



Economic and Revenue Forecast Council

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CONTACT: Arun Raha, Chief Economist & Executive Director
PHONE: 360-534-1560

The Outlook has Weakened Significantly since the June Forecast

OLYMPIA, September 15, 2011 –We are in the fragile aftermath of the Great Recession where a return to normalcy seems like a mirage in the desert – the closer we get to it, the further it moves away. Fear and uncertainty have overwhelmed consumer and business behavior. Every time our state has looked like it would break out of the malaise, it has been sucked right back in. Political gridlock in the nation’s capital gives little hope that the full toolkit of policy options will be acted on. In an increasingly interconnected world we are not immune to Europe’s problems either. Downside risks outweigh upside risks.

Washington’s job market has been weaker than expected in June. The economy added 8,300 net new jobs in June, July, and August, compared to the expected 13,600. Consistent with the weak job growth, Washington unemployment rate held steady at 9.3% in June, July, and August.

Revenue collections through September 10 were \$40 million (1.2%) below what we had expected. \$14 million of the shortfall occurred in 2009-11 biennium and \$26 million of the shortfall occurred in the current biennium.

The preliminary total of GF-S revenue for the 2009-11 biennium came in \$25 million lower than forecasted once non-monthly revenues were factored in.

Forecast of GF-S Revenues: 2011-13

Baseline: \$30.311 billion; \$1,413.0 million lower than the previous forecast.

Baseline B*: \$30.295 billion; \$16 million lower than the previous forecast.

Optimistic: \$2,247 million more than the baseline forecast.

Pessimistic: \$2,006 million less than the baseline forecast.

Please see our full report for more information. You can access this report at:

<http://www.erfc.wa.gov/forecast/documents/rev20110915color.pdf>

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*Baseline B assumes 2.7% real GDP growth in 2013, instead of 3.2% as in the Blue Chip Consensus

About the ERFC:

The ERFC was established under RCW 82.33 to provide the Governor and the Legislature with official independent and professional forecasts of the state economy and revenues.