



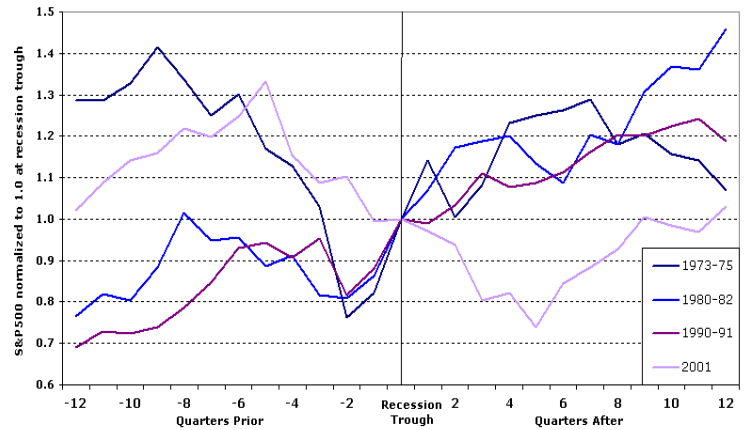
ECONOMIC & REVENUE UPDATE

APRIL 2009

U.S.

- There is room for cautious optimism about the national economy. The free-fall phase appears to be over, but the trough of the recession is still several months away.
- Equity markets have rallied close to 25% since the 10th of March, and being forward looking, seem to be signaling a recession trough in the third quarter. In three of the last four recessions, equity markets turned up two quarters prior to the recession trough (see figure). The only exception was in 2001, when the equity market recovery was delayed by the uncertainty over an impending war.
- The decline in consumer spending is showing signs of stabilizing. Nominal consumption expenditures grew 1.0% and 0.2%, respectively, in January and February. This has been accompanied by a sharp drop in wholesale inventories, indicating a quicker turnaround in production as demand returns.
- There are other positive signs as well. Both existing and new home sales saw an uptick in February, as did housing permits and pending home sales. Orders for core capital goods – excluding defense and aircraft jumped 7.1% in the same

In 3 of the last 4 recessions, the S&P500 has turned up two quarters prior to the trough in economic activity

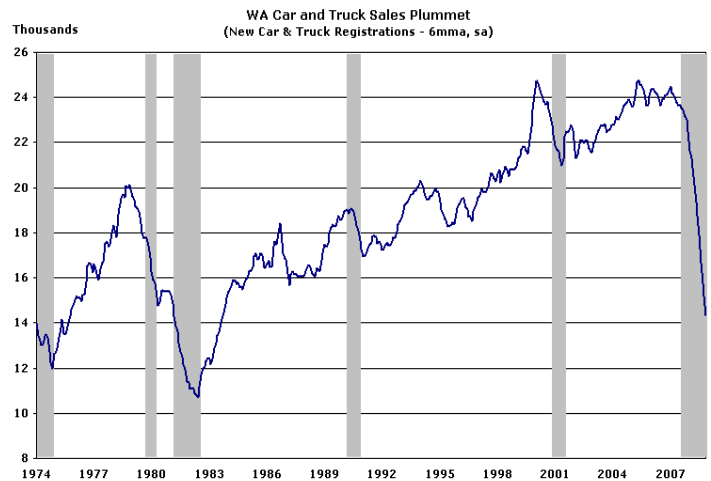


month. It is too early to tell, however, if this indicates a turnaround.

- On the downside consumer confidence remains close to record lows; credit markets are far from normal; job losses remain high; and, the rest of the world is in recession.
- There is significant monetary and fiscal stimulus in the pipeline, but the key to the recovery will be a return to “normalcy” in credit markets. We expect that to happen late this year, as banks gradually return to health.

WASHINGTON

- The state economy is likely to recover at the same time as the national economy. But, the early signs of recovery seen in the national data are not yet obvious in state data – mostly due to reporting lags, but also due to the type of data reported.
- The recently announced cutbacks at Boeing and Microsoft are relatively minor adjustments. However, these titans will not be adding to Washington job growth as they have during the last few years.
- Washington’s unemployment rate was 8.4% in February and is expected to rise further in March. Initial unemployment



WASHINGTON (continued)

insurance claims fell in March to 74,400 (SA) from an all-time-high in February.

- Employment is a lagging indicator, and it is normal for the economy to shed jobs even after a recovery is underway. We expect the state economy to continue to lose jobs through the end of 2009, but at a diminishing rate.
- Both housing and automotive sectors remain weak in the state. Building permits fell to a 27-year-low of 12,100 (SAAR) units in February; and new car

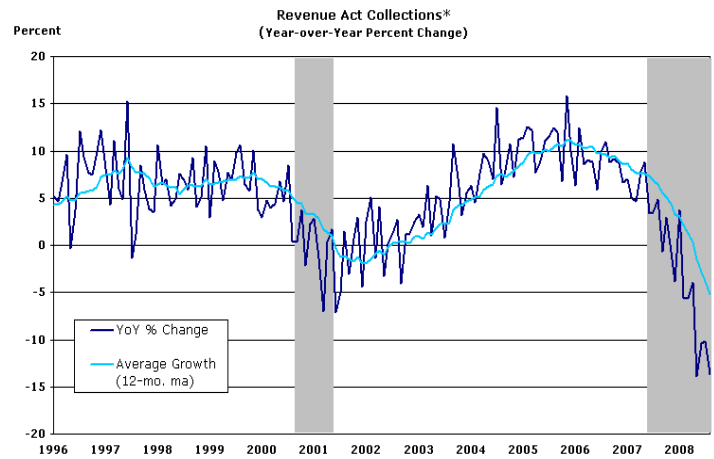
and truck registrations are down nearly 50 percent from their peak in October 2007 (see figure on previous page).

- Washington exports fell 34% percent from a year ago in the fourth quarter of 2008. This was largely due to the Boeing strike which delayed the delivery of 105 planes. Excluding transportation equipment, exports were up a modest 4% year-over-year for the same period.

REVENUE COLLECTIONS

Revenue Act

- The revenue collections reported here are for the March 11, 2009 – April 10, 2009 collection period. This corresponds to economic activity in February 2009. The “green shoots” in national economic activity visible in late March and early April are not yet reflected in revenue collection data.
- Adjusted for special factors (\$11.8 million in large deposits and \$62.9 million in large refunds), collections in the current period are down 13.7% below their year-ago level (see figure). Unadjusted, the decline is 19.1%.
- Collections for this period are \$55.0 million (7.2%) below the March 2009 forecast.
- Cumulatively, collections are down \$717.5 million (8.2%) from FY 2008.
- Preliminary ERFC monthly estimates indicate retail sales tax collections are down 19.8% year-over-year, while B&O taxes are down 10.1%.
- Preliminary tax payments from electronic filers who also paid in the March 11 – April 10 collection period of last year were down 13.6% year-over-year.



*Growth adjusted for new legislation and unusually large assessment payments, refunds etc.

- Payments in the retail trade sector were down 14.0%. The greatest drops were in motor vehicles and parts (-29.2%); furniture and home furnishings (-20.8%); gas stations and convenience stores (-20.6%); and building materials/garden equipment (-20.1%).
- None of the 12 major retail trade sectors showed a year-over-year increase.
- Payments in non-retail trade sectors were down 13.3% year-over-year.
- Payments in the construction sector were down 19.8%, while those in the manufacturing sector were down 32.0%.

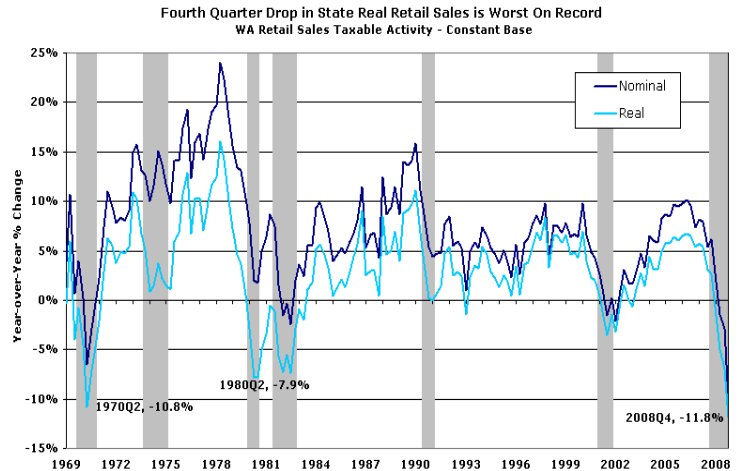
ECONOMIC & REVENUE UPDATE

REVENUE COLLECTIONS (continued)

- Newly released final data on taxable activity in the fourth quarter of 2008 shows the worst year-over-year drop in taxable sales activity on record.
- Adjusted for historical changes to state tax laws, nominal activity declined 10.2% while inflation-adjusted activity dropped 11.8% (see figure).

Non-Revenue Act

- March collections are down 16.9% year-over-year.
- Collections were \$8.7 million (17.8%) below the March forecast.
- Most of the forecast variance was in the real estate excise tax (REET), which came in \$7.9 million (29.4%) below the forecast.
 - March REET taxable activity reported by the counties is down 47.5% year-over-year.
 - February REET transactions were down 22.9% year-over-year and the average value per transaction was down 43.5% (March transaction details are not yet available).
- July 2008-March 2009 total collections are \$257.9 million (16.9%) below year-ago levels.



- This shortfall is mostly due to real estate excise tax collections, which are down \$222.6 million (42.2%) cumulatively from fiscal 2008.
- While March Department of Licensing receipts were \$187 thousand (43.6%) above the March forecast, February receipts were revised downward by \$121 thousand, making the cumulative March variance \$66 thousand (15.4%).

Key U.S. Economic Variables

	2008 Oct.	Nov.	Dec.	2009 Jan.	Feb.	Mar.	2007	2008
Real GDP (SAAR)	-	-	-6.3	-	-	-	2.0	1.1
Industrial Production (SA, 2002 = 100)	107.0	105.7	103.2	101.2	99.7	-	111.4	109.4
<i>Y/Y % Change</i>	-4.3	-5.9	-8.2	-10.1	-11.2	-	1.7	-1.8
ISM Manufacturing Index (50+ = growth)	38.7	36.6	32.9	35.6	35.8	36.3	51.1	45.5
ISM Non-Manuf. Index (50+ = growth)	44.6	37.4	40.1	42.9	41.6	40.8	-	47.4
Housing Starts (SAAR, mil.)	767	655	558	477	583	-	1,341	903
<i>Y/Y % Change</i>	-39.8	-44.4	-44.2	-55.2	-47.3	-	-26.0	-32.6
Light Motor Vehicle Sales (SAAR, mil.)	10.6	10.2	10.3	9.6	9.1	9.8	16.2	13.2
<i>Y/Y % Change</i>	-34.2	-36.7	-35.6	-37.7	-40.6	-34.9	-2.3	-18.5
CPI (SA, 1982-84 = 100)	216.9	213.3	211.6	212.2	213.0	-	207.3	215.2
<i>Y/Y % Change</i>	3.7	1.0	-0.1	-0.2	0.1	-	2.9	3.8
Core CPI (SA, 1982-84 = 100)	216.8	216.9	216.9	217.3	217.7	-	210.7	215.6
<i>Y/Y % Change</i>	2.2	2.0	1.7	1.7	1.8	-	2.3	2.3
IPD for Consumption (2000=100)	122.6	121.3	120.7	121.0	121.4	-	117.7	121.6
<i>Y/Y % Change</i>	3.3	1.6	0.8	0.8	1.0	-	2.6	3.3
Nonfarm Payroll Empl., e-o-p (SA, mil.)	136.4	135.8	135.1	134.3	133.7	133.0	138.2	135.1
<i>Monthly Change</i>	-0.38	-0.60	-0.68	-0.74	-0.65	-0.66	1.15	-3.08
Unemployment Rate (SA, percent)	6.6	6.8	7.2	7.6	8.1	8.5	4.6	5.8
Yield on 10-Year Treasury Note (percent)	3.81	3.53	2.42	2.52	2.87	2.82	4.63	3.67
Yield on 3-Month Treasury Bill (percent)	0.69	0.19	0.03	0.13	0.30	0.22	4.47	1.39
Broad Real USD Index (Mar. 1973=100)	94.6	95.2	93.6	94.5	95.8	101.1	93.2	90.3
Federal Budget Deficit (\$ bil.)*	237.2	164.4	83.6	83.8	192.8	192.3	162.8	436.3
<i>FYTD sum</i>	237.2	401.6	485.2	569.0	761.8	954.1		
US Trade Balance (\$ bil.)	-58.0	-42.5	-39.9	-36.2	-26.0	-	-700.3	-681.1
<i>YTD Sum</i>	-598.8	-641.2	-681.1	-36.2	-62.2	-		

*Federal Fiscal Year 2008 runs from Oct. 1, 2007 to Sept. 30, 2008.

Key Washington Economic Variables

	2008			2009				2007	2008
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.			
							<i>End-of-period</i>		
Employment									
Total Nonfarm (SA, 000)	2,933.0	2,942.6	2,919.5	2,910.4	2,882.2	-	2,963.6	2,919.5	
Change from Previous Month (000)	-27.3	9.6	-23.1	-9.1	-28.2	-	72.0	-44.1	
Construction	195.9	194.0	191.2	188.0	183.8	-	209.5	191.2	
Change from Previous Month	-2.1	-1.9	-2.8	-3.2	-4.2	-	8.9	-18.3	
Manufacturing	266.9	287.7	284.9	280.1	277.6	-	296.4	284.9	
Change from Previous Month	-25.4	20.8	-2.8	-4.8	-2.5	-	6.4	-11.5	
Aerospace	61.3	85.1	85.5	85.2	84.9	-	82.9	85.5	
Change from Previous Month	-24.4	23.8	0.4	-0.3	-0.3	-	6.1	2.6	
Software	52.3	52.2	52.6	52.1	52.2	-	48.5	52.6	
Change from Previous Month	0.4	-0.1	0.4	-0.5	0.1	-	2.1	4.1	
All Other	2,417.9	2,408.7	2,390.8	2,390.2	2,368.6	-	2,409.2	2,390.8	
Change from Previous Month	-0.2	-9.2	-17.9	-0.6	-21.6	-	54.6	-18.4	
							<i>Annual Average</i>		
Other Indicators									
Seattle CPI (1982-84=100)	225.9	-	222.6	-	224.7	-	215.7	224.7	
	3.4%	-	1.7%	-	1.4%	-	3.9%	4.2%	
Housing Permits (SAAR, 000)	29.6	18.6	14.8	19.2	12.1	-	45.6	27.3	
	-32.0%	-52.8%	-57.2%	-37.8%	-63.3%	-	-4.5%	-40.2%	
WA Index of Leading Ind. (2004=100)	112.2	110.0	110.6	109.8	107.7	-	115.5	115.1	
	-4.1%	-6.3%	-5.4%	-5.4%	-8.0%	-	4.9%	-0.3%	
WA Business Cycle Ind. (Trend=50)	29.2	21.7	17.2	12.7	6.3	-	59.0	36.4	
	-47.4%	-59.9%	-67.1%	-74.1%	-87.1%	-	-0.9%	-38.2%	
Avg. Weekly Hours in Manuf. (SA)	36.2	42.8	45.0	43.4	44.1	-	42.0	42.2	
	-14.1%	2.4%	5.5%	3.3%	3.0%	-	3.3%	0.6%	
Avg. Hourly Earnings in Manuf.	19.1	21.4	22.5	23.1	22.8	-	20.5	21.1	
	-6.6%	3.4%	7.3%	9.4%	8.2%	-	3.0%	2.7%	
New Vehicle Registrations (SA, 000)	17.0	14.4	13.3	15.0	13.8	12.5	23.9	19.0	
	-28.0%	-41.7%	-41.8%	-34.8%	-36.1%	-44.0%	-1.2%	-20.5%	
Initial Unemployment Claims (SA, 000)	53.0	56.9	64.0	62.4	76.2	74.4	34.1	45.7	
	52.1%	58.6%	73.1%	67.1%	89.5%	89.7%	-0.8%	34.1%	
Personal Income (SAAR, \$bil.)	-	-	278.2	-	-	-	265.7	277.4	
	-	-	2.1%	-	-	-	8.1%	4.4%	
Median Home Price (\$000)	-	-	266.7	-	-	-	306.4	283.4	
	-	-	-9.3%	-	-	-	4.2%	-7.5%	

*Percentage Change is Year-over-Year

Key Revenue Variables

	2008						2009			
	Jun 11 - Jul 10	Jul 11 - Aug 10	Aug 11 - Sep 10	Sep 11 - Oct 10	Oct 11 - Nov. 10	Nov. 11 - Dec. 10	Dec. 11 - Jan 10	Jan 11 - Feb 10	Feb 11 - Mar 10	Mar 11 - Apr 10*
Department of Revenue-Total	1,156,464 <i>-7.4</i>	1,123,955 <i>-5.3</i>	985,246 <i>-3.6</i>	947,715 <i>-10.8</i>	1,135,361 <i>-6.6</i>	1,565,903 <i>-2.5</i>	942,557 <i>-15.2</i>	1,103,514 <i>-11.7</i>	769,461 <i>-11.4</i>	703,544 <i>-24.4</i>
Revenue Act	889,931 <i>-2.5</i>	1,051,241 <i>-2.3</i>	936,319 <i>0.8</i>	896,300 <i>-10.0</i>	1,022,351 <i>-5.3</i>	858,807 <i>-4.7</i>	781,369 <i>-14.9</i>	1,059,501 <i>-10.6</i>	735,791 <i>-10.1</i>	663,249 <i>-19.1</i>
Retail Sales Tax	612,650 <i>-1.9</i>	690,350 <i>-5.1</i>	636,760 <i>0.8</i>	609,775 <i>-11.1</i>	675,162 <i>-6.0</i>	579,492 <i>-5.1</i>	527,414 <i>-14.8</i>	685,642 <i>-13.2</i>	485,503 <i>-8.7</i>	434,398 <i>-19.8</i>
Business and Occupation Tax	207,021 <i>-2.7</i>	277,369 <i>-2.3</i>	218,267 <i>3.4</i>	208,562 <i>-4.9</i>	267,263 <i>-2.1</i>	198,162 <i>-4.9</i>	188,824 <i>-11.8</i>	280,267 <i>-5.1</i>	173,954 <i>-12.8</i>	169,275 <i>-10.1</i>
Use Tax	32,798 <i>-20.6</i>	45,376 <i>-5.8</i>	42,498 <i>1.8</i>	42,199 <i>-9.5</i>	41,442 <i>-14.9</i>	40,891 <i>4.7</i>	28,556 <i>-33.5</i>	45,661 <i>-8.7</i>	31,088 <i>-12.4</i>	29,567 <i>-24.8</i>
Public Utility Tax	28,587 <i>10.2</i>	26,862 <i>4.2</i>	25,856 <i>8.6</i>	25,313 <i>-5.2</i>	27,174 <i>4.9</i>	28,969 <i>14.1</i>	24,769 <i>-19.2</i>	37,185 <i>-1.6</i>	33,398 <i>-12.4</i>	35,370 <i>-6.4</i>
Tobacco Products Tax	959 <i>6.8</i>	908 <i>-104.8</i>	993 <i>21.1</i>	832 <i>-33.0</i>	1,006 <i>25.4</i>	973 <i>13.7</i>	860 <i>3.6</i>	859 <i>15.7</i>	822 <i>-9.1</i>	1,055 <i>20.5</i>
Penalties and Interest	7,917 <i>4.2</i>	10,377 <i>9.4</i>	11,945 <i>-39.1</i>	9,618 <i>-39.9</i>	10,305 <i>-19.3</i>	10,319 <i>-37.0</i>	10,945 <i>2.4</i>	9,887 <i>-16.0</i>	11,025 <i>-13.2</i>	-6,417 <i>-155.5</i>
Non-Revenue Act**	266,532 <i>-20.7</i>	72,714 <i>-34.1</i>	48,927 <i>-47.5</i>	51,415 <i>-23.8</i>	113,011 <i>-17.1</i>	707,096 <i>0.4</i>	161,188 <i>-16.9</i>	44,013 <i>-31.6</i>	33,671 <i>-32.2</i>	40,296 <i>-63.6</i>
Liquor Sales/Liter	14,004 <i>9.6</i>	13,044 <i>-0.6</i>	14,259 <i>10.4</i>	14,432 <i>3.9</i>	12,282 <i>3.5</i>	13,812 <i>9.3</i>	13,466 <i>-0.8</i>	18,972 <i>4.4</i>	12,126 <i>7.9</i>	11,408 <i>-1.7</i>
Cigarette	4,389 <i>10.1</i>	4,565 <i>-9.0</i>	4,214 <i>-11.6</i>	4,470 <i>2.2</i>	4,815 <i>0.8</i>	3,487 <i>-17.3</i>	3,527 <i>-5.9</i>	4,153 <i>-11.8</i>	3,498 <i>-7.6</i>	4,050 <i>0.4</i>
Property (State School Levy)	176,853 <i>-5.9</i>	-14,814 <i>0.2</i>	-18,168 <i>3.1</i>	-15,964 <i>24.3</i>	9,434 <i>2.9</i>	611,756 <i>5.4</i>	111,753 <i>-6.8</i>	-13,815 <i>5.1</i>	-16,785 <i>-16.1</i>	4,201 <i>-44.0</i>
Estate	109 <i>-73.4</i>	245 <i>-147.0</i>	134 <i>-84.9</i>	6 <i>58.5</i>	132 <i>-35.8</i>	72 <i>-69.8</i>	-40 <i>-101.2</i>	59 <i>-108.1</i>	125 <i>204.4</i>	-65 <i>-116.2</i>
Real Estate Excise	46,179 <i>-51.8</i>	49,509 <i>-43.2</i>	41,263 <i>-50.7</i>	44,268 <i>-23.9</i>	36,963 <i>-40.7</i>	37,142 <i>-42.2</i>	26,829 <i>-48.7</i>	19,323 <i>-48.6</i>	29,415 <i>-19.1</i>	19,815 <i>-56.3</i>
Timber (state share)	0 <i>NA</i>	0 <i>NA</i>	1,453 <i>-45.2</i>	0 <i>NA</i>	0 <i>NA</i>	1,508 <i>-27.6</i>	0 <i>NA</i>	0 <i>NA</i>	1,001 <i>NA</i>	0 <i>NA</i>
Other	24,997 <i>-28.8</i>	20,164 <i>-1.0</i>	5,772 <i>-3.2</i>	4,203 <i>7.1</i>	49,385 <i>3.0</i>	39,318 <i>-2.9</i>	5,652 <i>472.6</i>	15,321 <i>-13.6</i>	4,290 <i>-74.3</i>	887 <i>-97.9</i>
Department of Licensing**	6,497 <i>13.0</i>	2,987 <i>-1.5</i>	881 <i>-24.7</i>	404 <i>-13.1</i>	324 <i>4.5</i>	180 <i>-38.6</i>	213 <i>3.1</i>	242 <i>35.9</i>	263 <i>4.3</i>	617 <i>34.9</i>
Lottery**	0 <i>NA</i>	0 <i>NA</i>	0 <i>NA</i>	0 <i>NA</i>	0 <i>NA</i>	11,092 <i>NA</i>	0 <i>NA</i>	0 <i>NA</i>	0 <i>NA</i>	0 <i>NA</i>
Total General Fund-State***	1,170,259 <i>-6.7</i>	1,126,942 <i>-5.2</i>	986,127 <i>-3.6</i>	948,119 <i>-10.8</i>	1,135,685 <i>-6.6</i>	1,577,175 <i>-1.8</i>	942,770 <i>-15.2</i>	1,103,757 <i>-11.7</i>	769,724 <i>-11.3</i>	704,161 <i>-24.3</i>

*Revenue Act components: ERFC preliminary estimates

**Monthly Revenues (month of beginning of collection period)

*** Detail may not add due to rounding. The GFS total in this report includes only collections from larger state agencies: the DOR, Lottery Commission and DOL.

Note: *Italic figures refer to Year-over-Year percent change.*

Revenue Forecast Variance

Thousands of Dollars

Period/Source	Estimate*	Actual	Difference Amount	Percent
March 11 - April 10, 2009				
April 10, 2009 Collections Compared to the March 2009 Forecast				
Department of Revenue-Total	\$758,745	\$703,544	(\$55,201)	-7.3%
Revenue Act** (1)	709,703	663,249	(46,455)	-6.5%
Non-Revenue Act(2)	49,042	40,296	(8,746)	-17.8%
Liquor Sales/Liter	12,082	11,408	(674)	-5.6%
Cigarette	3,871	4,050	179	4.6%
Property (State School Levy)	(1,638)	4,201	5,839	356.4%
Estate	36	(65)	(101)	-277.8%
Real Estate Excise	27,667	19,815	(7,852)	-28.4%
Timber (state share)	0	0	0	0.0%
Other	7,024	887	(6,136)	-87.4%
Department of Licensing (2)	430	617	187	43.6%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$759,175	\$704,161	(\$55,013)	-7.2%

Cumulative Variance Since the March Forecast (March 11 - April 10, 2009)

Department of Revenue-Total	\$758,745	703,544	(55,201)	-7.3%
Revenue Act** (3)	\$709,703	663,249	(46,455)	-6.5%
Non-Revenue Act(4)	\$49,042	40,296	(8,746)	-17.8%
Liquor Sales/Liter	\$12,082	11,408	(674)	-5.6%
Cigarette	\$3,871	4,050	179	4.6%
Property (State School Levy)	(\$1,638)	4,201	5,839	-356.4%
Estate	\$36	(65)	(101)	-277.8%
Real Estate Excise	\$27,667	19,815	(7,852)	-28.4%
Timber (state share)	\$0	0	0	0.0%
Other	\$7,024	887	(6,136)	-87.4%
Department of Licensing (4)	430	496	66	15.4%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$759,175	\$704,040	(\$55,134)	-7.3%

1 Collections March 11, 2008 - April 10, 2009. Collections primarily reflect February 2009 activity of monthly taxpayers.

2 March 2009 collections.

3 Cumulative collections, estimates and variance since the March 2009 forecast; (March 11 - April 10, 2009) and revisions to history.

4 Cumulative collections, estimates and variance since the March forecast (March 2009) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the March 2009 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.