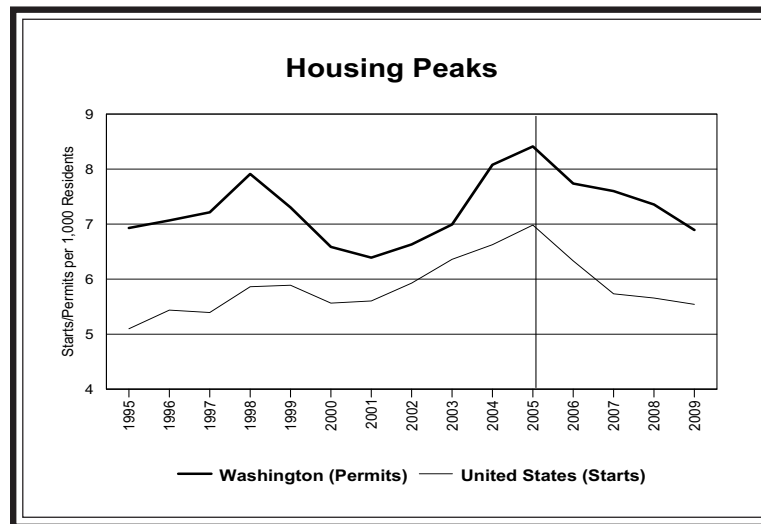


Washington Economic and Revenue Forecast



September 2006
Volume XXIX, No. 3

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Explanation of the Cover Graph

The cover chart shows Washington housing units authorized by building permit per 1,000 residents compared to U.S. housing starts per 1,000 residents. Washington State usually has above average housing construction on a per capita basis due to its typically above average rate of population growth. The forecast expects a downturn in housing both locally and nationally, but the local downturn should be tempered by an upsurge in migration into Washington. Washington permits are expected to decline 6.3 percent in 2006 and 2007 compared to 16.4 percent for the nation as a whole.

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Washington Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

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Preface

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

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.

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Executive Summary

U.S. Economic Forecast

The September 2006 economic and revenue forecast incorporated the advance GDP estimate for the second quarter of 2006. According to the advance estimate, real GDP grew at a 2.5 percent rate in the second quarter of 2006, down sharply from 5.6 percent in the first quarter. The slowdown in final sales was even sharper, from 5.6 percent to 2.1 percent. The weakness in the second quarter was widespread. Consumer spending slowed to a 2.5 percent annual rate as purchases of durable goods fell at a 0.5 percent rate. Fixed investment declined at a 0.7 percent rate. Residential fixed investment fell 6.3 percent and business spending on equipment and software declined 1.0 percent, which was the first drop in more than three years. The foreign sector added 0.3 percentage points to GDP growth in the second quarter as exports grew 3.3 percent while imports edged up only 0.2 percent. Government purchases were up just 0.6 percent in the second quarter as a strong 3.0 percent increase in state and local government spending was largely offset by a 1.0 percent decline in defense spending and a 7.8 percent drop in federal non-defense spending.

Payroll employment growth slowed to 1.2 percent in the second quarter from 1.7 percent in the first quarter and a Katrina-adjusted 1.7 percent in the fourth quarter of last year. The unemployment rate dipped slightly to 4.63 percent in the second quarter from 4.73 percent in the first quarter. Inflation, as measured by the Consumer Price Index, jumped to 5.0 percent in the second quarter of 2006 from 2.2 percent in the first quarter. The increase was largely due to surging energy costs but core inflation, which excludes food and energy, increased from 2.4 percent to 3.5 percent. Housing starts plummeted at a 38.7 percent rate in the second quarter to 1.878 million units from a nearly 33-year-high 2.123 million units in the first quarter. The mortgage rate jumped to 6.60 percent in the second quarter from 6.24 percent in the first quarter. The Federal Reserve paused in August, after 17 consecutive quarter-point rate hikes, leaving its target fed funds rate at 5.25 percent.

The U.S. economy slowed in the second quarter, and we believe that it is now heading for an extended period of below-trend growth (i.e., below 3 percent). Four successive monthly payroll employment increases in the 100,000-125,000 range have underscored the slowdown. The housing market is cooling, and already-stretched consumers are facing rising gasoline bills. At the same time, though, inflation is still moving higher as oil and other materials costs have risen and are passing through to the prices of other goods and services. On an annual basis, the forecast expects GDP growth to improve slightly this year to 3.3 percent from 3.2 percent in 2005. Growth is expected to slow to 2.4 percent in 2007 before recovering to 3.1 percent per year in 2008 and 2009. Nonfarm payroll employment growth improved to 1.5 percent in 2005 from 1.1 percent in 2004. Employment is expected to grow 1.4 percent this year, slowing to 1.1

percent in 2007, and recovering to 1.4 percent per year in 2008 and 2009. The unemployment rate also improved in 2005, declining to 5.06 percent from 5.52 percent in 2004 and 6.00 percent in 2003. The forecast expects the unemployment rate to improve to 4.72 percent this year before the softening economy pushes it up to 4.91 percent in 2007 and 4.92 percent in 2008. The unemployment rate is expected to improve to 4.75 percent in 2009. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.9 percent in 2005 from 2.6 percent in 2004. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation increased only slightly, from 2.0 percent to 2.1 percent. Energy will add to inflation again this year but will help restrain inflation during the next three years as energy prices finally decline. The forecast expects an inflation rate of 3.0 percent this year, 2.2 percent in 2007, 1.9 percent in 2008, and 1.8 percent in 2009. With core inflation edging higher, we believe the Fed will have to push interest rates a bit higher. The forecast anticipates one more hike in the federal funds rate to 5.50 percent in September.

Washington State Economic Forecast

The state's employment growth rate slowed sharply to 1.7 percent in the second quarter of 2006 from 4.3 percent rate in the first quarter. Manufacturing employment rose at a 1.1 percent rate in the second quarter, led by aerospace employment which rose at a 3.3 percent rate. Manufacturing employment other than aerospace edged up just 0.3 percent. Employment in every major private nonmanufacturing sector also expanded in the second quarter led once again by construction employment which rose at a 5.1 percent rate. Employment in professional and business services rose at a strong 4.2 percent rate due largely to a 12.2 percent jump in employment services employment. Information employment grew 4.0 percent led by a 10.5 percent increase in software employment. Information other than software declined at a 1.0 percent rate, however. Other sectors showed more modest growth. Financial activities rose 2.1 percent, leisure and hospitality and other services rose 1.5 percent each, and trade, transportation, and utilities rose 1.1 percent. In the public sector, state and local government employment edged up at a 0.3 percent rate while federal government employment declined at a 1.0 percent rate.

Washington's personal income in the first quarter of 2006 was \$2.875 billion (1.2 percent) higher than the estimate made in June. Total wages were \$3.320 billion (2.5 percent) higher than expected in June. Software wages were \$0.279 billion (5.9 percent) higher than expected and non-software wages were \$3.041 billion (2.4 percent) higher. Nonwage personal income, however, was \$0.446 billion (0.4 percent) below the June estimate for the first quarter. The forecast assumes that income growth slowed to 6.9 percent in the second quarter of 2006 from 12.5 percent in the first quarter. The forecast assumes that wage growth slowed to a more sustainable 5.9 percent rate in the second quarter compared to the torrid 17.4 percent jump in the first quarter. The forecast also assumes that income other than wages grew at an 8.3 percent rate in the second quarter, up from 6.3 percent in the first quarter.

The number of housing units authorized by building permit rose 3,700 in the second quarter of 2006 to 51,200 from 47,500 in the first quarter. Single-family permits edged down 400 to 35,300 but multi-family permits rose 4,200 to 15,900. Multi-family permits jumped to 26,000 in July which was the highest monthly figure since December 2000. Single family permits fell to 29,300, however, which was the lowest rate since March 2002.

The forecast also reflects Seattle consumer price data through June. 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, rising 2.3 percent compared to 2.2 percent. During the first six months of 2006 core inflation in Seattle rose at an annual rate of 3.5 percent compared to 3.2 percent for

the U.S. city average. Because energy prices rose more locally than elsewhere in the U.S., the gap in overall inflation was even larger. The overall Seattle CPI rose at an annual rate of 5.2 percent in the first six months of this year compared to the 4.7 percent national average.

The Washington aerospace employment forecast is virtually unchanged since June. As of July, the aerospace sector has added 12,200 jobs since the trough in May 2004. The forecast expects another 7,300 new aerospace jobs by mid-2008 when employment is expected to level off at 80,300. This is still 32,800 (29.0 percent) lower than the previous peak in June 1998. The software wage forecast has been raised by about \$600 million per year mainly as a result of higher than previously expected actual wages in the second quarter of 2006. Software employment is expected to grow about 7,400 from now through the end of 2009 which translates into a growth rate of 2,100 jobs per year. Higher interest rates will have an adverse impact on the Washington housing market but this will be offset by strong population growth. In addition, nonresidential construction is expected to recover. Overall Washington construction employment is expected to continue to expand but at a much reduced rate.

The surprising strength in wages in the first quarter is the most significant change to the Washington forecast. Based on newly available unemployment insurance data, average wages (excluding software) soared at an average annual rate of 13.9 percent in the first quarter compared to the 4.6 percent rate expected in the June forecast. The stronger than expected growth in the first quarter added 2.2 percentage points to average non-software wage growth and 1.2 percentage points to personal income growth in the 2006 calendar year. The stronger first quarter wage growth explains virtually all the revision to annual personal income growth in 2006. The August 31 U.S. personal income release, which was the first to incorporate national unemployment insurance data for the first quarter, revealed a similar surprising jump in U.S. wages but was not available at the time the national forecast was prepared.

Washington nonfarm payroll employment growth accelerated to 2.8 percent in 2005 from 1.6 percent in 2004 and just 0.1 percent in 2003. An even stronger year is expected in 2006 with employment growth increasing to 3.0 percent. Weaker growth is expected during the next three years as the U.S. expansion matures and the aerospace and construction expansions slow down. The forecast calls for employment growth rates of 2.2 percent, 2.2 percent, and 1.8 percent in 2007, 2008, and 2009. Washington personal income growth declined to 2.9 percent in 2005 from 7.7 percent in 2004. Microsoft's special dividend in November 2004 temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, growth would have accelerated in 2005 to 5.7 percent from 4.9 percent in 2004. The forecast expects even stronger income growth during the next four years. Growth is expected to climb to 8.4 percent per year this year, slowing slightly to 6.9 percent per year in 2007 and 2008 and 6.7 percent in 2009. Housing permits increased 2,900 in 2005 to 53,000, which is the highest annual total since 1978. The strength in housing has been mostly in the single-family market, which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single-family market during the next four years. Offsetting this will be strong population growth, which should boost multi-family activity. The forecast expects total housing permits to dip only slightly in the next three years to 49,600 in 2006, 49,700 in 2007, and 49,000 in 2008. Permits are expected to decline to 46,600 in 2009 as population growth slows down. Inflation, as measured by the Seattle CPI, jumped to 2.8 percent in 2005 from 1.2 percent in 2004. Core inflation (excluding food and energy) was more moderate, rising at a 1.8 percent rate in 2005. Still, this is up from core inflation rates of 0.7 percent and 0.2 percent in 2003 and 2004. While core inflation should continue to edge up due to the strong regional economy, energy prices are expected to fall. As a result, overall inflation should remain moderate during the next four years. The forecast expects the Seattle CPI to rise 3.3 percent, 2.4 percent, 2.2 percent, and 1.9 percent in 2006, 2007, 2008, and 2009.

Washington State Revenue Forecast

Largely as a result of a more pessimistic oil price outlook, the September forecast for the U.S. economy forecast features both higher inflation and lower real growth than did the forecast adopted in June. At the state level, however, newly available data indicate that the level of personal income in Washington is higher than previously believed. Higher than expected revenue collections since the last forecast confirm the underlying strength in the economy. As has been true for the last several forecasts, construction and real estate related revenue sources accounted for most of the forecast increase.

The September 2006 General Fund-State revenue estimate for the 2005-07 biennium is \$27,316.8 million. The new forecast is \$349.8 million more than expected in June of which \$132.1 million is due to higher than expected revenue collections during the last three months. The forecast for the 2007-09 biennium is \$29,525.7 million, which is \$62.4 million higher than expected in June.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2005-07 biennium. The forecast based on more optimistic economic assumptions netted \$345 million (1.3 percent) more revenue than did the baseline while the pessimistic alternative was \$415 million (1.5 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$122 million less revenue 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 September 2006 economic and revenue forecast incorporated the advance GDP estimate for the second quarter of 2006. According to the advance estimate, real GDP grew at a 2.5 percent rate in the second quarter of 2006, down sharply from 5.6 percent in the first quarter. The slowdown in final sales was even sharper, from 5.6 percent to 2.1 percent. The weakness in the second quarter was widespread. Consumer spending slowed to a 2.5 percent annual rate as purchases of durable goods fell at a 0.5 percent rate. Consumer spending on nondurable goods rose at a 1.7 percent rate and spending on services increased at a 3.5 percent rate. Fixed investment declined at a 0.7 percent rate. Residential fixed investment fell 6.3 percent and business spending on equipment and software declined 1.0 percent, which was the first drop in more than three years. Nonresidential construction rose at a healthy 12.7 percent rate, though. The foreign sector added 0.3 percentage points to GDP growth in the second quarter as exports grew 3.3 percent while imports edged up only 0.2 percent. Government purchases were up just 0.6 percent in the second quarter as a strong 3.0 percent increase in state and local government spending was largely offset by a 1.0 percent decline in defense spending and a 7.8 percent drop in federal non-defense spending.

Payroll employment growth slowed to 1.2 percent in the second quarter from 1.7 percent in the first quarter and a Katrina-adjusted 1.7 percent in the fourth quarter of last year. The unemployment rate dipped slightly to 4.63 percent in the second quarter from 4.73 percent in the first quarter. Inflation, as measured by the Consumer Price Index, jumped to 5.0 percent in the second quarter of 2006 from 2.2 percent in the first quarter. The increase was largely due to surging energy costs but core inflation, which excludes food and energy, increased from 2.4 percent to 3.5 percent. Housing starts plummeted at a 38.7 percent rate in the second quarter to 1.878 million units from a nearly 33-year-high 2.123 million units in the first quarter. The mortgage rate jumped to 6.60 percent in the second quarter from 6.24 percent in the first quarter. The Federal Reserve paused in August, after 17 consecutive quarter-point rate hikes, leaving its target fed funds rate at 5.25 percent.

U.S. Forecast Highlights

The U.S. economy slowed in the second quarter, and we believe that it is now heading for an extended period of below-trend growth (i.e., below 3 percent). Four successive monthly payroll employment increases in the 100,000-125,000 range have underscored the slowdown. The housing market is cooling, and already-stretched consumers are facing rising gasoline bills. At the same time, though, inflation is still

moving higher as oil and other materials costs have risen and are passing through to the prices of other goods and services. On an annual basis, the forecast expects GDP growth to improve slightly this year to 3.3 percent from 3.2 percent in 2005. Growth is expected to slow to 2.4 percent in 2007 before recovering to 3.1 percent per year in 2008 and 2009. Nonfarm payroll employment growth improved to 1.5 percent in 2005 from 1.1 percent in 2004. Employment is expected to grow 1.4 percent this year, slowing to 1.1 percent in 2007, and recovering to 1.4 percent per year in 2008 and 2009. The unemployment rate also improved in 2005, declining to 5.06 percent from 5.52 percent in 2004 and 6.00 percent in 2003. The forecast expects the unemployment rate to improve to 4.72 percent this year before the softening economy pushes it up to 4.91 percent in 2007 and 4.92 percent in 2008. The unemployment rate is expected to improve to 4.75 percent in 2009. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.9 percent in 2005 from 2.6 percent in 2004. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation increased only slightly, from 2.0 percent to 2.1 percent. Energy will add to inflation again this year but will help restrain inflation during the next three years as energy prices finally decline. The forecast expects an inflation rate of 3.0 percent this year, 2.2 percent in 2007, 1.9 percent in 2008, and 1.8 percent in 2009. With core inflation edging higher, we believe the Fed will have to push interest rates a bit higher. The forecast anticipates one more hike in the federal funds rate to 5.50 percent in September.

1. Real GDP growth improved slightly in fiscal 2006 to 3.4 percent from 3.3 percent in 2005. Growth during the last three years has been primarily driven by consumer spending, business spending on equipment and software, residential fixed investment, and military spending. Increasing trade deficits, however, have cost the economy more than 0.4 percentage points per year in growth. Consumer spending is expected to slow during the next three years though it will remain the major source of GDP growth. Business spending on equipment and software is expected to remain strong during the next three years and nonresidential construction is expected to bounce back in 2007 but residential investment growth is expected to be negative in 2007, 2008, and 2009. Net exports, which have been a drag on growth for years, should add to GDP growth beginning this year. Overall GDP growth is expected to slow during the next three years as the economy slips below its potential growth path. The forecast calls for GDP growth rates of 3.0 percent in 2007, 2.9 percent in 2008, and 3.3 percent in 2009.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, increased to 3.1 percent in fiscal 2006 from 2.7 percent in 2005. Surging energy costs continue to add to overall inflation. Core inflation rose at a moderate 2.1 percent in fiscal 2006, the same rate as in 2005. Core inflation is expected to edge up this year to 2.4 percent but the addition of food and energy will raise the overall inflation rate to 2.7 percent. A softening in conjunction with falling energy prices will help keep inflation in check during the final two years of the forecast. The forecast expects overall inflation rates of 1.9 percent in 2008 and 1.8 percent 2009.
3. Though the Federal Reserve paused in August, the forecast assumes that rising core inflation will prompt one more 25-basis-point increases in September bringing the rate to 5.50 percent. The Fed will be able to ease somewhat in 2007 as the economy shows signs of cooling. The three-month Treasury bill rate rose to 4.07 percent in fiscal 2006 from 2.21 percent in fiscal 2005 and a 57-year-low 0.96 percent in fiscal 2004. The forecast expects the T-bill rate to increase to 5.24 percent in 2007 before easing to 4.73 percent in 2008 and 4.71 percent in 2009. The mortgage rate increased from 5.78 percent in fiscal 2005 to 6.20 percent in 2006. The forecast expects the mortgage rate to continue rising during the next three years to 6.79 percent in 2007, 6.86 percent in 2008, and 7.13 percent in 2009.

4. Spurred by low mortgage interest rates, housing starts have increased in each of the last five years. Starts increased 1.1 percent in fiscal 2006 to 2.041 million units. This was the highest level of housing starts since 1973. Not surprisingly, given the low mortgage rates, the strength has been primarily in the single family market. The 1.686 million single family units started in 2006 was the highest ever. Fiscal 2006 should prove to be the peak in housing. Affordability has fallen sharply due to the run-up in home prices and rising mortgage interest rates. The forecast calls for a 13.3 percent reduction in starts in 2007 to 1.769 million units, a 2.6 percent reduction in 2008 to 1.723 million units, and a 0.4 percent reduction in 2009 to 1.717 million units.
5. The nation's unemployment rate declined from 5.28 percent in fiscal 2005 to a five-year-low 4.83 percent in 2006. The unemployment rate is expected to drop slightly this year to 4.81 percent. Unemployment is expected to edge up to 4.96 percent in 2008 as GDP growth slows to below its trend rate, recovering to 4.83 percent in 2009 when the economy bounces back.
6. Strong growth in the economy is having a very beneficial impact on the federal deficit. Despite hurricane-related spending, and the launch of the unfunded Medicare prescription drug program, revenues are improving so sharply that the federal deficit (national income and product accounts basis) dropped to \$243.0 billion in fiscal 2006 from \$330.9 billion in 2005 and a record \$403.6 billion in 2004. Nevertheless, the forecast still assumes that higher taxes will be needed eventually to keep the deficit under control. The forecast expects the deficit to improve again in 2007 to \$176.4 billion, widening to \$253.9 billion in 2008 and \$249.5 billion in 2009.
7. The trade deficit has been a huge drag on GDP growth in recent years. The trade deficit (national income and product accounts basis) increased in fiscal 2006 to an all-time record \$763.1 billion from \$666.5 billion in 2005. The dollar is expected to continue to decline which should help restrain real imports and boost real exports. In the near term, however, the current dollar deficit is expected to get worse before it gets better. The forecast expects the deficit to grow to \$797.6 billion in 2007 before improving somewhat to \$760.1 billion in 2008 and \$720.5 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 July 2006. This forecast is based on adjusted employment estimates as described in Adjustments to Economic Data. The state's employment growth rate slowed sharply to 1.7 percent in the second quarter of 2006 from 4.3 percent rate in the first quarter. Manufacturing employment rose at a 1.1 percent rate in the second quarter, led by aerospace employment which rose at a 3.3 percent rate. Manufacturing employment other than aerospace edged up just 0.3 percent. Employment in every major private nonmanufacturing sector also expanded in the second quarter led once again by construction employment which rose at a 5.1 percent rate. Employment in professional and business services rose at a strong 4.2 percent rate due largely to a 12.2 percent jump in employment services employment. Information employment grew 4.0 percent led by a 10.5 percent increase in software employment. Information other than software declined at a 1.0 percent rate, however. Other sectors showed more modest growth. Financial activities rose 2.1 percent, leisure and hospitality and other services rose 1.5 percent each, and trade, transportation, and utilities rose 1.1 percent. In the public sector, state and local government employment edged up at a 0.3 percent rate while federal government employment declined at a 1.0 percent rate.

In June 2006 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the fourth quarter of 2005 and released preliminary

estimates for the first quarter of 2006. In addition, the wage estimates for the period from the fourth quarter of 2004 through the first quarter of 2006 have been adjusted to reflect the Covered Employment and Payrolls data produced by the Department of Employment Security (see Adjustments to Economic Data). According to the adjusted estimates, Washington's personal income in the first quarter of 2006 was \$2.875 billion (1.2 percent) higher than the estimate made in June. Total wages were \$3.320 billion (2.5 percent) higher than expected in June. Software wages were \$0.279 billion (5.9 percent) higher than expected and non-software wages were \$3.041 billion (2.4 percent) higher. Nonwage personal income, however, was \$0.446 billion (0.4 percent) below the June estimate for the first quarter. The forecast assumes that income growth slowed to 6.9 percent in the second quarter of 2006 from 12.5 percent in the first quarter. The forecast assumes that wage growth slowed to a more sustainable 5.9 percent rate in the second quarter compared to the torrid 17.4 percent jump in the first quarter. The forecast also assumes that income other than wages grew at an 8.3 percent rate in the second quarter, up from 6.3 percent in the first quarter.

The number of housing units authorized by building permit rose 3,700 in the second quarter of 2006 to 51,200 from 47,500 in the first quarter. Single-family permits edged down 400 to 35,300 but multi-family permits rose 4,200 to 15,900. Multi-family permits jumped to 26,000 in July which was the highest monthly figure since December 2000. Single family permits fell to 29,300, however, which was the lowest rate since March 2002.

The forecast also reflects Seattle consumer price data through June. 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, rising 2.3 percent compared to 2.2 percent. During the first six months of 2006 core inflation in Seattle rose at an annual rate of 3.5 percent compared to 3.2 percent for the U.S. city average. Because energy prices rose more locally than elsewhere in the U.S., the gap in overall inflation was even larger. The overall Seattle CPI rose at an annual rate of 5.2 percent in the first six months of this year compared to the 4.7 percent national average.

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 first quarter of 2006 which subtracted 6,600 (0.2 percent) from the BLS Current Employment Statistics (CES) estimate for March 2006. By July 2006 the difference had widened slightly to 6,800 (0.2 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the Quarterly Census of Employment and Wages (QCEW) data for all sectors except agriculture and federal government. We have more up-to-date QCEW data for wages for the fourth quarter of 2004 through the first quarter of 2006 than were available to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived wage estimates for these sectors for the fourth quarter of 2004 and through the first quarter of 2006 based on the QCEW data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments increased the first quarter wage estimate by \$2.310 billion (1.8 percent), adding 1.0 percent to total personal income in that quarter.

Washington State Forecast Highlights

The Washington aerospace employment forecast is virtually unchanged since June. As of July, the aerospace sector has added 12,200 jobs since the trough in May 2004. The forecast expects another

7,300 new aerospace jobs by mid-2008 when employment is expected to level off at 80,300. This is still 32,800 (29.0 percent) lower than the previous peak in June 1998. The software wage forecast has been raised by about \$600 million per year mainly as a result of higher than previously expected actual wages in the second quarter of 2006. Software employment is expected to grow about 7,400 from now through the end of 2009 which translates into a growth rate of 2,100 jobs per year. Higher interest rates will have an adverse impact on the Washington housing market but this will be offset by strong population growth. In addition, nonresidential construction is expected to recover. Overall Washington construction employment is expected to continue to expand but at a much reduced rate.

The surprising strength in wages in the first quarter is the most significant change to the Washington forecast. Based on newly available unemployment insurance data, average wages (excluding software) soared at an average annual rate of 13.9 percent in the first quarter compared to the 4.6 percent rate expected in the June forecast. The stronger than expected growth in the first quarter added 2.2 percentage points to average non-software wage growth and 1.2 percentage points to personal income growth in the 2006 calendar year. The stronger first quarter wage growth explains virtually all the revision to annual personal income growth in 2006. The August 31 U.S. personal income release, which was the first to incorporate national unemployment insurance data for the first quarter, revealed a similar surprising jump in U.S. wages but was not available at the time the national forecast was prepared.

Washington nonfarm payroll employment growth accelerated to 2.8 percent in 2005 from 1.6 percent in 2004 and just 0.1 percent in 2003. An even stronger year is expected in 2006 with employment growth increasing to 3.0 percent. Weaker growth is expected during the next three years as the U.S. expansion matures and the aerospace and construction expansions slow down. The forecast calls for employment growth rates of 2.2 percent, 2.2 percent, and 1.8 percent in 2007, 2008, and 2009. Washington personal income growth declined to 2.9 percent in 2005 from 7.7 percent in 2004. Microsoft's special dividend in November 2004 temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, growth would have accelerated in 2005 to 5.7 percent from 4.9 percent in 2004. The forecast expects even stronger income growth during the next four years. Growth is expected to climb to 8.4 percent per year this year, slowing slightly to 6.9 percent per year in 2007 and 2008 and 6.7 percent in 2009. Housing permits increased 2,900 in 2005 to 53,000, which is the highest annual total since 1978. The strength in housing has been mostly in the single-family market, which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single-family market during the next four years. Offsetting this will be strong population growth, which should boost multi-family activity. The forecast expects total housing permits to dip only slightly in the next three years to 49,600 in 2006, 49,700 in 2007, and 49,000 in 2008. Permits are expected to decline to 46,600 in 2009 as population growth slows down. Inflation, as measured by the Seattle CPI, jumped to 2.8 percent in 2005 from 1.2 percent in 2004. Core inflation (excluding food and energy) was more moderate, rising at a 1.8 percent rate in 2005. Still, this is up from core inflation rates of 0.7 percent and 0.2 percent in 2003 and 2004. While core inflation should continue to edge up due to the strong regional economy, energy prices are expected to fall. As a result, overall inflation should remain moderate during the next four years. The forecast expects the Seattle CPI to rise 3.3 percent, 2.4 percent, 2.2 percent, and 1.9 percent in 2006, 2007, 2008, and 2009.

1. Nominal personal income growth fell to 4.3 percent in fiscal 2006 from 7.9 percent in fiscal 2005. The apparent decline in growth was due to the special one-time dividend paid by Microsoft in December 2004. Without the special dividend, personal income growth would have accelerated to 7.0 percent in fiscal 2006 from 5.2 percent in 2005. The improvement in growth in 2006, excluding the special dividend effect, was primarily due to much stronger average wage growth,

especially in the software sector. Job growth also improved in 2006 as did growth of income from sources other than wages. Despite a slowdown in job growth, the forecast expects income growth to accelerate further in 2007 to 8.0 percent due to stronger average wage growth and stronger nonwage income growth. The strong average wage growth in both fiscal 2006 and 2007 is due to the surprising jump in wages in the first quarter of 2006. More moderate wage growth is expected in 2008 and 2009 though nonwage income growth is expected to remain strong. The forecast expects personal income growth rates of 6.8 percent in 2008 and 6.9 percent in 2009. Software wages are not expected to have a major impact on overall income growth.

2. Washington real personal income growth fell to 1.1 percent in fiscal 2006 from 5.0 percent in 2005, again as a result of the special Microsoft dividend in December 2004. Excluding the special dividend, real income growth improved from 2.4 percent to 3.8 percent. Even stronger real personal income growth is expected during the next three years. Fiscal 2007 should be strong as a result of the surprisingly strong wage growth in the first quarter of 2006. Even though the forecast expects slower nominal income growth in the next two years, it also expects lower inflation which boosts real income growth. The forecast calls for real personal income growth rates of 5.1 percent in 2007, and 4.8 percent in 2008, and 5.0 percent in 2009.
3. Total payroll employment in Washington rose 3.0 percent in fiscal 2006, up from 2.4 percent in 2005. Booming construction employment growth coupled with strong growth in both aerospace and software accounted for most of the improvement in overall job growth. Slower growth is expected during the next three 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 2.5 percent in 2007, 2.3 percent in 2008, and 2.1 percent in 2009.
 - ◆ As of July 2006, the aerospace recovery has added 12,200 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 expects to deliver 395 planes in 2006 which is an increase of 36 percent over the 290 delivered in 2005. Deliveries are expected to increase again in 2007 to between 440 and 445 planes according to Boeing. The strong growth in production in 2006 and 2007 is reflected in the aerospace employment forecast which assumes fourth quarter to fourth quarter employment increases of 5,400 and 3,600. The forecast assumes only 1,500 new aerospace jobs during 2008 and no year-over-year growth in 2009. Aerospace employment is expected to peak at 80,700 which is 32,800 (29.0 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 rate of 6.3 percent including growth rates of 9.0 percent and 10.5 percent in the first two quarters of 2006. The monthly data through July suggest that software employment growth in the third quarter will be an even stronger 11.8 percent. Microsoft's announcement in February that it will accelerate the planned expansion of its Redmond campus, adding enough office space for about 12,000 employees during the next three years 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 will grow at an average rate of 4.0 percent per year through the remainder of the forecast.

- ◆ Bolstered primarily by a hot housing market, Washington's construction employment growth has averaged 7.7 percent per year since mid-2003. Employment is now 30,300 (18.6 percent) higher than at the previous peak in the first quarter of 2001 and 40,000 (26.1 percent) higher than at the trough in the first quarter of 2002. Higher interest rates are expected to depress single-family activity in the future but strong migration into Washington should boost multi-family activity. In addition, nonresidential construction is expected to continue to expand. As a result, the forecast expects construction employment growth to slow down but remain positive. Growth is expected to average just 0.8 percent per year from mid-2006 through the end of 2009.
- ◆ Financial activities employment grew rapidly right through the recession. From the end of 2000 through the third quarter of 2003 growth averaged 2.8 percent per year. The growth was concentrated in credit intermediation and related activities, which clearly benefited by a refinancing boom brought on by the decline in mortgage interest rates during this period. Employment in this sector plateaued when mortgage rates stopped falling in early 2003 but picked up again in the fourth quarter of 2004. Since then, growth has averaged 1.8 percent. Slower employment growth is expected for the next several quarters as housing and real estate activity cool. The forecast calls for an average growth rate of 0.9 percent through the end of 2007. Employment growth is projected to pick up to an average rate of 1.9 percent per year during the final two years of the forecast.
- ◆ Washington retail trade employment fell farther during the recession than did U.S. retail trade employment but the recovery here was also earlier and stronger. By the end of 2002 Washington retail trade employment had fallen 3.7 percent since its pre-recession peak. Most of the decline was in the miscellaneous "other retail trade" category, which includes e-tailing, a clear casualty of the dot-com implosion. After a slow start, the recovery in retail trade employment accelerated during 2005 and early 2006. Retail employment rose at a strong average annual rate of 3.2 percent from the fourth quarter of 2004 through the first quarter of 2006. In the second quarter, however, growth slowed to just 0.8 percent. The forecast expects growth to remain weak for the next three quarters, averaging just 0.5 percent, recovering to 2.3 percent per year during the remainder of the forecast.
- ◆ 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 17.6 percent during the last five quarters while employment services employment is up 14.4 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 since mid-2003. The forecast expects fairly strong growth averaging 4.2 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). During the next three and one-half years growth slowed to an average

rate of 0.6 percent per year and just 0.3 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 2.0 percent per year (1.8 percent per year excluding tribal employment).

4. The number of housing units authorized by building permit in Washington rose 1.1 percent in fiscal 2006 to 52,600 units following increases of 13.9 percent and 4.1 percent, and 17.2 percent in 2003, 2004, and 2005. The strength in housing has been mainly in the single family market which has benefited from record low mortgage interest rates. Single family permits increased 1.9 percent in 2006 to a 28 year high 39,200 units but multi-family permits declined 1.3 percent to 13,400 units. Rising mortgage rates will depress the single family market beginning in 2007. Largely offsetting this is strong net migration which should continue to boost multi-family activity. The net effect is a modest reduction in overall activity during the next three years. The forecast expects a 5.6 percent decrease in 2007 to 49,700 units, no change in 2008, and a 3.6 percent reduction in 2009 to 47,900 units.
5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, increased in fiscal 2006 to 3.2 percent from 1.9 percent in 2005. The increase was partly due to soaring energy costs, but core inflation in Seattle increased from 1.0 percent to 2.1 percent. Seattle inflation trailed the national average in 2003, 2004, 2005, and 2006 reflecting the impact of a more severe local recession. Seattle inflation is expected to remain below U.S. inflation this year at 2.8 percent compared to 3.2 percent for the U.S. The stronger local recovery should cause Seattle inflation to rise above the U.S. rate. Fortunately declining energy costs should hold overall inflation in check. The forecast calls for Seattle inflation rates of 2.4 percent and 2.1 percent in 2008 and 2009 compared to a national rates of 2.0 percent, and 1.7 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 alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. It assumes that the dollar weakens quickly as foreign investors take fright at the spiraling U.S. trade deficit. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling dollar adds to the upward pressure on inflation. The Fed responds by accelerating the pace of tightening. Despite the more aggressive stance, both the stock and bond markets slip on signs that the Fed may have let inflation build up an unstoppable momentum. The Fed cannot permit this acceleration to continue, and so it continues hiking interest rates. This simulation also has a deeper housing downturn than the baseline. Between the higher interest rates and persistently high energy prices, consumer confidence suffers. Consumers rein in their discretionary spending and the U.S. economy slows. At the same time, hiring falters, causing the unemployment rate to climb. Debt-laden consumers retrench further. The economy does not sink into recession in the pessimistic alternative, but falls well below its potential, with GDP growth coming in at just 0.7 percent in 2007. At the state level, the recovery in aerospace employment is much slower than in the baseline. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population

growth is also slower in this scenario. Construction employment begins to decline in the fourth quarter of 2006 rather than just leveling off as in the baseline. Because of the weak economy, Washington wage growth is weaker than in the baseline forecast in spite of the higher inflation assumption in the national pessimistic forecast. Due to the relatively weak local economy, Seattle inflation is about the same as in the baseline in spite of the higher national inflation rate. By the end of the 2005-07 biennium, Washington nonagricultural employment is 41,900 lower than the baseline forecast and Washington personal income is \$7.0 billion lower. The pessimistic scenario produced \$415 million (1.5 percent) less revenue in the 2005-07 biennium than did the baseline forecast.

Optimistic Forecast: Seven assumptions distinguish the optimistic scenario from the baseline forecast. First, productivity is stronger. Underlying this assumption is the view that the information-driven technology boom, which may have accelerated in recent years, continues. Second, foreign economic growth is stronger, which boosts U.S. exports and strengthens domestic manufacturing. Third, the optimistic alternative assumes a stronger dollar, resulting in expansion of U.S. demand for foreign goods and services. Fourth, business investment is stronger. Fifth, the federal government budget deficit in the optimistic scenario is lower than in the baseline. Sixth, housing starts are stronger. Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. These assumptions produce a rosier outlook. The second quarter slowdown to 2.5 percent growth proves temporary, and GDP growth averages 3.3 percent in 2006 and 3.6 percent in 2007. Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and the higher productivity gains. The lower inflation rate allows the Federal Reserve to keep the federal funds rate below the baseline value. Since productivity growth is stronger, potential GDP growth is higher and remains so throughout the forecast period. For Washington, the optimistic forecast assumes a more typical, vigorous aerospace employment expansion than the modest growth assumed in the baseline. Washington's wages also grow faster than in the baseline. The strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of strong productivity growth. The initial level of Washington personal income is also higher in the optimistic scenario and population growth is stronger. Finally, construction employment continues to rise in the optimistic scenario rather than leveling off as in the baseline. By the end of the 2005-07 biennium, Washington nonagricultural employment is higher by 26,500 jobs than in the baseline forecast and Washington personal income is \$6.8 billion higher. The optimistic scenario generated \$345 million (1.3 percent) more revenue in the 2005-07 biennium than did the baseline forecast.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. With the fiscal year over, there were no differences in 2006. The GCEA forecast for the U.S. economy shows weaker real growth but stronger inflation in 2007 than does the baseline forecast. They also expect lower long term and short term interest rates. The GCEA forecast for Washington State is more pessimistic than the baseline forecast. They expect slower real and nominal personal income growth in fiscal 2007. They also expect somewhat slower job growth and fewer housing units authorized by building permit. By the end of the 2005-07 biennium Washington nonagricultural employment is 12,100 lower in the GCEA forecast than in the baseline forecast and their Washington personal income forecast is \$2.5 billion lower. The Governor's Council scenario generated \$122 million (0.4 percent) less revenue in the 2005-07 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 2007 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,947.5	10,131.3	10,525.9	10,872.9	11,245.2	11,548.1	11,864.1	12,251.0
% Ch	0.7	1.8	3.9	3.3	3.4	2.7	2.7	3.3
Real Consumption	7,010.9	7,176.4	7,440.3	7,713.3	7,965.6	8,181.7	8,411.7	8,686.0
% Ch	2.7	2.4	3.7	3.7	3.3	2.7	2.8	3.3
Real Nonresidential Fixed Investment	1,115.3	1,061.1	1,111.8	1,188.9	1,266.7	1,374.8	1,442.6	1,507.4
% Ch	-9.3	-4.9	4.8	6.9	6.5	8.5	4.9	4.5
Real Residential Fixed Investment	457.1	482.9	540.1	582.3	616.6	565.5	538.2	532.3
% Ch	2.9	5.6	11.8	7.8	5.9	-8.3	-4.8	-1.1
Real Personal Income	8,567.5	8,587.4	8,815.1	9,107.2	9,316.6	9,617.4	9,950.5	10,351.9
% Ch	0.5	0.2	2.7	3.3	2.3	3.2	3.5	4.0
Real Per Capita Income (\$/Person)	29,836	29,613	30,098	30,810	31,233	31,955	32,772	33,800
% Ch	-0.5	-0.7	1.6	2.4	1.4	2.3	2.6	3.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.132	1.163	1.185	1.207
% Ch	1.5	1.9	2.2	2.7	3.1	2.7	1.9	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.782	1.821	1.861	1.917	1.990	2.052	2.093	2.129
% Ch	1.8	2.2	2.2	3.0	3.8	3.2	2.0	1.7
Employment Cost Index (June 1989=1.0)	1.542	1.584	1.629	1.672	1.715	1.768	1.823	1.882
% Ch	3.7	2.7	2.9	2.6	2.6	3.1	3.1	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,280.3	10,664.0	11,346.5	12,072.2	12,876.6	13,584.1	14,230.2	14,988.0
% Ch	2.9	3.7	6.4	6.4	6.7	5.5	4.8	5.3
Personal Income	8,798.7	8,982.6	9,420.8	9,999.4	10,551.7	11,185.0	11,795.0	12,495.3
% Ch	2.0	2.1	4.9	6.1	5.5	6.0	5.5	5.9
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.9	146.8	148.2	150.3	152.3	153.8	155.3
Total U.S. Employment	136.4	137.1	138.3	140.4	143.1	144.9	146.2	147.7
Unemployment Rate (%)	5.47	5.90	5.81	5.28	4.83	4.81	4.96	4.83
Nonfarm Payroll Employment	130.88	130.11	130.47	132.44	134.44	136.04	137.71	139.70
% Ch	-1.0	-0.6	0.3	1.5	1.5	1.2	1.2	1.4
Manufacturing	15.73	14.88	14.33	14.29	14.22	14.27	14.18	14.03
% Ch	-7.7	-5.4	-3.7	-0.2	-0.5	0.3	-0.6	-1.0
Durable Manufacturing	9.83	9.21	8.88	8.96	8.98	9.03	8.95	8.86
% Ch	-8.6	-6.2	-3.6	0.9	0.2	0.6	-0.9	-1.0
Nondurable Manufacturing	5.91	5.67	5.45	5.33	5.25	5.24	5.23	5.17
% Ch	-6.0	-4.1	-3.9	-2.1	-1.7	-0.2	-0.2	-1.1
Construction	6.77	6.69	6.84	7.13	7.42	7.45	7.34	7.41
% Ch	-0.7	-1.2	2.2	4.2	4.1	0.5	-1.5	0.9
Service-Producing	107.78	107.97	108.73	110.42	112.15	113.61	115.46	117.54
% Ch	-0.0	0.2	0.7	1.6	1.6	1.3	1.6	1.8
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	23.8	29.9	33.8	48.8	64.3	76.8	74.8	71.4
Personal Saving/Disposable Income (%)	2.4	1.9	2.2	1.0	-1.1	-1.2	-0.2	0.4
Auto Sales (Millions)	8.2	7.9	7.5	7.6	7.8	7.7	7.6	7.6
% Ch	-4.3	-3.7	-4.4	0.3	2.8	-0.9	-0.9	-0.9
Housing Starts (Millions)	1.646	1.729	1.945	2.019	2.040	1.769	1.723	1.717
% Ch	4.8	5.1	12.5	3.8	1.1	-13.3	-2.6	-0.4
Federal Budget Surplus (Billions)	-135.8	-299.4	-403.6	-330.9	-243.0	-176.4	-253.9	-249.5
Net Exports (Billions)	-375.7	-477.3	-536.7	-666.5	-763.1	-797.6	-760.1	-720.5
3-Month Treasury Bill Rate (%)	2.15	1.30	0.96	2.21	4.07	5.24	4.73	4.71
10-Year Treasury Note Yield (%)	4.98	3.95	4.29	4.23	4.59	5.20	5.26	5.53
Bond Index of 20 G.O. Munis. (%)	5.14	4.77	4.79	4.50	4.45	4.95	5.22	5.62
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.79	6.86	7.13

Table 1.2
Washington Economic Forecast Summary
 Forecast 2007 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.131	190.019	192.901	202.578	204.904	215.411	225.678	236.978
% Ch	0.8	-0.1	1.5	5.0	1.1	5.1	4.8	5.0
Real Wage and Salary Disb.	107.638	107.319	108.567	110.956	116.114	122.480	127.812	133.673
% Ch	-1.1	-0.3	1.2	2.2	4.6	5.5	4.4	4.6
Real Nonwage Income	82.493	82.700	84.334	91.622	88.791	92.931	97.866	103.305
% Ch	3.5	0.3	2.0	8.6	-3.1	4.7	5.3	5.6
Real Per Capita Income (\$/Person)	31,516	31,192	31,313	32,430	32,233	33,263	34,209	35,307
% Ch	-0.3	-1.0	0.4	3.6	-0.6	3.2	2.8	3.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.132	1.163	1.185	1.207
% Ch	1.5	1.9	2.2	2.7	3.1	2.7	1.9	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.876	1.910	1.935	1.973	2.035	2.093	2.143	2.187
% Ch	2.7	1.8	1.3	1.9	3.2	2.8	2.4	2.1
Average Nonfarm Annual Wage	39,824	40,512	41,522	42,501	44,607	47,231	49,144	51,300
% Ch	101.3	1.7	2.5	2.4	5.0	5.9	4.1	4.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.34	17.87	18.15	18.57	19.32	19.94	20.29	20.65
% Ch	6.0	-2.6	1.6	2.3	4.1	3.2	1.8	1.8
Current Dollar Income (Billions of Dollars)								
Personal Income	195.257	198.753	206.136	222.390	232.054	250.518	267.508	286.038
% Ch	2.4	1.8	3.7	7.9	4.3	8.0	6.8	6.9
Disposable Personal Income	170.555	175.850	184.219	197.392	203.671	218.800	234.520	250.674
% Ch	5.0	3.1	4.8	7.2	3.2	7.4	7.2	6.9
Per Capita Income (\$/Person)	32,366	32,625	33,461	35,600	36,503	38,682	40,549	42,615
% Ch	1.2	0.8	2.6	6.4	2.5	6.0	4.8	5.1
Employment (Thousands)								
Washington Civilian Labor Force	3,074.3	3,133.5	3,193.7	3,254.0	3,324.6	3,371.9	3,448.2	3,519.1
Total Washington Employment	2,857.5	2,903.9	2,972.7	3,064.8	3,154.0	3,191.6	3,261.1	3,325.8
Unemployment Rate (%)	7.05	7.33	6.92	5.82	5.13	5.35	5.43	5.49
Nonfarm Payroll Employment	2,665.3	2,654.8	2,673.6	2,737.7	2,821.0	2,890.3	2,955.7	3,016.5
% Ch	-1.9	-0.4	0.7	2.4	3.0	2.5	2.3	2.1
Manufacturing	300.1	274.8	263.2	267.7	277.8	287.9	292.4	292.8
% Ch	-8.1	-8.4	-4.2	1.7	3.8	3.6	1.6	0.1
Durable Manufacturing	212.0	190.5	181.0	186.7	197.0	205.5	207.5	207.3
% Ch	-9.0	-10.2	-5.0	3.2	5.5	4.3	1.0	-0.1
Aerospace	82.9	70.1	62.1	63.4	69.1	75.6	79.1	80.3
% Ch	-4.5	-15.5	-11.4	2.1	9.0	9.3	4.6	1.5
Nondurable Manufacturing	88.1	84.4	82.2	81.0	80.8	82.4	84.9	85.5
% Ch	-5.8	-4.2	-2.5	-1.5	-0.2	1.9	3.0	0.8
Construction	154.8	154.9	159.9	170.1	186.4	194.7	196.9	198.2
% Ch	-4.1	0.1	3.2	6.4	9.6	4.4	1.1	0.7
Service-Producing	2,200.9	2,215.9	2,241.8	2,290.7	2,348.0	2,399.2	2,457.9	2,517.1
% Ch	-0.8	0.7	1.2	2.2	2.5	2.2	2.4	2.4
Software Publishers	36.0	36.5	38.5	40.1	42.8	46.1	47.8	49.7
% Ch	4.1	1.6	5.5	4.1	6.6	7.7	3.8	3.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	37.437	42.641	44.395	52.033	52.601	49.656	49.652	47.869
% Ch	-7.1	13.9	4.1	17.2	1.1	-5.6	-0.0	-3.6
Single-Family	27.014	32.681	34.506	38.500	39.240	30.735	30.223	28.419
% Ch	1.0	21.0	5.6	11.6	1.9	-21.7	-1.7	-6.0
Multi-Family	10.422	9.960	9.889	13.533	13.361	18.921	19.428	19.450
% Ch	-22.9	-4.4	-0.7	36.9	-1.3	41.6	2.7	0.1
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.79	6.86	7.13

Table 1.3
Comparison of Alternative Forecasts

	Fiscal Year 2005				Fiscal Year 2006				Fiscal Year 2007			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	10872.9	10872.9	10872.9	10872.9	11245.2	11245.2	11245.2	11245.2	11584.3	11548.1	11405.7	11512.6
%Ch	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.0	2.7	1.4	2.4
Implicit Price Deflator	1.098	1.098	1.098	1.098	1.132	1.132	1.132	1.132	1.157	1.163	1.175	1.165
%Ch	2.7	2.7	2.7	2.7	3.1	3.1	3.1	3.1	2.2	2.7	3.7	2.9
Mortgage Rate	5.78	5.78	5.78	5.78	6.20	6.20	6.20	6.20	6.57	6.79	8.04	6.57
3 Month T-Bill Rate	2.21	2.21	2.21	2.21	4.07	4.07	4.07	4.07	5.10	5.24	6.25	4.78
Washington												
Real Personal Income	202.578	202.578	202.578	202.578	204.904	204.904	204.904	204.904	220.828	215.411	208.827	213.327
%Ch	5.0	5.0	5.0	5.0	1.1	1.1	1.1	1.1	7.8	5.1	1.9	4.1
Personal Income	222.390	222.390	222.390	222.390	232.054	232.054	232.054	232.054	255.525	250.518	245.330	248.507
%Ch	7.9	7.9	7.9	7.9	4.3	4.3	4.3	4.3	10.1	8.0	5.7	7.1
Employment	2737.7	2737.7	2737.7	2737.7	2821.0	2821.0	2821.0	2821.0	2905.7	2890.3	2865.9	2883.0
%Ch	2.4	2.4	2.4	2.4	3.0	3.0	3.0	3.0	3.0	2.5	1.6	2.2
Housing Permits	52.033	52.033	52.033	52.033	52.601	52.601	52.601	52.601	52.840	49.656	41.858	46.174
%Ch	17.2	17.2	17.2	17.2	1.1	1.1	1.1	1.1	0.5	-5.6	-20.4	-12.2

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

Table 1.4
Forecast Analysis
 Comparison of Forecasts for 2005-07

Forecast Date	2004				2005				2006				2007	
	<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>
U.S.														
Percent Growth, 2005:2-2007:2														
Real GDP	6.8	6.8	6.5	6.2	6.4	5.9	6.3	6.4	6.2	6.2	5.9			
Implicit Price Deflator	3.9	3.7	3.8	3.5	3.7	3.9	5.0	5.0	4.3	4.5	5.6			
Average Rate, 2005:3 to 2007:2														
3 Month T-Bill Rate	2.65	2.68	3.20	3.10	3.42	3.89	4.04	4.18	4.30	4.54	4.65			
Mortgage Rate	7.01	6.57	6.98	6.54	6.46	6.76	6.37	6.54	6.30	6.48	6.50			
Washington														
Percent Growth, 2005:2-2007:2														
Employment	4.2	4.0	3.9	3.3	3.6	4.0	4.4	4.6	5.2	6.0	5.3			
Personal Income	12.8	12.7	12.5	11.9	12.2	13.0	14.0	14.3	13.9	14.1	15.4			
Real Personal Income	8.6	8.7	8.5	8.1	8.3	8.8	8.6	8.9	9.3	9.3	9.2			
Total (Thousands of units), 2005:3 to 2007:2														
Housing Units Authorized	79.2	86.9	88.0	86.3	89.7	93.4	98.1	100.4	105.0	101.9	102.3			

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2006 to 2007

	2005	2006	2007	2008	2009
U.S.					
Real GDP					
September Baseline	10872.9	11245.2	11548.1	11864.1	12251.0
% Ch	3.3	3.4	2.7	2.7	3.3
June Baseline	10948.6	11326.2	11661.3	11996.8	12397.4
% Ch	3.7	3.4	3.0	2.9	3.3
Implicit Price Deflator					
September Baseline	1.098	1.132	1.163	1.185	1.207
% Ch	2.7	3.1	2.7	1.9	1.8
June Baseline	1.096	1.130	1.151	1.170	1.189
% Ch	2.7	3.0	1.9	1.6	1.6
U.S. Unemployment Rate					
September Baseline	5.28	4.83	4.81	4.96	4.83
June Baseline	5.28	4.84	4.74	4.86	4.71
Mortgage Rate					
September Baseline	5.78	6.20	6.79	6.86	7.13
June Baseline	5.78	6.19	6.78	6.73	6.93
3 Month T-Bill Rate					
September Baseline	2.21	4.07	5.24	4.73	4.71
June Baseline	2.21	4.09	5.00	4.59	4.64
Washington					
Real Personal Income					
September Baseline	202.578	204.904	215.411	225.678	236.978
% Ch	5.0	1.1	5.1	4.8	5.0
June Baseline	202.857	203.992	215.020	225.934	236.984
% Ch	5.0	0.6	5.4	5.1	4.9
Personal Income					
September Baseline	222.390	232.054	250.518	267.508	286.038
% Ch	7.9	4.3	8.0	6.8	6.9
June Baseline	222.399	230.476	247.581	264.413	281.826
% Ch	7.9	3.6	7.4	6.8	6.6
Employment					
September Baseline	2737.7	2821.0	2890.3	2955.7	3016.5
% Ch	2.4	3.0	2.5	2.3	2.1
June Baseline	2737.7	2826.4	2908.1	2974.3	3031.2
% Ch	2.4	3.2	2.9	2.3	1.9
Housing Permits					
September Baseline	52.033	52.601	49.656	49.652	47.869
% Ch	17.2	1.1	-5.6	-0.0	-3.6
June Baseline	52.033	51.866	50.050	50.004	48.132
% Ch	17.2	-0.3	-3.5	-0.1	-3.7

Table 1.6

Calendar Years

Long Range Economic Outlook

Forecast 2006 to 2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
U.S.											
Real GDP, %Ch	3.3	2.4	3.1	3.1	3.1	3.0	2.6	2.6	2.8	2.8	3.0
Implicit Price Deflator, %Ch	3.0	2.2	1.9	1.8	1.7	1.9	2.0	2.0	1.9	1.9	2.0
3 Month T-Bill Rate	4.88	5.04	4.66	4.80	4.84	4.84	4.84	4.84	4.84	4.84	4.84
Mortgage Rate	6.60	6.80	6.99	7.25	7.31	7.31	7.31	7.31	7.31	7.31	7.31
State*											
Real Personal Income, %Ch	5.2	4.6	5.0	4.9	4.5	4.1	3.5	3.4	3.6	3.7	3.6
Personal Income, %Ch	8.4	6.9	6.9	6.7	6.2	6.0	5.6	5.4	5.6	5.6	5.7
Employment, %Ch	3.0	2.2	2.2	1.8	1.7	1.5	1.1	1.0	1.0	1.1	1.2

* September Baseline (2006-2009) judgmentally extended through 2016.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

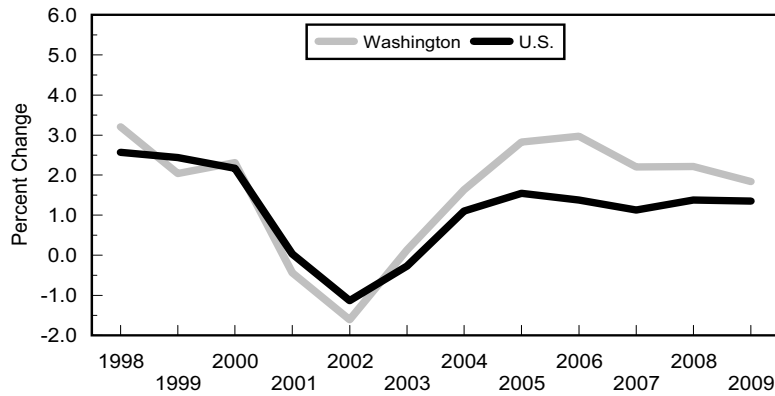


Chart 1.2
Manufacturing Employment

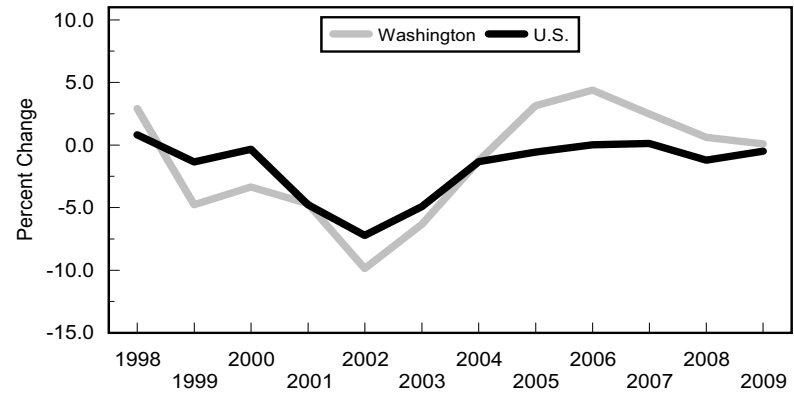


Chart 1.3
Aerospace Employment

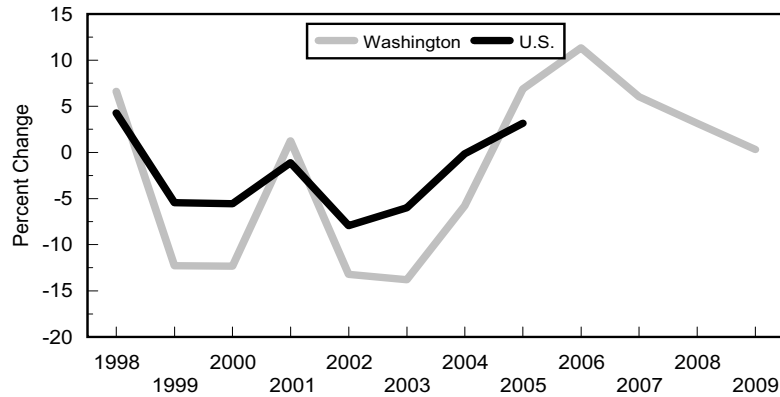
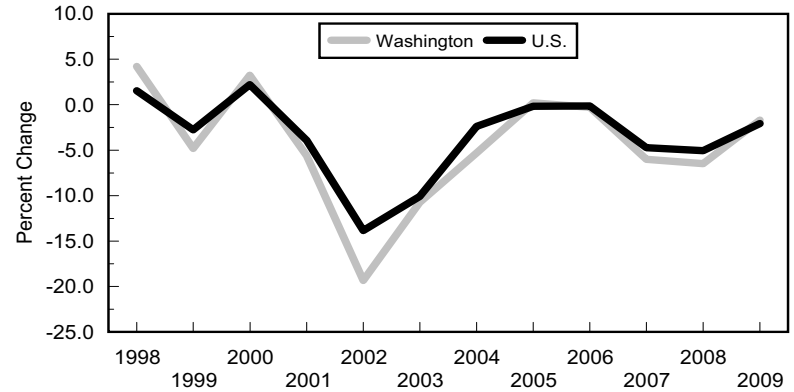


Chart 1.4
Computers and Electronics Employment



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

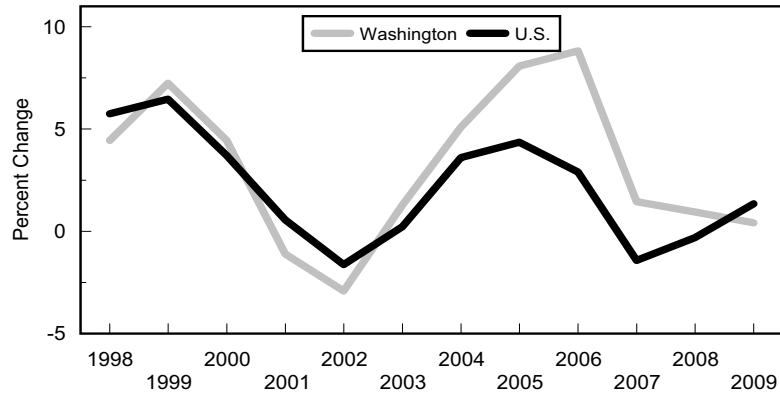


Chart 1.6
Information Employment

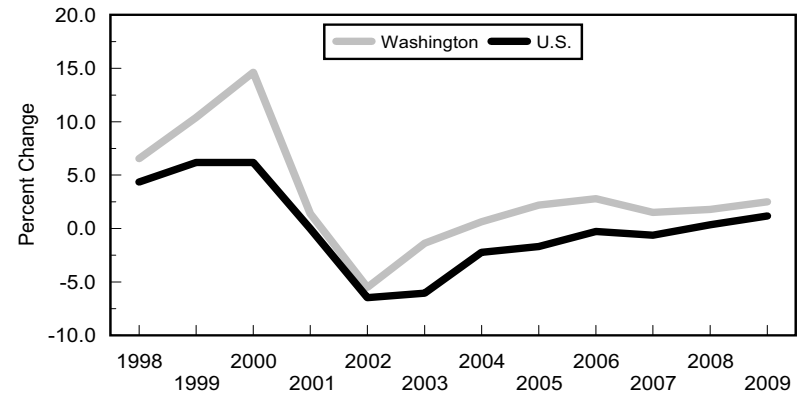


Chart 1.7
Other Private Employment

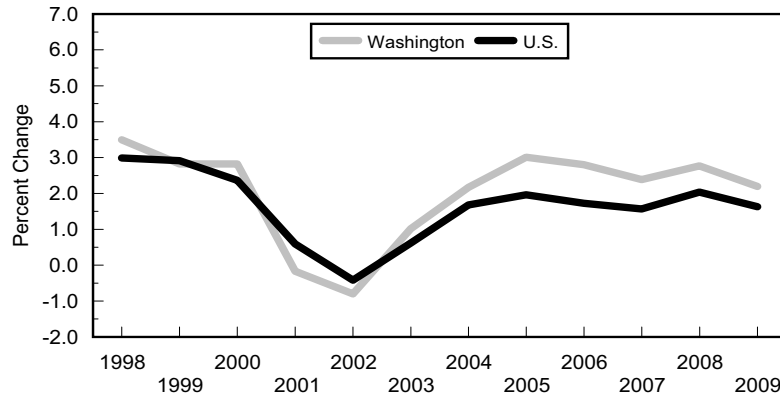
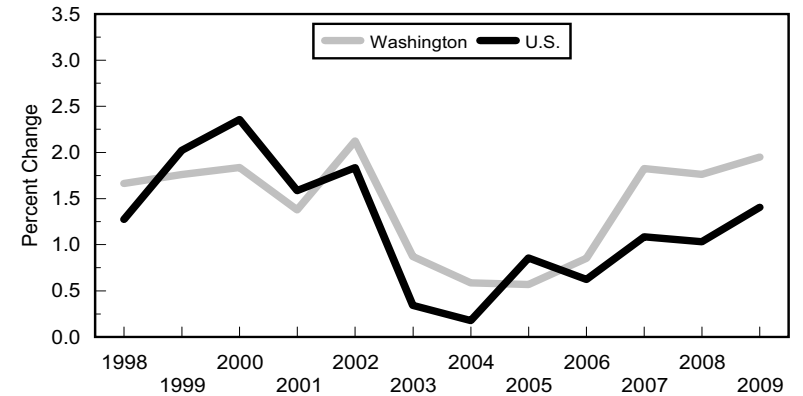


Chart 1.8
Government Employment



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

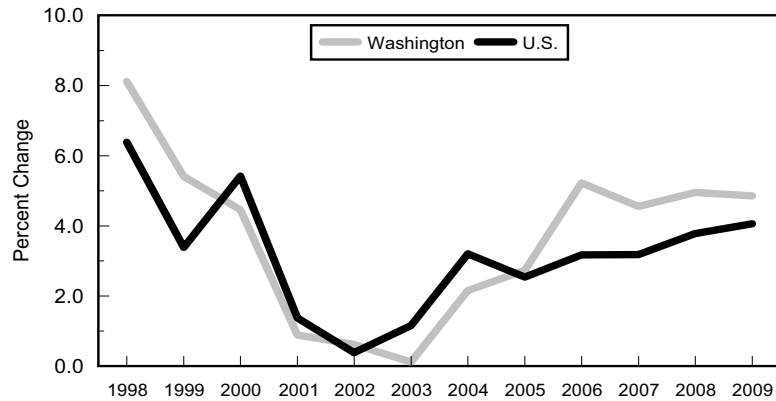


Chart 1.10
Consumer Price Indices

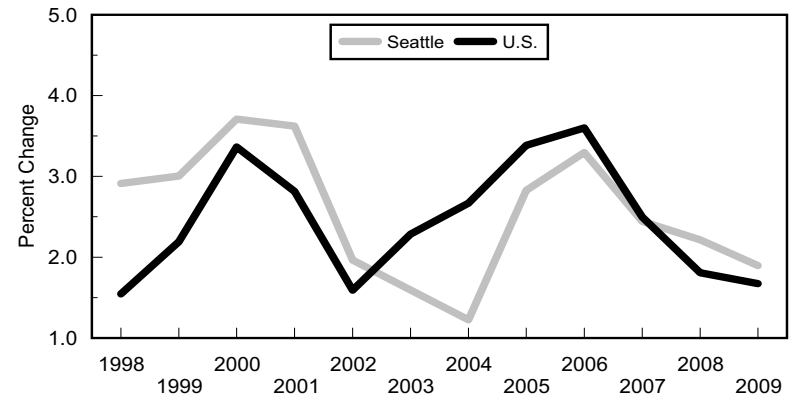


Chart 1.11
Population

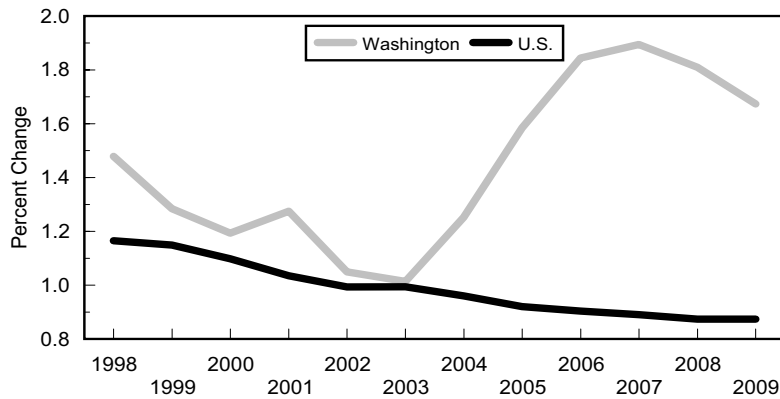
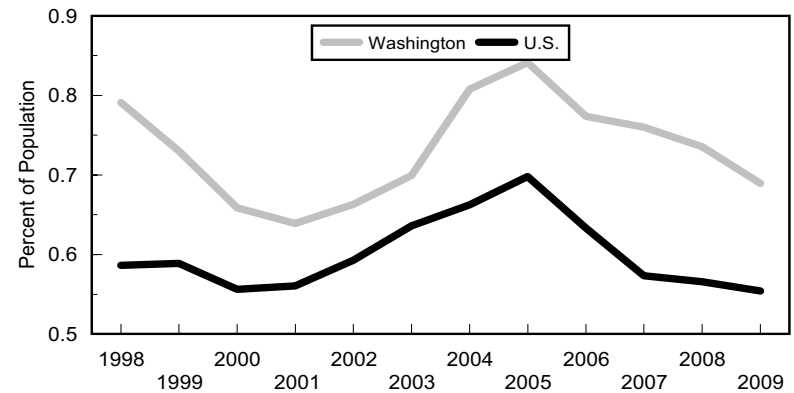


Chart 1.12
Per Capita Housing Units



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

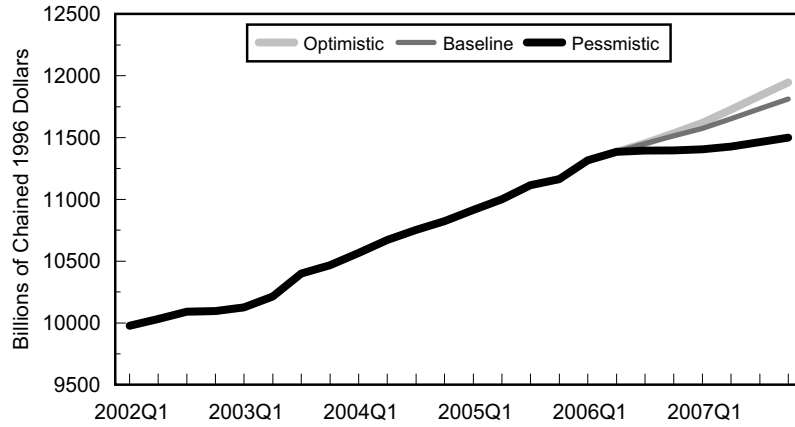


Chart 1.14
Implicit Price Deflator

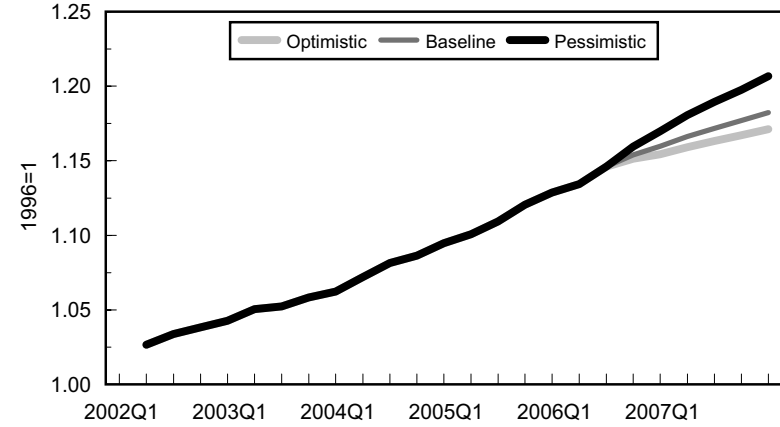


Chart 1.15
Mortgage Rate

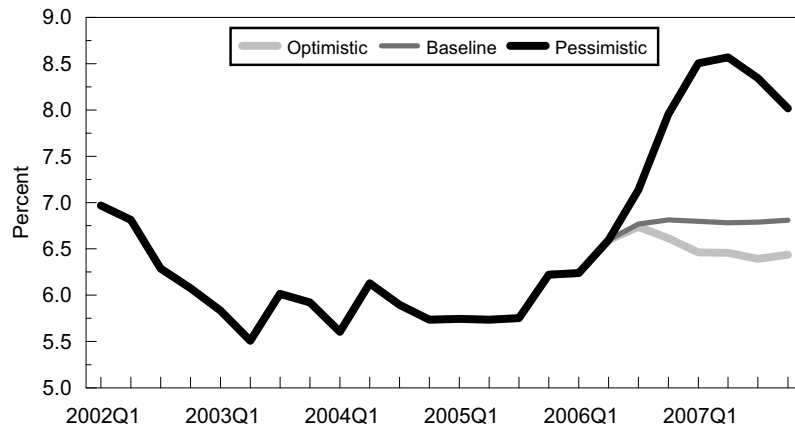
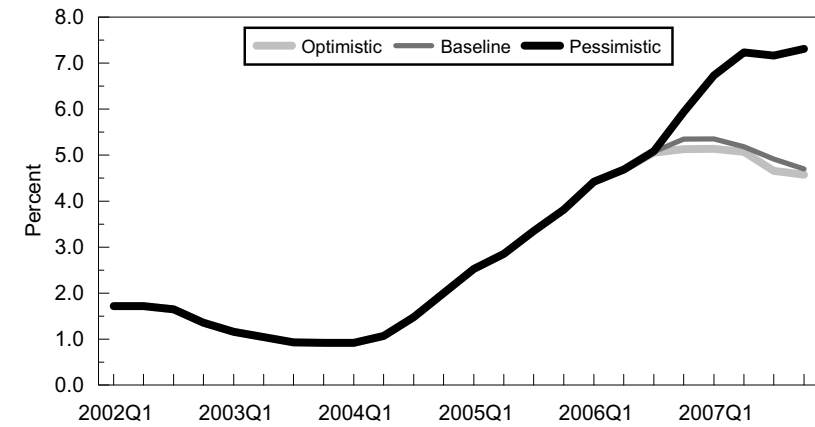


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

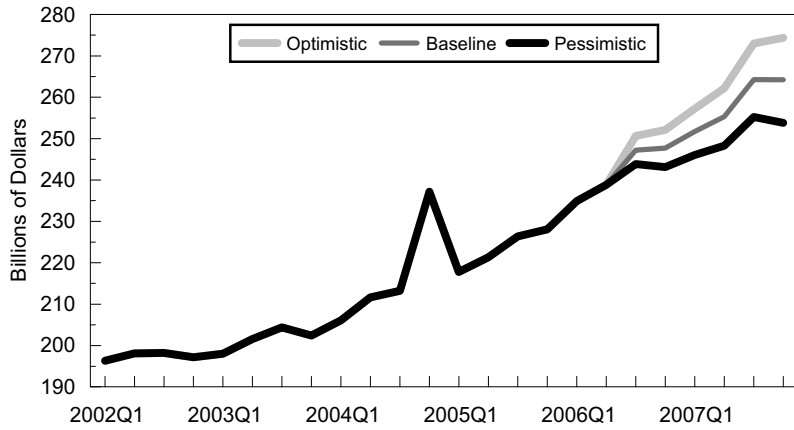


Chart 1.18
Real Personal Income

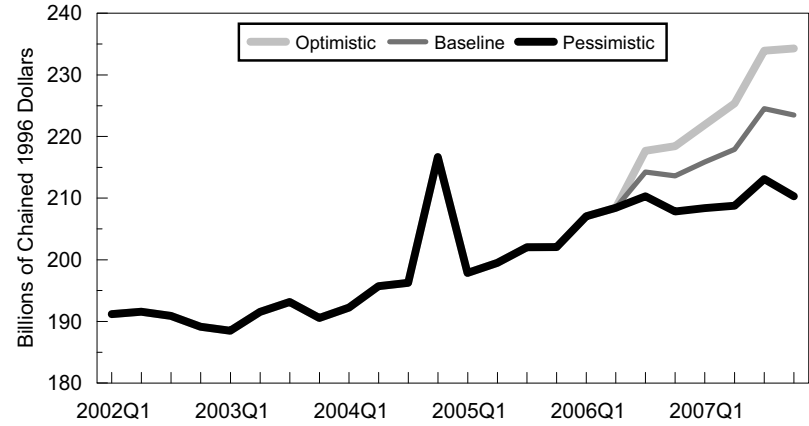


Chart 1.19
Total Nonfarm Payroll Employment

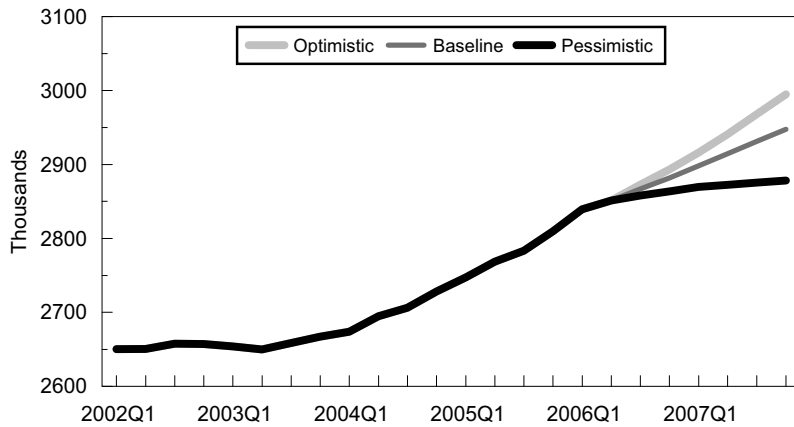
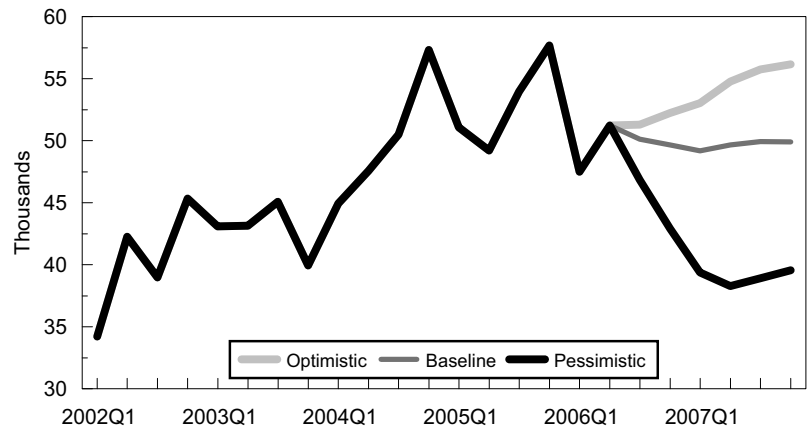


Chart 1.20
Housing Permits



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 2.6* percent annual rate in the second quarter of 2006, down significantly from the rate of 5.6 percent in the first quarter. The bulk of the slowdown was in real gross private domestic investment, which grew at an annual rate of 1.0 percent after growing at 7.8 percent in the previous quarter. Real fixed investment shrank during the quarter at a rate of 1.6 percent due to an 11.1 percent reduction in residential fixed investment. Real fixed investment had grown at an 8.2 percent rate in the previous quarter even though residential fixed investment decreased at a rate of 0.3 percent. Growth in non-residential fixed investment slowed in the second quarter as well, increasing at a rate of 4.4 percent after growing at 13.7 percent in the previous quarter. Real consumer spending provided the largest contribution to second quarter growth even though its rate of growth slowed to 2.6 percent after growing at 4.8 percent in the first quarter. The increased growth in real consumer spending was led by an increase in real services consumption growth from a 1.6 percent rate in the first quarter to a 3.7 percent rate in the second quarter. Durable goods consumption shrank at a 0.1 percent rate after a tremendous 19.8 percent rate of increase in the first quarter, while real nondurable goods consumption growth slowed to a rate of 1.4 percent after growing at 5.9 percent in the first quarter. Government spending growth slowed in the second quarter, growing at a rate of 0.8 percent after growing at a rate of 4.9 percent in the first quarter of 2006. Real net exports provided a positive contribution to second quarter real GDP growth as real exports grew at a rate of 6.2 percent while real imports only grew at 1.4 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased very slightly in August, to 54.5 from its July value of 54.7. Index values above 50 indicate that manufacturing sector output is still increasing. The employment component of the index decreased to 56.6 from July's value of 57.6, remaining above the critical value of 50, which indicates that more of the manufacturers surveyed have been increasing employment than decreasing it during that period.

U.S. seasonally-adjusted payroll employment grew by 128,000 jobs in August after growth of 121,000 jobs in July. Year-over-year employment growth was 1.3 percent in both months. The U.S. seasonally-adjusted unemployment rate decreased to 4.7 percent in August from July's value of 4.8 percent.

Productivity growth slowed in the second quarter of 2006, growing at a 1.6 percent annual rate after growing at a 4.3 percent rate in the previous quarter. The seasonally adjusted Consumer Price Index (CPI) increased by 0.2 percent in August after increasing by 0.4 percent in July. Year-over-year CPI growth was 3.8 percent in August and 4.2 percent in July. The seasonally-adjusted index excluding food

and energy increased at a monthly rate of 0.2 percent in both August and July, resulting in year-over year growth rates of 2.8 and 2.7 percent respectively.

The Conference Board's Index of Consumer Confidence increased to 104.5 in September from August's value of 100.2. Improvement was seen in both the expectations and present conditions components of the index. The University of Michigan Consumer Sentiment Survey also increased in September to a value of 85.4 from August's value of 82.0, but the only the expectations component index improved, with the present conditions component declining. The Conference Board's U.S. Index of Leading Indicators decreased 0.2 percent in August, its second month of decline after a 0.2 percent decrease in July. Only three of the ten index components were positive in August.

The Federal Open Market Committee (FOMC) voted to hold its target rate for federal funds constant at 5.25 percent at its September 20, 2006 meeting. This was the FOMC's second decision to leave the rate unchanged since its meeting of August 8. The Committee did not rule out future rate increases, however, referring to "additional firming that may be needed."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, increased to 173 in August, a year-over-year increase of 21.8 percent. This followed a 23.1 percent year-over-year increase in July. The Conference Board's August Help Wanted Index, however, which measures newspaper employment advertising, decreased one point to a value of 31, a decrease of 16.2 percent from August of last year.

The State Economy and Indicators

Washington wage and salary employment rose at a 1.7 percent annual rate in the second quarter of 2006, following a strong growth rate of 4.3 percent in the first quarter. Construction employment growth slowed in the second quarter, increasing at a 5.1 percent annual rate after increasing at a strong 17.8 percent rate in the first quarter. Manufacturing employment increased at an annual rate of 1.1 percent in the second quarter after growing at 7.2 percent in the first quarter. Durable goods manufacturing employment increased at a 2.7 percent rate, aided by the 3.3 percent growth rate of aerospace employment. Nondurable goods manufacturing employment declined at a rate of 2.9 percent.

Washington's seasonally adjusted unemployment rate declined by 0.1 percent in August to a rate of 5.2 percent. August's Seattle Times Index of Help-Wanted Advertising, however, decreased to 42.9 from July's level of 45.5 while Washington seasonally adjusted initial claims for unemployment insurance jumped to 36,000 from July's count of 32,000. Despite the jump, however, the level of initial claims remains at historically low levels.

August year-over-year growth in the Seattle CPI increased to 4.9 percent from June's value of 4.2 percent. August's index excluding food and energy showed an even larger increase, jumping to 4.4 percent year-over-year from June's value of 2.9 percent due largely to price increases in services and housing. Washington's seasonally adjusted average weekly hours in manufacturing decreased to 40.2 in August from July's value of 41.0. The non-seasonally adjusted Washington Purchasing Management Index increased in August to a value of 74.8 from July's value of 71.1. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index increased to 78.6 from July's value of 65.4.

The Boom Monitor Composite Index decreased in August to a value of 59.9 from July's value of 60.8. Boom Monitor levels above 50 indicate that the weighted average growth in the index's components is above their historic average. The Washington Index of Leading Indicators decreased by 1.2 points in August following a 0.5 point increase in July. Only two of the seven index components were positive in

August. The largest negative contributors to the index were initial claims for unemployment insurance, the Seattle Times help-wanted index, and authorized housing permits. Authorized housing permits decreased to an annualized level of 51,750 units in August from July's level of 55,310 units.

On the following page is a summary of what various national and state measures are indicating as of the publication date of the September 2006 economic and revenue forecast.

**This is based on the most recent data from the Bureau of Economic Analysis (the final GDP estimates for the first quarter of 2006 released September 28, 2006). The September economic forecast is based upon the August Global Insight forecast, which incorporated the BEA's advance estimate from July 28, 2006.*

Table 2.1

Summary of National and State Indicators

<u>Indicator</u>	<u>Latest Data</u>	<u>Most Recent Indication¹</u>
U.S. Leading Index	August 2006	-
U.S. Real GDP Growth	2nd quarter 2006	+ but slowing
U.S. ISM Index	August 2006	+ but slowing
U.S. Employment y-o-y %ch	August 2006	+
U.S. Unemployment Rate	August 2006	+
U.S. Help Wanted Index	August 2006	-
U.S. Fed Funds Target	September 20, 2006	neutral
U.S. Consumer Confidence	September 2006	+
U.S. CPI	August 2006	+
U.S. Monster Employment Index	August 2006	+
S&P 500 Index	Week of September 30, 2006	+
WA Leading Index	August 2006	-
WA ISM Index	August 2006	+
WA Help Wanted Index	August 2006	-
WA Employment y-o-y %ch	August 2006	+ but slowing
WA Aerospace Empl. Growth	August 2006	+
WA Unemployment Rate	August 2006	+
WA Boom Monitor	August 2006	+ but slowing
WA Initial Unemploy. Claims	August 2006	-
WA Housing Permits	August 2006	-
WA Weekly Hours in Mfg.	August 2006	-
WA New Car/Truck Registration	August 2006	+
WA Migration (DOL data)	August 2006	+
WA Exports-Total	1st quarter 2006	+
WA Exports- w/o Trans. Equip.	1st quarter 2006	+
Seattle CPI	August 2006	-
NW Regional Stock Index	Week of September 30, 2006	+

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

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
January 1980 to August 2006

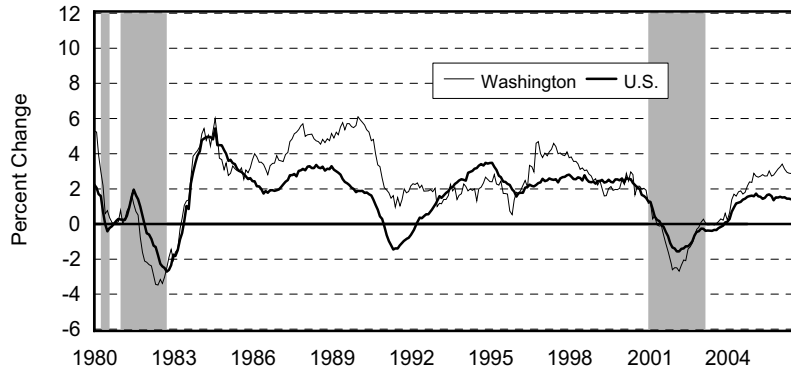


Chart 2.2
Washington Aircraft and Parts Employment
January 1958 to August 2006

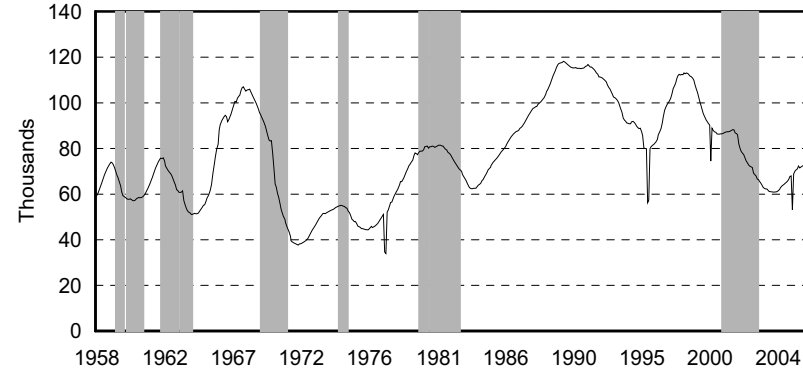


Chart 2.3
Unemployment Rate, S.A.
January 1980 to August 2006

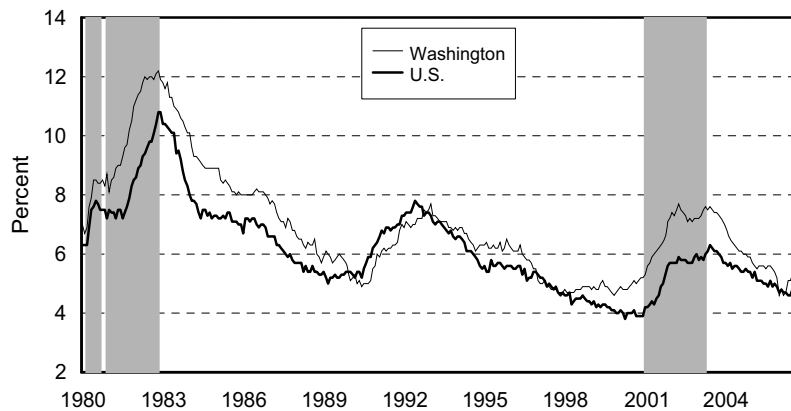
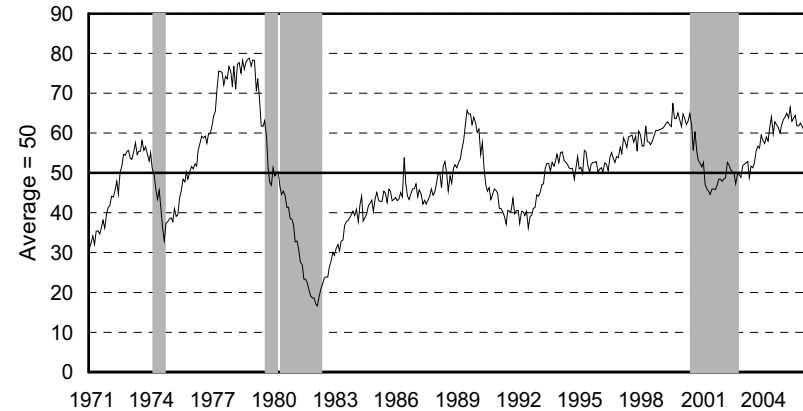


Chart 2.4
Washington Boom Monitor Composite Index
July 1971 to August 2006



* 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 August 2006

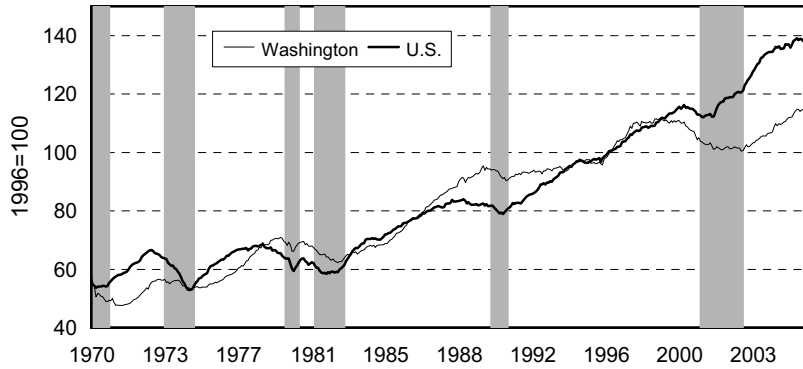


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to August 2006

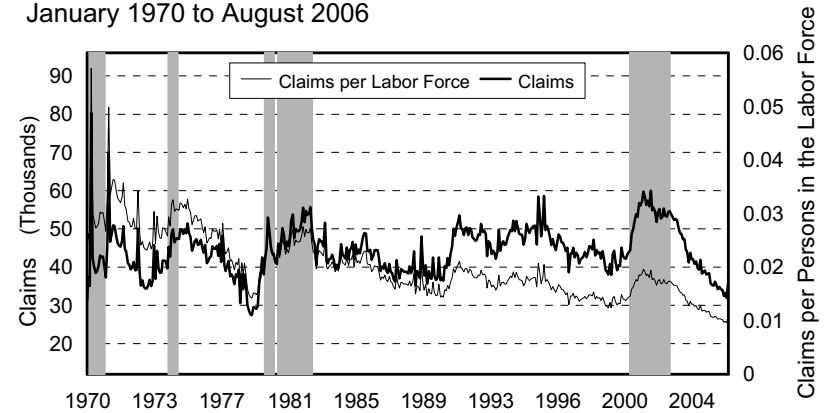


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to August 2006

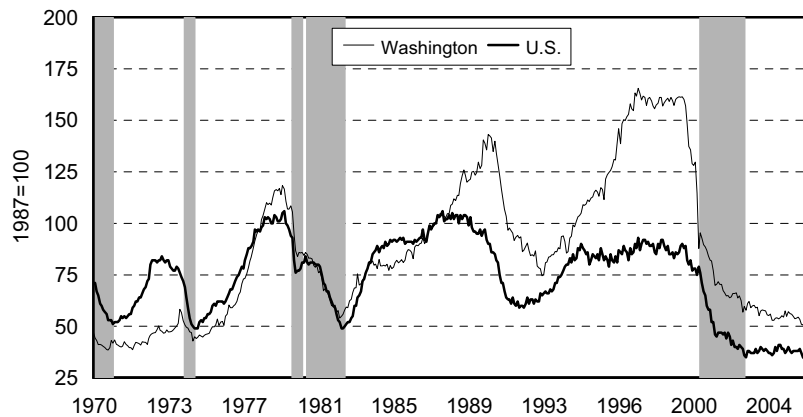
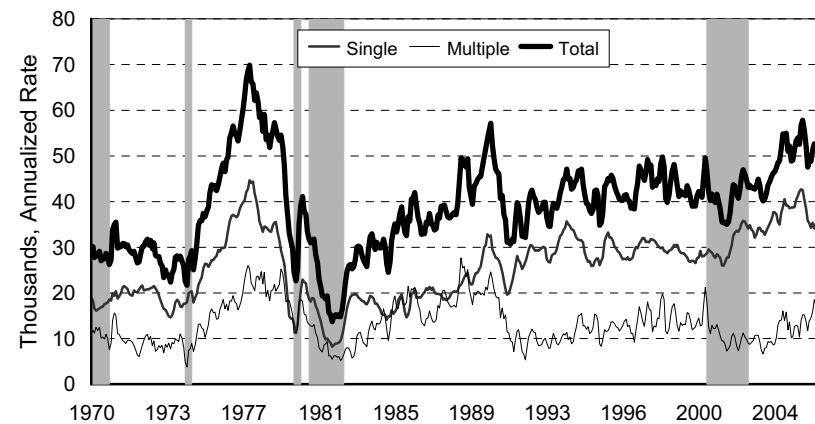


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to August 2006, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
 Jan. 1970 to August 2006, 3-Mo. Moving Average, SA

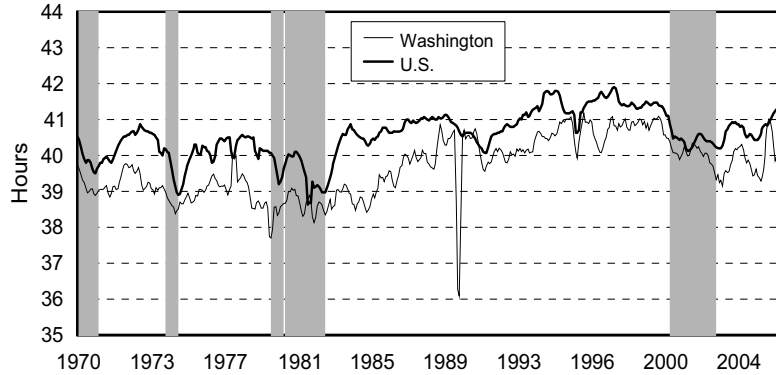


Chart 2.10
Washington Driver's License Migration
 September 1983 to August 2006 12-Month Moving Average

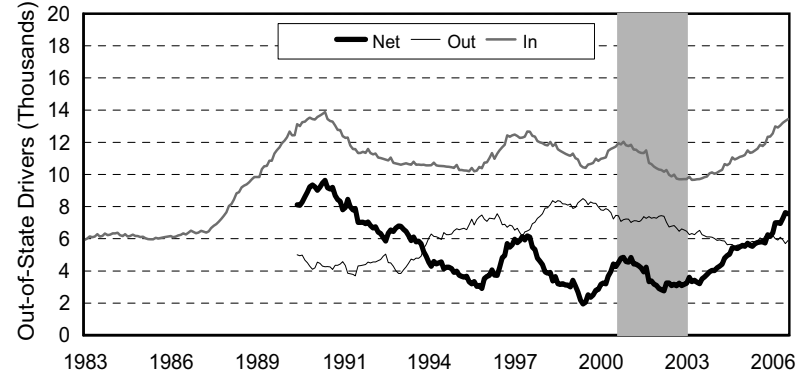


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to August 2006, 6-Month Moving Average

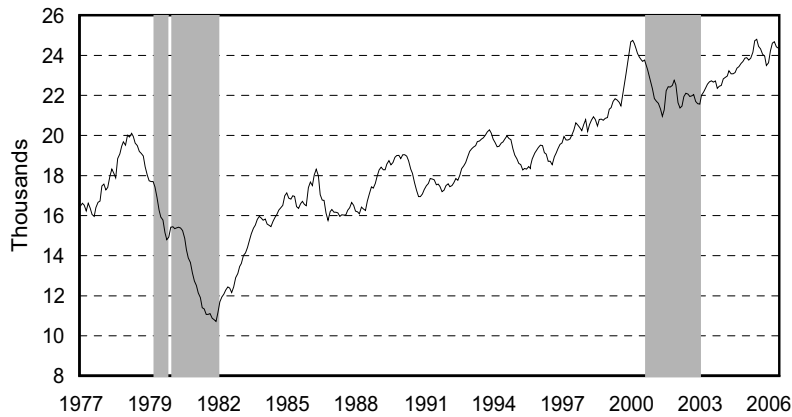
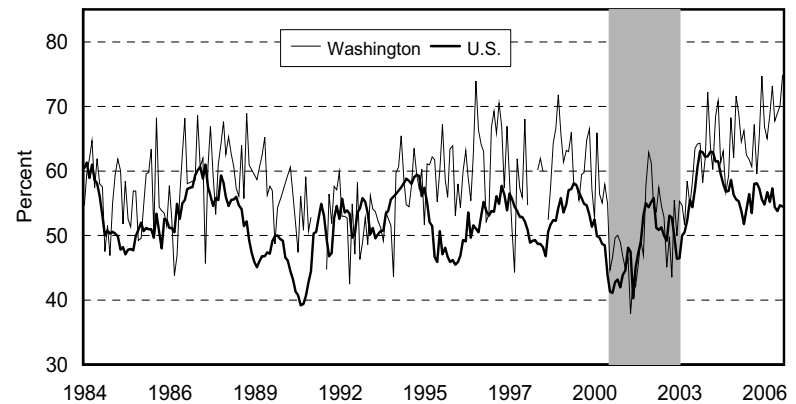


Chart 2.12
Institute for Supply Management Index
 January 1984 to August 2006



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2006 Q2

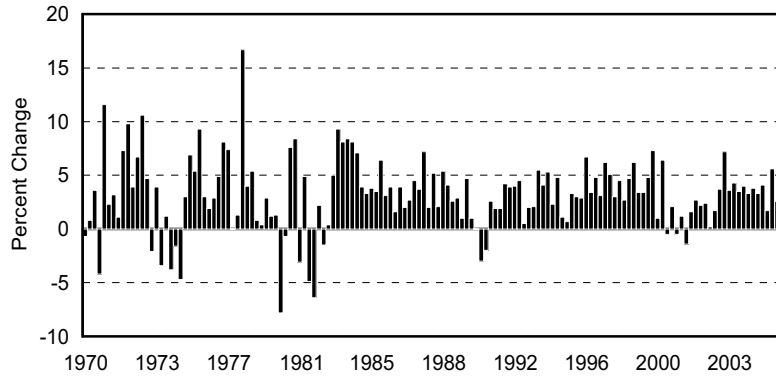


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2006Q2

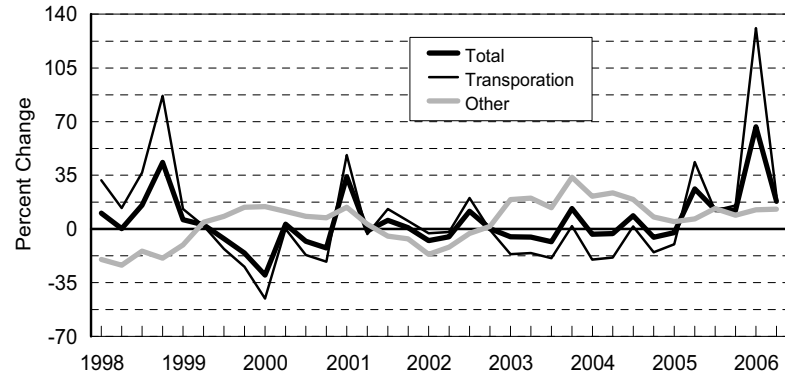


Chart 2.15
U.S. Economic Indicators*
 January 1970 to August 2006

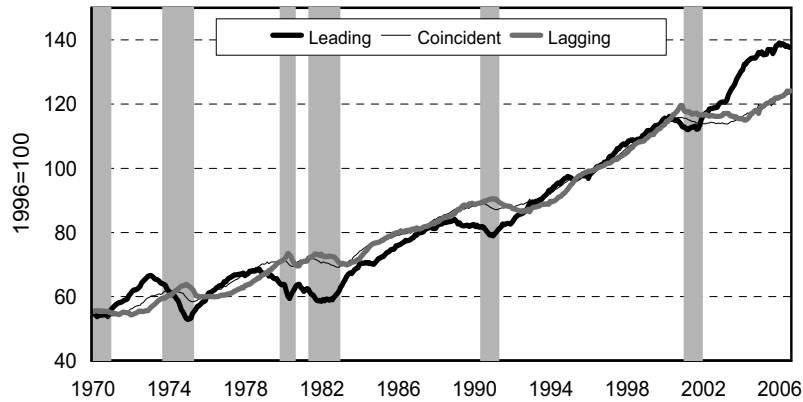
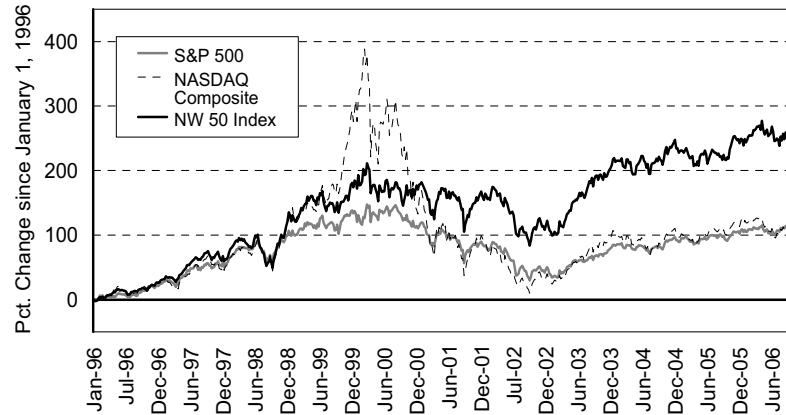


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
 January 1, 1996 to September 29, 2006



* 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 September 28, 2006

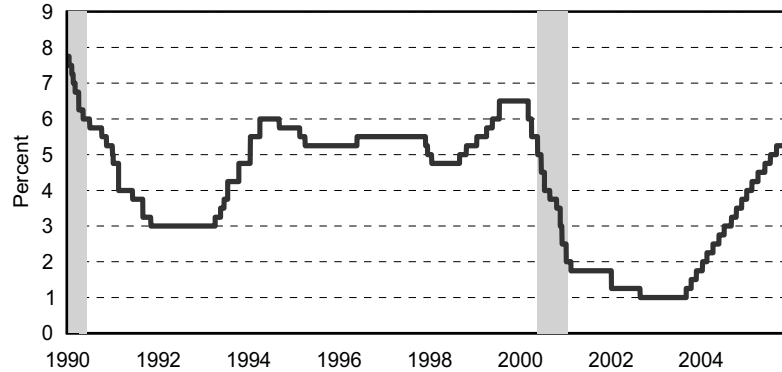


Chart 2.18
Consumer Confidence
 January 1978 to September 2006

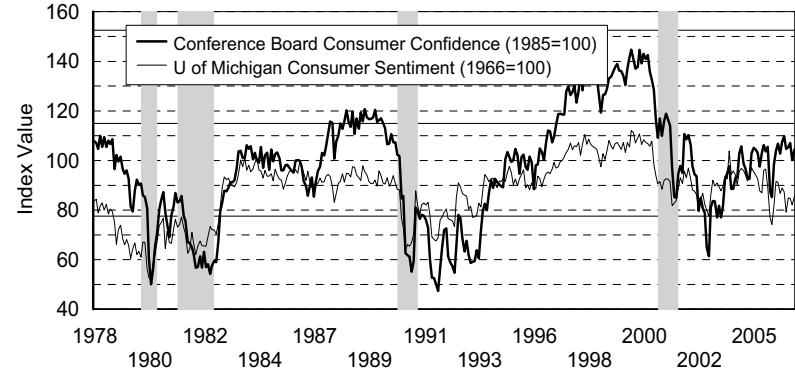


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to August 2006

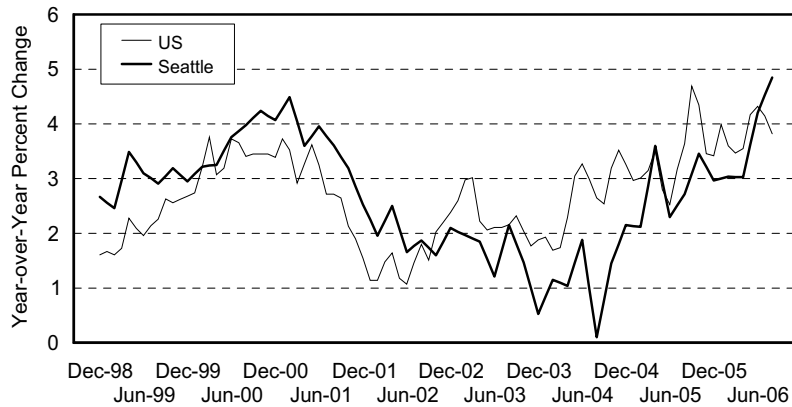
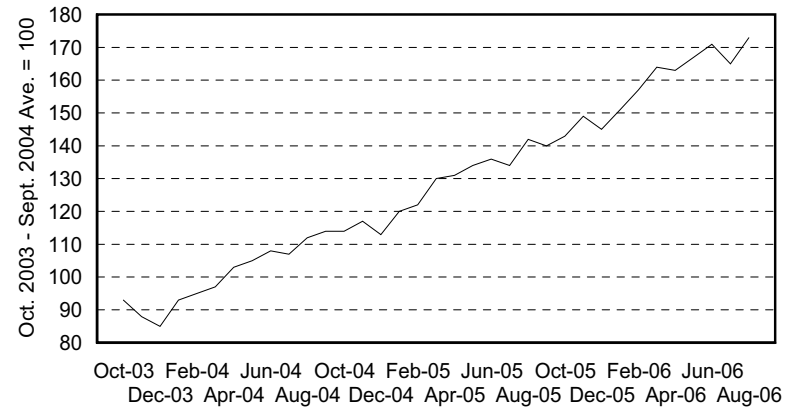


Chart 2.20
Monster Employment Index
 October 2003 to August 2006



* 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
2004:8	106.6	134.4	56	37	61.3	59.6
2004:9	106.7	134.4	53	36	63.1	58.0
2004:10	107.0	134.4	53	37	56.7	56.8
2004:11	108.8	135.2	54	40	59.3	56.9
2004:12	109.9	136.1	54	38	68.3	58.6
2005:1	109.2	135.8	54	41	62.1	56.3
2005:2	109.9	136.3	54	41	71.6	55.6
2005:3	109.6	135.4	55	39	68.9	55.3
2005:4	109.9	135.5	54	39	64.5	53.8
2005:5	110.4	135.6	57	37	66.3	51.8
2005:6	110.7	137.1	55	38	62.5	54.0
2005:7	111.3	136.9	57	40	61.8	56.4
2005:8	111.9	137.0	56	38	60.7	53.5
2005:9	112.0	135.8	56	37	67.2	58.0
2005:10	112.2	136.9	55	38	59.6	58.1
2005:11	113.2	138.2	54	38	65.4	57.3
2005:12	114.1	138.5	54	38	74.7	55.6
2006:1	114.8	139.1	54	38	66.9	54.8
2006:2	114.7	138.4	53	39	65.0	56.7
2006:3	114.1	138.9	51	37	68.8	55.2
2006:4	114.6	138.7	51	35	73.2	57.3
2006:5	114.7	138.0	49	34	67.7	54.4
2006:6	114.8	138.2	50	34	68.9	53.8
2006:7	115.3	137.9	45	32	70.1	54.7
2006:8	114.1	137.6	43	31	74.8	54.5

Washington State Revenue Forecast Summary

Introduction

The Washington State Economic and Revenue Forecast Council approved a \$412.2 million increase to the General Fund-State (GFS) revenue forecast at its September 20, 2006 meeting. The change included a \$349.8 million upward revision to the forecast for the 2005-07 biennium and an additional \$62.4 million for the 2007-09 budget period. Although there are signs that the economy is cooling, economic activity is still relatively strong and the economy is producing more revenue than expected. The higher forecast includes tax payments that were \$132.4 million more than expected in the three months since the last forecast. The forecast continues to expect growth to slow in the coming months as housing activity weakens and consumer spending moderates.

The September 2006 GFS forecast for the 2005-07 biennium, which spans the period from July 2005 through June 2007, is \$27,316.8 million. GFS revenue in the 2005-07 budget period is projected to be \$3.9 billion (16.8 percent) higher than in the 2003-05 biennium. Adjusting for tax law changes and other factors affecting the comparability between biennia, GFS revenue is expected to increase 17.8 percent in the 2005-07 biennium, the strongest growth since the 1989-91 biennium. The GFS unrestricted ending balance is now projected to total \$1,094.2 million at the end of the 2005-07 biennium, \$349.8 million higher than assumed in June 2006.

The September GFS revenue forecast for the 2007-09 budget period is \$29,525.7 million. This is \$2.2 billion, 8.1 percent higher than the forecast for the current biennium.

	<u>2005-07</u> <u>Biennium</u>	<u>2007-09</u> <u>Biennium</u>	<u>Both</u> <u>Biennia</u>
Non-economic change	\$0.0	\$0.0	\$0.0
Forecast Change	<u>\$349.8</u>	<u>\$62.4</u>	<u>\$412.2</u>
Total Change*	\$349.8	\$62.4	\$412.2

*Detail may not add to totals due to rounding.

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 forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the September 2006 baseline forecast for the 2007-09 biennium, is shown in Table 3.2.

September 2006 Forecast Assumptions

1. The September 2006 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on the Global Insight, Inc. August 2006 baseline forecast for the U.S. economy.
2. The GFS revenue forecast is based on current law and administrative practices. The revenue impact of tax law changes enacted during the 2006 legislative session and signed into law by the Governor was incorporated in the June 2006 forecast.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, most lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a multi-state lottery game. Proceeds from this new game go the General Fund after the first \$102

million per year of uncommitted lottery earnings are transferred to the Student Achievement Account and the School Construction Account. Part II of Table 3.19 summarizes lottery distributions by fund.

4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. The two most visible cases are a recent ruling by a judge in Snohomish County invalidating some of the tax increases enacted during the 2005 legislative session and the King County Superior Court ruling in June 2006 invalidating Initiative 747. Both of these rulings are on appeal. Any impact of legal challenges on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2005-07 biennium. As of September 2006, new tax law changes and other non-economic factors have reduced GFS revenue for the 2005-07 biennium by an estimated \$474 million. In addition, legislation has reduced the GFS for the 2007-09 biennium by \$111.9 million.
6. Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, has a disproportional impact on GFS revenue over time. The I-728 property tax transfers grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium. They are expected to grow to \$491.8 million in the 2005-07 biennium and to \$507.6 million in the 2007-09 biennium. (See part I of Table 3.19.)

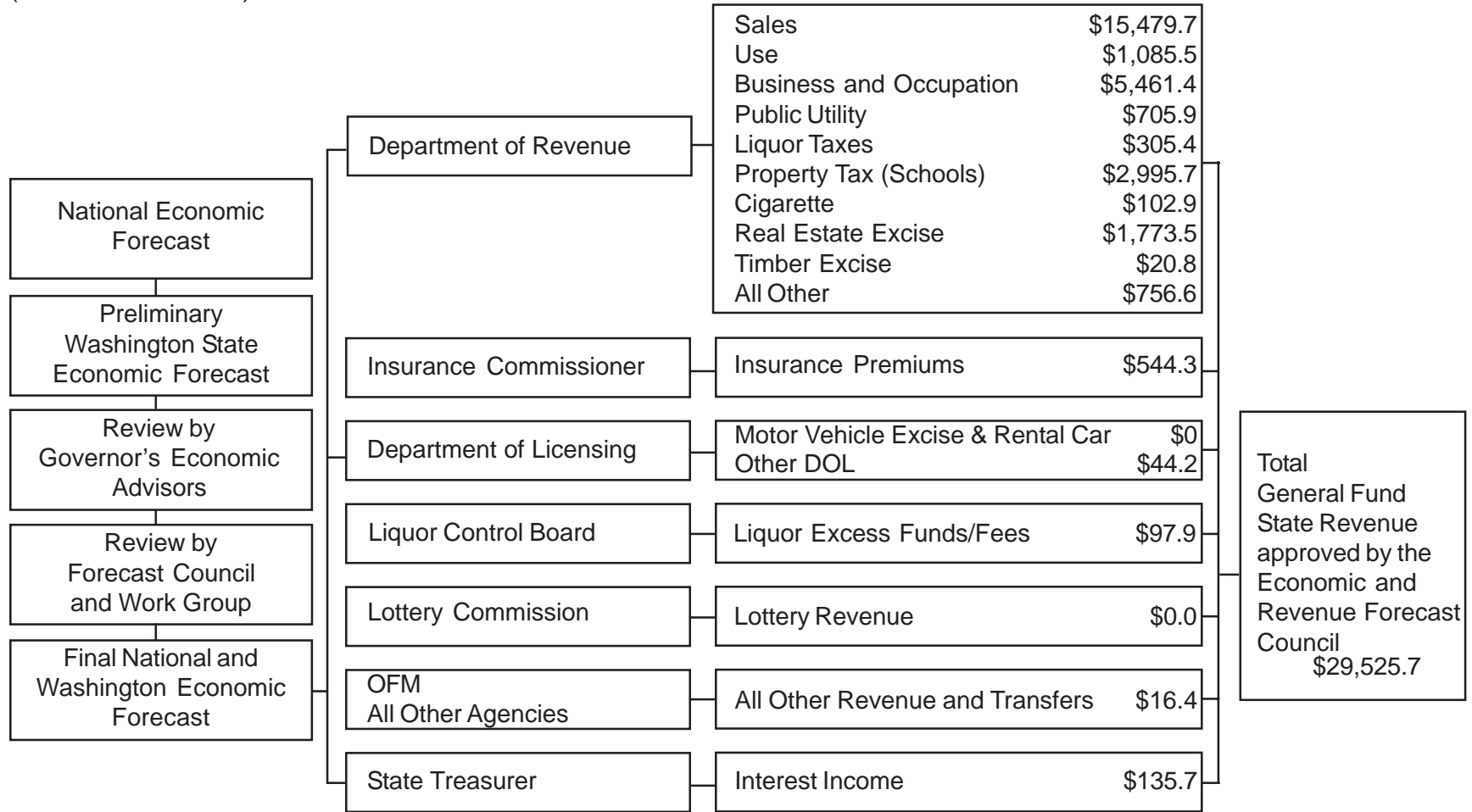
Recent Collection Experience

Revenue collected in the three months since the June forecast was \$135.2 million, 4.1 percent, more than expected. This included \$2.8 million due to special factors (unusually large audit payments and refunds) which are unrelated to the strength of the economy. Excluding special factors, collections were \$132.4 million, 4.0 percent, higher than expected. The positive revenue variance since the last forecast once again is primarily from higher than expected Revenue Act (retail sales, business and occupation, use and public utility tax) receipts and real estate excise tax collections. Revenue Act tax payments exceeded the June forecast by \$88.6 million (3.4 percent), excluding special factors, and the GFS share of real estate excise tax collections was \$44.7 million more than expected. Other GFS taxes and transfers were \$1.6 million higher than expected.

Revenue growth continues to remain strong despite some signs of slower economic growth. Revenue Act taxes were 10.6 percent above the year-ago level in the three months since the June 2006 forecast (May 2006 through July 2006 business activity). This was about the same as in the second quarter of 2006 (10.8 percent) but a little slower than in the first quarter (12.0 percent). Consumer and business spending continue outpace employment, income growth and the growth of retail sales nationally. Revenue from Washington's major excise taxes has increased faster than income for the last twelve quarters and has grown nearly twice as fast as income for five of the last six quarters. The September forecast continues to assume that this pace is unsustainable and that revenue growth will eventually moderate. There has been little evidence of slowing in the first thirteen months of the biennium. For the biennium to-date, Revenue Act receipts have increased at a double rate nine of thirteen months, and five of the last seven months. The year-over-year increase in the most recent month (July 2006 activity) was up a solid 6.3 percent, although it was the weakest monthly increase so far this biennium.

Preliminary industry detail for the most recent month (July 2006 activity, reflecting excise tax payments of taxpayers who filed electronically in the August 11- September 10, 2006 period) indicates tax payments

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



* Cash Basis

are again strong in most retail trade sectors as well as several non-retail trade sectors. Tax payments of businesses in the retail trade and food services sector were up 5.1 percent from the year-ago level. This follows increases of 8.0 percent last month and 13.1 percent two months ago. The relative weakness in the retailing sector this month was solely due to the auto sector. Tax payments reported by auto dealers were 6.5 percent below the year-ago level. Excluding autos, tax payments from retailers were 9.8 percent higher than a year-ago. For the month, four of twelve three-digit retail NACIS sectors reported double-digit gains with the strongest growth reported by non-store retailers (+17.6 percent), general merchandise stores (+15.5 percent), gasoline stations (+14.2 percent), and miscellaneous retailers (+10.9 percent). Tax payments from non-retailing sectors as a whole increased 11.6 percent in the most recent month. The prior month non-retailers reported an 11.1 percent increase. Most major non-retail trade sectors reported strong gains in tax payments. Big gains were reported by the construction sector, (+19.5 percent), the manufacturing sector (+22.1 percent), and the finance and insurance sector (+17.8 percent). The only major (2-digit NAICS) sector reporting a decline in tax payments this month was the arts/entertainment/recreation sector (-2.4 percent).

Real estate activity appears to be slowing but not quite as much as assumed in the June forecast. After hitting an all-time high in the first quarter of 2006, seasonally adjusted taxable real estate activity declined in the second quarter, falling at an annualized rate of 25.2 percent. This is the first quarterly decline since the fourth quarter of 2003. Collections in the last two months have been weak with taxable activity (based on closings) up only 0.9 percent in August and 3.9 percent in July. This is down significantly from the January through June 2006 average increase of 12.8 percent, and the more than 20 percent increase in the last three calendar years. Recently the increase in activity has been solely due to rising real estate values. The number of transactions has declined on a year-over-year basis for nine straight months and was 7.2 percent below the year-ago level in the second quarter of 2006. The average value-per-transaction, however, still remains strong and was 16.3 percent higher than a year-ago in the second quarter of 2006 and is 20.1 percent higher for the calendar year-to-date.

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
 June 11 - Sept. 10, 2006
 Based on the June 2006 Forecast (Millions of Dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>	<u>Adjusted</u>	
			<u>Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act ¹	\$85.8	3.3%	\$88.6	3.4%
Non Revenue Act ²	\$46.3	6.9%	\$46.3	6.9%
Subtotal	<u>\$132.1</u>	<u>4.0%</u>	<u>\$134.9</u>	<u>4.1%</u>
Department of Licensing ²	\$0.3	2.5%	\$0.3	2.5%
Other	na	na	na	na
Total***	\$132.4	4.0%	\$135.2	4.1%

¹ Revenue Act taxes consist of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections June 11, 2006 through Sept. 10, 2006.
² Variance based on June 2006 through August 2006 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 June 2006 forecast.
 ** Variance adjusted for special factors (primarily unusually large audit payments).
 *** Detail may not add to total due to rounding.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$253,000 (2.1 percent) above the estimate in the three months since the June forecast and were up 5.1 percent from the year-ago level.

The General Fund-State Forecast for the 2005-07 and the 2007-09 Biennia

For more than a year, the forecast has expected revenue growth to slow. We are now more than half-way through the 2005-07 biennium and so far there has been little sign of slowing. Revenue continues to grow well above trend and growth for the current budget period is on track to be one of the best in the last twenty five years. Revenue from major excise taxes are 10.7 percent above year-ago levels in the first thirteen months of the biennium despite some slowing in the most recent month. The strength of the housing market is even greater. Taxable real estate excise activity has increased an average 17.0 percent for the biennium to-date despite noticeable slowing in the last three months. The booming housing market and accelerating employment and income growth has bolstered consumer and business spending. Spending has been growing way above trend for most of the biennium. While the September forecast like prior forecasts expects growth to slow during the remainder of the biennium, identifying the turning point remains difficult. Employment growth has slowed in the most recent quarter and the housing sector is weakening; however, the economic fundamentals remain healthy and growth for the biennium as a whole will be very strong. The forecast expects real personal income in Washington to increase 7.7 percent in the 2005-07 biennium, up from 2.7 percent in the 2003-05 period. Employment growth is also expected to improve significantly, increasing 5.5 percent compared to 1.7 percent in the 2003-05 budget period. The strong economy and spending will produce the strongest biennial increase in GFS revenue since the 1989-91 budget period. The September forecast expects GFS collections to total \$27,316.8 million in the 2005-07 biennium. This is \$3.9 billion (16.8 percent) more than in the 2003-05 biennium. Adjusting for tax law changes and other non-economic factors, revenue is expected to increase 17.8 percent.

The September 2006 forecast for the 2007-09 biennium is similar to the June 2006 outlook. It expects the economy and revenue to continue to grow during the next budget period, though at a slightly slower pace. Employment growth is expected to moderate slightly next biennium, growing 4.6 percent, after increasing 5.5 percent in the 2005-07 budget period. Housing next biennium is expected to weaken even more. Building permits are expected to fall 4.6 percent in the 2007-09 biennium after increasing 6.0 percent in the 2005-07 period. State personal income is expected to increase 14.7 percent next biennium, a slight improvement from the 14.1 percent increase expected during the current biennium. The pace of consumer and business spending is expected to moderate in the 2007-09 budget period. Interest rates are expected to be higher, and the added stimulus to spending from home equity cash-outs will no longer be present. After a prolonged period where spending exceeded the growth in income, the spending relative to income relationship in the 2007-09 period is expected to dip below the long run average next biennium then return to a more normal level. Slower spending will produce more modest revenue growth in the 2007-09 biennium. GFS revenue is expected to increase 8.1 percent in the 2007-09 biennium, a noticeable deceleration from the 16.8 percent increase expected 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. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These three taxes are expected to account for 83.4 percent of the \$27.3 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 84.7 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 primarily due to a surge in real estate excise tax revenue in the current biennium. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax receipts are expected to increase 41.4 percent in the 2005-07 biennium compared to 16.8 percent for total GFS revenue. Revenue from the real estate excise tax is expected to account for 6.9 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 6.0 percent of total GFS revenue.

The retail sales and use tax, the state's largest revenue source, generated \$12.7 billion (54.5 percent) of total GFS revenue in the 2003-05 biennium. Sales and use taxes are expected to produce \$15.0 billion (54.9 percent) of the total in the 2005-07 budget period and \$16.6 billion, 56.1 percent of the total in the 2007-09 budget period. The business and occupation tax totaled \$4.2 billion in the 2003-05 biennium, 18.0 percent, of total GFS revenue. This tax is expected to produce \$5.0 billion, 18.2 percent of the total in the 2005-07 biennium and \$5.5 billion, and 18.5 percent, of the total next biennium. The General Fund-State's share of the property tax totaled \$2.7 billion, 11.7 percent of total GFS revenue in the 2003-05 biennium. The property tax is expected to total \$2.8 billion, 10.2 percent of the total in the 2005-07 biennium and \$3.0 billion, 10.2 percent of the total in the 2007-09 biennium. 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 3.19, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$27,447.6 million in the first quarter of 2006, the most recent quarter available.

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2000 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,397.2	-4.1%
2003-05	23,388.5	10.6%	21,592.2	5.9%
2005-07 ^F	27,316.8	16.8%	23,802.2	10.2%
2007-09 ^F	29,525.7	8.1%	24,684.0	3.7%

^F: September 2006 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 September 2006 forecast.

Table 3.5

Taxable Retail Sales*

September 2006

(Millions of Dollars)

Fiscal		Percent
Year	Amount	Change
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006 ^F	106,979	10.0%
2007 ^F	112,845	5.5%
2008 ^F	118,493	5.0%
2009 ^F	125,156	5.6%

^F Forecast.

* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. Major base changes include: exemption of off-premises food, beginning 1978:3 (fiscal 1979); extension of the sales tax base to off premises food (1982:2 to 1983:2); food again exempt 1983:3 (fiscal 1984). Base extended to some personal services effective July 1994. Exemption of manufacturing equipment effective fiscal 1996. Additional sales tax exemptions (including an exemption for R&D equipment effective fiscal 1997. Changes in reporting effective 1997. Additional exemptions effective fiscal 1999, 2000, 2001, 2002 and 2004. Changes to the tax base due to increased compliance efforts effective FY 2003. Fiscal 2005, 2006, 2007, 2008 & 2009 affective by 2004, 2005 & 2006 legislation.

This was 10.1 percent higher than the year-ago level. Taxable sales increased 9.6 percent in the fourth quarter of 2005 and 10.1 percent in the third quarter. Taxable sales have now increased on a year-over-year basis for fifteen consecutive quarters after having fallen or remaining unchanged for five straight quarters during the last recession. Taxable sales in the first quarter again grew faster than personal income and retail sales nationally. In the first quarter of 2006, U.S. retail sales were 8.3 percent above the year ago level, stronger than the 6.2 percent year-over-year increase in the fourth quarter of 2006. The September 2006 forecast assumes that taxable sales in Washington remained strong in the second quarter of 2006. Although the second quarter is complete, actual taxable sales data for the quarter are not yet available. The forecast assumes that taxable sales were 10.2 percent higher than the year-ago level in the second quarter of 2006, a little stronger than the 10.1 percent gain in the first quarter and again better than the growth of U.S. retail sales (6.6 percent) and the growth of state personal income (7.9 percent).

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC) basis to the North American Industry Classification System (NAICS) making historical comparisons by sector easier and more meaningful. Taxable sales in the first quarter of 2006 of business in the retail trade sector, which accounted for 44.6 percent of all taxable sales in the quarter, were 8.8 percent above the year-ago level. Last quarter taxable sales of firms in the retail trade sector increased 7.5 percent. Within retailing, miscellaneous retailers (NAICS 453) reported the largest increase, 28.3 percent. Electronics and appliance stores (NAICS 443) also reported a strong gain, 15.8 percent. Non-store retailers (NAICS 454) also reported strong growth (+15.0 percent). Other retailing sectors with double digit gains in the first quarter of 2006 were: furniture and home furnishing stores (+11.3 percent) and building materials and garden equipment retailers (+10.9 percent). No major retail sector reported a decline in activity in the first quarter. Taxable sales of auto dealers, the largest retail trade sector, accounting for 11.6 per-

Chart 3.1
General Fund-State Revenue

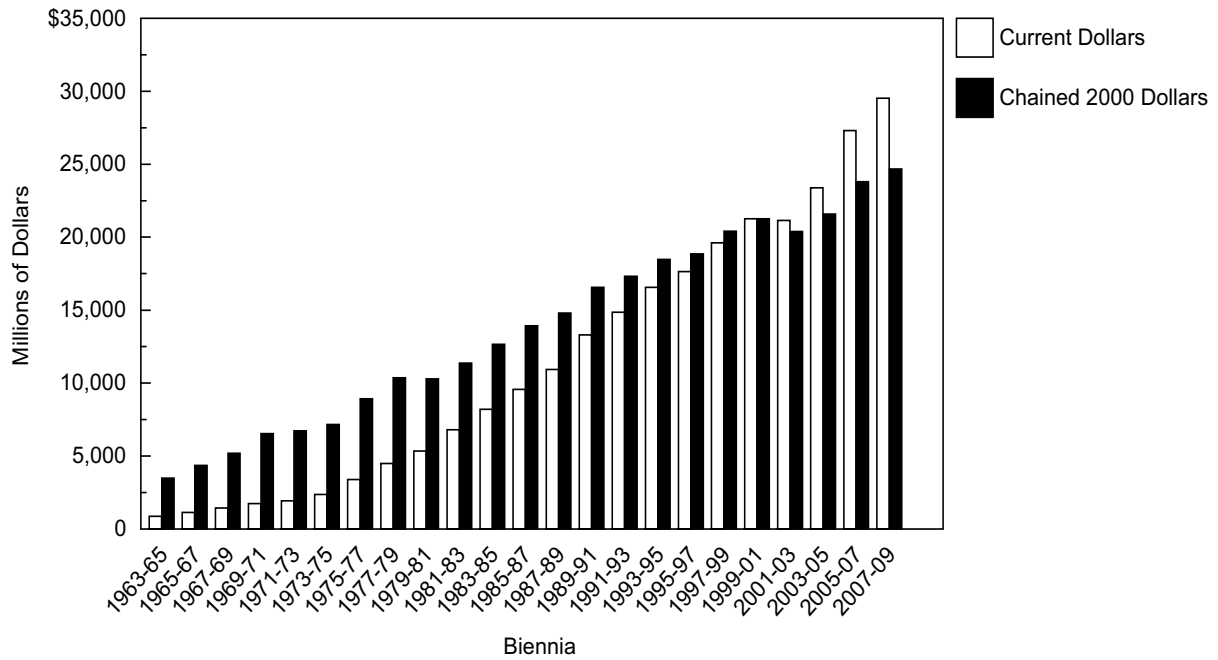


Chart 3.2
General Fund-State Revenue - Percent Change

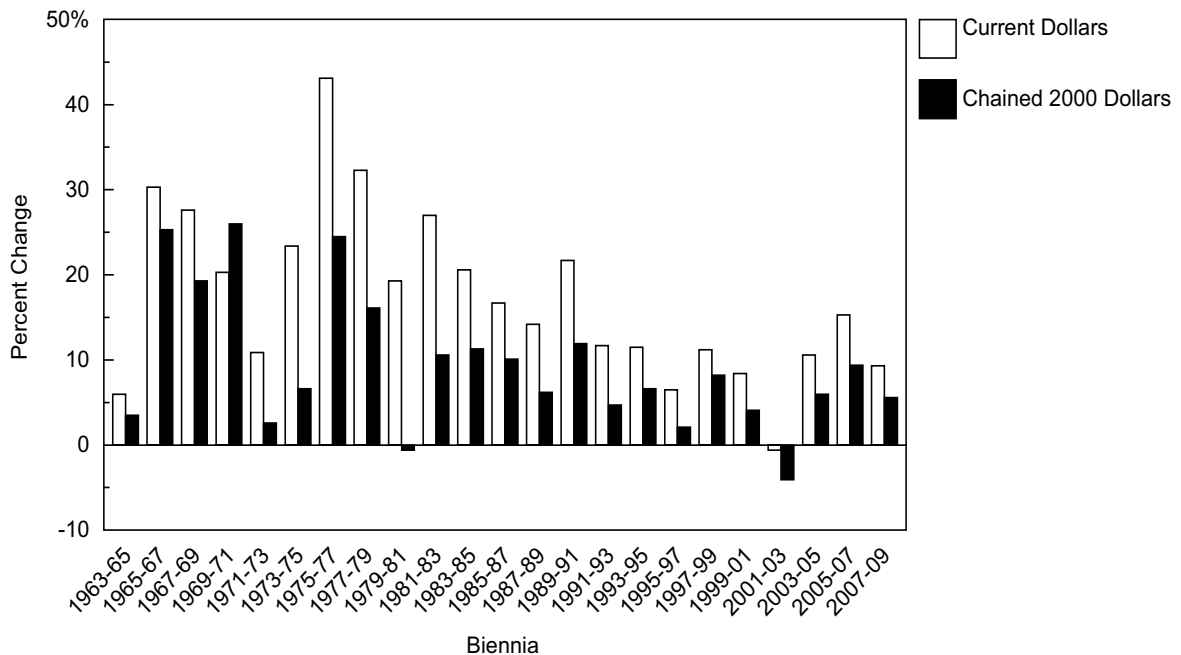


Chart 3.3
Composition of General Fund-State Revenue

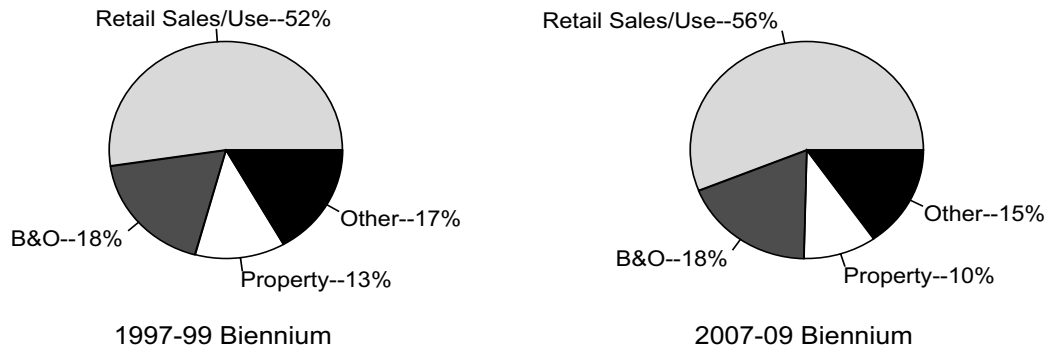
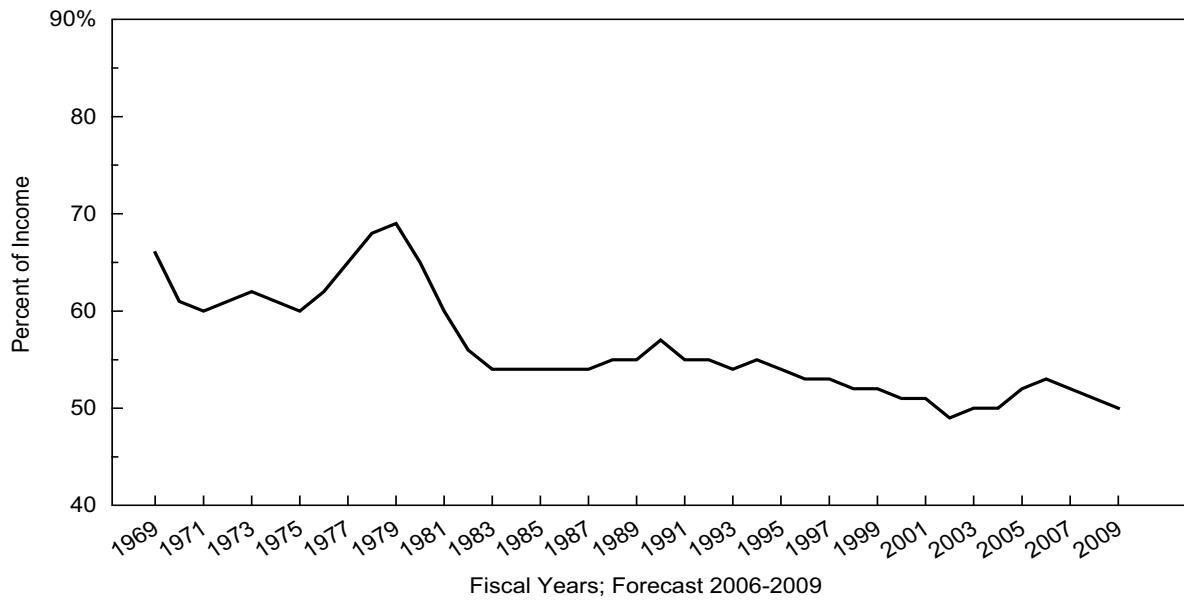


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

cent of taxable sales in the quarter, were 3.8 percent above the year-ago level. This follows a 0.8 percent increase in the fourth quarter.

Taxable sales reported by non-retailing sectors were 11.2 percent higher than a year-ago in the first quarter of 2006. This follows an 11.4 percent increase the previous quarter. The year-over-year change in the current quarter varied widely among non-retail trade sectors. Taxable sales reported by the construction sector, which accounted for 18.5 percent of all taxable sales, were 19.5 percent higher than a year ago. This sector reported a 15.9 percent increase in the fourth quarter of 2005. Taxable sales reported by the service sector, which accounted for 17.6 percent of all taxable sales in the first quarter, were 11.7 percent higher than a year-ago. Taxable sales reported by the manufacturing sector increased 11.5 percent and the wholesale trade sector reported a 4.3 percent year-over-year increase. The importance of the strong housing market on taxable sales growth is again very evident from first quarter taxable sales data. Housing related sectors (construction, furniture, building materials and electronics/appliance retailers) which accounted for 28.2 percent of total taxable sales, reported a 17.0 percent increase in taxable sales in the first quarter of 2006; taxable sales of all other sectors increased 7.6 percent.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 10.8 percent higher than a year ago in the first quarter of 2006. Taxable sales increased 9.1 percent in the rest of the state. Taxable sales in King County were 10.5 percent higher than a year-ago for the quarter. This is the eleventh straight quarterly increase in King County. Prior to the third quarter of 2003, taxable sales in King County had declined or remained unchanged in eight of the previous nine quarters. First quarter 2006 taxable sales growth in King County was above the statewide average for the first time since the fourth quarter of 2000. Taxable sales in Snohomish County increased 13.8 percent in the first quarter of 2006 and Pierce County reported a 9.1 percent increase. Taxable sales in Spokane County were 9.6 percent above the year-ago level.

The September 2006 forecast expects taxable sales to increase 10.0 percent in fiscal 2006. This would be the best growth since 1990. Taxable sales growth increased a healthy 7.9 percent in fiscal 2005, after four weak years. The strong growth in the last two years reflects a very favorable economic environment. Improving job and income growth, a very strong housing market and associated high level of home equity cash-outs has significantly contributed to the strength of taxable sales in both fiscal 2005 and 2006. After increasing much faster than income for three years, taxable sales growth is expected to grow slower than income beginning in fiscal 2007 as the housing boom subsides and as consumers replenish their savings. The forecast assumes taxable sales growth will decelerate in fiscal 2007 to 5.5 percent and again in fiscal 2008 to 5.0 percent. Taxable sales growth is expected to rebound in fiscal 2009 to 5.6 percent.

Forecast Change for the 2005-07 and 2007-09 Biennia

The September 2006 forecast of General Fund-State revenue is \$412.2 million more than in June 2006. The forecast for the current biennium is \$349.6 million higher than in June and the forecast for the 2007-09 biennium is \$62.4 million higher. Although the September forecast is up from June the outlook is similar. The forecast assumes healthy but slower economic and revenue growth going forward. The September forecast is higher than in June primarily because the economy and revenue growth is not slowing as fast as previously assumed. The change to the forecast includes \$132.1 million of higher than expected collections in the three months since the June forecast.

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 the September 2006 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 changes to the forecast by agency.

Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue in the 2005-07 and 2007-09 biennia. The September 2006 forecast for the 2005-07 biennium of GFS revenue sources administered and collected by the Department of Revenue is \$391.2 million higher than in June, including \$132.1 million higher than expected collections in the three months since the June forecast. The change primarily reflects a better economic outlook and the stronger than expected revenue collections since the last forecast. While the economic outlook is a little better than assumed in June, the primary reason for the higher revenue next biennium is again a higher starting point, not faster growth. Since the release of the forecast in June, consumer and business spending has continued to grow faster than expected. The housing market has slowed but not nearly as much as was assumed in June. The September forecast continues to expect both housing and overall spending will slow in the coming months. However, due to the stronger than expected growth in the last three months the level of activity is significantly higher than expected in the June forecast.

Major changes to the Department of Revenue GFS forecast in September are once again to the outlook for the state retail sales tax, the business and occupation tax, and the real estate excise tax. These three taxes account for nearly all of the change to the forecast in September. The September retail sales forecast is \$246.3 million higher than in June. The forecast assumes \$152.4 million more in the 2005-07 biennium and \$93.9 million more in the 2007-09 budget period. The business and occupation tax forecast is \$78.7 million higher than in June. The forecast for the 2005-07 biennium is \$56.0 million higher than in June and the 2007-09 biennium is \$22.8 million higher. The September 2006 GFS real estate excise tax forecast is \$48.2 million more than in June. The real estate excise tax for the 2005-07 biennium is \$78.9 million higher than in June, however, the forecast for the 2007-09 biennium is \$30.8 million lower than in June.

Most major tax sources have experienced modest to strong growth in the 2005-07 biennium. The major exceptions are the portion of the state property tax levy that goes to the General Fund and the GFS portion of the estate tax. While overall the state levy is expected to increase 6.6 percent in the 2005-07 biennium, the General Fund portion of the property tax is expected to increase only 1.5 percent. This is due to the impact of Initiative 728 which diverts a portion of the state levy from the General Fund to the Student Achievement Account (SAA). The forecast assumes that the share of the state levy going to the SAA (instead of the General Fund) which grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium will grow to \$491.8 million in the 2005-07 biennium and to \$507.6 million in the 2007-09 biennium. The Washington estate tax was ruled invalid by the Washington State Supreme Court and the General Fund will no longer get estate tax revenue after mid-fiscal 2006. Although a new estate tax was enacted, revenue from it no longer goes to the General Fund.

The forecast for the real estate excise tax was increased again in September. After hitting an all time high in the first quarter of 2006, taxable real estate activity declined in the second quarter of 2006. The September forecast expects real estate activity to weaken further. While the deceleration is a little less and from a higher level than assumed in June, the September forecast still assumes that there will be a real estate correction during the 2005-07 biennium. The forecast does not expect a crash or falling prices, but there are likely to be a couple of quarters of declining activity. Despite this assumption, the GFS portion of

the real estate excise tax is still expected to increase 41.4 percent in the 2005-07 biennium. This follows a 52.0 percent increase in the 2003-05 biennium.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's General Fund-State forecast for the 2005-07 biennium has been decreased \$0.4 million to \$41.2 million. The department's forecast for the 2007-09 biennium has been decreased \$1.8 million to \$44.2 million. The decreases in each biennium were due mainly to accounting changes related to the timing of boat registration and excise tax receipts.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the 2005-07 biennium was increased \$8.8 million to \$29.5 million. The office's forecast for the 2007-09 biennium has been increased \$6.7 million to \$16.4 million. Forecast increases for both biennia were spread across several agencies, with the largest positive contributor being an increase in actual and forecasted 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 2005-07 biennium has been increased \$20.0 million to \$150.0 million. The office's forecast for the 2007-09 biennium has been increased \$2.2 million to \$135.7 million. Forecast increases for both biennia were due to increases in actual and forecasted balances in interest-earning funds.

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 2005-07 biennium has been increased \$0.1 million to \$492.9 million. The office's forecast for the 2007-09 biennium is unchanged at \$544.3 million.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2005-07 biennium has been increased \$4.3 million to \$98.8 million due to revised calculation of receipts for fiscal 2006. The board's forecast of excess funds and fees for the 2007-09 biennium has been decreased \$20.7 million to \$93.4 million due to the expiration of a 42 cent per liter surcharge in July 2007 that was not recorded in the February and June forecasts. The board's forecast of beer and wine surtaxes for the 2005-07 biennium has been increased \$0.1 million to \$4.1 million and its forecast for the 2007-09 biennium has been increased \$0.2 million to \$4.5 million.

Table 3.6

Summary of Changes to the General Fund-State Forecast
 September 2006 Cash Forecast
 (Millions of Dollars)

	<u>September 2006 Change</u>
<u>2005-07 Biennium</u>	
<i>Collection Experience in the 2005-07 Biennium</i>	\$132.4
Department of Revenue ¹	\$132.1
Department of Licensing ²	\$0.3
<i>Non Economic Adjustments to the Forecast</i>	\$0.0
<i>Forecast Change for the 2005-07 Biennium</i>	\$217.4
Department of Revenue	\$183.1
Other agencies	\$34.3
Total Change: 2005-07 Biennium*	\$349.8
<u>2007-09 Biennium</u>	
<i>Non-Economic Adjustments to the Forecast</i>	\$0.0
<i>Forecast Change for the 2007-09 Biennium</i>	\$62.4
Department of Revenue	\$75.9
Other agencies	(\$13.5)
Total Change: 2007-09 Biennium*	\$62.4
Total Change: Both Biennia	<u>\$412.2</u>

¹ Variance based on collections June 11, 2006 to September 10, 2006.

² Variance based on collections June 2006 through August 2006.

* Detail may not add due to rounding.

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 General Fund cash forecast for the 2005-07 biennium has been increased \$1.6 million to \$9.5 million. No General Fund revenue is currently forecasted for the 2007-09 biennium. The Commission's forecast of revenues for the School Construction Account for the 2005-07 biennium has been increased \$4.3 million to \$202.2 million and its forecast for the 2007-09 biennium has been increased \$19.5 million to \$199.8 million.

Track Record for the 2005-07 and 2007-09 Biennia

The September 2006 GFS cash receipts forecast for the 2005-07 biennium totals \$27,316.8 million. This is \$349.8 million more than the previous forecast released in June 2006. The September 2006 update is the tenth revision to the GFS revenue forecast for the 2005-07 biennium since the initial forecast in February 2004. Nine of the ten revisions, including the September 2006 update, have increased the forecast for the 2005-07 biennium excluding legislation and other non-economic factors. The September 2006 forecast for the 2005-07 budget period is now \$2,363 million more than the initial estimate for the biennium. In addition to a changing economic outlook, several non-economic factors contributed to the changes to the GFS revenue forecast for the 2005-07 biennium. Non-economic changes, including 2006, 2005 and 2004 legislation along with the impact of the two recent State Supreme Court decisions and the impact of Initiative 900, has reduced the forecast by \$474 million. Excluding non-economic changes, the current GFS forecast for the 2005-07 biennium is \$2,837 million (11.4 percent) higher than the initial February 2004 forecast. Table 3.14 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium.

Table 3.15 summarizes the changes to the GFS revenue forecast for the 2007-09 biennium. The September 2006 forecast for the 2007-09 biennium is \$62.4 million higher than the June 2006 forecast and \$498 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 \$610 million, 2.1 percent higher than the initial 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 3.7
Comparison of the General Fund-State Forecast by Agency
2005-07 Biennium; Cash Basis
(Millions of Dollars)

Forecast by Agency	June 2006 Forecast¹	Non-Economic Changes	Forecast Revision	September 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,896.0	0.0	\$152.4	\$14,048.4	\$152.4
Business & Occupation Use	4,921.0	0.0	56.0	4,977.0	56.0
Public Utility	952.4	0.0	7.1	959.5	7.1
Liquor Sales/Liter	659.0	0.0	7.3	666.3	7.3
Cigarette	288.0		(5.2)	282.8	(5.2)
Property (State Levy)	103.4		1.1	104.5	1.1
Real Estate Excise	2,781.5		3.2	2,784.7	3.2
Timber Excise	1,797.9		78.9	1,876.8	78.9
Other	18.7	0.0	(0.6)	18.2	(0.6)
Subtotal	757.6	0.0	15.2	772.8	15.2
	26,175.7	0.0	315.3	26,490.9	315.3
Department of Licensing					
Boat excise, licenses, fees & other	41.6		(0.4)	41.2	(0.4)
Insurance Commissioner					
Insurance Premiums	492.8		0.1	492.9	0.1
Liquor Control Board					
Liquor Profits and Fees	94.5		4.3	98.8	4.3
Beer & Wine Surtax	3.9		0.1	4.1	0.1
Lottery Commission					
Lottery Revenue	7.9		1.6	9.5	1.6
State Treasurer					
Interest Earnings	130.0		20.0	150.0	20.0
Office of Financial Management					
Other	20.7		8.8	29.5	8.8
Total General Fund-State *	\$26,967.0	\$0.0	\$349.8	\$27,316.8	\$349.8

1 General Fund-State forecast for the 2005-07 biennium, adopted June 2006.

2 Revised General Fund-State forecast for the 2005-07 biennium, adopted September 2006.

*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)

Forecast by Agency	June 2006 Forecast¹	Non- Economic Changes	Forecast Revision	September 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,952.8	0.0	\$188.9	\$14,141.7	\$188.9
Business & Occupation Use	4,931.1	0.0	82.1	5,013.2	82.1
Public Utility	956.2	0.0	3.4	959.6	3.4
Liquor Sales/Liter Cigarette	658.2	0.0	10.7	668.8	10.7
Property (State Levy)	289.1	0.0	(3.4)	285.8	(3.4)
Real Estate Excise	103.0	0.0	1.3	104.3	1.3
Timber Excise	2,782.1	0.0	(0.5)	2,781.7	(0.5)
Other	1,813.4	0.0	75.6	1,889.0	75.6
Subtotal	18.9	0.0	(0.8)	18.1	(0.8)
	757.3	0.0	17.1	774.4	17.1
	26,262.2	\$0.0	374.5	26,636.6	374.5
Department of Licensing					
Boat excise, licenses, fees & other	41.8	0.0	0.6	42.4	0.6
Insurance Commissioner					
Insurance Premiums	492.8	0.0	0.1	492.9	0.1
Liquor Control Board					
Liquor Profits and Fees	94.5	0.0	4.3	98.8	4.3
Beer & Wine Surtax	3.9	0.0	0.1	4.1	0.1
Lottery Commission					
Lottery Revenue	6.0	0.0	1.6	7.6	1.6
State Treasurer					
Interest Earnings	130.7	0.0	21.6	152.3	21.6
Office of Financial Management					
Other	20.8	0.0	8.7	29.6	8.7
Total General Fund-State *	\$27,052.7	\$0.0	\$411.5	\$27,464.2	\$411.5

1 General Fund-State forecast for the 2005-07 biennium, adopted June 2006.

2 Revised General Fund-State forecast for the 2005-07 biennium, adopted September 2006.

* 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)

Forecast by Agency	June 2006 Forecast¹	Non- Economic Changes	Forecast Revision	September 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,385.7	\$0.0	\$93.9	\$15,479.7	\$93.9
Business & Occupation Use	5,438.6	0.0	22.8	5,461.4	22.8
Public Utility	1,089.8	0.0	(4.4)	1,085.5	(4.4)
Liquor Sales/Liter	697.2	0.0	8.7	705.9	8.7
Cigarette	311.3		(5.9)	305.4	(5.9)
Property (State Levy)	100.9		2.0	102.8	2.0
Real Estate Excise	2,990.4		5.3	2,995.7	5.3
Timber Excise	1,804.1		(30.6)	1,773.5	(30.6)
Other	21.9		(1.1)	20.8	(1.1)
Subtotal	771.4	0.0	(14.8)	756.6	(14.8)
	28,611.3	0.0	75.9	28,687.2	75.9
Department of Licensing					
Boat excise, licenses, fees & other	46.0		(1.8)	44.2	(1.8)
Insurance Commissioner					
Insurance Premiums	544.3		0.0	544.3	-
Liquor Control Board					
Liquor Profits and Fees	114.1		(20.7)	93.4	(20.7)
Beer & Wine Surtax	4.4		0.2	4.5	0.2
Lottery Commission					
Lottery Revenue	-		0.0	0.0	-
State Treasurer					
Interest Earnings	133.5		2.2	135.7	2.2
Office of Financial Management					
Other	9.7		6.7	16.4	6.7
Total General Fund-State *	\$29,463.3	\$0.0	\$62.4	\$29,525.7	\$62.4

1 Forecast adopted by the ERFC in June 2006.

2 Forecast adopted by the ERFC in September 2006.

*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)

Forecast by Agency	June 2006 Forecast¹	Non- Economic Changes	Forecast Revision	September 2006 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,442.3	0.0	\$113.9	\$15,556.3	\$113.9
Business & Occupation Use	5,448.6	0.0	32.8	5,481.4	32.8
Public Utility	1,093.6	0.0	(4.4)	1,089.3	(4.4)
Liquor Sales/Liter	697.2	0.0	10.1	707.3	10.1
Cigarette	312.5		(7.1)	305.4	(7.1)
Property (State Levy)	100.5		2.4	102.8	2.4
Real Estate Excise	2,991.0		4.8	2,995.8	4.8
Timber Excise	1,819.5		(32.6)	1,786.9	(32.6)
Other	21.9		(1.0)	20.9	(1.0)
Subtotal	770.3	0.0	(14.5)	755.8	(14.5)
	28,697.4	\$0.0	104.4	28,801.8	104.4
Department of Licensing					
Boat excise, licenses, fees & other	46.3		0.6	46.8	0.6
Insurance Commissioner					
Insurance Premiums	544.3		0.0	544.3	-
Liquor Control Board					
Liquor Profits and Fees	114.1	-	(20.7)	93.4	(20.7)
Beer & Wine Surtax	4.4		0.2	4.5	0.2
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	-
State Treasurer					
Interest Earnings	133.7	-	0.5	134.2	0.5
Office of Financial Management					
Other	9.8	-	7.0	16.8	7.0
Total General Fund-State *	\$29,550.0	\$0.0	\$91.9	\$29,641.9	\$91.9

1 Forecast adopted by the ERFC in June 2006.

2 Forecast adopted by the ERFC in September 2006.

*Detail may not add to totals because of rounding.

Table 3.11
September 2006 General Fund-State Forecast
2005-07 & 2007-09 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2005^a	Fiscal 2006	Fiscal 2007	2005-07 Biennium	Fiscal 2008	Fiscal 2009	2007-09 Biennium
State Taxes							
Retail sales***	\$6,151.4	\$6,845.4	\$7,202.9	\$14,048.4	\$7,525.7	\$7,954.0	\$15,479.7
Business & occupation Use***	2,195.8	2,406.7	2,570.3	4,977.0	2,652.1	2,809.2	5,461.4
Public Utility	439.6	465.4	494.1	959.5	525.7	559.7	1,085.5
Liquor sales/liter	294.8	328.7	337.6	666.3	346.9	359.0	705.9
Beer & wine surtax	104.8	137.6	145.2	282.8	149.7	155.7	305.4
Cigarette	1.8	2.0	2.1	4.1	2.2	2.3	4.5
Tobacco products	52.2	52.5	52.0	104.5	51.7	51.2	102.8
Property (state school levy)**	9.5	7.9	8.6	16.5	8.9	9.3	18.2
Public utility district	1,372.6	1,365.5	1,419.3	2,784.7	1,474.4	1,521.3	2,995.7
Real estate excise	38.0	38.9	41.1	80.0	43.7	46.5	90.2
Timber excise	759.4	932.7	944.1	1,876.8	856.3	917.2	1,773.5
Estate/inheritance	10.1	9.3	8.9	18.2	9.9	10.9	20.8
Motor vehicle excise & Rental car	(43.1)	5.1	1.2	6.2	0.0	0.0	0.0
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	14.8	16.3	15.9	32.3	17.1	18.3	35.4
Other	228.0	241.6	251.3	492.9	265.8	278.5	544.3
Total Taxes	237.0	266.3	267.5	533.8	246.1	254.9	501.0
	11,866.8	13,121.6	13,762.3	26,883.9	14,176.2	14,948.0	29,124.3
State Non-Tax Sources							
Licenses, permits, fees	75.8	83.9	83.5	167.4	84.7	87.1	171.8
Liquor profits & fees	45.5	49.2	49.6	98.8	44.3	49.2	93.4
Earnings on investments	28.8	66.4	83.6	150.0	70.6	65.1	135.7
Lottery transfers	4.3	1.9	7.6	9.5	0.0	0.0	0.0
Other revenue & transfers	46.0	3.9	3.3	7.2	(1.5)	2.0	0.5
Total Non-Tax	200.5	205.3	227.6	432.9	198.0	203.4	401.4
Total General Fund-State *	\$12,067.3	\$13,326.9	\$13,989.9	\$27,316.8	\$14,374.3	\$15,151.4	\$29,525.7

a - Actual;

* Detail may not add to totals due to rounding.

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

***GFS portion after Initiative 900 transfer.

Table 3.15 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2003-05 biennium totaled \$23,596.4 million on a GAAP basis, \$207.9 million more than the \$23,388.5 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$27,464.2 million on a GAAP basis, \$147.4 million more than the \$27,316.8 million cash forecast. For the 2007-09 biennium, the GFS forecast on a GAAP basis is \$29,641.9 million, \$116.2 million more than the \$29,525.7 cash receipts total.

Table 3.16 shows the budgetary balance sheet for the 2005-07 biennium. As of the September 2006 forecast, the projected ending balance for the General Fund at the end of the 2005-07 biennium is \$1,094.2 million. This is based on a spending level of \$27,297.9 million that includes the 2006 enacted Supplemental Budget and an \$869.7 million beginning balance. The GFS projected 2005-07 ending balance is \$349.8 million higher than the June 2006 estimate and it is 4.2 percent of the 2005-07 spending level.

Alternative Forecast for the 2005-07 and 2007-09 Biennia

More than half way into the 2005-07 biennium revenue growth is still very strong, especially for the state's major excise taxes and the real estate excise tax. The September baseline forecast, like previous forecasts, expects economic growth to slow during the remainder of the biennium in response to rising interest rates and a weaker housing market. However, the forecast still expects a "soft landing" and the economy to remain healthy for the remainder of the 2005-07 biennium as well as in the 2007-09 biennium. So far the assumed housing correction and slower spending expected in the baseline forecast has yet to occur. While the forecast still believes slower growth lies ahead, when and to what degree is much less certain. The onset of slower growth may be pushed out further in the future than assumed in the baseline forecast or it may be so mild it will hardly be noticed. On the other hand, the slowdown expected in housing may be much worse than anticipated in the baseline forecast. The revenue implications of stronger, as well as a weaker economy are contained in two alternative forecasts.

The September 2006 optimistic scenario is similar to previous alternative scenarios. It assumes economic growth slows very little. At the national level, the primary difference between the optimistic and baseline forecast is higher productivity growth. In addition, strong momentum created by accelerating non-residential investment spending keeps overall growth above trend. In the optimistic scenario, the dollar is stronger and energy costs and inflation are lower than in the baseline forecast. In this scenario, interest rates are lower and business investment spending, employment growth, and consumer spending are higher than assumed in the baseline forecast. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 2.7 percent higher than in the baseline by the end of the 2005-07 and is 7.6 percent higher by the end of the 2007-09 biennium. State wage and salary employment is 26,540 higher by the end of the 2005-07 budget period and is 126,740 higher by the second quarter of 2009.

The September 2006 pessimistic scenario assumes that higher commodity prices, primarily energy, results in higher inflation than the baseline forecast. In the pessimistic scenario the housing correction is more severe than in the baseline forecast resulting in weaker overall investment and consumer spending as well as weaker employment and income growth. The weaker national economy results in weaker job and income growth in the state. In the pessimistic scenario, state personal income is 2.8 percent less than the baseline by the end of the 2005-07 biennium and is 6.5 percent lower than the baseline by the end of the 2007-09 budget period. Wage and salary employment is 28,600 less than the baseline by the end of the 2005-07 budget period and 138,800 less by the end of the 2007-09 biennium.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2005-07 biennium. The optimistic scenario generates \$27,661.9 million, \$345.1 million more than the baseline forecast. The

Table 3.12
General Fund - State Cash Receipts
 September 2006 Forecast by Fiscal Year
 (Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,803.5	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%
Forecast		
2006	13,326.9	10.4%
2007	13,989.9	5.0%
2008	14,374.3	2.7%
2009	15,151.4	5.4%

pessimistic alternative produces only \$26,901.7 million GFS revenue in the 2005-07 biennium, \$415.1.1 million less than the baseline forecast. For the 2007-09 biennium, the range is much wider (Table 3.18). The optimistic GFS forecast for the 2007-09 biennium is \$31,320 million, \$1,756 million more than the baseline forecast. The pessimistic alternative for the 2007-09 budget period generates only \$27,770 million, \$1,756 million less than the baseline.

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA). The September 2006 GCEA scenario was based on the forecast of five members of the GCEA. The GCEA alternative was a little lower than the September 2006 baseline forecast, producing \$122 million less than the baseline for the 2005-07 biennium and \$476 million less than the baseline in the 2007-09 biennium.

Table 3.13

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

February 2004 through September 2006

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2004****	\$24,293	\$660				\$24,953
Changes to Forecast						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005	327	14	341	159 #4	499	25,385
September 2005	631	15	646	0	646	26,031
November 2005	306	24	330	(25) #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
Total change***:						
From February 2004	2,685	152	2,837	(474)	2,363	
Percent change	11.1%	23.1%	11.4%	-1.9%	9.5%	

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

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

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

**** First official forecast for the 2005-07 biennium.

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

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

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

#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 September 2006

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non-Economic Changes**</u>	<u>Total Fund-State Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62	0	62	29,526
November 2006						
March 2007						
June 2007						
September 2007						
November 2007						
February 2008						
Total change***:						
From February 2006	607	3	610	(112)	498	
Percent change	2.2%	0.4%	2.1%	-0.4%	1.7%	

* 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.

Table 3.15

September 2006 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 ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$22,573.4	\$22,771.6	\$198.2	\$26,370.8	\$26,516.5	\$145.8	\$28,557.3	\$28,671.8	\$114.5
Department of Licensing	45.1	46.1	0.9	41.2	42.4	1.2	44.2	46.8	2.6
Insurance Commissioner ⁴	459.9	459.9	0.0	508.8	508.8	0.0	561.9	561.9	0.0
State Treasurer	50.7	52.1	1.4	150.0	152.3	2.3	135.7	134.2	(1.5)
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	227.1	227.1	0.0	230.9	230.9	0.0
Subtotal: General Fund-State Cash/Revenue*	23,340.6	23,541.1	200.5	27,297.9	27,447.1	149.2	29,530.1	29,645.7	115.6
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	147.0	152.5	5.5	120.2	120.1	(0.1)	129.8	130.0	0.2
Lottery Commission	4.3	6.1	1.9	9.5	7.6	(1.9)	0.0	0.0	0.0
Insurance Commissioner ⁷	(14.3)	(14.3)	0.0	(15.9)	(15.9)	0.0	(17.6)	(17.6)	0.0
Liquor Control Board	92.0	92.0	0.0	102.8	102.8	0.0	98.0	98.0	0.0
Office of Financial Management									
Other Agencies ⁸	(181.0)	(181.0)	0.0	(197.6)	(197.5)	0.1	(214.6)	(214.1)	0.4
Subtotal: GFS Other Financing Sources	47.9	55.3	7.4	18.9	17.1	(1.8)	(4.4)	(3.8)	0.6
Total Available Receipts/Resources									
General Fund-State *	\$23,388.5	\$23,596.4	\$207.9	\$27,316.8	\$27,464.2	\$147.4	\$29,525.7	\$29,641.9	\$116.2

* 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 Biennial Balance Sheet Including Enacted 2006 Supplemental Budget

General Fund-State Dollars in Millions

RESOURCES	
Beginning Fund Balance	869.7
June 2006 Forecast	26,967.0
September 2006 Update	349.8
Current Revenue Totals	27,316.8
Legislatively-enacted fund transfers and other adjustments	205.7
Total Resources (Includes Fund Balance)	28,392.1
APPROPRIATIONS AND SPENDING ESTIMATES	
2005-07 Appropriations	25,952.4
2006 Supplemental Budget	
Maintenance and Policy Expenditures	522.5
Appropriations to Reserves and Other Funds	825.0
Governor's Vetoes	(2.0)
Spending Level	27,297.9
UNRESTRICTED RESERVES	
Projected General Fund Ending Balance	1,094.2

Table 3.17
September 2006 Alternative Forecasts Compared to the Baseline Forecast
2005-07 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$14,186.4	\$14,048.4	\$13,858.6
Business & Occupation Use	5,013.2	4,977.0	4,932.8
Public Utility	968.4	959.5	945.6
Property (school levy)	667.2	666.3	667.3
Real Estate Excise	2,841.5	2,784.7	2,728.0
Other	1,901.3	1,876.8	1,834.6
Subtotal	1,211.4	1,178.2	1,148.9
	26,789.4	26,490.9	26,115.8
<i>Department of Licensing</i>			
	41.8	41.2	40.6
<i>Insurance Commissioner¹</i>			
	499.2	492.9	486.6
<i>Lottery Commission</i>			
	9.5	9.5	9.5
<i>State Treasurer - Interest earnings</i>			
	178.2	150.0	128.5
<i>Liquor Profits & Fees²</i>			
	103.9	102.8	101.8
<i>Office of Financial Management</i>			
Other agencies	40.0	29.5	19.0
Total General Fund - State*	\$27,661.9	\$27,316.8	\$26,901.7
Difference from September 2006 Baseline	\$345.1		(\$415.1)

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
September 2006 Alternative Forecasts Compared to the Baseline Forecast
2007-09 Biennium
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
<i>Department of Revenue</i>			
Retail Sales	\$16,429.7	\$15,479.7	\$14,496.7
Business & Occupation Use	5,749.8	5,461.4	5,220.2
Public Utility	1,156.8	1,085.5	1,030.1
Property (school levy)	719.9	705.9	695.2
Real Estate Excise	3,145.5	2,995.7	2,845.9
Other	1,929.8	1,773.5	1,598.9
Subtotal	1,250.3	1,185.6	1,126.9
	30,381.8	28,687.2	27,013.9
<i>Department of Licensing</i>	45.5	44.2	42.9
<i>Insurance Commissioner¹</i>	557.9	544.3	530.7
<i>Lottery Commission</i>	7.7	0.0	0.0
<i>State Treasurer - Interest earnings</i>	198.7	135.7	82.7
<i>Liquor Profits & Fees²</i>	99.9	98.0	96.0
<i>Office of Financial Management</i>			
Other agencies	28.9	16.4	3.9
Total General Fund - State*	\$31,320.4	\$29,525.7	\$27,770.0
Difference from September 2006 Baseline	\$1,794.7		(\$1,755.7)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.19

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue
September 2006 Cash Forecast; Millions of Dollars**

I. Disposition of the State portion of the Property Tax

	State Levy: Total Receipts	To the General Fund	To the Student Achievement Account ¹
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	1,665.9	1,419.3	246.6
2005-07 Biennium	3,276.5	2,784.7	491.8
2008	1,723.4	1,474.4	249.0
2009	1,779.9	1,521.3	258.5
200-09 Biennium	3,503.3	2,995.7	507.6

II. Lottery Transfers by Fund*

	Lottery: Total Transfers:**	General Fund	Mariners Stadium	Exhibition Center & Stadium	Student Achievement Account ¹	School Construction Account ¹	Transfer to VRDE ²	Problem Gambling Account	Economic Development Account
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	124.9	1.9	4.4	7.9	0.0	107.8	0.0	0.2	2.8
2007	117.9	7.6	4.5	8.2	0.0	94.4	0.0	0.2	2.9
2005-07 Biennium	242.8	9.5	8.9	16.1	0.0	202.2	0.0	0.4	5.7
2008	114.4	0.0	4.7	8.5	0.0	98.0	0.0	0.2	2.9
2009	118.7	0.0	4.9	8.9	0.0	101.8	0.0	0.2	2.9
2007-09 Biennium	233.1	0.0	9.6	17.4	0.0	199.8	0.0	0.5	5.8

* Cash Basis

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

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

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

Annual State Personal Income, 1975 to 2005

The tables that follow present the most recent revisions to Washington State personal income estimates as released by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) in September 2006. Historical values are presented from 1975 through 2005 with additional detail for the years 2002 through 2005. Detailed historical data for the years 1969-2001 are available through the BEA at its website (www.bea.gov) or the Economic and Revenue Forecast Council.

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts. Net earnings is earnings by place of work (the sum of wage and salary disbursements (payrolls), supplements to wages and salaries, and proprietors' income) less contributions for government social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

The estimate of personal income in the United States is derived as the sum of the state estimates; it differs from the estimate of personal income in the national income and product accounts (NIPAs) because of differences in coverage, in the methodologies used to prepare the estimates, and in the timing of the availability of source data.

The September estimates incorporate the annual revision of the NIPAs undertaken in July 2006, as well as newly available state source data that are more complete, more detailed, and otherwise more consistent than those that were previously available. A more detailed explanation of revisions to the estimates of state personal income can be found in the October 2005 *Survey of Current Business*, published by the BEA and available at the department's website in November 2006. Details of the annual NIPA revision can be found in the August 2006 issue. County data for 2005 is scheduled to be released in April 2007 and will be subsequently published in the Washington Economic and Revenue Forecast publication.

Table 4.1 shows Washington historical personal income, personal tax and nontax payments, disposable personal income, population, per capita personal income, and per capita disposable personal income from 1975 to 2005. Table 4.2 illustrates components of personal income by major source and earnings by industry for the years 2002-2005 and Table 4.3 breaks down wage and salary disbursements by industry for the years 2002-2005.

Table 4.4 shows per capita personal income by state for 1975, 1985, 1995, and 2005. Washington's 2005 per capita personal income of \$35,234 ranked 17th among the 50 states and the District of Columbia and was 2.1% higher than the national average of \$34,495.

Chart 4.1 shows real per capita personal income for Washington and the U.S. from 1969 through 2005. As the chart shows, with the exceptions of 1985, 1987, and 1988, Washington real per capita personal income has been consistently higher than that of the U.S.

It should be noted that much of the growth in Washington's 2004 personal income was due to the Microsoft special dividend of December 2, 2004. Of the approximately \$32 billion distributed, the BEA estimated that \$24.9 billion was distributed to individuals in the U.S. as personal income. Due to the concentration of several large Microsoft shareholders in the state, the BEA attributed \$5.6 billion of this amount to Washington's annual personal income. The effects of the extra income on the 2004 and 2005 growth rates were substantial. Washington's 2004 total personal income growth of 6.9 percent would have been only 4.1 percent without the dividend and the 2005 growth would have been 5.6 percent instead of the recorded value of 2.9 percent. The state's 2004 per capita personal income minus the dividend would have been \$33,796, a growth rate of 2.8 percent from 2003 as opposed to the recorded growth rate of 5.6 percent, and 2005 growth would have been 4.3 percent instead of the recorded value of 1.5 percent. The 2005 decline in real per capita personal income visible in Chart 4.1 is also due to the special dividend. Without the dividend, 2004 real per capita personal income would have been \$31,185, below 2005's value of \$31,602.

Table 4.1

Washington Personal Income
 1975-2005

	Personal Income (Thousands of Dollars)	Personal Tax and Nontax Payments (Thousands of Dollars)	Disposable Personal Income (Thousands of Dollars)	Population (Number of Persons)	Per Capita Personal Income (Dollars)	Per Capita Disposable Personal Income (Dollars)
1975	23,684,118	2,480,969	21,203,149	3,618,824	6,545	5,859
1976	26,475,392	2,831,668	23,643,724	3,690,561	7,174	6,407
1977	29,449,483	3,221,651	26,227,832	3,772,360	7,807	6,953
1978	34,307,676	4,070,985	30,236,691	3,886,191	8,828	7,781
1979	39,572,181	4,998,853	34,573,328	4,012,831	9,861	8,616
1980	45,004,033	5,591,898	39,412,135	4,154,678	10,832	9,486
1981	50,294,912	6,356,770	43,938,142	4,235,728	11,874	10,373
1982	53,328,134	5,831,637	47,496,497	4,276,551	12,470	11,106
1983	56,665,796	5,665,807	50,999,989	4,300,269	13,177	11,860
1984	61,085,840	5,835,637	55,250,203	4,343,657	14,063	12,720
1985	64,923,578	6,331,592	58,591,986	4,400,096	14,755	13,316
1986	69,203,009	6,631,605	62,571,404	4,452,724	15,542	14,052
1987	73,461,020	7,542,561	65,918,459	4,531,903	16,210	14,545
1988	79,647,768	7,908,382	71,739,386	4,639,894	17,166	15,461
1989	88,083,919	9,572,209	78,511,710	4,746,315	18,558	16,542
1990	97,399,408	10,731,738	86,667,670	4,903,043	19,865	17,676
1991	103,974,021	10,992,221	92,981,800	5,025,624	20,689	18,502
1992	112,034,871	11,703,236	100,331,635	5,160,757	21,709	19,441
1993	117,265,725	11,976,590	105,289,135	5,278,842	22,214	19,945
1994	123,293,856	12,954,442	110,339,414	5,375,161	22,938	20,528
1995	129,844,598	13,849,825	115,994,773	5,481,027	23,690	21,163
1996	139,650,493	15,988,724	123,661,769	5,569,753	25,073	22,202
1997	150,118,526	18,332,579	131,785,947	5,674,747	26,454	23,223
1998	163,761,546	21,744,787	142,016,759	5,769,562	28,384	24,615
1999	175,491,324	25,762,011	149,729,313	5,842,564	30,037	25,627
2000	187,853,404	26,424,697	161,428,707	5,911,212	31,779	27,309
2001	193,498,304	24,612,854	168,885,450	5,992,412	32,291	28,183
2002	197,451,578	20,300,655	177,150,923	6,066,319	32,549	29,202
2003	201,552,336	19,078,851	182,473,485	6,131,131	32,874	29,762
2004	215,375,713	19,504,123	195,871,590	6,207,046	34,699	31,556
2005	221,540,171	22,614,401	198,925,770	6,287,759	35,234	31,637

Table 4.2

Washington Personal Income by Major Source and Earnings by NAICS Industry

(Thousands of Dollars)

	2002	2003	2004	2005
Income by Place of Residence				
Personal income	197,451,578	201,552,336	215,375,713	221,540,171
Nonfarm personal income	195,961,610	199,699,768	213,579,149	219,870,016
Farm income 1/	1,489,968	1,852,568	1,796,564	1,670,155
Population (persons) 2/	6,066,319	6,131,131	6,207,046	6,287,759
Per capita personal income (dollars) 3/	32,549	32,874	34,699	35,234
Derivation of Personal Income				
Earnings by place of work	153,011,598	157,303,379	166,307,669	175,766,246
less: Contributions for government social insurance 4/	18,164,750	20,272,546	21,803,783	23,183,131
Personal contributions for government social insurance	8,387,613	9,936,033	10,624,332	11,326,981
Employer contributions for government social insurance	9,777,137	10,336,513	11,179,451	11,856,150
plus: Adjustment for residence 5/	2,385,226	2,341,955	2,443,254	2,600,398
equals: Net earnings by place of residence	137,232,074	139,372,788	146,947,140	155,183,513
plus: Dividends, interest, and rent 6/	33,594,500	34,253,635	40,130,167	36,557,251
plus: Personal current transfer receipts	26,625,004	27,925,913	28,298,406	29,799,407
Earnings by place of work: Components				
Wage and salary disbursements	111,412,216	114,099,421	119,183,900	125,736,271
Supplements to wages and salaries	25,490,886	26,842,374	28,904,161	31,155,451
Employer contributions for employee pension and insura	15,713,749	16,505,861	17,724,710	19,299,301
Employer contributions for government social insurance	9,777,137	10,336,513	11,179,451	11,856,150
Proprietors' income 7/	16,108,496	16,361,584	18,219,608	18,874,524
Farm proprietors' income	396,098	731,815	604,380	306,564
Nonfarm proprietors' income	15,712,398	15,629,769	17,615,228	18,567,960
Earnings by Industry				
Farm earnings	1,489,968	1,852,568	1,796,564	1,670,155
Nonfarm earnings	151,521,630	155,450,811	164,511,105	174,096,091
Private earnings	122,990,739	125,307,444	132,671,990	140,511,587
Forestry, fishing, related activities, and other 8/	1,700,597	1,836,366	1,816,065	1,883,367
Forestry and logging	511,209	513,127	514,449	490,690
Fishing, hunting, and trapping	530,606	611,897	554,652	582,508
Agriculture and forestry support activities	658,782	711,342	746,964	810,169
Other 8/	0	0	0	0
Mining	238,925	244,951	293,257	314,917
Oil and gas extraction	(D)	(D)	31,485	36,456
Mining (except oil and gas)	201,238	203,925	236,708	254,397
Support activities for mining	(D)	(D)	25,064	24,064
Utilities	519,221	556,495	566,442	577,723
Construction	9,986,466	10,218,002	11,280,350	12,594,857
Construction of buildings	3,214,643	3,193,312	3,563,864	4,007,757
Heavy and civil engineering construction	1,410,986	1,542,034	1,685,078	1,854,345
Specialty trade contractors	5,360,837	5,482,656	6,031,408	6,732,755
Manufacturing	19,864,848	18,655,557	19,282,123	21,148,733
Durable goods manufacturing	14,307,930	13,556,903	13,978,550	15,607,621
Wood product manufacturing	844,967	887,772	1,001,302	1,113,823
Nonmetallic mineral product manufacturing	432,900	468,285	504,075	550,863
Primary metal manufacturing	402,695	342,684	339,589	362,705
Fabricated metal product manufacturing	848,974	845,793	910,801	994,854
Machinery manufacturing	720,928	719,099	821,340	859,742
Computer and electronic product manufacturing	1,949,131	1,872,012	1,873,629	1,972,811
Electrical equipment and appliance manufacturing	242,447	288,925	295,659	325,337
Motor vehicle manufacturing	(D)	(D)	(D)	(D)
Transportation equipment mfg. excl. motor vehicles	(D)	(D)	(D)	(D)

Table 4.2 (cont'd)

Washington Personal Income by Major Source and Earnings by NAICS Industry

(Thousands of Dollars)

	2002	2003	2004	2005
Furniture and related product manufacturing	316,613	373,831	446,731	457,365
Miscellaneous manufacturing	659,111	649,811	692,728	729,816
Nondurable goods manufacturing	5,556,918	5,098,654	5,303,573	5,541,112
Food manufacturing	1,581,660	1,550,274	1,604,459	1,682,906
Beverage and tobacco product manufacturing	230,309	226,521	215,810	247,940
Textile mills	29,958	30,263	30,409	29,409
Textile product mills	104,448	102,350	90,926	90,488
Apparel manufacturing	94,265	93,676	95,144	102,924
Leather and allied product manufacturing	19,360	34,272	44,686	23,313
Paper manufacturing	1,047,127	1,158,507	1,179,594	1,186,491
Printing and related support activities	492,898	474,849	495,784	510,131
Petroleum and coal products manufacturing	298,997	294,472	323,445	344,533
Chemical manufacturing	1,233,078	700,459	747,414	816,829
Plastics and rubber products manufacturing	424,818	433,011	475,902	506,148
Wholesale trade	7,258,079	7,536,753	8,418,591	8,779,569
Retail trade	10,737,002	11,006,124	11,526,871	12,300,526
Motor vehicle and parts dealers	2,054,281	2,129,559	2,227,067	2,350,790
Furniture and home furnishings stores	449,036	483,136	495,314	517,260
Electronics and appliance stores	496,790	506,120	470,162	496,897
Building material and garden supply stores	899,331	943,849	1,004,777	1,074,800
Food and beverage stores	1,994,686	1,977,665	1,999,584	2,073,108
Health and personal care stores	535,783	563,400	597,174	601,124
Gasoline stations	463,898	484,182	485,322	494,178
Clothing and clothing accessories stores	619,369	598,927	631,633	827,604
Sporting goods, hobby, book and music stores	401,031	392,894	405,292	399,990
General merchandise stores	1,322,819	1,501,005	1,617,330	1,674,590
Miscellaneous store retailers	718,709	707,953	711,976	726,811
Nonstore retailers	781,269	717,434	881,240	1,063,374
Transportation and warehousing	4,921,588	4,953,881	5,428,981	5,622,900
Air transportation	900,427	890,260	921,031	877,219
Rail transportation	342,098	(D)	(D)	(D)
Water transportation	239,709	248,828	296,385	295,487
Truck transportation	1,323,845	1,273,602	1,430,381	1,537,040
Transit and ground passenger transportation	164,837	169,042	184,589	187,928
Pipeline transportation	18,932	18,364	19,880	22,807
Scenic and sightseeing transportation	33,974	39,162	43,925	45,172
Support activities for transportation	1,107,469	1,136,974	1,275,741	1,425,510
Couriers and messengers	487,760	(D)	(D)	(D)
Warehousing and storage	302,537	315,955	372,314	412,310
Information	12,549,662	12,487,707	11,965,658	11,859,460
Publishing industries, except Internet	8,449,903	8,853,618	7,286,935	7,341,381
Motion picture and sound recording industries	118,429	126,214	121,353	127,673
Broadcasting, except Internet	1,270,731	1,174,348	1,397,021	1,300,679
Internet publishing and broadcasting	125,117	135,855	176,817	181,097
Telecommunications	2,250,224	1,920,001	2,635,852	2,464,020
ISPs, search portals, and data processing	310,035	252,781	293,362	388,019
Other information services	25,223	24,890	54,318	56,591
Finance and insurance	7,925,056	8,617,069	9,310,359	9,665,907
Monetary authorities - central bank	(D)	(D)	(D)	(D)
Credit intermediation and related activities	3,350,287	3,984,971	4,128,121	4,603,371
Securities, commodity contracts, investments	1,503,981	1,503,671	1,841,199	1,601,166
Insurance carriers and related activities	2,762,557	2,907,982	3,083,386	3,205,799

Table 4.2 (cont'd)

Washington Personal Income by Major Source and Earnings by NAICS Industry
 (Thousands of Dollars)

	2002	2003	2004	2005
Funds, trusts, and other financial vehicles	(D)	(D)	(D)	(D)
Real estate and rental and leasing	3,325,359	3,620,047	3,903,565	4,234,903
Real estate	2,731,914	2,997,013	3,283,676	3,633,380
Rental and leasing services	559,382	590,127	591,208	573,281
Lessors of nonfinancial intangible assets	34,063	32,907	28,681	28,242
Professional and technical services	12,774,186	12,586,901	13,424,667	14,344,548
Management of companies and enterprises	2,477,896	2,727,391	3,007,429	3,019,821
Administrative and waste services	4,891,843	5,250,523	5,844,352	6,244,098
Administrative and support services	4,019,218	4,345,042	4,827,717	5,173,829
Waste management and remediation services	872,625	905,481	1,016,635	1,070,269
Educational services	1,160,725	1,205,176	1,318,608	1,378,877
Health care and social assistance	13,063,126	13,716,977	14,669,617	15,448,409
Ambulatory health care services	7,005,417	7,297,335	7,885,117	8,257,066
Hospitals	3,190,123	3,393,364	3,629,703	3,867,960
Nursing and residential care facilities	1,547,472	1,656,243	1,717,286	1,777,187
Social assistance	1,320,114	1,370,035	1,437,511	1,546,196
Arts, entertainment, and recreation	1,392,928	1,483,289	1,635,675	1,705,786
Performing arts and spectator sports	578,519	615,812	700,148	748,147
Museums, historical sites, zoos, and parks	74,032	81,238	83,764	85,382
Amusement, gambling, and recreation	740,377	786,239	851,763	872,257
Accommodation and food services	3,813,979	4,031,541	4,277,846	4,556,872
Accommodation	756,469	795,686	846,167	871,577
Food services and drinking places	3,057,510	3,235,855	3,431,679	3,685,295
Other services, except public administration	4,389,253	4,572,694	4,701,534	4,830,314
Repair and maintenance	1,424,743	1,422,470	1,455,553	1,488,135
Personal and laundry services	858,624	885,748	917,979	958,032
Membership associations and organizations	1,658,191	1,720,650	1,797,358	1,854,201
Private households	447,695	543,826	530,644	529,946
Government and government enterprises	28,530,891	30,143,367	31,839,115	33,584,504
Federal, civilian	5,204,588	5,456,360	5,880,218	6,002,222
Military	3,888,101	4,433,185	4,820,327	5,412,048
State and local	19,438,202	20,253,822	21,138,570	22,170,234
State government	6,239,313	6,475,226	6,762,945	7,079,375
Local government	13,198,889	13,778,596	14,375,625	15,090,859

Table 4.3

Washington Wage and Salary Disbursements by NAICS Industry

(Thousands of Dollars)

	2002	2003	2004	2005
Wage and salary disbursements by place of work	111,412,216	114,099,421	119,183,900	125,736,271
Farm wage and salary disbursements	922,123	948,284	1,027,838	1,194,376
Nonfarm wage and salary disbursements	110,490,093	113,151,137	118,156,062	124,541,895
Private wage and salary disbursements	88,613,055	90,172,698	94,265,945	99,581,667
Forestry, fishing, related activities, and other 8/	1,084,095	1,139,361	1,190,814	1,238,721
Forestry and logging	317,875	317,495	328,361	304,052
Fishing, hunting, and trapping	234,420	262,109	256,895	276,121
Agriculture and forestry support activities	531,800	559,757	605,558	658,548
Other 8/	0	0	0	0
Mining	149,147	151,225	171,380	181,417
Oil and gas extraction	(D)	(D)	0	0
Mining (except oil and gas)	133,394	137,664	152,772	163,336
Support activities for mining	(D)	(D)	18,608	18,081
Utilities	264,979	261,101	279,453	289,554
Construction	6,471,777	6,553,147	7,072,508	7,926,634
Construction of buildings	1,779,795	1,760,477	1,862,046	2,116,604
Heavy and civil engineering construction	982,883	1,053,921	1,151,149	1,266,924
Specialty trade contractors	3,709,099	3,738,749	4,059,313	4,543,106
Manufacturing	14,660,195	13,592,389	13,881,293	15,151,513
Durable goods manufacturing	10,772,412	10,099,524	10,390,777	11,546,854
Wood product manufacturing	662,301	683,930	753,607	843,519
Nonmetallic mineral product manufacturing	339,515	365,587	389,191	424,381
Primary metal manufacturing	307,658	259,818	249,453	263,847
Fabricated metal product manufacturing	647,790	646,959	687,152	751,003
Machinery manufacturing	547,683	541,421	614,508	650,152
Computer and electronic product manufacturin	1,543,930	1,458,891	1,445,410	1,521,891
Electrical equipment and appliance manufactu	168,741	196,537	205,360	218,304
Motor vehicle manufacturing	(D)	(D)	(D)	(D)
Transportation equipment mfg. excl. motor veh	(D)	(D)	(D)	(D)
Furniture and related product manufacturing	246,073	256,686	282,684	302,342
Miscellaneous manufacturing	458,361	440,670	461,384	476,363
Nondurable goods manufacturing	3,887,783	3,492,865	3,490,516	3,604,659
Food manufacturing	1,166,822	1,183,841	1,198,437	1,247,990
Beverage and tobacco product manufacturing	147,722	155,569	144,199	150,396
Textile mills	23,737	23,465	22,501	21,048
Textile product mills	82,440	79,725	68,800	67,468
Apparel manufacturing	66,153	62,963	62,353	65,899
Leather and allied product manufacturing	13,540	16,240	23,792	11,104
Paper manufacturing	734,548	733,609	746,567	739,602
Printing and related support activities	371,106	342,771	354,688	354,071
Petroleum and coal products manufacturing	177,228	184,533	189,398	195,684
Chemical manufacturing	770,360	368,790	309,443	360,123
Plastics and rubber products manufacturing	334,127	341,359	370,338	391,274
Wholesale trade	5,727,248	5,875,994	6,514,052	6,762,700
Retail trade	8,218,187	8,421,367	8,799,369	9,411,050
Motor vehicle and parts dealers	1,631,321	1,680,150	1,741,257	1,834,738
Furniture and home furnishings stores	330,417	337,201	353,744	372,705
Electronics and appliance stores	412,140	418,839	385,341	407,186
Building material and garden supply stores	732,819	769,015	816,252	876,873
Food and beverage stores	1,520,518	1,514,998	1,520,951	1,570,192
Health and personal care stores	435,603	454,151	480,481	482,601
Gasoline stations	241,182	254,271	260,712	259,786

Table 4.3 (cont'd)

Washington Wage and Salary Disbursements by NAICS Industry

(Thousands of Dollars)

	2002	2003	2004	2005
Clothing and clothing accessories stores	504,541	480,319	505,768	671,150
Sporting goods, hobby, book and music stores	308,913	306,947	315,179	309,773
General merchandise stores	1,093,698	1,247,022	1,333,478	1,381,203
Miscellaneous store retailers	467,143	469,655	466,778	476,245
Nonstore retailers	539,892	488,799	619,428	768,598
Transportation and warehousing	3,453,224	3,503,169	3,760,013	3,901,608
Air transportation	696,774	680,509	695,375	670,239
Rail transportation	241,620	(D)	(D)	(D)
Water transportation	175,024	179,388	210,225	211,292
Truck transportation	818,486	802,578	880,658	964,845
Transit and ground passenger transportation	132,487	134,901	141,727	143,238
Pipeline transportation	13,700	12,815	13,223	16,210
Scenic and sightseeing transportation	18,314	18,628	20,330	21,412
Support activities for transportation	726,343	746,981	808,490	911,493
Couriers and messengers	385,248	(D)	(D)	(D)
Warehousing and storage	245,228	253,275	298,917	331,574
Information	9,561,937	9,359,376	8,582,113	8,452,962
Publishing industries, except Internet	7,065,765	7,215,465	5,775,127	5,790,855
Motion picture and sound recording industries	83,624	89,217	98,459	106,458
Broadcasting, except Internet	224,916	235,009	242,248	241,438
Internet publishing and broadcasting	87,246	73,080	110,035	121,592
Telecommunications	1,826,501	1,531,816	2,092,615	1,850,505
ISPs, search portals, and data processing	253,592	195,058	219,256	295,175
Other information services	20,293	19,731	44,373	46,939
Finance and insurance	5,573,434	6,271,218	6,698,765	6,782,259
Monetary authorities - central bank	(D)	(D)	(D)	(D)
Credit intermediation and related activities	2,334,553	2,928,035	2,896,505	3,113,872
Securities, commodity contracts, investments	1,050,808	1,055,379	1,385,645	1,161,148
Insurance carriers and related activities	2,132,674	2,247,051	2,371,916	2,465,134
Funds, trusts, and other financial vehicles	(D)	(D)	(D)	(D)
Real estate and rental and leasing	1,458,203	1,559,373	1,636,263	1,755,097
Real estate	1,078,013	1,160,816	1,222,565	1,305,315
Rental and leasing services	361,410	380,731	399,605	431,979
Lessors of nonfinancial intangible assets	18,780	17,826	14,093	17,803
Professional and technical services	8,229,891	8,433,092	8,736,454	9,391,911
Management of companies and enterprises	2,047,898	2,254,385	2,517,394	2,524,633
Administrative and waste services	3,787,314	4,044,663	4,505,857	4,819,697
Administrative and support services	3,054,141	3,285,929	3,660,791	3,933,628
Waste management and remediation services	733,173	758,734	845,066	886,069
Educational services	940,172	966,044	1,037,704	1,086,036
Health care and social assistance	9,505,605	10,015,102	10,650,412	11,263,696
Ambulatory health care services	4,546,395	4,800,462	5,158,552	5,434,672
Hospitals	2,730,614	2,896,447	3,089,524	3,286,097
Nursing and residential care facilities	1,141,448	1,184,372	1,220,963	1,269,720
Social assistance	1,087,148	1,133,821	1,181,373	1,273,207
Arts, entertainment, and recreation	1,011,961	1,076,097	1,214,353	1,270,888
Performing arts and spectator sports	368,291	392,307	464,369	497,707
Museums, historical sites, zoos, and parks	53,291	58,174	60,331	60,886
Amusement, gambling, and recreation	590,379	625,616	689,653	712,295
Accommodation and food services	3,114,642	3,262,535	3,436,741	3,680,895
Accommodation	552,982	583,409	619,754	647,443
Food services and drinking places	2,561,660	2,679,126	2,816,987	3,033,452

Table 4.3 (cont'd)

Washington Wage and Salary Disbursements by NAICS Industry

(Thousands of Dollars)

	2002	2003	2004	2005
Other services, except public administration	3,353,146	3,433,060	3,581,007	3,690,396
Repair and maintenance	962,381	937,063	970,015	998,204
Personal and laundry services	596,363	612,603	638,590	671,281
Membership associations and organizations	1,491,188	1,546,394	1,612,324	1,656,271
Private households	303,214	337,000	360,078	364,640
Government and government enterprises	21,877,038	22,978,439	23,890,117	24,960,228
Federal, civilian	3,474,449	3,709,739	3,908,016	3,985,114
Military	2,510,191	2,790,932	2,961,149	3,281,978
State and local	15,892,398	16,477,768	17,020,952	17,693,136
State government	5,093,663	5,228,479	5,390,758	5,591,996
Local government	10,798,735	11,249,289	11,630,194	12,101,140

Notes for Tables 4.2 and 4.3

- 1/ Farm income is farm earnings less farm employer contributions for government social insurance.
- 2/ Midyear population estimates of the Bureau of the Census, December 2005
- 3/ Per capita personal income is total personal income divided by total midyear population.
- 4/ Personal contributions for social insurance are included in earnings by type and industry, but they are excluded from personal income.
- 5/ The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: Wage and salary disbursements to U.S. residents commuting to Canada less wage and salary disbursements to Canadian and Mexican residents commuting into the United States.
- 6/ Rental income of persons includes the capital consumption adjustment.
- 7/ Proprietors' income includes the inventory valuation adjustment and the capital consumption adjustment.
- 8/ "Other" consists of the wage and salary disbursements of U.S. residents employed by international organizations and foreign embassies and consulates in the United States.

All state and local area dollar estimates are in current dollars (not adjusted for inflation).

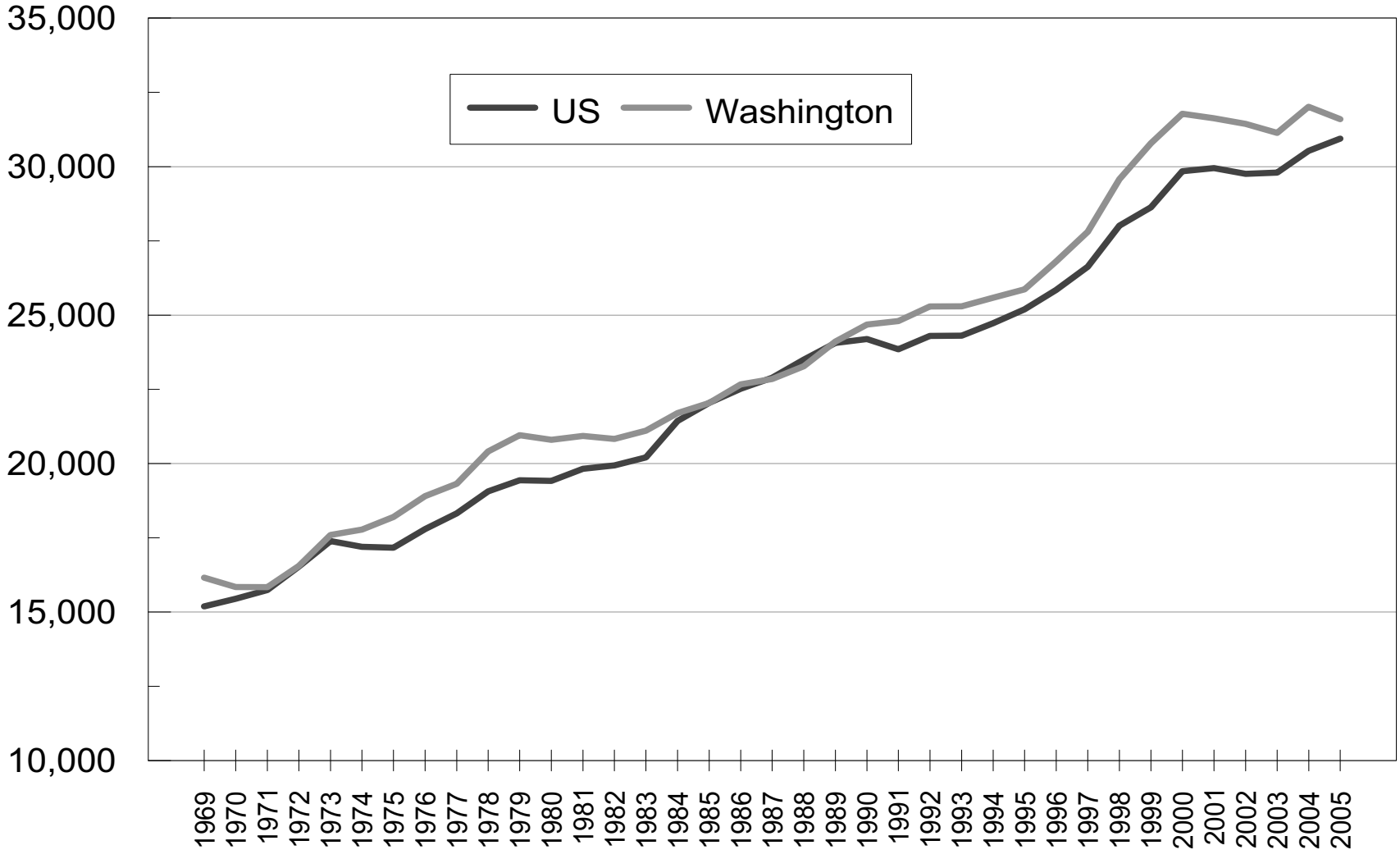
(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the total.

Table 4.4

Per Capita Personal Income by State

	1975	Rank	1985	Rank	1995	Rank	2005	Rank
Alabama	4,765	48	11,566	48	19,441	39	29,623	41
Alaska	10,683	1	20,321	1	25,504	7	35,433	16
Arizona	5,545	36	13,769	29	19,929	37	30,157	39
Arkansas	4,664	50	11,260	49	18,076	49	26,641	48
California	7,129	5	16,956	6	24,161	14	36,890	13
Colorado	6,333	16	15,438	14	24,226	13	37,459	9
Connecticut	7,257	4	18,731	2	31,045	2	47,519	2
Delaware	6,742	11	15,987	9	24,407	12	37,084	12
District of Columbia	8,038	2	18,148	3	31,266	1	56,329	1
Florida	5,911	27	14,698	19	22,691	21	34,099	21
Georgia	5,157	40	13,137	34	21,677	26	31,191	34
Hawaii	7,409	3	15,688	11	25,004	9	34,468	20
Idaho	5,560	35	11,641	46	19,426	40	28,398	43
Illinois	7,011	8	15,661	12	25,123	8	36,264	14
Indiana	5,833	29	13,159	33	21,408	29	31,150	35
Iowa	6,219	19	13,490	31	20,929	35	31,795	31
Kansas	6,204	20	14,451	21	21,558	28	32,948	24
Kentucky	4,935	47	11,631	47	18,879	43	28,317	44
Louisiana	4,964	46	12,113	40	19,077	42	24,582	51
Maine	5,029	43	12,556	38	20,140	36	30,808	38
Maryland	6,893	10	17,069	5	26,393	6	41,996	5
Massachusetts	6,459	14	16,910	7	27,457	4	43,702	4
Michigan	6,306	17	14,773	17	23,508	18	32,735	25
Minnesota	6,223	18	15,166	16	24,078	15	37,322	10
Mississippi	4,203	51	9,892	51	16,885	51	24,925	50
Missouri	5,756	31	13,962	26	21,559	27	31,299	32
Montana	5,802	30	11,909	44	18,349	48	28,906	42
Nebraska	6,178	23	13,869	27	21,730	25	32,988	23
Nevada	7,043	7	15,481	13	24,817	10	35,780	15
New Hampshire	5,608	34	15,815	10	24,748	11	37,835	7
New Jersey	7,057	6	17,701	4	28,941	3	43,822	3
New Mexico	5,054	41	12,080	41	18,426	47	27,912	46
New York	6,972	9	16,877	8	27,082	5	40,072	6
North Carolina	5,046	42	12,699	37	21,295	30	31,029	36
North Dakota	6,363	15	12,866	36	18,865	44	31,230	33
Ohio	6,101	24	14,323	23	22,495	22	31,867	30
Oklahoma	5,497	37	13,332	32	18,861	45	29,908	40
Oregon	6,190	21	13,543	30	22,293	23	32,174	29
Pennsylvania	6,184	22	14,447	22	23,262	19	34,848	19
Rhode Island	5,857	28	14,615	20	23,225	20	35,219	18
South Carolina	4,731	49	11,666	45	19,124	41	28,212	45
South Dakota	5,689	33	12,029	43	19,501	38	32,642	27
Tennessee	5,024	44	12,297	39	21,174	31	30,952	37
Texas	5,747	32	14,272	25	21,003	33	32,604	28
Utah	5,180	39	12,048	42	18,478	46	27,497	47
Vermont	5,197	38	12,968	35	21,002	34	32,731	26
Virginia	5,961	26	15,366	15	24,056	16	37,552	8
Washington	6,545	13	14,755	18	23,690	17	35,234	17
West Virginia	4,975	45	10,896	50	17,727	50	26,029	49
Wisconsin	6,086	25	13,840	28	22,215	24	33,251	22
Wyoming	6,722	12	14,317	24	21,039	32	37,270	11
National Average	6,172		14,758		23,076		34,495	

Chart 4.1
Real Per Capita Personal Income
2000 Chained Dollars



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Detail Components of the Washington Economic Forecast

Calendar Years

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

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,048.9	10,301.1	10,703.5	11,048.6	11,417.0	11,692.7	12,057.9	12,434.2
% Ch	1.6	2.5	3.9	3.2	3.3	2.4	3.1	3.1
Real Consumption	7,099.3	7,295.4	7,577.1	7,841.2	8,082.8	8,285.9	8,547.8	8,826.4
% Ch	2.7	2.8	3.9	3.5	3.1	2.5	3.2	3.3
Real Nonresidential Fixed Investment	1,071.5	1,081.8	1,145.8	1,223.8	1,323.4	1,412.2	1,473.9	1,541.2
% Ch	-9.2	1.0	5.9	6.8	8.1	6.7	4.4	4.6
Real Residential Fixed Investment	469.9	509.4	559.9	608.0	594.6	548.1	534.1	531.9
% Ch	4.8	8.4	9.9	8.6	-2.2	-7.8	-2.6	-0.4
Real Personal Income	8,578.1	8,677.6	8,978.7	9,183.2	9,474.8	9,776.2	10,146.1	10,558.0
% Ch	0.4	1.2	3.5	2.3	3.2	3.2	3.8	4.1
Real Per Capita Income (\$/Person)	29,727	29,775	30,515	30,926	31,622	32,340	33,272	34,323
% Ch	-0.6	0.2	2.5	1.3	2.2	2.3	2.9	3.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.115	1.149	1.174	1.196	1.217
% Ch	1.4	2.0	2.6	2.9	3.0	2.2	1.9	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.799	1.840	1.889	1.953	2.023	2.074	2.111	2.146
% Ch	1.6	2.3	2.7	3.4	3.6	2.5	1.8	1.7
Employment Cost Index (June 1989=1.0)	1.564	1.608	1.651	1.692	1.742	1.794	1.852	1.913
% Ch	3.2	2.8	2.7	2.5	2.9	3.0	3.2	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,469.6	10,960.8	11,712.5	12,455.8	13,267.3	13,891.3	14,605.2	15,364.8
% Ch	3.4	4.7	6.9	6.3	6.5	4.7	5.1	5.2
Personal Income	8,881.9	9,163.6	9,731.4	10,239.2	10,883.0	11,480.9	12,138.8	12,853.2
% Ch	1.8	3.2	6.2	5.2	6.3	5.5	5.7	5.9
Employment (Millions)								
U.S. Civilian Labor Force	145.1	146.5	147.4	149.3	151.3	153.1	154.5	156.0
Total U.S. Employment	136.5	137.7	139.2	141.7	144.1	145.6	146.9	148.6
Unemployment Rate (%)	5.78	6.00	5.52	5.06	4.72	4.91	4.92	4.75
Nonfarm Payroll Employment	130.34	129.99	131.42	133.46	135.30	136.82	138.71	140.59
% Ch	-1.1	-0.3	1.1	1.5	1.4	1.1	1.4	1.4
Manufacturing	15.26	14.51	14.31	14.23	14.24	14.26	14.09	14.02
% Ch	-7.2	-4.9	-1.3	-0.6	0.0	0.1	-1.2	-0.5
Durable Manufacturing	9.48	8.96	8.92	8.95	9.01	9.01	8.89	8.87
% Ch	-8.2	-5.5	-0.4	0.3	0.6	0.0	-1.4	-0.2
Nondurable Manufacturing	5.77	5.55	5.39	5.28	5.23	5.25	5.20	5.15
% Ch	-5.4	-4.0	-2.8	-2.1	-1.0	0.3	-0.9	-1.1
Construction	6.72	6.73	6.97	7.28	7.49	7.38	7.36	7.46
% Ch	-1.6	0.2	3.6	4.4	2.9	-1.4	-0.3	1.4
Service-Producing	107.79	108.18	109.54	111.32	112.89	114.46	116.53	118.41
% Ch	-0.2	0.4	1.3	1.6	1.4	1.4	1.8	1.6
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	26.1	31.1	41.5	56.6	71.7	76.3	73.4	68.8
Personal Saving/Disposable Income (%)	2.4	2.1	2.0	-0.4	-1.4	-0.7	0.2	0.5
Auto Sales (Millions)	8.1	7.6	7.5	7.7	7.8	7.6	7.6	7.5
% Ch	-3.8	-6.0	-1.4	2.2	1.7	-2.1	-0.7	-0.6
Housing Starts (Millions)	1.710	1.854	1.950	2.073	1.897	1.733	1.725	1.705
% Ch	6.8	8.4	5.2	6.3	-8.5	-8.6	-0.5	-1.2
Federal Budget Surplus (Billions)	-248.0	-372.1	-382.0	-309.2	-152.5	-222.0	-268.1	-226.4
Net Exports (Billions)	-424.4	-499.4	-613.3	-716.7	-786.5	-783.4	-741.2	-698.8
3-Month Treasury Bill Rate (%)	1.61	1.01	1.36	3.14	4.88	5.04	4.66	4.80
10-Year Treasury Note Yield (%)	4.61	4.01	4.27	4.29	5.00	5.22	5.39	5.65
Bond Index of 20 G.O. Munis. (%)	5.03	4.74	4.68	4.40	4.67	5.08	5.44	5.76
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.60	6.80	6.99	7.25

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,566.3	10,671.5	10,753.3	10,822.9	10,913.8	11,001.8	11,115.1	11,163.8
% Ch , Annual Rate	3.8	4.0	3.1	2.6	3.4	3.3	4.2	1.8
Real Consumption	7,479.8	7,534.4	7,607.1	7,687.1	7,739.4	7,819.8	7,895.3	7,910.2
% Ch , Annual Rate	4.7	2.9	3.9	4.3	2.7	4.2	3.9	0.8
Real Nonresidential Fixed Investment	1,111.2	1,130.7	1,158.8	1,182.3	1,199.7	1,214.8	1,232.4	1,248.2
% Ch , Annual Rate	1.7	7.2	10.3	8.4	6.0	5.1	5.9	5.2
Real Residential Fixed Investment	539.2	564.1	568.6	567.7	582.8	609.9	620.4	618.9
% Ch , Annual Rate	3.0	19.8	3.2	-0.6	11.1	19.9	7.1	-1.0
Real Personal Income	8,859.6	8,913.6	8,989.6	9,152.1	9,127.7	9,159.5	9,157.7	9,288.0
% Ch , Annual Rate	3.1	2.5	3.5	7.4	-1.1	1.4	-0.1	5.8
Real Per Capita Income (\$/Person)	30,219	30,328	30,516	30,997	30,844	30,881	30,805	31,173
% Ch , Annual Rate	2.2	1.5	2.5	6.5	-2.0	0.5	-1.0	4.9
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.081	1.086	1.095	1.101	1.109	1.121	1.129
% Ch , Annual Rate	3.7	3.6	1.9	3.0	2.3	3.1	4.1	2.9
U.S. Consumer Price Index (1982-84=1.0)	1.866	1.884	1.894	1.911	1.922	1.940	1.966	1.982
% Ch , Annual Rate	3.7	4.1	2.1	3.5	2.5	3.7	5.5	3.2
Employment Cost Index (June 1989=1.0)	1.633	1.645	1.659	1.667	1.678	1.686	1.696	1.708
% Ch , Annual Rate	2.5	3.0	3.4	2.1	2.5	2.1	2.5	2.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,430.9	11,649.3	11,799.4	11,970.3	12,173.2	12,346.1	12,573.5	12,730.5
% Ch , Annual Rate	7.8	7.9	5.3	5.9	7.0	5.8	7.6	5.1
Personal Income	9,497.7	9,640.5	9,767.9	10,019.4	10,048.8	10,161.5	10,262.7	10,483.7
% Ch , Annual Rate	6.9	6.2	5.4	10.7	1.2	4.6	4.0	8.9
Employment (Millions)								
U.S. Civilian Labor Force	146.8	147.1	147.6	148.1	148.1	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 (%)	5.67	5.57	5.43	5.40	5.23	5.07	5.00	4.93
Nonfarm Payroll Employment	130.57	131.28	131.60	132.24	132.69	133.23	133.75	134.16
% Ch , Annual Rate	1.2	2.2	1.0	2.0	1.4	1.6	1.6	1.2
Manufacturing	14.29	14.33	14.34	14.31	14.27	14.25	14.21	14.21
% Ch , Annual Rate	-0.8	1.2	0.2	-0.8	-1.0	-0.7	-1.1	0.1
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.96
% Ch , Annual Rate	0.5	2.5	1.5	0.2	-0.1	0.2	-0.7	0.8
Nondurable Manufacturing	5.42	5.41	5.38	5.35	5.32	5.29	5.26	5.25
% Ch , Annual Rate	-2.7	-0.8	-2.0	-2.5	-2.5	-2.1	-1.7	-1.1
Construction	6.86	6.94	7.00	7.09	7.16	7.26	7.30	7.39
% Ch , Annual Rate	4.1	4.5	3.6	5.5	3.6	5.7	2.6	4.8
Service-Producing	108.84	109.42	109.67	110.24	110.66	111.10	111.61	111.92
% Ch , Annual Rate	1.2	2.1	0.9	2.1	1.5	1.6	1.8	1.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	35.4	38.3	43.9	48.3	49.9	53.1	63.2	60.1
Personal Saving/Disposable Income (%)	2.1	1.9	1.6	2.3	0.6	-0.3	-1.5	-0.3
Auto Sales (Millions)	7.5	7.5	7.4	7.7	7.5	7.7	7.9	7.5
% Ch , Annual Rate	-0.4	-1.5	-5.6	19.5	-8.0	6.6	14.8	-17.7
Housing Starts (Millions)	1.918	1.937	1.977	1.965	2.069	2.064	2.101	2.060
% Ch , Annual Rate	-21.1	4.0	8.4	-2.3	22.7	-1.0	7.4	-7.6
Federal Budget Surplus (Billions)	-401.0	-380.6	-380.6	-365.7	-287.6	-289.6	-396.0	-263.6
Net Exports (Billions)	-543.4	-606.2	-630.7	-672.7	-676.2	-686.4	-728.8	-775.4
3-Month Treasury Bill Rate (%)	0.92	1.07	1.48	2.00	2.52	2.86	3.35	3.82
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 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,316.4	11,385.3	11,451.4	11,514.8	11,575.0	11,651.1	11,732.6	11,811.9
% Ch , Annual Rate	5.6	2.5	2.3	2.2	2.1	2.7	2.8	2.7
Real Consumption	8,003.8	8,053.0	8,122.1	8,152.2	8,198.8	8,253.4	8,314.8	8,376.7
% Ch , Annual Rate	4.8	2.5	3.5	1.5	2.3	2.7	3.0	3.0
Real Nonresidential Fixed Investment	1,288.8	1,297.5	1,336.1	1,371.1	1,386.1	1,405.7	1,420.0	1,437.0
% Ch , Annual Rate	13.7	2.7	12.4	10.9	4.4	5.8	4.1	4.9
Real Residential Fixed Investment	618.5	608.5	585.2	566.4	558.1	552.2	543.9	538.1
% Ch , Annual Rate	-0.3	-6.3	-14.4	-12.3	-5.7	-4.2	-5.9	-4.2
Real Personal Income	9,385.6	9,435.1	9,503.3	9,575.2	9,656.6	9,734.8	9,816.4	9,897.3
% Ch , Annual Rate	4.3	2.1	2.9	3.1	3.4	3.3	3.4	3.3
Real Per Capita Income (\$/Person)	31,430	31,525	31,682	31,851	32,050	32,238	32,437	32,633
% Ch , Annual Rate	3.3	1.2	2.0	2.1	2.5	2.4	2.5	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.134	1.146	1.154	1.160	1.166	1.172	1.177	1.182
% Ch , Annual Rate	2.0	4.1	2.8	2.0	2.2	1.9	1.8	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.993	2.017	2.035	2.046	2.059	2.069	2.078	2.088
% Ch , Annual Rate	2.2	5.0	3.6	2.2	2.5	2.0	1.7	1.8
Employment Cost Index (June 1989=1.0)	1.720	1.736	1.749	1.762	1.774	1.787	1.800	1.815
% Ch , Annual Rate	2.8	3.6	3.2	2.9	2.7	3.1	3.0	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	13,008.4	13,193.9	13,363.7	13,503.4	13,655.0	13,814.2	13,969.2	14,126.8
% Ch , Annual Rate	9.0	5.8	5.2	4.2	4.6	4.7	4.6	4.6
Personal Income	10,647.5	10,812.9	10,966.7	11,104.8	11,261.5	11,407.1	11,553.1	11,702.2
% Ch , Annual Rate	6.4	6.4	5.8	5.1	5.8	5.3	5.2	5.3
Employment (Millions)								
U.S. Civilian Labor Force	150.4	151.0	151.7	152.0	152.5	152.9	153.3	153.6
Total U.S. Employment	143.3	144.0	144.5	144.8	145.1	145.4	145.7	146.0
Unemployment Rate (%)	4.73	4.63	4.73	4.77	4.84	4.89	4.93	4.97
Nonfarm Payroll Employment	134.72	135.13	135.49	135.86	136.21	136.60	137.02	137.47
% Ch , Annual Rate	1.7	1.2	1.1	1.1	1.0	1.2	1.2	1.3
Manufacturing	14.23	14.24	14.23	14.25	14.32	14.26	14.24	14.21
% Ch , Annual Rate	0.4	0.5	-0.5	0.8	1.8	-1.5	-0.7	-0.8
Durable Manufacturing	8.98	9.02	9.01	9.02	9.07	9.01	8.99	8.97
% Ch , Annual Rate	1.0	1.7	-0.4	0.4	2.0	-2.3	-0.9	-1.0
Nondurable Manufacturing	5.24	5.22	5.21	5.23	5.25	5.25	5.24	5.24
% Ch , Annual Rate	-0.6	-1.5	-0.7	1.4	1.5	-0.2	-0.5	-0.5
Construction	7.48	7.50	7.50	7.47	7.44	7.41	7.35	7.34
% Ch , Annual Rate	5.1	1.0	-0.2	-1.2	-2.0	-1.6	-3.1	-0.4
Service-Producing	112.36	112.71	113.08	113.43	113.74	114.21	114.71	115.19
% Ch , Annual Rate	1.6	1.2	1.3	1.3	1.1	1.7	1.8	1.7
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	63.4	70.6	75.0	78.0	78.0	76.0	76.0	75.0
Personal Saving/Disposable Income (%)	-1.1	-1.5	-1.7	-1.4	-0.9	-0.8	-0.5	-0.4
Auto Sales (Millions)	7.8	7.8	8.0	7.5	7.6	7.6	7.7	7.6
% Ch , Annual Rate	14.4	0.7	11.9	-23.2	5.7	-2.0	5.3	-3.6
Housing Starts (Millions)	2.123	1.878	1.805	1.782	1.759	1.731	1.720	1.723
% Ch , Annual Rate	12.9	-38.7	-14.7	-5.0	-5.1	-6.1	-2.6	0.7
Federal Budget Surplus (Billions)	-164.7	-147.8	-147.1	-150.3	-196.5	-211.8	-232.3	-247.4
Net Exports (Billions)	-765.2	-783.1	-793.9	-803.8	-802.7	-790.1	-772.4	-768.4
3-Month Treasury Bill Rate (%)	4.42	4.68	5.08	5.35	5.35	5.18	4.92	4.70
10-Year Treasury Note Yield (%)	4.57	5.07	5.11	5.24	5.24	5.22	5.21	5.21
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.68	5.01	5.06	5.04	5.08	5.14
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.77	6.81	6.80	6.78	6.79	6.81

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,906.4	12,005.6	12,111.3	12,208.4	12,296.9	12,387.4	12,478.6	12,573.8
% Ch , Annual Rate	3.2	3.4	3.6	3.2	2.9	3.0	3.0	3.1
Real Consumption	8,445.2	8,510.0	8,582.2	8,653.8	8,718.7	8,789.5	8,859.4	8,938.0
% Ch , Annual Rate	3.3	3.1	3.4	3.4	3.0	3.3	3.2	3.6
Real Nonresidential Fixed Investment	1,449.6	1,463.7	1,482.9	1,499.4	1,514.4	1,533.0	1,551.2	1,566.2
% Ch , Annual Rate	3.5	4.0	5.4	4.5	4.1	5.0	4.8	3.9
Real Residential Fixed Investment	535.6	535.0	533.6	532.1	531.8	531.7	531.4	532.6
% Ch , Annual Rate	-1.9	-0.5	-1.0	-1.1	-0.2	-0.1	-0.2	1.0
Real Personal Income	9,993.6	10,094.5	10,195.6	10,300.5	10,405.7	10,506.0	10,607.2	10,712.9
% Ch , Annual Rate	4.0	4.1	4.1	4.2	4.1	3.9	3.9	4.0
Real Per Capita Income (\$/Person)	32,880	33,140	33,400	33,670	33,939	34,192	34,447	34,715
% Ch , Annual Rate	3.1	3.2	3.2	3.3	3.2	3.0	3.0	3.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.188	1.194	1.199	1.204	1.210	1.215	1.220	1.225
% Ch , Annual Rate	2.0	1.9	1.8	1.7	1.8	1.7	1.7	1.6
U.S. Consumer Price Index (1982-84=1.0)	2.097	2.107	2.116	2.124	2.133	2.142	2.151	2.159
% Ch , Annual Rate	1.9	1.8	1.7	1.6	1.7	1.7	1.6	1.5
Employment Cost Index (June 1989=1.0)	1.830	1.844	1.859	1.873	1.889	1.905	1.921	1.936
% Ch , Annual Rate	3.4	3.1	3.2	3.1	3.5	3.4	3.3	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,317.2	14,507.4	14,705.0	14,891.1	15,084.6	15,271.3	15,457.5	15,645.8
% Ch , Annual Rate	5.5	5.4	5.6	5.2	5.3	5.0	5.0	5.0
Personal Income	11,873.9	12,050.8	12,226.0	12,404.5	12,587.2	12,763.6	12,940.7	13,121.6
% Ch , Annual Rate	6.0	6.1	5.9	6.0	6.0	5.7	5.7	5.7
Employment (Millions)								
U.S. Civilian Labor Force	154.0	154.3	154.7	155.1	155.4	155.8	156.2	156.6
Total U.S. Employment	146.3	146.7	147.1	147.5	148.0	148.4	148.8	149.2
Unemployment Rate (%)	4.98	4.96	4.91	4.85	4.81	4.77	4.74	4.71
Nonfarm Payroll Employment	137.92	138.43	138.97	139.50	139.94	140.37	140.80	141.23
% Ch, Annual Rate	1.3	1.5	1.6	1.5	1.3	1.2	1.2	1.2
Manufacturing	14.16	14.10	14.06	14.03	14.03	14.03	14.01	14.00
% Ch, Annual Rate	-1.5	-1.5	-1.3	-0.8	-0.1	0.1	-0.4	-0.5
Durable Manufacturing	8.93	8.89	8.87	8.85	8.86	8.87	8.88	8.87
% Ch, Annual Rate	-1.8	-1.8	-1.2	-0.7	0.3	0.7	0.1	-0.0
Nondurable Manufacturing	5.22	5.21	5.19	5.18	5.17	5.15	5.14	5.12
% Ch, Annual Rate	-1.0	-1.1	-1.5	-1.1	-0.7	-1.1	-1.2	-1.4
Construction	7.33	7.34	7.38	7.40	7.41	7.44	7.48	7.51
% Ch, Annual Rate	-0.8	0.9	1.9	1.1	0.8	1.5	2.0	2.1
Service-Producing	115.70	116.26	116.81	117.35	117.79	118.20	118.61	119.03
% Ch, Annual Rate	1.8	1.9	1.9	1.8	1.5	1.4	1.4	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	74.5	73.8	73.0	72.3	71.0	69.5	68.0	66.5
Personal Saving/Disposable Income (%)	-0.2	0.1	0.3	0.4	0.4	0.5	0.6	0.7
Auto Sales (Millions)	7.6	7.6	7.6	7.6	7.6	7.5	7.6	7.5
% Ch, Annual Rate	-1.7	1.1	-1.4	-1.5	2.1	-4.2	3.3	-5.0
Housing Starts (Millions)	1.724	1.724	1.728	1.724	1.714	1.701	1.699	1.704
% Ch, Annual Rate	0.2	0.1	0.8	-1.0	-2.2	-2.9	-0.5	1.1
Federal Budget Surplus (Billions)	-260.3	-275.6	-272.1	-264.5	-232.1	-229.1	-223.0	-221.5
Net Exports (Billions)	-756.2	-743.6	-734.9	-729.9	-715.4	-701.7	-692.1	-685.9
3-Month Treasury Bill Rate (%)	4.66	4.66	4.66	4.66	4.68	4.84	4.84	4.84
10-Year Treasury Note Yield (%)	5.26	5.37	5.44	5.48	5.52	5.67	5.70	5.70
Bond Index of 20 G.O. Munis. (%)	5.27	5.41	5.51	5.57	5.62	5.79	5.82	5.82
30-Year Fixed Mortgage Rate (%)	6.86	6.97	7.04	7.09	7.12	7.28	7.31	7.31

Table A1.3
Washington Economic Forecast Summary
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.708	190.929	200.223	200.364	210.840	220.447	231.360	242.596
% Ch	0.6	0.1	4.9	0.1	5.2	4.6	5.0	4.9
Real Wage and Salary Disb.	107.608	108.051	109.564	112.742	120.186	125.051	130.824	136.549
% Ch	-0.7	0.4	1.4	2.9	6.6	4.0	4.6	4.4
Real Nonwage Income	83.099	82.878	90.659	87.621	90.655	95.396	100.536	106.047
% Ch	2.4	-0.3	9.4	-3.3	3.5	5.2	5.4	5.5
Real Per Capita Income (\$/Person)	31,455	31,175	32,284	31,807	32,863	33,721	34,761	35,850
% Ch	-0.4	-0.9	3.6	-1.5	3.3	2.6	3.1	3.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.115	1.149	1.174	1.196	1.217
% Ch	1.4	2.0	2.6	2.9	3.0	2.2	1.9	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.893	1.924	1.947	2.002	2.068	2.119	2.166	2.207
% Ch	2.0	1.6	1.2	2.8	3.3	2.4	2.2	1.9
Average Nonfarm Annual Wage	40,278	41,097	42,039	43,240	46,245	48,162	50,238	52,410
% Ch	2.1	2.0	2.3	2.9	6.9	4.1	4.3	4.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.02	18.28	18.82	19.81	20.11	20.47	20.82
% Ch	1.0	-0.7	1.5	2.9	5.3	1.5	1.8	1.7
Current Dollar Income (Billions of Dollars)								
Personal Income	197.452	201.607	217.039	223.392	242.180	258.894	276.807	295.342
% Ch	2.0	2.1	7.7	2.9	8.4	6.9	6.9	6.7
Disposable Personal Income	174.068	179.584	193.621	197.143	211.542	226.538	242.913	258.396
% Ch	4.8	3.2	7.8	1.8	7.3	7.1	7.2	6.4
Per Capita Income (\$/Person)	32,567	32,918	34,994	35,461	37,746	39,601	41,589	43,644
% Ch	1.0	1.1	6.3	1.3	6.4	4.9	5.0	4.9
Employment (Thousands)								
Washington Civilian Labor Force	3,110.7	3,159.3	3,224.0	3,292.2	3,344.4	3,410.3	3,484.9	3,550.8
Total Washington Employment	2,882.5	2,925.3	3,022.3	3,109.9	3,175.3	3,226.1	3,295.0	3,353.4
Unemployment Rate (%)	7.34	7.41	6.26	5.54	5.06	5.40	5.45	5.56
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,777.3	2,859.9	2,922.8	2,987.6	3,042.5
% Ch	-1.6	0.1	1.6	2.8	3.0	2.2	2.2	1.8
Manufacturing	285.0	267.0	263.7	272.0	283.9	291.0	292.8	293.1
% Ch	-9.8	-6.3	-1.3	3.1	4.4	2.5	0.6	0.1
Durable Manufacturing	199.3	183.7	182.4	191.2	202.7	207.0	207.5	207.2
% Ch	-11.4	-7.8	-0.7	4.8	6.0	2.1	0.2	-0.1
Aerospace	75.7	65.3	61.5	65.7	73.1	77.6	80.0	80.3
% Ch	-13.2	-13.8	-5.8	6.9	11.3	6.0	3.2	0.3
Nondurable Manufacturing	85.7	83.3	81.3	80.8	81.2	84.0	85.3	85.9
% Ch	-6.0	-2.8	-2.4	-0.6	0.6	3.4	1.5	0.7
Construction	154.2	156.2	164.1	177.4	193.1	195.9	197.7	198.6
% Ch	-2.9	1.3	5.1	8.1	8.8	1.5	1.0	0.4
Service-Producing	2,205.4	2,225.6	2,263.9	2,319.0	2,374.2	2,427.5	2,488.6	2,542.4
% Ch	-0.3	0.9	1.7	2.4	2.4	2.2	2.5	2.2
Software Publishers	36.1	37.4	39.3	41.3	44.6	46.9	48.7	50.7
% Ch	0.8	3.4	5.1	5.2	8.0	5.2	3.8	4.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.200	42.825	50.089	52.988	49.636	49.676	48.953	46.643
% Ch	4.8	6.5	17.0	5.8	-6.3	0.1	-1.5	-4.7
Single-Family	30.239	33.091	36.489	41.407	33.077	30.774	29.344	27.571
% Ch	13.1	9.4	10.3	13.5	-20.1	-7.0	-4.6	-6.0
Multi-Family	9.961	9.734	13.600	11.581	16.559	18.902	19.608	19.071
% Ch	-14.2	-2.3	39.7	-14.8	43.0	14.2	3.7	-2.7
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.60	6.80	6.99	7.25

Table A1.4
Washington Economic Forecast Summary
 Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	192.223	195.695	196.283	216.690	197.852	199.488	202.026	202.088
% Ch, Annual Rate	3.6	7.4	1.2	48.5	-30.5	3.3	5.2	0.1
Real Wage and Salary Disb.	107.190	109.967	110.784	110.315	110.773	111.953	114.456	113.787
% Ch, Annual Rate	1.6	10.8	3.0	-1.7	1.7	4.3	9.2	-2.3
Real Nonwage Income	85.031	85.729	85.499	106.375	87.079	87.535	87.570	88.301
% Ch, Annual Rate	6.0	3.3	-1.1	139.6	-55.1	2.1	0.2	3.4
Real Per Capita Income (\$/Person)	31,166	31,615	31,597	34,758	31,624	31,740	31,999	31,864
% Ch, Annual Rate	2.4	5.9	-0.2	46.4	-31.5	1.5	3.3	-1.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.081	1.086	1.095	1.101	1.109	1.121	1.129
% Ch, Annual Rate	3.7	3.6	1.9	3.0	2.3	3.1	4.1	2.9
Seattle Cons. Price Index (1982-84=1.0)	1.935	1.944	1.946	1.963	1.981	2.001	2.000	2.027
% Ch, Annual Rate	1.4	1.9	0.4	3.6	3.6	4.2	-0.2	5.4
Average Nonfarm Annual Wage	41,073	42,224	42,547	42,313	42,313	42,831	44,086	43,730
% Ch, Annual Rate	3.8	11.7	3.1	-2.2	-0.0	5.0	12.2	-3.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.12	18.22	18.30	18.48	18.64	18.86	18.28	19.48
% Ch, Annual Rate	-2.6	2.3	1.7	4.1	3.4	4.8	-11.6	28.9
Current Dollar Income (Billions of Dollars)								
Personal Income	206.054	211.637	213.261	237.205	217.800	221.295	226.386	228.086
% Ch, Annual Rate	7.3	11.3	3.1	53.1	-28.9	6.6	9.5	3.0
Disposable Personal Income	184.010	188.951	190.083	211.442	192.704	195.340	199.584	200.943
% Ch, Annual Rate	8.2	11.2	2.4	53.1	-31.0	5.6	9.0	2.8
Per Capita Income (\$/Person)	33,408	34,190	34,330	38,049	34,812	35,210	35,857	35,964
% Ch, Annual Rate	6.1	9.7	1.6	50.9	-29.9	4.6	7.6	1.2
Employment (Thousands)								
Washington Civilian Labor Force	3,202.9	3,220.0	3,224.2	3,248.9	3,260.6	3,282.4	3,301.9	3,323.8
Total Washington Employment	2,988.0	3,017.7	3,028.0	3,055.3	3,077.5	3,098.4	3,118.5	3,145.4
Unemployment Rate (%)	6.71	6.28	6.08	5.96	5.62	5.61	5.56	5.37
Nonfarm Payroll Employment	2,673.9	2,694.9	2,706.3	2,728.3	2,747.3	2,768.7	2,783.3	2,809.8
% Ch, Annual Rate	1.0	3.2	1.7	3.3	2.8	3.2	2.1	3.9
Manufacturing	261.9	262.9	263.8	266.1	269.0	271.9	269.9	277.0
% Ch, Annual Rate	-2.0	1.6	1.3	3.6	4.4	4.3	-2.9	11.0
Durable Manufacturing	180.1	181.4	182.9	185.0	187.9	191.1	189.0	196.7
% Ch, Annual Rate	-0.8	3.0	3.4	4.7	6.2	7.0	-4.3	17.4
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.9	69.8
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.9	-16.4	51.3
Nondurable Manufacturing	81.8	81.5	80.8	81.1	81.2	80.8	80.9	80.3
% Ch, Annual Rate	-4.6	-1.4	-3.2	1.2	0.4	-1.6	0.2	-3.1
Construction	160.8	163.4	164.3	168.1	172.5	175.4	178.4	183.2
% Ch, Annual Rate	5.8	6.5	2.4	9.4	11.1	6.8	7.1	11.2
Service-Producing	2,242.3	2,259.5	2,269.0	2,284.8	2,296.6	2,312.3	2,326.2	2,340.8
% Ch, Annual Rate	1.0	3.1	1.7	2.8	2.1	2.8	2.4	2.5
Software Publishers	38.9	39.2	39.3	39.7	40.3	41.1	41.7	42.1
% Ch, Annual Rate	5.0	2.9	1.7	4.3	6.2	7.7	5.7	4.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.954	47.577	50.507	57.318	51.092	49.217	53.968	57.675
% Ch, Annual Rate	60.2	25.5	27.0	65.9	-36.9	-13.9	44.6	30.4
Single-Family	34.150	37.610	35.425	38.771	40.145	39.660	42.207	43.617
% Ch, Annual Rate	17.8	47.1	-21.3	43.5	14.9	-4.7	28.3	14.1
Multi-Family	10.805	9.967	15.081	18.547	10.947	9.557	11.761	14.058
% Ch, Annual Rate	412.3	-27.6	424.3	128.7	-87.9	-41.9	129.4	104.1
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 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	207.062	208.441	214.245	213.614	215.879	217.907	224.534	223.468
% Ch, Annual Rate	10.2	2.7	11.6	-1.2	4.3	3.8	12.7	-1.9
Real Wage and Salary Disb.	117.853	118.359	123.163	121.367	122.317	123.073	128.514	126.300
% Ch, Annual Rate	15.1	1.7	17.3	-5.7	3.2	2.5	18.9	-6.7
Real Nonwage Income	89.209	90.082	91.082	92.247	93.561	94.834	96.020	97.168
% Ch, Annual Rate	4.2	4.0	4.5	5.2	5.8	5.6	5.1	4.9
Real Per Capita Income (\$/Person)	32,502	32,568	33,319	33,064	33,256	33,411	34,268	33,950
% Ch, Annual Rate	8.2	0.8	9.5	-3.0	2.4	1.9	10.7	-3.7
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.134	1.146	1.154	1.160	1.166	1.172	1.177	1.182
% Ch, Annual Rate	2.0	4.1	2.8	2.0	2.2	1.9	1.8	1.9
Seattle Cons. Price Index (1982-84=1.0)	2.041	2.073	2.073	2.086	2.101	2.113	2.125	2.137
% Ch, Annual Rate	2.8	6.6	-0.1	2.5	2.9	2.4	2.2	2.3
Average Nonfarm Annual Wage	45,063	45,551	47,549	46,817	47,150	47,407	49,518	48,575
% Ch, Annual Rate	12.8	4.4	18.7	-6.0	2.9	2.2	19.0	-7.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.60	19.93	19.82	19.90	19.98	20.06	20.15	20.24
% Ch, Annual Rate	2.3	7.0	-2.2	1.6	1.5	1.7	1.7	1.9
Current Dollar Income (Billions of Dollars)								
Personal Income	234.883	238.860	247.236	247.740	251.757	255.341	264.258	264.221
% Ch, Annual Rate	12.5	6.9	14.8	0.8	6.6	5.8	14.7	-0.1
Disposable Personal Income	205.631	208.526	215.842	216.171	220.035	223.154	231.380	231.584
% Ch, Annual Rate	9.7	5.8	14.8	0.6	7.3	5.8	15.6	0.4
Per Capita Income (\$/Person)	36,869	37,321	38,449	38,346	38,784	39,151	40,330	40,141
% Ch, Annual Rate	10.5	5.0	12.7	-1.1	4.6	3.8	12.6	-1.9
Employment (Thousands)								
Washington Civilian Labor Force	3,328.3	3,344.4	3,343.2	3,361.8	3,381.6	3,400.8	3,420.0	3,438.9
Total Washington Employment	3,173.8	3,178.4	3,166.7	3,182.3	3,199.9	3,217.3	3,235.0	3,252.3
Unemployment Rate (%)	4.64	4.96	5.28	5.34	5.37	5.40	5.41	5.43
Nonfarm Payroll Employment	2,839.5	2,851.4	2,867.0	2,881.6	2,898.2	2,914.5	2,931.2	2,947.5
% Ch, Annual Rate	4.3	1.7	2.2	2.1	2.3	2.3	2.3	2.2
Manufacturing	281.8	282.6	284.4	286.8	289.7	290.5	291.4	292.4
% Ch, Annual Rate	7.2	1.1	2.6	3.5	4.1	1.1	1.3	1.3
Durable Manufacturing	200.4	201.8	203.5	205.0	206.6	206.7	207.1	207.6
% Ch, Annual Rate	7.7	2.7	3.6	2.9	3.2	0.2	0.8	0.9
Aerospace	71.6	72.2	73.6	75.2	76.3	77.1	78.0	78.8
% Ch, Annual Rate	10.8	3.3	7.9	9.3	6.0	4.4	4.3	4.3
Nondurable Manufacturing	81.4	80.8	80.8	81.8	83.1	83.8	84.3	84.8
% Ch, Annual Rate	6.0	-2.9	0.1	4.9	6.3	3.4	2.5	2.5
Construction	190.9	193.2	194.1	194.0	195.1	195.6	196.1	196.7
% Ch, Annual Rate	17.8	5.1	1.8	-0.2	2.3	0.9	1.1	1.2
Service-Producing	2,358.0	2,366.8	2,379.9	2,392.2	2,404.8	2,419.9	2,435.2	2,449.9
% Ch, Annual Rate	3.0	1.5	2.2	2.1	2.1	2.5	2.5	2.4
Software Publishers	43.1	44.2	45.4	45.8	46.3	46.7	47.1	47.6
% Ch, Annual Rate	9.0	10.5	11.8	4.0	3.8	3.8	3.3	4.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	47,516	51,247	50,120	49,662	49,177	49,666	49,943	49,919
% Ch, Annual Rate	-53.9	35.3	-8.5	-3.6	-3.9	4.0	2.2	-0.2
Single-Family	35,790	35,347	30,402	30,770	30,828	30,941	30,814	30,512
% Ch, Annual Rate	-54.7	-4.9	-45.3	4.9	0.8	1.5	-1.6	-3.9
Multi-Family	11,726	15,900	19,718	18,892	18,349	18,725	19,129	19,407
% Ch, Annual Rate	-51.6	238.1	136.5	-15.7	-11.0	8.5	8.9	5.9
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.77	6.81	6.80	6.78	6.79	6.81

Table A1.4
Washington Economic Forecast Summary
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	226.148	228.562	235.959	234.771	237.463	239.718	247.378	245.824
% Ch, Annual Rate	4.9	4.3	13.6	-2.0	4.7	3.9	13.4	-2.5
Real Wage and Salary Disb.	127.720	128.713	134.739	132.123	133.459	134.369	140.673	137.693
% Ch, Annual Rate	4.6	3.1	20.1	-7.5	4.1	2.8	20.1	-8.2
Real Nonwage Income	98.427	99.849	101.220	102.648	104.003	105.349	106.705	108.131
% Ch, Annual Rate	5.3	5.9	5.6	5.8	5.4	5.3	5.2	5.5
Real Per Capita Income (\$/Person)	34,203	34,416	35,377	35,050	35,305	35,496	36,485	36,115
% Ch, Annual Rate	3.0	2.5	11.6	-3.6	2.9	2.2	11.6	-4.0
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.188	1.194	1.199	1.204	1.210	1.215	1.220	1.225
% Ch, Annual Rate	2.0	1.9	1.8	1.7	1.8	1.7	1.7	1.6
Seattle Cons. Price Index (1982-84=1.0)	2.149	2.161	2.172	2.182	2.193	2.203	2.212	2.220
% Ch, Annual Rate	2.3	2.2	2.0	1.9	2.0	1.8	1.7	1.5
Average Nonfarm Annual Wage	49,067	49,416	51,782	50,688	51,184	51,545	54,061	52,851
% Ch, Annual Rate	4.1	2.9	20.6	-8.2	4.0	2.8	21.0	-8.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.34	20.43	20.52	20.60	20.70	20.78	20.87	20.95
% Ch, Annual Rate	1.9	1.8	1.8	1.7	1.8	1.7	1.6	1.5
Current Dollar Income (Billions of Dollars)								
Personal Income	268.696	272.857	282.950	282.726	287.245	291.230	301.799	301.094
% Ch, Annual Rate	6.9	6.3	15.6	-0.3	6.5	5.7	15.3	-0.9
Disposable Personal Income	235.617	239.500	248.450	248.087	251.356	254.804	264.062	263.362
% Ch, Annual Rate	7.2	6.8	15.8	-0.6	5.4	5.6	15.3	-1.1
Per Capita Income (\$/Person)	40,638	41,086	42,422	42,209	42,707	43,123	44,511	44,235
% Ch, Annual Rate	5.0	4.5	13.7	-2.0	4.8	4.0	13.5	-2.5
Employment (Thousands)								
Washington Civilian Labor Force	3,457.7	3,476.2	3,494.0	3,511.4	3,527.6	3,543.2	3,558.6	3,573.7
Total Washington Employment	3,269.7	3,287.1	3,303.6	3,319.5	3,333.4	3,346.8	3,360.1	3,373.3
Unemployment Rate (%)	5.44	5.44	5.45	5.47	5.51	5.54	5.58	5.61
Nonfarm Payroll Employment	2,963.8	2,980.2	2,995.7	3,010.6	3,023.6	3,036.3	3,048.7	3,061.2
% Ch, Annual Rate	2.2	2.2	2.1	2.0	1.7	1.7	1.7	1.6
Manufacturing	292.9	293.0	292.7	292.6	292.8	293.1	293.2	293.2
% Ch, Annual Rate	0.6	0.3	-0.4	-0.2	0.4	0.4	0.1	-0.0
Durable Manufacturing	207.7	207.7	207.5	207.2	207.2	207.3	207.2	207.2
% Ch, Annual Rate	0.2	0.0	-0.5	-0.6	-0.0	0.2	-0.1	-0.0
Aerospace	79.5	80.1	80.3	80.3	80.3	80.3	80.3	80.3
% Ch, Annual Rate	3.5	3.1	1.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	85.1	85.3	85.3	85.4	85.7	85.8	86.0	86.0
% Ch, Annual Rate	1.6	0.8	-0.3	0.7	1.3	0.7	0.6	-0.0
Construction	197.2	197.6	197.9	198.2	198.4	198.5	198.6	198.8
% Ch, Annual Rate	1.0	0.9	0.7	0.5	0.3	0.2	0.2	0.4
Service-Producing	2,465.4	2,481.1	2,496.6	2,511.4	2,524.0	2,536.3	2,548.6	2,560.8
% Ch, Annual Rate	2.5	2.6	2.5	2.4	2.0	2.0	2.0	1.9
Software Publishers	48.0	48.5	48.9	49.4	49.9	50.4	51.0	51.5
% Ch, Annual Rate	3.9	3.6	3.7	4.0	4.2	4.3	4.3	4.3
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	49.595	49.150	48.771	48.295	47.675	46.735	46.248	45.912
% Ch, Annual Rate	-2.6	-3.5	-3.0	-3.9	-5.0	-7.7	-4.1	-2.9
Single-Family	30.032	29.535	29.107	28.704	28.267	27.598	27.305	27.116
% Ch, Annual Rate	-6.2	-6.5	-5.7	-5.4	-6.0	-9.1	-4.2	-2.7
Multi-Family	19.563	19.615	19.665	19.591	19.408	19.137	18.944	18.796
% Ch, Annual Rate	3.3	1.1	1.0	-1.5	-3.7	-5.5	-4.0	-3.1
30-Year Fixed Mortgage Rate (%)	6.86	6.97	7.04	7.09	7.12	7.28	7.31	7.31

Table A2.1
U.S. Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	130.34	129.99	131.42	133.46	135.30	136.82	138.71	140.59
% Ch	-1.1	-0.3	1.1	1.5	1.4	1.1	1.4	1.4
Manufacturing	15.26	14.51	14.31	14.23	14.24	14.26	14.09	14.02
% Ch	-7.2	-4.9	-1.3	-0.6	0.0	0.1	-1.2	-0.5
Durable Manufacturing	9.48	8.96	8.92	8.95	9.01	9.01	8.89	8.87
% Ch	-8.2	-5.5	-0.4	0.3	0.6	0.0	-1.4	-0.2
Wood Products	0.55	0.54	0.55	0.56	0.55	0.53	0.51	0.50
% Ch	-3.3	-3.1	2.3	0.9	-0.6	-4.4	-3.6	-1.1
Primary and Fabricated Metals	2.06	1.96	1.96	1.99	2.02	2.08	2.08	2.09
% Ch	-8.4	-4.9	0.4	1.3	1.6	3.2	0.0	0.3
Computer and Electronic Products	1.51	1.35	1.32	1.32	1.32	1.26	1.19	1.17
% Ch	-13.8	-10.1	-2.4	-0.2	-0.1	-4.7	-5.1	-2.1
Machinery and Electrical Equipment	1.73	1.61	1.59	1.60	1.63	1.66	1.64	1.60
% Ch	-10.4	-6.8	-1.3	0.6	1.9	2.2	-1.7	-2.1
Transportation Equipment	1.83	1.77	1.77	1.77	1.78	1.73	1.72	1.77
% Ch	-5.6	-3.0	-0.5	0.4	0.3	-2.4	-0.8	2.8
Other Durables	1.81	1.73	1.73	1.72	1.72	1.75	1.74	1.74
% Ch	-4.9	-4.3	0.2	-0.7	-0.3	1.8	-0.1	-0.3
Nondurable Manufacturing	5.77	5.55	5.39	5.28	5.23	5.25	5.20	5.15
% Ch	-5.4	-4.0	-2.8	-2.1	-1.0	0.3	-0.9	-1.1
Food Manufacturing	1.52	1.52	1.49	1.47	1.46	1.50	1.52	1.54
% Ch	-1.6	-0.5	-1.5	-1.5	-0.6	2.4	1.6	0.9
Paper and Paper Products	0.55	0.52	0.50	0.48	0.47	0.47	0.47	0.47
% Ch	-5.4	-5.6	-4.0	-2.2	-2.7	-0.2	-0.4	-0.2
Other Nondurables	3.70	3.51	3.40	3.32	3.29	3.28	3.21	3.14
% Ch	-6.9	-5.1	-3.2	-2.3	-0.9	-0.5	-2.0	-2.1
Natural Resources and Mining	0.58	0.57	0.59	0.62	0.68	0.73	0.73	0.70
% Ch	-3.8	-1.8	3.2	5.8	8.9	6.6	0.5	-3.6
Construction	6.72	6.73	6.97	7.28	7.49	7.38	7.36	7.46
% Ch	-1.6	0.2	3.6	4.4	2.9	-1.4	-0.3	1.4
Trade, Transportation, and Utilities	25.50	25.29	25.53	25.91	26.07	26.25	26.76	27.02
% Ch	-1.9	-0.8	1.0	1.5	0.6	0.7	1.9	1.0
Wholesale Trade	5.65	5.61	5.66	5.75	5.83	5.85	5.89	5.92
% Ch	-2.1	-0.8	0.9	1.5	1.5	0.3	0.7	0.5
Retail Trade	15.03	14.92	15.06	15.25	15.25	15.34	15.68	15.79
% Ch	-1.4	-0.7	0.9	1.3	-0.0	0.6	2.2	0.7
Trans., Warehousing, and Utilities	4.82	4.76	4.81	4.90	4.98	5.07	5.18	5.31
% Ch	-3.1	-1.2	1.0	1.9	1.6	1.7	2.3	2.4
Information	3.39	3.19	3.12	3.07	3.06	3.04	3.05	3.08
% Ch	-6.5	-6.1	-2.2	-1.7	-0.3	-0.6	0.3	1.2
Publishing Industries	0.96	0.92	0.91	0.90	0.91	0.91	0.93	0.94
% Ch	-5.5	-4.1	-1.7	-0.6	0.2	1.0	1.3	1.9
Other Information	2.43	2.26	2.21	2.16	2.15	2.12	2.12	2.14
% Ch	-6.8	-6.9	-2.4	-2.1	-0.5	-1.3	-0.1	0.9
Financial Activities	7.85	7.98	8.03	8.14	8.31	8.32	8.40	8.50
% Ch	0.5	1.6	0.7	1.4	2.0	0.2	0.9	1.2
Professional and Business Services	15.98	15.98	16.39	16.88	17.34	17.83	18.48	19.18
% Ch	-3.1	0.0	2.5	3.0	2.7	2.8	3.7	3.8
Education and Health Services	16.20	16.59	16.95	17.34	17.72	18.06	18.36	18.67
% Ch	3.6	2.4	2.2	2.3	2.2	1.9	1.7	1.7
Leisure and Hospitality	11.99	12.18	12.49	12.80	13.06	13.33	13.57	13.70
% Ch	-0.4	1.6	2.6	2.4	2.0	2.1	1.8	1.0
Other Services	5.37	5.40	5.41	5.39	5.40	5.45	5.51	5.53
% Ch	2.2	0.5	0.2	-0.4	0.3	0.9	1.0	0.5
Federal Government	2.77	2.76	2.73	2.72	2.71	2.71	2.71	2.72
% Ch	0.1	-0.2	-1.1	-0.2	-0.6	-0.0	0.1	0.5
State and Local Government	18.74	18.82	18.89	19.08	19.23	19.47	19.70	20.00
% Ch	2.1	0.4	0.4	1.0	0.8	1.2	1.2	1.5

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.57	131.28	131.60	132.24	132.69	133.23	133.75	134.16
% Ch, Annual Rate	1.2	2.2	1.0	2.0	1.4	1.6	1.6	1.2
Manufacturing	14.29	14.33	14.34	14.31	14.27	14.25	14.21	14.21
% Ch, Annual Rate	-0.8	1.2	0.2	-0.8	-1.0	-0.7	-1.1	0.1
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.96
% Ch, Annual Rate	0.5	2.5	1.5	0.2	-0.1	0.2	-0.7	0.8
Wood Products	0.54	0.55	0.55	0.56	0.56	0.55	0.55	0.56
% Ch, Annual Rate	2.3	4.3	2.2	3.6	0.9	-2.8	-0.4	1.6
Primary and Fabricated Metals	1.94	1.96	1.97	1.98	1.98	1.99	1.99	1.99
% Ch, Annual Rate	1.6	4.0	2.7	0.7	0.9	1.1	0.7	0.8
Computer and Electronic Products	1.32	1.32	1.33	1.32	1.32	1.32	1.32	1.32
% Ch, Annual Rate	-1.0	1.4	1.4	-2.4	-1.0	0.8	1.2	-0.2
Machinery and Electrical Equipment	1.58	1.59	1.60	1.59	1.59	1.60	1.60	1.60
% Ch, Annual Rate	-1.0	2.2	2.5	-0.8	-0.1	1.3	0.1	1.0
Transportation Equipment	1.76	1.76	1.76	1.77	1.78	1.78	1.76	1.77
% Ch, Annual Rate	-0.2	0.4	0.1	2.6	0.6	0.5	-4.4	2.6
Other Durables	1.72	1.74	1.74	1.74	1.73	1.72	1.72	1.71
% Ch, Annual Rate	2.0	3.4	0.5	-0.8	-1.6	-1.8	-0.6	-0.9
Nondurable Manufacturing	5.42	5.41	5.38	5.35	5.32	5.29	5.26	5.25
% Ch, Annual Rate	-2.7	-0.8	-2.0	-2.5	-2.5	-2.1	-1.7	-1.1
Food Manufacturing	1.50	1.50	1.49	1.49	1.48	1.48	1.47	1.46
% Ch, Annual Rate	-3.7	-0.3	-0.8	-1.6	-1.3	-2.0	-2.0	-1.4
Paper and Paper Products	0.50	0.50	0.49	0.49	0.49	0.49	0.48	0.48
% Ch, Annual Rate	-4.7	-3.3	-1.1	-2.6	-0.9	-2.9	-3.1	-3.6
Other Nondurables	3.42	3.42	3.40	3.37	3.34	3.33	3.31	3.31
% Ch, Annual Rate	-2.1	-0.6	-2.5	-2.9	-3.3	-1.9	-1.4	-0.7
Natural Resources and Mining	0.58	0.59	0.60	0.60	0.61	0.62	0.63	0.64
% Ch, Annual Rate	2.3	8.1	3.9	1.8	8.3	7.2	4.1	8.6
Construction	6.86	6.94	7.00	7.09	7.16	7.26	7.30	7.39
% Ch, Annual Rate	4.1	4.5	3.6	5.5	3.6	5.7	2.6	4.8
Trade, Transportation, and Utilities	25.39	25.51	25.56	25.67	25.78	25.89	25.97	25.99
% Ch, Annual Rate	1.5	1.9	0.8	1.7	1.7	1.7	1.2	0.3
Wholesale Trade	5.62	5.65	5.67	5.70	5.71	5.74	5.76	5.78
% Ch, Annual Rate	2.0	2.0	1.4	1.7	1.2	1.9	1.3	1.3
Retail Trade	14.99	15.06	15.06	15.13	15.19	15.25	15.30	15.28
% Ch, Annual Rate	1.3	1.8	0.2	1.7	1.6	1.5	1.3	-0.3
Trans., Warehousing, and Utilities	4.78	4.80	4.82	4.84	4.88	4.90	4.91	4.93
% Ch, Annual Rate	1.6	1.7	2.1	1.7	2.6	2.1	0.9	1.1
Information	3.14	3.13	3.11	3.09	3.07	3.07	3.07	3.06
% Ch, Annual Rate	-1.3	-0.7	-3.5	-2.6	-2.7	0.0	-0.1	-0.4
Publishing Industries	0.91	0.91	0.91	0.91	0.90	0.90	0.91	0.90
% Ch, Annual Rate	-1.6	0.3	-1.6	-1.0	-0.9	-0.6	1.3	-0.9
Other Information	2.23	2.22	2.20	2.18	2.16	2.16	2.16	2.16
% Ch, Annual Rate	-1.3	-1.1	-4.3	-3.3	-3.4	0.3	-0.7	-0.2
Financial Activities	7.99	8.03	8.04	8.06	8.09	8.11	8.15	8.21
% Ch, Annual Rate	0.0	2.0	0.6	1.1	1.6	0.5	2.5	2.9
Professional and Business Services	16.17	16.36	16.44	16.59	16.70	16.81	16.94	17.06
% Ch, Annual Rate	1.5	4.9	2.1	3.7	2.5	2.6	3.3	2.8
Education and Health Services	16.80	16.91	16.99	17.11	17.19	17.29	17.41	17.48
% Ch, Annual Rate	2.1	2.6	1.8	2.9	2.0	2.3	2.9	1.5
Leisure and Hospitality	12.39	12.46	12.50	12.62	12.70	12.78	12.84	12.87
% Ch, Annual Rate	3.1	2.3	1.4	3.7	2.6	2.7	1.8	1.0
Other Services	5.41	5.42	5.41	5.40	5.39	5.39	5.39	5.38
% Ch, Annual Rate	0.6	0.9	-1.0	-0.8	-0.2	-0.2	-0.3	-0.6
Federal Government	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.72
% Ch, Annual Rate	-1.0	0.9	-0.7	0.0	-0.6	0.1	-0.2	-0.5
State and Local Government	18.83	18.86	18.89	18.98	19.01	19.05	19.12	19.15
% Ch, Annual Rate	0.1	0.7	0.7	1.9	0.6	0.9	1.4	0.7

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	134.72	135.13	135.49	135.86	136.21	136.60	137.02	137.47
% Ch, Annual Rate	1.7	1.2	1.1	1.1	1.0	1.2	1.2	1.3
Manufacturing	14.23	14.24	14.23	14.25	14.32	14.26	14.24	14.21
% Ch, Annual Rate	0.4	0.5	-0.5	0.8	1.8	-1.5	-0.7	-0.8
Durable Manufacturing	8.98	9.02	9.01	9.02	9.07	9.01	8.99	8.97
% Ch, Annual Rate	1.0	1.7	-0.4	0.4	2.0	-2.3	-0.9	-1.0
Wood Products	0.56	0.55	0.55	0.54	0.54	0.53	0.52	0.52
% Ch, Annual Rate	2.5	-3.4	-3.6	-3.2	-3.1	-6.9	-6.1	-4.9
Primary and Fabricated Metals	2.00	2.02	2.02	2.04	2.07	2.08	2.09	2.09
% Ch, Annual Rate	1.9	2.3	1.3	3.2	7.0	1.6	2.0	0.3
Computer and Electronic Products	1.32	1.33	1.32	1.30	1.29	1.26	1.24	1.23
% Ch, Annual Rate	-0.7	2.9	-2.0	-6.7	-3.7	-7.2	-6.5	-4.9
Machinery and Electrical Equipment	1.61	1.62	1.64	1.65	1.66	1.66	1.66	1.66
% Ch, Annual Rate	1.0	4.3	3.4	2.4	4.7	-1.0	0.8	0.1
Transportation Equipment	1.78	1.78	1.78	1.77	1.76	1.74	1.72	1.72
% Ch, Annual Rate	0.9	2.1	-1.8	-1.2	-2.1	-5.8	-2.9	-1.1
Other Durables	1.72	1.71	1.70	1.72	1.74	1.74	1.75	1.75
% Ch, Annual Rate	1.1	-1.1	-2.3	3.9	4.1	0.7	2.0	0.7
Nondurable Manufacturing	5.24	5.22	5.21	5.23	5.25	5.25	5.24	5.24
% Ch, Annual Rate	-0.6	-1.5	-0.7	1.4	1.5	-0.2	-0.5	-0.5
Food Manufacturing	1.46	1.46	1.46	1.47	1.49	1.50	1.50	1.51
% Ch, Annual Rate	-0.3	0.1	-0.6	2.7	4.4	2.6	2.3	2.5
Paper and Paper Products	0.48	0.47	0.47	0.47	0.47	0.47	0.47	0.47
% Ch, Annual Rate	-1.4	-3.6	-3.6	1.2	0.7	0.2	0.4	-0.7
Other Nondurables	3.30	3.29	3.29	3.29	3.30	3.28	3.27	3.25
% Ch, Annual Rate	-0.6	-1.9	-0.3	0.9	0.4	-1.5	-1.8	-1.8
Natural Resources and Mining	0.65	0.67	0.69	0.70	0.71	0.72	0.73	0.74
% Ch, Annual Rate	8.8	12.1	11.8	6.6	6.2	4.3	4.2	4.4
Construction	7.48	7.50	7.50	7.47	7.44	7.41	7.35	7.34
% Ch, Annual Rate	5.1	1.0	-0.2	-1.2	-2.0	-1.6	-3.1	-0.4
Trade, Transportation, and Utilities	26.06	26.05	26.09	26.09	26.09	26.17	26.30	26.45
% Ch, Annual Rate	1.0	-0.1	0.6	0.1	-0.1	1.3	2.0	2.3
Wholesale Trade	5.81	5.84	5.85	5.83	5.83	5.84	5.85	5.87
% Ch, Annual Rate	2.4	2.1	0.3	-0.9	-0.1	0.5	0.9	1.3
Retail Trade	15.30	15.24	15.24	15.24	15.23	15.28	15.37	15.47
% Ch, Annual Rate	0.4	-1.6	0.1	0.1	-0.3	1.4	2.4	2.6
Trans., Warehousing, and Utilities	4.94	4.97	5.00	5.02	5.03	5.05	5.08	5.11
% Ch, Annual Rate	1.4	2.1	2.5	1.4	0.7	2.0	2.1	2.7
Information	3.07	3.06	3.05	3.04	3.05	3.05	3.04	3.01
% Ch, Annual Rate	1.0	-0.8	-2.1	-0.4	0.4	1.0	-2.4	-3.4
Publishing Industries	0.90	0.90	0.91	0.91	0.91	0.91	0.91	0.92
% Ch, Annual Rate	-0.0	-0.0	1.3	1.4	0.9	1.1	-0.2	2.2
Other Information	2.17	2.16	2.14	2.14	2.14	2.14	2.12	2.09
% Ch, Annual Rate	1.4	-1.2	-3.5	-1.1	0.1	0.9	-3.3	-5.8
Financial Activities	8.26	8.31	8.33	8.32	8.31	8.32	8.32	8.34
% Ch, Annual Rate	2.5	2.3	0.9	-0.4	-0.6	0.4	0.1	0.8
Professional and Business Services	17.16	17.27	17.38	17.54	17.61	17.75	17.91	18.05
% Ch, Annual Rate	2.4	2.5	2.7	3.7	1.6	3.2	3.7	3.3
Education and Health Services	17.58	17.68	17.76	17.88	17.98	18.01	18.08	18.15
% Ch, Annual Rate	2.5	2.1	2.0	2.5	2.5	0.5	1.6	1.7
Leisure and Hospitality	12.95	13.01	13.11	13.15	13.20	13.29	13.39	13.44
% Ch, Annual Rate	2.6	1.8	3.0	1.1	1.5	2.9	3.1	1.5
Other Services	5.40	5.40	5.40	5.41	5.42	5.45	5.46	5.49
% Ch, Annual Rate	1.4	0.3	-0.0	0.5	0.8	2.0	1.3	1.7
Federal Government	2.71	2.71	2.71	2.71	2.71	2.71	2.71	2.71
% Ch, Annual Rate	-2.3	0.3	0.8	-0.4	-0.2	-0.2	0.1	0.1
State and Local Government	19.17	19.22	19.25	19.29	19.38	19.47	19.50	19.54
% Ch, Annual Rate	0.4	1.1	0.6	1.0	1.7	1.9	0.7	0.9

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.92	138.43	138.97	139.50	139.94	140.37	140.80	141.23
% Ch, Annual Rate	1.3	1.5	1.6	1.5	1.3	1.2	1.2	1.2
Manufacturing	14.16	14.10	14.06	14.03	14.03	14.03	14.01	14.00
% Ch, Annual Rate	-1.5	-1.5	-1.3	-0.8	-0.1	0.1	-0.4	-0.5
Durable Manufacturing	8.93	8.89	8.87	8.85	8.86	8.87	8.88	8.87
% Ch, Annual Rate	-1.8	-1.8	-1.2	-0.7	0.3	0.7	0.1	-0.0
Wood Products	0.51	0.51	0.51	0.51	0.50	0.50	0.50	0.50
% Ch, Annual Rate	-3.7	-1.9	-1.2	-1.1	-0.7	-0.8	-1.5	-1.2
Primary and Fabricated Metals	2.09	2.08	2.08	2.08	2.09	2.09	2.09	2.09
% Ch, Annual Rate	-0.9	-0.7	-0.5	0.1	1.0	0.9	0.1	-0.1
Computer and Electronic Products	1.21	1.20	1.19	1.17	1.17	1.17	1.17	1.17
% Ch, Annual Rate	-4.7	-4.9	-4.3	-3.5	-1.5	-0.3	-0.7	-0.4
Machinery and Electrical Equipment	1.66	1.64	1.63	1.62	1.61	1.61	1.60	1.59
% Ch, Annual Rate	-1.9	-3.8	-3.0	-2.5	-1.7	-1.2	-2.1	-1.6
Transportation Equipment	1.71	1.72	1.72	1.73	1.75	1.76	1.78	1.79
% Ch, Annual Rate	-0.8	0.4	1.3	2.3	3.4	4.2	3.3	2.1
Other Durables	1.75	1.75	1.74	1.74	1.74	1.74	1.74	1.74
% Ch, Annual Rate	-0.9	-0.9	-0.8	-0.5	0.0	0.1	-0.4	-0.1
Nondurable Manufacturing	5.22	5.21	5.19	5.18	5.17	5.15	5.14	5.12
% Ch, Annual Rate	-1.0	-1.1	-1.5	-1.1	-0.7	-1.1	-1.2	-1.4
Food Manufacturing	1.52	1.52	1.52	1.53	1.53	1.54	1.54	1.54
% Ch, Annual Rate	1.7	1.0	0.1	0.8	1.4	0.9	0.9	0.4
Paper and Paper Products	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47
% Ch, Annual Rate	-1.0	-0.2	-0.5	-0.1	0.1	-0.4	-0.5	-0.7
Other Nondurables	3.24	3.22	3.20	3.18	3.17	3.15	3.13	3.11
% Ch, Annual Rate	-2.2	-2.2	-2.3	-2.1	-1.8	-2.1	-2.2	-2.4
Natural Resources and Mining	0.74	0.73	0.73	0.72	0.71	0.71	0.70	0.69
% Ch, Annual Rate	-0.5	-2.0	-3.2	-3.1	-3.4	-4.4	-4.3	-4.3
Construction	7.33	7.34	7.38	7.40	7.41	7.44	7.48	7.51
% Ch, Annual Rate	-0.8	0.9	1.9	1.1	0.8	1.5	2.0	2.1
Trade, Transportation, and Utilities	26.60	26.71	26.81	26.92	26.94	27.00	27.04	27.09
% Ch, Annual Rate	2.2	1.6	1.5	1.6	0.4	0.8	0.5	0.8
Wholesale Trade	5.89	5.89	5.89	5.90	5.90	5.91	5.93	5.95
% Ch, Annual Rate	0.9	0.2	0.4	0.2	0.4	0.6	1.3	1.0
Retail Trade	15.57	15.65	15.72	15.79	15.78	15.80	15.78	15.79
% Ch, Annual Rate	2.7	2.0	1.7	1.9	-0.3	0.4	-0.3	0.3
Trans., Warehousing, and Utilities	5.14	5.17	5.20	5.23	5.26	5.29	5.32	5.35
% Ch, Annual Rate	2.4	2.0	2.3	2.4	2.5	2.4	2.4	2.1
Information	3.02	3.05	3.06	3.06	3.07	3.08	3.09	3.10
% Ch, Annual Rate	1.2	4.5	0.7	0.7	1.2	1.0	1.1	0.9
Publishing Industries	0.92	0.92	0.93	0.93	0.94	0.94	0.95	0.95
% Ch, Annual Rate	1.8	1.0	1.2	1.6	2.2	2.3	2.1	2.1
Other Information	2.10	2.13	2.13	2.13	2.14	2.14	2.14	2.14
% Ch, Annual Rate	0.9	6.0	0.5	0.3	0.8	0.5	0.7	0.4
Financial Activities	8.37	8.39	8.41	8.42	8.45	8.47	8.52	8.55
% Ch, Annual Rate	1.8	0.7	1.0	0.5	1.3	1.2	2.0	1.7
Professional and Business Services	18.21	18.38	18.57	18.75	18.95	19.11	19.25	19.41
% Ch, Annual Rate	3.5	3.8	4.2	4.0	4.3	3.3	3.1	3.2
Education and Health Services	18.23	18.30	18.41	18.50	18.59	18.66	18.70	18.73
% Ch, Annual Rate	1.6	1.7	2.5	1.8	2.0	1.5	0.9	0.7
Leisure and Hospitality	13.50	13.57	13.58	13.63	13.65	13.68	13.72	13.76
% Ch, Annual Rate	1.9	2.0	0.3	1.4	0.7	0.9	1.2	1.1
Other Services	5.50	5.51	5.51	5.52	5.53	5.53	5.54	5.55
% Ch, Annual Rate	0.9	0.5	0.4	0.4	0.7	0.3	0.6	0.5
Federal Government	2.71	2.71	2.71	2.71	2.71	2.71	2.72	2.75
% Ch, Annual Rate	0.1	0.1	0.1	0.1	0.1	0.1	1.6	3.5
State and Local Government	19.56	19.64	19.75	19.85	19.90	19.96	20.04	20.11
% Ch, Annual Rate	0.4	1.6	2.3	1.9	1.1	1.2	1.6	1.5

Table A2.3
Washington Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,777.3	2,859.9	2,922.8	2,987.6	3,042.5
% Ch	-1.6	0.1	1.6	2.8	3.0	2.2	2.2	1.8
Manufacturing	285.0	267.0	263.7	272.0	283.9	291.0	292.8	293.1
% Ch	-9.8	-6.3	-1.3	3.1	4.4	2.5	0.6	0.1
Durable Manufacturing	199.3	183.7	182.4	191.2	202.7	207.0	207.5	207.2
% Ch	-11.4	-7.8	-0.7	4.8	6.0	2.1	0.2	-0.1
Wood Products	18.0	17.8	18.8	20.0	20.3	19.4	18.4	17.9
% Ch	-4.9	-1.3	5.4	6.7	1.6	-4.8	-4.8	-2.9
Primary and Fabricated Metals	23.5	22.1	22.3	23.3	24.4	25.2	25.3	25.4
% Ch	-12.7	-6.2	0.8	4.4	5.1	3.3	0.1	0.4
Computer and Electronic Products	26.2	23.4	22.1	22.2	22.1	20.8	19.4	19.1
% Ch	-19.3	-10.7	-5.3	0.2	-0.3	-6.0	-6.5	-1.7
Machinery and Electrical Equipment	16.7	16.3	17.0	17.8	18.9	20.1	20.5	20.8
% Ch	-10.0	-2.5	4.4	4.6	6.6	6.1	1.9	1.4
Aerospace	75.7	65.3	61.5	65.7	73.1	77.6	80.0	80.3
% Ch	-13.2	-13.8	-5.8	6.9	11.3	6.0	3.2	0.3
Other Transportation Equip.	10.9	11.1	12.1	13.0	13.6	13.5	13.5	13.3
% Ch	-3.0	1.7	9.2	7.1	4.3	-0.1	-0.5	-1.0
Other Durables	28.3	27.9	28.6	29.3	30.2	30.4	30.4	30.4
% Ch	-4.5	-1.5	2.7	2.4	3.0	0.9	-0.1	0.1
Nondurable Manufacturing	85.7	83.3	81.3	80.8	81.2	84.0	85.3	85.9
% Ch	-6.0	-2.8	-2.4	-0.6	0.6	3.4	1.5	0.7
Food Manufacturing	35.3	34.8	34.1	33.7	33.9	36.1	37.6	38.4
% Ch	-5.4	-1.3	-2.0	-1.1	0.4	6.6	4.3	2.0
Paper and Paper Products	13.2	13.3	12.7	12.2	12.1	12.1	12.1	12.0
% Ch	-6.1	0.1	-4.6	-3.9	-0.5	0.1	-0.4	-0.2
Other Nondurables	37.2	35.2	34.5	34.9	35.3	35.8	35.6	35.4
% Ch	-6.5	-5.4	-1.9	1.0	1.1	1.5	-0.6	-0.4
Natural Resources and Mining	9.4	8.6	9.1	9.0	8.7	8.5	8.4	8.4
% Ch	-4.6	-7.7	5.7	-1.8	-3.2	-1.9	-1.0	-0.5
Construction	154.2	156.2	164.1	177.4	193.1	195.9	197.7	198.6
% Ch	-2.9	1.3	5.1	8.1	8.8	1.5	1.0	0.4
Trade, Transportation, and Utilities	509.3	509.8	518.4	531.2	543.1	551.5	566.3	574.5
% Ch	-2.8	0.1	1.7	2.5	2.2	1.5	2.7	1.5
Wholesale Trade	115.7	116.0	119.3	122.6	125.9	126.9	128.4	129.2
% Ch	-3.4	0.3	2.8	2.8	2.7	0.7	1.2	0.6
Retail Trade	305.3	305.9	309.3	317.3	324.0	329.3	340.2	345.6
% Ch	-2.0	0.2	1.1	2.6	2.1	1.6	3.3	1.6
Trans., Warehousing, and Utilities	88.3	87.9	89.7	91.3	93.2	95.3	97.6	99.7
% Ch	-4.4	-0.5	2.1	1.8	2.0	2.3	2.4	2.1
Information	93.6	92.3	92.9	94.9	97.6	99.0	100.8	103.3
% Ch	-5.5	-1.4	0.6	2.2	2.8	1.5	1.8	2.5
Software Publishers	36.1	37.4	39.3	41.3	44.6	46.9	48.7	50.7
% Ch	0.8	3.4	5.1	5.2	8.0	5.2	3.8	4.1
Other Publishing Industries	12.6	12.1	11.3	11.2	11.0	11.0	11.0	11.1
% Ch	-4.4	-4.0	-6.7	-0.6	-2.3	-0.3	0.2	0.8
Other Information	44.8	42.8	42.3	42.4	42.0	41.2	41.1	41.6
% Ch	-10.3	-4.5	-1.2	0.2	-0.9	-1.9	-0.1	1.0
Financial Activities	146.1	151.9	151.8	154.0	156.3	157.6	160.3	163.2
% Ch	0.7	3.9	-0.1	1.5	1.5	0.9	1.7	1.8
Professional and Business Services	290.2	290.3	301.7	316.6	332.3	346.8	362.1	377.4
% Ch	-2.3	0.0	3.9	5.0	5.0	4.4	4.4	4.2
Education and Health Services	306.9	312.9	319.7	329.2	337.0	345.9	354.5	362.7
% Ch	2.9	1.9	2.2	3.0	2.4	2.6	2.5	2.3
Leisure and Hospitality	245.4	248.9	255.6	263.5	272.3	279.4	286.3	290.9
% Ch	-0.7	1.4	2.7	3.1	3.3	2.6	2.5	1.6
Other Services	97.8	98.9	100.3	102.9	104.5	106.3	108.0	109.3
% Ch	0.9	1.2	1.4	2.6	1.6	1.7	1.6	1.2
Federal Government	69.2	70.2	69.7	69.5	69.6	69.9	70.4	71.1
% Ch	1.9	1.4	-0.6	-0.3	0.1	0.4	0.7	0.9
State and Local Government	446.9	450.5	454.0	457.1	461.6	470.9	480.0	490.0
% Ch	2.2	0.8	0.8	0.7	1.0	2.0	1.9	2.1

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,673.9	2,694.9	2,706.3	2,728.3	2,747.3	2,768.7	2,783.3	2,809.8
% Ch, Annual Rate	1.0	3.2	1.7	3.3	2.8	3.2	2.1	3.9
Manufacturing	261.9	262.9	263.8	266.1	269.0	271.9	269.9	277.0
% Ch, Annual Rate	-2.0	1.6	1.3	3.6	4.4	4.3	-2.9	11.0
Durable Manufacturing	180.1	181.4	182.9	185.0	187.9	191.1	189.0	196.7
% Ch, Annual Rate	-0.8	3.0	3.4	4.7	6.2	7.0	-4.3	17.4
Wood Products	18.1	18.6	19.0	19.3	19.8	19.8	20.1	20.3
% Ch, Annual Rate	9.2	11.4	8.7	7.5	10.0	0.6	6.2	3.1
Primary and Fabricated Metals	21.9	22.2	22.4	22.6	22.8	23.2	23.4	23.7
% Ch, Annual Rate	4.6	5.4	2.4	3.6	3.9	6.9	3.4	6.5
Computer and Electronic Products	22.0	22.1	22.2	22.2	22.1	22.1	22.2	22.2
% Ch, Annual Rate	-9.7	2.1	2.6	-1.2	-1.0	0.0	2.3	-0.7
Machinery and Electrical Equipment	16.6	16.9	17.1	17.3	17.4	17.6	17.9	18.1
% Ch, Annual Rate	5.0	6.6	4.8	4.0	3.2	4.4	7.3	4.9
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.9	69.8
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.9	-16.4	51.3
Other Transportation Equip.	11.7	12.1	12.4	12.3	12.6	13.4	13.0	13.0
% Ch, Annual Rate	10.4	13.6	10.3	-3.0	9.5	27.6	-10.0	-1.7
Other Durables	28.4	28.6	28.7	28.8	28.9	29.2	29.4	29.6
% Ch, Annual Rate	2.3	2.7	2.0	1.1	1.6	3.9	3.1	3.2
Nondurable Manufacturing	81.8	81.5	80.8	81.1	81.2	80.8	80.9	80.3
% Ch, Annual Rate	-4.6	-1.4	-3.2	1.2	0.4	-1.6	0.2	-3.1
Food Manufacturing	34.4	34.3	33.7	34.1	34.2	33.7	33.7	33.3
% Ch, Annual Rate	-4.2	-1.6	-6.6	4.7	1.5	-5.7	-0.3	-4.3
Paper and Paper Products	12.9	12.7	12.6	12.4	12.3	12.3	12.1	11.9
% Ch, Annual Rate	-13.0	-5.4	-5.2	-4.5	-3.2	-0.3	-5.2	-8.1
Other Nondurables	34.5	34.5	34.6	34.6	34.6	34.8	35.0	35.0
% Ch, Annual Rate	-1.5	0.4	1.0	-0.1	0.7	2.1	2.7	-0.1
Natural Resources and Mining	8.9	9.1	9.2	9.3	9.2	9.1	8.8	8.8
% Ch, Annual Rate	20.3	7.9	6.6	1.5	-5.2	-2.4	-11.5	-1.2
Construction	160.8	163.4	164.3	168.1	172.5	175.4	178.4	183.2
% Ch, Annual Rate	5.8	6.5	2.4	9.4	11.1	6.8	7.1	11.2
Trade, Transportation, and Utilities	512.3	517.7	520.0	523.6	527.0	529.9	532.3	535.6
% Ch, Annual Rate	1.0	4.3	1.8	2.8	2.7	2.2	1.8	2.5
Wholesale Trade	117.5	119.0	119.8	121.0	121.5	122.2	122.8	123.8
% Ch, Annual Rate	2.0	5.4	2.5	4.1	1.9	2.2	2.0	3.4
Retail Trade	306.9	309.4	309.9	311.1	314.1	315.9	318.4	320.7
% Ch, Annual Rate	0.9	3.4	0.6	1.5	3.9	2.4	3.1	2.9
Trans., Warehousing, and Utilities	87.9	89.2	90.3	91.5	91.5	91.7	91.1	91.1
% Ch, Annual Rate	0.0	6.0	5.0	5.4	-0.3	1.2	-2.7	0.0
Information	92.4	92.8	92.6	93.6	93.8	94.7	95.3	95.8
% Ch, Annual Rate	-2.7	1.7	-1.0	4.6	1.0	3.8	2.2	2.1
Software Publishers	38.9	39.2	39.3	39.7	40.3	41.1	41.7	42.1
% Ch, Annual Rate	5.0	2.9	1.7	4.3	6.2	7.7	5.7	4.8
Other Publishing Industries	11.4	11.3	11.3	11.3	11.3	11.3	11.2	11.2
% Ch, Annual Rate	-8.1	-1.5	-0.8	0.2	1.8	-2.6	-3.2	-0.4
Other Information	42.2	42.3	42.0	42.6	42.2	42.4	42.4	42.4
% Ch, Annual Rate	-7.9	1.4	-3.6	6.2	-3.9	2.0	0.5	0.2
Financial Activities	151.8	151.7	151.4	152.3	152.4	153.4	155.0	155.4
% Ch, Annual Rate	-1.4	-0.2	-1.0	2.5	0.3	2.5	4.2	1.2
Professional and Business Services	296.1	300.3	303.1	307.1	310.8	314.8	318.7	322.0
% Ch, Annual Rate	4.3	5.9	3.7	5.5	4.9	5.3	5.0	4.2
Education and Health Services	315.8	318.9	320.6	323.3	325.1	328.2	330.5	332.8
% Ch, Annual Rate	0.6	4.0	2.2	3.4	2.2	3.9	2.9	2.8
Leisure and Hospitality	253.0	255.0	255.8	258.5	259.7	262.1	264.5	267.7
% Ch, Annual Rate	1.7	3.2	1.4	4.2	1.8	3.8	3.7	5.0
Other Services	99.1	100.1	100.7	101.1	102.2	102.4	103.1	103.8
% Ch, Annual Rate	0.2	4.3	2.3	1.6	4.5	0.8	2.5	3.0
Federal Government	69.9	69.7	69.8	69.7	69.6	69.6	69.5	69.4
% Ch, Annual Rate	-0.9	-1.1	0.5	-0.3	-0.6	0.1	-0.4	-0.7
State and Local Government	452.0	453.2	455.0	455.6	455.9	457.1	457.4	458.2
% Ch, Annual Rate	0.9	1.1	1.6	0.5	0.3	1.1	0.2	0.7

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,839.5	2,851.4	2,867.0	2,881.6	2,898.2	2,914.5	2,931.2	2,947.5
% Ch, Annual Rate	4.3	1.7	2.2	2.1	2.3	2.3	2.3	2.2
Manufacturing	281.8	282.6	284.4	286.8	289.7	290.5	291.4	292.4
% Ch, Annual Rate	7.2	1.1	2.6	3.5	4.1	1.1	1.3	1.3
Durable Manufacturing	200.4	201.8	203.5	205.0	206.6	206.7	207.1	207.6
% Ch, Annual Rate	7.7	2.7	3.6	2.9	3.2	0.2	0.8	0.9
Wood Products	20.4	20.5	20.3	20.1	19.9	19.5	19.2	18.9
% Ch, Annual Rate	2.8	1.2	-3.1	-4.5	-4.4	-7.2	-6.6	-5.7
Primary and Fabricated Metals	24.2	24.4	24.5	24.7	25.1	25.2	25.3	25.4
% Ch, Annual Rate	8.2	2.6	2.7	3.0	6.7	1.6	2.1	0.4
Computer and Electronic Products	22.2	22.2	22.3	21.8	21.5	21.0	20.5	20.2
% Ch, Annual Rate	0.1	-0.1	1.2	-9.0	-4.2	-9.9	-8.8	-6.2
Machinery and Electrical Equipment	18.6	18.8	19.0	19.4	19.8	19.9	20.2	20.4
% Ch, Annual Rate	10.3	3.7	6.3	6.8	9.8	2.7	5.1	4.1
Aerospace	71.6	72.2	73.6	75.2	76.3	77.1	78.0	78.8
% Ch, Annual Rate	10.8	3.3	7.9	9.3	6.0	4.4	4.3	4.3
Other Transportation Equip.	13.3	13.6	13.7	13.6	13.6	13.5	13.5	13.5
% Ch, Annual Rate	9.4	11.4	1.2	-1.3	-1.1	-1.4	-0.9	-0.2
Other Durables	30.1	30.1	30.1	30.3	30.4	30.4	30.5	30.5
% Ch, Annual Rate	6.8	0.1	0.2	1.6	1.9	0.1	0.5	0.0
Nondurable Manufacturing	81.4	80.8	80.8	81.8	83.1	83.8	84.3	84.8
% Ch, Annual Rate	6.0	-2.9	0.1	4.9	6.3	3.4	2.5	2.5
Food Manufacturing	34.2	33.6	33.5	34.2	35.2	35.8	36.4	37.0
% Ch, Annual Rate	10.5	-6.5	-0.8	8.0	12.4	7.4	6.3	6.8
Paper and Paper Products	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
% Ch, Annual Rate	8.9	-0.5	-2.5	1.2	0.7	0.2	0.4	-0.7
Other Nondurables	35.1	35.1	35.3	35.5	35.8	35.8	35.8	35.7
% Ch, Annual Rate	0.9	-0.1	1.8	3.4	2.6	0.6	-0.5	-0.7
Natural Resources and Mining	8.8	8.7	8.6	8.6	8.5	8.5	8.5	8.5
% Ch, Annual Rate	0.9	-4.7	-5.1	-0.8	-2.1	-0.8	-0.7	-0.5
Construction	190.9	193.2	194.1	194.0	195.1	195.6	196.1	196.7
% Ch, Annual Rate	17.8	5.1	1.8	-0.2	2.3	0.9	1.1	1.2
Trade, Transportation, and Utilities	541.7	543.1	543.0	544.5	546.1	549.2	553.3	557.5
% Ch, Annual Rate	4.6	1.1	-0.1	1.1	1.2	2.3	3.0	3.1
Wholesale Trade	125.9	126.3	125.8	125.7	126.1	126.5	127.1	127.7
% Ch, Annual Rate	6.8	1.3	-1.7	-0.2	1.2	1.4	2.0	1.8
Retail Trade	323.6	324.2	323.6	324.7	325.5	327.6	330.5	333.5
% Ch, Annual Rate	3.7	0.8	-0.8	1.4	1.1	2.6	3.5	3.7
Trans., Warehousing, and Utilities	92.2	92.6	93.7	94.1	94.5	95.0	95.6	96.2
% Ch, Annual Rate	5.0	1.7	4.8	1.8	1.5	2.4	2.4	2.7
Information	96.5	97.5	97.9	98.3	98.7	99.2	99.2	99.0
% Ch, Annual Rate	3.3	4.0	1.8	1.3	1.8	2.2	-0.2	-0.8
Software Publishers	43.1	44.2	45.4	45.8	46.3	46.7	47.1	47.6
% Ch, Annual Rate	9.0	10.5	11.8	4.0	3.8	3.8	3.3	4.2
Other Publishing Industries	11.0	11.0	11.0	11.0	11.0	11.0	10.9	11.0
% Ch, Annual Rate	-5.0	-1.0	-1.5	0.3	-0.2	-0.0	-1.2	1.0
Other Information	42.5	42.4	41.6	41.4	41.5	41.6	41.2	40.5
% Ch, Annual Rate	0.1	-1.0	-7.1	-1.3	0.2	1.1	-3.8	-6.7
Financial Activities	155.5	156.3	156.6	156.8	156.9	157.4	157.8	158.4
% Ch, Annual Rate	0.1	2.1	0.7	0.5	0.3	1.3	1.0	1.6
Professional and Business Services	326.1	329.5	334.9	338.7	341.3	344.9	348.8	352.4
% Ch, Annual Rate	5.2	4.2	6.8	4.6	3.1	4.2	4.6	4.2
Education and Health Services	334.3	335.1	337.9	340.6	343.3	344.6	346.8	348.9
% Ch, Annual Rate	1.8	0.9	3.4	3.2	3.2	1.6	2.5	2.5
Leisure and Hospitality	270.4	271.4	273.0	274.4	276.1	278.4	280.8	282.4
% Ch, Annual Rate	4.1	1.5	2.3	2.1	2.4	3.4	3.5	2.3
Other Services	104.0	104.3	104.6	105.0	105.5	106.0	106.5	107.1
% Ch, Annual Rate	0.5	1.5	1.2	1.5	1.7	2.2	1.8	2.0
Federal Government	69.7	69.5	69.6	69.7	69.7	69.9	70.0	70.1
% Ch, Annual Rate	1.6	-1.0	0.4	0.4	0.6	0.6	0.8	0.8
State and Local Government	459.7	460.0	462.3	464.2	467.2	470.3	472.1	474.2
% Ch, Annual Rate	1.4	0.3	2.0	1.7	2.6	2.7	1.5	1.8

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,963.8	2,980.2	2,995.7	3,010.6	3,023.6	3,036.3	3,048.7	3,061.2
% Ch, Annual Rate	2.2	2.2	2.1	2.0	1.7	1.7	1.7	1.6
Manufacturing	292.9	293.0	292.7	292.6	292.8	293.1	293.2	293.2
% Ch, Annual Rate	0.6	0.3	-0.4	-0.2	0.4	0.4	0.1	-0.0
Durable Manufacturing	207.7	207.7	207.5	207.2	207.2	207.3	207.2	207.2
% Ch, Annual Rate	0.2	0.0	-0.5	-0.6	-0.0	0.2	-0.1	-0.0
Wood Products	18.7	18.5	18.4	18.2	18.1	18.0	17.8	17.7
% Ch, Annual Rate	-4.8	-3.5	-3.0	-2.9	-2.6	-2.6	-3.2	-3.0
Primary and Fabricated Metals	25.3	25.3	25.2	25.3	25.3	25.4	25.4	25.4
% Ch, Annual Rate	-0.7	-0.6	-0.4	0.1	1.0	0.9	0.2	-0.1
Computer and Electronic Products	19.9	19.5	19.3	19.1	19.0	19.1	19.1	19.2
% Ch, Annual Rate	-5.9	-6.3	-5.3	-4.1	-0.7	1.2	0.5	1.1
Machinery and Electrical Equipment	20.5	20.4	20.5	20.5	20.6	20.7	20.8	20.9
% Ch, Annual Rate	1.7	-0.7	0.3	0.9	1.9	2.6	1.5	2.1
Aerospace	79.5	80.1	80.3	80.3	80.3	80.3	80.3	80.3
% Ch, Annual Rate	3.5	3.1	1.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	13.5	13.5	13.5	13.4	13.4	13.4	13.3	13.3
% Ch, Annual Rate	-0.4	-0.3	-0.8	-0.7	-1.1	-0.8	-1.3	-1.9
Other Durables	30.4	30.4	30.4	30.4	30.4	30.4	30.4	30.5
% Ch, Annual Rate	-0.4	-0.3	-0.2	0.0	0.3	0.3	0.1	0.3
Nondurable Manufacturing	85.1	85.3	85.3	85.4	85.7	85.8	86.0	86.0
% Ch, Annual Rate	1.6	0.8	-0.3	0.7	1.3	0.7	0.6	-0.0
Food Manufacturing	37.4	37.6	37.7	37.8	38.1	38.3	38.5	38.6
% Ch, Annual Rate	4.8	2.5	0.1	2.0	3.0	2.1	1.9	0.8
Paper and Paper Products	12.1	12.1	12.1	12.1	12.1	12.1	12.0	12.0
% Ch, Annual Rate	-1.0	-0.2	-0.5	-0.1	0.1	-0.4	-0.5	-0.7
Other Nondurables	35.7	35.6	35.5	35.5	35.5	35.5	35.4	35.4
% Ch, Annual Rate	-0.7	-0.6	-0.7	-0.4	-0.1	-0.4	-0.5	-0.7
Natural Resources and Mining	8.5	8.4	8.4	8.4	8.4	8.4	8.4	8.4
% Ch, Annual Rate	-0.9	-1.5	-1.3	-0.9	-0.1	0.0	-0.3	-0.1
Construction	197.2	197.6	197.9	198.2	198.4	198.5	198.6	198.8
% Ch, Annual Rate	1.0	0.9	0.7	0.5	0.3	0.2	0.2	0.4
Trade, Transportation, and Utilities	561.7	564.9	567.8	570.7	572.1	573.9	575.2	576.8
% Ch, Annual Rate	3.1	2.3	2.1	2.1	0.9	1.3	0.9	1.1
Wholesale Trade	128.2	128.4	128.5	128.6	128.8	129.0	129.4	129.6
% Ch, Annual Rate	1.5	0.6	0.4	0.4	0.6	0.6	1.1	0.8
Retail Trade	336.7	339.2	341.4	343.7	344.3	345.4	345.9	346.8
% Ch, Annual Rate	3.8	3.0	2.7	2.7	0.7	1.3	0.5	1.0
Trans., Warehousing, and Utilities	96.8	97.3	97.9	98.4	98.9	99.5	100.0	100.4
% Ch, Annual Rate	2.5	2.1	2.1	2.2	2.3	2.1	2.1	1.8
Information	99.6	100.7	101.2	101.7	102.4	103.0	103.7	104.3
% Ch, Annual Rate	2.4	4.6	2.0	2.1	2.5	2.4	2.5	2.4
Software Publishers	48.0	48.5	48.9	49.4	49.9	50.4	51.0	51.5
% Ch, Annual Rate	3.9	3.6	3.7	4.0	4.2	4.3	4.3	4.3
Other Publishing Industries	11.0	11.0	11.0	11.0	11.0	11.0	11.1	11.1
% Ch, Annual Rate	0.6	-0.1	0.1	0.5	1.0	1.1	1.0	1.0
Other Information	40.6	41.3	41.3	41.4	41.5	41.5	41.6	41.6
% Ch, Annual Rate	1.0	7.0	0.6	0.4	0.9	0.5	0.8	0.5
Financial Activities	159.4	160.0	160.7	161.1	161.9	162.6	163.7	164.5
% Ch, Annual Rate	2.6	1.5	1.6	1.2	1.9	1.8	2.5	2.1
Professional and Business Services	356.1	360.0	364.1	368.0	372.2	375.8	379.1	382.5
% Ch, Annual Rate	4.3	4.5	4.6	4.4	4.6	3.8	3.6	3.6
Education and Health Services	351.0	353.1	355.8	358.0	360.2	362.2	363.6	364.9
% Ch, Annual Rate	2.4	2.4	3.0	2.5	2.6	2.1	1.6	1.4
Leisure and Hospitality	284.1	286.0	286.8	288.2	289.2	290.2	291.5	292.6
% Ch, Annual Rate	2.5	2.6	1.2	1.9	1.4	1.5	1.7	1.5
Other Services	107.5	107.8	108.2	108.5	108.8	109.1	109.5	109.7
% Ch, Annual Rate	1.6	1.4	1.3	1.2	1.3	1.1	1.2	1.1
Federal Government	70.2	70.4	70.5	70.6	70.7	70.8	71.1	71.7
% Ch, Annual Rate	0.7	0.7	0.7	0.7	0.6	0.6	1.7	3.1
State and Local Government	475.6	478.2	481.6	484.5	486.5	488.6	491.3	493.8
% Ch, Annual Rate	1.2	2.2	2.9	2.5	1.6	1.8	2.2	2.1

Table A3.1
U.S. Personal Income by Component
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	8,881.9	9,163.6	9,731.4	10,239.2	10,883.0	11,480.9	12,138.8	12,853.2
% Ch	1.8	3.2	6.2	5.2	6.3	5.5	5.7	5.9
Total Wage and Salary Disbursements	4,980.9	5,112.7	5,392.1	5,664.8	6,018.4	6,310.6	6,643.5	7,000.8
% Ch	0.8	2.6	5.5	5.1	6.2	4.9	5.3	5.4
Nonwage Personal Income	3,901.0	4,050.9	4,339.3	4,574.4	4,864.6	5,170.3	5,495.3	5,852.5
% Ch	3.2	3.8	7.1	5.4	6.3	6.3	6.3	6.5
Supplements to Wages and Salaries	1,110.3	1,197.7	1,273.2	1,365.5	1,454.5	1,527.3	1,590.0	1,658.0
% Ch	11.1	7.9	6.3	7.3	6.5	5.0	4.1	4.3
Proprietor's Income	768.4	811.3	911.1	970.7	1,023.4	1,071.7	1,134.5	1,203.6
% Ch	-0.5	5.6	12.3	6.5	5.4	4.7	5.9	6.1
Farm	10.6	29.2	36.2	30.3	19.0	18.7	18.2	18.2
% Ch	-46.3	176.4	23.9	-16.4	-37.2	-1.7	-2.5	-0.2
Nonfarm	757.8	782.1	874.9	940.4	1,004.4	1,053.0	1,116.3	1,185.4
% Ch	0.7	3.2	11.9	7.5	6.8	4.8	6.0	6.2
Less: Contribution For Govt. Soc. Ins.	750.0	778.6	826.4	880.6	944.7	996.2	1,048.1	1,104.6
% Ch	2.6	3.8	6.1	6.6	7.3	5.5	5.2	5.4
Dividends/Int./Rent	1,486.2	1,469.6	1,554.9	1,592.3	1,728.8	1,860.5	2,005.3	2,174.2
% Ch	-4.0	-1.1	5.8	2.4	8.6	7.6	7.8	8.4
Transfer Payments	1,286.2	1,351.0	1,426.5	1,526.6	1,602.5	1,707.0	1,813.6	1,921.3
% Ch	7.7	5.0	5.6	7.0	5.0	6.5	6.2	5.9

Table A3.2

U.S. Personal Income by Component

Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,497.7	9,640.5	9,767.9	10,019.4	10,048.8	10,161.5	10,262.7	10,483.7
% Ch, Annual Rate	6.9	6.2	5.4	10.7	1.2	4.6	4.0	8.9
Total Wage and Salary Disbursements	5,279.9	5,349.6	5,433.1	5,505.8	5,555.7	5,601.3	5,715.2	5,787.0
% Ch, Annual Rate	5.4	5.4	6.4	5.5	3.7	3.3	8.4	5.1
Nonwage Personal Income	4,217.8	4,290.9	4,334.8	4,513.6	4,493.1	4,560.2	4,547.5	4,696.7
% Ch, Annual Rate	8.7	7.1	4.2	17.5	-1.8	6.1	-1.1	13.8
Supplements to Wages and Salaries	1,245.5	1,262.0	1,281.5	1,303.6	1,333.9	1,352.4	1,378.4	1,397.4
% Ch, Annual Rate	7.3	5.4	6.3	7.1	9.6	5.7	7.9	5.6
Proprietor's Income	877.5	910.1	915.1	941.6	952.8	965.8	967.4	996.8
% Ch, Annual Rate	18.6	15.7	2.2	12.1	4.8	5.6	0.7	12.7
Farm	38.1	39.5	32.9	34.3	33.9	28.7	29.7	28.7
% Ch, Annual Rate	88.9	15.5	-51.9	18.1	-4.6	-48.6	14.7	-12.8
Nonfarm	839.4	870.6	882.2	907.3	918.9	937.1	937.7	968.1
% Ch, Annual Rate	16.3	15.7	5.4	11.9	5.2	8.2	0.3	13.6
Less: Contribution For Govt. Soc. Ins.	810.8	819.8	831.8	843.1	863.6	871.5	888.5	898.9
% Ch, Annual Rate	9.9	4.5	6.0	5.5	10.1	3.7	8.0	4.8
Dividends/Int./Rent	1,506.3	1,521.8	1,528.4	1,663.2	1,582.8	1,603.3	1,521.2	1,661.7
% Ch, Annual Rate	4.3	4.2	1.7	40.2	-18.0	5.3	-19.0	42.4
Transfer Payments	1,399.3	1,416.7	1,441.7	1,448.4	1,487.3	1,510.1	1,569.0	1,539.8
% Ch, Annual Rate	9.6	5.1	7.2	1.9	11.2	6.3	16.5	-7.2

Table A3.2
U.S. Personal Income by Component
 Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,647.5	10,812.9	10,966.7	11,104.8	11,261.5	11,407.1	11,553.1	11,702.2
% Ch, Annual Rate	6.4	6.4	5.8	5.1	5.8	5.3	5.2	5.3
Total Wage and Salary Disbursements	5,890.9	5,982.4	6,067.2	6,133.0	6,203.4	6,270.8	6,345.4	6,423.0
% Ch, Annual Rate	7.4	6.4	5.8	4.4	4.7	4.4	4.8	5.0
Nonwage Personal Income	4,756.6	4,830.5	4,899.5	4,971.9	5,058.1	5,136.3	5,207.6	5,279.2
% Ch, Annual Rate	5.2	6.4	5.8	6.0	7.1	6.3	5.7	5.6
Supplements to Wages and Salaries	1,424.4	1,444.2	1,464.9	1,484.6	1,505.6	1,520.9	1,535.2	1,547.8
% Ch, Annual Rate	8.0	5.7	5.8	5.5	5.8	4.1	3.8	3.3
Proprietor's Income	1,008.3	1,017.3	1,026.7	1,041.5	1,053.8	1,066.4	1,077.1	1,089.4
% Ch, Annual Rate	4.7	3.6	3.7	5.9	4.8	4.8	4.1	4.6
Farm	23.9	19.5	15.9	16.7	19.1	19.4	18.4	17.8
% Ch, Annual Rate	-51.9	-55.7	-55.6	20.8	70.3	8.0	-19.2	-13.3
Nonfarm	984.4	997.8	1,010.8	1,024.8	1,034.8	1,046.9	1,058.7	1,071.6
% Ch, Annual Rate	6.9	5.6	5.3	5.7	4.0	4.8	4.6	5.0
Less: Contribution For Govt. Soc. Ins.	925.6	938.9	952.1	962.0	984.2	991.7	1,001.6	1,007.2
% Ch, Annual Rate	12.4	5.9	5.7	4.2	9.6	3.1	4.0	2.3
Dividends/Int./Rent	1,679.1	1,717.9	1,745.7	1,772.3	1,808.5	1,844.9	1,879.0	1,909.6
% Ch, Annual Rate	4.3	9.6	6.6	6.2	8.4	8.3	7.6	6.7
Transfer Payments	1,570.4	1,589.9	1,614.3	1,635.5	1,674.4	1,695.9	1,717.9	1,739.8
% Ch, Annual Rate	8.2	5.1	6.3	5.4	9.8	5.2	5.3	5.2

Table A3.2

U.S. Personal Income by Component

Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	11,873.9	12,050.8	12,226.0	12,404.5	12,587.2	12,763.6	12,940.7	13,121.6
% Ch, Annual Rate	6.0	6.1	5.9	6.0	6.0	5.7	5.7	5.7
Total Wage and Salary Disbursements	6,513.3	6,599.5	6,686.6	6,774.5	6,868.2	6,957.0	7,045.0	7,132.8
% Ch, Annual Rate	5.7	5.4	5.4	5.4	5.6	5.3	5.2	5.1
Nonwage Personal Income	5,360.6	5,451.3	5,539.4	5,630.0	5,719.0	5,806.6	5,895.6	5,988.7
% Ch, Annual Rate	6.3	6.9	6.6	6.7	6.5	6.3	6.3	6.5
Supplements to Wages and Salaries	1,567.9	1,583.5	1,597.5	1,611.2	1,633.7	1,650.6	1,666.5	1,681.2
% Ch, Annual Rate	5.3	4.0	3.6	3.5	5.7	4.2	3.9	3.6
Proprietor's Income	1,108.0	1,126.6	1,143.8	1,159.7	1,177.0	1,195.5	1,211.8	1,230.2
% Ch, Annual Rate	7.0	6.9	6.3	5.7	6.1	6.4	5.6	6.2
Farm	17.8	18.1	18.5	18.4	17.2	17.7	18.1	19.6
% Ch, Annual Rate	1.0	6.7	8.9	-1.7	-24.1	13.1	9.6	36.4
Nonfarm	1,090.2	1,108.4	1,125.3	1,141.3	1,159.8	1,177.8	1,193.6	1,210.6
% Ch, Annual Rate	7.1	6.9	6.2	5.8	6.6	6.3	5.5	5.8
Less: Contribution For Govt. Soc. Ins.	1,033.0	1,043.4	1,053.8	1,062.2	1,089.2	1,099.8	1,110.9	1,118.4
% Ch, Annual Rate	10.6	4.1	4.1	3.2	10.6	3.9	4.1	2.7
Dividends/Int./Rent	1,942.1	1,982.8	2,026.2	2,070.0	2,110.8	2,153.2	2,196.1	2,236.5
% Ch, Annual Rate	7.0	8.7	9.1	8.9	8.1	8.3	8.2	7.6
Transfer Payments	1,775.7	1,801.8	1,825.7	1,851.4	1,886.7	1,907.1	1,932.2	1,959.1
% Ch, Annual Rate	8.5	6.0	5.4	5.8	7.8	4.4	5.4	5.7

Table A3.3
Washington Personal Income by Component
 Forecast 2006 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	197.452	201.607	217.039	223.392	242.180	258.894	276.807	295.342
% Ch	2.0	2.1	7.7	2.9	8.4	6.9	6.9	6.7
Total Wage and Salary Disbursements	111.412	114.093	118.738	125.703	138.051	146.861	156.522	166.238
% Ch	0.7	2.4	4.1	5.9	9.8	6.4	6.6	6.2
Manufacturing	14.660	13.594	13.834	15.166	17.537	18.701	19.627	20.489
% Ch	-3.8	-7.3	1.8	9.6	15.6	6.6	5.0	4.4
Durable Manufacturing	10.772	10.101	10.342	11.559	13.676	14.543	15.220	15.860
% Ch	-7.3	-6.2	2.4	11.8	18.3	6.3	4.7	4.2
Nondurable Manufacturing	3.888	3.494	3.493	3.607	3.861	4.157	4.407	4.630
% Ch	7.2	-10.1	-0.0	3.3	7.1	7.7	6.0	5.1
Nonmanufacturing	92.236	95.617	99.717	104.936	114.731	122.083	130.478	138.978
% Ch	1.2	3.7	4.3	5.2	9.3	6.4	6.9	6.5
Other Private Wages	1.084	1.139	1.159	1.236	1.326	1.423	1.539	1.660
% Ch	5.0	5.1	1.8	6.7	7.2	7.3	8.2	7.9
Farm Wages	0.922	0.946	1.090	1.219	1.264	1.330	1.406	1.484
% Ch	-8.4	2.5	15.3	11.8	3.7	5.3	5.7	5.6
Military Wages	2.510	2.797	2.938	3.146	3.194	3.324	3.472	3.627
% Ch	15.5	11.4	5.1	7.1	1.5	4.1	4.5	4.4
Nonwage Personal Income	86.039	87.514	98.301	97.688	104.129	112.033	120.285	129.104
% Ch	3.8	1.7	12.3	-0.6	6.6	7.6	7.4	7.3
Supplements to Wages and Salaries	25.491	27.225	29.754	32.620	35.330	37.620	39.646	41.695
% Ch	9.7	6.8	9.3	9.6	8.3	6.5	5.4	5.2
Proprietor's Income	16.108	16.529	18.391	19.848	21.063	22.223	23.668	25.189
% Ch	-0.3	2.6	11.3	7.9	6.1	5.5	6.5	6.4
Farm	0.396	0.750	0.858	0.770	0.584	0.604	0.609	0.614
% Ch	85.3	89.3	14.5	-10.3	-24.2	3.4	0.9	0.7
Nonfarm	15.712	15.779	17.532	19.078	20.479	21.619	23.058	24.575
% Ch	-1.5	0.4	11.1	8.8	7.3	5.6	6.7	6.6
Less: Contribution For Govt. Soc. Ins.	18.165	18.908	20.111	21.418	22.977	24.537	26.091	27.676
% Ch	1.9	4.1	6.4	6.5	7.3	6.8	6.3	6.1
Plus: Residence Adjustment	2.386	2.426	2.723	2.991	3.198	3.369	3.522	3.700
% Ch	3.2	1.7	12.3	9.8	6.9	5.3	4.5	5.1
Dividends/Int./Rent	33.594	32.335	39.035	33.780	35.417	38.675	42.252	46.365
% Ch	-0.9	-3.7	20.7	-13.5	4.8	9.2	9.3	9.7
Transfer Payments	26.625	27.907	28.509	29.868	32.099	34.683	37.288	39.831
% Ch	6.2	4.8	2.2	4.8	7.5	8.1	7.5	6.8
State U.I. Benefits	2.386	2.238	1.184	0.720	0.697	0.731	0.802	0.849
% Ch	73.6	-6.2	-47.1	-39.2	-3.1	4.8	9.7	5.9
Other Transfers	24.239	25.669	27.325	29.148	31.401	33.952	36.486	38.981
% Ch	2.3	5.9	6.5	6.7	7.7	8.1	7.5	6.8

Table A3.4
Washington Personal Income by Component
 Forecast 2006 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	206.054	211.637	213.261	237.205	217.800	221.295	226.386	228.086
% Ch, Annual Rate	7.3	11.3	3.1	53.1	-28.9	6.6	9.5	3.0
Total Wage and Salary Disbursements	114.903	118.925	120.366	120.759	121.941	124.191	128.257	128.425
% Ch, Annual Rate	5.4	14.8	4.9	1.3	4.0	7.6	13.8	0.5
Manufacturing	13.287	13.741	14.171	14.139	14.519	15.399	14.952	15.793
% Ch, Annual Rate	-5.5	14.4	13.1	-0.9	11.2	26.6	-11.1	24.5
Durable Manufacturing	9.850	10.225	10.674	10.618	10.869	11.846	11.331	12.189
% Ch, Annual Rate	-7.4	16.1	18.8	-2.1	9.8	41.1	-16.3	33.9
Nondurable Manufacturing	3.437	3.516	3.497	3.521	3.650	3.553	3.621	3.604
% Ch, Annual Rate	0.0	9.5	-2.1	2.8	15.4	-10.1	7.8	-1.8
Nonmanufacturing	96.539	100.047	100.976	101.304	101.728	103.186	107.753	107.078
% Ch, Annual Rate	6.4	15.3	3.8	1.3	1.7	5.9	18.9	-2.5
Other Private Wages	1.119	1.143	1.176	1.199	1.250	1.239	1.265	1.190
% Ch, Annual Rate	-3.2	8.9	12.1	8.0	18.2	-3.3	8.7	-21.7
Farm Wages	1.007	1.055	1.113	1.185	1.204	1.214	1.224	1.234
% Ch, Annual Rate	14.3	20.5	23.9	28.5	6.6	3.4	3.3	3.3
Military Wages	2.951	2.939	2.930	2.932	3.241	3.152	3.062	3.129
% Ch, Annual Rate	26.4	-1.6	-1.2	0.3	49.3	-10.5	-10.9	9.0
Nonwage Personal Income	91.149	92.713	92.894	116.446	95.859	97.104	98.129	99.661
% Ch, Annual Rate	9.9	7.0	0.8	146.9	-54.1	5.3	4.3	6.4
Supplements to Wages and Salaries	28.482	29.671	30.112	30.751	31.622	32.293	33.143	33.422
% Ch, Annual Rate	16.0	17.8	6.1	8.8	11.8	8.8	11.0	3.4
Proprietor's Income	17.845	18.632	18.489	18.597	19.251	19.559	20.219	20.361
% Ch, Annual Rate	19.6	18.8	-3.0	2.4	14.8	6.6	14.2	2.8
Farm	0.990	1.117	0.751	0.575	0.836	0.645	0.890	0.709
% Ch, Annual Rate	6.E+01	62.1	-79.6	-65.6	346.8	-6.E+01	262.5	-59.7
Nonfarm	16.854	17.515	17.738	18.022	18.415	18.914	19.329	19.652
% Ch, Annual Rate	17.8	16.6	5.2	6.6	9.0	11.3	9.1	6.9
Less: Contribution For Govt. Soc. Ins.	19.430	20.069	20.305	20.641	20.973	21.239	21.703	21.757
% Ch, Annual Rate	11.8	13.8	4.8	6.8	6.6	5.2	9.0	1.0
Plus: Residence Adjustment	2.654	2.680	2.737	2.822	2.946	2.971	3.022	3.024
% Ch, Annual Rate	22.1	4.0	8.8	13.0	18.8	3.4	7.0	0.3
Dividends/Int./Rent	33.274	33.368	33.398	56.099	33.537	33.673	33.644	34.266
% Ch, Annual Rate	7.1	1.1	0.4	696.0	-87.2	1.6	-0.3	7.6
Transfer Payments	28.325	28.431	28.463	28.818	29.476	29.847	29.804	30.345
% Ch, Annual Rate	2.1	1.5	0.5	5.1	9.5	5.1	-0.6	7.5
State U.I. Benefits	1.589	1.165	1.042	0.938	0.759	0.691	0.728	0.701
% Ch, Annual Rate	-68.6	-71.1	-36.0	-34.3	-57.1	-31.3	23.2	-14.0
Other Transfers	26.735	27.266	27.421	27.880	28.717	29.156	29.076	29.644
% Ch, Annual Rate	10.9	8.2	2.3	6.9	12.6	6.3	-1.1	8.0

Table A3.4
Washington Personal Income by Component
 Forecast 2006 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	234.883	238.860	247.236	247.740	251.757	255.341	264.258	264.221
% Ch, Annual Rate	12.5	6.9	14.8	0.8	6.6	5.8	14.7	-0.1
Total Wage and Salary Disbursements	133.688	135.632	142.129	140.756	142.646	144.215	151.250	149.333
% Ch, Annual Rate	17.4	5.9	20.6	-3.8	5.5	4.5	21.0	-5.0
Manufacturing	17.081	17.366	17.689	18.011	18.353	18.568	18.814	19.069
% Ch, Annual Rate	36.8	6.9	7.7	7.5	7.8	4.8	5.4	5.5
Durable Manufacturing	13.279	13.543	13.822	14.058	14.301	14.444	14.622	14.807
% Ch, Annual Rate	40.9	8.2	8.5	7.0	7.1	4.1	5.0	5.2
Non-durable Manufacturing	3.801	3.823	3.868	3.953	4.051	4.124	4.192	4.262
% Ch, Annual Rate	23.7	2.3	4.8	9.1	10.3	7.3	6.8	6.8
Nonmanufacturing	110.877	112.515	118.635	116.897	118.297	119.600	126.333	124.103
% Ch, Annual Rate	15.0	6.0	23.6	-5.7	4.9	4.5	24.5	-6.9
Other Private Wages	1.303	1.316	1.329	1.354	1.383	1.410	1.436	1.463
% Ch, Annual Rate	43.7	4.0	4.0	7.8	8.7	8.0	7.8	7.6
Farm Wages	1.244	1.256	1.269	1.285	1.304	1.322	1.339	1.357
% Ch, Annual Rate	3.3	4.0	4.0	5.4	6.0	5.5	5.4	5.3
Military Wages	3.183	3.178	3.207	3.208	3.310	3.316	3.328	3.341
% Ch, Annual Rate	7.1	-0.6	3.7	0.1	13.3	0.8	1.5	1.6
Nonwage Personal Income	101.195	103.228	105.107	106.984	109.111	111.125	113.008	114.888
% Ch, Annual Rate	6.3	8.3	7.5	7.3	8.2	7.6	6.9	6.8
Supplements to Wages and Salaries	34.490	35.011	35.609	36.208	36.898	37.403	37.882	38.296
% Ch, Annual Rate	13.4	6.2	7.0	6.9	7.8	5.6	5.2	4.5
Proprietor's Income	20.601	20.893	21.219	21.539	21.799	22.087	22.356	22.650
% Ch, Annual Rate	4.8	5.8	6.4	6.2	4.9	5.4	5.0	5.4
Farm	0.601	0.571	0.580	0.584	0.606	0.608	0.603	0.599
% Ch, Annual Rate	-48.4	-18.8	6.9	3.1	15.3	1.8	-3.5	-2.3
Nonfarm	20.000	20.323	20.639	20.955	21.193	21.479	21.753	22.051
% Ch, Annual Rate	7.3	6.6	6.4	6.3	4.6	5.5	5.2	5.6
Less: Contribution For Govt. Soc. Ins.	22.446	22.795	23.177	23.490	24.131	24.394	24.710	24.911
% Ch, Annual Rate	13.3	6.4	6.9	5.5	11.4	4.4	5.3	3.3
Plus: Residence Adjustment	3.102	3.180	3.234	3.276	3.315	3.351	3.386	3.422
% Ch, Annual Rate	10.7	10.4	6.9	5.3	4.9	4.4	4.2	4.3
Dividends/Int./Rent	34.206	35.132	35.827	36.501	37.388	38.282	39.130	39.899
% Ch, Annual Rate	-0.7	11.3	8.1	7.7	10.1	9.9	9.2	8.1
Transfer Payments	31.242	31.807	32.396	32.949	33.841	34.395	34.965	35.531
% Ch, Annual Rate	12.4	7.4	7.6	7.0	11.3	6.7	6.8	6.6
State U.I. Benefits	0.670	0.687	0.702	0.730	0.708	0.720	0.739	0.757
% Ch, Annual Rate	-16.5	10.5	8.9	16.9	-11.3	6.6	11.0	10.2
Other Transfers	30.572	31.120	31.695	32.219	33.133	33.676	34.226	34.774
% Ch, Annual Rate	13.1	7.4	7.6	6.8	11.8	6.7	6.7	6.6

Table A3.4
Washington Personal Income by Component
 Forecast 2006 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	268.696	272.857	282.950	282.726	287.245	291.230	301.799	301.094
% Ch, Annual Rate	6.9	6.3	15.6	-0.3	6.5	5.7	15.3	-0.9
Total Wage and Salary Disbursements	151.750	153.657	161.572	159.111	161.438	163.243	171.620	168.652
% Ch, Annual Rate	6.6	5.1	22.3	-6.0	6.0	4.5	22.2	-6.7
Manufacturing	19.314	19.540	19.729	19.926	20.155	20.391	20.604	20.807
% Ch, Annual Rate	5.2	4.8	3.9	4.1	4.7	4.8	4.2	4.0
Durable Manufacturing	14.986	15.154	15.300	15.441	15.607	15.786	15.944	16.101
% Ch, Annual Rate	4.9	4.6	3.9	3.8	4.4	4.7	4.1	4.0
Non-durable Manufacturing	4.328	4.385	4.429	4.485	4.548	4.605	4.660	4.706
% Ch, Annual Rate	6.3	5.4	4.1	5.1	5.7	5.2	4.8	4.0
Nonmanufacturing	126.114	127.731	135.394	132.673	134.607	136.112	144.214	140.979
% Ch, Annual Rate	6.6	5.2	26.2	-7.8	6.0	4.5	26.0	-8.7
Other Private Wages	1.494	1.524	1.554	1.584	1.615	1.645	1.675	1.705
% Ch, Annual Rate	8.6	8.5	8.1	7.9	8.1	7.6	7.5	7.3
Farm Wages	1.377	1.397	1.416	1.435	1.455	1.475	1.494	1.513
% Ch, Annual Rate	6.0	5.9	5.7	5.6	5.7	5.4	5.3	5.2
Military Wages	3.453	3.466	3.479	3.492	3.606	3.620	3.633	3.647
% Ch, Annual Rate	14.0	1.5	1.5	1.5	13.7	1.5	1.5	1.5
Nonwage Personal Income	116.946	119.200	121.378	123.615	125.807	127.987	130.179	132.443
% Ch, Annual Rate	7.4	7.9	7.5	7.6	7.3	7.1	7.0	7.1
Supplements to Wages and Salaries	38.946	39.448	39.890	40.301	40.977	41.478	41.951	42.375
% Ch, Annual Rate	7.0	5.3	4.6	4.2	6.9	5.0	4.6	4.1
Proprietor's Income	23.080	23.497	23.871	24.221	24.618	25.017	25.367	25.752
% Ch, Annual Rate	7.8	7.4	6.5	6.0	6.7	6.6	5.7	6.2
Farm	0.603	0.608	0.613	0.614	0.606	0.610	0.614	0.625
% Ch, Annual Rate	2.7	3.1	3.2	0.6	-5.2	3.2	2.6	7.3
Nonfarm	22.477	22.889	23.259	23.608	24.013	24.406	24.753	25.127
% Ch, Annual Rate	8.0	7.6	6.6	6.1	7.0	6.7	5.8	6.2
Less: Contribution For Govt. Soc. Ins.	25.630	25.955	26.266	26.513	27.238	27.544	27.857	28.067
% Ch, Annual Rate	12.1	5.2	4.9	3.8	11.4	4.6	4.6	3.0
Plus: Residence Adjustment	3.460	3.500	3.542	3.586	3.631	3.677	3.724	3.770
% Ch, Annual Rate	4.5	4.7	4.9	5.0	5.2	5.2	5.1	5.0
Dividends/Int./Rent	40.712	41.708	42.763	43.826	44.822	45.855	46.898	47.885
% Ch, Annual Rate	8.4	10.1	10.5	10.3	9.4	9.5	9.4	8.7
Transfer Payments	36.378	37.001	37.578	38.194	38.996	39.503	40.096	40.727
% Ch, Annual Rate	9.9	7.0	6.4	6.7	8.7	5.3	6.1	6.4
State U.I. Benefits	0.778	0.808	0.796	0.826	0.829	0.852	0.848	0.868
% Ch, Annual Rate	11.5	16.6	-5.7	15.6	1.7	11.4	-1.6	9.5
Other Transfers	35.600	36.193	36.782	37.368	38.167	38.651	39.248	39.859
% Ch, Annual Rate	9.8	6.8	6.7	6.5	8.8	5.2	6.3	6.4

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	1.115	2.9	1.953	3.4	2.002	2.8
Forecast						
2006	1.149	3.0	2.023	3.6	2.068	3.3
2007	1.174	2.2	2.074	2.5	2.119	2.4
2008	1.196	1.9	2.111	1.8	2.166	2.2
2009	1.217	1.8	2.146	1.7	2.207	1.9

* 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	13.507	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.417	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.044	-1.1	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.1	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.018	2.7	104.951	2.0	91.687	-9.9	90.433	-6.1
2003	109.379	3.2	106.986	1.9	109.653	19.6	105.213	16.3
2004	112.863	3.2	110.270	3.1	125.376	14.3	123.925	17.8
2005	116.529	3.2	112.732	2.2	159.465	27.2	150.761	21.7
Forecast								
2006	120.599	3.5	115.245	2.2	183.684	15.2	180.083	19.4
2007	124.380	3.1	117.892	2.3	174.577	-5.0	178.658	-0.8
2008	127.704	2.7	120.265	2.0	166.951	-4.4	173.378	-3.0
2009	130.977	2.6	122.282	1.7	163.514	-2.1	168.246	-3.0

Table A5.1

Washington Resident Population and Components of Change*

(Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.2
2004	6167.8	69.5	1.1	81.0	45.9	34.4
2005	6256.4	88.6	1.4	81.9	43.9	50.6
Forecast						
2006	6370.7	114.3	1.8	85.2	48.7	77.8
2007	6484.6	113.9	1.8	86.9	49.5	76.5
2008	6597.1	112.5	1.7	88.8	50.3	74.0
2009	6706.7	109.6	1.7	90.6	51.0	70.0

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		Forecast			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Population	6167.8	6256.4	6370.7	6484.6	6597.1	6706.7
Percent Change	1.1	1.4	1.8	1.8	1.7	1.7
Age 17 and Under	1522.0	1530.9	1549.5	1567.6	1582.5	1597.0
Percent of Total	24.7	24.5	24.3	24.2	24.0	23.8
Age 6-18	1128.4	1131.8	1141.6	1151.8	1159.4	1162.4
Percent of Total	18.3	18.1	17.9	17.8	17.6	17.3
Age 18 and Over	4645.8	4725.5	4821.3	4917.0	5014.6	5109.7
Percent of Total	75.3	75.5	75.7	75.8	76.0	76.2
Age 21 and Over	4379.3	4456.5	4547.8	4640.2	4729.9	4818.8
Percent of Total	71.0	71.2	71.4	71.6	71.7	71.9
Age 20-34	1273.2	1282.9	1306.9	1335.5	1370.9	1407.4
Percent of Total	20.6	20.5	20.5	20.6	20.8	21.0
Age 18-64	3948.8	4013.7	4095.3	4173.8	4247.3	4317.3
Percent of Total	64.0	64.2	64.3	64.4	64.4	64.4
Age 65 and Over	697.0	711.8	725.9	743.2	767.4	792.4
Percent of Total	11.3	11.4	11.4	11.5	11.6	11.8

* As of April 1 of Each Year

Source: Office of Financial Management

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Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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