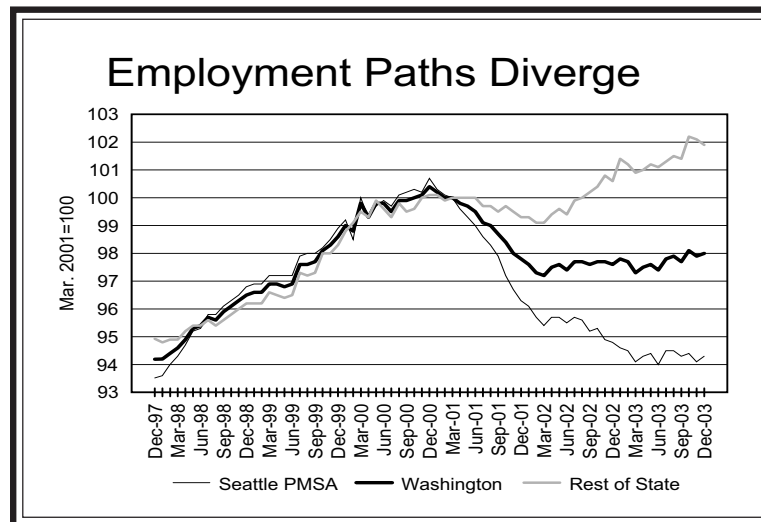


Washington Economic and Revenue Forecast



February 2004
Volume XXVII, No. 1

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Explanation of the Cover Graph

The cover chart illustrates just how Seattle-centric the recent recession in Washington has been. The Seattle metropolitan area includes King, Snohomish, and Island Counties and comprises roughly half the state's employment. Both the collapse of the high tech bubble and aerospace contraction were centered in the Seattle area. While the state as a whole saw a 2.0 percent employment decline during the official recession from March to November 2001, the Seattle area suffered a 3.3 percent drop while the balance of the state fell only 0.5 percent. The divergence during the recovery has been even more dramatic. While Seattle area employment declined another 2.4 percent since November 2001, employment outside Seattle posted a 2.4 percent increase.

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Washington Economic and Revenue Forecast

Prepared by the
Office of the Forecast Council

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Preface

The Office of the 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 February 2004 economic and revenue forecast was produced prior to the advance Gross Domestic Product (GDP) estimate for the fourth quarter of 2003. According to the forecast, real GDP grew at a 4.7 percent rate in the fourth quarter of 2003, down from 8.2 percent in the third quarter. The forecast assumed that final sales grew at an even weaker 3.7 percent rate as inventory accumulation turned positive. Much of the slowdown in GDP growth was due to consumer spending which rose an estimated 3.0 percent in the fourth quarter, down from 6.9 percent in the third quarter. Consumer spending on durables rose a moderate 3.5 percent following a 28.0 percent jump in the previous quarter. The slowdown in consumer durables was mainly due to a huge swing in spending on motor vehicles and parts, which declined 3.6 percent in the fourth quarter following a 39.7 percent increase in the third quarter. Fixed investment spending growth also slowed in the fourth quarter to 7.9 percent from 15.7 percent in the third quarter mainly as a result of a decline in equipment and software growth from 17.6 percent to 7.5 percent.

Employment grew in the fourth quarter for the first time in a year, though only at a 0.6 percent rate, while the unemployment rate fell to 5.87 percent from 6.13 percent in the third quarter. Inflation, as measured by the Consumer Price Index, slowed to 0.9 percent in the fourth quarter from 2.3 percent in the third quarter. The decrease was due largely to falling energy prices. Core inflation (excluding food and energy) declined more moderately, from 1.5 percent to 1.1 percent. The housing market remained very strong in the third quarter. Housing starts increased 37.4 percent to 2.040 million units while the mortgage rate declined slightly to 5.93 percent from 6.01 percent. As expected in the forecast, the Federal Open Market Committee left its target interest rate unchanged at 1.00 percent at its January 27/28 meeting.

Measured by GDP growth alone, the U.S. economy is in robust health. GDP growth approached 6.5 percent in the second half of the year, the best half-year performance in nearly two decades. Inflation is dormant, interest rates are low, productivity is surging, profits are strong, exports are on the rise, the stock market is approaching a two-year high, and the unemployment rate, at 5.7 percent in December, is only a tick above its long-term average of 5.6 percent. Only one critical element is absent—new jobs. Measured by job growth, the more meaningful measure to most individuals, the economy is still ailing. A few months ago, employment seemed to be convincingly on the rise. But the meager 1,000 increase in payroll jobs during December brought that assumption into question. On a calendar year basis, GDP growth is expected to increase from 3.2 percent in 2003 to 4.7 percent in 2004 as the recovery picks up momentum. GDP growth is expected to slow during the next three years to 4.0 percent, 3.4 percent, and 3.3 percent as the economy approaches its potential. Though the official recovery is now more than two years old, GDP growth has been too weak to generate net job growth. The forecast assumes this is about to change. The

high rate of productivity growth, which has allowed GDP to grow while employment shrinks, is unsustainable and future gains in output will require at least some net hiring. The forecast assumes employment growth will improve from -0.2 percent in 2003 to 1.5 percent in 2004 and 2.6 percent in 2005, slowing to 1.7 percent in 2006 and 1.4 percent in 2007. The unemployment rate, which rose from 3.98 percent in 2000 to 5.99 percent in 2003, is expected to decline gradually to 5.65 percent this year and 5.30 percent, 5.29 percent, and 5.27 percent in the following three years. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 1.8 percent in 2003 from 1.4 percent in 2002. The increase in 2003 was entirely the result of higher energy costs. Core inflation fell from 1.7 percent in 2002 to 1.2 percent in 2003. Excess capacity in the economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 1.1 percent in 2004, 1.4 percent in 2005, 1.8 percent in 2006, and 2.2 percent in 2007. The forecast assumes that there will be no further cuts in the federal funds rate during this cycle. The Fed is expected to begin tightening again in the second half of this year.

Washington State Economic Forecast

Washington's payroll employment rose 0.9 percent in the fourth quarter of 2003 following a 1.2 percent increase in the third quarter. The state's economy is not out of the woods, though. Employment declined in the previous two quarters and over the year growth was only 0.3 percent. Manufacturing employment fell at a 4.6 percent annual rate in the fourth quarter, the twenty-second consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at a 10.8 percent annual rate in the fourth quarter as Boeing's layoffs continued. Washington aerospace employment is now down 29.1 percent since September 11 and 44.8 percent since the 1998 peak. Manufacturing employment other than aerospace fell 2.6 percent in the fourth quarter. Construction employment continued to grow in the fourth quarter, rising at a 5.6 percent annual rate. Information employment was also strong in the fourth quarter, rising at a 4.2 percent rate due to a surge in software publishing employment. Professional and business services also grew 4.2 percent in the quarter mainly as a result of a jump in employment services. Education and health services employment and government employment both rose at a 3.3 percent rate in the fourth quarter. However, leisure and hospitality employment fell 4.9 percent in the fourth quarter.

Washington's personal income in the third quarter of 2003 was \$2.531 billion (1.2 percent) higher than the estimate made in November. Most of the difference was attributable to wages which were \$2.226 billion (1.9 percent) higher than expected. Software wages were \$1.513 billion (20.4 percent) higher than expected in November while non-software wages were \$0.713 billion (0.7 percent) higher. Nonwage personal income was also \$0.305 billion (0.3 percent) higher than expected in the November forecast.

The number of housing units authorized by building permit in Washington fell 4,300 in the fourth quarter to an annualized rate of 41,000 from 45,300 in the third quarter. The decline was more than accounted for by the volatile multi-family market, however, which fell 4,500 to 6,900. Single family permits actually increased 200 to 34,000. Single family permits in 2003 were the highest since 1998.

The Washington State forecast reflects the slightly stronger growth in the new U.S. forecast. The Washington aerospace employment forecast is not as weak in the first quarter of 2004 but otherwise is essentially unchanged. The forecast expects a decline of 2,100 during 2004 before a modest recovery begins in 2005 which adds 11,200 by the end of 2007. Though software wages probably fell sharply in the fourth quarter due to a decline in stock option activity, the software wage assumption for 2004 and 2005 is virtually identical to the assumption made in November. The forecast still assumes there will be no major fluctuations in Microsoft stock option activity in the future. The software employment forecast assumes an increase of about 4,000 employees per year through 2007.

Washington nonfarm payroll employment stabilized in 2003, rising 0.2 percent following declines of 0.5 percent and 1.6 percent in 2001 and 2002. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn until 2005. Population growth has slowed to a crawl and both wage growth and price growth have been dampened by the prolonged contraction. The forecast calls for an employment growth rate of just 1.5 percent in 2004. Growth is expected to improve to 2.5 percent in 2005 as the recovery picks up steam before slowing to 2.1 percent and 2.0 percent in 2006 and 2007. Washington personal income growth improved from 3.4 percent in 2002 to 4.0 percent in 2003. Personal income growth is expected to remain moderate at 4.5 percent in 2004 due to the weak national economy and continued Boeing layoffs but should improve in the next three years to 5.4 percent, 6.0 percent, and 6.6 percent as the recovery gains momentum. On the downside, the housing frenzy is expected to subside. Housing permits increased 3,000 in 2003 to 43,200. The current pace of housing activity is unsustainable given the weak population growth Washington is experiencing. Slightly stronger population growth should boost multi-family activity but higher mortgage rates will lead to even larger declines in the single family market. As a result, housing is expected to decline during the next three years. The forecast expects housing permits to total 40,900 in 2004, 40,600 in 2005, and 39,200 in 2006 before rebounding to 40,500 in 2007.

Washington State Revenue Forecast

The U.S. economic outlook continues to brighten. The new forecast expects stronger employment growth as well as GDP growth than assumed in November. The improved national economic outlook is reflected in the state forecast as well. In addition, data revisions indicate that Washington income and employment in the second half of 2003 were slightly higher than believed in November. Revenue collections since November were slightly below the November forecast but the improved economic outlook warrants a small increase to the revenue forecast.

The February 2004 General Fund-State revenue estimate for the 2003-05 biennium is \$22,897.3 million, which is \$76.4 million (0.3 percent) more than expected in November. Revenue collections since November were \$7.8 million below the November forecast but the forecast for the remainder of the biennium is \$84.2 higher due to the improved economic outlook. This forecast is the first to extend through the 2005-07 biennium. The forecast for the next biennium is \$24,953.4 million, an increase of 9.0 percent from the current biennium.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2003-05 biennium. The forecast based on more optimistic economic assumptions netted \$533 million (2.3 percent) more revenue than did the baseline while the pessimistic alternative was \$589 million (2.6 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$36 million (0.2 percent) more 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.

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Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The February 2004 economic and revenue forecast was produced prior to the advance Gross Domestic Product (GDP) estimate for the fourth quarter of 2003. According to the forecast, real GDP grew at a 4.7 percent rate in the fourth quarter of 2003, down from 8.2 percent in the third quarter. The forecast assumed that final sales grew at an even weaker 3.7 percent rate as inventory accumulation turned positive. Much of the slowdown in GDP growth was due to consumer spending which rose an estimated 3.0 percent in the fourth quarter, down from 6.9 percent in the third quarter. Consumer spending on durables rose a moderate 3.5 percent following a 28.0 percent jump in the previous quarter. The slowdown in consumer durables was mainly due to a huge swing in spending on motor vehicles and parts, which declined 3.6 percent in the fourth quarter following a 39.7 percent increase in the third quarter. Consumer spending on nondurables increased 3.5 percent while spending on services rose 2.7 percent. Fixed investment spending growth also slowed in the fourth quarter to 7.9 percent from 15.7 percent in the third quarter mainly as a result of a decline in equipment and software growth from 17.6 percent to 7.5 percent. Fixed residential investment remained strong in the fourth quarter, rising 15.4 percent but nonresidential construction fell 6.0 percent. The foreign sector was not a significant factor in GDP growth in the fourth quarter as a 13.1 percent increase in imports offset an 18.8 increase in exports. Government purchases rose at a 2.4 percent rate in the fourth quarter. Defense spending grew 4.0 percent and other federal spending rose 6.0 percent but state and local government increased only 1.1 percent.

Employment grew in the fourth quarter for the first time in a year, though only at a 0.6 percent rate, while the unemployment rate fell to 5.87 percent from 6.13 percent in the third quarter. Inflation, as measured by the Consumer Price Index, slowed to 0.9 percent in the fourth quarter from 2.3 percent in the third quarter. The decrease was due largely to falling energy prices. Core inflation (excluding food and energy) declined more moderately, from 1.5 percent to 1.1 percent. The housing market remained very strong in the third quarter. Housing starts increased 37.4 percent to 2.040 million units while the mortgage rate declined slightly to 5.93 percent from 6.01 percent. As expected in the forecast, the Federal Open Market Committee left its target interest rate unchanged at 1.00 percent at its January 27/28 meeting.

U.S. Forecast Highlights

Measured by GDP growth alone, the U.S. economy is in robust health. GDP growth approached 6.5 percent in the second half of the year, the best half-year performance in nearly two decades. Inflation is

dormant, interest rates are low, productivity is surging, profits are strong, exports are on the rise, the stock market is approaching a two-year high, and the unemployment rate, at 5.7 percent in December, is only a tick above its long-term average of 5.6 percent. Only one critical element is absent—new jobs. Measured by job growth, the more meaningful measure to most individuals, the economy is still ailing. A few months ago, employment seemed to be convincingly on the rise. But the meager 1,000 increase in payroll jobs during December brought that assumption into question. On a calendar year basis, GDP growth is expected to increase from 3.2 percent in 2003 to 4.7 percent in 2004 as the recovery picks up momentum. GDP growth is expected to slow during the next three years to 4.0 percent, 3.4 percent, and 3.3 percent as the economy approaches its potential. Though the official recovery is now more than two years old, GDP growth has been too weak to generate net job growth. The forecast assumes this is about to change. The high rate of productivity growth, which has allowed GDP to grow while employment shrinks, is unsustainable and future gains in output will require at least some net hiring. The forecast assumes employment growth will improve from -0.2 percent in 2003 to 1.5 percent in 2004 and 2.6 percent in 2005, slowing to 1.7 percent in 2006 and 1.4 percent in 2007. The unemployment rate, which rose from 3.98 percent in 2000 to 5.99 percent in 2003, is expected to decline gradually to 5.65 percent this year and 5.30 percent, 5.29 percent, and 5.27 percent in the following three years. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 1.8 percent in 2003 from 1.4 percent in 2002. The increase in 2003 was entirely the result of higher energy costs. Core inflation fell from 1.7 percent in 2002 to 1.2 percent in 2003. Excess capacity in the economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 1.1 percent in 2004, 1.4 percent in 2005, 1.8 percent in 2006, and 2.2 percent in 2007. The forecast assumes that there will be no further cuts in the federal funds rate during this cycle. The Fed is expected to begin tightening again in the second half of this year.

1. Though real GDP has been growing for nearly two years, the pace has been anemic. The forecast expects a pick-up in GDP growth during the next two years. Overall consumer spending growth is expected to accelerate as job growth finally turns positive. Investment spending is also expected to be a major contributor to GDP growth in the next two years due mainly to business spending on equipment and software. Defense spending will remain strong through 2004 but state and local government spending will lag. Net exports will be roughly neutral as strong exports growth is offset by strong import growth. Real GDP grew 2.6 percent in fiscal 2003, up from only 0.7 percent in 2002 but still too weak to stem the loss of jobs. Real GDP growth is expected to accelerate to 4.6 percent in 2004 and 4.4 percent in 2005. GDP growth is expected to slow in the next biennium as the recovery matures. The forecast calls for GDP growth rates of 3.4 percent and 3.5 percent in 2006 and 2007.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, increased to 1.9 percent in fiscal 2003 from 1.4 percent in 2002. Most of the increase was due to a swing in energy costs, which reduced inflation in 2002 but fueled inflation in 2003. Benefits costs have also begun to accelerate again, putting upward pressure on prices. Energy costs are expected to decline, however, and the slack created by the recession and weak recovery should help keep inflation in check during the next two years. The forecast expects inflation rates of 1.3 percent in 2004 and 1.2 percent in 2005. Inflation is expected to pick up to 1.6 percent in 2006 and 2.0 percent in 2007 as the economy nears its potential.
3. The Federal Reserve has taken no action on interest rates since lowering its target rate 25 basis points to 1.00 percent at the June 2003 meeting. High unemployment and low capacity utilization

suggest that there will be little buildup of inflationary pressures before 2005, and hence little need to raise interest rates until the second half of 2004. The Fed is expected to make its first tightening move at its June meeting with the funds rate reaching 3.00 percent in fiscal 2005. As a result of the past Fed easing, the three-month Treasury bill rate fell to 1.30 percent in fiscal 2003 from 2.15 percent in 2002 and 5.14 percent in 2001. The T-bill rate is expected to decline even further to 0.95 percent in 2004. The forecast expects the T-bill rate to increase to 1.73 percent in 2005, 2.55 percent in 2006, and 2.74 percent in 2007 as the Fed begins tightening again. Mortgage rates also continued to decline in fiscal 2003 to 5.93 percent from 6.88 percent in 2002 and 7.45 percent in 2001 as a result of the easier monetary policy as well as the weak economy. The forecast expects the mortgage rate to rise to 6.10 percent in 2004, 6.81 percent in 2005, and 7.08 percent in 2006 before declining slightly to 6.93 percent in 2007.

4. Supported by record-low mortgage interest rates, housing activity held up well during the recession and has accelerated in the last two years in spite of the lackluster recovery. Housing starts increased 4.6 percent in fiscal 2002 to 1.642 million units and another 5.3 percent 2003 to a seventeen-year-high 1.730 million units. Experience in the first half of fiscal 2004 indicates that this year will be even stronger. The forecast expects an 11.9 percent increase to 1.936 million units. During the next three year starts should decline toward levels more consistent with demographic trends. The forecast calls for an 8.2 percent reduction in 2005 to 1.777 million units, a 5.9 percent reduction in 2006 to 1.671 million units, and a 1.8 percent reduction in 2007 to 1.642 million units.
5. Though the recession officially ended in November 2001, the unemployment rate continued to rise in fiscal 2003 to 5.89 percent from 5.48 percent in 2002 and 4.14 percent in 2001. The corner may finally have been turned, however. The unemployment rate fell in the fourth quarter of 2003 to 5.87 percent from a cyclical peak of 6.13 percent in the third quarter. The forecast expects only a tiny improvement this year to 5.88 percent but the strengthening of the recovery should finally begin to chip away at the unemployment rate in the next three years. The forecast expects the unemployment rate to fall to 5.43 percent in 2005, 5.30 percent in 2006, and 5.26 percent in 2007.
6. From fiscal 2001 to fiscal 2003 the federal budget went from a record \$162.2 billion surplus (national income and product accounts basis) to a \$321.1 billion deficit. Revenues are down due to the weak economy and tax cuts and the war with Iraq and its aftermath as well as other military and homeland security spending are boosting spending. While fiscal policy is providing a much needed boost to the economy in the near term, the result is a ballooning deficit. In spite of an improving economy, the deficit is expected to swell to \$508.2 billion in 2004. The deficit is expected to improve during the next three years as the economy recovers. The forecast calls for deficits of \$494.4 billion in 2005, \$425.4 billion in 2006, and \$368.0 billion in 2007.
7. The trade deficit has been a huge drag on GDP growth in recent years. The trade deficit (national income and product accounts basis) increased in fiscal 2003 to \$476.3 billion from \$377.4 billion in 2002. The declining dollar should help restrain imports and boost exports but, with the U.S. economy leading the global recovery, imports will rise and exports will lag. The forecast expects the deficit to grow to \$503.3 billion in 2004 and \$503.5 billion in 2005. The lower dollar should finally bring a gradual improvement during the next biennium. The forecast expects deficits of \$465.7 billion and \$454.0 billion in 2006 and 2007.

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

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through December 2003. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. Washington's payroll employment rose 0.9 percent in the fourth quarter of 2003 following a 1.2 percent increase in the third quarter. The state's economy is not out of the woods, though. Employment declined in the previous two quarters and over the year growth was only 0.3 percent. Manufacturing employment fell at a 4.6 percent annual rate in the fourth quarter, the twenty-second consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at a 10.8 percent annual rate in the fourth quarter as Boeing's layoffs continued. Washington aerospace employment is now down 29.1 percent since September 11 and 44.8 percent since the 1998 peak. Manufacturing employment other than aerospace fell 2.6 percent in the fourth quarter. Construction employment continued to grow in the fourth quarter, rising at a 5.6 percent annual rate. Information employment was also strong in the fourth quarter, rising at a 4.2 percent rate due to a surge in software publishing employment. Professional and business services also grew 4.2 percent in the quarter mainly as a result of a jump in employment services. Education and health services employment and government employment both rose at a 3.3 percent rate in the fourth quarter. However, leisure and hospitality employment fell 4.9 percent in the fourth quarter.

In January 2004 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the second quarter of 2003 and released preliminary estimates for the third quarter. In addition, the wage estimates for the third quarter of 2003 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 third quarter of 2003 was \$2.531 billion (1.2 percent) higher than the estimate made in November. Most of the difference was attributable to wages which were \$2.226 billion (1.9 percent) higher than expected. Software wages were \$1.513 billion (20.4 percent) higher than expected in November while non-software wages were \$0.713 billion (0.7 percent) higher. Nonwage personal income was also \$0.305 billion (0.3 percent) higher than expected in the November forecast.

The number of housing units authorized by building permit in Washington fell 4,300 in the fourth quarter to an annualized rate of 41,000 from 45,300 in the third quarter. The decline was more than accounted for by the volatile multi-family market, however, which fell 4,500 to 6,900. Single family permits actually increased 200 to 34,000. Single family permits in 2003 were the highest since 1998.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate developed by the Department of Employment Security which incorporates more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. The alternative employment estimate incorporated the covered employment and payrolls data through the third quarter of 2003 which subtracted 600 (0.0 percent) from the BLS Current Employment Statistics (CES) estimate for September 2003. By December the difference widened slightly to 1,000 (0.0 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the covered employment and payrolls (ES202) data for all sectors except agriculture and federal government. Since we have one more quarter of ES202 data than was available to the BEA at the time of its most recent release, we derived wage estimates for these sectors for the second quarter of 2003 based on the ES202 data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage compo-

nents of personal income. Our adjustments increased the third quarter wage estimate by \$0.651 billion (0.6 percent) adding 0.3 percent to total personal income in that quarter.

Washington State Forecast Highlights

The Washington State forecast reflects the slightly stronger growth in the new U.S. forecast. The Washington aerospace employment forecast is not as weak in the first quarter of 2004 but otherwise is essentially unchanged. The forecast expects a decline of 2,100 during 2004 before a modest recovery begins in 2005 which adds 11,200 by the end of 2007. Though software wages probably fell sharply in the fourth quarter due to a decline in stock option activity, the software wage assumption for 2004 and 2005 is virtually identical to the assumption made in November. The forecast still assumes there will be no major fluctuations in Microsoft stock option activity in the future. The software employment forecast assumes an increase of about 4,000 employees per year through 2007.

Washington nonfarm payroll employment stabilized in 2003, rising 0.2 percent following declines of 0.5 percent and 1.6 percent in 2001 and 2002. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn until 2005. Population growth has slowed to a crawl and both wage growth and price growth have been dampened by the prolonged contraction. The forecast calls for an employment growth rate of just 1.5 percent in 2004. Growth is expected to improve to 2.5 percent in 2005 as the recovery picks up steam before slowing to 2.1 percent and 2.0 percent in 2006 and 2007. Washington personal income growth improved from 3.4 percent in 2002 to 4.0 percent in 2003. Personal income growth is expected to remain moderate at 4.5 percent in 2004 due to the weak national economy and continued Boeing layoffs but should improve in the next three years to 5.4 percent, 6.0 percent, and 6.6 percent as the recovery gains momentum. On the downside, the housing frenzy is expected to subside. Housing permits increased 3,000 in 2003 to 43,200. The current pace of housing activity is unsustainable given the weak population growth Washington is experiencing. Slightly stronger population growth should boost multi-family activity but higher mortgage rates will lead to even larger declines in the single family market. As a result, housing is expected to decline during the next three years. The forecast expects housing permits to total 40,900 in 2004, 40,600 in 2005, and 39,200 in 2006 before rebounding to 40,500 in 2007.

1. Nominal personal income growth improved in fiscal 2003 to 4.2 percent from 2.3 percent in 2002. The improvement was due to a reduction in the pace of employment declines, stronger average wage growth, and faster nonwage income growth. Software stock options were not a major factor in income growth in 2003, as they have been in recent years, and the forecast assumes that changes in software stock option income will not be a major factor in personal income growth during the remainder of the forecast. Income growth should remain weak at 4.2 percent in 2004 due to the lack of job growth and declining nonwage income growth. Growth should improve during the next three years with the resumption of significantly positive employment growth. Washington personal income is expected to grow 5.1 percent in 2005, 5.5 percent in 2006, and 6.5 percent in 2007.
2. Washington real personal income growth increased to 2.3 percent in 2003 from a nineteen-year low 0.9 percent in 2002. The improvement came in spite an up tick in inflation. Though inflation is expected to remain low during 2004, real income growth will continue to suffer from the lack of meaningful job growth. The forecast expects only a slight improvement to 2.9 percent this year. Real income growth is expected to improve during the next three years despite rising inflation as job growth accelerates. The forecast calls for real personal income growth rates of 3.8 percent in 2005, 3.8 percent in 2006, and 4.4 percent in 2007.

3. The recession has had a disproportionate impact on Washington employment growth. Total payroll employment in Washington fell 1.9 percent in fiscal 2002 and 0.3 percent in fiscal 2003 compared to 1.0 percent and 0.5 percent for the nation as a whole. The events of September 11 have been particularly hard on Washington employment growth due to the devastating impact on air transportation. The IT collapse and correction in the construction sector were also exceptionally severe in Washington. While we believe the construction and IT related corrections are largely complete, the weak national recovery combined with the continuing drag from aerospace sector suggests that this year's growth rate will be a meager 0.6 percent. When the U.S. employment recovery finally takes hold and aerospace turns around, employment growth is expected to increase to 2.3 percent, 2.3 percent, and 2.1 percent in 2005, 2006, and 2007.

- ◆ Soon after the September 11 attacks, Boeing announced that it intended to cut 20,000 to 30,000 jobs company-wide and subsequently added 5,000 to the predicted cut by the end of 2003. As of December 2003, the cumulative reduction stands at 41,600 (including contract employees), already well above the high end of the range. Of these, 25,900 have been in Washington State, the home of the commercial airplane unit. The forecast assumes a loss of only 2,000 Washington aerospace jobs this year. On a quarterly basis, the forecast expects a total reduction since September 11 of 27,700 (excluding contract employees) by the end of 2004. Thousands more contract positions have also been eliminated since September 11. Measured from the second quarter of 1998 peak, the overall decline will reach 52,700. A gradual recovery is assumed to begin in 2005 which accelerates in 2006 and 2007. The forecast expects employment to rise 1,500, 4,700, and 5,000 in 2005, 2006, and 2007.
- ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers hit a brick wall in mid-2001. From the beginning of 1990 through the second quarter of 2001, the software employment growth rate averaged more than 16 percent per year. During the next two years the average annual growth rate slowed to just 0.1 percent. Microsoft has continued to grow, albeit at a reduced rate, but other Washington software publishers have suffered absolute declines. Double-digit growth resumed in the second half of 2003, however. The forecast assumes strong employment growth through the remainder of the forecast. Microsoft has announced plans to increase employment significantly in the next year while employment at other software publishers is expected to stabilize. Employment growth is expected to average 9.3 percent per year through the end of 2007.
- ◆ Washington's construction industry has staged a bit of a comeback during the last seven quarters, growing at an average rate of 2.1 percent following a precipitous 6.3 percent decline during the previous year. Housing held up pretty well during the recession but nonresidential building in the Puget Sound area fell sharply. We believe the commercial side has now stabilized and the recent strength in housing permits should support construction employment in the near term. This year, however, nonresidential construction will see little improvement and housing activity will be weaker. As a result, we expect to see only a 1.8 percent year-end to year-end growth rate in 2004. Construction employment growth should accelerate in 2005 as nonresidential construction finally stages a recovery. The forecast expects an average growth rate of 2.6 percent per year during the next three years.
- ◆ Financial activities employment has been a rare bright spot in Washington's economy. Employment in this sector continued to grow during the recent recession and growth accelerated

- to an average rate of 4.1 percent from the first quarter of 2002 through the third quarter of 2003. Employment fell at a 0.8 percent rate in the fourth quarter of 2003, however. The strong growth had been mostly in credit intermediation and related activities, which clearly benefited by a refinancing boom brought on by low mortgage interest rates. With mortgage rates heading up again, this source of stimulus has probably pretty much played itself out. The forecast expects employment growth to average 1.6 percent per year in the forecast.
- ◆ Washington retail trade employment fell 3.6 percent from the first quarter of 2001 to the first quarter of 2002, much worse than the 1.9 percent national decline. Since then, however, Washington retail trade employment growth has generally been positive, averaging 0.7 percent per quarter while U.S. employment has continued to decline at a 0.4 percent rate. The retail sector remains under intense competitive pressure. Growth is expected to remain restrained during the next two years, averaging 0.5 percent before reviving to 1.4 percent per year during the final two years of the forecast.
 - ◆ Employment in the professional and business services sector plunged at a 5.4 percent rate from the end of 2000 through the first quarter of 2002. The 20,600 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 14,000 (26.2 percent) and computer systems design and related services, which fell 6,500 (21.1 percent). These areas of weakness appear to be bottoming out. Computer systems design and related services employment has been flat the last couple of quarters while employment services employment has been growing at a whopping 20.7 percent rate. As a result, overall professional and business services employment growth averaged 4.7 percent during the second half of 2003. The forecast expects a strong rebound during the next six quarters with growth averaging 7.1 percent per year, moderating to 4.0 percent thereafter.
 - ◆ State and local government employment rose at a 3.0 percent annual rate in the fourth quarter. The increase was more than accounted for by local noneducation employment, which rose at an 18.6 percent rate. State and local government employment grew throughout the recession but the protracted slowdown in the state's economy is putting pressure on state and local governments' budgets. State government employment has been virtually flat since the recession officially ended two years ago and local education employment has been rising at a moderate 1.1 percent but other local government employment growth has been growing at a 2.7 percent rate. The forecast assumes that state and local government employment will remain weak throughout the forecast with growth averaging 1.0 percent per year.
4. The number of housing units authorized by building permit in Washington shot up 14.4 percent in fiscal 2003 to 42,700 units. Single family permits, spurred by record low interest rates, surged 22.9 percent to 33,100. Multi-family permits slumped 7.8 percent to 9,500, though. Housing activity should be subdued this biennium and next. Rising mortgage rates will offset the beneficial impacts of an improving economy and higher population growth. The recent strength also means there is little pent-up demand to be satisfied. The forecast expects a 1.8 percent reduction in fiscal 2004 to 41,900, a 1.6 percent reduction in 2005 to 41,200, and a 4.5 percent reduction in 2006 to 39,400. A slight 1.1 percent increase to 39,800 is expected in 2007.
 5. At 1.8 percent in fiscal 2003, inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, trailed the national average of 2.2 percent for the first time since 1989. Seattle inflation is expected to remain below U.S. inflation in during the next two

years due to the weaker local economy. The forecast expects inflation rates of 1.2 percent and 0.8 percent in Seattle compared to 1.8 percent and 1.3 percent for the U.S. city average. The local inflation rate is expected to move past the U.S. city average again in the next biennium as the local economy recovers. The forecast calls for Seattle inflation rates of 1.4 percent and 2.0 percent in 2006 and 2007 compared to national rates of 1.4 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 companies continue to substitute capital for labor and also substitute foreign labor for domestic labor. As employment growth lags, consumer sentiment fades. Without job creation, income growth slows, leading to more subdued consumer spending than in the baseline. Times are made more difficult by persistently high oil prices stemming from chronic difficulties in getting oil out of Iraq and steadily rising demand in China. Businesses continue to invest, but at a slower pace than in the baseline, in recognition of greater uncertainty about the strength of the expansion. Hiring picks up, but not enough to prevent the unemployment rate from stagnating at 6% through most of 2004 and into 2005. Profits stagnate in early 2005, causing the stock market to slip and putting a further dent in consumer spending. At the state level, aerospace production and employment cuts are even more severe and protracted than assumed in the baseline forecast. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario and construction employment begins to drop sharply again in 2004. Because of the weak economy, Washington wage growth is substantially less than in the baseline. Seattle inflation is slightly higher than in the baseline in 2004 only because oil prices are higher. After that Seattle inflation is lower in the pessimistic forecast. By the end of the 2003-05 biennium, Washington nonagricultural employment is lower by 46,800 jobs than the baseline forecast and Washington personal income is \$8.1 billion lower. The pessimistic scenario produced \$589 million (2.6 percent) less General Fund-State revenue in the 2003-05 biennium than did the baseline forecast.

Optimistic Forecast. With robust growth in the baseline forecast, an optimistic forecast might seem superfluous. Nonetheless, there is clear upside potential for growth from many sources. The optimistic scenario assumes that foreign economic growth and business spending on equipment and software are stronger than in the baseline. It also assumes more robust consumer spending and a more delayed slowdown in the housing sector than in the baseline. This optimistic scenario also assumes that total factor productivity growth—which roughly measures the rate of technological change—grows faster than it does in the trend over the next two years. The combination of higher investment and faster technological growth raises potential GDP permanently above the baseline level. With capacity greater, inflation is lower. At the state level, the optimistic forecast assumes that the long slide in aerospace employment is over. Aerospace employment is flat in 2004 and begins a vigorous expansion in 2005. Washington's wages grow faster than in the baseline and so does the Seattle CPI. The initial level of Washington personal income is also higher in the optimistic scenario and population growth and construction employment growth are stronger. By the end of the 2003-05 biennium, Washington nonagricultural employment is higher by 37,900 jobs than in the baseline forecast and Washington personal income is \$6.7 billion higher. The optimistic scenario generated 533 million (2.3 percent) more revenue in the 2003-05 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. Nationally, the Governor's Council expectations for real GDP and inflation were the same as the baseline in 2004. In 2005, however, their real GDP forecast was lower and their inflation forecast was higher. The Governor's Council members expected lower interest rates in both years. The GCEA forecast for Washington State was also very similar to the baseline forecast in 2004 though the Council members expected slightly higher housing permits. In 2005, however, the GCEA nominal and real income growth forecasts were higher than the baseline even though its employment growth forecast was slightly lower. The Council members housing forecast was also stronger than the baseline forecast in 2005. At the end of the 2003-05 biennium, Washington nonagricultural employment was 3,800 lower in the GCEA forecast than in the baseline forecast but their Washington personal income forecast was \$1.0 billion higher. The Governor's Council scenario generated \$36 million (0.2 percent) more revenue than did the baseline forecast in the 2003-05 biennium.

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 2004 to 2007

Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,679.2	9,868.2	9,940.3	10,197.0	10,662.8	11,126.7	11,508.0	11,909.9
% Ch	4.5	2.0	0.7	2.6	4.6	4.4	3.4	3.5
Real Consumption	6599.5	6824.7	7029.0	7226.5	7507.2	7788.2	8037.3	8317.4
% Ch	5.0	3.4	3.0	2.8	3.9	3.7	3.2	3.5
Real Nonresidential Fixed Investment	1,186.8	1,229.0	1,119.2	1,092.8	1,171.2	1,285.0	1,376.7	1,460.1
% Ch	9.4	3.6	-8.9	-2.4	7.2	9.7	7.1	6.1
Real Residential Fixed Investment	449.8	443.9	457.0	483.1	529.5	516.4	494.3	492.2
% Ch	3.5	-1.3	2.9	5.7	9.6	-2.5	-4.3	-0.4
Real Personal Income	8,209.2	8,512.3	8,582.1	8,641.9	8,870.3	9,240.1	9,597.7	9,974.3
% Ch	4.2	3.7	0.8	0.7	2.6	4.2	3.9	3.9
Real Per Capita Income (\$/Person)	29,186	29,934	29,856	29,765	30,277	31,268	32,205	33,189
% Ch	3.0	2.6	-0.3	-0.3	1.7	3.3	3.0	3.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.026	1.045	1.058	1.071	1.088	1.110
% Ch	2.3	2.3	1.4	1.9	1.3	1.2	1.6	2.0
U.S. Consumer Price Index (1982-84=1.0)	1.693	1.751	1.782	1.821	1.853	1.877	1.903	1.936
% Ch	2.9	3.4	1.8	2.2	1.8	1.3	1.4	1.7
Employment Cost Index (June 1989=1.0)	1.432	1.487	1.541	1.585	1.636	1.686	1.736	1.789
% Ch	3.8	3.9	3.6	2.9	3.2	3.1	3.0	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,571.3	9,982.2	10,261.9	10,687.0	11,331.7	11,983.8	12,579.7	13,260.9
% Ch	6.4	4.3	2.8	4.1	6.0	5.8	5.0	5.4
Personal Income	8,115.3	8,608.5	8,803.6	9,030.0	9,388.8	9,899.4	10,446.2	11,071.8
% Ch	6.6	6.1	2.3	2.6	4.0	5.4	5.5	6.0
Employment (Millions)								
U.S. Civilian Labor Force	142.0	143.2	144.4	145.9	147.3	149.3	151.5	153.6
Total U.S. Employment	136.2	137.3	136.5	137.3	138.7	141.2	143.5	145.5
Unemployment Rate (%)	4.07	4.14	5.47	5.89	5.88	5.43	5.30	5.26
Nonfarm Payroll Employment	130.60	132.26	130.89	130.20	130.51	133.81	136.64	138.76
% Ch	2.5	1.3	-1.0	-0.5	0.2	2.5	2.1	1.6
Manufacturing	17.29	17.04	15.74	15.00	14.54	14.54	14.69	14.74
% Ch	-0.8	-1.4	-7.6	-4.7	-3.1	0.0	1.0	0.4
Durable Manufacturing	10.85	10.75	9.83	9.30	9.02	9.16	9.33	9.37
% Ch	-0.1	-0.9	-8.6	-5.4	-3.0	1.5	1.8	0.5
Nondurable Manufacturing	6.44	6.29	5.91	5.70	5.52	5.38	5.36	5.37
% Ch	-1.9	-2.4	-6.0	-3.5	-3.2	-2.4	-0.4	0.1
Construction	6.70	6.82	6.78	6.74	6.88	7.18	7.47	7.64
% Ch	5.5	1.8	-0.7	-0.6	2.1	4.4	4.1	2.2
Producing	106.02	107.79	107.77	107.89	108.52	111.54	113.97	115.90
% Ch	2.9	1.7	-0.0	0.1	0.6	2.8	2.2	1.7
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.2	23.3	23.8	24.0	23.8	23.0	22.2	21.6
Auto Sales (Millions)	9.0	8.5	8.2	7.9	7.7	7.9	7.6	7.8
% Ch	8.0	-5.0	-4.4	-3.5	-2.3	2.1	-2.7	1.4
Housing Starts (Millions)	1.638	1.571	1.642	1.730	1.936	1.777	1.671	1.642
% Ch	-1.3	-4.1	4.6	5.3	11.9	-8.2	-5.9	-1.8
Federal Budget Surplus (Billions)	156.2	162.2	-125.9	-321.1	-508.2	-494.4	-424.5	-368.0
Net Exports (Billions)	-323.9	-388.5	-377.4	-476.3	-503.3	-503.5	-465.7	-454.0
3-Month Treasury Bill Rate (%)	5.23	5.14	2.15	1.30	0.95	1.73	2.55	2.74
30-Year U.S. Govt. Bond Rate (%)	6.14	5.66	5.55	4.99	5.28	5.93	6.11	5.92
Bond Index of 20 G.O. Munis. (%)	5.82	5.35	5.14	4.77	4.82	5.21	5.25	4.99
Mortgage Rate (%)	8.05	7.45	6.88	5.93	6.10	6.81	7.08	6.93

Table 1.2

Fiscal Years

Washington Economic Forecast Summary

Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	184.190	187.418	189.060	193.370	198.887	206.480	214.409	223.938
% Ch	5.8	1.8	0.9	2.3	2.9	3.8	3.8	4.4
Real Wage and Salary Disb.	110.173	108.972	107.365	107.988	110.515	115.268	120.328	125.740
% Ch	7.8	-1.1	-1.5	0.6	2.3	4.3	4.4	4.5
Real Nonwage Income	74.017	78.446	81.694	85.382	88.372	91.212	94.081	98.198
% Ch	2.8	6.0	4.1	4.5	3.5	3.2	3.1	4.4
Real Per Capita Income (\$/Person)	31,285	31,425	31,339	31,743	32,308	33,149	34,010	35,074
% Ch	4.5	0.4	-0.3	1.3	1.8	2.6	2.6	3.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.026	1.045	1.058	1.071	1.088	1.110
% Ch	2.3	2.3	1.4	1.9	1.3	1.2	1.6	2.0
Seattle Cons. Price Index (1982-84=1.0)	1.757	1.828	1.876	1.910	1.933	1.949	1.976	2.015
% Ch	3.2	4.0	2.7	1.8	1.2	0.8	1.4	2.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.42	17.32	18.35	17.88	17.84	18.14	18.39	18.71
% Ch	2.8	5.5	5.9	-2.5	-0.3	1.7	1.4	1.7
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	181.894	189.392	193.837	201.641	209.770	220.561	232.722	247.954
% Ch	8.3	4.1	2.3	4.0	4.0	5.1	5.5	6.5
Personal Income	182.065	189.538	193.939	202.047	210.509	221.214	233.366	248.582
% Ch	8.2	4.1	2.3	4.2	4.2	5.1	5.5	6.5
Disposable Personal Income	155.670	161.380	169.292	179.068	188.663	197.969	208.055	220.160
% Ch	7.5	3.7	4.9	5.8	5.4	4.9	5.1	5.8
Per Capita Income (\$/Person)	30,923	31,779	32,147	33,167	34,196	35,513	37,017	38,933
% Ch	6.9	2.8	1.2	3.2	3.1	3.9	4.2	5.2
Employment (Thousands)								
Washington Civilian Labor Force	3,069.0	3,025.9	3,046.1	3,116.1	3,134.5	3,193.9	3,248.3	3,301.0
Total Washington Employment	2,919.9	2,853.4	2,828.8	2,892.6	2,910.0	2,982.1	3,047.7	3,109.2
Unemployment Rate (%)	4.86	5.70	7.13	7.17	7.16	6.63	6.18	5.81
Nonfarm Payroll Employment	2,684.5	2,717.3	2,664.4	2,655.3	2,670.9	2,731.9	2,793.5	2,851.3
% Ch	2.4	1.2	-1.9	-0.3	0.6	2.3	2.3	2.1
Manufacturing	336.3	326.4	300.1	275.7	262.1	259.7	264.4	271.7
% Ch	-4.8	-2.9	-8.1	-8.1	-4.9	-0.9	1.8	2.8
Durable Manufacturing	239.8	232.9	212.0	190.9	181.3	181.8	186.4	192.3
% Ch	-6.5	-2.9	-9.0	-10.0	-5.0	0.3	2.6	3.1
Aerospace	89.7	86.8	82.9	70.2	62.4	60.4	62.3	67.0
% Ch	-16.5	-3.2	-4.5	-15.4	-11.1	-3.1	3.1	7.5
Nondurable Manufacturing	96.5	93.5	88.1	84.9	80.8	77.9	77.9	79.4
% Ch	-0.3	-3.2	-5.7	-3.7	-4.8	-3.6	-0.0	1.8
Construction	158.3	161.3	154.7	155.4	158.5	162.0	166.5	170.2
% Ch	6.5	1.9	-4.1	0.4	2.0	2.2	2.8	2.2
Service-Producing	2,179.4	2,219.8	2,200.1	2,215.1	2,241.5	2,301.5	2,354.0	2,400.8
% Ch	3.3	1.9	-0.9	0.7	1.2	2.7	2.3	2.0
Software Publishers	29.5	34.5	35.9	36.1	38.6	42.6	46.5	50.6
% Ch	14.0	16.9	4.0	0.5	6.7	10.5	9.2	8.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	39.065	40.384	37.329	42.689	41.908	41.239	39.401	39.830
% Ch	-13.1	3.4	-7.6	14.4	-1.8	-1.6	-4.5	1.1
Single-Family	26.372	26.761	26.978	33.144	31.619	27.095	25.552	25.756
% Ch	-6.7	1.5	0.8	22.9	-4.6	-14.3	-5.7	0.8
Multi-Family	12.693	13.623	10.351	9.544	10.289	14.144	13.849	14.073
% Ch	-24.0	7.3	-24.0	-7.8	7.8	37.5	-2.1	1.6
Mortgage Rate (%)	8.05	7.45	6.88	5.93	6.10	6.81	7.08	6.93

Table 1.3

Comparison of Alternative Forecasts

	Fiscal Year 2003				Fiscal Year 2004				Fiscal Year 2005			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	10197.0	10197.0	10197.0	10197.0	10686.9	10662.8	10628.6	10661.8	11232.5	11126.7	10980.1	11094.8
%Ch	2.6	2.6	2.6	2.6	4.8	4.6	4.2	4.6	5.1	4.4	3.3	4.1
Implicit Price Deflator	1.045	1.045	1.045	1.045	1.058	1.058	1.059	1.059	1.072	1.071	1.073	1.075
%Ch	1.9	1.9	1.9	1.9	1.3	1.3	1.3	1.3	1.3	1.2	1.3	1.5
Mortgage Rate	5.93	5.93	5.93	5.93	6.10	6.10	6.10	6.05	6.79	6.81	6.51	6.63
3 Month T-Bill Rate	1.30	1.30	1.30	1.30	0.96	0.95	0.93	0.85	1.76	1.73	1.05	1.23
Washington												
Real Personal Income	193.370	193.370	193.370	193.370	200.400	198.887	197.184	198.750	211.651	206.480	200.116	207.186
%Ch	2.3	2.3	2.3	2.3	3.6	2.9	2.0	2.8	5.6	3.8	1.5	4.2
Personal Income	202.047	202.047	202.047	202.047	212.128	210.509	208.799	210.401	226.870	221.214	214.759	222.719
%Ch	4.2	4.2	4.2	4.2	5.0	4.2	3.3	4.1	6.9	5.1	2.9	5.9
Employment	2655.3	2655.3	2655.3	2655.3	2675.6	2670.9	2664.4	2671.5	2760.2	2731.9	2694.5	2728.0
%Ch	-0.3	-0.3	-0.3	-0.3	0.8	0.6	0.3	0.6	3.2	2.3	1.1	2.1
Housing Permits	42.689	42.689	42.689	42.689	42.762	41.908	39.566	42.640	46.289	41.239	34.561	42.455
%Ch	14.4	14.4	14.4	14.4	0.2	-1.8	-7.3	-0.1	8.2	-1.6	-12.6	-0.4

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

Table 1.4

Forecast Analysis

Comparison of Forecasts for 2003-05

Forecast Date	2002				2003				2004				2005	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
U.S.														
Percent Growth, 2001:2-2003:2														
Real GDP	7.1	7.2	6.4	7.7	8.9	7.8	7.8	8.5	9.7					
Implicit Price Deflator	4.6	4.9	5.1	5.6	3.5	3.3	3.5	3.2	2.5					
Average Rate, 2001:3 to 2003:2														
3 Month T-Bill Rate	4.52	4.90	3.48	3.16	2.92	1.57	1.15	1.12	1.34					
Mortgage Rate	7.49	7.64	7.86	6.62	7.21	6.46	6.39	6.32	6.45					
Washington														
Percent Growth, 2001:2-2003:2														
Employment	4.6	5.0	4.4	4.6	4.6	3.3	2.7	3.0	4.0					
Personal Income	11.5	12.5	10.9	11.9	10.6	8.6	9.1	9.1	9.7					
Real Personal Income	6.6	7.2	5.5	6.0	6.8	5.1	5.5	5.6	7.0					
Total (Thousands of units), 2001:3 to 2003:2														
Housing Units Authorized	77.4	77.1	76.0	80.1	79.8	78.1	81.3	82.7	83.1					

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2004 to 2005

	2001	2002	2003	2004	2005
U.S.					
Real GDP					
February Baseline	9868.2	9940.3	10197.0	10662.8	11126.7
% Ch	2.0	0.7	2.6	4.6	4.4
November Baseline	9221.4	9297.7	9546.3	9909.7	10306.7
% Ch	1.8	0.8	2.7	3.8	4.0
Implicit Price Deflator					
February Baseline	1.011	1.026	1.045	1.058	1.071
% Ch	2.3	1.4	1.9	1.3	1.2
November Baseline	1.087	1.101	1.122	1.139	1.157
% Ch	2.5	1.3	1.9	1.5	1.6
U.S. Unemployment Rate					
February Baseline	4.14	5.47	5.89	5.88	5.43
November Baseline	4.16	5.47	5.90	6.16	5.95
Mortgage Rate					
February Baseline	7.45	6.88	5.93	6.10	6.81
November Baseline	7.45	6.88	5.93	6.11	6.52
3 Month T-Bill Rate					
February Baseline	5.14	2.15	1.30	0.95	1.73
November Baseline	5.14	2.15	1.30	0.95	1.28
Washington					
Real Personal Income					
February Baseline	187.418	189.060	193.370	198.887	206.480
% Ch	1.8	0.9	2.3	2.9	3.8
November Baseline	174.399	176.108	180.250	184.346	190.362
% Ch	1.6	1.0	2.4	2.3	3.3
Personal Income					
February Baseline	189.538	193.939	202.047	210.509	221.214
% Ch	4.1	2.3	4.2	4.2	5.1
November Baseline	189.538	193.939	202.192	209.974	220.232
% Ch	4.1	2.3	4.3	3.8	4.9
Employment					
February Baseline	2717.3	2664.4	2655.3	2670.9	2731.9
% Ch	1.2	-1.9	-0.3	0.6	2.3
November Baseline	2717.3	2664.8	2658.6	2661.1	2713.3
% Ch	1.2	-1.9	-0.2	0.1	2.0
Housing Permits					
February Baseline	40.384	37.329	42.689	41.908	41.239
% Ch	3.4	-7.6	14.4	-1.8	-1.6
November Baseline	40.384	37.329	42.689	42.284	40.376
% Ch	3.4	-7.6	14.4	-0.9	-4.5

Table 1.6
Long Range Economic Outlook
 Forecast 2004 to 2011

Calendar Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
U.S.											
Real GDP, %Ch	3.2	4.7	4.0	3.4	3.3	2.7	2.7	2.7	2.6	2.8	3.1
Implicit Price Deflator, %Ch	1.8	1.1	1.4	1.8	2.2	2.4	2.5	2.7	3.0	2.9	3.0
3 Month T-Bill Rate	1.01	1.24	2.17	2.73	2.91	3.77	4.88	5.10	5.13	5.17	5.20
Mortgage Rate	5.82	6.46	6.99	7.04	6.98	7.45	8.03	8.09	8.11	8.07	8.07
State*											
Real Personal Income, %Ch	2.2	3.4	3.9	4.2	4.3	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	4.0	4.5	5.4	6.0	6.6	4.9	5.0	5.3	5.5	5.5	5.6
Employment, %Ch	0.2	1.5	2.5	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0

* February 2003 Baseline (2003-2005) judgmentally extended through 2013.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

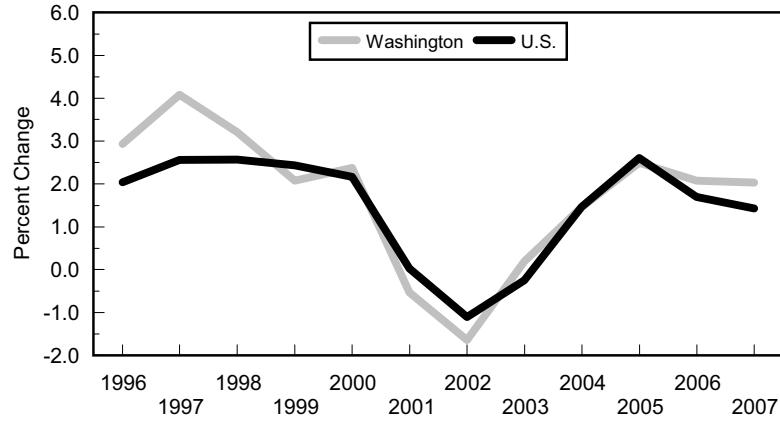


Chart 1.2
Manufacturing Employment

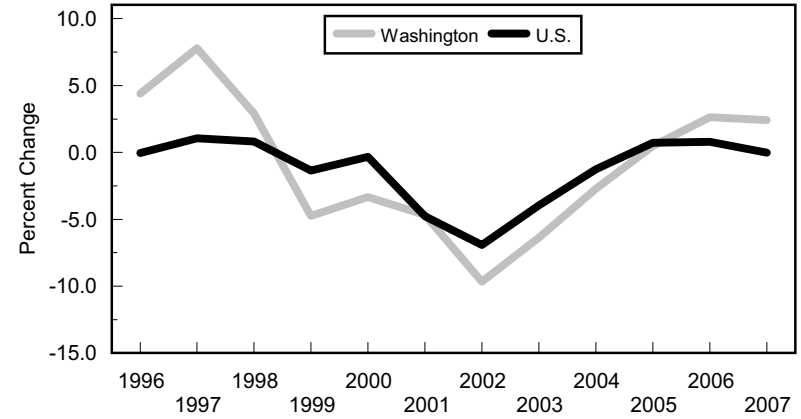


Chart 1.3
Aerospace Employment

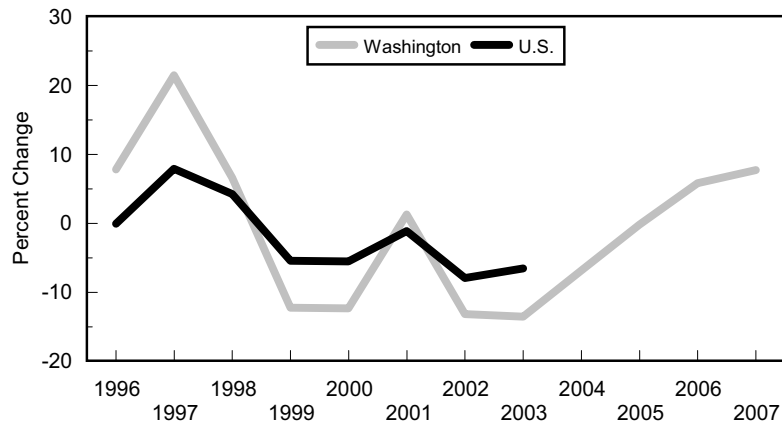
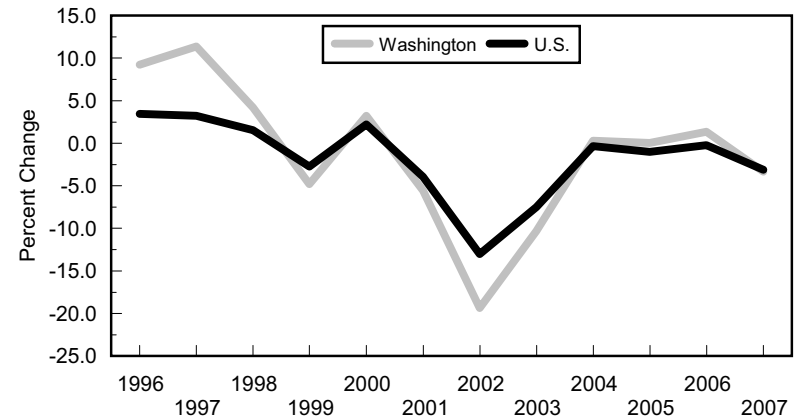


Chart 1.4
Computers and Electronics Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

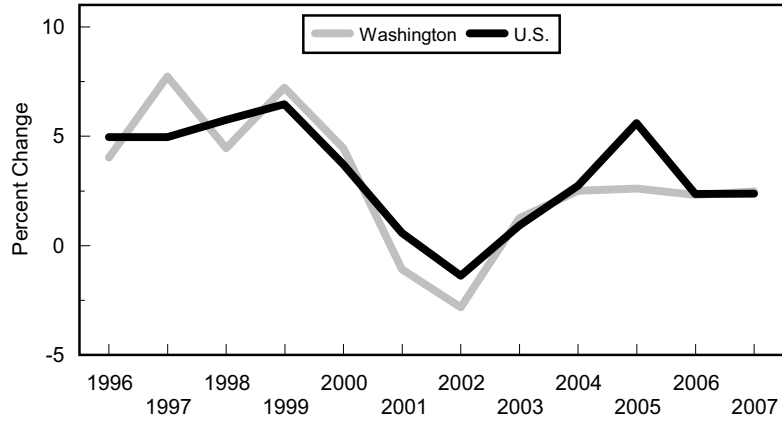


Chart 1.6
Information Employment

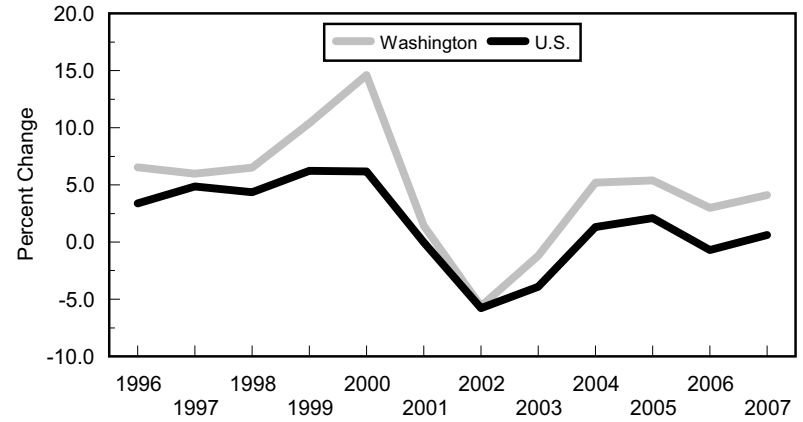


Chart 1.7
Other Private Employment

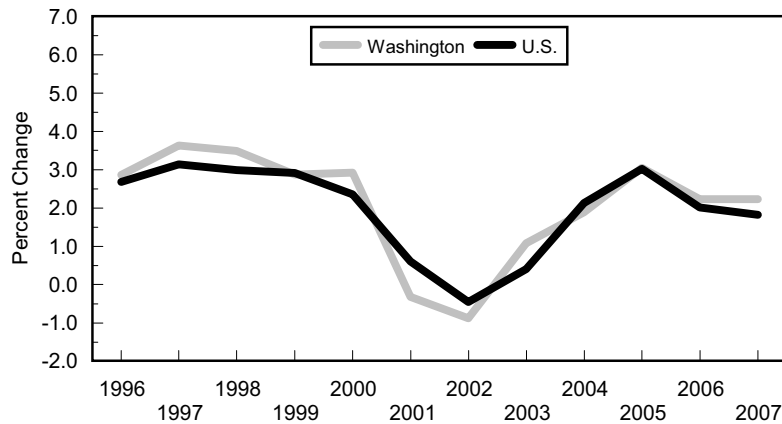
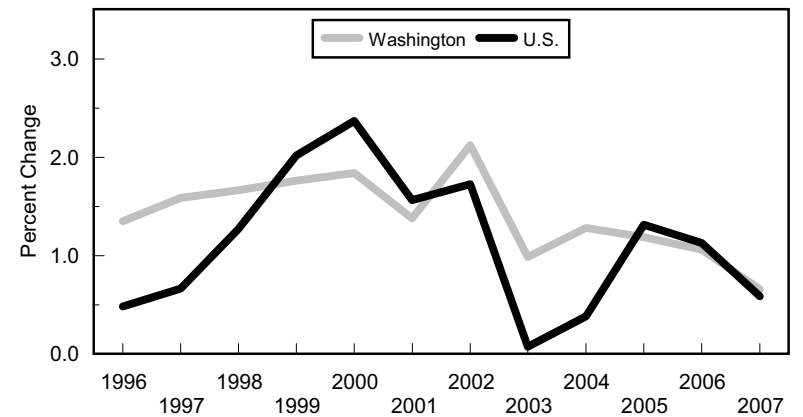


Chart 1.8
Government Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

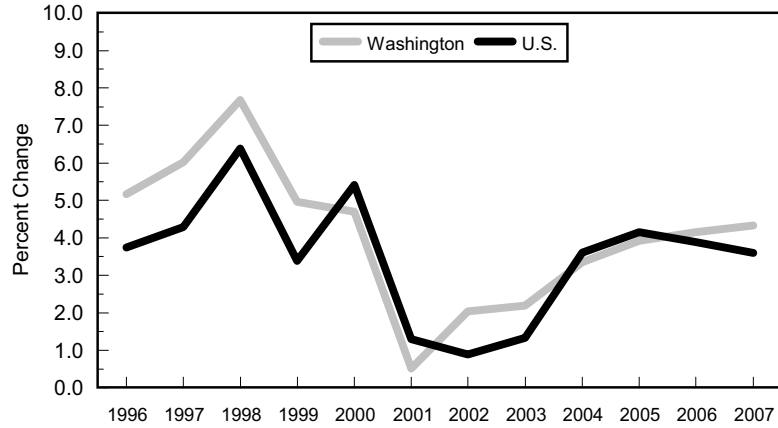


Chart 1.10
Consumer Price Indices

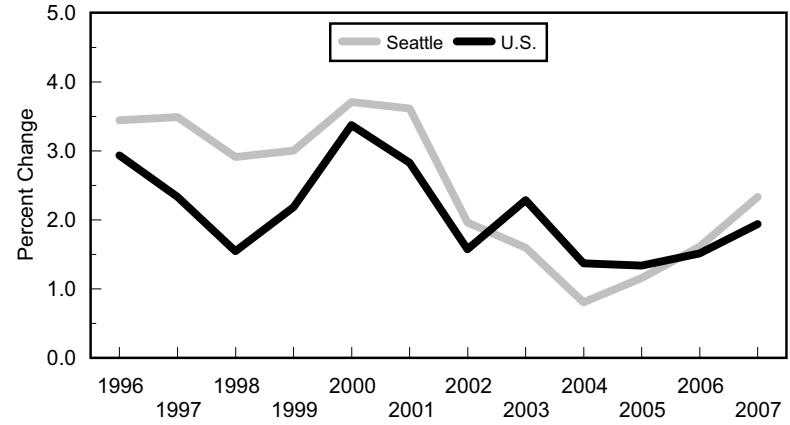


Chart 1.11
Population

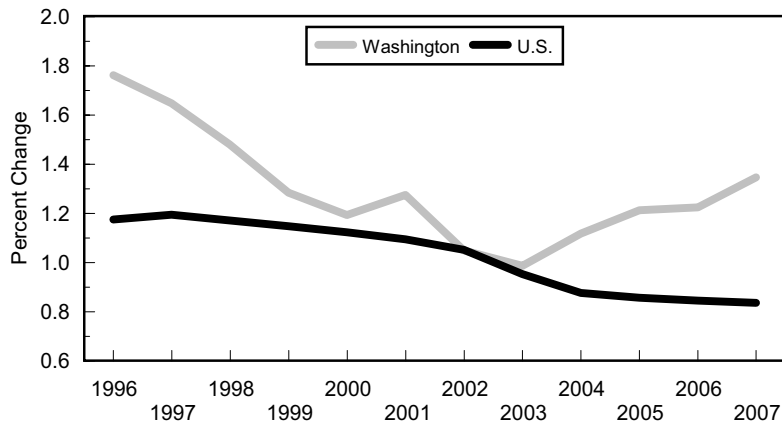
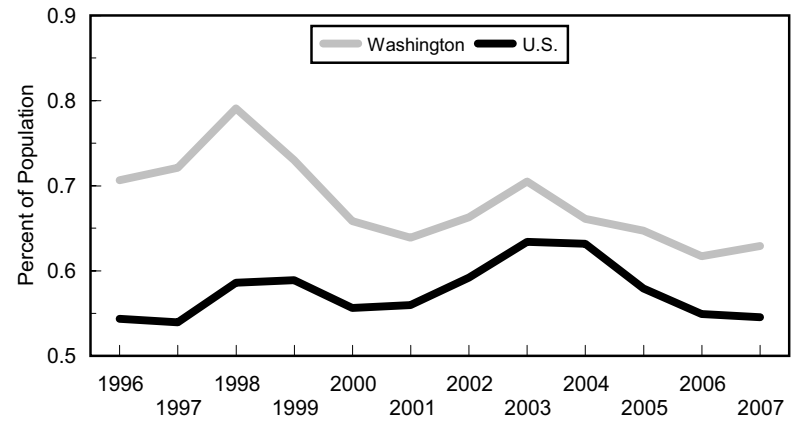


Chart 1.12
Per Capita Housing Units



Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

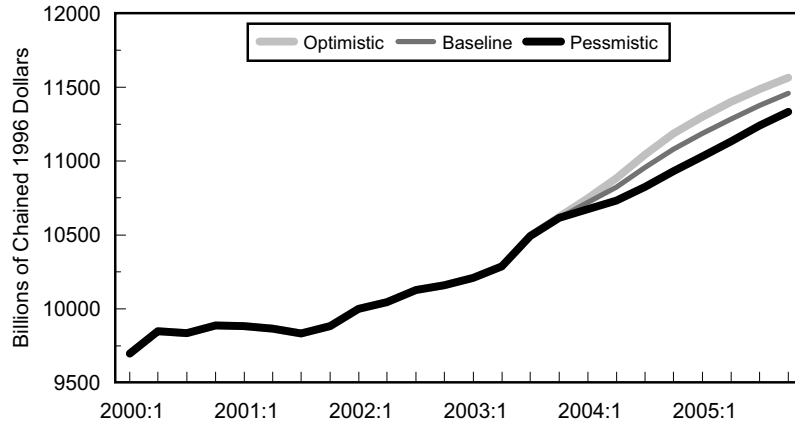


Chart 1.14
Implicit Price Deflator

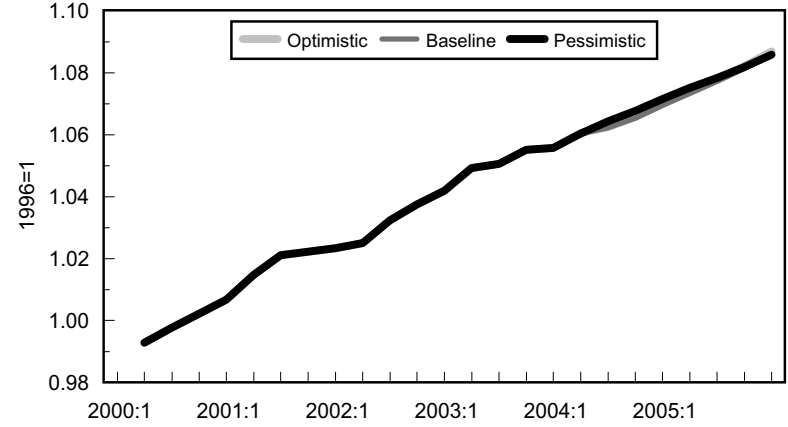


Chart 1.15
Mortgage Rate

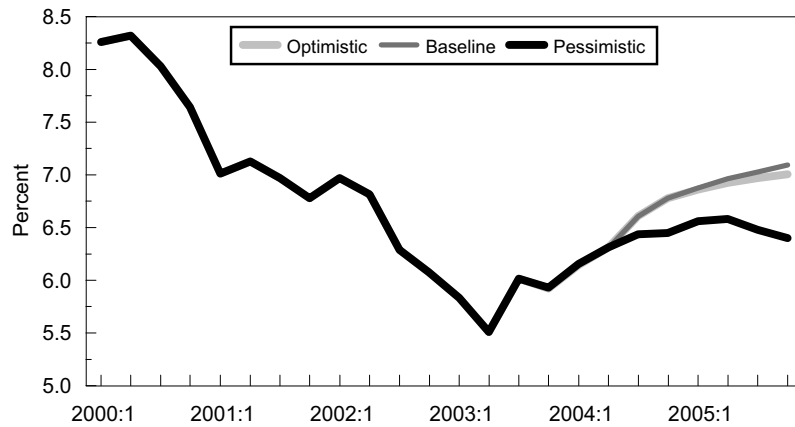
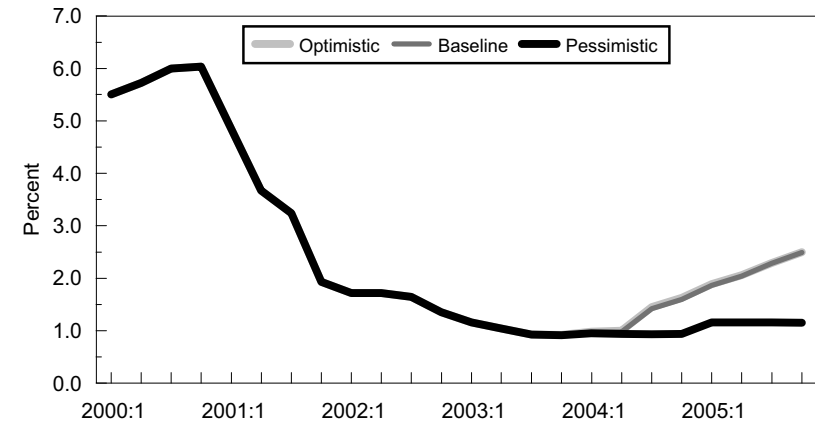


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

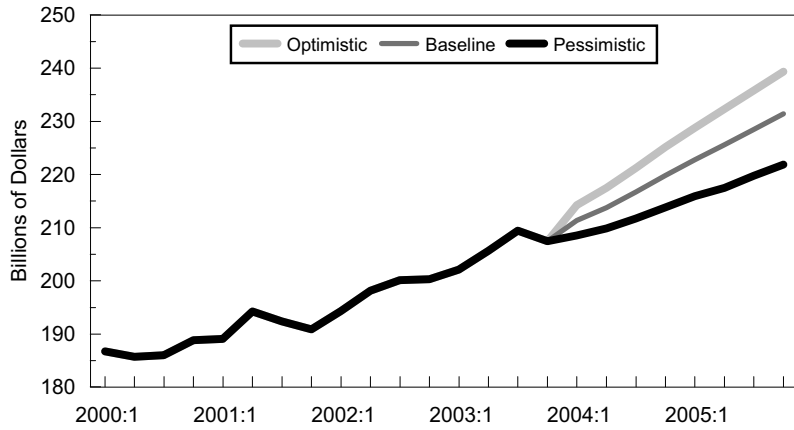


Chart 1.18
Real Personal Income

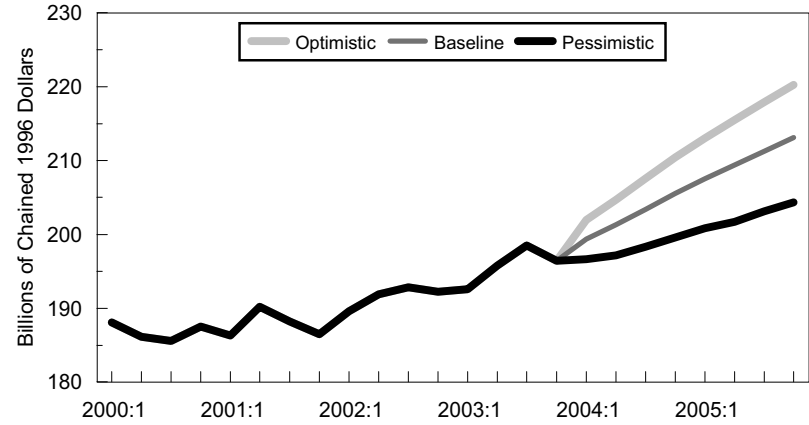


Chart 1.19
Total Nonfarm Payroll Employment

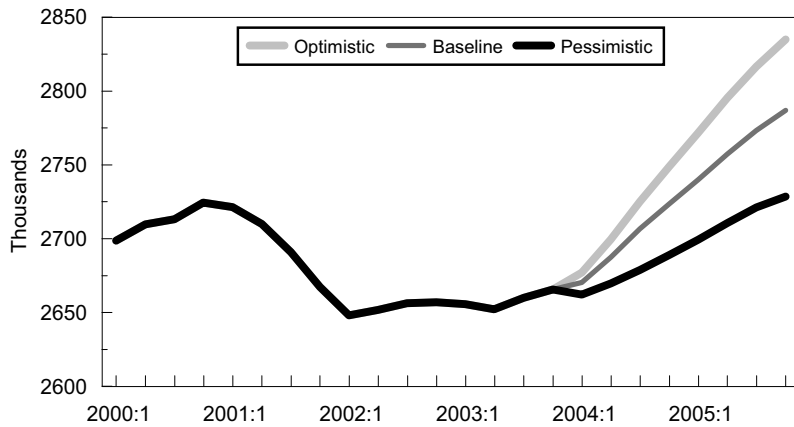
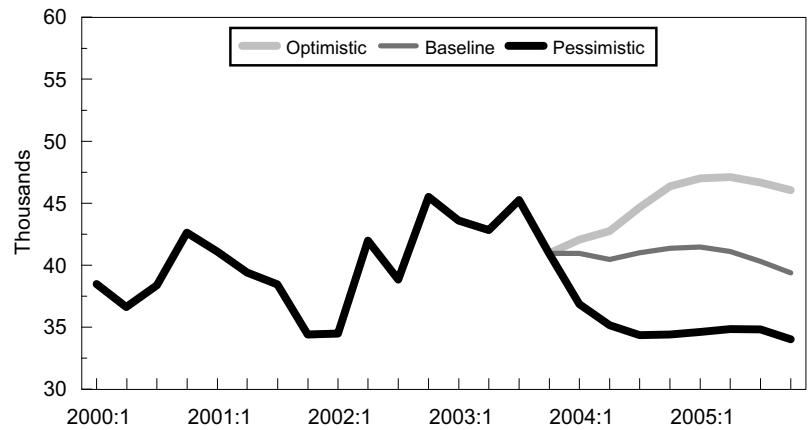


Chart 1.20
Housing Permits



Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a 4.1* percent annual rate in the fourth quarter of 2003. GDP growth increased at a very strong 8.2 percent annual rate last quarter. Real GDP has now increased for nine consecutive quarters since the U.S. recession ended in the fourth quarter of 2001, a clear sign of a healthy economy. Consumer spending increased at a 2.7 percent annual rate in the fourth quarter. This was well below last quarter's 6.9 percent increase. Spending on durable goods declined 0.1 percent in the last quarter of 2003 after increasing 28.0 percent in the third quarter and 17.7 percent in the second quarter. Business investment in equipment and software continued to increase at a double-digit rate in the fourth quarter, growing 15.1 percent only a little slower than the 17.6 percent increase last quarter.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity dropped 3.5 percent in February 2004 from a twenty year high in January. Despite the decline, the index indicates that the output of the manufacturing sector is still quite strong. The index has increased four of the last five months and eight of the last ten. The index has been above 50 the last ten months. The February 2004 index level is 61.4. An index above 50 indicates that output of the manufacturing sector is growing; below 50 indicates the sector is contracting.

The U.S. economy has added jobs for five straight months beginning in September 2003 (seasonally adjusted basis). Despite the gains, U.S. payroll employment in January 2004 is still below the year-ago level due to large declines in early 2003. Although the recent employment gains are well below what would normally be expected at this stage of an economic recovery, the added jobs are a welcomed relief after seven quarters of decline since the end of the recession. The January 2004 U.S. unemployment rate fell to 5.6 percent from 5.7 percent in December 2003. After peaking in June 2003 at 6.3 percent, the U.S. unemployment rate has fallen or remained unchanged for six consecutive months.

Productivity growth decelerated in the fourth quarter of 2003, increasing at a 2.6 percent annual rate. This is way down from last quarter's 9.5 percent increase. However, for the year productivity growth remains strong at 4.4 percent. Prices remain reasonably stable. The seasonally adjusted Consumer Price Index (CPI) increased 0.5 percent in January 2004 after almost no net gain the previous three months. Excluding the more volatile food and energy components of the CPI, prices rose only 0.2 percent in January and are only 1.1 percent higher than a year-ago.

The Conference Board reported that its Index of Consumer Confidence fell sharply in February 2004. Prior to February's decline, the index had increased three of the last four months. February's index level is 87.3 (1996=100), its lowest level since October. The drop in confidence was disappointing and may

indicate that, despite improvement, the slow pace of job growth is insufficient to maintain a high level of consumer confidence.

In addition, The Conference Board reported that the U.S. Index of Leading Indicators rose 0.5 percent in January. The index has increased for ten consecutive months. The leading index continues to support the likelihood of a sustained recovery. The January 2004 index level is 115.0 (1996=100). Five of the ten components of the index increased in January and one remained unchanged.

The Federal Open Market Committee (FOMC) again voted to leave its target rate for federal funds unchanged at 1.0 percent at its January 28, 2004 meeting. The FOMC issued a statement that was similar to what it issued at its previous two meetings. The FOMC assessment is that “the upside and downside risks to the attainment of sustainable growth for the next few quarters are roughly equal”. It also believes that the likelihood of a fall in inflation has lessened and now appears “almost equal to that of a rise in inflation.” It stated that it can “be patient in removing its policy accommodation”. Previously, it stated that an accommodative monetary policy can be maintained for “a considerable period”. Economists and Fed watchers are uncertain to what extent the change in the wording of the Fed’s statement increases the likelihood of a rate hike.

The State Economy and Indicators

The Washington economy added jobs in the fourth quarter of 2003 and revised data indicated that employment also increased in the third quarter. Wage and salary employment rose at a 0.9 percent annual rate in the fourth quarter of 2003, after growing 1.2 percent last quarter. Jobs declined in the first two quarters of 2003. Despite the overall gain, manufacturing employment fell again in the fourth quarter of 2003 at a 4.6 percent annual rate. It declined 5.3 percent last quarter and has declined since the third quarter of 1998 (twenty-two consecutive quarters after adjusting for the impact of the Boeing strike in the first quarter of 2000.) Aerospace employment again declined at a double-digit pace, down 10.8 percent at an annualized rate in the fourth quarter of 2003. Aerospace employment has now declined for nine consecutive quarters.

Data for the most recent month indicates that Washington seasonally adjusted employment increased in January. This is the third increase in the last four months. In addition, Washington’s seasonally adjusted unemployment rate fell to 6.5 percent of the labor force in January 2004 from 7.3 percent in December. While the direction is correct, the relatively large drop in the unemployment rate likely overstates the improvement in the state’s labor market. Other state economic indicators are generally improving. The Seattle Times Index of Help-Wanted Advertising rose sharply in February to 70.3, its highest level since December 2001. The Washington Purchasing Management Index rose in February 2004 after falling in January. The index is now 62.1 and has been greater than 50 the last eleven months. (A reading above 50 indicates expansion, below 50 indicates contraction.) Washington’s seasonally adjusted initial claims for unemployment insurance fell in January 2004 to 47,326 from 49,346 in December. They have fallen three of the past four months. The January claims number is the lowest since January 2001. Data on Washington’s average weekly hours in manufacturing is unavailable for January 2004. It fell in both November and December.

The Washington Index of Leading Indicators rose in January to 99.1 from 97.3 in December (1996=100). The index has now increased five of the last six months. Five of six components pushed the index up in January. These were: an increase in the Seattle Help-Wanted Index, an increase in the U.S. leading index, a decline in initial claims for unemployment insurance, a lower exchange rate and higher aerospace employment. One component, housing units authorized declined in January. Data on average weekly hours in manufacturing was unavailable for January.

Below is a summary of what various national and state indicators are indicating as of the publication date of the February 2004 economic and revenue forecast.

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	January 2004	+
U.S real GDP growth	2003, quarter 4	+
U.S. ISM index	February 2004	+
U.S employment y/y %ch	January 2004	-
U.S unemployment rate	January 2004	+
U.S help wanted index	January 2004	+
U.S. Fed funds target	January 2004	unchanged
U.S. Consumer confidence	January 2004	-
U.S. CPI	January 2004	up-but little inflation
S&P 500 index	Week of Feb. 23, 2004	down; up year-to-date
WA leading index	January 2004	+
WA ISM index	January 2004	+
WA help wanted index	January 2004	+
WA payroll empl. y/y % ch	January 2004	+
WA aerospace empl y/y %ch	January 2004	-
WA unemployment rate	January 2004	+
WA boom monitor	January 2004	+
WA initial unemploy. Claims	January 2004	+
WA housing units	January 2004	-
WA weekly hours in mfg	December 2003	-
WA new car/truck registration	January 2004	-
WA migration (DOL data)	January 2004	+
WA exports-total	2003, quarter 3	-
WA exports- w/o trans. Equip.	2003, quarter 3	+
Seattle CPI	January 2004	up-but little inflation
NW regional stock index	Week of Feb. 23, 2004	down; up year-to-date

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

**This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimates for the fourth quarter of 2003 released February 27, 2004.) The February 2004 economic forecast was completed prior to the preliminary GDP release, and shows a 4.7 percent increase in real GDP for the fourth quarter of 2003*

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
January 1980 to January 2004

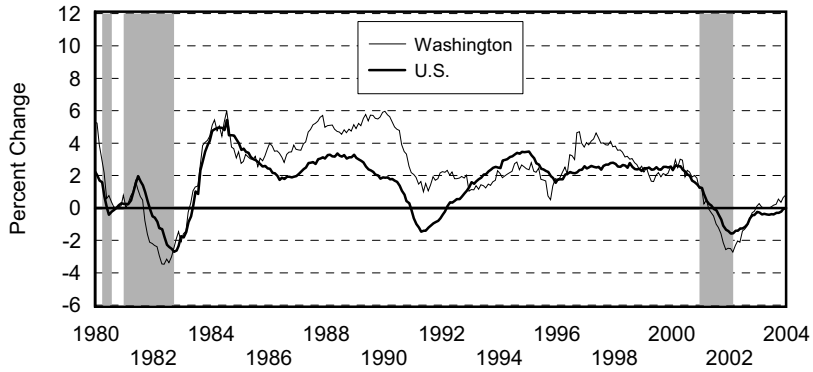


Chart 2.2
Washington Aircraft and Parts Employment
January 1958 to January 2004

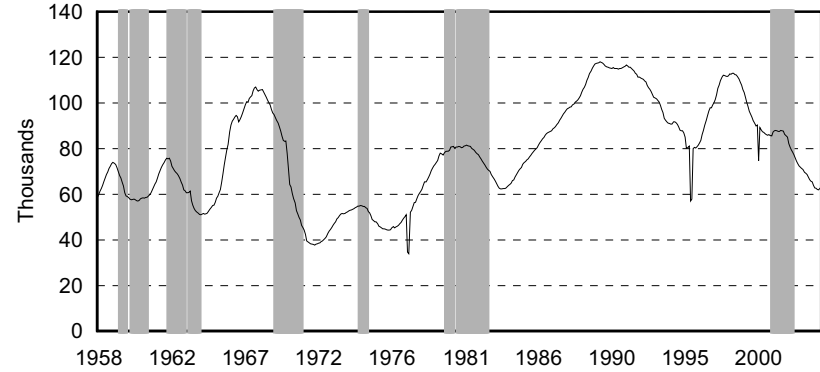


Chart 2.3
Unemployment Rate, S.A.
January 1980 to January 2004

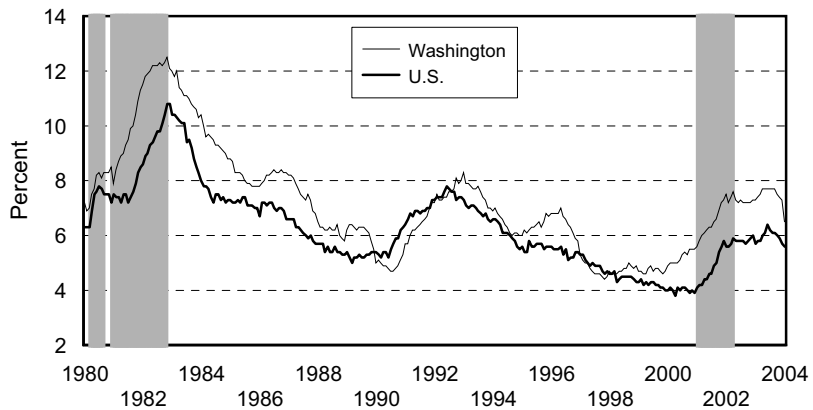
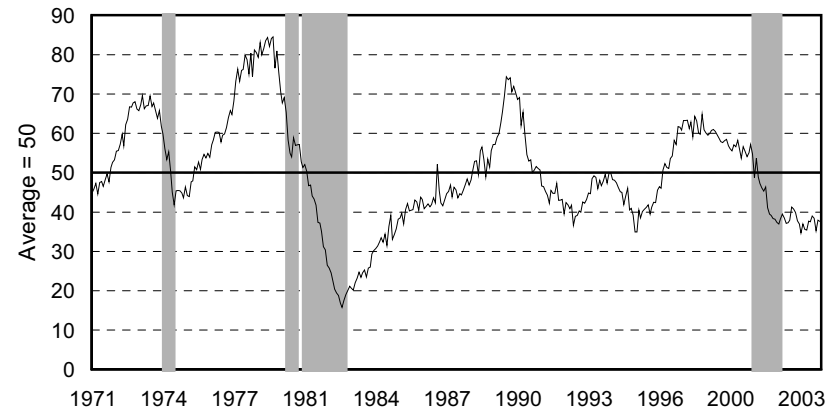


Chart 2.4
Washington Boom Monitor Composite Index
July 1971 to January 2004



* Shaded areas correspond with Washington employment downturns.

Washington State Leading Indicators

Chart 2.5
The Washington and U.S. Indexes of Leading Indicators
January 1970 to January 2004

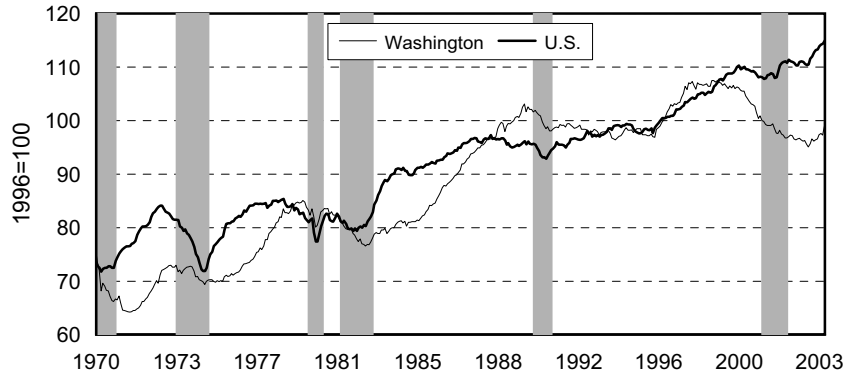


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to January 2004

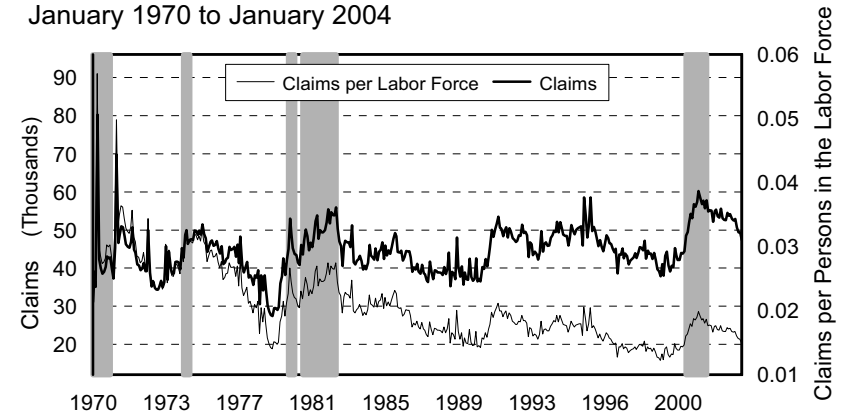


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to January 2004

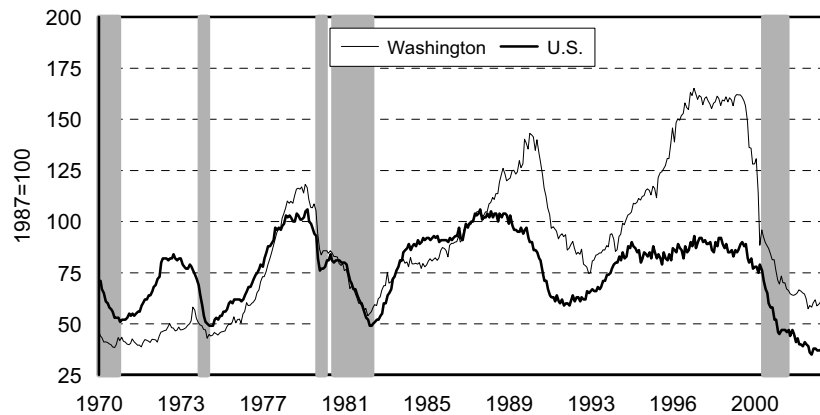
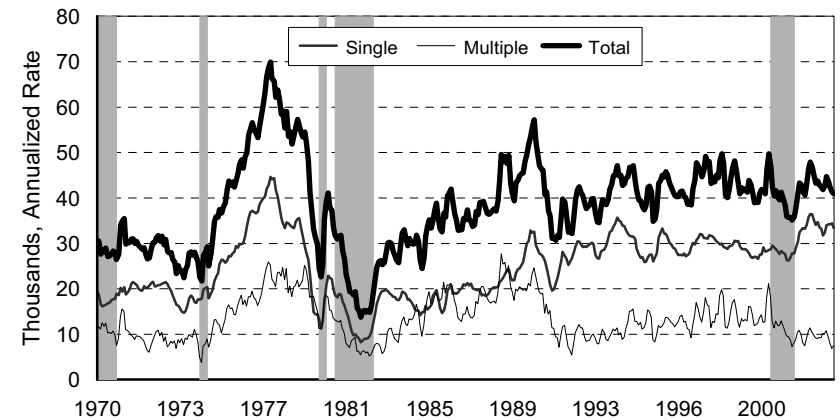


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to January 2004, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
Jan. 1970 to Jan. 2004, 3-Mo. Moving Average, SA (WA to 12/03)

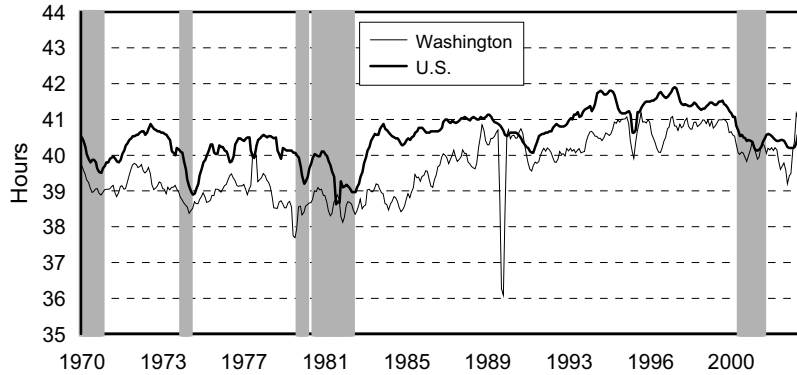


Chart 2.10
Washington Driver's License Migration
September 1983 to January 2004 12-Month Moving Average

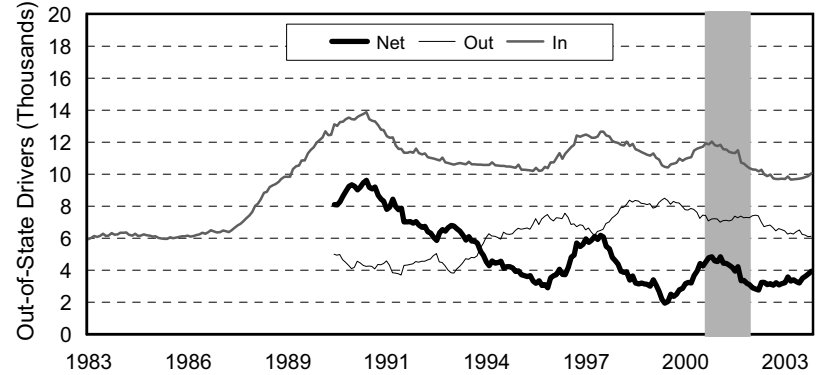


Chart 2.11
New Car and Truck Registrations in Washington
January 1977 to January 2004, 6-Month Moving Average

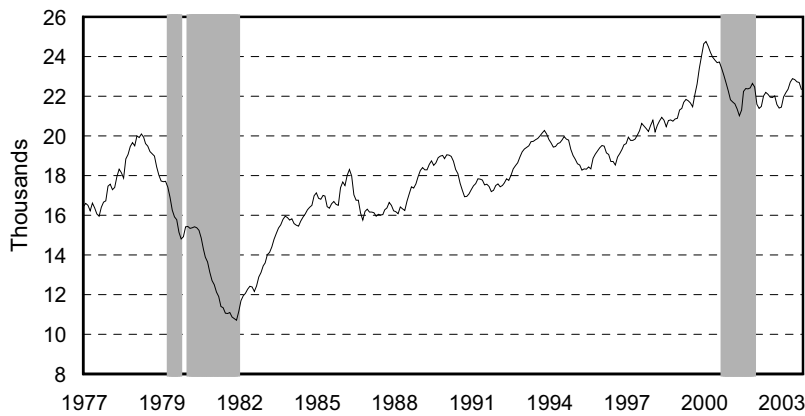
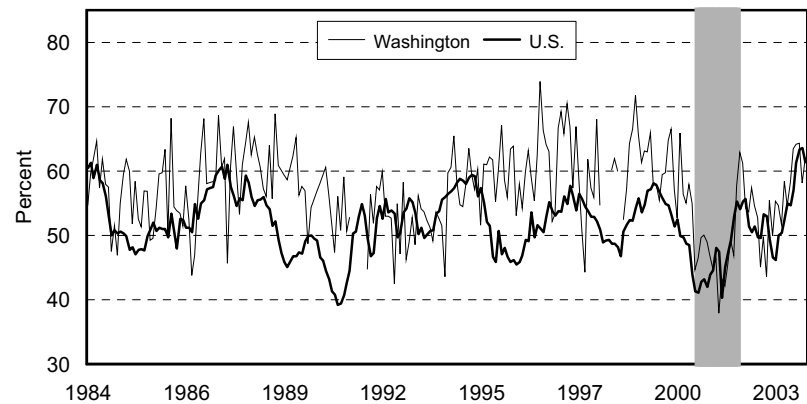


Chart 2.12
Institute for Supply Management Index
January 1984 to February 2004



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
1970 Q1 to 2003 Q4

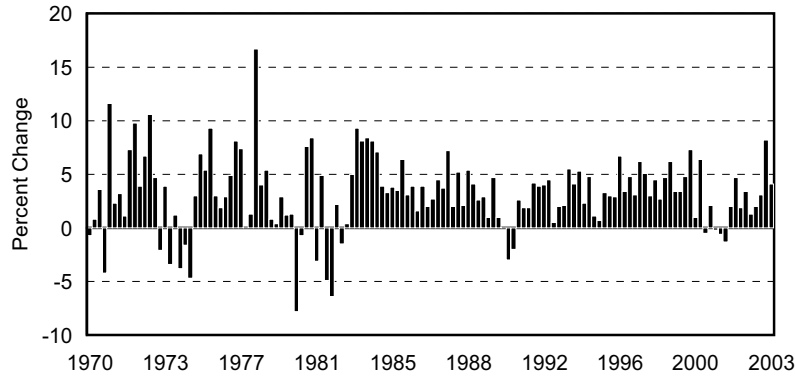


Chart 2.14
Washington State Export Composition
Change from Same Quarter Year Ago, 1998Q1 to 2003Q3

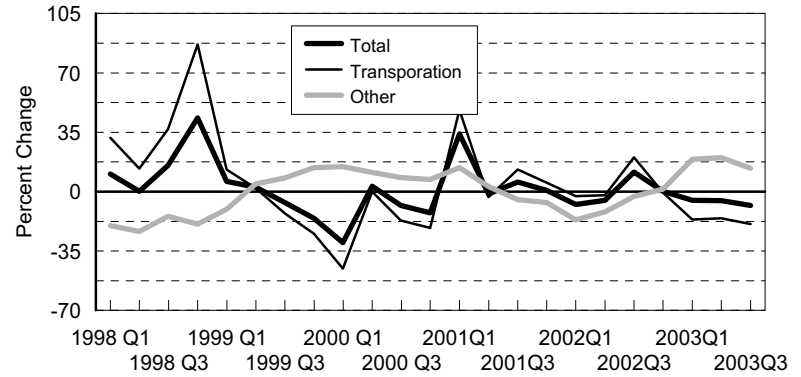


Chart 2.15
U.S. Economic Indicators*
January 1970 to January 2004

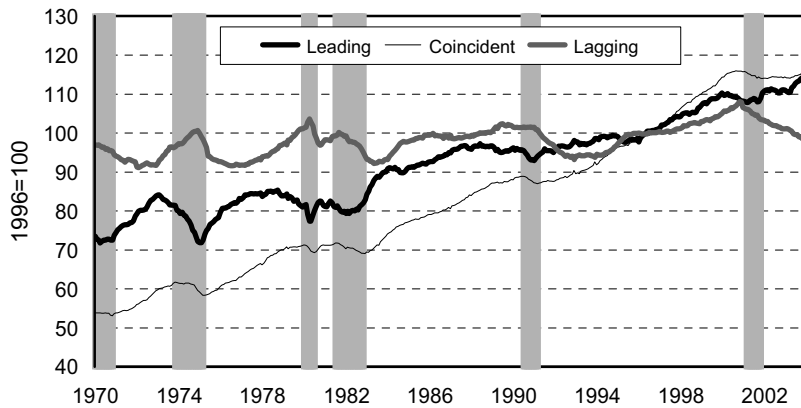
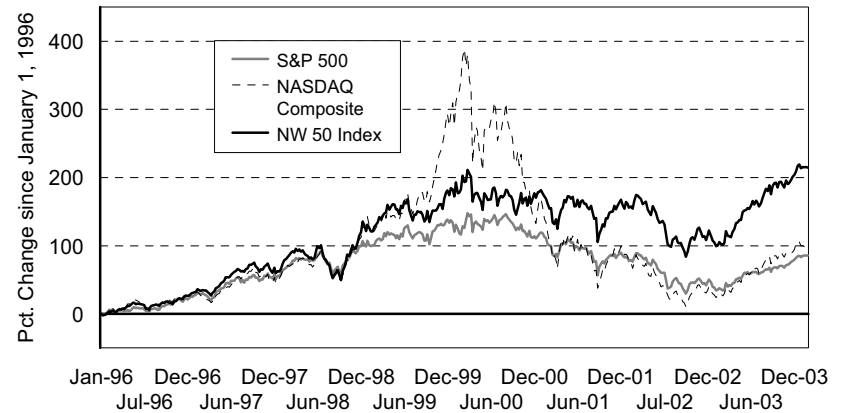


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
January 1, 1996 to February 27, 2004



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

Other Economic Indicators

Chart 2.17
Federal Funds Target Rate
October 1, 1990 to February 27, 2004

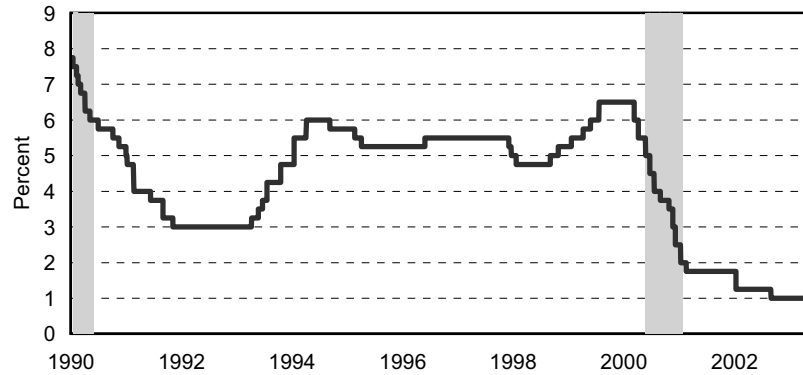


Chart 2.18
Consumer Confidence
January 1978 to February 2004

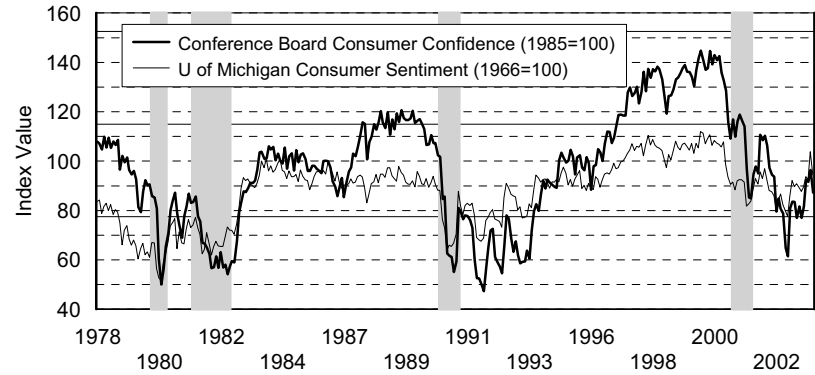
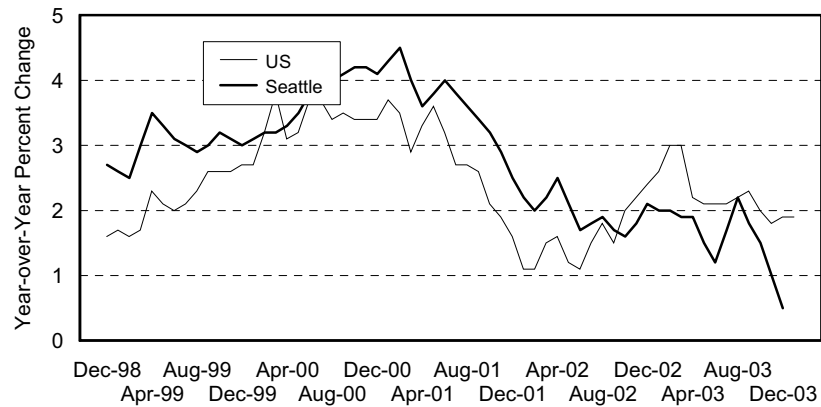


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
December 1998 to January 2004 (WA to 12/03)



* 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
2001:9	98.6	108.0	76	52	37.9	47.5
2001:10	97.7	108.1	71	46	43.3	40.3
2001:11	97.6	109.0	69	45	42.1	45.1
2001:12	98.2	110.3	73	47	45.5	47.3
2002:1	97.5	110.8	70	47	49.4	49.1
2002:2	97.3	111.0	70	47	46.9	52.9
2002:3	96.8	111.1	67	46	57.7	55.3
2002:4	96.8	110.8	66	47	62.9	54.1
2002:5	97.0	111.4	65	44	61.3	55.3
2002:6	97.3	111.1	64	47	54.2	55.7
2002:7	97.2	111.0	64	45	53.7	51.4
2002:8	96.6	110.8	65	41	57.4	50.5
2002:9	96.4	110.3	65	43	54.6	51.4
2002:10	96.6	110.3	67	40	52.8	49.7
2002:11	96.7	111.0	66	40	45.1	49.6
2002:12	96.4	111.1	65	39	49.8	53.3
2003:1	96.2	111.0	65	41	43.5	53.0
2003:2	96.3	110.6	62	40	55.5	49.4
2003:3	95.6	110.4	57	39	50.0	46.6
2003:4	95.1	110.5	59	36	55.3	46.2
2003:5	95.7	111.6	58	35	54.7	50.0
2003:6	96.6	112.0	60	38	51.7	50.4
2003:7	96.2	112.8	62	38	58.4	52.6
2003:8	96.4	113.2	59	37	54.7	55.0
2003:9	96.6	113.3	60	37	58.3	54.7
2003:10	97.4	113.9	61	37	63.5	57.1
2003:11	97.6	114.2	67	39	64.2	61.3
2003:12	97.3	114.4	62	37	64.3	63.4
2004:1	99.1	115.0	70	38	58.2	63.6

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Washington State Revenue Forecast Summary

Introduction

The Economic and Revenue Forecast Council approved a \$76.4 million (0.3 percent) increase to the Washington General Fund-State (GFS) revenue forecast for the 2003-05 biennium at its February 19, 2004 meeting. Although small, this is the third consecutive quarter in which the forecast has been increased. The February 2004 forecast is similar to the November forecast. It assumes slow but steady economic and revenue growth. The news since November is for the most part positive. Nationally economic growth in the fourth quarter of 2003, as measured by real Gross Domestic Product (GDP), was a little stronger than assumed in the November forecast, though growth slowed from the third quarter. Perhaps more importantly, the economy continued to add jobs. Both the U.S. and the Washington economy added more jobs in the fourth quarter than assumed in November. Revenue collections in the three months since the November forecast were close to but a little bit less than expected.

The February 2004 GFS revenue forecast expects \$22,897.3 million in the 2003-05 biennium, which spans the period July 2003 through June 2005. The February 2004 outlook for the 2003-05 budget period while a little higher than in November remains fundamentally the same as recent forecasts. The economy is expected to improve over the course of the biennium but growth will be weaker than in a typical recovery. The February forecast expects \$1.8 billion, 8.3 percent more GFS revenue in the 2003-05 biennium than in the 2001-03 budget period. Much of the increase, however, will be due to tax law changes, not a strong

	Cash Basis		
	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>2003-05 Biennium</u>
Non Economic Changes	\$0.0	\$0.0	\$0.0
Forecast Change	<u>15.9</u>	<u>60.5</u>	<u>76.4</u>
Total Change*	\$15.9	\$60.5	\$76.4

*Detail may not add to totals due to rounding

economy. Excluding law changes, GFS revenue is expected to increase only 6.5 percent in the 2003-05 biennium.

The GFS unrestricted ending balance for the 2003-05 biennium is now projected to be \$576.9 million. This is prior to adoption of a supplemental budget for the biennium and is \$33.1 million more than assumed in November. The change is due to a combination of the higher GFS revenue forecast for the 2003-05 biennium, a revised estimate of federal fiscal relief expected in the 2003-05 budget period, a higher estimate of other adjustments and reserves and a revised ending balance for the 2001-03 biennium. While the current outlook expects a positive ending balance, much of it is due to non recurring items.

The Economic and Revenue Forecast Council also adopted the initial GFS forecast for the 2005-07 biennium in February. GFS revenue in the budget period that spans the period July 1, 2005 to June 30, 2007 is expected to total \$24,953.4 million. This is \$2.1 billion, 9.0 percent above the forecast for the current biennium.

Background and Assumptions

The Washington State GFS revenue forecast is prepared quarterly in conjunction with the state economic forecast for the Economic and Revenue Forecast Council. The Economic and Revenue Forecast Council was created by Chapter 138, Laws of 1984, to provide an objective revenue forecast for both 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 February 2004 baseline forecast for the 2003-05 biennium is shown in Table 3.2.

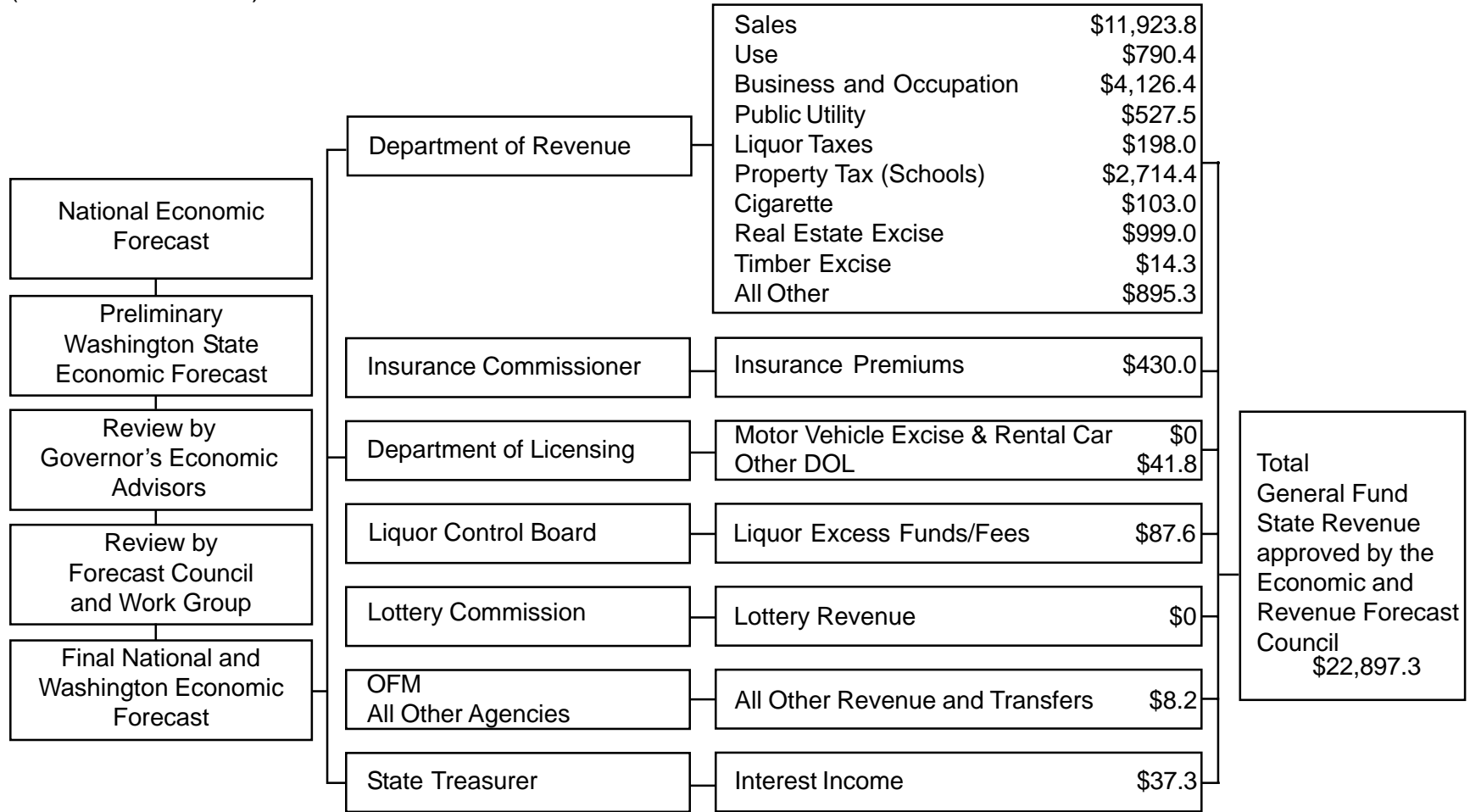
February 2004 Forecast Assumptions

1. The February 2004 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. January 2004 baseline forecast for the U.S. economy.
2. The GFS revenue forecast is based on current law and administrative practices. The February forecast assumes that some tax incentives for high-tech research and development and firms in rural counties expire in the 2003-05 biennium. Soon after the forecast was prepared and adopted by the Council in February, a bill extending these incentives passed the legislature. The impact of this and all other legislation passed in the 2004 legislative session will be incorporated into the forecast in the next quarterly update in June.
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. The February 2004 forecast assumes that lottery sales will be insufficient to contribute to GFS revenue. Part II of Table 3.17 summarizes lottery distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact 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 2003-05 and 2005-07 biennia. As of February 2004, new tax law changes have increased GFS revenue for the 2003-05 biennium by an estimated \$758 million. In addition, the effect of Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, accelerates in both the 2003-05 biennium and the 2005-07 biennium. Due to legislation enacted during the 2003 session, the acceleration is less than it was before. Still the I-728 transfers from the General Fund to the Student Achievement Account have a disproportional effect on GFS revenue for the 2003-05 and 2005-07 biennia relative to prior biennia. The I-728 property tax transfers grow from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium (See part I of Table 3.17.). They are expected to grow to \$628.4 million in the 2005-07 biennium. The GFS forecast for the 2005-07 biennium is also affected by 2003 legislation that provide tax incentives beginning in fiscal 2006 to the aerospace and semiconductor industries.

Recent Collection Experience

Revenue collections in the three months since the November forecast were \$7.8 million, 0.2 percent, below the forecast. Revenue Act taxes (Washington's major excise taxes: sales, use, business and occupation and public utility taxes) were \$14.4 million (-0.6 percent) less than expected while other taxes primarily the real estate excise tax (+\$2.3 million) and estate tax (+\$4.2 million) receipts were above the forecast.

Table 3.2
Economic and Revenue Forecast Flow Chart*
 General Fund-State
 2003-05 Biennium
 (Amounts in millions)



* Cash Basis

The weakness in Revenue Act collections in the last three months, reflecting October, November and December 2003 business activity, was a little disappointing. Although employment growth in the fourth quarter was a little stronger than assumed in November, personal income and revenue growth were not. Revenue Act receipts (primarily sales and business and occupation tax payments) were 3.8 percent above the year-ago level in the fourth quarter of 2004, excluding tax law changes and special factors. This is about the same as the revised 3.9 percent growth in the third quarter. Revenue Act receipts increased 1.6 percent in the second quarter and declined 0.1 percent in the first quarter. An improving job market and growing income are expected to support moderate spending and revenue growth for the remainder of the biennium.

Preliminary data of more than 9,000 large taxpayers who filed their returns and payments electronically

for the most recent month (December 2003 activity) show tax payments of retailers 5.7 percent above the year-ago level, with all major retailing sectors with the exception of gas stations and convenience stores reporting increases. Building materials/garden equipment retailers reported the largest gain, 14.1 percent. Other retailing sectors with strong increases were furniture and home furnishing stores (+12.5 percent), food stores (+8.6 percent), auto retailers (+7.2 percent), and apparel and accessories retailers (+7.9 percent). Tax payments by businesses outside of retailing was much weaker. In total, tax payments by non retailers were only 0.2 percent higher than last year. There was a wide range among industries. The manufacturing sector was strong, with tax payments 9.3 percent higher than a year ago, other non retailing sectors with gains include: utilities (+2.8 percent), construction (+1.2 percent), arts, entertainments and recreation (+15.8 percent) and accommodations and food service (+5.0 percent). Non retailing sectors reporting a drop in tax payments include: finance and insurance (-24.3 percent), wholesale trade (-4.9 percent) and information services (-1.7 percent).

The growth of real estate activity has slowed in recent months as expected. Real estate activity, as measured by real estate sales subject to the state's real estate excise tax, was 12.9 percent above the year-ago level in the three months since the November forecast. It increased 32.9 the previous three months and was 21.7 percent above the year-ago level for all of calendar 2003. The 12.9 percent increase for the fourth quarter masks the deceleration the last two months. After increasing 34.2 percent in October, activity declined 1.2 percent in November. It rebounded a little in December, increasing 3.9 percent.

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency

November 11, 2003 - February 10, 2004

Based on the November 2003 Forecast (Millions of Dollars)

Agency/Source	Collection Variance*	Percent of Estimate
Department of Revenue		
Revenue Act ¹	(\$14.4)	-0.6%
Non Revenue Act ²	\$6.7	0.7%
Subtotal	(\$7.7)	-0.2%
Department of Licensing ²	(\$0.1)	-4.8%
Other	na	na
Total**	(\$7.8)	-0.2%

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 November 11, 2003 through February 10, 2004.

² Variance based on November 2003 through January 2004 collections. Major Non Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.

* Collection variance: actual tax payments compared to monthly estimates based on the November 2003 forecast.

** 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 \$80,000 (4.8 percent) below the estimate in the three months since the November forecast. During this period, Department of Licensing General Fund collections were 14.6 percent below the year-ago level.

The General Fund-State Forecast for the 2003-05 and 2005-07 Biennia

The February 2004 forecast for the 2003-05 biennium (July 1, 2003 to June 30, 2005) continues to assume a moderate recovery for both the U.S. and the Washington economies. Recent economic and revenue data confirm that the recovery is underway and six months into the biennium the forecast is pretty much on track. Nationally, output as measured by real GDP growth was a little stronger than assumed in November. Perhaps more importantly, employment which finally started to increase in the third quarter has continued to grow in the fourth quarter. Washington employment has also continued to grow and it was a little stronger than expected in the fourth quarter of 2003. Revenue growth in the first six months of the biennium has improved and collections are very close to expectation. However, we have a long way to go. Both economic and revenue growth are expected to remain relatively weak for most of the biennium. Weak job growth, especially in the manufacturing sector, is expected to hold back economic and revenue growth. The state's manufacturing sector began losing jobs in the third quarter of 1998 and is not expected to begin adding jobs until the first quarter of 2005. Production in aircraft manufacturing, the state's largest manufacturing sector, is flat and employment in this sector is expected to continue to decline until 2005. While the end of job losses in aerospace is in sight, the recovery will be very slow even with the start of design work on the new 7E7. Air travel has yet to recover to pre-September 11th levels. This continues to affect airline profitability and their need and ability to purchase aircraft. The combination of moderate growth nationally and a weak aerospace sector will result in less than average employment and income growth for the state in the 2003-05 biennium. State nominal personal income is expected to increase 9.0 percent in the 2003-05 biennium, up from 6.6 percent in the 2001-03 biennium but less than half its long run average. Similarly wage and salary employment growth is expected to increase only 1.6 percent in the 2003-05 biennium, well below its long run average, though much better than the 1.5 percent decline experienced in the 2001-03 biennium. While the forecast assumes GFS revenue will improve in the 2003-05 biennium from a depressed 2001-03 level, revenue growth, like the economy, is expected to be relatively weak. GFS revenue in the 2003-05 biennium is expected to total \$22,897.3 million. This is \$1.8 billion (8.3 percent) more than in the 2001-03 biennium. Adjusting for major legislative changes, GFS revenue is expected to grow 6.5 percent. While weak, this is a vast improvement from the 2001-03 biennium in which GFS revenue fell \$121 million (0.6 percent.)

The initial forecast for the 2005-07 biennium indicates modest economic and revenue growth. Growth in the 2005-07 budget period is expected to be a little better than in the current biennium. Real personal income is expected to increase 8.1 percent in the 2005-07 biennium, up from 6.0 percent in the 2003-05 period and close to its long run average. Employment growth is also expected to be better, increasing 4.5 percent compared to 1.6 percent in the current biennium. Revenue growth will also improve. The state is expected to collect \$24,953.4 million in GFS receipts in the 2005-07 budget period. This is \$2.1 million, 9.0 percent, more than in the 2003-05 biennium. Adjusting for new legislation (tax incentives for the aircraft manufacturing and the semi conductor industry) and the impact of higher I-728 transfers out of the General Fund, revenue is expected to increase 10.7 percent.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These

three taxes accounted for 85.8 percent of the \$21.1 billion total GFS cash receipts in the 2001-03 biennium. These taxes are expected to account for 85.4 percent of GFS revenue in the 2003-05 biennium and 86.0 percent in the 2005-07 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 80 percent in the 1989-91 biennium and from 75 percent twenty years ago. The retail sales and use tax, the state's largest revenue source, generated \$11.7 billion, 55.5 percent of total GFS revenue in the 2001-03 biennium. Sales and use taxes are expected to produce \$12.7 billion, 55.5 percent of total GFS revenue in the 2003-05 biennium and \$14.2 billion, 56.9 percent of the total in the 2005-07 budget period. The business and occupation tax totaled \$3.8 billion in the 2001-03 biennium, 17.9 percent of total GFS revenue. This tax is expected to produce \$4.1 billion, 18.0 percent of the total in the 2003-05 biennium and \$4.7 billion, 18.7 percent of the total in the 2005-07 biennium. The state share of the property tax totaled \$2.6 billion, 12.4 percent of total GFS revenue in the 2001-03 biennium. The February forecast expects property tax to produce \$2.7 billion in the 2003-05 biennium, 11.9 percent of total GFS revenue and \$2.6 billion, 10.4 percent of the total in the 2005-07 biennium. The reduction in the property tax share of total GFS receipts reflects the growing impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.17, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$23.3 billion in the third quarter of 2003, the most recent quarter available. This was 4.2 percent higher than a year-ago. Taxable sales grew 2.9 percent in the second quarter. Taxable sales have now increased on a year-over-year basis for five consecutive quarters after having fallen or remained unchanged for five straight quarters. Growth of Washington taxable sales are now starting to keep up with state personal income growth but still trail retail sales nationally. U.S. retail and food service sales were 6.4 percent above the year-ago level in the third quarter of 2003 following a 5.0 percent increase in the second quarter of 2003. Preliminary data indicate U.S. retail and food service sales increased 6.5 percent in the fourth quarter of 2003. The February 2004 forecast assumes that taxable sales in Washington increased 2.9 percent in the fourth quarter of 2003.

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

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	Cash Basis	
			<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%	6,552.6	26.0%
1971-73	1,922.1	10.9%	6,721.9	2.6%
1973-75	2,372.4	23.4%	7,168.4	6.6%
1975-77	3,395.0	43.1%	8,921.9	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.2	-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%	16,561.0	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,473.9	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%	21,266.4	4.1%
2001-03	21,140.7	-0.6%	20,419.7	-4.0%
2003-05 ^F	22,897.3	8.3%	21,502.6	5.3%
2005-07 ^F	24,953.4	9.0%	22,702.2	5.6%

^F: February 2004 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 February 2004 forecast.

Table 3.5

Taxable Retail Sales*

February 2004 Forecast

(Millions of Dollars)

Fiscal Year	Amount	Percent 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	83,385	8.0%
2001	85,633	2.7%
2002	84,418	-1.4%
2003	86,165	2.1%
2004 ^F	89,712	4.1%
2005 ^F	95,396	6.3%
2006 ^F	100,235	5.1%
2007 ^F	105,620	5.4%

^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 2006. Additions to the tax base due to increased compliance efforts effective fy 2003. Fiscal 2005 affected by the expiration of the sales tax deferral/exemption program.

Analysis of the growth of taxable sales in the third quarter of 2003 by sector is again difficult due to industry reclassifications of a large number of businesses. Industry comparison is still on a Standard Industrial Classification (SIC) basis. The Department of Revenue is in the process of converting to the North American Industry Classification System (NAICS). Taxable sales data is expected to be available on a NAICS basis by the summer of 2004. The retail trade sector, which accounts for about half of all taxable sales, was 5.6 percent above the year-ago level. This is based on data that is not adjusted for changes in industry classifications that occurred between the third quarter of 2003 and a year ago and distorts the year-over-year comparison by sector. After adjusting for SIC changes the increase is 5.2 percent. Within retailing, general merchandise stores reported the largest gain, 19.8 percent. Building materials/hardware stores also reported a large increase, 10.1 percent. Two sectors reported declines. Food stores reported a 21.6 percent year-over-year drop in taxable sales and miscellaneous retailers reported a 1.3 percent decline. The picture changes dramatically after accounting for SIC changes. The building materials/hardware sector shows the largest increase, 10.4 percent after accounting for SIC changes. The large increase reported by general merchandise stores disappears. The increase after adjusting for SIC changes is a modest 4.4 percent. The decline reported by food stores becomes a 2.5 percent increase. Similarly, the decline reported by the miscellaneous retailing sector turns into a 7.1 percent, increase.

Taxable sales reported by non-retailing sectors were 2.6 higher than a year-ago in the third quarter of 2003. After adjusting for SIC changes, taxable sales reported by non-retail sectors increased 3.0 percent. The year-over-year change varied widely among sectors on an adjusted basis. Taxable sales reported by the contract construction sector, which accounted for almost 15 percent of all taxable sales in the third quarter of 2003, increased 5.3 percent. This is the fourth consecutive quarter in which this sector has increased.

Chart 3.1
General Fund-State Revenue

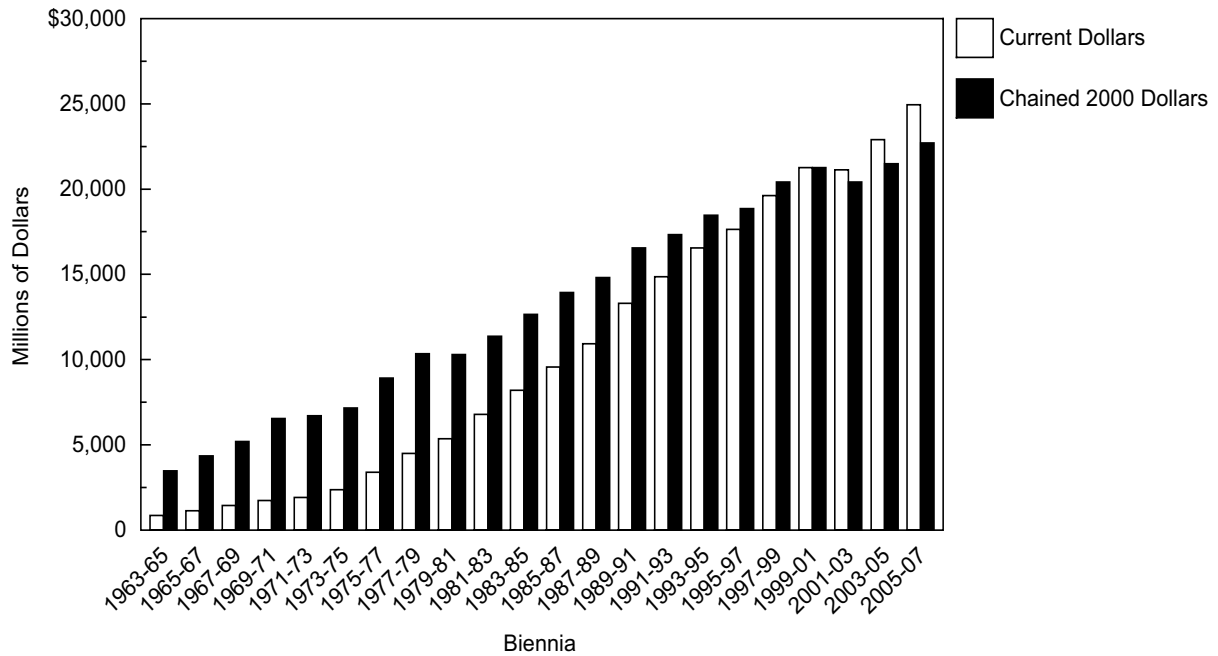


Chart 3.2
General Fund-State Revenue - Percent Change

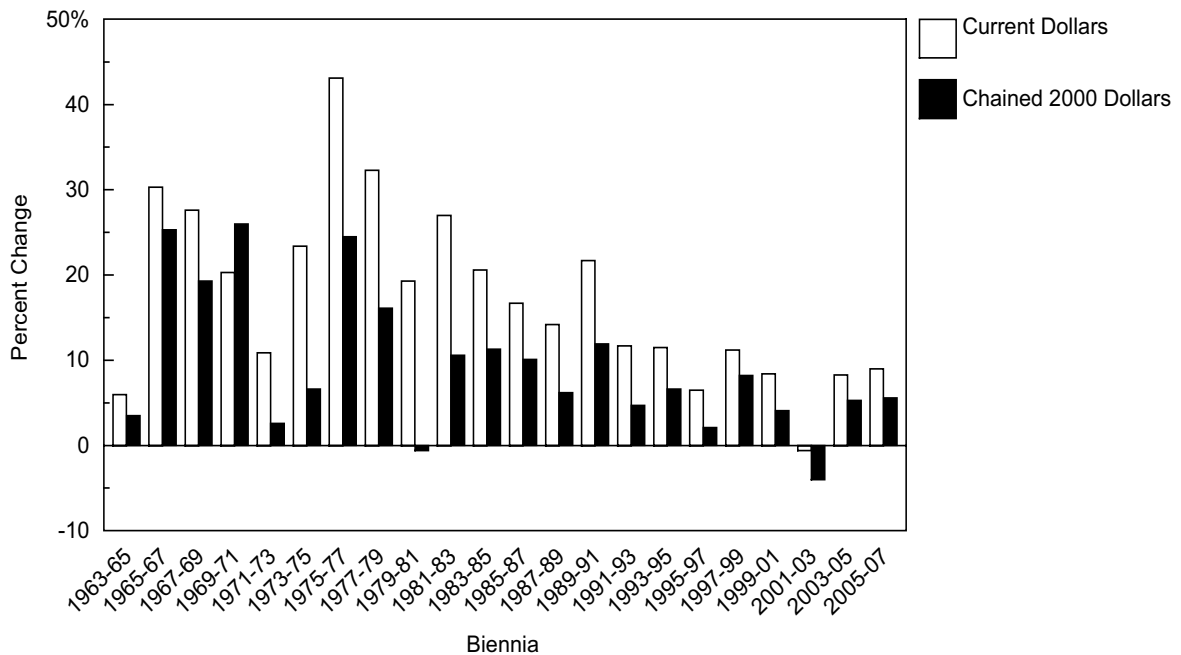


Chart 3.3
Composition of General Fund-State Revenue

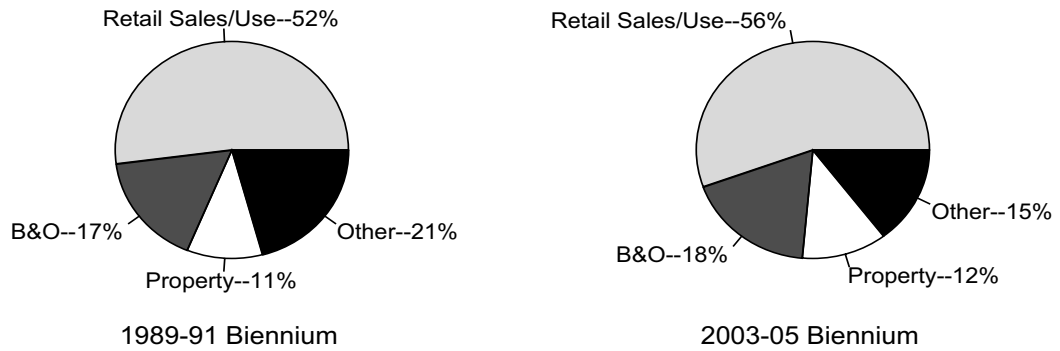
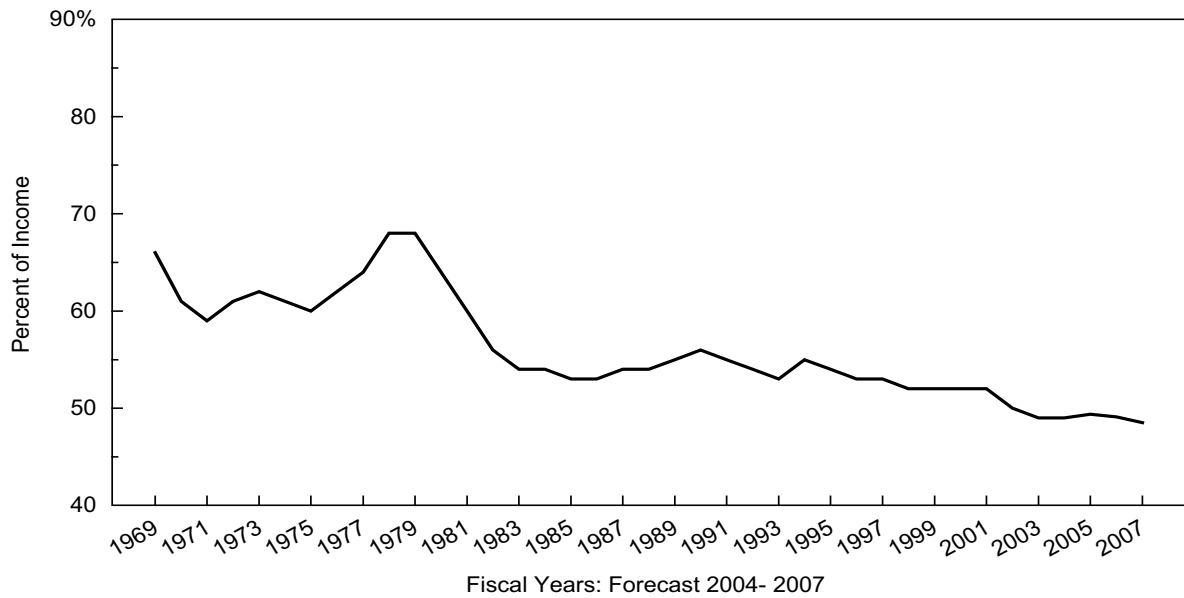


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

Taxable sales reported by the service sector were 0.9 percent below the year-ago level in the third quarter of 2003. Within services, hotel/motel establishments reported a 4.8 percent increase in taxable sales while taxable sales of the business services sector declined 4.2 percent. Taxable sales reported by the manufacturing sector were up 5.8 percent in the third quarter. The wholesale trade sector reported a 1.2 percent decline.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 3.7 percent higher than a year ago in the third quarter of 2003. Taxable sales increased 4.9 percent in the rest of the state. Taxable sales in King County were 2.2 percent higher than a year-ago in the third quarter of 2003. Prior to this quarter, King County taxable sales had declined or remained unchanged eight of the last nine quarters. Taxable sales in Snohomish County increased 3.6 percent in the third quarter of 2003. Pierce County reported a very strong 9.4 percent increase. Taxable sales in Spokane County were 6.4 percent above the year-ago level. Eastern Washington counties as a whole reported a 6.1 percent increase in taxable sales in the third quarter while west of the Cascades taxable sales were up 3.9 percent. Taxable sales were up 4.5 percent in metropolitan counties in the third quarter and 1.9 percent in non-metropolitan counties.

Statewide taxable sales increase 2.1 percent in fiscal 2003 after declining 1.4 percent in fiscal 2002. The drop in fiscal 2002 was the first fiscal year decline since 1984 when food was removed from the sales tax base. The gain in fiscal 2003 was the weakest increase, aside from fiscal 2002, since fiscal 1996. The February forecast continues to expect modest improvement in taxable sales growth for the current budget period. Taxable sales are expected to increase 4.1 percent in fiscal 2004 and 6.3 percent in fiscal 2005. Part of the improvement in fiscal 2005 is a result of the assumed expiration of the sales tax deferral/exemption program. This adds about a percent to taxable sales growth. Taxable sales are expected to grow moderately in the 2005-07 biennium. The February 2004 forecast has taxable sales increasing 5.1 percent in fiscal 2006 and 5.4 percent in fiscal 2007.

Forecast Change for the 2003-05 Biennium

The February 2004 forecast increases total GFS revenue for the two year budget cycle ending June 30, 2005 by \$76.4 million (0.3 percent). Most of the increase was due to a slightly better economic outlook, although \$10.0 million of the increase, a relatively large share, was due to a higher forecast of interest earnings. The increase for the biennium due to an improved economic outlook and higher interest earnings was partially offset by slightly lower collections during the last three months. Revenue in the three months since the November forecast was \$7.8 million less than expected.

Table 3.6 summarizes the changes to the February 2004 cash forecast by type of change. Tables 3.7 and 3.8 summarize data revisions since November to GFS revenue for the 2003-05 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the GFS revenue forecast for the 2005-07 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source (cash basis). Table 3.12 provides a fiscal year summary of GFS cash receipts. 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 for the 2003-05 and 2005-07 biennia. The February forecast of GFS revenue sources administered and collected by the Department of Revenue is

\$62.8 million higher than in November. The increase to the forecast reflects a little better economic outlook for the remainder of the 2003-05 biennium (\$70.5 million) which was partially offset by tax collected (\$7.7 million) in the three months since the last forecast. The February forecast continues to expect the economy to improve over the course of the biennium from a depressed 2001-03 biennium level.

The largest change to the Department of

Revenue GFS sources in February was a \$29.2 million increase to the retail sales tax forecast. The real estate excise tax forecast is \$23.5 million higher than in November and the estate tax forecast is \$8.3 million higher. Other increases include a \$6.6 million increase in the public utility tax and a \$3.6 million increase to the business and occupation tax forecast. The forecast for the General Fund share of the state property tax is \$4.1 million lower than in November. The penalty and interest forecast is \$4.2 million less than in November and the use tax forecast is \$4.5 less. Most of these changes reflect a combination of collections experience and the small improvement to the economic forecast for the remainder of the biennium. The February 2004 forecast continues to assume that several tax incentive programs will expire during the 2003-05 biennium including the rural county sales tax deferral program, the high-tech deferral program and several business and occupation tax credits. These tax incentives were extended after the February 2004 forecast was prepared and adopted by the Council. The impact of extending these credits and other legislative changes will be incorporated into the forecast in June 2004. The February 2004 forecast includes the impact of some small administrative and technical changes (e.g. corrections to the impact of 2003 legislation) that occurred since the November 2003 forecast. It also includes an expected \$6.9 million payment by the U.S. Department of Energy in lieu of business and occupation tax for work done several years ago on the Hanford Reservation.

The February forecast expects modest economic and revenue growth in the 2005-07 biennium. Overall Department of Revenue GFS sources are expected to generate \$24,293.4 million in the 2005-07 biennium. This is \$2.0 billion, 9.0 percent, more than in the 2003-05 budget period. This includes the impact of tax incentives effective in fiscal 2006 for the aerospace and semiconductor industries enacted during the 2003 legislative session. With exception of the General Fund's share of the state property tax levy, the state's major taxes (sales/use and business and occupation tax) are expected to return to average

Table 3.6

Summary of Changes to the General Fund-State Forecast

February 2004 Cash Forecast

(Millions of Dollars)

	February 2004
<u>2003-05 Biennium</u>	
<i>Collection Experience in the 2003-05 Biennium</i>	(\$7.8)
Department of Revenue ¹	(7.7)
Other agencies ²	(0.1)
<i>Forecast Change for the 2003-05 Biennium</i>	\$84.2
Department of Revenue	70.5
Other agencies	13.7
Total Change: 2003-05 Biennium*	\$76.4

¹ Variance based on collections November 11 -February 10, 2004; retail sales, b&o, use & public utility taxes.

² Variance based on collections in November 2003 - January 2004.

* Detail may not add due to rounding.

growth in real terms. The portion of the state property tax levy that goes to the General Fund is expected to decline 4.0 percent in the 2005-07 biennium. This is due to the impact of Initiative 728 which diverts the state levy from the General Fund to the Student Achievement Account. The forecast assumes that the share of the state levy going to the SAA (instead of the General Fund) grows from \$329.8 million in the 2003-05 biennium to \$628.4 million in the 2005-07 biennium.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from professional licenses, boat excise tax, and boat registration. The Department's General Fund-State forecast for the current biennium has been decreased \$0.5 million to \$41.8 million, and its initial forecast for the 2005-07 biennium is \$43.4 million.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the current biennium has been decreased \$1.4 million to \$8.2 million due mainly to a revision in the forecast of revenues from the Department of Financial Institutions. The office's initial forecast for the 2005-07 biennium is \$1.0 million.

State Treasurer

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's General Fund-State forecast for the current biennium has been increased \$10 million to \$37.3 million due mainly to an increase in forecasted interest rates. The office's initial forecast for the 2005-07 biennium is \$57.0 million.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. The office's forecast of General Fund-State revenue for the current biennium has been increased \$2.4 million to \$430.0 million, and its initial forecast for the 2005-07 biennium is \$477.2 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 agency's estimate of excess funds and fees for the current biennium has been increased \$3.0 million to \$83.7 million and its forecast of beer and wine surtaxes is unchanged at \$3.9 million. The agency's initial estimates of excess funds and fees and beer and wine surtaxes for the 2005-07 biennium are \$77.3 million and \$4.1 million respectively. The forecasted decline of excess funds and fees in the 2005-07 biennium compared to the current biennium is due to the forecasted expiration in the current biennium of a \$0.42 per liter surcharge, which expires by law once it has generated \$14 million in revenues.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction, Student Achievement, and stadium/exhibition center accounts receive their allotments. As in the November forecast, the Commission's current forecast does not predict having any post-allotment revenue to transfer to the General Fund for the current biennium. The Commission's initial forecast for the 2005-07 biennium also does not forecast any transfers to the General Fund. The Commission's forecast of revenues for the School Construction and Student Achievement Funds for the current biennium has been increased \$7.5 million to \$196.4 million, and its initial forecast of revenues for the School Construction Account for the 2005-07 biennium is \$189.7 million.

Track Record for the 2003-05 Biennium

The February 2004 GFS cash receipts forecast for the 2003-05 biennium totals \$22,897.3 million. This is \$76.4 million more than the November 2003 forecast. The February 2004 forecast is only \$107 million higher than the February 2002 forecast, which was the initial forecast for the biennium. However legislative changes greatly distort this variance. Excluding the impact of non-economic factors, primarily the impact of 2002 and 2003 legislative changes, the February 2004 forecast is \$650 million (2.9 percent) lower than the February 2002 forecast. There have been eight revisions to the forecast for the 2003-05 biennium since February 2002. Five, have lowered expected revenue (excluding tax law changes), and three, including the February 2004 change, have increased the forecast. Table 3.13 summarizes the changes to the GFS forecast for the 2003-05 biennium since February 2002.

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

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

Table 3.14 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2001-03 biennium totaled \$21,192.3 million on a GAAP basis, \$51.6 million higher than the \$21,140.7 million cash receipts total. The forecast on a GAAP basis for the 2003-05 biennium is \$22,961.7 million, \$64.4 million more than the \$22,897.3 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$25,026.4 million on a GAAP basis, \$73 million more than the \$24,953.4 million cash forecast.

Table 3.15 presents the budgetary balance sheet for the 2001-03 and 2003-05 biennia. The revised GFS revenue unrestricted ending balance for the 2001-3 biennium is \$404.6 million. This is \$7.8 million

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

Forecast by Agency	November 2003 Forecast¹	Non- Economic Changes	Forecast Revision^{**}	February 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$11,894.6		\$29.2	\$11,923.8	\$29.2
Business & Occupation Use	4,122.9		3.6	4,126.4	3.6
Public Utility	794.9		(4.5)	790.4	(4.5)
Liquor Sales/Liter	521.0		6.6	527.5	6.6
Cigarette	194.3		3.7	198.0	3.7
Property (State Levy)	102.9		0.1	103.0	0.1
Real Estate Excise	2,718.5		(4.1)	2,714.4	(4.1)
Timber Excise	975.5		23.5	999.0	23.5
Other	14.3		0.1	14.3	0.1
Subtotal	890.7		4.6	895.3	4.6
	22,229.5		62.8	22,292.3	62.8
Department of Licensing					
Boat excise, licenses, fees & other	42.3		(0.5)	41.8	(0.5)
Insurance Commissioner					
Insurance Premiums	427.6		2.4	430.0	2.4
Liquor Control Board					
Liquor Profits and Fees	80.8		3.0	83.7	3.0
Beer & Wine Surtax	3.9		0.0	3.9	0.0
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	27.3		10.0	37.3	10.0
Office of Financial Management					
Other	9.5		(1.4)	8.2	(1.4)
Total General Fund-State *	\$22,820.9	\$0.0	\$76.4	\$22,897.3	\$76.4

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

2 Revised General Fund-State forecast for the 2003-05 biennium, adopted February 2004.

*Detail may not add to totals because of rounding.

**Includes an expected \$6.9 million payment by the U.S. Department of Energy and other minor adjustments.

Table 3.8

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

Forecast by Agency	November 2003 Forecast¹	Non - Economic Changes	Forecast Revision**	February 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$11,940.0		\$29.2	\$11,969.2	\$29.2
Business & Occupation Use	4,136.1		0.5	4,136.6	0.5
Public Utility	797.8		(4.4)	793.4	(4.4)
Liquor Sales/Liter	522.1		6.0	528.1	6.0
Cigarette	195.3		3.0	198.3	3.0
Property (State Levy)	102.7		0.1	102.9	0.1
Real Estate Excise	2,719.1		(3.3)	2,715.9	(3.3)
Timber Excise	978.9		23.5	1,002.4	23.5
Other	14.3		0.2	14.4	0.2
Subtotal	890.1		4.2	894.3	4.2
	22,296.4		59.1	22,355.6	59.1
Department of Licensing					
Boat excise, licenses, fees & other	44.3		(0.5)	43.8	(0.5)
Insurance Commissioner					
Insurance Premiums	427.6		2.4	430.0	2.4
Liquor Control Board					
Liquor Profits and Fees	80.8		3.0	83.7	3.0
Beer & Wine Surtax	3.9		0.0	3.9	0.0
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	25.4		10.5	35.9	10.5
Office of Financial Management					
Other	9.7		(0.9)	8.8	(0.9)
Total General Fund-State *	\$22,888.0	\$0.0	\$73.7	\$22,961.7	\$73.7

1 General Fund-State Forecast for the 2003-05 biennium adopted November 2003

2 Revised General Fund-State Forecast for the 2003-05 biennium adopted February 2004.

*Detail may not add to totals because of rounding.

**Includes an expected \$6.9 million payment by the U.S. Department of Energy and other minor adjustments.

Table 3.9

**Comparison of the General Fund-State Forecast by Agency
2005-07 Biennium; Cash Basis**

(Millions of Dollars)

Forecast by Agency	November 2003 Forecast	Non- Economic Changes	Forecast Revision	February 2004 Forecast¹	Total Change
Department of Revenue					
Retail Sales	na		na	\$13,295.9	na
Business & Occupation Use	na		na	4,667.7	na
Public Utility	na		na	891.1	na
Liquor Sales/Liter	na		na	534.0	na
Cigarette	na		na	207.1	na
Property (State Levy)	na		na	95.1	na
Real Estate Excise	na		na	2,606.1	na
Timber Excise	na		na	1,070.6	na
Other	na		na	18.7	na
Subtotal	na		na	907.1	na
Department of Licensing					
Boat excise, licenses, fees & other	na		na	43.4	na
Insurance Commissioner					
Insurance Premiums	na		na	477.2	na
Liquor Control Board					
Liquor Profits and Fees	na		na	77.3	na
Beer & Wine Surtax	na		na	4.1	na
Lottery Commission					
Lottery Revenue	na		na	0.0	na
State Treasurer					
Interest Earnings	na		na	57.0	na
Office of Financial Management					
Other	na		na	1.0	na
Total General Fund-State *	na	\$0.0	na	\$24,953.4	na

¹ Initial General Fund-State forecast for the 2005-07 biennium.

*Detail may not add to totals because of rounding.

Table 3.10

**Comparison of the General Fund-State Forecast by Agency
2005-07 Biennium; GAAP Basis**

(Millions of Dollars)

Forecast by Agency	November 2003 Forecast	Non - Economic Changes	Forecast Revision	February 2004 Forecast¹	Total Change
<i>Department of Revenue</i>					
Retail Sales	na		na	\$13,348.4	na
Business & Occupation Use	na		na	4,676.7	na
Public Utility	na		na	892.3	na
Liquor Sales/Liter	na		na	535.6	na
Cigarette	na		na	207.4	na
Property (State Levy)	na		na	95.2	na
Real Estate Excise	na		na	2,607.1	na
Timber Excise	na		na	1,073.2	na
<i>Other</i>	na		na	18.7	na
Subtotal	na		na	907.8	na
<i>Department of Licensing</i>					
Boat excise, licenses, fees & other	na		na	45.5	na
<i>Insurance Commissioner</i>					
Insurance Premiums	na		na	477.2	na
<i>Liquor Control Board</i>					
Liquor Profits and Fees	na		na	77.3	na
Beer & Wine Surtax	na		na	4.1	na
<i>Lottery Commission</i>					
Lottery Revenue	na		na	0.0	na
<i>State Treasurer</i>					
Interest Earnings	na		na	57.9	na
<i>Office of Financial Management</i>					
Other	na		na	2.0	na
<u>Total General Fund-State *</u>	na	\$0.0	na	\$25,026.4	na

¹Initial General Fund-State Forecast for the 2003-05 biennium.

*Detail may not add to totals because of rounding.

Table 3.11
February 2004 General Fund-State Forecast
2003-05 & 2005-07 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2003^a	Fiscal 2004	Fiscal 2005	2003-05 Biennium	Fiscal 2006	Fiscal 2007	2005-07 Biennium
State Taxes							
Retail sales	\$5,551.9	\$5,801.7	\$6,122.1	\$11,923.8	\$6,475.1	\$6,820.8	\$13,295.9
Business & occupation Use	1,876.8	1,983.9	2,142.5	4,126.4	2,262.3	2,405.5	4,667.7
Public Utility	376.6	385.2	405.2	790.4	430.2	460.9	891.1
Liquor sales/liter	259.3	265.8	261.7	527.5	262.1	271.9	534.0
Beer & wine surtax	93.0	97.6	100.4	198.0	102.5	104.6	207.1
Cigarette	1.9	1.9	2.0	3.9	2.0	2.1	4.1
Tobacco products	53.2	53.0	50.0	103.0	48.2	46.9	95.1
Property (state school levy)**	8.8	9.5	9.7	19.2	10.1	10.5	20.7
Public utility district	1,331.6	1,365.0	1,349.4	2,714.4	1,313.4	1,292.7	2,606.1
Real estate excise	37.0	35.4	37.0	72.4	38.8	41.1	79.9
Timber excise	474.0	518.8	480.3	999.0	508.6	562.0	1,070.6
Estate/inheritance	8.3	7.1	7.2	14.3	8.7	10.1	18.7
Motor vehicle excise & Rental car	122.5	120.4	115.1	235.5	114.9	118.3	233.2
Boat excise	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	12.1	12.3	12.7	25.1	13.3	13.9	27.2
Other	203.2	209.4	220.6	430.0	232.1	245.1	477.2
Total Taxes	140.6	187.8	204.2	392.0	207.6	213.5	421.0
	10,550.8	11,055.0	11,520.1	22,575.1	12,029.7	12,619.8	24,649.6
State Non-Tax Sources							
Licenses, permits, fees	74.7	73.3	76.6	149.9	77.9	78.0	155.9
Liquor profits & fees	30.9	39.7	44.0	83.7	37.6	39.7	77.3
Earnings on investments	25.6	19.2	18.1	37.3	27.3	29.7	57.0
Lottery transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue & transfers	7.9	11.3	39.9	51.2	(1.4)	15.0	13.6
Total Non-Tax	139.1	143.5	178.7	322.1	141.4	162.4	303.8
Total General Fund-State *	\$10,689.9	\$11,198.5	\$11,698.8	\$22,897.3	\$12,171.1	\$12,782.3	\$24,953.4

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.

less than the preliminary balance number assumed in November. In addition, the Emergency Reserve Fund balance at the end of the 2001-03 biennium was \$57.6 million.

The February 2004 projected GFS unrestricted ending balance for the 2003-05 biennium is \$576.9 million. This is \$33.8 million higher than assumed in November. The higher projected ending balance is due to the higher GFS revenue forecast and higher assumed reserves and other adjustments, partially offset by lower beginning balance number and less federal fiscal relief in medical assistance expenditures. The projected \$576.9 million ending balance is prior to enactment of a supplemental budget for the 2003-05 biennium that is being addressed currently by the 2004 legislature. The Emergency Reserve Balance is zero at the end of the 2003-05 biennium as the entire Emergency Reserve Balance is transferred to the General Fund in the 2003-05 biennium.

Alternative Forecast for the 2003-05 Biennium

The February 2004 baseline forecast continues to assume the economy will improve over the course of the biennium. Income and job growth has been and will continue to be somewhat slower than usual, producing only modest revenue growth. The implications of stronger as well as weaker growth assumptions than in the baseline forecast are contained in two alternative forecasts.

The optimistic scenario assumes that a stronger global economy and business investment in equipment and software translate into stronger growth for the U.S. economy. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 1.7 percent higher than the baseline by the end of fiscal 2004 and is 3.0 percent higher by the end of the 2003-05 biennium. State wage and salary employment is 12,000 greater than the baseline by the second quarter of 2004 and is 37,900 higher by the last quarter of the 2003-05 biennium.

The pessimistic scenario assumes that employment growth remains weak as cost pressures keep businesses substituting capital for labor and foreign labor for domestic labor. Weak job growth hurts consumer confidence and leads to slower spending growth. This scenario assumes several quarters of declines in durable goods spending but not a national recession. In this scenario, Washington State is hit disproportionately harder as the weak economy slows the growth in air traffic hurting airline profitability and their need and ability to buy additional planes. This keeps the state's aerospace sector weak and produces fewer jobs and slower income growth than assumed in the baseline forecast. In the pessimistic scenario, state personal income is 1.8 percent below the baseline estimate at the end of fiscal year 2004 and 3.6 percent less than the baseline by the end of the 2003-05 biennium. Wage and salary employment is 17,800 lower than the baseline by the second quarter of 2004 and is 46,800 less by the last quarter of the 2003-2005 biennium

Table 3.16 shows the revenue implications of these alternative scenarios for the 2003-05 biennium. The optimistic scenario generates \$23,430.6 billion, \$533.3 million more than the baseline. The pessimistic alternative produces only \$22,308.2 million GFS revenue in the 2003-05 biennium, \$589.1 million less than the baseline forecast.

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic variables made by members of the Governor's Council of Economic Advisors (GCEA). The February 2004 GCEA scenario was based on the forecasts of five members of the Governor's Council of Economic Advisors. The GCEA alternative was close to the February 2004 baseline forecast. It produced \$36 million more GFS revenue than the baseline forecast for the 2003-05 biennium.

Table 3.12

General Fund - State Cash Receipts

February 2004 Forecast by Fiscal Year

(Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
Forecast		
2004	11,198.5	4.8%
2005	11,698.8	4.5%
2006	12,171.1	4.0%
2007	12,782.3	5.0%

Table 3.13
Track Record for the 2003-05 General Fund-State Cash Forecast
 February 2002 through February 2004
 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 2002****	\$22,225	\$565				\$22,790
Changes to Forecast						
June 2002	(53)	23	(30)	205 #1	175	22,965
September 2002	(317)	(29)	(346)	80 #2	(265)	22,700
November 2002	(31)	21	(10)		(10)	22,690
March 2003	(216)	(49)	(265)	27 #3	(238)	22,452
June 2003	(148)	(9)	(156)	446 #4	290	22,741
September 2003	17	(3)	15		15	22,756
November 2003	70	(4)	65		65	22,821
February 2004	63	14	76		76	22,897
June 2004						
Total change***:						
From February 2002	(614)	(37)	(650)	758	107	
Percent change	-2.8%	-6.5%	-2.9%	3.3%	0.5%	

* 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 2003-05 biennium.

#1 Change to the forecast due to 2002 legislation.

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

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

#4 Impact of 2003 legislation (as passed the legislature) on GFS revenue.

Table 3.14

February 2004 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

Agency	2001-03 Biennium			2003-05 Biennium			2005-07 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$20,516.6	\$20,570.8	\$54.2	\$22,180.7	\$22,244.0	\$63.2	\$24,209.3	\$24,278.4	\$69.1
Department of Licensing	42.6	44.1	1.6	41.8	43.8	1.9	43.4	45.5	2.1
Insurance Commissioner ⁴	397.3	397.0	(0.3)	442.9	442.9	0.0	491.6	491.6	0.0
State Treasurer	58.2	55.9	(2.4)	37.3	35.9	(1.4)	57.0	57.9	0.9
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	160.9	161.5	0.5	187.3	187.9	0.6	191.3	192.3	1.0
Subtotal: General Fund-State Cash/Revenue*	21,175.6	21,229.3	53.6	22,890.1	22,954.4	64.4	24,992.6	25,065.7	73.0
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	75.7	75.5	(6.4)	111.5	111.6	0.1	84.1	84.1	0.0
Lottery Commission	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Commissioner ⁷	(9.8)	(9.8)	0.0	(12.8)	(12.8)	0.0	(14.4)	(14.4)	0.0
Liquor Control Board	63.5	63.5	0.0	87.6	87.6	0.0	81.3	81.3	0.0
Office of Financial Management									
Other Agencies ⁸	(164.5)	(166.3)	(1.8)	(179.1)	(179.1)	0.0	(190.3)	(190.3)	0.0
Subtotal: GFS Other Financing Sources	(35.0)	(37.0)	(8.2)	7.2	7.3	0.1	(39.3)	(39.3)	0.0
Total Available Receipts/Resources									
General Fund-State *	\$21,140.7	\$21,192.3	\$51.6	\$22,897.3	\$22,961.7	\$64.4	\$24,953.4	\$25,026.4	\$73.0

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

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

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

Table 3.15

General Fund-State and Emergency Reserve Fund
Dollars in Millions

	2001-03	2003-05
RESOURCES		
Beginning Fund Balance	599.1	404.6
November 2003 Revenue Forecast	21,140.7	22,820.9
February 2004 Revenue Forecast Update	0.0	76.4
Current Revenue Totals	21,140.7	22,897.3
Fund Transfers to the General Fund	289.0	81.2
Tobacco Securitization	450.0	
Transfer from Emergency Reserve Fund	325.0	58.1
Federal Fiscal Relief	100.2	90.2
Changes in Reserves and Other Adjustments	49.4	18.2
Total Resources (Includes Fund Balance)	22,953.4	23,549.5
APPROPRIATIONS AND SPENDING ESTIMATES		
Biennial Appropriation	22,451.5	23,060.7
2003 Supplemental and Adjustments to FY 2003 in 2003-05 Budget	130.9	
Governor's Vetoes		23.3
Null and Voids		(2.6)
FMAP Savings	(33.4)	(108.8)
Adjustment to Actual Biennial Expenditures	(0.3)	
National Guard Activation		0.1
Spending Level	22,548.8	22,972.7
UNRESTRICTED GENERAL FUND BALANCE		
Projected Ending Fund Balance	404.6	576.9
EMERGENCY RESERVE FUND		
Beginning Fund Balance	462.1	57.6
Actual/Estimated Interest Earnings	15.5	0.5
Transfers and Appropriations	(420.0)	(58.1)
Projected Ending Fund Balance	57.6	0.0
TOTAL RESERVES		
Combined General and Emergency Reserve Projected Ending Fund Balance	462.2	576.9

Office of Financial Management
House and Senate Fiscal Committees

Table 3.16

**February 2004 Alternative Forecasts Compared to the Baseline Forecast
2003-05 Biennium**
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
<i>Department of Revenue</i>			
Retail Sales	\$12,149.4	\$11,923.8	\$11,663.5
Business & Occupation Use	4,197.8	4,126.4	4,040.5
Public Utility	804.5	790.4	775.4
Property (school levy)	531.0	527.5	525.7
Real Estate Excise	2,795.8	2,714.4	2,633.0
Other	1,033.9	999.0	950.1
Subtotal	1,265.2	1,210.6	1,150.1
	22,777.6	22,292.3	21,738.2
<i>Department of Licensing</i>	43.1	41.8	40.6
<i>Insurance Commissioner¹</i>	440.8	430.0	419.3
<i>Lottery Commission</i>	4.4	0.0	0.0
<i>State Treasurer - Interest earnings</i>	61.9	37.3	21.3
<i>Liquor Profits & Fees²</i>	89.4	87.6	85.9
<i>Office of Financial Management</i>			
Other agencies	13.4	8.2	2.9
Total General Fund - State*	\$23,430.6	\$22,897.3	\$22,308.2
Difference from February 2004 Baseline	\$533.3		(\$589.1)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.17

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue
February 2004 Forecast; Millions of Dollars**

I. Disposition of the State portion of the Property Tax

	State Levy: Total Receipts	General Fund	Student Achievement Account ¹
2000	\$1,302.0	1,302.0	
2001	1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,465.5	1,331.6	133.9
2001-03 Biennium	2,880.5	2,613.5	267.0
2004	1,499.2	1,365.0	134.2
2005	1,544.9	1,349.4	195.5
2003-05 Biennium	3,044.2	2,714.4	329.8
2006	1,593.8	1,313.4	280.4
2007	1,640.7	1,292.7	348.0
2005-07 Biennium	3,234.5	2,606.1	628.4

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 VERDE ²
1998	117.8	114.6	3.2				
1999	118.6	107.5	3.3	7.8			
1997-99 Biennium	236.3	222.0	6.5	7.8			
2000	101.1	93.3	3.4	4.4			
2001	120.1	110.0	3.6	6.5			
1999-01 Biennium	221.3	203.3	7.0	10.9			
2002	90.2	0.0	3.7	6.7	39.9	39.9	0.0
2003	96.8	0.0	3.9	7.0	64.0	21.4	0.5
2001-03 Biennium	187.0	0.0	7.6	13.8	103.9	61.3	0.5
2004	112.7	0.0	4.0	7.3	76.1	25.4	0.0
2005	106.8	0.0	4.2	7.6	0.0	95.0	0.0
2003-05 Biennium	219.5	0.0	8.2	14.9	76.1	120.3	0.0
2006	107.9	0.0	4.4	7.9	0.0	95.6	0.0
2007	106.8	0.0	4.5	8.2	0.0	94.0	0.0
2005-07 Biennium	214.6	0.0	8.9	16.1	0.0	189.7	0.0

* Cash Basis

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

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

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

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 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,817.0	9,866.7	10,083.0	10,401.6	10,895.1	11,325.9	11,708.6	12,089.4
% Ch	3.7	0.5	2.2	3.2	4.7	4.0	3.4	3.3
Real Consumption	6739.4	6904.6	7140.5	7364.2	7639.5	7913.9	8181.3	8431.4
% Ch	4.7	2.5	3.4	3.1	3.7	3.6	3.4	3.1
Real Nonresidential Fixed Investment	1,232.1	1,176.8	1,092.6	1,121.0	1,226.7	1,336.4	1,416.1	1,501.8
% Ch	8.7	-4.5	-7.2	2.6	9.4	8.9	6.0	6.1
Real Residential Fixed Investment	446.9	448.4	470.3	507.6	527.9	503.7	491.1	495.0
% Ch	0.8	0.3	4.9	7.9	4.0	-4.6	-2.5	0.8
Real Personal Income	8,429.3	8,539.0	8,614.8	8,729.5	9,044.6	9,420.7	9,787.6	10,140.3
% Ch	5.4	1.3	0.9	1.3	3.6	4.2	3.9	3.6
Real Per Capita Income (\$/Person)	29,803	29,865	29,817	29,928	30,739	31,745	32,704	33,602
% Ch	4.2	0.2	-0.2	0.4	2.7	3.3	3.0	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.020	1.034	1.053	1.064	1.079	1.098	1.123
% Ch	2.5	2.0	1.4	1.8	1.1	1.4	1.8	2.2
U.S. Consumer Price Index (1982-84=1.0)	1.722	1.771	1.799	1.840	1.865	1.890	1.919	1.956
% Ch	3.4	2.8	1.6	2.3	1.4	1.3	1.5	1.9
Employment Cost Index (June 1989=1.0)	1.460	1.514	1.564	1.611	1.661	1.711	1.762	1.817
% Ch	4.1	3.7	3.3	3.0	3.1	3.0	3.0	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,817.0	10,100.8	10,480.8	10,985.9	11,653.0	12,285.3	12,910.9	13,603.2
% Ch	5.9	2.9	3.8	4.8	6.1	5.4	5.1	5.4
Personal Income	8,429.7	8,713.1	8,910.3	9,190.0	9,627.1	10,169.6	10,751.6	11,385.1
% Ch	8.0	3.4	2.3	3.1	4.8	5.6	5.7	5.9
Employment (Millions)								
U.S. Civilian Labor Force	142.6	143.9	145.1	146.5	148.4	150.4	152.6	154.6
Total U.S. Employment	136.9	137.1	136.7	137.7	140.0	142.4	144.5	146.4
Unemployment Rate (%)	3.98	4.76	5.78	5.99	5.65	5.30	5.29	5.27
Nonfarm Payroll Employment	131.79	131.83	130.38	130.06	131.96	135.41	137.70	139.67
% Ch	2.2	0.0	-1.1	-0.2	1.5	2.6	1.7	1.4
Manufacturing	17.27	16.44	15.30	14.70	14.51	14.62	14.74	14.73
% Ch	-0.3	-4.8	-6.9	-3.9	-1.3	0.7	0.8	-0.0
Durable Manufacturing	10.88	10.33	9.52	9.09	9.07	9.25	9.37	9.37
% Ch	0.4	-5.0	-7.9	-4.4	-0.2	2.0	1.3	-0.0
Nondurable Manufacturing	6.39	6.11	5.79	5.61	5.44	5.37	5.37	5.37
% Ch	-1.6	-4.4	-5.2	-3.2	-3.0	-1.3	-0.0	-0.0
Construction	6.79	6.83	6.73	6.80	6.98	7.37	7.55	7.73
% Ch	3.7	0.6	-1.4	0.9	2.7	5.6	2.4	2.4
Service-Producing	107.14	107.96	107.76	107.99	109.91	112.89	114.93	116.73
% Ch	2.5	0.8	-0.2	0.2	1.8	2.7	1.8	1.6
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.5	23.7	23.9	23.9	23.4	22.6	21.8	21.5
Auto Sales (Millions)	8.9	8.4	8.1	7.6	7.8	7.8	7.7	7.6
% Ch	1.8	-4.9	-4.0	-5.5	1.9	-0.3	-0.1	-1.4
Housing Starts (Millions)	1.573	1.601	1.711	1.850	1.859	1.719	1.644	1.647
% Ch	-4.5	1.8	6.9	8.1	0.5	-7.5	-4.4	0.2
Federal Budget Surplus (Billions)	189.4	50.5	-240.0	-426.7	-528.5	-452.4	-402.9	-335.7
Net Exports (Billions)	-379.5	-366.5	-426.2	-494.9	-510.4	-488.9	-452.0	-456.1
3-Month Treasury Bill Rate (%)	5.81	3.43	1.61	1.01	1.24	2.17	2.73	2.91
30-Year U.S. Govt. Bond Rate (%)	5.94	5.49	5.42	5.02	5.58	6.08	6.03	5.94
Bond Index of 20 G.O. Munis. (%)	5.70	5.15	5.03	4.73	5.00	5.25	5.12	5.05
Mortgage Rate (%)	8.06	6.97	6.54	5.82	6.46	6.99	7.04	6.98

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,997.9	10,045.1	10,128.4	10,160.8	10,210.4	10,288.3	10,493.1	10,614.5
% Ch	4.7	1.9	3.4	1.3	2.0	3.1	8.2	4.7
Real Consumption	7,079.2	7,124.5	7,159.2	7,198.9	7,244.1	7,304.0	7,426.6	7,482.1
% Ch	4.1	2.6	2.0	2.2	2.5	3.3	6.9	3.0
Real Nonresidential Fixed Investment	1,100.4	1,092.1	1,089.1	1,088.9	1,087.3	1,105.8	1,139.5	1,151.4
% Ch	-7.0	-3.0	-1.1	-0.1	-0.6	7.0	12.8	4.2
Real Residential Fixed Investment	458.5	468.4	473.2	481.0	486.4	491.7	516.7	535.6
% Ch	8.7	8.9	4.2	6.8	4.6	4.4	21.9	15.4
Real Personal Income	8,588.3	8,632.1	8,619.8	8,619.0	8,623.8	8,705.0	8,758.8	8,830.5
% Ch	0.8	2.1	-0.6	-0.0	0.2	3.8	2.5	3.3
Real Per Capita Income (\$/Person)	29,838	29,910	29,796	29,722	29,667	29,875	29,994	30,174
% Ch	-0.3	1.0	-1.5	-1.0	-0.7	2.8	1.6	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.025	1.032	1.038	1.042	1.049	1.051	1.055	1.056
% Ch	0.7	2.9	2.0	1.7	2.8	0.5	1.7	0.2
U.S. Consumer Price Index (1982-84=1.0)	1.780	1.795	1.805	1.814	1.831	1.834	1.845	1.849
% Ch	1.3	3.5	2.2	2.0	3.9	0.6	2.3	0.9
Employment Cost Index (June 1989=1.0)	1.548	1.562	1.569	1.577	1.593	1.603	1.617	1.630
% Ch	3.7	3.7	1.8	2.1	4.1	2.5	3.5	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,329.3	10,428.3	10,542.0	10,623.7	10,735.8	10,846.7	11,107.0	11,254.0
% Ch	5.4	3.9	4.4	3.1	4.3	4.2	10.0	5.4
Personal Income	8,803.6	8,912.2	8,944.0	8,981.3	9,048.7	9,145.9	9,242.5	9,323.0
% Ch	1.5	5.0	1.4	1.7	3.0	4.4	4.3	3.5
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.1	145.5	145.5	145.9	146.6	146.6	147.0
Total U.S. Employment	136.2	136.6	137.1	137.0	137.4	137.6	137.6	138.4
Unemployment Rate (%)	5.67	5.83	5.73	5.87	5.83	6.13	6.13	5.87
Nonfarm Payroll Employment	130.52	130.40	130.24	130.34	130.22	129.98	129.90	130.11
% Ch	-1.2	-0.4	-0.5	0.3	-0.3	-0.7	-0.3	0.6
Manufacturing	15.52	15.37	15.25	15.08	14.93	14.74	14.60	14.53
% Ch	-7.7	-3.8	-3.2	-4.2	-4.1	-4.8	-3.9	-1.9
Durable Manufacturing	9.66	9.57	9.47	9.36	9.24	9.11	9.02	9.00
% Ch	-9.2	-4.0	-3.8	-4.8	-5.0	-5.4	-4.0	-0.9
Nondurable Manufacturing	5.85	5.80	5.77	5.73	5.69	5.63	5.58	5.53
% Ch	-5.3	-3.4	-2.1	-3.2	-2.7	-3.8	-3.7	-3.4
Construction	6.77	6.72	6.72	6.73	6.72	6.78	6.82	6.86
% Ch	-1.4	-2.8	-0.2	0.9	-0.8	3.8	2.5	2.1
Service-Producing	107.64	107.73	107.70	107.95	108.01	107.89	107.92	108.15
% Ch	-0.2	0.3	-0.1	0.9	0.2	-0.4	0.1	0.9
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	23.9	23.8	24.0	24.0	23.9	24.0	23.9	24.0
Auto Sales (Millions)	7.9	8.1	8.5	7.9	7.7	7.4	7.9	7.5
% Ch	-33.0	8.7	21.7	-25.8	-6.5	-14.2	24.0	-16.7
Housing Starts (Millions)	1.716	1.683	1.702	1.743	1.737	1.739	1.884	2.040
% Ch	42.8	-7.6	4.7	9.9	-1.4	0.5	37.9	37.4
Federal Budget Surplus (Billions)	-188.8	-232.0	-242.9	-296.3	-320.4	-424.7	-499.4	-462.3
Net Exports (Billions)	-365.6	-427.3	-435.9	-476.1	-487.6	-505.5	-490.6	-496.1
3-Month Treasury Bill Rate (%)	1.72	1.72	1.65	1.35	1.16	1.04	0.93	0.92
30-Year U.S. Govt. Bond Rate (%)	5.63	5.76	5.22	5.08	4.97	4.69	5.22	5.23
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.89	4.90	4.83	4.47	4.89	4.75
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.93

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,719.7	10,823.7	10,956.0	11,081.0	11,185.4	11,284.3	11,374.3	11,459.5
% Ch	4.0	3.9	5.0	4.6	3.8	3.6	3.2	3.0
Real Consumption	7,526.7	7,593.3	7,678.7	7,759.2	7,827.3	7,887.6	7,941.5	7,999.3
% Ch	2.4	3.6	4.6	4.3	3.6	3.1	2.8	2.9
Real Nonresidential Fixed Investment	1,183.8	1,209.9	1,240.8	1,272.3	1,300.0	1,326.9	1,350.8	1,367.8
% Ch	11.7	9.1	10.6	10.6	9.0	8.5	7.4	5.1
Real Residential Fixed Investment	535.3	530.4	525.2	520.8	512.3	507.2	499.2	496.1
% Ch	-0.2	-3.6	-3.9	-3.3	-6.4	-3.9	-6.2	-2.5
Real Personal Income	8,900.3	8,991.7	9,092.0	9,194.6	9,292.2	9,381.4	9,465.5	9,543.7
% Ch	3.2	4.2	4.5	4.6	4.3	3.9	3.6	3.3
Real Per Capita Income (\$/Person)	30,347	30,592	30,867	31,149	31,412	31,646	31,862	32,058
% Ch	2.3	3.3	3.6	3.7	3.4	3.0	2.8	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.060	1.062	1.065	1.069	1.073	1.077	1.081	1.086
% Ch	1.8	0.7	1.2	1.5	1.5	1.5	1.5	1.7
U.S. Consumer Price Index (1982-84=1.0)	1.859	1.861	1.866	1.874	1.880	1.886	1.893	1.900
% Ch	2.2	0.5	1.2	1.5	1.4	1.3	1.4	1.5
Employment Cost Index (June 1989=1.0)	1.643	1.655	1.667	1.680	1.693	1.705	1.717	1.729
% Ch	3.2	3.0	2.9	3.2	3.2	2.9	2.8	3.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,407.8	11,557.7	11,736.6	11,909.8	12,070.7	12,218.2	12,356.7	12,495.7
% Ch	5.6	5.4	6.3	6.0	5.5	5.0	4.6	4.6
Personal Income	9,438.2	9,551.5	9,685.9	9,832.7	9,973.5	10,105.6	10,235.1	10,364.1
% Ch	5.0	4.9	5.7	6.2	5.9	5.4	5.2	5.1
Employment (Millions)								
U.S. Civilian Labor Force	147.6	148.1	148.6	149.1	149.6	150.1	150.7	151.2
Total U.S. Employment	139.1	139.7	140.3	140.9	141.5	142.2	142.7	143.2
Unemployment Rate (%)	5.81	5.72	5.61	5.48	5.36	5.29	5.28	5.29
Nonfarm Payroll Employment	130.54	131.47	132.47	133.38	134.25	135.13	135.86	136.40
% Ch	1.3	2.9	3.1	2.8	2.6	2.6	2.2	1.6
Manufacturing	14.50	14.53	14.52	14.50	14.56	14.60	14.64	14.68
% Ch	-0.8	0.8	-0.2	-0.7	1.8	1.1	1.0	1.1
Durable Manufacturing	9.00	9.07	9.11	9.11	9.19	9.23	9.27	9.31
% Ch	-0.1	3.2	1.7	0.4	3.1	2.1	1.6	1.8
Nondurable Manufacturing	5.50	5.46	5.41	5.38	5.37	5.37	5.37	5.36
% Ch	-1.9	-3.1	-3.4	-2.4	-0.5	-0.6	-0.1	-0.1
Construction	6.89	6.93	7.00	7.10	7.24	7.36	7.43	7.46
% Ch	1.8	2.6	4.0	5.7	8.2	6.9	3.6	1.5
Service-Producing	108.59	109.44	110.39	111.23	111.91	112.63	113.27	113.75
% Ch	1.6	3.2	3.5	3.1	2.4	2.6	2.3	1.7
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	23.6	23.5	23.3	23.1	22.9	22.8	22.6	22.3
Auto Sales (Millions)	7.6	7.8	7.8	7.9	7.9	7.9	7.7	7.6
% Ch	6.6	9.5	-0.9	7.2	-2.3	0.0	-10.8	-0.9
Housing Starts (Millions)	1.980	1.840	1.822	1.794	1.764	1.727	1.705	1.681
% Ch	-11.2	-25.4	-3.8	-6.1	-6.5	-8.0	-5.1	-5.5
Federal Budget Surplus (Billions)	-538.3	-532.6	-523.9	-519.1	-475.3	-459.6	-442.4	-432.5
Net Exports (Billions)	-514.5	-511.8	-508.4	-506.7	-501.0	-498.1	-485.3	-471.2
3-Month Treasury Bill Rate (%)	0.97	0.98	1.42	1.60	1.86	2.04	2.28	2.50
30-Year U.S. Govt. Bond Rate (%)	5.29	5.40	5.74	5.88	6.03	6.06	6.11	6.13
Bond Index of 20 G.O. Munis. (%)	4.78	4.84	5.17	5.22	5.21	5.23	5.29	5.27
Mortgage Rate (%)	6.15	6.31	6.61	6.78	6.88	6.96	7.03	7.09

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,550.1	11,648.3	11,764.6	11,871.2	11,957.7	12,046.1	12,132.5	12,221.1
% Ch	3.2	3.4	4.1	3.7	2.9	3.0	2.9	3.0
Real Consumption	8,068.6	8,139.8	8,223.2	8,293.7	8,349.5	8,403.3	8,458.5	8,514.3
% Ch	3.5	3.6	4.2	3.5	2.7	2.6	2.7	2.7
Real Nonresidential Fixed Investment	1,384.4	1,403.8	1,426.6	1,449.6	1,470.7	1,493.3	1,512.6	1,530.7
% Ch	5.0	5.7	6.7	6.6	6.0	6.3	5.3	4.9
Real Residential Fixed Investment	491.7	490.2	490.0	492.5	492.2	494.1	495.6	498.0
% Ch	-3.5	-1.2	-0.1	2.0	-0.3	1.6	1.2	1.9
Real Personal Income	9,642.7	9,738.9	9,838.9	9,929.8	10,027.7	10,100.7	10,178.2	10,254.6
% Ch	4.2	4.0	4.2	3.7	4.0	2.9	3.1	3.0
Real Per Capita Income (\$/Person)	32,322	32,576	32,842	33,076	33,333	33,506	33,693	33,876
% Ch	3.3	3.2	3.3	2.9	3.1	2.1	2.3	2.2
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.091	1.096	1.101	1.107	1.113	1.119	1.126	1.133
% Ch	1.7	1.8	2.0	2.1	2.3	2.3	2.4	2.4
U.S. Consumer Price Index (1982-84=1.0)	1.907	1.914	1.922	1.931	1.941	1.951	1.961	1.971
% Ch	1.4	1.6	1.7	1.8	2.0	2.1	2.1	2.1
Employment Cost Index (June 1989=1.0)	1.742	1.755	1.768	1.782	1.796	1.810	1.824	1.838
% Ch	3.1	2.9	3.0	3.1	3.2	3.1	3.2	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,652.1	12,814.2	12,999.4	13,177.8	13,348.5	13,517.9	13,687.0	13,859.4
% Ch	5.1	5.2	5.9	5.6	5.3	5.2	5.1	5.1
Personal Income	10,516.3	10,669.5	10,832.2	10,988.5	11,160.1	11,306.5	11,460.0	11,613.6
% Ch	6.0	6.0	6.2	5.9	6.4	5.4	5.5	5.5
Employment (Millions)								
U.S. Civilian Labor Force	151.8	152.3	152.8	153.3	153.9	154.4	154.8	155.2
Total U.S. Employment	143.7	144.2	144.8	145.3	145.8	146.2	146.6	147.0
Unemployment Rate (%)	5.31	5.31	5.28	5.25	5.24	5.26	5.28	5.30
Nonfarm Payroll Employment	136.89	137.40	137.97	138.54	139.03	139.49	139.88	140.27
% Ch	1.5	1.5	1.7	1.7	1.4	1.3	1.1	1.1
Manufacturing	14.72	14.74	14.74	14.74	14.75	14.74	14.73	14.71
% Ch	1.2	0.4	0.2	-0.0	0.2	-0.2	-0.2	-0.6
Durable Manufacturing	9.36	9.37	9.38	9.37	9.37	9.37	9.37	9.36
% Ch	1.9	0.6	0.3	-0.3	-0.0	-0.1	0.1	-0.3
Nondurable Manufacturing	5.36	5.36	5.37	5.37	5.38	5.37	5.36	5.35
% Ch	0.1	-0.0	0.0	0.4	0.5	-0.3	-0.7	-1.1
Construction	7.48	7.52	7.57	7.62	7.66	7.71	7.75	7.79
% Ch	1.4	1.9	2.6	2.9	2.0	2.7	2.2	2.0
Service-Producing	114.19	114.66	115.18	115.70	116.14	116.57	116.92	117.30
% Ch	1.5	1.7	1.8	1.8	1.5	1.5	1.2	1.3
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.0	21.8	21.7	21.6	21.5	21.5	21.5	21.4
Auto Sales (Millions)	7.7	7.6	7.8	7.9	7.7	7.7	7.6	7.6
% Ch	2.1	-2.2	8.4	6.0	-10.9	-1.2	-0.5	-2.3
Housing Starts (Millions)	1.659	1.641	1.636	1.638	1.644	1.649	1.648	1.645
% Ch	-5.0	-4.2	-1.3	0.5	1.5	1.1	-0.2	-0.6
Federal Budget Surplus (Billions)	-413.1	-409.8	-403.5	-385.3	-346.8	-336.3	-328.5	-331.1
Net Exports (Billions)	-455.3	-451.1	-448.9	-452.7	-454.5	-459.9	-457.2	-452.7
3-Month Treasury Bill Rate (%)	2.71	2.72	2.73	2.74	2.74	2.74	2.97	3.20
30-Year U.S. Govt. Bond Rate (%)	6.15	6.05	5.99	5.94	5.88	5.85	5.96	6.08
Bond Index of 20 G.O. Munis. (%)	5.27	5.16	5.07	4.99	4.95	4.96	5.08	5.21
Mortgage Rate (%)	7.12	7.07	7.00	6.95	6.90	6.88	6.98	7.14

Table A1.3
Washington Economic Forecast Summary
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	186.854	187.818	191.649	195.834	202.395	210.335	219.081	228.574
% Ch	4.7	0.5	2.0	2.2	3.4	3.9	4.2	4.3
Real Wage and Salary Disb.	110.067	108.550	107.433	109.040	112.577	117.822	122.985	128.457
% Ch	3.5	-1.4	-1.0	1.5	3.2	4.7	4.4	4.4
Real Nonwage Income	76.787	79.267	84.215	86.793	89.818	92.513	96.096	100.117
% Ch	6.5	3.2	6.2	3.1	3.5	3.0	3.9	4.2
Real Per Capita Income (\$/Person)	31,540	31,304	31,610	31,984	32,690	33,565	34,537	35,555
% Ch	3.5	-0.8	1.0	1.2	2.2	2.7	2.9	2.9
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.020	1.034	1.053	1.064	1.079	1.098	1.123
% Ch	2.5	2.0	1.4	1.8	1.1	1.4	1.8	2.2
Seattle Cons. Price Index (1982-84=1.0)	1.792	1.857	1.893	1.924	1.939	1.961	1.993	2.040
% Ch	3.7	3.6	2.0	1.6	0.8	1.2	1.6	2.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.75	17.97	18.15	17.82	18.02	18.26	18.55	18.90
% Ch	3.7	7.3	1.0	-1.8	1.1	1.3	1.6	1.9
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	186.582	191.633	198.025	205.478	214.732	226.408	240.027	256.005
% Ch	7.2	2.7	3.3	3.8	4.5	5.4	6.0	6.7
Personal Income	186.843	191.644	198.221	206.158	215.428	227.056	240.661	256.636
% Ch	7.3	2.6	3.4	4.0	4.5	5.4	6.0	6.6
Disposable Personal Income	159.455	164.287	174.796	184.003	193.112	202.878	213.990	226.586
% Ch	6.7	3.0	6.4	5.3	5.0	5.1	5.5	5.9
Per Capita Income (\$/Person)	31,538	31,941	32,693	33,670	34,794	36,233	37,939	39,919
% Ch	6.0	1.3	2.4	3.0	3.3	4.1	4.7	5.2
Employment (Thousands)								
Washington Civilian Labor Force	3,050.7	3,015.2	3,096.9	3,116.5	3,164.3	3,222.1	3,274.1	3,327.4
Total Washington Employment	2,891.5	2,822.3	2,871.1	2,891.7	2,945.1	3,016.7	3,077.8	3,138.8
Unemployment Rate (%)	5.22	6.40	7.30	7.21	6.93	6.38	6.00	5.67
Nonfarm Payroll Employment	2,711.5	2,697.4	2,653.2	2,658.3	2,697.1	2,764.4	2,821.8	2,879.2
% Ch	2.4	-0.5	-1.6	0.2	1.5	2.5	2.1	2.0
Manufacturing	331.9	316.2	285.5	267.3	260.1	261.3	268.2	274.6
% Ch	-3.3	-4.7	-9.7	-6.4	-2.7	0.5	2.6	2.4
Durable Manufacturing	236.4	225.0	199.5	184.5	181.0	183.6	189.6	194.8
% Ch	-4.2	-4.8	-11.4	-7.5	-1.9	1.5	3.3	2.7
Aerospace	86.1	87.2	75.8	65.5	61.0	60.9	64.5	69.5
% Ch	-12.3	1.3	-13.1	-13.5	-6.9	-0.2	5.8	7.8
Nondurable Manufacturing	95.4	91.1	86.1	82.9	79.1	77.7	78.5	79.8
% Ch	-1.1	-4.5	-5.6	-3.7	-4.6	-1.7	1.1	1.7
Construction	160.6	158.8	154.4	156.3	160.2	164.4	168.2	172.4
% Ch	4.4	-1.1	-2.8	1.2	2.5	2.6	2.3	2.5
Service-Producing	2,209.0	2,212.6	2,204.0	2,225.8	2,268.0	2,330.0	2,376.8	2,423.5
% Ch	3.2	0.2	-0.4	1.0	1.9	2.7	2.0	2.0
Software Publishers	32.2	35.9	35.9	36.8	40.6	44.6	48.5	52.6
% Ch	17.8	11.3	0.2	2.3	10.5	9.8	8.9	8.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	39.021	38.345	40.200	43.159	40.945	40.570	39.160	40.450
% Ch	-8.7	-1.7	4.8	7.4	-5.1	-0.9	-3.5	3.3
Single-Family	25.471	26.736	30.239	34.012	28.351	26.296	25.427	25.803
% Ch	-9.4	5.0	13.1	12.5	-16.6	-7.3	-3.3	1.5
Multi-Family	13.550	11.609	9.961	9.147	12.594	14.275	13.733	14.647
% Ch	-7.5	-14.3	-14.2	-8.2	37.7	13.3	-3.8	6.7
Mortgage Rate (%)	8.06	6.97	6.54	5.82	6.46	6.99	7.04	6.98

Table A1.4
Washington Economic Forecast Summary
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	189.594	191.915	192.840	192.246	192.612	195.783	198.518	196.422
% Ch	6.8	5.0	1.9	-1.2	0.8	6.7	5.7	-4.2
Real Wage and Salary Disb.	106.631	107.706	108.175	107.220	107.039	109.516	111.290	108.316
% Ch	0.3	4.1	1.8	-3.5	-0.7	9.6	6.6	-10.3
Real Nonwage Income	82.962	84.207	84.666	85.026	85.574	86.265	87.228	88.106
% Ch	15.8	6.1	2.2	1.7	2.6	3.3	4.5	4.1
Real Per Capita Income (\$/Person)	31,381	31,691	31,769	31,598	31,585	32,019	32,380	31,953
% Ch	5.6	4.0	1.0	-2.1	-0.2	5.6	4.6	-5.2
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.025	1.032	1.038	1.042	1.049	1.051	1.055	1.056
% Ch	0.7	2.9	2.0	1.7	2.8	0.5	1.7	0.2
Seattle Cons. Price Index (1982-84=1.0)	1.878	1.889	1.899	1.907	1.916	1.918	1.935	1.926
% Ch	1.3	2.3	2.2	1.6	1.8	0.5	3.6	-1.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.47	18.47	18.12	17.55	17.87	17.98	17.72	17.71
% Ch	2.0	0.0	-7.3	-11.9	7.3	2.6	-5.8	-0.2
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	194.142	197.944	199.895	200.120	201.483	205.066	208.792	206.569
% Ch	7.0	8.1	4.0	0.5	2.8	7.3	7.5	-4.2
Personal Income	194.342	198.138	200.086	200.319	202.094	205.690	209.470	207.378
% Ch	7.5	8.0	4.0	0.5	3.6	7.3	7.6	-3.9
Disposable Personal Income	170.722	174.935	176.529	176.996	179.549	183.198	188.258	185.008
% Ch	18.0	10.2	3.7	1.1	5.9	8.4	11.5	-6.7
Per Capita Income (\$/Person)	32,167	32,718	32,963	32,925	33,139	33,639	34,166	33,735
% Ch	6.3	7.0	3.0	-0.5	2.6	6.2	6.4	-5.0
Employment (Thousands)								
Washington Civilian Labor Force	3,057.9	3,091.7	3,112.1	3,126.1	3,118.6	3,107.6	3,112.9	3,126.9
Total Washington Employment	2,831.7	2,860.8	2,885.9	2,905.8	2,904.1	2,874.6	2,877.1	2,911.2
Unemployment Rate (%)	7.40	7.47	7.27	7.05	6.88	7.50	7.57	6.90
Nonfarm Payroll Employment	2,648.1	2,651.5	2,656.3	2,657.1	2,655.6	2,652.1	2,659.9	2,665.6
% Ch	-2.9	0.5	0.7	0.1	-0.2	-0.5	1.2	0.9
Manufacturing	293.9	287.7	282.8	277.7	273.9	268.6	265.0	261.9
% Ch	-13.4	-8.1	-6.7	-6.9	-5.4	-7.5	-5.3	-4.6
Durable Manufacturing	206.4	202.2	196.9	192.4	188.8	185.4	182.7	180.8
% Ch	-16.4	-8.0	-10.1	-8.7	-7.3	-7.0	-5.7	-4.1
Aerospace	80.8	77.3	73.5	71.5	69.2	66.6	64.1	62.3
% Ch	-20.9	-16.5	-18.1	-10.7	-12.3	-14.0	-14.3	-10.8
Nondurable Manufacturing	87.4	85.6	85.9	85.3	85.1	83.2	82.2	81.0
% Ch	-5.6	-8.3	1.6	-2.6	-1.2	-8.7	-4.4	-5.8
Construction	152.9	153.7	155.6	155.4	155.5	155.0	156.3	158.4
% Ch	-3.1	2.3	4.8	-0.5	0.4	-1.4	3.4	5.6
Service-Producing	2,191.9	2,200.7	2,208.8	2,214.6	2,217.1	2,219.8	2,230.1	2,236.5
% Ch	-1.3	1.6	1.5	1.1	0.4	0.5	1.9	1.2
Software Publishers	35.6	35.7	35.8	36.6	36.1	36.0	37.0	38.0
% Ch	-7.5	0.9	1.3	8.7	-5.6	-0.8	11.7	11.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	34.493	41.965	38.838	45.504	43.573	42.840	45.258	40.966
% Ch	1.0	119.1	-26.6	88.4	-15.9	-6.6	24.6	-32.9
Single-Family	26.558	29.999	30.801	33.599	35.169	33.009	33.851	34.019
% Ch	31.6	62.8	11.1	41.6	20.1	-22.4	10.6	2.0
Multi-Family	7.935	11.966	8.038	11.905	8.403	9.831	11.407	6.948
% Ch	-53.5	417.0	-79.6	381.4	-75.2	87.3	81.3	-86.2
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.93

Table A1.4
Washington Economic Forecast Summary
 Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	199.343	201.265	203.409	205.564	207.537	209.411	211.271	213.122
% Ch	6.1	3.9	4.3	4.3	3.9	3.7	3.6	3.6
Real Wage and Salary Disb.	110.632	111.824	113.254	114.600	115.975	117.244	118.443	119.628
% Ch	8.8	4.4	5.2	4.8	4.9	4.4	4.2	4.1
Real Nonwage Income	88.712	89.441	90.155	90.964	91.562	92.168	92.828	93.494
% Ch	2.8	3.3	3.2	3.6	2.7	2.7	2.9	2.9
Real Per Capita Income (\$/Person)	32,342	32,558	32,806	33,052	33,268	33,468	33,665	33,859
% Ch	5.0	2.7	3.1	3.0	2.6	2.4	2.4	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.060	1.062	1.065	1.069	1.073	1.077	1.081	1.086
% Ch	1.8	0.7	1.2	1.5	1.5	1.5	1.5	1.7
Seattle Cons. Price Index (1982-84=1.0)	1.934	1.935	1.940	1.946	1.952	1.958	1.964	1.972
% Ch	1.8	0.2	0.9	1.3	1.2	1.2	1.3	1.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	17.93	17.99	18.04	18.10	18.17	18.23	18.29	18.35
% Ch	5.1	1.2	1.2	1.4	1.4	1.3	1.3	1.5
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	210.633	213.085	216.036	219.176	222.104	224.926	227.800	230.801
% Ch	8.1	4.7	5.7	5.9	5.5	5.2	5.2	5.4
Personal Income	211.392	213.797	216.695	219.829	222.754	225.578	228.448	231.444
% Ch	8.0	4.6	5.5	5.9	5.4	5.2	5.2	5.3
Disposable Personal Income	189.834	191.553	194.146	196.915	199.226	201.590	204.020	206.674
% Ch	10.8	3.7	5.5	5.8	4.8	4.8	4.9	5.3
Per Capita Income (\$/Person)	34,297	34,586	34,949	35,346	35,707	36,052	36,402	36,770
% Ch	6.8	3.4	4.3	4.6	4.2	3.9	3.9	4.1
Employment (Thousands)								
Washington Civilian Labor Force	3,141.9	3,156.3	3,172.1	3,186.8	3,201.0	3,215.7	3,229.5	3,242.1
Total Washington Employment	2,916.7	2,935.0	2,955.3	2,973.4	2,990.7	3,009.2	3,026.1	3,040.6
Unemployment Rate (%)	7.17	7.01	6.83	6.70	6.57	6.42	6.30	6.21
Nonfarm Payroll Employment	2,670.4	2,687.6	2,706.6	2,723.6	2,739.9	2,757.3	2,773.3	2,786.9
% Ch	0.7	2.6	2.9	2.5	2.4	2.6	2.3	2.0
Manufacturing	260.9	260.8	260.0	258.6	259.8	260.6	261.7	263.2
% Ch	-1.5	-0.1	-1.3	-2.1	1.9	1.2	1.7	2.3
Durable Manufacturing	180.4	181.3	181.4	180.8	182.0	183.0	184.0	185.4
% Ch	-1.0	2.0	0.4	-1.4	2.8	2.1	2.4	3.0
Aerospace	61.9	61.3	60.7	60.1	60.2	60.7	61.1	61.6
% Ch	-2.1	-3.8	-3.9	-3.9	0.7	3.0	3.0	3.0
Nondurable Manufacturing	80.5	79.5	78.5	77.8	77.8	77.6	77.7	77.8
% Ch	-2.6	-4.6	-5.0	-3.6	-0.2	-0.8	0.1	0.6
Construction	159.4	160.0	160.3	161.3	162.5	163.8	165.1	166.2
% Ch	2.5	1.4	0.7	2.6	3.0	3.4	3.2	2.6
Service-Producing	2,241.3	2,258.0	2,277.7	2,295.1	2,308.9	2,324.2	2,337.8	2,348.9
% Ch	0.9	3.0	3.5	3.1	2.4	2.7	2.4	1.9
Software Publishers	39.1	40.1	41.1	42.1	43.1	44.1	45.1	46.0
% Ch	12.2	10.6	10.5	10.1	9.8	9.4	9.2	8.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.952	40.455	41.004	41.368	41.476	41.107	40.309	39.389
% Ch	-0.1	-4.8	5.5	3.6	1.0	-3.5	-7.5	-8.8
Single-Family	30.108	28.498	27.599	27.199	27.020	26.560	26.054	25.548
% Ch	-38.6	-19.7	-12.0	-5.7	-2.6	-6.6	-7.4	-7.5
Multi-Family	10.844	11.957	13.405	14.169	14.456	14.546	14.255	13.841
% Ch	493.6	47.8	58.0	24.8	8.3	2.5	-7.8	-11.1
Mortgage Rate (%)	6.15	6.31	6.61	6.78	6.88	6.96	7.03	7.09

Table A1.4
Washington Economic Forecast Summary
 Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	215.429	217.813	220.338	222.743	225.280	227.389	229.666	231.961
% Ch	4.4	4.5	4.7	4.4	4.6	3.8	4.1	4.1
Real Wage and Salary Disb.	120.963	122.278	123.641	125.057	126.464	127.796	129.117	130.449
% Ch	4.5	4.4	4.5	4.7	4.6	4.3	4.2	4.2
Real Nonwage Income	94.466	95.535	96.697	97.686	98.816	99.594	100.549	101.511
% Ch	4.2	4.6	5.0	4.2	4.7	3.2	3.9	3.9
Real Per Capita Income (\$/Person)	34,122	34,394	34,684	34,949	35,229	35,436	35,665	35,891
% Ch	3.1	3.2	3.4	3.1	3.2	2.4	2.6	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.091	1.096	1.101	1.107	1.113	1.119	1.126	1.133
% Ch	1.7	1.8	2.0	2.1	2.3	2.3	2.4	2.4
Seattle Cons. Price Index (1982-84=1.0)	1.979	1.988	1.998	2.008	2.020	2.033	2.046	2.060
% Ch	1.5	1.7	2.0	2.1	2.4	2.5	2.6	2.7
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.43	18.50	18.58	18.67	18.76	18.85	18.95	19.04
% Ch	1.6	1.6	1.7	1.8	1.9	2.0	2.1	2.1
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	234.302	237.987	241.954	245.867	250.090	253.904	257.957	262.069
% Ch	6.2	6.4	6.8	6.6	7.0	6.2	6.5	6.5
Personal Income	234.945	238.627	242.582	246.492	250.719	254.535	258.590	262.703
% Ch	6.2	6.4	6.8	6.6	7.0	6.2	6.5	6.5
Disposable Personal Income	209.220	212.306	215.656	218.778	221.487	224.718	228.196	231.943
% Ch	5.0	6.0	6.5	5.9	5.0	6.0	6.3	6.7
Per Capita Income (\$/Person)	37,214	37,681	38,185	38,675	39,207	39,667	40,156	40,648
% Ch	4.9	5.1	5.5	5.2	5.6	4.8	5.0	5.0
Employment (Thousands)								
Washington Civilian Labor Force	3,254.6	3,267.1	3,280.4	3,294.4	3,308.0	3,321.1	3,333.7	3,346.7
Total Washington Employment	3,054.7	3,069.3	3,085.2	3,101.9	3,117.4	3,132.3	3,145.9	3,159.9
Unemployment Rate (%)	6.14	6.05	5.95	5.84	5.76	5.69	5.63	5.58
Nonfarm Payroll Employment	2,800.1	2,813.9	2,828.8	2,844.5	2,859.0	2,873.0	2,885.8	2,898.9
% Ch	1.9	2.0	2.1	2.2	2.1	2.0	1.8	1.8
Manufacturing	265.4	267.3	269.1	270.8	272.7	274.0	275.3	276.3
% Ch	3.5	2.8	2.8	2.6	2.8	2.0	1.8	1.5
Durable Manufacturing	187.4	189.0	190.5	191.7	193.0	194.1	195.4	196.5
% Ch	4.3	3.5	3.2	2.5	2.7	2.5	2.6	2.4
Aerospace	62.6	63.8	65.1	66.3	67.6	68.8	70.1	71.3
% Ch	6.6	8.2	8.1	7.9	7.8	7.6	7.5	7.3
Nondurable Manufacturing	78.1	78.3	78.6	79.2	79.7	79.9	79.9	79.8
% Ch	1.5	1.1	1.8	2.8	2.9	0.9	0.0	-0.6
Construction	167.0	167.7	168.6	169.6	170.7	171.8	173.0	174.1
% Ch	2.0	1.8	2.0	2.4	2.6	2.7	2.7	2.5
Service-Producing	2,359.0	2,370.2	2,382.4	2,395.4	2,407.0	2,418.5	2,428.8	2,439.8
% Ch	1.7	1.9	2.1	2.2	1.9	1.9	1.7	1.8
Software Publishers	47.0	48.0	49.0	50.1	51.1	52.1	53.1	54.2
% Ch	8.9	8.7	8.7	8.6	8.4	8.2	8.2	8.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	38.976	38.930	39.092	39.640	40.050	40.538	40.619	40.594
% Ch	-4.1	-0.5	1.7	5.7	4.2	5.0	0.8	-0.2
Single-Family	25.305	25.301	25.433	25.669	25.896	26.028	25.820	25.469
% Ch	-3.8	-0.1	2.1	3.8	3.6	2.0	-3.2	-5.3
Multi-Family	13.672	13.629	13.659	13.971	14.154	14.510	14.799	15.125
% Ch	-4.8	-1.2	0.9	9.5	5.3	10.5	8.2	9.1
Mortgage Rate (%)	7.12	7.07	7.00	6.95	6.90	6.88	6.98	7.14

Table A2.1

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	131.79	131.83	130.38	130.06	131.96	135.41	137.70	139.67
% Ch	2.2	0.0	-1.1	-0.2	1.5	2.6	1.7	1.4
Manufacturing	17.27	16.44	15.30	14.70	14.51	14.62	14.74	14.73
% Ch	-0.3	-4.8	-6.9	-3.9	-1.3	0.7	0.8	-0.0
Durable Manufacturing	10.88	10.33	9.52	9.09	9.07	9.25	9.37	9.37
% Ch	0.4	-5.0	-7.9	-4.4	-0.2	2.0	1.3	-0.0
Wood Products	0.61	0.57	0.56	0.54	0.56	0.55	0.55	0.55
% Ch	-1.2	-6.4	-3.0	-2.2	2.4	-1.9	0.2	1.1
Primary and Fabricated Metals	2.37	2.25	2.06	1.96	1.95	2.02	2.08	2.10
% Ch	0.9	-5.4	-8.4	-4.7	-0.7	3.8	2.9	0.8
Computer and Electronic Products	1.82	1.75	1.52	1.41	1.40	1.39	1.39	1.34
% Ch	2.2	-3.9	-13.0	-7.5	-0.3	-1.0	-0.2	-3.1
Machinery and Electrical Equipment	2.05	1.92	1.74	1.65	1.63	1.70	1.73	1.73
% Ch	-0.4	-5.9	-9.8	-5.1	-0.8	4.0	1.6	0.3
Transportation Equipment	2.06	1.94	1.83	1.78	1.76	1.77	1.76	1.76
% Ch	-1.5	-5.7	-5.6	-2.9	-0.9	0.4	-0.6	0.3
Other Durables	1.97	1.90	1.82	1.76	1.77	1.82	1.87	1.88
% Ch	1.7	-3.3	-4.5	-3.3	0.6	3.2	2.5	0.5
Nondurable Manufacturing	6.39	6.11	5.79	5.61	5.44	5.37	5.37	5.37
% Ch	-1.6	-4.4	-5.2	-3.2	-3.0	-1.3	-0.0	-0.0
Food Manufacturing	1.55	1.55	1.52	1.52	1.50	1.48	1.48	1.50
% Ch	0.2	-0.2	-1.7	-0.5	-1.1	-1.2	0.2	0.7
Paper and Paper Products	0.60	0.58	0.55	0.53	0.52	0.51	0.51	0.51
% Ch	-1.8	-4.5	-4.8	-3.7	-2.7	-1.7	0.4	0.5
Other Nondurables	4.23	3.98	3.71	3.56	3.43	3.38	3.37	3.36
% Ch	-2.2	-5.9	-6.6	-4.2	-3.8	-1.3	-0.2	-0.4
Natural Resources and Mining	0.60	0.61	0.58	0.57	0.56	0.53	0.49	0.48
% Ch	0.1	1.2	-4.1	-2.6	-1.3	-5.9	-6.8	-2.8
Construction	6.79	6.83	6.73	6.80	6.98	7.37	7.55	7.73
% Ch	3.7	0.6	-1.4	0.9	2.7	5.6	2.4	2.4
Trade, Transportation, and Utilities	26.22	25.99	25.50	25.27	25.41	25.91	26.36	26.67
% Ch	1.8	-0.9	-1.9	-0.9	0.6	2.0	1.7	1.2
Wholesale Trade	5.93	5.77	5.64	5.57	5.62	5.80	5.92	5.97
% Ch	0.7	-2.7	-2.3	-1.2	0.9	3.2	2.1	0.9
Retail Trade	15.28	15.24	15.05	14.98	14.96	15.06	15.22	15.33
% Ch	2.1	-0.2	-1.3	-0.5	-0.1	0.6	1.1	0.7
Trans., Warehousing, and Utilities	5.01	4.97	4.81	4.72	4.83	5.06	5.22	5.36
% Ch	2.1	-0.8	-3.4	-1.8	2.3	4.7	3.1	2.8
Information	3.63	3.63	3.42	3.29	3.33	3.40	3.38	3.40
% Ch	6.2	-0.0	-5.8	-3.9	1.3	2.1	-0.7	0.6
Publishing Industries	1.03	1.02	0.97	0.95	0.95	0.97	0.99	1.00
% Ch	3.0	-1.4	-5.0	-2.5	0.5	2.0	2.0	1.0
Other Information	2.60	2.61	2.45	2.34	2.38	2.43	2.39	2.40
% Ch	7.5	0.5	-6.1	-4.5	1.7	2.1	-1.7	0.5
Financial Activities	7.69	7.81	7.84	7.96	8.09	8.26	8.33	8.42
% Ch	0.5	1.6	0.4	1.4	1.7	2.1	0.8	1.1
Professional and Business Services	16.67	16.48	16.01	16.07	16.95	18.05	18.68	19.42
% Ch	4.5	-1.1	-2.8	0.3	5.5	6.5	3.5	3.9
Education and Health Services	15.11	15.64	16.18	16.53	16.95	17.40	17.79	18.13
% Ch	2.1	3.5	3.5	2.1	2.6	2.6	2.3	1.9
Leisure and Hospitality	11.86	12.03	11.97	12.07	12.26	12.56	12.76	12.86
% Ch	2.7	1.5	-0.5	0.8	1.6	2.4	1.6	0.8
Other Services	5.17	5.26	5.35	5.32	5.33	5.44	5.52	5.60
% Ch	1.6	1.7	1.7	-0.6	0.3	2.1	1.4	1.4
Federal Government	2.86	2.76	2.77	2.75	2.72	2.72	2.72	2.72
% Ch	3.4	-3.5	0.2	-0.5	-1.2	-0.0	0.0	0.2
State and Local Government	17.93	18.35	18.71	18.75	18.86	19.15	19.39	19.52
% Ch	2.2	2.4	2.0	0.2	0.6	1.5	1.3	0.6

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	130.52	130.40	130.24	130.34	130.22	129.98	129.90	130.11
% Ch	-1.2	-0.4	-0.5	0.3	-0.3	-0.7	-0.3	0.6
Manufacturing	15.52	15.37	15.25	15.08	14.93	14.74	14.60	14.53
% Ch	-7.7	-3.8	-3.2	-4.2	-4.1	-4.8	-3.9	-1.9
Durable Manufacturing	9.66	9.57	9.47	9.36	9.24	9.11	9.02	9.00
% Ch	-9.2	-4.0	-3.8	-4.8	-5.0	-5.4	-4.0	-0.9
Wood Products	0.56	0.56	0.56	0.55	0.55	0.54	0.54	0.55
% Ch	-1.6	-2.8	-1.8	-2.8	-3.0	-2.5	-2.6	4.5
Primary and Fabricated Metals	2.09	2.07	2.05	2.03	2.00	1.97	1.94	1.94
% Ch	-10.0	-3.2	-3.3	-4.9	-5.6	-5.5	-5.0	-0.8
Computer and Electronic Products	1.57	1.54	1.50	1.47	1.44	1.41	1.39	1.38
% Ch	-14.4	-8.4	-8.2	-8.2	-8.7	-6.7	-5.9	-3.4
Machinery and Electrical Equipment	1.77	1.74	1.73	1.70	1.68	1.65	1.63	1.63
% Ch	-11.1	-5.7	-4.4	-5.0	-5.1	-6.7	-4.7	-1.4
Transportation Equipment	1.85	1.84	1.82	1.81	1.80	1.77	1.77	1.76
% Ch	-8.5	-2.1	-2.6	-3.0	-2.1	-5.5	-2.1	-0.2
Other Durables	1.83	1.82	1.81	1.80	1.78	1.76	1.75	1.74
% Ch	-4.4	-1.5	-1.6	-3.9	-4.5	-3.5	-3.2	-1.0
Nondurable Manufacturing	5.85	5.80	5.77	5.73	5.69	5.63	5.58	5.53
% Ch	-5.3	-3.4	-2.1	-3.2	-2.7	-3.8	-3.7	-3.4
Food Manufacturing	1.54	1.53	1.52	1.52	1.52	1.51	1.52	1.52
% Ch	-1.6	-2.6	-2.1	0.5	-1.2	-0.3	2.0	-1.4
Paper and Paper Products	0.55	0.55	0.55	0.54	0.54	0.53	0.53	0.52
% Ch	-5.3	-2.5	-1.8	-3.5	-4.4	-4.1	-4.4	-3.3
Other Nondurables	3.76	3.73	3.71	3.66	3.63	3.58	3.53	3.49
% Ch	-6.8	-3.9	-2.2	-4.6	-3.2	-5.3	-5.8	-4.2
Natural Resources and Mining	0.59	0.58	0.57	0.57	0.57	0.57	0.56	0.56
% Ch	-3.7	-6.4	-6.2	-1.6	-3.4	-0.7	-0.9	-0.1
Construction	6.77	6.72	6.72	6.73	6.72	6.78	6.82	6.86
% Ch	-1.4	-2.8	-0.2	0.9	-0.8	3.8	2.5	2.1
Trade, Transportation, and Utilities	25.57	25.54	25.47	25.41	25.35	25.28	25.22	25.23
% Ch	-2.0	-0.4	-1.2	-0.9	-0.9	-1.1	-0.9	0.1
Wholesale Trade	5.67	5.65	5.63	5.61	5.60	5.58	5.55	5.56
% Ch	-2.2	-1.6	-1.5	-1.5	-1.0	-1.0	-1.9	0.2
Retail Trade	15.07	15.07	15.04	15.01	15.00	14.98	14.97	14.97
% Ch	-1.8	0.2	-1.0	-0.6	-0.5	-0.4	-0.2	-0.2
Trans., Warehousing, and Utilities	4.83	4.82	4.80	4.78	4.76	4.72	4.70	4.71
% Ch	-2.6	-0.8	-1.4	-1.3	-1.9	-3.5	-1.8	1.1
Information	3.47	3.43	3.40	3.38	3.31	3.29	3.27	3.27
% Ch	-7.3	-4.3	-4.1	-2.6	-7.1	-2.4	-2.7	-0.6
Publishing Industries	0.98	0.97	0.97	0.96	0.95	0.95	0.94	0.94
% Ch	-6.2	-4.0	-1.2	-1.4	-3.6	-2.7	-2.9	-0.4
Other Information	2.49	2.46	2.43	2.41	2.36	2.35	2.33	2.33
% Ch	-7.8	-4.5	-5.2	-3.1	-8.5	-2.2	-2.6	-0.6
Financial Activities	7.83	7.83	7.84	7.88	7.92	7.97	7.98	7.96
% Ch	-0.3	-0.0	0.5	2.2	1.8	2.6	0.8	-1.0
Professional and Business Services	16.01	16.03	16.00	16.01	16.01	16.00	16.07	16.18
% Ch	-3.1	0.4	-0.8	0.3	0.1	-0.3	1.9	2.7
Education and Health Services	16.01	16.14	16.24	16.35	16.43	16.50	16.53	16.65
% Ch	3.5	3.1	2.5	2.8	2.0	1.7	0.8	2.9
Leisure and Hospitality	11.98	11.92	11.94	12.04	12.09	12.04	12.05	12.08
% Ch	0.3	-2.0	0.9	3.2	1.6	-1.7	0.6	1.0
Other Services	5.35	5.36	5.34	5.34	5.33	5.32	5.32	5.31
% Ch	3.1	0.3	-1.4	0.4	-1.1	-0.5	-0.4	-0.6
Federal Government	2.76	2.77	2.77	2.78	2.79	2.76	2.74	2.72
% Ch	0.2	2.1	-0.6	2.0	1.2	-4.1	-2.2	-3.5
State and Local Government	18.66	18.71	18.72	18.77	18.78	18.74	18.72	18.75
% Ch	1.9	1.1	0.1	1.0	0.3	-1.0	-0.4	0.7

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.54	131.47	132.47	133.38	134.25	135.13	135.86	136.40
% Ch	1.3	2.9	3.1	2.8	2.6	2.6	2.2	1.6
Manufacturing	14.50	14.53	14.52	14.50	14.56	14.60	14.64	14.68
% Ch	-0.8	0.8	-0.2	-0.7	1.8	1.1	1.0	1.1
Durable Manufacturing	9.00	9.07	9.11	9.11	9.19	9.23	9.27	9.31
% Ch	-0.1	3.2	1.7	0.4	3.1	2.1	1.6	1.8
Wood Products	0.56	0.56	0.56	0.55	0.55	0.55	0.54	0.55
% Ch	7.3	3.9	-2.0	-3.3	-2.5	-2.5	-1.7	0.3
Primary and Fabricated Metals	1.93	1.94	1.96	1.97	1.99	2.01	2.03	2.06
% Ch	-2.3	2.7	3.1	2.9	4.3	4.1	4.3	4.5
Computer and Electronic Products	1.39	1.41	1.42	1.39	1.40	1.39	1.38	1.38
% Ch	1.4	7.7	1.6	-6.3	2.2	-4.8	-1.0	0.9
Machinery and Electrical Equipment	1.62	1.63	1.64	1.65	1.68	1.70	1.71	1.71
% Ch	-1.8	1.6	3.4	3.7	5.8	6.0	1.2	1.6
Transportation Equipment	1.76	1.76	1.76	1.76	1.77	1.77	1.77	1.76
% Ch	-1.6	1.0	0.1	-0.0	1.3	0.9	-0.4	-1.4
Other Durables	1.75	1.76	1.77	1.78	1.80	1.82	1.83	1.85
% Ch	1.9	3.6	1.8	1.5	3.8	4.7	3.8	3.3
Nondurable Manufacturing	5.50	5.46	5.41	5.38	5.37	5.37	5.37	5.36
% Ch	-1.9	-3.1	-3.4	-2.4	-0.5	-0.6	-0.1	-0.1
Food Manufacturing	1.51	1.50	1.49	1.49	1.48	1.48	1.48	1.48
% Ch	-0.4	-2.6	-2.7	-2.1	-0.4	-0.9	-0.5	-0.1
Paper and Paper Products	0.52	0.52	0.51	0.51	0.51	0.51	0.51	0.51
% Ch	-0.1	-3.0	-4.0	-3.7	-0.7	-0.8	-0.0	0.3
Other Nondurables	3.47	3.44	3.41	3.39	3.38	3.38	3.38	3.38
% Ch	-2.8	-3.3	-3.5	-2.3	-0.6	-0.4	0.1	-0.2
Natural Resources and Mining	0.57	0.57	0.55	0.55	0.54	0.53	0.52	0.51
% Ch	0.8	-0.6	-7.0	-5.0	-5.9	-6.0	-7.7	-7.4
Construction	6.89	6.93	7.00	7.10	7.24	7.36	7.43	7.46
% Ch	1.8	2.6	4.0	5.7	8.2	6.9	3.6	1.5
Trade, Transportation, and Utilities	25.22	25.32	25.48	25.63	25.74	25.86	25.98	26.09
% Ch	-0.1	1.6	2.5	2.3	1.8	1.9	1.8	1.7
Wholesale Trade	5.56	5.59	5.64	5.69	5.73	5.77	5.83	5.86
% Ch	-0.1	2.4	3.8	3.7	2.5	3.2	4.0	2.5
Retail Trade	14.92	14.93	14.99	15.02	15.03	15.05	15.06	15.09
% Ch	-1.2	0.3	1.4	0.8	0.5	0.5	0.1	0.9
Trans., Warehousing, and Utilities	4.75	4.80	4.85	4.92	4.98	5.03	5.09	5.13
% Ch	3.3	4.5	4.3	5.5	5.0	4.6	4.6	3.2
Information	3.27	3.30	3.36	3.39	3.41	3.41	3.40	3.39
% Ch	0.1	4.4	6.7	4.6	1.6	-0.3	-1.2	-0.4
Publishing Industries	0.94	0.95	0.95	0.96	0.96	0.97	0.97	0.98
% Ch	1.6	2.7	1.2	1.3	2.0	2.3	2.9	3.0
Other Information	2.32	2.35	2.40	2.44	2.45	2.44	2.42	2.41
% Ch	-0.5	5.1	9.0	5.9	1.5	-1.3	-2.7	-1.7
Financial Activities	8.00	8.05	8.12	8.19	8.21	8.24	8.27	8.30
% Ch	1.9	2.5	3.8	3.1	1.3	1.3	1.7	1.4
Professional and Business Services	16.47	16.79	17.11	17.44	17.76	18.01	18.17	18.28
% Ch	7.2	8.2	7.8	7.9	7.5	5.7	3.7	2.4
Education and Health Services	16.72	16.88	17.04	17.16	17.26	17.35	17.46	17.51
% Ch	1.7	3.9	3.8	2.8	2.4	2.1	2.4	1.2
Leisure and Hospitality	12.14	12.26	12.29	12.35	12.42	12.51	12.62	12.69
% Ch	1.9	4.0	1.1	1.9	2.1	3.2	3.3	2.4
Other Services	5.30	5.32	5.34	5.37	5.40	5.43	5.46	5.48
% Ch	-0.7	1.6	1.4	2.5	2.5	1.9	1.9	2.0
Federal Government	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.72
% Ch	-0.1	0.2	-0.1	-0.3	0.0	0.0	0.0	0.0
State and Local Government	18.75	18.79	18.92	18.99	18.98	19.11	19.21	19.29
% Ch	-0.0	0.9	2.9	1.3	-0.0	2.6	2.1	1.8

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	136.89	137.40	137.97	138.54	139.03	139.49	139.88	140.27
% Ch	1.5	1.5	1.7	1.7	1.4	1.3	1.1	1.1
Manufacturing	14.72	14.74	14.74	14.74	14.75	14.74	14.73	14.71
% Ch	1.2	0.4	0.2	-0.0	0.2	-0.2	-0.2	-0.6
Durable Manufacturing	9.36	9.37	9.38	9.37	9.37	9.37	9.37	9.36
% Ch	1.9	0.6	0.3	-0.3	-0.0	-0.1	0.1	-0.3
Wood Products	0.55	0.55	0.55	0.55	0.55	0.55	0.56	0.56
% Ch	1.4	0.8	0.2	0.4	1.8	1.8	1.4	0.2
Primary and Fabricated Metals	2.07	2.08	2.09	2.09	2.09	2.10	2.10	2.11
% Ch	3.4	1.9	0.7	0.2	0.5	1.0	1.3	1.0
Computer and Electronic Products	1.39	1.39	1.39	1.37	1.36	1.35	1.34	1.32
% Ch	2.4	-1.0	-1.1	-3.2	-3.2	-4.2	-3.8	-3.8
Machinery and Electrical Equipment	1.72	1.72	1.73	1.73	1.73	1.73	1.73	1.73
% Ch	1.8	0.7	1.2	0.3	0.2	-0.2	0.0	0.1
Transportation Equipment	1.76	1.76	1.76	1.76	1.76	1.76	1.77	1.77
% Ch	-0.8	-0.7	-0.3	-0.0	0.4	1.0	1.1	-0.1
Other Durables	1.86	1.87	1.87	1.87	1.88	1.88	1.88	1.88
% Ch	2.8	1.5	0.8	0.3	0.6	0.4	0.4	0.1
Nondurable Manufacturing	5.36	5.36	5.37	5.37	5.38	5.37	5.36	5.35
% Ch	0.1	-0.0	0.0	0.4	0.5	-0.3	-0.7	-1.1
Food Manufacturing	1.48	1.48	1.49	1.49	1.50	1.50	1.50	1.49
% Ch	0.6	0.2	0.7	1.4	1.5	0.2	-0.2	-0.6
Paper and Paper Products	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
% Ch	0.5	0.7	0.8	1.0	0.9	0.1	-0.4	-0.8
Other Nondurables	3.38	3.37	3.37	3.37	3.37	3.37	3.36	3.35
% Ch	-0.2	-0.2	-0.4	-0.1	-0.0	-0.6	-1.0	-1.4
Natural Resources and Mining	0.50	0.49	0.49	0.48	0.48	0.48	0.48	0.47
% Ch	-7.1	-7.1	-5.5	-3.3	-1.6	-1.7	-1.8	-2.1
Construction	7.48	7.52	7.57	7.62	7.66	7.71	7.75	7.79
% Ch	1.4	1.9	2.6	2.9	2.0	2.7	2.2	2.0
Trade, Transportation, and Utilities	26.20	26.32	26.40	26.50	26.60	26.66	26.70	26.71
% Ch	1.8	1.8	1.2	1.6	1.5	1.0	0.5	0.3
Wholesale Trade	5.89	5.91	5.93	5.95	5.96	5.97	5.98	5.99
% Ch	1.8	1.1	1.4	1.3	0.8	0.6	0.9	0.5
Retail Trade	15.15	15.22	15.24	15.28	15.33	15.35	15.34	15.32
% Ch	1.6	1.8	0.7	1.1	1.1	0.7	-0.4	-0.5
Trans., Warehousing, and Utilities	5.16	5.20	5.23	5.27	5.31	5.35	5.38	5.41
% Ch	2.5	2.6	2.7	3.3	3.1	2.4	2.5	2.2
Information	3.39	3.38	3.37	3.37	3.38	3.39	3.40	3.43
% Ch	-0.4	-0.9	-1.3	-0.3	0.9	1.1	2.3	2.9
Publishing Industries	0.99	0.99	0.99	0.99	0.99	1.00	1.00	1.00
% Ch	2.5	1.1	0.5	0.6	1.3	0.9	1.3	1.6
Other Information	2.40	2.39	2.38	2.38	2.38	2.39	2.40	2.43
% Ch	-1.6	-1.6	-2.1	-0.7	0.8	1.2	2.8	3.5
Financial Activities	8.31	8.32	8.33	8.35	8.37	8.40	8.43	8.45
% Ch	0.3	0.5	0.6	0.9	1.2	1.5	1.5	0.7
Professional and Business Services	18.41	18.56	18.76	19.00	19.20	19.35	19.49	19.62
% Ch	2.8	3.4	4.3	5.2	4.3	3.2	3.0	2.7
Education and Health Services	17.61	17.73	17.88	17.95	18.01	18.08	18.17	18.26
% Ch	2.3	2.7	3.6	1.5	1.4	1.6	2.0	1.8
Leisure and Hospitality	12.72	12.74	12.77	12.81	12.84	12.86	12.86	12.89
% Ch	1.0	0.7	0.9	1.3	0.7	0.6	0.3	0.9
Other Services	5.51	5.52	5.53	5.54	5.56	5.58	5.61	5.64
% Ch	1.6	1.2	0.4	0.8	1.9	1.7	2.0	2.0
Federal Government	2.72	2.72	2.72	2.72	2.72	2.72	2.72	2.73
% Ch	-0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.2
State and Local Government	19.32	19.37	19.41	19.47	19.47	19.52	19.52	19.57
% Ch	0.7	1.0	0.9	1.1	0.1	1.0	0.1	0.9

Table A2.3
Washington Nonagricultural Employment by Industry
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	2,711.5	2,697.4	2,653.2	2,658.3	2,697.1	2,764.4	2,821.8	2,879.2
% Ch	2.4	-0.5	-1.6	0.2	1.5	2.5	2.1	2.0
Manufacturing	331.9	316.2	285.5	267.3	260.1	261.3	268.2	274.6
% Ch	-3.3	-4.7	-9.7	-6.4	-2.7	0.5	2.6	2.4
Durable Manufacturing	236.4	225.0	199.5	184.5	181.0	183.6	189.6	194.8
% Ch	-4.2	-4.8	-11.4	-7.5	-1.9	1.5	3.3	2.7
Wood Products	21.9	18.9	18.0	17.8	17.6	16.8	16.4	16.1
% Ch	3.6	-13.6	-4.9	-1.4	-1.1	-4.4	-2.5	-1.7
Primary and Fabricated Metals	29.8	27.0	23.6	22.4	22.0	23.1	23.9	23.9
% Ch	-0.8	-9.4	-12.3	-5.3	-1.6	4.8	3.4	0.3
Computer and Electronic Products	34.3	32.4	26.2	23.5	23.5	23.5	23.9	23.1
% Ch	3.2	-5.6	-19.4	-10.3	0.3	0.1	1.4	-3.3
Machinery and Electrical Equipment	19.8	18.6	16.7	16.1	16.4	18.0	19.1	20.0
% Ch	3.0	-6.3	-10.2	-3.6	2.4	9.6	6.2	4.6
Aerospace	86.1	87.2	75.8	65.5	61.0	60.9	64.5	69.5
% Ch	-12.3	1.3	-13.1	-13.5	-6.9	-0.2	5.8	7.8
Other Transportation Equip.	13.4	11.3	11.0	11.3	12.0	12.3	12.4	12.3
% Ch	-6.0	-16.0	-2.6	2.9	6.6	2.1	0.6	-0.7
Other Durables	31.1	29.6	28.3	28.0	28.3	29.0	29.6	29.9
% Ch	1.0	-4.8	-4.6	-1.0	1.3	2.2	2.1	1.2
Nondurable Manufacturing	95.4	91.1	86.1	82.9	79.1	77.7	78.5	79.8
% Ch	-1.1	-4.5	-5.6	-3.7	-4.6	-1.7	1.1	1.7
Food Manufacturing	38.9	37.2	35.5	34.7	32.3	31.1	31.2	31.8
% Ch	0.8	-4.3	-4.8	-2.0	-7.0	-3.7	0.4	1.8
Paper and Paper Products	14.4	14.1	13.3	12.9	12.6	12.3	12.4	12.4
% Ch	-5.5	-2.0	-6.1	-2.5	-2.8	-1.9	0.5	0.5
Other Nondurables	42.1	39.8	37.3	35.2	34.2	34.3	34.9	35.6
% Ch	-1.1	-5.5	-6.2	-5.7	-2.8	0.1	1.9	1.9
Natural Resources and Mining	10.0	9.8	9.3	8.8	8.7	8.7	8.6	8.7
% Ch	-5.3	-2.2	-4.8	-5.3	-1.1	-0.7	-0.5	0.8
Construction	160.6	158.8	154.4	156.3	160.2	164.4	168.2	172.4
% Ch	4.4	-1.1	-2.8	1.2	2.5	2.6	2.3	2.5
Trade, Transportation, and Utilities	531.9	523.8	509.5	511.1	516.1	527.4	538.2	547.6
% Ch	2.5	-1.5	-2.7	0.3	1.0	2.2	2.0	1.7
Wholesale Trade	121.3	119.8	115.6	115.3	117.4	121.5	124.5	126.3
% Ch	1.6	-1.2	-3.4	-0.3	1.8	3.5	2.4	1.4
Retail Trade	315.3	311.7	305.4	307.7	307.8	310.4	315.0	319.3
% Ch	3.2	-1.1	-2.0	0.7	0.1	0.8	1.5	1.4
Trans., Warehousing, and Utilities	95.4	92.4	88.5	88.1	90.9	95.5	98.8	102.1
% Ch	1.2	-3.2	-4.3	-0.4	3.1	5.1	3.5	3.3
Information	97.6	99.0	93.5	92.4	97.2	102.4	105.5	109.8
% Ch	14.6	1.4	-5.6	-1.2	5.2	5.4	3.0	4.1
Software Publishers	32.2	35.9	35.9	36.8	40.6	44.6	48.5	52.6
% Ch	17.8	11.3	0.2	2.3	10.5	9.8	8.9	8.4
Other Publishing Industries	13.7	13.2	12.6	12.6	12.5	12.6	12.7	12.7
% Ch	1.5	-3.5	-4.5	-0.1	-0.7	0.8	0.8	-0.0
Other Information	51.7	49.9	44.9	43.0	44.0	45.2	44.2	44.5
% Ch	16.7	-3.5	-10.1	-4.3	2.4	2.7	-2.2	0.6
Financial Activities	142.3	145.2	145.6	151.9	155.1	158.3	160.0	162.3
% Ch	-0.3	2.0	0.2	4.3	2.1	2.1	1.1	1.5
Professional and Business Services	303.8	296.9	289.5	290.9	306.4	327.4	340.0	355.2
% Ch	6.1	-2.3	-2.5	0.5	5.4	6.9	3.8	4.5
Education and Health Services	291.9	298.3	306.9	312.1	319.3	327.7	335.4	342.8
% Ch	3.7	2.2	2.9	1.7	2.3	2.6	2.4	2.2
Leisure and Hospitality	251.8	247.1	245.0	246.6	245.9	251.0	255.1	258.3
% Ch	1.9	-1.9	-0.8	0.7	-0.3	2.1	1.6	1.2
Other Services	106.2	96.9	97.9	99.7	100.1	101.5	102.6	104.0
% Ch	1.6	-8.8	1.1	1.8	0.4	1.3	1.1	1.3
Federal Government	69.9	67.9	69.2	70.2	71.4	71.6	71.8	72.1
% Ch	3.4	-2.8	2.0	1.4	1.7	0.2	0.3	0.4
State and Local Government	413.5	437.6	446.9	451.1	456.5	462.7	468.1	471.4
% Ch	1.7	5.8	2.1	0.9	1.2	1.3	1.2	0.7

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	2,648.1	2,651.5	2,656.3	2,657.1	2,655.6	2,652.1	2,659.9	2,665.6
% Ch	-2.9	0.5	0.7	0.1	-0.2	-0.5	1.2	0.9
Manufacturing	293.9	287.7	282.8	277.7	273.9	268.6	265.0	261.9
% Ch	-13.4	-8.1	-6.7	-6.9	-5.4	-7.5	-5.3	-4.6
Durable Manufacturing	206.4	202.2	196.9	192.4	188.8	185.4	182.7	180.8
% Ch	-16.4	-8.0	-10.1	-8.7	-7.3	-7.0	-5.7	-4.1
Wood Products	17.9	18.1	18.0	18.1	17.9	17.9	17.7	17.6
% Ch	-10.2	5.0	-1.7	0.6	-2.3	-1.9	-4.6	-1.3
Primary and Fabricated Metals	24.6	23.6	23.4	22.9	22.7	22.5	22.3	22.0
% Ch	-11.5	-14.9	-3.6	-7.7	-3.5	-4.0	-3.3	-5.3
Computer and Electronic Products	27.4	26.5	25.9	24.8	24.4	23.6	22.9	23.0
% Ch	-24.5	-11.8	-9.6	-15.0	-7.3	-12.9	-10.1	0.4
Machinery and Electrical Equipment	17.0	16.8	16.6	16.2	16.0	16.1	16.1	16.1
% Ch	-14.2	-3.4	-6.0	-8.6	-4.6	0.8	1.0	-1.0
Aerospace	80.8	77.3	73.5	71.5	69.2	66.6	64.1	62.3
% Ch	-20.9	-16.5	-18.1	-10.7	-12.3	-14.0	-14.3	-10.8
Other Transportation Equip.	10.5	11.3	11.2	10.8	10.9	10.9	11.6	11.8
% Ch	-5.9	34.5	-4.7	-11.5	1.0	0.2	27.3	10.4
Other Durables	28.3	28.5	28.3	28.0	27.7	28.0	28.1	28.1
% Ch	-7.1	2.9	-2.8	-3.1	-5.0	4.5	1.8	-0.1
Nondurable Manufacturing	87.4	85.6	85.9	85.3	85.1	83.2	82.2	81.0
% Ch	-5.6	-8.3	1.6	-2.6	-1.2	-8.7	-4.4	-5.8
Food Manufacturing	36.0	34.8	35.8	35.3	35.6	34.6	35.0	33.7
% Ch	-2.0	-13.0	12.1	-5.6	4.0	-11.1	5.3	-14.4
Paper and Paper Products	13.4	13.3	13.1	13.2	13.2	13.1	12.7	12.7
% Ch	-10.5	-4.0	-4.6	3.2	-1.4	-3.1	-10.2	-0.1
Other Nondurables	38.0	37.5	37.0	36.8	36.3	35.5	34.5	34.6
% Ch	-7.2	-5.2	-5.3	-1.6	-5.9	-8.3	-11.2	1.4
Natural Resources and Mining	9.5	9.3	9.2	9.3	9.1	8.8	8.6	8.8
% Ch	-7.4	-4.6	-6.7	6.1	-9.8	-12.3	-6.9	8.9
Construction	152.9	153.7	155.6	155.4	155.5	155.0	156.3	158.4
% Ch	-3.1	2.3	4.8	-0.5	0.4	-1.4	3.4	5.6
Trade, Transportation, and Utilities	509.8	509.9	510.6	507.5	509.9	509.6	513.0	512.0
% Ch	-3.2	0.0	0.6	-2.4	1.9	-0.3	2.7	-0.7
Wholesale Trade	116.5	115.4	115.3	115.2	115.2	114.9	115.6	115.7
% Ch	-3.5	-3.7	-0.6	-0.2	-0.1	-1.0	2.4	0.4
Retail Trade	304.4	305.8	306.7	304.7	305.9	306.9	309.5	308.3
% Ch	-2.8	1.8	1.2	-2.5	1.6	1.3	3.3	-1.4
Trans., Warehousing, and Utilities	88.9	88.7	88.7	87.6	88.8	87.8	88.0	88.0
% Ch	-3.9	-1.0	-0.0	-5.0	5.7	-4.5	1.0	0.3
Information	94.1	93.6	92.8	93.4	92.1	91.7	92.3	93.3
% Ch	-10.0	-2.0	-3.6	2.6	-5.3	-1.6	2.7	4.2
Software Publishers	35.6	35.7	35.8	36.6	36.1	36.0	37.0	38.0
% Ch	-7.5	0.9	1.3	8.7	-5.6	-0.8	11.7	11.1
Other Publishing Industries	12.6	12.6	12.6	12.7	12.7	12.8	12.4	12.5
% Ch	-7.5	-1.6	2.2	2.1	-0.1	2.6	-9.9	2.1
Other Information	45.9	45.4	44.3	44.1	43.3	43.0	42.9	42.8
% Ch	-12.6	-4.3	-8.8	-2.1	-6.5	-3.5	-0.7	-1.0
Financial Activities	144.4	145.6	145.8	146.5	149.3	151.6	153.4	153.1
% Ch	-3.0	3.3	0.6	2.1	7.8	6.3	4.9	-0.8
Professional and Business Services	287.1	288.6	291.3	291.3	289.1	288.0	291.6	294.7
% Ch	-2.7	2.1	3.8	-0.0	-3.0	-1.5	5.1	4.2
Education and Health Services	304.6	306.8	305.7	310.5	310.6	312.6	311.2	313.8
% Ch	2.6	3.0	-1.4	6.4	0.2	2.5	-1.7	3.3
Leisure and Hospitality	242.6	244.5	246.9	245.9	246.8	246.1	248.2	245.1
% Ch	-2.4	3.2	4.0	-1.6	1.4	-1.0	3.5	-4.9
Other Services	97.5	98.3	98.2	97.8	100.1	100.2	99.3	99.3
% Ch	6.6	3.2	-0.5	-1.7	9.8	0.5	-3.6	0.2
Federal Government	68.5	68.1	69.2	71.1	70.5	69.7	69.8	70.7
% Ch	-0.6	-2.2	6.2	11.9	-3.2	-4.5	0.5	5.3
State and Local Government	443.4	445.3	448.4	450.6	448.6	450.2	451.1	454.4
% Ch	0.7	1.7	2.8	2.0	-1.8	1.4	0.8	3.0

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,670.4	2,687.6	2,706.6	2,723.6	2,739.9	2,757.3	2,773.3	2,786.9
% Ch	0.7	2.6	2.9	2.5	2.4	2.6	2.3	2.0
Manufacturing	260.9	260.8	260.0	258.6	259.8	260.6	261.7	263.2
% Ch	-1.5	-0.1	-1.3	-2.1	1.9	1.2	1.7	2.3
Durable Manufacturing	180.4	181.3	181.4	180.8	182.0	183.0	184.0	185.4
% Ch	-1.0	2.0	0.4	-1.4	2.8	2.1	2.4	3.0
Wood Products	17.7	17.7	17.5	17.3	17.1	16.8	16.7	16.6
% Ch	2.5	0.8	-4.5	-5.7	-4.9	-5.0	-4.2	-2.4
Primary and Fabricated Metals	21.7	21.9	22.1	22.3	22.6	22.9	23.2	23.6
% Ch	-4.8	3.4	3.5	3.7	6.0	5.2	5.5	5.5
Computer and Electronic Products	22.9	23.7	24.0	23.5	23.8	23.4	23.4	23.6
% Ch	-0.3	14.6	4.4	-8.4	5.3	-6.0	0.1	3.2
Machinery and Electrical Equipment	16.0	16.2	16.6	17.0	17.4	18.0	18.2	18.5
% Ch	-1.6	6.3	8.8	9.3	12.1	12.3	5.7	6.3
Aerospace	61.9	61.3	60.7	60.1	60.2	60.7	61.1	61.6
% Ch	-2.1	-3.8	-3.9	-3.9	0.7	3.0	3.0	3.0
Other Transportation Equip.	11.9	12.0	12.1	12.2	12.2	12.3	12.3	12.3
% Ch	1.6	3.6	3.0	2.2	2.0	1.7	1.5	1.1
Other Durables	28.2	28.3	28.4	28.5	28.7	28.9	29.1	29.3
% Ch	0.8	1.9	1.2	1.2	2.6	2.9	2.8	2.6
Nondurable Manufacturing	80.5	79.5	78.5	77.8	77.8	77.6	77.7	77.8
% Ch	-2.6	-4.6	-5.0	-3.6	-0.2	-0.8	0.1	0.6
Food Manufacturing	33.2	32.6	31.9	31.4	31.3	31.1	31.0	31.0
% Ch	-5.5	-7.5	-7.9	-6.1	-1.1	-2.7	-1.7	-0.5
Paper and Paper Products	12.7	12.6	12.5	12.4	12.3	12.3	12.3	12.3
% Ch	0.6	-3.3	-4.4	-4.0	-0.7	-0.9	-0.0	0.3
Other Nondurables	34.5	34.3	34.1	34.0	34.1	34.2	34.3	34.5
% Ch	-1.0	-2.2	-2.3	-1.1	1.0	1.0	1.8	1.8
Natural Resources and Mining	8.8	8.8	8.7	8.7	8.7	8.7	8.7	8.7
% Ch	-1.1	-2.1	-2.2	-0.5	1.3	-1.9	-1.3	-0.1
Construction	159.4	160.0	160.3	161.3	162.5	163.8	165.1	166.2
% Ch	2.5	1.4	0.7	2.6	3.0	3.4	3.2	2.6
Trade, Transportation, and Utilities	511.8	514.1	517.5	520.8	523.3	526.1	528.8	531.4
% Ch	-0.2	1.7	2.7	2.5	2.0	2.1	2.1	2.0
Wholesale Trade	115.9	116.7	117.9	119.0	119.9	120.9	122.2	123.0
% Ch	0.8	2.7	4.2	4.0	2.8	3.6	4.3	2.8
Retail Trade	306.7	307.1	308.4	309.1	309.6	310.2	310.5	311.4
% Ch	-2.1	0.5	1.6	1.0	0.6	0.7	0.4	1.2
Trans., Warehousing, and Utilities	89.2	90.3	91.3	92.6	93.8	95.0	96.1	97.0
% Ch	5.5	4.8	4.7	5.9	5.4	4.9	4.9	3.5
Information	94.3	96.0	98.2	100.1	101.3	102.1	102.7	103.5
% Ch	4.5	7.5	9.5	7.6	5.0	3.3	2.5	3.1
Software Publishers	39.1	40.1	41.1	42.1	43.1	44.1	45.1	46.0
% Ch	12.2	10.6	10.5	10.1	9.8	9.4	9.2	8.9
Other Publishing Industries	12.5	12.5	12.5	12.5	12.6	12.6	12.6	12.7
% Ch	-0.9	1.3	0.1	0.2	0.8	1.1	1.6	1.6
Other Information	42.7	43.4	44.6	45.4	45.6	45.4	45.0	44.8
% Ch	-0.4	6.4	11.4	7.5	1.9	-1.6	-3.4	-2.1
Financial Activities	153.4	154.3	155.8	156.9	157.4	158.0	158.7	159.3
% Ch	0.8	2.4	3.7	3.0	1.3	1.3	1.8	1.6
Professional and Business Services	297.3	303.4	309.4	315.6	321.7	326.5	329.7	331.9
% Ch	3.6	8.5	8.2	8.3	7.9	6.0	4.0	2.7
Education and Health Services	315.3	318.1	320.9	323.1	325.0	326.8	328.8	330.0
% Ch	1.9	3.6	3.6	2.8	2.5	2.2	2.4	1.5
Leisure and Hospitality	243.8	245.8	246.4	247.4	248.5	250.2	251.9	253.3
% Ch	-2.2	3.3	1.0	1.7	1.7	2.7	2.8	2.3
Other Services	99.7	100.0	100.2	100.6	101.0	101.3	101.6	102.0
% Ch	1.5	1.1	1.0	1.5	1.5	1.2	1.3	1.3
Federal Government	71.4	71.4	71.5	71.5	71.5	71.6	71.6	71.6
% Ch	3.6	0.3	0.2	0.1	0.2	0.2	0.2	0.2
State and Local Government	454.3	455.0	457.8	459.1	459.1	461.8	464.0	465.8
% Ch	-0.1	0.6	2.5	1.1	0.0	2.4	1.9	1.6

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,800.1	2,813.9	2,828.8	2,844.5	2,859.0	2,873.0	2,885.8	2,898.9
% Ch	1.9	2.0	2.1	2.2	2.1	2.0	1.8	1.8
Manufacturing	265.4	267.3	269.1	270.8	272.7	274.0	275.3	276.3
% Ch	3.5	2.8	2.8	2.6	2.8	2.0	1.8	1.5
Durable Manufacturing	187.4	189.0	190.5	191.7	193.0	194.1	195.4	196.5
% Ch	4.3	3.5	3.2	2.5	2.7	2.5	2.6	2.4
Wood Products	16.5	16.4	16.3	16.2	16.2	16.1	16.1	16.0
% Ch	-1.4	-2.0	-2.6	-2.3	-1.1	-1.1	-1.4	-2.5
Primary and Fabricated Metals	23.8	23.9	23.9	23.9	23.9	23.9	24.0	24.0
% Ch	4.1	1.9	0.3	-0.4	0.0	0.4	0.7	0.2
Computer and Electronic Products	23.9	23.9	23.9	23.7	23.5	23.2	22.9	22.7
% Ch	5.6	0.1	-0.1	-3.4	-3.5	-5.1	-4.5	-4.5
Machinery and Electrical Equipment	18.8	19.0	19.3	19.5	19.7	19.9	20.1	20.3
% Ch	6.5	5.1	5.8	4.6	4.5	3.9	4.3	4.4
Aerospace	62.6	63.8	65.1	66.3	67.6	68.8	70.1	71.3
% Ch	6.6	8.2	8.1	7.9	7.8	7.6	7.5	7.3
Other Transportation Equip.	12.4	12.4	12.3	12.3	12.3	12.3	12.3	12.2
% Ch	0.7	-0.0	-0.5	-0.7	-0.7	-0.7	-0.8	-1.3
Other Durables	29.4	29.5	29.6	29.7	29.8	29.9	30.0	30.0
% Ch	2.3	1.5	1.1	1.0	1.2	1.2	1.2	1.0
Nondurable Manufacturing	78.1	78.3	78.6	79.2	79.7	79.9	79.9	79.8
% Ch	1.5	1.1	1.8	2.8	2.9	0.9	0.0	-0.6
Food Manufacturing	31.1	31.1	31.2	31.5	31.8	31.9	31.8	31.6
% Ch	1.5	0.2	1.8	3.8	4.3	0.4	-0.9	-2.0
Paper and Paper Products	12.3	12.4	12.4	12.4	12.5	12.5	12.4	12.4
% Ch	0.5	0.7	0.9	1.1	1.0	0.1	-0.5	-0.8
Other Nondurables	34.7	34.8	35.0	35.2	35.4	35.6	35.7	35.7
% Ch	1.8	2.0	2.1	2.4	2.4	1.6	1.1	0.8
Natural Resources and Mining	8.6	8.6	8.6	8.6	8.7	8.7	8.7	8.7
% Ch	-0.3	-0.6	-0.3	0.5	1.6	1.3	1.1	0.9
Construction	167.0	167.7	168.6	169.6	170.7	171.8	173.0	174.1
% Ch	2.0	1.8	2.0	2.4	2.6	2.7	2.7	2.5
Trade, Transportation, and Utilities	534.2	537.1	539.4	542.1	544.8	547.0	548.6	550.0
% Ch	2.1	2.2	1.7	2.1	2.0	1.6	1.2	1.0
Wholesale Trade	123.7	124.2	124.7	125.3	125.7	126.0	126.5	126.9
% Ch	2.2	1.5	1.8	1.8	1.3	1.1	1.5	1.2
Retail Trade	312.9	314.6	315.5	316.8	318.2	319.3	319.7	319.9
% Ch	1.9	2.2	1.2	1.7	1.7	1.4	0.4	0.4
Trans., Warehousing, and Utilities	97.7	98.4	99.1	100.0	100.9	101.7	102.5	103.2
% Ch	2.9	3.0	3.1	3.7	3.7	3.0	3.1	2.9
Information	104.3	105.1	105.8	106.7	107.8	109.0	110.5	112.0
% Ch	3.1	3.0	2.7	3.5	4.3	4.5	5.3	5.8
Software Publishers	47.0	48.0	49.0	50.1	51.1	52.1	53.1	54.2
% Ch	8.9	8.7	8.7	8.6	8.4	8.2	8.2	8.2
Other Publishing Industries	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7
% Ch	1.3	0.0	-0.5	-0.3	0.2	-0.1	0.2	0.5
Other Information	44.6	44.3	44.1	44.0	44.1	44.2	44.6	45.1
% Ch	-2.0	-2.1	-2.6	-0.9	0.9	1.6	3.5	4.4
Financial Activities	159.5	159.8	160.1	160.6	161.2	162.0	162.8	163.3
% Ch	0.5	0.8	0.9	1.2	1.6	1.9	1.9	1.2
Professional and Business Services	334.5	337.6	341.5	346.3	350.4	353.6	356.8	359.8
% Ch	3.2	3.8	4.8	5.6	4.8	3.8	3.6	3.4
Education and Health Services	331.9	334.2	337.0	338.6	340.1	341.8	343.8	345.7
% Ch	2.4	2.7	3.4	1.9	1.8	2.0	2.4	2.3
Leisure and Hospitality	254.0	254.6	255.4	256.4	257.2	257.9	258.6	259.6
% Ch	1.1	1.0	1.2	1.6	1.1	1.2	1.0	1.5
Other Services	102.3	102.5	102.7	102.9	103.3	103.7	104.2	104.6
% Ch	1.2	1.0	0.7	1.0	1.5	1.5	1.7	1.8
Federal Government	71.7	71.7	71.8	71.9	71.9	72.0	72.1	72.2
% Ch	0.2	0.3	0.4	0.4	0.4	0.5	0.5	0.5
State and Local Government	466.5	467.5	468.6	469.9	470.2	471.3	471.5	472.6
% Ch	0.6	0.9	0.9	1.1	0.2	1.0	0.1	1.0

Table A3.1
U.S. Personal Income by Component
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	8,429.7	8,713.1	8,910.3	9,190.0	9,627.1	10,169.6	10,751.6	11,385.1
% Ch	8.0	3.4	2.3	3.1	4.8	5.6	5.7	5.9
Total Wage and Salary Disbursements	4,829.2	4,942.9	4,974.6	5,084.0	5,309.6	5,642.3	5,957.3	6,287.3
% Ch	8.1	2.4	0.6	2.2	4.4	6.3	5.6	5.5
Nonwage Personal Income	3,600.4	3,770.2	3,935.7	4,106.0	4,317.5	4,527.3	4,794.3	5,097.7
% Ch	7.9	4.7	4.4	4.3	5.2	4.9	5.9	6.3
Other Labor Income	609.9	642.6	680.5	723.7	764.3	818.1	872.4	926.2
% Ch	8.5	5.4	5.9	6.4	5.6	7.0	6.6	6.2
Proprietor's Income	728.4	770.6	797.7	848.6	913.4	968.3	1,013.3	1,069.0
% Ch	7.4	5.8	3.5	6.4	7.6	6.0	4.6	5.5
Farm	22.7	25.0	14.3	21.2	23.0	21.9	21.6	21.8
% Ch	-20.7	10.1	-42.8	48.1	8.8	-5.0	-1.4	1.1
Nonfarm	705.7	745.6	783.4	827.5	890.4	946.4	991.7	1,047.2
% Ch	8.6	5.7	5.1	5.6	7.6	6.3	4.8	5.6
Less: Pers Cont. For Social Ins.	359.2	373.6	386.2	397.2	412.8	435.7	459.6	485.0
% Ch	6.2	4.0	3.4	2.8	3.9	5.6	5.5	5.5
Dividends/Int./Rent	1,537.3	1,538.0	1,551.6	1,553.9	1,610.6	1,701.4	1,819.0	1,940.4
% Ch	8.9	0.0	0.9	0.2	3.6	5.6	6.9	6.7
Transfer Payments	1,084.1	1,192.6	1,292.2	1,376.8	1,442.0	1,475.2	1,549.3	1,647.1
% Ch	6.1	10.0	8.4	6.5	4.7	2.3	5.0	6.3

Table A3.2

U.S. Personal Income by Component

Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,803.6	8,912.2	8,944.0	8,981.3	9,048.7	9,145.9	9,242.5	9,323.0
% Ch	1.5	5.0	1.4	1.7	3.0	4.4	4.3	3.5
Total Wage and Salary Disbursements	4,945.1	4,973.1	4,980.9	4,999.1	5,033.2	5,072.2	5,104.1	5,126.7
% Ch	0.8	2.3	0.6	1.5	2.8	3.1	2.5	1.8
Nonwage Personal Income	3,858.5	3,939.1	3,963.1	3,982.2	4,015.5	4,073.7	4,138.4	4,196.4
% Ch	2.4	8.6	2.5	1.9	3.4	5.9	6.5	5.7
Other Labor Income	666.6	677.9	685.2	692.1	706.3	717.3	730.7	740.5
% Ch	5.7	7.0	4.4	4.1	8.5	6.4	7.7	5.5
Proprietor's Income	779.3	796.1	803.2	812.2	813.5	838.8	860.9	881.3
% Ch	-3.2	8.9	3.6	4.5	0.6	13.0	10.9	9.9
Farm	12.1	15.2	13.5	16.3	13.0	20.0	21.5	30.2
% Ch	-95.8	151.2	-37.7	110.4	-59.5	460.2	32.7	291.7
Nonfarm	767.2	780.9	789.7	795.9	800.5	818.8	839.4	851.1
% Ch	4.4	7.3	4.6	3.2	2.3	9.5	10.4	5.7
Less: Pers Cont. For Social Ins.	383.0	385.8	387.0	388.8	393.9	395.7	398.1	400.9
% Ch	8.7	2.9	1.3	1.9	5.3	1.8	2.5	2.9
Dividends/Int./Rent	1,535.2	1,559.8	1,560.2	1,551.0	1,551.8	1,543.6	1,546.2	1,574.2
% Ch	0.1	6.6	0.1	-2.3	0.2	-2.1	0.7	7.4
Transfer Payments	1,260.5	1,291.1	1,301.6	1,315.6	1,337.6	1,369.7	1,398.7	1,401.3
% Ch	9.5	10.1	3.3	4.4	6.9	10.0	8.7	0.7

Table A3.2

U.S. Personal Income by Component

Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,438.2	9,551.5	9,685.9	9,832.7	9,973.5	10,105.6	10,235.1	10,364.1
% Ch	5.0	4.9	5.7	6.2	5.9	5.4	5.2	5.1
Total Wage and Salary Disbursements	5,193.1	5,263.5	5,347.9	5,433.9	5,524.2	5,606.0	5,682.2	5,756.7
% Ch	5.3	5.5	6.6	6.6	6.8	6.1	5.5	5.3
Nonwage Personal Income	4,245.2	4,288.1	4,338.0	4,398.8	4,449.3	4,499.6	4,552.8	4,607.4
% Ch	4.7	4.1	4.7	5.7	4.7	4.6	4.8	4.9
Other Labor Income	745.5	755.5	769.7	786.4	798.4	810.7	825.1	838.4
% Ch	2.7	5.5	7.7	9.0	6.2	6.3	7.3	6.6
Proprietor's Income	893.2	905.5	919.5	935.5	950.3	964.5	975.1	983.3
% Ch	5.5	5.6	6.3	7.1	6.5	6.1	4.5	3.4
Farm	26.5	24.1	20.6	20.9	21.2	22.0	22.2	22.0
% Ch	-41.0	-30.9	-46.5	4.5	7.4	16.0	3.1	-3.1
Nonfarm	866.8	881.3	898.9	914.7	929.1	942.4	952.9	961.3
% Ch	7.6	6.9	8.2	7.2	6.5	5.9	4.5	3.6
Less: Pers Cont. For Social Ins.	407.4	409.3	414.0	420.3	427.0	433.1	438.7	444.1
% Ch	6.6	1.9	4.6	6.3	6.5	5.8	5.3	5.1
Dividends/Int./Rent	1,590.0	1,599.5	1,613.9	1,638.8	1,662.5	1,685.9	1,713.1	1,744.0
% Ch	4.1	2.4	3.6	6.3	5.9	5.7	6.6	7.4
Transfer Payments	1,423.9	1,436.8	1,448.9	1,458.4	1,465.0	1,471.6	1,478.2	1,485.9
% Ch	6.6	3.7	3.4	2.6	1.8	1.8	1.8	2.1

Table A3.2

U.S. Personal Income by Component

Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,516.3	10,669.5	10,832.2	10,988.5	11,160.1	11,306.5	11,460.0	11,613.6
% Ch	6.0	6.0	6.2	5.9	6.4	5.4	5.5	5.5
Total Wage and Salary Disbursements	5,837.9	5,915.4	5,996.4	6,079.6	6,167.2	6,248.4	6,327.4	6,406.3
% Ch	5.8	5.4	5.6	5.7	5.9	5.4	5.2	5.1
Nonwage Personal Income	4,678.3	4,754.0	4,835.8	4,909.0	4,992.9	5,058.2	5,132.6	5,207.3
% Ch	6.3	6.6	7.1	6.2	7.0	5.3	6.0	6.0
Other Labor Income	852.0	865.7	879.1	892.5	906.0	919.3	932.8	946.7
% Ch	6.7	6.6	6.3	6.2	6.2	6.0	6.0	6.1
Proprietor's Income	993.3	1,005.9	1,019.5	1,034.3	1,048.8	1,063.1	1,076.0	1,088.3
% Ch	4.2	5.2	5.5	5.9	5.7	5.6	4.9	4.6
Farm	22.2	22.0	21.1	20.9	21.4	21.7	22.0	22.2
% Ch	3.9	-3.6	-16.7	-2.3	8.2	6.7	5.2	4.4
Nonfarm	971.1	983.9	998.4	1,013.3	1,027.4	1,041.4	1,054.0	1,066.0
% Ch	4.2	5.4	6.1	6.1	5.7	5.5	4.9	4.6
Less: Pers Cont. for Social Ins.	450.4	456.4	462.6	469.0	475.8	482.0	488.1	494.2
% Ch	5.8	5.4	5.6	5.7	5.9	5.4	5.1	5.1
Dividends/Int./Rent	1,774.7	1,805.2	1,834.2	1,861.9	1,897.3	1,922.2	1,955.2	1,986.9
% Ch	7.2	7.1	6.6	6.2	7.8	5.3	7.0	6.7
Transfer Payments	1,508.7	1,533.6	1,565.6	1,589.3	1,616.5	1,635.6	1,656.8	1,679.6
% Ch	6.3	6.8	8.6	6.2	7.0	4.8	5.3	5.6

Table A3.3
Washington Personal Income by Component
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	186.843	191.644	198.221	206.158	215.428	227.056	240.661	256.636
% Ch	7.3	2.6	3.4	4.0	4.5	5.4	6.0	6.6
Total Wage and Salary Disbursements	110.051	110.761	111.116	114.788	119.827	127.190	135.099	144.228
% Ch	6.0	0.6	0.3	3.3	4.4	6.1	6.2	6.8
Manufacturing	#N/A!	15.241	14.674	13.746	13.839	14.405	15.387	16.475
% Ch	#N/A!	#N/A!	-3.7	-6.3	0.7	4.1	6.8	7.1
Nondurable Manufacturing	#N/A!	11.672	10.846	10.193	10.241	10.748	11.544	12.392
% Ch	#N/A!	#N/A!	-7.1	-6.0	0.5	4.9	7.4	7.3
Durable Manufacturing	#N/A!	3.569	3.828	3.553	3.598	3.657	3.843	4.083
% Ch	#N/A!	#N/A!	7.2	-7.2	1.2	1.6	5.1	6.3
Nonmanufacturing	#N/A!	91.579	92.096	96.393	101.095	107.637	114.287	122.015
% Ch	#N/A!	#N/A!	0.6	4.7	4.9	6.5	6.2	6.8
Other Private Wages	#N/A!	0.752	0.807	0.879	0.899	0.973	1.061	1.162
% Ch	#N/A!	#N/A!	7.3	8.9	2.3	8.3	9.0	9.6
Farm Wages	0.967	1.047	1.117	1.218	1.295	1.344	1.402	1.470
% Ch	-2.2	8.3	6.7	9.0	6.4	3.8	4.3	4.8
Military Wages	2.000	2.143	2.422	2.553	2.699	2.830	2.963	3.106
% Ch	4.9	7.2	13.0	5.4	5.7	4.9	4.7	4.8
Nonwage Personal Income	76.791	80.883	87.105	91.369	95.601	99.866	105.562	112.408
% Ch	9.2	5.3	7.7	4.9	4.6	4.5	5.7	6.5
Other Labor Income	11.643	12.165	13.122	14.345	15.201	16.246	17.448	18.773
% Ch	5.3	4.5	7.9	9.3	6.0	6.9	7.4	7.6
Proprietor's Income	14.208	14.273	15.365	16.854	18.216	19.349	20.344	21.695
% Ch	7.0	0.5	7.7	9.7	8.1	6.2	5.1	6.6
Farm	0.260	0.012	0.196	0.680	0.696	0.648	0.634	0.631
% Ch	209.8	-95.5	1,568.1	247.1	2.3	-6.8	-2.2	-0.4
Nonfarm	13.947	14.261	15.169	16.174	17.520	18.700	19.710	21.064
% Ch	5.7	2.3	6.4	6.6	8.3	6.7	5.4	6.9
Less: Pers. Cont. for Social Ins.	8.244	8.446	8.701	9.100	9.521	10.057	10.694	11.439
% Ch	4.4	2.4	3.0	4.6	4.6	5.6	6.3	7.0
Plus: Residence Adjustment	2.237	2.148	2.692	2.703	2.769	2.860	2.962	3.077
% Ch	13.0	-4.0	25.3	0.4	2.4	3.3	3.6	3.9
Dividends/Int./Rent	35.299	36.503	36.921	36.896	38.154	40.217	42.879	45.695
% Ch	12.5	3.4	1.1	-0.1	3.4	5.4	6.6	6.6
Transfer Payments	21.650	24.241	27.706	29.671	30.781	31.253	32.623	34.606
% Ch	5.3	12.0	14.3	7.1	3.7	1.5	4.4	6.1
State U.I. Benefits	0.936	1.381	2.825	2.770	2.386	1.623	1.171	1.133
% Ch	-1.0	47.5	104.6	-2.0	-13.8	-32.0	-27.9	-3.2
Other Transfers	20.714	22.860	24.882	26.901	28.395	29.629	31.452	33.473
% Ch	5.6	10.4	8.8	8.1	5.6	4.3	6.2	6.4

Table A3.4
Washington Personal Income by Component
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	194.342	198.138	200.086	200.319	202.094	205.690	209.470	207.378
% Ch	7.5	8.0	4.0	0.5	3.6	7.3	7.6	-3.9
Total Wage and Salary Disbursements	109.302	111.198	112.240	111.722	112.308	115.058	117.430	114.357
% Ch	1.0	7.1	3.8	-1.8	2.1	10.2	8.5	-10.1
Manufacturing	15.181	14.474	14.609	14.430	13.882	13.660	13.779	13.663
% Ch	11.3	-17.4	3.8	-4.8	-14.3	-6.2	3.5	-3.3
Nondurable Manufacturing	11.388	10.799	10.567	10.629	10.514	10.092	10.119	10.045
% Ch	7.1	-19.1	-8.3	2.4	-4.3	-15.1	1.1	-2.9
Durable Manufacturing	3.793	3.675	4.042	3.801	3.368	3.568	3.660	3.618
% Ch	25.3	-11.9	46.3	-21.8	-38.4	26.0	10.7	-4.6
Nonmanufacturing	89.887	92.405	93.218	92.876	93.784	96.758	99.014	96.015
% Ch	-1.7	11.7	3.6	-1.5	4.0	13.3	9.7	-11.6
Other Private Wages	0.773	0.785	0.836	0.833	0.917	0.891	0.848	0.860
% Ch	23.7	6.4	28.6	-1.4	46.9	-10.9	-18.1	6.0
Farm Wages	1.103	1.109	1.123	1.134	1.165	1.203	1.242	1.260
% Ch	8.0	2.2	5.1	4.0	11.4	13.7	13.6	6.0
Military Wages	2.358	2.425	2.454	2.449	2.560	2.546	2.547	2.560
% Ch	43.3	11.9	4.9	-0.8	19.4	-2.2	0.2	2.0
Nonwage Personal Income	85.040	86.937	87.847	88.596	89.786	90.630	92.040	93.021
% Ch	16.6	9.2	4.3	3.5	5.5	3.8	6.4	4.3
Other Labor Income	12.590	12.971	13.357	13.569	13.824	14.215	14.569	14.772
% Ch	12.6	12.7	12.4	6.5	7.7	11.8	10.3	5.7
Proprietor's Income	14.995	15.280	15.464	15.722	16.278	16.585	17.097	17.457
% Ch	22.0	7.8	4.9	6.8	14.9	7.8	12.9	8.7
Farm	0.200	0.194	0.191	0.199	0.611	0.624	0.678	0.809
% Ch	2.E+09	-11.5	-6.0	17.8	8,786.9	8.8	39.4	102.3
Nonfarm	14.795	15.086	15.273	15.523	15.667	15.961	16.419	16.648
% Ch	15.7	8.1	5.1	6.7	3.8	7.7	12.0	5.7
Less: Pers. Cont. for Social Ins.	8.546	8.696	8.799	8.764	8.869	9.067	9.197	9.267
% Ch	9.2	7.2	4.8	-1.6	4.9	9.2	5.9	3.1
Plus: Residence Adjustment	2.665	2.681	2.682	2.739	2.714	2.686	2.698	2.714
% Ch	138.7	2.4	0.1	8.8	-3.6	-4.1	1.8	2.4
Dividends/Int./Rent	36.451	37.231	37.103	36.900	36.873	36.681	36.710	37.321
% Ch	1.4	8.8	-1.4	-2.2	-0.3	-2.1	0.3	6.8
Transfer Payments	26.885	27.470	28.040	28.430	28.966	29.530	30.163	30.024
% Ch	28.7	9.0	8.6	5.7	7.8	8.0	8.9	-1.8
State U.I. Benefits	2.580	2.813	3.031	2.875	2.872	2.813	2.843	2.550
% Ch	377.9	41.3	34.8	-19.1	-0.4	-8.0	4.3	-35.2
Other Transfers	24.305	24.657	25.009	25.555	26.094	26.718	27.320	27.474
% Ch	14.5	5.9	5.8	9.0	8.7	9.9	9.3	2.3

Table A3.4
Washington Personal Income by Component
 Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	211.392	213.797	216.695	219.829	222.754	225.578	228.448	231.444
% Ch	8.0	4.6	5.5	5.9	5.4	5.2	5.2	5.3
Total Wage and Salary Disbursements	117.318	118.787	120.652	122.552	124.478	126.295	128.073	129.912
% Ch	10.8	5.1	6.4	6.5	6.4	6.0	5.8	5.9
Manufacturing	13.722	13.808	13.884	13.942	14.135	14.298	14.481	14.705
% Ch	1.8	2.5	2.2	1.7	5.7	4.7	5.2	6.3
Nondurable Manufacturing	10.100	10.208	10.300	10.358	10.521	10.661	10.813	10.997
% Ch	2.2	4.3	3.7	2.2	6.5	5.4	5.8	7.0
Durable Manufacturing	3.623	3.601	3.584	3.584	3.614	3.637	3.668	3.708
% Ch	0.5	-2.4	-1.8	-0.0	3.4	2.5	3.5	4.5
Nonmanufacturing	98.778	100.112	101.849	103.642	105.273	106.876	108.418	109.981
% Ch	12.0	5.5	7.1	7.2	6.4	6.2	5.9	5.9
Other Private Wages	0.873	0.888	0.907	0.927	0.946	0.964	0.982	1.001
% Ch	6.0	7.4	8.7	9.2	8.3	7.9	7.8	8.0
Farm Wages	1.279	1.289	1.301	1.314	1.326	1.338	1.350	1.363
% Ch	6.0	3.1	3.8	4.1	3.8	3.6	3.7	3.8
Military Wages	2.667	2.690	2.711	2.728	2.798	2.819	2.841	2.862
% Ch	17.8	3.6	3.1	2.6	10.7	3.1	3.0	3.0
Nonwage Personal Income	94.073	95.010	96.043	97.276	98.276	99.283	100.375	101.532
% Ch	4.6	4.0	4.4	5.2	4.2	4.2	4.5	4.7
Other Labor Income	14.849	15.031	15.302	15.622	15.847	16.087	16.380	16.669
% Ch	2.1	5.0	7.4	8.6	5.9	6.2	7.5	7.2
Proprietor's Income	17.713	18.060	18.384	18.708	18.993	19.265	19.479	19.656
% Ch	6.0	8.1	7.4	7.2	6.3	5.9	4.5	3.7
Farm	0.759	0.712	0.659	0.653	0.650	0.652	0.648	0.643
% Ch	-22.4	-22.5	-26.6	-3.6	-2.0	1.4	-2.2	-3.2
Nonfarm	16.954	17.348	17.725	18.055	18.343	18.614	18.831	19.013
% Ch	7.6	9.6	9.0	7.6	6.6	6.0	4.8	3.9
Less: Pers. Cont. for Social Ins.	9.402	9.438	9.547	9.695	9.845	9.988	10.126	10.270
% Ch	5.9	1.5	4.7	6.4	6.3	5.9	5.7	5.8
Plus: Residence Adjustment	2.738	2.757	2.778	2.801	2.824	2.848	2.871	2.897
% Ch	3.6	2.7	3.1	3.4	3.4	3.3	3.4	3.5
Dividends/Int./Rent	37.674	37.903	38.239	38.801	39.340	39.870	40.483	41.175
% Ch	3.8	2.5	3.6	6.0	5.7	5.5	6.3	7.0
Transfer Payments	30.502	30.698	30.887	31.040	31.117	31.201	31.287	31.405
% Ch	6.5	2.6	2.5	2.0	1.0	1.1	1.1	1.5
State U.I. Benefits	2.552	2.451	2.347	2.194	1.902	1.714	1.526	1.351
% Ch	0.3	-14.9	-15.9	-23.6	-43.5	-34.2	-37.2	-38.4
Other Transfers	27.950	28.247	28.540	28.845	29.215	29.487	29.762	30.054
% Ch	7.1	4.3	4.2	4.4	5.2	3.8	3.8	4.0

Table A3.4
Washington Personal Income by Component
 Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	234.945	238.627	242.582	246.492	250.719	254.535	258.590	262.703
% Ch	6.2	6.4	6.8	6.6	7.0	6.2	6.5	6.5
Total Wage and Salary Disbursements	131.921	133.963	136.123	138.391	140.744	143.052	145.378	147.738
% Ch	6.3	6.3	6.6	6.8	7.0	6.7	6.7	6.7
Manufacturing	14.986	15.251	15.521	15.790	16.076	16.342	16.610	16.871
% Ch	7.9	7.2	7.3	7.1	7.5	6.8	6.7	6.4
Nondurable Manufacturing	11.226	11.441	11.654	11.854	12.068	12.280	12.500	12.720
% Ch	8.6	7.9	7.6	7.1	7.4	7.2	7.4	7.2
Durable Manufacturing	3.760	3.809	3.867	3.935	4.008	4.063	4.110	4.151
% Ch	5.7	5.4	6.2	7.3	7.6	5.5	4.7	4.1
Nonmanufacturing	111.605	113.320	115.145	117.078	119.029	121.006	122.996	125.028
% Ch	6.0	6.3	6.6	6.9	6.8	6.8	6.7	6.8
Other Private Wages	1.024	1.048	1.073	1.098	1.125	1.149	1.175	1.201
% Ch	9.3	9.5	10.0	9.7	10.2	8.9	9.3	9.2
Farm Wages	1.378	1.393	1.410	1.426	1.444	1.461	1.478	1.496
% Ch	4.4	4.6	4.9	4.8	5.1	4.6	4.8	4.8
Military Wages	2.929	2.951	2.975	2.999	3.070	3.094	3.119	3.143
% Ch	9.7	3.1	3.3	3.2	9.9	3.2	3.2	3.1
Nonwage Personal Income	103.023	104.664	106.459	108.101	109.974	111.483	113.212	114.965
% Ch	6.0	6.5	7.0	6.3	7.1	5.6	6.3	6.3
Other Labor Income	16.969	17.286	17.604	17.931	18.258	18.593	18.941	19.302
% Ch	7.4	7.7	7.6	7.6	7.5	7.5	7.7	7.8
Proprietor's Income	19.875	20.162	20.493	20.848	21.192	21.539	21.865	22.185
% Ch	4.5	5.9	6.7	7.1	6.8	6.7	6.2	6.0
Farm	0.643	0.640	0.629	0.625	0.628	0.631	0.632	0.634
% Ch	-0.0	-1.9	-6.9	-2.5	2.4	1.6	0.9	1.1
Nonfarm	19.232	19.522	19.864	20.223	20.564	20.908	21.232	21.552
% Ch	4.7	6.2	7.2	7.4	6.9	6.9	6.3	6.1
Less: Pers. Cont. for Social Ins.	10.434	10.601	10.777	10.963	11.154	11.343	11.532	11.725
% Ch	6.5	6.5	6.8	7.1	7.2	6.9	6.9	6.9
Plus: Residence Adjustment	2.922	2.948	2.975	3.003	3.032	3.062	3.092	3.123
% Ch	3.5	3.6	3.7	3.8	4.0	4.0	4.0	4.0
Dividends/Int./Rent	41.868	42.560	43.223	43.864	44.677	45.269	46.041	46.793
% Ch	6.9	6.8	6.4	6.1	7.6	5.4	7.0	6.7
Transfer Payments	31.824	32.309	32.942	33.418	33.969	34.363	34.806	35.288
% Ch	5.4	6.2	8.1	5.9	6.8	4.7	5.3	5.6
State U.I. Benefits	1.191	1.173	1.164	1.157	1.147	1.135	1.127	1.122
% Ch	-39.6	-6.1	-3.0	-2.4	-3.1	-4.2	-2.8	-1.7
Other Transfers	30.633	31.137	31.778	32.261	32.821	33.228	33.679	34.165
% Ch	7.9	6.7	8.5	6.2	7.1	5.0	5.5	5.9

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1967	0.232	2.5	0.334	2.8	0.328	2.9
1968	0.241	3.9	0.348	4.2	0.342	4.1
1969	0.253	4.6	0.367	5.4	0.358	4.8
1970	0.264	4.7	0.388	5.9	0.374	4.5
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.539	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.678	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	1.020	2.0	1.771	2.8	1.857	3.6
2002	1.034	1.4	1.799	1.6	1.893	2.0
2003	1.053	1.8	1.840	2.3	1.924	1.6
Forecast						
2004	1.064	1.1	1.865	1.4	1.939	0.8
2005	1.079	1.4	1.890	1.3	1.961	1.2
2006	1.098	1.8	1.919	1.5	1.993	1.6
2007	1.123	2.2	1.956	1.9	2.040	2.3

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

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

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1967	18.349	3.0	23.023	1.6	12.295	3.2	20.700	3.3
1968	19.128	4.2	23.865	3.7	12.668	3.0	21.005	1.5
1969	20.106	5.1	25.031	4.9	12.959	2.3	21.696	3.3
1970	21.175	5.3	26.549	6.1	13.507	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.417	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.044	-1.1	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.1	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.168	3.2	102.944	2.9	101.695	1.7	96.337	-3.7
2002	105.946	2.7	104.941	1.9	91.778	-9.8	90.415	-6.1
2003	108.918	2.8	106.949	1.9	110.048	19.9	105.031	16.2
Forecast								
2004	111.041	1.9	109.242	2.1	104.776	-4.8	98.352	-6.4
2005	113.398	2.1	110.121	0.8	103.499	-1.2	96.075	-2.3
2006	116.121	2.4	111.490	1.2	103.215	-0.3	95.532	-0.6
2007	119.428	2.8	113.346	1.7	105.891	2.6	97.842	2.4

Table A5.1

Washington Resident Population and Components of Change*

(Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	78.9	45.4	23.1
Forecast						
2004	6163.6	65.3	1.1	81.2	46.9	31.1
2005	6233.1	69.5	1.1	82.8	47.7	34.4
2006	6310.6	77.5	1.2	84.5	48.3	41.4
2007	6389.5	78.9	1.3	85.3	49.0	42.6

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		Forecast			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total Population	6041.7	6098.3	6163.6	6233.1	6310.6	6389.5
Percent Change	1.1	0.9	1.1	1.1	1.2	1.3
Age 17 and Under	1522.8	1520.2	1521.1	1526.0	1533.0	1540.3
Percent of Total	25.2	24.9	24.7	24.5	24.3	24.1
Age 6-18	1130.0	1128.3	1127.8	1127.6	1129.2	1131.9
Percent of Total	18.7	18.5	18.3	18.1	17.9	17.7
Age 18 and Over	4518.9	4578.1	4642.5	4707.1	4777.6	4849.2
Percent of Total	74.8	75.1	75.3	75.5	75.7	75.9
Age 21 and Over	4257.2	4313.9	4376.1	4439.5	4507.8	4578.0
Percent of Total	70.5	70.7	71.0	71.2	71.4	71.6
Age 20-34	1255.0	1263.6	1272.3	1276.0	1286.6	1302.5
Percent of Total	20.8	20.7	20.6	20.5	20.4	20.4
Age 18-64	3841.7	3891.7	3946.8	4000.1	4057.8	4113.4
Percent of Total	63.6	63.8	64.0	64.2	64.3	64.4
Age 65 and Over	677.2	686.4	695.6	707.0	719.8	735.7
Percent of Total	11.2	11.3	11.3	11.3	11.4	11.5

* 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 1997-1999 biennium started on July 1, 1997 and ends June 30, 1999. The current 1999-2001 biennium started July 1, 1999 and ends June 30, 2001.

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 bi-monthly 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.