 million to \$184.6 million and the forecast for the 2015-17 biennium has been decreased \$7.8 million to \$196.4 million.

Track Record for the 2011-13 Biennium

The March forecast is \$1.4 billion (4.3%) lower than the March 2011 forecast on which the initial 2011-13 budget was based

Table 3.10 summarizes the historical changes to the GF-S revenue forecast for the 2011-13 biennium. The February 2010 forecast was the initial forecast for the biennium. The March 2013 forecast for the biennium is \$1.69 billion (5.2%) lower than the initial forecast. Non-economic changes have increased the forecast by \$1.7 billion (5.4%). Excluding non-economic changes, the current forecast is \$3.42 billion (10.6%) lower than the initial forecast. The current forecast is \$1.37 billion (4.3%) lower than the March 2011 forecast, which was the basis for the initial 2011-13 budget passed in the 2011 legislative session.

Track Record for the 2013-15 Biennium

The March forecast is \$113 million (0.3%) higher than the initial February 2012 forecast

Table 3.11 summarizes the historical changes to the GF-S revenue forecast for the 2013-15 biennium. The February 2012 forecast was the initial forecast for the biennium. The March forecast for the biennium is \$113 million (0.3%) higher than the initial forecast. Non-economic changes have increased the forecast by \$330 million (1.0%). Excluding non-economic changes, the current forecast is \$217 million (0.7%) lower than the initial forecast.

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

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

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

to the cash forecast unless otherwise noted. Likewise, figures from revenue tables other than Tables 3.6, 3.8 and 3.16 are projected on a cash basis.

Budgetary Balance Sheet for the 2011-13 Biennium

The forecast implies total GF-S reserves of \$433 million at the end of the 2011-13 biennium

Table 3.12 shows the budgetary balance sheet for the 2011-13 biennium as prepared by the Office of Financial Management and the House and Senate fiscal committees. By the final tally of 2009-11 revenue, the GF-S had a \$92.0 million deficit at the end of the 2009-11 biennium. Based on an assumed spending level of \$30,630.5 million in the 2011-13 biennium, the GF-S is projected to have total reserves of \$432.5 million at the end of the 2011-13 biennium. The expected total reserves are comprised of a projected GF-S ending balance of \$164.8 million and a projected balance of \$267.7 million in the Budget Stabilization Account.

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

Optimistic scenario:

*2011-13:
+296 million*

*2013-15:
+\$2.7 billion*

Pessimistic scenario:

*2011-13:
-\$308 million*

*2013-15:
-\$2.8 billion*

Chapter 1 outlines upside and downside risks associated with the baseline economic forecast. The forecast assigns a probability of 50% to the baseline forecast, 15% to a scenario based on the upside risks and 35% to a scenario based on the downside risks. The revenue implications of these alternative scenarios for the 2011-13 and 2013-15 biennia are shown in Tables 3.13 and 3.14 respectively. For the 2011-13 biennium, the optimistic forecast generates \$30,833 million in revenue, \$296 million more than the baseline scenario, while the pessimistic forecast produces \$30,338 million in revenue, \$308 million less than the baseline. For the 2013-15 biennium, the optimistic forecast generates \$35,267 million in revenue, \$2,726 million more than the baseline scenario, while the pessimistic forecast produces \$29,775 million in revenue, \$2,787 million less than the baseline.

Near General Fund Forecasts for the 2011-13 - 2015-17 Biennia

Near General Fund Forecast:

*2011-13:
\$30,772.7 million*

*2013-15:
\$32,641.9 million*

*2015-17:
\$35,494.2 million*

“Near General Fund” accounts are those included in the GF-S plus the Education Legacy Trust Account. The Education Legacy Trust Account was previously funded by a portion of the state tax on cigarettes and a tax on estates of over \$2 million. Legislation from the 2011 session, however, requires the cigarette taxes that formerly went into the account to instead be deposited into the GF-S. The Near General Fund forecast for the 2011-13 biennium is \$30,772.7 million, an increase of \$61.9 million from the November forecast. The forecasted increase is more than that of the GF-S due to a \$3.1 million increase in forecasted estate tax receipts for the Education Legacy Trust Account. The Near General Fund forecast for the 2013-15 biennium is \$32,641.9 million, \$179.6 million less than the November

forecast, and the forecast for the 2015-17 biennium is \$35,494.2 million, \$126.8 million less than the November forecast. The Near General Fund forecast and recent history by fiscal year are presented in Table 3.17.

A state Supreme Court ruling will reduce estate tax receipts by \$160 million in the 2013-15 biennium and \$78 million in the 2015-17 biennium

Most of the decrease in the Near General Fund forecast for the 2013-15 and 2015-17 biennia was due to large decreases in the Education Legacy Trust Account forecast. These decreases stemmed from a ruling from the state Supreme Court that disallowed the estate tax on certain types of joint estates. The ruling is expected to generate \$92.4 million in estate tax refunds in the 2013-15 biennium and reduce collections by \$67.9 million, for a total forecast reduction of \$160.3 million for the account. Refunds and reduced collections from the ruling are expected to reduce Education Legacy Trust Account revenue by \$78.1 million in the 2015-17 biennium.

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

Biennium	Current Dollars	Percent Change	2005 Chained Dollars	Percent Change
1961-63	\$817.1		\$4,300.0	
1963-65	866.2	6.0%	4,439.3	3.2%
1965-67	1,128.6	30.3%	5,565.5	25.4%
1967-69	1,440.5	27.6%	6,658.6	19.6%
1969-71	1,732.7	20.3%	7,321.2	10.0%
1971-73	1,922.1	10.9%	7,514.0	2.6%
1973-75	2,372.4	23.4%	8,011.9	6.6%
1975-77	3,395.0	43.1%	9,972.5	24.5%
1977-79	4,490.0	32.3%	11,578.1	16.1%
1979-81	5,356.4	19.3%	11,495.6	-0.7%
1981-83	6,801.4	27.0%	12,716.3	10.6%
1983-85	8,202.4	20.6%	14,151.3	11.3%
1985-87	9,574.6	16.7%	15,570.1	10.0%
1987-89	10,934.1	14.2%	16,506.2	6.0%
1989-91	13,309.0	21.7%	18,473.5	11.9%
1991-93	14,862.2	11.7%	19,325.8	4.6%
1993-95	16,564.6	11.5%	20,621.0	6.7%
1995-97	17,637.7	6.5%	21,038.1	2.0%
1997-99	19,620.1	11.2%	22,726.8	8.0%
1999-01	21,262.1	8.4%	23,682.0	4.2%
2001-03	21,140.7	-0.6%	22,766.8	-3.9%
2003-05	23,388.5	10.6%	24,088.7	5.8%
2005-07	27,772.0	18.7%	27,024.1	12.2%
2007-09	27,703.0	-0.2%	25,624.1	-5.2%
2009-11	28,218.1	1.9%	25,363.1	-1.0%
2011-13 ^F	30,536.2	8.2%	26,392.7	4.1%
2013-15 ^F	32,541.4	6.6%	27,302.7	3.4%
2015-17 ^F	35,306.2	8.5%	28,688.4	5.1%

^F March 2013 Forecast.

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

Source: Department of Revenue, the Office of Financial Management and the Economic and Revenue Forecast Council 's March 2013 forecast.

Table 3.4
Taxable retail sales*
(millions of dollars)

Fiscal Year	Amount	Percent Change
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008	118,676	2.7%
2009	106,379	-10.4%
2010	99,983	-6.0%
2011	101,825	1.8%
2012	106,036	4.1%
2013 ^F	111,717	5.4%
2014 ^F	116,709	4.5%
2015 ^F	122,679	5.1%
2016 ^F	128,508	4.8%
2017 ^F	134,609	4.7%

^F Forecast
Source: ERFC

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

Table 3.5

Comparison of the General Fund-State forecast by agency

2011-13 biennium; cash basis

(millions of dollars)

Forecast by Agency	Nov. 2012 Forecast¹	Non- Economic Changes	Forecast Revision	Mar. 2013 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,819.4	\$0.0	\$27.2	\$13,846.6	\$27.2
Business & Occupation	6,423.9	0.0	(3.3)	6,420.6	(3.3)
Use	981.0	0.0	16.9	997.9	16.9
Public Utility	766.2	0.0	(11.8)	754.5	(11.8)
Liquor Sales/Liter	480.3	0.0	2.1	482.5	2.1
Cigarette	834.5	0.0	(3.6)	830.8	(3.6)
Property (State Levy)	3,794.8	0.0	(1.8)	3,793.0	(1.8)
Real Estate Excise	837.8	0.0	54.2	892.0	54.2
Timber Excise	6.8	0.0	(0.2)	6.6	(0.2)
Other	907.6	0.0	(6.5)	901.1	(6.5)
Subtotal	28,852.3	0.0	73.2	28,925.5	73.2
Department of Licensing					
Boat excise, licenses, fees & other	33.5	0.0	0.2	33.7	0.2
Insurance Commissioner					
Insurance Premiums	857.9	0.0	(10.4)	847.5	(10.4)
Liquor Control Board					
Liquor Profits and Fees	205.5	0.0	(10.4)	195.1	(10.4)
Beer & Wine Surtax	154.6	0.0	(0.5)	154.1	(0.5)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(20.7)	0.0	1.6	(19.1)	1.6
Office of Financial Management					
Other Agencies	204.7	0.0	7.8	212.6	7.8
Administrative Office of the Courts					
Fines and Forfeitures	189.7	0.0	(2.7)	186.9	(2.7)
Total General Fund-State *	\$30,477.5	\$0.0	\$58.8	\$30,536.2	\$58.8

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council November 2012.² Forecast for the 2011-13 biennium, adopted March 2013.

*Detail may not add to totals because of rounding.

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

Table 3.6

Comparison of the General Fund-State forecast by agency

2011-13 biennium; GAAP basis

(millions of dollars)

Forecast by Agency	Nov. 2012 Forecast¹	Non- Economic Changes	Forecast Revision	Mar. 2013 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,894.9	\$0.0	\$25.9	\$13,920.8	\$25.9
Business & Occupation Use	6,432.6	0.0	(0.2)	6,432.4	(0.2)
Public Utility	967.9	0.0	19.8	987.7	19.8
Liquor Sales/Liter	773.5	0.0	(11.9)	761.6	(11.9)
Cigarette	484.0	0.0	1.9	485.9	1.9
Property (State Levy)	828.1	0.0	(3.7)	824.5	(3.7)
Real Estate Excise	3,794.7	0.0	(0.1)	3,794.6	(0.1)
Timber Excise	833.5	0.0	54.3	887.8	54.3
Other	6.5	0.0	(0.2)	6.2	(0.2)
Subtotal	905.8	0.0	(6.5)	899.3	(6.5)
	28,921.5	0.0	79.2	29,000.6	79.2
Department of Licensing					
Boat excise, licenses, fees & other	33.5	0.0	0.2	33.7	0.2
Insurance Commissioner					
Insurance Premiums	857.9	0.0	(10.4)	847.5	(10.4)
Liquor Control Board					
Liquor Profits and Fees	205.5	0.0	(10.4)	195.1	(10.4)
Beer & Wine Surtax	154.6	0.0	(0.5)	154.1	(0.5)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(21.8)	0.0	1.9	(19.9)	1.9
Office of Financial Management					
Other	204.7	0.0	7.8	212.6	7.8
Administrative Office of the Courts					
Fines and Forfeitures	189.7	0.0	(2.7)	186.9	(2.7)
Total General Fund-State *	\$30,545.5	\$0.0	\$65.1	\$30,610.6	\$65.1

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council November 2012.² Forecast for the 2011-13 biennium, adopted March 2013.

*Detail may not add to totals because of rounding.

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

Table 3.7

Comparison of the General Fund-State forecast by agency

2013-15 biennium; cash basis

(millions of dollars)

Forecast by Agency	Nov. 2012 Forecast¹	Non- Economic Changes	Forecast Revision	Mar. 2013 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,269.1	\$0.0	\$26.8	\$15,295.9	\$26.8
Business & Occupation	6,658.3	0.0	(42.3)	6,616.0	(42.3)
Use	1,081.0	0.0	13.6	1,094.6	13.6
Public Utility	859.7	0.0	(25.0)	834.7	(25.0)
Liquor Sales/Liter	487.0	0.0	1.6	488.6	1.6
Cigarette	822.5	0.0	(10.1)	812.4	(10.1)
Property (State Levy)	3,945.1	0.0	(8.1)	3,937.0	(8.1)
Real Estate Excise	969.9	0.0	17.7	987.6	17.7
Timber Excise	6.6	0.0	(0.8)	5.8	(0.8)
Other	901.8	0.0	(11.1)	890.8	(11.1)
Subtotal	31,001.0	0.0	(37.7)	30,963.3	(37.7)
Department of Licensing					
Boat excise, licenses, fees & other	31.6	0.0	0.1	31.7	0.1
Insurance Commissioner					
Insurance Premiums	948.9	0.0	14.5	963.4	14.5
Liquor Control Board					
Liquor Profits and Fees	135.2	0.0	10.7	145.9	10.7
Beer & Wine Surtax	55.2	0.0	(0.3)	54.9	(0.3)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(14.8)	0.0	1.6	(13.2)	1.6
Office of Financial Management					
Other	209.3	0.0	1.5	210.8	1.5
Administrative Office of the Courts					
Fines and Forfeitures	194.3	0.0	(9.7)	184.6	(9.7)
Total General Fund-State *	\$32,560.7	\$0.0	(\$19.3)	\$32,541.4	(\$19.3)

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

*Detail may not add to totals because of rounding.

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

Table 3.8

Comparison of the General Fund-State forecast by agency

2013-15 biennium; GAAP basis

(millions of dollars)

Forecast by Agency	Nov. 2012 Forecast¹	Non- Economic Changes	Forecast Revision	Mar. 2013 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,269.1	\$0.0	\$26.8	\$15,295.9	\$26.8
Business & Occupation	6,658.3	0.0	(42.3)	6,616.0	(42.3)
Use	1,081.0	0.0	13.6	1,094.6	13.6
Public Utility	859.7	0.0	(25.0)	834.7	(25.0)
Liquor Sales/Liter	487.0	0.0	1.6	488.6	1.6
Cigarette	822.5	0.0	(10.1)	812.4	(10.1)
Property (State Levy)	3,945.1	0.0	(8.1)	3,937.0	(8.1)
Real Estate Excise	969.9	0.0	17.7	987.6	17.7
Timber Excise	6.6	0.0	(0.7)	5.9	(0.7)
Other	901.8	0.0	(11.1)	890.8	(11.1)
Subtotal	31,001.0	0.0	(37.6)	30,963.3	(37.6)
Department of Licensing					
Boat excise, licenses, fees & other	31.6	0.0	0.1	31.7	0.1
Insurance Commissioner					
Insurance Premiums	948.9	0.0	14.5	963.4	14.5
Liquor Control Board					
Liquor Profits and Fees	135.2	0.0	10.7	145.9	10.7
Beer & Wine Surtax	55.2	0.0	(0.3)	54.9	(0.3)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(14.5)	0.0	1.5	(12.9)	1.5
Office of Financial Management					
Other	209.3	0.0	1.5	210.8	1.5
Administrative Office of the Courts					
Fines and Forfeitures	194.3	0.0	(9.7)	184.6	(9.7)
Total General Fund-State *	\$32,561.0	\$0.0	(\$19.3)	\$32,541.7	(\$19.3)

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

*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

**March 2013 General Fund-State forecast
2011-13 to 2015-17 biennia; cash basis**

(Millions of Dollars)

<u>Forecast by Source</u>	<u>Fiscal 2012</u>	<u>Fiscal 2013</u>	<u>2011-13 Biennium</u>	<u>Fiscal 2014</u>	<u>Fiscal 2015</u>	<u>2013-15 Biennium</u>	<u>Fiscal 2016</u>	<u>Fiscal 2017</u>	<u>2015-17 Biennium</u>
State Taxes									
Retail sales**	\$6,743.7	\$7,101.9	\$13,845.6	\$7,453.7	\$7,842.2	\$15,295.9	\$8,217.4	\$8,617.4	\$16,834.8
Business & occupation Use**	3,125.1	3,295.0	6,420.1	3,236.4	3,379.6	6,616.0	3,546.7	3,738.9	7,285.5
Public Utility	480.3	517.5	997.8	532.0	562.5	1,094.6	592.0	618.3	1,210.4
Liquor sales/liter	380.0	376.0	756.0	404.6	430.1	834.7	447.5	467.9	915.4
Beer & wine surtax	215.0	267.5	482.5	241.3	247.3	488.6	252.4	257.6	509.9
Cigarette	77.3	76.8	154.1	27.4	27.5	54.9	27.7	27.8	55.5
Tobacco products	424.8	406.0	830.8	408.1	404.2	812.4	402.7	396.2	798.9
Property (state school levy)	46.6	42.9	89.5	42.9	43.3	86.2	43.7	44.0	87.7
Public utility district	1,879.4	1,913.6	3,793.0	1,948.2	1,988.9	3,937.0	2,033.3	2,082.9	4,116.2
Real estate excise	44.8	45.2	90.0	45.7	46.2	91.9	46.7	47.2	93.9
Timber excise	399.1	492.9	892.0	459.6	528.0	987.6	592.4	628.1	1,220.5
Estate/inheritance	3.8	2.8	6.6	2.7	3.1	5.8	3.4	3.5	7.0
Boat excise	0.7	3.2	3.9	0.1	0.1	0.2	0.0	0.0	0.0
Insurance premiums	12.4	11.9	24.3	11.4	11.5	22.9	11.6	11.6	23.2
Other	420.9	426.6	847.5	458.2	505.2	963.4	528.0	547.3	1,075.3
Total Taxes	243.5	247.5	491.1	260.4	280.3	540.7	277.7	299.6	577.3
Total Taxes	14,497.4	15,227.4	29,724.7	15,532.8	16,299.9	31,832.7	17,023.4	17,788.3	34,811.6
State Non-Tax Sources									
Licenses, permits, fees	90.7	94.5	185.1	91.4	92.4	183.8	89.2	90.5	179.7
Liquor profits & fees***	56.8	138.3	195.1	76.0	69.9	145.9	69.4	70.3	139.7
Earnings on investments	(9.5)	(9.6)	(19.1)	(6.7)	(6.5)	(13.2)	(5.3)	(3.5)	(8.8)
Lottery transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue & transfers	238.9	211.4	450.4	198.0	194.2	392.1	95.6	88.4	184.0
Total Non-Tax	376.9	434.6	811.5	358.7	350.0	708.7	248.9	245.7	494.6
Total General Fund-State *	\$14,874.2	\$15,662.0	\$30,536.2	\$15,891.4	\$16,649.9	\$32,541.4	\$17,272.2	\$18,034.0	\$35,306.2

a - Actual

* Detail may not add to totals due to rounding

**GFS portion after Initiative 900 transfer

***Does not include profits after FY 2013

Table 3.10

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

February 2010 through March 2013

Cash Basis - Millions of Dollars

Date of Forecast	Department of Revenue*	Other Agencies	Subtotal*	Non-Economic Changes**	Total Change	Total General Fund-State Cash Basis#
February 2010###	\$30,658	\$1,566				\$32,224
Changes to Forecast						
June 2010	219	(21)	197	1,661 #1	1,858	34,083
September 2010	(610)	(48)	(659)	(10) #2	(669)	33,414
November 2010	(584)	(7)	(591)	(218) #3	(809)	32,605
March 2011	(640)	(29)	(668)	(30) #4	(698)	31,907
June 2011	(217)	(6)	(223)	40 #5	(183)	31,724
September 2011	(1,403)	(24)	(1,427)	14 #6	(1,413)	30,311
November 2011	(159)	(1)	(160)	38 #7	(122)	30,188
February 2012	27	6	32	63 #8	96	30,284
June 2012	(27)	11	(16)	172 #9	156	30,440
September 2012	44	(15)	29	0	29	30,469
November 2012	29	(21)	8	0	8	30,477
March 2013	73	(14)	59	0	59	30,536
Total change***:						
From February 2008	(3,250)	(169)	(3,419)	1,730	(1,688)	
Percent change	(10.6)	(10.8)	(10.6)	5.4	(5.2)	

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

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

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

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

First official forecast for the 2011-13 biennium.

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

#2 Reversal of DOR RTA administrative fee

#3 Effects of initiative 1107

#4 Effects of legislation from December 2010 session

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

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

#7 Effects of initiative 1183 minus large expected DOR refund

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

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

Table 3.11

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

February 2012 through March 2013

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis#</u>
February 2012 #	\$31,110	\$1,319				\$32,428
Changes to Forecast						
June 2010	(120)	(13)	(133)	330 #1	197	32,626
September 2012	39	(15)	23	0	23	32,649
November 2012	(113)	25	(88)	0	(88)	32,561
March 2013	(38)	18	(19)	0	(19)	32,541
Total change***:						
From February 2008	(232)	15	(217)	330	113	
Percent change	(0.7)	1.1	(0.7)	1.0	0.3	

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

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

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

First official forecast for the 2011-13 biennium.

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

Table 3.12

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

RESOURCES	
Beginning Fund Balance	(92.0)
November 2012 Forecast	30,477.5
March 2013 Update	58.8
Current Revenue Totals	30,536.2
Transfer to Budget Stabilization Account	(267.0)
Other Enacted Fund Transfers	378.6
Alignment to the Comprehensive Financial Statements	1.5
Adjustment to Working Capital (HB 2822)	238.0
Total Resources (including beginning fund balance)	30,795.4
EXPENDITURES	
2011-13 Enacted Budgets	
Enacted 2011-13 Budget (including supplementals)	30,796.4
Actual Reversions in Fiscal Year 2012	(105.9)
Assumed Reversions in Fiscal Year 2013	(60.0)
Total Expenditures	30,630.5
RESERVES	
Projected General Fund Ending Balance	164.8
Budget Stabilization Account Beginning Balance	0.6
Transfer from General Fund and Interest Earnings	267.1
Projected Budget Stabilization Account Ending Balance	267.7
Total Reserves (General Fund plus Budget Stabilization)	432.5

Table 3.13

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

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$14,014.9	\$13,846.6	\$13,673.1
Business & Occupation Use	6,490.1	6,420.6	6,349.8
Public Utility	1,010.7	997.9	984.5
Property (school levy)	762.3	754.5	746.3
Real Estate Excise	3,798.1	3,793.0	3,788.0
Other	974.2	892.0	881.3
Subtotal	2,155.4	2,221.0	2,210.7
	29,205.7	28,925.5	28,633.6
Department of Licensing			
	34.0	33.7	33.3
Insurance Commissioner¹			
	847.7	847.5	847.3
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	(17.2)	(19.1)	(21.0)
Liquor Profits & Fees²			
	360.0	349.2	338.5
Office of Financial Management			
Other agencies	214.8	212.6	210.3
Administrative Office of the Courts			
Fines and Forfeitures	187.7	186.9	186.1
Total General Fund - State*	\$30,832.7	\$30,536.2	\$30,228.1
Difference from March 2013 Baseline	\$296.4		(\$308.1)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.14

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

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$16,894.6	\$15,295.9	\$13,723.8
Business & Occupation Use	7,211.6	6,616.0	6,016.3
Public Utility	1,207.7	1,094.6	984.9
Property (school levy)	894.7	834.7	774.3
Real Estate Excise	3,956.7	3,937.0	3,905.7
Other	1,217.5	987.6	765.9
Subtotal	2,242.9	2,197.6	2,056.8
	33,625.6	30,963.3	28,227.7
Department of Licensing			
	32.3	31.7	31.0
Insurance Commissioner¹			
	987.5	963.4	939.3
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	(4.0)	(13.2)	(8.2)
Liquor Surtaxes & Fees²			
	210.9	200.8	190.8
Office of Financial Management			
Other agencies	221.3	210.8	200.3
Administrative Office of the Courts			
Fines and Forfeitures	193.5	184.6	173.9
Total General Fund - State*	\$35,267.2	\$32,541.4	\$29,754.7
Difference from March 2013 Baseline	\$2,725.8		(\$2,786.7)

1 Insurance premiums, General Fund-State portion.

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

* Detail may not add to total due to rounding.

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

Table 3.15

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5	99.5	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9	99.5	0.0
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3	118.5	0.2
2013	128.1	0.0	0.0	10.4	0.0	0.0	0.3	2.8	114.7	0.0
2011-13 Biennium	263.2	0.0	2.7	20.4	0.0	0.0	0.6	6.1	233.1	0.2
2014	125.8	0.0	0.0	10.8	0.0	0.0	0.3	3.4	111.0	0.3
2015	127.1	0.0	0.0	11.2	0.0	0.0	0.3	3.5	111.8	0.3
2013-15 Biennium	252.9	0.0	0.0	22.0	0.0	0.0	0.6	6.9	222.8	0.6
2016	128.9	0.0	0.0	10.8	0.0	0.0	0.3	3.5	114.0	0.3
2017	132.1	0.0	0.0	11.2	0.0	0.0	0.3	3.5	116.8	0.3
2015-17 Biennium	261.0	0.0	0.0	22.0	0.0	0.0	0.6	6.9	230.8	0.6

Table 3.16

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0
2012	138.0	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.8	0.2
2013	121.5	0.0	0.0	10.4	0.0	0.0	0.3	3.1	107.7	0.0
2011-13 Biennium	259.5	0.0	2.7	20.4	0.0	0.0	0.6	6.1	229.5	0.2
2014	126.2	0.0	0.0	10.8	0.0	0.0	0.3	3.5	111.3	0.3
2015	127.2	0.0	0.0	11.2	0.0	0.0	0.3	3.5	111.9	0.3
2013-15 Biennium	253.3	0.0	0.0	22.0	0.0	0.0	0.6	6.9	223.2	0.6
2016	129.1	0.0	0.0	10.8	0.0	0.0	0.3	3.5	114.3	0.3
2017	132.3	0.0	0.0	11.2	0.0	0.0	0.3	3.5	117.0	0.3
2015-17 Biennium	261.5	0.0	0.0	22.0	0.0	0.0	0.6	6.9	231.3	0.6

* 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)

March 2013 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund (current definition of GF-S)		Other Near General Fund*		Total Near General Fund	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1995	\$8,551		\$248		\$8,799				\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%			\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%	\$115		\$14,432	10.7%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%
FY 2010	\$13,571	3.7%	\$0	-100.0%	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$0	0.0%	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%
FY 2012	\$14,874	1.5%	\$0	0.0%	\$14,874	1.5%	\$114	2.3%	\$14,988	1.6%
Forecast:										
FY 2013	\$15,662	5.3%	\$0	0.0%	\$15,662	5.3%	\$122	7.1%	\$15,784	5.3%
FY 2014	\$15,891	1.5%	\$0	0.0%	\$15,891	1.5%	\$8	-93.2%	\$15,900	0.7%
FY 2015	\$16,650	4.8%	\$0	0.0%	\$16,650	4.8%	\$92	1002%	\$16,742	5.3%
FY 2016	\$17,272	3.7%	\$0	0.0%	\$17,272	3.7%	\$92	0.3%	\$17,365	3.7%
FY 2017	\$18,034	4.4%	\$0	0.0%	\$18,034	4.4%	\$96	3.4%	\$18,130	4.4%
Biennial Totals										
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%	\$0	NA	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%	\$381	NA	\$30,166	18.8%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%
09-11 Biennium	\$28,218	1.9%	\$0	-100.0%	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%
11-13 Biennium	\$30,536	8.2%	\$0	0.0%	\$30,536	8.2%	\$236	-12.0%	\$30,773	8.0%
13-15 Biennium	\$32,541	6.6%	\$0	0.0%	\$32,541	6.6%	\$101	-57.5%	\$32,642	6.1%
15-17 Biennium	\$35,306	8.5%	\$0	0.0%	\$35,306	8.5%	\$188	87.0%	\$35,494	8.7%

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



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 have changed since then due to new releases and data revisions.

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2013 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,063.0	13,299.1	13,591.1	13,846.5	14,218.1	14,658.8	15,083.9	15,506.3
% Ch	2.4	1.8	2.2	1.9	2.7	3.1	2.9	2.8
Real Consumption	9,196.2	9,428.8	9,604.9	9,782.6	10,023.5	10,293.8	10,571.2	10,845.4
% Ch	1.8	2.5	1.9	1.9	2.5	2.7	2.7	2.6
Real Nonresidential Fixed Investment	1,268.5	1,378.2	1,484.9	1,548.7	1,655.9	1,763.4	1,847.4	1,945.7
% Ch	0.7	8.6	7.7	4.3	6.9	6.5	4.8	5.3
Real Residential Fixed Investment	332.2	327.6	367.1	428.8	497.7	572.3	604.3	604.8
% Ch	-3.7	-1.4	12.1	16.8	16.1	15.0	5.6	0.1
Real Personal Income	11,091.8	11,378.4	11,578.0	11,779.5	12,185.3	12,559.8	12,962.9	13,392.6
% Ch	1.9	2.6	1.8	1.7	3.4	3.1	3.2	3.3
Real Per Capita Income (\$/Person)	35,772	36,432	36,804	37,158	38,142	39,013	39,956	40,965
% Ch	1.1	1.8	1.0	1.0	2.6	2.3	2.4	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.111	1.138	1.158	1.172	1.192	1.211	1.231	1.250
% Ch	1.9	2.4	1.8	1.3	1.7	1.6	1.6	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.181	2.249	2.296	2.335	2.381	2.423	2.463	2.504
% Ch	1.6	3.1	2.1	1.7	2.0	1.8	1.6	1.7
Employment Cost Index (Dec. 2005=1.0)	1.121	1.140	1.160	1.182	1.208	1.234	1.263	1.293
% Ch	1.6	1.7	1.8	1.9	2.2	2.2	2.3	2.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,498.9	15,075.7	15,681.5	16,219.5	16,966.6	17,765.6	18,573.8	19,396.6
% Ch	3.8	4.0	4.0	3.4	4.6	4.7	4.5	4.4
Personal Income	12,321.9	12,947.3	13,405.9	13,809.9	14,525.4	15,215.9	15,953.3	16,743.8
% Ch	3.8	5.1	3.5	3.0	5.2	4.8	4.8	5.0
Employment (Millions)								
U.S. Civilian Labor Force	153.9	153.6	155.0	156.3	157.7	158.9	160.2	161.3
Total U.S. Employment	139.1	139.9	142.5	144.4	146.3	148.3	150.2	151.7
Unemployment Rate (%)	9.63	8.93	8.08	7.62	7.21	6.67	6.23	5.94
Nonfarm Payroll Employment	129.91	131.50	133.74	135.81	138.03	140.49	142.96	144.93
% Ch	-0.7	1.2	1.7	1.6	1.6	1.8	1.8	1.4
Manufacturing	11.53	11.73	11.92	12.06	12.23	12.42	12.61	12.67
% Ch	-2.7	1.7	1.7	1.2	1.4	1.5	1.6	0.4
Durable Manufacturing	7.06	7.27	7.46	7.59	7.77	7.98	8.17	8.23
% Ch	-3.0	3.0	2.6	1.6	2.4	2.7	2.5	0.7
Nondurable Manufacturing	4.46	4.45	4.46	4.47	4.47	4.44	4.44	4.44
% Ch	-2.2	-0.2	0.1	0.4	-0.2	-0.6	-0.1	0.1
Construction	5.52	5.53	5.64	5.78	6.12	6.73	7.31	7.67
% Ch	-8.3	0.3	2.0	2.5	5.9	10.0	8.6	4.9
Service-Providing	112.16	113.45	115.32	117.10	118.77	120.43	122.12	123.67
% Ch	-0.1	1.2	1.6	1.5	1.4	1.4	1.4	1.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	79.4	95.1	94.2	93.0	90.0	87.0	85.1	84.0
Personal Saving/Disposable Income (%)	5.1	4.3	3.9	3.2	3.9	4.1	4.4	4.9
Auto Sales (Millions)	5.7	6.2	7.4	7.7	8.0	8.2	8.6	8.8
% Ch	5.0	8.1	19.1	4.9	3.3	2.7	4.9	1.8
Housing Starts (Millions)	0.586	0.612	0.781	0.992	1.205	1.438	1.533	1.559
% Ch	5.7	4.5	27.6	26.9	21.5	19.3	6.6	1.7
Federal Budget Surplus (Billions)	-1,308.1	-1,237.4	-1,079.6	-812.4	-699.8	-669.6	-690.6	-774.8
Net Exports (Billions)	-511.6	-568.1	-560.8	-522.4	-533.4	-527.7	-489.4	-446.9
3-Month Treasury Bill Rate (%)	0.14	0.05	0.09	0.13	0.12	0.21	1.70	3.43
10-Year Treasury Note Yield (%)	3.21	2.79	1.80	2.10	2.63	3.08	3.92	4.68
Bond Index of 20 G.O. Munis. (%)	4.29	4.50	3.73	3.81	4.21	4.54	5.16	5.66
30-Year Fixed Mortgage Rate (%)	4.69	4.46	3.66	3.54	3.97	4.70	5.70	6.49

Table A1.2
U.S. Economic Forecast Summary
Forecast 2013 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,506.4	13,548.5	13,652.5	13,656.8	13,728.8	13,797.3	13,883.2	13,976.6
% Ch , Annual Rate	2.0	1.3	3.1	0.1	2.1	2.0	2.5	2.7
Real Consumption	9,546.8	9,582.5	9,620.1	9,670.0	9,707.5	9,751.3	9,806.3	9,865.4
% Ch , Annual Rate	2.4	1.5	1.6	2.1	1.6	1.8	2.3	2.4
Real Nonresidential Fixed Investment	1,470.0	1,482.9	1,476.1	1,510.7	1,508.3	1,545.7	1,558.0	1,582.7
% Ch , Annual Rate	7.5	3.6	-1.8	9.7	-0.6	10.3	3.2	6.5
Real Residential Fixed Investment	352.1	359.3	370.9	386.1	403.3	425.4	436.3	450.4
% Ch , Annual Rate	20.6	8.4	13.6	17.4	19.1	23.7	10.6	13.6
Real Personal Income	11,471.9	11,538.9	11,561.9	11,739.3	11,608.6	11,730.5	11,840.3	11,938.8
% Ch , Annual Rate	4.0	2.4	0.8	6.3	-4.4	4.3	3.8	3.4
Real Per Capita Income (\$/Person)	36,570	36,717	36,719	37,210	36,725	37,040	37,314	37,552
% Ch , Annual Rate	3.3	1.6	0.0	5.5	-5.1	3.5	3.0	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.153	1.155	1.159	1.164	1.166	1.170	1.175	1.179
% Ch , Annual Rate	2.5	0.7	1.6	1.5	0.9	1.1	1.7	1.4
U.S. Consumer Price Index (1982-84=1.0)	2.283	2.288	2.300	2.313	2.321	2.329	2.341	2.351
% Ch , Annual Rate	2.3	1.0	2.1	2.2	1.5	1.2	2.2	1.7
Employment Cost Index (Dec. 2005=1.0)	1.153	1.158	1.163	1.167	1.173	1.179	1.185	1.191
% Ch , Annual Rate	2.1	1.7	1.7	1.4	2.0	2.0	2.1	2.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	15,478.3	15,585.6	15,811.0	15,851.2	15,957.5	16,137.8	16,308.2	16,474.5
% Ch , Annual Rate	4.2	2.8	5.9	1.0	2.7	4.6	4.3	4.1
Personal Income	13,227.1	13,327.0	13,406.2	13,663.2	13,540.3	13,719.0	13,907.3	14,073.1
% Ch , Annual Rate	6.6	3.1	2.4	7.9	-3.5	5.4	5.6	4.9
Employment (Millions)								
U.S. Civilian Labor Force	154.6	154.9	154.9	155.5	155.8	156.1	156.5	156.8
Total U.S. Employment	141.9	142.2	142.5	143.3	143.7	144.1	144.6	145.1
Unemployment Rate (%)	8.27	8.17	8.03	7.83	7.74	7.67	7.58	7.49
Nonfarm Payroll Employment	133.06	133.51	133.92	134.46	135.03	135.57	136.01	136.64
% Ch , Annual Rate	2.4	1.4	1.2	1.6	1.7	1.6	1.3	1.9
Manufacturing	11.87	11.93	11.94	11.94	11.99	12.05	12.10	12.11
% Ch , Annual Rate	3.3	1.8	0.5	-0.1	1.6	2.1	1.9	0.0
Durable Manufacturing	7.43	7.47	7.48	7.48	7.52	7.57	7.63	7.63
% Ch , Annual Rate	4.8	2.3	0.7	-0.1	2.2	2.6	3.0	0.1
Nondurable Manufacturing	4.45	4.46	4.46	4.46	4.46	4.48	4.48	4.48
% Ch , Annual Rate	0.8	1.1	0.1	-0.2	0.5	1.3	0.0	-0.1
Construction	5.64	5.62	5.63	5.68	5.71	5.76	5.81	5.86
% Ch , Annual Rate	3.6	-0.9	0.4	3.2	2.4	3.5	3.5	3.6
Service-Providing	114.70	115.10	115.50	115.99	116.47	116.90	117.22	117.79
% Ch , Annual Rate	2.1	1.4	1.4	1.7	1.7	1.5	1.1	2.0
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	102.9	93.5	92.3	88.2	94.0	92.5	93.1	92.4
Personal Saving/Disposable Income (%)	3.6	3.8	3.6	4.6	2.8	3.2	3.3	3.5
Auto Sales (Millions)	7.3	7.1	7.3	7.7	7.7	7.8	7.8	7.7
% Ch , Annual Rate	60.2	-14.0	15.7	23.4	-0.6	1.8	2.7	-7.2
Housing Starts (Millions)	0.715	0.736	0.774	0.901	0.913	0.971	1.021	1.062
% Ch , Annual Rate	23.2	12.3	22.3	83.9	5.2	28.3	22.1	17.0
Federal Budget Surplus (Billions)	-1,058.7	-1,115.4	-1,087.2	-1,057.2	-902.9	-783.3	-788.1	-775.5
Net Exports (Billions)	-615.8	-576.9	-516.8	-533.6	-553.8	-502.5	-507.8	-525.3
3-Month Treasury Bill Rate (%)	0.07	0.09	0.10	0.09	0.12	0.14	0.13	0.12
10-Year Treasury Note Yield (%)	2.04	1.82	1.64	1.71	1.97	2.00	2.13	2.30
Bond Index of 20 G.O. Munis. (%)	3.75	3.88	3.75	3.54	3.68	3.73	3.87	3.96
30-Year Fixed Mortgage Rate (%)	3.92	3.80	3.55	3.36	3.48	3.51	3.56	3.61

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2013 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	14,067.2	14,165.1	14,267.0	14,372.9	14,488.5	14,601.0	14,719.2	14,826.4
% Ch , Annual Rate	2.6	2.8	2.9	3.0	3.3	3.1	3.3	2.9
Real Consumption	9,924.0	9,988.0	10,054.9	10,127.3	10,190.1	10,260.3	10,328.7	10,395.9
% Ch , Annual Rate	2.4	2.6	2.7	2.9	2.5	2.8	2.7	2.6
Real Nonresidential Fixed Investment	1,611.6	1,643.5	1,671.3	1,697.0	1,728.0	1,751.2	1,777.3	1,797.3
% Ch , Annual Rate	7.5	8.2	6.9	6.3	7.5	5.5	6.1	4.6
Real Residential Fixed Investment	468.8	489.3	506.5	526.3	545.6	566.3	583.0	594.4
% Ch , Annual Rate	17.3	18.7	14.8	16.6	15.6	16.0	12.3	8.1
Real Personal Income	12,064.6	12,141.0	12,225.6	12,310.0	12,432.6	12,517.9	12,603.3	12,685.4
% Ch , Annual Rate	4.3	2.6	2.8	2.8	4.0	2.8	2.8	2.6
Real Per Capita Income (\$/Person)	37,875	38,041	38,232	38,422	38,730	38,921	39,111	39,290
% Ch , Annual Rate	3.5	1.8	2.0	2.0	3.2	2.0	2.0	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.184	1.190	1.195	1.199	1.204	1.209	1.214	1.218
% Ch , Annual Rate	1.9	1.8	1.7	1.6	1.7	1.6	1.5	1.5
U.S. Consumer Price Index (1982-84=1.0)	2.364	2.376	2.388	2.398	2.409	2.419	2.428	2.438
% Ch , Annual Rate	2.2	2.1	1.9	1.7	1.8	1.7	1.6	1.5
Employment Cost Index (Dec. 2005=1.0)	1.198	1.204	1.211	1.217	1.224	1.231	1.237	1.244
% Ch , Annual Rate	2.3	2.2	2.1	2.1	2.3	2.2	2.2	2.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	16,674.8	16,872.4	17,064.7	17,254.3	17,463.8	17,664.7	17,869.2	18,064.8
% Ch , Annual Rate	5.0	4.8	4.6	4.5	4.9	4.7	4.7	4.5
Personal Income	14,288.7	14,444.3	14,605.4	14,763.1	14,973.6	15,137.2	15,297.8	15,455.1
% Ch , Annual Rate	6.3	4.4	4.5	4.4	5.8	4.4	4.3	4.2
Employment (Millions)								
U.S. Civilian Labor Force	157.2	157.5	157.8	158.2	158.5	158.8	159.1	159.4
Total U.S. Employment	145.6	146.1	146.6	147.1	147.6	148.1	148.6	149.1
Unemployment Rate (%)	7.39	7.27	7.15	7.02	6.88	6.74	6.59	6.46
Nonfarm Payroll Employment	137.18	137.73	138.30	138.90	139.53	140.15	140.81	141.48
% Ch , Annual Rate	1.6	1.6	1.6	1.8	1.8	1.8	1.9	1.9
Manufacturing	12.16	12.21	12.26	12.30	12.34	12.39	12.44	12.50
% Ch , Annual Rate	1.8	1.6	1.7	1.4	1.2	1.6	1.6	2.0
Durable Manufacturing	7.68	7.74	7.80	7.85	7.89	7.95	8.00	8.06
% Ch , Annual Rate	3.0	2.9	3.1	2.6	2.0	3.0	2.9	3.1
Nondurable Manufacturing	4.48	4.47	4.46	4.45	4.45	4.44	4.44	4.44
% Ch , Annual Rate	-0.1	-0.6	-0.6	-0.9	-0.3	-0.7	-0.6	0.0
Construction	5.94	6.05	6.18	6.33	6.48	6.65	6.82	6.98
% Ch , Annual Rate	5.4	7.8	9.2	9.5	10.1	10.9	10.8	9.7
Service-Providing	118.19	118.58	118.95	119.37	119.80	120.20	120.63	121.08
% Ch , Annual Rate	1.4	1.3	1.3	1.4	1.5	1.3	1.4	1.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	91.4	90.4	89.6	88.8	88.1	87.3	86.6	86.1
Personal Saving/Disposable Income (%)	3.8	3.9	3.9	3.9	4.1	4.1	4.2	4.2
Auto Sales (Millions)	8.0	8.0	8.1	7.9	8.2	8.2	8.3	8.2
% Ch , Annual Rate	18.8	-0.1	3.4	-6.8	14.6	0.3	3.9	-5.5
Housing Starts (Millions)	1.122	1.171	1.235	1.291	1.358	1.422	1.468	1.502
% Ch , Annual Rate	24.7	18.6	23.6	19.6	22.3	20.3	13.6	9.6
Federal Budget Surplus (Billions)	-717.7	-712.1	-691.7	-677.7	-679.0	-677.2	-669.1	-652.9
Net Exports (Billions)	-533.9	-535.4	-531.4	-532.9	-530.9	-532.3	-528.6	-519.0
3-Month Treasury Bill Rate (%)	0.12	0.12	0.12	0.12	0.12	0.12	0.18	0.43
10-Year Treasury Note Yield (%)	2.46	2.60	2.70	2.74	2.79	2.93	3.21	3.41
Bond Index of 20 G.O. Munis. (%)	4.10	4.19	4.27	4.28	4.32	4.40	4.59	4.83
30-Year Fixed Mortgage Rate (%)	3.70	3.80	4.10	4.28	4.35	4.50	4.82	5.14

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2013 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	14,927.8	15,030.4	15,132.3	15,245.0	15,345.8	15,450.7	15,556.5	15,672.4
% Ch , Annual Rate	2.8	2.8	2.7	3.0	2.7	2.8	2.8	3.0
Real Consumption	10,465.3	10,536.9	10,604.7	10,677.7	10,736.3	10,805.9	10,880.3	10,959.0
% Ch , Annual Rate	2.7	2.8	2.6	2.8	2.2	2.6	2.8	2.9
Real Nonresidential Fixed Investment	1,813.5	1,833.3	1,857.8	1,885.0	1,911.6	1,936.1	1,956.4	1,978.8
% Ch , Annual Rate	3.7	4.4	5.4	6.0	5.8	5.2	4.3	4.7
Real Residential Fixed Investment	601.5	604.5	605.9	605.2	606.2	605.1	603.3	604.7
% Ch , Annual Rate	4.9	2.0	0.9	-0.4	0.6	-0.7	-1.2	1.0
Real Personal Income	12,820.5	12,913.7	13,006.5	13,110.9	13,233.3	13,340.6	13,446.0	13,550.7
% Ch , Annual Rate	4.3	2.9	2.9	3.3	3.8	3.3	3.2	3.2
Real Per Capita Income (\$/Person)	39,632	39,843	40,052	40,297	40,595	40,845	41,089	41,330
% Ch , Annual Rate	3.5	2.2	2.1	2.5	3.0	2.5	2.4	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.223	1.228	1.233	1.238	1.243	1.248	1.253	1.257
% Ch , Annual Rate	1.6	1.7	1.6	1.6	1.6	1.5	1.5	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.448	2.458	2.469	2.479	2.489	2.499	2.509	2.520
% Ch , Annual Rate	1.6	1.7	1.7	1.6	1.7	1.6	1.6	1.7
Employment Cost Index (Dec. 2005=1.0)	1.252	1.259	1.267	1.274	1.281	1.289	1.296	1.304
% Ch , Annual Rate	2.4	2.4	2.4	2.3	2.3	2.3	2.4	2.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	18,269.6	18,472.0	18,670.6	18,883.1	19,089.7	19,291.6	19,493.8	19,711.2
% Ch , Annual Rate	4.6	4.5	4.4	4.6	4.4	4.3	4.3	4.5
Personal Income	15,682.7	15,861.5	16,038.7	16,230.5	16,448.6	16,645.7	16,841.7	17,039.3
% Ch , Annual Rate	6.0	4.6	4.5	4.9	5.5	4.9	4.8	4.8
Employment (Millions)								
U.S. Civilian Labor Force	159.7	160.0	160.3	160.6	160.9	161.2	161.4	161.7
Total U.S. Employment	149.6	150.0	150.4	150.8	151.2	151.5	151.9	152.2
Unemployment Rate (%)	6.36	6.27	6.19	6.11	6.04	5.97	5.91	5.83
Nonfarm Payroll Employment	142.10	142.69	143.24	143.81	144.28	144.73	145.14	145.57
% Ch, Annual Rate	1.8	1.7	1.6	1.6	1.3	1.3	1.1	1.2
Manufacturing	12.55	12.59	12.64	12.66	12.67	12.67	12.67	12.66
% Ch, Annual Rate	1.7	1.2	1.4	0.8	0.2	0.1	-0.2	-0.3
Durable Manufacturing	8.12	8.15	8.20	8.23	8.23	8.23	8.23	8.22
% Ch, Annual Rate	2.6	1.9	2.2	1.4	0.2	0.1	-0.2	-0.3
Nondurable Manufacturing	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44
% Ch, Annual Rate	0.0	0.1	0.0	-0.2	0.3	0.2	-0.1	-0.2
Construction	7.13	7.26	7.38	7.48	7.56	7.64	7.71	7.77
% Ch, Annual Rate	8.7	7.8	6.5	5.4	4.8	4.2	3.4	3.1
Service-Providing	121.50	121.91	122.31	122.76	123.13	123.50	123.85	124.23
% Ch, Annual Rate	1.4	1.4	1.3	1.5	1.2	1.2	1.1	1.2
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	85.7	85.2	84.8	84.6	84.3	84.1	83.9	83.7
Personal Saving/Disposable Income (%)	4.3	4.3	4.5	4.6	4.7	4.9	5.0	5.1
Auto Sales (Millions)	8.6	8.6	8.7	8.5	8.8	8.8	8.8	8.6
% Ch, Annual Rate	23.6	0.3	4.2	-8.4	15.8	-2.0	1.4	-8.3
Housing Starts (Millions)	1.527	1.528	1.536	1.541	1.555	1.553	1.556	1.571
% Ch, Annual Rate	6.6	0.4	2.1	1.4	3.5	-0.3	0.6	3.9
Federal Budget Surplus (Billions)	-671.0	-678.4	-695.1	-718.0	-738.8	-767.6	-785.6	-807.4
Net Exports (Billions)	-505.5	-493.9	-485.6	-472.6	-461.2	-452.6	-442.1	-431.8
3-Month Treasury Bill Rate (%)	0.97	1.44	1.94	2.44	2.93	3.36	3.67	3.75
10-Year Treasury Note Yield (%)	3.65	3.81	3.99	4.24	4.41	4.65	4.83	4.84
Bond Index of 20 G.O. Munis. (%)	5.00	5.06	5.20	5.37	5.48	5.64	5.76	5.75
30-Year Fixed Mortgage Rate (%)	5.40	5.58	5.80	6.03	6.21	6.45	6.65	6.65

Table A1.3

Washington Economic Forecast Summary

Forecast 2013 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	255.090	263.372	271.308	275.658	286.008	295.599	305.820	316.898
% Ch	0.5	3.2	3.0	1.6	3.8	3.4	3.5	3.6
Real Wage and Salary Disb.	133.850	136.807	140.966	143.883	148.710	153.484	158.232	162.643
% Ch	-0.7	2.2	3.0	2.1	3.4	3.2	3.1	2.8
Real Nonwage Income	121.240	126.566	130.342	131.775	137.298	142.115	147.587	154.255
% Ch	1.8	4.4	3.0	1.1	4.2	3.5	3.9	4.5
Real Per Capita Income (\$/Person)	37,770	38,549	39,284	39,491	40,537	41,435	42,412	43,517
% Ch	-0.5	2.1	1.9	0.5	2.6	2.2	2.4	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.111	1.138	1.158	1.172	1.192	1.211	1.231	1.250
% Ch	1.9	2.4	1.8	1.3	1.7	1.6	1.6	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.267	2.328	2.387	2.430	2.482	2.531	2.577	2.624
% Ch	0.3	2.7	2.5	1.8	2.2	2.0	1.8	1.8
Average Nonfarm Annual Wage	51,004	52,783	54,473	55,377	57,194	58,884	60,587	62,389
% Ch	2.6	3.5	3.2	1.7	3.3	3.0	2.9	3.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.49	23.98	24.15	24.69	25.13	25.59	26.09	26.61
% Ch	0.4	2.1	0.7	2.2	1.8	1.8	2.0	2.0
Current Dollar Income (Billions of Dollars)								
Personal Income	283.368	299.685	314.133	323.174	340.937	358.114	376.372	396.196
% Ch	2.4	5.8	4.8	2.9	5.5	5.0	5.1	5.3
Disposable Personal Income	255.892	267.327	279.578	285.964	301.192	316.191	331.884	349.177
% Ch	2.3	4.5	4.6	2.3	5.3	5.0	5.0	5.2
Per Capita Income (\$/Person)	41,956	43,863	45,484	46,297	48,321	50,197	52,196	54,405
% Ch	1.5	4.5	3.7	1.8	4.4	3.9	4.0	4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,515.5	3,482.4	3,481.8	3,491.3	3,534.9	3,578.4	3,619.3	3,655.5
Total Washington Employment	3,167.0	3,161.9	3,197.6	3,236.6	3,289.3	3,346.5	3,397.1	3,439.2
Unemployment Rate (%)	9.91	9.21	8.16	7.30	6.95	6.48	6.14	5.92
Nonfarm Payroll Employment	2,788.8	2,824.8	2,871.1	2,923.8	2,978.0	3,038.0	3,094.9	3,140.2
% Ch	-1.3	1.3	1.6	1.8	1.9	2.0	1.9	1.5
Manufacturing	258.2	268.6	280.4	288.2	292.9	297.5	301.5	304.0
% Ch	-2.8	4.1	4.4	2.8	1.6	1.6	1.3	0.8
Durable Manufacturing	184.2	193.4	204.5	211.0	214.7	218.9	222.0	223.4
% Ch	-3.3	4.9	5.8	3.2	1.8	2.0	1.4	0.6
Aerospace	80.8	86.6	94.2	96.3	94.9	93.5	92.1	90.7
% Ch	-2.5	7.1	8.8	2.2	-1.4	-1.5	-1.5	-1.5
Nondurable Manufacturing	73.9	75.3	75.9	77.2	78.2	78.5	79.5	80.6
% Ch	-1.3	1.9	0.8	1.7	1.3	0.4	1.2	1.5
Construction	140.7	136.4	138.4	144.9	153.6	165.9	176.6	183.1
% Ch	-11.9	-3.1	1.5	4.7	6.0	8.0	6.4	3.7
Service-Providing	2,384.0	2,413.8	2,446.4	2,484.5	2,524.8	2,567.2	2,608.9	2,645.3
% Ch	-0.4	1.2	1.4	1.6	1.6	1.7	1.6	1.4
Software Publishers	50.9	51.7	52.4	53.2	54.1	55.0	55.9	56.9
% Ch	-1.1	1.5	1.4	1.6	1.6	1.6	1.8	1.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	20.691	20.864	28.103	32.558	34.910	39.285	41.819	42.311
% Ch	21.6	0.8	34.7	15.9	7.2	12.5	6.5	1.2
Single-Family	14.702	13.159	16.950	20.075	22.441	25.929	28.460	29.628
% Ch	13.2	-10.5	28.8	18.4	11.8	15.5	9.8	4.1
Multi-Family	5.989	7.705	11.153	12.483	12.469	13.356	13.359	12.684
% Ch	49.0	28.7	44.8	11.9	-0.1	7.1	0.0	-5.1
30-Year Fixed Mortgage Rate (%)	4.69	4.46	3.66	3.54	3.97	4.70	5.70	6.49

Table A1.4

Washington Economic Forecast Summary

Forecast 2013 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	269.038	269.887	271.572	274.735	270.730	274.735	277.364	279.804
% Ch, Annual Rate	6.7	1.3	2.5	4.7	-5.7	6.1	3.9	3.6
Real Wage and Salary Disb.	141.065	140.039	141.550	141.211	141.410	143.530	144.669	145.921
% Ch, Annual Rate	9.4	-2.9	4.4	-1.0	0.6	6.1	3.2	3.5
Real Nonwage Income	127.973	129.849	130.022	133.523	129.319	131.204	132.695	133.883
% Ch, Annual Rate	3.9	6.0	0.5	11.2	-12.0	6.0	4.6	3.6
Real Per Capita Income (\$/Person)	39,112	39,131	39,270	39,621	38,937	39,412	39,686	39,929
% Ch, Annual Rate	5.6	0.2	1.4	3.6	-6.7	5.0	2.8	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.153	1.155	1.159	1.164	1.166	1.170	1.175	1.179
% Ch, Annual Rate	2.5	0.7	1.6	1.5	0.9	1.1	1.7	1.4
Seattle Cons. Price Index (1982-84=1.0)	2.364	2.382	2.398	2.403	2.413	2.422	2.436	2.448
% Ch, Annual Rate	0.7	3.0	2.7	0.8	1.7	1.6	2.3	2.0
Average Nonfarm Annual Wage	54,699	54,078	54,616	54,499	54,409	55,246	55,719	56,133
% Ch, Annual Rate	10.3	-4.5	4.0	-0.9	-0.7	6.3	3.5	3.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.02	24.06	24.12	24.42	24.53	24.63	24.74	24.84
% Ch, Annual Rate	-1.4	0.6	1.0	5.1	1.8	1.6	1.7	1.8
Current Dollar Income (Billions of Dollars)								
Personal Income	310.193	311.701	314.884	319.753	315.779	321.306	325.786	329.827
% Ch, Annual Rate	9.4	2.0	4.1	6.3	-4.9	7.2	5.7	5.1
Disposable Personal Income	276.173	277.432	280.204	284.504	280.104	284.548	287.932	291.272
% Ch, Annual Rate	9.1	1.8	4.1	6.3	-6.0	6.5	4.8	4.7
Per Capita Income (\$/Person)	45,096	45,194	45,533	46,114	45,416	46,093	46,614	47,067
% Ch, Annual Rate	8.2	0.9	3.0	5.2	-5.9	6.1	4.6	3.9
Employment (Thousands)								
Washington Civilian Labor Force	3,490.9	3,488.9	3,476.8	3,470.6	3,475.5	3,485.9	3,496.5	3,507.3
Total Washington Employment	3,195.7	3,196.4	3,193.1	3,205.4	3,218.6	3,230.1	3,242.4	3,255.2
Unemployment Rate (%)	8.46	8.39	8.16	7.64	7.39	7.34	7.27	7.19
Nonfarm Payroll Employment	2,848.0	2,866.0	2,880.1	2,890.5	2,905.3	2,918.0	2,928.5	2,943.3
% Ch, Annual Rate	1.5	2.6	2.0	1.5	2.1	1.8	1.4	2.0
Manufacturing	275.7	278.9	282.6	284.5	286.4	287.9	289.0	289.6
% Ch, Annual Rate	3.5	4.7	5.5	2.7	2.7	2.2	1.4	0.8
Durable Manufacturing	200.2	203.2	206.4	208.2	209.8	210.8	211.6	211.8
% Ch, Annual Rate	5.7	6.0	6.5	3.6	3.0	2.0	1.4	0.5
Aerospace	91.5	93.1	95.6	96.4	96.5	96.5	96.2	95.8
% Ch, Annual Rate	5.9	7.1	11.3	3.3	0.5	0.0	-1.5	-1.5
Nondurable Manufacturing	75.4	75.7	76.2	76.3	76.6	77.1	77.4	77.8
% Ch, Annual Rate	-1.9	1.4	2.7	0.2	1.9	2.6	1.5	1.9
Construction	135.9	138.1	139.0	140.8	142.6	144.0	145.7	147.4
% Ch, Annual Rate	-0.3	6.7	2.5	5.4	5.1	4.1	4.8	4.7
Service-Providing	2,430.4	2,443.1	2,452.6	2,459.3	2,470.4	2,480.0	2,487.7	2,500.1
% Ch, Annual Rate	1.4	2.1	1.6	1.1	1.8	1.6	1.2	2.0
Software Publishers	52.1	52.2	52.6	52.7	52.8	53.2	53.4	53.6
% Ch, Annual Rate	1.4	0.8	3.0	0.7	0.6	3.5	1.1	1.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	26.508	26.851	28.044	31.009	33.672	31.849	32.220	32.491
% Ch, Annual Rate	123.7	5.3	19.0	49.5	39.0	-20.0	4.7	3.4
Single-Family	15.204	15.664	17.431	19.501	19.522	19.839	20.296	20.644
% Ch, Annual Rate	61.8	12.7	53.3	56.7	0.4	6.6	9.6	7.0
Multi-Family	11.304	11.187	10.613	11.507	14.150	12.010	11.924	11.846
% Ch, Annual Rate	262.1	-4.1	-19.0	38.2	128.6	-48.1	-2.8	-2.6
30-Year Fixed Mortgage Rate (%)	3.92	3.80	3.55	3.36	3.48	3.51	3.56	3.61

Table A1.4 (continued)
Washington Economic Forecast Summary
Forecast 2013 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	282.250	285.175	287.245	289.364	291.729	294.912	296.935	298.821
% Ch, Annual Rate	3.5	4.2	2.9	3.0	3.3	4.4	2.8	2.6
Real Wage and Salary Disb.	146.475	148.465	149.422	150.479	151.082	153.251	154.310	155.296
% Ch, Annual Rate	1.5	5.5	2.6	2.9	1.6	5.9	2.8	2.6
Real Nonwage Income	135.775	136.710	137.823	138.884	140.647	141.661	142.625	143.525
% Ch, Annual Rate	5.8	2.8	3.3	3.1	5.2	2.9	2.8	2.5
Real Per Capita Income (\$/Person)	40,170	40,476	40,658	40,844	41,062	41,395	41,565	41,716
% Ch, Annual Rate	2.4	3.1	1.8	1.8	2.2	3.3	1.7	1.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.184	1.190	1.195	1.199	1.204	1.209	1.214	1.218
% Ch, Annual Rate	1.9	1.8	1.7	1.6	1.7	1.6	1.5	1.5
Seattle Cons. Price Index (1982-84=1.0)	2.462	2.477	2.489	2.501	2.513	2.525	2.537	2.548
% Ch, Annual Rate	2.4	2.3	2.1	1.9	2.0	1.9	1.8	1.8
Average Nonfarm Annual Wage	56,325	57,119	57,479	57,851	58,017	58,835	59,180	59,505
% Ch, Annual Rate	1.4	5.8	2.5	2.6	1.2	5.8	2.4	2.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.97	25.08	25.19	25.29	25.41	25.53	25.64	25.76
% Ch, Annual Rate	2.0	1.8	1.8	1.7	1.9	1.8	1.8	1.9
Current Dollar Income (Billions of Dollars)								
Personal Income	334.285	339.276	343.160	347.026	351.354	356.621	360.417	364.066
% Ch, Annual Rate	5.5	6.1	4.7	4.6	5.1	6.1	4.3	4.1
Disposable Personal Income	295.044	299.764	303.217	306.743	309.946	314.788	318.407	321.625
% Ch, Annual Rate	5.3	6.6	4.7	4.7	4.2	6.4	4.7	4.1
Per Capita Income (\$/Person)	47,575	48,155	48,572	48,982	49,455	50,057	50,452	50,824
% Ch, Annual Rate	4.4	5.0	3.5	3.4	3.9	5.0	3.2	3.0
Employment (Thousands)								
Washington Civilian Labor Force	3,518.3	3,529.4	3,540.5	3,551.6	3,562.5	3,573.2	3,583.8	3,594.3
Total Washington Employment	3,268.3	3,282.2	3,296.1	3,310.5	3,325.1	3,339.5	3,353.9	3,367.5
Unemployment Rate (%)	7.11	7.00	6.90	6.79	6.66	6.54	6.42	6.31
Nonfarm Payroll Employment	2,956.5	2,970.8	2,984.8	2,999.7	3,015.1	3,030.1	3,045.7	3,061.1
% Ch, Annual Rate	1.8	1.9	1.9	2.0	2.1	2.0	2.1	2.0
Manufacturing	291.0	292.3	293.6	294.7	295.7	296.8	298.0	299.3
% Ch, Annual Rate	2.0	1.8	1.8	1.4	1.4	1.6	1.6	1.7
Durable Manufacturing	212.9	214.1	215.4	216.4	217.3	218.4	219.5	220.5
% Ch, Annual Rate	2.1	2.3	2.3	2.0	1.6	2.1	2.1	1.8
Aerospace	95.5	95.1	94.7	94.4	94.0	93.7	93.3	93.0
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Nondurable Manufacturing	78.1	78.2	78.3	78.2	78.4	78.4	78.5	78.8
% Ch, Annual Rate	1.6	0.5	0.5	-0.1	0.6	0.3	0.5	1.3
Construction	149.4	152.2	155.0	158.0	161.2	164.4	167.6	170.6
% Ch, Annual Rate	5.7	7.6	7.6	7.9	8.3	8.2	8.1	7.3
Service-Providing	2,509.7	2,519.8	2,529.6	2,540.2	2,551.2	2,561.6	2,572.5	2,583.5
% Ch, Annual Rate	1.5	1.6	1.6	1.7	1.7	1.6	1.7	1.7
Software Publishers	53.8	54.0	54.2	54.4	54.6	54.9	55.1	55.3
% Ch, Annual Rate	1.4	1.8	1.6	1.5	1.6	1.6	1.7	1.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.245	34.591	35.544	36.259	37.259	38.897	40.056	40.927
% Ch, Annual Rate	9.6	17.2	11.5	8.3	11.5	18.8	12.5	9.0
Single-Family	21.187	22.186	22.907	23.483	24.177	25.575	26.570	27.394
% Ch, Annual Rate	10.9	20.2	13.6	10.4	12.4	25.2	16.5	13.0
Multi-Family	12.058	12.405	12.637	12.776	13.082	13.321	13.486	13.534
% Ch, Annual Rate	7.3	12.0	7.7	4.5	9.9	7.5	5.0	1.4
30-Year Fixed Mortgage Rate (%)	3.70	3.80	4.10	4.28	4.35	4.50	4.82	5.14

Table A1.4 (continued)
Washington Economic Forecast Summary
Forecast 2013 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	301.693	304.965	306.874	309.747	312.118	315.910	318.435	321.127
% Ch, Annual Rate	3.9	4.4	2.5	3.8	3.1	4.9	3.2	3.4
Real Wage and Salary Disb.	156.144	158.108	158.698	159.979	160.416	162.484	163.304	164.368
% Ch, Annual Rate	2.2	5.1	1.5	3.3	1.1	5.3	2.0	2.6
Real Nonwage Income	145.550	146.857	148.176	149.767	151.703	153.426	155.131	156.759
% Ch, Annual Rate	5.8	3.6	3.6	4.4	5.3	4.6	4.5	4.3
Real Per Capita Income (\$/Person)	42,004	42,348	42,504	42,793	43,014	43,432	43,676	43,944
% Ch, Annual Rate	2.8	3.3	1.5	2.8	2.1	3.9	2.3	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.223	1.228	1.233	1.238	1.243	1.248	1.253	1.257
% Ch, Annual Rate	1.6	1.7	1.6	1.6	1.6	1.5	1.5	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.559	2.571	2.583	2.595	2.607	2.619	2.630	2.642
% Ch, Annual Rate	1.8	1.9	1.9	1.8	1.9	1.8	1.8	1.8
Average Nonfarm Annual Wage	59,770	60,542	60,766	61,269	61,443	62,298	62,669	63,145
% Ch, Annual Rate	1.8	5.3	1.5	3.3	1.1	5.7	2.4	3.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	25.90	26.03	26.15	26.28	26.41	26.54	26.67	26.81
% Ch, Annual Rate	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.1
Current Dollar Income (Billions of Dollars)								
Personal Income	369.047	374.579	378.417	383.446	387.954	394.177	398.854	403.800
% Ch, Annual Rate	5.6	6.1	4.2	5.4	4.8	6.6	4.8	5.1
Disposable Personal Income	325.282	330.113	333.793	338.349	341.638	347.263	351.647	356.159
% Ch, Annual Rate	4.6	6.1	4.5	5.6	3.9	6.8	5.1	5.2
Per Capita Income (\$/Person)	51,382	52,015	52,413	52,975	53,465	54,192	54,706	55,257
% Ch, Annual Rate	4.5	5.0	3.1	4.4	3.8	5.5	3.8	4.1
Employment (Thousands)								
Washington Civilian Labor Force	3,604.5	3,614.6	3,624.3	3,633.7	3,642.8	3,651.5	3,659.9	3,667.9
Total Washington Employment	3,379.9	3,391.7	3,402.9	3,414.0	3,424.5	3,434.5	3,444.1	3,453.9
Unemployment Rate (%)	6.23	6.17	6.11	6.05	5.99	5.94	5.90	5.84
Nonfarm Payroll Employment	3,075.4	3,088.7	3,101.5	3,114.2	3,125.0	3,135.5	3,145.2	3,155.1
% Ch, Annual Rate	1.9	1.7	1.7	1.7	1.4	1.3	1.2	1.3
Manufacturing	300.3	301.1	301.9	302.6	303.2	303.8	304.3	304.8
% Ch, Annual Rate	1.4	1.0	1.2	0.9	0.7	0.8	0.7	0.6
Durable Manufacturing	221.3	221.7	222.3	222.8	223.0	223.3	223.5	223.8
% Ch, Annual Rate	1.4	0.9	1.1	0.9	0.4	0.5	0.5	0.4
Aerospace	92.6	92.3	91.9	91.6	91.2	90.9	90.5	90.2
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Nondurable Manufacturing	79.0	79.3	79.6	79.8	80.2	80.5	80.8	81.0
% Ch, Annual Rate	1.3	1.5	1.4	1.2	1.7	1.7	1.2	1.1
Construction	173.3	175.7	177.8	179.5	181.1	182.6	183.8	184.9
% Ch, Annual Rate	6.5	5.6	4.9	4.0	3.6	3.2	2.7	2.5
Service-Providing	2,594.0	2,604.0	2,613.7	2,624.0	2,632.8	2,641.3	2,649.4	2,657.8
% Ch, Annual Rate	1.6	1.6	1.5	1.6	1.3	1.3	1.2	1.3
Software Publishers	55.6	55.8	56.1	56.3	56.6	56.8	57.0	57.2
% Ch, Annual Rate	1.8	1.8	1.8	1.7	1.8	1.6	1.6	1.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	41.553	41.750	41.933	42.042	42.264	42.217	42.253	42.512
% Ch, Annual Rate	6.3	1.9	1.8	1.0	2.1	-0.4	0.3	2.5
Single-Family	28.004	28.294	28.623	28.918	29.270	29.434	29.695	30.112
% Ch, Annual Rate	9.2	4.2	4.7	4.2	4.9	2.3	3.6	5.7
Multi-Family	13.549	13.456	13.310	13.124	12.994	12.783	12.558	12.400
% Ch, Annual Rate	0.4	-2.7	-4.3	-5.5	-3.9	-6.4	-6.9	-4.9
30-Year Fixed Mortgage Rate (%)	5.40	5.58	5.80	6.03	6.21	6.45	6.65	6.65

Table A2.1

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2013 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Nonfarm Payroll Employment	129.91	131.50	133.74	135.81	138.03	140.49	142.96	144.93
% Ch	-0.7	1.2	1.7	1.6	1.6	1.8	1.8	1.4
Manufacturing	11.53	11.73	11.92	12.06	12.23	12.42	12.61	12.67
% Ch	-2.7	1.7	1.7	1.2	1.4	1.5	1.6	0.4
Durable Manufacturing	7.06	7.27	7.46	7.59	7.77	7.98	8.17	8.23
% Ch	-3.0	3.0	2.6	1.6	2.4	2.7	2.5	0.7
Wood Products	0.34	0.34	0.34	0.37	0.45	0.54	0.58	0.57
% Ch	-5.0	-1.5	0.4	9.3	20.9	20.5	8.1	-1.4
Primary and Fabricated Metals	1.64	1.74	1.81	1.85	1.90	1.94	2.00	2.03
% Ch	-1.8	5.6	4.5	2.0	2.8	2.2	2.9	1.6
Computer and Electronic Products	1.09	1.10	1.09	1.09	1.08	1.08	1.09	1.12
% Ch	-3.7	0.8	-0.9	-0.5	-0.5	-0.4	1.3	2.8
Machinery and Electrical Equipment	1.36	1.42	1.47	1.47	1.48	1.50	1.52	1.54
% Ch	-3.3	4.9	3.3	0.4	0.7	0.8	1.6	1.0
Transportation Equipment	1.33	1.38	1.46	1.50	1.52	1.57	1.60	1.59
% Ch	-1.1	3.6	5.4	2.7	1.8	2.9	2.4	-1.1
Other Durables	1.29	1.29	1.29	1.31	1.33	1.35	1.37	1.38
% Ch	-5.0	-0.1	0.1	1.2	1.6	1.7	1.5	0.2
Nondurable Manufacturing	4.46	4.45	4.46	4.47	4.47	4.44	4.44	4.44
% Ch	-2.2	-0.2	0.1	0.4	-0.2	-0.6	-0.1	0.1
Food Manufacturing	1.45	1.46	1.47	1.48	1.50	1.51	1.52	1.54
% Ch	-0.4	0.5	0.6	0.5	1.6	0.4	1.3	1.4
Paper and Paper Products	0.39	0.39	0.38	0.37	0.37	0.37	0.37	0.37
% Ch	-3.0	-1.8	-2.1	-1.2	-0.6	-0.2	0.3	0.5
Other Nondurables	2.62	2.61	2.61	2.62	2.60	2.56	2.54	2.52
% Ch	-3.0	-0.4	0.0	0.6	-1.1	-1.2	-1.0	-0.8
Natural Resources and Mining	0.70	0.79	0.85	0.87	0.89	0.91	0.92	0.92
% Ch	1.5	11.8	8.0	2.5	2.6	1.9	0.5	0.5
Construction	5.52	5.53	5.64	5.78	6.12	6.73	7.31	7.67
% Ch	-8.3	0.3	2.0	2.5	5.9	10.0	8.6	4.9
Trade, Transportation, and Utilities	24.64	25.07	25.51	26.02	26.27	26.55	26.92	27.25
% Ch	-1.1	1.7	1.8	2.0	1.0	1.1	1.4	1.2
Wholesale Trade	5.45	5.54	5.67	5.78	5.88	5.99	6.12	6.24
% Ch	-2.4	1.7	2.4	1.9	1.7	1.9	2.2	1.9
Retail Trade	14.44	14.67	14.87	15.16	15.17	15.19	15.27	15.33
% Ch	-0.5	1.6	1.4	1.9	0.1	0.1	0.5	0.4
Trans., Warehousing, and Utilities	4.74	4.85	4.97	5.08	5.22	5.36	5.53	5.68
% Ch	-1.1	2.3	2.4	2.3	2.7	2.8	3.1	2.7
Information	2.71	2.67	2.68	2.72	2.73	2.74	2.79	2.83
% Ch	-3.4	-1.2	0.2	1.4	0.3	0.6	1.7	1.3
Publishing Industries	0.76	0.75	0.74	0.73	0.73	0.72	0.72	0.72
% Ch	-4.7	-1.4	-1.5	-0.5	-1.2	-0.7	0.1	0.2
Other Information	1.95	1.93	1.94	1.98	2.00	2.02	2.07	2.10
% Ch	-2.9	-1.2	0.8	2.2	0.9	1.1	2.3	1.7
Financial Activities	7.70	7.70	7.79	7.83	7.92	7.97	7.89	7.80
% Ch	-1.8	0.0	1.2	0.6	1.2	0.5	-1.0	-1.1
Professional and Business Services	16.72	17.33	17.93	18.57	19.34	20.15	20.98	21.66
% Ch	0.9	3.6	3.5	3.6	4.2	4.2	4.1	3.2
Education and Health Services	19.53	19.89	20.32	20.67	20.95	21.27	21.76	22.20
% Ch	1.8	1.8	2.2	1.7	1.4	1.6	2.3	2.0
Leisure and Hospitality	13.04	13.35	13.75	14.00	14.16	14.27	14.21	14.23
% Ch	-0.2	2.4	3.0	1.9	1.1	0.8	-0.4	0.1
Other Services	5.33	5.36	5.44	5.49	5.53	5.52	5.49	5.49
% Ch	-0.7	0.6	1.4	0.9	0.8	-0.2	-0.4	0.0
Federal Government	2.98	2.86	2.82	2.76	2.73	2.69	2.64	2.61
% Ch	5.2	-3.9	-1.5	-2.2	-0.9	-1.4	-1.9	-1.2
State and Local Government	19.51	19.23	19.10	19.05	19.15	19.28	19.43	19.61
% Ch	-1.1	-1.4	-0.7	-0.3	0.5	0.7	0.8	0.9

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2013 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	133.06	133.51	133.92	134.46	135.03	135.57	136.01	136.64
% Ch, Annual Rate	2.4	1.4	1.2	1.6	1.7	1.6	1.3	1.9
Manufacturing	11.87	11.93	11.94	11.94	11.99	12.05	12.10	12.11
% Ch, Annual Rate	3.3	1.8	0.5	-0.1	1.6	2.1	1.9	0.0
Durable Manufacturing	7.43	7.47	7.48	7.48	7.52	7.57	7.63	7.63
% Ch, Annual Rate	4.8	2.3	0.7	-0.1	2.2	2.6	3.0	0.1
Wood Products	0.34	0.34	0.34	0.34	0.35	0.36	0.38	0.40
% Ch, Annual Rate	4.0	-2.4	-0.9	7.7	6.3	11.5	26.9	18.9
Primary and Fabricated Metals	1.80	1.81	1.82	1.82	1.83	1.84	1.86	1.86
% Ch, Annual Rate	7.4	4.3	1.5	-0.1	1.6	3.6	3.8	0.8
Computer and Electronic Products	1.10	1.10	1.09	1.09	1.09	1.09	1.09	1.08
% Ch, Annual Rate	-1.2	-0.3	-1.9	-2.0	1.9	0.7	-2.6	-1.9
Machinery and Electrical Equipment	1.46	1.47	1.47	1.47	1.47	1.48	1.48	1.47
% Ch, Annual Rate	5.6	2.9	-0.4	-0.8	1.2	2.4	-1.1	-2.7
Transportation Equipment	1.43	1.45	1.47	1.47	1.49	1.49	1.50	1.51
% Ch, Annual Rate	7.4	4.9	4.9	0.7	4.2	-0.2	5.0	0.7
Other Durables	1.30	1.30	1.29	1.29	1.30	1.31	1.32	1.31
% Ch, Annual Rate	3.0	-0.6	-1.2	-0.2	1.5	4.1	2.8	-1.8
Nondurable Manufacturing	4.45	4.46	4.46	4.46	4.46	4.48	4.48	4.48
% Ch, Annual Rate	0.8	1.1	0.1	-0.2	0.5	1.3	0.0	-0.1
Food Manufacturing	1.46	1.47	1.48	1.47	1.46	1.47	1.48	1.49
% Ch, Annual Rate	1.5	3.0	1.5	-1.7	-1.3	2.5	1.4	2.7
Paper and Paper Products	0.38	0.38	0.38	0.38	0.37	0.38	0.37	0.37
% Ch, Annual Rate	-2.6	-0.8	-2.3	-1.3	-2.2	1.2	-1.3	-1.3
Other Nondurables	2.61	2.61	2.61	2.61	2.62	2.63	2.63	2.62
% Ch, Annual Rate	0.9	0.3	-0.3	0.8	1.9	0.7	-0.6	-1.5
Natural Resources and Mining	0.85	0.85	0.85	0.85	0.86	0.87	0.87	0.88
% Ch, Annual Rate	12.2	2.1	-1.9	0.8	6.4	1.9	2.0	4.5
Construction	5.64	5.62	5.63	5.68	5.71	5.76	5.81	5.86
% Ch, Annual Rate	3.6	-0.9	0.4	3.2	2.4	3.5	3.5	3.6
Trade, Transportation, and Utilities	25.38	25.45	25.52	25.71	25.88	25.99	26.04	26.17
% Ch, Annual Rate	2.1	1.1	1.1	3.0	2.6	1.7	0.8	2.1
Wholesale Trade	5.63	5.67	5.69	5.71	5.73	5.77	5.79	5.83
% Ch, Annual Rate	3.2	2.3	1.7	1.3	1.8	2.6	1.3	2.6
Retail Trade	14.81	14.83	14.86	14.98	15.10	15.16	15.16	15.21
% Ch, Annual Rate	1.4	0.6	0.5	3.4	3.2	1.5	0.1	1.3
Trans., Warehousing, and Utilities	4.93	4.95	4.97	5.02	5.04	5.06	5.09	5.14
% Ch, Annual Rate	3.3	1.1	2.2	4.0	1.7	1.3	2.4	3.9
Information	2.68	2.68	2.68	2.68	2.70	2.71	2.72	2.74
% Ch, Annual Rate	-0.3	0.2	0.0	0.1	3.4	1.5	0.6	3.3
Publishing Industries	0.74	0.74	0.74	0.73	0.73	0.74	0.73	0.73
% Ch, Annual Rate	-2.8	-0.9	-0.3	-2.8	0.3	2.8	-3.0	-1.6
Other Information	1.94	1.94	1.94	1.95	1.97	1.97	1.98	2.01
% Ch, Annual Rate	0.7	0.7	0.2	1.2	4.6	1.0	2.0	5.2
Financial Activities	7.74	7.78	7.80	7.82	7.83	7.82	7.81	7.86
% Ch, Annual Rate	1.3	1.8	0.9	1.4	0.2	-0.5	-0.4	2.8
Professional and Business Services	17.74	17.88	17.99	18.10	18.26	18.51	18.66	18.84
% Ch, Annual Rate	4.8	3.1	2.5	2.5	3.6	5.5	3.4	3.9
Education and Health Services	20.17	20.28	20.37	20.47	20.54	20.62	20.73	20.78
% Ch, Annual Rate	2.3	2.2	1.8	2.0	1.4	1.4	2.2	0.9
Leisure and Hospitality	13.63	13.71	13.78	13.87	13.94	13.98	14.00	14.09
% Ch, Annual Rate	3.9	2.1	2.3	2.4	2.2	1.1	0.5	2.7
Other Services	5.42	5.42	5.44	5.46	5.48	5.49	5.48	5.50
% Ch, Annual Rate	1.8	0.6	1.4	1.6	0.9	0.9	-0.3	1.2
Federal Government	2.83	2.82	2.81	2.80	2.79	2.74	2.74	2.74
% Ch, Annual Rate	-1.5	-1.4	-2.0	-1.1	-0.9	-6.9	0.1	-1.1
State and Local Government	19.11	19.10	19.11	19.08	19.05	19.05	19.04	19.06
% Ch, Annual Rate	-0.4	-0.3	0.3	-0.7	-0.6	-0.1	-0.1	0.5

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2013 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Nonfarm Payroll Employment	137.18	137.73	138.30	138.90	139.53	140.15	140.81	141.48
% Ch, Annual Rate	1.6	1.6	1.6	1.8	1.8	1.8	1.9	1.9
Manufacturing	12.16	12.21	12.26	12.30	12.34	12.39	12.44	12.50
% Ch, Annual Rate	1.8	1.6	1.7	1.4	1.2	1.6	1.6	2.0
Durable Manufacturing	7.68	7.74	7.80	7.85	7.89	7.95	8.00	8.06
% Ch, Annual Rate	3.0	2.9	3.1	2.6	2.0	3.0	2.9	3.1
Wood Products	0.41	0.43	0.46	0.48	0.50	0.53	0.55	0.57
% Ch, Annual Rate	19.8	21.6	23.6	21.9	20.8	21.4	17.2	13.2
Primary and Fabricated Metals	1.88	1.90	1.91	1.92	1.93	1.94	1.95	1.96
% Ch, Annual Rate	3.5	3.1	2.6	2.6	1.7	1.9	1.8	3.5
Computer and Electronic Products	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08
% Ch, Annual Rate	1.3	-0.9	0.0	-0.7	-1.4	-0.5	1.4	1.2
Machinery and Electrical Equipment	1.47	1.48	1.49	1.49	1.49	1.49	1.50	1.50
% Ch, Annual Rate	1.5	3.3	1.7	0.4	-0.5	0.9	1.2	1.6
Transportation Equipment	1.51	1.52	1.52	1.53	1.55	1.56	1.57	1.58
% Ch, Annual Rate	1.6	1.1	2.2	2.7	2.7	3.9	3.4	3.0
Other Durables	1.32	1.33	1.33	1.34	1.34	1.35	1.36	1.36
% Ch, Annual Rate	2.2	2.0	2.5	1.8	1.1	1.9	1.7	1.9
Nondurable Manufacturing	4.48	4.47	4.46	4.45	4.45	4.44	4.44	4.44
% Ch, Annual Rate	-0.1	-0.6	-0.6	-0.9	-0.3	-0.7	-0.6	0.0
Food Manufacturing	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.51
% Ch, Annual Rate	2.2	0.7	0.5	-0.4	0.7	0.2	0.4	1.5
Paper and Paper Products	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
% Ch, Annual Rate	-0.5	-0.8	0.1	-0.1	-0.1	-0.5	-0.3	0.4
Other Nondurables	2.61	2.60	2.59	2.58	2.58	2.57	2.56	2.55
% Ch, Annual Rate	-1.3	-1.3	-1.2	-1.2	-0.9	-1.3	-1.2	-0.9
Natural Resources and Mining	0.89	0.89	0.90	0.90	0.91	0.91	0.91	0.91
% Ch, Annual Rate	3.5	0.8	2.0	2.1	2.1	2.4	1.2	0.5
Construction	5.94	6.05	6.18	6.33	6.48	6.65	6.82	6.98
% Ch, Annual Rate	5.4	7.8	9.2	9.5	10.1	10.9	10.8	9.7
Trade, Transportation, and Utilities	26.19	26.23	26.29	26.37	26.42	26.50	26.59	26.69
% Ch, Annual Rate	0.2	0.7	0.8	1.2	0.7	1.2	1.5	1.4
Wholesale Trade	5.85	5.87	5.89	5.91	5.95	5.98	6.01	6.04
% Ch, Annual Rate	1.8	1.2	1.0	1.8	2.4	2.0	2.0	2.1
Retail Trade	15.16	15.16	15.17	15.19	15.16	15.18	15.20	15.22
% Ch, Annual Rate	-1.3	0.0	0.3	0.5	-0.7	0.4	0.7	0.5
Trans., Warehousing, and Utilities	5.18	5.20	5.23	5.27	5.31	5.34	5.38	5.43
% Ch, Annual Rate	2.9	2.2	2.0	2.8	3.2	2.9	3.0	3.2
Information	2.75	2.73	2.71	2.72	2.73	2.74	2.74	2.76
% Ch, Annual Rate	1.3	-2.9	-2.5	1.4	1.8	1.3	0.3	2.0
Publishing Industries	0.73	0.73	0.72	0.72	0.72	0.72	0.72	0.72
% Ch, Annual Rate	-1.6	-0.6	-1.0	-1.0	-0.8	-0.7	-0.2	-0.1
Other Information	2.02	2.00	1.99	2.00	2.01	2.02	2.02	2.04
% Ch, Annual Rate	2.3	-3.7	-3.0	2.3	2.8	2.0	0.6	2.8
Financial Activities	7.88	7.91	7.94	7.95	7.97	7.97	7.97	7.95
% Ch, Annual Rate	0.9	1.6	1.7	0.5	0.6	0.2	0.0	-1.0
Professional and Business Services	19.06	19.26	19.44	19.61	19.83	20.03	20.25	20.49
% Ch, Annual Rate	4.6	4.3	3.7	3.7	4.4	4.1	4.6	4.8
Education and Health Services	20.86	20.93	20.96	21.04	21.13	21.23	21.31	21.41
% Ch, Annual Rate	1.6	1.4	0.6	1.5	1.7	2.0	1.6	1.8
Leisure and Hospitality	14.10	14.14	14.17	14.23	14.26	14.26	14.27	14.27
% Ch, Annual Rate	0.2	1.0	1.1	1.5	1.0	0.1	0.1	0.1
Other Services	5.52	5.53	5.54	5.54	5.54	5.52	5.51	5.50
% Ch, Annual Rate	1.3	1.1	1.0	-0.4	-0.2	-0.9	-0.6	-0.7
Federal Government	2.75	2.74	2.72	2.71	2.71	2.70	2.69	2.67
% Ch, Annual Rate	2.5	-2.5	-2.4	-2.2	0.5	-1.7	-1.7	-1.6
State and Local Government	19.09	19.12	19.18	19.21	19.23	19.25	19.29	19.33
% Ch, Annual Rate	0.5	0.7	1.3	0.6	0.5	0.5	0.8	0.8

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2013 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Nonfarm Payroll Employment	142.10	142.69	143.24	143.81	144.28	144.73	145.14	145.57
% Ch, Annual Rate	1.8	1.7	1.6	1.6	1.3	1.3	1.1	1.2
Manufacturing	12.55	12.59	12.64	12.66	12.67	12.67	12.67	12.66
% Ch, Annual Rate	1.7	1.2	1.4	0.8	0.2	0.1	-0.2	-0.3
Durable Manufacturing	8.12	8.15	8.20	8.23	8.23	8.23	8.23	8.22
% Ch, Annual Rate	2.6	1.9	2.2	1.4	0.2	0.1	-0.2	-0.3
Wood Products	0.58	0.58	0.58	0.58	0.58	0.58	0.57	0.57
% Ch, Annual Rate	7.1	2.9	1.4	-1.0	-2.3	-2.4	-2.9	-3.1
Primary and Fabricated Metals	1.98	1.99	2.01	2.02	2.03	2.03	2.03	2.04
% Ch, Annual Rate	3.1	3.0	3.6	2.8	0.6	1.0	0.6	0.3
Computer and Electronic Products	1.09	1.09	1.09	1.10	1.11	1.12	1.13	1.14
% Ch, Annual Rate	1.6	1.1	1.3	2.4	3.0	3.5	3.5	3.7
Machinery and Electrical Equipment	1.51	1.52	1.53	1.53	1.53	1.54	1.54	1.54
% Ch, Annual Rate	1.4	2.0	2.2	1.6	0.3	0.7	0.4	0.1
Transportation Equipment	1.60	1.60	1.61	1.61	1.61	1.59	1.58	1.57
% Ch, Annual Rate	2.7	1.2	2.1	0.7	-1.1	-3.0	-3.7	-3.4
Other Durables	1.37	1.37	1.38	1.38	1.38	1.38	1.38	1.38
% Ch, Annual Rate	1.8	1.1	1.2	0.0	-0.3	0.1	0.1	-0.2
Nondurable Manufacturing	4.44	4.44	4.44	4.44	4.44	4.44	4.44	4.44
% Ch, Annual Rate	0.0	0.1	0.0	-0.2	0.3	0.2	-0.1	-0.2
Food Manufacturing	1.52	1.52	1.53	1.53	1.54	1.54	1.55	1.55
% Ch, Annual Rate	1.3	1.6	1.6	1.3	1.3	1.6	1.1	0.9
Paper and Paper Products	0.37	0.37	0.37	0.37	0.37	0.37	0.38	0.38
% Ch, Annual Rate	0.4	0.5	0.5	0.3	0.9	0.7	0.3	0.2
Other Nondurables	2.55	2.54	2.54	2.53	2.53	2.52	2.52	2.51
% Ch, Annual Rate	-0.8	-0.8	-0.9	-1.1	-0.4	-0.6	-0.9	-0.9
Natural Resources and Mining	0.92	0.92	0.92	0.92	0.92	0.92	0.92	0.92
% Ch, Annual Rate	0.3	0.0	0.1	0.3	0.9	0.8	0.3	-0.1
Construction	7.13	7.26	7.38	7.48	7.56	7.64	7.71	7.77
% Ch, Annual Rate	8.7	7.8	6.5	5.4	4.8	4.2	3.4	3.1
Trade, Transportation, and Utilities	26.78	26.87	26.98	27.07	27.15	27.22	27.29	27.35
% Ch, Annual Rate	1.3	1.4	1.5	1.4	1.1	1.0	1.1	0.9
Wholesale Trade	6.07	6.11	6.14	6.17	6.20	6.23	6.25	6.28
% Ch, Annual Rate	2.4	2.0	2.2	2.1	2.0	1.7	1.8	1.7
Retail Trade	15.23	15.26	15.29	15.31	15.31	15.32	15.34	15.34
% Ch, Annual Rate	0.2	0.7	0.8	0.6	0.1	0.3	0.3	0.1
Trans., Warehousing, and Utilities	5.47	5.51	5.55	5.59	5.63	5.66	5.70	5.73
% Ch, Annual Rate	3.3	2.9	3.0	2.9	2.9	2.5	2.5	2.3
Information	2.77	2.78	2.80	2.81	2.81	2.82	2.83	2.84
% Ch, Annual Rate	2.2	1.8	2.0	1.1	1.2	1.2	1.2	0.7
Publishing Industries	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.72
% Ch, Annual Rate	0.4	0.2	0.5	0.2	0.3	0.0	0.1	-0.4
Other Information	2.05	2.06	2.08	2.08	2.09	2.10	2.11	2.11
% Ch, Annual Rate	2.9	2.4	2.6	1.4	1.6	1.6	1.6	1.1
Financial Activities	7.93	7.89	7.87	7.86	7.84	7.81	7.78	7.76
% Ch, Annual Rate	-1.2	-1.8	-1.1	-0.7	-0.8	-1.5	-1.5	-1.4
Professional and Business Services	20.70	20.90	21.07	21.26	21.43	21.58	21.73	21.89
% Ch, Annual Rate	4.1	3.9	3.4	3.6	3.2	2.9	2.7	3.0
Education and Health Services	21.57	21.71	21.82	21.95	22.03	22.15	22.25	22.38
% Ch, Annual Rate	3.0	2.7	1.9	2.4	1.5	2.2	1.9	2.2
Leisure and Hospitality	14.23	14.21	14.21	14.21	14.22	14.23	14.24	14.24
% Ch, Annual Rate	-1.0	-0.7	-0.1	0.1	0.4	0.1	0.3	0.0
Other Services	5.50	5.50	5.49	5.49	5.49	5.49	5.50	5.50
% Ch, Annual Rate	-0.2	-0.5	-0.3	-0.2	0.2	0.1	0.3	0.2
Federal Government	2.65	2.64	2.64	2.63	2.62	2.61	2.61	2.60
% Ch, Annual Rate	-3.0	-1.5	-1.4	-1.4	-0.8	-1.3	-1.2	-1.2
State and Local Government	19.37	19.40	19.44	19.49	19.53	19.58	19.63	19.69
% Ch, Annual Rate	0.8	0.7	0.9	1.0	0.9	1.0	1.0	1.2

Table A2.3

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2013 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Nonfarm Payroll Employment	2,788.8	2,824.8	2,871.1	2,923.8	2,978.0	3,038.0	3,094.9	3,140.2
% Ch	-1.3	1.3	1.6	1.8	1.9	2.0	1.9	1.5
Manufacturing	258.2	268.6	280.4	288.2	292.9	297.5	301.5	304.0
% Ch	-2.8	4.1	4.4	2.8	1.6	1.6	1.3	0.8
Durable Manufacturing	184.2	193.4	204.5	211.0	214.7	218.9	222.0	223.4
% Ch	-3.3	4.9	5.8	3.2	1.8	2.0	1.4	0.6
Wood Products	12.9	12.6	12.4	13.6	16.0	18.7	19.9	19.4
% Ch	-2.9	-2.4	-1.7	9.3	17.6	17.2	6.2	-2.3
Primary and Fabricated Metals	21.4	22.9	24.3	25.4	26.5	27.5	28.7	29.6
% Ch	-2.4	7.0	6.2	4.6	4.4	3.7	4.4	2.9
Computer and Electronic Products	19.1	19.7	20.2	20.4	20.6	20.8	21.5	22.7
% Ch	-4.8	3.2	2.5	1.0	0.8	1.0	3.4	5.6
Machinery and Electrical Equipment	15.7	17.3	18.4	19.3	20.3	21.4	22.9	24.1
% Ch	-3.7	10.3	6.2	4.9	5.4	5.4	6.6	5.6
Aerospace	80.8	86.6	94.2	96.3	94.9	93.5	92.1	90.7
% Ch	-2.5	7.1	8.8	2.2	-1.4	-1.5	-1.5	-1.5
Other Transportation Equip.	8.9	9.2	10.0	10.1	9.9	9.8	9.1	8.5
% Ch	-8.3	4.3	8.1	1.1	-2.2	-1.3	-7.2	-6.7
Other Durables	25.5	25.0	25.1	26.0	26.5	27.3	27.9	28.4
% Ch	-3.6	-1.7	0.1	3.6	2.3	2.7	2.5	1.7
Nondurable Manufacturing	73.9	75.3	75.9	77.2	78.2	78.5	79.5	80.6
% Ch	-1.3	1.9	0.8	1.7	1.3	0.4	1.2	1.5
Food Manufacturing	33.6	34.7	35.1	36.2	36.8	36.9	37.4	38.0
% Ch	-1.0	3.2	1.3	3.2	1.7	0.2	1.4	1.5
Paper and Paper Products	9.3	9.0	8.2	7.9	7.9	7.9	7.9	7.9
% Ch	-3.8	-3.9	-9.1	-2.8	-0.7	-0.2	0.3	0.6
Other Nondurables	31.0	31.6	32.6	33.1	33.5	33.8	34.2	34.7
% Ch	-1.0	2.2	3.1	1.3	1.2	0.9	1.2	1.6
Natural Resources and Mining	5.9	6.0	5.9	6.1	6.6	7.4	8.0	7.8
% Ch	-2.7	1.5	-1.4	3.7	8.2	12.4	7.3	-1.7
Construction	140.7	136.4	138.4	144.9	153.6	165.9	176.6	183.1
% Ch	-11.9	-3.1	1.5	4.7	6.0	8.0	6.4	3.7
Trade, Transportation, and Utilities	516.9	525.1	536.1	548.0	553.8	560.0	567.6	574.3
% Ch	-1.1	1.6	2.1	2.2	1.1	1.1	1.4	1.2
Wholesale Trade	120.2	121.7	123.9	126.3	128.6	130.8	133.2	135.4
% Ch	-2.1	1.3	1.8	1.9	1.8	1.7	1.8	1.7
Retail Trade	308.1	312.7	319.4	327.2	328.6	330.4	333.2	335.4
% Ch	-0.4	1.5	2.1	2.4	0.4	0.5	0.9	0.7
Trans., Warehousing, and Utilities	88.6	90.7	92.8	94.5	96.6	98.8	101.2	103.5
% Ch	-2.1	2.3	2.3	1.9	2.2	2.3	2.4	2.2
Information	103.0	104.2	104.8	106.2	107.7	109.4	111.9	114.2
% Ch	-0.9	1.1	0.5	1.4	1.4	1.6	2.3	2.0
Software Publishers	50.9	51.7	52.4	53.2	54.1	55.0	55.9	56.9
% Ch	-1.1	1.5	1.4	1.6	1.6	1.6	1.8	1.7
Other Publishing Industries	8.2	7.8	7.6	7.4	7.1	6.9	6.8	6.6
% Ch	-6.3	-4.6	-3.4	-1.4	-3.9	-3.4	-2.2	-2.2
Other Information	43.9	44.7	44.8	45.5	46.4	47.5	49.2	50.7
% Ch	0.5	1.8	0.2	1.6	2.1	2.3	3.6	2.9
Financial Activities	140.5	140.8	142.8	144.0	145.6	145.8	143.3	140.7
% Ch	-3.5	0.2	1.5	0.8	1.1	0.1	-1.7	-1.8
Professional and Business Services	326.3	339.5	348.7	360.0	376.0	393.1	410.5	424.6
% Ch	0.6	4.0	2.7	3.2	4.5	4.5	4.4	3.4
Education and Health Services	375.4	381.4	385.5	391.2	398.5	406.7	417.4	427.0
% Ch	0.8	1.6	1.1	1.5	1.9	2.1	2.6	2.3
Leisure and Hospitality	266.5	270.8	276.7	281.4	285.2	288.5	289.4	291.0
% Ch	-1.2	1.6	2.2	1.7	1.4	1.1	0.3	0.6
Other Services	105.5	108.5	110.8	112.3	113.3	113.8	114.2	114.6
% Ch	-0.7	2.9	2.2	1.3	0.9	0.5	0.3	0.4
Federal Government	75.6	74.0	73.1	71.8	71.5	70.9	70.0	69.5
% Ch	3.9	-2.2	-1.2	-1.7	-0.5	-0.8	-1.2	-0.7
State and Local Government	474.4	469.5	467.9	469.7	473.1	479.0	484.7	489.4
% Ch	-0.5	-1.0	-0.3	0.4	0.7	1.2	1.2	1.0

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2013 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	2,848.0	2,866.0	2,880.1	2,890.5	2,905.3	2,918.0	2,928.5	2,943.3
% Ch, Annual Rate	1.5	2.6	2.0	1.5	2.1	1.8	1.4	2.0
Manufacturing	275.7	278.9	282.6	284.5	286.4	287.9	289.0	289.6
% Ch, Annual Rate	3.5	4.7	5.5	2.7	2.7	2.2	1.4	0.8
Durable Manufacturing	200.2	203.2	206.4	208.2	209.8	210.8	211.6	211.8
% Ch, Annual Rate	5.7	6.0	6.5	3.6	3.0	2.0	1.4	0.5
Wood Products	12.3	12.3	12.5	12.6	12.9	13.2	13.9	14.4
% Ch, Annual Rate	-2.6	0.4	5.7	5.9	8.0	9.2	22.8	15.8
Primary and Fabricated Metals	23.8	24.2	24.5	24.7	25.0	25.3	25.6	25.7
% Ch, Annual Rate	8.8	7.1	4.1	4.1	4.3	4.9	5.6	2.2
Computer and Electronic Products	20.0	20.2	20.3	20.3	20.4	20.5	20.4	20.3
% Ch, Annual Rate	1.6	4.8	1.2	0.8	1.1	2.6	-2.2	-1.1
Machinery and Electrical Equipment	18.0	18.3	18.6	18.7	18.9	19.3	19.4	19.5
% Ch, Annual Rate	5.0	7.0	7.2	3.3	4.7	7.9	2.6	0.3
Aerospace	91.5	93.1	95.6	96.4	96.5	96.5	96.2	95.8
% Ch, Annual Rate	5.9	7.1	11.3	3.3	0.5	0.0	-1.5	-1.5
Other Transportation Equip.	9.8	10.1	10.0	10.0	10.3	10.1	10.0	10.0
% Ch, Annual Rate	23.4	13.1	-4.3	-1.0	13.6	-7.5	-3.3	-3.2
Other Durables	24.9	24.9	25.0	25.4	25.7	25.9	26.0	26.1
% Ch, Annual Rate	3.8	0.9	0.3	7.7	4.8	2.8	2.1	1.2
Nondurable Manufacturing	75.4	75.7	76.2	76.3	76.6	77.1	77.4	77.8
% Ch, Annual Rate	-1.9	1.4	2.7	0.2	1.9	2.6	1.5	1.9
Food Manufacturing	34.7	34.8	35.4	35.5	35.9	36.1	36.3	36.6
% Ch, Annual Rate	-4.7	1.8	6.6	0.6	4.8	2.8	1.6	3.4
Paper and Paper Products	8.5	8.2	8.1	8.0	7.9	8.0	7.9	7.9
% Ch, Annual Rate	-13.9	-13.2	-3.9	-5.8	-1.1	1.4	-1.5	-1.5
Other Nondurables	32.3	32.7	32.7	32.8	32.8	33.0	33.2	33.3
% Ch, Annual Rate	4.9	5.0	0.3	1.3	-0.4	2.7	2.2	1.0
Natural Resources and Mining	5.9	5.8	5.9	5.9	5.9	6.1	6.2	6.3
% Ch, Annual Rate	-4.7	-6.8	2.4	1.7	2.3	9.3	6.8	6.3
Construction	135.9	138.1	139.0	140.8	142.6	144.0	145.7	147.4
% Ch, Annual Rate	-0.3	6.7	2.5	5.4	5.1	4.1	4.8	4.7
Trade, Transportation, and Utilities	530.4	535.0	538.5	540.5	544.7	547.2	548.5	551.4
% Ch, Annual Rate	2.2	3.5	2.7	1.5	3.1	1.9	0.9	2.1
Wholesale Trade	123.0	123.7	124.5	124.5	125.2	126.0	126.5	127.3
% Ch, Annual Rate	1.9	2.4	2.6	0.0	2.3	2.6	1.6	2.7
Retail Trade	315.8	318.3	320.8	322.7	325.6	327.1	327.4	328.7
% Ch, Annual Rate	1.8	3.3	3.2	2.4	3.6	1.8	0.4	1.6
Trans., Warehousing, and Utilities	91.7	93.0	93.2	93.3	93.9	94.2	94.6	95.4
% Ch, Annual Rate	3.9	5.6	1.2	0.3	2.6	1.1	1.9	3.1
Information	104.9	104.9	104.7	104.5	105.2	106.0	106.3	107.2
% Ch, Annual Rate	1.8	0.2	-1.1	-0.7	2.9	2.8	1.5	3.3
Software Publishers	52.1	52.2	52.6	52.7	52.8	53.2	53.4	53.6
% Ch, Annual Rate	1.4	0.8	3.0	0.7	0.6	3.5	1.1	1.6
Other Publishing Industries	7.6	7.6	7.5	7.5	7.5	7.5	7.4	7.3
% Ch, Annual Rate	-3.2	-0.7	-5.3	3.2	-2.2	1.7	-6.3	-4.4
Other Information	45.2	45.1	44.6	44.2	45.0	45.2	45.6	46.3
% Ch, Annual Rate	3.1	-0.4	-4.9	-2.9	6.5	2.2	3.2	6.8
Financial Activities	141.9	142.5	143.4	143.4	144.0	143.7	143.5	144.7
% Ch, Annual Rate	2.0	1.8	2.6	-0.1	1.7	-0.8	-0.5	3.2
Professional and Business Services	344.4	348.3	349.9	352.2	353.7	358.6	361.9	365.6
% Ch, Annual Rate	2.1	4.6	1.8	2.6	1.7	5.7	3.7	4.2
Education and Health Services	384.0	384.9	385.8	387.1	388.2	390.1	392.5	394.0
% Ch, Annual Rate	0.3	1.0	1.0	1.4	1.2	1.9	2.5	1.5
Leisure and Hospitality	274.8	276.3	277.5	278.4	279.9	280.9	281.5	283.2
% Ch, Annual Rate	3.2	2.2	1.8	1.3	2.2	1.3	0.9	2.4
Other Services	110.0	110.6	111.3	111.5	112.0	112.3	112.3	112.6
% Ch, Annual Rate	2.2	2.3	2.5	0.8	1.9	0.8	0.3	1.0
Federal Government	73.4	73.1	72.9	72.8	72.6	71.6	71.7	71.5
% Ch, Annual Rate	-0.8	-1.9	-1.3	-0.3	-1.3	-5.2	0.3	-0.6
State and Local Government	466.6	467.5	468.6	468.9	469.9	469.7	469.4	469.8
% Ch, Annual Rate	-0.2	0.8	1.0	0.2	0.9	-0.2	-0.2	0.3

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2013 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Nonfarm Payroll Employment	2,956.5	2,970.8	2,984.8	2,999.7	3,015.1	3,030.1	3,045.7	3,061.1
% Ch, Annual Rate	1.8	1.9	1.9	2.0	2.1	2.0	2.1	2.0
Manufacturing	291.0	292.3	293.6	294.7	295.7	296.8	298.0	299.3
% Ch, Annual Rate	2.0	1.8	1.8	1.4	1.4	1.6	1.6	1.7
Durable Manufacturing	212.9	214.1	215.4	216.4	217.3	218.4	219.5	220.5
% Ch, Annual Rate	2.1	2.3	2.3	2.0	1.6	2.1	2.1	1.8
Wood Products	14.9	15.6	16.3	17.0	17.7	18.5	19.1	19.6
% Ch, Annual Rate	16.6	18.2	19.9	18.4	17.5	18.0	14.3	10.7
Primary and Fabricated Metals	26.1	26.4	26.6	26.9	27.1	27.4	27.6	27.9
% Ch, Annual Rate	5.1	4.7	4.2	4.2	3.2	3.3	3.2	5.0
Computer and Electronic Products	20.5	20.5	20.6	20.6	20.6	20.7	20.9	21.0
% Ch, Annual Rate	3.5	0.3	1.6	0.6	-0.5	0.9	3.6	3.3
Machinery and Electrical Equipment	19.8	20.2	20.5	20.8	21.0	21.3	21.6	21.9
% Ch, Annual Rate	6.6	9.3	6.8	4.8	3.5	5.7	6.1	6.7
Aerospace	95.5	95.1	94.7	94.4	94.0	93.7	93.3	93.0
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Other Transportation Equip.	9.9	9.9	9.9	9.9	9.9	9.8	9.8	9.6
% Ch, Annual Rate	-1.9	-0.5	-0.5	-0.7	0.2	-1.2	-2.5	-8.5
Other Durables	26.3	26.5	26.6	26.8	27.0	27.2	27.3	27.5
% Ch, Annual Rate	2.4	2.6	2.7	2.7	2.5	2.9	2.8	2.8
Nondurable Manufacturing	78.1	78.2	78.3	78.2	78.4	78.4	78.5	78.8
% Ch, Annual Rate	1.6	0.5	0.5	-0.1	0.6	0.3	0.5	1.3
Food Manufacturing	36.8	36.9	36.9	36.8	36.9	36.9	36.9	37.0
% Ch, Annual Rate	2.6	0.5	0.2	-0.8	0.6	0.0	0.3	1.7
Paper and Paper Products	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
% Ch, Annual Rate	-0.6	-1.0	0.1	-0.2	-0.1	-0.6	-0.3	0.5
Other Nondurables	33.4	33.4	33.5	33.6	33.6	33.7	33.8	33.9
% Ch, Annual Rate	1.0	0.9	0.8	0.8	0.9	0.9	0.9	1.2
Natural Resources and Mining	6.4	6.5	6.7	6.9	7.1	7.3	7.6	7.7
% Ch, Annual Rate	7.6	6.7	12.8	12.5	13.0	14.4	12.4	9.7
Construction	149.4	152.2	155.0	158.0	161.2	164.4	167.6	170.6
% Ch, Annual Rate	5.7	7.6	7.6	7.9	8.3	8.2	8.1	7.3
Trade, Transportation, and Utilities	551.8	553.0	554.3	556.1	557.2	558.9	560.9	562.9
% Ch, Annual Rate	0.3	0.9	0.9	1.3	0.8	1.3	1.5	1.4
Wholesale Trade	127.9	128.4	128.7	129.3	130.0	130.5	131.1	131.6
% Ch, Annual Rate	1.9	1.4	1.0	1.7	2.1	1.7	1.7	1.8
Retail Trade	327.9	328.3	328.8	329.5	329.3	329.9	330.8	331.5
% Ch, Annual Rate	-0.9	0.4	0.7	0.8	-0.3	0.8	1.1	0.9
Trans., Warehousing, and Utilities	95.9	96.4	96.8	97.3	97.9	98.5	99.1	99.7
% Ch, Annual Rate	2.3	1.8	1.7	2.3	2.6	2.4	2.4	2.5
Information	107.7	107.6	107.5	108.0	108.6	109.2	109.6	110.2
% Ch, Annual Rate	2.0	-0.6	-0.4	2.1	2.3	2.0	1.4	2.5
Software Publishers	53.8	54.0	54.2	54.4	54.6	54.9	55.1	55.3
% Ch, Annual Rate	1.4	1.8	1.6	1.5	1.6	1.6	1.7	1.7
Other Publishing Industries	7.2	7.2	7.1	7.1	7.0	6.9	6.9	6.8
% Ch, Annual Rate	-4.5	-3.2	-3.7	-3.8	-3.5	-3.3	-2.7	-2.5
Other Information	46.7	46.4	46.1	46.5	47.0	47.4	47.6	48.1
% Ch, Annual Rate	3.6	-3.0	-2.2	3.7	4.2	3.3	1.7	4.1
Financial Activities	145.0	145.5	146.0	146.1	146.1	146.0	145.8	145.2
% Ch, Annual Rate	0.8	1.5	1.5	0.1	0.2	-0.4	-0.6	-1.7
Professional and Business Services	370.0	374.2	378.0	381.8	386.3	390.5	395.3	400.2
% Ch, Annual Rate	4.8	4.6	4.1	4.1	4.8	4.4	4.9	5.1
Education and Health Services	396.0	397.9	399.1	401.1	403.3	405.7	407.8	410.1
% Ch, Annual Rate	2.0	1.9	1.3	2.0	2.2	2.4	2.1	2.3
Leisure and Hospitality	283.7	284.6	285.6	286.8	287.8	288.2	288.7	289.2
% Ch, Annual Rate	0.7	1.3	1.4	1.7	1.3	0.7	0.7	0.6
Other Services	112.9	113.2	113.5	113.6	113.8	113.8	113.9	113.9
% Ch, Annual Rate	1.1	1.0	1.0	0.4	0.5	0.2	0.3	0.2
Federal Government	71.9	71.6	71.3	71.1	71.2	71.0	70.8	70.6
% Ch, Annual Rate	2.2	-1.7	-1.6	-1.5	0.6	-1.1	-1.1	-1.0
State and Local Government	470.6	472.1	474.2	475.6	476.9	478.2	479.7	481.3
% Ch, Annual Rate	0.7	1.3	1.8	1.2	1.1	1.1	1.3	1.3

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2013 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Nonfarm Payroll Employment	3,075.4	3,088.7	3,101.5	3,114.2	3,125.0	3,135.5	3,145.2	3,155.1
% Ch, Annual Rate	1.9	1.7	1.7	1.7	1.4	1.3	1.2	1.3
Manufacturing	300.3	301.1	301.9	302.6	303.2	303.8	304.3	304.8
% Ch, Annual Rate	1.4	1.0	1.2	0.9	0.7	0.8	0.7	0.6
Durable Manufacturing	221.3	221.7	222.3	222.8	223.0	223.3	223.5	223.8
% Ch, Annual Rate	1.4	0.9	1.1	0.9	0.4	0.5	0.5	0.4
Wood Products	19.8	19.9	19.9	19.8	19.7	19.5	19.3	19.1
% Ch, Annual Rate	5.4	1.5	0.3	-1.9	-3.1	-3.2	-3.6	-3.8
Primary and Fabricated Metals	28.2	28.5	28.9	29.2	29.3	29.5	29.6	29.7
% Ch, Annual Rate	4.6	4.5	5.1	4.3	1.8	2.2	1.9	1.5
Computer and Electronic Products	21.2	21.4	21.6	21.8	22.2	22.5	22.9	23.3
% Ch, Annual Rate	3.9	3.2	3.5	5.1	6.0	6.7	6.8	7.0
Machinery and Electrical Equipment	22.3	22.6	23.1	23.4	23.7	24.0	24.3	24.6
% Ch, Annual Rate	6.4	7.1	7.5	6.6	4.6	5.3	4.8	4.4
Aerospace	92.6	92.3	91.9	91.6	91.2	90.9	90.5	90.2
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Other Transportation Equip.	9.4	9.1	8.9	8.8	8.7	8.5	8.4	8.3
% Ch, Annual Rate	-7.3	-11.1	-7.3	-6.0	-5.9	-7.9	-5.6	-4.4
Other Durables	27.7	27.9	28.0	28.1	28.2	28.3	28.5	28.6
% Ch, Annual Rate	2.5	2.3	2.1	1.5	1.6	1.6	1.6	1.4
Nondurable Manufacturing	79.0	79.3	79.6	79.8	80.2	80.5	80.8	81.0
% Ch, Annual Rate	1.3	1.5	1.4	1.2	1.7	1.7	1.2	1.1
Food Manufacturing	37.2	37.3	37.5	37.6	37.8	37.9	38.0	38.1
% Ch, Annual Rate	1.5	1.8	1.8	1.5	1.5	1.8	1.1	0.9
Paper and Paper Products	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
% Ch, Annual Rate	0.5	0.6	0.6	0.3	1.0	0.9	0.4	0.3
Other Nondurables	34.0	34.1	34.2	34.3	34.5	34.6	34.8	34.9
% Ch, Annual Rate	1.2	1.3	1.2	1.1	2.0	1.9	1.5	1.6
Natural Resources and Mining	7.9	8.0	8.0	8.0	8.0	7.9	7.8	7.7
% Ch, Annual Rate	7.1	5.3	3.7	-0.8	-2.0	-4.4	-5.5	-5.5
Construction	173.3	175.7	177.8	179.5	181.1	182.6	183.8	184.9
% Ch, Annual Rate	6.5	5.6	4.9	4.0	3.6	3.2	2.7	2.5
Trade, Transportation, and Utilities	564.6	566.6	568.7	570.6	572.1	573.6	575.1	576.4
% Ch, Annual Rate	1.3	1.4	1.5	1.4	1.1	1.0	1.1	0.9
Wholesale Trade	132.3	132.9	133.5	134.1	134.7	135.2	135.7	136.2
% Ch, Annual Rate	2.0	1.7	1.9	1.9	1.7	1.5	1.6	1.5
Retail Trade	332.0	332.8	333.7	334.4	334.8	335.2	335.7	336.0
% Ch, Annual Rate	0.6	1.0	1.1	0.9	0.4	0.5	0.5	0.3
Trans., Warehousing, and Utilities	100.3	100.9	101.5	102.1	102.7	103.2	103.7	104.2
% Ch, Annual Rate	2.6	2.3	2.4	2.3	2.4	2.0	2.1	1.9
Information	111.0	111.6	112.3	112.8	113.4	113.9	114.5	114.9
% Ch, Annual Rate	2.7	2.4	2.5	1.9	2.0	1.9	1.9	1.5
Software Publishers	55.6	55.8	56.1	56.3	56.6	56.8	57.0	57.2
% Ch, Annual Rate	1.8	1.8	1.8	1.7	1.8	1.6	1.6	1.4
Other Publishing Industries	6.8	6.8	6.7	6.7	6.7	6.6	6.6	6.5
% Ch, Annual Rate	-1.8	-2.1	-1.7	-2.2	-2.0	-2.4	-2.4	-3.1
Other Information	48.6	49.0	49.5	49.8	50.2	50.5	50.9	51.2
% Ch, Annual Rate	4.2	3.7	3.9	2.6	2.8	2.8	2.9	2.2
Financial Activities	144.4	143.5	142.8	142.3	141.8	141.0	140.3	139.6
% Ch, Annual Rate	-2.0	-2.6	-1.8	-1.3	-1.4	-2.2	-2.2	-2.0
Professional and Business Services	404.5	408.7	412.4	416.3	419.8	423.1	426.1	429.5
% Ch, Annual Rate	4.4	4.2	3.7	3.9	3.4	3.2	2.9	3.2
Education and Health Services	413.3	416.3	418.6	421.3	423.3	425.9	428.1	430.6
% Ch, Annual Rate	3.2	2.9	2.3	2.6	1.9	2.4	2.1	2.4
Leisure and Hospitality	289.0	289.1	289.4	289.9	290.4	290.8	291.2	291.5
% Ch, Annual Rate	-0.2	0.0	0.5	0.6	0.8	0.5	0.6	0.4
Other Services	114.1	114.1	114.2	114.3	114.4	114.5	114.7	114.8
% Ch, Annual Rate	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.3
Federal Government	70.3	70.1	69.9	69.8	69.7	69.6	69.4	69.3
% Ch, Annual Rate	-2.1	-0.9	-0.8	-0.9	-0.4	-0.8	-0.8	-0.8
State and Local Government	482.8	484.0	485.3	486.6	487.7	488.8	489.9	491.2
% Ch, Annual Rate	1.3	1.0	1.1	1.1	0.9	0.9	0.9	1.1

Table A3.1

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

Forecast 2013 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Personal Income	12,321.9	12,947.3	13,405.9	13,809.9	14,525.4	15,215.9	15,953.3	16,743.8
% Ch	3.8	5.1	3.5	3.0	5.2	4.8	4.8	5.0
Total Wage and Salary Disbursements	6,404.6	6,661.3	6,880.7	7,122.3	7,461.8	7,810.3	8,168.4	8,521.2
% Ch	2.1	4.0	3.3	3.5	4.8	4.7	4.6	4.3
Nonwage Personal Income	5,917.3	6,286.0	6,525.2	6,687.6	7,063.6	7,405.7	7,784.9	8,222.6
% Ch	5.7	6.2	3.8	2.5	5.6	4.8	5.1	5.6
Supplements to Wages and Salaries	1,565.4	1,633.9	1,685.1	1,749.0	1,833.9	1,930.7	2,034.7	2,134.3
% Ch	2.7	4.4	3.1	3.8	4.9	5.3	5.4	4.9
Proprietor's Income	1,103.4	1,157.4	1,202.5	1,277.9	1,354.8	1,439.9	1,518.0	1,569.2
% Ch	12.7	4.9	3.9	6.3	6.0	6.3	5.4	3.4
Farm	44.3	54.6	56.3	67.3	60.0	60.7	61.3	61.9
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,059.1	1,102.8	1,146.2	1,210.6	1,294.8	1,379.2	1,456.7	1,507.3
% Ch	12.7	4.1	3.9	5.6	7.0	6.5	5.6	3.5
Less: Contribution For Govt. Soc. Ins.	983.3	919.3	948.3	1,114.8	1,182.0	1,254.1	1,329.3	1,395.3
% Ch	2.1	-6.5	3.2	17.6	6.0	6.1	6.0	5.0
Dividends/Int./Rent	1,947.5	2,094.8	2,210.4	2,315.6	2,458.2	2,568.4	2,701.7	2,932.5
% Ch	1.6	7.6	5.5	4.8	6.2	4.5	5.2	8.5
Transfer Payments	2,284.3	2,319.3	2,375.6	2,459.9	2,598.6	2,720.7	2,859.8	2,981.9
% Ch	6.7	1.5	2.4	3.5	5.6	4.7	5.1	4.3

Table A3.2

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

Forecast 2013 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	13,227.1	13,327.0	13,406.2	13,663.2	13,540.3	13,719.0	13,907.3	14,073.1
% Ch, Annual Rate	6.6	3.1	2.4	7.9	-3.5	5.4	5.6	4.9
Total Wage and Salary Disbursements	6,825.9	6,849.2	6,888.5	6,959.0	7,000.5	7,075.0	7,162.9	7,250.7
% Ch, Annual Rate	8.2	1.4	2.3	4.2	2.4	4.3	5.1	5.0
Nonwage Personal Income	6,401.2	6,477.8	6,517.7	6,704.2	6,539.8	6,644.0	6,744.4	6,822.4
% Ch, Annual Rate	4.9	4.9	2.5	11.9	-9.5	6.5	6.2	4.7
Supplements to Wages and Salaries	1,669.8	1,678.5	1,689.1	1,702.8	1,720.8	1,740.7	1,758.0	1,776.5
% Ch, Annual Rate	5.5	2.1	2.5	3.3	4.3	4.7	4.0	4.3
Proprietor's Income	1,184.4	1,194.9	1,205.4	1,225.1	1,251.8	1,269.6	1,287.3	1,302.8
% Ch, Annual Rate	6.7	3.6	3.6	6.7	9.0	5.8	5.7	4.9
Farm	52.3	52.5	59.4	61.0	70.5	67.8	66.8	64.0
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,132.1	1,142.4	1,146.0	1,164.1	1,181.3	1,201.8	1,220.5	1,238.8
% Ch, Annual Rate	7.9	3.7	1.3	6.5	6.0	7.1	6.4	6.1
Less: Contribution For Govt. Soc. Ins.	942.6	944.4	948.7	957.6	1,095.9	1,107.4	1,121.0	1,134.7
% Ch, Annual Rate	8.8	0.8	1.8	3.8	71.5	4.3	5.0	5.0
Dividends/Int./Rent	2,141.7	2,183.5	2,183.8	2,332.7	2,233.5	2,303.1	2,343.6	2,382.4
% Ch, Annual Rate	5.2	8.0	0.1	30.2	-16.0	13.1	7.2	6.8
Transfer Payments	2,348.0	2,365.2	2,388.0	2,401.3	2,429.7	2,438.0	2,476.5	2,495.3
% Ch, Annual Rate	4.9	3.0	3.9	2.2	4.8	1.4	6.5	3.1

Table A3.2 (continued)

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

Forecast 2013 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Personal Income	14,288.7	14,444.3	14,605.4	14,763.1	14,973.6	15,137.2	15,297.8	15,455.1
% Ch, Annual Rate	6.3	4.4	4.5	4.4	5.8	4.4	4.3	4.2
Total Wage and Salary Disbursements	7,339.0	7,420.4	7,502.4	7,585.5	7,677.0	7,765.7	7,854.8	7,943.5
% Ch, Annual Rate	5.0	4.5	4.5	4.5	4.9	4.7	4.7	4.6
Nonwage Personal Income	6,949.8	7,023.9	7,103.0	7,177.6	7,296.6	7,371.5	7,442.9	7,511.6
% Ch, Annual Rate	7.7	4.3	4.6	4.3	6.8	4.2	3.9	3.7
Supplements to Wages and Salaries	1,803.2	1,823.3	1,844.0	1,865.3	1,895.2	1,918.6	1,942.1	1,966.8
% Ch, Annual Rate	6.1	4.5	4.6	4.7	6.6	5.0	5.0	5.2
Proprietor's Income	1,321.5	1,346.6	1,366.1	1,385.0	1,405.1	1,429.1	1,451.5	1,473.8
% Ch, Annual Rate	5.9	7.8	5.9	5.6	5.9	7.0	6.4	6.3
Farm	61.3	60.2	59.6	58.9	59.0	59.5	61.5	62.8
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,260.2	1,286.4	1,306.5	1,326.1	1,346.1	1,369.6	1,390.0	1,411.0
% Ch, Annual Rate	7.1	8.6	6.4	6.1	6.2	7.2	6.1	6.2
Less: Contribution For Govt. Soc. Ins.	1,163.2	1,175.7	1,188.3	1,201.0	1,234.7	1,247.5	1,259.9	1,274.2
% Ch, Annual Rate	10.4	4.4	4.4	4.4	11.7	4.2	4.1	4.6
Dividends/Int./Rent	2,416.9	2,439.5	2,472.9	2,503.4	2,534.1	2,558.8	2,580.6	2,600.4
% Ch, Annual Rate	5.9	3.8	5.6	5.0	5.0	4.0	3.5	3.1
Transfer Payments	2,571.3	2,590.1	2,608.3	2,624.8	2,696.9	2,712.5	2,728.6	2,744.9
% Ch, Annual Rate	12.8	2.9	2.8	2.6	11.4	2.3	2.4	2.4

Table A3.2 (continued)

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

Forecast 2013 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Personal Income	15,682.7	15,861.5	16,038.7	16,230.5	16,448.6	16,645.7	16,841.7	17,039.3
% Ch, Annual Rate	6.0	4.6	4.5	4.9	5.5	4.9	4.8	4.8
Total Wage and Salary Disbursements	8,037.0	8,125.1	8,211.8	8,299.8	8,391.7	8,477.7	8,563.4	8,652.1
% Ch, Annual Rate	4.8	4.5	4.3	4.4	4.5	4.2	4.1	4.2
Nonwage Personal Income	7,645.6	7,736.4	7,826.9	7,930.6	8,056.9	8,168.1	8,278.3	8,387.3
% Ch, Annual Rate	7.3	4.8	4.8	5.4	6.5	5.6	5.5	5.4
Supplements to Wages and Salaries	1,999.7	2,023.2	2,046.1	2,069.7	2,100.7	2,123.2	2,145.1	2,168.1
% Ch, Annual Rate	6.9	4.8	4.6	4.7	6.1	4.3	4.2	4.3
Proprietor's Income	1,492.5	1,512.2	1,526.5	1,540.9	1,552.2	1,565.5	1,573.1	1,586.1
% Ch, Annual Rate	5.2	5.4	3.8	3.8	3.0	3.5	2.0	3.4
Farm	61.4	61.0	61.5	61.4	61.9	61.9	62.0	61.7
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,431.1	1,451.2	1,465.0	1,479.5	1,490.2	1,503.6	1,511.0	1,524.4
% Ch, Annual Rate	5.8	5.7	3.9	4.0	2.9	3.6	2.0	3.6
Less: Contribution For Govt. Soc. Ins.	1,310.7	1,323.1	1,334.9	1,348.5	1,377.7	1,389.3	1,400.5	1,413.8
% Ch, Annual Rate	11.9	3.9	3.6	4.1	8.9	3.4	3.3	3.9
Dividends/Int./Rent	2,633.5	2,675.3	2,720.4	2,777.6	2,837.6	2,900.4	2,966.4	3,025.8
% Ch, Annual Rate	5.2	6.5	6.9	8.7	8.9	9.2	9.4	8.3
Transfer Payments	2,830.6	2,848.8	2,868.8	2,890.9	2,944.1	2,968.4	2,994.2	3,021.1
% Ch, Annual Rate	13.1	2.6	2.8	3.1	7.6	3.3	3.5	3.6

Table A3.3

Washington Personal Income by Component (Billions of Dollars)

Forecast 2013 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Personal Income	283.368	299.685	314.133	323.174	340.937	358.114	376.372	396.196
% Ch	2.4	5.8	4.8	2.9	5.5	5.0	5.1	5.3
Total Wage and Salary Disbursements	148.687	155.671	163.214	168.684	177.271	185.945	194.735	203.340
% Ch	1.2	4.7	4.8	3.4	5.1	4.9	4.7	4.4
Manufacturing	16.837	18.399	19.562	20.322	21.195	22.042	22.850	23.609
% Ch	0.6	9.3	6.3	3.9	4.3	4.0	3.7	3.3
Durable Manufacturing	13.247	14.624	15.723	16.340	17.036	17.744	18.382	18.945
% Ch	0.8	10.4	7.5	3.9	4.3	4.2	3.6	3.1
Nondurable Manufacturing	3.590	3.775	3.839	3.982	4.159	4.297	4.468	4.663
% Ch	-0.2	5.2	1.7	3.7	4.4	3.3	4.0	4.4
Nonmanufacturing	125.403	130.703	136.836	141.596	149.135	156.858	164.671	172.314
% Ch	1.4	4.2	4.7	3.5	5.3	5.2	5.0	4.6
Other Private Wages	0.887	0.986	1.029	1.086	1.116	1.146	1.174	1.200
% Ch	0.8	11.2	4.3	5.6	2.8	2.7	2.5	2.2
Farm Wages	1.248	1.220	1.315	1.324	1.401	1.480	1.559	1.636
% Ch	-9.0	-2.2	7.8	0.7	5.8	5.6	5.3	4.9
Military Wages	4.313	4.363	4.472	4.355	4.423	4.420	4.481	4.582
% Ch	2.5	1.2	2.5	-2.6	1.6	-0.1	1.4	2.3
Nonwage Personal Income	134.681	144.015	150.919	154.491	163.666	172.169	181.636	192.856
% Ch	3.7	6.9	4.8	2.4	5.9	5.2	5.5	6.2
Supplements to Wages and Salaries	38.328	40.174	41.795	43.576	45.955	48.618	51.448	54.183
% Ch	1.9	4.8	4.0	4.3	5.5	5.8	5.8	5.3
Proprietor's Income	22.879	24.282	25.656	27.056	28.496	30.202	31.804	32.853
% Ch	9.8	6.1	5.7	5.5	5.3	6.0	5.3	3.3
Farm	1.072	1.715	1.892	1.818	1.448	1.345	1.300	1.281
% Ch	...	...	...	...	...	...	...	...
Nonfarm	21.808	22.566	23.764	25.238	27.047	28.856	30.504	31.572
% Ch	8.5	3.5	5.3	6.2	7.2	6.7	5.7	3.5
Less: Contribution For Govt. Soc. Ins.	25.499	23.820	24.571	28.953	30.729	32.620	34.572	36.281
% Ch	2.8	-6.6	3.2	17.8	6.1	6.2	6.0	4.9
Plus: Residence Adjustment	2.768	3.192	3.355	3.477	3.639	3.808	3.986	4.165
% Ch	0.2	15.3	5.1	3.6	4.7	4.6	4.7	4.5
Dividends/Int./Rent	47.240	51.035	54.249	57.077	60.930	63.990	67.661	73.904
% Ch	-2.3	8.0	6.3	5.2	6.8	5.0	5.7	9.2
Transfer Payments	48.964	49.153	50.434	52.258	55.375	58.172	61.309	64.032
% Ch	8.6	0.4	2.6	3.6	6.0	5.1	5.4	4.4
State U.I. Benefits	4.222	3.118	2.329	1.953	1.782	1.557	1.393	1.281
% Ch	14.4	-26.2	-25.3	-16.2	-8.7	-12.6	-10.6	-8.0
Other Transfers	44.742	46.034	48.105	50.306	53.593	56.615	59.917	62.751
% Ch	8.1	2.9	4.5	4.6	6.5	5.6	5.8	4.7

Table A3.4

Washington Personal Income by Component (Billions of Dollars)

Forecast 2013 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	310.193	311.701	314.884	319.753	315.779	321.306	325.786	329.827
% Ch, Annual Rate	9.4	2.0	4.1	6.3	-4.9	7.2	5.7	5.1
Total Wage and Salary Disbursements	162.644	161.735	164.125	164.350	164.941	167.861	169.925	172.009
% Ch, Annual Rate	12.1	-2.2	6.0	0.5	1.4	7.3	5.0	5.0
Manufacturing	19.939	19.165	19.643	19.500	19.952	20.231	20.463	20.644
% Ch, Annual Rate	23.9	-14.7	10.4	-2.9	9.6	5.7	4.7	3.6
Durable Manufacturing	16.110	15.344	15.806	15.632	16.055	16.272	16.452	16.583
% Ch, Annual Rate	31.9	-17.7	12.6	-4.4	11.3	5.5	4.5	3.2
Nondurable Manufacturing	3.829	3.821	3.837	3.868	3.897	3.959	4.011	4.061
% Ch, Annual Rate	-3.9	-0.8	1.7	3.3	2.9	6.6	5.3	5.1
Nonmanufacturing	135.840	135.821	137.654	138.030	138.122	140.977	142.711	144.574
% Ch, Annual Rate	10.3	-0.1	5.5	1.1	0.3	8.5	5.0	5.3
Other Private Wages	0.959	1.016	1.068	1.071	1.075	1.082	1.090	1.097
% Ch, Annual Rate	-17.7	25.8	22.4	1.1	1.6	2.3	3.0	2.9
Farm Wages	1.442	1.263	1.273	1.284	1.297	1.314	1.333	1.353
% Ch, Annual Rate	94.5	-41.1	3.2	3.5	4.1	5.2	6.2	6.0
Military Wages	4.464	4.470	4.487	4.465	4.495	4.257	4.327	4.341
% Ch, Annual Rate	6.2	0.5	1.5	-1.9	2.7	-19.5	6.7	1.3
Nonwage Personal Income	147.549	149.966	150.759	155.403	150.838	153.445	155.861	157.818
% Ch, Annual Rate	6.5	6.7	2.1	12.9	-11.2	7.1	6.4	5.1
Supplements to Wages and Salaries	41.237	41.636	41.992	42.317	42.799	43.335	43.829	44.343
% Ch, Annual Rate	3.5	3.9	3.5	3.1	4.6	5.1	4.6	4.8
Proprietor's Income	25.002	25.568	25.882	26.172	26.615	26.910	27.213	27.484
% Ch, Annual Rate	7.8	9.4	5.0	4.6	6.9	4.5	4.6	4.0
Farm	1.673	1.910	2.044	1.940	2.005	1.861	1.763	1.642
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	23.329	23.658	23.838	24.232	24.610	25.049	25.451	25.842
% Ch, Annual Rate	8.2	5.8	3.1	6.8	6.4	7.3	6.6	6.3
Less: Contribution For Govt. Soc. Ins.	24.326	24.479	24.627	24.850	28.462	28.759	29.119	29.473
% Ch, Annual Rate	6.8	2.5	2.4	3.7	72.1	4.3	5.1	5.0
Plus: Residence Adjustment	3.308	3.344	3.359	3.409	3.417	3.454	3.496	3.540
% Ch, Annual Rate	15.6	4.4	1.8	6.1	1.0	4.4	5.0	5.1
Dividends/Int./Rent	52.396	53.614	53.552	57.435	54.902	56.732	57.814	58.857
% Ch, Annual Rate	6.1	9.6	-0.5	32.3	-16.5	14.0	7.9	7.4
Transfer Payments	49.932	50.283	50.601	50.920	51.566	51.774	52.627	53.066
% Ch, Annual Rate	8.4	2.8	2.6	2.5	5.2	1.6	6.8	3.4
State U.I. Benefits	2.761	2.476	2.071	2.007	2.000	1.974	1.938	1.898
% Ch, Annual Rate	-10.9	-35.3	-51.1	-11.8	-1.4	-5.1	-7.1	-7.9
Other Transfers	47.171	47.807	48.530	48.913	49.566	49.800	50.689	51.168
% Ch, Annual Rate	9.7	5.5	6.2	3.2	5.4	1.9	7.3	3.8

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2013 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Personal Income	334.285	339.276	343.160	347.026	351.354	356.621	360.417	364.066
% Ch, Annual Rate	5.5	6.1	4.7	4.6	5.1	6.1	4.3	4.1
Total Wage and Salary Disbursements	173.479	176.631	178.508	180.466	181.961	185.318	187.300	189.203
% Ch, Annual Rate	3.5	7.5	4.3	4.5	3.4	7.6	4.3	4.1
Manufacturing	20.868	21.089	21.311	21.512	21.717	21.935	22.151	22.363
% Ch, Annual Rate	4.4	4.3	4.3	3.8	3.9	4.1	4.0	3.9
Durable Manufacturing	16.761	16.946	17.133	17.305	17.473	17.658	17.839	18.007
% Ch, Annual Rate	4.4	4.5	4.5	4.1	3.9	4.3	4.2	3.8
Nondurable Manufacturing	4.107	4.143	4.178	4.206	4.244	4.278	4.313	4.356
% Ch, Annual Rate	4.7	3.5	3.4	2.7	3.6	3.3	3.3	4.1
Nonmanufacturing	145.658	148.600	150.255	152.026	153.209	156.341	158.094	159.787
% Ch, Annual Rate	3.0	8.3	4.5	4.8	3.1	8.4	4.6	4.4
Other Private Wages	1.106	1.113	1.120	1.127	1.135	1.142	1.150	1.157
% Ch, Annual Rate	3.1	2.6	2.5	2.4	3.0	2.7	2.6	2.4
Farm Wages	1.374	1.392	1.411	1.429	1.450	1.470	1.490	1.510
% Ch, Annual Rate	6.3	5.5	5.4	5.3	6.1	5.6	5.5	5.3
Military Wages	4.473	4.437	4.411	4.372	4.450	4.429	4.415	4.387
% Ch, Annual Rate	12.8	-3.2	-2.3	-3.5	7.3	-1.8	-1.3	-2.5
Nonwage Personal Income	160.806	162.645	164.652	166.560	169.394	171.302	173.117	174.863
% Ch, Annual Rate	7.8	4.7	5.0	4.7	7.0	4.6	4.3	4.1
Supplements to Wages and Salaries	45.106	45.669	46.234	46.811	47.655	48.294	48.931	49.591
% Ch, Annual Rate	7.1	5.1	5.0	5.1	7.4	5.5	5.4	5.5
Proprietor's Income	27.838	28.337	28.718	29.091	29.493	29.983	30.437	30.892
% Ch, Annual Rate	5.2	7.4	5.5	5.3	5.6	6.8	6.2	6.1
Farm	1.536	1.469	1.418	1.371	1.344	1.330	1.349	1.357
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	26.302	26.868	27.301	27.720	28.149	28.653	29.088	29.535
% Ch, Annual Rate	7.3	8.9	6.6	6.3	6.3	7.4	6.2	6.3
Less: Contribution For Govt. Soc. Ins.	30.233	30.566	30.894	31.222	32.112	32.451	32.776	33.143
% Ch, Annual Rate	10.7	4.5	4.4	4.3	11.9	4.3	4.1	4.6
Plus: Residence Adjustment	3.580	3.618	3.659	3.701	3.742	3.785	3.829	3.874
% Ch, Annual Rate	4.6	4.4	4.5	4.6	4.6	4.7	4.7	4.8
Dividends/Int./Rent	59.791	60.420	61.333	62.175	63.022	63.715	64.330	64.893
% Ch, Annual Rate	6.5	4.3	6.2	5.6	5.6	4.5	3.9	3.5
Transfer Payments	54.725	55.168	55.602	56.005	57.593	57.975	58.365	58.756
% Ch, Annual Rate	13.1	3.3	3.2	2.9	11.8	2.7	2.7	2.7
State U.I. Benefits	1.857	1.807	1.759	1.704	1.643	1.586	1.526	1.474
% Ch, Annual Rate	-8.4	-10.3	-10.3	-11.9	-13.6	-13.3	-14.3	-12.9
Other Transfers	52.868	53.361	53.843	54.301	55.950	56.390	56.840	57.281
% Ch, Annual Rate	14.0	3.8	3.7	3.4	12.7	3.2	3.2	3.1

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2013 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Personal Income	369.047	374.579	378.417	383.446	387.954	394.177	398.854	403.800
% Ch, Annual Rate	5.6	6.1	4.2	5.4	4.8	6.6	4.8	5.1
Total Wage and Salary Disbursements	191.003	194.199	195.696	198.044	199.392	202.739	204.546	206.684
% Ch, Annual Rate	3.9	6.9	3.1	4.9	2.8	6.9	3.6	4.2
Manufacturing	22.564	22.753	22.949	23.135	23.321	23.512	23.703	23.897
% Ch, Annual Rate	3.6	3.4	3.5	3.3	3.3	3.3	3.3	3.3
Durable Manufacturing	18.165	18.308	18.457	18.600	18.734	18.872	19.015	19.160
% Ch, Annual Rate	3.6	3.2	3.3	3.1	2.9	3.0	3.1	3.1
Nondurable Manufacturing	4.399	4.446	4.492	4.535	4.587	4.640	4.688	4.737
% Ch, Annual Rate	4.0	4.3	4.2	3.9	4.7	4.7	4.2	4.2
Nonmanufacturing	161.253	164.243	165.517	167.670	168.691	171.823	173.406	175.335
% Ch, Annual Rate	3.7	7.6	3.1	5.3	2.5	7.6	3.7	4.5
Other Private Wages	1.165	1.171	1.178	1.184	1.191	1.197	1.203	1.209
% Ch, Annual Rate	2.8	2.3	2.2	2.1	2.5	2.0	2.0	2.0
Farm Wages	1.531	1.550	1.569	1.587	1.608	1.627	1.646	1.665
% Ch, Annual Rate	5.7	5.1	4.9	4.8	5.3	4.8	4.7	4.7
Military Wages	4.491	4.482	4.484	4.467	4.581	4.580	4.588	4.578
% Ch, Annual Rate	9.8	-0.8	0.2	-1.5	10.6	-0.1	0.7	-0.9
Nonwage Personal Income	178.044	180.379	182.721	185.402	188.562	191.438	194.308	197.116
% Ch, Annual Rate	7.5	5.4	5.3	6.0	7.0	6.2	6.1	5.9
Supplements to Wages and Salaries	50.505	51.141	51.759	52.388	53.258	53.877	54.484	55.113
% Ch, Annual Rate	7.6	5.1	4.9	5.0	6.8	4.7	4.6	4.7
Proprietor's Income	31.279	31.687	31.978	32.271	32.500	32.776	32.931	33.205
% Ch, Annual Rate	5.1	5.3	3.7	3.7	2.9	3.4	1.9	3.4
Farm	1.317	1.298	1.297	1.288	1.290	1.283	1.281	1.272
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	29.962	30.389	30.681	30.984	31.210	31.494	31.650	31.933
% Ch, Annual Rate	5.9	5.8	3.9	4.0	3.0	3.7	2.0	3.6
Less: Contribution For Govt. Soc. Ins.	34.097	34.418	34.717	35.057	35.827	36.129	36.416	36.753
% Ch, Annual Rate	12.0	3.8	3.5	4.0	9.1	3.4	3.2	3.8
Plus: Residence Adjustment	3.919	3.964	4.008	4.055	4.099	4.143	4.186	4.232
% Ch, Annual Rate	4.7	4.6	4.6	4.7	4.5	4.3	4.3	4.5
Dividends/Int./Rent	65.806	66.946	68.173	69.721	71.341	73.038	74.817	76.421
% Ch, Annual Rate	5.7	7.1	7.5	9.4	9.6	9.9	10.1	8.9
Transfer Payments	60.633	61.060	61.520	62.023	63.192	63.733	64.306	64.899
% Ch, Annual Rate	13.4	2.8	3.0	3.3	7.8	3.5	3.6	3.7
State U.I. Benefits	1.437	1.406	1.380	1.348	1.321	1.296	1.270	1.237
% Ch, Annual Rate	-9.7	-8.2	-7.5	-9.0	-7.7	-7.4	-7.6	-10.0
Other Transfers	59.196	59.654	60.141	60.676	61.871	62.438	63.036	63.662
% Ch, Annual Rate	14.1	3.1	3.3	3.6	8.1	3.7	3.9	4.0

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.508	8.8	0.909	10.4	0.916	10.8
1982	0.536	5.5	0.965	6.2	0.978	6.7
1983	0.559	4.3	0.996	3.2	0.993	1.5
1984	0.580	3.8	1.039	4.4	1.030	3.8
1985	0.599	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.4	1.239	4.8	1.181	4.7
1990	0.722	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.770	2.9	1.403	3.0	1.390	3.7
1993	0.787	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.821	2.2	1.524	2.8	1.522	3.0
1996	0.839	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.928	1.4	1.799	1.6	1.893	2.0
2003	0.947	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.055	2.7	2.073	2.9	2.157	3.9
2008	1.089	3.3	2.153	3.8	2.247	4.2
2009	1.090	0.1	2.146	-0.3	2.260	0.6
2010	1.111	1.9	2.181	1.6	2.267	0.3
2011	1.138	2.4	2.249	3.1	2.328	2.7
2012	1.158	1.8	2.296	2.1	2.387	2.5
Forecast						
2013	1.172	1.3	2.335	1.7	2.430	1.8
2014	1.192	1.7	2.381	2.0	2.482	2.2
2015	1.211	1.6	2.423	1.8	2.531	2.0
2016	1.231	1.6	2.463	1.6	2.577	1.8
2017	1.250	1.6	2.504	1.7	2.624	1.8

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

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

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	19.284	5.5	25.847	2.3	8.320	6.4	14.588	0.7
1972	20.102	4.2	27.079	4.8	8.372	0.6	14.777	1.3
1973	21.077	4.9	30.506	12.7	9.596	14.6	16.190	9.6
1974	22.866	8.5	35.145	15.2	15.249	58.9	21.871	35.1
1975	24.834	8.6	37.788	7.5	16.546	8.5	23.339	6.7
1976	26.556	6.9	38.490	1.9	17.748	7.3	24.331	4.2
1977	28.558	7.5	40.757	5.9	20.082	13.2	25.740	5.8
1978	30.778	7.8	44.657	9.6	21.234	5.7	26.858	4.3
1979	33.350	8.4	49.043	9.8	29.275	37.9	35.994	34.0
1980	36.802	10.3	53.166	8.4	41.107	40.4	49.955	38.8
1981	40.555	10.2	56.954	7.1	50.292	22.3	55.584	11.3
1982	43.709	7.8	58.452	2.6	49.320	-1.9	52.773	-5.1
1983	46.430	6.2	59.124	1.1	45.470	-7.8	51.047	-3.3
1984	48.847	5.2	60.900	3.0	46.482	2.2	50.283	-1.5
1985	51.049	4.5	61.563	1.1	44.670	-3.9	50.689	0.8
1986	53.375	4.6	63.012	2.4	34.976	-21.7	39.810	-21.5
1987	55.409	3.8	65.000	3.2	35.885	2.6	41.340	3.8
1988	58.123	4.9	66.939	3.0	35.869	0.0	41.691	0.8
1989	60.840	4.7	70.469	5.3	38.004	6.0	45.539	9.2
1990	63.808	4.9	73.911	4.9	45.768	20.4	51.843	13.8
1991	66.581	4.3	76.232	3.1	43.574	-4.8	51.162	-1.3
1992	69.236	4.0	76.817	0.8	41.800	-4.1	50.963	-0.4
1993	71.294	3.0	77.891	1.4	41.512	-0.7	50.446	-1.0
1994	73.200	2.7	79.195	1.7	40.757	-1.8	50.685	0.5
1995	75.365	3.0	80.912	2.2	40.377	-0.9	51.491	1.6
1996	77.473	2.8	83.380	3.1	45.763	13.3	54.646	6.1
1997	79.812	3.0	84.969	1.9	45.838	0.2	54.634	0.0
1998	81.689	2.4	86.037	1.3	40.620	-11.4	47.556	-13.0
1999	83.509	2.2	87.446	1.6	41.316	1.7	51.789	8.9
2000	85.818	2.8	89.499	2.3	60.575	46.6	66.170	27.8
2001	88.422	3.0	92.130	2.9	59.392	-2.0	63.776	-3.6
2002	90.801	2.7	93.542	1.5	52.949	-10.8	59.916	-6.1
2003	93.686	3.2	95.296	1.9	64.078	21.0	69.783	16.5
2004	96.688	3.2	98.255	3.1	74.588	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	34.1	100.000	21.8
2006	103.415	3.4	101.688	1.7	114.203	14.2	112.842	12.8
2007	106.981	3.4	105.647	3.9	123.490	8.1	123.921	9.8
2008	110.584	3.4	112.066	6.1	168.372	36.3	144.927	17.0
2009	112.157	1.4	113.366	1.2	114.319	-32.1	105.517	-27.2
2010	114.418	2.0	113.724	0.3	134.071	17.3	124.760	18.2
2011	116.435	1.8	118.230	4.0	171.644	28.0	156.913	25.8
2012	118.770	2.0	120.887	2.2	174.301	1.5	163.217	4.0
Forecast								
2013	121.021	1.9	123.349	2.0	178.783	2.6	157.792	-3.3
2014	123.996	2.5	124.873	1.2	176.209	-1.4	150.156	-4.8
2015	126.695	2.2	126.435	1.3	174.704	-0.9	146.780	-2.2
2016	129.324	2.1	128.228	1.4	174.616	-0.1	144.535	-1.5
2017	132.092	2.1	129.753	1.2	175.281	0.4	143.218	-0.9

Table A5.1

Washington Resident Population and Components of Change*
(Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1

Summary of National and State Indicators

Indicator	Latest Data	Indication*
U.S. Leading Index	February 2013	+
U.S. Real GDP Growth	4th quarter 2012	-
U.S. ISM Index	March 2013	-
U.S. Employment YoY%Δ	February 2013	unchanged
U.S. Unemployment Rate	February 2013	+
U.S. Fed Funds Target	March 2013	unchanged
U.S. Consumer Confidence	March 2013	-
U.S. Consumer Sentiment	March 2013	+
U.S. Light Vehicle Sales	March 2013	-
U.S. CPI	February 2013	-
U.S. Home Prices	January 2013	+
S&P 500 Index	March 2013	+
WA Leading Index	February 2013	+
WA ISM-WW Index	February 2013	-
WA Employment YoY%Δ	February 2013	-
WA Aerospace Empl. YoY%Δ	February 2013	-
WA Unemployment Rate	February 2013	unchanged
WA Business Cycle Indicator	February 2013	-
WA Initial Unemploy. Claims	February 2013	+
WA Housing Permits	February 2013	-
WA Weekly Hours in Mfg.	February 2013	unchanged
WA New Vehicle Registration	February 2013	-
WA In-Migration	March 2013	+
WA Exports-Total YoY%Δ	4th quarter 2012	-
WA Exports- w/o Trans. Equip. YoY%Δ	4th quarter 2012	+
Seattle CPI	February 2013	-
Seattle Home Prices	January 2013	+
WA Construction Contracts	February 2013	+

*Change from the previous reading

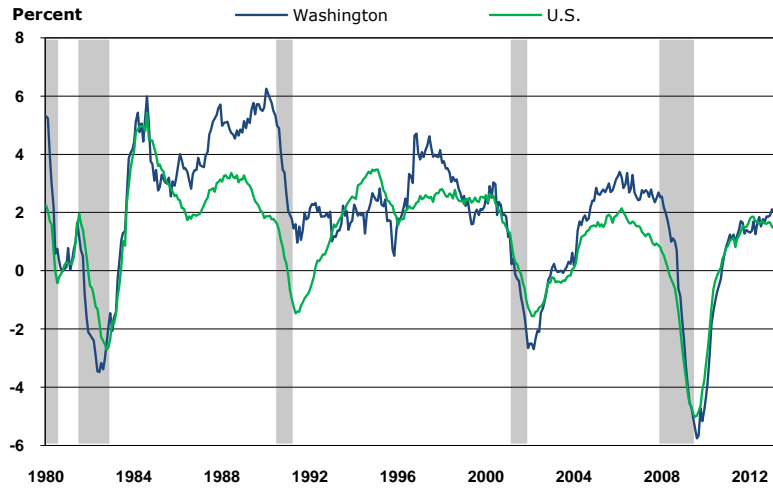
Table A6.2
Washington Business Indicators
 Historical Data

	WA Index of Leading Indicators	U.S. Index of Leading Indicators	WA State Business Cycle Indicator	WA Purchasing Management Index	U.S. Purchasing Management Index
2008:01	114.9	101.9	59.4	66.7	50.3
2008:02	115.2	101.0	65.0	62.3	47.6
2008:03	115.5	99.5	61.7	55.2	48.3
2008:04	115.9	99.0	61.0	65.0	48.8
2008:05	114.6	98.1	53.8	60.3	48.8
2008:06	114.7	97.5	53.1	63.8	49.8
2008:07	113.2	95.4	47.6	60.2	50.0
2008:08	112.1	94.1	45.7	65.3	49.2
2008:09	110.4	92.0	43.2	48.6	44.8
2008:10	107.3	89.2	41.9	50.9	38.9
2008:11	104.2	86.8	35.0	50.0	36.5
2008:12	103.4	84.5	28.1	42.3	33.1
2009:01	102.4	82.9	29.5	52.8	34.9
2009:02	99.7	81.8	21.3	48.1	35.6
2009:03	97.4	80.4	21.0	40.9	36.0
2009:04	98.0	80.7	14.9	46.7	39.8
2009:05	98.5	81.1	15.0	48.5	42.0
2009:06	99.1	81.7	12.7	50.2	45.8
2009:07	99.5	82.4	11.4	46.7	49.2
2009:08	100.1	83.1	11.7	53.2	53.5
2009:09	100.3	83.7	13.5	52.9	54.2
2009:10	101.0	84.3	11.4	59.5	55.9
2009:11	102.1	85.2	10.8	54.8	54.3
2009:12	102.6	86.3	9.9	61.4	55.8
2010:01	103.4	86.8	14.9	63.0	56.7
2010:02	102.9	86.9	9.9	56.0	55.8
2010:03	103.9	88.4	9.7	56.1	59.3
2010:04	104.3	88.9	9.7	63.2	59.0
2010:05	103.9	89.0	11.7	62.4	58.8
2010:06	104.1	88.9	14.1	63.0	56.0
2010:07	104.7	89.1	12.8	55.9	55.7
2010:08	105.1	89.2	15.3	58.6	57.4
2010:09	105.4	89.7	11.4	60.3	56.4
2010:10	106.3	89.8	12.0	65.8	57.0
2010:11	107.0	90.5	13.3	60.4	58.0
2010:12	107.7	91.7	19.4	61.0	57.3
2011:01	108.0	91.8	12.7	68.0	59.9
2011:02	108.4	92.7	14.4	70.5	59.8
2011:03	109.3	93.7	15.1	65.5	59.7
2011:04	111.1	93.7	25.3	68.2	59.7
2011:05	111.3	94.2	22.0	64.7	54.2
2011:06	111.2	94.2	17.2	58.5	55.8
2011:07	112.7	94.4	18.4	56.1	51.4
2011:08	112.5	93.7	22.2	57.8	52.5
2011:09	111.9	93.2	18.4	61.3	52.5
2011:10	111.7	93.8	16.9	67.4	51.8
2011:11	113.0	94.1	22.0	67.0	52.2
2011:12	113.3	94.7	25.0	65.0	53.1
2012:01	112.1	94.7	19.6	68.5	54.1
2012:02	113.7	95.4	25.3	68.9	52.4
2012:03	115.2	95.6	32.8	62.9	53.4
2012:04	114.3	95.5	28.6	64.9	54.8
2012:05	114.4	95.8	26.1	58.5	55.9
2012:06	113.5	92.7	31.1	57.0	49.7
2012:07	113.8	93.1	30.5	58.8	49.8
2012:08	114.3	92.7	28.4	53.5	49.6
2012:09	115.1	93.2	31.2	56.0	51.5
2012:10	115.8	93.4	33.2	56.3	51.7
2012:11	116.2	93.4	39.8	60.1	49.5
2012:12	117.0	93.8	38.4	58.1	50.7
2013:01	117.5	94.3	42.1	60.2	53.1
2013:02	117.7	94.8	40.6	56.3	54.2
2013:03					51.3

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

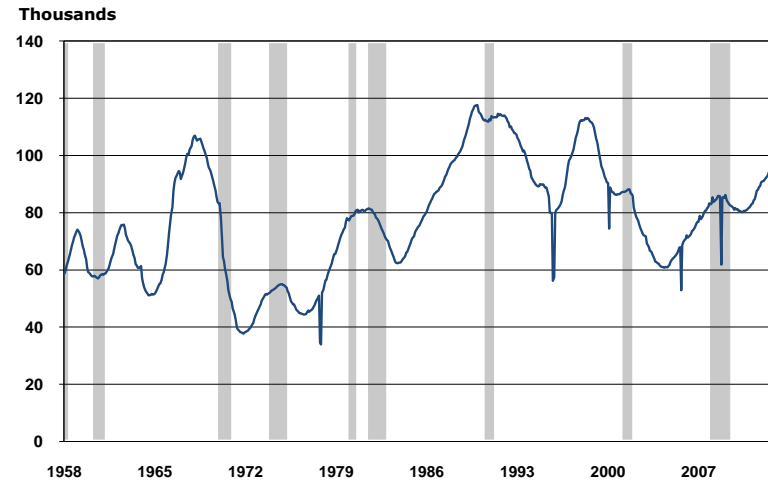
January 1980 to February 2013



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

Washington Aircraft and Parts Employment

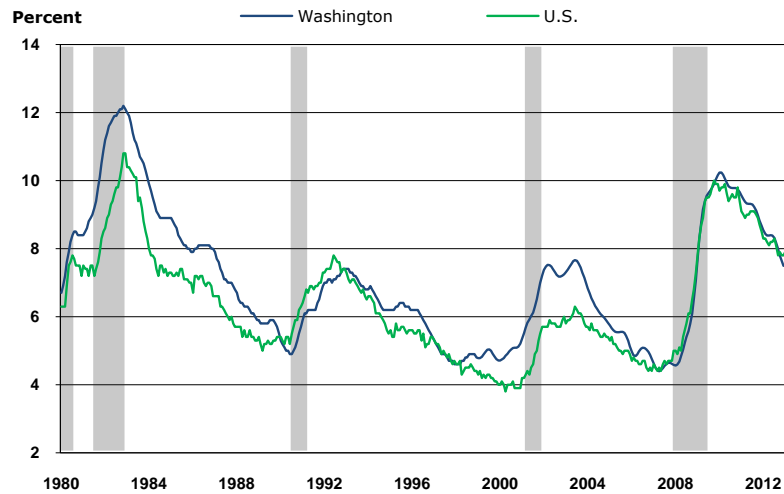
January 1958 to February 2013



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

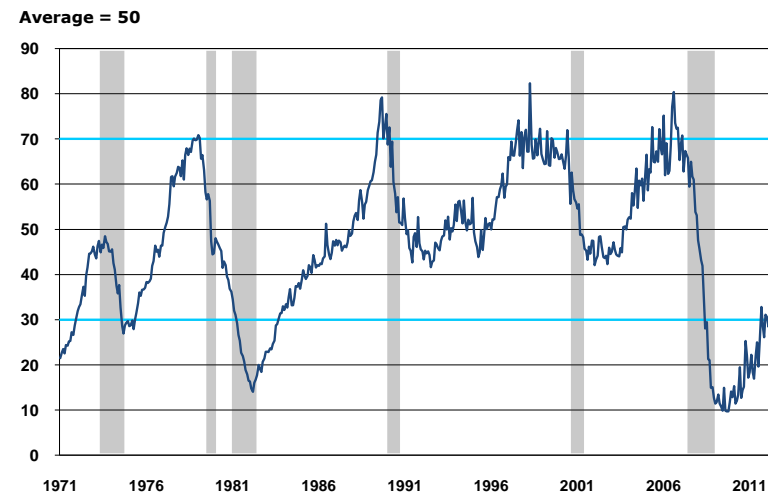
January 1980 to March 2013



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

July 1971 to March 2013



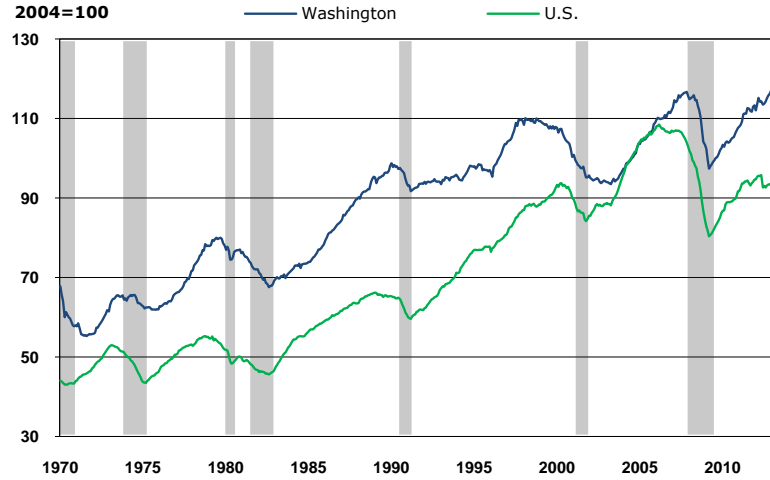
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

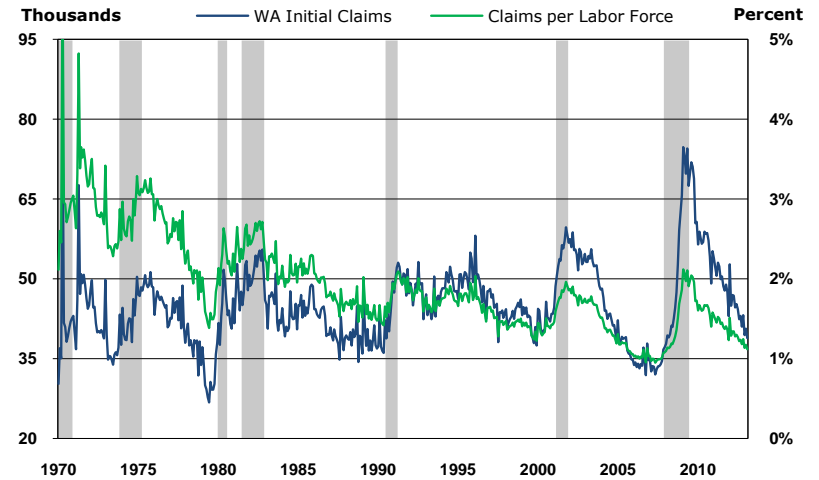
January 1970 to February 2013



* The Conference Board, ERFC

Washington Initial Claims for Unemployment Insurance

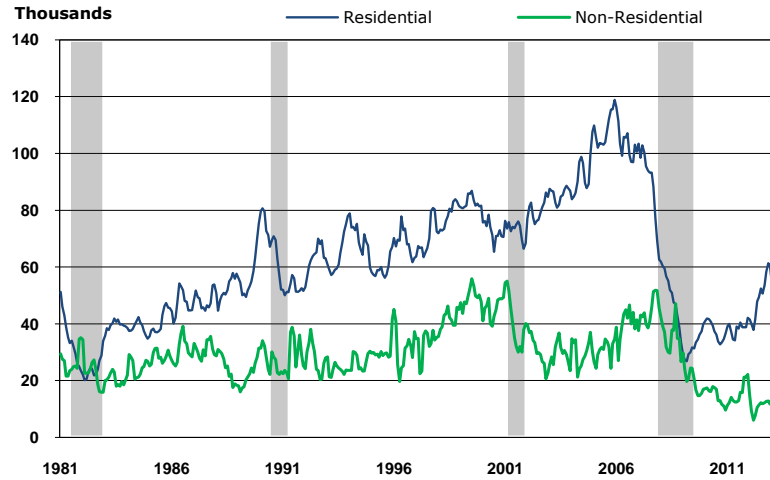
January 1970 to February 2013, S.A.



* Source: WA State Employment Security, ERFC

Square Footage of Construction Projects in WA State

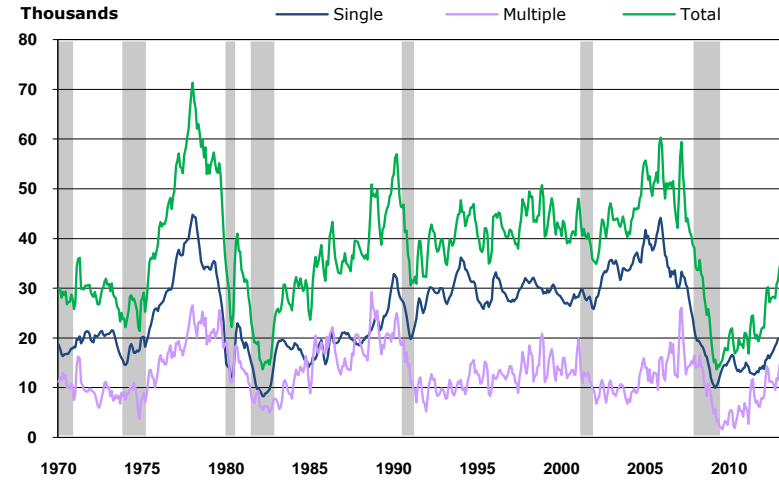
January 1981 to February 2013, 3mma, SAAR



* Source: McGraw-Hill Construction, ERFC

Housing Units Authorized in Washington State

January 1970 to February 2013, 3mma, SAAR



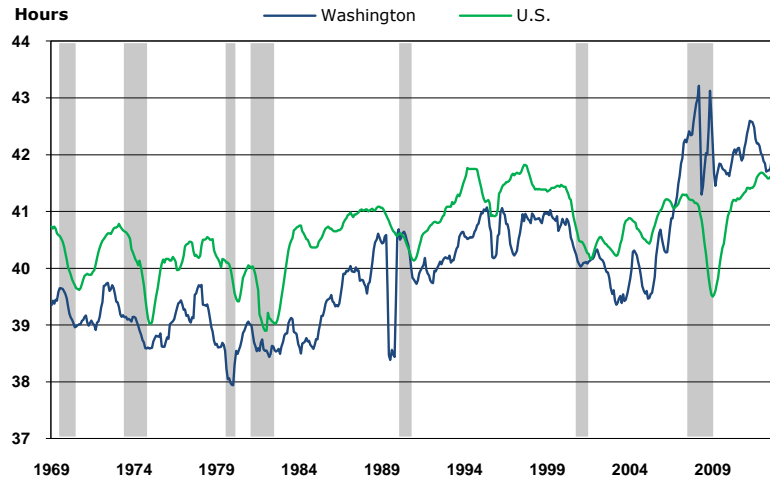
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

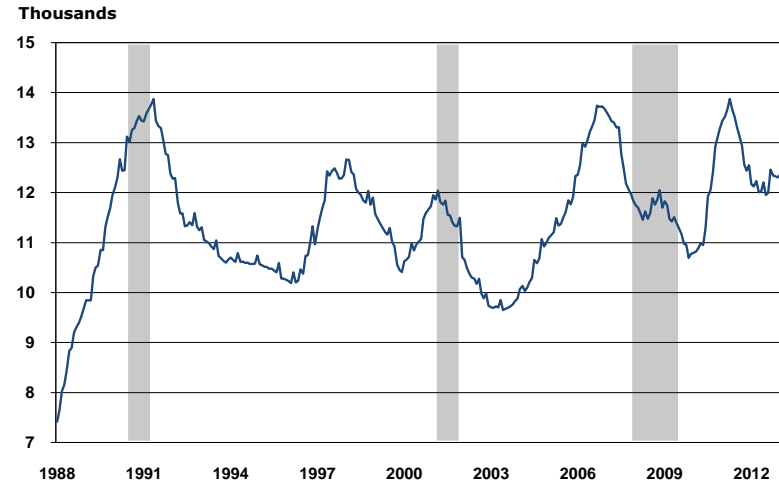
June 1969 to February 2013, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

Washington Driver's License In-Migration

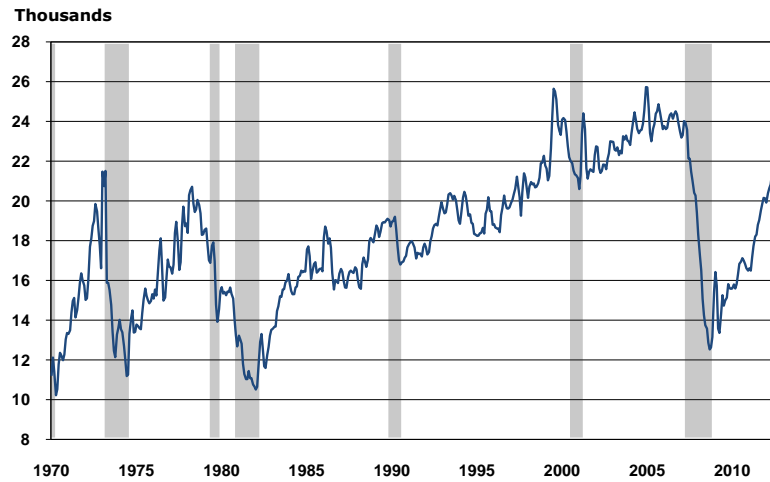
January 1988 to February 2013, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

New Car and Truck Registrations in Washington

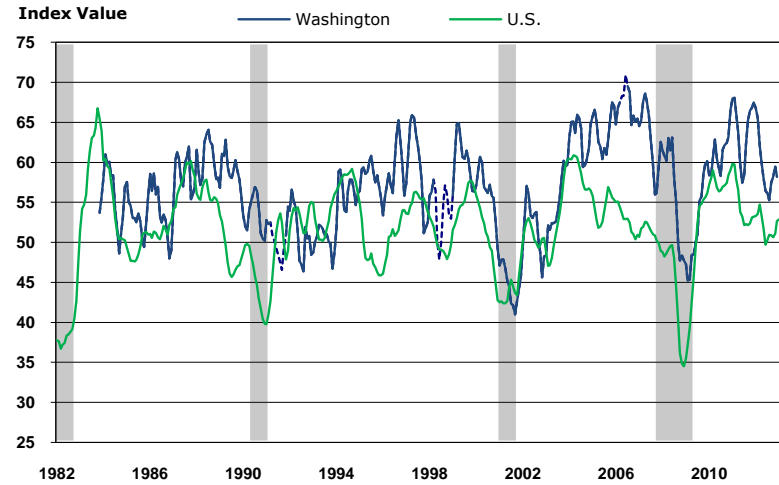
September 1970 to February 2013, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

March 1982 to March 2013, 3-Month Moving Average, S.A.



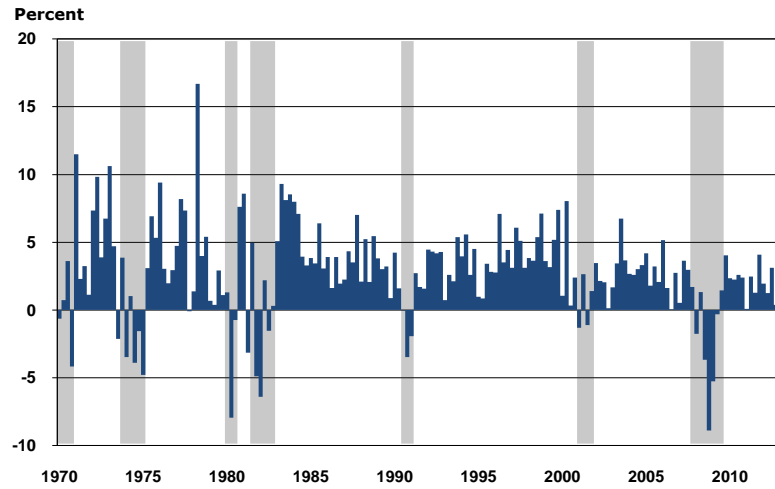
* Source: Institute for Supply Management, ISM-WW, ERFC

* Shaded areas correspond with national recessions.

Figure A7.4: Other Economic Indicators

Quarterly U.S. Real GDP Growth

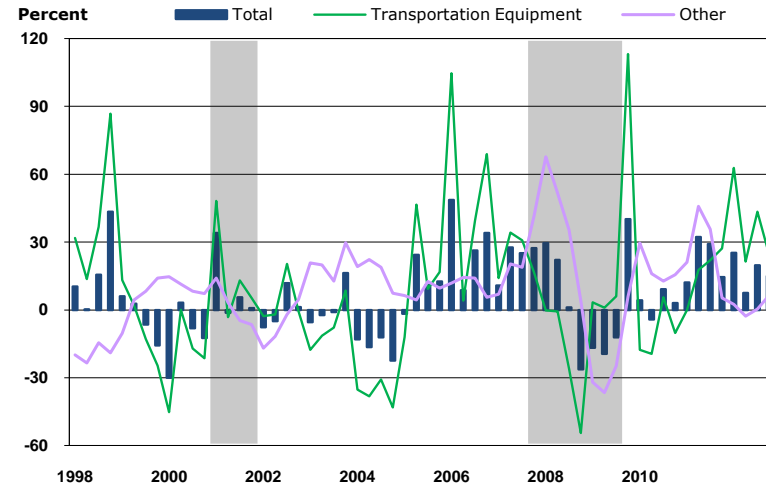
1970Q1 to 2012Q4, SAAR



* Source: Bureau of Economic Analysis

Washington State Export Composition

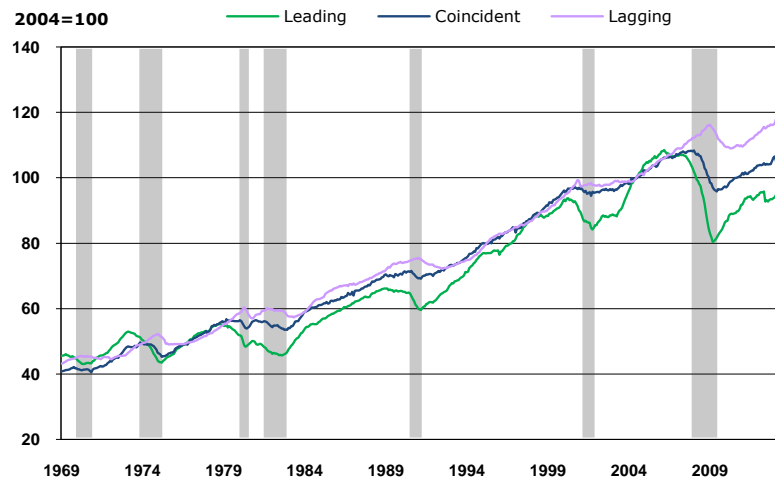
1998Q1 to 2012Q4, Year-over-year percent change



* Source: WISER

U.S. Economic Indicators

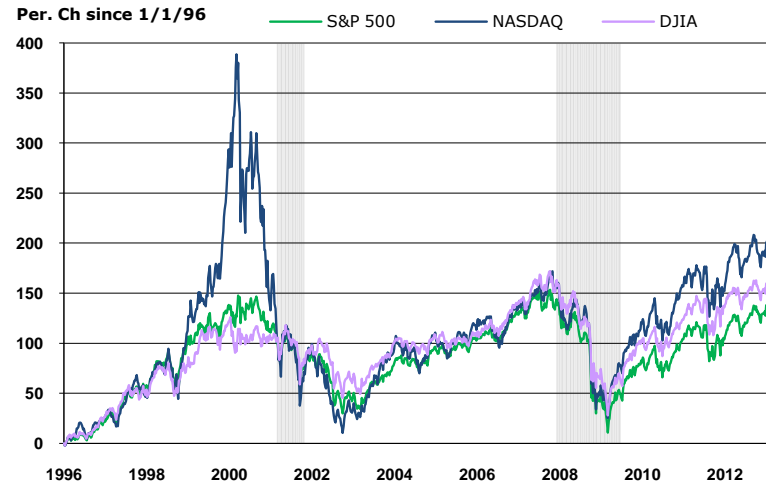
January 1969 to February 2013



* Source: The Conference Board

National Stock Indexes

January 1, 1996 to March 28, 2013



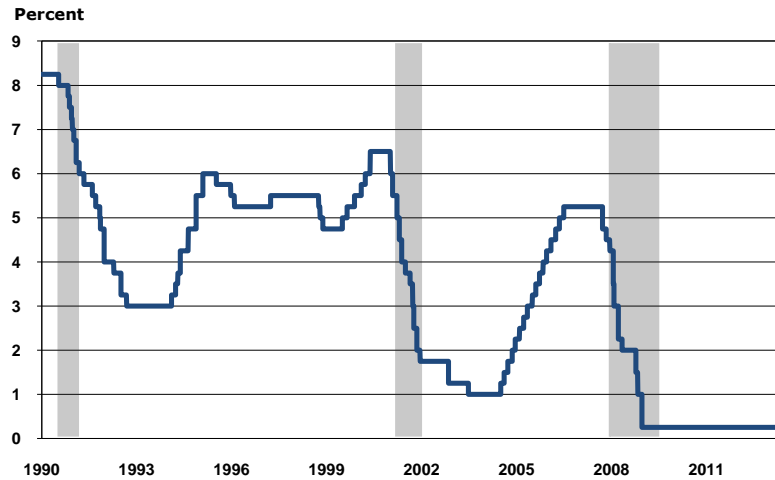
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.4: Other Economic Indicators

Federal Funds Target Rate

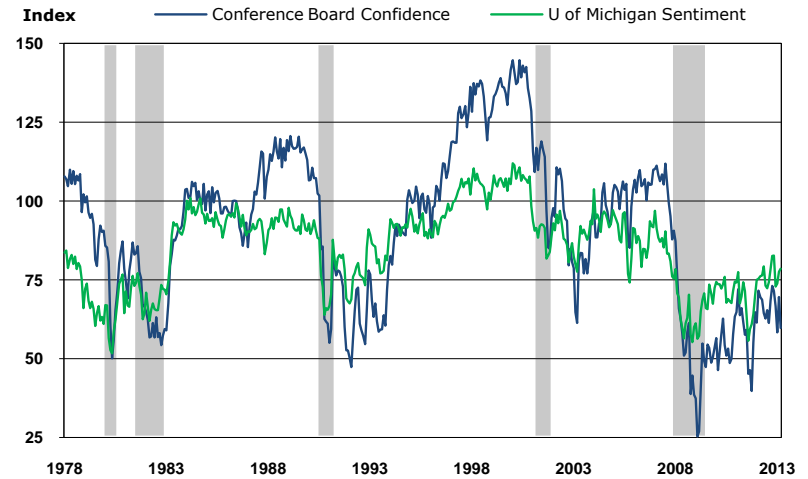
January 1, 1990 to March 31, 2013



* Federal Reserve

Consumer Confidence

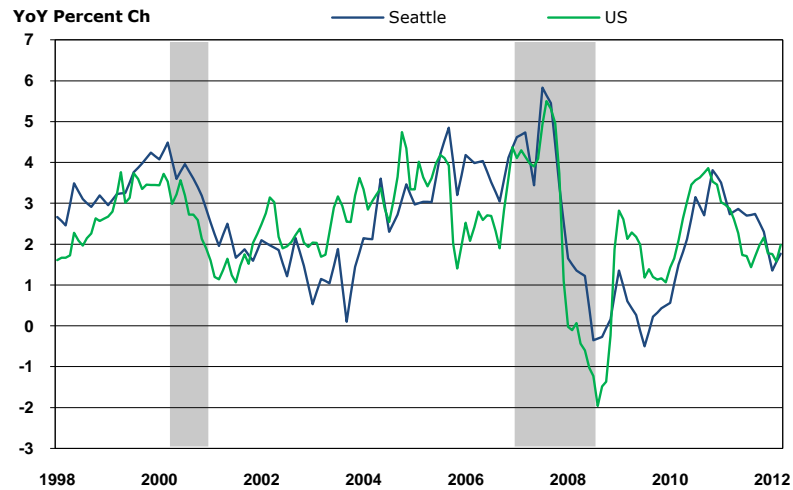
March 1978 to March 2013



* Source: The Conference Board, University of Michigan

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

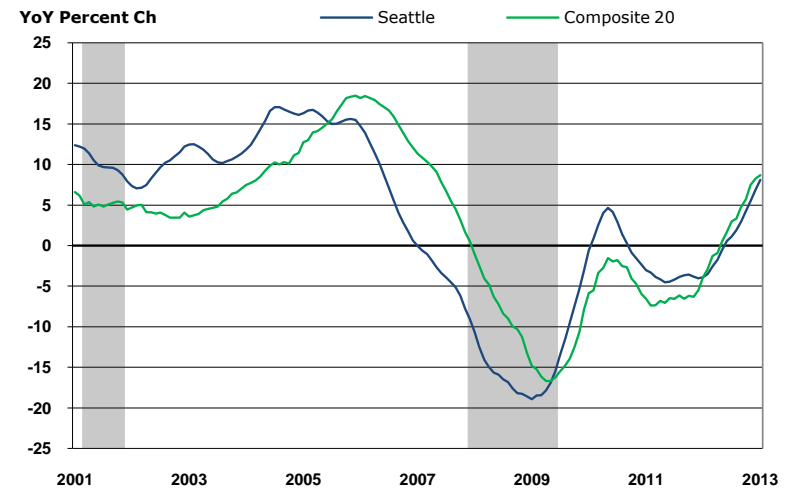
December 1998 to February 2013



* Source: Bureau of Labor Statistics

Case Shiller Home Price Index

January 2001 to January 2013, SA



* Source: Case Shiller, ERFC

* Shaded areas correspond with national recessions.



Glossary

Biennium: The state's two years budget cycle.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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