

Economic and revenue outlook

Recent economic performance continues to affirm Washington state's advantage throughout the nation's period of expansion, and the state should outperform the nation in job and income growth over the foreseeable future.

Washington's jobless rate moved above the national rate during the past three years after having mirrored the national figures for much of the economic recovery. Washington's rate has traditionally been higher than the national norm due to the state's outsized share of seasonal industries and its attractiveness to in-migrants searching for opportunity and the Northwest experience. Over the past four years, 74% of Washington's population growth has been due to migration. More recent forecasts expect Washington's jobless rate to remain above the national average, likely the result of strong population growth and the accompanying frictional lag in employment. In fundamental ways, that reflects the confidence workers have in finding gainful employment. By the end of the next biennium (2021–23), Washington's unemployment rate is projected to increase slightly to 5.0%, up from the current 4.6%.

Personal income in Washington is expected to strengthen over the next biennium. Real personal income should gain 2.6% in fiscal year 2020, 2.0% in fiscal year 2021 and 2.6% in fiscal year 2022, measurably higher at the end of the forecast period than the respective 3.3%, 2.5% and 1.6% projections for the nation. On a per-capita basis, Washington's real personal income should reach \$59,826 in fiscal year 2022, more than \$6,000 above the U.S. average.

These gains in Washington's personal income will occur notwithstanding the absence of growth in aerospace employment, which is expected to moderate from 89,300 jobs in fiscal year 2020 to 89,100 jobs in fiscal year 2022. However, thanks to gains in software publishing, electronic shopping and mail order, and other technology sectors, Washington is projected to net a 1.9% increase in total payroll jobs in fiscal year 2020, 1.2% in fiscal year 2021 and 1.0% in fiscal year 2022.

Construction activity in Washington is expected to trend to a more historically normal level in the next biennium. While multi-family construction growth was prompted by demand for rental units in the aftermath of the recession, income gains have renewed demand for single-family housing. Building permits should total 44,700 in fiscal year 2020, 43,000 in fiscal year 2021 and then 42,400 in fiscal year 2022. As a result, construction employment should move down to 213,000 jobs in fiscal year 2022 from 219,800 jobs in fiscal year 2020. That should ease the share of construction jobs to 6.0% of total nonfarm employment, still a bit above the historic average of 5.6% yet reflective of a stabilizing housing and commercial building market.

General Fund-State revenues grew 10.0% in fiscal year 2018 and 3.3% in fiscal year 2019. General Fund-State revenues are forecasted to increase 9.9% in fiscal year 2020, 4.1% in fiscal year 2021 and 3.1% in fiscal year 2022. The expanding economy, continued gains in hiring and sound housing markets have had a positive effect on revenue growth and should keep revenues growing at a sound pace.