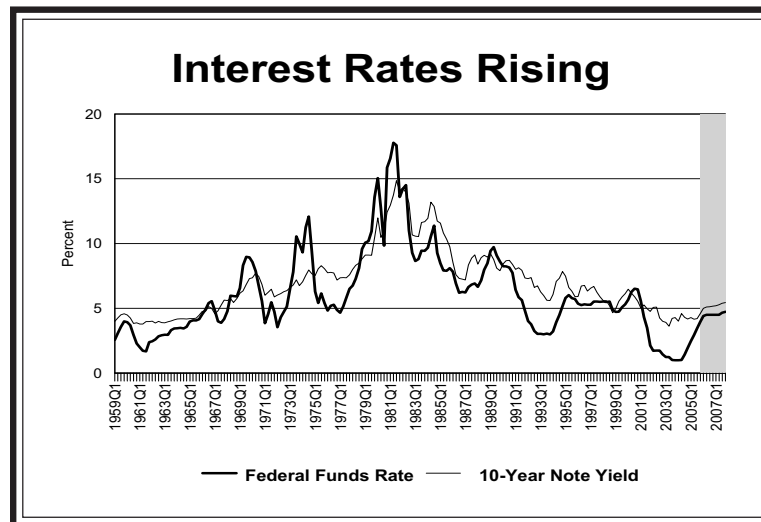


Washington Economic and Revenue Forecast



November 2005
Volume XXVIII, No. 4

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Explanation of the Cover Graph

On November 1st, 2005 the Federal Open Market Committee voted for a twelfth consecutive interest rate hike bringing its target federal funds rate to 4.00 percent. Still, the rate remains quite low by historical standards. Longer term rates have not moved up nearly as much as indicated by the yield on 10-year Treasury notes. The forecast anticipates two more 25-basis point increases bringing the fed funds rate to 4.50 percent by January 31, 2006. The forecast assumes long term rates will also rise, thus averting an inversion of the yield curve, which occurs when short term rates rise above long term rates. In the past, yield curve inversions have often preceded recessions.

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Washington Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

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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.

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November 2005

Table of Contents

Preface	iii
List of Tables	vii
List of Charts	ix
Executive Summary	1
Chapter 1	
Washington State and U.S. Economic Forecasts	
Recent U.S. Economic Activity	5
U.S. Forecast Highlights	6
Recent Economic Activity in Washington	7
Adjustments to Economic Data	8
Washington State Forecast Highlights	8
Alternative Forecasts	12
Governor's Council of Economic Advisors Scenario	13
Chapter 2	
Washington Business Indicators	
The National Economy	25
The State Economy and Indicators	26
Chapter 3	
Washington State Revenue Forecast Summary	
Introduction	35
Background and Assumptions	36
November 2005 Forecast Assumptions	37
Recent Collection Experience	37
The General Fund-State Forecast for the 2003-05 & the 2005-07 Biennia	40
Forecast Change for the 2003-05 and the 2005-07 Biennia	45
Non-Economic Changes	46
Department of Revenue	46
Department of Licensing	47
Office of Financial Management: Other Agencies	47
State Treasurer	47
Insurance Commissioner	47
Liquor Control Board	47
Lottery Commission	47
Track Record for the 2003-05 Biennium	49
Track Record for the 2005-07 Biennium	49
The Relationship Between Cash and GAAP General Fund-State Revenue Forecasts	49
Alternative Forecast for the 2003-05 Biennium	55

Chapter 4: Special Report	
Washington Gross State Product by Industry, 2000 to 2004	65
Appendices	
Detail Components of the Washington Economic Forecast	77
Glossary	107

List of Tables

Chapter 1

Washington State and U.S. Economic Forecasts

Table 1.1	U.S. Economic Forecast Summary	14
Table 1.2	Washington Economic Forecast Summary	15
Table 1.3	Comparison of Alternative Forecasts	16
Table 1.4	Forecast Analysis	17
Table 1.5	Forecast Comparison	18
Table 1.6	Long Range Economic Outlook	19

Chapter 2

Washington Business Indicators

Table 2.1	Summary of National & State Indicators	28
Table 2.2	Washington Business Indicators	34

Chapter 3

Washington State Revenue Forecast Summary

Table 3.1	Revision to the General Fund-State Forecast	35
Table 3.2	Economic and Revenue Forecast Flow Chart	38
Table 3.3	Collection Variance, September 11, 2005-November 10, 2005	39
Table 3.4	General Fund-State Collections	41
Table 3.5	Taxable Retail Sales	42
Table 3.6	Summary of Changes to General Fund-State Forecast	48
Table 3.7	Comparison of the General Fund-State Forecast by Agency, 2003-05 Biennium; Cash	50
Table 3.8	Comparison of the General Fund-State Forecast by Agency; 2003-05 Biennium; GAAP ...	51
Table 3.9	Comparison of the General Fund-State Forecast by Agency, 2005-07 Biennium; Cash	52
Table 3.10	Comparison of the General Fund-State Forecast by Agency, 2005-07 Biennium; GAAP ..	53
Table 3.11	November 2005 General Fund-State Forecast 2003-05 & 2005-07 Biennia; Cash Basis	54
Table 3.12	General Fund - State Cash Receipts, November 2005	56
Table 3.13	Non-Economic Changes to the November 2005 General Fund-State Forecast	57
Table 3.14	Track Record for the 2003-05 General Fund-State Cash Forecast	58
Table 3.15	Track Record for the 2005-07 General Fund-State Cash Forecast	59
Table 3.16	2003-05 & 2005-07 Biennial Balance Sheet	60
Table 3.17	November 2005 Baseline Forecast by Agency	61
Table 3.18	November 2005 Alternative Forecasts Compared to the Baseline Forecast, 2005-07	62
Table 3.19	Impact of Initiative 728 and the State Property Tax and Lottery Revenue	63

Chapter 4: Special Report

Washington Gross State Product by Industry, 2000 to 2004

Table 4.1	Washington and U.S. Gross Product	70
Table 4.2	Washington Gross State Product, by Industry (Millions of Dollars)	71
Table 4.3	Washington Gross State Product by Industry (Chained 2000 dollars)	73
Table 4.4	Washington Gross State Product by Component	75

Appendices

Detail Components of the Washington Economic Forecast

Table A1.1	U.S. Economic Forecast Summary; Annual	78
Table A1.2	U.S. Economic Forecast Summary; Quarterly	79
Table A1.3	Washington Economic Forecast Summary; Annual	82
Table A1.4	Washington Economic Forecast Summary; Quarterly	83
Table A2.1	U.S. Nonagricultural Employment by Industry; Annual	86
Table A2.2	U.S. Nonagricultural Employment by Industry; Quarterly	87
Table A2.3	Washington Nonagricultural Employment by Industry; Annual	90
Table A2.4	Washington Nonagricultural Employment by Industry; Quarterly	91
Table A3.1	U.S. Personal Income by Component; Annual	94
Table A3.2	U.S. Personal Income by Component; Quarterly	95
Table A3.3	Washington Personal Income by Component; Annual	98
Table A3.4	Washington Personal Income by Component; Quarterly	99
Table A4.1	Selected Inflation Indicators	102
Table A4.2	Chain-Weighted Price Indices	103
Table A5.1	Washington Resident Population and Components of Changes	104
Table A5.2	Washington Population	105

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	20
Chart 1.2	Manufacturing Employment	20
Chart 1.3	Aerospace Employment	20
Chart 1.4	Computers and Electronics Employment	20
Chart 1.5	Construction Employment	21
Chart 1.6	Information Employment	21
Chart 1.7	Other Private Employment	21
Chart 1.8	Government Employment	21
Chart 1.9	Real Personal Income	22
Chart 1.10	Consumer Price Indices	22
Chart 1.11	Population	22
Chart 1.12	Per Capita Housing Units	22

Comparison of Alternative U.S. Forecasts

Chart 1.13	Real GDP	23
Chart 1.14	Implicit Price Deflator	23
Chart 1.15	Mortgage Rate	23
Chart 1.16	Three Month T-Bill Rate	23

Comparison of Alternative Washington Forecasts

Chart 1.17	Personal Income	24
Chart 1.18	Real Personal Income	24
Chart 1.19	Total Nonfarm Payroll Employment	24
Chart 1.20	Housing Permits	24

Chapter 2

Washington Business Indicators

Washington Economic Indicators

Chart 2.1	Year-over-Year Employment Growth	29
Chart 2.2	Washington Aircraft and Parts Employment	29
Chart 2.3	Unemployment Rate	29
Chart 2.4	Washington Boom Monitor Composite Index	29

Washington State Leading Indicators

Chart 2.5	The Washington and U.S. Indexes of Leading Indicators	30
Chart 2.6	Washington Initial Claims for Unemployment Insurance	30
Chart 2.7	Seattle Times and U.S. Help-Wanted Advertising Indexes	30
Chart 2.8	Housing Units Authorized in Washington State	30

Other State Economic Indicators

Chart 2.9	Average Weekly Hours in Manufacturing	31
Chart 2.10	Washington Driver's License Migration	31
Chart 2.11	New Car and Truck Registrations in Washington	31
Chart 2.12	Institute for Supply Management Index	31

Other Economic Indicators

Chart 2.13	Quarterly U.S. Real GDP Growth	32
Chart 2.14	Washington State Export Composition	32
Chart 2.15	U.S. Economic Indicators	32
Chart 2.16	Northwest 50 Regional Stock Index vs. National Indices	32

Other Economic Indicators

Chart 2.17	Federal Funds Target Rate	33
Chart 2.18	Consumer Confidence	33
Chart 2.19	Seattle vs U.S. CPI (All Urban Consumers)	33
Chart 2.20	Monster Employment Index	33

Chapter 3

Washington State Revenue Forecast

Chart 3.1	General Fund-State Revenue	43
Chart 3.2	General Fund-State Revenue; Percent Change	43
Chart 3.3	Composition of General Fund-State Revenue	44
Chart 3.4	Taxable Sales as a Percent of Personal Income	44

Chapter 4: Special Report

Washington Gross State Product by Industry, 2000 to 2004

Chart 4.1	2004 Gross State Product	67
Chart 4.2	Washington Gross State Product by Industry, 2004	68
Chart 4.2	Washington Gross State Product by Component	69

Executive Summary

U.S. Economic Forecast

The November 2005 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2005. According to the forecast, real GDP grew at a 3.4 percent rate in the third quarter of 2005, up slightly from 3.3 percent in the second quarter. Final sales of domestic product rose at a 3.5 percent rate in the third quarter, down sharply from 5.6 percent in the second quarter. The slowdown in final sales growth was primarily due to the foreign sector which was roughly neutral in the third quarter after adding about 1.1 percentage points to growth in the second quarter. Fixed investment growth also weakened in the third quarter to 4.2 percent from 9.6 percent in the second quarter. Consumer spending rose at a 3.3 percent rate in the third quarter, down slightly from 3.4 percent in the second quarter. Government consumption expenditures and gross investment increased at a 3.1 percent rate in the third quarter, up from 2.5 percent in the second quarter, mainly as a result of a 14.9 percent jump in federal civilian spending.

According to the forecast, payroll employment growth slowed to 1.4 percent in the third quarter from 1.9 percent in the second quarter due in part to Hurricane Katrina. Excluding the storm impact, the forecast for third quarter employment growth would have been 1.7 percent. The unemployment rate declined slightly from 5.10 percent in the second quarter to 5.00 percent in the third quarter. Inflation, as measured by the Consumer Price Index, increased to 5.0 percent in the third quarter of 2005 from 4.2 percent in the second quarter and 2.4 percent in the first quarter. The increase was entirely due to rising energy costs, however. Core inflation actually declined from 2.6 percent in the first quarter to 2.0 percent in the second quarter and to 1.7 percent in the third quarter. Housing starts declined at a 4.2 percent rate from 2.044 million units in the second quarter to a still strong 2.023 million units in the third quarter while the mortgage rate edged up from 5.74 percent to 5.75 percent. On September 20 the Federal Open Market Committee raised its target for the federal funds rate by 25 basis points to 3.75 percent. Overall, the national forecast is very similar to the forecast adopted in September.

The U.S. economy had been on pace for a solid third quarter before hurricanes Katrina and Rita hit. The storms will take a bite off second-half 2005 GDP growth, but will add to 2006 growth as reconstruction spending seeps into the economy. Afterward, we expect the U.S. economy to downshift and begin growing at its “trend” rate. GDP growth is expected to slow to 3.5 percent this year from 4.2 percent in 2004. Slower growth is expected in the next two years as the recovery matures. The forecast calls for growth rates of 3.3 percent in 2006 and 3.0 percent in 2007. Nonfarm payroll employment rose 1.1 percent in 2004 which was the first significant increase in four years. The forecast assumes employment growth will improve to 1.6 percent this year, slowing to 1.5 percent in 2006 and 1.2 percent in 2007. The unemployment rate also improved in 2004 for the first time in four years, declining to 5.53 percent from 5.99 percent in

2003. The unemployment rate is expected to decline again this year to 5.11 percent. Unemployment is expected to be little changed during the next two years with rates of 4.89 percent and 4.98 percent in 2006 and 2007. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.6 percent in 2004 from 1.9 percent in 2003 and 1.4 percent in 2002. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation rose to 2.0 percent in 2004 from 1.3 percent in 2003. Energy will add to inflation again this year and next year but will help restrain inflation in 2007 as energy prices finally decline. The forecast expects an inflation rate of 2.9 percent in 2005, declining to 2.5 percent and 2.2 percent 2006 and 2007. The forecast assumes three further 25-basis-point increases in the federal funds rate taking it to 4.50 percent on January 31, 2006.

Washington State Economic Forecast

The state's employment growth rate decelerated to 1.8 percent in the third quarter from 2.9 in the second quarter, 3.1 percent in the first quarter, and 3.2 percent in the fourth quarter of 2004. The third quarter employment data reflect two partially offsetting anomalies, however. First, the Boeing-IAM labor dispute temporarily reduced employment by 5,300. Second, a problem with the seasonal adjustment of education employment temporarily raised reported employment by an estimated 3,000 jobs. Excluding these transitory impacts, employment rose at a moderate 2.2 percent rate in the quarter. Manufacturing employment, excluding the aerospace strike, rose 2.5 percent in the third quarter. Aerospace employment rose at a 12.3 percent rate, excluding the strike. Manufacturing employment other than aerospace, however, declined 0.5 percent. Every important private sector industry expanded in the third quarter. Perhaps signaling an end to the dot-com bust, information employment rose at a 4.7 percent rate in the quarter in spite of a lackluster 1.5 percent increase in software employment. Construction employment growth also remains very strong at 4.6 percent in the quarter. "Other services," education and health services, and leisure and hospitality rose 3.4 percent, 2.7 percent, and 2.6 percent in the third quarter. Trade, transportation, and utilities employment rose 2.4 percent and professional and business services employment rose 2.3 percent. Financial activities employment inched up 0.2 percent. In the public sector, state and local government employment jumped 3.8 percent, mostly as a result of the seasonal adjustment problem. Excluding that impact, which should be reversed in the fourth quarter, employment was up only 1.1 percent. Federal government employment declined at a 4.2 percent rate in the third quarter.

Washington's personal income in the second quarter of 2005 was \$3.794 billion (1.7 percent) lower than the estimate made in September. The downward revision was mainly due to a historical revision to nonwage personal income, which was \$3.102 billion (3.1 percent) below the September estimate in the second quarter. Total wages were \$0.692 billion (0.6 percent) lower than expected in September. Software wages were \$0.042 (0.9 percent) billion higher than expected but non-software wages were \$0.734 (0.6 percent) billion lower.

The number of housing units authorized by building permit increased 6,500 in the third quarter of 2005 to 54,700 from 48,200 in the second quarter. Single family permits rose 3,000 to 41,300 while multi-family permits rose 3,500 to 13,400. Single family activity has not been this strong since the late 1970s.

The forecast also reflects Seattle consumer price data through August. After trailing the national average during 2002, 2003, and 2004, Seattle inflation jumped out ahead the U.S. in the first four months of 2005, rising at a seasonally adjusted annual rate of 7.2 percent compared to 4.8 percent for the U.S. city average while core inflation (excluding food and energy) rose 5.4 percent rate in Seattle and 2.6 percent for the U.S. city average. During the next four months, however, Seattle prices actually declined in spite of rising energy costs. As a result, for the first eight months of the year Seattle inflation is running at a 2.1 percent

rate compared to 3.9 percent for the U.S. while core inflation is only 0.2 percent in Seattle compared to 2.0 percent for the nation.

The Boeing strike was too short to have any lasting impact on aerospace employment or the Washington economy in general. The Washington aerospace employment forecast incorporates the slightly stronger growth experienced through October which adds about 200 jobs. The trend growth rate through the end of 2005 has also been increased from 6,000 per year to 6,600 per year. The software wage forecast has been reduced to reflect the impact of a lower Microsoft stock price on stock option and stock award income. Software employment is expected to increase 4,100 from the third quarter of 2005 to the fourth quarter of 2007 compared to 3,400 in the September forecast.

Washington nonfarm payroll employment increased 1.7 percent in 2004 following a 0.1 percent rise in 2003 and declines in 2001 and 2002. The forecast continues to expect a relatively weak recovery due to the sluggish U.S. economy and only a modest upturn in aerospace. The forecast expects employment growth to improve to 2.7 percent this year. Employment growth is expected to retreat to 2.4 percent in 2006 and 2.1 percent in 2007. Washington personal income was temporarily boosted by nearly 3 percentage points in 2004 as a result of Microsoft's special dividend in November 2004. As a result of that dividend, Washington personal income growth jumped to 7.4 percent in 2004 from 2.0 percent in 2003. Excluding the special dividend, however, growth in 2004 would have been a more moderate 4.6 percent. Personal income growth is expected to slow in 2005 to 3.0 percent but this is also distorted by the one-time dividend. Excluding the special dividend, the forecast the forecast expects personal income growth to improve to 5.8 percent this year and 7.4 percent next year before slowing slightly to 6.9 percent in 2007. Washington housing activity remains very strong. Housing permits increased 7,300 in 2004 to 50,100 which is the highest annual total since 1979. The strength in housing has been mostly in the single family market which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single family market during the next three years. Partially offsetting this will be stronger population growth which should boost multi-family activity. The forecast expects housing permits to increase to 51,300 in 2005 before declining slightly to 49,600 in 2006 and 48,300 in 2007. The weak Washington economy has slowed inflation in the area in spite of soaring energy costs. Inflation, as measured by the Seattle Consumer Price Index declined in 2004 to 1.2 percent from 1.6 percent in 2003. The strengthening local economy should result in higher inflation in the next three years. The forecast expects inflation rates of 2.7 percent in 2005, 1.9 percent in 2006, and 2.2 percent in 2007.

Washington State Revenue Forecast

The November revenue forecast update reflects the assumption of slightly stronger Washington employment and income growth. More importantly, revenue collections continue to come in much stronger than these fundamental factors would normally indicate. Much of the strength in revenue collections can be traced to very strong real estate and construction related activity. As a result, the revenue forecast has been increased \$304.9 million.

The November 2005 General Fund-State revenue estimate for the 2005-07 biennium is \$26,335.7 million which is an increase of \$304.9 million over the September forecast. Nearly one-third of the forecast increase is due solely to soaring real estate excise tax collections. Much of the remainder of the forecast revision is also due to real estate and construction related activity. Collection experience during the last three months accounts for \$97.1 million of the change in November.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2005-07 biennium. The forecast based on more optimistic economic assumptions netted \$845 million (3.2 percent)

more revenue than did the baseline while the pessimistic alternative was \$755 million (2.9 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$91 million (0.3 percent) less 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 November 2005 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2005. According to the forecast, real GDP grew at a 3.4 percent rate in the third quarter of 2005, up slightly from 3.3 percent in the second quarter. Final sales of domestic product rose at a 3.5 percent rate in the third quarter, down sharply from 5.6 percent in the second quarter. The slowdown in final sales growth was primarily due to the foreign sector which was roughly neutral in the third quarter after adding about 1.1 percentage points to growth in the second quarter. The 2.3 percent increase in export growth in the third quarter was completely offset by a 1.6 percent increase in imports. Fixed investment growth also weakened in the third quarter to 4.2 percent from 9.6 percent in the second quarter. Business spending on equipment and software rose 6.7 percent and residential fixed investment rose 5.0 percent but nonresidential construction fell 4.8 percent. Consumer spending rose at a 3.3 percent rate in the third quarter, down slightly from 3.4 percent in the second quarter. Purchases of consumer durables jumped 7.7 percent mainly as a result of an 11.1 percent increase in motor vehicles and parts. Consumer purchases of nondurable goods rose 2.6 percent while purchases of services increased 2.7 percent. Government consumption expenditures and gross investment increased at a 3.1 percent rate in the third quarter, up from 2.5 percent in the second quarter, mainly as a result of a 14.9 percent jump in federal civilian spending. National defense spending rose a moderate 3.4 percent while state and local government spending inched up 0.8 percent.

According to the forecast, payroll employment growth slowed to 1.4 percent in the third quarter from 1.9 percent in the second quarter due in part to Hurricane Katrina. Excluding the storm impact, the forecast for third quarter employment growth would have been 1.7 percent. The unemployment rate declined slightly from 5.10 percent in the second quarter to 5.00 percent in the third quarter. Inflation, as measured by the Consumer Price Index, increased to 5.0 percent in the third quarter of 2005 from 4.2 percent in the second quarter and 2.4 percent in the first quarter. The increase was entirely due to rising energy costs, however. Core inflation actually declined from 2.6 percent in the first quarter to 2.0 percent in the second quarter and to 1.7 percent in the third quarter. Housing starts declined at a 4.2 percent rate from 2.044 million units in the second quarter to a still strong 2.023 million units in the third quarter while the mortgage rate edged up from 5.74 percent to 5.75 percent. On September 20 the Federal Open Market Committee raised its target for the federal funds rate by 25 basis points to 3.75 percent. Overall, the national forecast is very similar to the forecast adopted in September.

U.S. Forecast Highlights

The U.S. economy had been on pace for a solid third quarter before hurricanes Katrina and Rita hit. The storms will take a bite off second-half 2005 GDP growth, but will add to 2006 growth as reconstruction spending seeps into the economy. Afterward, we expect the U.S. economy to downshift and begin growing at its “trend” rate. GDP growth is expected to slow to 3.5 percent this year from 4.2 percent in 2004. Slower growth is expected in the next two years as the recovery matures. The forecast calls for growth rates of 3.3 percent in 2006 and 3.0 percent in 2007. Nonfarm payroll employment rose 1.1 percent in 2004 which was the first significant increase in four years. The forecast assumes employment growth will improve to 1.6 percent this year, slowing to 1.5 percent in 2006 and 1.2 percent in 2007. The unemployment rate also improved in 2004 for the first time in four years, declining to 5.53 percent from 5.99 percent in 2003. The unemployment rate is expected to decline again this year to 5.11 percent. Unemployment is expected to be little changed during the next two years with rates of 4.89 percent and 4.98 percent in 2006 and 2007. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.6 percent in 2004 from 1.9 percent in 2003 and 1.4 percent in 2002. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation rose to 2.0 percent in 2004 from 1.3 percent in 2003. Energy will add to inflation again this year and next year but will help restrain inflation in 2007 as energy prices finally decline. The forecast expects an inflation rate of 2.9 percent in 2005, declining to 2.5 percent and 2.2 percent 2006 and 2007. The forecast assumes three further 25-basis-point increases in the federal funds rate taking it to 4.50 percent on January 31, 2006.

1. Real GDP growth slowed to 3.7 percent in fiscal 2005 from 4.1 percent in 2004. Growth during the last two years has been primarily driven by consumer spending, business spending on equipment and software, residential fixed investment, and military spending. Increasing trade deficits, however, have cost the economy nearly one percent per year in growth. Consumer spending and business spending on equipment and software are expected to be the main contributors to GDP growth in the next two years. The level of defense spending will remain high but the growth rate will slow down. Residential investment growth is expected to turn negative by 2007 but net exports should begin adding to growth by then. GDP growth is expected to slow further during the next two years as the economy approaches its potential growth path. The forecast calls for GDP growth rates of 3.4 percent in 2006 and 3.1 percent in 2007.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, jumped to 2.7 percent in fiscal 2005 from 2.1 percent in 2004. Surging energy costs continue to add to overall inflation. Core inflation rose at a moderate 2.1 percent in fiscal 2005 following a 1.5 percent increase in 2004. Core inflation is expected to remain moderate this year at 2.1 percent but the addition of food and energy will raise the overall inflation rate to 3.1 percent. Falling energy prices will help keep inflation in check during the final year of the forecast. The forecast expects an overall inflation rate of 2.1 percent in 2007.
3. The Fed did not pause at its September meeting, and recent signals from its members indicate that upside inflationary risks, rather than downside growth risks, are uppermost on their minds. The forecast assumes that the Fed keeps hiking rates a quarter percentage point at a time to reach a 4.50 percent federal funds rate at the end of January 2006. The three-month Treasury bill rate rose to 2.21 percent in fiscal 2005 from a 57-year-low 0.96 percent in fiscal 2004. The forecast expects the T-bill rate to increase to 3.98 percent in 2006 and 4.38 percent in 2007 as the Fed continues to tighten. Mortgage rates declined slightly from 5.92 percent in fiscal 2004 to 5.78 percent in fiscal 2005. The forecast expects the mortgage rate to rise to 6.29 percent and 6.78 percent in 2006 and 2007.

4. Supported by record-low mortgage interest rates, housing activity held up well during the recession and has accelerated in the last four years in spite of the lackluster recovery. Housing starts increased 3.8 percent in fiscal 2005 to 2.019 million units following a 12.4 percent increase in fiscal 2004. This was the highest level of permits since 1973. Not surprising, given the low mortgage rates, the strength has been primarily in the single family market. The 1.665 million single family starts in 2005 was the highest ever. Housing starts are expected to decline over the next two years as interest rates rise. The forecast calls for a 4.2 percent reduction in 2006 to 1.934 million units and a 5.9 percent reduction in 2007 to 1.820 million units.
5. The nation's unemployment rate declined in fiscal 2005 to 5.31 percent from 5.81 percent in 2004 and 5.89 percent in 2003. Little improvement is expected in the next two years as GDP growth slows to its trend rate. The forecast calls for unemployment rates of 4.97 percent in 2006 and 4.93 percent in 2007.
6. The federal budget deficit (national income and product accounts basis) narrowed to \$341.8 billion in fiscal 2005 from a record \$426.0 billion deficit in 2004. The forecast assumes that Congress will not allow all the Bush personal tax reductions to expire as scheduled but will tinker enough to raise federal income tax receipts toward their historical average 8.2 percent of GDP. Continued economic growth should also help reduce deficits in the future. The deficit is expected to improve during the next two years though Hurricane Katrina will add to spending especially in fiscal 2006. The forecast expects a deficit of \$327.8 billion in 2006 and \$308.9 billion in 2007.
7. The trade deficit has been a huge drag on GDP growth in recent years. The trade deficit (national income and product accounts basis) increased in fiscal 2005 to an all-time record \$678.0 billion from \$543.3 billion in 2004. The dollar is expected to resume its downward trend which should help restrain imports and boost exports but, with the U.S. economy leading the global recovery, the trade balance will continue to deteriorate for a while. The forecast expects the deficit to grow to \$760.8 billion in 2006 and \$783.5 billion in 2007.

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 September 2005. This forecast is based on adjusted employment estimates as described in Adjustments to Economic Data. The state's employment growth rate decelerated to 1.8 percent in the third quarter from 2.9 in the second quarter, 3.1 percent in the first quarter, and 3.2 percent in the fourth quarter of 2004. The third quarter employment data reflect two partially offsetting anomalies, however. First, the Boeing-IAM labor dispute temporarily reduced employment by 5,300. Second, a problem with the seasonal adjustment of education employment temporarily raised reported employment by an estimated 3,000 jobs. Excluding these transitory impacts, employment rose at a moderate 2.2 percent rate in the quarter. Manufacturing employment, excluding the aerospace strike, rose 2.5 percent in the third quarter. Aerospace employment rose at a 12.3 percent rate, excluding the strike. Manufacturing employment other than aerospace, however, declined 0.5 percent. Every important private sector industry expanded in the third quarter. Perhaps signaling an end to the dot-com bust, information employment rose at a 4.7 percent rate in the quarter in spite of a lackluster 1.5 percent increase in software employment. Construction employment growth also remains very strong at 4.6 percent in the quarter. "Other services," education and health services, and leisure and hospitality rose 3.4 percent, 2.7 percent, and 2.6 percent in the third quarter. Trade, transportation, and utilities employment rose 2.4 percent and professional and business services employment rose 2.3 percent. Financial activities employment inched up 0.2 percent. In the public sector, state and local

government employment jumped 3.8 percent, mostly as a result of the seasonal adjustment problem. Excluding that impact, which should be reversed in the fourth quarter, employment was up only 1.1 percent. Federal government employment declined at a 4.2 percent rate in the third quarter.

In March 2005 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the fourth quarter of 2004 and released preliminary estimates for the first quarter. In addition, the wage estimates for the third quarter of 2004 through the second quarter of 2005 have been adjusted to reflect the Covered Employment and Payrolls data produced by the Department of Employment Security (see Adjustments to Economic Data). According to the adjusted estimates, Washington's personal income in the second quarter of 2005 was \$3.794 billion (1.7 percent) lower than the estimate made in September. The downward revision was mainly due to a historical revision to nonwage personal income, which was \$3.102 billion (3.1 percent) below the September estimate in the second quarter. Total wages were \$0.692 billion (0.6 percent) lower than expected in September. Software wages were \$0.042 (0.9 percent) billion higher than expected but non-software wages were \$0.734 (0.6 percent) billion lower.

The number of housing units authorized by building permit increased 6,500 in the third quarter of 2005 to 54,700 from 48,200 in the second quarter. Single family permits rose 3,000 to 41,300 while multi-family permits rose 3,500 to 13,400. Single family activity has not been this strong since the late 1970s.

The forecast also reflects Seattle consumer price data through August. After trailing the national average during 2002, 2003, and 2004, Seattle inflation jumped out ahead the U.S. in the first four months of 2005, rising at a seasonally adjusted annual rate of 7.2 percent compared to 4.8 percent for the U.S. city average while core inflation (excluding food and energy) rose 5.4 percent rate in Seattle and 2.6 percent for the U.S. city average. During the next four months, however, Seattle prices actually declined in spite of rising energy costs. As a result, for the first eight months of the year Seattle inflation is running at a 2.1 percent rate compared to 3.9 percent for the U.S. while core inflation is only 0.2 percent in Seattle compared to 2.0 percent for the nation.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate developed 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 second quarter of 2005 which added 13,000 (0.5 percent) to the BLS Current Employment Statistics (CES) estimate for June 2005. By September 2005 the difference had narrowed slightly to 12,400 (0.4 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 in the third and fourth quarters of 2004 and first quarter of 2005 as well as data for the second quarter of 2005 which was unavailable to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived wage estimates for these sectors for the third and fourth quarters of 2004 and the first two quarters of 2005 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 decreased the second quarter wage estimate by \$3.314 billion (2.6 percent), subtracting 1.5 percent from total personal income in that quarter.

Washington State Forecast Highlights

The Boeing strike was too short to have any lasting impact on aerospace employment or the Washington economy in general. The Washington aerospace employment forecast incorporates the slightly stron-

ger growth experienced through October which adds about 200 jobs. The trend growth rate through the end of 2005 has also been increased from 6,000 per year to 6,600 per year. The software wage forecast has been reduced to reflect the impact of a lower Microsoft stock price on stock option and stock award income. Software employment is expected to increase 4,100 from the third quarter of 2005 to the fourth quarter of 2007 compared to 3,400 in the September forecast.

Washington nonfarm payroll employment increased 1.7 percent in 2004 following a 0.1 percent rise in 2003 and declines in 2001 and 2002. The forecast continues to expect a relatively weak recovery due to the sluggish U.S. economy and only a modest upturn in aerospace. The forecast expects employment growth to improve to 2.7 percent this year. Employment growth is expected to retreat to 2.4 percent in 2006 and 2.1 percent in 2007. Washington personal income was temporarily boosted by nearly 3 percentage points in 2004 as a result of Microsoft's special dividend in November 2004. As a result of that dividend, Washington personal income growth jumped to 7.4 percent in 2004 from 2.0 percent in 2003. Excluding the special dividend, however, growth in 2004 would have been a more moderate 4.6 percent. Personal income growth is expected to slow in 2005 to 3.0 percent but this is also distorted by the one-time dividend. Excluding the special dividend, the forecast the forecast expects personal income growth to improve to 5.8 percent this year and 7.4 percent next year before slowing slightly to 6.9 percent in 2007. Washington housing activity remains very strong. Housing permits increased 7,300 in 2004 to 50,100 which is the highest annual total since 1979. The strength in housing has been mostly in the single family market which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single family market during the next three years. Partially offsetting this will be stronger population growth which should boost multi-family activity. The forecast expects housing permits to increase to 51,300 in 2005 before declining slightly to 49,600 in 2006 and 48,300 in 2007. The weak Washington economy has slowed inflation in the area in spite of soaring energy costs. Inflation, as measured by the Seattle Consumer Price Index declined in 2004 to 1.2 percent from 1.6 percent in 2003. The strengthening local economy should result in higher inflation in the next three years. The forecast expects inflation rates of 2.7 percent in 2005, 1.9 percent in 2006, and 2.2 percent in 2007.

1. Nominal personal income surged 7.8 percent in fiscal 2005 following 3.6 percent increase in 2004. The strong growth was largely due to the special one-time dividend paid by Microsoft in December 2004. Without the special dividend, growth would have been 5.1 percent in 2005. The improvement in growth in 2005, aside from the special dividend, was primarily due to much stronger employment growth. Declining software stock option income continues to hurt overall income growth. Excluding software wages as well as the special dividend, Washington personal income would have increased 5.8 percent in 2005 rather than 5.1 percent. The forecast expects even stronger income growth in the next two years. Employment growth should remain healthy and average wage growth and nonwage income growth are expected to accelerate. Nominal income growth will slow in 2006 to 3.8 percent due to the absence of the special dividend this year. Excluding the special dividend impact, growth will accelerate to 6.5 percent in 2006 and 7.5 percent in 2007. Software wages are not expected to have a major impact on income growth in the next two years.
2. Washington real personal income growth jumped to 5.0 percent in fiscal 2005 from 1.5 percent in 2004, again largely because of the special Microsoft dividend in December 2004. Excluding the special dividend, the improvement was more modest, from 1.5 percent to 2.3 percent. Much stronger personal income growth is expected during the next two years. The forecast calls for real personal income growth rates of 0.7 percent in 2006 (3.4 percent excluding the Microsoft special dividend) and 5.3 percent in 2007.

3. Total payroll employment growth in Washington rose 2.4 percent in fiscal 2005 following a gain of just 0.7 percent 2004 and declines in 2003 and 2002. The areas that suffered the most in the recession in Washington were information technology, aerospace, and construction. Construction employment has now moved well beyond its previous peak and continues to grow rapidly. The aerospace sector has begun a modest recovery and, with the exception of telecommunications, the IT sector is in recovery. Washington payroll employment growth is expected to increase slightly to 2.6 percent in 2006 before slowing to 2.3 percent in 2007.
- ◆ The 28-day strike by Boeing's machinists reduced reported Washington aerospace employment by 16,000 in September. Excluding that transitory impact, as of September 2005 the aerospace recovery has added 7,400 jobs since the trough of the last downturn in May 2004. Previously, 27,300 aerospace jobs had been lost since the September 11 terrorist attacks and 52,300 jobs had been lost since the June 1998 peak. Boeing lowered its forecast of deliveries this year to 290 from 320 due to the strike but still expects to deliver 395 next year which is an increase of nearly 40 percent over the 285 delivered in 2004. A further unspecified increase is expected in 2007 as well. In spite of the strong growth expected in deliveries the upturn in employment is expected to be more gradual than in past cycles. The forecast assumes fourth quarter to fourth quarter employment increases of 6,800, 6,600, and 6,600 in 2005, 2006, and 2007.
 - ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. From the beginning of 1990 through the second quarter of 2001, the software employment growth rate averaged more than 16 percent per year. During the next two years the average annual growth rate slowed to just 1.0 percent. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. Since then, however, growth has picked up to an average rate of 5.1 percent and the monthly data through September indicate that growth in the fourth quarter of 2005 will be at a strong 8.3 percent rate. The forecast assumes that Microsoft employment will continue to grow, though not nearly as fast as in the 1990s, and that non-Microsoft software will also grow. Microsoft has announced that it expects to hire 4,000 to 5,000 employees worldwide during the current year. In recent years, fewer than half of net new hires have been in Washington, though. The forecast assumes software employment will grow at an average rate of 3.9 percent per year during the remainder of the forecast.
 - ◆ Bolstered by a hot housing market, strong growth in Washington's construction employment during the two years has now erased the significant losses experienced during the recession. Since the middle of 2003 growth has averaged 6.2 percent. Employment is now 14,400 (8.8 percent) higher than at the previous peak in the first quarter of 2001 and 24,100 (15.7 percent) higher than at the trough in the first quarter of 2002. Housing held up pretty well during the recession but nonresidential building in the Puget Sound area fell sharply. We believe the commercial side has now stabilized and the recent strength in housing permits should support construction employment in the near term. Higher interest rates are expected to depress single family activity in the future but stronger migration into Washington should boost multi-family activity. In addition, nonresidential construction is expected to recover. As a result, the forecast expects fairly moderate construction employment growth averaging 1.9 percent per year through the end of 2006 before declining a slight 0.4 percent during 2007.
 - ◆ Financial activities employment grew rapidly right through the recession. From the end of 2000 through the third quarter of 2003 growth averaged 2.8 percent per year. The growth

- was concentrated in credit intermediation and related activities, which clearly benefited by a refinancing boom brought on by the decline in mortgage interest rates during this period. Employment in this sector plateaued when mortgage rates stopped falling in early 2003 but picked up again in the fourth quarter of 2004. Growth has averaged 1.6 percent over the last year and the monthly data indicate a 1.4 percent increase in the fourth quarter of 2005. The forecast expects a slight 0.2 percent decline over the next four quarters as mortgage rates head up. Growth is projected to improve to 1.4 percent during the final year of the forecast.
- ◆ Washington retail trade employment fell farther during the recession than did U.S. retail trade employment but the recovery here was also earlier and stronger. By the end of 2002 Washington retail trade employment had fallen 3.7 percent since its pre-recession peak. Most of the decline was in the miscellaneous “other retail trade” category which includes e-tailing, a clear casualty of the dot-com implosion. Since then, however, Washington retail trade employment growth has generally been positive but weak, averaging 1.6 percent. In the third quarter of 2005 employment exceeded its pre-recession peak by a mere 0.7 percent. The forecast expects trade employment growth to improve to an average annual rate of 2.3 percent per year through the end of 2007.
 - ◆ Employment in the professional and business services sector plunged 6.5 percent from the end of 2000 through the first quarter of 2002. The 20,100 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 14,000 (26.1 percent) and computer systems design and related services, which fell 6,100 (20.1 percent). These areas of weakness have turned around. Since mid-2003, employment in computer systems design and related services has increased 9.9 percent while employment services employment has soared 24.8 percent. Largely as a result of this turnaround, overall professional and business services employment growth has averaged 4.4 percent per year during this period. The forecast expects fairly strong growth averaging 4.4 percent per year throughout the forecast.
 - ◆ 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. From the end of 2000 through the second quarter of 2003, employment grew at an average rate of 3.3 percent per year. During the next two years growth slowed to an average rate of 0.7 percent and just 0.4 percent excluding the small but rapidly expanding tribal government sector. Employment growth jumped to 3.8 percent in the third quarter of 2005 but we believe this was due to a seasonal anomaly in local government education employment that will be reversed in the fourth quarter. Because of this, the forecast calls for a 1.3 percent decline in the fourth quarter. The forecast assumes some improvement as state and local government budgets recover and tribal government employment should continue to grow rapidly but growth will be restrained by slow school age population growth. The forecast expects an average growth rate of 1.9 percent per year from the fourth quarter of 2005 through the end of 2007.
4. The number of housing units authorized by building permit in Washington rose 18.0 percent in fiscal 2005 to 52,100 units following increases of 14.9 percent and 3.4 percent in 2003 and 2004. The strength in housing has been mainly in the single family market which has benefited from record low mortgage interest rates. Single family permits increased 10.6 percent in 2005 to a 27 year high 38,000 units and multi-family permits jumped 44.0 percent to 14,100 units. Rising mortgage rates will depress the single family market in 2006 and 2007. Partially offsetting this is stronger net migration which should continue to boost multi-family activity. The net effect is a modest reduction

in overall activity during the next two years. The forecast expects a 1.8 percent reduction in 2006 to 51,200 units followed by a 3.9 percent decrease in 2007 to 49,200 units.

5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased in fiscal 2005 to 1.9 percent from 1.3 percent in 2004. Core inflation in Seattle was only 1.0 percent in 2005, up slightly from 0.4 percent in 2004. Seattle inflation trailed the national average in 2003, 2004, and 2005 reflecting the more severe local recession. During the previous 13 years Seattle inflation had exceeded the U.S. city average. Seattle inflation is expected to remain below U.S. inflation this year at 2.3 percent compared to 3.7 percent for the U.S. The stronger local recovery should eventually cause Seattle inflation to rise above the U.S. rate. The forecast calls for a Seattle inflation rate of 2.0 percent in 2007 compared to a national rate of 1.9 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.

Optimistic Forecast: Six assumptions distinguish the optimistic scenario from the baseline forecast. First, productivity is stronger. Underlying this assumption is the view that the information-driven technology boom, which appears to have accelerated in recent years, continues. Second, foreign economic growth is stronger. A stronger world economy boosts U.S. exports and strengthens domestic manufacturing. Third, business investment is stronger. Fourth, the federal government budget deficit is lower. Fifth, housing starts are stronger. And finally, the optimistic scenario assumes that oil prices decline to \$43 per barrel by the end of 2007 rather than hovering around \$60 as in the baseline. These assumptions produce a rosier outlook, with the economy growing about one percent per year faster than in the baseline during 2006 and 2007. Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and the higher productivity gains. The lower inflation rate allows the Federal Reserve to keep the federal funds rate below the baseline value. Since productivity growth is higher, potential GDP is higher and remains so throughout the forecast period. Job growth is also stronger. Nonfarm employment is 950,000 higher than in the baseline at the end of 2006 and 1.7 million higher at the end of 2007. Because job growth is strong, the unemployment rate stays below its baseline rate over the forecast period. For Washington, the optimistic forecast assumes a more typical, vigorous aerospace employment expansion than the modest growth assumed in the baseline. Washington's wages also grow faster than in the baseline. The strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of strong productivity growth. The initial level of Washington personal income is also higher in the optimistic scenario and population growth is stronger. Construction employment continues to rise in the optimistic scenario rather than leveling off as in the baseline. By the end of the 2005-07 biennium, Washington nonagricultural employment is higher by 51,000 jobs than in the baseline forecast and Washington personal income is \$10.4 billion higher. The optimistic scenario generated \$845 million (3.2 percent) more revenue in the 2005-07 biennium than did the baseline forecast.

Pessimistic Forecast: The pessimistic alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. It also assumes that the dollar weakens rapidly as foreign investors take fright at the spiraling trade deficit, and thus lose confidence in the dollar. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling

dollar adds to the upward pressure on inflation. The Fed responds by accelerating the pace of tightening. Despite the more aggressive tightening, the stock and bond markets both slip on signs that the Fed may have let inflation build up an unstoppable momentum. The Fed cannot permit this acceleration to continue, and so raises rates further in 2006. Between the higher interest rates and persistently high energy prices, consumer confidence suffers. Consumers rein in discretionary spending and the U.S. economy slows. At the same time, hiring lags, causing the unemployment rate to climb. The economy does not sink into recession in the pessimistic alternative, but merely fails to come as close to its potential as in the baseline, with GDP growth coming in 1.2 percentage point below the baseline rate in 2006 and 0.9 percentage points below the baseline in 2007. At the state level, the recovery in aerospace employment is much slower than 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. Construction employment begins to decline again in the first quarter of 2006 rather than leveling off as in the baseline. Because of the weak economy, Washington wage growth is weaker than in the baseline forecast in spite of the higher inflation assumption in the national pessimistic forecast. Seattle inflation is initially stronger than in the baseline but also weakens after the first quarter of 2006. By the end of the 2005-07 biennium, Washington nonagricultural employment is 55,100 lower than the baseline forecast and Washington personal income is \$8.4 billion lower. The pessimistic scenario produced \$755 million (2.9 percent) less revenue in the 2005-07 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 Council members' real GDP growth forecast was slightly weaker than the baseline forecast in both 2006 and 2007 but their inflation forecast was slightly higher in both years. The Governor's Council members' short term interest rate forecast for fiscal 2007 was lower than the baseline forecast but their mortgage rate forecast was very similar. The GCEA forecast for Washington State was also similar to the baseline forecast. Their personal income growth forecasts, both real and nominal, were similar to the baseline in 2006 but weaker in 2007. The Council members also expected slightly weaker employment growth in both years. Conversely, their housing permit forecast was slightly higher than the baseline. At the end of the 2005-07 biennium Washington nonagricultural employment was 4,400 lower in the GCEA forecast than in the baseline forecast and their Washington personal income forecast was \$1.8 billion lower. The Governor's Council scenario generated \$91 million (0.3 percent) less 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 2006 to 2007

Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,679.2	9,876.5	9,947.5	10,138.9	10,557.5	10,948.6	11,321.7	11,669.7
% Ch	4.5	2.0	0.7	1.9	4.1	3.7	3.4	3.1
Real Consumption	6,599.5	6,829.1	7,010.9	7,180.1	7,453.8	7,727.7	7,945.3	8,202.8
% Ch	5.0	3.5	2.7	2.4	3.8	3.7	2.8	3.2
Real Nonresidential Fixed Investment	1,186.8	1,229.4	1,115.3	1,061.8	1,130.6	1,242.8	1,360.9	1,474.1
% Ch	9.4	3.6	-9.3	-4.8	6.5	9.9	9.5	8.3
Real Residential Fixed Investment	449.8	444.2	457.1	483.0	541.1	580.8	597.4	550.2
% Ch	3.5	-1.2	2.9	5.7	12.0	7.3	2.9	-7.9
Real Personal Income	8,209.2	8,524.6	8,567.5	8,593.3	8,815.5	9,130.8	9,370.7	9,762.8
% Ch	4.2	3.8	0.5	0.3	2.6	3.6	2.6	4.2
Real Per Capita Income (\$/Person)	29,181	29,988	29,835	29,629	30,112	30,905	31,430	32,454
% Ch	3.0	2.8	-0.5	-0.7	1.6	2.6	1.7	3.3
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.027	1.046	1.067	1.096	1.130	1.154
% Ch	2.3	2.3	1.5	1.8	2.1	2.7	3.1	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.693	1.751	1.782	1.821	1.861	1.917	1.987	2.024
% Ch	2.9	3.4	1.8	2.2	2.2	3.0	3.7	1.9
Employment Cost Index (June 1989=1.0)	1.431	1.487	1.541	1.585	1.630	1.670	1.716	1.780
% Ch	3.7	3.9	3.6	2.9	2.8	2.4	2.8	3.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,571.3	9,991.5	10,280.3	10,670.0	11,361.7	12,097.7	12,860.1	13,527.9
% Ch	6.4	4.4	2.9	3.8	6.5	6.5	6.3	5.2
Personal Income	8,115.3	8,622.2	8,798.7	8,988.3	9,410.8	10,012.2	10,590.8	11,263.9
% Ch	6.6	6.2	2.0	2.2	4.7	6.4	5.8	6.4
Employment (Millions)								
U.S. Civilian Labor Force	142.0	143.2	144.4	145.9	146.8	148.2	150.6	152.8
Total U.S. Employment	135.4	137.2	136.4	137.1	138.3	140.3	143.1	145.3
Unemployment Rate (%)	4.07	4.13	5.47	5.89	5.81	5.31	4.97	4.93
Nonfarm Payroll Employment	130.60	132.25	130.88	130.12	130.48	132.57	134.63	136.51
% Ch	2.5	1.3	-1.0	-0.6	0.3	1.6	1.6	1.4
Manufacturing	17.29	17.04	15.74	14.88	14.33	14.32	14.23	14.07
% Ch	-0.8	-1.4	-7.7	-5.4	-3.7	-0.0	-0.7	-1.1
Durable Manufacturing	10.85	10.75	9.83	9.21	8.88	8.95	8.94	8.88
% Ch	-0.1	-0.9	-8.6	-6.2	-3.6	0.9	-0.2	-0.6
Nondurable Manufacturing	6.44	6.29	5.91	5.67	5.45	5.37	5.29	5.18
% Ch	-1.9	-2.4	-6.0	-4.1	-3.8	-1.5	-1.5	-2.0
Construction	6.70	6.82	6.77	6.69	6.84	7.10	7.34	7.38
% Ch	5.4	1.8	-0.7	-1.2	2.2	3.8	3.4	0.5
Service-Producing	106.01	107.78	107.78	107.97	108.74	110.54	112.43	114.39
% Ch	2.9	1.7	-0.0	0.2	0.7	1.7	1.7	1.7
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	26.0	30.1	23.8	29.9	33.8	48.8	61.6	61.4
Credit Outstanding/Disp. Income	22.4	23.4	24.0	24.4	24.1	23.9	23.9	23.6
Auto Sales (Millions)	9.0	8.5	8.2	7.9	7.5	7.6	7.4	7.3
% Ch	7.8	-5.0	-4.3	-3.7	-4.3	0.2	-1.5	-1.4
Housing Starts (Millions)	1.638	1.571	1.646	1.729	1.944	2.019	1.934	1.820
% Ch	-1.3	-4.1	4.8	5.1	12.4	3.8	-4.2	-5.9
Federal Budget Surplus (Billions)	156.2	161.0	-135.8	-302.9	-426.0	-341.8	-327.8	-308.9
Net Exports (Billions)	-323.9	-389.8	-375.7	-477.9	-543.3	-678.0	-760.8	-783.5
3-Month Treasury Bill Rate (%)	5.23	5.14	2.15	1.30	0.96	2.21	3.98	4.38
10-Year Treasury Note Yield (%)	6.17	5.45	4.98	3.95	4.29	4.23	4.73	5.20
Bond Index of 20 G.O. Munis. (%)	5.82	5.35	5.14	4.77	4.79	4.50	4.82	5.34
30-Year Fixed Mortgage Rate (%)	8.05	7.45	6.88	5.93	5.92	5.78	6.29	6.78

Table 1.2
Washington Economic Forecast Summary
 Forecast 2006 to 2007

Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	185.815	188.591	190.099	189.817	192.593	202.224	203.715	214.504
% Ch	6.3	1.5	0.8	-0.1	1.5	5.0	0.7	5.3
Real Wage and Salary Disb.	110.278	108.885	107.636	107.327	108.451	110.890	114.335	120.170
% Ch	8.4	-1.3	-1.1	-0.3	1.0	2.2	3.1	5.1
Real Nonwage Income	75.536	79.706	82.463	82.489	84.142	91.335	89.380	94.334
% Ch	3.4	5.5	3.5	0.0	2.0	8.5	-2.1	5.5
Real Per Capita Income (\$/Person)	31,561	31,621	31,511	31,158	31,263	32,374	32,061	33,186
% Ch	5.1	0.2	-0.3	-1.1	0.3	3.6	-1.0	3.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.027	1.046	1.067	1.096	1.130	1.154
% Ch	2.3	2.3	1.5	1.8	2.1	2.7	3.1	2.1
Seattle Cons. Price Index (1982-84=1.0)	1.757	1.828	1.876	1.910	1.935	1.973	2.017	2.057
% Ch	3.2	4.0	2.7	1.8	1.3	1.9	2.3	2.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.42	17.30	18.34	17.88	18.15	18.57	19.07	19.48
% Ch	2.8	5.4	6.0	-2.5	1.5	2.3	2.7	2.1
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	183.265	190.420	194.971	198.015	204.710	221.131	229.707	246.905
% Ch	8.9	3.9	2.4	1.6	3.4	8.0	3.9	7.5
Personal Income	183.670	190.757	195.224	198.531	205.582	221.705	230.233	247.479
% Ch	8.8	3.9	2.3	1.7	3.6	7.8	3.8	7.5
Disposable Personal Income	157.042	162.472	170.526	175.641	183.784	196.614	202.949	217.314
% Ch	8.1	3.5	5.0	3.0	4.6	7.0	3.2	7.1
Per Capita Income (\$/Person)	31,196	31,983	32,360	32,588	33,371	35,492	36,234	38,286
% Ch	7.5	2.5	1.2	0.7	2.4	6.4	2.1	5.7
Employment (Thousands)								
Washington Civilian Labor Force	3,059.4	3,050.0	3,072.0	3,133.2	3,198.3	3,256.7	3,333.4	3,404.4
Total Washington Employment	2,912.1	2,884.0	2,855.5	2,903.7	2,978.1	3,070.1	3,144.8	3,214.0
Unemployment Rate (%)	4.81	5.44	7.05	7.32	6.89	5.73	5.66	5.59
Nonfarm Payroll Employment	2,684.4	2,717.5	2,665.4	2,654.9	2,674.5	2,739.2	2,809.2	2,873.9
% Ch	2.4	1.2	-1.9	-0.4	0.7	2.4	2.6	2.3
Manufacturing	336.3	326.4	300.1	274.8	263.2	267.1	273.9	279.9
% Ch	-4.8	-2.9	-8.1	-8.4	-4.2	1.5	2.5	2.2
Durable Manufacturing	239.7	232.9	212.0	190.5	181.0	186.3	194.3	201.8
% Ch	-6.4	-2.8	-9.0	-10.2	-5.0	3.0	4.3	3.9
Aerospace	89.6	86.8	82.9	70.1	62.1	63.3	68.8	76.8
% Ch	-16.5	-3.1	-4.5	-15.5	-11.4	2.0	8.6	11.6
Nondurable Manufacturing	96.5	93.5	88.1	84.3	82.3	80.8	79.6	78.1
% Ch	-0.3	-3.2	-5.7	-4.3	-2.5	-1.8	-1.5	-1.8
Construction	158.3	161.3	154.8	154.9	160.0	170.2	179.0	181.6
% Ch	6.5	1.9	-4.1	0.1	3.2	6.4	5.2	1.5
Service-Producing	2,179.4	2,220.0	2,200.9	2,216.1	2,242.5	2,292.6	2,347.1	2,403.1
% Ch	3.3	1.9	-0.9	0.7	1.2	2.2	2.4	2.4
Software Publishers	29.6	34.5	36.0	36.5	38.5	40.0	42.1	43.8
% Ch	14.0	16.9	4.1	1.6	5.5	3.8	5.3	4.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	39.065	40.384	37.216	42.753	44.193	52.147	51.186	49.167
% Ch	-13.1	3.4	-7.8	14.9	3.4	18.0	-1.8	-3.9
Single-Family	26.372	26.761	26.856	32.802	34.396	38.043	36.145	30.986
% Ch	-6.7	1.5	0.4	22.1	4.9	10.6	-5.0	-14.3
Multi-Family	12.693	13.623	10.360	9.951	9.797	14.105	15.041	18.181
% Ch	-24.0	7.3	-24.0	-4.0	-1.5	44.0	6.6	20.9
30-Year Fixed Mortgage Rate (%)	8.05	7.45	6.88	5.93	5.92	5.78	6.29	6.78

Table 1.3
Comparison of Alternative Forecasts

	Fiscal Year 2005				Fiscal Year 2006				Fiscal Year 2007			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	10948.6	10948.6	10948.6	10948.6	11354.9	11321.7	11270.8	11313.1	11827.4	11669.7	11479.8	11642.6
%Ch	3.7	3.7	3.7	3.7	3.7	3.4	2.9	3.3	4.2	3.1	1.9	2.9
Implicit Price Deflator	1.096	1.096	1.096	1.096	1.128	1.130	1.141	1.132	1.144	1.154	1.179	1.159
%Ch	2.7	2.7	2.7	2.7	2.9	3.1	4.0	3.3	1.4	2.1	3.3	2.4
Mortgage Rate	5.78	5.78	5.78	5.78	6.15	6.29	7.50	6.29	6.30	6.78	9.92	6.70
3 Month T-Bill Rate	2.21	2.21	2.21	2.21	3.78	3.98	4.38	3.91	3.96	4.38	5.80	3.94
Washington												
Real Personal Income	202.224	202.224	202.224	202.224	206.881	203.715	199.070	203.312	223.908	214.504	203.908	211.948
%Ch	5.0	5.0	5.0	5.0	2.3	0.7	-1.6	0.5	8.2	5.3	2.4	4.2
Personal Income	221.705	221.705	221.705	221.705	233.461	230.233	227.045	230.216	256.086	247.479	240.355	245.755
%Ch	7.8	7.8	7.8	7.8	5.3	3.8	2.4	3.8	9.7	7.5	5.9	6.7
Employment	2739.2	2739.2	2739.2	2739.2	2819.9	2809.2	2798.9	2808.4	2914.1	2873.9	2832.7	2869.7
%Ch	2.4	2.4	2.4	2.4	2.9	2.6	2.2	2.5	3.3	2.3	1.2	2.2
Housing Permits	52.147	52.147	52.147	52.147	53.468	51.186	45.250	51.709	56.148	49.167	36.461	50.222
%Ch	18.0	18.0	18.0	18.0	2.5	-1.8	-13.2	-0.8	5.0	-3.9	-19.4	-2.9

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

Table 1.4
Forecast Analysis
 Comparison of Forecasts for 2003-05

Forecast Date	2004				2005				2006				2007	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
U.S.														
Percent Growth, 2005:2-2007:2														
Real GDP	6.8	6.8	6.5	6.2	6.4	5.9	6.3	6.4						
Implicit Price Deflator	3.9	3.7	3.8	3.5	3.7	3.9	5.0	5.0						
Average Rate, 2005:3 to 2007:2														
3 Month T-Bill Rate	2.65	2.68	3.20	3.10	3.42	3.89	4.04	4.18						
Mortgage Rate	7.01	6.57	6.98	6.54	6.46	6.76	6.37	6.54						
Washington														
Percent Growth, 2005:2-2007:2														
Employment	4.2	4.0	3.9	3.3	3.6	4.0	4.4	4.6						
Personal Income	12.8	12.7	12.5	11.9	12.2	13.0	14.0	14.3						
Real Personal Income	8.6	8.7	8.5	8.1	8.3	8.8	8.6	8.9						
Total (Thousands of units), 2005:3 to 2007:2														
Housing Units Authorized	79.2	86.9	88.0	86.3	89.7	93.4	98.1	100.4						

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2005 to 2007

	2003	2004	2005	2006	2007
U.S.					
Real GDP					
November Baseline	10138.9	10557.5	10948.6	11321.7	11669.7
% Ch	1.9	4.1	3.7	3.4	3.1
September Baseline	10138.9	10557.5	10948.5	11322.7	11664.8
% Ch	1.9	4.1	3.7	3.4	3.0
Implicit Price Deflator					
November Baseline	1.046	1.067	1.096	1.130	1.154
% Ch	1.8	2.1	2.7	3.1	2.1
September Baseline	1.046	1.067	1.096	1.130	1.154
% Ch	1.8	2.1	2.7	3.0	2.1
U.S. Unemployment Rate					
November Baseline	5.89	5.81	5.31	4.97	4.93
September Baseline	5.89	5.81	5.31	4.98	4.93
Mortgage Rate					
November Baseline	5.93	5.92	5.78	6.29	6.78
September Baseline	5.93	5.92	5.78	6.01	6.73
3 Month T-Bill Rate					
November Baseline	1.30	0.96	2.21	3.98	4.38
September Baseline	1.30	0.96	2.21	3.74	4.34
Washington					
Real Personal Income					
November Baseline	189.817	192.593	202.224	203.715	214.504
% Ch	-0.1	1.5	5.0	0.7	5.3
September Baseline	191.548	195.008	204.519	208.249	218.091
% Ch	0.6	1.8	4.9	1.8	4.7
Personal Income					
November Baseline	198.531	205.582	221.705	230.233	247.479
% Ch	1.7	3.6	7.8	3.8	7.5
September Baseline	200.344	208.157	224.211	235.272	251.616
% Ch	2.4	3.9	7.7	4.9	6.9
Employment					
November Baseline	2654.9	2674.5	2739.2	2809.2	2873.9
% Ch	-0.4	0.7	2.4	2.6	2.3
September Baseline	2654.9	2674.5	2739.5	2809.1	2868.0
% Ch	-0.4	0.7	2.4	2.5	2.1
Housing Permits					
November Baseline	42.753	44.193	52.147	51.186	49.167
% Ch	14.9	3.4	18.0	-1.8	-3.9
September Baseline	42.753	44.193	52.147	49.496	48.558
% Ch	14.9	3.4	18.0	-5.1	-1.9

Table 1.6
Long Range Economic Outlook
 Forecast 2005 to 2015

Calendar Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
U.S.											
Real GDP, %Ch	3.5	3.3	3.0	3.4	2.9	2.8	2.7	2.7	3.0	3.2	3.3
Implicit Price Deflator, %Ch	2.9	2.5	2.2	2.0	2.2	2.2	2.5	2.6	2.5	2.5	2.5
3 Month T-Bill Rate	3.15	4.36	4.46	4.66	4.86	5.00	5.00	5.00	5.00	5.00	5.00
Mortgage Rate	5.85	6.68	6.94	7.05	7.32	7.58	7.59	7.59	7.59	7.59	7.59
State*											
Real Personal Income, %Ch	0.2	4.7	4.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	3.0	7.4	6.9	4.5	4.8	4.8	5.1	5.2	5.1	5.0	5.0
Employment, %Ch	2.7	2.4	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

* September 2005 Baseline (2005-2007) judgmentally extended through 2015.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

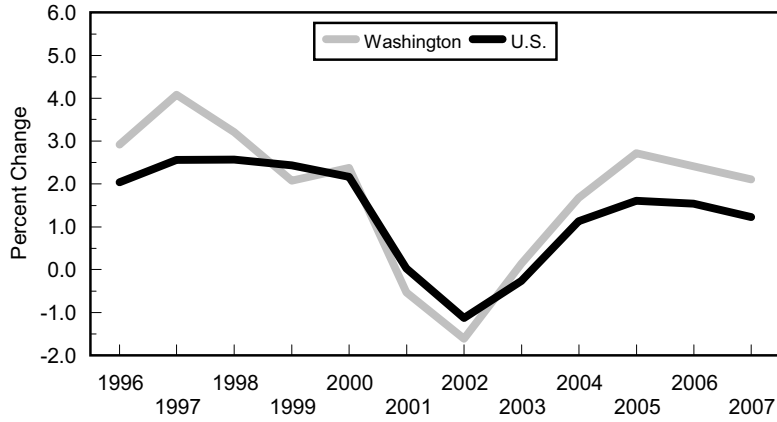


Chart 1.2
Manufacturing Employment

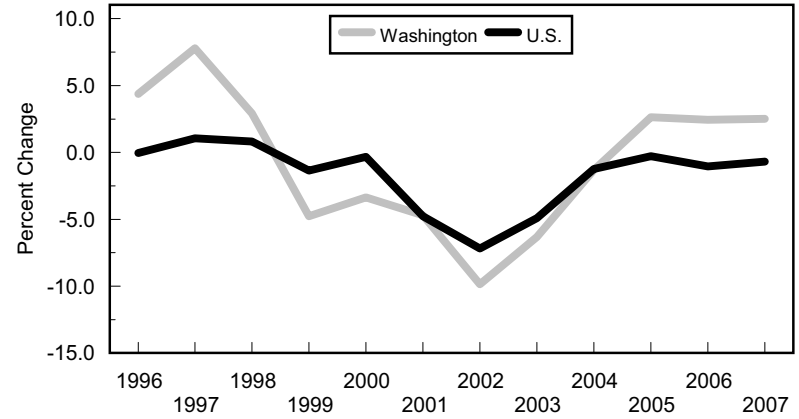


Chart 1.3
Aerospace Employment

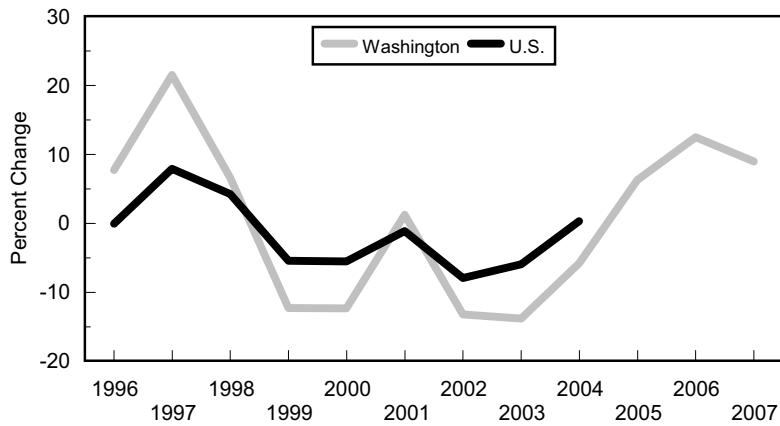
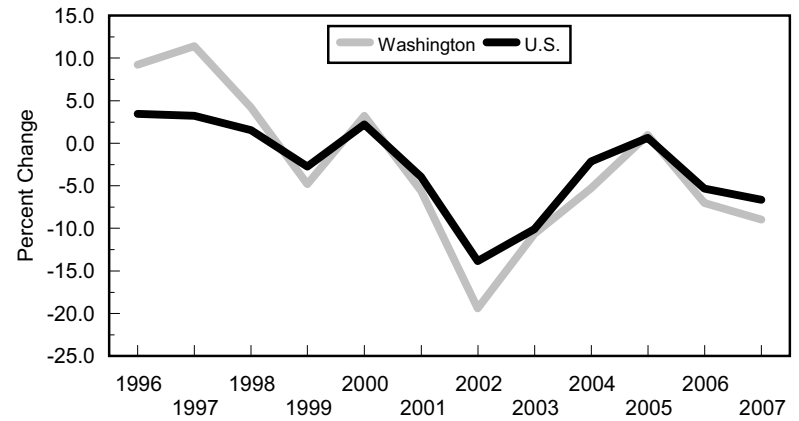


Chart 1.4
Computers and Electronics Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

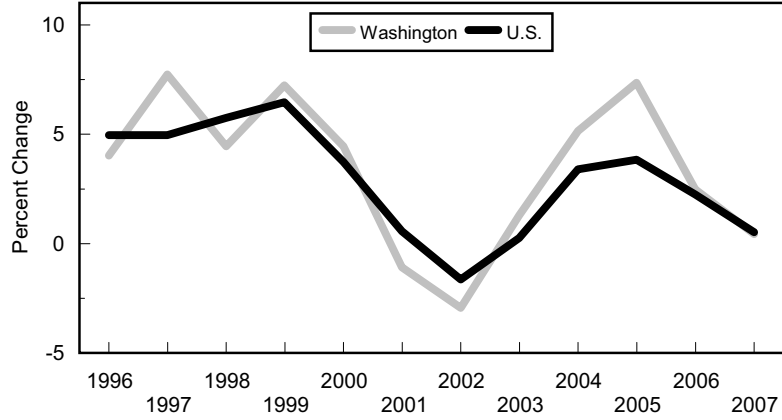


Chart 1.6
Information Employment

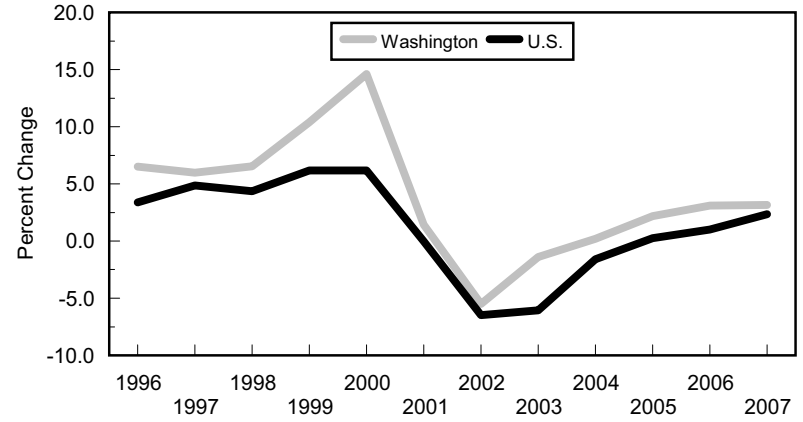


Chart 1.7
Other Private Employment

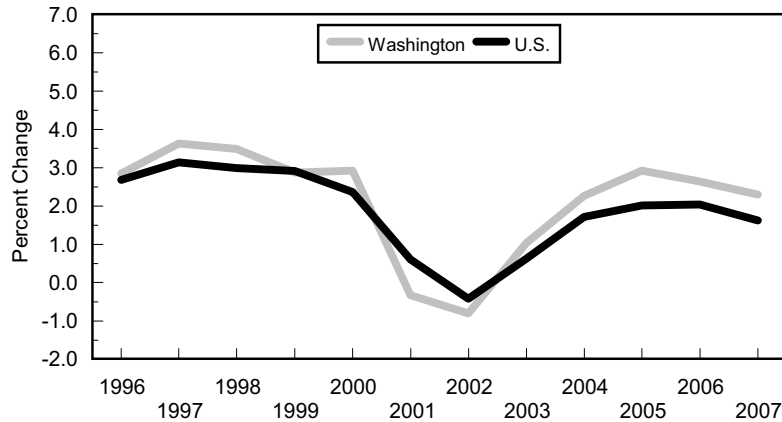
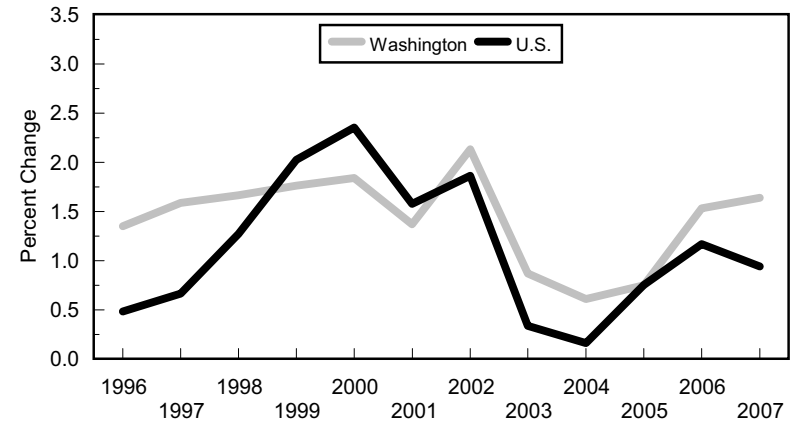


Chart 1.8
Government Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

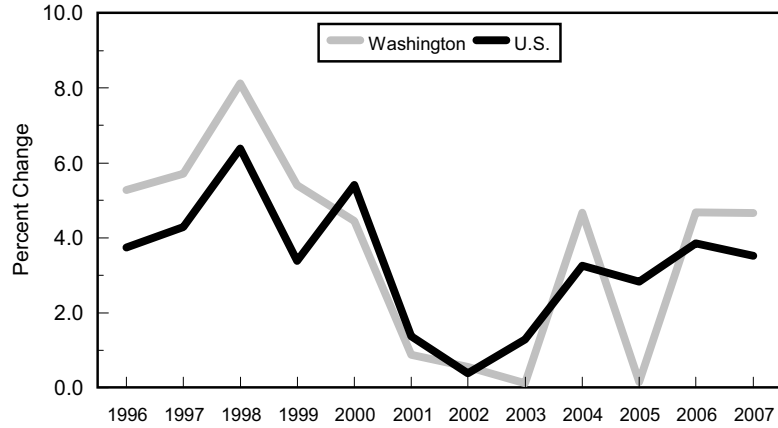


Chart 1.10
Consumer Price Indices

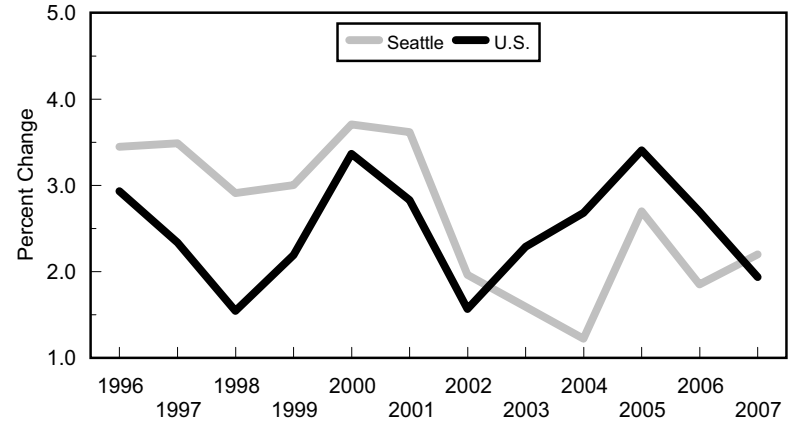


Chart 1.11
Population

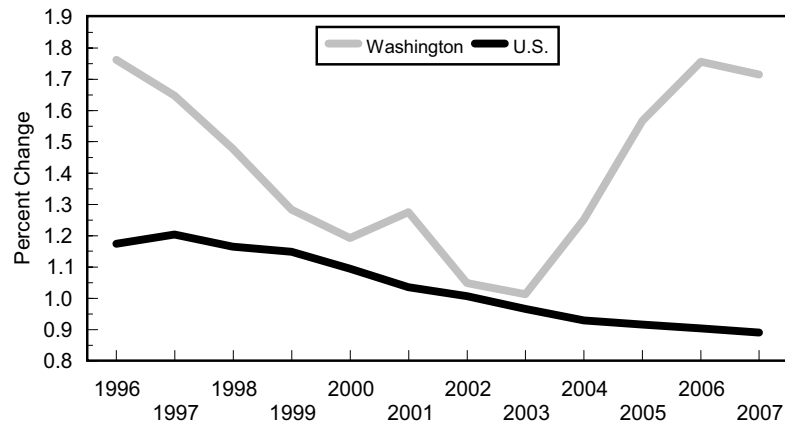
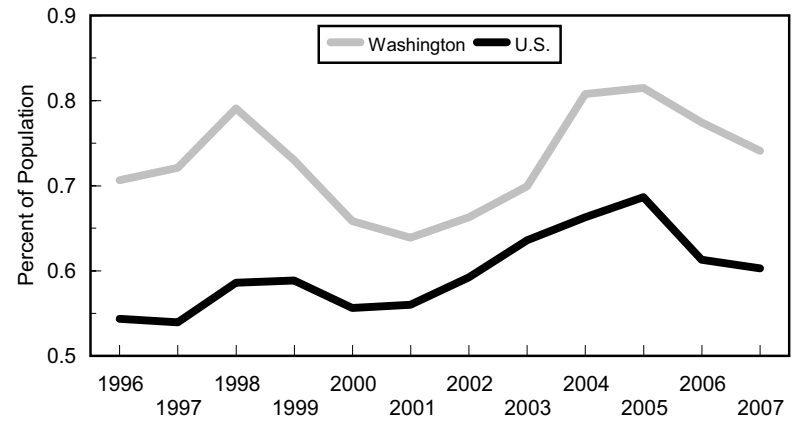


Chart 1.12
Per Capita Housing Units



Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

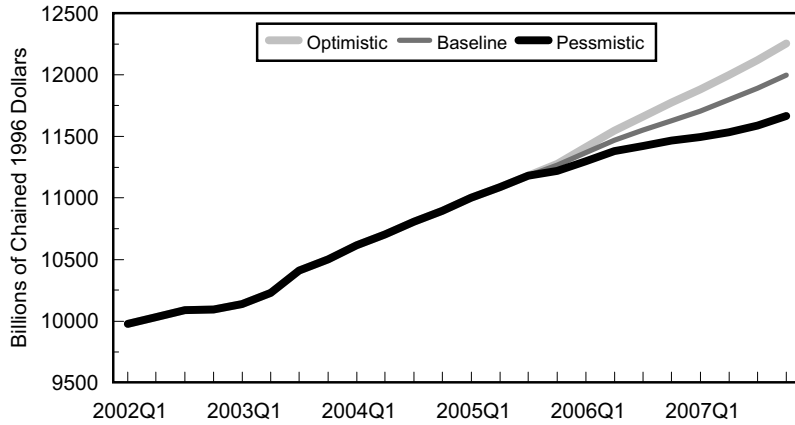


Chart 1.14
Implicit Price Deflator

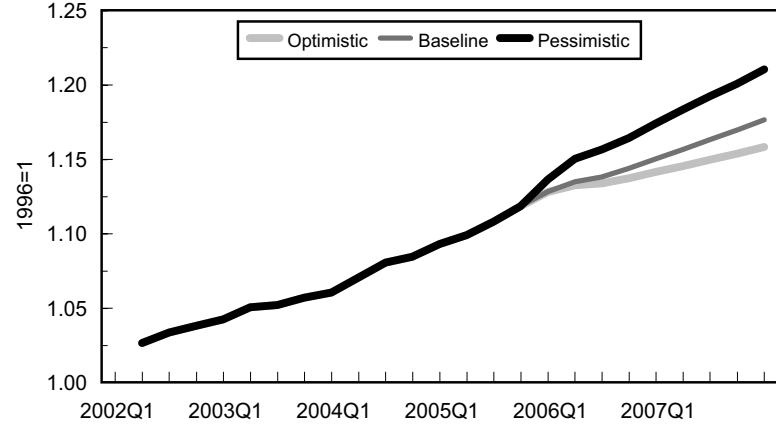


Chart 1.15
Mortgage Rate

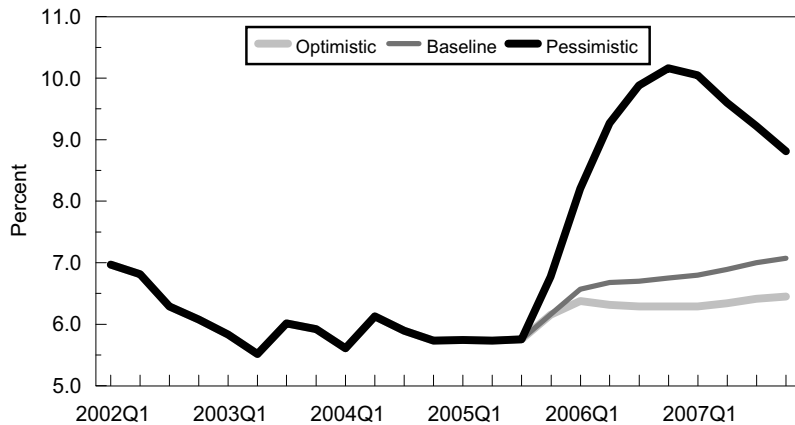
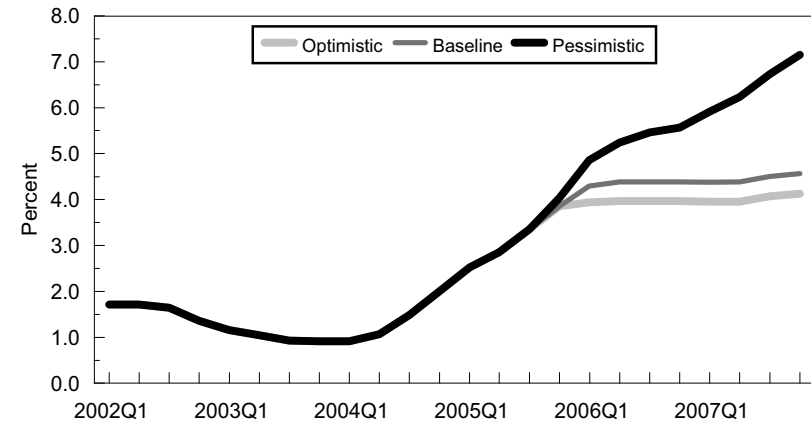


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

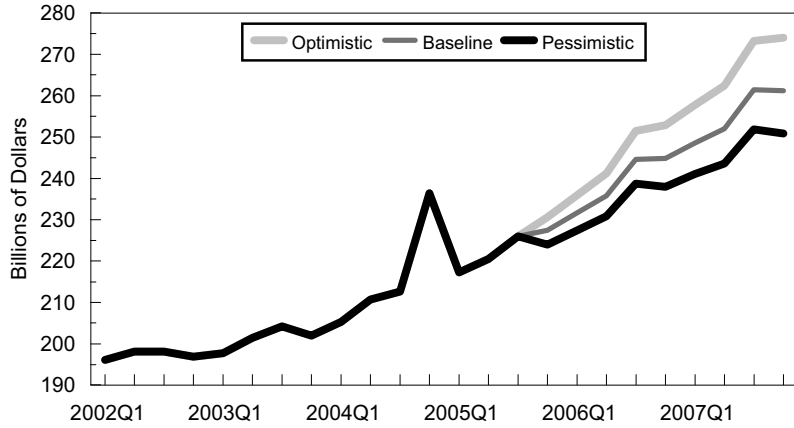


Chart 1.18
Real Personal Income

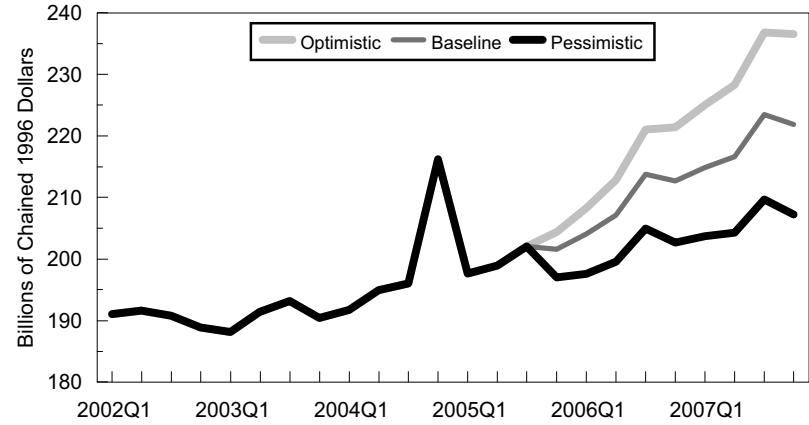


Chart 1.19
Total Nonfarm Payroll Employment

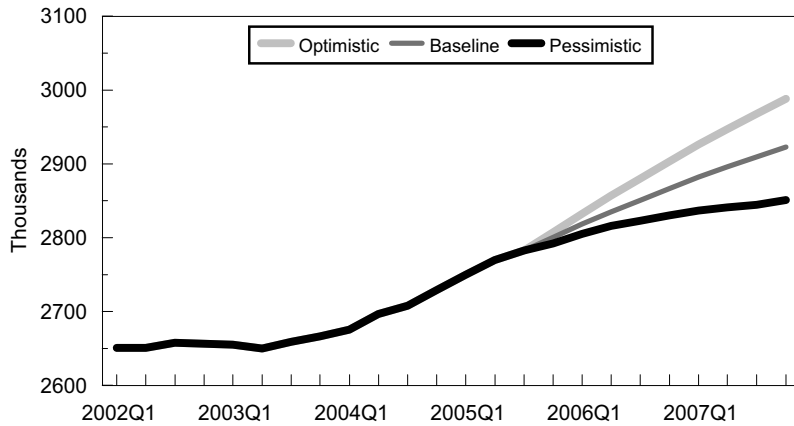
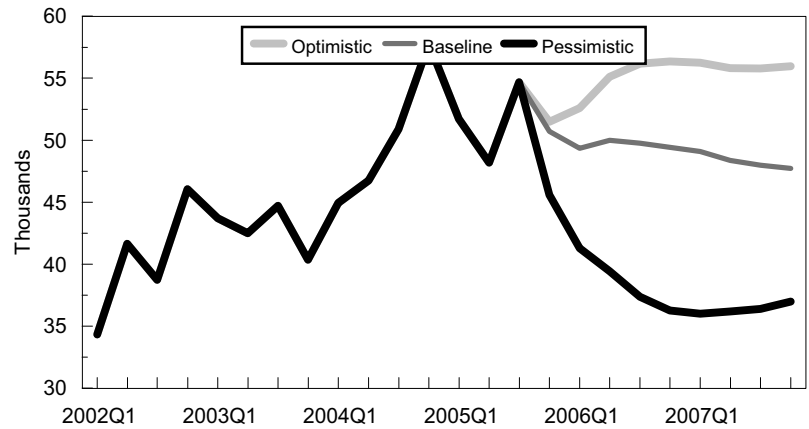


Chart 1.20
Housing Permits



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 4.3* percent annual rate in the second quarter of 2005, up considerably from the second quarter's rate of 3.3 percent. As in the previous quarter, the bulk of the growth was provided by real consumer spending, increasing at an annual rate of 4.2 percent in the third quarter and 3.4 percent in the second. Real consumer spending was supported mainly by real durable goods consumption, which accelerated to an annual growth rate of 10.5 percent due largely to increased auto sales that were the result of aggressive dealer incentives during that period. Real nondurable goods consumption increased at a rate of 3.6 percent, the same as in the second quarter, and real services consumption increased at a rate of 3.3 percent, up from the previous quarter's rate of 2.3 percent. Real gross private domestic investment also staged a comeback in the third quarter, growing at a rate of 5.8 percent after contracting at an annual rate of 3.7 percent in the previous quarter. Real fixed investment grew at a strong rate of 8.6 percent in the third quarter, with growth rates of 8.8 in non-residential investment and 8.4 in residential investment. Investment growth rates for the previous quarter were even stronger at 9.5, 8.8 and 10.8 respectively. Real government spending growth increased to a rate of 3.2 percent after increasing at a rate of 2.5 percent in the second quarter. While trade contributed positively to headline real GDP growth in the second quarter, it detracted from GDP growth in the third quarter as real imports, propelled by hurricane-related price and volume increases for energy imports, increased at a rate of 2.1 percent while exports only increased at 0.8 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased slightly in October to 59.1 from its September value of 59.4. Despite the decline, the fact that the index value remains above 50 indicates that manufacturing sector output is still increasing. The index has now been above 50 points for the past thirty months. The employment component of the index increased slightly to 55.0 in October, up from September's value of 53.1. A value greater than 50 indicates that more of the manufacturers surveyed have been increasing employment than decreasing it during that period.

The aftermath of hurricane Katrina cut short a string of twenty-seven consecutive months of U.S. seasonally-adjusted payroll growth with a decline of eight thousand jobs in September. October's seasonally adjusted payroll growth recovered slightly to a monthly gain of 56 thousand jobs. Year-over-year employment growth was 1.4 percent in October and 1.6 percent in September. The U.S. seasonally-adjusted unemployment rate decreased to 5.0 percent in October from September's value of 5.1 percent.

Productivity growth surged in the third quarter of 2005, increasing at a 4.1 percent annual rate after growing at a weak 2.1 percent rate in the second quarter. Energy prices drove a large monthly increase of

1.2 percent in September's seasonally adjusted Consumer Price Index (CPI), but the subsequent decline of those prices in October brought that month's increase to a rate of only 0.2 percent. Year-over-year CPI growth was 4.3 percent in October and 4.7 percent in September. The seasonally-adjusted index excluding food and energy increased at a monthly rate of 0.2 percent in October and 0.1 percent in September, resulting in year-over-year growth rates of 2.0 percent for both months.

The Conference Board's Index of Consumer Confidence, after a considerable decline in September and a smaller decline in October, increased to 98.9 in November from October's value of 85.2. Both the expectations and present conditions components of the index improved, with the larger increase in the expectations component. The University of Michigan Consumer Sentiment Survey also showed improvement in both the expectations and present conditions components in November, increasing the composite survey to 81.6 from October's value of 74.2. The Conference Board's U.S. Index of Leading Indicators increased 0.9 percent in October after declining by 0.8 percent in September. Only two of the ten index components were negative in October.

The Federal Open Market Committee (FOMC) voted to increase its target rate for federal funds from 3.75 to 4.0 percent at its November 1, 2005 meeting. This was the FOMC's twelfth consecutive 25 basis point increase since its meeting of June 30, 2004. The Committee's statement reaffirmed its continued tightening policy, retaining the paragraph that has remained constant since the March meeting that it "...believes that policy accommodation can be removed at a pace that is likely to be measured."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, increased to 149 in November, a year-over-year increase of 27.4 percent. This followed a 25.4 percent year-over-year increase in October. The Conference Board's Help Wanted Index, however, which measures newspaper employment advertising, remained flat in October at 38, the same value it has held since August. Year-over-year growth in the index was 2.7 percent.

The State Economy and Indicators

Washington wage and salary employment rose at a 1.8 percent annual rate in the third quarter of 2005, following a growth rate of 2.9 percent in the second quarter. This was the ninth consecutive quarterly increase. Third quarter employment was negatively affected, however, by the strike of approximately sixteen thousand Boeing workers in September. Absent the strike, payroll employment for the quarter would have increased at a 2.6 percent annual rate. The strike also negatively impacted third quarter aerospace employment growth, which registered at a negative 19.2 percent annual rate after increasing at a strong 9.9 percent rate the quarter before. Absent the strike, which ended before October's jobs count, aerospace employment would have grown at a rate of 12.3 percent. The strike also decreased third quarter durable goods manufacturing employment at an annual rate of 6.3 percent after growing at a rate of 7.7 percent in the second quarter. Absent the strike, third quarter durable goods employment would have grown at an annual rate of 4.8 percent. Employment in nondurable goods manufacturing decreased for a second consecutive quarter, declining at an annual rate of 3.0 percent in the third quarter and 2.4 percent in the second.

Washington's seasonally adjusted unemployment rate decreased in October to 5.6 percent from September's value of 5.7 percent. This improvement was independent of any Boeing strike effects as the survey used for creating unemployment rates did not count the strikers as being unemployed in September. The non-seasonally adjusted Washington Purchasing Management Index decreased in October to a value of 59.6 from September's value of 67.2. As with the national ISM index, values greater than 50 indicate expansion. The index has been greater than 50 for the last thirty-one months. The employment compo-

ment of the index decreased to 58.3 from September's value of 66.7. The employment component has now been at or above 50 for the last twenty-six months.

Washington's seasonally adjusted initial claims for unemployment insurance rose very slightly in October to 35,330 from September's historically low count of 35,270. October's Seattle Times Index of Help-Wanted Advertising, however, decreased to 54.6 from September's level of 55.2. Washington's seasonally adjusted average weekly hours in manufacturing decreased to 38.7 in October from September's value of 38.9. October year-over-year growth in the Seattle CPI increased to 3.5 percent from August's value of 2.7 percent. October's index excluding food and energy, however, was up only 1.7 percent year-over-year.

The Boom Monitor Composite Index increased in October to a value of 53.6 from September's value of 55.8 (which excluded Boeing strike effects). The index has been above 50 for eight of the past ten months, dipping slightly below only in January and May. Boom Monitor levels near 50 indicate that growth in the index's components is near their historic growth rates. The Washington Index of Leading Indicators was unchanged in October, following a decrease of 0.1 percent in September. Since bottoming out in March 2003 at 101.8 points, the index has increased or remained constant twenty-five of the thirty-one intervening months. Only two of the seven index components, aerospace employment and the U.S. Index of Leading Indicators, were positive in October. While the authorized housing permits component declined to an annualized level of 51,000 units from September's level of 55,600 units, the October level is still quite strong.

Below is a summary of what various national and state measures are indicating as of the publication date of the November 2005 economic and revenue forecast.

**This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimates for the third quarter of 2005 released November 30, 2005). The November economic forecast is based upon the October Global Insight forecast, which was completed prior to the release of any third quarter GDP estimates by the BEA.*

Table 2.1

Summary of National and State Indicators

<u>Indicator</u>	<u>Latest Data</u>	<u>Most Recent Indication¹</u>
U.S. Leading Index	October 2005	+
U.S. Real GDP Growth	3rd quarter 2005	+
U.S. ISM Index	October 2005	+
U.S. Employment y-o-y %ch	October 2005	+ but slowing
U.S. Unemployment Rate	October 2005	+
U.S. Help Wanted Index	October 2005	-
U.S. Fed Funds Target	November 1, 2005	credit tightening
U.S. Consumer Confidence	November 2005	+
U.S. CPI	October 2005	-
U.S. Monster Employment Index	October 2005	+
S&P 500 Index	Week of November 25, 2005	+
WA Leading Index	October 2005	neutral
WA ISM Index	October 2005	+ but slowing
WA Help Wanted Index	October 2005	-
WA Employment y-o-y %ch	October 2005	+
WAAerospace Empl. Growth	October 2005	+
WA Unemployment Rate	October 2005	+
WA Boom Monitor	October 2005	+
WA Initial Unemploy. Claims	October 2005	+
WA Housing Permits	October 2005	slight -, still strong
WA Weekly Hours in Mfg.	October 2005	-
WA New Car/Truck Registration	October 2005	-
WA Migration (DOL data)	October 2005	+
WA Exports-Total	3rd quarter 2005	+
WA Exports- w/o Trans. Equip.	3rd quarter 2005	+
Seattle CPI	October 2005	-
NW Regional Stock Index	Week of November 25, 2005	+

¹ + sign: good for the economy; - sign : Indicates weakness

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
January 1980 to October 2005

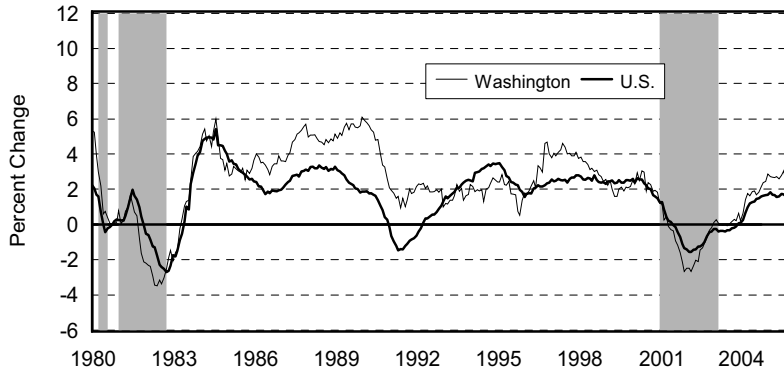


Chart 2.2
Washington Aircraft and Parts Employment
January 1958 to October 2005

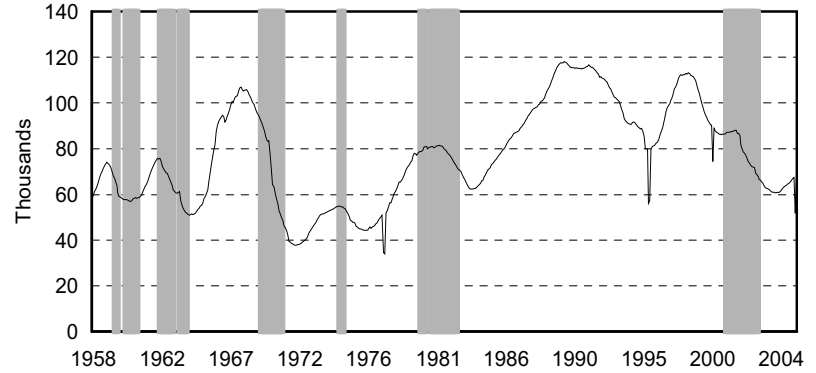


Chart 2.3
Unemployment Rate, S.A.
January 1980 to October 2005

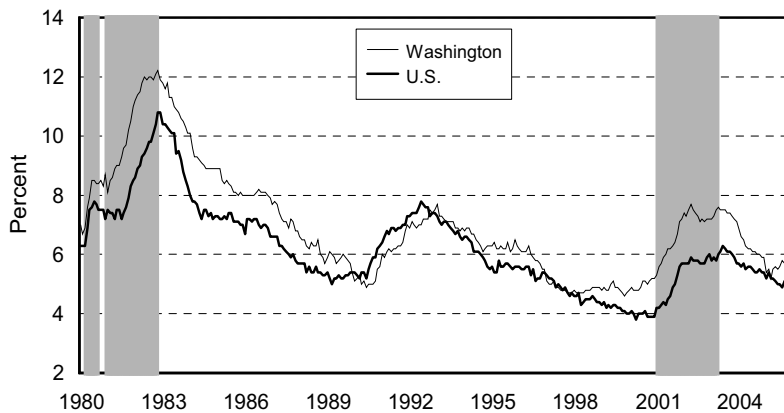
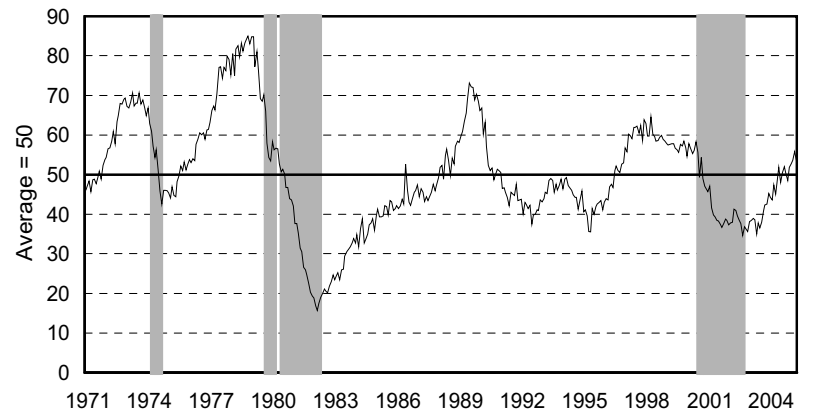


Chart 2.4
Washington Boom Monitor Composite Index
July 1971 to October 2005



* 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 October 2005

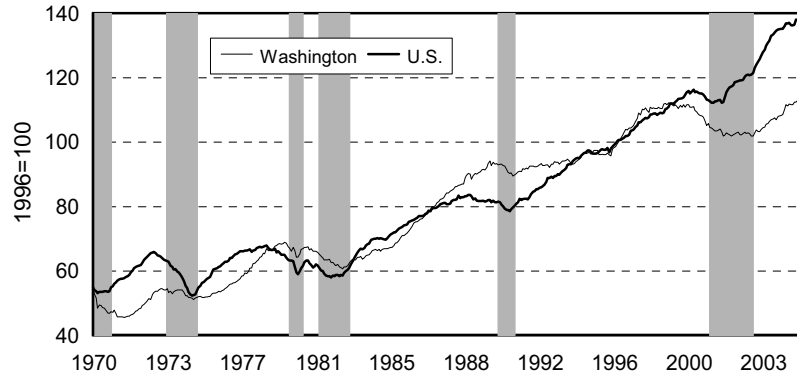


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to October 2005

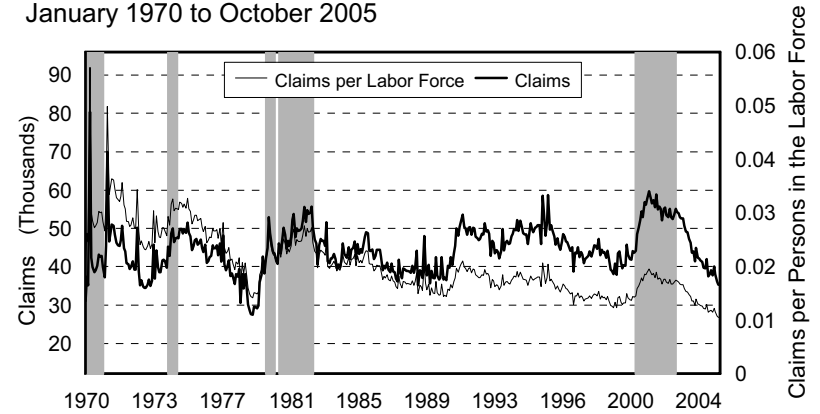


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to October 2005

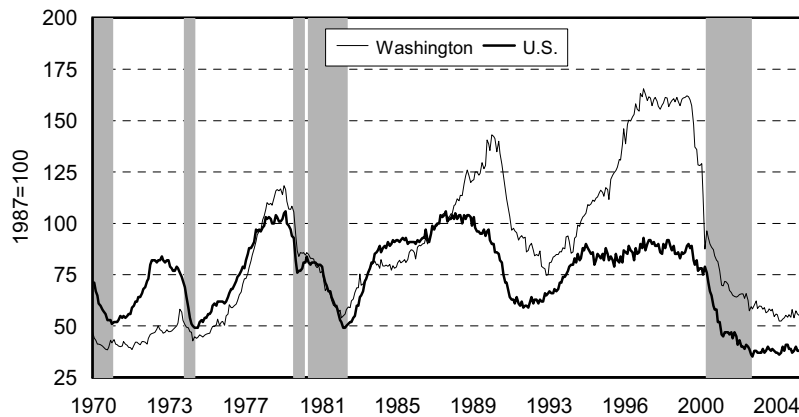
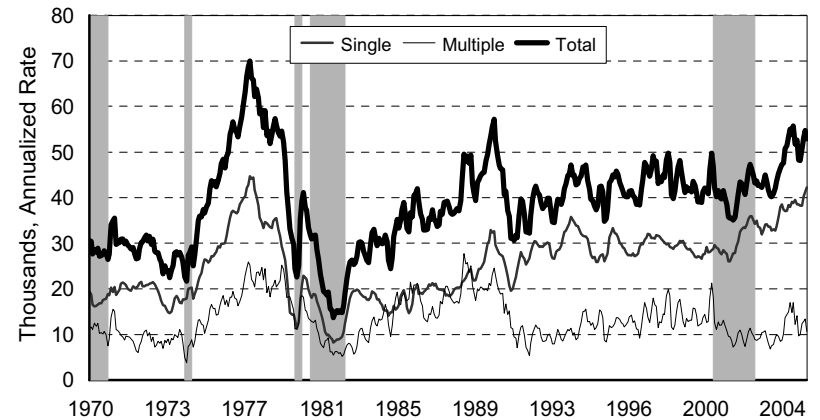


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to October 2005, 3-Month Moving Average



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 October 2005, 3-Mo. Moving Average, SA

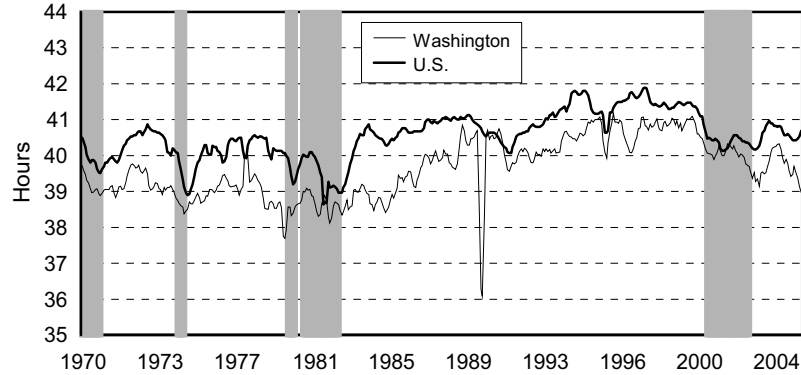


Chart 2.10
Washington Driver's License Migration
 September 1983 to October 2005 12-Month Moving Average

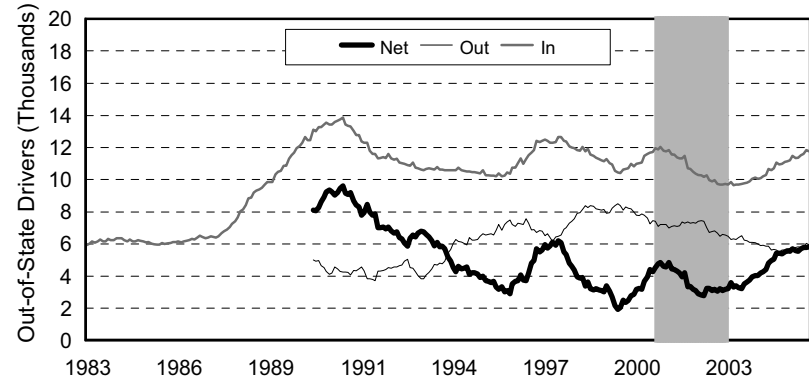


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to October 2005, 6-Month Moving Average

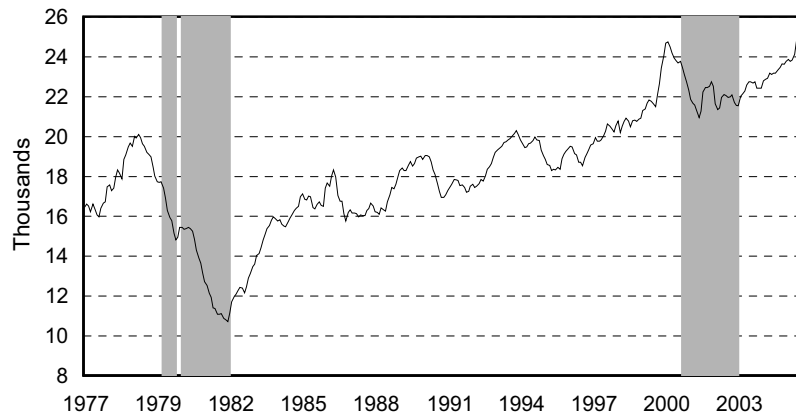
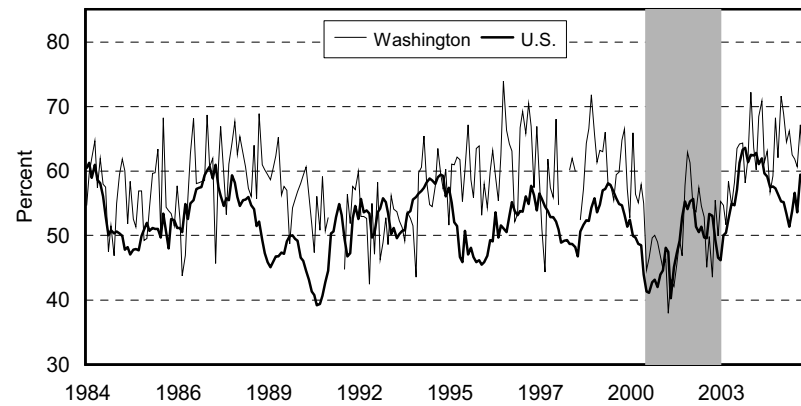


Chart 2.12
Institute for Supply Management Index
 January 1984 to October 2005



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2005 Q3

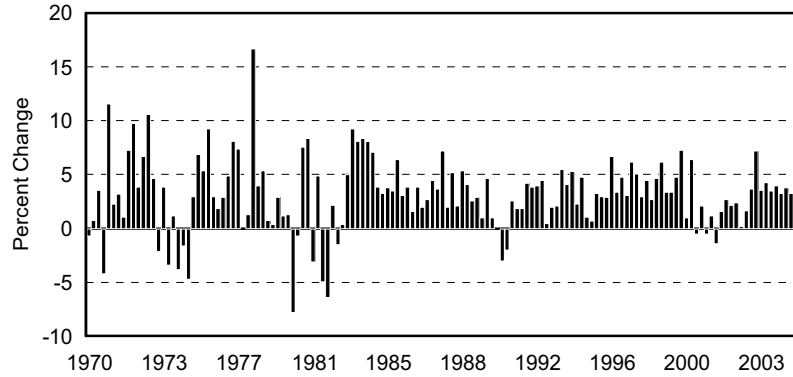


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2005Q3

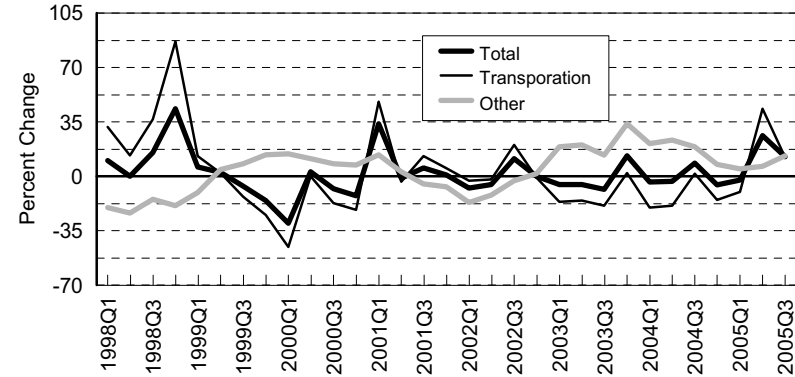


Chart 2.15
U.S. Economic Indicators*
 January 1970 to October 2005

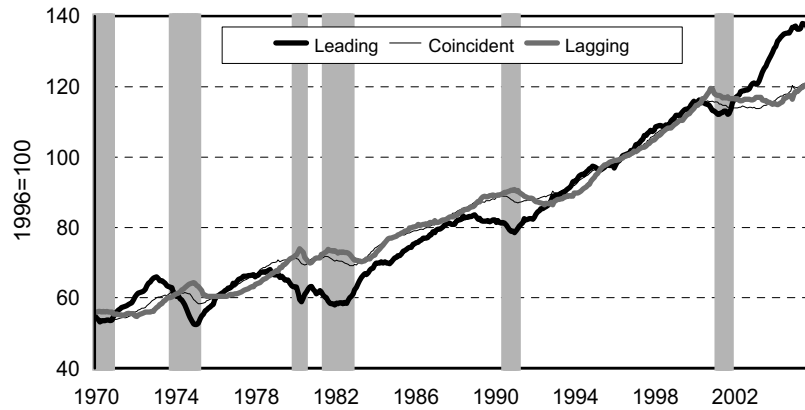
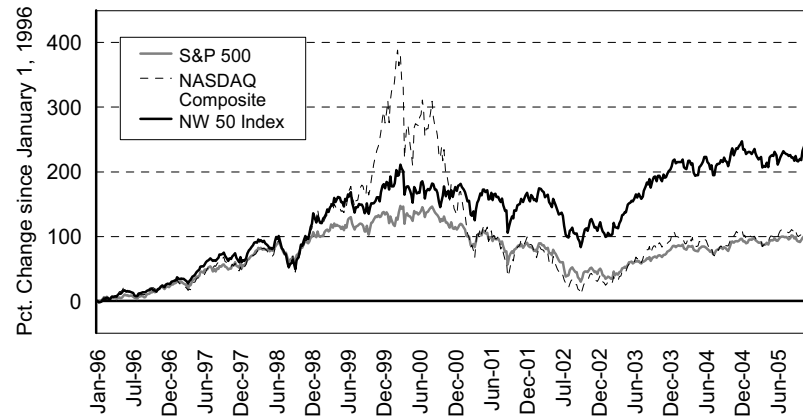


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
 January 1, 1996 to November 25, 2005



* 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 November 30, 2005

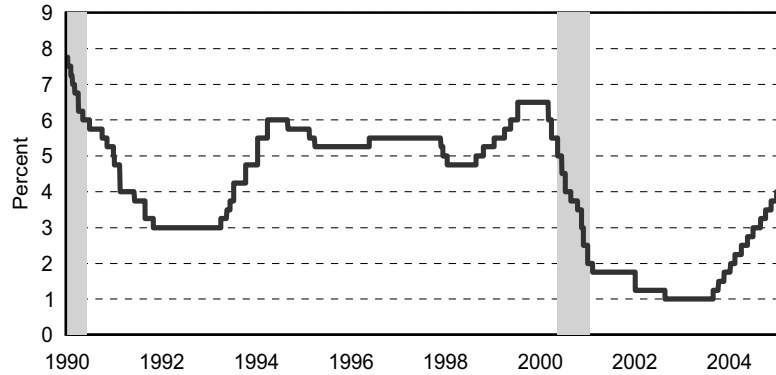


Chart 2.18
Consumer Confidence
 January 1978 to November 2005

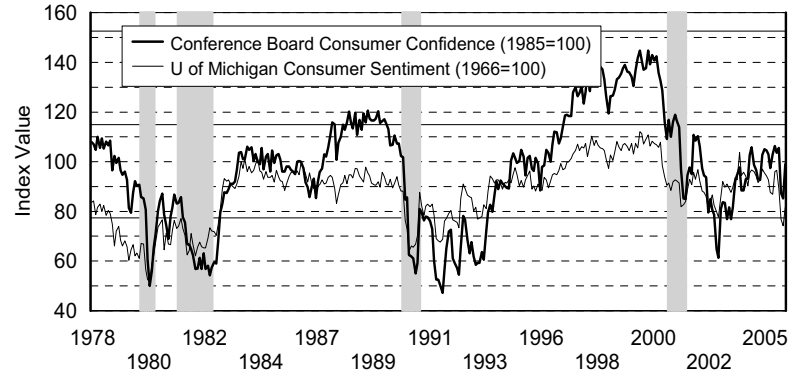


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to October 2005

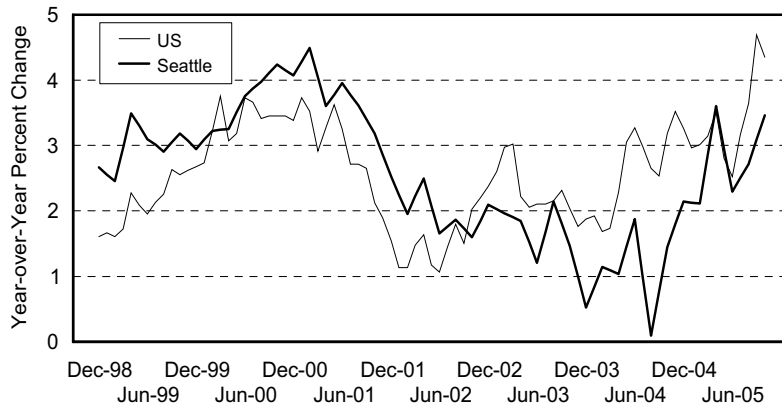
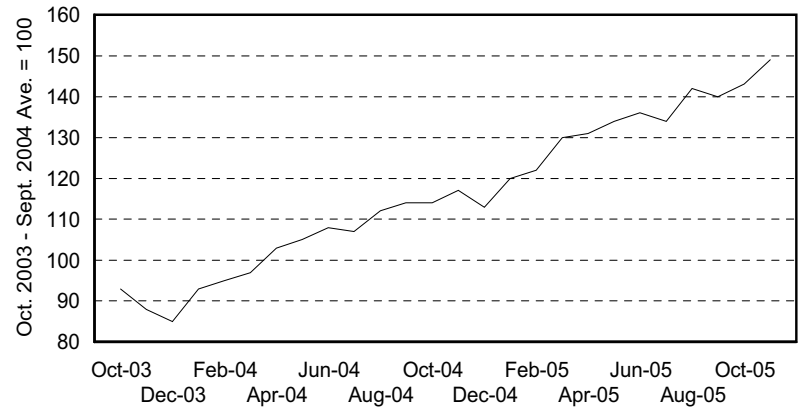


Chart 2.20
Monster Employment Index
 October 2003 to November 2005



* 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
2003:10	104.5	127.9	60	37	63.5	57.1
2003:11	104.7	128.7	58	39	64.2	61.3
2003:12	105.5	129.8	59	37	64.3	63.3
2004:1	105.8	130.9	57	38	58.2	63.6
2004:2	106.3	131.4	57	40	62.1	61.4
2004:3	106.9	133.0	58	39	72.2	62.5
2004:4	107.1	133.3	58	38	63.6	62.4
2004:5	107.4	134.0	58	39	60.2	62.8
2004:6	107.0	134.5	55	38	68.4	61.1
2004:7	108.1	135.0	56	37	70.9	62.0
2004:8	108.3	135.1	56	37	61.3	59.6
2004:9	108.3	135.2	52	36	63.1	59.1
2004:10	108.7	135.2	52	37	56.7	57.5
2004:11	110.4	136.0	53	40	59.3	57.6
2004:12	111.6	136.9	54	38	68.3	57.3
2005:1	111.2	136.8	55	41	62.1	56.4
2005:2	111.8	137.1	54	41	71.6	55.3
2005:3	111.5	136.2	56	39	68.9	55.2
2005:4	111.6	136.3	54	39	64.5	53.3
2005:5	112.3	136.5	58	37	66.3	51.4
2005:6	112.3	138.0	54	38	62.5	53.8
2005:7	113.0	137.8	58	40	61.8	56.6
2005:8	113.5	137.8	56	38	60.7	53.6
2005:9	113.4	136.7	55	38	67.2	59.4
2005:10	113.4	137.9	55	38	59.6	59.1

Washington State Revenue Forecast Summary

Introduction

The Washington State Economic and Revenue Forecast Council approved a \$299.8 million increase to the General Fund-State revenue forecast at its November 17, 2005 meeting. The change includes a \$304.9 million increase for the 2005-07 biennium and a \$5.1 million downward adjustment to the GFS revenue total for the 2003-05 biennium. The revision for the current biennium includes \$329.7 million due to a better economic outlook and stronger than expected tax collections. This increase was partially offset by a \$24.8 million reduction due to non-economic factors, primarily the passage of Initiative 900. The higher revenue forecast in November includes \$97.1 million more than expected tax payments in the two months since the September forecast. The strength of the real estate market continues to exceed expectations and remains the main engine driving economic and revenue growth. Mortgage rates have remained lower than assumed in September and continue to fuel the growth of construction and real estate activity. The strong housing market continues to provide households with additional resources via cash-out of home equity which along with solid employment and income growth, has led to strong spending and revenue growth. The November forecast continues to assume that higher interest rates will eventually lead to a weaker housing market and slower spending and revenue growth. The November forecast assumes we will see gradual slowing beginning in the fourth quarter of 2005.

Data revisions have reduced GFS revenue for the 2003-2005 biennium which ended June 30, 2005 by \$5.1 million. Cash receipts in the 2003-05 budget period which ended June 30, 2005 now total \$23,388.5 million. This was \$2.2 bil-

Table 3.1		Cash Basis		
Revision to the General Fund-State Forecast				
2003-05 & 2005-07 Biennia				
November 2005				
(Millions of dollars)				
	2003-05 Biennium	2005-07 Biennium	Both Biennia	
Legislation/ Non- Economic Change*	\$0.0	(\$24.8)	(\$24.8)	
Forecast Change	(\$5.1)	\$329.7	\$324.6	
Total Change**	(\$5.1)	\$304.9	\$299.8	

*Includes an accounting adjustment, revision to the impact of Agrilink related refunds and the impact of Initiative 900.

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

lion (10.6 percent) more than in the 2001-03 budget period. Most of this gain is due to strong economic growth, although some of the increase is due to tax law changes and other non-economic factors. Excluding tax law changes, and other special factors, GFS revenue increased 10.3 percent in the 2003-05 biennium. The GFS unrestricted ending balance for the 2003-05 biennium now totals \$852.6 million, 3.6 percent of the biennial budget.

The November 2005 GFS forecast for the 2005-07 biennium, which spans the period July 2005 through June 2007, is \$26,335.7 million. Revenue growth has been very strong in the first quarter of the current biennium. Although growth is expected to moderate, the economy is still expected to generate solid revenue growth in the next two years. GFS revenue in the 2005-07 budget period is projected to be \$2.9 billion (12.6 percent) higher than in the 2003-05 biennium. Adjusting for tax law changes and other factors affecting the comparability between biennia, GFS revenue is expected to increase 13.5 percent in the 2005-07 biennium. The GFS unrestricted ending balance is now projected to total \$1,452.7 million at the end of the 2005-07 biennium. This is 5.6 percent of the 2005-07 spending level.

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 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 forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General Fund 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 sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the November 2005 baseline forecast for the 2005-07 biennium is shown in Table 3.2.

November 2005 Forecast Assumptions

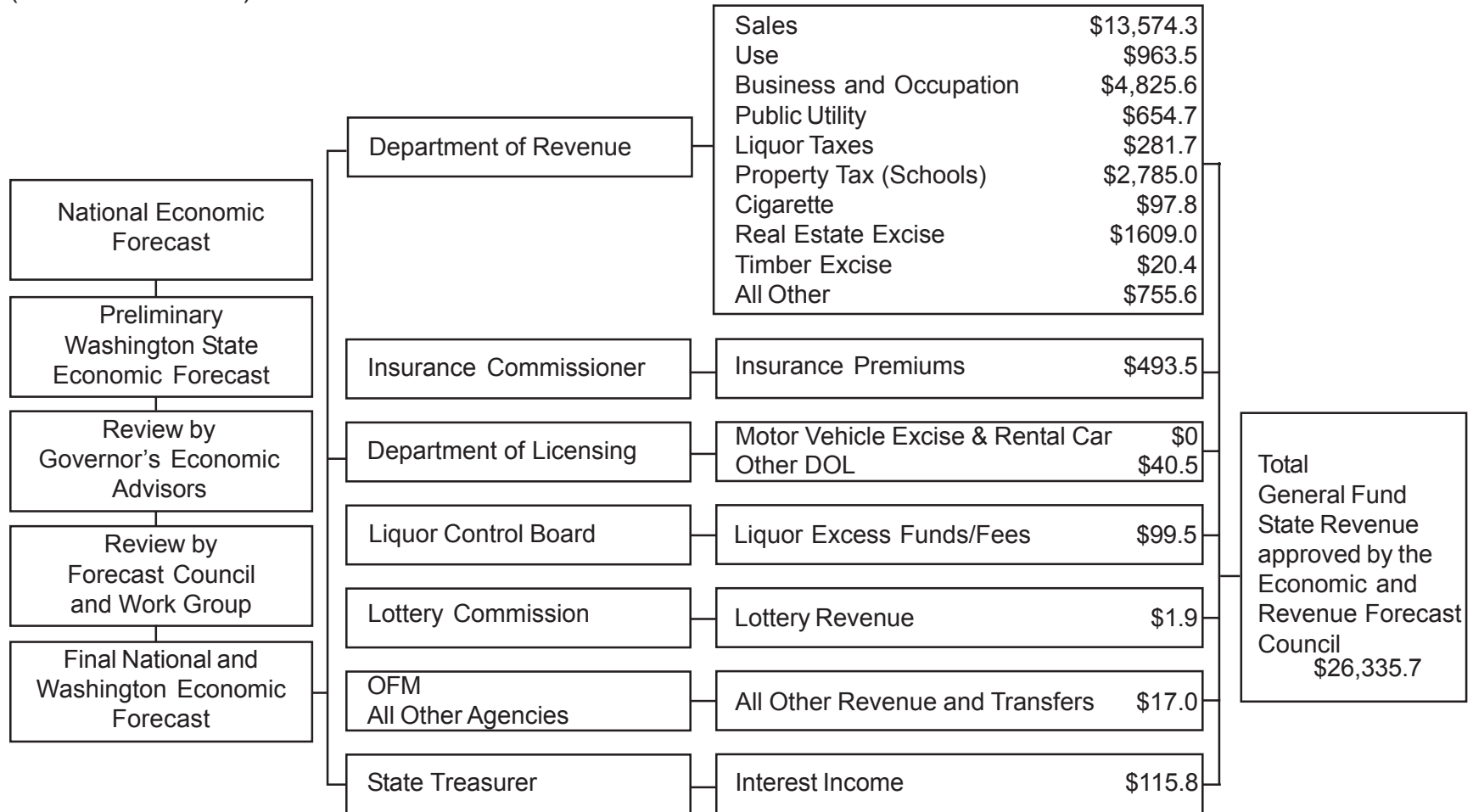
1. The November 2005 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on a modification of the Global Insight, Inc. October 2005 baseline forecast for the U.S. economy.
2. The GFS revenue forecast is based on current law and administrative practices. Tax law changes enacted during the 2005 legislative session and signed into law by the Governor were included in the forecast in June.
3. The GFS forecast for the 2005-07 biennium was reduced \$24.8 million due to non-economic factors in November 2005 (see Table 3.13). The majority of the non-economic adjustment to the forecast in November was an \$18.5 million reduction due to the impact of Initiative 900 passed by the voters in the November 2005 general election.
4. 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 and the School Construction Account. Part II of Table 3.19 summarizes lottery distributions by fund.
5. 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 on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
6. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2005-07 biennium. As of November 2005, new tax law changes and other non-economic factors have reduced GFS revenue for the 2005-07 biennium by an estimated \$428 million.
7. Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, has a disproportional impact on GFS revenue over time. The I-728 property tax transfers grow from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium. They are expected to grow to \$491.7 million in the 2005-07 biennium. (See part I of Table 3.19.)

Recent Collection Experience

Revenue collected in the two months since the September forecast was \$97.1 million, 5.0 percent, more than expected. As in the recent past, most of the positive revenue variance since the last forecast was due to higher than expected Revenue Act (retail sales, business and occupation, use and public utility tax) receipts and real estate excise tax collections. Revenue Act tax payments exceeded the September forecast by \$41.2 million (2.4 percent) and the GFS share of real estate excise tax collections were \$24.0 million more than expected. In addition, brokered natural gas tax payments and unclaimed property transfers produced much more GFS revenue than expected (+\$31.7 million).

Despite higher energy costs in the aftermath of Katrina and Rita and rising interest rates, spending has remained very strong. Revenue growth has accelerated since the September forecast producing more

Table 3.2
Economic and Revenue Forecast Flow Chart*
 General Fund-State
 2005-07 Biennium
 (Amounts in millions)



* Cash Basis

GFS revenue than expected. Revenue Act taxes were 12.3 percent above the year-ago level in the two months since the September 2005 forecast (August 2005 and September 2005 business activity). Growth for the entire third quarter was 12.0 percent. This is up from 9.8 percent in the second quarter of 2005 and 9.4 percent in the first quarter. Revenue growth continues to significantly outpace income growth. Revenue Act receipts have increased faster than income for the last ten quarters and have grown about twice as fast as income in both the second and third quarter of 2005. The November forecast continues to assume that this pace is unsustainable in the long run, and that eventually revenue growth will slow. How soon and to what degree slowing occurs remains the harder question.

Preliminary industry detail for the most recent month available (September 2005 activity, reflecting excise tax payments of taxpayers who filed electronically in the October 11- November 10, 2005 period) indicate tax payments were 9.4 percent higher than a year-ago. There was strength pretty much across-the-board. The data show that tax payments of businesses in the retail trade and food services sector were up 5.6 percent from the year-ago level. Non-retailers reported a 12.9 percent, increase. A month earlier tax payments by retailers increased 11.0 percent while non-retailers reported a 9.2 percent gain. For the current month six of twelve three-digit retail NACIS sectors reported double-digit gains with the strongest growth reported by gas stations and convenience stores (+25.2 percent), building materials/garden equipment retailers (+15.5 percent) and furniture and home furnishings retailers (+12.0 percent.) Two retail trade sectors reported a decline in tax payments. Tax payment from food stores were 6.2 percent less than a year-ago and tax payments from the motor vehicle and parts sector were down 0.9 percent. All major non-retail NAICS sectors reported an increase in tax payments based on September business. The year-over-year changes in tax payments reported by business in non-retail NAICS sectors ranged from a 31.5 percent increase by firms in the manufacturing sector to a 2.5 percent gain in the arts, entertainment and recreation sector. Construction was again very strong. Tax payments from the construction sector were 19.0 percent higher than a year-ago and tax payments from construction related sectors increased 16.1 percent this period compared to a 7.6 percent increase for all other sectors.

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
 September 11 -Nov. 10, 2005
 Based on the September 2005 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 ¹	\$41.2	2.4%	\$42.0	2.4%
Non Revenue Act ²	\$55.7	25.1%	\$55.7	25.1%
Subtotal	<u>\$96.9</u>	<u>5.0%</u>	<u>\$97.7</u>	<u>5.0%</u>
Department of Licensing ²	\$0.1	16.9%	\$0.1	16.9%
Other	na	na	na	na
Total***	\$97.1	5.0%	\$97.8	5.0%

¹ 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 September 11, 2005 through Nov. 10, 2005.
² Variance based on September 2005 and October 2005 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 September 2005 forecast.
 ** Variance adjusted for special factors. Shift in the timing of estate tax refunds.
 *** Detail may not add to total due to rounding.

Despite rising mortgage rates, some anecdotal evidence of slower growth in housing prices, and some weakness in building permit data in the month of September, Washington's real estate market remains very strong. Real estate activity based on closings in September 2005 reflecting tax payments in October was up 45.5 percent from a year-ago. The month before activity was up 38.4 percent. The majority of the increase continues to reflect higher prices. September data indicate the number of transactions increased 11.3 percent while the value per transaction increased 30.7 percent. For the first nine months of the year, transactions are up 9.0 percent while the value per transaction increased 21.9 percent.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$0.1 million (16.9 percent) above the estimate in the two months since the September forecast.

The General Fund-State Forecast for the 2005-07 Biennium

The outlook for the economy and the GFS revenue continues to be very positive for the 2005-07 budget period. The November 2005 forecast for the 2005-07 biennium expects both economic and revenue growth in the 2005-07 budget period to be better than assumed in September. Revenue growth has gotten off to a very fast start for the biennium, with the state's excise tax revenue increasing at double-digit rates. Like prior forecasts which have turned out to have been too pessimistic, the November forecast expects the red-hot real estate market to begin to slow. As the housing market weakens, spending is expected to slow and revenue growth is expected to decelerate. The November forecast expects moderate slowing to begin in the fourth quarter of 2005. Although growth is expected to moderate, the November forecast still expects good growth for the biennium as a whole. The forecast expects real personal income in Washington to increase 7.3 percent in the 2005-07 biennium, up from 2.6 percent in the 2003-05 period. Employment growth is also expected to improve, increasing 5.0 percent compared to 1.8 percent in the 2003-05 budget period. Improving employment and income growth will produce a solid increase in GFS revenue in the 2005-07 biennium. The state is expected to collect \$26,335.7 million in GFS receipts in the 2005-07 budget period. This is \$2.9 billion (12.6 percent) more than in the 2003-05 biennium. Adjusting for tax law changes and other non-economic factors, revenue is expected to increase 13.5 percent.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These three taxes accounted for 84.2 percent of the \$23.4 billion total GFS cash receipts in the 2003-05 biennium. This is down from 85.8 percent in the 2001-03 biennium. These taxes are expected to account for 84.1 percent of GFS revenue in the in the 2005-07 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 slight reduction in the General Fund's reliance on these three taxes between the 2001-03 and the 2003-05 biennia is primarily due to a surge in real estate excise tax revenue. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax increased 52.0 percent in the 2003-05 biennium compared to 10.6 percent for total GFS revenue. Real estate tax revenue accounted for 5.7 percent of GFS revenue in the 2003-05 biennium up from 4.1 percent in the 2001-03 biennium (and just 3.0 percent in the 1993-95 biennium). Revenue from the real estate excise tax is expected to account for 6.1 percent of GFS revenue in the 2005-07 biennium.

The retail sales and use tax, the state's largest revenue source, generated \$12.7 billion (54.5 percent) of total GFS revenue in the 2003-05 biennium. Sales and use taxes produced \$11.7 billion (55.5 percent) of total GFS revenue in the 2001-03 biennium and are expected to produce \$14.5 billion (55.2 percent)

of the total in the 2005-07 budget period. The business and occupation tax totaled \$4.2 billion in the 2003-05 biennium, 18.0 percent of total GFS revenue. This tax produced \$3.8 billion, 17.9 percent of the total in the 2001-03 biennium and is expected to produce \$4.8 billion, 18.3 percent of the total in the 2005-07 biennium. The state share of the property tax totaled \$2.7 billion, 11.7 percent of total GFS revenue in the 2003-05 biennium. The property tax generated \$2.6 billion in the 2001-03 biennium, 12.4 percent of total GFS revenue. Property tax revenue is expected to total \$2.8 billion, 10.6 percent of the total in the 2005-07 biennium. The reduction in the property tax share of total GFS receipts reflects the growing 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 3.19, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$25,144.5 million in the second quarter of 2005, the most recent quarter available. This was 8.8 percent higher than a year-ago. Taxable sales increased 8.7 percent in the first quarter of 2005 and 8.2 percent in the fourth quarter of 2004. Taxable sales have now increased on a year-over-year basis for twelve consecutive quarters after having fallen or remained unchanged for five straight quarters during the last recession. The increase in the second quarter of 2005 was again better than personal income and was better than the growth of retail sales nationally. In the second quarter of 2005, U.S. retail sales were 8.4 percent above the year ago level, a little more than the 7.3 percent increase in the first quarter of 2005 and about the same as the 8.3 percent in the fourth quarter of 2004. The November 2005 forecast assumes that taxable sales in Washington remained strong in the third quarter of 2005. Although the third quarter is over, actual taxable sales data for the quarter is not yet available. The forecast assumes that year-over-year taxable sales increased 8.7 percent in the third quarter of 2005, just a little less than the growth in the second quarter. This is both better than the growth of U.S. retail sales (8.3 percent) and well above the growth of state personal income (6.3 percent).

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC)

Table 3.4
General Fund-State Collections*
(Millions of Dollars) Cash Basis

<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%	20,397.7	-4.1%
2003-05	23,388.5	10.6%	21,618.4	6.0%
2005-07 ^F	26,335.7	12.6%	23,063.0	6.7%

^F: November 2005 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.
Source: Department of Revenue, the Office of Financial Management and the Office of the Forecast Council 's November 2005 forecast.

Table 3.5
Taxable Retail Sales*
 November 2005
 (Millions of Dollars)

<u>Fiscal Year</u>	<u>Amount</u>	<u>Percent Change</u>
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
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 ^F	104,236	7.2%
2007 ^F	109,058	4.6%

^F 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. 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). Base extended to some personal services effective July 1994. Exemption of manufacturing equipment effective fiscal 1996. Additional sales tax exemptions (including an exemption for R&D equipment) effective fiscal 1997. Changes in reporting, effective 1997. Additional exemptions effective fiscal 1999, 2000, 2001, 2002 and 2004. Additions to the tax base due to increased compliance efforts effective fy 2003. Fiscal 2005, 2006 and 2007 affected by 2004 and 2005 legislative changes.

basis to the North American Industry Classification System (NAICS) making historical comparisons by sector easier and more meaningful. Preliminary analysis of the growth of taxable sales in the second quarter of 2005 by NAICS sector shows the retail trade sector, which accounted for about 45 percent of all taxable sales in the second quarter of 2005, was 7.7 percent above the year-ago level. First quarter, 2005 taxable sales in the retail trade sector increased 6.7 percent. Within retailing, non-store retailers (NAICS 454) reported the largest increase, 43.0 percent. Electronic and appliance stores (NAICS 443) also reported very strong sales (+19.7 percent). Other retail trade sectors with strong taxable sales growth in the second quarter include: furniture and home furnishing stores, +15.5 percent and miscellaneous retailers (NAICS 453), +12.6 percent. Only food and beverage stores (-7.1 percent) reported a decline in taxable sales in the second quarter. This was the fourth consecutive quarter that this sector declined. Taxable sales of auto dealers, the largest retail trade sector accounting for 12.5 percent of taxable sales in the second quarter were a solid 6.7 percent above the year-ago level. This follows a 2.0 percent increase the prior quarter.

Taxable sales reported by non-retailing sectors were 9.7 percent higher than a year-ago in the second quarter of 2005. This follows a 10.4 percent increase in the first 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 17.8 percent of all taxable sales was 16.0 percent higher than a year ago. This sector reported an 18.5 percent increase in the previous quarter. Taxable sales reported by the service sector, which accounted for 17.5 percent of all taxable sales in the second quarter, were 7.6 percent higher than a year-ago. Taxable sales reported by the manufacturing sector increased 8.0 percent and the wholesale trade sector also reported an 8.0 percent year-over-year increase. The only decline among major non-retailing sectors was a 0.7 percent drop in activity reported by the finance and insurance sector. The importance of the strong housing market on taxable sales growth is again very evident from sec-

Chart 3.1
General Fund-State Revenue

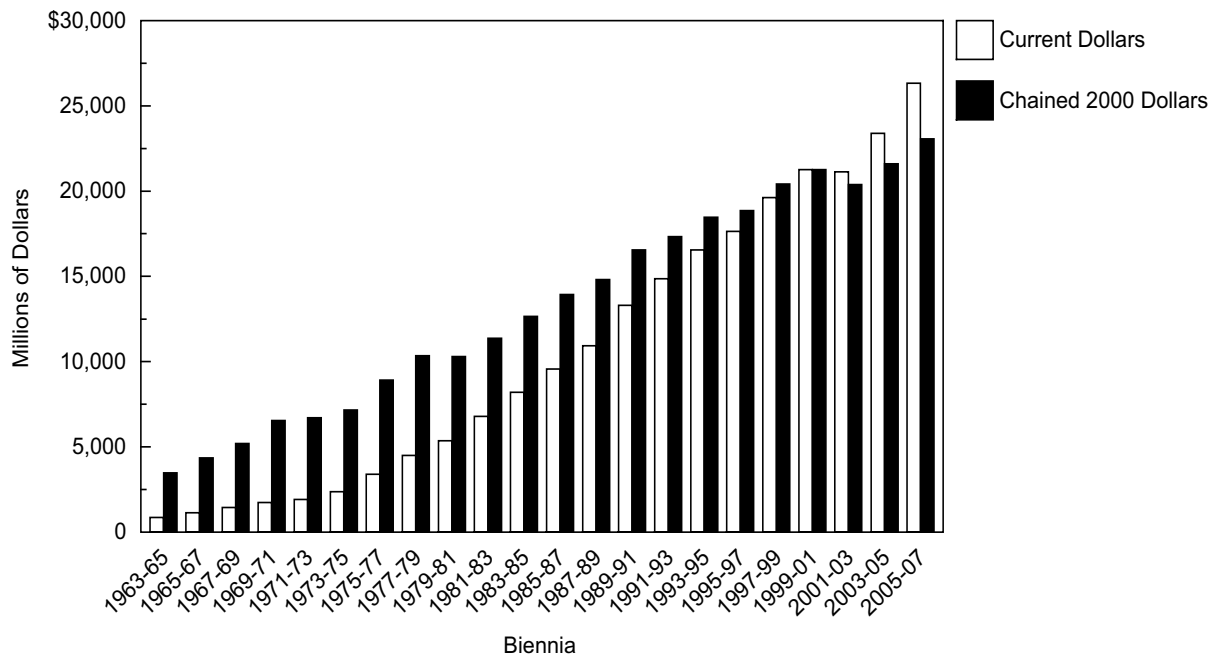


Chart 3.2
General Fund-State Revenue - Percent Change

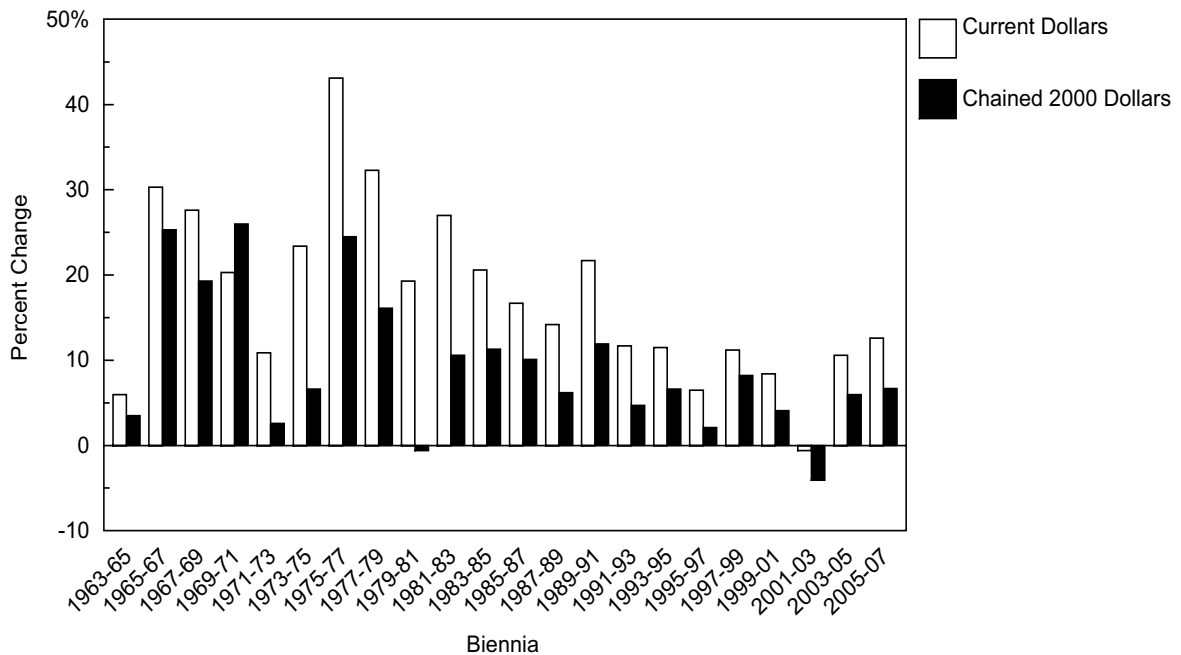


Chart 3.3
Composition of General Fund-State Revenue

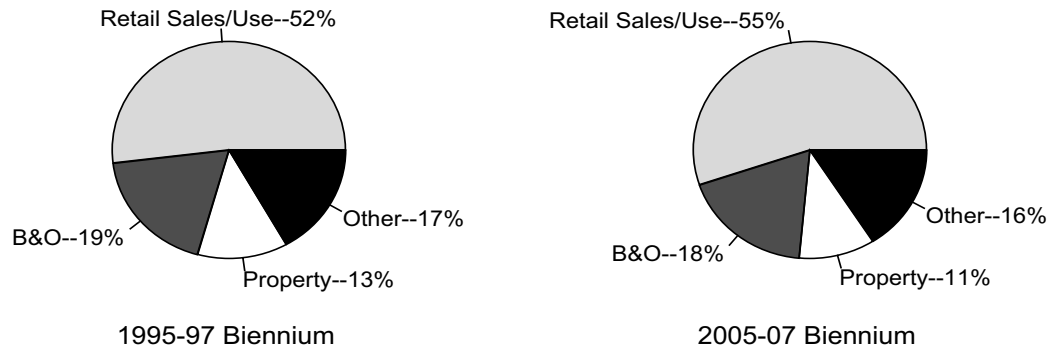
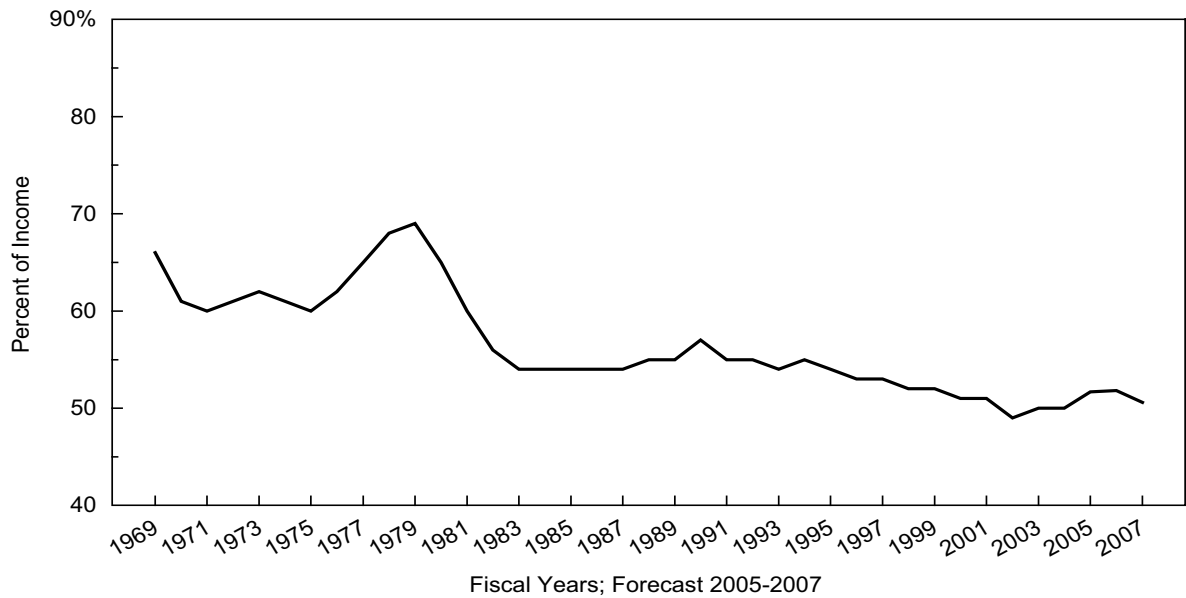


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

ond quarter taxable sales data. For housing related sectors (construction, furniture, building materials and electronics/appliance retailers-accounting for 27.8 percent of total taxable sales), taxable sales were up 14.4 percent in the second quarter of 2005; taxable sales increased 6.8 percent for all other sectors.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 9.2 percent higher than a year ago in the second quarter of 2005. Taxable sales increased 8.1 percent in the rest of the state. Taxable sales in King County were 8.0 percent higher than a year-ago for the quarter. This is the eighth straight quarterly increase in King County. Prior to the third quarter of 2003, taxable sales in King County had declined or remained unchanged eight of the previous nine quarters. Taxable sales growth in King County, while improving, continues to lag the statewide average. King County taxable sales growth has been below the statewide average for eighteen consecutive quarters. Taxable sales in Snohomish County increased 11.7 percent in the second quarter of 2005 and Pierce County reported an 11.8 percent increase. Taxable sales in Spokane County were 7.7 percent above the year-ago level.

Statewide taxable sales increased 7.9 percent in fiscal 2005. This is slightly higher than the 7.8 percent assumed in September forecast. Taxable sales growth in fiscal 2005 is a significant improvement over the prior four years. During the last recession, taxable sales were very weak. Taxable sales increased only 2.8 percent in fiscal 2001, declined 1.4 percent in fiscal 2002 and grew only 2.1 percent in fiscal 2003. Growth improved to 4.6 percent in fiscal 2004. The stronger growth in fiscal 2005 reflects pent up demand from the prior four years and a very favorable economic environment including low interest rates and steadily improving job and income growth. The strong housing market and associated high level of home equity cash-outs added significantly to the strong fiscal 2005 taxable sales increase. The November 2005 forecast expects a little slower taxable sales growth in the 2005-07 biennium, especially in the second year, as the boost from the strong housing sector subsides. The forecast assumes taxable sales will increase 7.2 percent in fiscal 2006 and 4.6 percent in fiscal 2007.

Forecast Change for the 2005-07 Biennium

The November 2005 forecast of General Fund-State revenue is \$299.8 million higher than in September. The change includes a \$5.1 million reduction to GFS revenue in the 2003-05 biennium and a \$304.9 million increase to the forecast for the 2005-07 biennium. The revised forecast for the 2005-07 biennium includes \$97.1 million of higher than expected collections in the two months since the September forecast and reflects an improvement in the economic outlook. The revision for 2005-07 includes a \$24.8 million reduction due to non-economic factors, primarily the passage of Initiative 900. This initiative, passed by the voters in November 2005, transfers sales and use tax revenue from the General Fund to fund performance audits.

Table 3.6 summarizes the changes to the GFS cash forecast in November 2005 by type of change. Tables 3.7 and 3.8 summarize November 2005 revisions to GFS revenue for the 2003-05 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the changes to GFS revenue forecast for the 2005-07 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 (cash basis). Table 3.12 provides a fiscal year summary of GFS cash receipts. Table 3.13 summarizes November 2005 non-economic changes to the forecast. Below is a brief summary of non-economic changes incorporated into the forecast in November and a summary of the November forecast changes by agency.

November Non-Economic Changes

The 2005-07 GFS forecast was reduced \$24.8 million due to non-economic factors in November 2005. The non-economic changes to the forecast are summarized in Table 3.13. The major non-economic adjustment was an \$18.5 million reduction to the forecast due to the passage of Initiative 900 in the November 2005 general election. Initiative 900 directs the State Auditor to conduct performance audits of state and local governments and dedicates 0.16% of the state's portion of sales and use tax collections to fund these audits. Other non-economic adjustments reduced the GFS forecast by \$6.3 millions. These adjustments include an accounting adjustment relating to the hazardous substance tax as well as revisions to the estimates of some non-economic changes already included in the forecast (Agrilink refunds and 2003 legislation).

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 2003-05 and 2005-07 biennia. The November 2005 forecast of GFS revenue sources administered and collected by the Department of Revenue is \$280.9 million higher than in September. This includes a \$305.8 million increase to GFS forecast due to a better economic outlook and stronger than expected revenue collections since the last forecast. The increase due to the better economy is partially offset by a \$24.8 million reduction due to non-economic adjustments.

Major changes to the Department of Revenue GFS forecast for the 2005-07 biennium in November 2005 include a \$98.6 million increase to the real estate excise tax forecast, a \$56.4 million increase to the business and occupation tax forecast, a \$52.4 million increase to the retail sales tax forecast, a \$21.8 million increase to the use tax forecast, and a \$20.8 million increase to the public utility tax forecast. Other changes include a \$14.1 million increase to the forecast of brokered natural gas, a \$4.0 million increase to the forecast of the GFS share of unclaimed property receipts, a \$7.6 million increase to the state levy forecast and a \$4.3 million increase to the forecast of the GFS portion of the cigarette tax. The changes to the Department of Revenue forecast primarily reflect the combination of actual collection experience and an improvement in the economic outlook.

Most major tax sources are expected to experience modest growth in the 2005-07 biennium. The major exceptions are the portion of the state property tax levy that goes to the General Fund, the GFS portion and the estate tax. While overall the state levy is expected to increase 6.6 percent in the 2005-07 biennium, the General Fund portion of the property tax is expected to increase only 1.5 percent. This is due to the impact of Initiative 728 which diverts a portion of the state levy from the General Fund to the Student Achievement Account (SAA). The forecast assumes that the share of the state levy going to the SAA (instead of the General Fund) which grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium will grow to \$491.7 million in the 2005-07 biennium. The Washington estate tax was ruled invalid by the Washington State Supreme Court and the General Fund will no longer get estate tax revenue after fall of fiscal 2006. Although a new estate tax was enacted it no longer goes to the General Fund.

While the November forecast does not expect a real estate "crash", it does, like previous forecasts, assume there will be a correction during the 2005-07 biennium. The forecast continues to assume the correction will be triggered by an increase in the mortgage rate and that it will be similar in magnitude and duration than the 1995 correction which lasted for six quarters and saw a peak to trough decline in taxable activity of about twenty percent. Despite this correction, the GFS portion of the real estate excise tax is still

expected to increase 21.2 percent in the 2005-07 biennium. This is in part due to expected strong growth early in fiscal 2006 and part due to legislation which speeds up collection of the tax.

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 revenue collections for the 2003-05 biennium totaled \$45.1 million. The department's forecast for the 2005-07 biennium is unchanged at \$40.5 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 summation of revenues reported for the 2003-05 biennium has been revised to \$30.4 million, a decrease of \$2.7 million from its September reckoning. The office's forecast for the 2005-07 biennium was increased \$9.1 million to \$17.0 million due mainly to forecasted increases in recoveries of prior expenditures and fines and forfeits by the Department of Social and Health Services and forecasted increases in corporation license revenue by the Secretary of State.

State Treasurer

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's General Fund-State revenues for the 2003-05 biennium were \$50.7 million. The office's forecast for the 2005-07 biennium has been increased \$13.4 million to \$115.8 million due to increases in both the forecasts of short-term interest rates and of fund balances.

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 collections of General Fund-State revenue for the 2003-05 biennium totaled \$445.6 million. The office's forecast for the 2005-07 biennium is unchanged at \$493.5 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. Revenues from excess funds and fees for the 2003-05 biennium are now reported at \$88.4 million, a decrease of \$2.4 million from September's accounting, while beer and wine surtaxes totaled \$3.7 million. The board's forecast of excess funds and fees for the 2005-07 biennium has been increased \$1.3 million to \$95.5 million and its forecast of beer and wine surtaxes was increased \$0.1 million to \$4.0 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, Student Achievement, and stadium/exhibition center accounts receive their

Table 3.6
Summary of Changes to the General Fund-State Forecast
 November 2005 Cash Forecast
 (Millions of Dollars)

	<u>November 2005 Change</u>
<u>2003-05 Biennium</u>	
<i>Collection Experience (excl. special factor) in the 2003-05 Biennium</i>	(\$5.1)
Department of Revenue	0.0
Department of Licensing	0.0
other ¹	(5.1)
Total Change: 2003-05 Biennium*	(\$5.1)
<u>2005-07 Biennium</u>	
<i>Collection Experience in the 2005-07 Biennium***</i>	\$97.0
Department of Revenue ²	96.9
Other agencies ³	0.1
<i>Non-Economic Adjustments to the Forecast⁴</i>	(\$24.8)
<i>Forecast Change for the 2005-07 Biennium</i>	\$232.7
Department of Revenue	208.9
Other agencies	23.8
Total Change: 2005-07 Biennium	\$304.9
Total Change: Both Biennia*	\$299.8

¹ Variance based on collections through June 30, 2005 (revisions to fiscal 2005 data).

² Variance based on collections Sept. 11 - Nov. 10, 2005.

³ Variance based on collections in September and October 2005.

⁴ Non-economic adjustments to the forecast: includes the impact of Initiative 900, and an accounting adjustment.

* Detail may not add due to rounding.

allotments. The Commission's General Fund cash transfers for the 2003-05 biennium were \$4.3 million and its forecast for the 2005-07 biennium is unchanged at \$1.9 million. Revenue transfers to the School Construction and Student Achievement Funds for the 2003-05 biennium totaled \$198.2 million. The Commission's forecast of revenues for the School Construction Account for the 2005-07 biennium is unchanged at \$189.6 million.

Track Record for the 2003-05 Biennium

General Fund-State cash receipts for the 2003-05 biennium totals \$23,388.5 million. This is \$5.1 million less than the total reported in September 2005. It is \$598 million (2.6 percent) higher than the February 2002 forecast which was the initial forecast for the biennium. However, legislative changes greatly distort this variance. Excluding the impact of non-economic factors, primarily the impact of 2002, 2003, 2004 and 2005 legislation and two recent State Supreme Court decisions, the GFS revenue for the 2003-05 biennium was only \$26 million (0.1 percent) lower than the February 2002 forecast. While the total change to the GFS revenue forecast for the 2003-05 biennium (excluding non-economic changes) over the last three years is very small, the path has not been random. There were fifteen revisions to the forecast for the 2003-05 biennium since February 2002. The first five, made in the aftermath of the last recession, lowered expected revenue (excluding tax law changes). Beginning in the fall of 2003, clear signs of recovery were evident and we began to increase the forecast for the 2003-05 biennium. The next eight quarterly revisions increased the forecast; the next two, in September 2005 and the current update, again lowered the forecast. However, the change in September 2005 was primarily due to a timing error and could be considered a non-economic change/error and the November 2005 update is due to a small data revision to the GFS total for the 2003-05 biennium. GFS revenue for the 2003-05 biennium is, excluding legislation, \$781 million (3.4 percent) higher than the June 2003 forecast. Table 3.14 summarizes the changes to the GFS forecast for the 2003-05 biennium since February 2002.

Track Record for the 2005-07 Biennium

The November 2005 GFS cash receipts forecast for the 2005-07 biennium totals \$26,335.7 million. This is \$304.9 million more than the previous forecast released in September 2005. Excluding a \$24.8 million reduction due to non-economic factors, the forecast is up \$329.7 million. The November 2005 update is the seventh revision to the GFS revenue forecast for the 2005-07 biennium since the initial forecast in February 2004. Six of the seven revisions, including the November 2005 update, have increased the forecast for the 2005-07 biennium excluding legislation and other non-economic factors. The November 2005 forecast for the 2005-07 budget period is now \$1,382 million more than the initial estimate for the biennium. Non-economic changes, including 2005 and 2004 legislation along with the impact of the two recent State Supreme Court decisions and the impact of Initiative 900, have reduced the forecast by \$428 million. Excluding non-economic changes, the current GFS forecast for the 2005-07 biennium is \$1,810 million (7.3 percent) higher than the initial February 2004 forecast. Table 3.15 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium.

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

Table 3.7
Comparison of the General Fund-State Forecast by Agency
2003-05 Biennium; Cash Basis
(Millions of Dollars)

Forecast by Agency	September 2005 Forecast¹	Non- Economic Changes	Forecast Revision	November 2005 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$11,916.7	0.0	\$0.0	\$11,916.7	\$0.0
Business & Occupation Use	4,202.5	0.0	(0.0)	4,202.5	(0.0)
Public Utility	825.4	0.0	-	825.4	0.0
Liquor Sales/Liter	576.0	0.0	0.0	576.0	0.0
Cigarette	204.1	0.0	-	204.1	0.0
Property (State Levy)	106.4		-	106.4	0.0
Real Estate Excise	2,743.1		-	2,743.1	0.0
Timber Excise	1,327.2		-	1,327.2	0.0
Other	18.0		-	18.0	0.0
Subtotal	801.0	0.0	(0.0)	801.0	(0.0)
	22,720.3	\$0.0	-	22,720.3	0.0
Department of Licensing					
Boat excise, licenses, fees & other	45.1		-	45.1	0.0
Insurance Commissioner					
Insurance Premiums	445.6		-	445.6	0.0
Liquor Control Board					
Liquor Profits and Fees	90.7		(2.4)	88.4	(2.4)
Beer & Wine Surtax	3.7		-	3.7	0.0
Lottery Commission					
Lottery Revenue	4.3		-	4.3	0.0
State Treasurer					
Interest Earnings	50.7		-	50.7	0.0
Office of Financial Management					
Other	33.1		(2.7)	30.4	(2.7)
Total General Fund-State *	\$23,393.6	\$0.0	(\$5.1)	\$23,388.5	(\$5.1)

1 General Fund-State forecast for the 2003-05 biennium, adopted September 2005.

2 Revised General Fund-State forecast for the 2003-05 biennium, adopted November 2005.

*Detail may not add to totals because of rounding.

Table 3.8
Comparison of the General Fund-State Forecast by Agency
2003-05 Biennium; GAAP Basis
(Millions of Dollars)

Forecast by Agency	September 2005 Forecast¹	Non - Economic Changes	Forecast Revision	November 2005 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$11,999.6	\$0.0	22.9	\$12,022.5	\$22.9
Business & Occupation Use	4,233.1	0.0	7.6	4,240.7	7.6
Public Utility	832.3	0.0	1.7	834.0	1.7
Liquor Sales/Liter Cigarette	575.5	0.0	0.9	576.5	0.9
Property (State Levy)	205.6	0.0	0.0	205.6	0.0
Real Estate Excise	105.3		0.0	105.3	0.0
Timber Excise	2,746.8		(0.4)	2,746.4	(0.4)
Other	1,363.8		0.0	1,363.8	0.0
Subtotal	19.0	0.0	0.0	19.0	0.0
	810.2	0.0	0.0	810.2	0.0
	22,891.2	0.0	32.8	22,924.0	32.8
Department of Licensing					
Boat excise, licenses, fees & other	46.1	0.0	(0.0)	46.1	(0.0)
Insurance Commissioner					
Insurance Premiums	445.6		0.0	445.6	0.0
Liquor Control Board					
Liquor Profits and Fees	90.7		(2.4)	88.4	(2.4)
Beer & Wine Surtax	3.7		0.0	3.7	0.0
Lottery Commission					
Lottery Revenue	4.3		1.9	6.1	1.9
State Treasurer					
Interest Earnings	52.1		0.0	52.1	0.0
Office of Financial Management					
Other	33.1	0.0	(2.7)	30.4	(2.7)
Total General Fund-State *	\$23,566.8	\$0.0	\$29.6	\$23,596.4	\$29.6

1 General Fund-State forecast for the 2003-05 biennium, adopted September 2005.

2 Revised General Fund-State forecast for the 2003-05 biennium, adopted November 2005.

*Detail may not add to totals because of rounding.

Table 3.9
**Comparison of the General Fund-State Forecast by Agency
 2005-07 Biennium; Cash Basis**
 (Millions of Dollars)

Forecast by Agency	September 2005 Forecast¹	Non- Economic Changes²	Forecast Revision	November 2005 Forecast³	Total Change
Department of Revenue					
Retail Sales	\$13,522.0	(9.5)	\$61.8	\$13,574.3	\$52.4
Business & Occupation Use	4,769.1	(14.5)	70.9	4,825.6	56.4
Public Utility	941.7	(1.1)	22.8	963.5	21.8
Liquor Sales/Liter	633.9	0.2	20.7	654.7	20.8
Cigarette	280.9		0.8	281.7	0.8
Property (State Levy)	93.4		4.3	97.8	4.3
Real Estate Excise	2,777.4		7.6	2,785.0	7.6
Timber Excise	1,510.4		98.6	1,609.0	98.6
Other	20.8		(0.4)	20.4	(0.4)
Subtotal	736.9	0.0	18.6	755.6	18.6
	25,286.7	(24.8)	305.8	25,567.6	280.9
Department of Licensing					
Boat excise, licenses, fees & other	40.5		0.0	40.5	0.0
Insurance Commissioner					
Insurance Premiums	493.5		0.0	493.5	0.0
Liquor Control Board					
Liquor Profits and Fees	94.2		1.3	95.5	1.3
Beer & Wine Surtax	3.9		0.1	4.0	0.1
Lottery Commission					
Lottery Revenue	1.9		0.0	1.9	0.0
State Treasurer					
Interest Earnings	102.4		13.4	115.8	13.4
Office of Financial Management					
Other	7.9		9.1	17.0	9.1
Total General Fund-State *	\$26,030.8	(\$24.8)	\$329.7	\$26,335.7	\$304.9

1 General Fund-State forecast for the 2003-05 biennium, adopted September 2005.

2 Revised General Fund-State forecast for the 2003-05 biennium, adopted November 2005.

3 Includes the impact of Initiative 900 as well as an accounting adjustment and other adjustments.

*Detail may not add to totals because of rounding.

Table 3.10
Comparison of the General Fund-State Forecast by Agency
2005-07 Biennium; GAAP Basis
(Millions of Dollars)

Forecast by Agency	September 2005 Forecast¹	Non-Economic Changes²	Forecast Revision	November 2005 Forecast³	Total Change
Department of Revenue					
Retail Sales	\$13,590.3	(9.5)	\$47.1	\$13,627.9	\$37.6
Business & Occupation Use	4,783.5	(14.5)	66.4	4,835.4	51.9
Public Utility	943.2	(1.1)	23.2	965.4	22.2
Liquor Sales/Liter	636.2	0.2	19.9	656.3	20.1
Cigarette	281.4		0.8	282.2	0.8
Property (State Levy)	93.9		6.7	100.6	6.7
Real Estate Excise	2,779.6		6.0	2,785.6	6.0
Timber Excise	1,513.8		103.7	1,617.5	103.7
Other	21.1		(0.7)	20.4	(0.7)
Subtotal	736.5	0.0	19.2	755.7	19.2
	25,379.4	(\$24.8)	292.3	25,646.9	267.5
Department of Licensing					
Boat excise, licenses, fees & other	40.7		(0.0)	40.7	(0.0)
Insurance Commissioner					
Insurance Premiums	493.5		0.0	493.5	0.0
Liquor Control Board					
Liquor Profits and Fees	94.2		1.3	95.5	1.3
Beer & Wine Surtax	3.9		0.1	4.0	0.1
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	102.6		14.0	116.6	14.0
Office of Financial Management					
Other	8.0		9.1	17.1	9.1
Total General Fund-State *	\$26,122.2	(\$24.8)	\$316.9	\$26,414.3	\$292.1

1 General Fund-State forecast for the 2003-05 biennium, adopted September 2005.

2 Revised General Fund-State forecast for the 2003-05 biennium, adopted November 2005.

3 Includes the impact of Initiative 900 as well as an accounting adjustment and other adjustments.

*Detail may not add to totals because of rounding.

Table 3.11
November 2005 General Fund-State Forecast
2003-05 & 2005-07 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2003^a	Fiscal 2004^a	Fiscal 2005	2003-05 Biennium	Fiscal 2006	Fiscal 2007	2005-07 Biennium
State Taxes							
Retail sales***	\$5,551.9	\$5,765.3	\$6,151.4	\$11,916.7	\$6,623.5	\$6,950.9	\$13,574.3
Business & occupation Use***	1,876.8	2,006.6	2,195.8	4,202.5	2,362.1	2,463.5	4,825.6
Public Utility	376.6	385.8	439.6	825.4	474.1	489.4	963.5
Liquor sales/liter	259.3	281.2	294.8	576.0	324.3	330.4	654.7
Beer & wine surtax	93.0	99.4	104.8	204.1	139.0	142.7	281.7
Cigarette	1.9	1.8	1.8	3.7	2.0	2.0	4.0
Tobacco products	53.2	54.2	52.2	106.4	50.2	47.6	97.8
Property (state school levy)**	8.8	9.4	9.5	18.9	9.1	10.1	19.3
Public utility district	1,331.6	1,370.5	1,372.6	2,743.1	1,366.3	1,418.7	2,785.0
Real estate excise	37.0	36.6	38.0	74.6	38.7	41.3	80.0
Timber excise	474.0	567.8	759.4	1,327.2	843.3	765.7	1,609.0
Estate/inheritance	8.3	7.9	10.1	18.0	9.9	10.5	20.4
Motor vehicle excise & Rental car	122.5	139.9	(43.1)	96.8	5.5	0.0	5.5
Boat excise	(0.0)	(0.1)	0.0	(0.1)	0.0	0.0	0.0
Insurance premiums	12.1	13.0	14.8	27.8	15.4	16.2	31.6
Other	203.2	217.6	228.0	445.6	240.2	253.3	493.5
Total Taxes	160.0	216.6	237.0	453.5	258.6	259.5	518.1
	10,570.2	11,173.2	11,866.8	23,040.1	12,762.2	13,201.7	25,963.9
State Non-Tax Sources							
Licenses, permits, fees	74.7	75.5	75.8	151.3	81.1	83.1	164.2
Liquor profits & fees	30.9	42.8	45.5	88.4	46.1	49.3	95.5
Earnings on investments	25.6	21.9	28.8	50.7	54.6	61.2	115.8
Lottery transfers	0.0	0.0	4.3	4.3	1.9	0.0	1.9
Other revenue & transfers	(11.4)	7.8	46.0	53.8	0.4	(6.0)	(5.6)
Total Non-Tax	119.7	148.0	200.5	348.5	184.1	187.7	371.8
Total General Fund-State *	\$10,689.9	\$11,321.2	\$12,067.3	\$23,388.5	\$12,946.3	\$13,389.4	\$26,335.7

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 (Fiscal 2006 and 2007).

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 3.17 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2001-03 biennium totaled \$21,192.3 million on a GAAP basis, \$51.6 million higher than the \$21,140.7 million cash receipts total. Revised 2003-05 GFS revenue on a GAAP basis is \$23,596.4 million, \$207.9 million more than the \$23,388.5 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$26,414.3 million on a GAAP basis, \$78.6 million more than the \$26,335.7 million cash forecast.

Table 3.16 shows the budgetary balance sheet for the 2003-05 and 2005-07 biennia. The 2003-05 GFS unrestricted ending balance is now \$852.6 million. The ending balance total is 3.6 percent of the 2003-05 spending level. The balance sheet for the 2005-07 biennium shows a projected ending balance of \$1,452.7 million. This is 5.6 percent of the 2005-07 spending level.

Alternative Forecast for the 2003-05 Biennium

The November forecast, like recent prior forecasts, continues to expect a healthy economy throughout the 2005-07 biennium. Revenue growth in the first few months of the 2005-07 biennium has been very strong, especially in terms of the state's major excise taxes and the real estate excise tax. The November baseline forecast, also like previous forecasts, expects some slowing in the 2005-07 biennium in response to rising interest rates, relatively high energy costs, and a weaker housing market. The savings rate is negative and at some point consumer spending will be scaled back. In addition, a weaker housing market is expected to slow housing related spending as well as other spending as housing equity cash-outs subside. Although we are confident slowing will occur, when and to what degree is much less certain. The assumed housing correction and slower spending assumed in the baseline forecast may be pushed out further in the future than assumed in the baseline or it may not occur at all. On the other hand, interest rates may increase more than expected and the slowdown expected in housing may be worse than assumed in the baseline. The revenue implications of stronger, as well as weaker economic growth, are contained in two alternative forecasts.

The November 2005 optimistic scenario is again an "everything goes right" scenario. The optimistic forecast assumes that the productivity boom that emerged during the 1990's economic expansion will continue and that productivity will increase faster than assumed in the baseline forecast. Energy costs are lower and the dollar is stronger resulting in less inflation than in the baseline. Lower inflation leads to lower interest rates, a stronger housing market and stronger consumer spending than assumed in the baseline forecast. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 4.1 percent higher than in the baseline by the end of the 2005-07 biennium and state wage and salary employment is almost 51,000 higher by the end of the 2005-07 budget period.

The November pessimistic scenario assumes that energy costs are much higher than in the baseline forecast. In this scenario, inflation accelerates and leads to much higher interest rates than assumed in the baseline. Higher interest rates lead to a steep decline in housing. Consumer and business confidence falls as

Table 3.12

General Fund - State Cash Receipts
 November 2005 Forecast by Fiscal Year
 (Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
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	6,801.9	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%
Forecast		
2006	12,946.3	7.3%
2007	13,389.4	3.4%

does spending. The weak national economy results in weaker job and income growth in the state. In the pessimistic scenario, state personal income is 3.3 percent less than the baseline by the end of the 2005-07 biennium and wage and salary employment is 55,100 less than the baseline by the end of the 2005-07 budget period.

Table 3.18 shows the revenue implications of these alternative scenarios for the 2005-07 biennium. The optimistic scenario generates \$27,180.9 billion, \$845.2 million more than the baseline forecast. The pessimistic alternative produces only \$25,581.2 million GFS revenue in the 2005-07 biennium, \$754.5 million less than the baseline forecast.

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 November 2005 GCEA scenario was based on the forecast of six members of the GCEA. The GCEA alternative was close to the November 2005 baseline forecast, producing \$91.0 million less than the baseline for the 2005-07 biennium.

Table 3.13
**Non-Economic Changes to the November 2005 General
Fund-State Forecast**
2005-07 Biennium - Millions of Dollars

	2005-07 Biennium
Initiative 900*	(18.5)
other**	(6.3)
Total	(24.8)

*Transfer of sales/use tax from the General Fund to fund performance audits. (effective 12/05)

** Includes an accounting an accounting adjustment and revisions to previous non-economic adjustments.

Table 3.14

Track Record for the 2003-05 General Fund-State Cash Forecast

February 2002 through November 2005

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>
February 2002****	\$22,225	\$565				\$22,790
Changes to Forecast						
June 2002	(53)	23	(30)	205 #1	175	22,965
September 2002	(317)	(29)	(346)	80 #2	(265)	22,700
November 2002	(31)	21	(10)		(10)	22,690
March 2003	(216)	(49)	(265)	27 #3	(238)	22,452
June 2003	(148)	(9)	(156)	446 #4	290	22,741
September 2003	17	(3)	15		15	22,756
November 2003	70	(4)	65		65	22,821
February 2004	63	14	76		76	22,897
June 2004	154	31	185	(86) #5	99	22,996
September 2004	104	13	117	(10) #6	106	23,103
November 2004	65	5	70	0	70	23,173
March 2005	299	2	301	(243) #7	58	23,231
June 2005	102	7	109	206 #8	316	23,547
September 2005	(161)	8	(153)	0	(153)	23,394
November 2005	-	(5)	(5)	-	(5)	23,388
Total change***:						
From February 2002	(51)	25	(26)	624	598	
Percent change	-0.2%	4.5%	-0.1%	2.7%	2.6%	

* 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 2003-05 biennium.

#1 Change to the forecast due to 2002 legislation.

#2 Adjustment to the forecast to account for the expiration of two tax incentives and for 2002 legislation (SHB 2512) not previously included in the GFS forecast.

#3 Includes an \$86.6 million adjustment to the November forecast for SSB 6835 and a Dec. 2002 court case. Also the impact of 2003 legislation (hb 1977) enacted prior to the March 2003 forecast (-\$60.0 million).

#4 Impact of 2003 legislation on GFS revenue.

#5 Impact of 2004 legislation on GFS revenue.

#6 Revision to fiscal note for High tech incentives.

#7 Impact of the State Supreme Court decision invalidating the estate tax and reducing the b&O tax rate on certain meat products.

#8 Shift refunds associated with two recent court cases from fy 05 to fy 06. (+\$195.0 million) and 2005 legislation (+\$11.1 million).

Table 3.15

Track Record for the 2005-07 General Fund-State Cash Forecast

February 2004 through November 2005

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 Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2004****	\$24,293	\$660				\$24,953
Changes to Forecast						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005	327	14	341	159 #4	499	25,385
September 2005	631	15	646	0	646	26,031
November 2005	306	24	330	(25)	305	26,336
February 2006						
June 2006						
Total change***:						
From February 200	1,720	90	1,810	(428)	1,382	
Percent change	7.1%	13.6%	7.3%	-1.7%	5.5%	

* 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 2005-07 biennium.

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives.

#3 Impact of the state Supreme Court decision invalidating the estate tax and lowering the b&O rate on certain meat products

#4 Impact of 2005 legislation, budget driven revenue on the GFS forecast (+\$353.8 million) and shift refunds associated with the two recent court decisions from fy 2005 to fy 2006 (-\$195.0 million).

Table 3.16

2003-05 and 2005-07 Biennial Balance Sheet Including 2004 and 2005**Supplemental Budgets**

General Fund-State

Dollars in Millions

	2003-05	2005-07
RESOURCES		
Beginning Fund Balance	404.6	852.6
September 2005 Forecast	23,393.6	26,030.8
November 2005 Forecast Update	(5.1)	329.7
Non-Economic Adjustment (Initiative 900)		(18.5)
Other Non-Economic Adjustment		(6.3)
Current Revenue Totals	23,388.5	26,335.7
2003-04 Fund Transfers, Grants and Other Adjustments	291.7	
2005 Fund Transfers and Other Adjustments	439.5 *	216.8
Total Resources (Includes Fund Balance)	24,524.3	27,405.1
APPROPRIATIONS AND SPENDING ESTIMATES		
2003-05 Appropriations w/Supplemental Budgets	23,671.7	0.0
2005-07 Appropriations		25,952.4
Spending Level	23,671.7	25,952.4
UNRESTRICTED GENERAL FUND BALANCE		
Projected Ending Fund Balance	852.6	1,452.7

* Increases made to Other Adjustments since September 2005:
 > \$10.6 million to reverse a tax credit that was incorrectly charged to the General Fund rather than the State Toxics Account;
 > \$23.5 million to liquidate prior biennium accruals now determined to be unnecessary by Department of Social and Health Services.

Table 3.17

November 2005 Baseline Forecast by Agency Comparison of Cash and GAAP Basis

(Millions of dollars)

Agency	2001-03 Biennium			2003-05 Biennium			2005-07 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$20,516.6	\$20,570.8	\$54.2	\$22,573.4	\$22,771.6	\$198.2	\$25,447.4	\$25,526.7	\$79.3
Department of Licensing	42.6	44.1	1.6	45.1	46.1	0.9	40.5	40.7	0.2
Insurance Commissioner ⁴	397.3	397.0	(0.3)	459.9	459.9	0.0	509.3	509.3	0.0
State Treasurer	58.2	55.9	(2.4)	50.7	52.1	1.4	115.8	116.6	0.8
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	160.9	161.5	0.5	211.4	211.4	0.0	215.2	215.3	0.1
Subtotal: General Fund-State Cash/Revenue*	21,175.6	21,229.3	53.6	23,340.6	23,541.1	200.5	26,328.2	26,408.5	80.4
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	75.7	75.5	(6.4)	147.0	152.5	5.5	120.2	120.2	0.0
Lottery Commission	0.0	0.0	0.0	4.3	6.1	1.9	1.9	0.0	(1.9)
Insurance Commissioner ⁷	(9.8)	(9.8)	0.0	(14.3)	(14.3)	0.0	(15.7)	(15.7)	0.0
Liquor Control Board	63.5	63.5	0.0	92.0	92.0	0.0	99.4	99.4	0.0
Office of Financial Management									
Other Agencies ⁸	(164.5)	(166.3)	(1.8)	(181.0)	(181.0)	0.0	(198.2)	(198.2)	0.0
Subtotal: GFS Other Financing Sources	(35.0)	(37.0)	(8.2)	47.9	55.3	7.4	7.5	5.7	(1.8)
Total Available Receipts/Resources									
General Fund-State *	\$21,140.7	\$21,192.3	\$51.6	\$23,388.5	\$23,596.4	\$207.9	\$26,335.7	\$26,414.3	\$78.6

* 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 3.18
November 2005 Alternative Forecasts Compared to the Baseline Forecast
2005-07 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$13,974.0	\$13,574.3	\$13,180.9
Business & Occupation Use	4,937.4	4,825.6	4,756.2
Public Utility	991.6	963.5	939.7
Property (school levy)	656.9	654.7	654.9
Real Estate Excise	2,861.7	2,785.0	2,701.4
Other	1,683.2	1,609.0	1,547.3
Subtotal	1,227.0	1,155.5	1,098.5
	26,331.7	25,567.6	24,878.9
<i>Department of Licensing</i>			
	41.7	40.5	39.3
<i>Insurance Commissioner¹</i>			
	505.8	493.5	481.2
<i>Lottery Commission</i>			
	9.2	1.9	0.0
<i>State Treasurer - Interest earnings</i>			
	161.5	115.8	79.9
<i>Liquor Profits & Fees²</i>			
	101.4	99.4	97.5
<i>Office of Financial Management</i>			
Other agencies	29.5	17.0	4.5
Total General Fund - State*	\$27,180.9	\$26,335.7	\$25,581.2
Difference from November 2005 Baseline	\$845.2		(\$754.5)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.19

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue
November 2005 Cash Forecast; Millions of Dollars**

I. Disposition of the State portion of the Property Tax

	State Levy: <u>Total Receipts</u>	To the <u>General Fund</u>	To the <u>Student Achievement Account</u> ¹
2000	\$1,302.0	1,302.0	
2001	1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,465.5	1,331.6	133.9
2001-03 Biennium	2,880.5	2,613.5	267.0
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	1,611.5	1,366.3	245.2
2007	1,665.2	1,418.7	246.5
2005-07 Biennium	3,276.7	2,785.0	491.7

II. Lottery Transfers by Fund*

	Lottery: <u>Total Transfers</u> **	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account</u> ¹	<u>School Construction Account</u> ¹	<u>Transfer to VERDE</u> ²
1998	117.8	114.6	3.2				
1999	118.6	107.5	3.3	7.8			
1999-01 Biennium	236.3	222.0	6.5	7.8			
2000	101.1	93.3	3.4	4.4			
2001	120.1	110.0	3.6	6.5			
1999-01 Biennium	221.3	203.3	7.0	10.9			
2002	90.2	0.0	3.7	6.7	39.9	39.9	0.0
2003	96.8	0.0	3.9	7.0	64.0	21.4	0.5
2001-03 Biennium	187.0	0.0	7.6	13.8	103.9	61.3	0.5
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	113.6	1.9	4.4	7.9	0.0	99.5	0.0
2007	102.9	0.0	4.5	8.2	0.0	90.2	0.0
2005-07 Biennium	216.4	1.9	8.9	16.1	0.0	189.6	0.0

* 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).

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Washington Gross State Product by Industry, 2000-2004

The U.S. Department of Commerce, Bureau of Economic Analysis (BEA) periodically revises and updates its estimates for gross state product (GSP). In June 2005, GSP estimates for the years 1997-2003 were revised. In addition, as part of the BEA's continuing effort to accelerate its releases of estimates, "prototype" estimates of total state GSP for 2004 (without industry detail) were released, an acceleration of twelve months from its release date under prior practices. In October 2005, the prototype 2004 estimates were revised and detail was added for major industrial sectors. Estimates from the October release for the years 2000-2004 are presented in this chapter. Estimates from this release for years not included in this report are available through the BEA (www.bea.gov) or the Economic and Revenue Forecast Council.

The estimate of gross state product (GSP) for each state is derived as the sum of the GSP from all industries in the state. In concept, an industry's GSP, or its value added, is equal to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). The GSP accounts provide data by industry and by state that are consistent with gross domestic product (GDP) in the national income and product accounts and with the GDP-by-industry accounts.

For each industry, GSP is composed of three components: taxes on production and imports, gross operating surplus and compensation of employees. "Taxes on production and imports" is the sum of Federal excise taxes and customs duties and state and local government sales taxes, property taxes (including residential real estate taxes), motor vehicle licenses, severance taxes, other taxes and special assessments. It is presented here minus the value of government subsidies. "Gross operating surplus" is defined as the sum of corporate profits, proprietors' income, rental income of persons, net interest, capital consumption allowances, business transfer payments, nontax payments and the current surplus of government enterprises. The third component, compensation of employees, is the sum of wage and salary accruals, employer contributions for government social insurance and employer contributions for employee pension and insurance funds. A more detailed description of the components can be found in the January 2005 *Survey of Current Business*, available at the BEA website. The three components less subsidies (which are removed from the tax component in the accompanying tables and charts) sum to total GSP. The most recent year for which these components are currently available is 2003.

Chart 4.1 shows 2004 GSP by state (including the District of Columbia), with California leading all states with \$1.551 trillion and Vermont with the lowest GSP at \$22 billion. Washington ranked 14th with

\$262 billion, the same rank it has held since 1990. Chart 4.2 represents the industrial composition of Washington gross state product in 2004. Chart 4.3 compares the component shares of Washington GSP in 1977 and 2003. During this period, the GSP shares of compensation and taxes shrank while that of gross operating surplus grew.

Table 4.1 shows Washington GSP and U.S. gross domestic product from 1977 to 2004, and Washington State GSP as a percentage of U.S. total gross domestic product. During most of this time, Washington's average growth rate of GSP was higher than that of the U.S. GDP, which is reflected its growing share of the total. For the last four years reported, however, its share has remained roughly constant. Table 4.2 shows Washington GSP by industry from 2000 to 2004, Table 4.3 details real Washington GSP estimates by industry from 2000 to 2004, and Table 4.4 details the components of GSP by industry in 2003.

Chart 4.1
2004 Gross State Product
 Billions of Dollars

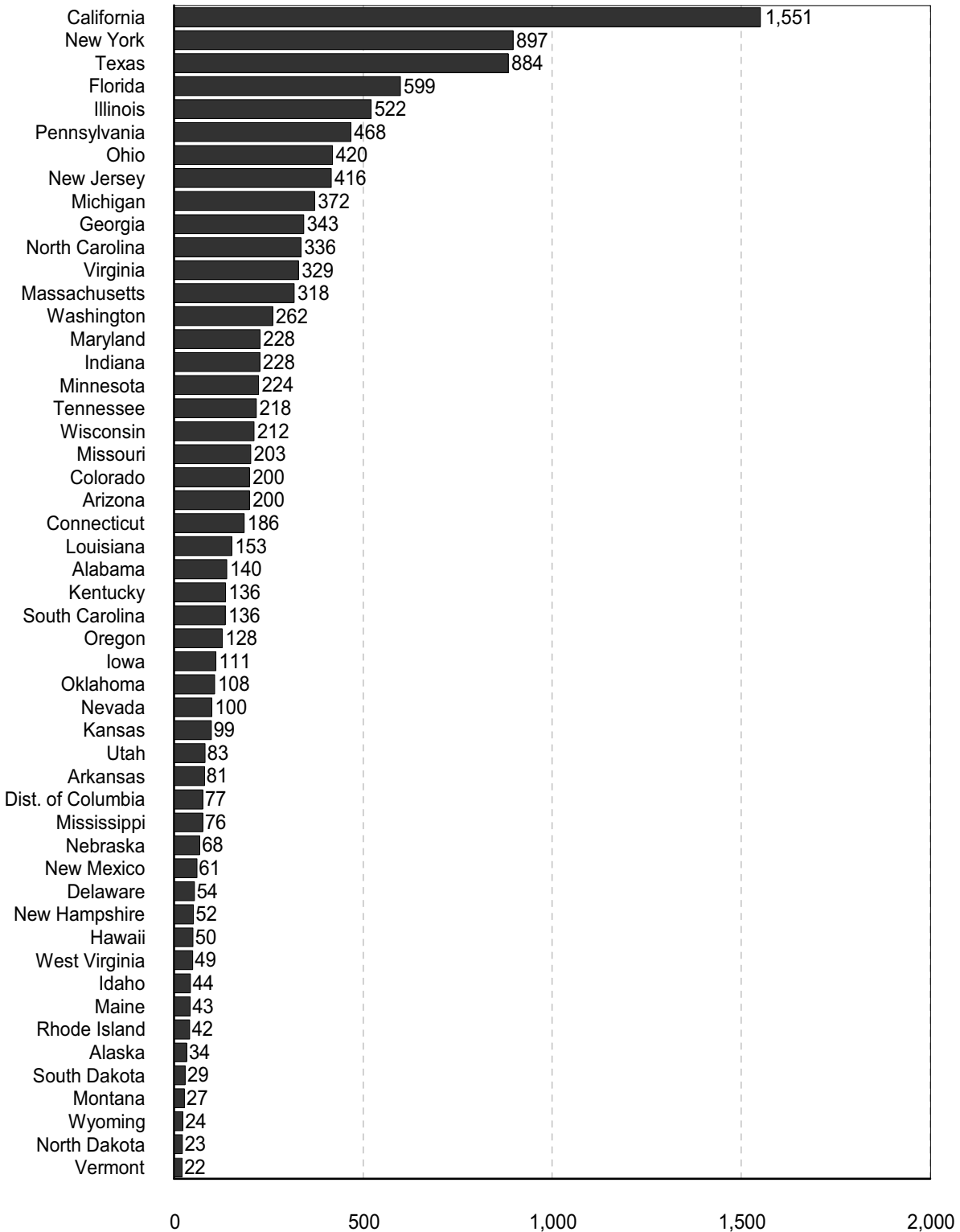


Chart 4.2
Washington GSP by Industry, 2004

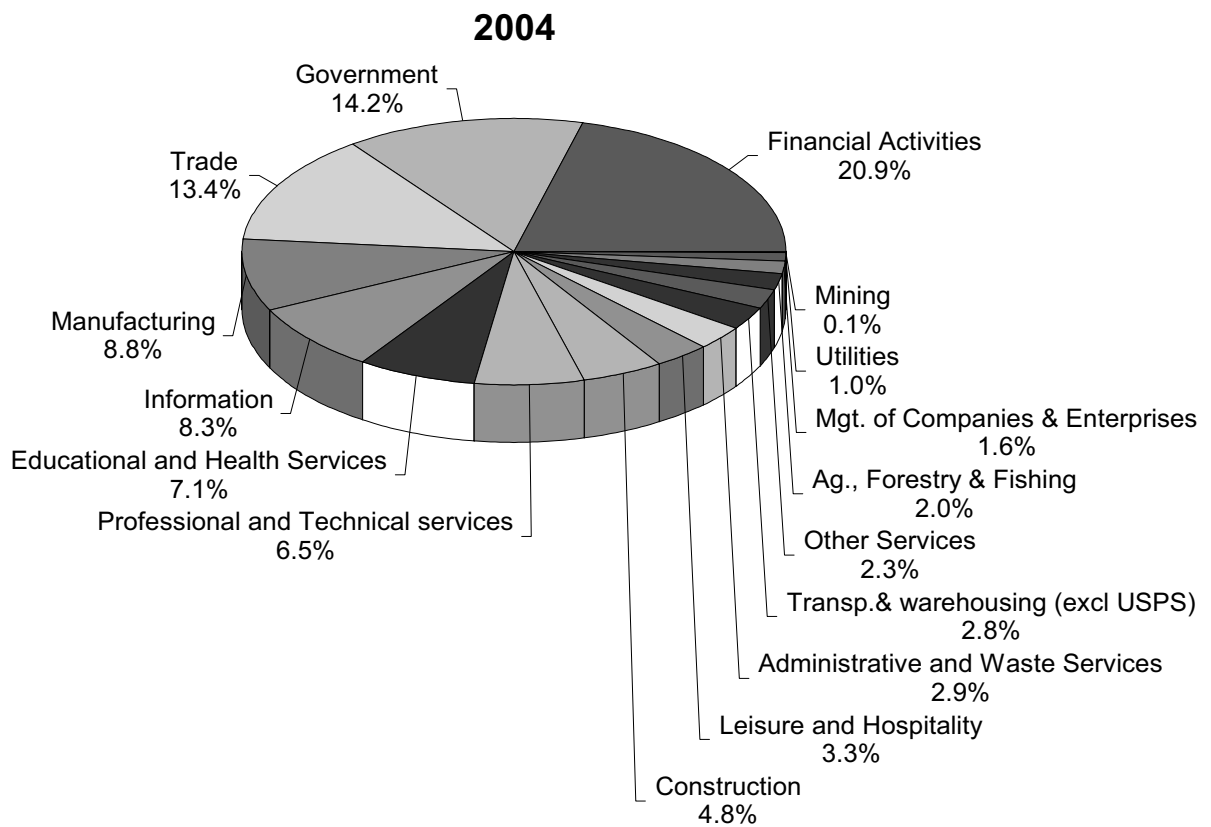


Chart 4.3
Washington GSP by Component
1977 vs. 2003

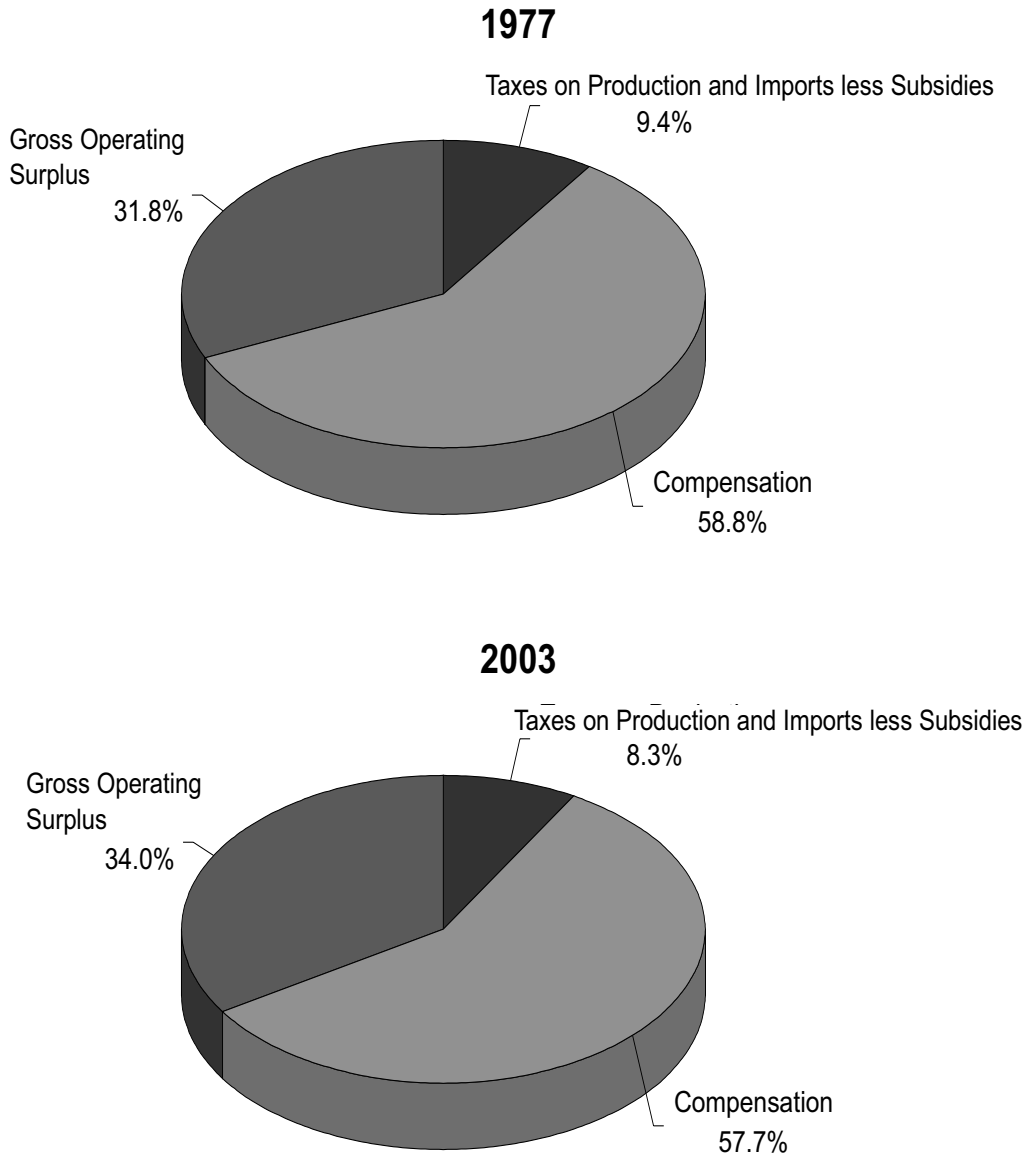


Table 4.1

Washington and U.S. Gross Product (millions of current dollars)

1977 through 2004

	Washington	U.S.	Percent of U.S. Economy
1977	\$36,276	\$1,986,138	1.83%
1978	\$42,229	\$2,243,638	1.88%
1979	\$48,389	\$2,491,428	1.94%
1980	\$52,158	\$2,719,134	1.92%
1981	\$58,003	\$3,064,552	1.89%
1982	\$61,572	\$3,217,617	1.91%
1983	\$66,765	\$3,451,340	1.93%
1984	\$72,596	\$3,872,847	1.87%
1985	\$75,870	\$4,155,029	1.83%
1986	\$81,932	\$4,364,279	1.88%
1987	\$87,712	\$4,663,282	1.88%
1988	\$96,240	\$5,067,453	1.90%
1989	\$105,057	\$5,385,776	1.95%
1990	\$115,650	\$5,674,013	2.04%
1991	\$122,657	\$5,857,335	2.09%
1992	\$131,148	\$6,174,369	2.12%
1993	\$138,834	\$6,453,455	2.15%
1994	\$146,726	\$6,865,513	2.14%
1995	\$151,338	\$7,232,722	2.09%
1996	\$161,760	\$7,659,651	2.11%
1997	\$178,334	\$8,237,994	2.16%
1998	\$194,953	\$8,679,657	2.25%
1999	\$214,223	\$9,201,137	2.33%
2000	\$221,314	\$9,749,104	2.27%
2001	\$225,656	\$10,058,156	2.24%
2002	\$233,971	\$10,412,244	2.25%
2003	\$245,143	\$10,923,849	2.24%
2004	\$261,549	\$11,665,595	2.24%

*Classification codes changed in 1997 from SIC to NAICS

Table 4.2

Washington Gross State Product by Industry

(Millions of Dollars)

	2000	2001	2002	2003	2004
Total Gross State Product	221,314	225,656	233,971	245,143	261,549
Private industries	192,049	194,886	200,856	209,977	224,440
Agriculture, forestry, fishing, & hunting	4,637	4,143	4,484	4,829	5,125
Crop & animal production (Farms)	2,559	2,266	2,482	2,559	n/a
Forestry, fishing, & related activities	2,078	1,877	2,001	2,270	n/a
Mining	334	305	323	323	355
Oil & gas extraction	(L)	(L)	1	1	n/a
Mining, except oil & gas	315	278	292	296	n/a
Support activities for mining	19	27	30	26	n/a
Utilities	2,316	2,397	2,314	2,356	2,612
Construction	10,611	10,834	10,934	11,432	12,513
Manufacturing	23,270	22,357	22,288	21,525	22,955
Durable goods	15,998	16,062	15,494	15,020	16,006
Wood product manufacturing	1,324	1,363	1,269	1,405	n/a
Nonmetallic mineral product manufacturing	766	771	752	790	n/a
Primary metal manufacturing	845	755	615	499	n/a
Fabricated metal product manufacturing	1,158	1,080	1,107	1,152	n/a
Machinery manufacturing	995	946	879	879	n/a
Computer & electronic product manuf.	2,054	1,781	1,610	1,803	n/a
Electrical equipment & appliance manuf.	459	496	512	628	n/a
Motor vehicle, body, trailer, & parts manuf.	423	331	354	383	n/a
Other transportation equipment manuf	6,837	7,433	7,306	6,395	n/a
Furniture & related product manuf.	375	389	372	380	n/a
Miscellaneous manufacturing	763	717	720	707	n/a
Nondurable goods	7,273	6,296	6,795	6,505	6,949
Food product manufacturing	2,396	2,631	2,610	2,633	n/a
Textile & textile product mills	171	134	134	134	n/a
Apparel manufacturing	104	96	106	113	n/a
Paper manufacturing	1,420	1,152	1,162	1,200	n/a
Printing & related support activities	607	594	562	523	n/a
Petroleum & coal products manuf.	689	475	395	600	n/a
Chemical manufacturing	1,244	567	1,135	573	n/a
Plastics & rubber products manuf.	641	646	691	729	n/a
Wholesale trade	13,717	13,786	13,888	14,459	16,112
Retail trade	16,207	16,219	17,367	18,047	18,871
Transportation & warehousing, excl. Postal Service	6,404	6,248	6,471	6,780	7,330
Air transportation	1,314	1,019	1,113	1,225	n/a
Rail transportation	479	470	481	508	n/a
Water transportation	428	437	438	473	n/a
Truck transportation	1,619	1,689	1,738	1,726	n/a
Transit & ground passenger transportation	212	226	236	242	n/a
Pipeline transportation	18	25	32	27	n/a
Other transportation & support activities	1,972	2,012	2,019	2,126	n/a
Warehousing & storage	362	369	415	453	n/a
Information	22,050	20,807	20,222	21,016	21,801
Publishing including software	14,262	13,342	13,417	14,472	n/a
Motion picture & sound recording industries	190	190	200	242	n/a
Broadcasting & telecommunications	6692	6713	6196	5927	n/a
Information & data processing services	906	563	409	374	n/a

(L) Less than \$500,000 in nominal or real GSP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.2 (cont'd.)	2000	2001	2002	2003	2004
Finance & insurance	11526	12217	13158	14697	15982
Federal Reserve banks, credit intermediation	5,908	6,180	7,373	8,596	n/a
Securities, commodity contracts, investment	1,613	1,616	1,525	1,701	n/a
Insurance carriers & related activities	3,793	4,187	4,043	4,253	n/a
Funds, trusts, & other financial vehicles	212	233	218	147	n/a
Real estate, rental, & leasing	31,583	33,582	34,856	36,588	38,797
Real estate	29,582	31,699	33,100	34,754	n/a
Rental & leasing services	2,001	1,884	1,756	1,834	n/a
Professional & technical services	14,483	14,678	15,147	16,196	17,027
Legal services	2,513	2,613	2,689	2,839	n/a
Computer systems design & related svc,	4,223	3,617	3,415	3,674	n/a
Other prof., scientific & technical svc,	7,746	8,447	9,043	9,682	n/a
Management of companies & enterprises	2,972	3,116	3,284	3,729	4,144
Administrative & waste services	5,988	6,098	6,400	6,807	7,566
Administrative & support services	4,624	4,744	4,962	5,309	n/a
Waste management & remediation services	1,364	1,353	1,437	1,498	n/a
Educational services	1,113	1,167	1,214	1,214	1,293
Health care & social assistance	12,723	14,026	15,120	16,086	17,182
Ambulatory health care services	6,969	7,799	8,457	9,038	n/a
Hospitals & nursing & residential care facil.	4,431	4,800	5,124	5,445	n/a
Social assistance	1,323	1,427	1,539	1,604	n/a
Arts, entertainment, & recreation	1,720	1,833	1,893	1,985	2,229
Performing arts, museums, & related act.	757	752	758	803	n/a
Amusements, gambling, & recreation	963	1,081	1,136	1,182	n/a
Accommodation & food services	5,503	5,656	5,877	6,113	6,472
Accommodation	1,516	1,479	1,526	1,591	n/a
Food services & drinking places	3,987	4,178	4,352	4,522	n/a
Other services, except government	4,889	5,415	5,615	5,796	6,076
Government	29,265	30,770	33,115	35,165	37,109
Federal civilian	5,240	5,320	6,010	6,633	n/a
Federal military	3,597	3,851	4,354	4,764	n/a
State & local	20,427	21,599	22,751	23,769	n/a

(L) Less than \$500,000 in nominal or real GSP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.3
Washington Gross State Product by Industry
(Millions of Chained 2000 Dollars)

	2000	2001	2002	2003	2004
Total Gross State Product	221,314	220,096	223,456	229,680	239,833
Private industries	192,049	190,418	192,921	198,490	207,735
Agriculture, forestry, fishing, & hunting	4,637	4,011	4,618	4,579	4,579
Crop & animal production (Farms)	2,559	2,033	2,450	2,193	n/a
Forestry, fishing, & related activities	2,078	1,994	2,171	2,429	n/a
Mining	334	281	284	286	289
Oil & gas extraction	(L)	(L)	1	1	n/a
Mining, except oil & gas	315	264	263	268	n/a
Support activities for mining	19	16	19	17	n/a
Utilities	2,316	2,132	2,095	2,143	2,306
Construction	10,611	10,075	9,702	9,671	10,015
Manufacturing	23,270	21,975	22,050	21,035	21,774
Durable goods	15,998	16,118	15,574	15,034	15,617
Wood product manufacturing	1,324	1,344	1,265	1,316	n/a
Nonmetallic mineral product manufacturing	766	776	744	792	n/a
Primary metal manufacturing	845	794	645	538	n/a
Fabricated metal product manufacturing	1,158	1,055	1,075	1,128	n/a
Machinery manufacturing	995	921	851	854	n/a
Computer & electronic product manuf.	2,054	2,365	2,410	3,064	n/a
Electrical equipment & appliance manuf.	459	489	515	650	n/a
Motor vehicle, body, trailer, & parts manuf.	423	334	373	412	n/a
Other transportation equipment manuf	6,837	7,008	6,739	5,683	n/a
Furniture & related product manuf.	375	374	349	358	n/a
Miscellaneous manufacturing	763	692	676	659	n/a
Nondurable goods	7,273	5,893	6,475	6,011	6,172
Food product manufacturing	2,396	2,456	2,315	2,348	n/a
Textile & textile product mills	171	127	130	135	n/a
Apparel manufacturing	104	95	107	116	n/a
Paper manufacturing	1,420	1,148	1,174	1,249	n/a
Printing & related support activities	607	574	540	499	n/a
Petroleum & coal products manuf.	689	341	484	442	n/a
Chemical manufacturing	1,244	552	1,109	549	n/a
Plastics & rubber products manuf.	641	626	663	709	n/a
Wholesale trade	13,717	14,378	14,291	14,137	15,257
Retail trade	16,207	16,618	17,416	18,467	19,630
Transportation & warehousing, excl. Postal Service	6,404	6,177	6,370	6,618	6,968
Air transportation	1,314	1,163	1,362	1,598	n/a
Rail transportation	479	456	450	465	n/a
Water transportation	428	403	398	390	n/a
Truck transportation	1,619	1,592	1,602	1,563	n/a
Transit & ground passenger transportation	212	217	220	214	n/a
Pipeline transportation	18	23	27	27	n/a
Other transportation & support activities	1,972	1,956	1,939	2,007	n/a
Warehousing & storage	362	359	396	431	n/a
Information	22,050	20,570	20,193	21,376	22,055
Publishing including software	14,262	13,007	13,134	14,518	n/a
Motion picture & sound recording industries	190	180	184	209	n/a
Broadcasting & telecommunications	6,692	6,853	6,490	6,265	n/a
Information & data processing services	906	545	388	354	n/a

(L) Less than \$500,000 in nominal or real GSP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.3 (cont'd.)	2000	2001	2002	2003	2004
Finance & insurance	11,526	11,941	12,492	13,842	14,688
Federal Reserve banks, credit intermediation	5,908	5,938	6,701	7,782	n/a
Securities, commodity contracts, investment	1,613	1,769	1,853	2,207	n/a
Insurance carriers & related activities	3,793	4,089	3,820	3,811	n/a
Funds, trusts, & other financial vehicles	212	163	138	113	n/a
Real estate, rental, & leasing	31,583	32,392	32,413	33,231	34,529
Real estate	29,582	30,506	30,630	31,447	n/a
Rental & leasing services	2,001	1,883	1,772	1,771	n/a
Professional & technical services	14,483	14,287	14,537	15,402	15,891
Legal services	2,513	2,472	2,448	2,490	n/a
Computer systems design & related svc,	4,223	3,566	3,425	3,767	n/a
Other prof., scientific & technical svc,	7,746	8,246	8,659	9,155	n/a
Management of companies & enterprises	2,972	3,157	3,318	3,634	3,825
Administrative & waste services	5,988	5,788	6,145	6,612	7,193
Administrative & support services	4,624	4,495	4,753	5,124	n/a
Waste management & remediation services	1,364	1,293	1,392	1,487	n/a
Educational services	1,113	1,085	1,051	999	1,005
Health care & social assistance	12,723	13,337	13,890	14,308	14,830
Ambulatory health care services	6,969	7,507	8,018	8,402	n/a
Hospitals & nursing & residential care facil.	4,431	4,461	4,474	4,505	n/a
Social assistance	1,323	1,373	1,413	1,427	n/a
Arts, entertainment, & recreation	1,720	1,753	1,749	1,783	1,948
Performing arts, museums, & related act.	757	716	696	709	n/a
Amusements, gambling, & recreation	963	1,037	1,054	1,074	n/a
Accommodation & food services	5,503	5,444	5,422	5,569	5,849
Accommodation	1,516	1,443	1,484	1,523	n/a
Food services & drinking places	3,987	4,001	3,940	4,047	n/a
Other services, except government	4,889	5,053	4,976	4,947	5,302
Government	29,265	29,674	30,520	31,185	32,106
Federal civilian	5,240	5,190	5,555	5,905	n/a
Federal military	3,597	3,699	3,885	3,905	n/a
State & local	20,427	20,785	21,079	21,376	n/a

(L) Less than \$500,000 in nominal or real GSP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.4

Washington Gross State Product by Component, 2003

(Millions of Current Dollars)

	Total	Compensation	Taxes on Production and Imports less Subsidies	Gross Operating Surplus
Total Gross State Product	245,143	141,360	20,424	83,359
Private industries	209,977	111,237	20,777	77,963
Agriculture, forestry, fishing, & hunting	4,829	2,633	(180)	2,375
Crop & animal production (Farms)	2,559	1,368	(276)	1,467
Forestry, fishing, & related activities	2,270	1,265	96	909
Mining	323	198	32	93
Oil & gas extraction	1	(D)	(L)	(D)
Mining, except oil & gas	296	182	31	83
Support activities for mining	26	(D)	2	(D)
Utilities	2,356	348	965	1,044
Construction	11,432	8,099	351	2,983
Manufacturing	21,525	18,385	667	2,472
Durable goods	15,020	13,656	330	1,034
Wood product manf.	1,405	854	25	526
Nonmetallic mineral product manf.	790	445	17	327
Primary metal manf.	499	350	26	122
Fabricated metal product manf.	1,152	843	21	288
Machinery manf.	879	705	17	156
Computer & electronic product manf.	1,803	1,943	55	(196)
Electrical equipment & appliance manf.	628	267	10	351
Motor vehicle, body, trailer, & parts	383	(D)	10	(D)
Other transportation equipment manf.	6,395	(D)	127	(D)
Furniture & related product manf.	380	324	5	52
Miscellaneous manf.	707	573	17	117
Nondurable goods	6,505	4,730	337	1,438
Food product manf.	2,633	1,792	160	681
Textile & textile product mills	134	134	5	(5)
Apparel manf.	113	105	3	5
Paper manf.	1,200	961	55	183
Printing & related support activities	523	423	7	92
Petroleum & coal products manuf.	600	371	49	180
Chemical manf.	573	510	41	22
Plastics & rubber products manuf.	729	432	17	279
Wholesale trade	14,459	7,104	4,358	2,997
Retail trade	18,047	9,991	4,059	3,997
Transportation & warehousing, excl. Postal	6,780	4,428	463	1,889
Air transportation	1,225	865	77	283
Rail transportation	508	(D)	19	(D)
Water transportation	473	234	50	189
Truck transportation	1,726	1,032	81	613
Transit & ground passenger transportation	242	162	15	65
Pipeline transportation	27	16	7	3
Other transportation & support activities	2,126	(D)	205	(D)
Warehousing & storage	453	310	9	134

(L) Less than \$500,000 in nominal or real GSP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

Table 4.4 (cont'd.)

	Total	Compensation	Taxes on Production and Imports less Subsidies	Gross Operating Surplus
Information	21,016	11,188	820	9,009
Publishing including software	14,472	8,638	160	5,674
Motion picture & sound recording ind.	242	107	15	120
Broadcasting & telecommunications	5,927	2,189	618	3,120
Information & data processing services	374	253	26	95
Finance & insurance	14,697	7,678	947	6,072
Federal Reserve banks, credit intermed.	8,596	(D)	352	(D)
Securities, commodity contracts, inv.	1,701	1,274	130	296
Insurance carriers & related activities	4,253	2,739	455	1,059
Funds, trusts, & other financial vehicle	147	(D)	10	(D)
Real estate, rental, & leasing	36,588	1,836	5,242	29,510
Real estate	34,754	1,366	4,975	28,413
Rental & leasing services	1,834	470	267	1,097
Professional & technical services	16,196	10,029	491	5,676
Legal services	2,839	1,729	127	983
Computer systems design & related svc.	3,674	1,799	77	1,799
Other prof., scientific & technical svc.	9,682	6,501	286	2,895
Management of companies & enterprises	3,729	2,749	64	915
Administrative & waste services	6,807	4,671	368	1,769
Administrative & support services	5,309	3,785	213	1,311
Waste management & remediation svc.	1,498	886	155	458
Educational services	1,214	1,117	26	70
Health care & social assistance	16,086	11,812	459	3,816
Ambulatory health care services	9,038	5,776	178	3,084
Hospitals & nursing & residential care	5,445	4,769	252	424
Social assistance	1,604	1,267	29	307
Arts, entertainment, & recreation	1,985	1,247	135	603
Performing arts, museums, & related act.	803	529	45	229
Amusements, gambling, & recreation	1,182	718	90	374
Accommodation & food services	6,113	3,761	938	1,413
Accommodation	1,591	687	373	531
Food services & drinking places	4,522	3,074	565	883
Other services, except government	5,796	3,964	572	1,260
Government	35,165	30,123	(353)	5,396
Federal civilian	6,633	5,494	0	1,139
Federal military	4,764	4,253	0	511
State & local	23,769	20,376	(353)	3,746

(L) Less than \$500,000 in nominal or real GSP

(D) Not shown in order to avoid the disclosure of confidential information; estimates are included in higher level totals.

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 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,817.0	9,890.6	10,048.9	10,320.6	10,755.7	11,134.2	11,504.2	11,847.1
% Ch	3.7	0.8	1.6	2.7	4.2	3.5	3.3	3.0
Real Consumption	6,739.4	6,910.4	7,099.3	7,306.5	7,588.6	7,847.0	8,069.6	8,316.8
% Ch	4.7	2.5	2.7	2.9	3.9	3.4	2.8	3.1
Real Nonresidential Fixed Investment	1,232.1	1,180.5	1,071.5	1,085.0	1,186.7	1,288.1	1,439.1	1,502.2
% Ch	8.7	-4.2	-9.2	1.3	9.4	8.5	11.7	4.4
Real Residential Fixed Investment	446.9	448.5	469.9	509.4	561.8	599.0	571.5	543.8
% Ch	0.8	0.4	4.8	8.4	10.3	6.6	-4.6	-4.8
Real Personal Income	8,429.3	8,545.2	8,578.1	8,689.1	8,972.5	9,226.5	9,582.8	9,920.8
% Ch	5.4	1.4	0.4	1.3	3.3	2.8	3.9	3.5
Real Per Capita Income (\$/Person)	29,807	29,908	29,724	29,819	30,508	31,087	31,997	32,834
% Ch	4.3	0.3	-0.6	0.3	2.3	1.9	2.9	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.021	1.035	1.055	1.082	1.114	1.142	1.167
% Ch	2.5	2.1	1.4	1.9	2.6	2.9	2.5	2.2
U.S. Consumer Price Index (1982-84=1.0)	1.722	1.771	1.798	1.840	1.889	1.953	2.006	2.045
% Ch	3.4	2.8	1.6	2.3	2.7	3.4	2.7	1.9
Employment Cost Index (June 1989=1.0)	1.460	1.514	1.564	1.609	1.650	1.690	1.748	1.811
% Ch	4.1	3.7	3.3	2.9	2.5	2.4	3.4	3.6
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,817.0	10,128.0	10,469.6	10,971.3	11,734.3	12,476.1	13,210.8	13,877.6
% Ch	5.9	3.2	3.4	4.8	7.0	6.3	5.9	5.0
Personal Income	8,429.7	8,724.1	8,881.9	9,169.1	9,713.3	10,275.9	10,944.4	11,575.1
% Ch	8.0	3.5	1.8	3.2	5.9	5.8	6.5	5.8
Employment (Millions)								
U.S. Civilian Labor Force	142.6	143.9	145.1	146.5	147.4	149.3	151.7	153.8
Total U.S. Employment	136.9	136.9	136.5	137.7	139.2	141.7	144.3	146.2
Unemployment Rate (%)	3.97	4.75	5.78	5.99	5.53	5.11	4.89	4.98
Nonfarm Payroll Employment	131.79	131.83	130.35	130.00	131.47	133.59	135.65	137.32
% Ch	2.2	0.0	-1.1	-0.3	1.1	1.6	1.5	1.2
Manufacturing	17.27	16.44	15.26	14.51	14.33	14.28	14.13	14.03
% Ch	-0.3	-4.8	-7.2	-4.9	-1.2	-0.3	-1.1	-0.7
Durable Manufacturing	10.88	10.33	9.48	8.96	8.92	8.95	8.91	8.85
% Ch	0.4	-5.0	-8.2	-5.5	-0.4	0.3	-0.4	-0.7
Nondurable Manufacturing	6.39	6.11	5.77	5.55	5.41	5.34	5.22	5.18
% Ch	-1.6	-4.4	-5.4	-4.0	-2.5	-1.3	-2.2	-0.8
Construction	6.79	6.83	6.71	6.73	6.96	7.23	7.39	7.43
% Ch	3.7	0.6	-1.6	0.3	3.4	3.8	2.2	0.5
Service-Producing	107.14	107.96	107.79	108.19	109.59	111.45	113.47	115.20
% Ch	2.5	0.8	-0.2	0.4	1.3	1.7	1.8	1.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	30.4	26.0	26.1	31.1	41.5	56.8	61.4	60.8
Credit Outstanding/Disp. Income	22.7	23.9	24.2	24.3	23.9	24.0	23.7	23.5
Auto Sales (Millions)	8.9	8.4	8.1	7.6	7.5	7.6	7.4	7.3
% Ch	1.8	-4.9	-3.8	-6.0	-1.4	0.9	-2.8	-1.1
Housing Starts (Millions)	1.573	1.601	1.710	1.854	1.950	2.038	1.836	1.822
% Ch	-4.5	1.8	6.8	8.4	5.2	4.5	-9.9	-0.8
Federal Budget Surplus (Billions)	189.4	46.7	-248.0	-382.8	-406.5	-308.3	-328.9	-292.1
Net Exports (Billions)	-379.5	-367.0	-424.4	-500.9	-624.0	-720.3	-783.1	-767.7
3-Month Treasury Bill Rate (%)	5.81	3.43	1.61	1.01	1.36	3.15	4.36	4.46
10-Year Treasury Note Yield (%)	6.03	5.02	4.61	4.01	4.27	4.32	5.11	5.33
Bond Index of 20 G.O. Munis. (%)	5.70	5.15	5.03	4.74	4.68	4.44	5.22	5.47
30-Year Fixed Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.84	5.85	6.68	6.94

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2005 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,977.3	10,031.6	10,090.7	10,095.8	10,138.6	10,230.4	10,410.9	10,502.6
% Ch	2.7	2.2	2.4	0.2	1.7	3.7	7.2	3.6
Real Consumption	7,042.2	7,083.5	7,123.2	7,148.3	7,192.2	7,256.8	7,360.7	7,416.4
% Ch	1.4	2.4	2.3	1.4	2.5	3.6	5.8	3.1
Real Nonresidential Fixed Investment	1,090.3	1,073.3	1,068.0	1,054.5	1,051.6	1,072.9	1,101.8	1,113.7
% Ch	-12.8	-6.1	-2.0	-5.0	-1.1	8.4	11.2	4.4
Real Residential Fixed Investment	459.0	469.5	471.8	479.3	484.8	496.0	521.2	535.7
% Ch	10.4	9.5	2.0	6.5	4.7	9.6	21.9	11.6
Real Personal Income	8,585.2	8,600.9	8,566.4	8,560.2	8,580.3	8,666.2	8,715.6	8,794.4
% Ch	1.8	0.7	-1.6	-0.3	0.9	4.1	2.3	3.7
Real Per Capita Income (\$/Person)	29,863	29,843	29,641	29,548	29,553	29,776	29,874	30,075
% Ch	0.9	-0.3	-2.7	-1.3	0.1	3.1	1.3	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.034	1.038	1.043	1.050	1.052	1.057	1.061
% Ch	0.9	2.8	1.8	1.7	3.0	0.6	2.0	1.3
U.S. Consumer Price Index (1982-84=1.0)	1.781	1.795	1.804	1.814	1.832	1.834	1.844	1.848
% Ch	1.4	3.3	2.1	2.1	4.2	0.4	2.2	0.9
Employment Cost Index (June 1989=1.0)	1.548	1.562	1.569	1.577	1.593	1.603	1.616	1.625
% Ch	3.7	3.7	1.8	2.1	4.1	2.5	3.3	2.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,333.3	10,426.6	10,527.4	10,591.1	10,717.0	10,844.6	11,087.4	11,236.0
% Ch	4.3	3.7	3.9	2.4	4.8	4.8	9.3	5.5
Personal Income	8,814.7	8,892.0	8,895.4	8,925.5	9,013.7	9,118.6	9,215.4	9,328.7
% Ch	2.8	3.6	0.2	1.4	4.0	4.7	4.3	5.0
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.1	145.5	145.5	146.0	146.6	146.5	146.9
Total U.S. Employment	136.1	136.4	136.8	136.6	137.4	137.7	137.6	138.3
Unemployment Rate (%)	5.70	5.83	5.73	5.87	5.83	6.13	6.13	5.87
Nonfarm Payroll Employment	130.50	130.35	130.27	130.26	130.09	129.84	129.89	130.17
% Ch	-1.3	-0.5	-0.2	-0.0	-0.5	-0.8	0.1	0.9
Manufacturing	15.51	15.34	15.19	14.99	14.79	14.55	14.38	14.31
% Ch	-7.9	-4.3	-3.9	-5.2	-5.2	-6.1	-4.8	-1.8
Durable Manufacturing	9.66	9.54	9.44	9.29	9.14	8.98	8.87	8.85
% Ch	-9.4	-4.7	-4.5	-6.1	-6.4	-6.6	-4.9	-0.7
Nondurable Manufacturing	5.85	5.80	5.75	5.70	5.65	5.57	5.51	5.46
% Ch	-5.4	-3.8	-3.0	-3.7	-3.4	-5.3	-4.6	-3.4
Construction	6.77	6.70	6.69	6.69	6.68	6.70	6.75	6.80
% Ch	-1.0	-4.2	-0.4	0.2	-1.2	1.7	3.0	2.6
Service-Producing	107.62	107.72	107.82	108.00	108.06	108.02	108.19	108.48
% Ch	-0.3	0.4	0.4	0.7	0.2	-0.1	0.6	1.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	21.6	26.3	28.3	28.3	34.1	29.0	30.2	31.2
Credit Outstanding/Disp. Income	24.0	24.1	24.4	24.4	24.3	24.4	24.2	24.2
Auto Sales (Millions)	8.0	8.2	8.4	7.9	7.8	7.5	7.7	7.5
% Ch	-32.4	9.8	13.5	-22.9	-6.5	-13.4	14.9	-12.7
Housing Starts (Millions)	1.723	1.691	1.697	1.730	1.736	1.754	1.890	2.036
% Ch	45.1	-7.2	1.5	7.8	1.5	4.1	34.8	34.7
Federal Budget Surplus (Billions)	-208.5	-241.4	-247.3	-294.6	-296.0	-373.8	-456.2	-405.0
Net Exports (Billions)	-373.1	-416.1	-433.8	-474.6	-502.6	-500.6	-495.3	-505.0
3-Month Treasury Bill Rate (%)	1.72	1.72	1.65	1.35	1.16	1.04	0.93	0.92
10-Year Treasury Note Yield (%)	5.08	5.10	4.26	4.01	3.92	3.62	4.23	4.29
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.89	4.90	4.83	4.47	4.89	4.76
30-Year Fixed Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.92

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2005 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,612.5	10,704.1	10,808.9	10,897.1	10,999.3	11,089.2	11,182.4	11,266.1
% Ch	4.3	3.5	4.0	3.3	3.8	3.3	3.4	3.0
Real Consumption	7,501.4	7,536.6	7,617.5	7,698.8	7,764.9	7,829.5	7,892.6	7,900.8
% Ch	4.7	1.9	4.4	4.3	3.5	3.4	3.3	0.4
Real Nonresidential Fixed Investment	1,135.1	1,171.6	1,204.8	1,235.1	1,252.2	1,279.0	1,290.8	1,330.4
% Ch	7.9	13.5	11.8	10.4	5.7	8.8	3.7	12.8
Real Residential Fixed Investment	542.4	565.1	568.8	571.0	584.1	599.3	606.7	606.0
% Ch	5.1	17.8	2.6	1.6	9.5	10.8	5.0	-0.5
Real Personal Income	8,857.3	8,894.8	8,968.3	9,169.6	9,163.0	9,222.2	9,218.7	9,302.1
% Ch	2.9	1.7	3.3	9.3	-0.3	2.6	-0.2	3.7
Real Per Capita Income (\$/Person)	30,221	30,279	30,459	31,072	30,979	31,108	31,026	31,236
% Ch	2.0	0.8	2.4	8.3	-1.2	1.7	-1.1	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.071	1.081	1.085	1.093	1.099	1.108	1.119	1.128
% Ch	3.8	3.8	1.5	3.1	2.3	3.3	3.8	3.5
U.S. Consumer Price Index (1982-84=1.0)	1.866	1.886	1.894	1.910	1.922	1.941	1.965	1.985
% Ch	3.9	4.4	1.6	3.6	2.4	4.2	5.0	4.2
Employment Cost Index (June 1989=1.0)	1.635	1.645	1.657	1.664	1.674	1.684	1.695	1.708
% Ch	2.5	2.5	3.0	1.7	2.4	2.4	2.6	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,457.1	11,666.1	11,818.8	11,995.2	12,198.8	12,378.0	12,568.9	12,758.6
% Ch	8.1	7.5	5.3	6.1	7.0	6.0	6.3	6.2
Personal Income	9,484.8	9,614.3	9,729.2	10,024.8	10,073.4	10,221.2	10,313.0	10,496.2
% Ch	6.9	5.6	4.9	12.7	2.0	6.0	3.6	7.3
Employment (Millions)								
U.S. Civilian Labor Force	146.7	147.1	147.7	148.1	148.1	149.0	149.8	150.3
Total U.S. Employment	138.4	138.9	139.6	140.1	140.3	141.4	142.3	142.7
Unemployment Rate (%)	5.67	5.57	5.43	5.43	5.27	5.10	5.00	5.09
Nonfarm Payroll Employment	130.54	131.32	131.73	132.30	132.81	133.43	133.88	134.24
% Ch	1.2	2.4	1.2	1.7	1.6	1.9	1.4	1.1
Manufacturing	14.29	14.34	14.35	14.34	14.31	14.29	14.26	14.27
% Ch	-0.8	1.5	0.4	-0.4	-0.7	-0.6	-0.9	0.3
Durable Manufacturing	8.86	8.92	8.95	8.96	8.95	8.95	8.93	8.94
% Ch	0.4	2.5	1.4	0.3	-0.1	0.0	-1.0	0.6
Nondurable Manufacturing	5.42	5.42	5.40	5.38	5.36	5.34	5.33	5.32
% Ch	-2.7	-0.2	-1.1	-1.6	-1.5	-1.7	-0.9	-0.2
Construction	6.86	6.94	6.98	7.06	7.13	7.22	7.26	7.31
% Ch	3.8	4.6	2.5	4.7	3.7	5.1	2.5	2.7
Service-Producing	108.82	109.46	109.80	110.30	110.76	111.30	111.73	112.03
% Ch	1.2	2.4	1.3	1.8	1.7	1.9	1.6	1.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	35.4	38.3	43.9	48.3	49.9	53.1	63.2	61.0
Credit Outstanding/Disp. Income	24.0	23.9	24.0	23.6	23.9	23.9	24.0	23.9
Auto Sales (Millions)	7.5	7.5	7.4	7.7	7.5	7.6	7.9	7.2
% Ch	-0.6	-0.3	-3.7	16.0	-8.6	7.7	15.9	-31.8
Housing Starts (Millions)	1.929	1.923	1.974	1.973	2.083	2.044	2.023	2.001
% Ch	-19.4	-1.2	11.1	-0.3	24.2	-7.2	-4.2	-4.2
Federal Budget Surplus (Billions)	-429.3	-413.4	-411.6	-371.6	-298.3	-285.6	-351.1	-298.3
Net Exports (Billions)	-559.6	-613.1	-638.0	-685.4	-697.5	-691.0	-723.4	-769.4
3-Month Treasury Bill Rate (%)	0.92	1.07	1.48	2.00	2.52	2.86	3.36	3.86
10-Year Treasury Note Yield (%)	4.02	4.60	4.30	4.17	4.30	4.16	4.21	4.61
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.71	4.50	4.44	4.34	4.30	4.69
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.16

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2005 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,368.3	11,469.8	11,551.9	11,626.9	11,704.3	11,795.8	11,893.1	11,995.3
% Ch	3.7	3.6	2.9	2.6	2.7	3.2	3.3	3.5
Real Consumption	7,956.2	8,031.6	8,110.6	8,179.8	8,233.6	8,287.2	8,342.9	8,403.6
% Ch	2.8	3.8	4.0	3.5	2.7	2.6	2.7	2.9
Real Nonresidential Fixed Investment	1,384.8	1,437.4	1,464.7	1,469.5	1,475.7	1,486.7	1,512.0	1,534.4
% Ch	17.4	16.1	7.8	1.3	1.7	3.0	7.0	6.1
Real Residential Fixed Investment	596.3	580.7	559.3	549.7	546.7	545.0	541.9	541.8
% Ch	-6.2	-10.1	-13.9	-6.7	-2.1	-1.2	-2.2	-0.1
Real Personal Income	9,411.9	9,550.0	9,648.6	9,720.4	9,804.4	9,877.8	9,958.9	10,042.2
% Ch	4.8	6.0	4.2	3.0	3.5	3.0	3.3	3.4
Real Per Capita Income (\$/Person)	31,533	31,924	32,182	32,350	32,557	32,728	32,924	33,127
% Ch	3.9	5.1	3.3	2.1	2.6	2.1	2.4	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.135	1.138	1.144	1.151	1.157	1.163	1.170	1.177
% Ch	2.4	1.1	2.1	2.3	2.1	2.3	2.3	2.4
U.S. Consumer Price Index (1982-84=1.0)	1.998	1.999	2.008	2.019	2.028	2.039	2.050	2.062
% Ch	2.6	0.3	1.8	2.1	1.9	2.2	2.1	2.2
Employment Cost Index (June 1989=1.0)	1.723	1.740	1.757	1.772	1.787	1.803	1.819	1.837
% Ch	3.4	4.0	3.9	3.6	3.5	3.4	3.6	4.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,973.0	13,139.9	13,290.1	13,440.0	13,601.9	13,779.8	13,965.4	14,163.2
% Ch	6.9	5.2	4.7	4.6	4.9	5.3	5.5	5.8
Personal Income	10,683.8	10,870.4	11,038.8	11,184.5	11,340.6	11,491.6	11,650.9	11,817.2
% Ch	7.3	7.2	6.3	5.4	5.7	5.4	5.7	5.8
Employment (Millions)								
U.S. Civilian Labor Force	150.9	151.4	152.0	152.5	153.1	153.6	154.1	154.5
Total U.S. Employment	143.5	144.1	144.6	145.0	145.5	146.0	146.4	146.9
Unemployment Rate (%)	4.91	4.87	4.86	4.90	4.96	4.99	4.99	4.98
Nonfarm Payroll Employment	134.92	135.49	135.89	136.32	136.71	137.12	137.52	137.93
% Ch	2.1	1.7	1.2	1.3	1.1	1.2	1.2	1.2
Manufacturing	14.22	14.16	14.07	14.07	14.06	14.05	14.02	13.99
% Ch	-1.3	-1.7	-2.5	0.1	-0.2	-0.3	-0.9	-1.1
Durable Manufacturing	8.94	8.93	8.88	8.89	8.88	8.87	8.84	8.81
% Ch	-0.4	-0.4	-2.3	0.9	-0.5	-0.6	-1.4	-1.5
Nondurable Manufacturing	5.28	5.23	5.19	5.18	5.18	5.18	5.18	5.18
% Ch	-2.9	-3.9	-2.9	-1.1	0.2	0.3	-0.1	-0.3
Construction	7.37	7.42	7.40	7.37	7.36	7.39	7.45	7.52
% Ch	3.2	3.0	-1.0	-1.7	-0.7	1.9	3.4	3.6
Service-Producing	112.69	113.25	113.75	114.19	114.61	115.01	115.39	115.79
% Ch	2.4	2.0	1.8	1.6	1.5	1.4	1.4	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	60.9	61.5	61.6	61.6	61.3	61.0	60.6	60.1
Credit Outstanding/Disp. Income	23.8	23.7	23.6	23.6	23.5	23.5	23.4	23.4
Auto Sales (Millions)	7.3	7.4	7.5	7.3	7.3	7.3	7.3	7.3
% Ch	3.6	5.2	5.8	-6.7	-2.3	-1.9	1.2	-0.4
Housing Starts (Millions)	1.889	1.825	1.815	1.815	1.821	1.828	1.820	1.817
% Ch	-20.5	-13.0	-2.2	0.0	1.3	1.7	-1.8	-0.6
Federal Budget Surplus (Billions)	-324.7	-337.2	-335.7	-318.1	-292.1	-289.6	-292.0	-294.5
Net Exports (Billions)	-772.2	-778.3	-788.4	-793.3	-782.8	-769.5	-762.2	-756.5
3-Month Treasury Bill Rate (%)	4.30	4.39	4.39	4.38	4.38	4.39	4.50	4.56
10-Year Treasury Note Yield (%)	5.01	5.11	5.13	5.17	5.21	5.29	5.39	5.45
Bond Index of 20 G.O. Munis. (%)	5.09	5.21	5.27	5.31	5.34	5.43	5.52	5.59
30-Year Fixed Mortgage Rate (%)	6.57	6.68	6.70	6.75	6.80	6.89	7.00	7.08

Table A1.3
Washington Economic Forecast Summary
 Forecast 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	187.867	189.533	190.584	190.814	199.744	200.065	209.435	219.209
% Ch	4.5	0.9	0.6	0.1	4.7	0.2	4.7	4.7
Real Wage and Salary Disb.	110.017	108.350	107.607	108.125	109.279	112.629	117.352	122.910
% Ch	3.5	-1.5	-0.7	0.5	1.1	3.1	4.2	4.7
Real Nonwage Income	77.850	81.182	82.977	82.689	90.465	87.435	92.083	96.300
% Ch	5.9	4.3	2.2	-0.3	9.4	-3.3	5.3	4.6
Real Per Capita Income (\$/Person)	31,712	31,589	31,435	31,156	32,207	31,765	32,677	33,626
% Ch	3.2	-0.4	-0.5	-0.9	3.4	-1.4	2.9	2.9
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.021	1.035	1.055	1.082	1.114	1.142	1.167
% Ch	2.5	2.1	1.4	1.9	2.6	2.9	2.5	2.2
Seattle Cons. Price Index (1982-84=1.0)	1.792	1.857	1.893	1.924	1.947	2.000	2.037	2.082
% Ch	3.7	3.6	2.0	1.6	1.2	2.7	1.9	2.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.75	17.97	18.15	18.02	18.28	18.83	19.29	19.66
% Ch	3.7	7.3	1.0	-0.7	1.4	3.0	2.4	1.9
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	187.409	193.284	196.953	200.687	215.419	222.318	238.650	255.187
% Ch	7.0	3.1	1.9	1.9	7.3	3.2	7.3	6.9
Personal Income	187.853	193.498	197.323	201.342	216.266	222.818	239.200	255.770
% Ch	7.0	3.0	2.0	2.0	7.4	3.0	7.4	6.9
Disposable Personal Income	160.318	166.051	173.955	179.387	192.903	196.489	210.698	224.250
% Ch	6.5	3.6	4.8	3.1	7.5	1.9	7.2	6.4
Per Capita Income (\$/Person)	31,709	32,250	32,546	32,875	34,870	35,376	37,321	39,234
% Ch	5.8	1.7	0.9	1.0	6.1	1.5	5.5	5.1
Employment (Thousands)								
Washington Civilian Labor Force	3,051.1	3,050.5	3,109.4	3,160.3	3,233.6	3,289.2	3,370.1	3,436.9
Total Washington Employment	2,899.2	2,861.4	2,881.4	2,926.8	3,032.3	3,106.1	3,180.9	3,244.6
Unemployment Rate (%)	4.98	6.20	7.33	7.39	6.23	5.57	5.62	5.59
Nonfarm Payroll Employment	2,711.6	2,697.3	2,654.0	2,657.7	2,702.3	2,775.8	2,842.8	2,902.7
% Ch	2.4	-0.5	-1.6	0.1	1.7	2.7	2.4	2.1
Manufacturing	331.9	316.2	285.0	267.0	263.6	270.5	277.1	284.0
% Ch	-3.4	-4.7	-9.8	-6.3	-1.3	2.6	2.4	2.5
Durable Manufacturing	236.5	225.0	199.3	183.8	182.3	190.1	198.8	204.7
% Ch	-4.2	-4.8	-11.4	-7.8	-0.8	4.3	4.6	3.0
Aerospace	86.2	87.3	75.7	65.3	61.5	65.3	73.5	80.1
% Ch	-12.3	1.3	-13.2	-13.8	-5.8	6.3	12.5	9.0
Nondurable Manufacturing	95.4	91.1	85.7	83.3	81.3	80.5	78.3	79.3
% Ch	-1.1	-4.5	-6.0	-2.8	-2.4	-1.0	-2.7	1.3
Construction	160.6	158.8	154.2	156.2	164.2	176.3	180.7	181.4
% Ch	4.5	-1.1	-2.9	1.3	5.1	7.4	2.5	0.4
Service-Producing	2,209.0	2,212.5	2,205.4	2,225.9	2,265.3	2,319.8	2,375.8	2,428.0
% Ch	3.2	0.2	-0.3	0.9	1.8	2.4	2.4	2.2
Software Publishers	32.2	35.9	36.1	37.3	39.2	41.1	43.0	44.6
% Ch	17.8	11.3	0.7	3.4	5.1	4.6	4.8	3.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	39.021	38.345	40.200	42.825	50.089	51.331	49.632	48.298
% Ch	-8.7	-1.7	4.8	6.5	17.0	2.5	-3.3	-2.7
Single-Family	25.471	26.736	30.239	33.091	36.489	38.988	32.373	29.852
% Ch	-9.4	5.0	13.1	9.4	10.3	6.8	-17.0	-7.8
Multi-Family	13.550	11.609	9.961	9.734	13.600	12.343	17.260	18.445
% Ch	-7.5	-14.3	-14.2	-2.3	39.7	-9.2	39.8	6.9
30-Year Fixed Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.84	5.85	6.68	6.94

Table A1.4
Washington Economic Forecast Summary
 Forecast 2005 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	191.030	191.625	190.803	188.877	188.147	191.440	193.199	190.471
% Ch	5.5	1.3	-1.7	-4.0	-1.5	7.2	3.7	-5.5
Real Wage and Salary Disb.	108.043	108.198	107.932	106.254	106.087	109.035	110.549	106.831
% Ch	6.6	0.6	-1.0	-6.1	-0.6	11.6	5.7	-12.8
Real Nonwage Income	82.987	83.429	82.869	82.624	82.061	82.404	82.649	83.640
% Ch	4.1	2.1	-2.7	-1.2	-2.7	1.7	1.2	4.9
Real Per Capita Income (\$/Person)	31,619	31,643	31,434	31,044	30,852	31,303	31,501	30,969
% Ch	4.4	0.3	-2.6	-4.9	-2.4	6.0	2.6	-6.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.034	1.038	1.043	1.050	1.052	1.057	1.061
% Ch	0.9	2.8	1.8	1.7	3.0	0.6	2.0	1.3
Seattle Cons. Price Index (1982-84=1.0)	1.879	1.889	1.897	1.908	1.916	1.918	1.933	1.927
% Ch	1.3	2.2	1.7	2.2	1.8	0.4	3.1	-1.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.46	18.43	18.12	17.60	17.87	17.92	18.05	18.25
% Ch	0.7	-0.6	-6.5	-11.1	6.3	1.0	3.1	4.4
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	195.786	197.826	197.748	196.453	197.094	200.765	203.619	201.270
% Ch	6.2	4.2	-0.2	-2.6	1.3	7.7	5.8	-4.5
Personal Income	196.132	198.105	198.125	196.931	197.643	201.425	204.267	202.034
% Ch	6.5	4.1	0.0	-2.4	1.5	7.9	5.8	-4.3
Disposable Personal Income	172.475	174.705	174.739	173.901	175.183	178.741	183.413	180.210
% Ch	16.7	5.3	0.1	-1.9	3.0	8.4	10.9	-6.8
Per Capita Income (\$/Person)	32,463	32,713	32,640	32,368	32,410	32,936	33,306	32,849
% Ch	5.3	3.1	-0.9	-3.3	0.5	6.7	4.6	-5.4
Employment (Thousands)								
Washington Civilian Labor Force	3,083.4	3,106.5	3,118.1	3,129.7	3,141.3	3,143.6	3,164.7	3,191.7
Total Washington Employment	2,854.5	2,873.2	2,893.3	2,904.8	2,910.8	2,905.8	2,928.7	2,962.1
Unemployment Rate (%)	7.43	7.51	7.21	7.19	7.34	7.57	7.46	7.19
Nonfarm Payroll Employment	2,650.9	2,650.5	2,657.9	2,656.5	2,655.2	2,650.1	2,659.0	2,666.6
% Ch	-2.5	-0.1	1.1	-0.2	-0.2	-0.8	1.4	1.1
Manufacturing	293.3	287.5	282.4	277.0	272.2	267.8	264.9	263.2
% Ch	-14.7	-7.7	-6.9	-7.4	-6.8	-6.3	-4.2	-2.6
Durable Manufacturing	205.9	201.9	196.9	192.6	187.9	184.6	182.0	180.5
% Ch	-18.2	-7.6	-9.5	-8.6	-9.3	-6.9	-5.4	-3.3
Aerospace	80.2	77.0	73.7	71.9	68.6	66.2	63.9	62.4
% Ch	-25.8	-14.9	-16.4	-9.1	-17.4	-13.1	-13.4	-9.1
Nondurable Manufacturing	87.4	85.6	85.5	84.4	84.3	83.2	82.9	82.7
% Ch	-5.7	-7.8	-0.6	-4.8	-0.6	-5.0	-1.4	-0.8
Construction	153.5	153.6	155.0	154.7	155.0	155.0	156.2	158.5
% Ch	-1.7	0.3	3.7	-0.7	0.8	-0.0	3.0	6.2
Service-Producing	2,194.7	2,200.1	2,211.2	2,215.5	2,218.9	2,218.7	2,229.5	2,236.3
% Ch	-0.7	1.0	2.0	0.8	0.6	-0.0	2.0	1.2
Software Publishers	35.7	36.0	36.1	36.7	36.6	36.8	37.7	38.3
% Ch	-4.8	3.8	1.5	6.8	-1.8	2.2	11.2	6.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	34.349	41.657	38.754	46.040	43.725	42.494	44.718	40.363
% Ch	-0.7	116.3	-25.1	99.2	-18.6	-10.8	22.6	-33.6
Single-Family	25.850	30.219	30.907	33.980	33.990	32.333	33.142	32.899
% Ch	18.1	86.8	9.4	46.1	0.1	-18.1	10.4	-2.9
Multi-Family	8.499	11.438	7.847	12.060	9.735	10.160	11.576	7.464
% Ch	-38.8	227.9	-77.8	457.8	-57.5	18.6	68.5	-82.7
30-Year Fixed Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.92

Table A1.4
Washington Economic Forecast Summary
 Forecast 2005 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	191.761	194.941	196.031	216.243	197.661	198.961	202.062	201.576
% Ch	2.7	6.8	2.3	48.1	-30.2	2.7	6.4	-1.0
Real Wage and Salary Disb.	106.943	109.480	110.669	110.026	111.067	111.796	114.360	113.294
% Ch	0.4	9.8	4.4	-2.3	3.8	2.7	9.5	-3.7
Real Nonwage Income	84.818	85.461	85.363	106.217	86.594	87.164	87.702	88.282
% Ch	5.8	3.1	-0.5	139.7	-55.8	2.7	2.5	2.7
Real Per Capita Income (\$/Person)	31,091	31,493	31,556	34,686	31,593	31,660	32,012	31,794
% Ch	1.6	5.3	0.8	46.0	-31.2	0.8	4.5	-2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.071	1.081	1.085	1.093	1.099	1.108	1.119	1.128
% Ch	3.8	3.8	1.5	3.1	2.3	3.3	3.8	3.5
Seattle Cons. Price Index (1982-84=1.0)	1.936	1.946	1.945	1.962	1.982	2.004	2.000	2.013
% Ch	1.9	2.1	-0.3	3.6	4.2	4.5	-0.7	2.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.09	18.21	18.30	18.50	18.61	18.85	18.81	19.07
% Ch	-3.4	2.7	2.1	4.4	2.3	5.2	-0.8	5.5
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	204.319	209.631	211.900	235.826	216.789	220.008	225.543	226.930
% Ch	6.2	10.8	4.4	53.4	-28.6	6.1	10.4	2.5
Personal Income	205.331	210.695	212.647	236.392	217.284	220.496	226.038	227.452
% Ch	6.7	10.9	3.8	52.7	-28.6	6.0	10.4	2.5
Disposable Personal Income	183.477	188.035	189.516	210.585	192.017	194.338	199.198	200.403
% Ch	7.5	10.3	3.2	52.5	-30.9	4.9	10.4	2.4
Per Capita Income (\$/Person)	33,291	34,038	34,231	37,918	34,730	35,087	35,810	35,876
% Ch	5.5	9.3	2.3	50.6	-29.6	4.2	8.5	0.7
Employment (Thousands)								
Washington Civilian Labor Force	3,207.2	3,229.6	3,236.4	3,261.3	3,255.1	3,273.8	3,302.9	3,324.9
Total Washington Employment	2,993.7	3,027.9	3,040.2	3,067.4	3,080.3	3,092.5	3,115.6	3,136.0
Unemployment Rate (%)	6.66	6.25	6.06	5.95	5.37	5.54	5.67	5.68
Nonfarm Payroll Employment	2,675.4	2,696.8	2,707.7	2,729.3	2,750.0	2,769.9	2,782.6	2,800.6
% Ch	1.3	3.2	1.6	3.2	3.1	2.9	1.8	2.6
Manufacturing	261.9	262.9	263.6	265.8	268.0	271.0	267.4	275.6
% Ch	-2.0	1.5	1.1	3.4	3.3	4.6	-5.3	13.0
Durable Manufacturing	180.0	181.4	182.8	184.9	187.1	190.6	187.5	195.1
% Ch	-1.2	3.3	3.0	4.8	4.7	7.7	-6.3	17.1
Aerospace	61.3	60.9	61.1	62.6	64.1	65.6	62.2	69.3
% Ch	-6.9	-2.4	1.3	10.0	10.2	9.9	-19.2	54.2
Nondurable Manufacturing	82.0	81.5	80.8	80.9	81.0	80.5	79.8	80.6
% Ch	-3.7	-2.4	-3.0	0.4	0.3	-2.4	-3.0	3.6
Construction	161.4	163.7	163.7	168.1	173.4	175.6	177.6	178.6
% Ch	7.4	5.8	-0.1	11.4	13.2	5.1	4.6	2.3
Service-Producing	2,243.1	2,261.1	2,271.2	2,286.0	2,299.3	2,314.0	2,328.5	2,337.3
% Ch	1.2	3.2	1.8	2.6	2.4	2.6	2.5	1.5
Software Publishers	38.9	39.2	39.3	39.6	40.1	41.0	41.1	42.0
% Ch	5.6	3.5	1.4	2.4	6.0	8.7	1.5	8.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.946	46.746	50.885	57.779	51.730	48.196	54.675	50.725
% Ch	53.8	17.0	40.4	66.2	-35.7	-24.6	65.6	-25.9
Single-Family	34.349	37.194	35.324	39.090	39.480	38.277	41.292	36.905
% Ch	18.8	37.5	-18.6	50.0	4.0	-11.6	35.4	-36.2
Multi-Family	10.597	9.552	15.562	18.689	12.250	9.920	13.383	13.820
% Ch	306.4	-34.0	604.3	108.0	-81.5	-57.0	231.4	13.7
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.16

Table A1.4
Washington Economic Forecast Summary
 Forecast 2005 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	204.073	207.150	213.794	212.723	214.856	216.643	223.459	221.879
% Ch	5.0	6.2	13.5	-2.0	4.1	3.4	13.2	-2.8
Real Wage and Salary Disb.	114.199	115.486	120.827	118.895	120.065	120.894	126.653	124.026
% Ch	3.2	4.6	19.8	-6.2	4.0	2.8	20.5	-8.0
Real Nonwage Income	89.874	91.664	92.967	93.827	94.791	95.749	96.806	97.853
% Ch	7.4	8.2	5.8	3.8	4.2	4.1	4.5	4.4
Real Per Capita Income (\$/Person)	32,047	32,392	33,289	32,981	33,170	33,304	34,207	33,825
% Ch	3.2	4.4	11.5	-3.6	2.3	1.6	11.3	-4.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.135	1.138	1.144	1.151	1.157	1.163	1.170	1.177
% Ch	2.4	1.1	2.1	2.3	2.1	2.3	2.3	2.4
Seattle Cons. Price Index (1982-84=1.0)	2.027	2.030	2.039	2.051	2.062	2.075	2.088	2.101
% Ch	2.7	0.5	2.0	2.4	2.2	2.5	2.4	2.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.15	19.25	19.34	19.43	19.52	19.61	19.71	19.81
% Ch	1.8	2.0	2.0	1.9	1.9	1.9	2.0	2.1
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	231.112	235.244	244.042	244.201	247.928	251.450	260.843	260.527
% Ch	7.6	7.3	15.8	0.3	6.2	5.8	15.8	-0.5
Personal Income	231.650	235.791	244.597	244.762	248.522	252.037	261.425	261.097
% Ch	7.6	7.3	15.8	0.3	6.3	5.8	15.8	-0.5
Disposable Personal Income	204.351	207.844	215.364	215.232	217.759	220.901	229.236	229.104
% Ch	8.1	7.0	15.3	-0.2	4.8	5.9	16.0	-0.2
Per Capita Income (\$/Person)	36,378	36,871	38,085	37,949	38,367	38,745	40,019	39,803
% Ch	5.7	5.5	13.8	-1.4	4.5	4.0	13.8	-2.1
Employment (Thousands)								
Washington Civilian Labor Force	3,344.0	3,361.6	3,378.7	3,396.3	3,413.3	3,429.3	3,444.7	3,460.1
Total Washington Employment	3,155.2	3,172.6	3,189.2	3,206.5	3,222.7	3,237.7	3,251.9	3,266.1
Unemployment Rate (%)	5.65	5.62	5.61	5.59	5.59	5.59	5.60	5.60
Nonfarm Payroll Employment	2,818.6	2,835.0	2,850.6	2,866.8	2,882.1	2,896.2	2,909.5	2,922.9
% Ch	2.6	2.4	2.2	2.3	2.1	2.0	1.8	1.9
Manufacturing	276.1	276.5	277.0	278.7	280.9	283.2	285.1	286.9
% Ch	0.7	0.6	0.7	2.5	3.1	3.4	2.8	2.5
Durable Manufacturing	196.5	198.2	199.4	201.1	202.6	204.2	205.4	206.7
% Ch	3.0	3.5	2.4	3.4	3.1	3.1	2.5	2.5
Aerospace	71.0	72.7	74.3	76.0	77.6	79.3	80.9	82.6
% Ch	9.9	9.7	9.5	9.3	9.0	8.8	8.5	8.3
Nondurable Manufacturing	79.6	78.3	77.6	77.6	78.2	79.0	79.7	80.2
% Ch	-4.5	-6.4	-3.7	0.0	3.4	4.2	3.4	2.7
Construction	179.2	180.6	181.2	181.8	181.9	181.5	181.2	181.1
% Ch	1.3	3.1	1.4	1.4	0.3	-0.9	-0.7	-0.1
Service-Producing	2,354.1	2,368.7	2,383.2	2,397.0	2,410.0	2,422.3	2,434.0	2,445.7
% Ch	2.9	2.5	2.5	2.3	2.2	2.1	1.9	1.9
Software Publishers	42.5	42.9	43.3	43.6	43.9	44.4	44.8	45.3
% Ch	4.8	4.1	3.5	3.0	3.4	3.9	3.8	4.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	49.342	50.002	49.774	49.412	49.106	48.376	47.982	47.727
% Ch	-10.5	5.5	-1.8	-2.9	-2.5	-5.8	-3.2	-2.1
Single-Family	33.738	32.644	31.863	31.246	30.763	30.072	29.501	29.074
% Ch	-30.2	-12.4	-9.2	-7.5	-6.0	-8.7	-7.4	-5.7
Multi-Family	15.604	17.358	17.910	18.166	18.342	18.305	18.480	18.653
% Ch	62.6	53.1	13.4	5.8	3.9	-0.8	3.9	3.8
30-Year Fixed Mortgage Rate (%)	6.57	6.68	6.70	6.75	6.80	6.89	7.00	7.08

Table A2.1

U.S. Nonagricultural Employment by Industry

Forecast 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	131.79	131.83	130.35	130.00	131.47	133.59	135.65	137.32
% Ch	2.2	0.0	-1.1	-0.3	1.1	1.6	1.5	1.2
Manufacturing	17.27	16.44	15.26	14.51	14.33	14.28	14.13	14.03
% Ch	-0.3	-4.8	-7.2	-4.9	-1.2	-0.3	-1.1	-0.7
Durable Manufacturing	10.88	10.33	9.48	8.96	8.92	8.95	8.91	8.85
% Ch	0.4	-5.0	-8.2	-5.5	-0.4	0.3	-0.4	-0.7
Wood Products	0.61	0.57	0.55	0.54	0.55	0.55	0.57	0.56
% Ch	-1.2	-6.4	-3.3	-3.2	2.1	0.4	3.8	-1.3
Primary and Fabricated Metals	2.37	2.25	2.06	1.96	1.96	1.98	1.99	2.02
% Ch	0.9	-5.4	-8.4	-4.9	0.4	1.1	0.0	1.8
Computer and Electronic Products	1.82	1.75	1.51	1.36	1.33	1.33	1.26	1.18
% Ch	2.2	-3.9	-13.8	-10.1	-2.1	0.6	-5.3	-6.6
Machinery and Electrical Equipment	2.05	1.92	1.73	1.61	1.59	1.60	1.62	1.64
% Ch	-0.4	-5.9	-10.3	-6.8	-1.3	0.7	1.3	1.3
Transportation Equipment	2.06	1.94	1.83	1.77	1.76	1.76	1.73	1.67
% Ch	-1.5	-5.7	-5.6	-3.0	-0.6	-0.3	-1.9	-3.1
Other Durables	1.97	1.90	1.81	1.73	1.73	1.72	1.74	1.77
% Ch	1.7	-3.3	-4.9	-4.3	0.1	-0.8	1.4	1.7
Nondurable Manufacturing	6.39	6.11	5.77	5.55	5.41	5.34	5.22	5.18
% Ch	-1.6	-4.4	-5.4	-4.0	-2.5	-1.3	-2.2	-0.8
Food Manufacturing	1.55	1.55	1.53	1.52	1.50	1.49	1.47	1.49
% Ch	0.2	-0.2	-1.6	-0.5	-1.2	-0.4	-1.3	1.0
Paper and Paper Products	0.60	0.58	0.55	0.52	0.50	0.50	0.49	0.49
% Ch	-1.8	-4.5	-5.4	-5.6	-3.3	-0.0	-1.0	-0.0
Other Nondurables	4.23	3.98	3.70	3.51	3.41	3.35	3.25	3.20
% Ch	-2.2	-5.9	-6.9	-5.1	-3.0	-1.9	-2.7	-1.7
Natural Resources and Mining	0.60	0.61	0.58	0.57	0.59	0.62	0.66	0.66
% Ch	0.1	1.1	-3.9	-1.8	3.3	5.5	6.5	-0.9
Construction	6.79	6.83	6.71	6.73	6.96	7.23	7.39	7.43
% Ch	3.7	0.6	-1.6	0.3	3.4	3.8	2.2	0.5
Trade, Transportation, and Utilities	26.23	25.99	25.50	25.29	25.51	25.84	26.26	26.57
% Ch	1.8	-0.9	-1.9	-0.8	0.9	1.3	1.6	1.2
Wholesale Trade	5.93	5.77	5.65	5.61	5.65	5.72	5.83	5.81
% Ch	0.7	-2.7	-2.1	-0.8	0.8	1.1	1.9	-0.2
Retail Trade	15.28	15.24	15.02	14.92	15.04	15.19	15.37	15.63
% Ch	2.1	-0.3	-1.4	-0.7	0.8	1.0	1.2	1.7
Trans., Warehousing, and Utilities	5.01	4.97	4.82	4.76	4.82	4.93	5.06	5.13
% Ch	2.2	-0.8	-3.1	-1.2	1.2	2.4	2.6	1.3
Information	3.63	3.63	3.39	3.19	3.14	3.15	3.18	3.25
% Ch	6.2	-0.0	-6.5	-6.0	-1.6	0.3	1.0	2.3
Publishing Industries	1.03	1.02	0.96	0.93	0.91	0.91	0.90	0.91
% Ch	3.0	-1.4	-5.5	-4.1	-1.7	-0.1	-0.6	0.7
Other Information	2.59	2.61	2.43	2.26	2.23	2.24	2.27	2.34
% Ch	7.5	0.5	-6.8	-6.8	-1.6	0.4	1.7	3.0
Financial Activities	7.69	7.81	7.85	7.98	8.05	8.21	8.18	8.21
% Ch	0.5	1.6	0.5	1.6	0.9	2.0	-0.3	0.3
Professional and Business Services	16.67	16.48	15.98	15.98	16.41	16.92	17.55	18.10
% Ch	4.5	-1.1	-3.1	0.0	2.7	3.1	3.7	3.2
Education and Health Services	15.11	15.64	16.20	16.59	16.95	17.34	17.72	17.99
% Ch	2.1	3.5	3.6	2.4	2.2	2.3	2.2	1.5
Leisure and Hospitality	11.86	12.03	11.99	12.18	12.48	12.75	13.02	13.21
% Ch	2.7	1.5	-0.4	1.6	2.5	2.1	2.1	1.5
Other Services	5.17	5.26	5.37	5.40	5.43	5.47	5.52	5.62
% Ch	1.6	1.7	2.2	0.5	0.6	0.8	0.9	1.8
Federal Government	2.87	2.76	2.77	2.76	2.73	2.72	2.73	2.73
% Ch	3.4	-3.5	0.1	-0.2	-1.2	-0.3	0.2	0.0
State and Local Government	17.93	18.36	18.74	18.82	18.89	19.06	19.31	19.52
% Ch	2.2	2.4	2.1	0.4	0.4	0.9	1.3	1.1

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2005 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	130.50	130.35	130.27	130.26	130.09	129.84	129.89	130.17
% Ch	-1.3	-0.5	-0.2	-0.0	-0.5	-0.8	0.1	0.9
Manufacturing	15.51	15.34	15.19	14.99	14.79	14.55	14.38	14.31
% Ch	-7.9	-4.3	-3.9	-5.2	-5.2	-6.1	-4.8	-1.8
Durable Manufacturing	9.66	9.54	9.44	9.29	9.14	8.98	8.87	8.85
% Ch	-9.4	-4.7	-4.5	-6.1	-6.4	-6.6	-4.9	-0.7
Wood Products	0.56	0.56	0.56	0.55	0.54	0.54	0.53	0.54
% Ch	-1.9	-3.2	-1.1	-5.8	-4.6	-3.2	-1.6	4.0
Primary and Fabricated Metals	2.09	2.07	2.05	2.03	1.99	1.96	1.94	1.93
% Ch	-10.1	-3.7	-2.7	-5.2	-6.1	-6.4	-5.1	-0.3
Computer and Electronic Products	1.57	1.53	1.48	1.44	1.40	1.36	1.33	1.32
% Ch	-14.7	-10.0	-11.3	-10.6	-11.6	-9.7	-8.3	-3.8
Machinery and Electrical Equipment	1.77	1.74	1.71	1.68	1.65	1.62	1.59	1.58
% Ch	-11.3	-6.6	-6.2	-7.1	-7.0	-8.4	-6.5	-1.6
Transportation Equipment	1.84	1.84	1.83	1.81	1.80	1.77	1.76	1.76
% Ch	-9.0	-1.4	-1.8	-3.7	-2.7	-5.0	-3.0	0.1
Other Durables	1.83	1.82	1.80	1.78	1.76	1.73	1.72	1.72
% Ch	-4.3	-2.9	-2.6	-4.8	-5.8	-5.5	-3.3	-0.3
Nondurable Manufacturing	5.85	5.80	5.75	5.70	5.65	5.57	5.51	5.46
% Ch	-5.4	-3.8	-3.0	-3.7	-3.4	-5.3	-4.6	-3.4
Food Manufacturing	1.54	1.53	1.51	1.52	1.52	1.52	1.52	1.51
% Ch	-0.9	-2.3	-3.6	1.3	0.7	-1.7	0.5	-1.6
Paper and Paper Products	0.55	0.55	0.55	0.54	0.53	0.52	0.51	0.51
% Ch	-5.5	-3.4	-3.4	-5.9	-6.4	-6.0	-6.7	-4.3
Other Nondurables	3.76	3.72	3.69	3.64	3.60	3.54	3.48	3.44
% Ch	-7.2	-4.5	-2.8	-5.5	-4.6	-6.7	-6.4	-4.0
Natural Resources and Mining	0.59	0.58	0.58	0.58	0.57	0.57	0.57	0.57
% Ch	-3.7	-6.6	-5.1	-0.5	-1.4	-2.5	0.0	3.1
Construction	6.77	6.70	6.69	6.69	6.68	6.70	6.75	6.80
% Ch	-1.0	-4.2	-0.4	0.2	-1.2	1.7	3.0	2.6
Trade, Transportation, and Utilities	25.55	25.53	25.49	25.43	25.35	25.28	25.25	25.28
% Ch	-2.4	-0.4	-0.7	-1.0	-1.2	-1.1	-0.4	0.5
Wholesale Trade	5.67	5.65	5.65	5.64	5.63	5.62	5.59	5.60
% Ch	-2.6	-1.3	-0.4	-0.8	-0.7	-0.7	-1.7	0.3
Retail Trade	15.06	15.05	15.01	14.98	14.93	14.90	14.92	14.93
% Ch	-2.0	-0.2	-1.1	-0.9	-1.2	-0.7	0.4	0.5
Trans., Warehousing, and Utilities	4.82	4.82	4.83	4.81	4.79	4.76	4.74	4.75
% Ch	-3.1	0.2	0.7	-1.4	-1.8	-2.6	-1.6	0.9
Information	3.47	3.42	3.37	3.32	3.24	3.19	3.17	3.15
% Ch	-6.9	-6.4	-5.8	-5.4	-9.1	-5.6	-3.3	-2.0
Publishing Industries	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.91
% Ch	-6.2	-5.1	-2.6	-3.4	-5.4	-4.5	-3.7	-1.7
Other Information	2.49	2.45	2.41	2.37	2.30	2.27	2.25	2.24
% Ch	-7.2	-6.9	-7.0	-6.2	-10.6	-6.0	-3.2	-2.1
Financial Activities	7.83	7.83	7.84	7.89	7.93	7.98	8.00	7.99
% Ch	-0.1	-0.5	0.7	2.7	2.1	2.4	1.0	-0.6
Professional and Business Services	16.02	16.01	15.96	15.92	15.91	15.91	16.01	16.10
% Ch	-2.8	-0.1	-1.2	-1.1	-0.1	-0.1	2.5	2.2
Education and Health Services	16.01	16.14	16.29	16.37	16.46	16.57	16.61	16.72
% Ch	3.6	3.4	3.6	2.0	2.2	2.7	1.0	2.6
Leisure and Hospitality	11.98	11.92	11.96	12.10	12.14	12.10	12.18	12.29
% Ch	-0.3	-1.9	1.4	4.6	1.4	-1.4	2.9	3.5
Other Services	5.35	5.37	5.37	5.40	5.40	5.40	5.40	5.40
% Ch	3.0	0.9	0.2	2.1	0.3	-0.1	0.0	0.1
Federal Government	2.75	2.77	2.76	2.78	2.79	2.77	2.75	2.74
% Ch	-0.3	2.2	-0.9	2.6	1.3	-2.9	-2.1	-2.8
State and Local Government	18.65	18.74	18.78	18.81	18.84	18.82	18.81	18.82
% Ch	1.9	2.0	0.9	0.5	0.7	-0.3	-0.2	0.1

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2005 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.54	131.32	131.73	132.30	132.81	133.43	133.88	134.24
% Ch	1.2	2.4	1.2	1.7	1.6	1.9	1.4	1.1
Manufacturing	14.29	14.34	14.35	14.34	14.31	14.29	14.26	14.27
% Ch	-0.8	1.5	0.4	-0.4	-0.7	-0.6	-0.9	0.3
Durable Manufacturing	8.86	8.92	8.95	8.96	8.95	8.95	8.93	8.94
% Ch	0.4	2.5	1.4	0.3	-0.1	0.0	-1.0	0.6
Wood Products	0.54	0.55	0.55	0.55	0.55	0.55	0.55	0.55
% Ch	2.5	3.6	2.5	2.7	0.1	-3.0	-1.2	1.0
Primary and Fabricated Metals	1.94	1.96	1.97	1.98	1.98	1.99	1.99	1.98
% Ch	1.6	3.9	2.6	0.8	0.8	0.8	0.5	-1.1
Computer and Electronic Products	1.32	1.33	1.33	1.33	1.33	1.33	1.34	1.34
% Ch	-1.0	2.2	2.3	-1.6	-0.2	1.2	1.9	2.3
Machinery and Electrical Equipment	1.58	1.59	1.60	1.59	1.59	1.60	1.60	1.61
% Ch	-1.1	2.4	2.4	-0.8	0.1	1.0	0.3	2.0
Transportation Equipment	1.76	1.76	1.76	1.77	1.77	1.77	1.74	1.75
% Ch	-0.2	0.6	-1.0	2.5	0.6	0.1	-6.7	0.7
Other Durables	1.72	1.74	1.74	1.73	1.72	1.72	1.72	1.72
% Ch	1.5	3.0	0.3	-0.5	-2.3	-1.8	0.0	-0.3
Nondurable Manufacturing	5.42	5.42	5.40	5.38	5.36	5.34	5.33	5.32
% Ch	-2.7	-0.2	-1.1	-1.6	-1.5	-1.7	-0.9	-0.2
Food Manufacturing	1.50	1.50	1.50	1.50	1.49	1.49	1.49	1.50
% Ch	-3.3	0.4	-0.4	-0.9	-0.3	-1.2	-0.4	2.8
Paper and Paper Products	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
% Ch	-3.9	-1.8	1.2	-1.0	1.8	-2.1	-0.6	2.8
Other Nondurables	3.42	3.42	3.41	3.39	3.37	3.35	3.34	3.32
% Ch	-2.4	-0.1	-1.7	-2.1	-2.6	-1.8	-1.1	-2.0
Natural Resources and Mining	0.58	0.59	0.60	0.60	0.61	0.63	0.63	0.63
% Ch	3.3	8.3	3.7	1.8	9.7	8.3	3.0	-1.4
Construction	6.86	6.94	6.98	7.06	7.13	7.22	7.26	7.31
% Ch	3.8	4.6	2.5	4.7	3.7	5.1	2.5	2.7
Trade, Transportation, and Utilities	25.39	25.51	25.54	25.61	25.70	25.83	25.91	25.92
% Ch	1.6	2.0	0.5	1.0	1.5	2.0	1.2	0.1
Wholesale Trade	5.62	5.65	5.67	5.68	5.69	5.72	5.73	5.73
% Ch	1.7	2.2	1.0	1.0	0.8	1.8	0.9	-0.1
Retail Trade	14.99	15.05	15.04	15.07	15.11	15.18	15.24	15.23
% Ch	1.4	1.7	-0.2	0.8	1.1	1.8	1.6	-0.3
Trans., Warehousing, and Utilities	4.78	4.81	4.83	4.86	4.90	4.93	4.94	4.96
% Ch	2.1	2.6	2.2	1.8	3.7	2.8	0.3	1.7
Information	3.14	3.15	3.14	3.13	3.13	3.15	3.15	3.16
% Ch	-1.5	0.9	-1.4	-0.6	-0.3	2.6	0.0	1.6
Publishing Industries	0.91	0.91	0.91	0.91	0.91	0.91	0.91	0.91
% Ch	-1.9	0.4	-0.9	-0.8	-0.8	0.1	1.3	2.6
Other Information	2.23	2.24	2.23	2.22	2.22	2.24	2.24	2.25
% Ch	-1.4	1.1	-1.6	-0.6	-0.1	3.6	-0.5	1.1
Financial Activities	8.00	8.04	8.06	8.11	8.16	8.19	8.24	8.24
% Ch	0.4	2.0	1.3	2.4	2.6	1.6	2.1	0.4
Professional and Business Services	16.16	16.37	16.48	16.63	16.75	16.87	16.95	17.12
% Ch	1.4	5.3	2.7	3.8	3.0	2.7	1.9	4.2
Education and Health Services	16.80	16.91	17.00	17.11	17.19	17.29	17.40	17.46
% Ch	1.9	2.7	2.2	2.7	1.9	2.3	2.6	1.3
Leisure and Hospitality	12.38	12.47	12.51	12.57	12.64	12.74	12.80	12.81
% Ch	2.9	3.0	1.3	1.9	2.3	3.2	1.8	0.4
Other Services	5.41	5.43	5.44	5.44	5.46	5.47	5.48	5.48
% Ch	0.6	1.9	0.2	0.2	1.1	1.3	0.4	0.0
Federal Government	2.73	2.73	2.73	2.72	2.72	2.72	2.72	2.73
% Ch	-0.8	0.7	-0.9	-1.4	0.2	-0.1	-0.1	1.0
State and Local Government	18.83	18.85	18.91	18.98	19.00	19.03	19.10	19.11
% Ch	0.2	0.6	1.2	1.6	0.5	0.6	1.3	0.4

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2005 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	134.92	135.49	135.89	136.32	136.71	137.12	137.52	137.93
% Ch	2.1	1.7	1.2	1.3	1.1	1.2	1.2	1.2
Manufacturing	14.22	14.16	14.07	14.07	14.06	14.05	14.02	13.99
% Ch	-1.3	-1.7	-2.5	0.1	-0.2	-0.3	-0.9	-1.1
Durable Manufacturing	8.94	8.93	8.88	8.89	8.88	8.87	8.84	8.81
% Ch	-0.4	-0.4	-2.3	0.9	-0.5	-0.6	-1.4	-1.5
Wood Products	0.56	0.57	0.58	0.58	0.58	0.57	0.56	0.55
% Ch	6.7	9.4	3.2	2.5	-3.1	-4.5	-5.6	-5.8
Primary and Fabricated Metals	1.99	1.98	1.98	2.00	2.01	2.02	2.03	2.03
% Ch	0.6	-0.3	-1.6	4.0	2.6	2.1	1.6	0.8
Computer and Electronic Products	1.31	1.28	1.25	1.21	1.19	1.18	1.17	1.17
% Ch	-9.7	-7.8	-10.5	-11.4	-5.8	-3.5	-3.1	-1.8
Machinery and Electrical Equipment	1.61	1.62	1.62	1.63	1.64	1.65	1.64	1.63
% Ch	1.4	1.1	-0.0	4.4	2.0	1.2	-1.2	-2.1
Transportation Equipment	1.74	1.73	1.72	1.71	1.70	1.68	1.66	1.65
% Ch	-0.8	-2.0	-4.0	-0.8	-3.8	-4.0	-3.8	-2.6
Other Durables	1.73	1.74	1.74	1.76	1.77	1.77	1.77	1.77
% Ch	2.8	2.6	0.9	4.5	1.6	1.4	-0.1	-0.8
Nondurable Manufacturing	5.28	5.23	5.19	5.18	5.18	5.18	5.18	5.18
% Ch	-2.9	-3.9	-2.9	-1.1	0.2	0.3	-0.1	-0.3
Food Manufacturing	1.49	1.47	1.47	1.47	1.47	1.48	1.49	1.50
% Ch	-2.7	-3.8	-2.2	0.2	2.3	2.7	2.3	1.9
Paper and Paper Products	0.50	0.49	0.49	0.49	0.49	0.49	0.49	0.50
% Ch	-1.4	-3.5	-2.4	-0.8	0.2	1.8	1.4	1.2
Other Nondurables	3.30	3.26	3.24	3.22	3.21	3.21	3.20	3.18
% Ch	-3.3	-4.0	-3.3	-1.8	-0.8	-1.0	-1.4	-1.6
Natural Resources and Mining	0.64	0.66	0.68	0.68	0.68	0.67	0.65	0.64
% Ch	7.4	14.0	9.5	5.4	-3.8	-6.9	-9.5	-5.1
Construction	7.37	7.42	7.40	7.37	7.36	7.39	7.45	7.52
% Ch	3.2	3.0	-1.0	-1.7	-0.7	1.9	3.4	3.6
Trade, Transportation, and Utilities	26.07	26.22	26.34	26.42	26.47	26.54	26.60	26.68
% Ch	2.5	2.2	1.9	1.2	0.7	1.1	1.0	1.1
Wholesale Trade	5.79	5.84	5.85	5.83	5.82	5.81	5.81	5.81
% Ch	4.0	3.5	0.8	-0.9	-0.8	-0.7	-0.4	0.5
Retail Trade	15.28	15.33	15.40	15.49	15.54	15.61	15.67	15.70
% Ch	1.4	1.2	2.0	2.2	1.3	1.9	1.5	0.9
Trans., Warehousing, and Utilities	5.01	5.06	5.09	5.10	5.11	5.12	5.13	5.16
% Ch	3.9	3.9	2.7	0.8	0.7	0.6	1.2	2.4
Information	3.15	3.16	3.19	3.22	3.23	3.25	3.26	3.27
% Ch	-1.7	1.4	4.5	2.9	1.9	2.1	1.5	1.6
Publishing Industries	0.91	0.90	0.90	0.90	0.91	0.91	0.91	0.92
% Ch	-3.3	-1.1	-1.2	-0.2	1.8	1.4	1.3	1.6
Other Information	2.24	2.25	2.29	2.31	2.32	2.34	2.35	2.36
% Ch	-1.1	2.5	6.8	4.2	1.9	2.4	1.6	1.7
Financial Activities	8.23	8.19	8.15	8.16	8.20	8.21	8.20	8.22
% Ch	-0.5	-2.3	-1.5	0.3	1.7	0.5	-0.2	0.8
Professional and Business Services	17.35	17.51	17.62	17.71	17.84	18.01	18.20	18.37
% Ch	5.5	3.8	2.6	2.0	2.9	3.9	4.2	3.9
Education and Health Services	17.58	17.69	17.77	17.84	17.90	17.96	18.01	18.10
% Ch	2.7	2.6	1.8	1.5	1.3	1.3	1.2	2.0
Leisure and Hospitality	12.88	12.98	13.07	13.14	13.19	13.21	13.23	13.21
% Ch	2.2	3.1	2.8	2.2	1.6	0.4	0.7	-0.5
Other Services	5.48	5.51	5.53	5.56	5.58	5.61	5.63	5.66
% Ch	0.3	1.6	2.0	1.9	1.8	1.6	1.7	1.9
Federal Government	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.73
% Ch	0.2	-0.1	-0.0	-0.0	-0.0	0.1	0.1	0.1
State and Local Government	19.22	19.27	19.33	19.42	19.47	19.51	19.54	19.55
% Ch	2.3	1.1	1.2	1.7	1.2	0.7	0.6	0.3

Table A2.3
Washington Nonagricultural Employment by Industry
 Forecast 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	2,711.6	2,697.3	2,654.0	2,657.7	2,702.3	2,775.8	2,842.8	2,902.7
% Ch	2.4	-0.5	-1.6	0.1	1.7	2.7	2.4	2.1
Manufacturing	331.9	316.2	285.0	267.0	263.6	270.5	277.1	284.0
% Ch	-3.4	-4.7	-9.8	-6.3	-1.3	2.6	2.4	2.5
Durable Manufacturing	236.5	225.0	199.3	183.8	182.3	190.1	198.8	204.7
% Ch	-4.2	-4.8	-11.4	-7.8	-0.8	4.3	4.6	3.0
Wood Products	21.9	18.9	18.0	17.8	18.6	19.3	19.7	19.0
% Ch	3.6	-13.6	-4.8	-1.4	4.9	3.4	2.0	-3.4
Primary and Fabricated Metals	29.8	27.0	23.5	22.1	22.3	23.0	22.8	23.2
% Ch	-0.8	-9.4	-12.7	-6.1	0.9	3.2	-0.7	1.7
Computer and Electronic Products	34.4	32.4	26.2	23.4	22.1	22.3	20.8	18.9
% Ch	3.2	-5.6	-19.4	-10.7	-5.3	1.0	-7.0	-9.0
Machinery and Electrical Equipment	19.8	18.5	16.7	16.3	17.1	18.0	18.9	20.0
% Ch	3.0	-6.3	-9.9	-2.6	5.1	5.0	5.3	5.6
Aerospace	86.2	87.3	75.7	65.3	61.5	65.3	73.5	80.1
% Ch	-12.3	1.3	-13.2	-13.8	-5.8	6.3	12.5	9.0
Other Transportation Equip.	13.4	11.3	10.9	11.1	12.1	13.2	13.6	13.6
% Ch	-6.0	-16.0	-2.8	1.5	9.2	8.5	3.4	0.1
Other Durables	31.1	29.6	28.2	27.9	28.5	29.0	29.5	29.9
% Ch	1.0	-4.8	-4.7	-1.3	2.3	1.6	1.9	1.2
Nondurable Manufacturing	95.4	91.1	85.7	83.3	81.3	80.5	78.3	79.3
% Ch	-1.1	-4.5	-6.0	-2.8	-2.4	-1.0	-2.7	1.3
Food Manufacturing	38.9	37.2	35.3	34.8	34.1	33.4	31.7	32.7
% Ch	0.8	-4.3	-5.3	-1.3	-2.0	-1.9	-5.1	3.0
Paper and Paper Products	14.4	14.1	13.2	13.3	12.7	12.5	12.3	12.3
% Ch	-5.5	-2.0	-6.1	0.1	-4.3	-1.3	-1.7	-0.0
Other Nondurables	42.1	39.8	37.2	35.2	34.5	34.5	34.2	34.3
% Ch	-1.1	-5.5	-6.5	-5.3	-2.0	0.0	-0.8	0.2
Natural Resources and Mining	10.0	9.8	9.4	8.6	9.2	9.2	9.3	9.2
% Ch	-5.3	-2.2	-4.5	-7.8	6.2	0.2	0.7	-0.6
Construction	160.6	158.8	154.2	156.2	164.2	176.3	180.7	181.4
% Ch	4.5	-1.1	-2.9	1.3	5.1	7.4	2.5	0.4
Trade, Transportation, and Utilities	531.9	523.8	509.3	509.8	519.4	532.4	543.9	554.3
% Ch	2.5	-1.5	-2.8	0.1	1.9	2.5	2.2	1.9
Wholesale Trade	121.3	119.8	115.7	116.0	119.4	123.7	127.2	127.4
% Ch	1.6	-1.2	-3.4	0.3	2.9	3.6	2.8	0.1
Retail Trade	315.2	311.7	305.3	305.9	310.2	317.0	323.3	331.9
% Ch	3.2	-1.1	-2.0	0.2	1.4	2.2	2.0	2.7
Trans., Warehousing, and Utilities	95.4	92.4	88.3	87.9	89.8	91.7	93.4	95.0
% Ch	1.2	-3.2	-4.4	-0.5	2.1	2.2	1.8	1.7
Information	97.6	99.0	93.6	92.3	92.5	94.5	97.4	100.5
% Ch	14.6	1.4	-5.5	-1.4	0.2	2.2	3.1	3.2
Software Publishers	32.2	35.9	36.1	37.3	39.2	41.1	43.0	44.6
% Ch	17.8	11.3	0.7	3.4	5.1	4.6	4.8	3.6
Other Publishing Industries	13.7	13.2	12.6	12.1	11.4	11.4	11.3	11.3
% Ch	1.5	-3.5	-4.4	-4.0	-6.4	0.8	-0.9	-0.3
Other Information	51.7	49.9	44.8	42.8	41.9	42.0	43.0	44.6
% Ch	16.7	-3.5	-10.3	-4.5	-2.1	0.2	2.5	3.7
Financial Activities	142.3	145.2	146.2	151.9	152.1	153.9	154.2	155.8
% Ch	-0.4	2.0	0.7	3.9	0.1	1.2	0.2	1.0
Professional and Business Services	303.8	296.9	290.1	290.5	302.4	317.4	331.5	344.9
% Ch	6.1	-2.3	-2.3	0.1	4.1	5.0	4.5	4.0
Education and Health Services	292.0	298.3	306.9	312.9	319.6	329.1	338.4	346.0
% Ch	3.7	2.2	2.9	2.0	2.2	3.0	2.8	2.2
Leisure and Hospitality	251.7	247.1	245.4	248.9	255.3	261.8	269.6	275.3
% Ch	1.9	-1.9	-0.7	1.5	2.6	2.5	3.0	2.1
Other Services	106.2	96.9	97.8	98.9	100.3	102.9	104.8	106.8
% Ch	1.6	-8.8	0.9	1.2	1.4	2.6	1.9	1.9
Federal Government	69.9	67.9	69.2	70.2	69.7	69.5	69.5	69.9
% Ch	3.4	-2.9	2.0	1.4	-0.6	-0.3	0.0	0.6
State and Local Government	413.5	437.5	447.0	450.5	454.1	458.3	466.3	474.7
% Ch	1.7	5.8	2.2	0.8	0.8	0.9	1.8	1.8

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2005 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	2,650.9	2,650.5	2,657.9	2,656.5	2,655.2	2,650.1	2,659.0	2,666.6
% Ch	-2.5	-0.1	1.1	-0.2	-0.2	-0.8	1.4	1.1
Manufacturing	293.3	287.5	282.4	277.0	272.2	267.8	264.9	263.2
% Ch	-14.7	-7.7	-6.9	-7.4	-6.8	-6.3	-4.2	-2.6
Durable Manufacturing	205.9	201.9	196.9	192.6	187.9	184.6	182.0	180.5
% Ch	-18.2	-7.6	-9.5	-8.6	-9.3	-6.9	-5.4	-3.3
Wood Products	17.9	18.1	18.1	18.1	18.0	17.8	17.6	17.7
% Ch	-9.9	3.2	0.3	0.8	-2.1	-4.2	-4.5	2.0
Primary and Fabricated Metals	24.6	23.5	23.2	22.8	22.6	22.2	21.8	21.7
% Ch	-11.5	-16.0	-4.5	-6.8	-3.5	-6.9	-7.4	-1.8
Computer and Electronic Products	27.2	26.5	26.0	24.9	24.3	23.5	23.1	22.5
% Ch	-26.4	-10.3	-7.3	-16.3	-8.8	-13.0	-5.6	-10.0
Machinery and Electrical Equipment	17.0	16.9	16.7	16.3	16.2	16.2	16.2	16.5
% Ch	-12.9	-3.9	-4.7	-8.5	-3.2	1.7	0.0	5.9
Aerospace	80.2	77.0	73.7	71.9	68.6	66.2	63.9	62.4
% Ch	-25.8	-14.9	-16.4	-9.1	-17.4	-13.1	-13.4	-9.1
Other Transportation Equip.	10.5	11.5	11.1	10.7	10.6	10.9	11.4	11.5
% Ch	-3.7	43.9	-13.2	-14.7	-1.2	11.8	18.2	2.4
Other Durables	28.5	28.4	28.2	27.9	27.6	27.7	28.0	28.3
% Ch	-3.9	-1.0	-3.5	-4.4	-3.8	1.7	4.0	4.0
Nondurable Manufacturing	87.4	85.6	85.5	84.4	84.3	83.2	82.9	82.7
% Ch	-5.7	-7.8	-0.6	-4.8	-0.6	-5.0	-1.4	-0.8
Food Manufacturing	35.9	34.9	35.4	34.8	34.9	34.5	35.0	34.8
% Ch	-3.0	-10.7	6.2	-6.6	1.0	-4.3	5.8	-3.0
Paper and Paper Products	13.4	13.3	13.1	13.2	13.2	13.3	13.2	13.3
% Ch	-9.0	-4.2	-3.9	0.3	1.0	2.7	-1.8	3.7
Other Nondurables	38.0	37.4	36.9	36.4	36.2	35.4	34.7	34.6
% Ch	-6.9	-6.3	-5.5	-4.9	-2.7	-8.4	-7.8	-0.3
Natural Resources and Mining	9.4	9.4	9.3	9.3	9.0	8.6	8.4	8.5
% Ch	-8.7	-1.9	-2.3	1.1	-13.2	-16.4	-9.6	4.1
Construction	153.5	153.6	155.0	154.7	155.0	155.0	156.2	158.5
% Ch	-1.7	0.3	3.7	-0.7	0.8	-0.0	3.0	6.2
Trade, Transportation, and Utilities	511.1	509.3	509.5	507.3	509.4	508.1	510.7	511.1
% Ch	-2.7	-1.4	0.1	-1.7	1.7	-1.0	2.1	0.4
Wholesale Trade	116.7	115.6	115.3	115.1	115.5	115.5	116.1	117.0
% Ch	-3.0	-3.7	-1.1	-0.5	1.3	-0.1	2.3	2.9
Retail Trade	305.8	305.4	305.6	304.5	305.6	305.3	306.5	306.3
% Ch	-1.5	-0.5	0.3	-1.5	1.5	-0.4	1.6	-0.3
Trans., Warehousing, and Utilities	88.7	88.4	88.6	87.7	88.3	87.3	88.1	87.9
% Ch	-6.2	-1.5	1.1	-4.1	2.7	-4.3	3.5	-0.7
Information	94.3	93.6	93.1	93.3	92.4	91.7	92.0	92.9
% Ch	-8.4	-3.2	-1.9	0.7	-3.7	-2.9	1.3	4.0
Software Publishers	35.7	36.0	36.1	36.7	36.6	36.8	37.7	38.3
% Ch	-4.8	3.8	1.5	6.8	-1.8	2.2	11.2	6.3
Other Publishing Industries	12.5	12.6	12.8	12.6	12.6	12.4	12.1	11.5
% Ch	-9.1	3.2	5.4	-4.1	-2.1	-6.2	-9.4	-17.5
Other Information	46.2	45.0	44.2	43.9	43.3	42.6	42.2	43.1
% Ch	-10.8	-10.0	-6.5	-2.7	-5.7	-6.2	-3.7	8.8
Financial Activities	144.7	145.6	146.4	147.9	150.3	152.0	153.0	152.4
% Ch	-2.8	2.5	2.2	4.1	6.6	4.6	2.6	-1.4
Professional and Business Services	287.7	289.0	291.6	292.3	290.0	288.7	290.4	293.0
% Ch	-1.9	1.9	3.5	1.0	-3.1	-1.8	2.5	3.6
Education and Health Services	304.6	306.0	307.3	309.7	310.3	311.7	314.2	315.3
% Ch	3.4	1.7	1.7	3.2	0.8	1.8	3.2	1.5
Leisure and Hospitality	243.0	244.7	247.2	246.6	247.7	247.0	249.0	252.0
% Ch	-1.8	2.7	4.1	-0.9	1.8	-1.1	3.3	4.9
Other Services	96.6	97.6	98.5	98.3	99.1	98.9	98.7	99.0
% Ch	-0.4	4.3	3.7	-0.7	3.3	-1.1	-0.8	1.4
Federal Government	68.4	68.5	69.3	70.6	70.4	70.2	70.1	70.0
% Ch	0.9	0.5	4.7	7.8	-1.0	-1.2	-0.9	-0.6
State and Local Government	444.1	445.8	448.4	449.6	449.3	450.5	451.6	450.5
% Ch	2.2	1.5	2.4	1.0	-0.2	1.1	0.9	-0.9

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2005 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,675.4	2,696.8	2,707.7	2,729.3	2,750.0	2,769.9	2,782.6	2,800.6
% Ch	1.3	3.2	1.6	3.2	3.1	2.9	1.8	2.6
Manufacturing	261.9	262.9	263.6	265.8	268.0	271.0	267.4	275.6
% Ch	-2.0	1.5	1.1	3.4	3.3	4.6	-5.3	13.0
Durable Manufacturing	180.0	181.4	182.8	184.9	187.1	190.6	187.5	195.1
% Ch	-1.2	3.3	3.0	4.8	4.7	7.7	-6.3	17.1
Wood Products	18.1	18.5	18.9	19.1	19.3	19.2	19.3	19.3
% Ch	10.1	9.4	7.0	4.6	4.0	-1.2	2.4	0.6
Primary and Fabricated Metals	22.0	22.3	22.3	22.6	22.7	23.1	23.2	23.0
% Ch	4.9	5.2	0.8	5.7	1.3	7.2	1.3	-2.0
Computer and Electronic Products	22.0	22.1	22.2	22.2	22.1	22.2	22.4	22.7
% Ch	-9.7	2.5	2.4	-0.6	-2.4	3.1	2.4	6.0
Machinery and Electrical Equipment	16.6	17.0	17.3	17.6	17.6	18.0	18.0	18.3
% Ch	2.5	10.9	7.2	6.3	0.8	9.4	0.0	6.4
Aerospace	61.3	60.9	61.1	62.6	64.1	65.6	62.2	69.3
% Ch	-6.9	-2.4	1.3	10.0	10.2	9.9	-19.2	54.2
Other Transportation Equip.	11.8	12.1	12.4	12.3	12.6	13.4	13.4	13.2
% Ch	10.9	11.8	9.1	-3.2	12.5	26.6	-1.0	-3.9
Other Durables	28.3	28.5	28.6	28.6	28.7	29.0	29.1	29.1
% Ch	0.6	3.2	1.4	0.4	1.0	4.1	0.8	0.7
Nondurable Manufacturing	82.0	81.5	80.8	80.9	81.0	80.5	79.8	80.6
% Ch	-3.7	-2.4	-3.0	0.4	0.3	-2.4	-3.0	3.6
Food Manufacturing	34.6	34.2	33.6	34.0	34.1	33.5	32.8	33.3
% Ch	-1.8	-4.5	-6.3	3.8	1.7	-6.5	-8.0	5.2
Paper and Paper Products	12.9	12.7	12.6	12.4	12.6	12.6	12.4	12.5
% Ch	-11.8	-5.7	-3.3	-6.1	4.0	0.4	-4.1	1.4
Other Nondurables	34.4	34.5	34.6	34.5	34.3	34.4	34.6	34.8
% Ch	-2.4	1.0	0.3	-0.5	-2.4	0.6	2.4	2.9
Natural Resources and Mining	9.0	9.2	9.2	9.3	9.3	9.3	9.2	9.1
% Ch	24.9	8.2	3.9	3.3	-2.8	0.2	-4.5	-1.5
Construction	161.4	163.7	163.7	168.1	173.4	175.6	177.6	178.6
% Ch	7.4	5.8	-0.1	11.4	13.2	5.1	4.6	2.3
Trade, Transportation, and Utilities	512.3	518.7	521.0	525.5	528.7	531.4	534.6	535.0
% Ch	1.0	5.0	1.8	3.4	2.5	2.1	2.4	0.3
Wholesale Trade	117.4	119.2	119.8	121.3	122.1	122.8	124.8	125.1
% Ch	1.6	6.1	2.2	5.0	2.7	2.2	6.9	0.8
Retail Trade	306.8	310.2	311.1	312.7	314.6	317.0	318.2	318.3
% Ch	0.7	4.4	1.2	2.1	2.5	3.0	1.5	0.1
Trans., Warehousing, and Utilities	88.1	89.3	90.2	91.5	92.0	91.7	91.6	91.6
% Ch	1.0	5.7	3.7	5.9	2.3	-1.2	-0.3	-0.1
Information	92.4	92.7	92.2	92.6	93.5	93.7	94.8	95.8
% Ch	-2.3	1.2	-1.9	1.8	3.7	1.0	4.7	4.6
Software Publishers	38.9	39.2	39.3	39.6	40.1	41.0	41.1	42.0
% Ch	5.6	3.5	1.4	2.4	6.0	8.7	1.5	8.3
Other Publishing Industries	11.3	11.4	11.4	11.3	11.4	11.4	11.5	11.5
% Ch	-5.7	1.2	1.2	-3.5	2.4	0.0	4.8	0.8
Other Information	42.2	42.1	41.5	41.7	42.0	41.4	42.1	42.4
% Ch	-8.2	-0.9	-5.8	2.7	2.0	-5.7	7.9	2.0
Financial Activities	151.9	151.8	151.6	152.9	153.0	154.0	154.1	154.6
% Ch	-1.3	-0.3	-0.4	3.4	0.3	2.6	0.2	1.4
Professional and Business Services	296.6	301.2	303.7	308.0	312.7	316.5	318.3	322.2
% Ch	5.0	6.3	3.3	5.9	6.2	4.9	2.3	5.0
Education and Health Services	315.8	318.9	320.7	323.1	324.9	328.5	330.8	332.3
% Ch	0.6	4.0	2.3	3.1	2.2	4.6	2.7	1.9
Leisure and Hospitality	253.2	255.0	255.0	258.1	259.2	260.8	262.4	264.7
% Ch	1.8	2.9	0.1	4.9	1.6	2.5	2.6	3.5
Other Services	99.3	100.1	100.7	101.0	102.2	102.3	103.2	103.8
% Ch	1.2	3.4	2.1	1.5	4.9	0.3	3.4	2.4
Federal Government	69.9	69.7	69.8	69.6	69.6	70.0	69.2	69.3
% Ch	-0.6	-0.8	0.2	-0.8	-0.3	2.2	-4.2	0.3
State and Local Government	451.7	453.1	456.5	455.1	455.6	456.8	461.1	459.6
% Ch	1.1	1.2	3.1	-1.2	0.4	1.1	3.8	-1.3

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2005 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,818.6	2,835.0	2,850.6	2,866.8	2,882.1	2,896.2	2,909.5	2,922.9
% Ch	2.6	2.4	2.2	2.3	2.1	2.0	1.8	1.9
Manufacturing	276.1	276.5	277.0	278.7	280.9	283.2	285.1	286.9
% Ch	0.7	0.6	0.7	2.5	3.1	3.4	2.8	2.5
Durable Manufacturing	196.5	198.2	199.4	201.1	202.6	204.2	205.4	206.7
% Ch	3.0	3.5	2.4	3.4	3.1	3.1	2.5	2.5
Wood Products	19.5	19.7	19.7	19.7	19.5	19.2	18.8	18.5
% Ch	2.9	5.0	0.1	-0.4	-4.8	-5.9	-6.8	-6.9
Primary and Fabricated Metals	23.0	22.8	22.7	22.9	23.1	23.2	23.3	23.3
% Ch	-1.5	-2.1	-3.2	4.8	2.9	2.3	1.4	0.4
Computer and Electronic Products	21.9	21.3	20.4	19.5	19.2	19.0	18.8	18.7
% Ch	-13.7	-10.8	-14.9	-16.2	-7.7	-4.0	-3.3	-1.2
Machinery and Electrical Equipment	18.5	18.8	19.0	19.4	19.7	20.0	20.1	20.2
% Ch	5.7	5.3	3.9	9.4	6.5	5.4	2.6	1.4
Aerospace	71.0	72.7	74.3	76.0	77.6	79.3	80.9	82.6
% Ch	9.9	9.7	9.5	9.3	9.0	8.8	8.5	8.3
Other Transportation Equip.	13.4	13.5	13.7	13.7	13.7	13.6	13.6	13.6
% Ch	4.8	3.9	6.9	-0.0	-2.2	-1.6	-1.0	0.3
Other Durables	29.3	29.4	29.6	29.8	29.9	29.9	29.9	29.8
% Ch	1.9	2.6	1.9	3.0	1.2	0.5	-0.7	-1.1
Nondurable Manufacturing	79.6	78.3	77.6	77.6	78.2	79.0	79.7	80.2
% Ch	-4.5	-6.4	-3.7	0.0	3.4	4.2	3.4	2.7
Food Manufacturing	32.6	31.7	31.3	31.3	31.9	32.5	33.0	33.4
% Ch	-7.4	-10.4	-5.8	0.7	7.1	7.9	6.6	5.4
Paper and Paper Products	12.4	12.3	12.2	12.2	12.2	12.3	12.3	12.4
% Ch	-1.5	-3.7	-2.6	-0.8	0.2	2.0	1.5	1.3
Other Nondurables	34.6	34.3	34.1	34.1	34.2	34.3	34.4	34.4
% Ch	-2.7	-3.6	-2.0	-0.3	1.2	1.5	1.1	0.7
Natural Resources and Mining	9.2	9.3	9.3	9.3	9.3	9.2	9.2	9.1
% Ch	1.7	4.4	2.1	1.0	-2.2	-2.5	-1.5	-1.3
Construction	179.2	180.6	181.2	181.8	181.9	181.5	181.2	181.1
% Ch	1.3	3.1	1.4	1.4	0.3	-0.9	-0.7	-0.1
Trade, Transportation, and Utilities	538.8	542.3	545.9	548.8	550.9	553.3	555.4	557.5
% Ch	2.9	2.7	2.7	2.1	1.6	1.7	1.6	1.5
Wholesale Trade	126.2	127.3	127.7	127.7	127.7	127.4	127.2	127.2
% Ch	3.5	3.4	1.5	0.1	-0.2	-0.8	-0.8	0.1
Retail Trade	320.2	321.9	324.3	326.9	328.8	331.1	333.2	334.7
% Ch	2.4	2.1	3.1	3.2	2.4	2.9	2.5	1.8
Trans., Warehousing, and Utilities	92.4	93.2	93.8	94.1	94.4	94.7	95.1	95.6
% Ch	3.4	3.5	2.9	1.4	1.3	1.1	1.5	2.3
Information	96.1	96.8	97.9	98.8	99.4	100.2	100.8	101.5
% Ch	1.0	2.9	4.9	3.5	2.6	3.0	2.6	2.9
Software Publishers	42.5	42.9	43.3	43.6	43.9	44.4	44.8	45.3
% Ch	4.8	4.1	3.5	3.0	3.4	3.9	3.8	4.5
Other Publishing Industries	11.4	11.4	11.3	11.3	11.3	11.3	11.3	11.3
% Ch	-3.8	-1.9	-2.0	-1.1	0.6	0.2	0.2	0.4
Other Information	42.2	42.5	43.4	43.9	44.2	44.5	44.7	44.9
% Ch	-1.4	3.0	8.3	5.1	2.3	2.9	1.9	2.0
Financial Activities	154.7	154.1	153.9	154.3	155.2	155.6	155.8	156.4
% Ch	0.3	-1.5	-0.7	1.1	2.4	1.2	0.5	1.5
Professional and Business Services	326.7	330.3	333.2	335.9	339.1	342.9	346.8	350.7
% Ch	5.8	4.5	3.6	3.2	3.8	4.6	4.7	4.5
Education and Health Services	335.0	337.5	339.6	341.5	343.3	345.0	346.7	348.9
% Ch	3.2	3.1	2.5	2.2	2.1	2.1	1.9	2.6
Leisure and Hospitality	266.5	268.6	270.7	272.5	274.0	274.9	275.9	276.3
% Ch	2.7	3.2	3.1	2.7	2.2	1.4	1.5	0.5
Other Services	104.1	104.5	105.1	105.6	106.1	106.5	107.0	107.5
% Ch	1.2	1.8	2.0	2.0	1.9	1.8	1.8	1.9
Federal Government	69.4	69.5	69.6	69.7	69.8	69.9	70.0	70.1
% Ch	0.7	0.5	0.6	0.6	0.6	0.6	0.6	0.6
State and Local Government	462.9	465.0	467.3	470.1	472.4	474.1	475.6	476.8
% Ch	2.9	1.8	2.0	2.4	1.9	1.4	1.3	1.1

Table A3.1
U.S. Personal Income by Component
 Forecast 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	8,429.7	8,724.1	8,881.9	9,169.1	9,713.3	10,275.9	10,944.4	11,575.1
% Ch	8.0	3.5	1.8	3.2	5.9	5.8	6.5	5.8
Total Wage and Salary Disbursements	4,829.2	4,942.8	4,980.9	5,111.1	5,389.5	5,741.3	6,076.4	6,425.8
% Ch	8.1	2.4	0.8	2.6	5.4	6.5	5.8	5.8
Nonwage Personal Income	3,600.4	3,781.3	3,901.0	4,058.0	4,323.8	4,534.7	4,868.0	5,149.3
% Ch	7.9	5.0	3.2	4.0	6.6	4.9	7.4	5.8
Supplements to Wages and Salaries	953.4	999.3	1,110.3	1,210.0	1,298.2	1,394.9	1,466.6	1,524.2
% Ch	7.6	4.8	11.1	9.0	7.3	7.4	5.1	3.9
Proprietor's Income	728.4	771.9	768.4	810.2	889.6	942.6	1,001.3	1,054.5
% Ch	7.4	6.0	-0.5	5.4	9.8	6.0	6.2	5.3
Farm	22.7	19.7	10.6	27.8	35.8	19.8	16.6	16.2
% Ch	-20.7	-13.1	-46.3	162.4	29.0	-44.7	-16.4	-2.5
Nonfarm	705.7	752.2	757.8	782.4	853.8	922.8	984.8	1,038.4
% Ch	8.6	6.6	0.7	3.2	9.1	8.1	6.7	5.4
Less: Contribution For Govt. Soc. Ins.	702.7	731.1	750.0	776.6	822.2	873.3	928.1	983.9
% Ch	6.2	4.0	2.6	3.5	5.9	6.2	6.3	6.0
Dividends/Int./Rent	1,537.3	1,547.4	1,486.2	1,470.4	1,530.8	1,545.0	1,677.6	1,808.9
% Ch	8.9	0.7	-4.0	-1.1	4.1	0.9	8.6	7.8
Transfer Payments	1,084.1	1,193.9	1,286.2	1,344.0	1,427.5	1,525.5	1,650.5	1,745.6
% Ch	6.1	10.1	7.7	4.5	6.2	6.9	8.2	5.8

Table A3.2

U.S. Personal Income by Component

Forecast 2005 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,814.7	8,892.0	8,895.4	8,925.5	9,013.7	9,118.6	9,215.4	9,328.7
% Ch	2.8	3.6	0.2	1.4	4.0	4.7	4.3	5.0
Total Wage and Salary Disbursements	4,961.2	4,989.4	4,988.5	4,984.5	5,029.7	5,087.8	5,139.8	5,187.3
% Ch	3.1	2.3	-0.1	-0.3	3.7	4.7	4.2	3.7
Nonwage Personal Income	3,853.5	3,902.6	3,906.9	3,941.0	3,984.0	4,030.8	4,075.6	4,141.4
% Ch	2.3	5.2	0.4	3.5	4.4	4.8	4.5	6.6
Supplements to Wages and Salaries	1,064.1	1,102.0	1,126.0	1,149.0	1,179.4	1,200.2	1,220.2	1,240.1
% Ch	20.9	15.0	9.0	8.4	11.0	7.2	6.8	6.7
Proprietor's Income	763.0	763.4	769.1	778.1	778.3	801.3	821.2	839.9
% Ch	-5.6	0.2	3.0	4.8	0.1	12.4	10.3	9.4
Farm	8.9	4.0	11.0	18.4	20.5	27.2	28.2	35.1
% Ch	-96.1	-95.9	5,619.1	682.9	54.1	209.9	15.5	140.0
Nonfarm	754.1	759.4	758.1	759.7	757.8	774.1	793.0	804.8
% Ch	0.0	2.8	-0.7	0.8	-1.0	8.9	10.1	6.1
Less: Contribution For Govt. Soc. Ins.	747.1	751.1	751.1	750.9	765.8	773.6	780.7	786.3
% Ch	8.5	2.2	-0.0	-0.1	8.2	4.1	3.7	2.9
Dividends/Int./Rent	1,512.7	1,504.2	1,470.3	1,457.6	1,472.3	1,465.9	1,457.9	1,485.3
% Ch	-6.1	-2.2	-8.7	-3.4	4.1	-1.7	-2.2	7.7
Transfer Payments	1,260.9	1,284.0	1,292.7	1,307.1	1,319.8	1,336.9	1,356.8	1,362.3
% Ch	7.7	7.5	2.7	4.5	3.9	5.3	6.1	1.6

Table A3.2
U.S. Personal Income by Component
 Forecast 2005 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,484.8	9,614.3	9,729.2	10,024.8	10,073.4	10,221.2	10,313.0	10,496.2
% Ch	6.9	5.6	4.9	12.7	2.0	6.0	3.6	7.3
Total Wage and Salary Disbursements	5,254.8	5,318.1	5,422.0	5,562.9	5,629.9	5,710.2	5,773.5	5,851.4
% Ch	5.3	4.9	8.0	10.8	4.9	5.8	4.5	5.5
Nonwage Personal Income	4,230.0	4,296.2	4,307.2	4,461.9	4,443.5	4,511.0	4,539.4	4,644.8
% Ch	8.8	6.4	1.0	15.2	-1.6	6.2	2.5	9.6
Supplements to Wages and Salaries	1,271.9	1,285.5	1,302.3	1,333.0	1,371.9	1,390.6	1,400.8	1,416.2
% Ch	10.7	4.3	5.3	9.8	12.2	5.6	3.0	4.5
Proprietor's Income	870.2	898.3	889.1	900.9	917.9	936.7	946.9	969.0
% Ch	15.2	13.6	-4.0	5.4	7.8	8.4	4.4	9.6
Farm	44.8	44.1	29.7	24.6	24.7	19.6	17.2	17.7
% Ch	165.4	-6.1	-79.4	-52.9	1.6	-60.4	-40.5	11.7
Nonfarm	825.4	854.2	859.4	876.3	893.2	917.1	929.7	951.3
% Ch	10.6	14.7	2.5	8.1	7.9	11.1	5.6	9.6
Less: Contribution For Govt. Soc. Ins.	806.3	813.0	825.9	843.5	861.0	870.1	876.7	885.5
% Ch	10.6	3.4	6.5	8.8	8.5	4.3	3.1	4.1
Dividends/Int./Rent	1,494.7	1,505.7	1,500.3	1,622.3	1,525.9	1,544.2	1,527.9	1,581.9
% Ch	2.6	3.0	-1.4	36.7	-21.7	4.9	-4.2	14.9
Transfer Payments	1,399.6	1,419.8	1,441.5	1,449.2	1,488.8	1,509.6	1,540.5	1,563.3
% Ch	11.4	5.9	6.3	2.2	11.4	5.7	8.4	6.1

Table A3.2
U.S. Personal Income by Component
 Forecast 2005 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,683.8	10,870.4	11,038.8	11,184.5	11,340.6	11,491.6	11,650.9	11,817.2
% Ch	7.3	7.2	6.3	5.4	5.7	5.4	5.7	5.8
Total Wage and Salary Disbursements	5,942.7	6,033.3	6,121.4	6,208.0	6,296.5	6,380.4	6,466.9	6,559.3
% Ch	6.4	6.2	6.0	5.8	5.8	5.4	5.5	5.8
Nonwage Personal Income	4,741.1	4,837.1	4,917.4	4,976.5	5,044.1	5,111.2	5,184.0	5,257.9
% Ch	8.6	8.4	6.8	4.9	5.5	5.4	5.8	5.8
Supplements to Wages and Salaries	1,440.8	1,461.0	1,475.0	1,489.6	1,503.0	1,517.5	1,530.5	1,545.7
% Ch	7.2	5.7	3.9	4.0	3.6	3.9	3.5	4.0
Proprietor's Income	983.9	997.1	1,006.9	1,017.4	1,034.1	1,047.8	1,061.5	1,074.6
% Ch	6.3	5.5	4.0	4.2	6.7	5.4	5.3	5.0
Farm	17.7	16.9	16.2	15.5	19.2	17.1	15.3	12.9
% Ch	0.4	-17.8	-15.8	-15.5	134.3	-36.0	-35.9	-49.3
Nonfarm	966.2	980.2	990.7	1,001.9	1,014.9	1,030.6	1,046.2	1,061.7
% Ch	6.4	5.9	4.3	4.6	5.3	6.3	6.2	6.1
Less: Contribution For Govt. Soc. Ins.	910.0	921.4	934.0	946.8	969.8	978.2	987.5	1,000.3
% Ch	11.5	5.1	5.6	5.6	10.0	3.5	3.8	5.3
Dividends/Int./Rent	1,614.1	1,662.6	1,702.0	1,731.8	1,763.3	1,790.1	1,823.5	1,858.7
% Ch	8.4	12.6	9.8	7.2	7.5	6.2	7.7	8.0
Transfer Payments	1,612.2	1,637.8	1,667.5	1,684.5	1,713.6	1,734.0	1,755.9	1,779.1
% Ch	13.1	6.5	7.5	4.2	7.1	4.8	5.2	5.4

Table A3.3
Washington Personal Income by Component
 Forecast 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	187.853	193.498	197.323	201.342	216.266	222.818	239.200	255.770
% Ch	7.0	3.0	2.0	2.0	7.4	3.0	7.4	6.9
Total Wage and Salary Disbursements	110.002	110.616	111.411	114.090	118.291	125.440	134.031	143.411
% Ch	6.0	0.6	0.7	2.4	3.7	6.0	6.8	7.0
Manufacturing	#N/A!	15.241	14.660	13.594	13.834	15.397	16.655	17.931
% Ch	#N/A!	#N/A!	-3.8	-7.3	1.8	11.3	8.2	7.7
Durable Manufacturing	#N/A!	11.615	10.772	10.101	10.337	11.774	13.005	14.051
% Ch	#N/A!	#N/A!	-7.3	-6.2	2.3	13.9	10.5	8.0
Nondurable Manufacturing	#N/A!	3.627	3.888	3.494	3.498	3.623	3.650	3.881
% Ch	#N/A!	#N/A!	7.2	-10.1	0.1	3.6	0.7	6.3
Nonmanufacturing	#N/A!	91.162	92.234	95.615	99.287	104.410	111.480	119.279
% Ch	#N/A!	#N/A!	1.2	3.7	3.8	5.2	6.8	7.0
Other Private Wages	#N/A!	1.032	1.084	1.139	1.141	1.226	1.309	1.417
% Ch	#N/A!	#N/A!	5.0	5.0	0.2	7.4	6.8	8.2
Farm Wages	1.004	1.007	0.922	0.946	1.090	1.221	1.286	1.357
% Ch	2.2	0.2	-8.4	2.5	15.3	12.0	5.3	5.5
Military Wages	2.001	2.173	2.510	2.797	2.938	3.186	3.301	3.427
% Ch	4.9	8.6	15.5	11.4	5.1	8.4	3.6	3.8
Nonwage Personal Income	77.852	82.882	85.912	87.251	97.975	97.378	105.169	112.360
% Ch	8.5	6.5	3.7	1.6	12.3	-0.6	8.0	6.8
Supplements to Wages and Salaries	22.875	23.245	25.493	27.227	29.772	32.690	34.844	36.688
% Ch	7.5	1.6	9.7	6.8	9.3	9.8	6.6	5.3
Proprietor's Income	14.150	16.163	16.082	16.435	18.380	19.627	20.955	22.228
% Ch	7.6	14.2	-0.5	2.2	11.8	6.8	6.8	6.1
Farm	0.444	0.214	0.370	0.655	0.847	0.500	0.550	0.583
% Ch	24.4	-51.9	73.1	77.1	29.3	-41.0	10.0	6.1
Nonfarm	13.705	15.948	15.712	15.779	17.532	19.127	20.405	21.645
% Ch	7.2	16.4	-1.5	0.4	11.1	9.1	6.7	6.1
Less: Contribution For Govt. Soc. Ins.	18.189	17.820	18.235	18.998	20.213	21.689	23.319	24.993
% Ch	7.3	-2.0	2.3	4.2	6.4	7.3	7.5	7.2
Plus: Residence Adjustment	2.182	2.312	2.349	2.336	2.509	2.740	2.888	3.034
% Ch	12.5	6.0	1.6	-0.6	7.4	9.2	5.4	5.1
Dividends/Int./Rent	34.521	33.905	33.594	32.335	39.035	33.996	36.846	40.010
% Ch	10.1	-1.8	-0.9	-3.7	20.7	-12.9	8.4	8.6
Transfer Payments	22.314	25.078	26.629	27.917	28.493	30.014	32.955	35.392
% Ch	6.4	12.4	6.2	4.8	2.1	5.3	9.8	7.4
State U.I. Benefits	0.923	1.374	2.386	2.238	1.184	0.733	0.751	0.731
% Ch	-2.5	48.8	73.6	-6.2	-47.1	-38.1	2.4	-2.6
Other Transfers	21.390	23.704	24.243	25.679	27.309	29.281	32.205	34.660
% Ch	6.9	10.8	2.3	5.9	6.3	7.2	10.0	7.6

Table A3.4
Washington Personal Income by Component
 Forecast 2005 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	196.132	198.105	198.125	196.931	197.643	201.425	204.267	202.034
% Ch	6.5	4.1	0.0	-2.4	1.5	7.9	5.8	-4.3
Total Wage and Salary Disbursements	110.929	111.857	112.074	110.785	111.441	114.722	116.882	113.316
% Ch	7.6	3.4	0.8	-4.5	2.4	12.3	7.7	-11.7
Manufacturing	15.153	14.492	14.617	14.379	13.875	13.686	13.380	13.436
% Ch	21.7	-16.3	3.5	-6.4	-13.3	-5.3	-8.6	1.7
Durable Manufacturing	11.198	10.804	10.521	10.566	10.337	10.116	9.957	9.992
% Ch	11.9	-13.3	-10.1	1.7	-8.4	-8.3	-6.1	1.4
Nondurable Manufacturing	3.955	3.688	4.096	3.813	3.538	3.570	3.423	3.444
% Ch	55.6	-24.4	52.2	-24.9	-25.9	3.7	-15.5	2.5
Nonmanufacturing	91.308	92.834	92.930	91.866	92.722	96.128	98.617	94.992
% Ch	5.1	6.9	0.4	-4.5	3.8	15.5	10.8	-13.9
Other Private Wages	1.070	1.087	1.072	1.108	1.161	1.131	1.132	1.131
% Ch	-1.8	6.5	-5.4	14.1	20.6	-9.9	0.4	-0.4
Farm Wages	0.935	0.931	0.919	0.904	0.929	0.933	0.947	0.974
% Ch	-26.0	-1.7	-5.1	-6.4	11.5	1.7	6.1	11.9
Military Wages	2.463	2.513	2.536	2.528	2.754	2.844	2.806	2.783
% Ch	50.2	8.4	3.7	-1.3	40.8	13.7	-5.2	-3.2
Nonwage Personal Income	85.203	86.250	86.049	86.147	86.203	86.702	87.384	88.717
% Ch	5.1	5.0	-0.9	0.5	0.3	2.3	3.2	6.2
Supplements to Wages and Salaries	24.564	25.382	25.943	26.084	26.491	27.194	27.800	27.422
% Ch	21.6	14.0	9.1	2.2	6.4	11.0	9.2	-5.3
Proprietor's Income	15.976	16.042	16.116	16.195	15.913	16.266	16.617	16.942
% Ch	-4.5	1.7	1.9	2.0	-6.8	9.2	8.9	8.1
Farm	0.346	0.279	0.377	0.478	0.549	0.660	0.648	0.764
% Ch	1.E+03	-57.7	233.4	158.4	74.0	1.E+02	-7.1	93.2
Nonfarm	15.630	15.764	15.739	15.717	15.364	15.606	15.969	16.178
% Ch	-8.4	3.5	-0.6	-0.6	-8.7	6.5	9.6	5.3
Less: Contribution For Govt. Soc. Ins.	18.144	18.268	18.327	18.202	18.559	19.045	19.414	18.973
% Ch	10.6	2.8	1.3	-2.7	8.1	10.9	8.0	-8.8
Plus: Residence Adjustment	2.310	2.344	2.343	2.397	2.309	2.290	2.309	2.434
% Ch	2.1	6.0	-0.2	9.5	-13.9	-3.3	3.4	23.5
Dividends/Int./Rent	34.456	34.137	33.115	32.669	32.494	32.192	31.948	32.707
% Ch	9.0	-3.7	-11.4	-5.3	-2.1	-3.7	-3.0	9.8
Transfer Payments	26.041	26.612	26.859	27.004	27.555	27.805	28.124	28.185
% Ch	-3.5	9.1	3.8	2.2	8.4	3.7	4.7	0.9
State U.I. Benefits	2.083	2.540	2.560	2.360	2.309	2.293	2.226	2.123
% Ch	113.1	121.1	3.2	-27.8	-8.4	-2.7	-11.2	-17.3
Other Transfers	23.958	24.072	24.300	24.644	25.245	25.512	25.898	26.062
% Ch	-9.3	1.9	3.8	5.8	10.1	4.3	6.2	2.6

Table A3.4
Washington Personal Income by Component
 Forecast 2005 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	205.331	210.695	212.647	236.392	217.284	220.496	226.038	227.452
% Ch	6.7	10.9	3.8	52.7	-28.6	6.0	10.4	2.5
Total Wage and Salary Disbursements	114.511	118.327	120.049	120.278	122.093	123.897	127.930	127.838
% Ch	4.3	14.0	5.9	0.8	6.2	6.0	13.7	-0.3
Manufacturing	13.303	13.800	14.250	13.984	14.739	15.444	15.369	16.037
% Ch	-3.9	15.8	13.7	-7.3	23.4	20.5	-1.9	18.6
Durable Manufacturing	9.864	10.271	10.771	10.440	11.046	11.871	11.790	12.389
% Ch	-5.0	17.6	20.9	-11.8	25.3	33.4	-2.7	21.9
Nondurable Manufacturing	3.439	3.529	3.479	3.544	3.693	3.573	3.579	3.647
% Ch	-0.6	11.0	-5.6	7.7	17.8	-12.3	0.7	7.9
Nonmanufacturing	96.144	99.409	100.608	100.989	101.671	102.883	106.948	106.138
% Ch	4.9	14.3	4.9	1.5	2.7	4.9	16.8	-3.0
Other Private Wages	1.106	1.124	1.147	1.189	1.231	1.212	1.224	1.236
% Ch	-8.6	6.8	8.3	15.4	15.0	-6.1	4.0	4.2
Farm Wages	1.007	1.055	1.114	1.185	1.205	1.214	1.226	1.238
% Ch	14.3	20.5	24.3	28.0	6.9	3.0	4.0	4.0
Military Wages	2.951	2.939	2.930	2.932	3.247	3.145	3.164	3.189
% Ch	26.4	-1.6	-1.2	0.3	50.4	-12.0	2.5	3.1
Nonwage Personal Income	90.820	92.368	92.598	116.114	95.191	96.599	98.108	99.615
% Ch	9.8	7.0	1.0	147.2	-54.8	6.0	6.4	6.3
Supplements to Wages and Salaries	28.430	29.728	30.162	30.769	31.794	32.640	32.917	33.407
% Ch	15.5	19.6	6.0	8.3	14.0	11.1	3.4	6.1
Proprietor's Income	17.866	18.579	18.485	18.588	18.933	19.448	19.937	20.189
% Ch	23.7	16.9	-2.0	2.2	7.6	11.3	10.4	5.2
Farm	1.012	1.064	0.747	0.566	0.495	0.488	0.495	0.522
% Ch	207.9	22.2	-75.7	-67.0	-41.5	-5.5	6.1	23.3
Nonfarm	16.854	17.515	17.738	18.022	18.438	18.960	19.441	19.668
% Ch	17.8	16.6	5.2	6.6	9.6	11.8	10.5	4.7
Less: Contribution For Govt. Soc. Ins.	19.503	20.188	20.418	20.743	21.187	21.628	21.817	22.122
% Ch	11.7	14.8	4.6	6.5	8.8	8.6	3.5	5.7
Plus: Residence Adjustment	2.446	2.468	2.520	2.601	2.685	2.718	2.760	2.797
% Ch	2.0	3.6	8.7	13.5	13.6	5.0	6.3	5.6
Dividends/Int./Rent	33.274	33.368	33.398	56.099	33.537	33.637	34.218	34.592
% Ch	7.1	1.1	0.4	696.0	-87.2	1.2	7.1	4.4
Transfer Payments	28.307	28.413	28.451	28.800	29.429	29.784	30.093	30.751
% Ch	1.7	1.5	0.5	5.0	9.0	4.9	4.2	9.0
State U.I. Benefits	1.589	1.165	1.042	0.938	0.759	0.691	0.749	0.733
% Ch	-68.6	-71.1	-36.0	-34.3	-57.1	-31.3	38.2	-8.2
Other Transfers	26.718	27.248	27.409	27.862	28.670	29.093	29.344	30.018
% Ch	10.5	8.2	2.4	6.8	12.1	6.0	3.5	9.5

Table A3.4
Washington Personal Income by Component
 Forecast 2005 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	231.650	235.791	244.597	244.762	248.522	252.037	261.425	261.097
% Ch	7.6	7.3	15.8	0.3	6.3	5.8	15.8	-0.5
Total Wage and Salary Disbursements	129.632	131.453	138.235	136.803	138.878	140.645	148.171	145.948
% Ch	5.7	5.7	22.3	-4.1	6.2	5.2	23.2	-5.9
Manufacturing	16.259	16.508	16.767	17.086	17.419	17.766	18.099	18.442
% Ch	5.7	6.3	6.4	7.8	8.1	8.2	7.7	7.8
Durable Manufacturing	12.614	12.880	13.126	13.399	13.659	13.923	14.177	14.444
% Ch	7.5	8.7	7.8	8.6	8.0	8.0	7.5	7.7
Nondurable Manufacturing	3.644	3.628	3.641	3.686	3.761	3.843	3.922	3.998
% Ch	-0.3	-1.8	1.4	5.1	8.3	9.1	8.4	8.0
Nonmanufacturing	107.557	109.073	115.544	113.744	115.336	116.706	123.847	121.226
% Ch	5.5	5.8	25.9	-6.1	5.7	4.8	26.8	-8.2
Other Private Wages	1.266	1.297	1.325	1.350	1.377	1.403	1.430	1.458
% Ch	10.1	9.9	9.0	7.8	8.2	7.8	7.9	8.0
Farm Wages	1.258	1.277	1.295	1.312	1.330	1.347	1.365	1.384
% Ch	6.6	6.2	5.9	5.3	5.5	5.4	5.4	5.6
Military Wages	3.292	3.298	3.304	3.310	3.415	3.423	3.431	3.439
% Ch	13.6	0.8	0.7	0.8	13.3	0.9	0.9	1.0
Nonwage Personal Income	102.019	104.338	106.362	107.959	109.644	111.392	113.254	115.149
% Ch	10.0	9.4	8.0	6.1	6.4	6.5	6.9	6.9
Supplements to Wages and Salaries	34.092	34.646	35.091	35.548	36.027	36.481	36.890	37.354
% Ch	8.5	6.7	5.2	5.3	5.5	5.1	4.6	5.1
Proprietor's Income	20.521	20.842	21.093	21.365	21.706	22.061	22.406	22.741
% Ch	6.7	6.4	4.9	5.3	6.5	6.7	6.4	6.1
Farm	0.538	0.547	0.555	0.561	0.594	0.588	0.582	0.570
% Ch	13.2	6.5	5.8	4.4	25.7	-4.0	-3.7	-7.7
Nonfarm	19.983	20.295	20.538	20.804	21.112	21.474	21.824	22.171
% Ch	6.6	6.4	4.9	5.3	6.1	7.0	6.7	6.5
Less: Contribution For Govt. Soc. Ins.	22.782	23.115	23.497	23.882	24.542	24.821	25.114	25.495
% Ch	12.5	6.0	6.8	6.7	11.5	4.6	4.8	6.2
Plus: Residence Adjustment	2.836	2.867	2.905	2.943	2.978	3.015	3.052	3.093
% Ch	5.6	4.5	5.4	5.3	4.9	5.0	5.1	5.4
Dividends/Int./Rent	35.360	36.481	37.408	38.133	38.894	39.559	40.368	41.219
% Ch	9.2	13.3	10.6	8.0	8.2	7.0	8.4	8.7
Transfer Payments	31.991	32.617	33.361	33.853	34.580	35.097	35.652	36.238
% Ch	17.1	8.1	9.4	6.0	8.9	6.1	6.5	6.7
State U.I. Benefits	0.751	0.752	0.753	0.748	0.720	0.715	0.720	0.771
% Ch	9.8	0.8	0.2	-2.5	-14.1	-2.6	2.4	31.6
Other Transfers	31.240	31.864	32.608	33.105	33.860	34.381	34.932	35.467
% Ch	17.3	8.2	9.7	6.2	9.4	6.3	6.6	6.3

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
1967	0.232	2.5	0.334	2.8	0.328	2.9
1968	0.241	3.9	0.348	4.2	0.342	4.1
1969	0.253	4.6	0.367	5.4	0.358	4.8
1970	0.264	4.7	0.388	5.9	0.374	4.5
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	1.771	2.8	1.857	3.6
2002	1.035	1.4	1.798	1.6	1.893	2.0
2003	1.055	1.9	1.840	2.3	1.924	1.6
2004	1.082	2.6	1.889	2.7	1.947	1.2
Forecast						
2005	1.114	2.9	1.953	3.4	2.000	2.7
2006	1.142	2.5	2.006	2.7	2.037	1.9
2007	1.167	2.2	2.045	1.9	2.082	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
1967	18.349	3.0	23.023	1.6	12.295	3.2	20.700	3.3
1968	19.128	4.2	23.865	3.7	12.668	3.0	21.005	1.5
1969	20.106	5.1	25.031	4.9	12.959	2.3	21.696	3.3
1970	21.175	5.3	26.549	6.1	13.507	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.417	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	82.044	-1.1	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	-3.1	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	91.687	-9.9	90.433	-6.1
2003	109.246	3.0	106.987	1.9	109.693	19.6	105.165	16.3
2004	112.695	3.2	110.262	3.1	125.767	14.7	123.939	17.9
Forecast								
2005	116.198	3.1	112.684	2.2	161.096	28.1	152.563	23.1
2006	120.277	3.5	115.399	2.4	158.475	-1.6	152.382	-0.1
2007	123.717	2.9	117.746	2.0	152.191	-4.0	152.572	0.1

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	22.2
2004	6167.8	69.5	1.1	81.0	45.9	34.4
2005	6256.4	88.6	1.4	81.9	43.9	50.6
Forecast						
2006	6370.7	114.3	1.8	85.2	48.7	77.8
2007	6484.6	113.9	1.8	86.9	49.5	76.5

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual				Forecast	
	2002	2003	2004	2005	2006	2007
Total Population	6041.7	6098.3	6167.8	6256.4	6370.7	6484.6
Percent Change	1.1	0.9	1.1	1.4	1.8	1.8
Age 17 and Under	1522.8	1520.1	1522.0	1530.9	1549.5	1567.6
Percent of Total	25.2	24.9	24.7	24.5	24.3	24.2
Age 6-18	1130.0	1128.1	1128.4	1131.8	1141.6	1151.8
Percent of Total	18.7	18.5	18.3	18.1	17.9	17.8
Age 18 and Over	4518.9	4578.2	4645.8	4725.5	4821.3	4917.0
Percent of Total	74.8	75.1	75.3	75.5	75.7	75.8
Age 21 and Over	4257.2	4314.1	4379.3	4456.5	4547.8	4640.2
Percent of Total	70.5	70.7	71.0	71.2	71.4	71.6
Age 20-34	1255.0	1263.3	1273.2	1282.9	1306.9	1335.5
Percent of Total	20.8	20.7	20.6	20.5	20.5	20.6
Age 18-64	3841.7	3891.3	3948.8	4013.7	4095.3	4173.8
Percent of Total	63.6	63.8	64.0	64.2	64.3	64.4
Age 65 and Over	677.2	686.9	697.0	711.8	725.9	743.2
Percent of Total	11.2	11.3	11.3	11.4	11.4	11.5

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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 2005-2007 biennium started July 1, 2005 and ends June 30, 2007.

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.