



STATE OF WASHINGTON

ECONOMIC AND REVENUE FORECAST COUNCIL

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FOR IMMEDIATE RELEASE

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OLYMPIA, November 19, 2008 -- Economic conditions in both the nation and the state have deteriorated sharply since the last Revenue Forecast in September. The credit crunch has knocked the wind out of an already weakening national economy. Consumer and business spending have stalled as access to credit has been choked off, and confidence has worsened. Our baseline U.S. economic forecast assumes a national recession that will last four quarters, into the middle of 2009, with the current quarter being the weakest. Very weak revenue collections since the September forecast confirm that Washington's economy is not immune to these headwinds. The downturn will be more muted – both in duration and depth - in our state, than for the nation, as a result of our aerospace and software publishing industries. However, unlike in the previous downturn in 2001, we expect a sharp decline in consumer spending this time, so the impact on state revenues will be more severe.

The November 2008 forecast for the 2007-09 biennium is \$28.6 billion, which is \$0.5 billion lower than expected in the September forecast. Of the \$0.5 billion reduction, \$0.1 billion is due to collection experience since the September forecast and \$0.4 billion is due to a weaker forecast for the remainder of the biennium. The forecast for the 2009-11 biennium is \$30.1 billion, which is \$1.4 billion lower than expected in the September forecast.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 and 2009-11 biennia. The forecast based on more optimistic economic assumptions netted \$320 million (1.1 percent) more revenue in the 2007-09 biennium and \$2,283 million (7.6 percent) more revenue in the 2009-11 biennium than did the baseline. The pessimistic alternative was \$308 million (1.1 percent) lower in 2007-09 and \$1,929 million (6.4 percent) lower in 2009-11. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$49 million (0.2 percent) less revenue in the 2007-09 biennium and \$73 million (0.2 percent) less revenue in the 2009-11 biennium than did the baseline forecast.

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