

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

Washington State Economic and Revenue Forecast

September 2012
Volume XXXV, No. 3



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

September 2012
Volume XXXV, No. 3

Preface

ERFC forecasting structure and schedule

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

Forecast Procedure

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

Data in this publication are accurate through October 5, 2012.

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Executive Summary

- **The national economy continues to experience a slow recovery with weak momentum. Economic activity is generally performing as expected: slow economic and job growth, high unemployment, and weak confidence.**
- **The biggest threat to the U.S. economy remains the sovereign debt crisis in Europe. The upcoming "fiscal cliff", slowing Asian economies, and threats to world oil supplies also pose risks to the U.S. economic recovery.**
- **The housing market has finally returned to growth, but from a very depressed level. The manufacturing sector, which had been a bright spot in the recovery, is starting to falter. Consumer spending remains subdued.**
- **As expected in June, the Washington economy continues to expand at a moderate pace.**
- **Manufacturing appears to be slowing but housing construction is picking up, especially in the multi-family sector. Home price appreciation has turned positive.**
- **Except for transportation equipment, Washington exports have weakened.**
- **We expect the Washington economy to continue to outperform the U.S. economy by a narrow margin.**
- **The General Fund-State forecast has increased by \$29 million in the 2011-13 biennium and \$23 million in the 2013-15 biennium**
- **The initial forecast for 2015-17 biennial General Fund-State revenue is \$35.52 billion**
- **The number and percentage of shared households increased in the United States between 2007 and 2010.**

U.S. Economic Forecast

The economic recovery remains weak

The national economy continues to experience a slow recovery with weak momentum. Economic activity since the June forecast has generally been in line with the baseline scenario. While the recovery from the Great Recession has been disappointing, growth remains positive. We expect the economy to continue on this lackluster path, with low growth, high unemployment and weak confidence. Global and national events have added to

uncertainty and have acted as a drag on growth. The level of downside uncertainty in the baseline remains high.

Downside risk remain elevated

The biggest threat to the U.S. economy remains the sovereign debt crisis in Europe. Europe has entered into another recession which has caused already high unemployment rates to move higher. In response to the economic weakness throughout the Eurozone, leaders have reluctantly moved to further action. The European Stability Mechanism (ESM) is the latest attempt to stabilize the financial crisis in European countries. The weakness in Europe has contributed to a slowdown in Asia as well. In particular, we continue to expect a slowdown in China due to their reliance on exports for growth. Another major threat to the forecast is the “fiscal cliff” of tax increases and spending cuts approaching at the end of 2012 which would pull the U.S. back into recession if allowed to occur.

Economic growth is expected to remain modest

The U.S. economy grew even more slowly than originally believed in the second quarter. Real U.S. GDP grew at an anemic 1.3% seasonally adjusted annualized rate (SAAR) in the second quarter of this year, down from 1.7% growth in the previous estimate and down from the first quarter’s 2.0% growth. The Blue Chip Consensus GDP forecast, our starting point each forecast cycle, now calls for real GDP growth of 2.2% in 2012 and 2.1% in 2013. The forecast is slightly stronger than the June forecast of 2.1% in 2012 although it is weaker than the 2.4% in 2013 expected in June. Real GDP growth rates for 2014 and 2015 are 3.0% per year, unchanged from the June forecast. For 2016 and 2017, the forecast calls for real GDP growth of 2.9% and 2.8%.

Housing has improved although job growth remains sluggish

The housing sector has continued to show some signs of improvement recently, although from a very depressed level. Home prices have finally stabilized although there remain a significant number of distressed properties. Continued improvement remains dependent on stronger job growth and access to financing. The manufacturing sector, which had been a bright spot in the recovery, has lost momentum. The sluggish growth in factory production is likely to continue as financial markets weaken, conditions in Europe deteriorate, and growth in emerging markets slows. The outlook for total nonfarm payroll employment remains virtually unchanged in the near term, although we should start to see slightly stronger job growth beginning in 2014 compared to the June forecast. A robust recovery in consumer spending is unlikely. High debt burdens, low house prices, and weak employment growth all remain a drag.

Washington Economic Forecast

The Washington economy continues to grow moderately

Recent developments at the state level have generally been a bit stronger than expected in the June forecast. Employment growth in recent months has slightly outpaced the modest growth we expected in June. Personal income growth is tracking above our June forecast in early 2012 despite a downward revision to the historical data. Housing construction was stronger than expected in the second quarter and Seattle area home prices are now higher than in the previous year. On the downside, the manufacturing expansion is slowing and Washington exports have weakened considerably.

The revisions to the forecast in September were small

The Washington State forecast is based on a new national forecast that in terms of the real economy (GDP, employment, etc.) is very similar to the forecast adopted in June. As a result, the revisions to the state forecast were also minimal. There are two important changes to the national forecast that feed through to the state forecast. First, the oil price forecast is much higher in the third and fourth quarters of 2012. Oil prices remain higher through the remainder of the forecast but also fall faster than expected in June. The new oil price forecast adds to national and regional inflation in the second half of this year but reduces inflation during the remainder of the forecast. The other major change is the assumption of slower productivity growth which has the effect of slightly raising job growth in Washington State as well as nationally.

The outlook is slightly stronger than expected in June

Our September economic forecast for Washington is a bit stronger than the forecast adopted in June based on slightly stronger employment growth, a slightly stronger housing market, and a higher level on personal income. As in June, we expect Washington job and income growth to gradually improve throughout the forecast. Boeing and Microsoft are expanding but we expect aerospace employment will peak at the end of 2012. Housing construction as measured by building permits is now growing though from a very low base and nonresidential construction remains very weak. Construction employment is expected to remain moderate through the remainder of this year with growth gradually picking up beginning in 2013. Government employment is expected to decline through late 2013 with only modest growth thereafter. We continue to expect the state of Washington to outperform the U.S. economy however the recovery will continue to be slow by historical standards and unemployment will decline only gradually.

Revenue Forecast

The state economic forecast has changed little since June; the revenue forecast change is similarly small

As there has been little overall change in the national and state economic forecasts from June to September 2012, the change in the revenue forecast is also small. While total revenue collections have come in slightly above the June forecast, Revenue Act collections were slightly below. The forecast contains decreased Revenue Act collections in both biennia with offsetting increases in non-Revenue Act sources such as real estate excise taxes. As in June, however, there remain considerable downside risks to the forecast. As of September 10th, revenue collections were \$20.8 million ahead of the June 2012 forecast. For the remainder of the current biennium, \$8.4

GF-S forecast change by biennium (millions):

*11-13: +\$29
13-15: +\$23*

million was added to the forecast, for a total increase of \$29.2 million. In the 2013-15 biennium, changes to the economic forecast resulted in an additional \$23.3 million in forecasted revenue. With these revisions, GF-S revenue for the 2011-13 biennium is forecasted to total \$30,469.4 million and GF-S revenue for the 2013-15 biennium is forecasted to total \$32,648.9 million.

*2015-17
GF-S
forecast:*

\$35.52 billion

Under SSB 6636, passed in the 2012 legislative session, the initial budget for the 2013-15 biennium and subsequent budgets must have spending levels that are also sustainable for the following biennium. To aid in the preparations for the new budget, the ERFC has created an initial revenue forecast for the 2015-17 biennium of \$35,518.3 million.

Special Report – Shared Households

The survey is a joint effort between U.S. Department of Commerce and U.S. Census Bureaus

In June 2012, the U.S. Department of Commerce and the U.S. Census Bureau published "Sharing a Household: Household Composition and Economic Well-Being: 2007-2010." . This report analyzes consumer income and economic trends for shared households, defined as any household with an "additional" adult. The study uses data from the Annual Social Economic Supplement of the Current Population Survey to compare living arrangements and describes which people join or combine households. The June report spans the most recent recession. The information is available at <http://www.census.gov/hhes/www/poverty/publications/P60-242.pdf>

Shared households increased between 2007 and 2010

In the spring of 2007, there were 19.7 million shared households. By Spring 2010, the number of shared households had increased by 11.4 percent to 22.0 million shared households. All households increased by only 1.3 percent from 116.0 million to 117.5 million. Shared households rose to account for 18.7 percent of all households, up from 17.0 percent in 2007.

*Sandwiched
in, adult
children
accounted for
46%;
parents 13%*

Adult children accounted for 46 percent of additional adults in 2010 while parents of the householder accounted for 13 percent of additional adults. Siblings made up about 8 percent, grandchildren of a householder made up less than 3 percent, and other relatives accounted for about 12 percent. Eighteen percent of additional adults were not relatives of the householder.

*Poverty rates
suggest
shared
households
are beneficial*

According to the study, results suggest economically vulnerable householders were more likely to share households than their better off counterparts. This tends to counter the idea that more economically advantaged households take in economically stressed family and friends. Household sharing appears to be a means of alleviating economic strain for both householders and for the additional adults who join them.

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

- **The national economy continues to experience a slow recovery with weak momentum. Economic activity is generally performing as expected: slow economic and job growth, high unemployment, and weak confidence. As a result, there is little change to the forecast.**
- **Positive developments in the housing market have raised the upside risk. However, despite the relatively small change in the economic forecast, downside uncertainty remains elevated.**
- **External factors remain a large part of the high downside risk. The biggest threat to the U.S. economy remains the sovereign debt crisis in Europe. If the sovereign debt crisis leads to a financial crisis, the U.S. economy is likely to enter a new recession as well.**
- **The upcoming “fiscal cliff”, slowing Asian economies, and threats to world oil supplies also pose risks to the U.S. economic recovery.**
- **U.S. GDP and employment growth has slowed. Real U.S. GDP grew at an anemic 1.3% seasonally adjusted annualized rate (SAAR) in the second quarter. Payroll employment has not been consistently strong enough to reduce the unemployment rate.**
- **Consumer attitudes have started to improve again but remain at levels typically associated with recessions. Consumer spending remains subdued.**
- **The housing market has finally returned to growth, but from a very depressed level. Housing starts have strengthened, particularly the multi-family segment. Home prices are once again appreciating, which is critical for the recovery in housing.**
- **The manufacturing sector, which had been a bright spot in the recovery, is starting to falter. While this sector is not yet dragging down the recovery, it is no longer adding to growth either.**

Current Conditions

The economic recovery remains weak

The national economy continues to experience a slow recovery with weak momentum. Economic activity since the June forecast has generally been in line with the baseline scenario. While the recovery from the Great Recession has been disappointing, growth remains positive. We expect the economy to continue on this lackluster path, with low growth, high unemployment and weak confidence. Global and national events have added to

uncertainty and have acted as a drag on growth. The level of downside uncertainty in the baseline remains high.

The crisis in Europe remains the biggest threat to the recovery

The biggest threat to the U.S. economy remains the sovereign debt crisis in Europe. Europe has entered into another recession which has caused already high unemployment rates to move higher. Struggling southern periphery countries continue to drag down the core northern Eurozone economies. The combination of slow or negative economic growth and rising borrowing costs puts countries like Greece, Spain and Italy at increased risk of default. An escalation of the sovereign debt crisis could cause panic in financial markets and further weaken economic growth. If the financial sector deteriorates, this would ultimately have a negative impact on markets for goods and services and the U.S. economy would likely enter a new recession as well. Apart from potentially causing financial markets to seize up, the European sovereign debt problems threaten U.S. exports in three ways - by weakening European growth, by strengthening the dollar via a "flight to safety" and by negatively affecting Asian economies.

Eurozone leadership continues to try to contain the sovereign debt problem

In response to the economic weakness throughout the Eurozone, leaders have reluctantly moved to further action. The European Stability Mechanism (ESM) is the latest attempt to stabilize the financial crisis in European countries. It is designed to provide financial assistance to Eurozone member countries in financial difficulty. The ESM cleared its final major hurdle on September 27 with Germany ratifying participation in the fund, although with limits imposed by the German Constitutional Court. The ESM will serve as Europe's permanent bailout fund once it is ratified by member states which represent 90% of its capital requirements. The success will depend on whether problem countries who approach the ESM for assistance agree to specific corrective actions and then see them through over a sustained period.

The weakness in Europe has contributed to a slowdown in Asia

The weakness in Europe has contributed to a slowdown in Asia as well. In particular, we continue to expect a slowdown in China due to their reliance on exports for growth. Recent data show ongoing sluggishness in China's trade, manufacturing, investment, and consumption. It still appears that China will experience a soft landing. China's government has indicated that it wants to steer growth lower to complete structural reforms after three decades of exceptional development. If this is not managed properly and the Chinese economy experiences a hard landing, this could create another global recession. The once-a-decade leadership change set to occur later this year adds another layer of uncertainty that the economic slowdown will be properly managed.

The federal fiscal cliff is looming at the end of the year

Another major threat to the forecast is the “fiscal cliff” of tax increases and spending cuts approaching at the end of 2012. Addressing the fiscal cliff is complicated further by the need to raise the debt ceiling at around the same time. The threat of tax increases and budget cuts may already be taking its toll on consumer confidence and business risk-taking. The only certainty is that until the end of the year, at least, the path of fiscal policy is very uncertain.

Monetary policy will remain accommodative

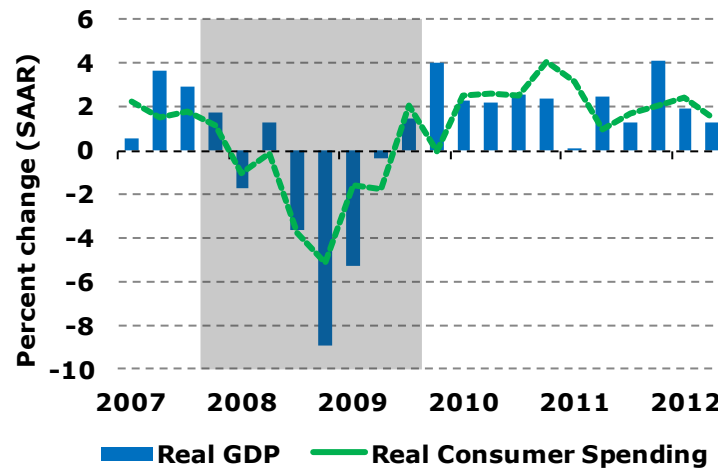
In contrast to uncertainty regarding fiscal policy, the stance of monetary policy has been clear and consistent. At their meeting on September 12-13, the Federal Reserve launched another round of quantitative easing (QE3) aimed at strengthening the recovery. The Fed will purchase \$40 billion per month in agency mortgage-backed securities in hopes of lowering mortgage rates and boosting the housing market. No end-date or dollar limit was placed on the program and the Fed is instead tying the program to improvement in the labor market. The Fed also extended its plan to keep the federal funds rate at or near the zero bound into the middle of 2015. However, it continues to look as if the economy is caught in a classic “liquidity trap” where monetary policy playing a lone hand has lost its effectiveness. Interest rates are already at a historically low level and lowering the rates further is unlikely to solve the major problems affecting the economy. In such conditions, for macroeconomic policy to be effective, both monetary and fiscal policies need to be working in tandem. That does not appear likely right now.

GDP growth in the second quarter was anemic

The U.S. economy grew even more slowly than originally believed in the second quarter. Real U.S. GDP grew at an anemic 1.3% seasonally adjusted annualized rate (SAAR) in the second quarter of this year according to the Bureau of Economic Analysis (See Figure 1.1). This was revised down from 1.7% growth in the previous estimate and was down from the first quarter’s 2.0% growth. Roughly half of the revision was due to a sharp fall in farm inventories. The summer’s severe heat and drought resulted in crop production declining \$12 billion over the quarter. Real consumer spending, which increased at a 1.5% rate, remains subdued as consumers continue to be anxious about economic conditions. Business investment in equipment and software, which has been a major contributor to growth during the recovery, remains positive but does appear to be slowing. Aside from inventories, government spending remains the largest drag on growth, subtracting 0.1 percentage points from overall GDP and decreasing at a 0.7% rate.

Figure 1.1: Real GDP and Consumer Spending Growth

Real GDP and consumer spending remain weak but positive



Source: U.S. Bureau of Economic Analysis, data through 2012 Q2, second estimate

Spending growth remains sluggish

Consumers remain hesitant as they continue to worry about the direction of economy and their own economic prospects. Real consumer spending growth was 1.5% (SAAR) in the second quarter of 2012, down from a 2.4% rate in the first quarter. So far in the third quarter consumer spending remains weak. Real spending growth increased just 0.1% in August after a 0.4% increase in July. Over the past six months, real spending growth has averaged just 0.1%. Retail sales did post their largest gain since February at 0.9%, although most of this was due to higher gasoline prices and strong auto sales. Excluding those segments, core sales rose just 0.1% in August. Light-vehicle sales continue to lead overall retail sales. Vehicle sales increased to a seasonally adjusted 14.9 million units (SAAR) in September, up from 14.5 million units (SAAR) in August. Much of the increase appears to be due to a release of pent-up demand as consumers replace their aging cars. Persistent high unemployment, weak income growth, low consumer confidence, and uncertainty about tax policy all appear to be taking a toll on overall spending.

Real disposable income fell for the first time since November

Rising personal income is a key for personal consumption expenditures to continue to improve. Real disposable personal income (income after taxes) declined at a seasonally annualized rate of 3.9% in August, the first decline since November 2011. While income growth remains persistently weak, the decline in August was more due to an increase in prices, particularly gasoline. Nominal disposable personal income was up just 1.3% (SAAR). The savings rate fell to 3.7% from 4.1%, equal to the average of the past twelve months. Given the consistently low savings rate, spending growth will have to rely on income gains. Growth in wage and salary disbursements slowed to a 1.0% rate, the slowest since April. Government transfers (mostly Social Security) were even weaker, declining at a 0.7% rate. Income

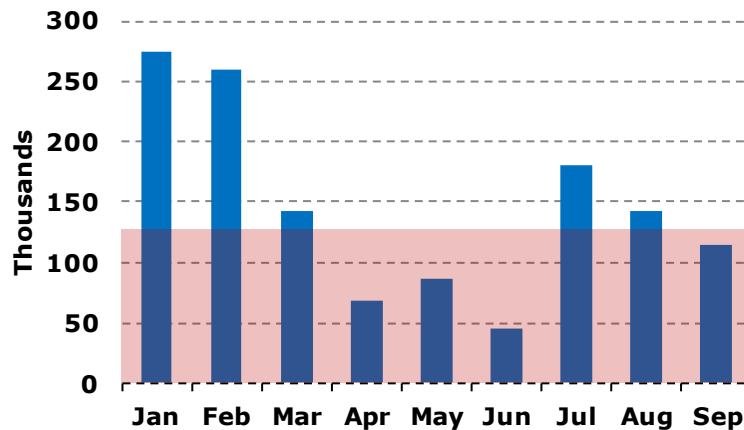
from dividends and interest declined for the second straight month, down 2.9% in August after an 8.7% decline in July.

Employment growth has improved but remains modest

Employment growth has improved since the June forecast. Payroll employment increased by 114,000 in September while July and August figures were revised up by a total of 86,000 jobs. Employment growth for the year has averaged 146,000 jobs per month, compared to 153,000 jobs per month in 2011. This level of job growth has not been strong enough to make a significant dent in the percentage of people unemployed. In order to keep up with an expanding population and labor force, the economy needs to add roughly 125,000 jobs each month just to keep pace (See Figure 1.2). While job gains in the last three months have been stronger than in the second quarter, job growth has been much slower than is typical for a recovery. Fifty-seven months after the start of the last recession, we are still 4.4 million jobs below pre-recession employment.

Figure 1.2: U.S. Employment Growth, SA

The recovery in jobs has been remarkably slow



Source: U.S. Bureau of Labor Statistics, ERFC; data through September 2012

Un-employment remains elevated

Despite the relative weakness in the labor market, the September unemployment rate decreased to 7.8% from 8.1% in August. Joblessness remains high with nearly 12.1 million people unemployed by the traditional measure. The most comprehensive measure of underemployment remained unchanged from the August reading of 14.7%. This includes workers who would like a job but are not currently looking plus those working part-time that would rather work full-time. The number of seasonally adjusted new unemployment insurance claims points to tepid job growth as well. For the week ending September 29th, initial claims increased by 4,000 to 367,000. The four-week moving average, a more stable measure, remained unchanged at 375,000.

Consumer confidence remains weak, but appears headed in the right direction

Consumer confidence continues to send mixed signals, although the most recent month of data is encouraging. After bouncing around for the first eight months of the year, both the Conference Board's consumer confidence reading and the University of Michigan's consumer sentiment reading increased sharply in September. The Conference Board's consumer confidence index jumped in September to 70.3 from 61.3, the highest reading since February 2012. A significant rise in expectations was the driver of the gain, although perceptions about current conditions also increased. The University of Michigan consumer sentiment index increased 4 points from August to 78.3 in September. Future expectations drove the increase in this measure as well, offsetting a decline in the current conditions component. Recent improvements in equity markets and a turnaround in the housing market are helping drive the increases in confidence. Despite the recent increase, both measures remain in recessionary territory.

Business confidence has improved but remains weak

The National Federation of Independent Business (NFIB) small business optimism index increased to 92.9 in August from the 2012 lows reached in June and July. While an improvement, the number is still consistent with recessionary readings. The index is still around the levels observed in February 2011, suggesting that the economy has not made much progress from a small business perspective. The survey did reflect some positive signs this past month. Plans for capital outlays improved as did plans to increase employment. However, few small businesses think it is a good time to expand. Highlighting the effect of the "fiscal cliff" on small businesses, the percent of owners viewing the current period as a bad time to expand due to political uncertainty reached a new record high for this business cycle at 22%.

There has been an increase in demand for loans

Credit market conditions have improved since the meltdown that followed the collapse of Lehman Brothers in September 2008. The Federal Reserve Board's April survey of senior loan officers shows a continuation of a gradual easing of lending standards. In July, standards for commercial and industrial (C&I), consumer, and commercial real estate loans once again eased. Demand for loans by large and medium businesses increased, although demand from small businesses was flat. At the household level, standards for residential mortgage loans were unchanged for prime mortgages (i.e., traditional mortgages to borrowers with high credit standards) although there was tightening for nontraditional loans. Demand for both kinds of mortgage loans increased sharply, consistent with a strengthening housing market and record low interest rates. Demand for all types of consumer loans increased, although standards got tighter for each as well.

Oil prices are elevated

After increasing throughout the summer and finally peaking at over \$116 per barrel in late August, oil prices have softened to

\$112 per barrel for Brent crude oil. Gasoline prices have lagged, reaching \$3.94 per gallon (for all grades) in mid September before finally retreating to \$3.87 per gallon in early October. Gas prices are now 11% higher than a year ago. Weaker global demand and higher production from Saudi Arabia are expected to make up for the loss of Iranian oil due to sanctions from the U.S. and European Union. Still, uncertainty regarding Iran's response to economic sanctions is likely to keep oil and gasoline prices volatile for the near future. The rise in energy prices has resulted in higher headline inflation. Food prices continue to rise at a modest pace and crop losses due to the drought in the U.S. have been less than feared. The consumer price index (CPI) was up 1.7% in August from a year ago. Core inflation, which excludes food and energy, remains stable, increasing 1.9% year-over-year in August.

Weakness in Europe is dragging down global growth

In June, the World Bank updated its forecast of global economic growth. Their baseline forecast calls for the global economy to expand 2.5% in 2012 before picking up to 3.0% in 2013 and 3.3% in 2014. In high-income countries, GDP is expected to rise just 1.4% in 2012. Some of this is due to weakness in Europe, where growth is expected to be negative through the third quarter of this year. On the positive side, reconstruction-related fiscal spending in Japan is expected to provide a boost to growth through 2014.

The housing sector is now improving

The housing sector has continued to show further signs of improvement. The level of activity remains depressed, but it is clear that the sector has finally turned a corner. New home sales, single-family housing starts, and single-family permits have all been trending up in recent months. There remains a considerable level of underlying demographic demand as people have put off forming new households due to weakness in the economy. Housing starts are 29% above a year ago after increasing another 17,000 units (SAAR) to 750,000 units (SAAR) in August. Housing starts this year through August averaged 729,000 units (SAAR), the highest since 2008. Multi-family construction fell 11,000 (SAAR) units in August but remains 35% above year ago levels. The recent surge in housing starts has been led by the multi-family segment, but this appears to be waning. Declining vacancy rates and rent increases, which have fueled growth in this segment, are now slowing. Single-family starts increased 28,000 units (SAAR), in August and are now up 27% from a year ago. Foreclosures continue to act as a headwind for new single family housing, which has to compete with a steady stream of for-sale houses from banks as they unwind their shadow inventory.

The trend in home sales is improving

Existing homes sales continue to increase, providing another indication of recovery in the housing market. Sales were up 7.8% in August to 4.82 million (SAAR) and 9.3% higher than a year ago. The trend going forward is clearly positive. Even with

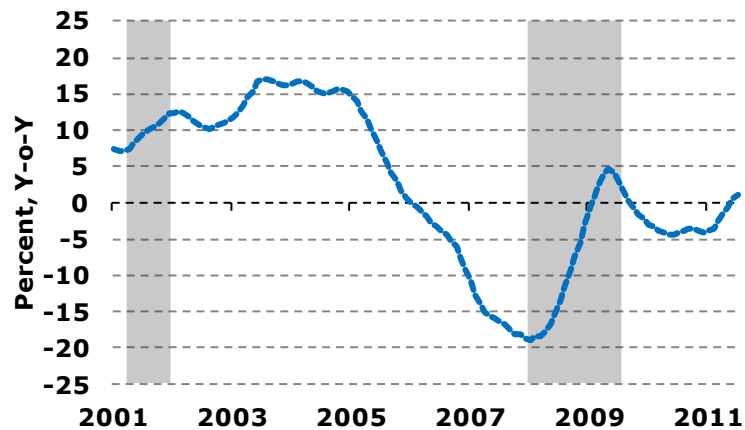
the number of homes for sale increasing, the housing inventory has been moving down and is now at 6.1 months. Existing home sales have been supported by sales of distressed properties which have started to slow. However, total supply has continued to drift upward as more non-distressed properties are put up for sale. New home sales, which reached an all-time low in 2011, have had to compete with a stream of distressed sales. Sales of new homes decreased slightly in August to a level of 373,000 (SAAR) from 374,000 (SAAR) in July. Total housing supply of new homes remained flat in August and is 12% lower than a year ago. At 141,000 units, supply remains at an all time low. Distressed homes accounted for 22% of sales in August, down from 31% a year ago.

Home prices are now rising

Home prices are increasing again after years of decline. This was a major hurdle to housing market recovery. Potential buyers were reluctant to enter the market when home values were declining. Banks are also less willing to lend against depreciating collateral. These effects should ease going forward. According to data from CoreLogic, overall home prices in August were up 4.6% from a year ago, the sixth consecutive month of price appreciation. Prices of distressed properties rose 4.2% in August over last year. Similarly, the seasonally adjusted Case-Shiller 20-city home price index increased 0.9% in July from the previous month, the fifth consecutive monthly increase. The index is now 1.1% above the year-ago level (See Figure 1.3). Even with the recent increase in home prices, affordability remains near record levels. Record low mortgage rates and modest income gains have kept affordability high, just off the peak reached in the beginning of the year. We believe any price appreciation will be slow, as foreclosed properties will continue to add to the supply of for-sale houses. Longer-term equilibrium will also depend on how the federal government unwinds its ownership of Fannie Mae and Freddie Mac, the largest players in the secondary mortgage market.

Figure 1.3: Case Shiller Home Price Index, SA, Year-over-Year Percent Change

The drop in home prices has ended



Source: S&P/Case-Shiller; data through July 2012

The manufacturing sector has lost momentum

The manufacturing sector, which had been a bright spot in the recovery, has lost momentum. According to the Federal Reserve's latest G-17 report, manufacturing output fell 0.7% (SA) in August. Hurricane Isaac added to the decline by reducing output in the Gulf Coast region at the end of August. Output has been sporadic for the past six months after strong growth throughout the recovery. Durable goods output declined 1.1% in August with widespread declines among the major industries. Total manufacturing output remains 3.8% above last year while durable goods output is up 7.3%. Core capital goods (nondefense capital goods excluding aircraft) orders increased by 1.1% in August after plunging 5.6% the month before. Shipments fell 0.7% in August after declining 1.6% in July. The Institute of Supply Management (ISM) Report on Business indicated that activity in the manufacturing sector expanded in September after three consecutive months of contraction. The ISM index increased to 51.5 from 49.6 in August. Details remain mixed as new orders rose but production fell. The ISM indicated that of the 18 manufacturing industries, 11 reported growth in September. The sluggish growth in factory production is likely to continue as financial markets weaken, conditions in Europe deteriorate, and growth in emerging markets slows.

Forecast

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

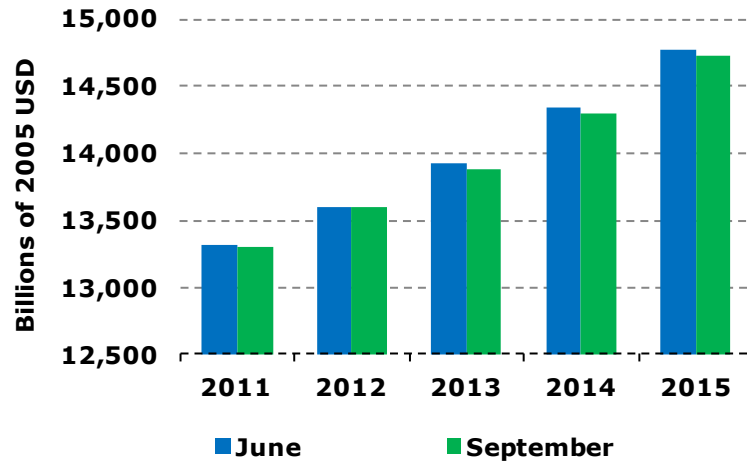
The September 2012 economic forecast was based on a modified version of Global Insight's September 2012 Control forecast for the U.S. economy. As in June, the U.S. real GDP forecast was adjusted to match the Blue Chip "Consensus" GDP forecasts for 2012 and 2013. We also incorporated the latest long term Blue Chip GDP forecast for 2014 through 2017. Our oil price forecast was adjusted to incorporate future prices for both Brent crude oil and for West Texas Intermediate crude to better track world oil prices.

GDP is expected to be lower

The Blue Chip Consensus GDP forecast, our starting point each forecast cycle, now calls for real GDP growth of 2.2% in 2012 and 2.1% in 2013. The forecast is slightly stronger than the June forecast of 2.1% in 2012 although it is weaker than the 2.4% in 2013 expected in June. Real GDP growth rates for 2014 and 2015 are 3.0% per year, unchanged from the June forecast. For 2016 and 2017, the forecast calls for real GDP growth of 2.9% and 2.8%. Combined with a small downward revision to historical data, real GDP is expected to be slightly lower throughout the forecast compared to June (see Figure 1.4). The similarity in forecasts points to a continuation of the slow growth and high unemployment scenario anticipated in June.

Figure 1.4: Blue Chip Real GDP Forecasts

The forecast for GDP is lower than in June



Source: BEA, ERFC September 2012 forecast; historical data through 2011

The forecast is adjusted to match the Brent futures price for oil

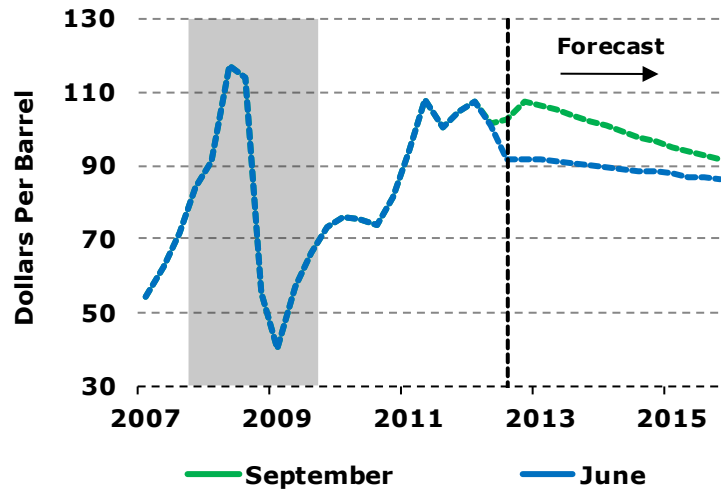
Continuing a methodology change started in the June forecast, we use futures prices for Brent (North Sea oil) to adjust our oil price forecast. Previously we had relied on West Texas Intermediate (WTI) oil price futures as a guide to our forecast. WTI prices remain unreliable as the sole indicator of the prices faced by the majority of U.S. oil refiners. Although we incorporate futures prices for WTI in our forecast, the Brent prices are much more important and dominate our oil price forecast.

Oil prices are expected to be higher

Although the forecast is generally similar to June, one change is higher oil prices. In June, we expected the sharp drop in prices experienced in the beginning of the year to continue into the second half of the year before moderating. Instead, oil prices increased slightly and we now expect prices to peak in the fourth quarter. Hurricane Isaac caused oil prices to drift higher due to fears of its impact to refinery operations. Despite the limited storm damage, offshore oil production recovered slowly due to worries of offshore spills. Starting in 2013 prices should decline and we expect oil prices to be below \$100 a barrel by the second quarter of 2014 and reach \$92 per barrel by the end of 2015 (See Figure 1.5). We expect oil prices to decrease further throughout the forecast period, reaching \$86 by the end of 2017. Much of this decline is due to the crisis unfolding in Europe and slower growth in Asia, particularly China. As a result we continue to expect low headline inflation this year of just 2.2% and 2.1% in 2013 and 2014. We expect inflation to decrease slightly and remain low at 2.0% in 2015 and 2016 and 1.9% in 2017.

Figure 1.5: Average Price of Crude Oil

Oil prices are higher but decline throughout the forecast



Source: DOE, ERFC September 2012 forecast; historical data through 2012Q2

The "fiscal cliff" scenario would pull the U.S. back into recession

In the absence of Congressional action, the payroll tax cut and emergency unemployment benefits extension will expire at the end of this year, income tax rates will increase, and across-the-board budget cuts will be implemented as well. The Congressional Budget Office estimates that the impact of not addressing this "fiscal cliff" would be a return to recession in the first half of 2013. Hopes for a comprehensive plan to deal with the fiscal cliff are slim prior to the November elections. Our September forecast assumes that the outgoing Congress will extend the deadlines to avoid tax increases or budget cuts, with a compromise on fiscal policy to be enacted by the new Congress. The forecast assumes that the 2% payroll tax cut and emergency unemployment insurance benefits are extended for 2013 and then phased out over several years. We also expect the automatic spending cuts scheduled to begin in January 2013 to be delayed. This will give the new president and Congress time to agree on a package of spending cuts and tax increases which are expected to begin in 2014.

Federal fiscal policy is tightening

In addition to the threat of the "fiscal cliff" scenario, federal fiscal policy is tightening as the temporary stimulus spending runs out and the focus shifts to deficit reduction. The forecast calls for a \$257 billion reduction in the federal deficit between 2012 and 2013. We expect real defense spending to fall in 2012 and 2013 reflecting a combination of some budget cuts and overseas contingency operations winding down. Declining federal support is also affecting state and local governments. State and local administrations appear to be relying more on spending cuts than tax increases to close budget gaps. The pace of budget tightening has eased slightly as revenues have started to improve, but municipalities remain under pressure. We expect total real government purchases to decline 2.0% this year followed by declines of 1.8% in 2013, 1.2% in 2014 and 0.5% in

2015. We expect slight growth in real government spending in 2016 and 2017 of 0.1% and 0.3%. The decline in government spending will reduce overall GDP growth by 0.4 percentage points this year and before moderating to 0.3, 0.2, and 0.1 percentage point reductions in 2013, 2014, and 2015.

Consumer spending will not be a strong driver in the recovery

As in June, a robust recovery in consumer spending is unlikely. Households face too many negatives for a quick rebound. High debt burdens, low house prices, and weak employment growth all remain a drag. Consumer spending will not be a strong driver of growth in the recovery as is usually the case. The boost to spending earlier in the year from increased auto sales is not likely to be a strong driver of growth going forward. The expected extension of the payroll tax cut through 2013 should help consumers, although the effect will be more of a continuation of weak spending as opposed to any boost to growth. We expect real consumer spending growth of 1.9% this year and 2.0% in 2013. We then expect growth to increase to 2.7% in 2014 and 2.8% in 2015 before moderating to 2.7% and 2.6% in 2016 and 2017.

The housing sector is improving, but from a depressed level

The housing sector has continued to show some signs of improvement recently, although from a very depressed level. Home prices have finally stabilized although there remain a significant number of distressed properties. Continued improvement remains dependent on stronger job growth and access to financing. Pent-up demand for housing should spur growth as young adults move away from home as employment prospects improve. Multi-family starts continue to improve due to declining apartment vacancies and rising rents. Starts for this segment are now approaching more normal historically levels after being depressed since late 2008. Still, overall housing construction will show no significant improvement until the larger single-family segment improves. The forecast does expect growth, although from a very low base, starting at the end of this year for single-family housing. The housing market will continue to improve, so long as the economy is creating jobs. Population remains on an upward trend and people will need a place to live. Also, the housing stock can decline, especially during a period of above-average levels of foreclosed and distressed properties.

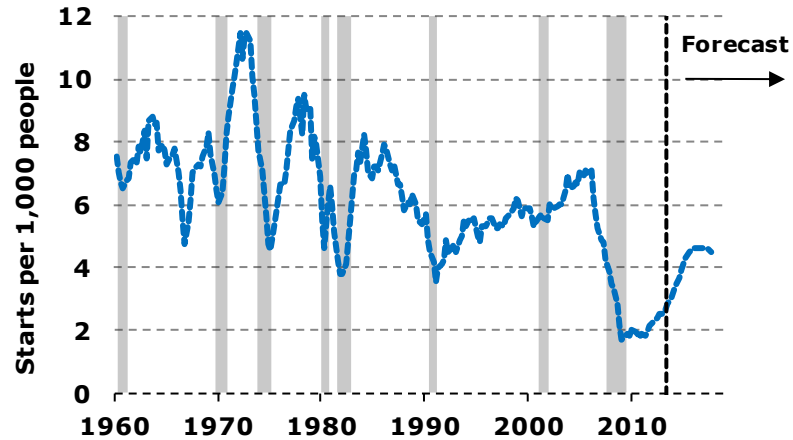
Housing starts in relation to population remain low

Housing starts in relation to population has turned a corner after reaching a historically low level (See Figure 1.6). We expect this trend to continue throughout the forecast. Total housing starts this year are forecast to rise 22.7% to 751,000 units followed by a 17.3% increase in 2013 to 881,000 units. The forecast does not anticipate a return to more typical levels of housing starts until 2014, when we expect 1.14 million starts. It should be noted that even with the large percentage increase in 2012 and 2013, starts will still be well below one million units for the sixth consecutive year. Prior to 2008, starts had never been below one

million units in the post-war era. The forecast calls for total housing starts to reach 1.41 million units in 2015 and 1.51 million units in 2016 and 2017.

Figure 1.6: Housing Starts per 1,000 People

Housing starts per 1,000 people is recovering but will remain historically low



Source: U.S. Census Bureau, ERFC September 2012 Forecast; historical data through 2012 Q2

Businesses investment in equipment and software is slowing

Capital equipment remains an important source of GDP growth in the recovery, but its momentum has slowed. Tight credit conditions for commercial real estate, high vacancy rates, and uncertainty over the economy's direction will dampen growth through most of 2013. Nonresidential construction continues to lag although it is starting to firm. Business investment in equipment and software continues to grow. Businesses have high levels of cash and profits remain high, providing an opportunity to improve productivity by addressing replacement needs neglected during the recession. However, weak demand and continued low consumer and business confidence means slow growth going forward. We expect equipment and software spending to grow in real terms by 7.9% this year, then moderate to 7.5% in 2013 and 7.6% in 2014. The forecast calls for growth to fall further to 5.9% in 2015, 4.8% in 2016, and 4.4% in 2017. Going forward, nonresidential construction will cease to be a drag on growth and we expect overall real nonresidential fixed investment is to grow 8.2% this year, 6.4% in 2013, 7.8% in 2014, and then moderate to 5.2%, 4.8%, and 4.6% in 2015 through 2017.

Export growth has slowed

Export growth has weakened and is no longer expected to be a significant contributor to U.S. GDP growth going forward. We expect slowing foreign demand for U.S. goods and services as economic growth in major U.S. trading partners slows. The crisis in Europe has pushed the Eurozone back into recession and has contributed to a slowdown in growth in other important U.S. trading partners as well. GDP growth in major U.S. export

markets is forecasted to slow to 2.6% this year from 3.4% in 2011. GDP growth for these countries will remain weak in 2013, growing just 2.7% before increasing to 3.5% and 3.7% in 2014 and 2015, 3.6% in 2016, and 3.4% in 2017. Further deterioration of the situation in Europe remains a significant risk and would adversely affect trade in multiple ways. First, weaker demand in Europe would directly hurt our exports. Second, a stronger dollar relative to the Euro would make U.S. produced goods and services less competitive, further hurting exports and boosting imports. Finally, weaker growth in Europe will reduce Chinese exports, in turn reducing Chinese economic growth. This will further dampen U.S. exports to China, which is our largest export market outside of North America. The forecast calls for U.S. export growth to slow to 4.1% this year from 6.7% in 2011 and 11.1% in 2010. We do expect gradual improvement in exports throughout the forecast with growth reaching 6.5% by 2017. Export growth is largely offset by increased imports, however, and is not expected to add to GDP this year. Net exports are not expected to be a significant contributor to real GDP growth until 2016 when they are expected to add 0.3 percentage points to growth for that year and for 2017.

Unemployment remains elevated throughout the forecast

The outlook for payroll employment remains virtually unchanged in the near term, although we should start to see slightly stronger job growth beginning in 2014 compared to the June forecast. The reason for this increase is a change in the forecast for productivity growth. Given recent trends in output and employment growth, productivity growth has been lowered. The result is that more jobs are created even though our forecast for GDP growth did not change. We are more than two years into the recovery and are still 4.4 million jobs below the pre-recession employment peak. The huge drop in employment during the recession coupled with one of the weakest jobs recoveries in memory have resulted in a persistently high unemployment rate. Going forward, we expect the U.S. economy to add about 140,000 jobs per month through the end of this year. We expect employment growth of 1.4% this year, picking up to 1.6% in 2013 and 1.8% in 2014 and 2015. By the third quarter of 2014 we expect to have gained 8.8 million jobs since the recession trough in 2010, making up all of the job losses since the beginning of the Great Recession. Our forecast expects job growth to moderate in 2016 and 2017 to 1.7% and 1.4%. As a result, we expect an unemployment rate of 8.2% for 2012, gradually falling to 6.1% in 2017.

Forecast by Fiscal Year

FY 2012 GDP growth will be weak

U.S. economic growth for the second quarter of 2012 was a disappointing 1.3% (SAAR). Strong export growth was offset by a reduction in business inventories. In the near term, export growth is expected to moderate, although the inventory cycle should cease to be a drag. Real GDP is forecast to grow 2.0% in

FY 2013, up from 2.1% in FY 2012. Going forward, growth is forecasted to increase to 2.6% in FY 2014 and 3.1% in FY 2015 before moderating to 2.9% in FY 2016 and FY 2017.

Consumer spending will remain subdued

The lackluster job market, worry over the fiscal cliff and the worsening situation in Europe have caused the consumer to be reluctant to spend money. Consumer spending is not expected to be a strong driver in this recovery and the weakness in consumer confidence suggests continued downside risk in this area. The forecast expects real consumer spending growth in FY 2013 of 2.0%, equal to the growth in FY 2012. Growth is expected to pick up to 2.3% FY 2014 and 2.9% in FY 2015 and then moderate to 2.7% in FY 2016 and FY 2017.

The housing market has stabilized

The housing market has stabilized after experiencing the worst downturn in the post-war period. The forecast calls for an increase in housing starts in FY 2013 to 800,000 units, from 686,000 in FY 2012. The housing market will continue to improve so long as the economy is creating jobs. Housing starts are expected to increase in each year of the forecast period, rising to 1.52 million units by FY 2017.

Business investment growth will slow

Business investment continued its upswing in FY 2012, although we do expect growth to slow this fiscal year. Uncertainty over the economy's direction will cause companies to be cautious in deciding when to expand. The forecast calls for real nonresidential fixed investment to increase by 5.3% this fiscal year, down from the 10.7% growth in FY 2012. We expect growth to increase to 7.9% in FY 2014 before moderating to 6.4% in FY 2015 and 4.7% and 4.9% in FY 2016 and FY 2017. Business investment growth has been led by investment in equipment and software during the recovery. It is expected to increase 6.7% this fiscal year followed by growth of 7.9%, 6.8%, 5.2%, and 4.6% in FY 2014 through FY 2017. Investment in non-residential construction has lagged in the recovery, although FY 2012 did experience the first growth in this sector since FY 2007 at 11.0%. We expect growth to falter somewhat this fiscal year at just 2.0%. Going forward, the forecast calls for growth of 7.8%, 5.6%, 3.4%, and 5.6% in FY 2014 through FY 2017.

Exports will reduce the trade deficit

Although export growth is expected to be slower than in the June forecast, it is still expected to slightly outpace import growth this fiscal year. Going forward, net exports' contribution to GDP is expected to be flat to negative until FY 2016. Export growth this fiscal year and in the outer years of the forecast period will help to shrink the trade deficit from \$583 billion in FY 2012 to \$493 billion by FY 2017.

Employment growth will be weak

Employment growth in FY 2012 was 1.4%, twice that of the previous year but still lackluster especially for periods of economic recovery. Growth in FY 2013 is expected to match that of FY 2012. We do expect job growth to pick up to 1.8% in FY

2014 and FY 2015 before moderating to 1.7% and 1.6% in FY 2016 and FY 2017. Because of the sluggish recovery in the labor market, the unemployment rate will still be 8.1% in FY 2013, eventually dropping to 6.3% in FY 2017.

Inflation remains moderate

High unemployment and excess capacity in the economy are helping to keep inflation subdued. The consumer price index is expected to rise by 2.1% in FY 2013 before slowing slightly to a 2.0% increase in FY 2014 through FY 2016 and 1.9% in FY 2017. Given geopolitical tensions with Iran, one risk to our inflation forecast is a spike in oil prices caused by supply interruptions.

Risks to the Forecast

The level of uncertainty remains high

The level of uncertainty in the baseline is high. Downside risks are still elevated, and considerably higher than upside risks. The major change since the June forecast has been our view of housing. We have modified the probabilities on our optimistic and pessimistic scenarios slightly, giving a bit more weight to the optimistic scenario to acknowledge housing and construction as an upside risk.

Downside Risks (35% Probability)

Sovereign debt contagion...

Risks associated with the sovereign debt crisis in Europe remain high. The summer hope that European policymakers were ready to respond to the crisis turns out to be false. Funding for Greece rapidly dries up as the nation proves unable to meet its structural reform targets. Insolvent and illiquid, Greece exits the Eurozone in early 2013. The Greek exit puts intensifying pressure on Spain and Italy. Financial markets panic, stock prices plunge and the safe haven U.S. dollar soars. A series of sovereign debt defaults would trigger a European banking crisis which in turn would affect U.S. banks. Credit would tighten and economic activity would shrink, pushing the U.S. back into another recession.

Failure to address "fiscal cliff"

A failure by Congress to address the "fiscal cliff". The combination of higher taxes and lower spending would push the U.S. economy into recession in the first half of 2013.

Slowdown in Asia

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

Turmoil in oil-producing countries

Turmoil in oil-producing countries or oil transit routes. Some Iranian lawmakers have proposed a blockade of the Strait of Hormuz in response to the July 1st embargo of Iranian oil by the European Union. A major disruption would result in sharply higher oil prices.

Territorial dispute The territorial dispute between Japan and China over islands in the East China Sea escalates, dragging the U.S. into the conflict.

Surprises Unexpected events – natural disasters, political upheaval, etc.

Upside Risks (15% Probability)

Housing recovers The housing sector improves faster than anticipated.

Pent-up demand Pent-up demand could boost consumer spending after years of economizing.

Jobs Hiring could pick up, triggering a virtuous cycle of jobs, income, spending and yet more jobs.

No European contagion The Greek government is successful in meeting its austerity goals, while the rest of the Eurozone provides sufficient, credible support to stabilize financial markets and prevent any contagion.

European banking crisis averted The European Central Bank develops a credible plan to tackle sovereign debt issues and prevent a financial meltdown. The Eurozone takes decisive steps towards a banking and fiscal union that stabilizes markets. This in turn leads to rising stock markets in the U.S. and internationally, boosting consumer confidence and consumption.

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

Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	12,896.8	13,183.3	13,454.7	13,720.3	14,075.2	14,518.1	14,937.1	15,366.4
% Ch	0.2	2.2	2.1	2.0	2.6	3.1	2.9	2.9
Real Consumption	9,087.9	9,327.1	9,516.2	9,702.2	9,930.1	10,213.1	10,492.3	10,770.7
% Ch	0.1	2.6	2.0	2.0	2.3	2.9	2.7	2.7
Real Nonresidential Fixed Investment	1,233.6	1,312.6	1,452.6	1,530.0	1,651.2	1,757.6	1,839.4	1,929.6
% Ch	-11.4	6.4	10.7	5.3	7.9	6.4	4.7	4.9
Real Residential Fixed Investment	343.4	323.3	343.6	378.3	436.4	518.8	580.3	596.9
% Ch	-9.8	-5.8	6.3	10.1	15.3	18.9	11.9	2.9
Real Personal Income	10,895.7	11,287.0	11,438.3	11,719.6	12,100.2	12,508.3	12,878.7	13,255.5
% Ch	-2.5	3.6	1.3	2.5	3.2	3.4	3.0	2.9
Real Per Capita Income (\$/Person)	35,278	36,269	36,452	36,988	37,821	38,721	39,485	40,252
% Ch	-3.3	2.8	0.5	1.5	2.3	2.4	2.0	1.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.102	1.123	1.149	1.170	1.190	1.213	1.237	1.260
% Ch	1.3	1.9	2.3	1.8	1.7	1.9	2.0	1.9
U.S. Consumer Price Index (1982-84=1.0)	2.168	2.211	2.276	2.324	2.371	2.420	2.467	2.514
% Ch	1.0	2.0	2.9	2.1	2.0	2.0	2.0	1.9
Employment Cost Index (Dec. 2005=1.0)	1.112	1.130	1.150	1.172	1.198	1.226	1.256	1.287
% Ch	1.4	1.7	1.7	1.9	2.2	2.4	2.4	2.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,192.4	14,782.6	15,392.2	15,996.6	16,733.7	17,580.6	18,402.4	19,270.5
% Ch	0.9	4.2	4.1	3.9	4.6	5.1	4.7	4.7
Personal Income	12,010.4	12,675.6	13,145.8	13,707.1	14,399.2	15,171.1	15,925.8	16,706.6
% Ch	-1.3	5.5	3.7	4.3	5.0	5.4	5.0	4.9
Employment (Millions)								
U.S. Civilian Labor Force	153.9	153.6	154.3	155.6	157.0	158.3	159.7	161.0
Total U.S. Employment	138.9	139.4	141.1	143.1	144.9	147.0	149.0	150.9
Unemployment Rate (%)	9.74	9.28	8.55	8.09	7.73	7.17	6.69	6.29
Nonfarm Payroll Employment	129.67	130.52	132.30	134.15	136.53	139.06	141.47	143.74
% Ch	-3.2	0.7	1.4	1.4	1.8	1.8	1.7	1.6
Manufacturing	11.53	11.63	11.85	12.10	12.35	12.51	12.57	12.62
% Ch	-8.9	0.9	1.9	2.1	2.1	1.3	0.4	0.4
Durable Manufacturing	7.04	7.17	7.39	7.62	7.89	8.09	8.18	8.25
% Ch	-10.9	1.7	3.1	3.1	3.5	2.6	1.1	0.8
Nondurable Manufacturing	4.48	4.46	4.47	4.49	4.47	4.42	4.39	4.37
% Ch	-5.7	-0.5	0.1	0.5	-0.5	-0.9	-0.9	-0.3
Construction	5.66	5.49	5.53	5.53	5.73	6.25	6.85	7.29
% Ch	-14.5	-2.9	0.7	0.0	3.6	9.2	9.5	6.4
Service-Providing	111.81	112.66	114.10	115.67	117.61	119.46	121.26	123.06
% Ch	-1.8	0.8	1.3	1.4	1.7	1.6	1.5	1.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	75.2	89.4	95.0	96.9	96.7	92.7	89.4	87.1
Personal Saving/Disposable Income (%)	4.5	5.0	3.7	3.7	3.8	4.0	4.1	4.3
Auto Sales (Millions)	5.8	6.0	6.7	7.2	7.8	8.1	8.4	8.7
% Ch	7.6	3.6	11.5	7.6	7.3	4.1	4.2	3.8
Housing Starts (Millions)	0.594	0.570	0.686	0.800	0.998	1.289	1.486	1.519
% Ch	-8.1	-4.1	20.4	16.7	24.7	29.2	15.3	2.3
Federal Budget Surplus (Billions)	-1,306.7	-1,283.1	-1,142.0	-935.1	-734.8	-663.5	-649.0	-698.6
Net Exports (Billions)	-462.3	-540.8	-583.3	-528.0	-514.9	-529.8	-528.9	-493.4
3-Month Treasury Bill Rate (%)	0.12	0.12	0.05	0.12	0.15	0.20	1.25	3.09
10-Year Treasury Note Yield (%)	3.55	3.08	2.08	1.78	2.81	3.15	3.67	4.54
Bond Index of 20 G.O. Munis. (%)	4.37	4.56	3.96	3.84	4.37	4.58	4.94	5.54
30-Year Fixed Mortgage Rate (%)	5.00	4.59	4.01	3.50	4.08	4.81	5.50	6.34

Table 1.2
Forecast Analysis
 Comparison of Forecasts for 2011-13

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

Table 1.3

Fiscal Years

Forecast Comparison

Forecast 2013 to 2015

	2011	2012	2013	2014	2015	2016	2017
U.S.							
Real GDP							
September Baseline	13183.3	13454.7	13720.3	14075.2	14518.1	14937.1	15366.4
% Ch	2.2	2.1	2.0	2.6	3.1	2.9	2.9
June Baseline	13213.9	13452.9	13750.9	14120.2	14561.2	...	...
% Ch	2.6	1.8	2.2	2.7	3.1	...	...
Implicit Price Deflator							
September Baseline	1.123	1.149	1.170	1.190	1.213	1.237	1.260
% Ch	1.9	2.3	1.8	1.7	1.9	2.0	1.9
June Baseline	1.123	1.150	1.165	1.187	1.213	...	...
% Ch	1.8	2.4	1.3	1.9	2.2	...	...
Unemployment Rate							
September Baseline	9.28	8.55	8.09	7.73	7.17	6.69	6.29
June Baseline	9.28	8.55	7.96	7.64	7.15	...	...
Mortgage Rate							
September Baseline	4.59	4.01	3.50	4.08	4.81	5.50	6.34
June Baseline	4.59	4.01	3.86	4.62	5.33	...	...
3 Month T-Bill Rate							
September Baseline	0.12	0.05	0.12	0.15	0.20	1.25	3.09
June Baseline	0.12	0.04	0.08	0.13	0.88	...	...



Chapter 2: Washington Economy – Current Conditions and Forecast

- **As expected in June, the Washington economy continues to expand at a moderate pace.**
- **Job growth in recent months has been a bit stronger than expected.**
- **Manufacturing appears to be slowing but housing construction is picking up, especially in the multi-family sector. Home price appreciation has turned positive.**
- **Except for transportation equipment, Washington exports have weakened.**
- **Inflation in the Seattle area has picked up and exceeds the national rate.**
- **We expect the Washington economy to continue to outperform the U.S. economy by a narrow margin.**

Current Conditions

The Washington economy continues to grow moderately

Recent developments at the state level have generally been a bit stronger than expected in the June forecast. Employment growth in recent months has slightly outpaced the modest growth we expected in June. Personal income growth is tracking above our June forecast in early 2012 despite a downward revision to the historical data. Housing construction was stronger than expected in the second quarter and Seattle area home prices are now higher than in the previous year. On the downside, the manufacturing expansion is slowing and Washington exports have weakened considerably.

Job growth has been a bit better than expected but unemployment has risen

In the three months since the June forecast was adopted, the Washington economy added 12,700 jobs, 2,100 better than the 10,600 expected in the June forecast. In addition, revisions to previous estimates raised the level of total employment in May 2012 by 4,000. As a result of the historical revisions and slightly stronger than expected growth, total employment is 6,100 (0.2%) higher in August than expected in the June forecast. As expected in the previous forecast, manufacturing employment growth remains strong, construction employment growth remains weak, and government employment continues to

decline. The state's unemployment rate fell from a high of 10.2% in December 2009 to 8.2% in April 2012 but has been trending up since April, reaching 8.6% in August.

Hours and earnings are flat

Other labor market indicators have been disappointing in recent months. The average weekly hours worked had been trending upward since reaching a trough in early 2010. Average weekly hours improved from 34.1 in 2010 to 34.6 in 2011 but this year average weekly hours have shown no further improvement, running at an average rate of 34.5 hours per week through August. Private sector average hourly earnings have also leveled off. Hourly earnings averaged \$27.31 (SA) in the first eight months of 2012, virtually the same rate as in the previous year. The lack of growth in either average hours worked or average hourly earnings means that the average weekly paycheck is not growing.

Initial claims for unemployment insurance have decreased

Washington's initial claims for unemployment insurance are pointing to continued, but moderate growth. The four-week moving average of initial claims edged up in the week ending September 29 to 9,695 from 9,482 the previous week. The moving average has now remained below 10,000 for nine consecutive weeks. The last time that happened was in the week ending July 26, 2008. The four-week moving average is now 41% below the peak reached in March 2009 but still 34% above the pre-recession minimum.

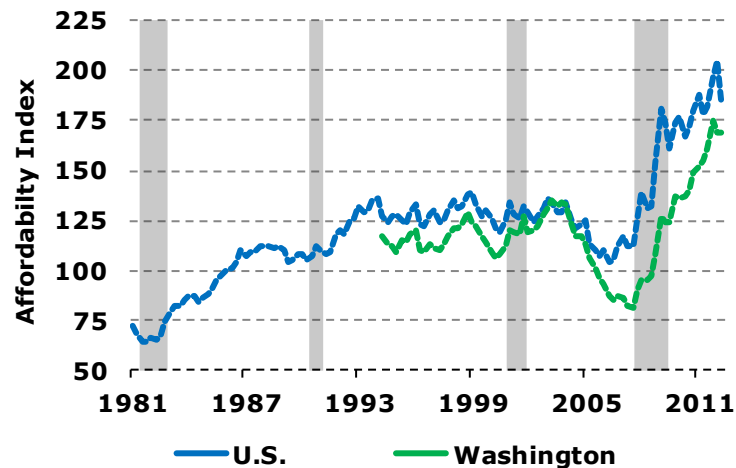
Multi-family housing construction is leading the housing recovery

Washington housing construction, as measured by building permits, continues to strengthen. To date the upturn in the construction sector has been led by multifamily housing. So far this year (through August) multi-family permits are averaging 11,500 (SAAR) which is 265% higher than the 4,000 for all of

Affordability is 100 when the median income can just afford the median-priced home.

Above 100 means the median income can afford more than the median-priced home

Figure 2.1: Housing Affordability Index



Source: National Association of Realtors, Washington Center for Real Estate Research, data through 2012 Q2

2009, the low point in housing construction. In contrast, single-family permits have improved much less, to an average rate of 16,200 so far this year which is a 26% increase from the 13,000 units in 2009. Overall housing units are averaging 27,700 so far this year which is 74% higher than the 2009 average. While this sounds like a huge increase, it should be remembered that it is off a very low base. Permits this year are still running 48% below the 53,000 units permitted in 2005. While the recent growth in housing construction has been concentrated in the multi-family sector, we expect the mix to move more to single-family construction in the future as households respond to rising rents and record affordability (see Figure 2.1).

Home prices are rising

Regional home prices appear to have finally bottomed though it is too soon to know for certain. According to the S&P/Case-Shiller Home Price Indices through July 2012, seasonally adjusted Seattle area home prices have risen in each of the last five months and, as of July, are now 3.0% higher than in the previous July. Prior to the recent upturn, Seattle home prices had not registered a year-over-year gain since December 2007. Foreclosures continue to put downward pressure on home prices but demographics and record affordability are working in the opposite direction. Even with the recent gains, Seattle area home prices are 26.9% lower than their 2007 peak.

Residential construction gains are offset by weak nonresidential construction

Contract data for new construction projects, which gives an indication of the level of activity roughly six months in the future, have stabilized and even begun to increase. Residential contracts have been trending higher, consistent with the housing permit data. The three-month moving average of residential contract square footage reached a trough in March 2009 and is up 87% since then. This growth, however, is off a depressed level and square footage under contract is still down 58% since the height of the housing boom in 2005. Nonresidential contracts have not turned around, however. After a spike at the end of last year, nonresidential contract square footage stumbled again, falling to a new all-time low (our data go back to 1980) in March. While there has been a partial recovery since March, the three-month moving average remains below the levels prevailing in 2011, signaling continued weakness in nonresidential construction.

The manufacturing boom is weakening

The recovery in Washington, as in the nation, has been driven largely by the manufacturing sector. Washington manufacturing employment has been rising for more than two years now – the trough was March 2010. During this period, the aerospace sector accounted for 15,500 of the 26,200 net new manufacturing jobs. The Institute of Supply Management - Western Washington Index (ISM-WW), which measures strength in the manufacturing sector, has now indicated growth since August 2009 (index readings above 50 indicate expansion). In a sign the manufacturing expansion may be slowing, however, the index declined to 53.5 in August from 58.8 in July, barely exceeding

the critical 50 mark, before partially recovering to 56.0 in September. The August results were the lowest since September 2009.

Aerospace is still expanding

Boeing built up a huge backlog of orders in 2005, 2006, and 2007. This enabled Boeing to ride out the recession with only minimal production and job cuts. Since the May 2010 trough in aerospace employment, this sector has added 16,100 jobs, surpassing the previous peak by more than 10,000 jobs. We believe the outlook for Boeing remains positive. Worldwide air traffic, both passenger and cargo, recovered surprisingly quickly from the recession. As a result, Boeing was able to add to its backlog in 2010, 2011, and so far in 2012. The backlog as of the end of the third quarter of 2012 was 4,144 planes representing nearly seven years of production at the current rate of 149 planes per quarter.

The trend is still positive in light vehicle sales

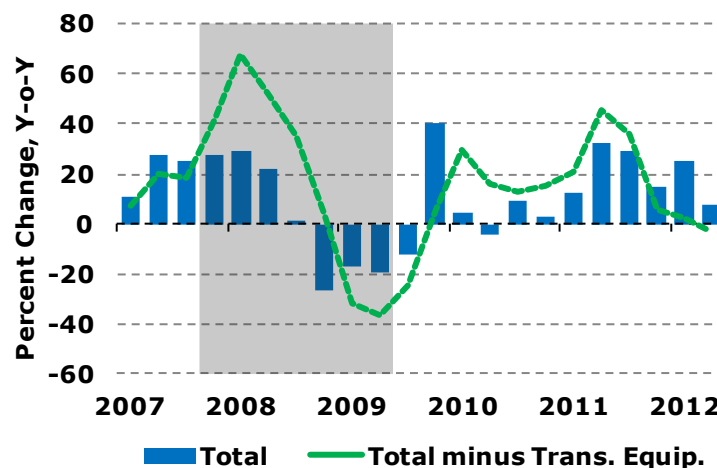
Purchases of new vehicles in Washington faltered in July after reaching a post-recession high in June. Washington new car registrations reached 21,100 seasonally adjusted vehicles in June which was the highest monthly rate since March 2008. New vehicle registrations declined to 19,500 units in July before partially recovering to 19,700 units in August. Despite the setback in July, the trend is still positive. We believe the recent growth in motor vehicle sales has been driven primarily by replacement demand. The relative age of the vehicles on the road in Washington reached an all-time high in September 2011 and has been gradually declining since then.

Washington export growth is slowing

The slowing global economy has put an end to Washington's export boom. Total exports in the second quarter of 2012 were only 7.5% higher than in the previous year compared to 25.2% growth in the first quarter and 32.2% growth in the second

Exports excluding transportation equipment are now declining

Figure 2.2: Washington State Exports



Source: Wiser Trade Data; data through 2012 Q2

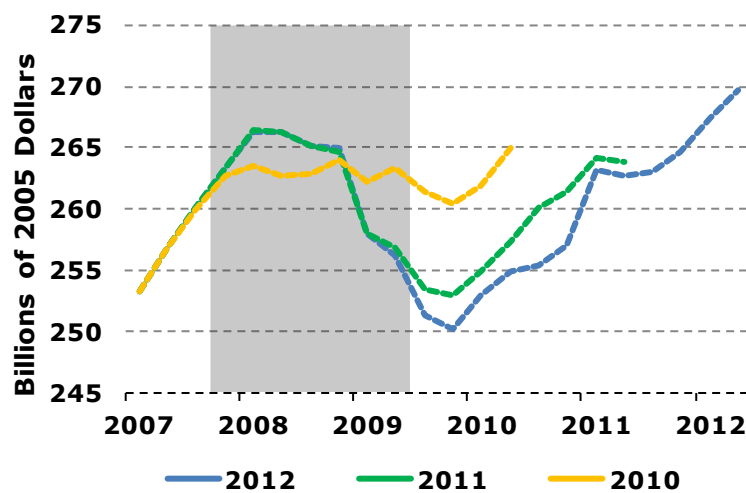
quarter of last year. Transportation equipment exports (mostly Boeing planes) were 21.3% higher than in the previous year but exports other than transportation equipment declined 2.8% (see Figure 2.2). This was the first year-over-year decline in non-transportation equipment exports since mid-2009.

Washington income growth remains strong despite revisions to historical data

In September the Bureau of Economic Analysis (BEA) released preliminary state personal income estimates for the second quarter of 2012. According to these preliminary estimates, Washington personal income grew at a 4.2% seasonally adjusted annual rate in the second quarter, just edging out the 4.1% U.S. growth rate. The BEA also released revised quarterly and annual state personal income beginning with the first quarter of 2009. Revisions are usually made each September to incorporate source data that are more complete and more detailed than previously available. The revised data indicate a more severe recession in 2009 and initially less robust recovery than previously believed. According to the new estimates, Washington nominal personal income fell 4.4% in 2009 rather than 3.6% and grew 2.4% in 2010 rather than 3.0%. The new estimate for growth in 2011 is higher, 5.8% rather than 5.2%, but the level in 2011 is still \$2.844 billion (0.9%) lower than previously reported. The historical revisions were more than accounted for by reductions in the estimates for property income (dividends, interest, and rent.) This is not the first time a personal income revision has changed our perception of the recession. According to the new data, the peak-to-trough decline in Washington real personal income was 6.1%. Last year's September release pegged the decline at 5.1% and the year before that the peak-to-trough decline was only 1.4% (see Figure 2.3).

The decline in income during the recession was much worse than previously reported

Figure 2.3: Washington Real Personal Income



Source: BEA; data through 2012 Q2

Seattle inflation has moved well ahead of U.S. inflation

Local area inflation has moved well ahead of the national average. Seattle headline inflation over the twelve months ending in August 2012 was 2.8% compared to just 1.7% for the U.S. city average. Core inflation in Seattle was 3.0% compared to 1.9% for the nation. A major reason for the higher inflation in Seattle is faster growth in shelter costs which are driven primarily by rents. Seattle shelter costs have risen 3.6% over the last year compared to 2.1% for the U.S. city average. This explains more than half of the 1.1 percentage point differential in core inflation.

Washington State Forecast

The revisions to the forecast in September were small

The Washington State forecast is based on a new national forecast that in terms of the real economy (GDP, employment, etc.) is very similar to the forecast adopted in June. As a result, the revisions to the state forecast were also minimal. There are two important changes to the national forecast that feed through to the state forecast. First, the oil price forecast is much higher in the third and fourth quarters of 2012. Oil prices remain higher through the remainder of the forecast but also fall faster than expected in June. The new oil price forecast adds to national and regional inflation in the second half of this year but reduces inflation during the remainder of the forecast. The other major change is the assumption of slower productivity growth which has the effect of slightly raising job growth in Washington State as well as nationally.

The outlook is slightly stronger than expected in June

Our September economic forecast for Washington is a bit stronger than the forecast adopted in June based on slightly stronger employment growth, a slightly stronger housing market, and a higher level on personal income. As in June, we expect Washington job and income growth to gradually improve throughout the forecast. Boeing and Microsoft are expanding but we expect aerospace employment will peak at the end of 2012. Housing construction as measured by building permits is now growing though from a very low base and nonresidential construction remains very weak. Construction employment is expected to remain moderate through the remainder of this year with growth gradually picking up beginning in 2013. Government employment is expected to decline through late 2013 with only modest growth thereafter. We continue to expect the state of Washington to outperform the U.S. economy however the recovery will continue to be slow by historical standards and unemployment will decline only gradually.

Washington Payroll Employment

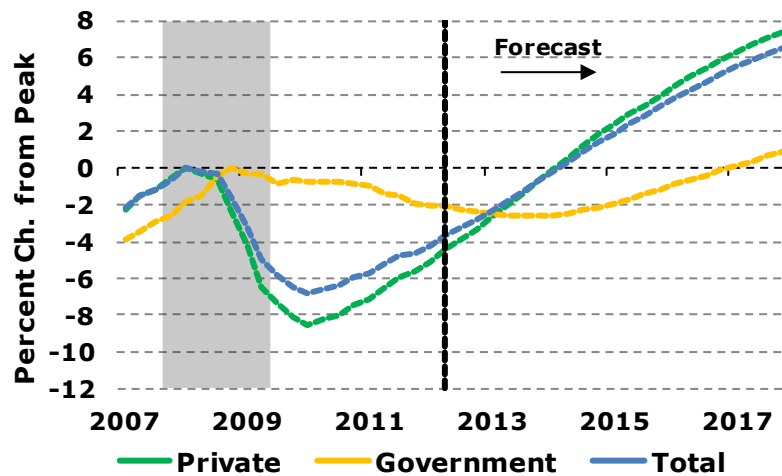
The private sector is driving the recovery in jobs

Our forecast for Washington employment is very similar to the forecast adopted in June. As in June, we expect aerospace employment to peak at the end of this year and begin a gradual decline in mid-2013. Construction employment is expected to

remain moderate through the remainder of this year with growth gradually picking up beginning in 2013. Government employment is expected to decline through late 2013 with only modest growth thereafter. Our new forecast for overall employment growth is slightly stronger than the forecast adopted in June. Our Washington employment growth forecast for 2012 through 2015 averages 2.0% per year compared to 1.7% per year in the June forecast. We expect employment growth to average 1.6% per year in 2016 and 2017. By the end of our forecast horizon in 2017, total employment will be 194,700 (6.5%) above the previous peak. Private sector employment will be 180,200 (7.4%) higher while public sector employment will be only 4,700 (0.9%) higher than its previous peak (see Figure 2.4).

Government employment initially fell much less than private employment but will also recover much later

Figure 2.4: Washington Employment



Source: WA ESD, ERFC; historical data through 2012 Q2

Washington will continue to outperform the U.S. in job growth

Washington added jobs at a slightly faster rate than the nation in 2011, although the recovery for both has been uneven and weak. Employment in the state has grown at an average annual rate of 1.5% since the employment trough in the first quarter of 2010 through the second quarter of 2012 compared to 1.3% for the nation. The 91,600 jobs gained over this period represent 46% of the jobs lost in the downturn. We don't expect to get back to our pre-recession peak until the second quarter of 2014. This is one quarter sooner than the U.S, but still represents more than four years of lost employment growth.

Boeing is expanding, for now

Boeing continues to grow in early 2012 but at a slower rate than in 2011. Boeing's order book remains full with a backlog that would take more than six years to work off at the current rate of production. Despite rising production, Boeing has indicated that it thinks 2012 will be the peak in employment in its Commercial Airplane Division as development programs are ramped down

and productivity continues to improve. As in June, we assume that aerospace employment peaks at the end of 2012 and begins to gradually decline in the second half of 2013. Aerospace employment grew 7.2% in 2011 and we expect a 9.0% growth rate this year. We expect aerospace employment to grow 2.3% in 2013 on a calendar year basis before declining 1.4% in 2014 and 1.5% per year in 2015 through 2017.

We expect the software sector to continue to add jobs

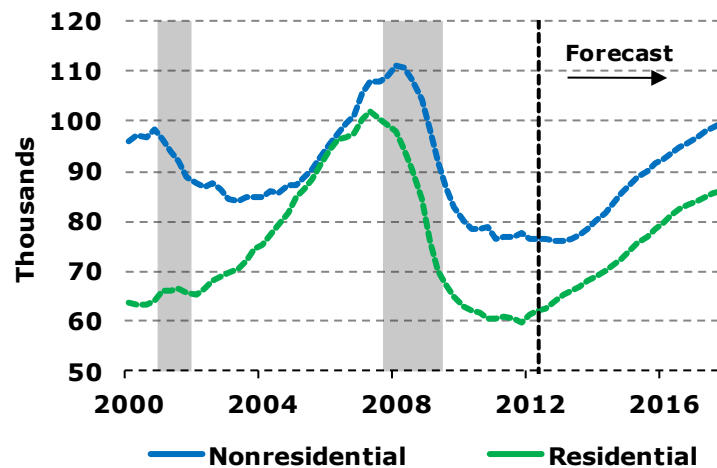
The software sector is growing again and has recovered virtually all of the jobs lost in the recession. Microsoft recently restructured employee compensation, calling it "the most significant investment in overall compensation we have ever made." The higher wages will help Microsoft attract and retain top talent and the spending out of those higher wages will have a positive impact on the Washington economy. We expect fairly strong job gains going forward. While the software employment growth is not expected to be spectacular, it will continue to have an outsized impact on the overall economy due to the high wages in this industry. Software employment rose 1.5% in 2011 following an unprecedented 1.1% decline in 2010. We expect software employment growth to improve to 2.3% this year and 3.0% next year, slowing to 1.6%, 1.8%, 1.7%, and 1.6% in 2014 through 2017.

Construction employment growth has turned positive

Construction employment finally reached a trough in early 2011 after huge declines over the previous three years. This year we expect overall construction employment to post its first increase in five years but we anticipate a mere 1.1% gain. Residential construction employment has turned slightly positive but nonresidential construction employment continues to decline. We expect residential construction employment to grow 3.4% this year but nonresidential employment will decline 0.8%. Residential employment growth will accelerate in future years

Residential construction employment growth has turned positive but nonresidential is still in decline

Figure 2.5: Washington Construction Employment



Source: WA ESD, ERFC; historical data through 2012 Q2

and nonresidential construction will begin growing again (see Figure 2.5). We expect overall construction employment growth to improve to 3.3% in 2013, 6.9% in 2014, and 8.1% in 2015 before slowing to 6.1% and 4.3% in 2016 and 2017. Even with these impressive growth rates, construction employment will still be 24,400 below its previous peak at the end of 2017.

Financial activities employment will remain weak

The slump in financial activities employment has been even more protracted, though not as deep, as construction. Financial activities employment has now fallen in 5 consecutive years, though the decline in 2011 was a slight 0.1%. Employment in credit intermediation and related activities accounts for most of the decline, followed by real estate and rental and leasing. Going forward, we expect moderate growth for the next four years with growth of 0.9% this year, 1.2% in 2013 and 2014, and 0.8% in 2015. We expect a slight cyclical downturn in the last two years of the forecast with growth rates of -0.6% in 2016 and -1.3% in 2017.

The retail trade recovery will be slow

Retail trade is another highly cyclical sector that declined early and sharply but has now turned around. Retail trade employment grew 1.5% in 2011 following declines of 0.2%, 5.5%, and 0.4% in 2008, 2009, and 2010. Consumer finances and confidence collapsed during the recession as a result of severe job losses and plummeting housing and stock market wealth. We expect retail trade growth to improve to 1.9% in 2012 based on fairly strong growth in recent quarters. The forecast assumes much weaker growth in the next five years as labor markets remain weak and households continue to repair their balance sheets. We expect growth to slow to 1.5%, 1.0%, 0.8%, 0.9%, and 0.6% in 2013 through 2017. It will be mid-2016 when retail trade employment finally surpasses its previous peak.

We expect strong growth in professional and business services employment

As is typical during recoveries, professional and business services will be one of Washington's fastest growing sectors. During a recovery, growth in this sector is boosted by gains in employment services, mainly temporary help services. As businesses gauge whether the increase in demand will continue, they typically hire temporary staff before they hire permanent employees. Employment growth in professional and business services rebounded to 4.1% in 2011 from just 0.6% in 2010 and a 6.9% decline in 2009. We expect growth to slow slightly to 3.1% this year based on the actual data we have through August. We expect growth to remain very strong in this sector throughout the forecast with growth rates of 4.5%, 5.0%, 4.5%, 4.0%, and 3.2% in 2013 through 2017. We expect employment in professional and business services to surpass its previous peak by the end of this year.

Tight budgets are forcing cutbacks in state and local government employment

State and local government employment continues to be a drag on the overall jobs recovery. Private sector employment growth has turned positive but state and local government employment continues to decline. To date there have been 13,400 jobs lost in this sector. We expect another 1,100 job losses in state and local government over the next three quarters. This includes the reduction of approximately 900 employees of the Liquor Control Board resulting from the passage of Initiative 1183. On an average annual basis, we expect state and local government employment to fall 0.6% this year and 0.2% next year. We expect employment growth to turn moderately positive in 2014 through 2017 with growth rates of 0.5%, 1.1%, 1.3%, and 1.3%. We do not expect government employment to reach the previous peak until the third quarter of 2016.

Washington Personal Income

We assume the fiscal cliff will be avoided

As in June, we expect to largely avoid the “fiscal cliff” at the end of the year. Not only would the scheduled tax increases and spending cuts affect personal income via their effect on the economy, some components, such as the payroll tax cut, affect personal income directly. We assume that the outgoing Congress will extend the deadlines to avoid tax increases or budget cuts and that a compromise on fiscal policy will be enacted by the new Congress that phases in the tax increases and spending cuts over several years, thus avoiding a sharp fiscal contraction in 2013.

Washington personal income will gradually improve

Personal income growth increased to 5.2% in 2011 from 3.0% in 2010. The growth in 2011 was boosted by the payroll tax cut. Without that, growth would have been nearly a full percentage point lower. Our new forecast for personal income growth averages 5.1% per year in 2012 through 2015 compared to 4.8% per year in the June forecast but the increase is due mostly to the higher actual level of wages in early 2012. This is our first forecast to extend through 2016 and 2017. We expect and personal income growth to average 5.0% per year.

Washington Building Permits

Housing construction has been stronger than expected

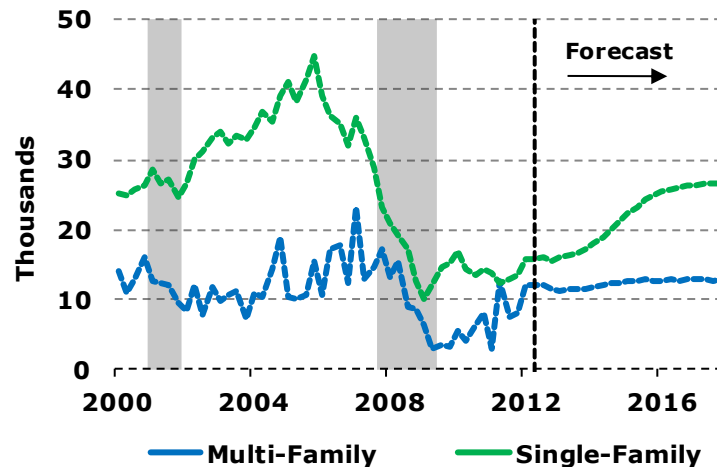
The June forecast had assumed some backsliding in housing construction in the second quarter of 2012 after the strong growth in the first quarter but this was not the case. Washington housing permits came in at 28,100 (SAAR) units in the second quarter of 2012 compared to 27,700 in the first quarter and 20,600 in the fourth quarter of 2011. Single-family permits totaled 15,900 in the second quarter while multi-family permits came in at a 12,200 annual rate. These are both stronger than the June forecast of 13,600 single-family and 10,800 multi-family units.

We have raised our near-term housing forecast

As a result of the recent strength in housing, we have again raised our housing forecast for 2012 and 2013. While both single-family construction and multi-family construction have improved, single-family, which is still competing with a stream of distressed sales, remains relatively depressed. Multi-family construction, which is benefiting from rising rents and low vacancy rates, is back in the normal range for Washington. We expect the total number of units to increase 32.6% this year to 27,700 units. Multi-family permits will lead the way, growing 54.4% to 11,900 units. Single-family construction will increase 19.9% to 15,800 units. During the remainder of the forecast we believe the growth will shift to the single-family market which is still quite depressed (see Figure 2.6). The combination of low inventories and record affordability argues for strong growth in single-family housing construction as the economy improves. We expect housing units to rise to 28,000 in 2013, 31,600 in 2014, 36,400 in 2015, 38,700 in 2016, and 39,300 in 2017.

Multi-family housing construction has largely recovered but single-family construction is still depressed

Figure 2.6: Washington Housing Units Authorized by Building Permits



Source: Census Bureau, ERFC; historical data through 2012 Q2

Seattle Consumer Price Index

Seattle area inflation will slow as energy costs decline

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

decline to 2.5% in 2013, 2.3% in 2014, 2.2% in 2015 and 2.1% in 2016 and 2017.

Shelter costs are once again rising

Core inflation (excluding food and energy) in Seattle came in at 1.3% in 2011 after a negative 0.5% in 2010. Falling shelter costs were the main reason for the decline but rents have since turned around. As the economic recovery continues, Seattle core inflation will increase but remain in a moderate range. We expect the core Seattle CPI to rise 2.7% this year, 2.4% in 2013, 2014, and 2015, 2.2% in 2016, and 2.1% in 2017.

Forecast by Fiscal Year

Personal income growth will improve as the economy recovers

Nominal personal income growth improved to an estimated 5.0% in FY 2011 following a 1.3% decline in FY 2010. The improvement in 2011 was due largely to the payroll tax cut, which took place halfway through the year, and a surge in property income (dividends, interest, and rent). Income growth remained fairly strong at 4.6% in fiscal 2012 thanks to strong wage growth. We expect personal income growth to slow slightly to 4.4% in fiscal 2013 before rebounding to 5.4%, 5.7%, 5.2% and 5.0% in fiscal 2014 through fiscal 2017.

Job growth is expected to improve

Washington nonfarm payroll employment continues to recover, rising 1.6% in fiscal 2012 following a 0.6% increase in fiscal 2010. We expect employment growth to continue to improve for the next few years as improving construction employment growth more than offsets declining manufacturing growth and the reductions in government employment subsidy. As the economic recovery continues, we expect overall employment growth to improve to 1.9% in FY 2013 and 2.1% in FY 2014 and FY 2015, slowing slightly to 1.9% in FY 2016 and 1.7% in FY 2017.

Housing construction will continue to build momentum

The number of housing units authorized by building permits in Washington continues to recover slowly, rising 16.0% in fiscal 2012 following an 8.9% gain in fiscal 2011. Previously, permits had fallen 64% since the peak in FY 2006. Single-family permits increased 7.4% in FY 2012 to 14,500 units while multi-family units rose 31.5% to 9,900 units. We expect strong growth in both single-family and multi-family construction this fiscal year as multi-family construction increases 16.7% to 11,500 units and single-family construction increases 10.3% to 16,000 units. Overall permits will increase 12.9% this fiscal year to 27,500 units. Housing construction should continue to improve, growing 7.0% in FY 2014 to 29,400 units, 16.3% in FY 2015 to 34,200 units, 10.7% in FY 2016 to 37,800 units, and 3.5% in FY 2017 to 39,100 units.

Core inflation will remain moderate

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased to 1.2% in FY 2011 and 3.1% in FY 2012 from just 0.3% in FY 2010. Energy costs are largely responsible for the increase in inflation.

Core inflation (excluding food and energy) rose a more moderate 2.4% in fiscal 2012. Energy costs will add to inflation again in FY 2013 but subtract from inflation in FY 2014 through FY 2017 as oil prices decline. We expect headline inflation of 2.6% this fiscal year, 2.2% in FY 2014, 2.3% in FY 2015, 2.2% in FY 2016, and 2.1% in FY 2017.

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

Alternative Scenarios

Alternate forecasts are prepared in accordance with state law

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

Growth accelerates in the optimistic scenario

In the optimistic scenario, rapid and sustained improvements in the housing and labor markets ignite stronger domestic growth, while credible policy decisions in Europe and China boost the foreign economic outlook. The fiscal cliff is avoided, as in the baseline, but unlike in the baseline, a credible plan for long-term deficit reduction is quickly enacted. Growth ramps up in the last few months of 2012 and accelerates into next year. As credit conditions ease, nonresidential fixed investment rises 8.8% in 2012 and 8.7% in 2013. This scenario is also driven by a stronger recovery in residential construction. The European Central Bank develops a credible plan to tackle sovereign debt issues and prevent a financial meltdown. There are no exits from the Eurozone, as the bloc takes decisive steps towards a banking and fiscal union that stabilize markets. By the end of 2017 real GDP is 4.2% higher in the optimistic forecast than in the baseline. More GDP growth translates into more jobs and the unemployment rate falls to 4.5% by the fourth quarter of 2017 compared to 6.0% in the baseline forecast.

The optimistic scenario also assumes a much stronger Washington economy

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

higher by 203,900 jobs than in the baseline forecast and Washington personal income is \$40.4 billion higher.

Pessimistic

In the pessimistic alternative, Europe and gridlock in Washington derail the recovery

In the pessimistic scenario, despite encouraging European moves in the summer, policy paralysis takes over in the latter part of 2012. The Eurozone crisis intensifies and financing for Greece dries out, forcing its exit in early 2013. At the same time, the gridlock in Washington, DC, briefly pushes the US economy off the fiscal cliff at the start of 2013. Private sector confidence collapses and stock prices plunge. Policymakers, realizing the potential threat to the economy, quickly reverse course and extend all expiring measures for 2013. But with the Eurozone financial crisis intensifying, this proves to be too little, too late to save the economy from recession. Credit tightens, businesses and consumers retrench, the housing sector turns down again, and the unemployment rate rises back toward 10%. By the end of 2015 real GDP is 5.2% below the baseline forecast. The unemployment rate begins rising again, reaching 9.3% in the second quarter of 2014 before beginning to decline again. At the end of 2017 unemployment is still at 7.7% compared to 6.0% in the baseline.

This scenario also assumes a weaker local economy

At the state level, aerospace employment grows less in 2012 and declines much more rapidly in 2013 through 2017 than assumed in the baseline forecast. Software employment begins to decline in 2013 and the reductions accelerate in 2014 and 2015. Population growth is also weaker than in the baseline forecast as migration into Washington drops. Construction employment also goes into a renewed slump, declining through the third quarter of 2014. The Seattle CPI is lower than in the baseline forecast, as are Washington wage rates, further depressing personal income. By the end of 2017, Washington non-agricultural employment is 227,100 lower than in the baseline forecast and Washington personal income is \$50.8 billion lower.

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

Governor's Council of Economic Advisors (GCEA)

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

The GCEA scenario predicts less real growth but more inflation

At the national level, the GCEA outlook for real GDP is very close to the baseline forecast in calendar years 2012 and 2013 but consistently weaker in 2014 through 2017. Real consumer spending in the Governor's Council scenario follows a similar pattern with growth rates close to the baseline in 2012 and 2013 but slower growth thereafter. In spite of the weaker real growth expected by the GCEA members, they expect higher inflation in

every year except this year when they expect the same inflation rate as the baseline. The GCEA outlook for oil prices was generally similar to the baseline forecast with slightly lower prices in 2012, 2013, and 2014 and higher prices in 2015, 2016, and 2017. The Council members' mortgage rate forecasts are very close to the baseline forecast except in the final year of the forecast when their forecast is significantly lower.

For Washington, the GCEA scenario is slightly weaker in 2014 and 2015

The GCEA scenario for Washington is very similar to the baseline forecast. The council members' forecast for total employment is almost identical to the baseline forecast. Their real personal income forecast is lower than the baseline forecast due to their assumption of higher inflation. Their nominal personal income forecast is very close to the baseline forecast. The GCEA forecast for manufacturing employment is a little weaker in the near term but catches up to the baseline forecast in the final two years. The most significant differences at the state level came in the construction outlook. While the Governor's Council members' forecast for housing permits is very close to the baseline forecast, their construction employment forecast is much lower. By the end of 2017, the GCEA forecast for Washington nonfarm employment is 3,700 lower than in the baseline forecast but Washington personal income is \$2.1 billion higher.

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

Table 2.1
Washington Economic Forecast Summary
 Forecast 2013 to 2017

Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	255.121	262.857	268.537	275.525	285.381	295.935	305.254	314.619
% Ch	-2.5	3.0	2.2	2.6	3.6	3.7	3.1	3.1
Real Wage and Salary Disb.	133.350	135.419	139.021	142.057	146.722	151.586	155.947	160.067
% Ch	-2.6	1.6	2.7	2.2	3.3	3.3	2.9	2.6
Real Nonwage Income	121.771	127.438	129.516	133.468	138.659	144.349	149.307	154.551
% Ch	-2.3	4.7	1.6	3.1	3.9	4.1	3.4	3.5
Real Per Capita Income (\$/Person)	37,968	38,670	38,999	39,505	40,398	41,341	42,097	42,873
% Ch	-3.3	1.8	0.9	1.3	2.3	2.3	1.8	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.102	1.123	1.149	1.170	1.190	1.213	1.237	1.260
% Ch	1.3	1.9	2.3	1.8	1.7	1.9	2.0	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.263	2.290	2.360	2.423	2.477	2.533	2.588	2.642
% Ch	0.3	1.2	3.1	2.6	2.2	2.3	2.2	2.1
Average Nonfarm Annual Wage	50,405	51,899	53,761	54,981	56,691	58,535	60,324	62,105
% Ch	2.5	3.0	3.6	2.3	3.1	3.3	3.1	3.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.53	23.75	24.04	24.27	24.71	25.21	25.74	26.28
% Ch	6.8	0.9	1.2	1.0	1.8	2.0	2.1	2.1
Current Dollar Income (Billions of Dollars)								
Personal Income	281.207	295.184	308.620	322.252	339.603	358.935	377.476	396.533
% Ch	-1.3	5.0	4.6	4.4	5.4	5.7	5.2	5.0
Disposable Personal Income	254.356	264.805	274.882	285.591	298.783	314.871	330.721	347.410
% Ch	-0.1	4.1	3.8	3.9	4.6	5.4	5.0	5.0
Per Capita Income (\$/Person)	41,850	43,424	44,820	46,204	48,072	50,141	52,057	54,034
% Ch	-2.1	3.8	3.2	3.1	4.0	4.3	3.8	3.8
Employment (Thousands)								
Washington Civilian Labor Force	3,520.1	3,496.1	3,497.0	3,522.4	3,570.1	3,619.1	3,665.5	3,708.4
Total Washington Employment	3,168.9	3,161.4	3,195.4	3,225.9	3,282.5	3,346.9	3,405.9	3,458.9
Unemployment Rate (%)	9.98	9.57	8.63	8.42	8.06	7.52	7.08	6.73
Nonfarm Payroll Employment	2,786.0	2,802.4	2,845.9	2,898.6	2,960.0	3,023.5	3,080.4	3,132.3
% Ch	-3.9	0.6	1.6	1.9	2.1	2.1	1.9	1.7
Manufacturing	258.4	262.1	275.1	285.6	290.9	295.0	297.2	299.9
% Ch	-7.4	1.4	4.9	3.8	1.9	1.4	0.7	0.9
Durable Manufacturing	184.5	187.6	199.5	208.9	213.6	217.4	219.2	221.0
% Ch	-8.4	1.7	6.3	4.7	2.2	1.8	0.8	0.8
Aerospace	81.1	82.5	90.9	96.7	95.9	94.5	93.1	91.7
% Ch	-2.2	1.7	10.1	6.4	-0.8	-1.5	-1.5	-1.5
Nondurable Manufacturing	73.8	74.5	75.6	76.6	77.3	77.6	78.0	78.9
% Ch	-4.6	0.9	1.4	1.4	0.8	0.4	0.5	1.2
Construction	146.3	138.5	137.8	140.5	147.7	159.6	171.1	179.9
% Ch	-19.2	-5.3	-0.5	2.0	5.1	8.0	7.2	5.2
Service-Providing	2,375.4	2,395.8	2,427.1	2,466.4	2,514.9	2,561.8	2,604.6	2,644.8
% Ch	-2.4	0.9	1.3	1.6	2.0	1.9	1.7	1.5
Software Publishers	50.8	51.2	52.0	53.8	54.8	55.7	56.7	57.7
% Ch	-2.6	0.8	1.6	3.3	1.9	1.7	1.8	1.6
Nonfarm Payroll Employment, EOP*	2,786.9	2,819.4	2,864.9	2,921.1	2,983.5	3,045.7	3,101.2	3,149.0
% Ch*	-1.5	1.2	1.6	2.0	2.1	2.1	1.8	1.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	19.263	20.976	24.338	27.474	29.398	34.178	37.828	39.145
% Ch	-2.3	8.9	16.0	12.9	7.0	16.3	10.7	3.5
Single-Family	15.240	13.471	14.468	15.955	17.701	21.725	25.067	26.345
% Ch	17.2	-11.6	7.4	10.3	10.9	22.7	15.4	5.1
Multi-Family	4.023	7.505	9.871	11.520	11.696	12.453	12.762	12.800
% Ch	-40.0	86.5	31.5	16.7	1.5	6.5	2.5	0.3
30-Year Fixed Mortgage Rate (%)	5.00	4.59	4.01	3.50	4.08	4.81	5.50	6.34

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

Table 2.2
Comparison of Alternative Forecasts

Fiscal Years

	2012	2013	2014	2015	2016	2017
U.S.						
Real GDP, Percent Change						
Optimistic	2.1	2.9	4.1	3.8	3.3	3.2
Baseline	2.1	2.0	2.6	3.1	2.9	2.9
Pessimistic	2.1	0.6	0.0	2.3	3.0	2.7
Implicit Price Deflator, Percent Change						
Optimistic	2.3	1.9	1.7	1.2	1.2	1.5
Baseline	2.3	1.8	1.7	1.9	2.0	1.9
Pessimistic	2.3	1.0	1.0	1.8	2.2	2.4
Mortgage Rate, Percent						
Optimistic	4.01	3.84	5.11	6.10	6.41	6.55
Baseline	4.01	3.50	4.08	4.81	5.50	6.34
Pessimistic	4.01	3.22	3.25	4.15	5.14	6.45
3 Month T-Bill Rate, Percent						
Optimistic	0.05	0.20	0.49	2.25	3.78	3.83
Baseline	0.05	0.12	0.15	0.20	1.25	3.09
Pessimistic	0.05	0.09	0.08	0.08	0.10	1.31
Washington						
Real Personal Income, Percent Change						
Optimistic	2.2	4.5	5.8	6.6	5.6	4.5
Baseline	2.2	2.6	3.6	3.7	3.1	3.1
Pessimistic	2.2	0.9	0.0	0.4	1.4	1.6
Personal Income, Percent Change						
Optimistic	4.6	6.5	7.5	7.9	6.9	6.1
Baseline	4.6	4.4	5.4	5.7	5.2	5.0
Pessimistic	4.6	1.9	1.1	2.1	3.6	4.0
Employment, Percent Change						
Optimistic	1.6	2.7	3.7	3.5	3.0	2.5
Baseline	1.6	1.9	2.1	2.1	1.9	1.7
Pessimistic	1.6	0.8	-0.1	0.3	0.8	0.9
Housing Permits, Thousands of Authorized Units						
Optimistic	24.3	31.4	38.3	44.9	49.5	52.3
Baseline	24.3	27.5	29.4	34.2	37.8	39.1
Pessimistic	24.3	24.9	22.5	26.2	31.0	32.7

Table 2.3

Calendar Years

Governor's Council of Economic Advisor's Forecast

	2012	2013	2014	2015	2016	2017
U.S.						
Real GDP						
<i>Growth</i>						
ERFC	2.2	2.1	3.0	3.0	2.9	2.8
GCEA Average	2.1	2.1	2.7	2.7	2.7	2.6
Real Consumption						
<i>Growth</i>						
ERFC	1.9	2.0	2.7	2.8	2.7	2.6
GCEA Average	2.0	2.0	2.5	2.6	2.6	2.5
Implicit Price Deflator, PCE						
<i>Growth</i>						
ERFC	1.9	1.7	1.9	1.9	2.0	1.9
GCEA Average	1.9	2.0	2.2	2.3	2.4	2.5
Mortgage Rate						
<i>Percent</i>						
ERFC	3.7	3.6	4.5	5.2	5.9	6.6
GCEA Average	3.7	3.7	4.4	5.3	6.0	6.2
Oil Price (Brent)						
<i>Dollars per barrel</i>						
ERFC	113.2	111.6	105.2	99.7	95.4	92.5
GCEA Average	109.4	106.8	104.5	102.9	101.1	101.6
Washington State						
Real Personal Income						
<i>Growth</i>						
ERFC	2.6	2.8	3.9	3.3	3.2	2.9
GCEA Average	2.5	2.4	3.1	3.1	3.1	2.9
Wage and Salary Employment						
<i>Growth</i>						
ERFC	1.7	2.0	2.2	2.0	1.8	1.5
GCEA Average	1.7	1.9	2.1	1.9	1.8	1.7
Manufacturing Employment						
<i>Growth</i>						
ERFC	4.5	2.7	1.7	1.0	0.7	1.1
GCEA Average	3.9	2.7	1.8	1.3	0.9	1.0
Construction Employment						
<i>Growth</i>						
ERFC	1.1	3.3	6.9	8.1	6.1	4.3
GCEA Average	1.5	2.7	4.0	5.4	5.0	4.2
Housing Permits						
<i>Thousands of authorized units</i>						
ERFC	27.7	28.0	31.6	36.4	38.7	39.3
GCEA Average	27.1	29.2	32.4	35.5	38.6	39.4
Washington Average Annual Wage						
<i>Growth</i>						
ERFC	3.5	2.3	3.2	3.2	3.0	3.1
GCEA Average	2.9	2.3	2.7	2.8	3.0	3.0

Table 2.4
Forecast Analysis
 Comparison of Forecasts for 2011-13

Forecast Date	2010				2011				2012			
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>
Washington												
Percent Growth, 2011:2-2013:2												
Employment	5.6	6.2	6.1	5.5	5.3	4.5	3.4	3.0	3.7	3.3	3.6	
Personal Income	12.5	12.0	11.1	10.9	10.8	10.0	7.4	7.4	7.6	8.2	9.1	
Real Personal Income	8.4	8.0	7.8	7.4	7.0	6.6	4.9	4.3	4.2	5.0	5.3	
Total (Thousands of units), 2011:3 to 2013:2												
Housing Units Authorized	86.7	85.3	69.5	66.8	55.8	50.9	43.8	42.8	42.0	47.1	51.8	

Table 2.5
Forecast Comparison
 Forecast 2013 to 2015

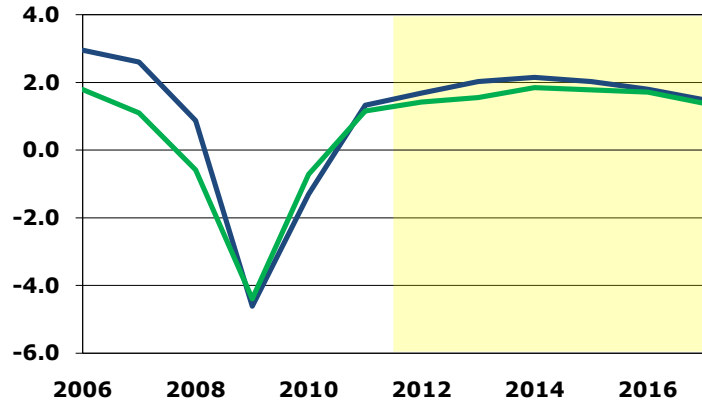
Fiscal Years

	2011	2012	2013	2014	2015	2016	2017
Washington							
Real Personal Income							
September Baseline	262.857	268.537	275.525	285.381	295.935	305.254	314.619
% Ch	3.0	2.2	2.6	3.6	3.7	3.1	3.1
June Baseline	262.805	266.713	274.318	283.419	292.793	...	...
% Ch	3.1	1.5	2.9	3.3	3.3	...	...
Personal Income							
September Baseline	295.184	308.620	322.252	339.603	358.935	377.476	396.533
% Ch	5.0	4.6	4.4	5.4	5.7	5.2	5.0
June Baseline	295.156	306.651	319.558	336.334	355.147	...	...
% Ch	5.0	3.9	4.2	5.2	5.6	...	...
Employment							
September Baseline	2802.4	2845.9	2898.6	2960.0	3023.5	3080.4	3132.3
% Ch	0.6	1.6	1.9	2.1	2.1	1.9	1.7
June Baseline	2802.3	2845.6	2891.2	2947.2	3001.1	...	...
% Ch	0.6	1.5	1.6	1.9	1.8	...	...
Housing Permits							
September Baseline	20.976	24.338	27.474	29.398	34.178	37.828	39.145
% Ch	8.9	16.0	12.9	7.0	16.3	10.7	3.5
June Baseline	20.835	23.290	23.850	27.852	33.976	...	...
% Ch	8.2	11.8	2.4	16.8	22.0	...	...

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

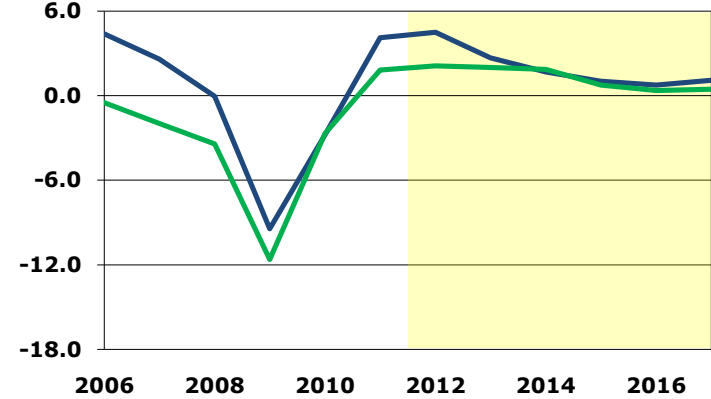
Forecast

Total nonfarm payroll employment



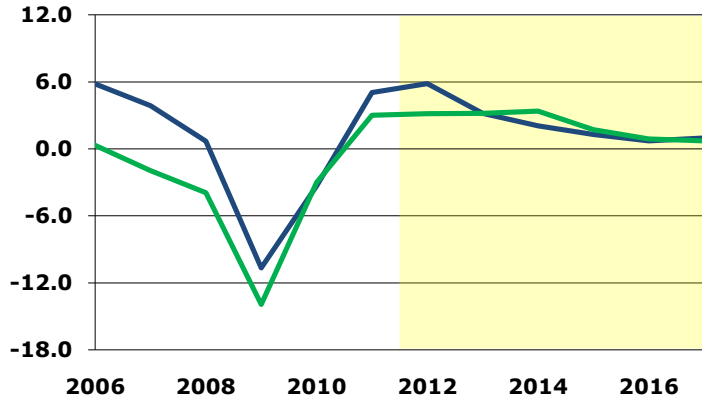
Source: WA State Employment Security Dept. 2011, ERFC 2017

Manufacturing employment



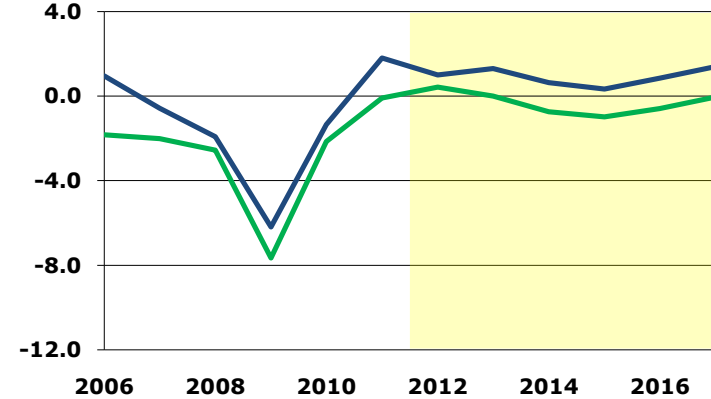
Source: WA State Employment Security Dept. 2011, ERFC 2017

Durable manufacturing employment



Source: WA State Employment Security Dept. 2011, ERFC 2017

Nondurable manufacturing employment



Source: WA State Employment Security Dept. 2011, ERFC 2017

Washington

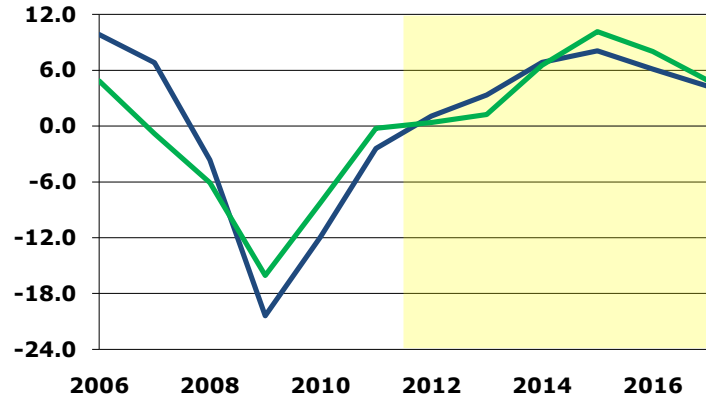
U.S.

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

(Percent change)

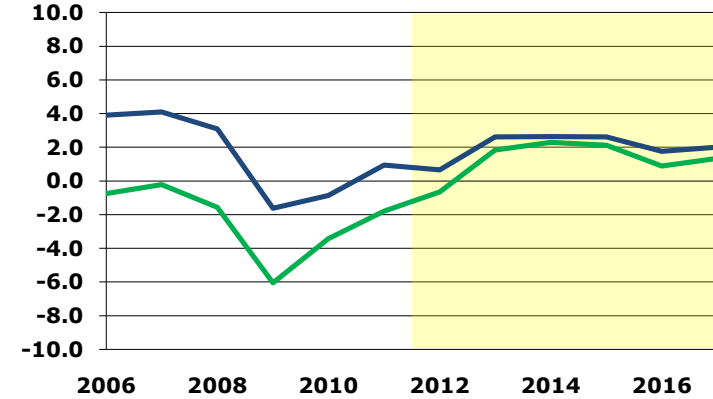
Forecast

Construction employment



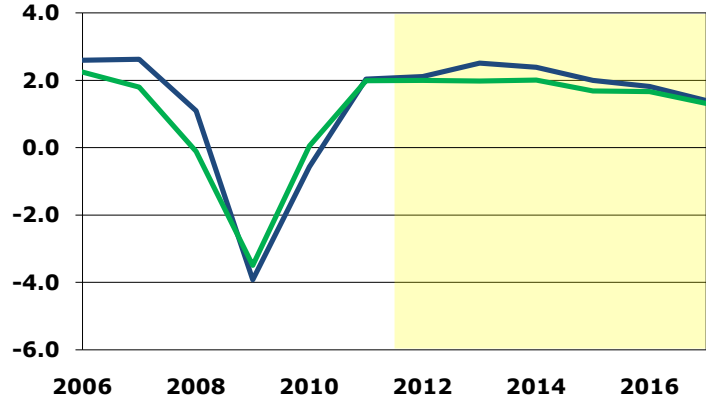
Source: WA State Employment Security Dept. 2011, ERFC 2017

Information employment



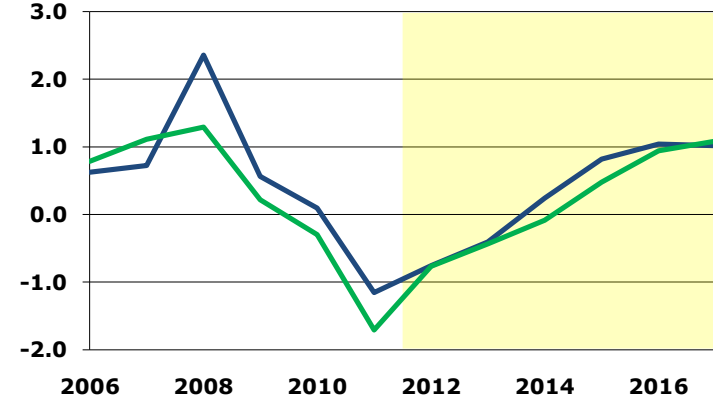
Source: WA State Employment Security Dept. 2011, ERFC 2017

Other private employment



Source: WA State Employment Security Dept. 2011, ERFC 2017

Government employment



Source: WA State Employment Security Dept. 2011, ERFC 2017

■ Washington

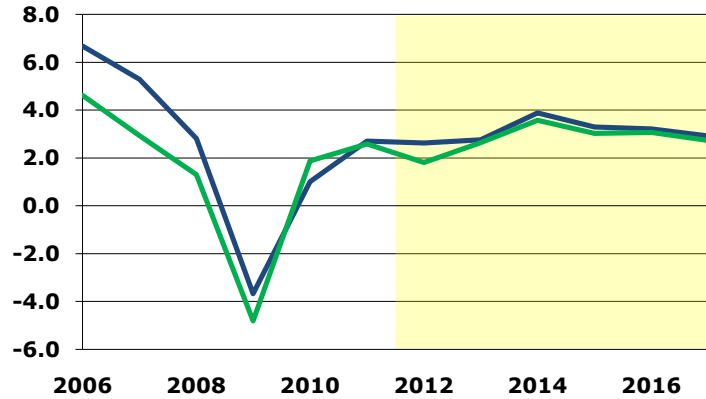
■ U.S.

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

(Percent change)

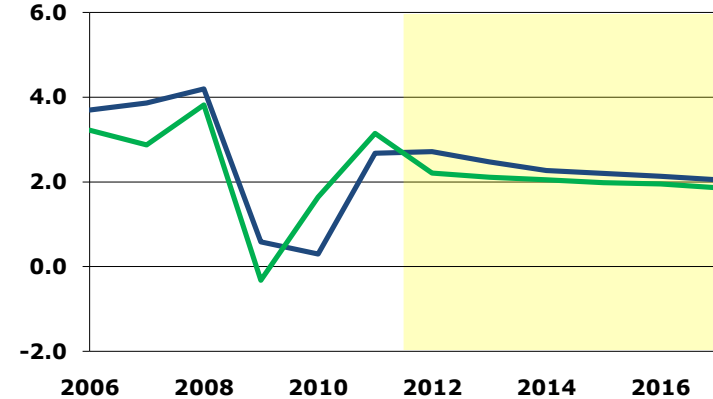
Forecast

Real personal income



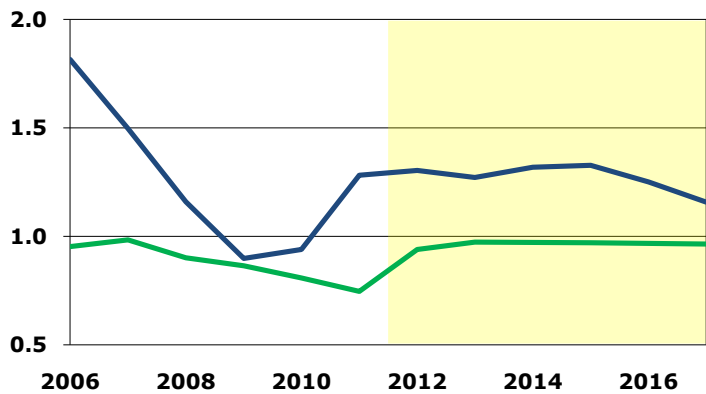
Source: Bureau of Economic Analysis 2010, ERFC 2017

Consumer price indices



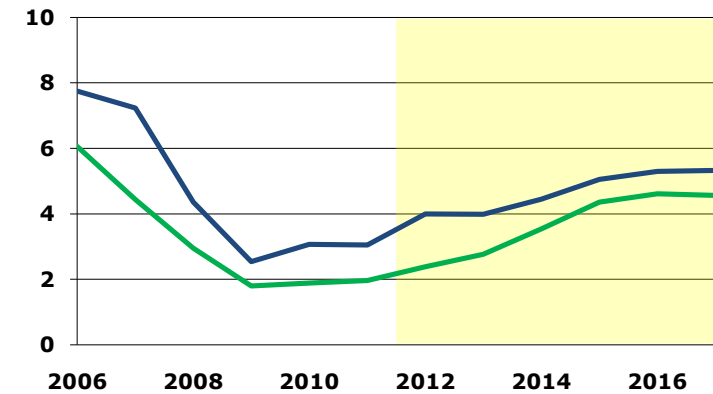
Source: Bureau of Labor Statistics 2011, ERFC 2017

Population



Source: Office of Financial Management 2010, ERFC 2017

New Housing Units Per 1,000 population (level)



Source: Census Bureau 2011, ERFC 2017

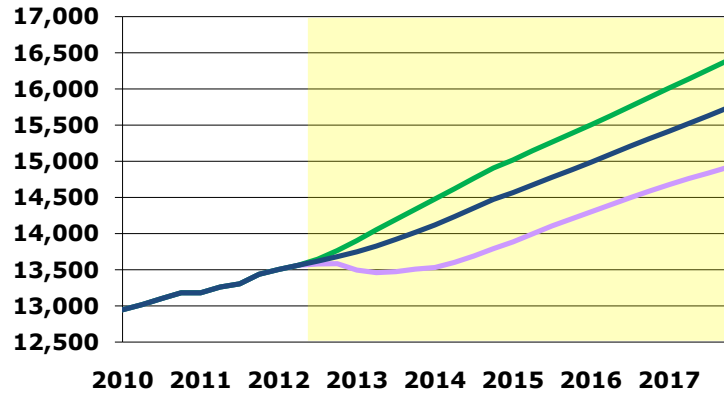
Washington

U.S.

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

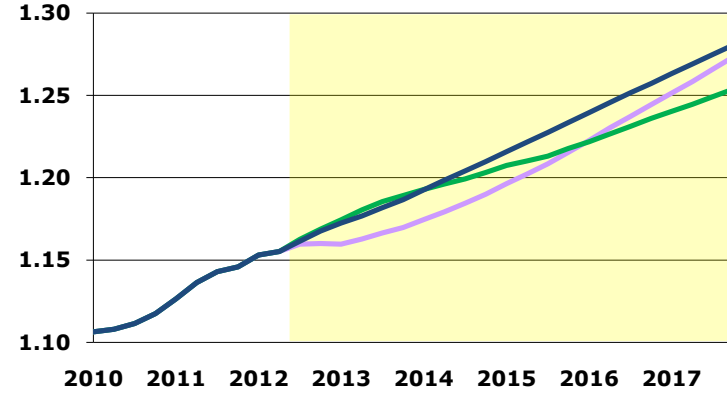
Forecast

Real GDP, billions of chained 2005 dollars



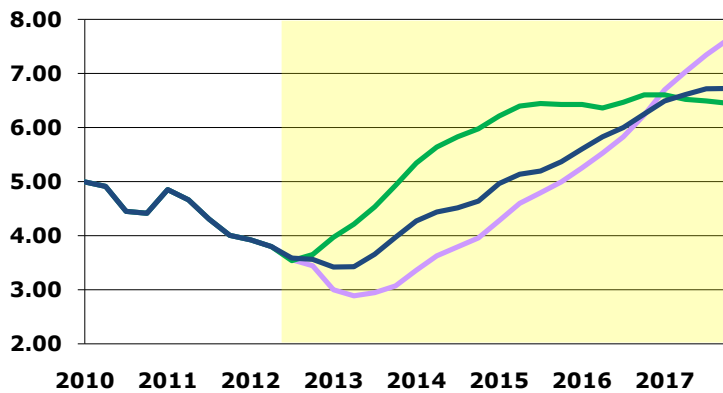
Source: Bureau of Economic Analysis 2012 Q2, ERFC 2017

Implicit price deflator, index 2005 = 1.0



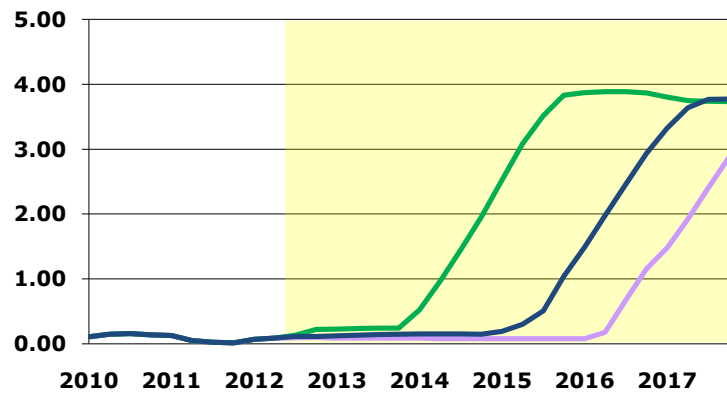
Source: Bureau of Economic Analysis 2012 Q2, ERFC 2017

Mortgage rate, percent



Source: Freddie Mac 2012 Q2, ERFC 2017

Three month T-bill rate, percent



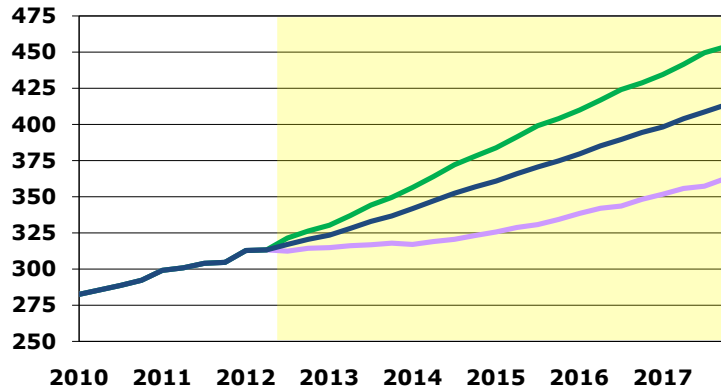
Source: Federal Reserve Board 2012 Q2, ERFC 2017

■ Baseline ■ Optimistic ■ Pessimistic

Figure 2.9: Comparison of Alternative Washington Economic Forecasts

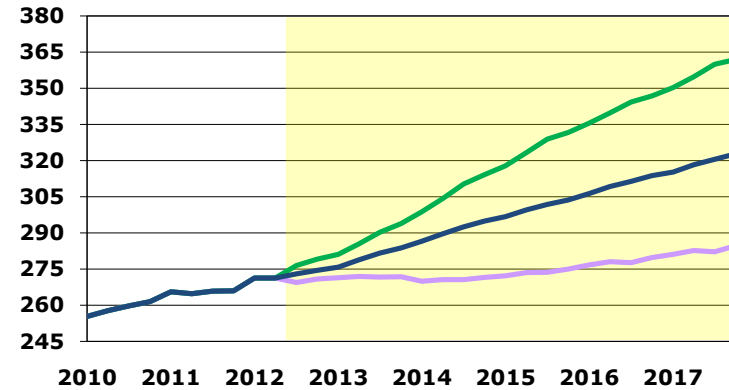
Forecast

Personal income, billions of dollars



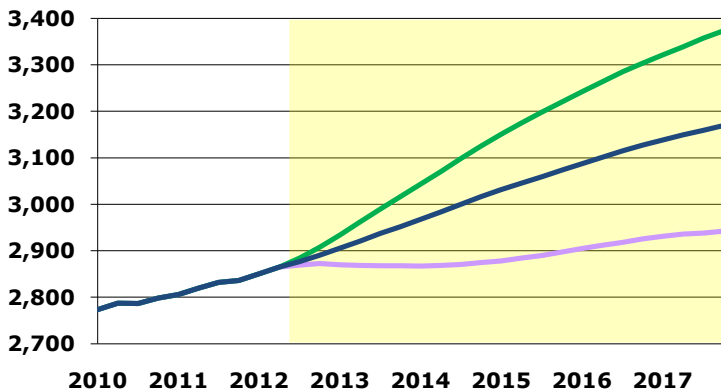
Source: Bureau of Economic Analysis 2010 Q4, ERFC 2017

Real personal income, billions of chained 2005 dollars



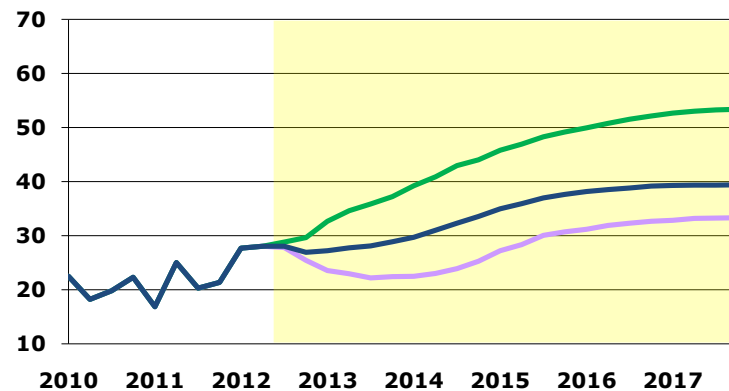
Source: Bureau of Economic Analysis 2010 Q4, ERFC 2017

Total nonfarm payroll employment, thousands



Source: WA State Employment Security 2012 Q2, ERFC 2017

Housing permits, thousands



Source: Census Bureau 2012 Q2, ERFC 2017

■ Baseline ■ Optimistic ■ Pessimistic

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Chapter 3: Washington State Revenue Forecast Summary

- **General Fund-State revenue collections since June were close to their forecasted value, and changes to the state economic forecast for September were small.**
- **The General Fund-State forecast has increased by \$29 million in the 2011-13 biennium and \$23 million in the 2013-15 biennium**
- **The initial forecast for 2015-17 biennial revenue is \$35.52 billion**
- **There remain considerable downside risks to the forecast.**

Overview

The state economic forecast has changed little since June; the revenue forecast change is similarly small

As there has been little overall change in the national and state economic forecasts from June to September 2012, the change in the revenue forecast is also small. While total revenue collections have come in slightly above the June forecast, Revenue Act collections were slightly below. The forecast contains decreased Revenue Act collections in both biennia with offsetting increases in non-Revenue Act sources such as real estate excise taxes. As in June, however, there remain considerable downside risks to the forecast. The European debt crisis has not yet been solved, and worries about gridlock in Washington, D.C. leading to a “fiscal cliff” continue as well. A forecasted slowdown in the growth of Asian economies is also of growing concern.

GF-S forecast change by biennium (millions):

*11-13: +\$29
13-15: +\$23*

Table 3.1 summarizes the changes to the forecast of General Fund-State (GF-S) revenue for the 2011-13 and 2013-15 biennia. As of September 10th, revenue collections were \$20.8 million ahead of the June 2012 forecast. For the remainder of the current biennium, \$8.4 million was added to the forecast, for a total increase of \$29.2 million. In the 2013-15 biennium, changes to the economic forecast resulted in an additional \$23.3 million in forecasted revenue. With these revisions, GF-S revenue for the 2011-13 biennium is forecasted to total \$30,469.4 million and GF-S revenue for the 2013-15 biennium is forecasted to total \$32,648.9 million.

GF-S forecast
(\$millions):

2011-13:
\$30,469

2013-15:
\$32,649

2015-17
GF-S
forecast
(\$millions):

\$35,518

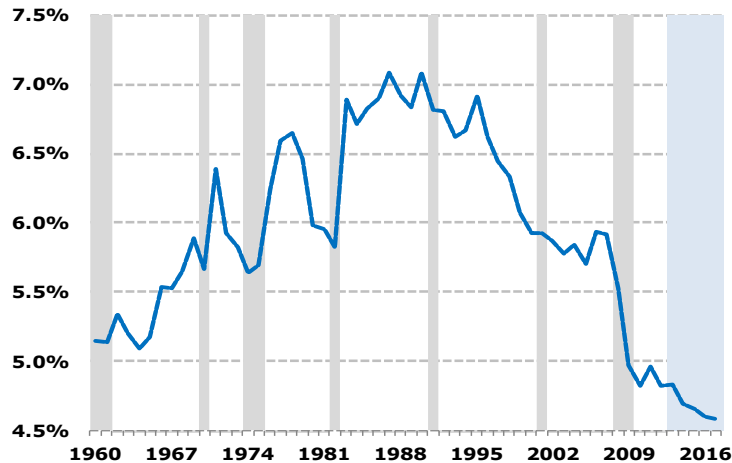
**Table 3.1: Revisions to the General Fund-State forecast
(cash basis, millions of dollars)**

	2011-13 Biennium	2013-15 Biennium
Collection Experience	\$20.8	NA
Forecast Change	<u>\$8.4</u>	<u>\$23.3</u>
Total Change	\$29.2	\$23.3

Under SSB 6636, passed in the 2012 legislative session, the initial budget for the 2013-15 biennium and subsequent budgets must have spending levels that are also sustainable for the following biennium. To aid in the preparations for the new budget, the ERFC has created an initial revenue forecast for the 2015-17 biennium of \$35,518.3 million.

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

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



Source: ERFC, data through fiscal year 2012

The ratio of
collections to
income is at
historical
lows

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

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

Recent Collection Experience

Cumulative receipts from major sources that are tracked monthly were \$20.8 million (0.6%) more than the June forecast

Revenue collections from the Department of Revenue (DOR), Department of Licensing, Administrative Office of the Courts, and Lottery are tracked monthly. In the period since the June forecast, total revenue from the above sources came in \$20.8 million (0.6%) higher than expected (see Table 3.2). Revenue Act collections reported by the DOR were \$15.3 million (0.5%) below the June forecast. Revenue from other DOR tax sources from June through August, however, was \$35.6 million (6.2%) higher than expected. Much of this positive variance was due to real estate excise tax (REET) receipts, which came in \$22.1 million (18.8%) above the forecast. Liquor tax receipts were \$4.0 million (6.4%) higher than forecasted and cigarette tax receipts came in \$1.1 million (1.0%) higher than forecasted. Property tax receipts were \$1.5 million (0.7%) higher than forecasted. The sum of the variances of other DOR sources was \$6.9 million. Revenue from the Department of Licensing was \$957,000 (10.3%) higher than forecasted while revenue from the Administrative Office of the Courts was \$352,000 (1.5%) lower than forecasted.

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

Agency/Source	Collection Variance	Percent of Estimate
Department of Revenue		
Revenue Act	(\$15.3)	-0.5%
Non Revenue Act	\$35.6	6.2%
Subtotal	\$20.2	0.6%
Department of Licensing	\$1.0	10.3%
Administrative Office of the Courts	(\$0.4)	-1.5%
Total*	\$20.8	0.6%

* Detail may not add to total due to rounding.

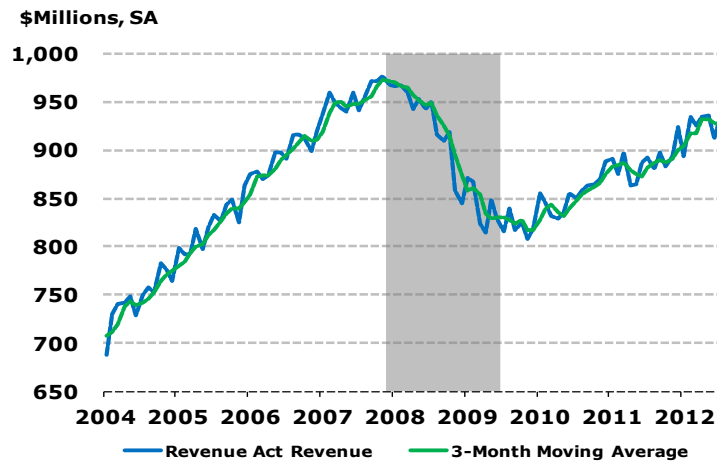
Source: ERFC; Period: June 11 - September 10, 2012

Adjusted Revenue Act collections were up 3.4% year-over-year in the most recent collection period and 2.2% in the previous period

Figure 3.2 shows seasonally adjusted Revenue Act receipts excluding payments received under the tax amnesty program in early 2011 and other large payments. It is also adjusted for recent changes in payment patterns. As shown in the figure, collections have been on an upward trend since November 2009. Growth was aided by a temporary increase in the business and occupation tax rate paid by service industries that took effect in May 2010. Collections slowed in mid-2011 but have since resumed their upward course. Recent growth has been moderate, with year-over-year growth of 3.4% in the August 11-September 10 collection period and 2.2% in the previous period. Trend growth is still below the levels of 2004 through 2007.

Figure 3.2: Revenue Act Collections*

Seasonally adjusted Revenue Act collections remain on an upward trend



Source: ERFC; Data through September 10, 2012 preliminary allocation
*Adjusted for large payments/refunds and payment pattern change

Quarterly year-over-year Revenue Act growth is moderate

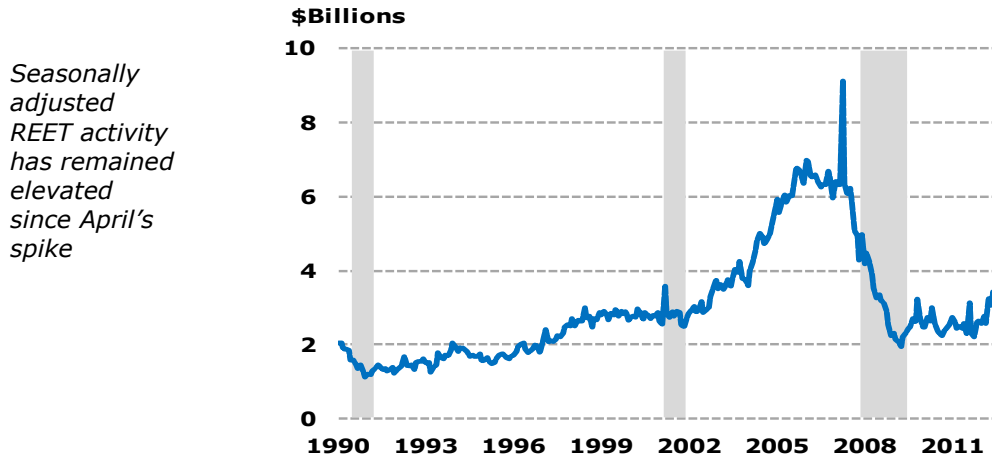
Adjusted Revenue Act collections from May 11 – August 10, 2012, which primarily reflected second quarter 2012 activity, were up 6.8% year-over-year. This was an improvement from the 4.4% year-over-year growth in first quarter activity (February 11 – May 10, 2012 adjusted collections), and the 3.6% year-over-year growth in collections that represented fourth quarter 2011 activity. The higher growth rate for the second quarter, however, was due more to weak activity a year ago than to strong activity in the current year. Third quarter growth is only forecasted at 5.0%.

REET collections continue to be boosted by large sales of commercial property

As noted in last quarter's publication, since the spring there has been an above-average number of large sales of commercial property. The largest of these was the \$480 million sale of Seattle's Russell Center in April, which caused a visible spike in the chart of taxable activity (see Figure 3.3). Activity has remained near April's level through August. While most of this elevated activity has come from commercial sales, there is

evidence that residential sales also saw some growth during this period.

Figure 3.3: Taxable Real Estate Excise Activity, SA



Source: ERFC; data through August 2012

Revenue Forecasts by Agency

State revenue is collected or reported by several agencies. Following are the GF-S forecasts classified by the state agency collecting or reporting the revenue.

Department of Revenue

Taxes collected by DOR are most of GF-S taxes

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

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

The retail sales tax is the largest source of GF-S revenue, accounting for 45.3% of GF-S revenue in FY 2012. The state's share of the tax is 6.5% of the sales price. While construction labor, repair services, and some other services are taxed, the tax does not apply to most services. Taxable sales as a share of personal income has been declining. Their share fell sharply during the recession and has continued to fall through FY 2012. In that year, an estimated 34.4% of personal income was spent on taxable items, the lowest percentage on record. The taxable sales share of personal income is forecasted to continue to

decline, albeit at a slower pace, through FY 2017. This relationship is illustrated in Figure 3.4.

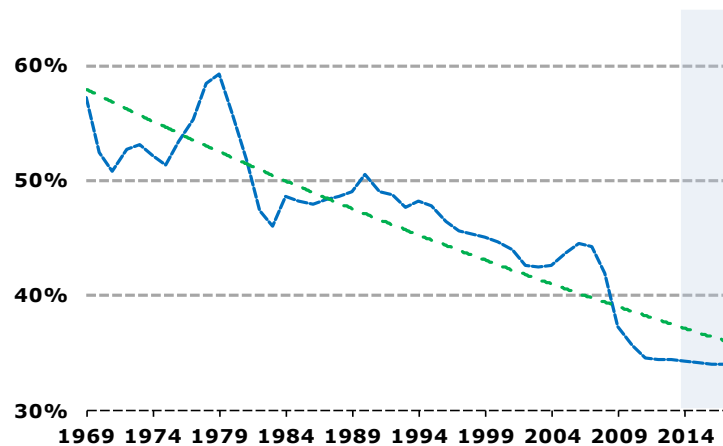
Retail sales tax receipt growth forecast:

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

After declines of 10.4% in FY 2009 and 6.0% in FY 2010, taxable retail sales managed an increase of 1.8% in FY 2011 (see Table 3.4). Extra sales tax collections from the tax penalty amnesty program in the spring of 2011, however, brought the growth rate of actual collections up to 3.2% for the fiscal year. The growth rate of taxable activity is forecasted to improve from 4.1% in FY 2012 to 5.2% in FY 2015 before slowing to 4.9% in FY 2016 and 2017. Taxable activity is not forecasted to regain its fourth quarter, 2007 peak until the third quarter of 2014. Taking into account the lag between taxable activity and collections and factoring in tax deferrals, credits and refunds, actual retail sales tax collections are forecasted to grow by 4.8% in FY 2013, 5.2% in FY 2014 and 5.3% in FY 2015. Forecasted growth rates for FY 2016 and FY 2017 collections are 4.9% and 5.0% respectively.

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

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



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

Source: ERFC; forecast through FY 2017

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

B&O tax growth forecast:

*FY13: 6.2%
FY14: -1.2%
FY15: 4.9%
FY16: 5.5%
FY17: 5.3%*

Due mainly to new revenue from the temporary increase of the B&O services tax from 1.5% to 1.8%, B&O tax collections grew by 16.9% in FY 2011. Receipts for the fiscal year were also increased by the tax penalty amnesty program and other legislative changes described in the [June 2010 Washington State Economic and Revenue Forecast](#) publication. FY 2011's elevated receipts from the tax amnesty program, coupled with several large refunds in 2012, lowered FY 2012 growth to 3.9%. The refunds in FY 2012, coupled with an improving economy, increased the forecasted FY 2013 growth rate to 6.2%. The expiration of the temporary increase in the B&O service tax rate is forecasted to cause receipts to shrink by 1.2% in FY 2014 before growing by 4.9% in FY 2015, 5.5% in FY 2016 and 5.3% in FY 2017.

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

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

GF-S property tax growth forecast:

*FY13: 1.8%
FY14: 1.9%
FY15: 2.1%
FY16: 2.3%
FY17: 2.4%*

Under Initiative 747, approved by voters in November 2001, the total state tax levy on existing property can only increase by the lesser of 1% per year or the rate of inflation as measured by the year-over-year change in the U.S. Implicit Price Deflator in July of the year preceding the levy, unless a greater increase is approved by the voters (I-747 was ruled unconstitutional in 2007, but the legislature adopted a similar limit in a special session that year). The year-to-year growth in the total amount levied, however, can exceed the aforementioned limits due to the value of new construction, property improvements, and other additions to real property assessed by the state. Collections can also grow faster or slower than the rate of assessment growth due to the payment of past due taxes or nonpayment of current taxes. Property tax receipts grew by 2.1% in FY 2012 and are forecasted to grow by 1.8% in FY 2013, 1.9% in FY 2014, 2.1% in FY 2015, 2.3% in FY 2016 and 2.4% in FY 2017.

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

The state use tax was the fourth largest GF-S revenue source in FY 2012 at 3.2% of total receipts. The state portion of the tax is 6.5% of the purchase price for items used in the state that were not subject to the state retail sales tax. Examples of items subject to the state use tax are goods purchased out-of-state;

online and mail-order purchases, where sales tax was not collected; or purchases of used vehicles from private individuals.

Use tax growth forecast:

FY13: 4.4%
FY14: 7.2%
FY15: 7.1%
FY16: 5.8%
FY17: 4.9%

The tax penalty amnesty program brought in a large amount of past-due use taxes. As a result, FY 2011 collections increased 26.2% year-over-year. FY 2011 collections have also been supported by an increase of sales of used or out-of-state vehicles, which can account for over one-third of use taxes depending upon the time of year. Used vehicle sales exhibit sharp declines during economic downturns and increases during recoveries. This pattern was responsible for much of the 10.0% decline in FY 2009 taxes as well as the 8.0% decrease in FY 2010. Because of the high FY 2011 collections, use tax receipts declined by 10.1% in FY 2012. Use taxes for the next three fiscal years are forecasted to be buoyed not only by continued growth in used vehicle sales but also by taxes paid by the manufacturing, construction and service-producing sectors. Receipts are forecasted to grow by 4.4% in FY2013, 7.2% in FY 2014 and 7.1% in FY 2015 before slowing to 5.8% in FY 2016 and 4.9% in FY 2017.

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

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

Cigarette tax growth forecast:

FY13: -2.8%
FY14: 0.6%
FY15: -0.5%
FY16: 0.1%
FY17: -1.2%

While the 2010 tax increase increased the total revenue brought in by the tax, the total number of taxed cigarettes has been on a downward trend, due to both a continuing decline in the number of smokers and an increase in tax avoidance by various means. In recent years, a growing number of people had been avoiding the cigarette tax by buying loose tobacco at a lower tax rate and assembling them into cigarettes in automated "roll your own" cigarette machines in the same store in which they had bought the tobacco. 3E2SHB 2565, passed in the second 2012 special legislative session, established that roll-your-own cigarettes assembled in a store are also subject to the cigarette tax as of July 1, 2012. Subsequent to the passage of the bill, however, a federal law that classified the owners of roll-your-own cigarette machines as manufacturers subject to all applicable federal regulations effectively halted their use nationwide. Going forward, without the increasing tax avoidance from the machines, cigarette sales are forecasted to decline much more slowly, with a declining smoking rate just offsetting population growth. Cigarette tax receipts are forecasted to decline by 2.8% in FY 2013 after a 1.8% decrease in FY 2012, then increase by

0.6% in FY 2014 and decrease by 0.5% in FY 2015. Receipts are then forecasted to grow by 0.1% in FY 2016 before declining by 1.2% in FY 2017. As forecasted sales are more or less flat, these fluctuations in forecasted year-to-year growth rates in tax collections are due mainly to the peculiarities of tax-stamp accounting rather than the underlying pattern of cigarette sales.

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

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

REET growth forecast:

*FY13: 2.5%
FY14: 9.4%
FY15: 16.9%
FY16: 12.4%
FY17: 6.0%*

Since peaking in FY 2007 in the final days of the real estate boom, REET collections have declined precipitously. Receipts dropped 38.0% year-over-year in FY 2008 and 41.3% in FY 2009. A federal tax credit for homebuyers slowed the rate of decline to 2.4% in FY 2010, but the decline reaccelerated in FY 2011, with a drop of 7.8%. The rash of large commercial sales mentioned above boosted FY 2012 growth to 14.1%. The large commercial sales are expected to subside in FY 2013 while residential sales are expected to grow, resulting in 2.5% annual growth. At that level, FY 2013 receipts will still be below levels of FY 1999. Because forecasted FY 2013 activity is at such a historically low level, the forecasted recovery in housing prices starting in mid-2013, along with the expectation that transactions will move closer to their historical level of per capita activity, are forecasted to increase REET collections by 9.4% in FY 2014, 16.9% in FY 2015 and 12.4% in FY 2016 before slowing to 6.0% growth in FY 2017.

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

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

Growth forecast:

*FY13: 4.2%
FY14: 7.0%
FY15: 6.0%
FY16: 4.7%
FY17: 4.5%*

After the June forecast, an error was found in the FY 2012 allocation of Revenue Act taxes. Because of the error, \$14.2 million in taxes from other Revenue Act sources were allocated to the public utility tax instead. This error did not affect the total amount of taxes reported, just the allocation. After correcting the error, total FY 2012 utility taxes declined by 2.1% from their FY 2011 level, down from the June forecast of 2.6% growth. The decline was due mainly to falling natural gas prices. Increasing gas prices, along with forecasted increases in the price of electricity, are forecasted to increase receipts by 4.2% in FY

2013, 7.0% in FY 2014 and 6.0% in FY 2015 before slowing to 4.7% growth in FY 2016 and 4.5% in FY 2017.

Department of Licensing

*Forecast
change by
biennium
(millions):*

11-13: \$0.0
13-15: -\$1.9

The majority of GF-S revenue collected by the Department of Licensing is from firearm and event licenses, watercraft excise tax, and boat registration fees. The department's forecast for the 2011-13 biennium is unchanged at \$33.6 million and its forecast of GF-S revenue for the 2013-15 biennium has been decreased \$1.9 million to \$31.6 million. The department's initial revenue forecast for the 2015-17 biennium is \$31.6 million.

The Office of Financial Management (Other Agencies)

*Forecast
change by
biennium
(millions):*

11-13: -\$9.6
13-15: -\$8.9

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 2011-13 biennium was decreased \$9.6 million to \$218.0 million and the forecast for the 2013-15 biennium was decreased \$8.9 million to \$213.4 million. The forecast decreases in both years were due to decreases in forecasted fee revenue from the Department of Financial Institutions and increased distributions of utility taxes to local governments. The office's initial revenue forecast for the 2015-17 biennium is \$384,000. The large decrease in revenue for that biennium is due to the assumed reinstatement of a \$102 million per year transfer of GF-S revenue to the Education Construction Account that has been suspended since FY 2010.

State Treasurer

*Forecast
change by
biennium
(millions):*

11-13: \$1.6
13-15: -\$0.7

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2011-13 biennium has been increased \$1.6 million to negative \$21.3 million due to an increase in the forecasted average GF-S daily balance. The office's forecast of GF-S revenue for the 2013-15 biennium has been decreased \$0.7 million to negative \$21.6 million due to a forecasted decrease in interest rates. The office's initial revenue forecast for the 2015-17 biennium is negative \$3.9 million. The forecasted earnings for each biennium are negative because the average daily balance for each biennium is forecasted to be negative. When this occurs, the GF-S effectively pays interest to the other funds managed by the office.

Insurance Commissioner

*Forecast
change by
biennium
(millions):*

*11-13: \$0.2
13-15: \$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 2011-13 biennium has been increased \$0.2 million to \$857.9 million. The office's forecast of GF-S revenue for the 2013-15 biennium is unchanged at \$926.0 million. The office's initial revenue forecast for the 2015-17 biennium is \$1,020.8 million.

Liquor Control Board

*Forecast
change by
biennium
(millions):*

*11-13: -\$6.7
13-15: -\$2.2*

Historically, the Liquor Control Board generated GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. Under Initiative 1183, however, which was passed in November 2011, the Liquor Control Board no longer operates liquor stores as of June 1, 2012. The board will still collect new distributors' and retailers' fees created by the initiative, a portion of which will be passed on to the GF-S. The projected sum of these fees, along with the profits collected before closure of the stores and other fees collected by the board, has been decreased \$8.6 million to \$212.0 million for the 2011-13 biennium. The forecast of beer and wine surtaxes for the 2011-13 biennium has been increased \$1.9 million to \$155.0 million. The forecast of revenue from fees for the 2013-15 biennium has been decreased \$1.9 million to \$134.0 million. The forecast of revenue from beer and wine surtaxes for the 2013-15 biennium has been decreased \$0.3 million to \$54.9 million. Forecasted beer and wine surtaxes for the 2013-15 biennium are lower than those of the current biennium due to the expiration of a temporary surtax on beer. The initial forecast of fee revenue for the 2015-17 biennium is \$125.6 million and the forecast of revenue from beer and wine surtaxes is \$56.1 million.

Lottery Commission

*Forecasted
Washington
Opportunities
Pathways
Account
transfers are
down \$0.8
million for
the 2011-13
biennium and
up \$3.8
million for
the 2013-15
biennium*

The disposition of proceeds from the state lottery was substantially changed by E2SSB 6409 in the 2010 legislative session. Prior to the passage of the bill, the Lottery Commission transferred the bulk of its net proceeds to the School Construction Account, and any proceeds remaining after that account and several smaller accounts received their allotments was transferred to the GF-S. Under the 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. The forecast of transfers to the Opportunity Pathways Account for the 2011-13

biennium has been reduced \$0.8 million to \$227.0 million. The forecast of transfers for the 2013-15 biennium has been increased \$3.8 million to \$217.5 million. The initial forecast of transfers for the 2015-17 biennium is \$223.9 million. Details of the forecast of the distribution of Lottery earnings can be found in Table 3.15 on a cash basis and Table 3.16 on a GAAP basis.

Administrative Office of the Courts

Forecast change by biennium (millions):

11-13: *-\$0.7*
13-15: *-\$1.7*

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties and transfers this revenue to the GF-S on a monthly basis. The forecasted total transfer for the 2011-13 biennium has been decreased \$0.7 million to \$190.6 million. The forecast of transfers to the GF-S for the 2013-15 biennium has been decreased \$1.7 million to \$196.6 million. The initial forecast of transfers for the 2015-17 biennium is \$206.5 million.

Track Record for the 2011-13 Biennium

The September forecast is \$1.4 billion (4.5%) lower than the March 2011 forecast on which the initial 2011-13 budget was based

Table 3.10 summarizes the historical changes to the GF-S revenue forecast for the 2011-13 biennium. The February 2010 forecast was the initial forecast for the biennium. The September 2012 forecast for the biennium is \$1.73 billion (5.4%) lower than the initial forecast. Non-economic changes have increased the forecast by \$1.7 billion (5.4%). Excluding non-economic changes, the current forecast is \$3.49 billion (10.8%) lower than the initial forecast. The current forecast is \$1.44 billion (4.5%) lower than the March 2011 forecast, which was the basis for the initial 2011-13 budget passed in the 2011 legislative session.

Track Record for the 2013-15 Biennium

The September forecast is \$221 million (0.7%) higher than the initial February 2012 forecast

Table 3.11 summarizes the historical changes to the GF-S revenue forecast for the 2013-15 biennium. The February 2012 forecast was the initial forecast for the biennium. The September forecast for the biennium is \$221 million (0.7%) higher than the initial forecast. Non-economic changes have increased the forecast by \$330 million (1.0%). Excluding non-economic changes, the current forecast is \$110 million (0.3%) lower than the initial forecast.

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

GAAP forecast ...

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting

...based on the period in which the revenue is earned rather than received

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

Budgetary Balance Sheet for the 2011-13 Biennium

The forecast implies total GF-S reserves of \$318 million at the end of the 2011-13 biennium

Table 3.12 shows the budgetary balance sheet for the 2011-13 biennium as prepared by the Office of Financial Management and the House and Senate fiscal committees. By the final tally of 2009-11 revenue, the GF-S had a \$92.0 million deficit at the end of the 2009-11 biennium. Based on an assumed spending level of \$30,676.4 million in the 2011-13 biennium, the GF-S is projected to have total reserves of \$318.3 million at the end of the 2011-13 biennium. The expected total reserves are comprised of a projected GF-S ending balance of \$50.9 million and a projected balance of \$267.4 million in the Budget Stabilization Account.

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

Optimistic scenario:

*2011-13:
+\$776 million*

*2013-15:
+\$3.2 billion*

Pessimistic scenario:

*2011-13:
-\$717 million*

*2013-15:
+\$3.3 billion*

Chapter 1 outlines upside and downside risks associated with the baseline economic forecast. The forecast assigns a probability of 50% to the baseline forecast, 15% to the upside risks and 35% to the downside risks. The revenue implications of these alternative scenarios for the 2011-13 and 2013-15 biennia are shown in Tables 3.13 and 3.14 respectively. For the 2011-13 biennium, the optimistic forecast generates \$31,246 million in revenue, \$776 million more than the baseline scenario, while the pessimistic forecast produces \$29,752 million in revenue, \$717 million less than the baseline. For the 2013-15 biennium, the optimistic forecast generates \$35,830 million in revenue, \$3,181 million more than the baseline scenario, while the pessimistic forecast produces \$29,364 million in revenue, \$3,285 million less than the baseline.

*GCEA
scenario:
2011-13:
+\$3 million

2013-15:
-\$158 million*

In addition to the official optimistic and pessimistic alternatives, the Economic and Revenue Forecast Council routinely prepares a third alternative forecast. This is prepared by using a scenario developed by averaging the forecasts for several key economic indicators made by members of the Governor’s Council of Economic Advisors (GCEA) as described in Chapter 2. The GCEA alternative revenue forecast was \$3 million more than the baseline scenario in the 2011-13 biennium and \$158 million less than the baseline scenario for the 2013-15 biennium.

Near General Fund Forecasts for the 2011-13 and 2013-15 Biennia

*Near General
Fund
Forecast:

2011-13:
\$30,703.1
million

2013-15:
\$32,898.3
million

2015-17:
\$35,772.8
million*

“Near General Fund” accounts are those included in the GF-S plus the Education Legacy Trust Account. The Education Legacy Trust Account was previously funded by a portion of the state tax on cigarettes and a tax on estates of over \$2 million. Legislation from the 2011 session, however, requires the cigarette taxes that formerly went into the account to instead be deposited into the GF-S. The Near General Fund forecast for the 2011-13 biennium is \$30,703.1 million, an increase of \$44.8 million from the June forecast. The forecasted increase is greater than that of the GF-S due to a \$15.5 million increase in forecasted estate tax receipts for the Education Legacy Trust Account. The Near General Fund forecast for the 2013-15 biennium is \$32,898.3 million, \$69.5 million more than the June forecast. The initial Near General Fund forecast for the 2015-17 biennium is \$35,772.8 million. The Near General Fund forecast and recent history by fiscal year are presented in Table 3.17.

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

Biennium	Current Dollars	Percent Change	2005 Chained Dollars	Percent Change
1961-63	\$817.1		\$4,300.0	
1963-65	866.2	6.0%	4,439.3	3.2%
1965-67	1,128.6	30.3%	5,565.5	25.4%
1967-69	1,440.5	27.6%	6,658.6	19.6%
1969-71	1,732.7	20.3%	7,321.2	10.0%
1971-73	1,922.1	10.9%	7,514.0	2.6%
1973-75	2,372.4	23.4%	8,011.9	6.6%
1975-77	3,395.0	43.1%	9,972.5	24.5%
1977-79	4,490.0	32.3%	11,578.1	16.1%
1979-81	5,356.4	19.3%	11,495.6	-0.7%
1981-83	6,801.4	27.0%	12,716.3	10.6%
1983-85	8,202.4	20.6%	14,151.3	11.3%
1985-87	9,574.6	16.7%	15,570.1	10.0%
1987-89	10,934.1	14.2%	16,506.2	6.0%
1989-91	13,309.0	21.7%	18,473.5	11.9%
1991-93	14,862.2	11.7%	19,325.8	4.6%
1993-95	16,564.6	11.5%	20,621.0	6.7%
1995-97	17,637.7	6.5%	21,038.1	2.0%
1997-99	19,620.1	11.2%	22,726.8	8.0%
1999-01	21,262.1	8.4%	23,682.0	4.2%
2001-03	21,140.7	-0.6%	22,766.8	-3.9%
2003-05	23,388.5	10.6%	24,088.7	5.8%
2005-07	27,772.0	18.7%	27,024.1	12.2%
2007-09	27,703.0	-0.2%	25,624.1	-5.2%
2009-11	28,218.1	1.9%	25,363.1	-1.0%
2011-13 ^F	30,469.4	8.0%	26,280.7	3.6%
2013-15 ^F	32,648.9	7.2%	27,176.2	3.4%
2015-17 ^F	35,518.3	8.8%	28,450.5	4.7%

^F September 2012 Forecast.

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

Source: Department of Revenue, the Office of Financial Management and the Economic and Revenue Forecast Council's September 2012 forecast.

Table 3.4
Taxable retail sales*
(millions of dollars)

Fiscal Year	Amount	Percent Change
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008	118,676	2.7%
2009	106,379	-10.4%
2010	99,983	-6.0%
2011	101,825	1.8%
2012 ^F	106,037	4.1%
2013 ^F	110,564	4.3%
2014 ^F	116,198	5.1%
2015 ^F	122,239	5.2%
2016 ^F	128,258	4.9%
2017 ^F	134,565	4.9%

^F Forecast
Source: ERFC

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

Table 3.5

Comparison of the General Fund-State forecast by agency

2011-13 biennium; cash basis

(millions of dollars)

Forecast by Agency	June 2012 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2012 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,779.8	\$0.0	\$32.8	\$13,812.6	\$32.8
Business & Occupation Use	6,414.8	0.0	29.3	6,444.2	29.3
Public Utility	999.1	0.0	(17.1)	982.0	(17.1)
Liquor Sales/Liter	809.4	0.0	(39.0)	770.5	(39.0)
Cigarette	467.8	0.0	10.9	478.8	10.9
Property (State Levy)	838.6	0.0	(0.9)	837.7	(0.9)
Real Estate Excise	3,794.7	0.0	(1.9)	3,792.9	(1.9)
Timber Excise	776.1	0.0	32.0	808.2	32.0
Other	7.6	0.0	(0.7)	6.9	(0.7)
Subtotal	891.1	0.0	(1.2)	889.9	(1.2)
	28,779.2	0.0	44.4	28,823.5	44.4
Department of Licensing					
Boat excise, licenses, fees & other	33.6	0.0	0.0	33.6	0.0
Insurance Commissioner					
Insurance Premiums	857.8	0.0	0.2	857.9	0.2
Liquor Control Board					
Liquor Profits and Fees	220.6	0.0	(8.6)	212.0	(8.6)
Beer & Wine Surtax	153.1	0.0	1.9	155.0	1.9
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(23.0)	0.0	1.6	(21.3)	1.6
Office of Financial Management					
Other	227.6	0.0	(9.6)	218.0	(9.6)
Administrative Office of the Courts					
Fines and Forfeitures	191.4	0.0	(0.7)	190.6	(0.7)
Total General Fund-State *	\$30,440.2	\$0.0	\$29.2	\$30,469.4	\$29.2

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council June 2012.² Forecast for the 2011-13 biennium, adopted September 2012.

*Detail may not add to totals because of rounding.

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

Table 3.6

Comparison of the General Fund-State forecast by agency

2011-13 biennium; GAAP basis

(millions of dollars)

Forecast by Agency	June 2012 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2012 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,782.9	\$0.0	\$110.4	\$13,893.2	\$110.4
Business & Occupation Use	6,410.3	0.0	41.5	6,451.9	41.5
Public Utility	988.5	0.0	(19.6)	968.9	(19.6)
Liquor Sales/Liter	810.9	0.0	(31.0)	779.9	(31.0)
Cigarette	467.8	0.0	14.6	482.4	14.6
Property (State Levy)	837.9	0.0	(6.6)	831.3	(6.6)
Real Estate Excise	3,794.7	0.0	(1.8)	3,792.9	(1.8)
Timber Excise	776.7	0.0	27.2	803.9	27.2
Other	7.4	0.0	(0.8)	6.5	(0.8)
Subtotal	891.3	0.0	(3.2)	888.1	(3.2)
Department of Licensing					
Boat excise, licenses, fees & other	28,768.4	0.0	130.6	28,899.1	130.6
Insurance Commissioner					
Insurance Premiums	33.6	0.0	0.0	33.6	0.0
Liquor Control Board					
Liquor Profits and Fees	857.8	0.0	0.2	857.9	0.2
Beer & Wine Surtax	220.6	0.0	(8.6)	212.0	(8.6)
Lottery Commission					
Lottery Revenue	153.1	0.0	1.9	155.0	1.9
State Treasurer					
Interest Earnings	0.0	0.0	0.0	0.0	0.0
Office of Financial Management					
Other	227.6	0.0	(9.6)	218.0	(9.6)
Administrative Office of the Courts					
Fines and Forfeitures	198.2	0.0	(7.6)	190.6	(7.6)
Total General Fund-State *	\$30,435.6	\$0.0	\$107.9	\$30,543.5	\$107.9

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council June 2012.² Forecast for the 2011-13 biennium, adopted September 2012.

*Detail may not add to totals because of rounding.

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

Table 3.7

Comparison of the General Fund-State forecast by agency

2013-15 biennium; cash basis

(millions of dollars)

Forecast by Agency	June 2012 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2012 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,205.6	\$0.0	\$66.1	\$15,271.7	\$66.1
Business & Occupation Use	6,743.0	0.0	(25.1)	6,717.9	(25.1)
Public Utility	1,130.0	0.0	(17.0)	1,113.0	(17.0)
Liquor Sales/Liter	898.5	0.0	(32.0)	866.5	(32.0)
Cigarette	469.2	0.0	14.8	484.0	14.8
Property (State Levy)	827.1	0.0	1.1	828.3	1.1
Real Estate Excise	3,932.9	0.0	10.1	3,943.0	10.1
Timber Excise	950.4	0.0	20.3	970.7	20.3
Other	7.8	0.0	(1.2)	6.7	(1.2)
Subtotal	911.0	0.0	1.4	912.4	1.4
	31,075.4	0.0	38.6	31,114.1	38.6
Department of Licensing					
Boat excise, licenses, fees & other	33.4	0.0	(1.9)	31.6	(1.9)
Insurance Commissioner					
Insurance Premiums	926.0	0.0	0.0	926.0	0.0
Liquor Control Board					
Liquor Profits and Fees	135.9	0.0	(1.9)	134.0	(1.9)
Beer & Wine Surtax	55.3	0.0	(0.3)	54.9	(0.3)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(20.8)	0.0	(0.7)	(21.6)	(0.7)
Office of Financial Management					
Other	222.3	0.0	(8.9)	213.4	(8.9)
Administrative Office of the Courts					
Fines and Forfeitures	198.2	0.0	(1.7)	196.6	(1.7)
Total General Fund-State *	\$32,625.7	\$0.0	\$23.3	\$32,648.9	\$23.3

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council June 2012.² Forecast for the 2011-13 biennium, adopted September 2012.

*Detail may not add to totals because of rounding.

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

Table 3.8

Comparison of the General Fund-State forecast by agency

2013-15 biennium; GAAP basis

(millions of dollars)

Forecast by Agency	June 2012 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2012 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,205.6	\$0.0	\$66.1	\$15,271.7	\$66.1
Business & Occupation Use	6,743.0	0.0	(25.1)	6,717.9	(25.1)
Public Utility	1,130.0	0.0	(17.0)	1,113.0	(17.0)
Liquor Sales/Liter	898.5	0.0	(32.0)	866.5	(32.0)
Cigarette	469.2	0.0	14.8	484.0	14.8
Property (State Levy)	827.1	0.0	1.1	828.3	1.1
Real Estate Excise	3,932.9	0.0	10.1	3,943.0	10.1
Timber Excise	950.4	0.0	20.3	970.7	20.3
Other	9.0	0.0	(2.4)	6.7	(2.4)
Subtotal	911.0	0.0	1.4	912.4	1.4
	31,076.6	0.0	37.4	31,114.0	37.4
Department of Licensing					
Boat excise, licenses, fees & other	33.4	0.0	(1.9)	31.6	(1.9)
Insurance Commissioner					
Insurance Premiums	926.0	0.0	0.0	926.0	0.0
Liquor Control Board					
Liquor Profits and Fees	135.9	0.0	(1.9)	134.0	(1.9)
Beer & Wine Surtax	55.3	0.0	(0.3)	54.9	(0.3)
Lottery Commission					
Lottery Revenue	0.0	0.0	0.0	0.0	0.0
State Treasurer					
Interest Earnings	(20.5)	0.0	(0.8)	(21.3)	(0.8)
Office of Financial Management					
Other	222.3	0.0	(8.9)	213.4	(8.9)
Administrative Office of the Courts					
Fines and Forfeitures	198.2	0.0	(1.7)	196.6	(1.7)
Total General Fund-State *	\$32,627.2	\$0.0	\$21.9	\$32,649.2	\$21.9

¹ Forecast for the 2011-13 biennium adopted by the Economic and Revenue Forecast Council June 2012.² Forecast for the 2011-13 biennium, adopted September 2012.

*Detail may not add to totals because of rounding.

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

Table 3.9

**September 2012 General Fund-State forecast
2011-13 to 2015-17 biennia; cash basis**

(Millions of Dollars)

Forecast by Source	Fiscal 2012	Fiscal 2013	2011-13 Biennium	Fiscal 2014	Fiscal 2015	2013-15 Biennium	Fiscal 2016	Fiscal 2017	2015-17 Biennium
State Taxes									
Retail sales**	\$6,745.5	\$7,067.1	\$13,812.6	\$7,437.5	\$7,834.2	\$15,271.7	\$8,221.3	\$8,636.2	\$16,857.5
Business & occupation Use**	3,126.0	3,318.2	6,444.2	3,278.2	3,439.7	6,717.9	3,629.3	3,821.7	7,451.0
Public Utility	480.4	501.6	982.0	537.5	575.6	1,113.0	609.1	638.9	1,247.9
Liquor sales/liter	377.2	393.2	770.5	420.7	445.8	866.5	466.7	487.5	954.2
Beer & wine surtax	215.0	263.8	478.8	238.7	245.3	484.0	252.3	259.5	511.8
Cigarette	77.3	77.7	155.0	27.4	27.5	54.9	27.9	28.2	56.1
Tobacco products	424.8	412.9	837.7	415.3	413.0	828.3	413.5	408.5	822.0
Property (state school levy)	46.6	43.3	89.9	43.2	43.6	86.8	44.0	44.2	88.2
Public utility district	1,879.4	1,913.5	3,792.9	1,950.8	1,992.2	3,943.0	2,037.2	2,085.2	4,122.4
Real estate excise	44.8	45.2	90.0	45.7	46.2	91.9	46.7	47.2	93.9
Timber excise	399.1	409.1	808.2	447.5	523.2	970.7	587.9	623.0	1,210.8
Estate/inheritance	3.8	3.1	6.9	3.3	3.4	6.7	3.4	3.5	6.9
Boat excise	0.7	0.3	0.9	0.1	0.1	0.2	0.0	0.0	0.1
Insurance premiums	12.4	11.8	24.2	11.4	11.5	22.9	11.6	11.6	23.2
Other	420.9	437.1	857.9	454.0	472.0	926.0	490.2	509.7	999.8
Total Taxes	243.6	261.4	505.0	283.3	300.1	583.5	293.1	306.0	599.1
	14,497.4	15,159.2	29,656.6	15,594.4	16,373.3	31,967.8	17,134.1	17,910.8	35,044.9
State Non-Tax Sources									
Licenses, permits, fees	90.7	91.9	182.5	94.0	95.7	189.7	91.2	91.5	182.7
Liquor profits & fees***	56.8	155.2	212.0	72.2	61.9	134.0	62.1	63.4	125.6
Earnings on investments	(9.5)	(11.8)	(21.3)	(11.8)	(9.8)	(21.6)	(5.1)	1.2	(3.9)
Lottery transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue & transfers	251.6	188.0	439.7	189.7	189.3	379.0	86.4	82.7	169.1
Total Non-Tax	389.6	423.3	812.9	344.1	337.1	681.2	234.6	238.8	473.4
Total General Fund-State *	\$14,886.9	\$15,582.5	\$30,469.4	\$15,938.5	\$16,710.4	\$32,648.9	\$17,368.7	\$18,149.6	\$35,518.3

a - Actual

* Detail may not add to totals due to rounding

**GFS portion after Initiative 900 transfer

***Does not include profits after FY 2013

Table 3.10

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

February 2010 through September 2012

Cash Basis - Millions of Dollars

Date of Forecast	Department of Revenue*	Other Agencies	Subtotal*	Non-Economic Changes**	Total Change	Total General Fund-State Cash Basis#
February 2010###	\$30,658	\$1,566				\$32,224
Changes to Forecast						
June 2010	219	(21)	197	1,661 #1	1,858	34,083
September 2010	(610)	(48)	(659)	(10) #2	(669)	33,414
November 2010	(584)	(7)	(591)	(218) #3	(809)	32,605
March 2011	(640)	(29)	(668)	(30) #4	(698)	31,907
June 2011	(217)	(6)	(223)	40 #5	(183)	31,724
September 2011	(1,403)	(24)	(1,427)	14 #6	(1,413)	30,311
November 2011	(159)	(1)	(160)	38 #7	(122)	30,188
February 2012	27	6	32	63 #8	96	30,284
June 2012	(27)	11	(16)	172 #9	156	30,440
September 2012	44	(15)	29	0	29	30,469
Total change***:						
From February 2008	(3,352)	(134)	(3,486)	1,730	(1,755)	
Percent change	(10.9)	(8.5)	(10.8)	5.4	(5.4)	

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

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

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

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

First official forecast for the 2011-13 biennium.

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

#2 Reversal of DOR RTA administrative fee

#3 Effects of initiative 1107

#4 Effects of legislation from December 2010 session

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

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

#7 Effects of initiative 1183 minus large expected DOR refund

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

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

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

February 2012 through September 2012

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis*</u>
February 2012 #	\$31,110	\$1,319				\$32,428
Changes to Forecast						
June 2010	(120)	(13)	(133)	330 #1	197	32,626
September 2012	39	(15)	23	0	23	32,649
Total change***:						
From February 2008	(81)	(28)	(110)	330	221	
Percent change	(0.3)	(2.1)	(0.3)	1.0	0.7	

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

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

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

First official forecast for the 2011-13 biennium.

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

Table 3.12

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

RESOURCES	
Beginning Fund Balance	(92.0)
June 2012 Forecast	30,440.2
September Update	29.2
Current Revenue Totals	30,469.4
Transfer to Budget Stabilization Account	(266.7)
Other Enacted Fund Transfers	378.6
Adjustment to Working Capital (HB 2822)	238.0
Total Resources (including beginning fund balance)	30,727.3
EXPENDITURES	
2011-13 Enacted Budgets	
Enacted 2011-13 Budget (including supplementals)	30,796.4
Assumed Reversions	(120.0)
Total Expenditures	30,676.4
RESERVES	
Projected General Fund Ending Balance	50.9
Budget Stabilization Account Beginning Balance	0.6
Transfer from General Fund and Interest Earnings	266.9
Projected Budget Stabilization Account Ending Balance	267.4
Total Reserves (General Fund plus Budget Stabilization)	318.3

Table 3.13

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

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$14,244.7	\$13,812.6	\$13,373.0
Business & Occupation Use	6,616.8	6,444.2	6,252.4
Public Utility	1,016.9	982.0	945.1
Property (school levy)	788.5	770.5	750.0
Real Estate Excise	3,802.6	3,792.9	3,783.2
Other	918.3	808.2	775.3
Subtotal	2,173.3	2,213.3	2,262.5
	29,561.2	28,823.5	28,141.5
Department of Licensing			
	34.1	33.6	33.1
Insurance Commissioner¹			
	868.8	857.9	847.0
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	(13.8)	(21.3)	(24.6)
Liquor Profits & Fees²			
	378.7	367.0	355.4
Office of Financial Management			
Other agencies	224.3	218.0	211.6
Administrative Office of the Courts			
Fines and Forfeitures	192.5	190.6	188.3
Total General Fund - State*	\$31,245.9	\$30,469.4	\$29,752.3
Difference from September 2012 Baseline	\$776.5		(\$717.1)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

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

Table 3.14

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

(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$17,123.5	\$15,271.7	\$13,400.5
Business & Occupation Use	7,396.2	6,717.9	5,950.1
Public Utility	1,242.5	1,113.0	978.9
Property (school levy)	926.9	866.5	786.7
Real Estate Excise	3,969.3	3,943.0	3,905.6
Other	1,258.9	970.7	759.9
Subtotal	2,304.0	2,231.3	2,116.6
	34,221.4	31,114.1	27,898.3
Department of Licensing			
	32.5	31.6	30.6
Insurance Commissioner¹			
	949.1	926.0	902.8
Lottery Commission			
	0.0	0.0	0.0
State Treasurer - Interest earnings			
	(2.2)	(21.6)	(30.9)
Liquor Surtaxes & Fees²			
	198.4	188.9	179.5
Office of Financial Management			
Other agencies	224.1	213.4	202.7
Administrative Office of the Courts			
Fines and Forfeitures	206.7	196.6	180.8
Total General Fund - State*	\$35,830.0	\$32,648.9	\$29,363.8
Difference from September 2012 Baseline	\$3,181.1		(\$3,285.1)

1 Insurance premiums, General Fund-State portion.

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

* Detail may not add to total due to rounding.

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

Table 3.15

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0
2010	126.4	12.9	5.1	9.2	0.0	95.6	0.3	3.3	0.0	0.0
2011	137.2	8.6	5.3	9.6	0.0	9.4	0.3	4.5	99.5	0.0
2009-11 Biennium	263.6	21.5	10.4	18.8	0.0	105.0	0.5	7.9	99.5	0.0
2012	135.1	0.0	2.7	10.0	0.0	0.0	0.3	3.3	118.5	0.2
2013	122.9	0.0	0.0	10.4	0.0	0.0	0.3	3.4	108.5	0.3
2011-13 Biennium	258.0	0.0	2.7	20.4	0.0	0.0	0.6	6.7	227.0	0.6
2014	123.6	0.0	0.0	10.8	0.0	0.0	0.3	3.5	108.7	0.4
2015	124.2	0.0	0.0	11.2	0.0	0.0	0.3	3.5	108.8	0.4
2013-15 Biennium	247.8	0.0	0.0	22.0	0.0	0.0	0.6	6.9	217.5	0.7
2016	125.4	0.0	0.0	10.8	0.0	0.0	0.3	3.5	110.5	0.4
2017	128.8	0.0	0.0	11.2	0.0	0.0	0.3	3.5	113.4	0.4
2015-17 Biennium	254.2	0.0	0.0	22.0	0.0	0.0	0.6	6.9	223.9	0.7

Table 3.16

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

	Lottery: Total Transfers:*	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account	School Construction Account	Problem Gambling Account	Economic Development Account	Opportunity Pathways Account	Veteran's VIP Account
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0	0.0	0.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0	0.0	0.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0	0.0	0.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7	0.0	0.0
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7	0.0	0.0
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4	0.0	0.0
2010	129.4	12.9	5.1	9.2	0.0	97.4	0.3	4.6	0.0	0.0
2011	138.2	7.0	5.3	9.6	0.0	0.0	0.3	3.7	112.3	0.0
2009-11 Biennium	267.6	19.9	10.4	18.8	0.0	97.4	0.5	8.3	112.3	0.0
2012	138.1	0.0	2.7	10.0	0.0	0.0	0.3	3.0	121.9	0.2
2013	121.9	0.0	0.0	10.4	0.0	0.0	0.3	3.5	107.4	0.3
2011-13 Biennium	259.9	0.0	2.7	20.4	0.0	0.0	0.6	6.4	229.3	0.6
2014	123.7	0.0	0.0	10.8	0.0	0.0	0.3	3.5	108.8	0.4
2015	124.3	0.0	0.0	11.2	0.0	0.0	0.3	3.5	109.0	0.4
2013-15 Biennium	248.1	0.0	0.0	22.0	0.0	0.0	0.6	6.9	217.8	0.7
2016	125.4	0.0	0.0	10.8	0.0	0.0	0.3	3.5	110.5	0.4
2017	128.7	0.0	0.0	11.2	0.0	0.0	0.3	3.5	113.4	0.4
2015-17 Biennium	254.1	0.0	0.0	22.0	0.0	0.0	0.6	6.9	223.9	0.7

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

Source: Lottery Commission

Table 3.17

General Fund-State: History and Forecast of Components

History and Forecast by Fiscal Year (Cash basis)

September 2012 - Millions of Dollars

	General Fund-State		Related Fund		General Fund-State plus Related Fund (current definition of GF-S)		Other Near General Fund*		Total Near General Fund	
	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.	Level	% Chg.
History:										
FY 1995	\$8,551		\$248		\$8,799				\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%			\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%			\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%			\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%			\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%			\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%			\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%			\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%			\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%			\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%			\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%	\$115		\$14,432	10.7%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%	\$266	132.2%	\$15,734	9.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%	\$213	-20.1%	\$15,872	0.9%
FY 2009	\$13,089	-10.4%	\$1,069	2.3%	\$14,158	-9.6%	\$224	5.4%	\$14,382	-9.4%
FY 2010	\$13,571	3.7%	\$0	-100.0%	\$13,571	-4.1%	\$157	-29.9%	\$13,728	-4.6%
FY 2011	\$14,648	7.9%	\$0	0.0%	\$14,648	7.9%	\$112	-29.0%	\$14,759	7.5%
Forecast:										
FY 2012	\$14,887	1.6%	\$0	0.0%	\$14,887	1.6%	\$114	2.3%	\$15,001	1.6%
FY 2013	\$15,583	4.7%	\$0	0.0%	\$15,583	4.7%	\$119	4.6%	\$15,702	4.7%
FY 2014	\$15,939	2.3%	\$0	0.0%	\$15,939	2.3%	\$122	2.3%	\$16,061	2.3%
FY 2015	\$16,710	4.8%	\$0	0.0%	\$16,710	4.8%	\$127	4.1%	\$16,838	4.8%
FY 2016	\$17,369	3.9%	\$0	0.0%	\$17,369	3.9%	\$127	0.0%	\$17,496	3.9%
FY 2017	\$18,150	4.5%	\$0	0.0%	\$18,150	4.5%	\$127	0.0%	\$18,277	4.5%
Biennial Totals										
03-05 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%	\$0	NA	\$25,395	8.7%
05-07 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%	\$381	NA	\$30,166	18.8%
07-09 Biennium	\$27,703	-0.2%	\$2,114	5.0%	\$29,817	0.1%	\$437	14.8%	\$30,254	0.3%
09-11 Biennium	\$28,218	1.9%	\$0	-100.0%	\$28,218	-5.4%	\$269	-38.5%	\$28,487	-5.8%
11-13 Biennium	\$30,469	8.0%	\$0	0.0%	\$30,469	8.0%	\$234	-13.1%	\$30,703	7.8%
13-15 Biennium	\$32,649	7.2%	\$0	0.0%	\$32,649	7.2%	\$249	6.7%	\$32,898	7.1%
15-17 Biennium	\$35,518	8.8%	\$0	0.0%	\$35,518	8.8%	\$254	2.0%	\$35,773	8.7%

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



Chapter 4: Special Report – Shared Households

- **The number and percentage of shared households increased in the United States between 2007 and 2010.**
- **As the numbers of shared households increased, so did the number of adults in shared households over the course of the most recent recession.**
- **By 2010, 18.7 percent of all households were shared.**
- **During the recession, nearly 45 percent of “additional” adults who moved into shared households were ages 25 to 34; adult children accounted for 46 percent of all additional adults in 2010.**
- **Consistent with expectations of pooling resources during challenging economic circumstances, official family poverty and constructed household poverty measures were lower among householders in shared households.**
- **Although the recession reduced income and increased poverty for many adults, the effects were generally worse for additional adults in someone else’s home**

Background

The survey is a joint effort between U.S. Department of Commerce and U.S. Census Bureaus

In June 2012, the U.S. Department of Commerce and the U.S. Census Bureau published “Sharing a Household: Household Composition and Economic Well-Being: 2007-2010.” . This report analyzes consumer income and economic trends for shared households, defined as any household with an “additional” adult. The study uses data from the Annual Social Economic Supplement of the Current Population Survey to compare living arrangements and describes which people join or combine households. The June report spans the most recent recession.

Provides anecdotal economic suggestions

Reasons for household sharing were not discernible from the data; however, the results suggest that adults and families coped with the challenging economic circumstances over the course of the recession by joining households.

2 or more related persons are a family

A family household is a group of two or more people residing together (one of whom is the householder) related by birth, marriage, or adoptions. All persons in a family are considered members of one primary family.

Subfamilies are not householders

A subfamily is a married couple with or without children, or one parent with one or more own children under 18 years of age, who live in a household but are not householders. Subfamily members may be related or not related to the householder. "Unrelated individuals" are people of any age who are not members of families or subfamilies.

Shared houses have +>1 unrelated adult

Shared household can be described as a household with at least one resident adult who is not enrolled in school and who is neither the householder, nor the spouse or cohabiting partner of the householder.

More than one family unit is a multifamily household

Multifamily households are an alternative measure of shared households. They are those which include more than one family unit or a related or unrelated subfamily.

Additional adults are not householders, the spouses, nor the cohabitating partners of householders

Shared households are occupied by both primary adults and additional adults. Primary adults are householders and their spouses or cohabiting partners. Additional adults are persons aged 18 and older not enrolled in school who are not householders, the spouses, nor the cohabitating partners of householders. They may be relatives or nonrelatives. Additional adults include adult children who live with their parents. Additional adults are more likely to live with relatives than with nonrelatives, the findings indicated in both 2007 and 2010.

Poverty rates also analyzed

In addition to household composition, the report also analyzes poverty rates for adults in shared households. Estimates based on individual income suggest personal poverty rates are higher among adults residing in shared households.

Shared Households

Shared households increased between 2007 and 2010

In the spring of 2007, there were 19.7 million shared households. By Spring 2010, the number of shared households had increased by 11.4 percent to 22.0 million shared households. All households increased by only 1.3 percent from 116.0 million to 117.5 million. Shared households rose to account for 18.7 percent of all households, up from 17.0 percent in 2007.

Adults living in share homes increased

The fraction of adults residing in shared households increased from 27.7 percent in spring 2007 to 30.1 percent in the spring of 2010.

Relatives accounted for 68% of the increase

In 2010, 81.8 percent of additional adults were related to the householder. The number of additional adults who were relatives rose by 2.4 million, accounting for 68 percent of the increase in additional adults. Roommates, housemates, or boarders increased by 910,000 between 2007 and 2010.

45% of the total increase in additional adults were aged 25 to 34

Those aged 18 to 24 were commonly found to be an additional adult in someone else's household, increasing by 5.9 percent between 2007 and 2010. Those aged 25 to 34 who shared households increased by 18.1 percent during this period, while additional adults ages 35 to 64 increased by 9.7 percent between 2007 and 2010. The number of additional adults aged 25 to 34 increased by 1.5 million, accounting for about 45 percent of the total increase in additional adults during 2007 to 2010.

Sandwiched in, adult children accounted for 46%; parents 13%

Adult children accounted for 46 percent of additional adults in 2010 while parents of the householder accounted for 13 percent of additional adults. Siblings made up about 8 percent, grandchildren of a householder made less than 3 percent, and other relatives accounted for about 12 percent. Eighteen percent of additional adults were not relatives of the householder.

Table 4.1: Persons Relationship to Householder

Additional adults saw the largest gain between 2007 and 2010

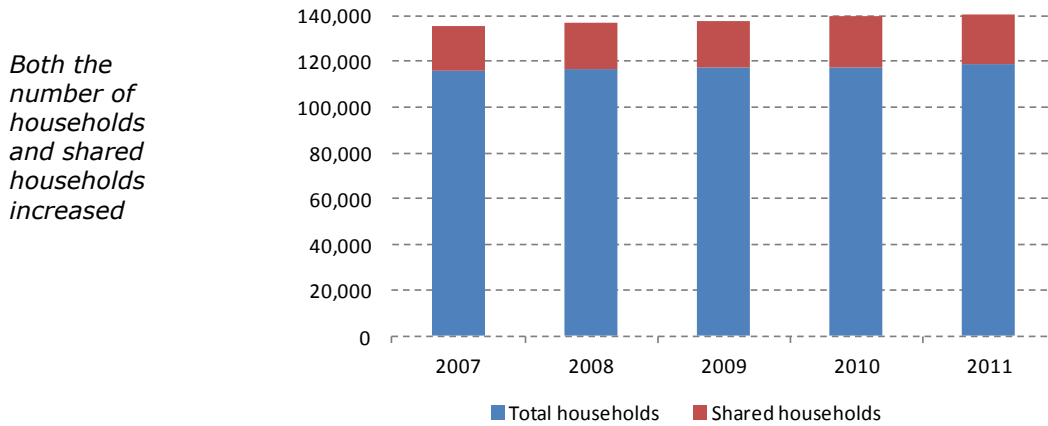
Characteristic	2007		2010		2010-2007 Change	
	Number	Percent	Number	Percent	Number	Percent
Persons, Aged 18 and Older	222,557	100	229,120	100	6,563	-
Householder	115,780	52	117,332	51.2	1,552	-0.8
Spouse	58,938	26.5	58,396	25.5	-543	-1
Cohabiting partner	6,434	2.9	7,408	3.2	974	0.3
In school	10,390	4.7	11,521	5	1,131	0.4
Additional adults	31,016	13.9	34,463	15	3,447	1.1
Relatives	25,668	11.5	28,205	12.3	2,357	0.8
Child of householder	14,618	6.6	15,840	6.9	1,222	0.3
18 to 24 years	5,873	2.6	6,178	2.7	305	0.1
25 to 34 years	4,698	2.1	5,521	2.4	823	0.3
Sibling of householder	2,779	1.2	2,901	1.3	122	-
Parent of householder	3,931	1.8	4,507	2	575	0.2
Grandchild of householder	634	0.3	824	0.4	190	0.1
Other relative of householder	3,705	1.7	4,134	1.8	429	0.1
Nonrelative of householder	5,347	2.4	6,257	2.7	910	0.3

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, 2007 and 2010

Number of households increased 1.2%

When considering household formation during the recent recession, it was anecdotally suggested that adult children are staying in their parents households, thus lowering the demand for housing. Statistically, between 2007 and 2010, the number who resided in their parents' households increased by 1.2 million. Two-thirds of that number was aged 25 to 34. The number of parents, grandchildren, and other relatives in shared households also increased over the period.

Figure 4.1: Number of Shared Households



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, 2007-2011

Official Poverty Rates

How poverty rates are calculated

“Household poverty status” is calculated by comparing the total income of all household members to the poverty threshold based on the number of persons and the age of the householder. Personal poverty status of householders includes their personal income and that of their spouse or cohabiting partner. Additional adults are based on their own personal income, but additional adults in subfamilies was based on the subfamily’s total income.

Household poverty rates and personal poverty rates increased for members of both shared and nonshared households between the pre- and post-recession years. Changes in household poverty between 2007 and 2010 were not significantly different for householders sharing households and other householders.

Household poverty rates were lower, contrasting with personal poverty rates

Both official and *household* poverty rates for 2010 were lower for householders heading shared households than for other householders. This actually contrasted with *personal* poverty rates. Householders in shared households had a higher personal poverty rate. This could suggest that shared householders had fewer individual resources than their counterparts. As one might expect, the lower official and household poverty rates among householders heading shared households imply that sharing a household lessened economic strain on householders.

Household sharing is a strategy to pool resources

Additional adults had higher rates of personal poverty compared with primary adults in both 2007 and 2010. This is consistent with the understanding of household sharing as a strategy to pool resources. Among ages 25 and older, there was no real

difference in household poverty rates between primary adults compared to additional adults.

Table 4.2: Poverty Status 2007 and 2010

Personal income in shared households is lower

	2007			2010		
	Family income below poverty	Personal income below poverty	Household income below poverty	Family income below poverty	Personal income below poverty	Household income below poverty
Primary Adults'						
In shared households.	9.8	14.5	7.8	12	16.6	9.7
Not in shared households.	10.4	8.5	9.3	12.3	9.8	10.9
Householders						
In shared households.	11	19.3	8.9	13.1	21.7	10.8
Not in shared households.	12.5	12	11.5	14.3	13.5	13.3
Adults						
Additional adults						
Aged 18 and older.	12.6	39.7	8.9	15.7	45.9	11.1
Aged 25 and older.	11.9	35.7	8.3	14.6	40.7	10.1
Primary adults' Aged 18 and older.	10.3	9.4	9	12.2	10.9	10.7
Aged 25 and older.	9.4	8.7	8.5	11.1	9.9	9.9

Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, 2007 and 2010

Economic Well-Being

It appears that households combined to combat challenges of the recession

Findings from the report substantiate that people combine and share households to cope with economic circumstances. The data confirmed that during the most recent recession adults of various ages returned to their families. Economic challenges also encouraged multiple families to join households. These are assumptions drawn from the numbers, but the survey itself did not collect specific reasons for combining households. Estimates based on individual income do suggest that personal poverty rates are higher among adults residing in shared households.

Poverty rates suggest shared households are beneficial

According to the study, results suggest economically vulnerable householders were more likely to share households than their better off counterparts. This tends to counter the idea that more economically advantaged households take in economically stressed family and friends. Household sharing appears to be a means of alleviating economic strain for both householders and for the additional adults who join them.

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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 2012 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,063.0	13,299.1	13,593.6	13,880.5	14,296.9	14,725.8	15,152.9	15,577.2
% Ch	2.4	1.8	2.2	2.1	3.0	3.0	2.9	2.8
Real Consumption	9,196.2	9,428.8	9,611.7	9,806.1	10,070.7	10,352.5	10,632.1	10,908.7
% Ch	1.8	2.5	1.9	2.0	2.7	2.8	2.7	2.6
Real Nonresidential Fixed Investment	1,268.5	1,378.2	1,491.5	1,586.7	1,709.9	1,798.4	1,884.2	1,970.2
% Ch	0.7	8.6	8.2	6.4	7.8	5.2	4.8	4.6
Real Residential Fixed Investment	332.2	327.6	362.9	402.2	476.4	555.1	593.4	596.4
% Ch	-3.7	-1.4	10.8	10.8	18.5	16.5	6.9	0.5
Real Personal Income	11,091.8	11,378.4	11,584.0	11,889.2	12,314.1	12,687.3	13,076.7	13,433.5
% Ch	1.9	2.6	1.8	2.6	3.6	3.0	3.1	2.7
Real Per Capita Income (\$/Person)	35,772	36,426	36,738	37,342	38,304	39,086	39,900	40,597
% Ch	1.1	1.8	0.9	1.6	2.6	2.0	2.1	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.111	1.138	1.159	1.179	1.201	1.225	1.248	1.272
% Ch	1.9	2.4	1.9	1.7	1.9	1.9	2.0	1.9
U.S. Consumer Price Index (1982-84=1.0)	2.181	2.249	2.299	2.347	2.396	2.443	2.491	2.537
% Ch	1.6	3.1	2.2	2.1	2.1	2.0	2.0	1.9
Employment Cost Index (Dec. 2005=1.0)	1.121	1.140	1.161	1.184	1.212	1.241	1.272	1.303
% Ch	1.6	1.7	1.8	2.0	2.3	2.4	2.5	2.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,498.9	15,075.7	15,692.5	16,338.1	17,161.3	17,982.1	18,837.9	19,702.5
% Ch	3.8	4.0	4.1	4.1	5.0	4.8	4.8	4.6
Personal Income	12,321.9	12,947.3	13,429.5	14,023.2	14,793.3	15,537.6	16,326.9	17,087.7
% Ch	3.8	5.1	3.7	4.4	5.5	5.0	5.1	4.7
Employment (Millions)								
U.S. Civilian Labor Force	153.9	153.6	155.0	156.3	157.7	159.0	160.3	161.6
Total U.S. Employment	139.1	139.9	142.3	144.0	145.9	148.0	149.9	151.7
Unemployment Rate (%)	9.63	8.95	8.21	7.91	7.47	6.91	6.48	6.14
Nonfarm Payroll Employment	129.86	131.36	133.23	135.30	137.80	140.26	142.67	144.64
% Ch	-0.7	1.2	1.4	1.6	1.8	1.8	1.7	1.4
Manufacturing	11.53	11.74	11.99	12.22	12.45	12.55	12.59	12.65
% Ch	-2.7	1.8	2.1	2.0	1.9	0.8	0.4	0.4
Durable Manufacturing	7.06	7.28	7.51	7.74	8.01	8.14	8.22	8.28
% Ch	-3.0	3.0	3.2	3.2	3.4	1.7	0.9	0.7
Nondurable Manufacturing	4.46	4.46	4.48	4.48	4.45	4.40	4.38	4.37
% Ch	-2.2	-0.1	0.4	0.0	-0.7	-1.0	-0.6	0.0
Construction	5.52	5.50	5.53	5.59	5.96	6.56	7.09	7.44
% Ch	-8.2	-0.3	0.4	1.2	6.5	10.2	8.0	4.9
Service-Providing	112.11	113.34	114.88	116.64	118.55	120.34	122.21	123.81
% Ch	-0.1	1.1	1.4	1.5	1.6	1.5	1.6	1.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	79.4	95.1	96.7	98.2	94.7	90.9	88.1	86.3
Personal Saving/Disposable Income (%)	5.1	4.3	3.8	3.6	4.0	4.0	4.2	4.3
Auto Sales (Millions)	5.7	6.2	7.1	7.5	8.0	8.2	8.6	8.8
% Ch	5.0	8.1	14.8	6.0	5.6	3.1	5.3	1.6
Housing Starts (Millions)	0.586	0.612	0.751	0.881	1.137	1.415	1.513	1.509
% Ch	5.7	4.5	22.7	17.3	29.0	24.4	6.9	-0.2
Federal Budget Surplus (Billions)	-1,308.1	-1,237.4	-1,054.3	-796.9	-701.7	-642.2	-673.3	-722.6
Net Exports (Billions)	-511.6	-568.1	-568.2	-511.9	-521.1	-538.4	-510.8	-468.5
3-Month Treasury Bill Rate (%)	0.14	0.05	0.09	0.13	0.15	0.51	2.22	3.62
10-Year Treasury Note Yield (%)	3.21	2.79	1.79	2.31	2.96	3.38	4.10	4.85
Bond Index of 20 G.O. Munis. (%)	4.29	4.50	3.79	4.10	4.47	4.74	5.23	5.75
30-Year Fixed Mortgage Rate (%)	4.69	4.46	3.72	3.62	4.47	5.16	5.92	6.64

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2012 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	13,506.4	13,564.5	13,619.4	13,684.1	13,748.5	13,829.4	13,923.4	14,020.7
% Ch , Annual Rate	2.0	1.7	1.6	1.9	1.9	2.4	2.7	2.8
Real Consumption	9,546.8	9,586.9	9,632.5	9,680.6	9,721.6	9,774.2	9,833.6	9,895.0
% Ch , Annual Rate	2.4	1.7	1.9	2.0	1.7	2.2	2.5	2.5
Real Nonresidential Fixed Investment	1,470.0	1,485.2	1,494.0	1,516.8	1,540.1	1,569.2	1,602.4	1,635.0
% Ch , Annual Rate	7.5	4.2	2.4	6.2	6.3	7.8	8.7	8.4
Real Residential Fixed Investment	352.1	359.7	367.1	372.7	381.4	392.1	407.8	427.3
% Ch , Annual Rate	20.6	8.9	8.5	6.2	9.7	11.7	16.9	20.6
Real Personal Income	11,471.9	11,568.0	11,616.4	11,679.8	11,743.5	11,838.7	11,939.0	12,035.8
% Ch , Annual Rate	4.0	3.4	1.7	2.2	2.2	3.3	3.4	3.3
Real Per Capita Income (\$/Person)	36,515	36,732	36,797	36,908	37,019	37,229	37,454	37,666
% Ch , Annual Rate	3.0	2.4	0.7	1.2	1.2	2.3	2.4	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.153	1.155	1.161	1.168	1.172	1.177	1.182	1.187
% Ch , Annual Rate	2.5	0.7	2.2	2.2	1.6	1.5	1.7	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.283	2.288	2.304	2.321	2.331	2.341	2.353	2.364
% Ch , Annual Rate	2.5	0.8	2.9	2.8	1.8	1.8	2.1	1.9
Employment Cost Index (Dec. 2005=1.0)	1.153	1.158	1.163	1.169	1.175	1.181	1.187	1.194
% Ch , Annual Rate	2.1	1.7	1.8	1.9	2.1	2.2	2.2	2.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	15,478.3	15,606.1	15,766.3	15,919.2	16,068.7	16,232.0	16,428.7	16,623.2
% Ch , Annual Rate	4.2	3.3	4.2	3.9	3.8	4.1	4.9	4.8
Personal Income	13,227.1	13,362.4	13,491.3	13,637.4	13,767.8	13,932.0	14,110.0	14,283.2
% Ch , Annual Rate	6.6	4.2	3.9	4.4	3.9	4.9	5.2	5.0
Employment (Millions)								
U.S. Civilian Labor Force	154.7	154.8	155.2	155.5	155.8	156.2	156.5	156.8
Total U.S. Employment	141.9	142.2	142.4	142.8	143.3	143.7	144.2	144.6
Unemployment Rate (%)	8.27	8.17	8.26	8.14	8.01	7.96	7.88	7.79
Nonfarm Payroll Employment	132.68	133.01	133.38	133.85	134.38	134.97	135.61	136.24
% Ch , Annual Rate	2.1	1.0	1.1	1.4	1.6	1.8	1.9	1.9
Manufacturing	11.89	11.95	12.01	12.09	12.11	12.21	12.26	12.32
% Ch , Annual Rate	3.6	2.0	1.7	2.7	0.7	3.5	1.5	2.0
Durable Manufacturing	7.43	7.48	7.52	7.59	7.62	7.73	7.78	7.85
% Ch , Annual Rate	5.1	2.7	2.5	3.6	1.6	5.5	2.9	3.6
Nondurable Manufacturing	4.47	4.48	4.48	4.49	4.48	4.49	4.48	4.47
% Ch , Annual Rate	1.3	1.0	0.4	1.2	-0.9	0.2	-0.8	-0.7
Construction	5.56	5.52	5.50	5.52	5.54	5.56	5.60	5.68
% Ch , Annual Rate	2.2	-2.6	-1.4	1.1	1.4	1.6	3.1	5.3
Service-Providing	114.39	114.69	115.03	115.41	115.89	116.36	116.91	117.39
% Ch , Annual Rate	1.9	1.1	1.2	1.3	1.7	1.6	1.9	1.7
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	102.9	93.5	92.9	97.3	98.5	98.9	98.3	97.3
Personal Saving/Disposable Income (%)	3.6	4.0	3.9	3.8	3.6	3.5	3.6	3.7
Auto Sales (Millions)	7.3	7.1	7.1	6.9	7.4	7.6	7.7	7.5
% Ch , Annual Rate	59.8	-14.0	1.9	-10.4	29.2	10.1	8.6	-9.4
Housing Starts (Millions)	0.715	0.736	0.761	0.792	0.801	0.847	0.912	0.964
% Ch , Annual Rate	23.2	12.3	14.7	17.2	4.6	25.0	34.4	25.0
Federal Budget Surplus (Billions)	-1,058.7	-1,094.5	-1,057.6	-1,006.4	-867.9	-808.3	-765.2	-746.3
Net Exports (Billions)	-615.8	-573.1	-556.0	-528.0	-515.1	-513.1	-505.2	-514.5
3-Month Treasury Bill Rate (%)	0.07	0.09	0.11	0.11	0.12	0.13	0.14	0.15
10-Year Treasury Note Yield (%)	2.04	1.82	1.61	1.67	1.81	2.02	2.56	2.87
Bond Index of 20 G.O. Munis. (%)	3.75	3.88	3.76	3.79	3.90	3.92	4.19	4.41
30-Year Fixed Mortgage Rate (%)	3.92	3.80	3.59	3.56	3.42	3.42	3.66	3.97

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2012 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	14,120.9	14,236.0	14,354.4	14,476.4	14,568.0	14,673.9	14,780.2	14,881.3
% Ch , Annual Rate	2.9	3.3	3.4	3.4	2.6	2.9	2.9	2.8
Real Consumption	9,961.6	10,030.1	10,104.8	10,186.2	10,244.5	10,317.0	10,389.4	10,459.2
% Ch , Annual Rate	2.7	2.8	3.0	3.3	2.3	2.9	2.8	2.7
Real Nonresidential Fixed Investment	1,668.2	1,699.2	1,724.1	1,748.0	1,770.1	1,788.2	1,807.9	1,827.4
% Ch , Annual Rate	8.4	7.6	6.0	5.7	5.2	4.1	4.5	4.4
Real Residential Fixed Investment	445.8	464.6	485.6	509.5	530.8	549.3	564.2	576.2
% Ch , Annual Rate	18.5	18.0	19.3	21.2	17.8	14.7	11.3	8.8
Real Personal Income	12,166.3	12,259.5	12,363.3	12,467.2	12,558.0	12,644.9	12,730.2	12,816.2
% Ch , Annual Rate	4.4	3.1	3.4	3.4	2.9	2.8	2.7	2.7
Real Per Capita Income (\$/Person)	37,983	38,182	38,412	38,641	38,829	39,003	39,172	39,341
% Ch , Annual Rate	3.4	2.1	2.4	2.4	2.0	1.8	1.7	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.193	1.199	1.204	1.210	1.216	1.222	1.228	1.233
% Ch , Annual Rate	2.0	2.0	1.9	1.8	2.0	1.9	1.9	2.0
U.S. Consumer Price Index (1982-84=1.0)	2.377	2.390	2.402	2.413	2.426	2.437	2.449	2.461
% Ch , Annual Rate	2.2	2.2	2.0	1.9	2.0	1.9	2.0	1.9
Employment Cost Index (Dec. 2005=1.0)	1.201	1.208	1.216	1.223	1.230	1.237	1.245	1.252
% Ch , Annual Rate	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	16,831.6	17,051.1	17,270.4	17,491.9	17,680.4	17,879.6	18,083.1	18,285.2
% Ch , Annual Rate	5.1	5.3	5.2	5.2	4.4	4.6	4.6	4.5
Personal Income	14,509.8	14,693.8	14,887.9	15,081.7	15,267.7	15,447.3	15,626.6	15,808.6
% Ch , Annual Rate	6.5	5.2	5.4	5.3	5.0	4.8	4.7	4.7
Employment (Millions)								
U.S. Civilian Labor Force	157.2	157.5	157.8	158.2	158.5	158.8	159.2	159.5
Total U.S. Employment	145.1	145.6	146.2	146.8	147.3	147.8	148.3	148.7
Unemployment Rate (%)	7.69	7.55	7.39	7.22	7.09	6.97	6.85	6.74
Nonfarm Payroll Employment	136.84	137.45	138.11	138.79	139.37	139.96	140.54	141.16
% Ch , Annual Rate	1.8	1.8	1.9	2.0	1.7	1.7	1.7	1.8
Manufacturing	12.40	12.44	12.47	12.51	12.53	12.55	12.55	12.56
% Ch , Annual Rate	2.5	1.2	1.2	1.2	0.8	0.3	0.0	0.5
Durable Manufacturing	7.93	7.98	8.03	8.08	8.11	8.14	8.15	8.18
% Ch , Annual Rate	4.3	2.6	2.4	2.5	1.6	1.2	0.8	1.1
Nondurable Manufacturing	4.47	4.45	4.44	4.43	4.42	4.41	4.39	4.39
% Ch , Annual Rate	-0.4	-1.2	-1.1	-1.0	-0.6	-1.3	-1.3	-0.5
Construction	5.76	5.88	6.02	6.17	6.33	6.49	6.64	6.79
% Ch , Annual Rate	6.5	8.2	9.8	10.7	10.8	10.5	9.6	8.8
Service-Providing	117.84	118.30	118.79	119.28	119.68	120.11	120.55	121.01
% Ch , Annual Rate	1.5	1.6	1.7	1.7	1.4	1.4	1.5	1.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	96.2	95.1	94.1	93.2	92.3	91.3	90.5	89.8
Personal Saving/Disposable Income (%)	3.9	4.0	4.1	4.1	3.9	4.0	4.0	4.0
Auto Sales (Millions)	7.8	8.0	8.1	8.0	8.1	8.2	8.3	8.3
% Ch , Annual Rate	16.6	9.6	3.8	-4.9	5.6	5.9	3.8	0.4
Housing Starts (Millions)	1.021	1.095	1.173	1.260	1.328	1.396	1.451	1.484
% Ch , Annual Rate	25.4	32.5	31.8	33.1	23.6	21.8	16.8	9.4
Federal Budget Surplus (Billions)	-717.8	-710.1	-695.8	-683.1	-630.1	-645.1	-646.8	-646.8
Net Exports (Billions)	-521.1	-518.9	-518.9	-525.5	-535.0	-539.9	-540.9	-537.8
3-Month Treasury Bill Rate (%)	0.15	0.15	0.15	0.15	0.19	0.30	0.51	1.04
10-Year Treasury Note Yield (%)	2.88	2.93	2.96	3.07	3.26	3.31	3.35	3.58
Bond Index of 20 G.O. Munis. (%)	4.43	4.46	4.47	4.51	4.63	4.73	4.73	4.86
30-Year Fixed Mortgage Rate (%)	4.27	4.44	4.51	4.64	4.96	5.14	5.19	5.36

Table A1.2 (continued)
U.S. Economic Forecast Summary
 Forecast 2012 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Real National Income Accounts (Billions of Chained 2005 Dollars)								
Real Gross Domestic Product	14,989.4	15,097.6	15,208.0	15,316.5	15,417.9	15,523.2	15,628.2	15,739.3
% Ch, Annual Rate	2.9	2.9	3.0	2.9	2.7	2.8	2.7	2.9
Real Consumption	10,525.8	10,594.9	10,667.7	10,740.2	10,804.0	10,871.0	10,942.9	11,016.9
% Ch, Annual Rate	2.6	2.7	2.8	2.7	2.4	2.5	2.7	2.7
Real Nonresidential Fixed Investment	1,850.0	1,872.1	1,896.6	1,918.2	1,940.8	1,962.6	1,979.6	1,997.6
% Ch, Annual Rate	5.0	4.9	5.3	4.6	4.8	4.6	3.5	3.7
Real Residential Fixed Investment	587.1	593.7	596.2	596.4	597.8	597.3	595.2	595.4
% Ch, Annual Rate	7.8	4.6	1.7	0.2	0.9	-0.3	-1.4	0.2
Real Personal Income	12,938.4	13,030.1	13,121.5	13,216.9	13,294.8	13,388.8	13,479.6	13,570.6
% Ch, Annual Rate	3.9	2.9	2.8	2.9	2.4	2.9	2.7	2.7
Real Per Capita Income (\$/Person)	39,621	39,806	39,989	40,183	40,323	40,511	40,689	40,865
% Ch, Annual Rate	2.9	1.9	1.9	2.0	1.4	1.9	1.8	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.240	1.246	1.252	1.257	1.263	1.269	1.275	1.281
% Ch, Annual Rate	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8
U.S. Consumer Price Index (1982-84=1.0)	2.473	2.485	2.497	2.508	2.520	2.531	2.543	2.555
% Ch, Annual Rate	2.0	2.0	1.9	1.8	1.9	1.8	1.8	1.9
Employment Cost Index (Dec. 2005=1.0)	1.260	1.268	1.276	1.283	1.291	1.299	1.307	1.315
% Ch, Annual Rate	2.5	2.5	2.5	2.4	2.5	2.5	2.5	2.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	18,510.5	18,730.8	18,947.8	19,162.5	19,379.4	19,592.4	19,806.7	20,031.4
% Ch, Annual Rate	5.0	4.8	4.7	4.6	4.6	4.5	4.4	4.6
Personal Income	16,037.2	16,230.9	16,422.1	16,617.6	16,795.7	16,991.3	17,184.5	17,379.5
% Ch, Annual Rate	5.9	4.9	4.8	4.8	4.4	4.7	4.6	4.6
Employment (Millions)								
U.S. Civilian Labor Force	159.8	160.2	160.5	160.8	161.2	161.5	161.8	162.1
Total U.S. Employment	149.2	149.7	150.2	150.7	151.1	151.5	151.9	152.3
Unemployment Rate (%)	6.63	6.52	6.42	6.33	6.24	6.17	6.10	6.03
Nonfarm Payroll Employment	141.78	142.39	142.98	143.53	143.99	144.44	144.85	145.27
% Ch, Annual Rate	1.8	1.7	1.7	1.6	1.3	1.2	1.2	1.2
Manufacturing	12.57	12.58	12.60	12.62	12.63	12.64	12.66	12.67
% Ch, Annual Rate	0.4	0.4	0.5	0.5	0.5	0.3	0.5	0.3
Durable Manufacturing	8.19	8.21	8.23	8.25	8.26	8.27	8.28	8.29
% Ch, Annual Rate	0.8	0.7	1.0	1.0	0.8	0.4	0.6	0.3
Nondurable Manufacturing	4.38	4.38	4.37	4.37	4.37	4.37	4.38	4.38
% Ch, Annual Rate	-0.5	-0.3	-0.5	-0.4	0.1	0.2	0.2	0.4
Construction	6.92	7.05	7.15	7.25	7.33	7.41	7.47	7.53
% Ch, Annual Rate	8.2	7.4	6.3	5.3	4.9	4.3	3.4	2.9
Service-Providing	121.49	121.98	122.45	122.90	123.27	123.63	123.98	124.34
% Ch, Annual Rate	1.6	1.6	1.6	1.5	1.2	1.2	1.1	1.2
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	89.1	88.4	87.8	87.3	86.8	86.5	86.2	85.9
Personal Saving/Disposable Income (%)	4.1	4.1	4.3	4.4	4.2	4.3	4.4	4.4
Auto Sales (Millions)	8.5	8.6	8.7	8.8	8.7	8.8	8.8	8.8
% Ch, Annual Rate	10.1	7.5	2.7	3.1	-1.6	2.6	0.6	1.2
Housing Starts (Millions)	1.501	1.508	1.516	1.525	1.522	1.515	1.504	1.495
% Ch, Annual Rate	4.8	1.8	2.2	2.3	-0.7	-1.8	-2.8	-2.4
Federal Budget Surplus (Billions)	-643.9	-658.6	-684.0	-706.6	-688.7	-715.1	-731.9	-754.7
Net Exports (Billions)	-524.7	-512.4	-507.4	-498.8	-490.0	-477.5	-462.2	-444.3
3-Month Treasury Bill Rate (%)	1.49	1.98	2.46	2.94	3.32	3.64	3.77	3.77
10-Year Treasury Note Yield (%)	3.76	4.00	4.18	4.45	4.68	4.86	4.93	4.92
Bond Index of 20 G.O. Munis. (%)	4.99	5.16	5.28	5.48	5.64	5.76	5.82	5.80
30-Year Fixed Mortgage Rate (%)	5.61	5.83	6.00	6.25	6.49	6.61	6.71	6.72

Table A1.3

Washington Economic Forecast Summary

Forecast 2012 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	258.514	265.522	272.477	280.008	290.891	300.463	310.122	319.185
% Ch	1.0	2.7	2.6	2.8	3.9	3.3	3.2	2.9
Real Wage and Salary Disb.	133.932	136.723	140.940	144.342	149.142	153.803	157.999	162.181
% Ch	-0.6	2.1	3.1	2.4	3.3	3.1	2.7	2.6
Real Nonwage Income	124.581	128.798	131.537	135.666	141.749	146.660	152.123	157.004
% Ch	2.8	3.4	2.1	3.1	4.5	3.5	3.7	3.2
Real Per Capita Income (\$/Person)	38,271	38,813	39,316	39,895	40,907	41,700	42,509	43,250
% Ch	0.1	1.4	1.3	1.5	2.5	1.9	1.9	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.111	1.138	1.159	1.179	1.201	1.225	1.248	1.272
% Ch	1.9	2.4	1.9	1.7	1.9	1.9	2.0	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.267	2.328	2.391	2.450	2.506	2.561	2.615	2.669
% Ch	0.3	2.7	2.7	2.5	2.3	2.2	2.1	2.1
Average Nonfarm Annual Wage	51,041	52,725	54,555	55,812	57,603	59,432	61,191	63,090
% Ch	2.6	3.3	3.5	2.3	3.2	3.2	3.0	3.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.49	23.98	24.10	24.48	24.96	25.47	26.01	26.56
% Ch	0.4	2.1	0.5	1.6	2.0	2.0	2.1	2.1
Current Dollar Income (Billions of Dollars)								
Personal Income	287.175	302.129	315.881	330.268	349.459	367.964	387.204	406.015
% Ch	3.0	5.2	4.6	4.6	5.8	5.3	5.2	4.9
Disposable Personal Income	259.328	269.507	280.906	291.399	307.098	322.525	339.132	355.811
% Ch	2.9	3.9	4.2	3.7	5.4	5.0	5.1	4.9
Per Capita Income (\$/Person)	42,514	44,163	45,578	47,055	49,142	51,067	53,074	55,015
% Ch	2.0	3.9	3.2	3.2	4.4	3.9	3.9	3.7
Employment (Thousands)								
Washington Civilian Labor Force	3,515.5	3,485.4	3,509.8	3,546.1	3,594.5	3,642.9	3,687.2	3,728.7
Total Washington Employment	3,167.0	3,165.6	3,214.4	3,254.3	3,314.1	3,377.5	3,433.0	3,483.3
Unemployment Rate (%)	9.91	9.17	8.42	8.23	7.80	7.29	6.90	6.58
Nonfarm Payroll Employment	2,786.2	2,823.3	2,870.8	2,928.9	2,991.9	3,052.5	3,107.6	3,153.9
% Ch	-1.3	1.3	1.7	2.0	2.2	2.0	1.8	1.5
Manufacturing	258.2	268.8	280.8	288.3	293.2	296.2	298.4	301.6
% Ch	-2.8	4.1	4.5	2.7	1.7	1.0	0.7	1.1
Durable Manufacturing	184.3	193.5	204.8	211.4	215.7	218.5	220.0	222.2
% Ch	-3.3	5.0	5.9	3.2	2.1	1.3	0.7	1.0
Aerospace	80.8	86.6	94.4	96.6	95.2	93.8	92.4	91.0
% Ch	-2.5	7.2	9.0	2.3	-1.4	-1.5	-1.5	-1.5
Nondurable Manufacturing	73.9	75.2	76.0	77.0	77.5	77.7	78.4	79.5
% Ch	-1.3	1.8	1.0	1.3	0.6	0.3	0.9	1.4
Construction	140.7	137.3	138.8	143.5	153.3	165.7	175.8	183.4
% Ch	-11.9	-2.4	1.1	3.3	6.9	8.1	6.1	4.3
Service-Providing	2,381.4	2,411.2	2,445.2	2,490.9	2,538.7	2,583.3	2,625.8	2,661.3
% Ch	-0.4	1.3	1.4	1.9	1.9	1.8	1.6	1.4
Software Publishers	50.9	51.6	52.8	54.4	55.2	56.2	57.2	58.1
% Ch	-1.1	1.5	2.3	3.0	1.6	1.8	1.7	1.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	20.691	20.864	27.668	27.975	31.625	36.374	38.668	39.338
% Ch	21.6	0.8	32.6	1.1	13.0	15.0	6.3	1.7
Single-Family	14.702	13.159	15.773	16.542	19.542	23.687	25.892	26.540
% Ch	13.2	-10.5	19.9	4.9	18.1	21.2	9.3	2.5
Multi-Family	5.989	7.705	11.895	11.433	12.082	12.687	12.775	12.798
% Ch	49.0	28.7	54.4	-3.9	5.7	5.0	0.7	0.2
30-Year Fixed Mortgage Rate (%)	4.69	4.46	3.72	3.62	4.47	5.16	5.92	6.64

Table A1.4

Washington Economic Forecast Summary

Forecast 2012 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	271.232	271.206	273.010	274.460	275.816	278.814	281.650	283.751
% Ch, Annual Rate	8.3	0.0	2.7	2.1	2.0	4.4	4.1	3.0
Real Wage and Salary Disb.	141.560	139.947	140.907	141.346	142.121	143.854	145.302	146.092
% Ch, Annual Rate	13.4	-4.5	2.8	1.3	2.2	5.0	4.1	2.2
Real Nonwage Income	129.672	131.259	132.103	133.114	133.695	134.960	136.349	137.659
% Ch, Annual Rate	3.1	5.0	2.6	3.1	1.8	3.8	4.2	3.9
Real Per Capita Income (\$/Person)	39,329	39,196	39,325	39,416	39,488	39,791	40,067	40,234
% Ch, Annual Rate	6.9	-1.3	1.3	0.9	0.7	3.1	2.8	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.153	1.155	1.161	1.168	1.172	1.177	1.182	1.187
% Ch, Annual Rate	2.5	0.7	2.2	2.2	1.6	1.5	1.7	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.364	2.382	2.400	2.418	2.431	2.443	2.457	2.469
% Ch, Annual Rate	0.7	3.0	3.0	3.0	2.2	2.1	2.2	2.1
Average Nonfarm Annual Wage	54,869	54,061	54,530	54,760	55,004	55,632	56,165	56,447
% Ch, Annual Rate	14.4	-5.8	3.5	1.7	1.8	4.6	3.9	2.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.02	24.06	24.12	24.21	24.31	24.42	24.53	24.65
% Ch, Annual Rate	-1.4	0.6	1.1	1.5	1.7	1.8	1.8	2.0
Current Dollar Income (Billions of Dollars)								
Personal Income	312.723	313.267	317.073	320.460	323.361	328.113	332.866	336.734
% Ch, Annual Rate	11.0	0.7	4.9	4.3	3.7	6.0	5.9	4.7
Disposable Personal Income	278.425	278.694	281.932	284.574	286.288	289.569	293.201	296.537
% Ch, Annual Rate	10.7	0.4	4.7	3.8	2.4	4.7	5.1	4.6
Per Capita Income (\$/Person)	45,345	45,275	45,672	46,022	46,295	46,827	47,353	47,747
% Ch, Annual Rate	9.6	-0.6	3.5	3.1	2.4	4.7	4.6	3.4
Employment (Thousands)								
Washington Civilian Labor Force	3,498.1	3,520.1	3,505.0	3,516.1	3,528.2	3,540.3	3,552.1	3,563.9
Total Washington Employment	3,206.9	3,228.9	3,203.5	3,218.3	3,234.3	3,247.4	3,260.8	3,274.5
Unemployment Rate (%)	8.33	8.27	8.60	8.47	8.33	8.27	8.20	8.12
Nonfarm Payroll Employment	2,850.7	2,864.9	2,877.0	2,890.8	2,905.5	2,921.1	2,937.0	2,952.1
% Ch, Annual Rate	2.1	2.0	1.7	1.9	2.1	2.2	2.2	2.1
Manufacturing	275.9	279.4	282.8	285.2	286.2	288.1	288.9	290.1
% Ch, Annual Rate	3.4	5.2	4.9	3.5	1.3	2.8	1.1	1.7
Durable Manufacturing	200.6	203.6	206.6	208.6	209.5	211.1	211.9	212.9
% Ch, Annual Rate	5.8	5.9	6.1	3.8	1.8	3.1	1.5	2.0
Aerospace	91.6	93.2	96.1	96.9	96.9	96.9	96.5	96.1
% Ch, Annual Rate	5.5	7.4	13.2	3.0	0.0	0.0	-1.5	-1.5
Nondurable Manufacturing	75.3	75.9	76.2	76.6	76.7	77.0	77.0	77.2
% Ch, Annual Rate	-2.6	3.2	1.7	2.5	0.2	1.7	0.1	0.7
Construction	137.9	138.6	139.0	139.8	141.0	142.3	144.1	146.3
% Ch, Annual Rate	2.0	1.9	1.2	2.4	3.5	3.8	5.1	6.2
Service-Providing	2,430.9	2,440.8	2,449.3	2,459.7	2,472.2	2,484.4	2,497.7	2,509.3
% Ch, Annual Rate	1.9	1.7	1.4	1.7	2.0	2.0	2.1	1.9
Software Publishers	52.0	52.4	53.2	53.7	53.9	54.4	54.5	54.7
% Ch, Annual Rate	1.4	2.9	5.9	3.9	1.9	3.3	1.1	1.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	27.676	28.054	28.028	26.912	27.226	27.731	28.077	28.865
% Ch, Annual Rate	183.0	5.6	-0.4	-15.0	4.8	7.6	5.1	11.7
Single-Family	15.658	15.870	16.037	15.526	15.957	16.298	16.662	17.251
% Ch, Annual Rate	86.0	5.5	4.3	-12.1	11.6	8.8	9.2	14.9
Multi-Family	12.019	12.184	11.992	11.386	11.269	11.433	11.415	11.614
% Ch, Annual Rate	427.2	5.6	-6.2	-18.7	-4.0	5.9	-0.6	7.2
30-Year Fixed Mortgage Rate (%)	3.92	3.80	3.59	3.56	3.42	3.42	3.66	3.97

Table A1.4 (continued)
Washington Economic Forecast Summary
 Forecast 2012 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	286.531	289.591	292.536	294.905	296.745	299.556	301.844	303.705
% Ch, Annual Rate	4.0	4.3	4.1	3.3	2.5	3.8	3.1	2.5
Real Wage and Salary Disb.	146.875	148.618	150.069	151.005	151.800	153.470	154.623	155.317
% Ch, Annual Rate	2.2	4.8	4.0	2.5	2.1	4.5	3.0	1.8
Real Nonwage Income	139.656	140.972	142.467	143.900	144.945	146.086	147.221	148.388
% Ch, Annual Rate	5.9	3.8	4.3	4.1	2.9	3.2	3.1	3.2
Real Per Capita Income (\$/Person)	40,496	40,793	41,071	41,266	41,385	41,641	41,824	41,949
% Ch, Annual Rate	2.6	3.0	2.8	1.9	1.2	2.5	1.8	1.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.193	1.199	1.204	1.210	1.216	1.222	1.228	1.233
% Ch, Annual Rate	2.0	2.0	1.9	1.8	2.0	1.9	1.9	2.0
Seattle Cons. Price Index (1982-84=1.0)	2.484	2.499	2.513	2.526	2.540	2.554	2.567	2.581
% Ch, Annual Rate	2.4	2.4	2.3	2.1	2.2	2.2	2.2	2.1
Average Nonfarm Annual Wage	56,733	57,420	57,963	58,295	58,600	59,282	59,769	60,075
% Ch, Annual Rate	2.0	4.9	3.8	2.3	2.1	4.7	3.3	2.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	24.77	24.90	25.02	25.15	25.28	25.41	25.53	25.67
% Ch, Annual Rate	2.0	2.0	2.0	2.0	2.1	2.0	2.0	2.1
Current Dollar Income (Billions of Dollars)								
Personal Income	341.722	347.092	352.270	356.749	360.775	365.946	370.520	374.617
% Ch, Annual Rate	6.1	6.4	6.1	5.2	4.6	5.9	5.1	4.5
Disposable Personal Income	300.331	305.061	309.541	313.459	315.818	320.664	324.971	328.649
% Ch, Annual Rate	5.2	6.4	6.0	5.2	3.0	6.3	5.5	4.6
Per Capita Income (\$/Person)	48,296	48,893	49,458	49,919	50,315	50,869	51,340	51,743
% Ch, Annual Rate	4.7	5.0	4.7	3.8	3.2	4.5	3.8	3.2
Employment (Thousands)								
Washington Civilian Labor Force	3,575.9	3,588.4	3,600.7	3,613.1	3,625.4	3,637.3	3,648.9	3,660.1
Total Washington Employment	3,289.1	3,305.5	3,322.3	3,339.6	3,355.3	3,370.5	3,385.2	3,399.1
Unemployment Rate (%)	8.02	7.88	7.73	7.57	7.45	7.33	7.23	7.13
Nonfarm Payroll Employment	2,967.3	2,983.5	3,000.1	3,016.7	3,031.3	3,045.7	3,059.5	3,073.5
% Ch, Annual Rate	2.1	2.2	2.2	2.2	1.9	1.9	1.8	1.8
Manufacturing	291.8	292.6	293.6	294.7	295.5	296.1	296.3	296.9
% Ch, Annual Rate	2.3	1.2	1.4	1.5	1.1	0.7	0.3	0.8
Durable Manufacturing	214.3	215.2	216.2	217.2	217.8	218.4	218.7	219.0
% Ch, Annual Rate	2.7	1.7	1.8	1.8	1.2	1.0	0.5	0.7
Aerospace	95.8	95.4	95.0	94.7	94.3	94.0	93.6	93.3
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Nondurable Manufacturing	77.4	77.4	77.5	77.6	77.7	77.7	77.6	77.8
% Ch, Annual Rate	1.3	0.0	0.2	0.6	0.7	-0.1	-0.2	1.0
Construction	148.7	151.7	154.7	158.0	161.4	164.3	167.2	169.8
% Ch, Annual Rate	6.8	8.3	8.2	8.7	8.8	7.6	7.1	6.5
Service-Providing	2,520.3	2,532.5	2,544.9	2,557.0	2,567.3	2,578.0	2,588.6	2,599.3
% Ch, Annual Rate	1.8	1.9	2.0	1.9	1.6	1.7	1.7	1.7
Software Publishers	54.9	55.1	55.4	55.6	55.8	56.1	56.4	56.6
% Ch, Annual Rate	1.5	1.6	1.8	1.6	1.9	2.0	1.9	1.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	29.669	30.981	32.330	33.519	34.975	35.887	36.981	37.652
% Ch, Annual Rate	11.6	18.9	18.6	15.5	18.5	10.9	12.8	7.5
Single-Family	17.912	18.982	20.112	21.164	22.401	23.224	24.207	24.917
% Ch, Annual Rate	16.2	26.1	26.0	22.6	25.5	15.5	18.0	12.3
Multi-Family	11.757	12.000	12.217	12.355	12.574	12.664	12.774	12.735
% Ch, Annual Rate	5.0	8.5	7.4	4.6	7.3	2.9	3.5	-1.2
30-Year Fixed Mortgage Rate (%)	4.27	4.44	4.51	4.64	4.96	5.14	5.19	5.36

Table A1.4 (continued)
Washington Economic Forecast Summary
Forecast 2012 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Real Income (Billions of Chained 2005 Dollars)								
Real Personal Income	306.288	309.177	311.309	313.716	315.225	318.227	320.517	322.771
% Ch, Annual Rate	3.4	3.8	2.8	3.1	1.9	3.9	2.9	2.8
Real Wage and Salary Disb.	156.137	157.708	158.560	159.591	160.254	161.865	162.823	163.781
% Ch, Annual Rate	2.1	4.1	2.2	2.6	1.7	4.1	2.4	2.4
Real Nonwage Income	150.150	151.468	152.749	154.124	154.971	156.362	157.694	158.990
% Ch, Annual Rate	4.8	3.6	3.4	3.7	2.2	3.6	3.5	3.3
Real Per Capita Income (\$/Person)	42,174	42,442	42,607	42,811	42,893	43,180	43,371	43,557
% Ch, Annual Rate	2.2	2.6	1.6	1.9	0.8	2.7	1.8	1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2005=1.0)	1.240	1.246	1.252	1.257	1.263	1.269	1.275	1.281
% Ch, Annual Rate	2.0	2.0	1.9	1.9	1.9	1.8	1.8	1.8
Seattle Cons. Price Index (1982-84=1.0)	2.595	2.609	2.622	2.635	2.649	2.662	2.676	2.689
% Ch, Annual Rate	2.1	2.2	2.1	2.0	2.1	2.0	2.0	2.0
Average Nonfarm Annual Wage	60,394	61,059	61,427	61,884	62,195	62,915	63,384	63,865
% Ch, Annual Rate	2.1	4.5	2.4	3.0	2.0	4.7	3.0	3.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	25.80	25.94	26.08	26.21	26.35	26.49	26.63	26.77
% Ch, Annual Rate	2.1	2.2	2.1	2.1	2.1	2.1	2.1	2.2
Current Dollar Income (Billions of Dollars)								
Personal Income	379.644	385.124	389.615	394.434	398.232	403.852	408.612	413.365
% Ch, Annual Rate	5.5	5.9	4.7	5.0	3.9	5.8	4.8	4.7
Disposable Personal Income	332.195	337.069	341.406	345.858	348.622	353.755	358.211	362.654
% Ch, Annual Rate	4.4	6.0	5.2	5.3	3.2	6.0	5.1	5.1
Per Capita Income (\$/Person)	52,275	52,868	53,325	53,826	54,188	54,798	55,291	55,783
% Ch, Annual Rate	4.2	4.6	3.5	3.8	2.7	4.6	3.6	3.6
Employment (Thousands)								
Washington Civilian Labor Force	3,671.1	3,681.9	3,692.7	3,703.3	3,713.7	3,723.9	3,733.8	3,743.2
Total Washington Employment	3,412.8	3,426.4	3,439.9	3,452.9	3,465.4	3,477.6	3,489.3	3,500.8
Unemployment Rate (%)	7.04	6.94	6.85	6.76	6.69	6.61	6.55	6.48
Nonfarm Payroll Employment	3,087.4	3,101.2	3,114.6	3,127.2	3,138.2	3,149.0	3,159.2	3,169.2
% Ch, Annual Rate	1.8	1.8	1.7	1.6	1.4	1.4	1.3	1.3
Manufacturing	297.4	298.0	298.7	299.5	300.3	301.2	302.1	303.0
% Ch, Annual Rate	0.7	0.8	0.9	1.0	1.1	1.1	1.3	1.2
Durable Manufacturing	219.4	219.7	220.2	220.8	221.3	221.9	222.5	223.0
% Ch, Annual Rate	0.6	0.6	0.9	1.0	1.0	0.9	1.1	1.0
Aerospace	92.9	92.6	92.2	91.9	91.5	91.2	90.8	90.5
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Nondurable Manufacturing	78.0	78.3	78.5	78.7	79.0	79.3	79.6	80.0
% Ch, Annual Rate	1.0	1.3	1.0	1.0	1.5	1.7	1.6	1.8
Construction	172.4	174.8	177.0	179.0	180.9	182.7	184.2	185.6
% Ch, Annual Rate	6.3	5.7	5.1	4.6	4.3	4.0	3.4	2.9
Service-Providing	2,610.0	2,620.7	2,631.3	2,641.1	2,649.4	2,657.6	2,665.3	2,673.1
% Ch, Annual Rate	1.7	1.7	1.6	1.5	1.3	1.2	1.2	1.2
Software Publishers	56.9	57.1	57.3	57.5	57.8	58.0	58.2	58.5
% Ch, Annual Rate	1.7	1.5	1.6	1.5	1.7	1.5	1.6	1.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	38.186	38.494	38.842	39.148	39.260	39.331	39.358	39.401
% Ch, Annual Rate	5.8	3.3	3.7	3.2	1.1	0.7	0.3	0.4
Single-Family	25.429	25.714	26.089	26.338	26.418	26.535	26.606	26.598
% Ch, Annual Rate	8.5	4.5	6.0	3.9	1.2	1.8	1.1	-0.1
Multi-Family	12.757	12.780	12.753	12.810	12.842	12.796	12.752	12.803
% Ch, Annual Rate	0.7	0.7	-0.8	1.8	1.0	-1.4	-1.4	1.6
30-Year Fixed Mortgage Rate (%)	5.61	5.83	6.00	6.25	6.49	6.61	6.71	6.72

Table A2.1

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Nonfarm Payroll Employment	129.86	131.36	133.23	135.30	137.80	140.26	142.67	144.64
% Ch	-0.7	1.2	1.4	1.6	1.8	1.8	1.7	1.4
Manufacturing	11.53	11.74	11.99	12.22	12.45	12.55	12.59	12.65
% Ch	-2.7	1.8	2.1	2.0	1.9	0.8	0.4	0.4
Durable Manufacturing	7.06	7.28	7.51	7.74	8.01	8.14	8.22	8.28
% Ch	-3.0	3.0	3.2	3.2	3.4	1.7	0.9	0.7
Wood Products	0.34	0.34	0.33	0.37	0.44	0.51	0.53	0.54
% Ch	-5.0	-2.1	-0.7	11.8	19.6	14.6	3.6	1.7
Primary and Fabricated Metals	1.64	1.73	1.82	1.89	1.97	2.00	2.03	2.05
% Ch	-1.8	5.5	4.9	4.1	4.2	1.2	1.5	1.2
Computer and Electronic Products	1.09	1.11	1.11	1.10	1.09	1.09	1.10	1.13
% Ch	-3.7	1.1	0.3	-0.8	-0.8	-0.2	0.9	2.9
Machinery and Electrical Equipment	1.36	1.42	1.48	1.52	1.54	1.53	1.54	1.55
% Ch	-3.3	5.0	3.8	2.9	1.3	-0.6	0.5	0.6
Transportation Equipment	1.33	1.38	1.46	1.53	1.61	1.66	1.67	1.64
% Ch	-1.1	3.7	6.0	4.6	5.0	3.3	0.3	-1.5
Other Durables	1.29	1.29	1.30	1.33	1.35	1.35	1.36	1.36
% Ch	-5.0	0.0	0.6	1.9	1.7	0.5	0.2	0.5
Nondurable Manufacturing	4.46	4.46	4.48	4.48	4.45	4.40	4.38	4.37
% Ch	-2.2	-0.1	0.4	0.0	-0.7	-1.0	-0.6	0.0
Food Manufacturing	1.45	1.46	1.46	1.49	1.50	1.51	1.52	1.54
% Ch	-0.4	0.4	0.5	1.5	0.8	0.7	1.1	1.3
Paper and Paper Products	0.39	0.39	0.39	0.39	0.39	0.38	0.38	0.39
% Ch	-3.0	-0.9	0.1	-0.8	-0.5	-0.6	-0.2	0.6
Other Nondurables	2.62	2.61	2.62	2.61	2.56	2.51	2.47	2.45
% Ch	-3.0	-0.2	0.4	-0.7	-1.6	-2.0	-1.7	-1.0
Natural Resources and Mining	0.70	0.78	0.84	0.84	0.83	0.81	0.78	0.75
% Ch	1.5	11.3	7.0	0.3	-0.8	-3.4	-3.7	-4.1
Construction	5.52	5.50	5.53	5.59	5.96	6.56	7.09	7.44
% Ch	-8.2	-0.3	0.4	1.2	6.5	10.2	8.0	4.9
Trade, Transportation, and Utilities	24.64	25.02	25.33	25.74	26.13	26.46	26.85	27.15
% Ch	-1.1	1.5	1.2	1.6	1.5	1.3	1.4	1.1
Wholesale Trade	5.45	5.53	5.62	5.72	5.85	5.97	6.10	6.21
% Ch	-2.4	1.4	1.7	1.7	2.3	2.0	2.2	1.8
Retail Trade	14.44	14.64	14.77	14.94	15.03	15.08	15.17	15.23
% Ch	-0.5	1.4	0.9	1.2	0.6	0.4	0.6	0.4
Trans., Warehousing, and Utilities	4.74	4.85	4.94	5.08	5.25	5.41	5.57	5.71
% Ch	-1.2	2.2	1.9	2.9	3.3	3.1	3.0	2.6
Information	2.71	2.66	2.64	2.69	2.75	2.81	2.83	2.87
% Ch	-3.4	-1.8	-0.6	1.8	2.3	2.1	0.9	1.3
Publishing Industries	0.76	0.75	0.74	0.74	0.74	0.74	0.73	0.73
% Ch	-4.7	-1.4	-1.1	0.5	-1.0	-0.2	-0.1	-0.1
Other Information	1.95	1.91	1.90	1.95	2.01	2.07	2.10	2.14
% Ch	-2.9	-2.0	-0.5	2.4	3.6	3.0	1.2	1.8
Financial Activities	7.65	7.68	7.73	7.80	7.89	7.98	7.98	7.92
% Ch	-1.5	0.4	0.7	0.8	1.2	1.1	0.0	-0.7
Professional and Business Services	16.72	17.33	17.93	18.68	19.54	20.32	21.08	21.71
% Ch	0.9	3.6	3.5	4.2	4.6	4.0	3.7	3.0
Education and Health Services	19.53	19.88	20.31	20.64	21.04	21.48	22.07	22.55
% Ch	1.8	1.8	2.2	1.6	2.0	2.1	2.8	2.2
Leisure and Hospitality	13.04	13.32	13.63	13.83	13.91	13.91	13.86	13.85
% Ch	-0.2	2.1	2.3	1.5	0.6	0.0	-0.4	0.0
Other Services	5.33	5.34	5.37	5.43	5.47	5.45	5.41	5.38
% Ch	-0.7	0.2	0.6	1.0	0.8	-0.4	-0.7	-0.6
Federal Government	2.98	2.86	2.81	2.74	2.67	2.62	2.58	2.54
% Ch	5.1	-4.0	-1.6	-2.4	-2.6	-2.1	-1.5	-1.3
State and Local Government	19.51	19.25	19.12	19.10	19.15	19.31	19.56	19.83
% Ch	-1.1	-1.4	-0.6	-0.1	0.3	0.8	1.3	1.4

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	132.68	133.01	133.38	133.85	134.38	134.97	135.61	136.24
% Ch, Annual Rate	2.1	1.0	1.1	1.4	1.6	1.8	1.9	1.9
Manufacturing	11.89	11.95	12.01	12.09	12.11	12.21	12.26	12.32
% Ch, Annual Rate	3.6	2.0	1.7	2.7	0.7	3.5	1.5	2.0
Durable Manufacturing	7.43	7.48	7.52	7.59	7.62	7.73	7.78	7.85
% Ch, Annual Rate	5.1	2.7	2.5	3.6	1.6	5.5	2.9	3.6
Wood Products	0.33	0.33	0.33	0.34	0.35	0.37	0.38	0.40
% Ch, Annual Rate	2.6	-4.2	-1.0	9.1	15.2	19.7	15.7	18.7
Primary and Fabricated Metals	1.79	1.81	1.83	1.85	1.86	1.89	1.91	1.93
% Ch, Annual Rate	7.0	4.8	4.2	5.3	1.4	6.3	3.9	4.9
Computer and Electronic Products	1.11	1.11	1.11	1.11	1.11	1.10	1.10	1.09
% Ch, Annual Rate	0.0	0.6	0.1	-0.2	-0.5	-1.5	-2.7	-1.4
Machinery and Electrical Equipment	1.47	1.48	1.48	1.49	1.50	1.52	1.53	1.53
% Ch, Annual Rate	6.1	3.3	0.0	3.2	2.9	5.2	2.5	1.6
Transportation Equipment	1.43	1.45	1.48	1.49	1.49	1.53	1.54	1.56
% Ch, Annual Rate	7.6	6.1	7.5	3.2	0.6	8.6	4.7	5.2
Other Durables	1.30	1.30	1.30	1.31	1.31	1.32	1.33	1.34
% Ch, Annual Rate	3.7	-1.1	0.8	4.2	0.3	3.7	1.3	2.2
Nondurable Manufacturing	4.47	4.48	4.48	4.49	4.48	4.49	4.48	4.47
% Ch, Annual Rate	1.3	1.0	0.4	1.2	-0.9	0.2	-0.8	-0.7
Food Manufacturing	1.45	1.46	1.47	1.48	1.48	1.49	1.49	1.49
% Ch, Annual Rate	0.6	2.8	2.0	2.7	0.4	2.0	0.3	1.0
Paper and Paper Products	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
% Ch, Annual Rate	1.1	-0.2	-2.3	0.1	-2.0	0.1	-0.4	-0.6
Other Nondurables	2.62	2.62	2.62	2.63	2.62	2.61	2.60	2.59
% Ch, Annual Rate	1.6	0.1	0.0	0.6	-1.4	-0.8	-1.5	-1.7
Natural Resources and Mining	0.83	0.84	0.84	0.84	0.84	0.84	0.84	0.85
% Ch, Annual Rate	9.8	2.7	0.4	-0.6	1.5	-2.8	1.5	3.1
Construction	5.56	5.52	5.50	5.52	5.54	5.56	5.60	5.68
% Ch, Annual Rate	2.2	-2.6	-1.4	1.1	1.4	1.6	3.1	5.3
Trade, Transportation, and Utilities	25.24	25.30	25.36	25.42	25.55	25.66	25.81	25.93
% Ch, Annual Rate	1.6	0.9	1.0	0.9	2.1	1.7	2.5	1.8
Wholesale Trade	5.59	5.62	5.65	5.63	5.66	5.69	5.74	5.78
% Ch, Annual Rate	2.4	2.3	1.9	-1.0	2.2	2.2	3.2	2.7
Retail Trade	14.74	14.75	14.77	14.81	14.88	14.91	14.97	15.00
% Ch, Annual Rate	0.7	0.3	0.5	1.1	1.7	0.9	1.7	0.9
Trans., Warehousing, and Utilities	4.91	4.92	4.94	4.97	5.01	5.06	5.10	5.15
% Ch, Annual Rate	3.2	1.1	1.4	2.7	3.2	3.4	3.9	3.8
Information	2.63	2.63	2.65	2.65	2.68	2.69	2.69	2.69
% Ch, Annual Rate	-2.0	0.4	1.7	1.1	4.9	1.4	0.0	-1.2
Publishing Industries	0.74	0.74	0.74	0.74	0.74	0.75	0.74	0.74
% Ch, Annual Rate	-3.0	-1.1	-0.7	3.9	-0.9	2.8	-2.3	-1.9
Other Information	1.89	1.90	1.91	1.91	1.94	1.95	1.95	1.94
% Ch, Annual Rate	-1.6	1.0	2.6	0.1	7.2	0.8	0.8	-1.0
Financial Activities	7.71	7.73	7.74	7.75	7.76	7.78	7.80	7.83
% Ch, Annual Rate	0.9	1.3	0.5	0.6	0.6	0.7	1.4	1.5
Professional and Business Services	17.74	17.85	18.00	18.14	18.34	18.56	18.80	19.01
% Ch, Annual Rate	4.8	2.6	3.3	3.1	4.6	4.9	5.3	4.6
Education and Health Services	20.17	20.27	20.34	20.46	20.50	20.59	20.70	20.78
% Ch, Annual Rate	2.5	2.0	1.4	2.3	0.7	1.8	2.1	1.5
Leisure and Hospitality	13.55	13.59	13.65	13.71	13.77	13.82	13.84	13.89
% Ch, Annual Rate	3.5	1.2	2.0	1.7	1.8	1.3	0.6	1.4
Other Services	5.36	5.36	5.38	5.39	5.42	5.42	5.43	5.44
% Ch, Annual Rate	0.7	0.2	1.0	1.2	1.6	0.0	1.0	1.0
Federal Government	2.83	2.82	2.81	2.79	2.77	2.75	2.73	2.72
% Ch, Annual Rate	-1.6	-1.5	-1.5	-2.2	-2.6	-2.8	-2.8	-2.8
State and Local Government	19.16	19.14	19.11	19.09	19.09	19.09	19.10	19.11
% Ch, Annual Rate	-0.1	-0.6	-0.5	-0.4	0.0	0.1	0.1	0.3

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Nonfarm Payroll Employment	136.84	137.45	138.11	138.79	139.37	139.96	140.54	141.16
% Ch, Annual Rate	1.8	1.8	1.9	2.0	1.7	1.7	1.7	1.8
Manufacturing	12.40	12.44	12.47	12.51	12.53	12.55	12.55	12.56
% Ch, Annual Rate	2.5	1.2	1.2	1.2	0.8	0.3	0.0	0.5
Durable Manufacturing	7.93	7.98	8.03	8.08	8.11	8.14	8.15	8.18
% Ch, Annual Rate	4.3	2.6	2.4	2.5	1.6	1.2	0.8	1.1
Wood Products	0.41	0.43	0.46	0.48	0.49	0.51	0.52	0.52
% Ch, Annual Rate	19.8	19.3	23.4	22.1	14.2	9.8	7.1	5.4
Primary and Fabricated Metals	1.95	1.97	1.98	1.99	2.00	2.00	2.00	2.01
% Ch, Annual Rate	5.3	3.5	2.3	2.3	0.7	-0.1	0.2	1.7
Computer and Electronic Products	1.10	1.09	1.09	1.09	1.09	1.09	1.09	1.09
% Ch, Annual Rate	1.5	-1.7	-0.7	-0.4	0.6	0.6	-1.2	-0.1
Machinery and Electrical Equipment	1.54	1.54	1.54	1.54	1.53	1.53	1.53	1.53
% Ch, Annual Rate	2.0	0.0	-0.9	-0.8	-1.2	-0.4	-0.3	0.8
Transportation Equipment	1.58	1.60	1.62	1.63	1.65	1.66	1.67	1.67
% Ch, Annual Rate	5.1	4.3	4.3	4.1	3.5	3.2	2.2	0.3
Other Durables	1.34	1.35	1.35	1.35	1.35	1.35	1.35	1.36
% Ch, Annual Rate	2.4	1.0	0.6	0.7	0.4	0.2	0.5	0.8
Nondurable Manufacturing	4.47	4.45	4.44	4.43	4.42	4.41	4.39	4.39
% Ch, Annual Rate	-0.4	-1.2	-1.1	-1.0	-0.6	-1.3	-1.3	-0.5
Food Manufacturing	1.50	1.50	1.50	1.50	1.50	1.51	1.51	1.51
% Ch, Annual Rate	1.3	0.0	0.3	1.0	1.2	0.3	0.1	1.4
Paper and Paper Products	0.39	0.39	0.39	0.39	0.38	0.38	0.38	0.38
% Ch, Annual Rate	-0.1	-1.1	-0.6	-0.7	-0.5	-0.8	-0.8	0.0
Other Nondurables	2.58	2.57	2.56	2.54	2.53	2.52	2.50	2.49
% Ch, Annual Rate	-1.4	-1.9	-2.0	-2.2	-1.7	-2.3	-2.3	-1.7
Natural Resources and Mining	0.84	0.84	0.83	0.83	0.82	0.81	0.80	0.79
% Ch, Annual Rate	-2.5	-1.5	-2.5	-3.0	-3.5	-4.1	-4.2	-3.7
Construction	5.76	5.88	6.02	6.17	6.33	6.49	6.64	6.79
% Ch, Annual Rate	6.5	8.2	9.8	10.7	10.8	10.5	9.6	8.8
Trade, Transportation, and Utilities	25.99	26.07	26.17	26.27	26.34	26.42	26.50	26.59
% Ch, Annual Rate	1.0	1.2	1.6	1.5	1.0	1.3	1.2	1.3
Wholesale Trade	5.81	5.83	5.86	5.89	5.92	5.95	5.99	6.02
% Ch, Annual Rate	2.2	1.8	1.9	2.1	1.9	2.1	2.4	2.1
Retail Trade	14.99	15.01	15.04	15.07	15.06	15.08	15.08	15.10
% Ch, Annual Rate	-0.2	0.3	0.9	0.7	0.0	0.4	0.1	0.5
Trans., Warehousing, and Utilities	5.19	5.23	5.27	5.31	5.35	5.39	5.43	5.47
% Ch, Annual Rate	3.2	2.9	3.0	3.2	3.2	2.9	3.1	3.0
Information	2.71	2.75	2.77	2.77	2.79	2.81	2.82	2.83
% Ch, Annual Rate	3.1	7.1	2.9	0.0	2.6	2.3	1.4	1.3
Publishing Industries	0.74	0.74	0.74	0.73	0.73	0.74	0.74	0.74
% Ch, Annual Rate	-1.2	-0.7	-0.4	-0.8	0.0	0.2	0.0	0.0
Other Information	1.97	2.02	2.04	2.04	2.06	2.07	2.08	2.09
% Ch, Annual Rate	4.8	10.1	4.2	0.3	3.5	3.0	1.9	1.8
Financial Activities	7.85	7.88	7.90	7.93	7.95	7.97	7.99	8.00
% Ch, Annual Rate	0.9	1.2	1.5	1.2	1.1	1.0	1.2	0.4
Professional and Business Services	19.18	19.40	19.66	19.91	20.08	20.23	20.41	20.59
% Ch, Annual Rate	3.4	4.8	5.4	5.2	3.4	3.1	3.5	3.5
Education and Health Services	20.91	21.00	21.08	21.18	21.27	21.42	21.54	21.69
% Ch, Annual Rate	2.7	1.7	1.5	1.9	1.8	2.7	2.4	2.7
Leisure and Hospitality	13.92	13.91	13.90	13.91	13.93	13.91	13.90	13.90
% Ch, Annual Rate	1.0	-0.2	-0.4	0.4	0.6	-0.7	-0.2	0.0
Other Services	5.46	5.47	5.48	5.47	5.46	5.46	5.45	5.43
% Ch, Annual Rate	1.0	1.0	0.9	-0.8	-0.7	-0.5	-0.7	-0.9
Federal Government	2.70	2.68	2.66	2.65	2.63	2.62	2.61	2.60
% Ch, Annual Rate	-2.8	-2.5	-2.4	-2.2	-2.2	-1.7	-1.7	-1.6
State and Local Government	19.12	19.13	19.15	19.19	19.23	19.28	19.34	19.39
% Ch, Annual Rate	0.3	0.2	0.5	0.7	0.8	1.1	1.2	1.2

Table A2.2 (continued)

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2012 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Nonfarm Payroll Employment	141.78	142.39	142.98	143.53	143.99	144.44	144.85	145.27
% Ch, Annual Rate	1.8	1.7	1.7	1.6	1.3	1.2	1.2	1.2
Manufacturing	12.57	12.58	12.60	12.62	12.63	12.64	12.66	12.67
% Ch, Annual Rate	0.4	0.4	0.5	0.5	0.5	0.3	0.5	0.3
Durable Manufacturing	8.19	8.21	8.23	8.25	8.26	8.27	8.28	8.29
% Ch, Annual Rate	0.8	0.7	1.0	1.0	0.8	0.4	0.6	0.3
Wood Products	0.52	0.53	0.53	0.53	0.53	0.54	0.54	0.54
% Ch, Annual Rate	2.1	1.8	1.9	0.6	2.0	2.0	2.4	1.4
Primary and Fabricated Metals	2.01	2.02	2.03	2.04	2.05	2.05	2.05	2.06
% Ch, Annual Rate	1.5	1.7	2.6	2.1	0.8	0.5	0.7	0.4
Computer and Electronic Products	1.09	1.10	1.10	1.11	1.12	1.13	1.14	1.15
% Ch, Annual Rate	1.2	1.6	1.9	3.1	3.2	3.2	3.3	3.5
Machinery and Electrical Equipment	1.53	1.54	1.54	1.54	1.54	1.55	1.55	1.55
% Ch, Annual Rate	0.7	0.4	0.8	0.6	0.5	0.6	0.8	0.3
Transportation Equipment	1.67	1.67	1.66	1.66	1.66	1.65	1.64	1.62
% Ch, Annual Rate	0.2	-0.6	-1.2	-0.4	-0.9	-2.5	-2.7	-2.8
Other Durables	1.36	1.36	1.36	1.36	1.36	1.36	1.37	1.37
% Ch, Annual Rate	-0.1	-0.1	0.4	-0.2	0.7	0.4	1.3	1.0
Nondurable Manufacturing	4.38	4.38	4.37	4.37	4.37	4.37	4.38	4.38
% Ch, Annual Rate	-0.5	-0.3	-0.5	-0.4	0.1	0.2	0.2	0.4
Food Manufacturing	1.52	1.52	1.53	1.53	1.54	1.54	1.55	1.55
% Ch, Annual Rate	1.3	1.5	1.2	1.2	1.2	1.3	1.3	1.4
Paper and Paper Products	0.38	0.38	0.38	0.38	0.38	0.38	0.39	0.39
% Ch, Annual Rate	-0.2	0.0	-0.2	-0.1	0.7	1.1	1.2	1.5
Other Nondurables	2.48	2.47	2.46	2.46	2.45	2.45	2.44	2.44
% Ch, Annual Rate	-1.6	-1.4	-1.5	-1.4	-0.7	-0.7	-0.6	-0.5
Natural Resources and Mining	0.79	0.78	0.77	0.77	0.76	0.75	0.74	0.73
% Ch, Annual Rate	-3.6	-3.3	-3.4	-3.7	-3.9	-4.9	-4.5	-4.7
Construction	6.92	7.05	7.15	7.25	7.33	7.41	7.47	7.53
% Ch, Annual Rate	8.2	7.4	6.3	5.3	4.9	4.3	3.4	2.9
Trade, Transportation, and Utilities	26.69	26.79	26.90	26.99	27.07	27.13	27.18	27.23
% Ch, Annual Rate	1.5	1.5	1.7	1.3	1.2	0.9	0.8	0.7
Wholesale Trade	6.05	6.08	6.12	6.15	6.17	6.20	6.22	6.24
% Ch, Annual Rate	2.2	2.1	2.3	1.9	1.7	1.5	1.6	1.5
Retail Trade	15.13	15.16	15.19	15.21	15.23	15.23	15.23	15.22
% Ch, Annual Rate	0.7	0.8	0.9	0.5	0.4	0.1	-0.1	-0.2
Trans., Warehousing, and Utilities	5.51	5.55	5.59	5.63	5.67	5.70	5.73	5.76
% Ch, Annual Rate	3.0	2.9	3.1	2.8	2.5	2.3	2.3	2.1
Information	2.82	2.83	2.84	2.85	2.86	2.87	2.88	2.89
% Ch, Annual Rate	-0.2	0.5	1.8	1.2	1.3	1.4	1.6	1.2
Publishing Industries	0.74	0.73	0.73	0.73	0.73	0.73	0.73	0.73
% Ch, Annual Rate	0.0	-0.3	-0.1	-0.4	0.2	-0.2	0.2	0.1
Other Information	2.09	2.09	2.11	2.11	2.12	2.13	2.14	2.15
% Ch, Annual Rate	-0.2	0.8	2.4	1.7	1.7	2.0	2.1	1.5
Financial Activities	7.99	7.98	7.97	7.96	7.94	7.92	7.91	7.90
% Ch, Annual Rate	-0.3	-0.7	-0.4	-0.6	-1.0	-1.1	-0.5	-0.3
Professional and Business Services	20.78	21.00	21.18	21.35	21.50	21.65	21.78	21.92
% Ch, Annual Rate	3.8	4.2	3.6	3.2	2.7	2.9	2.4	2.6
Education and Health Services	21.84	22.01	22.15	22.28	22.37	22.50	22.60	22.72
% Ch, Annual Rate	3.0	3.2	2.4	2.4	1.6	2.3	1.9	2.1
Leisure and Hospitality	13.89	13.85	13.84	13.85	13.86	13.85	13.85	13.85
% Ch, Annual Rate	-0.4	-1.0	-0.3	0.3	0.3	-0.4	0.0	0.2
Other Services	5.43	5.41	5.41	5.40	5.39	5.38	5.38	5.37
% Ch, Annual Rate	-0.6	-0.9	-0.5	-0.7	-0.5	-0.5	-0.5	-0.5
Federal Government	2.59	2.58	2.57	2.56	2.55	2.54	2.54	2.53
% Ch, Annual Rate	-1.5	-1.5	-1.4	-1.4	-1.3	-1.3	-1.2	-1.2
State and Local Government	19.46	19.52	19.59	19.66	19.73	19.79	19.86	19.93
% Ch, Annual Rate	1.3	1.3	1.4	1.5	1.4	1.3	1.4	1.4

Table A2.3

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Nonfarm Payroll Employment	2,786.2	2,823.3	2,870.8	2,928.9	2,991.9	3,052.5	3,107.6	3,153.9
% Ch	-1.3	1.3	1.7	2.0	2.2	2.0	1.8	1.5
Manufacturing	258.2	268.8	280.8	288.3	293.2	296.2	298.4	301.6
% Ch	-2.8	4.1	4.5	2.7	1.7	1.0	0.7	1.1
Durable Manufacturing	184.3	193.5	204.8	211.4	215.7	218.5	220.0	222.2
% Ch	-3.3	5.0	5.9	3.2	2.1	1.3	0.7	1.0
Wood Products	12.9	12.7	12.3	13.5	15.7	17.5	17.9	18.0
% Ch	-2.9	-2.2	-3.0	9.6	16.4	12.0	2.2	0.5
Primary and Fabricated Metals	21.4	22.9	24.4	25.5	26.9	27.5	28.3	29.0
% Ch	-2.4	7.4	6.2	4.5	5.5	2.4	2.8	2.4
Computer and Electronic Products	19.1	19.6	20.2	20.3	20.3	20.5	21.1	22.3
% Ch	-4.8	2.8	3.1	0.2	-0.1	1.1	2.8	6.0
Machinery and Electrical Equipment	15.7	17.3	18.4	20.4	22.0	22.9	24.2	25.5
% Ch	-3.7	10.0	6.7	10.7	7.7	4.3	5.5	5.5
Aerospace	80.8	86.6	94.4	96.6	95.2	93.8	92.4	91.0
% Ch	-2.5	7.2	9.0	2.3	-1.4	-1.5	-1.5	-1.5
Other Transportation Equip.	8.9	9.2	9.9	9.6	9.6	9.4	8.8	8.5
% Ch	-8.3	4.3	7.4	-3.2	-0.6	-1.9	-5.7	-3.4
Other Durables	25.5	25.2	25.2	25.6	26.2	26.9	27.4	27.8
% Ch	-3.6	-1.2	0.1	1.6	2.5	2.6	1.7	1.7
Nondurable Manufacturing	73.9	75.2	76.0	77.0	77.5	77.7	78.4	79.5
% Ch	-1.3	1.8	1.0	1.3	0.6	0.3	0.9	1.4
Food Manufacturing	33.6	34.5	34.8	34.8	34.6	34.6	35.0	35.4
% Ch	-1.0	2.8	0.8	0.0	-0.5	0.0	1.0	1.3
Paper and Paper Products	9.3	9.0	8.2	8.5	8.8	8.9	9.0	9.1
% Ch	-3.8	-3.8	-8.4	3.0	3.2	1.6	1.2	1.5
Other Nondurables	31.0	31.7	32.9	33.7	34.1	34.2	34.4	34.9
% Ch	-1.0	2.5	3.9	2.2	1.1	0.3	0.6	1.4
Natural Resources and Mining	5.9	6.0	6.0	6.2	6.7	7.3	7.6	7.5
% Ch	-2.7	1.7	0.2	4.0	8.0	9.1	3.7	-0.9
Construction	140.7	137.3	138.8	143.5	153.3	165.7	175.8	183.4
% Ch	-11.9	-2.4	1.1	3.3	6.9	8.1	6.1	4.3
Trade, Transportation, and Utilities	516.9	525.7	538.4	548.8	557.4	564.6	572.2	578.4
% Ch	-1.1	1.7	2.4	1.9	1.6	1.3	1.4	1.1
Wholesale Trade	120.2	122.4	126.4	128.5	131.0	132.9	135.1	137.1
% Ch	-2.1	1.8	3.3	1.7	1.9	1.5	1.7	1.5
Retail Trade	308.1	312.7	318.7	323.4	326.6	329.1	332.1	334.0
% Ch	-0.4	1.5	1.9	1.5	1.0	0.8	0.9	0.6
Trans., Warehousing, and Utilities	88.6	90.7	93.4	96.9	99.8	102.5	105.0	107.3
% Ch	-2.1	2.3	3.0	3.8	3.0	2.7	2.5	2.2
Information	103.0	104.0	104.7	107.4	110.2	113.1	115.1	117.4
% Ch	-0.9	0.9	0.7	2.6	2.6	2.6	1.8	2.0
Software Publishers	50.9	51.6	52.8	54.4	55.2	56.2	57.2	58.1
% Ch	-1.1	1.5	2.3	3.0	1.6	1.8	1.7	1.6
Other Publishing Industries	8.2	7.8	7.6	7.5	7.2	7.0	6.8	6.6
% Ch	-6.3	-4.6	-2.3	-1.5	-4.2	-2.9	-2.7	-2.6
Other Information	43.9	44.5	44.2	45.5	47.8	49.9	51.1	52.7
% Ch	0.5	1.4	-0.7	2.9	5.0	4.3	2.5	3.1
Financial Activities	137.9	137.7	138.9	140.6	142.3	143.4	142.5	140.7
% Ch	-3.5	-0.1	0.9	1.2	1.2	0.8	-0.6	-1.3
Professional and Business Services	326.3	339.6	350.3	366.0	384.2	401.4	417.4	430.8
% Ch	0.6	4.1	3.1	4.5	5.0	4.5	4.0	3.2
Education and Health Services	375.4	381.5	385.9	394.4	404.1	413.8	425.3	434.5
% Ch	0.8	1.6	1.1	2.2	2.5	2.4	2.8	2.2
Leisure and Hospitality	266.5	270.8	277.2	285.8	290.9	293.3	293.9	294.8
% Ch	-1.2	1.6	2.4	3.1	1.8	0.8	0.2	0.3
Other Services	105.5	108.4	110.3	110.6	110.8	110.8	110.6	110.4
% Ch	-0.7	2.7	1.8	0.3	0.2	-0.1	-0.2	-0.2
Federal Government	75.6	74.0	72.5	71.2	70.1	69.3	68.8	68.3
% Ch	3.9	-2.2	-1.9	-1.9	-1.5	-1.1	-0.8	-0.7
State and Local Government	474.4	469.7	467.0	466.2	468.5	473.7	479.9	486.0
% Ch	-0.5	-1.0	-0.6	-0.2	0.5	1.1	1.3	1.3

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Nonfarm Payroll Employment	2,850.7	2,864.9	2,877.0	2,890.8	2,905.5	2,921.1	2,937.0	2,952.1
% Ch, Annual Rate	2.1	2.0	1.7	1.9	2.1	2.2	2.2	2.1
Manufacturing	275.9	279.4	282.8	285.2	286.2	288.1	288.9	290.1
% Ch, Annual Rate	3.4	5.2	4.9	3.5	1.3	2.8	1.1	1.7
Durable Manufacturing	200.6	203.6	206.6	208.6	209.5	211.1	211.9	212.9
% Ch, Annual Rate	5.8	5.9	6.1	3.8	1.8	3.1	1.5	2.0
Wood Products	12.3	12.2	12.2	12.4	12.8	13.2	13.7	14.2
% Ch, Annual Rate	-3.1	-4.2	-1.3	7.1	12.5	16.5	12.9	15.6
Primary and Fabricated Metals	23.9	24.4	24.3	24.7	24.8	25.3	25.6	26.0
% Ch, Annual Rate	9.5	8.1	-1.2	6.3	2.1	7.7	5.2	6.3
Computer and Electronic Products	19.9	20.2	20.4	20.4	20.4	20.3	20.2	20.1
% Ch, Annual Rate	3.4	5.9	4.7	0.1	-0.1	-1.5	-3.1	-1.1
Machinery and Electrical Equipment	17.9	18.3	18.5	19.0	19.5	20.2	20.7	21.1
% Ch, Annual Rate	4.7	9.4	4.8	12.1	11.2	14.4	10.0	8.4
Aerospace	91.6	93.2	96.1	96.9	96.9	96.9	96.5	96.1
% Ch, Annual Rate	5.5	7.4	13.2	3.0	0.0	0.0	-1.5	-1.5
Other Transportation Equip.	9.8	10.1	9.9	9.9	9.7	9.6	9.6	9.6
% Ch, Annual Rate	23.7	11.3	-6.1	-2.0	-7.9	-3.6	-0.5	0.7
Other Durables	25.2	25.2	25.1	25.3	25.4	25.6	25.7	25.8
% Ch, Annual Rate	4.5	-0.5	-0.9	2.7	1.7	2.6	1.4	2.1
Nondurable Manufacturing	75.3	75.9	76.2	76.6	76.7	77.0	77.0	77.2
% Ch, Annual Rate	-2.6	3.2	1.7	2.5	0.2	1.7	0.1	0.7
Food Manufacturing	34.3	34.8	35.0	35.1	34.9	34.9	34.7	34.7
% Ch, Annual Rate	-6.6	5.9	1.8	0.7	-2.1	0.4	-1.8	-0.4
Paper and Paper Products	8.5	8.1	8.1	8.3	8.3	8.5	8.5	8.6
% Ch, Annual Rate	-14.9	-15.4	0.3	7.2	3.6	5.6	4.3	3.5
Other Nondurables	32.5	32.9	33.1	33.3	33.5	33.7	33.7	33.8
% Ch, Annual Rate	5.5	5.7	1.9	3.2	1.8	2.2	1.0	1.2
Natural Resources and Mining	6.0	6.0	5.9	6.1	6.1	6.2	6.3	6.4
% Ch, Annual Rate	-4.1	1.0	-5.5	9.0	4.0	4.4	6.7	5.8
Construction	137.9	138.6	139.0	139.8	141.0	142.3	144.1	146.3
% Ch, Annual Rate	2.0	1.9	1.2	2.4	3.5	3.8	5.1	6.2
Trade, Transportation, and Utilities	533.7	537.8	540.4	541.8	544.8	547.2	550.5	553.0
% Ch, Annual Rate	3.1	3.1	1.9	1.1	2.2	1.8	2.5	1.8
Wholesale Trade	125.2	126.3	127.2	126.9	127.5	128.1	128.9	129.7
% Ch, Annual Rate	5.4	3.5	3.1	-1.0	1.7	1.9	2.8	2.2
Retail Trade	317.2	318.7	318.9	320.0	321.6	322.6	324.2	325.2
% Ch, Annual Rate	2.4	2.0	0.2	1.4	2.1	1.2	2.0	1.2
Trans., Warehousing, and Utilities	91.4	92.8	94.3	94.9	95.7	96.5	97.3	98.1
% Ch, Annual Rate	-2.6	6.6	6.3	2.9	3.2	3.3	3.5	3.3
Information	103.9	104.2	104.9	105.6	106.8	107.4	107.7	107.8
% Ch, Annual Rate	-0.5	1.3	2.7	2.6	4.4	2.6	1.0	0.3
Software Publishers	52.0	52.4	53.2	53.7	53.9	54.4	54.5	54.7
% Ch, Annual Rate	1.4	2.9	5.9	3.9	1.9	3.3	1.1	1.3
Other Publishing Industries	7.6	7.6	7.6	7.7	7.6	7.6	7.5	7.4
% Ch, Annual Rate	-2.9	-0.4	1.7	2.0	-4.3	0.9	-6.0	-5.4
Other Information	44.3	44.2	44.1	44.3	45.2	45.5	45.7	45.7
% Ch, Annual Rate	-2.3	-0.3	-0.8	1.2	9.1	2.0	2.0	0.0
Financial Activities	138.1	138.7	139.4	139.6	139.9	140.2	140.8	141.4
% Ch, Annual Rate	1.3	1.7	2.1	0.6	0.7	1.0	1.7	1.7
Professional and Business Services	345.9	349.0	351.5	354.6	358.9	363.5	368.5	373.0
% Ch, Annual Rate	4.6	3.5	3.0	3.5	4.9	5.2	5.7	5.0
Education and Health Services	383.5	384.8	386.1	389.1	390.7	393.2	395.8	397.9
% Ch, Annual Rate	0.1	1.3	1.4	3.1	1.7	2.5	2.7	2.2
Leisure and Hospitality	275.6	276.1	276.9	280.1	282.9	285.1	286.7	288.5
% Ch, Annual Rate	4.6	0.7	1.2	4.6	4.0	3.2	2.2	2.5
Other Services	109.6	110.2	110.7	110.6	110.6	110.5	110.5	110.6
% Ch, Annual Rate	2.3	2.0	1.9	-0.3	0.1	-0.5	0.1	0.3
Federal Government	73.4	73.0	72.0	71.8	71.6	71.3	71.0	70.7
% Ch, Annual Rate	-1.4	-2.3	-5.3	-1.0	-1.4	-1.5	-1.5	-1.6
State and Local Government	467.0	467.2	467.3	466.5	466.1	466.1	466.1	466.4
% Ch, Annual Rate	-0.2	0.1	0.1	-0.7	-0.3	0.0	0.0	0.2

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Nonfarm Payroll Employment	2,967.3	2,983.5	3,000.1	3,016.7	3,031.3	3,045.7	3,059.5	3,073.5
% Ch, Annual Rate	2.1	2.2	2.2	2.2	1.9	1.9	1.8	1.8
Manufacturing	291.8	292.6	293.6	294.7	295.5	296.1	296.3	296.9
% Ch, Annual Rate	2.3	1.2	1.4	1.5	1.1	0.7	0.3	0.8
Durable Manufacturing	214.3	215.2	216.2	217.2	217.8	218.4	218.7	219.0
% Ch, Annual Rate	2.7	1.7	1.8	1.8	1.2	1.0	0.5	0.7
Wood Products	14.7	15.3	16.0	16.7	17.1	17.5	17.7	17.9
% Ch, Annual Rate	16.5	16.1	19.7	18.6	11.6	7.8	5.4	3.8
Primary and Fabricated Metals	26.5	26.8	27.0	27.2	27.3	27.4	27.5	27.7
% Ch, Annual Rate	6.7	4.8	3.5	3.5	1.8	1.0	1.4	3.1
Computer and Electronic Products	20.3	20.2	20.2	20.3	20.4	20.5	20.5	20.5
% Ch, Annual Rate	3.3	-1.3	0.1	0.7	2.2	2.3	-0.3	1.2
Machinery and Electrical Equipment	21.6	21.9	22.1	22.3	22.5	22.8	23.0	23.3
% Ch, Annual Rate	8.7	5.6	4.1	4.2	3.4	4.5	4.5	6.1
Aerospace	95.8	95.4	95.0	94.7	94.3	94.0	93.6	93.3
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Other Transportation Equip.	9.6	9.6	9.5	9.5	9.5	9.5	9.4	9.2
% Ch, Annual Rate	-0.3	-0.8	-1.0	-1.2	-1.5	-0.7	-3.9	-7.5
Other Durables	26.0	26.1	26.3	26.5	26.7	26.8	27.0	27.1
% Ch, Annual Rate	2.8	2.6	2.7	2.8	2.6	2.4	2.2	2.1
Nondurable Manufacturing	77.4	77.4	77.5	77.6	77.7	77.7	77.6	77.8
% Ch, Annual Rate	1.3	0.0	0.2	0.6	0.7	-0.1	-0.2	1.0
Food Manufacturing	34.8	34.6	34.6	34.6	34.7	34.6	34.6	34.7
% Ch, Annual Rate	0.5	-1.2	-0.7	0.3	0.7	-0.4	-0.6	1.4
Paper and Paper Products	8.7	8.7	8.8	8.8	8.9	8.9	8.9	8.9
% Ch, Annual Rate	3.6	2.0	2.2	1.8	1.7	1.2	0.9	1.6
Other Nondurables	34.0	34.0	34.1	34.1	34.2	34.2	34.2	34.2
% Ch, Annual Rate	1.5	0.8	0.7	0.5	0.4	-0.1	0.0	0.6
Natural Resources and Mining	6.5	6.6	6.8	7.0	7.2	7.3	7.4	7.5
% Ch, Annual Rate	8.3	9.5	10.2	10.4	10.3	7.9	7.2	5.7
Construction	148.7	151.7	154.7	158.0	161.4	164.3	167.2	169.8
% Ch, Annual Rate	6.8	8.3	8.2	8.7	8.8	7.6	7.1	6.5
Trade, Transportation, and Utilities	554.4	556.2	558.4	560.5	562.0	563.7	565.4	567.1
% Ch, Annual Rate	1.0	1.3	1.6	1.5	1.0	1.3	1.2	1.3
Wholesale Trade	130.2	130.7	131.2	131.7	132.2	132.6	133.2	133.7
% Ch, Annual Rate	1.8	1.5	1.4	1.6	1.4	1.5	1.8	1.6
Retail Trade	325.3	326.0	327.1	328.0	328.3	328.9	329.3	330.0
% Ch, Annual Rate	0.1	0.8	1.3	1.1	0.4	0.8	0.5	0.8
Trans., Warehousing, and Utilities	98.8	99.5	100.1	100.8	101.5	102.2	102.8	103.4
% Ch, Annual Rate	2.9	2.8	2.8	2.8	2.8	2.5	2.6	2.5
Information	108.6	110.1	111.0	111.3	112.1	112.9	113.5	114.1
% Ch, Annual Rate	3.1	5.7	3.1	1.2	3.0	2.8	2.2	2.1
Software Publishers	54.9	55.1	55.4	55.6	55.8	56.1	56.4	56.6
% Ch, Annual Rate	1.5	1.6	1.8	1.6	1.9	2.0	1.9	1.8
Other Publishing Industries	7.3	7.2	7.2	7.1	7.1	7.0	7.0	6.9
% Ch, Annual Rate	-4.4	-3.6	-3.3	-3.8	-2.6	-2.3	-2.5	-2.6
Other Information	46.4	47.8	48.4	48.6	49.2	49.7	50.1	50.5
% Ch, Annual Rate	6.4	12.2	5.7	1.4	5.0	4.4	3.1	3.0
Financial Activities	141.7	142.1	142.6	142.8	143.1	143.3	143.6	143.5
% Ch, Annual Rate	0.9	1.2	1.3	0.8	0.8	0.5	0.7	-0.2
Professional and Business Services	376.6	381.4	386.8	392.1	395.9	399.4	403.2	407.1
% Ch, Annual Rate	3.9	5.2	5.8	5.6	3.9	3.6	3.9	3.9
Education and Health Services	400.9	403.1	405.1	407.4	409.6	412.5	415.1	418.0
% Ch, Annual Rate	3.0	2.2	2.0	2.3	2.2	2.9	2.5	2.8
Leisure and Hospitality	289.9	290.6	291.2	292.0	292.9	293.0	293.4	293.7
% Ch, Annual Rate	2.0	1.0	0.8	1.2	1.2	0.2	0.5	0.5
Other Services	110.7	110.8	110.9	110.9	110.8	110.8	110.8	110.7
% Ch, Annual Rate	0.3	0.4	0.4	-0.3	-0.2	-0.1	-0.2	-0.3
Federal Government	70.5	70.2	70.0	69.8	69.6	69.4	69.2	69.1
% Ch, Annual Rate	-1.6	-1.4	-1.3	-1.2	-1.2	-0.9	-0.9	-0.8
State and Local Government	467.1	467.9	468.9	470.1	471.4	472.9	474.5	476.0
% Ch, Annual Rate	0.7	0.6	0.8	1.1	1.1	1.3	1.3	1.3

Table A2.4 (continued)

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2012 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Nonfarm Payroll Employment	3,087.4	3,101.2	3,114.6	3,127.2	3,138.2	3,149.0	3,159.2	3,169.2
% Ch, Annual Rate	1.8	1.8	1.7	1.6	1.4	1.4	1.3	1.3
Manufacturing	297.4	298.0	298.7	299.5	300.3	301.2	302.1	303.0
% Ch, Annual Rate	0.7	0.8	0.9	1.0	1.1	1.1	1.3	1.2
Durable Manufacturing	219.4	219.7	220.2	220.8	221.3	221.9	222.5	223.0
% Ch, Annual Rate	0.6	0.6	0.9	1.0	1.0	0.9	1.1	1.0
Wood Products	17.9	17.9	17.9	17.9	18.0	18.0	18.0	18.1
% Ch, Annual Rate	0.8	0.6	0.6	-0.5	0.8	0.8	1.1	0.2
Primary and Fabricated Metals	27.9	28.1	28.4	28.6	28.8	28.9	29.0	29.1
% Ch, Annual Rate	2.9	3.0	4.0	3.4	2.0	1.6	1.8	1.5
Computer and Electronic Products	20.7	20.9	21.1	21.5	21.8	22.1	22.5	22.9
% Ch, Annual Rate	3.3	4.0	4.3	6.2	6.4	6.4	6.7	6.9
Machinery and Electrical Equipment	23.7	24.0	24.3	24.7	25.0	25.3	25.7	26.0
% Ch, Annual Rate	5.8	5.4	5.9	5.5	5.3	5.4	5.6	4.9
Aerospace	92.9	92.6	92.2	91.9	91.5	91.2	90.8	90.5
% Ch, Annual Rate	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Other Transportation Equip.	9.0	8.9	8.8	8.7	8.6	8.6	8.5	8.5
% Ch, Annual Rate	-6.3	-7.2	-5.2	-2.9	-2.5	-3.6	-2.4	-1.5
Other Durables	27.2	27.3	27.4	27.5	27.6	27.8	27.9	28.0
% Ch, Annual Rate	1.5	1.4	1.6	1.4	2.0	1.8	2.0	1.8
Nondurable Manufacturing	78.0	78.3	78.5	78.7	79.0	79.3	79.6	80.0
% Ch, Annual Rate	1.0	1.3	1.0	1.0	1.5	1.7	1.6	1.8
Food Manufacturing	34.8	34.9	35.0	35.1	35.3	35.4	35.5	35.6
% Ch, Annual Rate	1.2	1.6	1.1	1.2	1.3	1.5	1.4	1.6
Paper and Paper Products	9.0	9.0	9.0	9.0	9.1	9.1	9.2	9.2
% Ch, Annual Rate	1.2	1.2	0.9	0.9	1.7	2.0	2.0	2.2
Other Nondurables	34.3	34.4	34.4	34.5	34.7	34.8	35.0	35.1
% Ch, Annual Rate	0.7	1.1	0.8	0.9	1.6	1.8	1.7	1.9
Natural Resources and Mining	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.5
% Ch, Annual Rate	3.8	2.2	0.0	-1.5	-0.1	-1.7	-2.0	-2.6
Construction	172.4	174.8	177.0	179.0	180.9	182.7	184.2	185.6
% Ch, Annual Rate	6.3	5.7	5.1	4.6	4.3	4.0	3.4	2.9
Trade, Transportation, and Utilities	569.1	571.2	573.4	575.2	576.7	578.0	579.1	580.0
% Ch, Annual Rate	1.4	1.5	1.6	1.2	1.1	0.9	0.8	0.6
Wholesale Trade	134.3	134.8	135.5	136.0	136.5	136.9	137.4	137.8
% Ch, Annual Rate	1.7	1.6	1.8	1.6	1.4	1.3	1.4	1.3
Retail Trade	330.8	331.7	332.6	333.2	333.8	334.1	334.2	334.1
% Ch, Annual Rate	1.0	1.1	1.2	0.7	0.7	0.3	0.1	0.0
Trans., Warehousing, and Utilities	104.1	104.7	105.3	105.9	106.5	107.0	107.5	108.0
% Ch, Annual Rate	2.4	2.4	2.5	2.3	2.1	2.0	2.0	1.8
Information	114.4	114.8	115.4	116.0	116.5	117.1	117.8	118.3
% Ch, Annual Rate	1.1	1.4	2.3	1.9	2.0	2.0	2.2	1.9
Software Publishers	56.9	57.1	57.3	57.5	57.8	58.0	58.2	58.5
% Ch, Annual Rate	1.7	1.5	1.6	1.5	1.7	1.5	1.6	1.5
Other Publishing Industries	6.9	6.8	6.8	6.7	6.7	6.7	6.6	6.6
% Ch, Annual Rate	-2.6	-3.0	-2.7	-3.0	-2.2	-2.8	-2.2	-2.4
Other Information	50.6	50.8	51.3	51.7	52.1	52.5	52.9	53.3
% Ch, Annual Rate	0.9	1.9	3.8	3.0	3.0	3.3	3.4	2.8
Financial Activities	143.2	142.7	142.4	141.9	141.4	140.8	140.5	140.2
% Ch, Annual Rate	-0.9	-1.3	-0.9	-1.2	-1.5	-1.6	-0.9	-0.7
Professional and Business Services	411.2	415.7	419.6	423.2	426.2	429.4	432.2	435.1
% Ch, Annual Rate	4.1	4.5	3.8	3.4	2.9	3.1	2.6	2.7
Education and Health Services	421.0	424.2	426.7	429.3	431.2	433.6	435.6	437.8
% Ch, Annual Rate	2.9	3.1	2.4	2.4	1.7	2.3	1.9	2.0
Leisure and Hospitality	293.9	293.7	293.9	294.3	294.6	294.7	294.8	295.1
% Ch, Annual Rate	0.2	-0.3	0.2	0.6	0.5	0.0	0.2	0.3
Other Services	110.6	110.6	110.5	110.5	110.5	110.4	110.4	110.3
% Ch, Annual Rate	-0.1	-0.3	-0.1	-0.2	-0.1	-0.1	-0.2	-0.2
Federal Government	69.0	68.8	68.7	68.6	68.5	68.3	68.2	68.1
% Ch, Annual Rate	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
State and Local Government	477.6	479.1	480.6	482.2	483.7	485.2	486.7	488.2
% Ch, Annual Rate	1.4	1.2	1.3	1.4	1.3	1.2	1.3	1.2

Table A3.1

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

Forecast 2012 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Personal Income	12,321.9	12,947.3	13,429.5	14,023.2	14,793.3	15,537.6	16,326.9	17,087.7
% Ch	3.8	5.1	3.7	4.4	5.5	5.0	5.1	4.7
Total Wage and Salary Disbursements	6,404.6	6,661.3	6,913.2	7,208.4	7,559.3	7,928.0	8,299.1	8,669.3
% Ch	2.1	4.0	3.8	4.3	4.9	4.9	4.7	4.5
Nonwage Personal Income	5,917.3	6,286.0	6,516.3	6,814.8	7,234.0	7,609.6	8,027.8	8,418.4
% Ch	5.7	6.2	3.7	4.6	6.2	5.2	5.5	4.9
Supplements to Wages and Salaries	1,565.4	1,633.9	1,687.2	1,759.3	1,852.7	1,954.8	2,068.1	2,184.6
% Ch	2.7	4.4	3.3	4.3	5.3	5.5	5.8	5.6
Proprietor's Income	1,103.4	1,157.4	1,203.3	1,260.5	1,351.4	1,433.4	1,508.5	1,566.1
% Ch	12.7	4.9	4.0	4.7	7.2	6.1	5.2	3.8
Farm	44.3	54.6	55.4	50.8	54.2	53.5	56.1	59.2
% Ch	...	...	...	...	...	...	...	...
Nonfarm	1,059.1	1,102.8	1,147.9	1,209.7	1,297.2	1,380.0	1,452.4	1,506.9
% Ch	12.7	4.1	4.1	5.4	7.2	6.4	5.2	3.8
Less: Contribution For Govt. Soc. Ins.	983.3	919.3	952.2	1,021.0	1,096.3	1,211.9	1,309.2	1,416.2
% Ch	2.1	-6.5	3.6	7.2	7.4	10.5	8.0	8.2
Dividends/Int./Rent	1,947.5	2,094.8	2,205.2	2,347.2	2,495.8	2,650.4	2,807.0	2,982.4
% Ch	1.6	7.6	5.3	6.4	6.3	6.2	5.9	6.2
Transfer Payments	2,284.3	2,319.3	2,372.9	2,468.9	2,630.4	2,782.8	2,953.5	3,101.4
% Ch	6.7	1.5	2.3	4.0	6.5	5.8	6.1	5.0

Table A3.2

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

Forecast 2012 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	13,227.1	13,362.4	13,491.3	13,637.4	13,767.8	13,932.0	14,110.0	14,283.2
% Ch, Annual Rate	6.6	4.2	3.9	4.4	3.9	4.9	5.2	5.0
Total Wage and Salary Disbursements	6,825.9	6,882.0	6,937.9	7,007.1	7,085.4	7,165.8	7,249.1	7,333.3
% Ch, Annual Rate	8.2	3.3	3.3	4.0	4.5	4.6	4.7	4.7
Nonwage Personal Income	6,401.2	6,480.4	6,553.4	6,630.3	6,682.4	6,766.2	6,860.9	6,949.8
% Ch, Annual Rate	4.9	5.0	4.6	4.8	3.2	5.1	5.7	5.3
Supplements to Wages and Salaries	1,669.8	1,680.9	1,691.9	1,706.1	1,730.3	1,749.1	1,768.1	1,789.7
% Ch, Annual Rate	5.5	2.7	2.6	3.4	5.8	4.4	4.4	5.0
Proprietor's Income	1,184.4	1,197.2	1,214.5	1,217.2	1,224.8	1,246.2	1,274.4	1,296.4
% Ch, Annual Rate	6.7	4.4	5.9	0.9	2.5	7.2	9.4	7.1
Farm	52.3	55.2	62.6	51.7	44.6	46.8	54.9	56.8
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,132.1	1,142.0	1,151.9	1,165.6	1,180.1	1,199.5	1,219.5	1,239.7
% Ch, Annual Rate	7.9	3.5	3.5	4.8	5.1	6.7	6.9	6.8
Less: Contribution For Govt. Soc. Ins.	942.6	948.4	954.7	963.2	1,006.6	1,016.9	1,024.0	1,036.5
% Ch, Annual Rate	8.8	2.5	2.7	3.6	19.3	4.2	2.8	5.0
Dividends/Int./Rent	2,141.7	2,188.8	2,222.9	2,267.3	2,298.8	2,330.2	2,362.3	2,397.5
% Ch, Annual Rate	5.2	9.1	6.4	8.2	5.7	5.6	5.6	6.1
Transfer Payments	2,348.0	2,362.0	2,378.8	2,402.9	2,435.1	2,457.5	2,480.1	2,502.7
% Ch, Annual Rate	4.9	2.4	2.9	4.1	5.5	3.7	3.7	3.7

Table A3.2 (continued)

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

Forecast 2012 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Personal Income	14,509.8	14,693.8	14,887.9	15,081.7	15,267.7	15,447.3	15,626.6	15,808.6
% Ch, Annual Rate	6.5	5.2	5.4	5.3	5.0	4.8	4.7	4.7
Total Wage and Salary Disbursements	7,423.2	7,511.6	7,603.8	7,698.5	7,792.5	7,883.0	7,973.2	8,063.1
% Ch, Annual Rate	5.0	4.8	5.0	5.1	5.0	4.7	4.7	4.6
Nonwage Personal Income	7,086.6	7,182.2	7,284.0	7,383.1	7,475.2	7,564.3	7,653.4	7,745.5
% Ch, Annual Rate	8.1	5.5	5.8	5.6	5.1	4.9	4.8	4.9
Supplements to Wages and Salaries	1,819.4	1,841.1	1,863.0	1,887.2	1,918.1	1,941.9	1,966.4	1,992.9
% Ch, Annual Rate	6.8	4.9	4.8	5.3	6.7	5.1	5.1	5.5
Proprietor's Income	1,317.0	1,342.4	1,362.5	1,383.7	1,400.4	1,424.5	1,444.5	1,464.3
% Ch, Annual Rate	6.5	7.9	6.1	6.4	4.9	7.1	5.7	5.6
Farm	56.7	54.9	53.1	52.2	52.3	53.3	53.8	54.5
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,260.3	1,287.5	1,309.4	1,331.5	1,348.1	1,371.2	1,390.8	1,409.7
% Ch, Annual Rate	6.8	8.9	7.0	6.9	5.1	7.0	5.8	5.6
Less: Contribution For Govt. Soc. Ins.	1,078.4	1,090.3	1,101.5	1,115.1	1,193.2	1,205.6	1,217.4	1,231.3
% Ch, Annual Rate	17.2	4.5	4.2	5.0	31.1	4.2	4.0	4.6
Dividends/Int./Rent	2,435.8	2,471.0	2,516.9	2,559.5	2,601.7	2,632.3	2,665.8	2,701.9
% Ch, Annual Rate	6.5	5.9	7.6	6.9	6.7	4.8	5.2	5.5
Transfer Payments	2,592.8	2,618.0	2,643.1	2,667.8	2,748.3	2,771.1	2,794.2	2,817.7
% Ch, Annual Rate	15.2	3.9	3.9	3.8	12.6	3.4	3.4	3.4

Table A3.2 (continued)

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

Forecast 2012 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Personal Income	16,037.2	16,230.9	16,422.1	16,617.6	16,795.7	16,991.3	17,184.5	17,379.5
% Ch, Annual Rate	5.9	4.9	4.8	4.8	4.4	4.7	4.6	4.6
Total Wage and Salary Disbursements	8,160.2	8,252.8	8,345.7	8,437.7	8,533.2	8,623.8	8,714.3	8,806.1
% Ch, Annual Rate	4.9	4.6	4.6	4.5	4.6	4.3	4.3	4.3
Nonwage Personal Income	7,877.0	7,978.1	8,076.4	8,179.8	8,262.5	8,367.5	8,470.3	8,573.4
% Ch, Annual Rate	7.0	5.2	5.0	5.2	4.1	5.2	5.0	5.0
Supplements to Wages and Salaries	2,027.2	2,054.1	2,081.4	2,109.8	2,145.7	2,171.5	2,197.4	2,224.0
% Ch, Annual Rate	7.1	5.4	5.4	5.6	7.0	4.9	4.9	4.9
Proprietor's Income	1,482.2	1,501.6	1,517.1	1,532.9	1,544.5	1,560.0	1,571.3	1,588.7
% Ch, Annual Rate	5.0	5.3	4.2	4.3	3.1	4.1	2.9	4.5
Farm	55.2	55.3	56.4	57.4	58.4	59.1	59.7	59.9
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	1,427.0	1,446.3	1,460.6	1,475.5	1,486.1	1,500.9	1,511.6	1,528.8
% Ch, Annual Rate	5.0	5.5	4.0	4.1	2.9	4.0	2.9	4.6
Less: Contribution For Govt. Soc. Ins.	1,290.1	1,302.8	1,315.1	1,328.9	1,397.5	1,409.9	1,421.7	1,435.5
% Ch, Annual Rate	20.6	4.0	3.8	4.3	22.3	3.6	3.4	3.9
Dividends/Int./Rent	2,743.6	2,785.9	2,827.6	2,871.1	2,916.3	2,961.5	3,006.3	3,045.7
% Ch, Annual Rate	6.3	6.3	6.1	6.3	6.4	6.4	6.2	5.3
Transfer Payments	2,914.2	2,939.3	2,965.5	2,994.9	3,053.6	3,084.4	3,117.0	3,150.6
% Ch, Annual Rate	14.4	3.5	3.6	4.0	8.1	4.1	4.3	4.4

Table A3.3

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Personal Income	287.175	302.129	315.881	330.268	349.459	367.964	387.204	406.015
% Ch	3.0	5.2	4.6	4.6	5.8	5.3	5.2	4.9
Total Wage and Salary Disbursements	148.780	155.575	163.388	170.251	179.170	188.356	197.270	206.299
% Ch	1.3	4.6	5.0	4.2	5.2	5.1	4.7	4.6
Manufacturing	16.837	18.423	19.863	20.716	21.644	22.475	23.228	24.105
% Ch	0.6	9.4	7.8	4.3	4.5	3.8	3.4	3.8
Durable Manufacturing	13.247	14.679	16.009	16.711	17.487	18.173	18.763	19.441
% Ch	0.8	10.8	9.1	4.4	4.6	3.9	3.2	3.6
Nondurable Manufacturing	3.591	3.744	3.854	4.004	4.157	4.301	4.465	4.664
% Ch	-0.1	4.3	2.9	3.9	3.8	3.5	3.8	4.5
Nonmanufacturing	125.376	130.439	136.756	142.762	150.709	158.949	166.938	174.880
% Ch	1.4	4.0	4.8	4.4	5.6	5.5	5.0	4.8
Other Private Wages	0.844	0.908	0.914	0.937	0.969	1.001	1.030	1.058
% Ch	0.4	7.6	0.8	2.5	3.4	3.3	2.9	2.7
Farm Wages	1.388	1.421	1.436	1.498	1.579	1.662	1.743	1.824
% Ch	-3.2	2.3	1.1	4.3	5.4	5.3	4.9	4.7
Military Wages	4.335	4.384	4.419	4.338	4.269	4.268	4.331	4.432
% Ch	2.8	1.1	0.8	-1.8	-1.6	0.0	1.5	2.3
Nonwage Personal Income	138.395	146.555	152.493	160.018	170.289	179.609	189.935	199.716
% Ch	4.8	5.9	4.1	4.9	6.4	5.5	5.7	5.1
Supplements to Wages and Salaries	38.571	40.182	42.110	44.216	46.844	49.660	52.690	55.844
% Ch	3.0	4.2	4.8	5.0	5.9	6.0	6.1	6.0
Proprietor's Income	20.598	21.484	22.707	23.881	25.745	27.424	28.982	30.210
% Ch	2.0	4.3	5.7	5.2	7.8	6.5	5.7	4.2
Farm	1.081	1.063	1.164	1.060	1.117	1.098	1.146	1.204
% Ch	...	...	...	...	...	...	...	...
Nonfarm	19.516	20.422	21.543	22.820	24.628	26.325	27.836	29.006
% Ch	-1.1	4.6	5.5	5.9	7.9	6.9	5.7	4.2
Less: Contribution For Govt. Soc. Ins.	25.721	24.646	26.045	27.967	30.056	33.143	35.726	38.566
% Ch	2.9	-4.2	5.7	7.4	7.5	10.3	7.8	8.0
Plus: Residence Adjustment	2.936	3.164	3.282	3.438	3.604	3.782	3.971	4.158
% Ch	5.6	7.8	3.7	4.8	4.8	5.0	5.0	4.7
Dividends/Int./Rent	53.013	56.563	59.799	63.602	67.641	71.881	76.166	80.922
% Ch	3.1	6.7	5.7	6.4	6.4	6.3	6.0	6.2
Transfer Payments	48.999	49.808	50.641	52.847	56.511	60.005	63.852	67.148
% Ch	8.4	1.7	1.7	4.4	6.9	6.2	6.4	5.2
State U.I. Benefits	4.216	3.245	2.379	2.017	1.803	1.552	1.357	1.185
% Ch	14.7	-23.0	-26.7	-15.2	-10.6	-13.9	-12.6	-12.7
Other Transfers	44.783	46.563	48.262	50.830	54.708	58.453	62.495	65.963
% Ch	7.9	4.0	3.6	5.3	7.6	6.8	6.9	5.5

Table A3.4

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2017

	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4
Personal Income	312.723	313.267	317.073	320.460	323.361	328.113	332.866	336.734
% Ch, Annual Rate	11.0	0.7	4.9	4.3	3.7	6.0	5.9	4.7
Total Wage and Salary Disbursements	163.215	161.651	163.649	165.036	166.620	169.289	171.724	173.370
% Ch, Annual Rate	16.2	-3.8	5.0	3.4	3.9	6.6	5.9	3.9
Manufacturing	20.120	19.387	19.815	20.130	20.348	20.630	20.829	21.057
% Ch, Annual Rate	24.3	-13.8	9.1	6.5	4.4	5.7	3.9	4.5
Durable Manufacturing	16.288	15.570	15.957	16.219	16.405	16.639	16.806	16.995
% Ch, Annual Rate	31.4	-16.5	10.3	6.8	4.7	5.8	4.1	4.6
Nondurable Manufacturing	3.832	3.817	3.858	3.910	3.943	3.991	4.023	4.062
% Ch, Annual Rate	-1.0	-1.6	4.4	5.5	3.4	5.0	3.2	3.9
Nonmanufacturing	136.294	135.491	137.067	138.171	139.466	141.877	144.126	145.578
% Ch, Annual Rate	15.7	-2.3	4.7	3.3	3.8	7.1	6.5	4.1
Other Private Wages	0.919	0.907	0.913	0.918	0.926	0.933	0.941	0.948
% Ch, Annual Rate	-1.3	-5.0	2.5	2.5	3.3	3.2	3.3	3.1
Farm Wages	1.434	1.421	1.437	1.452	1.470	1.489	1.508	1.526
% Ch, Annual Rate	3.1	-3.5	4.4	4.3	5.2	5.1	5.2	5.1
Military Wages	4.448	4.445	4.418	4.365	4.410	4.361	4.320	4.260
% Ch, Annual Rate	5.3	-0.2	-2.5	-4.7	4.2	-4.3	-3.8	-5.4
Nonwage Personal Income	149.508	151.616	153.424	155.425	156.741	158.823	161.142	163.364
% Ch, Annual Rate	5.6	5.8	4.9	5.3	3.4	5.4	6.0	5.6
Supplements to Wages and Salaries	41.553	41.934	42.267	42.686	43.398	43.935	44.468	45.063
% Ch, Annual Rate	5.9	3.7	3.2	4.0	6.8	5.0	4.9	5.5
Proprietor's Income	22.330	22.582	22.921	22.995	23.160	23.597	24.160	24.604
% Ch, Annual Rate	12.0	4.6	6.1	1.3	2.9	7.8	9.9	7.6
Farm	1.114	1.162	1.295	1.085	0.949	0.986	1.136	1.169
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	21.216	21.420	21.625	21.910	22.211	22.612	23.024	23.435
% Ch, Annual Rate	10.1	3.9	3.9	5.4	5.6	7.4	7.5	7.3
Less: Contribution For Govt. Soc. Ins.	25.713	25.937	26.145	26.386	27.552	27.848	28.059	28.407
% Ch, Annual Rate	8.1	3.5	3.3	3.7	18.9	4.4	3.1	5.1
Plus: Residence Adjustment	3.183	3.291	3.310	3.344	3.379	3.418	3.457	3.499
% Ch, Annual Rate	-0.5	14.3	2.3	4.2	4.3	4.6	4.7	4.9
Dividends/Int./Rent	58.109	59.358	60.279	61.449	62.294	63.140	64.009	64.965
% Ch, Annual Rate	7.5	8.9	6.3	8.0	5.6	5.5	5.6	6.1
Transfer Payments	50.046	50.388	50.793	51.337	52.062	52.581	53.107	53.639
% Ch, Annual Rate	2.2	2.8	3.3	4.3	5.8	4.1	4.1	4.1
State U.I. Benefits	2.797	2.383	2.200	2.137	2.069	2.039	2.000	1.960
% Ch, Annual Rate	-38.0	-47.3	-27.4	-11.0	-12.1	-5.7	-7.3	-7.8
Other Transfers	47.249	48.005	48.593	49.200	49.993	50.542	51.107	51.679
% Ch, Annual Rate	5.5	6.6	5.0	5.1	6.6	4.5	4.5	4.6

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2017

	2014:1	2014:2	2014:3	2014:4	2015:1	2015:2	2015:3	2015:4
Personal Income	341.722	347.092	352.270	356.749	360.775	365.946	370.520	374.617
% Ch, Annual Rate	6.1	6.4	6.1	5.2	4.6	5.9	5.1	4.5
Total Wage and Salary Disbursements	175.166	178.128	180.713	182.672	184.554	187.483	189.803	191.582
% Ch, Annual Rate	4.2	6.9	5.9	4.4	4.2	6.5	5.0	3.8
Manufacturing	21.313	21.528	21.751	21.983	22.197	22.391	22.563	22.748
% Ch, Annual Rate	5.0	4.1	4.2	4.3	3.9	3.5	3.1	3.3
Durable Manufacturing	17.208	17.390	17.578	17.772	17.945	18.107	18.249	18.393
% Ch, Annual Rate	5.1	4.3	4.4	4.5	4.0	3.7	3.2	3.2
Nondurable Manufacturing	4.106	4.138	4.173	4.212	4.252	4.284	4.314	4.356
% Ch, Annual Rate	4.4	3.2	3.4	3.8	3.9	3.0	2.9	3.9
Nonmanufacturing	147.032	149.786	152.141	153.877	155.439	158.165	160.300	161.893
% Ch, Annual Rate	4.1	7.7	6.4	4.6	4.1	7.2	5.5	4.0
Other Private Wages	0.957	0.965	0.974	0.982	0.990	0.998	1.005	1.012
% Ch, Annual Rate	3.6	3.6	3.5	3.4	3.6	3.1	2.9	2.7
Farm Wages	1.547	1.568	1.589	1.610	1.632	1.652	1.672	1.691
% Ch, Annual Rate	5.6	5.5	5.5	5.4	5.5	5.1	4.9	4.7
Military Wages	4.317	4.281	4.257	4.219	4.297	4.277	4.264	4.237
% Ch, Annual Rate	5.4	-3.2	-2.2	-3.5	7.5	-1.8	-1.2	-2.5
Nonwage Personal Income	166.557	168.964	171.558	174.077	176.220	178.463	180.717	183.035
% Ch, Annual Rate	8.1	5.9	6.3	6.0	5.0	5.2	5.1	5.2
Supplements to Wages and Salaries	45.902	46.531	47.144	47.800	48.672	49.323	49.977	50.668
% Ch, Annual Rate	7.7	5.6	5.4	5.7	7.5	5.5	5.4	5.6
Proprietor's Income	25.027	25.562	25.978	26.415	26.751	27.245	27.651	28.048
% Ch, Annual Rate	7.0	8.8	6.7	6.9	5.2	7.6	6.1	5.9
Farm	1.165	1.131	1.094	1.077	1.077	1.096	1.104	1.118
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	23.861	24.431	24.884	25.338	25.675	26.149	26.547	26.931
% Ch, Annual Rate	7.5	9.9	7.6	7.5	5.4	7.6	6.2	5.9
Less: Contribution For Govt. Soc. Ins.	29.538	29.891	30.211	30.585	32.635	32.977	33.299	33.662
% Ch, Annual Rate	16.9	4.9	4.4	5.0	29.6	4.3	4.0	4.4
Plus: Residence Adjustment	3.541	3.580	3.624	3.671	3.715	3.759	3.804	3.852
% Ch, Annual Rate	4.9	4.5	5.0	5.3	4.9	4.9	4.9	5.1
Dividends/Int./Rent	66.004	66.967	68.213	69.378	70.532	71.383	72.307	73.301
% Ch, Annual Rate	6.6	6.0	7.7	7.0	6.8	4.9	5.3	5.6
Transfer Payments	55.622	56.214	56.809	57.398	59.185	59.730	60.277	60.828
% Ch, Annual Rate	15.6	4.3	4.3	4.2	13.1	3.7	3.7	3.7
State U.I. Benefits	1.911	1.842	1.768	1.689	1.630	1.576	1.524	1.478
% Ch, Annual Rate	-9.7	-13.7	-15.1	-16.7	-13.4	-12.6	-12.5	-11.6
Other Transfers	53.711	54.373	55.041	55.708	57.556	58.154	58.753	59.351
% Ch, Annual Rate	16.7	5.0	5.0	4.9	13.9	4.2	4.2	4.1

Table A3.4 (continued)

Washington Personal Income by Component (Billions of Dollars)

Forecast 2012 to 2017

	2016:1	2016:2	2016:3	2016:4	2017:1	2017:2	2017:3	2017:4
Personal Income	379.644	385.124	389.615	394.434	398.232	403.852	408.612	413.365
% Ch, Annual Rate	5.5	5.9	4.7	5.0	3.9	5.8	4.8	4.7
Total Wage and Salary Disbursements	193.532	196.448	198.444	200.654	202.453	205.418	207.575	209.750
% Ch, Annual Rate	4.1	6.2	4.1	4.5	3.6	6.0	4.3	4.3
Manufacturing	22.933	23.122	23.323	23.532	23.756	23.982	24.221	24.460
% Ch, Annual Rate	3.3	3.3	3.5	3.6	3.9	3.9	4.0	4.0
Durable Manufacturing	18.535	18.679	18.837	19.001	19.174	19.347	19.531	19.712
% Ch, Annual Rate	3.1	3.1	3.4	3.5	3.7	3.6	3.9	3.8
Nondurable Manufacturing	4.398	4.444	4.486	4.531	4.582	4.636	4.690	4.748
% Ch, Annual Rate	3.9	4.2	3.9	4.0	4.6	4.8	4.8	5.0
Nonmanufacturing	163.527	166.235	168.000	169.991	171.425	174.137	176.019	177.940
% Ch, Annual Rate	4.1	6.8	4.3	4.8	3.4	6.5	4.4	4.4
Other Private Wages	1.020	1.027	1.034	1.041	1.048	1.055	1.061	1.068
% Ch, Annual Rate	3.2	2.8	2.7	2.6	2.9	2.6	2.5	2.4
Farm Wages	1.713	1.733	1.753	1.772	1.794	1.814	1.834	1.854
% Ch, Annual Rate	5.2	4.8	4.7	4.5	4.9	4.6	4.5	4.4
Military Wages	4.340	4.331	4.334	4.318	4.430	4.430	4.439	4.429
% Ch, Annual Rate	10.1	-0.8	0.2	-1.5	10.8	0.0	0.8	-0.9
Nonwage Personal Income	186.112	188.676	191.172	193.781	195.779	198.434	201.037	203.614
% Ch, Annual Rate	6.9	5.6	5.4	5.6	4.2	5.5	5.4	5.2
Supplements to Wages and Salaries	51.613	52.325	53.042	53.782	54.782	55.488	56.193	56.912
% Ch, Annual Rate	7.7	5.6	5.6	5.7	7.7	5.3	5.2	5.2
Proprietor's Income	28.426	28.839	29.164	29.499	29.745	30.077	30.320	30.697
% Ch, Annual Rate	5.5	5.9	4.6	4.7	3.4	4.5	3.3	5.1
Farm	1.130	1.131	1.152	1.170	1.188	1.201	1.212	1.215
% Ch, Annual Rate	...	...	...	...	...	...	...	...
Nonfarm	27.296	27.708	28.011	28.329	28.556	28.876	29.108	29.481
% Ch, Annual Rate	5.5	6.2	4.5	4.6	3.3	4.6	3.3	5.2
Less: Contribution For Govt. Soc. Ins.	35.217	35.558	35.885	36.245	38.057	38.397	38.721	39.090
% Ch, Annual Rate	19.8	3.9	3.7	4.1	21.5	3.6	3.4	3.9
Plus: Residence Adjustment	3.900	3.947	3.995	4.044	4.090	4.135	4.180	4.227
% Ch, Annual Rate	5.1	4.9	4.9	5.0	4.7	4.5	4.4	4.6
Dividends/Int./Rent	74.437	75.591	76.726	77.908	79.133	80.357	81.568	82.632
% Ch, Annual Rate	6.3	6.3	6.1	6.3	6.4	6.3	6.2	5.3
Transfer Payments	62.953	63.532	64.129	64.793	66.086	66.774	67.497	68.237
% Ch, Annual Rate	14.7	3.7	3.8	4.2	8.2	4.2	4.4	4.5
State U.I. Benefits	1.429	1.380	1.332	1.286	1.244	1.204	1.166	1.124
% Ch, Annual Rate	-12.5	-12.9	-13.4	-13.1	-12.2	-12.3	-12.1	-13.5
Other Transfers	61.524	62.151	62.798	63.508	64.842	65.569	66.331	67.112
% Ch, Annual Rate	15.5	4.1	4.2	4.6	8.7	4.6	4.7	4.8

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

	Price Deflator*		U.S. CPI#		Seattle CPI +	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.247	4.2	0.405	4.2	0.382	2.1
1972	0.255	3.4	0.418	3.3	0.393	2.9
1973	0.269	5.4	0.444	6.3	0.418	6.4
1974	0.297	10.4	0.493	11.0	0.464	11.0
1975	0.322	8.3	0.538	9.1	0.511	10.2
1976	0.339	5.5	0.569	5.8	0.540	5.5
1977	0.361	6.5	0.606	6.5	0.583	8.0
1978	0.387	7.0	0.652	7.6	0.640	9.9
1979	0.421	8.9	0.726	11.3	0.709	10.8
1980	0.466	10.8	0.824	13.5	0.827	16.7
1981	0.508	8.8	0.909	10.4	0.916	10.8
1982	0.536	5.5	0.965	6.2	0.978	6.7
1983	0.559	4.3	0.996	3.2	0.993	1.5
1984	0.580	3.8	1.039	4.4	1.030	3.8
1985	0.599	3.3	1.076	3.5	1.056	2.5
1986	0.613	2.4	1.097	1.9	1.066	1.0
1987	0.636	3.7	1.136	3.6	1.092	2.4
1988	0.661	4.0	1.183	4.1	1.128	3.3
1989	0.690	4.4	1.239	4.8	1.181	4.7
1990	0.722	4.6	1.307	5.4	1.268	7.3
1991	0.748	3.6	1.362	4.2	1.341	5.8
1992	0.770	2.9	1.403	3.0	1.390	3.7
1993	0.787	2.2	1.445	3.0	1.429	2.8
1994	0.803	2.1	1.482	2.6	1.478	3.4
1995	0.821	2.2	1.524	2.8	1.522	3.0
1996	0.839	2.2	1.569	2.9	1.575	3.4
1997	0.854	1.9	1.605	2.3	1.630	3.5
1998	0.862	0.9	1.630	1.5	1.677	2.9
1999	0.876	1.6	1.666	2.2	1.728	3.0
2000	0.898	2.5	1.722	3.4	1.792	3.7
2001	0.915	1.9	1.770	2.8	1.857	3.6
2002	0.928	1.4	1.799	1.6	1.893	2.0
2003	0.947	2.0	1.840	2.3	1.924	1.6
2004	0.971	2.6	1.889	2.7	1.947	1.2
2005	1.000	3.0	1.953	3.4	2.002	2.8
2006	1.027	2.7	2.016	3.2	2.076	3.7
2007	1.055	2.7	2.073	2.9	2.157	3.9
2008	1.089	3.3	2.153	3.8	2.247	4.2
2009	1.090	0.1	2.146	-0.3	2.260	0.6
2010	1.111	1.9	2.181	1.6	2.267	0.3
2011	1.138	2.4	2.249	3.1	2.328	2.7
Forecast						
2012	1.159	1.9	2.299	2.2	2.391	2.7
2013	1.179	1.7	2.347	2.1	2.450	2.5
2014	1.201	1.9	2.396	2.1	2.506	2.3
2015	1.225	1.9	2.443	2.0	2.561	2.2
2016	1.248	2.0	2.491	2.0	2.615	2.1
2017	1.272	1.9	2.537	1.9	2.669	2.1

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

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

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	19.284	5.5	25.847	2.3	8.320	6.4	14.588	0.7
1972	20.102	4.2	27.079	4.8	8.372	0.6	14.777	1.3
1973	21.077	4.9	30.506	12.7	9.596	14.6	16.190	9.6
1974	22.866	8.5	35.145	15.2	15.249	58.9	21.871	35.1
1975	24.834	8.6	37.788	7.5	16.546	8.5	23.339	6.7
1976	26.556	6.9	38.490	1.9	17.748	7.3	24.331	4.2
1977	28.558	7.5	40.757	5.9	20.082	13.2	25.740	5.8
1978	30.778	7.8	44.657	9.6	21.234	5.7	26.858	4.3
1979	33.350	8.4	49.043	9.8	29.275	37.9	35.994	34.0
1980	36.802	10.3	53.166	8.4	41.107	40.4	49.955	38.8
1981	40.555	10.2	56.954	7.1	50.292	22.3	55.584	11.3
1982	43.709	7.8	58.452	2.6	49.320	-1.9	52.773	-5.1
1983	46.430	6.2	59.124	1.1	45.470	-7.8	51.047	-3.3
1984	48.847	5.2	60.900	3.0	46.482	2.2	50.283	-1.5
1985	51.049	4.5	61.563	1.1	44.670	-3.9	50.689	0.8
1986	53.375	4.6	63.012	2.4	34.976	-21.7	39.810	-21.5
1987	55.409	3.8	65.000	3.2	35.885	2.6	41.340	3.8
1988	58.123	4.9	66.939	3.0	35.869	0.0	41.691	0.8
1989	60.840	4.7	70.469	5.3	38.004	6.0	45.539	9.2
1990	63.808	4.9	73.911	4.9	45.768	20.4	51.843	13.8
1991	66.581	4.3	76.232	3.1	43.574	-4.8	51.162	-1.3
1992	69.236	4.0	76.817	0.8	41.800	-4.1	50.963	-0.4
1993	71.294	3.0	77.891	1.4	41.512	-0.7	50.446	-1.0
1994	73.200	2.7	79.195	1.7	40.757	-1.8	50.685	0.5
1995	75.365	3.0	80.912	2.2	40.377	-0.9	51.491	1.6
1996	77.473	2.8	83.380	3.1	45.763	13.3	54.646	6.1
1997	79.812	3.0	84.969	1.9	45.838	0.2	54.634	0.0
1998	81.689	2.4	86.037	1.3	40.620	-11.4	47.556	-13.0
1999	83.509	2.2	87.446	1.6	41.316	1.7	51.789	8.9
2000	85.818	2.8	89.499	2.3	60.575	46.6	66.170	27.8
2001	88.422	3.0	92.130	2.9	59.392	-2.0	63.776	-3.6
2002	90.801	2.7	93.542	1.5	52.949	-10.8	59.916	-6.1
2003	93.686	3.2	95.296	1.9	64.078	21.0	69.783	16.5
2004	96.688	3.2	98.255	3.1	74.588	16.4	82.086	17.6
2005	100.000	3.4	100.000	1.8	100.000	34.1	100.000	21.8
2006	103.415	3.4	101.688	1.7	114.203	14.2	112.842	12.8
2007	106.981	3.4	105.647	3.9	123.490	8.1	123.921	9.8
2008	110.584	3.4	112.066	6.1	168.372	36.3	144.927	17.0
2009	112.157	1.4	113.366	1.2	114.319	-32.1	105.517	-27.2
2010	114.418	2.0	113.724	0.3	134.071	17.3	124.760	18.2
2011	116.435	1.8	118.230	4.0	171.644	28.0	156.913	25.8
Forecast								
2012	118.838	2.1	121.279	2.6	174.440	1.6	164.036	4.5
2013	121.564	2.3	124.610	2.7	170.672	-2.2	160.517	-2.1
2014	124.786	2.6	125.389	0.6	168.213	-1.4	154.808	-3.6
2015	127.985	2.6	127.051	1.3	165.914	-1.4	149.987	-3.1
2016	131.247	2.5	129.155	1.7	164.834	-0.7	146.372	-2.4
2017	134.526	2.5	131.061	1.5	164.692	-0.1	144.012	-1.6

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

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.7	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5970.3	76.2	1.3	80.7	43.9	39.4
2002	6059.3	89.0	1.5	79.3	44.9	54.6
2003	6126.9	67.6	1.1	79.1	44.7	33.2
2004	6208.5	81.6	1.3	81.0	46.0	46.7
2005	6298.8	90.3	1.5	81.8	45.6	54.1
2006	6420.3	121.4	1.9	83.2	45.3	83.5
2007	6525.1	104.8	1.6	87.8	46.2	63.2
2008	6608.2	83.2	1.3	89.6	47.9	41.5
2009	6672.2	63.9	1.0	89.8	48.1	22.2
2010	6724.5	52.4	0.8	88.4	47.7	11.6
2011	6767.9	43.4	0.6	86.5	48.0	4.8
Forecast						
2012	6816.6	48.7	0.7	87.5	48.9	10.1
2013	6875.9	59.3	0.9	88.7	49.9	20.5
2014	6944.7	68.8	1.0	90.0	51.5	30.3
2015	7022.2	77.5	1.1	91.3	53.0	39.2
2016	7100.5	78.3	1.1	91.9	55.6	42.0
2017	7178.7	78.2	1.1	92.7	56.5	42.0

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		2012	2013	Forecast			2017
	2010	2011			2014	2015	2016	
Total Population	6724.5	6767.9	6816.6	6875.9	6944.7	7022.2	7100.5	7178.7
Percent Change	0.8	0.6	0.7	0.9	1.0	1.1	1.1	1.1
Age 17 and Under	1581.4	1574.7	1573.4	1577.8	1587.4	1600.5	1614.4	1628.4
Percent of Total	23.5	23.3	23.1	22.9	22.9	22.8	22.7	22.7
Age 6-18	1149.6	1142.4	1136.9	1138.9	1145.1	1152.8	1160.8	1168.1
Percent of Total	17.1	16.9	16.7	16.6	16.5	16.4	16.3	16.3
Age 18 and Over	5143.2	5193.2	5243.2	5298.1	5357.3	5421.7	5486.1	5550.3
Percent of Total	76.5	76.7	76.9	77.1	77.1	77.2	77.3	77.3
Age 21 and Over	4860.6	4910.7	4963.6	5022.9	5086.9	5152.9	5217.1	5279.7
Percent of Total	72.3	72.6	72.8	73.1	73.2	73.4	73.5	73.5
Age 20-34	1395.3	1403.2	1412.1	1422.8	1434.2	1439.8	1446.0	1450.9
Percent of Total	20.7	20.7	20.7	20.7	20.7	20.5	20.4	20.2
Age 18-64	4315.5	4341.2	4348.9	4360.4	4379.1	4401.1	4424.5	4445.7
Percent of Total	64.2	64.1	63.8	63.4	63.1	62.7	62.3	61.9
Age 65 and Over	827.7	852.0	894.4	937.6	978.2	1020.6	1061.6	1104.5
Percent of Total	12.3	12.6	13.1	13.6	14.1	14.5	15.0	15.4

* As of April 1 of Each Year

Source: Office of Financial Management

Table A6.1

Summary of National and State Indicators

Indicator	Latest Data	Indication*
U.S. Leading Index	August 2012	-
U.S. Real GDP Growth	2nd quarter 2012	-
U.S. ISM Index	September 2012	+
U.S. Employment YoY%Δ	September 2012	unchanged
U.S. Unemployment Rate	September 2012	+
U.S. Job Openings	July 2012	-
U.S. Fed Funds Target	September 2012	unchanged
U.S. Consumer Confidence	September 2012	+
U.S. Consumer Sentiment	September 2012	+
U.S. Light Vehicle Sales	September 2012	+
U.S. CPI	August 2012	-
U.S. Monster Employment Index	September 2012	-
S&P 500 Index	October 2012	+
WA Leading Index	August 2012	+
WA ISM-WW Index	September 2012	+
WA Help Wanted Index	September 2012	-
WA Employment YoY%Δ	August 2012	+
WA Aerospace Empl. YoY%Δ	August 2012	+
WA Unemployment Rate	August 2012	-
WA Business Cycle Indicator	August 2012	-
WA Initial Unemploy. Claims	September 2012	-
WA Housing Permits	August 2012	-
WA Weekly Hours in Mfg.	August 2012	+
WA New Vehicle Registration	September 2012	-
WA In-Migration	August 2012	+
WA Exports-Total YoY%Δ	2nd quarter 2012	-
WA Exports- w/o Trans. Equip. YoY%Δ	2nd quarter 2012	-
Seattle CPI	August 2012	unchanged
Seattle Monster Employment Index	September 2012	-

*Change from the previous reading

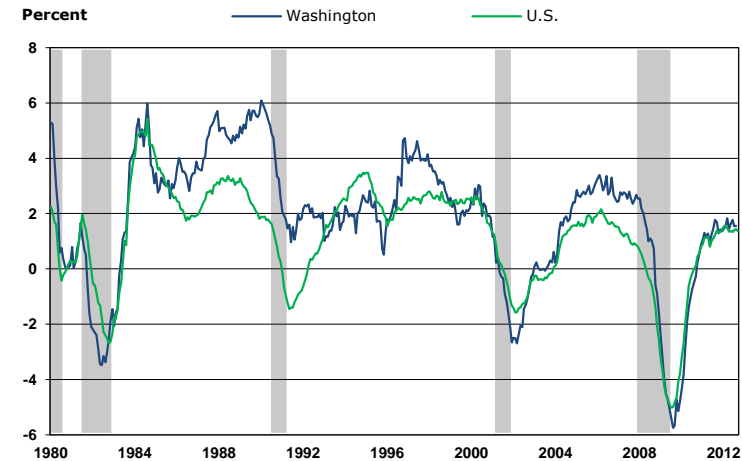
Table A6.2
Washington Business Indicators
 Historical Data

	WA Index of Leading Indicators	U.S. Index of Leading Indicators	WA State Help-Wanted Index	WA Purchasing Management Index	U.S. Purchasing Management Index
2008:01	114.8	101.9	119.1	66.7	50.3
2008:02	115.1	101.0	116.0	62.3	47.6
2008:03	115.5	99.5	123.2	55.2	48.3
2008:04	116.0	99.0	121.3	65.0	48.8
2008:05	114.6	98.1	118.5	60.3	48.8
2008:06	114.7	97.5	117.1	63.8	49.8
2008:07	113.2	95.4	111.2	60.2	50.0
2008:08	112.0	94.1	110.0	65.3	49.2
2008:09	110.4	92.0	110.2	48.6	44.8
2008:10	107.2	89.2	105.8	50.9	38.9
2008:11	104.1	86.8	99.8	50.0	36.5
2008:12	103.3	84.5	96.7	42.3	33.1
2009:01	102.1	82.9	91.8	52.8	34.9
2009:02	99.6	81.8	87.6	48.1	35.6
2009:03	97.3	80.4	78.7	40.9	36.0
2009:04	97.9	80.7	77.6	46.7	39.8
2009:05	98.4	81.1	77.1	48.5	42.0
2009:06	99.0	81.7	76.0	50.2	45.8
2009:07	99.4	82.4	77.9	46.7	49.2
2009:08	99.9	83.1	78.3	53.2	53.5
2009:09	100.2	83.7	77.6	52.9	54.2
2009:10	100.9	84.3	78.3	59.5	55.9
2009:11	102.0	85.2	81.5	54.8	54.3
2009:12	102.5	86.3	83.0	61.4	55.8
2010:01	103.2	86.8	83.8	63.0	56.7
2010:02	102.9	86.9	85.9	56.0	55.8
2010:03	103.9	88.4	88.3	56.1	59.3
2010:04	104.3	88.9	91.5	63.2	59.0
2010:05	103.8	89.0	92.4	62.4	58.8
2010:06	104.0	88.9	94.9	63.0	56.0
2010:07	104.6	89.1	94.2	55.9	55.7
2010:08	104.9	89.2	92.1	58.6	57.4
2010:09	105.3	89.7	93.4	60.3	56.4
2010:10	106.2	89.8	94.4	65.8	57.0
2010:11	106.9	90.5	94.6	60.4	58.0
2010:12	107.7	91.7	95.5	61.0	57.3
2011:01	107.9	91.8	99.9	68.0	59.9
2011:02	108.3	92.7	99.7	70.5	59.8
2011:03	109.4	93.7	100.3	65.5	59.7
2011:04	111.2	93.7	102.8	68.2	59.7
2011:05	111.3	94.2	102.1	64.7	54.2
2011:06	111.1	94.2	102.2	58.5	55.8
2011:07	112.5	94.4	107.0	56.1	51.4
2011:08	112.3	93.7	108.5	57.8	52.5
2011:09	111.8	93.2	107.3	61.3	52.5
2011:10	111.7	93.8	108.0	67.4	51.8
2011:11	112.9	94.1	108.8	67.0	52.2
2011:12	113.3	94.7	108.9	65.0	53.1
2012:01	111.9	94.7	107.7	68.5	54.1
2012:02	113.7	95.4	106.0	68.9	52.4
2012:03	115.3	95.6	111.1	62.9	53.4
2012:04	114.3	95.5	109.7	64.9	54.8
2012:05	114.4	95.8	111.4	58.5	55.9
2012:06	114.2	95.3	111.2	57.0	49.7
2012:07	114.7	95.8	111.3	58.8	49.8
2012:08	115.4	95.7	113.7	53.5	49.6
2012:09			113.3	56.0	51.5

Figure A7.1: Washington State Economic Indicators

Year-over-Year Employment Growth

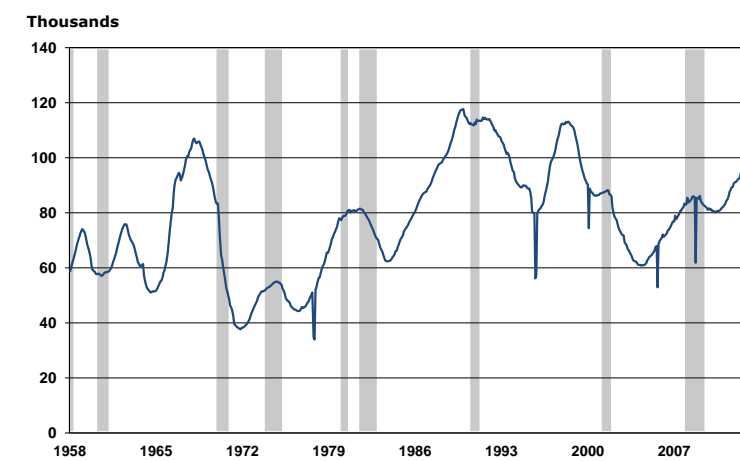
January 1980 to September 2012



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

Washington Aircraft and Parts Employment

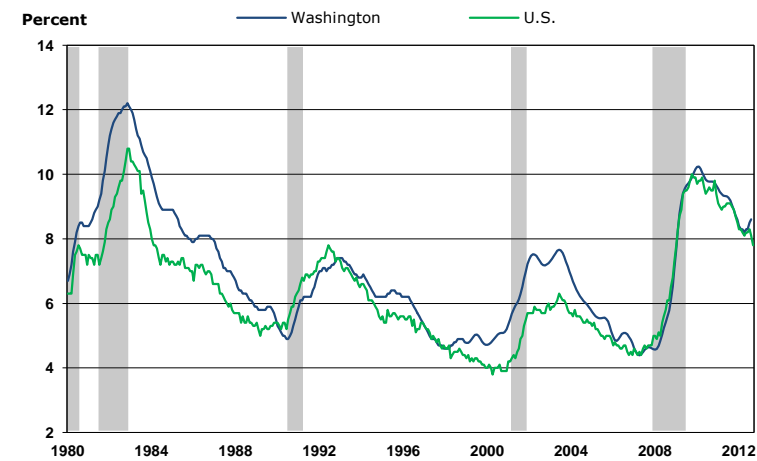
January 1958 to August 2012



* Source: Bureau of Labor Statistics, ERFC

Unemployment Rate, S.A.

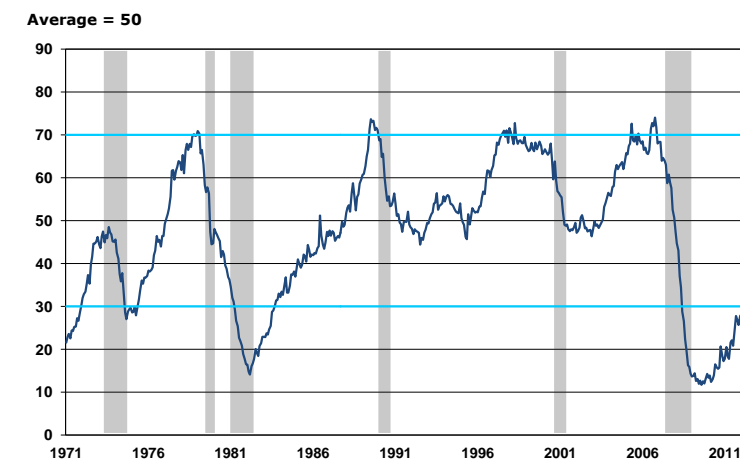
January 1980 to September 2012



* Source: Bureau of Labor Statistics

Washington Business Cycle Indicator

July 1971 to August 2012



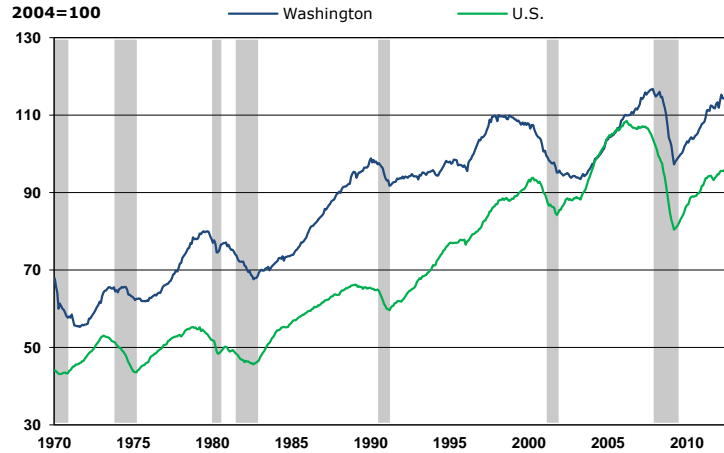
* Source: ERFC

* Shaded areas correspond with national recessions.
Appendix

Figure A7.2: Washington State Leading Indicators

The Washington and U.S. Indexes of Leading Indicators

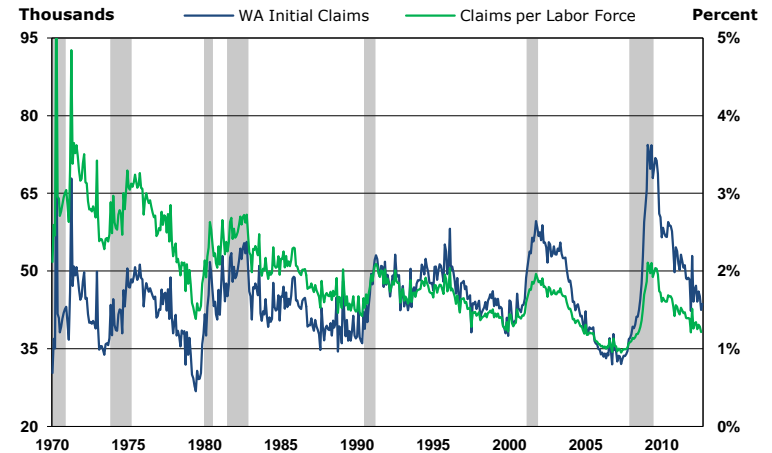
January 1970 to August 2012



* The Conference Board, ERFC

Washington Initial Claims for Unemployment Insurance

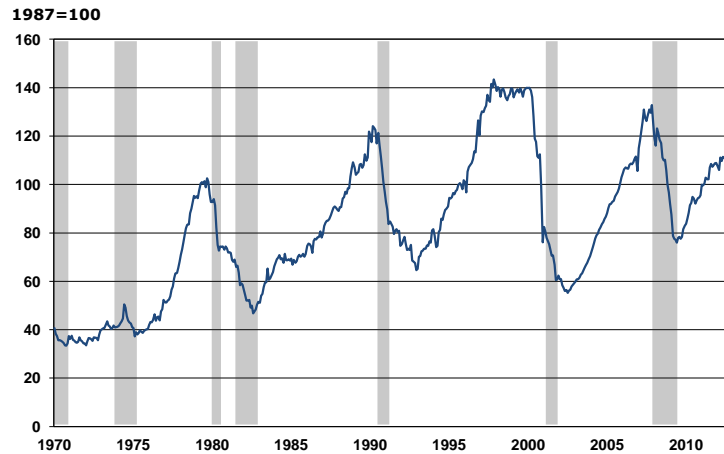
January 1970 to September 2012, S.A.



* Source: WA State Employment Security, ERFC

WA State Help Wanted Index

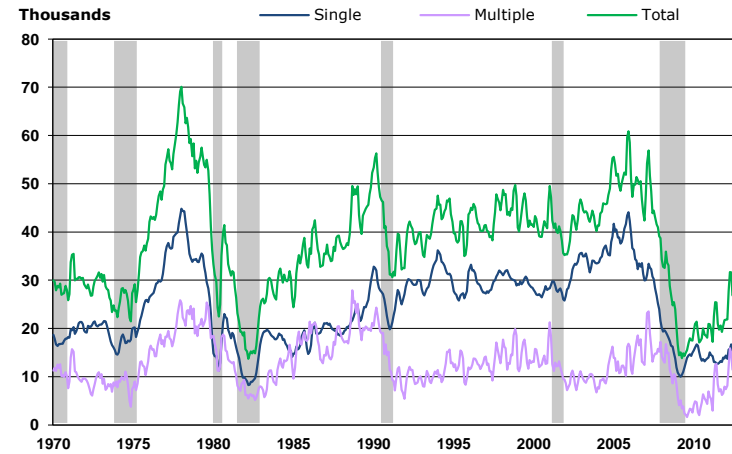
January 1970 to September 2012



* Source: ERFC

Housing Units Authorized in Washington State

January 1970 to August 2012, 3mma, SAAR



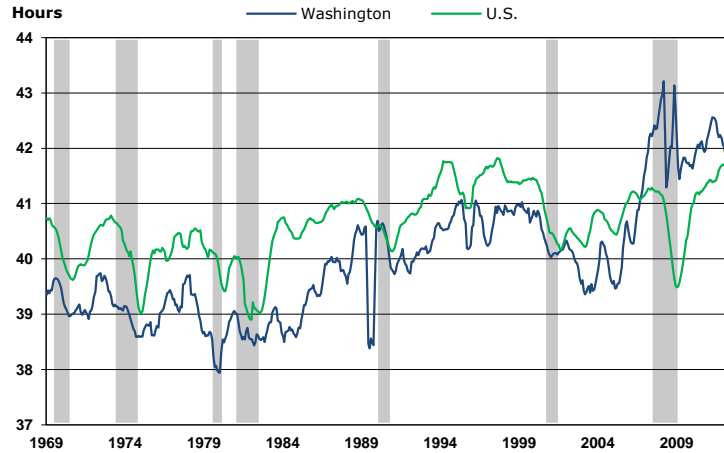
* Source: Census Bureau, ERFC

* Shaded areas correspond with national recessions.

Figure A7.3: Other State Economic Indicators

Average Weekly Hours in Manufacturing

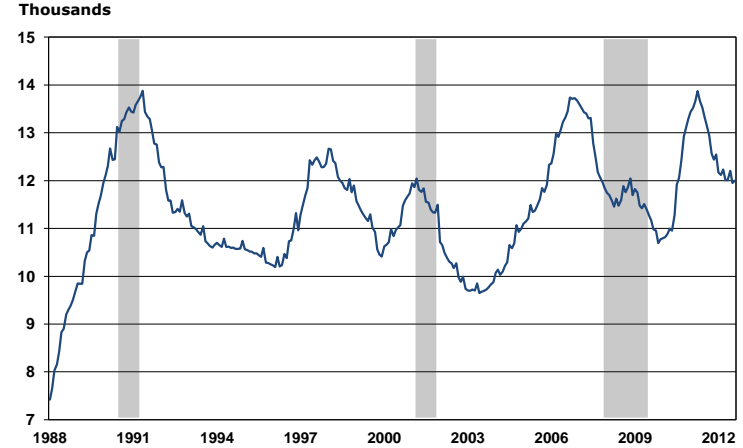
June 1969 to September 2012, 6-Mo. Moving Average, S.A.



* Bureau of Labor Statistics, ERFC

Washington Driver's License In-Migration

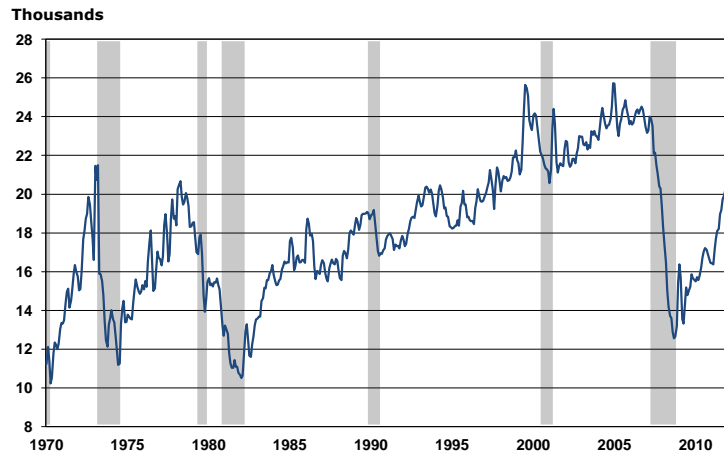
January 1988 to August 2012, 12-Month Moving Average



* Source: WA State Department of Licensing, ERFC

New Car and Truck Registrations in Washington

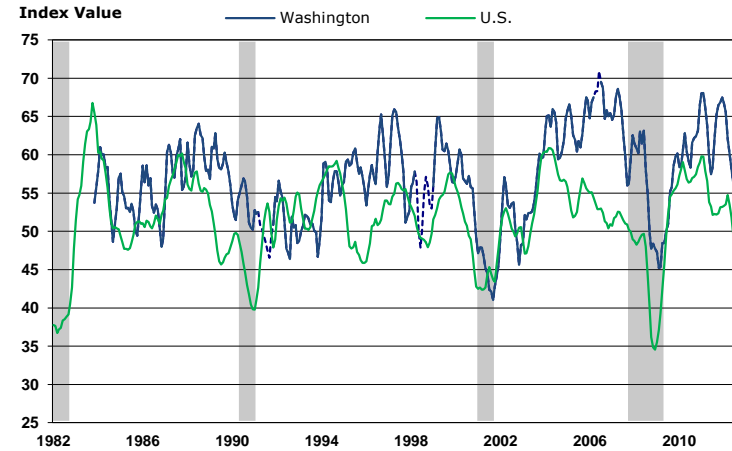
September 1970 to September 2012, 3-Month Moving Average, S.A.



* Source: WA State Department of Licensing, ERFC

Institute for Supply Management Index

March 1982 to September 2012, 3-Month Moving Average, S.A.



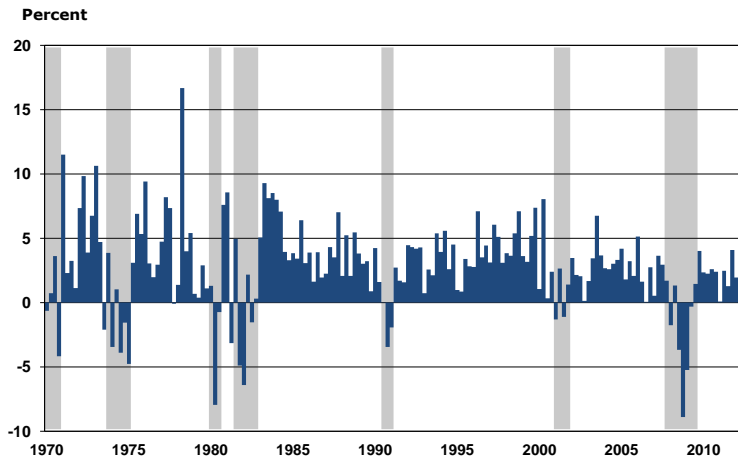
* Source: Institute for Supply Management, NAPM-WW

* Shaded areas correspond with national recessions.

Figure A7.4: Other Economic Indicators

Quarterly U.S. Real GDP Growth

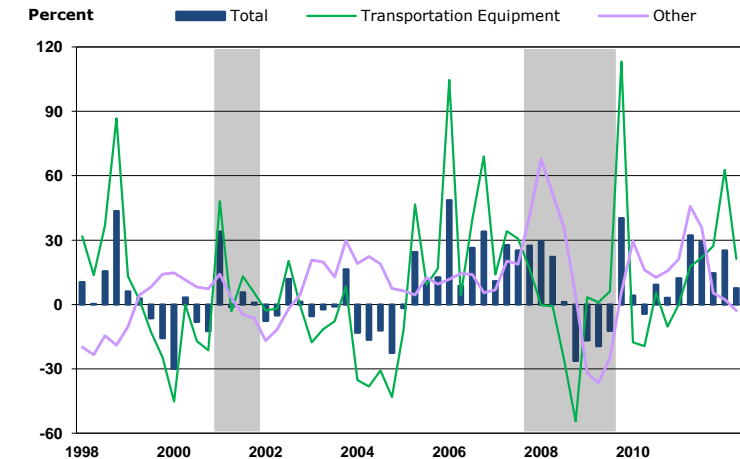
1970Q1 to 2012Q2



* Source: Bureau of Economic Analysis

Washington State Export Composition

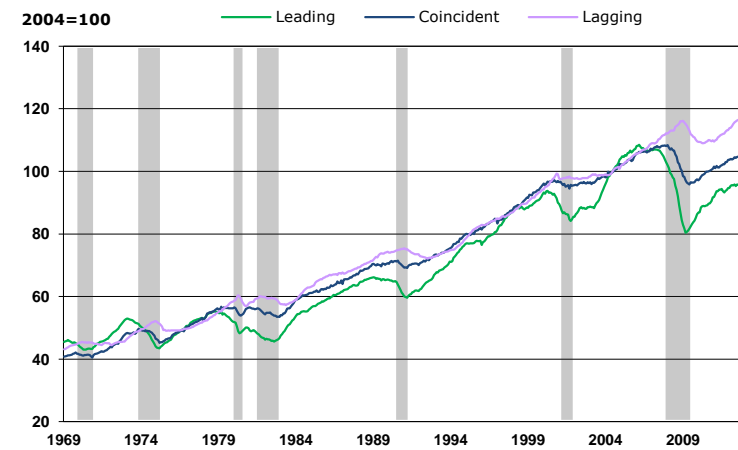
1998Q1 to 2012Q2, Year-over-year percent change



* Source: WISER

U.S. Economic Indicators

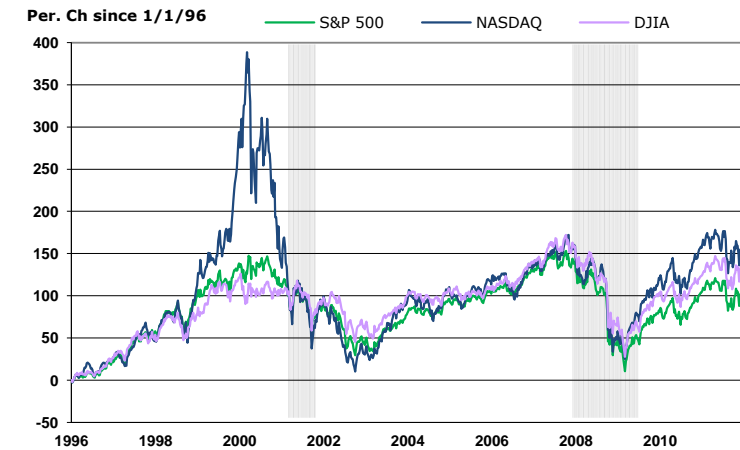
January 1969 to August 2012



* Source: The Conference Board

National Stock Indexes

January 1, 1996 to October 5, 2012



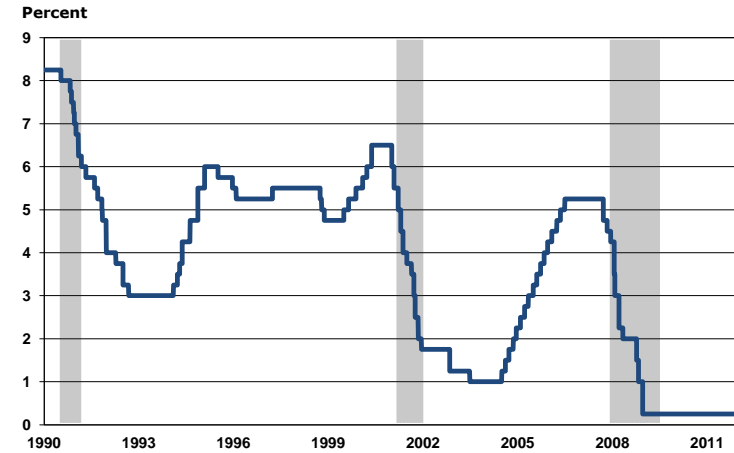
* Source: ERFC

* Shaded areas correspond with national recessions.

Figure A7.4: Other Economic Indicators

Federal Funds Target Rate

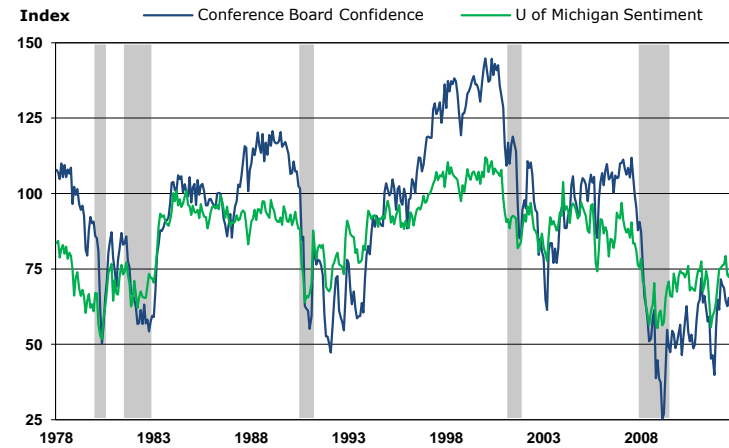
January 1, 1990 to October 5, 2012



* Federal Reserve

Consumer Confidence

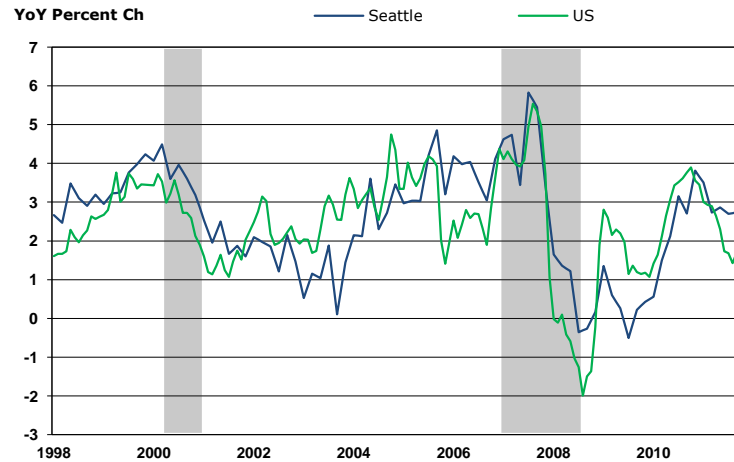
March 1978 to September 2012



* Source: The Conference Board, University of Michigan

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

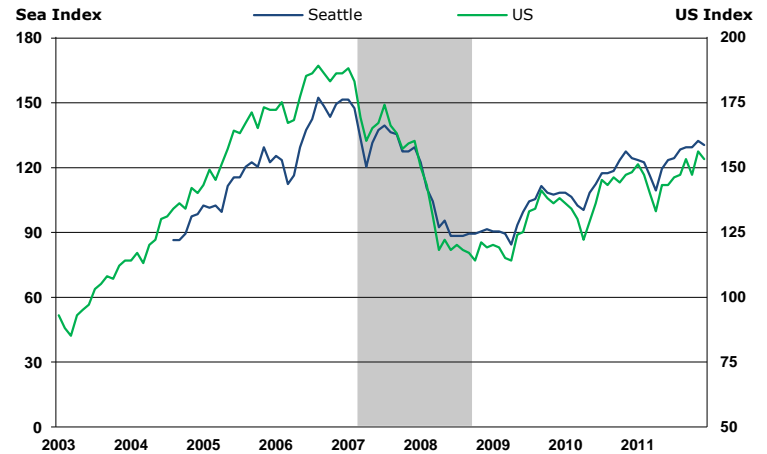
December 1998 to August 2012



* Source: Bureau of Labor Statistics

Monster Employment Index

October 2003 to September 2012, SA



* Source: Monster Worldwide, ERFC

* Shaded areas correspond with national recessions.



Glossary

Biennium: The state's two years budget cycle.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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