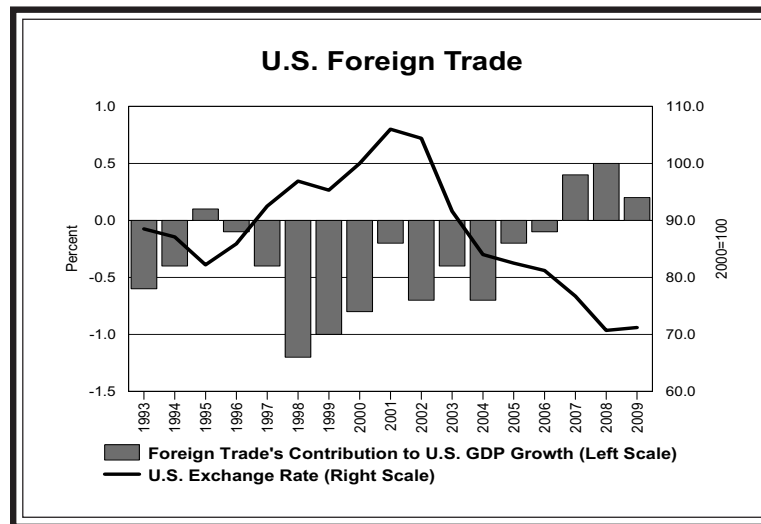


# Washington Economic and Revenue Forecast



November 2007  
Volume XXX, No. 4

## Economic and Revenue Forecast Council Members

Representative Jim McIntire, Chair	Cindi Holmstrom, Director, DOR
Representative Ed Orcutt	Victor Moore, Director, OFM
Senator Joseph Zarelli	Senator Craig Pridemore

## Governor's Council of Economic Advisors

Mr. Rick Bender	Mr. David Nierenberg
Mr. Frank Brod	Dr. Desmond O'Rourke
Dr. Richard Conway	Dr. Kriss Sjoblom
Mr. Grant Forsyth	Dr. Paul Sommers
Mr. John Griffiths	Mr. Daniel Thomas
Mr. William Longbrake	Dr. Andy Turner
Dr. Shelly J. Lundberg	

---

### Explanation of the Cover Graph

*Robust growth in the global economy and a declining dollar are supporting U.S. growth. For the first time in more than a decade, foreign trade is contributing positively to GDP growth. The chart shows the extent to which trade adds to or subtracts from real GDP growth. Trade is expected to add 0.5 percentage points to GDP growth in 2008. The forecast predicts a GDP growth rate of 2.0 percent in 2008. Without the positive contribution from foreign trade, GDP growth would be only 1.5 percent. As the nation's most export-reliant state, Washington is in a particularly good position to benefit from the improving export environment.*

**This publication is available on the Internet at <http://www.erfc.wa.gov>**

# Washington Economic and Revenue Forecast

Prepared by the  
Economic and Revenue Forecast Council

November 2007  
Volume XXX, No.4

*This page left intentionally blank.*

# Preface

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

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

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

*This page left intentionally blank.*

# Table of Contents

<b>Preface</b> .....	<b>iii</b>
<b>List of Tables</b> .....	<b>vii</b>
<b>List of Charts</b> .....	<b>ix</b>
<b>Executive Summary</b> .....	<b>1</b>
<b>Chapter 1</b>	
<b>Washington State and U.S. Economic Forecasts</b>	
Recent U.S. Economic Activity .....	5
U.S. Forecast Highlights .....	5
Recent Economic Activity in Washington .....	7
Adjustments to Economic Data .....	9
Washington State Forecast Highlights .....	9
Alternative Forecasts .....	13
Governor's Council of Economic Advisors Scenario .....	14
<b>Chapter 2</b>	
<b>Washington Business Indicators</b>	
The National Economy .....	27
The State Economy and Indicators .....	28
<b>Chapter 3</b>	
<b>Washington State Revenue Forecast Summary</b>	
Introduction .....	37
Background and Assumptions .....	38
November 2007 Forecast Assumptions .....	38
Recent Collection Experience .....	39
The General Fund-State Forecast for the 2007-09 Biennium .....	42
Forecast Change for the 2007-09 Biennium .....	47
Non-Economic Change to the Forecast .....	48
Department of Revenue .....	48
Department of Licensing .....	49
Office of Financial Management: Other Agencies .....	49
State Treasurer .....	49
Insurance Commissioner .....	49
Liquor Control Board .....	49
Lottery Commission .....	49
Track Record for the 2007-09 Biennium .....	51
The Relationship Between Cash and GAAP General Fund-State Revenue Forecasts .....	51
Alternative Forecast for the 2005-07 and the 2007-09 Biennia .....	57
"Related Fund" Forecast for the 2007-09 Biennium .....	57

<b>Chapter 4: Special Report</b>	
<b>Washington Gross Domestic Product by Industry, 2002 to 2006 .....</b>	<b>69</b>
<b>Appendices</b>	
<b>Detail Components of the Washington Economic Forecast .....</b>	<b>81</b>
<b>Glossary .....</b>	<b>111</b>



# List of Tables

## Chapter 1

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

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

## Chapter 2

### Washington Business Indicators

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

## Chapter 3

### Washington State Revenue Forecast Summary

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

## Chapter 4: Special Report

### Washington Gross Domestic Product by Industry, 2002 to 2006

Table 4.1	Washington and U.S. Gorss Domestic Product .....	74
Table 4.2	Washington Gross Domestic Product by Industry .....	75

## Chapter 4: Special Report (Continued)

Table 4.3	Washington Gross Domestic Product by Industry, Chained 2000 Dollars .....	77
Table 4.4	Washington Gross Domestic Product by Component, 2005 .....	79

## Appendices

### Detail Components of the Washington Economic Forecast

Table A1.1	U.S. Economic Forecast Summary; Annual .....	82
Table A1.2	U.S. Economic Forecast Summary; Quarterly .....	83
Table A1.3	Washington Economic Forecast Summary; Annual .....	86
Table A1.4	Washington Economic Forecast Summary; Quarterly .....	87
Table A2.1	U.S. Nonagricultural Employment by Industry; Annual .....	90
Table A2.2	U.S. Nonagricultural Employment by Industry; Quarterly .....	91
Table A2.3	Washington Nonagricultural Employment by Industry; Annual .....	94
Table A2.4	Washington Nonagricultural Employment by Industry; Quarterly .....	95
Table A3.1	U.S. Personal Income by Component; Annual .....	98
Table A3.2	U.S. Personal Income by Component; Quarterly .....	99
Table A3.3	Washington Personal Income by Component; Annual .....	102
Table A3.4	Washington Personal Income by Component; Quarterly .....	103
Table A4.1	Selected Inflation Indicators .....	106
Table A4.2	Chain-Weighted Price Indices .....	107
Table A5.1	Washington Resident Population and Components of Changes .....	108
Table A5.2	Washington Population .....	109

# List of Charts

## Chapter 1

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

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

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

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

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

#### Comparison of Alternative Washington Forecasts

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

## Chapter 2

### Washington Business Indicators

#### Washington Economic Indicators

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

#### Washington State Leading Indicators

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

### **Other State Economic Indicators**

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

### **Other Economic Indicators**

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

### **Other Economic Indicators**

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

## **Chapter 3**

### **Washington State Revenue Forecast**

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

## **Chapter 4: Special Report**

### **Annual State Personal Income, 1975 to 2005**

Chart 4.1	2006 Gross Domestic Product by State .....	71
Chart 4.2	Washington GDP by Industry, 2006 .....	72
Chart 4.3	2006 GDP by Component .....	73

# Executive Summary

## U.S. Economic Forecast

The November 2007 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2007. The discussion that follows relates to the third quarter forecast rather than the advance GDP release. According to the forecast, real GDP growth slowed to 2.7 percent in the third quarter of 2007 from 3.8 percent in the second quarter. Final sales growth also slowed in the third quarter to 2.7 percent from 3.6 percent in the second quarter. The decline in real growth in the third quarter came in spite of a rebound in consumer spending growth to 3.4 percent from only 1.4 percent in the second quarter. The foreign sector contributed 0.6 percentage points to GDP growth in the third quarter. Exports rose at an 11.8 percent rate which was more than enough to offset the 4.5 percent increase in imports. Government purchases rose at a 2.2 percent rate in the third quarter, led by a 5.8 percent increase in defense spending. The only major negative contributor to growth in the third quarter was provided by fixed investment which declined at a 4.1 percent rate as a result of a 17.9 percent plunge in residential fixed investment.

According to the forecast, payroll employment growth slowed to 0.6 percent in the third quarter from 1.2 percent in the second quarter while the unemployment rate edged up to 4.63 percent from 4.50 percent. The Consumer Price Index rose only 1.8 percent in the third quarter following a 6.0 percent jump in the second quarter. The apparent improvement in inflation was due to energy costs which fell at a 7.0 percent rate in the third quarter following a 48.1 percent surge in the second quarter. Core CPI inflation, which excludes food and energy, increased from 1.9 percent to 2.5 percent. Housing starts plummeted at a 35.9 percent rate in the third quarter to 1.310 million units while the mortgage rate increased to 6.55 percent from 6.34 percent. As expected in the September forecast, the Federal Reserve reduced its target for the federal funds rate by 50 basis points to 4.75 percent on September 18th.

Oil prices have reached \$80 per barrel, pushed up in part by the declining dollar. We still expect to see prices soften later this year, but have raised our fourth-quarter price assumption to \$77 per barrel. We now expect \$74.25 per barrel in 2008. The higher oil prices mean higher gasoline prices, and we have raised the average retail gasoline price to \$2.77 per gallon in the fourth quarter which is still down somewhat from \$2.90 per gallon in the third quarter. We assume that the Fed will cut its target federal funds rate by 25 basis points at both of its remaining meetings in 2007, taking the rate down to 4.25 percent at year-end, where it stays throughout 2008. Slower U.S. growth and falling interest rates are a recipe for a weaker dollar. The dollar dropped about 5 percent against major currencies during 2006 (fourth quarter-to-fourth quarter basis), and we anticipate a further 10 percent decline this year. We project GDP growth in the United States' major-currency trading partners at 2.6 percent in 2007, down from 2.8 percent in 2006, then sliding further to 2.3 percent in 2008. We expect productivity gains to average just 1.1 percent for

2007 and 1.6 percent for 2008. We do not anticipate any major tax initiatives before the 2008 presidential elections and assume that temporary “fixes” will prevent the Alternative Minimum Tax (AMT) from kicking in violently under this Congress. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 2.6 percent in calendar 2007 and 4.3 percent in calendar 2008. Overall federal purchases will rise 1.6 percent in 2007, down from 2.2 percent growth in 2006.

Annual GDP growth slowed slightly to 2.9 percent in 2006 from 3.1 percent in 2005. The forecast expects growth to slow down to 2.0 percent per year this year and next year before recovering to 2.9 percent in 2009. Nonfarm payroll employment growth improved to 1.9 percent in 2006 from 1.7 percent in 2005. Slower growth is expected during the next three years. Employment is expected to grow 1.3 percent this year, 0.7 percent next year, and 1.2 percent in 2009. The unemployment rate also improved in 2006, declining to 4.63 percent from 5.07 percent in 2005. The forecast expects the unemployment rate to decline slightly to 4.61 percent in 2007, edging up to 4.97 percent in 2008 and 4.87 percent in 2009. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.8 percent in 2006 from 2.9 percent in 2005. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.2 percent in 2006, the same rate as in 2005. Energy costs will add to inflation in 2007 and 2008 but will help restrain inflation in 2009. The overall implicit price deflator is expected to rise 2.4 percent in 2007, 1.8 percent in 2008, and 1.7 percent in 2009 compared to core inflation rates of 2.0 percent, 1.7 percent, and 1.8 percent.

## **Washington State Economic Forecast**

The state’s employment growth rate accelerated to 3.2 percent in the third quarter of 2007 from 2.0 percent in the second quarter. The reported third quarter growth rate was distorted by local government education employment which did not drop as much as usual in the summer months. Excluding local government education, the improvement was more modest, from 2.1 percent to 2.8 percent. Manufacturing employment rose at a strong 4.5 percent rate in the third quarter led by aerospace employment which increased at a 9.4 percent clip. Manufacturing employment other than aerospace rose at a 2.7 percent rate. Professional and business services employment growth remained strong in the third quarter, rising at a 5.7 percent rate. Construction employment growth also remained strong, growing at a 5.5 percent rate. Information employment rose a healthy 3.3 percent in spite of a lackluster 2.0 percent increase in software employment. Education and health services employment and financial activities employment each rose at a 2.5 percent rate in the third quarter and leisure and hospitality employment grew at a 2.2 percent rate. Trade, transportation, and utilities employment rose 1.4 percent in the third quarter while “other services” employment edged up 0.5 percent. In the public sector, state and local government employment rose at a 4.3 percent rate but the strong growth was mainly due to 10.7 percent surge in local government education employment which we expect to see reversed in the fourth quarter. State and local government employment, excluding local education, rose at a moderate 1.3 percent rate. Federal government employment fell at a 0.5 percent rate in the third quarter.

Washington’s personal income in the second quarter of 2007 was \$3.119 billion (1.2 percent) higher than the estimate made in September. Total wages were \$0.997 billion (0.7 percent) lower than expected in September. Software wages were \$0.050 billion (0.8 percent) higher than expected but other wages were \$1.047 billion (0.8 percent) lower. Nonwage personal income was \$4.117 billion (3.8 percent) higher than the September estimate. The large revision to nonwage income was due to the annual revision of the national income and product accounts which also raised calendar 2006 nonwage income by \$3.984 billion (3.9 percent). The main culprit was property income (dividends, interest, and rent) which was revised up \$3.916 billion (10.1 percent) in 2006. The forecast assumes that income growth jumped to

15.8 percent in the third quarter of 2007, up from 6.7 percent in the second quarter. The reason for the very strong wage growth assumed for the third quarter is the expectation of large bonuses and vesting of stock awards in the software sector. As usual, there should be an offsetting decline in software wages in the fourth quarter. Personal income, excluding software wages, is expected to grow at a more moderate 7.7 percent rate. The forecast assumes that wage and salary disbursements also rose at a strong 22.4 percent rate in the third quarter, again due mainly to software wages. Wages outside of the software sector rose at a 7.7 percent rate. The forecast assumes that income from sources other than wages grew at a healthy 7.7 percent rate in the third quarter.

The forecast also reflects Seattle consumer price data through August 2007. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average in 2005, rising 2.3 percent compared to 2.2 percent. Core inflation in Seattle shot well ahead of the national average in 2006, rising 3.7 percent compared to 2.6 percent for the U.S. city average. Strong regional inflation continued in 2007. Core Seattle prices rose at a 3.4 percent rate during the first eight months of 2007 compared to 2.3 percent for the U.S. Energy costs added much less to Seattle inflation than to U.S. inflation during this period, however. As a result, the Seattle all items CPI rose at a 3.0 percent so far in 2007 compared to the national average rate of 3.7 percent.

The number of housing units authorized by building permit dipped 300 in the third quarter of 2007 to 44,600 from 45,000 in the second quarter. Single-family permits fell 4,300 to 27,700 but multi-family permits increased 4,000 to 16,900. The number of single family permits taken out in the third quarter was the lowest since the first quarter of 2002.

As in September, we have assumed that the credit and liquidity squeeze will have an adverse impact on housing and construction in Washington but that the impact will be much less than in the rest of the country. The forecast also reflects the April 1, 2007 population estimate released by the Office of Financial Management which indicates slower growth than was assumed in September. The current forecast assumes that the slowdown in population growth is continuing in the current year as well. The lower population assumption is the main reason the housing forecast has been reduced. Slower population growth also reduces job growth, but it reduces labor force growth by even more. As a result, it lowers the unemployment rate, putting upward pressure on local wage and price growth. The software employment forecast is virtually the same as assumed in September. Software employment is expected to rise 8,200 from the fourth quarter of 2006 to the fourth quarter of 2009. The software wage forecast has been raised by about \$0.5 billion per year due to a higher Microsoft stock price which is expected to raise future stock option and stock award income. The Washington aerospace employment forecast is also virtually unchanged other than recognizing that 700 more aerospace jobs have been created as of September 2007 than assumed in the September forecast. As of September, the aerospace sector has added 19,900 jobs since the trough in May 2004. The forecast expects another 2,000 new aerospace jobs by mid-2008 when employment is expected to level off at 82,700. This is still 30,400 (26.8 percent) lower than the previous peak in June 1998.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment growth increased to 2.9 percent in 2006 from 2.8 percent in 2005. Employment data for the first nine months of the year indicate that total employment should grow 2.8 percent this year as well. Growth in these key industries is expected to slow during the next two years, though, and the state will also be affected by the slowdown in the national economy. The forecast calls for employment growth rates of 1.8 percent per year in 2008 and 2009. Washington personal income growth jumped to 8.3 percent in 2006 from 2.9 percent in 2005. The weak growth in 2005 was largely due to Microsoft's special dividend

in November 2004, which temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, personal income growth in 2005 would have been 5.7 percent. Income growth is expected to remain strong at 7.3 percent in 2007, slowing to 6.2 percent in 2008 and 6.1 percent in 2009. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000. Higher mortgage rates and tighter lending standards are expected to depress the single-family market during the next three years but strong population growth should continue to support multi-family activity. The forecast expects total housing permits to decline to 48,400 in 2007 and 43,200 in 2008 before edging up to 44,900 in 2009. Inflation, as measured by the Seattle CPI, jumped to 3.7 percent in 2006 from 2.8 percent in 2005. Core inflation (excluding food and energy) was more moderate but also increased to 3.3 percent in 2006 from 1.8 percent in 2005. Energy costs will add slightly to inflation in 2007 but declining energy costs in 2008 and 2009 should help lower overall inflation in those years. The slowdown in the overall economy should also help restrain core inflation. As a result, inflation should decline to 3.6 percent in 2007, 2.4 percent in 2008, and 2.5 percent in 2009.

## Washington State Revenue Forecast

The General Fund-State revenue forecast has been reduced by \$132.4 million for the combined 2005-07 and 2007-09 biennia. The new national and state economic forecasts are similar to the forecasts adopted in September and the forecasts for most of the state's major revenue sources are little changed. However, the value of transactions subject to the real estate excise tax has dropped more precipitously than expected in September. The decline in the forecast for the real estate excise tax accounts for nearly all the overall forecast revision.

The November 2007 forecast for the 2007-09 biennium is \$29,886.4 million, which is \$130.4 million lower than expected in the September forecast. Of \$130.4 million reduction, \$124.4 million is due to the lower forecast for the real estate excise tax. There was also a \$2.0 million downward adjustment to the revenue total for the 2005-07 biennium resulting in a \$132.4 million forecast reduction for the two biennia combined.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 biennium. The forecast based on more optimistic economic assumptions netted \$1,112 million (3.7 percent) more revenue in the 2007-09 biennium than did the baseline while the pessimistic alternative was \$1,163 million (3.9 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$243 million (0.8 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

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



# Washington State and U.S. Economic Forecasts

## Recent U.S. Economic Activity

The November 2007 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2007. The discussion that follows relates to the third quarter forecast rather than the advance GDP release. According to the forecast, real GDP growth slowed to 2.7 percent in the third quarter of 2007 from 3.8 percent in the second quarter. Final sales growth also slowed in the third quarter to 2.7 percent from 3.6 percent in the second quarter. The decline in real growth in the third quarter came in spite of a rebound in consumer spending growth to 3.4 percent from only 1.4 percent in the second quarter. Consumer spending on durables rose 4.4 percent, spending on nondurables rose 2.4 percent, and spending on services rose 3.7 percent. The foreign sector contributed 0.6 percentage points to GDP growth in the third quarter. Exports rose at an 11.8 percent rate which was more than enough to offset the 4.5 percent increase in imports. Government purchases rose at a 2.2 percent rate in the third quarter, led by a 5.8 percent increase in defense spending. Nondefense federal spending increased 2.2 percent while state and local government spending inched up 0.8 percent. The only major negative contributor to growth in the third quarter was provided by fixed investment which declined at a 4.1 percent rate as a result of a 17.9 percent plunge in residential fixed investment. Business spending on structures rose at a 4.3 percent rate and spending on equipment and software rose 2.0 percent.

According to the forecast, payroll employment growth slowed to 0.6 percent in the third quarter from 1.2 percent in the second quarter while the unemployment rate edged up to 4.63 percent from 4.50 percent. The Consumer Price Index rose only 1.8 percent in the third quarter following a 6.0 percent jump in the second quarter. The apparent improvement in inflation was due to energy costs which fell at a 7.0 percent rate in the third quarter following a 48.1 percent surge in the second quarter. Core CPI inflation, which excludes food and energy, increased from 1.9 percent to 2.5 percent. Housing starts plummeted at a 35.9 percent rate in the third quarter to 1.310 million units while the mortgage rate increased to 6.55 percent from 6.34 percent. As expected in the September forecast, the Federal Reserve reduced its target for the federal funds rate by 50 basis points to 4.75 percent on September 18th.

## U.S. Forecast Highlights

Oil prices have reached \$80 per barrel, pushed up in part by the declining dollar. We still expect to see prices soften later this year, but have raised our fourth-quarter price assumption to \$77 per barrel. We now expect \$74.25 per barrel in 2008. The higher oil prices mean higher gasoline prices,

and we have raised the average retail gasoline price to \$2.77 per gallon in the fourth quarter which is still down somewhat from \$2.90 per gallon in the third quarter. We assume that the Fed will cut its target federal funds rate by 25 basis points at both of its remaining meetings in 2007, taking the rate down to 4.25 percent at year-end, where it stays throughout 2008. Slower U.S. growth and falling interest rates are a recipe for a weaker dollar. The dollar dropped about 5 percent against major currencies during 2006 (fourth quarter-to-fourth quarter basis), and we anticipate a further 10 percent decline this year. We project GDP growth in the United States' major-currency trading partners at 2.6 percent in 2007, down from 2.8 percent in 2006, then sliding further to 2.3 percent in 2008. We expect productivity gains to average just 1.1 percent for 2007 and 1.6 percent for 2008. We do not anticipate any major tax initiatives before the 2008 presidential elections and assume that temporary "fixes" will prevent the AMT from kicking in violently under this Congress. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 2.6 percent in calendar 2007 and 4.3 percent in calendar 2008. Overall federal purchases will rise 1.6 percent in 2007, down from 2.2 percent growth in 2006.

Annual GDP growth slowed slightly to 2.9 percent in 2006 from 3.1 percent in 2005. The forecast expects growth to slow down to 2.0 percent per year this year and next year before recovering to 2.9 percent in 2009. Nonfarm payroll employment growth improved to 1.9 percent in 2006 from 1.7 percent in 2005. Slower growth is expected during the next three years. Employment is expected to grow 1.3 percent this year, 0.7 percent next year, and 1.2 percent in 2009. The unemployment rate also improved in 2006, declining to 4.63 percent from 5.07 percent in 2005. The forecast expects the unemployment rate to decline slightly to 4.61 percent in 2007, edging up to 4.97 percent in 2008 and 4.87 percent in 2009. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.8 percent in 2006 from 2.9 percent in 2005. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.2 percent in 2006, the same rate as in 2005. Energy costs will add to inflation in 2007 and 2008 but will help restrain inflation in 2009. The overall implicit price deflator is expected to rise 2.4 percent in 2007, 1.8 percent in 2008, and 1.7 percent in 2009 compared to core inflation rates of 2.0 percent, 1.7 percent, and 1.8 percent.

1. Real GDP growth slowed sharply in fiscal 2007 to 2.1 percent from 3.2 percent in 2006. The slowdown in 2007 was primarily due to residential fixed investment which, after five years of growth, turned sharply negative in 2007, declining at a 13.5 percent rate. The housing decline in 2007 subtracted 0.8 percentage points from real GDP growth after adding 0.2 percent in the previous year. The housing sector is expected to be a significant drag on GDP growth in 2008 and 2009 as well, subtracting 1.0 and 0.2 percentage points from growth. Consumer spending growth is also expected to slow during the next two years to 2.5 percent per year from an average rate of 3.3 percent per year during the previous four years. The foreign sector, on the other hand, added 0.2 percent to real GDP growth in 2007, the first positive contribution from trade in more than a decade. Supported by strong growth overseas and a declining dollar, the foreign sector is expected to add 0.6 percent to growth in 2008 and 0.4 percent in 2009. Overall, the forecast calls for relatively weak GDP growth rates of 2.1 percent in 2008 and 2.5 percent in 2009.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, declined to 2.4 percent in fiscal 2007 from 3.2 percent in 2006. The decline was entirely due to moderating energy costs. Core inflation actually increased slightly to 2.3 percent from 2.1 percent. Core inflation is expected to decline to 1.7 percent in 2008 as the economy weakens

but yet another spike in energy costs will raise overall inflation to 2.2 percent. Fluctuations in energy costs are not expected to play a major role in inflation in 2009 and the slowdown in the economy will help hold inflation to a moderate 1.7 percent.

3. Following the financial turbulence and flight to safety that erupted on August 9th, the Fed intervened to pump in liquidity through open-market operations and announced a 50-basis-point cut in its discount rate. As expected, the Fed followed up by cutting its target for the federal funds rate by 50 basis-points to 4.75 percent in September. The forecast assumes the Federal Reserve will cut the federal funds rate by 25 basis points at each of its next two meetings resulting in a rate of 4.25 percent by the end of the year. As a result of past Fed tightening, the three-month Treasury bill rate rose to 4.89 percent in fiscal 2007 from 4.06 percent in fiscal 2006. Now that the Fed has shifted gears again, the forecast expects the T-bill rate to decline to 3.83 percent in 2008 and 4.08 percent in 2009. The rise in long term rates has been much more restrained. The mortgage rate increased from 6.20 percent in fiscal 2006 to 6.35 percent in 2007. The forecast expects the mortgage rate to remain at 6.35 percent in 2008, rising to 6.52 percent in 2009.
4. Housing remains the biggest drag on growth in the U.S. economy. Housing starts declined 24.2 percent in fiscal 2007 to 1.546 million units, the first decline after a six-year housing boom. Rising foreclosures, high inventories of unsold homes, higher spreads for jumbo and other non-conventional loans, and tighter lending standards are expected to further depress housing activity. The forecast calls for a 26.6 percent reduction in starts in 2008 to 1.134 million units followed by a modest 11.8 percent recovery in 2009 to 1.267 million units.
5. The nation's unemployment rate declined from 4.83 percent in fiscal 2006 to a six-year-low 4.54 percent in 2007. The slowdown in the U.S. economy is expected to cause a modest increase in the unemployment rate. The forecast calls for the unemployment rate to rise to 4.83 percent in 2008 and 4.95 percent in 2009.
6. In spite of the housing decline, growth in the overall economy is still having a beneficial impact on the federal deficit. Sharp revenue gains, fueled by surging profits and bonuses, are driving the improvement. Revenues are improving so sharply that the federal deficit (national income and product accounts basis) dropped to \$208.0 billion in fiscal 2007 from \$286.8 billion in 2006. This trend is not expected to continue, however. Due to the projected slowdown in the economy and a flattening in corporate profits growth, overall revenue growth is expected to slow. Growth in expenditures, on the other hand, is expected to increase. The forecast expects the deficit to widen to \$233.4 billion in 2008 and \$299.2 billion in 2009.
7. On a positive note, the trade deficit (national income and product accounts basis) declined in fiscal 2007 to \$733.2 billion from an all-time record \$762.8 billion in 2006. Foreign economic growth is strong and the dollar is expected to continue to decline, which should help restrain real imports and boost real exports. The forecast expects the deficit to narrow to \$710.8 billion in 2008 and \$654.3 billion in 2009.

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 2007. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. The state's employment growth rate accelerated to 3.2 percent in the third

quarter of 2007 from 2.0 percent in the second quarter. The reported third quarter growth rate was distorted by local government education employment which did not drop as much as usual in the summer months. Excluding local government education, the improvement was more modest, from 2.1 percent to 2.8 percent. Manufacturing employment rose at a strong 4.5 percent rate in the third quarter led by aerospace employment which increased at a 9.4 percent clip. Manufacturing employment other than aerospace rose at a 2.7 percent rate. Professional and business services employment growth remained strong in the third quarter, rising at a 5.7 percent rate. Construction employment growth also remained strong, growing at a 5.5 percent rate. Information employment rose a healthy 3.3 percent in spite of a lackluster 2.0 percent increase in software employment. Education and health services employment and financial activities employment each rose at a 2.5 percent rate in the third quarter and leisure and hospitality employment grew at a 2.2 percent rate. Trade, transportation, and utilities employment rose 1.4 percent in the third quarter while “other services” employment edged up 0.5 percent. In the public sector, state and local government employment rose at a 4.3 percent rate but the strong growth was mainly due to 10.7 percent surge in local government education employment which we expect to see reversed in the fourth quarter. State and local government employment, excluding local education, rose at a moderate 1.3 percent rate. Federal government employment fell at a 0.5 percent rate in the third quarter.

In September 2007 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the first quarter of 2007 and released preliminary estimates for the second quarter. This forecast is based on adjusted personal income estimates as described in **Adjustments to Economic Data**. According to the adjusted estimates, Washington’s personal income in the second quarter of 2007 was \$3.119 billion (1.2 percent) higher than the estimate made in September. Total wages were \$0.997 billion (0.7 percent) lower than expected in September. Software wages were \$0.050 billion (0.8 percent) higher than expected but other wages were \$1.047 billion (0.8 percent) lower. Nonwage personal income was \$4.117 billion (3.8 percent) higher than the September estimate. The large revision to nonwage income was due to the annual revision of the national income and product accounts which also raised calendar 2006 nonwage income by \$3.984 billion (3.9 percent). The main culprit was property income (dividends, interest, and rent) which was revised up \$3.916 billion (10.1 percent) in 2006. The forecast assumes that income growth jumped to 15.8 percent in the third quarter of 2007, up from 6.7 percent in the second quarter. The reason for the very strong wage growth assumed for the third quarter is the expectation of large bonuses and vesting of stock awards in the software sector. As usual, there should be an offsetting decline in software wages in the fourth quarter. Personal income, excluding software wages, is expected to grow at a more moderate 7.7 percent rate. The forecast assumes that wage and salary disbursements also rose at a strong 22.4 percent rate in the third quarter, again due mainly to software wages. Wages outside of the software sector rose at a 7.7 percent rate. The forecast assumes that income from sources other than wages grew at a healthy 7.7 percent rate in the third quarter.

The forecast also reflects Seattle consumer price data through August 2007. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average in 2005, rising 2.3 percent compared to 2.2 percent. Core inflation in Seattle shot well ahead of the national average in 2006, rising 3.7 percent compared to 2.6 percent for the U.S. city average. Strong regional inflation continued in 2007. Core Seattle prices rose at a 3.4 percent rate during the first eight months of 2007 compared to 2.3 percent for the U.S. Energy costs added much less to Seattle inflation than to U.S. inflation during this period,

however. As a result, the Seattle all items CPI rose at a 3.0 percent so far in 2007 compared to the national average rate of 3.7 percent.

The number of housing units authorized by building permit dipped 300 in the third quarter of 2007 to 44,600 from 45,000 in the second quarter. Single-family permits fell 4,300 to 27,700 but multi-family permits increased 4,000 to 16,900. The number of single family permits taken out in the third quarter was the lowest since the first quarter of 2002.

## **Adjustments to Economic Data**

This forecast utilized an alternative employment estimate produced by the Department of Employment Security which incorporates more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. The alternative employment estimate incorporated the covered employment and payrolls data through the second quarter of 2007 which added 21,300 (0.7 percent) to the BLS Current Employment Statistics (CES) estimate for December 2006. By April 2007 the difference had narrowed slightly to 20,600 (0.7 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the Quarterly Census of Employment and Wages (QCEW) data for all sectors except agriculture and federal government. We have more up-to-date QCEW data for wages for the second quarter of 2007 than were available to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived second quarter 2007 wage estimates for these sectors based on the QCEW data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments reduced the second quarter wage estimate by \$0.324 billion (0.2 percent), subtracting 0.1 percent from total personal income in that quarter.

## **Washington State Forecast Highlights**

As in September, we have assumed that the credit and liquidity squeeze will have an adverse impact on housing and construction in Washington but that the impact will be much less than in the rest of the country. The forecast also reflects the April 1, 2007 population estimate released by the Office of Financial Management which indicates slower growth than was assumed in September. The current forecast assumes that the slowdown in population growth is continuing in the current year as well. The lower population assumption is the main reason the housing forecast has been reduced. Slower population growth also reduces job growth, but it reduces labor force growth by even more. As a result, it lowers the unemployment rate, putting upward pressure on local wage and price growth. The software employment forecast is virtually the same as assumed in September. Software employment is expected to rise 8,200 from the fourth quarter of 2006 to the fourth quarter of 2009. The software wage forecast has been raised by about \$0.5 billion per year due to a higher Microsoft stock price which is expected to raise future stock option and stock award income. The Washington aerospace employment forecast is also virtually unchanged other than recognizing that 700 more aerospace jobs have been created as of September 2007 than assumed in the September forecast. As of September, the aerospace sector has added 19,900 jobs since the trough in May 2004. The forecast expects another 2,000 new aerospace jobs by mid-2008 when employment is expected to level off at 82,700. This is still 30,400 (26.8 percent) lower than the previous peak in June 1998.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment growth increased to 2.9 percent in 2006 from 2.8 percent in 2005. Employment data for the first nine months of the year indicate that total employment should grow 2.8 percent this year as well. Growth in these key industries is expected to slow during the next two years, though,

and the state will also be affected by the slowdown in the national economy. The forecast calls for employment growth rates of 1.8 percent per year in 2008 and 2009. Washington personal income growth jumped to 8.3 percent in 2006 from 2.9 percent in 2005. The weak growth in 2005 was largely due to Microsoft's special dividend in November 2004, which temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, personal income growth in 2005 would have been 5.7 percent. Income growth is expected to remain strong at 7.3 percent in 2007, slowing to 6.2 percent in 2008 and 6.1 percent in 2009. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000. Higher mortgage rates and tighter lending standards are expected to depress the single-family market during the next three years but strong population growth should continue to support multi-family activity. The forecast expects total housing permits to decline to 48,400 in 2007 and 43,200 in 2008 before edging up to 44,900 in 2009. Inflation, as measured by the Seattle CPI, jumped to 3.7 percent in 2006 from 2.8 percent in 2005. Core inflation (excluding food and energy) was more moderate but also increased to 3.3 percent in 2006 from 1.8 percent in 2005. Energy costs will add slightly to inflation in 2007 but declining energy costs in 2008 and 2009 should help lower overall inflation in those years. The slowdown in the overall economy should also help restrain core inflation. As a result, inflation should decline to 3.6 percent in 2007, 2.4 percent in 2008, and 2.5 percent in 2009.

1. Nominal personal income growth jumped to 7.6 percent in fiscal 2007 from 4.4 percent in 2006. The apparent improvement in growth was largely due to the special one-time dividend paid by Microsoft in December 2004. Without the special dividend in fiscal 2005, personal income growth in 2006 would have been 7.1 percent. The forecast expects somewhat weaker but still strong income growth during the next two years due to slower employment and population growth as well as declining average wage growth. The forecast expects total personal income growth rates of 7.0 percent in 2008 and 6.0 percent in 2009. Software wages are not expected to have a major impact on overall income growth during this period.
2. Washington real personal income growth jumped to 5.1 percent in fiscal 2007 from just 1.2 percent in fiscal 2006. This apparent improvement was also largely due to the special Microsoft dividend in December 2004. Excluding the special dividend, real income growth in 2006 would have been 3.8 percent. Real personal income growth is expected to remain strong during the next two years. Nominal income growth is expected to remain strong, as noted above, and inflation is expected to decline, further boosting real income growth. The forecast calls for real personal income growth rates of 4.8 percent in 2008 and 4.2 percent in 2009.
3. Total payroll employment in Washington rose 2.7 percent in fiscal 2007 which was almost as strong as the 3.0 percent gain in 2006. Booming construction employment growth coupled with strong growth in both aerospace and software continues to support overall job growth. Together these sectors grew 9.1 percent in 2006 and 9.0 percent in 2007. Slower growth is expected during the next two years, however, due to weaker U.S. growth, a leveling off of construction employment, and slower aerospace employment growth. The forecast calls for employment growth rates of 2.4 percent in 2008 and 1.7 percent in 2009.
  - ◆ As of September 2007, the aerospace recovery has added 19,900 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 Commercial Airplanes recorded a record 1,044 net commercial airplane orders in

- 2006 and currently has a backlog exceeding six years worth of current revenue. Boeing delivered 398 planes in 2006, a 37 percent over the 290 delivered in 2005. Boeing expects to increase deliveries in 2007 to 440 and again in 2008 to between 480 and 490 planes. They expect to increase deliveries in 2009 as well. The aerospace employment forecast assumes employment grows at an average rate of 2.9 percent per year through the third quarter of next year, leveling off at 82,700 employees. However, the new employment peak will be 30,400 (26.8 percent) lower than the previous peak in June 1998.
- ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. Since mid-2003, however, growth has picked up to an average annual rate of 6.5 percent. Microsoft's announcement in February 2006 that it will accelerate the planned expansion of its Redmond campus, adding enough office space for about 12,000 employees, bodes well for software employment growth in Washington as does Microsoft's announcement in April of significant increases in R&D spending. The forecast assumes software employment growth will remain strong at an average rate of 5.7 percent through the remainder of the forecast.
  - ◆ Bolstered primarily by a hot housing market and more recently by upturns in nonresidential building and heavy and civil engineering construction, Washington's construction employment growth has averaged 7.7 percent per year since mid-2003. Employment is now 49,300 (30.3 percent) higher than at the previous peak in the first quarter of 2001 and 59,100 (38.6 percent) higher than at the trough in the first quarter of 2002. Housing permits are trending down and employment in residential building appears to have peaked. Nonresidential building employment and heavy construction employment continue to grow, however. The overall construction forecast expects employment growth to slow to 2.5 percent in the fourth quarter before declining at an average rate of 0.7 percent per year in 2008 and 2009.
  - ◆ Financial activities employment is strongly influenced by real estate and mortgage market developments. Declining mortgage rates not only stimulate housing demand but also set off waves of mortgage refinancing. Financial activities employment is virtually unchanged since the fourth quarter of 2005 which coincides with a jump up in mortgage rates and the peak in the housing cycle in Washington. Unsurprisingly, the recent weakness in employment growth was concentrated in credit intermediation and related activities which declined at a 1.9 percent average rate during this period. Other financial activities employment grew at a 1.7 percent average rate. Financial activities employment is expected to be essentially flat through the second quarter of 2008 due to the housing slowdown after which growth is expected to improve to an average rate of 2.4 percent per year.
  - ◆ 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 from 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. After a slow start, the recovery in retail trade employment accelerated during 2005 and 2006, rising at a 1.9 percent rate then soaring to 6.9 percent in the first quarter of 2007. The strong employment growth

- early this year was mainly due to double-digit growth in clothing and general merchandise stores. Employment in these two sub-sectors declined in the second and third quarters, resulting in a weak 0.6 percent average growth rate for total retail trade. The forecast assumes the fourth quarter will also be weak, at 0.8 percent, after which retail trade employment is expected to recover to an average rate of 2.3 percent per year.
- ◆ Employment in the professional and business services sector plunged 6.6 percent from the end of 2000 through the first quarter of 2002. The 20,300 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 (20.0 percent). These areas of weakness have turned around. Employment in computer systems design and related services has increased at an average rate of 11.1 percent during the last three years while employment services employment has grown at an average rate of 8.2 percent during the same period. Largely as a result of this turnaround, overall professional and business services employment growth has averaged 4.5 percent per year during the last three years. The forecast expects growth to remain strong, averaging 3.9 percent per year through the end of 2009.
  - ◆ 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 end of 2002, employment grew at an average rate of 1.9 percent per year (excluding the impact of the reclassification of tribal government employment in January 2001). Since then employment growth has slowed to an average rate of 0.8 percent per year and just 0.5 percent per year excluding the small but rapidly expanding tribal government sector. The forecast assumes some improvement as state and local government budgets recover and tribal government employment should continue to grow rapidly but local public education employment growth will be restrained by slow school age population growth. The forecast expects an average growth rate of 1.2 percent per year (0.9 percent per year excluding tribal employment).
4. The number of housing units authorized by building permit in Washington fell 7.4 percent in fiscal 2007 to a still impressive 49,900 units. Single family permits fell 19.1 percent in 2007 to 32,700 units from a 40-year high 40,400 units in 2006. However, multi-family units, responding to strong population growth, jumped 27.5 percent to 17,200 units. Even though population growth is expected to remain strong during the next two years, conventional mortgage rates are expected to trend upward. In addition, tighter lending standards and wider spreads for jumbo and other non-conventional lending products will further restrict housing activity. The forecast for total housing units authorized by building permits is for a 12.2 percent decrease in 2008 to 43,800 units and a 0.1 percent reduction in 2009 to 43,800 units.
  5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, jumped to 4.0 percent in fiscal 2007 from 3.2 percent in 2006. For once, energy costs were not a significant factor. Seattle's core inflation rose even more, from 2.1 percent in 2006 to 3.8 percent in 2007. Seattle inflation trailed the national average in 2003, 2004, 2005, and 2006 reflecting the impact of a more severe local recession. A slowdown in the U.S. economy should help restrain inflation but the relatively strong local economy should cause Seattle inflation to remain above the U.S. rate. The forecast calls for Seattle inflation rates of 2.9 percent in 2008 and 2.4 percent in 2009 compared to national rates of 2.5 percent and 1.6 percent.



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

## **Alternative Forecasts**

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

**Pessimistic Forecast:** The pessimistic scenario assumes that the housing recession deepens even more than in the baseline, sufficiently to drag the whole economy into recession. Housing starts drop to 946,000 units in 2008, compared with 1.12 million in the baseline. The median price of existing homes falls more than 10 percent below the baseline in 2009. Home sales are also much lower. The weakness in housing leads to a retreat in consumer confidence. This, along with the drop in wealth associated with falling home prices, causes consumers to retrench—and consumer spending slows to a crawl in 2008. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Both nonresidential construction and equipment and software investment drop in 2008. The pessimistic scenario from late 2007 through early 2008 meets the definition of a recession, since employment drops three straight quarters (the economy loses 189,000 jobs), industrial production falls for four consecutive quarters, and real GDP drops for two straight quarters. Real GDP expands only 0.6 percent in 2008 and 1.7 percent in 2009, compared with 2.0 percent and 2.9 percent in the baseline. At the state level, aerospace employment growth begins to decline again in 2008 rather than leveling off as in the baseline. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario and construction employment falls much more rapidly than in the baseline. Due to the relatively weak local economy, Seattle inflation is lower than in the baseline forecast in spite of the higher national inflation rate. The weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2007-09 biennium, Washington nonagricultural employment is 70,500 lower than in the baseline forecast and Washington personal income is \$13.1 billion lower. The pessimistic scenario produced \$1,163 million (3.9 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

**Optimistic Forecast:** Renewed strength in productivity growth provides the key assumption distinguishing the optimistic scenario from the baseline forecast. Rapid productivity gains are the main reason why economic growth and employment gains are higher and inflation and budget deficits are lower than in the baseline. It is also one reason why the dollar is stronger. Productivity gains, combined with the stronger currency, help to contain inflation. The contraction in residential investment is much less severe in the optimistic scenario. After falling for the remainder of the year, housing starts begin to recover early in 2008 and average 1.31 million units for the year, compared with only 1.12 million units in the baseline forecast. Business fixed investment is more robust in the optimistic scenario. Foreign economic growth is stronger, boosting U.S. exports and strengthening domestic manufacturing. Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. Under these assumptions, the economic outlook is much brighter. The current slowdown proves temporary, as real GDP grows a solid 2.1 percent in the fourth quarter of 2007, compared with 1.5 percent in the baseline. Quarterly growth in 2008 is also much stronger, averaging 3.6 percent, versus 2.2 percent in the baseline. For Washington, the optimistic forecast assumes aerospace employment continues to grow through 2009 rather than leveling off in mid-2008 as in the baseline. Software employment also grows faster in the optimistic forecast. Washington's wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in

the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is higher in the optimistic scenario and population growth is stronger. Finally, construction employment continues to rise throughout the forecast in the optimistic scenario rather than peaking in the fourth quarter of 2007 and declining in 2008 and 2009 as in the baseline. By the end of the 2007-09 biennium, Washington nonagricultural employment is higher by 63,300 jobs than in the baseline forecast and Washington personal income is \$13.0 billion higher. The optimistic scenario generated \$1,112 million (3.7 percent) more revenue in the 2007-09 biennium than did the baseline forecast.

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

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. The GCEA forecast for the U.S. economy is weaker than the baseline forecast. The Governor's Council members expect slightly less real growth in fiscal 2008 than assumed in the baseline and significantly less growth in 2009. They expect slightly higher inflation in 2009, however. Their interest rate forecasts, both long term and short term, are below the baseline forecast in both years. The GCEA forecast for Washington State is also weaker than the baseline forecast. They expect slower real personal income growth, nominal personal income growth, and employment growth in both years than does the baseline forecast. The Council members also expect fewer housing units authorized by building in both 2008 and 2009. By the end of the 2007-09 biennium Washington nonagricultural employment is 27,300 lower in the GCEA forecast than in the baseline forecast and Washington personal income is \$3.4 billion lower. The Governor's Council scenario yielded \$243 million (0.8 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

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

Table 1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2008 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	9,947.5	10,131.3	10,510.9	10,839.4	11,181.7	11,416.2	11,659.6	11,945.3
% Ch	0.7	1.8	3.7	3.1	3.2	2.1	2.1	2.5
Real Consumption	7,010.9	7,176.4	7,435.7	7,683.6	7,925.2	8,166.3	8,376.0	8,579.6
% Ch	2.7	2.4	3.6	3.3	3.1	3.0	2.6	2.4
Real Nonresidential Fixed Investment	1,115.3	1,061.1	1,108.0	1,191.0	1,270.6	1,328.1	1,378.8	1,407.5
% Ch	-9.3	-4.9	4.4	7.5	6.7	4.5	3.8	2.1
Real Residential Fixed Investment	457.1	482.9	539.8	578.3	601.8	520.4	419.3	396.5
% Ch	2.9	5.6	11.8	7.1	4.1	-13.5	-19.4	-5.4
Real Personal Income	8,567.5	8,587.4	8,809.5	9,126.9	9,395.6	9,765.9	10,109.7	10,414.8
% Ch	0.5	0.2	2.6	3.6	2.9	3.9	3.5	3.0
Real Per Capita Income (\$/Person)	29,815	29,586	30,061	30,845	31,447	32,392	33,236	33,940
% Ch	-0.5	-0.8	1.6	2.6	2.0	3.0	2.6	2.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.133	1.160	1.185	1.205
% Ch	1.5	1.9	2.2	2.8	3.2	2.4	2.2	1.7
U.S. Consumer Price Index (1982-84=1.0)	1.782	1.821	1.861	1.917	1.990	2.041	2.092	2.125
% Ch	1.8	2.2	2.2	3.0	3.8	2.6	2.5	1.6
Employment Cost Index (June 1989=1.0)	0.904	0.928	0.955	0.980	1.005	1.038	1.070	1.098
% Ch	3.7	2.7	2.8	2.6	2.6	3.3	3.1	2.7
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	10,280.3	10,664.0	11,330.3	12,049.8	12,846.0	13,495.0	14,058.0	14,655.8
% Ch	2.9	3.7	6.2	6.3	6.6	5.1	4.2	4.3
Personal Income	8,798.7	8,982.6	9,414.3	10,026.2	10,649.7	11,329.9	11,981.9	12,550.4
% Ch	2.0	2.1	4.8	6.5	6.2	6.4	5.8	4.7
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	144.4	145.9	146.8	148.2	150.4	152.5	153.7	155.0
Total U.S. Employment	136.4	137.1	138.3	140.4	143.1	145.6	146.3	147.3
Unemployment Rate (%)	5.47	5.90	5.82	5.29	4.83	4.54	4.83	4.95
Nonfarm Payroll Employment	130.88	130.12	130.47	132.47	135.02	137.18	138.39	139.76
% Ch	-1.0	-0.6	0.3	1.5	1.9	1.6	0.9	1.0
Manufacturing	15.73	14.88	14.32	14.29	14.21	14.13	13.96	13.71
% Ch	-7.7	-5.4	-3.7	-0.2	-0.6	-0.5	-1.2	-1.8
Durable Manufacturing	9.83	9.21	8.88	8.96	8.98	8.96	8.82	8.63
% Ch	-8.6	-6.2	-3.6	0.9	0.3	-0.2	-1.5	-2.1
Nondurable Manufacturing	5.91	5.67	5.45	5.33	5.23	5.17	5.14	5.07
% Ch	-6.0	-4.1	-3.9	-2.1	-1.9	-1.1	-0.6	-1.3
Construction	6.77	6.69	6.84	7.14	7.57	7.69	7.45	7.27
% Ch	-0.8	-1.1	2.2	4.3	6.0	1.6	-3.1	-2.3
Service-Producing	107.78	107.97	108.72	110.44	112.58	114.65	116.25	118.07
% Ch	-0.0	0.2	0.7	1.6	1.9	1.8	1.4	1.6
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	23.8	29.9	33.8	48.8	64.3	63.4	75.3	74.1
Personal Saving/Disposable Income (%)	2.4	1.9	2.2	1.5	0.4	0.5	1.1	1.8
Auto Sales (Millions)	8.2	7.9	7.5	7.6	7.8	7.7	7.5	7.6
% Ch	-4.3	-3.7	-4.3	0.2	2.8	-1.3	-2.7	1.2
Housing Starts (Millions)	1.646	1.729	1.945	2.016	2.039	1.546	1.134	1.267
% Ch	4.8	5.1	12.5	3.7	1.1	-24.2	-26.6	11.8
Federal Budget Surplus (Billions)	-135.8	-299.4	-404.5	-320.7	-286.8	-208.0	-233.4	-299.2
Net Exports (Billions)	-375.7	-477.3	-535.8	-666.5	-762.8	-733.2	-710.8	-654.3
3-Month Treasury Bill Rate (%)	2.15	1.30	0.96	2.21	4.06	4.89	3.83	4.08
10-Year Treasury Note Yield (%)	4.98	3.95	4.29	4.23	4.59	4.76	4.57	4.77
Bond Index of 20 G.O. Munis. (%)	5.14	4.77	4.79	4.50	4.45	4.30	4.55	4.80
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.35	6.35	6.52

Table 1.2  
**Washington Economic Forecast Summary**  
 Forecast 2008 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	190.131	190.477	193.798	204.080	206.458	217.044	227.355	236.990
% Ch	0.8	0.2	1.7	5.3	1.2	5.1	4.8	4.2
Real Wage and Salary Disb.	107.638	107.235	108.733	111.338	115.505	121.781	127.923	133.261
% Ch	-1.1	-0.4	1.4	2.4	3.7	5.4	5.0	4.2
Real Nonwage Income	82.493	83.242	85.065	92.742	90.953	95.263	99.432	103.729
% Ch	3.5	0.9	2.2	9.0	-1.9	4.7	4.4	4.3
Real Per Capita Income (\$/Person)	31,516	31,266	31,459	32,669	32,459	33,527	34,551	35,422
% Ch	-0.3	-0.8	0.6	3.8	-0.6	3.3	3.1	2.5
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.133	1.160	1.185	1.205
% Ch	1.5	1.9	2.2	2.8	3.2	2.4	2.2	1.7
Seattle Cons. Price Index (1982-84=1.0)	1.876	1.910	1.935	1.973	2.035	2.116	2.177	2.229
% Ch	2.7	1.8	1.3	1.9	3.2	4.0	2.9	2.4
Average Nonfarm Annual Wage	39,825	40,484	41,589	42,684	44,352	46,647	48,909	50,945
% Ch	#N/A!	1.7	2.7	2.6	3.9	5.2	4.8	4.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.35	17.87	18.15	18.57	19.32	20.21	21.14	21.58
% Ch	6.1	-2.6	1.6	2.3	4.0	4.6	4.6	2.1
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	195.257	199.234	207.083	224.145	234.002	251.789	269.454	285.581
% Ch	2.4	2.0	3.9	8.2	4.4	7.6	7.0	6.0
Disposable Personal Income	170.555	176.277	185.143	198.937	205.789	220.143	235.173	249.802
% Ch	5.0	3.4	5.0	7.5	3.4	7.0	6.8	6.2
Per Capita Income (\$/Person)	32,366	32,703	33,615	35,880	36,788	38,893	40,948	42,684
% Ch	1.2	1.0	2.8	6.7	2.5	5.7	5.3	4.2
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,071.6	3,125.7	3,181.4	3,235.4	3,303.7	3,352.4	3,460.8	3,532.4
Total Washington Employment	2,855.0	2,896.6	2,961.5	3,047.0	3,132.6	3,189.7	3,292.6	3,354.3
Unemployment Rate (%)	7.05	7.33	6.91	5.82	5.18	4.85	4.86	5.04
Nonfarm Payroll Employment	2,665.3	2,654.7	2,673.5	2,737.5	2,819.9	2,896.6	2,967.3	3,018.2
% Ch	-1.9	-0.4	0.7	2.4	3.0	2.7	2.4	1.7
Manufacturing	300.1	274.8	263.2	267.8	279.0	288.8	294.0	292.5
% Ch	-8.1	-8.4	-4.2	1.7	4.2	3.5	1.8	-0.5
Durable Manufacturing	212.0	190.5	181.0	186.8	197.5	207.4	212.5	210.0
% Ch	-9.0	-10.2	-5.0	3.2	5.8	5.0	2.5	-1.2
Aerospace	82.9	70.1	62.1	63.4	69.0	76.3	81.5	82.7
% Ch	-4.5	-15.5	-11.4	2.1	8.8	10.6	6.9	1.5
Nondurable Manufacturing	88.1	84.4	82.2	81.0	81.5	81.4	81.5	82.6
% Ch	-5.8	-4.2	-2.5	-1.5	0.6	-0.1	0.2	1.3
Construction	154.7	154.9	159.8	170.0	186.7	202.6	212.4	210.8
% Ch	-4.1	0.1	3.2	6.4	9.8	8.5	4.9	-0.8
Service-Producing	2,200.9	2,215.9	2,241.7	2,290.5	2,345.3	2,396.8	2,452.6	2,506.9
% Ch	-0.8	0.7	1.2	2.2	2.4	2.2	2.3	2.2
Software Publishers	36.0	36.5	38.5	40.1	42.8	46.6	48.9	51.7
% Ch	4.1	1.6	5.5	4.1	6.7	8.9	4.9	5.7
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	37.563	42.703	44.469	52.018	53.907	49.907	43.840	43.790
% Ch	-6.8	13.7	4.1	17.0	3.6	-7.4	-12.2	-0.1
Single-Family	27.115	32.699	34.471	38.555	40.411	32.695	27.246	26.859
% Ch	1.2	20.6	5.4	11.8	4.8	-19.1	-16.7	-1.4
Multi-Family	10.448	10.004	9.998	13.463	13.496	17.212	16.594	16.931
% Ch	-22.7	-4.3	-0.1	34.7	0.2	27.5	-3.6	2.0
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.35	6.35	6.52

Table 1.3  
**Comparison of Alternative Forecasts**

	Fiscal Year 2007				Fiscal Year 2008				Fiscal Year 2009			
	O	B	P	G	O	B	P	G	O	B	P	G
<b>U.S.</b>												
Real GDP	11416.2	11416.2	11416.2	11416.2	11704.5	11659.6	11579.7	11642.4	12124.3	11945.3	11687.9	11851.9
%Ch	2.1	2.1	2.1	2.1	2.5	2.1	1.4	2.0	3.6	2.5	0.9	1.8
Implicit Price Deflator	1.160	1.160	1.160	1.160	1.182	1.185	1.188	1.186	1.195	1.205	1.214	1.209
%Ch	2.4	2.4	2.4	2.4	1.9	2.2	2.4	2.2	1.1	1.7	2.2	1.9
Mortgage Rate	6.35	6.35	6.35	6.35	6.32	6.35	6.53	6.28	6.35	6.52	7.51	6.28
3 Month T-Bill Rate	4.89	4.89	4.89	4.89	3.84	3.83	3.49	3.66	4.11	4.08	4.65	3.46
<b>Washington</b>												
Real Personal Income	217.044	217.044	217.044	217.044	231.442	227.355	223.427	226.627	248.136	236.990	226.081	233.986
%Ch	5.1	5.1	5.1	5.1	6.6	4.8	2.9	4.4	7.2	4.2	1.2	3.2
Personal Income	251.789	251.789	251.789	251.789	273.467	269.454	265.342	268.807	296.459	285.581	274.520	282.809
%Ch	7.6	7.6	7.6	7.6	8.6	7.0	5.4	6.8	8.4	6.0	3.5	5.2
Employment	2896.6	2896.6	2896.6	2896.6	2981.7	2967.3	2951.7	2963.8	3069.6	3018.2	2962.8	2996.4
%Ch	2.7	2.7	2.7	2.7	2.9	2.4	1.9	2.3	2.9	1.7	0.4	1.1
Housing Permits	49.907	49.907	49.907	49.907	46.252	43.840	41.013	42.859	49.955	43.790	34.356	40.029
%Ch	-7.4	-7.4	-7.4	-7.4	-7.3	-12.2	-17.8	-14.1	8.0	-0.1	-16.2	-6.6

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

Table 1.4

**Forecast Analysis**

Comparison of Forecasts for 2007-09

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

Table 1.5

Fiscal Years

**Forecast Comparison**

Forecast 2007 to 2009

	2005	2006	2007	2008	2009
<b>U.S.</b>					
<b>Real GDP</b>					
November Baseline	10839.4	11181.7	11416.2	11659.6	11945.3
% Ch	3.1	3.2	2.1	2.1	2.5
September Baseline	10839.4	11181.7	11413.2	11644.7	11904.8
% Ch	3.1	3.2	2.1	2.0	2.2
<b>Implicit Price Deflator</b>					
November Baseline	1.098	1.133	1.160	1.185	1.205
% Ch	2.8	3.2	2.4	2.2	1.7
September Baseline	1.098	1.133	1.160	1.185	1.206
% Ch	2.8	3.2	2.4	2.1	1.8
<b>U.S. Unemployment Rate</b>					
November Baseline	5.29	4.83	4.54	4.83	4.95
September Baseline	5.29	4.83	4.54	4.87	5.11
<b>Mortgage Rate</b>					
November Baseline	5.78	6.20	6.35	6.35	6.52
September Baseline	5.78	6.20	6.35	6.25	6.51
<b>3 Month T-Bill Rate</b>					
November Baseline	2.21	4.06	4.89	3.83	4.08
September Baseline	2.21	4.06	4.89	4.26	4.20
<b>Washington</b>					
<b>Real Personal Income</b>					
November Baseline	204.080	206.458	217.044	227.355	236.990
% Ch	5.3	1.2	5.1	4.8	4.2
September Baseline	202.523	203.900	213.859	224.416	233.637
% Ch	4.6	0.7	4.9	4.9	4.1
<b>Personal Income</b>					
November Baseline	224.145	234.002	251.789	269.454	285.581
% Ch	8.2	4.4	7.6	7.0	6.0
September Baseline	222.437	231.097	248.106	265.889	281.797
% Ch	7.5	3.9	7.4	7.2	6.0
<b>Employment</b>					
November Baseline	2737.5	2819.9	2896.6	2967.3	3018.2
% Ch	2.4	3.0	2.7	2.4	1.7
September Baseline	2737.5	2819.9	2898.1	2974.5	3031.6
% Ch	2.4	3.0	2.8	2.6	1.9
<b>Housing Permits</b>					
November Baseline	52.018	53.907	49.907	43.840	43.790
% Ch	17.0	3.6	-7.4	-12.2	-0.1
September Baseline	52.018	53.907	49.907	46.455	44.681
% Ch	17.0	3.6	-7.4	-6.9	-3.8

Table 1.6

**Long Range Economic Outlook**

Forecast 2007 to 2017

Calendar Years

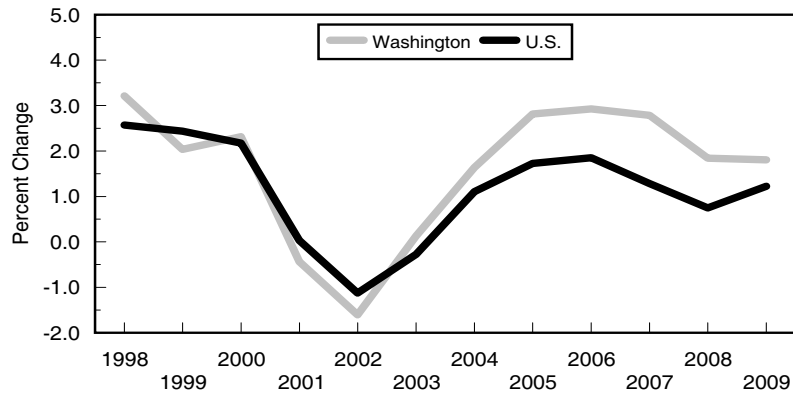
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>U.S.</b>											
Real GDP, %Ch	2.0	2.0	2.9	2.8	2.8	2.6	2.4	2.4	2.4	2.4	2.4
Implicit Price Deflator, %Ch	2.4	1.8	1.7	1.9	1.8	1.8	1.8	1.9	2.0	1.9	2.0
3 Month T-Bill Rate	4.42	3.79	4.41	4.58	4.58	4.58	4.58	4.58	4.58	4.58	4.58
Mortgage Rate	6.35	6.34	6.77	6.94	6.95	6.95	6.95	6.95	6.95	6.95	6.95
<b>State*</b>											
Real Personal Income, %Ch	4.8	4.4	4.2	3.8	3.8	3.8	3.4	3.3	3.2	3.3	3.2
Personal Income, %Ch	7.3	6.2	6.1	5.8	5.6	5.6	5.3	5.2	5.3	5.3	5.2
Employment, %Ch	2.8	1.8	1.8	1.7	1.6	1.5	1.3	1.2	1.1	1.1	1.1

\* November Baseline (2006-2009) judgmentally extended through 2017.

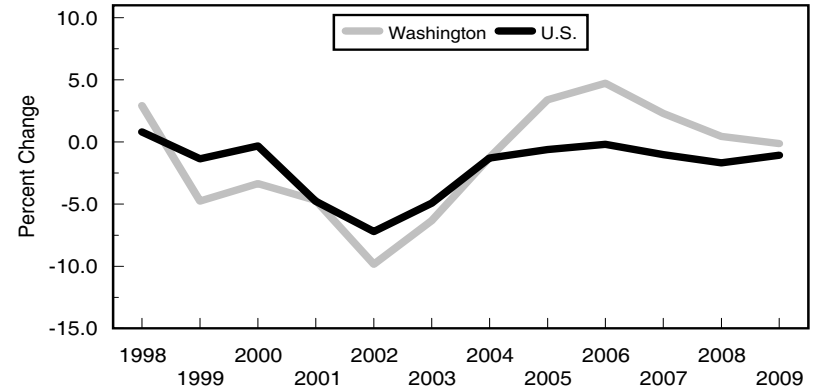


# Comparison of Washington and U.S. Economic Forecasts

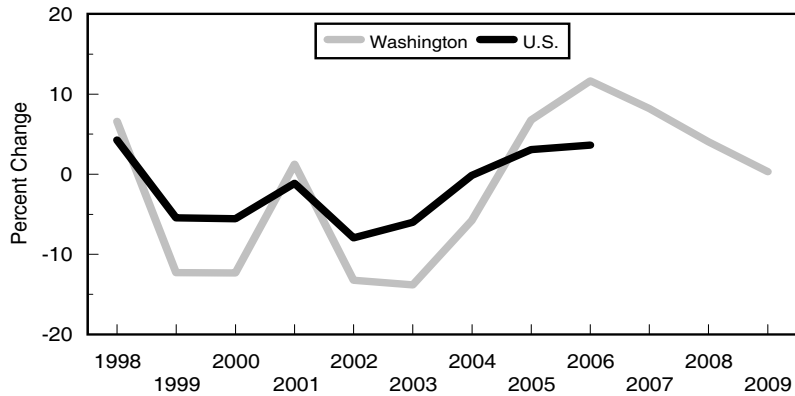
**Chart 1.1  
Total Nonfarm Payroll Employment**



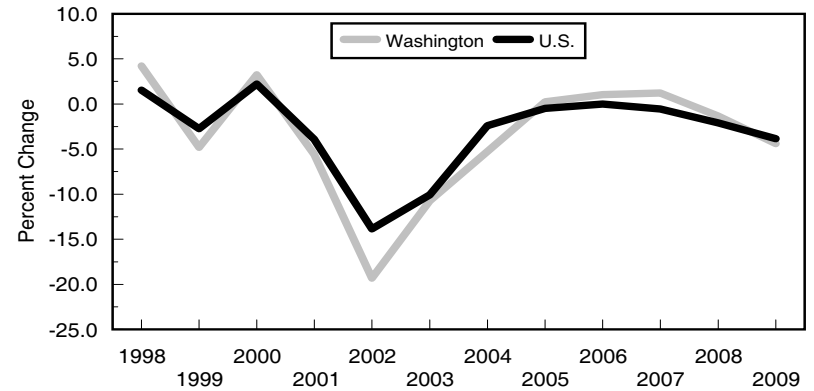
**Chart 1.2  
Manufacturing Employment**



**Chart 1.3  
Aerospace Employment**



**Chart 1.4  
Computers and Electronics Employment**



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

# Comparison of Washington and U.S. Economic Forecasts

Chart 1.5  
Construction Employment

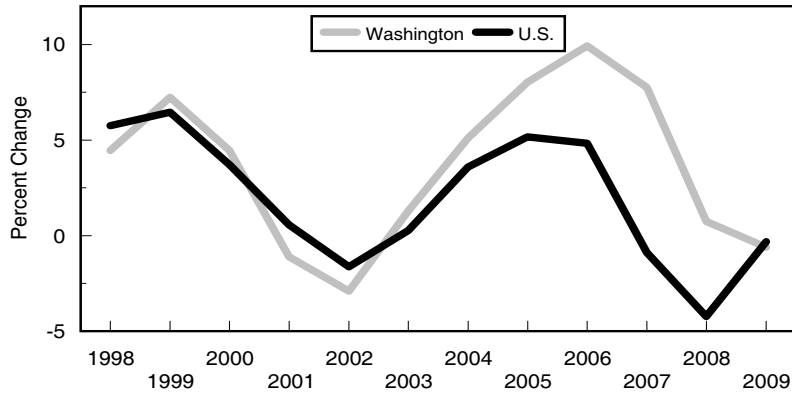


Chart 1.6  
Information Employment

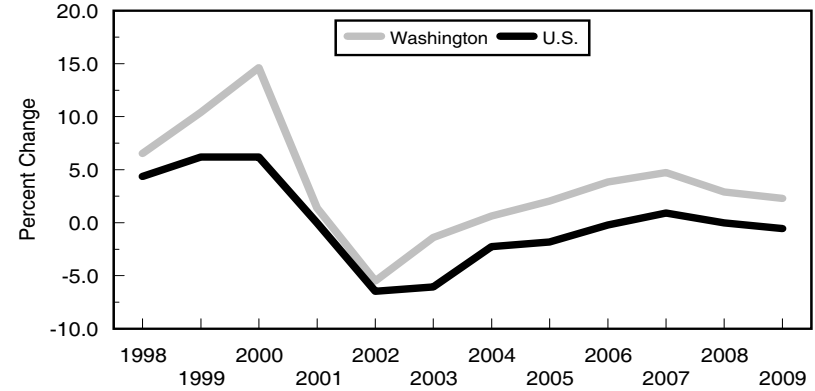


Chart 1.7  
Other Private Employment

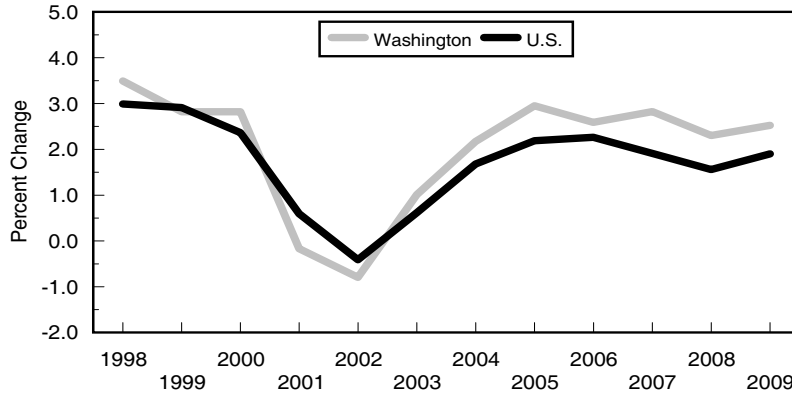
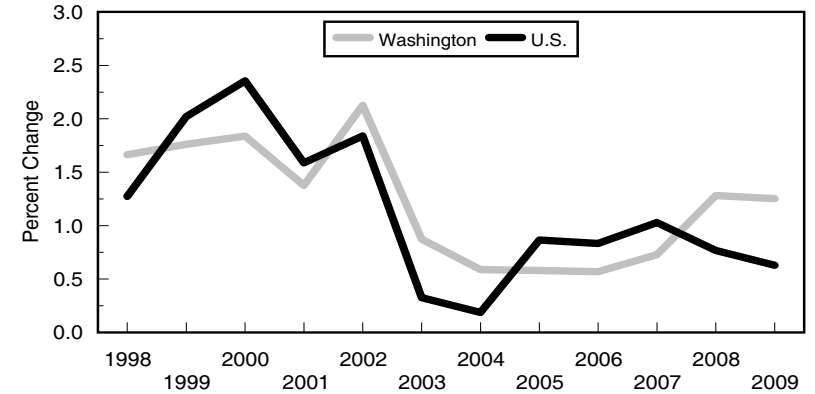


Chart 1.8  
Government Employment



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

# Comparison of Washington and U.S. Economic Forecasts

Chart 1.9  
Real Personal Income

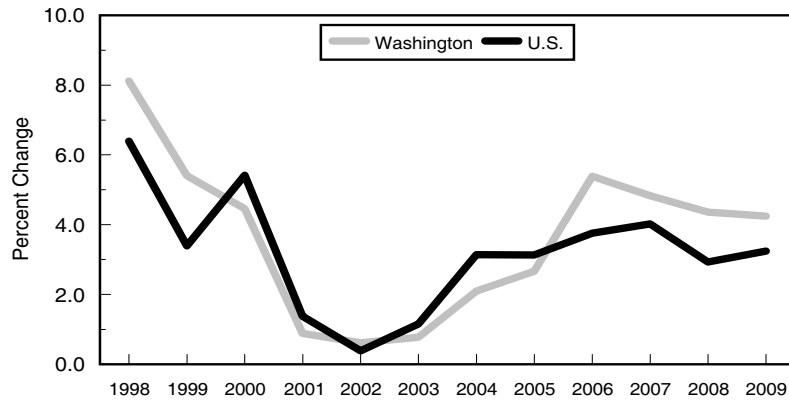


Chart 1.10  
Consumer Price Indices

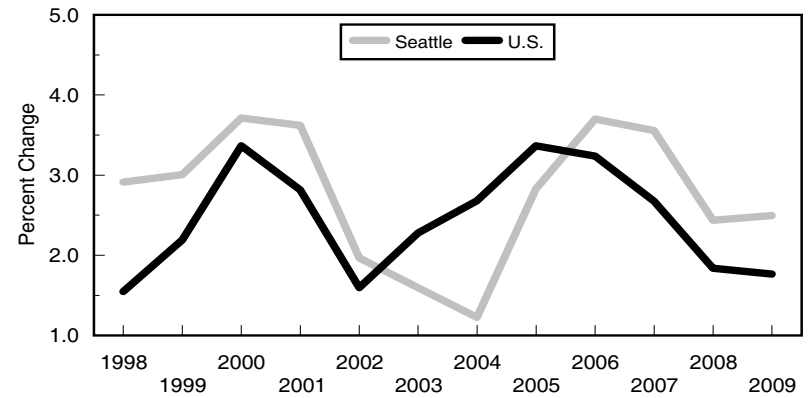


Chart 1.11  
Population

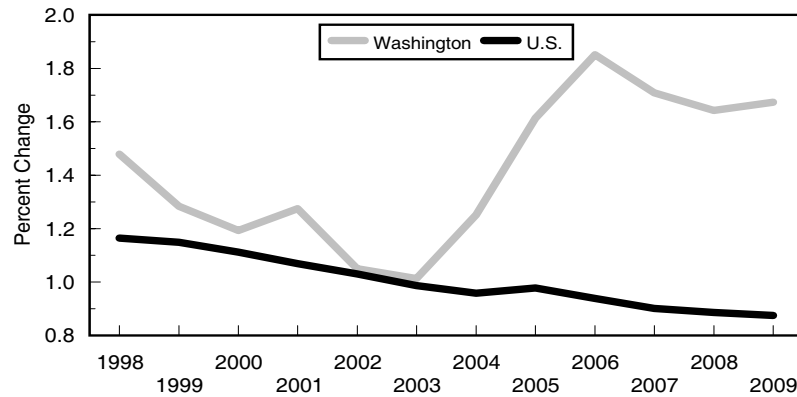
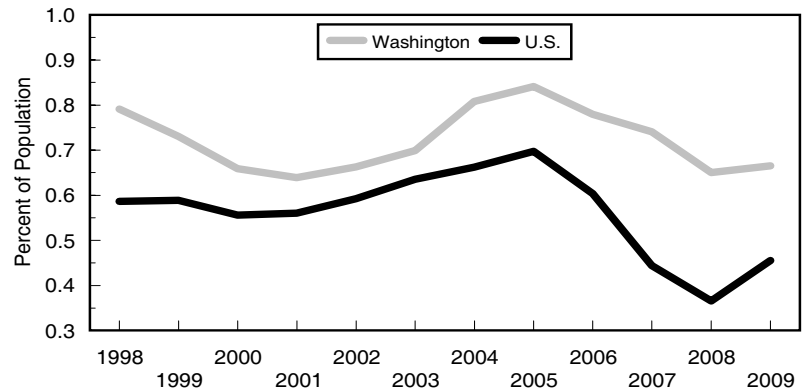


Chart 1.12  
Per Capita Housing Units



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

# Comparison of Alternative U.S. Forecasts

Chart 1.13  
Real GDP

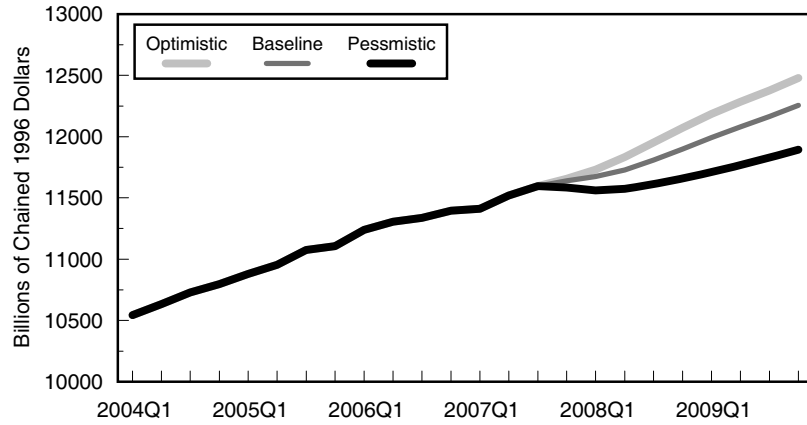


Chart 1.14  
Implicit Price Deflator

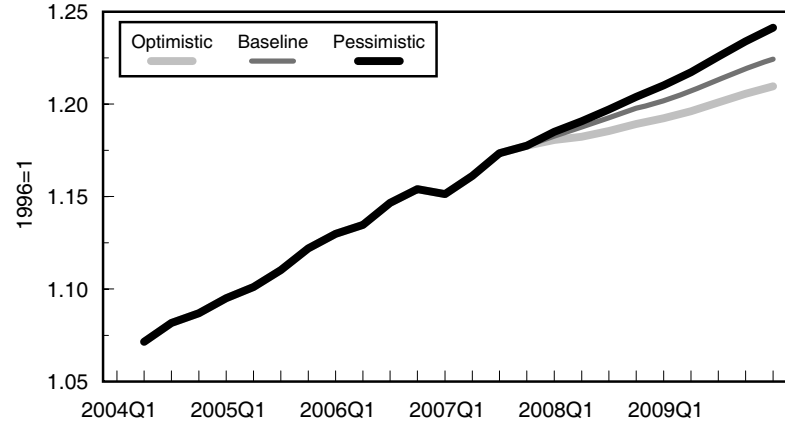


Chart 1.15  
Mortgage Rate

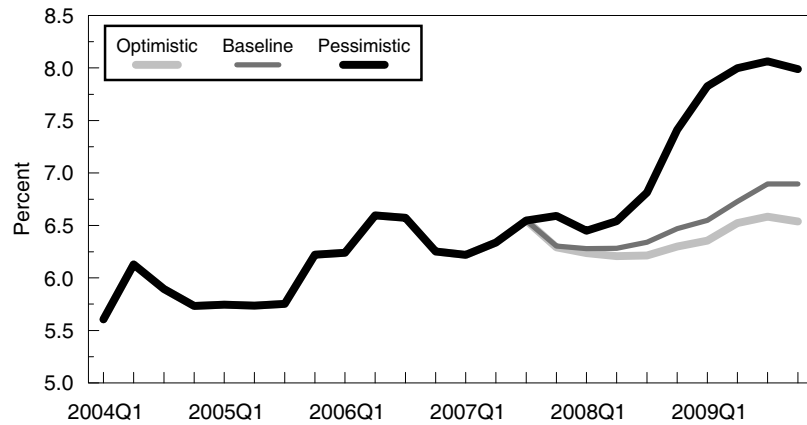
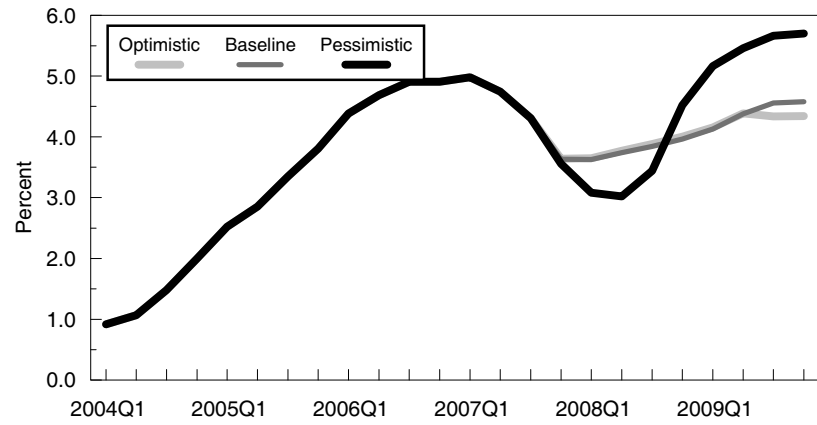


Chart 1.16  
Three Month T-Bill Rate



# Comparison of Alternative Washington Forecasts

Chart 1.17  
Personal Income

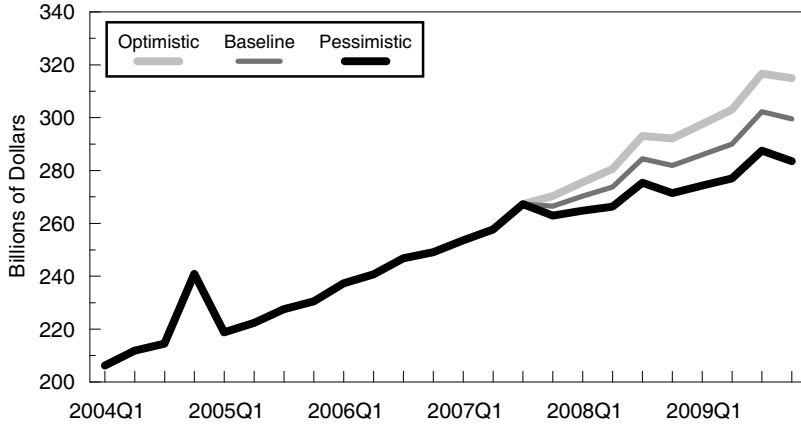


Chart 1.18  
Real Personal Income

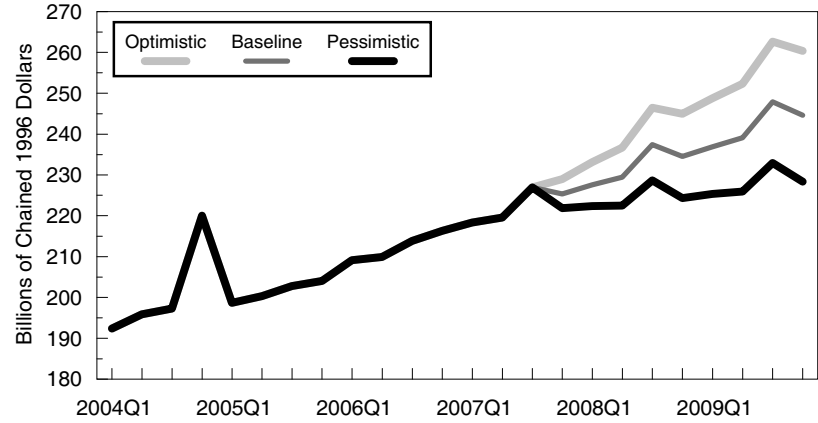


Chart 1.19  
Total Nonfarm Payroll Employment

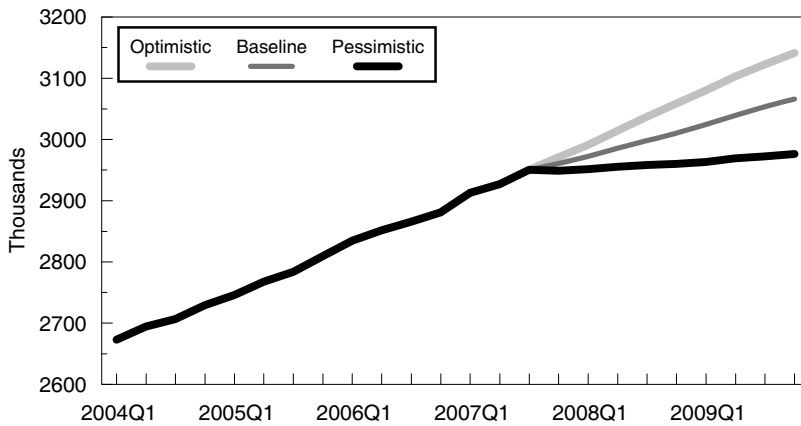
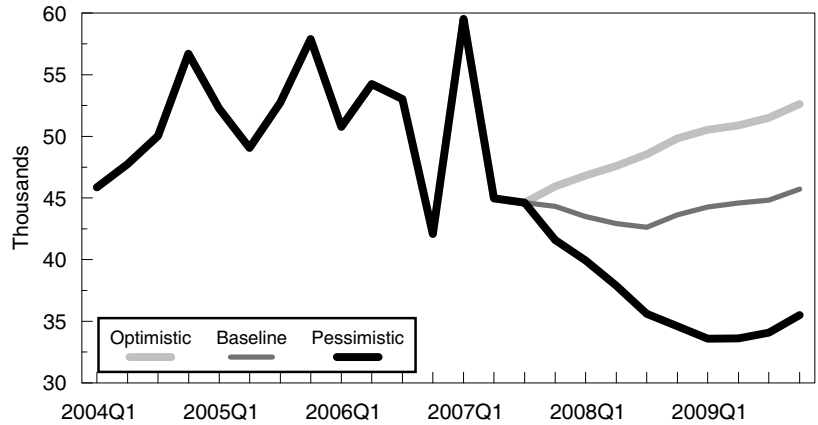


Chart 1.20  
Housing Permits



*This page intentionally left blank.*

# 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 rapid 4.9\* percent annual rate in the third quarter of 2007, up from an already strong second quarter rate of 3.8 percent. Third quarter growth was supported by faster growth in real consumer spending, the largest component of GDP, which grew at a 2.7 percent rate after growing at a rate of 1.4 percent in the second quarter. Durable goods consumption grew at a 4.0 percent rate after growing at a rate of 1.7 percent in the second quarter, while nondurable goods consumption increased at a rate of 1.9 percent after contracting at a 0.5 percent rate in the previous quarter. Services consumption growth increased by a smaller amount, growing at a rate of 2.8 percent after growing at a rate of 2.3 percent in the prior quarter. Real gross private domestic investment grew at a 5.9 percent rate following growth at a 4.6 percent rate in the second quarter. Real fixed investment declined during the third quarter at a rate of 0.4 percent due to continuing contraction in residential fixed investment, which declined at a rate of 19.7 percent after shrinking at an 11.8 percent rate in the second quarter. This was the seventh consecutive quarterly decline in this component. Real non-residential fixed investment fared better, growing at a 9.4 percent rate after increasing at an 11.0 percent rate in the second quarter. A \$32.9 billion increase in the value of real private inventories also contributed positively to real gross private investment, adding almost a percent to the headline growth rate of third quarter real GDP. Government spending increased at a rate of 3.9 percent in the third quarter after growing at a 4.1 percent rate in the previous quarter. Real net exports contributed positively to headline GDP growth in both the third quarter and the second. Third quarter real exports increased at a strong 18.9 percent rate while real imports grew at a rate of 4.3 percent. In the second quarter, real exports increased at a 7.5 percent rate while real imports contracted at a rate of 2.7 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased to 50.9 in October from its September value of 52.0. Index values above 50 indicate that manufacturing sector output is increasing. The employment component of the index increased to 52.0 from September's value of 51.7. Values above 50 indicate that more of the manufacturers surveyed had been increasing employment than decreasing it during that period.

U.S. seasonally-adjusted payroll employment increased by 166,000 jobs in October after growing by 96,000 jobs in September. Year-over-year employment growth was 1.2 percent in both months. The U.S. seasonally-adjusted unemployment rate remained at 4.7 percent.

Nonfarm business productivity improved in the third quarter of 2007, growing at a 4.9 percent annual rate after growing at a 2.2 percent rate in the previous quarter. The seasonally adjusted

Consumer Price Index (CPI) increased by 0.3 percent in both October and September. Year-over-year CPI growth jumped to 3.5 percent in October from September's value of 2.8 percent. The seasonally-adjusted index excluding food and energy increased at a monthly rate of 0.2 percent in both September and October, resulting in year-over year growth rates of 2.1 for each month as well.

The Conference Board's Index of Consumer Confidence decreased to 87.3 in November from September's value of 95.2. Both the expectations and present conditions components of the index declined, with the larger decline occurring in the expectations component. The University of Michigan Consumer Sentiment Survey also decreased to 76.1 from October's value of 80.9. As with the Conference Board index, the index's expectations component declined more than its present conditions component. The Conference Board's U.S. Index of Leading Indicators decreased 0.5 percent in October after a 0.1 percent increase in September. Only three of the ten index components were positive in October.

The Federal Open Market Committee (FOMC) voted to lower its target rate for federal funds 25 basis points to 4.50 percent at its October 31, 2007 meeting. There was one dissenting vote for keeping the target rate at 4.75 percent. The Committee's policy statement indicated that it wished to signal a neutral bias towards further changes, stating that "after this action, the upside risks to inflation roughly balance the downside risks to growth."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, increased to 188 in October, a year-over-year increase of 9.3 percent, besting September's year-over-year increase of 8.1 percent. The Conference Board's October Help Wanted Index, which measures newspaper employment advertising, decreased one point to a value of 23.

## **The State Economy and Indicators**

Washington wage and salary employment rose at a 3.2 percent annual rate in the third quarter of 2007, following a 2.0 percent growth rate in the second quarter. Construction employment growth slowed but remained strong, increasing at a 5.5 percent annual rate after increasing at a 6.7 percent rate in the previous quarter. Manufacturing employment growth improved to an annual rate of 4.5 percent in the third quarter after increasing by only 0.7 percent in the prior quarter. Durable goods manufacturing employment increased at a 5.1 percent rate, aided by the 9.4 percent growth rate of aerospace employment. Nondurable goods manufacturing employment grew in the third quarter at a rate of 2.9 percent after declining at a 7.4 percent rate in the previous quarter.

October's Seattle Times Index of Help-Wanted Advertising dropped to 28.9 from September's level of 30.6. The year-over-year growth rate of the Monster Employment Index for Seattle also declined to 0.0 percent following a 3.3 percent increase in September. Washington's seasonally adjusted unemployment rate stayed constant at 4.8 percent in October, while Washington seasonally adjusted initial claims for unemployment insurance increased to 34,710 from September's count of 33,320.

October year-over-year growth in the Seattle CPI, measured bimonthly, increased to 4.1 percent from August's value of 3.0 percent. The growth in Seattle's price index excluding food and energy decreased to 3.2 percent from August's value of 3.5 percent. Washington's seasonally adjusted average weekly hours in manufacturing fell to 40.6 in October from September's value of 42.6. The non-seasonally adjusted Washington Purchasing Management Index increased in October to a value of 60.6 from September's value of 56.4. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index decreased from 70.0 to 59.1.

The Boom Monitor Composite Index increased in October to a value of 50.5 from September's



value of 46.9. Boom Monitor levels above 50 indicate that the weighted average growth in the index's components is above their historic average. The September value was the first time the index had dropped below 50 since November 2003, and was precipitated by simultaneous one-month drops in housing permits and real estate excise tax collections. The Washington Index of Leading Indicators decreased by 0.7 points in October following a 0.6 point decrease in September, reaching a value of 116.0. Four of the seven index components were negative in October.

Authorized housing permits increased to an annualized level of 44,350 units in October from September's low level of 34,230 units. All of the gain occurred in multi-family permits, which rebounded from a low level of 8,640 annualized units in September to an October level of 20,950 units. Single-family permits declined to 23,400 annualized units from September's level of 25,580 units.

Third quarter exports of goods originating in Washington totaled \$16.6 billion, a 29.3 percent increase over the same quarter in 2006 and a second consecutive quarterly record. Transportation equipment exports of \$10.9 billion were 35.7 percent above the exports of the third quarter of 2006, and exports excluding transportation equipment of \$5.7 billion showed 18.8 percent year-over-year growth.

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

*\* This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimate for the third quarter of 2007 released November 29, 2007). The November economic forecast is based upon the October Global Insight forecast, which was completed prior to any BEA forecasts of third quarter GDP growth.*

Table 2.1

**Summary of National and State Indicators**

<b>Indicator</b>	<b>Latest Data</b>	<b>Most Recent Indication<sup>1</sup></b>
U.S. Leading Index	October 2007	-
U.S. Real GDP Growth	3rd quarter 2007	+
U.S. ISM Index	October 2007	-
U.S. Employment y-o-y %ch	October 2007	+
U.S. Unemployment Rate	October 2007	unchanged
U.S. Help Wanted Index	October 2007	-
U.S. Fed Funds Target	October 31, 2007	+
U.S. Consumer Confidence	November 2007	-
U.S. CPI	October 2007	-
U.S. Monster Employment Index	October 2007	+
S&P 500 Index	Week of November 23, 2007	-
WA Leading Index	October 2007	-
WA ISM Index	October 2007	+
WA Help Wanted Index	October 2007	-
WA Employment y-o-y %ch	October 2007	+
WA Aerospace Empl. Growth	October 2007	+
WA Unemployment Rate	October 2007	unchanged
WA Boom Monitor	October 2007	+
WA Initial Unemploy. Claims	October 2007	-
WA Housing Permits	October 2007	+
WA Weekly Hours in Mfg.	October 2007	-
WA New Car/Truck Registration	October 2007	+
WA Migration (DOL data)	October 2007	+
WA Exports-Total	3rd quarter 2007	+
WA Exports- w/o Trans. Equip.	3rd quarter 2007	+
Seattle CPI	October 2007	-

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

# Washington State Economic Indicators

Chart 2.1  
**Year-over-Year Employment Growth**  
January 1980 to October 2007

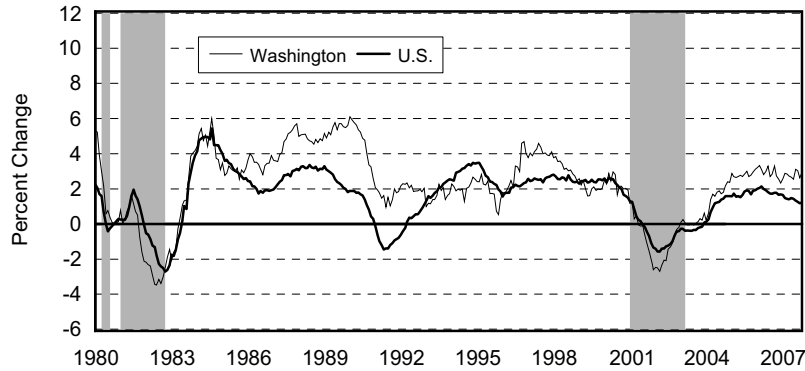


Chart 2.2  
**Washington Aircraft and Parts Employment**  
January 1958 to October 2007

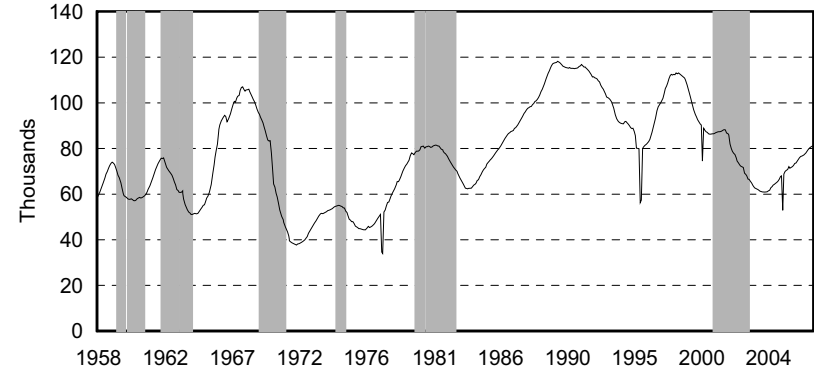


Chart 2.3  
**Unemployment Rate, S.A.**  
January 1980 to October 2007

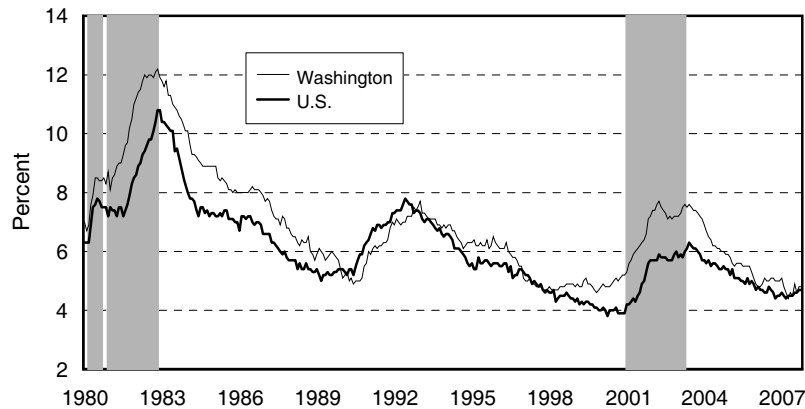
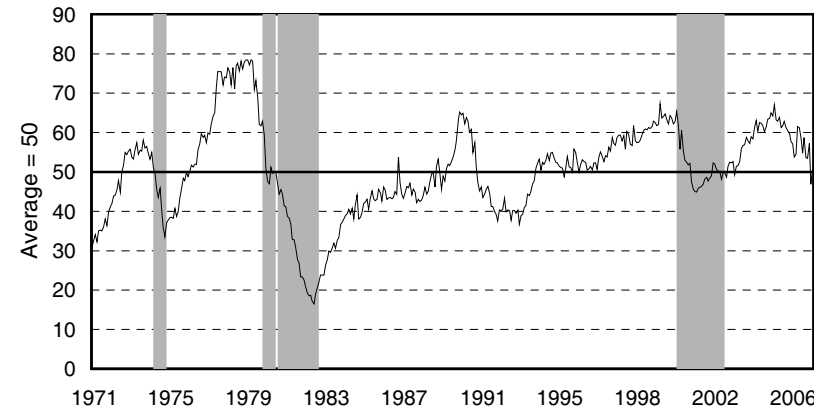


Chart 2.4  
**Washington Boom Monitor Composite Index**  
July 1971 to October 2007



\* Shaded areas correspond with Washington employment downturns.

# Washington State Leading Indicators

Chart 2.5  
**The Washington and U.S. Indexes of Leading Indicators**  
January 1970 to October 2007

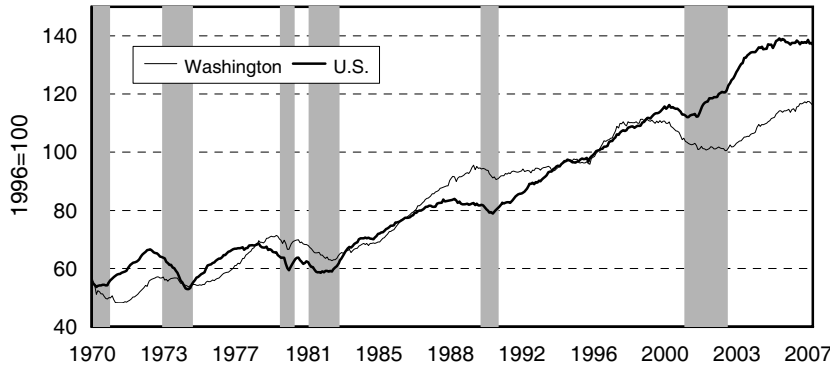


Chart 2.6  
**Washington Initial Claims for Unemployment Insurance**  
January 1970 to October 2007

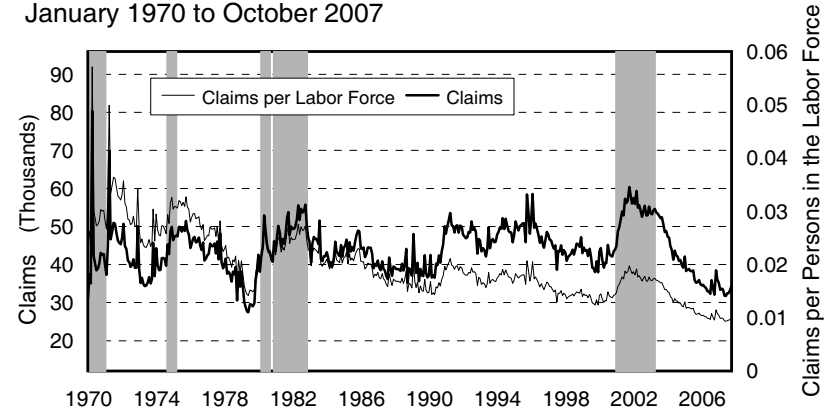


Chart 2.7  
**Seattle Times and U.S. Help-Wanted Advertising Indexes**  
January 1970 to October 2007

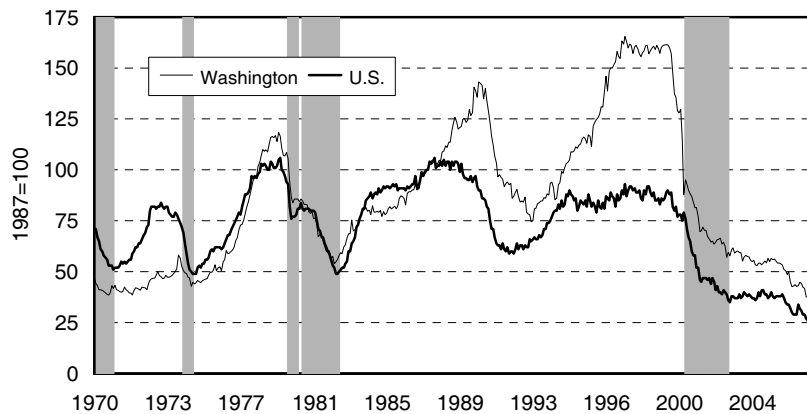
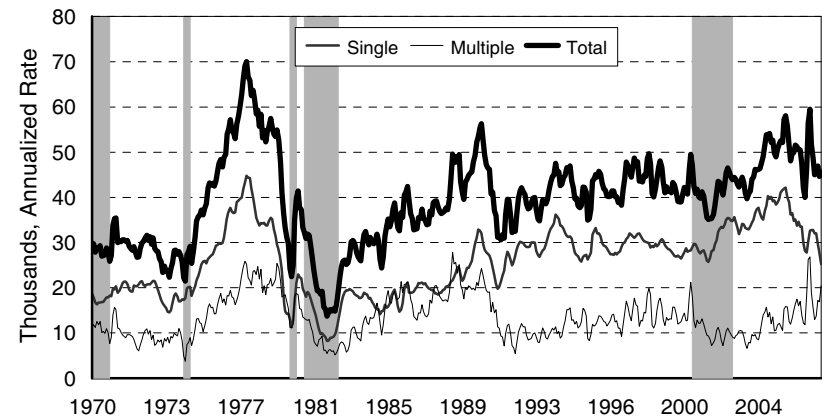


Chart 2.8  
**Housing Units Authorized in Washington State**  
January 1970 to October 2007, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

# Other State Economic Indicators

Chart 2.9  
**Average Weekly Hours in Manufacturing**  
 January 1970 to October 2007, 3-Mo. Moving Average, SA

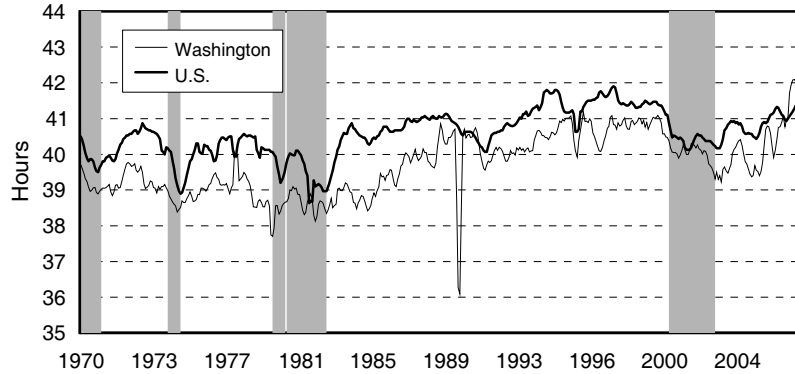


Chart 2.10  
**Washington Driver's License Migration**  
 September 1983 to October 2007 12-Month Moving Average

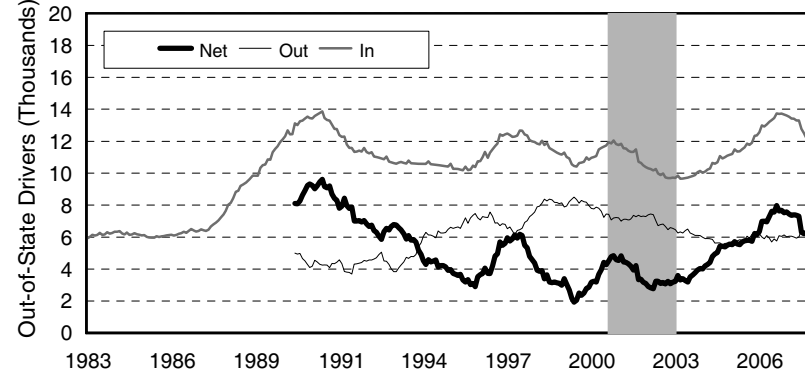


Chart 2.11  
**New Car and Truck Registrations in Washington**  
 January 1977 to October 2007, 6-Month Moving Average

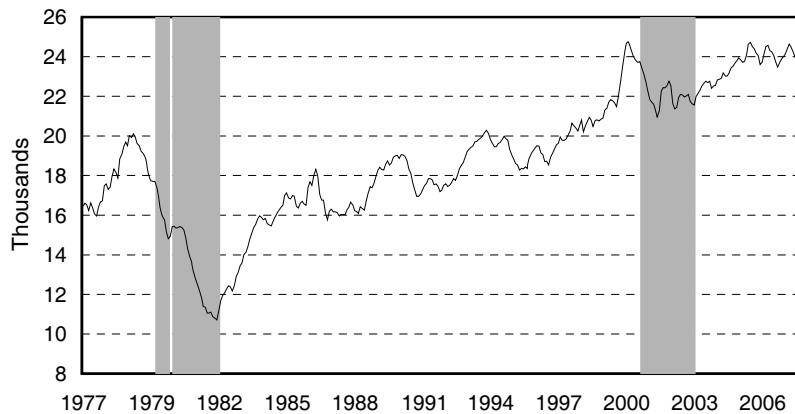
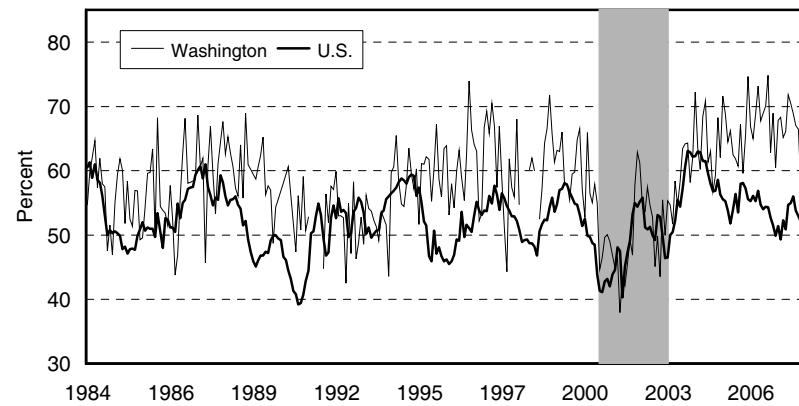


Chart 2.12  
**Institute for Supply Management Index**  
 January 1984 to October 2007



\* Shaded areas correspond with Washington employment downturns.

# Other Economic Indicators

Chart 2.13  
**Quarterly U.S. Real GDP Growth**  
1970 Q1 to 2007 Q3

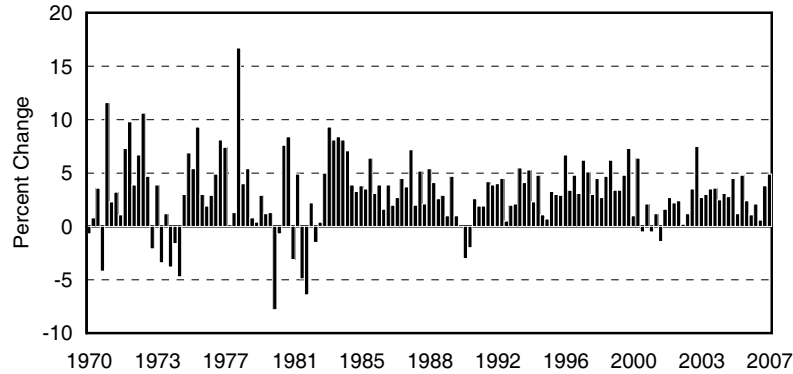


Chart 2.14  
**Washington State Export Composition**  
Change from Same Quarter Year Ago, 1998Q1 to 2007Q3

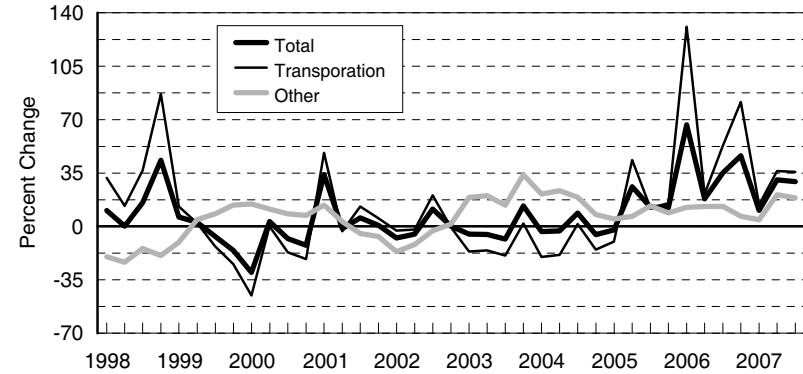


Chart 2.15  
**U.S. Economic Indicators\***  
January 1970 to October 2007

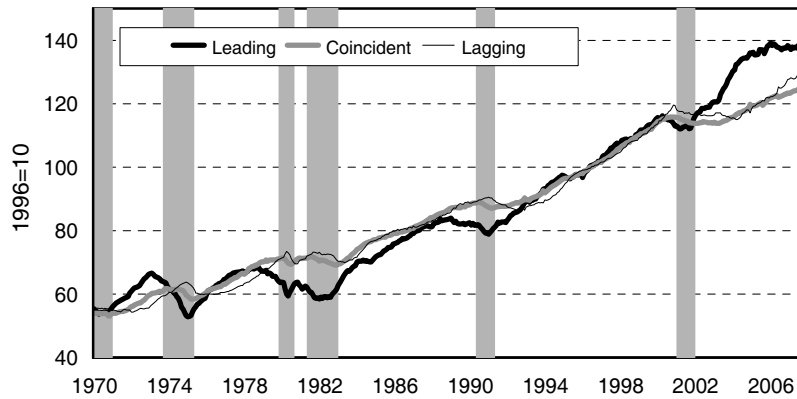
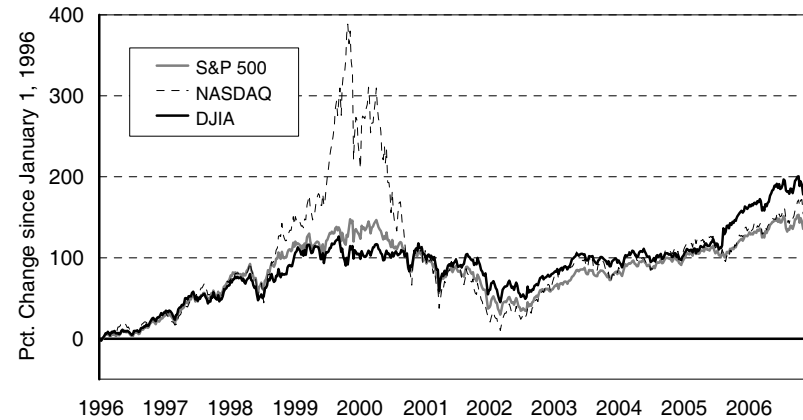


Chart 2.16  
**National Stock Indexes**  
January 1, 1996 to November 23, 2007



\* 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 23, 2007

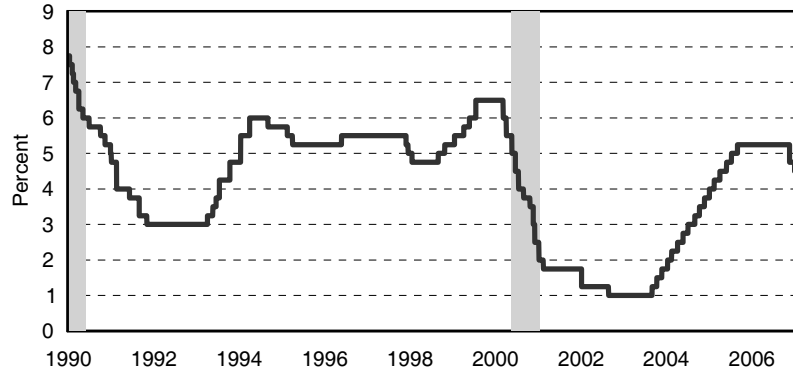


Chart 2.18  
**Consumer Confidence**  
 January 1978 to November 2007

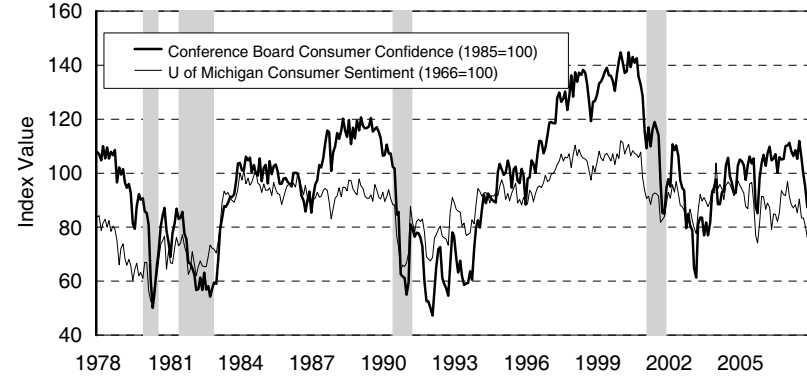


Chart 2.19  
**Seattle vs U.S. CPI (All Urban Consumers)**  
 December 1998 to October 2007

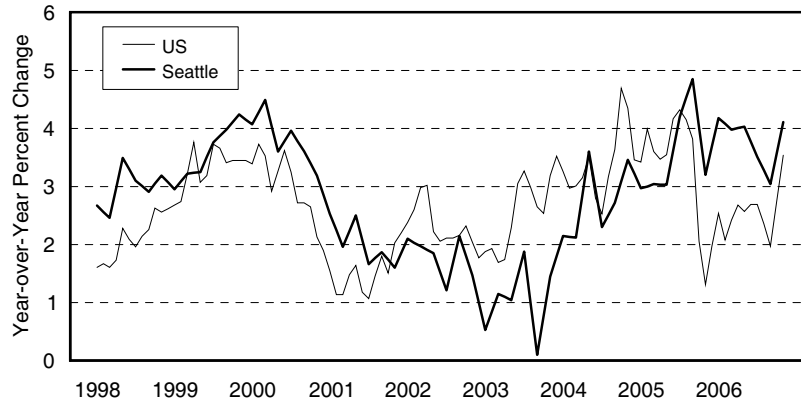
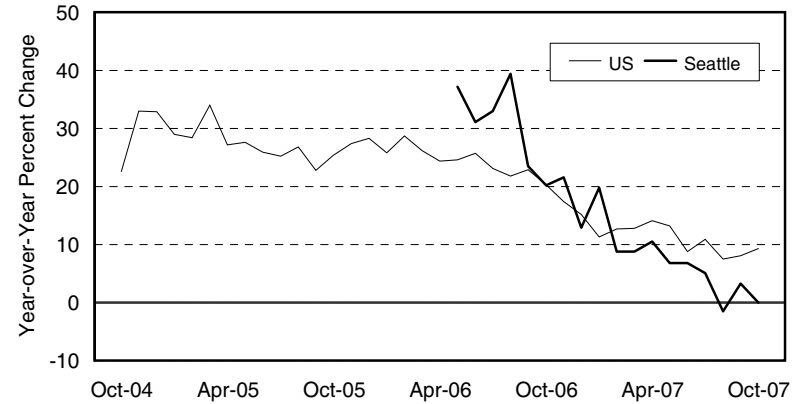


Chart 2.20  
**Monster Employment Index**  
 Year-Over-Year Growth, October 2004 to October 2007



\* 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
2005:10	112.0	136.9	55	38	59.6	58.5
2005:11	113.1	138.2	54	38	65.4	57.7
2005:12	113.6	138.5	54	38	74.7	55.5
2006:1	114.2	139.1	54	38	66.9	55.3
2006:2	114.3	138.4	53	39	65.0	56.1
2006:3	113.7	138.9	51	37	68.8	55.3
2006:4	114.3	138.6	51	35	73.2	56.9
2006:5	114.2	137.9	49	34	67.7	54.7
2006:6	114.5	137.8	50	34	68.9	54.0
2006:7	114.8	137.5	45	32	70.1	54.4
2006:8	113.7	137.0	43	30	74.8	54.3
2006:9	114.6	137.6	43	29	62.8	52.7
2006:10	115.0	137.6	44	29	68.9	51.5
2006:11	114.0	137.6	43	29	60.5	49.9
2006:12	115.6	138.4	43	34	67.8	51.4
2007:1	115.8	137.9	45	32	68.3	49.3
2007:2	116.7	137.1	44	31	65.2	52.3
2007:3	116.6	137.9	42	29	66.1	50.9
2007:4	116.9	137.6	42	29	71.8	54.7
2007:5	117.3	137.9	38	27	70.4	55.0
2007:6	117.0	137.6	37	26	68.9	56.0
2007:7	117.6	138.6	35	25	67.1	53.8
2007:8	117.3	137.4	33	23	66.4	52.9
2007:9	116.7	137.6	31	24	56.4	52.0
2007:10	116.0	136.9	29	23	60.6	50.9



# Washington State Revenue Forecast Summary

## Introduction

The Washington State Economic and Revenue Forecast Council unanimously approved a \$132.4 million reduction to the General Fund-State (GFS) revenue forecast at its November 15, 2007 meeting. A weaker U.S. economy and a worsening residential housing market has produced less than expected growth since the September 2007 forecast and has resulted in a lower GFS revenue forecast. The forecast for the 2007-09 biennium was reduced \$130.4 million. This includes the impact of a change in federal law which lowered GFS revenue \$19.7 million in the 2007-09 budget period. In addition to the revision to the outlook for the current biennium, data revisions have lowered actual GFS receipts for the just completed 2005-07 biennium by \$2.0 million. The change to the forecast is small and primarily due to the on-going correction in the housing market. The housing recession has intensified and weaker housing along with high energy prices has eroded confidence and has slowed spending and revenue growth. Although the forecast is a little lower than in September, the economy is still growing and creating jobs, just not quite as fast as previously expected.

Economic and General Fund-State revenue growth was very strong in the just completed 2005-07 biennium. Revenue increased \$4.4 billion (18.7 percent) from the prior biennium which was the strongest growth since the 1989-91 budget period. The November 2007 forecast expects growth to slow considerably in the 2007-09 biennium. Tighter credit, tougher lending standards, and a rising inventory of unsold homes are forecast to prolong the correction in the residential housing market. The weakness in the housing sector, along with a little slower employment growth, is expected to further erode confidence and

	<b>2005-07 Biennium</b>	<b>2007-09 Biennium</b>	<b>Both Biennia</b>
Non economic change	\$0.0	(\$19.7)	(\$19.7)
Forecast Change	(\$2.0)	(\$110.7)	(\$112.7)
<b>Total Change*</b>	<b>(\$2.0)</b>	<b>(\$130.4)</b>	<b>(\$132.4)</b>

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

weaken consumer and business spending. The November 2007 GFS revenue forecast for the 2007-09 budget period is \$29,886.4 million. This is \$2.1 billion, 7.6 percent higher than what was collected in the 2005-07 biennium. Reserves are now projected to total \$1,383.3 million at the end of the 2007-09 budget period. This is based on the November 2007 GFS revenue forecast and a 2007-09 spending level of \$29,622.9 million. Reserves are comprised of a \$953.7 million GFS ending balance and a \$429.6 million projected ending balance in the Budget Stabilization Account, a new account created by the 2007 legislature, and ratified by voters in November 2007.

## **Background and Assumptions**

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

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

## **November 2007 Forecast Assumptions**

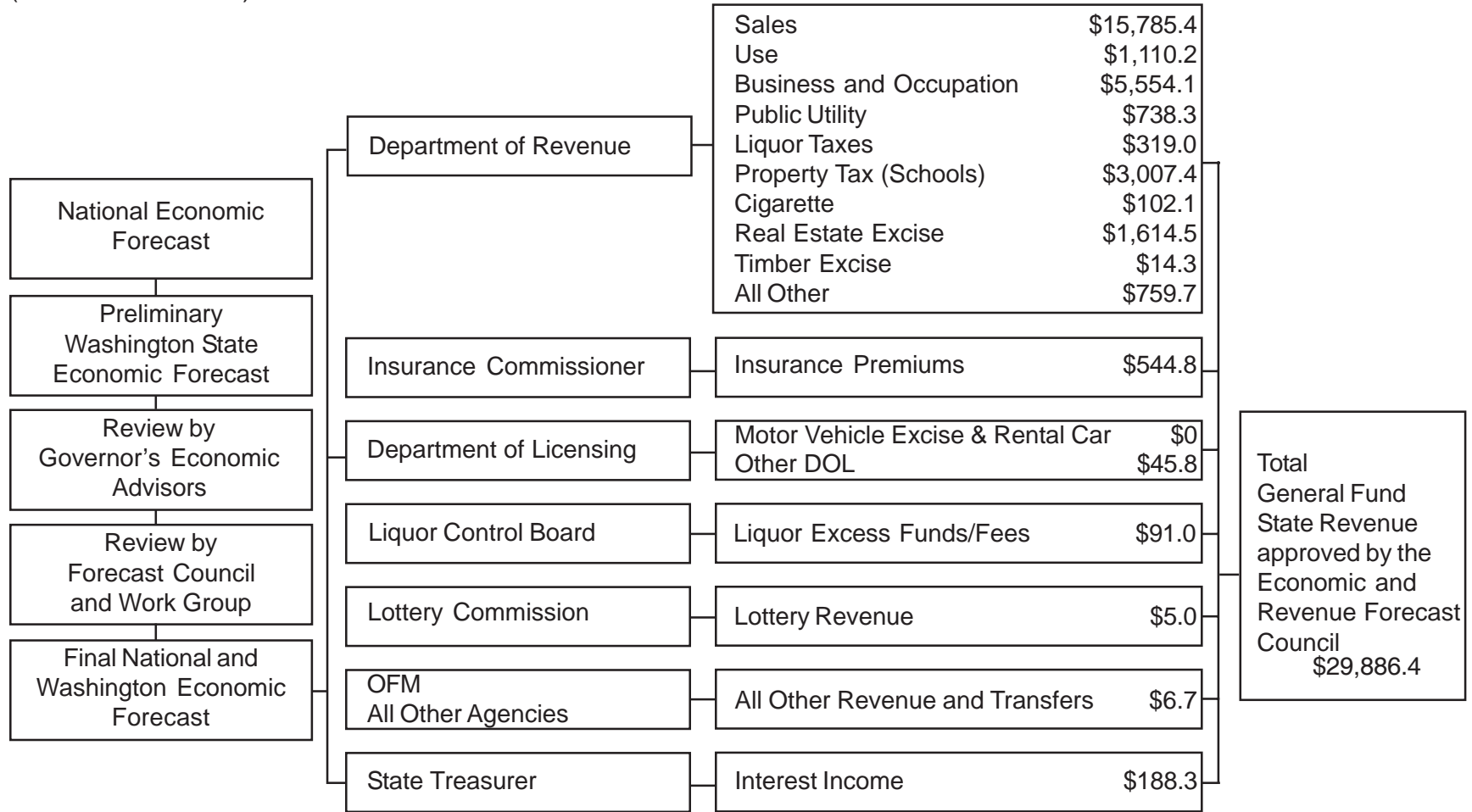
1. The November 2007 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the U.S and for the state is based on the Global Insight, Inc. October 2007 baseline forecast.

2. The GFS revenue forecast is based on current law and administrative practices. The November forecast includes the impact of federal legislation enacted by congress and signed by President Bush on October 31, 2007. This legislation extends the moratorium on taxation of internet access and reduces GFS revenue by \$19.7 million in the 2007-09 biennium.
3. In early November 2007 the Washington State Supreme Court upheld a lower court decision which ruled that provisions of Initiative 747, which essentially limited increases in the state property tax levy to one percent above the prior year's levy, was unconstitutional. The Department of Revenue, however, plans to delay the calculation of the state levy until the legislature can be convened and restore the one percent limit. The November 2007 forecast, on the advice of the Department of Revenue, assumes that one percent limit will continue to govern the calculation of the state levy.
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. Part II of Table 3.18 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. The most visible case is a ruling by a judge in Snohomish County in the spring of 2006 invalidating some of the tax increases enacted during the 2005 legislative session. This ruling is on appeal. Any impact of legal challenge affecting 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 which have affected GFS receipts in past biennia as well as the GFS forecast for the 2007-09 biennium. New tax law changes and other non-economic factors reduced GFS revenue for the 2005-07 biennium by an estimated \$474 million. As of November 2007, tax law changes have reduced the forecast for GFS for the 2007-09 biennium by \$175.0 million.
7. Initiative 728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement account, has had a disproportional impact on GFS revenue over time. The I-728 property tax transfers grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium. They increased to \$491.8 million in the 2005-07 biennium and are expected to total \$503.3 million in the 2007-09 biennium. (See part I of Table 3.18.)
8. Since the September 2007 forecast publication, we have included a "related fund" forecast as well as a forecast for GFS revenue. The related fund, sometimes referred to as near general fund, is defined in RCW 43.135.025 to include: the health services account, violence reduction and drug enforcement account, public safety and education account, and the student achievement fund. The November GFS and related fund revenue forecast is shown in Table 3.19.

## Recent Collection Experience

Revenue collected in the two months since the September 2007 forecast was \$18.4 million, 0.8 percent, less than expected. This variance, however, is distorted by some unusually large, totaling \$42.8 million, non-recurring payments that are unrelated to the strength of the economy. Excluding these payments, collections were \$61.2 million, 2.7 percent, below the forecast. The shortfall since the last forecast

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



\* Cash Basis

is primarily from weaker than expected real estate excise tax payments and Revenue Act (retail sales, business and occupation, use and public utility tax) receipts. Real estate excise tax collections were \$31.1 million (20.5 percent) less than expected. Revenue Act tax payments (excluding special factors) were \$28.5 million (0.4 percent), below the forecast. Other GFS taxes and transfers administered by the Department of Revenue were \$1.5 million less than expected.

The weak residential housing market and relatively high energy prices appears to have finally slowed consumer and business spending. Revenue Act tax payments were only 4.9 percent above the year-ago level in the two months since the September 2007 forecast (August and September 2007 business activity). Revenue growth has been slowly decelerating over the last year, but until the last two months, it had been moderately strong and a little higher than expected. Revenue from Washington's major excise taxes increased faster than state personal income from the third quarter of 2003 through the second quarter of 2007, an unprecedented sixteen consecutive quarters. Weakness the last two months, however, produced considerably slower growth in the third quarter of 2007. Revenue Act receipts were 5.5 percent above the year-ago level in the third quarter of 2007. This is down from 8.9 percent in the second quarter and 9.8 percent in the first quarter of 2007. Revenue growth continued to outpace U.S. retail sales (4.0 percent) in the third quarter but for the first time in four years, Revenue Act receipts grew slower than state personal income.

Industry detail for the most recent month (September 2007 activity, reflecting excise tax payments of taxpayers who filed electronically in the October 11-November 10, 2007 period) was considerably weaker than earlier in the year. The retail trade sector was especially weak. Tax payments by businesses in the retail trade sector were up only 2.1 percent from a year-ago. The month before, this sector reported a 2.5 percent increase in payments. Much of the weakness was due to a 3.5 percent decline in tax payments by auto dealers, the largest retail trade category. Other weak retail trade sectors this month included: furniture and home furnishings retailers (-2.5 percent, gasoline stations (-1.9 percent), miscellaneous

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

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Adjusted</u>		
		<u>Percent of Estimate</u>	<u>Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act <sup>1</sup>	\$14.3	0.7%	(\$28.5)	-1.4%
Non Revenue Act <sup>2</sup>	(\$32.6)	-13.8%	(\$32.6)	-13.8%
Subtotal	<u>(\$18.3)</u>	<u>-0.8%</u>	<u>(\$61.1)</u>	<u>-2.7%</u>
Department of Licensing <sup>2</sup>	(\$0.1)	-9.8%	(\$0.1)	-13.9%
Other	na	na	na	na
<b>Total***</b>	<b>(\$18.4)</b>	<b>-0.8%</b>	<b>(\$61.2)</b>	<b>-2.7%</b>

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

<sup>2</sup> Variance based on September 2007 through October 2007 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 2007 forecast.

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

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

retailers (-2.0 percent) and building and garden supply retailers (+1.6 percent). Retail trade sectors with the strongest increases this period included: general merchandise stores (+8.0 percent), sporting goods, books, toys and music stores (+7.2 percent), drug and health stores (+7.1 percent) and electronics and appliance retailers (+6.5 percent). Tax payments from non-retailing sectors as a whole increased only 4.6 percent in the most recent month. Last months payments from non-retailers increased 6.1 percent. Despite weakening real estate excise tax payments, excise taxes paid by the construction sector remained relatively strong in the most recent month (+7.3 percent), although the increase was noticeably weaker than the last couple of months. In the previous month tax payments from the construction sector were 10.6 percent higher than a year-ago and two months ago, the year-over-year increase was 12.8 percent. Other strong non-retail trade sectors included: wholesale trade (+8.2 percent) and finance and insurance (+12.0 percent). Weak non-retail trade sectors included: transportation and warehousing (-1.4 percent), manufacturing (+0.9 percent), and professional, scientific and technical services (-1.6 percent).

Real estate activity has been weak for more than a year. In the two months since the September forecast, conditions have considerably worsened. Preliminary data indicates that taxable real estate activity (based on closings) in October 2007 was 22.6 percent below the year-ago level. The prior month activity declined 25.8 percent, the largest drop since April 1995. Taxable real estate activity has declined on a year-over-year basis the last three months and eleven of the past fourteen months. Seasonally adjusted taxable activity in the third quarter of 2007 is 12.4 percent below the level in the first quarter of 2006, the all-time peak in activity. The primary source of weakness continues to be the volume of activity. The number of real estate transactions has declined twenty-one of the last twenty-two months and was down 24.9 percent in September 2007, the latest available month. While price appreciation of most real estate in the state has slowed, it has not weakened nearly as much as in other parts of the country. Based on taxable real estate activity, the average value of real estate transactions in Washington declined 1.2 percent in September 2007. This, however, is only the second month of year-over-year decline this cycle.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$0.1 million (-13.8 percent) below the estimate in the two months since the September 2007 forecast.

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

GFS revenue growth in the just completed 2005-07 biennium was the best in sixteen years. Revenue increased 10.5 percent in fiscal 2006, the first double-digit increase in revenue since 1990, and was up nearly as strong, 8.4 percent, in fiscal 2007, despite a weakening housing market. Revenue growth benefited from a strong economy. Real personal income in Washington increased 7.8 percent in the 2005-07 biennium, up from only 3.2 percent in the 2003-05 period. Employment growth also improved significantly, increasing 5.6 percent up from 1.7 percent in the 2003-05 budget period. In addition, spending by consumers and businesses grew much faster than income. The strong economy and spending produced the strongest biennial increase in GFS revenue since the 1989-91 budget period. GFS collections totaled \$27,772.0 million in the 2005-07 biennium. This was \$4.4 billion (18.7 percent) more than in the 2003-05 biennium. Adjusting for tax law changes and other non-economic factors, revenue increased 19.7 percent.

The November 2007 revenue forecast for the 2007-09 budget period is a little weaker than assumed in September. The national economy is slowing in the wake of the housing recession. Washington's economy continues to outperform the nation due to strength Washington's two key industries: aerospace and software, but it too is slowing. The November 2007 forecast expected economic growth to continue to slow in the 2007-09 biennium in response to the national slowdown and weakness in the state's housing sector. The forecast expects employment growth to decelerate to 4.7 percent this biennium after increasing 5.6

percent in the 2005-07 biennium. Housing in the biennium is expected to weaken even more. Building permits are expected to fall 15.6 percent in the 2007-09 biennium after increasing 7.6 percent in the 2005-07 period. Weak housing and slower employment growth are expected to result in a slower pace of consumer and business spending in the 2007-09 budget period. After a prolonged period where spending exceeded income growth, the spending-relative-to-income relationship in the 2007-09 period is expected to dip below the long run average. Slower spending will produce less revenue growth in the 2007-09 budget period. GFS revenue is expected to increase 7.6 percent in the 2007-09 biennium, a significant deceleration from the 18.7 percent increase in the 2005-07 biennium and the 10.6 percent gain in the 2003-05 budget period.

Washington's tax structure is different from most states. Washington has no personal or corporate income tax. The majority of Washington's GFS revenue comes from three taxes: sales and use, business and occupation, and the property tax (state school levy). These three taxes accounted for 83.0 percent of the \$27.8 billion total GFS cash receipts in the 2005-07 biennium. This is down from 84.2 percent in the 2003-05 biennium. These taxes are expected to account for 85.2 percent of GFS revenue in the 2007-09 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 2003-05 and the 2005-07 biennia is partly due to a surge in real estate excise tax payments last biennium. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax receipts increased 50.9 percent in the 2005-07 biennium compared to 18.7 percent for total GFS revenue. Revenue from the real estate excise tax accounted for 7.2 percent of GFS revenue in the 2005-07 biennium, up from 5.7 percent in the 2003-05 biennium and 4.1 percent in the 2001-03 biennium. Next biennium the real estate excise tax is expected to account for 5.4 percent of total GFS revenue.

The retail sales and use tax, the state's largest revenue source, generated \$15.2 billion (54.7 percent) of total GFS revenue in the 2005-07 biennium. Sales and use taxes are expected to produce \$16.9 billion, 56.5 percent of the total in the

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>Cash Basis</u>	
			<u>2000 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.2	-4.1%
2003-05	23,388.5	10.6%	21,587.3	5.8%
2005-07	27,772.0	18.7%	24,220.0	12.2%
2007-09 <sup>F</sup>	29,886.4	7.6%	25,007.9	3.3%

<sup>F</sup>: November 2007 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 2007 forecast.

Table 3.5  
**Taxable Retail Sales\***  
 November 2007  
 (Millions of Dollars)

<u>Fiscal Year</u>	<u>Amount</u>	<u>Percent Change</u>
1978	21,121	
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007	115,527	7.9%
2008 <sup>F</sup>	122,239	5.8%
2009 <sup>F</sup>	127,794	4.5%

<sup>F</sup> Forecast.

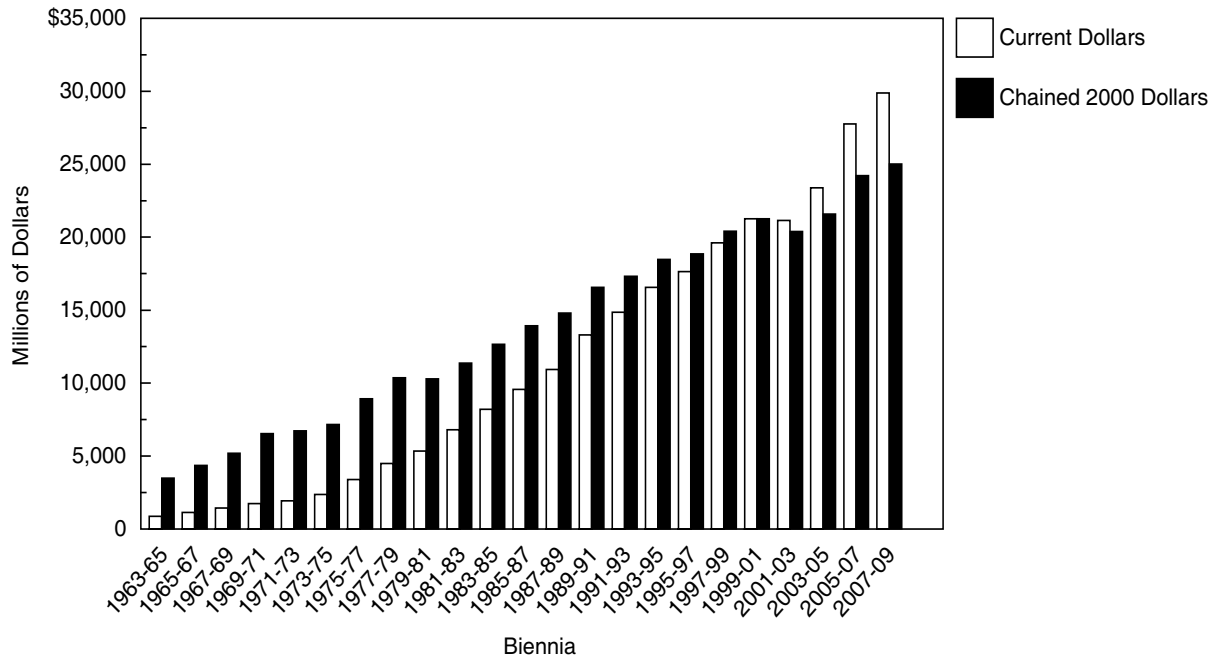
\* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Reported totals affected by enacted legislation. Major base changes include: exemption of off-premises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

2007-09 budget period. The business and occupation tax totaled \$5.0 billion, 18.2 percent of the total in the 2005-07 biennium. The business and occupation tax is expected to produce \$5.6 billion, 18.6 percent, of the total this biennium. The General Fund-State's share of the property tax totaled \$2.8 billion, 10.0 percent of total GFS revenue in the 2005-07 biennium. The property tax is expected to produce \$3.0 billion, 10.1 percent of the total in the 2007-09 biennium. Historically, the property tax had a bigger share of total General Fund-State revenue. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.18, part 1.)

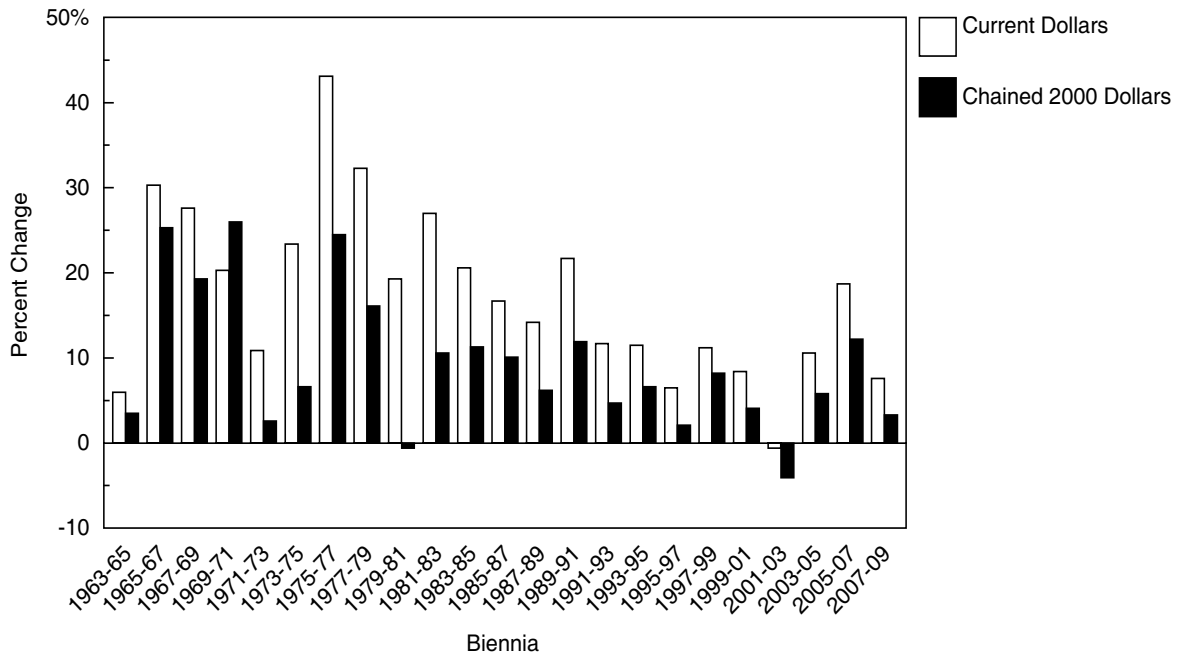
Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$29,958.9 million in the second quarter of 2007, the most recent quarter available. This was 7.7 percent higher than the year-ago level. Taxable sales increased 7.9 percent in the first quarter of 2007 and 7.2 percent in the fourth quarter of 2006. Taxable sales have now increased on a year-over-year basis for twenty consecutive quarters after having fallen or remaining unchanged for five straight quarters during the last recession. The growth of taxable sales in the second quarter of 2007 was again faster than the growth of state personal income and retail sales nationally. In the second quarter of 2007, U.S. retail sales were 4.0 percent (adjusted) above the year-ago level, a little higher than the 3.4 percent year-over-year increase in the first quarter. Although the third quarter of 2007 is complete, actual taxable sales data for the state are not yet available for the third quarter. The forecast assumes that taxable sales increased 7.4 percent in the third quarter of 2007. This would be a little slower than the 7.7 percent increase in the second quarter but it would again be well above the November forecast's assumed growth of U.S. retail sales (4.0 percent). It would, however, be slower than the growth of state personal income assumed in the November 2007 forecast (8.3 percent).



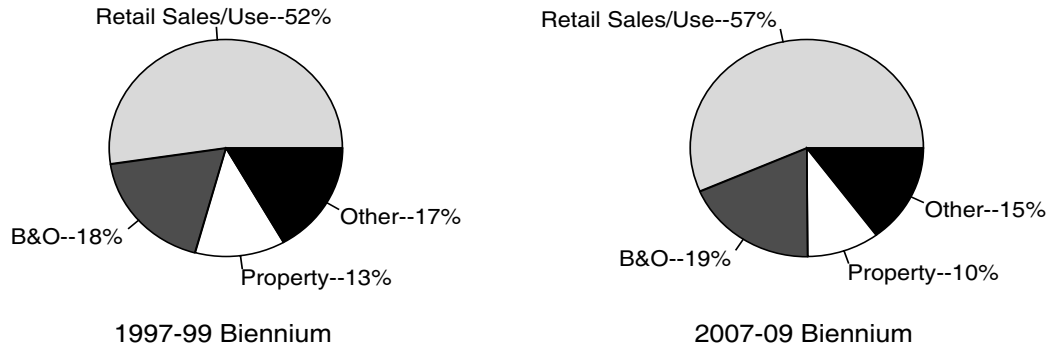
**Chart 3.1  
General Fund-State Revenue**



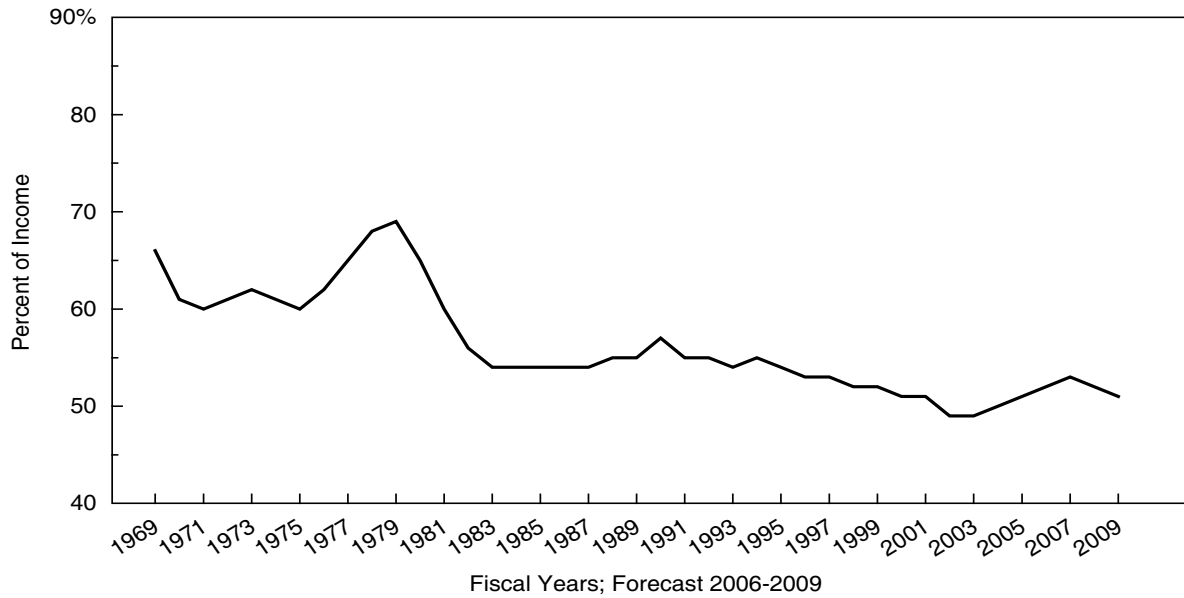
**Chart 3.2  
General Fund-State Revenue - Percent Change**



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



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



\* Adjusted Base

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC) basis to the North American Industry Classification System (NAICS) making historical comparisons by sector easier and more meaningful. Taxable sales in the second quarter of 2007 of businesses in the retail trade sector, which accounted for 42.9 percent of all taxable sales in the quarter, were 4.3 percent above the year-ago level. Last quarter taxable sales of firms in the retail trade sector increased 6.5 percent. Within retailing, the clothing/accessories category reported the largest increase for the quarter, 10.3 percent. The next strongest category was food and beverage stores which reported a 7.7 percent year-over-year increase. The auto sector, the largest retail trade category, reported only a 3.7 percent increase. There were several relatively weak sectors including: electronics and appliance stores (-2.5 percent), furniture and home furnishing retailers (+1.7 percent), and building material and garden supply sector (+2.1 percent). Taxable sales reported by non-retailing sectors were 10.4 percent higher than a year-ago in the second quarter of 2007. This follows a 9.1 percent increase the previous quarter. The year-over-year change in the current quarter varied widely among non-retail trade sectors. Taxable sales reported by the construction sector, which accounted for 20.4 percent of all taxable sales in the second quarter of 2007, were 13.5 percent higher than a year ago, up slightly from the 12.3 percent gain reported in the first quarter. Taxable sales reported by the service sector, which accounted for 17.6 percent of all taxable sales in the quarter, were 9.2 percent higher than a year-ago. Taxable sales reported by the wholesale trade sector increased 8.8 percent and the information sector reported a 6.1 percent year-over-year increase.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 7.7 percent higher than a year ago in the second quarter of 2007. Taxable sales increased 7.8 percent in the rest of the state. Taxable sales in King County were 8.6 percent higher than a year-ago for the quarter. Taxable sales in Snohomish County increased 7.8 percent in the second quarter but Pierce County reported an increase of only 4.3 percent increase. Taxable sales in Spokane County were 6.4 percent above the year-ago level.

Statewide taxable sales increased 7.9 percent in fiscal 2007. This is down from 10.1 percent in 2006. The growth of taxable sales is expected to decelerate further in the 2007-09 biennium as the impact of the housing correction and higher energy prices slow consumer and business spending. The forecast assumes taxable sales will increase 5.8 percent in fiscal 2008 and 4.5 percent in fiscal 2009.

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

The November 2007 GFS revenue forecast is \$132.4 million less than in September. This is the first downward revision to the GFS revenue forecast since November 2004. The change to the forecast reflects a \$2.0 million downward revision to actual receipts for the 2005-07 biennium as well as a \$130.4 million reduction to the outlook for the current budget period. The change for the forecast is very small, 0.4 percent, and is primarily due to a sizeable downward revision to the real estate excise tax forecast. The change to the forecast includes a \$19.7 reduction due to a change in federal law.

Table 3.6 summarizes the changes to the GFS cash forecast for the 2005-07 and 2007-09 biennia by type of change. Tables 3.7 and 3.8 summarize data revisions to GFS revenue for the 2005-07 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Tables 3.9 and 3.10 summarize the changes to the GFS revenue forecast for the 2007-09 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source. Below is a brief summary of the non-economic change to the forecast followed by a summary of changes to the forecast by agency.

## **November 2007 Non-Economic Change to the Forecast**

On October 31, 2007 President Bush signed into law legislation (H.R. 36781) that extends for seven years the moratorium on Internet access taxes and “multiple and discriminatory” taxes which would have expired on November 1, 2007 absent of action. As a result of this legislation, the state will no longer be able to collect sales tax on internet access effective July 1, 2008. The impact of this legislation is a \$19.7 million reduction to GFS revenue in fiscal 2009.

### **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 2005-07 and 2007-09 biennia. The November 2007 forecast of GFS revenue sources administered and collected by the Department of Revenue is \$164.7 million lower than in September. The change includes a \$19.7 million reduction due to the impact of a change in federal law on taxation of internet access as well as a \$145.0 million reduction due to a weaker outlook. Although the November forecast for state personal income is a little higher than in September, the outlook for employment and housing has been scaled back. Collections in the two months since the September forecast are \$18.3 million less than expected despite \$42.8 million in unexpected one-time audit payments and confirm slower than expected revenue growth.

Major changes to the forecast of Department of Revenue sources for the 2007-09 biennium include a \$124.4 million reduction to the real estate excise tax forecast, a \$47.6 million reduction to the retail sales tax forecast, a \$10.3 million reduction to the business and occupation tax forecast and a \$7.9 million reduction to the state levy (property tax) forecast. There were some increases. The penalty and interest forecast was increased by \$11.3 million, the forecast public utility tax was increased by \$4.5 million and the liquor tax forecast was increased \$2.1 million. The changes to the forecast are primarily due to a combination of collection experience in the two months since the September 2007 forecast and/or a little weaker outlook for the remainder of the biennium. The reduction to the retail sales tax forecast includes the \$19.7 million impact of the federal law change on taxation of internet access. The reduction to the business and occupation tax forecast includes the impact of a rule change which makes wineries eligible for a lower tax rate (0.138%). Prior to the rule change wineries were paying at the general manufacturing rate of (0.484 %).

The outlook for housing has deteriorated significantly since September and the reduction to the real estate excise tax forecast is the major change to GFS revenue in the November forecast. The lower forecast for real estate excise tax revenue in the 2007-09 period is due to much weaker than expected real estate activity in the last two months. Taxable real estate activity was 25.8 percent below the year ago level in September and 22.6 percent in October. Conditions will likely worsen before improving due to tighter credit, tougher lending standards and a rising inventory of houses on the market.

The November forecast although lower than in September, still expects assumes modest revenue growth and no recession. The strong economy and the exceptionally strong revenue growth experience in fiscal years 2005, 2006 and 2007, however, are behind us. Spending and revenue growth are expected to decelerate in the 2007-09 biennium. The tax base of Washington’s two major excise taxes (sales and business and occupation tax) grew substantially faster than personal income in for most of the last two biennia. This is expected to change. The sales and business and occupation tax base expected to grow less than income in the 2007-09 biennium as a much weaker housing, less home equity withdrawal, and a rising savings rate slow spending.

The forecast expects the state property tax levy to increase 7.0 percent in the 2007-09 biennium. Based on information from the Department of Revenue, the November forecast assumes that the increase

to the state levy will be limited to one-percent plus new construction rather than the lesser of the rate of inflation or six percent as a result of the recent State Supreme Court decision that ruled Initiative 747 unconstitutional. The General Fund-State portion of the levy is expected to increase 7.8 percent in the 2007-09 period and the portion of the levy diverted to the Student Achievement Account as a result of Initiative 728 will increase 2.3 percent.

### **Department of Licensing**

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's General Fund-State forecast for the 2007-09 biennium has been decreased \$0.1 million to \$45.6 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 final tally of revenues reported to the office for the 2005-07 biennium totaled \$51.3 million, which was \$2.0 million below the September reckoning. The office's forecast for the 2007-09 biennium has been increased \$10.6 million to \$6.7 million due mainly to an increase in the forecast of recovered costs and appropriations from the Department of Social and Health Services.

### **State Treasurer**

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's forecast for the 2007-09 biennium has been increased \$13.6 million to \$188.3 million due to an increase in the forecast of fund balances, despite a small decrease in forecasted interest rates.

### **Insurance Commissioner**

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. The office's forecast for the 2007-09 biennium is unchanged at \$544.8million.

### **Liquor Control Board**

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2007-09 biennium has been increased \$5.6 million to \$86.2 million and its forecast of beer and wine surtaxes is unchanged at \$4.8 million.

### **Lottery Commission**

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction and stadium/exhibition center accounts receive their allotments. The Commission's forecast of General Fund cash transfers for the 2007-09 biennium has been increased \$4.7 million to \$5.0 million. The Commission's forecast of revenues for the School Construction Account for the 2007-09 biennium is unchanged at \$204.0 million.

Table 3.6

**Summary of Changes to the General Fund-State Forecast**

November 2007 Cash Forecast

(Millions of Dollars)

	<u>November 2007 Change</u>
<b><u>2005-07 Biennium</u></b>	
<i>Data revision ( 2005-07 biennium)</i>	(\$2.0)
Department of Revenue	0.0
Department of Licensing	0.0
All other agencies	(2.0)
<b><u>2007-09 Biennium</u></b>	
<b><i>Collection Experience in the 2007-09 Biennium</i></b>	<b>(\$18.4)</b>
Department of Revenue <sup>1</sup>	(18.3)
Department of Licensing <sup>2</sup>	(0.1)
<b><i>Non Economic Adjustments to the Forecast<sup>3</sup></i></b>	<b>(\$19.7)</b>
<b><i>Forecast Change for the 2007-09 Biennium</i></b>	<b>(\$92.3)</b>
Department of Revenue	(\$126.7)
Other agencies	\$34.5
<b>Total Change: 2007-09 Biennium*</b>	<b><u>(\$130.4)</u></b>
<b>Total Change: 2005-07 &amp; 2007-09</b>	<b>(\$132.4)</b>

<sup>1</sup> Variance base on collections September 11-November 10, 2007<sup>2</sup> Variance base on collections in September and October 2007.<sup>3</sup> Impact of change in federal law regarding the taxation of internet access.

\* Detail may not add due to rounding.

## Track Record for the 2007-09 Biennium

Table 3.14 summarizes the changes to the GFS revenue forecast for the 2007-09 biennium. The November 2007 forecast for the 2007-09 biennium is \$130.4 million lower than the September 2007 forecast but is \$859 million higher than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes the current forecast for the 2007-09 biennium is \$1,033 million, 3.6 percent higher than the initial forecast. There have been seven quarterly updates to the GFS forecast for the 2007-09 biennium: five have increased the forecast and two, including the November 2007 update, have reduced the forecast.

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

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

Table 3.15 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2005-07 biennium totaled (revised) \$27,769.9 million on a GAAP basis, \$2.0 million less than the \$27,772.0 million cash receipts total. In the 2003-05 biennium, GFS revenue totaled \$23,596.4 million on a GAAP basis, \$207.9 million more than the \$23,388.5 million cash receipts total. The November 2007 GFS forecast for the 2007-09 biennium is \$29,994.6 million on a GAAP basis, \$108.3 million more than the \$29,886.4 million cash forecast.

Table 3.16 shows the budgetary balance sheet for the 2005-07 and 2007-09 biennia. The balance for the General Fund at the end of the 2005-07 biennium is \$786.3 million. In addition, the Emergency Reserve Fund ending balance is \$293.3 which produces a combine General Fund and Emergency Reserve ending balance of \$1,079.6 million. The combined 2005-07 ending balance is \$2.0 million less than the balance in September 2007 and it is 3.9 percent of the 2005-07 spending level. With adoption of the November 2007 GFS forecast, the projected total ending balance for the 2007-09 biennium is \$1,383.3 million. This is based on an enacted 2007-09 appropriations level of \$29,622.6 million. This is \$132.5 million less than projected at the time of the September 2007 revenue forecast and is 4.7 percent of 2007-09 appropriations. The total ending balance for the 2007-09 biennium is comprised of a projected ending GFS balance of \$953.7 million and a \$429.6 million balance in the Budget Stabilization Account. The 2007 Legislature enacted joint resolutions creating a new Budget Stabilization Account. This was ratified by voters in the November 2007 general election.

Table 3.7  
**Comparison of the General Fund-State Forecast by Agency**  
 2005-07 Biennium; Cash Basis  
 (Millions of Dollars)

<b>Forecast by Agency</b>	<b>Sept. 2007 Forecast<sup>1</sup></b>	<b>Non- Economic Changes</b>	<b>Forecast Revision</b>	<b>Nov. 2007 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$14,233.4	0.0	\$0.0	\$14,233.4	\$0.0
Business & Occupation Use	5,047.5	0.0	0.0	5,047.5	0.0
Public Utility	969.7	0.0	0.0	969.7	0.0
Liquor Sales/Liter	681.6	0.0	0.0	681.6	0.0
Cigarette	285.3		0.0	285.3	0.0
Property (State Levy)	103.0		0.0	103.0	0.0
Real Estate Excise	2,788.6		0.0	2,788.6	0.0
Timber Excise	2,002.3		0.0	2,002.3	0.0
Other	17.3		0.0	17.3	0.0
Subtotal	780.8	0.0	0.0	780.8	0.0
	26,909.6	0.0	0.0	26,909.6	0.0
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	41.3		0.0	41.3	0.0
<b>Insurance Commissioner</b>					
Insurance Premiums	490.6		0.0	490.6	0.0
<b>Liquor Control Board</b>					
Liquor Profits and Fees	98.2		0.0	98.2	0.0
Beer & Wine Surtax	4.2		0.0	4.2	0.0
<b>Lottery Commission</b>					
Lottery Revenue	9.5		0.0	9.5	0.0
<b>State Treasurer</b>					
Interest Earnings	167.3		0.0	167.3	0.0
<b>Office of Financial Management</b>					
Other	53.3		(2.0)	51.3	(2.0)
<b>Total General Fund-State *</b>	<b>\$27,774.0</b>	<b>\$0.0</b>	<b>(\$2.0)</b>	<b>\$27,772.0</b>	<b>(\$2.0)</b>

1 General Fund-State receipts for the 2005-07 biennium, as reported Septmeber 2007 (preliminary).

2 General Fund-State forecast for the 2005-07 biennium, adopted November 2007; actual receipts in the 2005-07 biennium (revised).

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



Table 3.8  
**Comparison of the General Fund-State Forecast by Agency**  
 2005-07 Biennium; GAAP Basis  
 (Millions of Dollars)

<b>Forecast by Agency</b>	<b>Sept. 2007 Forecast<sup>1</sup></b>	<b>Non- Economic Changes</b>	<b>Forecast Revision</b>	<b>Nov. 2007 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$14,256.8	0.0	\$0.0	\$14,256.8	\$0.0
Business & Occupation Use	5,102.3	0.0	0.0	5,102.3	0.0
Public Utility	968.5	0.0	0.0	968.5	0.0
Liquor Sales/Liter Cigarette	686.1	0.0	0.0	686.1	0.0
Property (State Levy)	289.3	0.0	0.0	289.3	0.0
Real Estate Excise	103.2	0.0	0.0	103.2	0.0
Timber Excise	2,785.4	0.0	0.0	2,785.4	0.0
Other	1,912.8	0.0	0.0	1,912.8	0.0
Subtotal	17.2	0.0	0.0	17.2	0.0
	779.0	0.0	0.0	779.0	0.0
	26,900.8	\$0.0	0.0	26,900.8	0.0
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	42.0	0.0	0.0	42.0	0.0
<b>Insurance Commissioner</b>					
Insurance Premiums	490.6	0.0	0.0	490.6	0.0
<b>Liquor Control Board</b>					
Liquor Profits and Fees	98.2	0.0	0.0	98.2	0.0
Beer & Wine Surtax	4.2	0.0	0.0	4.2	0.0
<b>Lottery Commission</b>					
Lottery Revenue	7.6	0.0	0.0	7.6	0.0
<b>State Treasurer</b>					
Interest Earnings	175.3	0.0	0.0	175.3	0.0
<b>Office of Financial Management</b>					
Other	53.3	0.0	(2.0)	51.3	(2.0)
<b>Total General Fund-State *</b>	<b>\$27,771.9</b>	<b>\$0.0</b>	<b>(\$2.0)</b>	<b>\$27,769.9</b>	<b>(\$2.0)</b>

1 General Fund-State forecast for the 2005-07 biennium, as reported September 2007 (preliminary).

2 Actual 2005-07 revenue as reported November 2007-revised.

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

Table 3.9  
**Comparison of the General Fund-State Forecast by Agency**  
 2007-09 Biennium; Cash Basis  
 (Millions of Dollars)

<u>Forecast by Agency</u>	<u>Sept. 2007 Forecast<sup>1</sup></u>	<u>Non- Economic Changes<sup>3</sup></u>	<u>Forecast Revision</u>	<u>Nov. 2007 Forecast<sup>2</sup></u>	<u>Total Change</u>
<b>Department of Revenue</b>					
Retail Sales	\$15,833.0	(\$19.7)	(\$27.9)	\$15,785.4	(\$47.6)
Business & Occupation Use	5,564.4	0.0	(10.3)	5,554.1	(10.3)
Public Utility	1,108.2	0.0	2.0	1,110.2	2.0
Liquor Sales/Liter	733.7	0.0	4.5	738.3	4.5
Cigarette	316.9	0.0	2.1	319.0	2.1
Property (State Levy)	101.8		0.3	102.1	0.3
Real Estate Excise	3,015.3		(7.9)	3,007.4	(7.9)
Timber Excise	1,738.8	0.0	(124.4)	1,614.5	(124.4)
Other	14.5	0.0	(0.1)	14.3	(0.1)
Subtotal	743.2	0.0	16.6	759.7	16.6
	29,169.7	(19.7)	(145.0)	29,005.0	(164.7)
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	45.7		(0.1)	45.6	(0.1)
<b>Insurance Commissioner</b>					
Insurance Premiums	544.8		0.0	544.8	-
<b>Liquor Control Board</b>					
Liquor Profits and Fees	80.6		5.6	86.2	5.6
Beer & Wine Surtax	4.8		0.0	4.8	-
<b>Lottery Commission</b>					
Lottery Revenue	0.4		4.7	5.0	4.7
<b>State Treasurer</b>					
Interest Earnings	174.7		13.6	188.3	13.6
<b>Office of Financial Management</b>					
Other	(3.9)		10.6	6.7	10.6
<b>Total General Fund-State *</b>	<b>\$30,016.7</b>	<b>(\$19.7)</b>	<b>(\$110.7)</b>	<b>\$29,886.4</b>	<b>(\$130.4)</b>

1 Forecast adopted by the ERFC in September 2007.

2 Forecast adopted by the ERFC in November 2007.

3 Impact of the change in federal law regarding taxation of internet access.

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

Table 3.10

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

2007-09 Biennium; GAAP Basis

(Millions of Dollars)

<b>Forecast by Agency</b>	<b>Sept. 2007 Forecast<sup>1</sup></b>	<b>Non- Economic Changes<sup>3</sup></b>	<b>Forecast Revision</b>	<b>Nov. 2007 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$15,908.2	(19.7)	(\$28.2)	\$15,860.3	(\$47.9)
Business & Occupation Use	5,584.4	0.0	(11.0)	5,573.4	(11.0)
Public Utility	1,111.0	0.0	2.5	1,113.5	2.5
Liquor Sales/Liter	738.2	0.0	2.1	740.3	2.1
Cigarette	318.3	0.0	1.7	320.0	1.7
Property (State Levy)	101.6		0.5	102.1	0.5
Real Estate Excise	3,016.5		(8.7)	3,007.8	(8.7)
Timber Excise	1,738.8	0.0	(124.4)	1,614.5	(124.4)
Other	13.7	0.0	(0.5)	13.2	(0.5)
Subtotal	744.7	0.0	16.4	761.1	16.4
	29,275.4	(\$19.7)	(149.6)	29,106.1	(169.3)
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	47.2		(0.2)	47.0	(0.2)
<b>Insurance Commissioner</b>					
Insurance Premiums	544.8	0	0.0	544.8	-
<b>Liquor Control Board</b>					
Liquor Profits and Fees	80.6	-	5.6	86.2	5.6
Beer & Wine Surtax	4.8		0.0	4.8	-
<b>Lottery Commission</b>					
Lottery Revenue	3.9		4.7	8.6	4.7
<b>State Treasurer</b>					
Interest Earnings	175.9	-	14.6	190.4	14.6
<b>Office of Financial Management</b>					
Other	(3.9)	-	10.6	6.7	10.6
<b>Total General Fund-State *</b>	<b>\$30,128.5</b>	<b>(\$19.7)</b>	<b>(\$114.2)</b>	<b>\$29,994.6</b>	<b>(\$133.9)</b>

1 Forecast adopted by the ERFC in September 2007.

2 Forecast adopted by the ERFC in November 2007.

3 Impact of the change in federal law regarding taxation of internet access.

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

Table 3.11  
**November 2007 General Fund-State Forecast**  
 2005-07 & 2007-09 Biennia; Cash Basis  
 (Millions of Dollars)

<b>Forecast by Source</b>	<b>Fiscal 2005<sup>a</sup></b>	<b>Fiscal 2006<sup>a</sup></b>	<b>Fiscal 2007<sup>a</sup></b>	<b>2005-07 Biennium</b>	<b>Fiscal 2008</b>	<b>Fiscal 2009</b>	<b>2007-09 Biennium</b>
<b>State Taxes</b>							
Retail sales***	\$6,151.4	\$6,845.4	\$7,388.0	\$14,233.4	\$7,749.9	\$8,035.6	\$15,785.4
Business & occupation Use***	2,195.8	2,406.7	2,640.9	5,047.5	2,711.4	2,842.7	5,554.1
Public Utility	439.6	465.4	504.4	969.7	546.1	564.1	1,110.2
Liquor sales/liter	294.8	328.7	352.9	681.6	364.4	373.9	738.3
Beer & wine surtax	104.8	137.6	147.7	285.3	155.2	163.8	319.0
Cigarette	1.8	2.0	2.2	4.2	2.3	2.4	4.8
Tobacco products	52.2	52.5	50.5	103.0	51.7	50.4	102.1
Property (state school levy)**	9.5	7.9	6.8	14.7	(10.3)	9.3	(1.0)
Public utility district	1,372.6	1,365.5	1,423.1	2,788.6	1,479.0	1,528.4	3,007.4
Real estate excise	38.0	38.9	39.8	78.7	42.4	44.5	86.9
Timber excise	759.4	932.7	1,069.6	2,002.3	771.4	843.1	1,614.5
Estate/inheritance	10.1	9.3	8.0	17.3	7.4	7.0	14.3
Motor vehicle excise & Rental car	(43.1)	5.1	5.3	10.4	0.7	0.5	1.2
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	14.8	16.3	15.8	32.2	17.3	18.6	35.9
Other	228.0	241.6	249.0	490.6	265.6	279.2	544.8
<i>Total Taxes</i>	237.0	266.3	275.9	542.2	263.0	264.5	527.5
	11,866.8	13,121.6	14,180.0	27,301.6	14,417.4	15,027.8	29,445.3
<b>State Non-Tax Sources</b>							
Licenses, permits, fees	75.8	84.7	91.8	176.5	90.9	95.7	186.6
Liquor profits & fees	45.5	49.2	49.0	98.2	39.7	46.5	86.2
Earnings on investments	28.8	66.4	100.9	167.3	109.3	79.0	188.3
Lottery transfers	4.3	1.9	7.6	9.5	0.0	5.0	5.0
Other revenue & transfers	46.0	5.0	13.9	18.9	3.9	(28.9)	(25.0)
<i>Total Non-Tax</i>	200.5	207.2	263.1	470.3	243.8	197.3	441.1
<b><u>Total General Fund-State</u></b> *	<b>\$12,067.3</b>	<b>\$13,328.8</b>	<b>\$14,443.2</b>	<b>\$27,772.0</b>	<b>\$14,661.3</b>	<b>\$15,225.1</b>	<b>\$29,886.4</b>

a - Actual;

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

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

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

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

The November 2007 baseline forecast expects the housing correction to continue and energy prices to remain relatively high. The baseline forecast assumes that the very strong growth in the last two years is over. Economic and revenue growth is expected to slow but the forecast expects no recession. The housing correction in Washington has intensified and overall spending is beginning to slow as a result. Whether or not economic and revenue growth weaken more or less than assumed in the baseline forecast depends upon the severity of the housing downturn and its impact on consumer and business spending.

The premise of the November 2007 optimistic scenario is similar to previous optimistic scenarios. The optimistic forecast assumes higher productivity growth than in the baseline. In the optimistic scenario the contraction in the residential housing market is less severe than assumed in the baseline forecast. Lower interest rates speeds-up the housing recovery. Employment growth is stronger and the consumer confidence improves. Stronger growth nationally benefits Washington's economy. In the optimistic scenario state personal income is 2.0 percent higher than in the baseline in the first quarter of calendar 2008 and is 4.5 percent higher by the end of the 2007-09 biennium. State wage and salary employment is 18,700 higher in the first quarter of calendar 2008 and is 63,250 higher by the end of the biennium.

The November 2007 pessimistic scenario assumes that the housing recession deepens and drags the entire economy into recession. In the pessimistic scenario the housing correction is deeper and longer than in the baseline forecast. Consumer and business confidence sink and investment and consumer spending grow much slower than assumed in the baseline forecast. There are two consecutive quarters of decline in real GDP and payroll employment declines for three straight quarters. The weaker national economy results in weaker job and income growth in the state. In the pessimistic scenario, state personal income is 2.0 percent less than the baseline in the first quarter of calendar 2008 and is 4.5 percent lower than the baseline by the end of the 2007-09 budget period. Wage and salary employment is nearly 21,000 less than the baseline in the first quarter of calendar 2008 and is 70,500 less by the end of the 2007-09 biennium.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2007-09 biennium. The optimistic scenario generates \$30,998.5 million, \$1,112.1 million more than the baseline forecast. The pessimistic alternative produces only \$28,723.4 million GFS revenue in the 2007-09 biennium, \$1,163.0 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 2007 GCEA scenario was based on the forecast of five members of the GCEA. The GCEA alternative was \$243 million lower than the November 2007 baseline forecast for the 2007-09 biennium.

## **Related Fund Forecast for the 2007-09 Biennium**

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

Revised data increases the total combined GFS and related fund total for the 2005-07 biennium to \$29,785.0 million. This is \$9.5 million higher than in the preliminary 2005-07 total published in the September 2007 forecast publication. The GFS and related fund forecast for the 2007-09 biennium is \$31,988.9.2 million. This is \$111.3 million less than expected in the September 2007 forecast.

Table 3.12

**General Fund - State Cash Receipts**  
 November 2007 Forecast by Fiscal Year  
 (Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
<b>Fiscal Years</b>		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,803.5	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
2005	12,067.3	6.6%
2006	13,328.8	10.5%
2007	14,443.2	8.4%
<b>Forecast</b>		
2008	14,661.3	1.5%
2009	15,225.1	3.8%

Table 3.13

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

February 2004 through November 2007

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2004****</b>	<b>\$24,293</b>	<b>\$660</b>				<b>\$24,953</b>
<b>Changes to Forecast</b>						
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) #5	305	26,336
February 2006	138	21	159	(52) #6	107	26,443
June 2006	511	7	518	6 #7	524	26,967
September 2006	315	35	350		350	27,317
November 2006	40	9	49	-	49	27,366
March 2007	129	15	144		144	27,510
June 2007	187	8	195	-	195	27,705
September 2007	63	6	69	-	69	27,774
November 2007	0	(2)	(2)	-	(2)	27,772
<b>Total change***:</b>						
From February 2004	3,103	189	3,292	(474)	2,819	
Percent change	12.8%	28.6%	13.2%	-1.9%	11.3%	

\* 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&amp;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)

#5 Impact of Initiative 900 and an accounting and other adjustments

#6 The Department of Revenue has determined that under current law the insurance industry is exempt from sales tax on telephone services. Impact includes on-going and refunds.

#7 Impact of 2006 legislation.

Table 3.14

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

February 2006 through November 2007

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Fund-State Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2006****</b>	<b>\$28,180</b>	<b>\$848</b>				<b>\$29,028</b>
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	203.8	8.9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008						
June 2008						
September 2008						
<b>Total change***:</b>						
From February 2006	953	80	1,033	(175)	859	
Percent change	3.4%	9.4%	3.6%	-0.6%	3.0%	

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

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

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

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

#1 Change to the forecast due to 2006 legislation.

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

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



Table 3.15  
**November 2007 Baseline Forecast by Agency**  
 Comparison of Cash and GAAP Basis  
 (Millions of dollars)

Agency	2003-05 Biennium			2005-07 Biennium			2007-09 Biennium		
	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.
<b>General Fund - State Cash/Revenue Sources</b>									
Department of Revenue <sup>3</sup>	\$22,573.4	\$22,771.6	\$198.2	\$26,792.2	\$26,783.5	(\$8.7)	\$28,885.5	\$28,987.7	\$102.3
Department of Licensing	45.1	46.1	0.9	41.3	42.0	0.7	45.6	47.0	1.4
Insurance Commissioner <sup>4</sup>	459.9	459.9	0.0	506.9	506.9	0.0	563.2	563.2	0.0
State Treasurer	50.7	52.1	1.4	167.3	175.3	8.0	188.3	190.4	2.1
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	211.4	211.4	0.0	248.4	248.4	0.0	259.5	259.5	0.0
<b>Subtotal: General Fund-State Cash/Revenue*</b>	<b>23,340.6</b>	<b>23,541.1</b>	<b>200.5</b>	<b>27,756.1</b>	<b>27,756.1</b>	<b>(0.0)</b>	<b>29,942.1</b>	<b>30,047.9</b>	<b>105.8</b>
<b>General Fund State - Other Financing Sources<sup>5</sup></b>									
Department of Revenue <sup>6</sup>	147.0	152.5	5.5	117.5	117.3	(0.2)	119.5	118.4	(1.2)
Lottery Commission	4.3	6.1	1.9	9.5	7.6	(1.9)	5.0	8.6	3.6
Insurance Commissioner <sup>7</sup>	(14.3)	(14.3)	0.0	(16.3)	(16.3)	0.0	(18.4)	(18.4)	0.0
Liquor Control Board	92.0	92.0	0.0	102.4	102.4	0.0	90.9	90.9	0.0
Office of Financial Management									
Other Agencies <sup>8</sup>	(181.0)	(181.0)	0.0	(197.1)	(197.1)	0.0	(252.8)	(252.8)	0.0
<b>Subtotal: GFS Other Financing Sources</b>	<b>47.9</b>	<b>55.3</b>	<b>7.4</b>	<b>15.9</b>	<b>13.9</b>	<b>(2.0)</b>	<b>(55.7)</b>	<b>(53.3)</b>	<b>2.4</b>
<b>Total Available Receipts/Resources</b>									
<b>General Fund-State *</b>	<b>\$23,388.5</b>	<b>\$23,596.4</b>	<b>\$207.9</b>	<b>\$27,772.0</b>	<b>\$27,769.9</b>	<b>(\$2.0)</b>	<b>\$29,886.4</b>	<b>\$29,994.6</b>	<b>\$108.3</b>

\* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

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

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

Table 3.16

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

Dollars in Millions

	2005-07	2007-09
<b>RESOURCES</b>		
Beginning Fund Balance	<b>869.7</b>	<b>786.3</b>
September 2007 Forecast	27,774.0	30,016.7
November 2007 Update	(2.0)	(110.7)
Internet Access Tax Moratorium Extension		(19.7)
<b>Current Revenue Totals</b>	<b>27,772.0</b>	<b>29,886.4</b>
Legislatively Enacted Fund Transfers and Other Adjustments	204.8	40.3
Prior Period adjustments	(6.6)	0.0
Spillover to the Emergency Reserve Fund (ERF)	(289.1)	0.0
Transfer to Budget Stabilization Account		(136.3)
<b>Total Resources (including beginning fund balance)</b>	<b>28,550.8</b>	<b>30,576.6</b>
<b>EXPENDITURES</b>		
2005-07 Enacted Budget	27,764.5	
2007-09 Enacted Budget		29,622.9
	<b>27,764.5</b>	<b>29,622.9</b>
<b>RESERVES</b>		
<b>Projected General Fund Ending Balance</b>	<b>786.3</b>	<b>953.7</b>
Emergency Reserve Fund Beginning Balance	4.2	293.3
New Deposits	289.1	0.0
Transfer To Budget Stabilization Account	0.0	(293.3)
<b>Projected Emergency Reserve Fund Ending Balance</b>	<b>293.3</b>	<b>0.0</b>
Budget Stabilization Account Beginning Balance	0.0	0.0
Transfer To Budget Stabilization Account (From ERF)	0.0	293.3
New Deposits	0.0	136.3
<b>Projected Budget Stabilization Account Ending Balance</b>	<b>0.0</b>	<b>429.6</b>
<b>Total Reserves (General Fund plus Budget Stabilization)</b>	<b>1,079.6</b>	<b>1,383.3</b>

Table 3.17

**November 2007 Alternative Forecasts Compared to the Baseline Forecast**

2007-09 Biennium

(Millions of dollars)

<b>Forecast by Source</b>	<b>Optimistic Forecast</b>	<b>Baseline Forecast</b>	<b>Pessimistic Forecast</b>
<b><i>Department of Revenue</i></b>			
Retail Sales	\$16,308.5	\$15,785.4	\$15,257.2
Business & Occupation Use	5,713.2	5,554.1	5,390.4
Public Utility	1,142.7	1,110.2	1,064.5
Property (school levy)	741.2	738.3	733.6
Real Estate Excise	3,157.7	3,007.4	2,857.0
Other	1,714.2	1,614.5	1,500.1
Subtotal	1,259.1	1,195.2	1,134.7
	30,036.6	29,005.0	27,937.5
<b><i>Department of Licensing</i></b>			
	47.0	45.6	44.2
<b><i>Insurance Commissioner<sup>1</sup></i></b>			
	558.4	544.8	531.2
<b><i>Lottery Commission</i></b>			
	5.0	5.0	0.0
<b><i>State Treasurer - Interest earnings</i></b>			
	242.1	188.3	124.6
<b><i>Liquor Profits &amp; Fees<sup>2</sup></i></b>			
	92.8	90.9	89.1
<b><i>Office of Financial Management</i></b>			
Other agencies	16.7	6.7	(3.3)
<b>Total General Fund - State*</b>	<b>\$30,998.5</b>	<b>\$29,886.4</b>	<b>\$28,723.4</b>
<b>Difference from November 2007 Baseline</b>	<b>\$1,112.1</b>		<b>(\$1,163.0)</b>

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

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

Table 3.18

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue**

November 2007 Cash Forecast; Millions of Dollars

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

	<u>State Levy: Total Receipts</u>	<u>To the General Fund</u>	<u>To the Student Achievement Account<sup>1</sup></u>
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	1,610.7	1,365.5	245.2
2007	1,669.7	1,423.1	246.6
2005-07 Biennium	3,280.4	2,788.6	491.8
2008	1,726.2	1,479.0	247.2
2009	1,784.5	1,528.4	256.1
200-09 Biennium	3,510.6	3,007.4	503.3

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

	<u>Lottery: Total Transfers:**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center &amp; Stadium</u>	<u>Student Achievement Account<sup>1</sup></u>	<u>School Construction Account<sup>1</sup></u>	<u>Transfer to VRDE<sup>2</sup></u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>
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	125.1	1.9	4.4	7.9	0.0	107.8	0.0	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.0	0.4	6.0
2008	118.7	0.0	4.7	8.5	0.0	102.0	0.0	0.3	3.2
2009	124.4	5.0	4.9	8.9	0.0	102.0	0.0	0.3	3.4
2007-09 Biennium	243.1	5.0	9.6	17.4	0.0	204.0	0.0	0.5	6.6

\* Cash Basis

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

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

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

Table 3.19

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

November 2007 and September 2007 Cash Forecasts

2005-07 &amp; 2007-09 Biennia

Millions of dollars

	2005-07 Biennium			2007-09 Biennium			Change From 2005-07	
	<u>Sept. 2007 Forecast</u>	<u>Nov. 2007 Forecast</u>	<u>Difference</u>	<u>Sept. 2007 Forecast</u>	<u>Nov. 2007 Forecast</u>	<u>Difference</u>	<u>Amount</u>	<u>Percent</u>
General Fund-State	\$27,774.0	\$27,772.0	\$(2.0)	\$30,016.7	\$29,886.4	(\$130.4)	\$2,114.4	7.6%
Related Fund*								
Health Services Account	1,176.0	1,187.5	11.5	1,214.5	1,222.5	8.0	35.0	3.0%
Violence Reduction and Drug Enforce.Acct.	104.7	104.7	-	95.9	101.5	5.5	(3.2)	-3.1%
Water Quality Account	54.1	54.1	-	72.0	71.8	(0.2)	17.7	32.6%
Student Achievement Account	491.8	491.8	-	503.3	503.3	(0.0)	11.5	2.3%
Public Safety and Education Account	174.9	174.9	0.0	197.7	203.4	5.7	28.5	16.3%
<b>Total Related Fund</b>	<b>2,001.5</b>	<b>2,013.0</b>	<b>11.5</b>	<b>2,083.4</b>	<b>2,102.5</b>	<b>19.0</b>	<b>89.5</b>	<b>4.4%</b>
<b>Total General Fund and Related Fund</b>	<b>\$29,775.5</b>	<b>\$29,785.0</b>	<b>\$9.5</b>	<b>\$32,100.2</b>	<b>\$31,988.9</b>	<b>(111.3)</b>	<b>2,203.9</b>	<b>7.4%</b>

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

Table 3.20

**General Fund-State and Related Fund**  
 History/Forecast by Fiscal Year (Cash basis)  
 November 2007 - Millions of Dollars

	General Fund-State		Related Fund		Combined General Fund-State and Related Fund	
	Level	% Change	Level	Change	Level	Change
fiscal 1995	8,551.3		247.8		8,799.0	
fiscal 1996	8,581.2	0.3%	353.2	42.6%	8,934.4	1.5%
fiscal 1997	9,056.6	5.5%	392.3	11.1%	9,448.9	5.8%
fiscal 1998	9,640.9	6.5%	416.1	6.1%	10,057.0	6.4%
fiscal 1999	9,979.2	3.5%	434.9	4.5%	10,414.1	3.6%
fiscal 2000	10,433.2	4.5%	634.4	45.9%	11,067.5	6.3%
fiscal 2001	10,828.9	3.8%	731.1	15.2%	11,560.0	4.4%
fiscal 2002	10,450.7	-3.5%	1,181.7	61.6%	11,632.4	0.6%
fiscal 2003	10,689.9	2.3%	1,031.3	-12.7%	11,721.2	0.8%
fiscal 2004	11,321.2	5.9%	1,037.2	0.6%	12,358.4	5.4%
fiscal 2005	12,067.3	6.6%	969.0	-6.6%	13,036.3	5.5%
fiscal 2006	13,328.8	10.5%	988.8	2.0%	14,317.6	9.8%
fiscal 2007	14,443.2	8.4%	1,024.2	3.6%	15,467.4	8.0%
fiscal 2008	14,661.3	1.5%	1,028.5	0.4%	15,689.7	1.4%
fiscal 2009	15,225.1	3.8%	1,074.0	4.4%	16,299.1	3.9%

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

Related fund receipts for the 2005-7 totaled \$2,013.0 million. This is \$11.5 million more than was reported in the September 2007 forecast. The increase reflects data revisions since September. The related fund forecast for the 2007-09 biennium is \$2,102.5 million. This is \$19.0 million more than expected in September and \$89.5 billion (4.4 percent) higher than receipts in the 2005-07 biennium. The higher related fund forecast includes upward revisions to the health services account (+\$8.0 million), the violence reduction and drug enforcement account (+\$5.5 million) and the public safety and education account (+\$5.7 million).

*This page intentionally left blank.*



# Washington Gross Domestic Product by Industry, 2002-2006

In June 2007, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) released new estimates of 2006 Gross Domestic Product (GDP) by state for major industrial sectors. The release also included revised estimates for 2003-2005 GDP as well as the industrial detail for 2005 GDP that was not included in last year's release. Estimates for the years 2002-2006 are presented in this chapter. Estimates for years not included in this report are available through the BEA ([www.bea.gov](http://www.bea.gov)) or the Economic and Revenue Forecast Council.

The estimate of GDP for each state is derived as the sum of the GDP from all industries in the state. In concept, an industry's GDP, 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 GDP 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, GDP can be broken down into 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 GDP. The most recent year for which these components are currently available is 2005.

Chart 4.1 shows 2006 GDP by state (including the District of Columbia), with California leading all states with a GDP of \$1.727 trillion and Vermont with the lowest GDP at \$24 billion. Washington ranked 14<sup>th</sup> with a GDP of \$294 billion, the same rank it has held since 1990. Chart 4.2 represents the industrial composition of Washington gross state product in 2006. Chart 4.3 compares the component

shares of Washington GDP in 1980 and 2005. During this period, the GDP share of compensation shrank while those of gross operating surplus and taxes grew.

Table 4.1 shows Washington GDP and U.S. gross domestic product from 1976 to 2006, and Washington State GDP as a percentage of U.S. total gross domestic product. During most of this time, Washington's average growth rate of GDP was higher than that of the U.S. GDP, which reflected its growing share of the total. While the state's share of U.S. GDP declined from 1999 to 2004, it has increased in 2005 and 2006. Table 4.2 shows Washington GDP by industry from 2002 to 2006, Table 4.3 details real Washington GDP estimates by industry from 2002 to 2006, and Table 4.4 details the components of GDP by industry in 2005.

**Chart 4.1**  
**2006 Gross Domestic Product by State**  
 Billions of Dollars

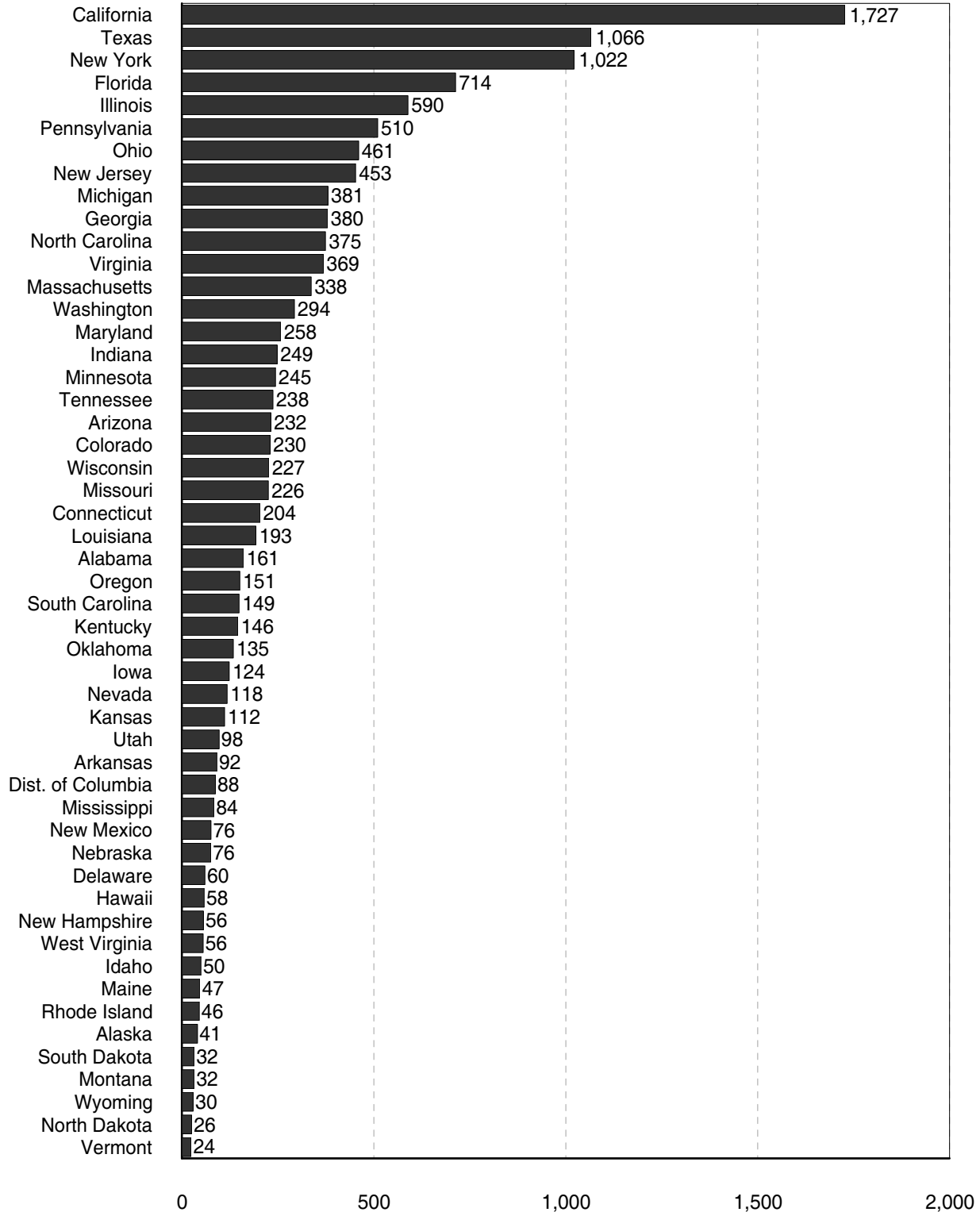


Chart 4.2  
**Washington GDP by Industry, 2006**

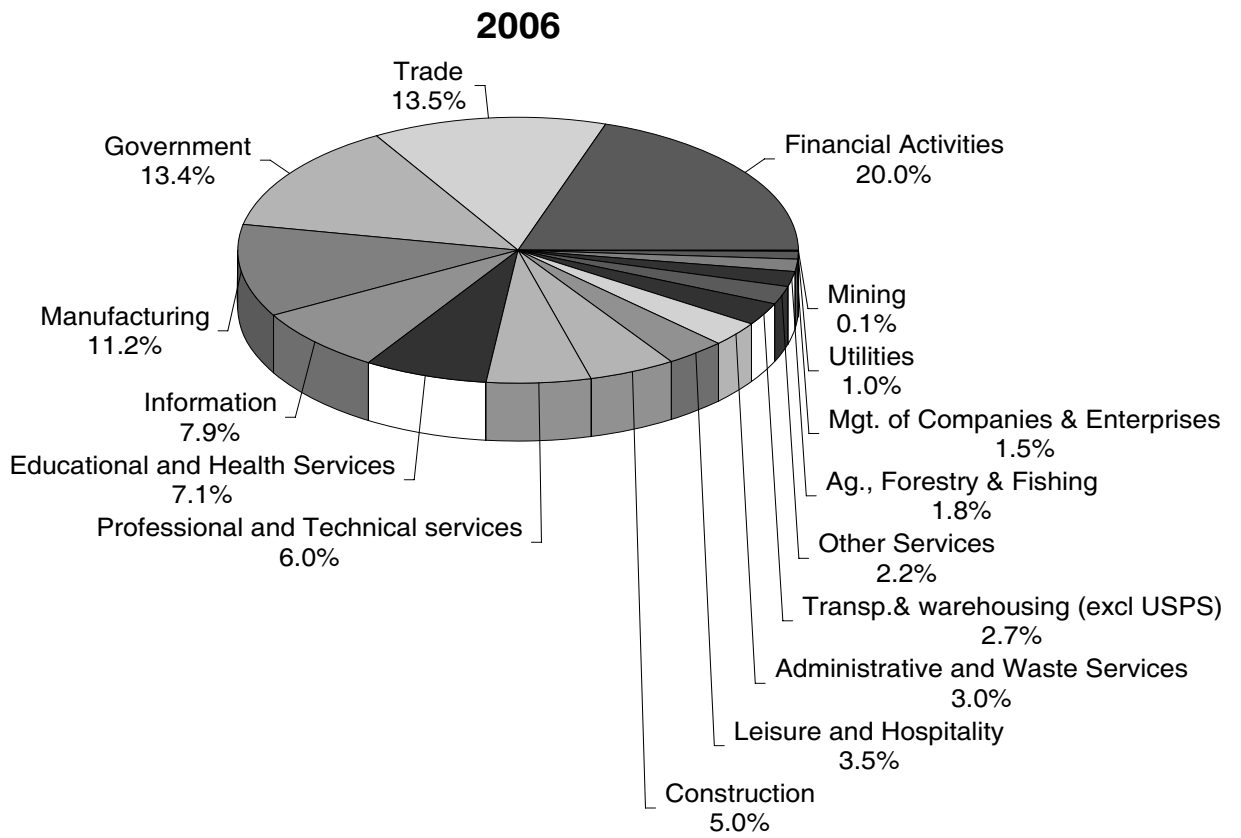


Chart 4.3  
**Washington GDP by Component**  
1980 vs. 2005

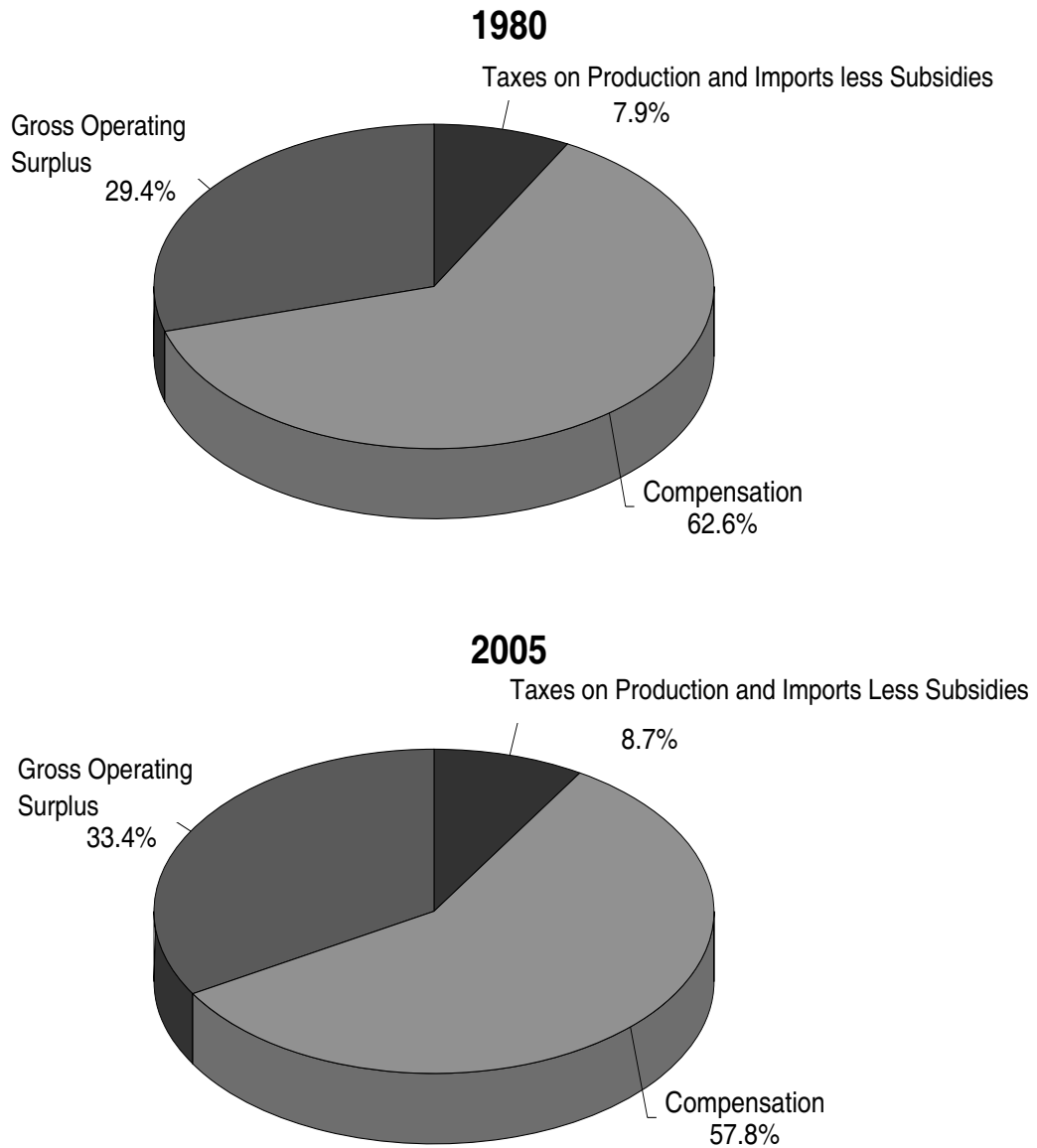


Table 4.1

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

1976 through 2006

	<b>Washington</b>	<b>U.S.</b>	<b>Percent of U.S. Economy</b>
<b>1976</b>	\$31,679	\$1,779,570	1.78%
<b>1977</b>	\$36,276	\$1,986,138	1.83%
<b>1978</b>	\$42,229	\$2,243,638	1.88%
<b>1979</b>	\$48,389	\$2,491,428	1.94%
<b>1980</b>	\$52,158	\$2,719,134	1.92%
<b>1981</b>	\$58,003	\$3,064,552	1.89%
<b>1982</b>	\$61,572	\$3,217,617	1.91%
<b>1983</b>	\$66,765	\$3,451,340	1.93%
<b>1984</b>	\$72,596	\$3,872,847	1.87%
<b>1985</b>	\$75,870	\$4,155,029	1.83%
<b>1986</b>	\$81,932	\$4,364,279	1.88%
<b>1987</b>	\$87,712	\$4,663,282	1.88%
<b>1988</b>	\$96,240	\$5,067,453	1.90%
<b>1989</b>	\$105,057	\$5,385,776	1.95%
<b>1990</b>	\$115,650	\$5,674,013	2.04%
<b>1991</b>	\$122,657	\$5,857,335	2.09%
<b>1992</b>	\$131,148	\$6,174,369	2.12%
<b>1993</b>	\$138,834	\$6,453,455	2.15%
<b>1994</b>	\$146,726	\$6,865,513	2.14%
<b>1995</b>	\$151,338	\$7,232,722	2.09%
<b>1996</b>	\$161,760	\$7,659,651	2.11%
<b>1997*</b>	\$178,334	\$8,237,994	2.16%
<b>1998</b>	\$195,794	\$8,679,657	2.26%
<b>1999</b>	\$214,375	\$9,201,138	2.33%
<b>2000</b>	\$221,961	\$9,749,103	2.28%
<b>2001</b>	\$225,765	\$10,058,168	2.24%
<b>2002</b>	\$231,463	\$10,398,402	2.23%
<b>2003</b>	\$240,813	\$10,886,172	2.21%
<b>2004</b>	\$252,384	\$11,633,572	2.17%
<b>2005</b>	\$271,381	\$12,372,850	2.19%
<b>2006</b>	\$293,531	\$13,149,033	2.23%

\*Classification codes changed in 1997 from SIC to NAICS

Table 4.2

**Washington Gross Domestic Product by Industry**

(Millions of Dollars)

	2002	2003	2004	2005	2006
Total Gross State Product	231,463	240,813	252,384	271,381	293,531
Private industries	198,461	206,115	216,044	233,449	254,066
Agriculture, forestry, fishing, & hunting	4,379	5,175	5,749	5,030	5,355
Crop & animal production (Farms)	2,492	3,074	3,537	2,888	n/a
Forestry, fishing, & related activities	1,887	2,101	2,211	2,142	n/a
Mining	252	256	263	290	332
Oil & gas extraction	(L)	(L)	0	0	n/a
Mining, except oil & gas	228	231	242	264	n/a
Support activities for mining	23	25	21	26	n/a
Utilities	2,243	2,274	2,416	2,541	2,798
Construction	10,286	10,473	11,621	13,311	14,713
Manufacturing	24,214	24,033	22,488	29,266	32,920
Durable goods	16,438	17,079	15,958	20,476	23,519
Wood product manufacturing	1,127	1,307	1,581	1,731	n/a
Nonmetallic mineral product manufacturing	746	797	875	1,026	n/a
Primary metal manufacturing	410	355	484	612	n/a
Fabricated metal product manufacturing	1,107	1,091	1,307	1,691	n/a
Machinery manufacturing	798	838	999	1,128	n/a
Computer & electronic product manuf.	1,257	1,345	1,496	1,580	n/a
Electrical equipment & appliance manuf.	514	533	415	553	n/a
Motor vehicle, body, trailer, & parts manuf.	543	667	517	643	n/a
Other transportation equipment manuf	8,745	8,904	7,039	10,180	n/a
Furniture & related product manuf.	382	446	473	506	n/a
Miscellaneous manufacturing	810	796	773	826	n/a
Nondurable goods	7,776	6,954	6,529	8,790	9,401
Food product manufacturing	2,604	2,325	2,126	2,627	n/a
Textile & textile product mills	121	132	111	114	n/a
Apparel manufacturing	110	103	118	116	n/a
Paper manufacturing	1,113	1,519	1,542	1,576	n/a
Printing & related support activities	585	538	586	550	n/a
Petroleum & coal products manuf.	1,093	978	815	2,322	n/a
Chemical manufacturing	1,506	697	575	730	n/a
Plastics & rubber products manuf.	644	661	656	755	n/a
Wholesale trade	13,667	14,233	16,008	17,251	18,246
Retail trade	16,904	17,643	18,537	19,986	21,392
Transportation & warehousing, excl. Postal Service	6,487	6,833	7,260	7,545	7,936
Air transportation	1,090	1,249	1,110	1,036	n/a
Rail transportation	477	526	570	619	n/a
Water transportation	439	528	580	551	n/a
Truck transportation	1,748	1,726	1,960	2,096	n/a
Transit & ground passenger transportation	236	239	249	251	n/a
Pipeline transportation	33	29	29	35	n/a
Other transportation & support activities	2,058	2,120	2,286	2,420	n/a
Warehousing & storage	405	416	476	536	n/a
Information	20,117	20,242	20,659	21,155	23,252
Publishing including software	12,993	13,771	12,189	13,006	n/a
Motion picture & sound recording industries	172	186	194	211	n/a
Broadcasting & telecommunications	6,457	5,834	7,736	7,219	n/a
Information & data processing services	494	450	539	719	n/a

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

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

Table 4.2 (cont'd.)	2002	2003	2004	2005	2006
Finance & insurance	13270	14397	14800	15480	16573
Federal Reserve banks, credit intermediation	7,483	8,576	8,174	8,937	n/a
Securities, commodity contracts, investment	1,477	1,513	1,790	1,550	n/a
Insurance carriers & related activities	4,095	4,165	4,684	4,821	n/a
Funds, trusts, & other financial vehicles	215	142	152	171	n/a
Real estate, rental, & leasing	32,857	34,030	36,062	37,829	42,033
Real estate	31,093	32,167	34,247	35,939	n/a
Rental & leasing services	1,764	1,863	1,815	1,889	n/a
Professional & technical services	14,759	14,763	15,616	16,729	17,677
Legal services	2,612	2,676	2,884	3,016	n/a
Computer systems design & related svc,	3,327	2,414	2,579	2,760	n/a
Other prof., scientific & technical svc,	8,820	9,673	10,153	10,953	n/a
Management of companies & enterprises	3,080	3,409	3,687	3,736	4,347
Administrative & waste services	6,259	6,931	7,538	8,061	8,834
Administrative & support services	4,883	5,435	5,933	6,382	n/a
Waste management & remediation services	1,375	1,496	1,606	1,679	n/a
Educational services	1,244	1,300	1,434	1,512	1,599
Health care & social assistance	15,065	16,088	17,107	18,173	19,305
Ambulatory health care services	8,312	8,887	9,460	10,065	n/a
Hospitals & nursing & residential care facil.	5,217	5,586	5,952	6,270	n/a
Social assistance	1,536	1,616	1,695	1,839	n/a
Arts, entertainment, & recreation	1,865	1,970	2,162	2,264	2,440
Performing arts, museums, & related act.	757	819	930	989	n/a
Amusements, gambling, & recreation	1,108	1,151	1,231	1,275	n/a
Accommodation & food services	5,861	6,153	6,578	7,011	7,747
Accommodation	1,514	1,577	1,705	1,793	n/a
Food services & drinking places	4,347	4,576	4,872	5,218	n/a
Other services, except government	5,653	5,911	6,060	6,277	6,565
Government	33,002	34,699	36,340	37,932	39,465
Federal civilian	6,060	6,367	6,525	6,274	n/a
Federal military	4,384	4,939	5,343	5,985	n/a
State & local	22,557	23,393	24,472	25,672	n/a

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

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



Table 4.3

**Washington Gross Domestic Product by Industry**

(Millions of Chained 2000 Dollars)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Total Gross State Product	221,115	224,962	229,219	239,980	253,374
Private industries	190,782	194,688	199,052	210,075	223,149
Agriculture, forestry, fishing, & hunting	4,519	4,899	4,791	4,640	5,162
Crop & animal production (Farms)	2,466	2,646	2,519	2,484	n/a
Forestry, fishing, & related activities	2,046	2,251	2,293	2,162	n/a
Mining	213	209	197	190	184
Oil & gas extraction	1	(L)	0	0	n/a
Mining, except oil & gas	206	203	195	190	n/a
Support activities for mining	10	9	7	6	n/a
Utilities	2,030	2,074	2,111	2,131	2,242
Construction	9,130	8,850	9,141	9,634	10,171
Manufacturing	24,095	23,374	21,698	27,008	29,491
Durable goods	16,386	16,907	15,575	19,632	22,284
Wood product manufacturing	1,123	1,239	1,298	1,442	n/a
Nonmetallic mineral product manufacturing	739	799	859	932	n/a
Primary metal manufacturing	431	392	435	484	n/a
Fabricated metal product manufacturing	1,076	1,073	1,254	1,543	n/a
Machinery manufacturing	772	814	1,003	1,107	n/a
Computer & electronic product manuf.	1,880	2,327	2,984	3,620	n/a
Electrical equipment & appliance manuf.	515	547	424	550	n/a
Motor vehicle, body, trailer, & parts manuf.	582	736	606	843	n/a
Other transportation equipment manuf	8,065	7,919	6,109	8,473	n/a
Furniture & related product manuf.	359	419	459	474	n/a
Miscellaneous manufacturing	761	748	742	797	n/a
Nondurable goods	7,639	6,448	6,098	7,361	7,320
Food product manufacturing	2,315	2,097	1,986	2,286	n/a
Textile & textile product mills	118	134	111	115	n/a
Apparel manufacturing	111	104	122	122	n/a
Paper manufacturing	1,124	1,573	1,645	1,661	n/a
Printing & related support activities	558	517	571	537	n/a
Petroleum & coal products manuf.	1,353	767	577	1,097	n/a
Chemical manufacturing	1,473	659	532	630	n/a
Plastics & rubber products manuf.	618	650	667	749	n/a
Wholesale trade	14,200	14,593	15,366	15,556	15,768
Retail trade	17,008	17,661	18,302	19,657	20,909
Transportation & warehousing, excl. Postal Service	6,385	6,486	6,985	7,235	7,359
Air transportation	1,416	1,622	1,756	1,910	n/a
Rail transportation	445	481	508	498	n/a
Water transportation	355	324	379	403	n/a
Truck transportation	1,600	1,559	1,738	1,839	n/a
Transit & ground passenger transportation	220	213	215	212	n/a
Pipeline transportation	27	27	28	42	n/a
Other transportation & support activities	1,980	1,976	2,017	1,983	n/a
Warehousing & storage	387	396	455	516	n/a
Information	19,972	20,616	21,809	22,909	25,665
Publishing including software	12,603	13,802	12,710	13,618	n/a
Motion picture & sound recording industries	159	176	179	193	n/a
Broadcasting & telecommunications	6,755	6,179	8,444	8,387	n/a
Information & data processing services	468	424	529	722	n/a

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

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

Table 4.3 (cont'd.)	2002	2003	2004	2005	2006
Finance & insurance	12,533	13,287	13,116	13,369	13,914
Federal Reserve banks, credit intermediation	6,833	7,684	7,082	7,479	n/a
Securities, commodity contracts, investment	1,690	1,848	2,163	1,899	n/a
Insurance carriers & related activities	3,876	3,666	3,852	3,852	n/a
Funds, trusts, & other financial vehicles	132	107	121	153	n/a
Real estate, rental, & leasing	30,670	30,881	31,996	32,808	35,222
Real estate	28,880	29,081	30,278	31,092	n/a
Rental & leasing services	1,782	1,793	1,700	1,697	n/a
Professional & technical services	14,062	14,089	14,844	15,652	16,182
Legal services	2,376	2,344	2,384	2,351	n/a
Computer systems design & related svc,	3,334	2,471	2,709	2,903	n/a
Other prof., scientific & technical svc,	8,344	9,215	9,706	10,386	n/a
Management of companies & enterprises	3,106	3,323	3,426	3,284	3,636
Administrative & waste services	5,788	6,370	6,545	6,865	7,334
Administrative & support services	4,526	5,028	5,209	5,423	n/a
Waste management & remediation services	1,262	1,343	1,339	1,443	n/a
Educational services	1,083	1,091	1,140	1,144	1,159
Health care & social assistance	13,888	14,478	14,969	15,493	16,059
Ambulatory health care services	7,883	8,272	8,618	8,989	n/a
Hospitals & nursing & residential care facil.	4,558	4,694	4,773	4,819	n/a
Social assistance	1,456	1,526	1,604	1,733	n/a
Arts, entertainment, & recreation	1,725	1,776	1,896	1,923	2,004
Performing arts, museums, & related act.	696	726	794	805	n/a
Amusements, gambling, & recreation	1,029	1,050	1,101	1,117	n/a
Accommodation & food services	5,413	5,631	5,840	6,023	6,451
Accommodation	1,473	1,515	1,556	1,560	n/a
Food services & drinking places	3,941	4,116	4,283	4,461	n/a
Other services, except government	5,061	5,137	5,071	5,057	5,102
Government	30,313	30,289	30,241	30,161	30,633
Federal civilian	5,553	5,531	5,314	4,907	n/a
Federal military	3,884	4,031	4,094	4,250	n/a
State & local	20,873	20,714	20,820	20,987	n/a

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

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

Table 4.4

**Washington Gross Domestic Product by Component, 2005**

(Millions of Current Dollars)

	<b>Total</b>	<b>Compensation</b>	<b>Taxes on Production and Imports less Subsidies</b>	<b>Gross Operating Surplus</b>
Total Gross State Product	271,381	156,900	23,707	90,774
Private industries	233,449	123,312	24,079	86,058
Agriculture, forestry, fishing, & hunting	5,030	2,742	(354)	2,642
Crop & animal production (Farms)	2,888	1,364	(485)	2,010
Forestry, fishing, & related activities	2,142	1,379	131	632
Mining	290	232	37	22
Oil & gas extraction	0	0	0	0
Mining, except oil & gas	264	210	35	19
Support activities for mining	26	22	2	3
Utilities	2,541	387	1,016	1,139
Construction	13,311	10,004	456	2,851
Manufacturing	29,266	20,019	737	8,510
Durable goods	20,476	15,147	381	4,948
Wood product manf.	1,731	1,062	31	639
Nonmetallic mineral product manf.	1,026	540	21	465
Primary metal manf.	612	357	28	226
Fabricated metal product manf.	1,691	971	24	696
Machinery manf.	1,128	851	21	256
Computer & electronic product manuf.	1,580	1,967	61	(448)
Electrical equipment & appliance manuf.	553	321	12	221
Motor vehicle, body, trailer, & parts manuf.	643	(D)	14	(D)
Other transportation equipment manuf.	10,180	(D)	146	(D)
Furniture & related product manuf.	506	447	6	53
Miscellaneous manf.	826	632	18	176
Nondurable goods	8,790	4,872	356	3,562
Food product manf.	2,627	1,860	159	609
Textile & textile product mills	114	117	5	(8)
Apparel manf.	116	109	3	4
Paper manf.	1,576	1,031	61	485
Printing & related support activities	550	462	8	79
Petroleum & coal products manuf.	2,322	290	56	1,977
Chemical manf.	730	502	43	185
Plastics & rubber products manuf.	755	502	21	232
Wholesale trade	17,251	8,218	5,317	3,716
Retail trade	19,986	11,255	4,790	3,941
Transportation & warehousing, excl. Postal Svc	7,545	4,984	546	2,015
Air transportation	1,036	892	143	1
Rail transportation	619	(D)	20	(D)
Water transportation	551	275	38	237
Truck transportation	2,096	1,254	88	755
Transit & ground passenger transportation	251	177	16	57
Pipeline transportation	35	21	10	5

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

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

Table 4.4 (cont'd.)

	<b>Total</b>	<b>Compensation</b>	<b>Taxes on Production and Imports less Subsidies</b>	<b>Gross Operating Surplus</b>
Other transportation & support activities	2,420	(D)	221	(D)
Warehousing & storage	536	407	10	120
Information	21,155	10,572	933	9,650
Publishing including software	13,006	7,398	154	5,453
Motion picture & sound recording industries	211	126	18	67
Broadcasting & telecommunications	7,219	2,625	730	3,864
Information & data processing services	719	422	31	266
Finance & insurance	15,480	8,255	1,013	6,211
Federal Reserve banks, credit intermediation	8,937	(D)	369	(D)
Securities, commodity contracts, investments	1,550	1,393	130	27
Insurance carriers & related activities	4,821	3,013	502	1,306
Funds, trusts, & other financial vehicles	171	(D)	11	(D)
Real estate, rental, & leasing	37,829	2,078	6,027	29,723
Real estate	35,939	1,542	5,724	28,673
Rental & leasing services	1,889	536	303	1,050
Professional & technical services	16,729	11,153	568	5,008
Legal services	3,016	1,741	148	1,127
Computer systems design & related svc,	2,760	2,171	90	499
Other prof., scientific & technical svc,	10,953	7,241	329	3,382
Management of companies & enterprises	3,736	3,032	70	634
Administrative & waste services	8,061	5,692	411	1,959
Administrative & support services	6,382	4,639	248	1,494
Waste management & remediation services	1,679	1,053	162	464
Educational services	1,512	1,259	30	223
Health care & social assistance	18,173	13,359	537	4,278
Ambulatory health care services	10,065	6,515	208	3,342
Hospitals & nursing & residential care facil.	6,270	5,372	295	603
Social assistance	1,839	1,472	34	333
Arts, entertainment, & recreation	2,264	1,505	157	602
Performing arts, museums, & related act.	989	664	54	271
Amusements, gambling, & recreation	1,275	841	102	332
Accommodation & food services	7,011	4,315	1,113	1,583
Accommodation	1,793	778	447	568
Food services & drinking places	5,218	3,538	666	1,015
Other services, except government	6,277	4,251	675	1,351
Government	37,932	33,588	(372)	4,716
Federal civilian	6,274	6,002	0	272
Federal military	5,985	5,412	0	573
State & local	25,672	22,174	(372)	3,871

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

(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 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	10,048.9	10,301.1	10,675.7	11,003.5	11,319.4	11,542.2	11,777.8	12,123.0
% Ch	1.6	2.5	3.6	3.1	2.9	2.0	2.0	2.9
Real Consumption	7,099.3	7,295.4	7,561.3	7,803.6	8,044.1	8,282.5	8,470.4	8,695.1
% Ch	2.7	2.8	3.6	3.2	3.1	3.0	2.3	2.7
Real Nonresidential Fixed Investment	1,071.5	1,081.8	1,144.3	1,225.8	1,306.8	1,356.6	1,388.7	1,439.6
% Ch	-9.2	1.0	5.8	7.1	6.6	3.8	2.4	3.7
Real Residential Fixed Investment	469.9	509.4	560.1	597.1	569.5	473.8	388.9	413.0
% Ch	4.8	8.4	10.0	6.6	-4.6	-16.8	-17.9	6.2
Real Personal Income	8,578.1	8,677.6	8,973.3	9,230.7	9,577.6	9,963.0	10,254.7	10,587.6
% Ch	0.4	1.2	3.4	2.9	3.8	4.0	2.9	3.2
Real Per Capita Income (\$/Person)	29,702	29,752	30,473	31,044	31,911	32,899	33,565	34,354
% Ch	-0.6	0.2	2.4	1.9	2.8	3.1	2.0	2.4
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.116	1.147	1.174	1.195	1.216
% Ch	1.4	2.0	2.6	2.9	2.8	2.4	1.8	1.7
U.S. Consumer Price Index (1982-84=1.0)	1.799	1.840	1.889	1.953	2.016	2.070	2.108	2.145
% Ch	1.6	2.3	2.7	3.4	3.2	2.7	1.8	1.8
Employment Cost Index (June 1989=1.0)	0.916	0.942	0.967	0.992	1.020	1.055	1.084	1.114
% Ch	3.2	2.8	2.7	2.5	2.9	3.4	2.8	2.8
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	10,469.6	10,960.8	11,685.9	12,433.9	13,194.7	13,803.5	14,321.1	15,020.4
% Ch	3.4	4.7	6.6	6.4	6.1	4.6	3.7	4.9
Personal Income	8,881.9	9,163.6	9,727.2	10,301.1	10,983.4	11,694.6	12,255.3	12,874.6
% Ch	1.8	3.2	6.2	5.9	6.6	6.5	4.8	5.1
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	145.1	146.5	147.4	149.3	151.4	153.1	154.3	155.7
Total U.S. Employment	136.5	137.7	139.2	141.7	144.4	146.1	146.7	148.1
Unemployment Rate (%)	5.78	5.99	5.53	5.07	4.63	4.61	4.97	4.87
Nonfarm Payroll Employment	130.35	129.99	131.42	133.70	136.17	137.92	138.95	140.65
% Ch	-1.1	-0.3	1.1	1.7	1.9	1.3	0.7	1.2
Manufacturing	15.26	14.51	14.32	14.23	14.20	14.06	13.82	13.67
% Ch	-7.2	-4.9	-1.3	-0.6	-0.2	-1.0	-1.7	-1.1
Durable Manufacturing	9.48	8.96	8.92	8.96	9.00	8.90	8.71	8.62
% Ch	-8.2	-5.5	-0.4	0.3	0.5	-1.1	-2.1	-1.0
Nondurable Manufacturing	5.77	5.54	5.39	5.27	5.20	5.15	5.11	5.05
% Ch	-5.4	-4.0	-2.8	-2.2	-1.4	-0.8	-0.9	-1.1
Construction	6.72	6.73	6.98	7.34	7.69	7.62	7.30	7.28
% Ch	-1.6	0.3	3.6	5.2	4.8	-0.9	-4.2	-0.3
Service-Producing	107.79	108.18	109.54	111.50	113.60	115.52	117.11	119.00
% Ch	-0.2	0.4	1.3	1.8	1.9	1.7	1.4	1.6
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	26.1	31.1	41.5	56.6	66.1	68.9	74.2	74.3
Personal Saving/Disposable Income (%)	2.4	2.1	2.1	0.5	0.4	0.8	1.5	2.1
Auto Sales (Millions)	8.1	7.6	7.5	7.7	7.8	7.6	7.5	7.6
% Ch	-3.8	-6.0	-1.4	2.2	1.5	-2.9	-0.5	1.0
Housing Starts (Millions)	1.710	1.854	1.950	2.073	1.812	1.344	1.116	1.403
% Ch	6.8	8.4	5.2	6.3	-12.6	-25.8	-17.0	25.7
Federal Budget Surplus (Billions)	-248.0	-372.1	-370.6	-318.3	-220.1	-203.3	-280.8	-296.5
Net Exports (Billions)	-424.4	-499.4	-615.4	-714.6	-762.0	-717.7	-683.1	-641.6
3-Month Treasury Bill Rate (%)	1.61	1.01	1.36	3.13	4.72	4.42	3.79	4.41
10-Year Treasury Note Yield (%)	4.61	4.01	4.27	4.29	4.79	4.69	4.58	5.05
Bond Index of 20 G.O. Munis. (%)	5.03	4.74	4.68	4.40	4.40	4.42	4.61	5.09
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.42	6.35	6.34	6.77

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	10,543.6	10,634.2	10,728.7	10,796.4	10,878.4	10,954.1	11,074.3	11,107.2
% Ch , Annual Rate	3.0	3.5	3.6	2.5	3.1	2.8	4.5	1.2
Real Consumption	7,475.1	7,520.5	7,585.5	7,664.3	7,709.4	7,775.2	7,852.8	7,876.9
% Ch , Annual Rate	4.4	2.4	3.5	4.2	2.4	3.5	4.1	1.2
Real Nonresidential Fixed Investment	1,099.1	1,127.5	1,160.7	1,189.7	1,199.5	1,214.1	1,239.5	1,250.0
% Ch , Annual Rate	-2.6	10.7	12.3	10.4	3.3	5.0	8.6	3.4
Real Residential Fixed Investment	540.5	561.7	567.5	570.9	578.3	596.4	606.4	607.2
% Ch , Annual Rate	4.0	16.6	4.2	2.4	5.3	13.1	6.9	0.5
Real Personal Income	8,848.9	8,901.5	8,988.6	9,154.0	9,148.4	9,216.8	9,205.1	9,352.6
% Ch , Annual Rate	2.6	2.4	4.0	7.6	-0.2	3.0	-0.5	6.6
Real Per Capita Income (\$/Person)	30,166	30,272	30,485	30,970	30,885	31,039	30,917	31,336
% Ch , Annual Rate	1.7	1.4	2.8	6.5	-1.1	2.0	-1.6	5.5
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.082	1.087	1.095	1.101	1.110	1.122	1.130
% Ch , Annual Rate	3.5	3.8	2.0	3.0	2.2	3.4	4.3	2.8
U.S. Consumer Price Index (1982-84=1.0)	1.865	1.885	1.895	1.911	1.921	1.940	1.966	1.983
% Ch , Annual Rate	3.5	4.2	2.1	3.6	2.1	3.9	5.6	3.4
Employment Cost Index (June 1989=1.0)	0.957	0.964	0.972	0.976	0.983	0.988	0.994	1.001
% Ch , Annual Rate	2.5	3.0	3.4	1.7	2.9	2.1	2.5	2.8
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	11,405.5	11,610.3	11,779.4	11,948.5	12,154.0	12,317.4	12,558.8	12,705.5
% Ch , Annual Rate	6.8	7.4	6.0	5.9	7.1	5.5	8.1	4.8
Personal Income	9,482.8	9,629.6	9,770.9	10,025.5	10,074.1	10,234.1	10,328.6	10,567.4
% Ch , Annual Rate	6.2	6.3	6.0	10.8	2.0	6.5	3.7	9.6
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	146.8	147.1	147.6	148.1	148.2	149.1	149.8	150.1
Total U.S. Employment	138.5	138.9	139.5	140.1	140.4	141.5	142.3	142.7
Unemployment Rate (%)	5.70	5.60	5.43	5.40	5.27	5.07	5.00	4.97
Nonfarm Payroll Employment	130.55	131.29	131.63	132.23	132.66	133.37	134.11	134.65
% Ch , Annual Rate	1.2	2.3	1.1	1.8	1.3	2.2	2.2	1.6
Manufacturing	14.28	14.33	14.34	14.31	14.27	14.24	14.20	14.20
% Ch , Annual Rate	-0.7	1.2	0.3	-0.8	-1.1	-0.8	-1.1	-0.0
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.97
% Ch , Annual Rate	0.5	2.4	1.6	0.4	-0.2	-0.0	-0.5	1.0
Nondurable Manufacturing	5.42	5.41	5.39	5.35	5.31	5.29	5.26	5.24
% Ch , Annual Rate	-2.7	-0.6	-1.7	-2.8	-2.7	-2.1	-2.0	-1.8
Construction	6.86	6.94	7.00	7.10	7.15	7.29	7.39	7.52
% Ch , Annual Rate	3.6	4.7	3.6	6.0	2.4	8.3	5.3	7.6
Service-Producing	108.82	109.43	109.69	110.22	110.63	111.22	111.89	112.28
% Ch , Annual Rate	1.3	2.2	1.0	1.9	1.5	2.1	2.4	1.4
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	35.4	38.3	43.9	48.3	49.9	53.1	63.2	60.1
Personal Saving/Disposable Income (%)	2.0	2.0	1.8	2.5	1.0	0.8	-0.5	0.8
Auto Sales (Millions)	7.5	7.5	7.3	7.7	7.5	7.7	7.9	7.6
% Ch , Annual Rate	-0.3	-0.5	-8.2	22.2	-8.0	7.3	10.6	-14.9
Housing Starts (Millions)	1.918	1.937	1.977	1.965	2.072	2.051	2.100	2.069
% Ch , Annual Rate	-21.1	4.0	8.4	-2.3	23.5	-3.9	9.8	-5.8
Federal Budget Surplus (Billions)	-411.1	-374.1	-361.9	-335.4	-298.0	-287.5	-394.3	-293.2
Net Exports (Billions)	-543.2	-603.1	-632.6	-682.6	-671.1	-679.8	-725.0	-782.4
3-Month Treasury Bill Rate (%)	0.92	1.07	1.48	2.00	2.52	2.86	3.35	3.81
10-Year Treasury Note Yield (%)	4.02	4.60	4.30	4.17	4.30	4.16	4.21	4.49
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.71	4.50	4.44	4.34	4.30	4.51
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	11,238.7	11,306.7	11,336.7	11,395.5	11,412.6	11,520.1	11,596.6	11,639.4
% Ch , Annual Rate	4.8	2.4	1.1	2.1	0.6	3.8	2.7	1.5
Real Consumption	7,961.9	8,009.3	8,063.8	8,141.2	8,215.7	8,244.3	8,312.8	8,357.0
% Ch , Annual Rate	4.4	2.4	2.8	3.9	3.7	1.4	3.4	2.1
Real Nonresidential Fixed Investment	1,289.7	1,303.2	1,319.4	1,314.8	1,321.7	1,356.6	1,365.7	1,382.6
% Ch , Annual Rate	13.3	4.3	5.1	-1.4	2.1	11.0	2.7	5.0
Real Residential Fixed Investment	606.1	587.5	555.0	529.4	506.3	490.7	467.1	431.0
% Ch , Annual Rate	-0.7	-11.7	-20.4	-17.2	-16.3	-11.8	-17.9	-27.6
Real Personal Income	9,505.7	9,519.1	9,558.3	9,727.2	9,876.3	9,901.7	10,000.5	10,073.4
% Ch , Annual Rate	6.7	0.6	1.7	7.3	6.3	1.0	4.1	2.9
Real Per Capita Income (\$/Person)	31,783	31,751	31,811	32,300	32,722	32,733	32,987	33,154
% Ch , Annual Rate	5.8	-0.4	0.8	6.3	5.3	0.1	3.1	2.0
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.135	1.147	1.154	1.151	1.161	1.173	1.178	1.183
% Ch , Annual Rate	1.8	4.3	2.6	-0.9	3.5	4.3	1.4	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.992	2.017	2.032	2.022	2.041	2.071	2.080	2.088
% Ch , Annual Rate	1.9	5.0	3.1	-2.1	3.8	6.0	1.8	1.6
Employment Cost Index (June 1989=1.0)	1.008	1.016	1.024	1.032	1.043	1.051	1.059	1.066
% Ch , Annual Rate	2.8	3.2	3.2	3.2	4.3	3.1	3.0	2.8
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	12,964.6	13,155.0	13,266.9	13,392.3	13,551.9	13,768.8	13,891.6	14,001.9
% Ch , Annual Rate	8.4	6.0	3.4	3.8	4.9	6.6	3.6	3.2
Personal Income	10,787.1	10,915.5	11,030.9	11,200.2	11,469.2	11,619.2	11,776.0	11,914.0
% Ch , Annual Rate	8.6	4.8	4.3	6.3	10.0	5.3	5.5	4.8
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	150.4	151.1	151.7	152.4	152.9	152.8	153.1	153.5
Total U.S. Employment	143.4	144.1	144.6	145.6	146.0	146.0	146.1	146.2
Unemployment Rate (%)	4.73	4.63	4.70	4.47	4.50	4.50	4.63	4.79
Nonfarm Payroll Employment	135.39	135.91	136.44	136.95	137.45	137.86	138.07	138.29
% Ch , Annual Rate	2.2	1.5	1.6	1.5	1.5	1.2	0.6	0.6
Manufacturing	14.21	14.23	14.22	14.15	14.11	14.06	14.02	14.03
% Ch , Annual Rate	0.4	0.3	-0.3	-2.0	-1.0	-1.3	-1.2	0.2
Durable Manufacturing	8.99	9.02	9.02	8.98	8.94	8.91	8.88	8.88
% Ch , Annual Rate	1.0	1.5	-0.1	-1.8	-1.7	-1.4	-1.5	0.1
Nondurable Manufacturing	5.22	5.20	5.20	5.17	5.17	5.15	5.14	5.15
% Ch , Annual Rate	-0.8	-1.6	-0.5	-2.3	0.3	-1.3	-0.7	0.4
Construction	7.66	7.70	7.72	7.69	7.68	7.67	7.63	7.51
% Ch , Annual Rate	7.4	2.0	1.0	-1.3	-0.4	-1.0	-2.0	-6.0
Service-Producing	112.86	113.31	113.82	114.41	114.94	115.42	115.70	116.02
% Ch , Annual Rate	2.1	1.6	1.8	2.1	1.9	1.7	1.0	1.1
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	63.4	70.6	70.5	60.1	58.1	65.0	75.5	77.0
Personal Saving/Disposable Income (%)	0.9	0.3	0.0	0.4	1.0	0.6	0.8	0.9
Auto Sales (Millions)	7.8	7.9	7.8	7.6	7.6	7.7	7.3	7.6
% Ch , Annual Rate	14.3	1.6	-2.5	-8.0	-3.4	5.6	-16.4	14.8
Housing Starts (Millions)	2.127	1.861	1.704	1.555	1.460	1.464	1.310	1.141
% Ch , Annual Rate	11.8	-41.4	-29.7	-30.8	-22.1	1.1	-35.9	-42.4
Federal Budget Surplus (Billions)	-219.6	-239.9	-239.2	-181.5	-218.5	-192.7	-194.1	-207.7
Net Exports (Billions)	-763.3	-780.4	-799.1	-705.3	-714.2	-714.2	-720.3	-722.1
3-Month Treasury Bill Rate (%)	4.38	4.68	4.91	4.91	4.98	4.75	4.31	3.63
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.63	4.68	4.85	4.73	4.52
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.18	4.20	4.37	4.58	4.53
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.30



Table A1.2  
**U.S. Economic Forecast Summary**  
 Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	11,673.9	11,728.5	11,810.2	11,898.6	11,992.3	12,080.1	12,164.7	12,255.0
% Ch , Annual Rate	1.2	1.9	2.8	3.0	3.2	3.0	2.8	3.0
Real Consumption	8,394.3	8,440.1	8,496.4	8,550.7	8,607.1	8,664.3	8,721.8	8,787.1
% Ch , Annual Rate	1.8	2.2	2.7	2.6	2.7	2.7	2.7	3.0
Real Nonresidential Fixed Investment	1,383.1	1,383.8	1,389.5	1,398.2	1,413.4	1,428.8	1,448.4	1,467.9
% Ch , Annual Rate	0.1	0.2	1.7	2.5	4.4	4.4	5.6	5.5
Real Residential Fixed Investment	396.8	382.2	384.8	391.7	400.5	409.0	417.6	425.0
% Ch , Annual Rate	-28.1	-14.0	2.8	7.3	9.4	8.7	8.7	7.3
Real Personal Income	10,149.3	10,215.5	10,283.1	10,371.0	10,460.8	10,544.1	10,624.8	10,720.7
% Ch , Annual Rate	3.0	2.6	2.7	3.5	3.5	3.2	3.1	3.7
Real Per Capita Income (\$/Person)	33,330	33,473	33,621	33,835	34,053	34,250	34,438	34,673
% Ch , Annual Rate	2.1	1.7	1.8	2.6	2.6	2.3	2.2	2.8
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.188	1.193	1.198	1.202	1.207	1.213	1.219	1.224
% Ch , Annual Rate	1.7	1.7	1.7	1.4	1.7	2.0	2.0	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.096	2.104	2.112	2.119	2.128	2.140	2.151	2.160
% Ch , Annual Rate	1.5	1.6	1.6	1.3	1.7	2.3	2.2	1.7
Employment Cost Index (June 1989=1.0)	1.073	1.080	1.087	1.095	1.102	1.109	1.118	1.126
% Ch , Annual Rate	2.7	2.6	2.8	2.7	2.5	2.8	3.2	3.1
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	14,106.0	14,232.3	14,389.7	14,556.2	14,748.6	14,928.8	15,107.6	15,296.5
% Ch , Annual Rate	3.0	3.6	4.5	4.7	5.4	5.0	4.9	5.1
Personal Income	12,053.7	12,183.8	12,317.1	12,466.5	12,626.7	12,791.6	12,954.1	13,126.1
% Ch , Annual Rate	4.8	4.4	4.4	4.9	5.2	5.3	5.2	5.4
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	153.8	154.2	154.5	154.8	155.2	155.5	155.9	156.3
Total U.S. Employment	146.3	146.5	146.8	147.1	147.5	147.9	148.3	148.7
Unemployment Rate (%)	4.90	4.98	5.01	4.99	4.93	4.89	4.85	4.81
Nonfarm Payroll Employment	138.47	138.73	139.09	139.50	139.98	140.46	140.87	141.31
% Ch, Annual Rate	0.5	0.8	1.0	1.2	1.4	1.4	1.2	1.2
Manufacturing	13.93	13.87	13.77	13.71	13.67	13.67	13.67	13.67
% Ch, Annual Rate	-2.7	-1.9	-2.6	-1.8	-1.0	-0.2	0.1	0.1
Durable Manufacturing	8.80	8.74	8.68	8.64	8.61	8.61	8.63	8.65
% Ch, Annual Rate	-3.7	-2.5	-2.7	-2.1	-1.3	0.0	0.8	1.1
Nondurable Manufacturing	5.14	5.12	5.09	5.07	5.07	5.06	5.04	5.02
% Ch, Annual Rate	-1.1	-0.9	-2.6	-1.3	-0.7	-0.5	-1.2	-1.5
Construction	7.37	7.29	7.26	7.28	7.29	7.26	7.26	7.28
% Ch, Annual Rate	-7.2	-4.6	-1.2	0.8	0.9	-1.8	0.3	1.1
Service-Producing	116.43	116.86	117.34	117.80	118.30	118.82	119.23	119.64
% Ch, Annual Rate	1.4	1.5	1.7	1.6	1.7	1.8	1.4	1.4
<b>Miscellaneous Indicators</b>								
Oil-WTI (\$ per barrel)	74.3	74.5	75.3	72.8	73.7	74.7	75.0	74.0
Personal Saving/Disposable Income (%)	1.2	1.5	1.5	1.8	1.9	2.1	2.2	2.3
Auto Sales (Millions)	7.4	7.5	7.6	7.6	7.6	7.6	7.6	7.6
% Ch, Annual Rate	-8.6	3.4	3.1	0.5	-0.5	1.2	0.8	1.2
Housing Starts (Millions)	1.013	1.072	1.151	1.229	1.310	1.380	1.435	1.485
% Ch, Annual Rate	-37.9	25.4	32.8	30.0	29.2	23.1	16.8	14.8
Federal Budget Surplus (Billions)	-247.8	-283.9	-290.0	-301.5	-298.5	-306.7	-294.5	-286.3
Net Exports (Billions)	-713.8	-686.8	-673.4	-658.3	-644.9	-640.6	-644.0	-636.9
3-Month Treasury Bill Rate (%)	3.63	3.74	3.84	3.97	4.13	4.38	4.56	4.58
10-Year Treasury Note Yield (%)	4.50	4.52	4.58	4.71	4.80	5.00	5.19	5.20
Bond Index of 20 G.O. Munis. (%)	4.53	4.55	4.61	4.74	4.83	5.03	5.24	5.26
30-Year Fixed Mortgage Rate (%)	6.28	6.28	6.34	6.47	6.55	6.73	6.90	6.90

Table A1.3  
**Washington Economic Forecast Summary**  
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	190.708	192.191	201.402	201.459	212.308	222.568	232.266	242.132
% Ch	0.6	0.8	4.8	0.0	5.4	4.8	4.4	4.2
Real Wage and Salary Disb.	107.608	108.061	109.980	112.770	118.887	125.257	130.737	136.010
% Ch	-0.7	0.4	1.8	2.5	5.4	5.4	4.4	4.0
Real Nonwage Income	83.099	84.130	91.421	88.688	93.421	97.311	101.529	106.122
% Ch	2.4	1.2	8.7	-3.0	5.3	4.2	4.3	4.5
Real Per Capita Income (\$/Person)	31,455	31,381	32,473	31,971	33,080	34,096	35,006	35,893
% Ch	-0.4	-0.2	3.5	-1.5	3.5	3.1	2.7	2.5
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.116	1.147	1.174	1.195	1.216
% Ch	1.4	2.0	2.6	2.9	2.8	2.4	1.8	1.7
Seattle Cons. Price Index (1982-84=1.0)	1.893	1.924	1.947	2.002	2.076	2.150	2.203	2.258
% Ch	2.0	1.6	1.2	2.8	3.7	3.6	2.4	2.5
Average Nonfarm Annual Wage	40,278	41,105	42,234	43,256	45,590	47,904	49,998	52,010
% Ch	2.1	2.1	2.7	2.4	5.4	5.1	4.4	4.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.02	18.28	18.81	19.90	20.65	21.39	21.79
% Ch	1.0	-0.7	1.4	2.9	5.8	3.7	3.6	1.8
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	197.452	202.942	218.366	224.808	243.471	261.258	277.586	294.445
% Ch	2.0	2.8	7.6	2.9	8.3	7.3	6.2	6.1
Disposable Personal Income	174.068	180.775	194.870	198.419	213.449	227.975	242.548	257.604
% Ch	4.8	3.9	7.8	1.8	7.6	6.8	6.4	6.2
Per Capita Income (\$/Person)	32,567	33,136	35,207	35,675	37,934	40,022	41,836	43,646
% Ch	1.0	1.7	6.3	1.3	6.3	5.5	4.5	4.3
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,104.7	3,149.2	3,208.9	3,270.5	3,326.5	3,403.2	3,499.8	3,565.2
Total Washington Employment	2,877.0	2,916.0	3,008.4	3,090.0	3,160.3	3,241.9	3,326.3	3,383.7
Unemployment Rate (%)	7.33	7.41	6.25	5.52	5.00	4.74	4.96	5.09
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,776.9	2,858.2	2,937.7	2,991.8	3,045.8
% Ch	-1.6	0.1	1.6	2.8	2.9	2.8	1.8	1.8
Manufacturing	285.0	267.0	263.7	272.6	285.5	292.0	293.3	292.9
% Ch	-9.8	-6.3	-1.3	3.4	4.7	2.3	0.4	-0.1
Durable Manufacturing	199.3	183.7	182.4	191.5	203.7	210.9	211.3	209.8
% Ch	-11.4	-7.8	-0.7	5.0	6.4	3.5	0.2	-0.7
Aerospace	75.7	65.3	61.5	65.6	73.3	79.3	82.5	82.7
% Ch	-13.2	-13.8	-5.8	6.8	11.7	8.2	4.0	0.3
Nondurable Manufacturing	85.7	83.3	81.3	81.1	81.8	81.1	82.0	83.1
% Ch	-6.0	-2.8	-2.4	-0.2	0.8	-0.8	1.1	1.3
Construction	154.2	156.2	164.2	177.3	195.0	210.1	211.7	210.4
% Ch	-2.9	1.3	5.1	8.0	9.9	7.8	0.8	-0.6
Service-Producing	2,205.4	2,225.6	2,263.9	2,318.0	2,369.0	2,427.3	2,478.7	2,534.6
% Ch	-0.3	0.9	1.7	2.4	2.2	2.5	2.1	2.3
Software Publishers	36.1	37.4	39.3	41.3	44.7	47.8	50.3	53.1
% Ch	0.8	3.4	5.1	5.1	8.4	6.8	5.1	5.7
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	40.200	42.825	50.089	52.988	50.033	48.366	43.169	44.862
% Ch	4.8	6.5	17.0	5.8	-5.6	-3.3	-10.7	3.9
Single-Family	30.239	33.091	36.489	41.407	35.611	29.938	26.671	27.858
% Ch	13.1	9.4	10.3	13.5	-14.0	-15.9	-10.9	4.4
Multi-Family	9.961	9.734	13.600	11.581	14.422	18.428	16.498	17.005
% Ch	-14.2	-2.3	39.7	-14.8	24.5	27.8	-10.5	3.1
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.42	6.35	6.34	6.77

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	192.404	195.884	197.299	220.019	198.688	200.314	202.784	204.048
% Ch, Annual Rate	-0.0	7.4	2.9	54.6	-33.5	3.3	5.0	2.5
Real Wage and Salary Disb.	107.111	110.333	111.212	111.266	111.088	111.785	113.964	114.245
% Ch, Annual Rate	-0.3	12.6	3.2	0.2	-0.6	2.5	8.0	1.0
Real Nonwage Income	85.294	85.551	86.086	108.753	87.600	88.528	88.821	89.804
% Ch, Annual Rate	0.3	1.2	2.5	154.7	-57.9	4.3	1.3	4.5
Real Per Capita Income (\$/Person)	31,195	31,645	31,760	35,292	31,758	31,866	32,106	32,155
% Ch, Annual Rate	-1.2	5.9	1.5	52.5	-34.4	1.4	3.1	0.6
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.082	1.087	1.095	1.101	1.110	1.122	1.130
% Ch, Annual Rate	3.5	3.8	2.0	3.0	2.2	3.4	4.3	2.8
Seattle Cons. Price Index (1982-84=1.0)	1.936	1.943	1.946	1.964	1.982	2.000	2.001	2.027
% Ch, Annual Rate	1.5	1.5	0.7	3.6	3.7	3.6	0.2	5.4
Average Nonfarm Annual Wage	41,036	42,396	42,759	42,744	42,440	42,794	43,903	43,886
% Ch, Annual Rate	1.8	13.9	3.5	-0.1	-2.8	3.4	10.8	-0.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.10	18.17	18.37	18.47	18.62	18.80	18.36	19.47
% Ch, Annual Rate	-3.0	1.6	4.5	2.2	3.3	3.9	-8.9	26.4
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	206.174	211.889	214.454	240.948	218.775	222.403	227.516	230.536
% Ch, Annual Rate	3.5	11.6	4.9	59.4	-32.0	6.8	9.5	5.4
Disposable Personal Income	184.256	189.346	191.145	214.735	193.445	196.423	200.565	203.244
% Ch, Annual Rate	4.6	11.5	3.9	59.3	-34.1	6.3	8.7	5.5
Per Capita Income (\$/Person)	33,427	34,231	34,522	38,649	34,968	35,380	36,022	36,329
% Ch, Annual Rate	2.3	10.0	3.4	57.1	-33.0	4.8	7.5	3.4
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,189.8	3,205.5	3,208.6	3,231.9	3,239.8	3,261.2	3,281.2	3,299.7
Total Washington Employment	2,976.0	3,004.5	3,013.7	3,039.2	3,056.9	3,078.1	3,099.7	3,125.1
Unemployment Rate (%)	6.70	6.27	6.07	5.96	5.65	5.61	5.53	5.29
Nonfarm Payroll Employment	2,673.1	2,694.5	2,706.8	2,729.1	2,746.2	2,767.8	2,783.9	2,809.6
% Ch, Annual Rate	0.8	3.2	1.8	3.3	2.5	3.2	2.4	3.8
Manufacturing	261.8	262.9	263.7	266.3	268.9	272.2	270.7	278.6
% Ch, Annual Rate	-2.3	1.8	1.3	4.0	3.9	5.1	-2.3	12.2
Durable Manufacturing	180.0	181.4	182.9	185.1	187.8	191.2	189.4	197.5
% Ch, Annual Rate	-1.0	3.1	3.4	4.9	5.9	7.5	-3.7	18.1
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.8	69.7
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.7	-16.6	50.9
Nondurable Manufacturing	81.7	81.5	80.8	81.2	81.1	81.0	81.3	81.1
% Ch, Annual Rate	-5.1	-1.1	-3.4	1.8	-0.5	-0.1	1.2	-0.8
Construction	160.3	163.3	164.5	168.5	171.9	175.2	178.7	183.6
% Ch, Annual Rate	3.8	7.6	3.0	10.0	8.4	8.0	8.0	11.5
Service-Producing	2,242.1	2,259.2	2,269.3	2,285.1	2,296.3	2,311.2	2,325.7	2,338.7
% Ch, Annual Rate	0.9	3.1	1.8	2.8	2.0	2.6	2.5	2.3
Software Publishers	38.9	39.1	39.3	39.8	40.4	41.0	41.5	42.1
% Ch, Annual Rate	5.3	1.9	1.7	5.1	6.4	6.2	5.3	5.8
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	45.861	47.759	50.033	56.704	52.264	49.072	52.721	57.895
% Ch, Annual Rate	80.4	17.6	20.5	65.0	-27.8	-22.3	33.2	45.4
Single-Family	34.579	37.508	35.614	38.255	41.088	39.264	42.099	43.177
% Ch, Annual Rate	30.1	38.4	-18.7	33.1	33.1	-16.6	32.2	10.6
Multi-Family	11.281	10.251	14.419	18.449	11.176	9.808	10.621	14.718
% Ch, Annual Rate	506.7	-31.8	291.5	168.0	-86.5	-40.7	37.5	268.8
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	209.105	209.893	213.883	216.351	218.342	219.600	226.982	225.347
% Ch, Annual Rate	10.3	1.5	7.8	4.7	3.7	2.3	14.1	-2.8
Real Wage and Salary Disb.	117.137	116.674	120.125	121.611	122.165	123.223	129.142	126.498
% Ch, Annual Rate	10.5	-1.6	12.4	5.0	1.8	3.5	20.6	-7.9
Real Nonwage Income	91.969	93.219	93.757	94.740	96.178	96.377	97.840	98.849
% Ch, Annual Rate	10.0	5.5	2.3	4.3	6.2	0.8	6.2	4.2
Real Per Capita Income (\$/Person)	32,798	32,777	33,254	33,491	33,653	33,710	34,704	34,316
% Ch, Annual Rate	8.2	-0.3	6.0	2.9	1.9	0.7	12.3	-4.4
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.135	1.147	1.154	1.151	1.161	1.173	1.178	1.183
% Ch, Annual Rate	1.8	4.3	2.6	-0.9	3.5	4.3	1.4	1.8
Seattle Cons. Price Index (1982-84=1.0)	2.042	2.071	2.091	2.102	2.124	2.149	2.158	2.170
% Ch, Annual Rate	2.9	6.0	3.7	2.2	4.2	4.9	1.6	2.4
Average Nonfarm Annual Wage	44,799	44,818	46,236	46,505	46,588	47,257	49,398	48,372
% Ch, Annual Rate	8.6	0.2	13.3	2.3	0.7	5.9	19.4	-8.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.57	19.86	20.23	19.95	20.20	20.45	20.77	21.17
% Ch, Annual Rate	2.1	6.0	7.6	-5.4	5.1	5.1	6.5	7.8
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	237.280	240.675	246.823	249.105	253.549	257.680	267.279	266.523
% Ch, Annual Rate	12.2	5.8	10.6	3.7	7.3	6.7	15.8	-1.1
Disposable Personal Income	208.275	211.072	216.502	217.945	221.390	224.733	233.246	232.530
% Ch, Annual Rate	10.3	5.5	10.7	2.7	6.5	6.2	16.0	-1.2
Per Capita Income (\$/Person)	37,217	37,584	38,375	38,562	39,080	39,556	40,865	40,586
% Ch, Annual Rate	10.1	4.0	8.7	2.0	5.5	5.0	13.9	-2.7
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,310.6	3,323.2	3,328.2	3,344.0	3,362.8	3,374.4	3,414.8	3,460.7
Total Washington Employment	3,149.2	3,156.4	3,159.3	3,176.5	3,200.2	3,222.8	3,251.4	3,293.2
Unemployment Rate (%)	4.87	5.02	5.08	5.01	4.84	4.49	4.78	4.84
Nonfarm Payroll Employment	2,834.5	2,851.5	2,865.8	2,881.0	2,912.8	2,927.0	2,950.3	2,960.7
% Ch, Annual Rate	3.6	2.4	2.0	2.1	4.5	2.0	3.2	1.4
Manufacturing	282.9	284.0	286.5	288.6	289.7	290.3	293.5	294.6
% Ch, Annual Rate	6.4	1.4	3.6	2.9	1.6	0.7	4.5	1.5
Durable Manufacturing	200.8	202.5	204.6	207.1	207.9	210.0	212.6	213.1
% Ch, Annual Rate	7.0	3.3	4.1	5.0	1.5	4.1	5.1	1.1
Aerospace	71.4	72.1	73.8	75.8	76.9	78.6	80.4	81.3
% Ch, Annual Rate	10.2	4.2	9.9	11.4	5.7	9.1	9.4	4.5
Nondurable Manufacturing	82.1	81.5	81.9	81.5	81.9	80.3	80.9	81.4
% Ch, Annual Rate	4.9	-3.1	2.4	-2.2	1.9	-7.4	2.9	2.8
Construction	190.5	194.1	196.4	198.8	205.8	209.2	212.0	213.3
% Ch, Annual Rate	16.1	7.7	4.7	5.1	14.9	6.7	5.5	2.5
Service-Producing	2,352.1	2,364.6	2,374.2	2,385.0	2,408.9	2,419.2	2,436.4	2,444.6
% Ch, Annual Rate	2.3	2.1	1.6	1.8	4.1	1.7	2.9	1.3
Software Publishers	43.1	44.4	45.4	46.1	47.2	47.7	47.9	48.5
% Ch, Annual Rate	9.1	13.1	9.3	6.3	9.7	4.1	2.0	4.9
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	50.776	54.236	53.036	42.084	59.528	44.982	44.634	44.320
% Ch, Annual Rate	-40.8	30.2	-8.6	-60.4	300.3	-67.4	-3.1	-2.8
Single-Family	38.753	37.614	35.909	30.167	32.665	32.039	27.701	27.348
% Ch, Annual Rate	-35.1	-11.3	-16.9	-50.2	37.5	-7.4	-44.1	-5.0
Multi-Family	12.023	16.622	17.127	11.917	26.863	12.943	16.933	16.973
% Ch, Annual Rate	-55.5	265.3	12.7	-76.6	2,482.3	-94.6	193.0	0.9
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.30

Table A1.4  
**Washington Economic Forecast Summary**  
 Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	227.611	229.479	237.471	234.505	236.909	239.076	247.898	244.646
% Ch, Annual Rate	4.1	3.3	14.7	-4.9	4.2	3.7	15.6	-5.1
Real Wage and Salary Disb.	127.605	128.447	135.519	131.379	132.623	133.524	141.213	136.680
% Ch, Annual Rate	3.5	2.7	23.9	-11.7	3.8	2.7	25.1	-12.2
Real Nonwage Income	100.007	101.032	101.952	103.125	104.286	105.552	106.685	107.967
% Ch, Annual Rate	4.8	4.2	3.7	4.7	4.6	4.9	4.4	4.9
Real Per Capita Income (\$/Person)	34,522	34,662	35,718	35,124	35,336	35,512	36,673	36,050
% Ch, Annual Rate	2.4	1.6	12.8	-6.5	2.4	2.0	13.7	-6.6
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.188	1.193	1.198	1.202	1.207	1.213	1.219	1.224
% Ch, Annual Rate	1.7	1.7	1.7	1.4	1.7	2.0	2.0	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.183	2.196	2.210	2.221	2.235	2.251	2.266	2.279
% Ch, Annual Rate	2.3	2.5	2.5	2.1	2.4	2.9	2.8	2.3
Average Nonfarm Annual Wage	48,774	49,090	51,910	50,216	50,650	51,005	54,103	52,284
% Ch, Annual Rate	3.4	2.6	25.0	-12.4	3.5	2.8	26.6	-12.8
Avg. Hourly Earnings-Mfg. (\$/Hour)	21.26	21.34	21.44	21.53	21.62	21.72	21.85	21.97
% Ch, Annual Rate	1.7	1.6	1.8	1.7	1.6	1.8	2.4	2.2
<b>Current Dollar Income (Billions of Dollars)</b>								
Personal Income	270.320	273.695	284.443	281.886	285.960	290.034	302.246	299.539
% Ch, Annual Rate	5.8	5.1	16.7	-3.5	5.9	5.8	17.9	-3.5
Disposable Personal Income	235.803	239.114	248.687	246.586	250.115	253.818	264.471	262.013
% Ch, Annual Rate	5.7	5.7	17.0	-3.3	5.8	6.1	17.9	-3.7
Per Capita Income (\$/Person)	41,000	41,341	42,783	42,220	42,652	43,081	44,714	44,138
% Ch, Annual Rate	4.1	3.4	14.7	-5.2	4.2	4.1	16.0	-5.0
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,475.8	3,491.9	3,507.8	3,523.7	3,540.3	3,557.6	3,573.6	3,589.3
Total Washington Employment	3,305.8	3,319.8	3,333.2	3,346.3	3,360.8	3,377.1	3,391.4	3,405.3
Unemployment Rate (%)	4.89	4.93	4.98	5.04	5.07	5.07	5.10	5.13
Nonfarm Payroll Employment	2,972.6	2,985.8	2,998.3	3,010.6	3,024.3	3,039.6	3,053.0	3,066.1
% Ch, Annual Rate	1.6	1.8	1.7	1.7	1.8	2.0	1.8	1.7
Manufacturing	294.0	294.0	292.9	292.3	292.3	292.8	293.2	293.5
% Ch, Annual Rate	-0.8	0.1	-1.6	-0.8	0.0	0.7	0.6	0.5
Durable Manufacturing	212.3	211.9	210.9	209.9	209.5	209.6	209.9	210.3
% Ch, Annual Rate	-1.5	-0.7	-1.9	-1.8	-0.8	0.1	0.6	0.8
Aerospace	81.9	82.5	82.7	82.7	82.7	82.7	82.7	82.7
% Ch, Annual Rate	3.4	3.0	1.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	81.7	82.1	81.9	82.3	82.8	83.2	83.3	83.2
% Ch, Annual Rate	1.2	2.1	-0.8	1.8	2.1	2.2	0.5	-0.4
Construction	212.4	212.0	211.4	210.8	210.5	210.3	210.3	210.4
% Ch, Annual Rate	-1.7	-0.8	-1.1	-1.1	-0.7	-0.3	0.1	0.1
Service-Producing	2,458.0	2,471.5	2,485.9	2,499.6	2,513.6	2,528.7	2,541.7	2,554.4
% Ch, Annual Rate	2.2	2.2	2.3	2.2	2.3	2.4	2.1	2.0
Software Publishers	49.3	49.9	50.6	51.3	52.0	52.8	53.5	54.3
% Ch, Annual Rate	6.8	5.0	5.6	5.7	5.8	5.9	5.9	5.9
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	43.488	42.919	42.633	43.635	44.283	44.609	44.839	45.719
% Ch, Annual Rate	-7.3	-5.1	-2.6	9.7	6.1	3.0	2.1	8.1
Single-Family	27.255	26.681	26.107	26.642	27.162	27.526	27.917	28.826
% Ch, Annual Rate	-1.3	-8.2	-8.3	8.4	8.0	5.5	5.8	13.7
Multi-Family	16.233	16.237	16.526	16.994	17.120	17.083	16.922	16.893
% Ch, Annual Rate	-16.3	0.1	7.3	11.8	3.0	-0.9	-3.7	-0.7
30-Year Fixed Mortgage Rate (%)	6.28	6.28	6.34	6.47	6.55	6.73	6.90	6.90

Table A2.1  
**U.S. Nonagricultural Employment by Industry (Millions)**  
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	130.35	129.99	131.42	133.70	136.17	137.92	138.95	140.65
% Ch	-1.1	-0.3	1.1	1.7	1.9	1.3	0.7	1.2
Manufacturing	15.26	14.51	14.32	14.23	14.20	14.06	13.82	13.67
% Ch	-7.2	-4.9	-1.3	-0.6	-0.2	-1.0	-1.7	-1.1
Durable Manufacturing	9.48	8.96	8.92	8.96	9.00	8.90	8.71	8.62
% Ch	-8.2	-5.5	-0.4	0.3	0.5	-1.1	-2.1	-1.0
Wood Products	0.55	0.54	0.55	0.56	0.56	0.53	0.46	0.45
% Ch	-3.3	-3.2	2.3	1.7	0.2	-5.8	-12.3	-2.8
Primary and Fabricated Metals	2.06	1.96	1.96	1.99	2.02	2.02	2.04	2.01
% Ch	-8.4	-5.0	0.4	1.3	1.4	0.2	0.9	-1.3
Computer and Electronic Products	1.51	1.36	1.32	1.32	1.32	1.31	1.28	1.23
% Ch	-13.8	-10.1	-2.4	-0.5	0.0	-0.5	-2.1	-3.8
Machinery and Electrical Equipment	1.73	1.61	1.59	1.60	1.63	1.66	1.62	1.60
% Ch	-10.4	-6.8	-1.3	0.5	1.9	1.7	-2.2	-1.2
Transportation Equipment	1.83	1.77	1.77	1.77	1.76	1.70	1.69	1.73
% Ch	-5.6	-3.0	-0.5	0.3	-0.4	-3.4	-0.7	2.3
Other Durables	1.81	1.73	1.73	1.72	1.72	1.68	1.62	1.60
% Ch	-4.9	-4.3	0.2	-0.6	-0.4	-1.9	-3.9	-1.3
Nondurable Manufacturing	5.77	5.54	5.39	5.27	5.20	5.15	5.11	5.05
% Ch	-5.4	-4.0	-2.8	-2.2	-1.4	-0.8	-0.9	-1.1
Food Manufacturing	1.52	1.52	1.49	1.48	1.48	1.50	1.52	1.55
% Ch	-1.6	-0.5	-1.5	-1.1	0.4	1.1	1.5	1.6
Paper and Paper Products	0.55	0.52	0.50	0.48	0.47	0.46	0.45	0.45
% Ch	-5.4	-5.6	-4.0	-2.3	-3.1	-2.4	-1.3	-1.1
Other Nondurables	3.70	3.51	3.40	3.31	3.24	3.19	3.13	3.05
% Ch	-6.9	-5.1	-3.1	-2.7	-2.0	-1.5	-2.0	-2.5
Natural Resources and Mining	0.58	0.57	0.59	0.63	0.68	0.72	0.72	0.71
% Ch	-3.9	-1.8	3.2	6.2	9.0	5.6	0.0	-2.1
Construction	6.72	6.73	6.98	7.34	7.69	7.62	7.30	7.28
% Ch	-1.6	0.3	3.6	5.2	4.8	-0.9	-4.2	-0.3
Trade, Transportation, and Utilities	25.50	25.29	25.53	25.96	26.23	26.48	26.75	27.14
% Ch	-1.9	-0.8	1.0	1.7	1.1	0.9	1.0	1.4
Wholesale Trade	5.65	5.61	5.66	5.76	5.90	6.01	6.05	6.09
% Ch	-2.1	-0.8	1.0	1.8	2.3	1.9	0.7	0.7
Retail Trade	15.03	14.92	15.06	15.28	15.32	15.39	15.55	15.77
% Ch	-1.4	-0.7	1.0	1.5	0.3	0.4	1.0	1.4
Trans., Warehousing, and Utilities	4.82	4.76	4.81	4.92	5.01	5.08	5.16	5.28
% Ch	-3.1	-1.2	1.0	2.2	2.0	1.4	1.4	2.3
Information	3.39	3.19	3.12	3.06	3.05	3.08	3.08	3.06
% Ch	-6.5	-6.1	-2.3	-1.8	-0.2	0.9	-0.0	-0.6
Publishing Industries	0.96	0.92	0.91	0.90	0.90	0.91	0.90	0.89
% Ch	-5.5	-4.1	-1.7	-0.6	-0.0	0.3	-1.2	-0.3
Other Information	2.43	2.26	2.21	2.16	2.15	2.18	2.19	2.17
% Ch	-6.8	-6.8	-2.5	-2.3	-0.3	1.2	0.5	-0.7
Financial Activities	7.85	7.98	8.03	8.15	8.36	8.46	8.44	8.56
% Ch	0.5	1.6	0.7	1.5	2.6	1.1	-0.2	1.5
Professional and Business Services	15.98	15.99	16.39	16.95	17.55	17.91	18.24	19.00
% Ch	-3.0	0.0	2.5	3.4	3.6	2.0	1.8	4.2
Education and Health Services	16.20	16.59	16.95	17.37	17.84	18.36	18.80	19.16
% Ch	3.6	2.4	2.2	2.5	2.7	2.9	2.4	1.9
Leisure and Hospitality	11.99	12.17	12.49	12.81	13.14	13.53	13.86	14.05
% Ch	-0.4	1.6	2.6	2.6	2.5	3.0	2.4	1.4
Other Services	5.37	5.40	5.41	5.39	5.43	5.48	5.56	5.50
% Ch	2.2	0.5	0.1	-0.3	0.7	1.0	1.3	-1.0
Federal Government	2.77	2.76	2.73	2.73	2.73	2.71	2.72	2.72
% Ch	0.1	-0.2	-1.1	0.1	-0.2	-0.5	0.3	0.1
State and Local Government	18.74	18.82	18.89	19.07	19.26	19.50	19.66	19.80
% Ch	2.1	0.4	0.4	1.0	1.0	1.2	0.8	0.7

Table A2.2

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

Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.55	131.29	131.63	132.23	132.66	133.37	134.11	134.65
% Ch, Annual Rate	1.2	2.3	1.1	1.8	1.3	2.2	2.2	1.6
Manufacturing	14.28	14.33	14.34	14.31	14.27	14.24	14.20	14.20
% Ch, Annual Rate	-0.7	1.2	0.3	-0.8	-1.1	-0.8	-1.1	-0.0
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.97
% Ch, Annual Rate	0.5	2.4	1.6	0.4	-0.2	-0.0	-0.5	1.0
Wood Products	0.54	0.55	0.55	0.56	0.56	0.56	0.56	0.57
% Ch, Annual Rate	2.4	4.3	2.5	4.0	0.1	-1.0	2.2	5.0
Primary and Fabricated Metals	1.94	1.96	1.97	1.98	1.98	1.99	1.99	2.00
% Ch, Annual Rate	1.6	3.9	2.5	1.0	0.9	1.0	0.3	1.3
Computer and Electronic Products	1.32	1.32	1.33	1.32	1.32	1.32	1.32	1.31
% Ch, Annual Rate	-0.5	0.9	1.0	-2.3	-0.3	-0.5	-0.1	-0.8
Machinery and Electrical Equipment	1.58	1.59	1.60	1.59	1.59	1.60	1.60	1.60
% Ch, Annual Rate	-0.7	1.8	2.6	-0.7	0.2	0.6	-0.1	1.3
Transportation Equipment	1.76	1.76	1.76	1.78	1.78	1.78	1.76	1.77
% Ch, Annual Rate	-0.4	0.2	0.7	2.4	0.5	0.0	-3.9	2.2
Other Durables	1.72	1.74	1.74	1.74	1.73	1.72	1.72	1.72
% Ch, Annual Rate	1.1	4.1	0.9	-0.7	-2.5	-1.1	0.3	-0.6
Nondurable Manufacturing	5.42	5.41	5.39	5.35	5.31	5.29	5.26	5.24
% Ch, Annual Rate	-2.7	-0.6	-1.7	-2.8	-2.7	-2.1	-2.0	-1.8
Food Manufacturing	1.50	1.50	1.50	1.49	1.48	1.48	1.48	1.47
% Ch, Annual Rate	-3.2	-0.3	-0.6	-2.2	-1.0	-1.3	-0.5	-0.6
Paper and Paper Products	0.50	0.50	0.49	0.49	0.49	0.49	0.48	0.48
% Ch, Annual Rate	-5.1	-3.3	-0.5	-2.6	-1.6	-2.9	-2.7	-3.9
Other Nondurables	3.42	3.42	3.40	3.37	3.34	3.32	3.30	3.28
% Ch, Annual Rate	-2.1	-0.4	-2.4	-3.1	-3.5	-2.3	-2.6	-2.1
Natural Resources and Mining	0.58	0.59	0.60	0.60	0.61	0.62	0.63	0.65
% Ch, Annual Rate	2.8	7.3	3.9	2.0	8.7	6.9	5.7	10.8
Construction	6.86	6.94	7.00	7.10	7.15	7.29	7.39	7.52
% Ch, Annual Rate	3.6	4.7	3.6	6.0	2.4	8.3	5.3	7.6
Trade, Transportation, and Utilities	25.38	25.51	25.57	25.67	25.77	25.92	26.05	26.10
% Ch, Annual Rate	1.5	2.0	1.0	1.5	1.5	2.4	2.0	0.7
Wholesale Trade	5.62	5.65	5.67	5.70	5.71	5.75	5.78	5.81
% Ch, Annual Rate	2.0	2.0	1.5	1.7	1.0	2.4	2.2	2.2
Retail Trade	14.98	15.06	15.07	15.12	15.17	15.27	15.34	15.34
% Ch, Annual Rate	1.2	2.2	0.4	1.4	1.3	2.4	2.1	-0.1
Trans., Warehousing, and Utilities	4.78	4.80	4.82	4.84	4.88	4.91	4.93	4.95
% Ch, Annual Rate	1.8	1.7	2.3	1.6	2.9	2.4	1.7	1.6
Information	3.14	3.13	3.11	3.09	3.07	3.06	3.06	3.05
% Ch, Annual Rate	-1.3	-0.8	-3.5	-2.6	-2.7	-0.2	-0.6	-0.9
Publishing Industries	0.91	0.91	0.91	0.91	0.90	0.90	0.91	0.90
% Ch, Annual Rate	-1.4	0.1	-1.6	-1.0	-0.8	-0.6	1.4	-0.8
Other Information	2.23	2.22	2.20	2.18	2.16	2.16	2.15	2.15
% Ch, Annual Rate	-1.3	-1.1	-4.3	-3.3	-3.4	-0.0	-1.5	-0.9
Financial Activities	7.99	8.03	8.04	8.06	8.09	8.11	8.17	8.24
% Ch, Annual Rate	-0.0	1.9	0.6	1.2	1.5	0.7	3.0	3.5
Professional and Business Services	16.16	16.36	16.44	16.59	16.70	16.84	17.03	17.22
% Ch, Annual Rate	1.4	4.9	2.0	3.7	2.7	3.4	4.7	4.4
Education and Health Services	16.80	16.91	16.98	17.11	17.19	17.31	17.45	17.54
% Ch, Annual Rate	2.1	2.6	1.7	3.0	1.9	2.8	3.4	2.0
Leisure and Hospitality	12.39	12.47	12.51	12.61	12.69	12.81	12.87	12.89
% Ch, Annual Rate	3.3	2.8	1.4	3.1	2.7	3.7	2.1	0.4
Other Services	5.41	5.42	5.41	5.40	5.39	5.39	5.40	5.39
% Ch, Annual Rate	0.2	0.9	-0.6	-1.0	-0.7	0.3	0.8	-0.7
Federal Government	2.73	2.74	2.73	2.73	2.73	2.73	2.73	2.74
% Ch, Annual Rate	-0.8	0.9	-1.0	0.0	-0.1	0.6	-0.0	0.7
State and Local Government	18.82	18.86	18.90	18.97	19.01	19.05	19.12	19.12
% Ch, Annual Rate	0.4	0.8	0.8	1.4	0.9	0.8	1.4	0.0

Table A2.2

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

Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	135.39	135.91	136.44	136.95	137.45	137.86	138.07	138.29
% Ch, Annual Rate	2.2	1.5	1.6	1.5	1.5	1.2	0.6	0.6
Manufacturing	14.21	14.23	14.22	14.15	14.11	14.06	14.02	14.03
% Ch, Annual Rate	0.4	0.3	-0.3	-2.0	-1.0	-1.3	-1.2	0.2
Durable Manufacturing	8.99	9.02	9.02	8.98	8.94	8.91	8.88	8.88
% Ch, Annual Rate	1.0	1.5	-0.1	-1.8	-1.7	-1.4	-1.5	0.1
Wood Products	0.57	0.57	0.56	0.54	0.53	0.53	0.53	0.52
% Ch, Annual Rate	4.4	-3.1	-5.2	-10.9	-6.9	-4.7	-1.7	-0.8
Primary and Fabricated Metals	2.01	2.02	2.03	2.02	2.02	2.02	2.02	2.03
% Ch, Annual Rate	2.1	2.0	2.2	-1.1	-0.1	-0.2	0.0	1.4
Computer and Electronic Products	1.31	1.32	1.32	1.32	1.32	1.31	1.31	1.30
% Ch, Annual Rate	-1.5	3.0	0.2	0.0	-0.7	-2.5	-0.3	-1.0
Machinery and Electrical Equipment	1.61	1.62	1.64	1.65	1.65	1.66	1.66	1.66
% Ch, Annual Rate	1.0	3.8	4.7	2.0	1.4	1.3	-0.2	-0.0
Transportation Equipment	1.77	1.78	1.76	1.74	1.72	1.71	1.69	1.70
% Ch, Annual Rate	0.6	1.5	-3.4	-4.2	-5.2	-2.7	-4.6	1.4
Other Durables	1.73	1.72	1.71	1.71	1.70	1.69	1.68	1.67
% Ch, Annual Rate	1.3	-0.8	-2.3	-1.9	-2.1	-2.0	-2.1	-1.3
Nondurable Manufacturing	5.22	5.20	5.20	5.17	5.17	5.15	5.14	5.15
% Ch, Annual Rate	-0.8	-1.6	-0.5	-2.3	0.3	-1.3	-0.7	0.4
Food Manufacturing	1.48	1.48	1.49	1.49	1.49	1.50	1.50	1.51
% Ch, Annual Rate	1.2	1.2	1.4	-0.1	1.5	1.3	1.7	1.3
Paper and Paper Products	0.48	0.47	0.47	0.46	0.46	0.46	0.46	0.46
% Ch, Annual Rate	-1.6	-4.0	-3.6	-3.1	-2.7	-2.0	-0.9	0.7
Other Nondurables	3.27	3.25	3.24	3.22	3.22	3.20	3.18	3.18
% Ch, Annual Rate	-1.5	-2.5	-0.9	-3.2	0.1	-2.4	-1.7	-0.1
Natural Resources and Mining	0.66	0.68	0.69	0.70	0.71	0.72	0.73	0.73
% Ch, Annual Rate	9.8	12.0	6.8	5.5	5.4	4.6	4.8	3.0
Construction	7.66	7.70	7.72	7.69	7.68	7.67	7.63	7.51
% Ch, Annual Rate	7.4	2.0	1.0	-1.3	-0.4	-1.0	-2.0	-6.0
Trade, Transportation, and Utilities	26.19	26.20	26.23	26.31	26.40	26.45	26.51	26.56
% Ch, Annual Rate	1.4	0.1	0.5	1.2	1.4	0.7	1.0	0.6
Wholesale Trade	5.85	5.89	5.91	5.94	5.96	5.99	6.02	6.05
% Ch, Annual Rate	3.0	2.3	1.5	1.8	1.4	2.4	2.2	1.8
Retail Trade	15.36	15.31	15.30	15.32	15.38	15.38	15.41	15.39
% Ch, Annual Rate	0.5	-1.2	-0.4	0.5	1.5	0.3	0.6	-0.4
Trans., Warehousing, and Utilities	4.98	5.00	5.02	5.05	5.07	5.07	5.08	5.11
% Ch, Annual Rate	2.3	1.9	1.9	2.5	1.2	0.2	0.8	2.3
Information	3.06	3.05	3.05	3.06	3.08	3.10	3.08	3.07
% Ch, Annual Rate	0.4	-0.7	-0.3	1.7	2.5	2.0	-1.5	-1.7
Publishing Industries	0.90	0.90	0.90	0.90	0.91	0.91	0.91	0.91
% Ch, Annual Rate	0.1	0.0	-0.9	1.1	1.3	-0.3	-0.5	-0.1
Other Information	2.15	2.15	2.15	2.16	2.17	2.19	2.18	2.16
% Ch, Annual Rate	0.6	-1.0	0.0	1.9	3.0	2.9	-2.0	-2.4
Financial Activities	8.29	8.35	8.38	8.43	8.44	8.46	8.49	8.44
% Ch, Annual Rate	2.7	2.5	1.8	1.9	0.9	0.6	1.4	-2.2
Professional and Business Services	17.38	17.50	17.61	17.73	17.83	17.88	17.92	18.02
% Ch, Annual Rate	3.8	2.8	2.7	2.6	2.3	1.2	0.8	2.3
Education and Health Services	17.67	17.77	17.89	18.02	18.14	18.30	18.46	18.53
% Ch, Annual Rate	2.9	2.4	2.7	2.9	2.8	3.5	3.6	1.5
Leisure and Hospitality	12.98	13.07	13.18	13.32	13.42	13.52	13.57	13.62
% Ch, Annual Rate	3.0	2.7	3.5	4.1	3.2	3.0	1.3	1.5
Other Services	5.42	5.43	5.43	5.45	5.45	5.48	5.49	5.52
% Ch, Annual Rate	1.8	0.8	0.3	1.0	0.4	1.7	1.0	1.9
Federal Government	2.73	2.73	2.73	2.72	2.72	2.71	2.71	2.72
% Ch, Annual Rate	-1.2	0.3	0.2	-2.0	-0.2	-0.7	0.0	0.6
State and Local Government	19.14	19.21	19.30	19.39	19.45	19.52	19.47	19.56
% Ch, Annual Rate	0.5	1.4	1.8	1.9	1.4	1.4	-1.1	1.9



Table A2.2

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

Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	138.47	138.73	139.09	139.50	139.98	140.46	140.87	141.31
% Ch, Annual Rate	0.5	0.8	1.0	1.2	1.4	1.4	1.2	1.2
Manufacturing	13.93	13.87	13.77	13.71	13.67	13.67	13.67	13.67
% Ch, Annual Rate	-2.7	-1.9	-2.6	-1.8	-1.0	-0.2	0.1	0.1
Durable Manufacturing	8.80	8.74	8.68	8.64	8.61	8.61	8.63	8.65
% Ch, Annual Rate	-3.7	-2.5	-2.7	-2.1	-1.3	0.0	0.8	1.1
Wood Products	0.50	0.47	0.45	0.44	0.44	0.45	0.45	0.46
% Ch, Annual Rate	-18.2	-22.8	-16.7	-6.3	0.9	5.4	6.5	6.3
Primary and Fabricated Metals	2.03	2.04	2.04	2.03	2.02	2.01	2.01	2.01
% Ch, Annual Rate	1.8	1.9	-0.4	-1.6	-2.7	-1.7	-0.9	0.1
Computer and Electronic Products	1.29	1.30	1.28	1.25	1.24	1.23	1.23	1.23
% Ch, Annual Rate	-3.2	2.1	-5.9	-8.0	-4.2	-2.5	-1.4	0.6
Machinery and Electrical Equipment	1.64	1.62	1.61	1.61	1.60	1.60	1.60	1.60
% Ch, Annual Rate	-4.8	-4.1	-1.3	-1.1	-1.6	-0.8	-0.1	-0.7
Transportation Equipment	1.69	1.69	1.69	1.70	1.71	1.73	1.74	1.75
% Ch, Annual Rate	-1.5	-0.3	0.8	2.2	2.5	3.3	3.5	2.4
Other Durables	1.64	1.62	1.61	1.60	1.59	1.59	1.60	1.61
% Ch, Annual Rate	-6.7	-5.2	-3.5	-2.3	-1.3	0.1	1.1	1.9
Nondurable Manufacturing	5.14	5.12	5.09	5.07	5.07	5.06	5.04	5.02
% Ch, Annual Rate	-1.1	-0.9	-2.6	-1.3	-0.7	-0.5	-1.2	-1.5
Food Manufacturing	1.51	1.52	1.53	1.53	1.54	1.55	1.55	1.55
% Ch, Annual Rate	1.4	2.2	0.7	2.3	2.0	1.8	0.7	0.2
Paper and Paper Products	0.46	0.45	0.45	0.45	0.45	0.45	0.45	0.45
% Ch, Annual Rate	-1.8	-1.1	-3.1	-2.0	-0.6	-0.1	-0.5	-0.9
Other Nondurables	3.16	3.15	3.11	3.09	3.08	3.06	3.04	3.03
% Ch, Annual Rate	-2.2	-2.3	-4.1	-2.9	-2.0	-1.8	-2.2	-2.5
Natural Resources and Mining	0.73	0.73	0.72	0.71	0.71	0.71	0.71	0.71
% Ch, Annual Rate	-0.8	-3.2	-2.6	-4.0	-2.2	-0.5	-0.9	-0.5
Construction	7.37	7.29	7.26	7.28	7.29	7.26	7.26	7.28
% Ch, Annual Rate	-7.2	-4.6	-1.2	0.8	0.9	-1.8	0.3	1.1
Trade, Transportation, and Utilities	26.65	26.70	26.79	26.88	26.97	27.11	27.20	27.27
% Ch, Annual Rate	1.4	0.7	1.4	1.3	1.4	2.0	1.4	1.0
Wholesale Trade	6.04	6.04	6.06	6.06	6.06	6.08	6.11	6.13
% Ch, Annual Rate	-0.7	-0.3	1.2	0.0	0.2	1.2	2.0	1.3
Retail Trade	15.47	15.52	15.57	15.64	15.69	15.77	15.79	15.81
% Ch, Annual Rate	2.0	1.3	1.4	1.7	1.5	1.9	0.6	0.4
Trans., Warehousing, and Utilities	5.14	5.14	5.17	5.19	5.22	5.26	5.30	5.33
% Ch, Annual Rate	2.0	0.4	1.8	1.6	2.4	3.3	3.2	2.5
Information	3.07	3.08	3.09	3.08	3.07	3.07	3.06	3.06
% Ch, Annual Rate	-0.1	1.5	1.4	-0.8	-2.1	-0.4	-0.4	-0.2
Publishing Industries	0.91	0.90	0.89	0.89	0.89	0.89	0.89	0.90
% Ch, Annual Rate	0.2	-4.5	-1.7	-1.0	-0.1	0.8	1.2	1.4
Other Information	2.16	2.19	2.20	2.20	2.18	2.17	2.17	2.16
% Ch, Annual Rate	-0.2	4.2	2.7	-0.8	-2.9	-0.9	-1.0	-0.9
Financial Activities	8.41	8.41	8.45	8.47	8.50	8.54	8.58	8.63
% Ch, Annual Rate	-1.2	0.1	1.6	0.9	1.5	1.7	2.1	2.3
Professional and Business Services	18.05	18.12	18.29	18.48	18.70	18.92	19.10	19.28
% Ch, Annual Rate	0.8	1.5	3.8	4.3	4.9	4.6	4.0	3.7
Education and Health Services	18.62	18.75	18.88	18.96	19.05	19.14	19.20	19.25
% Ch, Annual Rate	1.9	2.9	2.7	1.8	1.8	2.0	1.3	1.0
Leisure and Hospitality	13.76	13.86	13.87	13.95	14.03	14.05	14.05	14.08
% Ch, Annual Rate	4.2	3.0	0.4	2.2	2.2	0.8	-0.2	0.9
Other Services	5.55	5.57	5.56	5.54	5.52	5.50	5.50	5.49
% Ch, Annual Rate	2.8	0.9	-0.3	-1.8	-1.7	-0.8	-0.5	-0.8
Federal Government	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.74
% Ch, Annual Rate	0.4	0.4	0.2	0.2	-0.0	-0.5	-0.4	2.7
State and Local Government	19.61	19.65	19.68	19.72	19.74	19.78	19.82	19.86
% Ch, Annual Rate	1.0	0.9	0.7	0.7	0.6	0.7	0.9	0.7

Table A2.3  
**Washington Nonagricultural Employment by Industry (Thousands)**  
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,776.9	2,858.2	2,937.7	2,991.8	3,045.8
% Ch	-1.6	0.1	1.6	2.8	2.9	2.8	1.8	1.8
Manufacturing	285.0	267.0	263.7	272.6	285.5	292.0	293.3	292.9
% Ch	-9.8	-6.3	-1.3	3.4	4.7	2.3	0.4	-0.1
Durable Manufacturing	199.3	183.7	182.4	191.5	203.7	210.9	211.3	209.8
% Ch	-11.4	-7.8	-0.7	5.0	6.4	3.5	0.2	-0.7
Wood Products	18.0	17.8	18.8	20.0	20.2	19.1	17.1	16.4
% Ch	-4.9	-1.3	5.4	6.9	0.9	-5.4	-10.7	-4.1
Primary and Fabricated Metals	23.5	22.1	22.3	23.1	24.3	26.2	26.8	26.5
% Ch	-12.7	-6.2	0.8	3.8	4.9	8.1	2.4	-1.2
Computer and Electronic Products	26.2	23.4	22.1	22.2	22.4	22.7	22.4	21.4
% Ch	-19.3	-10.7	-5.3	0.2	1.0	1.2	-1.3	-4.4
Machinery and Electrical Equipment	16.7	16.3	17.0	17.8	19.0	19.4	19.5	20.0
% Ch	-10.0	-2.5	4.4	4.8	6.8	2.3	0.5	2.6
Aerospace	75.7	65.3	61.5	65.6	73.3	79.3	82.5	82.7
% Ch	-13.2	-13.8	-5.8	6.8	11.7	8.2	4.0	0.3
Other Transportation Equip.	10.9	11.1	12.1	13.2	13.7	13.1	13.2	13.2
% Ch	-3.0	1.7	9.2	8.7	4.2	-4.7	0.4	0.1
Other Durables	28.3	27.9	28.6	29.5	30.8	31.0	29.8	29.5
% Ch	-4.5	-1.5	2.7	3.1	4.5	0.7	-4.0	-0.8
Nondurable Manufacturing	85.7	83.3	81.3	81.1	81.8	81.1	82.0	83.1
% Ch	-6.0	-2.8	-2.4	-0.2	0.8	-0.8	1.1	1.3
Food Manufacturing	35.3	34.8	34.1	33.8	33.7	33.5	34.7	36.2
% Ch	-5.4	-1.3	-2.0	-1.0	-0.3	-0.5	3.6	4.3
Paper and Paper Products	13.2	13.3	12.7	12.2	12.0	11.3	10.9	10.8
% Ch	-6.1	0.2	-4.6	-3.6	-1.8	-5.6	-3.3	-1.2
Other Nondurables	37.2	35.2	34.5	35.2	36.1	36.3	36.4	36.1
% Ch	-6.5	-5.4	-1.9	1.8	2.7	0.6	0.2	-0.7
Natural Resources and Mining	9.4	8.6	9.1	9.0	8.7	8.3	8.1	7.8
% Ch	-4.6	-7.7	5.7	-1.9	-2.6	-4.8	-2.4	-3.2
Construction	154.2	156.2	164.2	177.3	195.0	210.1	211.7	210.4
% Ch	-2.9	1.3	5.1	8.0	9.9	7.8	0.8	-0.6
Trade, Transportation, and Utilities	509.3	509.8	518.4	530.4	542.3	557.0	567.8	579.2
% Ch	-2.8	0.1	1.7	2.3	2.2	2.7	1.9	2.0
Wholesale Trade	115.7	116.0	119.3	122.2	126.8	131.0	133.6	134.9
% Ch	-3.4	0.3	2.8	2.4	3.8	3.3	2.0	0.9
Retail Trade	305.3	305.9	309.3	316.1	321.6	329.7	336.0	343.9
% Ch	-2.0	0.2	1.1	2.2	1.8	2.5	1.9	2.4
Trans., Warehousing, and Utilities	88.3	87.9	89.7	92.2	93.9	96.2	98.2	100.4
% Ch	-4.4	-0.5	2.1	2.7	1.9	2.5	2.1	2.2
Information	93.6	92.3	92.8	94.7	98.4	103.0	106.0	108.4
% Ch	-5.5	-1.4	0.6	2.0	3.9	4.7	2.9	2.3
Software Publishers	36.1	37.4	39.3	41.3	44.7	47.8	50.3	53.1
% Ch	0.8	3.4	5.1	5.1	8.4	6.8	5.1	5.7
Other Publishing Industries	12.6	12.1	11.3	11.2	11.1	11.1	11.0	10.8
% Ch	-4.4	-4.0	-6.7	-0.6	-1.6	-0.1	-0.7	-1.3
Other Information	44.8	42.8	42.3	42.2	42.6	44.2	44.8	44.5
% Ch	-10.3	-4.5	-1.2	-0.1	0.8	3.8	1.4	-0.7
Financial Activities	146.1	151.9	151.8	154.5	156.3	157.0	157.9	161.4
% Ch	0.7	3.9	-0.1	1.8	1.2	0.4	0.6	2.2
Professional and Business Services	290.2	290.3	301.7	316.0	329.5	343.9	355.1	371.5
% Ch	-2.3	0.0	3.9	4.8	4.3	4.4	3.2	4.6
Education and Health Services	306.9	312.9	319.7	329.3	337.2	347.4	356.8	365.9
% Ch	2.9	1.9	2.2	3.0	2.4	3.0	2.7	2.5
Leisure and Hospitality	245.4	248.9	255.6	263.5	271.6	280.1	288.0	293.8
% Ch	-0.7	1.4	2.7	3.1	3.1	3.1	2.8	2.0
Other Services	97.8	98.9	100.3	102.7	104.0	105.2	106.6	107.2
% Ch	0.9	1.2	1.4	2.4	1.2	1.2	1.3	0.5
Federal Government	69.2	70.2	69.8	69.6	69.3	68.7	68.8	69.2
% Ch	1.9	1.4	-0.6	-0.3	-0.4	-0.9	0.2	0.7
State and Local Government	446.9	450.5	454.0	457.2	460.5	464.9	471.7	478.0
% Ch	2.2	0.8	0.8	0.7	0.7	1.0	1.4	1.3

Table A2.4

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

Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,673.1	2,694.5	2,706.8	2,729.1	2,746.2	2,767.8	2,783.9	2,809.6
% Ch, Annual Rate	0.8	3.2	1.8	3.3	2.5	3.2	2.4	3.8
Manufacturing	261.8	262.9	263.7	266.3	268.9	272.2	270.7	278.6
% Ch, Annual Rate	-2.3	1.8	1.3	4.0	3.9	5.1	-2.3	12.2
Durable Manufacturing	180.0	181.4	182.9	185.1	187.8	191.2	189.4	197.5
% Ch, Annual Rate	-1.0	3.1	3.4	4.9	5.9	7.5	-3.7	18.1
Wood Products	18.1	18.6	19.0	19.4	19.8	19.8	20.2	20.4
% Ch, Annual Rate	8.6	11.5	8.5	8.5	9.0	1.2	6.5	4.4
Primary and Fabricated Metals	21.9	22.2	22.4	22.6	22.8	23.1	23.2	23.5
% Ch, Annual Rate	4.3	5.3	2.7	3.8	3.3	5.6	2.0	5.1
Computer and Electronic Products	22.0	22.1	22.2	22.2	22.1	22.1	22.3	22.2
% Ch, Annual Rate	-9.7	2.1	2.6	-1.2	-1.0	0.1	2.4	-0.6
Machinery and Electrical Equipment	16.6	16.9	17.1	17.3	17.4	17.6	18.0	18.2
% Ch, Annual Rate	4.4	7.0	4.5	4.6	2.4	5.5	7.5	6.1
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.8	69.7
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.7	-16.6	50.9
Other Transportation Equip.	11.7	12.1	12.4	12.3	12.6	13.5	13.3	13.4
% Ch, Annual Rate	10.4	13.6	10.3	-3.0	9.5	31.5	-6.1	4.0
Other Durables	28.4	28.6	28.7	28.8	28.9	29.3	29.7	30.1
% Ch, Annual Rate	2.0	2.8	2.3	1.1	1.1	5.8	6.0	5.2
Nondurable Manufacturing	81.7	81.5	80.8	81.2	81.1	81.0	81.3	81.1
% Ch, Annual Rate	-5.1	-1.1	-3.4	1.8	-0.5	-0.1	1.2	-0.8
Food Manufacturing	34.3	34.3	33.7	34.1	34.1	33.8	33.7	33.5
% Ch, Annual Rate	-5.7	-0.0	-6.8	5.1	-0.9	-2.9	-0.7	-3.1
Paper and Paper Products	12.9	12.7	12.6	12.5	12.3	12.3	12.2	12.0
% Ch, Annual Rate	-14.2	-6.4	-4.6	-2.1	-5.4	-1.1	-3.4	-4.1
Other Nondurables	34.5	34.5	34.5	34.6	34.7	35.0	35.4	35.6
% Ch, Annual Rate	-0.9	-0.2	0.5	0.1	1.6	3.0	4.7	2.7
Natural Resources and Mining	8.9	9.1	9.3	9.3	9.2	9.1	8.8	8.8
% Ch, Annual Rate	20.3	7.4	7.7	1.0	-5.2	-3.3	-10.4	-2.2
Construction	160.3	163.3	164.5	168.5	171.9	175.2	178.7	183.6
% Ch, Annual Rate	3.8	7.6	3.0	10.0	8.4	8.0	8.0	11.5
Trade, Transportation, and Utilities	512.1	517.5	520.2	523.9	526.7	529.1	531.5	534.3
% Ch, Annual Rate	0.7	4.3	2.1	2.9	2.2	1.8	1.9	2.1
Wholesale Trade	117.4	119.1	119.8	121.0	121.4	121.3	122.3	123.7
% Ch, Annual Rate	1.7	5.9	2.5	3.9	1.4	-0.2	3.2	4.8
Retail Trade	306.7	309.3	310.0	311.3	313.9	315.2	317.0	318.2
% Ch, Annual Rate	0.5	3.4	0.9	1.7	3.3	1.8	2.3	1.5
Trans., Warehousing, and Utilities	88.0	89.1	90.3	91.6	91.5	92.5	92.3	92.4
% Ch, Annual Rate	-0.2	5.2	5.8	5.8	-0.7	4.6	-1.1	0.5
Information	92.5	92.8	92.5	93.6	94.0	94.6	94.9	95.4
% Ch, Annual Rate	-2.2	1.1	-1.3	4.8	1.7	2.8	1.4	1.8
Software Publishers	38.9	39.1	39.3	39.8	40.4	41.0	41.5	42.1
% Ch, Annual Rate	5.3	1.9	1.7	5.1	6.4	6.2	5.3	5.8
Other Publishing Industries	11.4	11.3	11.3	11.3	11.4	11.3	11.2	11.2
% Ch, Annual Rate	-7.3	-1.6	-1.4	-0.1	3.1	-2.7	-3.8	-0.5
Other Information	42.2	42.4	41.9	42.5	42.2	42.3	42.2	42.1
% Ch, Annual Rate	-7.2	1.2	-3.9	5.9	-2.9	1.0	-1.0	-1.4
Financial Activities	151.9	151.7	151.4	152.3	152.5	153.5	155.6	156.5
% Ch, Annual Rate	-1.3	-0.5	-0.7	2.4	0.4	2.8	5.7	2.2
Professional and Business Services	296.1	300.3	303.0	307.2	311.0	314.4	318.1	320.8
% Ch, Annual Rate	4.4	5.7	3.7	5.6	5.0	4.5	4.7	3.4
Education and Health Services	315.9	318.9	320.7	323.2	325.2	328.3	330.9	332.8
% Ch, Annual Rate	0.8	3.9	2.2	3.2	2.5	3.9	3.1	2.4
Leisure and Hospitality	252.9	255.1	255.9	258.4	259.5	262.3	264.6	267.6
% Ch, Annual Rate	1.6	3.5	1.3	4.0	1.7	4.3	3.6	4.6
Other Services	99.2	100.1	100.7	101.1	102.3	102.3	102.8	103.4
% Ch, Annual Rate	0.6	3.9	2.2	1.6	5.0	0.0	1.9	2.5
Federal Government	69.8	69.6	69.8	69.8	69.5	69.6	69.6	69.5
% Ch, Annual Rate	-1.3	-1.2	0.9	-0.1	-1.2	0.0	0.2	-0.5
State and Local Government	451.8	453.2	455.2	455.7	455.6	457.1	457.7	458.4
% Ch, Annual Rate	0.6	1.3	1.8	0.4	-0.1	1.3	0.5	0.7

Table A2.4

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

Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,834.5	2,851.5	2,865.8	2,881.0	2,912.8	2,927.0	2,950.3	2,960.7
% Ch, Annual Rate	3.6	2.4	2.0	2.1	4.5	2.0	3.2	1.4
Manufacturing	282.9	284.0	286.5	288.6	289.7	290.3	293.5	294.6
% Ch, Annual Rate	6.4	1.4	3.6	2.9	1.6	0.7	4.5	1.5
Durable Manufacturing	200.8	202.5	204.6	207.1	207.9	210.0	212.6	213.1
% Ch, Annual Rate	7.0	3.3	4.1	5.0	1.5	4.1	5.1	1.1
Wood Products	20.5	20.4	20.2	19.7	19.3	19.2	19.1	18.9
% Ch, Annual Rate	3.2	-3.2	-3.0	-9.3	-8.8	-2.2	-1.8	-2.9
Primary and Fabricated Metals	23.8	24.1	24.4	24.7	25.3	26.3	26.6	26.7
% Ch, Annual Rate	5.8	5.4	4.8	5.1	10.5	16.1	4.0	1.8
Computer and Electronic Products	22.2	22.4	22.5	22.5	22.5	22.6	22.9	22.8
% Ch, Annual Rate	-0.5	4.7	1.2	-0.2	-0.0	2.6	3.8	-1.6
Machinery and Electrical Equipment	18.6	18.9	19.2	19.4	19.4	19.3	19.5	19.6
% Ch, Annual Rate	8.1	6.8	5.9	4.9	0.1	-2.0	4.3	1.7
Aerospace	71.4	72.1	73.8	75.8	76.9	78.6	80.4	81.3
% Ch, Annual Rate	10.2	4.2	9.9	11.4	5.7	9.1	9.4	4.5
Other Transportation Equip.	13.8	13.8	13.6	13.8	13.1	12.9	13.2	13.2
% Ch, Annual Rate	11.8	0.8	-6.9	7.9	-18.6	-6.7	9.3	-0.5
Other Durables	30.6	30.8	30.9	31.1	31.3	31.0	31.0	30.7
% Ch, Annual Rate	6.5	2.3	1.6	2.7	3.2	-3.6	-0.4	-3.6
Nondurable Manufacturing	82.1	81.5	81.9	81.5	81.9	80.3	80.9	81.4
% Ch, Annual Rate	4.9	-3.1	2.4	-2.2	1.9	-7.4	2.9	2.8
Food Manufacturing	34.2	33.2	33.7	33.6	34.1	32.7	33.4	33.7
% Ch, Annual Rate	8.3	-10.6	6.2	-1.4	6.1	-15.3	9.2	3.5
Paper and Paper Products	12.2	12.1	12.0	11.7	11.7	11.4	11.1	11.1
% Ch, Annual Rate	4.5	-1.2	-6.2	-9.5	1.3	-11.1	-8.9	-0.6
Other Nondurables	35.8	36.1	36.3	36.2	36.1	36.2	36.3	36.6
% Ch, Annual Rate	1.9	4.0	1.8	-0.5	-1.7	1.8	1.2	3.3
Natural Resources and Mining	8.8	8.8	8.7	8.6	8.3	8.3	8.4	8.2
% Ch, Annual Rate	2.3	-2.1	-5.5	-2.0	-12.4	-2.3	3.5	-5.1
Construction	190.5	194.1	196.4	198.8	205.8	209.2	212.0	213.3
% Ch, Annual Rate	16.1	7.7	4.7	5.1	14.9	6.7	5.5	2.5
Trade, Transportation, and Utilities	538.6	541.5	543.6	545.4	553.5	555.9	557.9	560.6
% Ch, Annual Rate	3.3	2.1	1.5	1.4	6.1	1.7	1.4	2.0
Wholesale Trade	125.5	126.4	127.4	127.9	129.3	130.4	131.4	132.9
% Ch, Annual Rate	5.9	2.8	3.2	1.7	4.5	3.2	3.3	4.7
Retail Trade	319.9	321.1	321.9	323.5	329.0	329.5	329.9	330.5
% Ch, Annual Rate	2.2	1.5	0.9	2.1	6.9	0.7	0.5	0.8
Trans., Warehousing, and Utilities	93.2	94.0	94.3	94.0	95.2	96.0	96.6	97.1
% Ch, Annual Rate	3.8	3.3	1.3	-1.4	5.5	3.3	2.3	2.3
Information	96.1	97.6	99.4	100.4	101.9	102.8	103.6	103.9
% Ch, Annual Rate	3.0	6.5	7.5	4.1	5.9	3.7	3.3	1.3
Software Publishers	43.1	44.4	45.4	46.1	47.2	47.7	47.9	48.5
% Ch, Annual Rate	9.1	13.1	9.3	6.3	9.7	4.1	2.0	4.9
Other Publishing Industries	11.0	11.0	11.1	11.1	11.0	11.0	11.1	11.2
% Ch, Annual Rate	-5.1	0.0	3.3	0.5	-2.9	-2.6	3.7	3.5
Other Information	42.0	42.2	42.9	43.2	43.6	44.1	44.6	44.3
% Ch, Annual Rate	-0.6	1.8	6.8	2.7	4.2	4.8	4.6	-3.1
Financial Activities	156.6	156.8	156.2	155.7	156.6	156.7	157.6	157.2
% Ch, Annual Rate	0.3	0.5	-1.5	-1.2	2.2	0.3	2.5	-1.0
Professional and Business Services	323.6	328.2	331.6	334.7	339.8	341.4	346.1	348.5
% Ch, Annual Rate	3.6	5.8	4.2	3.8	6.2	1.9	5.7	2.7
Education and Health Services	334.2	336.2	337.9	340.4	343.9	346.4	348.6	350.6
% Ch, Annual Rate	1.6	2.5	2.0	3.0	4.2	3.0	2.5	2.3
Leisure and Hospitality	270.2	270.7	272.2	273.4	277.6	279.5	281.0	282.4
% Ch, Annual Rate	3.9	0.7	2.3	1.7	6.3	2.8	2.2	2.1
Other Services	103.4	103.9	104.2	104.5	104.8	105.2	105.3	105.6
% Ch, Annual Rate	-0.1	1.8	1.1	1.3	1.2	1.5	0.5	0.9
Federal Government	69.7	69.6	69.0	68.9	69.1	68.6	68.5	68.4
% Ch, Annual Rate	0.8	-0.6	-3.1	-0.7	1.4	-2.9	-0.5	-0.4
State and Local Government	459.8	460.2	460.3	461.6	461.8	462.8	467.8	467.3
% Ch, Annual Rate	1.2	0.3	0.0	1.2	0.2	0.9	4.3	-0.4

Table A2.4

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

Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,972.6	2,985.8	2,998.3	3,010.6	3,024.3	3,039.6	3,053.0	3,066.1
% Ch, Annual Rate	1.6	1.8	1.7	1.7	1.8	2.0	1.8	1.7
Manufacturing	294.0	294.0	292.9	292.3	292.3	292.8	293.2	293.5
% Ch, Annual Rate	-0.8	0.1	-1.6	-0.8	0.0	0.7	0.6	0.5
Durable Manufacturing	212.3	211.9	210.9	209.9	209.5	209.6	209.9	210.3
% Ch, Annual Rate	-1.5	-0.7	-1.9	-1.8	-0.8	0.1	0.6	0.8
Wood Products	18.2	17.2	16.6	16.3	16.3	16.3	16.4	16.5
% Ch, Annual Rate	-15.6	-18.9	-14.1	-6.5	-1.4	1.7	2.4	2.2
Primary and Fabricated Metals	26.8	26.9	26.9	26.8	26.6	26.5	26.5	26.5
% Ch, Annual Rate	1.6	1.7	-0.3	-1.4	-2.3	-1.5	-0.7	0.2
Computer and Electronic Products	22.6	22.8	22.4	21.8	21.5	21.4	21.3	21.5
% Ch, Annual Rate	-3.4	5.1	-7.7	-10.9	-4.9	-2.4	-0.6	2.6
Machinery and Electrical Equipment	19.5	19.4	19.5	19.7	19.8	19.9	20.1	20.3
% Ch, Annual Rate	-2.0	-1.1	2.5	2.8	2.1	3.1	4.1	3.2
Aerospace	81.9	82.5	82.7	82.7	82.7	82.7	82.7	82.7
% Ch, Annual Rate	3.4	3.0	1.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	13.1	13.1	13.2	13.2	13.2	13.2	13.2	13.1
% Ch, Annual Rate	-1.0	-0.2	0.3	0.6	0.4	0.3	-0.1	-2.6
Other Durables	30.2	29.8	29.6	29.5	29.4	29.5	29.6	29.7
% Ch, Annual Rate	-6.2	-5.2	-2.9	-1.8	-0.6	0.5	1.2	1.8
Nondurable Manufacturing	81.7	82.1	81.9	82.3	82.8	83.2	83.3	83.2
% Ch, Annual Rate	1.2	2.1	-0.8	1.8	2.1	2.2	0.5	-0.4
Food Manufacturing	34.1	34.6	34.8	35.3	35.8	36.2	36.4	36.4
% Ch, Annual Rate	4.3	6.4	1.7	6.4	5.4	5.0	1.7	0.2
Paper and Paper Products	11.0	11.0	10.9	10.8	10.8	10.8	10.8	10.8
% Ch, Annual Rate	-2.0	-1.2	-3.3	-2.2	-0.6	-0.1	-0.5	-1.0
Other Nondurables	36.6	36.5	36.3	36.2	36.2	36.2	36.1	36.1
% Ch, Annual Rate	-0.7	-0.7	-2.4	-1.2	-0.2	0.1	-0.5	-0.8
Natural Resources and Mining	8.2	8.2	8.1	8.0	7.9	7.8	7.8	7.8
% Ch, Annual Rate	-2.4	-1.2	-4.4	-6.0	-3.8	-2.2	-0.6	0.8
Construction	212.4	212.0	211.4	210.8	210.5	210.3	210.3	210.4
% Ch, Annual Rate	-1.7	-0.8	-1.1	-1.1	-0.7	-0.3	0.1	0.1
Trade, Transportation, and Utilities	563.9	566.3	569.3	571.8	574.5	578.2	581.0	583.1
% Ch, Annual Rate	2.3	1.8	2.1	1.8	1.9	2.6	1.9	1.5
Wholesale Trade	133.2	133.5	134.0	133.9	134.0	134.6	135.2	135.7
% Ch, Annual Rate	0.8	0.8	1.5	-0.0	0.2	1.7	2.0	1.3
Retail Trade	333.0	334.9	336.9	339.1	341.1	343.6	344.9	346.0
% Ch, Annual Rate	3.0	2.3	2.4	2.6	2.4	2.9	1.6	1.3
Trans., Warehousing, and Utilities	97.7	98.0	98.4	98.8	99.4	100.1	100.8	101.4
% Ch, Annual Rate	2.4	1.1	1.9	1.6	2.2	3.1	2.9	2.3
Information	104.7	105.7	106.6	107.2	107.5	108.1	108.8	109.4
% Ch, Annual Rate	2.9	3.7	3.6	2.1	1.3	2.4	2.4	2.5
Software Publishers	49.3	49.9	50.6	51.3	52.0	52.8	53.5	54.3
% Ch, Annual Rate	6.8	5.0	5.6	5.7	5.8	5.9	5.9	5.9
Other Publishing Industries	11.1	11.0	10.9	10.9	10.8	10.8	10.8	10.9
% Ch, Annual Rate	-0.8	-5.0	-2.5	-1.9	-1.1	-0.3	0.1	0.3
Other Information	44.3	44.8	45.1	45.0	44.6	44.5	44.4	44.3
% Ch, Annual Rate	-0.3	4.6	3.0	-0.8	-3.2	-1.0	-1.1	-1.0
Financial Activities	157.0	157.4	158.3	158.9	159.8	160.8	161.9	163.0
% Ch, Annual Rate	-0.5	0.9	2.4	1.6	2.2	2.4	2.8	2.9
Professional and Business Services	350.4	352.8	356.6	360.7	365.2	369.6	373.7	377.5
% Ch, Annual Rate	2.2	2.8	4.4	4.7	5.1	4.9	4.5	4.1
Education and Health Services	352.7	355.6	358.4	360.6	362.8	365.2	367.0	368.6
% Ch, Annual Rate	2.4	3.3	3.2	2.5	2.5	2.6	2.0	1.7
Leisure and Hospitality	285.3	287.7	288.6	290.5	292.4	293.6	294.1	295.2
% Ch, Annual Rate	4.2	3.3	1.3	2.6	2.6	1.6	0.8	1.5
Other Services	106.2	106.6	106.8	106.8	106.9	107.1	107.3	107.4
% Ch, Annual Rate	2.3	1.5	0.9	0.2	0.2	0.6	0.7	0.5
Federal Government	68.6	68.7	68.8	69.0	69.1	69.1	69.2	69.6
% Ch, Annual Rate	0.8	0.8	0.7	0.7	0.6	0.2	0.3	2.6
State and Local Government	469.3	470.9	472.4	474.1	475.5	477.1	478.9	480.5
% Ch, Annual Rate	1.7	1.4	1.3	1.4	1.2	1.4	1.5	1.4

Table A3.1

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

Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	8,881.9	9,163.6	9,727.2	10,301.1	10,983.4	11,694.6	12,255.3	12,874.6
% Ch	1.8	3.2	6.2	5.9	6.6	6.5	4.8	5.1
Total Wage and Salary Disbursements	4,980.9	5,112.7	5,394.5	5,667.9	6,018.2	6,400.1	6,680.8	6,998.8
% Ch	0.8	2.6	5.5	5.1	6.2	6.3	4.4	4.8
Nonwage Personal Income	3,901.0	4,050.9	4,332.7	4,633.2	4,965.2	5,294.5	5,574.5	5,875.9
% Ch	3.2	3.8	7.0	6.9	7.2	6.6	5.3	5.4
Supplements to Wages and Salaries	1,110.3	1,197.7	1,276.9	1,356.8	1,422.5	1,494.2	1,549.0	1,608.9
% Ch	11.1	7.9	6.6	6.3	4.8	5.0	3.7	3.9
Proprietor's Income	768.4	811.3	911.7	969.9	1,006.7	1,044.1	1,087.5	1,153.3
% Ch	-0.5	5.6	12.4	6.4	3.8	3.7	4.2	6.0
Farm	10.6	29.2	37.4	30.8	19.4	33.9	28.1	24.6
% Ch	-46.3	176.4	27.8	-17.5	-37.2	75.4	-17.3	-12.5
Nonfarm	757.8	782.1	874.3	939.1	987.4	1,010.1	1,059.5	1,128.7
% Ch	0.7	3.2	11.8	7.4	5.1	2.3	4.9	6.5
Less: Contribution For Govt. Soc. Ins.	750.0	778.6	828.8	874.8	927.6	983.0	1,023.2	1,071.7
% Ch	2.6	3.8	6.4	5.5	6.0	6.0	4.1	4.7
Dividends/Int./Rent	1,486.2	1,469.6	1,550.5	1,660.7	1,851.0	2,007.0	2,126.3	2,253.2
% Ch	-4.0	-1.1	5.5	7.1	11.5	8.4	5.9	6.0
Transfer Payments	1,286.2	1,351.0	1,422.5	1,520.6	1,612.5	1,732.2	1,834.9	1,932.1
% Ch	7.7	5.0	5.3	6.9	6.0	7.4	5.9	5.3

Table A3.2

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

Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,482.8	9,629.6	9,770.9	10,025.5	10,074.1	10,234.1	10,328.6	10,567.4
% Ch, Annual Rate	6.2	6.3	6.0	10.8	2.0	6.5	3.7	9.6
Total Wage and Salary Disbursements	5,260.9	5,351.2	5,447.8	5,518.1	5,559.1	5,614.0	5,720.4	5,777.9
% Ch, Annual Rate	3.9	7.0	7.4	5.3	3.0	4.0	7.8	4.1
Nonwage Personal Income	4,221.9	4,278.4	4,323.1	4,507.4	4,515.0	4,620.1	4,608.2	4,789.5
% Ch, Annual Rate	9.1	5.5	4.2	18.2	0.7	9.6	-1.0	16.7
Supplements to Wages and Salaries	1,248.2	1,266.9	1,286.9	1,305.5	1,331.4	1,347.3	1,368.1	1,380.4
% Ch, Annual Rate	8.2	6.1	6.5	5.9	8.2	4.9	6.3	3.6
Proprietor's Income	879.4	908.7	914.1	944.5	948.7	971.1	967.1	992.6
% Ch, Annual Rate	19.7	14.0	2.4	14.0	1.8	9.8	-1.6	11.0
Farm	40.3	39.6	33.0	36.5	30.1	34.0	30.9	28.2
% Ch, Annual Rate	136.4	-6.8	-51.8	49.7	-53.8	62.8	-31.8	-30.6
Nonfarm	839.1	869.1	881.1	908.0	918.6	937.1	936.2	964.4
% Ch, Annual Rate	16.1	15.1	5.6	12.8	4.8	8.3	-0.4	12.6
Less: Contribution For Govt. Soc. Ins.	810.8	822.9	836.1	845.5	861.0	867.9	881.7	888.5
% Ch, Annual Rate	9.9	6.1	6.6	4.6	7.5	3.3	6.5	3.1
Dividends/Int./Rent	1,500.3	1,510.4	1,525.6	1,665.8	1,615.2	1,664.6	1,594.1	1,768.8
% Ch, Annual Rate	2.6	2.7	4.1	42.1	-11.6	12.8	-15.9	51.6
Transfer Payments	1,404.9	1,415.3	1,432.7	1,437.1	1,480.6	1,505.2	1,560.6	1,536.2
% Ch, Annual Rate	11.4	3.0	5.0	1.2	12.7	6.8	15.6	-6.1

Table A3.2

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

Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,787.1	10,915.5	11,030.9	11,200.2	11,469.2	11,619.2	11,776.0	11,914.0
% Ch, Annual Rate	8.6	4.8	4.3	6.3	10.0	5.3	5.5	4.8
Total Wage and Salary Disbursements	5,945.6	5,958.4	6,015.8	6,153.0	6,294.4	6,363.7	6,435.1	6,507.2
% Ch, Annual Rate	12.1	0.9	3.9	9.4	9.5	4.5	4.6	4.6
Nonwage Personal Income	4,841.5	4,957.1	5,015.1	5,047.2	5,174.8	5,255.5	5,341.0	5,406.8
% Ch, Annual Rate	4.4	9.9	4.8	2.6	10.5	6.4	6.7	5.0
Supplements to Wages and Salaries	1,403.1	1,413.5	1,426.7	1,446.9	1,470.5	1,486.3	1,502.3	1,517.9
% Ch, Annual Rate	6.8	3.0	3.8	5.8	6.7	4.4	4.4	4.2
Proprietor's Income	1,000.1	1,013.5	1,003.6	1,009.7	1,027.4	1,038.4	1,049.6	1,060.8
% Ch, Annual Rate	3.1	5.5	-3.9	2.5	7.2	4.4	4.4	4.3
Farm	20.8	14.6	18.1	23.9	29.1	33.1	36.2	37.3
% Ch, Annual Rate	-70.4	-75.7	136.2	204.0	119.8	67.4	43.3	13.1
Nonfarm	979.3	998.9	985.5	985.8	998.3	1,005.3	1,013.4	1,023.5
% Ch, Annual Rate	6.3	8.2	-5.3	0.1	5.2	2.8	3.3	4.0
Less: Contribution For Govt. Soc. Ins.	918.8	920.1	926.8	944.6	969.8	978.4	987.1	996.6
% Ch, Annual Rate	14.4	0.6	3.0	7.9	11.1	3.6	3.6	3.9
Dividends/Int./Rent	1,784.6	1,851.0	1,881.0	1,887.5	1,936.1	1,992.1	2,036.0	2,063.8
% Ch, Annual Rate	3.6	15.7	6.6	1.4	10.7	12.1	9.1	5.6
Transfer Payments	1,572.5	1,599.1	1,630.6	1,647.7	1,710.7	1,717.1	1,740.2	1,760.9
% Ch, Annual Rate	9.8	6.9	8.1	4.3	16.2	1.5	5.5	4.9



Table A3.2

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

Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	12,053.7	12,183.8	12,317.1	12,466.5	12,626.7	12,791.6	12,954.1	13,126.1
% Ch, Annual Rate	4.8	4.4	4.4	4.9	5.2	5.3	5.2	5.4
Total Wage and Salary Disbursements	6,576.1	6,641.6	6,714.2	6,791.3	6,876.1	6,955.8	7,038.2	7,124.9
% Ch, Annual Rate	4.3	4.0	4.4	4.7	5.1	4.7	4.8	5.0
Nonwage Personal Income	5,477.6	5,542.2	5,602.9	5,675.2	5,750.6	5,835.7	5,915.9	6,001.2
% Ch, Annual Rate	5.3	4.8	4.5	5.3	5.4	6.1	5.6	5.9
Supplements to Wages and Salaries	1,533.5	1,543.9	1,553.7	1,564.7	1,586.0	1,602.1	1,616.8	1,630.9
% Ch, Annual Rate	4.2	2.7	2.6	2.9	5.6	4.1	3.7	3.6
Proprietor's Income	1,066.7	1,079.6	1,092.9	1,111.1	1,129.8	1,146.4	1,160.6	1,176.4
% Ch, Annual Rate	2.2	4.9	5.0	6.8	6.9	6.0	5.0	5.5
Farm	30.8	28.0	26.4	27.1	25.6	24.0	24.1	24.6
% Ch, Annual Rate	-53.9	-31.1	-21.8	11.3	-19.8	-23.0	0.8	8.7
Nonfarm	1,035.9	1,051.5	1,066.5	1,084.0	1,104.1	1,122.4	1,136.6	1,151.8
% Ch, Annual Rate	4.9	6.2	5.8	6.7	7.6	6.8	5.1	5.5
Less: Contribution For Govt. Soc. Ins.	1,012.7	1,019.4	1,027.1	1,033.5	1,058.5	1,067.3	1,077.1	1,083.9
% Ch, Annual Rate	6.6	2.7	3.1	2.5	10.1	3.3	3.7	2.5
Dividends/Int./Rent	2,090.8	2,114.5	2,136.4	2,163.4	2,192.8	2,232.1	2,273.3	2,314.4
% Ch, Annual Rate	5.3	4.6	4.2	5.2	5.6	7.4	7.6	7.4
Transfer Payments	1,799.3	1,823.6	1,847.1	1,869.5	1,900.6	1,922.4	1,942.2	1,963.4
% Ch, Annual Rate	9.0	5.5	5.2	4.9	6.8	4.7	4.2	4.4

Table A3.3  
**Washington Personal Income by Component (Billions of Dollars)**  
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	197.452	202.942	218.366	224.808	243.471	261.258	277.586	294.445
% Ch	2.0	2.8	7.6	2.9	8.3	7.3	6.2	6.1
Total Wage and Salary Disbursements	111.412	114.105	119.214	125.842	136.338	147.034	156.248	165.396
% Ch	0.7	2.4	4.5	5.6	8.3	7.8	6.3	5.9
Manufacturing	14.660	13.601	13.891	15.150	16.846	18.115	18.920	19.627
% Ch	-3.8	-7.2	2.1	9.1	11.2	7.5	4.4	3.7
Durable Manufacturing	10.772	10.106	10.399	11.545	13.089	14.150	14.752	15.234
% Ch	-7.3	-6.2	2.9	11.0	13.4	8.1	4.3	3.3
Nondurable Manufacturing	3.888	3.495	3.493	3.604	3.756	3.965	4.168	4.393
% Ch	7.2	-10.1	-0.1	3.2	4.2	5.6	5.1	5.4
Nonmanufacturing	92.236	95.635	100.190	104.981	113.471	122.630	130.675	138.797
% Ch	1.2	3.7	4.8	4.8	8.1	8.1	6.6	6.2
Other Private Wages	1.084	1.130	1.184	1.233	1.329	1.447	1.548	1.659
% Ch	5.0	4.2	4.8	4.1	7.8	8.8	7.0	7.2
Farm Wages	0.922	0.948	0.986	1.130	1.149	1.185	1.251	1.324
% Ch	-8.4	2.8	4.0	14.5	1.7	3.2	5.6	5.8
Military Wages	2.510	2.791	2.963	3.349	3.544	3.656	3.853	3.989
% Ch	15.5	11.2	6.1	13.0	5.8	3.2	5.4	3.5
Nonwage Personal Income	86.039	88.837	99.152	98.965	107.133	114.224	121.338	129.049
% Ch	3.8	3.3	11.6	-0.2	8.3	6.6	6.2	6.4
Supplements to Wages and Salaries	25.491	26.844	29.206	31.329	33.455	35.321	37.176	39.037
% Ch	9.7	5.3	8.8	7.3	6.8	5.6	5.3	5.0
Proprietor's Income	16.108	16.357	17.815	18.420	19.320	20.031	21.380	23.060
% Ch	-0.3	1.5	8.9	3.4	4.9	3.7	6.7	7.9
Farm	0.396	0.728	0.543	0.226	0.117	0.333	0.534	0.673
% Ch	85.3	83.8	-25.3	-58.5	-48.0	183.3	60.4	26.1
Nonfarm	15.712	15.630	17.271	18.194	19.203	19.699	20.846	22.387
% Ch	-1.5	-0.5	10.5	5.3	5.5	2.6	5.8	7.4
Less: Contribution For Govt. Soc. Ins.	18.165	18.952	20.289	21.583	23.056	24.520	25.872	27.329
% Ch	1.9	4.3	7.1	6.4	6.8	6.4	5.5	5.6
Plus: Residence Adjustment	2.386	2.402	2.481	2.711	2.866	3.051	3.138	3.290
% Ch	3.2	0.7	3.2	9.3	5.7	6.5	2.8	4.9
Dividends/Int./Rent	33.594	34.254	41.866	38.456	42.641	46.258	49.182	52.365
% Ch	-0.9	2.0	22.2	-8.1	10.9	8.5	6.3	6.5
Transfer Payments	26.625	27.931	28.073	29.633	31.907	34.083	36.334	38.625
% Ch	6.2	4.9	0.5	5.6	7.7	6.8	6.6	6.3
State U.I. Benefits	2.386	2.238	1.183	0.782	0.734	0.669	0.683	0.741
% Ch	73.6	-6.2	-47.1	-33.9	-6.2	-8.8	2.0	8.5
Other Transfers	24.239	25.694	26.890	28.851	31.173	33.414	35.651	37.884
% Ch	2.3	6.0	4.7	7.3	8.0	7.2	6.7	6.3

Table A3.4  
**Washington Personal Income by Component (Billions of Dollars)**  
 Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	206.174	211.889	214.454	240.948	218.775	222.403	227.516	230.536
% Ch, Annual Rate	3.5	11.6	4.9	59.4	-32.0	6.8	9.5	5.4
Total Wage and Salary Disbursements	114.776	119.348	120.882	121.850	122.319	124.112	127.863	129.075
% Ch, Annual Rate	3.2	16.9	5.2	3.2	1.5	6.0	12.6	3.8
Manufacturing	13.099	13.706	14.483	14.277	14.591	15.169	15.107	15.732
% Ch, Annual Rate	-13.2	19.9	24.7	-5.6	9.1	16.8	-1.6	17.6
Durable Manufacturing	9.704	10.174	11.013	10.704	11.022	11.593	11.438	12.128
% Ch, Annual Rate	-14.1	20.8	37.3	-10.8	12.4	22.4	-5.2	26.4
Nondurable Manufacturing	3.395	3.532	3.470	3.573	3.569	3.576	3.669	3.604
% Ch, Annual Rate	-10.5	17.1	-6.8	12.4	-0.4	0.8	10.8	-6.9
Nonmanufacturing	96.596	100.527	101.258	102.377	101.958	103.278	107.114	107.573
% Ch, Annual Rate	5.1	17.3	2.9	4.5	-1.6	5.3	15.7	1.7
Other Private Wages	1.152	1.177	1.178	1.230	1.258	1.227	1.222	1.226
% Ch, Annual Rate	8.0	9.0	0.3	18.9	9.4	-9.5	-1.6	1.3
Farm Wages	0.955	0.984	1.001	1.006	1.130	1.126	1.128	1.135
% Ch, Annual Rate	-8.3	12.7	7.1	2.0	59.2	-1.4	0.7	2.5
Military Wages	2.974	2.954	2.962	2.960	3.382	3.312	3.292	3.409
% Ch, Annual Rate	29.8	-2.7	1.1	-0.3	70.4	-8.0	-2.4	15.0
Nonwage Personal Income	91.398	92.541	93.571	119.098	96.456	98.290	99.654	101.462
% Ch, Annual Rate	3.8	5.1	4.5	162.5	-57.0	7.8	5.7	7.5
Supplements to Wages and Salaries	28.182	29.209	29.595	29.840	30.494	31.026	31.737	32.059
% Ch, Annual Rate	18.7	15.4	5.4	3.4	9.1	7.2	9.5	4.1
Proprietor's Income	17.256	17.705	17.901	18.398	18.112	18.317	18.568	18.683
% Ch, Annual Rate	7.7	10.8	4.5	11.6	-6.1	4.6	5.6	2.5
Farm	0.690	0.515	0.454	0.515	0.358	0.258	0.154	0.133
% Ch, Annual Rate	-7.E+01	-69.0	-39.6	65.6	-76.6	-7.E+01	-87.3	-44.4
Nonfarm	16.566	17.190	17.446	17.883	17.754	18.059	18.414	18.550
% Ch, Annual Rate	13.8	15.9	6.1	10.4	-2.9	7.1	8.1	3.0
Less: Contribution For Govt. Soc. Ins.	19.590	20.308	20.553	20.707	21.062	21.363	21.887	22.021
% Ch, Annual Rate	12.6	15.5	4.9	3.0	7.0	5.8	10.2	2.5
Plus: Residence Adjustment	2.440	2.463	2.494	2.525	2.674	2.698	2.740	2.733
% Ch, Annual Rate	-11.5	3.8	5.1	5.1	25.8	3.6	6.4	-1.0
Dividends/Int./Rent	35.056	35.409	36.190	60.810	36.997	37.966	38.804	40.057
% Ch, Annual Rate	1.0	4.1	9.1	697.2	-86.3	10.9	9.1	13.6
Transfer Payments	28.054	28.063	27.945	28.232	29.241	29.646	29.692	29.951
% Ch, Annual Rate	-1.1	0.1	-1.7	4.2	15.1	5.7	0.6	3.5
State U.I. Benefits	1.452	1.241	1.089	0.951	0.848	0.774	0.769	0.739
% Ch, Annual Rate	-77.7	-46.6	-40.7	-41.8	-36.8	-30.6	-2.6	-14.7
Other Transfers	26.602	26.823	26.855	27.281	28.394	28.872	28.924	29.212
% Ch, Annual Rate	9.2	3.4	0.5	6.5	17.3	6.9	0.7	4.0

Table A3.4  
**Washington Personal Income by Component (Billions of Dollars)**  
 Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	237.280	240.675	246.823	249.105	253.549	257.680	267.279	266.523
% Ch, Annual Rate	12.2	5.8	10.6	3.7	7.3	6.7	15.8	-1.1
Total Wage and Salary Disbursements	132.920	133.785	138.626	140.022	141.863	144.591	152.069	149.612
% Ch, Annual Rate	12.5	2.6	15.3	4.1	5.4	7.9	22.4	-6.3
Manufacturing	16.970	16.835	16.073	17.504	17.674	17.917	18.301	18.567
% Ch, Annual Rate	35.4	-3.1	-16.9	40.7	3.9	5.6	8.9	5.9
Durable Manufacturing	13.172	13.182	12.327	13.676	13.726	14.015	14.332	14.527
% Ch, Annual Rate	39.1	0.3	-23.5	51.5	1.5	8.7	9.4	5.5
Nondurable Manufacturing	3.798	3.653	3.746	3.828	3.948	3.902	3.969	4.040
% Ch, Annual Rate	23.3	-14.4	10.6	9.0	13.1	-4.6	7.1	7.4
Nonmanufacturing	110.012	110.964	116.430	116.477	118.030	120.403	127.437	124.651
% Ch, Annual Rate	9.4	3.5	21.2	0.2	5.4	8.3	25.5	-8.5
Other Private Wages	1.270	1.301	1.399	1.348	1.399	1.442	1.463	1.484
% Ch, Annual Rate	15.1	10.1	33.7	-13.8	16.0	12.7	6.0	6.0
Farm Wages	1.140	1.148	1.153	1.154	1.165	1.175	1.192	1.210
% Ch, Annual Rate	1.8	2.8	1.8	0.3	3.9	3.5	6.0	6.0
Military Wages	3.528	3.537	3.571	3.539	3.595	3.654	3.676	3.700
% Ch, Annual Rate	14.7	1.0	3.9	-3.5	6.5	6.7	2.4	2.6
Nonwage Personal Income	104.361	106.890	108.197	109.083	111.686	113.089	115.210	116.911
% Ch, Annual Rate	11.9	10.1	5.0	3.3	9.9	5.1	7.7	6.0
Supplements to Wages and Salaries	32.755	33.014	33.937	34.113	34.370	35.086	35.693	36.133
% Ch, Annual Rate	9.0	3.2	11.7	2.1	3.0	8.6	7.1	5.0
Proprietor's Income	19.082	19.533	19.285	19.381	19.879	19.704	20.088	20.454
% Ch, Annual Rate	8.8	9.8	-5.0	2.0	10.7	-3.5	8.0	7.5
Farm	0.044	0.120	0.125	0.181	0.430	0.129	0.320	0.453
% Ch, Annual Rate	-98.8	5,432.4	17.7	339.6	3,085.4	-99.2	3,666.6	303.7
Nonfarm	19.038	19.413	19.160	19.200	19.449	19.575	19.769	20.001
% Ch, Annual Rate	10.9	8.1	-5.1	0.8	5.3	2.6	4.0	4.8
Less: Contribution For Govt. Soc. Ins.	22.692	22.714	23.318	23.498	23.925	24.372	24.748	25.034
% Ch, Annual Rate	12.8	0.4	11.1	3.1	7.5	7.7	6.3	4.7
Plus: Residence Adjustment	2.861	2.845	2.821	2.937	3.025	3.047	3.057	3.074
% Ch, Annual Rate	20.1	-2.2	-3.3	17.5	12.5	2.9	1.3	2.3
Dividends/Int./Rent	41.180	42.538	43.268	43.577	44.673	45.865	46.902	47.590
% Ch, Annual Rate	11.7	13.9	7.0	2.9	10.4	11.1	9.4	6.0
Transfer Payments	31.175	31.674	32.204	32.573	33.664	33.759	34.218	34.693
% Ch, Annual Rate	17.4	6.6	6.9	4.7	14.1	1.1	5.5	5.7
State U.I. Benefits	0.760	0.732	0.691	0.752	0.707	0.685	0.643	0.643
% Ch, Annual Rate	11.9	-13.9	-20.6	40.3	-21.9	-11.9	-22.4	0.0
Other Transfers	30.415	30.942	31.513	31.821	32.957	33.074	33.575	34.050
% Ch, Annual Rate	17.5	7.1	7.6	4.0	15.1	1.4	6.2	5.8

Table A3.4  
**Washington Personal Income by Component (Billions of Dollars)**  
 Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	270.320	273.695	284.443	281.886	285.960	290.034	302.246	299.539
% Ch, Annual Rate	5.8	5.1	16.7	-3.5	5.9	5.8	17.9	-3.5
Total Wage and Salary Disbursements	151.548	153.196	162.324	157.924	160.082	161.984	172.172	167.347
% Ch, Annual Rate	5.3	4.4	26.0	-10.4	5.6	4.8	27.6	-10.7
Manufacturing	18.702	18.875	18.982	19.123	19.295	19.506	19.735	19.972
% Ch, Annual Rate	2.9	3.8	2.3	3.0	3.7	4.4	4.8	4.9
Durable Manufacturing	14.611	14.723	14.797	14.877	14.987	15.133	15.311	15.506
% Ch, Annual Rate	2.3	3.1	2.0	2.2	3.0	4.0	4.8	5.2
Non-durable Manufacturing	4.091	4.152	4.184	4.246	4.309	4.373	4.424	4.466
% Ch, Annual Rate	5.1	6.1	3.1	6.0	6.0	6.1	4.7	3.9
Nonmanufacturing	126.284	127.697	136.660	132.059	133.883	135.528	145.442	140.336
% Ch, Annual Rate	5.3	4.5	31.2	-12.8	5.6	5.0	32.6	-13.3
Other Private Wages	1.510	1.535	1.560	1.586	1.615	1.644	1.673	1.703
% Ch, Annual Rate	7.2	6.8	6.6	6.9	7.3	7.6	7.3	7.4
Farm Wages	1.227	1.243	1.259	1.276	1.294	1.314	1.333	1.352
% Ch, Annual Rate	5.8	5.5	5.3	5.5	5.8	6.2	6.0	5.9
Military Wages	3.824	3.846	3.863	3.880	3.995	3.992	3.989	3.983
% Ch, Annual Rate	14.2	2.3	1.8	1.8	12.4	-0.3	-0.3	-0.6
Nonwage Personal Income	118.772	120.499	122.119	123.961	125.878	128.050	130.074	132.192
% Ch, Annual Rate	6.5	5.9	5.5	6.2	6.3	7.1	6.5	6.7
Supplements to Wages and Salaries	36.641	37.014	37.357	37.694	38.324	38.820	39.287	39.716
% Ch, Annual Rate	5.7	4.1	3.8	3.7	6.9	5.3	4.9	4.4
Proprietor's Income	20.770	21.184	21.561	22.003	22.476	22.909	23.249	23.608
% Ch, Annual Rate	6.3	8.2	7.3	8.5	8.9	7.9	6.1	6.3
Farm	0.468	0.510	0.549	0.608	0.638	0.659	0.685	0.710
% Ch, Annual Rate	14.1	41.2	34.2	49.9	21.3	14.0	16.9	15.0
Nonfarm	20.302	20.674	21.012	21.395	21.838	22.250	22.563	22.898
% Ch, Annual Rate	6.1	7.5	6.7	7.5	8.5	7.8	5.7	6.1
Less: Contribution For Govt. Soc. Ins.	25.511	25.755	26.012	26.211	26.897	27.187	27.503	27.729
% Ch, Annual Rate	7.8	3.9	4.0	3.1	10.9	4.4	4.7	3.3
Plus: Residence Adjustment	3.096	3.121	3.151	3.183	3.223	3.267	3.313	3.358
% Ch, Annual Rate	2.8	3.3	3.9	4.2	5.0	5.6	5.7	5.5
Dividends/Int./Rent	48.264	48.873	49.449	50.141	50.887	51.851	52.860	53.863
% Ch, Annual Rate	5.8	5.1	4.8	5.7	6.1	7.8	8.0	7.8
Transfer Payments	35.512	36.061	36.613	37.151	37.866	38.389	38.869	39.376
% Ch, Annual Rate	9.8	6.3	6.3	6.0	7.9	5.6	5.1	5.3
State U.I. Benefits	0.651	0.663	0.693	0.726	0.738	0.756	0.728	0.742
% Ch, Annual Rate	4.8	7.9	19.2	20.9	6.6	10.1	-13.9	7.5
Other Transfers	34.861	35.398	35.920	36.425	37.128	37.633	38.141	38.634
% Ch, Annual Rate	9.9	6.3	6.0	5.7	7.9	5.6	5.5	5.3

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
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	1.770	2.8	1.857	3.6
2002	1.035	1.4	1.799	1.6	1.893	2.0
2003	1.056	2.0	1.840	2.3	1.924	1.6
2004	1.084	2.6	1.889	2.7	1.947	1.2
2005	1.116	2.9	1.953	3.4	2.002	2.8
2006	1.147	2.8	2.016	3.2	2.076	3.7
Forecast						
2007	1.174	2.4	2.070	2.7	2.150	3.6
2008	1.195	1.8	2.108	1.8	2.203	2.4
2009	1.216	1.7	2.145	1.8	2.258	2.5

\* 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
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	13.508	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.418	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.043	-1.2	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.2	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.018	2.7	104.951	2.0	91.688	-9.9	90.433	-6.1
2003	109.379	3.2	106.986	1.9	109.653	19.6	105.213	16.3
2004	112.929	3.2	110.269	3.1	125.389	14.4	123.991	17.8
2005	116.726	3.4	112.749	2.2	159.612	27.3	150.842	21.7
2006	120.725	3.4	115.340	2.3	180.349	13.0	170.501	13.0
Forecast								
2007	124.389	3.0	119.671	3.8	185.502	2.9	180.450	5.8
2008	127.500	2.5	123.099	2.9	175.592	-5.3	178.284	-1.2
2009	130.609	2.4	125.193	1.7	176.206	0.4	175.805	-1.4

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

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

\* As of April 1 of Each Year

Source: Office of Financial Management



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

	<b>Actual</b>				<b>Forecast</b>	
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Total Population	6167.8	6256.4	6375.6	6488.0	6599.2	6706.9
Percent Change	1.1	1.4	1.9	1.8	1.7	1.6
Age 17 and Under	1522.0	1531.4	1549.0	1566.4	1581.1	1595.0
Percent of Total	24.7	24.5	24.3	24.1	24.0	23.8
Age 6-18	1128.5	1132.3	1142.9	1151.8	1158.6	1160.9
Percent of Total	18.3	18.1	17.9	17.8	17.6	17.3
Age 18 and Over	4645.8	4725.0	4826.6	4921.6	5018.1	5112.0
Percent of Total	75.3	75.5	75.7	75.9	76.0	76.2
Age 21 and Over	4379.3	4455.9	4552.8	4644.9	4733.6	4821.5
Percent of Total	71.0	71.2	71.4	71.6	71.7	71.9
Age 20-34	1273.3	1283.6	1309.0	1335.5	1369.5	1404.8
Percent of Total	20.6	20.5	20.5	20.6	20.8	20.9
Age 18-64	3948.9	4014.5	4099.4	4174.7	4246.3	4314.5
Percent of Total	64.0	64.2	64.3	64.3	64.3	64.3
Age 65 and Over	696.9	710.5	727.3	746.9	771.8	797.5
Percent of Total	11.3	11.4	11.4	11.5	11.7	11.9

\* As of April 1 of Each Year

Source: Office of Financial Management

*This page intentionally left blank.*

# Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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