

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 frame. The sky is a clear, pale blue.

Washington State Economic and Revenue Forecast

November 2010
Volume XXXIII, No. 4



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

November 2010
Volume XXXIII, No. 4

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Preface

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

Data in this publication are accurate through December 3, 2010.

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Executive Summary

- **The economy is off life-support, but still in intensive care. The immense damage from the Great Recession continues to linger. It will be a while yet before the losses can be fully tallied or even known. Uncertainty will continue to prevail until a new normal, whatever that may be, eventually settles in.**
- **Excluding the temporary Census hiring, nonfarm payroll employment has risen in every month so far this year but the pace has been uneven and generally weak. The economy produced 172,000 net new jobs in October but then job growth slowed again in November to just 39,000. The unemployment rate increased to 9.8% in November from 9.6% in October.**
- **The positive impact of federal government spending and the inventory cycle on growth is winding down. Private spending, both by businesses and consumers, will have to pick in order for the economy to generate self sustaining growth.**
- **Home sales and housing starts, which collapsed after the expiry of the housing tax credits in April, appear to have stabilized at the bottom. It appears that the homebuyer tax credits also temporarily boosted home prices which are now drifting down once again.**
- **The deceleration in the Washington economic recovery that was noted in our September forecast has continued. Like the nation, the economic outlook for the out years of our forecast has weakened.**
- **The employment recovery in Washington this recession has been the weakest of any post-war recovery. Reduction in government jobs has offset meager private sector gains. Employment in the state will recover at about the same pace as the nation.**
- **Construction continues to falter. Housing activity remains weak in the wake of the expiration of the federal homebuyer tax credits. Nonresidential construction is still in the midst of its worst downturn in 30 years**
- **The General Fund-State forecast has been reduced by \$385 million in the 2009-11 biennium and \$809 million in the 2011-13 biennium. Initiative 1107, which reversed some of the revenue-increasing legislation from the 2010 session, was responsible for \$63 million of the reduction in the current biennium and \$218 million in the next.**
- **The downside risks to the outlook have decreased but continue to exceed the upside risks.**

U.S. Economic Forecast

The recovery remains weak

The economy is off life-support, but still in intensive care. The immense damage from the Great Recession continues to linger, although that recession is now officially over. Consumer and business confidence, financial and regulatory institutions, household and corporate balance sheets, the economy and economic forecasting models – none escaped unscathed. It will be a while yet before the losses can be fully tallied or even known. Uncertainty will continue to prevail until a new normal, whatever that may be, eventually settles in.

The long-term outlook has weakened since September

The recovery in economic activity continued in the third quarter of 2010 as real GDP registered its fifth consecutive increase since the trough in the second quarter of 2009. The slowdown in growth that we noted in the September forecast continued through the third quarter. As expected in September, GDP growth and Ex-Census job growth remained positive but too weak to make a dent in the unemployment rate and the housing market continued to slump following the expiration of the homebuyer tax credit. The weak recent economic performance was largely in line with our forecast and our near-term forecast is also similar to the forecast we made in September. We will see somewhat weaker growth than previously forecasted for 2012 and 2013 due to the lower Blue Chip GDP forecast.

Growth will be below trend in 2010 and 2011

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

Washington Economic Forecast

The deceleration in Washington's recovery has continued

Washington's economic expansion has continued to be weak and the deceleration in the recovery that we noted in our September forecast has continued. Uncertainty is plaguing the economy, both at the national and state level. After strong growth in the spring, the state's private sector added just 6,000 jobs in June through October. During the same period, state and local governments shed 4,700 jobs, offsetting most of the private sector gains. Recent housing data remain weak in the wake of the expiration of the federal home-buyer tax credits. Unemployment remains high, and small businesses continue to face a challenging credit environment.

Washington will outperform the nation in income growth, but the recovery will be slow

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

Revenue Forecast

Despite a positive variance in revenue, slower-than-forecasted growth in crucial revenue sources necessitated forecast reductions

In the two months since the September forecast, total collections of General Fund-State (GF-S) revenue came in \$20.8 million (1.0%) higher than forecasted. The positive variance, however, came from revenue sources unrelated to underlying economic activity. Crucially, cumulative Revenue Act receipts (retail sales, use, business and occupation, tobacco products and public utility taxes), the main source of GF-S revenue, were \$9.7 million (0.5%) below the forecast and their rate of growth at the end of the period was well short of projections. Cumulative real estate excise taxes, another major contributor to GF-S revenue, also fell short of the forecast by 4.2%, indicating the recovery in the housing sector was also falling behind.

The forecast was reduced by \$385 million in the current biennium and \$809 million in the next

The weaker-than-expected revenue growth in these crucial areas indicated the recovery predicted in September would start later than expected and was also likely to be weaker than expected. The weakness in tax collections that were indicative of economic activity, coupled with a weaker economic forecast, lowered forecasted revenue by \$342.7 million for the remainder of the current biennium and \$591.4 million in the next biennium. Initiative 1107, which reversed several tax law changes enacted

by the 2010 legislature, reduced the forecast further by \$63.5 million in the 2009-11 biennium and \$217.6 million in the 2011-13 biennium. The combined effects of the collection variance, the forecast change and the non-economic change for the 2009-11 biennium is a decrease of \$385.4 million. Adding together the economic and non-economic changes for the 2011-13 biennium, the forecast is decreased by \$809.0 million.



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

- **The economy is off life-support, but still in intensive care. The immense damage from the Great Recession continues to linger. It will be a while yet before the losses can be fully tallied or even known. Uncertainty will continue to prevail until a new normal, whatever that may be, eventually settles in.**
- **Real GDP grew at a 2.5% seasonally adjusted annualized rate (SAAR) in the third quarter according to the Bureau of Economic Analysis' (BEA) second estimate. This was higher than the second quarter's 1.7% SAAR growth, but still below trend. Real consumer spending growth did better over the same period, improving to 2.8% from 2.2%.**
- **Excluding the temporary Census hiring, nonfarm payroll employment has risen in every month so far this year but the pace has been uneven and generally weak. The economy produced 172,000 net new jobs in October but then job growth slowed again in November to just 39,000. The unemployment rate increased to 9.8% in November from 9.6% in October.**
- **Consumer confidence is still in recessionary territory. A high unemployment rate is continuing to weigh on confidence.**
- **The positive impact of federal government spending and the inventory cycle on growth is winding down. Private spending, both by businesses and consumers, will have to pick in order for the economy to generate self sustaining growth.**
- **While local and regional banks around the country are still at risk due to their exposure to commercial real estate loans, asset quality at these banks is slowly improving.**
- **Home sales and housing starts, which collapsed after the expiry of the housing tax credits in April, appear to have stabilized at the bottom. It appears that the homebuyer tax credits also temporarily boosted home prices which are now drifting down once again.**
- **The downside risks to the outlook have decreased but continue to exceed the upside risks.**

Current Conditions

The recovery remains weak

The economy is off life-support, but still in intensive care. The immense damage from the Great Recession continues to linger, although that recession is now officially over. Consumer and business confidence, financial and regulatory institutions, household and corporate balance sheets, the economy and

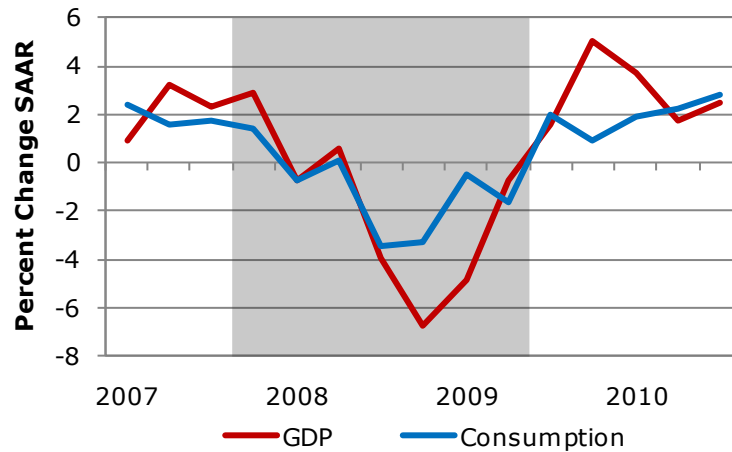
economic forecasting models – none escaped unscathed. It will be a while yet before the losses can be fully tallied or even known. Uncertainty will continue to prevail until a new normal, whatever that may be, eventually settles in.

GDP growth has slowed

We have now had five consecutive quarters of positive but moderating GDP growth. Real GDP grew at a 2.5% seasonally adjusted annualized rate (SAAR) in the third quarter according to the Bureau of Economic Analysis' (BEA) second estimate. This was higher than the second quarter's 1.7% SAAR growth, but still below trend. Real consumer spending growth did better over the same period, improving to 2.8% SAAR from 2.2% SAAR (see Figure 1.1). Real GDP growth is expected to remain moderate in the near term as the effect of the stimulus winds down, as does the virtuous inventory cycle. In the longer term, 2012 and 2013, real GDP growth will depend upon growth in private demand, which at this time is not giving much indication of a rapid pick-up. Consistent with the new Blue Chip Consensus forecast, we have lowered our longer term growth outlook since the September forecast.

Figure 1.1: GDP and Consumption Growth

Consumer spending growth is edging up



Source: Bureau of Economic Analysis; ERFC; data through Q3 2010

Joblessness remains high

Employment trends during 2010 have been distorted by temporary 2010 Census hiring. Excluding the temporary Census hiring, nonfarm payroll employment has risen in every month so far this year but the pace has been uneven and generally weak. The pattern over the summer through September had been that tepid private sector job gains were offset by public sector job losses. Most of the latter were temporary federal census employees, but that cycle ended in September. The October jobs report was somewhat encouraging. The economy produced 172,000 net new jobs in October but then job growth slowed again in November to just 39,000. Private-sector job creation, at

50,000, was at its slowest pace since January, and down from 160,000 in October. The unemployment rate increased to 9.8% in November from 9.6% in October. The number of new unemployment insurance applicants increased by 26,000 (seasonally adjusted) in the week ended November 27, to 436,000; but the four-week moving average, a more stable measure, decreased by 5,750, to 431,000, which was the lowest rate since August 2008. The fear of job loss continues to dampen consumer confidence, which remains in recessionary territory.

Downside risks predominate

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

There are upside risks as well

While downside risks to the recovery predominate, there are some upside factors as well. The sustained growth in payroll employment (ex-Census) over the last eleven months and growth in average weekly earnings means that private sector wage income is growing. Business investment in equipment and software posted a strong 16.8% (SAAR) increase in the third quarter of 2010 following increases of 20.4% and 24.8% in the first two quarters. Consumer spending rose at a 2.8% rate, its strongest showing since 2006. The global recovery is continuing. The U.S. dollar remains relatively weak and is expected to decline further in the forecast. Finally, home prices have largely stabilized, reducing the strains on the financial system.

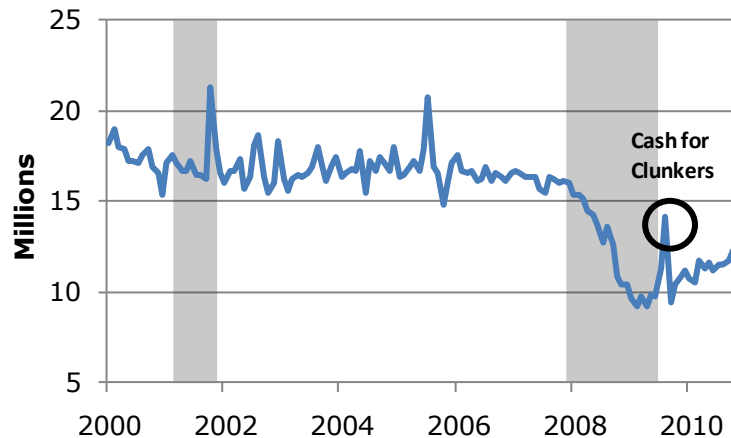
Consumer spending is increasing at a modest pace

Consumer spending growth improved to 2.8% in the third quarter of 2010, its strongest pace in nearly four years, and has now increased in each of the last five quarters. At this rate of growth, consumer spending cannot really be considered an engine of growth, but it is steady and gradually improving. The fourth quarter got off to a good start with a 0.3% (not annualized) increase in real consumer spending in October. The growth in real consumer spending in the last couple of months has been driven by a pickup in consumer spending on durables, especially autos, due to pent-up demand, falling durables prices,

and higher income. Light vehicle sales came in at 12.3 million units (SAAR) in November, the same pace as in October, and the highest sales pace since "cash-for-clunkers" in August 2009 (see Figure 1.2).

Figure 1.2: U.S. Light Vehicle Sales

New vehicle sales are increasing



Source: Autodata Corporation; data through November 2010

Disposable income is rising, but slowly

In order for personal consumption expenditures to continue to improve, disposable personal income needs to rise and the personal saving rate needs to moderate. Both personal income and disposable personal income growth improved in October after a weak September. Personal income rose 0.5% and disposable personal income rose 0.4% (not annualized) in October. Personal saving as a percent of personal income edged up to 5.7% in October from 5.6% in September as consumption growth trailed disposable income growth. Disposable personal income got a big boost from the federal stimulus package in 2009 which lowered taxes and increased transfer payments such as unemployment insurance benefits. As a result, disposable personal income in December 2009 was up 3.2% over the previous December even though total personal income was up only 0.4%. This year disposable income growth has slightly trailed personal income growth. Fortunately other sources of income are now growing faster. So far this year disposable personal income has been growing at an average rate of 3.2% (SAAR), the same rate as in 2009. While we do expect the expiring 2001/2003 tax cuts to be retained in 2011, the withdrawal of other fiscal stimuli will begin to weigh on disposable income growth in 2011 and beyond. It is essential that we see a pick-up in job growth to fill the gap.

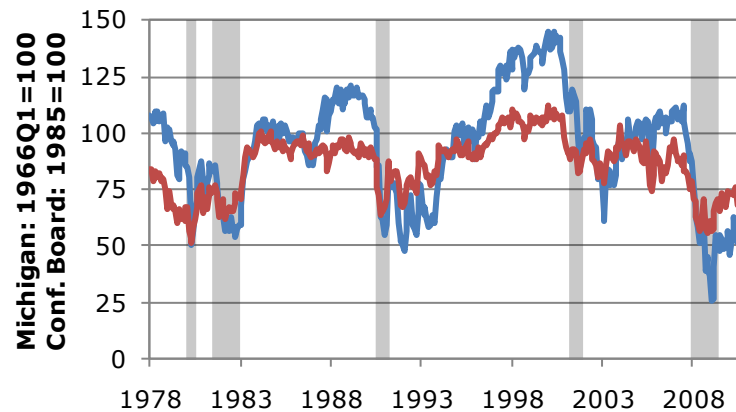
Consumer confidence is improving ...

The two major surveys of consumer attitudes both reported a slight improvement in the month of November, but the levels remain low (see Figure 1.3). The Reuters/University of Michigan's Index of Consumer Sentiment increased 3.9 points, to 71.6

which was the highest level since June. Opinions on the current economic conditions increased 5.5 points to 82.1, and opinions on the economic outlook increased 2.9 points, to 64.8. Like the top-line, both of the latter were at their highest points since June. The Conference Board's Consumer Confidence Index increased 4.2 points in November, to 54.1. The increase was driven by both expectations and opinions of current economic conditions. Expectations increased 6.7 points, to reach 74.2, the highest level since May. Consumers' appraisal of current conditions inched up 0.5 point, to 24.0, the highest level since August. Optimism is being driven by moderately positive economic news and rising stock market prices. The increase in consumer optimism is good news for retailers, since holiday sales for many retail outlets are crucial.

Figure 1.3: Consumer Confidence/Sentiment

... but is still weak



Source: Reuters/Michigan, Conference Board; data through November 2010

Lending standards are returning to normal at large banks

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

Regional bank asset quality is improving...

While large national banks are returning to profitability and their lending standards appear to be easing, the picture is different at regional and local banks across the country. These banks saw a

...but loans remain tight

rapid deterioration in their asset quality, due to their disproportionately high exposure to commercial real estate. This has limited their ability to lend, as they divert cash to reserves. The asset quality of regional and local banks is improving, but the quality is still poor. Small businesses, which get a major portion of their loans from local and regional banks, are disproportionately hurt when these banks are unable to lend. The National Federation of Independent Business, which reports on small business activity across the country, indicates that loans are indeed harder to obtain but the proportion saying conditions are getting worse has declined a little this year.

The global recovery faces headwinds but continues

The global recovery continues and should support the U.S. economy through export growth. The fiscal austerity measures being undertaken in Europe and credit tightening in China will slow global growth but will not derail it. The global recovery that started in the second quarter of 2009 has continued through the third quarter of 2010. Real trade-weighted foreign GDP rose at an estimated 1.7% rate (SAAR) in the third quarter of 2010, down from 4.8% in the second quarter and 6.3% in the first quarter. The trade-weighted dollar fell 1.4% in the third quarter of 2010 and appears headed for a 4.3% decline in the fourth quarter. The recent weakness in the dollar is likely due at least in part to the Fed's indications that it will engage in further quantitative easing, offset partially by the "flight to safety" triggered by renewed fears about European sovereign debt .

Housing is still weak in wake of the tax credit expiry

Home sales and housing starts, which collapsed after the expiry of the housing tax credits in April, appear to have stabilized at the bottom. The pull-forward effect of those credits is clearly winding down. Sales of new single-family homes declined 32% in May to 282,000 units and have hardly budged from that all-time low. As of October, new single-family home sales stood at only 283,000 units. Sales of existing single-family homes plunged 27% to 3.37 million units in July. Existing homes sales recovered somewhat, but at 3.89 million units in October, they remain depressed. The lull in existing home sales may be coming to an end, however. The Pending Home Sales Index jumped 10.4% in October, indicating that existing home sales in November and December will likely rise. The expiration of the credits also affected new home construction. Single-family housing starts, which had been generally rising through April 2010, plunged 18% in May to 459,000 units and declined in June and July as well. In October, single family starts totaled 436,000 units, only slightly higher than July's post-credit low of 427,000. Clearly, the main impact of the tax credit was to pull activity into the months just before the deadline at the expense of the months following the deadline. On the plus side, homes are very affordable now with mortgage rates currently close to historic lows. Also, new home construction has already been cut so drastically that the inventory of new homes for sale in October was the lowest in more than 40 years. However, there is a steady stream of

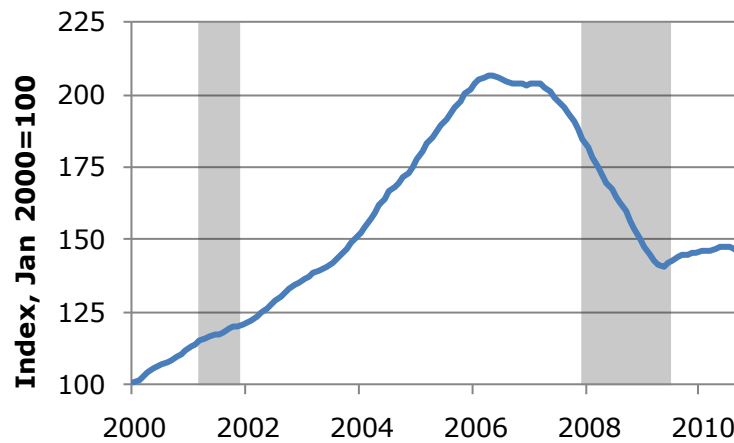
distressed properties on the market that are in competition with new home construction and will delay the recovery.

Home prices appeared to be stabilizing...

It appears that the homebuyer tax credits also temporarily boosted home prices. Until June, the S&P/Case-Shiller Home Price Index had been generally trending up since reaching a cyclical low in May 2009. Since June it has fallen for three consecutive months (see Figure 1.4). The two homebuyer tax credits, which led to a temporary surge in home sales, probably boosted prices as well. While we expect home prices to continue to drift downward through mid-2011, we believe we are close to the bottom in valuations.

Figure 1.4: Case-Shiller Composite-20 Home Price Index

...but are drifting down once again



Source: S&P/Case-Shiller; data through October 2010

The manufacturing recovery continues

The manufacturing sector continues to grow. According to the Federal Reserve's latest G-17 report, manufacturing output grew a solid 0.5% (SA) in October and 6.1% over the last year. The Institute of Supply Management (ISM) Purchasing Managers Index for manufacturing also shows continued growth. The overall index edged down to 56.6 in November from 56.9 in October but remains well in positive territory (a reading above 50 indicates growth while an index below 50 indicates contraction). November was the sixteenth consecutive month manufacturing has expanded after eighteen months of contraction. The employment component remained strong in October at 57.5 indicating that substantially more firms are now adding to payrolls than cutting.

Forecast

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

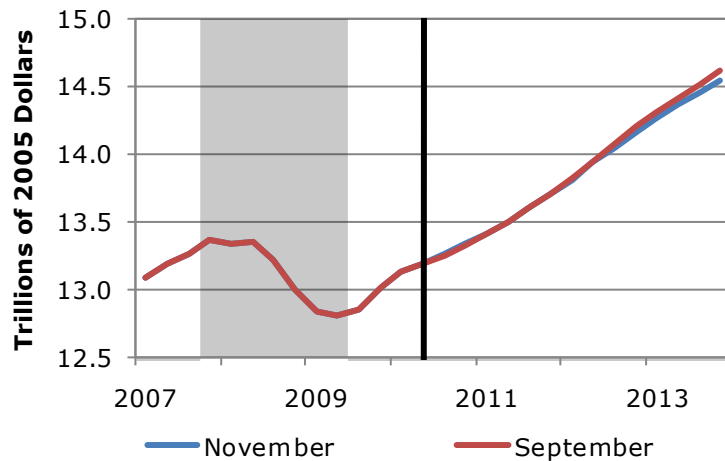
The November 2010 economic forecast was based on a modified version of Global Insight's November 2010 Control forecast for

The "Blue Chip" long-term GDP forecast was weaker than in September

the U.S. economy. As in September, the U.S. forecast was adjusted in two ways. We adjusted real GDP to match the Blue Chip "Consensus" GDP forecasts for 2010, 2011 (made in November) and the longer term 2012 and 2013 forecasts (made in October). We also adjusted our oil price forecast to match the New York Mercantile Exchange (NYMEX) futures prices for West Texas Intermediate. The new Blue Chip average is very similar to the September forecast for 2010 and 2011 but growth in 2012 and 2013 is weaker (see figure 1.5).

Figure 1.5: Real GDP Forecasts

The GDP forecast for 2012 and 2013 is weaker than was expected in September



Source: BEA, ERFC; data through Q3 2010

The long-term outlook has weakened since September

The recovery in economic activity continued in the third quarter of 2010 as real GDP registered its fifth consecutive increase since the trough in the second quarter of 2009. The slowdown in growth that we noted in the September forecast continued through the third quarter. As expected in September, GDP growth and Ex-Census job growth remained positive but too weak to make a dent in the unemployment rate and the housing market continued to slump following the expiration of the homebuyer tax credit. The weak recent economic performance was largely in line with our forecast and our near-term forecast is also similar to the forecast we made in September. We will see somewhat weaker growth than previously forecasted for 2012 and 2013 due to the lower Blue Chip GDP forecast.

Growth will be below trend in 2010 and 2011

The early part of the recovery was supported by fiscal stimulus and the inventory cycle. We do not expect any new stimulus spending. While our forecast models have inherited Global Insight's assumption that the expiring 2001/2003 tax cuts will be extended in 2011, the overall impact of fiscal policy on growth

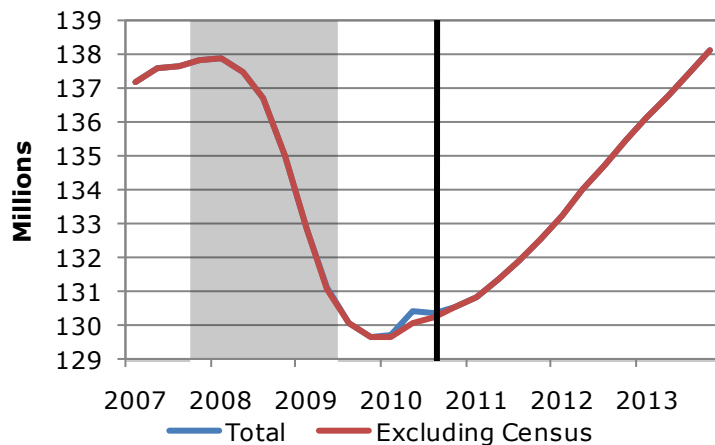
will turn negative as stimulus spending winds down. There will also be a considerable drag from state and local governments who are dealing with budget shortfalls by cutting spending, raising taxes, or both. The inventory cycle is also largely complete. This means that GDP growth from now on will depend on growth in private demand. Consumer spending will not lead the economy out of recession this time. The strains on households are too great for that. However, business spending is growing again thanks to investment in equipment and software. Nonresidential construction remains in decline, however, and will continue to decline through late-2011. We do not expect any significant growth in nonresidential construction until 2012. Residential fixed investment will continue to decline through the end of the year due to the expiration of the tax credits. Residential fixed investment growth should resume next year. Export growth has returned due to the global recovery that is now under way, and exports will continue to contribute to GDP growth.

Job growth will pick p during 2011

Employment has grown in every month in 2010 (excluding the distorting impact of temporary Census hiring) but the rate of growth has been uneven. After a couple of strong months in the spring, job growth (ex-Census) slowed to a crawl before finally posting a respectable gain of 177,000 in October, only to slow again to 51,000 in November. Temporary 2010 Census hiring added to growth in the first half of the year and subtracted from growth in the second half. Over all four quarters of 2010 we expect an increase of only 0.7% in employment. Growth will improve during 2011, however, reaching a peak of 2.1% per year in 2012 and 2013. Payroll employment will not exceed its pre-recession peak until the fourth quarter of 2013; six years after the previous peak (see Figure 1.6). The unemployment rate is expected to decline to a still high 6.9% by the end of 2013.

Figure 1.6: Nonfarm Payroll Employment

Temporary Census workers distorted employment growth in 2010



Source: BEA, ERFC; data through Q3 2010

Consumer spending will lag

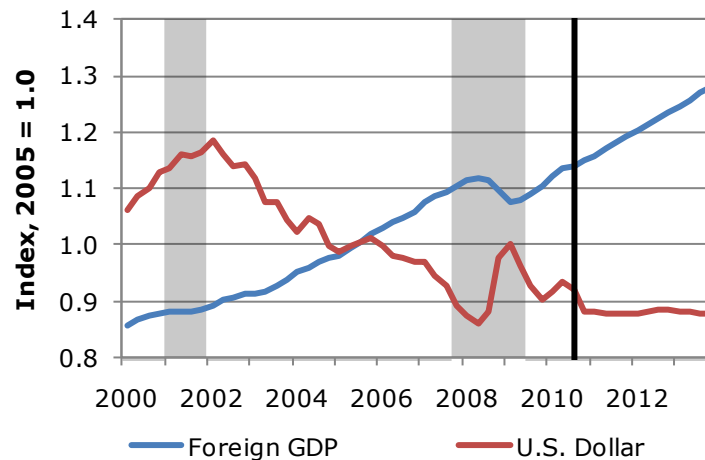
Consumer spending typically leads the recovery, but not this time. Consumer sentiment has improved slightly since the depths of the recession, but remains anemic. A weak job market and tight credit are holding consumers back. Households are also saving more than they have since the early 1990's in order to pay down debt and rebuild the wealth they lost when the housing market and stock markets crashed. Real consumer spending growth is expected to lag overall GDP growth and remain below trend throughout the forecast. The forecast expects real consumer spending to increase only 1.7% this year, improving somewhat to 2.4%, 2.3%, and 2.2% in 2011, 2012, and 2013.

Exports will contribute to growth

The dollar has experienced cross-currents recently. As a "safe haven" currency, it is strengthened by the ongoing European sovereign debt crisis. On the other hand, the dollar fell when the Federal Reserve signalled further quantitative easing. We expect to see a fairly stable, but weak dollar over the forecast horizon. We also expect the global recovery to continue through 2013, boosting U.S. exports (see Figure 1.7). Real GDP growth of our major trading partners is expected to improve through the remainder of 2010 and 2011 and remain in the 3.5% to 4.0% range in 2012 and 2013.

Figure 1.7: Foreign GDP and the U.S. Dollar

Foreign GDP is growing



Source: Federal Reserve Board, ERFC; data through Q3 2010

Housing will gradually recover

The pullback we have seen in home sales, permits, and starts since the second homebuyer tax credit continued in the third quarter. Starts dropped another 8.2% to 589,000 units but were still a bit better than expected in the September forecast. We do not expect much improvement in the fourth quarter of this year but starts should begin to gradually improve throughout 2011. We expect 604,000 starts for all of 2010 which is a slight improvement over the 554,000 units started in 2009 but still

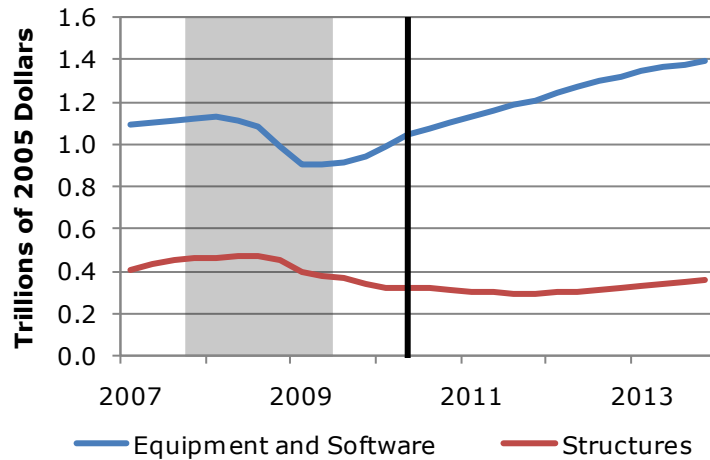
very depressed. We expect starts to improve to 776,000 in 2011, 1,216,000 in 2012, and 1,426,000 in 2013.

Businesses are buying equipment; but not structures

The recovery in nonresidential construction will lag the recovery in residential construction. While the latter peaked in 2005, nonresidential construction continued to grow for another three years, peaking in 2008. The problems facing nonresidential construction are the same as those that caused the housing crash – a price bubble and oversupply. The downturn in the economy has idled factories and emptied office buildings so there is little need for new construction in the near future. We expect further reductions in nonresidential construction in 2010 and 2011. Only in 2012 do we expect to see any recovery in nonresidential construction. On the other hand, nonresidential spending on equipment and software turned up more than a year ago and has been a major contributor to the recovery in GDP (see Figure 1.8). Businesses have plenty of cash and are addressing replacement needs. We expect strong growth in equipment and software spending in 2010, 2011, 2012, and 2013.

Figure 1.8: Nonresidential Fixed investment

Equipment and software spending growth is strong



Source: BEA, ERFC; data through Q3 2010

Forecast by Fiscal Year

GDP growth turned modestly positive in FY 2010

The U.S. economy grew in FY 2010, but barely. Real GDP inched up 0.7% in FY 2010 following a 2.8% drop in FY 2009. Much of the recent strength in GDP was due to the inventory cycle and federal stimulus spending. These positive impacts are fading. Since we do not expect a strong rebound in housing or consumer spending, we believe the recovery will initially be slow. We expect real GDP to grow a below trend 2.5% in FY 2011, improving to 2.9% and 3.2% in FY 2012 and FY 2013, respectively.

<i>Consumer spending will face headwinds</i>	Consumer spending also turned positive in FY 2010, posting a 0.4% increase following a 1.7% decline in 2008. Consumer spending is not expected to be the strong driver it usually is in a recovery. Consumer confidence has improved but remains in recessionary territory and credit remains tight. Consumers are also rebuilding wealth lost in the housing and stock markets which has raised savings rates at the expense of consumption. The forecast expects consumer spending growth to continue to lag behind overall GDP growth.
<i>Housing will begin to recover in FY 2012</i>	Housing starts fell 8.6% to just 592,000 in FY 2010 in spite of the two homebuyer tax credit programs which shifted some construction activity forward in time but had little permanent effect. We expect only a slight improvement in FY 2011 to 635,000 units, improving to 1.007 million units in FY 2012 and 1.339 million units in FY 2013.
<i>Businesses investment is mixed</i>	Businesses are willing to invest again, at least in equipment and software. On a fiscal year basis, business spending on equipment and software turned around in FY 2010, rising 0.2%. Strong growth should resume in FY 2011, and continue in FY 2012 and FY 2013. However the correction in nonresidential construction still has a long way to go. Nonresidential investment in structures is expected to continue to decline in FY 2011 and 2012. We do not expect positive growth in nonresidential fixed investment until FY 2013.
<i>Export growth will be strong</i>	Real exports returned to growth in FY 2010 with a 3.0% increase following a rare 6.0% decline in FY 2009. With the global economy leading the U.S. economy in the recovery, we expect strong export growth in the 8% to 9% per year range through FY 2013.
<i>Job growth will return in FY 2011</i>	Labor markets tend to lag the economy at turning points. Thus, while GDP grew slightly in FY 2010, nonfarm payroll employment declined another 3.0% following a 2.8% decline in FY 2009. The forecast expects a weak 0.6% increase in jobs in FY 2011, improving to 1.6% and 2.2% in FY 2012 and FY 2013.
<i>Inflation will remain low</i>	With unemployment stubbornly high and so much excess capacity in the economy, inflation is expected to remain subdued for some time. We expect only a 1.5% increase in the implicit price deflator for personal consumption expenditures in FY 2011, up slightly from 1.3% in FY 2010. The inflation rate is expected to rise during the next two years but will remain under 2%. The lack of inflationary pressure means that the Fed can hold short-term rates at very low levels for the time being.

Risks to the Forecast

Downside Risks (15%) probability

Downside risks predominate

Downside risks remain elevated, and outweigh upside risks. However, we have recognized part of the downside in this forecast, so the remaining risk is less than the 25% we had in September.

A "double-dip" is possible

The risk of a double-dip, or "W-shaped" recovery, where economic activity sags in the near term, remains significant as a consequence of weak private demand at the time that the stimulus starts to wind down.

Fiscal policy mistakes

Premature fiscal tightening: if the 2001/2003 tax cuts, due to expire at the end of 2010, are not extended either wholly or at least partially, this would result in premature fiscal tightening at a time when the economic recovery is yet to gain traction. Our baseline has factored in the fiscal tightening that will result from State and Local governments cutting their expenditures to fill budget holes.

Renewed financial market jitters

Renewed financial market jitters. The recent financial market volatility stemming from continuing fears of a European sovereign debt default showed that memories of the September 2008 meltdown are still fresh in the markets' memories.

Deflation/Inflation

The Fed is walking a razor's edge. There is a risk of deflation; although given the actions of the Fed to date, this risk is minimal. There is also a risk of inflation; which can be exacerbated by the Fed's recent Quantitative Easing (QE) announcement. Also, if the bond market is in a bubble as some believe, QE will only serve to extend the market's rally, and make the bubble bigger.

Gold market bubble

The gold market is also potentially in a bubble. There is possibly more upside if we compare the run up in gold prices to earlier bubbles in the NASDAQ and in home prices. Also, in today's dollars gold was close to \$2000 per ounce in 1980, well above the current \$1400 range. But, it is hard to predict when and why a bubble bursts, so we have included it as downside risk. The resulting flight to safety will see the US dollar appreciate, and hurt our exports.

Upside Risks: (10%)

Job growth could be stronger

Employment growth is faster than expected. After-tax corporate profits, with inventory valuation and capital consumption adjustments (i.e. profits from current production) are now back above pre-recession levels. At the same time, the rate of productivity growth has started to slow. So any growth in final demand will require hiring, and corporations have the resources to do so.

Consumer confidence rebounds

Consumer confidence returns earlier than expected. Our baseline expects a gradual return of consumer confidence as the job situation improves. If job growth is faster than expected, consumer confidence will return quicker, and the pace of the recovery will be faster.

Commodity prices are tame

Commodity prices do not strengthen too fast as the recovery gets underway.

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2011 to 2013

Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,827.6	13,077.5	13,332.6	12,965.0	13,053.4	13,377.0	13,767.2	14,210.0
% Ch	3.0	1.9	2.0	-2.8	0.7	2.5	2.9	3.2
Real Consumption	8,943.9	9,194.5	9,325.6	9,170.2	9,211.4	9,414.1	9,640.4	9,851.6
% Ch	3.0	2.8	1.4	-1.7	0.4	2.2	2.4	2.2
Real Nonresidential Fixed Investment	1,400.6	1,494.7	1,592.7	1,406.9	1,304.8	1,413.6	1,501.4	1,629.9
% Ch	6.6	6.7	6.6	-11.7	-7.3	8.3	6.2	8.6
Real Residential Fixed Investment	770.5	650.1	510.1	379.2	341.2	319.8	397.3	502.3
% Ch	2.2	-15.6	-21.5	-25.7	-10.0	-6.3	24.2	26.4
Real Personal Income	10,718.8	11,148.3	11,365.0	11,256.0	11,144.2	11,330.5	11,578.7	11,930.5
% Ch	3.3	4.0	1.9	-1.0	-1.0	1.7	2.2	3.0
Real Per Capita Income (\$/Person)	35,971	37,047	37,409	36,725	36,027	36,277	36,716	37,469
% Ch	2.3	3.0	1.0	-1.8	-1.9	0.7	1.2	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.075	1.091	1.104	1.120	1.138	1.157
% Ch	3.2	2.4	3.3	1.5	1.3	1.5	1.6	1.7
U.S. Consumer Price Index (1982-84=1.0)	1.989	2.041	2.117	2.146	2.168	2.201	2.240	2.284
% Ch	3.8	2.6	3.7	1.4	1.0	1.5	1.8	1.9
Employment Cost Index (Dec. 2005=1.0)	1.005	1.038	1.072	1.097	1.112	1.131	1.153	1.177
% Ch	2.5	3.3	3.2	2.3	1.4	1.8	1.9	2.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,047.1	13,715.5	14,312.4	14,190.1	14,354.3	14,917.6	15,566.6	16,342.1
% Ch	6.5	5.1	4.4	-0.9	1.2	3.9	4.4	5.0
Personal Income	10,887.3	11,598.8	12,214.3	12,275.0	12,306.8	12,694.9	13,174.6	13,800.0
% Ch	6.6	6.5	5.3	0.5	0.3	3.2	3.8	4.7
Employment (Millions)								
U.S. Civilian Labor Force	150.4	152.4	153.7	154.6	153.9	154.3	155.6	157.1
Total U.S. Employment	143.1	145.5	146.1	142.8	138.9	139.5	141.9	144.9
Unemployment Rate (%)	4.83	4.52	4.93	7.61	9.77	9.57	8.80	7.71
Nonfarm Payroll Employment	135.01	136.97	137.73	133.91	129.95	130.77	132.92	135.78
% Ch	1.9	1.4	0.6	-2.8	-3.0	0.6	1.6	2.2
Manufacturing	14.21	14.03	13.71	12.66	11.62	11.73	12.05	12.40
% Ch	-0.6	-1.2	-2.3	-7.7	-8.2	1.0	2.7	2.8
Durable Manufacturing	8.98	8.91	8.69	7.91	7.11	7.23	7.51	7.82
% Ch	0.2	-0.8	-2.5	-9.0	-10.1	1.7	3.9	4.2
Nondurable Manufacturing	5.23	5.12	5.02	4.75	4.51	4.51	4.54	4.57
% Ch	-2.0	-2.0	-1.8	-5.4	-5.1	-0.1	0.8	0.7
Construction	7.57	7.69	7.47	6.61	5.71	5.59	5.59	5.97
% Ch	6.1	1.7	-3.0	-11.4	-13.7	-2.1	0.1	6.8
Service-Producing	112.58	114.54	115.81	113.89	111.94	112.70	114.55	116.70
% Ch	1.9	1.7	1.1	-1.7	-1.7	0.7	1.6	1.9
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	64.3	63.4	96.8	70.1	75.2	84.6	90.5	91.3
Personal Saving/Disposable Income (%)	1.8	2.3	2.9	5.3	5.7	5.1	4.1	3.2
Auto Sales (Millions)	7.8	7.7	7.6	5.4	5.8	6.1	7.4	8.5
% Ch	2.3	-1.1	-1.6	-28.4	7.1	4.2	21.9	14.1
Housing Starts (Millions)	2.036	1.546	1.132	0.648	0.592	0.635	1.007	1.339
% Ch	1.0	-24.1	-26.8	-42.8	-8.6	7.2	58.6	33.0
Federal Budget Surplus (Billions)	-248.0	-204.4	-420.1	-916.7	-1,334.0	-1,262.2	-998.7	-757.2
Net Exports (Billions)	-770.1	-744.0	-722.6	-515.6	-463.5	-547.1	-511.8	-470.5
3-Month Treasury Bill Rate (%)	4.06	4.89	2.89	0.56	0.12	0.17	0.56	2.76
10-Year Treasury Note Yield (%)	4.59	4.76	4.14	3.29	3.55	2.60	2.99	4.13
Bond Index of 20 G.O. Munis. (%)	4.45	4.30	4.56	4.97	4.37	3.87	4.16	4.99
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	4.99	4.28	4.63	5.63

Table 1.2

Forecast Analysis

Comparison of Forecasts for 2009-11

Forecast Date	2008				2009				2010				2011	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
U.S.														
Percent Growth, 2009:2-2011:2														
Real GDP	6.3	6.8	6.0	4.6	5.1	5.0	5.7	6.1	6.1	6.7	5.4	5.4		
Implicit Price Deflator	3.7	3.3	4.1	4.3	3.1	3.9	3.4	4.0	3.6	3.5	3.4	3.6		
Average Rate, 2009:3 to 2011:2														
3 Month T-Bill Rate	4.07	3.99	3.97	2.05	0.91	0.83	0.85	0.80	0.70	0.34	0.16	0.15		
Mortgage Rate	6.66	6.75	6.75	5.84	5.17	5.32	5.35	5.34	5.20	4.98	4.63	4.63		

Table 1.3

Fiscal Years

Forecast Comparison

Forecast 2010 to 2013

	2009	2010	2011	2012	2013
U.S.					
Real GDP					
November Baseline	12965.0	13053.4	13377.0	13767.2	14210.0
% Ch	-2.8	0.7	2.5	2.9	3.2
September Baseline	12965.0	13052.5	13371.6	13772.0	14252.9
% Ch	-2.8	0.7	2.4	3.0	3.5
Implicit Price Deflator					
November Baseline	1.091	1.104	1.120	1.138	1.157
% Ch	1.5	1.3	1.5	1.6	1.7
September Baseline	1.091	1.104	1.119	1.134	1.152
% Ch	1.5	1.3	1.3	1.4	1.6
U.S. Unemployment Rate					
November Baseline	7.61	9.77	9.57	8.80	7.71
September Baseline	7.61	9.77	9.54	8.69	7.47
Mortgage Rate					
November Baseline	5.57	4.99	4.28	4.63	5.63
September Baseline	5.57	4.99	4.26	4.27	5.49
3 Month T-Bill Rate					
November Baseline	0.56	0.12	0.17	0.56	2.76
September Baseline	0.56	0.12	0.20	0.48	2.76

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Chapter 2: Washington Economy – Current Conditions and Forecast

- **The deceleration in the Washington economic recovery that was noted in our September forecast has continued. Like the nation, the economic outlook for the out years of our forecast has weakened.**
- **The employment recovery in Washington this recession has been the weakest of any post-war recovery. Reduction in government jobs has offset meager private sector gains. Employment in the state will recover at about the same pace as the nation.**
- **Construction continues to falter. Housing activity remains weak in the wake of the expiration of the federal homebuyer tax credits. Nonresidential construction is still in the midst of its worst downturn in 30 years.**
- **Exports continued to improve in the third quarter. Strength in exports should provide a boost for the state in the recovery.**
- **The outlook for the state’s aerospace and software sectors remains positive. Boeing’s order book is full and Microsoft’s balance sheet remains healthy.**
- **Washington’s personal income growth is expected to continue, and will outpace the nation in the expansion, due primarily to higher average wages.**

Current Conditions

The deceleration in Washington’s recovery has continued

Washington’s economic expansion has continued to be weak and the deceleration in the recovery that we noted in our September forecast has continued. Uncertainty is plaguing the economy, both at the national and state level. After strong growth in the spring, the state’s private sector added just 6,000 jobs in June through October. During the same period, state and local governments shed 4,700 jobs, offsetting most of the private sector gains. Recent housing data remain weak in the wake of the expiration of the federal homebuyer tax credits. Unemployment remains high, and small businesses continue to face a challenging credit environment.

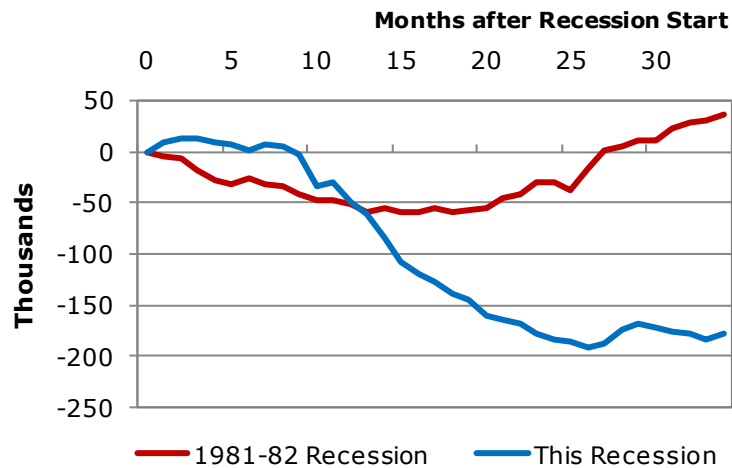
While the effect of the recession has brought employment down to 2005 levels, private sector job growth has now been positive

Private sector job growth is positive but weak

for five consecutive months. The growth however has been slow. Since May, private sector employment has increased 0.3%, which is just below the national increase of 0.5% during this time. As expected, the recovery in employment has been uneven and the weakness in recent months is evidence of this. The state increased private payrolls by just 1,900 jobs in October. The recovery in the labor market from this recession has been weak by historical standards. Not only is the state coming back from the largest employment deficit since the Great Depression, it is coming back at a slower rate than any of the past four recessions. In 1981-82, which prior to this had been the worst post war recession, 2.9% of the labor force in the state lost their jobs. This time around, 5.5% of the labor force had lost their jobs by the employment trough (see Figure 2.1). Washington nonfarm payroll employment is still down 177,000 jobs since the recession began.

Figure 2.1: Change in Washington Nonfarm Employment since Employment Peak

Employment is still well below the previous peak



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

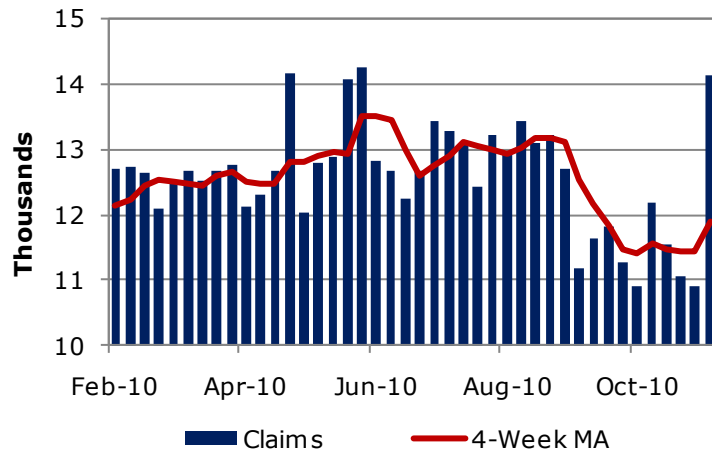
Wages and hours are firming up, and unemployment insurance claims have decreased

Other labor market indicators have shown positive signs in recent months. Both the average weekly hours worked and average hourly earnings increased in the private sector this past month. Average weekly hours increased from 34.2 to 34.3 on a seasonally adjusted basis and have been trending upward since late last year. Private sector average hourly earnings also rose on a seasonally adjusted basis in October. The number of people filing for unemployment insurance compensation has also dropped after trending upward in the first half of the year. Since June, the four-week-moving-average of initial claims has decreased 11.8% on a seasonally adjusted basis (see Figure 2.1). This figure includes the recent spike at the end of November which we believe to be an anomaly. The trend is still clearly declining. Initial claims are now 28.0% below the peak reached in March 2009. In addition, the number of initial claims

has been below 12,000 in eight of the past ten weeks, a possible indication that employment growth might begin to improve.

Figure 2.2: Washington Weekly Initial Claims, SA

After trending upward since February, initial claims have come down sharply



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

Housing is again looking for a new bottom

The housing sector is looking for a new bottom following some improvement during the spring. After reaching a post-recession high of 17,800 units (SAAR) in March of 2010, single-family permits have weakened and are now at 14,000 units (SAAR). It is apparent that the earlier strength was mainly due to the federal homebuyer tax credits which had the effect of pulling activity forward by a few months. It also appears that permits for multiple unit structures are again bumping along the bottom, coming in at 3,400 units (SAAR) in October. The housing recovery will be slow as it is still weighed down by low confidence and an excess supply of housing. Some of the housing inventory has yet to be put on the market as foreclosures swell or sellers wait for prices to recover. This so-called "shadow inventory" will keep new construction growth subdued.

Seattle area home prices continue to fall

Home prices in Seattle remain weak. As measured by the Case-Shiller Home Price Index, prices have decreased 24.9% since reaching a peak in 2007. Seattle prices temporarily showed signs of firming up in late 2009 and then again in the spring. As the overall economy hit a soft patch in the summer months, prices nationally and at the local level again dropped. Seattle area prices have declined sequentially in each of the past four months and are now down 2.6% over last year. Price appreciation will be slow as the same factors weighing down new construction will weigh on home values.

Contract data signals continued weakness

Contract data for new construction projects, which gives an indication of the level of activity roughly six months in the future, has also been bumping along the bottom in recent months. Since bottoming out in early 2009, both the square footage and value of residential contracts have increased over 50% through May on

a seasonally adjusted basis. After sluggish activity during the summer months, residential contracts are still below levels reached in the spring despite increasing in each of the past two months. Nonresidential contracts have shown even more weakness. After bumping along the bottom since the middle of last year, the square footage of contracts reached a new low in August. Square footage under contract for nonresidential buildings has increased since then but remains depressed. This sector is considered a "late cycle" industry and growth does not typically return until at least two to three years after a recession has ended.

Due to a weak housing market, construction employment remains depressed

Construction employment continues to decline in Washington but the rate of decline has slowed. The state lost 7,300 construction jobs during the first ten months of this year compared a drop of 32,000 during the first ten months of 2009. Some of the sub-sectors within construction have shows signs of stabilizing. Heavy and civil engineering employment is up 300 since June, although much of this can be attributed to federal stimulus projects. Residential building employment and specialty trade employment are starting to flatten out as the free fall in activity starts to stabilize at the bottom. Also, employment in nonresidential specialty trade is up 400 since June despite declining by 300 the past two months.

The manufacturing sector is improving

Manufacturing sector activity has been improving recently. The National Association of Purchasing Managers' Western Washington Index, which measures strength in the manufacturing sector, has now indicated growth for over a year (index readings above 50 indicate expansion). The new orders, production and employment components have been particularly strong. All three were 70 or above for October. Additionally, every component of the index has been at least 50 for the past two months. The forecast portion of the survey also points toward continued strength in the sector as the respondents remain optimistic about production and employment in the next 90 days.

Manufacturing employment is increasing, albeit slowly

Employment in manufacturing has been increasing, albeit slowly, and is now up 900 jobs since March. Employment in this sector has been weighed down this year by aerospace manufacturing, which has declined by 500 over the same period. Much of this decline is due to Boeing's scheduled reduction in staff that was planned in 2009, which is now complete. Most of the gains in manufacturing this year have come from the non-durable goods sector, particularly food manufacturing.

The service sector has returned to growth

The service sector has also increased payrolls this year, adding 18,000 jobs since reaching a trough in February. Private sector service-providing jobs have increased by 21,600 while government has declined by 3,600 over the period. Retail trade, professional and business services and education and health

services have accounted for most of the employment gains during this time, all growing at a 1.7% annual rate or more. Recently, however, as the economy hit a soft-patch, this growth rate has slowed.

New vehicle registrations have flattened

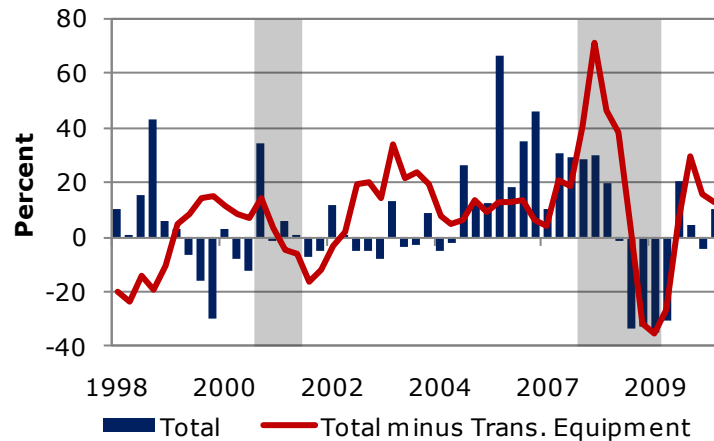
Purchases of new vehicles in Washington have stabilized in the past few months. The number of new car and truck registrations faltered in the middle part of the year but have now come in at above 15,000 for each of the past three months. Still, this is a slow pace by historical standards and has pushed the relative age of the car fleet to the oldest it has ever been with data going back to 1982. The percentage of new cars and trucks registered during the past three years compared to the past ten is now just 25% and 19%, respectively, much lower than the 31% historical average. This could be indicating pent up demand as buying plans have been delayed, but not the timing of when that demand will actually be reflected in purchases.

Exports continue to improve and should provide a boost to the recovery

Washington State exports improved in the third quarter of this year. Overall exports were up 10.3% year-over-year and up 10.5% from the previous quarter on a seasonally adjusted basis (see Figure 2.3). Exports of transportation equipment were up 7.9% over the year and up 16.3% over the second quarter. Agriculture exports were particularly strong, increasing 28.4% over the second quarter and were up 13.3% on an annual basis. In addition, 18 of the top 20 sectors by value in the state still experienced year-over-year increases in the third quarter. On a per capita basis, Washington is the nation's most trade dependent state. Exports will give the state an edge in the recovery because of the state's trade links with the Pacific Rim, and the robust recovery in those economies.

Figure 2.3: Washington State Exports, Year-over-year percent change

Total exports have returned to growth



Source: Wiser Trade Data, ERFC; data through 2010 Q3

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

Washington will also benefit from the presence of Boeing and Microsoft, which have fared relatively well during the recession. Boeing navigated the recession with only minimal job cuts. Now, both air cargo and passenger traffic have rebounded. Boeing has an extensive backlog of orders that will take 7-10 years to work through. Software employment has netted 1,200 net new jobs so far this year and Microsoft's balance sheet is healthy. Strength in these firms will help drive employment in their respective industries and generate a local base of skilled labor that will spur growth of supplier firms.

Personal income is again growing modestly

Personal income in the state has rebounded and increased at an estimated 4.8% annualized rate in the second quarter. This differs slightly from the Bureau of Economic Analysis (BEA) release of 4.7% due to advance data the BEA has yet to incorporate in their estimates. This is the third consecutive quarter of increase and the highest rate since early 2008. Total wage and salary disbursements increased at a 4.7% rate in the second quarter after a declining at a 3.4% rate in the first quarter. Nonwage personal income also grew at a 5.0% rate as proprietor's income (6.9%) and transfer payments (9.5%) were strong.

Washington State Forecast

Forecast assumptions are weaker than in September

The Washington State forecast is based on a new national forecast that has been revised downward since September. Growth in real gross domestic product has been reduced in 2012 and 2013. Real consumption, while slightly higher in 2010, has been reduced for the remainder of the forecast. Inflation, as measured by the consumer price index, is higher than previously forecasted through 2012. The recovery in payroll employment is weaker and, as a result, the unemployment rate is higher. Growth in real personal income is also weaker.

Washington will outperform the nation in income growth, but the recovery will be slow

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

Conditions have improved more slowly than anticipated

Economic conditions have improved more slowly than anticipated in the previous forecast. The economy is getting better, but at a slower than expected pace. We have now had economic growth nationally for five consecutive quarters, but it is still below trend.

Major state economic variables are also coming in slightly weaker. The reasons behind this are not Washington specific, but have to do with the sluggish national economy. The downward revisions to the Washington State economic forecast reflect the anemic national recovery. While some of the downside risks have been realized in the baseline forecast, the balance of risks still remains weighted more heavily to the downside given the level of uncertainty and the uneven nature of this recovery.

Washington Payroll Employment

Employment will be slightly weaker throughout the forecast

Washington has experienced job growth since the early part of this year. We remain confident that growth will continue, although at a slightly slower pace than the September forecast. Employment levels remain virtually unchanged for 2010 and 2011. We have reduced our 2012 employment growth forecast from 3.0% to 2.7% and our 2013 forecast from 2.9% to 2.7% (annual average basis). We do not expect to reach our pre-recession peak in overall employment until the third quarter of 2013, one quarter later than previously forecasted. We expect private sector job growth to remain subdued through the rest of the year, growing at a 0.7% annual rate in the final quarter. Private employment growth should then pick up steam, increasing at a 1.8% rate in 2011 and 3.3% in 2012 before moderating to 3.1% in 2013.

Tight budgets are forcing cutbacks in state and local government employment

Government employment tends to be more stable than other sectors of the economy. It also tends to lag other sectors through the business cycle. While the public sector did not experience the sharp employment declines that occurred in the private sector, job losses are expected to continue through the rest of this year and the next, and growth will remain subdued thereafter. We expect a loss of another 4,600 government jobs from the third quarter of 2010 to the first quarter of 2012. This results in a 14,000 (2.5%) job loss from the peak in the second quarter of 2009. While these losses are significant, state and local governments would have had to make far more severe cuts in jobs without the federal stimulus. We do not expect government employment to reach the 2009 peak until after 2013.

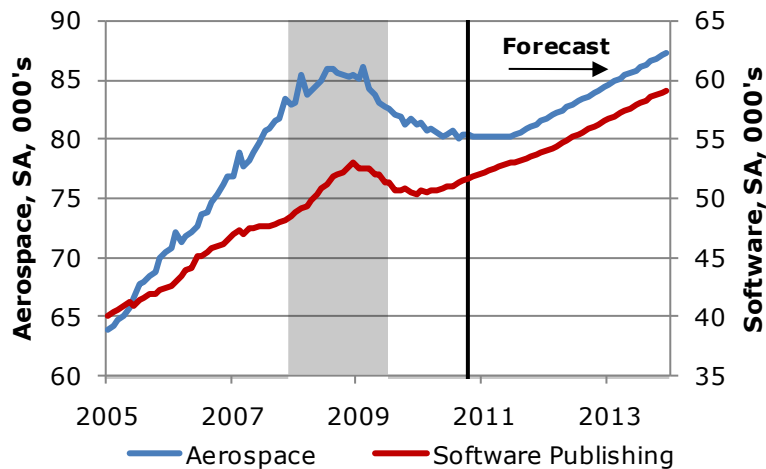
We remain optimistic about the prospects for the state's aerospace sector

Aerospace employment has fluctuated up and down over the course of 2010 but is essentially unchanged since the end of 2009. This is a huge improvement over the prior year when the sector lost 4,300 jobs. The outlook for 2011 and beyond is positive. Boeing plans to raise its production of the 737 to 35 per month in early 2012, and 38 per month by mid-2013. Newspaper reports indicate that suppliers have been sounded out about the possibility of raising the rate further to 42 planes per month by 2014. Combined, these represent more than a 35% increase in production from the current rate of 31.5 per month. Boeing also plans to increase production of the 777 to 7 per month in mid-2011 from the current rate of 5 per month. Production of the new

787 and 747-8 will also be ramping up in 2011 and 2012. The improving prospects for Boeing are due to improving air cargo and passenger traffic, which have rebounded surprisingly quickly from the global recession. Boeing's order book remains full and it will take several years to work through the backlog. Although we are optimistic that Boeing will eventually be awarded the military's contract to build the next generation air refueling tanker, it is not included in our estimates. We don't expect the latest delay in the 787 Dreamliner to have a significant impact on employment. Our forecast calls for a further reduction of 250 jobs after the third quarter, for a total reduction of 5,700 (6.6%) jobs from the peak in the third quarter of 2008 to the trough at the second quarter of 2011. These cuts pale in comparison to the last aerospace downturn during which Washington lost a total of 52,000 aerospace jobs. With the global economic rebound continuing, we expect aerospace employment to reach its previous peak in the third quarter of 2013 (see Figure 2.4).

Figure 2.4: Washington Aerospace and Software Employment Forecast

We expect solid employment growth in aerospace and software as the recovery peaks up steam



Source: WA State ESD, ERFC; data through October 2010, ERFC forecast

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

The outlook for the software sector is also similar to what was expected in September. Microsoft's balance sheet remains healthy. Also encouraging is that we have now transitioned from mostly consumer demand for products to more lucrative business demand. After unprecedented layoffs in 2009, the software sector has added about 1,200 jobs so far this year. The release of their new platform for Mobile Windows 7 should help provide growth in the mobile market. Microsoft announced record revenues of \$16.20 billion for the quarter ended Sept. 30, 2010 and raised its quarterly dividend 23%. We expect modest software employment growth through 2011, accelerating to about 5% on an annual average basis in 2012 and 2013.

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

Construction employment in the state is weaker than we expected in the September forecast as a result of the delayed recovery in housing construction. Employment in residential building and related special trades is expected to reach a trough in the fourth quarter of this year. This corresponds to an overall peak-to-trough decline of 40,700 jobs, representing a loss of 40.0% of the employment in this sector since the height of the housing bubble. We expect growth to increase throughout 2011 and 2012 before moderating in 2013. By the end of the forecast in 2013, employment will still be 22% below the 2007 peak.

We expect a drop of similar magnitude in nonresidential construction employment, although job losses will continue through most of 2011. We expect to lose another 1,900 nonresidential construction jobs over the next year. This corresponds to a total peak-to-trough employment decline of 34,200 jobs (30.7%). Typically, nonresidential construction is the last sector to recover in the cycle as the growth in new contracts lags the end of the recession by about two to three years. It then takes up to a year before employment starts to increase. Continued weakness in commercial real estate will hamper employment growth in this sector. We expect employment growth in this sector to improve beginning in the fourth quarter of 2011.

The worst of the job losses in construction are behind us

Overall construction employment remains weak and we do not expect growth until the second half of next year. Still, the worst is behind us. We expect to lose about 1,800 total construction jobs over the next three quarters compared to 69,200 lost to date. In spite of a fairly strong recovery in 2012 and 2013, construction employment will still be 46,000 below the previous peak at the end of 2013.

Financial activities employment growth won't resume until 2011

After four and a half years of employment decline, we expect the current quarter to be the trough in financial activities' employment. Since the peak in the first quarter of 2006, employment is down 22,400 (14.3%). Not surprisingly, credit intermediation and related activities, a victim of the meltdown in financial markets, accounts for most of the decline. Employment growth in financial activities is expected to improve into 2012 with an average annual growth rate of 3.3% before moderating to 1.8% in 2013.

Employment growth in retail trade will remain hesitant until the middle of 2011

Employment in retail trade peaked along with the overall economy in the first quarter of 2008. The decline during the recession was precipitous. Initially the weakest retail trade sectors were those most closely connected to the housing market: furniture and home furnishings, and building materials and garden supplies. These turned down nearly three years ago as housing went into decline. The freezing-up of credit and collapse of consumer confidence since the fall of 2008 affected the entire spectrum of consumer spending. Early in the year, the

retail trade sector began to turn around as confidence slowly improved. With consumer confidence remaining hesitant, we expect retail trade employment growth to remain weak through the middle of 2011. The forecast calls for strong growth in employment in the end of 2011 and 2012, moderating during 2013.

Growth in the professional and business services sector will continue

As is typical during recoveries, we expect the professional and business services to be one of Washington’s fastest growing sectors. This sector was helped early on in the recovery from growth in employment services, which is largely temporary help. As businesses gauge whether the increase in demand will continue, they typically hire temporary staff before they hire permanent employees. We expect growth to continue in this highly pro-cyclical industry throughout the forecast. Professional and business services is also benefitting greatly from the federal stimulus. The additional \$2 billion allocated for the Hanford cleanup effort has mostly affected employment in waste management and remediation services, a component of professional and business services. The forecast expects average annual growth to increase to 5.0% in 2012 before moderating to 4.5% in 2013.

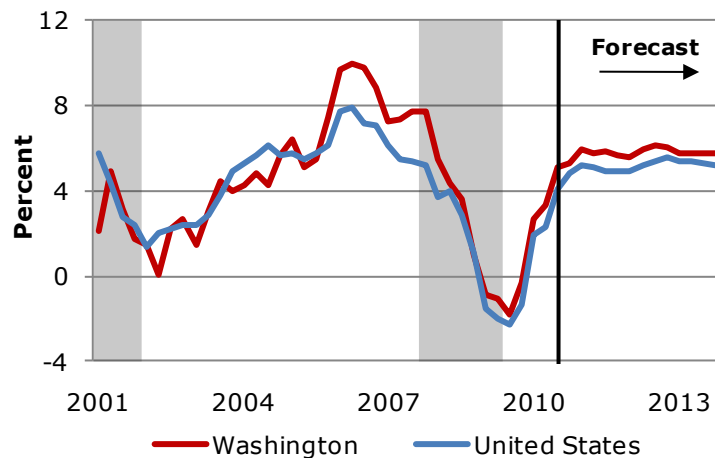
Washington Personal Income

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

Washington personal income growth is expected to outperform the nation in the recovery. One of the primary reasons for optimism is the resurgence of the Pacific Rim economies, who are important trade partners. This will disproportionately help the state economy due to our high reliance on exports. Growth in our high-wage industries, aerospace and software will also boost personal income in the state (see Figure 2.5). Real personal

Figure 2.5: U.S. versus Washington Real Personal Income Growth

Washington income growth will outperform the U.S. throughout the forecast



Source: BEA, ERFC through 2010 Q3, ERFC forecast

income growth is expected to improve throughout the forecast and reach 3.8% in 2013 on an annual average basis in Washington. U.S. real personal income will also continue to grow as the recovery continues, although it will lag the state, reaching 3.0% on an annual average basis in 2013.

Wages and non-wage income will increase throughout the forecast

As the economy continues to recover this year and gathers momentum, most components of personal income will also grow, the main exception being unemployment compensation, which should come down as job growth picks up. Washington real non-wage personal income is expected to grow 2.6% this year and then moderate to 1.2% in 2011 due to a decrease in interest income and reduced transfer payments. We then expect real non-wage personal income to pick up steam reaching 3.5% growth in 2013. Real wage and salary disbursements are forecasted to return to positive growth in 2011 (2.9%) after declining the previous two years. We expect growth to pick up in 2012 to 4.4% and then moderate to 4.2% in 2013.

Seattle Consumer Price Index

Seattle Inflation will remain around 2% through 2013

The Seattle Consumer Price Index declined in the first two quarters of 2010. The reason for the decline in the Seattle CPI was shelter costs which fell as a result of the depressed housing market. Excluding shelter, Seattle inflation is low, but positive. The most recent CPI report showed a modest firming in shelter costs and overall Seattle inflation. It now appears likely that inflation will be close to zero in 2010, picking up to close to 2% per year in 2011, 2012, and 2013.

Core inflation is expected to remain low

Core inflation (excluding food and energy) in Seattle is expected to be negative 0.3% in 2010 compared to positive 1.0% nationwide. Falling shelter costs have been the main reason for the decline this year. As the economy continues to recover, Seattle inflation will remain moderate but will gradually increase. We expect the core Seattle CPI to rise 1.5% in 2011, 1.8% in 2012, and 2.0% in 2013.

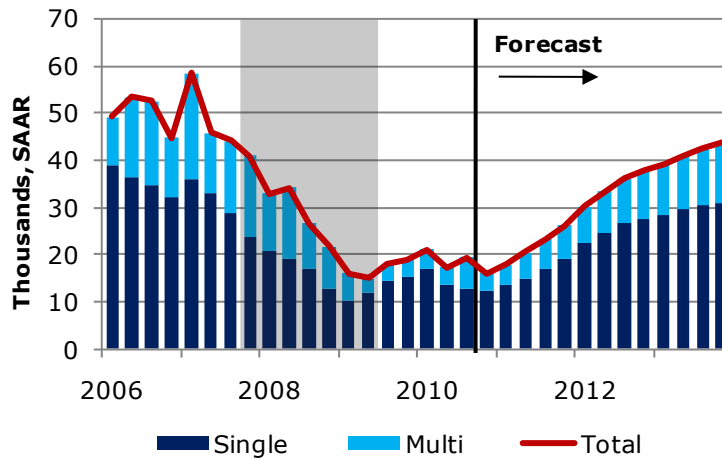
Washington Building Permits

Housing activity will resume an upward trend in 2011

Housing activity in Washington finally reached a trough in the second quarter of 2009, but remains weak. Since then, growth has been sporadic, temporarily boosted by federal tax credits. We expect permits to decline further to 16,100 in the fourth quarter before returning to growth. In the longer term, we are more optimistic about housing construction. Homebuilders have been very successful in reducing the inventory of unsold new homes and mortgage rates remain low. Population growth has been well below trend in recent years due to the recession and the housing crisis, which have tended to lock people into their existing homes. We believe a return to trend population growth will boost housing construction in Washington in 2012 and 2013.

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

Single-family and multi-family permits will grow through 2013



Source: U.S. Census Bureau, ERFC; data through 2010 Q3, ERFC forecast

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

The forecast calls for permits for single-family homes to increase to 14,100 in 2010 from 13,000 in 2009. The number of multi-family units was surprisingly strong in the third quarter, rising to 6,500 from 3,600 in the second quarter. We do not believe this pace will be maintained. Multi-family housing faces too many headwinds including high vacancies and tight credit. Permits for multiple-unit structures will remain weak for the remainder of the year increasing from an average of 4,000 in 2009 to 4,400 in 2010. On balance, we expect both single-family and multi-family activity to pick up strength in 2011 and grow through the end of the forecast in 2013. Single-family permits are forecasted to reach 31,100 and multi-family permits to reach 12,600 in 2013 (see Figure 2.6). The forecasted growth rates look impressive but only because activity is coming off a very low base. In 2013 permits will have risen to levels more consistent with the underlying demographic demand for new housing, although this will still be 22% below the 2005 average reached at the height of the housing boom.

Forecast by Fiscal Year

Personal income growth will increase throughout the forecast

Nominal personal income grew by an estimated 0.6% in FY 2010, down from the 1.8% growth in FY 2009. These are both very low by historical standards and much lower than the 7.2% average growth rate from 2006 through 2008. The slowdown in growth is mostly due to declining employment but average wage growth has also slowed as has income from non-wage sources such as dividends, interest, and rent. The forecast expects a rebound in FY 2011 with nominal personal income growth of 2.9%. Growth is expected to increase further to 4.4% in FY 2012 and 5.6% in FY 2013 as the economy continues to recover.

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

After years of growth in excess of 2%, Washington non-farm payroll employment fell 2.0% in FY 2009 and 3.9% in FY 2010. We expect nonfarm employment to remain mostly flat in FY 2011 with just 0.1% growth. Manufacturing is expected to stabilize, with 0.1% growth while construction continues to fall, declining by another 5.8%. The service-providing sector should stabilize with 0.5% growth in FY 2011. As the economic recovery picks up steam, we expect employment growth to improve with 2.2% growth in FY 2012 and 2.8% in FY 2013. On an end-of-period basis (second calendar quarter of 2009 to second calendar quarter of 2010) employment fell 1.5% during FY 2010. Employment is expected to increase by 0.7% this fiscal year on an end-of-period basis, and then grow 2.7% during FY 2012 and FY 2013.

FY 2011 will prove to be the trough in housing permits

The number of housing units authorized by building permits in Washington declined 4.9% in FY 2010 after plummeting 48.0% in FY 2009. Single-family permits increased 16.6% in FY 2010 to 15,200 units while multi-family units fell 45.8% to 3,700 units, which was the lowest multi-family count in at least 40 years (our data begin in FY 1969). Rising vacancies and financing difficulties will continue to depress multi-family permits. The forecast calls for a slight increase to 5,000 units in FY 2011. Single-family construction will experience continued weakness in FY 2011 dropping to 13,500 units due to hangover effects from the expired homebuyer credits. FY 2011 will prove to be the trough in permits totaling 18,500 units, a 66% peak to trough decline. Construction should improve in FY 2012 and FY 2013 with the forecast calling for single-family units to reach 28,100, still 30% below the peak in FY 2006. Permits for multi-family structures should have robust growth throughout FY 2012 and FY 2013, reaching 10,400 units by FY 2013.

Seattle inflation will remain low

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, fell to just 0.3% in FY 2010 from 2.4% in FY 2009. Energy costs, which fell 9.6% in FY 2009, increased 2.1% FY 2010. Core inflation (excluding food and energy) decreased from 3.1% in FY 2009 to 0.5% in FY 2010. Inflation will remain low given the slack that has built up throughout the economy. The forecast expects the Seattle CPI to increase 1.2% in FY 2011, 1.8% in FY 2012, and 1.9% in FY 2013 respectively.

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

Alternative Scenarios

Alternate forecasts are prepared in accordance with state law

In accordance with state law, the Washington State Economic and Revenue Forecast Council also prepared an optimistic forecast and a pessimistic forecast in November 2010. In addition to the official optimistic and pessimistic forecasts, the staff has

prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA).

Optimistic (10% probability)

The optimistic scenario assumes an immediate acceleration of growth

In the optimistic scenario, the private sector recovery finally springs to life. Increased monetary stimulus offsets the drag from the waning fiscal stimulus. The economy no longer relies on any additional stimulus above the baseline as private sector confidence returns. The economy soon begins to grow rapidly with quarterly real GDP growth of 4.0% (annualized) or better for five consecutive quarters starting in late 2010. In the short term, a more vigorous recovery means inflation is pushed higher than in the baseline. However, productivity is enhanced by reinvigorated innovation. Higher productivity supports lower inflation and stronger income growth over the long term.. With credit channels functioning more normally, business fixed investment rebounds. The recovery in residential investment is also stronger in the optimistic scenario. Global GDP will have faster growth and the dollar will initially be weaker than in the baseline. The lower dollar helps GDP early in the forecast period, as U.S. businesses take advantage of growing demand from emerging markets. On balance, these assumptions produce a much brighter economic outlook and unemployment drops much more quickly than in the baseline.

This scenario also assumes higher growth in key Washington industries

In addition to reflecting the impact of the stronger U.S. forecast on the state economy, the optimistic Washington forecast assumes Boeing wins the tanker contract and aerospace employment begins to grow again in the fourth quarter of 2010, rather than in the middle 2011 as in the baseline. Software employment growth is also much stronger than in the baseline forecast. Washington's wages grow faster than in the baseline as does the Seattle CPI due to the stronger regional economy. Both Washington personal income and population growth are stronger throughout the forecast. Finally, construction employment returns to sustained growth in the first quarter of 2011, two quarters sooner than in the baseline forecast and the subsequent recovery is stronger. By the end of the forecast horizon in 2013, Washington nonagricultural employment is higher by 121,000 jobs than in the baseline forecast and Washington personal income is \$17.4 billion higher.

Pessimistic (15% probability)

The pessimistic scenario envisions a "W" shaped recovery with a relapse into recession.

In the pessimistic scenario, the recovery is short-lived and underlying worries from the financial crisis re-emerge. Consumers and investors alike enter a second phase of retrenchment. Despite the additional round of monetary easing (QE), banks continue to write off large amounts of debt and hoard cash as a means of protection. With little access to credit and fading fiscal stimulus, the private sector is unable to sustain

the expansion. The 2001/2003 tax cuts are not extended, and the Making Work Pay tax credits are allowed to expire, producing an unwelcome tightening of fiscal policy. For businesses facing low demand, layoffs, furloughs, and wage freezes become the norm. Capital spending is also weaker and firms respond to the bleaker outlook by canceling long-term projects. As the employment situation worsens the housing market suffers and home sales continue to fall. The weakness in housing further undermines consumer confidence. This, along with the drop in wealth, causes consumers to retrench sharply. Sovereign debt problems flare up again in Europe pushing stock markets lower and driving the euro back down against the dollar. Credit spreads widen. As the global outlook worsens, world demand falls and growth in emerging economies slows dramatically. U.S. Treasury securities once again become a safe haven for investors, thereby pushing the dollar upwards. The stronger dollar reduces U.S. export competitiveness and acts as an additional drag on growth. These assumptions cause GDP growth to remain slower than the baseline throughout the forecast.

This scenario also assumes lower growth in key Washington industries

At the state level, aerospace employment only starts to recover at the end of 2013, while software employment remains flat. The recovery in personal income is also weaker than was assumed in the baseline. Population growth is much slower in this scenario, averaging about half the growth as in the baseline. Construction employment continues to fall through early 2012. The Seattle CPI is lower than in the baseline forecast as are Washington wages. By the end of 2013, Washington non-agricultural employment is 181,200 lower than in the baseline forecast and Washington personal income is \$29.6 billion lower.

Governor's Council of Economic Advisors (GCEA)

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

The GCEA scenario expects less real GDP and consumption growth

At the national level, the Governor's Council members expect a slightly more pessimistic recovery than in the baseline. Real GDP growth and real consumer spending growth are both lower than in the baseline. Inflation is also slightly lower in this scenario. The GCEA oil price forecast is lower in each fiscal year. The Council members' mortgage interest rate forecast equal to the baseline this biennium, but is lower in the 2011-13 biennium.

For Washington, the GCEA scenario is slightly weaker

The GCEA scenario for Washington is also generally weaker than the baseline forecast. The council members forecast for total nonfarm payroll employment is slightly stronger than the baseline forecast in the near term but weaker later on. The same is true for both manufacturing and construction employment. The GCEA housing permit forecast is equal to the baseline in the near term, but then lower for the remainder of the forecast. The Council member's forecast of personal income is slightly lower

than the baseline forecast. By the end of 2013, Washington non-agricultural employment is 14,500 lower than in the baseline forecast and personal income in the state is \$1.1 billion lower.

Table 2.2 compares the alternative forecasts with the baseline forecast.

Table 2.1
Washington Economic Forecast Summary
 Forecast 2011 to 2013

Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	237.467	251.495	262.217	263.141	261.356	265.136	272.627	283.084
% Ch	2.2	5.9	4.3	0.4	-0.7	1.4	2.8	3.8
Real Wage and Salary Disb.	127.959	134.604	139.289	136.692	132.459	133.675	138.984	145.011
% Ch	3.6	5.2	3.5	-1.9	-3.1	0.9	4.0	4.3
Real Nonwage Income	109.508	116.891	122.929	126.448	128.897	131.461	133.643	138.073
% Ch	0.7	6.7	5.2	2.9	1.9	2.0	1.7	3.3
Real Per Capita Income (\$/Person)	37,333	38,850	39,887	39,527	38,853	38,988	39,631	40,599
% Ch	0.4	4.1	2.7	-0.9	-1.7	0.3	1.7	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.016	1.040	1.075	1.091	1.104	1.120	1.138	1.157
% Ch	3.2	2.4	3.3	1.5	1.3	1.5	1.6	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.035	2.116	2.205	2.257	2.263	2.291	2.332	2.377
% Ch	3.2	4.0	4.2	2.4	0.3	1.2	1.8	1.9
Average Nonfarm Annual Wage	44,150	46,451	48,547	49,160	50,073	51,188	52,963	54,771
% Ch	3.7	5.2	4.5	1.3	1.9	2.2	3.5	3.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.32	20.21	20.90	22.03	23.53	23.85	24.12	24.35
% Ch	4.0	4.6	3.4	5.4	6.8	1.4	1.1	1.0
Current Dollar Income (Billions of Dollars)								
Personal Income	241.199	261.659	281.809	286.959	288.610	297.061	310.205	327.445
% Ch	5.5	8.5	7.7	1.8	0.6	2.9	4.4	5.6
Disposable Personal Income	212.731	229.580	247.873	256.516	262.191	269.068	278.379	289.160
% Ch	4.6	7.9	8.0	3.5	2.2	2.6	3.5	3.9
Per Capita Income (\$/Person)	37,918	40,419	42,865	43,106	42,904	43,682	45,093	46,960
% Ch	3.6	6.6	6.1	0.6	-0.5	1.8	3.2	4.1
Employment (Thousands)								
Washington Civilian Labor Force	3,289.4	3,350.2	3,434.5	3,517.2	3,525.6	3,547.7	3,589.7	3,644.7
Total Washington Employment	3,119.5	3,192.5	3,272.8	3,261.6	3,199.4	3,226.8	3,284.2	3,375.3
Unemployment Rate (%)	5.16	4.71	4.71	7.26	9.25	9.05	8.51	7.39
Nonfarm Payroll Employment	2,820.6	2,896.6	2,960.1	2,901.7	2,789.7	2,793.3	2,853.8	2,934.4
% Ch	3.0	2.7	2.2	-2.0	-3.9	0.1	2.2	2.8
Manufacturing	279.2	289.7	295.5	279.0	258.8	259.0	270.6	283.3
% Ch	4.3	3.8	2.0	-5.6	-7.3	0.1	4.5	4.7
Durable Manufacturing	197.6	208.1	214.5	201.5	184.5	184.8	194.6	204.4
% Ch	5.8	5.3	3.1	-6.0	-8.4	0.2	5.3	5.0
Aerospace	69.0	76.7	83.1	82.9	81.2	80.2	81.6	84.5
% Ch	8.8	11.1	8.3	-0.2	-2.0	-1.3	1.8	3.5
Nondurable Manufacturing	81.6	81.6	81.0	77.5	74.2	74.2	76.0	78.9
% Ch	0.7	0.0	-0.7	-4.4	-4.2	0.0	2.4	3.8
Construction	186.6	202.8	207.8	181.5	148.0	139.5	142.4	154.4
% Ch	9.7	8.7	2.5	-12.6	-18.5	-5.8	2.1	8.4
Service-Producing	2,346.0	2,395.7	2,449.0	2,434.3	2,377.1	2,388.7	2,434.2	2,489.2
% Ch	2.4	2.1	2.2	-0.6	-2.4	0.5	1.9	2.3
Software Publishers	42.8	46.5	48.8	52.1	50.7	52.0	54.0	56.6
% Ch	6.7	8.8	4.9	6.8	-2.7	2.6	3.8	4.8
Nonfarm Payroll Employment, EOP*	2,852.5	2,928.3	2,969.0	2,834.6	2,790.8	2,809.1	2,883.7	2,962.4
% Ch*	3.0	2.7	1.4	-4.5	-1.5	0.7	2.7	2.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	53.813	50.438	38.155	19.834	18.855	18.489	28.284	38.518
% Ch	3.9	-6.3	-24.4	-48.0	-4.9	-1.9	53.0	36.2
Single-Family	40.418	34.094	23.054	12.998	15.153	13.527	20.862	28.114
% Ch	5.1	-15.6	-32.4	-43.6	16.6	-10.7	54.2	34.8
Multi-Family	13.395	16.345	15.101	6.836	3.702	4.963	7.423	10.403
% Ch	0.3	22.0	-7.6	-54.7	-45.8	34.1	49.6	40.1
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.57	4.99	4.28	4.63	5.63

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

Table 2.2
Comparison of Alternative Forecasts

	Fiscal Year 2011				Fiscal Year 20112				Fiscal Year 2013			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	13,465	13,377	13,244	13,355	14,009	13,767	13,239	13,703	14,485	14,210	13,533	14,081
%Ch	3.2	2.5	1.5	2.3	4.0	2.9	0.0	2.6	3.4	3.2	2.2	2.8
Implicit Price Deflator	1.123	1.120	1.115	1.117	1.143	1.138	1.126	1.137	1.156	1.157	1.154	1.158
%Ch	1.7	1.5	1.0	1.1	1.8	1.6	1.0	1.8	1.1	1.7	2.5	1.8
Mortgage Rate	4.89	4.28	3.99	4.31	6.12	4.63	4.19	4.48	5.69	5.63	5.87	5.09
3 Month T-Bill Rate	0.31	0.17	0.13	0.10	2.26	0.56	0.27	0.57	3.19	2.76	1.80	2.71
Washington												
Real Personal Income	267.532	265.136	262.976	265.783	281.011	272.627	260.813	272.834	296.734	283.084	261.343	282.073
%Ch	2.4	1.4	0.6	1.7	5.0	2.8	-0.8	2.7	5.6	3.8	0.2	3.4
Personal Income	300.394	297.061	293.162	296.788	321.204	310.205	293.742	310.115	342.942	327.445	301.587	326.542
%Ch	4.1	2.9	1.6	2.8	6.9	4.4	0.2	4.5	6.8	5.6	2.7	5.3
Employment	2809.2	2793.3	2776.4	2796.8	2913.0	2853.8	2772.7	2848.6	3028.6	2934.4	2795.6	2922.3
%Ch	0.7	0.1	-0.5	0.3	3.7	2.2	-0.1	1.9	4.0	2.8	0.8	2.6
Housing Permits	20.358	18.489	16.154	18.533	34.375	28.284	22.586	25.683	48.389	38.518	31.270	32.918
%Ch	8.0	-1.9	-14.3	-1.7	68.9	53.0	39.8	38.6	40.8	36.2	38.4	28.2

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

Table 2.3

Forecast Analysis

Comparison of Forecasts for 2009-11

Forecast Date	2008				2009				2010				2011	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
Washington														
Percent Growth, 2009:2-2011:2														
Employment	3.6	3.6	3.6	2.3	2.7	1.9	2.3	1.9	1.6	1.2	-1.0	-0.9		
Personal Income	12.3	12.7	11.8	8.3	7.9	7.8	9.0	8.8	9.1	9.3	5.6	5.0		
Real Personal Income	8.3	9.1	7.5	3.8	4.6	3.7	5.4	4.6	5.3	5.6	2.2	1.3		
Total (Thousands of units), 2009:3 to 2011:2														
Housing Units Authorized	95.2	97.8	85.6	72.6	59.7	47.3	45.4	51.4	44.5	44.0	37.4	37.3		

Table 2.4

Fiscal Years

Forecast Comparison

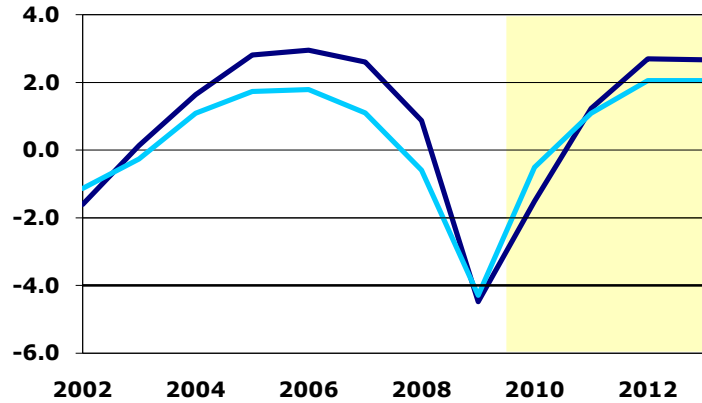
Forecast 2010 to 2013

	2009	2010	2011	2012	2013
Washington					
Real Personal Income					
November Baseline	263.141	261.356	265.136	272.627	283.084
% Ch	0.4	-0.7	1.4	2.8	3.8
September Baseline	259.404	256.700	261.838	269.832	280.692
% Ch	0.0	-1.0	2.0	3.1	4.0
Personal Income					
November Baseline	286.959	288.610	297.061	310.205	327.445
% Ch	1.8	0.6	2.9	4.4	5.6
September Baseline	282.886	283.471	292.923	305.962	323.287
% Ch	1.5	0.2	3.3	4.5	5.7
Employment					
November Baseline	2901.7	2789.7	2793.3	2853.8	2934.4
% Ch	-2.0	-3.9	0.1	2.2	2.8
September Baseline	2901.7	2788.5	2793.7	2857.4	2946.8
% Ch	-2.0	-3.9	0.2	2.3	3.1
Housing Permits					
November Baseline	19.834	18.855	18.489	28.284	38.518
% Ch	-48.0	-4.9	-1.9	53.0	36.2
September Baseline	19.834	18.855	18.518	29.209	40.335
% Ch	-48.0	-4.9	-1.8	57.7	38.1

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

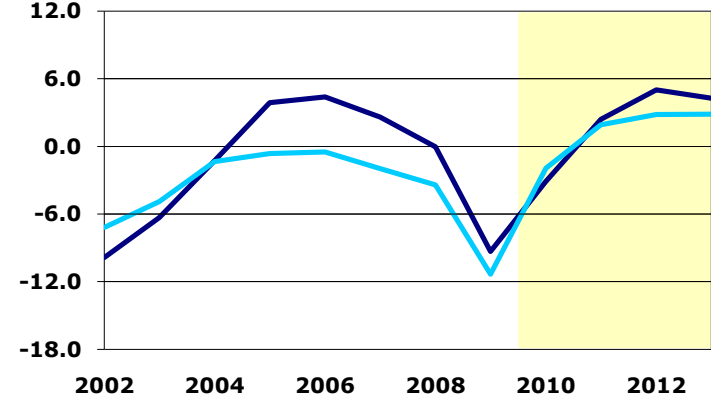
Forecast

Total nonfarm payroll employment



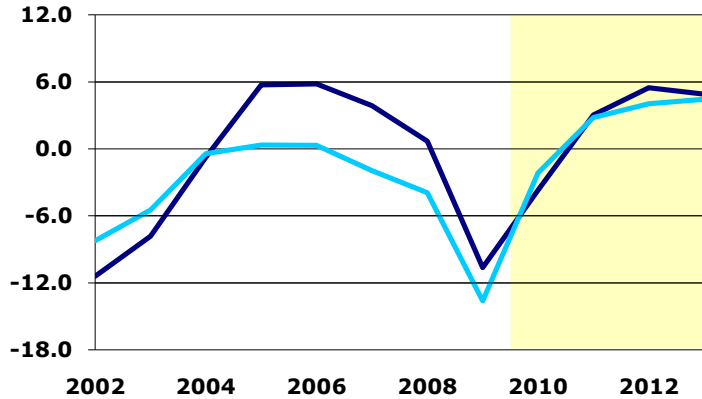
Source: WA State Employment Security Dept. 2009, ERFC 2013

Manufacturing employment



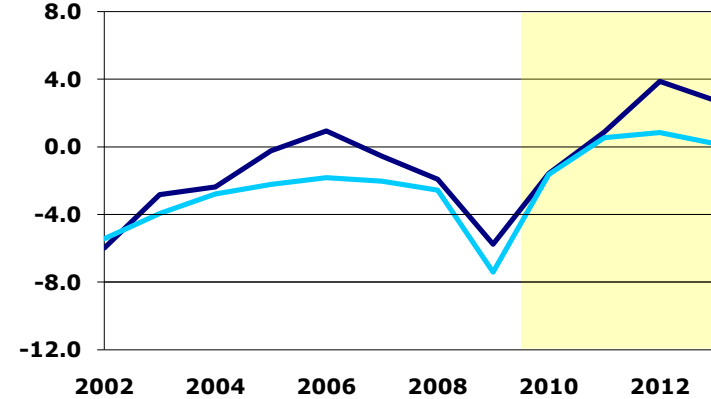
Source: WA State Employment Security Dept. 2009, ERFC 2013

Durable manufacturing employment



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

Nondurable manufacturing employment



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

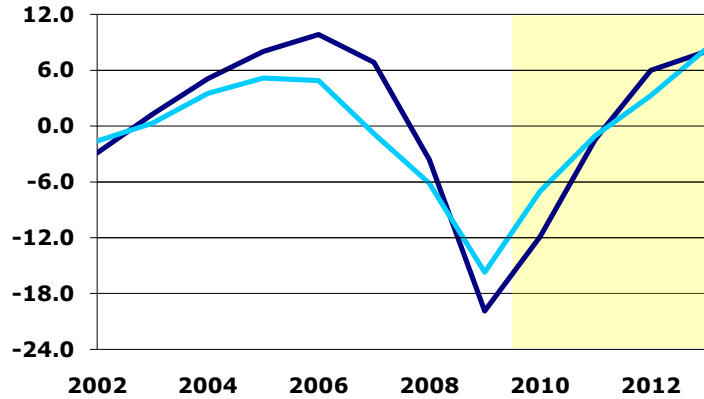
Washington

U.S.

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

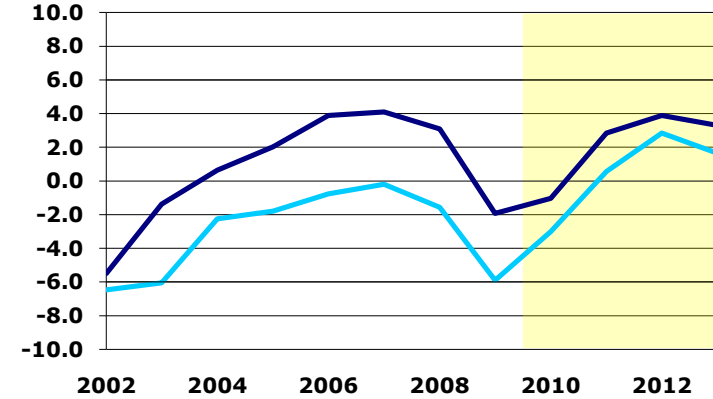
Forecast

Construction employment



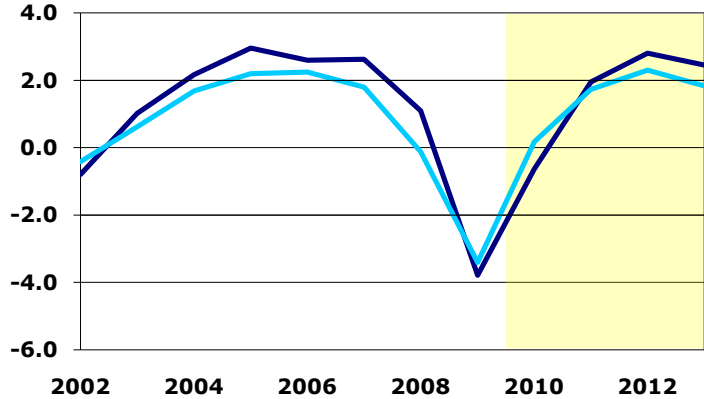
Source: WA State Employment Security Dept. 2009, ERFC 2013

Information employment



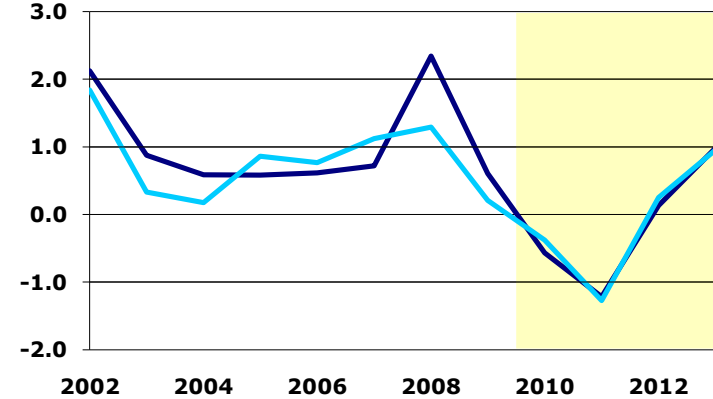
Source: WA State Employment Security Dept. 2009, ERFC 2013

Other private employment



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

Government employment



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

Washington

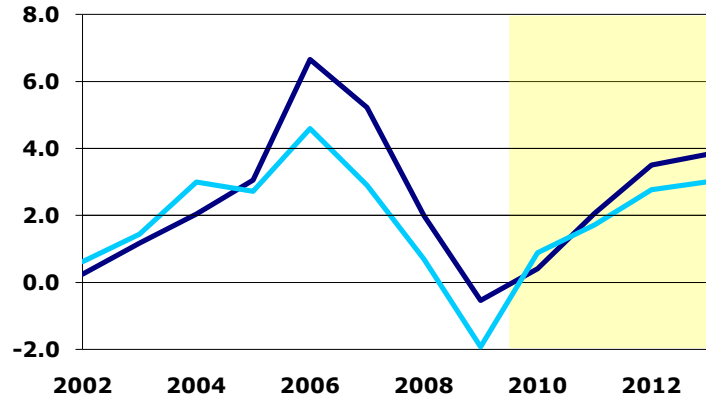
U.S.

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

(Percent change)

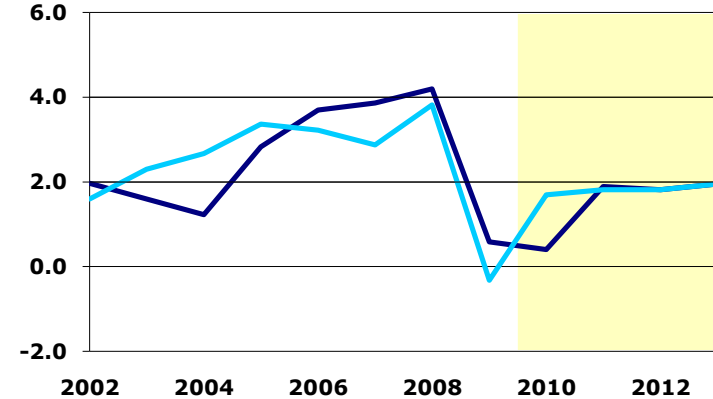
Forecast

Real personal income



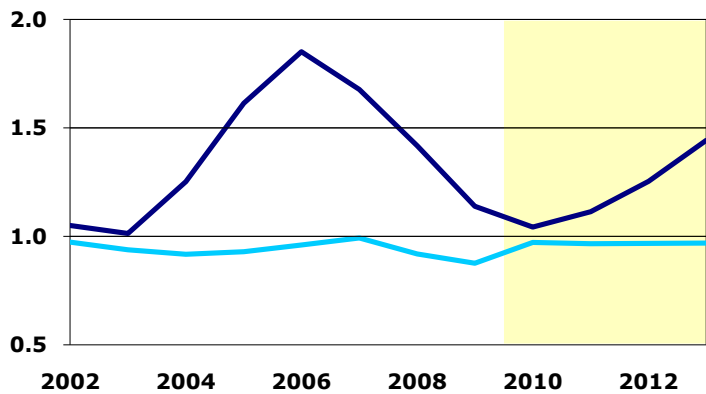
Source: Bureau of Economic Analysis 2009, ERFC 2013

Consumer price indices



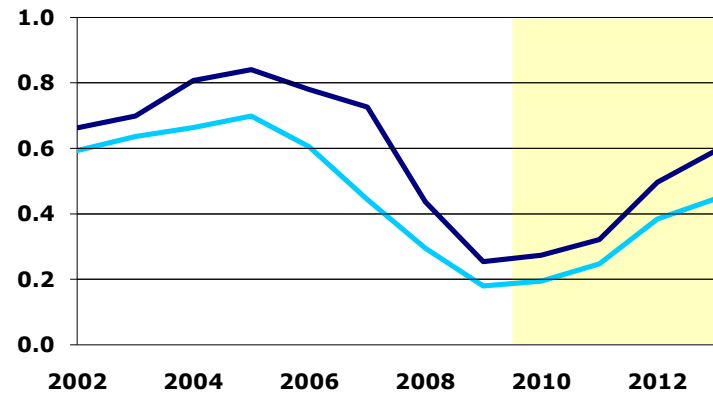
Source: Bureau of Labor Statistics 2009, ERFC 2013

Population



Source: Office of Financial Management 2009, ERFC 2013

Per capita housing units



Source: Census Bureau 2009, ERFC 2013

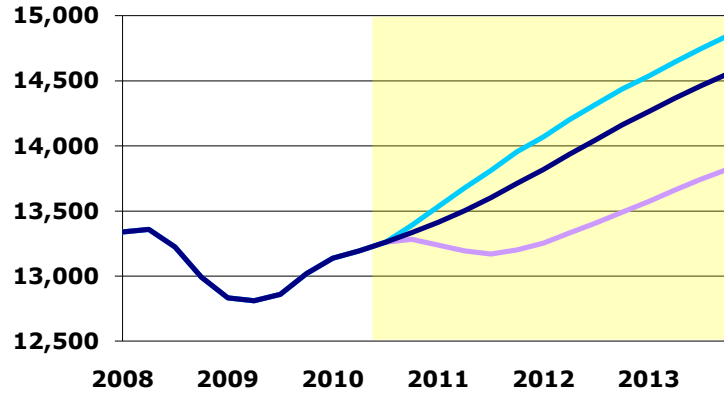
Washington

U.S.

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

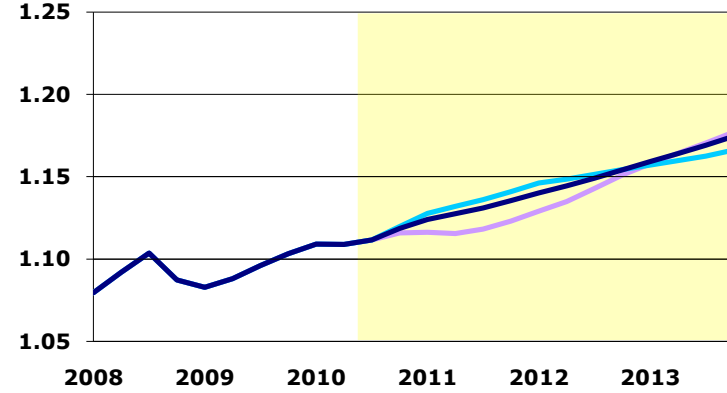
Forecast

Real GDP, billions of chained 2005 dollars



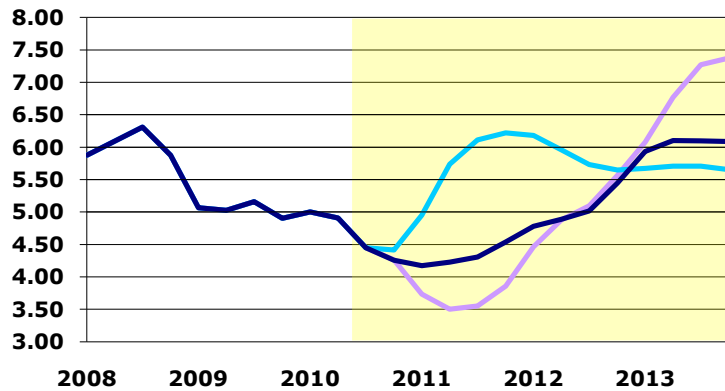
Source: Bureau of Economic Analysis 2010 Q2, ERFC 2013

Implicit price deflator, index 2005 = 1.0



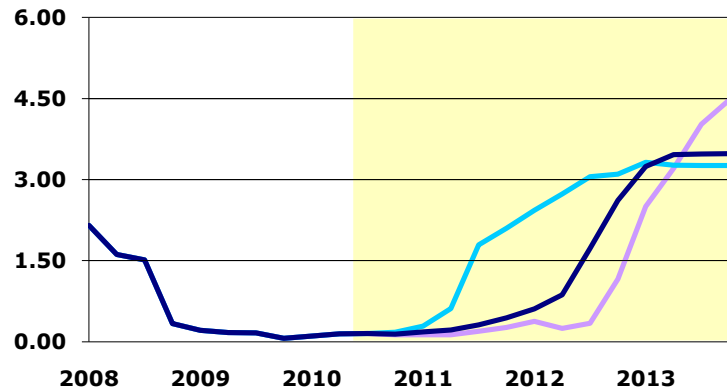
Source: Bureau of Economic Analysis 2010 Q2, ERFC 2013

Mortgage rate, percent



Source: Freddie Mac 2010 Q2, ERFC 2013

Three month T-bill rate, percent



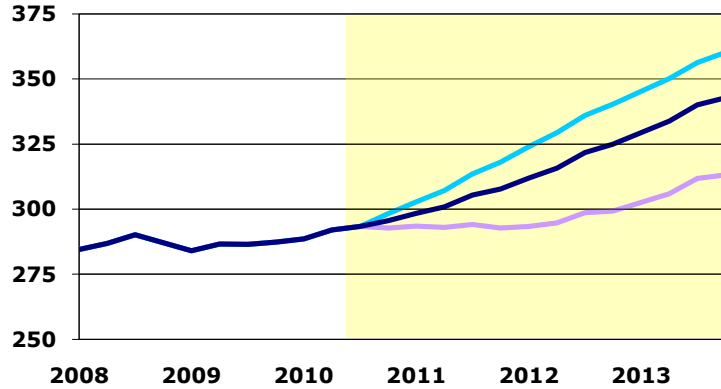
Source: Federal Reserve Board 2010 Q2, ERFC 2013

■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts

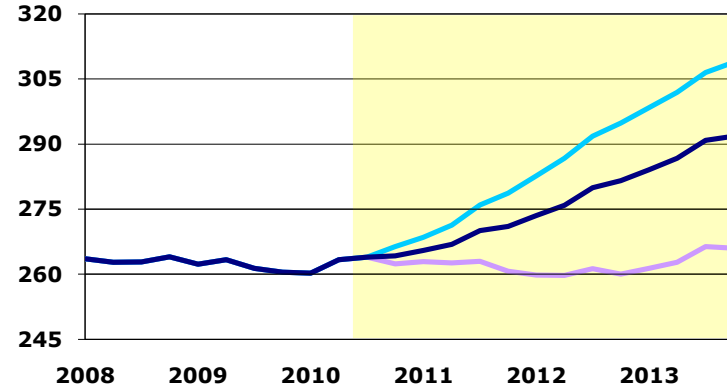
Forecast

Personal income, billions of dollars



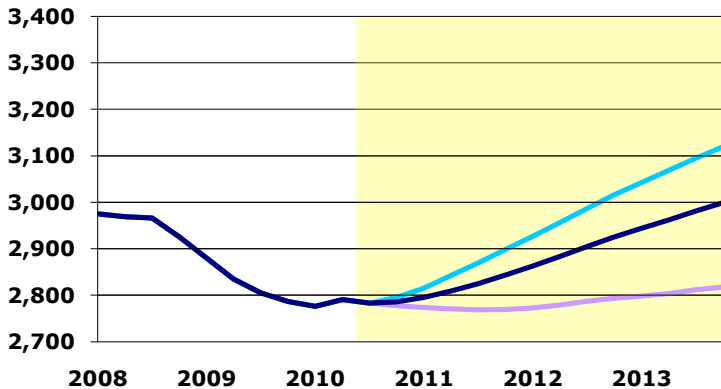
Source: Bureau of Economic Analysis 2008 Q4, ERFC 2013

Real personal income, billions of chained 2005 dollars



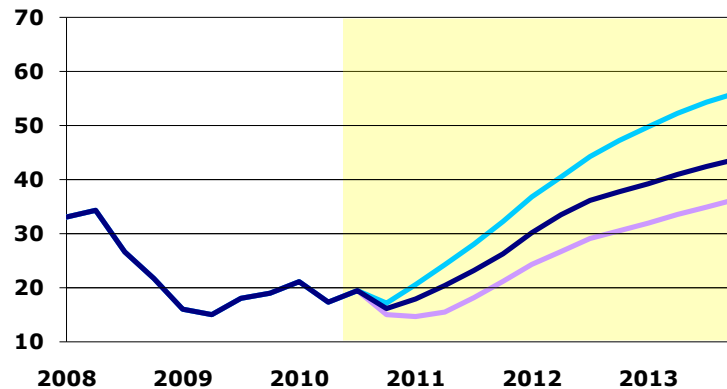
Source: Bureau of Economic Analysis 2008 Q4, ERFC 2013

Total nonfarm payroll employment, thousands



Source: WA State Employment Security 2010 Q2, ERFC 2013

Housing permits, thousands



Source: Census Bureau 2010 Q2, ERFC 2013

■ Baseline ■ Optimistic ■ Pessimistic

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Chapter 3: Washington State Revenue Forecast Summary

- **Based on the economic forecast, the revenue forecast predicts slower revenue growth in both the current biennium and the next.**
- **Although seasonally-adjusted revenues have stopped falling and are now trending upward, they are doing so at a slower pace than previously forecasted.**
- **While cumulative General Fund-State revenues through November 10th were slightly higher than forecasted in September, the positive variance was mainly due to non-economic factors.**
- **The General Fund-State forecast has been reduced by \$385 million in the 2009-11 biennium and \$809 million in the 2011-13 biennium.**
- **We are at a state in the revenue recovery where the revenue forecast is very sensitive to small changes in the economic forecast.**

Overview

Despite a positive variance in revenue, slower-than-forecasted growth in crucial revenue sources necessitated forecast reductions

In the two months since the September forecast, total collections of General Fund-State (GF-S) revenue came in \$20.8 million (1.0%) higher than forecasted. As described below, however, the positive variance came from revenue sources unrelated to the underlying economic activity. Crucially, cumulative Revenue Act receipts (retail sales, use, business and occupation, tobacco products and public utility taxes), the main source of GF-S revenue, were \$9.7 million (0.5%) below the forecast and their rate of growth at the end of the period was well short of projections. The shortfall indicated that the period of sustained growth that was forecasted to begin between the forecasts had not yet materialized. Cumulative real estate excise taxes, another major contributor to GF-S revenue, also fell short of the forecast by 4.2%, indicating the recovery in the housing sector was also falling behind. Despite the positive revenue variance, it became evident that the delay in the start of the recovery would result in a substantial reduction in forecasted revenue for the current biennium and the next.

A forecasted later start to sustained economic growth is the main reason for lower projected revenue

Table 3.1 summarizes the change in forecasted revenues for the 2009-11 and 2011-13 biennia. By the time of the November forecast, revenues for the 2009-11 biennium were \$20.8 million above their forecasted value. Weaker forecasted revenue growth due to the delayed recovery subtracted \$342.7 million in collections for the remainder of the current biennium and \$591.4 million in the next biennium. Initiative 1107, which reversed several tax law changes enacted by the 2010 legislature (described below), reduced the forecast further by \$63.5 million in the 2009-11 biennium and \$217.6 million in the 2011-13 biennium. The net forecast reductions for GF-S revenue are \$385.4 million in the 2009-11 biennium and \$809.0 million in the 2011-13 biennium.

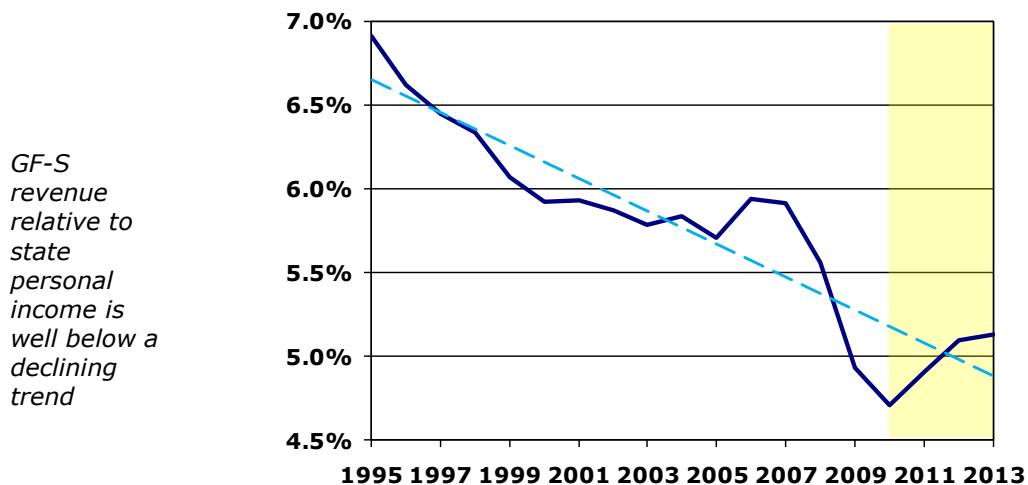
Table 3.1: Revisions to the General Fund-State forecast (cash basis, millions of dollars)

		2009-11 Biennium	2011-13 Biennium	Total*
<i>GF-S forecast (\$millions):</i>	Collection Experience	\$20.8	NA	\$20.8
	Non-Economic Change	(\$63.5)	(\$217.6)	(\$281.0)
<i>2009-11: \$28,127</i>	Forecast Change	<u>(\$342.7)</u>	<u>(\$591.4)</u>	<u>(\$934.1)</u>
<i>2011-13: \$32,605</i>	Total Change	(\$385.4)	(\$809.0)	(\$1,194.4)

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

With the revisions above, GF-S revenue for the 2009-11 biennium is forecasted to total \$28,127.1 million and GF-S revenue for the 2011-13 biennium is forecasted to total \$32,605.2 million.

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



Source: ERFC, data through fiscal year 2010

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

As can be seen in Figure 3.1, the amount of GF-S revenue that is collected relative to state personal income has been on a persistent downward trend since 1995 (the first year that a series consistent with the current definition of GF-S revenue can be created). The increase in real estate excise taxes and retail sales taxes on construction materials during the housing boom from 2005 to mid-2008 caused collections to rise above this trend, while the subsequent bust caused collections to fall below the trend. The November forecast, as shown in the yellow shaded area, temporarily increases the ratio of collections to income due to the forecasted economic recovery and the portions of the revenue-enhancing legislation passed in the 2010 session that were not reversed by Initiative 1107. Nevertheless, the ratio is still far lower than the ratios for fiscal years 1995 through 2008.

Forecast details are at the end of the chapter

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

The Forecast Procedure and Assumptions

ERFC forecasting structure and schedule

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

Forecast Procedure

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

Recent Collection Experience

The cumulative total variance since the September forecast was positive \$20.8 million

Cumulatively, Revenue Act receipts from September 11 through November 10, 2010 were \$9.7 million (0.5%) below the value forecasted in September (see Table 3.2). Revenue from other Department of Revenue tax sources was \$30.4 million (13.3%) higher than expected. Most of the positive variance in non-Revenue Act collections was due to \$10.9 million in earlier-than-expected payments of fall property taxes and \$10.7 million in greater-than-forecasted transfers of unclaimed property into the GF-S. This positive variance was partially offset by a negative variance of \$2.6 million in real estate excise tax.

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

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$9.7)	-0.5%
Non Revenue Act	\$30.4	13.3%
Subtotal	\$20.7	1.0%
Department of Licensing	\$0.2	33.6%
Administrative Office of the Courts	(\$0.1)	-0.6%
Total*	\$20.8	1.0%

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

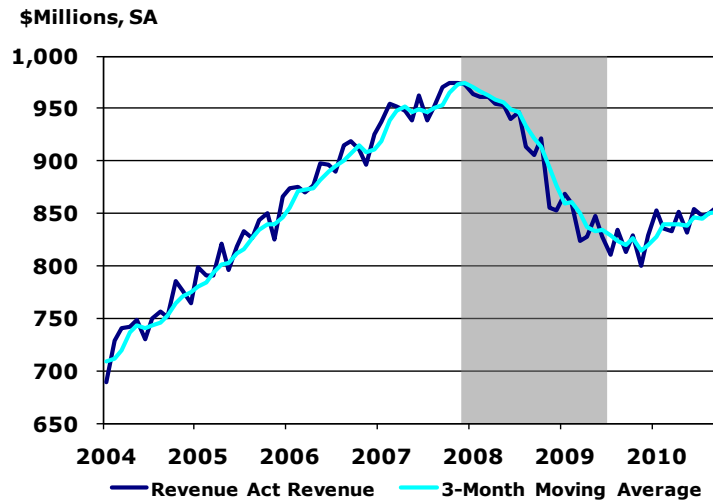
Liquor tax and cigarette tax receipts came in \$1.5 million and \$0.9 million above the forecast respectively. Cumulative revenue from the Department of Licensing was \$0.2 million (33.6%) higher than forecasted in September and revenue from the Administrative Office of the Courts, which began to be deposited in the GF-S on July 1, 2009 (formerly part of the Public Safety and Education Account) was \$98,000 (0.6%) lower than forecasted. The cumulative total variance of the above sources was \$20.8 million (1.0%).

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

As shown in Figure 3.2, on a seasonally adjusted basis, Revenue Act collections have been on an upward trend since November 2009. In the October 11 - November 10, 2010 collection period, Revenue Act collections increased 5.5% year-over-year after adjusting for one-time payments and the FY 10 change in the definition of Revenue Act taxes. Adjusted collections have now shown year-over-year growth in six out of the last seven collection periods. Adjusted collections in the August 11 - November 10, 2010 period, which primarily reflected third quarter 2010 activity, were up 3.8% year-over-year. Second quarter activity (May 11 - August 10, 2010 adjusted collections) was up 1.3% year-over-year, while adjusted collections reflecting first quarter activity showed a 1.1% decline.

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

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



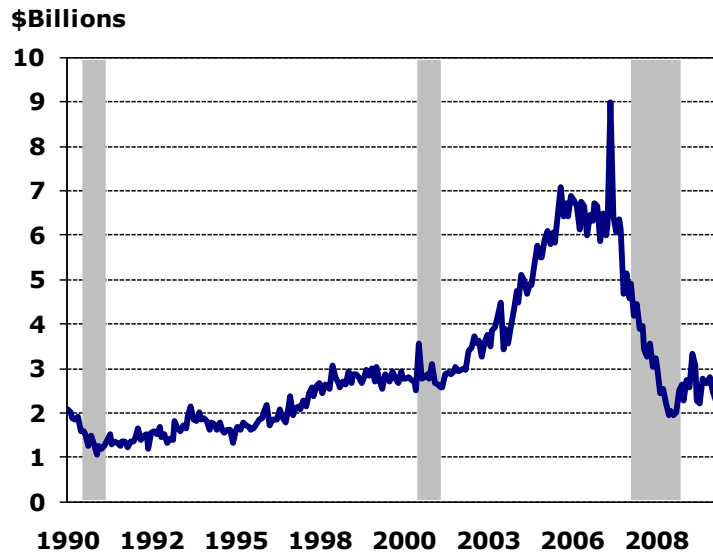
Source: ERFC; Data through November 10, 2010

Federal tax credits for homebuyers increased sales and prices from the fall of 2009 through early summer 2010

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

Figure 3.3: Taxable Real Estate Excise Activity, SA

The increase in real estate activity from federal tax incentives appears to be over



Source: ERFC; data through October 2010

Recent EFT Payments by Industry

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

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

the most recent collection period can be compared to the year-ago payments by the same taxpayers.

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

Electronic tax returns from the October 11 – November 10, 2010 period mainly represent September taxable activity for monthly taxpayers and third quarter activity for quarterly taxpayers. For the eighth consecutive collection period, payments from electronic filers who also filed electronically last year were higher than their levels a year ago. Total payments were up 3.6% year-over-year. Total tax payments from businesses in the retail trade sector were up 7.1% year-over-year. Nine out of the twelve major retail trade sectors showed year-over-year growth in payments. The largest year-over-year increases in tax payments from the retail trade sector were in nonstore retailers (+18.9%), motor vehicles and parts (+14.7%), apparel and accessories (+8.9%), gas stations and convenience stores (+7.7%) and general merchandise stores (+6.9%). The three decreasing sectors were building materials and garden equipment (-2.3%), sporting goods, toys, books and music (-1.2%) and furniture and home furnishings (-0.8%). Total payments from sectors other than retail trade increased 1.6%. Tax payments in the construction sector were down 9.5% year-over-year, while payments in the manufacturing sector were up 1.7% year-over-year. Excluding both the manufacturing and construction sectors, payments from non-retail trade sectors were up 5.0%. The number of increasing non-retail sectors outnumbered declining sectors eleven to five.

Effects of Initiative 1107

Biennial revenue reductions due to I-1107 (millions):

*09-11: \$63.5
11-13: \$217.6*

As discussed in the June Washington State Economic and Revenue Forecast publication, the 2010 legislature passed a number of revenue-enhancing measures. Initiative 1107, which was approved by voters in the November 2, 2010 election, reversed several of the measures. Elimination of the two-cent-per-can tax on carbonated beverages reduced forecasted 2009-11 biennial revenues by \$23.1 million and 2011-13 revenue by \$82.6 million. The net result of making candy, gum, and bottled water once again exempt from retail sales taxes was a forecast reduction of 2009-11 biennial retail sales tax revenue by \$38.5 million and 2011-13 revenue by \$126.7 million. Re-establishing a preferential B&O tax rate for certain processors of perishable foods reduced forecasted 2009-11 biennial B&O tax revenue by \$1.9 million and 2011-13 revenue by \$8.2 million. The total effects of the initiative are a reduction of forecasted 2009-11 biennial retail revenues by \$63.5 million and 2011-13 revenues by \$217.6 million.

Department of Revenue

Taxes collected by DOR are most of GF-S taxes

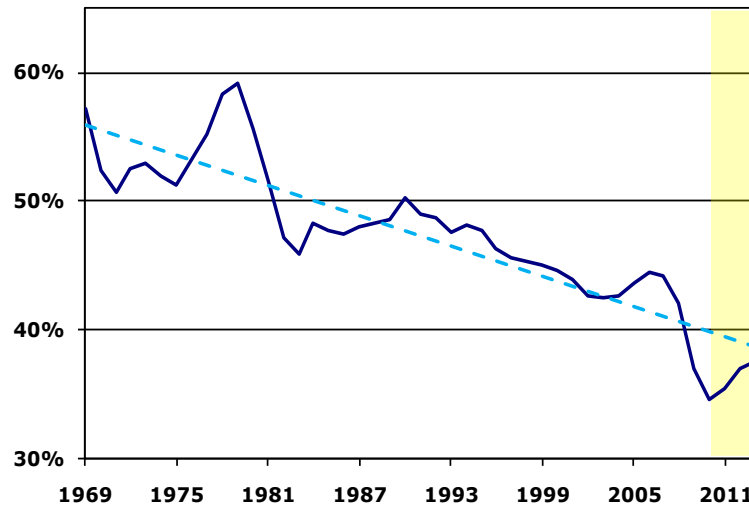
The Department of Revenue (DOR) collects and administers the majority of Washington's GF-S revenue, accounting for 97% of total GF-S revenue in the 2007-09 biennium. The largest tax sources administered by the DOR are the retail sales tax, business and occupation tax, property tax, use tax, and real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

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

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

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

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



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

Source: ERFC; forecast through FY 2013

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

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

...and auto sales

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

Retail sales tax receipt growth forecast:

*FY11: 4.4%
FY12: 9.8%
FY13: 7.3%*

On a seasonally adjusted basis, taxable sales showed a quarter-to-quarter increase of 0.8% in the first quarter of 2010, the first such increase since the fourth quarter of 2007. In the second quarter, however, sales declined 0.8% quarter-to-quarter as the economic recovery took an unexpected pause, as described in our September forecast publication. Preliminary data indicate growth resumed in the third quarter, but at a lower rate than forecasted in September. The projected growth rates for the remainder of the fiscal year have been revised downward as well, due to both a slower-than-expected recovery of the economy and retail sales and the effects of Initiative 1107. This has lowered our forecast of FY 2011 taxable activity growth from 8.7% to 5.1% (see Table 3.4). Growth in FY 2012 will be boosted by recovery in taxable activity in the construction sector, which is expected to start in the third quarter of 2011. Coupled with the forecasted recovery in auto sales, which has already begun, growth is forecasted at 9.1%, down slightly from September's forecast of 9.7%. The decrease means that taxable sales are now not forecasted to surpass their FY 2008 level until FY 2013. The shift of some of the recovery in construction activity to FY 2013 has increased its forecasted growth rate to 7.3% from September's forecast of 6.5%. Taking into account the lag between taxable activity and collections and factoring in actual and forecasted tax deferrals, credits, and refunds, actual retail sales tax collections are forecasted to grow by 4.4% in FY 2011, 9.8% in FY 2012 and 7.3% in FY 2013. In September, sales taxes were forecasted to grow by 8.3% in FY 2011, 9.3% in FY 2012 and 7.4% in FY 2013. Retail sales tax collections declined by 10.8% in FY 2009 and 6.6% in FY 2010.

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

The business and occupation (B&O) tax is the second largest source of GF-S revenue, accounting for 19.0% of GF-S revenue in FY 2010. It is a tax on the gross receipts of all businesses operating in Washington. The state portion of the tax applies ten different rates according to various classifications of business activities. In FY 2010, the largest contributor to total state B&O tax was the services sector, which had a gross tax rate of 1.5% (1.8% effective May 2010) and represented an estimated 42% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented 24% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented 19% of taxes due.

B&O tax growth forecast:

*FY10: 0.6%
FY11: 17.5%
FY12: 12.6%
FY13: 7.3%*

Due mainly to new revenue from an increase of the B&O services tax from 1.5% to 1.8% and other legislative changes described in the June Washington State Economic and Revenue Forecast publication, B&O tax collections are forecasted to grow by 17.5% in FY 2011. This is a reduction from September's forecasted growth rate of 20.9%, due to both slower forecasted growth and the effects of Initiative 1107. As much of the economic recovery is now expected to occur toward the latter part of FY 2011 and early FY 2012, forecasted FY 2012 growth has been increased to 12.6% from September's rate of 11.8%. Tax receipts are forecasted to grow at 7.3% in FY 2013, the same rate forecasted in September. B&O taxes decreased by 8.2% year-over-year in FY 2009 and increased 0.6% in FY 2010.

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

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

GF-S property tax growth forecast:

*FY11: 1.4%
FY12: 1.9%
FY13: 2.3%*

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 US Implicit Price Deflator in June of the year preceding the levy, unless a greater increase is approved by the voters. The year-to-year growth in the total amount levied, however, can exceed the aforementioned limits due to the value of new construction, property improvements, and other additions to real property assessed by the state. In practice, since the rate of inflation is typically more than 1%, the total levy on existing property has grown by only 1%, but in June 2009 the rate of inflation was -0.85%. This caused the levy on existing property to decrease by that amount for calendar year

2010, affecting receipts for both FY 2010 and FY 2011. Property tax receipts are forecasted to grow by 1.4% in FY 2011, the same as forecasted in September, but the forecasts for FY 2012 and 2013 have been lowered to 1.9% and 2.3% respectively due to forecasted slower growth in the value of new construction. In September, property taxes were forecasted to increase by 2.4% in FY 2012 and 2.4% in FY 2013. GF-S property tax receipts increased by 2.7% year-over-year in FY 2009.

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

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

Use tax growth forecast:

*FY11: 11.7%
FY12: 9.1%
FY13: 8.3%*

Use tax receipts for FY 2010 were 8.0% below their FY 2009 level. The forecasted growth rate for FY 2011 has been decreased from 16.1% to 11.7%. Much of the reason for the forecasted steep rise in FY 2011 is a projected increase of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. Used vehicle sales exhibit sharp declines and increases during times of downturn and recovery. Such sales were responsible for much of the 10.0% decline in FY 2009 taxes as well as the decrease in FY 2010. Use tax receipts are forecasted to grow by 9.1% in FY 2012 and 8.3% in FY 2013, supported by both auto sales and recovery in the construction industry. In September, use tax receipts were forecasted to increase 9.2% in FY 2012 and 5.9% in FY 2013.

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

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

REET growth forecast:

*FY11: 6.3%
FY12: 24.9%
FY13: 5.4%*

Due to the negative forecast variance mentioned above and the diminished outlook for the housing sector, REET collections in FY 2011 are now expected to grow at a 6.3% rate, down from the 10.4% growth forecasted in September. Taxable activity is expected to improve in FY 2012, with an expected growth rate of 24.9%. The high FY 2012 growth rate does not represent a strong recovery in the real estate market, but instead a return to an activity rate approaching normalcy after declines of 38.0% in FY 2008, 41.3% in FY 2009 and 2.4% in FY 2010. Even with the forecasted growth, expected FY 2012 receipts are below the receipts of FY 2004. Growth is forecasted to slow to 5.4% in FY 2013. In September, REET receipts were forecasted to increase by 25.1% in FY 2012 and 5.2% in FY 2013.

Department of Licensing

*Forecast
change by
biennium
(millions):*

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

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. The department's forecast for the 2009-11 biennium has been increased \$0.1 million to \$34.1 million and its forecast for the 2011-13 biennium has been increased \$0.1 million to \$37.1 million.

The Office of Financial Management (Other Agencies)

*Forecast
change by
biennium
(millions):*

09-11: -\$5.6
11-13: \$0.9

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, the Washington State Lottery, and the State Treasurer. The office's forecast for the 2009-11 biennium has been decreased \$5.6 million to \$204.2 million due to final accounting adjustments to FY 2010 revenue and its forecast for the 2011-13 biennium has been increased \$0.9 million to \$195.1 million.

State Treasurer

*Forecast
change by
biennium
(millions):*

09-11: \$0.2
11-13: -\$6.6

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2009-11 biennium has been increased \$0.2 million to negative \$10.9 million. The forecasted earnings for the biennium are negative because the forecasted daily balance of the GF-S for the biennium is now negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office. The office's forecast for the 2011-13 biennium has been reduced \$6.6 million to \$4.7 million due to a decrease in forecasted interest rates.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

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

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

Liquor Control Board

*Forecast
change by
biennium
(millions):*

09-11: \$0.0

11-13: \$0.0

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

Lottery Commission

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

*Forecast
change by
biennium
(millions):*

09-11: \$0.0

11-13: \$0.0

The disposition of proceeds from the state lottery was substantially changed by E2SSB 6409 in the 2010 legislative session. Prior to the passage of the bill, the Lottery Commission transferred the bulk of its net proceeds to the School Construction Account, and any proceeds remaining after that account and the Stadium, Exhibition Center, Problem Gambling and Economic Development accounts received their allotments was transferred to the GF-S. Under the new legislation, existing obligations to the Stadium/Exhibition Center, Problem Gambling and Economic Development accounts will be maintained, but the remaining revenue, which represents the bulk of the proceeds, will be transferred entirely to the Washington Opportunity Pathways Account, with no transfers to the GF-S. Budget legislation from the 2008 legislative sessions did, however, authorize separate transfers of unclaimed prize revenue to the GF-S for the 2009-11 biennium, which will continue. The forecast of these transfers is unchanged at \$20.1 million. There will be no revenue transfers to the GF-S in the 2011-13 biennium. The School Construction Account is forecasted to receive \$105.0 million during the current biennium, representing FY 2010 proceeds, and the Opportunity Pathways Account is forecasted to receive \$87.5 million, representing FY 2011 proceeds. The Opportunity Pathways Account is forecasted to receive \$218.0 million in the 2011-13 biennium. Details of the forecast of the distribution of Lottery earnings can be found in Table 3.15.

Administrative Office of the Courts

*Forecast
change by
biennium
(millions):*

09-11: $-\$0.8$

11-13: $-\$1.4$

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties to fund the Public Safety and Education Account (PSEA) and the Equal Justice sub account. Under ESSB 5073, the revenue and activities of these accounts have been consolidated into the GF-S starting July 1, 2009. The forecast of these funds for the 2009-11 biennium has been decreased \$0.8 million to \$199.6 million

and the forecast for the 2011-13 biennium has been decreased \$5.7 million to \$208.0 million.

Track Record for the 2009-11 Biennium

The November 2010 forecast for the 2009-11 biennium is \$6.03 billion (17.7%) lower than the initial forecast in February 2008

Table 3.10 summarizes the changes to the GF-S revenue forecast for the 2009-11 biennium. The values of the previous forecasts have been adjusted to reflect the new definition of GF-S under ESSB 5073 (these values were previously classified as "GF-S and Related Funds"). The initial forecast for the biennium was released in February 2008. The November forecast for the 2009-11 biennium is \$6.03 billion (17.7%) lower than the initial forecast. Non-economic changes (excluding the classification changes from ESSB 5073) have increased the forecast by \$693 million (2.0%). Excluding non-economic changes, the current forecast is \$6.72 billion (19.7%) lower than the initial forecast. The November forecast is \$2.00 billion (6.6%) lower than the March 2009 forecast, which was the basis for the initial 2009-11 budget.

Track Record for the 2011-13 Biennium

The November forecast for the 2011-13 biennium is \$381 million (1.2%) higher than the February 2010 forecast

Table 3.11 summarizes the changes to the GF-S revenue forecast for the 2011-13 biennium. The February 2010 forecast was the initial forecast for the biennium. The November forecast for the 2009-11 biennium is \$381 million (1.2%) higher than the initial forecast. Non-economic changes have increased the forecast by \$1.43 billion (4.4%). Excluding non-economic changes, the current forecast is \$1.05 billion (3.3%) lower than the initial forecast.

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

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

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GF-S revenue forecast on both a cash and GAAP basis. The GAAP forecasts of GF-S revenue for the 2009-11 and 2011-13 biennia are presented in Tables 3.6 and 3.8 respectively. The primary difference between the cash and GAAP forecasts is the timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for

financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GF-S forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.6 and 3.8 are on a cash basis.

Budgetary Balance Sheets for the 2009-11 Biennium

The forecast implies an ending GF-S deficit of \$902 million at the end of the 2009-11 biennium, but this figure does not account for spending cuts enacted by the governor

Table 3.12 shows the budgetary balance sheet for the 2009-11 biennium as prepared by the Office of Financial Management and the House and Senate fiscal committees. With adoption of the November 2010 forecast, the GF-S is projected to have a \$901.6 deficit at the end of the 2009-11 biennium. This number, however, is based on a total expenditures level of \$30,465.2 million as established in the 2010 legislative session and does not include the approximately \$500 million in across-the-board cuts ordered by the governor after the September forecast. The total ending balance is comprised of a projected ending GF-S deficit of \$898.8 million and a projected \$2.8 million deficit in the Budget Stabilization Account. The projected deficit in the Budget Stabilization Account deficit is the result of the amount of transfer to the GF-S that was authorized by the 2010 legislature. This number will be modified by the legislature before the end of the fiscal year to eliminate any deficit. By law, the total deficit must also be eliminated by June 30, 2011 by either across-the-board spending cuts by the Governor, legislative action, or both.

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

Optimistic scenario:

*2009-11:
+\$0.3 billion*

*2011-13:
+\$2.4 billion*

Pessimistic scenario:

*2009-11:
-\$0.3 billion*

*2011-13:
-\$2.6 billion*

Chapter 2 outlines optimistic and pessimistic alternatives to the baseline Washington economic forecast. The revenue implications of these alternative scenarios are shown in Table 3.13 for the 2009-11 biennium and Table 3.14 for the 2011-13 biennium. The optimistic forecast for the 2009-11 biennium generates \$28,394 million in revenue, \$267 million more than the baseline scenario, while the pessimistic forecast produces \$27,822 million in revenue, \$305 million less than the baseline. The forecast assigns a probability of 75% to the baseline forecast, 10% to the optimistic forecast and 15% to the pessimistic forecast. The optimistic forecast for the 2011-13 biennium generates \$34,992 million in revenue, \$2,387 million more than the baseline scenario, while the pessimist forecast produces \$29,978 million in revenue, \$2,627 million less than the baseline. The forecast also assigns a probability of 75% to the baseline forecast, 10% to the optimistic forecast and 15% to the pessimistic forecast.

*GCEA
scenario:*

*2009-11:
-\$20 million*

*2011-13:
-\$0.2 billion*

In addition to the official optimistic and pessimistic alternatives, the Economic and Revenue Forecast Council routinely prepares a third alternative forecast. This is prepared by using a scenario developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA) as described in Chapter 2. The GCEA alternative revenue forecast was \$20 million less than the baseline scenario for the 2009-11 biennium and \$197 million less than the baseline scenario for the 2011-13 biennium.

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

*Near General
Fund
forecast:*

*2009-11:
\$28,463.3
million*

*2011-13:
\$32,999.8
million*

"Near General Fund" accounts are those included in the GF-S plus the Education Legacy Trust Account. The forecast for the Education Legacy Trust account for the 2009-11 biennium has been decreased \$4.2 million to \$336.2 million. This brings the Near General Fund forecast for the biennium to \$28,463.3 million. The forecast of Education Legacy Trust Account revenue for the 2011-13 biennium has been increased \$7.0 million to \$394.6 million, for a total Near General Fund forecast of \$32,999.8 million.

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

Biennium	Current Dollars	Percent Change	2005 Chained Dollars	Percent Change
1961-63	\$817.1		\$4,300.0	
1963-65	866.2	6.0%	4,439.3	3.2%
1965-67	1,128.6	30.3%	5,565.5	25.4%
1967-69	1,440.5	27.6%	6,658.6	19.6%
1969-71	1,732.7	20.3%	7,324.5	10.0%
1971-73	1,922.1	10.9%	7,517.5	2.6%
1973-75	2,372.4	23.4%	8,015.4	6.6%
1975-77	3,395.0	43.1%	9,977.1	24.5%
1977-79	4,490.0	32.3%	11,583.4	16.1%
1979-81	5,356.4	19.3%	11,500.8	-0.7%
1981-83	6,801.4	27.0%	12,722.0	10.6%
1983-85	8,202.4	20.6%	14,157.7	11.3%
1985-87	9,574.6	16.7%	15,577.2	10.0%
1987-89	10,934.1	14.2%	16,513.6	6.0%
1989-91	13,309.0	21.7%	18,481.9	11.9%
1991-93	14,862.2	11.7%	19,334.5	4.6%
1993-95	16,564.6	11.5%	20,630.3	6.7%
1995-97	17,637.7	6.5%	21,047.7	2.0%
1997-99	19,620.1	11.2%	22,737.1	8.0%
1999-01	21,262.1	8.4%	23,692.8	4.2%
2001-03	21,140.7	-0.6%	22,776.9	-3.9%
2003-05	23,388.5	10.6%	24,094.0	5.8%
2005-07	27,772.0	18.7%	27,017.5	12.1%
2007-09	27,703.0	-0.2%	25,589.5	-5.3%
2009-11 ^F	28,127.1	1.5%	25,286.5	-1.2%
2011-13 ^F	32,605.2	15.9%	28,656.5	13.3%

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

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

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

Table 3.4
Taxable retail sales*
(millions of dollars)

Fiscal Year	Amount	Percent Change
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008	118,676	2.7%
2009	106,379	-10.4%
2010	99,983	-6.0%
2011 ^F	105,077	5.1%
2012 ^F	114,634	9.1%
2013 ^F	122,970	7.3%

^F Forecast

Source: ERFC

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

Table 3.5

Comparison of the General Fund-State forecast by agency

2009-11 biennium; cash basis

(millions of dollars)

Forecast by Agency	Sept. 2010 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2010 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,364.2	(\$38.5)	(\$206.9)	\$13,118.8	(\$245.4)
Business & Occupation Use	5,686.1	(1.9)	(85.6)	5,598.5	(87.5)
Public Utility	914.7	0.0	(18.7)	896.0	(18.7)
Liquor Sales/Liter	735.3	0.0	2.1	737.4	2.1
Cigarette	399.3	0.0	(0.0)	399.3	(0.0)
Property (State Levy)	667.4	0.0	0.8	668.2	0.8
Real Estate Excise	3,639.4	0.0	0.8	3,640.2	0.8
Timber Excise	798.8	0.0	(15.6)	783.1	(15.6)
Other	7.6	0.0	0.0	7.6	0.0
Subtotal	842.5	(23.1)	7.3	826.7	(15.8)
	27,055.2	(63.5)	(315.8)	26,675.9	(379.3)
Department of Licensing					
Boat excise, licenses, fees & other	34.0	0.0	0.1	34.1	0.1
Insurance Commissioner					
Insurance Premiums	809.5	0.0	0.0	809.5	0.0
Liquor Control Board					
Liquor Profits and Fees	73.1	0.0	0.0	73.1	0.0
Beer & Wine Surtax	121.6	0.0	0.0	121.6	0.0
Lottery Commission					
Lottery Revenue	20.1	0.0	0.0	20.1	0.0
State Treasurer					
Interest Earnings	(11.1)	0.0	0.2	(10.9)	0.2
Office of Financial Management					
Other	209.7	0.0	(5.6)	204.2	(5.6)
Administrative Office of the Courts					
Fines and Forfeitures	200.4	0.0	(0.8)	199.6	(0.8)
Total General Fund-State *	\$28,512.5	(\$63.5)	(\$321.9)	\$28,127.1	(\$385.4)

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

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

*Detail may not add to totals because of rounding.

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

Table 3.6

Comparison of the General Fund-State forecast by agency2009-11 biennium; GAAP basis
(millions of dollars)

<u>Forecast by Agency</u>	Sept. 2010 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2010 Forecast²	Total Change
<i>Department of Revenue</i>					
Retail Sales	\$13,346.7	(\$38.5)	(\$236.8)	\$13,071.4	(\$275.3)
Business & Occupation Use	5,709.8	(1.9)	(56.8)	5,651.1	(58.7)
Public Utility	912.5	0.0	(17.6)	894.9	(17.6)
Liquor Sales/Liter	733.7	0.0	1.7	735.5	1.7
Cigarette	399.3	0.0	(0.0)	399.3	(0.0)
Property (State Levy)	666.5	0.0	0.8	667.3	0.8
Real Estate Excise	3,638.8	0.0	0.8	3,639.7	0.8
Timber Excise	798.2	0.0	(15.6)	782.6	(15.6)
Other	7.3	0.0	(0.0)	7.3	(0.0)
Subtotal	837.4	(23.1)	12.3	826.7	(10.8)
	27,050.3	(63.5)	(311.3)	26,675.6	(374.7)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	34.1	0.0	0.0	34.1	0.0
<i>Insurance Commissioner</i>					
Insurance Premiums	809.5	0.0	0.0	809.5	0.0
<i>Liquor Control Board</i>					
Liquor Profits and Fees	73.1	0.0	0.0	73.1	0.0
Beer & Wine Surtax	121.6	0.0	0.0	121.6	0.0
<i>Lottery Commission</i>					
Lottery Revenue	18.1	0.0	0.0	18.1	0.0
<i>State Treasurer</i>					
Interest Earnings	(13.3)	0.0	0.1	(13.2)	0.1
<i>Office of Financial Management</i>					
Other	209.7	0.0	(5.6)	204.2	(5.6)
<i>Administrative Office of the Courts</i>					
Fines and Forfeitures	200.4	0.0	(0.8)	199.6	(0.8)
<u>Total General Fund-State*</u>	\$28,503.4	(\$63.5)	(\$317.4)	\$28,122.5	(\$380.9)

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

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

*Detail may not add to totals because of rounding.

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

Table 3.7

Comparison of the General Fund-State forecast by agency

2011-13 biennium; cash basis

(millions of dollars)

Forecast by Agency	Sept. 2010 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2010 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,746.8	(\$126.7)	(\$360.4)	\$15,259.6	(\$487.1)
Business & Occupation Use	7,214.3	(8.2)	(143.8)	7,062.3	(151.9)
Public Utility	1,104.9	0.0	(30.7)	1,074.2	(30.7)
Liquor Sales/Liter	793.5	0.0	0.6	794.2	0.6
Cigarette	425.7	0.0	(0.0)	425.7	(0.0)
Property (State Levy)	704.1	0.0	3.7	707.8	3.7
Real Estate Excise	3,796.3	0.0	(16.7)	3,779.6	(16.7)
Timber Excise	1,076.1	0.0	(40.6)	1,035.6	(40.6)
Other	4.9	0.0	(0.4)	4.5	(0.4)
Subtotal	945.6	(82.6)	3.8	866.8	(78.8)
Department of Licensing					
Boat excise, licenses, fees & other	37.0	0.0	0.1	37.1	0.1
Insurance Commissioner					
Insurance Premiums	894.3	0.0	0.0	894.3	0.0
Liquor Control Board					
Liquor Profits and Fees	80.0	0.0	0.0	80.0	0.0
Beer & Wine Surtax	175.9	0.0	0.0	175.9	0.0
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	11.3	0.0	(6.6)	4.7	(6.6)
Office of Financial Management					
Other	194.2	0.0	0.9	195.1	0.9
Administrative Office of the Courts					
Fines and Forfeitures	209.4	0.0	(1.4)	208.0	(1.4)
Total General Fund-State *	\$33,414.2	(\$217.6)	(\$591.4)	\$32,605.2	(\$809.0)

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

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

*Detail may not add to totals because of rounding.

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

Table 3.8

Comparison of the General Fund-State forecast by agency

2011-13 biennium; GAAP basis

(millions of dollars)

Forecast by Agency	Sept. 2010 Forecast¹	Non- Economic Changes	Forecast Revision	Nov. 2010 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,726.8	(\$126.7)	(\$360.4)	\$15,239.6	(\$487.1)
Business & Occupation Use	7,194.3	(8.2)	(143.8)	7,042.3	(151.9)
Public Utility	1,084.9	0.0	(30.7)	1,054.2	(30.7)
Liquor Sales/Liter	794.1	0.0	0.6	794.8	0.6
Cigarette	425.7	0.0	(0.0)	425.7	(0.0)
Property (State Levy)	704.1	0.0	3.7	707.8	3.7
Real Estate Excise	3,796.3	0.0	(16.7)	3,779.6	(16.7)
Timber Excise	1,076.1	0.0	(40.6)	1,035.6	(40.6)
Other	4.6	0.0	(0.4)	4.1	(0.4)
Subtotal	946.0	(82.6)	3.8	867.2	(78.8)
	31,752.8	(217.6)	(584.4)	30,950.8	(802.0)
Department of Licensing					
Boat excise, licenses, fees & other	37.0	0.0	0.1	37.1	0.1
Insurance Commissioner					
Insurance Premiums	894.3	0.0	0.0	894.3	0.0
Liquor Control Board					
Liquor Profits and Fees	80.0	0.0	0.0	80.0	0.0
Beer & Wine Surtax	175.9	0.0	0.0	175.9	0.0
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	13.9	0.0	(7.2)	6.7	(7.2)
Office of Financial Management					
Other	194.2	0.0	0.9	195.1	0.9
Administrative Office of the Courts					
Fines and Forfeitures	209.4	0.0	(1.4)	208.0	(1.4)
Total General Fund-State *	\$33,357.5	(\$217.6)	(\$592.1)	\$32,547.9	(\$809.6)

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

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

*Detail may not add to totals because of rounding.

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

Table 3.9
November 2010 General Fund-State Forecast
2009-11 & 2011-13 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2009	2007-09 Biennium	Fiscal 2010	Fiscal 2011	2009-11 Biennium	Fiscal 2012	Fiscal 2013	2011-13 Biennium
State Taxes								
Retail sales***	\$6,870.2	\$14,575.4	\$6,416.7	\$6,702.2	\$13,118.8	\$7,359.5	\$7,900.1	\$15,259.6
Business & occupation [#]	2,558.2	5,344.5	2,573.7	3,024.8	5,598.5	3,407.0	3,655.3	7,062.3
Use***	460.0	971.2	423.2	472.8	896.0	515.7	558.5	1,074.2
Public Utility	373.7	741.5	358.4	378.9	737.4	388.2	405.9	794.2
Liquor sales/liter ^{##}	162.5	319.8	197.6	201.6	399.3	209.7	216.0	425.7
Beer & wine surtax ^{##}	2.4	4.5	35.1	86.5	121.6	87.4	88.5	175.9
Cigarette ^{##}	47.8	99.2	309.4	358.8	668.2	356.7	351.1	707.8
Tobacco products ^{##}	11.1	1.8	33.4	43.0	76.3	44.6	46.3	90.9
Property (state school levy)**	1,513.8	2,987.5	1,807.3	1,832.9	3,640.2	1,868.4	1,911.1	3,779.6
Public utility district	42.2	83.9	39.1	43.0	82.1	44.4	46.2	90.6
Real estate excise	389.1	1,052.4	379.6	403.5	783.1	504.1	531.5	1,035.6
Timber excise	5.4	12.7	3.8	3.8	7.6	2.6	1.9	4.5
Estate/inheritance	0.6	4.7	0.2	0.3	0.5	0.3	0.3	0.6
Boat excise	17.2	34.8	12.5	13.0	25.6	13.6	14.2	27.9
Insurance premiums ^{##}	252.7	513.2	396.6	412.9	809.5	436.5	457.7	894.3
Other ^{##}	221.4	481.8	247.9	276.2	524.1	270.0	279.3	549.3
Total Taxes	12,928.3	27,228.8	13,234.6	14,254.2	27,488.9	15,508.8	16,464.1	31,972.9
State Non-Tax Sources								
Licenses, permits, fees ^{##}	95.1	192.6	85.6	85.1	170.7	87.8	90.2	178.0
Liquor profits & fees	40.8	79.7	35.6	37.4	73.1	37.3	42.7	80.0
Earnings on investments ^{##}	58.8	175.4	1.8	(12.7)	(10.9)	(5.7)	10.4	4.7
Lottery transfers	11.1	11.1	12.9	7.2	20.1	0.0	0.0	0.0
Other revenue & transfers ^{###}	(45.0)	15.4	199.9	185.3	385.2	182.9	186.7	369.7
Total Non-Tax	160.8	474.1	335.9	302.3	638.2	302.4	330.0	632.4
Total General Fund-State *	\$13,089.1	\$27,703.0	\$13,570.5	\$14,556.6	\$28,127.1	\$15,811.2	\$16,794.1	\$32,605.2

a - Actual;

* Detail may not add to totals due to rounding

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

***GFS portion after Initiative 900 transfer

#Includes Hospital B&O for FY10-13

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

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

Table 3.10

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

February 2008 through November 2010

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis#</u>
February 2008##	\$32,443	\$1,715				\$34,158
Changes to Forecast						
June 2008	(85)	(28)	(112)	(46) #1	(158)	34,000
September 2008	(238)	(29)	(267)	0	(267)	33,733
November 2008	(1,376)	(77)	(1,453)	36 #2	(1,417)	32,316
March 2009	(2,030)	(94)	(2,124)	(61) #3	(2,185)	30,131
June 2009	(509)	(15)	(523)	226 #4	(297)	29,834
September 2009	(177)	(8)	(185)	(46) #5	(231)	29,603
November 2009	(752)	(8)	(760)	0	(760)	28,843
February 2010	9	23	32	(150) #6	(118)	28,725
June 2010	(192)	(52)	(245)	802 #7	558	29,282
September 2010	(742)	(23)	(765)	(5) #8	(770)	28,512
November 2010	(316)	(6)	(322)	(63) #9	(385)	28127
Total change***:						
From February 2008	(6,407)	(318)	(6,724)	693	(6,031)	
Percent change	(19.7)	(18.5)	(19.7)	2.0	(17.7)	

Table 3.11

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

February 2010 through November 2010

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis#</u>
February 2010###	\$30,658	\$1,566				\$32,224
Changes to Forecast						
June 2010	219	(21)	197	1661 #10	1858	34,083
September 2010	(610)	(48)	(659)	(10) #8	(669)	33,414
November 2010	(584)	(7)	(591)	(218) #9	(809)	32,605
Total change***:						
From February 2008	(976)	(76)	(1,053)	1,433	381	
Percent change	(3.2)	(4.9)	(3.3)	4.4	1.2	

* 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 2008 legislation and budget driven revenue.

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

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

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

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

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

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

#8 Reversal of DOR RTA administrative fee

#9 Effects of Initiative 1107

Table 3.12

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

RESOURCES	
Beginning Fund Balance	189.3
September 2010 Forecast	28,512.5
Initiative 1107 - "Reversing certain 2010 amendments to state tax laws"	(63.5)
November 2010 Update (excluding I-1107)	(321.9)
Current Revenue Totals	28,127.1
Transfer to Budget Stabilization Account	(249.8)
Transfer from Budget Stabilization Account	274.1
Other Enacted Fund Transfers	1,225.7
Total Resources (including beginning fund balance)	29,566.4
EXPENDITURES	
2009-11 Enacted Budget (including 2010 supplemental)	30,465.2
RESERVES	
Projected General Fund Ending Balance	(898.8)
Budget Stabilization Account Beginning Balance	21.4
Transfer from General Fund and Interest Earnings	249.9
Transfer to General Fund	(274.1)
Projected Budget Stabilization Account Ending Balance	(2.8)
Total Reserves (General Fund plus Budget Stabilization)	(901.6)

Table 3.13

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

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$13,259.3	\$13,118.8	\$12,960.0
Business & Occupation Use	5,651.4	5,598.5	5,533.9
Public Utility	741.9	737.4	732.2
Property (school levy)	3,645.1	3,640.2	3,637.8
Real Estate Excise	796.1	783.1	766.2
Other	1,910.5	1,901.8	1,883.0
Subtotal	26,913.5	26,675.9	26,393.7
Department of Licensing	34.6	34.1	33.6
Insurance Commissioner¹	819.8	809.5	799.1
Lottery Commission	20.1	20.1	20.1
State Treasurer - Interest earnings	(2.2)	(10.9)	(13.8)
Liquor Profits & Fees²	197.1	194.6	192.2
Office of Financial Management			
Other agencies	209.2	204.2	199.2
Administrative Office of the Courts			
Fines and Forfeitures	202.0	199.6	198.3
Total General Fund - State*	\$28,394.1	\$28,127.1	\$27,822.4
Difference from September 2010 Baseline	\$267.0		(\$304.6)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.14

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

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$16,615.5	\$15,259.6	\$13,809.6
Business & Occupation Use	7,604.1	7,062.3	6,441.9
Public Utility	1,175.7	1,074.2	961.1
Property (school levy)	840.9	794.2	744.9
Real Estate Excise	3,803.3	3,779.6	3,752.0
Other	1,259.8	1,035.6	891.5
Subtotal	2,024.4	2,004.7	1,858.8
Department of Licensing			
	38.2	37.1	36.0
Insurance Commissioner¹			
	916.6	894.3	871.9
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	29.2	4.7	(20.5)
Liquor Profits & Fees²			
	261.0	255.9	250.8
Office of Financial Management			
Other agencies	204.9	195.1	185.3
Administrative Office of the Courts			
Fines and Forfeitures	218.8	208.0	194.5
Total General Fund - State*	\$34,992.4	\$32,605.2	\$29,977.9
Difference from September 2010 Baseline	\$2,387.2		(\$2,627.4)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.15

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account
2004	113.3	0.0	4.0	7.3	76.5	25.5			0.0
2005	112.2	4.3	4.2	7.6	0.0	96.2			0.0
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7			0.0
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0
2011	123.4	7.2	5.3	9.6	0.0	9.4	0.3	4.2	87.5
2009-11 Biennium	249.8	20.1	10.4	18.8	0.0	105.0	0.5	7.6	87.5
2012	122.8	0.0	2.7	10.0	0.0	0.0	0.3	3.0	106.8
2013	124.8	0.0	0.0	10.4	0.0	0.0	0.3	3.0	111.2
2011-13 Biennium	247.6	0.0	2.7	20.4	0.0	0.0	0.5	6.0	218.0

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

Source: Lottery Commission

Table 3.16

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

November 2010 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund	
	Level	% Change	Level	% Change	Level	% Change
History:						
FY 1995	\$8,551		\$248		\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%
FY 2010*	\$13,571	3.7%	\$0	-100.0%	\$13,571	-4.1%
Forecast:						
FY 2011*	\$14,557	7.3%	\$0	0.0%	\$14,557	7.3%
FY 2012*	\$15,811	8.6%	\$0	0.0%	\$15,811	8.6%
FY 2013*	\$16,794	6.2%	\$0	0.0%	\$16,794	6.2%
Biennial Totals						
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%
09-11 Biennium	\$28,127	1.5%	\$0	-100.0%	\$28,127	-5.7%
11-13 Biennium	\$32,605	15.9%	\$0	0.0%	\$32,605	15.9%

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

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Detail Components of the Washington State Economic and Revenue Forecast

Calendar Years

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

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,976.3	13,228.9	13,228.9	12,880.6	13,231.9	13,557.3	13,991.2	14,410.9
% Ch	2.7	1.9	0.0	-2.6	2.7	2.5	3.2	3.0
Real Consumption	9,073.5	9,289.5	9,265.0	9,153.9	9,305.9	9,528.2	9,744.8	9,959.3
% Ch	2.9	2.4	-0.3	-1.2	1.7	2.4	2.3	2.2
Real Nonresidential Fixed Investment	1,453.9	1,552.0	1,556.6	1,290.8	1,362.6	1,451.7	1,563.6	1,690.3
% Ch	7.9	6.7	0.3	-17.1	5.6	6.5	7.7	8.1
Real Residential Fixed Investment	718.2	584.2	444.2	342.7	328.1	343.8	460.1	521.3
% Ch	-7.3	-18.7	-24.0	-22.9	-4.3	4.8	33.8	13.3
Real Personal Income	10,966.4	11,284.0	11,362.0	11,143.6	11,242.5	11,435.4	11,751.9	12,104.9
% Ch	4.6	2.9	0.7	-1.9	0.9	1.7	2.8	3.0
Real Per Capita Income (\$/Person)	36,624	37,316	37,232	36,200	36,168	36,437	37,086	37,834
% Ch	3.6	1.9	-0.2	-2.8	-0.1	0.7	1.8	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.056	1.091	1.093	1.112	1.129	1.147	1.167
% Ch	2.7	2.7	3.3	0.2	1.8	1.6	1.5	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.016	2.073	2.152	2.145	2.182	2.221	2.262	2.306
% Ch	3.2	2.9	3.8	-0.3	1.7	1.8	1.8	2.0
Employment Cost Index (Dec. 2005=1.0)	1.020	1.055	1.087	1.104	1.121	1.142	1.164	1.190
% Ch	2.9	3.4	3.0	1.5	1.6	1.8	1.9	2.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,398.9	14,061.8	14,369.1	14,119.1	14,643.2	15,219.3	15,955.8	16,703.4
% Ch	6.0	4.9	2.2	-1.7	3.7	3.9	4.8	4.7
Personal Income	11,268.1	11,912.3	12,391.2	12,174.9	12,501.9	12,916.5	13,479.6	14,124.0
% Ch	7.5	5.7	4.0	-1.7	2.7	3.3	4.4	4.8
Employment (Millions)								
U.S. Civilian Labor Force	151.4	153.1	154.3	154.2	154.0	154.9	156.3	157.8
Total U.S. Employment	144.4	146.0	145.4	139.9	139.1	140.6	143.4	146.5
Unemployment Rate (%)	4.61	4.61	5.82	9.28	9.66	9.28	8.27	7.21
Nonfarm Payroll Employment	136.09	137.59	136.78	130.91	130.24	131.66	134.37	137.13
% Ch	1.8	1.1	-0.6	-4.3	-0.5	1.1	2.1	2.1
Manufacturing	14.16	13.88	13.40	11.88	11.65	11.88	12.21	12.56
% Ch	-0.5	-2.0	-3.4	-11.3	-2.0	1.9	2.8	2.9
Durable Manufacturing	8.98	8.81	8.46	7.31	7.15	7.35	7.65	7.99
% Ch	0.3	-1.9	-3.9	-13.6	-2.1	2.8	4.0	4.4
Nondurable Manufacturing	5.17	5.07	4.94	4.57	4.50	4.52	4.56	4.57
% Ch	-1.8	-2.0	-2.6	-7.4	-1.6	0.5	0.9	0.2
Construction	7.69	7.63	7.16	6.04	5.61	5.55	5.74	6.21
% Ch	4.9	-0.8	-6.1	-15.7	-7.0	-1.0	3.3	8.3
Service-Producing	113.55	115.36	115.45	112.29	112.25	113.49	115.69	117.63
% Ch	1.8	1.6	0.1	-2.7	0.0	1.1	1.9	1.7
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	66.1	72.2	99.8	61.8	79.5	89.3	91.0	91.3
Personal Saving/Disposable Income (%)	2.4	2.1	4.1	5.9	5.6	4.6	3.7	2.8
Auto Sales (Millions)	7.8	7.6	6.8	5.5	5.7	6.7	8.0	8.8
% Ch	1.3	-2.6	-10.6	-19.9	4.0	18.7	18.8	10.0
Housing Starts (Millions)	1.812	1.342	0.900	0.554	0.604	0.776	1.216	1.426
% Ch	-12.6	-25.9	-32.9	-38.4	8.9	28.5	56.8	17.2
Federal Budget Surplus (Billions)	-203.8	-245.2	-616.3	-1,251.8	-1,340.2	-1,128.7	-882.2	-654.9
Net Exports (Billions)	-769.3	-714.0	-710.5	-386.4	-534.8	-530.3	-492.4	-441.3
3-Month Treasury Bill Rate (%)	4.72	4.38	1.40	0.15	0.14	0.29	1.45	3.41
10-Year Treasury Note Yield (%)	4.79	4.63	3.67	3.26	3.14	2.64	3.46	4.59
Bond Index of 20 G.O. Munis. (%)	4.40	4.39	4.86	4.62	4.16	3.86	4.52	5.31
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.65	4.31	5.03	6.06

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,339.2	13,359.0	13,223.5	12,993.7	12,832.6	12,810.0	12,860.8	13,019.0
% Ch , Annual Rate	-0.7	0.6	-4.0	-6.8	-4.9	-0.7	1.6	5.0
Real Consumption	9,324.1	9,326.2	9,243.5	9,166.3	9,154.1	9,117.0	9,161.6	9,182.9
% Ch , Annual Rate	-0.8	0.1	-3.5	-3.3	-0.5	-1.6	2.0	0.9
Real Nonresidential Fixed Investment	1,603.7	1,597.0	1,561.5	1,464.2	1,313.7	1,288.3	1,282.9	1,278.3
% Ch , Annual Rate	2.0	-1.7	-8.6	-22.7	-35.2	-7.5	-1.7	-1.4
Real Residential Fixed Investment	482.2	464.4	435.6	394.7	352.7	333.9	342.4	341.7
% Ch , Annual Rate	-27.9	-14.0	-22.6	-32.6	-36.2	-19.7	10.6	-0.8
Real Personal Income	11,394.1	11,412.6	11,277.8	11,363.6	11,167.4	11,215.3	11,098.7	11,092.8
% Ch , Annual Rate	1.4	0.7	-4.6	3.1	-6.7	1.7	-4.1	-0.2
Real Per Capita Income (\$/Person)	37,466	37,443	36,909	37,111	36,401	36,480	36,012	35,905
% Ch , Annual Rate	0.5	-0.2	-5.6	2.2	-7.4	0.9	-5.0	-1.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.092	1.104	1.087	1.083	1.088	1.096	1.103
% Ch , Annual Rate	3.9	4.6	4.4	-5.8	-1.6	1.9	2.9	2.7
U.S. Consumer Price Index (1982-84=1.0)	2.128	2.156	2.189	2.137	2.125	2.135	2.154	2.168
% Ch , Annual Rate	4.7	5.2	6.4	-9.2	-2.2	1.9	3.7	2.6
Employment Cost Index (Dec. 2005=1.0)	1.076	1.084	1.091	1.096	1.098	1.101	1.105	1.110
% Ch , Annual Rate	3.4	3.0	2.6	1.8	0.7	1.1	1.5	1.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,328.4	14,471.8	14,484.9	14,191.2	14,049.7	14,034.5	14,114.7	14,277.3
% Ch , Annual Rate	1.0	4.1	0.4	-7.9	-3.9	-0.4	2.3	4.7
Personal Income	12,300.4	12,460.9	12,447.0	12,356.3	12,093.2	12,203.4	12,164.0	12,239.0
% Ch , Annual Rate	5.3	5.3	-0.4	-2.9	-8.2	3.7	-1.3	2.5
Employment (Millions)								
U.S. Civilian Labor Force	153.9	154.2	154.6	154.7	154.2	154.8	154.2	153.5
Total U.S. Employment	146.3	146.0	145.2	143.9	141.6	140.5	139.3	138.1
Unemployment Rate (%)	4.97	5.30	6.03	6.97	8.17	9.27	9.63	10.03
Nonfarm Payroll Employment	137.90	137.49	136.70	135.02	132.81	131.11	130.08	129.64
% Ch , Annual Rate	0.1	-1.2	-2.3	-4.8	-6.4	-5.0	-3.1	-1.3
Manufacturing	13.69	13.57	13.36	12.98	12.38	11.92	11.69	11.55
% Ch , Annual Rate	-1.5	-3.4	-6.0	-10.9	-17.4	-14.0	-7.6	-4.4
Durable Manufacturing	8.67	8.58	8.44	8.16	7.70	7.33	7.15	7.05
% Ch , Annual Rate	-1.8	-3.9	-6.6	-12.6	-20.6	-17.8	-9.4	-5.6
Nondurable Manufacturing	5.02	4.99	4.93	4.83	4.68	4.59	4.53	4.50
% Ch , Annual Rate	-1.0	-2.7	-4.8	-7.9	-11.9	-7.5	-4.7	-2.5
Construction	7.44	7.28	7.11	6.82	6.43	6.11	5.88	5.73
% Ch , Annual Rate	-4.7	-8.0	-9.4	-15.3	-21.0	-18.3	-14.0	-10.3
Service-Producing	116.02	115.88	115.45	114.45	113.27	112.38	111.83	111.69
% Ch , Annual Rate	0.6	-0.5	-1.4	-3.4	-4.1	-3.1	-2.0	-0.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.9	123.8	118.3	59.1	43.2	59.7	68.1	76.0
Personal Saving/Disposable Income (%)	2.7	4.8	3.6	5.2	5.4	7.2	5.6	5.6
Auto Sales (Millions)	7.6	7.7	6.7	5.3	4.9	5.0	6.4	5.6
% Ch , Annual Rate	-7.8	5.4	-43.7	-59.4	-30.4	8.8	174.3	-39.3
Housing Starts (Millions)	1.064	1.011	0.862	0.663	0.530	0.537	0.586	0.565
% Ch , Annual Rate	-30.7	-18.6	-47.0	-65.1	-59.3	5.4	42.2	-13.8
Federal Budget Surplus (Billions)	-376.7	-761.6	-646.7	-680.0	-1,003.2	-1,336.8	-1,356.7	-1,310.3
Net Exports (Billions)	-738.5	-751.9	-763.1	-588.4	-375.7	-335.2	-408.3	-426.4
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.33	0.21	0.17	0.16	0.06
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.25	2.74	3.31	3.52	3.46
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.73	4.52	4.26
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

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

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,138.8	13,194.9	13,260.7	13,333.0	13,412.3	13,502.0	13,602.1	13,713.0
% Ch , Annual Rate	3.7	1.7	2.0	2.2	2.4	2.7	3.0	3.3
Real Consumption	9,225.4	9,275.7	9,334.6	9,387.8	9,439.0	9,495.1	9,556.2	9,622.4
% Ch , Annual Rate	1.9	2.2	2.6	2.3	2.2	2.4	2.6	2.8
Real Nonresidential Fixed Investment	1,302.6	1,355.3	1,387.2	1,405.1	1,421.9	1,440.3	1,462.3	1,482.2
% Ch , Annual Rate	7.8	17.2	9.8	5.3	4.9	5.3	6.2	5.6
Real Residential Fixed Investment	330.7	350.1	321.3	310.2	315.4	332.4	350.6	376.8
% Ch , Annual Rate	-12.3	25.6	-29.1	-13.2	6.9	23.3	23.8	33.4
Real Personal Income	11,136.3	11,249.0	11,280.0	11,304.6	11,340.5	11,396.9	11,464.7	11,539.5
% Ch , Annual Rate	1.6	4.1	1.1	0.9	1.3	2.0	2.4	2.6
Real Per Capita Income (\$/Person)	35,958	36,233	36,245	36,237	36,265	36,359	36,487	36,637
% Ch , Annual Rate	0.6	3.1	0.1	-0.1	0.3	1.0	1.4	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.109	1.109	1.112	1.118	1.124	1.127	1.131	1.135
% Ch , Annual Rate	2.1	0.0	1.0	2.5	2.0	1.2	1.3	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.176	2.172	2.180	2.198	2.210	2.217	2.225	2.235
% Ch , Annual Rate	1.5	-0.7	1.5	3.3	2.1	1.3	1.5	1.8
Employment Cost Index (Dec. 2005=1.0)	1.114	1.119	1.124	1.129	1.134	1.139	1.145	1.151
% Ch , Annual Rate	1.4	1.8	1.8	1.7	1.8	1.9	1.9	2.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,446.4	14,578.7	14,730.2	14,817.6	14,991.6	15,130.9	15,288.4	15,466.3
% Ch , Annual Rate	4.8	3.7	4.2	2.4	4.8	3.8	4.2	4.7
Personal Income	12,350.3	12,473.8	12,539.5	12,644.2	12,746.7	12,849.2	12,967.4	13,102.7
% Ch , Annual Rate	3.7	4.1	2.1	3.4	3.3	3.3	3.7	4.2
Employment (Millions)								
U.S. Civilian Labor Force	153.5	154.3	153.9	154.1	154.4	154.8	155.1	155.5
Total U.S. Employment	138.6	139.3	139.2	139.2	139.6	140.2	140.9	141.6
Unemployment Rate (%)	9.70	9.70	9.57	9.68	9.61	9.41	9.18	8.92
Nonfarm Payroll Employment	129.70	130.39	130.34	130.53	130.85	131.35	131.88	132.55
% Ch , Annual Rate	0.2	2.2	-0.2	0.6	1.0	1.5	1.6	2.0
Manufacturing	11.57	11.66	11.69	11.69	11.74	11.81	11.93	12.02
% Ch , Annual Rate	0.6	2.9	1.0	0.2	1.7	2.5	4.1	3.0
Durable Manufacturing	7.08	7.15	7.19	7.20	7.23	7.29	7.40	7.49
% Ch , Annual Rate	1.4	4.2	2.2	0.3	2.0	3.5	6.1	4.6
Nondurable Manufacturing	4.50	4.51	4.50	4.50	4.51	4.52	4.53	4.54
% Ch , Annual Rate	-0.6	0.9	-0.9	-0.1	1.3	0.8	0.9	0.6
Construction	5.61	5.61	5.61	5.61	5.57	5.55	5.55	5.55
% Ch , Annual Rate	-7.7	0.0	0.2	0.0	-3.3	-1.3	-0.1	0.3
Service-Producing	111.82	112.41	112.30	112.47	112.78	113.24	113.67	114.25
% Ch , Annual Rate	0.5	2.1	-0.4	0.6	1.1	1.6	1.5	2.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	78.8	77.9	76.1	85.1	88.0	89.1	89.8	90.4
Personal Saving/Disposable Income (%)	5.5	5.9	5.5	5.3	4.8	4.7	4.6	4.5
Auto Sales (Millions)	5.7	5.6	5.7	5.7	6.3	6.6	6.8	7.1
% Ch , Annual Rate	7.0	-8.4	6.7	-2.3	54.6	22.6	11.2	20.7
Housing Starts (Millions)	0.617	0.602	0.589	0.607	0.638	0.707	0.816	0.943
% Ch , Annual Rate	42.6	-9.4	-8.2	12.5	21.8	51.1	77.2	78.3
Federal Budget Surplus (Billions)	-1,314.2	-1,354.7	-1,357.4	-1,334.3	-1,188.8	-1,168.2	-1,096.6	-1,060.9
Net Exports (Billions)	-479.9	-539.3	-561.5	-558.4	-529.7	-538.9	-537.9	-514.6
3-Month Treasury Bill Rate (%)	0.11	0.15	0.15	0.14	0.18	0.22	0.31	0.44
10-Year Treasury Note Yield (%)	3.72	3.49	2.79	2.58	2.48	2.54	2.64	2.90
Bond Index of 20 G.O. Munis. (%)	4.34	4.35	4.07	3.87	3.73	3.79	3.85	4.08
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.45	4.26	4.17	4.23	4.31	4.54

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

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,817.3	13,936.3	14,047.5	14,163.6	14,263.3	14,365.6	14,462.4	14,552.3
% Ch , Annual Rate	3.1	3.5	3.2	3.3	2.8	2.9	2.7	2.5
Real Consumption	9,663.1	9,720.1	9,768.2	9,827.6	9,879.7	9,930.8	9,982.8	10,043.8
% Ch , Annual Rate	1.7	2.4	2.0	2.5	2.1	2.1	2.1	2.5
Real Nonresidential Fixed Investment	1,514.2	1,547.1	1,579.4	1,613.7	1,647.3	1,679.1	1,705.9	1,729.1
% Ch , Annual Rate	8.9	9.0	8.6	9.0	8.6	8.0	6.5	5.5
Real Residential Fixed Investment	410.7	451.0	480.4	498.4	509.8	520.5	525.9	528.9
% Ch , Annual Rate	41.2	45.3	28.8	15.8	9.5	8.6	4.3	2.2
Real Personal Income	11,609.8	11,700.8	11,797.6	11,899.3	11,962.4	12,062.8	12,154.5	12,239.9
% Ch , Annual Rate	2.5	3.2	3.4	3.5	2.1	3.4	3.1	2.8
Real Per Capita Income (\$/Person)	36,771	36,970	37,186	37,416	37,525	37,748	37,944	38,119
% Ch , Annual Rate	1.5	2.2	2.4	2.5	1.2	2.4	2.1	1.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.140	1.145	1.149	1.154	1.159	1.164	1.169	1.175
% Ch , Annual Rate	1.7	1.5	1.6	1.7	1.8	1.7	1.7	1.9
U.S. Consumer Price Index (1982-84=1.0)	2.246	2.256	2.267	2.278	2.290	2.300	2.311	2.323
% Ch , Annual Rate	2.0	1.8	1.9	2.1	2.0	1.8	1.9	2.1
Employment Cost Index (Dec. 2005=1.0)	1.156	1.161	1.167	1.173	1.180	1.187	1.194	1.201
% Ch , Annual Rate	1.8	1.9	2.1	2.1	2.3	2.4	2.4	2.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	15,659.0	15,852.4	16,054.9	16,256.9	16,438.5	16,618.3	16,792.7	16,964.0
% Ch , Annual Rate	5.1	5.0	5.2	5.1	4.5	4.4	4.3	4.1
Personal Income	13,236.8	13,391.6	13,557.4	13,732.8	13,867.1	14,042.9	14,209.5	14,376.7
% Ch , Annual Rate	4.2	4.8	5.0	5.3	4.0	5.2	4.8	4.8
Employment (Millions)								
U.S. Civilian Labor Force	155.8	156.1	156.5	156.9	157.2	157.6	158.0	158.4
Total U.S. Employment	142.2	143.0	143.8	144.6	145.3	146.1	146.8	147.5
Unemployment Rate (%)	8.69	8.42	8.13	7.84	7.57	7.31	7.08	6.87
Nonfarm Payroll Employment	133.25	134.00	134.74	135.48	136.13	136.79	137.48	138.10
% Ch, Annual Rate	2.1	2.3	2.2	2.2	1.9	1.9	2.0	1.8
Manufacturing	12.08	12.18	12.25	12.34	12.44	12.54	12.60	12.65
% Ch, Annual Rate	1.9	3.4	2.4	3.0	3.4	3.2	1.8	1.6
Durable Manufacturing	7.53	7.62	7.68	7.77	7.87	7.97	8.03	8.09
% Ch, Annual Rate	2.4	4.8	3.3	4.7	5.4	5.2	2.9	2.8
Nondurable Manufacturing	4.55	4.56	4.57	4.57	4.57	4.57	4.57	4.57
% Ch, Annual Rate	1.0	1.1	1.1	0.2	0.0	-0.1	-0.1	-0.4
Construction	5.59	5.68	5.78	5.91	6.03	6.16	6.27	6.39
% Ch, Annual Rate	2.4	6.7	7.4	9.1	9.0	8.5	7.9	7.3
Service-Producing	114.86	115.42	115.99	116.51	116.93	117.36	117.89	118.35
% Ch, Annual Rate	2.2	2.0	2.0	1.8	1.5	1.5	1.8	1.6
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	90.8	91.0	91.1	91.3	91.4	91.3	91.3	91.4
Personal Saving/Disposable Income (%)	3.6	3.6	3.7	3.7	2.8	2.7	2.8	2.9
Auto Sales (Millions)	7.7	8.0	8.1	8.3	8.6	8.9	8.8	8.9
% Ch, Annual Rate	32.3	19.0	3.1	9.4	20.2	10.7	-1.3	0.8
Housing Starts (Millions)	1.082	1.189	1.278	1.316	1.355	1.409	1.450	1.490
% Ch, Annual Rate	73.7	45.7	33.3	12.6	12.4	16.9	12.1	11.6
Federal Budget Surplus (Billions)	-934.1	-903.2	-861.0	-830.3	-686.8	-650.5	-633.4	-648.8
Net Exports (Billions)	-496.5	-498.0	-496.9	-478.3	-462.0	-444.9	-431.9	-426.6
3-Month Treasury Bill Rate (%)	0.61	0.87	1.73	2.61	3.24	3.46	3.47	3.48
10-Year Treasury Note Yield (%)	3.15	3.27	3.47	3.93	4.45	4.65	4.64	4.63
Bond Index of 20 G.O. Munis. (%)	4.31	4.39	4.52	4.87	5.24	5.35	5.33	5.31
30-Year Fixed Mortgage Rate (%)	4.78	4.89	5.02	5.45	5.93	6.10	6.10	6.09

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

	2006	2007	2008	2009	2010	2011	2012	2013
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	245.347	258.158	263.291	261.880	262.941	268.351	277.737	288.372
% Ch	6.7	5.2	2.0	-0.5	0.4	2.1	3.5	3.8
Real Wage and Salary Disb.	131.507	138.143	138.332	134.473	132.201	136.079	142.008	147.907
% Ch	5.5	5.0	0.1	-2.8	-1.7	2.9	4.4	4.2
Real Nonwage Income	113.841	120.015	124.959	127.407	130.739	132.271	135.729	140.465
% Ch	8.1	5.4	4.1	2.0	2.6	1.2	2.6	3.5
Real Per Capita Income (\$/Person)	38,228	39,561	39,785	39,127	38,880	39,242	40,112	41,056
% Ch	4.7	3.5	0.6	-1.7	-0.6	0.9	2.2	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.027	1.056	1.091	1.093	1.112	1.129	1.147	1.167
% Ch	2.7	2.7	3.3	0.2	1.8	1.6	1.5	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.076	2.157	2.247	2.260	2.269	2.312	2.354	2.400
% Ch	3.7	3.9	4.2	0.6	0.4	1.9	1.8	2.0
Average Nonfarm Annual Wage	45,346	47,785	48,844	49,693	50,411	52,084	53,857	55,700
% Ch	5.5	5.4	2.2	1.7	1.4	3.3	3.4	3.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.91	20.51	21.01	23.40	23.54	24.03	24.22	24.51
% Ch	5.8	3.0	2.4	11.4	0.6	2.1	0.8	1.2
Current Dollar Income (Billions of Dollars)								
Personal Income	252.091	272.544	287.148	286.114	292.392	303.109	318.574	336.476
% Ch	9.6	8.1	5.4	-0.4	2.2	3.7	5.1	5.6
Disposable Personal Income	221.834	238.483	253.816	259.323	265.473	273.852	283.577	295.021
% Ch	9.0	7.5	6.4	2.2	2.4	3.2	3.6	4.0
Per Capita Income (\$/Person)	39,278	41,764	43,390	42,747	43,234	44,325	46,009	47,903
% Ch	7.6	6.3	3.9	-1.5	1.1	2.5	3.8	4.1
Employment (Thousands)								
Washington Civilian Labor Force	3,317.2	3,391.0	3,477.0	3,528.8	3,534.5	3,566.4	3,616.8	3,672.2
Total Washington Employment	3,153.8	3,236.8	3,289.4	3,215.5	3,210.8	3,248.4	3,329.2	3,419.7
Unemployment Rate (%)	4.93	4.55	5.39	8.88	9.16	8.92	7.95	6.88
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.2	2,826.6	2,784.0	2,818.3	2,894.4	2,971.8
% Ch	3.0	2.6	0.9	-4.5	-1.5	1.2	2.7	2.7
Manufacturing	285.9	293.3	291.2	265.9	257.6	263.8	277.1	288.9
% Ch	4.9	2.6	-0.7	-8.7	-3.1	2.4	5.0	4.3
Durable Manufacturing	204.0	211.9	211.3	190.6	183.5	189.1	199.4	209.2
% Ch	6.6	3.9	-0.3	-9.8	-3.7	3.0	5.5	4.9
Aerospace	73.4	80.1	83.0	83.0	80.5	80.5	83.1	86.0
% Ch	11.9	9.1	3.6	0.0	-3.0	0.0	3.1	3.5
Nondurable Manufacturing	81.9	81.4	79.9	75.3	74.1	74.7	77.6	79.7
% Ch	0.9	-0.6	-1.9	-5.8	-1.6	0.9	3.9	2.7
Construction	194.8	208.1	200.6	160.7	141.6	139.6	148.0	159.9
% Ch	9.9	6.8	-3.6	-19.9	-11.9	-1.4	6.0	8.0
Service-Producing	2,369.6	2,423.9	2,459.9	2,393.9	2,378.8	2,408.5	2,462.3	2,515.1
% Ch	2.2	2.3	1.5	-2.7	-0.6	1.3	2.2	2.1
Software Publishers	44.7	47.6	50.9	51.4	51.1	53.0	55.3	58.0
% Ch	8.4	6.4	7.0	1.0	-0.6	3.7	4.2	4.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.033	47.397	28.919	17.011	18.507	21.953	34.395	41.569
% Ch	-5.6	-5.3	-39.0	-41.2	8.8	18.6	56.7	20.9
Single-Family	35.611	30.390	17.440	12.991	14.062	16.218	25.377	29.941
% Ch	-14.0	-14.7	-42.6	-25.5	8.2	15.3	56.5	18.0
Multi-Family	14.422	17.007	11.479	4.020	4.445	5.735	9.017	11.627
% Ch	24.5	17.9	-32.5	-65.0	10.6	29.0	57.2	28.9
30-Year Fixed Mortgage Rate (%)	6.42	6.33	6.04	5.04	4.65	4.31	5.03	6.06

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

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	263.551	262.720	262.861	264.032	262.290	263.380	261.390	260.460
% Ch, Annual Rate	1.4	-1.3	0.2	1.8	-2.6	1.7	-3.0	-1.4
Real Wage and Salary Disb.	139.877	137.898	138.043	137.511	135.792	135.423	134.036	132.640
% Ch, Annual Rate	-1.3	-5.5	0.4	-1.5	-4.9	-1.1	-4.0	-4.1
Real Nonwage Income	123.674	124.823	124.819	126.520	126.498	127.957	127.352	127.821
% Ch, Annual Rate	4.5	3.8	0.0	5.6	-0.1	4.7	-1.9	1.5
Real Per Capita Income (\$/Person)	40,007	39,759	39,660	39,716	39,334	39,400	39,005	38,770
% Ch, Annual Rate	-0.2	-2.5	-1.0	0.6	-3.8	0.7	-3.9	-2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.080	1.092	1.104	1.087	1.083	1.088	1.096	1.103
% Ch, Annual Rate	3.9	4.6	4.4	-5.8	-1.6	1.9	2.9	2.7
Seattle Cons. Price Index (1982-84=1.0)	2.222	2.246	2.268	2.253	2.253	2.255	2.263	2.270
% Ch, Annual Rate	4.7	4.3	4.1	-2.7	0.0	0.4	1.4	1.3
Average Nonfarm Annual Wage	48,672	48,614	49,193	48,896	48,831	49,719	50,026	50,198
% Ch, Annual Rate	-0.9	-0.5	4.8	-2.4	-0.5	7.5	2.5	1.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.91	21.26	20.96	20.89	22.89	23.36	23.55	23.82
% Ch, Annual Rate	2.6	6.7	-5.4	-1.4	44.0	8.6	3.2	4.7
Current Dollar Income (Billions of Dollars)								
Personal Income	284.514	286.856	290.118	287.103	284.033	286.582	286.473	287.367
% Ch, Annual Rate	5.4	3.3	4.6	-4.1	-4.2	3.6	-0.2	1.3
Disposable Personal Income	248.990	256.200	256.500	253.574	255.534	260.456	260.167	261.133
% Ch, Annual Rate	5.4	12.1	0.5	-4.5	3.1	7.9	-0.4	1.5
Per Capita Income (\$/Person)	43,189	43,412	43,772	43,186	42,595	42,870	42,748	42,775
% Ch, Annual Rate	3.8	2.1	3.4	-5.3	-5.4	2.6	-1.1	0.3
Employment (Thousands)								
Washington Civilian Labor Force	3,449.6	3,461.5	3,484.9	3,512.1	3,532.4	3,539.3	3,528.8	3,514.8
Total Washington Employment	3,290.3	3,288.6	3,292.9	3,285.9	3,248.2	3,219.3	3,203.9	3,190.4
Unemployment Rate (%)	4.62	5.00	5.51	6.44	8.05	9.04	9.21	9.23
Nonfarm Payroll Employment	2,975.5	2,969.0	2,966.4	2,925.8	2,880.1	2,834.6	2,805.3	2,786.6
% Ch, Annual Rate	2.5	-0.9	-0.4	-5.4	-6.1	-6.2	-4.1	-2.6
Manufacturing	297.3	294.8	292.9	279.8	276.7	266.7	262.1	258.0
% Ch, Annual Rate	1.9	-3.3	-2.6	-16.7	-4.4	-13.7	-6.7	-6.2
Durable Manufacturing	215.9	214.6	213.9	200.8	200.1	191.3	186.9	184.1
% Ch, Annual Rate	2.6	-2.4	-1.3	-22.5	-1.3	-16.5	-8.8	-5.9
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.2	81.4
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.0	-4.9	-3.8
Nondurable Manufacturing	81.3	80.1	78.9	79.0	76.6	75.4	75.2	73.9
% Ch, Annual Rate	0.1	-5.8	-5.9	0.6	-11.9	-6.1	-1.0	-7.0
Construction	209.3	204.8	199.1	189.3	174.3	163.3	155.8	149.5
% Ch, Annual Rate	1.3	-8.3	-10.5	-18.4	-28.0	-22.9	-17.3	-15.1
Service-Producing	2,461.2	2,461.9	2,466.9	2,449.5	2,422.5	2,398.6	2,381.4	2,373.3
% Ch, Annual Rate	2.7	0.1	0.8	-2.8	-4.3	-3.9	-2.8	-1.3
Software Publishers	49.1	50.3	51.7	52.6	52.5	51.7	50.9	50.6
% Ch, Annual Rate	7.7	10.6	11.2	7.5	-0.7	-6.1	-6.2	-2.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.074	34.312	26.612	21.678	16.011	15.035	18.025	18.974
% Ch, Annual Rate	-57.5	15.8	-63.8	-56.0	-70.2	-22.2	106.6	22.8
Single-Family	20.803	19.064	17.032	12.861	10.191	11.908	14.395	15.470
% Ch, Annual Rate	-39.6	-29.5	-36.3	-67.5	-60.6	86.4	113.5	33.4
Multi-Family	12.272	15.248	9.579	8.817	5.819	3.127	3.630	3.504
% Ch, Annual Rate	-75.1	138.4	-84.4	-28.2	-81.0	-91.7	81.5	-13.2
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	5.03	5.16	4.90

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

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	260.226	263.347	263.933	264.258	265.485	266.867	270.043	271.009
% Ch, Annual Rate	-0.4	4.9	0.9	0.5	1.9	2.1	4.8	1.4
Real Wage and Salary Disb.	130.822	132.336	132.735	132.912	134.048	135.004	137.532	137.733
% Ch, Annual Rate	-5.4	4.7	1.2	0.5	3.5	2.9	7.7	0.6
Real Nonwage Income	129.403	131.010	131.198	131.346	131.436	131.862	132.511	133.276
% Ch, Annual Rate	5.0	5.1	0.6	0.5	0.3	1.3	2.0	2.3
Real Per Capita Income (\$/Person)	38,639	38,998	38,973	38,909	38,986	39,084	39,438	39,461
% Ch, Annual Rate	-1.3	3.8	-0.3	-0.7	0.8	1.0	3.7	0.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.109	1.109	1.112	1.118	1.124	1.127	1.131	1.135
% Ch, Annual Rate	2.1	0.0	1.0	2.5	2.0	1.2	1.3	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.268	2.252	2.269	2.288	2.300	2.307	2.316	2.326
% Ch, Annual Rate	-0.4	-2.7	3.1	3.3	2.1	1.3	1.5	1.8
Average Nonfarm Annual Wage	49,867	50,200	50,619	50,957	51,447	51,729	52,604	52,556
% Ch, Annual Rate	-2.6	2.7	3.4	2.7	3.9	2.2	6.9	-0.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.60	23.15	23.51	23.92	23.96	24.00	24.05	24.11
% Ch, Annual Rate	-3.8	-7.4	6.3	7.3	0.6	0.7	0.8	1.0
Current Dollar Income (Billions of Dollars)								
Personal Income	288.587	292.014	293.397	295.571	298.404	300.874	305.438	307.721
% Ch, Annual Rate	1.7	4.8	1.9	3.0	3.9	3.4	6.2	3.0
Disposable Personal Income	262.073	265.390	266.265	268.163	269.833	272.012	275.862	277.699
% Ch, Annual Rate	1.4	5.2	1.3	2.9	2.5	3.3	5.8	2.7
Per Capita Income (\$/Person)	42,851	43,243	43,323	43,519	43,820	44,065	44,608	44,806
% Ch, Annual Rate	0.7	3.7	0.7	1.8	2.8	2.3	5.0	1.8
Employment (Thousands)								
Washington Civilian Labor Force	3,514.7	3,544.1	3,537.5	3,541.7	3,551.3	3,560.4	3,570.9	3,583.0
Total Washington Employment	3,183.5	3,219.9	3,219.7	3,220.0	3,227.7	3,239.9	3,254.5	3,271.7
Unemployment Rate (%)	9.42	9.15	8.98	9.08	9.11	9.00	8.86	8.69
Nonfarm Payroll Employment	2,776.3	2,790.8	2,783.0	2,785.9	2,795.3	2,809.1	2,825.1	2,843.6
% Ch, Annual Rate	-1.5	2.1	-1.1	0.4	1.4	2.0	2.3	2.6
Manufacturing	257.1	257.9	257.5	257.9	259.2	261.6	265.4	269.1
% Ch, Annual Rate	-1.3	1.3	-0.6	0.6	2.0	3.7	6.0	5.6
Durable Manufacturing	183.5	183.6	183.4	183.6	185.1	187.2	190.6	193.6
% Ch, Annual Rate	-1.4	0.4	-0.4	0.5	3.1	4.7	7.5	6.5
Aerospace	81.0	80.4	80.4	80.2	80.1	80.1	80.6	81.3
% Ch, Annual Rate	-1.9	-2.8	-0.2	-0.8	-0.4	0.0	2.3	3.5
Nondurable Manufacturing	73.6	74.3	74.1	74.3	74.1	74.4	74.9	75.5
% Ch, Annual Rate	-1.2	3.5	-1.1	1.0	-0.7	1.3	2.5	3.3
Construction	144.4	142.2	140.6	139.3	139.0	138.9	139.5	141.1
% Ch, Annual Rate	-13.0	-6.1	-4.3	-3.7	-0.8	-0.4	1.9	4.4
Service-Producing	2,368.9	2,384.6	2,378.8	2,382.8	2,391.1	2,402.4	2,413.7	2,427.0
% Ch, Annual Rate	-0.7	2.7	-1.0	0.7	1.4	1.9	1.9	2.2
Software Publishers	50.6	50.8	51.3	51.8	52.3	52.8	53.2	53.8
% Ch, Annual Rate	0.1	2.0	3.5	4.4	3.8	3.8	3.3	4.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	21.095	17.326	19.483	16.126	17.931	20.417	23.182	26.281
% Ch, Annual Rate	52.8	-54.5	59.9	-53.1	52.9	68.1	66.2	65.2
Single-Family	17.012	13.736	12.994	12.508	13.546	15.059	16.969	19.298
% Ch, Annual Rate	46.3	-57.5	-19.9	-14.1	37.6	52.8	61.2	67.2
Multi-Family	4.083	3.590	6.489	3.618	4.386	5.358	6.212	6.983
% Ch, Annual Rate	84.4	-40.3	967.6	-90.3	115.8	122.8	80.7	59.7
30-Year Fixed Mortgage Rate (%)	5.00	4.91	4.45	4.26	4.17	4.23	4.31	4.54

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

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	273.550	275.905	279.936	281.557	284.106	286.738	290.835	291.810
% Ch, Annual Rate	3.8	3.5	6.0	2.3	3.7	3.8	5.8	1.3
Real Wage and Salary Disb.	139.747	140.924	143.610	143.752	145.774	146.908	149.653	149.293
% Ch, Annual Rate	6.0	3.4	7.8	0.4	5.7	3.1	7.7	-1.0
Real Nonwage Income	133.803	134.981	136.326	137.805	138.332	139.830	141.182	142.518
% Ch, Annual Rate	1.6	3.6	4.0	4.4	1.5	4.4	3.9	3.8
Real Per Capita Income (\$/Person)	39,707	39,919	40,365	40,456	40,674	40,900	41,331	41,317
% Ch, Annual Rate	2.5	2.2	4.5	0.9	2.2	2.2	4.3	-0.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.140	1.145	1.149	1.154	1.159	1.164	1.169	1.175
% Ch, Annual Rate	1.7	1.5	1.6	1.7	1.8	1.7	1.7	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.337	2.348	2.359	2.371	2.383	2.394	2.405	2.418
% Ch, Annual Rate	2.0	1.8	1.9	2.1	2.0	1.8	1.9	2.1
Average Nonfarm Annual Wage	53,191	53,502	54,404	54,330	54,998	55,352	56,319	56,132
% Ch, Annual Rate	4.9	2.4	6.9	-0.5	5.0	2.6	7.2	-1.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.14	24.19	24.25	24.31	24.39	24.47	24.55	24.64
% Ch, Annual Rate	0.6	0.7	1.0	1.1	1.3	1.3	1.4	1.4
Current Dollar Income (Billions of Dollars)								
Personal Income	311.886	315.775	321.693	324.941	329.342	333.805	340.006	342.753
% Ch, Annual Rate	5.5	5.1	7.7	4.1	5.5	5.5	7.6	3.3
Disposable Personal Income	278.473	281.484	286.014	288.338	289.734	292.553	297.524	300.275
% Ch, Annual Rate	1.1	4.4	6.6	3.3	2.0	3.9	7.0	3.8
Per Capita Income (\$/Person)	45,272	45,688	46,386	46,689	47,150	47,613	48,319	48,530
% Ch, Annual Rate	4.2	3.7	6.3	2.6	4.0	4.0	6.1	1.8
Employment (Thousands)								
Washington Civilian Labor Force	3,595.7	3,609.4	3,623.8	3,638.1	3,651.5	3,665.3	3,679.4	3,692.8
Total Washington Employment	3,293.6	3,317.1	3,341.4	3,364.8	3,386.5	3,408.5	3,431.3	3,452.4
Unemployment Rate (%)	8.40	8.10	7.79	7.51	7.26	7.00	6.74	6.51
Nonfarm Payroll Employment	2,862.9	2,883.7	2,905.2	2,925.9	2,944.1	2,962.4	2,981.6	2,999.0
% Ch, Annual Rate	2.7	2.9	3.0	2.9	2.5	2.5	2.6	2.4
Manufacturing	272.1	275.7	278.7	281.6	284.9	288.0	290.3	292.5
% Ch, Annual Rate	4.7	5.4	4.4	4.2	4.7	4.5	3.2	3.0
Durable Manufacturing	195.8	198.5	200.5	203.0	205.7	208.5	210.4	212.2
% Ch, Annual Rate	4.6	5.5	4.2	4.9	5.6	5.5	3.6	3.5
Aerospace	82.0	82.7	83.4	84.1	84.9	85.6	86.3	87.1
% Ch, Annual Rate	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Nondurable Manufacturing	76.3	77.3	78.2	78.7	79.1	79.5	80.0	80.3
% Ch, Annual Rate	4.7	5.0	4.8	2.5	2.3	2.1	2.2	1.7
Construction	143.0	145.9	149.7	153.4	155.9	158.5	161.3	163.8
% Ch, Annual Rate	5.6	8.5	10.5	10.4	6.8	6.7	7.3	6.4
Service-Producing	2,441.1	2,455.1	2,469.7	2,483.5	2,495.7	2,508.1	2,522.0	2,534.7
% Ch, Annual Rate	2.3	2.3	2.4	2.3	2.0	2.0	2.2	2.0
Software Publishers	54.2	54.9	55.6	56.3	57.0	57.6	58.3	59.0
% Ch, Annual Rate	3.6	5.1	5.0	4.8	5.1	4.8	4.8	4.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	30.182	33.493	36.157	37.746	39.242	40.925	42.404	43.704
% Ch, Annual Rate	74.0	51.6	35.8	18.8	16.8	18.3	15.3	12.8
Single-Family	22.410	24.769	26.675	27.655	28.514	29.614	30.496	31.142
% Ch, Annual Rate	81.9	49.2	34.5	15.5	13.0	16.3	12.5	8.8
Multi-Family	7.772	8.724	9.482	10.091	10.728	11.311	11.908	12.562
% Ch, Annual Rate	53.4	58.7	39.6	28.3	27.8	23.5	22.9	23.8
30-Year Fixed Mortgage Rate (%)	4.78	4.89	5.02	5.45	5.93	6.10	6.10	6.09

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

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	136.09	137.59	136.78	130.91	130.24	131.66	134.37	137.13
% Ch	1.8	1.1	-0.6	-4.3	-0.5	1.1	2.1	2.1
Manufacturing	14.16	13.88	13.40	11.88	11.65	11.88	12.21	12.56
% Ch	-0.5	-2.0	-3.4	-11.3	-2.0	1.9	2.8	2.9
Durable Manufacturing	8.98	8.81	8.46	7.31	7.15	7.35	7.65	7.99
% Ch	0.3	-1.9	-3.9	-13.6	-2.1	2.8	4.0	4.4
Wood Products	0.56	0.52	0.46	0.36	0.35	0.36	0.45	0.52
% Ch	0.0	-7.8	-11.5	-20.9	-3.6	4.2	23.8	14.9
Primary and Fabricated Metals	2.02	2.02	1.97	1.68	1.67	1.70	1.73	1.82
% Ch	1.5	0.1	-2.4	-14.6	-0.5	1.8	1.4	5.3
Computer and Electronic Products	1.31	1.27	1.24	1.14	1.10	1.17	1.19	1.20
% Ch	-0.7	-2.7	-2.2	-8.7	-3.3	6.1	2.1	1.1
Machinery and Electrical Equipment	1.62	1.62	1.61	1.41	1.36	1.41	1.45	1.46
% Ch	1.1	0.0	-0.3	-12.6	-3.0	3.6	2.4	1.0
Transportation Equipment	1.77	1.71	1.61	1.35	1.35	1.36	1.44	1.56
% Ch	-0.2	-3.2	-6.1	-15.8	-0.3	1.1	5.9	7.8
Other Durables	1.71	1.67	1.57	1.37	1.32	1.34	1.39	1.43
% Ch	-0.4	-2.4	-6.0	-12.9	-3.7	1.9	3.6	3.0
Nondurable Manufacturing	5.17	5.07	4.94	4.57	4.50	4.52	4.56	4.57
% Ch	-1.8	-2.0	-2.6	-7.4	-1.6	0.5	0.9	0.2
Food Manufacturing	1.48	1.48	1.48	1.46	1.46	1.48	1.53	1.55
% Ch	0.1	0.3	-0.2	-1.4	-0.1	1.6	3.1	1.7
Paper and Paper Products	0.47	0.46	0.44	0.41	0.40	0.40	0.41	0.42
% Ch	-2.8	-2.6	-2.9	-8.4	-2.4	1.4	2.3	1.7
Other Nondurables	3.22	3.13	3.02	2.71	2.64	2.64	2.62	2.60
% Ch	-2.6	-3.0	-3.6	-10.2	-2.4	-0.2	-0.6	-0.9
Natural Resources and Mining	0.68	0.72	0.77	0.70	0.73	0.74	0.72	0.72
% Ch	9.1	5.8	5.7	-8.5	3.7	1.8	-2.3	-0.4
Construction	7.69	7.63	7.16	6.04	5.61	5.55	5.74	6.21
% Ch	4.9	-0.8	-6.1	-15.7	-7.0	-1.0	3.3	8.3
Trade, Transportation, and Utilities	26.28	26.63	26.29	24.95	24.77	24.98	25.66	26.25
% Ch	1.2	1.3	-1.3	-5.1	-0.7	0.8	2.7	2.3
Wholesale Trade	5.90	6.02	5.94	5.62	5.58	5.69	5.92	6.07
% Ch	2.5	1.9	-1.2	-5.4	-0.8	2.0	4.0	2.5
Retail Trade	15.35	15.52	15.28	14.53	14.45	14.43	14.62	14.87
% Ch	0.5	1.1	-1.5	-4.9	-0.5	-0.2	1.4	1.7
Trans., Warehousing, and Utilities	5.02	5.09	5.07	4.79	4.73	4.86	5.11	5.30
% Ch	2.0	1.5	-0.5	-5.3	-1.4	2.7	5.3	3.7
Information	3.04	3.03	2.98	2.81	2.72	2.74	2.82	2.86
% Ch	-0.8	-0.2	-1.6	-5.9	-3.0	0.6	2.8	1.6
Publishing Industries	0.90	0.90	0.88	0.80	0.76	0.76	0.76	0.77
% Ch	-0.2	-0.1	-2.3	-9.5	-4.4	0.0	-0.3	0.9
Other Information	2.14	2.13	2.10	2.01	1.96	1.98	2.06	2.10
% Ch	-1.0	-0.2	-1.3	-4.4	-2.5	0.8	4.1	1.9
Financial Activities	8.33	8.30	8.14	7.76	7.60	7.68	7.84	7.89
% Ch	2.2	-0.3	-1.9	-4.7	-2.1	1.1	2.0	0.7
Professional and Business Services	17.57	17.94	17.74	16.57	16.69	17.35	18.19	18.90
% Ch	3.6	2.1	-1.2	-6.5	0.7	4.0	4.9	3.9
Education and Health Services	17.82	18.32	18.84	19.19	19.55	19.94	20.26	20.46
% Ch	2.6	2.8	2.8	1.8	1.9	2.0	1.6	1.0
Leisure and Hospitality	13.11	13.43	13.44	13.10	13.11	13.18	13.26	13.38
% Ch	2.3	2.4	0.1	-2.5	0.1	0.5	0.7	0.9
Other Services	5.44	5.49	5.51	5.36	5.35	5.44	5.44	5.44
% Ch	0.8	1.0	0.4	-2.8	-0.2	1.7	-0.1	0.1
Federal Government	2.73	2.73	2.76	2.83	2.96	2.83	2.77	2.73
% Ch	0.0	0.1	1.0	2.4	4.6	-4.5	-1.9	-1.6
State and Local Government	19.24	19.48	19.74	19.72	19.51	19.35	19.46	19.72
% Ch	0.9	1.3	1.3	-0.1	-1.1	-0.8	0.6	1.3

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2010 to 2013

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

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	129.70	130.39	130.34	130.53	130.85	131.35	131.88	132.55
% Ch, Annual Rate	0.2	2.2	-0.2	0.6	1.0	1.5	1.6	2.0
Manufacturing	11.57	11.66	11.69	11.69	11.74	11.81	11.93	12.02
% Ch, Annual Rate	0.6	2.9	1.0	0.2	1.7	2.5	4.1	3.0
Durable Manufacturing	7.08	7.15	7.19	7.20	7.23	7.29	7.40	7.49
% Ch, Annual Rate	1.4	4.2	2.2	0.3	2.0	3.5	6.1	4.6
Wood Products	0.35	0.35	0.35	0.34	0.34	0.35	0.37	0.39
% Ch, Annual Rate	0.6	5.1	-7.4	-5.4	-2.4	15.5	20.6	23.4
Primary and Fabricated Metals	1.63	1.67	1.69	1.70	1.70	1.70	1.71	1.71
% Ch, Annual Rate	3.3	9.0	5.8	1.5	0.0	-0.6	2.7	0.6
Computer and Electronic Products	1.09	1.10	1.10	1.11	1.13	1.15	1.18	1.20
% Ch, Annual Rate	-1.9	1.3	2.3	1.4	7.8	8.5	11.6	7.5
Machinery and Electrical Equipment	1.34	1.36	1.37	1.38	1.39	1.40	1.43	1.44
% Ch, Annual Rate	0.9	6.2	2.5	1.3	2.3	5.6	8.0	1.8
Transportation Equipment	1.34	1.35	1.36	1.35	1.36	1.36	1.36	1.38
% Ch, Annual Rate	5.5	2.6	3.3	-1.5	2.0	-0.2	0.2	6.1
Other Durables	1.32	1.32	1.32	1.32	1.32	1.33	1.35	1.37
% Ch, Annual Rate	-1.5	0.5	-0.9	0.7	0.5	3.4	6.6	3.7
Nondurable Manufacturing	4.50	4.51	4.50	4.50	4.51	4.52	4.53	4.54
% Ch, Annual Rate	-0.6	0.9	-0.9	-0.1	1.3	0.8	0.9	0.6
Food Manufacturing	1.45	1.46	1.46	1.46	1.47	1.48	1.49	1.50
% Ch, Annual Rate	-1.2	1.9	-0.6	0.1	2.4	2.5	2.4	2.8
Paper and Paper Products	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.41
% Ch, Annual Rate	-0.7	1.2	-0.9	-2.7	2.7	4.7	2.3	1.8
Other Nondurables	2.65	2.65	2.64	2.64	2.64	2.64	2.64	2.63
% Ch, Annual Rate	-0.2	0.3	-1.1	0.3	0.5	-0.8	-0.2	-0.9
Natural Resources and Mining	0.69	0.72	0.74	0.75	0.75	0.74	0.73	0.73
% Ch, Annual Rate	11.6	15.9	13.2	7.4	0.1	-6.3	-4.2	-3.1
Construction	5.61	5.61	5.61	5.61	5.57	5.55	5.55	5.55
% Ch, Annual Rate	-7.7	0.0	0.2	0.0	-3.3	-1.3	-0.1	0.3
Trade, Transportation, and Utilities	24.68	24.74	24.79	24.85	24.87	24.88	24.98	25.17
% Ch, Annual Rate	0.2	1.0	0.7	1.1	0.3	0.2	1.5	3.2
Wholesale Trade	5.56	5.58	5.59	5.60	5.60	5.66	5.72	5.79
% Ch, Annual Rate	-0.5	1.1	0.9	0.7	-0.1	4.2	4.9	4.6
Retail Trade	14.42	14.44	14.45	14.50	14.51	14.41	14.36	14.43
% Ch, Annual Rate	1.5	0.6	0.2	1.4	0.3	-3.0	-1.3	1.9
Trans., Warehousing, and Utilities	4.70	4.72	4.74	4.75	4.76	4.82	4.89	4.96
% Ch, Annual Rate	-2.7	1.8	2.1	0.6	0.7	5.3	6.1	5.6
Information	2.74	2.72	2.72	2.71	2.72	2.73	2.74	2.77
% Ch, Annual Rate	-3.4	-2.4	-0.3	-0.8	0.3	1.5	2.6	3.5
Publishing Industries	0.77	0.76	0.76	0.76	0.76	0.76	0.76	0.76
% Ch, Annual Rate	-2.5	-2.0	-0.5	-2.0	1.5	1.7	0.4	-3.4
Other Information	1.97	1.96	1.96	1.96	1.96	1.96	1.98	2.01
% Ch, Annual Rate	-3.8	-2.5	-0.2	-0.3	-0.2	1.5	3.5	6.3
Financial Activities	7.62	7.60	7.58	7.58	7.62	7.69	7.70	7.72
% Ch, Annual Rate	-2.0	-1.2	-1.2	0.1	2.0	3.5	0.8	1.0
Professional and Business Services	16.55	16.67	16.72	16.81	16.96	17.23	17.49	17.71
% Ch, Annual Rate	2.7	2.9	1.4	2.1	3.5	6.7	6.1	5.1
Education and Health Services	19.41	19.50	19.59	19.70	19.78	19.89	20.00	20.10
% Ch, Annual Rate	1.9	2.0	1.8	2.1	1.7	2.3	2.2	2.0
Leisure and Hospitality	13.03	13.09	13.14	13.18	13.19	13.19	13.16	13.17
% Ch, Annual Rate	0.2	1.8	1.7	1.4	0.2	-0.1	-0.6	0.1
Other Services	5.32	5.33	5.36	5.40	5.43	5.44	5.45	5.46
% Ch, Annual Rate	-0.4	1.3	2.3	2.7	2.3	0.6	0.5	0.9
Federal Government	2.88	3.19	2.93	2.84	2.84	2.83	2.82	2.81
% Ch, Annual Rate	6.5	50.6	-28.3	-11.8	-0.4	-1.2	-0.7	-1.5
State and Local Government	19.60	19.57	19.46	19.39	19.38	19.37	19.32	19.34
% Ch, Annual Rate	-1.3	-0.8	-2.1	-1.4	-0.2	-0.3	-1.0	0.4

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	133.25	134.00	134.74	135.48	136.13	136.79	137.48	138.10
% Ch, Annual Rate	2.1	2.3	2.2	2.2	1.9	1.9	2.0	1.8
Manufacturing	12.08	12.18	12.25	12.34	12.44	12.54	12.60	12.65
% Ch, Annual Rate	1.9	3.4	2.4	3.0	3.4	3.2	1.8	1.6
Durable Manufacturing	7.53	7.62	7.68	7.77	7.87	7.97	8.03	8.09
% Ch, Annual Rate	2.4	4.8	3.3	4.7	5.4	5.2	2.9	2.8
Wood Products	0.41	0.44	0.46	0.49	0.50	0.51	0.52	0.52
% Ch, Annual Rate	23.5	28.2	25.9	22.9	14.9	8.7	4.4	3.3
Primary and Fabricated Metals	1.71	1.72	1.73	1.75	1.78	1.81	1.83	1.85
% Ch, Annual Rate	-0.9	2.8	2.6	5.5	6.4	6.0	5.3	5.4
Computer and Electronic Products	1.20	1.20	1.18	1.17	1.19	1.21	1.21	1.21
% Ch, Annual Rate	-0.1	-0.8	-5.7	-3.4	4.6	7.2	0.5	0.5
Machinery and Electrical Equipment	1.44	1.45	1.45	1.46	1.46	1.47	1.46	1.46
% Ch, Annual Rate	0.4	2.1	1.0	1.8	0.9	1.3	-0.2	-0.3
Transportation Equipment	1.40	1.43	1.46	1.49	1.52	1.55	1.57	1.59
% Ch, Annual Rate	6.0	8.8	8.2	8.9	8.4	7.5	5.9	5.7
Other Durables	1.37	1.39	1.40	1.41	1.42	1.43	1.44	1.44
% Ch, Annual Rate	2.0	4.6	2.8	3.6	3.3	2.9	1.5	1.4
Nondurable Manufacturing	4.55	4.56	4.57	4.57	4.57	4.57	4.57	4.57
% Ch, Annual Rate	1.0	1.1	1.1	0.2	0.0	-0.1	-0.1	-0.4
Food Manufacturing	1.51	1.52	1.54	1.54	1.55	1.55	1.56	1.56
% Ch, Annual Rate	3.6	3.6	3.3	1.4	1.3	1.2	1.4	1.2
Paper and Paper Products	0.41	0.41	0.41	0.42	0.42	0.42	0.42	0.42
% Ch, Annual Rate	2.1	2.1	2.5	2.0	1.8	1.6	1.2	0.4
Other Nondurables	2.63	2.62	2.62	2.62	2.61	2.60	2.60	2.59
% Ch, Annual Rate	-0.7	-0.6	-0.4	-0.9	-1.0	-1.0	-1.2	-1.4
Natural Resources and Mining	0.72	0.72	0.72	0.72	0.72	0.72	0.72	0.71
% Ch, Annual Rate	-2.8	-1.3	0.7	1.0	0.1	-1.0	-1.7	-2.8
Construction	5.59	5.68	5.78	5.91	6.03	6.16	6.27	6.39
% Ch, Annual Rate	2.4	6.7	7.4	9.1	9.0	8.5	7.9	7.3
Trade, Transportation, and Utilities	25.38	25.58	25.75	25.91	26.05	26.18	26.32	26.43
% Ch, Annual Rate	3.3	3.2	2.7	2.4	2.3	2.0	2.1	1.6
Wholesale Trade	5.85	5.90	5.95	5.98	6.02	6.05	6.09	6.12
% Ch, Annual Rate	4.2	3.7	3.0	2.5	2.3	2.2	2.6	2.0
Retail Trade	14.50	14.59	14.66	14.73	14.80	14.85	14.91	14.94
% Ch, Annual Rate	2.1	2.5	1.9	2.0	1.7	1.5	1.5	1.0
Trans., Warehousing, and Utilities	5.03	5.09	5.15	5.19	5.24	5.28	5.33	5.36
% Ch, Annual Rate	5.8	4.8	4.4	3.7	3.7	3.2	3.5	2.9
Information	2.80	2.81	2.82	2.83	2.85	2.86	2.87	2.87
% Ch, Annual Rate	5.2	1.1	0.9	2.2	2.6	1.4	1.0	-0.1
Publishing Industries	0.76	0.76	0.76	0.76	0.76	0.76	0.77	0.77
% Ch, Annual Rate	-0.5	0.9	0.7	0.5	1.3	0.9	1.0	0.0
Other Information	2.05	2.05	2.06	2.07	2.09	2.10	2.10	2.10
% Ch, Annual Rate	7.4	1.2	1.0	2.9	3.1	1.6	1.0	-0.1
Financial Activities	7.77	7.82	7.87	7.89	7.88	7.87	7.89	7.93
% Ch, Annual Rate	2.9	2.3	2.6	0.9	-0.2	-0.7	1.2	1.7
Professional and Business Services	17.86	18.07	18.32	18.51	18.65	18.80	18.99	19.17
% Ch, Annual Rate	3.6	4.7	5.6	4.4	2.9	3.4	4.1	3.9
Education and Health Services	20.18	20.25	20.27	20.31	20.34	20.42	20.51	20.58
% Ch, Annual Rate	1.7	1.4	0.4	0.7	0.6	1.7	1.6	1.4
Leisure and Hospitality	13.23	13.25	13.27	13.31	13.35	13.36	13.39	13.41
% Ch, Annual Rate	1.8	0.6	0.7	1.1	1.3	0.4	0.7	0.7
Other Services	5.46	5.43	5.43	5.43	5.44	5.44	5.45	5.45
% Ch, Annual Rate	0.0	-1.8	-0.1	0.1	0.8	-0.6	0.8	0.2
Federal Government	2.80	2.78	2.77	2.75	2.74	2.73	2.72	2.72
% Ch, Annual Rate	-2.6	-2.6	-1.7	-1.6	-1.5	-1.4	-1.5	-1.3
State and Local Government	19.38	19.42	19.49	19.56	19.62	19.69	19.75	19.81
% Ch, Annual Rate	0.7	1.0	1.4	1.4	1.2	1.5	1.2	1.1

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

	2006	2007	2008	2009	2010	2011	2012	2013
Nonfarm Payroll Employment	2,859.0	2,933.5	2,959.2	2,826.6	2,784.0	2,818.3	2,894.4	2,971.8
% Ch	3.0	2.6	0.9	-4.5	-1.5	1.2	2.7	2.7
Manufacturing	285.9	293.3	291.2	265.9	257.6	263.8	277.1	288.9
% Ch	4.9	2.6	-0.7	-8.7	-3.1	2.4	5.0	4.3
Durable Manufacturing	204.0	211.9	211.3	190.6	183.5	189.1	199.4	209.2
% Ch	6.6	3.9	-0.3	-9.8	-3.7	3.0	5.5	4.9
Wood Products	20.3	19.2	17.0	13.4	13.1	13.7	16.2	18.0
% Ch	1.1	-5.4	-11.3	-21.4	-1.8	4.3	18.4	11.2
Primary and Fabricated Metals	24.3	25.9	26.3	21.9	21.3	21.5	22.1	23.6
% Ch	4.9	6.8	1.5	-16.7	-2.8	1.0	2.8	6.7
Computer and Electronic Products	22.5	22.7	22.5	20.0	18.9	21.0	22.2	23.0
% Ch	1.2	1.1	-0.8	-11.2	-5.3	10.9	5.6	3.7
Machinery and Electrical Equipment	19.0	19.6	19.9	16.3	15.4	17.7	20.1	21.7
% Ch	6.5	3.4	1.2	-17.9	-5.3	14.9	13.3	8.3
Aerospace	73.4	80.1	83.0	83.0	80.5	80.5	83.1	86.0
% Ch	11.9	9.1	3.6	0.0	-3.0	0.0	3.1	3.5
Other Transportation Equip.	13.7	13.1	12.2	9.7	8.9	9.1	9.5	9.8
% Ch	4.1	-4.9	-6.5	-20.9	-7.7	2.1	4.4	2.8
Other Durables	30.9	31.3	30.5	26.4	25.4	25.6	26.3	27.1
% Ch	4.9	1.4	-2.8	-13.2	-4.0	0.7	3.0	3.0
Nondurable Manufacturing	81.9	81.4	79.9	75.3	74.1	74.7	77.6	79.7
% Ch	0.9	-0.6	-1.9	-5.8	-1.6	0.9	3.9	2.7
Food Manufacturing	33.9	34.1	34.3	34.0	34.0	33.9	35.5	36.7
% Ch	0.3	0.7	0.5	-0.7	-0.2	-0.1	4.6	3.4
Paper and Paper Products	11.9	11.2	10.5	9.7	9.2	9.4	9.8	10.1
% Ch	-2.1	-6.3	-6.5	-7.0	-5.5	2.7	3.9	2.7
Other Nondurables	36.1	36.1	35.1	31.5	30.9	31.3	32.3	32.9
% Ch	2.7	0.2	-2.8	-10.4	-1.8	1.4	3.1	2.0
Natural Resources and Mining	8.7	8.2	7.5	6.1	6.0	6.3	7.1	7.8
% Ch	-3.0	-6.1	-7.6	-19.2	-1.7	5.5	11.6	11.1
Construction	194.8	208.1	200.6	160.7	141.6	139.6	148.0	159.9
% Ch	9.9	6.8	-3.6	-19.9	-11.9	-1.4	6.0	8.0
Trade, Transportation, and Utilities	541.6	553.3	553.4	524.0	521.9	531.4	547.6	561.7
% Ch	2.1	2.2	0.0	-5.3	-0.4	1.8	3.0	2.6
Wholesale Trade	126.6	129.3	130.1	123.0	122.0	125.8	130.6	133.7
% Ch	3.6	2.2	0.6	-5.4	-0.8	3.1	3.8	2.4
Retail Trade	321.1	327.9	327.4	310.0	309.9	313.3	319.5	326.7
% Ch	1.6	2.1	-0.2	-5.3	0.0	1.1	2.0	2.2
Trans., Warehousing, and Utilities	94.0	96.1	95.9	91.0	89.9	92.4	97.5	101.3
% Ch	2.0	2.2	-0.2	-5.1	-1.2	2.8	5.5	3.9
Information	98.4	102.5	105.6	103.6	102.5	105.5	109.5	113.2
% Ch	3.9	4.1	3.1	-1.9	-1.0	2.8	3.9	3.3
Software Publishers	44.7	47.6	50.9	51.4	51.1	53.0	55.3	58.0
% Ch	8.4	6.4	7.0	1.0	-0.6	3.7	4.2	4.9
Other Publishing Industries	11.0	10.8	10.4	8.8	8.2	8.3	8.3	8.3
% Ch	-2.0	-1.7	-4.4	-15.4	-6.3	0.9	0.0	-0.2
Other Information	42.7	44.0	44.3	43.4	43.2	44.2	46.0	46.9
% Ch	1.1	3.1	0.7	-2.1	-0.5	2.2	4.2	2.0
Financial Activities	156.2	155.5	152.4	142.2	135.2	137.7	142.2	144.8
% Ch	1.1	-0.5	-2.0	-6.7	-5.0	1.9	3.3	1.8
Professional and Business Services	330.5	344.7	348.7	324.8	323.4	335.0	351.8	367.7
% Ch	4.6	4.3	1.2	-6.8	-0.4	3.6	5.0	4.5
Education and Health Services	337.2	348.3	362.1	372.8	376.6	382.0	387.1	392.2
% Ch	2.4	3.3	4.0	3.0	1.0	1.4	1.3	1.3
Leisure and Hospitality	271.6	280.5	283.6	269.9	266.3	270.6	277.1	282.7
% Ch	3.1	3.3	1.1	-4.8	-1.3	1.6	2.4	2.0
Other Services	104.0	105.3	107.7	106.9	106.3	106.6	106.5	107.0
% Ch	1.2	1.3	2.3	-0.7	-0.6	0.2	-0.1	0.5
Federal Government	69.3	68.7	70.0	72.8	75.4	73.3	72.3	71.6
% Ch	-0.4	-0.9	1.9	4.0	3.7	-2.9	-1.4	-1.0
State and Local Government	460.7	465.1	476.3	476.9	471.1	466.6	468.3	474.3
% Ch	0.8	1.0	2.4	0.1	-1.2	-1.0	0.4	1.3

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,975.5	2,969.0	2,966.4	2,925.8	2,880.1	2,834.6	2,805.3	2,786.6
% Ch, Annual Rate	2.5	-0.9	-0.4	-5.4	-6.1	-6.2	-4.1	-2.6
Manufacturing	297.3	294.8	292.9	279.8	276.7	266.7	262.1	258.0
% Ch, Annual Rate	1.9	-3.3	-2.6	-16.7	-4.4	-13.7	-6.7	-6.2
Durable Manufacturing	215.9	214.6	213.9	200.8	200.1	191.3	186.9	184.1
% Ch, Annual Rate	2.6	-2.4	-1.3	-22.5	-1.3	-16.5	-8.8	-5.9
Wood Products	18.3	17.5	16.6	15.6	14.1	13.4	13.1	12.8
% Ch, Annual Rate	-11.1	-16.2	-18.1	-21.6	-33.3	-20.0	-7.2	-8.6
Primary and Fabricated Metals	26.5	26.6	26.7	25.5	23.5	21.9	21.2	21.1
% Ch, Annual Rate	5.9	2.8	0.5	-17.2	-27.8	-24.5	-11.0	-3.5
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.5	20.2	19.4	18.9
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-12.4	-22.0	-14.2	-9.4
Machinery and Electrical Equipment	20.2	20.1	19.9	19.2	17.6	16.6	15.7	15.3
% Ch, Annual Rate	4.1	-1.8	-2.8	-13.4	-29.7	-21.6	-19.3	-10.0
Aerospace	84.1	84.5	85.8	77.5	85.2	83.2	82.2	81.4
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	45.7	-9.0	-4.9	-3.8
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.6	9.7	9.3	9.0
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-31.2	-31.0	-14.2	-10.7
Other Durables	31.4	31.0	30.3	29.1	27.7	26.5	26.0	25.6
% Ch, Annual Rate	1.4	-5.9	-8.3	-15.2	-18.0	-16.2	-7.1	-6.4
Nondurable Manufacturing	81.3	80.1	78.9	79.0	76.6	75.4	75.2	73.9
% Ch, Annual Rate	0.1	-5.8	-5.9	0.6	-11.9	-6.1	-1.0	-7.0
Food Manufacturing	34.7	34.1	33.7	34.6	33.9	34.1	34.5	33.6
% Ch, Annual Rate	5.5	-7.2	-4.6	11.3	-7.3	2.0	4.8	-10.3
Paper and Paper Products	10.7	10.6	10.4	10.2	10.0	9.8	9.6	9.5
% Ch, Annual Rate	-7.1	-5.4	-7.6	-5.4	-6.4	-9.7	-8.3	-3.7
Other Nondurables	35.9	35.5	34.9	34.2	32.6	31.5	31.1	30.8
% Ch, Annual Rate	-2.7	-4.4	-6.7	-7.3	-17.8	-12.9	-4.7	-4.1
Natural Resources and Mining	7.8	7.6	7.5	7.3	6.6	6.0	6.0	5.8
% Ch, Annual Rate	-6.1	-10.5	-2.4	-11.7	-33.9	-30.2	2.5	-17.8
Construction	209.3	204.8	199.1	189.3	174.3	163.3	155.8	149.5
% Ch, Annual Rate	1.3	-8.3	-10.5	-18.4	-28.0	-22.9	-17.3	-15.1
Trade, Transportation, and Utilities	559.3	556.5	553.6	544.4	533.2	524.3	521.3	517.3
% Ch, Annual Rate	1.7	-2.0	-2.1	-6.5	-8.0	-6.5	-2.3	-3.0
Wholesale Trade	131.0	130.7	130.1	128.7	126.2	123.2	121.7	121.0
% Ch, Annual Rate	1.6	-1.0	-1.6	-4.2	-7.8	-9.0	-4.7	-2.3
Retail Trade	332.0	329.3	327.2	321.3	314.1	310.2	308.8	306.8
% Ch, Annual Rate	2.4	-3.1	-2.6	-7.0	-8.6	-4.9	-1.8	-2.6
Trans., Warehousing, and Utilities	96.3	96.5	96.3	94.4	92.9	90.9	90.7	89.4
% Ch, Annual Rate	-0.6	0.7	-1.1	-7.4	-6.2	-8.3	-1.1	-5.4
Information	104.3	105.1	106.3	106.9	105.8	104.1	102.6	101.9
% Ch, Annual Rate	5.1	3.4	4.5	2.2	-3.9	-6.3	-5.6	-2.5
Software Publishers	49.1	50.3	51.7	52.6	52.5	51.7	50.9	50.6
% Ch, Annual Rate	7.7	10.6	11.2	7.5	-0.7	-6.1	-6.2	-2.5
Other Publishing Industries	10.8	10.6	10.2	9.8	9.3	8.8	8.6	8.4
% Ch, Annual Rate	-1.8	-6.6	-12.3	-15.1	-21.0	-17.3	-12.0	-8.5
Other Information	44.4	44.2	44.4	44.4	44.0	43.5	43.1	43.0
% Ch, Annual Rate	4.0	-1.9	1.3	0.3	-3.6	-4.0	-3.6	-1.2
Financial Activities	154.7	153.6	151.7	149.5	145.9	143.6	141.0	138.4
% Ch, Annual Rate	-0.2	-2.7	-5.0	-5.6	-9.2	-6.3	-7.0	-7.2
Professional and Business Services	350.3	351.9	350.2	342.3	333.1	323.9	320.7	321.5
% Ch, Annual Rate	2.4	1.9	-1.9	-8.6	-10.4	-10.6	-3.9	1.0
Education and Health Services	356.8	359.5	364.0	368.1	371.8	372.2	373.3	374.0
% Ch, Annual Rate	3.0	3.1	5.1	4.5	4.2	0.4	1.2	0.7
Leisure and Hospitality	286.3	284.9	283.8	279.5	274.1	270.3	269.2	266.1
% Ch, Annual Rate	3.5	-1.9	-1.5	-5.9	-7.6	-5.4	-1.6	-4.6
Other Services	107.3	107.8	108.3	107.5	107.5	107.1	106.6	106.6
% Ch, Annual Rate	3.9	1.5	2.1	-2.9	-0.1	-1.6	-1.7	-0.1
Federal Government	69.5	69.3	70.1	71.1	71.9	73.8	72.5	72.9
% Ch, Annual Rate	5.4	-0.8	4.4	6.0	4.7	10.5	-6.9	2.6
State and Local Government	472.8	473.3	479.0	480.2	479.2	479.3	474.3	474.7
% Ch, Annual Rate	3.3	0.4	4.9	1.0	-0.8	0.1	-4.1	0.3

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,776.3	2,790.8	2,783.0	2,785.9	2,795.3	2,809.1	2,825.1	2,843.6
% Ch, Annual Rate	-1.5	2.1	-1.1	0.4	1.4	2.0	2.3	2.6
Manufacturing	257.1	257.9	257.5	257.9	259.2	261.6	265.4	269.1
% Ch, Annual Rate	-1.3	1.3	-0.6	0.6	2.0	3.7	6.0	5.6
Durable Manufacturing	183.5	183.6	183.4	183.6	185.1	187.2	190.6	193.6
% Ch, Annual Rate	-1.4	0.4	-0.4	0.5	3.1	4.7	7.5	6.5
Wood Products	13.0	13.2	13.1	13.1	13.0	13.4	13.9	14.5
% Ch, Annual Rate	6.4	6.9	-4.8	1.1	-3.3	11.6	15.8	18.1
Primary and Fabricated Metals	21.3	21.3	21.3	21.3	21.4	21.4	21.6	21.7
% Ch, Annual Rate	4.5	1.1	-1.5	0.3	1.3	0.7	4.0	2.1
Computer and Electronic Products	18.7	18.9	19.0	19.1	19.8	20.5	21.5	22.2
% Ch, Annual Rate	-4.4	3.9	2.7	0.3	15.5	16.3	21.1	14.2
Machinery and Electrical Equipment	15.3	15.4	15.5	15.6	16.4	17.3	18.3	18.9
% Ch, Annual Rate	0.4	1.8	2.3	2.3	23.7	24.4	24.7	13.4
Aerospace	81.0	80.4	80.4	80.2	80.1	80.1	80.6	81.3
% Ch, Annual Rate	-1.9	-2.8	-0.2	-0.8	-0.4	0.0	2.3	3.5
Other Transportation Equip.	8.7	8.8	9.0	9.2	9.1	9.0	9.1	9.2
% Ch, Annual Rate	-15.6	5.3	12.6	4.9	-2.7	-2.4	2.0	5.2
Other Durables	25.5	25.6	25.2	25.3	25.3	25.4	25.6	25.8
% Ch, Annual Rate	-1.8	1.7	-6.1	1.8	0.7	1.8	3.0	3.0
Nondurable Manufacturing	73.6	74.3	74.1	74.3	74.1	74.4	74.9	75.5
% Ch, Annual Rate	-1.2	3.5	-1.1	1.0	-0.7	1.3	2.5	3.3
Food Manufacturing	33.5	33.9	34.0	34.5	33.9	33.8	33.9	34.2
% Ch, Annual Rate	-1.6	4.9	2.2	5.1	-6.2	-1.6	0.9	3.4
Paper and Paper Products	9.3	9.2	9.1	9.1	9.3	9.4	9.5	9.6
% Ch, Annual Rate	-8.0	-2.7	-4.8	0.3	5.5	7.3	4.4	3.6
Other Nondurables	30.9	31.2	30.9	30.7	31.0	31.2	31.5	31.7
% Ch, Annual Rate	1.5	3.8	-3.4	-3.1	3.9	2.8	3.8	3.1
Natural Resources and Mining	5.9	6.1	6.1	5.9	6.0	6.3	6.5	6.6
% Ch, Annual Rate	9.0	12.9	2.0	-9.9	5.4	18.6	11.9	6.1
Construction	144.4	142.2	140.6	139.3	139.0	138.9	139.5	141.1
% Ch, Annual Rate	-13.0	-6.1	-4.3	-3.7	-0.8	-0.4	1.9	4.4
Trade, Transportation, and Utilities	517.7	521.6	523.4	524.8	527.0	529.4	532.5	536.8
% Ch, Annual Rate	0.3	3.0	1.4	1.1	1.7	1.8	2.3	3.3
Wholesale Trade	120.4	121.6	122.5	123.7	123.8	125.1	126.5	127.9
% Ch, Annual Rate	-2.1	4.0	3.0	4.0	0.4	4.2	4.6	4.3
Retail Trade	308.0	310.0	310.4	311.2	312.8	312.7	312.9	314.6
% Ch, Annual Rate	1.6	2.6	0.5	1.0	2.1	-0.2	0.3	2.1
Trans., Warehousing, and Utilities	89.3	90.0	90.5	89.9	90.4	91.7	93.1	94.4
% Ch, Annual Rate	-0.6	3.0	2.3	-2.6	2.2	5.7	6.4	5.8
Information	102.1	101.8	102.7	103.6	104.2	104.9	105.8	107.0
% Ch, Annual Rate	0.7	-1.4	3.6	3.7	2.2	2.9	3.3	4.6
Software Publishers	50.6	50.8	51.3	51.8	52.3	52.8	53.2	53.8
% Ch, Annual Rate	0.1	2.0	3.5	4.4	3.8	3.8	3.3	4.1
Other Publishing Industries	8.3	8.2	8.2	8.1	8.2	8.3	8.3	8.3
% Ch, Annual Rate	-2.6	-4.4	-1.7	-4.5	5.7	4.6	2.0	-2.9
Other Information	43.2	42.7	43.2	43.7	43.7	43.8	44.2	44.9
% Ch, Annual Rate	2.1	-4.6	4.7	4.5	-0.2	1.5	3.6	6.5
Financial Activities	136.3	135.2	134.4	134.9	136.0	137.6	138.3	139.0
% Ch, Annual Rate	-6.0	-3.1	-2.2	1.3	3.3	4.8	2.0	2.2
Professional and Business Services	320.9	324.2	323.8	325.0	327.8	332.8	337.6	341.8
% Ch, Annual Rate	-0.8	4.2	-0.5	1.4	3.5	6.2	5.9	5.1
Education and Health Services	373.8	375.4	378.0	379.1	379.8	381.2	382.7	384.2
% Ch, Annual Rate	-0.2	1.7	2.8	1.1	0.8	1.4	1.6	1.6
Leisure and Hospitality	265.3	267.1	266.5	266.4	268.4	270.0	271.2	272.6
% Ch, Annual Rate	-1.1	2.7	-0.9	-0.2	3.1	2.4	1.7	2.1
Other Services	106.0	106.4	106.3	106.5	106.6	106.5	106.5	106.6
% Ch, Annual Rate	-2.2	1.8	-0.3	0.4	0.5	-0.2	-0.1	0.3
Federal Government	73.9	79.8	74.6	73.5	73.5	73.3	73.2	73.0
% Ch, Annual Rate	5.3	35.9	-23.4	-5.7	-0.1	-0.9	-0.5	-1.2
State and Local Government	472.9	473.2	469.0	469.1	467.8	466.6	466.0	466.0
% Ch, Annual Rate	-1.5	0.2	-3.5	0.1	-1.1	-1.0	-0.5	0.0

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	2,862.9	2,883.7	2,905.2	2,925.9	2,944.1	2,962.4	2,981.6	2,999.0
% Ch, Annual Rate	2.7	2.9	3.0	2.9	2.5	2.5	2.6	2.4
Manufacturing	272.1	275.7	278.7	281.6	284.9	288.0	290.3	292.5
% Ch, Annual Rate	4.7	5.4	4.4	4.2	4.7	4.5	3.2	3.0
Durable Manufacturing	195.8	198.5	200.5	203.0	205.7	208.5	210.4	212.2
% Ch, Annual Rate	4.6	5.5	4.2	4.9	5.6	5.5	3.6	3.5
Wood Products	15.1	15.8	16.6	17.3	17.7	18.0	18.1	18.2
% Ch, Annual Rate	18.2	22.0	20.1	17.7	11.1	6.0	2.4	1.5
Primary and Fabricated Metals	21.7	22.0	22.2	22.6	23.0	23.4	23.8	24.2
% Ch, Annual Rate	0.5	4.1	4.0	6.9	7.9	7.4	6.8	7.0
Computer and Electronic Products	22.4	22.4	22.0	21.9	22.4	23.1	23.2	23.4
% Ch, Annual Rate	2.1	1.0	-6.4	-3.1	9.2	13.2	2.7	2.8
Machinery and Electrical Equipment	19.3	19.9	20.3	20.8	21.2	21.6	21.9	22.2
% Ch, Annual Rate	10.1	11.4	9.2	9.6	8.0	8.2	5.9	5.6
Aerospace	82.0	82.7	83.4	84.1	84.9	85.6	86.3	87.1
% Ch, Annual Rate	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Other Transportation Equip.	9.3	9.5	9.6	9.7	9.7	9.8	9.8	9.8
% Ch, Annual Rate	5.3	6.0	5.1	4.3	2.6	1.9	-0.1	-0.4
Other Durables	26.0	26.2	26.4	26.7	26.9	27.1	27.2	27.3
% Ch, Annual Rate	2.6	3.7	3.3	3.5	3.2	2.7	2.2	2.1
Nondurable Manufacturing	76.3	77.3	78.2	78.7	79.1	79.5	80.0	80.3
% Ch, Annual Rate	4.7	5.0	4.8	2.5	2.3	2.1	2.2	1.7
Food Manufacturing	34.7	35.3	35.9	36.1	36.4	36.6	36.8	37.1
% Ch, Annual Rate	6.4	7.2	6.9	2.6	2.6	2.4	3.0	2.5
Paper and Paper Products	9.7	9.8	9.9	9.9	10.0	10.1	10.1	10.1
% Ch, Annual Rate	3.7	3.5	3.8	3.1	2.7	2.4	1.9	1.1
Other Nondurables	32.0	32.2	32.4	32.6	32.8	32.9	33.0	33.1
% Ch, Annual Rate	3.1	3.0	2.9	2.3	1.8	1.7	1.5	1.1
Natural Resources and Mining	6.7	6.9	7.2	7.4	7.6	7.8	7.9	8.0
% Ch, Annual Rate	9.6	14.3	15.2	14.0	10.9	9.3	8.0	5.2
Construction	143.0	145.9	149.7	153.4	155.9	158.5	161.3	163.8
% Ch, Annual Rate	5.6	8.5	10.5	10.4	6.8	6.7	7.3	6.4
Trade, Transportation, and Utilities	541.3	545.8	549.8	553.6	557.0	560.1	563.5	566.3
% Ch, Annual Rate	3.4	3.4	3.0	2.8	2.5	2.3	2.4	2.0
Wholesale Trade	129.1	130.2	131.2	132.0	132.7	133.3	134.1	134.7
% Ch, Annual Rate	3.9	3.4	3.2	2.6	2.0	1.9	2.5	1.9
Retail Trade	316.4	318.7	320.5	322.5	324.3	326.0	327.6	329.0
% Ch, Annual Rate	2.4	2.8	2.4	2.4	2.3	2.0	2.1	1.6
Trans., Warehousing, and Utilities	95.8	97.0	98.1	99.1	100.0	100.9	101.8	102.5
% Ch, Annual Rate	5.9	5.1	4.8	4.0	3.9	3.4	3.6	3.1
Information	108.3	109.1	109.9	110.9	112.0	112.8	113.6	114.2
% Ch, Annual Rate	5.0	3.1	2.9	3.6	3.9	3.1	2.9	2.1
Software Publishers	54.2	54.9	55.6	56.3	57.0	57.6	58.3	59.0
% Ch, Annual Rate	3.6	5.1	5.0	4.8	5.1	4.8	4.8	4.4
Other Publishing Industries	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.2
% Ch, Annual Rate	-0.4	0.7	0.1	-0.4	0.3	-0.4	-0.4	-1.6
Other Information	45.8	45.9	46.0	46.4	46.7	46.9	47.0	47.0
% Ch, Annual Rate	7.7	1.3	1.0	3.0	3.2	1.6	1.1	-0.1
Financial Activities	140.4	141.6	143.0	143.7	144.0	144.2	145.0	146.0
% Ch, Annual Rate	4.2	3.5	3.8	2.0	1.0	0.4	2.2	2.8
Professional and Business Services	345.1	349.3	354.2	358.5	361.8	365.5	369.7	373.8
% Ch, Annual Rate	3.9	5.0	5.8	4.9	3.7	4.2	4.7	4.5
Education and Health Services	385.6	386.8	387.5	388.5	389.5	391.3	393.2	394.9
% Ch, Annual Rate	1.5	1.3	0.7	1.1	1.0	1.9	1.9	1.8
Leisure and Hospitality	274.8	276.3	277.8	279.4	281.0	282.1	283.3	284.5
% Ch, Annual Rate	3.3	2.2	2.1	2.3	2.4	1.6	1.7	1.6
Other Services	106.6	106.4	106.4	106.5	106.8	106.8	107.1	107.3
% Ch, Annual Rate	0.0	-0.8	0.2	0.4	0.9	0.2	1.0	0.7
Federal Government	72.7	72.3	72.1	71.9	71.8	71.6	71.5	71.4
% Ch, Annual Rate	-2.0	-1.9	-1.2	-1.0	-0.9	-0.8	-0.8	-0.7
State and Local Government	466.4	467.4	469.0	470.5	471.9	473.6	475.1	476.5
% Ch, Annual Rate	0.3	0.9	1.3	1.3	1.2	1.5	1.3	1.1

Table A3.1

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

Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	11,268.1	11,912.3	12,391.2	12,174.9	12,501.9	12,916.5	13,479.6	14,124.0
% Ch	7.5	5.7	4.0	-1.7	2.7	3.3	4.4	4.8
Total Wage and Salary Disbursements	6,068.9	6,421.7	6,559.1	6,274.1	6,363.2	6,616.8	6,947.2	7,297.5
% Ch	6.5	5.8	2.1	-4.3	1.4	4.0	5.0	5.0
Nonwage Personal Income	5,199.2	5,490.6	5,832.1	5,900.8	6,138.7	6,299.7	6,532.4	6,826.5
% Ch	8.7	5.6	6.2	1.2	4.0	2.6	3.7	4.5
Supplements to Wages and Salaries	1,406.9	1,440.4	1,506.8	1,532.6	1,582.7	1,641.7	1,722.6	1,808.7
% Ch	3.5	2.4	4.6	1.7	3.3	3.7	4.9	5.0
Proprietor's Income	1,133.0	1,090.4	1,102.0	1,011.9	1,055.3	1,115.3	1,182.0	1,229.4
% Ch	5.9	-3.8	1.1	-8.2	4.3	5.7	6.0	4.0
Farm	29.4	37.8	50.9	30.5	46.3	46.4	39.3	36.1
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,103.6	1,052.6	1,051.2	981.5	1,009.0	1,068.9	1,142.7	1,193.4
% Ch	7.6	-4.6	-0.1	-6.6	2.8	5.9	6.9	4.4
Less: Contribution For Govt. Soc. Ins.	921.8	959.5	987.2	970.3	999.0	1,046.6	1,112.9	1,203.1
% Ch	5.6	4.1	2.9	-1.7	3.0	4.8	6.3	8.1
Dividends/Int./Rent	1,976.2	2,200.7	2,331.3	2,193.7	2,206.5	2,221.3	2,312.3	2,493.5
% Ch	14.9	11.4	5.9	-5.9	0.6	0.7	4.1	7.8
Transfer Payments	1,605.0	1,718.5	1,879.3	2,132.9	2,293.2	2,368.0	2,428.5	2,497.9
% Ch	6.4	7.1	9.4	13.5	7.5	3.3	2.6	2.9

Table A3.2

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

Forecast 2010 to 2013

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

Table A3.2 (continued)

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

Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,350.3	12,473.8	12,539.5	12,644.2	12,746.7	12,849.2	12,967.4	13,102.7
% Ch, Annual Rate	3.7	4.1	2.1	3.4	3.3	3.3	3.7	4.2
Total Wage and Salary Disbursements	6,291.4	6,342.5	6,380.9	6,438.2	6,509.2	6,576.8	6,649.7	6,731.3
% Ch, Annual Rate	0.4	3.3	2.4	3.6	4.5	4.2	4.5	5.0
Nonwage Personal Income	6,058.9	6,131.3	6,158.6	6,206.0	6,237.4	6,272.5	6,317.7	6,371.3
% Ch, Annual Rate	7.2	4.9	1.8	3.1	2.0	2.3	2.9	3.4
Supplements to Wages and Salaries	1,566.7	1,577.8	1,588.1	1,598.3	1,618.4	1,632.8	1,648.7	1,667.2
% Ch, Annual Rate	5.3	2.9	2.6	2.6	5.1	3.6	3.9	4.6
Proprietor's Income	1,030.8	1,049.7	1,058.8	1,082.0	1,095.7	1,106.5	1,122.6	1,136.4
% Ch, Annual Rate	3.4	7.5	3.5	9.1	5.2	4.0	6.0	5.0
Farm	36.8	38.9	49.8	59.8	54.1	46.4	45.1	40.0
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	994.0	1,010.8	1,009.0	1,022.2	1,041.6	1,060.0	1,077.5	1,096.4
% Ch, Annual Rate	3.3	6.9	-0.7	5.3	7.8	7.3	6.8	7.2
Less: Contribution For Govt. Soc. Ins.	987.8	995.6	1,001.9	1,010.9	1,033.2	1,042.6	1,050.1	1,060.4
% Ch, Annual Rate	5.4	3.2	2.5	3.7	9.1	3.7	2.9	4.0
Dividends/Int./Rent	2,203.8	2,213.3	2,203.8	2,205.1	2,208.0	2,210.7	2,223.7	2,242.8
% Ch, Annual Rate	6.0	1.7	-1.7	0.2	0.5	0.5	2.4	3.5
Transfer Payments	2,245.5	2,286.1	2,309.8	2,331.4	2,348.6	2,365.1	2,372.7	2,385.4
% Ch, Annual Rate	10.9	7.4	4.2	3.8	3.0	2.8	1.3	2.1

Table A3.2 (continued)

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

Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	13,236.8	13,391.6	13,557.4	13,732.8	13,867.1	14,042.9	14,209.5	14,376.7
% Ch, Annual Rate	4.2	4.8	5.0	5.3	4.0	5.2	4.8	4.8
Total Wage and Salary Disbursements	6,821.0	6,903.0	6,988.7	7,076.3	7,170.1	7,257.0	7,340.8	7,422.2
% Ch, Annual Rate	5.4	4.9	5.1	5.1	5.4	4.9	4.7	4.5
Nonwage Personal Income	6,415.8	6,488.6	6,568.7	6,656.5	6,697.0	6,785.9	6,868.6	6,954.5
% Ch, Annual Rate	2.8	4.6	5.0	5.5	2.5	5.4	5.0	5.1
Supplements to Wages and Salaries	1,693.1	1,713.1	1,731.4	1,752.6	1,776.4	1,798.3	1,818.5	1,841.8
% Ch, Annual Rate	6.4	4.8	4.3	5.0	5.5	5.0	4.5	5.2
Proprietor's Income	1,152.6	1,175.8	1,192.5	1,206.8	1,212.7	1,224.4	1,234.6	1,246.0
% Ch, Annual Rate	5.8	8.3	5.8	4.9	1.9	3.9	3.4	3.7
Farm	39.0	40.3	39.4	38.4	36.8	36.7	36.1	34.8
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,113.6	1,135.5	1,153.1	1,168.5	1,175.8	1,187.8	1,198.6	1,211.3
% Ch, Annual Rate	6.4	8.1	6.3	5.4	2.5	4.1	3.7	4.3
Less: Contribution For Govt. Soc. Ins.	1,095.1	1,105.8	1,118.6	1,132.3	1,186.9	1,199.1	1,206.9	1,219.6
% Ch, Annual Rate	13.7	4.0	4.7	5.0	20.8	4.2	2.6	4.3
Dividends/Int./Rent	2,261.0	2,287.6	2,327.1	2,373.3	2,428.2	2,474.8	2,514.5	2,556.6
% Ch, Annual Rate	3.3	4.8	7.1	8.2	9.6	7.9	6.6	6.9
Transfer Payments	2,404.1	2,417.7	2,436.2	2,456.0	2,466.7	2,487.4	2,507.9	2,529.7
% Ch, Annual Rate	3.2	2.3	3.1	3.3	1.8	3.4	3.3	3.5

Table A3.3

Washington Personal Income by Component (Billions of Dollars)

Forecast 2010 to 2013

	2006	2007	2008	2009	2010	2011	2012	2013
Personal Income	252.091	272.544	287.148	286.114	292.392	303.109	318.574	336.476
% Ch	9.6	8.1	5.4	-0.4	2.2	3.7	5.1	5.6
Total Wage and Salary Disbursements	135.118	145.839	150.863	146.911	147.009	153.707	162.888	172.579
% Ch	8.4	7.9	3.4	-2.6	0.1	4.6	6.0	5.9
Manufacturing	16.794	17.686	17.978	16.796	16.470	17.515	18.976	20.435
% Ch	11.3	5.3	1.7	-6.6	-1.9	6.3	8.3	7.7
Durable Manufacturing	13.051	13.773	14.078	13.139	12.946	13.859	15.062	16.289
% Ch	13.4	5.5	2.2	-6.7	-1.5	7.0	8.7	8.1
Nondurable Manufacturing	3.742	3.913	3.900	3.657	3.524	3.656	3.914	4.146
% Ch	4.4	4.6	-0.3	-6.2	-3.7	3.8	7.1	5.9
Nonmanufacturing	112.859	122.502	126.558	123.652	123.874	129.281	136.920	145.103
% Ch	8.2	8.5	3.3	-2.3	0.2	4.4	5.9	6.0
Other Private Wages	0.855	0.880	0.899	0.842	0.804	0.825	0.864	0.903
% Ch	6.9	2.9	2.1	-6.3	-4.4	2.6	4.7	4.6
Farm Wages	1.133	1.126	1.399	1.431	1.467	1.522	1.601	1.685
% Ch	-4.1	-0.6	24.3	2.3	2.5	3.8	5.2	5.2
Military Wages	3.478	3.646	4.030	4.190	4.394	4.565	4.527	4.453
% Ch	5.4	4.8	10.5	4.0	4.9	3.9	-0.8	-1.6
Nonwage Personal Income	116.974	126.705	136.285	139.203	145.383	149.402	155.685	163.897
% Ch	11.0	8.3	7.6	2.1	4.4	2.8	4.2	5.3
Supplements to Wages and Salaries	32.606	34.125	36.006	36.883	37.973	39.579	41.965	44.485
% Ch	4.5	4.7	5.5	2.4	3.0	4.2	6.0	6.0
Proprietor's Income	23.469	23.521	23.476	21.648	22.660	24.049	25.640	26.761
% Ch	9.9	0.2	-0.2	-7.8	4.7	6.1	6.6	4.4
Farm	0.653	1.093	1.009	0.543	0.804	0.836	0.726	0.678
% Ch	...	...	...	...	...	...	...	...
Nonfarm	22.817	22.428	22.467	21.106	21.856	23.213	24.915	26.083
% Ch	9.6	-1.7	0.2	-6.1	3.6	6.2	7.3	4.7
Less: Contribution For Govt. Soc. Ins.	23.325	24.476	25.208	24.812	25.391	26.647	28.525	30.983
% Ch	6.2	4.9	3.0	-1.6	2.3	4.9	7.0	8.6
Plus: Residence Adjustment	2.864	3.030	3.086	2.907	2.997	3.125	3.289	3.463
% Ch	6.7	5.8	1.8	-5.8	3.1	4.3	5.2	5.3
Dividends/Int./Rent	49.329	55.770	60.730	57.741	58.389	58.835	61.418	66.541
% Ch	16.7	13.1	8.9	-4.9	1.1	0.8	4.4	8.3
Transfer Payments	32.030	34.735	38.195	44.837	48.756	50.462	51.898	53.630
% Ch	7.5	8.4	10.0	17.4	8.7	3.5	2.8	3.3
State U.I. Benefits	0.733	0.739	1.197	3.641	4.245	3.736	2.783	1.683
% Ch	-6.2	0.7	62.1	204.2	16.6	-12.0	-25.5	-39.5
Other Transfers	31.297	33.996	36.998	41.196	44.511	46.726	49.114	51.947
% Ch	7.8	8.6	8.8	11.3	8.0	5.0	5.1	5.8

Table A3.4

Washington Personal Income by Component (Billions of Dollars)

Forecast 2010 to 2013

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	284.514	286.856	290.118	287.103	284.033	286.582	286.473	287.367
% Ch, Annual Rate	5.4	3.3	4.6	-4.1	-4.2	3.6	-0.2	1.3
Total Wage and Salary Disbursements	151.003	150.566	152.357	149.527	147.049	147.353	146.898	146.342
% Ch, Annual Rate	2.6	-1.2	4.8	-7.2	-6.5	0.8	-1.2	-1.5
Manufacturing	18.422	17.895	17.976	17.619	16.786	16.853	16.793	16.753
% Ch, Annual Rate	11.7	-11.0	1.8	-7.7	-17.6	1.6	-1.4	-0.9
Durable Manufacturing	14.466	13.996	14.084	13.765	13.149	13.160	13.139	13.109
% Ch, Annual Rate	15.2	-12.4	2.5	-8.8	-16.7	0.3	-0.6	-0.9
Nondurable Manufacturing	3.956	3.899	3.892	3.854	3.637	3.693	3.654	3.644
% Ch, Annual Rate	-0.1	-5.6	-0.7	-3.8	-20.7	6.3	-4.2	-1.1
Nonmanufacturing	126.400	126.439	127.948	125.443	123.851	124.080	123.547	123.130
% Ch, Annual Rate	0.2	0.1	4.9	-7.6	-5.0	0.7	-1.7	-1.3
Other Private Wages	0.888	0.871	0.887	0.948	0.837	0.811	0.902	0.816
% Ch, Annual Rate	10.6	-7.4	7.6	30.5	-39.2	-11.9	53.0	-33.0
Farm Wages	1.389	1.391	1.400	1.416	1.415	1.430	1.439	1.441
% Ch, Annual Rate	106.3	0.6	2.6	4.7	-0.3	4.3	2.5	0.6
Military Wages	3.904	3.970	4.146	4.101	4.160	4.179	4.217	4.202
% Ch, Annual Rate	16.3	6.9	18.9	-4.3	5.9	1.8	3.7	-1.4
Nonwage Personal Income	133.511	136.290	137.762	137.575	136.984	139.229	139.573	141.026
% Ch, Annual Rate	8.6	8.6	4.4	-0.5	-1.7	6.7	1.0	4.2
Supplements to Wages and Salaries	35.468	35.763	36.479	36.315	36.679	36.926	36.978	36.949
% Ch, Annual Rate	5.4	3.4	8.3	-1.8	4.1	2.7	0.6	-0.3
Proprietor's Income	24.176	23.586	23.445	22.695	21.555	21.307	21.742	21.988
% Ch, Annual Rate	13.3	-9.4	-2.4	-12.2	-18.6	-4.5	8.4	4.6
Farm	1.446	0.936	0.992	0.663	0.518	0.373	0.636	0.643
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	22.731	22.651	22.453	22.032	21.037	20.934	21.106	21.345
% Ch, Annual Rate	13.2	-1.4	-3.5	-7.3	-16.9	-1.9	3.3	4.6
Less: Contribution For Govt. Soc. Ins.	25.279	25.177	25.412	24.963	24.830	24.905	24.813	24.701
% Ch, Annual Rate	4.4	-1.6	3.8	-6.9	-2.1	1.2	-1.5	-1.8
Plus: Residence Adjustment	3.124	3.126	3.068	3.024	2.930	2.914	2.879	2.903
% Ch, Annual Rate	7.2	0.3	-7.2	-5.6	-11.9	-2.2	-4.7	3.4
Dividends/Int./Rent	59.513	60.204	61.963	61.238	58.672	57.712	57.184	57.397
% Ch, Annual Rate	5.9	4.7	12.2	-4.6	-15.7	-6.4	-3.6	1.5
Transfer Payments	36.508	38.787	38.219	39.266	41.978	45.275	45.603	46.490
% Ch, Annual Rate	10.2	27.4	-5.7	11.4	30.6	35.3	2.9	8.0
State U.I. Benefits	0.865	0.933	1.275	1.715	2.528	3.555	4.171	4.309
% Ch, Annual Rate	26.9	35.4	248.7	227.4	372.1	291.1	89.5	13.9
Other Transfers	35.643	37.854	36.945	37.551	39.451	41.720	41.433	42.180
% Ch, Annual Rate	9.9	27.2	-9.3	6.7	21.8	25.1	-2.7	7.4

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2010 to 2013

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	288.587	292.014	293.397	295.571	298.404	300.874	305.438	307.721
% Ch, Annual Rate	1.7	4.8	1.9	3.0	3.9	3.4	6.2	3.0
Total Wage and Salary Disbursements	145.080	146.742	147.553	148.661	150.670	152.208	155.559	156.391
% Ch, Annual Rate	-3.4	4.7	2.2	3.0	5.5	4.1	9.1	2.2
Manufacturing	15.903	16.550	16.636	16.790	17.006	17.289	17.686	18.077
% Ch, Annual Rate	-18.8	17.3	2.1	3.7	5.3	6.8	9.5	9.1
Durable Manufacturing	12.433	13.031	13.102	13.219	13.417	13.663	14.011	14.343
% Ch, Annual Rate	-19.1	20.7	2.2	3.6	6.1	7.5	10.6	9.8
Nondurable Manufacturing	3.471	3.520	3.533	3.570	3.590	3.626	3.675	3.734
% Ch, Annual Rate	-17.7	5.8	1.6	4.2	2.2	4.1	5.5	6.6
Nonmanufacturing	122.541	123.545	124.237	125.172	126.803	128.022	130.926	131.372
% Ch, Annual Rate	-1.9	3.3	2.3	3.0	5.3	3.9	9.4	1.4
Other Private Wages	0.810	0.800	0.801	0.806	0.812	0.820	0.829	0.838
% Ch, Annual Rate	-3.0	-4.6	0.4	2.2	3.5	3.7	4.3	4.6
Farm Wages	1.453	1.464	1.470	1.481	1.496	1.512	1.530	1.549
% Ch, Annual Rate	3.4	3.1	1.5	3.1	4.2	4.4	4.9	5.1
Military Wages	4.373	4.382	4.410	4.413	4.552	4.565	4.587	4.555
% Ch, Annual Rate	17.3	0.8	2.5	0.3	13.2	1.2	2.0	-2.8
Nonwage Personal Income	143.507	145.272	145.844	146.910	147.734	148.666	149.879	151.330
% Ch, Annual Rate	7.2	5.0	1.6	3.0	2.3	2.5	3.3	3.9
Supplements to Wages and Salaries	37.548	37.934	38.091	38.318	38.870	39.309	39.800	40.337
% Ch, Annual Rate	6.6	4.2	1.7	2.4	5.9	4.6	5.1	5.5
Proprietor's Income	22.158	22.531	22.725	23.224	23.563	23.844	24.226	24.563
% Ch, Annual Rate	3.1	6.9	3.5	9.1	6.0	4.9	6.6	5.7
Farm	0.664	0.630	0.857	1.064	0.969	0.832	0.816	0.726
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	21.494	21.901	21.868	22.160	22.594	23.012	23.410	23.837
% Ch, Annual Rate	2.8	7.8	-0.6	5.5	8.1	7.6	7.1	7.5
Less: Contribution For Govt. Soc. Ins.	25.094	25.351	25.450	25.669	26.241	26.518	26.763	27.068
% Ch, Annual Rate	6.5	4.2	1.6	3.5	9.2	4.3	3.7	4.6
Plus: Residence Adjustment	2.979	2.974	3.000	3.033	3.072	3.106	3.141	3.182
% Ch, Annual Rate	10.9	-0.7	3.6	4.5	5.2	4.5	4.6	5.4
Dividends/Int./Rent	58.355	58.532	58.309	58.359	58.449	58.537	58.906	59.447
% Ch, Annual Rate	6.8	1.2	-1.5	0.3	0.6	0.6	2.5	3.7
Transfer Payments	47.561	48.652	49.169	49.643	50.021	50.387	50.570	50.869
% Ch, Annual Rate	9.5	9.5	4.3	3.9	3.1	3.0	1.5	2.4
State U.I. Benefits	4.411	4.353	4.158	4.058	3.971	3.823	3.662	3.488
% Ch, Annual Rate	9.8	-5.2	-16.8	-9.3	-8.3	-14.1	-15.8	-17.7
Other Transfers	43.150	44.299	45.011	45.585	46.050	46.564	46.907	47.381
% Ch, Annual Rate	9.5	11.1	6.6	5.2	4.1	4.5	3.0	4.1

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2010 to 2013

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	311.886	315.775	321.693	324.941	329.342	333.805	340.006	342.753
% Ch, Annual Rate	5.5	5.1	7.7	4.1	5.5	5.5	7.6	3.3
Total Wage and Salary Disbursements	159.331	161.289	165.032	165.902	168.984	171.023	174.955	175.356
% Ch, Annual Rate	7.7	5.0	9.6	2.1	7.6	4.9	9.5	0.9
Manufacturing	18.426	18.807	19.156	19.516	19.909	20.303	20.613	20.916
% Ch, Annual Rate	7.9	8.5	7.6	7.7	8.3	8.2	6.2	6.0
Durable Manufacturing	14.620	14.927	15.199	15.503	15.841	16.181	16.439	16.696
% Ch, Annual Rate	7.9	8.7	7.5	8.2	9.0	8.9	6.5	6.4
Nondurable Manufacturing	3.806	3.881	3.957	4.013	4.068	4.122	4.174	4.221
% Ch, Annual Rate	8.0	8.1	8.1	5.8	5.6	5.4	5.1	4.6
Nonmanufacturing	133.856	135.477	138.900	139.449	142.010	143.672	147.305	147.424
% Ch, Annual Rate	7.8	4.9	10.5	1.6	7.5	4.8	10.5	0.3
Other Private Wages	0.849	0.858	0.869	0.878	0.889	0.899	0.908	0.916
% Ch, Annual Rate	5.3	4.6	4.8	4.6	5.1	4.4	4.1	3.7
Farm Wages	1.571	1.591	1.612	1.632	1.655	1.675	1.695	1.714
% Ch, Annual Rate	5.7	5.1	5.4	5.2	5.6	5.1	4.8	4.5
Military Wages	4.629	4.555	4.496	4.427	4.522	4.473	4.433	4.385
% Ch, Annual Rate	6.7	-6.3	-5.1	-6.0	8.9	-4.2	-3.5	-4.3
Nonwage Personal Income	152.555	154.486	156.661	159.039	160.357	162.782	165.051	167.398
% Ch, Annual Rate	3.3	5.2	5.8	6.2	3.4	6.2	5.7	5.8
Supplements to Wages and Salaries	41.089	41.675	42.242	42.855	43.563	44.194	44.767	45.415
% Ch, Annual Rate	7.7	5.8	5.6	5.9	6.8	5.9	5.3	5.9
Proprietor's Income	24.953	25.492	25.889	26.227	26.369	26.642	26.883	27.152
% Ch, Annual Rate	6.5	8.9	6.4	5.3	2.2	4.2	3.7	4.1
Farm	0.713	0.743	0.731	0.715	0.689	0.689	0.679	0.656
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	24.240	24.749	25.158	25.512	25.680	25.953	26.204	26.496
% Ch, Annual Rate	6.9	8.7	6.8	5.8	2.7	4.3	3.9	4.5
Less: Contribution For Govt. Soc. Ins.	27.990	28.314	28.700	29.095	30.505	30.863	31.103	31.462
% Ch, Annual Rate	14.4	4.7	5.6	5.6	20.8	4.8	3.2	4.7
Plus: Residence Adjustment	3.226	3.267	3.308	3.353	3.399	3.443	3.485	3.527
% Ch, Annual Rate	5.7	5.1	5.2	5.5	5.7	5.2	5.0	4.9
Dividends/Int./Rent	59.973	60.728	61.838	63.135	64.673	65.996	67.141	68.353
% Ch, Annual Rate	3.6	5.1	7.5	8.7	10.1	8.4	7.1	7.4
Transfer Payments	51.304	51.638	52.084	52.565	52.858	53.370	53.878	54.414
% Ch, Annual Rate	3.5	2.6	3.5	3.7	2.3	3.9	3.9	4.0
State U.I. Benefits	3.212	2.926	2.638	2.359	2.089	1.819	1.543	1.280
% Ch, Annual Rate	-28.1	-31.2	-33.9	-36.0	-38.5	-42.5	-48.2	-52.7
Other Transfers	48.093	48.712	49.446	50.206	50.769	51.551	52.335	53.134
% Ch, Annual Rate	6.1	5.3	6.2	6.3	4.6	6.3	6.2	6.2

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.507	8.8	0.909	10.4	0.916	10.8
1982	0.535	5.5	0.965	6.2	0.978	6.7
1983	0.558	4.3	0.996	3.2	0.993	1.5
1984	0.579	3.8	1.039	4.4	1.030	3.8
1985	0.598	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.3	1.239	4.8	1.181	4.7
1990	0.721	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.769	2.9	1.403	3.0	1.390	3.7
1993	0.786	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.820	2.2	1.524	2.8	1.522	3.0
1996	0.838	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.927	1.4	1.799	1.6	1.893	2.0
2003	0.946	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.056	2.7	2.073	2.9	2.157	3.9
2008	1.091	3.3	2.152	3.8	2.247	4.2
2009	1.093	0.2	2.145	-0.3	2.260	0.6
Forecast						
2010	1.112	1.8	2.182	1.7	2.269	0.4
2011	1.129	1.6	2.221	1.8	2.312	1.9
2012	1.147	1.5	2.262	1.8	2.354	1.8
2013	1.167	1.7	2.306	2.0	2.400	2.0

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

Statistics and Bureau of Economic Analysis.

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

	Services		Food		Fuels		Gasoline	
	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>	<u>Index</u>	<u>Percent Change</u>
1971	19.285	5.5	25.843	2.3	8.336	6.4	14.588	0.7
1972	20.103	4.2	27.075	4.8	8.388	0.6	14.777	1.3
1973	21.078	4.9	30.502	12.7	9.614	14.6	16.190	9.6
1974	22.868	8.5	35.139	15.2	15.278	58.9	21.871	35.1
1975	24.836	8.6	37.782	7.5	16.578	8.5	23.339	6.7
1976	26.558	6.9	38.484	1.9	17.782	7.3	24.331	4.2
1977	28.560	7.5	40.751	5.9	20.121	13.2	25.740	5.8
1978	30.780	7.8	44.650	9.6	21.275	5.7	26.858	4.3
1979	33.353	8.4	49.035	9.8	29.331	37.9	35.993	34.0
1980	36.805	10.3	53.158	8.4	41.187	40.4	49.955	38.8
1981	40.557	10.2	56.946	7.1	50.390	22.3	55.584	11.3
1982	43.712	7.8	58.444	2.6	49.415	-1.9	52.773	-5.1
1983	46.433	6.2	59.115	1.1	45.558	-7.8	51.047	-3.3
1984	48.850	5.2	60.891	3.0	46.572	2.2	50.283	-1.5
1985	51.053	4.5	61.554	1.1	44.756	-3.9	50.689	0.8
1986	53.379	4.6	63.003	2.4	35.044	-21.7	39.810	-21.5
1987	55.413	3.8	64.991	3.2	35.954	2.6	41.340	3.8
1988	58.127	4.9	66.929	3.0	35.938	0.0	41.691	0.8
1989	60.845	4.7	70.458	5.3	38.077	6.0	45.539	9.2
1990	63.812	4.9	73.900	4.9	45.856	20.4	51.843	13.8
1991	66.586	4.3	76.221	3.1	43.658	-4.8	51.162	-1.3
1992	69.240	4.0	76.805	0.8	41.881	-4.1	50.963	-0.4
1993	71.299	3.0	77.880	1.4	41.592	-0.7	50.446	-1.0
1994	73.205	2.7	79.184	1.7	40.836	-1.8	50.685	0.5
1995	75.371	3.0	80.900	2.2	40.455	-0.9	51.491	1.6
1996	77.479	2.8	83.368	3.1	45.851	13.3	54.646	6.1
1997	79.817	3.0	84.956	1.9	45.927	0.2	54.634	0.0
1998	81.695	2.4	86.024	1.3	40.699	-11.4	47.555	-13.0
1999	83.515	2.2	87.433	1.6	41.395	1.7	51.789	8.9
2000	85.824	2.8	89.486	2.3	60.692	46.6	66.170	27.8
2001	88.429	3.0	92.116	2.9	59.506	-2.0	63.776	-3.6
2002	90.807	2.7	93.528	1.5	53.051	-10.8	59.916	-6.1
2003	93.692	3.2	95.296	1.9	64.182	21.0	69.783	16.5
2004	96.688	3.2	98.267	3.1	74.736	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	33.8	100.000	21.8
2006	103.411	3.4	101.709	1.7	114.090	14.1	112.842	12.8
2007	106.973	3.4	105.728	4.0	123.294	8.1	123.921	9.8
2008	110.566	3.4	112.090	6.0	167.246	35.6	144.451	16.6
2009	112.233	1.5	113.539	1.3	114.671	-31.4	105.862	-26.7
Forecast								
2010	114.233	1.8	114.098	0.5	133.397	16.3	125.012	18.1
2011	115.968	1.5	116.376	2.0	138.591	3.9	136.719	9.4
2012	118.265	2.0	117.149	0.7	142.086	2.5	139.159	1.8
2013	120.842	2.2	118.562	1.2	144.150	1.5	140.724	1.1

Table A5.1

Washington Resident Population and Components of Change*
 (Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1

Summary of National and State Indicators

Indicator	Latest Data	Indication
U.S. Leading Index	October 2010	+
U.S. Real GDP Growth	3rd quarter 2010	+
U.S. ISM Index	November 2010	+
U.S. Employment YoY%Δ	November 2010	+
U.S. Unemployment Rate	November 2010	-
U.S. Job Openings	September 2010	-
U.S. Fed Funds Target	December 2010	unchanged
U.S. Consumer Confidence	November 2010	+
U.S. Light Vehicle Sales	November 2010	unchanged
U.S. CPI	October 2010	neutral
U.S. Monster Employment Index	November 2010	+
S&P 500 Index	December 3, 2010	+
WA Leading Index	October 2010	+
WA NAPM-WW Index	October 2010	+
WA Help Wanted Index	November 2010	+
WA Employment YoY%Δ	October 2010	-
WA Aerospace Empl. YoY%Δ	October 2010	-
WA Unemployment Rate	October 2010	unchanged
WA Business Cycle Indicator	October 2010	+
WA Initial Unemploy. Claims	November 2010	+
WA Housing Permits	October 2010	-
WA Weekly Hours in Mfg.	October 2010	-
WA New Vehicle Registration	November 2010	+
WA Migration (DOL data)	October 2010	+
WA Exports-Total	3rd quarter 2010	+
WA Exports- w/o Trans. Equip.	3rd quarter 2010	+
Seattle CPI	October 2010	neutral
Seattle Monster Employment Index	November 2010	+

Table A6.2

Washington Business Indicators

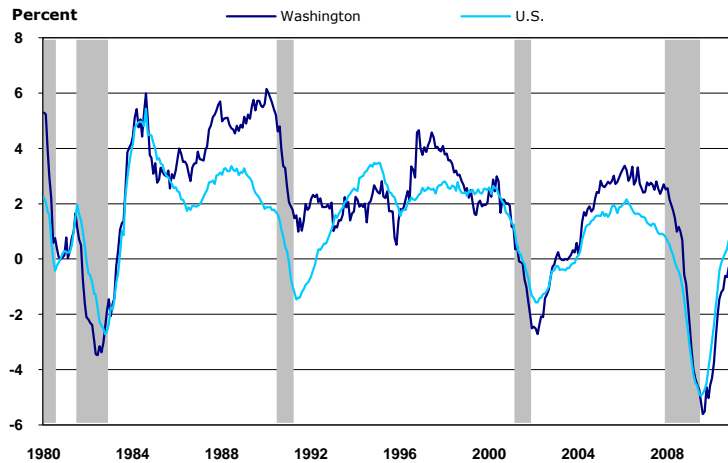
Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	WA State Help-Wanted Index	Washington Purchasing Management Index	U.S. Purchasing Management Index
2007:01	113.6	104.9	116.1	66.4	49.2
2007:02	115.3	104.5	119.8	62.3	51.9
2007:03	115.0	104.9	124.5	64.9	51.2
2007:04	115.5	104.6	129.3	68.4	52.9
2007:05	116.8	104.7	132.4	69.6	52.6
2007:06	116.4	104.4	131.3	67.8	53.2
2007:07	117.0	104.8	128.6	65.4	52.1
2007:08	117.3	104.1	128.3	64.3	50.5
2007:09	117.8	104.1	131.5	58.1	50.4
2007:10	118.2	103.8	130.6	56.8	49.9
2007:11	118.7	103.6	134.7	53.0	50.7
2007:12	118.0	103.6	126.8	58.7	48.7
2008:01	117.2	103.1	119.8	66.7	50.5
2008:02	117.9	102.7	118.3	62.3	48.7
2008:03	118.8	102.8	124.4	55.2	49.1
2008:04	119.6	102.7	125.9	65.0	48.9
2008:05	118.5	102.5	120.5	60.3	49.6
2008:06	118.8	102.6	118.4	63.8	50.0
2008:07	117.7	101.6	113.1	60.2	49.6
2008:08	117.1	100.9	111.2	65.3	49.2
2008:09	115.8	100.8	111.0	48.6	43.2
2008:10	113.7	99.8	106.1	50.9	38.4
2008:11	111.7	99.2	101.5	50.0	36.7
2008:12	111.6	99.1	97.9	42.3	32.5
2009:01	110.9	98.8	93.4	52.8	35.5
2009:02	108.4	98.3	88.2	48.1	35.7
2009:03	106.4	98.1	79.4	40.9	36.4
2009:04	107.6	99.2	79.3	46.7	40.4
2009:05	108.6	100.6	78.6	48.5	43.2
2009:06	109.0	101.3	77.7	50.2	45.3
2009:07	109.8	102.5	79.9	46.7	49.1
2009:08	110.3	103.1	78.1	53.2	52.8
2009:09	110.7	104.2	78.2	52.9	52.4
2009:10	111.8	104.7	78.9	59.5	55.2
2009:11	113.0	105.8	82.4	54.8	53.7
2009:12	113.6	107.0	83.5	61.4	54.9
2010:01	114.5	107.6	86.0	63.0	58.4
2010:02	113.9	108.0	86.3	56.0	56.5
2010:03	114.9	109.5	88.8	56.1	59.6
2010:04	115.5	109.5	94.8	63.2	60.4
2010:05	115.0	110.0	92.9	62.4	59.7
2010:06	115.1	109.8	96.8	63.0	56.2
2010:07	115.9	110.0	97.8	55.9	55.5
2010:08	116.3	110.1	92.2	58.6	56.3
2010:09	116.3	110.7	92.5	60.3	54.4
2010:10	117.9	111.3	95.5	65.8	56.9
2010:11			96.6		56.6

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

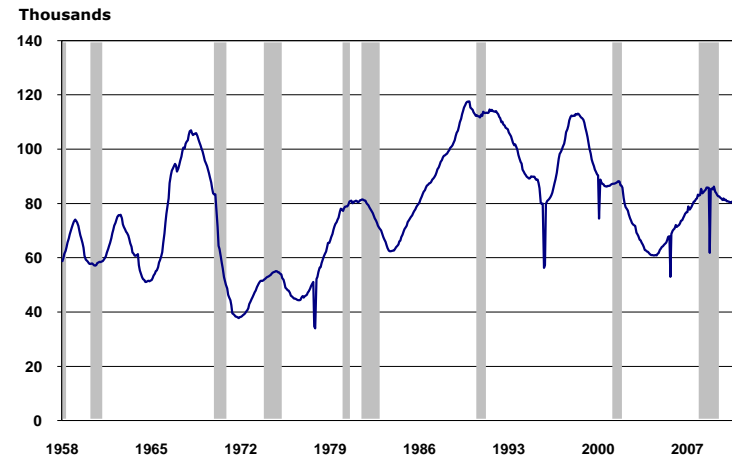
January 1980 to November 2010



* Bureau of Labor Statistics, WA State Employment Security

Washington Aircraft and Parts Employment

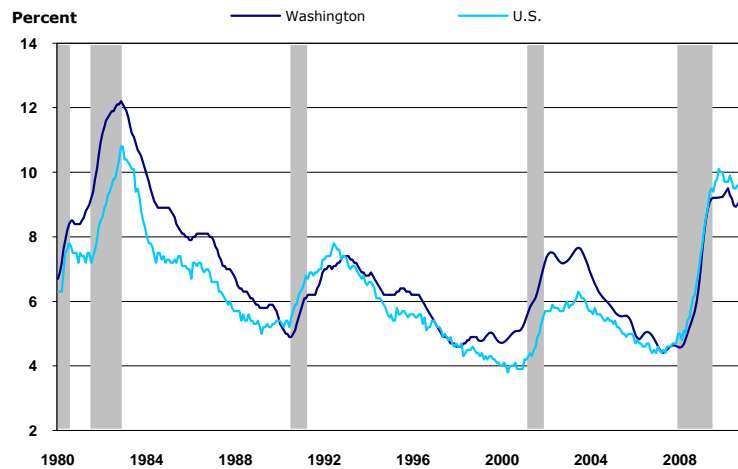
January 1958 to October 2010



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

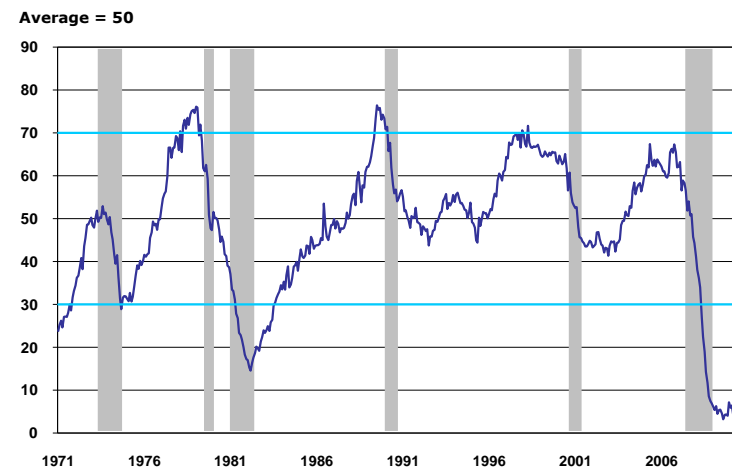
January 1980 to November 2010



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

October 2003 to October 2010, SA



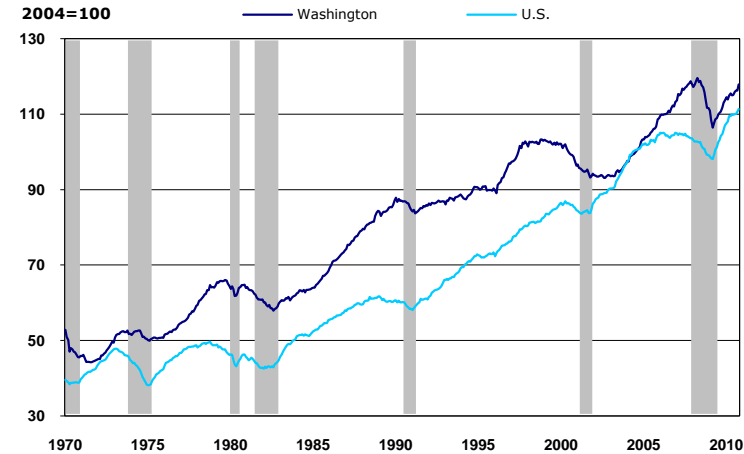
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

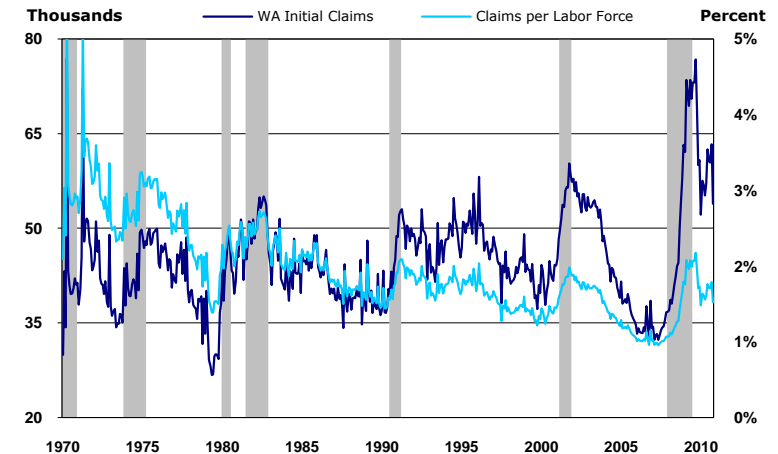
January 1970 to October 2010



* The Conference Board, ERFC

Washington Initial Claims for Unemployment Insurance

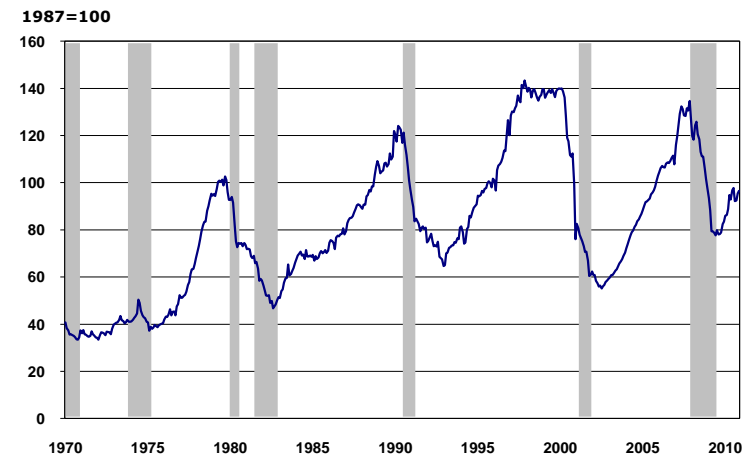
January 1970 to October 2010, S.A.



* Source: WA State Employment Security, ERFC

WA State Help Wanted Index

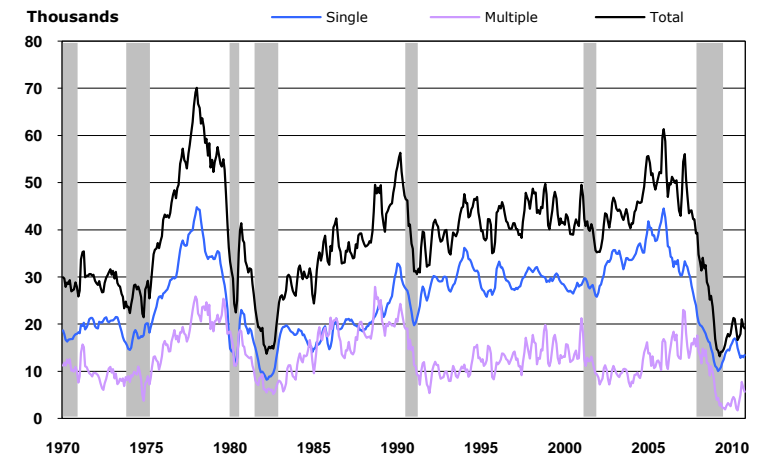
January 1970 to November 2010



* Source: ERFC

Housing Units Authorized in Washington State

October 2003 to August 2010, SA



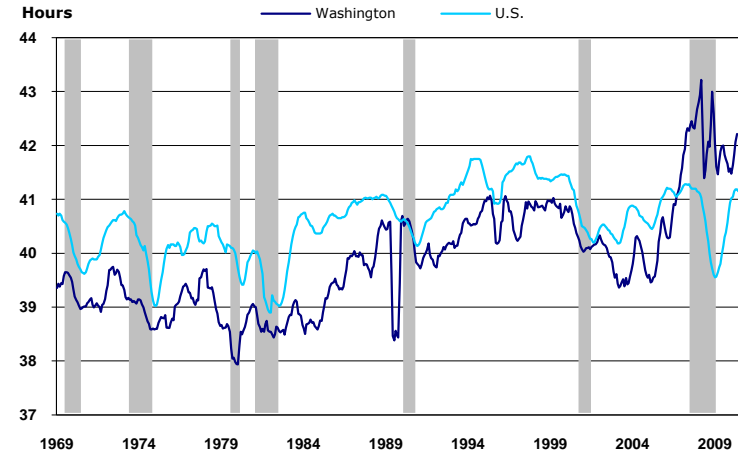
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

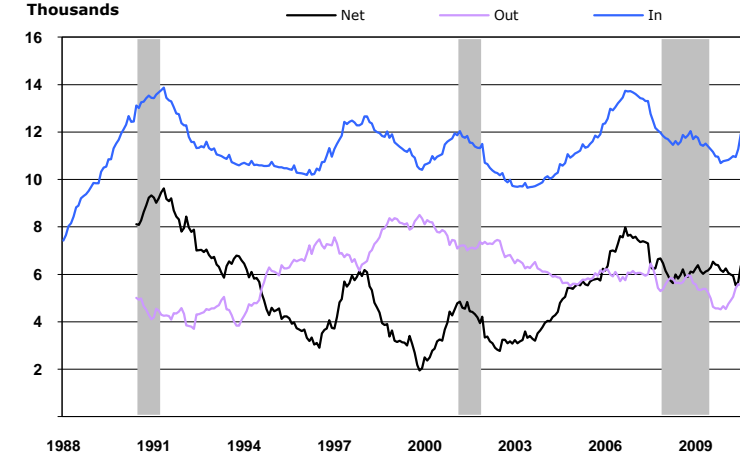
June 1969 to November 2010, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

Washington Driver's License Migration

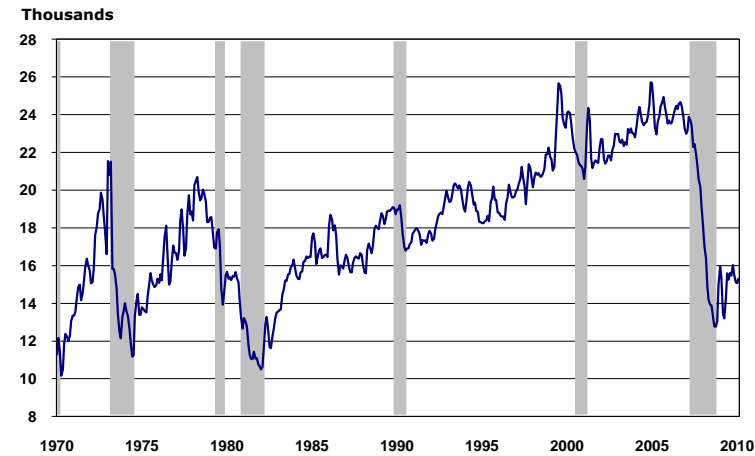
January 1988 to October 2010, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

New Car and Truck Registrations in Washington

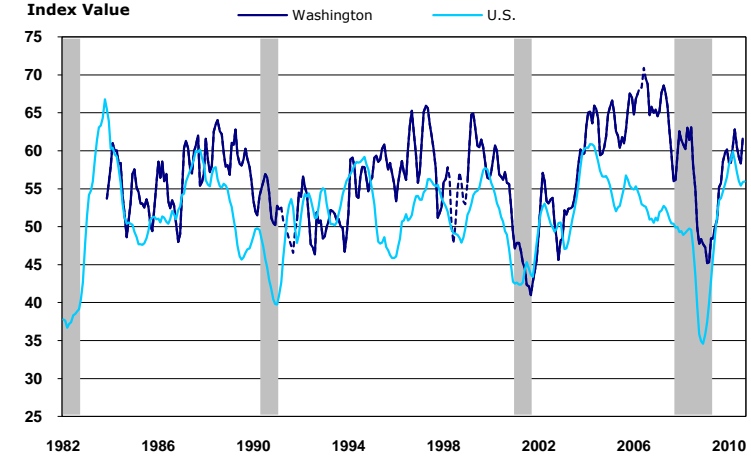
September 1970 to October 2010, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

October 2003 to November 2010, SA



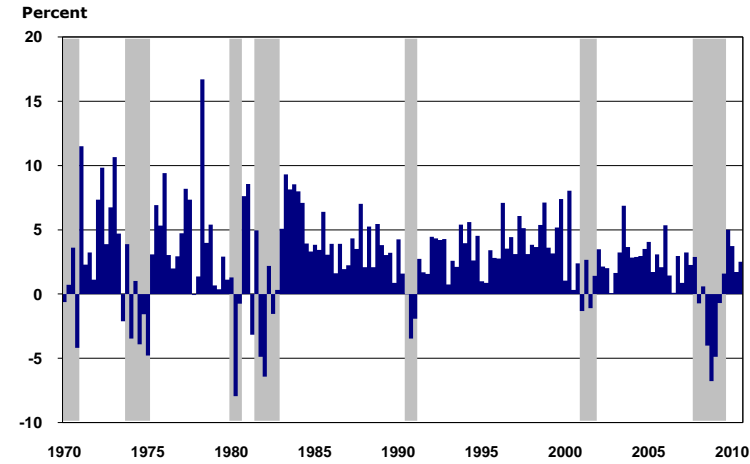
* Source: Institute for Supply Management, NAPM-WW

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators

Quarterly U.S. Real GDP Growth

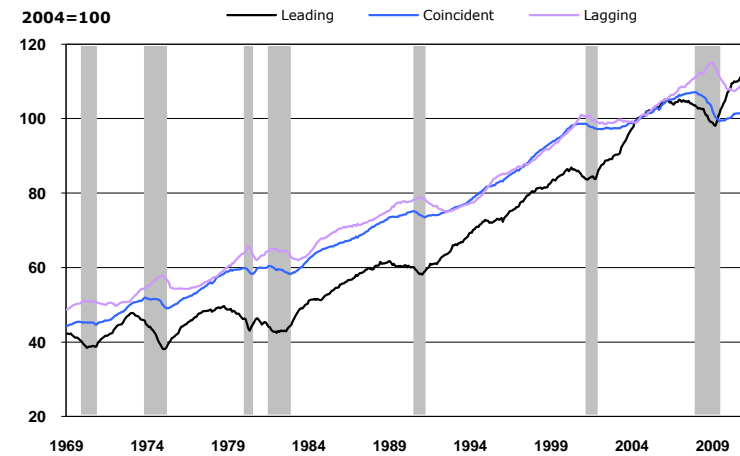
1970Q1 to 2010Q3



* Source: Bureau of Economic Analysis

U.S. Economic Indicators

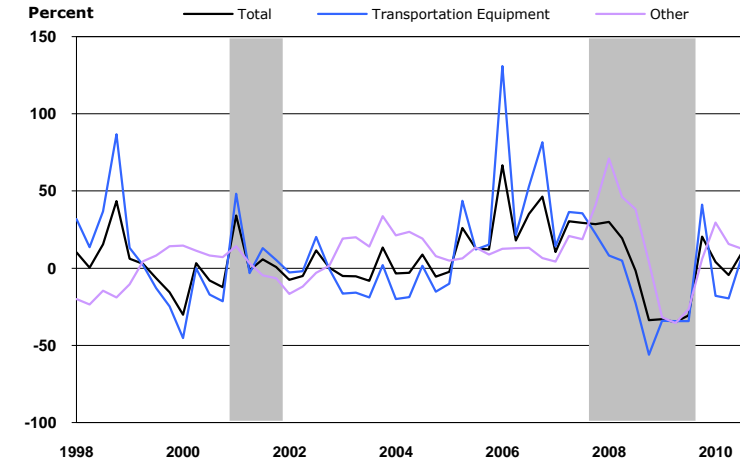
January 1969 to October 2010



* Source: The Conference Board

Washington State Export Composition

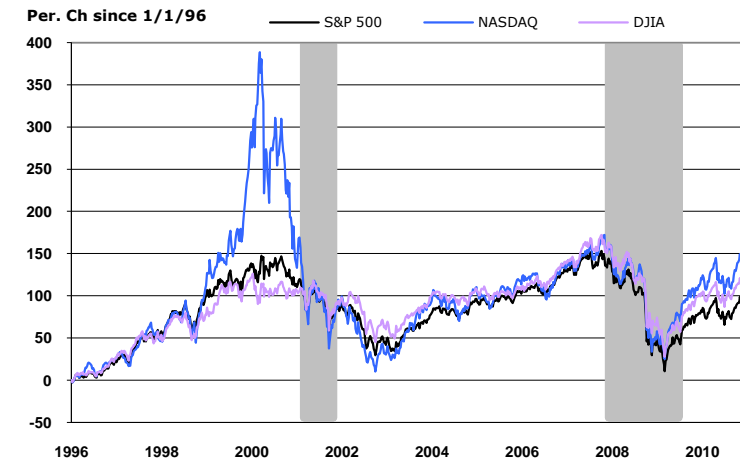
1998Q1 to 2010Q3, Change from Same Quarter Year Ago



* Source: WISER

National Stock Indexes

January 3, 1996 to December 3, 2010



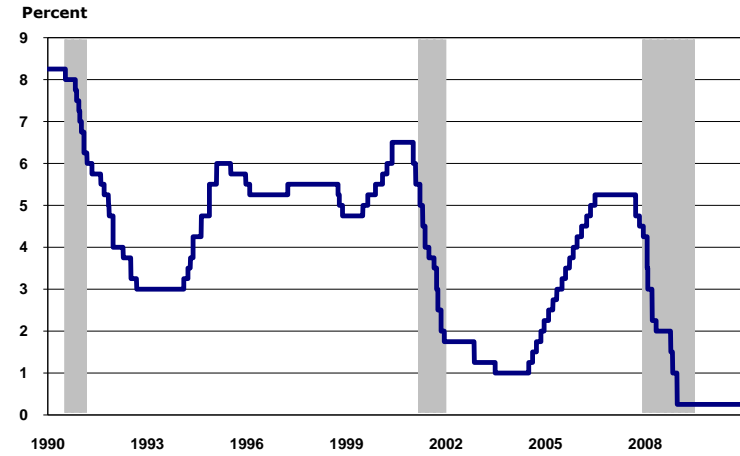
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other Economic Indicators

Federal Funds Target Rate

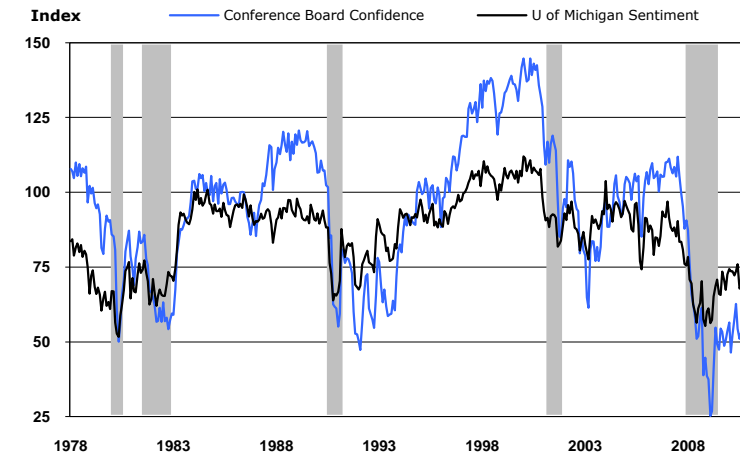
January 1, 1990 to December 6, 2010



* Federal Reserve

Consumer Confidence

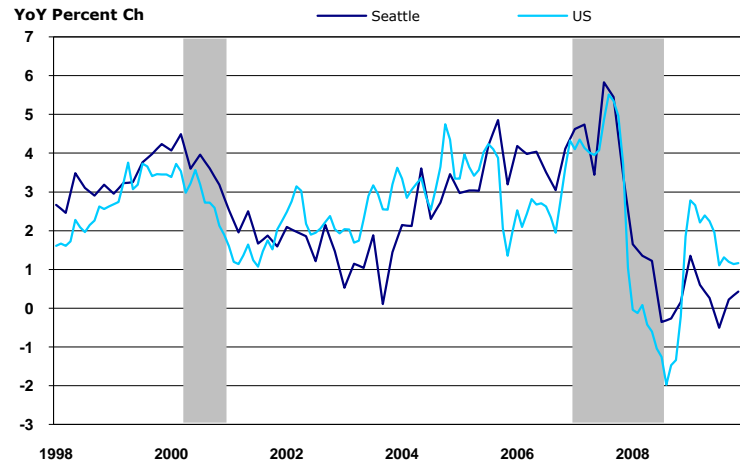
March 1978 to November 2010



* Source: The Conference Board, University of Michigan

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

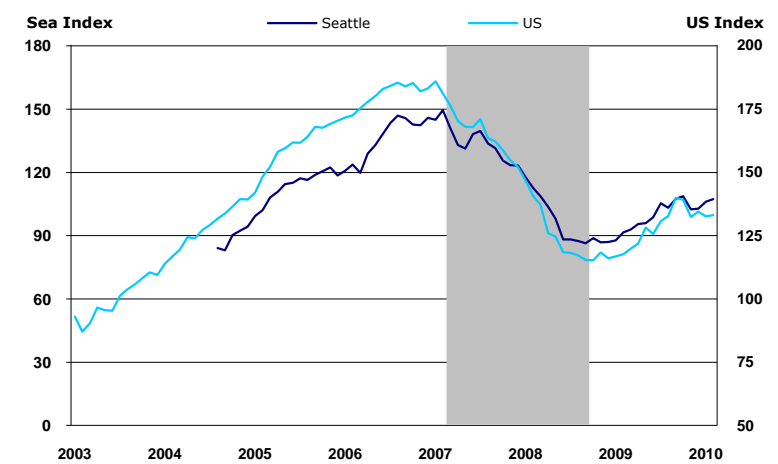
December 1998 to October 2010



* Source: Bureau of Labor Statistics

Monster Employment Index

October 2003 to November 2010, SA



* Source: Monster Worldwide, ERFC

* Shaded areas correspond with national recessions.

Glossary



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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