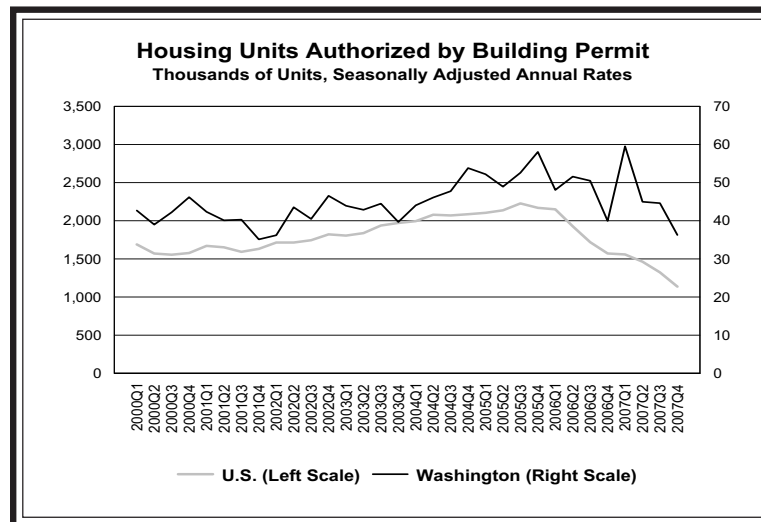


# Washington Economic and Revenue Forecast



February 2008  
Volume XXXI, No. 1

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### Explanation of the Cover Graph

*Washington housing units authorized by building permit declined sharply in the fourth quarter of 2007 reaching a level 31 percent lower than the 2005 average. Still, this is considerably better than the 47 percent drop for the U.S. as a whole. The decline in single-family permits in Washington is similar to the national average, 51 percent vs. 55 percent. But multi-family permits are up 32 percent in Washington State since 2005 compared to a 21 percent decline for the nation. The state's multi-family market is benefiting from strong migration into the state as well as the lowest rental vacancy rates in the country.*

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# Washington Economic and Revenue Forecast

Prepared by the  
Economic and Revenue Forecast Council

February 2008  
Volume XXXI, No.1

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# Preface

The Economic and Revenue Forecast Council is required by Chapter 231, Section 34, Laws of 1992 (RCW 82.33.020) to prepare a quarterly state economic and revenue forecast and submit it to the Forecast Council. This report presents the state's economic and General Fund-State revenue forecast. It is issued four times a year.

Copies on Compact Disc are available to Washington State businesses and residents for \$2.50 per copy, and to those out-of-state for \$5.00 per copy. You may contact our office for more subscription information at (360) 570-6100 or by writing the Office of the Forecast Council, Post Office Box 40912, Olympia, WA 98504-0912.

You may also access this report on our website at [www.erfc.wa.gov](http://www.erfc.wa.gov).

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*February 2008*

# Table of Contents

<b>Preface</b> .....	<b>iii</b>
<b>List of Tables</b> .....	<b>vii</b>
<b>List of Charts</b> .....	<b>ix</b>
<b>Executive Summary</b> .....	<b>1</b>
<b>Chapter 1</b>	
<b>Washington State and U.S. Economic Forecasts</b>	
Recent U.S. Economic Activity .....	5
U.S. Forecast Highlights .....	6
Recent Economic Activity in Washington .....	8
Adjustments to Economic Data .....	9
Washington State Forecast Highlights .....	9
Alternative Forecasts .....	13
Governor’s Council of Economic Advisors Scenario .....	14
<b>Chapter 2</b>	
<b>Washington Business Indicators</b>	
The National Economy .....	27
The State Economy and Indicators .....	28
<b>Chapter 3</b>	
<b>Washington State Revenue Forecast Summary</b>	
Introduction .....	37
Background and Assumptions .....	38
February 2008 Forecast Assumptions .....	38
Recent Collection Experience .....	39
The General Fund-State Forecast for the 2007-09 and the 2009-11 Biennium .....	42
Forecast Change for the 2007-09 Biennium .....	47
Department of Revenue .....	48
Department of Licensing .....	49
Office of Financial Management: Other Agencies .....	49
State Treasurer .....	49
Insurance Commissioner .....	49
Liquor Control Board .....	49
Lottery Commission .....	49
Track Record for the 2007-09 Biennium .....	51
The Relationship Between Cash and GAAP General Fund-State Revenue Forecasts .....	51
Alternative Forecast for the 2007-09 and the 2009-11 Biennia .....	57
“Related Fund” Forecast for the 2007-09 and the 2009-11 Biennia .....	67

<b>Chapter 4: Special Report</b>	
<b>Washington Exports 2003 to 2007 .....</b>	<b>69</b>
<b>Appendices</b>	
<b>Detail Components of the Washington Economic Forecast .....</b>	<b>83</b>
<b>Glossary .....</b>	<b>113</b>



# List of Tables

## Chapter 1

### Washington State and U.S. Economic Forecasts

Table 1.1	U.S. Economic Forecast Summary .....	15
Table 1.2	Washington Economic Forecast Summary .....	16
Table 1.3	Comparison of Alternative Forecasts .....	17
Table 1.4	Forecast Analysis .....	18
Table 1.5	Forecast Comparison .....	19
Table 1.6	Long Range Economic Outlook .....	20

## Chapter 2

### Washington Business Indicators

Table 2.1	Summary of National & State Indicators .....	30
Table 2.2	Washington Business Indicators .....	36

## Chapter 3

### Washington State Revenue Forecast Summary

Table 3.1	Revision to the General Fund-State Forecast .....	37
Table 3.2	Economic and Revenue Forecast Flow Chart .....	40
Table 3.3	Collection Variance, November 11, 2007-January 10, 2008 .....	41
Table 3.4	General Fund-State Collections .....	43
Table 3.5	Taxable Retail Sales .....	44
Table 3.6	Summary of Changes to General Fund-State Forecast .....	50
Table 3.7	Comparison of the General Fund-State Forecast by Agency, 2007-09 Biennium; Cash ....	52
Table 3.8	Comparison of the General Fund-State Forecast by Agency; 2007-09 Biennium; GAAP ...	53
Table 3.9	Comparison of the General Fund-State Forecast by Agency, 2009-11 Biennium; Cash ....	54
Table 3.10	Comparison of the General Fund-State Forecast by Agency, 2009-11 Biennium; GAAP ..	55
Table 3.11	February General Fund-State Forecast 2007-09 & 2009-11 Biennia; Cash Basis .....	56
Table 3.12	General Fund - State Cash Receipts, February 2008 .....	58
Table 3.13	Track Record for the 2007-09 General Fund-State Cash Forecast .....	59
Table 3.14	February 2008 Baseline Forecast by Agency .....	60
Table 3.15	2005-07 & 2007-09 Enacted Budget Balance Sheet .....	61
Table 3.16	February 2008 Alternative Forecasts Compared to the Baseline Forecast, 2007-09 .....	62
Table 3.17	February 2008 Alternative Forecasts Compared to the Baseline Forecast, 2009-11 .....	63
Table 3.18	Impact of Initiative 728 and the State Property Tax and Lottery Revenue .....	64
Table 3.19	General Fund-State and Related Fund .....	65
Table 3.20	General Fund-State and Related Fund, by fiscal year .....	66

## Chapter 4: Special Report

### Washington Exports 2003 to 2007

Table 4.1	U.S. Exports by Industry .....	73
Table 4.2	U.S. Exports by Country .....	74

## Chapter 4: Special Report (Continued)

Table 4.3	U.S. Exports to Non-Middle-Eastern Asia by Industry .....	75
Table 4.4	Washington Exports By Industry, All Industries .....	76
Table 4.5	Washington Exports By Industry, Top Twenty Industries .....	77
Table 4.6	Washington Exports By Country, All Industries .....	78
Table 4.7	Washington Exports By Country, Transportation Equipment .....	79
Table 4.8	Washington Exports By Country, Excluding Transportation Equipment .....	80
Table 4.9	Washington Exports to Non-Middle-Eastern Asia, All Industries .....	81

## Appendices

### Detail Components of the Washington Economic Forecast

Table A1.1	U.S. Economic Forecast Summary; Annual .....	84
Table A1.2	U.S. Economic Forecast Summary; Quarterly .....	85
Table A1.3	Washington Economic Forecast Summary; Annual .....	88
Table A1.4	Washington Economic Forecast Summary; Quarterly .....	89
Table A2.1	U.S. Nonagricultural Employment by Industry; Annual .....	92
Table A2.2	U.S. Nonagricultural Employment by Industry; Quarterly .....	93
Table A2.3	Washington Nonagricultural Employment by Industry; Annual .....	96
Table A2.4	Washington Nonagricultural Employment by Industry; Quarterly .....	97
Table A3.1	U.S. Personal Income by Component; Annual .....	100
Table A3.2	U.S. Personal Income by Component; Quarterly .....	101
Table A3.3	Washington Personal Income by Component; Annual .....	104
Table A3.4	Washington Personal Income by Component; Quarterly .....	105
Table A4.1	Selected Inflation Indicators .....	108
Table A4.2	Chain-Weighted Price Indices .....	109
Table A5.1	Washington Resident Population and Components of Changes .....	110
Table A5.2	Washington Population .....	111

# List of Charts

## Chapter 1

### Washington State and U.S. Economic Forecast

#### Comparison of Washington and U.S. Economic Forecasts

Chart 1.1	Total Nonfarm Payroll Employment .....	21
Chart 1.2	Manufacturing Employment .....	21
Chart 1.3	Aerospace Employment .....	21
Chart 1.4	Computers and Electronics Employment .....	21
Chart 1.5	Construction Employment .....	22
Chart 1.6	Information Employment .....	22
Chart 1.7	Other Private Employment .....	22
Chart 1.8	Government Employment .....	22
Chart 1.9	Real Personal Income .....	23
Chart 1.10	Consumer Price Indices .....	23
Chart 1.11	Population .....	23
Chart 1.12	Per Capita Housing Units .....	23

#### Comparison of Alternative U.S. Forecasts

Chart 1.13	Real GDP .....	24
Chart 1.14	Implicit Price Deflator .....	24
Chart 1.15	Mortgage Rate .....	24
Chart 1.16	Three Month T-Bill Rate .....	24

#### Comparison of Alternative Washington Forecasts

Chart 1.17	Personal Income .....	25
Chart 1.18	Real Personal Income .....	25
Chart 1.19	Total Nonfarm Payroll Employment .....	25
Chart 1.20	Housing Permits .....	25

## Chapter 2

### Washington Business Indicators

#### Washington Economic Indicators

Chart 2.1	Year-over-Year Employment Growth .....	31
Chart 2.2	Washington Aircraft and Parts Employment .....	31
Chart 2.3	Unemployment Rate .....	31
Chart 2.4	Washington Boom Monitor Composite Index .....	31

#### Washington State Leading Indicators

Chart 2.5	The Washington and U.S. Indexes of Leading Indicators .....	32
Chart 2.6	Washington Initial Claims for Unemployment Insurance .....	32
Chart 2.7	Seattle Times and U.S. Help-Wanted Advertising Indexes .....	32
Chart 2.8	Housing Units Authorized in Washington State .....	32

### **Other State Economic Indicators**

Chart 2.9	Average Weekly Hours in Manufacturing .....	33
Chart 2.10	Washington Driver's License Migration .....	33
Chart 2.11	New Car and Truck Registrations in Washington .....	33
Chart 2.12	Institute for Supply Management Index .....	33

### **Other Economic Indicators**

Chart 2.13	Quarterly U.S. Real GDP Growth .....	34
Chart 2.14	Washington State Export Composition .....	34
Chart 2.15	U.S. Economic Indicators .....	34
Chart 2.16	National Stock Indexes .....	34

### **Other Economic Indicators**

Chart 2.17	Federal Funds Target Rate .....	35
Chart 2.18	Consumer Confidence .....	35
Chart 2.19	Seattle vs U.S. CPI (All Urban Consumers) .....	35
Chart 2.20	Monster Employment Index .....	35

## **Chapter 3**

### **Washington State Revenue Forecast**

Chart 3.1	General Fund-State Revenue .....	45
Chart 3.2	General Fund-State Revenue; Percent Change .....	45
Chart 3.3	Composition of General Fund-State Revenue .....	46
Chart 3.4	Taxable Sales as a Percent of Personal Income .....	46

## **Chapter 4: Special Report**

### **Washington Exports 2003 to 2007**

Chart 4.1	Exports as a Percentage of GDP .....	71
Chart 4.2	Export Desitinations, 2007 .....	72

# Executive Summary

## U.S. Economic Forecast

The February 2008 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2007. According to the advance estimate, real GDP growth slowed to 0.6 percent in the fourth quarter of 2007 from 4.9 percent in the third quarter. Some of the slowdown was due to a sharp deceleration in inventory accumulation, but final sales growth also slowed in the fourth quarter to 1.9 percent from 4.0 percent in the third quarter. Consumer spending grew at a moderate 2.0 percent rate in the fourth quarter in spite of a healthy 4.2 percent increase in spending on durable goods. Once again the weakest sector was fixed investment which fell at a 2.6 percent rate in the quarter due to a 23.9 percent plunge in residential fixed investment. The decline in residential fixed investment subtracted 1.2 percentage points from GDP growth in the fourth quarter. The foreign sector partially offset the housing decline by contributing 0.4 percentage points to GDP growth in the fourth quarter. Exports rose at a 3.9 percent rate which was more than enough to offset the 0.3 percent increase in imports. Government consumption and investment spending rose at a 2.6 percent rate in the fourth quarter, led by a 4.0 percent increase in state and local government spending.

Payroll employment growth held steady at 0.8 percent in the fourth quarter while the unemployment rate edged up to 4.83 percent from 4.70 percent in the third quarter. The Consumer Price Index jumped 4.3 percent in the fourth quarter following a 1.9 percent rise in the third quarter. The increase in inflation was due to energy costs which rose at a 20.0 percent rate in the fourth quarter following a 6.6 percent decline in the third quarter. Core CPI inflation, which excludes food and energy, was unchanged at 2.5 percent in the fourth quarter. Housing starts plummeted at a 38.5 percent rate in the fourth quarter to 1.151 million units. The mortgage rate declined to 6.23 percent in the fourth quarter from 6.55 percent in the third quarter. As expected in the November forecast, the Federal Reserve cut its target for the federal funds rate by 25 basis points at each of its next two meetings resulting in a rate of 4.25 percent by the end of the year. However, the November forecast did not anticipate the rate cuts on January 22 and January 30 which totaled 125 basis points and brought the target rate down to 3.00 percent.

The U.S. forecast assumes a mild recession in the first half of 2008 with GDP growth rates of -0.4 percent and -0.5 percent in the first and second quarters, compared to an average rate of 2.5 percent for all four quarters of 2007. Residential fixed investment is expected to remain weak, of course, but the main reason for the slowdown is consumer spending, which is expected to inch up at a 0.1 percent rate in the first half of the year compared to 2.5 percent for the previous four quarters. Nonresidential fixed investment is also expected to turn negative in the first half. The forecast incorporates a \$153 billion fiscal stimulus package billion in fiscal 2008 (or 1.1 percent of GDP), of which \$110 billion is for households via tax rebates and \$43 billion is for businesses. The forecast assumes oil prices will continue to pull back from

their highs near \$100 per barrel to a second-quarter average of \$78.00 per barrel. Thereafter, prices should remain in the low \$70s. We assume that the Fed will cut the target federal funds rate by 50 basis points at its March 18 meeting and another 50 basis points at its April 30 meeting, taking the rate down to 2.0 percent. Faster growth in 2009 leads the Fed to partially reverse its cuts, returning the funds rate to 3.75 percent by the end of next year. Slower U.S. growth and falling interest rates are a recipe for a weaker dollar. But declines from now on are expected to be milder since other trading partners are now cutting interest rates too. We project GDP growth in the United States' major currency trading partners at 2.0 percent in 2008, down from 2.6 percent in 2007. Growth for other trading partners should ease from 5.6 percent in 2007 to 5.1 percent in 2008. We expect productivity gains to average just 1.7 percent for 2008 compared to the 2.6 percent average since 1997. The forecast assumes that Congress will not allow all of the Bush administration's personal tax reductions to expire as scheduled at the end of 2010. But we expect some increase in the income tax burden, whether through the Alternative Minimum Tax (AMT) or through some kind of tax reform that raises a similar amount of revenues. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 5.5 percent in calendar 2008, up from 2.8 percent growth in calendar 2007. Overall federal purchases will rise 4.1 percent in 2008, up from 1.7 percent growth in 2007.

Annual GDP growth slowed to 2.2 percent in 2007 from 2.9 percent in 2006. The forecast expects GDP growth to slow down to 1.4 percent this year, as the economy experiences a mild recession, before recovering to 2.2 percent in 2009, 3.0 percent in 2010, and 3.2 percent in 2011. Nonfarm payroll employment growth slowed to 1.1 percent in 2007 from 1.8 percent in 2006. Slower growth is expected during the next two years. Employment is expected to grow just 0.3 percent this year and 0.7 percent next year. Employment growth is expected to improve to 1.3 percent in 2010 and 1.6 percent in 2011 as the economy recovers from the recession. The unemployment rate edged up to 4.64 percent in 2007 from 4.61 percent in 2006. The forecast expects the unemployment rate to rise to 5.34 percent in 2008 and 5.62 percent in 2009, recovering to 5.45 percent in 2010 and 5.09 percent in 2011. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.5 percent in 2007 from 2.8 percent in 2006. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.1 percent in 2007. Energy costs will add to inflation in 2008 but will help restrain inflation during the following three years. The overall implicit price deflator is expected to rise 2.4 percent in 2008, 1.7 percent in 2009, and 1.8 percent per year in 2010 and 2011.

## **Washington State Economic Forecast**

The state's employment growth rate edged up to 1.7 percent in the fourth quarter of 2007 from 1.5 percent in the third quarter. Manufacturing employment rose at a 2.2 percent rate in the fourth quarter due to a 7.5 percent increase in aerospace employment. Manufacturing employment other than aerospace rose only 0.2 percent. Construction employment declined at a 1.2 percent rate in the fourth quarter following a 2.9 percent decrease in the third quarter. Prior to the third quarter, construction employment had increased for 17 consecutive quarters. Natural resources (logging) and mining employment, while small, fell at a 6.8 percent rate in the fourth quarter. Among the private services-producing sectors, leisure and hospitality employment and education and health services employment remained strong in the fourth quarter, rising 3.3 percent and 2.9 percent respectively. Both software and non-software information employment grew at a 2.7 percent rate in the fourth quarter. Professional and business services employment grew 1.8 percent, trade, transportation, and utilities employment grew 1.0 percent, and "other services" employment grew 0.7 percent in the fourth quarter. But financial activities employment fell at a 1.7 percent rate in the fourth

quarter, the third consecutive decline. In the public sector, state and local government employment rose at a 3.7 percent rate in the fourth quarter but federal government employment fell at a 4.9 percent rate.

Washington's personal income in the third quarter of 2007 was \$0.082 billion (0.0 percent) higher than the estimate made in November. Total wages were \$0.423 billion (0.3 percent) lower than expected in November. Software wages were \$0.305 billion (2.8 percent) lower than expected and other wages were \$0.118 billion (0.1 percent) lower. Nonwage personal income was \$0.505 billion (0.4 percent) higher than the November estimate. The forecast assumes that personal income growth fell to 1.2 percent in the fourth quarter of 2007 from 15.5 percent in the third quarter. Third quarter income had been temporarily boosted by large bonuses and vesting of stock awards in the software sector. Personal income, excluding software wages, is assumed to have grown at a healthy 5.5 percent rate in the fourth quarter. The forecast assumes that wage and salary disbursements fell at a 2.0 percent rate in the fourth quarter, again due mainly to software wages. Wages outside of the software sector rose at a 5.5 percent rate. The forecast assumes that income from sources other than wages grew at a healthy 5.6 percent rate in the fourth quarter.

The forecast also reflects Seattle consumer price data through December 2007. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) moved ahead of the national average in 2005, 2006, and 2007, rising at an average rate of 3.3 percent compared to 2.4 percent for the nation. Energy costs added less to Seattle inflation than to U.S. inflation during this period, however. As a result, the Seattle all items CPI rose at a 3.9 percent rate compared to the national average rate of 3.3 percent. The stronger inflation in Seattle compared to the U.S. city average can almost entirely be attributed to shelter costs, in particular, rent and owners' equivalent rent.

The number of housing units authorized by building permit fell 8,600 in the fourth quarter of 2007 to 34,800 from 43,400 in the third quarter. Single-family permits plunged 8,100 to 20,600 and multi-family permits declined 400 to 14,200. The number of single family permits taken out in the fourth quarter of 2007 was the lowest since the first quarter of 1991.

The decline in Washington housing permits, especially single-family permits, during the fourth quarter of 2007 was far more severe than expected in November. In addition, the preliminary annual estimate for 2007 indicates that the 2007 monthly estimates are, on average, too high. The current forecast assumes that housing permits will be significantly lower in 2008 than assumed in November but will recover to about the same rate in 2009. Newly available employment data now indicate that construction employment peaked in the second quarter of 2007 with declines in the third and fourth quarters. In November we assumed the peak in construction employment would be in the fourth quarter. The new forecast also assumes steeper declines during 2008 than assumed in November. The forecast assumes little change in the overall level of construction employment in 2009, 2010, and 2011. The software employment forecast is similar to the November assumption. Software employment is expected to rise 4,800 from the fourth quarter of 2007 to the fourth quarter of 2009 and a similar amount in 2010 and 2011. The Washington aerospace employment forecast is also virtually unchanged other than recognizing that 1,500 more aerospace jobs have been created as of December 2007 than assumed in the November forecast. The forecast expects another 1,200 new aerospace jobs by mid-2008 when employment is expected to level off at 84,200. The forecast assumes no further changes in aerospace employment through 2011.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment grew 2.5 percent in 2007 following a 3.0 percent increase in 2006. Growth in these key industries is expected to slow, though, and the state will also be adversely affected by the recession expected for the U.S. economy. The forecast calls for employment growth rates of 1.2 percent and 1.4 percent in 2008 and 2009. Employment growth is expected to improve to 1.8 percent and 1.7 percent in

2010 and 2011 as the national economy recovers from the recession. Washington personal income growth slowed from 8.3 percent in 2006 to a still strong 7.5 percent in 2007. Income growth is expected to slow to 5.3 percent in 2008 and 5.4 percent in 2009 before recovering to 5.9 percent and 6.1 percent in 2010 and 2011. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000 and another 5,100 in 2007 to 44,900. Tighter lending standards and plunging consumer confidence are expected to depress the single-family market despite lower mortgage interest rates but continued strong net migration into Washington should support multi-family activity. The forecast expects total housing permits to decline to 38,700 in 2008 before bouncing back to 45,100 in 2009, 47,400 in 2010, and 48,800 in 2011. Inflation, as measured by the Seattle CPI, increased to 3.9 percent in 2007 from 3.7 percent in 2006. Core inflation (excluding food and energy) was slightly more moderate but also increased to 3.5 percent in 2007 from 3.3 percent in 2006. Energy costs will be roughly neutral in 2008 and declining energy costs in 2009, 2010, and 2011 should help lower overall inflation in those years. The slowdown in the overall economy should also help restrain core inflation. As a result, inflation should decline to 3.4 percent in 2008, 2.4 percent in 2009, 2.5 percent in 2010, and 2.2 percent in 2011.

## Washington State Revenue Forecast

The General Fund-State revenue forecast has been reduced by \$423.4 million for the 2007-09 biennium. The national outlook is much weaker than assumed in November due primarily to the deteriorating real estate and related financial markets, declining consumer confidence, and weak employment. For the first time since 2001, the forecast assumes a mild national recession in the first half of 2008. Fiscal and monetary stimulus should help in the second half of the year but overall activity is expected to remain weaker than assumed in November throughout the biennium. The outlook for the state economy is significantly brighter than for the U.S. but we will be affected by the national slowdown as well as our own housing market problems.

The February 2008 forecast for the 2007-09 biennium is \$29,462.9 million, which is \$423.4 million lower than expected in the November forecast. Of the \$423.4 million reduction, \$231.9 million is due to the lower forecast for the real estate excise tax. This forecast is also the first to extend through 2011. The forecast for the 2009-11 biennium is \$31,917.9 million, an increase of 8.3 percent from the current biennium.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 biennium. The forecast based on more optimistic economic assumptions netted \$808 million (2.7 percent) more revenue in the 2007-09 biennium than did the baseline while the pessimistic alternative was \$819 million (2.8 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$78 million (0.3 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

*Note: The economic data discussed in this chapter were current at the time the forecast was prepared. Many concepts including real GDP have changed since then due to new releases and data revisions.*



# Washington State and U.S. Economic Forecasts

## Recent U.S. Economic Activity

The February 2008 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2007. According to the advance estimate, real GDP growth slowed to 0.6 percent in the fourth quarter of 2007 from 4.9 percent in the third quarter. Some of the slowdown was due to a sharp deceleration in inventory accumulation, but final sales growth also slowed in the fourth quarter to 1.9 percent from 4.0 percent in the third quarter. Consumer spending grew at a moderate 2.0 percent rate in the fourth quarter in spite of a healthy 4.2 percent increase in spending on durable goods. Consumer purchases of nondurable goods rose 1.9 percent and purchases of services rose 1.6 percent. Once again the weakest sector was fixed investment which fell at a 2.6 percent rate in the quarter due to a 23.9 percent plunge in residential fixed investment. The decline in residential fixed investment subtracted 1.2 percentage points from GDP growth in the fourth quarter. Business spending on equipment and software rose at a 3.8 percent rate in the fourth quarter and nonresidential construction spending surged 15.8 percent. The foreign sector partially offset the housing decline by contributing 0.4 percentage points to GDP growth in the fourth quarter. Exports rose at a 3.9 percent rate which was more than enough to offset the 0.3 percent increase in imports. Government consumption and investment spending rose at a 2.6 percent rate in the fourth quarter, led by a 4.0 percent increase in state and local government spending. National defense spending declined at a 0.6 percent rate but other federal government purchases rose at a 2.2 percent rate.

Payroll employment growth held steady at 0.8 percent in the fourth quarter while the unemployment rate edged up to 4.83 percent from 4.70 percent in the third quarter. The Consumer Price Index jumped 4.3 percent in the fourth quarter following a 1.9 percent rise in the third quarter. The increase in inflation was due to energy costs which rose at a 20.0 percent rate in the fourth quarter following a 6.6 percent decline in the third quarter. Core CPI inflation, which excludes food and energy, was unchanged at 2.5 percent in the fourth quarter. Housing starts plummeted at a 38.5 percent rate in the fourth quarter to 1.151 million units. The mortgage rate declined to 6.23 percent in the fourth quarter from 6.55 percent in the third quarter. As expected in the November forecast, the Federal Reserve cut its target for the federal funds rate by 25 basis points at each of its next two meetings resulting in a rate of 4.25 percent by the end of the year. However, the November forecast did not anticipate the rate cuts on January 22 and January 30 which totaled 125 basis points and brought the target rate down to 3.00 percent.

## U.S. Forecast Highlights

The U.S. forecast assumes a mild recession in the first half of 2008 with GDP growth rates of -0.4 percent and -0.5 percent in the first and second quarters, compared to an average rate of 2.5 percent for all four quarters of 2007. Residential fixed investment is expected to remain weak, of course, but the main reason for the slowdown is consumer spending, which is expected to inch up at a 0.1 percent rate in the first half of the year compared to 2.5 percent for the previous four quarters. Nonresidential fixed investment is also expected to turn negative in the first half. The U.S. forecast incorporates a \$153 billion fiscal stimulus package billion in fiscal 2008 (or 1.1 percent of GDP), of which \$110 billion is for households via tax rebates and \$43 billion is for businesses. The forecast assumes oil prices will continue to pull back from their highs near \$100 per barrel to a second-quarter average of \$78.00 per barrel. Thereafter, prices should remain in the low \$70s. We assume that the Fed will cut the target federal funds rate by 50 basis points at its March 18 meeting and another 50 basis points at its April 30 meeting, taking the rate down to 2.0 percent. Faster growth in 2009 leads the Fed to partially reverse its cuts, returning the funds rate to 3.75 percent by the end of next year. Slower U.S. growth and falling interest rates are a recipe for a weaker dollar. But declines from now on are expected to be milder since other trading partners are now cutting interest rates too. We project GDP growth in the United States' major currency trading partners at 2.0 percent in 2008, down from 2.6 percent in 2007. Growth for other trading partners should ease from 5.6 percent in 2007 to 5.1 percent in 2008. We expect productivity gains to average just 1.7 percent for 2008 compared to the 2.6 percent average since 1997. The forecast assumes that Congress will not allow all of the Bush administration's personal tax reductions to expire as scheduled at the end of 2010. But we expect some increase in the income tax burden, whether through the Alternative Minimum Tax (AMT) or through some kind of tax reform that raises a similar amount of revenues. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 5.5 percent in calendar 2008, up from 2.8 percent growth in calendar 2007. Overall federal purchases will rise 4.1 percent in 2008, up from 1.7 percent growth in 2007.

Annual GDP growth slowed to 2.2 percent in 2007 from 2.9 percent in 2006. The forecast expects GDP growth to slow down to 1.4 percent this year, as the economy experiences a mild recession, before recovering to 2.2 percent in 2009, 3.0 percent in 2010, and 3.2 percent in 2011. Nonfarm payroll employment growth slowed to 1.1 percent in 2007 from 1.8 percent in 2006. Slower growth is expected during the next two years. Employment is expected to grow just 0.3 percent this year and 0.7 percent next year. Employment growth is expected to improve to 1.3 percent in 2010 and 1.6 percent in 2011 as the economy recovers from the recession. The unemployment rate edged up to 4.64 percent in 2007 from 4.61 percent in 2006. The forecast expects the unemployment rate to rise to 5.34 percent in 2008 and 5.62 percent in 2009, recovering to 5.45 percent in 2010 and 5.09 percent in 2011. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.5 percent in 2007 from 2.8 percent in 2006. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.1 percent in 2007. Energy costs will add to inflation in 2008 but will help restrain inflation during the following three years. The overall implicit price deflator is expected to rise 2.4 percent in 2008, 1.7 percent in 2009, and 1.8 percent per year in 2010 and 2011.

1. Real GDP growth slowed sharply in fiscal 2007 to 2.1 percent from 3.2 percent in 2006. The slowdown in 2007 was primarily due to residential fixed investment which, after five years of growth, turned sharply negative in 2007, declining at a 13.5 percent rate. The housing decline in 2007 subtracted 0.8 percentage points from real GDP growth after adding 0.2 percent in

the previous year. The housing sector is expected to be a significant drag on GDP growth in 2008 and 2009 as well, subtracting 1.1 and 0.5 percentage points from growth, before bouncing back in 2010 and 2011. Consumer spending growth is expected to slow during the next three years to an average rate of 2.1 percent per year from an average rate of 3.3 percent per year during the previous four years. The foreign sector, on the other hand, added 0.2 percent to real GDP growth in 2007, the first positive contribution from trade in more than a decade. Supported by growth overseas and a declining dollar, the foreign sector is expected to add 0.8 percentage points to growth in 2008 and 0.5 percentage points in 2009. Overall, the forecast calls for relatively weak GDP growth rates of 2.2 percent in fiscal 2008 and 1.5 percent in 2009, recovering to 2.7 percent in 2010 and 3.1 percent in 2011.

2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, declined to 2.4 percent in fiscal 2007 from 3.2 percent in 2006. The decline was entirely due to moderating energy costs. Core inflation actually increased slightly to 2.3 percent from 2.1 percent. Core inflation is expected to decline to 2.1 percent in 2008 as the economy weakens but yet another spike in energy costs will raise overall inflation to 2.8 percent. In the future, weak energy prices are expected to help restrain overall inflation, especially in 2009. The forecast expects a constant 1.8 percent inflation rate in each of the next three fiscal years.
3. Since the financial turbulence and flight to safety that erupted last summer, the Fed has cut its target for the federal funds rate by a 225 basis points including a single-month-record 125 basis points in January. In an effort to head off, or at least mitigate, what appears to be an increasingly likely recession in 2008, the Fed is expected to cut the federal funds rate by another 100 basis points by the end of April bringing the rate to 2.00. The Fed is expected to begin raising rates again in 2009 as the economy recovers, reaching 4.75 percent by the middle of 2010. As a result of the past Fed tightening, the three-month Treasury bill rate rose to 4.89 percent in fiscal 2007 from 4.06 percent in fiscal 2006. Now that the Fed has shifted gears again, the forecast expects the T-bill rate to decline to 2.91 percent in 2008 and 1.80 percent in 2009 before rising again to 3.58 percent and 4.57 percent in 2010 and 2011. The rise in long term rates has been much more restrained. The mortgage rate increased from 6.20 percent in fiscal 2006 to 6.35 percent in 2007. The forecast expects the mortgage rate to decline to 5.77 percent in 2008 and 5.11 percent in 2009, rising to 6.26 percent in 2010 and 7.05 percent in 2011.
4. Housing remains the biggest drag on growth in the U.S. economy. Housing starts declined 24.2 percent in fiscal 2007 to 1.546 million units, the first decline after a six-year housing boom. Rising foreclosures, high inventories of unsold homes, higher spreads for jumbo and other non-conventional loans, and tighter lending standards are expected to further depress housing activity. The forecast calls for a 31.2 percent reduction in starts in 2008 to 1.063 million units followed by a 6.4 percent decline in 2009 to 0.995 million units. The housing sector is expected to recover in 2010 and 2011, rising 34.1 percent to 1.335 million units and 19.4 percent to 1.594 million units.
5. The nation's unemployment rate declined from 4.83 percent in fiscal 2006 to a six-year-low 4.53 percent in 2007. The relatively mild U.S. recession assumed in the forecast is expected to cause a modest increase in the unemployment rate. The forecast calls for the unemployment rate to rise to 4.97 percent in 2008, 5.56 percent in 2009, and 5.57 percent in 2010 before recovering to 5.29 percent in 2011.

6. In spite of the housing decline, growth in the overall economy has had a beneficial impact on the federal deficit. Sharp revenue gains, fueled by surging profits and bonuses, were behind the improvement. Revenues improved so sharply that the federal deficit (national income and product accounts basis) dropped to \$211.5 billion in fiscal 2007 from \$286.8 billion in 2006. This trend is not expected to continue, however. Due to the projected slowdown in the economy and a flattening in corporate profits growth, overall revenue growth is expected to slow. Growth in expenditures, on the other hand, is expected to increase. The fiscal stimulus package will add to the deficit, especially in 2009. The forecast expects the deficit to widen to \$282.1 billion in 2008 and \$458.4 billion in 2009. The deficit is expected to improve to \$311.9 billion in 2010 and \$280.1 billion in 2011 as economic growth revives.
7. On a more positive note, the trade deficit (national income and product accounts basis) declined in fiscal 2007 to \$733.2 billion from an all-time record \$762.8 billion in 2006. Foreign economic growth, while slowing, remains positive and the dollar is expected to continue to decline, which should help restrain real imports and boost real exports. The forecast expects the deficit to narrow to \$690.1 billion in 2008, \$597.2 billion in 2009, 571.7 billion in 2010, and \$570.2 billion in 2011.

Table 1.1 provides a fiscal year summary of the U.S. economic indicators.

## Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through December 2007. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. The state's employment growth rate edged up to 1.7 percent in the fourth quarter of 2007 from 1.5 percent in the third quarter. Manufacturing employment rose at a 2.2 percent rate in the fourth quarter due to a 7.5 percent increase in aerospace employment. Manufacturing employment other than aerospace rose only 0.2 percent. Construction employment declined at a 1.2 percent rate in the fourth quarter following a 2.9 percent decrease in the third quarter. Prior to the third quarter, construction employment had increased for 17 consecutive quarters. Natural resources (logging) and mining employment, while small, fell at a 6.8 percent rate in the fourth quarter. Among the private services-producing sectors, leisure and hospitality employment and education and health services employment remained strong in the fourth quarter, rising 3.3 percent and 2.9 percent respectively. Both software and non-software information employment grew at a 2.7 percent rate in the fourth quarter. Professional and business services employment grew 1.8 percent, trade, transportation, and utilities employment grew 1.0 percent, and "other services" employment grew 0.7 percent in the fourth quarter. But financial activities employment fell at a 1.7 percent rate in the fourth quarter, the third consecutive decline. In the public sector, state and local government employment rose at a 3.7 percent rate in the fourth quarter but federal government employment fell at a 4.9 percent rate.

In December 2007 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the second quarter of 2007 and released preliminary estimates for the third quarter. This forecast is based on adjusted personal income estimates as described in **Adjustments to Economic Data**. According to the adjusted estimates, Washington's personal income in the third quarter of 2007 was \$0.082 billion (0.0 percent) higher than the estimate made in November. Total wages were \$0.423 billion (0.3 percent) lower than expected in November. Software wages were \$0.305 billion (2.8 percent) lower than expected and other wages were \$0.118 billion (0.1 percent) lower. Nonwage personal income was \$0.505 billion (0.4 percent) higher than the November estimate. The forecast assumes that personal income growth

fell to 1.2 percent in the fourth quarter of 2007 from 15.5 percent in the third quarter. Third quarter income had been temporarily boosted by large bonuses and vesting of stock awards in the software sector. Personal income, excluding software wages, is assumed to have grown at a healthy 5.5 percent rate in the fourth quarter. The forecast assumes that wage and salary disbursements fell at a 2.0 percent rate in the fourth quarter, again due mainly to software wages. Wages outside of the software sector rose at a 5.5 percent rate. The forecast assumes that income from sources other than wages grew at a healthy 5.6 percent rate in the fourth quarter.

The forecast also reflects Seattle consumer price data through December 2007. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) moved ahead of the national average in 2005, 2006, and 2007, rising at an average rate of 3.3 percent compared to 2.4 percent for the nation. Energy costs added less to Seattle inflation than to U.S. inflation during this period, however. As a result, the Seattle all items CPI rose at a 3.9 percent rate compared to the national average rate of 3.3 percent. The stronger inflation in Seattle compared to the U.S. city average can almost entirely be attributed to shelter costs, in particular, rent and owners' equivalent rent.

The number of housing units authorized by building permit fell 8,600 in the fourth quarter of 2007 to 34,800 from 43,400 in the third quarter. Single-family permits plunged 8,100 to 20,600 and multi-family permits declined 400 to 14,200. The number of single family permits taken out in the fourth quarter of 2007 was the lowest since the first quarter of 1991.

## **Adjustments to Economic Data**

This forecast utilized an alternative employment estimate produced by the Department of Employment Security which incorporates more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. The alternative employment estimate incorporated the covered employment and payrolls data through the third quarter of 2007 which added 10,000 (0.3 percent) to the BLS Current Employment Statistics (CES) estimate for September 2007. By December 2007 the difference had narrowed to 6,900 (0.2 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the Quarterly Census of Employment and Wages (QCEW) data for all sectors except agriculture and federal government. We have more up-to-date QCEW data for wages for the third quarter of 2007 than were available to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived third quarter 2007 wage estimates for these sectors based on the QCEW data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments increased the third quarter wage estimate by \$0.086 billion (0.1 percent), adding 0.0 percent from total personal income in that quarter.

## **Washington State Forecast Highlights**

The decline in Washington housing permits, especially single-family permits, during the fourth quarter of 2007 was far more severe than expected in November. In addition, the preliminary annual estimate for 2007 indicates that the 2007 monthly estimates are, on average, too high. The current forecast assumes that housing permits will be significantly lower in 2008 than assumed in November but will recover to about the same rate in 2009. Newly available employment data now indicate that construction employment peaked in the second quarter of 2007 with declines in the third and fourth quarters. In November we assumed the peak in construction employment would be in the fourth quarter. The new forecast also assumes steeper declines during 2008 than assumed in November.

The forecast assumes little change in the overall level of construction employment in 2009, 2010, and 2011. The software employment forecast is similar to the November assumption. Software employment is expected to rise 4,800 from the fourth quarter of 2007 to the fourth quarter of 2009 and a similar amount in 2010 and 2011. The Washington aerospace employment forecast is also virtually unchanged other than recognizing that 1,500 more aerospace jobs have been created as of December 2007 than assumed in the November forecast. The forecast expects another 1,200 new aerospace jobs by mid-2008 when employment is expected to level off at 84,200. The forecast assumes no further changes in aerospace employment through 2011.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment grew 2.5 percent in 2007 following a 3.0 percent increase in 2006. Growth in these key industries is expected to slow, though, and the state will also be adversely affected by the recession expected for the U.S. economy. The forecast calls for employment growth rates of 1.2 percent and 1.4 percent in 2008 and 2009. Employment growth is expected to improve to 1.8 percent and 1.7 percent in 2010 and 2011 as the national economy recovers from the recession. Washington personal income growth slowed from 8.3 percent in 2006 to a still strong 7.5 percent in 2007. Income growth is expected to slow to 5.3 percent in 2008 and 5.4 percent in 2009 before recovering to 5.9 percent and 6.1 percent in 2010 and 2011. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000 and another 5,100 in 2007 to 44,900. Tighter lending standards and plunging consumer confidence are expected to depress the single-family market despite lower mortgage interest rates but continued strong net migration into Washington should support multi-family activity. The forecast expects total housing permits to decline to 38,700 in 2008 before bouncing back to 45,100 in 2009, 47,400 in 2010, and 48,800 in 2011. Inflation, as measured by the Seattle CPI, increased to 3.9 percent in 2007 from 3.7 percent in 2006. Core inflation (excluding food and energy) was slightly more moderate but also increased to 3.5 percent in 2007 from 3.3 percent in 2006. Energy costs will be roughly neutral in 2008 and declining energy costs in 2009, 2010, and 2011 should help lower overall inflation in those years. The slowdown in the overall economy should also help restrain core inflation. As a result, inflation should decline to 3.4 percent in 2008, 2.4 percent in 2009, 2.5 percent in 2010, and 2.2 percent 2011.

1. Nominal personal income growth jumped to 7.6 percent in fiscal 2007 from 4.4 percent in 2006. The apparent improvement in growth was largely due to the special one-time dividend paid by Microsoft in December 2004. Without the special dividend in fiscal 2005, personal income growth in 2006 would have been 7.1 percent. The forecast expects weaker growth during the next two years due to slower employment and population growth as well as declining average wage growth. The forecast expects total personal income growth rates of 6.9 percent in 2008 and 5.0 percent in 2009. As the economy recovers from the 2008 recession, personal income growth is expected to recover to 5.7 percent in 2010 and 6.0 percent in 2011. Software wages are not expected to have a major impact on overall income growth during this period.
2. Washington real personal income growth jumped to 5.2 percent in fiscal 2007 from just 1.2 percent in fiscal 2006. This apparent improvement was also largely due to the special Microsoft dividend in December 2004. Excluding the special dividend, real income growth in 2006 would have been 3.8 percent. Real personal income growth is expected to remain strong in 2008 at 4.0 percent. In spite of lower inflation in 2009, real income growth is expected to slow to 3.1 percent as the U.S. economy suffers a recession, recovering to 3.8 percent in 2010 and 4.2 percent in 2011.

3. Total nonfarm payroll employment in Washington rose 2.7 percent in fiscal 2007 which was almost as strong as the 3.0 percent gain in 2006. Booming construction employment growth coupled with strong growth in both aerospace and software continued to support overall job growth. Together these sectors grew 9.1 percent in 2006 and 9.2 percent in 2007. Slower growth is expected during the next four years, however, due to the recession in the U.S. economy, a leveling off of aerospace employment growth, and declining construction employment. The forecast calls for employment growth rates of 1.8 percent in 2008 and 1.1 percent in 2009, recovering to 1.7 percent in 2010 and 1.8 percent in 2011.

- ◆ As of December 2007, the aerospace recovery has added 22,200 jobs since the trough of the last downturn in May 2004. Boeing Commercial Airplanes recorded yet another record in 2007, booking 1,423 gross orders. Boeing currently has a backlog exceeding seven years worth of current revenue. Boeing delivered 441 planes in 2007, an 11 percent increase over the 398 planes delivered in 2006. Boeing expects to increase deliveries in 2008 to between 475 and 480 planes. This estimate is down slightly from earlier estimates due to the rescheduling of initial deliveries of the 787 from 2008 to 2009. The aerospace employment forecast assumes employment grows by 1,200 during the first six months of 2008, leveling off at 84,200 employees. However, the new employment peak will be 28,900 (25.5 percent) lower than the previous peak in June 1998.
- ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. Since mid-2003, however, growth has picked up to an average annual rate of 6.2 percent. Microsoft's hiring shows no sign of slowing any time soon as they continue to add capacity at the Redmond campus. The forecast assumes software employment growth during the next four years will remain strong at an average annual rate of 4.7 percent per year.
- ◆ Booming construction employment growth has been a major driving force during the current expansion in Washington. Bolstered initially by a hot housing market and more recently by upturns in nonresidential building and heavy and civil engineering construction, Washington's construction employment grew at an average rate of 7.8 percent per year from mid-2003 through mid-2007, adding 54,000 jobs. While it is too early to tell for certain, it now appears that construction employment peaked in the second quarter of 2007. Employment declined at a 2.9 percent rate in the third quarter of 2007 and at a 1.2 percent rate in the fourth quarter. The forecast expects construction to fall throughout 2008 at an average rate of 3.2 percent. While the forecast expects a recovery in housing permits in 2009 and 2010, nonresidential construction is expected to decline. The forecast expects construction employment growth to average only 0.2 percent per year during 2009, 2010, and 2011.
- ◆ Financial activities employment also appears to have peaked. As of the fourth quarter of 2007, employment is down 3,000 (1.9 percent) since the first quarter of 2006 with most of that decline occurring in the second half of 2007. Credit intermediation and related activities, a victim of the meltdown in the mortgage markets, more than accounted for the decline since the first quarter of 2006, falling by 4,100 (7.2 percent). Other financial activities employment actually grew 1,100 (1.1 percent). Normally the recent steep interest rate cuts would boost home sales and set off a wave of mortgage refinancings which,

- in turn, would boost employment in the financial activities sector. However, this is not likely in the current environment of excessive inventories of unsold homes and dysfunctional credit markets. Financial activities employment is expected to decline slightly in the first half of 2008. The forecast expects employment to decline at a 0.4 percent rate through the second quarter of 2008, improving to an average rate of 2.3 percent per year for the remainder of the forecast.
- ◆ After a slow start, the recovery in retail trade employment accelerated during 2005 and 2006, rising at a 1.7 percent rate then soaring to 6.7 percent in the first quarter of 2007. Since then, growth has slowed to an average rate of just 0.4 percent. The forecast assumes employment will decline slightly in the first half of 2008. Growth should improve beginning in the second half of 2008 as the fiscal stimulus package kicks in and the state's economy recovers from a close brush with recession. Retail trade employment is expected to decline at a 0.3 percent rate during the next two quarters, after which employment is expected to recover to an average rate of 1.3 percent per year.
  - ◆ Employment growth in the professional and business services sector slowed during the last three quarters of 2007 to an average rate of 2.0 percent compared to nearly 5.0 percent per year during the previous two years. The most important reason for the slowdown in growth was employment services, which includes temporary help services, which went from an average growth rate of 8.0 percent to a 1.4 percent rate of decline. This turnaround is worrisome as temporary jobs tend to get cut first in a downturn. At the other extreme is computer systems design and related services where employment growth remains in double-digit territory. The forecast expects growth in this sector to remain relatively strong. Growth is expected to average 2.5 percent during the next two quarters, improving to an average rate of 4.3 percent per year through the end of 2011.
  - ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state's economy put pressure on state and local governments' budgets with a lag. Employment growth was only 0.6 percent per year (0.2 percent per year excluding the small but rapidly expanding tribal government sector) from the end of 2002 through the first quarter of 2007. Growth has picked up during the most recent three quarters to an average annual rate of 2.6 percent but fresh budget concerns brought on by the weakening economy coupled with slow school age population growth will restrain future increases. The forecast expects an average growth rate of 1.4 percent per year through 2011 (1.1 percent per year excluding tribal employment).
4. The number of housing units authorized by building permit in Washington fell 8.8 percent in fiscal 2007 to a still impressive 49,200 units. Single family permits fell 17.6 percent in 2007 to 33,300 units from a 40-year high 40,400 units in 2006. However, multi-family units, responding to strong population growth, jumped 17.6 percent to 15,900 units. Even though population growth is expected to remain strong during the next four years, tighter lending standards and wider spreads for jumbo and other non-conventional lending products will further restrict housing activity. The forecast for total housing units authorized by building permits is for a 22.3 percent decrease in 2008 to 38,200 units. Housing permits are expected to grow 9.4 percent in 2009 to 41,800 units, 12.0 percent in 2010 to 46,800 units, and 3.3 percent in 2011 to 48,400 units.



5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, jumped to 4.0 percent in fiscal 2007 from 3.2 percent in 2006. For once, energy costs were not a significant factor. Seattle's core inflation rose even more, from 2.1 percent in 2006 to 3.8 percent in 2007. Seattle inflation trailed the national average in 2003, 2004, 2005, and 2006 reflecting the impact of a more severe local recession. A slowdown in the U.S. economy should help restrain inflation but the relatively strong local economy should cause Seattle inflation to remain above the U.S. rate. The forecast calls for Seattle inflation rates of 3.8 percent in 2008, 2.5 percent in 2009, 2.5 percent in 2010, and 2.3 percent in 2011 compared to national rates of 3.1 percent, 1.7 percent, 1.9 percent, and 1.8 percent.

Table 1.2 provides a fiscal year summary of the state economic indicators.

## **Alternative Forecasts**

As required by statute, the Forecast Council has also adopted two alternatives to the baseline forecast. One of these was based on more optimistic economic assumptions than the baseline and one was based on more pessimistic assumptions. These alternatives are summarized in Table 1.3.

**Pessimistic Forecast:** The pessimistic scenario assumes that the housing recession deepens even more than in the baseline, and that near-term oil prices spike above \$90 per barrel. This fatal combination sends the economy into a recession similar in depth and duration to the 1991 recession. Real GDP drops 1.4 percent, peak to trough, falling over the first two quarters of 2008. The economy then gets a breather, as the stimulus package and the Fed rate cuts take effect, and growth inches toward 1.0 percent in the second half of 2008. But then the effects of the stimulative monetary and fiscal policies wear off, and the economy slips back into reverse. Housing starts drop to 717,000 units in 2008 compared with 900,000 in the baseline. The median price of existing homes falls 10 percent below the baseline in 2009. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench, causing a drop in consumer spending during the first two quarters of 2008. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Foreign economic growth is also lower, which cuts into export growth. In the pessimistic scenario, real GDP drops 0.1 percent in 2008 and grows only 0.4 percent in 2009 compared with growth rates of 1.4 percent and 2.2 in the baseline. At the state level, aerospace employment growth begins to decline in the second half of 2008 rather than leveling off as in the baseline and software employment levels off in 2008 and 2009 rather than continuing to grow as in the baseline. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario and construction employment falls much more rapidly than in the baseline in 2008 and continues to decline throughout 2009. Due to the relatively weak local economy, Seattle inflation is lower than in the baseline forecast in spite of the higher national inflation rate. The weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2007-09 biennium, Washington nonagricultural employment is 68,900 lower than in the baseline forecast and Washington personal income is \$12.4 billion lower. The pessimistic scenario produced \$819 million (2.8 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

**Optimistic Forecast:** Renewed strength in productivity growth provides the key assumption distinguishing the optimistic scenario from the baseline forecast. Stronger productivity gains, coupled with a dose of raw optimism, facilitate enhanced business spending and a milder housing contraction.

These, in turn, allow meager, but positive, GDP growth during the first half of 2008, and then a strong takeoff in the second half. The fiscal stimulus package adds fuel to the fire during the latter half of 2008. Combined with a stronger currency, the productivity gains also help to contain inflation. Business fixed investment growth registers a respectable 3.5 percent rate in 2008, compared with just 1.5 percent in the baseline forecast. The contraction in residential investment is less severe in the optimistic scenario, with housing starts beginning to recover in the second half of 2008, averaging 1.029 million units for the year, compared with only 0.900 million units in the baseline forecast. Foreign economic growth is also stronger, boosting U.S. exports and strengthening domestic manufacturing. Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. Oil prices run about \$10 per barrel below baseline levels, while wellhead natural gas prices are also lower. Under these assumptions, the economic outlook is much brighter. After slowing to a 0.3 percent crawl in the first quarter of 2008, real GDP growth bounces back to 1.4 percent in the second quarter and 5.3 percent in the third. In the optimistic scenario, real GDP growth averages 2.2 percent for the year versus 1.4 percent in the baseline. Growth remains faster in 2009 as well, averaging 3.0 percent compared with 2.2 percent in the baseline. For Washington, the optimistic forecast assumes aerospace employment continues to grow through 2009 rather than leveling off in mid-2008 as in the baseline. Software employment also grows faster in the optimistic forecast. Washington's wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is higher in the optimistic scenario and population growth is stronger. Finally, construction employment begins to rise again in the fourth quarter of 2008 rather than leveling off as in the baseline. By the end of the 2007-09 biennium, Washington nonagricultural employment is higher by 63,500 jobs than in the baseline forecast and Washington personal income is \$12.7 billion higher. The optimistic scenario generated \$808 million (2.7 percent) more revenue in the 2007-09 biennium than did the baseline forecast.

## **Governor's Council of Economic Advisors Scenario**

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. The GCEA forecast for the U.S. economy is weaker than the baseline forecast. The Governor's Council members expect less real growth GDP growth than assumed in the baseline, especially in fiscal 2009. However, their inflation forecast is very similar to the baseline. In spite of the weaker real growth, the Council members expect higher short term and long term interest rates in both years than is assumed in the baseline. The GCEA forecast for Washington personal income, both nominal and real, is slightly stronger than the baseline forecast. Their employment forecast, on the other hand, is slightly weaker. The most significant difference is in the housing forecast where the Council members expect significantly fewer housing units authorized by building permit in 2009 than assumed in the baseline. By the end of the 2007-09 biennium Washington nonagricultural employment is 8,800 lower in the GCEA forecast than in the baseline forecast but Washington personal income is \$1.7 billion higher. The Governor's Council scenario yielded \$78 million (0.3 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

*Note: The economic data discussed in this chapter were current at the time the forecast was prepared. Many concepts including real GDP have changed since then due to new releases and data revisions.*

Table 1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2008 to 2011

Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	10,510.9	10,839.4	11,181.7	11,416.2	11,663.4	11,839.7	12,158.8	12,535.7
% Ch	3.7	3.1	3.2	2.1	2.2	1.5	2.7	3.1
Real Consumption	7,435.7	7,683.6	7,925.2	8,166.3	8,335.0	8,500.9	8,687.0	8,937.5
% Ch	3.6	3.3	3.1	3.0	2.1	2.0	2.2	2.9
Real Nonresidential Fixed Investment	1,108.0	1,191.0	1,270.6	1,328.1	1,398.2	1,378.9	1,411.9	1,483.3
% Ch	4.4	7.5	6.7	4.5	5.3	-1.4	2.4	5.1
Real Residential Fixed Investment	539.8	578.3	601.8	520.4	414.2	365.8	409.4	456.0
% Ch	11.8	7.1	4.1	-13.5	-20.4	-11.7	11.9	11.4
Real Personal Income	8,809.5	9,126.9	9,395.6	9,757.0	10,000.1	10,210.9	10,500.4	10,864.8
% Ch	2.6	3.6	2.9	3.8	2.5	2.1	2.8	3.5
Real Per Capita Income (\$/Person)	30,061	30,845	31,447	32,362	32,876	33,276	33,924	34,802
% Ch	1.6	2.6	2.0	2.9	1.6	1.2	1.9	2.6
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.069	1.098	1.133	1.160	1.192	1.214	1.236	1.259
% Ch	2.2	2.8	3.2	2.4	2.8	1.8	1.8	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.861	1.917	1.990	2.041	2.105	2.141	2.181	2.221
% Ch	2.2	3.0	3.8	2.6	3.1	1.7	1.9	1.8
Employment Cost Index (June 1989=1.0)	0.955	0.980	1.005	1.038	1.071	1.099	1.128	1.160
% Ch	2.8	2.6	2.6	3.3	3.2	2.7	2.6	2.8
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	11,330.3	12,049.8	12,846.0	13,495.0	14,109.0	14,602.5	15,262.7	16,030.8
% Ch	6.2	6.3	6.6	5.1	4.6	3.5	4.5	5.0
Personal Income	9,414.3	10,026.2	10,649.7	11,319.4	11,921.9	12,395.7	12,981.8	13,675.0
% Ch	4.8	6.5	6.2	6.3	5.3	4.0	4.7	5.3
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	146.8	148.2	150.4	152.4	153.7	154.9	156.1	157.6
Total U.S. Employment	138.3	140.4	143.1	145.5	146.1	146.3	147.4	149.3
Unemployment Rate (%)	5.82	5.30	4.83	4.53	4.97	5.56	5.57	5.29
Nonfarm Payroll Employment	130.46	132.47	135.00	136.96	137.92	138.27	139.80	141.84
% Ch	0.3	1.5	1.9	1.4	0.7	0.3	1.1	1.5
Manufacturing	14.33	14.29	14.20	14.03	13.74	13.35	13.19	13.32
% Ch	-3.7	-0.3	-0.6	-1.2	-2.0	-2.9	-1.2	1.0
Durable Manufacturing	8.88	8.96	8.98	8.91	8.72	8.46	8.36	8.50
% Ch	-3.6	0.9	0.2	-0.7	-2.1	-3.0	-1.2	1.7
Nondurable Manufacturing	5.45	5.33	5.23	5.12	5.02	4.89	4.83	4.82
% Ch	-3.8	-2.1	-2.0	-2.1	-1.9	-2.6	-1.2	-0.2
Construction	6.84	7.13	7.57	7.69	7.44	7.06	7.05	7.25
% Ch	2.1	4.3	6.1	1.6	-3.2	-5.0	-0.2	2.8
Service-Producing	108.72	110.44	112.58	114.54	116.00	117.13	118.86	120.58
% Ch	0.7	1.6	1.9	1.7	1.3	1.0	1.5	1.4
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	33.8	48.8	64.3	63.4	82.7	74.3	74.2	74.0
Personal Saving/Disposable Income (%)	2.2	1.5	0.4	0.4	0.6	1.9	1.4	1.8
Auto Sales (Millions)	7.5	7.6	7.8	7.7	7.4	7.1	7.5	7.8
% Ch	-4.3	0.2	2.8	-1.3	-4.1	-3.0	4.7	3.7
Housing Starts (Millions)	1.945	2.016	2.039	1.546	1.063	0.995	1.335	1.594
% Ch	12.5	3.7	1.1	-24.2	-31.2	-6.4	34.1	19.4
Federal Budget Surplus (Billions)	-404.5	-320.7	-286.8	-211.5	-282.1	-458.4	-311.9	-280.1
Net Exports (Billions)	-535.8	-666.5	-762.8	-733.2	-690.1	-597.2	-571.7	-570.2
3-Month Treasury Bill Rate (%)	0.96	2.21	4.06	4.89	2.91	1.80	3.58	4.57
10-Year Treasury Note Yield (%)	4.29	4.23	4.59	4.76	3.91	3.33	4.55	5.37
Bond Index of 20 G.O. Munis. (%)	4.79	4.50	4.45	4.30	4.07	3.52	4.73	5.55
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	5.77	5.11	6.26	7.05

Table 1.2  
**Washington Economic Forecast Summary**  
 Forecast 2008 to 2011

Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	193.798	204.080	206.457	217.100	225.800	232.749	241.528	251.576
% Ch	1.7	5.3	1.2	5.2	4.0	3.1	3.8	4.2
Real Wage and Salary Disb.	108.733	111.338	115.505	121.766	126.812	130.517	135.235	140.487
% Ch	1.4	2.4	3.7	5.4	4.1	2.9	3.6	3.9
Real Nonwage Income	85.065	92.742	90.953	95.334	98.987	102.231	106.294	111.089
% Ch	2.2	9.0	-1.9	4.8	3.8	3.3	4.0	4.5
Real Per Capita Income (\$/Person)	31,459	32,669	32,459	33,534	34,289	34,749	35,473	36,385
% Ch	0.6	3.8	-0.6	3.3	2.3	1.3	2.1	2.6
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.069	1.098	1.133	1.160	1.192	1.214	1.236	1.259
% Ch	2.2	2.8	3.2	2.4	2.8	1.8	1.8	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.935	1.973	2.035	2.116	2.197	2.253	2.310	2.363
% Ch	1.3	1.9	3.2	4.0	3.8	2.5	2.5	2.3
Average Nonfarm Annual Wage	41,589	42,684	44,341	46,647	49,017	50,781	52,715	54,829
% Ch	2.7	2.6	3.9	5.2	5.1	3.6	3.8	4.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.57	19.32	20.21	20.17	20.23	20.57	20.96
% Ch	1.6	2.3	4.0	4.6	-0.2	0.3	1.7	1.9
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	207.083	224.145	234.001	251.855	269.179	282.542	298.596	316.636
% Ch	3.9	8.2	4.4	7.6	6.9	5.0	5.7	6.0
Disposable Personal Income	185.143	198.937	205.789	220.215	235.092	249.779	260.972	276.213
% Ch	5.0	7.5	3.4	7.0	6.8	6.2	4.5	5.8
Per Capita Income (\$/Person)	33,615	35,880	36,788	38,901	40,875	42,182	43,854	45,794
% Ch	2.8	6.7	2.5	5.7	5.1	3.2	4.0	4.4
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,181.4	3,235.4	3,303.7	3,352.4	3,462.3	3,525.3	3,588.2	3,650.0
Total Washington Employment	2,961.5	3,047.0	3,132.6	3,189.7	3,291.3	3,332.9	3,386.9	3,443.9
Unemployment Rate (%)	6.91	5.82	5.18	4.85	4.94	5.46	5.61	5.65
Nonfarm Payroll Employment	2,673.5	2,737.5	2,820.6	2,896.0	2,949.5	2,982.9	3,033.6	3,087.1
% Ch	0.7	2.4	3.0	2.7	1.8	1.1	1.7	1.8
Manufacturing	263.2	267.8	279.2	289.7	295.7	293.4	291.7	295.9
% Ch	-4.2	1.7	4.3	3.7	2.1	-0.8	-0.6	1.4
Durable Manufacturing	181.0	186.8	197.6	208.0	214.4	212.9	210.6	213.3
% Ch	-5.0	3.2	5.8	5.3	3.0	-0.7	-1.1	1.3
Aerospace	62.1	63.4	69.0	76.7	82.8	84.2	84.2	84.2
% Ch	-11.4	2.1	8.8	11.1	7.9	1.8	0.0	0.0
Nondurable Manufacturing	82.2	81.0	81.6	81.6	81.3	80.5	81.1	82.6
% Ch	-2.5	-1.5	0.7	0.1	-0.4	-1.0	0.7	1.8
Construction	159.8	170.0	186.6	202.5	205.8	200.2	200.5	201.0
% Ch	3.2	6.4	9.7	8.5	1.6	-2.7	0.1	0.3
Service-Producing	2,241.7	2,290.5	2,345.9	2,395.4	2,440.0	2,481.6	2,533.9	2,582.5
% Ch	1.2	2.2	2.4	2.1	1.9	1.7	2.1	1.9
Software Publishers	38.5	40.1	42.8	46.6	48.4	50.8	53.2	55.6
% Ch	5.5	4.1	6.7	8.8	4.0	4.8	4.8	4.6
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	44.469	52.018	53.907	49.171	38.199	41.806	46.824	48.378
% Ch	4.1	17.0	3.6	-8.8	-22.3	9.4	12.0	3.3
Single-Family	34.471	38.555	40.411	33.294	23.747	27.414	31.371	32.397
% Ch	5.4	11.8	4.8	-17.6	-28.7	15.4	14.4	3.3
Multi-Family	9.998	13.463	13.496	15.877	14.452	14.393	15.453	15.981
% Ch	-0.1	34.7	0.2	17.6	-9.0	-0.4	7.4	3.4
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	5.77	5.11	6.26	7.05

Table 1.3  
**Comparison of Alternative Forecasts**

	Fiscal Year 2007				Fiscal Year 2008				Fiscal Year 2009			
	O	B	P	G	O	B	P	G	O	B	P	G
<b>U.S.</b>												
Real GDP	11416.2	11416.2	11416.2	11416.2	11686.8	11663.4	11617.4	11657.4	12007.3	11839.7	11552.5	11724.2
%Ch	2.1	2.1	2.1	2.1	2.4	2.2	1.8	2.1	2.7	1.5	-0.6	0.6
Implicit Price Deflator	1.160	1.160	1.160	1.160	1.191	1.192	1.194	1.192	1.206	1.214	1.223	1.216
%Ch	2.4	2.4	2.4	2.4	2.6	2.8	2.9	2.7	1.3	1.8	2.5	2.0
Mortgage Rate	6.35	6.35	6.35	6.35	5.79	5.77	6.03	5.95	5.32	5.11	6.04	5.51
3 Month T-Bill Rate	4.89	4.89	4.89	4.89	2.99	2.91	2.89	3.24	2.46	1.80	2.30	2.38
<b>Washington</b>												
Real Personal Income	217.100	217.100	217.100	217.100	228.084	225.800	223.601	226.396	242.883	232.749	222.730	233.266
%Ch	5.2	5.2	5.2	5.2	5.1	4.0	3.0	4.3	6.5	3.1	-0.4	3.0
Personal Income	251.855	251.855	251.855	251.855	271.569	269.179	266.882	269.825	292.816	282.542	272.491	283.654
%Ch	7.6	7.6	7.6	7.6	7.8	6.9	6.0	7.1	7.8	5.0	2.1	5.1
Employment	2896.0	2896.0	2896.0	2896.0	2957.1	2949.5	2939.6	2950.3	3032.4	2982.9	2929.2	2974.4
%Ch	2.7	2.7	2.7	2.7	2.1	1.8	1.5	1.9	2.5	1.1	-0.4	0.8
Housing Permits	49.171	49.171	49.171	49.171	39.398	38.199	35.939	37.217	46.901	41.806	32.933	35.337
%Ch	-8.8	-8.8	-8.8	-8.8	-19.9	-22.3	-26.9	-24.3	19.0	9.4	-8.4	-5.1

(O) Optimistic; (B) Baseline; (P) Pessimistic; (G) Governor's Council of Economic Advisors

Table 1.4

**Forecast Analysis**

Comparison of Forecasts for 2007-09

Forecast Date	2006				2007				2008				2009	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
<b>U.S.</b>														
Percent Growth, 2007:2-2009:2														
Real GDP	6.1	6.6	6.3	6.7	6.2	6.1	4.6	4.9	3.6					
Implicit Price Deflator	4.1	3.3	3.7	3.9	4.2	3.6	3.4	3.4	4.2					
Average Rate, 2007:3 to 2009:2														
3 Month T-Bill Rate	4.68	4.62	4.72	4.44	4.91	4.89	4.23	3.95	2.35					
Mortgage Rate	6.86	6.83	6.99	6.56	6.57	6.56	6.38	6.44	5.44					
<b>Washington</b>														
Percent Growth, 2007:2-2009:2														
Employment	3.4	3.9	4.2	4.3	4.4	4.1	4.2	3.8	2.6					
Personal Income	13.1	13.5	14.1	14.0	14.1	13.9	12.5	12.6	10.9					
Real Personal Income	8.7	9.8	10.0	9.7	9.5	10.0	8.7	8.9	6.5					
Total (Thousands of units), 2007:3 to 2009:2														
Housing Units Authorized	95.0	98.1	97.5	99.9	97.8	97.8	91.1	87.6	80.0					

Table 1.5

Fiscal Years

**Forecast Comparison**

Forecast 2008 to 2009

	2005	2006	2007	2008	2009
<b>U.S.</b>					
<b>Real GDP</b>					
February Baseline	10839.4	11181.7	11416.2	11663.4	11839.7
% Ch	3.1	3.2	2.1	2.2	1.5
November Baseline	10839.4	11181.7	11416.2	11659.6	11945.3
% Ch	3.1	3.2	2.1	2.1	2.5
<b>Implicit Price Deflator</b>					
February Baseline	1.098	1.133	1.160	1.192	1.214
% Ch	2.8	3.2	2.4	2.8	1.8
November Baseline	1.098	1.133	1.160	1.185	1.205
% Ch	2.8	3.2	2.4	2.2	1.7
<b>U.S. Unemployment Rate</b>					
February Baseline	5.30	4.83	4.53	4.97	5.56
November Baseline	5.29	4.83	4.54	4.83	4.95
<b>Mortgage Rate</b>					
February Baseline	5.78	6.20	6.35	5.77	5.11
November Baseline	5.78	6.20	6.35	6.35	6.52
<b>3 Month T-Bill Rate</b>					
February Baseline	2.21	4.06	4.89	2.91	1.80
November Baseline	2.21	4.06	4.89	3.83	4.08
<b>Washington</b>					
<b>Real Personal Income</b>					
February Baseline	204.080	206.457	217.100	225.800	232.749
% Ch	5.3	1.2	5.2	4.0	3.1
November Baseline	204.080	206.458	217.044	227.355	236.990
% Ch	5.3	1.2	5.1	4.8	4.2
<b>Personal Income</b>					
February Baseline	224.145	234.001	251.855	269.179	282.542
% Ch	8.2	4.4	7.6	6.9	5.0
November Baseline	224.145	234.002	251.789	269.454	285.581
% Ch	8.2	4.4	7.6	7.0	6.0
<b>Employment</b>					
February Baseline	2737.5	2820.6	2896.0	2949.5	2982.9
% Ch	2.4	3.0	2.7	1.8	1.1
November Baseline	2737.5	2819.9	2896.6	2967.3	3018.2
% Ch	2.4	3.0	2.7	2.4	1.7
<b>Housing Permits</b>					
February Baseline	52.018	53.907	49.171	38.199	41.806
% Ch	17.0	3.6	-8.8	-22.3	9.4
November Baseline	52.018	53.907	49.907	43.840	43.790
% Ch	17.0	3.6	-7.4	-12.2	-0.1

Table 1.6

Calendar Years

**Long Range Economic Outlook**

Forecast 2008 to 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>U.S.</b>											
Real GDP, %Ch	1.4	2.2	3.0	3.2	2.7	2.3	2.4	2.5	2.5	2.5	2.6
Implicit Price Deflator, %Ch	2.4	1.7	1.8	1.8	2.0	1.9	2.0	2.0	1.9	1.9	1.9
3 Month T-Bill Rate	1.75	2.53	4.33	4.57	4.57	4.57	4.57	4.57	4.57	4.57	4.57
Mortgage Rate	5.06	5.57	6.83	7.05	7.05	7.05	7.05	7.05	7.05	7.05	7.05
<b>State*</b>											
Real Personal Income, %Ch	2.8	3.6	4.0	4.2	4.2	3.5	3.2	3.3	3.3	3.3	3.4
Personal Income, %Ch	5.3	5.4	5.9	6.1	6.2	5.5	5.3	5.3	5.2	5.2	5.4
Employment, %Ch	1.2	1.4	1.8	1.7	1.8	1.3	1.2	1.2	1.2	1.2	1.2

\* February Baseline (2006-2011) judgmentally extended through 2018.



# Comparison of Washington and U.S. Economic Forecasts

Chart 1.1  
Total Nonfarm Payroll Employment

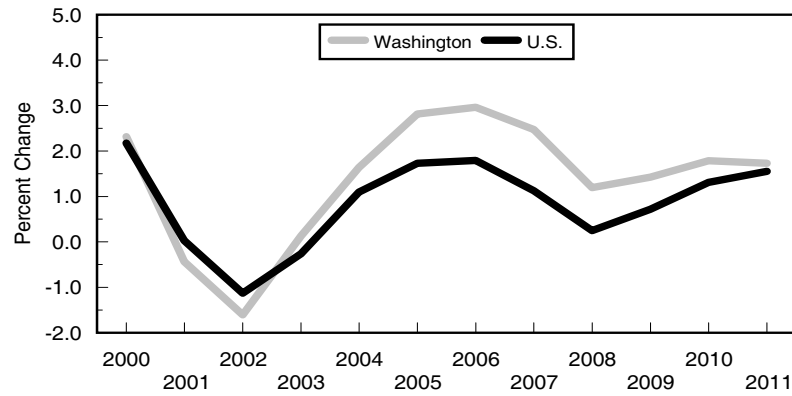


Chart 1.2  
Manufacturing Employment

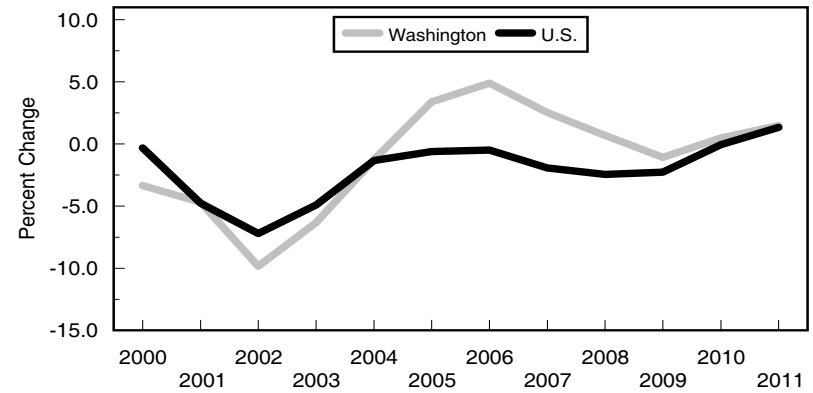


Chart 1.3  
Aerospace Employment

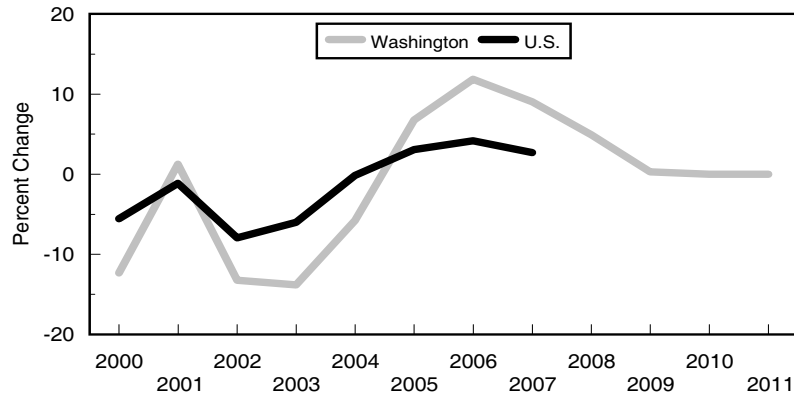
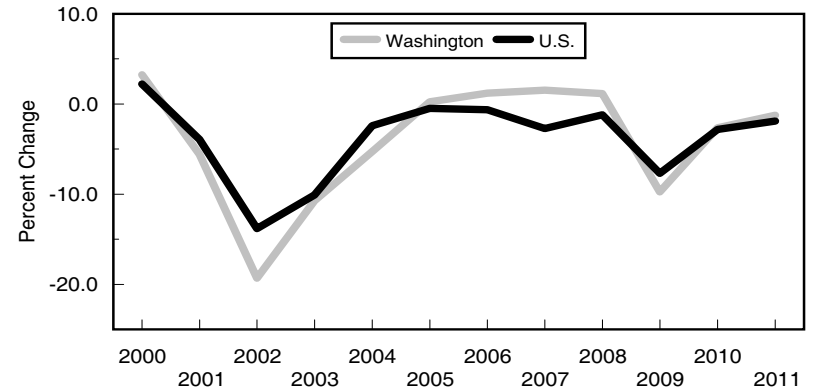


Chart 1.4  
Computers and Electronics Employment



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

# Comparison of Washington and U.S. Economic Forecasts

Chart 1.5  
Construction Employment

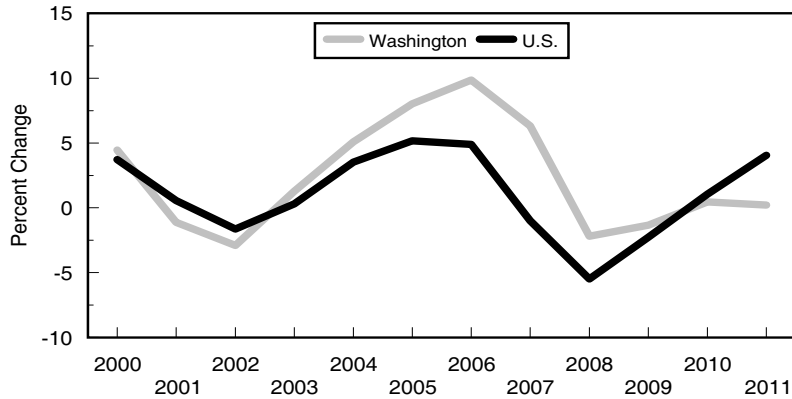


Chart 1.6  
Information Employment

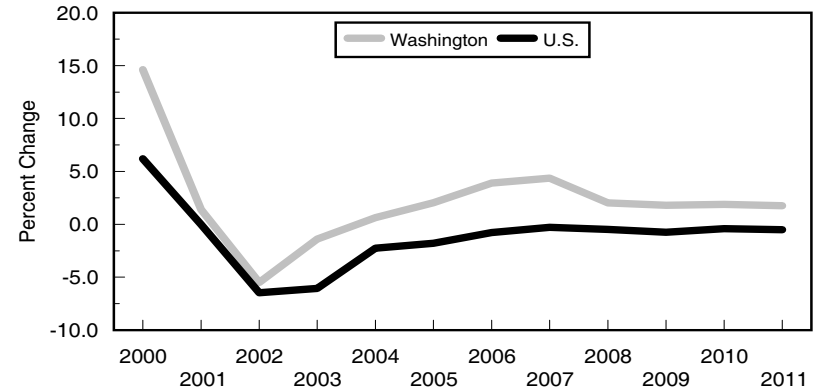


Chart 1.7  
Other Private Employment

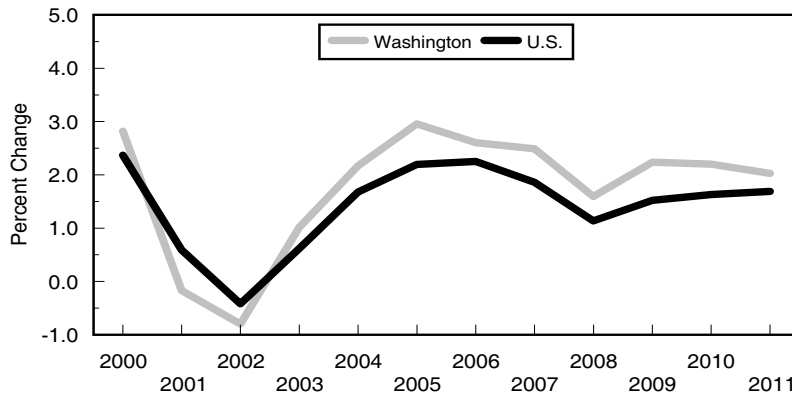
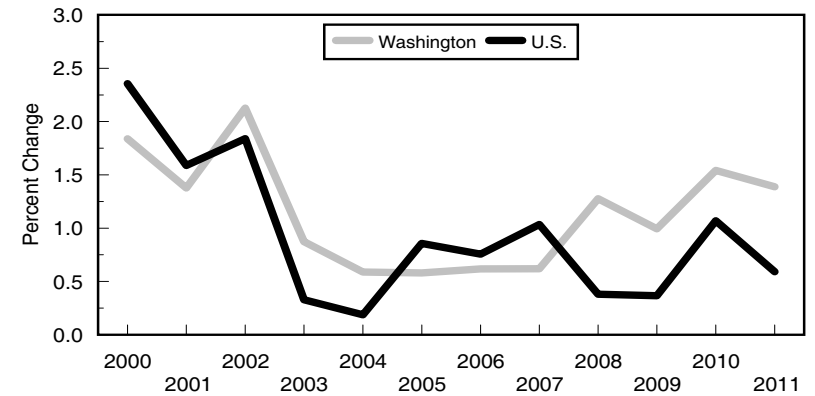


Chart 1.8  
Government Employment



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

# Comparison of Washington and U.S. Economic Forecasts

Chart 1.9  
Real Personal Income

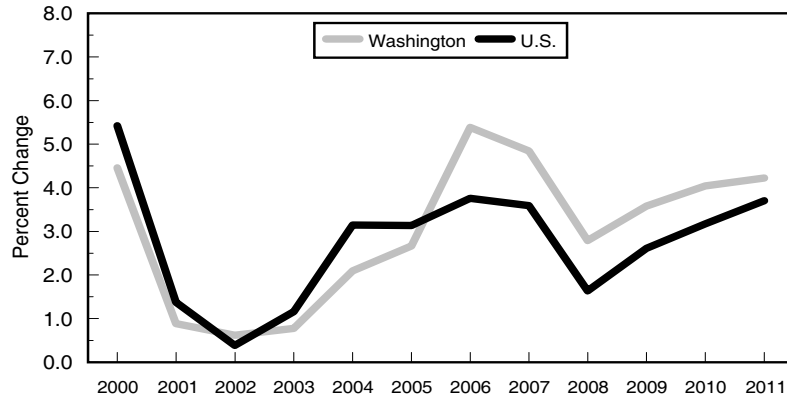


Chart 1.10  
Consumer Price Indices

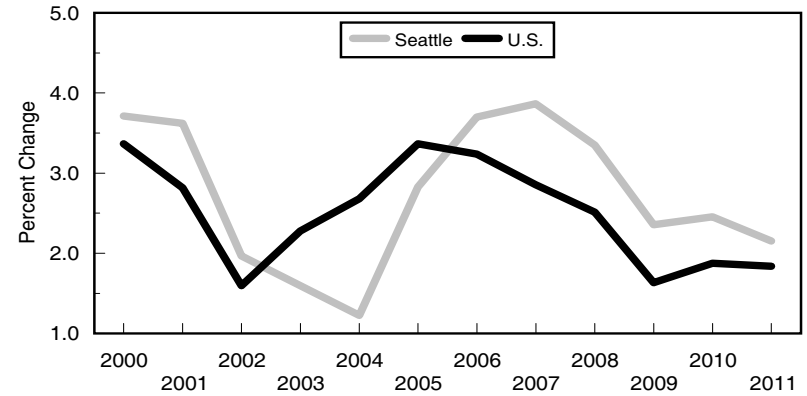


Chart 1.11  
Population

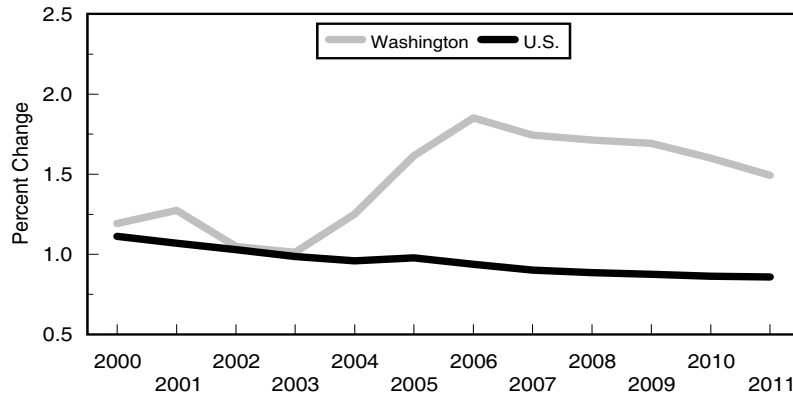
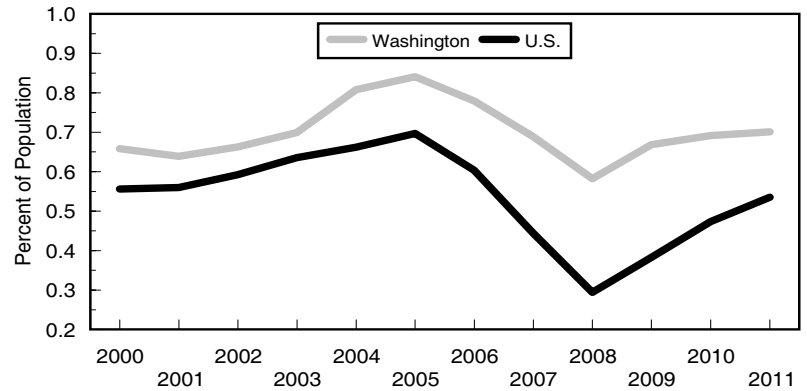


Chart 1.12  
Per Capita Housing Units



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

# Comparison of Alternative U.S. Forecasts

Chart 1.13  
Real GDP

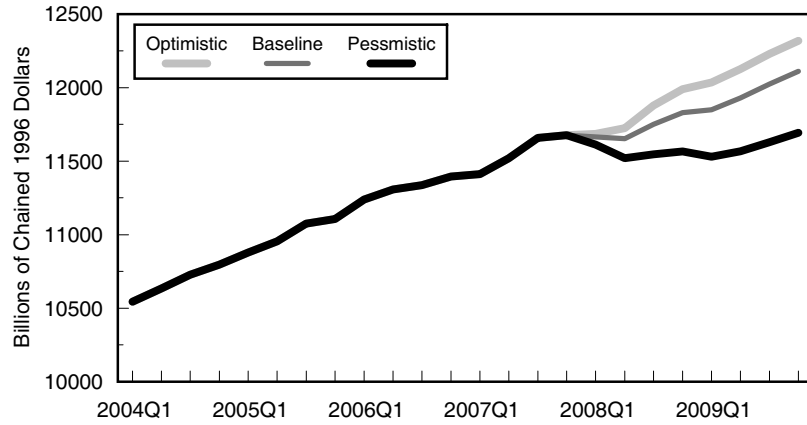


Chart 1.14  
Implicit Price Deflator

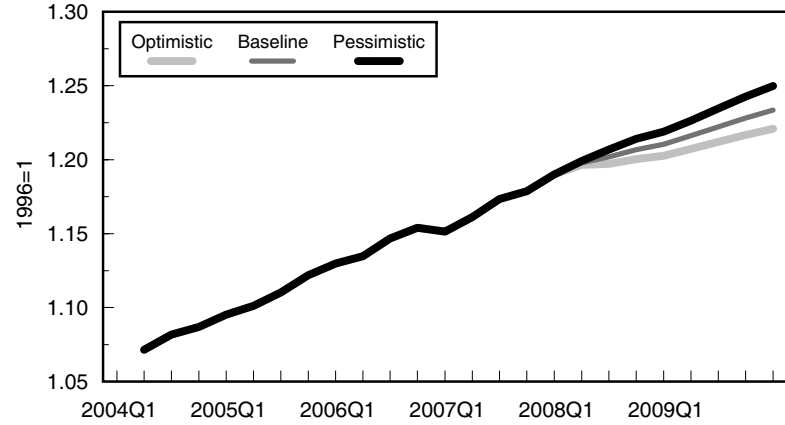


Chart 1.15  
Mortgage Rate

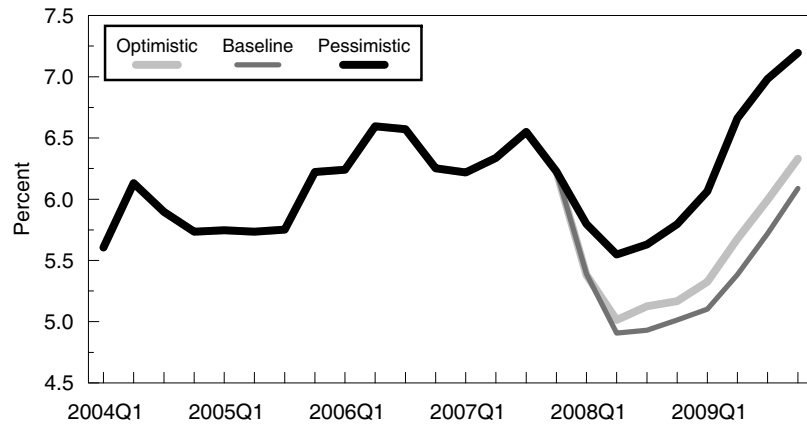
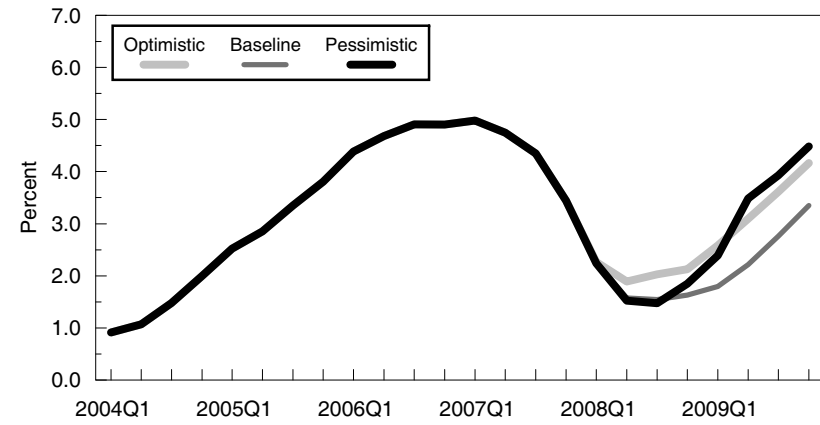


Chart 1.16  
Three Month T-Bill Rate



# Comparison of Alternative Washington Forecasts

Chart 1.17  
**Personal Income**

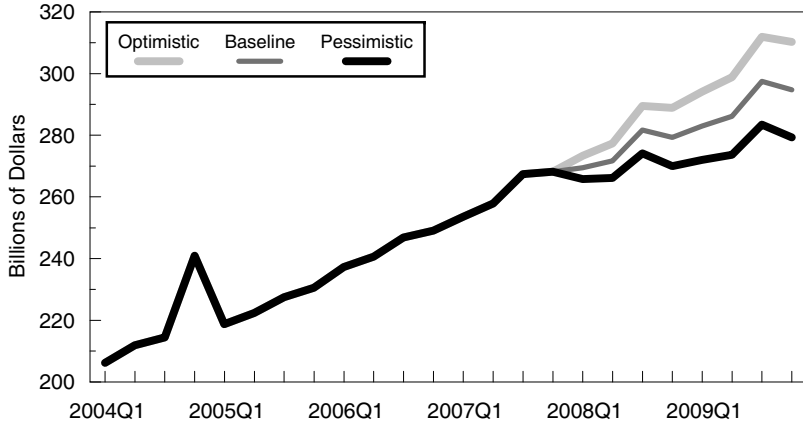


Chart 1.18  
**Real Personal Income**

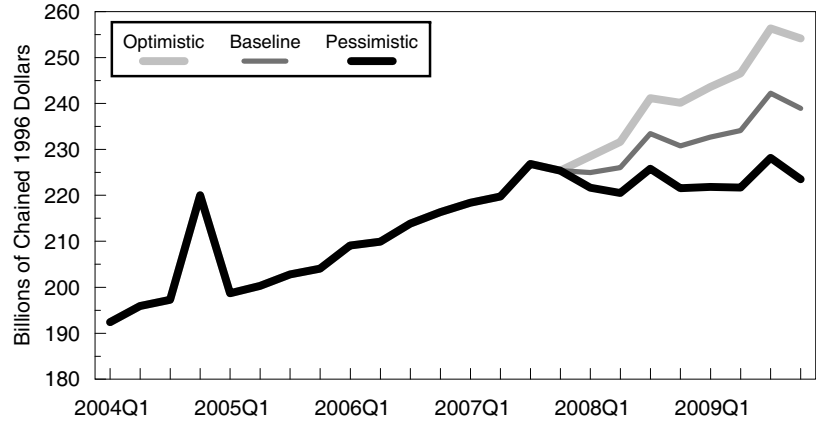


Chart 1.19  
**Total Nonfarm Payroll Employment**

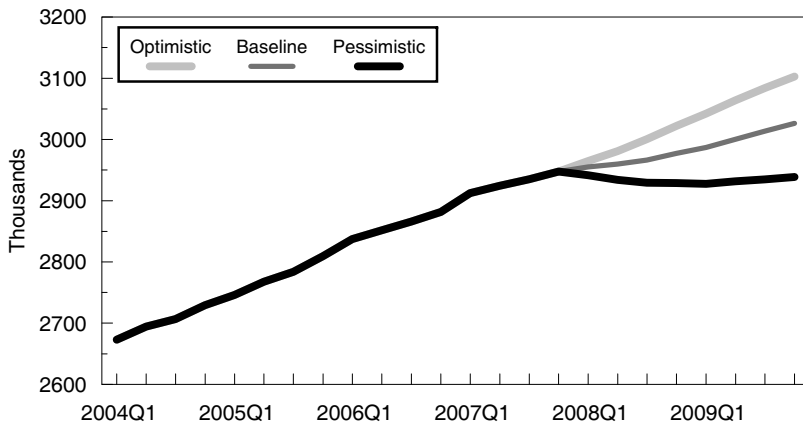
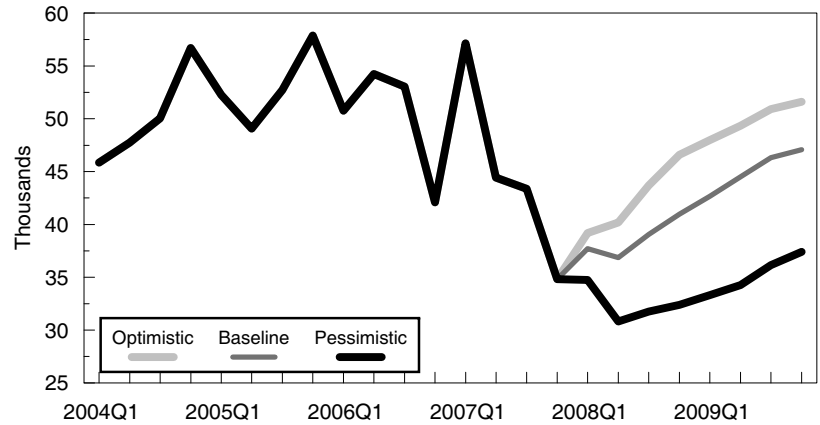


Chart 1.20  
**Housing Permits**



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# Washington Business Indicators

## The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a tepid 0.6\* percent annual rate in the fourth quarter of 2007, slowing sharply from a strong third quarter growth rate of 4.9 percent. The main reason for the slowdown was a contraction in real gross private domestic investment, which shrank at a 12.5 percent annualized rate after growing at a 5.0 percent rate in the third quarter. Real fixed investment declined during the fourth quarter at a rate of 3.5 percent due to continuing contraction in residential fixed investment, which declined at a rate of 25.2 percent after shrinking at a 20.5 percent rate in the third quarter. This was the eighth consecutive decline in this component. Real non-residential fixed investment fared better, growing at a 6.9 percent rate after increasing at a 9.3 percent rate in the third quarter. Fourth quarter real gross private investment was also negatively impacted by a \$10.1 billion decrease in the value of real private inventories, which by itself subtracted one-and-a-half percentage points from the headline growth of fourth quarter real GDP. Fourth quarter growth was supported by growth in real consumer spending, the largest component of GDP, which grew at a 1.9 percent rate after growing at a rate of 2.8 percent in the third quarter. Durable goods consumption grew at a 2.3 percent rate after growing at a rate of 4.5 percent in the third quarter, while nondurable goods consumption increased at a rate of 1.4 percent after growing at a 2.2 percent rate in the previous quarter. Services consumption grew at a rate of 2.1 percent after growing at a rate of 2.8 percent in the prior quarter. Government spending increased at a rate of 2.2 percent in the fourth quarter after growing at a 3.8 percent rate in the previous quarter. Real net exports contributed positively to headline GDP growth in both the fourth quarter and the third. Fourth quarter real exports increased at a 4.8 percent rate while real imports contracted at a rate of 1.9 percent. In the third quarter, real exports increased at a strong 19.1 percent rate while real imports grew at a rate of 4.4 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased to 48.3 in February from its January value of 50.7. Index values below 50 indicate that manufacturing sector output is declining. The employment component of the index also decreased to 46.0 from January's value of 47.1. Values below 50 indicate that more of the manufacturers surveyed had been decreasing employment than decreasing it during that period.

U.S. seasonally-adjusted payroll employment decreased by 17,000 jobs in January after growing by 82,000 jobs in December. Year-over-year employment growth was 0.7 percent in January, down from 0.83 percent year-over-year growth in December. The U.S. seasonally-adjusted unemployment rate declined to 4.9 percent from December's value of 5.0 percent.

Nonfarm business productivity growth slowed in the fourth quarter of 2007, growing at a 1.8 percent annual rate after growing at a strong 6.0 percent rate in the previous quarter. The seasonally adjusted Consumer Price Index (CPI) increased by 0.4 percent in both January and December. Year-over-year CPI growth jumped to 4.4 percent in January from December's value of 4.1 percent. The seasonally-adjusted index excluding food and energy increased at a monthly rate of 0.3 percent in January, and 0.2 percent in December, resulting in year-over year growth rates of 2.5 and 2.4 percent respectively.

The Conference Board's Index of Consumer Confidence decreased to 75.0 in February from January's value of 87.3. Both the expectations and present conditions components of the index declined. The University of Michigan Consumer Sentiment Survey also decreased to 70.8 from January's value of 78.4, with declines in both the present conditions and expectations components as well. The Conference Board's U.S. Index of Leading Indicators decreased 0.1 percent in January after a 0.1 percent decrease in December. Four of the ten index components were positive in January while two were neutral.

The Federal Open Market Committee (FOMC) voted to lower its target rate for federal funds 50 basis points to 3.00 percent at its January 30, 2008 meeting after an emergency intermeeting cut of 75 basis points on January 22. There was one dissenting vote for keeping the target rate at 3.50 percent. The Committee's policy statement left the door open for additional cuts in the future, stating that "downside risks to growth remain."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, declined to 160 in January, a decrease of 4.8 percent from the value of January 2007. This was the first year-over-year decline in the index since its inception in October 2003. Year-over-year growth in the index had slowed to 1.2 percent in December. The Conference Board's January Help Wanted Index, which measures newspaper employment advertising, decreased one point to a value of 21.

## **The State Economy and Indicators**

Washington wage and salary employment rose at a 1.7 percent annual rate in the fourth quarter of 2007, following a 1.5 percent growth rate in the third quarter. Revised construction employment data now indicates a contraction beginning in the third quarter and continuing in the fourth, with annualized declines of 2.9 and 1.2 percent respectively. Manufacturing employment growth slowed to an annual rate of 2.2 percent in the fourth quarter after increasing at a 4.3 percent in the prior quarter. Durable goods manufacturing employment increased at a 3.1 percent rate, aided by the 7.5 percent growth rate of aerospace employment. Nondurable goods manufacturing employment declined in the fourth quarter at a rate of 0.2 percent after growing at a 4.4 percent rate in the previous quarter.

The Seattle Times Index of Help-Wanted Advertising remained constant at 25 in January. This was the first time the index did not show a monthly decline since January 2007. The year-over-year growth rate of the Monster Employment Index for Seattle declined to 3.4 percent following an 18.8 percent increase in December. Washington's seasonally adjusted unemployment rate decreased to 4.5 percent in January from December's value of 4.6 percent. Washington seasonally adjusted initial claims for unemployment insurance increased very slightly to 37,300 from December's count of 37,160.

December year-over-year growth in the Seattle CPI, measured bimonthly, increased to 4.6 percent from October's value of 4.1 percent. The growth in Seattle's price index excluding food and energy increased to 3.8 percent from October's value of 3.2 percent. Washington's seasonally ad-



justed average weekly hours in manufacturing jumped to 43.4 in December from November's value of 42.3. The non-seasonally adjusted Washington Purchasing Management Index increased in January to a value of 66.7 from September's value of 58.7. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index increased from 65.4 to 81.8.

The Boom Monitor Composite Index decreased in December to a value of 46.0 from November's value of 46.8. Boom Monitor levels above 50 indicate that the weighted average growth in the index's components is above their historic average. The Washington Index of Leading Indicators decreased by 0.6 points in December following a 0.8 point decrease in November, reaching a value of 115.8. Five of the seven index components were negative in December.

Authorized housing permits decreased to an annualized level of 31,000 units in January from December's level of 33,890 units. All of the decrease occurred in multi-family permits, which fell from a level of 14,500 annualized units in December to a January level of 11,590 units. Single-family permits remained at 19,400 annualized units. January's level of total permits was the lowest since October 1991.

Fourth quarter exports of goods originating in Washington totaled \$19.4 billion, a 28.6 percent increase over the same quarter in 2006 and a third consecutive quarterly record. Transportation equipment exports of \$12.1 billion were 22.2 percent above the exports of the fourth quarter of 2006, and exports excluding transportation equipment of \$7.3 billion showed 40.8 percent year-over-year growth.

On the following page is a summary of what various national and state measures are indicating as of the publication date of the February 2007 economic and revenue forecast.

*\* This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimate for the fourth quarter of 2007 released February 28, 2007). The February economic forecast is based upon the February Global Insight forecast, which incorporated the BEA's advance GDP estimate from January 30, 2008.*

Table 2.1

**Summary of National and State Indicators**

<b>Indicator</b>	<b>Latest Data</b>	<b>Most Recent Indication<sup>1</sup></b>
U.S. Leading Index	January 2008	-
U.S. Real GDP Growth	4th quarter 2007	+ but slowing
U.S. ISM Index	February 2008	-
U.S. Employment y-o-y %ch	January 2008	+ but slowing
U.S. Unemployment Rate	January 2008	+
U.S. Help Wanted Index	January 2008	-
U.S. Fed Funds Target	January 30, 2007	+
U.S. Consumer Confidence	February 2007	-
U.S. CPI	January 2008	-
U.S. Monster Employment Index	January 2008	-
S&P 500 Index	Week of February 29, 2008	-
WA Leading Index	December 2007	-
WA ISM Index	January 2008	+
WA Help Wanted Index	January 2008	unchanged
WA Employment y-o-y %ch	January 2008	+
WA Aerospace Empl. Growth	January 2008	+
WA Unemployment Rate	January 2008	+
WA Boom Monitor	December 2007	-
WA Initial Unemploy. Claims	January 2008	slight -
WA Housing Permits	January 2008	-
WA Weekly Hours in Mfg.	December 2007	+
WA New Car/Truck Registration	January 2008	+
WA Migration (DOL data)	January 2008	+ but slowing
WA Exports-Total	4th quarter 2007	+
WA Exports- w/o Trans. Equip.	4th quarter 2007	+
Seattle CPI	December 2007	-
Seattle Monster Employment Index	January 2008	+ but slowing

<sup>1</sup> + sign: good for the economy; - sign : Indicates weakness

# Washington State Economic Indicators

Chart 2.1  
**Year-over-Year Employment Growth**  
January 1980 to January 2008

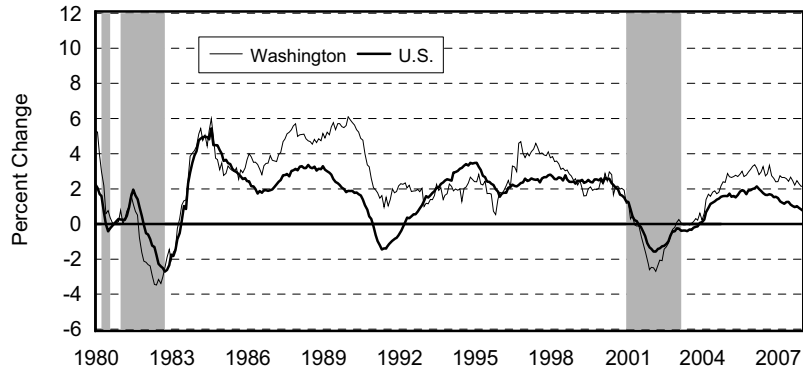


Chart 2.2  
**Washington Aircraft and Parts Employment**  
January 1958 to January 2008

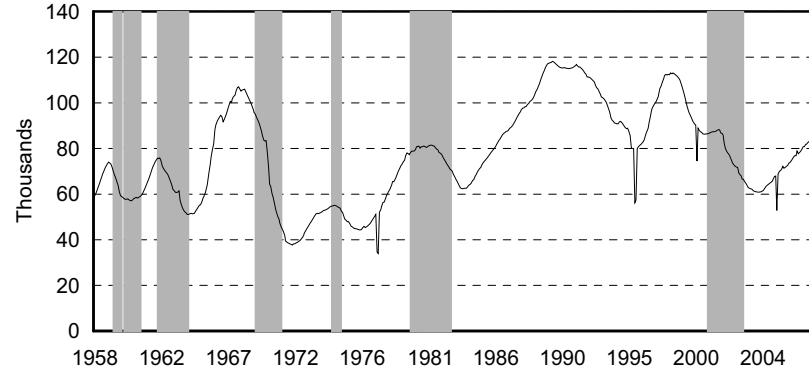


Chart 2.3  
**Unemployment Rate, S.A.**  
January 1980 to January 2008

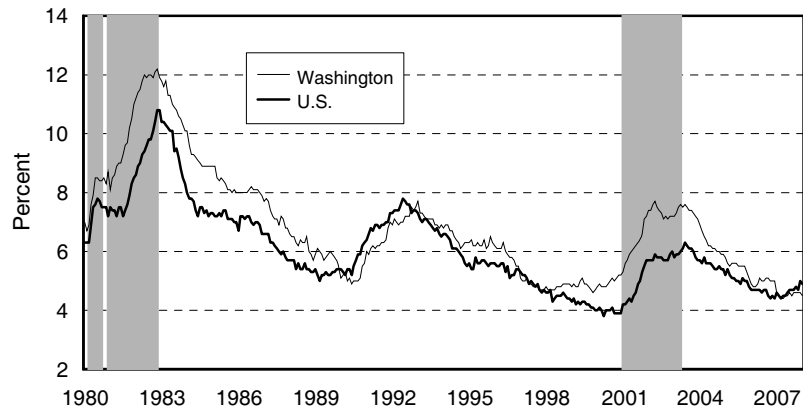
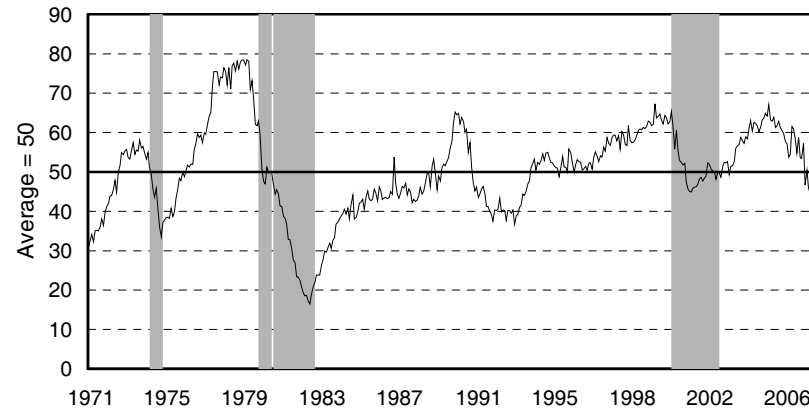


Chart 2.4  
**Washington Boom Monitor Composite Index**  
July 1971 to December 2007



\* Shaded areas correspond with Washington employment downturns.

# Washington State Leading Indicators

Chart 2.5  
**The Washington and U.S. Indexes of Leading Indicators**  
January 1970 to January 2008 (Washington to December 2007)

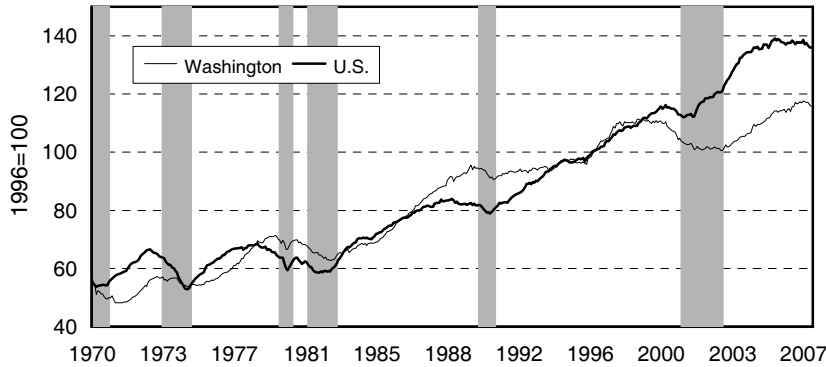


Chart 2.6  
**Washington Initial Claims for Unemployment Insurance**  
January 1970 to January 2008

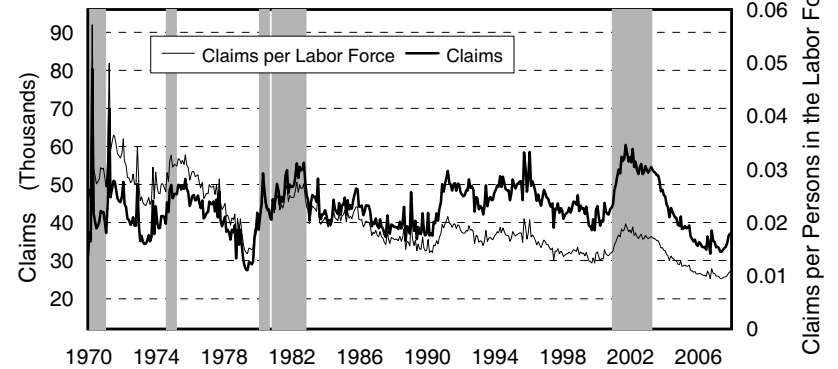


Chart 2.7  
**Seattle Times and U.S. Help-Wanted Advertising Indexes**  
January 1970 to January 2008

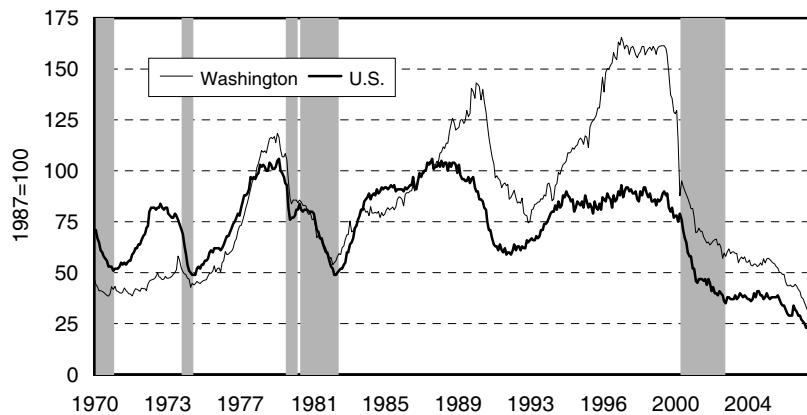
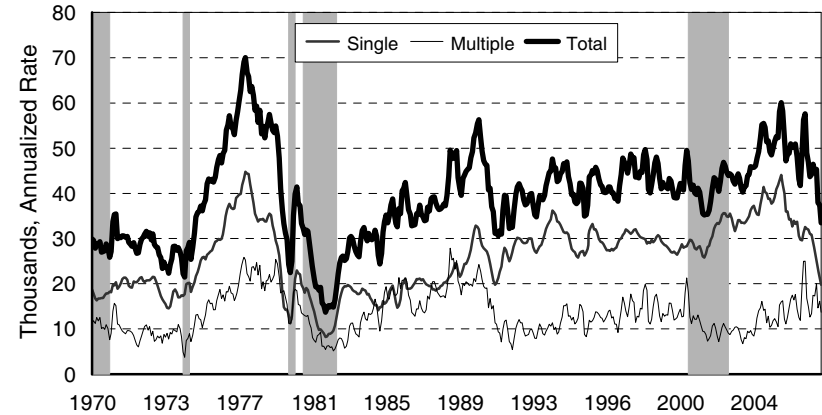


Chart 2.8  
**Housing Units Authorized in Washington State**  
January 1970 to January 2008, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

# Other State Economic Indicators

Chart 2.9  
**Average Weekly Hours in Manufacturing**  
 Jan. 1970 to Jan. 2008 (WA to 12/07), 3-Mo. Moving Average, SA

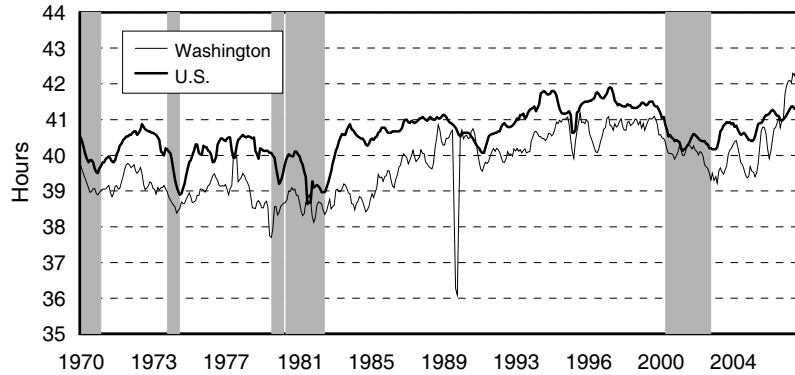


Chart 2.10  
**Washington Driver's License Migration**  
 September 1983 to January 2008, 12-Month Moving Average

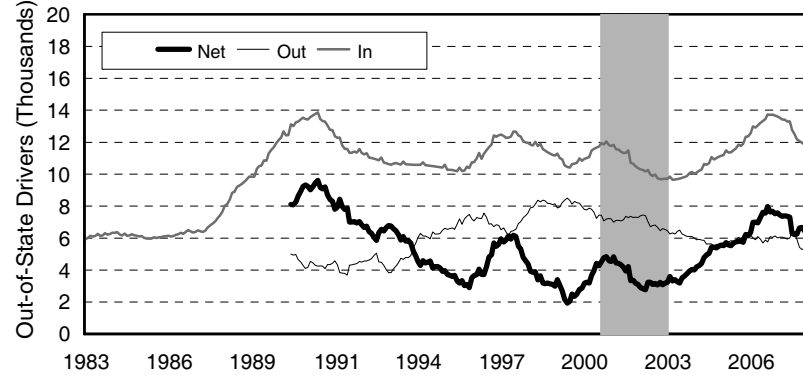


Chart 2.11  
**New Car and Truck Registrations in Washington**  
 January 1977 to January 2008, 6-Month Moving Average

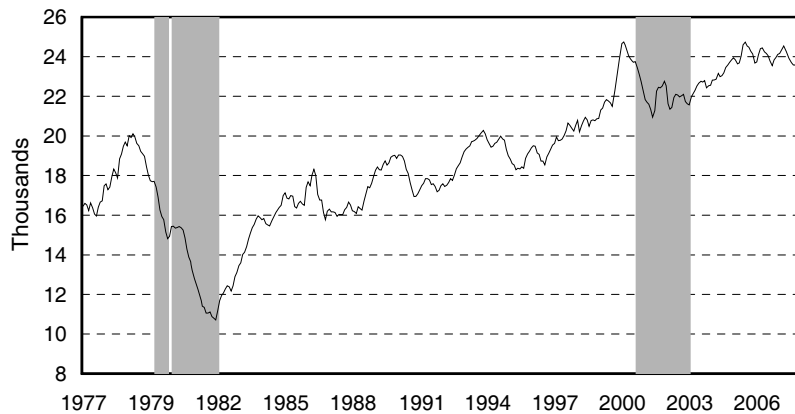
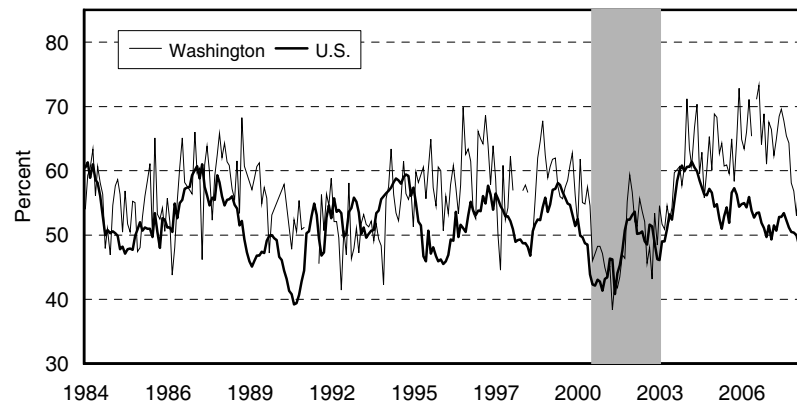


Chart 2.12  
**Institute for Supply Management Index**  
 January 1984 to January 2008



\* Shaded areas correspond with Washington employment downturns.

# Other Economic Indicators

Chart 2.13  
**Quarterly U.S. Real GDP Growth**  
 1970 Q1 to 2007 Q4

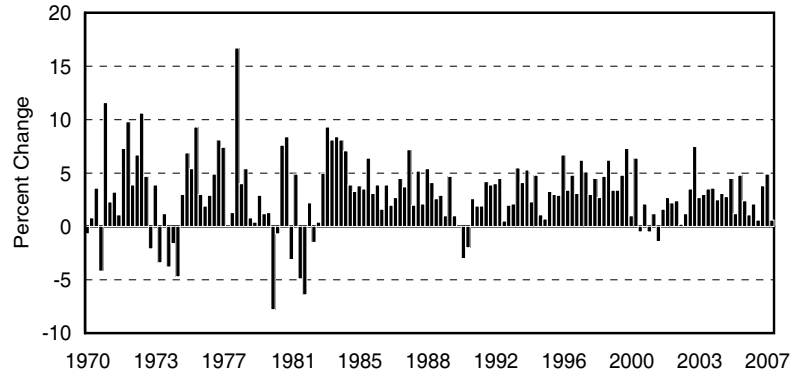


Chart 2.14  
**Washington State Export Composition**  
 Change from Same Quarter Year Ago, 1998Q1 to 2007Q4

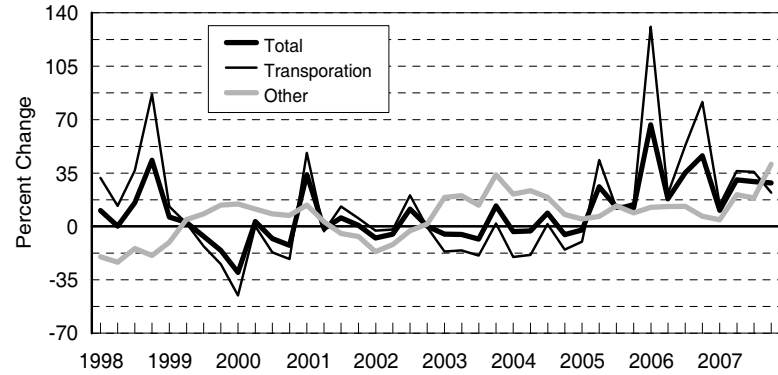


Chart 2.15  
**U.S. Economic Indicators\***  
 January 1970 to January 2008

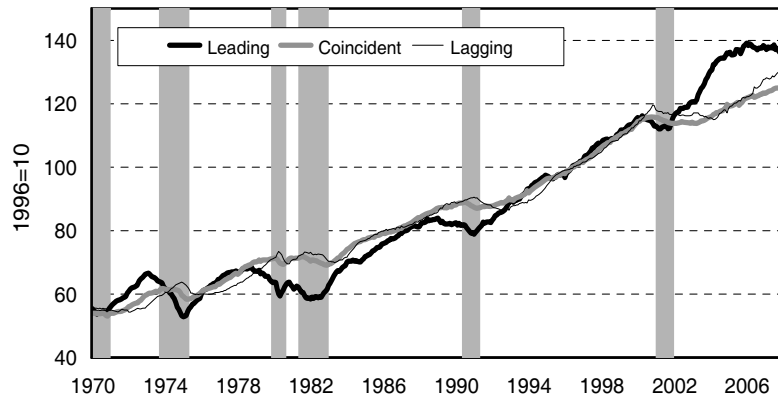
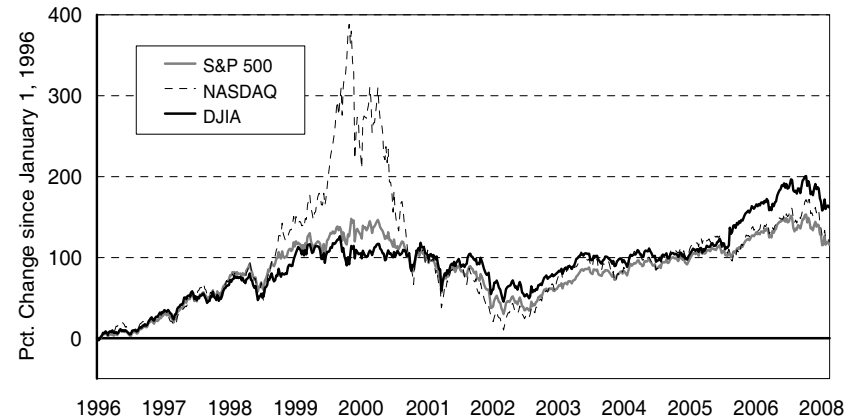


Chart 2.16  
**National Stock Indexes**  
 January 1, 1996 to February 29, 2008



\* Shaded areas correspond with U.S. business cycle contractions as defined by the National Bureau of Economic Analysis.

# Other Economic Indicators

Chart 2.17  
**Federal Funds Target Rate**  
 October 1, 1990 to February 29, 2008

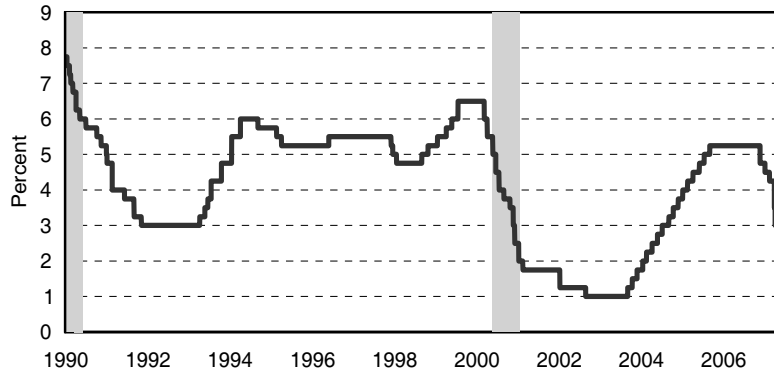


Chart 2.18  
**Consumer Confidence**  
 January 1978 to February 2008

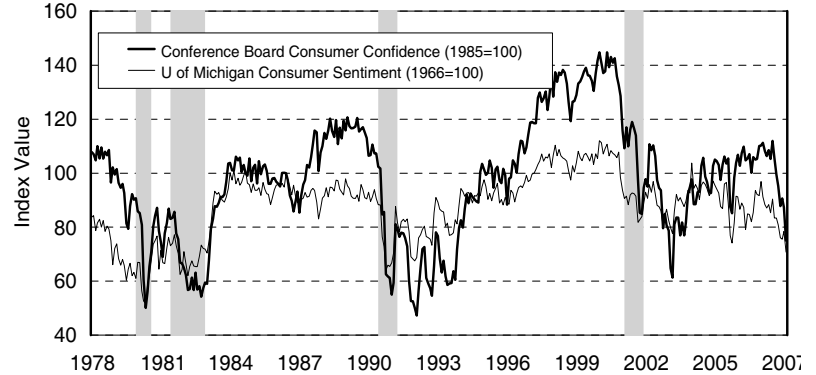


Chart 2.19  
**Seattle vs U.S. CPI (All Urban Consumers)**  
 December 1998 to January 2008 (Seattle to December 2007)

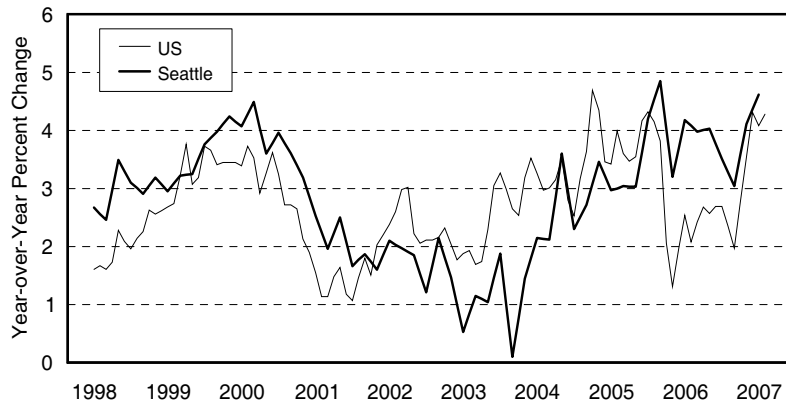
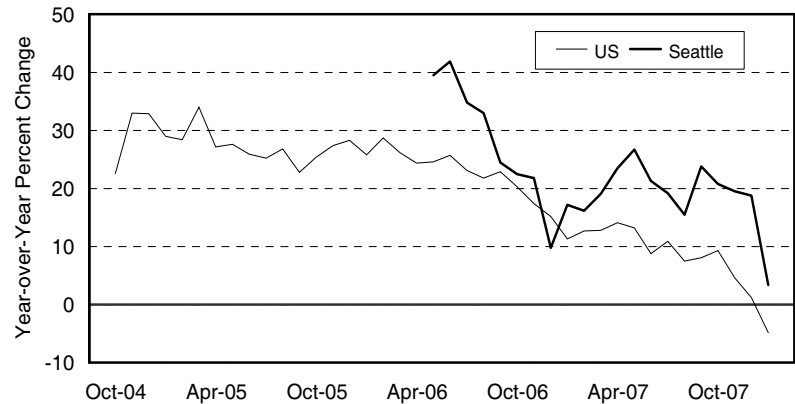


Chart 2.20  
**Monster Employment Index**  
 Year-Over-Year Growth, October 2004 to January 2008



\* Shaded areas correspond with U.S. business cycle contractions as defined by the National Bureau of Economic Analysis.

Table 2.2  
**Washington Business Indicators**  
 Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
2006:1	114.3	139.1	53	38	64.9	54.8
2006:2	114.2	138.4	52	39	63.4	55.0
2006:3	113.7	138.9	50	37	66.0	54.3
2006:4	114.3	138.6	50	35	71.1	55.9
2006:5	114.0	137.9	49	34	65.5	53.8
2006:6	114.4	137.8	49	34	NA	52.7
2006:7	114.7	137.5	45	32	71.2	53.4
2006:8	113.6	137.0	44	30	73.3	53.5
2006:9	114.6	137.6	44	29	64.1	51.9
2006:10	115.0	137.6	44	29	68.8	51.1
2006:11	114.2	137.6	43	29	61.1	49.7
2006:12	115.9	138.4	43	34	67.5	51.5
2007:1	115.9	137.9	44	32	66.4	49.3
2007:2	117.0	137.1	43	31	62.3	51.5
2007:3	116.5	137.9	42	29	64.9	50.7
2007:4	116.9	137.6	41	29	68.4	52.8
2007:5	117.1	137.9	38	27	69.6	52.8
2007:6	117.0	137.6	37	26	67.8	53.4
2007:7	117.6	138.6	35	25	65.4	52.3
2007:8	117.1	137.1	33	23	64.3	51.2
2007:9	116.9	137.5	31	24	58.1	50.5
2007:10	116.9	136.7	29	22	56.8	50.4
2007:11	116.4	136.1	27	21	53.0	50.0
2007:12	116.0	136.0	25	22	58.7	48.4
2008:1	NA	135.8	25	21	66.7	50.7



# Washington State Revenue Forecast Summary

## Introduction

The Washington State Economic and Revenue Forecast Council unanimously approved a \$423.4 million reduction to the General Fund-State (GFS) revenue forecast at its February 15, 2008 meeting. The national outlook is much weaker than assumed in November due in part to weaker employment growth, falling consumer confidence, and a housing market that continues to deteriorate. For the first time since 2001, the forecast expects a national recession. Aggressive fiscal and monetary stimulus are expected to keep the recession short and mild, nevertheless, economic growth is expected to be significantly weaker than assumed in November. Washington State is expected to avoid a recession due in part to strong export growth and to the strength of its two leading industries, aerospace and software. Although the state will avoid a recession, the weak national economy and a deteriorating housing sector will slow economic and revenue growth throughout the biennium and will produce less GFS revenue than was expected in November.

The February 2008 GFS revenue forecast for the 2007-09 budget period is \$29,462.9 million. This is \$1.7 billion, 6.1 percent higher than what was collected in the 2005-07 biennium. Growth for the current biennium is significantly less than the \$4.4 billion (18.7 percent increase in the 2005-07 budget period and weaker than the 7.6 percent increase expected in the November forecast. The February 2008 forecast projects reserves to total \$953.7 million at the end of the 2007-09 budget period. This is based on the February 2008 GFS revenue forecast and a 2007-09 spending level of \$29,622.9 million, before adoption of a 2008 supple-

	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>2007-09 Biennium</u>
Non economic change	\$0.0	\$0.0	\$0.0
Forecast Change	<u>(\$73.0)</u>	<u>(\$350.5)</u>	<u>(\$423.4)</u>
<b>Total Change*</b>	<b>(\$73.0)</b>	<b>(\$350.5)</b>	<b>(\$423.4)</b>

\*Detail may not add to totals due to rounding.

mental budget. Reserves are comprised of a \$524.3 million GFS ending balance and a \$429.4 million projected ending balance in the Budget Stabilization Account, a new account created by the 2007 legislature, and ratified by voters in November 2007.

The Economic and Revenue Forecast Council also adopted the initial GFS forecast for the 2009-11 biennium in February. GFS revenue in the budget period that spans the period July 1, 2009 to June 30, 2011 is expected to total \$31,917.9 million. This is \$2.5 billion, 8.3 percent, higher than the forecast for the 2007-09 biennium.

## **Background and Assumptions**

The Washington State GFS revenue forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council was created by Chapter 138, Laws of 1984, to provide an objective revenue forecast for both the executive and legislative branches of state government. The Council consists of six members, two appointed by the Governor and two appointed by the Legislature from each caucus of the Senate and House of Representatives. Current members of the Economic and Revenue Forecast Council are listed inside the front cover of this publication. The GFS revenue forecast is updated four times per year: March (February in even-numbered years), June, September, and November. Each state agency engaged in revenue collection is responsible for forecasting the revenue it collects or administers. The staff of the Economic and Revenue Forecast Council is responsible for the preparation of the state economic forecast and the revenue forecast of the Department of Revenue's GFS sources. The staff is also responsible for review and coordination of the revenue forecasts of agencies that collect relatively large amounts of GFS revenue. These are the Department of Licensing, the Office of the Insurance Commissioner, the Lottery Commission, the State Treasurer, the Liquor Control Board and the Office of Financial Management. The Office of Financial Management is responsible for summarizing the forecasts of all other state agencies that collect relatively smaller amounts of GFS revenue.

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline revenue forecast for GFS and related funds. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare revenue forecasts. The revenue forecasts for most major General Fund and related funds' sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS and related fund sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS and related fund revenue. An outline of the forecast process, including a summary of the February 2008 baseline forecast for the 2007-09 biennium, is shown in Table 3.2.

## **February 2008 Forecast Assumptions**

1. The February 2008 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic

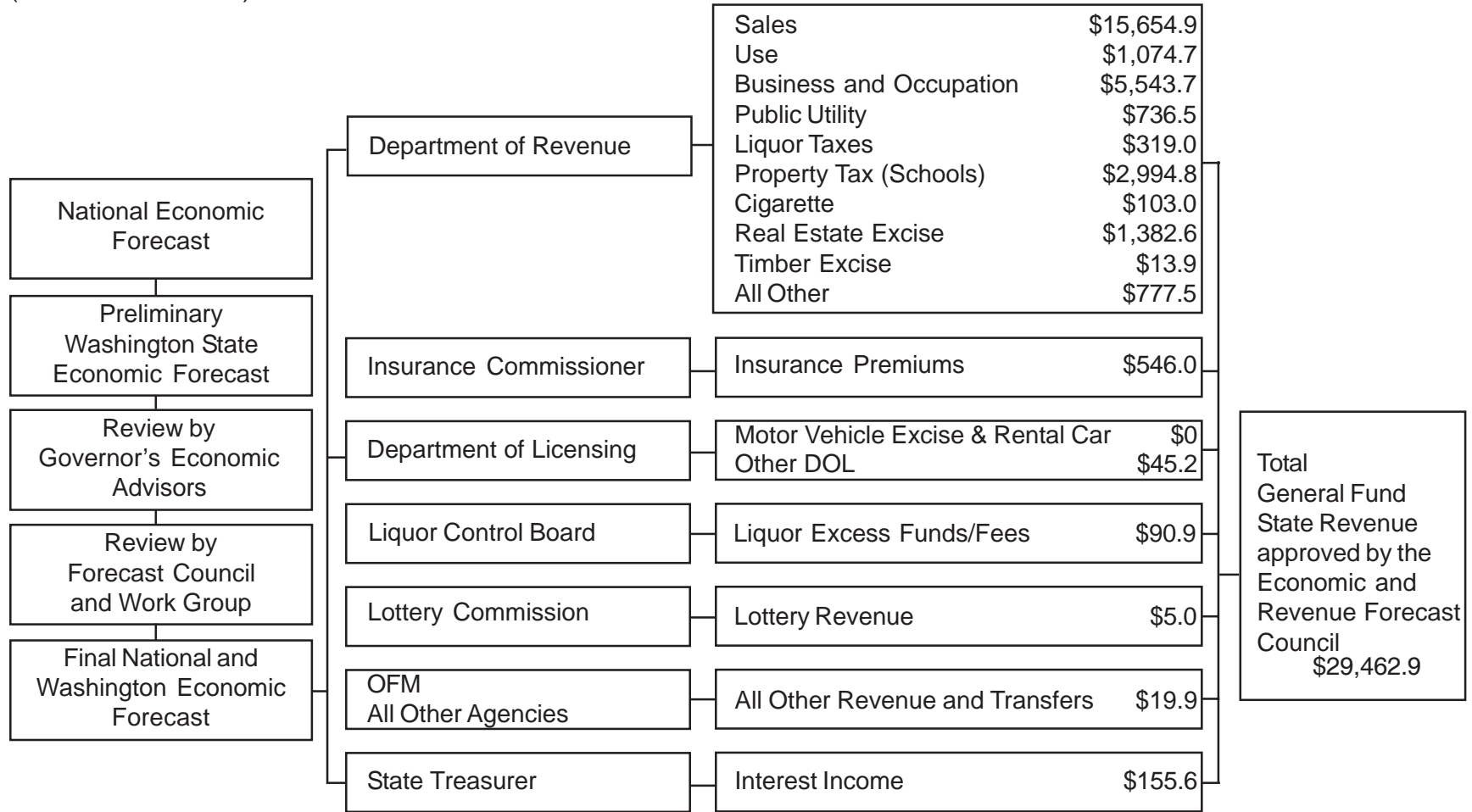
outlook for the U.S and for the state is based on the Global Insight, Inc. February 2008 baseline forecast.

2. The GFS revenue forecast is based on current law and administrative practices. The impact of tax law changes enacted during the 2008 legislative session will be incorporated into the forecast in June 2008.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, most lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a multi-state lottery game. Proceeds from this new game go the General Fund after the first \$102 million per year of uncommitted lottery earnings are transferred to the Student Achievement Account. Part II of Table 3.18 summarizes lottery distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact of legal challenge affecting GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes which have affected GFS receipts in past biennia as well as the GFS forecast for the 2007-09 biennium. New tax law changes and other non-economic factors reduced GFS revenue for the 2005-07 biennium by an estimated \$474 million. As of February 2008, tax law changes have reduced the forecast for GFS for the 2007-09 biennium by \$175.0 million.
7. Initiative 728, which transfers a portion of the state property tax levy from the general fund to the student achievement account, has had a disproportional impact on GFS revenue over time. The I-728 property tax transfers grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium. They increased to \$491.8 million in the 2005-07 biennium and are expected to total \$503.4 million in the 2007-09 biennium and \$540.4 million in the 2009-11 biennium. (See part I of Table 3.18.)
8. Since the September 2007 forecast publication, we have included a "related fund" forecast as well as a forecast for GFS revenue. The related fund, sometimes referred to as near general fund, is defined in RCW 43.135.025 to include: the health services account, violence reduction and drug enforcement account, public safety and education account, and the student achievement fund. The February 2008 GFS and related fund revenue forecast is shown in Table 3.19.

## Recent Collection Experience

Revenue collected in the three months since the November 2007 forecast was \$19.8 million, 0.5 percent, more than expected. This variance, however, is distorted by some unusually large, non-recurring payments that are unrelated to the strength of the economy. Excluding these payments, collections were only \$8.2 million, 0.2 percent, above the forecast. The higher than expected revenue since the last forecast is primarily from stronger than expected Revenue Act (retail sales, business and occupation, use and public utility tax) receipts. Revenue Act taxes (excluding special factors) were surprisingly strong and exceeded the forecast by \$21.3 million (0.7%) in the last three months. Real estate excise tax collections, on the other hand, not surprisingly were \$18.1 million (10.5 percent) less than expected since November. Revenue from other Department of Revenue tax sources were \$5.1 million (0.6 percent) higher than expected in the three months since the November forecast.

Table 3.2  
**Economic and Revenue Forecast Flow Chart\***  
 General Fund-State  
 2007-09 Biennium  
 (Amounts in millions)



\* Cash Basis

Revenue Act tax payments were 6.3 percent above the year-ago level in the three months since the November 2007 forecast, primarily reflecting October through December 2007 business activity. Growth in the fourth quarter was a little better than in the third quarter (5.5 percent) but was much weaker than in the first half of the year (8.9 percent). The pattern of growth was uneven in the quarter, with October's activity up 7.0 percent, November's activity up 8.5 percent while payments based on December's activity increased only 3.4 percent. Revenue growth is very volatile on a monthly basis and activity in December was adversely affected by severe flooding in parts of western Washington, however, growth in December was the weakest since May 2004.

Industry detail for the most recent month (December 2007 activity, reflecting excise tax payments of taxpayers who filed electronically in the January 11- February 10, 2008 period) shows considerable weakness across-the-board. The retail trade sector was especially weak. Tax payments by retail businesses were 0.7 percent below the year-ago level. This is the first time the retail trade sector as a whole has declined on a year-over-year basis since the last recession. The previous month this sector reported a 5.7 percent increase in payments. Nearly all retail sectors were weak in the January 11-February 10, 2008 payment period. Five of the eight two digit NAICS sectors reported declines including electronics and appliance stores (-12.3 percent), building materials/garden equipment retailers (-6.0 percent), food and beverage stores (-9.0 percent) and, the largest retail trade sector, motor vehicle and parts retailers (-2.4 percent). Only two retail trade sectors had gains of more than 1.9 percent: drug and health stores (+3.5 percent) and non-store retailers (+14.6 percent). Based on the preliminary industry data, tax payments reported by non-retailing sectors increased only 3.2 percent in the most recent month. Last month payments by non-retailers increased 11.0 percent. Despite weakening real estate excise tax payments, excise taxes paid by the construction sector remained strong relative to other sectors in the most recent month (+8.8 percent), but have decelerated sharply relative to prior months. In the previous month tax payments from the construction sector were 17.8 percent higher than a

**Table 3.3**  
**Collection Variance of Major General Fund-State Taxes by Agency**  
 November 11 - February 10, 2008  
 Based on the November 2007 Forecast (Millions of Dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>	<u>Adjusted</u>	
			<u>Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act <sup>1</sup>	\$32.9	1.1%	\$21.3	0.7%
Non Revenue Act <sup>2</sup>	(\$13.0)	-1.3%	(\$13.0)	-1.3%
Subtotal	<u>\$19.9</u>	<u>0.5%</u>	<u>\$8.3</u>	<u>0.2%</u>
Department of Licensing <sup>2</sup>	(\$0.0)	-2.1%	(\$0.0)	-2.1%
Other	na	na	na	na
<b>Total***</b>	<b>\$19.8</b>	<b>0.5%</b>	<b>\$8.2</b>	<b>0.2%</b>

<sup>1</sup> Revenue Act taxes consist of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections November 11, 2007 through February 10, 2008.

<sup>2</sup> Variance based on November 2007 through January 2008 collections. Major Non-Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.

\* Collection variance: actual tax payments compared to monthly estimates based on the November 2007 forecast.

\*\* Variance adjusted for special factors: primarily unusually large audit payments.

\*\*\* Detail may not add to total due to rounding.

year-ago and two months ago, the year-over-year increase was 17.6 percent. Other strong non-retail trade sectors included: wholesale trade (+10.7 percent), information (+11.4 percent) and transportation and warehousing (+13.5 percent). Weak non-retail trade sectors included: finance and insurance (-26.7 percent) and manufacturing (-12.1 percent).

Real estate activity has been weak for more than two years. In the three months since the November forecast, conditions have again worsened. Preliminary data indicates that taxable real estate activity (based on closings) in January 2008 was 35.6 percent below the year-ago level. This is the largest monthly decline since December 1990. The prior month activity declined 17.8 percent. Taxable real estate activity has declined on a year-over-year basis the last six months and fourteen of the past seventeen months. Seasonally adjusted taxable activity declined 18.7 percent (not annualized) in the fourth quarter of 2007 and the level of activity in the fourth quarter of 2007 is 28.7 percent below the level in the first quarter of 2006, the all-time peak in activity. The primary source of weakness continues to be the volume of activity. The number of real estate transactions has declined twenty-five of the last twenty-six months and was down 20.4 percent in December 2007, the latest available month. While price appreciation of most real estate in the state has slowed, it has not weakened nearly as much as in other parts of the country. Based on taxable real estate activity, the average value of real estate transactions in Washington has declined three of the last four months, although it was 3.3 percent above the year-ago level in December 2007, the latest available month.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$15,000 (2.1 percent) below the estimate in the three months since the November 2007 forecast.

## **The General Fund-State Forecast for the 2007-09 and 2009-11 Biennium**

The February 2008 revenue forecast for the 2007-09 budget period is weaker than assumed in November. The outlook national economy has deteriorated in the wake of the housing recession, plunging consumer confidence and stress in financial markets. Many economists, including those at Global Insight Inc., are expecting a recession. Washington's economy continues to outperform the nation due to strength Washington's two key industries: aerospace and software, but it also is slowing. The February 2008 forecast expects economic growth to continue to slow in the 2007-09 biennium in response to the national recession and weakness in the state's housing sector. The forecast expects employment growth to decelerate to 3.8 percent this biennium after increasing 5.6 percent in the 2005-07 biennium. The housing outlook remains grim for the 2007-09 biennium. Building permits are expected to fall -22.4 percent in the 2007-09 biennium after increasing 6.8 percent in the 2005-07 period. Weak housing and slower employment growth are expected to result in a slower pace of consumer and business spending in the 2007-09 budget period. After a prolonged period where spending exceeded income growth, the spending-relative-to-income relationship in the 2007-09 period is expected to dip below the long run average. Slower spending will produce much slower revenue growth in the 2007-09 budget period. GFS revenue is expected to total \$29,462.9 million, this is \$423.4 million less than expected in November 2007. Revenue is expected to increase \$1.7 billion, 6.1 percent, in the 2007-09 biennium, significantly slower than the 18.7 percent increase in the 2005-07 biennium and the 10.6 percent gain in the 2003-05 budget period.

Growth is expected to remain weak in the 2009-11 period. Payroll employment is expected to increase only 3.2 percent in the 2009-11 biennium, although building permits are expected to rebound and increase 19.0 percent in the 2009-11 budget period. The forecast expects some improvement in revenue

in the 2009-11 biennium but it too is expected to grow slower than average. GFS revenue is expected to total \$31,917.9 million, an increase of \$2.5 billion, 8.3 percent, from what is expected in the 2007-09 budget period.

Washington's tax structure is different from most states. Washington has no personal or corporate income tax. The majority of Washington's GFS revenue comes from three taxes: sales and use, business and occupation, and the property tax (state school levy). These three taxes are expected to account for 85.8 percent of the \$29.5 billion GFS forecast of receipts for the 2007-09 biennium. This is up from 83.0 percent in the 2005-07 biennium. These taxes are expected to account for 85.4 percent of GFS revenue in the 2009-11 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 79.7 percent in the 1991-93 biennium and from 75 percent twenty-five years ago. The increase in the General Fund's reliance on these three taxes between the 2005-07 and the 2007-09 biennia is partly due to a plunge in real estate excise tax payments expected this biennium. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax receipts increased 50.9 percent in the 2005-07 biennium compared to 18.7 percent for total GFS revenue. Revenue from the real estate excise tax accounted for 7.2 percent of GFS revenue in the 2005-07 biennium, up from 5.7 percent in the 2003-05 biennium and 4.1 percent in the 2001-03 biennium. This biennium the real estate excise taxes are expected to decline 30.9 and are expected to account for only 4.7 percent of total GFS revenue.

The retail sales and use tax, the state's largest revenue source, generated \$15.2 billion (54.7 percent) of total GFS revenue in the 2005-07 biennium. Sales and use taxes are expected to produce \$16.7 billion, 56.8 percent of the total in the 2007-09 budget period and \$17.9 billion, 56.2 percent of GFS revenue in the 2009-11 biennium. The business and occupation tax totaled \$5.0 billion, 18.2 percent of the total in the 2005-07 biennium. The business and occupation tax is expected to produce \$5.5 billion, 18.8 percent, of the total this biennium and \$6.1 billion, 19.2 percent of the total, next biennium. The General Fund-State's share of the property tax totaled \$2.8 billion, 10.0 percent of total GFS revenue in the 2005-07 biennium. The property tax is

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2000 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.2	-4.1%
2003-05	23,388.5	10.6%	21,587.3	5.8%
2005-07	27,772.0	18.7%	24,220.0	12.2%
2007-09 <sup>F</sup>	29,462.9	6.1%	24,490.7	1.1%
2009-11 <sup>F</sup>	31,917.9	8.3%	25,587.0	4.5%

<sup>F</sup>: February 2008 Forecast  
 \*Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes.

Table 3.5  
**Taxable Retail Sales\***  
 February 2008  
 (Millions of Dollars)

<b>Fiscal Year</b>	<b>Amount</b>	<b>Percent Change</b>
1978	21,121	
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008 <sup>F</sup>	120,178	4.0%
2009 <sup>F</sup>	123,583	2.8%
2010 <sup>F</sup>	128,667	4.1%
2011 <sup>F</sup>	134,497	4.5%

<sup>F</sup> Forecast.

\* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Reported totals affected by enacted legislation. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984).

expected to produce \$3.0 billion, 10.2 percent of the total in the 2007-09 biennium and \$3.2 billion, 10.0 of total GFS revenue in the 2009-11 period. Historically, the property tax had a bigger share of total General Fund-State revenue. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.18, part 1.)

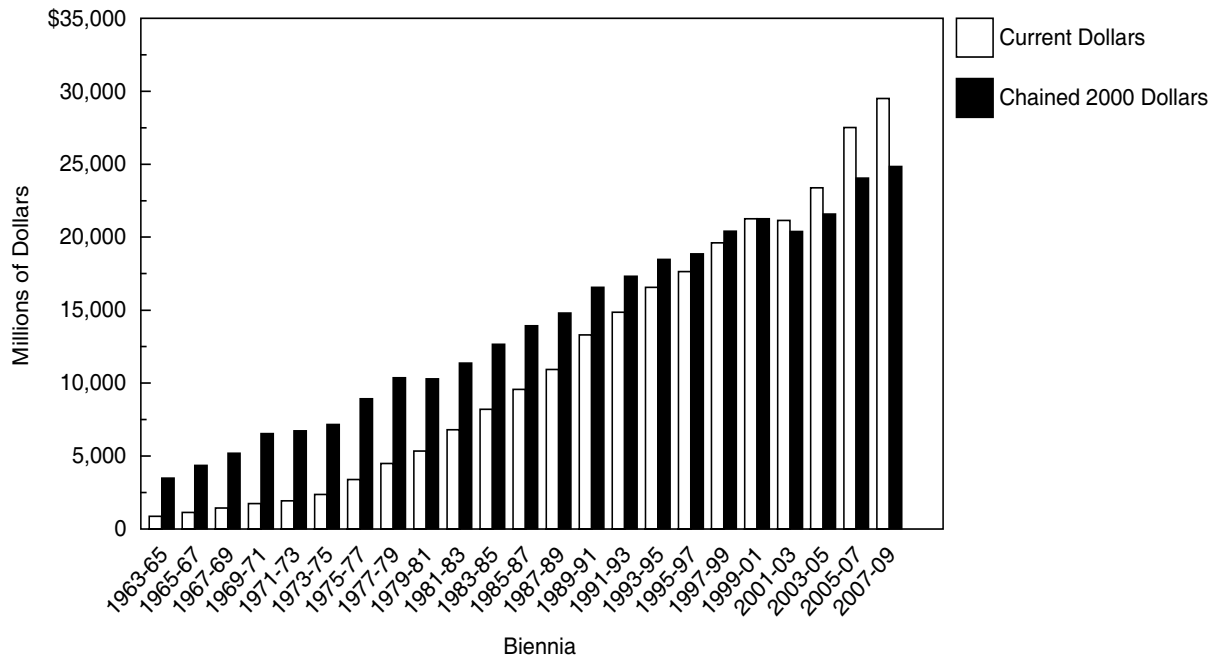
Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$31,278.3 million in the third quarter of 2007, the most recent quarter available. This was 5.9 percent higher than the year-ago level. Taxable sales increased 7.7 percent in the second quarter of 2007 and 7.9 percent in the first quarter. Taxable sales have now increased on a year-over-year basis for twenty-one consecutive quarters after having fallen or remaining unchanged for five straight quarters during the last recession. Taxable sales in the third quarter of 2007 grew slower than state personal income for the first time since the last recession, although it again grew faster retail sales nationally. In the third quarter of 2007, U.S. retail sales increased 4.1 percent (adjusted) on a year-over-year basis, about the same as the 4.0 percent gain in the second quarter. Although the fourth quarter of 2007 is complete, actual taxable sales data for the state are not yet available for the fourth quarter. The forecast assumes that taxable sales increased 5.7 percent in the last quarter of 2007. This would be a little slower than the 5.9 percent increase in the third quarter but it would again be well above the February forecast's assumed growth of U.S. retail sales (4.9 percent). It would, however, again be slower than the growth of state personal income assumed in the February 2008 forecast (7.7 percent).

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC) basis to the North American Industry Classification System (NAICS) making

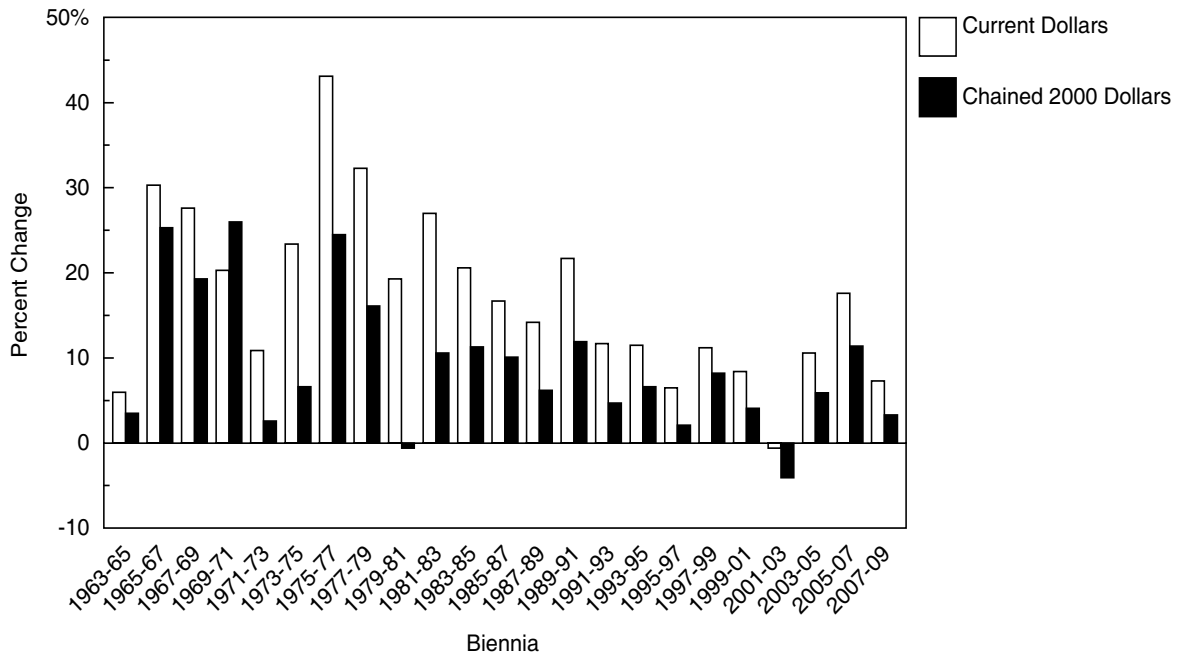
historical comparisons by sector easier and more meaningful. Taxable sales in the third quarter of 2007 of businesses in the retail trade sector, which accounted for 42.3 percent of all taxable sales in the quarter, were only 2.5 percent above the year-ago level. Taxable sales of firms in the retail trade sector increased



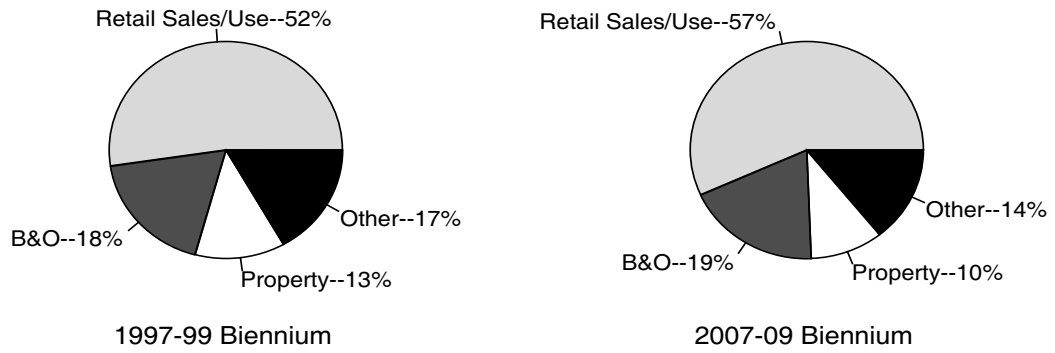
**Chart 3.1  
General Fund-State Revenue**



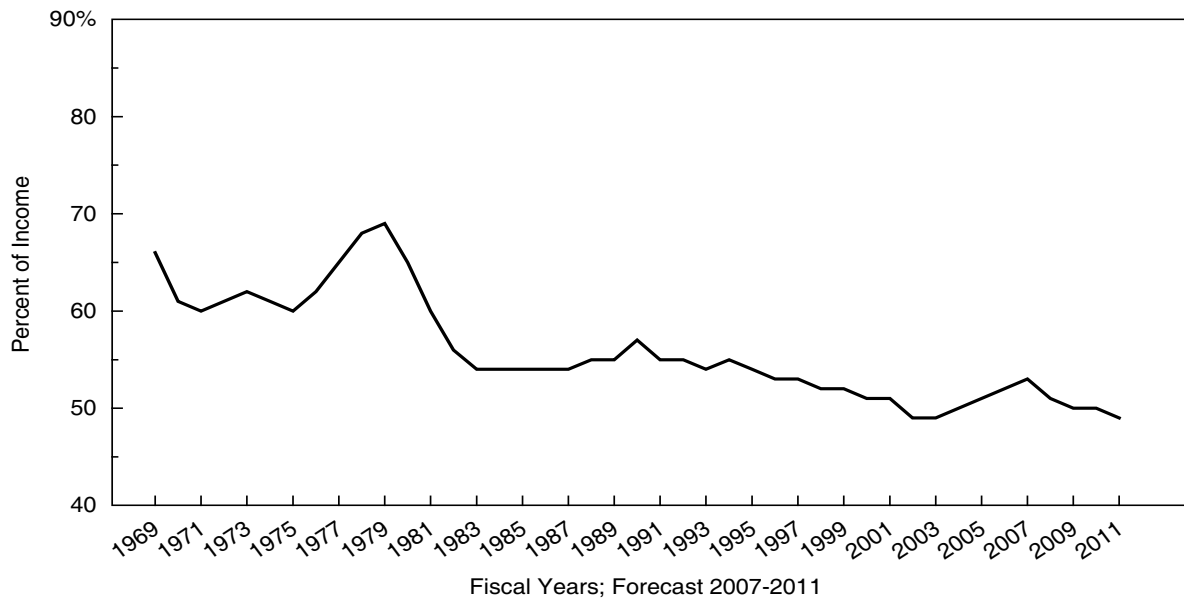
**Chart 3.2  
General Fund-State Revenue - Percent Change**



**Chart 3.3**  
**Composition of General Fund-State Revenue**



**Chart 3.4**  
**Taxable Sales\* as a Percent of Personal Income**



\* Adjusted Base

4.3 percent in the second quarter of 2007. Within retailing, the clothing/accessories category reported the largest increase in the third quarter, 11.3 percent. The next strongest category was drug and health stores which reported a 7.4 percent year-over-year increase. The auto sector, the largest retail trade category, reported a 1.9 percent year-over-year decline in activity. This sector has not reported a decline since the fourth quarter of 2002. There were several other relatively weak sectors including: electronics and appliance stores (-0.2 percent), furniture and home furnishing retailers (+1.6 percent), and building material and garden supply sector (0.8 percent). Taxable sales reported by non-retailing sectors were 8.4 percent higher than a year-ago in the third quarter of 2007. This follows a 10.4 percent increase the previous quarter. The year-over-year change in the current quarter varied widely among non-retail trade sectors. Taxable sales reported by the construction sector, which accounted for 21.6 percent of all taxable sales in the third quarter of 2007, were 9.3 percent higher than a year ago, down from the 13.5 percent gain reported in the second quarter. Taxable sales reported by the service sector, which accounted for 17.8 percent of all taxable sales in the quarter, were 8.7 percent higher than a year-ago. Taxable sales reported by the wholesale trade sector increased 10.2 percent and the information sector reported a 4.3 percent year-over-year increase.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 5.8 percent higher than a year ago in the third quarter of 2007. Taxable sales increased 6.0 percent in the rest of the state. Taxable sales in King County were 7.8 percent higher than a year-ago for the quarter. Taxable sales in Snohomish County increased 5.1 percent in the third quarter but Pierce County reported an increase of only 1.8 percent. Taxable sales in Spokane County were 5.0 percent above the year-ago level.

Statewide taxable sales increased 7.9 percent in fiscal 2007. This is down from 10.1 percent in 2006. The growth of taxable sales is expected to decelerate further in the 2007-09 biennium as the impact of the housing correction and higher energy prices slow consumer and business spending. The forecast assumes taxable sales will increase 4.0 percent in fiscal 2008 and 2.8 percent in fiscal 2009. Taxable sales growth is expected to rebound some in next biennium, although growth is expected to be constrained by weaker than average employment and construction activity. The February forecast assumes taxable sales will growth 4.1 percent in fiscal 2010 and 4.5 percent in fiscal 2011.

## **Forecast Change for the 2007-09 Biennium**

The February 2008 GFS revenue forecast for the 2007-09 biennium is \$423.4 million (1.4 percent) less than in November. February's reduction follows a \$130.4 million reduction in November. Although collections in the three months since the November forecast were a little higher than expected, the outlook for the remainder of the biennium has deteriorated. A much weaker outlook for the U.S. economy, slower employment growth and a housing market that has yet to hit bottom, all point to a weaker state economy and less General Fund-State revenue. Most of the reduction to the forecast is due to weakness in housing and weaker consumer spending. As was the case in November, more than half of the \$423.4 million reduction in the outlook for GFS revenue was due to a downward revision to the real estate excise tax forecast.

Table 3.6 summarizes the changes to the GFS cash forecast for the 2007-09 biennium by type of change. Tables 3.7 and 3.8 summarize data revisions to GFS revenue for the 2007-09 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Tables 3.9 and 3.10 summarize the GFS revenue forecast for the 2009-11 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source. Below is a brief summary of changes to the forecast by agency.

## Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue in the 2007-09 and 2009-11 biennia. The February forecast of GFS revenue sources administered and collected by the Department of Revenue is \$404.6 million lower than in November. This is about 95 percent of total February change. The change reflects the weaker economic outlook, partially offset by a little higher than expected collections in the last three months.

The housing outlook is considerably weaker than assumed in November and the majority of the change to the forecast is due a \$231.9 million reduction to the real estate excise tax forecast. Other major changes include: a \$130.5 million reduction to the retail sales tax forecast, a \$35.5 million reduction to the use tax forecast, a \$12.8 million reduction to the property (state levy) tax forecast, and a \$10.4 million reduction to the business and occupation tax forecast. There were some increases. The penalty and interest forecast was increased by \$7.0 million and the forecast of unclaimed property transfers to the General Fund was increased \$5.3 million. The increases to the forecast primarily reflect positive collection experience in the three months since the November 2007 forecast.

The outlook for housing continues to worsen and has resulted in a lower forecast for real estate excise tax revenue. The reduction to the real estate excise tax forecast is due to a combination of much weaker than expected real estate activity in the last three months and to a weaker outlook for building permits for the remainder of the biennium. Taxable real estate activity was 31.3 percent below the year ago level in November 2007, 17.8 percent below last year in December and 35.6 percent below its year-ago level in January 2008. Taxable real estate activity has declined on a year-over-year basis for the last six months and fourteen of the last seventeen months. On a seasonally adjusted basis, taxable activity in the fourth quarter is 28.7 percent below the 2006:1 peak in activity. Conditions are unlikely to improve until the last half of 2008 at the earliest due to tighter lending standards and a high and rising inventory of houses on the market.

The February 2008 forecast continues to expect growth of the tax base of Washington's two major revenue sources, sales and business and occupation taxes, to grow less than average and slower than state personal income for the remainder of the 2007-09 biennium and for much of the next biennium. Revenue growth in the 2005-07 biennium and for the first couple of quarters of the current biennium was exceptionally strong due to a strong income and employment growth, a booming housing market, and readily available credit. Circumstances have dramatically changed. Although income growth is still strong, other factors that produced above trend growth in taxable sales and taxable business and occupation income are gone or substantially less than in the 2005-07 period.

The February forecast reflects legislation enacted in the special legislative session in November 2007 which reinstated the one percent cap on annual property tax increases. The Washington State Supreme Court in early November 2007 had ruled that provisions of Initiative 747 that limited property tax increases to one-percent plus new construction rather than the lesser of the rate of inflation or six percent was unconstitutional. The November 2007 forecast, based on advice from the Department of Revenue, also assumed that the state levy would be subject to the one-percent limit. The February forecast expects the tax levy to increase 6.6 percent in the 2007-09 biennium and 6.8 percent in the 2009-11 biennium. The General Fund-State portion of the levy is expected to increase 7.4 percent in the 2007-09 and 6.7 percent in the 2009-11 budget period. The portion of the levy diverted to the Student Achievement Account as a result of Initiative 728 is projected to increase 2.4 percent in the 2007-09 biennium and 7.4 percent next biennium.

## **Department of Licensing**

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's General Fund-State forecast for the 2007-09 biennium has been decreased \$0.4 million to \$45.2 million. The department's initial forecast for the 2009-11 biennium is \$50.1 million.

## **The Office of Financial Management (Other Agencies)**

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the 2007-09 biennium has been increased \$13.2 million to \$19.9 million due mainly to increases in the forecast of recovered costs and transfers from the federal government from the Department of Social and Health Services and an increase in forecasted license and permit revenues from the Department of Financial Institutions. The office's initial forecast for the 2009-11 biennium is negative \$15.6 million. The office's negative forecast for the 2009-11 biennium indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies.

## **State Treasurer**

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's forecast for the 2007-09 biennium has been decreased \$32.7 million to \$155.6 million due to a decrease in forecasted interest rates. The office's initial forecast for the 2009-11 biennium is \$117.6 million.

## **Insurance Commissioner**

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. The office's forecast for the 2007-09 biennium has been increased \$1.2 million to \$546.0 million. The office's initial forecast for the 2009-11 biennium is \$606.8 million.

## **Liquor Control Board**

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2007-09 biennium has been decreased \$0.1 million to \$86.1 million and its forecast of beer and wine surtaxes is unchanged at \$4.8 million. The board's initial forecast of excess funds and fees for the 2009-11 biennium is \$95.9 million and its initial forecast of beer and wine surtaxes is \$5.3 million.

## **Lottery Commission**

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction and stadium/exhibition center accounts receive their allotments. The Commission's forecast of General Fund cash transfers for the 2007-09 biennium is unchanged at \$5.0 million and its initial forecast for the 2009-11 biennium is \$7.1 million. The Commission's forecast of revenues for the School Construction Account for the 2007-09 biennium is unchanged at \$204.0 million and its initial forecast for the 2009-11 biennium is also \$204.0 million.

Table 3.6  
**Summary of Changes to the General Fund-State Forecast**  
 February 2008 Cash Forecast  
 (Millions of Dollars)

	<u>February 2008 Change</u>
 <b><u>2007-09 Biennium</u></b>	
 <b><i>Collection Experience in the 2007-09 Biennium</i></b>	
	\$19.8
Department of Revenue <sup>1</sup>	19.9
Department of Licensing <sup>2</sup>	(0.0)
 <b><i>Non Economic Adjustments to the Forecast</i></b>	
	\$0.0
 <b><i>Forecast Change for the 2007-09 Biennium</i></b>	
	(\$443.3)
Department of Revenue	(\$424.5)
Other agencies	(\$18.8)
 <b>Total Change: 2007-09 Biennium*</b>	 <b><u>(\$423.4)</u></b>

<sup>1</sup> Variance base on collections November 11-February 10, 2008.

<sup>2</sup> Variance base on collections November 2007 - January 2008.

\* Detail may not add due to rounding.

## Track Record for the 2007-09 Biennium

Table 3.13 summarizes the changes to the GFS revenue forecast for the 2007-09 biennium. The February 2008 forecast for the 2007-09 biennium is \$423.4 million lower than the November 2007 forecast but is \$435 million (1.5 percent) higher than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes however, the current forecast for the 2007-09 biennium is \$610 million, 2.1 percent higher than the initial forecast despite the large reduction in February. There have been eight quarterly updates to the GFS forecast for the 2007-09 biennium: five have increased the forecast and three, including the February 2008 update, have reduced the forecast.

## The Relationship between the Cash and GAAP General Fund-State Revenue Forecasts

Legislation enacted in 1987 requires that the state's biennial budget be in conformance with Generally Accepted Accounting Principles (GAAP). It also requires a GFS revenue forecast on both a cash and GAAP basis. Thus, there are two related but distinct GFS forecasts summarized in this chapter: a cash receipts forecast and a GAAP revenue forecast. The primary difference between the cash and GAAP forecasts is timing of the receipt of revenue. On a GAAP basis, revenues are credited to the biennium in which they are earned even though they may not have been received. The cash forecast, on the other hand, reflects expected cash receipts during a fiscal period. The forecast on a GAAP, or accrual, basis is primarily used for financial reporting. The cash forecast is used for cash flow management, revenue tracking and is the forecast used in the state's budgetary balance sheet, which is the principal tool for assessing the General Fund's current surplus or deficit position. References to the GFS forecast in the text of this chapter refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.8 and 3.10 are on a cash basis.

Table 3.14 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2005-07 biennium totaled (revised) \$27,769.9 million on a GAAP basis, \$2.1 million less than the \$27,772.0 million cash receipts total. The February 2008 GFS forecast for the 2007-09 biennium is \$29,566.6 million on a GAAP basis, \$103.6 million more than the \$29,462.9 million cash forecast. For the 2009-11 biennium, the GAAP forecast totals \$32,025.0 million, \$107.1 million higher than the \$31,917.0 cash forecast.

Table 3.15 shows the budgetary balance sheet for the 2005-07 which ended June 30, 2007, and 2007-09 biennia. The balance for the General Fund at the end of the 2005-07 biennium was \$780.5 million. In addition, the Emergency Reserve Fund ending balance is \$293.3 which produces a combine General Fund and Emergency Reserve ending balance of \$1,073.8 million. The combined 2005-07 ending balance is \$5.8 million less than the balance as of November 2007 and it is 3.9 percent of the 2005-07 spending level. With adoption of the February 2008 GFS forecast, the projected total ending balance for the 2007-09 biennium is \$953.7 million. This is based on an enacted 2007-09 appropriations level of \$29,622.9 million only; this is before adoption of a supplemental budget by the 2008 Legislature or any other changes to spending or transfer assumptions. This is \$429.6 million less than projected after adoption of the November 2007 revenue forecast and is 3.2 percent of 2007-09 enacted appropriations. The total ending balance for the 2007-09 biennium is comprised of a projected ending GFS balance of \$524.2 million and a \$429.4 million balance in the Budget Stabilization Account. The 2007 Legislature enacted joint resolutions creating a new Budget Stabilization Account which was ratified by voters in the November 2007 general election.

Table 3.7  
**Comparison of the General Fund-State Forecast by Agency**  
 2007-09 Biennium; Cash Basis  
 (Millions of Dollars)

<b>Forecast by Agency</b>	<b>Nov. 2007 Forecast<sup>1</sup></b>	<b>Non- Economic Changes</b>	<b>Forecast Revision</b>	<b>Feb. 2008 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$15,785.4	0.0	(\$130.5)	\$15,654.9	(\$130.5)
Business & Occupation Use	5,554.1	0.0	(10.4)	5,543.7	(10.4)
Public Utility	1,110.2	0.0	(35.5)	1,074.7	(35.5)
Liquor Sales/Liter	738.3	0.0	(1.8)	736.5	(1.8)
Cigarette	319.0		(0.0)	319.0	(0.0)
Property (State Levy)	102.1		0.9	103.0	0.9
Real Estate Excise	3,007.4		(12.8)	2,994.6	(12.8)
Timber Excise	1,614.5		(231.9)	1,382.6	(231.9)
Other	14.3		(0.4)	13.9	(0.4)
Subtotal	759.7	0.0	17.8	777.5	17.8
	29,005.0	0.0	(404.6)	28,600.4	(404.6)
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	45.6		(0.4)	45.2	(0.4)
<b>Insurance Commissioner</b>					
Insurance Premiums	544.8		1.2	546.0	1.2
<b>Liquor Control Board</b>					
Liquor Profits and Fees	86.2		(0.1)	86.1	(0.1)
Beer & Wine Surtax	4.8		0.0	4.8	0.0
<b>Lottery Commission</b>					
Lottery Revenue	5.0		0.0	5.0	0.0
<b>State Treasurer</b>					
Interest Earnings	188.3		(32.7)	155.6	(32.7)
<b>Office of Financial Management</b>					
Other	6.7		13.2	19.9	13.2
<b>Total General Fund-State *</b>	<b>\$29,886.4</b>	<b>\$0.0</b>	<b>(\$423.4)</b>	<b>\$29,462.9</b>	<b>(\$423.4)</b>

1 General Fund-State forecast for the 2005-07 biennium adopted by the ERFC in November 2007.

2 General Fund-State forecast for the 2005-07 biennium, adopted February 2008;

\*Detail may not add to totals because of rounding.



Table 3.8  
**Comparison of the General Fund-State Forecast by Agency**  
 2007-09 Biennium; GAAP Basis  
 (Millions of Dollars)

<b><u>Forecast by Agency</u></b>	<b><u>Nov. 2007 Forecast<sup>1</sup></u></b>	<b><u>Non- Economic Changes</u></b>	<b><u>Forecast Revision</u></b>	<b><u>Feb. 2008 Forecast<sup>2</sup></u></b>	<b><u>Total Change</u></b>
<b><i>Department of Revenue</i></b>					
Retail Sales	\$15,860.3	0.0	(\$130.7)	\$15,729.7	(\$130.7)
Business & Occupation Use	5,573.4	0.0	(10.4)	5,563.0	(10.4)
Public Utility	1,113.5	0.0	(34.9)	1,078.6	(34.9)
Liquor Sales/Liter	740.3	0.0	(1.8)	738.5	(1.8)
Cigarette	320.0	0.0	(0.4)	319.5	(0.4)
Property (State Levy)	102.1	0.0	0.9	103.0	0.9
Real Estate Excise	3,007.8	0.0	(12.6)	2,995.2	(12.6)
Timber Excise	1,614.5	0.0	(231.9)	1,382.6	(231.9)
Other	13.2	0.0	(0.1)	13.1	(0.1)
Subtotal	761.1	0.0	17.6	778.7	17.6
	29,106.1	\$0.0	(404.2)	28,701.9	(404.2)
<b><i>Department of Licensing</i></b>					
Boat excise, licenses, fees & other	47.0	0.0	(0.4)	46.6	(0.4)
<b><i>Insurance Commissioner</i></b>					
Insurance Premiums	544.8	0.0	1.2	546.0	1.2
<b><i>Liquor Control Board</i></b>					
Liquor Profits and Fees	86.2	0.0	(0.1)	86.1	(0.1)
Beer & Wine Surtax	4.8	0.0	0.0	4.8	0.0
<b><i>Lottery Commission</i></b>					
Lottery Revenue	8.6	0.0	0.0	8.6	0.0
<b><i>State Treasurer</i></b>					
Interest Earnings	190.4	0.0	(37.8)	152.7	(37.8)
<b><i>Office of Financial Management</i></b>					
Other	6.7	0.0	13.2	19.9	13.2
<b><u>Total General Fund-State *</u></b>	<b>\$29,994.6</b>	<b>\$0.0</b>	<b>(\$428.1)</b>	<b>\$29,566.5</b>	<b>(\$428.1)</b>

1 Forecast for the 2007-09 biennium adopted November 2007.

2 February 2008 Forecast.

\*Detail may not add to totals because of rounding.

Table 3.9  
**Comparison of the General Fund-State Forecast by Agency**  
 2009-11 Biennium; Cash Basis  
 (Millions of Dollars)

<u>Forecast by Agency</u>	<u>Nov. 2007 Forecast</u>	<u>Non- Economic Changes</u>	<u>Forecast Revision</u>	<u>Feb. 2008 Forecast<sup>1</sup></u>	<u>Total Change</u>
<b><i>Department of Revenue</i></b>					
Retail Sales	na	\$0.0	na	\$16,775.7	na
Business & Occupation Use	na	0.0	na	6,119.0	na
Public Utility	na	0.0	na	1,172.1	na
Liquor Sales/Liter	na	0.0	na	843.1	na
Cigarette	na		na	343.9	na
Property (State Levy)	na		na	100.5	na
Real Estate Excise	na	0.0	na	3,196.2	na
Timber Excise	na	0.0	na	1,630.6	na
Other	na	0.0	na	11.7	na
Subtotal	na	0.0	na	858.0	na
<b><i>Department of Licensing</i></b>					
Boat excise, licenses, fees & other	na		na	50.1	na
<b><i>Insurance Commissioner</i></b>					
Insurance Premiums	na		na	606.8	na
<b><i>Liquor Control Board</i></b>					
Liquor Profits and Fees	na		na	95.9	na
Beer & Wine Surtax	na		na	5.3	na
<b><i>Lottery Commission</i></b>					
Lottery Revenue	na		na	7.1	na
<b><i>State Treasurer</i></b>					
Interest Earnings	na		na	117.6	na
<b><i>Office of Financial Management</i></b>					
Other	na		na	(15.6)	na
<b><u>Total General Fund-State *</u></b>	na	<b>\$0.0</b>	na	<b>\$31,917.9</b>	na

<sup>1</sup> Initial Forecast adopted by the ERFC in February 2008.

\*Detail may not add to totals because of rounding.

Table 3.10

**Comparison of the General Fund-State Forecast by Agency**

2009-11 Biennium; GAAP Basis

(Millions of Dollars)

<b>Forecast by Agency</b>	<b>Nov. 2007 Forecast</b>	<b>Non- Economic Changes</b>	<b>Forecast Revision</b>	<b>Feb. 2008 Forecast<sup>1</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	na	0.0	na	\$16,852.3	na
Business & Occupation Use	na	0.0	na	6,139.0	na
Public Utility	na	0.0	na	1,175.9	na
Liquor Sales/Liter	na	0.0	na	845.1	na
Cigarette	na		na	344.9	na
Property (State Levy)	na		na	100.5	na
Real Estate Excise	na	0.0	na	3,196.6	na
Timber Excise	na	0.0	na	1,630.6	na
Other	na	0.0	na	10.9	na
Subtotal	na	\$0.0	na	859.4	na
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	na		na	51.7	na
<b>Insurance Commissioner</b>					
Insurance Premiums	na	0	na	606.8	na
<b>Liquor Control Board</b>					
Liquor Profits and Fees	na	-	na	95.9	na
Beer & Wine Surtax	na		na	5.3	na
<b>Lottery Commission</b>					
Lottery Revenue	na		na	7.0	na
<b>State Treasurer</b>					
Interest Earnings	na	-	na	118.9	na
<b>Office of Financial Management</b>					
Other	na	-	na	(15.6)	na
<b>Total General Fund-State *</b>	na	<b>\$0.0</b>	na	<b>\$32,025.0</b>	na

<sup>1</sup> Initial forecast for the 2009-11 biennium.

\*Detail may not add to totals because of rounding.

Table 3.11  
**February 2008 General Fund-State Forecast**  
**2007-09 & 2009-11 Biennia; Cash Basis**  
(Millions of Dollars)

<b>Forecast by Source</b>	<b>Fiscal 2007<sup>a</sup></b>	<b>Fiscal 2008</b>	<b>Fiscal 2009</b>	<b>2007-09 Biennium</b>	<b>Fiscal 2010</b>	<b>Fiscal 2011</b>	<b>2009-11 Biennium</b>
<b>State Taxes</b>							
Retail sales***	\$7,388.0	\$7,752.7	\$7,902.2	\$15,654.9	\$8,212.5	\$8,563.2	\$16,775.7
Business & occupation Use***	2,640.9	2,709.4	2,834.3	5,543.7	2,990.4	3,128.6	6,119.0
Public Utility	504.4	531.9	542.8	1,074.7	572.0	600.1	1,172.1
Liquor sales/liter	352.9	352.1	384.4	736.5	410.7	432.4	843.1
Beer & wine surtax	147.7	155.7	163.3	319.0	169.0	174.9	343.9
Cigarette	2.2	2.3	2.4	4.8	2.6	2.7	5.3
Tobacco products	50.5	52.2	50.8	103.0	50.5	50.0	100.5
Property (state school levy)**	6.8	(9.7)	9.8	0.1	10.2	10.5	20.7
Public utility district	1,423.1	1,473.7	1,520.8	2,994.6	1,570.5	1,625.7	3,196.2
Real estate excise	39.8	42.3	44.9	87.2	47.1	49.7	96.8
Timber excise	1,069.6	703.6	679.0	1,382.6	780.6	850.0	1,630.6
Estate/inheritance	8.0	7.6	6.4	13.9	6.2	5.5	11.7
Motor vehicle excise & Rental car	5.3	4.5	0.5	5.0	0.5	0.5	1.0
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	15.8	17.3	18.4	35.7	19.6	20.9	40.6
Other	249.0	266.5	279.5	546.0	295.6	311.2	606.8
<b>Total Taxes</b>	275.9	268.7	266.7	535.4	280.8	297.1	578.0
	14,180.0	14,330.9	14,706.1	29,036.9	15,418.9	16,123.0	31,541.9
<b>State Non-Tax Sources</b>							
Licenses, permits, fees	91.8	98.6	94.2	192.8	95.9	98.3	194.2
Liquor profits & fees	49.0	40.4	45.7	86.1	46.5	49.4	95.9
Earnings on investments	100.9	107.0	48.7	155.6	54.4	63.2	117.6
Lottery transfers	7.6	0.0	5.0	5.0	3.6	3.5	7.1
Other revenue & transfers	13.9	11.4	(25.0)	(13.5)	(20.6)	(18.1)	(38.8)
<b>Total Non-Tax</b>	263.1	257.4	168.6	426.0	179.7	196.3	376.0
<b>Total General Fund-State *</b>	\$14,443.2	\$14,588.3	\$14,874.6	\$29,462.9	\$15,598.5	\$16,319.3	\$31,917.9

a - Actual;

\* Detail may not add to totals due to rounding.

\*\*General Fund-State portion of the state levy AFTER transfers to the Student Achievement Account.

\*\*\*GFS portion after Initiative 900 transfer.

## Alternative Forecast for the 2007-09 and 2009-11 Biennia

The February 2008 baseline forecast expects the housing correction to continue, energy prices to remain relatively high and economic growth to slow. The baseline forecast assumes that the very strong growth in the last two years is over. The U.S. economy is expected to suffer a mild recession, with real GDP contracting in the first two quarters of 2008. For the state, economic and revenue growth are expected to slow but the forecast expects no recession. The housing correction in Washington has intensified and overall spending is beginning to slow. Whether or not economic and revenue growth weaken more or less than assumed in the baseline forecast depends upon the severity of the housing downturn and its impact on consumer and business spending.

The February 2008 optimistic scenario assumes no recession. Like previous optimistic scenarios, the optimistic forecast assumes higher productivity growth than in the baseline. In the optimistic scenario lower mortgage rates limit the contraction in the residential housing market and speed-up its recovery. Energy prices are lower in this scenario and employment growth is stronger. Stronger growth nationally benefits Washington's economy. In the optimistic scenario state personal income is 2.1 percent higher than in the baseline in the second quarter of calendar 2008 and is 4.4 percent higher by the end of the 2007-09 biennium. State personal income is 7.4 percent higher than the baseline forecast by the end of the 2009-11 biennium. State wage and salary employment is 20,600 higher in the than the baseline forecast by the second quarter of calendar 2008 and is 63,500 higher by the end of the biennium. Employment is 114,400 higher by the end of the 2009-11 biennium.

In the February 2008 pessimistic scenario the national recession is deeper and longer than assumed in the baseline forecast. In the pessimistic scenario the housing correction is deeper and longer than in the baseline forecast. Consumer and business confidence sinks and investment and consumer spending growth is much slower than assumed in the baseline forecast. The weaker national economy results in weaker job and income growth in the state, with payroll employment in the state declining five consecutive quarters beginning in the first quarter of 2008. In the pessimistic scenario, state personal income is 2.7 percent less than the baseline by the second quarter of calendar 2008 and is 4.3 percent lower than the baseline by the end of the 2007-09 budget period. State personal income in the pessimistic scenario is 6.2 percent below the baseline forecast by the end of the 2009-11 biennium. Wage and salary employment is 26,200 less than the baseline by the second quarter of calendar 2008 and is 68,900 less by the end of the 2007-09 biennium. In the pessimistic scenario, payroll employment in the state is 115,900 less than the baseline by the end of the 2009-11 biennium.

The revenue implications of these alternative scenarios are show in Table 3.16 for the 2007-09 biennium and Table 3.17 for the 2009-11 biennium. The optimistic scenario for the 2007-09 biennium generates \$30,271.2 million, \$808.2 million more than the baseline forecast. The pessimistic alternative produces only \$28,644.4 million GFS revenue in the 2007-09 biennium, \$818.5 million less than the baseline forecast. For the 2009-11 biennium the range is much wider. The optimistic forecast generates \$34,113.5 million, \$2,195.6 million more than the baseline while the pessimist forecast produces only \$29,728.0 million, \$2.189.9 million less than the baseline.

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA). The February 2008 GCEA scenario was based on the forecast of five members of the GCEA. The GCEA alternative was \$78 million lower than the February 2008 baseline forecast for the 2007-09 biennium.

Table 3.12  
**General Fund - State Cash Receipts**  
 February 2008 Forecast by Fiscal Year  
 (Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
<b>Fiscal Years</b>		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,803.5	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
2005	12,067.3	6.6%
2006	13,328.8	10.5%
2007	14,443.2	8.4%
<b>Forecast</b>		
2008	14,588.3	1.0%
2009	14,874.6	2.0%
2010	15,598.5	4.9%
2011	16,319.3	4.6%

Table 3.13

**Track Record for the 2007-09 General Fund-State Cash Forecast**

February 2006 through November 2007

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Fund-State Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2006****</b>	\$28,180	\$848				\$29,028
<b>Changes to Forecast</b>						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	203.8	8.9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008	(405)	(19)	(423)	- #3	(423)	29,463
June 2008						
September 2008						
<b>Total change***:</b>						
From February 2006	548	61	610	(175)	435	
Percent change	1.9%	7.2%	2.1%	-0.6%	1.5%	

\* Excludes legislative, judicial, statutorily required or other major non-economic changes.

\*\* Includes legislative, judicial, statutorily required or other major non-economic changes.

\*\*\* Detail may not add to total due to rounding.

\*\*\*\* First official forecast for the 2007-09 biennium.

#1 Change to the forecast due to 2006 legislation.

#2 Change to the forecast due to 2007 legislation/budget driven revenue and the tobacco product tax settlement

#3 Change to the forecast due to change in federal law regarding taxation of internet access.

Table 3.14

**February 2008 Baseline Forecast by Agency  
Comparison of Cash and GAAP Basis**  
(Millions of dollars)

Agency	2005-07 Biennium			2007-09 Biennium			2009-11 Biennium		
	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.
<b>General Fund - State Cash/Revenue Sources</b>									
Department of Revenue <sup>3</sup>	\$26,792.2	\$26,783.5	(\$8.7)	\$28,475.9	\$28,578.3	\$102.4	\$30,920.6	\$31,025.8	\$105.2
Department of Licensing	41.3	42.0	0.7	45.2	46.6	1.4	50.1	51.7	1.6
Insurance Commissioner <sup>4</sup>	506.9	506.9	0.0	564.4	564.4	0.0	627.0	627.0	0.0
State Treasurer	167.3	175.3	8.0	155.6	152.7	(2.9)	117.6	118.9	1.3
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	248.4	248.4	0.0	272.7	272.7	(0.0)	275.806	275.806	0.0
<b>Subtotal: General Fund-State Cash/Revenue*</b>	<b>27,756.1</b>	<b>27,756.1</b>	<b>(0.0)</b>	<b>29,513.7</b>	<b>29,614.6</b>	<b>100.9</b>	<b>31,991.2</b>	<b>32,099.3</b>	<b>108.1</b>
<b>General Fund State - Other Financing Sources<sup>5</sup></b>									
Department of Revenue <sup>6</sup>	117.5	117.3	(0.2)	124.5	123.6	(0.8)	130.2	129.3	(0.8)
Lottery Commission	9.5	7.6	(1.9)	5.0	8.6	3.6	7.1	7.0	(0.1)
Insurance Commissioner <sup>7</sup>	(16.3)	(16.3)	0.0	(18.4)	(18.4)	0.0	(20.3)	(20.3)	0.0
Liquor Control Board	102.4	102.4	0.0	90.9	90.9	0.0	101.1	101.1	0.0
Office of Financial Management									
Other Agencies <sup>8</sup>	-197.1	(197.1)	(0.0)	(252.8)	(252.8)	0.0	(291.4)	(291.4)	0.0
<b>Subtotal: GFS Other Financing Sources</b>	<b>15.9</b>	<b>13.9</b>	<b>(2.0)</b>	<b>(50.8)</b>	<b>(48.0)</b>	<b>2.8</b>	<b>(73.3)</b>	<b>(74.2)</b>	<b>(0.9)</b>
<b>Total Available Receipts/Resources</b>									
<b>General Fund-State *</b>	<b>\$27,772.0</b>	<b>\$27,769.9</b>	<b>(\$2.1)</b>	<b>\$29,462.9</b>	<b>\$29,566.6</b>	<b>\$103.6</b>	<b>\$31,917.9</b>	<b>\$32,025.0</b>	<b>\$107.1</b>

\* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

2 General Fund-State Revenue Forecast on a GAAP (Generally accepted accounting principles) basis, used to show the state revenue position for financial reporting purposes.

3 Excludes the state share of the timber tax and unclaimed property transfers.

4 Total insurance premiums tax.

5 Other financing sources represent transfers to/from other funds from/to the General Fund.

6 Includes the state share of the timber excise tax and unclaimed property transfers.

7 Portion of fire insurance premiums transferred out of the General Fund

8 Agency 701 and accounting sources: 480 and 481 for all other agencies.



Table 3.15

**2005-07 and 2007-09 Enacted Budget Balance Sheet**  
**General Fund-State**

Dollars in Millions

	2005-07	2007-09
<b>RESOURCES</b>		
Beginning Fund Balance	869.7	780.5
November 2007 Forecast	27,772.0	29,886.4
February 2008 Update	0.0	(423.4)
<b>Current Revenue Totals</b>	<b>27,772.0</b>	<b>29,462.9</b>
Legislatively Enacted Fund Transfers and Other Adjustments	192.5	39.8
Spillover to the Emergency Reserve Fund (ERF)	(289.1)	0.0
Transfer to Budget Stabilization Account		(136.1)
<b>Total Resources (including beginning fund balance)</b>	<b>28,545.0</b>	<b>30,147.1</b>
<b>EXPENDITURES</b>		
2005-07 Enacted Budget	27,764.5	
2007-09 Enacted Budget		29,622.9
	<b>27,764.5</b>	<b>29,622.9</b>
<b>RESERVES</b>		
<b>Projected General Fund Ending Balance</b>	<b>780.5</b>	<b>524.2</b>
Emergency Reserve Fund Beginning Balance	4.2	293.3
New Deposits	289.1	0.0
Transfer To Budget Stabilization Account	0.0	(293.3)
<b>Projected Emergency Reserve Fund Ending Balance</b>	<b>293.3</b>	<b>0.0</b>
Budget Stabilization Account Beginning Balance	0.0	0.0
Transfer To Budget Stabilization Account (From ERF)	0.0	293.3
New Deposits	0.0	136.1
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>0.0</b>	<b>429.4</b>
<b>Total Reserves (General Fund plus Budget Stabilization)</b>	<b>1,073.8</b>	<b>953.7</b>

Table 3.16  
**February 2008 Alternative Forecasts Compared to the Baseline Forecast**  
**2007-09 Biennium**  
(Millions of dollars)

<b><u>Forecast by Source</u></b>	<b><u>Optimistic Forecast</u></b>	<b><u>Baseline Forecast</u></b>	<b><u>Pessimistic Forecast</u></b>
<b><i>Department of Revenue</i></b>			
Retail Sales	\$15,929.9	\$15,654.9	\$15,328.3
Business & Occupation Use	5,679.8	5,543.7	5,405.6
Public Utility	1,098.6	1,074.7	1,039.4
Property (school levy)	736.9	736.5	735.2
Real Estate Excise	3,144.3	2,994.6	2,844.8
Other	1,437.5	1,382.6	1,305.5
Subtotal	1,278.2	1,213.4	1,152.0
	29,305.2	28,600.4	27,810.8
<b><i>Department of Licensing</i></b>			
	46.5	45.2	43.8
<b><i>Insurance Commissioner<sup>1</sup></i></b>			
	559.7	546.0	532.4
<b><i>Lottery Commission</i></b>			
	5.0	5.0	0.0
<b><i>State Treasurer - Interest earnings</i></b>			
	232.2	155.6	158.5
<b><i>Liquor Profits &amp; Fees<sup>2</sup></i></b>			
	92.7	90.9	89.1
<b><i>Office of Financial Management</i></b>			
Other agencies	29.9	19.9	9.9
<b>Total General Fund - State*</b>	<b>\$30,271.2</b>	<b>\$29,462.9</b>	<b>\$28,644.4</b>
<b>Difference from February 2008 Baseline</b>	<b>\$808.2</b>		<b>(\$818.5)</b>

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

\* Detail may not add to total due to rounding.

Table 3.17  
**February 2008 Alternative Forecasts Compared to the Baseline Forecast**  
**2009-11 Biennium**  
(Millions of dollars)

<b><u>Forecast by Source</u></b>	<b><u>Optimistic Forecast</u></b>	<b><u>Baseline Forecast</u></b>	<b><u>Pessimistic Forecast</u></b>
<b><i>Department of Revenue</i></b>			
Retail Sales	\$17,934.9	\$16,775.7	\$15,596.5
Business & Occupation Use	6,540.0	6,119.0	5,749.2
Public Utility	1,241.9	1,172.1	1,093.3
Property (school levy)	846.3	843.1	830.1
Real Estate Excise	3,356.0	3,196.2	3,036.4
Other	1,856.8	1,630.6	1,384.4
Subtotal	1,383.3	1,314.2	1,247.6
	33,159.3	31,050.8	28,937.6
<b><i>Department of Licensing</i></b>			
	51.6	50.1	48.6
<b><i>Insurance Commissioner<sup>1</sup></i></b>			
	621.9	606.8	591.6
<b><i>Lottery Commission</i></b>			
	8.6	7.1	0.0
<b><i>State Treasurer - Interest earnings</i></b>			
	174.5	117.6	76.8
<b><i>Liquor Profits &amp; Fees<sup>2</sup></i></b>			
	103.1	101.1	99.1
<b><i>Office of Financial Management</i></b>			
Other agencies	(5.6)	(15.6)	(25.6)
<b>Total General Fund - State*</b>	<b>\$34,113.5</b>	<b>\$31,917.9</b>	<b>\$29,728.0</b>
<b>Difference from February 2008 Baseline</b>	<b>\$2,195.6</b>		<b>(\$2,189.9)</b>

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

\* Detail may not add to total due to rounding.

Table 3.18

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue  
February 2008 Cash Forecast; Millions of Dollars**

**I. Disposition of the State portion of the Property Tax**

	<u>State Levy: Total Receipts</u>	<u>To the General Fund</u>	<u>To the Student Achievement Account<sup>1</sup></u>
2004	1,504.7	1,370.5	134.2
2005	1,568.1	1,372.6	195.5
2003-05 Biennium	3,072.8	2,743.1	329.8
2006	1,610.7	1,365.5	245.2
2007	1,669.7	1,423.1	246.6
2005-07 Biennium	3,280.4	2,788.6	491.8
2008	1,720.9	1,473.7	247.2
2009	1,777.0	1,520.8	256.2
200-09 Biennium	3,497.9	2,994.6	503.4
2010	1,838.8	1,570.5	268.4
2011	1,897.8	1,625.7	272.0
2010-11 Biennium	3,736.6	3,196.2	540.4

**II. Lottery Transfers by Fund\***

	<u>Lottery: Total Transfers.**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center &amp; Stadium</u>	<u>Student Achievement Account<sup>1</sup></u>	<u>School Construction Account<sup>1</sup></u>	<u>Transfer to VRDE<sup>2</sup></u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>
2004	113.3	0.0	4.0	7.3	76.5	25.5	0.0		
2005	112.2	4.3	4.2	7.6	0.0	96.2	0.0		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7	0.0		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.0	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.0	0.4	6.0
2008	118.7	0.0	4.7	8.5	0.0	102.0	0.0	0.3	3.2
2009	124.4	5.0	4.9	8.9	0.0	102.0	0.0	0.3	3.3
2007-09 Biennium	243.1	5.0	9.6	17.4	0.0	204.0	0.0	0.5	6.5
2010	123.6	3.6	5.1	9.2	0.0	102.0	0.0	0.3	3.4
2011	124.1	3.5	5.3	9.6	0.0	102.0	0.0	0.3	3.4
2009-11 Biennium	247.7	7.1	10.4	18.8	0.0	204.0	0.0	0.6	6.8

\* Cash Basis

Total Transfers are equal to total sales less total expenses (prizes, cost of sales, administration etc.)

1 Initiative 728 directs a portion of the state levy to the Student Achievement Account and lottery revenue to the Student Achievement Account and the School Construction Fund. Prior to Initiative 728 this revenue went into the General Fund.

2 Transfer to the Violence Reduction and Drug Education Account required by 2002 legislation (SSB 6560).

Table 3.19

**General Fund-State And Related Fund\***

February 2008 and November 2007 Cash Forecasts

2007-09 &amp; 2009-11 Biennia

Millions of dollars

	2007-09 Biennium			2009-11 Biennium			Change From 2007-08	
	<u>Nov. 2007 Forecast</u>	<u>Feb. 2008 Forecast</u>	<u>Difference</u>	<u>Nov. 2007 Forecast</u>	<u>Feb. 2008 Forecast</u>	<u>Difference</u>	<u>Amount</u>	<u>Percent</u>
General Fund-State	\$29,886.4	\$29,462.9	\$(423.4)	na	\$31,917.9	na	\$2,455.0	8.3%
Related Fund*								
Health Services Account	1,222.5	1,219.9	(2.7)	na	1,289.1	na	69.2	5.7%
Violence Reduction and Drug Enforce.Acct.	101.5	97.1	(4.4)	na	105.2	na	8.1	8.3%
Water Quality Account	71.8	72.2	0.3	na	90.8	na	18.6	25.8%
Student Achievement Account	503.3	503.4	0.1	na	540.4	na	37.0	7.4%
Public Safety and Education Account	203.4	203.3	(0.1)	na	214.7	na	11.3	5.6%
Total Related Fund	2,102.5	2,095.8	(6.6)	na	2,240.2	na	144.3	6.9%
Total General Fund and Related Fund	\$31,988.9	\$31,558.8	\$(430.1)	na	\$34,158.0	na	2,599.3	8.2%

\* Related Fund sometimes referred to as "near" General Fund. State sources only.

Table 3.20

**General Fund-State and Related Fund**  
History/Forecast by Fiscal Year (Cash basis)  
February 2008 - Millions of Dollars

	General Fund-State		Related Fund		Combined General Fund-State and Related Fund	
	Level	% Change	Level	Change	Level	Change
fiscal 1995	8,551.3		247.8		8,799.0	
fiscal 1996	8,581.2	0.3%	353.2	42.6%	8,934.4	1.5%
fiscal 1997	9,056.6	5.5%	392.3	11.1%	9,448.9	5.8%
fiscal 1998	9,640.9	6.5%	416.1	6.1%	10,057.0	6.4%
fiscal 1999	9,979.2	3.5%	434.9	4.5%	10,414.1	3.6%
fiscal 2000	10,433.2	4.5%	634.4	45.9%	11,067.5	6.3%
fiscal 2001	10,828.9	3.8%	731.1	15.2%	11,560.0	4.4%
fiscal 2002	10,450.7	-3.5%	1,181.7	61.6%	11,632.4	0.6%
fiscal 2003	10,689.9	2.3%	1,031.3	-12.7%	11,721.2	0.8%
fiscal 2004	11,321.2	5.9%	1,037.2	0.6%	12,358.4	5.4%
fiscal 2005	12,067.3	6.6%	969.0	-6.6%	13,036.3	5.5%
fiscal 2006	13,328.8	10.5%	988.8	2.0%	14,317.6	9.8%
fiscal 2007	14,443.2	8.4%	1,024.2	3.6%	15,467.4	8.0%
fiscal 2008	14,588.3	1.0%	1,025.9	0.2%	15,614.1	0.9%
fiscal 2009	14,874.6	2.0%	1,070.0	4.3%	15,944.6	2.1%
fiscal 2010	15,598.5	4.9%	1,108.0	3.6%	16,706.6	4.8%
fiscal 2011	16,319.3	4.6%	1,132.1	2.2%	17,451.5	4.5%

\*Related fund also know as "near" General Fund. State sources only.

## **Related Fund Forecast for the 2007-09 and 2009-11 Biennia**

The February 2008 economic and revenue forecast includes a “related fund” forecast as well as the General Fund-State forecast for the 2007-09 and 2009-11 biennia. Related fund, also referred to as “near” general fund, is defined in RCW 43.135.025 and consists of six funds: the public safety and education account, the water quality account, the violence reduction and drug enforcement account, the student achievement account, and the health services account. Tables 3.19 and 3.20 summarize the related fund forecast.

The related fund forecast for the 2007-09 biennium is \$2,095.8 million, \$6.6 million less than expected in November. The lower related fund forecast includes reductions to the forecast of the health services account (-\$2.7 million), the violence reduction and drug enforcement account (-\$4.4 million) and the public safety and education account (-\$.1 million). These reductions were partially offset by small increases to the forecast of the water quality account (+\$0.3 million) and the student achievement account (+\$0.1 million). The combined GFS and related fund forecast totals \$31,558.8 million, \$430.1 million less than the November forecast.

The initial related fund forecast for the 2009-11 is \$2,240.2 million. This is \$144.3 million, 6.9 percent higher than the forecast for the 2007-09 biennium. The combined GFS and related fund forecast for the 2009-11 biennium is \$34,158.0 million. This is \$2,599.3 million, 8.2 percent, more than the forecast of the 2007-09 biennium.

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## Washington Exports 2003 to 2007

**R**elative to the size of its economy, Washington exports are quite large compared to those of a typical state. As shown in Chart 4.1, exports from Washington averaged 16.0 percent of the state's Gross Domestic Product (GDP) in the ten years from 1997 through 2006 (the most recent year for which state GDP numbers are available). In contrast, exports from the United States as a whole accounted for an average of only 7.5 percent of the country's total GDP over the same period.

Washington's high concentration of exports is the result of a number of different factors. Chief among these is the presence in Washington of two large producers of transportation equipment, Boeing Commercial Airplanes and PACCAR, which produces Kenworth trucks. Exports of transportation equipment averaged 62.8 percent of Washington's total exports during the period shown in Chart 4.1, with the bulk of those exports being aircraft. If exports of transportation equipment are excluded from the statistics, the remaining exports from Washington averaged only 5.9 percent of GDP over that period. This number was still higher, however, than national non-transportation exports as a percent of GDP, which averaged 5.7 percent during that time.

Another factor which may inflate the magnitude of Washington's exports is the way they are measured. The export data for this report was compiled by the World Institute for Strategic Economic Research (WISER), located at Holyoke Community College in Massachusetts. WISER processes data provided by the Census Bureau's Foreign Trade Division in the form of Shippers Export Declarations (SEDs) which require information regarding "the state where the product began its journey to the point of export." Unfortunately, however, the state referred to in SEDs is not necessarily the state of manufacture, production, or extraction. It may, instead, be the location of the broker or wholesaler of the product, or the state of consolidation of shipments. As a result some of the shipments list the state the goods were shipped from, rather than the state from which the exports originated. This may result in some inflation of exports for major port states such as Washington and understatement of exports for other states. According to WISER, this problem is most acute for agricultural shipments. As agricultural products are one of the state's largest exports (see Table 4.4), there exists significant potential for overstatement of the amount of these shipments actually produced in the state. This problem may also affect measurement of Washington's exports to Mexico (reported in Tables 4.6 and 4.8), which may be understated due to attribution of products produced in Washington (such as apples) to ports in California and Texas.

One other thing to note about the export statistics presented here is that most Microsoft software exports are considered as exports of services and are therefore not included in the WISER data, which only measures exports of goods. The only software exports that are measured are those of pre-packaged software, and exports of that software are attributed to the state where the software is reproduced for

distribution, not where it is developed. As such, the billions of dollars of Microsoft software exports that are transmitted electronically or are reproduced and distributed from other locations are not reflected in Washington's export statistics. WISER began reporting prepackaged software exports in 2003.

Table 4.1 lists U.S. exports classified according to the North American Industry Classification System (NAICS) for the years 2003 through 2007. The table shows that the recovery in U.S. exports that began in 2003 has continued through 2007. This improvement is likely the result of both improvement in the world economy and the continuing decline of the trade-weighted value of the U.S. dollar, which has fallen twenty-nine percent from the first quarter of 2002 to the fourth quarter of 2007 according to the Federal Reserve Bank of Atlanta.

Table 4.2 lists U.S. exports by continent and the top fifteen countries (ranked by 2007 exports) for 2003 through 2007. While exports to mainland China were the fastest growing over this period, the country still only represented 5.6 percent of total U.S. exports in 2007. Canada and Mexico were by far the largest recipients of U.S. exports in 2007, adding up to 33.1 percent of the total. Table 4.3 lists U.S. exports to non-Middle-Eastern Asia by industry for 2003 through 2007.

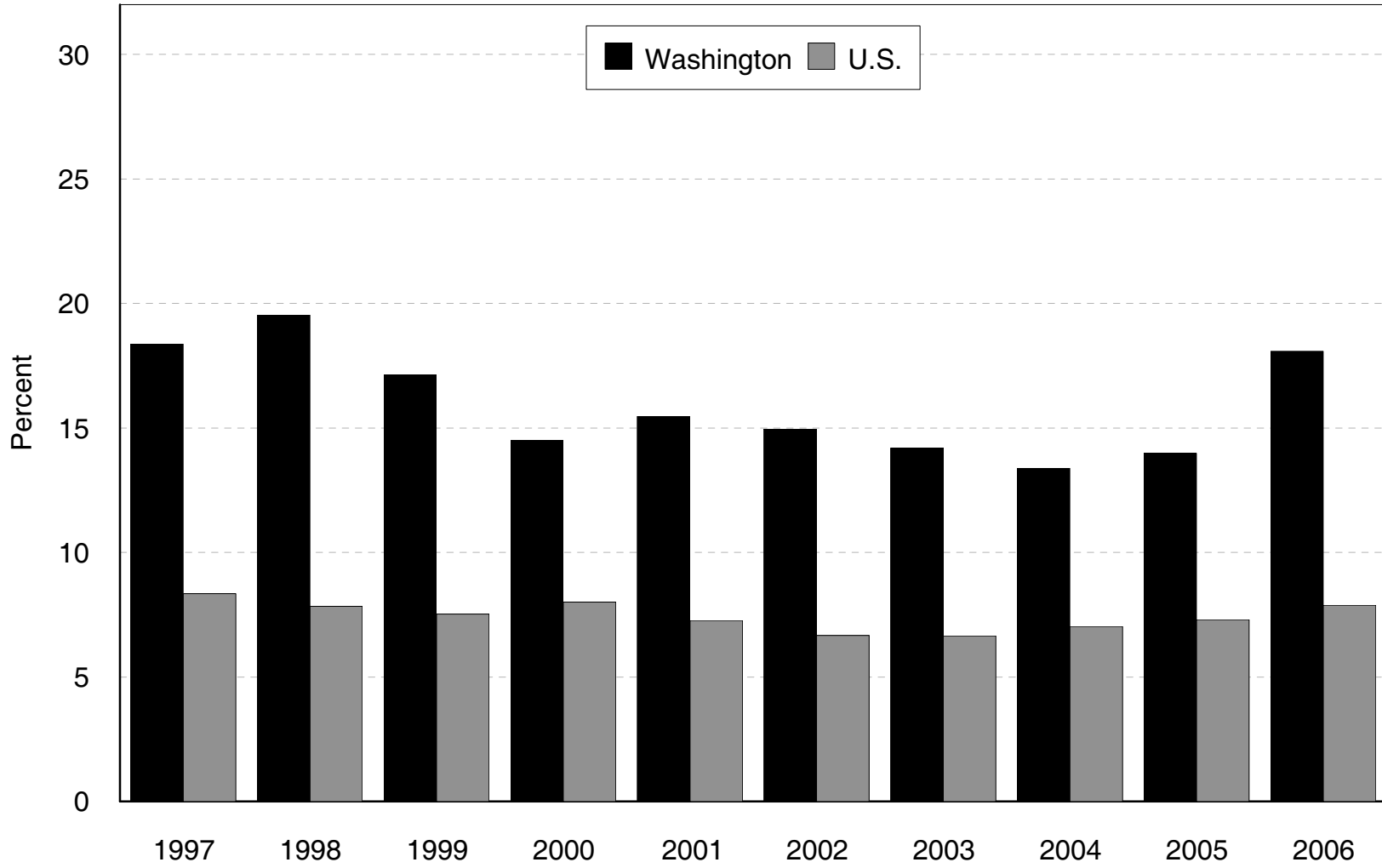
Table 4.4 lists Washington's exports by industry for 2003 through 2007. Total exports grew by 24.8 percent in 2007, aided by transportation equipment exports that grew at a rate of 26.7 percent. Excluding transportation equipment, exports grew at a still-healthy rate of 21.6 percent, with the majority of non-transportation industries showing improvement.

Table 4.5 indicates the amount of Washington's top twenty exports for 2007 that are sent to non-Middle-Eastern Asia versus the rest of the world. As can be seen from the table, Asia is the destination for the bulk of the state's food, forestry and agricultural products, accounting for 83 percent of agricultural products and 97 percent of forestry products. Asia received 53.3 percent of Washington's 2007 total exports. This relationship can also be seen in Chart 4.2 (which differs slightly in percentage as it includes the Middle East in Asia's portion), which shows Washington and US exports distributed by continent. As illustrated in the chart, exports to Asia make up a much larger proportion of Washington's total exports than they do in relation to total US exports. This is the result both of the state's proximity to Asia and its relative abundance of agricultural, wood and other products that are in demand there.

Table 4.6 lists Washington exports by continent and the top fifteen destination countries (ranked by 2007 exports) for 2003 through 2007. Table 4.7 lists Washington exports of transportation equipment by continent and the top fifteen countries for 2003 through 2007. Table 4.8 lists Washington exports excluding transportation equipment by continent and the top fifteen countries for 2003 through 2007. Mainland China tops the lists for total and transportation exports while Canada tops the list of non-transportation exports. Table 4.9 lists Washington exports to non-Middle-Eastern Asia for 2003 through 2007. As can be seen in the table, exports to the region have grown sharply since 2005.

### Chart 4.1

#### Exports as a Percentage of GDP



# Chart 4.2

## Export Destinations, 2007

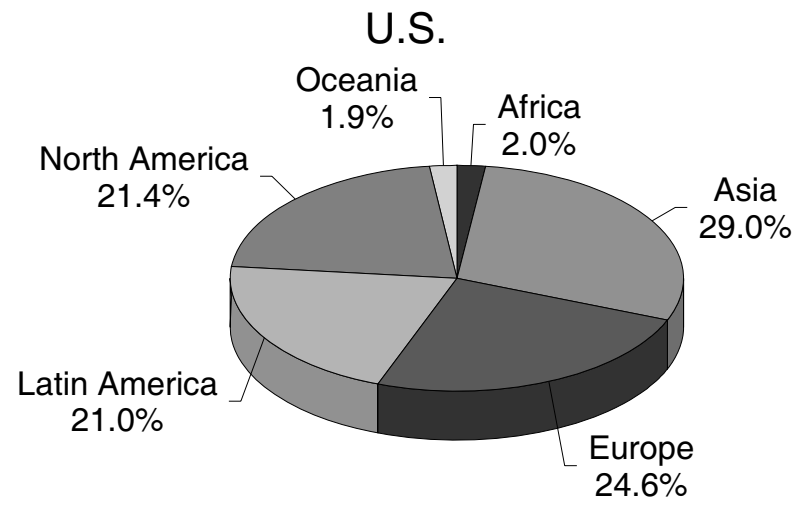
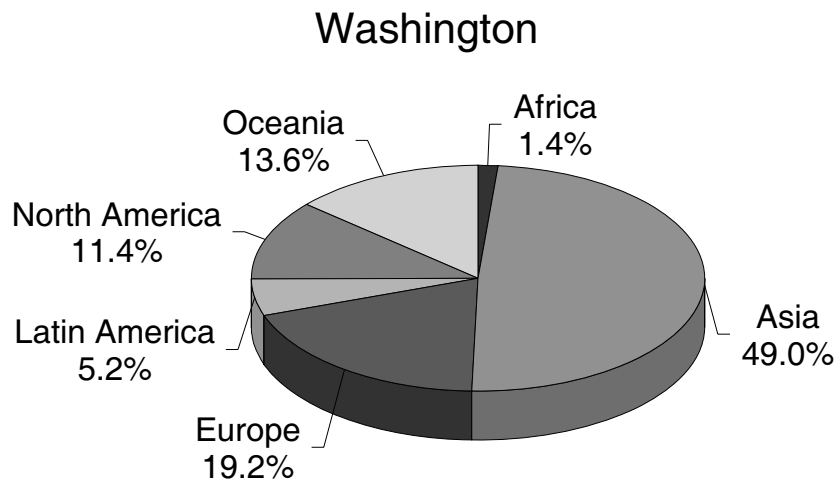


Table 4.1  
**U.S. Exports by Industry**  
 All Industries, Sorted by 2007 Exports  
 (Millions of Dollars)

	2003	2004	2005	2006	2007	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg	2006-07 % Chg
<b>Total All Industries</b>	<b>723,743</b>	<b>817,936</b>	<b>904,380</b>	<b>1,037,143</b>	<b>1,162,708</b>	<b>13.0</b>	<b>10.6</b>	<b>14.7</b>	<b>12.1</b>
Transportation Equipment	128,854	140,439	160,523	188,569	215,306	9.0	14.3	17.5	14.2
Computer and Electronic Products	149,993	164,200	169,992	187,301	188,325	9.5	3.5	10.2	0.5
Chemicals	91,017	108,484	117,890	132,985	151,115	19.2	8.7	12.8	13.6
Machinery, except Electrical	74,925	92,674	104,220	117,649	131,251	23.7	12.5	12.9	11.6
Miscellaneous Manufactured Commodities	29,401	34,247	39,650	45,062	52,411	16.5	15.8	13.6	16.3
Primary Metal Manufacturing	19,125	22,790	29,782	40,643	48,201	19.2	30.7	36.5	18.6
Agricultural Products	30,359	33,210	31,857	36,183	48,108	9.4	(4.1)	13.6	33.0
Electrical Equip., Appliances, & Component	23,292	26,828	30,391	35,574	38,261	15.2	13.3	17.1	7.6
Food and Kindred Products	27,496	26,646	29,572	32,898	39,425	(3.1)	11.0	11.2	19.8
Special Classification Provisions	25,002	27,411	30,166	32,663	38,143	9.6	10.1	8.3	16.8
Fabricated Metal Products	20,365	22,614	25,288	29,439	32,214	11.0	11.8	16.4	9.4
Petroleum and Coal Products	9,659	12,829	17,879	26,074	31,177	32.8	39.4	45.8	19.6
Plastics and Rubber Products	16,510	18,332	19,900	21,780	23,280	11.0	8.6	9.5	6.9
Paper	14,504	15,732	17,115	18,532	20,275	8.5	8.8	8.3	9.4
Waste and Scrap	6,564	8,755	10,526	16,003	22,713	33.4	20.2	52.0	41.9
Minerals and Ores	4,020	5,733	8,148	9,810	11,400	42.6	42.1	20.4	16.2
Textiles and Fabrics	7,805	8,638	8,756	8,781	8,479	10.7	1.4	0.3	(3.4)
Nonmetallic Mineral Products	6,405	6,925	7,287	8,177	9,035	8.1	5.2	12.2	10.5
Used or Second-Hand Merchandise	3,441	4,367	5,272	6,780	8,622	26.9	20.7	28.6	27.2
Printing, Publishing and Similar Products	4,984	5,233	5,795	6,112	6,609	5.0	10.7	5.5	8.1
Wood Products	4,036	4,492	4,715	5,178	5,246	11.3	5.0	9.8	1.3
Apparel and Accessories	5,470	4,962	4,899	4,776	4,177	(9.3)	(1.3)	(2.5)	(12.6)
Oil and Gas	2,177	3,112	4,492	4,244	5,693	43.0	44.3	(5.5)	34.1
Beverages and Tobacco Products	3,797	3,758	3,523	4,015	4,446	(1.0)	(6.2)	14.0	10.7
Fish & Other Marine Products	3,056	3,461	3,835	4,000	4,040	13.3	10.8	4.3	1.0
Furniture and Fixtures	2,546	2,868	3,157	3,503	3,947	12.7	10.1	11.0	12.7
Leather and Allied Products	2,717	2,931	3,086	3,308	3,326	7.9	5.3	7.2	0.6
Textile Mill Products	2,004	2,235	2,546	2,784	2,872	11.5	13.9	9.3	3.2
Forestry Products	1,515	1,700	1,722	1,766	1,985	12.2	1.3	2.5	12.4
Livestock and Livestock Products	1,194	982	1,154	1,310	1,413	(17.8)	17.6	13.5	7.9
Prepackaged Software	336	511	996	1,061	956	52.3	94.7	6.5	(9.9)
Goods Ret. to Canada (exports only); US goods	1,173	837	246	183	258	(28.7)	(70.6)	(25.6)	40.9

Table 4.2  
**U.S. Exports by Country**  
 All Industries  
 (Millions of Dollars)

	2003	2004	2005	2006	2007	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg	2006-07 % Chg
<b>Top 15 Countries, 2007</b>									
Canada	169,481	189,101	211,420	230,257	248,437	11.6	11.8	8.9	7.9
Mexico	97,457	110,775	120,049	134,167	136,541	13.7	8.4	11.8	1.8
China (Mainland)	28,418	34,721	41,837	55,224	65,238	22.2	20.5	32.0	18.1
Japan	52,064	54,400	55,410	59,649	62,665	4.5	1.9	7.7	5.1
United Kingdom	33,895	35,960	38,629	45,393	50,296	6.1	7.4	17.5	10.8
Germany	28,848	31,381	34,149	41,319	49,652	8.8	8.8	21.0	20.2
Korea, Republic Of	24,099	26,333	27,670	32,455	34,703	9.3	5.1	17.3	6.9
Netherlands	20,703	24,286	26,496	31,102	32,986	17.3	9.1	17.4	6.1
France	17,068	21,240	22,402	24,217	27,407	24.4	5.5	8.1	13.2
China (Taiwan)	17,488	21,731	22,050	23,023	26,359	24.3	1.5	4.4	14.5
Singapore	16,576	19,601	20,646	24,683	26,284	18.3	5.3	19.6	6.5
Belgium	15,218	16,877	18,605	21,347	25,292	10.9	10.2	14.7	18.5
Brazil	11,218	13,863	15,345	19,228	24,628	23.6	10.7	25.3	28.1
Hong Kong	13,542	15,809	16,323	17,779	20,121	16.7	3.2	8.9	13.2
Australia	13,104	14,271	15,771	17,782	19,205	8.9	10.5	12.8	8.0
Other Countries	164,564	187,587	217,579	259,517	312,893	14.0	16.0	19.3	20.6
<b>Total All Countries*</b>	<b>723,743</b>	<b>817,936</b>	<b>904,380</b>	<b>1,037,143</b>	<b>1,162,708</b>	<b>13.0</b>	<b>10.6</b>	<b>14.7</b>	<b>12.1</b>
Africa	10,685	13,480	15,524	19,003	23,664	26.2	15.2	22.4	24.5
Asia (includes Middle East)	206,631	233,098	254,937	297,938	337,112	12.8	9.4	16.9	13.1
Europe	172,013	193,141	211,168	245,535	286,485	12.3	9.3	16.3	16.7
Latin America	149,493	172,201	192,201	223,181	244,070	15.2	11.6	16.1	9.4
North America	169,484	189,106	211,426	230,260	248,442	11.6	11.8	8.9	7.9
Oceania	15,251	16,687	18,902	21,102	22,508	9.4	13.3	11.6	6.7

\*Total includes exports to unidentified countries and international organizations

Table 4.3  
**U.S. Exports to Non-Middle-Eastern Asia by Industry**  
 All Industries, Sorted by 2007 Exports  
 (Millions of Dollars)

	2003	2004	2005	2006	2007	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg	2006-07 % Chg
<b>Total All Industries</b>	<b>174,552</b>	<b>187,266</b>	<b>209,586</b>	<b>223,041</b>	<b>258,789</b>	<b>7.3</b>	<b>11.9</b>	<b>6.4</b>	<b>16.0</b>
Computer and Electronic Products	59,779	63,521	64,274	71,947	70,731	6.3	1.2	11.9	(1.7)
Transportation Equipment	22,231	22,406	27,213	35,487	43,067	0.8	21.5	30.4	21.4
Chemicals	21,942	26,131	27,747	30,114	34,687	19.1	6.2	8.5	15.2
Machinery, except Electrical	17,748	25,201	25,340	29,346	32,588	42.0	0.6	15.8	11.0
Agricultural Products	13,228	14,796	13,444	15,551	19,711	11.8	(9.1)	15.7	26.8
Waste and Scrap	3,609	4,641	6,056	9,317	13,007	28.6	30.5	53.9	39.6
Food and Kindred Products	9,936	7,761	8,384	9,428	11,658	(21.9)	8.0	12.5	23.7
Miscellaneous Manufactured Commodities	6,262	7,361	8,479	9,606	11,510	17.5	15.2	13.3	19.8
Primary Metal Manufacturing	2,815	3,586	5,289	6,763	8,779	27.4	47.5	27.9	29.8
Electrical Equip., Appliances, & Component	3,967	4,962	5,795	7,002	7,486	25.1	16.8	20.8	6.9
Special Classification Provisions	4,692	5,051	5,422	5,429	6,026	7.7	7.3	0.1	11.0
Fabricated Metal Products	3,254	3,673	4,079	4,867	5,491	12.9	11.1	19.3	12.8
Paper	3,049	3,286	3,420	3,619	4,105	7.8	4.1	5.8	13.4
Petroleum and Coal Products	1,739	2,464	2,410	3,084	3,605	41.7	(2.2)	28.0	16.9
Plastics and Rubber Products	2,049	2,384	2,439	2,652	2,875	16.3	2.3	8.7	8.4
Minerals and Ores	644	1,465	1,646	1,784	2,431	127.4	12.4	8.4	36.2
Nonmetallic Mineral Products	1,445	1,496	1,554	1,925	2,090	3.5	3.9	23.9	8.6
Fish & Other Marine Products	1,688	1,849	2,031	1,968	1,883	9.5	9.9	(3.1)	(4.3)
Beverages and Tobacco Products	1,453	1,411	1,368	1,482	1,348	(2.9)	(3.1)	8.4	(9.1)
Leather and Allied Products	962	988	971	1,122	1,088	2.7	(1.7)	15.5	(3.0)
Forestry Products	808	909	927	942	1,053	12.5	2.0	1.6	11.7
Wood Products	878	931	930	1,023	984	6.0	(0.1)	10.0	(3.8)
Textiles and Fabrics	711	787	854	982	948	10.7	8.6	15.0	(3.5)
Used or Second-Hand Merchandise	325	369	443	687	889	13.4	20.2	55.0	29.4
Printing, Publishing and Similar Products	644	631	674	702	840	(2.0)	6.8	4.3	19.5
Apparel and Accessories	425	463	567	500	492	9.0	22.4	(11.8)	(1.7)
Furniture and Fixtures	249	260	280	317	394	4.7	7.6	13.3	24.1
Livestock and Livestock Products	237	214	264	323	346	(9.5)	22.9	22.4	7.1
Textile Mill Products	245	255	277	318	325	4.0	8.6	14.9	2.2
Prepackaged Software	21	115	280	291	191	438.8	143.2	3.9	(34.2)
Oil and Gas	229	221	182	212	139	(3.7)	(17.7)	16.7	(34.7)

Table 4.4  
**Washington Exports By Industry**  
 All Industries, Sorted by 2007 Exports  
 (Millions of Dollars)

	2003	2004	2005	2006	2007	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg	2006-07 % Chg
<b>Total All Industries</b>	<b>34,173</b>	<b>33,793</b>	<b>37,948</b>	<b>53,075</b>	<b>66,258</b>	<b>(1.1)</b>	<b>12.3</b>	<b>39.9</b>	<b>24.8</b>
Total Excluding Transportation Equip.	13,734	16,106	17,454	19,398	23,593	17.3	8.4	11.1	21.6
Transportation Equipment	20,438	17,686	20,494	33,677	42,665	(13.5)	15.9	64.3	26.7
Agricultural Products	3,333	4,181	4,231	4,576	6,548	25.4	1.2	8.2	43.1
Computer and Electronic Products	2,354	2,746	2,846	3,097	3,347	16.7	3.6	8.8	8.1
Machinery, except Electrical	839	1,031	1,538	1,935	2,098	22.9	49.2	25.8	8.4
Food and Kindred Products	1,602	1,585	1,597	1,562	2,097	(1.1)	0.8	(2.2)	34.2
Petroleum and Coal Products	737	955	1,114	1,243	1,172	29.6	16.7	11.6	(5.7)
Primary Metal Manufacturing	396	566	731	930	1,122	42.9	29.0	27.2	20.7
Paper	831	866	967	885	912	4.2	11.6	(8.5)	3.1
Miscellaneous Manufactured Commodities	314	373	386	497	888	18.7	3.5	28.7	78.9
Chemicals	614	634	604	683	790	3.2	(4.7)	13.0	15.7
Waste and Scrap	197	290	402	531	684	47.4	38.8	32.0	28.8
Electrical Equip., Appliances, & Component	288	373	466	579	641	29.3	24.9	24.4	10.8
Fish & Other Marine Products	534	565	554	610	641	5.7	(1.9)	10.1	5.1
Forestry Products	358	461	438	433	441	28.9	(5.0)	(1.2)	1.9
Fabricated Metal Products	201	265	264	310	434	32.0	(0.4)	17.3	40.2
Wood Products	343	350	380	378	421	1.8	8.6	(0.4)	11.3
Plastics and Rubber Products	137	167	189	245	265	21.8	13.1	29.5	8.1
Minerals and Ores	21	46	71	137	240	117.8	53.5	91.8	75.3
Special Classification Provisions	134	149	130	123	172	11.6	(13.1)	(5.0)	39.7
Nonmetallic Mineral Products	89	97	106	173	149	8.6	9.7	62.2	(13.9)
Livestock and Livestock Products	88	110	116	131	144	24.9	5.3	12.3	10.4
Textile Mill Products	49	69	78	70	67	40.5	11.8	(10.1)	(4.0)
Used or Second-Hand Merchandise	46	30	34	40	54	(36.1)	14.4	18.0	34.5
Furniture and Fixtures	20	22	25	27	52	8.9	13.6	8.5	92.6
Oil and Gas	22	11	40	53	50	(52.8)	282.4	30.1	(4.2)
Printing, Publishing and Similar Products	38	33	40	41	41	(14.0)	21.6	3.4	(0.9)
Beverages and Tobacco Products	29	19	28	30	33	(34.6)	46.8	7.9	9.9
Textiles and Fabrics	17	19	22	26	31	15.0	11.9	21.4	16.4
Apparel and Accessories	24	38	29	30	27	60.7	(23.0)	3.7	(10.8)
Leather and Allied Products	12	15	15	14	13	21.9	3.5	(6.3)	(9.8)
Prepackaged Software	3	6	9	6	12	104.3	59.9	(33.2)	87.7
Goods Ret. to Canada (exports only); US goods	62	35	3	3	8	(42.7)	(92.6)	21.1	167.0



Table 4.5  
**Washington Exports By Industry**  
 Top Twenty Industries, 2007  
 (Millions)

	All Countries		Asia		Percent of Exports per Industry
	Export Valuation	Percent of Total	Export Valuation	Percent of Exports to Asia	
<b>Total All Industries</b>	<b>66,258</b>	<b>100.0</b>	<b>35,315</b>	<b>100.0</b>	<b>53.3</b>
Transportation Equipment	42,665	64.4	23,087	65.4	54.1
Agricultural Products	6,548	9.9	5,418	15.3	82.7
Computer and Electronic Products	3,347	5.1	1,346	3.8	40.2
Machinery, except Electrical	2,098	3.2	386	1.1	18.4
Food and Kindred Products	2,097	3.2	1,219	3.5	58.1
Petroleum and Coal Products	1,172	1.8	148	0.4	12.6
Primary Metal Manufacturing	1,122	1.7	353	1.0	31.5
Paper	912	1.4	492	1.4	54.0
Miscellaneous Manufactured Commodities	888	1.3	231	0.7	26.0
Chemicals	790	1.2	408	1.2	51.7
Waste and Scrap	684	1.0	642	1.8	93.8
Electrical Equip., Appliances, & Component	641	1.0	214	0.6	33.4
Fish & Other Marine Products	641	1.0	221	0.6	34.5
Forestry Products	441	0.7	428	1.2	97.1
Fabricated Metal Products	434	0.7	161	0.5	37.1
Wood Products	421	0.6	119	0.3	28.2
Plastics and Rubber Products	265	0.4	35	0.1	13.1
Minerals and Ores	240	0.4	142	0.4	59.3
Special Classification Provisions	172	0.3	40	0.1	23.3
Nonmetallic Mineral Products	149	0.2	30	0.1	20.0
Other Exports	532	0.8	195	0.6	36.6

Table 4.6  
**Washington Exports by Country**  
 All Industries  
 (Millions of Dollars)

	2003	2004	2005	2006	2007	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg	2006-07 % Chg
<b>Top 15 Countries, 2007</b>									
China (Mainland)	3,211	3,094	5,086	6,829	9,610	(3.6)	64.3	34.3	40.7
Japan	5,428	6,312	6,370	6,709	7,715	16.3	0.9	5.3	15.0
Canada	3,314	4,041	5,202	6,206	7,589	21.9	28.7	19.3	22.3
India	229	307	425	1,061	5,776	34.2	38.3	150.0	444.2
South Korea	1,673	2,061	1,794	2,495	2,990	23.2	(13.0)	39.1	19.9
United Arab Emirates	679	113	1,520	3,986	2,934	(83.3)	1,242.4	162.2	(26.4)
China (Taiwan)	1,958	2,138	3,118	2,426	2,840	9.2	45.8	(22.2)	17.1
Ireland	843	1,500	1,846	1,740	2,388	78.0	23.0	(5.7)	37.3
France	684	1,266	978	1,799	2,321	85.1	(22.8)	83.9	29.0
Singapore	2,087	1,482	1,237	2,361	1,941	(29.0)	(16.5)	90.8	(17.8)
United kingdom	1,462	1,090	887	986	1,911	(25.4)	(18.6)	11.2	93.8
Hong kong	351	345	356	495	1,392	(1.7)	3.2	39.1	181.0
Germany	786	465	552	987	1,377	(40.8)	18.6	78.9	39.4
Netherlands	1,739	952	649	1,271	1,272	(45.3)	(31.8)	95.7	0.1
Mexico	607	851	959	1,303	1,209	40.1	12.7	35.8	(7.2)
Other Countries	9,121	7,774	6,970	12,421	12,994	(14.8)	(10.3)	78.2	4.6
<b>Total All Countries</b>	<b>34,173</b>	<b>33,793</b>	<b>37,948</b>	<b>53,075</b>	<b>66,258</b>	<b>(1.1)</b>	<b>12.3</b>	<b>39.9</b>	<b>24.8</b>
Africa	697	813	1,239	1,642	953	16.7	52.4	32.5	(42.0)
Asia (includes Middle East)	13,166	12,226	15,123	24,608	32,480	(7.1)	23.7	62.7	32.0
Europe	8,154	7,475	7,028	8,687	12,721	(8.3)	(6.0)	23.6	46.4
Latin America	1,286	1,715	1,681	3,513	3,477	33.3	(2.0)	109.0	(1.0)
North America	3,314	4,041	5,202	6,206	7,589	21.9	28.7	19.3	22.3
Oceania	7,556	7,522	7,675	8,419	9,039	(0.4)	2.0	9.7	7.4

Table 4.7

**Washington Exports by Country**

## Transportation Equipment

(Millions of Dollars)

	2003	2004	2005	2006	2007	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg	2006-07 % Chg
<b>Top 15 Countries, 2007</b>									
China (Mainland)	1,799	1,448	3,149	4,818	6,397	(19.5)	117.5	53.0	32.8
India	181	231	313	943	5,635	27.3	35.7	201.3	497.8
Japan	2,643	3,033	3,304	3,768	4,332	14.8	8.9	14.0	15.0
United Arab Emirates	628	71	1,464	3,919	2,834	(88.6)	1,951.3	167.8	(27.7)
Ireland	805	1,443	1,768	1,681	2,330	79.4	22.5	(4.9)	38.6
Canada	643	761	1,155	1,350	2,168	18.4	51.8	16.9	60.6
France	474	991	746	1,564	2,048	109.1	NA	NA	NA
Singapore	1,908	1,228	950	1,969	1,593	(35.7)	(22.6)	107.3	(19.1)
South Korea	1,108	1,144	957	1,350	1,484	3.3	(16.4)	41.0	10.0
China (Taiwan)	692	905	1,734	1,148	1,380	30.7	91.7	(33.8)	20.3
United Kingdom	960	569	323	314	1,124	(40.8)	(43.1)	(2.9)	258.1
Brazil	10	204	12	804	1,065	2,034.8	(94)	6,423	32.5
Germany	407	104	172	524	878	(74.6)	66.1	204.4	67.5
Hong Kong	19	18	29	150	878	(7.7)	60.6	419.4	486.6
Netherlands	1,394	580	141	708	692	NA	NA	404	NA
Other	6,767	4,957	4,277	8,668	7,825	(26.8)	(13.7)	102.6	(9.7)
<b>Total All Continents</b>	<b>20,438</b>	<b>17,686</b>	<b>20,494</b>	<b>33,677</b>	<b>42,665</b>	<b>(13.5)</b>	<b>15.9</b>	<b>64.3</b>	<b>26.7</b>
Africa	611	633	1,100	1,513	792	3.5	73.8	37.6	(47.6)
Asia (includes Middle East)	10,487	9,478	12,196	20,301	27,129	(9.6)	28.7	66.5	33.6
Europe	6,414	5,237	4,484	6,980	9,636	(18.4)	(14.4)	55.7	38.1
Latin America	509	754	673	2,342	2,137	48.1	(10.8)	248.2	(8.8)
North America	643	761	1,155	1,350	2,168	18.4	51.8	16.9	60.6
Oceania	1,773	824	887	1,191	802	(53.5)	7.6	34.2	(32.6)

Table 4.8  
**Washington Exports by Country**  
 All Industries Excluding Transportation Equipment  
 (Millions of Dollars)

	2003	2004	2005	2006	2007	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg	2006-07 % Chg
<b>Top 15 Countries, 2007</b>									
Canada	2,671	3,280	4,047	4,856	5,421	22.8	23.4	20.0	11.6
Japan	2,786	3,279	3,066	2,941	3,383	17.7	(6.5)	(4.1)	15.0
China (mainland)	1,412	1,646	1,937	2,011	3,213	16.6	17.6	3.8	59.8
South Korea	566	917	837	1,145	1,506	62.1	(8.7)	36.8	31.5
China (Taiwan)	1,266	1,233	1,384	1,278	1,459	(2.6)	12.2	(7.6)	14.2
United kingdom	501	521	563	672	787	3.9	8.1	19.3	17.1
Mexico	350	530	618	585	752	51.5	16.6	(5.3)	28.6
Netherlands	346	372	508	562	580	7.6	36.7	10.6	3.1
Hong kong	332	327	327	346	514	(1.3)	0.0	5.6	48.7
Germany	378	362	380	464	499	(4.4)	5.0	22.0	7.7
Indonesia	256	183	199	314	478	(28.8)	9.0	57.6	52.6
Australia	272	305	332	435	427	12.2	8.7	31.0	(1.9)
Philippines	363	501	371	372	399	37.9	(26.1)	0.5	7.1
Singapore	179	255	288	392	348	42.6	13.0	36.3	(11.2)
Malaysia	139	160	197	234	301	15.4	22.9	18.9	28.5
Other	1,917	2,235	2,401	2,791	3,526	16.6	7.4	16.2	26.3
<b>Total All Continents</b>	<b>13,734</b>	<b>16,106</b>	<b>17,454</b>	<b>19,398</b>	<b>23,593</b>	<b>17.3</b>	<b>8.4</b>	<b>11.1</b>	<b>21.6</b>
Africa	86	181	139	128	161	110.8	(22.9)	(7.9)	25.1
Asia (includes Middle East)	2,679	2,749	2,927	4,307	5,350	2.6	6.5	47.1	24.2
Europe	1,740	2,238	2,544	1,708	3,085	28.7	13.7	(32.9)	80.6
Latin America	777	961	1,008	1,171	1,340	23.6	4.9	16.1	14.4
North America	2,671	3,280	4,047	4,856	5,421	22.8	23.4	20.0	11.6
Oceania	5,782	6,698	6,788	7,228	8,237	15.8	1.3	6.5	14.0

Table 4.9  
**Washington Exports to Non-Middle-Eastern Asia by Industry**  
 All Industries, Sorted by 2007 Exports  
 (Millions of Dollars)

	2003	2004	2005	2006	2007	2003-04 % Chg	2004-05 % Chg	2005-06 % Chg	2006-07 % Chg
<b>Total All Industries</b>	<b>17,146</b>	<b>18,213</b>	<b>19,558</b>	<b>25,775</b>	<b>35,315</b>	<b>6.2</b>	<b>7.4</b>	<b>31.8</b>	<b>37.0</b>
Total Excluding Transportation Equipment	7,626	8,833	8,975	9,425	12,228	15.8	1.6	5.0	29.7
Transportation Equipment	9,520	9,380	10,583	16,351	23,087	(1.5)	12.8	54.5	41.2
Agricultural Products	2,835	3,593	3,538	3,683	5,418	26.7	(1.5)	4.1	47.1
Computer and Electronic Products	1,055	1,327	1,195	1,242	1,346	25.7	(9.9)	3.9	8.4
Food and Kindred Products	1,032	902	909	862	1,219	(12.6)	0.8	(5.1)	41.3
Waste and Scrap	178	264	370	491	642	48.0	40.1	32.8	30.7
Paper	524	526	603	513	492	0.2	14.7	(14.9)	(4.2)
Forestry Products	350	456	431	423	428	30.3	(5.6)	(1.9)	1.4
Chemicals	407	413	332	330	408	1.5	(19.6)	(0.6)	23.8
Machinery, except Electrical	160	206	292	340	386	28.5	42.2	16.2	13.7
Primary Metal Manufacturing	152	215	274	318	353	41.6	27.4	16.2	11.1
Miscellaneous Manufactured Commodities	57	72	87	99	231	26.4	20.7	13.2	133.3
Fish & Other Marine Products	290	252	207	205	221	(13.1)	(17.8)	(0.7)	7.8
Electrical Equip., Appliances, & Componen	81	103	128	196	214	27.6	24.7	52.3	9.4
Fabricated Metal Products	56	61	62	75	161	7.9	2.2	20.6	115.4
Petroleum and Coal Products	66	81	129	189	148	22.2	59.2	46.9	(21.9)
Minerals and Ores	11	17	18	57	142	53.0	11.6	207.5	150.1
Wood Products	147	115	140	113	119	(21.8)	21.4	(19.0)	4.7
Livestock and Livestock Products	61	85	93	109	116	39.3	9.9	17.5	6.4
Special Classification Provisions	39	40	31	30	40	0.7	(20.8)	(5.6)	35
Plastics and Rubber Products	22	28	28	29	35	29.8	(2.9)	4.0	20.9
Nonmetallic Mineral Products	31	32	24	66	30	4.1	(24.9)	176.9	(55.3)
Oil and Gas	11	0	30	0	25	(99.9)	244,044.4	(100.0)	255,539.8
Beverages and Tobacco Products	21	10	12	12	9	(51.7)	16.3	3.2	(25.1)
Textile Mill Products	5	5	6	8	9	(10.2)	32.2	22.1	17.9
Textiles and Fabrics	4	4	5	5	8	(3.6)	48.3	(11.3)	65.0
Furniture and Fixtures	3	3	6	6	6	(13.0)	88.9	(2.9)	0.7
Used or Second-Hand Merchandise	7	9	9	7	5	28.6	(0.1)	(23.8)	(20.8)
Printing, Publishing and Similar Products	10	4	4	4	5	(59.9)	8.9	0.3	1.6
Apparel and Accessories	5	5	7	6	4	9.2	25.8	(15.9)	(25.2)
Prepackaged Software	1	1	2	2	4	28.9	39.8	3.0	114.9
Leather and Allied Products	4	7	3	5	3	81.9	(49.8)	51.4	(37.7)

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# **Detail Components of the Washington Economic Forecast**

**Calendar Years**

*Note: The economic data discussed in these tables were current at the time the forecast was prepared. Many concepts including real GDP have changed since then due to new releases and data revisions.*

Table A1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	10,675.7	11,003.5	11,319.4	11,567.3	11,724.3	11,978.4	12,343.2	12,735.6
% Ch	3.6	3.1	2.9	2.2	1.4	2.2	3.0	3.2
Real Consumption	7,561.3	7,803.6	8,044.1	8,276.2	8,409.8	8,580.4	8,806.2	9,082.3
% Ch	3.6	3.2	3.1	2.9	1.6	2.0	2.6	3.1
Real Nonresidential Fixed Investment	1,144.3	1,225.8	1,306.8	1,369.6	1,389.7	1,387.2	1,443.0	1,527.7
% Ch	5.8	7.1	6.6	4.8	1.5	-0.2	4.0	5.9
Real Residential Fixed Investment	560.1	597.1	569.5	473.3	369.6	384.9	432.1	477.2
% Ch	10.0	6.6	-4.6	-16.9	-21.9	4.1	12.3	10.4
Real Personal Income	8,973.3	9,230.7	9,577.6	9,921.8	10,084.4	10,347.6	10,675.8	11,071.2
% Ch	3.4	2.9	3.8	3.6	1.6	2.6	3.2	3.7
Real Per Capita Income (\$/Person)	30,473	31,044	31,911	32,763	33,007	33,575	34,343	35,312
% Ch	2.4	1.9	2.8	2.7	0.7	1.7	2.3	2.8
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.084	1.116	1.147	1.176	1.204	1.225	1.247	1.270
% Ch	2.6	2.9	2.8	2.5	2.4	1.7	1.8	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.889	1.953	2.016	2.073	2.125	2.160	2.201	2.241
% Ch	2.7	3.4	3.2	2.9	2.5	1.6	1.9	1.8
Employment Cost Index (June 1989=1.0)	0.967	0.992	1.020	1.055	1.085	1.113	1.143	1.177
% Ch	2.7	2.5	2.9	3.4	2.9	2.6	2.7	2.9
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	11,685.9	12,433.9	13,194.7	13,843.0	14,335.2	14,902.5	15,634.7	16,453.4
% Ch	6.6	6.4	6.1	4.9	3.6	4.0	4.9	5.2
Personal Income	9,727.2	10,301.1	10,983.4	11,667.3	12,144.7	12,676.2	13,316.9	14,064.0
% Ch	6.2	5.9	6.6	6.2	4.1	4.4	5.1	5.6
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	147.4	149.3	151.4	153.1	154.3	155.5	156.9	158.4
Total U.S. Employment	139.2	141.7	144.4	146.0	146.1	146.7	148.3	150.3
Unemployment Rate (%)	5.54	5.07	4.61	4.64	5.34	5.62	5.45	5.09
Nonfarm Payroll Employment	131.42	133.69	136.09	137.62	137.97	138.96	140.77	142.96
% Ch	1.1	1.7	1.8	1.1	0.3	0.7	1.3	1.6
Manufacturing	14.32	14.23	14.16	13.88	13.54	13.24	13.23	13.41
% Ch	-1.3	-0.6	-0.5	-1.9	-2.4	-2.3	-0.1	1.3
Durable Manufacturing	8.92	8.96	8.98	8.82	8.59	8.38	8.41	8.59
% Ch	-0.4	0.3	0.3	-1.9	-2.5	-2.5	0.4	2.1
Nondurable Manufacturing	5.39	5.27	5.17	5.07	4.95	4.86	4.82	4.82
% Ch	-2.8	-2.2	-1.8	-2.1	-2.3	-1.9	-0.8	0.0
Construction	6.97	7.33	7.69	7.62	7.20	7.04	7.11	7.40
% Ch	3.5	5.2	4.9	-1.0	-5.5	-2.3	1.1	4.1
Service-Producing	109.54	111.51	113.56	115.40	116.48	117.96	119.73	121.47
% Ch	1.3	1.8	1.8	1.6	0.9	1.3	1.5	1.5
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	41.5	56.6	66.1	72.2	78.5	74.3	74.0	73.4
Personal Saving/Disposable Income (%)	2.1	0.5	0.4	0.5	1.6	1.3	1.6	2.0
Auto Sales (Millions)	7.5	7.7	7.8	7.6	7.1	7.3	7.6	8.0
% Ch	-1.4	2.2	1.5	-2.4	-5.9	1.7	4.5	5.0
Housing Starts (Millions)	1.950	2.073	1.812	1.344	0.900	1.180	1.471	1.679
% Ch	5.2	6.3	-12.6	-25.8	-33.0	31.1	24.7	14.1
Federal Budget Surplus (Billions)	-370.6	-318.3	-220.1	-218.1	-464.7	-323.1	-298.8	-264.8
Net Exports (Billions)	-615.4	-714.6	-762.0	-712.7	-639.1	-580.1	-570.0	-573.0
3-Month Treasury Bill Rate (%)	1.36	3.13	4.72	4.38	1.75	2.53	4.33	4.57
10-Year Treasury Note Yield (%)	4.27	4.29	4.79	4.63	3.26	3.82	5.15	5.37
Bond Index of 20 G.O. Munis. (%)	4.68	4.40	4.40	4.39	3.51	4.00	5.33	5.55
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	5.06	5.57	6.83	7.05



Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	11,238.7	11,306.7	11,336.7	11,395.5	11,412.6	11,520.1	11,658.9	11,677.4
% Ch , Annual Rate	4.8	2.4	1.1	2.1	0.6	3.8	4.9	0.6
Real Consumption	7,961.9	8,009.3	8,063.8	8,141.2	8,215.7	8,244.3	8,302.2	8,342.7
% Ch , Annual Rate	4.4	2.4	2.8	3.9	3.7	1.4	2.8	2.0
Real Nonresidential Fixed Investment	1,289.7	1,303.2	1,319.4	1,314.8	1,321.7	1,356.6	1,387.3	1,412.7
% Ch , Annual Rate	13.3	4.3	5.1	-1.4	2.1	11.0	9.4	7.5
Real Residential Fixed Investment	606.1	587.5	555.0	529.4	506.3	490.7	463.3	432.7
% Ch , Annual Rate	-0.7	-11.7	-20.4	-17.2	-16.3	-11.8	-20.5	-23.9
Real Personal Income	9,505.7	9,519.1	9,558.3	9,727.2	9,876.3	9,866.0	9,965.6	9,979.2
% Ch , Annual Rate	6.7	0.6	1.7	7.3	6.3	-0.4	4.1	0.5
Real Per Capita Income (\$/Person)	31,783	31,751	31,811	32,300	32,722	32,615	32,871	32,843
% Ch , Annual Rate	5.8	-0.4	0.8	6.3	5.3	-1.3	3.2	-0.3
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.135	1.147	1.154	1.151	1.161	1.173	1.179	1.190
% Ch , Annual Rate	1.8	4.3	2.6	-0.9	3.5	4.3	1.8	3.9
U.S. Consumer Price Index (1982-84=1.0)	1.992	2.017	2.032	2.022	2.041	2.071	2.080	2.102
% Ch , Annual Rate	1.9	5.0	3.1	-2.1	3.8	6.0	1.9	4.3
Employment Cost Index (June 1989=1.0)	1.008	1.016	1.024	1.032	1.043	1.051	1.059	1.067
% Ch , Annual Rate	2.8	3.2	3.2	3.2	4.3	3.1	3.1	3.1
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	12,964.6	13,155.0	13,266.9	13,392.3	13,551.9	13,768.8	13,970.5	14,080.8
% Ch , Annual Rate	8.4	6.0	3.4	3.8	4.9	6.6	6.0	3.2
Personal Income	10,787.1	10,915.5	11,030.9	11,200.2	11,469.2	11,577.3	11,746.7	11,875.8
% Ch , Annual Rate	8.6	4.8	4.3	6.3	10.0	3.8	6.0	4.5
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	150.4	151.1	151.7	152.4	152.9	152.8	153.2	153.7
Total U.S. Employment	143.4	144.1	144.6	145.6	146.0	145.9	146.0	146.3
Unemployment Rate (%)	4.70	4.67	4.63	4.43	4.50	4.53	4.70	4.83
Nonfarm Payroll Employment	135.38	135.84	136.35	136.79	137.18	137.50	137.76	138.04
% Ch , Annual Rate	2.2	1.4	1.5	1.3	1.2	0.9	0.8	0.8
Manufacturing	14.21	14.20	14.16	14.06	13.99	13.91	13.85	13.79
% Ch , Annual Rate	0.3	-0.2	-1.2	-2.8	-2.1	-2.2	-1.6	-1.8
Durable Manufacturing	8.99	9.01	8.99	8.94	8.88	8.83	8.80	8.76
% Ch , Annual Rate	1.0	1.0	-0.9	-2.4	-2.5	-2.2	-1.6	-1.8
Nondurable Manufacturing	5.22	5.19	5.17	5.12	5.10	5.08	5.05	5.03
% Ch , Annual Rate	-1.0	-2.3	-1.8	-3.4	-1.3	-2.2	-1.7	-1.7
Construction	7.66	7.70	7.72	7.70	7.68	7.65	7.61	7.52
% Ch , Annual Rate	7.3	2.0	1.1	-1.0	-0.9	-1.5	-2.3	-4.4
Service-Producing	112.85	113.26	113.79	114.33	114.81	115.22	115.57	116.00
% Ch , Annual Rate	2.0	1.5	1.9	1.9	1.7	1.4	1.2	1.5
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	63.4	70.6	70.5	60.1	58.1	65.0	75.2	90.5
Personal Saving/Disposable Income (%)	0.9	0.3	0.0	0.4	1.0	0.3	0.5	0.2
Auto Sales (Millions)	7.8	7.9	7.8	7.6	7.6	7.7	7.3	7.8
% Ch , Annual Rate	14.3	1.6	-2.5	-8.0	-3.4	5.6	-16.4	26.1
Housing Starts (Millions)	2.127	1.861	1.704	1.555	1.460	1.464	1.300	1.151
% Ch , Annual Rate	11.8	-41.4	-29.7	-30.8	-22.1	1.1	-37.9	-38.5
Federal Budget Surplus (Billions)	-219.6	-239.9	-239.2	-181.5	-218.5	-206.8	-232.6	-214.6
Net Exports (Billions)	-763.3	-780.4	-799.1	-705.3	-714.2	-714.2	-694.7	-727.6
3-Month Treasury Bill Rate (%)	4.38	4.68	4.91	4.91	4.98	4.75	4.35	3.44
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.63	4.68	4.85	4.73	4.26
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.18	4.20	4.37	4.58	4.43
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	11,665.5	11,652.0	11,750.4	11,829.3	11,849.1	11,930.1	12,023.7	12,110.7
% Ch , Annual Rate	-0.4	-0.5	3.4	2.7	0.7	2.8	3.2	2.9
Real Consumption	8,348.8	8,346.3	8,444.3	8,499.8	8,510.6	8,549.1	8,602.4	8,659.5
% Ch , Annual Rate	0.3	-0.1	4.8	2.7	0.5	1.8	2.5	2.7
Real Nonresidential Fixed Investment	1,405.6	1,387.2	1,380.5	1,385.4	1,369.9	1,379.8	1,392.1	1,407.1
% Ch , Annual Rate	-2.0	-5.2	-1.9	1.4	-4.4	2.9	3.6	4.4
Real Residential Fixed Investment	393.4	367.6	359.2	358.2	365.7	380.0	392.0	401.7
% Ch , Annual Rate	-31.7	-23.7	-8.8	-1.2	8.7	16.6	13.2	10.3
Real Personal Income	10,011.8	10,044.0	10,097.3	10,184.6	10,254.2	10,307.7	10,374.5	10,454.0
% Ch , Annual Rate	1.3	1.3	2.1	3.5	2.8	2.1	2.6	3.1
Real Per Capita Income (\$/Person)	32,878	32,911	33,014	33,226	33,381	33,482	33,626	33,811
% Ch , Annual Rate	0.4	0.4	1.2	2.6	1.9	1.2	1.7	2.2
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.198	1.202	1.207	1.210	1.216	1.222	1.228	1.233
% Ch , Annual Rate	2.7	1.3	1.7	1.2	1.9	2.0	2.0	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.117	2.122	2.130	2.134	2.144	2.155	2.166	2.175
% Ch , Annual Rate	2.8	0.9	1.5	0.8	1.9	2.1	2.0	1.7
Employment Cost Index (June 1989=1.0)	1.074	1.082	1.089	1.096	1.102	1.109	1.117	1.124
% Ch , Annual Rate	2.8	2.7	2.7	2.6	2.4	2.5	2.7	2.8
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	14,164.0	14,220.7	14,406.3	14,549.9	14,645.6	14,808.3	14,990.8	15,165.3
% Ch , Annual Rate	2.4	1.6	5.3	4.0	2.7	4.5	5.0	4.7
Personal Income	11,993.3	12,071.8	12,185.6	12,328.1	12,470.8	12,598.3	12,741.4	12,894.5
% Ch , Annual Rate	4.0	2.6	3.8	4.8	4.7	4.2	4.6	4.9
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	153.9	154.2	154.5	154.8	155.0	155.3	155.6	155.9
Total U.S. Employment	146.2	146.0	146.0	146.3	146.3	146.6	146.9	147.2
Unemployment Rate (%)	5.00	5.36	5.48	5.50	5.61	5.65	5.63	5.61
Nonfarm Payroll Employment	138.05	137.84	137.84	138.13	138.36	138.77	139.16	139.54
% Ch , Annual Rate	0.0	-0.6	-0.0	0.9	0.7	1.2	1.1	1.1
Manufacturing	13.72	13.62	13.46	13.37	13.32	13.24	13.21	13.17
% Ch , Annual Rate	-2.1	-2.7	-4.7	-2.8	-1.5	-2.3	-1.1	-1.1
Durable Manufacturing	8.71	8.64	8.54	8.48	8.44	8.38	8.36	8.34
% Ch , Annual Rate	-2.2	-3.2	-4.3	-2.7	-2.2	-2.9	-0.8	-0.8
Nondurable Manufacturing	5.01	4.99	4.92	4.88	4.88	4.87	4.85	4.83
% Ch , Annual Rate	-1.8	-1.7	-5.3	-2.8	-0.2	-1.1	-1.6	-1.6
Construction	7.40	7.22	7.12	7.06	7.04	7.04	7.04	7.03
% Ch , Annual Rate	-6.4	-9.3	-5.8	-3.1	-1.4	0.4	-0.0	-0.8
Service-Producing	116.19	116.25	116.52	116.98	117.28	117.76	118.19	118.63
% Ch , Annual Rate	0.7	0.2	0.9	1.6	1.0	1.7	1.5	1.5
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	87.3	78.0	76.0	72.8	73.7	74.7	75.0	74.0
Personal Saving/Disposable Income (%)	0.6	1.0	4.4	0.6	1.2	1.2	1.2	1.3
Auto Sales (Millions)	7.3	7.0	7.1	7.1	7.1	7.2	7.4	7.5
% Ch , Annual Rate	-23.0	-14.0	6.8	-0.1	-3.4	7.0	9.0	6.0
Housing Starts (Millions)	0.952	0.850	0.867	0.930	1.041	1.142	1.226	1.311
% Ch , Annual Rate	-53.3	-36.2	8.1	32.2	57.3	44.3	33.1	30.8
Federal Budget Surplus (Billions)	-315.0	-366.2	-803.1	-374.4	-325.8	-330.5	-319.2	-316.9
Net Exports (Billions)	-700.5	-637.7	-610.5	-607.7	-592.4	-578.5	-576.3	-573.1
3-Month Treasury Bill Rate (%)	2.26	1.57	1.54	1.63	1.80	2.22	2.76	3.35
10-Year Treasury Note Yield (%)	3.52	3.13	3.15	3.23	3.32	3.62	3.97	4.38
Bond Index of 20 G.O. Munis. (%)	3.88	3.39	3.36	3.41	3.50	3.80	4.15	4.56
30-Year Fixed Mortgage Rate (%)	5.39	4.91	4.93	5.01	5.10	5.38	5.72	6.09

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	12,205.4	12,295.3	12,392.2	12,479.9	12,583.4	12,687.2	12,793.3	12,878.7
% Ch , Annual Rate	3.2	3.0	3.2	2.9	3.4	3.3	3.4	2.7
Real Consumption	8,716.7	8,769.2	8,836.3	8,902.5	8,970.0	9,041.1	9,123.0	9,195.0
% Ch , Annual Rate	2.7	2.4	3.1	3.0	3.1	3.2	3.7	3.2
Real Nonresidential Fixed Investment	1,417.4	1,431.2	1,452.0	1,471.5	1,493.2	1,516.6	1,540.3	1,560.7
% Ch , Annual Rate	2.9	4.0	5.9	5.5	6.0	6.4	6.4	5.4
Real Residential Fixed Investment	416.0	427.8	437.2	447.5	463.8	475.7	482.8	486.5
% Ch , Annual Rate	15.0	11.9	9.0	9.8	15.4	10.6	6.2	3.1
Real Personal Income	10,542.3	10,630.8	10,719.7	10,810.3	10,912.6	11,016.5	11,125.3	11,230.3
% Ch , Annual Rate	3.4	3.4	3.4	3.4	3.8	3.9	4.0	3.8
Real Per Capita Income (\$/Person)	34,023	34,236	34,448	34,665	34,918	35,176	35,448	35,706
% Ch , Annual Rate	2.5	2.5	2.5	2.5	3.0	3.0	3.1	2.9
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.239	1.244	1.250	1.256	1.261	1.267	1.273	1.279
% Ch , Annual Rate	1.8	1.8	1.9	1.8	1.8	1.9	1.9	2.0
U.S. Consumer Price Index (1982-84=1.0)	2.185	2.196	2.206	2.216	2.226	2.236	2.246	2.257
% Ch , Annual Rate	1.9	1.9	1.9	1.8	1.8	1.8	1.9	1.9
Employment Cost Index (June 1989=1.0)	1.132	1.139	1.147	1.155	1.164	1.172	1.182	1.191
% Ch , Annual Rate	2.7	2.8	2.8	2.9	2.8	3.1	3.2	3.2
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	15,356.2	15,538.3	15,731.0	15,913.2	16,131.8	16,347.0	16,568.8	16,765.8
% Ch , Annual Rate	5.1	4.8	5.1	4.7	5.6	5.4	5.5	4.8
Personal Income	13,061.7	13,229.7	13,401.8	13,574.5	13,764.3	13,959.4	14,164.6	14,367.5
% Ch , Annual Rate	5.3	5.2	5.3	5.3	5.7	5.8	6.0	5.9
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	156.3	156.7	157.0	157.4	157.9	158.2	158.6	158.9
Total U.S. Employment	147.6	148.1	148.5	149.0	149.6	150.1	150.6	151.1
Unemployment Rate (%)	5.55	5.49	5.41	5.35	5.25	5.14	5.03	4.95
Nonfarm Payroll Employment	139.99	140.53	141.05	141.52	142.10	142.68	143.28	143.79
% Ch, Annual Rate	1.3	1.5	1.5	1.4	1.6	1.6	1.7	1.4
Manufacturing	13.16	13.20	13.25	13.30	13.35	13.39	13.43	13.46
% Ch, Annual Rate	-0.3	1.4	1.5	1.4	1.5	1.2	1.3	0.9
Durable Manufacturing	8.34	8.38	8.43	8.48	8.53	8.57	8.61	8.64
% Ch, Annual Rate	0.0	2.1	2.4	2.2	2.2	1.9	2.1	1.6
Nondurable Manufacturing	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82
% Ch, Annual Rate	-0.9	0.1	-0.2	-0.0	0.1	0.1	-0.0	-0.2
Construction	7.05	7.08	7.13	7.19	7.29	7.37	7.44	7.50
% Ch, Annual Rate	1.1	1.7	3.0	3.5	5.6	4.5	4.0	2.8
Service-Producing	119.07	119.54	119.96	120.34	120.77	121.23	121.72	122.15
% Ch, Annual Rate	1.5	1.6	1.4	1.3	1.4	1.5	1.6	1.4
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	73.5	74.2	74.3	74.1	73.8	73.6	73.3	73.0
Personal Saving/Disposable Income (%)	1.4	1.6	1.6	1.7	1.7	1.9	2.0	2.2
Auto Sales (Millions)	7.5	7.6	7.6	7.7	7.8	7.9	8.1	8.2
% Ch, Annual Rate	3.7	1.4	2.6	5.2	4.2	8.3	6.1	4.9
Housing Starts (Millions)	1.367	1.435	1.505	1.578	1.627	1.666	1.701	1.720
% Ch, Annual Rate	18.2	21.4	21.0	21.0	13.0	10.0	8.7	4.4
Federal Budget Surplus (Billions)	-303.6	-307.9	-294.2	-289.4	-265.7	-271.2	-261.5	-260.9
Net Exports (Billions)	-573.8	-563.6	-567.6	-574.9	-571.6	-566.8	-572.6	-581.2
3-Month Treasury Bill Rate (%)	3.87	4.33	4.57	4.57	4.57	4.57	4.57	4.57
10-Year Treasury Note Yield (%)	4.72	5.13	5.37	5.37	5.37	5.37	5.37	5.37
Bond Index of 20 G.O. Munis. (%)	4.90	5.31	5.55	5.55	5.55	5.55	5.55	5.55
30-Year Fixed Mortgage Rate (%)	6.42	6.82	7.05	7.05	7.05	7.05	7.05	7.05

Table A1.3  
**Washington Economic Forecast Summary**  
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	201.402	201.459	212.308	222.588	228.804	236.997	246.578	256.990
% Ch	4.8	0.0	5.4	4.8	2.8	3.6	4.0	4.2
Real Wage and Salary Disb.	109.980	112.770	118.887	125.194	128.406	132.775	137.950	143.244
% Ch	1.8	2.5	5.4	5.3	2.6	3.4	3.9	3.8
Real Nonwage Income	91.421	88.688	93.421	97.394	100.398	104.222	108.628	113.746
% Ch	8.7	-3.0	5.3	4.3	3.1	3.8	4.2	4.7
Real Per Capita Income (\$/Person)	32,473	31,971	33,080	34,087	34,449	35,088	35,931	36,897
% Ch	3.5	-1.5	3.5	3.0	1.1	1.9	2.4	2.7
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.084	1.116	1.147	1.176	1.204	1.225	1.247	1.270
% Ch	2.6	2.9	2.8	2.5	2.4	1.7	1.8	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.947	2.002	2.076	2.157	2.229	2.281	2.337	2.388
% Ch	1.2	2.8	3.7	3.9	3.4	2.4	2.5	2.2
Average Nonfarm Annual Wage	42,234	43,256	45,576	48,079	49,871	51,722	53,801	55,960
% Ch	2.7	2.4	5.4	5.5	3.7	3.7	4.0	4.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.28	18.81	19.90	20.34	20.07	20.39	20.76	21.19
% Ch	1.4	2.9	5.8	2.2	-1.3	1.6	1.8	2.1
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	218.366	224.808	243.471	261.758	275.557	290.340	307.587	326.468
% Ch	7.6	2.9	8.3	7.5	5.3	5.4	5.9	6.1
Disposable Personal Income	194.870	198.419	213.449	228.481	243.481	254.038	268.578	284.622
% Ch	7.8	1.8	7.6	7.0	6.6	4.3	5.7	6.0
Per Capita Income (\$/Person)	35,207	35,675	37,935	40,084	41,487	42,985	44,820	46,872
% Ch	6.3	1.3	6.3	5.7	3.5	3.6	4.3	4.6
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,208.9	3,270.5	3,326.5	3,404.4	3,497.3	3,556.3	3,619.8	3,676.9
Total Washington Employment	3,008.4	3,090.0	3,160.3	3,244.0	3,313.6	3,358.5	3,415.7	3,472.1
Unemployment Rate (%)	6.25	5.52	5.00	4.71	5.25	5.56	5.64	5.57
Nonfarm Payroll Employment	2,700.9	2,776.9	2,859.1	2,929.8	2,964.7	3,006.9	3,060.7	3,113.7
% Ch	1.6	2.8	3.0	2.5	1.2	1.4	1.8	1.7
Manufacturing	263.7	272.6	285.9	293.2	295.2	292.0	293.4	297.8
% Ch	-1.3	3.4	4.9	2.5	0.7	-1.1	0.5	1.5
Durable Manufacturing	182.4	191.5	204.0	211.7	214.5	211.1	211.8	214.3
% Ch	-0.7	5.0	6.6	3.8	1.3	-1.6	0.3	1.2
Aerospace	61.5	65.6	73.4	80.1	84.0	84.2	84.2	84.2
% Ch	-5.8	6.8	11.9	9.0	4.9	0.3	0.0	0.0
Nondurable Manufacturing	81.3	81.1	81.9	81.4	80.7	80.9	81.6	83.5
% Ch	-2.4	-0.2	1.0	-0.6	-0.9	0.2	0.9	2.2
Construction	164.2	177.3	194.9	207.2	202.6	199.9	200.9	201.3
% Ch	5.1	8.0	9.9	6.3	-2.2	-1.3	0.5	0.2
Service-Producing	2,263.9	2,318.0	2,369.6	2,421.3	2,459.1	2,507.4	2,558.7	2,606.7
% Ch	1.7	2.4	2.2	2.2	1.6	2.0	2.0	1.9
Software Publishers	39.3	41.3	44.7	47.7	49.6	52.0	54.4	56.8
% Ch	5.1	5.1	8.4	6.6	4.0	4.8	4.7	4.4
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	50.089	52.988	50.033	44.944	38.657	45.148	47.440	48.845
% Ch	17.0	5.8	-5.6	-10.2	-14.0	16.8	5.1	3.0
Single-Family	36.489	41.407	35.611	29.107	24.382	30.063	31.833	32.688
% Ch	10.3	13.5	-14.0	-18.3	-16.2	23.3	5.9	2.7
Multi-Family	13.600	11.581	14.422	15.837	14.275	15.085	15.607	16.157
% Ch	39.7	-14.8	24.5	9.8	-9.9	5.7	3.5	3.5
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	5.06	5.57	6.83	7.05

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	209.105	209.891	213.883	216.355	218.386	219.777	226.831	225.360
% Ch, Annual Rate	10.3	1.5	7.8	4.7	3.8	2.6	13.5	-2.6
Real Wage and Salary Disb.	117.137	116.673	120.124	121.613	122.188	123.137	128.658	126.793
% Ch, Annual Rate	10.5	-1.6	12.4	5.0	1.9	3.1	19.2	-5.7
Real Nonwage Income	91.969	93.218	93.758	94.740	96.198	96.639	98.173	98.567
% Ch, Annual Rate	10.0	5.5	2.3	4.3	6.3	1.8	6.5	1.6
Real Per Capita Income (\$/Person)	32,798	32,777	33,254	33,492	33,660	33,730	34,664	34,294
% Ch, Annual Rate	8.2	-0.3	6.0	2.9	2.0	0.8	11.6	-4.2
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.135	1.147	1.154	1.151	1.161	1.173	1.179	1.190
% Ch, Annual Rate	1.8	4.3	2.6	-0.9	3.5	4.3	1.8	3.9
Seattle Cons. Price Index (1982-84=1.0)	2.042	2.071	2.091	2.102	2.124	2.149	2.160	2.194
% Ch, Annual Rate	2.9	6.0	3.7	2.2	4.2	4.9	2.0	6.5
Average Nonfarm Annual Wage	44,757	44,818	46,232	46,497	46,605	47,256	49,469	48,986
% Ch, Annual Rate	8.2	0.5	13.2	2.3	0.9	5.7	20.1	-3.8
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.57	19.86	20.23	19.95	20.20	20.45	20.74	19.99
% Ch, Annual Rate	2.1	6.0	7.6	-5.4	5.1	5.1	5.7	-13.7
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	237.280	240.673	246.823	249.109	253.600	257.887	267.362	268.183
% Ch, Annual Rate	12.2	5.8	10.6	3.8	7.4	6.9	15.5	1.2
Disposable Personal Income	208.275	211.070	216.502	217.949	221.435	224.973	233.467	234.050
% Ch, Annual Rate	10.3	5.5	10.7	2.7	6.6	6.5	16.0	1.0
Per Capita Income (\$/Person)	37,217	37,583	38,375	38,562	39,088	39,579	40,858	40,811
% Ch, Annual Rate	10.1	4.0	8.7	2.0	5.6	5.1	13.6	-0.5
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,310.6	3,323.2	3,328.2	3,344.0	3,362.8	3,374.4	3,414.8	3,465.8
Total Washington Employment	3,149.2	3,156.4	3,159.3	3,176.5	3,200.2	3,222.8	3,251.4	3,301.5
Unemployment Rate (%)	4.87	5.02	5.08	5.01	4.84	4.49	4.78	4.74
Nonfarm Payroll Employment	2,837.2	2,851.5	2,866.0	2,881.5	2,912.2	2,924.2	2,935.3	2,947.4
% Ch, Annual Rate	4.0	2.0	2.1	2.2	4.3	1.7	1.5	1.7
Manufacturing	283.4	284.2	287.0	289.1	291.4	291.2	294.3	295.9
% Ch, Annual Rate	7.1	1.1	4.1	2.9	3.1	-0.2	4.3	2.2
Durable Manufacturing	201.0	202.7	205.0	207.5	209.2	210.6	212.8	214.4
% Ch, Annual Rate	7.4	3.3	4.6	4.9	3.4	2.7	4.2	3.1
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.5
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	7.5
Nondurable Manufacturing	82.4	81.5	82.1	81.7	82.2	80.6	81.5	81.5
% Ch, Annual Rate	6.3	-4.1	2.7	-1.9	2.6	-7.3	4.4	-0.2
Construction	190.1	194.1	196.4	198.8	205.9	208.8	207.3	206.7
% Ch, Annual Rate	14.9	8.8	4.7	5.1	14.9	5.9	-2.9	-1.2
Service-Producing	2,354.9	2,364.4	2,374.0	2,385.0	2,406.7	2,416.0	2,425.6	2,436.9
% Ch, Annual Rate	2.8	1.6	1.6	1.9	3.7	1.5	1.6	1.9
Software Publishers	43.1	44.4	45.4	46.0	47.2	47.6	47.8	48.1
% Ch, Annual Rate	9.3	12.8	9.1	6.1	10.4	3.7	1.2	2.7
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	50.776	54.236	53.036	42.084	57.132	44.432	43.388	34.824
% Ch, Annual Rate	-40.8	30.2	-8.6	-60.4	239.7	-63.4	-9.1	-58.5
Single-Family	38.753	37.614	35.909	30.167	33.875	33.226	28.727	20.599
% Ch, Annual Rate	-35.1	-11.3	-16.9	-50.2	59.0	-7.4	-44.1	-73.6
Multi-Family	12.023	16.622	17.127	11.917	23.257	11.206	14.660	14.225
% Ch, Annual Rate	-55.5	265.3	12.7	-76.6	1,350.8	-94.6	193.0	-11.4
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	224.953	226.056	233.425	230.780	232.693	234.095	242.239	238.960
% Ch, Annual Rate	-0.7	2.0	13.7	-4.5	3.4	2.4	14.7	-5.3
Real Wage and Salary Disb.	125.572	126.227	132.828	128.997	129.822	130.423	137.617	133.240
% Ch, Annual Rate	-3.8	2.1	22.6	-11.0	2.6	1.9	24.0	-12.1
Real Nonwage Income	99.381	99.829	100.598	101.783	102.871	103.673	104.622	105.720
% Ch, Annual Rate	3.3	1.8	3.1	4.8	4.3	3.2	3.7	4.3
Real Per Capita Income (\$/Person)	34,088	34,109	35,071	34,527	34,667	34,730	35,791	35,165
% Ch, Annual Rate	-2.4	0.3	11.8	-6.1	1.6	0.7	12.8	-6.8
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.198	1.202	1.207	1.210	1.216	1.222	1.228	1.233
% Ch, Annual Rate	2.7	1.3	1.7	1.2	1.9	2.0	2.0	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.213	2.223	2.235	2.244	2.259	2.274	2.290	2.303
% Ch, Annual Rate	3.6	1.7	2.2	1.5	2.7	2.8	2.7	2.4
Average Nonfarm Annual Wage	48,641	48,972	51,741	50,131	50,494	50,757	53,712	51,926
% Ch, Annual Rate	-2.8	2.7	24.6	-11.9	2.9	2.1	25.4	-12.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.94	20.03	20.11	20.20	20.27	20.34	20.43	20.53
% Ch, Annual Rate	-1.0	1.8	1.7	1.7	1.4	1.5	1.8	1.9
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	269.476	271.695	281.703	279.353	282.995	286.115	297.506	294.744
% Ch, Annual Rate	1.9	3.3	15.6	-3.3	5.3	4.5	16.9	-3.7
Disposable Personal Income	235.309	237.541	256.673	244.403	247.664	250.378	260.300	257.811
% Ch, Annual Rate	2.2	3.8	36.3	-17.8	5.4	4.5	16.8	-3.8
Per Capita Income (\$/Person)	40,835	40,996	42,325	41,794	42,160	42,448	43,957	43,374
% Ch, Annual Rate	0.2	1.6	13.6	-4.9	3.6	2.8	15.0	-5.2
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,478.5	3,490.2	3,502.7	3,517.9	3,532.3	3,548.5	3,564.3	3,580.1
Total Washington Employment	3,303.4	3,308.7	3,315.3	3,327.2	3,337.5	3,351.7	3,365.5	3,379.3
Unemployment Rate (%)	5.03	5.20	5.35	5.42	5.51	5.55	5.58	5.61
Nonfarm Payroll Employment	2,955.1	2,960.1	2,966.3	2,977.5	2,987.2	3,000.5	3,013.5	3,026.5
% Ch, Annual Rate	1.0	0.7	0.8	1.5	1.3	1.8	1.7	1.7
Manufacturing	296.5	296.3	294.5	293.7	293.3	292.1	291.6	291.0
% Ch, Annual Rate	0.8	-0.3	-2.4	-1.1	-0.5	-1.6	-0.7	-0.8
Durable Manufacturing	215.3	215.0	214.2	213.6	212.6	211.2	210.6	210.2
% Ch, Annual Rate	1.8	-0.6	-1.5	-1.2	-1.8	-2.7	-1.0	-0.8
Aerospace	83.4	84.0	84.2	84.2	84.2	84.2	84.2	84.2
% Ch, Annual Rate	4.6	2.9	1.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	81.1	81.3	80.3	80.1	80.7	81.0	81.0	80.8
% Ch, Annual Rate	-1.6	0.6	-4.9	-0.8	3.0	1.4	0.2	-0.7
Construction	205.6	203.6	201.3	200.1	199.8	199.8	199.9	200.3
% Ch, Annual Rate	-2.1	-3.8	-4.5	-2.3	-0.6	0.0	0.3	0.8
Service-Producing	2,445.1	2,452.3	2,462.8	2,476.0	2,486.4	2,501.1	2,514.4	2,527.7
% Ch, Annual Rate	1.3	1.2	1.7	2.2	1.7	2.4	2.2	2.1
Software Publishers	48.6	49.3	49.8	50.5	51.1	51.6	52.3	52.9
% Ch, Annual Rate	4.7	5.2	4.8	5.3	4.5	4.8	4.8	5.1
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	37.716	36.869	39.063	40.981	42.659	44.523	46.316	47.094
% Ch, Annual Rate	37.6	-8.7	26.0	21.1	17.4	18.7	17.1	6.9
Single-Family	22.519	23.142	25.146	26.720	28.224	29.565	30.811	31.651
% Ch, Annual Rate	42.8	11.5	39.4	27.5	24.5	20.4	18.0	11.4
Multi-Family	15.197	13.727	13.917	14.261	14.435	14.958	15.505	15.443
% Ch, Annual Rate	30.3	-33.4	5.6	10.2	5.0	15.3	15.4	-1.6
30-Year Fixed Mortgage Rate (%)	5.39	4.91	4.93	5.01	5.10	5.38	5.72	6.09

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	241.367	243.547	252.545	248.852	251.306	253.603	263.532	259.521
% Ch, Annual Rate	4.1	3.7	15.6	-5.7	4.0	3.7	16.6	-5.9
Real Wage and Salary Disb.	134.564	135.518	143.306	138.412	139.651	140.579	149.081	143.666
% Ch, Annual Rate	4.0	2.9	25.0	-13.0	3.6	2.7	26.5	-13.8
Real Nonwage Income	106.803	108.029	109.238	110.440	111.655	113.024	114.450	115.855
% Ch, Annual Rate	4.2	4.7	4.6	4.5	4.5	5.0	5.1	5.0
Real Per Capita Income (\$/Person)	35,378	35,559	36,731	36,057	36,278	36,477	37,770	37,065
% Ch, Annual Rate	2.5	2.1	13.8	-7.1	2.5	2.2	15.0	-7.3
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.239	1.244	1.250	1.256	1.261	1.267	1.273	1.279
% Ch, Annual Rate	1.8	1.8	1.9	1.8	1.8	1.9	1.9	2.0
Seattle Cons. Price Index (1982-84=1.0)	2.317	2.331	2.345	2.357	2.369	2.381	2.394	2.406
% Ch, Annual Rate	2.5	2.4	2.4	2.1	2.1	2.1	2.1	2.1
Average Nonfarm Annual Wage	52,430	52,793	55,981	54,000	54,477	54,858	58,337	56,166
% Ch, Annual Rate	3.9	2.8	26.4	-13.4	3.6	2.8	27.9	-14.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.61	20.71	20.80	20.91	21.01	21.12	21.25	21.37
% Ch, Annual Rate	1.7	1.8	1.9	2.0	1.9	2.2	2.4	2.4
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	299.048	303.087	315.733	312.481	316.979	321.349	335.525	332.019
% Ch, Annual Rate	6.0	5.5	17.8	-4.1	5.9	5.6	18.8	-4.1
Disposable Personal Income	261.155	264.624	275.690	272.843	276.176	280.142	292.582	289.589
% Ch, Annual Rate	5.3	5.4	17.8	-4.1	5.0	5.9	19.0	-4.0
Per Capita Income (\$/Person)	43,833	44,252	45,921	45,276	45,758	46,221	48,088	47,419
% Ch, Annual Rate	4.3	3.9	16.0	-5.5	4.3	4.1	17.2	-5.4
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,595.9	3,612.5	3,628.0	3,642.9	3,658.2	3,670.8	3,683.4	3,695.1
Total Washington Employment	3,393.5	3,409.3	3,423.3	3,436.5	3,450.5	3,465.0	3,479.7	3,493.0
Unemployment Rate (%)	5.63	5.62	5.64	5.67	5.68	5.61	5.53	5.47
Nonfarm Payroll Employment	3,039.8	3,054.7	3,067.8	3,080.3	3,093.4	3,107.1	3,120.8	3,133.3
% Ch, Annual Rate	1.8	2.0	1.7	1.6	1.7	1.8	1.8	1.6
Manufacturing	291.3	292.9	294.3	295.3	296.4	297.4	298.4	299.0
% Ch, Annual Rate	0.3	2.3	2.0	1.3	1.5	1.3	1.4	0.9
Durable Manufacturing	210.3	211.4	212.5	213.0	213.6	214.1	214.6	215.0
% Ch, Annual Rate	0.2	2.2	2.0	1.0	1.1	0.9	1.1	0.7
Aerospace	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2
% Ch, Annual Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	81.0	81.5	81.9	82.3	82.8	83.3	83.7	84.0
% Ch, Annual Rate	0.5	2.5	2.0	2.1	2.6	2.4	2.1	1.4
Construction	200.7	200.9	200.9	200.9	201.1	201.2	201.4	201.4
% Ch, Annual Rate	0.9	0.4	-0.0	-0.0	0.4	0.4	0.3	0.0
Service-Producing	2,540.3	2,553.3	2,564.9	2,576.4	2,588.2	2,600.6	2,613.2	2,624.9
% Ch, Annual Rate	2.0	2.1	1.8	1.8	1.8	1.9	1.9	1.8
Software Publishers	53.5	54.1	54.7	55.3	55.9	56.5	57.1	57.8
% Ch, Annual Rate	4.1	5.0	4.9	4.2	4.3	4.3	4.5	4.5
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	46.911	46.974	47.406	48.468	48.741	48.894	49.026	48.718
% Ch, Annual Rate	-1.5	0.5	3.7	9.3	2.3	1.3	1.1	-2.5
Single-Family	31.588	31.432	31.703	32.609	32.598	32.677	32.763	32.712
% Ch, Annual Rate	-0.8	-2.0	3.5	11.9	-0.1	1.0	1.1	-0.6
Multi-Family	15.323	15.541	15.704	15.859	16.143	16.217	16.262	16.005
% Ch, Annual Rate	-3.1	5.8	4.2	4.0	7.4	1.9	1.1	-6.2
30-Year Fixed Mortgage Rate (%)	6.42	6.82	7.05	7.05	7.05	7.05	7.05	7.05

Table A2.1  
**U.S. Nonagricultural Employment by Industry (Millions)**  
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	131.42	133.69	136.09	137.62	137.97	138.96	140.77	142.96
% Ch	1.1	1.7	1.8	1.1	0.3	0.7	1.3	1.6
Manufacturing	14.32	14.23	14.16	13.88	13.54	13.24	13.23	13.41
% Ch	-1.3	-0.6	-0.5	-1.9	-2.4	-2.3	-0.1	1.3
Durable Manufacturing	8.92	8.96	8.98	8.82	8.59	8.38	8.41	8.59
% Ch	-0.4	0.3	0.3	-1.9	-2.5	-2.5	0.4	2.1
Wood Products	0.55	0.56	0.56	0.52	0.48	0.47	0.51	0.56
% Ch	2.3	1.7	-0.0	-7.0	-6.7	-2.5	8.0	9.8
Primary and Fabricated Metals	1.96	1.99	2.02	2.02	2.00	1.95	1.93	1.95
% Ch	0.4	1.2	1.5	0.1	-1.0	-2.7	-1.0	1.1
Computer and Electronic Products	1.32	1.32	1.31	1.27	1.26	1.16	1.13	1.11
% Ch	-2.4	-0.5	-0.6	-2.7	-1.2	-7.7	-2.8	-1.9
Machinery and Electrical Equipment	1.59	1.60	1.62	1.62	1.59	1.56	1.54	1.56
% Ch	-1.3	0.5	1.1	-0.1	-1.7	-1.8	-0.9	1.3
Transportation Equipment	1.77	1.77	1.77	1.71	1.65	1.67	1.70	1.77
% Ch	-0.5	0.3	-0.2	-3.3	-3.4	0.8	2.1	3.9
Other Durables	1.73	1.72	1.71	1.68	1.61	1.58	1.60	1.64
% Ch	0.2	-0.6	-0.4	-2.0	-4.0	-2.2	1.6	2.7
Nondurable Manufacturing	5.39	5.27	5.17	5.07	4.95	4.86	4.82	4.82
% Ch	-2.8	-2.2	-1.8	-2.1	-2.3	-1.9	-0.8	0.0
Food Manufacturing	1.49	1.48	1.48	1.48	1.48	1.50	1.52	1.54
% Ch	-1.5	-1.1	0.1	0.1	0.2	1.3	0.9	1.5
Paper and Paper Products	0.50	0.48	0.47	0.46	0.45	0.43	0.43	0.44
% Ch	-4.0	-2.3	-2.8	-2.1	-3.0	-2.7	-0.2	1.1
Other Nondurables	3.40	3.31	3.22	3.13	3.02	2.92	2.87	2.84
% Ch	-3.2	-2.7	-2.6	-3.1	-3.4	-3.3	-1.8	-1.0
Natural Resources and Mining	0.59	0.63	0.68	0.72	0.74	0.72	0.70	0.68
% Ch	3.3	6.2	9.1	5.6	2.2	-2.7	-2.0	-2.8
Construction	6.97	7.33	7.69	7.62	7.20	7.04	7.11	7.40
% Ch	3.5	5.2	4.9	-1.0	-5.5	-2.3	1.1	4.1
Trade, Transportation, and Utilities	25.53	25.96	26.28	26.61	26.64	26.86	27.12	27.37
% Ch	1.0	1.7	1.2	1.2	0.1	0.8	0.9	1.0
Wholesale Trade	5.66	5.76	5.90	6.03	6.06	6.06	6.12	6.23
% Ch	1.0	1.8	2.5	2.1	0.6	-0.1	1.0	1.8
Retail Trade	15.06	15.28	15.36	15.49	15.49	15.64	15.71	15.70
% Ch	0.9	1.5	0.5	0.9	0.0	1.0	0.4	-0.0
Trans., Warehousing, and Utilities	4.81	4.92	5.02	5.09	5.09	5.16	5.28	5.44
% Ch	1.1	2.2	2.1	1.4	0.0	1.4	2.3	3.0
Information	3.12	3.06	3.04	3.03	3.01	2.99	2.98	2.97
% Ch	-2.3	-1.8	-0.8	-0.3	-0.5	-0.7	-0.4	-0.5
Publishing Industries	0.91	0.90	0.90	0.90	0.88	0.87	0.87	0.88
% Ch	-1.7	-0.6	-0.2	-0.4	-2.3	-1.0	0.4	0.6
Other Information	2.21	2.16	2.14	2.13	2.14	2.12	2.11	2.09
% Ch	-2.5	-2.3	-1.0	-0.2	0.3	-0.6	-0.8	-1.0
Financial Activities	8.03	8.15	8.33	8.31	8.26	8.41	8.57	8.70
% Ch	0.7	1.5	2.2	-0.2	-0.6	1.8	1.9	1.5
Professional and Business Services	16.39	16.95	17.57	17.97	18.19	18.74	19.63	20.47
% Ch	2.5	3.4	3.7	2.2	1.2	3.0	4.8	4.2
Education and Health Services	16.95	17.37	17.83	18.33	18.85	19.26	19.53	19.73
% Ch	2.2	2.5	2.6	2.8	2.8	2.2	1.4	1.0
Leisure and Hospitality	12.49	12.81	13.11	13.47	13.73	13.88	13.92	14.16
% Ch	2.6	2.6	2.3	2.8	1.9	1.1	0.3	1.7
Other Services	5.41	5.39	5.44	5.49	5.52	5.46	5.37	5.33
% Ch	0.2	-0.3	0.8	1.0	0.5	-1.1	-1.7	-0.7
Federal Government	2.73	2.73	2.73	2.73	2.74	2.76	2.80	2.72
% Ch	-1.1	0.0	-0.0	-0.2	0.6	0.5	1.5	-2.9
State and Local Government	18.89	19.07	19.24	19.47	19.54	19.61	19.81	20.02
% Ch	0.4	1.0	0.9	1.2	0.3	0.3	1.0	1.1



Table A2.2

**U.S. Nonagricultural Employment by Industry (Millions)**

Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	135.38	135.84	136.35	136.79	137.18	137.50	137.76	138.04
% Ch, Annual Rate	2.2	1.4	1.5	1.3	1.2	0.9	0.8	0.8
Manufacturing	14.21	14.20	14.16	14.06	13.99	13.91	13.85	13.79
% Ch, Annual Rate	0.3	-0.2	-1.2	-2.8	-2.1	-2.2	-1.6	-1.8
Durable Manufacturing	8.99	9.01	8.99	8.94	8.88	8.83	8.80	8.76
% Ch, Annual Rate	1.0	1.0	-0.9	-2.4	-2.5	-2.2	-1.6	-1.8
Wood Products	0.57	0.57	0.56	0.54	0.53	0.52	0.52	0.51
% Ch, Annual Rate	4.6	-3.6	-6.8	-11.3	-7.6	-5.7	-2.8	-6.4
Primary and Fabricated Metals	2.00	2.01	2.03	2.02	2.02	2.02	2.02	2.02
% Ch, Annual Rate	1.7	2.1	2.7	-1.0	-0.1	-0.7	-0.3	0.1
Computer and Electronic Products	1.31	1.31	1.31	1.30	1.29	1.27	1.26	1.26
% Ch, Annual Rate	-1.7	1.7	-1.7	-2.3	-3.1	-4.9	-3.0	-2.0
Machinery and Electrical Equipment	1.61	1.62	1.62	1.62	1.62	1.61	1.62	1.62
% Ch, Annual Rate	1.1	2.0	1.6	-0.5	-1.2	-0.2	0.2	0.0
Transportation Equipment	1.77	1.78	1.77	1.75	1.73	1.72	1.71	1.69
% Ch, Annual Rate	0.6	2.1	-3.3	-3.4	-4.9	-2.9	-2.8	-3.8
Other Durables	1.72	1.72	1.71	1.70	1.69	1.68	1.67	1.67
% Ch, Annual Rate	1.3	-1.2	-2.1	-1.8	-2.2	-2.0	-2.4	-2.1
Nondurable Manufacturing	5.22	5.19	5.17	5.12	5.10	5.08	5.05	5.03
% Ch, Annual Rate	-1.0	-2.3	-1.8	-3.4	-1.3	-2.2	-1.7	-1.7
Food Manufacturing	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
% Ch, Annual Rate	1.2	0.4	0.3	-0.7	0.5	0.1	0.5	-0.3
Paper and Paper Products	0.48	0.47	0.47	0.47	0.46	0.46	0.46	0.46
% Ch, Annual Rate	-1.7	-3.2	-2.6	-3.0	-1.7	-2.2	-1.4	0.0
Other Nondurables	3.27	3.24	3.22	3.18	3.16	3.13	3.11	3.09
% Ch, Annual Rate	-1.9	-3.4	-2.6	-4.7	-2.1	-3.3	-2.7	-2.6
Natural Resources and Mining	0.66	0.68	0.69	0.70	0.71	0.72	0.73	0.73
% Ch, Annual Rate	10.1	12.0	6.2	6.3	5.0	5.0	4.1	3.9
Construction	7.66	7.70	7.72	7.70	7.68	7.65	7.61	7.52
% Ch, Annual Rate	7.3	2.0	1.1	-1.0	-0.9	-1.5	-2.3	-4.4
Trade, Transportation, and Utilities	26.19	26.22	26.29	26.41	26.53	26.59	26.64	26.67
% Ch, Annual Rate	1.3	0.5	1.1	1.8	1.8	0.9	0.7	0.5
Wholesale Trade	5.86	5.89	5.92	5.95	5.98	6.01	6.05	6.07
% Ch, Annual Rate	3.2	2.4	1.9	2.1	1.9	2.5	2.3	1.7
Retail Trade	15.36	15.32	15.34	15.40	15.48	15.49	15.49	15.49
% Ch, Annual Rate	0.3	-0.9	0.4	1.5	2.0	0.4	0.1	0.0
Trans., Warehousing, and Utilities	4.97	5.00	5.03	5.06	5.08	5.08	5.09	5.10
% Ch, Annual Rate	2.3	2.4	2.2	2.5	1.2	0.5	0.8	0.5
Information	3.05	3.04	3.03	3.03	3.03	3.03	3.03	3.02
% Ch, Annual Rate	-0.3	-1.9	-1.4	0.0	0.4	0.4	-1.0	-0.8
Publishing Industries	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.89
% Ch, Annual Rate	-0.3	-0.1	-1.2	0.5	0.7	-1.2	-1.8	-1.9
Other Information	2.15	2.14	2.13	2.13	2.13	2.13	2.13	2.13
% Ch, Annual Rate	-0.3	-2.7	-1.5	-0.2	0.3	1.1	-0.6	-0.4
Financial Activities	8.29	8.33	8.34	8.35	8.34	8.32	8.31	8.27
% Ch, Annual Rate	2.7	1.8	0.4	0.7	-0.5	-1.2	-0.3	-2.1
Professional and Business Services	17.37	17.51	17.65	17.76	17.87	17.93	17.98	18.10
% Ch, Annual Rate	3.6	3.3	3.2	2.5	2.4	1.4	1.2	2.7
Education and Health Services	17.67	17.76	17.87	18.00	18.11	18.26	18.41	18.53
% Ch, Annual Rate	3.1	2.1	2.4	2.9	2.6	3.2	3.4	2.6
Leisure and Hospitality	12.98	13.05	13.15	13.25	13.33	13.42	13.51	13.63
% Ch, Annual Rate	3.0	2.3	3.0	2.9	2.6	2.8	2.6	3.6
Other Services	5.42	5.43	5.44	5.46	5.47	5.49	5.50	5.50
% Ch, Annual Rate	2.1	0.5	0.7	1.7	0.6	1.6	0.4	0.4
Federal Government	2.73	2.73	2.74	2.73	2.73	2.73	2.72	2.73
% Ch, Annual Rate	-1.0	0.6	0.7	-1.4	0.1	-0.5	-0.2	0.5
State and Local Government	19.15	19.18	19.28	19.34	19.40	19.46	19.48	19.55
% Ch, Annual Rate	0.5	0.7	2.1	1.3	1.1	1.3	0.4	1.6

Table A2.2

**U.S. Nonagricultural Employment by Industry (Millions)**

Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	138.05	137.84	137.84	138.13	138.36	138.77	139.16	139.54
% Ch, Annual Rate	0.0	-0.6	-0.0	0.9	0.7	1.2	1.1	1.1
Manufacturing	13.72	13.62	13.46	13.37	13.32	13.24	13.21	13.17
% Ch, Annual Rate	-2.1	-2.7	-4.7	-2.8	-1.5	-2.3	-1.1	-1.1
Durable Manufacturing	8.71	8.64	8.54	8.48	8.44	8.38	8.36	8.34
% Ch, Annual Rate	-2.2	-3.2	-4.3	-2.7	-2.2	-2.9	-0.8	-0.8
Wood Products	0.51	0.50	0.47	0.46	0.46	0.47	0.48	0.49
% Ch, Annual Rate	-1.6	-7.2	-19.3	-9.5	-0.1	6.0	8.2	7.9
Primary and Fabricated Metals	2.01	2.02	2.00	1.97	1.96	1.95	1.94	1.93
% Ch, Annual Rate	-0.8	1.1	-4.7	-4.7	-2.3	-2.3	-1.7	-1.2
Computer and Electronic Products	1.25	1.25	1.26	1.27	1.23	1.17	1.13	1.11
% Ch, Annual Rate	-1.5	-2.2	5.0	1.2	-10.6	-18.4	-11.5	-9.9
Machinery and Electrical Equipment	1.61	1.60	1.58	1.57	1.56	1.56	1.56	1.55
% Ch, Annual Rate	-1.2	-3.8	-4.3	-2.6	-1.1	-0.9	-0.2	-1.6
Transportation Equipment	1.67	1.65	1.64	1.64	1.65	1.66	1.67	1.68
% Ch, Annual Rate	-3.9	-4.4	-3.1	0.1	1.7	2.3	3.4	2.4
Other Durables	1.65	1.62	1.60	1.58	1.57	1.57	1.58	1.58
% Ch, Annual Rate	-3.8	-6.0	-6.9	-4.2	-0.9	-0.5	0.8	1.4
Nondurable Manufacturing	5.01	4.99	4.92	4.88	4.88	4.87	4.85	4.83
% Ch, Annual Rate	-1.8	-1.7	-5.3	-2.8	-0.2	-1.1	-1.6	-1.6
Food Manufacturing	1.48	1.49	1.48	1.49	1.50	1.50	1.50	1.50
% Ch, Annual Rate	-0.3	1.8	-1.4	1.1	2.9	1.7	0.7	-0.2
Paper and Paper Products	0.46	0.45	0.44	0.44	0.44	0.44	0.43	0.43
% Ch, Annual Rate	-3.3	-4.5	-6.0	-4.1	-1.1	-1.7	-1.8	-1.1
Other Nondurables	3.07	3.05	3.00	2.96	2.95	2.93	2.91	2.89
% Ch, Annual Rate	-2.4	-3.0	-7.1	-4.6	-1.6	-2.4	-2.7	-2.3
Natural Resources and Mining	0.75	0.74	0.74	0.73	0.72	0.72	0.72	0.71
% Ch, Annual Rate	6.7	-1.0	-3.3	-5.2	-1.7	-2.1	-2.7	-1.2
Construction	7.40	7.22	7.12	7.06	7.04	7.04	7.04	7.03
% Ch, Annual Rate	-6.4	-9.3	-5.8	-3.1	-1.4	0.4	-0.0	-0.8
Trade, Transportation, and Utilities	26.68	26.59	26.61	26.69	26.67	26.82	26.93	27.03
% Ch, Annual Rate	0.1	-1.2	0.2	1.2	-0.2	2.2	1.6	1.5
Wholesale Trade	6.07	6.04	6.07	6.07	6.03	6.03	6.08	6.09
% Ch, Annual Rate	-0.2	-1.9	1.7	0.3	-3.0	0.5	2.8	1.2
Retail Trade	15.51	15.47	15.47	15.51	15.53	15.64	15.68	15.73
% Ch, Annual Rate	0.4	-1.1	-0.1	1.2	0.4	3.0	0.8	1.3
Trans., Warehousing, and Utilities	5.10	5.08	5.08	5.10	5.12	5.14	5.18	5.21
% Ch, Annual Rate	-0.3	-1.0	-0.6	2.2	1.4	1.8	2.6	2.5
Information	3.01	3.01	3.01	3.02	3.00	2.99	2.99	2.98
% Ch, Annual Rate	-1.2	-0.2	0.2	1.5	-2.4	-1.3	-1.2	-0.2
Publishing Industries	0.89	0.88	0.87	0.87	0.87	0.87	0.87	0.87
% Ch, Annual Rate	-1.8	-2.1	-4.9	-3.1	0.6	0.4	0.1	1.1
Other Information	2.12	2.13	2.14	2.16	2.14	2.13	2.12	2.11
% Ch, Annual Rate	-0.9	0.5	2.3	3.4	-3.6	-2.0	-1.7	-0.8
Financial Activities	8.25	8.23	8.28	8.29	8.34	8.41	8.43	8.47
% Ch, Annual Rate	-0.8	-0.8	2.0	0.9	2.3	3.2	1.2	1.8
Professional and Business Services	18.12	18.09	18.17	18.36	18.48	18.61	18.83	19.03
% Ch, Annual Rate	0.4	-0.5	1.8	4.1	2.6	3.0	4.7	4.5
Education and Health Services	18.66	18.81	18.95	18.97	19.04	19.22	19.37	19.40
% Ch, Annual Rate	2.9	3.1	3.0	0.5	1.6	3.7	3.2	0.7
Leisure and Hospitality	13.68	13.71	13.71	13.84	13.93	13.89	13.83	13.85
% Ch, Annual Rate	1.4	1.0	-0.1	3.8	2.9	-1.1	-1.8	0.5
Other Services	5.51	5.52	5.53	5.53	5.52	5.47	5.43	5.41
% Ch, Annual Rate	0.2	0.8	0.6	0.6	-0.7	-3.5	-3.1	-1.5
Federal Government	2.73	2.74	2.75	2.75	2.75	2.75	2.75	2.76
% Ch, Annual Rate	0.9	1.1	0.8	0.5	0.3	0.3	-0.0	1.4
State and Local Government	19.56	19.55	19.53	19.53	19.53	19.59	19.64	19.68
% Ch, Annual Rate	0.0	-0.2	-0.4	0.0	0.1	1.1	1.0	0.9

Table A2.2  
**U.S. Nonagricultural Employment by Industry (Millions)**  
 Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	139.99	140.53	141.05	141.52	142.10	142.68	143.28	143.79
% Ch, Annual Rate	1.3	1.5	1.5	1.4	1.6	1.6	1.7	1.4
Manufacturing	13.16	13.20	13.25	13.30	13.35	13.39	13.43	13.46
% Ch, Annual Rate	-0.3	1.4	1.5	1.4	1.5	1.2	1.3	0.9
Durable Manufacturing	8.34	8.38	8.43	8.48	8.53	8.57	8.61	8.64
% Ch, Annual Rate	0.0	2.1	2.4	2.2	2.2	1.9	2.1	1.6
Wood Products	0.49	0.50	0.52	0.53	0.54	0.56	0.57	0.58
% Ch, Annual Rate	7.5	8.3	8.8	9.7	11.8	11.3	8.5	4.7
Primary and Fabricated Metals	1.93	1.92	1.92	1.93	1.94	1.94	1.95	1.96
% Ch, Annual Rate	-1.5	-0.9	0.2	1.3	1.2	0.9	1.8	2.5
Computer and Electronic Products	1.10	1.13	1.15	1.13	1.12	1.11	1.10	1.09
% Ch, Annual Rate	-1.6	10.7	6.2	-4.4	-3.8	-4.7	-2.3	-4.1
Machinery and Electrical Equipment	1.54	1.54	1.54	1.55	1.56	1.56	1.57	1.57
% Ch, Annual Rate	-2.1	-0.9	0.5	2.0	1.7	1.3	1.1	1.4
Transportation Equipment	1.69	1.69	1.70	1.72	1.74	1.76	1.78	1.79
% Ch, Annual Rate	1.2	1.1	2.3	4.5	4.6	4.4	4.2	2.7
Other Durables	1.59	1.59	1.60	1.62	1.63	1.64	1.65	1.66
% Ch, Annual Rate	1.5	1.9	2.5	3.4	2.8	2.6	2.2	2.2
Nondurable Manufacturing	4.82	4.82	4.82	4.82	4.82	4.82	4.82	4.82
% Ch, Annual Rate	-0.9	0.1	-0.2	-0.0	0.1	0.1	-0.0	-0.2
Food Manufacturing	1.51	1.51	1.52	1.52	1.53	1.54	1.54	1.55
% Ch, Annual Rate	0.6	1.8	1.5	1.5	1.7	1.6	1.4	1.0
Paper and Paper Products	0.43	0.43	0.43	0.44	0.44	0.44	0.44	0.44
% Ch, Annual Rate	-0.1	1.2	0.9	1.0	1.3	1.2	1.1	0.8
Other Nondurables	2.88	2.87	2.87	2.86	2.85	2.85	2.84	2.83
% Ch, Annual Rate	-1.8	-0.9	-1.2	-1.0	-0.9	-0.9	-1.0	-1.0
Natural Resources and Mining	0.71	0.71	0.70	0.70	0.69	0.69	0.68	0.67
% Ch, Annual Rate	-1.9	-1.7	-2.3	-2.6	-2.3	-3.2	-4.2	-3.8
Construction	7.05	7.08	7.13	7.19	7.29	7.37	7.44	7.50
% Ch, Annual Rate	1.1	1.7	3.0	3.5	5.6	4.5	4.0	2.8
Trade, Transportation, and Utilities	27.04	27.10	27.15	27.16	27.23	27.35	27.42	27.50
% Ch, Annual Rate	0.2	0.9	0.7	0.2	1.0	1.7	1.1	1.1
Wholesale Trade	6.09	6.10	6.14	6.16	6.18	6.22	6.25	6.27
% Ch, Annual Rate	-0.4	1.1	2.1	1.4	1.7	2.1	2.0	1.6
Retail Trade	15.73	15.74	15.71	15.67	15.67	15.71	15.72	15.72
% Ch, Annual Rate	0.1	0.2	-0.6	-1.2	0.1	1.0	0.1	0.2
Trans., Warehousing, and Utilities	5.23	5.26	5.30	5.34	5.38	5.42	5.46	5.51
% Ch, Annual Rate	1.5	2.6	3.1	2.8	2.8	3.3	3.1	3.3
Information	2.99	2.98	2.97	2.97	2.97	2.96	2.96	2.97
% Ch, Annual Rate	0.5	-0.4	-1.4	-0.5	-0.2	-0.8	-0.4	0.6
Publishing Industries	0.87	0.87	0.87	0.87	0.88	0.88	0.88	0.88
% Ch, Annual Rate	-0.1	0.3	0.7	0.9	0.7	0.5	0.1	0.8
Other Information	2.12	2.11	2.10	2.10	2.09	2.09	2.08	2.09
% Ch, Annual Rate	0.8	-0.7	-2.2	-1.0	-0.6	-1.3	-0.6	0.5
Financial Activities	8.52	8.55	8.59	8.63	8.67	8.69	8.71	8.74
% Ch, Annual Rate	2.4	1.7	1.6	1.8	2.0	0.7	1.2	1.3
Professional and Business Services	19.25	19.53	19.78	19.97	20.16	20.39	20.59	20.73
% Ch, Annual Rate	4.6	5.8	5.3	4.0	3.8	4.6	4.1	2.7
Education and Health Services	19.43	19.50	19.59	19.62	19.67	19.69	19.77	19.81
% Ch, Annual Rate	0.5	1.6	1.8	0.6	1.0	0.5	1.6	0.8
Leisure and Hospitality	13.86	13.88	13.93	14.02	14.07	14.12	14.18	14.27
% Ch, Annual Rate	0.4	0.3	1.6	2.5	1.7	1.4	1.6	2.4
Other Services	5.38	5.37	5.36	5.36	5.34	5.33	5.32	5.33
% Ch, Annual Rate	-2.0	-1.0	-0.6	-0.6	-1.0	-0.9	-0.6	0.6
Federal Government	2.86	2.84	2.76	2.73	2.72	2.72	2.71	2.71
% Ch, Annual Rate	14.9	-2.9	-11.4	-4.0	-1.3	-0.3	-0.3	-0.2
State and Local Government	19.73	19.78	19.83	19.88	19.94	19.99	20.05	20.11
% Ch, Annual Rate	1.1	0.9	1.0	1.1	1.1	1.1	1.1	1.2

Table A2.3  
**Washington Nonagricultural Employment by Industry (Thousands)**  
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	2,700.9	2,776.9	2,859.1	2,929.8	2,964.7	3,006.9	3,060.7	3,113.7
% Ch	1.6	2.8	3.0	2.5	1.2	1.4	1.8	1.7
Manufacturing	263.7	272.6	285.9	293.2	295.2	292.0	293.4	297.8
% Ch	-1.3	3.4	4.9	2.5	0.7	-1.1	0.5	1.5
Durable Manufacturing	182.4	191.5	204.0	211.7	214.5	211.1	211.8	214.3
% Ch	-0.7	5.0	6.6	3.8	1.3	-1.6	0.3	1.2
Wood Products	18.8	20.0	20.3	19.1	18.0	17.3	17.9	18.7
% Ch	5.4	6.9	1.1	-5.6	-6.1	-3.8	3.4	4.7
Primary and Fabricated Metals	22.3	23.1	24.3	25.9	25.9	25.3	25.1	25.3
% Ch	0.8	3.8	4.9	6.8	0.0	-2.4	-0.9	1.0
Computer and Electronic Products	22.1	22.2	22.4	22.8	23.1	20.8	20.3	20.0
% Ch	-5.3	0.2	1.2	1.6	1.2	-9.7	-2.6	-1.3
Machinery and Electrical Equipment	17.0	17.8	19.0	19.5	20.0	20.3	20.9	22.0
% Ch	4.4	4.8	6.5	2.7	2.5	1.7	2.8	5.5
Aerospace	61.5	65.6	73.4	80.1	84.0	84.2	84.2	84.2
% Ch	-5.8	6.8	11.9	9.0	4.9	0.3	0.0	0.0
Other Transportation Equip.	12.1	13.2	13.7	13.1	13.3	13.3	13.1	13.1
% Ch	9.2	8.7	4.1	-4.5	1.1	0.5	-1.5	-0.4
Other Durables	28.6	29.5	30.9	31.2	30.4	29.9	30.3	30.9
% Ch	2.7	3.1	4.9	1.0	-2.8	-1.6	1.6	2.0
Nondurable Manufacturing	81.3	81.1	81.9	81.4	80.7	80.9	81.6	83.5
% Ch	-2.4	-0.2	1.0	-0.6	-0.9	0.2	0.9	2.2
Food Manufacturing	34.1	33.8	33.9	34.0	34.3	35.4	36.2	37.6
% Ch	-2.0	-1.0	0.3	0.5	0.8	3.1	2.1	3.9
Paper and Paper Products	12.7	12.2	11.9	11.2	10.5	10.2	10.1	10.3
% Ch	-4.6	-3.6	-2.1	-6.5	-6.2	-3.0	-0.2	1.3
Other Nondurables	34.5	35.2	36.1	36.2	35.9	35.3	35.4	35.6
% Ch	-1.9	1.8	2.7	0.4	-1.0	-1.6	0.1	0.8
Natural Resources and Mining	9.1	9.0	8.7	8.2	7.8	7.6	7.6	7.9
% Ch	5.7	-1.9	-3.0	-6.1	-4.0	-3.6	0.8	3.5
Construction	164.2	177.3	194.9	207.2	202.6	199.9	200.9	201.3
% Ch	5.1	8.0	9.9	6.3	-2.2	-1.3	0.5	0.2
Trade, Transportation, and Utilities	518.4	530.4	541.6	552.6	555.1	563.7	571.7	577.9
% Ch	1.7	2.3	2.1	2.0	0.5	1.5	1.4	1.1
Wholesale Trade	119.3	122.2	126.6	128.9	130.2	130.7	132.2	133.7
% Ch	2.8	2.4	3.6	1.8	1.0	0.4	1.1	1.1
Retail Trade	309.3	316.1	321.0	327.6	328.6	335.0	339.5	341.8
% Ch	1.1	2.2	1.6	2.0	0.3	2.0	1.3	0.7
Trans., Warehousing, and Utilities	89.7	92.2	94.0	96.2	96.4	97.9	100.0	102.4
% Ch	2.1	2.7	2.0	2.4	0.2	1.6	2.1	2.4
Information	92.8	94.7	98.4	102.7	104.8	106.7	108.7	110.6
% Ch	0.6	2.0	3.9	4.4	2.0	1.8	1.9	1.8
Software Publishers	39.3	41.3	44.7	47.7	49.6	52.0	54.4	56.8
% Ch	5.1	5.1	8.4	6.6	4.0	4.8	4.7	4.4
Other Publishing Industries	11.3	11.2	11.0	10.8	10.4	10.2	10.1	10.0
% Ch	-6.7	-0.6	-2.0	-2.2	-3.8	-2.0	-0.7	-0.5
Other Information	42.3	42.2	42.7	44.3	44.9	44.6	44.2	43.8
% Ch	-1.2	-0.1	1.1	3.8	1.3	-0.7	-0.8	-1.0
Financial Activities	151.8	154.5	156.2	155.1	154.3	158.1	162.1	165.3
% Ch	-0.1	1.8	1.1	-0.7	-0.5	2.5	2.5	2.0
Professional and Business Services	301.7	316.0	330.5	344.7	353.7	367.0	385.0	401.5
% Ch	3.9	4.8	4.6	4.3	2.6	3.8	4.9	4.3
Education and Health Services	319.7	329.3	337.2	347.4	358.3	368.3	376.0	382.1
% Ch	2.2	3.0	2.4	3.0	3.1	2.8	2.1	1.6
Leisure and Hospitality	255.6	263.5	271.6	280.2	286.6	291.5	294.6	300.3
% Ch	2.7	3.1	3.1	3.2	2.3	1.7	1.1	2.0
Other Services	100.3	102.7	104.0	105.2	106.2	106.7	106.8	107.3
% Ch	1.4	2.4	1.2	1.1	1.0	0.5	0.1	0.4
Federal Government	69.8	69.6	69.3	68.5	68.0	68.7	69.4	68.7
% Ch	-0.6	-0.3	-0.4	-1.1	-0.7	1.0	1.0	-1.0
State and Local Government	454.0	457.2	460.7	464.8	472.1	476.8	484.5	492.9
% Ch	0.8	0.7	0.8	0.9	1.6	1.0	1.6	1.7

Table A2.4

**Washington Nonagricultural Employment by Industry (Thousands)**

Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,837.2	2,851.5	2,866.0	2,881.5	2,912.2	2,924.2	2,935.3	2,947.4
% Ch, Annual Rate	4.0	2.0	2.1	2.2	4.3	1.7	1.5	1.7
Manufacturing	283.4	284.2	287.0	289.1	291.4	291.2	294.3	295.9
% Ch, Annual Rate	7.1	1.1	4.1	2.9	3.1	-0.2	4.3	2.2
Durable Manufacturing	201.0	202.7	205.0	207.5	209.2	210.6	212.8	214.4
% Ch, Annual Rate	7.4	3.3	4.6	4.9	3.4	2.7	4.2	3.1
Wood Products	20.6	20.4	20.3	19.8	19.4	19.2	19.0	18.9
% Ch, Annual Rate	3.6	-3.1	-2.3	-8.6	-8.2	-3.6	-4.4	-3.4
Primary and Fabricated Metals	23.9	24.1	24.4	24.7	25.3	26.3	26.0	26.1
% Ch, Annual Rate	6.6	4.6	4.7	5.0	10.5	16.2	-4.9	2.5
Computer and Electronic Products	22.2	22.5	22.6	22.6	22.6	22.7	23.0	22.9
% Ch, Annual Rate	0.0	4.5	1.6	0.2	-0.1	2.9	5.3	-1.8
Machinery and Electrical Equipment	18.6	18.9	19.1	19.3	19.3	19.2	19.6	19.8
% Ch, Annual Rate	8.8	5.6	5.1	4.1	-0.2	-1.6	7.9	5.7
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.5
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	7.5
Other Transportation Equip.	13.8	13.8	13.6	13.6	13.3	13.0	12.9	13.2
% Ch, Annual Rate	12.3	1.1	-5.8	0.4	-10.5	-6.5	-3.0	7.5
Other Durables	30.6	30.8	31.0	31.3	31.5	31.2	31.2	31.0
% Ch, Annual Rate	6.8	2.8	2.6	3.8	3.2	-4.8	0.8	-3.1
Nondurable Manufacturing	82.4	81.5	82.1	81.7	82.2	80.6	81.5	81.5
% Ch, Annual Rate	6.3	-4.1	2.7	-1.9	2.6	-7.3	4.4	-0.2
Food Manufacturing	34.2	33.3	34.0	34.0	34.6	33.2	34.1	34.3
% Ch, Annual Rate	8.7	-9.9	8.3	0.3	7.1	-15.1	11.3	2.0
Paper and Paper Products	12.2	12.1	11.9	11.6	11.6	11.3	11.0	10.8
% Ch, Annual Rate	4.6	-2.0	-7.2	-10.5	1.0	-10.9	-9.3	-7.2
Other Nondurables	36.0	36.1	36.2	36.1	36.0	36.2	36.4	36.4
% Ch, Annual Rate	4.7	0.9	1.1	-1.0	-1.1	2.0	2.7	-0.1
Natural Resources and Mining	8.8	8.8	8.6	8.6	8.3	8.2	8.1	8.0
% Ch, Annual Rate	1.2	-1.6	-6.4	-2.9	-12.5	-2.6	-4.2	-6.8
Construction	190.1	194.1	196.4	198.8	205.9	208.8	207.3	206.7
% Ch, Annual Rate	14.9	8.8	4.7	5.1	14.9	5.9	-2.9	-1.2
Trade, Transportation, and Utilities	539.5	541.0	542.3	543.5	551.0	552.4	552.8	554.3
% Ch, Annual Rate	4.0	1.1	1.0	0.8	5.7	1.1	0.3	1.0
Wholesale Trade	125.9	126.2	126.9	127.2	128.2	129.0	129.0	129.2
% Ch, Annual Rate	7.2	1.0	2.3	0.9	3.1	2.5	0.0	0.5
Retail Trade	320.4	320.8	321.0	322.1	327.3	327.3	327.5	328.2
% Ch, Annual Rate	2.8	0.5	0.3	1.4	6.7	-0.1	0.3	0.9
Trans., Warehousing, and Utilities	93.3	94.0	94.4	94.2	95.5	96.2	96.3	96.9
% Ch, Annual Rate	4.0	3.4	1.6	-1.1	5.6	3.0	0.7	2.3
Information	96.2	97.6	99.4	100.4	101.8	102.7	102.9	103.5
% Ch, Annual Rate	3.4	6.2	7.6	4.1	5.7	3.4	0.6	2.7
Software Publishers	43.1	44.4	45.4	46.0	47.2	47.6	47.8	48.1
% Ch, Annual Rate	9.3	12.8	9.1	6.1	10.4	3.7	1.2	2.7
Other Publishing Industries	11.1	11.0	11.0	11.0	10.9	10.8	10.7	10.7
% Ch, Annual Rate	-3.2	-3.0	1.5	-1.3	-3.5	-3.6	-2.2	-1.8
Other Information	42.0	42.2	43.0	43.4	43.7	44.3	44.3	44.8
% Ch, Annual Rate	-0.4	2.1	7.6	3.4	3.3	4.9	0.6	3.8
Financial Activities	156.9	156.7	155.9	155.3	156.0	155.9	154.6	154.0
% Ch, Annual Rate	1.2	-0.6	-1.9	-1.6	1.8	-0.2	-3.3	-1.7
Professional and Business Services	324.1	328.6	332.8	336.6	342.3	343.4	345.8	347.3
% Ch, Annual Rate	4.3	5.6	5.1	4.7	6.9	1.3	2.8	1.8
Education and Health Services	334.8	336.1	337.7	340.1	343.4	345.7	349.0	351.5
% Ch, Annual Rate	2.4	1.5	1.9	2.9	4.0	2.7	3.9	2.9
Leisure and Hospitality	270.2	270.7	272.3	273.4	277.5	279.2	280.9	283.2
% Ch, Annual Rate	3.9	0.7	2.4	1.7	6.1	2.4	2.5	3.3
Other Services	103.5	103.9	104.1	104.4	104.7	105.0	105.4	105.6
% Ch, Annual Rate	0.3	1.3	1.0	1.2	1.1	1.2	1.4	0.7
Federal Government	69.7	69.6	69.0	68.9	69.1	68.7	68.6	67.7
% Ch, Annual Rate	0.8	-0.6	-3.1	-0.7	1.4	-2.5	-0.5	-4.9
State and Local Government	459.9	460.3	460.5	462.4	460.9	462.9	465.5	469.8
% Ch, Annual Rate	1.3	0.3	0.2	1.7	-1.3	1.8	2.3	3.7

Table A2.4

**Washington Nonagricultural Employment by Industry (Thousands)**

Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,955.1	2,960.1	2,966.3	2,977.5	2,987.2	3,000.5	3,013.5	3,026.5
% Ch, Annual Rate	1.0	0.7	0.8	1.5	1.3	1.8	1.7	1.7
Manufacturing	296.5	296.3	294.5	293.7	293.3	292.1	291.6	291.0
% Ch, Annual Rate	0.8	-0.3	-2.4	-1.1	-0.5	-1.6	-0.7	-0.8
Durable Manufacturing	215.3	215.0	214.2	213.6	212.6	211.2	210.6	210.2
% Ch, Annual Rate	1.8	-0.6	-1.5	-1.2	-1.8	-2.7	-1.0	-0.8
Wood Products	18.7	18.4	17.6	17.2	17.1	17.2	17.3	17.5
% Ch, Annual Rate	-3.0	-7.2	-16.0	-8.7	-2.1	2.0	3.5	3.3
Primary and Fabricated Metals	26.1	26.1	25.9	25.6	25.5	25.3	25.2	25.2
% Ch, Annual Rate	-0.5	1.0	-4.2	-4.2	-2.0	-2.0	-1.4	-1.1
Computer and Electronic Products	22.8	22.7	23.2	23.4	22.6	21.0	20.2	19.5
% Ch, Annual Rate	-1.2	-1.8	9.1	3.4	-13.9	-24.7	-15.1	-12.9
Machinery and Electrical Equipment	20.0	20.0	19.9	20.0	20.1	20.2	20.4	20.5
% Ch, Annual Rate	3.2	-0.6	-1.2	0.8	2.6	2.8	3.7	1.9
Aerospace	83.4	84.0	84.2	84.2	84.2	84.2	84.2	84.2
% Ch, Annual Rate	4.6	2.9	1.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	13.3	13.2	13.3	13.3	13.3	13.3	13.3	13.3
% Ch, Annual Rate	2.5	-1.1	0.6	0.9	1.0	0.8	0.1	-1.3
Other Durables	31.0	30.5	30.1	29.9	29.8	29.8	29.9	30.0
% Ch, Annual Rate	0.1	-6.0	-5.3	-3.1	-0.8	0.0	0.9	1.5
Nondurable Manufacturing	81.1	81.3	80.3	80.1	80.7	81.0	81.0	80.8
% Ch, Annual Rate	-1.6	0.6	-4.9	-0.8	3.0	1.4	0.2	-0.7
Food Manufacturing	34.1	34.6	34.2	34.4	35.1	35.4	35.6	35.5
% Ch, Annual Rate	-1.7	5.1	-4.1	2.6	7.7	4.3	1.6	-0.9
Paper and Paper Products	10.7	10.6	10.4	10.3	10.2	10.2	10.1	10.1
% Ch, Annual Rate	-3.5	-5.1	-6.7	-4.6	-1.2	-1.9	-2.1	-1.2
Other Nondurables	36.3	36.1	35.7	35.4	35.4	35.3	35.3	35.2
% Ch, Annual Rate	-0.9	-1.8	-5.1	-2.9	-0.2	-0.5	-0.7	-0.5
Natural Resources and Mining	8.0	7.9	7.8	7.7	7.7	7.6	7.5	7.5
% Ch, Annual Rate	-1.0	-4.6	-5.6	-3.0	-1.1	-7.1	-3.8	0.2
Construction	205.6	203.6	201.3	200.1	199.8	199.8	199.9	200.3
% Ch, Annual Rate	-2.1	-3.8	-4.5	-2.3	-0.6	0.0	0.3	0.8
Trade, Transportation, and Utilities	553.7	553.7	555.3	557.8	558.5	562.4	565.5	568.4
% Ch, Annual Rate	-0.4	-0.0	1.1	1.8	0.5	2.8	2.2	2.1
Wholesale Trade	129.8	129.7	130.4	130.7	129.9	130.2	131.1	131.6
% Ch, Annual Rate	2.0	-0.3	2.2	0.8	-2.3	0.7	2.9	1.7
Retail Trade	327.7	327.7	328.6	330.3	331.4	334.6	336.1	338.0
% Ch, Annual Rate	-0.6	0.1	1.0	2.1	1.3	4.0	1.8	2.2
Trans., Warehousing, and Utilities	96.2	96.3	96.3	96.8	97.2	97.6	98.2	98.8
% Ch, Annual Rate	-2.7	0.2	0.2	2.1	1.4	1.8	2.5	2.3
Information	103.8	104.4	105.1	106.0	106.1	106.5	106.8	107.4
% Ch, Annual Rate	0.9	2.4	2.7	3.7	0.4	1.3	1.4	2.1
Software Publishers	48.6	49.3	49.8	50.5	51.1	51.6	52.3	52.9
% Ch, Annual Rate	4.7	5.2	4.8	5.3	4.5	4.8	4.8	5.1
Other Publishing Industries	10.5	10.5	10.3	10.2	10.2	10.2	10.1	10.1
% Ch, Annual Rate	-5.8	-2.9	-5.6	-3.9	-0.5	-0.7	-1.0	0.0
Other Information	44.6	44.6	44.9	45.3	44.9	44.6	44.4	44.3
% Ch, Annual Rate	-1.5	0.6	2.5	3.6	-3.9	-2.1	-1.9	-0.8
Financial Activities	153.7	153.7	154.7	155.3	156.4	157.9	158.6	159.6
% Ch, Annual Rate	-0.8	-0.0	2.7	1.5	3.0	3.8	1.9	2.4
Professional and Business Services	350.6	351.7	354.3	358.2	361.2	364.5	368.9	373.2
% Ch, Annual Rate	3.8	1.3	3.0	4.5	3.4	3.7	4.9	4.7
Education and Health Services	354.1	357.2	360.3	361.6	363.6	367.2	370.4	371.9
% Ch, Annual Rate	3.0	3.6	3.5	1.4	2.3	4.0	3.5	1.5
Leisure and Hospitality	284.6	285.9	286.5	289.2	291.4	291.4	291.1	292.0
% Ch, Annual Rate	2.0	1.8	0.9	3.7	3.1	0.1	-0.4	1.3
Other Services	105.6	106.0	106.4	106.7	106.9	106.7	106.6	106.6
% Ch, Annual Rate	0.2	1.5	1.4	1.3	0.7	-0.7	-0.5	0.2
Federal Government	67.7	67.9	68.1	68.3	68.5	68.6	68.7	69.0
% Ch, Annual Rate	-0.2	1.5	1.2	1.0	0.9	0.9	0.6	1.7
State and Local Government	471.4	471.9	472.1	473.0	473.8	475.9	477.8	479.6
% Ch, Annual Rate	1.4	0.4	0.2	0.7	0.7	1.7	1.6	1.5

Table A2.4

**Washington Nonagricultural Employment by Industry (Thousands)**

Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	3,039.8	3,054.7	3,067.8	3,080.3	3,093.4	3,107.1	3,120.8	3,133.3
% Ch, Annual Rate	1.8	2.0	1.7	1.6	1.7	1.8	1.8	1.6
Manufacturing	291.3	292.9	294.3	295.3	296.4	297.4	298.4	299.0
% Ch, Annual Rate	0.3	2.3	2.0	1.3	1.5	1.3	1.4	0.9
Durable Manufacturing	210.3	211.4	212.5	213.0	213.6	214.1	214.6	215.0
% Ch, Annual Rate	0.2	2.2	2.0	1.0	1.1	0.9	1.1	0.7
Wood Products	17.6	17.8	17.9	18.1	18.4	18.7	18.8	18.9
% Ch, Annual Rate	3.0	3.6	4.0	4.6	6.0	5.7	3.8	1.2
Primary and Fabricated Metals	25.1	25.0	25.1	25.1	25.2	25.3	25.4	25.5
% Ch, Annual Rate	-1.3	-0.7	0.2	1.2	1.1	0.8	1.6	2.2
Computer and Electronic Products	19.5	20.3	20.8	20.5	20.3	20.1	20.0	19.7
% Ch, Annual Rate	-0.8	17.9	10.9	-5.0	-4.0	-5.4	-1.9	-4.5
Machinery and Electrical Equipment	20.6	20.7	21.0	21.3	21.6	21.9	22.2	22.5
% Ch, Annual Rate	1.4	2.8	4.5	6.4	6.1	5.6	5.3	5.6
Aerospace	84.2	84.2	84.2	84.2	84.2	84.2	84.2	84.2
% Ch, Annual Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	13.2	13.1	13.1	13.1	13.1	13.1	13.1	13.1
% Ch, Annual Rate	-2.6	-2.5	-1.5	-0.3	0.1	0.1	-0.3	-0.5
Other Durables	30.1	30.3	30.4	30.6	30.7	30.9	31.0	31.1
% Ch, Annual Rate	1.7	1.9	2.0	2.3	2.1	1.9	1.5	1.4
Nondurable Manufacturing	81.0	81.5	81.9	82.3	82.8	83.3	83.7	84.0
% Ch, Annual Rate	0.5	2.5	2.0	2.1	2.6	2.4	2.1	1.4
Food Manufacturing	35.6	36.0	36.3	36.7	37.1	37.4	37.8	38.0
% Ch, Annual Rate	1.2	4.5	3.6	3.8	4.5	4.0	3.6	2.4
Paper and Paper Products	10.1	10.1	10.1	10.2	10.2	10.3	10.3	10.3
% Ch, Annual Rate	-0.2	1.4	1.1	1.2	1.4	1.4	1.2	0.9
Other Nondurables	35.3	35.3	35.4	35.4	35.5	35.6	35.7	35.7
% Ch, Annual Rate	0.0	0.9	0.6	0.7	0.9	0.9	0.8	0.6
Natural Resources and Mining	7.5	7.6	7.6	7.7	7.8	7.9	7.9	8.0
% Ch, Annual Rate	2.1	3.1	3.4	3.6	4.0	3.6	3.1	2.4
Construction	200.7	200.9	200.9	200.9	201.1	201.2	201.4	201.4
% Ch, Annual Rate	0.9	0.4	-0.0	-0.0	0.4	0.4	0.3	0.0
Trade, Transportation, and Utilities	569.5	571.4	572.7	573.3	574.8	577.3	579.0	580.7
% Ch, Annual Rate	0.8	1.3	1.0	0.4	1.0	1.8	1.2	1.2
Wholesale Trade	131.6	131.9	132.5	132.8	133.1	133.5	133.9	134.3
% Ch, Annual Rate	-0.2	1.1	1.6	0.9	0.8	1.4	1.3	1.1
Retail Trade	338.8	339.7	339.9	339.6	340.2	341.6	342.3	343.0
% Ch, Annual Rate	1.0	1.1	0.2	-0.4	0.8	1.7	0.8	0.8
Trans., Warehousing, and Utilities	99.1	99.7	100.3	100.9	101.5	102.1	102.7	103.4
% Ch, Annual Rate	1.5	2.3	2.5	2.4	2.2	2.6	2.5	2.6
Information	108.0	108.6	108.9	109.4	109.9	110.3	110.8	111.5
% Ch, Annual Rate	2.3	2.0	1.4	1.6	1.9	1.6	1.9	2.5
Software Publishers	53.5	54.1	54.7	55.3	55.9	56.5	57.1	57.8
% Ch, Annual Rate	4.1	5.0	4.9	4.2	4.3	4.3	4.5	4.5
Other Publishing Industries	10.1	10.1	10.1	10.1	10.1	10.1	10.0	10.0
% Ch, Annual Rate	-1.2	-0.7	-0.4	-0.2	-0.4	-0.6	-1.0	-0.3
Other Information	44.4	44.3	44.1	44.0	43.9	43.7	43.7	43.7
% Ch, Annual Rate	0.9	-0.8	-2.4	-1.1	-0.6	-1.4	-0.7	0.5
Financial Activities	160.7	161.6	162.5	163.4	164.4	164.9	165.6	166.2
% Ch, Annual Rate	3.0	2.3	2.2	2.3	2.4	1.2	1.6	1.6
Professional and Business Services	377.6	382.9	387.7	391.7	395.5	399.9	403.9	406.9
% Ch, Annual Rate	4.8	5.6	5.2	4.2	3.9	4.5	4.1	3.0
Education and Health Services	373.1	375.1	377.3	378.5	380.0	381.1	383.0	384.4
% Ch, Annual Rate	1.3	2.2	2.3	1.3	1.6	1.2	2.0	1.4
Leisure and Hospitality	292.8	293.6	295.0	296.9	298.3	299.5	300.9	302.7
% Ch, Annual Rate	1.1	1.1	1.9	2.6	1.9	1.7	1.8	2.4
Other Services	106.6	106.7	106.9	107.0	107.1	107.2	107.3	107.5
% Ch, Annual Rate	-0.0	0.4	0.6	0.5	0.3	0.3	0.4	0.9
Federal Government	70.3	70.0	68.5	68.7	68.6	68.6	68.7	68.7
% Ch, Annual Rate	7.6	-1.7	-8.3	1.3	-0.5	0.2	0.2	0.3
State and Local Government	481.6	483.5	485.5	487.5	489.6	491.8	494.0	496.3
% Ch, Annual Rate	1.7	1.5	1.7	1.7	1.7	1.8	1.8	1.8

Table A3.1

**U.S. Personal Income by Component (Billions of Dollars)**

Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	9,727.2	10,301.1	10,983.4	11,667.3	12,144.7	12,676.2	13,316.9	14,064.0
% Ch	6.2	5.9	6.6	6.2	4.1	4.4	5.1	5.6
Total Wage and Salary Disbursements	5,394.5	5,667.9	6,018.2	6,367.4	6,599.0	6,868.6	7,197.1	7,573.2
% Ch	5.5	5.1	6.2	5.8	3.6	4.1	4.8	5.2
Nonwage Personal Income	4,332.7	4,633.2	4,965.2	5,299.8	5,545.7	5,807.7	6,119.8	6,490.8
% Ch	7.0	6.9	7.2	6.7	4.6	4.7	5.4	6.1
Supplements to Wages and Salaries	1,276.9	1,356.8	1,422.5	1,491.8	1,550.5	1,610.9	1,681.2	1,764.5
% Ch	6.6	6.3	4.8	4.9	3.9	3.9	4.4	5.0
Proprietor's Income	911.7	969.9	1,006.7	1,042.9	1,088.4	1,154.1	1,203.5	1,269.7
% Ch	12.4	6.4	3.8	3.6	4.4	6.0	4.3	5.5
Farm	37.4	30.8	19.4	36.5	41.0	31.0	26.6	28.5
% Ch	27.8	-17.5	-37.2	88.6	12.4	-24.4	-14.4	7.3
Nonfarm	874.3	939.1	987.4	1,006.4	1,047.4	1,123.0	1,176.9	1,241.2
% Ch	11.8	7.4	5.1	1.9	4.1	7.2	4.8	5.5
Less: Contribution For Govt. Soc. Ins.	828.8	874.8	927.6	978.4	1,010.5	1,051.7	1,103.3	1,165.2
% Ch	6.4	5.5	6.0	5.5	3.3	4.1	4.9	5.6
Dividends/Int./Rent	1,550.5	1,660.7	1,851.0	2,012.1	2,092.5	2,162.2	2,308.2	2,483.4
% Ch	5.5	7.1	11.5	8.7	4.0	3.3	6.8	7.6
Transfer Payments	1,422.5	1,520.6	1,612.5	1,731.4	1,824.8	1,932.2	2,030.3	2,138.4
% Ch	5.3	6.9	6.0	7.4	5.4	5.9	5.1	5.3



Table A3.2

**U.S. Personal Income by Component (Billions of Dollars)**

Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,787.1	10,915.5	11,030.9	11,200.2	11,469.2	11,577.3	11,746.7	11,875.8
% Ch, Annual Rate	8.6	4.8	4.3	6.3	10.0	3.8	6.0	4.5
Total Wage and Salary Disbursements	5,945.6	5,958.4	6,015.8	6,153.0	6,294.4	6,318.9	6,393.5	6,463.0
% Ch, Annual Rate	12.1	0.9	3.9	9.4	9.5	1.6	4.8	4.4
Nonwage Personal Income	4,841.5	4,957.1	5,015.1	5,047.2	5,174.8	5,258.4	5,353.2	5,412.8
% Ch, Annual Rate	4.4	9.9	4.8	2.6	10.5	6.6	7.4	4.5
Supplements to Wages and Salaries	1,403.1	1,413.5	1,426.7	1,446.9	1,470.5	1,483.0	1,499.1	1,514.5
% Ch, Annual Rate	6.8	3.0	3.8	5.8	6.7	3.5	4.4	4.2
Proprietor's Income	1,000.1	1,013.5	1,003.6	1,009.7	1,027.4	1,038.4	1,048.6	1,057.3
% Ch, Annual Rate	3.1	5.5	-3.9	2.5	7.2	4.4	4.0	3.4
Farm	20.8	14.6	18.1	23.9	29.1	33.1	38.6	45.2
% Ch, Annual Rate	-70.4	-75.7	136.2	204.0	119.8	67.4	84.9	88.0
Nonfarm	979.3	998.9	985.5	985.8	998.3	1,005.3	1,010.0	1,012.1
% Ch, Annual Rate	6.3	8.2	-5.3	0.1	5.2	2.8	1.9	0.8
Less: Contribution For Govt. Soc. Ins.	918.8	920.1	926.8	944.6	969.8	972.2	981.5	990.1
% Ch, Annual Rate	14.4	0.6	3.0	7.9	11.1	1.0	3.9	3.6
Dividends/Int./Rent	1,784.6	1,851.0	1,881.0	1,887.5	1,936.1	1,992.1	2,044.5	2,075.6
% Ch, Annual Rate	3.6	15.7	6.6	1.4	10.7	12.1	10.9	6.2
Transfer Payments	1,572.5	1,599.1	1,630.6	1,647.7	1,710.7	1,717.1	1,742.3	1,755.5
% Ch, Annual Rate	9.8	6.9	8.1	4.3	16.2	1.5	6.0	3.1

Table A3.2

**U.S. Personal Income by Component (Billions of Dollars)**

Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	11,993.3	12,071.8	12,185.6	12,328.1	12,470.8	12,598.3	12,741.4	12,894.5
% Ch, Annual Rate	4.0	2.6	3.8	4.8	4.7	4.2	4.6	4.9
Total Wage and Salary Disbursements	6,514.9	6,561.6	6,624.0	6,695.5	6,762.2	6,829.0	6,902.8	6,980.2
% Ch, Annual Rate	3.3	2.9	3.9	4.4	4.0	4.0	4.4	4.6
Nonwage Personal Income	5,478.4	5,510.1	5,561.6	5,632.7	5,708.6	5,769.3	5,838.6	5,914.3
% Ch, Annual Rate	4.9	2.3	3.8	5.2	5.5	4.3	4.9	5.3
Supplements to Wages and Salaries	1,534.5	1,543.5	1,556.4	1,567.7	1,589.5	1,601.8	1,619.3	1,633.2
% Ch, Annual Rate	5.4	2.4	3.4	2.9	5.7	3.1	4.4	3.5
Proprietor's Income	1,059.6	1,076.1	1,099.3	1,118.5	1,131.0	1,147.4	1,162.2	1,175.7
% Ch, Annual Rate	0.9	6.4	8.9	7.2	4.5	5.9	5.3	4.7
Farm	45.5	43.6	38.6	36.5	33.2	31.0	30.1	29.8
% Ch, Annual Rate	2.3	-15.3	-38.9	-19.4	-31.4	-24.7	-10.9	-3.3
Nonfarm	1,014.1	1,032.5	1,060.8	1,082.0	1,097.8	1,116.4	1,132.1	1,145.8
% Ch, Annual Rate	0.8	7.4	11.4	8.2	6.0	7.0	5.7	4.9
Less: Contribution For Govt. Soc. Ins.	1,003.1	1,007.0	1,013.2	1,018.7	1,040.9	1,047.8	1,056.3	1,061.8
% Ch, Annual Rate	5.4	1.6	2.5	2.2	9.0	2.7	3.3	2.1
Dividends/Int./Rent	2,094.6	2,085.5	2,083.7	2,106.4	2,131.0	2,146.4	2,170.1	2,201.3
% Ch, Annual Rate	3.7	-1.7	-0.3	4.4	4.8	2.9	4.5	5.9
Transfer Payments	1,792.8	1,812.1	1,835.4	1,858.8	1,897.9	1,921.5	1,943.3	1,965.9
% Ch, Annual Rate	8.8	4.4	5.2	5.2	8.7	5.1	4.6	4.7

Table A3.2

**U.S. Personal Income by Component (Billions of Dollars)**

Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	13,061.7	13,229.7	13,401.8	13,574.5	13,764.3	13,959.4	14,164.6	14,367.5
% Ch, Annual Rate	5.3	5.2	5.3	5.3	5.7	5.8	6.0	5.9
Total Wage and Salary Disbursements	7,069.4	7,153.1	7,239.4	7,326.5	7,426.0	7,522.0	7,623.1	7,721.7
% Ch, Annual Rate	5.2	4.8	4.9	4.9	5.5	5.3	5.5	5.3
Nonwage Personal Income	5,992.2	6,076.6	6,162.4	6,248.0	6,338.3	6,437.4	6,541.5	6,645.8
% Ch, Annual Rate	5.4	5.7	5.8	5.7	5.9	6.4	6.6	6.5
Supplements to Wages and Salaries	1,656.6	1,670.7	1,690.2	1,707.5	1,732.9	1,753.0	1,775.6	1,796.6
% Ch, Annual Rate	5.8	3.5	4.8	4.2	6.1	4.7	5.2	4.8
Proprietor's Income	1,187.2	1,198.5	1,208.5	1,219.7	1,239.0	1,260.0	1,280.4	1,299.3
% Ch, Annual Rate	4.0	3.9	3.4	3.8	6.5	6.9	6.6	6.0
Farm	28.4	26.9	25.8	25.1	26.1	27.8	29.3	30.7
% Ch, Annual Rate	-17.8	-19.1	-16.3	-10.1	16.9	28.5	24.5	20.1
Nonfarm	1,158.7	1,171.6	1,182.7	1,194.6	1,212.9	1,232.2	1,251.1	1,268.6
% Ch, Annual Rate	4.6	4.5	3.9	4.1	6.3	6.5	6.3	5.7
Less: Contribution For Govt. Soc. Ins.	1,089.4	1,096.5	1,107.5	1,119.9	1,146.9	1,160.1	1,170.9	1,183.0
% Ch, Annual Rate	10.8	2.6	4.1	4.5	10.0	4.7	3.8	4.2
Dividends/Int./Rent	2,240.3	2,284.6	2,331.1	2,376.6	2,413.9	2,459.3	2,505.7	2,554.8
% Ch, Annual Rate	7.3	8.1	8.4	8.0	6.4	7.7	7.8	8.1
Transfer Payments	1,997.6	2,019.3	2,040.1	2,063.9	2,099.5	2,125.2	2,150.7	2,178.2
% Ch, Annual Rate	6.6	4.4	4.2	4.8	7.1	5.0	4.9	5.2

Table A3.3  
**Washington Personal Income by Component (Billions of Dollars)**  
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	218.366	224.808	243.471	261.758	275.557	290.340	307.587	326.468
% Ch	7.6	2.9	8.3	7.5	5.3	5.4	5.9	6.1
Total Wage and Salary Disbursements	119.214	125.842	136.338	147.228	154.646	162.662	172.084	181.971
% Ch	4.5	5.6	8.3	8.0	5.0	5.2	5.8	5.7
Manufacturing	13.891	15.150	16.846	17.949	18.494	18.943	19.756	20.804
% Ch	2.1	9.1	11.2	6.6	3.0	2.4	4.3	5.3
Durable Manufacturing	10.399	11.545	13.089	14.021	14.520	14.813	15.428	16.210
% Ch	2.9	11.0	13.4	7.1	3.6	2.0	4.2	5.1
Nondurable Manufacturing	3.493	3.604	3.756	3.928	3.974	4.129	4.328	4.594
% Ch	-0.1	3.2	4.2	4.6	1.2	3.9	4.8	6.2
Nonmanufacturing	100.190	104.981	113.471	122.927	129.366	136.592	144.925	153.450
% Ch	4.8	4.8	8.1	8.3	5.2	5.6	6.1	5.9
Other Private Wages	1.184	1.233	1.329	1.439	1.501	1.595	1.706	1.828
% Ch	4.8	4.1	7.8	8.3	4.2	6.3	7.0	7.2
Farm Wages	0.986	1.130	1.149	1.182	1.240	1.303	1.375	1.455
% Ch	4.0	14.5	1.7	2.9	4.9	5.0	5.6	5.8
Military Wages	2.963	3.349	3.544	3.731	4.045	4.230	4.322	4.434
% Ch	6.1	13.0	5.8	5.3	8.4	4.6	2.2	2.6
Nonwage Personal Income	99.152	98.965	107.133	114.530	120.911	127.678	135.504	144.497
% Ch	11.6	-0.2	8.3	6.9	5.6	5.6	6.1	6.6
Supplements to Wages and Salaries	29.206	31.329	33.455	35.849	38.334	40.191	42.322	44.657
% Ch	8.8	7.3	6.8	7.2	6.9	4.8	5.3	5.5
Proprietor's Income	17.815	18.420	19.321	20.005	21.280	22.978	24.130	25.550
% Ch	8.9	3.4	4.9	3.5	6.4	8.0	5.0	5.9
Farm	0.543	0.226	0.117	0.336	0.576	0.545	0.516	0.546
% Ch	-25.3	-58.5	-48.0	186.2	71.5	-5.5	-5.2	5.7
Nonfarm	17.271	18.194	19.203	19.669	20.704	22.434	23.614	25.005
% Ch	10.5	5.3	5.5	2.4	5.3	8.4	5.3	5.9
Less: Contribution For Govt. Soc. Ins.	20.289	21.583	23.056	24.813	26.331	27.591	29.143	30.864
% Ch	7.1	6.4	6.8	7.6	6.1	4.8	5.6	5.9
Plus: Residence Adjustment	2.481	2.711	2.866	2.995	2.943	3.028	3.193	3.405
% Ch	3.2	9.3	5.7	4.5	-1.7	2.9	5.5	6.6
Dividends/Int./Rent	41.866	38.456	42.641	46.414	48.490	50.411	54.025	58.292
% Ch	22.2	-8.1	10.9	8.8	4.5	4.0	7.2	7.9
Transfer Payments	28.073	29.633	31.907	34.079	36.196	38.661	40.976	43.457
% Ch	0.5	5.6	7.7	6.8	6.2	6.8	6.0	6.1
State U.I. Benefits	1.183	0.782	0.734	0.712	0.861	0.970	0.980	0.928
% Ch	-47.1	-33.9	-6.2	-3.0	21.0	12.7	1.0	-5.3
Other Transfers	26.890	28.851	31.173	33.367	35.334	37.690	39.996	42.528
% Ch	4.7	7.3	8.0	7.0	5.9	6.7	6.1	6.3

Table A3.4  
**Washington Personal Income by Component (Billions of Dollars)**  
 Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	237.280	240.673	246.823	249.109	253.600	257.887	267.362	268.183
% Ch, Annual Rate	12.2	5.8	10.6	3.8	7.4	6.9	15.5	1.2
Total Wage and Salary Disbursements	132.920	133.784	138.625	140.024	141.890	144.490	151.647	150.886
% Ch, Annual Rate	12.5	2.6	15.3	4.1	5.4	7.5	21.3	-2.0
Manufacturing	16.970	16.835	16.073	17.504	17.818	18.034	17.826	18.118
% Ch, Annual Rate	35.4	-3.1	-16.9	40.7	7.4	4.9	-4.5	6.7
Durable Manufacturing	13.172	13.182	12.327	13.676	13.855	14.098	13.940	14.193
% Ch, Annual Rate	39.1	0.3	-23.5	51.5	5.3	7.2	-4.4	7.5
Nondurable Manufacturing	3.798	3.653	3.746	3.828	3.963	3.936	3.887	3.925
% Ch, Annual Rate	23.3	-14.4	10.6	9.0	14.9	-2.7	-4.9	4.0
Nonmanufacturing	110.012	110.963	116.429	116.479	117.908	120.152	127.380	126.266
% Ch, Annual Rate	9.4	3.5	21.2	0.2	5.0	7.8	26.3	-3.5
Other Private Wages	1.270	1.301	1.399	1.348	1.404	1.475	1.429	1.450
% Ch, Annual Rate	15.1	10.1	33.7	-13.8	17.7	21.8	-11.9	6.0
Farm Wages	1.140	1.148	1.153	1.154	1.165	1.175	1.186	1.203
% Ch, Annual Rate	1.8	2.8	1.8	0.3	3.9	3.5	3.8	6.0
Military Wages	3.528	3.537	3.571	3.539	3.595	3.654	3.825	3.849
% Ch, Annual Rate	14.7	1.0	3.9	-3.5	6.5	6.7	20.1	2.6
Nonwage Personal Income	104.361	106.889	108.198	109.083	111.710	113.397	115.715	117.297
% Ch, Annual Rate	11.9	10.0	5.0	3.3	10.0	6.2	8.4	5.6
Supplements to Wages and Salaries	32.755	33.014	33.937	34.113	34.392	35.077	36.738	37.191
% Ch, Annual Rate	9.0	3.2	11.7	2.1	3.3	8.2	20.3	5.0
Proprietor's Income	19.082	19.533	19.285	19.382	19.896	19.845	19.996	20.283
% Ch, Annual Rate	8.8	9.8	-5.0	2.0	11.0	-1.0	3.1	5.9
Farm	0.044	0.120	0.125	0.181	0.434	0.225	0.240	0.446
% Ch, Annual Rate	#####	5,432.4	17.7	339.6	3,205.6	-9.E+01	29.5	1,092.1
Nonfarm	19.038	19.413	19.160	19.200	19.462	19.620	19.756	19.837
% Ch, Annual Rate	10.9	8.1	-5.1	0.8	5.6	3.3	2.8	1.7
Less: Contribution For Govt. Soc. Ins.	22.692	22.714	23.318	23.498	23.934	24.310	25.366	25.641
% Ch, Annual Rate	12.8	0.4	11.1	3.1	7.6	6.4	18.5	4.4
Plus: Residence Adjustment	2.861	2.845	2.821	2.937	3.021	3.040	2.969	2.949
% Ch, Annual Rate	20.1	-2.2	-3.3	17.5	11.9	2.5	-9.0	-2.6
Dividends/Int./Rent	41.180	42.538	43.268	43.577	44.673	45.988	47.112	47.884
% Ch, Annual Rate	11.7	13.9	7.0	2.9	10.4	12.3	10.1	6.7
Transfer Payments	31.175	31.673	32.205	32.573	33.662	33.757	34.266	34.631
% Ch, Annual Rate	17.4	6.5	6.9	4.6	14.1	1.1	6.2	4.3
State U.I. Benefits	0.760	0.732	0.691	0.752	0.711	0.686	0.733	0.717
% Ch, Annual Rate	11.9	-13.9	-20.6	40.3	-20.1	-13.3	30.4	-8.4
Other Transfers	30.415	30.942	31.513	31.821	32.951	33.071	33.533	33.914
% Ch, Annual Rate	17.5	7.1	7.6	4.0	15.0	1.5	5.7	4.6

Table A3.4  
**Washington Personal Income by Component (Billions of Dollars)**  
 Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	269.476	271.695	281.703	279.353	282.995	286.115	297.506	294.744
% Ch, Annual Rate	1.9	3.3	15.6	-3.3	5.3	4.5	16.9	-3.7
Total Wage and Salary Disbursements	150.426	151.712	160.299	156.147	157.886	159.405	169.014	164.344
% Ch, Annual Rate	-1.2	3.5	24.6	-10.0	4.5	3.9	26.4	-10.6
Manufacturing	18.296	18.455	18.548	18.676	18.792	18.854	18.990	19.135
% Ch, Annual Rate	4.0	3.5	2.0	2.8	2.5	1.3	2.9	3.1
Durable Manufacturing	14.358	14.474	14.574	14.672	14.724	14.740	14.837	14.950
% Ch, Annual Rate	4.7	3.3	2.8	2.7	1.4	0.4	2.7	3.1
Nonurable Manufacturing	3.938	3.982	3.974	4.005	4.067	4.113	4.152	4.185
% Ch, Annual Rate	1.3	4.5	-0.7	3.1	6.4	4.6	3.9	3.2
Nonmanufacturing	125.443	126.505	134.931	130.586	132.043	133.442	142.868	138.016
% Ch, Annual Rate	-2.6	3.4	29.4	-12.3	4.5	4.3	31.4	-12.9
Other Private Wages	1.471	1.488	1.509	1.534	1.558	1.581	1.606	1.633
% Ch, Annual Rate	6.0	4.6	5.9	6.7	6.5	5.9	6.6	6.8
Farm Wages	1.221	1.232	1.246	1.262	1.278	1.294	1.310	1.328
% Ch, Annual Rate	6.0	3.7	4.7	5.1	5.2	4.8	5.3	5.4
Military Wages	3.994	4.032	4.064	4.089	4.214	4.234	4.240	4.232
% Ch, Annual Rate	16.0	3.8	3.3	2.4	12.9	1.9	0.5	-0.7
Nonwage Personal Income	119.051	119.983	121.404	123.206	125.109	126.711	128.492	130.400
% Ch, Annual Rate	6.1	3.2	4.8	6.1	6.3	5.2	5.7	6.1
Supplements to Wages and Salaries	37.778	38.122	38.546	38.887	39.530	39.915	40.446	40.876
% Ch, Annual Rate	6.5	3.7	4.5	3.6	6.8	4.0	5.4	4.3
Proprietor's Income	20.516	20.963	21.584	22.058	22.410	22.830	23.181	23.492
% Ch, Annual Rate	4.7	9.0	12.4	9.1	6.5	7.7	6.3	5.5
Farm	0.599	0.588	0.561	0.558	0.548	0.542	0.543	0.546
% Ch, Annual Rate	225.1	-6.8	-17.2	-2.5	-6.9	-4.3	0.8	2.6
Nonfarm	19.917	20.375	21.023	21.500	21.862	22.288	22.638	22.945
% Ch, Annual Rate	1.6	9.5	13.3	9.4	6.9	8.0	6.4	5.5
Less: Contribution For Govt. Soc. Ins.	26.045	26.220	26.442	26.618	27.236	27.458	27.738	27.933
% Ch, Annual Rate	6.4	2.7	3.4	2.7	9.6	3.3	4.2	2.8
Plus: Residence Adjustment	2.943	2.934	2.940	2.954	2.978	3.008	3.043	3.081
% Ch, Annual Rate	-0.9	-1.2	0.8	2.0	3.3	4.1	4.7	5.0
Dividends/Int./Rent	48.393	48.286	48.342	48.939	49.579	50.014	50.633	51.418
% Ch, Annual Rate	4.3	-0.9	0.5	5.0	5.3	3.6	5.0	6.3
Transfer Payments	35.466	35.897	36.434	36.985	37.848	38.401	38.927	39.467
% Ch, Annual Rate	10.0	5.0	6.1	6.2	9.7	6.0	5.6	5.7
State U.I. Benefits	0.836	0.828	0.868	0.913	0.943	0.975	0.971	0.993
% Ch, Annual Rate	84.8	-4.0	21.1	22.4	14.0	13.9	-1.4	9.2
Other Transfers	34.630	35.070	35.566	36.072	36.905	37.427	37.956	38.474
% Ch, Annual Rate	8.7	5.2	5.8	5.8	9.6	5.8	5.8	5.6

Table A3.4  
**Washington Personal Income by Component (Billions of Dollars)**  
 Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	299.048	303.087	315.733	312.481	316.979	321.349	335.525	332.019
% Ch, Annual Rate	6.0	5.5	17.8	-4.1	5.9	5.6	18.8	-4.1
Total Wage and Salary Disbursements	166.722	168.648	179.163	173.803	176.145	178.132	189.808	183.799
% Ch, Annual Rate	5.9	4.7	27.4	-11.4	5.5	4.6	28.9	-12.1
Manufacturing	19.346	19.626	19.900	20.152	20.412	20.668	20.941	21.195
% Ch, Annual Rate	4.5	5.9	5.7	5.2	5.3	5.1	5.4	4.9
Durable Manufacturing	15.113	15.328	15.542	15.729	15.920	16.107	16.311	16.502
% Ch, Annual Rate	4.4	5.8	5.7	4.9	4.9	4.8	5.2	4.8
Non-durable Manufacturing	4.234	4.298	4.358	4.422	4.492	4.561	4.630	4.693
% Ch, Annual Rate	4.7	6.2	5.7	6.1	6.4	6.3	6.2	5.6
Nonmanufacturing	140.034	141.640	151.841	146.184	148.109	149.780	161.120	154.790
% Ch, Annual Rate	6.0	4.7	32.1	-14.1	5.4	4.6	33.9	-14.8
Other Private Wages	1.662	1.691	1.720	1.749	1.780	1.812	1.845	1.878
% Ch, Annual Rate	7.3	7.2	7.0	6.9	7.2	7.4	7.6	7.3
Farm Wages	1.347	1.366	1.385	1.403	1.423	1.444	1.466	1.487
% Ch, Annual Rate	5.8	5.8	5.6	5.5	5.8	6.0	6.1	5.9
Military Wages	4.333	4.325	4.317	4.315	4.421	4.429	4.436	4.449
% Ch, Annual Rate	9.8	-0.7	-0.7	-0.2	10.2	0.7	0.7	1.2
Nonwage Personal Income	132.326	134.439	136.571	138.679	140.833	143.217	145.717	148.220
% Ch, Annual Rate	6.0	6.5	6.5	6.3	6.4	6.9	7.2	7.1
Supplements to Wages and Salaries	41.592	42.033	42.583	43.080	43.787	44.351	44.961	45.529
% Ch, Annual Rate	7.2	4.3	5.3	4.8	6.7	5.2	5.6	5.1
Proprietor's Income	23.760	24.027	24.247	24.488	24.895	25.342	25.778	26.186
% Ch, Annual Rate	4.7	4.6	3.7	4.0	6.8	7.4	7.1	6.5
Farm	0.534	0.521	0.509	0.500	0.516	0.537	0.556	0.574
% Ch, Annual Rate	-8.4	-9.4	-8.9	-7.1	13.6	16.7	15.1	13.4
Nonfarm	23.226	23.506	23.737	23.988	24.379	24.806	25.222	25.612
% Ch, Annual Rate	5.0	4.9	4.0	4.3	6.7	7.2	6.9	6.3
Less: Contribution For Govt. Soc. Ins.	28.718	28.956	29.273	29.624	30.350	30.722	31.026	31.357
% Ch, Annual Rate	11.7	3.4	4.5	4.9	10.2	5.0	4.0	4.3
Plus: Residence Adjustment	3.122	3.168	3.216	3.266	3.319	3.374	3.433	3.493
% Ch, Annual Rate	5.6	5.9	6.3	6.3	6.6	6.9	7.2	7.1
Dividends/Int./Rent	52.377	53.454	54.581	55.688	56.607	57.710	58.834	60.017
% Ch, Annual Rate	7.7	8.5	8.7	8.4	6.8	8.0	8.0	8.3
Transfer Payments	40.193	40.713	41.216	41.780	42.576	43.162	43.737	44.352
% Ch, Annual Rate	7.6	5.3	5.0	5.6	7.8	5.6	5.4	5.7
State U.I. Benefits	0.977	0.993	0.968	0.982	0.953	0.953	0.907	0.900
% Ch, Annual Rate	-6.2	6.9	-9.9	6.1	-11.4	0.2	-18.1	-3.0
Other Transfers	39.216	39.720	40.249	40.798	41.624	42.209	42.830	43.452
% Ch, Annual Rate	7.9	5.2	5.4	5.6	8.3	5.7	6.0	5.9

Table A4.1  
**Selected Inflation Indicators**  
 (Deflator 2000=1.0; CPI 1982-84=1.0)

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.539	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.677	2.9
1999	0.976	1.7	1.666	2.2	1.728	3.0
2000	1.000	2.5	1.722	3.4	1.792	3.7
2001	1.021	2.1	1.770	2.8	1.857	3.6
2002	1.035	1.4	1.799	1.6	1.893	2.0
2003	1.056	2.0	1.840	2.3	1.924	1.6
2004	1.084	2.6	1.889	2.7	1.947	1.2
2005	1.116	2.9	1.953	3.4	2.002	2.8
2006	1.147	2.8	2.016	3.2	2.076	3.7
2007	1.176	2.5	2.073	2.9	2.157	3.9
Forecast						
2008	1.204	2.4	2.125	2.5	2.229	3.4
2009	1.225	1.7	2.160	1.6	2.281	2.4
2010	1.247	1.8	2.201	1.9	2.337	2.5
2011	1.270	1.8	2.241	1.8	2.388	2.2

\* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

# Consumer Price Index for all Urban Consumers

+ Consumer Price Index for the Seattle-Tacoma-Bremerton, WA CMSA

Consumer Price Index and Implicit Price Deflator values shown here are annual averages of seasonally adjusted quarterly data and may differ slightly from the annual values published by the Bureau of Labor Statistics and Bureau of Economic Analysis.



Table A4.2  
**Chain-Weighted Price Indices**  
 (2000=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1971	22.340	5.5	27.384	3.1	14.418	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.043	-1.2	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.2	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.018	2.7	104.951	2.0	91.688	-9.9	90.433	-6.1
2003	109.379	3.2	106.986	1.9	109.653	19.6	105.213	16.3
2004	112.929	3.2	110.269	3.1	125.389	14.4	123.991	17.8
2005	116.726	3.4	112.749	2.2	159.612	27.3	150.842	21.7
2006	120.725	3.4	115.340	2.3	180.349	13.0	170.501	13.0
2007	124.581	3.2	119.633	3.7	193.084	7.1	184.642	8.3
Forecast								
2008	128.305	3.0	124.371	4.0	206.221	6.8	186.790	1.2
2009	131.567	2.5	126.955	2.1	188.454	-8.6	176.281	-5.6
2010	134.741	2.4	128.697	1.4	189.872	0.8	178.193	1.1
2011	138.037	2.4	130.900	1.7	190.102	0.1	178.563	0.2

Table A5.1  
**Washington Resident Population and Components of Change\***  
 (Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.3
2004	6167.8	69.5	1.1	81.0	46.0	34.6
2005	6256.4	88.6	1.4	81.8	45.6	52.4
2006	6375.6	119.2	1.9	83.2	45.3	81.3
2007	6488.0	112.4	1.8	88.0	46.1	70.4
<b>Forecast</b>						
2008	6599.2	111.2	1.7	89.7	49.0	70.5
2009	6706.9	107.7	1.6	90.8	49.8	66.7
2010	6811.2	104.2	1.6	91.9	50.5	62.9
2011	6912.0	100.8	1.5	93.0	51.3	59.2

\* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2  
**Washington Population\***  
 (Thousands)

	Actual		2008	Forecast		
	2006	2007		2009	2010	2011
Total Population	6375.6	6488.0	6599.2	6706.9	6811.2	6912.0
Percent Change	1.9	1.8	1.7	1.6	1.6	1.5
Age 17 and Under	1549.0	1566.4	1581.1	1595.0	1608.8	1623.4
Percent of Total	24.3	24.1	24.0	23.8	23.6	23.5
Age 6-18	1142.9	1151.8	1158.6	1160.9	1164.2	1167.7
Percent of Total	17.9	17.8	17.6	17.3	17.1	16.9
Age 18 and Over	4826.6	4921.6	5018.1	5112.0	5202.4	5288.6
Percent of Total	75.7	75.9	76.0	76.2	76.4	76.5
Age 21 and Over	4552.8	4644.9	4733.6	4821.5	4907.6	4994.8
Percent of Total	71.4	71.6	71.7	71.9	72.1	72.3
Age 20-34	1309.0	1335.5	1369.5	1404.8	1437.9	1471.7
Percent of Total	20.5	20.6	20.8	20.9	21.1	21.3
Age 18-64	4099.4	4174.7	4246.3	4314.5	4379.0	4441.0
Percent of Total	64.3	64.3	64.3	64.3	64.3	64.3
Age 65 and Over	727.3	746.9	771.8	797.5	823.3	847.6
Percent of Total	11.4	11.5	11.7	11.9	12.1	12.3

\* As of April 1 of Each Year

Source: Office of Financial Management

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# Glossary

**Biennium:** The state's two years budget cycle. The 2001-2003 biennium started on July 1, 2003 and ends June 30, 2005. The current 2007-2009 biennium started July 1, 2007 and ends June 30, 2009.

**Cash Basis:** Cash receipts received during a period. The Forecast Council forecasts revenues on a Cash and GAAP (Generally Accepted Accounting Principles) basis.

**CPI:** The Consumer Price Index for All Urban Consumers. The Bureau of Labor Statistics (BLS) updates the CPI monthly, surveying over 60,000 goods in 85 urban areas. The BLS also produces a bimonthly Seattle-Tacoma-Bremerton CPI.

**Tax Elasticity:** A measure of how tax revenues respond to changes in personal income. If tax revenue elasticity is greater than one, a one percent change in personal income will be associated with more than a one percent increase in tax revenues. If elasticity is less than one, a one percent increase in personal income will be associated with less than a one percent increase in tax revenues.

**Fiscal Year:** The state's budget year. Washington State's fiscal year runs from July 1 through June 30. Fiscal year 1999, for example, ran from July 1, 1998 through June 30, 1999.

**GAAP Basis:** Generally Accepted Accounting Principles measure revenue in the period during which they accrue rather than the period in which they are received.

**General Fund:** Accounts for all financial resources and transactions not accounted for in another fund.

**General Fund-State Revenue:** Resources from state sources only, excludes federal monies.

**Implicit Price Deflator for Personal Consumption Expenditures (IPD):** The IPD is a by-product of the National Income and Product Accounts. It is derived by dividing current dollar (nominal) consumer expenditures by constant dollar (real) consumer expenditures.

**Mortgage Rate:** The average interest rate on 25 year conventional loan (as reported by the Federal Home Loan Bank Board).

**Non-Wage Income:** Personal income other than from wages and salaries. The major components are: proprietor's income, transfer payments, and dividends, interest and rent.

**Real GDP:** Gross Domestic Production adjusted for the price level.

**Personal Income:** Income from wages and salaries; other labor income; proprietor's income; dividends, interest and rent; transfer payments; and a residence adjustment. It is reduced by employee contributions for social insurance.

**Seasonally Adjusted:** Adjusted for normal seasonal variations. Monthly statistics, such as the unemployment rate, are seasonally adjusted to make month-to-month comparisons possible.

**Wage and Salary Employment:** Civilian nonfarm payroll employees. The self-employed, farm workers, members of the armed forces, private household employees, and workers on strike are excluded.