

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 flowers and green leaves visible in the foreground and around the building. The sky is a clear, light blue.

Washington State Economic and Revenue Forecast

**June 2009
Volume XXXII, No. 2**



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Washington State Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

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Preface

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.

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Executive Summary

- The freefall stage of the decline in the U.S. economy, in the Washington economy, and in Washington revenues appears to be over. Most measures of economic activity and revenue have already bottomed or are in the process of bottoming out.
- Credit conditions are easing but still are still tight. The banking industry's health has improved, although parts of it are still vulnerable.
- We expect a slow, "U-shaped" recovery, following a turning point in the third quarter of this year. Job losses will continue through the end of this year and the unemployment rate will continue to rise through mid-2010.
- Though Washington entered the recession later than the U.S., it will emerge from the recession about the same time and with stronger growth.
- The modest job cuts expected in aerospace and software will have a minimal impact. The hardest hit sector has been and will continue to be construction. Residential construction is nearing a trough, but the downturn in non-residential construction is still far from over.
- The freefall in revenue seems to be moderating. The state's major tax sources (sales, use, business and occupation) have leveled off and the real estate excise tax collections have turned up.
- Effective July 1, 2009, the definition of General Fund – State has changed to what was previously called General Fund – State and Related Funds.
- The June 2009 General Fund State forecast for the 2007-09 biennium is \$27.2 billion, which is \$185 million lower than expected in the March forecast. The forecast for the 2009-11 biennium is \$29.8 billion, which is \$297 million less than expected in the March forecast. The 2009-11 forecast change includes \$226 million in new revenue as a result of legislation, excluding the change in definition.

U.S. Economic Forecast

The worst of the recession appears to be over

The worst of the "Great Recession" is behind us. Activity continues to decline, but at a slower pace, bringing to an end the scary free-fall we experienced in the late fall and winter. Credit conditions have eased significantly since the freeze in

September. Home sales have ticked up modestly, as home prices continue to fall, and mortgage rates remain reasonable. Consumer spending appears to have stabilized, albeit at low levels. Initial jobless claims appear to have peaked, indicating that the pace of job loss is receding. Housing starts and car sales are bumping along the bottom.

We expect a gradual "U-shaped" recovery

Our national forecast anticipates a recession trough in the third quarter of the current year, followed by a gradual or U-shaped, rather than V-shaped recovery. Even though it is off its bottom, consumer confidence still remains weak. There is significant idle capacity in the economy both in product and labor markets, and business investment is very weak. The housing correction is likely to drag out at least into next year. The automotive sector will take time to get back on its legs. The federal government's plan to clean "toxic assets" from bank balance sheets appears to have been greatly reduced in scope. Large banks may now have to deal with the problem through growing profits – a slower process. Smaller and regional banks, particularly those with exposure to commercial real-estate will find the going tougher.

Real GDP growth will turn positive in 2009 Q3 but labor markets will lag

Real GDP is expected to grow by 0.6% (SAAR) in the third quarter, increasing gradually to 2.9% by the third quarter of 2010. Employment growth lags the recovery in activity, and the unemployment rate lags the recovery in jobs. This is because employers start hiring only after they are certain of the recovery. When jobs start to grow, the unemployment rate can still grow if the labor force grows faster. This is true at the state level, but can also be true at the national level, if more people start looking for jobs as hiring recovers. Our forecast expects the national economy to keep shedding jobs through the fourth quarter of this year and the unemployment rate to peak slightly above 10% in the second quarter of 2010.

Washington Economic Forecast

Like the national economy, Washington's economy also appears to be stabilizing

The state economy is also showing signs of stabilizing. The rate of decline in payroll employment appears to be moderating - the state economy lost an average of nearly 6,000 jobs per month during the second quarter of 2009, which was a big improvement over the more than 16,000 lost per month in each of the previous two quarters. Initial claims for unemployment insurance, a leading indicator of business cycle turning points, have peaked. Housing permits and new car registrations also appear to have hit bottom, though at very low levels.

Washington's recovery is likely to be U-shaped, although stronger than the nation's

We expect the Washington economy to bottom out at about the same time as the national economy and experience a similar "U-shaped" recovery. However our recovery will be stronger than the national average. Even with Microsoft and Boeing's layoff announcements that made headlines, the magnitude of the

anticipated cuts is modest. We expect a peak to trough decline of 1,800 jobs in software and 6,900 in aerospace. In contrast, the construction sector will lose 54,000 jobs and Manufacturing other than aerospace will lose 39,000 jobs. Positive job growth will resume at the beginning of 2010 but the unemployment rate will peak in the second quarter of 2010.

Personal income growth in the state is weak now, but is expected to recover

After plummeting 3.4% from the fourth quarter of 2008 to the fourth quarter of 2009, we expect payroll employment to grow 1.5% during 2010 and 2.9% during 2011. Washington personal income is suffering from employment declines, cuts in average hours, weak wage growth and declining proprietor's income and property income. We expect a barely positive 0.1% increase in personal income in calendar 2009, recovering to 3.4% and 5.3%, respectively, in 2010 and 2011. The forecast projects housing permits will fall again this year to a cyclical low of 14,400 units before recovering to 23,600 in 2010 and 35,500 in 2011.

Revenue Forecast

The revenue growth trajectory has turned out to be similar to what was forecast in March, but the levels are lower than expected

The March revenue forecast expected revenue to decline through 2009 Q2 before stabilizing and then showing growth in Q4, the depth of the decline through June has been larger than expected. Revenues now seem to be stabilizing on a seasonally adjusted basis (though still negative from year-ago levels) just as we had predicted, although at a lower level. That lower starting point, coupled with a slower expected rate of recovery, resulted our June forecast projecting a decrease of \$185 million in General Fund-State (GF-S) revenues for the 2007-09 biennium and \$523 million in the 2009-11 biennium. With the addition of \$226 million in revenue-enhancing new legislation and budget directives, the total forecast reduction for the two biennia was \$482 million.

Since July 1, 2009, the GF-S includes was earlier called the GF-S and Related Funds

With the passage of Engrossed Substitute Senate Bill (ESSB) 5073 during the 2009 legislative session, the definition of GF-S revenue has changed as of July 1, 2009. Under the new definition, the revenue from five dedicated accounts currently designated as "Related Fund," as well as their governmental functions, will be brought into the GF-S. While this will complicate comparisons of historical GF-S revenue levels, it does not change the forecasted sum of "GF-S and Related" which has been a regular feature of this publication. The GF-S forecast change referred to above is the change in the total funds as defined under ESSB 5073.

The revenue recovery will be slower than the economic recovery

While Washington consumers and businesses are expected to start spending again by the end of the year, the forecasted recovery in state revenues is quite slow. By the end of the forecast period (FY 2011), GF-S revenue is still expected to be

below the level of FY 2008. Biennial totals of GF-S revenue (by the "old" definition) were forecasted to contract by 0.2% in the 2007-09 biennium and 0.1% in the 2009-11 biennium – the first time we are likely to have two biennia with back-to-back negative growth rates since the current data series began in FY 1961.

Special Topic: Washington Housing

The home price bubble was less pronounced in WA, but construction has declined sharply

The Washington housing market has turned down dramatically since the boom earlier in this decade. Housing construction in the state has fallen in tandem with the national decline. However, the bubble in home prices was later and less extreme here than elsewhere. So unlike home construction activity, which paralleled the national downturn, local home price declines lagged other parts of the country.

Housing construction in the state is likely to recover in 2011

Washington appears to be a little better positioned to handle the housing correction than the nation. Whatever overbuilding occurred in the state during the boom years will be largely absorbed by the end of the 2009-11 biennium. Since current construction is below demographic demand, this will set the stage for an eventual recovery in 2011 as the economy improves and the surplus housing has been absorbed.



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

- **The pace of contraction in activity is slowing. The decline in GDP in 2009 Q1 was slower than in 2008 Q4. A boost from net exports in May is likely to continue that trend into the second quarter. We expect the recession to trough in 2009 Q3, followed by a slow recovery that gains traction only in the second half of 2010.**
- **The credit squeeze appears to be easing, but conditions remain tight. The banking industry’s health has improved, although it is still vulnerable. In particular, small and regional banks with exposure to commercial real estate are at risk.**
- **The construction sector is very weak and will lag the recovery in the rest of the economy. While residential construction is bumping along the bottom, non-residential construction continues to test new lows.**
- **On the positive side, the rate of decline in home prices has slowed, but prices have yet to hit bottom. Consumer spending has stabilized at low levels, initial unemployment claims have peaked, and the full impact of the fiscal and monetary stimulus is yet to be felt.**
- **The risk to the outlook is still higher than normal, and downside risks still outweigh the upside risks.**

Current Conditions

The worst of the recession appears to be over

The worst of the “Great Recession” is behind us. Activity continues to decline, but at a slower pace, bringing to an end the scary free-fall we experienced in the late fall and winter. Credit conditions have eased significantly since the freeze in September. Equity markets, forward looking by nature, turned up early in March – indicating a possible recession trough within six months. Home sales have ticked up modestly, as home prices continue to fall, and mortgage rates remain at historic lows. Consumer spending appears to have stabilized, albeit at low levels. Initial jobless claims appear to have peaked, indicating that the pace of job loss is receding. Housing starts and car sales are bumping along the bottom. Economic stimulus, both fiscal

and monetary, has had some impact, though the bulk of the impact is yet to come.

The rate of decline in GDP appears to be easing

The decline in first quarter real gross domestic product (GDP) was revised to -5.5% seasonally adjusted annualized rate (SAAR) from -5.7%. This was an improvement from the fourth quarter of last year's -6.3%. There is reason to believe that the rate of contraction in activity slowed further in the second quarter. According to Macroeconomic Advisers, a St. Louis based economic research firm, monthly real GDP grew 3.8% (SAAR) in April, and their quarterly real GDP tracking expects the second quarter to show a 0.2% increase. This was largely due to an upside surprise provided by May trade data. United States exports increased 1.6% (SA) while imports fell by 0.6%. Consequently, the trade deficit fell from April's USD 28.8 billion to USD 26 billion, its lowest in a decade. The Bureau of Economic Analysis (BEA) is expected to release its advance estimate of official second quarter real GDP later this month.

Inter-bank lending markets are nearly back to normal

Inter-bank lending spreads have come down to earth. The Ted Spread, which is the difference between the 3-month U.S. Dollar London Inter-bank Offered Rate (LIBOR) and the 3-month U.S. Treasury bill yield, and is a measure of the risk premia banks have to pay to borrow from each other, is now down to about 40 basis points – close to its normal level. At the height of the credit freeze last September, the Ted Spread had spiked to over 450 basis points, shutting down inter-bank lending. The fact that it is now back down to normal levels indicates that inter-bank lending is returning to normal.

But the banking sector is not entirely healthy yet

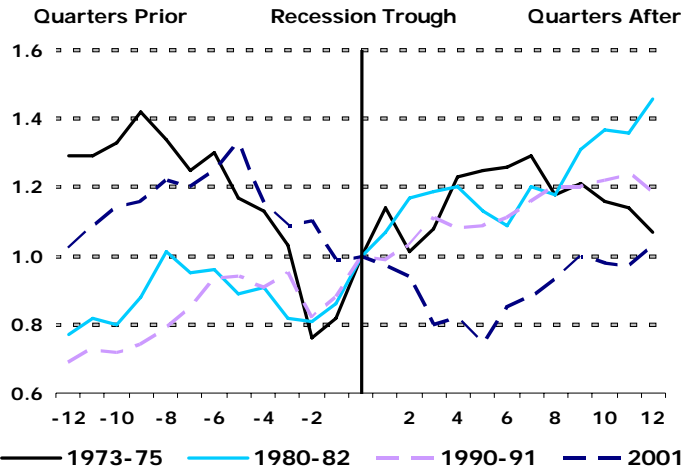
However, bank troubles remain, especially for smaller institutions. While the 10 largest banks have been able to raise capital – both debt and equity, and have been permitted to return up to \$68 billion in Troubled Asset Relief Program (TARP) funds, the picture is different for smaller, mostly regional banks. Many remain vulnerable, especially those with exposure to commercial real estate loans. They remain vulnerable.

Consumer and business access to credit has improved a little

With inter-bank lending resuming, bank credit to consumers and businesses has eased somewhat. Consumers with good credit now have access to reasonably priced loans. Large corporations with strong balance sheets are also able to access funds directly through the bond market. Credit, however, still remains tight for small businesses especially in construction related activities.

Figure 1.1: Behavior of the S&P500 around recession troughs

Equity markets typically turn up two quarters prior to a recession trough...



Source: S&P500, NBER, ERFC

...that would put the trough of this recession in Q3, since equity markets turned up in early March

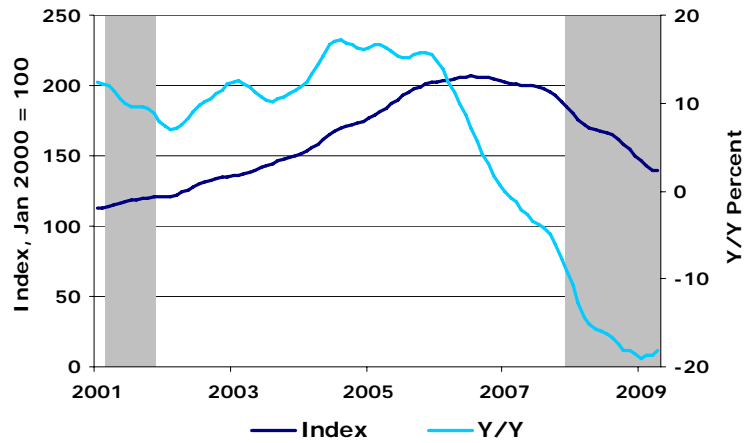
We are also seeing the first tentative signs that the trough of the recession is near. Equity markets turned up in early March – indicating a recession trough within six months (see Figure 1.1). The S&P 500 has typically turned up two quarters prior to the official recession trough. That occurred in the recessions in the 1970s, 1980s and in 1990-91. This is not surprising, because equity markets are forward looking, and it is reasonable to expect them to telegraph recession troughs. The only exception was the 2001 recession, when uncertainty about impending wars kept equity markets trading water until it became clear in March 2003 that Iraq was unlikely to be able to damage energy assets in the region. The behavior of equity markets this time indicates a possible recession trough in the third quarter.

Housing inventory is bloated and starts are bumping along the bottom

Excess housing supply continues to be a drag on the economic recovery. In May, existing home sales increased by 2.4%, following a similar gain in the prior month. But it is still 3.6% below its level a year ago. The months' supply of homes available at existing sales rates remains high at 9 months. New home sales were essentially flat in May, following a 2.7% increase in April. Compared to a year ago, May new home sales are down 33%, and there is a greater than 10 months supply on the market. Housing starts have stayed in the 500,000 starts (annualized) range since December. This is just one-fourth of the level starts were at during the housing boom in 2003-05, they have stopped declining.

Figure 1.2: Case-Shiller 20-city composite home prices

The rate of decline in home prices is slowing...



Source: S&P/Case-Shiller, data through April 2009

...which is a bit of good news for both housing and banking

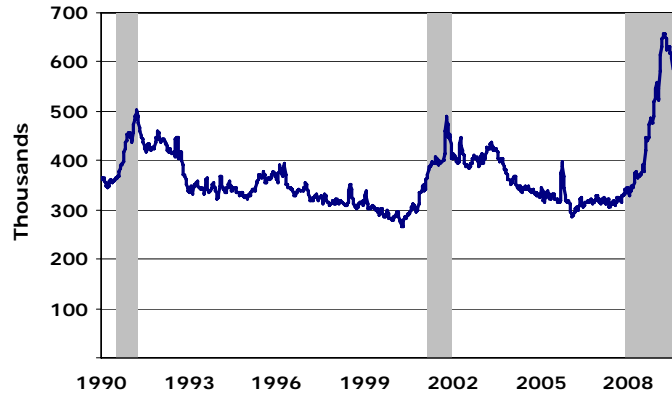
Home prices are still declining but at a slowing rate (see Figure 1.2). The Case-Shiller 20-city composite home price index fell 1% in April and was 18% below a year ago. But, the index appears to have reached a point of inflexion – i.e. the rate of decline appears to be slowing. It is the first step toward getting home price stability. This would not only be good for the housing market, but also for banking, most of whose toxic assets have housing as collateral.

Consumer spending is soft, but appears to be moving sideways

Consumer spending appears to have stabilized, albeit at low levels. Real consumer spending grew 1.4% (SAAR) in the first quarter. In April and May it grew -0.1% and 0.2% respectively. Compared to a year ago it is down 1.9%. Light motor vehicle sales are also bumping along the bottom. Since the start of the year, they have ranged between 9-10 million (annualized) units a month, which is 30-40% below what they were a year ago. But they appear to be holding steady at this low level, and not declining further.

Figure 1.3: Initial unemployment claims, SA, 4-week moving average

Initial jobless claims have peaked...



Source: U.S. Department of Labor, data through July 11, 2009

...which means that the pace of job loss is falling

Initial jobless claims appear to have peaked, indicating that the pace of job loss is receding (see Figure 1.3). This is another early indicator that the recession trough is near. After peaking at 674,000 (SA) claims in the last week of March, they are now at 612,000 (SA) claims, as of mid-June. Unlike the unemployment rate which is a lagging indicator, and lags the recovery in economic activity, initial claims are a leading indicator. Typically, when they have declined more than 40,000 from their peak, as they have now, a recession trough is near.

There is considerable stimulus in the pipeline

Considerable monetary and fiscal stimulus has already gone out or is in the pipeline. The Fed has increased the size of its balance sheet by \$1 trillion dollars since the crisis began. The American Recovery and Reinvestment Act (ARRA), commonly known as the \$787 billion federal fiscal stimulus, to date has seen only \$56 billion in outlays. It is estimated that another \$200 billion will be spent in the third quarter.

Forecast & Outlook

Our forecast was made with information available through mid-June

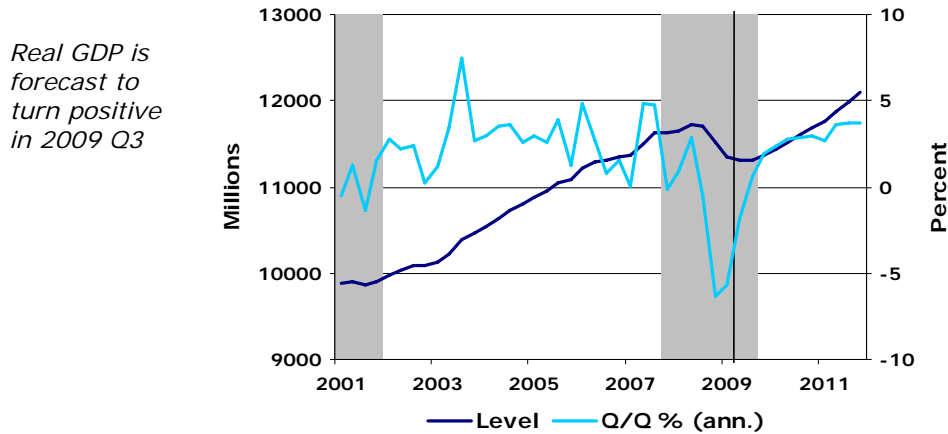
Our national economic forecast was made in the second week of June when some of the data referred to in the current conditions section were not available to us. In particular, we did not have the BEA's revisions to first quarter real GDP and its components. Nor did we have any of the May data on housing, personal income, and labor market conditions. Nevertheless, events have unfolded mostly along the lines we had anticipated.

We expect a trough in 2009 Q3 and a U-shaped recovery

Our national forecast anticipates a recession trough in the third quarter of the current year, followed by a gradual or U-shaped, rather than V-shaped, recovery. Even though it is off its bottom, consumer confidence still remains weak. There is significant idle

capacity in the economy both in product and labor markets, and business investment is very weak. The housing correction is likely to drag out at least into next year. The automotive sector will take time to get back on its legs. The federal government’s plan to clean “toxic assets” from bank balance sheets appears to have been greatly reduced in scope. Large banks may now have to deal with the problem through growing profits – a slower process. Smaller and regional banks, particularly those with exposure to commercial real-estate will find the going tougher.

Figure 1.4: Real GDP growth forecast



Source: Bureau of Economic Analysis, ERFC

The full impact of the stimulus will be felt in 2010 Q3

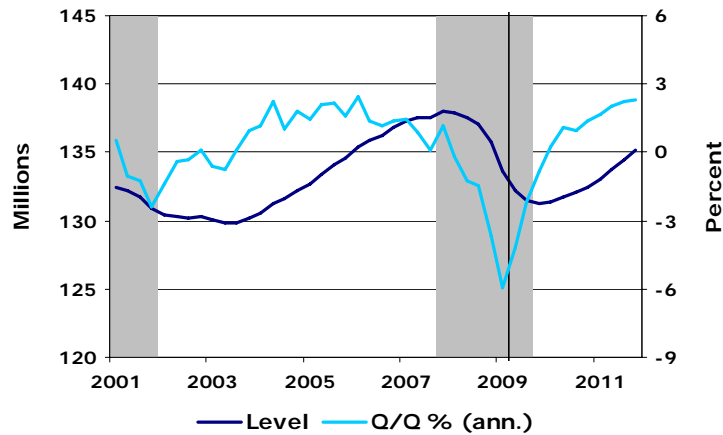
Real GDP is expected to grow by 0.6% (SAAR) in the third quarter of 2009 (see Figure 1.4), increasing gradually to 2.9% by the third quarter of 2010. The initial recovery will be supported by the first round effects of both the fiscal and monetary stimulus to date. The full impact of the stimulus to date, and that in the pipeline will be felt sometime around the third quarter of 2010. Consumer spending will remain positive but weak, firming up to 3.3% (SAAR) growth by the third quarter of 2010. Business investment will also start to grow again in that quarter. Net exports are expected to help by the second quarter of 2011.

The labor market lags the real economy

Employment growth lags the recovery in activity, and the unemployment rate lags the recovery in jobs. This is because employers start hiring only after they are certain of the recovery. When jobs start to grow, the unemployment rate can still grow if the labor force grows faster. This is true at the state level, but can also be true at the national level, if more people start looking for jobs as hiring recovers. Our forecast expects the national economy to keep shedding jobs through the fourth quarter of this year (see Figure 1.5, next page), and the unemployment rate to peak slightly above 10% in the second quarter of 2010.

Figure 1.5: U.S. non-farm payroll employment forecast

Job losses will continue into the recovery



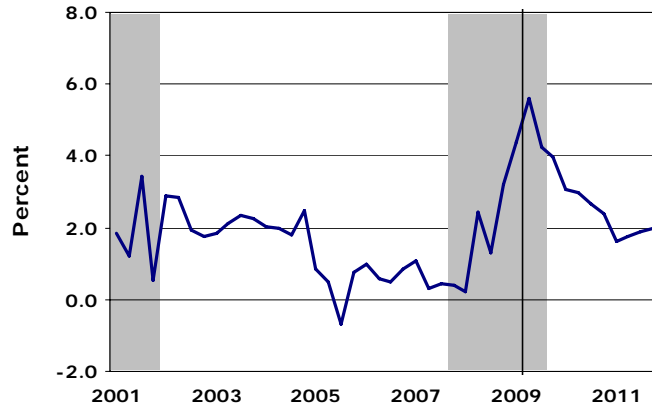
Source: Bureau of Labor Statistics, ERFC

Households are paying down debt and saving more

With employment growth lagging, and a 21% decrease in household net worth since the recession began, it is not surprising to see households de-leveraging. After months of consuming out of cheap credit, households are now trying to rebuild the wealth they have lost from the falling values of their homes and retirement portfolios. They are paying down debt, spending only on essentials, and saving more. The rate of saving out of disposable income had declined from about 8% in the early 1990s to close to 0% by 2005, even turning negative in August 2005. In sharp contrast to that, in May of this year, the savings rate has recovered to 6.9% (see Figure 1.6, next page). Our forecast expects the savings rate to remain positive over the entire forecast horizon, but moderating to 2% by the end of 2011, as the economic recovery takes hold, and household net worth starts to improve.

Figure 1.6: Forecast of U.S. savings out of disposable income, percent

The savings rate is high now, but is expected to moderate as the recovery gains strength



Source: Bureau of Economic Analysis, ERFC

Housing will continue to be a drag on the recovery

We expect housing to continue to be a drag on the recovery, not just because of the surplus capacity, but also because home prices have not decreased far enough yet. The price bubble may be over, but the weak economy has meant an increase in foreclosures, or housing supply, at the same time that a tightening of loan underwriting standards and job losses have reduced demand. In those parts of the country that faced the worst of the foreclosure crisis, prices have been forced down enough to attract new buyers to the market. But that is not true for much of the country. We expect a very gradual increase in housing starts from their current low level of around 500,000 units (annualized) to 1.4 million by mid 2011, considerably lower than the 2 million plus rate at the peak of the boom.

Non-residential construction is expected to be even weaker than housing

The recovery in non-residential construction will lag the housing recovery. Non-residential construction had held up even after housing construction peaked, but in the fourth quarter of last year ran headlong into both a credit crunch and an economy in free-fall. Non-residential fixed investment in structures fell 9% (SAAR) in the fourth quarter, followed by a 42% drop in the first quarter of this year. Our June forecast has non-residential construction turning around in the fourth quarter of 2010, and year over year growth, only in the second quarter of 2011.

Forecast by Fiscal Year

Both FY 09 and FY 10 are expected to have negative real GDP growth

The forecast by fiscal year, presented in Table 1.1, appears worse than the forecast by calendar year described above, because the fiscal year starts and ends two quarters earlier than the calendar year, and we are projecting a slow recovery from the current recession. Real GDP is expected to decline by 1.6%

in FY 2009, and by 0.5% in FY 2010, returning to growth in FY 2011 when it is expected to grow by 2.8%. In contrast, calendar year 2010 is expected to show real GDP growth of 2%, followed by 3.2% growth in 2011.

FY 09's weakness comes from weakness in construction

Much of the decline in real GDP in FY 2009 can be explained by a sharp retrenchment in construction activity. Real residential fixed investment is expected to decline by 22% and real non-residential fixed investment by 10%. Real consumption is also projected to decline by 1.2%.

Construction will remain soft in FY 10 but start improving in FY 11

In FY 2010, real non-residential fixed investment is expected to fall by 12% and real residential fixed investment by 10%, but real consumption is expected to grow 1.2%. In FY 2011, when growth returns, real residential fixed investment is expected to grow 24%, but off very low levels. Housing starts are expected to average 1.1 million in that year, up 64% from FY 2010. Real non-residential fixed investment is expected to grow by 7% in FY 2011, and real consumption by 2.3%.

Risks to the Outlook

Downside Risks (15%)

Downside risks

Downside risks have diminished considerably since our March forecast, but remain significant and outweigh upside risks.

Consumer confidence

Our baseline assumes that consumer confidence and spending will recover at the same pace as the economy. The biggest risk to state revenue is that they do not. This would cause the gap between income growth and revenue growth to close at a slower pace than assumed. That could happen if the pace of household de-leveraging intensifies, keeping consumer spending soft.

Banks

The biggest risk to the economic recovery still remains the health of the nation's banking system. Banks were profitable in the first quarter after a long series of losses. However, toxic assets based on housing values still remain on bank balance sheets, and not all the losses have yet been recognized. The treasury's plan to clean bank balance sheets appears to have been scaled down. Now banks are faced with the prospect of having to grow their earnings sufficiently to cover the losses from these assets. This will slow down the recovery.

Housing prices

Housing prices are still declining, and that makes it harder to value the toxic assets on bank balance sheets or for banks to recognize the losses.

The global economy

The global economy is in recession, and Washington is a trade dependent state. Exports will support our recovery only late in the cycle, because our trading partners' economies tend to recover with a six-month lag to the nation's.

Inflation

Fears of deflation have eased. But with the amount of liquidity that has been pumped into the economy, there is always a risk

of inflation. However, inflation expectations are “well anchored,” which means the risk of inflation is low, even with the injection of liquidity. If expectations become “unanchored” and we get an uptick in inflationary pressures, then the Federal Reserve may be compelled to raise interest rates earlier than planned, further slowing the recovery.

Policy errors

Policy errors could also slow down the recovery. One of the mistakes from the depression era was an early withdrawal of stimulus. Economic stimulus takes time to have its full effect. Another problem could result from policy uncertainty that slows down business decision making. To be effective, policy must be clear, swift and sustained.

Upside Risks: (10%)

Upside risks

Even though downside risks predominate, there is a small chance that the recovery turns out to be quicker and stronger than our forecast.

Banks

The banking sector returns to health sooner than expected.

Consumer confidence

Consumer and business confidence returns earlier than expected. It is hard to predict when market psychology changes following a crash, and what triggers that change. Our baseline expects a gradual return of confidence at the same pace as the economy. If confidence returns quicker, the recovery will come quicker.

Commodity prices

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

Policy

Good policy.

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

Fiscal Years

	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2000 Dollars)						
Real Gross Domestic Product	11,161.3	11,379.9	11,655.0	11,472.6	11,412.8	11,732.1
% Ch	3.0	2.0	2.4	-1.6	-0.5	2.8
Real Consumption	7,913.1	8,150.2	8,308.5	8,208.8	8,306.7	8,500.8
% Ch	3.1	3.0	1.9	-1.2	1.2	2.3
Real Nonresidential Fixed Investment	1,274.0	1,344.1	1,418.1	1,277.5	1,124.9	1,207.1
% Ch	6.8	5.5	5.5	-9.9	-11.9	7.3
Real Residential Fixed Investment	592.6	500.8	402.4	313.7	281.2	349.0
% Ch	2.3	-15.5	-19.7	-22.0	-10.4	24.1
Real Personal Income	9,383.8	9,767.6	9,960.9	9,947.1	9,909.5	10,098.8
% Ch	3.0	4.1	2.0	-0.1	-0.4	1.9
Real Per Capita Income (\$/Person)	31,476	32,449	32,779	32,416	31,980	32,277
% Ch	2.0	3.1	1.0	-1.1	-1.3	0.9
Price and Wage Indexes						
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.133	1.160	1.197	1.219	1.232	1.257
% Ch	3.2	2.4	3.2	1.8	1.1	2.0
U.S. Consumer Price Index (1982-84=1.0)	1.990	2.041	2.117	2.147	2.171	2.221
% Ch	3.8	2.6	3.7	1.4	1.1	2.3
Employment Cost Index (June 1989=1.0)	1.005	1.038	1.072	1.096	1.111	1.128
% Ch	2.5	3.3	3.3	2.3	1.3	1.5
Current Dollar National Income (Billions of Dollars)						
Gross Domestic Product	12,832.1	13,467.0	14,106.8	14,183.2	14,247.9	14,871.2
% Ch	6.5	4.9	4.8	0.5	0.5	4.4
Personal Income	10,636.2	11,332.8	11,928.8	12,125.5	12,213.3	12,690.6
% Ch	6.3	6.5	5.3	1.6	0.7	3.9
Employment (Millions)						
U.S. Civilian Labor Force	150.4	152.4	153.7	154.6	154.9	155.8
Total U.S. Employment	143.1	145.5	146.1	142.9	139.6	140.7
Unemployment Rate (%)	4.83	4.53	4.95	7.56	9.91	9.72
Nonfarm Payroll Employment	135.02	136.97	137.76	134.66	131.46	132.81
% Ch	1.9	1.4	0.6	-2.2	-2.4	1.0
Manufacturing	14.20	14.03	13.71	12.73	11.36	11.08
% Ch	-0.6	-1.2	-2.3	-7.2	-10.7	-2.5
Durable Manufacturing	8.98	8.91	8.69	7.94	6.88	6.73
% Ch	0.3	-0.8	-2.5	-8.6	-13.3	-2.2
Nondurable Manufacturing	5.23	5.12	5.03	4.79	4.48	4.35
% Ch	-2.0	-2.1	-1.8	-4.7	-6.5	-2.9
Construction	7.57	7.69	7.47	6.75	5.93	5.72
% Ch	6.1	1.7	-2.9	-9.6	-12.2	-3.6
Service-Producing	112.59	114.54	115.83	114.41	113.49	115.33
% Ch	1.9	1.7	1.1	-1.2	-0.8	1.6
Miscellaneous Indicators						
Oil-WTI (\$ per barrel)	64.3	63.4	96.8	70.0	73.9	78.8
Personal Saving/Disposable Income (%)	0.4	0.7	0.9	3.6	3.6	2.1
Auto Sales (Millions)	7.8	7.7	7.5	5.4	5.5	7.0
% Ch	2.7	-1.3	-1.6	-27.9	1.8	26.5
Housing Starts (Millions)	2.036	1.546	1.133	0.636	0.658	1.083
% Ch	1.0	-24.1	-26.7	-43.9	3.6	64.4
Federal Budget Surplus (Billions)	-262.9	-202.1	-365.2	-772.8	-1,114.1	-958.9
Net Exports (Billions)	-760.4	-735.6	-700.8	-486.0	-539.6	-618.2
3-Month Treasury Bill Rate (%)	4.06	4.89	2.89	0.56	0.37	1.29
10-Year Treasury Note Yield (%)	4.59	4.76	4.14	3.29	3.71	3.94
Bond Index of 20 G.O. Munis. (%)	4.45	4.30	4.56	4.96	4.81	5.02
30-Year Fixed Mortgage Rate (%)	6.20	6.35	6.18	5.53	5.18	5.46

Table 1.2
Forecast Analysis
 Comparison of Forecasts for 2007-09

Forecast Date	2006				2007				2008				2009	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
U.S.														
Percent Growth, 2007:2-2009:2														
Real GDP	6.1	6.6	6.3	6.7	6.2	6.1	4.6	4.9	3.6	2.6	2.8	0.5	-1.6	-1.6
Implicit Price Deflator	4.1	3.3	3.7	3.9	4.2	3.6	3.4	3.4	4.2	6.3	6.3	3.4	3.0	3.9
Average Rate, 2007:3 to 2009:2														
3 Month T-Bill Rate	4.68	4.62	4.72	4.44	4.91	4.89	4.23	3.95	2.35	2.39	2.36	1.89	1.74	1.73
Mortgage Rate	6.86	6.83	6.99	6.56	6.57	6.56	6.38	6.44	5.44	5.94	6.16	6.05	5.86	5.86

Table 1.3

Fiscal Years

Forecast Comparison
 Forecast 2009 to 2011

	2007	2008	2009	2010	2011
U.S.					
Real GDP					
June Baseline	11379.9	11655.0	11472.6	11412.8	11732.1
% Ch	2.0	2.4	-1.6	-0.5	2.8
March Baseline	11379.9	11655.0	11479.6	11416.2	11743.4
% Ch	2.0	2.4	-1.5	-0.6	2.9
Implicit Price Deflator					
June Baseline	1.160	1.197	1.219	1.232	1.257
% Ch	2.4	3.2	1.8	1.1	2.0
March Baseline	1.160	1.197	1.216	1.215	1.237
% Ch	2.4	3.2	1.5	0.0	1.8
U.S. Unemployment Rate					
June Baseline	4.53	4.95	7.56	9.91	9.72
March Baseline	4.53	4.95	7.40	9.45	9.31
Mortgage Rate					
June Baseline	6.35	6.18	5.53	5.18	5.46
March Baseline	6.35	6.18	5.54	4.95	5.39
3 Month T-Bill Rate					
June Baseline	4.89	2.89	0.56	0.37	1.29
March Baseline	4.89	2.89	0.59	0.43	1.40



Chapter 2: Washington Economy – Current Conditions and Forecast

- The freefall stage of the recession in the state economy is over and the end of the downturn is in sight.
- Washington will emerge from the recession about the same time as the nation. Despite entering into the current downturn later than the nation, the state will not lag in the recovery because of the strength in industries like aerospace and software.
- Recent data are showing signs of stabilization. Employment is still declining, but at a much slower pace. Initial jobless claims appear to have peaked. Housing permits have leveled off and the decline in new vehicle registrations has stopped falling.
- Job losses, however, will continue through the end of the year and the unemployment rate will continue to rise through mid-2010. This is normal since the labor market recovery lags the recovery in activity.
- The modest job cuts expected in aerospace and software will have minimal impact. The biggest cuts have been in construction, non-aerospace manufacturing, trade, and employment services – mainly temporary help.
- Though residential construction is nearing bottom, the correction in non-residential construction has a long way to go.
- Personal income growth is suffering from the loss of jobs as well as weaker wage growth and declining hours.
- Seattle inflation which had been remaining ahead of national inflation will be moderate due to the weak economy and lower energy costs.

Current Conditions

The recession trough is in sight

Much like the U.S. economy, the freefall stage of the current downturn appears to be over in Washington. We are still in a period of decline, but at a slower pace seen in past months. Washington is well positioned to recover along side the national economy. The state's aerospace and software industries have fared relatively well during the recession and are likely to

continue to do well once the expansion is under way. Despite continued setbacks to the 787 program, Boeing remains strong and has an extensive backlog of orders. Microsoft is also healthy with a strong balance sheet and growth opportunities. Although recent job cuts at Microsoft have made headlines, the overall number is very small and new hiring at the company has offset much of the loss.

Washington has not been immune from the national downturn

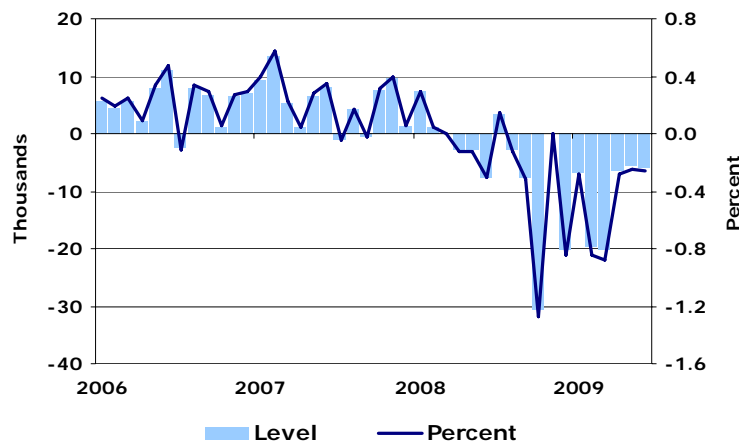
Many of the factors affecting the national recovery will also be in play in Washington. Although the state was late to enter the downturn, we have not been immune to those headwinds that pushed the national economy into recession. Like the nation, weak consumer confidence has taken a huge toll on home and auto sales in the state. Home prices in Washington remained stable at the start of the recession but are now declining at rates similar to the nation. Job losses have also caught up despite growth early in 2008 while the nation had started shedding jobs. The idle capacity created will result in a U-shaped recovery similar to that of the country. Even after the expansion begins, home prices will remain flat and job losses will continue in the state, but at a slowing rate.

The employment situation in Washington is moderating

Washington employment, although still declining, appears to be stabilizing. Seasonally adjusted total private payroll employment declined by 5,900 in June following a loss of 5,600 in May and 6,400 in April. These recent declines are a marked improvement over the 16,000-plus average decline in the six months prior (see Figure 2.1, below). Since the employment peak in February of 2008, non-government payrolls have declined by 136,000 jobs, an annualized decline of 4.2%. In the past three months, the annualized decline has averaged just 3.1%, reflecting the slowdown in job losses.

Figure 2.1: Washington total private payroll employment, monthly change

Monthly job losses are declining in Washington



Source: WA State ESD, June 2009

*Construction
Employment
remains
weak*

Employment in construction has been particularly weak during the current downturn. Losses in this sector have accounted for a third of the total decline in employment since the peak despite making up only six percent of total employment. Many of these jobs are lost for good as we do not expect a return to the levels seen during the housing bubble. These losses do not appear to be moderating. The past two months averaged a decline of 1,900 jobs which is not much better than the 2,600 average monthly job loss since February 2008.

*Employment
losses reach
across many
sectors*

Other industries have been hit hard as well during this recession. Employment services, which makes up just over 1% of total employment, has accounted for almost 12% of the job losses. This sector has shrunk by over 25% since the peak in overall employment. Employment in durable goods manufacturing has dropped by almost 22,000 since the peak while retail trade employment has shrunk by over 18,000. Almost all other major sectors have decreased payrolls as well over the past sixteen months.

*Employment
growth in
health
services has
been strong
despite the
downturn*

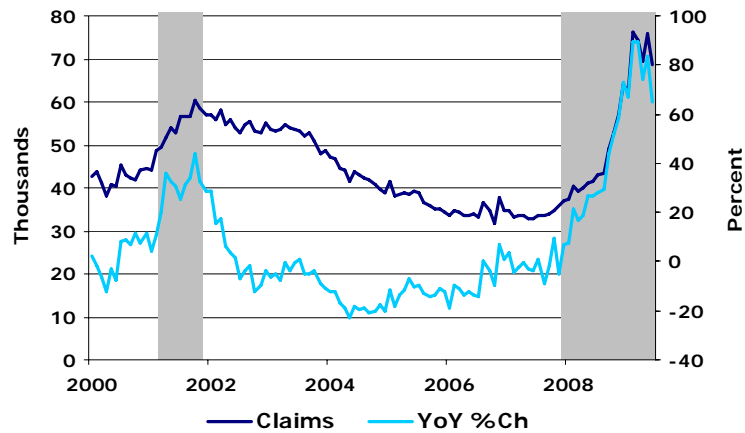
The exception to employment reductions this downturn has been the health services sector which tends to be relatively recession resilient. It has continued to expand through the downturn and has added over 10,000 jobs since February 2008. The trend in this industry has outpaced overall employment since midway through 2007, which has helped it withstand the slowdown. Although employment has been flat in this sector the past five months, peaking in January 2009, it is expected to pick up again once the expansion in the overall economy is under way.

*Initial Claims
data point to
the worst of
the job
losses being
over*

Initial claims for unemployment insurance data in Washington are also signaling that the worst of the job losses may be over. Seasonally adjusted monthly claims peaked in February 2009 at 76,200 after rising steadily since May of 2007(see figure 2.2, next page). June's number of 68,600 is the lowest since January and down sharply from May's number of 75,900. On an annual basis, although claims are now 65 percent above the prior year, they are down from their peak of 90% reached in February and March of this year, another indication that the rapid rise in joblessness may be coming to an end.

Figure 2.2: Washington initial claims for unemployment insurance, seasonally adjusted

Initial claims for unemployment insurance have peaked



Source: WA State ESD, June 2009

Washington's unemployment rate is likely to increase further

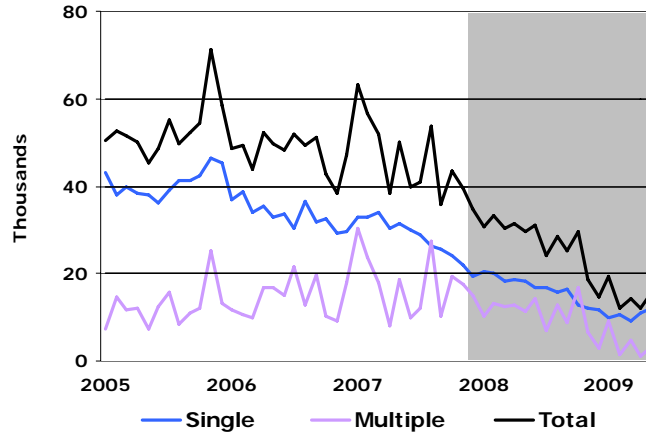
The unemployment rate in Washington increased again in June to 9.3% after a 0.1% increase in May. Despite slowing job losses, the unemployment rate is likely to continue rising well into the recovery, even after jobs start growing because the labor force grows faster. Discouraged workers are likely to begin looking for jobs again and more people will begin moving into Washington as our economy picks up relative to surrounding states. This is already reflected in driver's license migration data. As the recession began, the rate of people moving into the state stopped declining, unlike the last recession when less people moved in as the recession started.

Housing permits appear to have reached bottom

The housing situation in Washington is starting to show signs of stabilization as well. Housing units authorized by building permits reached a bottom in the early part of the year (see Figure 2.3, next page). In May, the number of units was 15,600 bringing the three month moving average to 14,000 and ending six straight months of decline in the average. Single-family units are leading the rebound after bottoming out at 9,200 units in March. The May figure of 12,200 is the highest since October of 2008, although it is still at historically low levels only previously reached in the early 1980's.

Figure 2.3: Washington housing units authorized by building permits, seasonally adjusted annualized rate

Housing units are starting to rebound after a long period of decline



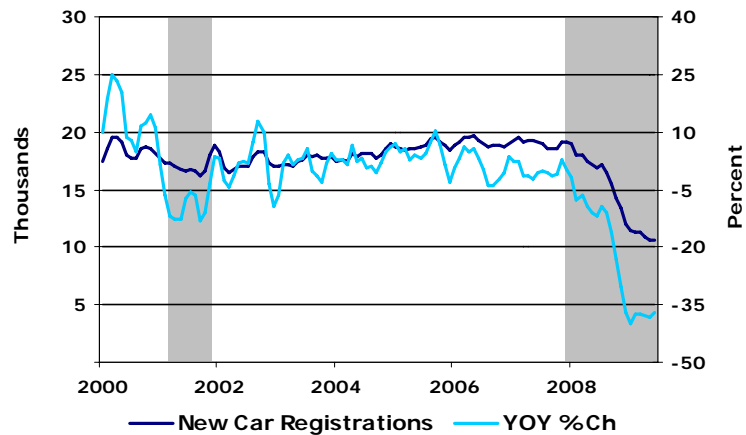
Source: U.S. Census Bureau, May 2009

New car registrations are approaching a bottom while the number of new trucks continues to fall

The number new car registrations in Washington also appear to be bottoming out. After experiencing the last year-over-year increase at the end of 2007, the number of new cars in Washington decreased at an accelerating pace before plateauing out at the beginning of this year. Since then, while the number of new cars registered in Washington has shown roughly the same year-over-year decline for the past five months (see figure 2.4, below), an initial sign that the worst may be over. On the

Figure 2.4: Washington new car registrations, seasonally adjusted

New car registrations in Washington are moving sideways



Source: WA State DOL, June 2009

other hand, new truck registrations don't share the same silver lining. The three month moving average of the seasonally

adjusted number of new trucks in Washington has been below 2,000 for the past two months, a low not reached since the data series began in 1970.

Year-over-year personal income growth is still positive

Weakness in personal income in Washington continues to weigh on the local economy. According to the Bureau of Economic Analysis, personal income in the state declined again in the first quarter by 0.4% after declining by 1.1% in the fourth quarter. This marks the first consecutive quarterly declines since the third and fourth quarter of 2001. On a year-over-year basis, the growth rate in personal income has been declining for six straight quarters although it is still in positive territory coming in at 1.1% in the most recent quarter.

Washington State Forecast

The state's recession should be over by 2009 Q3 followed by weak growth

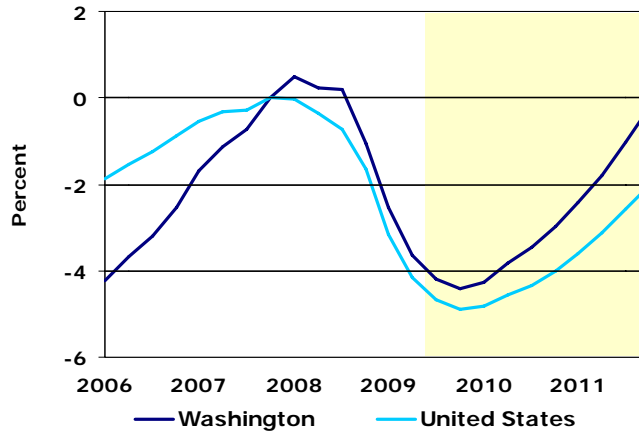
With the end of the downturn in sight, the state economy is expected to trough in the third quarter of this year followed by weak growth through the middle of next year. Job losses will continue through 2009, and the unemployment rate is expected to peak midway through 2010. Although the worst of the recession is now over, there are still many months of tough economic conditions ahead for the state.

The global recession is dragging down the state's economy

The downturn in the global economy is producing job losses in a wide range of industries including manufacturing, financial services, trade, and business services (especially temporary help services). Total Washington nonfarm payroll employment is expected to continue to decline through the end of the year with a peak-to-trough decline of 145,300 (4.9%). The state's unemployment rate, already at 9.3%, is expected to peak at 10.5% in the second quarter of 2010. There are signs that the recession's end is nearing. The rate of decline in payroll employment appears to be moderating and initial claims for unemployment insurance, while still high, are trending down. The local economy is expected to bottom out at about the same time as the national economy with positive, but weak, job growth resuming in early 2010 (see figure 2.5, next page).

Figure 2.5: Employment relative to the business cycle peak

Washington employment will bottom out about the same time as the U.S



Source: WA State ESD, actual data through 2009 Q2; ERFC forecast

Payroll employment is expected to begin growing again in 2010

On an annual average basis, Washington nonfarm payroll employment grew 0.9% in 2008 despite declines in each of the last three quarters of the year. On a Q4 to Q4 basis employment declined 1.0%. The forecast calls for Washington average annual nonfarm payroll employment to fall 3.7% this year. Average annual employment is expected to grow 0.1% and 2.4% in 2010 and 2011, respectively, as the national economy recovers from the recession. The Q4 over Q4 growth rates forecast for nonfarm payroll employment for 2009, 2010, and 2011 are respectively, -3.4%, 1.5%, and 2.9%. Washington personal income growth fell from 8.1% in 2007 to 4.0% in 2008. Income growth is expected to slow to just 0.1% in 2009 before recovering to 3.4% and 5.3%, respectively, in 2010 and 2011

Building permits will take time to recover to pre-recession levels

After three years in excess of 50,000 per year, the number of housing units authorized by building permit fell to 47,400 in 2007 and 28,900 in 2008. The forecast projects permits will fall again this year to a cyclical low of 14,400 units before recovering to 23,600 in 2010 and 35,500 in 2011.

Seattle's inflation will remain moderate throughout the forecast horizon

Inflation, as measured by the Seattle CPI, increased to 4.2% in 2008 from 3.9% in 2007. Core inflation (excluding food and energy) declined slightly to 3.4% in 2008 from 3.5% in 2007. Core inflation is moderating as shelter costs flatten. Also, rising energy costs have boosted inflation in recent years, but not this year. Lower energy prices in 2009 should hold headline inflation in Seattle to just 0.7%. Higher inflation is expected in 2010 and 2011 as the economy recovers and energy prices move up again. The forecast expects Seattle CPI inflation rates of 2.2% in 2010 and 2.5% in 2011.

Washington State Forecast Assumptions

The state's economy has proven even weaker than assumed in March

Washington employment growth since January has been much weaker than expected in March. On top of that, the monthly estimates through January 2009 were revised down based on newly available payroll data for the fourth quarter of 2008. As of May, nonfarm payroll employment was about 33,700 (1.2%) lower than expected in the March forecast. Most (70%) of the forecast error was in two sectors, construction and professional and business services. Between the revision to the history and the forecast error since January, construction employment was 11,300 (6.3%) below the March forecast. The recent decline in professional and business services employment was mostly in administrative and support services which includes employment services. The number of single-family housing permits was close to the forecast in the first quarter. We do not expect any significant improvement in housing permits until late this year.

Construction is leading the decline in employment

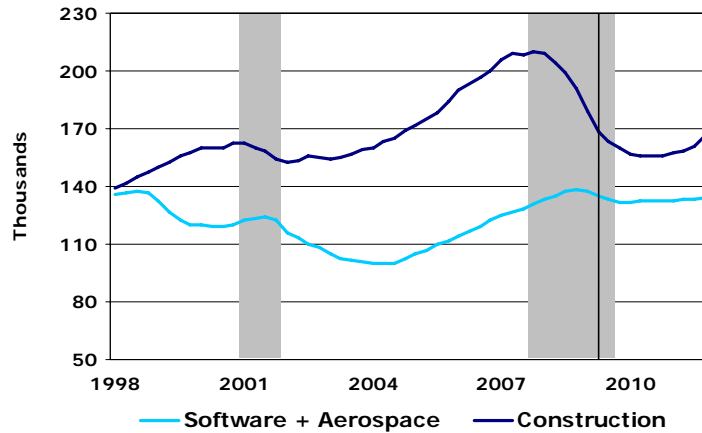
The construction employment forecast is weaker than assumed in March, in part because of lower housing activity, but also as a result of a deeper downturn in nonresidential construction. We expect construction employment to decline by about 54,000 (25.8%) from its peak in the fourth quarter of 2007 through the second quarter of 2010 (see figure 2.6, next page). The aerospace employment forecast reflects Boeing's announcement that production of the 777 will be cut from seven per month to five in mid-2010. The forecast assumes a total reduction 6,900 (8.0%) aerospace jobs from the end of 2008 to the end of 2011 (excluding the impact of the Machinists' strike) compared to 4,100 in the March forecast. In contrast, manufacturing other than aerospace is expected to lose 38,700 jobs (18.1%) from peak to trough. The new software employment forecast is higher than assumed in March as employment reductions so far this year have been less than feared. Software employment is expected to decline by 1,800 (3.4%) from the fourth quarter of 2008 to the fourth quarter of 2009, turning positive again in 2010 and 2011. We also expect a decline of 7,500 (1.6%) state and local government jobs in the second half of this year as governments tighten their belts in response to declining revenue.

Aerospace and software are relatively stable despite announced layoffs

Government Jobs are expected to decline

Figure 2.6: Key industry employment, seasonally adjusted

Construction job losses dwarf those in aerospace and software



Source: WA State ESD, actual data through 2009 Q2; ERFC forecast

Washington Payroll Employment

Boeing layoffs are a fraction of previous downturns

Aerospace employment will decline over the next couple of years, but the reductions will be quite moderate compared to other aerospace downturns. In January Boeing announced company-wide employment reductions 10,000 of which more than half are expected to be in Washington State. Not all the reductions will result in layoffs. Some of the cuts will be through attrition and some will be contract employees. This initial round of cuts is not expected to affect production. In April Boeing said it would reduce monthly production of the 777 to five from seven starting in June 2010. This is in spite a Boeing Commercial Airplanes contractual backlog of more than seven times expected 2009 revenues. Boeing did not indicate the number of job cuts that would result from the 777 production cut. Our forecast calls for a decline of about 6,100 aerospace employees from the first quarter of this year through mid-2011. The 6,100 reduction does not include an additional reduction of 1,200 contract workers. While these cuts are significant, they pale in comparison to the last aerospace downturn during which Washington lost a total of 52,000 aerospace jobs.

The software job cuts are unusual, but moderate

Microsoft also announced layoffs in January amounting to about 5,000 company-wide. This is Microsoft’s first mass layoff. During the last recession software employment leveled off but did not decline as continued hiring at Microsoft offset cuts at other software firms. The upcoming Microsoft layoffs will not all be in Washington State and they will continue to hire in some positions so the net loss for Washington software employment will be much less than the 5,000 announcement. The forecast assumes a net

reduction in Washington software job loss of about 1,800 from the end of 2008 to the end of 2009. Positive growth will return in 2010, accelerating during the year. By 2010 we expect a strong recovery in software employment.

The decline in construction employment is widespread and severe

Recovery is expected in late 2010

The decline in construction is now at a rate similar to the national average. Initially Washington's housing and construction cycle lagged the U.S. as we were slow to recover from the last recession. The peak in Washington construction employment in the fourth quarter of 2007 was more than a year later than the peak in U.S. construction employment. Washington construction employment is now falling at a rate that is similar to the national decline. The residential building and related special trades were hit first but by the second quarter of 2008 residential building, nonresidential building, and heavy construction employment were all in decline. The forecast expects construction employment to decline through the third quarter of 2010, a ten-quarter peak-to-trough drop of 54,000 or 25.8%. An initially modest recovery is expected to pick up steam during 2011 as both housing and nonresidential construction eventually revive.

The WAMU purchase and financial-real estate meltdown are reducing financial activities employment

Financial activities employment has been in decline since the first quarter of 2006, three years ago. Employment is down 10,500 (6.7%) since then. Unsurprisingly, credit intermediation and related activities, a victim of the meltdown in the financial markets, accounts for most decline, falling by 8,700 (15.4%). The forecast assumes most of Washington Mutual's headquarters staff will be laid off during 2009 as a result of their purchase by JPMorgan. Branch and retail banking staff are unlikely to be so affected. Financial activities employment is expected to decline through the second quarter of 2010 with a total peak-to-trough decline of 15,800 (10.1%). Healthy growth is expected to resume in the second half of 2010 through 2011.

Retail trade employment is down due to weak demand, but will recover sharply in 2010

Employment in retail trade peaked in the first quarter of 2008. The decline since then has been precipitous. Initially the weakest retail trade sectors were those most closely connected to the housing market: furniture and home furnishings, and building materials and garden supplies. These turned down more than a year ago. The freezing-up of credit and collapse of consumer confidence have affected the entire spectrum of consumer spending. By the beginning of 2009, nearly every retail trade sector was negative, the exception being general merchandise stores. The largest declines are in motor vehicle dealers, furniture and home furnishings stores, and building materials and garden supplies. Retail trade employment is expected to continue to decline through the third quarter of 2009. The forecast expects a peak to trough decline of 17,700 jobs overall, about 5.3%. The rebound should also be strong as pent-up demand is released. The forecast assumes a 2.7% jump retail trade employment during the first year of the recovery.

The professional and business services sector is procyclical

The large declines in the last two years will reverse in 2010 and 2011

Professional and business services has been one of Washington's strongest sectors in recent years but has also finally succumbed to the national recession. Employment in professional and business services peaked in the second quarter of 2008 and fell 19,000 (5.4%) since then. More than half the overall decline was in employment services (largely temporary help) which shed 10,600 jobs (21.5%). Employers prefer to cut temporary help before their own staff. In fact, employment services peaked in early 2007. The forecast expects employment in professional and business services to continue to decline through the third quarter of 2009. The peak to trough decline is expected to reach 26,500 (7.6%). Strong growth is expected to resume in this highly procyclical industry once the recovery takes hold in 2010 and 2011. Professional and business services will also benefit greatly from the recently enacted stimulus. The additional \$2 billion going to the Hanford cleanup effort will mostly affect employment in waste management and remediation services, a component of professional and business services.

Tight budgets are forcing cutbacks in state and local government employment

State and local government employment tends to be more stable than other sectors of the economy. It also tends to lag other sectors through the business cycle. Employment grew throughout the last recession but the protracted slowdown in the state's economy continued to put pressure on state and local governments' budgets long after the recession ended. State and local government is one of the two sectors (the other being construction) that stands to benefit disproportionately from the federal stimulus package. Nevertheless, we expect a decline of 7,500 (1.6%) state and local government jobs in the second half of this year as governments tighten their belts in response to declining revenue. Without the stimulus payments, state and local governments would have had to make far more severe cuts in jobs. As was the case in the last recession, the downward pressure on state and local budgets will persist long after the recession is officially over. We do not expect any significant rebound in state and local government employment within the forecast period.

Washington Personal Income

Washington personal income is suffering from job losses, slow wage growth, and declines in other non-wage sources of income, but recover in 2010

As can be expected, Washington personal income is also taking a hit in this recession. Income growth this year is expected to be just 0.1% on an annual average basis, and it would be negative without the stimulus spending. The severe decline in employment is the main reason for weak income growth this year, but growth in average annual wages will also be weak. Not only is the depressed economy putting downward pressure on hourly wage growth, but average hours are also declining, further reducing average wage growth. Non-wage income growth is also very weak. Proprietor's income is declining even faster than wage and

salary disbursements in 2009 as is property income (dividends, interest, and rent). Partially offsetting these negative factors are transfer payments, which are rising rapidly. Transfer payments automatically increase in recessions as unemployment compensation rises. Transfers are being further boosted in this downturn by the stimulus package which is supplementing unemployment compensation as well as other transfer payments such as increased food stamp benefits and additional payments to social security recipients. This year should be the low point for Washington personal income growth. As the economy begins to recover in 2010 and picks up steam in 2011, most components of personal income will also revive, the main exception being unemployment compensation which should come down as job growth picks up.

Seattle Consumer Price Index

The weak economy and lower energy costs are holding inflation down.

Local consumer prices tend to rise faster than the national average when the local economy is relatively strong. They rise slower than the national average when the local economy is relatively weak. After trailing the U.S. in 2003, 2004, and 2005, Seattle inflation moved ahead of the national average in 2006, 2007, and 2008 as the local economy outpaced the U.S. economy. Seattle inflation during the twelve months ending in December 2008 was 1.7% compared to the U.S. rate of -0.1%. Core inflation in Seattle averaged 3.6%, much higher than the 1.7% for the U.S. city average. The stronger inflation in Seattle compared to the U.S. city average during the last few years was mostly due to shelter costs, in particular, rent and owners' equivalent rent. These components weakened considerably in the first few months of 2009. As a result, the Seattle CPI has risen at an annual rate of only 0.1% so far this year compared to 1.6% for the U.S. city average. High vacancy rates, both nationally and locally should continue to put downward pressure on rents which will help keep inflation in check. On an annual average basis, energy costs should also be significantly lower this year than last year, putting additional downward pressure on headline inflation this year. As the economy begins to recover and energy prices stabilize, inflation will remain moderate in Seattle as well as elsewhere in the U.S. given the considerable slack that will persist in the economy for some time.

Washington Building Permits

Housing construction has nowhere to go but up

The number of housing units authorized by building permits fell by 75% from the peak in the fourth quarter of 2005 through the first quarter of 2009. We expect the decline to reach an astounding 79% by the time permits bottom out in the second quarter of 2009. Initially the weakness was confined to the

single-family market. Multi-family permits held up well through most of 2008, buoyed by strong net in-migration into Washington. Multi-family permits plummeted after the credit markets seized up in September 2008. The 2,500 multi-family units expected in the second quarter will be the lowest on record. While the plunge in multi-family permits was likely caused by the inability to finance these projects, the timing was fortuitous as the deepening of the recession late last year and early this year caused a spike in vacancies. The forecast assumes housing permits will begin to recover late this year as the economy turns around and credit conditions thaw.

Forecast by Fiscal Year

FY 2010 will be the weakest year for personal income growth

Nominal personal income growth slowed to 6.8% in FY 2008 from 8.0% in FY 2007. FY 2008 growth would have been even weaker without the fiscal stimulus checks, most of which were received in May and June of 2008. The forecast expects growth to slow down to 1.7% in FY 2009 and 0.8% in FY 2010. Personal income growth is expected to improve to 4.8% in FY 2011 as the economy begins to recover.

No positive job growth is expected until FY 2011

Washington nonfarm payroll employment growth slowed to 2.2% on an annual average basis in FY 2008 from 2.7% in FY 2007 and 3.0% in FY 2006. The recession in Washington didn't really take hold until FY 2009 which began in July 2008. In the current fiscal year we expect a 1.8% decline followed by a 2.5% decline in FY 2010 and a 1.6% recovery in FY 2011. On an end-of-period basis, employment grew 1.4% during FY 2008, down from 2.6% during FY 2007. Employment is expected to plummet 3.9% this fiscal year on an end of period basis, followed by a 0.2% dip in the next fiscal year and growth of 2.1% in FY 2011.

Housing permits will turn around in FY 2011

The number of housing units authorized by building permit in Washington plunged 25.0% in FY 2008 to 37,900 units following a 6.1% decline in FY 2007. Single family permits fell 32.3% in FY 2008 to 23,100 units and multi-family units declined 9.8% to 14,800 units. The downturn in the economy and tighter lending standards will further restrict housing activity this year. The forecast for total housing units authorized by building permits is for a 48.7% decrease in FY 2009 to 19,400 units and an 8.2% decline in FY 2010 to 17,800 units. Housing permits are expected to turn around in FY 2011, rising 65.3% to 29,500 units.

The Seattle inflation rate will be moderate

Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, rose to 4.2% in FY 2008 from 4.0% in FY 2007. Rising food and energy costs continue to add to local inflation but Seattle's core inflation was also high at 3.5% in FY 2008. A decline in energy costs and a weak economy should produce more moderate inflation in the

future. The forecast expects the Seattle CPI to grow 2.3% in FY 2009, 1.4% in FY 2010, and 2.4% in FY 2011.

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

Alternative Scenarios

In accordance with state law, the Washington State Economic and Revenue Forecast Council also adopted an optimistic forecast and a pessimistic forecast in June 2009. 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).

The optimistic scenario hinges on a very positive response to the stimulus package and strong productivity growth

Optimistic (10% probability). In the optimistic scenario, the rapid response of the Federal Reserve to the crisis in financial markets, coupled with the Treasury's "rescue" plan, Congress' stimulus package, and help from central banks abroad work, limiting the downside. There is no additional economic stimulus above the level in the baseline, but the primary difference is that the wheels of stimulus start to achieve traction more quickly, producing growth of more than 3% in the third quarter. In addition, the standard optimistic scenario assumption of stronger total factor productivity growth is also in place. A stronger economy means that inflation is higher in the optimistic scenario than in the baseline (particularly in commodities). The stronger sales pace during 2009 in the optimistic scenario requires less of an inventory reduction than in the baseline, with demand recovery trimming inventories back to desirable levels. With credit again flowing late this year, business fixed investment rebounds 6.5% in 2010, after suffering a severe 16.8% contraction in 2009. The downturn in residential investment is also less severe in the optimistic scenario, with housing starts beginning to recover during the second half of 2009 and averaging close to 600,000 units for the year. The optimistic scenario also assumes faster growth in the rest of the world, and a weaker dollar than does the baseline forecast. These assumptions produce a "V" shaped recovery rather than the more gradual "U" shape assumed in the baseline. After falling 1.1% in the second quarter, real GDP undergoes a sharp turnaround, climbing 3.4% and 3.7% in the third and fourth quarters of 2009.

The optimistic scenario also assumes higher growth in key Washington industries and faster wage and price growth

For Washington, the optimistic forecast assumes aerospace employment remains essentially flat through 2011 rather than declining as in the baseline. Software employment also remains flat this year rather than declining as in the baseline and also grows faster in 2010 and 2011. Washington's wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is higher in the optimistic

scenario and population growth is stronger. Finally, construction employment declines much less during 2009 and recovers more sharply in 2010 and 2011 than in the baseline. By the end of the 2009-11 biennium, Washington nonagricultural employment is higher by 113,400 jobs than in the baseline forecast and Washington personal income is \$17.6 billion higher.

The pessimistic scenario is nearly, but not quite, a depression scenario

Pessimistic (15% probability). The pessimistic scenario is more than a recession, but not quite a depression. The simulation assumes that the financial crisis worsens. Credit markets remain clogged, both domestically and across the world. Without access to credit, domestic spending contracts and the housing market falls into an even deeper hole. The pessimistic scenario assumes that the downward spiral in financial markets continues into 2010, and that there is growing protectionist sentiment worldwide. Oil prices are lower over the short run in this scenario because world demand is falling. As a result, bottom-line inflation is lower. Core inflation is also lower because demand is so weak. In this scenario, the housing recession drags on. Housing starts begin to turn around from record-low levels—just as in the baseline— but the rebound is sluggish. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench sharply. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Foreign economic growth is lower, which also cuts into export growth. In this scenario, employment drops for 11 straight quarters (the national economy loses 9.2 million jobs), manufacturing output falls over 11 straight quarters, and real GDP drops for seven straight quarters, starting with the third quarter of 2008.

The pessimistic scenario also assumes lower growth in key Washington industries and slower wage and price growth

At the state level, the decline in aerospace employment is much more severe than in the baseline. Software employment declines through mid-2011 rather than turning positive in early 2010. In this scenario data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario. Construction employment falls much more rapidly than in the baseline, and, rather than turning positive late in 2010, continues to decline through mid-2011. Seattle inflation is lower than in the baseline forecast and the weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2009-11 biennium, Washington nonagricultural employment is 137,600 lower than in the baseline forecast and Washington personal income is \$23.6 billion lower.

Governor's Council of Economic Advisors (GCEA). In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members.

The GCEA scenario expects less inflation and lower real GDP growth

At the national level, the Governor's Council scenario is similar to the baseline forecast. The Governor's Council members' real GDP forecast is almost identical to the baseline forecast in 2009 but slightly weaker in 2010 and 2011. They expect significantly less inflation, however, which is at least in part explained by the assumption of lower oil prices. The Council members' mortgage interest rate forecast is slightly higher than the baseline forecast in spite of the lower inflation and real GDP growth.

For Washington, the GCEA expect less income and employment growth than in the baseline forecast

The GCEA scenario for Washington is clearly more pessimistic than the baseline forecast. The GCEA forecast is close to the baseline in the 2009 except that their real personal income growth forecast is higher and their inflation forecast is lower. As a result, nominal personal income is almost identical to the baseline forecast in 2009. In 2010 and 2011, however, employment growth averages 0.6% per year less than in the baseline, and nominal personal income growth averages 1.2% per year less. The number of housing units authorized by building permit is also lower in the Governor's Council scenario than in the baseline forecast in 2010 and 2011. By the end of the 2009-11 biennium Washington nonagricultural employment is 34,800 lower in the GCEA forecast than in the baseline forecast and Washington personal income is \$6.8 billion lower.

Table 2.2 compares the alternative forecasts with the baseline forecast.

Table 2.1
Washington Economic Forecast Summary
 Forecast 2009 to 2011

Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	193.770	204.945	208.562	219.994	227.958	229.055	233.088	239.419
% Ch	1.7	5.8	1.8	5.5	3.6	0.5	1.8	2.7
Real Wage and Salary Disb.	108.686	111.661	115.750	121.635	125.889	125.474	126.552	130.018
% Ch	1.4	2.7	3.7	5.1	3.5	-0.3	0.9	2.7
Real Nonwage Income	85.084	93.283	92.812	98.360	102.068	103.581	106.536	109.401
% Ch	2.2	9.6	-0.5	6.0	3.8	1.5	2.9	2.7
Real Per Capita Income (\$/Person)	31,455	32,807	32,789	33,984	34,670	34,313	34,447	34,946
% Ch	0.6	4.3	-0.1	3.6	2.0	-1.0	0.4	1.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.069	1.098	1.133	1.160	1.197	1.216	1.215	1.237
% Ch	2.2	2.8	3.2	2.4	3.2	1.5	0.0	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.935	1.973	2.035	2.116	2.205	2.250	2.260	2.315
% Ch	1.3	1.9	3.2	4.0	4.2	2.0	0.4	2.4
Average Nonfarm Annual Wage	41,571	42,802	44,447	46,670	48,835	49,900	50,905	52,358
% Ch	2.7	3.0	3.8	5.0	4.6	2.2	2.0	2.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.57	19.32	20.22	20.90	22.02	23.00	23.02
% Ch	1.6	2.3	4.0	4.7	3.4	5.4	4.4	0.1
Current Dollar Income (Billions of Dollars)								
Personal Income	207.051	225.057	236.387	255.244	272.974	278.446	283.266	296.235
% Ch	3.9	8.7	5.0	8.0	6.9	2.0	1.7	4.6
Disposable Personal Income	185.114	199.722	207.873	223.120	239.195	246.599	253.290	262.640
% Ch	5.0	7.9	4.1	7.3	7.2	3.1	2.7	3.7
Per Capita Income (\$/Person)	33,610	36,025	37,162	39,428	41,515	41,713	41,862	43,239
% Ch	2.8	7.2	3.2	6.1	5.3	0.5	0.4	3.3
Employment (Thousands)								
Washington Civilian Labor Force	3,175.3	3,224.1	3,294.8	3,348.6	3,433.4	3,525.0	3,583.5	3,642.5
Total Washington Employment	2,956.0	3,036.6	3,125.7	3,191.4	3,270.4	3,269.7	3,229.1	3,283.8
Unemployment Rate (%)	6.91	5.82	5.13	4.69	4.74	7.23	9.89	9.85
Nonfarm Payroll Employment, E-O-P	2,694.3	2,767.6	2,851.4	2,926.5	2,966.8	2,885.6	2,899.1	2,964.0
% Ch	1.7	2.7	3.0	2.6	1.4	-2.7	0.5	2.2
Manufacturing	263.1	272.6	284.6	291.9	294.4	271.3	263.2	271.7
% Ch	-1.8	3.6	4.4	2.5	0.9	-7.8	-3.0	3.2
Durable Manufacturing	181.4	191.3	202.7	210.8	214.4	198.1	192.3	200.3
% Ch	-1.7	5.4	6.0	4.0	1.7	-7.6	-2.9	4.2
Aerospace	60.9	65.8	72.2	78.9	84.5	84.2	82.1	81.2
% Ch	-8.0	8.0	9.7	9.4	7.1	-0.4	-2.4	-1.1
Nondurable Manufacturing	81.7	81.3	81.9	81.1	80.0	73.2	70.9	71.4
% Ch	-2.0	-0.4	0.7	-1.0	-1.4	-8.5	-3.1	0.6
Construction	163.0	174.8	193.5	209.1	203.8	179.7	164.9	168.1
% Ch	5.4	7.2	10.7	8.1	-2.5	-11.9	-8.2	1.9
Service-Producing	2,259.1	2,311.2	2,364.5	2,417.2	2,461.1	2,427.8	2,464.4	2,517.4
% Ch	1.8	2.3	2.3	2.2	1.8	-1.4	1.5	2.1
Software Publishers	39.1	41.0	44.4	47.5	50.3	51.2	51.1	55.0
% Ch	6.6	4.8	8.2	7.1	5.8	1.8	-0.2	7.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.250	51.780	53.755	50.484	36.927	21.287	24.369	35.296
% Ch	3.7	17.0	3.8	-6.1	-26.9	-42.4	14.5	44.8
Single-Family	34.353	38.422	40.400	34.075	22.520	12.364	13.588	22.906
% Ch	5.2	11.8	5.1	-15.7	-33.9	-45.1	9.9	68.6
Multi-Family	9.897	13.357	13.355	16.408	14.407	8.923	10.782	12.389
% Ch	-1.0	35.0	0.0	22.9	-12.2	-38.1	20.8	14.9
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	5.54	4.95	5.39

Table 2.2
Comparison of Alternative Forecasts

	Fiscal Year 2009				Fiscal Year 2010				Fiscal Year 2011			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	11477.9	11472.6	11456.4	11474.5	11560.9	11412.8	11111.2	11413.6	11918.7	11732.1	11219.3	11677.3
%Ch	-1.5	-1.6	-1.7	-1.5	0.7	-0.5	-3.0	-0.5	3.1	2.8	1.0	2.3
Implicit Price Deflator	1.219	1.219	1.218	1.218	1.231	1.232	1.214	1.220	1.251	1.257	1.237	1.236
%Ch	1.8	1.8	1.7	1.7	1.0	1.1	-0.4	0.1	1.6	2.0	1.9	1.4
Mortgage Rate	5.53	5.53	5.57	5.55	5.18	5.18	5.01	5.34	5.39	5.46	5.30	5.59
3 Month T-Bill Rate	0.56	0.56	0.56	0.56	0.56	0.37	0.30	0.31	1.44	1.29	1.14	1.15
Washington												
Real Personal Income	228.140	227.397	226.673	227.650	233.861	226.651	221.792	227.697	246.493	233.071	220.048	232.305
%Ch	0.2	-0.1	-0.4	0.0	2.5	-0.3	-2.2	0.0	5.4	2.8	-0.8	2.0
Personal Income	278.095	277.191	276.182	277.231	287.977	279.346	269.240	277.701	308.360	292.889	272.173	287.187
%Ch	2.0	1.7	1.3	1.7	3.6	0.8	-2.5	0.2	7.1	4.8	1.1	3.4
Employment	2909.8	2908.0	2905.6	2907.3	2887.3	2836.0	2788.4	2824.5	2980.0	2881.2	2765.3	2851.7
%Ch	-1.7	-1.8	-1.8	-1.8	-0.8	-2.5	-4.0	-2.8	3.2	1.6	-0.8	1.0
Housing Permits	19.644	19.417	19.256	19.637	22.887	17.827	15.012	17.530	38.983	29.471	21.896	25.432
%Ch	-48.1	-48.7	-49.2	-48.2	16.5	-8.2	-22.0	-10.7	70.3	65.3	45.9	45.1

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

Table 2.3
Forecast Analysis
 Comparison of Forecasts for 2007-09

Forecast Date	2006				2007				2008				2009	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
Washington														
Percent Growth, 2007:2-2009:2														
Employment	3.4	3.9	4.2	4.3	4.4	4.1	4.2	3.8	2.6	2.4	2.3	0.4	-1.4	-2.6
Personal Income	13.1	13.5	14.1	14.0	14.1	13.9	12.5	12.6	10.9	10.3	10.6	7.6	6.6	5.2
Real Personal Income	8.7	9.8	10.0	9.7	9.5	10.0	8.7	8.9	6.5	3.8	4.0	4.1	3.5	1.3
Total (Thousands of units), 2007:3 to 2009:2														
Housing Units Authorized	95.0	98.1	97.5	99.9	97.8	97.8	91.1	87.6	80.0	75.0	67.5	63.9	58.2	57.3

Table 2.4

Fiscal Years

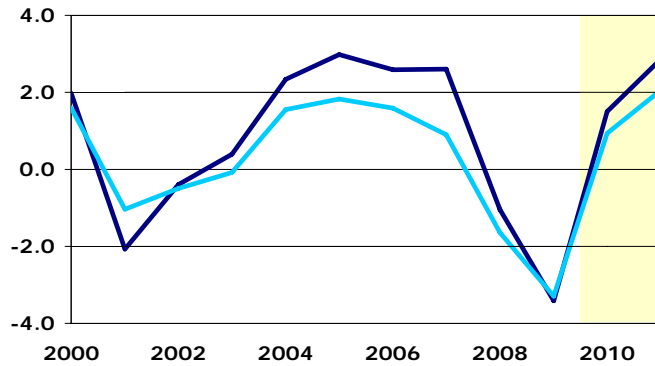
Forecast Comparison
Forecast 2009 to 2011

	2007	2008	2009	2010	2011
Washington					
Real Personal Income					
June Baseline	220.012	227.689	227.397	226.651	233.071
% Ch	5.5	3.5	-0.1	-0.3	2.8
March Baseline	219.994	227.958	229.055	233.088	239.419
% Ch	5.5	3.6	0.5	1.8	2.7
Personal Income					
June Baseline	255.266	272.650	277.191	279.346	292.889
% Ch	8.0	6.8	1.7	0.8	4.8
March Baseline	255.244	272.974	278.446	283.266	296.235
% Ch	8.0	6.9	2.0	1.7	4.6
Employment					
June Baseline	2896.5	2959.8	2908.0	2836.0	2881.2
% Ch	2.7	2.2	-1.8	-2.5	1.6
March Baseline	2896.5	2959.9	2922.7	2884.4	2937.3
% Ch	2.7	2.2	-1.3	-1.3	1.8
Housing Permits					
June Baseline	50.484	37.874	19.417	17.827	29.471
% Ch	-6.1	-25.0	-48.7	-8.2	65.3
March Baseline	50.484	36.927	21.287	24.369	35.296
% Ch	-6.1	-26.9	-42.4	14.5	44.8

Figure 2.7: Comparison of Washington and U.S. economic forecasts
(Percent change)

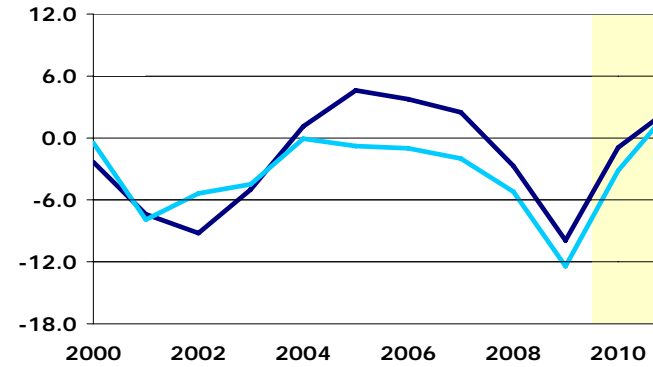
Forecast

Total nonfarm payroll employment



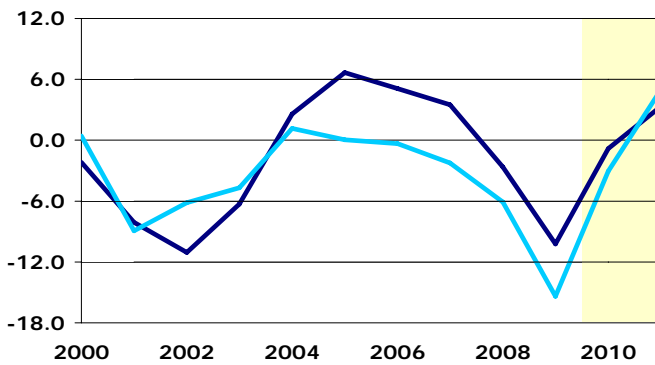
Source: WA State ESD 2008, ERFC 2011

Manufacturing employment



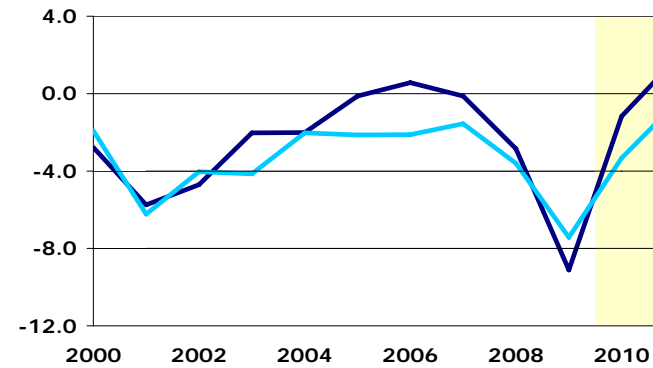
Source: WA State ESD 2008, ERFC 2011

Durable manufacturing employment



Source: WA State ESD 2008, ERFC 2011

Nondurable manufacturing employment



Source: WA State ESD 2008, ERFC 2011

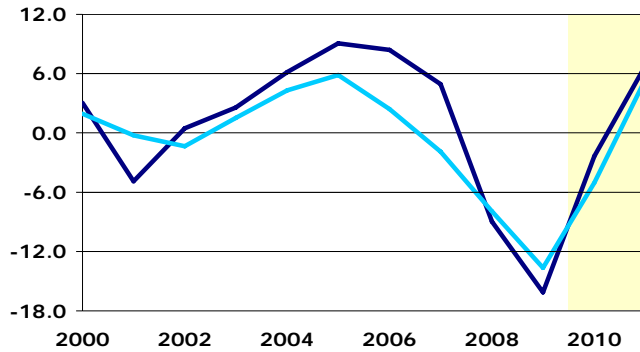
Washington

U.S.

Figure 2.7: Comparison of Washington and U.S. economic forecasts (continued)
(Percent change)

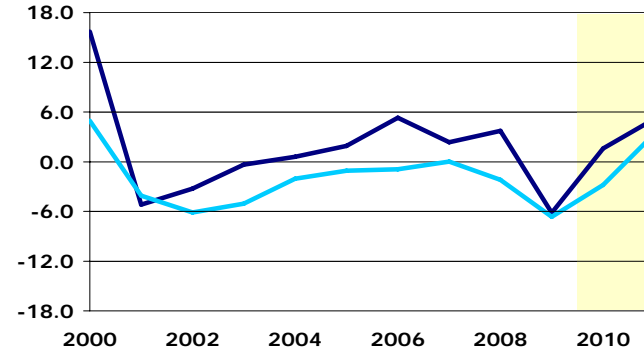
Forecast

Construction employment



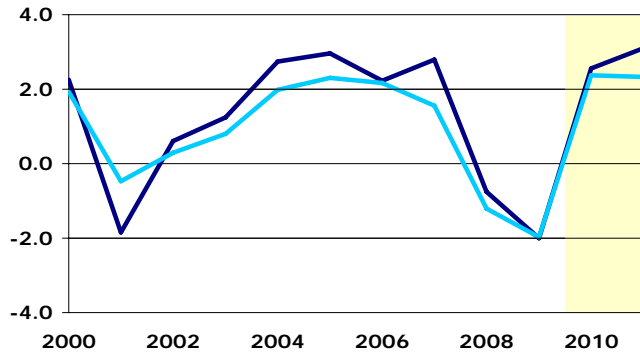
Source: WA State Employment Security Dept. 2008, ERFC 2011

Information employment



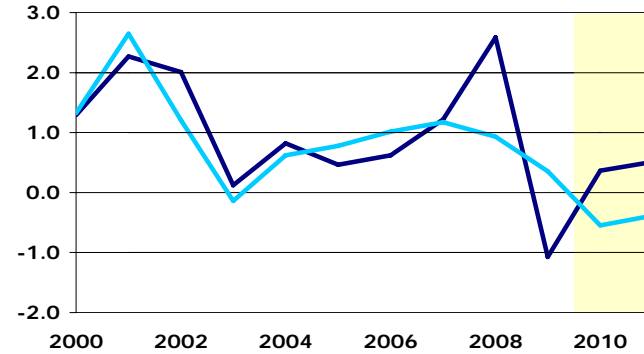
Source: WA State Employment Security Dept. 2008, ERFC 2011

Other private employment



Source: WA State Employment Security Dept. 2008, ERFC 2011

Government employment



Source: WA State Employment Security Dept. 2008, ERFC 2011

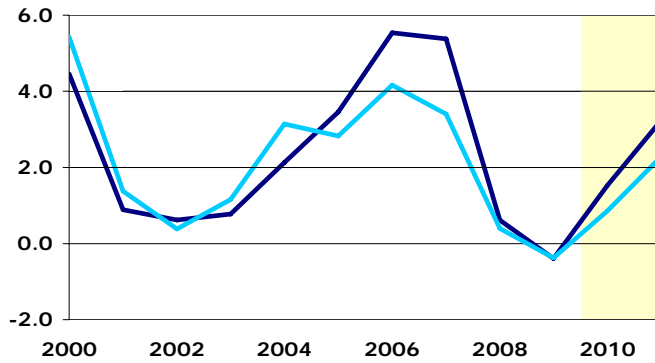
Washington

U.S.

Figure 2.7: Comparison of Washington and U.S. economic forecasts (continued)
(Percent change)

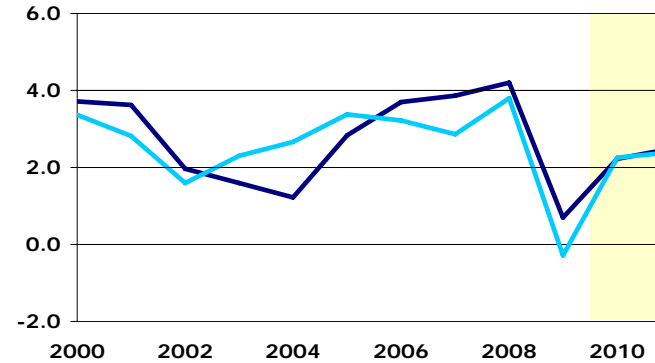
Forecast

Real personal income



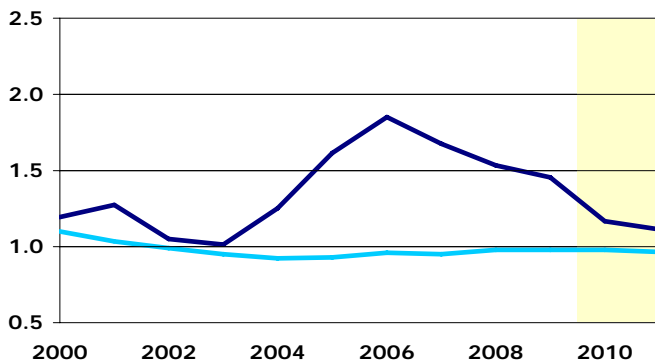
Source: Bureau of Economic Analysis 2008, ERFC 2011

Consumer price indices



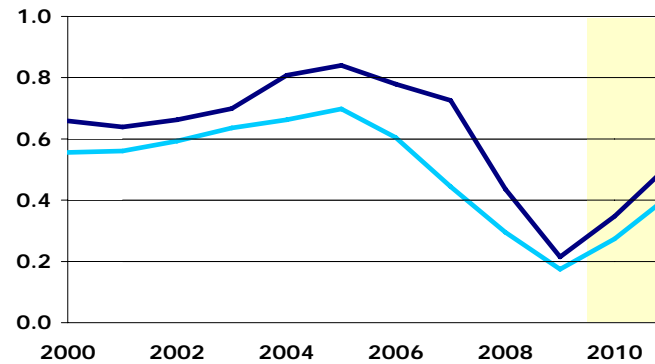
Source: Bureau of Labor Statistics 2008, ERFC 2011

Population



Source: Census Bureau 2008, ERFC 2011

Per capita housing units



Source: Census Bureau 2008, ERFC 2011

Washington

U.S.

Figure 2.8: Comparison of alternative U.S. economic forecasts

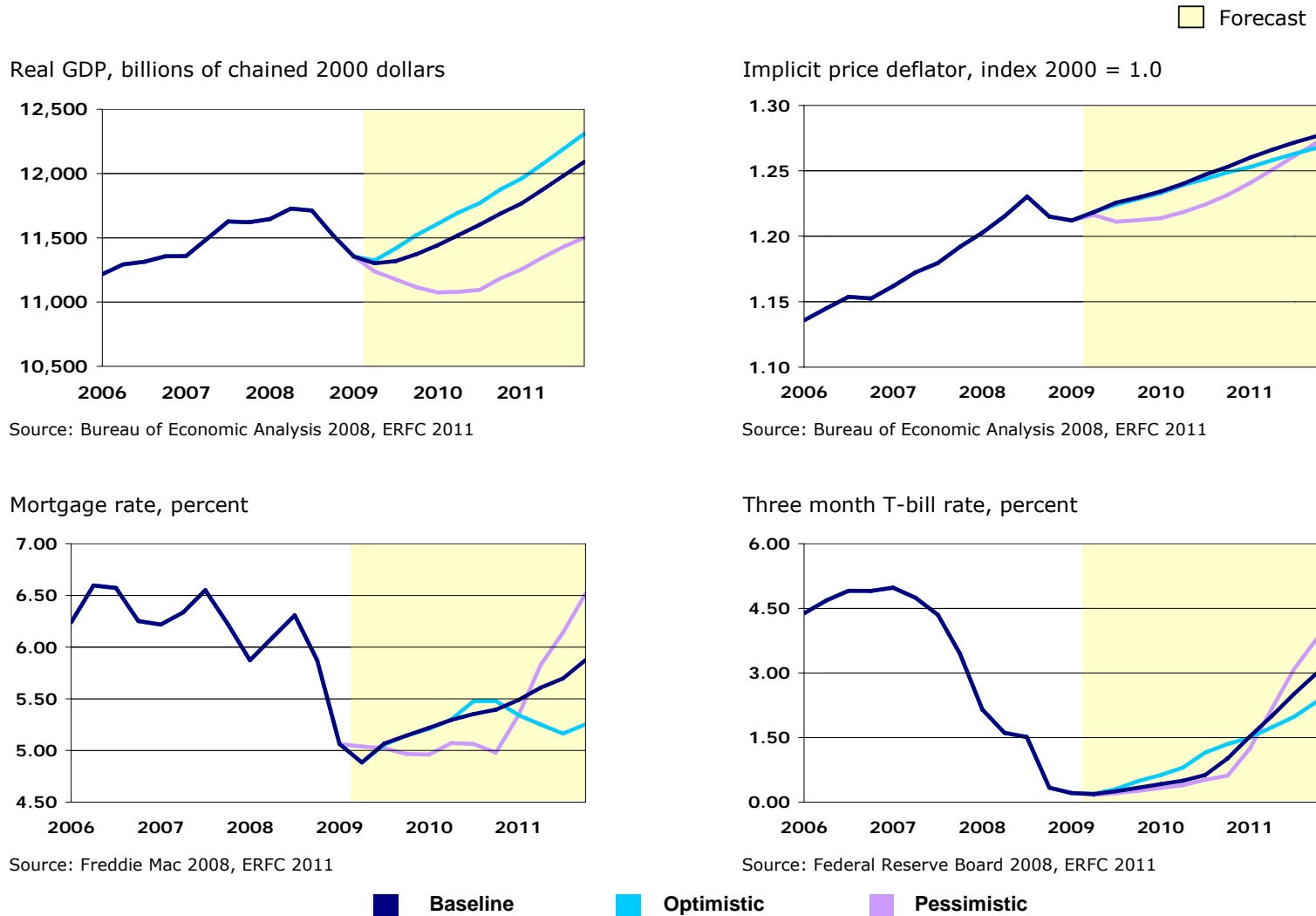
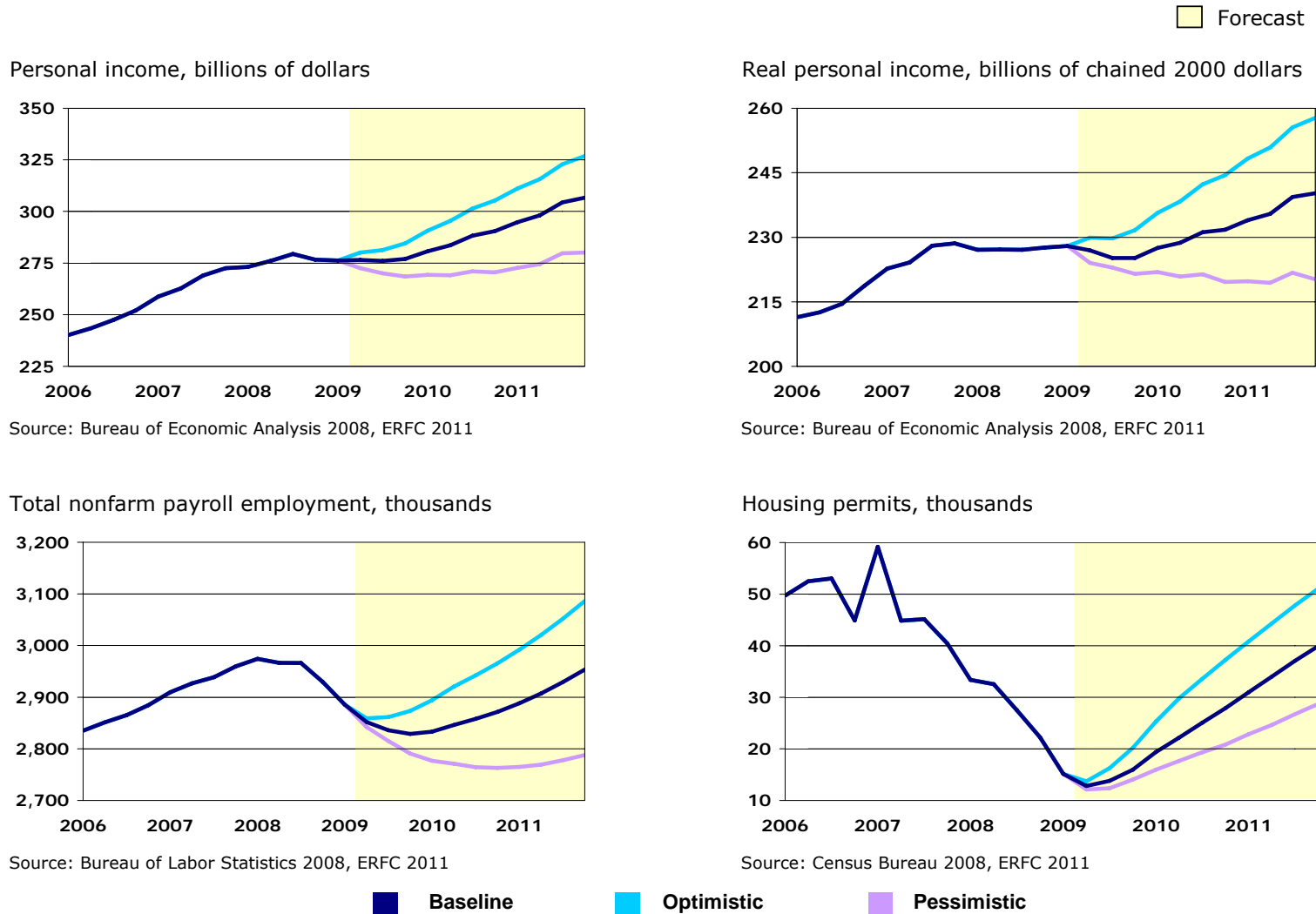


Figure 2.9: Comparison of alternative Washington economic forecasts





Chapter 3: Washington State Revenue Forecast Summary

- **Economic activity since the March forecast has been weaker than expected, so revenue collections have also been less than forecast.**
- **The revenue outlook for the remainder of the forecast period is similar to March's in terms of the timing of the recovery, but moderately weaker.**
- **The June forecast revision, while negative, was substantially smaller than the revisions in the last two forecasts.**
- **The forecasted loss in revenue was tempered somewhat by revenue-increasing legislation during the 2009 legislative session.**
- **As of the 2009-2011 biennium, revenue that was previously classified as the "Related Fund" will be brought into the General Fund-State.**

Overview

The economic recovery in June's forecast has the same timing as March's but is weaker

As presented in Chapter 1, the June economic forecast did not greatly change the forecasted timing of the state economic recovery, but the forecasted depth of the decline and rate of recovery have both worsened. The June revenue forecast also shows recovery at about the same time as March's forecast, but with a steeper decline in revenues and a slower recovery. June's reduction in forecasted revenues, however, is smaller than the reductions made in the previous two forecasts.

ESSB 5073 combined the "Related Fund" with the GF-S in the 2009-11 biennium

Comparisons of the biennial totals of General Fund-State (GF-S) revenues have been complicated by the passage of Engrossed Substitute Senate Bill (ESSB) 5073, which consolidated the Health Services, Water Quality, Violence Reduction and Drug Enforcement, Student Achievement, and Public Safety and Education Accounts into the GF-S effective July 1, 2009. Currently, these accounts are collectively referred to as the "Related Fund" and have historically been forecasted by the Economic and Revenue Forecast Council (ERFC) and reported in our quarterly publications. As the majority of services financed by these accounts will remain in place but will be funded by the

GF-S instead of dedicated accounts, the consolidation mainly represents a change in classification rather than an increase in revenue. Starting in fiscal year 2010, the GF-S will be the same as the sum of "GF-S and Related Fund" as previously reported in ERFC publications.

Forecast reductions were partially offset by legislative changes

Table 3.1 summarizes the change in forecasted revenues for the current biennium and the next. As shown in the table, the addition of "Related Fund" to the GF-S in the 2009-11 biennium results in a forecasted total increase of \$1.7 billion for the two biennia, but excluding the change the total revenue was decreased \$482 million. This decrease was the sum of a \$707 million reduction in forecasted revenues and a \$226 million increase in forecasted revenues from legislative changes. The legislative changes are summarized in Table 3.19. GF-S forecast changes by agency and major revenue classification for the 2007-09 biennium can be found in Table 3.6 (cash) and 3.8 (GAAP). GF-S forecast changes by agency and major revenue classification for the 2009-11 biennium can be found in Table 3.8 (cash) and 3.9 (GAAP). The 2009-11 tables also indicate the changes to the forecast that were the result of ESSB 5073 versus economic and other non-economic changes.

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

	2007-09 Biennium	2009-11 Biennium	Total
Addition of "Related Fund" to General Fund-State		\$2,185.4	\$2,185.4
Other Non-Economic Change	(\$0.9)	\$226.4	\$225.6
Forecast Change	(\$183.8)	(\$523.2)	(\$707.1)
Total Change*	(\$184.7)	\$1,888.7	\$1,703.9
Change Excluding Addition of Related Fund*	(\$184.7)	(\$296.8)	(\$481.5)

*Detail may not add to totals due to rounding
Source: ERFC

The Forecast Procedure and Assumptions

ERFC forecasting structure and schedule

The Washington State GF-S revenue forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council was created by Chapter 138, Laws of 1984, to provide an objective revenue forecast for both the executive and legislative branches of state government. The Council consists of six members, two appointed by the Governor and two appointed by the Legislature 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. Each state agency engaged in revenue collection is responsible for forecasting the revenue it collects or administers. The staff of the Economic and Revenue Forecast Council is responsible for the preparation of the state economic forecast and the revenue forecast of the Department of Revenue's GF-S sources. The staff is also responsible for review and coordination of the revenue forecasts of 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. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline revenue forecast for GF-S and the related fund. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare revenue forecasts. The revenue forecasts for most major General Fund and related fund' sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. 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. A baseline revenue forecast, along with at least two alternative forecasts, is 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 revenue. A diagram of the ERFC forecast procedure along with the associated 2007-09 biennial forecast can be found in Table 3.3. The history and forecast of GF-S revenue by biennium can be found in Table 3.4.

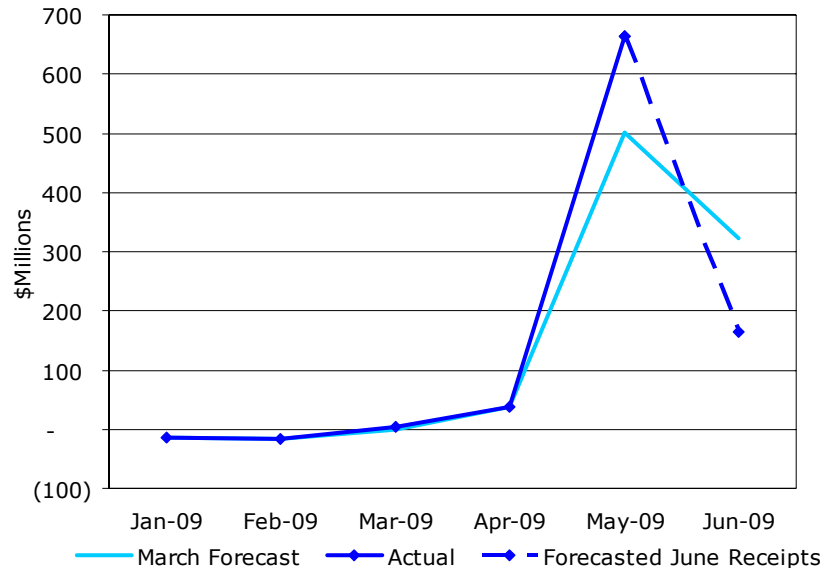
Recent Collection Experience

Cumulatively, Revenue Act receipts (retail sales, use, business and occupation, tobacco products and public utility taxes) from March 11 through June 10, 2009 were \$138 million (5.7%) below

A large revenue shortfall since March has been masked by early property tax payments

the value forecasted in March. The forecast variance for total GF-S revenue over that period, however, was only \$4.9 million (0.2%), as shown in Table 3.2a. The lower total shortfall was due entirely to a large positive variance in property tax receipts. Property taxes are due twice a year, on April 30th and October 31st. While the majority of April tax payments are recorded by the Department of Revenue in May, historically many payments are also recorded in June. Since the total amount of the tax that has been levied is known in advance, a large payment amount in May means that less revenue would be expected in June. As shown in Figure 3.1, the March forecast had predicted less May 2009 revenue and more June 2009 revenue, but given the large positive variance in May the revenue forecasted for June was sharply reduced. Real estate excise tax collections also fell short of the forecast over the last three months, coming in \$20.7 million (23.0%) less than expected in March. Revenue from other Department of Revenue tax sources was \$12.7 million (13.6%) lower than expected and revenue from the Department of Licensing was \$155,000 (1.6%) lower.

Figure 3.1: May property tax receipts reflect early payments



Source: ERFC

Collections since the June forecast have come in close to expectations

One collection period has now passed since the adoption of the June forecast. The collection variance for this period is shown in Table 3.2b. The total cumulative variance for this period was a shortfall of \$2.1 million (-0.2%). Revenue Act receipts came in \$7.9 million ahead of the forecast while non-Revenue Act DOR receipts were \$9.0 million below the forecast. Property tax receipts for June came in \$9.4 million (5.7%) below the forecast but real estate excise tax receipts were \$4.4 million (14.3%)

above the forecast. Most of the rest of the non-Revenue Act shortfall was from larger-than-forecasted refunds of unclaimed property that had previously been transferred to the GF-S. Collections from the Department of Licensing came in \$480,000 (7.7%) below the forecast, due partially to a revised estimate of May receipts.

Table 3.2a: Collection variance of major General Fund-State taxes by agency (based on March 2009 forecast, cash basis, millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	(\$138.4)	-5.7%
Non Revenue Act	\$133.6	18.5%
Subtotal	(\$4.8)	-0.2%
Department of Licensing	(\$0.2)	-1.6%
Total*	(\$4.9)	-0.2%

* Detail may not add to total due to rounding.
 Source: ERFC
 Period: March 11 - June 10, 2009

Table 3.2b: Post-forecast collection variance of major General Fund-State taxes by agency (based on June 2009 forecast, cash basis, millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act	\$7.4	0.9%
Non Revenue Act	(\$9.0)	-3.7%
Subtotal	(\$1.6)	-0.2%
Department of Licensing	(\$0.5)	-7.7%
Total*	(\$2.1)	-0.2%

* Detail may not add to total due to rounding.
 Source: ERFC
 Period: June 11 - July 10, 2009

Revenue Act collections have been negative year-over-year for almost all of FY 2009

Revenue Act collections have declined on a year-over-year basis in every collection period except one since the June 11-July 10, 2008 collection period. Collections in the most recent monthly collection period (June 11 - July 10, 2009) were down 11.2% year-over-year after adjustment for special factors. Adjusted collections fell 13.0% year-over-year in the May 11 – June 10 collection period. Adjusted Revenue Act tax payments in the

March 11 – May 10, 2009 period, which primarily reflected first quarter 2009 business activity, declined 12.5% year-over-year. Adjusted payments reflecting fourth quarter 2008 activity (December 11, 2008 – February 10, 2009 collections) were down 9.5% year-over-year, while adjusted payments reflecting third quarter activity showed a 2.7% decline.

Real estate excise tax receipts have shown signs of recovery post-forecast

Real estate activity has been weak for three years. Taxable activity has declined on a year-over-year basis for twenty-two consecutive months and thirty of the last thirty-three months. Prior to the forecast, however, there were signs of stabilization. While taxable real estate activity in May was 40.6% below the year-ago level, this was the lowest rate of decline since August 2008. Seasonally adjusted, taxable activity had been relatively stable since February. The stabilization was due mainly to improvement in the volume of transactions. The value per taxable transaction was down 29.4% year-over-year in May but year-over-year transactions were down only 15.9%. While transaction information for June activity is not available, preliminary June collections (post-forecast) were down only 23.2% year-over-year and showed an increase over May collections on a seasonally adjusted basis.

Recent EFT Payments by Industry

Tax payments by electronic filers can provide an indication of activity by industry

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

Electronic returns indicate widespread weakness with pockets of improvement in May

Electronic tax returns from the June 11 – July 10 period mainly represent May taxable activity. The data indicate widespread weakness with scattered signs of improvement. Tax payments by businesses in the retail trade sector were 9.6% below the year-ago level during the period. Ten out of twelve three digit NAICS retail sectors showed year-over-year declines. The largest declines were in furniture and home furnishings (-20.1%), motor vehicles and parts (-19.4%), gas stations and convenience stores (-17.4%), and building materials/garden equipment (-11.5%). The retail trade sectors showing gains were drug and health stores (+5.8%) and food and beverage stores (+3.0%). Non-retail trade sectors were down 16.1% collectively. Tax payments in the construction sector were down 21.4% year-over-year while payments in the manufacturing sector were down 39.1%. Management, education and health services was the only major non-retail sector to show a year-over-year gain (2.1%).

Department of Revenue

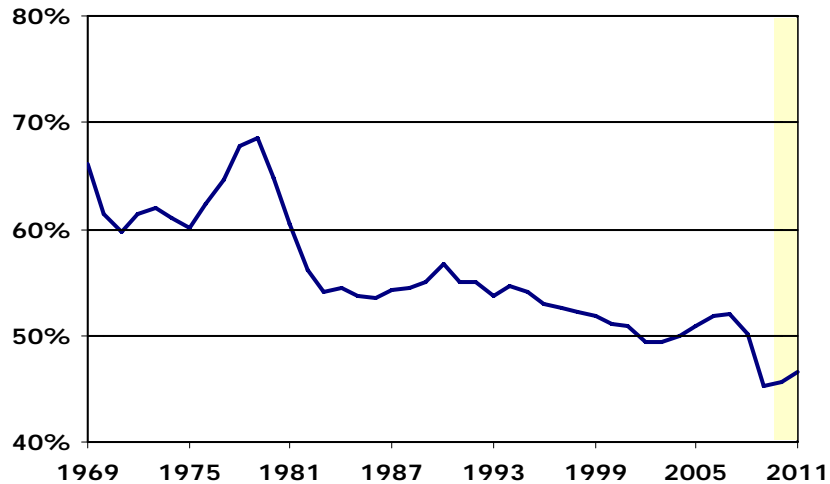
Taxes collected by the DOR represent most of GF-S taxes

The Department of Revenue (DOR) collects and administers the majority of Washington’s GF-S revenue, accounting for a forecasted 97% of total GF-S revenue in the 2007-09 biennium. The largest tax sources administered by the DOR are the retail sales tax, business and occupation tax, property tax, use tax, and real estate excise tax. The revenue forecasts discussed below can be found in Tables 3.6-3.10.

Retail sales taxes are the largest source of GF-S revenue but they are diminishing relative to personal income

The retail sales tax is the largest source of GF-S revenue, accounting for 53% of GF-S revenue in FY 2008. 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. As Washington consumers have been purchasing more services relative to their purchases of goods over time, the amount of sales activity that is taxable has declined relative to personal income. This relationship is illustrated in Figure 3.2.

Figure 3.2: Taxable sales* as percentage of state personal income



*Adjusted base. Shaded area indicates forecast
Source: ERFC

The housing bust and collapse in auto sales took a large toll on retail sales tax in both FY 2008 and FY 2009

As both construction materials and labor are subject to the retail sales tax, the construction sector has historically made up a large portion of total retail sales tax receipts. In FY 2008, the sector represented 21% of total taxable sales activity. Another large contributor to the tax is motor vehicle and parts sales, which represented 10% of taxable sales activity in FY 2008. The end of the housing boom, coupled with a collapse in automobile sales, took a large toll on retail sales in both FY 2008 and 2009. As shown in Table 3.5, taxable sales are forecasted to decline by 9.5% in FY 2009 after an increase of only 2.7% in FY 2008.

*Retail sales tax growth forecast:
FY 08: 4.3%
FY 09: -10.7%
FY 10: 1.1%
FY 11: 7.5%*

While taxable activity in the construction sector is forecasted to continue to decline through the second quarter of 2010, most other consumer activity is expected to start showing improvement in the fourth quarter of 2009. Taxable activity is forecasted to grow by a still-weak 3.1% in FY 2010 before improving to a more normal growth rate of 7.1% in FY 2011. Taking into account the lag between taxable activity and collections and factoring in updated forecasts of tax deferrals, credits, and refunds, actual retail sales tax collections are forecasted to decline by 10.7% in FY 2009, then increase by 1.1% in FY 2010 and 7.5% in FY 2011. In March, sales taxes were forecasted to decline 8.9% in FY 2009, then increase by 1.0% in FY 2010 and 6.0% in FY 2011. Retail sales tax collections increased by 4.3% in FY 2008.

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

The business and occupation (B&O) tax is the second largest source of GF-S revenue, accounting for 19.1% of GF-S revenue in FY 2008. 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 2008, the largest contributor to total state B&O tax was the services sector, which has a gross tax rate of 1.5% and represented 40% of B&O taxes due. The next largest sector was retailing, which is taxed at 0.471% and represented 26% of taxes due, followed by the wholesaling sector, which is taxed at 0.484% and represented 22% of taxes due.

*B&O tax growth forecast:
FY 08: 5.5%
FY 09: -7.9%
FY 10: 7.9%
FY 11: 9.0%*

As shown in Table 3.10, B&O taxes are forecasted to decrease by 7.9% year-over-year in FY 2009 after increasing 5.5% in FY 2008. The value for FY 2010 B&O taxes, however, is inflated by the effects of ESSB 5073, which brings the B&O tax on hospitals into the GF-S in that FY year (it currently goes into the Health Services Account). Without the addition of the hospital tax, FY 2010 B&O tax collections would have been forecasted at \$2.67 billion, which is 4.2% more than the forecasted FY 2009 total, and FY 2011 collections would have been \$2.92 billion, a growth rate of 9.1%. With the addition of the tax, the forecasted B&O tax growth rates for FY 2010 and 2011 are 7.9 and 9.0% respectively. In March, B&O taxes were forecasted to decline 7.7% in FY 2009, and then increase by 5.2% in FY 2010 and 8.3% in FY 2011.

FY 10 growth inflated by ESSB 5073

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 10.1% of total revenue in FY 2008. 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 is transferred monthly from the General Fund to the Student Achievement Account, but beginning in FY 2010 the account is being consolidated into the GF-S under ESSB 5073.

Forecasted property tax growth in FY 2010 is limited due to forecasted price deflation

Under RCW 84.55, the total state property tax levy for a given calendar year, excluding new construction and changes in the valuation of state assessed property, is allowed to increase by the lesser of either 1% per year or the year-over-year rate of inflation. The specified measure of inflation is the year-over-year change in the monthly national implicit price deflator (IPD) for consumption expenditures in September of the preceding calendar year. The June forecast predicts the September 2009 IPD will be 0.4% below the September 2008 value. The state levy for calendar 2010, excluding changes in new construction and state-assessed property, is therefore forecasted to decrease by that amount. The forecasted decrease, however, will be less than what was forecasted in March, when September 2009 IPD inflation was expected at -1.7%.

*GF-S property tax growth forecast:
FY 08: 3.5%
FY 09: 3.4%
FY 10: 19.1%
FY 11: 2.0%*

As shown in Table 3.10, the state GF-S share of property taxes is forecasted to increase by 3.4% year-over-year in FY 2009 after increasing 3.5% in FY 2008. The value for FY 2010 property taxes, however, is inflated by the elimination of the aforementioned transfer to the Student Achievement Account. Without the elimination of the transfer, FY 2010 B&O tax collections would have been forecasted at \$1.54 billion, which is 1.4% more than the forecasted FY 2009 total, and FY 2011 collections would have been \$1.58 billion, a growth rate of 2.1%. With the elimination of the transfer, the forecasted state GF-S property tax growth rates for FY 2010 and 2011 are 19.1 and 2.0% respectively. The In March, property taxes were forecasted to increase by 2.8% in FY 2009, 1.1% in FY 2010 and 1.4% in FY 2011.

FY 10 growth inflated by ESSB 5073

Real estate excise taxes were the fourth largest source of GF-S revenue in FY 2008

While the real estate excise tax (REET) was the fourth largest source of GF-S revenue in FY 2008, accounting for 4.5% of total revenues, the collapse in housing activity will lower the tax to fifth place through FY 2010. The state portion of the tax is 1.28% of the sales price. The tax is divided between the GF-S (92.3%), a fund for local public works (6.1%) and a fund for assistance of cities and counties (1.6%). The tax is applied to both residential and commercial real estate, including purchases of vacant land.

While housing prices may continue to decline well past the end of the year, the June forecast predicts that the low point in seasonally adjusted taxable real estate activity was in the first

Real estate excise tax growth forecast:
 FY 08: -38.0%
 FY 09: -42.0%
 FY 10: 16.2%
 FY 11: 23.6%

Recovery begins in the second quarter of 2009

quarter of 2009. At first, tax receipts will begin to increase due to an increase in the number of transactions (including sales of foreclosed homes), but later the increase will also be bolstered by increasing prices. As noted above, seasonally adjusted state real estate activity has been relatively constant since February 2009. Forecasted adjusted second quarter activity is only slightly higher than the first quarter, with growth accelerating over the year. REET receipts are forecasted to decline by 42.0% in FY 2009 after a 38.0% decline in FY 2008. FY 2010 growth is forecasted at 16.2% and FY 2011 growth is forecasted at 23.6%. Even with the forecasted growth, expected FY 2011 receipts are below the receipts of FY 2004. In March, taxes were forecasted to decrease by 37.4% in FY 2009 and then increase by 18.9% in FY 2010 and 17.0% in FY 2011.

Use tax was the fifth largest GF-S source in FY 2008

While use tax was the fifth largest GF-S revenue source in FY 2008 at 3.5% of total receipts, it is forecasted to be the fourth largest in FY 2009 and 2010 before being once again overtaken by REET. The state portion of the tax is 6.5% of the purchase price for items used in the state that were not subject to the state retail sales tax. Examples of items subject to the state use tax are goods purchased out-of-state or purchases of used vehicles from private individuals.

Use tax growth forecast:
 FY 08: 1.4%
 FY 09: -11.4%
 FY 10: -0.2%
 FY 11: 13.9%

After a 1.4% increase in FY 2008, use tax receipts are forecasted to decline by 11.4% in FY 2009 and 0.2% on 2010 before increasing 13.9% in FY 2011. Much of the reason for the forecasted sharp decline in 2009 and steep rise in 2011 is the behavior 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. The March forecast was a decrease of 9.9% in FY 2009 and then increases of 0.4% in FY 2010 and 14.2% in FY 2011.

ESSB 5073 has brought most of the cigarette, liquor and tobacco products taxes into the GF-S

As can be seen in Tables 3.8, 3.9, and 3.10, the GF-S forecasts for several DOR sources besides B&O and property taxes have been affected by the consolidation of the "Related Fund" into the GF-S by ESSB 5073. The largest impact is to the forecast of cigarette taxes. Currently, 23 cents of the \$2.025-per-pack state tax go to the GF-S, 60 cents go to the education legacy trust account and \$1.195 is distributed among the related funds. As of July 1, 2009, the \$1.195 per pack that currently goes to the related funds will go to the GF-S, increasing the tax's contribution by over \$500 million for the 2009-11 biennium. Similarly, taxes on liquor and tobacco products that used to go to the related fund will also go to the GF-S, increasing the GF-S by a total of over \$150 million. Once again, however, since the functions of the "Related Fund" have also been transferred to the GF-S the difference is more of classification than function.

Department of Licensing

*Forecast
change by
biennium
(millions):*

07-09: *-\$0.2*
09-11: *-\$1.9*

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's General Fund-State forecast for the 2007-09 biennium has been decreased \$0.2 million to \$44.2 million. The department's forecast for the 2009-11 biennium has been decreased \$1.9 million to \$44.0 million.

The Office of Financial Management (Other Agencies)

*Forecast
change by
biennium
(millions):*

07-09: *-\$1.3*
09-11: *\$36.4*

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the 2007-09 biennium has been decreased \$1.3 million to \$23.8 million and its forecast for the 2009-11 biennium has been increased \$36.4 million to negative \$1.2 million. The forecast for the 2009-11 biennium was the sum of a \$6.3 million reduction for economic reasons (mainly a reduction of forecasted fees from the Department of Financial Institutions and reduced recovery of expenditures from the Department of Social and Health Services) and a \$42.7 increase due to legislative changes. The bulk of the legislative changes were due to the elimination of transfers of revenue out of the GF-S due to ESSB 5073. The office's negative forecast for the 2009-11 biennium indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies.

State Treasurer

*Forecast
change by
biennium
(millions):*

07-09: *\$2.7*
09-11: *\$0.0*

The Office of the State Treasurer generates GF-S revenue by investing state short-term cash reserves. The office's forecast for the 2007-09 biennium has been increased \$2.7 million to \$175.1 million and the office's forecast for the 2009-11 biennium is unchanged at \$12.4 million.

Insurance Commissioner

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

*Forecast
change by
biennium
(millions):*

*07-09: -\$0.9
09-11: \$312.3*

taxes are distributed to the GF-S, the health services account, and various accounts in support of fire services. The office's forecast for the 2007-09 biennium has been decreased \$0.9 million to \$513.3 million. As of July 1, 2009, under ESSB 5073 the insurance premium taxes that currently go to the Health Services Account will instead go to the GF-S. This will add \$307.6 million to the Commission's forecast for the 2009-11 biennium. An additional forecast change of \$4.8 million brings the total change for the 2009-11 biennium to \$312.3 million for a total of \$844.7 million.

Liquor Control Board

*Forecast
change by
biennium
(millions):*

*07-09: \$1.3
09-11: \$54.2*

The Liquor Control Board forecasts GF-S revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2007-09 biennium has been increased \$1.3 million to \$79.7 million. The forecast change resulted from a \$2.2 million increase in forecasted profits that were partially offset by a \$0.9 million reduction in profits resulting from legislative changes from the 2009 supplemental budget. The board's forecast for the 2009-11 biennium has been decreased \$2.2 million to \$83.1 million. The forecast change was the combination of an \$11.4 million decrease in forecasted profits related to economic activity and budget legislation that enabled expanded sales activities which are forecasted to result in \$9.2 million of additional profits. The board's forecast of beer and wine surtaxes for the 2007-09 biennium is unchanged at \$4.4 million but its forecast for the 2009-11 biennium has been increased \$56.4 million to \$61.3 million as the result of ESSB 5073's consolidation of the "Related Fund" into the GF-S.

Lottery Commission

*Forecast
change by
biennium
(millions):*

*07-09: \$0.0
09-11: \$15.3*

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Funds are not transferred unless there is lottery revenue remaining after the School Construction and Stadium/Exhibition Center accounts receive their allotments. The Commission's forecast of GF-S cash transfers for the 2007-09 biennium is unchanged at \$11.1 million. The Commission's forecast for the 2009-11 biennium has been increased from zero dollars to \$15.3 million as the result of legislation that allows the transfer of some unclaimed prize money to the GF-S. The Commission's forecast of revenues for the School Construction Account has been decreased \$0.1 million to \$199.9 million for the 2007-09 biennium and its forecast for the 2009-11 biennium has been reduced \$3.4 million to \$174.7 million due to forecasted declines

in the sales of Lottery products. The forecast of the distribution of Lottery earnings can be found in Table 3.16.

Administrative Office of the Courts

\$206.7 million in former PSEA revenue will be added to the GF-S in the 09-11 biennium

The Administrative Office of the Courts collects surcharges on certain filing fees, fines, and infraction penalties to fund the Public Safety and Education Account (PSEA) and the Equal Justice sub account. Under ESSB 5073, the revenue and activities of these accounts will be consolidated into the GF-S starting July 1, 2009. These funds will add \$206.7 million to the GF-S for the 2009-11 biennium.

Track Record for the 2007-09 Biennium

The June forecast for the 2007-09 biennium is \$1.32 billion lower than the initial forecast in February 2006

Table 3.11 summarizes the changes to the GF-S revenue forecast for the 2007-09 biennium. The June 2009 forecast for the 2007-09 biennium is \$1.32 billion (4.6%) lower than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes, the current forecast for the 2007-09 biennium is \$1.07 billion (3.7%) lower than the initial forecast. There have been thirteen quarterly updates to the forecast; five have increased the forecast and eight, including the June 2009 update, have reduced the forecast.

Track Record for the 2009-11 Biennium

The June forecast for the 2010-11 biennium is \$4.32 billion lower than the initial forecast in February 2008

Table 3.12 summarizes the changes to the GF-S revenue forecast for the 2009-11 biennium. The values of the previous forecasts have been adjusted to reflect the new definition of GF-S under ESSB 5073 (these values were previously classified as "GF-S and Related Fund"). The initial forecast for the biennium was released in February 2008. The June 2009 forecast for the 2009-11 biennium is \$4.32 billion (12.7%) lower than the initial forecast. Non-economic changes (excluding the classification changes from ESSB 5073) have increased the forecast by \$155 million (0.5%). Excluding non-economic changes, the current forecast is \$4.48 billion (13.1%) lower than the initial forecast. All forecasts subsequent to the initial forecast have reduced the forecast for the biennium.

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

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

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GF-S revenue forecast on both a cash and GAAP basis. The GAAP forecasts of GF-S revenue for the 2007-09 and 2009-11 biennia are presented in Tables 3.7 and 3.9 respectively. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GF-S forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.7 and 3.9 are on a cash basis.

Budgetary Balance Sheets for the 2007-09 and 2009-11 Biennia

The June forecast predicts a total of \$53.2 million in reserves will be left at the end of the 2009-11 biennium

Table 3.13 shows the budgetary balance sheet the 2007-09 and 2009-11 biennia as prepared by the Office of Financial Management and the House and Senate fiscal committees. With adoption of the June 2009 GF-S forecast, the projected total balance at the end of the 2009-11 biennium is \$53.2 million. This is based on an enacted 2007-09 appropriations level of \$29,333.1 million and an enacted 2009-11 appropriations level of \$30,918.1 million. The total ending balance is comprised of a projected ending GF-S balance of negative \$194.5 million and a \$247.7 million balance in the Budget Stabilization Account.

Alternative Forecasts for the 2007-09 and 2009-11 Biennia

The optimistic scenario brings in a total of \$1.67 billion more than the baseline; the pessimistic brings in \$2.01 billion less over the two biennia

Chapter 2 outlines optimistic and pessimistic alternatives to the baseline economic forecast. The revenue implications of these alternative scenarios are shown in Table 3.14 for the 2007-09 biennium and Table 3.15 for the 2009-11 biennium. The optimistic scenario for the 2007-09 biennium generates \$27,737 million, \$31 million more than the baseline forecast. The pessimistic alternative produces \$27,674 million GF-S revenue in the 2007-09 biennium, \$32 million less than the baseline forecast. The optimistic forecast for the 2009-11 biennium generates \$31,470 million, \$1,636 million more than the baseline while the pessimist forecast produces \$27,855 million, \$1,979

million less than the baseline. The June forecast assigns a probability of 75% to the baseline forecast, 10% to the optimistic forecast and 15% to the pessimistic forecast.

A scenario based on the outlook of the GCEA brings in \$307 million less than the baseline

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 was \$1 million lower than the baseline forecast for the 2007-09 biennium and \$306 million less than the baseline for the 2009-11 budget period.

Related Fund and Near General Fund Forecasts for the 2007-09 and 2009-11 Biennia

The "Related Fund" forecast can be found in Tables 3.17 and 3.18

"Related Fund" is defined in RCW 43.135.025 and consists of six funds: the public safety and education account, the water quality account, the violence reduction and drug enforcement account, the student achievement account, and the health services account. As discussed above, under ESSB 5073 the "Related Fund" will be consolidated into the GF-S and will cease to exist as a separate account as of July 1, 2009. The effects of this consolidation are illustrated in Table 3.17. The history of the sum of the GF-S and Related Fund and the forecast of the redefined GF-S that incorporates the fund can be found in Table 3.18.

2007-09 forecast change: -\$3.9 million

The related fund forecast for the 2007-09 biennium is \$2,106.0 million, \$3.9 million less than expected in March. The combined GF-S and related fund forecast for the 2007-09 biennium totals \$29,812 million, \$188.7 million less than the March forecast.

The "Near General Fund" forecast can be found in Table 3.17

ESHB 2687, passed in the 2008 legislative session, charged the Economic and Revenue Forecast Council with forecasting "Near General Fund" revenues as defined by the Legislative Evaluation and Accountability Program (LEAP) Committee. The Committee has defined near general fund accounts as those included in the "Related Fund" plus the Education Legacy Trust Account and the Pension Funding Stabilization Account. As of July 1, 2009, "Near General Fund" will consist of the Education Legacy Trust Account and the Pension Funding Stabilization Account. These forecasts are included in Table 3.17. As can be seen from the forecast, however, no additional revenues are forecasted for the Pension Funding Stabilization Account for the 2009-11 biennium.

Table 3.3
Economic and revenue forecast flow chart *
 General Fund-State
 2007-09 biennium
 (millions of dollars, cash basis)

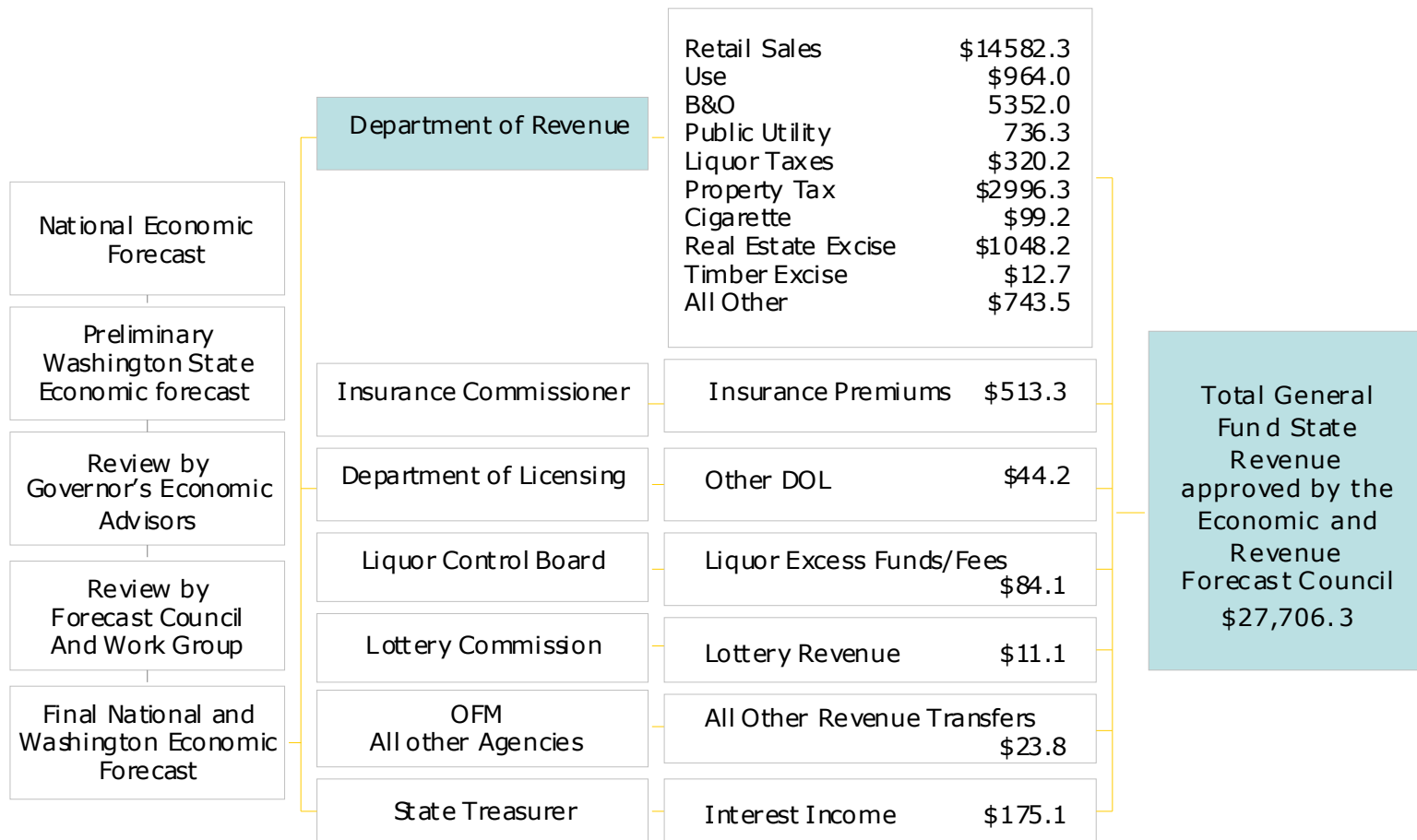


Table 3.4: General Fund-State Collections*
(Millions of Dollars, Cash Basis)

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	2000	
			<u>Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.2	-4.1%
2003-05	23,388.5	10.6%	21,589.5	5.8%
2005-07	27,772.0	18.7%	24,219.1	12.2%
2007-09 ^F	27,706.3	-0.2%	22,931.2	-5.3%
2009-11 ^F	29,834.0	7.7%	23,972.0	4.5%

^F June 2009 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 June 2009 forecast.

Table 3.5
Taxable retail sales*
 (millions of dollars)

Fiscal Year	Amount	Percent Change
1978	\$21,121	
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 ^F	107,432	-9.5%
2010 ^F	110,733	3.1%
2011 ^F	118,586	7.1%

^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).

Table 3.6

Comparison of the General Fund-State forecast by agency
 2007-09 biennium: cash basis
 (millions of dollars)

<u>Forecast by Agency</u>	<u>Mar. 2009 Forecast</u> ¹	<u>Non-Economic Changes</u>	<u>Forecast Revision</u>	<u>Jun. 2009 Forecast</u> ²	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$14,722.7	\$0.0	(\$140.4)	\$14,582.3	(\$140.4)
Business & Occupation	5,358.6	0.0	(6.6)	5,352.0	(6.6)
Use	971.7	0.0	(7.6)	964.0	(7.6)
Public Utility	717.6	0.0	18.8	736.3	18.8
Liquor Sales/Liter	321.5	0.0	(1.3)	320.2	(1.3)
Cigarette	99.8	0.0	(0.5)	99.2	(0.5)
Property (State Levy)	2,988.3	0.0	8.0	2,996.3	8.0
Real Estate Excise	1,078.4	0.0	(30.4)	1,048.0	(30.4)
Timber Excise	13.2	0.0	(0.5)	12.7	(0.5)
Other	769.3	0.0	(25.9)	743.5	(25.9)
Subtotal	27,041.0	0.0	(186.4)	26,854.6	(186.4)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.4	0.0	(0.2)	44.2	(0.2)
<i>Insurance Commissioner</i>					
Insurance Premiums	514.2	0.0	(0.9)	513.3	(0.9)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	78.4	(0.9)	2.2	79.7	1.3
Beer & Wine Surtax	4.4	0.0	0.0	4.4	0.0
<i>Lottery Commission</i>					
Lottery Revenue	11.1	0.0	0.0	11.1	0.0
<i>State Treasurer</i>					
Interest Earnings	172.4	0.0	2.7	175.1	2.7
<i>Office of Financial Management</i>					
Other	25.1	0.0	(1.3)	23.8	(1.3)
<u>Total General Fund-State *</u>	\$27,891.0	(\$0.9)	(\$183.8)	\$27,706.3	(\$184.7)

1 Forecast for the 2007-09 biennium adopted by the Economic and Revenue Forecast Council in March 2009

2 Forecast for the 2007-09 biennium, adopted June 2009

*Detail may not add to totals because of rounding.

Source: ERFC

Table 3.7

Comparison of the General Fund-State forecast by agency
 2007-09 biennium: GAAP basis
 (millions of dollars)

<u>Forecast by Agency</u>	<u>Mar. 2009 Forecast¹</u>	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Jun. 2009 Forecast²</u>	<u>Total Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$14,794.1	\$0.0	(\$138.2)	\$14,655.9	(\$138.2)
Business & Occupation	5,344.9	0.0	(22.9)	5,322.0	(22.9)
Use	973.2	0.0	(7.3)	965.9	(7.3)
Public Utility	720.3	0.0	19.5	739.7	19.5
Liquor Sales/Liter	321.8	0.0	(1.7)	320.1	(1.7)
Cigarette	99.0	0.0	(0.8)	98.2	(0.8)
Property (State Levy)	2,988.7	0.0	8.0	2,996.7	8.0
Real Estate Excise	1,081.9	0.0	(29.5)	1,052.4	(29.5)
Timber Excise	11.7	0.0	(0.8)	11.0	(0.8)
Other	771.6	0.0	(26.9)	744.7	(26.9)
Subtotal	27,107.1	0.0	(200.6)	26,906.6	(200.6)
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	44.7	0.0	(0.3)	44.4	(0.3)
<i>Insurance Commissioner</i>					
Insurance Premiums	514.2	0.0	(0.9)	513.3	(0.9)
<i>Liquor Control Board</i>					
Liquor Profits and Fees	78.4	(0.9)	2.2	79.7	1.3
Beer & Wine Surtax	4.4	0.0	0.0	4.4	0.0
<i>Lottery Commission</i>					
Lottery Revenue	11.1	0.0	0.0	11.1	0.0
<i>State Treasurer</i>					
Interest Earnings	160.4	0.0	3.6	164.0	3.6
<i>Office of Financial Management</i>					
Other	25.1	0.0	(1.3)	23.8	(1.3)
<u>Total General Fund-State *</u>	\$27,945.5	(\$0.9)	(\$197.3)	\$27,747.3	(\$198.1)

1 Forecast for the 2007-09 biennium adopted by the Economic and Revenue Forecast Council in March 2009

2 Forecast for the 2007-09 biennium, adopted June 2009

*Detail may not add to totals because of rounding.

Source: ERF

Table 3.8
Comparison of the General Fund-State forecast by agency
 2009-11 biennium: cash basis
 (millions of dollars)

Forecast by Agency	Mar. 2009 Forecast¹	"Related Fund" moved to General Fund	Other Non- Economic Changes	Forecast Revision	Jun. 2009 Forecast²	Total Change
Department of Revenue						
Retail Sales	\$14,604.6	\$0.0	\$140.8	(\$316.9)	\$14,428.6	(\$176.0)
Business & Occupation Use	5,635.5	205.1	12.6	(68.7)	5,784.5	149.0
Public Utility	990.0	0.0	3.0	(26.0)	967.1	(23.0)
Liquor Sales/Liter	728.9	0.0	3.0	(9.6)	722.3	(6.6)
Cigarette	340.7	70.1	0.0	(9.7)	401.2	60.4
Property (State Levy)	92.1	505.4	0.0	0.4	597.8	505.8
Real Estate Excise	3,085.3	542.7	0.0	34.9	3,662.9	577.6
Timber Excise	1,070.9	0.0	0.0	(71.5)	999.4	(71.5)
Other	8.3	0.0	0.0	(0.1)	8.2	(0.1)
Subtotal	745.7	85.3	0.0	(41.5)	789.5	43.8
	27,301.9	1,408.6	159.4	(508.6)	28,361.4	1,059.4
Department of Licensing						
Boat excise, licenses, fees & other	45.9	0.0	(0.1)	(1.8)	44.0	(1.9)
Insurance Commissioner						
Insurance Premiums	532.3	307.6	0.1	4.7	844.7	312.3
Liquor Control Board						
Liquor Profits and Fees	85.4	0.0	9.2	(11.4)	83.1	(2.2)
Beer & Wine Surtax	4.9	56.4	0.0	0.0	61.3	56.4
Lottery Commission						
Lottery Revenue	0.0	0.0	15.3	0.0	15.3	15.3
State Treasurer						
Interest Earnings	12.4	0.0	0.0	0.0	12.4	0.0
Office of Financial Management						
Other	(37.6)	0.0	42.7	(6.3)	(1.2)	36.4
Miscellaneous Sources						
Other revenue from "Related Fund"	0.0	412.9	0.0	0.0	412.9	412.9
Total General Fund-State *	\$27,945.3	\$2,185.4	\$226.4	(\$523.2)	\$29,834.0	\$1,888.7

1 Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council in March 2009

2 Forecast for the 2009-11 biennium, adopted June 2009

*Detail may not add to totals because of rounding.

Source: ERFCC

Table 3.9
Comparison of the General Fund-State forecast by agency
 2009-11 biennium; GAAP basis
 (millions of dollars)

Forecast by Agency	Mar. 2009 Forecast¹	"Related Fund" moved to General Fund	Other Non-Economic Changes	Forecast Revision	Jun. 2009 Forecast²	Total Change
Department of Revenue						
Retail Sales	\$14,664.6	\$0.0	\$140.8	(\$316.9)	\$14,488.6	(\$176.0)
Business & Occupation Use	5,655.5	205.1	12.6	(67.8)	5,805.3	149.8
Public Utility	991.4	0.0	3.0	(26.0)	968.5	(23.0)
Liquor Sales/Liter	729.5	0.0	3.0	(9.6)	722.9	(6.6)
Cigarette	341.4	70.1	0.0	(10.4)	401.2	59.8
Property (State Levy)	92.1	505.4	0.0	0.6	598.0	505.9
Real Estate Excise	3,085.3	542.7	0.0	34.7	3,662.7	577.4
Timber Excise	1,070.9	0.0	0.0	(71.5)	999.4	(71.5)
Other	7.8	0.0	0.0	0.2	8.0	0.2
Subtotal	747.5	85.3	0.0	(43.0)	789.8	42.3
	27,386.0	1,408.6	159.4	(509.7)	28,444.3	1,058.3
Department of Licensing						
Boat excise, licenses, fees & other	46.6	0.0	(0.1)	(1.8)	44.7	(1.9)
Insurance Commissioner						
Insurance Premiums	532.3	307.6	0.1	4.7	844.7	312.3
Liquor Control Board						
Liquor Profits and Fees	85.4	0.0	9.2	(11.4)	83.1	(2.2)
Beer & Wine Surtax	4.9	56.4	0.0	0.0	61.3	56.4
Lottery Commission						
Lottery Revenue	0.0	0.0	15.3	0.0	15.3	15.3
State Treasurer						
Interest Earnings	8.9	0.0	0.0	(0.3)	8.6	(0.3)
Office of Financial Management						
Other	(37.6)	0.0	42.7	(6.3)	(1.2)	36.4
Miscellaneous Sources						
Other revenue from "Related Fund"	0.0	405.2	0.0	0.0	405.2	405.2
Total General Fund-State *	\$28,026.5	\$2,177.8	\$226.4	(\$524.7)	\$29,906.0	\$1,879.5

1 Forecast for the 2009-11 biennium adopted by the Economic and Revenue Forecast Council in March 2009

2 Forecast for the 2009-11 biennium, adopted June 2009

*Detail may not add to totals because of rounding.

Source: ERFC

Table 3.10
June 2009 General Fund-State forecast
2007-09 & 2009-11 biennia
 (cash basis, millions of dollars)

<u>Forecast by Source</u>	<u>Fiscal 2007a</u>	<u>Fiscal 2008a</u>	<u>Fiscal 2009</u>	<u>2007-09 Biennium</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>2009-11 Biennium</u>
State Taxes							
Retail sales***	\$7,388.0	\$7,705.2	\$6,877.1	\$14,582.3	\$6,953.3	\$7,475.3	\$14,428.6
Business & occupation#	2,640.9	2,786.2	2,565.8	5,352.0	2,767.9	3,016.5	5,784.5
Use***	504.4	511.2	452.8	964.0	452.1	515.0	967.1
Public Utility	352.9	367.9	368.5	736.3	349.5	372.7	722.3
Liquor sales/liter##	147.7	157.2	163.0	320.2	197.6	203.5	401.2
Beer & wine surtax##	2.2	2.2	2.3	4.4	30.4	30.9	61.3
Cigarette##	50.5	51.3	47.9	99.2	302.4	295.4	597.8
Tobacco products##	6.8	(9.3)	11.2	1.8	29.9	30.7	60.6
Property (state school levy)**	1,423.1	1,473.6	1,523.2	2,996.8	1,813.1	1,849.8	3,662.9
Public utility district	39.8	41.7	42.1	83.8	42.4	44.3	86.7
Real estate excise	1,069.6	663.3	384.7	1,048.0	446.9	552.5	999.4
Timber excise	8.0	7.3	5.4	12.7	4.0	4.1	8.2
Estate/inheritance	5.3	4.1	0.7	4.8	0.5	0.4	0.9
Boat excise	15.8	17.7	16.5	34.2	17.0	17.6	34.7
Insurance premiums##	249.0	260.6	252.7	513.3	416.0	428.7	844.7
Other##	275.9	260.3	222.2	482.5	245.1	268.1	513.2
Total Taxes	14,180.0	14,300.5	12,936.0	27,236.5	14,068.4	15,105.5	29,173.9
State Non-Tax Sources							
Licenses, permits, fees##	91.8	97.5	92.3	189.8	93.5	96.1	189.6
Liquor profits & fees	49.0	38.9	40.8	79.7	39.8	43.4	83.1
Earnings on investments##	100.9	116.6	58.6	175.1	7.7	5.8	13.5
Lottery transfers	7.6	0.0	11.1	11.1	10.1	5.2	15.3
Other revenue & transfers##	13.9	60.4	(46.3)	14.1	176.2	182.2	358.5
Total Non-Tax	263.1	313.4	156.4	469.8	327.3	332.7	660.0
<u>Total General Fund-State *</u>	\$14,443.2	\$14,613.9	\$13,092.4	\$27,706.3	\$14,395.8	\$15,438.2	\$29,834.0

a - Actual;

* Detail may not add to totals due to rounding.

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

***GFS portion after Initiative 900 transfer.

Includes Hospital B&O for FY10-11 (previously was part of "Related Fund")

FY10-11 Amounts include taxes that were part of "Related Fund" prior to FY10

Source: ERFC

Table 3.11

Track record for the 2007-09 General Fund-State cash forecast

February 2006 through June 2009

(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 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	204	9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008	(405)	(19)	(423)		(423)	29,463
June 2008	(36)	(14)	(50)	(11) #4	(61)	29,402
September 2008	(288)	15	(273)		(273)	29,129
November 2008	(506)	3	(503)		(503)	28,627
March 2009	(650)	(20)	(670)	(66) #5	(736)	27,891
June 2009	(186)	3	(184)	(1) #6	(185)	27,706
Total change***:						
From February 2006	(1118)	48	(1070)	(252)	(1,321)	
Percent change	(4.0)	5.7	(3.7)	(0.9)	(4.6)	

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

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

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

**** First official forecast for the 2007-09 biennium

#1 Change to the forecast due to 2006 legislation

#2 Change to the forecast due to 2007 legislation/budget driven revenue and the tobacco product tax settlement

#3 Change to the forecast due to change in federal law regarding taxation of internet access

#4 Impact of 2008 legislation and budget driven revenue

#5 Expected refunds, large audit payments, and adjustment of prior estimates of SST mitigation payments and voluntary taxes on internet sales

#6 2009 Supplemental budget-driven change to Liquor Control Board excess funds distribution

Source: ERFC

Table 3.12

Track record for the 2009-11 General Fund-State cash forecast

February 2008 through June 2009

(cash basis - millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis#</u>
February 2008##	\$33,291	\$867				\$34,158
Changes to Forecast						
June 2008	(85)	(28)	(112)	(46) #1	(158)	34,000
September 2008	(238)	(29)	(267)	0	(267)	33,733
November 2008	(1,376)	(77)	(1,453)	36 #2	(1,417)	32,316
March 2009	(2,030)	(94)	(2,124)	(61) #3	(2,185)	30,131
June 2009	(509)	(15)	(523)	226 #4	(297)	29,834
Total change***:						
From February 2008	(4,237)	(227)	(4,479)	155	(4,324)	
Percent change	(12.7)	(26.2)	(13.1)	0.5	(12.7)	

* 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.

New definition of General Fund-State per ESSB 5073

First official forecast for the 2009-11 biennium.

#1 Impact of 2008 legislation and budget driven revenue.

#2 Expiration of Sales Tax Exemption on Renewable Energy Equipment

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

#4 Sum of 2009 legislation and budget-driven revenue

Source: ERFC

Table 3.13

**2007-09 with 2009 Supplemental Budget, and 2009-11 Enacted
Budget Balance Sheet
General Fund-State**

Dollars in Millions

	2007-09	2009-11*
RESOURCES		
Beginning Fund Balance	780.5	194.2
March 2009 Forecast	27,891.0	30,130.7
June 2009 Update	(183.8)	(502.2)
Current Revenue Totals	27,707.1	29,628.5
Legislatively Enacted Fund Transfers (2007/2008 sessions)	147.0	-
2008: Prior Period Adjustments	(6.9)	-
Transfer to Budget Stabilization Account	(117.1)	(268.8)
2009 Session: ESHB 1694	91.3	-
2009 Session: ESHB 1244	826.3	873.9
2009 Session: Budget Driven Revenue	(0.9)	85.0
2009 Session: Legislation with Revenue Impacts	-	120.4
Transfer Related Fund Balances	-	90.4
Total Resources (including beginning fund balance)	29,427.3	30,723.6
EXPENDITURES		
2007-09 Enacted Budget (Including 2008 Supplemental)	29,838.2	-
2009 Session: ESHB 1694	(565.1)	-
2009 Session: ESHB 1244	(72.3)	30,919.7
Governor's Vetoes: ESHB 1244	32.3	(1.6)
	29,233.1	30,918.1
RESERVES		
Projected General Fund Ending Balance	194.2	(194.5)
Budget Stabilization Account Beginning Balance	0.0	23.5
Transfer To Budget Stabilization Account (From Emergency Reserve Account)	303.2	-
Transfer from General Fund and Interest Earnings	120.3	269.3
Transfer to General Fund	(400.0)	(45.1)
Projected Budget Stabilization Account Ending Balance	23.5	247.7
Total Reserves (General Fund plus Budget Stabilization)	217.7	53.2

Source: House and Senate Fiscal Committees and Office of Financial Management

* 2009-11 includes revenue and spending changes required by ESSB 5073 - Account Consolidation, Chapter 479, Laws of 2009, which consolidates the public safety and education account, health services account, violence reduction and drug enforcement account

Table 3.14
Alternative forecasts compared to the baseline forecast
2007-09 biennium
(cash basis, millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
<i>Department of Revenue</i>			
Retail Sales	\$14,597.8	\$14,582.3	\$14,566.3
Business & Occupation Use	5,357.8	5,352.0	\$5,345.0
Public Utility	964.9	964.0	\$963.4
Property (school levy)	736.5	736.3	\$736.2
Real Estate Excise	2,996.3	2,996.8	\$2,996.3
Other	1,048.9	1,048.0	\$1,047.2
Subtotal	1,176.6	1,175.0	1,174.5
	26,878.8	26,854.6	26,829.0
<i>Department of Licensing</i>			
	44.9	44.2	43.6
<i>Insurance Commissioner¹</i>			
	513.3	513.3	513.3
<i>Lottery Commission</i>			
	11.1	11.1	11.1
<i>State Treasurer - Interest earnings</i>			
	175.1	175.1	175.1
<i>Liquor Profits & Fees²</i>			
	85.0	84.1	83.3
<i>Office of Financial Management</i>			
Other agencies	28.8	23.8	18.8
Total General Fund - State*	\$27,737.1	\$27,706.3	\$27,674.2
Difference from June 2009 Baseline	\$30.8		(\$32.1)

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 3.15
Alternative forecasts compared to the baseline forecast
2009-11 Biennium
(cash basis, millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$15,289.0	\$14,428.6	\$13,500.8
Business & Occupation Use	6,101.5	5,784.5	5,195.7
Public Utility	1,032.9	967.1	889.2
Property (school levy)	723.6	722.3	683.3
Real Estate Excise	3,689.8	3,662.9	3,635.6
Other	1,155.3	999.4	886.5
Subtotal	1,886.4	1,796.6	1,689.0
	29,878.6	28,361.4	26,480.1
<i>Department of Licensing</i>			
	45.4	44.0	42.7
<i>Insurance Commissioner¹</i>			
	881.2	844.7	808.2
<i>Lottery Commission</i>			
	20.0	15.3	12.0
<i>State Treasurer - Interest earnings</i>			
	53.9	12.4	(9.1)
<i>Liquor Profits & Fees²</i>			
	149.0	144.5	139.9
<i>Office of Financial Management</i>			
Other agencies	8.8	(1.2)	(11.2)
<i>Miscellaneous Sources</i>			
Other revenues previously included in "Related Funds"	433.5	412.9	392.2
Total General Fund - State*	\$31,470.4	\$29,834.0	\$27,854.9
Difference from June 2009 Baseline	\$1,636.4		(\$1,979.1)

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 3.16

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

	Lottery: <u>Total Transfers:*</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account</u>	<u>School Construction Account1</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>
2004	113.3	0.0	4.0	7.3	76.5	25.5		
2005	112.2	4.3	4.2	7.6	0.0	96.2		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.4	6.0
2008	124.1	0.0	4.7	8.5	0.0	106.9	0.3	3.7
2009	122.2	11.1	4.9	8.9	0.0	94.4	0.2	2.7
2007-09 Biennium	246.4	11.1	9.6	17.4	0.0	201.3	0.5	6.4
2010	114.8	10.1	5.1	9.2	0.0	87.8	0.2	2.4
2011	110.5	5.2	5.3	9.6	0.0	87.4	0.2	2.6
2009-11 Biennium	209.9	0.0	10.4	18.8	0.0	175.2	0.5	5.0

* 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, Related Fund*, and Near General Fund**
 June 2009 and March 2009 cash forecasts
 2007-09 & 2009-11 biennia
 millions of dollars

	2007-09 Biennium			2009-11 Biennium			Change Due to Forecast	Change Due to ESSB 5073
	Mar. 2009 Forecast	Jun. 2009 Forecast	Difference	Mar. 2009 Forecast	Jun. 2009 Forecast	Difference		
General Fund-State	\$27,891.0	\$27,706.3	(\$184.7)	\$27,945.3	\$29,834.0	\$1,888.7	(\$253.7)	\$2,142.3
Related Fund*								
Health Services Account	\$1,239.3	\$1,237.2	(\$2.1)	\$1,246.7	\$0.0	(\$1,246.7)	\$13.5	(\$1,260.2)
Violence Reduction and Drug Enforcement Acct.	92.8	92.2	(0.5)	100.0	0.0	(100.0)	(9.9)	(90.1)
Water Quality Account	71.7	68.0	(3.7)	89.8	0.0	(89.8)	(47.2)	(42.6)
Student Achievement Account	503.4	503.4	0.1	542.7	0.0	(542.7)	0.0	(542.7)
Public Safety and Education Account	202.7	205.1	2.4	206.2	0.0	(206.2)	0.4	(206.7)
Total Related Fund	\$2,109.9	\$2,106.0	(\$3.9)	\$2,185.4	\$0.0	(\$2,185.4)	(\$43.1)	(\$2,142.3)
Total General Fund and Related Fund	\$30,000.9	\$29,812.2	(\$188.7)	\$30,130.7	\$29,834.0	(\$296.8)	(\$296.8)	NA
Near General Fund Not in Related Funds**								
Education Legacy Trust Account	\$413.8	\$415.6	\$1.8	\$372.7	\$375.8	\$3.1	\$3.1	NA
Pension Funding Stabilization Account	22.6	22.8	0.1	0.0	0.0	0.0	\$0.0	NA
Total Near General Fund	\$2,546.4	\$2,544.3	(\$2.1)	\$2,558.1	\$375.8	(\$2,182.4)	\$3.1	(\$2,185.4)
Total General Fund and Near General Fund	\$30,437.4	\$30,250.6	(\$186.8)	\$30,503.4	\$30,209.7	(\$293.7)	(\$293.7)	NA

*As defined in RCW 43.135.025; Cash forecast; state sources.

**Prior to FY2010 Near General Fund included all Related Funds plus the Education Legacy Trust and Pension Funding Stabilization Accounts

Per ESSB 5073, as of FY2010 Near General Fund includes the Education Legacy Trust and Pension Funding Stabilization Accounts

Source: ERF

Table 3.18
General Fund-State: history and forecast of components
 history and forecast by fiscal year
 (cash basis, millions of dollars)

	General Fund-State as Defined Pre-ESSB 5073		Related Funds as Defined Pre-ESSB 5073		General Fund-State as Defined by ESSB 5073 (Previously General Fund-State plus Related Funds)	
	Level	% Change	Level	% Change	Level	% Change
History:						
FY 1995	\$8,551		\$248		\$8,799	
FY 1996	\$8,581	0.3%	\$353	42.6%	\$8,934	1.5%
FY 1997	\$9,057	5.5%	\$392	11.1%	\$9,449	5.8%
FY 1998	\$9,641	6.5%	\$416	6.1%	\$10,057	6.4%
FY 1999	\$9,979	3.5%	\$435	4.5%	\$10,414	3.6%
FY 2000	\$10,433	4.5%	\$634	45.9%	\$11,068	6.3%
FY 2001	\$10,829	3.8%	\$731	15.2%	\$11,560	4.4%
FY 2002	\$10,451	-3.5%	\$1,182	61.6%	\$11,632	0.6%
FY 2003	\$10,690	2.3%	\$1,031	-12.7%	\$11,721	0.8%
FY 2004	\$11,321	5.9%	\$1,037	0.6%	\$12,358	5.4%
FY 2005	\$12,067	6.6%	\$969	-6.6%	\$13,036	5.5%
FY 2006	\$13,329	10.5%	\$989	2.0%	\$14,318	9.8%
FY 2007	\$14,443	8.4%	\$1,024	3.6%	\$15,467	8.0%
FY 2008	\$14,614	1.2%	\$1,045	2.0%	\$15,659	1.2%
Forecast:						
FY 2009	\$13,092	-10.4%	\$1,061	1.5%	\$14,153	-9.6%
FY 2010	\$13,331	1.8%	\$1,065	0.4%	\$14,396	1.7%
FY 2011	\$14,361	7.7%	\$1,077	1.1%	\$15,438	7.2%
Biennial Totals						
0305 Biennium	\$23,389	10.6%	\$2,006	-9.3%	\$25,395	8.7%
0507 Biennium	\$27,772	18.7%	\$2,013	0.3%	\$29,785	17.3%
0709 Biennium	\$27,706	-0.2%	\$2,106	4.6%	\$29,812	0.1%
0911 Biennium	\$27,692	-0.1%	\$2,142	1.7%	\$29,834	0.1%

Source: ERFC

Table 3.19

Summary of 2009 legislation
GF-S impact 2009-11 biennium by agency
(cash basis, millions of dollars)

I. 2009 Legislation

	<u>FY 2010</u>	<u>FY 2011</u>	<u>2009-11 Biennium</u>	
Department of Revenue				
SHB 1062	Electrolytic process tx exem	0.0	(0.3)	(0.3)
HB 1287	Intrastate commuter aircraft	(0.0)	(0.1)	(0.1)
2SHB 1481	Electric vehicles	(0.1)	(0.2)	(0.3)
2SHB 1484	Habitat open space	(0.0)	(0.0)	(0.0)
HB 1579	Nonprofit legal services	(0.0)	(0.0)	(0.1)
SHB 1733	Current use valuation progs	(0.0)	(0.0)	(0.0)
ESHB 2075	Excise taxation	(1.3)	(1.4)	(2.6)
EHB 2122	Newspaper industry B & O tax	(1.2)	(1.3)	(2.5)
2SSB 5045	Community revitalization	0.0	(2.3)	(2.3)
SB 5470	Low-income senior housing	(0.1)	(0.1)	(0.1)
SSB 5571	Electr methods/revenue dept	0.0	0.2	0.2
SSB 5616	Business customized training	0.1	0.0	0.1
ESSB 6169	Tax collection tools	4.2	4.6	8.8
ESSB 6170	Environmental tax incentives	4.3	(8.3)	(4.0)
SB 6173	Sales tax compliance	<u>28.9</u>	<u>73.7</u>	<u>102.6</u>
Subtotal: DOR	34.7	64.6	99.3	
Insurance Commissioner				
EHB 1568	Persons selling insurance	0.0	0.0	0.0
SSB 5480	WA health care discount plan	0.0	0.0	0.0
SSB 5195	Life settlements model act	0.0	0.0	0.0
SHB 2013	Self-service storage insurance	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Subtotal: Insurance Commissioner*	0.0	0.0	0.0	
Department of Licensing				
SB 6126	Boxing & similar events	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>
Subtotal: Department of Licensing	(0.1)	(0.1)	(0.1)	
Other Agencies (OFM)				
SHB 1067	Limited partnership act	0.4	0.8	1.2
ESHB 1326	Pacific sardines	0.0	0.0	0.0
ESHB 1244	Operating budget	0.5	1.4	1.9
SHB 1592	Registering w/ sec of state	0.0	0.0	0.0
ESSB 5073	Consolidating accts/gen fund	20.0	19.5	39.5
SSB 5793	One-occupant farm conveyance	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>
Subtotal: Other agencies	20.9	21.8	42.7	
Total GFS Impact of 2009 Legislation	55.6	86.3	141.8	
<u>II. 2009 Budget Driven Revenue and Revenue Adjustments</u>				
OFM/Lottery				
Liquor Related - GFS (Incl. PSEA&VRDE)	4.3	4.8	9.2	
Lottery				
Lottery Unclaimed Property	10.1	5.2	15.3	
Department of Revenue				
DOR Collection Efforts	<u>25.3</u>	<u>34.9</u>	<u>60.1</u>	
Total GFS Budget Driven Revenue and Adjustments	39.7	44.9	84.6	
Total: Legislation and Budget Driven Revenue	<u>95.2</u>	<u>131.2</u>	<u>226.4</u>	

*Total less than \$0.01 million

Source: ERFC and Office of Financial Management



Chapter 4: Housing in Washington

- **Housing construction in Washington has fallen in tandem with the national average.**
- **The bubble in home prices was later and less extreme here than elsewhere.**
- **Current construction is below demographic demand, setting the stage for an eventual recovery in 2011 as the economy improves and the surplus housing is absorbed.**

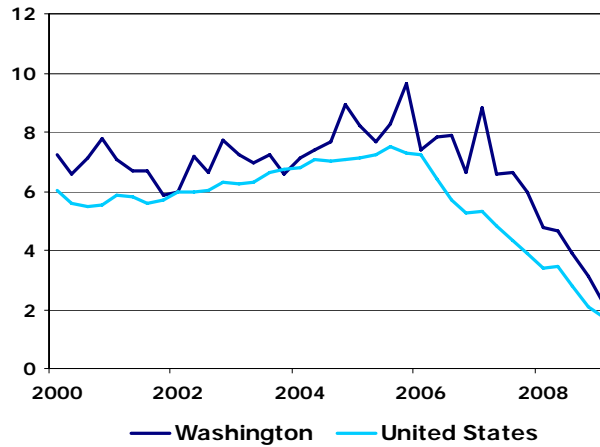
Dimensions of the Crash

Housing permits have fallen by 75% since the 2005 peak

The Washington's housing market has turned down dramatically since the boom earlier in this decade. From 2004 through 2007 the number of housing units authorized by building permit in Washington averaged more than 50,000 per year. This was the highest level of sustained housing construction activity in Washington since the late 1970s. Unlike the late 1970s, when we had a combination of very strong net in-migration into Washington State and household formation by the baby boomers, there were no strong demographic underpinnings for the recent housing boom. By early 2009 the state's housing industry was in a deep slump with permits averaging just over 15,000 at an annual rate in the first quarter. Washington new home construction per capita is typically higher than the national average (see Figure 4.1, next page). Since our population grows faster than the nation, it requires us to build more new homes, but the decline in activity has been almost parallel. The number of housing units authorized by building permits in Washington has fallen by 75% since the peak in the 4th quarter of 2005. This is close to the 76% decline in U.S. housing permits since the peak in the third quarter of 2005.

Figure 4.1: U.S. and Washington housing units authorized per 1,000 people.

The decline in housing permits in Washington has paralleled the U.S.



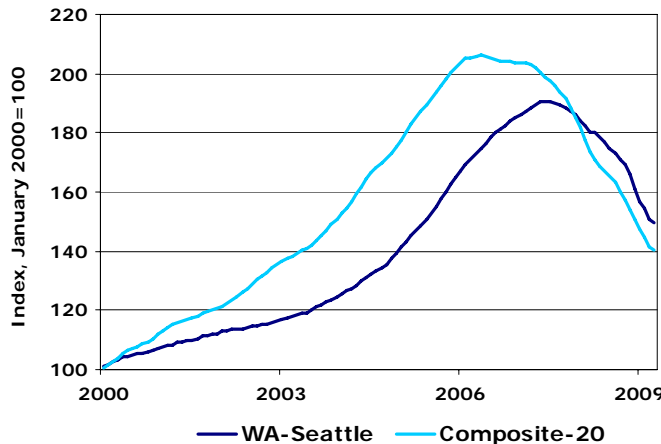
Source: U.S. Census Bureau, data through 2009 Q1

Seattle home prices peaked later than in other major cities and have declined less

The other dimension of the housing bust, of course, is the huge decline in prices. For a while it seemed that the local real estate market could escape the downturn that was afflicting most of the country. Unlike physical construction activity, which paralleled the national downturn, local home prices lagged other parts of the country (see Figure 4.2). Prices in the 20-city composite index rose faster than in the Seattle area during the first half of the decade and peaked in May of 2006, more than a year before the July 2007 peak in Seattle. So far, the local downturn in price has been somewhat milder than most of the rest of the country, but still severe. As of April 2009, home prices in the Seattle metropolitan area, as measured by the Case-Shiller index, were down 21% from the peak compared to a 32% decline in the Composite index of 20 metropolitan areas.

Figure 4.2: S&P/Case-Shiller Home Price Index, seasonally adjusted.

*"If something cannot go on forever, it will stop."
- Herbert Stein*



Source: S&P/Case-Shiller, data through April 2009

The Origin of the Housing Crisis

Low interest rates and the perception that prices could only increase fueled the bubble

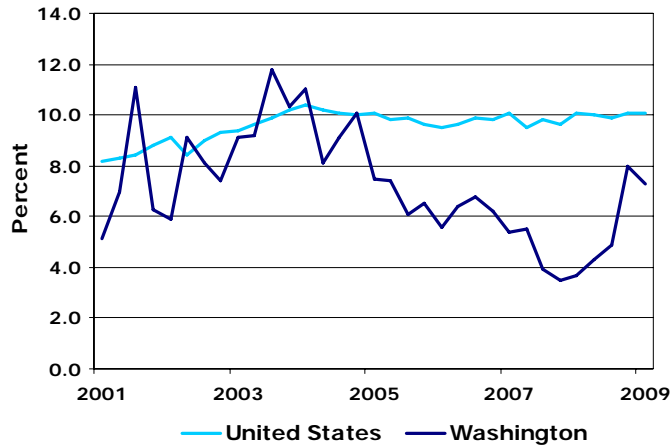
More than anything else, the housing bubble was caused by the mistaken perception, especially since the turn of the century that home prices could only go up. In an effort to combat the 2001 recession, the Fed lowered its target interest rate 13 times between January of 2001 and June of 2003, from 6.50% to 1.00%. The strategy was successful in that housing starts actually grew in 2001, 2002, and 2003, which was unprecedented in a recession. The help from the housing sector was a major reason the recession was relatively short and shallow. However, the recovery was also very slow, particularly with respect to labor markets. As a result, interest rates were kept low long after the recession officially ended. Low interest rates improved affordability and spurred demand for owner-occupied housing which led to more construction and also higher prices. Eventually higher prices and higher mortgage rates reduced affordability, which should have dampened demand, but by this time a bubble mentality had taken hold. The fundamentals were increasingly against housing as an investment as prices were clearly out-of line with both incomes and rents. However the string of price increases and the historical rarity of widespread home price declines reinforced the perception that house prices would continue to rise. In addition, creative financing helped offset the affordability problem, at least for a while. Eventually the reality of a glut of unsold housing burst the bubble and prices began to fall.

The construction boom led to an oversupply of housing

Even with national housing demand soaring, the construction boom led to an oversupply up housing. One of the initial results of improved affordability in the early 2000's was the ability of renters to become homeowners. This is probably the reason that the U.S. rental vacancy rate (see Figure 3, next page) increased long before the U.S. homeowner vacancy rate (see Figure 4, next page). The rental vacancy rate has rarely been above 8% but it has been stuck at about 10% since late 2003. Likewise, the U.S. homeowner vacancy rate had never previously been above 2% (the data go back to 1956). Recently, however, the U.S. homeowner vacancy rate reached almost 3% and has been stuck at that elevated level since the end of 2006.

Figure 4.3: U.S. and Washington rental vacancy rates

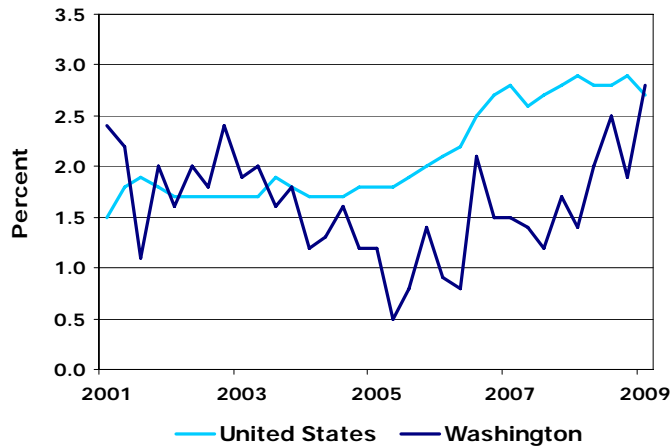
Rental vacancy rates in Washington have increased but are still below the national average



Source: U.S. Census Bureau, data through 2009 Q1

Figure 4.4: U.S. and Washington homeowner vacancy rates

Homeowner vacancy rates in Washington are essentially even with the U.S. average.



Source: U.S. Census Bureau, data through 2009 Q1

Washington did not experience the same degree of overbuilding as the nation

Washington appears to be a little better positioned to handle the correction than the nation. At the beginning of decade, vacancies in Washington were similar to national rates. The relatively strong economy and above average net in-migration later in the decade brought vacancy rates well below the national average. This was especially true in the rental market and was also reflected in rapid growth in rents. Unlike the U.S. average, Washington’s vacancy rates did not appear alarming going into 2008. This is not to say that there was no overbuilding here, but not nearly to the extent as in other parts of the country. It should be noted that the Washington data are more volatile or noisier than the national data. The 90% confidence interval for quarterly rental vacancy rates in Washington is 2.0 percentage points and for homeowners it is 0.8 percentage points. Nationally those

confidence intervals are just 0.4 and 0.1 percentage points, respectively.

Washington Housing in 2009

The recession contributed to the rise in vacancy rates

The jump in vacancies in Washington in 2008 and 2009 cannot be explained by overbuilding alone. By mid-2008 new housing construction was already below the demographic demand for new housing. The sudden rise in vacancies in Washington coincided with the onset of the recession and was likely the result of a reduction in household formation, in spite of continued population growth, as people doubled-up, moved back in with parents, etc. The excess supply of housing, both for sale and for rent, is now putting downward pressure on both prices and rents.

Foreclosures are adding to the glut of unsold homes on the market

New construction has declined by about three-quarters, both nationally and locally, since the peak however foreclosures continue to add to the glut of homes on the market. There are always some homeowners who find themselves unable to keep up with their mortgages for such reasons as job loss, health expenses, or death of a breadwinner. Still, as long as prices are rising, the home can probably be sold for more than the mortgage and foreclosure is avoided. When the distressed homeowner is underwater, however, a foreclosure or short sale is unavoidable. The severity of the economic downturn is compounding the problem by putting many more homeowners at risk. Rising foreclosures then put further downward pressure on prices in a vicious cycle. On the other hand, lower prices combined with low interest rates have made houses much more affordable. The trade-up market is hampered by the ability of existing homeowners to sell their existing home, but the first-time buyer with good credit and a down payment is in an excellent position to benefit from today's buyers market.

Fewer homes under water so fewer foreclosures in Washington

Since local home prices peaked later than the national average and the decline has been milder, there are fewer homeowners under water here than elsewhere in the nation. As a result, we have experienced a lower foreclosure rate even though the increase in our unemployment rate has been similar to the rise in the U.S. rate.

The Road to Recovery

Housing construction is reaching a trough

When conditions are bad, as they certainly are now, it can be difficult to see how they can improve, but there are some reasons for optimism going forward. As mentioned above, housing permits have already declined by more than three-quarters since the peak, both nationally and locally. There are signs that we are

close to the bottom. Multi-family permits are bouncing along the bottom but single-family permits increased in April and May. Construction activity lags permits but the end of the decline is in sight. Just ending the drag on the economy after four years of contraction will be a significant boost to overall economic growth. In addition, the pace of housing construction is now below the growth of demographic demand so the excess supply of homes is declining.

The excess housing stock is the result of building above the level of demographic demand and the recession

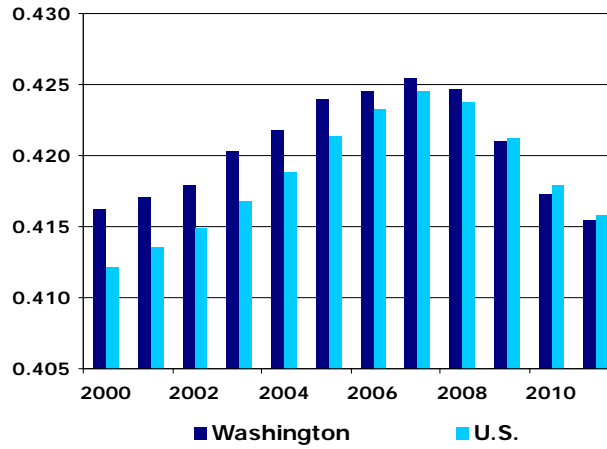
The current slump in housing is the result of two factors, overbuilding and the recession. During the boom we simply built more houses than made sense based on population growth and normal household formation (demographic demand). The credit crunch and recession have greatly exacerbated the problem. In the long run, the demographics dominate; the stock of housing is determined almost entirely by the number of households. In the short run, however, economic and financial conditions can cause huge fluctuations in the demand for, and supply of, homes. According to Bureau of the Census, the nations' housing stock grew by 11.6 million units from July 1, 2000 to July 1, 2007, a 10.0% increase. During the same period the population of the United States grew only 6.8%. Using the increase in the population as an indicator of the increase in the demographic demand for housing units suggests an excess of about 3.7 million units (2.9% of the 2007 stock), assuming the market was more or less "normal" in 2000. The situation in Washington is a little better. The housing stock grew 11.5% from 2000 to 2007 but population grew 9.1%, suggesting 59,800 excess units (2.2% of the 2007 stock).

New housing construction is now far below the growth in demographic demand

The Census data end in 2007, but, based on our forecasts for housing construction and population growth, the housing stock has been growing and will continue to grow less than population through 2011. We estimate that per capita housing in Washington is now (July 2009) below the 2004 level while the U.S. rate is about the same as in 2005. Even though we are expecting an upturn in U.S. and Washington housing construction later this year, new construction will remain below the demographic demand for new housing through 2011. By July 2011 the U.S. housing stock/population ratio will be only 0.9% higher than in 2000 and in Washington it will be 0.2% **below** the 2000 level. This suggests that whatever overbuilding occurred during the boom years will be largely absorbed by the end of the biennium, especially in Washington (See Figure 4.5, next page).

Figure 4.5: U.S. and Washington per capita housing units

Per capita housing units are expected to drop in both the U.S. and Washington



Source: U.S. Census Bureau, data through 2007

The excess housing should be eliminated in a couple of years

This is not to say that the housing industry will be fully recovered in two years. The economy is still likely to be quite weak; in fact the Washington unemployment rate is still expected to be higher in mid-2011 than it is now. And the future condition of financial markets is also uncertain, though we expect it to be stable by that time. The excessive overhang of housing, however, should be absorbed by then.



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 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,675.7	10,989.5	11,294.9	11,523.9	11,652.0	11,336.9	11,562.5	11,927.6
% Ch	3.6	2.9	2.8	2.0	1.1	-2.7	2.0	3.2
Real Consumption	7,561.3	7,791.7	8,029.0	8,252.8	8,272.1	8,231.1	8,410.7	8,583.5
% Ch	3.6	3.0	3.0	2.8	0.2	-0.5	2.2	2.1
Real Nonresidential Fixed Investment	1,144.3	1,226.2	1,318.2	1,383.0	1,405.4	1,146.6	1,146.3	1,293.4
% Ch	5.8	7.2	7.5	4.9	1.6	-18.4	0.0	12.8
Real Residential Fixed Investment	560.2	595.4	552.9	453.8	359.5	278.2	308.4	395.0
% Ch	10.0	6.3	-7.1	-17.9	-20.8	-22.6	10.9	28.1
Real Personal Income	8,973.3	9,203.1	9,586.6	9,912.4	9,951.7	9,914.1	9,999.0	10,227.7
% Ch	3.4	2.6	4.2	3.4	0.4	-0.4	0.9	2.3
Real Per Capita Income (\$/Person)	30,522	31,016	32,001	32,778	32,590	32,152	32,112	32,533
% Ch	2.5	1.6	3.2	2.4	-0.6	-1.3	-0.1	1.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.084	1.116	1.147	1.177	1.216	1.221	1.244	1.269
% Ch	2.6	2.9	2.8	2.6	3.3	0.5	1.8	2.0
U.S. Consumer Price Index (1982-84=1.0)	1.889	1.953	2.016	2.073	2.152	2.146	2.195	2.247
% Ch	2.7	3.4	3.2	2.9	3.8	-0.3	2.3	2.4
Employment Cost Index (June 1989=1.0)	0.968	0.992	1.021	1.055	1.087	1.103	1.120	1.136
% Ch	2.7	2.5	2.9	3.4	3.0	1.5	1.6	1.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,685.9	12,421.9	13,178.4	13,807.6	14,264.6	14,094.3	14,529.0	15,248.2
% Ch	6.6	6.3	6.1	4.8	3.3	-1.2	3.1	5.0
Personal Income	9,727.2	10,269.8	10,993.9	11,663.3	12,100.7	12,109.7	12,435.7	12,975.6
% Ch	6.2	5.6	7.1	6.1	3.8	0.1	2.7	4.3
Employment (Millions)								
U.S. Civilian Labor Force	147.4	149.3	151.4	153.1	154.3	154.7	155.2	156.6
Total U.S. Employment	139.2	141.7	144.4	146.0	145.4	140.4	139.8	142.0
Unemployment Rate (%)	5.54	5.08	4.62	4.63	5.81	9.23	9.94	9.36
Nonfarm Payroll Employment	131.42	133.70	136.10	137.60	137.05	132.18	131.89	134.10
% Ch	1.1	1.7	1.8	1.1	-0.4	-3.6	-0.2	1.7
Manufacturing	14.31	14.23	14.16	13.88	13.42	11.90	11.09	11.21
% Ch	-1.3	-0.6	-0.5	-2.0	-3.3	-11.4	-6.8	1.1
Durable Manufacturing	8.92	8.95	8.98	8.81	8.47	7.29	6.71	6.88
% Ch	-0.4	0.3	0.3	-1.9	-3.8	-13.9	-8.0	2.6
Nondurable Manufacturing	5.39	5.27	5.18	5.07	4.95	4.61	4.39	4.33
% Ch	-2.8	-2.2	-1.8	-2.0	-2.3	-7.0	-4.7	-1.3
Construction	6.97	7.33	7.69	7.63	7.21	6.26	5.73	5.86
% Ch	3.5	5.2	4.9	-0.8	-5.5	-13.2	-8.5	2.3
Service-Producing	109.54	111.51	113.56	115.37	115.64	113.30	114.39	116.32
% Ch	1.3	1.8	1.8	1.6	0.2	-2.0	1.0	1.7
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	41.5	56.6	66.1	72.2	99.8	61.7	77.0	80.2
Personal Saving/Disposable Income (%)	2.1	0.4	0.7	0.6	1.8	4.5	2.8	1.8
Auto Sales (Millions)	7.5	7.7	7.8	7.6	6.7	5.1	6.2	7.7
% Ch	-1.4	2.2	1.5	-2.5	-11.3	-23.9	21.0	24.2
Housing Starts (Millions)	1.950	2.073	1.812	1.342	0.900	0.540	0.854	1.304
% Ch	5.2	6.3	-12.6	-25.9	-32.9	-40.0	58.2	52.7
Federal Budget Surplus (Billions)	-370.6	-291.7	-201.1	-229.3	-525.0	-1,066.3	-1,069.0	-842.0
Net Exports (Billions)	-615.4	-713.6	-757.3	-707.8	-669.2	-421.1	-595.7	-632.2
3-Month Treasury Bill Rate (%)	1.36	3.13	4.72	4.38	1.40	0.25	0.64	2.26
10-Year Treasury Note Yield (%)	4.27	4.29	4.79	4.63	3.67	3.32	3.84	4.09
Bond Index of 20 G.O. Munis. (%)	4.68	4.40	4.40	4.39	4.86	4.79	4.92	5.15
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.04	5.04	5.32	5.67

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,217.3	11,291.7	11,314.1	11,356.4	11,357.8	11,491.4	11,625.7	11,620.7
% Ch , Annual Rate	4.8	2.7	0.8	1.5	0.0	4.8	4.8	-0.2
Real Consumption	7,947.4	8,002.1	8,046.3	8,119.9	8,197.2	8,237.3	8,278.5	8,298.2
% Ch , Annual Rate	4.3	2.8	2.2	3.7	3.9	2.0	2.0	1.0
Real Nonresidential Fixed Investment	1,295.2	1,315.4	1,332.7	1,329.3	1,340.4	1,373.8	1,402.9	1,414.7
% Ch , Annual Rate	15.9	6.4	5.4	-1.0	3.4	10.3	8.7	3.4
Real Residential Fixed Investment	596.5	570.1	536.7	508.4	486.4	471.7	445.3	411.6
% Ch , Annual Rate	-3.6	-16.6	-21.5	-19.5	-16.2	-11.6	-20.6	-27.0
Real Personal Income	9,492.4	9,531.3	9,582.3	9,740.4	9,873.3	9,874.5	9,943.6	9,958.1
% Ch , Annual Rate	6.8	1.6	2.2	6.8	5.6	0.0	2.8	0.6
Real Per Capita Income (\$/Person)	31,809	31,860	31,942	32,392	32,768	32,692	32,842	32,810
% Ch , Annual Rate	5.9	0.6	1.0	5.8	4.7	-0.9	1.8	-0.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.136	1.145	1.154	1.152	1.162	1.172	1.180	1.192
% Ch , Annual Rate	1.8	3.3	3.1	-0.5	3.4	3.6	2.5	4.3
U.S. Consumer Price Index (1982-84=1.0)	1.996	2.012	2.030	2.025	2.044	2.065	2.077	2.107
% Ch , Annual Rate	1.9	3.4	3.6	-1.0	3.9	4.2	2.4	5.8
Employment Cost Index (June 1989=1.0)	1.008	1.016	1.025	1.033	1.043	1.050	1.059	1.067
% Ch , Annual Rate	2.8	3.2	3.6	3.2	3.9	2.7	3.5	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,959.6	13,134.1	13,249.6	13,370.1	13,510.9	13,737.5	13,950.6	14,031.2
% Ch , Annual Rate	8.6	5.5	3.6	3.7	4.3	6.9	6.4	2.3
Personal Income	10,781.6	10,913.2	11,056.1	11,224.7	11,473.0	11,577.5	11,730.4	11,872.1
% Ch , Annual Rate	8.6	5.0	5.3	6.2	9.1	3.7	5.4	4.9
Employment (Millions)								
U.S. Civilian Labor Force	150.5	151.1	151.6	152.4	153.0	152.8	153.1	153.6
Total U.S. Employment	143.4	144.1	144.6	145.6	146.1	145.9	146.0	146.3
Unemployment Rate (%)	4.73	4.67	4.63	4.43	4.50	4.53	4.70	4.80
Nonfarm Payroll Employment	135.43	135.90	136.29	136.77	137.27	137.56	137.59	138.00
% Ch , Annual Rate	2.4	1.4	1.1	1.4	1.5	0.9	0.1	1.2
Manufacturing	14.22	14.21	14.15	14.06	14.00	13.91	13.83	13.78
% Ch , Annual Rate	0.5	-0.2	-1.6	-2.7	-1.8	-2.3	-2.3	-1.6
Durable Manufacturing	8.99	9.02	8.99	8.93	8.89	8.84	8.78	8.73
% Ch , Annual Rate	1.3	1.0	-1.3	-2.4	-2.1	-2.3	-2.6	-2.0
Nondurable Manufacturing	5.22	5.19	5.16	5.12	5.11	5.08	5.06	5.04
% Ch , Annual Rate	-0.8	-2.4	-2.0	-3.2	-1.2	-2.3	-1.8	-0.9
Construction	7.66	7.71	7.71	7.69	7.69	7.68	7.61	7.55
% Ch , Annual Rate	8.2	2.4	0.2	-0.9	0.1	-1.0	-3.5	-3.1
Service-Producing	112.89	113.31	113.74	114.32	114.86	115.25	115.43	115.94
% Ch , Annual Rate	2.2	1.5	1.5	2.1	1.9	1.3	0.6	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	63.4	70.6	70.5	60.1	58.1	65.0	75.2	90.5
Personal Saving/Disposable Income (%)	1.0	0.6	0.5	0.9	1.1	0.3	0.4	0.4
Auto Sales (Millions)	7.9	7.8	7.8	7.6	7.6	7.6	7.4	7.7
% Ch , Annual Rate	20.3	-2.5	1.8	-10.7	-2.4	3.8	-11.8	17.7
Housing Starts (Millions)	2.120	1.855	1.702	1.570	1.461	1.451	1.289	1.166
% Ch , Annual Rate	10.4	-41.4	-29.1	-27.7	-24.9	-2.8	-37.7	-33.0
Federal Budget Surplus (Billions)	-207.9	-225.0	-218.4	-153.2	-225.2	-211.4	-244.3	-236.3
Net Exports (Billions)	-761.7	-777.2	-792.7	-697.7	-728.8	-723.1	-682.6	-696.7
3-Month Treasury Bill Rate (%)	4.38	4.68	4.91	4.91	4.98	4.75	4.35	3.44
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.63	4.68	4.85	4.73	4.26
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.18	4.20	4.37	4.58	4.43
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,646.0	11,727.4	11,712.4	11,522.1	11,353.7	11,302.3	11,319.2	11,372.6
% Ch , Annual Rate	0.9	2.8	-0.5	-6.3	-5.7	-1.8	0.6	1.9
Real Consumption	8,316.1	8,341.3	8,260.6	8,170.5	8,202.0	8,202.2	8,236.3	8,284.1
% Ch , Annual Rate	0.9	1.2	-3.8	-4.3	1.5	0.0	1.7	2.3
Real Nonresidential Fixed Investment	1,423.1	1,431.8	1,425.7	1,341.1	1,195.1	1,148.2	1,127.7	1,115.3
% Ch , Annual Rate	2.4	2.5	-1.7	-21.7	-36.9	-14.8	-6.9	-4.3
Real Residential Fixed Investment	383.0	369.6	353.7	331.6	293.4	276.2	269.5	273.9
% Ch , Annual Rate	-25.0	-13.3	-16.1	-22.7	-38.7	-21.5	-9.4	6.7
Real Personal Income	9,943.6	9,998.2	9,891.3	9,973.7	9,950.3	9,973.0	9,857.2	9,876.0
% Ch , Annual Rate	-0.6	2.2	-4.2	3.4	-0.9	0.9	-4.6	0.8
Real Per Capita Income (\$/Person)	32,682	32,782	32,352	32,543	32,387	32,382	31,928	31,911
% Ch , Annual Rate	-1.5	1.2	-5.1	2.4	-1.9	-0.1	-5.5	-0.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.203	1.215	1.230	1.215	1.212	1.218	1.226	1.230
% Ch , Annual Rate	3.6	4.3	5.0	-4.9	-1.0	2.1	2.4	1.4
U.S. Consumer Price Index (1982-84=1.0)	2.130	2.154	2.186	2.139	2.126	2.137	2.156	2.166
% Ch , Annual Rate	4.5	4.5	6.2	-8.3	-2.4	2.0	3.5	1.9
Employment Cost Index (June 1989=1.0)	1.076	1.084	1.091	1.096	1.098	1.100	1.104	1.109
% Ch , Annual Rate	3.4	3.0	2.6	1.8	0.7	0.8	1.3	1.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,150.8	14,294.5	14,412.8	14,200.3	14,089.7	14,030.0	14,085.4	14,172.3
% Ch , Annual Rate	3.5	4.1	3.4	-5.8	-3.1	-1.7	1.6	2.5
Personal Income	11,960.5	12,152.2	12,170.4	12,119.5	12,060.6	12,151.6	12,081.5	12,145.3
% Ch , Annual Rate	3.0	6.6	0.6	-1.7	-1.9	3.1	-2.3	2.1
Employment (Millions)								
U.S. Civilian Labor Force	153.7	154.3	154.7	154.6	154.0	155.0	154.9	154.8
Total U.S. Employment	146.1	146.0	145.3	144.0	141.6	140.6	139.9	139.5
Unemployment Rate (%)	4.93	5.37	6.07	6.87	8.07	9.25	9.69	9.92
Nonfarm Payroll Employment	137.94	137.51	137.00	135.73	133.66	132.26	131.54	131.26
% Ch , Annual Rate	-0.2	-1.3	-1.5	-3.7	-5.9	-4.1	-2.2	-0.9
Manufacturing	13.69	13.55	13.39	13.06	12.47	11.98	11.71	11.44
% Ch , Annual Rate	-2.4	-4.1	-4.7	-9.4	-17.0	-14.6	-9.0	-8.8
Durable Manufacturing	8.67	8.56	8.44	8.20	7.75	7.35	7.13	6.94
% Ch , Annual Rate	-2.7	-5.0	-5.4	-11.1	-20.2	-19.0	-11.4	-10.5
Nondurable Manufacturing	5.02	4.99	4.94	4.86	4.72	4.63	4.57	4.50
% Ch , Annual Rate	-1.9	-2.6	-3.4	-6.4	-11.4	-7.0	-5.0	-6.0
Construction	7.45	7.29	7.17	6.95	6.59	6.31	6.14	6.00
% Ch , Annual Rate	-5.4	-8.2	-6.3	-11.8	-19.1	-15.9	-10.5	-8.8
Service-Producing	116.05	115.91	115.66	114.92	113.84	113.23	113.01	113.14
% Ch , Annual Rate	0.4	-0.5	-0.9	-2.5	-3.7	-2.1	-0.8	0.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.9	123.8	118.3	59.1	43.2	59.5	70.8	73.2
Personal Saving/Disposable Income (%)	0.2	2.4	1.3	3.2	4.4	5.6	4.3	4.0
Auto Sales (Millions)	7.4	7.6	6.6	5.2	4.8	5.1	5.2	5.4
% Ch , Annual Rate	-14.6	11.8	-43.1	-60.8	-31.8	34.0	7.2	13.7
Housing Starts (Millions)	1.059	1.017	0.868	0.658	0.529	0.487	0.557	0.587
% Ch , Annual Rate	-32.0	-14.9	-46.9	-67.0	-58.2	-27.9	70.2	23.6
Federal Budget Surplus (Billions)	-330.7	-649.6	-544.0	-575.6	-830.4	-1,141.3	-1,129.6	-1,163.8
Net Exports (Billions)	-705.7	-718.2	-707.7	-545.1	-333.4	-357.9	-466.3	-526.7
3-Month Treasury Bill Rate (%)	2.15	1.61	1.51	0.33	0.21	0.19	0.25	0.33
10-Year Treasury Note Yield (%)	3.66	3.89	3.86	3.25	2.74	3.29	3.60	3.67
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.74	5.44	4.99	4.69	4.72	4.77
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	4.88	5.07	5.14

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,440.2	11,519.4	11,602.1	11,688.1	11,766.4	11,871.9	11,981.4	12,090.6
% Ch , Annual Rate	2.4	2.8	2.9	3.0	2.7	3.6	3.7	3.7
Real Consumption	8,329.7	8,376.8	8,446.0	8,490.3	8,515.9	8,551.0	8,604.9	8,662.3
% Ch , Annual Rate	2.2	2.3	3.3	2.1	1.2	1.7	2.5	2.7
Real Nonresidential Fixed Investment	1,128.9	1,127.7	1,145.4	1,183.1	1,225.4	1,274.3	1,316.7	1,357.2
% Ch , Annual Rate	5.0	-0.4	6.4	13.8	15.1	17.0	14.0	12.9
Real Residential Fixed Investment	283.0	298.4	315.4	336.9	360.9	382.8	406.2	430.1
% Ch , Annual Rate	14.0	23.6	24.8	30.2	31.7	26.6	26.8	25.7
Real Personal Income	9,929.9	9,974.7	10,021.0	10,070.2	10,122.1	10,181.9	10,261.6	10,345.0
% Ch , Annual Rate	2.2	1.8	1.9	2.0	2.1	2.4	3.2	3.3
Real Per Capita Income (\$/Person)	32,007	32,073	32,144	32,225	32,313	32,427	32,602	32,788
% Ch , Annual Rate	1.2	0.8	0.9	1.0	1.1	1.4	2.2	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.234	1.240	1.247	1.253	1.260	1.266	1.272	1.277
% Ch , Annual Rate	1.5	2.0	2.3	1.9	2.2	1.9	1.8	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.175	2.188	2.202	2.214	2.229	2.242	2.254	2.265
% Ch , Annual Rate	1.7	2.3	2.6	2.2	2.7	2.3	2.2	2.0
Employment Cost Index (June 1989=1.0)	1.113	1.118	1.122	1.126	1.130	1.134	1.138	1.142
% Ch , Annual Rate	1.8	1.6	1.5	1.4	1.4	1.3	1.5	1.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,291.1	14,443.0	14,606.6	14,775.3	14,952.8	15,150.0	15,348.7	15,541.5
% Ch , Annual Rate	3.4	4.3	4.6	4.7	4.9	5.4	5.4	5.1
Personal Income	12,255.7	12,370.7	12,497.6	12,619.0	12,754.6	12,891.4	13,049.6	13,207.0
% Ch , Annual Rate	3.7	3.8	4.2	3.9	4.4	4.4	5.0	4.9
Employment (Millions)								
U.S. Civilian Labor Force	154.9	155.1	155.3	155.6	156.0	156.4	156.8	157.2
Total U.S. Employment	139.4	139.5	139.9	140.4	140.9	141.6	142.3	143.0
Unemployment Rate (%)	10.01	10.03	9.93	9.79	9.68	9.48	9.25	9.01
Nonfarm Payroll Employment	131.34	131.71	132.03	132.49	133.04	133.70	134.44	135.21
% Ch, Annual Rate	0.3	1.1	1.0	1.4	1.7	2.0	2.3	2.3
Manufacturing	11.25	11.04	11.01	11.08	11.09	11.14	11.25	11.39
% Ch, Annual Rate	-6.5	-7.1	-1.4	2.7	0.2	1.9	4.1	5.0
Durable Manufacturing	6.80	6.65	6.65	6.73	6.74	6.80	6.92	7.06
% Ch, Annual Rate	-7.6	-8.5	-0.3	4.9	1.0	3.5	7.0	8.4
Nondurable Manufacturing	4.45	4.39	4.36	4.35	4.34	4.33	4.33	4.33
% Ch, Annual Rate	-4.8	-4.8	-3.0	-0.7	-1.0	-0.6	-0.4	-0.3
Construction	5.87	5.72	5.63	5.70	5.73	5.80	5.91	6.01
% Ch, Annual Rate	-8.7	-9.5	-6.1	4.8	2.6	5.0	7.4	6.8
Service-Producing	113.56	114.27	114.71	115.03	115.53	116.06	116.59	117.11
% Ch, Annual Rate	1.5	2.5	1.6	1.1	1.7	1.8	1.8	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	75.1	76.6	77.8	78.4	79.1	79.8	80.6	81.3
Personal Saving/Disposable Income (%)	3.1	3.0	2.6	2.4	1.6	1.7	1.9	2.0
Auto Sales (Millions)	5.6	5.9	6.4	6.8	7.2	7.6	7.8	8.2
% Ch, Annual Rate	18.7	23.4	39.1	25.8	21.1	28.1	12.8	19.2
Housing Starts (Millions)	0.704	0.785	0.902	1.025	1.146	1.257	1.363	1.451
% Ch, Annual Rate	107.3	54.4	74.1	67.1	56.2	44.3	38.6	28.2
Federal Budget Surplus (Billions)	-1,078.7	-1,084.2	-1,069.7	-1,043.5	-874.9	-847.6	-832.0	-813.4
Net Exports (Billions)	-578.7	-586.8	-602.0	-615.3	-629.9	-625.7	-633.6	-639.5
3-Month Treasury Bill Rate (%)	0.42	0.49	0.63	1.02	1.52	2.01	2.52	3.00
10-Year Treasury Note Yield (%)	3.75	3.83	3.87	3.89	3.95	4.04	4.10	4.27
Bond Index of 20 G.O. Munis. (%)	4.85	4.91	4.95	4.97	5.03	5.11	5.15	5.30
30-Year Fixed Mortgage Rate (%)	5.22	5.30	5.35	5.39	5.49	5.61	5.70	5.88

Table A1.3
Washington Economic Forecast Summary
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	201.462	203.061	214.310	225.842	227.223	226.321	229.784	237.235
% Ch	4.8	0.8	5.5	5.4	0.6	-0.4	1.5	3.2
Real Wage and Salary Disb.	109.983	112.862	118.900	124.812	124.717	122.769	123.855	128.122
% Ch	1.8	2.6	5.4	5.0	-0.1	-1.6	0.9	3.4
Real Nonwage Income	91.479	90.200	95.410	101.031	102.507	103.553	105.929	109.113
% Ch	8.7	-1.4	5.8	5.9	1.5	1.0	2.3	3.0
Real Per Capita Income (\$/Person)	32,483	32,225	33,392	34,609	34,296	33,671	33,791	34,502
% Ch	3.5	-0.8	3.6	3.6	-0.9	-1.8	0.4	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.084	1.116	1.147	1.177	1.216	1.221	1.244	1.269
% Ch	2.6	2.9	2.8	2.6	3.3	0.5	1.8	2.0
Seattle Cons. Price Index (1982-84=1.0)	1.947	2.002	2.076	2.157	2.247	2.263	2.313	2.371
% Ch	1.2	2.8	3.7	3.9	4.2	0.7	2.2	2.5
Average Nonfarm Annual Wage	42,234	43,287	45,611	48,001	49,068	50,157	51,493	53,178
% Ch	2.7	2.5	5.4	5.2	2.2	2.2	2.7	3.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.28	18.82	19.91	20.51	21.00	23.26	23.41	23.45
% Ch	1.4	2.9	5.8	3.0	2.4	10.7	0.7	0.2
Current Dollar Income (Billions of Dollars)								
Personal Income	218.432	226.585	245.765	265.738	276.281	276.439	285.786	300.979
% Ch	7.6	3.7	8.5	8.1	4.0	0.1	3.4	5.3
Disposable Personal Income	194.929	199.937	215.513	231.726	243.004	249.084	255.960	266.319
% Ch	7.8	2.6	7.8	7.5	4.9	2.5	2.8	4.0
Per Capita Income (\$/Person)	35,218	35,957	38,292	40,721	41,700	41,126	42,025	43,772
% Ch	6.3	2.1	6.5	6.3	2.4	-1.4	2.2	4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,199.2	3,258.8	3,319.6	3,391.2	3,476.8	3,558.4	3,605.1	3,656.4
Total Washington Employment	2,999.5	3,079.5	3,157.0	3,237.4	3,291.0	3,221.9	3,228.5	3,298.2
Unemployment Rate (%)	6.24	5.50	4.90	4.54	5.34	9.45	10.45	9.80
Nonfarm Payroll Employment	2,701.0	2,777.0	2,859.1	2,933.6	2,958.9	2,850.5	2,852.1	2,919.5
% Ch	1.6	2.8	3.0	2.6	0.9	-3.7	0.1	2.4
Manufacturing	263.7	272.6	285.9	293.3	291.2	267.3	256.5	260.7
% Ch	-1.3	3.4	4.9	2.6	-0.7	-8.2	-4.1	1.6
Durable Manufacturing	182.4	191.5	204.0	211.9	211.3	194.0	185.5	189.0
% Ch	-0.7	5.0	6.6	3.9	-0.3	-8.2	-4.4	1.9
Aerospace	61.5	65.6	73.4	80.1	83.0	82.7	80.4	78.9
% Ch	-5.8	6.8	11.9	9.1	3.6	-0.4	-2.8	-1.9
Nondurable Manufacturing	81.3	81.1	81.9	81.4	79.8	73.3	71.0	71.8
% Ch	-2.4	-0.2	0.9	-0.6	-1.9	-8.2	-3.1	1.1
Construction	164.2	177.4	194.9	208.2	200.7	167.7	156.1	160.9
% Ch	5.1	8.0	9.9	6.8	-3.6	-16.5	-6.9	3.1
Service-Producing	2,264.0	2,318.1	2,369.6	2,423.9	2,459.5	2,408.7	2,432.6	2,490.6
% Ch	1.7	2.4	2.2	2.3	1.5	-2.1	1.0	2.4
Software Publishers	39.3	41.3	44.7	47.6	50.9	51.7	51.9	54.6
% Ch	5.1	5.1	8.4	6.4	7.0	1.5	0.4	5.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.089	52.988	50.033	47.397	28.919	14.425	23.615	35.490
% Ch	17.0	5.8	-5.6	-5.3	-39.0	-50.1	63.7	50.3
Single-Family	36.489	41.407	35.611	30.390	17.440	10.332	16.575	26.588
% Ch	10.3	13.5	-14.0	-14.7	-42.6	-40.8	60.4	60.4
Multi-Family	13.600	11.581	14.422	17.007	11.479	4.094	7.040	8.903
% Ch	39.7	-14.8	24.5	17.9	-32.5	-64.3	72.0	26.5
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.04	5.04	5.32	5.67

Table A1.4
Washington Economic Forecast Summary
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	211.422	212.575	214.526	218.716	222.683	224.122	227.991	228.572
% Ch, Annual Rate	8.9	2.2	3.7	8.0	7.5	2.6	7.1	1.0
Real Wage and Salary Disb.	118.211	117.402	118.426	121.561	122.935	123.621	126.080	126.610
% Ch, Annual Rate	12.8	-2.7	3.5	11.0	4.6	2.3	8.2	1.7
Real Nonwage Income	93.211	95.173	96.099	97.155	99.748	100.501	101.912	101.962
% Ch, Annual Rate	4.2	8.7	3.9	4.5	11.1	3.1	5.7	0.2
Real Per Capita Income (\$/Person)	33,161	33,196	33,354	33,858	34,322	34,412	34,873	34,829
% Ch, Annual Rate	6.8	0.4	1.9	6.2	5.6	1.0	5.5	-0.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.136	1.145	1.154	1.152	1.162	1.172	1.180	1.192
% Ch, Annual Rate	1.8	3.3	3.1	-0.5	3.4	3.6	2.5	4.3
Seattle Cons. Price Index (1982-84=1.0)	2.043	2.069	2.089	2.104	2.126	2.147	2.157	2.197
% Ch, Annual Rate	2.9	5.2	3.9	2.9	4.2	4.0	2.0	7.5
Average Nonfarm Annual Wage	45,262	45,055	45,607	46,522	47,066	47,485	48,531	48,921
% Ch, Annual Rate	11.0	-1.8	5.0	8.3	4.8	3.6	9.1	3.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.58	19.85	20.16	20.04	20.21	20.44	20.63	20.77
% Ch, Annual Rate	1.4	5.5	6.5	-2.4	3.4	4.7	3.7	2.7
Current Dollar Income (Billions of Dollars)								
Personal Income	240.123	243.384	247.514	252.037	258.751	262.763	268.946	272.493
% Ch, Annual Rate	10.8	5.5	7.0	7.5	11.1	6.3	9.7	5.4
Disposable Personal Income	210.814	213.475	217.153	220.611	225.835	228.957	234.518	237.592
% Ch, Annual Rate	9.0	5.1	7.1	6.5	9.8	5.6	10.1	5.3
Per Capita Income (\$/Person)	37,663	38,007	38,483	39,016	39,881	40,345	41,137	41,521
% Ch, Annual Rate	8.7	3.7	5.1	5.7	9.2	4.7	8.1	3.8
Employment (Thousands)								
Washington Civilian Labor Force	3,302.5	3,317.0	3,321.9	3,337.1	3,354.0	3,381.3	3,401.9	3,427.8
Total Washington Employment	3,143.0	3,152.9	3,156.5	3,175.5	3,203.7	3,230.1	3,246.3	3,269.3
Unemployment Rate (%)	4.83	4.95	4.98	4.84	4.48	4.47	4.57	4.62
Nonfarm Payroll Employment	2,834.8	2,851.4	2,865.4	2,884.7	2,909.3	2,926.5	2,938.7	2,959.8
% Ch, Annual Rate	3.3	2.4	2.0	2.7	3.5	2.4	1.7	2.9
Manufacturing	283.1	284.6	286.9	289.0	291.0	291.9	294.3	296.2
% Ch, Annual Rate	6.7	2.2	3.2	3.0	2.8	1.2	3.3	2.6
Durable Manufacturing	201.0	202.7	204.9	207.5	209.2	210.8	212.9	214.8
% Ch, Annual Rate	7.4	3.4	4.3	5.2	3.3	3.1	4.1	3.5
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.4
Nondurable Manufacturing	82.1	81.9	82.0	81.5	81.8	81.1	81.4	81.4
% Ch, Annual Rate	5.2	-0.7	0.6	-2.6	1.4	-3.3	1.4	0.1
Construction	189.8	193.5	196.4	199.7	205.5	209.1	208.6	209.6
% Ch, Annual Rate	12.7	8.0	6.2	6.9	12.0	7.3	-1.1	2.0
Service-Producing	2,353.1	2,364.5	2,373.4	2,387.4	2,404.5	2,417.2	2,427.7	2,446.1
% Ch, Annual Rate	2.2	2.0	1.5	2.4	2.9	2.1	1.7	3.1
Software Publishers	43.0	44.4	45.4	46.1	47.1	47.5	47.6	48.2
% Ch, Annual Rate	8.2	12.8	9.6	6.8	9.1	3.0	0.7	5.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	49.719	52.501	53.021	44.892	59.179	44.844	45.135	40.431
% Ch, Annual Rate	-55.2	24.3	4.0	-48.6	202.0	-67.0	2.6	-35.6
Single-Family	38.849	36.189	35.013	32.392	35.899	32.998	29.018	23.646
% Ch, Annual Rate	-46.1	-24.7	-12.4	-26.7	50.9	-28.6	-40.2	-55.9
Multi-Family	10.869	16.311	18.008	12.500	23.280	11.846	16.117	16.785
% Ch, Annual Rate	-75.4	407.2	48.6	-76.8	1,103.2	-93.3	242.6	17.6
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

Table A1.4
Washington Economic Forecast Summary
 Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	227.066	227.128	227.069	227.630	227.939	226.949	225.184	225.214
% Ch, Annual Rate	-2.6	0.1	-0.1	1.0	0.5	-1.7	-3.1	0.1
Real Wage and Salary Disb.	125.373	123.912	124.887	124.694	124.633	122.579	122.235	121.628
% Ch, Annual Rate	-3.9	-4.6	3.2	-0.6	-0.2	-6.4	-1.1	-2.0
Real Nonwage Income	101.693	103.216	102.182	102.936	103.305	104.370	102.949	103.587
% Ch, Annual Rate	-1.0	6.1	-3.9	3.0	1.4	4.2	-5.3	2.5
Real Per Capita Income (\$/Person)	34,469	34,347	34,208	34,163	34,080	33,814	33,443	33,347
% Ch, Annual Rate	-4.1	-1.4	-1.6	-0.5	-1.0	-3.1	-4.3	-1.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.203	1.215	1.230	1.215	1.212	1.218	1.226	1.230
% Ch, Annual Rate	3.6	4.3	5.0	-4.9	-1.0	2.1	2.4	1.4
Seattle Cons. Price Index (1982-84=1.0)	2.222	2.246	2.268	2.253	2.253	2.247	2.269	2.282
% Ch, Annual Rate	4.7	4.3	4.1	-2.7	0.0	-1.0	4.0	2.2
Average Nonfarm Annual Wage	48,593	48,645	49,588	49,446	49,958	49,925	50,360	50,385
% Ch, Annual Rate	-2.7	0.4	8.0	-1.1	4.2	-0.3	3.5	0.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.94	21.25	20.95	20.88	23.04	23.32	23.32	23.35
% Ch, Annual Rate	3.3	6.1	-5.5	-1.5	48.3	5.1	0.0	0.5
Current Dollar Income (Billions of Dollars)								
Personal Income	273.109	276.050	279.376	276.591	276.269	276.527	275.997	276.963
% Ch, Annual Rate	0.9	4.4	4.9	-3.9	-0.5	0.4	-0.8	1.4
Disposable Personal Income	238.059	245.469	245.615	242.871	247.024	249.528	249.377	250.406
% Ch, Annual Rate	0.8	13.0	0.2	-4.4	7.0	4.1	-0.2	1.7
Per Capita Income (\$/Person)	41,458	41,745	42,088	41,511	41,306	41,201	40,989	41,009
% Ch, Annual Rate	-0.6	2.8	3.3	-5.4	-2.0	-1.0	-2.0	0.2
Employment (Thousands)								
Washington Civilian Labor Force	3,444.9	3,458.9	3,489.0	3,514.2	3,539.9	3,559.0	3,563.3	3,571.3
Total Washington Employment	3,283.4	3,282.7	3,300.2	3,297.6	3,243.4	3,228.1	3,211.7	3,204.5
Unemployment Rate (%)	4.69	5.10	5.41	6.16	8.38	9.30	9.87	10.27
Nonfarm Payroll Employment	2,974.3	2,966.6	2,966.0	2,928.9	2,885.2	2,851.8	2,835.9	2,829.0
% Ch, Annual Rate	2.0	-1.0	-0.1	-4.9	-5.8	-4.6	-2.2	-1.0
Manufacturing	297.2	294.4	293.0	280.2	277.4	268.7	263.6	259.6
% Ch, Annual Rate	1.4	-3.8	-1.9	-16.4	-3.8	-12.0	-7.5	-5.9
Durable Manufacturing	215.9	214.4	214.0	201.1	202.3	195.4	190.8	187.7
% Ch, Annual Rate	2.1	-2.8	-0.7	-22.1	2.4	-13.0	-9.0	-6.5
Aerospace	84.1	84.5	85.8	77.5	84.8	83.2	81.9	81.0
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	43.2	-7.5	-6.2	-4.3
Nondurable Manufacturing	81.3	80.0	79.0	79.1	75.2	73.3	72.7	71.9
% Ch, Annual Rate	-0.6	-6.3	-4.9	0.6	-18.4	-9.4	-3.4	-4.4
Construction	208.8	203.8	199.4	190.8	178.8	168.5	163.4	160.0
% Ch, Annual Rate	-1.5	-9.3	-8.4	-16.2	-22.9	-21.0	-11.5	-8.2
Service-Producing	2,460.5	2,460.9	2,466.1	2,450.6	2,422.2	2,407.9	2,402.0	2,402.5
% Ch, Annual Rate	2.4	0.1	0.8	-2.5	-4.6	-2.3	-1.0	0.1
Software Publishers	49.2	50.3	51.5	52.7	52.8	51.9	51.3	50.9
% Ch, Annual Rate	9.0	8.7	10.6	8.9	0.8	-6.5	-4.7	-2.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	33.378	32.552	27.482	22.264	15.148	12.775	13.795	15.984
% Ch, Annual Rate	-53.6	-9.5	-49.2	-56.9	-78.6	-49.4	36.0	80.2
Single-Family	20.676	18.942	17.258	12.884	9.990	10.311	9.940	11.085
% Ch, Annual Rate	-41.5	-29.6	-31.1	-68.9	-63.9	13.5	-13.6	54.6
Multi-Family	12.701	13.610	10.225	9.380	5.157	2.464	3.855	4.899
% Ch, Annual Rate	-67.2	31.9	-68.1	-29.2	-90.9	-94.8	499.2	160.8
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.31	5.87	5.06	4.88	5.07	5.14

Table A1.4
Washington Economic Forecast Summary
 Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	227.487	228.717	231.191	231.740	233.920	235.432	239.361	240.226
% Ch, Annual Rate	4.1	2.2	4.4	1.0	3.8	2.6	6.8	1.5
Real Wage and Salary Disb.	122.804	123.174	124.771	124.671	126.269	126.945	129.768	129.505
% Ch, Annual Rate	3.9	1.2	5.3	-0.3	5.2	2.2	9.2	-0.8
Real Nonwage Income	104.683	105.543	106.420	107.069	107.651	108.487	109.593	110.722
% Ch, Annual Rate	4.3	3.3	3.4	2.5	2.2	3.1	4.1	4.2
Real Per Capita Income (\$/Person)	33,588	33,679	33,953	33,943	34,170	34,294	34,764	34,780
% Ch, Annual Rate	2.9	1.1	3.3	-0.1	2.7	1.5	5.6	0.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.234	1.240	1.247	1.253	1.260	1.266	1.272	1.277
% Ch, Annual Rate	1.5	2.0	2.3	1.9	2.2	1.9	1.8	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.292	2.306	2.321	2.334	2.350	2.364	2.378	2.391
% Ch, Annual Rate	1.8	2.4	2.7	2.3	2.8	2.4	2.3	2.3
Average Nonfarm Annual Wage	50,968	51,153	51,939	51,912	52,566	52,789	53,853	53,504
% Ch, Annual Rate	4.7	1.5	6.3	-0.2	5.1	1.7	8.3	-2.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	23.39	23.41	23.43	23.43	23.44	23.44	23.46	23.47
% Ch, Annual Rate	0.6	0.4	0.3	0.1	0.1	0.0	0.3	0.2
Current Dollar Income (Billions of Dollars)								
Personal Income	280.769	283.655	288.327	290.394	294.755	298.081	304.395	306.686
% Ch, Annual Rate	5.6	4.2	6.8	2.9	6.1	4.6	8.7	3.0
Disposable Personal Income	251.577	254.180	258.393	259.692	260.906	263.747	269.357	271.268
% Ch, Annual Rate	1.9	4.2	6.8	2.0	1.9	4.4	8.8	2.9
Per Capita Income (\$/Person)	41,455	41,768	42,343	42,534	43,056	43,420	44,209	44,401
% Ch, Annual Rate	4.4	3.1	5.6	1.8	5.0	3.4	7.5	1.8
Employment (Thousands)								
Washington Civilian Labor Force	3,584.2	3,601.0	3,611.8	3,623.5	3,636.9	3,648.5	3,662.4	3,677.7
Total Washington Employment	3,208.7	3,222.2	3,234.4	3,248.5	3,266.1	3,285.2	3,308.1	3,333.4
Unemployment Rate (%)	10.48	10.52	10.45	10.35	10.19	9.96	9.67	9.36
Nonfarm Payroll Employment	2,833.0	2,846.1	2,857.8	2,871.5	2,888.5	2,906.9	2,929.1	2,953.5
% Ch, Annual Rate	0.6	1.9	1.7	1.9	2.4	2.6	3.1	3.4
Manufacturing	257.8	255.5	255.5	257.2	257.6	259.1	261.6	264.6
% Ch, Annual Rate	-2.7	-3.5	0.1	2.6	0.7	2.2	4.0	4.6
Durable Manufacturing	186.3	184.7	184.9	186.1	186.4	187.5	189.7	192.3
% Ch, Annual Rate	-2.9	-3.4	0.5	2.6	0.5	2.4	4.8	5.6
Aerospace	80.7	80.7	80.3	79.8	79.3	78.8	78.7	78.7
% Ch, Annual Rate	-1.5	0.0	-1.6	-2.5	-2.5	-2.5	-0.8	0.0
Nondurable Manufacturing	71.5	70.8	70.6	71.1	71.2	71.6	71.9	72.3
% Ch, Annual Rate	-2.3	-3.8	-0.9	2.4	1.1	1.8	2.0	1.9
Construction	156.8	155.6	155.8	156.2	157.2	158.3	161.2	166.8
% Ch, Annual Rate	-7.6	-3.1	0.5	1.1	2.6	2.7	7.7	14.6
Service-Producing	2,411.5	2,428.1	2,439.6	2,451.1	2,466.5	2,482.4	2,498.9	2,514.6
% Ch, Annual Rate	1.5	2.8	1.9	1.9	2.5	2.6	2.7	2.5
Software Publishers	51.2	51.5	52.1	52.8	53.4	54.2	54.9	55.7
% Ch, Annual Rate	2.3	2.8	4.8	5.1	5.3	5.6	5.7	6.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	19.376	22.155	25.026	27.902	30.982	33.974	37.083	39.923
% Ch, Annual Rate	115.9	70.9	62.8	54.5	52.0	44.6	41.9	34.3
Single-Family	13.387	15.279	17.585	20.049	22.773	25.450	28.072	30.056
% Ch, Annual Rate	112.7	69.7	75.5	68.9	66.5	56.0	48.0	31.4
Multi-Family	5.989	6.876	7.441	7.853	8.209	8.524	9.011	9.867
% Ch, Annual Rate	123.3	73.8	37.1	24.1	19.4	16.3	24.9	43.7
30-Year Fixed Mortgage Rate (%)	5.22	5.30	5.35	5.39	5.49	5.61	5.70	5.88

Table A2.1
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	131.42	133.70	136.10	137.60	137.05	132.18	131.89	134.10
% Ch	1.1	1.7	1.8	1.1	-0.4	-3.6	-0.2	1.7
Manufacturing	14.31	14.23	14.16	13.88	13.42	11.90	11.09	11.21
% Ch	-1.3	-0.6	-0.5	-2.0	-3.3	-11.4	-6.8	1.1
Durable Manufacturing	8.92	8.95	8.98	8.81	8.47	7.29	6.71	6.88
% Ch	-0.4	0.3	0.3	-1.9	-3.8	-13.9	-8.0	2.6
Wood Products	0.55	0.56	0.56	0.52	0.46	0.37	0.37	0.43
% Ch	2.3	1.7	0.0	-7.8	-10.9	-19.1	0.3	14.3
Primary and Fabricated Metals	1.96	1.99	2.02	2.02	1.97	1.65	1.35	1.35
% Ch	0.4	1.2	1.5	0.1	-2.4	-16.4	-18.2	0.4
Computer and Electronic Products	1.32	1.32	1.31	1.27	1.25	1.15	1.11	1.13
% Ch	-2.4	-0.5	-0.7	-2.7	-2.0	-8.0	-3.0	1.8
Machinery and Electrical Equipment	1.59	1.60	1.62	1.62	1.61	1.39	1.26	1.27
% Ch	-1.3	0.5	1.1	0.0	-0.5	-13.8	-9.2	0.8
Transportation Equipment	1.77	1.77	1.77	1.71	1.61	1.34	1.28	1.35
% Ch	-0.5	0.3	-0.2	-3.2	-6.2	-16.4	-4.8	5.7
Other Durables	1.73	1.72	1.71	1.67	1.58	1.40	1.34	1.35
% Ch	0.2	-0.6	-0.4	-2.4	-5.7	-11.4	-4.4	1.0
Nondurable Manufacturing	5.39	5.27	5.18	5.07	4.95	4.61	4.39	4.33
% Ch	-2.8	-2.2	-1.8	-2.0	-2.3	-7.0	-4.7	-1.3
Food Manufacturing	1.49	1.48	1.48	1.48	1.48	1.47	1.45	1.46
% Ch	-1.5	-1.1	0.1	0.3	0.0	-1.1	-0.9	0.2
Paper and Paper Products	0.50	0.48	0.47	0.46	0.45	0.41	0.38	0.37
% Ch	-4.0	-2.3	-2.8	-2.6	-2.8	-8.3	-7.0	-1.3
Other Nondurables	3.40	3.31	3.22	3.13	3.02	2.73	2.55	2.50
% Ch	-3.2	-2.7	-2.5	-3.0	-3.4	-9.7	-6.4	-2.1
Natural Resources and Mining	0.59	0.63	0.68	0.72	0.77	0.72	0.68	0.70
% Ch	3.2	6.2	9.1	5.8	6.8	-7.5	-5.5	3.3
Construction	6.97	7.33	7.69	7.63	7.21	6.26	5.73	5.86
% Ch	3.5	5.2	4.9	-0.8	-5.5	-13.2	-8.5	2.3
Trade, Transportation, and Utilities	25.54	25.96	26.28	26.63	26.38	25.39	25.58	25.63
% Ch	1.0	1.7	1.2	1.3	-0.9	-3.8	0.7	0.2
Wholesale Trade	5.66	5.76	5.90	6.02	5.96	5.71	5.66	5.70
% Ch	0.9	1.8	2.5	1.9	-0.9	-4.3	-0.8	0.7
Retail Trade	15.06	15.28	15.36	15.52	15.35	14.85	15.05	14.94
% Ch	1.0	1.5	0.5	1.1	-1.1	-3.3	1.3	-0.7
Trans., Warehousing, and Utilities	4.81	4.92	5.02	5.09	5.06	4.83	4.86	4.99
% Ch	1.1	2.2	2.0	1.5	-0.6	-4.5	0.6	2.6
Information	3.12	3.06	3.04	3.03	3.00	2.84	2.66	2.77
% Ch	-2.2	-1.8	-0.8	-0.2	-1.2	-5.3	-6.2	4.2
Publishing Industries	0.91	0.90	0.90	0.90	0.88	0.81	0.70	0.68
% Ch	-1.7	-0.6	-0.2	-0.1	-2.1	-8.0	-13.6	-2.9
Other Information	2.21	2.16	2.14	2.13	2.11	2.03	1.96	2.09
% Ch	-2.5	-2.3	-1.0	-0.2	-0.8	-4.2	-3.2	6.7
Financial Activities	8.03	8.15	8.33	8.30	8.14	7.80	7.66	7.76
% Ch	0.7	1.5	2.2	-0.3	-1.9	-4.3	-1.8	1.3
Professional and Business Services	16.39	16.95	17.57	17.95	17.78	16.81	17.12	18.47
% Ch	2.5	3.4	3.7	2.1	-0.9	-5.5	1.9	7.9
Education and Health Services	16.95	17.37	17.82	18.32	18.86	19.27	19.95	20.43
% Ch	2.2	2.5	2.6	2.8	2.9	2.2	3.5	2.4
Leisure and Hospitality	12.49	12.81	13.11	13.43	13.46	13.18	13.25	13.28
% Ch	2.6	2.6	2.3	2.4	0.2	-2.1	0.6	0.2
Other Services	5.41	5.40	5.44	5.49	5.53	5.41	5.49	5.52
% Ch	0.2	-0.3	0.8	1.0	0.6	-2.1	1.5	0.6
Federal Government	2.73	2.73	2.73	2.73	2.76	2.83	2.95	2.82
% Ch	-1.1	0.0	0.0	0.1	1.1	2.5	4.0	-4.4
State and Local Government	18.89	19.08	19.24	19.49	19.73	19.78	19.73	19.63
% Ch	0.4	1.0	0.9	1.3	1.3	0.2	-0.2	-0.5

Table A2.2
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	135.43	135.90	136.29	136.77	137.27	137.56	137.59	138.00
% Ch, Annual Rate	2.4	1.4	1.1	1.4	1.5	0.9	0.1	1.2
Manufacturing	14.22	14.21	14.15	14.06	14.00	13.91	13.83	13.78
% Ch, Annual Rate	0.5	-0.2	-1.6	-2.7	-1.8	-2.3	-2.3	-1.6
Durable Manufacturing	8.99	9.02	8.99	8.93	8.89	8.84	8.78	8.73
% Ch, Annual Rate	1.3	1.0	-1.3	-2.4	-2.1	-2.3	-2.6	-2.0
Wood Products	0.57	0.57	0.56	0.54	0.53	0.52	0.51	0.50
% Ch, Annual Rate	4.6	-3.2	-7.2	-11.3	-7.6	-6.8	-6.5	-9.1
Primary and Fabricated Metals	2.01	2.02	2.03	2.02	2.02	2.02	2.01	2.01
% Ch, Annual Rate	2.3	2.5	1.7	-1.0	0.6	-0.3	-1.6	-0.2
Computer and Electronic Products	1.31	1.31	1.31	1.30	1.29	1.28	1.27	1.26
% Ch, Annual Rate	-1.7	1.6	-1.7	-2.4	-2.8	-4.8	-3.0	-1.9
Machinery and Electrical Equipment	1.61	1.62	1.62	1.62	1.62	1.62	1.61	1.62
% Ch, Annual Rate	1.6	1.8	0.8	-0.1	-0.3	-0.3	-0.5	0.7
Transportation Equipment	1.77	1.78	1.77	1.75	1.73	1.72	1.71	1.69
% Ch, Annual Rate	1.0	1.4	-2.8	-3.5	-4.5	-3.6	-2.0	-3.6
Other Durables	1.72	1.72	1.71	1.70	1.69	1.68	1.67	1.65
% Ch, Annual Rate	1.7	-0.6	-2.9	-1.8	-1.9	-2.1	-4.6	-3.0
Nondurable Manufacturing	5.22	5.19	5.16	5.12	5.11	5.08	5.06	5.04
% Ch, Annual Rate	-0.8	-2.4	-2.0	-3.2	-1.2	-2.3	-1.8	-0.9
Food Manufacturing	1.48	1.48	1.48	1.48	1.48	1.48	1.49	1.49
% Ch, Annual Rate	1.1	0.8	0.2	-0.8	0.0	1.2	1.2	0.1
Paper and Paper Products	0.48	0.47	0.47	0.47	0.46	0.46	0.46	0.45
% Ch, Annual Rate	-1.6	-3.9	-2.7	-2.2	-1.4	-4.4	-3.1	-0.8
Other Nondurables	3.27	3.24	3.21	3.18	3.16	3.14	3.11	3.10
% Ch, Annual Rate	-1.6	-3.7	-2.9	-4.4	-1.7	-3.6	-3.0	-1.4
Natural Resources and Mining	0.66	0.68	0.69	0.70	0.71	0.72	0.73	0.74
% Ch, Annual Rate	10.7	11.8	5.8	6.5	5.8	5.2	3.0	5.4
Construction	7.66	7.71	7.71	7.69	7.69	7.68	7.61	7.55
% Ch, Annual Rate	8.2	2.4	0.2	-0.9	0.1	-1.0	-3.5	-3.1
Trade, Transportation, and Utilities	26.20	26.23	26.28	26.40	26.54	26.62	26.64	26.71
% Ch, Annual Rate	1.4	0.5	0.8	1.8	2.2	1.1	0.3	1.2
Wholesale Trade	5.86	5.89	5.92	5.95	5.98	6.01	6.03	6.04
% Ch, Annual Rate	3.3	2.6	1.6	2.1	2.1	2.2	1.2	1.0
Retail Trade	15.36	15.33	15.33	15.39	15.48	15.52	15.51	15.56
% Ch, Annual Rate	0.5	-0.8	0.0	1.5	2.4	0.9	-0.2	1.2
Trans., Warehousing, and Utilities	4.98	5.00	5.03	5.06	5.08	5.08	5.10	5.11
% Ch, Annual Rate	2.1	2.1	2.2	2.2	1.8	0.2	0.9	1.2
Information	3.05	3.04	3.03	3.03	3.03	3.04	3.03	3.03
% Ch, Annual Rate	-0.2	-1.8	-1.4	-0.2	0.5	0.7	-0.7	-0.5
Publishing Industries	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
% Ch, Annual Rate	-0.2	-0.1	-1.4	0.5	1.0	-0.6	-1.0	-0.6
Other Information	2.15	2.14	2.13	2.13	2.13	2.13	2.13	2.13
% Ch, Annual Rate	-0.2	-2.5	-1.4	-0.5	0.3	1.3	-0.6	-0.4
Financial Activities	8.30	8.33	8.33	8.36	8.35	8.31	8.29	8.25
% Ch, Annual Rate	2.8	1.6	0.2	1.1	-0.4	-1.6	-0.9	-2.0
Professional and Business Services	17.38	17.52	17.65	17.75	17.88	17.93	17.94	18.05
% Ch, Annual Rate	3.9	3.4	2.9	2.3	3.0	1.1	0.2	2.6
Education and Health Services	17.68	17.76	17.85	18.00	18.12	18.25	18.39	18.53
% Ch, Annual Rate	3.1	2.0	2.1	3.4	2.6	3.0	3.0	3.1
Leisure and Hospitality	12.99	13.06	13.14	13.25	13.34	13.40	13.44	13.53
% Ch, Annual Rate	3.4	2.2	2.5	3.4	2.7	1.8	1.0	3.0
Other Services	5.43	5.43	5.44	5.46	5.48	5.50	5.50	5.51
% Ch, Annual Rate	2.4	0.3	0.5	1.7	1.2	1.4	0.1	0.8
Federal Government	2.73	2.73	2.74	2.73	2.73	2.73	2.73	2.74
% Ch, Annual Rate	-0.6	0.3	0.6	-1.6	0.7	-0.2	0.7	0.8
State and Local Government	19.15	19.20	19.28	19.35	19.40	19.48	19.48	19.59
% Ch, Annual Rate	0.7	1.1	1.6	1.5	1.1	1.7	0.0	2.3

Table A2.2
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.94	137.51	137.00	135.73	133.66	132.26	131.54	131.26
% Ch, Annual Rate	-0.2	-1.3	-1.5	-3.7	-5.9	-4.1	-2.2	-0.9
Manufacturing	13.69	13.55	13.39	13.06	12.47	11.98	11.71	11.44
% Ch, Annual Rate	-2.4	-4.1	-4.7	-9.4	-17.0	-14.6	-9.0	-8.8
Durable Manufacturing	8.67	8.56	8.44	8.20	7.75	7.35	7.13	6.94
% Ch, Annual Rate	-2.7	-5.0	-5.4	-11.1	-20.2	-19.0	-11.4	-10.5
Wood Products	0.49	0.47	0.45	0.43	0.39	0.37	0.36	0.36
% Ch, Annual Rate	-10.3	-13.1	-13.9	-19.6	-28.2	-18.2	-14.7	-3.9
Primary and Fabricated Metals	2.01	1.99	1.97	1.91	1.80	1.68	1.60	1.51
% Ch, Annual Rate	-0.7	-3.9	-4.3	-10.7	-22.6	-22.5	-19.4	-19.3
Computer and Electronic Products	1.26	1.25	1.25	1.23	1.20	1.16	1.13	1.11
% Ch, Annual Rate	-0.7	-1.5	-1.6	-4.8	-10.4	-13.0	-9.9	-7.7
Machinery and Electrical Equipment	1.62	1.62	1.61	1.58	1.50	1.40	1.34	1.31
% Ch, Annual Rate	0.8	0.1	-1.9	-7.6	-19.5	-24.5	-13.9	-9.3
Transportation Equipment	1.67	1.63	1.59	1.52	1.42	1.34	1.33	1.29
% Ch, Annual Rate	-4.6	-8.8	-9.5	-17.0	-25.1	-20.9	-2.9	-9.7
Other Durables	1.63	1.60	1.57	1.52	1.45	1.40	1.38	1.36
% Ch, Annual Rate	-5.8	-7.6	-6.5	-11.2	-18.0	-11.9	-6.7	-5.8
Nondurable Manufacturing	5.02	4.99	4.94	4.86	4.72	4.63	4.57	4.50
% Ch, Annual Rate	-1.9	-2.6	-3.4	-6.4	-11.4	-7.0	-5.0	-6.0
Food Manufacturing	1.49	1.48	1.48	1.48	1.47	1.47	1.47	1.46
% Ch, Annual Rate	0.2	-1.5	-0.3	0.6	-4.3	1.6	-1.7	-1.6
Paper and Paper Products	0.45	0.45	0.44	0.44	0.42	0.41	0.40	0.40
% Ch, Annual Rate	-2.9	-1.5	-4.3	-6.9	-12.2	-11.6	-5.1	-7.9
Other Nondurables	3.08	3.05	3.02	2.94	2.83	2.75	2.70	2.64
% Ch, Annual Rate	-2.7	-3.3	-4.8	-9.6	-14.8	-10.6	-6.8	-8.1
Natural Resources and Mining	0.75	0.76	0.79	0.79	0.77	0.73	0.69	0.67
% Ch, Annual Rate	8.6	6.4	12.6	3.1	-11.3	-18.1	-21.8	-8.3
Construction	7.45	7.29	7.17	6.95	6.59	6.31	6.14	6.00
% Ch, Annual Rate	-5.4	-8.2	-6.3	-11.8	-19.1	-15.9	-10.5	-8.8
Trade, Transportation, and Utilities	26.67	26.51	26.35	26.00	25.61	25.34	25.28	25.34
% Ch, Annual Rate	-0.7	-2.3	-2.5	-5.1	-5.9	-4.1	-1.0	1.0
Wholesale Trade	6.02	5.99	5.96	5.89	5.78	5.70	5.67	5.68
% Ch, Annual Rate	-1.4	-2.2	-2.2	-4.6	-7.2	-5.5	-1.9	0.8
Retail Trade	15.53	15.43	15.33	15.13	14.93	14.83	14.80	14.84
% Ch, Annual Rate	-0.6	-2.7	-2.5	-5.2	-5.0	-2.7	-0.8	0.9
Trans., Warehousing, and Utilities	5.11	5.09	5.06	4.99	4.90	4.81	4.81	4.82
% Ch, Annual Rate	-0.1	-1.3	-2.8	-5.5	-7.2	-6.6	-0.5	1.2
Information	3.02	3.01	2.99	2.96	2.92	2.86	2.81	2.76
% Ch, Annual Rate	-0.6	-1.5	-2.8	-3.7	-6.2	-7.5	-6.9	-6.0
Publishing Industries	0.90	0.89	0.88	0.86	0.84	0.81	0.81	0.78
% Ch, Annual Rate	-1.3	-2.4	-4.6	-6.6	-12.3	-11.5	1.2	-14.2
Other Information	2.13	2.12	2.11	2.10	2.08	2.05	1.99	1.98
% Ch, Annual Rate	-0.3	-1.1	-2.1	-2.4	-3.5	-5.9	-10.0	-2.5
Financial Activities	8.21	8.18	8.14	8.05	7.90	7.79	7.76	7.73
% Ch, Annual Rate	-1.8	-1.8	-2.0	-4.3	-7.0	-5.6	-1.3	-1.7
Professional and Business Services	18.01	17.89	17.73	17.49	17.05	16.78	16.72	16.68
% Ch, Annual Rate	-0.8	-2.8	-3.5	-5.4	-9.6	-6.2	-1.3	-0.9
Education and Health Services	18.66	18.80	18.93	19.04	19.14	19.24	19.29	19.42
% Ch, Annual Rate	2.8	3.1	2.9	2.2	2.2	2.2	1.0	2.8
Leisure and Hospitality	13.53	13.50	13.45	13.35	13.24	13.15	13.15	13.17
% Ch, Annual Rate	-0.1	-0.9	-1.4	-3.1	-3.3	-2.5	0.0	0.4
Other Services	5.53	5.54	5.53	5.51	5.45	5.40	5.38	5.42
% Ch, Annual Rate	1.8	0.6	-0.5	-1.8	-4.4	-3.1	-2.0	3.4
Federal Government	2.74	2.76	2.77	2.78	2.80	2.88	2.83	2.84
% Ch, Annual Rate	0.8	2.6	1.4	1.0	3.0	11.9	-7.3	1.5
State and Local Government	19.67	19.73	19.77	19.76	19.74	19.79	19.79	19.78
% Ch, Annual Rate	1.7	1.1	0.9	-0.2	-0.3	0.9	0.1	-0.2

Table A2.2
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	131.34	131.71	132.03	132.49	133.04	133.70	134.44	135.21
% Ch, Annual Rate	0.3	1.1	1.0	1.4	1.7	2.0	2.3	2.3
Manufacturing	11.25	11.04	11.01	11.08	11.09	11.14	11.25	11.39
% Ch, Annual Rate	-6.5	-7.1	-1.4	2.7	0.2	1.9	4.1	5.0
Durable Manufacturing	6.80	6.65	6.65	6.73	6.74	6.80	6.92	7.06
% Ch, Annual Rate	-7.6	-8.5	-0.3	4.9	1.0	3.5	7.0	8.4
Wood Products	0.36	0.36	0.38	0.39	0.40	0.42	0.43	0.45
% Ch, Annual Rate	4.1	5.1	11.6	17.8	13.8	14.2	16.1	17.4
Primary and Fabricated Metals	1.41	1.34	1.31	1.32	1.33	1.33	1.36	1.39
% Ch, Annual Rate	-23.9	-19.6	-7.2	3.2	0.8	2.6	7.2	10.6
Computer and Electronic Products	1.12	1.10	1.11	1.12	1.11	1.12	1.14	1.15
% Ch, Annual Rate	4.6	-5.9	3.7	4.4	-4.1	4.7	7.1	3.8
Machinery and Electrical Equipment	1.29	1.25	1.25	1.25	1.25	1.26	1.27	1.29
% Ch, Annual Rate	-7.8	-9.7	-2.4	2.5	0.2	0.8	4.8	7.4
Transportation Equipment	1.28	1.27	1.27	1.30	1.31	1.33	1.36	1.40
% Ch, Annual Rate	-4.9	-3.3	2.7	6.8	4.4	6.0	10.5	12.0
Other Durables	1.35	1.33	1.33	1.34	1.34	1.34	1.35	1.37
% Ch, Annual Rate	-3.0	-5.8	-0.4	4.2	-0.3	0.6	2.7	5.0
Nondurable Manufacturing	4.45	4.39	4.36	4.35	4.34	4.33	4.33	4.33
% Ch, Annual Rate	-4.8	-4.8	-3.0	-0.7	-1.0	-0.6	-0.4	-0.3
Food Manufacturing	1.46	1.45	1.45	1.45	1.45	1.46	1.46	1.46
% Ch, Annual Rate	-0.4	-2.0	-0.7	1.1	0.0	0.7	0.7	0.7
Paper and Paper Products	0.39	0.38	0.37	0.37	0.37	0.37	0.38	0.38
% Ch, Annual Rate	-6.8	-7.7	-7.1	-1.8	0.2	0.6	1.3	1.4
Other Nondurables	2.60	2.56	2.54	2.52	2.51	2.50	2.50	2.49
% Ch, Annual Rate	-6.8	-5.8	-3.6	-1.6	-1.8	-1.5	-1.3	-1.1
Natural Resources and Mining	0.67	0.67	0.68	0.68	0.69	0.70	0.70	0.70
% Ch, Annual Rate	-1.5	1.8	2.5	2.4	4.2	4.7	2.6	2.1
Construction	5.87	5.72	5.63	5.70	5.73	5.80	5.91	6.01
% Ch, Annual Rate	-8.7	-9.5	-6.1	4.8	2.6	5.0	7.4	6.8
Trade, Transportation, and Utilities	25.46	25.56	25.66	25.63	25.58	25.56	25.62	25.77
% Ch, Annual Rate	1.9	1.7	1.5	-0.4	-0.8	-0.3	0.9	2.4
Wholesale Trade	5.69	5.68	5.66	5.62	5.61	5.66	5.74	5.80
% Ch, Annual Rate	0.5	-0.8	-1.0	-2.7	-0.7	3.7	5.1	4.2
Retail Trade	14.92	15.03	15.12	15.13	15.07	14.94	14.86	14.89
% Ch, Annual Rate	2.4	2.8	2.6	0.3	-1.7	-3.4	-2.2	0.7
Trans., Warehousing, and Utilities	4.85	4.86	4.87	4.87	4.89	4.95	5.02	5.09
% Ch, Annual Rate	2.0	1.3	1.0	0.0	1.8	4.5	5.9	5.3
Information	2.69	2.63	2.63	2.69	2.75	2.78	2.79	2.78
% Ch, Annual Rate	-9.9	-8.7	-0.4	8.8	9.2	5.0	0.7	-1.0
Publishing Industries	0.74	0.70	0.68	0.68	0.68	0.68	0.68	0.68
% Ch, Annual Rate	-18.4	-21.5	-11.9	-0.2	0.6	0.1	0.5	0.3
Other Information	1.95	1.93	1.95	2.01	2.07	2.10	2.10	2.10
% Ch, Annual Rate	-6.3	-3.4	4.1	12.0	12.2	6.6	0.8	-1.5
Financial Activities	7.69	7.65	7.64	7.65	7.68	7.73	7.79	7.84
% Ch, Annual Rate	-1.9	-2.3	-0.4	0.5	1.7	2.6	2.7	2.8
Professional and Business Services	16.76	16.94	17.20	17.58	17.96	18.34	18.65	18.93
% Ch, Annual Rate	1.9	4.3	6.2	9.3	9.0	8.6	7.0	6.2
Education and Health Services	19.64	19.87	20.10	20.20	20.28	20.40	20.50	20.53
% Ch, Annual Rate	4.6	4.8	4.6	2.1	1.5	2.4	2.1	0.6
Leisure and Hospitality	13.20	13.26	13.29	13.27	13.25	13.27	13.28	13.34
% Ch, Annual Rate	1.0	1.7	1.1	-0.8	-0.5	0.5	0.5	1.7
Other Services	5.46	5.49	5.51	5.52	5.54	5.53	5.52	5.51
% Ch, Annual Rate	2.7	2.3	1.8	0.6	1.1	-0.4	-0.5	-0.8
Federal Government	2.88	3.12	2.94	2.84	2.83	2.82	2.81	2.81
% Ch, Annual Rate	6.9	37.5	-21.5	-12.3	-2.1	-1.4	-0.9	-0.7
State and Local Government	19.77	19.75	19.75	19.65	19.67	19.64	19.63	19.60
% Ch, Annual Rate	-0.2	-0.5	0.1	-2.0	0.3	-0.5	-0.3	-0.5

Table A2.3
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	2,701.0	2,777.0	2,859.1	2,933.6	2,958.9	2,850.5	2,852.1	2,919.5
% Ch	1.6	2.8	3.0	2.6	0.9	-3.7	0.1	2.4
Manufacturing	263.7	272.6	285.9	293.3	291.2	267.3	256.5	260.7
% Ch	-1.3	3.4	4.9	2.6	-0.7	-8.2	-4.1	1.6
Durable Manufacturing	182.4	191.5	204.0	211.9	211.3	194.0	185.5	189.0
% Ch	-0.7	5.0	6.6	3.9	-0.3	-8.2	-4.4	1.9
Wood Products	18.8	20.0	20.3	19.2	17.0	14.0	13.9	15.5
% Ch	5.4	6.9	1.1	-5.4	-11.4	-17.3	-1.2	11.9
Primary and Fabricated Metals	22.3	23.1	24.3	25.9	26.3	22.8	19.2	19.8
% Ch	0.9	3.8	4.9	6.8	1.5	-13.4	-15.6	2.9
Computer and Electronic Products	22.1	22.2	22.5	22.7	22.5	20.0	19.5	20.5
% Ch	-5.3	0.2	1.2	1.1	-0.8	-11.2	-2.4	4.9
Machinery and Electrical Equipment	17.0	17.8	19.0	19.6	19.9	17.7	16.8	17.7
% Ch	4.3	4.8	6.5	3.4	1.2	-11.0	-5.0	5.5
Aerospace	61.5	65.6	73.4	80.1	83.0	82.7	80.4	78.9
% Ch	-5.8	6.8	11.9	9.1	3.6	-0.4	-2.8	-1.9
Other Transportation Equip.	12.1	13.2	13.7	13.1	12.2	10.3	10.1	10.5
% Ch	9.2	8.7	4.1	-4.9	-6.5	-15.6	-1.5	3.3
Other Durables	28.6	29.5	30.9	31.3	30.5	26.5	25.6	26.1
% Ch	2.7	3.1	4.9	1.4	-2.8	-12.9	-3.7	2.0
Nondurable Manufacturing	81.3	81.1	81.9	81.4	79.8	73.3	71.0	71.8
% Ch	-2.4	-0.2	0.9	-0.6	-1.9	-8.2	-3.1	1.1
Food Manufacturing	34.1	33.8	33.9	34.1	34.3	33.0	32.1	32.4
% Ch	-2.0	-1.0	0.3	0.7	0.5	-3.8	-2.5	1.0
Paper and Paper Products	12.7	12.2	11.9	11.2	10.5	9.0	8.7	8.8
% Ch	-4.6	-3.6	-2.1	-6.3	-6.5	-13.9	-4.0	1.6
Other Nondurables	34.5	35.1	36.1	36.1	35.1	31.3	30.2	30.5
% Ch	-1.9	1.8	2.7	0.2	-2.9	-10.8	-3.5	1.0
Natural Resources and Mining	9.1	9.0	8.7	8.2	7.5	6.8	6.9	7.3
% Ch	5.7	-1.9	-3.0	-6.1	-7.6	-9.7	1.4	5.9
Construction	164.2	177.4	194.9	208.2	200.7	167.7	156.1	160.9
% Ch	5.1	8.0	9.9	6.8	-3.6	-16.5	-6.9	3.1
Trade, Transportation, and Utilities	518.4	530.4	541.6	553.4	553.5	533.7	541.2	551.5
% Ch	1.7	2.3	2.1	2.2	0.0	-3.6	1.4	1.9
Wholesale Trade	119.3	122.2	126.6	129.3	130.1	124.7	124.8	127.3
% Ch	2.8	2.4	3.6	2.2	0.6	-4.1	0.0	2.0
Retail Trade	309.4	316.1	321.1	327.9	327.4	315.2	321.0	325.8
% Ch	1.1	2.2	1.6	2.1	-0.2	-3.7	1.8	1.5
Trans., Warehousing, and Utilities	89.8	92.2	94.0	96.1	96.0	93.8	95.4	98.4
% Ch	2.1	2.7	2.0	2.2	-0.1	-2.3	1.7	3.1
Information	92.9	94.7	98.4	102.4	105.6	102.3	99.9	105.6
% Ch	0.6	2.0	3.9	4.1	3.1	-3.1	-2.4	5.7
Software Publishers	39.3	41.3	44.7	47.6	50.9	51.7	51.9	54.6
% Ch	5.1	5.1	8.4	6.4	7.0	1.5	0.4	5.2
Other Publishing Industries	11.3	11.3	11.0	10.8	10.4	8.7	7.7	7.5
% Ch	-6.7	-0.6	-2.0	-1.7	-4.4	-16.2	-11.4	-2.0
Other Information	42.3	42.2	42.7	44.0	44.3	41.9	40.3	43.5
% Ch	-1.2	-0.1	1.1	3.1	0.7	-5.4	-3.9	8.0
Financial Activities	151.8	154.5	156.2	155.5	152.3	144.4	141.3	144.3
% Ch	-0.1	1.8	1.1	-0.5	-2.1	-5.2	-2.2	2.1
Professional and Business Services	301.7	316.1	330.6	344.7	348.8	326.7	334.9	360.2
% Ch	3.9	4.8	4.6	4.3	1.2	-6.3	2.5	7.6
Education and Health Services	319.7	329.3	337.2	348.3	362.0	370.4	380.9	390.3
% Ch	2.2	3.0	2.4	3.3	4.0	2.3	2.8	2.5
Leisure and Hospitality	255.6	263.5	271.7	280.5	283.7	276.7	280.1	282.5
% Ch	2.7	3.1	3.1	3.3	1.1	-2.4	1.2	0.9
Other Services	100.3	102.7	104.0	105.3	107.3	104.7	106.0	107.1
% Ch	1.4	2.4	1.2	1.3	1.9	-2.5	1.2	1.0
Federal Government	69.8	69.6	69.3	68.7	70.0	70.8	73.3	71.8
% Ch	-0.6	-0.3	-0.4	-0.9	1.9	1.2	3.4	-2.0
State and Local Government	453.9	457.2	460.7	465.1	476.3	478.8	475.2	477.4
% Ch	0.8	0.7	0.8	1.0	2.4	0.5	-0.8	0.5

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,834.8	2,851.4	2,865.4	2,884.7	2,909.3	2,926.5	2,938.7	2,959.8
% Ch, Annual Rate	3.3	2.4	2.0	2.7	3.5	2.4	1.7	2.9
Manufacturing	283.1	284.6	286.9	289.0	291.0	291.9	294.3	296.2
% Ch, Annual Rate	6.7	2.2	3.2	3.0	2.8	1.2	3.3	2.6
Durable Manufacturing	201.0	202.7	204.9	207.5	209.2	210.8	212.9	214.8
% Ch, Annual Rate	7.4	3.4	4.3	5.2	3.3	3.1	4.1	3.5
Wood Products	20.6	20.4	20.3	19.8	19.5	19.3	19.1	18.8
% Ch, Annual Rate	4.9	-3.2	-2.8	-9.4	-6.5	-3.1	-4.7	-4.5
Primary and Fabricated Metals	23.9	24.1	24.4	24.8	25.3	26.3	25.9	26.1
% Ch, Annual Rate	5.8	4.2	4.5	6.6	9.7	15.6	-5.0	3.3
Computer and Electronic Products	22.2	22.5	22.6	22.6	22.6	22.7	22.9	22.7
% Ch, Annual Rate	0.0	4.5	1.6	0.2	-0.1	1.8	3.5	-2.4
Machinery and Electrical Equipment	18.6	18.9	19.0	19.3	19.3	19.4	19.7	20.0
% Ch, Annual Rate	9.5	6.0	3.0	5.1	0.9	1.0	8.0	5.7
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.4
Other Transportation Equip.	13.8	13.8	13.6	13.6	13.3	13.0	13.0	12.9
% Ch, Annual Rate	12.3	1.1	-5.8	0.4	-10.5	-6.6	-2.4	-0.7
Other Durables	30.5	30.8	31.0	31.3	31.5	31.2	31.3	31.4
% Ch, Annual Rate	5.7	3.8	2.3	4.4	1.7	-3.1	0.8	1.3
Nondurable Manufacturing	82.1	81.9	82.0	81.5	81.8	81.1	81.4	81.4
% Ch, Annual Rate	5.2	-0.7	0.6	-2.6	1.4	-3.3	1.4	0.1
Food Manufacturing	33.9	33.7	34.0	33.9	34.2	33.7	34.2	34.3
% Ch, Annual Rate	5.3	-2.4	3.5	-0.3	2.6	-5.5	6.3	1.4
Paper and Paper Products	12.2	12.1	11.9	11.5	11.6	11.3	11.0	10.9
% Ch, Annual Rate	5.1	-1.1	-6.7	-12.8	2.3	-10.6	-9.7	-3.5
Other Nondurables	36.0	36.1	36.1	36.0	36.0	36.2	36.2	36.2
% Ch, Annual Rate	5.1	1.0	0.4	-1.1	0.0	1.2	0.6	0.0
Natural Resources and Mining	8.8	8.8	8.6	8.5	8.3	8.2	8.1	8.0
% Ch, Annual Rate	4.5	-3.0	-8.2	-3.4	-8.3	-4.8	-6.0	-7.5
Construction	189.8	193.5	196.4	199.7	205.5	209.1	208.6	209.6
% Ch, Annual Rate	12.7	8.0	6.2	6.9	12.0	7.3	-1.1	2.0
Trade, Transportation, and Utilities	538.6	540.7	542.3	544.8	549.8	552.4	553.7	557.5
% Ch, Annual Rate	2.5	1.5	1.2	1.8	3.8	1.9	0.9	2.8
Wholesale Trade	125.8	126.2	127.0	127.4	128.1	129.0	129.5	130.7
% Ch, Annual Rate	6.5	1.2	2.7	1.2	2.3	2.8	1.7	3.8
Retail Trade	319.7	320.5	320.9	323.1	326.5	327.2	327.8	330.3
% Ch, Annual Rate	1.0	1.1	0.4	2.7	4.3	0.9	0.7	3.0
Trans., Warehousing, and Utilities	93.1	94.0	94.4	94.3	95.3	96.2	96.4	96.5
% Ch, Annual Rate	2.7	3.7	1.9	-0.4	4.1	4.0	0.6	0.6
Information	96.2	97.6	99.4	100.5	101.9	102.5	102.5	102.9
% Ch, Annual Rate	3.3	5.8	7.6	4.7	5.6	2.6	-0.1	1.4
Software Publishers	43.0	44.4	45.4	46.1	47.1	47.5	47.6	48.2
% Ch, Annual Rate	8.2	12.8	9.6	6.8	9.1	3.0	0.7	5.1
Other Publishing Industries	11.1	11.0	11.0	11.0	10.9	10.8	10.8	10.8
% Ch, Annual Rate	-3.9	-2.9	1.9	-1.0	-4.3	-2.2	-0.3	0.2
Other Information	42.1	42.2	43.0	43.4	43.8	44.2	44.1	43.9
% Ch, Annual Rate	0.5	1.3	6.9	3.9	4.4	3.3	-0.8	-2.2
Financial Activities	156.8	156.5	156.1	155.6	155.8	156.0	155.3	155.0
% Ch, Annual Rate	0.2	-0.7	-1.1	-1.1	0.4	0.6	-1.8	-0.9
Professional and Business Services	323.7	328.3	332.9	337.3	341.5	342.9	345.4	348.9
% Ch, Annual Rate	3.1	5.9	5.7	5.4	5.1	1.6	3.0	4.1
Education and Health Services	334.7	336.4	337.7	339.9	343.3	346.3	349.3	354.1
% Ch, Annual Rate	2.4	2.0	1.5	2.7	4.0	3.6	3.5	5.6
Leisure and Hospitality	269.9	270.7	272.3	273.8	277.2	279.6	281.5	283.9
% Ch, Annual Rate	3.1	1.1	2.4	2.2	5.1	3.5	2.7	3.5
Other Services	103.4	103.9	104.2	104.4	104.6	105.0	105.4	106.3
% Ch, Annual Rate	0.1	1.6	1.3	0.7	1.0	1.5	1.3	3.6
Federal Government	69.6	69.5	69.0	69.0	69.0	68.6	68.6	68.4
% Ch, Annual Rate	0.3	-0.5	-3.0	-0.3	0.4	-2.3	-0.3	-1.3
State and Local Government	460.1	460.9	459.6	462.1	461.4	463.8	466.1	469.2
% Ch, Annual Rate	1.6	0.7	-1.2	2.2	-0.7	2.2	1.9	2.7

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,974.3	2,966.6	2,966.0	2,928.9	2,885.2	2,851.8	2,835.9	2,829.0
% Ch, Annual Rate	2.0	-1.0	-0.1	-4.9	-5.8	-4.6	-2.2	-1.0
Manufacturing	297.2	294.4	293.0	280.2	277.4	268.7	263.6	259.6
% Ch, Annual Rate	1.4	-3.8	-1.9	-16.4	-3.8	-12.0	-7.5	-5.9
Durable Manufacturing	215.9	214.4	214.0	201.1	202.3	195.4	190.8	187.7
% Ch, Annual Rate	2.1	-2.8	-0.7	-22.1	2.4	-13.0	-9.0	-6.5
Wood Products	18.2	17.4	16.7	15.7	14.9	14.1	13.6	13.5
% Ch, Annual Rate	-13.4	-15.6	-16.1	-21.9	-17.4	-19.7	-13.8	-4.6
Primary and Fabricated Metals	26.5	26.6	26.7	25.5	24.4	23.3	22.2	21.2
% Ch, Annual Rate	5.3	1.2	1.9	-15.9	-16.9	-16.6	-17.1	-17.0
Computer and Electronic Products	22.6	22.6	22.7	22.2	21.1	20.3	19.6	19.1
% Ch, Annual Rate	-1.2	-1.3	1.5	-8.0	-18.5	-14.8	-12.9	-9.7
Machinery and Electrical Equipment	20.1	20.0	19.9	19.3	18.2	17.9	17.4	17.1
% Ch, Annual Rate	2.5	-2.0	-2.2	-12.0	-20.8	-5.7	-11.4	-6.1
Aerospace	84.1	84.5	85.8	77.5	84.8	83.2	81.9	81.0
% Ch, Annual Rate	7.0	2.1	6.2	-33.4	43.2	-7.5	-6.2	-4.3
Other Transportation Equip.	12.9	12.4	11.9	11.6	10.9	10.1	10.1	10.1
% Ch, Annual Rate	-2.6	-14.1	-13.4	-9.7	-23.1	-27.7	3.7	-2.1
Other Durables	31.5	30.9	30.3	29.2	27.9	26.5	26.0	25.7
% Ch, Annual Rate	1.3	-7.7	-7.3	-13.9	-16.0	-19.0	-7.5	-4.2
Nondurable Manufacturing	81.3	80.0	79.0	79.1	75.2	73.3	72.7	71.9
% Ch, Annual Rate	-0.6	-6.3	-4.9	0.6	-18.4	-9.4	-3.4	-4.4
Food Manufacturing	34.6	34.0	33.8	34.6	33.5	33.1	32.8	32.4
% Ch, Annual Rate	3.2	-6.6	-2.1	10.1	-12.2	-5.5	-3.4	-4.0
Paper and Paper Products	10.8	10.6	10.3	10.2	9.3	9.0	8.9	8.8
% Ch, Annual Rate	-4.6	-7.0	-9.0	-4.7	-31.0	-13.9	-0.5	-4.3
Other Nondurables	35.9	35.4	34.8	34.3	32.3	31.3	31.0	30.6
% Ch, Annual Rate	-3.0	-5.7	-6.4	-6.5	-20.5	-12.1	-4.1	-5.0
Natural Resources and Mining	7.7	7.5	7.6	7.4	6.9	6.6	6.9	6.9
% Ch, Annual Rate	-10.4	-11.7	3.9	-11.1	-23.3	-13.1	12.9	1.5
Construction	208.8	203.8	199.4	190.8	178.8	168.5	163.4	160.0
% Ch, Annual Rate	-1.5	-9.3	-8.4	-16.2	-22.9	-21.0	-11.5	-8.2
Trade, Transportation, and Utilities	559.4	555.8	553.7	545.1	536.3	532.6	532.1	533.9
% Ch, Annual Rate	1.4	-2.5	-1.6	-6.0	-6.3	-2.7	-0.3	1.3
Wholesale Trade	131.0	130.4	130.0	129.0	126.4	124.3	124.0	124.3
% Ch, Annual Rate	0.8	-1.7	-1.3	-3.1	-7.9	-6.3	-1.2	1.2
Retail Trade	332.0	329.0	327.2	321.5	316.9	314.4	314.3	315.4
% Ch, Annual Rate	2.1	-3.6	-2.1	-6.8	-5.7	-3.1	-0.1	1.4
Trans., Warehousing, and Utilities	96.4	96.4	96.4	94.6	93.1	93.9	93.9	94.2
% Ch, Annual Rate	-0.5	0.1	0.0	-7.2	-6.4	3.4	0.1	1.3
Information	104.6	105.1	106.1	106.7	105.5	102.6	101.0	100.1
% Ch, Annual Rate	6.7	2.1	3.7	2.4	-4.4	-10.4	-6.2	-3.5
Software Publishers	49.2	50.3	51.5	52.7	52.8	51.9	51.3	50.9
% Ch, Annual Rate	9.0	8.7	10.6	8.9	0.8	-6.5	-4.7	-2.9
Other Publishing Industries	10.8	10.6	10.2	9.8	9.0	8.5	8.7	8.5
% Ch, Annual Rate	-1.2	-7.8	-12.7	-14.1	-29.8	-20.9	10.8	-10.0
Other Information	44.5	44.3	44.3	44.2	43.7	42.3	41.0	40.7
% Ch, Annual Rate	6.3	-2.4	0.3	-0.9	-4.3	-12.6	-11.2	-2.8
Financial Activities	154.5	153.5	151.7	149.6	146.3	144.7	143.8	142.8
% Ch, Annual Rate	-1.1	-2.7	-4.5	-5.5	-8.4	-4.3	-2.5	-2.9
Professional and Business Services	350.0	351.2	350.2	343.8	332.2	324.8	324.7	325.3
% Ch, Annual Rate	1.2	1.4	-1.2	-7.1	-12.9	-8.6	-0.2	0.7
Education and Health Services	357.2	359.6	363.8	367.6	369.6	369.4	370.2	372.3
% Ch, Annual Rate	3.5	2.7	4.8	4.3	2.1	-0.2	0.9	2.3
Leisure and Hospitality	285.6	284.8	284.7	279.6	276.3	275.9	277.0	277.7
% Ch, Annual Rate	2.4	-1.1	-0.1	-6.9	-4.7	-0.6	1.6	1.1
Other Services	107.3	107.5	107.9	106.7	105.3	104.3	104.3	104.9
% Ch, Annual Rate	3.8	0.8	1.5	-4.3	-5.2	-3.6	-0.3	2.4
Federal Government	69.3	69.6	70.3	70.8	71.1	71.2	70.3	70.8
% Ch, Annual Rate	5.4	2.0	3.8	3.1	1.6	0.8	-5.0	2.7
State and Local Government	472.8	473.9	477.8	480.7	479.6	482.3	478.7	474.8
% Ch, Annual Rate	3.1	1.0	3.4	2.4	-0.9	2.2	-3.0	-3.2

Table A2.4
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	2,833.0	2,846.1	2,857.8	2,871.5	2,888.5	2,906.9	2,929.1	2,953.5
% Ch, Annual Rate	0.6	1.9	1.7	1.9	2.4	2.6	3.1	3.4
Manufacturing	257.8	255.5	255.5	257.2	257.6	259.1	261.6	264.6
% Ch, Annual Rate	-2.7	-3.5	0.1	2.6	0.7	2.2	4.0	4.6
Durable Manufacturing	186.3	184.7	184.9	186.1	186.4	187.5	189.7	192.3
% Ch, Annual Rate	-2.9	-3.4	0.5	2.6	0.5	2.4	4.8	5.6
Wood Products	13.5	13.6	13.9	14.4	14.8	15.2	15.8	16.3
% Ch, Annual Rate	2.1	3.0	8.8	14.4	11.5	12.3	14.1	15.6
Primary and Fabricated Metals	20.0	19.1	18.8	19.1	19.2	19.5	19.9	20.6
% Ch, Annual Rate	-21.2	-17.2	-5.2	5.2	3.2	5.3	10.1	13.8
Computer and Electronic Products	19.5	19.1	19.5	19.9	19.7	20.2	20.8	21.2
% Ch, Annual Rate	8.8	-7.1	8.0	8.9	-4.0	9.4	13.0	7.9
Machinery and Electrical Equipment	16.9	16.6	16.7	17.0	17.2	17.4	17.8	18.4
% Ch, Annual Rate	-5.0	-7.4	1.7	7.6	4.8	5.5	10.4	13.5
Aerospace	80.7	80.7	80.3	79.8	79.3	78.8	78.7	78.7
% Ch, Annual Rate	-1.5	0.0	-1.6	-2.5	-2.5	-2.5	-0.8	0.0
Other Transportation Equip.	10.1	10.1	10.2	10.2	10.3	10.4	10.5	10.6
% Ch, Annual Rate	0.1	0.7	1.5	2.7	3.7	4.4	4.4	4.2
Other Durables	25.6	25.5	25.5	25.7	25.8	25.9	26.1	26.4
% Ch, Annual Rate	-1.9	-1.9	0.7	2.9	1.7	2.1	3.2	4.7
Nondurable Manufacturing	71.5	70.8	70.6	71.1	71.2	71.6	71.9	72.3
% Ch, Annual Rate	-2.3	-3.8	-0.9	2.4	1.1	1.8	2.0	1.9
Food Manufacturing	32.4	32.0	31.9	32.2	32.2	32.4	32.5	32.7
% Ch, Annual Rate	-0.9	-4.6	-1.0	3.2	0.3	2.0	2.2	1.9
Paper and Paper Products	8.8	8.7	8.6	8.6	8.7	8.7	8.8	8.9
% Ch, Annual Rate	-3.5	-4.8	-4.0	1.5	3.4	3.5	3.8	3.7
Other Nondurables	30.3	30.1	30.1	30.3	30.4	30.5	30.6	30.7
% Ch, Annual Rate	-3.4	-2.7	0.0	1.9	1.3	1.2	1.3	1.4
Natural Resources and Mining	6.9	6.9	6.9	7.0	7.1	7.3	7.4	7.5
% Ch, Annual Rate	1.5	-1.5	0.7	6.0	8.0	7.7	7.7	7.1
Construction	156.8	155.6	155.8	156.2	157.2	158.3	161.2	166.8
% Ch, Annual Rate	-7.6	-3.1	0.5	1.1	2.6	2.7	7.7	14.6
Trade, Transportation, and Utilities	536.9	540.1	543.5	544.1	546.4	548.9	553.1	557.6
% Ch, Annual Rate	2.3	2.4	2.5	0.4	1.7	1.8	3.1	3.3
Wholesale Trade	124.6	124.9	125.2	124.5	124.9	126.3	128.2	130.0
% Ch, Annual Rate	0.9	0.7	1.0	-2.0	1.1	4.5	6.2	5.7
Retail Trade	317.6	320.1	322.7	323.6	324.9	325.0	326.0	327.3
% Ch, Annual Rate	2.8	3.2	3.3	1.1	1.7	0.0	1.2	1.7
Trans., Warehousing, and Utilities	94.7	95.2	95.7	95.9	96.6	97.6	99.0	100.3
% Ch, Annual Rate	2.2	2.0	2.1	1.2	2.6	4.5	5.6	5.4
Information	99.3	98.8	99.7	101.7	103.8	105.4	106.3	107.0
% Ch, Annual Rate	-3.2	-1.9	3.6	8.3	8.6	6.2	3.5	2.5
Software Publishers	51.2	51.5	52.1	52.8	53.4	54.2	54.9	55.7
% Ch, Annual Rate	2.3	2.8	4.8	5.1	5.3	5.6	5.7	6.0
Other Publishing Industries	8.1	7.7	7.5	7.5	7.5	7.5	7.5	7.5
% Ch, Annual Rate	-16.2	-20.5	-10.5	1.5	1.7	0.5	0.5	-0.1
Other Information	40.0	39.6	40.1	41.4	42.9	43.7	43.8	43.7
% Ch, Annual Rate	-7.0	-3.8	5.0	14.0	14.3	7.9	1.2	-1.3
Financial Activities	141.6	140.9	141.1	141.5	142.4	143.6	144.9	146.2
% Ch, Annual Rate	-3.2	-1.9	0.4	1.3	2.5	3.4	3.6	3.6
Professional and Business Services	327.7	331.6	336.6	343.6	350.7	357.5	363.5	369.1
% Ch, Annual Rate	3.0	4.9	6.1	8.7	8.4	8.1	6.8	6.3
Education and Health Services	375.7	379.3	383.2	385.2	387.0	389.4	391.7	393.0
% Ch, Annual Rate	3.7	3.9	4.1	2.2	1.8	2.5	2.4	1.3
Leisure and Hospitality	278.7	279.9	280.9	280.9	281.1	281.9	282.7	284.2
% Ch, Annual Rate	1.3	1.7	1.5	0.0	0.3	1.1	1.1	2.2
Other Services	105.4	105.8	106.2	106.5	106.8	107.0	107.1	107.3
% Ch, Annual Rate	1.9	1.6	1.7	1.0	1.3	0.5	0.6	0.5
Federal Government	71.4	76.8	73.0	71.8	71.7	71.7	71.8	71.9
% Ch, Annual Rate	3.3	34.5	-18.5	-6.3	-0.6	0.0	0.4	0.6
State and Local Government	474.9	474.8	475.4	475.7	476.6	477.0	477.8	478.4
% Ch, Annual Rate	0.1	-0.1	0.5	0.2	0.8	0.3	0.6	0.5

Table A3.1
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	9,727.2	10,269.8	10,993.9	11,663.3	12,100.7	12,109.7	12,435.7	12,975.6
% Ch	6.2	5.6	7.1	6.1	3.8	0.1	2.7	4.3
Total Wage and Salary Disbursements	5,394.5	5,671.7	6,027.3	6,362.0	6,548.0	6,463.7	6,610.7	6,884.2
% Ch	5.5	5.1	6.3	5.6	2.9	-1.3	2.3	4.1
Nonwage Personal Income	4,332.7	4,598.1	4,966.7	5,301.3	5,552.7	5,646.0	5,825.0	6,091.4
% Ch	7.0	6.1	8.0	6.7	4.7	1.7	3.2	4.6
Supplements to Wages and Salaries	1,276.9	1,354.1	1,405.3	1,456.6	1,504.8	1,541.4	1,604.7	1,672.6
% Ch	6.6	6.0	3.8	3.7	3.3	2.4	4.1	4.2
Proprietor's Income	911.7	959.8	1,014.7	1,056.3	1,072.5	1,034.8	1,082.8	1,164.1
% Ch	12.4	5.3	5.7	4.1	1.5	-3.5	4.6	7.5
Farm	37.4	34.1	16.2	44.0	34.6	25.9	32.2	34.3
% Ch	27.8	-8.8	-52.6	172.6	-21.5	-25.2	24.4	6.6
Nonfarm	874.3	925.7	998.6	1,012.2	1,037.9	1,008.9	1,050.7	1,129.8
% Ch	11.8	5.9	7.9	1.4	2.5	-2.8	4.1	7.5
Less: Contribution For Govt. Soc. Ins.	828.8	874.3	925.5	965.1	995.7	983.9	1,007.0	1,053.5
% Ch	6.4	5.5	5.9	4.3	3.2	-1.2	2.3	4.6
Dividends/Int./Rent	1,550.5	1,637.7	1,869.1	2,040.2	2,102.1	1,964.5	1,980.4	2,058.1
% Ch	5.5	5.6	14.1	9.2	3.0	-6.5	0.8	3.9
Transfer Payments	1,422.5	1,520.7	1,603.0	1,713.3	1,869.1	2,089.2	2,164.2	2,250.1
% Ch	5.3	6.9	5.4	6.9	9.1	11.8	3.6	4.0

Table A3.2
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,781.6	10,913.2	11,056.1	11,224.7	11,473.0	11,577.5	11,730.4	11,872.1
% Ch, Annual Rate	8.6	5.0	5.3	6.2	9.1	3.7	5.4	4.9
Total Wage and Salary Disbursements	5,946.4	5,966.2	6,034.2	6,162.2	6,294.0	6,310.7	6,377.7	6,465.5
% Ch, Annual Rate	10.8	1.3	4.6	8.8	8.8	1.1	4.3	5.6
Nonwage Personal Income	4,835.2	4,947.0	5,021.9	5,062.5	5,179.0	5,266.8	5,352.7	5,406.6
% Ch, Annual Rate	6.1	9.6	6.2	3.3	9.5	7.0	6.7	4.1
Supplements to Wages and Salaries	1,391.6	1,398.0	1,407.7	1,423.9	1,439.9	1,449.4	1,461.6	1,475.5
% Ch, Annual Rate	5.1	1.9	2.8	4.7	4.6	2.7	3.4	3.8
Proprietor's Income	1,004.8	1,018.2	1,013.4	1,022.4	1,037.2	1,050.2	1,063.8	1,073.8
% Ch, Annual Rate	4.2	5.4	-1.9	3.6	5.9	5.1	5.3	3.8
Farm	17.3	9.8	13.8	23.7	39.3	42.3	47.4	47.1
% Ch, Annual Rate	-84.8	-89.7	293.2	769.9	656.1	34.2	57.7	-2.5
Nonfarm	987.5	1,008.4	999.6	998.7	997.9	1,007.9	1,016.4	1,026.7
% Ch, Annual Rate	8.9	8.7	-3.4	-0.4	-0.3	4.1	3.4	4.1
Less: Contribution For Govt. Soc. Ins.	917.1	918.9	925.5	940.4	959.8	959.1	966.0	975.3
% Ch, Annual Rate	13.0	0.8	2.9	6.6	8.5	-0.3	2.9	3.9
Dividends/Int./Rent	1,788.3	1,855.1	1,906.2	1,926.8	1,966.0	2,027.2	2,072.7	2,094.8
% Ch, Annual Rate	9.0	15.8	11.5	4.4	8.4	13.0	9.3	4.3
Transfer Payments	1,567.6	1,594.5	1,620.1	1,629.8	1,695.7	1,699.2	1,720.6	1,737.8
% Ch, Annual Rate	8.9	7.0	6.6	2.4	17.2	0.8	5.1	4.1

Table A3.2
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	11,960.5	12,152.2	12,170.4	12,119.5	12,060.6	12,151.6	12,081.5	12,145.3
% Ch, Annual Rate	3.0	6.6	0.6	-1.7	-1.9	3.1	-2.3	2.1
Total Wage and Salary Disbursements	6,518.0	6,531.3	6,581.8	6,560.8	6,494.8	6,449.8	6,441.0	6,469.4
% Ch, Annual Rate	3.3	0.8	3.1	-1.3	-4.0	-2.7	-0.5	1.8
Nonwage Personal Income	5,442.5	5,620.9	5,588.6	5,558.7	5,565.8	5,701.8	5,640.5	5,675.9
% Ch, Annual Rate	2.7	13.8	-2.3	-2.1	0.5	10.1	-4.2	2.5
Supplements to Wages and Salaries	1,491.7	1,502.2	1,511.1	1,514.1	1,529.2	1,538.9	1,542.6	1,555.1
% Ch, Annual Rate	4.5	2.8	2.4	0.8	4.1	2.6	1.0	3.3
Proprietor's Income	1,071.7	1,077.0	1,080.6	1,060.5	1,039.6	1,033.4	1,026.9	1,039.2
% Ch, Annual Rate	-0.8	2.0	1.3	-7.2	-7.7	-2.4	-2.5	4.9
Farm	41.6	38.0	32.4	26.3	24.1	28.2	24.6	26.5
% Ch, Annual Rate	-39.1	-30.4	-47.1	-56.6	-29.5	87.1	-42.0	35.5
Nonfarm	1,030.1	1,039.0	1,048.2	1,034.2	1,015.5	1,005.2	1,002.3	1,012.7
% Ch, Annual Rate	1.3	3.5	3.6	-5.2	-7.0	-4.0	-1.1	4.2
Less: Contribution For Govt. Soc. Ins.	992.2	995.4	1,000.0	995.2	993.9	985.7	978.7	977.2
% Ch, Annual Rate	7.1	1.3	1.9	-1.9	-0.6	-3.2	-2.8	-0.6
Dividends/Int./Rent	2,093.2	2,110.9	2,124.2	2,079.9	2,002.7	1,978.6	1,937.6	1,939.0
% Ch, Annual Rate	-0.3	3.4	2.5	-8.1	-14.0	-4.7	-8.0	0.3
Transfer Payments	1,778.1	1,926.3	1,872.7	1,899.3	1,988.1	2,136.7	2,112.1	2,119.9
% Ch, Annual Rate	9.6	37.7	-10.7	5.8	20.1	33.4	-4.5	1.5

Table A3.2
U.S. Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,255.7	12,370.7	12,497.6	12,619.0	12,754.6	12,891.4	13,049.6	13,207.0
% Ch, Annual Rate	3.7	3.8	4.2	3.9	4.4	4.4	5.0	4.9
Total Wage and Salary Disbursements	6,523.4	6,579.8	6,637.6	6,702.0	6,774.5	6,843.8	6,919.9	6,998.8
% Ch, Annual Rate	3.4	3.5	3.6	3.9	4.4	4.2	4.5	4.6
Nonwage Personal Income	5,732.3	5,790.9	5,860.0	5,917.1	5,980.1	6,047.6	6,129.8	6,208.2
% Ch, Annual Rate	4.0	4.2	4.9	4.0	4.3	4.6	5.5	5.2
Supplements to Wages and Salaries	1,578.5	1,595.4	1,616.0	1,628.9	1,648.2	1,663.4	1,680.9	1,698.0
% Ch, Annual Rate	6.2	4.4	5.3	3.2	4.8	3.7	4.3	4.1
Proprietor's Income	1,052.4	1,071.7	1,091.6	1,115.6	1,135.1	1,155.6	1,174.2	1,191.5
% Ch, Annual Rate	5.2	7.6	7.6	9.1	7.2	7.4	6.6	6.0
Farm	29.4	32.1	32.9	34.2	33.3	33.5	34.8	35.5
% Ch, Annual Rate	51.5	41.0	10.9	16.4	-10.0	2.9	16.4	7.4
Nonfarm	1,022.9	1,039.6	1,058.7	1,081.4	1,101.8	1,122.0	1,139.3	1,156.0
% Ch, Annual Rate	4.1	6.7	7.5	8.9	7.7	7.6	6.3	6.0
Less: Contribution For Govt. Soc. Ins.	999.0	1,002.3	1,009.0	1,017.7	1,040.8	1,049.8	1,057.0	1,066.2
% Ch, Annual Rate	9.2	1.3	2.7	3.5	9.4	3.5	2.8	3.5
Dividends/Int./Rent	1,956.4	1,971.8	1,991.4	2,001.9	2,015.0	2,038.2	2,072.2	2,107.2
% Ch, Annual Rate	3.6	3.2	4.0	2.1	2.6	4.7	6.8	6.9
Transfer Payments	2,144.1	2,154.2	2,170.0	2,188.3	2,222.6	2,240.3	2,259.6	2,277.8
% Ch, Annual Rate	4.6	1.9	3.0	3.4	6.4	3.2	3.5	3.2

Table A3.3
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	218.432	226.585	245.765	265.738	276.281	276.439	285.786	300.979
% Ch	7.6	3.7	8.5	8.1	4.0	0.1	3.4	5.3
Total Wage and Salary Disbursements	119.217	125.934	136.348	146.862	151.642	149.952	154.040	162.548
% Ch	4.5	5.6	8.3	7.7	3.3	-1.1	2.7	5.5
Manufacturing	13.903	15.159	16.859	17.749	18.077	16.851	16.630	17.390
% Ch	2.2	9.0	11.2	5.3	1.9	-6.8	-1.3	4.6
Durable Manufacturing	10.410	11.552	13.096	13.817	14.166	13.144	12.934	13.548
% Ch	3.0	11.0	13.4	5.5	2.5	-7.2	-1.6	4.8
Non-durable Manufacturing	3.493	3.607	3.763	3.931	3.911	3.707	3.696	3.841
% Ch	-0.1	3.3	4.3	4.5	-0.5	-5.2	-0.3	3.9
Nonmanufacturing	100.184	105.061	113.557	123.079	127.107	126.116	130.239	137.875
% Ch	4.8	4.9	8.1	8.4	3.3	-0.8	3.3	5.9
Other Private Wages	1.183	1.236	1.337	1.369	1.429	1.549	1.597	1.674
% Ch	4.7	4.5	8.2	2.4	4.4	8.4	3.1	4.8
Farm Wages	0.985	1.155	1.094	1.047	1.083	1.102	1.125	1.150
% Ch	3.8	17.3	-5.2	-4.3	3.4	1.8	2.0	2.2
Military Wages	2.963	3.323	3.502	3.620	3.946	4.334	4.449	4.460
% Ch	6.1	12.2	5.4	3.4	9.0	9.8	2.6	0.2
Nonwage Personal Income	99.215	100.653	109.416	118.876	124.640	126.487	131.746	138.431
% Ch	11.7	1.4	8.7	8.6	4.8	1.5	4.2	5.1
Supplements to Wages and Salaries	29.208	31.144	32.771	34.386	35.868	36.687	38.311	40.392
% Ch	8.8	6.6	5.2	4.9	4.3	2.3	4.4	5.4
Proprietor's Income	17.812	18.067	19.526	20.682	20.705	20.041	21.119	23.061
% Ch	8.9	1.4	8.1	5.9	0.1	-3.2	5.4	9.2
Farm	0.541	0.226	0.147	0.614	0.420	0.399	0.547	0.609
% Ch	-25.8	-58.3	-34.8	317.3	-31.6	-5.0	37.1	11.4
Nonfarm	17.271	17.842	19.379	20.069	20.286	19.642	20.573	22.452
% Ch	10.5	3.3	8.6	3.6	1.1	-3.2	4.7	9.1
Less: Contribution For Govt. Soc. Ins.	20.290	21.503	23.085	24.359	25.330	24.999	25.593	27.025
% Ch	7.1	6.0	7.4	5.5	4.0	-1.3	2.4	5.6
Plus: Residence Adjustment	2.436	2.543	2.701	2.983	3.068	3.019	3.056	3.234
% Ch	1.4	4.4	6.2	10.4	2.8	-1.6	1.2	5.8
Dividends/Int./Rent	41.866	40.788	45.785	51.450	53.750	50.771	51.226	53.106
% Ch	22.2	-2.6	12.3	12.4	4.5	-5.5	0.9	3.7
Transfer Payments	28.183	29.615	31.719	33.734	36.579	40.968	43.626	45.663
% Ch	0.9	5.1	7.1	6.4	8.4	12.0	6.5	4.7
State U.I. Benefits	1.183	0.783	0.734	0.739	1.240	2.814	3.248	2.962
% Ch	-47.1	-33.9	-6.3	0.7	67.9	127.0	15.4	-8.8
Other Transfers	27.000	28.832	30.985	32.996	35.339	38.154	40.379	42.701
% Ch	5.1	6.8	7.5	6.5	7.1	8.0	5.8	5.7

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	240.123	243.384	247.514	252.037	258.751	262.763	268.946	272.493
% Ch, Annual Rate	10.8	5.5	7.0	7.5	11.1	6.3	9.7	5.4
Total Wage and Salary Disbursements	134.258	134.417	136.637	140.081	142.847	144.935	148.728	150.939
% Ch, Annual Rate	14.7	0.5	6.8	10.5	8.1	6.0	10.9	6.1
Manufacturing	16.870	16.815	16.339	17.410	17.350	17.748	17.661	18.235
% Ch, Annual Rate	30.8	-1.3	-10.9	28.9	-1.4	9.5	-1.9	13.6
Durable Manufacturing	13.078	13.130	12.569	13.606	13.435	13.841	13.778	14.215
% Ch, Annual Rate	33.9	1.6	-16.0	37.3	-4.9	12.6	-1.8	13.3
Non-durable Manufacturing	3.792	3.685	3.770	3.804	3.915	3.907	3.883	4.020
% Ch, Annual Rate	20.8	-10.8	9.6	3.7	12.2	-0.8	-2.4	14.9
Nonmanufacturing	111.441	111.654	114.341	116.791	119.582	121.215	124.955	126.562
% Ch, Annual Rate	12.4	0.8	10.0	8.9	9.9	5.6	12.9	5.2
Other Private Wages	1.290	1.334	1.391	1.332	1.361	1.362	1.386	1.365
% Ch, Annual Rate	18.7	14.4	18.2	-15.9	9.0	0.3	7.2	-5.9
Farm Wages	1.086	1.086	1.094	1.111	1.029	1.046	1.056	1.058
% Ch, Annual Rate	-22.4	0.0	3.0	6.4	-26.4	6.8	3.9	0.8
Military Wages	3.571	3.528	3.472	3.437	3.525	3.564	3.670	3.719
% Ch, Annual Rate	32.1	-4.7	-6.2	-4.0	10.6	4.5	12.4	5.4
Nonwage Personal Income	105.865	108.967	110.876	111.956	115.904	117.828	120.219	121.554
% Ch, Annual Rate	6.0	12.2	7.2	4.0	14.9	6.8	8.4	4.5
Supplements to Wages and Salaries	32.572	32.545	32.747	33.221	33.530	34.057	34.773	35.185
% Ch, Annual Rate	9.9	-0.3	2.5	5.9	3.8	6.4	8.7	4.8
Proprietor's Income	19.095	19.675	19.629	19.703	20.519	20.506	20.827	20.877
% Ch, Annual Rate	7.0	12.7	-0.9	1.5	17.6	-0.3	6.4	1.0
Farm	0.029	0.111	0.164	0.284	0.673	0.503	0.680	0.598
% Ch, Annual Rate	-99.7	21,363	376.5	799.3	3,053.5	-68.8	234.0	-40.2
Nonfarm	19.066	19.564	19.465	19.420	19.846	20.003	20.147	20.279
% Ch, Annual Rate	9.3	10.9	-2.0	-0.9	9.1	3.2	2.9	2.6
Less: Contribution For Govt. Soc. Ins.	22.886	22.860	23.082	23.512	23.905	24.110	24.590	24.832
% Ch, Annual Rate	16.3	-0.5	3.9	7.7	6.9	3.5	8.2	4.0
Plus: Residence Adjustment	2.675	2.677	2.702	2.750	2.960	2.980	2.973	3.019
% Ch, Annual Rate	19.0	0.3	3.8	7.3	34.2	2.7	-0.9	6.3
Dividends/Int./Rent	43.350	45.346	46.888	47.554	49.410	50.948	52.355	53.086
% Ch, Annual Rate	0.2	19.7	14.3	5.8	16.5	13.0	11.5	5.7
Transfer Payments	31.059	31.584	31.992	32.239	33.390	33.447	33.881	34.219
% Ch, Annual Rate	16.4	6.9	5.3	3.1	15.1	0.7	5.3	4.1
State U.I. Benefits	0.748	0.750	0.683	0.753	0.702	0.694	0.754	0.805
% Ch, Annual Rate	-2.1	1.1	-31.2	47.7	-24.5	-4.5	39.3	29.9
Other Transfers	30.311	30.834	31.309	31.486	32.688	32.754	33.127	33.414
% Ch, Annual Rate	16.9	7.1	6.3	2.3	16.2	0.8	4.6	3.5

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	273.109	276.050	279.376	276.591	276.269	276.527	275.997	276.963
% Ch, Annual Rate	0.9	4.4	4.9	-3.9	-0.5	0.4	-0.8	1.4
Total Wage and Salary Disbursements	150.795	150.602	153.656	151.515	151.060	149.357	149.818	149.575
% Ch, Annual Rate	-0.4	-0.5	8.4	-5.5	-1.2	-4.4	1.2	-0.6
Manufacturing	18.405	17.936	18.096	17.872	17.357	16.895	16.640	16.510
% Ch, Annual Rate	3.8	-9.8	3.6	-4.9	-11.0	-10.2	-5.9	-3.1
Durable Manufacturing	14.442	14.065	14.224	13.934	13.586	13.197	12.955	12.838
% Ch, Annual Rate	6.5	-10.0	4.6	-7.9	-9.6	-11.0	-7.1	-3.5
Non-durable Manufacturing	3.963	3.871	3.872	3.938	3.770	3.699	3.686	3.672
% Ch, Annual Rate	-5.5	-9.0	0.1	7.0	-16.0	-7.4	-1.4	-1.5
Nonmanufacturing	126.123	126.373	128.983	126.951	126.784	125.480	126.174	126.027
% Ch, Annual Rate	-1.4	0.8	8.5	-6.2	-0.5	-4.1	2.2	-0.5
Other Private Wages	1.382	1.356	1.425	1.553	1.546	1.551	1.545	1.554
% Ch, Annual Rate	5.1	-7.2	21.8	41.0	-1.8	1.3	-1.4	2.5
Farm Wages	1.069	1.078	1.087	1.096	1.093	1.099	1.107	1.111
% Ch, Annual Rate	4.2	3.4	3.4	3.4	-1.1	2.4	2.6	1.5
Military Wages	3.817	3.859	4.065	4.043	4.281	4.332	4.352	4.372
% Ch, Annual Rate	11.0	4.5	23.1	-2.1	25.7	4.8	1.8	1.9
Nonwage Personal Income	122.314	125.448	125.720	125.076	125.210	127.170	126.179	127.388
% Ch, Annual Rate	2.5	10.6	0.9	-2.0	0.4	6.4	-3.1	3.9
Supplements to Wages and Salaries	35.441	35.568	36.388	36.073	36.445	36.634	36.698	36.970
% Ch, Annual Rate	2.9	1.4	9.5	-3.4	4.2	2.1	0.7	3.0
Proprietor's Income	20.734	20.769	20.843	20.475	20.123	19.999	19.895	20.146
% Ch, Annual Rate	-2.7	0.7	1.4	-6.9	-6.7	-2.4	-2.1	5.1
Farm	0.515	0.477	0.363	0.324	0.337	0.414	0.400	0.444
% Ch, Annual Rate	-45.0	-26.4	-66.5	-36.5	16.6	128.5	-12.8	51.7
Nonfarm	20.219	20.292	20.480	20.151	19.787	19.585	19.495	19.702
% Ch, Annual Rate	-1.2	1.5	3.8	-6.3	-7.0	-4.0	-1.8	4.3
Less: Contribution For Govt. Soc. Ins.	25.136	25.177	25.676	25.330	25.303	25.068	24.849	24.778
% Ch, Annual Rate	5.0	0.7	8.2	-5.3	-0.4	-3.7	-3.5	-1.1
Plus: Residence Adjustment	3.071	3.096	3.050	3.054	3.041	3.021	3.010	3.005
% Ch, Annual Rate	7.1	3.3	-5.8	0.5	-1.7	-2.6	-1.4	-0.7
Dividends/Int./Rent	53.211	53.878	54.588	53.323	51.598	51.087	50.171	50.228
% Ch, Annual Rate	0.9	5.1	5.4	-9.0	-12.3	-3.9	-7.0	0.5
Transfer Payments	34.993	37.314	36.527	37.481	39.306	41.497	41.253	41.817
% Ch, Annual Rate	9.4	29.3	-8.2	10.9	20.9	24.2	-2.3	5.6
State U.I. Benefits	0.923	1.032	1.283	1.722	2.361	2.747	2.988	3.161
% Ch, Annual Rate	72.8	56.3	138.9	224.5	253.4	83.3	39.9	25.3
Other Transfers	34.070	36.282	35.244	35.759	36.945	38.750	38.266	38.656
% Ch, Annual Rate	8.1	28.6	-11.0	6.0	13.9	21.0	-4.9	4.1

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2009 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	280.769	283.655	288.327	290.394	294.755	298.081	304.395	306.686
% Ch, Annual Rate	5.6	4.2	6.8	2.9	6.1	4.6	8.7	3.0
Total Wage and Salary Disbursements	151.567	152.760	155.606	156.225	159.108	160.725	165.026	165.333
% Ch, Annual Rate	5.4	3.2	7.7	1.6	7.6	4.1	11.1	0.7
Manufacturing	16.522	16.504	16.633	16.859	17.002	17.211	17.506	17.839
% Ch, Annual Rate	0.3	-0.4	3.1	5.6	3.4	5.0	7.0	7.8
Durable Manufacturing	12.843	12.832	12.942	13.119	13.227	13.393	13.643	13.930
% Ch, Annual Rate	0.1	-0.3	3.5	5.6	3.3	5.1	7.7	8.7
Nonurable Manufacturing	3.680	3.673	3.691	3.740	3.776	3.818	3.863	3.909
% Ch, Annual Rate	0.8	-0.7	2.0	5.4	3.9	4.5	4.8	4.8
Nonmanufacturing	127.873	129.080	131.799	132.205	134.833	136.245	140.234	140.187
% Ch, Annual Rate	6.0	3.8	8.7	1.2	8.2	4.3	12.2	-0.1
Other Private Wages	1.571	1.588	1.606	1.623	1.642	1.662	1.684	1.707
% Ch, Annual Rate	4.3	4.6	4.6	4.3	4.8	4.9	5.5	5.6
Farm Wages	1.115	1.121	1.128	1.134	1.141	1.147	1.153	1.158
% Ch, Annual Rate	1.6	2.2	2.5	2.1	2.5	2.1	2.0	1.7
Military Wages	4.486	4.466	4.440	4.404	4.489	4.461	4.448	4.442
% Ch, Annual Rate	10.8	-1.8	-2.3	-3.2	7.9	-2.5	-1.1	-0.6
Nonwage Personal Income	129.202	130.895	132.720	134.169	135.647	137.356	139.369	141.353
% Ch, Annual Rate	5.8	5.3	5.7	4.4	4.5	5.1	6.0	5.8
Supplements to Wages and Salaries	37.576	38.060	38.606	39.004	39.611	40.096	40.647	41.213
% Ch, Annual Rate	6.7	5.3	5.9	4.2	6.4	5.0	5.6	5.7
Proprietor's Income	20.419	20.857	21.325	21.876	22.363	22.856	23.299	23.727
% Ch, Annual Rate	5.5	8.9	9.3	10.7	9.2	9.1	8.0	7.6
Farm	0.495	0.540	0.563	0.588	0.588	0.598	0.619	0.632
% Ch, Annual Rate	54.8	41.9	17.8	19.2	-0.5	7.3	14.9	8.3
Nonfarm	19.924	20.316	20.762	21.288	21.776	22.258	22.680	23.096
% Ch, Annual Rate	4.6	8.1	9.1	10.5	9.5	9.2	7.8	7.5
Less: Contribution For Govt. Soc. Ins.	25.329	25.461	25.659	25.924	26.581	26.882	27.151	27.484
% Ch, Annual Rate	9.2	2.1	3.1	4.2	10.5	4.6	4.1	5.0
Plus: Residence Adjustment	3.013	3.035	3.069	3.108	3.155	3.205	3.260	3.318
% Ch, Annual Rate	1.1	2.9	4.5	5.3	6.1	6.5	7.0	7.3
Dividends/Int./Rent	50.651	51.021	51.488	51.745	52.064	52.623	53.442	54.295
% Ch, Annual Rate	3.4	3.0	3.7	2.0	2.5	4.4	6.4	6.5
Transfer Payments	42.872	43.383	43.891	44.360	45.036	45.458	45.873	46.284
% Ch, Annual Rate	10.5	4.9	4.8	4.3	6.2	3.8	3.7	3.6
State U.I. Benefits	3.255	3.277	3.250	3.208	3.140	3.036	2.907	2.766
% Ch, Annual Rate	12.4	2.8	-3.3	-5.1	-8.2	-12.6	-15.9	-18.1
Other Transfers	39.617	40.105	40.641	41.152	41.896	42.422	42.966	43.519
% Ch, Annual Rate	10.3	5.0	5.4	5.1	7.4	5.1	5.2	5.2

Table A4.1
Selected Inflation Indicators
 (Deflator 2000=1.0; CPI 1982-84=1.0)

	Price Deflator*		U.S. CPI #		Seattle CPI +	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.540	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.677	2.9
1999	0.976	1.7	1.666	2.2	1.728	3.0
2000	1.000	2.5	1.722	3.4	1.792	3.7
2001	1.021	2.1	1.770	2.8	1.857	3.6
2002	1.035	1.4	1.799	1.6	1.893	2.0
2003	1.056	2.0	1.840	2.3	1.924	1.6
2004	1.084	2.6	1.889	2.7	1.947	1.2
2005	1.116	2.9	1.953	3.4	2.002	2.8
2006	1.147	2.8	2.016	3.2	2.076	3.7
2007	1.177	2.6	2.073	2.9	2.157	3.9
2008	1.216	3.3	2.152	3.8	2.247	4.2
Forecast						
2009	1.221	0.5	2.146	-0.3	2.263	0.7
2010	1.244	1.8	2.195	2.3	2.313	2.2
2011	1.269	2.0	2.247	2.4	2.371	2.5

* 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
 (2000=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	22.340	5.5	27.384	3.1	14.418	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.598	4.3
1979	38.316	8.0	51.497	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.018	11.3
1982	50.528	8.1	62.372	3.5	82.043	-1.2	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.396	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.2	77.339	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.289	-3.7
2002	106.018	2.7	104.951	2.0	91.688	-9.9	90.433	-6.1
2003	109.379	3.2	106.986	1.9	109.654	19.6	105.213	16.3
2004	112.929	3.2	110.269	3.1	125.389	14.4	123.991	17.8
2005	116.700	3.3	112.743	2.2	159.485	27.2	151.314	22.0
2006	120.752	3.5	115.344	2.3	180.338	13.1	170.343	12.6
2007	124.713	3.3	119.683	3.8	192.322	6.6	184.642	8.4
2008	128.752	3.2	126.182	5.4	252.635	31.4	215.132	16.5
Forecast								
2009	130.760	1.6	129.508	2.6	207.511	-17.9	158.889	-26.1
2010	133.195	1.9	131.594	1.6	227.075	9.4	184.650	16.2
2011	136.412	2.4	134.242	2.0	236.002	3.9	190.451	3.1

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

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.3
2004	6167.8	69.5	1.1	81.0	46.0	34.6
2005	6256.4	88.6	1.4	81.8	45.6	52.4
2006	6375.6	119.2	1.9	83.2	45.3	81.3
2007	6488.0	112.4	1.8	87.8	46.2	70.8
2008	6587.6	99.6	1.5	89.3	47.5	57.8
Forecast						
2009	6688.3	100.7	1.5	90.8	49.0	58.9
2010	6776.6	88.3	1.3	91.5	50.6	47.4
2011	6870.8	94.2	1.4	92.0	51.3	53.5

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	<u>2006</u>	<u>Actual</u> <u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Forecast</u> <u>2010</u>	<u>2011</u>
Total Population	6375.6	6488.0	6587.6	6688.3	6776.6	6870.8
Percent Change	1.9	1.8	1.5	1.5	1.3	1.4
Age 17 and Under	1549.0	1566.2	1576.8	1588.5	1597.7	1610.3
Percent of Total	24.3	24.1	23.9	23.8	23.6	23.4
Age 6-18	1142.9	1151.9	1155.9	1156.5	1156.4	1158.7
Percent of Total	17.9	17.8	17.5	17.3	17.1	16.9
Age 18 and Over	4826.6	4921.8	5010.8	5099.8	5178.9	5260.5
Percent of Total	75.7	75.9	76.1	76.2	76.4	76.6
Age 21 and Over	4552.8	4645.1	4727.2	4810.7	4886.3	4969.0
Percent of Total	71.4	71.6	71.8	71.9	72.1	72.3
Age 20-34	1309.0	1335.6	1365.0	1397.2	1424.4	1455.9
Percent of Total	20.5	20.6	20.7	20.9	21.0	21.2
Age 18-64	4099.3	4174.9	4238.5	4301.4	4355.6	4413.4
Percent of Total	64.3	64.3	64.3	64.3	64.3	64.2
Age 65 and Over	727.3	746.8	772.4	798.4	823.3	847.1
Percent of Total	11.4	11.5	11.7	11.9	12.1	12.3

* As of April 1 of Each Year

Source: Office of Financial Management

Glossary

Biennium: The state's two years budget cycle. The 2001-2003 biennium started on July 1, 2003 and ends June 30, 2005. The current 2007-2009 biennium started July 1, 2007 and ends June 30, 2009.

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

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

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

Fiscal Year: The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 1999, for example, ran from July 1, 1998 through June 30, 1999.

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 Revenue: Resources from state sources only, excludes federal monies.

Implicit Price Deflator for Personal Consumption Expenditures (IPD): The IPD 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 25 year conventional loan (as reported by the Federal Home Loan Bank Board).

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.

Wage and Salary 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.