Pacific Northwest Regional Economic Conference
May 15, 2008

Bret Bertolin
Senior Economic Forecaster
Economic and Revenue Forecast Council
www.erfc.wa.gov
# Key National Economic Variables

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>Real GDP, %Ch</td>
<td>2.9</td>
<td>2.2</td>
<td>1.4</td>
<td>2.2</td>
<td>3.0</td>
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<tr>
<td>Personal Income, %Ch</td>
<td>6.6</td>
<td>6.2</td>
<td>4.1</td>
<td>4.4</td>
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<td>5.6</td>
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<td>Disable Personal Income, %Ch</td>
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<td>5.4</td>
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<td>Consumer Price Index, %Ch</td>
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<td>1.6</td>
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<td>1.8</td>
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<td>Housing Starts, %Ch</td>
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<tr>
<td>Nonfarm Payroll Employment, %Ch</td>
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<td>0.3</td>
<td>0.7</td>
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<tr>
<td>Manufacturing Employment, %Ch</td>
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<td>Construction Employment, %Ch</td>
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<td>Unemployment Rate</td>
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<td>3-month Treasury Bill Rate</td>
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Washington's Relative Advantages

- Above Average Exposure to Export Markets
- Expanding Aerospace and Software Sectors
- Not too "Bubbly" a Housing Market
Washington's Export Orientation

Exports/Personal Income

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<td>0.8</td>
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Exchange Rate

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<td>1.1</td>
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<td>0.1</td>
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<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
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</tbody>
</table>

Legend:
- Washington
- U.S.
- Washington Ex. Trans. Eq.
- U.S. Ex. Trans. Eq.
Key Sectors Continue to Expand

Thousands

Aerospace

Software
Aerospace and Software Wages

Average Annual Wage

Total Wages
Employment Drivers in Context
Employment Compared to 2004Q2

Construction
Aerospace
Software
Case-Shiller Home Prices, SA

January 2000=100

Seattle  U.S. Composite 10
Housing Vacancy Rates

Homeowner

Rental

U.S.  Washington (+/- 0.3)

U.S.  Washington (+/- 1.0)
Home Prices and Affordability

Home Prices, SA

Statewide  King County

Affordability

Statewide (L)  King County (L)  Mortgage Rate (R)
Housing Starts/Permits

Single-Family

Multi-Family

Units Per 1000 Population
Construction Employment

Residential and Rel. Special Trades

United States (L)  
Washington (R)

All Other Construction

United States (L)  
Washington (R)
Construction's Share of Total Employment

WA-SIC  WA-NAICS  U.S.
Inflation

All Items CPI

Core CPI

Percent Change

U.S.  Seattle

## Key Washington Economic Variables

<table>
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<tr>
<th>Category</th>
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<tbody>
<tr>
<td>Nonfarm Payroll Employment, %Ch</td>
<td>3.0</td>
<td>2.5</td>
<td>1.2</td>
<td>1.4</td>
<td>1.8</td>
<td>1.7</td>
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<tr>
<td>Manufacturing Employment, %Ch</td>
<td>4.9</td>
<td>2.5</td>
<td>0.7</td>
<td>-1.1</td>
<td>0.5</td>
<td>1.5</td>
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<td>Aerospace Employment, %Ch</td>
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<td>Other Manufacturing Employment, %Ch</td>
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<td>-0.9</td>
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<td>Software Employment, %Ch</td>
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<td>4.4</td>
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<tr>
<td>Construction Employment, %Ch</td>
<td>9.9</td>
<td>6.3</td>
<td>-2.2</td>
<td>-1.3</td>
<td>0.5</td>
<td>0.2</td>
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<tr>
<td>Service-Producing, %Ch</td>
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<td>2.0</td>
<td>2.0</td>
<td>1.9</td>
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<tr>
<td>Unemployment Rate</td>
<td>5.0</td>
<td>4.7</td>
<td>5.3</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
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<tr>
<td>Real Personal Income, %Ch</td>
<td>5.4</td>
<td>4.8</td>
<td>2.8</td>
<td>3.6</td>
<td>4.0</td>
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<td>Seattle CPI, %Ch</td>
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<td>Population, %Ch</td>
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<td>Housing Units Authorized by Permit, %Ch</td>
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<td>-10.2</td>
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<td>3.0</td>
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</tbody>
</table>
U.S. Forecast Comparison

Real GDP

Payroll Employment

Billions of Chained 2000 Dollars

Feb-08 May-08

Millions

2004Q1 2005Q1 2006Q1 2007Q1 2008Q1 2009Q1 2010Q1 2011Q1

May-08  Feb-08

2004Q1 2005Q1 2006Q1 2007Q1 2008Q1 2009Q1 2010Q1 2011Q1
U.S. Forecast Comparison

Disp. Personal Income

CPI

Billions of Dollars

1982-84=1.00
Recent Economic Activity in Washington

**Employment**

- June 2004 to May 2008
- Data from thousands of employed individuals

**Unemployment Rate**

- June 2004 to May 2008
- Data from percentage unemployment rates

Recent Economic Activity in Washington
Recent Economic Activity in Washington

**Personal Income**

* Excluding Information Wages

**Housing Permits**