

# Washington State Economic and Revenue Outlook

Presented to  
Financial Management Advisory Council

Steve Lerch  
Executive Director

January 28, 2016  
Olympia, Washington



WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL

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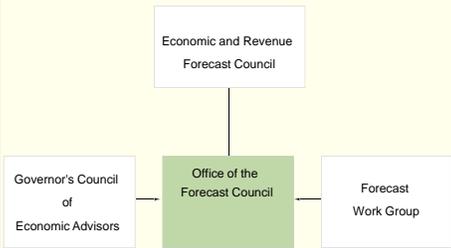
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## Forecast Oversight

### ERFC

- Council hires Executive Director for three year term
- Director hires staff
- Total staff of five



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## Summary

- The economic forecast has remained stable, with moderate economic growth in the U.S. and Washington
- We continue to expect slightly stronger employment and income growth in Washington compared to the national economy
- Risks to the baseline include slowing economic growth in the U.S. and globally, the impact of a stronger dollar on exports, weaker manufacturing activity, and a volatile stock market

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## Economic news continues to suggest risks to forecast

### Upside:

- Stronger than expected job growth
- Rising wage growth
- Stronger housing starts and home sales (new and existing)

### Downside:

- Slowing global economy
- Slower U.S. GDP growth
- Negative impact of stronger dollar on exports
- Weaker manufacturing activity

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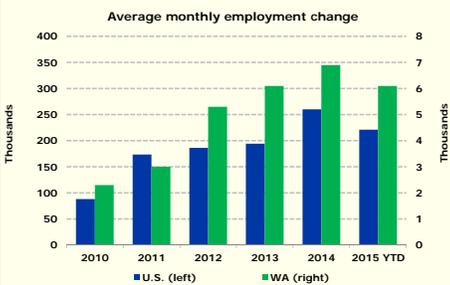
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## Job creation is slightly weaker in both the U.S. and WA so far this year

November job gains:  
U.S.: 252,000  
WA: 7,000

December job gains:  
U.S.: 292,000  
WA: NA



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Source: Bureau of Labor Statistics, ERF; data through Dec. 2015  
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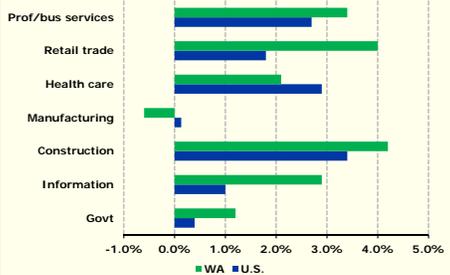
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## Year to date employment growth, selected industries



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Source: BLS, ERF; data through November 2015  
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## Average U.S. wage growth has turned positive



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Source: U.S. Bureau of Labor Statistics, data through Nov. 2015  
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## Job openings trending up nationally, slowing in Washington



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Source: Conference Board; data through November 2015  
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## Number of long-term unemployed workers remains above pre-recession levels

Long-term unemployed as share of all unemployed:  
Apr. 2010: 45%  
Dec. 2015: 26%



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Source: Bureau of Labor Statistics; data through December 2015  
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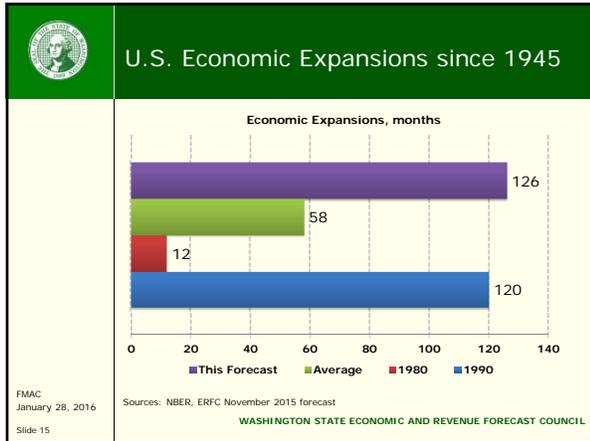
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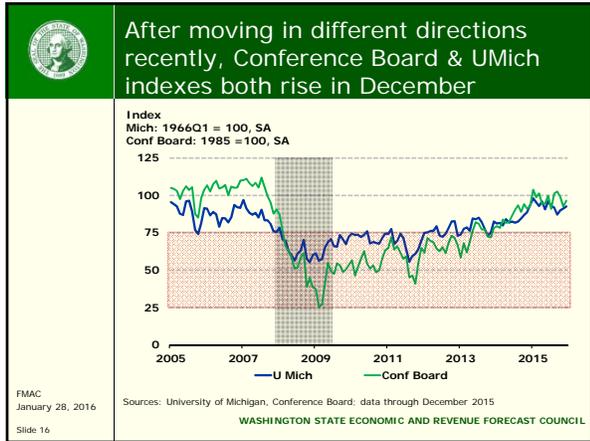
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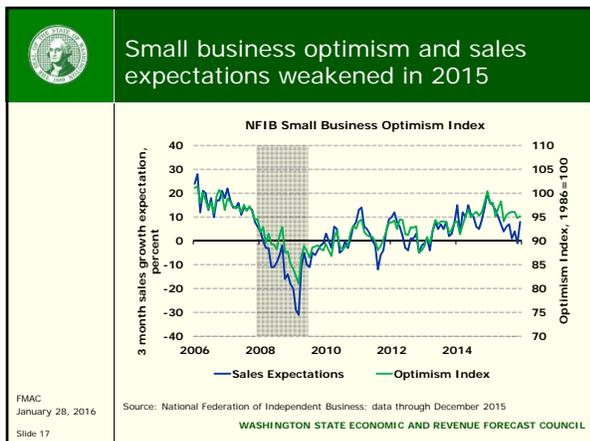
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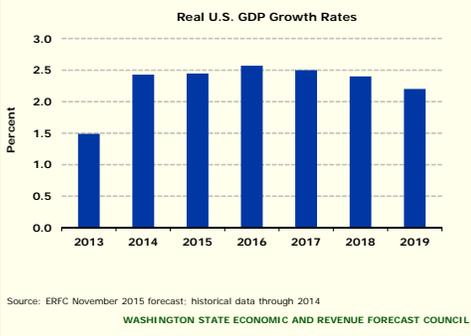
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### Forecasted real GDP growth is expected to decline slightly after this year



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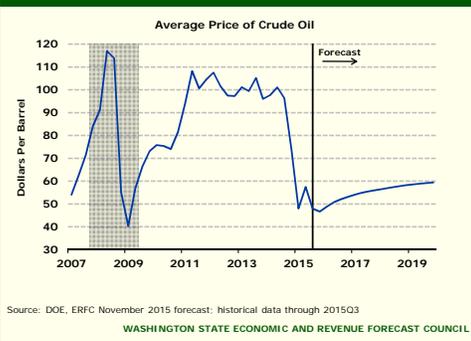
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### Oil prices are expected to rise gradually starting next year



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### Washington annual personal income growth is expected to average 5.2% for 2016-19



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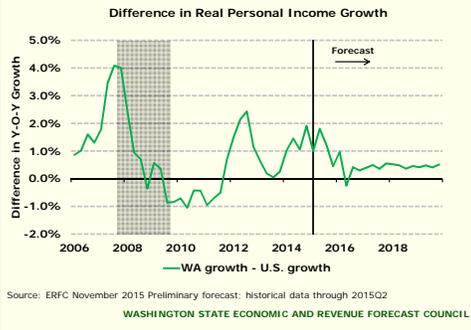
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### State personal income will grow slightly faster than the U.S.



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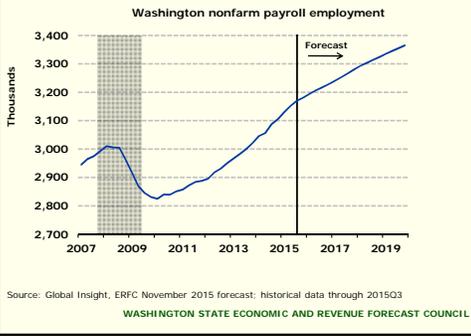
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### Washington employment forecast is for average annual growth of 1.5%



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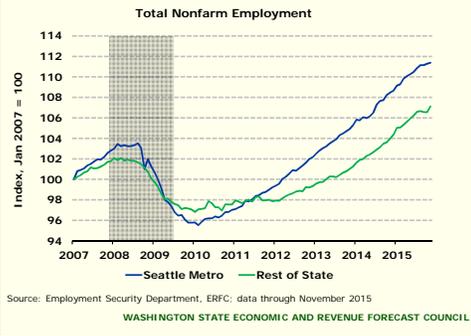
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### Seattle area employment continues to grow faster than the rest of the state



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## GF-S forecast revisions to the 2015-17 biennium



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Source: ERFC September 2012 – November 2015 forecasts  
Gray area indicates total non-economic change  
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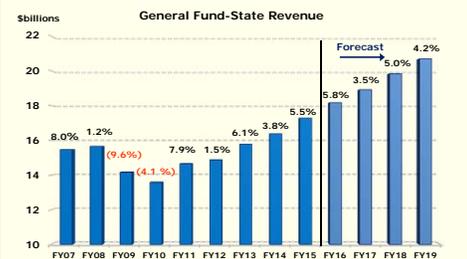
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## General Fund-State\* forecast by fiscal year



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\*General Fund-State & Related Funds for FY 07-09, General Fund-State new definition for FY 10-17  
Source: ERFC forecast, November 2015  
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## Conclusion

- The economic forecast expects slightly weaker growth in personal income and employment than in September
- We expect the moderate pace of the economic recovery to continue in both the U.S. and Washington economies
- GF-S revenues are expected to grow 10.5% between the 2013-15 and 2015-17 biennia and 9.0% between the 2015-17 and 2017-19 biennia
- The level of uncertainty in the baseline remains elevated, with downside risks outweighing upside risks

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## Questions



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