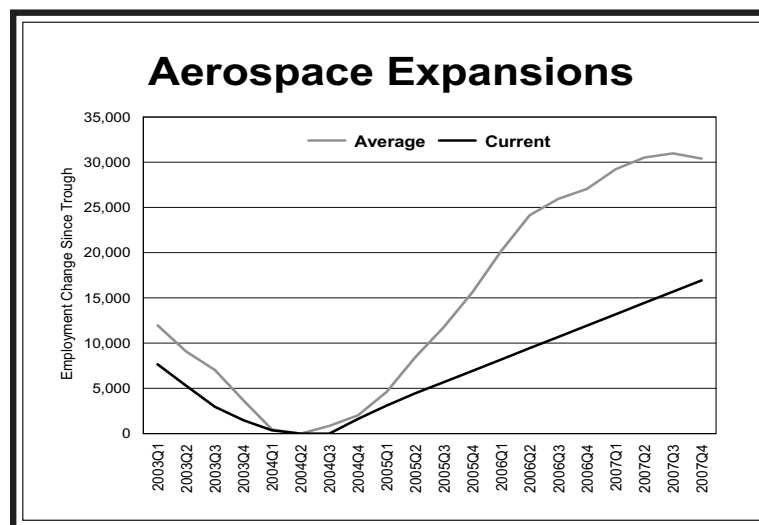


# Washington Economic and Revenue Forecast



March 2005  
Volume XXVIII, No. 1

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### Explanation of the Cover Graph

*Washington aerospace employment finally hit bottom in the second quarter of 2004 after a nearly 50 percent decline over six years. The current expansion is expected to be much weaker than in previous cycles. The cover chart compares the employment growth assumed in the forecast with the average of the past five aerospace expansions. According to the forecast, 17,000 aerospace jobs will have been added by the end of 2007 whereas the average upturn produced more than 30,000 jobs.*

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# Washington Economic and Revenue Forecast

Prepared by the  
Economic and Revenue Forecast Council

March 2005  
Volume XXVIII, No. 1

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# Preface

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

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

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#### Washington Economic Indicators

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# Executive Summary

## U.S. Economic Forecast

The March 2005 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2004. According to the advance, real GDP grew at a 3.1 percent rate in the fourth quarter of 2004, down from 4.0 percent in the third quarter. The decline in final sales of domestic product was even greater, from 5.0 percent to 2.7 percent. Consumer spending more than accounted for all the growth in GDP in the fourth quarter, growing at a 4.6 percent rate. Fixed investment spending increased at a 6.7 percent rate in the fourth quarter, led by a 14.9 percent increase in business spending on equipment and software. While domestic demand remained strong in the fourth quarter, trade deteriorated sharply. Imports rose at a strong 9.1 percent rate while exports declined 3.9 percent.

Payroll employment growth improved to 1.7 percent in the fourth quarter from 1.2 percent in the third quarter while the unemployment rate held steady at 5.43 percent. Inflation, as measured by the Consumer Price Index, accelerated to 3.4 percent in the fourth quarter from 1.9 percent in the third quarter. Surging energy costs continue to add to overall inflation. The increase in core inflation (excluding food and energy) was more modest, from 1.5 percent to 2.3 percent. After surging 10.8 percent in the third quarter, housing starts dipped 2.1 percent in the fourth quarter to 1.959 million units in spite of a decline in the mortgage rate from 5.90 percent to 5.73 percent. According to the Bureau of Economic Analysis, the \$3.00 per share special dividend Microsoft paid in December 2004 added \$99.4 billion (annual rate) to U.S. personal income in the fourth quarter which was almost exactly the assumption made in earlier forecasts. In February the Fed announced the sixth 25-basis-point increase in its target rate, raising it to 2.50 percent.

Americans continue to spend freely. At 4.6% in the fourth quarter, consumer spending growth was little different from the third quarter's 5.1% pace. Spending continues to far outstrip income. We still expect that spending growth must and will slow to come into line with income and employment growth. The labor market is improving, but hardly dramatically, as illustrated by January's 146,000-job gain. We expect that consumer spending growth of around 3.0% will be the norm in the future. Housing activity, too, will no longer outgrow the economy. All key housing activity indicators—starts, new home sales, and existing home sales—are expected to retreat in 2005; in the case of sales, from record 2004 highs. There will be important support from business investment, though. Business equipment spending made another double-digit gain in the fourth quarter, although not quite as steep an increase as in the third quarter. In addition, an improvement in nonresidential construction spending should finally get off the ground in 2005. The outlook for foreign demand is murkier. Exports fell 3.9% in the fourth quarter, their first decline in more than a year. A further decline in the dollar should help export growth to reaccelerate. The dollar has regained ground this year after its extended decline late in 2004, perhaps getting some help from the expectation of heavy repatriation of overseas corporate earnings (to take advantage of a temporary tax break). But worsening

global trade imbalances mean that the dollar must decline further, perhaps substantially so. GDP growth is expected to slow to 3.5 percent this year from 4.4 percent in 2004. Slower growth is expected in the next two years as the recovery matures. The forecast calls for growth rates of 3.1 percent and 3.2 percent in 2006 and 2007. Nonfarm payroll employment rose 1.1 percent in 2004 which was the first significant increase in four years. The forecast assumes employment growth will improve to 1.7 percent this year, slowing to 1.4 percent in 2006 and 1.1 percent in 2007. The unemployment rate also improved in 2004 for the first time in four years, declining to 5.53 percent from 5.99 percent in 2003. The unemployment rate is expected to decline again this year to 5.19 percent. Unemployment is expected to be little changed during the next two years with rates of 5.23 percent and 5.19 percent in 2006 and 2007. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.2 percent in 2004 from 1.9 percent in 2003 and 1.4 percent in 2002. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation inched up to 1.5 percent in 2004 from 1.3 percent in 2003. Energy should be roughly neutral this year and beneficial in 2006 and 2007 as prices finally subside somewhat. The forecast expects inflation rates of 1.5 percent in 2005, 1.6 percent in 2006, and 2.1 percent in 2007. The forecast assumes 25-basis-point increases in the federal funds rate in March and May. After that, the Fed will continue to raise the rate but not at every meeting.

## **Washington State Economic Forecast**

The state's employment growth rate improved to 1.4 percent in the fourth quarter from 1.1 percent in the third quarter. This was the sixth consecutive increase in overall employment since the jobs recovery began in mid-2003. Manufacturing employment rose 2.0 percent in the fourth quarter following a 1.2 percent increase in the third quarter. Aerospace employment showed an increase in the fourth quarter for the first time in more than three years, rising at a strong 11.2 percent rate. Manufacturing employment other than aerospace declined at a 0.6 percent rate, however, following a 1.6 percent increase in the third quarter. Every private, nonmanufacturing sector expanded in the fourth quarter. The strongest were construction, which grew 4.1 percent, and education and health services, which rose 3.1 percent. Employment in professional and business services rose 2.1 percent while other services increased 1.8 percent. Leisure and hospitality rose 1.3 percent, financial activities 1.2 percent, and trade, transportation, and utilities, 0.9 percent. Information employment rose only 0.6 percent in spite of a 4.1 percent increase in software publishers. In the public sector, state and local government employment declined at a 0.6 percent rate while federal government employment fell at a 1.1 percent rate.

Washington's personal income in the third quarter of 2004 was \$2.350 billion (1.1 percent) higher than the estimate made in November. Total wages were \$2.275 billion (1.9 percent) higher than expected. Software wages were \$0.314 billion (5.1 percent) lower than expected while non-software wages were \$2.589 billion (2.3 percent) higher. Nonwage personal income was just \$0.074 billion (0.1 percent) higher than expected in November.

The number of housing units authorized by building permit jumped 5,200 to 56,100 in the fourth quarter from 50,900 in the third quarter. Housing has not been this strong in Washington since 1990. The increase was mostly in the multi-family market where permits rose 3,900 to 17,600. Single family permits rose 1,300 to a strong 38,400.

The forecast also reflects Seattle consumer price data through December, which continues to show local inflation running well below the national average. Seattle's over-the-year core inflation was a 0.9 percent compared to 2.3 percent for the U.S. city average.

The Washington State forecast reflects the slightly stronger growth in the new U.S. forecast. The Washington aerospace employment forecast assumes stronger growth than in November, primarily in

2005. By the first quarter of 2006 aerospace employment is 3,500 higher than in the November forecast. That difference is maintained through the end of 2007. The forecast now expects an increase of 15,300 from the fourth quarter of 2004 to the fourth quarter of 2007. The software wage forecast assumes a somewhat lower trend and a sharper increase every third quarter when stock awards vest and bonuses are paid at Microsoft. Microsoft stock options are expected to continue to decline but income from stock grants will grow. Software employment is expected to increase 5,500 during the next three years compared to 6,400 in the November forecast. As in November, the forecast reflects the AT&T Wireless-Cingular merger. The forecast assumes a total reduction of 2,500 during the last three quarters of 2005.

The forecast also reflects the impact of the special \$3 per share dividend Microsoft paid in the fourth quarter of 2004. Because most current and former Microsoft officers and directors with large Microsoft stock holdings reside in Washington State, the impact on Washington personal income will far exceed the national average. Though Washington is only about two percent of the U.S. economy, we believe Washington residents received nearly twenty-five percent of the dividend paid to U.S. residents. As a result, the dividend has a huge impact on income growth in both 2004 and 2005. The forecast assumes Washington personal income grew 7.8 percent in 2004 and expects a 3.4 percent increase in 2005. Excluding the dividend, however, the 2004 growth rate drops to 4.9 percent while the 2005 growth rate rises to 6.2 percent.

Washington nonfarm payroll employment increased 1.5 percent in 2004 following a 0.1 percent rise in 2003 and declines in 2001 and 2002. After six quarterly increases, the turnaround in Washington employment seems firmly established. The recovery is expected to be relatively weak due to the sluggish U.S. economy and only a modest upturn in aerospace, though. The forecast expects employment growth to improve to 2.1 percent this year. Employment growth is expected to retreat slightly to 1.8 percent per year in each of the final two years of the forecast. Washington personal income growth, excluding the special Microsoft dividend, improved to 4.9 percent in 2004 from 2.8 percent in 2003. Personal income growth, again excluding the Microsoft dividend, is expected to continue to improve to 6.2 percent this year. Not much change is expected during the final two years. The forecast calls for personal income growth of 5.9 percent in 2006 and 6.2 percent in 2007. Housing activity remains very strong. Housing permits increased 6,400 in 2004 to 49,200, the highest annual total since 1979. The strength in housing has been mostly in the single family market which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single family market during the next three years. Partially offsetting this will be stronger population growth which should boost multi-family activity. The forecast expects housing permits to decline to 47,700 in 2005, 44,500 in 2006, and 44,000 in 2007. The weak Washington economy has slowed inflation in the area in spite of soaring energy costs. Inflation, as measured by the Seattle consumer price index slowed in 2004 to 1.2 percent from 1.6 percent in 2003. The strengthening local economy should result in somewhat higher inflation in the next three years. The forecast expects inflation rates of 1.7 percent in 2005, 1.9 percent in 2006, and 2.2 percent in 2007.

## **Washington State Revenue Forecast**

The U.S. economic outlook has improved since our November forecast. Also, we now expect a slightly stronger aerospace expansion than assumed in November. More importantly, the current forecast reflects extremely strong collection experience during the last four months, much of which is due to strong real estate and construction activity. As a result of these factors, the revenue forecast in March represents a substantial \$739.4 million increase excluding non-economic changes.

The March 2004 General Fund-State revenue estimate for the 2003-05 biennium is \$23,230.9 million, which is \$58.2 million more than expected in November. The forecast for the 2005-07 biennium is \$24,885.3

million which is an increase of \$163.5 million over the November estimate. These include the impact of two recent Washington Supreme Court decisions which reduced the current biennium's revenue by \$242.9 million and next biennium's revenue by \$274.8 million. Excluding these non-economic changes, the forecast for the current biennium is \$301.1 million (1.3 percent) higher than expected in November of which collection experience accounts for \$179.4 million. The revenue forecast for the 2005-07 biennium, excluding the non-economic changes, is \$438.3 million (1.8 percent) higher than expected in November.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2003-05 and 2005-07 biennia. The forecast based on more optimistic economic assumptions netted \$122 million (0.5 percent) more revenue in the current biennium and \$1,143 million (4.6 percent) more revenue in the next biennium than did the baseline while the pessimistic alternative was \$122 million (0.5 percent) lower this biennium and \$1,133 million (4.6 percent) lower next biennium. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$8 million (0.0 percent) more revenue this biennium and \$23 million (0.1 percent) more revenue next biennium than did the baseline forecast.

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



# Washington State and U.S. Economic Forecasts

## Recent U.S. Economic Activity

The March 2005 economic and revenue forecast incorporated the advance GDP estimate for the fourth quarter of 2004. According to the advance, real GDP grew at a 3.1 percent rate in the fourth quarter of 2004, down from 4.0 percent in the third quarter. The decline in final sales of domestic product was even greater, from 5.0 percent to 2.7 percent. Consumer spending more than accounted for all the growth in GDP in the fourth quarter, growing at a 4.6 percent rate. Durable goods rose 6.7 percent, nondurable goods rose 5.8 percent, and services rose 3.7 percent. Fixed investment spending increased at a 6.7 percent rate in the fourth quarter, led by a 14.9 percent increase in business spending on equipment and software but residential fixed investment rose only 0.3 percent and nonresidential construction fell 4.1 percent. Government spending increased at a 0.9 percent rate in the fourth quarter. National defense spending was unchanged but federal nondefense spending rose 5.1 percent and state and local government spending increased 0.6 percent. While domestic demand remained strong in the fourth quarter, trade deteriorated sharply. Imports rose at a strong 9.1 percent rate while exports declined 3.9 percent.

Payroll employment growth improved to 1.7 percent in the fourth quarter from 1.2 percent in the third quarter while the unemployment rate held steady at 5.43 percent. Inflation, as measured by the Consumer Price Index, accelerated to 3.4 percent in the fourth quarter from 1.9 percent in the third quarter. Surging energy costs continue to add to overall inflation. The increase in core inflation (excluding food and energy) was more modest, from 1.5 percent to 2.3 percent. After surging 10.8 percent in the third quarter, housing starts dipped 2.1 percent in the fourth quarter to 1.959 million units in spite of a decline in the mortgage rate from 5.90 percent to 5.73 percent. According to the Bureau of Economic Analysis, the \$3.00 per share special dividend Microsoft paid in December 2004 added \$99.4 billion (annual rate) to U.S. personal income in the fourth quarter which was almost exactly the assumption made in earlier forecasts. In February the Fed announced the sixth 25-basis-point increase in its target rate, raising it to 2.50 percent.

## U.S. Forecast Highlights

Americans continue to spend freely. At 4.6% in the fourth quarter, consumer spending growth was little different from the third quarter's 5.1% pace. Spending continues to far outstrip income. We still expect that spending growth must and will slow to come into line with income and employment growth. The labor market is improving, but hardly dramatically, as illustrated by January's 146,000-job gain. We expect that consumer spending growth of around 3.0% will be the norm in the future. Housing activity, too, will no

longer outgrow the economy. All key housing activity indicators—starts, new home sales, and existing home sales—are expected to retreat in 2005; in the case of sales, from record 2004 highs. There will be important support from business investment, though. Business equipment spending made another double-digit gain in the fourth quarter, although not quite as steep an increase as in the third quarter. In addition, an improvement in nonresidential construction spending should finally get off the ground in 2005. The outlook for foreign demand is murkier. Exports fell 3.9% in the fourth quarter, their first decline in more than a year. A further decline in the dollar should help export growth to reaccelerate. The dollar has regained ground this year after its extended decline late in 2004, perhaps getting some help from the expectation of heavy repatriation of overseas corporate earnings (to take advantage of a temporary tax break). But worsening global trade imbalances mean that the dollar must decline further, perhaps substantially so. GDP growth is expected to slow to 3.5 percent this year from 4.4 percent in 2004. Slower growth is expected in the next two years as the recovery matures. The forecast calls for growth rates of 3.1 percent and 3.2 percent in 2006 and 2007. Nonfarm payroll employment rose 1.1 percent in 2004 which was the first significant increase in four years. The forecast assumes employment growth will improve to 1.7 percent this year, slowing to 1.4 percent in 2006 and 1.1 percent in 2007. The unemployment rate also improved in 2004 for the first time in four years, declining to 5.53 percent from 5.99 percent in 2003. The unemployment rate is expected to decline again this year to 5.19 percent. Unemployment is expected to be little changed during the next two years with rates of 5.23 percent and 5.19 percent in 2006 and 2007. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 2.2 percent in 2004 from 1.9 percent in 2003 and 1.4 percent in 2002. Rising energy costs continue to boost overall inflation. Excluding food and energy, inflation inched up to 1.5 percent in 2004 from 1.3 percent in 2003. Energy should be roughly neutral this year and beneficial in 2006 and 2007 as prices finally subside somewhat. The forecast expects inflation rates of 1.5 percent in 2005, 1.6 percent in 2006, and 2.1 percent in 2007. The forecast assumes 25-basis-point increases in the federal funds rate in March and May. After that, the Fed will continue to raise the rate but not at every meeting.

1. Real GDP growth accelerated to 4.4 percent in fiscal 2004 from 2.3 percent in 2003 and just 0.8 percent in 2002. Growth in 2004 was finally strong enough to result in a net gain in jobs which is considered a necessary condition for the recovery to be self-sustaining. Consumer spending and business spending on equipment and software are expected to be the main contributors to GDP growth in the next three years. The level of defense spending will remain high but the growth rate will slow down. Federal civilian spending and state and local government spending will also add little to growth. Net exports will continue to be a drag on growth this year but will add to growth in 2006 and 2007. GDP growth is expected to slow during the next three years as the recovery matures. The forecast calls for GDP growth rates of 3.7 percent in 2005 and 3.2 percent per year in 2006 and 2007.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, held steady at 1.9 percent in fiscal 2004. Surging energy costs are masking the favorable underlying trend in core inflation, which reached a 39-year-low 1.3 percent in 2004. Core inflation is expected to rise to 1.4 percent this year and the addition of food and energy will raise the overall inflation rate to 2.0 percent. During the last two years of the forecast, falling energy prices will help keep inflation in check. The forecast expects inflation rates of 1.4 percent in 2006 and 1.9 percent in 2007.
3. The Federal Reserve began raising its target interest rate last June. So far there have been six consecutive 25-basis-point increases bringing the federal funds rate up to 2.50 percent as of Feb-

ruary 2, 2005. The Fed has made it clear that it intends to raise rates very gradually and the forecast reflects that assumption. The fed funds rate is expected to continue to rise gradually through 2007. As a result of the past Fed easing, the three-month Treasury bill rate fell to 0.96 percent in fiscal 2004 from 1.30 percent in 2003. The forecast expects the T-bill rate to increase to 2.21 percent in 2005, 3.29 percent in 2006, and 3.55 percent in 2007 as the Fed tightens. Mortgage rates declined slightly in fiscal 2004 to 5.92 percent from 5.93 percent in 2003. Not much change is expected this year with the mortgage rate dropping back to an average of 5.87 percent but the forecast expects the mortgage rate to edge up to 6.33 percent and 6.59 percent in 2006 and 2007.

4. Supported by record-low mortgage interest rates, housing activity held up well during the recession and has accelerated in the last three years in spite of the lackluster recovery. Housing starts increased 12.5 percent in fiscal 2004 to 1.945 million units. This was the highest level of permits since 1978. Not surprising, given the low mortgage rates, the strength has been primarily in the single family market. The 1.586 million single family starts in 2004 was the highest ever. Rising mortgage rates will dampen housing activity during the next three years, though. The forecast calls for a 1.1 percent reduction in 2005 to 1.923 million units, an 8.7 percent reduction in 2006 to 1.756 million units, and a 3.7 percent reduction in 2007 to 1.691 million units.
5. The nation's unemployment rate finally fell in fiscal 2004 for the first time since 2000. The improvement was small, though, from 5.89 percent in 2003 to 5.81 percent in 2004. The forecast expects a larger decline this year to 5.33 percent. Little change is expected during the final two years of the forecast as the recovery matures. The forecast calls for unemployment rates of 5.19 percent in 2006 and 5.20 percent in 2007.
6. From fiscal 2001 to fiscal 2004 the federal budget went from a record \$161.0 billion surplus (national income and product accounts basis) to a record \$395.8 billion deficit. Revenues are down due to the weak economy and tax cuts while Iraq war as well as other military and homeland security spending are boosting spending. While fiscal policy provided a much-needed boost to the economy, the result was a ballooning deficit. Economic growth should result in smaller deficits in the future, but large structural deficits remain. The deficit is expected to improve slightly during the next three years to \$360.0 billion in 2005, \$313.0 billion in 2006, and \$309.0 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 2004 to an all-time record \$532.4 billion from \$477.2 billion in 2003. The declining dollar should help restrain imports and boost exports but, with the U.S. economy leading the global recovery, the trade balance will continue to deteriorate for a while. The forecast expects the deficit to grow to \$670.4 billion in 2005. The lower dollar should finally bring a gradual improvement during the next biennium. The forecast expects deficits of \$649.6 billion and \$603.4 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 2004. This forecast is based on adjusted employment estimates as described in Adjustments to Economic Data. The state's employment growth rate improved to 1.4 percent in the fourth quarter from 1.1 percent in the third quarter. This was the sixth consecutive increase in overall employment since the

jobs recovery began in mid-2003. Manufacturing employment rose 2.0 percent in the fourth quarter following a 1.2 percent increase in the third quarter. Aerospace employment showed an increase in the fourth quarter for the first time in more than three years, rising at a strong 11.2 percent rate. Manufacturing employment other than aerospace declined at a 0.6 percent rate, however, following a 1.6 percent increase in the third quarter. Every private, nonmanufacturing sector expanded in the fourth quarter. The strongest were construction, which grew 4.1 percent, and education and health services, which rose 3.1 percent. Employment in professional and business services rose 2.1 percent while other services increased 1.8 percent. Leisure and hospitality rose 1.3 percent, financial activities 1.2 percent, and trade, transportation, and utilities, 0.9 percent. Information employment rose only 0.6 percent in spite of a 4.1 percent increase in software publishers. In the public sector, state and local government employment declined at a 0.6 percent rate while federal government employment fell at a 1.1 percent rate.

In December 2004 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the second quarter of 2004 and released preliminary estimates for the third quarter. In addition, the wage estimates for the third quarter of 2004 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 2004 was \$2.350 billion (1.1 percent) higher than the estimate made in November. Total wages were \$2.275 billion (1.9 percent) higher than expected. Software wages were \$0.314 billion (5.1 percent) lower than expected while non-software wages were \$2.589 billion (2.3 percent) higher. Nonwage personal income was just \$0.074 billion (0.1 percent) higher than expected in November.

The number of housing units authorized by building permit jumped 5,200 to 56,100 in the fourth quarter from 50,900 in the third quarter. Housing has not been this strong in Washington since 1990. The increase was mostly in the multi-family market where permits rose 3,900 to 17,600. Single family permits rose 1,300 to a strong 38,400.

The forecast also reflects Seattle consumer price data through December, which continues to show local inflation running well below the national average. Seattle's over-the-year core inflation was a 0.9 percent compared to 2.3 percent for the U.S. city average.

## **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 2004 which subtracted 100 (0.0 percent) from the BLS Current Employment Statistics (CES) estimate for September 2004. By January 2005 the difference had widened to 1,600 (0.1 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 third quarter of 2004 based on the ES202 data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments increased the third quarter wage estimate by \$1.252 billion (1.0 percent), adding 0.6 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 assumes stronger growth than in November, primarily in 2005. By the first quarter of 2006 aerospace employment is 3,500 higher than in the November forecast. That difference is maintained through the end of 2007. The forecast now expects an increase of 15,300 from the fourth quarter of 2004 to the fourth quarter of 2007. The software wage forecast assumes a somewhat lower trend and a sharper increase every third quarter when stock awards vest and bonuses are paid at Microsoft. Microsoft stock options are expected to continue to decline but income from stock grants will grow. Software employment is expected to increase 5,500 during the next three years compared to 6,400 in the November forecast. As in November, the forecast reflects the AT&T Wireless-Cingular merger. The forecast assumes a total reduction of 2,500 during the last three quarters of 2005.

The forecast also reflects the impact of the special \$3 per share dividend Microsoft paid in the fourth quarter of 2004. Because most current and former Microsoft officers and directors with large Microsoft stock holdings reside in Washington State, the impact on Washington personal income will far exceed the national average. Though Washington is only about two percent of the U.S. economy, we believe Washington residents received nearly twenty-five percent of the dividend paid to U.S. residents. As a result, the dividend has a huge impact on income growth in both 2004 and 2005. The forecast assumes Washington personal income grew 7.8 percent in 2004 and expects a 3.4 percent increase in 2005. Excluding the dividend, however, the 2004 growth rate drops to 4.9 percent while the 2005 growth rate rises to 6.2 percent.

Washington nonfarm payroll employment increased 1.5 percent in 2004 following a 0.1 percent rise in 2003 and declines in 2001 and 2002. After six quarterly increases, the turnaround in Washington employment seems firmly established. The recovery is expected to be relatively weak due to the sluggish U.S. economy and only a modest upturn in aerospace, though. The forecast expects employment growth to improve to 2.1 percent this year. Employment growth is expected to retreat slightly to 1.8 percent per year in each of the final two years of the forecast. Washington personal income growth, excluding the special Microsoft dividend, improved to 4.9 percent in 2004 from 2.8 percent in 2003. Personal income growth, again excluding the Microsoft dividend, is expected to continue to improve to 6.2 percent this year. Not much change is expected during the final two years. The forecast calls for personal income growth of 5.9 percent in 2006 and 6.2 percent in 2007. Housing activity remains very strong. Housing permits increased 6,400 in 2004 to 49,200, the highest annual total since 1979. The strength in housing has been mostly in the single family market which continues to benefit from low mortgage rates. Higher mortgage rates are expected to depress the single family market during the next three years. Partially offsetting this will be stronger population growth which should boost multi-family activity. The forecast expects housing permits to decline to 47,700 in 2005, 44,500 in 2006, and 44,000 in 2007. The weak Washington economy has slowed inflation in the area in spite of soaring energy costs. Inflation, as measured by the Seattle consumer price index slowed in 2004 to 1.2 percent from 1.6 percent in 2003. The strengthening local economy should result in somewhat higher inflation in the next three years. The forecast expects inflation rates of 1.7 percent in 2005, 1.9 percent in 2006, and 2.2 percent in 2007.

1. Nominal personal income growth improved in fiscal 2004 to 4.0 percent from 2.2 percent in 2003. The improvement was due to the turnaround in payroll employment, stronger average wage growth, and faster nonwage personal income growth. Software stock based compensation was a slight negative in 2004. Personal income, excluding software, grew 4.4 percent in 2004 compared to 2.2 percent in 2003. Personal income is expected to jump 8.7 percent this year in spite of another

decline in software wages. The strong growth is due largely to the one-time special dividend paid by Microsoft in December 2004. Without this nonrecurring payment, the personal income growth forecast for 2005 would have been 5.9 percent. The opposite holds true for 2006 when the forecast expects only 3.2 percent growth. Without the dividend impact, the growth rate forecast would have been a healthy 6.0 percent. The forecast calls for a 6.1 percent personal income growth rate in 2007.

2. Washington real personal income growth rebounded somewhat in fiscal 2004 to 2.1 percent from a thirty-two-year-low 0.3 percent in 2003. While improved, real income growth remained weak in 2004 due to the lack of meaningful job growth and rising energy costs. Growth is expected to improve during the next three years as job growth accelerates while inflation remains in check. The forecast calls for real personal income growth rates of 6.5 percent in 2005 (3.7 percent excluding the Microsoft special dividend), 1.8 percent in 2006 (4.5 percent excluding the Microsoft special dividend), and 4.2 percent in 2007.
3. Total payroll employment in Washington rose in fiscal 2004 for the first time since the recession. The 0.7 percent gain in 2004 followed declines of 0.4 percent in 2003 and 1.9 percent in 2002. The areas that suffered the most in the recession in Washington were information technology, aerospace, and construction. Construction employment is already past its previous peak and continues to grow rapidly. The aerospace sector has begun a modest recovery and, with the exception of telecommunications, the employment declines related to the bursting of the IT bubble appear to be over. As the U.S. employment recovery picks up steam, Washington payroll employment growth is expected to increase to 1.9 percent in 2005, 2.0 percent in 2006 and 1.8 percent in 2007.
  - ◆ The six-year aerospace employment contraction is finally over. As of August 2004, 27,400 aerospace jobs had been lost since the September 11 terrorist attacks. Measured from the June 1998 peak, the cumulative job loss was 52,400. During the next five months, the aerospace sector added 2,700 jobs. Boeing has indicated that it plans to increase production in 2005, 2006, and 2007 but the upturn in employment is expected to be more gradual than in past cycles. The forecast assumes fourth quarter to fourth quarter increases of 5,300, 5,000, and 5,000 in 2005, 2006, and 2007.
  - ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. From the beginning of 1990 through the second quarter of 2001, the software employment growth rate averaged more than 16 percent per year. During the next two years the average annual growth rate slowed to just 1.0 percent. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. During last six quarters, however, growth has picked up to an average rate of 5.3 percent and the monthly data through January indicate that growth in the first quarter of 2005 will be at a blistering 10.7 percent annual rate. The forecast assumes that Microsoft employment will continue to grow, though not nearly as fast as in the 1990s, and that non-Microsoft software will begin to grow again. Microsoft has announced that it expects to hire about 3,000 during the current fiscal year but that total includes people hired to fill vacated positions so the net increase will be less. The forecast assumes software employment will grow at an average rate of 3.8 percent per year during the remainder of the forecast.
  - ◆ Bolstered by a hot housing market, strong growth in Washington's construction employment during the last six quarters has now erased the significant losses experienced during the reces-

- sion. Since the middle of 2003 growth has averaged 4.2 percent. Housing held up pretty well during the recession but nonresidential building in the Puget Sound area fell sharply. We believe the commercial side has now stabilized and the recent strength in housing permits should support construction employment in the near term. Higher interest rates are expected to depress single family inactivity in the future but stronger migration into Washington should boost multi-family activity. In addition, nonresidential construction is expected to recover. As a result, the forecast expects fairly moderate construction employment growth averaging 1.8 percent per year during the next three years.
- ◆ Financial activities employment grew rapidly right through the recession. From the end of 2000 through the third quarter of 2003 growth averaged 2.8 percent per year. The growth was concentrated in credit intermediation and related activities, which clearly benefited by a refinancing boom brought on by the decline in mortgage interest rates during this period. With mortgage rates heading up again, this source of stimulus has probably pretty much played itself out, though. During the last five quarters, financial activities employment has been virtually flat. Employment growth is expected to average 0.7 percent per year through the remainder of the forecast.
  - ◆ Washington retail trade employment fell faster during the recession than did U.S. retail trade employment but the recovery here was also earlier and stronger. By the end of 2002 Washington retail trade employment had fallen 3.7 percent since its pre-recession peak. Most of the decline was in the miscellaneous “other retail trade” category which includes e-tailing, a clear casualty of the Dot-Com implosion. Since then, however, Washington retail trade employment growth has generally been positive but weak, averaging 1.2 percent. Employment still remains 1.4 percent below the pre-recession peak. The forecast expects trade employment growth to improve to an average rate of 1.5 percent per year during the next three years.
  - ◆ Employment in the professional and business services sector plunged 6.4 percent from the end of 2000 through the first quarter of 2002. The 19,800 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 13,700 (25.6 percent) and computer systems design and related services, which fell 6,100 (20.1 percent). These areas of weakness appear to be bottoming out. Computer systems design and related services employment has been essentially flat since mid-2003 while employment services employment has soared 18.9 percent. As a result, overall professional and business services employment growth has averaged 3.9 percent since the middle of 2003. The forecast expects fairly strong growth averaging 4.3 percent per year throughout the forecast.
  - ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state’s economy put pressure on state and local governments’ budgets with a lag. From the end of 2000 through the second quarter of 2003, employment grew at an average rate of 3.3 percent per year. Since then the growth rate has slowed to just 0.6 percent. The forecast assumes that state and local government employment will continue to be restrained both by tight budgets and slow growth of the school age population. The forecast expects an average growth rate of just 0.6 percent per year in 2005, 2006, and 2007.
4. The number of housing units authorized by building permit in Washington rose 2.4 percent in fiscal 2004 to 43,800 units following a 14.9 percent increase in 2003. The strength in housing has been entirely in the single family market which has benefited from record low mortgage interest rates.

Single family permits increased 4.9 percent in 2004 to a 25 year high 34,400 units. Multi-family permits, however, slumped 5.9 percent to 9,400. The multi-family market is expected to recover in 2005 due to higher net in-migration, boosting overall permits 17.3 percent to 51,400 units. Rising mortgage rates will depress the single family market in 2006 and 2007, however. As a result, the forecast expects an 11.3 percent reduction in 2006 to 45,500 units and a 3.1 percent reduction in 2007 to 44,100 units.

5. In spite of rising energy costs, inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, declined in fiscal 2004 to 1.3 percent from 1.8 percent in 2003. Core inflation in Seattle was only 0.4 percent in 2004. Seattle inflation trailed the national average in both 2003 and 2004 reflecting the more severe local recession. During the previous 13 years Seattle inflation had exceeded the U.S. city average. Seattle inflation is expected to remain well below U.S. inflation this year at 1.4 percent compared to 2.7 percent for the U.S. Because the local recovery is expected to be stronger than the national recovery, however, the Seattle inflation rate is expected to move past the U.S. city average again in the next biennium. The forecast calls for Seattle inflation rates of 1.8 percent and 2.1 percent in 2006 and 2007 compared to national rates of 1.5 percent and 1.8 percent.

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

## Alternative Forecasts

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

**Optimistic Forecast:** Productivity growth is stronger in the optimistic scenario. Underlying this assumption is the view that the information-driven technology boom, which appears to have accelerated in recent years, continues. Productivity is a panacea. It makes economic headaches such as inflation, budget deficits, and sluggish growth go away. In the optimistic scenario, it is the main reason why economic growth and employment gains are higher and inflation and budget deficits are lower than in the baseline. It is also one reason why the dollar is stronger. And the stronger currency, in addition to the productivity gains, helps keep inflation contained. Also, foreign economic growth is stronger in the optimistic scenario. A stronger world economy boosts U.S. exports and strengthens manufacturing. In this scenario, both developing and industrialized economies grow faster than in the baseline. As a result, exports grow faster in every year of the forecast period, despite a stronger dollar. Business investment is also stronger in the optimistic scenario and oil prices are higher. Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and the higher productivity gains. For Washington, the optimistic forecast assumes a more typical, vigorous aerospace employment expansion than the modest growth assumed in the baseline. Washington's wages also grow faster than in the baseline. The strong economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of strong productivity growth. The initial level of Washington personal income is also higher in the optimistic scenario and population growth and construction employment growth are stronger. By the end of the 2005-07 biennium, Washington nonagricultural employment is higher by 67,700 jobs than in the baseline forecast and Washington personal income is \$13.5 billion higher. The optimistic scenario generated \$122 million (0.5 percent) more revenue in the 2003-05 biennium and \$1,143 million (4.6 percent) more revenue in the 2005-07 biennium than did the baseline forecast.



**Pessimistic Forecast:** After a quarter-century of declining inflation, signs of a reacceleration are emerging. A near doubling of oil prices, anemic domestic capacity expansion, a falling dollar, two-and-a-half years of accommodative monetary policy, and loose fiscal policy may have produced the conditions for a serious acceleration of inflation. The pessimistic alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. Rapid technological advances and high oil prices may have rendered obsolete much of the idled capacity that theoretically remains on the books. It assumes that the dollar weakens rapidly as foreign investors take fright at the spiraling trade deficit, and thus lose confidence in the dollar. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling dollar adds to the upward pressure on inflation. The Fed responds by accelerating the pace of tightening. By the end of 2005, the federal funds rate is at 4.0%, 50 basis points higher than in the baseline. Between the higher interest rates and persistently high energy prices, consumer confidence begins to waver. Consumers rein in discretionary spending and the U.S. economy slows. The economy does not sink into recession in the pessimistic alternative, but merely fails to come as close to its potential as in the baseline. At the state level, the recovery in aerospace employment is much slower than in the baseline. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario. Construction employment begins to decline again in the second half of 2005 rather than continuing to rise as in the baseline. Because of the weak economy, Washington wage growth and Seattle inflation are weaker than in the baseline forecast in spite of the higher inflation assumption in the national pessimistic forecast. By the end of the 2005-07 biennium, Washington nonagricultural employment is 75,100 lower than the baseline forecast and Washington personal income is \$11.0 billion lower. The pessimistic scenario produced \$122 million (0.5 percent) less revenue in the 2003-05 biennium and \$1,133 million (4.6 percent) less revenue in the 2005-07 biennium than did the baseline forecast.

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

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. There was very little difference between the Governor's Council members' outlook and the baseline forecast for the U.S. economy. The Council members expected slightly stronger GDP growth and inflation than in the baseline. Their interest rate forecasts, both long term and short term, were slightly higher in 2005 and 2006 but lower in 2007. The GCEA forecast for Washington State was also very similar to the baseline forecast. While their real personal income forecast was lower in both 2006 and 2007, their nominal personal income forecast for 2006 was stronger, reflecting the higher inflation assumption in the GCEA forecast. The Council members expected slightly higher employment growth and stronger housing activity in 2006 and 2007 than assumed in the baseline forecast. At the end of the 2005-07 biennium Washington nonagricultural employment was 9,300 higher in the GCEA forecast than in the baseline forecast but their Washington personal income forecast was \$0.5 billion lower. The Governor's Council scenario generated \$8 million (0.0 percent) more revenue this biennium and \$23 million (0.1 percent) more revenue next biennium than did the baseline forecast.

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

Table 1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2005 to 2007

Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	9,679.2	9,876.5	9,956.8	10,181.3	10,633.9	11,029.3	11,386.8	11,751.0
% Ch	4.5	2.0	0.8	2.3	4.4	3.7	3.2	3.2
Real Consumption	6599.5	6829.1	7016.8	7224.5	7496.0	7776.3	8002.0	8231.2
% Ch	5.0	3.5	2.7	3.0	3.8	3.7	2.9	2.9
Real Nonresidential Fixed Investment	1,186.8	1,229.4	1,117.4	1,070.4	1,168.3	1,288.1	1,396.0	1,479.6
% Ch	9.4	3.6	-9.1	-4.2	9.1	10.3	8.4	6.0
Real Residential Fixed Investment	449.8	444.2	457.0	484.3	541.4	566.5	545.7	524.7
% Ch	3.5	-1.2	2.9	6.0	11.8	4.6	-3.7	-3.8
Real Personal Income	8,209.2	8,524.6	8,566.3	8,583.7	8,815.5	9,113.2	9,439.2	9,764.3
% Ch	4.2	3.8	0.5	0.2	2.7	3.4	3.6	3.4
Real Per Capita Income (\$/Person)	29,181	29,988	29,831	29,596	30,112	30,845	31,660	32,459
% Ch	3.0	2.8	-0.5	-0.8	1.7	2.4	2.6	2.5
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.027	1.046	1.066	1.087	1.103	1.124
% Ch	2.3	2.3	1.5	1.9	1.9	2.0	1.4	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.693	1.751	1.782	1.821	1.861	1.911	1.940	1.975
% Ch	2.9	3.4	1.8	2.2	2.2	2.7	1.5	1.8
Employment Cost Index (June 1989=1.0)	1.431	1.487	1.541	1.585	1.630	1.672	1.722	1.782
% Ch	3.7	3.9	3.6	2.9	2.8	2.6	3.0	3.5
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	9,571.3	9,991.5	10,286.3	10,698.2	11,379.4	12,052.1	12,658.6	13,294.5
% Ch	6.4	4.4	3.0	4.0	6.4	5.9	5.0	5.0
Personal Income	8,115.3	8,622.2	8,797.1	8,980.7	9,394.3	9,909.4	10,410.5	10,970.9
% Ch	6.6	6.2	2.0	2.1	4.6	5.5	5.1	5.4
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	142.0	143.2	144.4	145.9	146.8	148.3	150.2	152.4
Total U.S. Employment	135.4	137.2	136.4	137.1	138.3	140.3	142.4	144.5
Unemployment Rate (%)	4.07	4.13	5.47	5.89	5.81	5.33	5.19	5.20
Nonfarm Payroll Employment	130.60	132.25	130.88	130.12	130.48	132.56	134.66	136.26
% Ch	2.5	1.3	-1.0	-0.6	0.3	1.6	1.6	1.2
Manufacturing	17.29	17.04	15.74	14.88	14.33	14.33	14.40	14.46
% Ch	-0.8	-1.4	-7.7	-5.4	-3.7	-0.0	0.5	0.4
Durable Manufacturing	10.85	10.75	9.83	9.21	8.88	8.95	9.06	9.14
% Ch	-0.1	-0.9	-8.6	-6.2	-3.6	0.8	1.2	0.9
Nondurable Manufacturing	6.44	6.29	5.91	5.67	5.45	5.37	5.34	5.33
% Ch	-1.9	-2.4	-6.0	-4.1	-3.8	-1.4	-0.5	-0.3
Construction	6.70	6.82	6.77	6.69	6.84	7.06	7.22	7.27
% Ch	5.4	1.8	-0.7	-1.2	2.2	3.3	2.2	0.7
Producing	106.01	107.78	107.78	107.97	108.74	110.57	112.42	113.94
% Ch	2.9	1.7	-0.0	0.2	0.7	1.7	1.7	1.4
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	22.4	23.4	24.1	24.4	24.1	23.8	23.6	23.2
Auto Sales (Millions)	9.0	8.5	8.2	7.9	7.5	7.5	7.5	7.5
% Ch	7.7	-5.0	-4.2	-3.8	-4.5	-0.2	-0.8	0.2
Housing Starts (Millions)	1.638	1.571	1.646	1.730	1.945	1.923	1.756	1.691
% Ch	-1.3	-4.1	4.8	5.1	12.5	-1.1	-8.7	-3.7
Federal Budget Surplus (Billions)	156.2	161.0	-138.3	-300.9	-395.8	-360.0	-313.0	-309.0
Net Exports (Billions)	-323.9	-389.8	-376.3	-477.1	-532.4	-670.4	-649.6	-603.4
3-Month Treasury Bill Rate (%)	5.23	5.14	2.15	1.30	0.96	2.21	3.29	3.55
30-Year U.S. Govt. Bond Rate (%)	6.14	5.66	5.54	5.02	5.21	5.03	5.38	5.70
Bond Index of 20 G.O. Munis. (%)	5.82	5.35	5.14	4.77	4.79	4.61	4.91	5.25
Mortgage Rate (%)	8.05	7.45	6.88	5.93	5.92	5.87	6.33	6.59

Table 1.2

Fiscal Years

**Washington Economic Forecast Summary**

Forecast 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	185.815	188.943	190.951	191.483	195.496	208.188	211.866	220.724
% Ch	6.3	1.7	1.1	0.3	2.1	6.5	1.8	4.2
Real Wage and Salary Disb.	110.278	108.775	107.552	107.364	109.020	113.315	118.706	124.210
% Ch	8.4	-1.4	-1.1	-0.2	1.5	3.9	4.8	4.6
Real Nonwage Income	75.536	80.167	83.398	84.118	86.476	94.873	93.160	96.514
% Ch	3.4	6.1	4.0	0.9	2.8	9.7	-1.8	3.6
Real Per Capita Income (\$/Person)	31,561	31,680	31,652	31,432	31,735	33,332	33,422	34,306
% Ch	5.1	0.4	-0.1	-0.7	1.0	5.0	0.3	2.6
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.027	1.046	1.066	1.087	1.103	1.124
% Ch	2.3	2.3	1.5	1.9	1.9	2.0	1.4	1.9
Seattle Cons. Price Index (1982-84=1.0)	1.757	1.828	1.876	1.910	1.935	1.963	1.998	2.040
% Ch	3.2	4.0	2.7	1.8	1.3	1.4	1.8	2.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.42	17.30	18.34	17.88	18.15	18.50	18.83	19.19
% Ch	2.8	5.4	6.0	-2.5	1.5	1.9	1.8	1.9
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	183.265	190.768	195.774	200.128	208.074	225.953	233.129	247.432
% Ch	8.9	4.1	2.6	2.2	4.0	8.6	3.2	6.1
Personal Income	183.670	191.116	196.091	200.329	208.319	226.368	233.665	247.993
% Ch	8.8	4.1	2.6	2.2	4.0	8.7	3.2	6.1
Disposable Personal Income	157.042	162.777	171.252	177.221	186.212	201.686	206.688	218.829
% Ch	8.1	3.7	5.2	3.5	5.1	8.3	2.5	5.9
Per Capita Income (\$/Person)	31,196	32,043	32,504	32,883	33,815	36,242	36,860	38,543
% Ch	7.5	2.7	1.4	1.2	2.8	7.2	1.7	4.6
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,081.1	3,031.9	3,058.7	3,130.6	3,169.8	3,252.1	3,326.7	3,383.5
Total Washington Employment	2,931.4	2,858.7	2,841.8	2,899.6	2,951.8	3,062.7	3,132.2	3,185.3
Unemployment Rate (%)	4.86	5.71	7.09	7.38	6.88	5.82	5.85	5.86
Nonfarm Payroll Employment	2,684.5	2,717.5	2,665.4	2,654.9	2,674.4	2,725.2	2,779.5	2,829.4
% Ch	2.4	1.2	-1.9	-0.4	0.7	1.9	2.0	1.8
Manufacturing	336.3	326.4	300.1	274.8	263.4	267.3	276.4	284.0
% Ch	-4.8	-2.9	-8.1	-8.4	-4.2	1.5	3.4	2.8
Durable Manufacturing	239.7	232.9	212.0	190.5	180.8	185.9	193.8	200.1
% Ch	-6.4	-2.8	-9.0	-10.2	-5.1	2.8	4.3	3.3
Aerospace	89.6	86.8	82.9	70.1	62.1	63.2	68.5	73.5
% Ch	-16.5	-3.1	-4.5	-15.5	-11.4	1.8	8.4	7.3
Nondurable Manufacturing	96.5	93.5	88.1	84.3	82.6	81.4	82.6	83.9
% Ch	-0.3	-3.2	-5.7	-4.3	-2.1	-1.4	1.4	1.6
Construction	158.3	161.3	154.8	155.0	160.0	165.4	168.4	171.2
% Ch	6.5	1.9	-4.1	0.1	3.2	3.4	1.8	1.7
Service-Producing	2,179.4	2,220.0	2,200.9	2,216.1	2,242.5	2,283.4	2,325.6	2,365.2
% Ch	3.3	1.9	-0.9	0.7	1.2	1.8	1.8	1.7
Software Publishers	29.6	34.5	36.0	36.5	38.5	40.2	41.7	43.2
% Ch	14.0	16.9	4.1	1.6	5.5	4.3	3.8	3.6
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	39.065	40.384	37.216	42.753	43.777	51.367	45.549	44.116
% Ch	-13.1	3.4	-7.8	14.9	2.4	17.3	-11.3	-3.1
Single-Family	26.372	26.761	26.856	32.802	34.418	35.803	29.861	28.177
% Ch	-6.7	1.5	0.4	22.1	4.9	4.0	-16.6	-5.6
Multi-Family	12.693	13.623	10.360	9.951	9.359	15.565	15.688	15.939
% Ch	-24.0	7.3	-24.0	-4.0	-5.9	66.3	0.8	1.6
Mortgage Rate (%)	8.05	7.45	6.88	5.93	5.92	5.87	6.33	6.59

Table 1.3  
**Comparison of Alternative Forecasts**

	Fiscal Year 2005				Fiscal Year 2006				Fiscal Year 2007			
	O	B	P	G	O	B	P	G	O	B	P	G
<b>U.S.</b>												
Real GDP	11031.1	11029.3	11023.2	11029.9	11439.7	11386.8	11295.6	11408.7	11900.5	11751.0	11500.3	11785.2
%Ch	3.7	3.7	3.7	3.7	3.7	3.2	2.5	3.4	4.0	3.2	1.8	3.3
Implicit Price Deflator	1.087	1.087	1.088	1.088	1.097	1.103	1.116	1.106	1.112	1.124	1.151	1.129
%Ch	2.0	2.0	2.1	2.1	0.9	1.4	2.5	1.7	1.4	1.9	3.2	2.1
Mortgage Rate	5.85	5.87	5.94	5.90	5.94	6.33	7.87	6.45	6.03	6.59	8.54	6.56
3 Month T-Bill Rate	2.16	2.21	2.21	2.26	2.91	3.29	3.99	3.35	3.10	3.55	5.28	3.37
<b>Washington</b>												
Real Personal Income	210.018	208.188	206.231	208.158	219.272	211.866	203.534	211.749	233.439	220.724	206.605	219.332
%Ch	7.4	6.5	5.5	6.5	4.4	1.8	-1.3	1.7	6.5	4.2	1.5	3.6
Personal Income	228.293	226.368	224.405	226.485	240.570	233.665	227.061	234.205	259.646	247.993	237.808	247.575
%Ch	9.6	8.7	7.7	8.7	5.4	3.2	1.2	3.4	7.9	6.1	4.7	5.7
Employment	2730.1	2725.2	2720.0	2725.1	2808.1	2779.5	2750.2	2781.9	2886.4	2829.4	2765.8	2836.7
%Ch	2.1	1.9	1.7	1.9	2.9	2.0	1.1	2.1	2.8	1.8	0.6	2.0
Housing Permits	52.113	51.367	50.089	51.007	50.852	45.549	36.596	46.436	51.143	44.116	32.625	45.913
%Ch	19.0	17.3	14.4	16.5	-2.4	-11.3	-26.9	-9.0	0.6	-3.1	-10.9	-1.1

(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
<b>U.S.</b>														
Percent Growth, 2003:2-2005:2														
Real GDP	7.1	7.2	6.4	7.7	8.9	7.8	7.8	8.5	9.7	9.4	8.8	8.6	8.6	
Implicit Price Deflator	4.6	4.9	5.1	5.6	3.5	3.3	3.5	3.2	2.5	3.6	4.1	3.9	3.8	
Average Rate, 2003:3 to 2005:2														
3 Month T-Bill Rate	4.52	4.90	3.48	3.16	2.92	1.57	1.15	1.12	1.34	1.26	1.45	1.49	1.58	
Mortgage Rate	7.49	7.64	7.86	6.62	7.21	6.46	6.39	6.32	6.45	6.15	6.13	5.96	5.90	
<b>Washington</b>														
Percent Growth, 2003:2-2005:2														
Employment	4.6	5.0	4.4	4.6	4.6	3.3	2.7	3.0	4.0	4.3	4.2	3.8	3.7	
Personal Income	11.5	12.5	10.9	11.9	10.6	8.6	9.1	9.1	9.7	9.8	10.3	9.4	10.3	
Real Personal Income	6.6	7.2	5.5	6.0	6.8	5.1	5.5	5.6	7.0	6.0	6.0	5.3	6.3	
Total (Thousands of units), 2003:3 to 2005:2														
Housing Units Authorized	77.4	77.1	76.0	80.1	79.8	78.1	81.3	82.7	83.1	87.4	88.8	90.8	95.1	

Table 1.5

Fiscal Years

**Forecast Comparison**

Forecast 2005 to 2007

	2003	2004	2005	2006	2007
<b>U.S.</b>					
<b>Real GDP</b>					
March Baseline	10181.3	10633.9	11029.3	11386.8	11751.0
% Ch	2.3	4.4	3.7	3.2	3.2
November Baseline	10181.3	10633.9	11034.8	11373.1	11722.0
% Ch	2.3	4.4	3.8	3.1	3.1
<b>Implicit Price Deflator</b>					
March Baseline	1.046	1.066	1.087	1.103	1.124
% Ch	1.9	1.9	2.0	1.4	1.9
November Baseline	1.046	1.066	1.087	1.104	1.124
% Ch	1.9	1.9	2.0	1.6	1.8
<b>U.S. Unemployment Rate</b>					
March Baseline	5.89	5.81	5.33	5.19	5.20
November Baseline	5.89	5.81	5.35	5.43	5.59
<b>Mortgage Rate</b>					
March Baseline	5.93	5.92	5.87	6.33	6.59
November Baseline	5.93	5.92	6.00	6.40	6.67
<b>3 Month T-Bill Rate</b>					
March Baseline	1.30	0.96	2.21	3.29	3.55
November Baseline	1.30	0.96	2.02	2.97	3.24
<b>Washington</b>					
<b>Real Personal Income</b>					
March Baseline	191.483	195.496	208.188	211.866	220.724
% Ch	0.3	2.1	6.5	1.8	4.2
November Baseline	191.483	195.179	201.331	208.763	217.494
% Ch	0.3	1.9	3.2	3.7	4.2
<b>Personal Income</b>					
March Baseline	200.329	208.319	226.368	233.665	247.993
% Ch	2.2	4.0	8.7	3.2	6.1
November Baseline	200.329	207.977	218.869	230.539	244.527
% Ch	2.2	3.8	5.2	5.3	6.1
<b>Employment</b>					
March Baseline	2654.9	2674.4	2725.2	2779.5	2829.4
% Ch	-0.4	0.7	1.9	2.0	1.8
November Baseline	2655.2	2675.2	2732.3	2779.1	2825.6
% Ch	-0.4	0.8	2.1	1.7	1.7
<b>Housing Permits</b>					
March Baseline	42.753	43.777	51.367	45.549	44.116
% Ch	14.9	2.4	17.3	-11.3	-3.1
November Baseline	42.572	43.567	47.242	43.867	42.463
% Ch	14.4	2.3	8.4	-7.1	-3.2

Table 1.6  
**Long Range Economic Outlook**  
 Forecast 2005 to 2015

Calendar Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>U.S.</b>											
Real GDP, %Ch	3.5	3.1	3.2	3.1	3.3	3.3	3.1	2.9	2.9	3.1	3.2
Implicit Price Deflator, %Ch	1.5	1.6	2.1	2.2	2.3	2.4	2.6	2.7	2.7	2.6	2.7
3 Month T-Bill Rate	2.96	3.40	3.76	4.12	4.36	4.84	4.86	4.87	4.89	4.90	4.91
Mortgage Rate	6.09	6.46	6.76	7.14	7.29	7.69	7.74	7.79	7.82	7.84	7.87
<b>State*</b>											
Real Personal Income, %Ch	1.8	4.2	4.1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	3.4	5.9	6.2	4.8	4.8	5.0	5.2	5.3	5.2	5.2	5.2
Employment, %Ch	2.1	1.8	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

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

# Comparison of Washington and U.S. Economic Forecasts

Chart 1.1  
Total Nonfarm Payroll Employment

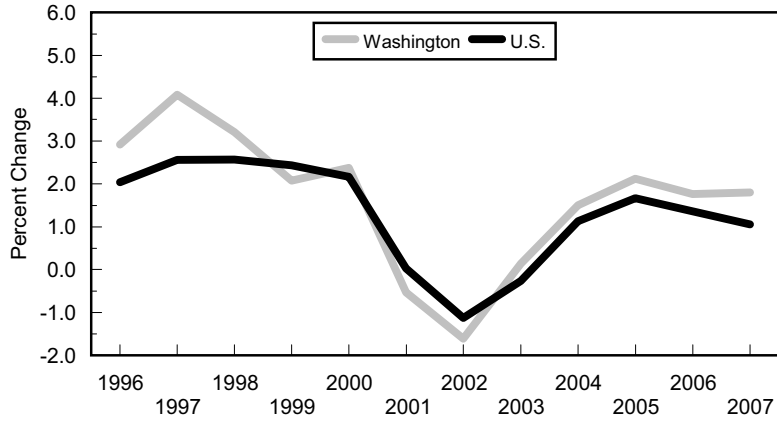


Chart 1.2  
Manufacturing Employment

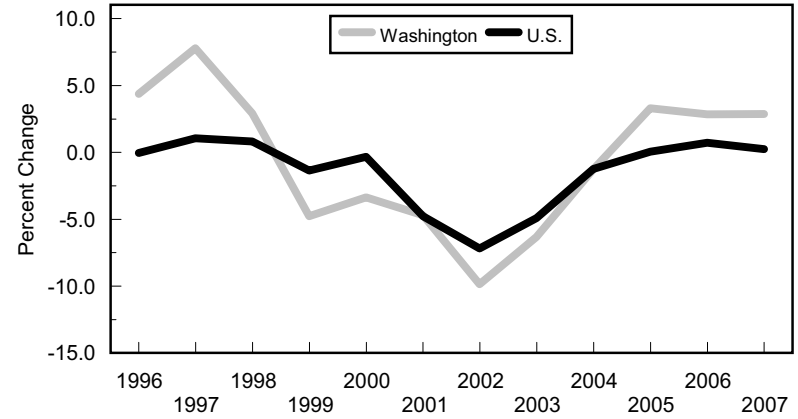


Chart 1.3  
Aerospace Employment

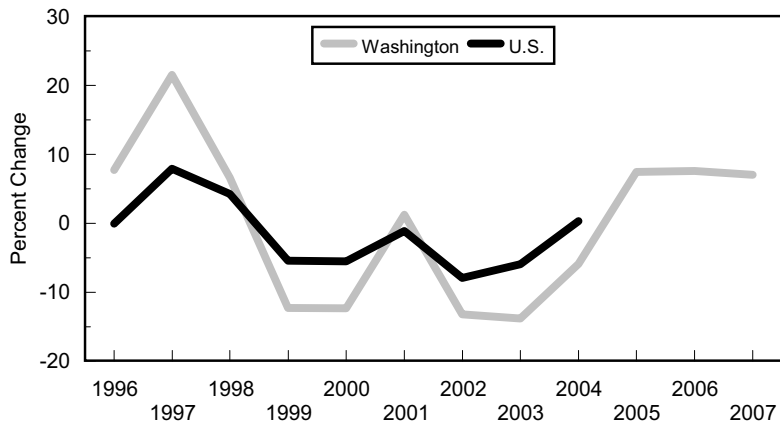
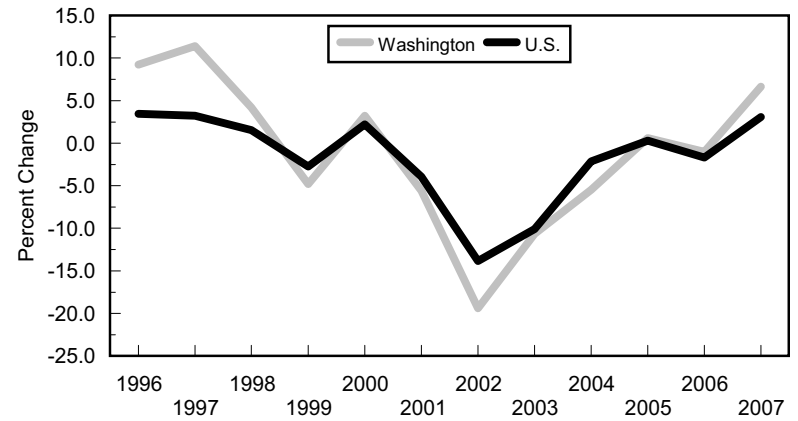


Chart 1.4  
Computers and Electronics Employment





# Comparison of Washington and U.S. Economic Forecasts

Chart 1.5  
Construction Employment

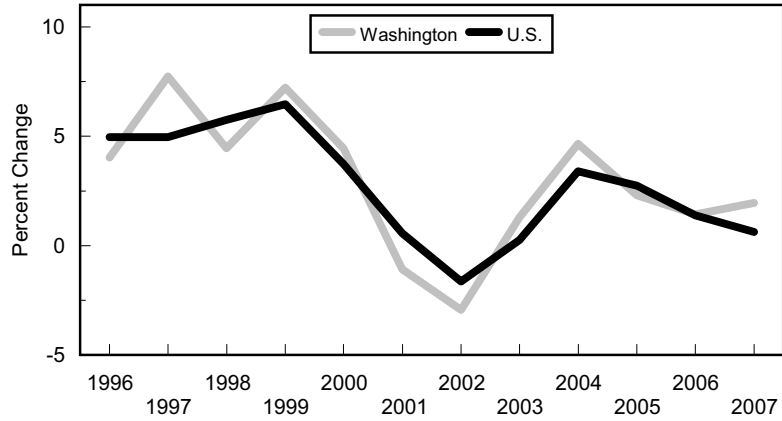


Chart 1.6  
Information Employment

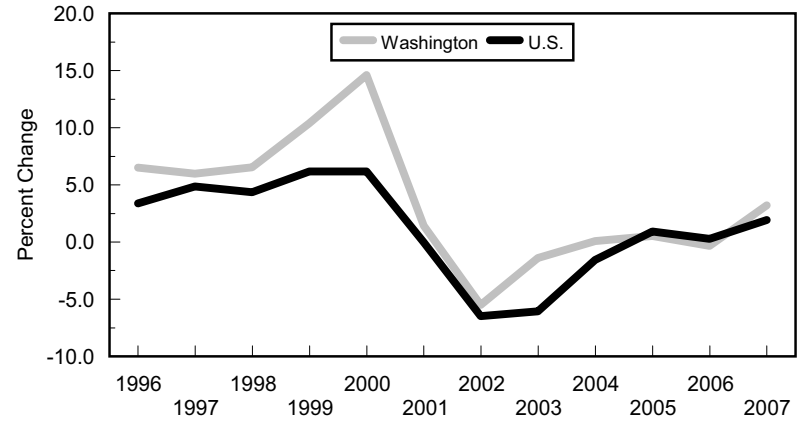


Chart 1.7  
Other Private Employment

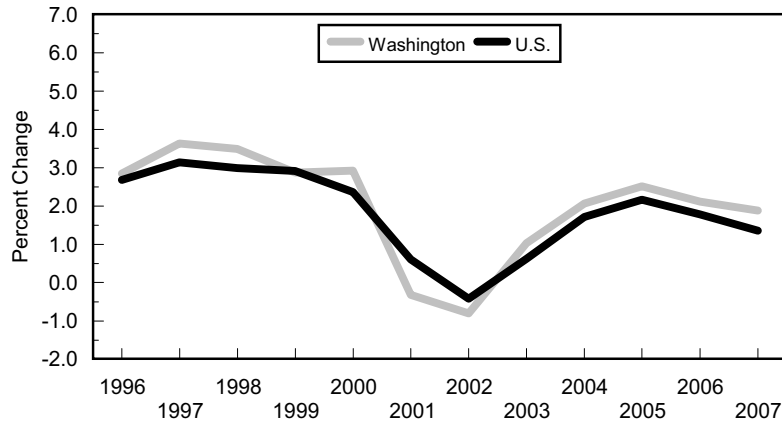
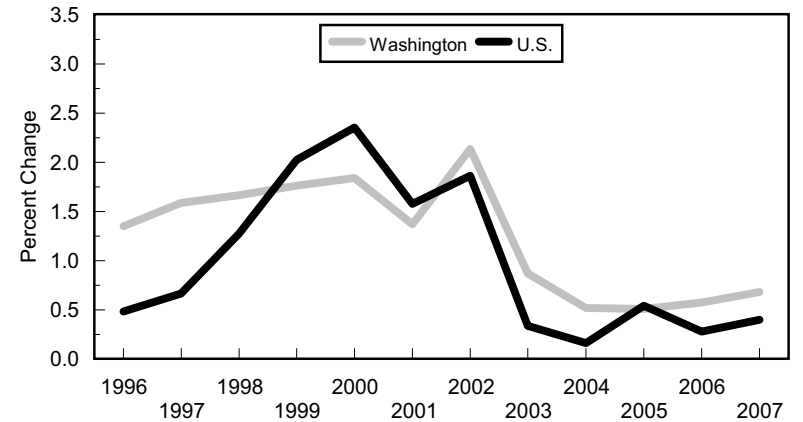


Chart 1.8  
Government Employment



# Comparison of Washington and U.S. Economic Forecasts

Chart 1.9  
Real Personal Income

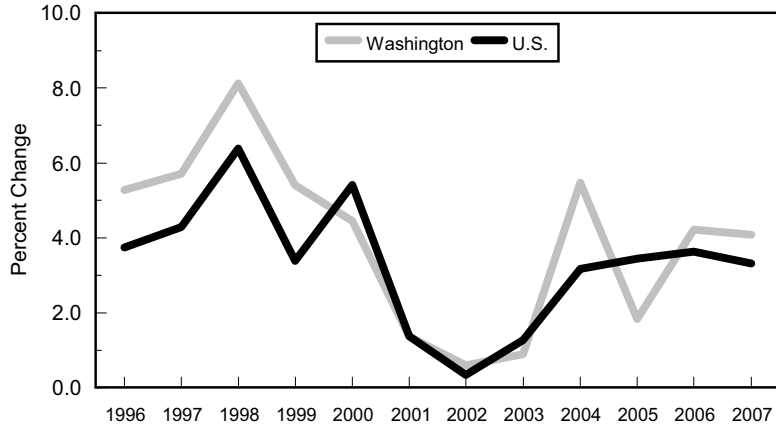


Chart 1.10  
Consumer Price Indices

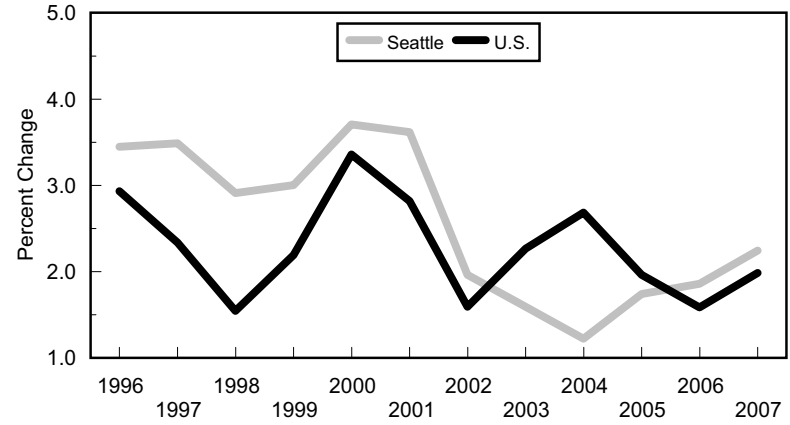


Chart 1.11  
Population

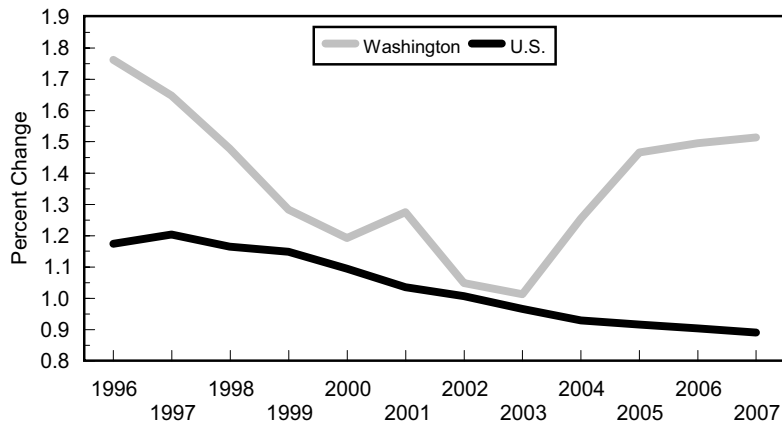
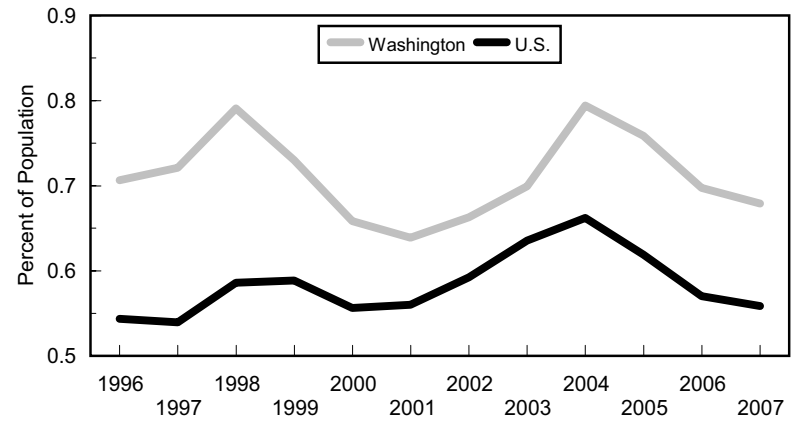


Chart 1.12  
Per Capita Housing Units



# Comparison of Alternative U.S. Forecasts

Chart 1.13  
Real GDP

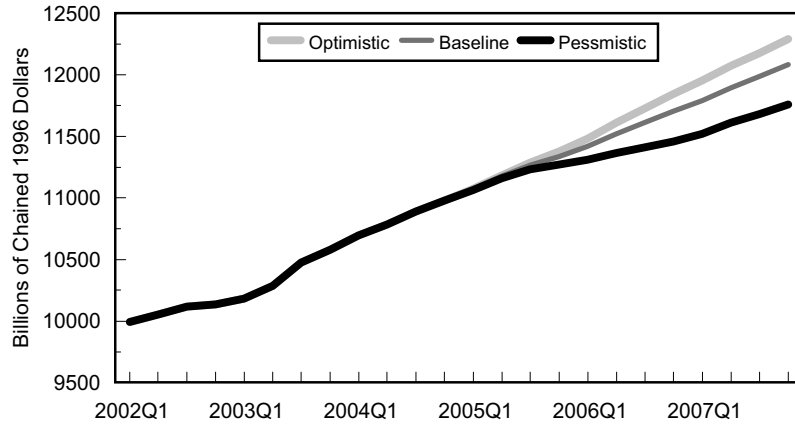


Chart 1.14  
Implicit Price Deflator

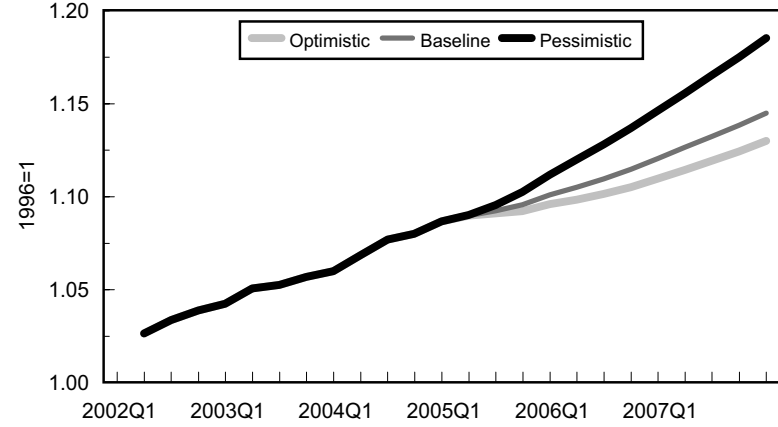


Chart 1.15  
Mortgage Rate

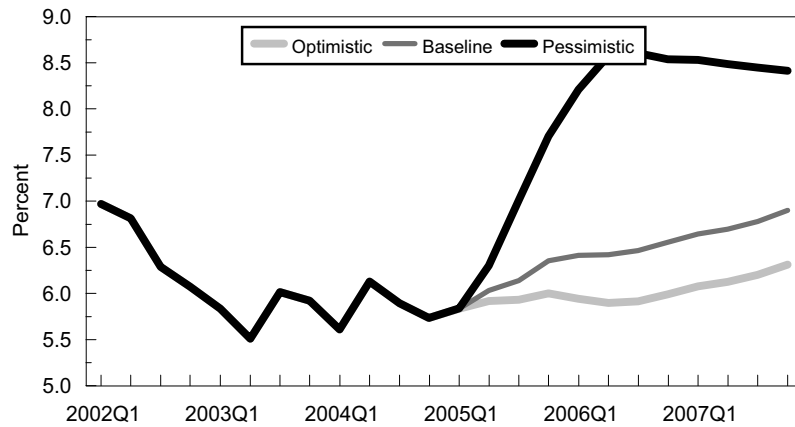
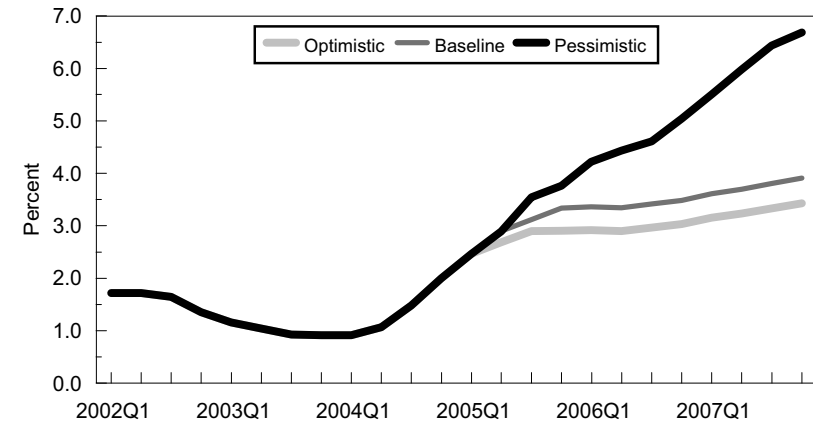


Chart 1.16  
Three Month T-Bill Rate



# Comparison of Alternative Washington Forecasts

Chart 1.17  
Personal Income

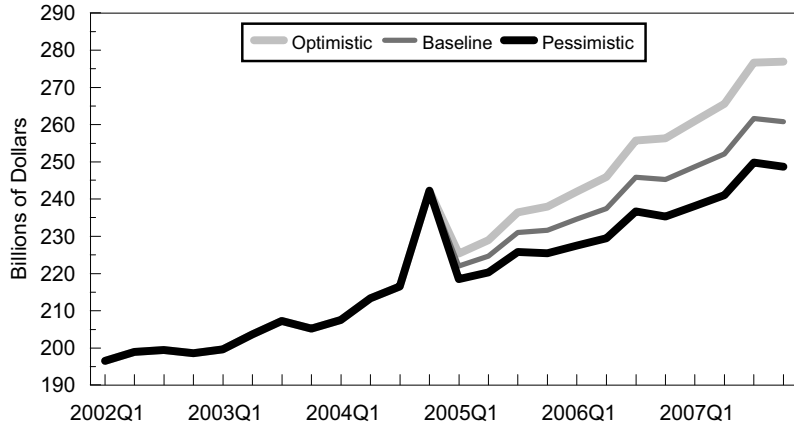


Chart 1.18  
Real Personal Income

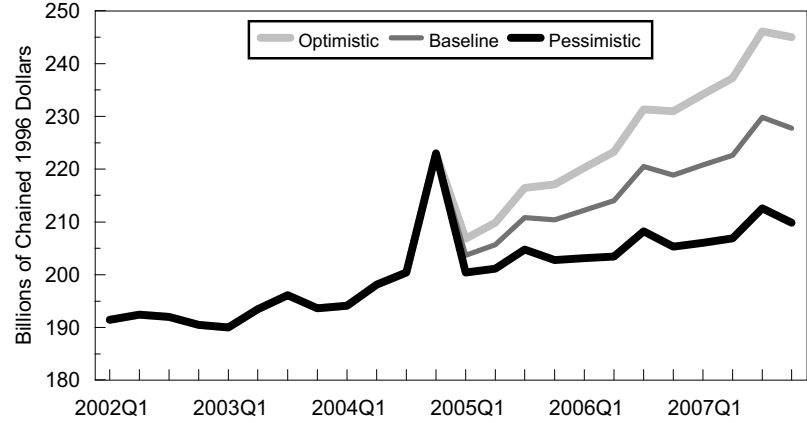


Chart 1.19  
Total Nonfarm Payroll Employment

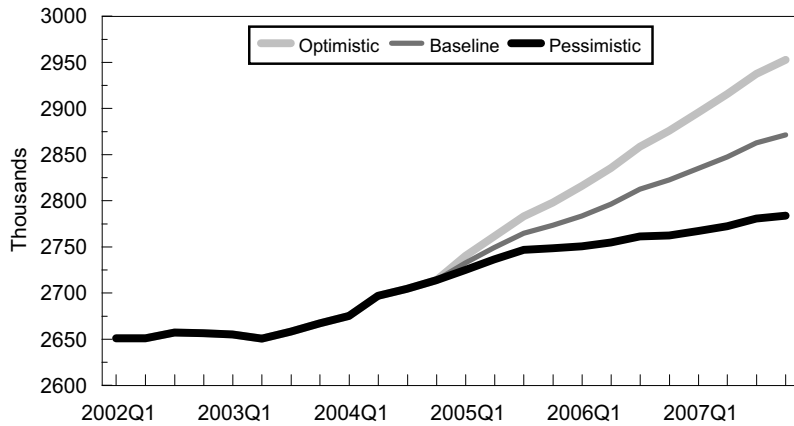
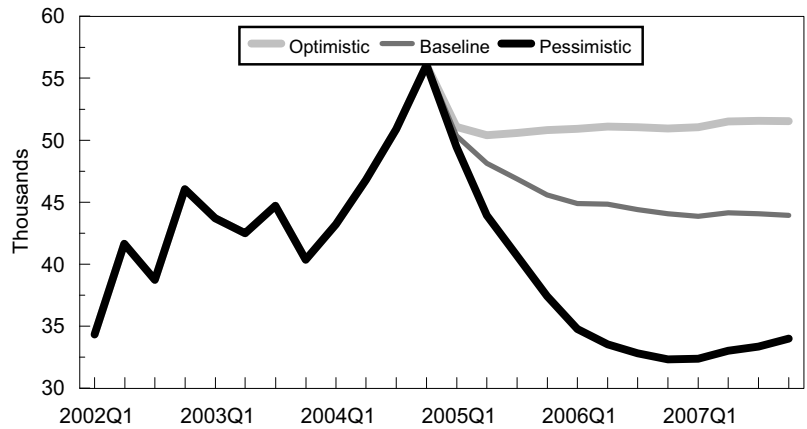


Chart 1.20  
Housing Permits



# Washington Business Indicators

## The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a 3.8\* percent annual rate in the fourth quarter of 2004, down only slightly from the previous quarter's growth rate of 4.0 percent. Real consumer spending continued to provide the bulk of the growth, increasing at a rate of 4.2 percent after increasing at a rate of 5.1 percent in the previous quarter. Real durable goods consumption increased at a rate of 3.9 percent, real nondurable goods consumption increased at a rate of 5.9 percent and real services consumption increased at a rate of 3.4 percent. Close behind consumer spending in its contribution to real GDP growth was real gross private domestic investment, which rebounded to a growth rate of 13.3 percent after increasing at a rate of only 2.4 percent in the previous quarter. Real fixed nonresidential investment grew at a rate of 14.5 percent, propelled largely by real investment in equipment and software, which grew at a rate of 18.4 percent. Real fixed residential investment grew at a rate of 3.4 percent. Real government spending rounded off the list of positive contributors to real GDP growth, increasing at a rate of 0.9 percent, while trade continued to detract from headline GDP growth as real imports of goods and services increased at a rate of 11.4 percent while exports (which were already smaller than imports) grew at a rate of only 3.2 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased in February to 55.3 from its January value of 56.4. Despite three months of decreases, the fact that the index value remains above 50 indicates that manufacturing sector output is still increasing. The index has now been above 50 points for the past twenty-two months. The employment component of the index decreased slightly to 57.4 from January's value of 58.1. The employment component of the index has now been above 50 for sixteen months, indicating that more of the manufacturers surveyed have been increasing employment than decreasing it during that period.

On a seasonally adjusted basis, the U.S. economy has added jobs for twenty-one straight months beginning in June 2003, with positive year-over-year growth for the last fifteen months. February's seasonally adjusted payroll employment grew by 262,000, up from January's increase of 132,000. Despite the increase in employment, the U.S. unemployment rate increased from 5.2 to 5.4 percent as more people entered the workforce in search of jobs.

Productivity growth accelerated in the fourth quarter of 2004, increasing at a 2.1 percent annual rate as compared to 1.3 percent growth in the third quarter. The fourth quarter value brought the average growth for calendar 2004 up to a strong 4.0 percent. Inflation was a concern in February with a 0.4 percent monthly increase in the seasonally adjusted Consumer Price Index (CPI) after a 0.1 percent

increase in January. On a year-over-year basis, however, the index remained at January's level of 3.0 percent, down from a high of 3.5 percent in November. While the index excluding food and energy exhibited year-over-year growth of only 2.4 percent, its monthly growth rate increased to 0.3 percent after seasonal adjustment from the 0.2 percent rate it had grown at from October through January.

The Conference Board reported that its Index of Consumer Confidence decreased to 102.4 in March from February's reading of 104.4. This was the second consecutive decrease in the index since January's value of 105.1. Both the expectations component of the index and the present situation component declined, with the greater decline experienced by the expectations component. The University of Michigan Consumer Sentiment Survey also showed decline in both the expectations and present conditions components in its preliminary estimate for March, decreasing the composite survey to 92.9 from February's value of 94.1. This was the third consecutive decline from December's value of 97.1.

The Conference Board's U.S. Index of Leading Indicators increased 0.1 percent in February after decreasing by 0.3 percent in January, following increases of 0.3 percent in November and December. Five of the ten index components increased in February, with the biggest increase due to a large decline in initial claims for unemployment insurance. The narrow interest rate spread between ten-year Treasury bonds and the federal funds rate continues to be the main impediment to growth of the index.

The Federal Open Market Committee (FOMC) voted to increase its target rate for federal funds from 2.50 to 2.75 percent at its March 22, 2005 meeting. This was the FOMC's seventh 25 basis point increase since its meeting of June 30th. The possibility of further increases was raised by the Committee's statement that it "...believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, increased to 130 in March, a year-over-year increase of 34.0 percent. This followed a 28.4 percent year-over-year increase in February. The Conference Board's Help Wanted Index, however, which measures newspaper employment advertising, remained constant at 41 in February, a year-over-year change of only 2.5%. As both employment and the Monster index have recently been increasing, it seems that much of the flatness in the Conference Board index may be due to a shift away from newspaper help-wanted advertising into internet-based advertising and other methods of recruitment.

## **The State Economy and Indicators**

Washington wage and salary employment rose at a 1.4 percent annual rate in the fourth quarter of 2004, following an increase of 1.1 percent in the third quarter. This was the sixth consecutive quarterly increase. Notably, aerospace employment showed a strong rebound, growing at an annual rate of 11.2 percent after remaining constant in the third quarter. Prior to that, aerospace manufacturing employment had declined for eleven consecutive quarters. The increase in aerospace employment helped propel durable goods manufacturing to a 4.3 percent annualized growth rate. Coupled with a 2.8 percent annualized decline in nondurable goods employment, the total annualized growth rate for manufacturing was 2.0 percent. This was the third consecutive quarterly increase in manufacturing employment.

Washington's seasonally adjusted unemployment rate increased slightly in February to 5.5 percent from January's value of 5.4 percent. While seasonally adjusted employment increased, the unemployment rate increased as well due to an increase in the number of people joining the labor force in search of jobs. Both months' values were a sharp improvement from December's value of 5.9 percent. The non-season-

ally adjusted Washington Purchasing Management Index increased in February to a value of 71.6 from January's value of 62.1. As with the national ISM index, values greater than 50 indicate expansion. The index has been greater than 50 the last twenty-three months and greater than 60 for thirteen of those months. The employment component of the index also increased to 67.6 from January's value of 61.8. The employment component has now been at or above 50 for the last eighteen months. Washington's seasonally adjusted initial claims for unemployment insurance dropped sharply in February to 37,500 from January's count of 42,000. Washington's seasonally adjusted average weekly hours in manufacturing, however, decreased in January from 40.3 to 39.4. February's Seattle Times Index of Help-Wanted Advertising also declined slightly to 54.3 from January's level of 55.1. February year-over-year growth in the Seattle CPI was a moderate 2.1 percent.

The Boom Monitor Composite Index increased in February to a value of 50.4, up from January's value of 48.0 but down from December's value of 52.0. As Boom Monitor levels near 50 indicate that growth in the index's components is near their historic growth rates, the recent values are further evidence that the recovery is well under way. The Washington Index of Leading Indicators increased by 0.4 index points in February, reaching a level of 100.7 (1996=100). Since bottoming out in April 2003 at 95.9 points, the index has increased sixteen of the twenty-two intervening months. Four of the seven index components were positive in February. The largest positive contributors were the abovementioned decrease in unemployment claims and an increase in authorized housing permits to an annualized level of 57,850 units. The Index underwent its annual comprehensive revision with its January release, the details of which can be found in Chapter Five of this publication.

On the following page is a summary of what various national and state indicators are indicating as of the publication date of the March 2005 economic and revenue forecast.

*\*This is based on the most recent data from the Bureau of Economic Analysis (the final GDP estimates for the fourth quarter of 2004 released March 30, 2005). The March economic forecast is based upon the February Global Insight forecast, which incorporated the BEA's advance estimate of 3.1 percent for fourth quarter real GDP growth.*

Table 2.1

**Summary of National and State Indicators**

<u>Indicator</u>	<u>Latest Data</u>	<u>Most Recent Indication<sup>1</sup></u>
U.S. Leading Index	February 2005	+
U.S. Real GDP Growth	2004, quarter 4	+
U.S. ISM Index	February 2005	+
U.S. Employment y-o-y %ch	February 2005	+
U.S. Unemployment Rate	February 2005	slight -
U.S. Help Wanted Index	February 2005	no change
U.S. Fed Funds Target	March 2005	credit tightening
U.S. Consumer Confidence	March 2005	slight -
U.S. CPI	February 2005	-
U.S. Monster Employment Index	March 2005	+
S&P 500 Index	Week of Mar. 21	-
WA Leading Index	February 2005	+
WA ISM Index	February 2005	+
WA Help Wanted Index	February 2005	-
WA Employment y-o-y %ch	February 2005	+
WA Aerospace Empl. Growth	February 2005	+
WA Unemployment Rate	February 2005	slight -
WA Boom Monitor	February 2005	+
WA Initial Unemploy. Claims	February 2005	+
WA Housing Permits	February 2005	+
WA Weekly Hours in Mfg.	February 2005	-
WA New Car/Truck Registration	February 2005	-
WA Migration (DOL data)	February 2005	+
WA Exports-Total	2004 qtr 4	-
WA Exports- w/o Trans. Equip.	2004 qtr 4	+
Seattle CPI	February 2005	+
NW Regional Stock Index	Week of Mar. 21	-

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



# Washington State Economic Indicators

Chart 2.1  
**Year-over-Year Employment Growth**  
 January 1980 to February 2005

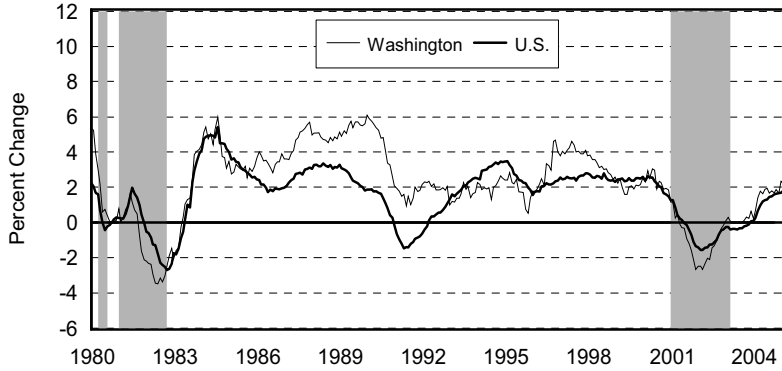


Chart 2.2  
**Washington Aircraft and Parts Employment**  
 January 1958 to February 2005

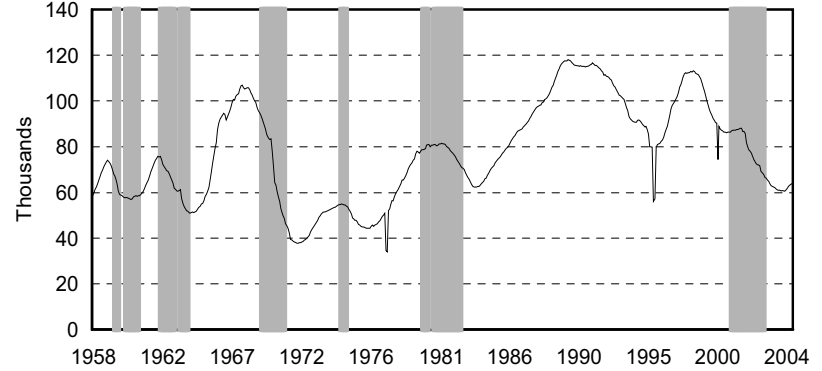


Chart 2.3  
**Unemployment Rate, S.A.**  
 January 1980 to February 2005

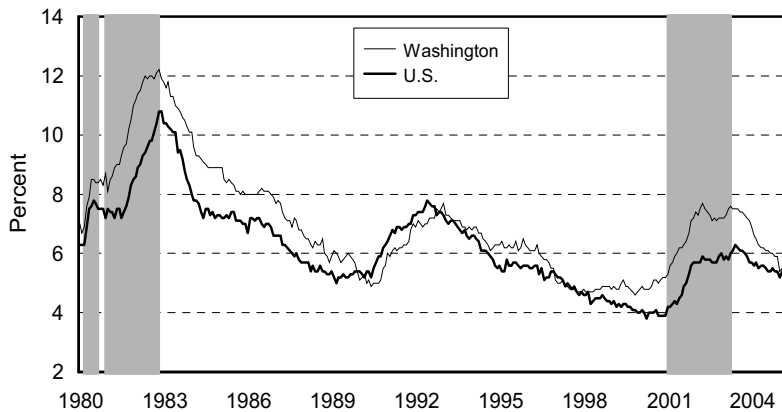
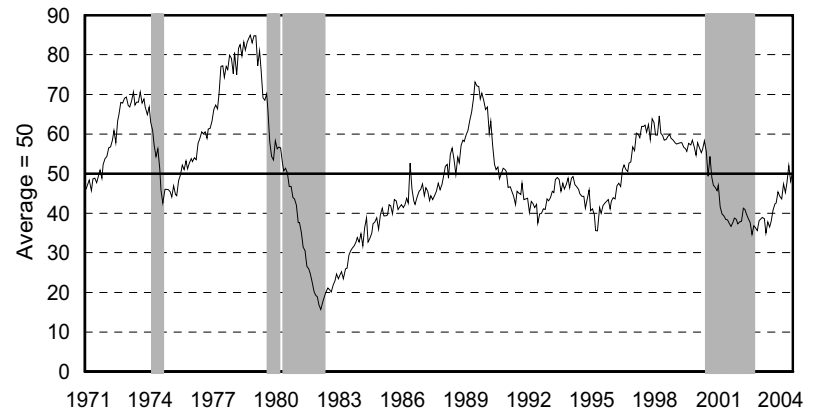


Chart 2.4  
**Washington Boom Monitor Composite Index**  
 July 1971 to February 2005



\* Shaded areas correspond with Washington employment downturns.

# Washington State Leading Indicators

Chart 2.5  
**The Washington and U.S. Indexes of Leading Indicators**  
 January 1970 to February 2005

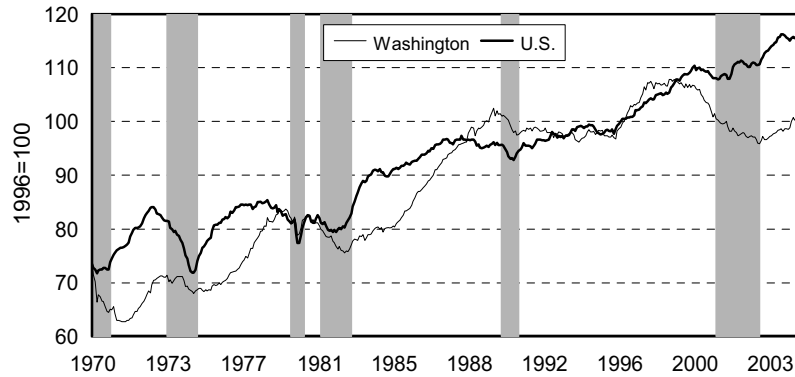


Chart 2.6  
**Washington Initial Claims for Unemployment Insurance**  
 January 1970 to February 2005

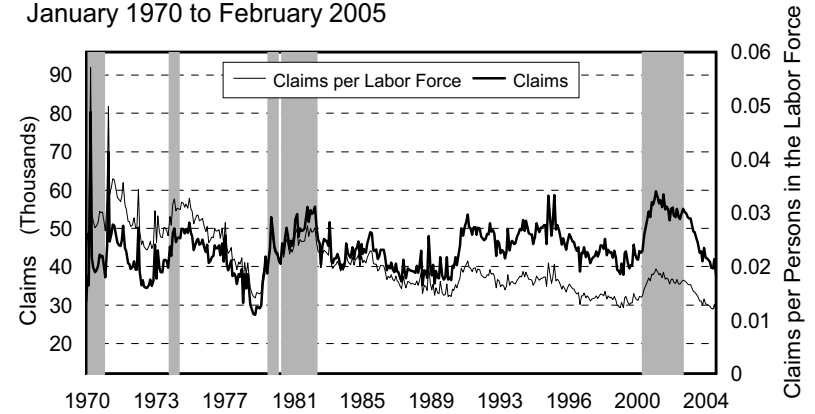


Chart 2.7  
**Seattle Times and U.S. Help-Wanted Advertising Indexes**  
 January 1970 to February 2005

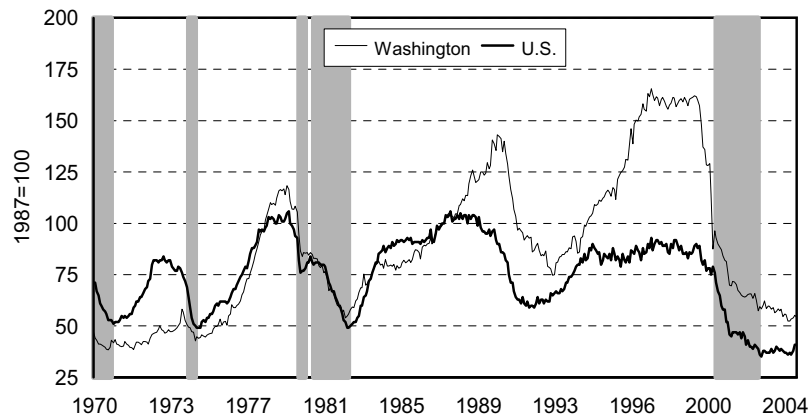
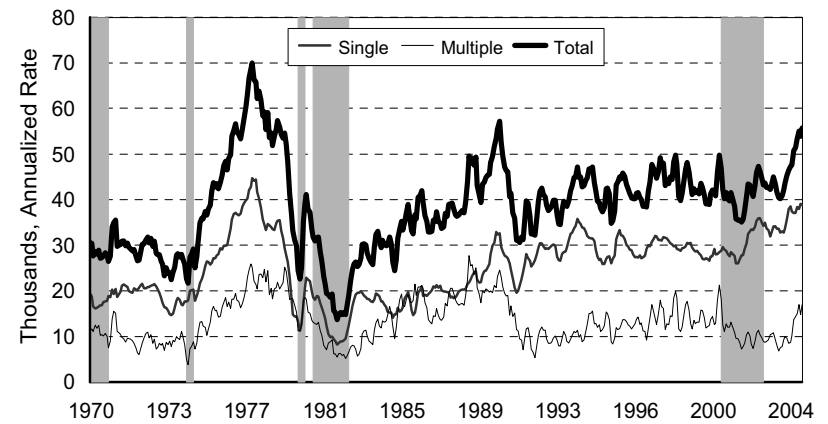


Chart 2.8  
**Housing Units Authorized in Washington State**  
 January 1970 to February 2005, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

# Other State Economic Indicators

Chart 2.9  
**Average Weekly Hours in Manufacturing**  
 Jan. 1970 to Feb. 2005, 3-Mo. Moving Average, SA

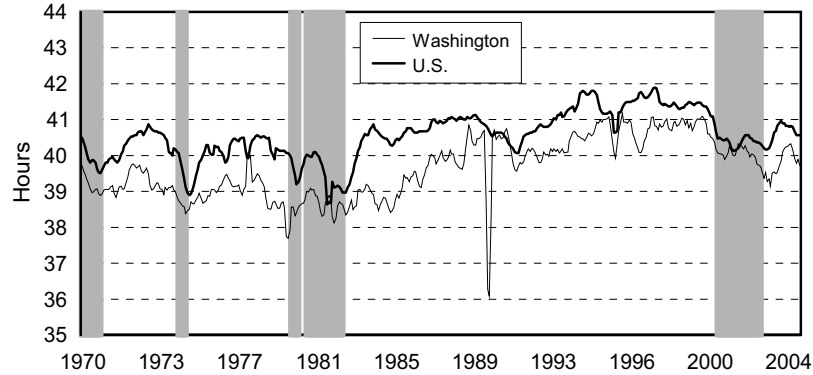


Chart 2.10  
**Washington Driver's License Migration**  
 September 1983 to February 2005 12-Month Moving Average

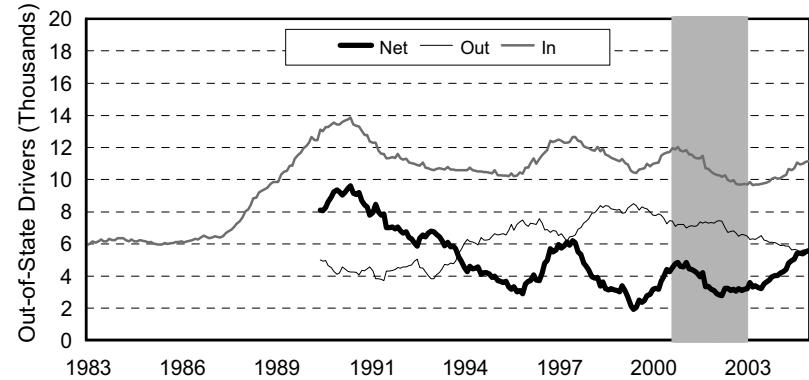


Chart 2.11  
**New Car and Truck Registrations in Washington**  
 January 1977 to February 2005, 6-Month Moving Average

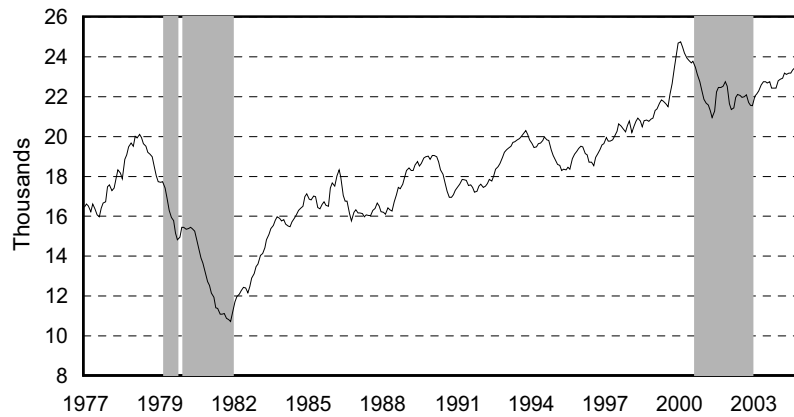
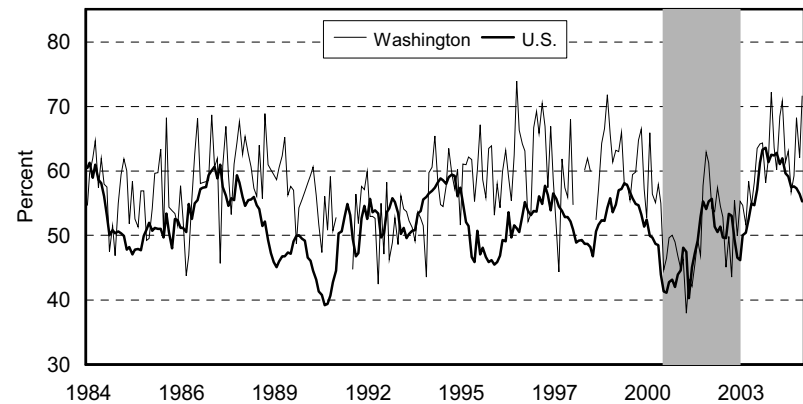


Chart 2.12  
**Institute for Supply Management Index**  
 January 1984 to February 2005



\* Shaded areas correspond with Washington employment downturns.

# Other Economic Indicators

Chart 2.13  
**Quarterly U.S. Real GDP Growth**  
 1970 Q1 to 2004 Q4

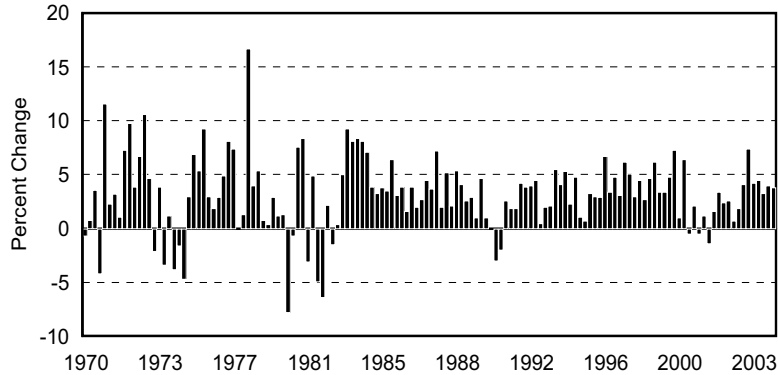


Chart 2.14  
**Washington State Export Composition**  
 Change from Same Quarter Year Ago, 1998Q1 to 2004Q4

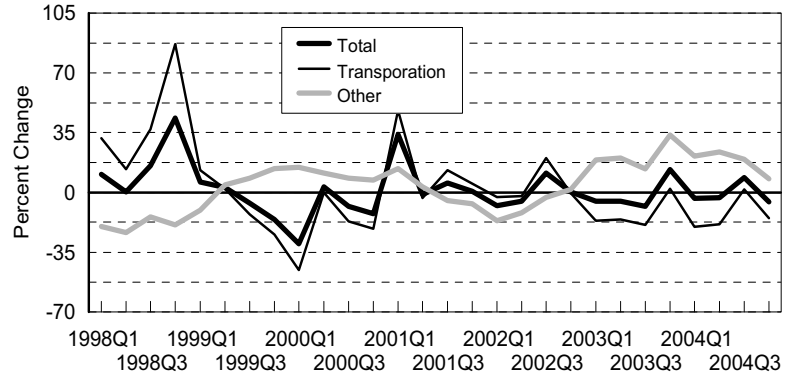


Chart 2.15  
**U.S. Economic Indicators\***  
 January 1970 to February 2005

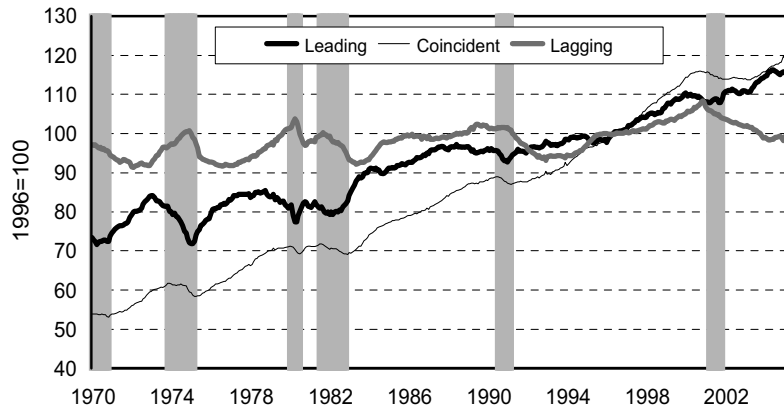
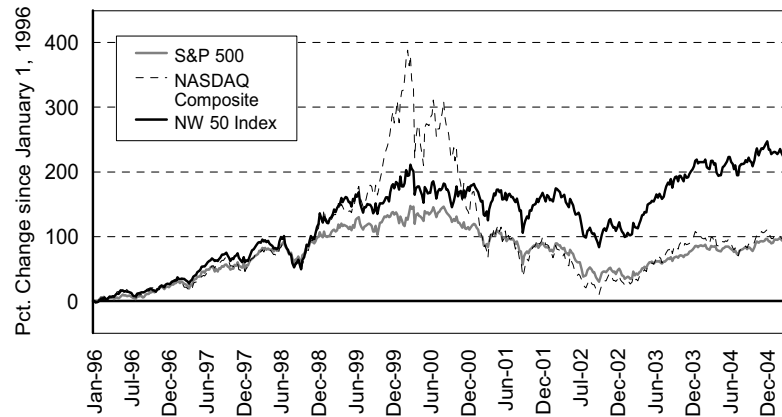


Chart 2.16  
**Northwest 50 Regional Stock Index vs. National Indices**  
 January 1, 1996 to March 24, 2005



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

# Other Economic Indicators

Chart 2.17  
**Federal Funds Target Rate**  
 October 1, 1990 to March 25, 2005

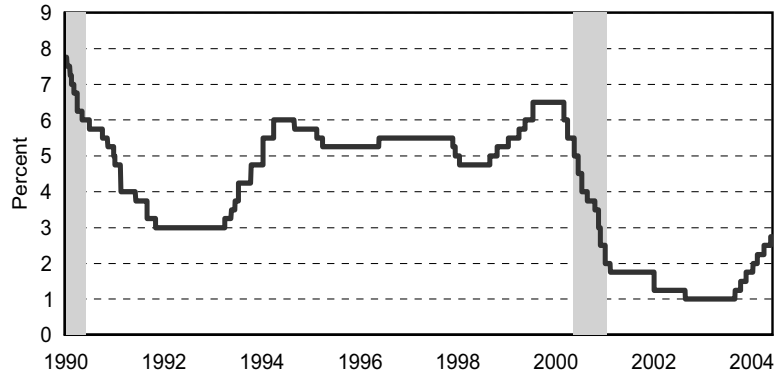


Chart 2.18  
**Consumer Confidence**  
 January 1978 to March 2005

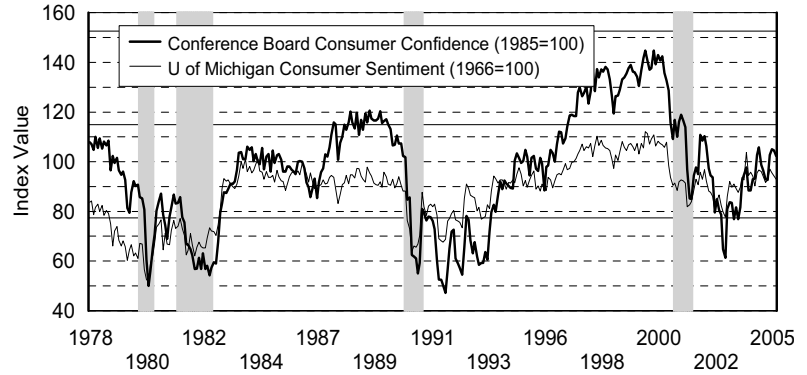


Chart 2.19  
**Seattle vs U.S. CPI (All Urban Consumers)**  
 December 1998 to February 2005

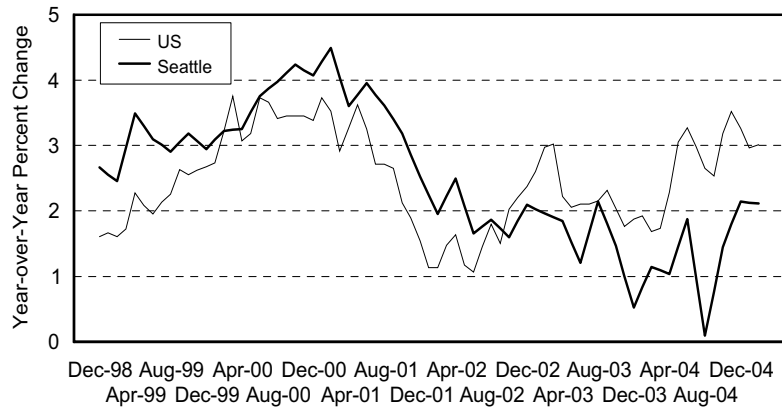
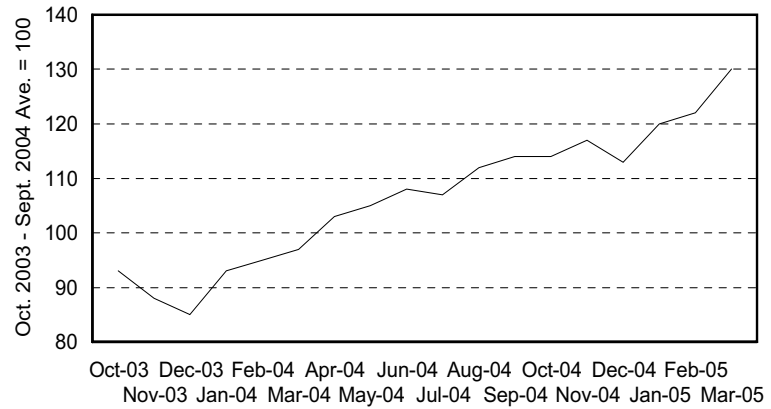


Chart 2.20  
**Monster Employment Index**  
 October 2003 to March 2005



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

Table 2.2  
**Washington Business Indicators**  
 Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
2003:2	96.7	110.5	63	40	55.5	49.4
2003:3	96.0	110.5	57	39	50.0	46.6
2003:4	95.9	110.7	60	36	55.3	46.2
2003:5	96.5	111.6	58	35	54.7	50.0
2003:6	97.2	112.0	60	38	51.7	50.4
2003:7	96.7	112.7	62	38	58.4	52.6
2003:8	96.6	113.1	59	37	54.7	55.0
2003:9	96.9	113.2	60	37	58.3	54.7
2003:10	97.2	113.7	60	37	63.5	57.1
2003:11	97.3	114.0	58	39	64.2	61.3
2003:12	97.7	114.3	59	37	64.3	63.3
2004:1	97.8	114.7	57	38	58.2	63.6
2004:2	98.0	114.8	57	40	62.1	61.4
2004:3	98.4	115.7	58	39	72.2	62.5
2004:4	98.5	115.8	58	38	63.6	62.4
2004:5	98.7	116.3	58	39	60.2	62.8
2004:6	98.2	116.2	55	38	68.4	61.1
2004:7	98.7	116.0	56	37	70.9	62.0
2004:8	98.7	115.7	56	37	61.3	59.6
2004:9	98.6	115.4	52	36	63.1	59.1
2004:10	98.9	115.1	52	37	56.7	57.5
2004:11	100.0	115.5	53	36	59.3	57.6
2004:12	100.8	115.8	54	38	68.3	57.3
2005:1	100.3	115.5	55	41	62.1	56.4
2005:2	100.7	115.6	54	41	71.6	55.3

# Washington State Revenue Forecast Summary

## Introduction

The Washington State Economic and Revenue Forecast Council approved a \$221.7 million increase to the General Fund-State revenue forecast at its March 17, 2005 meeting. The increase to the forecast was comprised of a \$739.4 million increase due to a better economy and a \$517.7 million reduction due to the impact of two recent State Supreme Court decisions. An improvement in the U.S. economic outlook, the prospect for more state aerospace jobs and stronger than expected economic growth since the November forecast increased the forecast of GFS revenue for the current biennium which ends June 30, 2005 by \$301.1 million and added \$438.3 million to the forecast for the 2005-07 biennium. However, the combined impact of two court decisions reduced the forecast for the 2003-05 biennium by \$242.9 million and lowered the 2005-07 forecast by \$274.8 million. The economy grew faster than expected in the four months since the last forecast producing significantly more revenue than expected. The change to the forecast for the 2003-05 biennium includes \$179.4 million more than expected revenue since the November forecast.

The March 2005 GFS revenue forecast expects \$23,230.9 million in the 2003-05 biennium, which spans the period July 2003 through June 2005. Revenue growth has steadily improved throughout the course of the biennium. The real estate market has remained red-hot and consumer and business spending accelerated in the fourth quarter of 2004 and in the first month of 2005. This produced significantly

	<u>2003-05 Biennium</u>	<u>2005-07 Biennium</u>	<u>Both Biennia</u>
Non Economic Changes <sup>1</sup>	(\$242.9)	(\$274.8)	(\$517.7)
Forecast Change	<u>301.1</u>	<u>438.3</u>	<u>739.4</u>
<b>Total Change*</b>	<b>\$58.2</b>	<b>\$163.5</b>	<b>\$221.7</b>

\*Detail may not add to totals due to rounding  
<sup>1</sup> The impact of two State Supreme Court decisions: invalidating the estate tax and reducing the b&O tax rate on certain meat products.

more revenue than expected since the November forecast. Income and job growth is expected to continue to show modest but steady improvement for the remainder of the budget period. Revenue for the remaining four months of the biennium will also be higher than expected in November, although two State Supreme Court decisions will reduce GFS revenue by \$242.9 million by the end of the biennium. The March 2005 forecast expects \$2.1 billion, 9.9 percent, more GFS revenue in the 2003-05 biennium than in the 2001-03 budget period. Some of this increase is due to tax law changes rather than economic growth. Excluding tax law changes, GFS revenue is expected to increase 9.7 percent in the 2003-05 biennium.

The GFS unrestricted ending balance for the 2003-05 biennium at the time of the Economic and Revenue Council meeting on March 17, 2005 is projected to be \$835.6 million, about 3.6 percent of the biennial budget. This ending balance number reflects the 2003-05 spending level prior to the start of the 2005 legislative session and thus does not reflect any changes to the spending level that may be forthcoming in the 2005 legislative session. Although GFS revenue (\$23,230.9 million) for the biennium is expected to be about the same as the current spending level for the 2003-05 biennium (\$23,246.1 million), the 2003-05 biennium is expected to end with a positive ending balance due to a \$404.6 million beginning balance and \$446.4 million in one-time transfers and other adjustments.

The March 2005 GFS forecast for the 2005-07 biennium, which spans the period July 2005 through June 2007, is now \$24,885.3 million. Modest U.S. and state economic growth is expected to produce moderate revenue growth next biennium. Growth is a little better than expected in November. GFS revenue in the 2005-07 budget period is projected to be \$1.7 billion, 7.1 percent higher than in the current biennium. The growth of GFS revenue next biennium is weaker than for the current biennium primarily due to a larger amount of property tax revenue being transferred from the General Fund to the Student Achievement account. Adjusting for the I-728 diversion and other tax law changes GFS revenue is expected to increase 9.1 percent in the 2005-07 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



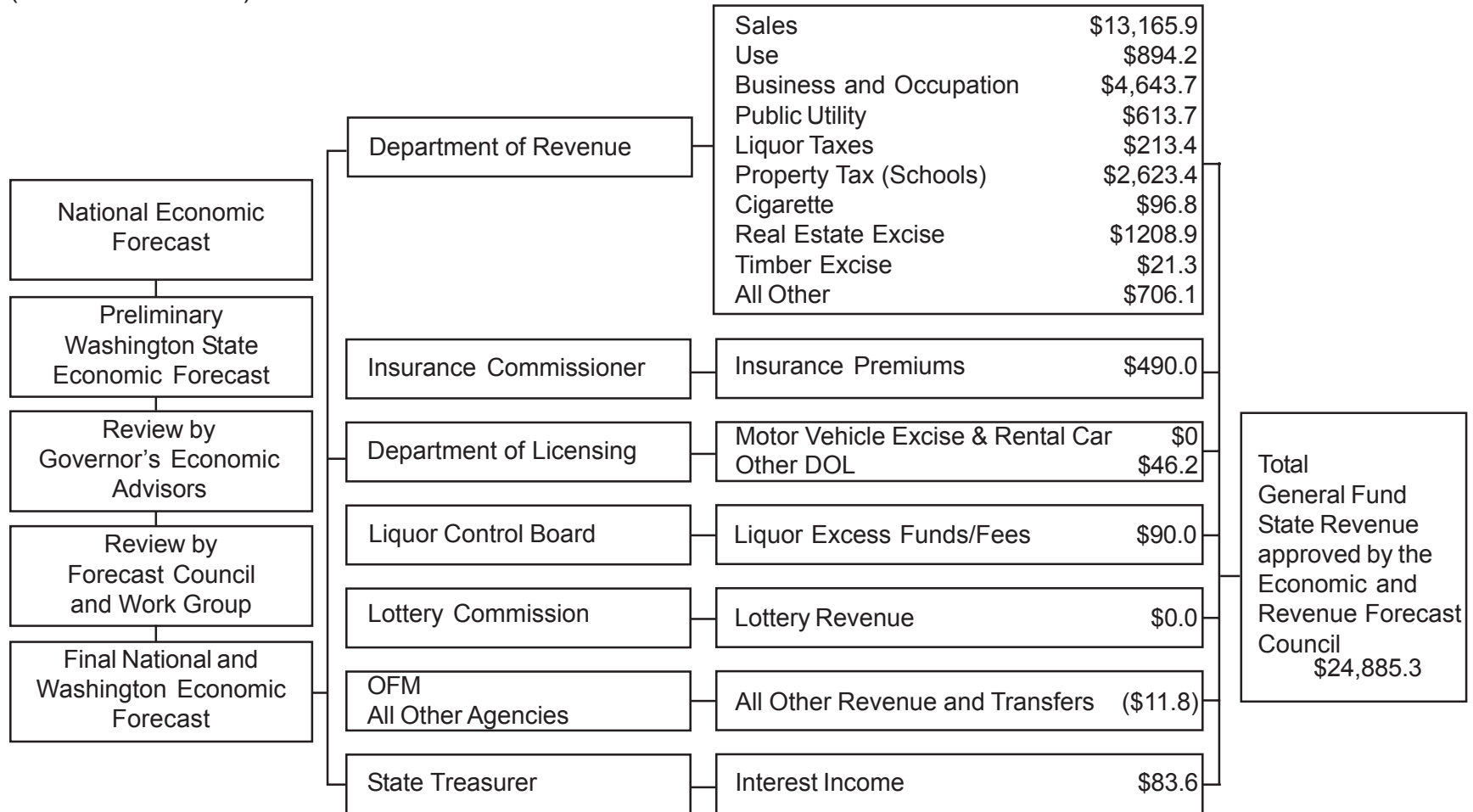
for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue 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 March 2005 baseline forecast for the 2005-07 biennium is shown in Table 3.2.

## March 2005 Forecast Assumptions

1. The March 2005 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on the Global Insight Inc. February 2005 baseline forecast for the U.S. economy.
2. The GFS revenue forecast is based on current law and administrative practices. Since the last forecast in November, the State Supreme Court has issued two decisions (*Agrilink Foods vs. State of Washington Department of Revenue* and *Estate of Wylie Hemphill vs. Washington State Department of Revenue*) that significantly reduced GFS revenue. Together these decisions are expected to reduce GFS revenue by \$242.9 million in the 2003-05 biennium and \$274.8 million in the 2005-07 biennium. The impact of these decisions is summarized in Table 3.15.
3. The 2005 legislative session began on January 10, 2005. The impact of legislation on GFS revenue enacted by the legislature during the 2005 legislative session and signed into law by the Governor on GFS revenue will be incorporated into the GFS revenue forecast in the next scheduled update in June 2005.
4. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, most lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a multi-state lottery game. Proceeds from this new game go the General Fund, after the first \$102 million per year of uncommitted lottery earnings are transferred to the Student Achievement Account and the School Construction Account. Part II of Table 3.20 summarizes lottery distributions by fund.
5. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
6. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2003-05 and 2005-07 biennia. As of March 2005, new tax law changes have increased GFS revenue for the 2003-05 biennium by an estimated \$418 million. This total includes the \$242.9 million reduction to GFS revenue for the 2003-05 due to the two recent Supreme Court decisions.

The GFS forecast for the 2005-07 biennium is also affected by legislation. Recent State Supreme Court decisions have reduced GFS revenue for the 2005-07 biennium by \$274.8 million.

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



\* Cash Basis

Legislation enacted in the 2004 legislative session reduced the GFS forecast for the 2004-07 biennium by \$287 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. 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. They are expected to grow to \$629.4 million in the 2005-07 biennium. (See part I of Table 3.20)

## Recent Collection Experience

Revenue collected in the four months since the November forecast was \$179.4 million, 4.5 percent, more than expected. This includes \$28.3 million due to special factors that are unrelated to the strength of the economy. Even when excluding special factors, however, the economy generated \$151.1 million (3.8 percent), a lot more revenue than expected. Most of this was due to higher than expected Revenue Act (retail sales, business and occupation, use and public utility tax) receipts and real estate excise tax collections. Revenue Act tax payments exceeded the November forecast by \$86.7 million in the four months since the November forecast and the GFS share of real estate excise tax collections were \$60.2 million more than expected. The red-hot real estate market and accelerating consumer and business spending were the primary reasons for the much stronger than expected collections in the last four months. The November forecast assumed that mortgage rates would start to increase in the fourth quarter; they did not. Fourth quarter taxable real estate excise activity increased at an annual rate of 39.7 percent, up from 13.8 percent in the third quarter. Lower than expected interest rates boosted consumer and business spending as well. Revenue Act taxes were 9.5 percent above the year-ago level in the four months (October 2004

Table 3.3  
**Collection Variance of Major General Fund-State Taxes by Agency**  
 November 11 - March 10, 2005  
 Based on the November 2004 Forecast (Millions of Dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>	<u>Adjusted</u>	
			<u>Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act <sup>1</sup>	\$102.6	4.5%	\$86.7	3.8%
Non Revenue Act <sup>2</sup>	\$76.6	17.9%	\$64.2	15.0%
Subtotal	<u>\$179.2</u>	<u>4.5%</u>	<u>\$150.9</u>	<u>3.8%</u>
Department of Licensing <sup>2</sup>	\$0.2	9.3%	\$0.2	9.3%
Other	na	na	na	na
<b>Total***</b>	<b>\$179.4</b>	<b>4.5%</b>	<b>\$151.1</b>	<b>3.8%</b>

<sup>1</sup> Revenue Act taxes consist of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections November 11, 2004 through March 10, 2005.

<sup>2</sup> Variance based on November 2004 through February 2005 collections. Major Non Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.

\* Collection variance: actual tax payments compared to monthly estimates based on the November 2004 forecast.

\*\* Variance adjusted for special factors (e.g. unusually large refunds & audit payments).

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

through January 2005 business activity). Growth improved from 6.2 percent in the third quarter and 5.2 percent in the second quarter. Year-over-year revenue growth was an exceptionally strong 14.6 percent in January. January's increase was the best gain since December 1997.

A lot of the strength in Revenue Act collections is related to the strong real estate market. Industry detail for the most recent month (January 2005 activity) based on preliminary data of tax payments of more than 12,000 mostly large taxpayers who filed electronically show an overall increase of 10.3 percent. However, in construction and housing related sectors (building materials, hardware, furniture/home furnishings and electronics and appliances) tax payments increased an amazing 17.1 percent, while growing 8.8 percent in other sectors. While the strength in construction and housing related sectors is not sustainable and may fall off quickly when mortgage rates start to rise, it has helped produce strong revenue growth and much more revenue than expected in recent months. The preliminary January data show that tax payments of businesses in the retail trade and food services sector were up a strong 8.4 percent from the year-ago level. Non-retailers reported an even better, 11.9 percent, increase. Last month tax payments by retailers increased 8.0 percent while non-retailers reported an 8.8 percent gain. For the current month all three-digit retail NAICS sectors reported an increase in tax payments. Five of twelve three digit retail NACIS sectors reported double-digit gains with the strongest growth reported by building material/garden equipment retailers (+22.2 percent), furniture and home furnishings retailers (+12.3 percent) and electronics and appliance retailers (+12.6 percent). Tax payment growth in other retail trade sectors ranged from an 11.7 percent increase reported by general merchandise stores to a 1.2 percent increase reported by motor vehicle and parts retailers. The year-over-year changes in tax payments reported by business in non-retail NAICS sectors were mostly positive. Sectors reporting increases include the construction sector (+19.9 percent), the information sector (+17.6 percent), the wholesale trade sector (+13.3 percent) and the management, education and health sector (+11.6 percent). Only the arts, entertainment and recreation sector reported a decline in tax payments (-9.4 percent).

Very low mortgage rates and rising housing prices continue to produce a very strong real estate market. Real estate activity based on closings in January 2005 was up 54.4 percent from a year-ago. Last month activity was up 47.1 percent and it was up 56.1 percent two months ago. While the majority of the increase continues to reflect higher prices, the increase in the number of transactions was more than twenty percent two of the past three months. The value per transaction increased 27.6 percent last month and 40.2 percent two months ago. The value per transaction increased 22.2 percent in calendar 2004 (the largest calendar year increase since 1989 while the number of transactions grew only 3.7 percent; (the weakest calendar year increase since 2000).

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$180,000 (9.3 percent) above the estimate in the four months since the November forecast. During this period, Department of Licensing General Fund collections were 2.1 percent above the year-ago level.

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

The March 2005 forecast for the 2003-05 biennium (July 1, 2003 to June 30, 2005) assumes the economy will continue to improve and will generate modest revenue growth. Nationally, the pace of the recovery is similar to what was expected in November. Output as measured by real GDP growth increased 4.4 percent in fiscal 2004, the first year of the biennium. This was up from just 2.3 percent in fiscal 2003 and was the best growth since fiscal 2000. Growth is expected to decelerate a little in fiscal 2005. In

the current economic forecast, real GDP is expected to increase 3.7 percent, a little slower than assumed in November. At the state level the outlook for state personal income growth has improved since November. Personal income increased 4.0 percent in fiscal 2004, nearly double the 2.2 percent gain in fiscal 2003. Income growth is expected to accelerate further to 6.1 percent in fiscal 2005 (excluding the impact of the special Microsoft dividend payment to corporate insiders). The growth of General Fund-State revenue also accelerated in fiscal 2004. It increased 5.9 percent, more than double the 2.3 percent increase in fiscal 2003 and faster than state personal income. With less than six months to go, GFS revenue is expected to grow 5.2 percent in fiscal 2005, a little slower than in fiscal 2004. The slower growth in fiscal 2005, however, is primarily due to special factors: an accelerating of property tax diversion from the General Fund to the Student Achievement account and the abolition of the estate tax due to a recent Supreme Court decision, not economic fundamentals. Spending and revenue growth was especially strong in the fourth quarter of 2004 due to a red-hot real estate market and strong consumer and business spending. Although there is no direct evidence of it, spending in the fourth quarter was likely helped by the special Microsoft dividend payment in December. Strong fundamentals were the primary reason for the acceleration of spending in the last four months (October 2004- January 2005 activity). Spending was supported by steady job and income growth, low interest rates and rising home prices that continued to stimulate spending through mortgage refinancing cash-outs. Spending will be helped further by the change to Federal tax law allowing Washingtonians to deduct sales tax on their federal income tax return. Although rising gas prices have not yet affected spending, eventually higher fuel prices and rising interest rates are expected to slow revenue growth a bit. For the biennium as a whole, the 2003-05 budget period will clearly outperform last biennium. State nominal personal income is expected to increase 8.3 percent in the 2003-05 biennium (adjusted for the special Microsoft dividend to corporate insiders), up from 5.8 percent in the 2001-03 biennium. However, wage and salary employment growth is expected to increase only 1.5 percent in the 2003-05 biennium. Though much better than the 1.5 percent decline experienced in the 2001-03 biennium, this is still the weakest biennium employment growth since the 81-83 biennium. The March forecast

Biennium	Current Dollars	Percent Change	Cash Basis	
			2000 Chained Dollars	Percent Change
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,395.4	-4.1%
2003-05 <sup>F</sup>	23,230.9	9.9%	21,581.5	5.8%
2005-07 <sup>F</sup>	24,885.3	7.1%	22,355.1	3.6%

<sup>F</sup>: March 2005 Forecast  
\*Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes.  
Source: Department of Revenue, the Office of Financial Management and the Office of the Forecast Council's March 2005 forecast.

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

<b>Fiscal Year</b>	<b>Amount</b>	<b>Percent Change</b>
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005 <sup>F</sup>	96,133	6.6%
2006 <sup>F</sup>	100,698	4.7%
2007 <sup>F</sup>	105,872	5.1%

<sup>F</sup> Forecast.

\* Actual Base. Includes statutory and administrative changes to the tax base. Historical fiscal year data are from quarterly taxable sales reported by taxpayers on the state's Combined Excise tax return. 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, 2006 and 2007 affected by 2004 legislative changes.

expects GFS revenue to improve along with the economy. GFS revenue in the 2003-05 biennium is expected to total \$23,230.9 million. This is \$2.1 billion (9.9 percent) more than in the 2001-03 biennium. Adjusting for major legislative changes, GFS revenue is expected to grow 9.7 percent. This is a vast improvement from the 2001-03 biennium in which GFS revenue fell \$121 million (0.6 percent.)

The outlook for the 2005-07 biennium continues to improve. The March 2005 forecast for the 2005-07 biennium expects modest economic and revenue growth in the 2005-07 budget period. Both will be little better than assumed in November. Real personal income in Washington is expected to increase 8.5 percent in the 2005-07 biennium, up from 4.3 percent in the 2003-05 period. Employment growth is also expected to improve, increasing 3.9 percent compared to 1.5 percent in the current biennium. Improving employment and income growth will produce a modest improvement in GFS revenue growth in the 2005-07 biennium. The state is expected to collect \$24,885.3 million in GFS receipts in the 2005-07 budget period. This is \$1.7 billion, 7.1 percent, more than in the 2003-05 biennium. Adjusting for tax law changes and the impact of higher I-728 transfers out of the General Fund, revenue is expected to increase 9.1 percent, stronger than assumed in November but due to the slowing of the real estate market in fiscal 2006, abolition of the estate tax and increasing I-728 transfers, not quite as strong as the March outlook for the 2003-05 budget period.

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 84.4 percent of GFS revenue in the 2003-05 biennium and 85.7 percent in the 2005-07 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 79.7 percent in the 1991-93 biennium and from 75 percent twenty-

Chart 3.1  
General Fund-State Revenue

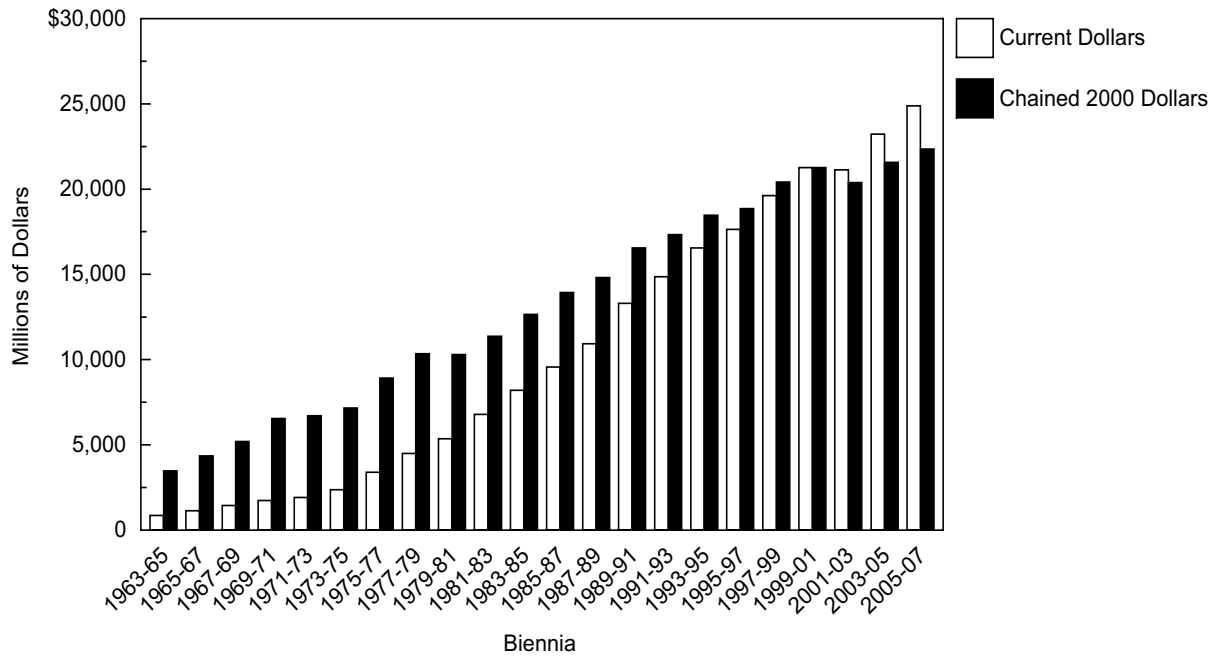


Chart 3.2  
General Fund-State Revenue - Percent Change

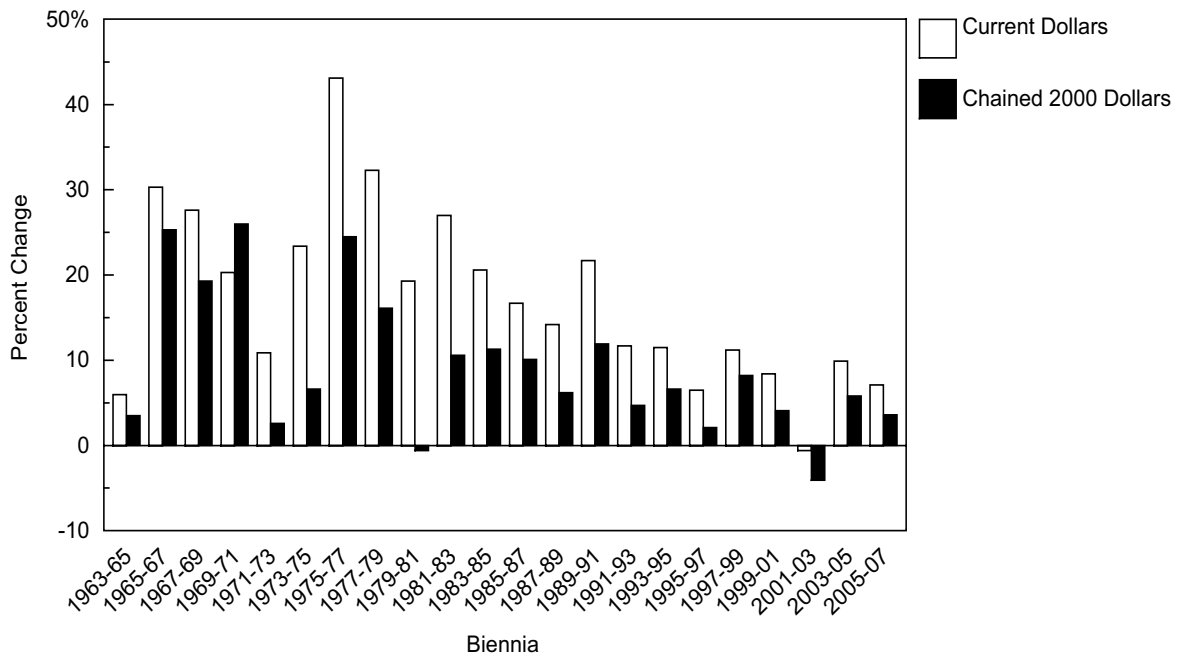


Chart 3.3  
Composition of General Fund-State Revenue

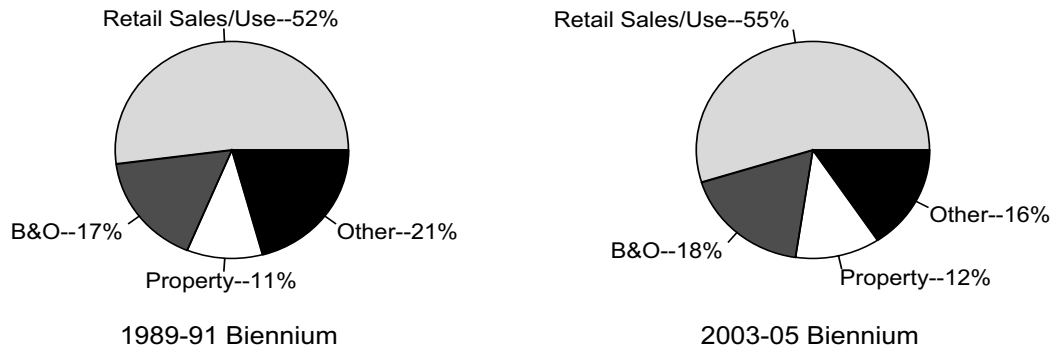
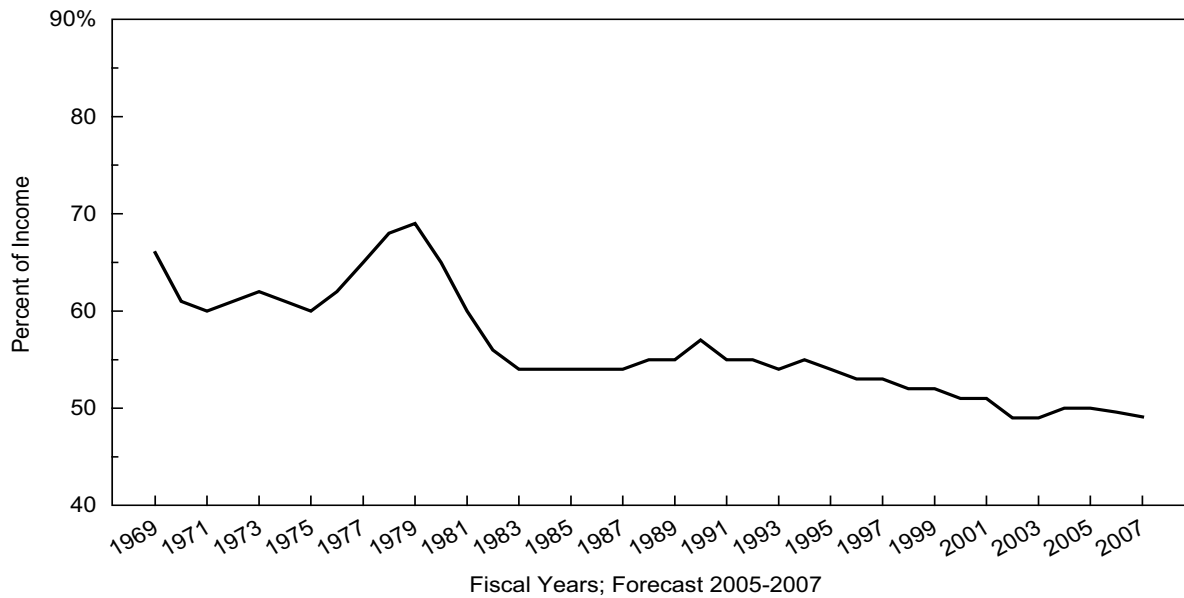


Chart 3.4  
Taxable Sales\* as a Percent of Personal Income



\* Adjusted Base



five years ago. The small reduction in the General Fund's reliance on these three taxes between the 2001-03 and the 2003-05 biennia is primarily due to a surge in real estate excise tax revenue. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax is expected to increase 48.7 percent this biennium compared to 9.9 percent for total GFS revenue. Real estate tax revenue accounted for 4.1 percent of GFS revenue in the 2001-03 biennium (up from just 2.7 percent in the 1991-93 biennium) and it is expected to account for 5.6 percent of GFS revenue in the current biennium.

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, 54.8 percent of total GFS revenue in the 2003-05 biennium and \$14.1 billion, 56.5 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, 17.8 percent of the total in the 2003-05 biennium and \$4.6 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 March forecast expects property tax to produce \$2.7 billion in the 2003-05 biennium, 11.8 percent of total GFS revenue and \$2.6 billion, 10.5 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 3.20, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$24,679.9 million in the third quarter of 2004, the most recent quarter available. This was 5.9 percent higher than a year-ago. Taxable sales increase 6.0 percent in the second quarter of 2004 and 6.1 percent in the first quarter. Taxable sales have now increased on a year-over-year basis for nine consecutive quarters after having fallen or remained unchanged for five straight quarters during the recession. The increase in the third quarter of 2004 was again better than personal income but weaker than retail sales nationally. U.S. retail and food service sales have been very strong. In the third quarter of 2004, U.S. retail sales were 6.5 percent above the year ago level, a little weaker than the 7.8 percent increase in the second quarter. The Global Insight forecast assumes that consumer spending accelerated in the fourth quarter. The year-over-year increase of U.S. retail sales in the fourth quarter of 2004 is assumed to be 8.2 percent. The March 2005 forecast assumes that taxable sales in Washington were also very strong in the fourth quarter. Fourth quarter taxable sales are assumed to have increased 8.1 percent from the year-ago level.

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC) basis to the North American Industry Classification System (NAICS) making historical comparisons by sector easier and more meaningful. Preliminary analysis of the growth of taxable sales in the third quarter of 2004 by NAICS sector shows the retail trade sector, which accounted for about 45 percent of all taxable sales in the third quarter, was 5.2 percent above the year-ago level. Last quarter taxable sales in the retail trade sector increased 5.5 percent. Within retailing, Electronics and appliance stores reported the largest year-over-year gain in the third quarter, 16.8 percent. Building materials and garden supply retailers (+12.4 percent) and furniture and home furnishing stores (+12.7 percent) also reported strong gains. Only food and beverage stores reported a decline (-2.3 percent) in taxable sales in the third quarter. Taxable sales of auto dealers, the largest retail trade sector accounting for 12.5 percent of taxable sales in the third quarter were only 1.5 percent above the year-ago level. This follows a 0.2 percent increase last quarter.

Taxable sales reported by non-retailing sectors were 6.5 percent higher than a year-ago in the third quarter of 2004. This follows a (revised) 6.4 percent increase last quarter and was the best year-over-year

increase since the first quarter of 2001. The year-over-year change in the third quarter varied widely among non-retail trade sectors. Taxable sales reported by the construction sector, which accounted for 18.1 percent of all taxable sales in the third quarter of 2004, was very strong, 13.3 percent higher than a year ago. Last quarter this sector was also up 13.3 percent. Taxable sales reported by the service sector, which accounted for 17.8 percent of all taxable sales in the third quarter, were 3.4 percent higher than a year-ago. Last quarter this sector reported a 5.3 percent increase. Taxable sales of the manufacturing sector increased 7.5 percent. The wholesale trade sector reported an 8.8 percent year-over-year increase in the third quarter. Non-retail trade sectors reporting declines of taxable sales include the finance/insurance sector (-15.2 percent), the rental and leasing sector (-1.8 percent) and professional/scientific/technical services (-7.8 percent).

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 4.9 percent higher than a year ago in the third quarter of 2004. Taxable sales increased 7.4 percent in the rest of the state. Taxable sales in King County were 4.7 percent higher than a year-ago for the quarter. This is the fifth straight quarterly increase in King County. Prior to the third quarter of 2003, King County taxable sales had declined or remained unchanged eight of the previous nine quarters. Taxable sales growth in King County, while improving, continues to lag the statewide average. King County taxable sales growth has been below the statewide average for fifteen consecutive quarters. Taxable sales in Snohomish County increased 5.5 percent in the third quarter of 2004 and Pierce County reported a 5.1 percent increase. Taxable sales in Spokane County were 5.4 percent above the year-ago level.

Statewide taxable sales increased 4.6 percent in fiscal 2004. This is a significant improvement over the last three years. Taxable sales increased only 2.8 percent in fiscal 2001, declined 1.4 percent in fiscal 2002 and grew only 2.1 percent in fiscal 2003. The March 2005 forecast expects significant improvement in fiscal 2005 with taxable sales expected to increase 6.6 percent. Taxable sales are expected to grow moderately in the 2005-07 biennium. The forecast assumes taxable sales will increase 4.7 percent in fiscal 2006 and 5.1 percent in fiscal 2007.

## **Forecast Change for the 2003-05 and the 2005-07 Biennia**

The March 2005 forecast expects \$221.7 million more GFS revenue than assumed in November for the 2003-05 and 2005-07 biennia. This includes \$739.4 million more revenue due to better economic conditions and \$517.1 million less revenue due to the impact of two recent State Supreme Court decision. The March 2005 forecast of GFS revenue for the two year budget cycle ending June 30, 2005 is \$58.2 million (0.3 percent) higher than in November. The change includes \$301.1 million more revenue due to stronger than expected economic activity, including \$179.4 million of higher than expected collections in the last four months, and \$242.9 million less revenue due to the State Supreme Court rulings that invalidate the estate tax and lowers the B&O tax rate on certain meat products.

The March 2005 forecast for the 2005-07 biennium is also higher than in November. The March 2005 GFS forecast for the 2005-07 biennium totals \$24,885.3 million, \$163.5 million (0.7 percent) more than in November. A little stronger economic growth than assumed in November is expected to produce \$438.3 million more revenue for the 2005-07 biennium. However, this is partially offset by two recent State Supreme Court decisions which lower revenue for the 2005-07 biennium by \$274.8 million.

Table 3.6 summarizes the changes to the March 2005 cash forecast by type of change. Tables 3.7 and 3.8 summarize March changes to GFS revenue for the 2003-05 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the changes to GFS revenue forecast for the 2005-07 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue

source (cash basis). Table 3.12 provides a fiscal year summary of GFS cash receipts. Below is a summary of non-economic changes in March and the change to the forecast by agency.

### **Non-Economic Changes**

The Washington State Supreme Court handed down two rulings since the last forecast in November 2004 that significantly affected GFS revenue. These rulings are expected to reduce GFS revenue by a total of \$517.7 million; \$242.9 million in the 2003-05 biennium and \$274.8 million in the 2005-07 biennium.

In the first decision, *AgriLink vs. the Department of Revenue*, the Court ruling extended the preferential B&O tax rate (.001380) for meat processors to include perishable meat products e.g. canned meat products. Prior to the ruling perishable products were taxed at the manufacturing B&O tax rate of .004840. This decision will result in refunds to several meat processors by June of 2005 and will reduce GFS revenue in the 2003-05 biennium by \$38.6 million. The lower B&O tax rate on processing of perishable meat products is expected reduce B&O revenue in the 2005-07 biennium by \$22.7 million.

The second court case with significant GFS impact was *Hemphill vs. Washington State Department of Revenue*. The State Supreme Court ruled that the Washington State estate tax had to conform to the 2001 federal phase out of the federal estate tax. This results in the effective abolition of the tax for decedents dying after December 31, 2004 when the federal credit for the state tax ends. It also results in partial refunds of estate tax payments made for decedents who died in calendar 2002 to 2004. This ruling is expected to reduce GFS revenue by \$204.3 million in the 2003-05 biennium. This includes the impact of refunds made to estates for overpayments in calendar 2002 to 2004. The elimination of the estate tax is expected to reduce GFS revenue by \$252.2 million in the 2005-07 biennium.

### **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 March 2005 forecast of GFS revenue sources administered and collected by the Department of Revenue is \$205.0 million higher than in November. The forecast for the 2003-05 biennium is \$55.7 higher and the forecast for the 2005-07 biennium is \$149.3 million higher. The change is comprised of a \$722.7 million increase due to a stronger economy and a \$517.7 million reduction due to the State Supreme Court decision that invalidated the estate tax and reduced the business and occupation tax rate on meat products. The impact of these decisions reduce the Department of Revenue forecast by \$242.9 in the 2003-05 biennium and by \$274.8 million in the 2005-07 biennium. The majority of the increase to the forecast this biennium (\$179.2 million) reflects actual collections experience in the four months since the November forecast. The increase for the remainder of the biennium reflects the assumption that revenue growth in the last four months of the biennium will be a little stronger than assumed in November, although not nearly as strong growth as growth experienced in the last four months. The March 2005 forecast expects both the real estate market and consumer spending to slow next biennium. Fiscal 2005 is expected to be the best year for real estate activity since 1989. Due to higher mortgage rates, real estate activity is expected to weaken in fiscal 2006 then recover again in fiscal 2007. Although income and job growth will remain healthy, lack of fiscal and monetary stimulus that boosted consumer spending in fiscal 2004 and 2005, along with higher energy costs are expected to slow consumer spending a bit in the 2005-07 biennium. The March forecast for the 2005-07 biennium assumes that growth will be similar to the November forecast but that higher fiscal 2005 collections will result in more revenue in fiscal 2006 and 2007 than assumed in November.

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

		<b>March 2005</b>
<b><u>2003-05 Biennium</u></b>		
<b><i>Collection Experience in the 2003-05 Biennium</i></b>		<b>\$179.4</b>
Department of Revenue <sup>1</sup>	179.2	
Other agencies <sup>2</sup>	0.2	
<b><i>Forecast Change for the 2003-05 Biennium</i></b>		<b>\$121.6</b>
Department of Revenue	119.4	
Other agencies	2.3	
<b><i>Non-Economic Change for the 2003-05 Biennium<sup>3</sup></i></b>		<b>(\$242.9)</b>
Department of Revenue	(242.9)	
Other agencies	0.0	
<b>Total Change: 2003-05 Biennium*</b>		<b>\$58.2</b>
<b><u>2005-07 Biennium</u></b>		
<b><i>Forecast Change for the 2005-07 Biennium</i></b>		<b>438.3</b>
Department of Revenue	424.1	
Other agencies	14.2	
<b><i>Non-Economic Change for the 2003-05 Biennium<sup>3</sup></i></b>		<b>(274.8)</b>
Department of Revenue	(274.8)	
Other agencies	0.0	
<b>Total Change: 2003-05 Biennium</b>		<b>\$163.5</b>
<b>Total Change: Both Biennia*</b>		<b>\$221.7</b>

<sup>1</sup> Variance based on collections November 11 -March 10, 2005; retail sales, b&O, use & public utility taxes.

<sup>2</sup> Variance based on collections in November 2004 through February 2005.

<sup>3</sup> Impact of two state Supreme Court decisions: invalidating the estate tax and reducing the b&O rate rate on certain meat products.

\* Detail may not add due to rounding.

Major changes to the Department of Revenue GFS forecast in March 2005 include a \$215.7.1 million increase to the sales tax forecast, a \$212.0 million increase to the real estate excise tax forecast, a \$94.3 million increase to the business and occupation tax forecast, a \$49.2 million increase to the use tax forecast and a \$39.2 million increase to the public utility tax forecast. These increases to the forecast are the combined total for the 2003-05 and the 2005-07 biennia and reflect a combination of actual collection experience and an improvement in the economic outlook. The only major reduction to the forecast in March 2005 was a \$456.5 million reduction to the estate tax forecast, \$204.3 in the 2003-05 biennium and \$252.2 million in the 2005-07 biennium. The entire reduction was due to the State Supreme Court decision requiring the estate tax to conform to the phase out of the federal estate tax.

Most major tax sources are expected to experience modest growth in the 2003-05 and the 2005-07 biennium. The major exceptions are the portion of the state property tax levy that goes to the General Fund, the GFS portion of the real estate excise tax and, of course, the estate tax. While overall the state levy is expected to increase 6.3 percent in the 2003-05 biennium and 6.2 percent in the 2005-07 biennium, the General Fund portion of the property tax is expected to increase only 4.6 percent in the 2003-05 biennium and decline 4.0 percent in the 2005-07 biennium. This is due to the impact of Initiative 728 which diverts a portion of the state levy from the General Fund to the Student Achievement Account (SAA). The forecast assumes that the share of the state levy going to the SAA (instead of the General Fund) grows from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium and to \$629.4 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 fees. The Department's General Fund-State forecast for the current biennium has been increased \$0.3 million to \$43.8 million, and its forecast for the 2005-07 biennium has been increased \$0.9 million to \$46.2 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 \$2.1 million to \$23.2 million due mainly to a correction of past and expected transfers into the General Fund from the Multimodal Transportation and CTR accounts. The office's forecast for the 2005-07 biennium has been increased \$4.7 million to a negative \$11.8 million due mainly to an increase in the forecasted revenue from the Department of Financial Institutions. The office's negative forecast for the 2005-07 biennium indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies.

### **State Treasurer**

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's General Fund-State forecast for the current biennium has been increased \$4.9 million to \$49.7 million and its forecast for the 2005-07 biennium has been increased \$10.6 million to \$83.6 million. Forecast changes were due primarily to an increase in the forecast of short-term interest rates.

Table 3.7

**Comparison of the General Fund-State Forecast by Agency  
2003-05 Biennium; Cash Basis**

(Millions of Dollars)

<b>Forecast by Agency</b>	<b>Nov. 2004 Forecast<sup>1</sup></b>	<b>Non- Economic Changes<sup>3</sup></b>	<b>Forecast Revision</b>	<b>March 2005 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$11,845.7	0.0	\$74.5	\$11,920.2	\$74.5
Business & Occupation Use	4,123.0	(38.6)	52.1	4,136.4	13.5
Public Utility	792.2	0.0	20.1	812.4	20.1
Liquor Sales/Liter	570.8	0.0	3.7	574.5	3.7
Cigarette	202.2	0.0	0.5	202.7	0.5
Property (State Levy)	105.1		(0.3)	104.8	(0.3)
Real Estate Excise	2,724.0		8.5	2,732.5	8.5
Timber Excise	1,184.8		113.9	1,298.7	113.9
Other	15.6		2.1	17.7	2.1
Subtotal	954.3	(204.3)	23.5	773.5	(180.8)
	22,517.8	(\$242.9)	298.6	22,573.5	55.7
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	43.5		0.3	43.8	0.3
<b>Insurance Commissioner</b>					
Insurance Premiums	444.6		(0.9)	443.8	(0.9)
<b>Liquor Control Board</b>					
Liquor Profits and Fees	88.7		0.3	89.0	0.3
Beer & Wine Surtax	3.7		(0.0)	3.7	(0.0)
<b>Lottery Commission</b>					
Lottery Revenue	4.3		0.0	4.3	0.0
<b>State Treasurer</b>					
Interest Earnings	44.8		4.9	49.7	4.9
<b>Office of Financial Management</b>					
Other	25.3		(2.1)	23.2	(2.1)
<b>Total General Fund-State *</b>	<b>\$23,172.7</b>	<b>(\$242.9)</b>	<b>\$301.1</b>	<b>\$23,230.9</b>	<b>\$58.2</b>

1 General Fund-State forecast for the 2003-05 biennium, adopted November 2004.

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

3 Impact of two State Supreme Court decisions: invalidation of the estate tax and reduction in b&O tax for meat products.

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

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

<b>Forecast by Agency</b>	<b>Nov. 2004 Forecast<sup>1</sup></b>	<b>Non - Economic Changes<sup>3</sup></b>	<b>Forecast Revision</b>	<b>March 2005 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$11,896.2	\$0.0	\$73.9	\$11,970.1	\$73.9
Business & Occupation Use	4,134.2	(38.6)	53.0	4,148.6	14.4
Public Utility	796.7	0.0	20.9	817.7	20.9
Liquor Sales/Liter	570.4	0.0	4.3	574.7	4.3
Cigarette	203.2	0.0	0.5	203.7	0.5
Property (State Levy)	103.3		(0.3)	103.0	(0.3)
Real Estate Excise	2,727.7		8.0	2,735.6	8.0
Timber Excise	1,197.3		119.1	1,316.5	119.1
Other	16.7		2.3	18.9	2.3
Subtotal	959.5	(204.3)	24.9	780.2	(179.4)
	22,605.2	(242.9)	306.7	22,669.0	63.8
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	45.1	0.0	0.3	45.4	0.3
<b>Insurance Commissioner</b>					
Insurance Premiums	444.6		(0.9)	443.8	(0.9)
<b>Liquor Control Board</b>					
Liquor Profits and Fees	88.7		0.3	89.0	0.3
Beer & Wine Surtax	3.7		(0.0)	3.7	(0.0)
<b>Lottery Commission</b>					
Lottery Revenue	4.3		0.0	4.3	0.0
<b>State Treasurer</b>					
Interest Earnings	43.8		5.7	49.4	5.7
<b>Office of Financial Management</b>					
Other	25.7	0.0	(2.4)	23.3	(2.4)
<b>Total General Fund-State *</b>	<b>\$23,261.1</b>	<b>(\$242.9)</b>	<b>\$309.6</b>	<b>\$23,327.8</b>	<b>\$66.7</b>

1 General Fund-State Forecast for the 2003-05 biennium adopted November 2004.

2 Revised General Fund-State Forecast for the 2003-05 biennium adopted March 2005.

3 Impact of two State Supreme Court decisions: invalidation of the estate tax and reduction in b&O tax for meat products.

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

Table 3.9

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

<b>Forecast by Agency</b>	<b>Nov. 2004 Forecast<sup>1</sup></b>	<b>Non- Economic Changes<sup>3</sup></b>	<b>Forecast Revision</b>	<b>March 2005 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$13,024.7		\$141.2	\$13,165.9	\$141.2
Business & Occupation Use	4,562.9	(22.7)	103.5	4,643.7	80.8
Public Utility	865.1		29.1	894.2	29.1
Liquor Sales/Liter	578.2		35.5	613.7	35.5
Cigarette	212.2		1.1	213.4	1.1
Property (State Levy)	96.9		(0.0)	96.8	(0.0)
Real Estate Excise	2,618.6		4.9	2,623.4	4.9
Timber Excise	1,110.8		98.1	1,208.9	98.1
Other	20.9		0.4	21.3	0.4
Subtotal	947.9	(252.1)	10.3	706.1	(241.8)
	24,038.1	(274.8)	424.1	24,187.5	149.3
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	45.3		0.9	46.2	0.9
<b>Insurance Commissioner</b>					
Insurance Premiums	491.4		(1.4)	490.0	(1.4)
<b>Liquor Control Board</b>					
Liquor Profits and Fees	86.7		(0.6)	86.1	(0.6)
Beer & Wine Surtax	3.9		(0.0)	3.9	(0.0)
<b>Lottery Commission</b>					
Lottery Revenue	0.0		0.0	0.0	0.0
<b>State Treasurer</b>					
Interest Earnings	72.9		10.6	83.6	10.6
<b>Office of Financial Management</b>					
Other	(16.5)		4.7	(11.8)	4.7
<b>Total General Fund-State *</b>	<b>\$24,721.8</b>	<b>(\$274.8)</b>	<b>\$438.3</b>	<b>\$24,885.3</b>	<b>\$163.5</b>

1Adopted by the Council in November 2004.

2 Revised estimate; adopted by the Council in March 2005.

3 Impact of two State Supreme Court decisions: invalidation of the estate tax and reduction in b&O tax for meat products.

\*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)

<b>Forecast by Agency</b>	<b>Nov. 2004 Forecast<sup>1</sup></b>	<b>Non - Economic Changes<sup>3</sup></b>	<b>Forecast Revision</b>	<b>March 2005 Forecast<sup>2</sup></b>	<b>Total Change</b>
<b>Department of Revenue</b>					
Retail Sales	\$13,079.7		\$141.1	\$13,220.8	\$141.1
Business & Occupation Use	4,572.5	(22.7)	103.5	4,653.3	80.8
Public Utility	866.1		29.1	895.1	29.1
Liquor Sales/Liter	579.7		35.5	615.2	35.5
Cigarette	212.6		1.1	213.7	1.1
Property (State Levy)	96.9		(0.0)	96.8	(0.0)
Real Estate Excise	2,620.0		4.7	2,624.7	4.7
Timber Excise	1,114.3		98.1	1,212.4	98.1
Other	20.9	(252.1)	0.3	21.3	0.3
Subtotal	948.3	(252.1)	10.2	706.4	(241.9)
	24,110.9	(274.8)	423.7	24,259.8	148.9
<b>Department of Licensing</b>					
Boat excise, licenses, fees & other	46.8		1.0	47.8	1.0
<b>Insurance Commissioner</b>					
Insurance Premiums	491.4		(1.4)	490.0	(1.4)
<b>Liquor Control Board</b>					
Liquor Profits and Fees	86.7		(0.6)	86.1	(0.6)
Beer & Wine Surtax	3.9		(0.0)	3.9	(0.0)
<b>Lottery Commission</b>					
Lottery Revenue	0.0		0.0	0.0	0.0
<b>State Treasurer</b>					
Interest Earnings	74.2		10.2	84.4	10.2
<b>Office of Financial Management</b>					
Other	(15.6)		4.0	(11.6)	4.0
<b>Total General Fund-State *</b>	<b>\$24,798.3</b>	<b>(\$274.8)</b>	<b>\$436.8</b>	<b>\$24,960.3</b>	<b>\$162.0</b>

1Adopted by the Council in November 2004.

2 Revised estimate; adopted by the Council in March 2005.

3 Impact of two State Supreme Court decisions: invalidation of the estate tax and reduction in b&O tax for meat products.

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

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

<b>Forecast by Source</b>	<b>Fiscal 2003<sup>a</sup></b>	<b>Fiscal 2004<sup>a</sup></b>	<b>Fiscal 2005</b>	<b>2003-05 Biennium</b>	<b>Fiscal 2006</b>	<b>Fiscal 2007</b>	<b>2005-07 Biennium</b>
<b>State Taxes</b>							
Retail sales	\$5,551.9	\$5,765.3	\$6,154.9	\$11,920.2	\$6,415.9	\$6,750.1	\$13,165.9
Business & occupation Use	1,876.8	2,006.6	2,129.8	4,136.4	2,254.3	2,389.4	4,643.7
Public Utility	376.6	385.8	426.6	812.4	435.4	458.8	894.2
Liquor sales/liter	259.3	281.2	293.3	574.5	302.6	311.1	613.7
Beer & wine surtax	93.0	99.4	103.4	202.7	105.6	107.8	213.4
Cigarette	1.9	1.8	1.9	3.7	1.9	1.9	3.9
Tobacco products	53.2	54.2	50.7	104.8	49.0	47.8	96.8
Property (state school levy)**	8.8	9.4	10.2	19.6	10.6	11.0	21.6
Public utility district	1,331.6	1,370.5	1,362.0	2,732.5	1,321.9	1,301.5	2,623.4
Real estate excise	37.0	36.6	38.6	75.2	39.3	42.0	81.3
Timber excise	474.0	567.8	730.9	1,298.7	589.7	619.2	1,208.9
Estate/inheritance	8.3	7.9	9.8	17.7	9.8	11.5	21.3
Motor vehicle excise & Rental car	122.5	139.9	(72.7)	67.1	6.9	0.0	6.9
Boat excise	(0.0)	(0.1)	0.0	(0.1)	0.0	0.0	0.0
Insurance premiums	12.1	13.0	13.7	26.6	14.2	14.9	29.1
Other	203.2	217.6	226.2	443.8	238.4	251.6	490.0
<b>Total Taxes</b>	140.6	189.0	206.4	395.4	209.1	213.7	422.8
	10,550.8	11,145.7	11,685.6	22,831.2	12,004.6	12,532.4	24,537.0
<b>State Non-Tax Sources</b>							
Licenses, permits, fees	74.7	75.5	75.0	150.5	77.9	79.5	157.5
Liquor profits & fees	30.9	42.8	46.2	89.0	41.9	44.1	86.1
Earnings on investments	25.6	21.9	27.8	49.7	40.6	43.0	83.6
Lottery transfers	0.0	0.0	4.3	4.3	0.0	0.0	0.0
Other revenue & transfers	7.9	35.4	70.9	106.2	4.3	16.9	21.2
<b>Total Non-Tax</b>	139.1	175.5	224.1	399.7	164.7	183.6	348.3
<b>Total General Fund-State *</b>	\$10,689.9	\$11,321.2	\$11,909.7	\$23,230.9	\$12,169.3	\$12,716.0	\$24,885.3

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.

## **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 decreased \$0.9 million to \$443.8 million and its forecast for the 2005-07 biennium has been decreased \$1.4 million to \$490.0 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 \$0.3 million to \$89.0 million and its forecast of beer and wine surtaxes is unchanged at \$3.7 million. The agency's estimate of excess funds and fees for the 2005-07 biennium has been decreased \$0.6 million to \$86.1 million and its forecast of beer and wine surtaxes is unchanged at \$3.9 million. The forecasted decline of excess funds and fees in the 2005-07 biennium compared to the current biennium is due to the expiration in the current biennium of a \$0.42 per liter surcharge, which expired by law once it had 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. The Commission's General Fund cash forecasts for the current and 2005-07 biennia are unchanged at \$4.3 million and zero dollars respectively. The Commission's forecast of revenues for the School Construction and Student Achievement Funds for the current biennium is unchanged at \$197.4 million, and its forecast of revenues for the School Construction Account for the 2005-07 biennium is unchanged at \$180.0 million.

## **Track Record for the 2003-05 Biennium**

The March 2005 GFS cash receipts forecast for the 2003-05 biennium totals \$23,230.9 million. This is \$58.2 million more than the previous forecast released in November 2004. It is \$441 million (1.9 percent) higher than the February 2002 forecast which was the initial forecast for the biennium. However, legislative changes greatly distort this variance. Excluding the impact of non-economic factors, primarily the impact of 2002, 2003 and 2004 legislation and two recent State Supreme Court decisions, the March 2005 forecast is only \$23 million (0.1 percent) higher than the February 2002 forecast. While the total change to the 2003-05 forecast (excluding non-economic changes) over the last three years is small, the path has not been random. There have been twelve revisions to the forecast for the 2003-05 biennium since February 2002. The first five, made in the aftermath of the last recession, lowered expected revenue (excluding tax law changes). The last seven revisions, including the March 2005 update, have increased the forecast. Since June 2003 the forecast, excluding legislation, has been raised \$830 million, 3.6 percent. Table 3.13 summarizes the changes to the GFS forecast for the 2003-05 biennium since February 2002.

## **Track Record for the 2005-07 Biennium**

The March 2005 GFS cash receipts forecast for the 2005-07 biennium totals \$24,885.3 million. This is \$163.5 million more than the previous forecast released in November 2004. The March 2005 updated

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Table 3.12

**General Fund - State Cash Receipts**

Mach 2005 Forecast by Fiscal Year

(Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
<b>Fiscal Years</b>		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
<b>Forecast</b>		
2005	11,909.7	5.2%
2006	12,169.3	2.2%
2007	12,716.0	4.5%

Table 3.13

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

February 2002 through March 2005

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2002****</b>	<b>\$22,225</b>	<b>\$565</b>				<b>\$22,790</b>
<b>Changes to Forecast</b>						
June 2002	(53)	23	(30)	205 #1	175	22,965
September 2002	(317)	(29)	(346)	80 #2	(265)	22,700
November 2002	(31)	21	(10)		(10)	22,690
March 2003	(216)	(49)	(265)	27 #3	(238)	22,452
June 2003	(148)	(9)	(156)	446 #4	290	22,741
September 2003	17	(3)	15		15	22,756
November 2003	70	(4)	65		65	22,821
February 2004	63	14	76		76	22,897
June 2004	154	31	185	(86) #5	99	22,996
September 2004	104	13	117	(10) #6	106	23,103
November 2004	65	5	70	0	70	23,173
March 2005	299	2	301	(243) #7	58	23,231
<b>Total change***:</b>						
From February 2002	8	15	23	418	441	
Percent change	0.0%	2.7%	0.1%	1.8%	1.9%	

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

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

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

\*\*\*\* First official forecast for the 2003-05 biennium.

#1 Change to the forecast due to 2002 legislation.

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

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

#4 Impact of 2003 legislation on GFS revenue.

#5 Impact of 2004 legislation on GFS revenue.

#6 Revision to fiscal note for High tech incentives.

#7 Impact of two State Supreme Court decisions: invalidation of the estate tax and requiring a lower b&amp;O tax rate on certain meat products.

Table 3.14

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

February 2004 through March 2005

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
<b>February 2004****</b>	<b>\$24,293</b>	<b>\$660</b>				<b>\$24,953</b>
<b>Changes to Forecast</b>						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005						
September 2005						
November 2005						
February 2006						
June 2006						
<b>Total change***:</b>						
From February 2004	456	37	494	(562)	(68)	
Percent change	1.9%	5.7%	2.0%	-2.3%	-0.3%	

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

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

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

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

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

#3 Impact of two State Supreme Court decisions: invalidation of the estate tax and requiring a lower b&amp;O tax rate on certain meat products.

Table 3.15

**March 2005 Forecast**  
**Summary of Non Economic Changes**  
**Millions of Dollars**

	State Supreme Court Decision Invalidation of the Estate Tax (Hemphill)			State Supreme Court Decision Lower B&O rate for Meat Products (Agrilink)			Total Impact
	Refunds	Future Loss	Total	Refunds	Future Loss	Total	
Fiscal 2004							
Fiscal 2005	(156.4)	(47.9)	(204.3)	(38.6)	0.0	(38.6)	(242.9)
03-05 Biennium	(156.4)	(47.9)	(204.3)	(38.6)	0.0	(38.6)	(242.9)
Fiscal 2006	0.0	(120.8)	(120.8)	0.0	(11.1)	(11.1)	(131.9)
Fiscal 2007	0.0	(131.3)	(131.3)	0.0	(11.6)	(11.6)	(142.9)
05-07 Biennium	0.0	(252.1)	(252.1)	0.0	(22.7)	(22.7)	(274.8)
<b>Total both Bienn</b>	<b>(\$156.4)</b>	<b>(\$300.0)</b>	<b>(\$456.4)</b>	<b>(\$38.6)</b>	<b>(\$22.7)</b>	<b>(\$61.3)</b>	<b>(\$517.7)</b>

Table 3.16

**2003-05 Biennium Balance Sheet**  
**Including Enacted 2004 Supplemental Budget**  
**General Fund-State**

Dollars in Millions

	2003-05
<b>RESOURCES</b>	
<b>Beginning Fund Balance</b>	<b>404.6</b>
November 2004 Forecast	23,172.7
Non-Economic Change (Estate and Agrilink)	(242.9)
March 2005 Forecast Update	301.1
<b>Current Revenue Totals</b>	<b>23,230.9</b>
2003 Fund Transfers and Other Adjustments	139.4
Federal Fiscal Relief - Grant	90.2
2004 Supplemental: Money Transfers from Other Funds	62.2
Changes in Reserves and Other Adjustments	154.6
<b>Total Resources (Includes Fund Balance)</b>	<b>24,081.8</b>
<b>APPROPRIATIONS AND SPENDING ESTIMATES</b>	
<b>Biennial Appropriation</b>	<b>23,081.4</b>
2004 Supplemental Appropriations	145.5
Governor's Vetoes/Lapsed Appropriations	19.2
<b>Spending Level</b>	<b>23,246.2</b>
<b>UNRESTRICTED GENERAL FUND BALANCE</b>	
<b>Projected Ending Fund Balance</b>	<b>835.6</b>



Table 3.17

**March 2005 Baseline Forecast by Agency**  
**Comparison of Cash and GAAP Basis**  
(Millions of dollars)

Agency	2001-03 Biennium			2003-05 Biennium			2005-07 Biennium		
	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.	Cash Basis <sup>1</sup>	GAAP Basis <sup>2</sup>	Diff.
<b>General Fund - State Cash/Revenue Sources</b>									
Department of Revenue <sup>3</sup>	\$20,516.6	\$20,570.8	\$54.2	\$22,424.2	\$22,514.0	\$89.8	\$24,087.3	\$24,159.6	\$72.4
Department of Licensing	42.6	44.1	1.6	43.8	45.4	1.6	46.2	47.8	1.6
Insurance Commissioner <sup>4</sup>	397.3	397.0	(0.3)	458.1	458.1	0.0	505.8	505.8	0.0
State Treasurer	58.2	55.9	(2.4)	49.7	49.4	(0.2)	83.6	84.4	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	204.9	205.0	0.1	190.9	191.1	0.2
<b>Subtotal: General Fund-State Cash/Revenue*</b>	<b>21,175.6</b>	<b>21,229.3</b>	<b>53.6</b>	<b>23,180.7</b>	<b>23,271.9</b>	<b>91.2</b>	<b>24,913.7</b>	<b>24,988.7</b>	<b>75.0</b>
<b>General Fund State - Other Financing Sources<sup>5</sup></b>									
Department of Revenue <sup>6</sup>	75.7	75.5	(6.4)	149.2	155.0	5.7	100.2	100.1	(0.1)
Lottery Commission	0.0	0.0	0.0	4.3	4.3	0.0	0.0	0.0	0.0
Insurance Commissioner <sup>7</sup>	(9.8)	(9.8)	0.0	(14.3)	(14.3)	0.0	(15.8)	(15.8)	0.0
Liquor Control Board	63.5	63.5	0.0	92.7	92.7	0.0	89.9	89.9	0.0
Office of Financial Management									
Other Agencies <sup>8</sup>	(164.5)	(166.3)	(1.8)	(181.7)	(181.7)	0.0	(202.7)	(202.7)	0.0
<b>Subtotal: GFS Other Financing Sources</b>	<b>(35.0)</b>	<b>(37.0)</b>	<b>(8.2)</b>	<b>50.2</b>	<b>55.9</b>	<b>5.7</b>	<b>(28.3)</b>	<b>(28.4)</b>	<b>(0.1)</b>
<b>Total Available Receipts/Resources</b>									
<b>General Fund-State *</b>	<b>\$21,140.7</b>	<b>\$21,192.3</b>	<b>\$51.6</b>	<b>\$23,230.9</b>	<b>\$23,327.8</b>	<b>\$96.9</b>	<b>\$24,885.3</b>	<b>\$24,960.3</b>	<b>\$75.0</b>

\* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

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

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

Table 3.18  
**March 2005 Alternative Forecasts Compared to the Baseline Forecast**  
**2003-05 Biennium**  
(Millions of dollars)

<b>Forecast by Source</b>	<b>Optimistic Forecast</b>	<b>Baseline Forecast</b>	<b>Pessimistic Forecast</b>
<b><i>Department of Revenue</i></b>			
Retail Sales	\$11,969.8	\$11,920.2	\$11,872.2
Business & Occupation Use	4,150.7	4,136.4	4,121.9
Public Utility	814.9	812.4	809.9
Property (school levy)	575.4	574.5	573.4
Real Estate Excise	2,743.4	2,732.5	2,718.9
Other	1,302.8	1,298.7	1,293.3
Subtotal	1,116.6	1,098.8	1,080.4
	22,673.6	22,573.5	22,470.0
<b><i>Department of Licensing</i></b>	44.5	43.8	43.1
<b><i>Insurance Commissioner<sup>1</sup></i></b>	449.4	443.8	438.1
<b><i>Lottery Commission</i></b>	4.3	4.3	4.3
<b><i>State Treasurer - Interest earnings</i></b>	58.3	49.7	44.4
<b><i>Liquor Profits &amp; Fees<sup>2</sup></i></b>	93.7	92.7	91.8
<b><i>Office of Financial Management</i></b>			
Other agencies	28.7	23.2	17.7
<b>Total General Fund - State*</b>	<b>\$23,352.4</b>	<b>\$23,230.9</b>	<b>\$23,109.4</b>
<b>Difference from March 2005 Baseline</b>	<b>\$121.5</b>		<b>(\$121.5)</b>

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

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

Table 3.19

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

<b>Forecast by Source</b>	<b>Optimistic Forecast</b>	<b>Baseline Forecast</b>	<b>Pessimistic Forecast</b>
<b>Department of Revenue</b>			
Retail Sales	\$13,759.4	\$13,165.9	\$12,547.8
Business & Occupation Use	4,804.2	4,643.7	4,511.5
Public Utility	933.0	894.2	862.6
Property (school levy)	620.9	613.7	605.9
Real Estate Excise	2,702.1	2,623.4	2,544.7
Other	1,312.4	1,208.9	1,067.6
Subtotal	1,120.7	1,037.6	985.8
	25,252.7	24,187.5	23,126.0
<b>Department of Licensing</b>			
	47.5	46.2	44.8
<b>Insurance Commissioner<sup>1</sup></b>			
	502.3	490.0	477.8
<b>Lottery Commission</b>			
	0.0	0.0	0.0
<b>State Treasurer - Interest earnings</b>			
	133.5	83.6	39.6
<b>Liquor Profits &amp; Fees<sup>2</sup></b>			
	91.7	89.9	88.1
<b>Office of Financial Management</b>			
Other agencies	0.7	(11.8)	(24.3)
<b>Total General Fund - State*</b>	<b>\$26,028.4</b>	<b>\$24,885.3</b>	<b>\$23,752.0</b>
<b>Difference from March 2005 Baseline</b>	<b>\$1,143.1</b>		<b>(\$1,133.4)</b>

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

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

Table 3.20

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

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

	State Levy: <u>Total Receipts</u>	To the <u>General Fund</u>	To the <u>Student Achievement Account</u> <sup>1</sup>
2000	\$1,302.0	1,302.0	
2001	1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,465.5	1,331.6	133.9
2001-03 Biennium	2,880.5	2,613.5	267.0
2004	1,504.7	1,370.5	134.2
2005	1,557.5	1,362.0	195.5
2003-05 Biennium	3,062.3	2,732.5	329.8
2006	1,602.6	1,321.9	280.7
2007	1,650.2	1,301.5	348.7
2005-07 Biennium	3,252.8	2,623.4	629.4

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

	Lottery: <u>Total Transfers</u> **	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center &amp; Stadium</u>	<u>Student Achievement Account</u> <sup>1</sup>	<u>School Construction Account</u> <sup>1</sup>	<u>Transfer to VERDE</u> <sup>2</sup>
1998	117.8	114.6	3.2				
1999	118.6	107.5	3.3	7.8			
1999-01 Biennium	236.3	222.0	6.5	7.8			
2000	101.1	93.3	3.4	4.4			
2001	120.1	110.0	3.6	6.5			
1999-01 Biennium	221.3	203.3	7.0	10.9			
2002	90.2	0.0	3.7	6.7	39.9	39.9	0.0
2003	96.8	0.0	3.9	7.0	64.0	21.4	0.5
2001-03 Biennium	187.0	0.0	7.6	13.8	103.9	61.3	0.5
2004	113.3	0.0	4.0	7.3	76.5	25.5	0.0
2005	111.5	4.3	4.2	7.6	0.0	95.4	0.0
2003-05 Biennium	224.8	4.3	8.2	14.9	76.5	120.9	0.0
2006	105.0	0.0	4.4	7.9	0.0	92.7	0.0
2007	100.0	0.0	4.5	8.2	0.0	87.3	0.0
2005-07 Biennium	205.0	0.0	8.9	16.1	0.0	180.0	0.0

\* Cash Basis

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

<sup>1</sup> 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.

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

is the fourth revision to the GFS revenue forecast for the 2005-07 biennium since the initial forecast in February 2004. Three of the four revisions, including the March 2005 update, have increased the forecast for the 2005-07 biennium excluding legislation and other non-economic factors. The March 2005 forecast for the 2005-07 budget period is now \$68 million less than the initial estimate for the biennium. The reduction is due to 2004 legislation and the impact of the two recent State Supreme Court decisions which together have reduced the forecast by \$562 million. Excluding non-economic changes, the current GFS forecast for the 2005-07 biennium is \$494 million (2.0 percent) higher than the initial February 2004 forecast. Table 3.14 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium.

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

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

Table 3.17 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2001-03 biennium totaled \$21,192.3 million on a GAAP basis, \$51.6 million higher than the \$21,140.7 million cash receipts total. The forecast on a GAAP basis for the 2003-05 biennium is \$23,327.8 million, \$96.9 million more than the \$23,230.9 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$24,960.3 million on a GAAP basis, \$75.0 million more than the \$24,885.3 million cash forecast.

Table 3.16 shows the budgetary balance sheet for the 2003-05 biennium. As of the date of the March 2005 forecast, the projected GFS unrestricted ending balance for the 2003-05 biennium is \$835.6 million. This is \$196.4 million more than assumed in November. The change is due to the higher GFS revenue forecast (\$58.2 million) for the 2003-05 biennium as well as to changes to reserves and other adjustments (\$136.4 million). The projected ending balance is about 3.6 percent of the 2003-05 spending level, excluding any additions to 2003-05 spending levels that could be forthcoming in the form of a supplemental budget for the remainder of 2003-05. The 2003-05 biennium is currently expected to end with a \$835.6 million positive ending balance despite a biennial spending level (\$23,246.2 million) that is greater than biennial revenue (\$23,230.9 million) due to a \$404.6 million beginning balance and \$446.4 million in one-time transfers and adjustments.

## **Alternative Forecast for the 2003-05 Biennium**

The March 2005 baseline forecast expects economic growth will continue for the remainder of the 2003-05 biennium and throughout the 2005-07 biennium. After a very slow start, economic and revenue growth has been improving. Growth was good in fiscal 2004 and is even better half-way through fiscal

2005. Although the baseline forecast assumes growth will continue through at least 2007, it is expected to slow a bit. The revenue implications of stronger as well as weaker economic growth assumptions are contained in two alternative forecasts.

The March 2005 optimistic scenario is based in the belief that the productivity boom that emerged during the 1990's economic expansion will continue. It assumes that faster productivity growth, along with lower energy costs and a stronger dollar will hold down inflation. This will keep interest rates relatively low. With interest rates low, the housing market weakens but does not crash and consumers and businesses are able and willing to continue spending. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 2.2 percent higher than the baseline by the end of the 2003-05 biennium and is 5.8 percent higher by the end of the 2005-07 biennium. State wage and salary employment is 18,600 higher by the last quarter of the 2003-05 biennium and is more than 74,000 higher by the end of the 2005-07 budget period.

In the pessimistic scenario, capacity restraints, higher energy prices, a weak dollar and more than two years of very accommodative monetary policy lead to higher inflation than in the baseline forecast. In the pessimistic scenario, the economy doesn't sink into a recession, but economic growth is much weaker than in the baseline forecast. Higher prices result in cost pressures on businesses to boost productivity. There is less capital spending and weaker job and income growth. Consumers also turn cautions and consumption growth slows. The weak national economy results in weaker job and income growth in the state. In the pessimistic scenario, state personal income is 2.1 percent less than the baseline by the end of the 2003-05 biennium and is 4.6 percent less by the end of the 2005-07 biennium. Wage and salary employment is 16,100 less by the last quarter of the 2003-2005 biennium and is 72,900 less than the baseline by the end of the 2005-07 budget period.

Table 3.18 shows the revenue implications of these alternative scenarios for the 2003-05 biennium. The optimistic scenario generates \$23,352.4 billion, \$121.5 million more than the baseline. The pessimistic alternative produces only \$23,109.4 million GFS revenue in the 2003-05 biennium, \$121.5 million less than the baseline forecast. Table 3.19 summarizes the impact of the alternatives on GFS revenue for the 2005-07 biennium. The optimistic alternative generates \$26,028.4 million for the 2005-07 budget period, \$1,143.1 million more than the baseline. The pessimistic alternative generates \$23,752.0 million next biennium, \$1,133.4 million less than the baseline.

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic indicators made by members of the Governor's Council of Economic Advisors (GCEA). The March 2005 GCEA scenario was based on the forecasts of six members of the Governor's Council of Economic Advisors. The GCEA alternative was close to the March 2005 baseline forecast, producing only \$8 million more GFS revenue than the baseline forecast for the 2003-05 biennium and \$23 million more for the 2005-07 biennium.

## Washington Gross State Product by Industry, 1998-2002

The U.S. Department of Commerce, Bureau of Economic Analysis (BEA) periodically revises and updates its estimates for gross state product (GSP). In December 2004, GSP estimates for the years 1977-2001 were revised and new estimates for 2002 were released. In addition, accelerated “prototype” estimates of total state GSP for 2003 (without industry detail) were released. The revised estimates for 1977-1997 are based on the Standard Industrial Classification (SIC) system, while the estimates for 1998-2002 are based on the North American Industry Classification System (NAICS). Details of the data revisions can be found in the January 2005 edition of the BEA’s *Survey of Current Business*, available on the Bureau’s website ([www.bea.gov](http://www.bea.gov)). Data from this release for years not included in this report are available through the BEA or the Economic and Revenue Forecast Council.

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

Since the presentation of 2001 GSP by industry in the September 2003 edition of this publication, the BEA has redefined and renamed the components of GSP relating to business taxes and property-type income. The “Indirect Business Taxes” component of the 2003 report has been slightly redefined to become “Taxes on Production and Imports”. The redefined component is the sum of Federal excise taxes and customs duties and state and local government sales taxes, property taxes (including residential real estate taxes), motor vehicle licenses, severance taxes, other taxes, and special assessments. It is presented here minus the value of government subsidies. While the property income component was simply indicated as the main component of “Other GSP” in the 2003 report, it is now reported as “Gross Operating Surplus”. This is defined as the sum of corporate profits, proprietors’ income, rental income of persons, net interest, capital consumption allowances, business transfer payments, nontax payments, and the current surplus of government enterprises. The third component, compensation of employees, is the sum of wage and salary accruals, employer contributions for government social insurance, and employer contributions for employee pension and insurance funds. A more detailed description of the components can be found in the *Survey of Current Business* article cited above. The three components less subsidies (which are removed from the tax component in the accompanying tables and charts) sum to total GSP.

Chart 4.1 shows 2003 GSP by state (including the District of Columbia), with California leading all states with \$1.446 trillion and Vermont with the lowest GSP at \$21 billion. Washington ranked 14<sup>th</sup> with \$245 billion, the same rank it has held since 1990. Chart 4.2 represents the industrial composition of Washington gross state product in 2002. Chart 4.3 compares the component shares of Washington GSP in 1977 and 2002. During this period, the GSP shares of compensation and taxes shrank while that of gross operating surplus grew.

Table 4.1 shows Washington GSP and U.S. gross domestic product from 1977 to 2003, and Washington State GSP as a percentage of U.S. total gross domestic product. During most of this time, Washington's average growth rate of GSP was higher than that of the U.S. GDP, which is reflected its growing share of the total. For the last three years reported, however, its share has remained constant. Table 4.2 shows Washington GSP by industry from 1998 to 2002, Table 4.3 details real Washington GSP estimates by industry from 1998 to 2002, and Table 4.4 details the components of GSP by industry in 2002.



**Chart 4.1**  
**2003 Gross State Product**  
 Billions of Dollars

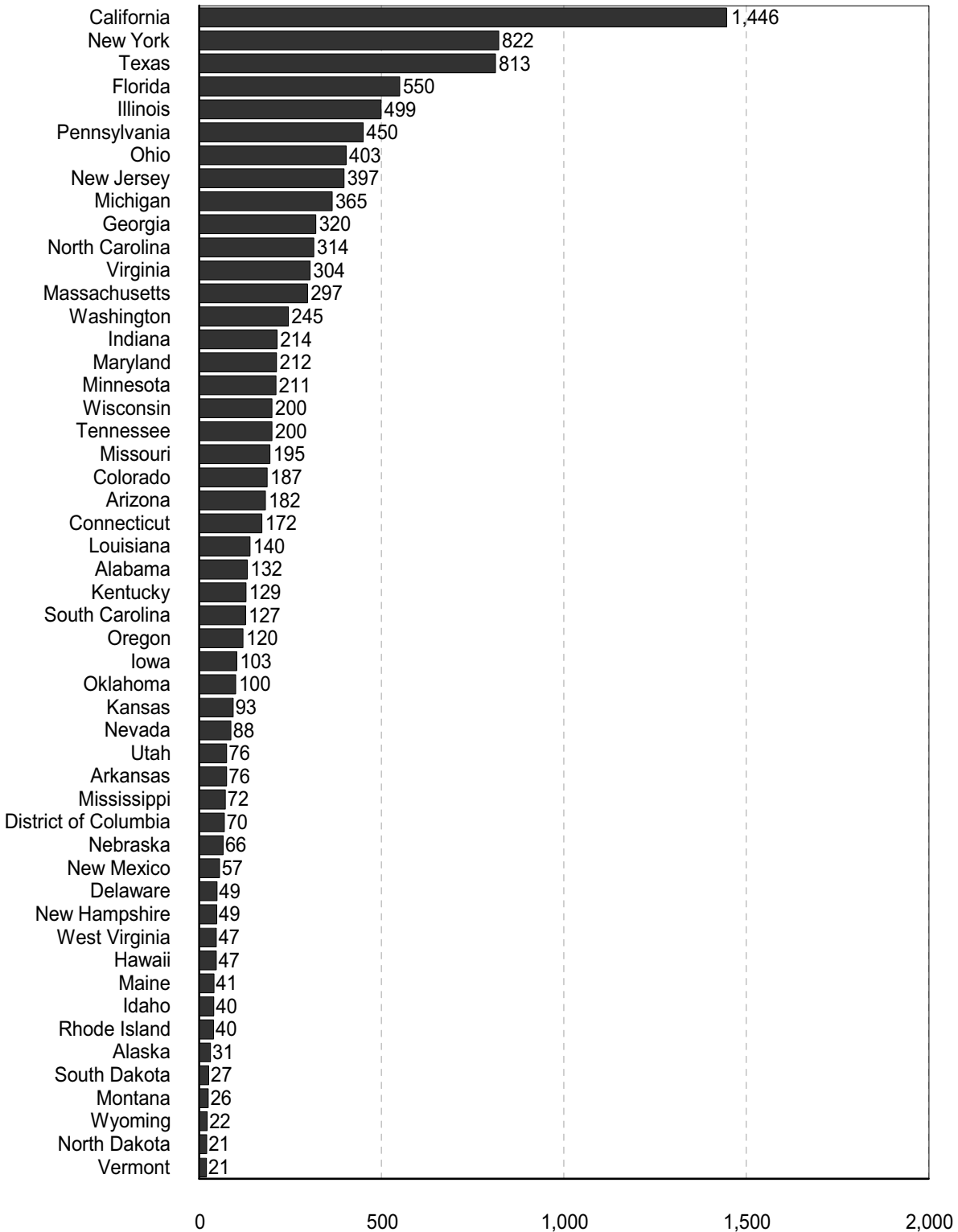


Chart 4.2  
**Washington GSP by Industry, 2002**

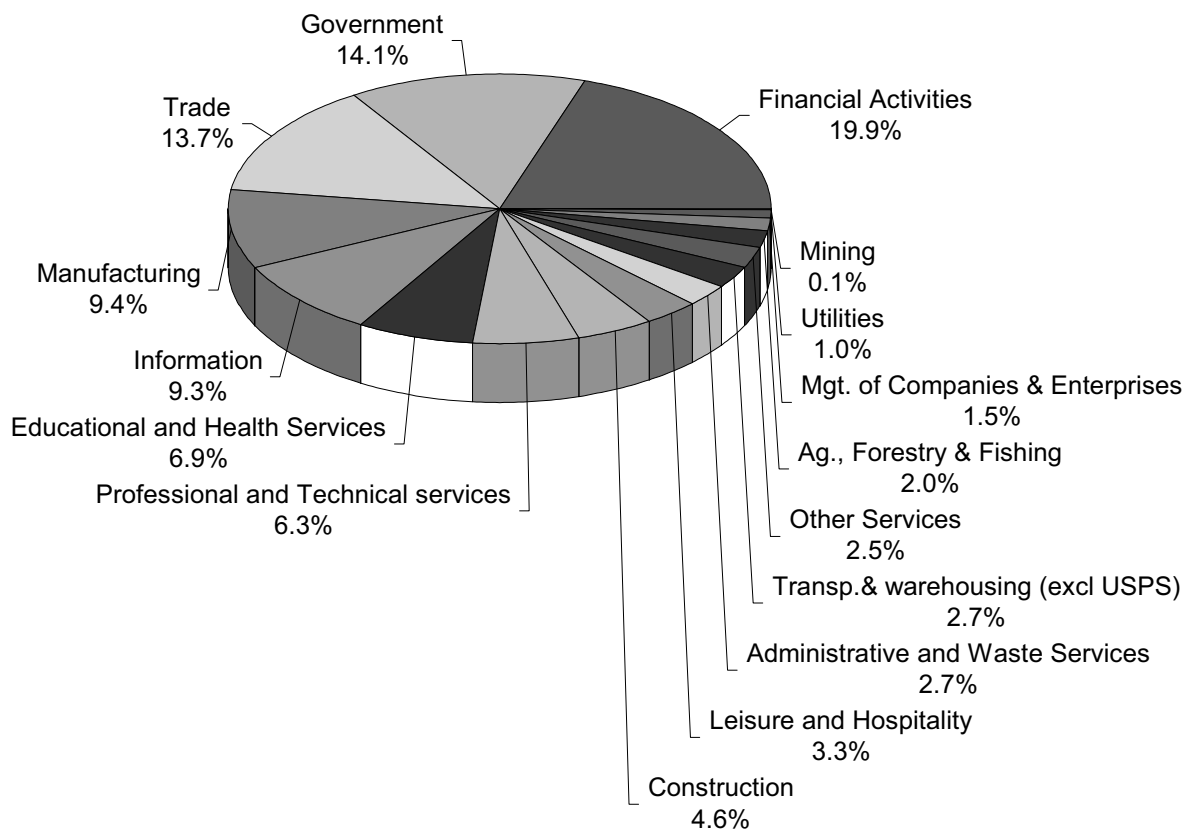


Chart 4.3  
**Washington GSP by Component**  
1977 vs. 2002

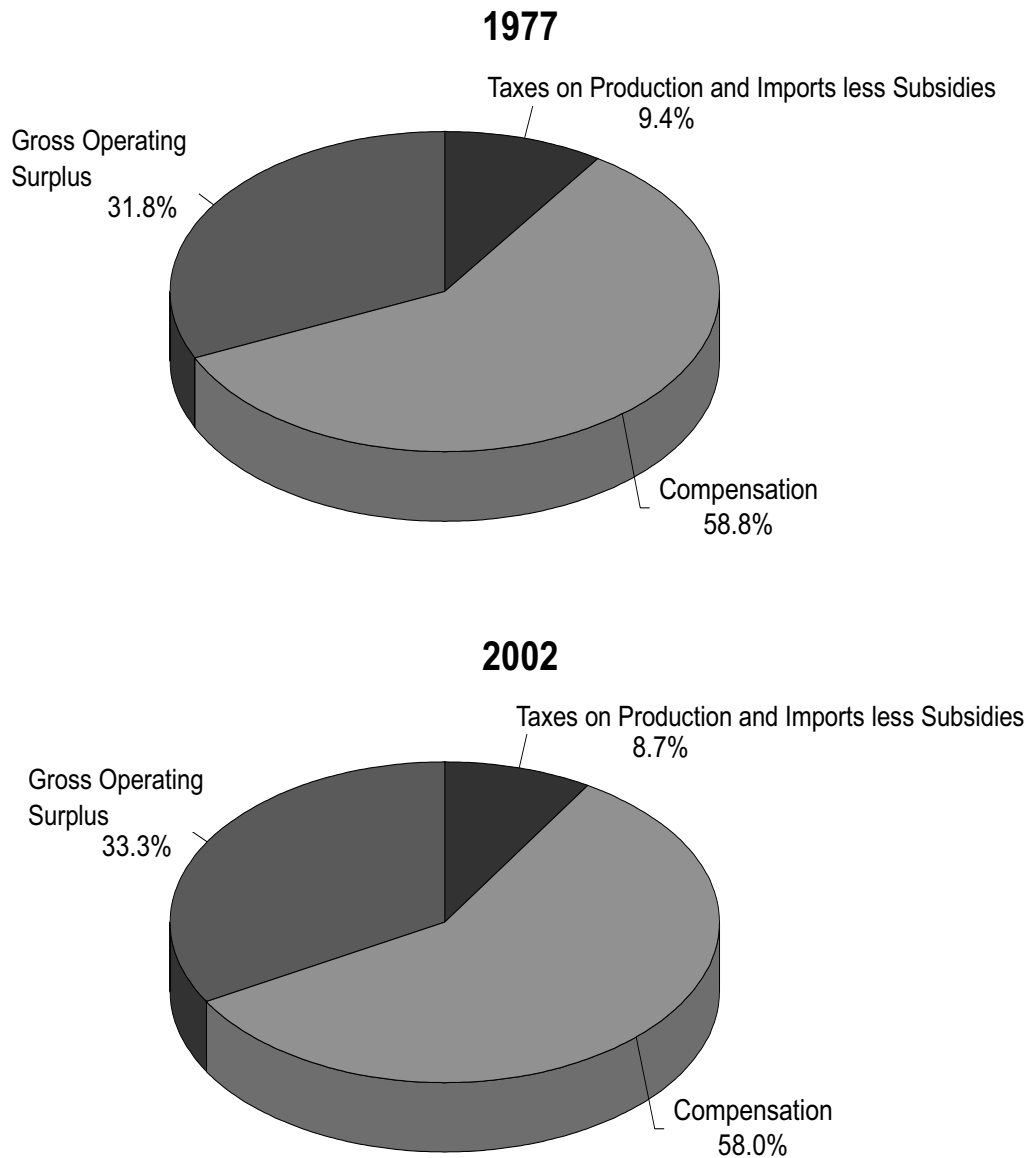


Table 4.1

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

1977 through 2003

	<b>Washington</b>	<b>U.S.</b>	<b>Percent of U.S. Economy</b>
<b>1977</b>	\$36,276	\$1,986,138	1.83%
<b>1978</b>	\$42,229	\$2,243,638	1.88%
<b>1979</b>	\$48,389	\$2,491,428	1.94%
<b>1980</b>	\$52,158	\$2,719,134	1.92%
<b>1981</b>	\$58,003	\$3,064,552	1.89%
<b>1982</b>	\$61,572	\$3,217,617	1.91%
<b>1983</b>	\$66,765	\$3,451,340	1.93%
<b>1984</b>	\$72,596	\$3,872,847	1.87%
<b>1985</b>	\$75,870	\$4,155,029	1.83%
<b>1986</b>	\$81,932	\$4,364,279	1.88%
<b>1987</b>	\$87,712	\$4,663,282	1.88%
<b>1988</b>	\$96,240	\$5,067,453	1.90%
<b>1989</b>	\$105,057	\$5,385,776	1.95%
<b>1990</b>	\$115,650	\$5,674,013	2.04%
<b>1991</b>	\$122,657	\$5,857,335	2.09%
<b>1992</b>	\$131,148	\$6,174,369	2.12%
<b>1993</b>	\$138,834	\$6,453,455	2.15%
<b>1994</b>	\$146,726	\$6,865,513	2.14%
<b>1995</b>	\$151,338	\$7,232,722	2.09%
<b>1996</b>	\$161,760	\$7,659,651	2.11%
<b>1997</b>	\$174,412	\$8,170,994	2.13%
<b>1998</b>	\$194,566	\$8,679,658	2.24%
<b>1999</b>	\$213,803	\$9,201,138	2.32%
<b>2000</b>	\$220,459	\$9,749,105	2.26%
<b>2001</b>	\$224,207	\$10,031,393	2.24%
<b>2002</b>	\$232,940	\$10,407,141	2.24%
<b>2003</b>	\$244,915	\$10,911,103	2.24%

\*Classification codes changed in 1998 from SIC to NAICS

Table 4.2  
**Washington Gross State Product by Industry**  
(Millions of Dollars)

	1998	1999	2000	2001	2002
Total Gross State Product	194,566	213,803	220,459	224,207	232,940
Private industries	167,201	185,547	191,203	193,503	200,006
Agriculture, forestry, fishing, & hunting	4,279	4,205	4,618	4,395	4,664
Crop & animal production (Farms)	2,525	2,215	2,559	2,317	2,548
Forestry, fishing, & related activities	1,754	1,990	2,059	2,078	2,116
Mining	375	393	361	319	321
Oil & gas extraction	(L)	(L)	(L)	(L)	1
Mining, except oil & gas	312	343	321	271	274
Support activities for mining	63	49	40	48	46
Utilities	2,240	2,281	2,298	2,124	2,214
Construction	9,103	10,105	10,607	10,595	10,665
Manufacturing	21,782	22,016	23,360	22,198	21,923
Durable goods	15,458	15,014	16,116	15,999	15,276
Wood product manufacturing	1,030	1,239	1,323	1,353	1,371
Nonmetallic mineral product manufacturing	861	688	766	769	791
Primary metal manufacturing	906	747	842	770	602
Fabricated metal product manufacturing	1,087	1,053	1,160	1,096	1,139
Machinery manufacturing	823	944	998	952	890
Computer & electronic product manuf.	1,737	1,481	2,060	1,848	1,731
Electrical equipment & appliance manuf.	232	400	461	494	513
Motor vehicle, body, trailer, & parts manuf.	378	399	423	345	370
Other transportation equipment manuf.	7,465	6,912	6,944	7,263	6,774
Furniture & related product manuf.	303	350	375	397	383
Miscellaneous manufacturing	636	801	763	713	712
Nondurable goods	6,324	7,002	7,243	6,199	6,647
Food product manufacturing	2,304	2,362	2,390	2,535	2,559
Textile & textile product mills	152	178	170	135	135
Apparel manufacturing	126	111	104	96	100
Paper manufacturing	1,369	1,271	1,411	1,168	1,107
Printing & related support activities	534	608	607	600	574
Petroleum & coal products manuf.	610	640	684	457	369
Chemical manufacturing	684	1,228	1,240	565	1,150
Plastics & rubber products manuf.	543	604	637	642	654
Wholesale trade	12,774	13,391	13,687	13,680	13,864
Retail trade	14,219	15,484	16,236	16,177	18,009
Transportation & warehousing, excl. Postal Service	5,889	6,056	6,344	6,127	6,226
Air transportation	1,216	1,305	1,315	1,025	1,089
Rail transportation	484	469	484	472	466
Water transportation	431	404	434	434	428
Truck transportation	1,502	1,570	1,621	1,680	1,702
Transit & ground passenger transportation	208	214	212	235	246
Pipeline transportation	39	23	19	29	31
Other transportation & support activities	1,678	1,732	1,902	1,885	1,892
Warehousing & storage	330	339	359	367	372

Table 4.2 (cont'd.)	1998	1999	2000	2001	2002
Information	18,741	27,462	23,971	22,148	21,688
Publishing including software	13,692	21,305	15,944	14,658	14,537
Motion picture & sound recording industries	156	198	231	212	184
Broadcasting & telecommunications	4,596	5,301	6,730	6,704	6,439
Information & data processing services	298	659	1,065	574	528
Finance & insurance	9,359	9,559	10,052	11,231	11,715
Federal Reserve banks, credit intermediation	4,219	4,344	4,285	5,095	5,525
Securities, commodity contracts, investment	1,322	1,427	1,644	1,620	1,642
Insurance carriers & related activities	3,597	3,559	3,816	4,208	4,239
Funds, trusts, & other financial vehicles	221	229	307	309	310
Real estate, rental, & leasing	27,363	29,925	31,601	33,094	34,686
Real estate	25,811	28,124	29,513	31,109	32,677
Rental & leasing services	1,552	1,800	2,088	1,985	2,010
Professional & technical services	10,550	11,897	13,316	14,200	14,690
Legal services	1,995	2,214	2,511	2,573	2,651
Computer systems design & related svc,	1,900	2,453	2,988	3,028	2,759
Other prof., scientific & technical svc,	6,655	7,230	7,816	8,599	9,280
Management of companies & enterprises	2,476	2,948	2,953	3,128	3,595
Administrative & waste services	5,108	5,526	5,858	5,997	6,266
Administrative & support services	3,973	4,315	4,470	4,563	4,745
Waste management & remediation services	1,135	1,211	1,389	1,434	1,521
Educational services	935	1,021	1,137	1,202	1,239
Health care & social assistance	11,210	11,998	12,641	13,787	14,935
Ambulatory health care services	6,163	6,644	6,911	7,630	8,333
Hospitals & nursing & residential care facil.	3,946	4,175	4,403	4,737	5,094
Social assistance	1,101	1,180	1,327	1,420	1,509
Arts, entertainment, & recreation	1,313	1,460	1,708	1,801	1,841
Performing arts, museums, & related act.	654	680	755	747	741
Amusements, gambling, & recreation	659	780	953	1,055	1,100
Accommodation & food services	4,938	5,031	5,510	5,618	5,740
Accommodation	1,386	1,451	1,519	1,491	1,527
Food services & drinking places	3,552	3,580	3,991	4,128	4,214
Other services, except government	4,548	4,791	4,946	5,681	5,724
Government	27,365	28,256	29,255	30,705	32,934
Federal civilian	4,783	5,057	5,240	5,317	6,006
Federal military	3,350	3,415	3,597	3,852	4,205
State & local	19,232	19,783	20,418	21,536	22,723

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

	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Total Gross State Product	202,958	218,905	220,459	218,726	222,813
Private industries	173,699	189,611	191,203	189,119	192,330
Agriculture, forestry, fishing, & hunting	3,689	3,972	4,618	4,318	4,827
Crop & animal production (Farms)	1,971	2,025	2,559	2,101	2,514
Forestry, fishing, & related activities	1,709	1,953	2,059	2,244	2,317
Mining	341	384	361	285	287
Oil & gas extraction	(L)	1	(L)	(L)	1
Mining, except oil & gas	283	333	321	257	252
Support activities for mining	59	51	40	29	33
Utilities	2,121	2,204	2,298	1,886	2,002
Construction	10,291	10,770	10,607	9,835	9,483
Manufacturing	21,966	22,235	23,360	21,790	21,671
Durable goods	15,113	14,813	16,116	16,027	15,329
Wood product manufacturing	1,050	1,182	1,323	1,333	1,364
Nonmetallic mineral product manufacturing	898	688	766	772	780
Primary metal manufacturing	841	760	842	810	629
Fabricated metal product manufacturing	1,103	1,039	1,160	1,070	1,104
Machinery manufacturing	841	938	998	924	858
Computer & electronic product manuf.	1,009	1,141	2,060	2,432	2,571
Electrical equipment & appliance manuf.	231	399	461	485	514
Motor vehicle, body, trailer, & parts manuf.	388	396	423	346	387
Other transportation equipment manuf	8,050	7,252	6,944	6,836	6,227
Furniture & related product manuf.	314	356	375	382	359
Miscellaneous manufacturing	642	794	763	688	668
Nondurable goods	6,831	7,443	7,243	5,798	6,340
Food product manufacturing	2,565	2,385	2,390	2,368	2,280
Textile & textile product mills	147	172	170	128	131
Apparel manufacturing	128	109	104	95	101
Paper manufacturing	1,575	1,432	1,411	1,163	1,116
Printing & related support activities	548	612	607	580	551
Petroleum & coal products manuf.	727	956	684	324	461
Chemical manufacturing	668	1,228	1,240	550	1,122
Plastics & rubber products manuf.	533	591	637	621	625
Wholesale trade	13,285	13,772	13,687	14,214	14,256
Retail trade	14,223	15,445	16,236	16,660	17,977
Transportation & warehousing, excl. Postal Service	5,995	6,087	6,344	6,056	6,137
Air transportation	1,127	1,257	1,315	1,161	1,336
Rail transportation	482	471	484	458	435
Water transportation	464	401	434	415	399
Truck transportation	1,585	1,607	1,621	1,579	1,564
Transit & ground passenger transportation	216	219	212	226	230
Pipeline transportation	29	19	19	26	26
Other transportation & support activities	1,755	1,770	1,902	1,829	1,815
Warehousing & storage	344	342	359	357	355

Table 4.3 (cont'd.)

	1998	1999	2000	2001	2002
Information	19,110	27,735	23,971	21,834	21,576
Publishing including software	14,283	21,753	15,944	14,246	14,175
Motion picture & sound recording industries	181	212	231	201	168
Broadcasting & telecommunications	4,346	5,185	6,730	6,852	6,753
Information & data processing services	297	650	1065	555	499
Finance & insurance	9575	9711	10052	11008	11110
Federal Reserve banks, credit intermediation	4645	4631	4285	4886	4970
Securities, commodity contracts, investment	908	1159	1644	1779	1895
Insurance carriers & related activities	3771	3677	3816	4082	3989
Funds, trusts, & other financial vehicles	479	311	307	264	271
Real estate, rental, & leasing	29077	30938	31601	31920	32322
Real estate	27434	29048	29513	29919	30235
Rental & leasing services	1641	1889	2088	1999	2090
Professional & technical services	10943	12100	13316	13643	13950
Legal services	2139	2305	2511	2432	2411
Computer systems design & related svc,	2040	2558	2988	2967	2717
Other prof., scientific & technical svc,	6750	7233	7816	8243	8816
Management of companies & enterprises	2906	3209	2953	3185	3672
Administrative & waste services	5571	5801	5858	5716	6014
Administrative & support services	4435	4601	4470	4295	4565
Waste management & remediation services	1143	1206	1389	1422	1450
Educational services	1045	1082	1137	1124	1091
Health care & social assistance	12010	12440	12641	13084	13669
Ambulatory health care services	6460	6797	6911	7343	7892
Hospitals & nursing & residential care facil.	4341	4398	4403	4402	4444
Social assistance	1213	1245	1327	1342	1347
Arts, entertainment, & recreation	1449	1531	1708	1724	1704
Performing arts, museums, & related act.	744	724	755	708	678
Amusements, gambling, & recreation	708	808	953	1016	1027
Accommodation & food services	5219	5177	5510	5580	5645
Accommodation	1487	1498	1519	1462	1502
Food services & drinking places	3732	3679	3991	4118	4144
Other services, except government	5027	5052	4946	5307	5075
Government	29311	29296	29255	29603	30471
Federal civilian	5218	5296	5240	5181	5538
Federal military	3601	3547	3597	3685	3863
State & local	20490	20453	20418	20736	21070



Table 4.4

**Washington Gross State Product by Component, 2002**

(Millions of Current Dollars)

	<b>Total</b>	<b>Compensation</b>	<b>Taxes on Production and Imports less Subsidies</b>	<b>Gross Operating Surplus</b>
Total Gross State Product	232,940	135,712	19,388	77,840
Private industries	200,006	107,375	19,700	72,931
Agriculture, forestry, fishing, & hunting	4,664	2,379	(117)	2,402
Crop & animal production (Farms)	2,548	1,173	(201)	1,577
Forestry, fishing, & related activities	2,116	1,206	84	826
Mining	321	193	30	98
Oil & gas extraction	1	(D)	(L)	(D)
Mining, except oil & gas	274	174	28	72
Support activities for mining	46	(D)	2	(D)
Utilities	2,214	329	872	1,013
Construction	10,665	8,062	322	2,281
Manufacturing	21,923	18,497	661	2,765
Durable goods	15,276	13,612	327	1,337
Wood product manf.	1,371	830	24	518
Nonmetallic mineral product manf.	791	434	16	342
Primary metal manf.	602	408	28	166
Fabricated metal product manf.	1,139	827	20	292
Machinery manf.	890	690	16	185
Computer & electronic product manuf.	1,731	1,939	52	(260)
Electrical equipment & appliance manuf.	513	221	8	284
Motor vehicle, body, trailer, & parts	370	(D)	9	(D)
Other transportation equipment manuf.	6,774	(D)	133	(D)
Furniture & related product manuf.	383	312	4	66
Miscellaneous manf.	712	596	18	99
Nondurable goods	6,647	4,885	333	1,428
Food product manf.	2,559	1,673	156	729
Textile & textile product mills	135	136	5	(5)
Apparel manf.	100	104	2	(7)
Paper manf.	1,107	912	49	146
Printing & related support activities	574	453	7	113
Petroleum & coal products manuf.	369	234	37	98
Chemical manuf.	1,150	954	61	136
Plastics & rubber products manuf.	654	419	16	219
Wholesale trade	13,864	6,872	4,073	2,919
Retail trade	18,009	9,680	3,961	4,368
Transportation & warehousing, excl. Postal	6,226	4,361	493	1,373
Air transportation	1,089	881	121	87
Rail transportation	466	350	16	100
Water transportation	428	231	35	162
Truck transportation	1,702	1,065	75	562
Transit & ground passenger transportation	246	160	14	72
Pipeline transportation	31	17	7	6
Other transportation & support activities	1,892	1,355	217	320
Warehousing & storage	372	300	8	64

Table 4.4 (cont'd.)

	<b>Total</b>	<b>Compensation</b>	<b>Taxes on Production and Imports less Subsidies</b>	<b>Gross Operating Surplus</b>
Information	21,688	11,254	808	9,625
Publishing including software	14,537	8,359	151	6,027
Motion picture & sound recording ind.	184	96	14	74
Broadcasting & telecommunications	6,439	2,475	614	3,350
Information & data processing services	528	324	29	174
Finance & insurance	11,715	6,640	864	4,211
Federal Reserve banks, credit int.	5,525	(D)	305	(D)
Securities, commodity contracts, inv.	1,642	1,240	137	265
Insurance carriers & related activities	4,239	2,535	410	1,294
Funds, trusts, & other financial vehicle	310	(D)	13	(D)
Real estate, rental, & leasing	34,686	1,716	4,713	28,257
Real estate	32,677	1,268	4,420	26,988
Rental & leasing services	2,010	448	293	1,269
Professional & technical services	14,690	9,710	482	4,498
Legal services	2,651	1,654	119	878
Computer systems design & related svc.	2,759	1,991	85	683
Other prof., scientific & technical svc.	9,280	6,065	279	2,936
Management of companies & enterprises	3,595	2,462	77	1,056
Administrative & waste services	6,266	4,349	352	1,565
Administrative & support services	4,745	3,499	219	1,026
Waste management & remediation svc.	1,521	849	133	539
Educational services	1,239	1,074	27	138
Health care & social assistance	14,935	11,188	462	3,286
Ambulatory health care services	8,333	5,448	177	2,708
Hospitals & nursing & residential care	5,094	4,513	254	328
Social assistance	1,509	1,227	30	251
Arts, entertainment, & recreation	1,841	1,175	134	532
Performing arts, museums, & related act.	741	492	43	205
Amusements, gambling, & recreation	1,100	682	90	327
Accommodation & food services	5,740	3,570	917	1,253
Accommodation	1,527	660	364	502
Food services & drinking places	4,214	2,910	553	750
Other services, except government	5,724	3,864	570	1,291
Government	32,934	28,338	(312)	4,908
Federal civilian	6,006	5,140	0	866
Federal military	4,205	3,673	0	533
State & local	22,723	19,524	(312)	3,510

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

## 2005 Annual Benchmark Revisions to Washington Index of Leading Indicators

The U.S. Index of Leading Indicators, published by The Conference Board (<http://www.conference-board.org>), is designed to predict U.S. economic activity six to nine months in advance. The index is comprised of ten components: (1) average weekly hours of manufacturing workers, (2) average weekly initial claims for state unemployment insurance, (3) manufacturers' new orders for consumer goods and materials, (4) vendor performance with respect to speed of deliveries (slower deliveries diffusion index), (5) manufacturers' new orders for nondefense capital goods, (6) building permits for new private housing units, (7) the prices of 500 common stocks, (8) the money supply measured as M2, (9) the interest rate spread between 10-year Treasury bonds and the federal funds rate, and (10) The Conference Board's Index of Consumer Expectations. These components are statistically weighted and combined into a single index number (details of how the index is computed can be found on The Conference Board's web site).

The Office of the Forecast Council publishes an index of leading indicators for Washington that is constructed in the same way as the national index. The Washington index consists of seven components: (1) the Federal Reserve Bank of Atlanta's overall dollar index (a monthly trade-weighted index which tracks the performance of the U.S. dollar against other currencies), (2) average weekly hours of Washington manufacturing workers, (3) new private housing units authorized in Washington, (4) the Seattle Times help-wanted index, (5) monthly initial claims for Washington's state unemployment insurance, (6) aerospace employment, and (7) the U.S. Index of Leading Indicators. Details of how the Washington index is computed can be found in the Forecast Council's February 2000 publication.

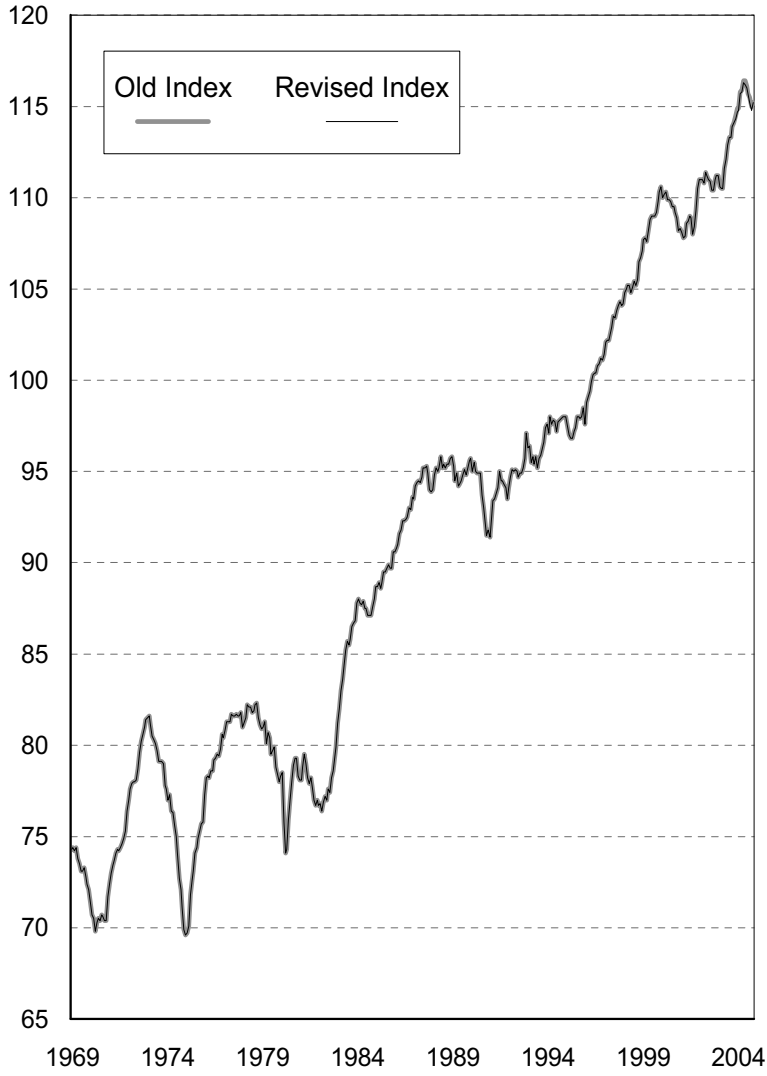
Component data for both the U.S. and Washington indexes are subject to revision. To prevent the revision of the entire history of the indexes when such revisions occur, monthly index updates normally only include revisions to the last six months of data. Revisions not captured in the monthly updates are then included in the index via annual benchmark revisions. In addition to measurement revisions, the benchmark revision includes revisions to the factors used for seasonal adjustment and to the standardization factors that are used to adjust the components in order to equalize their volatility. The 2005 annual benchmark revision of the U.S. Index of Leading Indicators was performed in January and was effective as of the release of the December 2004 index. Details of the U.S. index revision can be found on The Conference Board's web site.

Charts 4.1 and 4.2 show the changes between the indexes based on the 2004 and 2005 benchmarks. As can be seen from the charts, this year's revisions to both the U.S. and Washington indexes are very

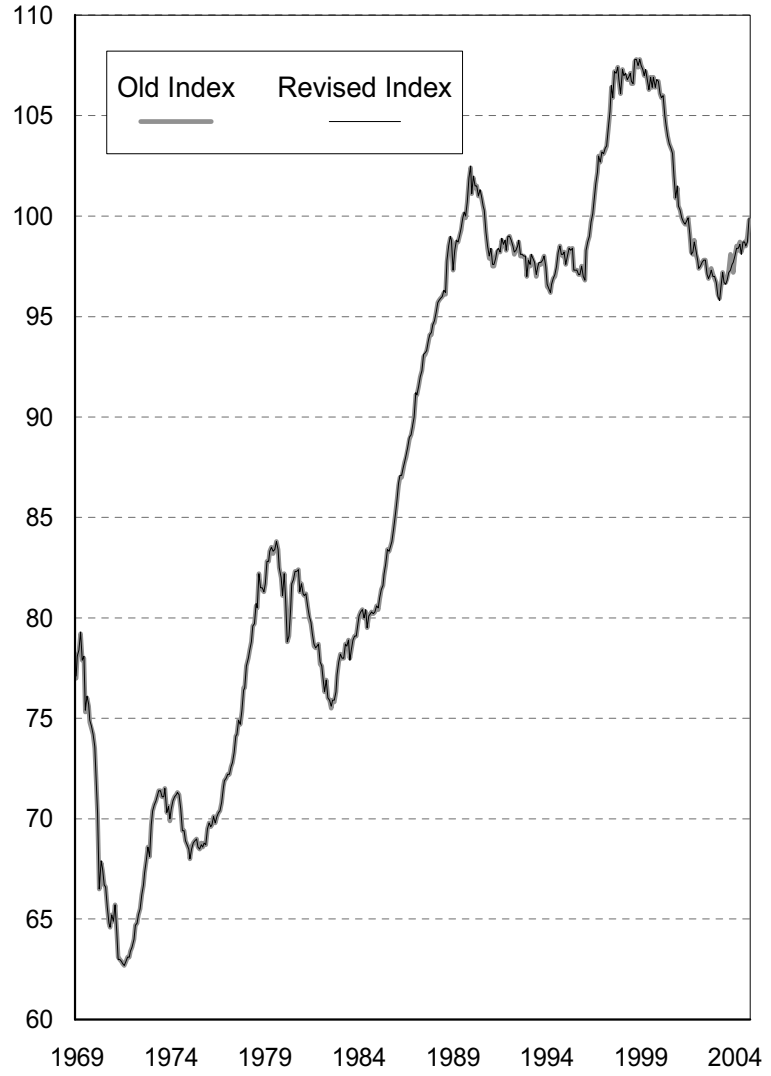
slight. This is due both to the lack of significant revisions to the components of the index (notably the absence of comprehensive revisions of data from the Bureaus of Economic Analysis and Labor Statistics) and a change in revision methodology by The Conference Board. Prior to 2004, the trend of the index was adjusted to correlate with the trend of other Conference Board indicators, but since the 2004 comprehensive revision this practice was discontinued. The index's trend, therefore, does not change appreciably in the absence of significant revisions to the index's components. Since the trend of the Washington index is adjusted to match that of the national index, its trend has not significantly changed either.

Values of the revised Washington Index of Leading Indicators for the last two years are listed in Chapter 2, Table 2.1. The rest of the series is available upon request from the Office of the Forecast Council at the contact address listed in the front of this publication.

**Chart 5.1**  
**U.S. Index of Leading Indicators: Revised vs. Old**  
January 1969 through November 2004



**Chart 5.2**  
**WA Index of Leading Indicators: Revised vs. Old**  
January 1969 through November 2004



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

**Calendar Years**

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

Table A1.1  
**U.S. Economic Forecast Summary**  
 Forecast 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	9,817.0	9,890.6	10,074.8	10,381.3	10,837.2	11,214.0	11,564.8	11,939.1
% Ch	3.7	0.8	1.9	3.0	4.4	3.5	3.1	3.2
Real Consumption	6739.4	6910.4	7123.4	7355.5	7634.7	7893.3	8118.4	8339.3
% Ch	4.7	2.5	3.1	3.3	3.8	3.4	2.9	2.7
Real Nonresidential Fixed Investment	1,232.1	1,180.5	1,075.7	1,110.8	1,225.6	1,344.6	1,438.9	1,522.0
% Ch	8.7	-4.2	-8.9	3.3	10.3	9.7	7.0	5.8
Real Residential Fixed Investment	446.9	448.5	470.1	511.2	559.6	559.6	533.5	520.0
% Ch	0.8	0.4	4.8	8.8	9.5	0.0	-4.7	-2.5
Real Personal Income	8,429.3	8,545.2	8,574.8	8,683.0	8,958.8	9,268.0	9,605.3	9,924.2
% Ch	5.4	1.4	0.3	1.3	3.2	3.5	3.6	3.3
Real Per Capita Income (\$/Person)	29,807	29,908	29,712	29,798	30,461	31,227	32,073	32,845
% Ch	4.3	0.3	-0.7	0.3	2.2	2.5	2.7	2.4
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.021	1.035	1.055	1.078	1.095	1.112	1.136
% Ch	2.5	2.1	1.4	1.9	2.2	1.5	1.6	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.722	1.770	1.799	1.839	1.889	1.926	1.957	1.995
% Ch	3.4	2.8	1.6	2.3	2.7	2.0	1.6	2.0
Employment Cost Index (June 1989=1.0)	1.460	1.514	1.564	1.609	1.650	1.696	1.751	1.814
% Ch	4.1	3.7	3.3	2.9	2.5	2.8	3.3	3.6
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	9,817.0	10,128.0	10,487.0	11,004.0	11,728.0	12,361.0	12,966.9	13,639.1
% Ch	5.9	3.2	3.5	4.9	6.6	5.4	4.9	5.2
Personal Income	8,429.7	8,724.1	8,878.9	9,161.8	9,659.1	10,146.7	10,686.4	11,270.2
% Ch	8.0	3.5	1.8	3.2	5.4	5.0	5.3	5.5
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	142.6	143.9	145.1	146.5	147.4	149.1	151.3	153.4
Total U.S. Employment	136.9	136.9	136.5	137.7	139.2	141.4	143.4	145.5
Unemployment Rate (%)	3.97	4.75	5.78	5.99	5.53	5.19	5.23	5.19
Nonfarm Payroll Employment	131.79	131.83	130.35	130.00	131.47	133.67	135.49	136.93
% Ch	2.2	0.0	-1.1	-0.3	1.1	1.7	1.4	1.1
Manufacturing	17.27	16.44	15.26	14.51	14.33	14.34	14.44	14.48
% Ch	-0.3	-4.8	-7.2	-4.9	-1.2	0.1	0.7	0.2
Durable Manufacturing	10.88	10.33	9.48	8.96	8.92	8.99	9.11	9.16
% Ch	0.4	-5.0	-8.2	-5.5	-0.4	0.7	1.4	0.5
Nondurable Manufacturing	6.39	6.11	5.77	5.55	5.41	5.35	5.33	5.32
% Ch	-1.6	-4.4	-5.4	-4.0	-2.5	-1.0	-0.4	-0.3
Construction	6.79	6.83	6.71	6.73	6.96	7.15	7.25	7.30
% Ch	3.7	0.6	-1.6	0.3	3.4	2.7	1.4	0.6
Service-Producing	107.14	107.96	107.79	108.19	109.59	111.56	113.20	114.58
% Ch	2.5	0.8	-0.2	0.4	1.3	1.8	1.5	1.2
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	22.7	23.9	24.3	24.3	24.0	23.7	23.3	23.0
Auto Sales (Millions)	8.9	8.4	8.1	7.6	7.5	7.5	7.5	7.5
% Ch	1.8	-4.9	-3.8	-6.0	-1.7	0.1	-0.4	-0.2
Housing Starts (Millions)	1.573	1.601	1.710	1.853	1.948	1.837	1.708	1.687
% Ch	-4.5	1.8	6.8	8.3	5.1	-5.7	-7.1	-1.2
Federal Budget Surplus (Billions)	189.4	46.7	-254.5	-364.6	-385.7	-322.4	-316.1	-299.8
Net Exports (Billions)	-379.5	-367.0	-424.9	-498.1	-609.3	-678.7	-623.4	-581.9
3-Month Treasury Bill Rate (%)	5.81	3.43	1.61	1.01	1.36	2.96	3.40	3.76
30-Year U.S. Govt. Bond Rate (%)	5.94	5.49	5.42	5.05	5.12	5.15	5.56	5.84
Bond Index of 20 G.O. Munis. (%)	5.70	5.15	5.03	4.74	4.68	4.71	5.09	5.39
Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.84	6.09	6.46	6.76



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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	9,993.5	10,052.6	10,117.3	10,135.9	10,184.4	10,287.4	10,472.8	10,580.7
% Ch	3.4	2.4	2.6	0.7	1.9	4.1	7.4	4.2
Real Consumption	7,049.7	7,099.3	7,149.9	7,194.6	7,242.2	7,311.4	7,401.7	7,466.8
% Ch	1.8	2.8	2.9	2.5	2.7	3.9	5.0	3.6
Real Nonresidential Fixed Investment	1,099.8	1,072.4	1,069.5	1,060.9	1,060.5	1,090.6	1,131.1	1,161.0
% Ch	-9.7	-9.6	-1.1	-3.2	-0.2	11.8	15.7	11.0
Real Residential Fixed Investment	457.8	470.3	473.6	478.5	487.3	497.9	523.8	535.9
% Ch	9.2	11.4	2.8	4.2	7.6	9.0	22.5	9.6
Real Personal Income	8,575.5	8,605.7	8,562.3	8,555.6	8,567.0	8,649.9	8,713.6	8,801.5
% Ch	1.4	1.4	-2.0	-0.3	0.5	3.9	3.0	4.1
Real Per Capita Income (\$/Person)	29,829	29,860	29,627	29,532	29,507	29,720	29,867	30,099
% Ch	0.4	0.4	-3.1	-1.3	-0.3	2.9	2.0	3.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.034	1.039	1.042	1.051	1.053	1.057	1.060
% Ch	0.9	2.9	2.0	1.4	3.2	0.7	1.6	1.2
U.S. Consumer Price Index (1982-84=1.0)	1.780	1.795	1.805	1.814	1.831	1.834	1.845	1.848
% Ch	1.3	3.5	2.2	1.9	3.9	0.6	2.3	0.7
Employment Cost Index (June 1989=1.0)	1.548	1.562	1.569	1.577	1.593	1.603	1.617	1.625
% Ch	3.4	3.7	1.8	2.1	4.1	2.5	3.5	2.0
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	10,338.2	10,445.7	10,546.5	10,617.5	10,744.6	10,884.0	11,116.7	11,270.9
% Ch	4.4	4.2	3.9	2.7	4.9	5.3	8.8	5.7
Personal Income	8,803.6	8,897.1	8,895.7	8,919.2	9,002.2	9,105.7	9,209.3	9,330.0
% Ch	2.2	4.3	-0.1	1.1	3.8	4.7	4.6	5.3
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	144.4	145.1	145.5	145.5	146.0	146.6	146.5	146.9
Total U.S. Employment	136.1	136.4	136.8	136.6	137.4	137.7	137.6	138.3
Unemployment Rate (%)	5.70	5.83	5.73	5.87	5.83	6.13	6.13	5.87
Nonfarm Payroll Employment	130.50	130.35	130.27	130.26	130.09	129.84	129.89	130.17
% Ch	-1.3	-0.5	-0.2	-0.0	-0.5	-0.8	0.1	0.9
Manufacturing	15.51	15.34	15.19	14.99	14.79	14.55	14.38	14.31
% Ch	-7.9	-4.3	-3.9	-5.2	-5.2	-6.1	-4.8	-1.8
Durable Manufacturing	9.66	9.54	9.44	9.29	9.14	8.98	8.87	8.85
% Ch	-9.4	-4.7	-4.5	-6.1	-6.4	-6.6	-4.9	-0.7
Nondurable Manufacturing	5.85	5.80	5.75	5.70	5.65	5.57	5.51	5.46
% Ch	-5.4	-3.8	-3.0	-3.7	-3.4	-5.3	-4.6	-3.4
Construction	6.77	6.70	6.69	6.69	6.68	6.70	6.75	6.80
% Ch	-1.0	-4.2	-0.4	0.2	-1.2	1.7	3.0	2.6
Service-Producing	107.62	107.72	107.82	108.00	108.06	108.02	108.19	108.48
% Ch	-0.3	0.4	0.4	0.7	0.2	-0.1	0.6	1.1
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	24.2	24.1	24.4	24.4	24.4	24.4	24.2	24.2
Auto Sales (Millions)	8.0	8.2	8.4	7.9	7.8	7.5	7.7	7.5
% Ch	-32.2	10.4	10.1	-19.9	-7.7	-12.8	10.4	-8.1
Housing Starts (Millions)	1.723	1.691	1.697	1.730	1.747	1.745	1.883	2.035
% Ch	45.1	-7.2	1.5	7.8	4.1	-0.5	35.7	36.2
Federal Budget Surplus (Billions)	-208.5	-251.6	-255.1	-302.7	-281.6	-364.4	-433.0	-379.2
Net Exports (Billions)	-376.3	-415.4	-431.1	-476.6	-503.3	-497.6	-488.8	-502.8
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 (%)	5.59	5.75	5.24	5.11	5.01	4.74	5.24	5.22
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.89	4.90	4.83	4.47	4.89	4.76
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.92

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	10,697.5	10,784.7	10,891.0	10,975.7	11,074.0	11,176.4	11,267.9	11,337.7
% Ch	4.5	3.3	4.0	3.1	3.6	3.7	3.3	2.5
Real Consumption	7,543.0	7,572.4	7,667.8	7,755.4	7,814.4	7,867.4	7,921.6	7,969.9
% Ch	4.1	1.6	5.1	4.6	3.1	2.7	2.8	2.5
Real Nonresidential Fixed Investment	1,173.0	1,207.9	1,245.3	1,276.3	1,299.6	1,331.1	1,361.6	1,386.2
% Ch	4.2	12.4	13.0	10.3	7.5	10.1	9.5	7.4
Real Residential Fixed Investment	542.5	563.6	565.9	566.3	568.6	565.1	557.1	547.7
% Ch	5.0	16.5	1.6	0.3	1.6	-2.4	-5.6	-6.6
Real Personal Income	8,838.7	8,908.3	8,955.9	9,132.2	9,135.7	9,229.1	9,321.3	9,386.0
% Ch	1.7	3.2	2.2	8.1	0.2	4.2	4.1	2.8
Real Per Capita Income (\$/Person)	30,157	30,325	30,417	30,945	30,887	31,131	31,371	31,517
% Ch	0.8	2.2	1.2	7.1	-0.8	3.2	3.1	1.9
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	1.069	1.077	1.080	1.087	1.090	1.092	1.096	1.101
% Ch	3.3	3.1	1.3	2.5	1.2	1.0	1.2	2.0
U.S. Consumer Price Index (1982-84=1.0)	1.864	1.886	1.895	1.911	1.918	1.922	1.927	1.937
% Ch	3.6	4.7	1.9	3.4	1.6	0.7	1.0	2.1
Employment Cost Index (June 1989=1.0)	1.635	1.644	1.658	1.664	1.676	1.689	1.702	1.715
% Ch	2.5	2.2	3.5	1.5	3.0	3.2	3.1	3.0
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	11,472.6	11,657.5	11,814.9	11,967.0	12,135.1	12,291.2	12,440.4	12,577.2
% Ch	7.4	6.6	5.5	5.2	5.7	5.2	4.9	4.5
Personal Income	9,445.0	9,592.7	9,674.3	9,924.6	9,956.6	10,082.3	10,213.6	10,334.5
% Ch	5.0	6.4	3.4	10.8	1.3	5.1	5.3	4.8
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	146.7	147.1	147.7	148.1	148.3	148.9	149.4	149.9
Total U.S. Employment	138.4	138.9	139.6	140.1	140.5	141.1	141.7	142.2
Unemployment Rate (%)	5.67	5.57	5.43	5.43	5.27	5.18	5.13	5.18
Nonfarm Payroll Employment	130.54	131.32	131.73	132.29	132.75	133.45	134.00	134.48
% Ch	1.2	2.4	1.2	1.7	1.4	2.1	1.7	1.4
Manufacturing	14.29	14.34	14.35	14.34	14.31	14.30	14.34	14.40
% Ch	-0.8	1.5	0.4	-0.4	-0.7	-0.3	1.1	1.7
Durable Manufacturing	8.86	8.92	8.95	8.96	8.95	8.95	8.99	9.05
% Ch	0.4	2.5	1.4	0.3	-0.3	0.2	1.6	2.7
Nondurable Manufacturing	5.42	5.42	5.40	5.38	5.36	5.35	5.35	5.35
% Ch	-2.7	-0.2	-1.1	-1.6	-1.5	-1.1	0.2	0.1
Construction	6.86	6.94	6.98	7.06	7.08	7.13	7.19	7.21
% Ch	3.8	4.6	2.5	4.4	1.0	2.9	3.3	1.6
Service-Producing	108.82	109.46	109.80	110.30	110.76	111.40	111.85	112.24
% Ch	1.2	2.4	1.3	1.8	1.7	2.3	1.6	1.4
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	24.2	24.0	24.2	23.6	23.8	23.8	23.7	23.6
Auto Sales (Millions)	7.4	7.5	7.3	7.7	7.4	7.6	7.5	7.4
% Ch	-4.2	1.4	-7.4	21.9	-12.8	8.3	-3.8	-4.7
Housing Starts (Millions)	1.943	1.920	1.969	1.959	1.921	1.844	1.819	1.765
% Ch	-16.8	-4.7	10.8	-2.1	-7.5	-15.1	-5.3	-11.3
Federal Budget Surplus (Billions)	-391.0	-380.0	-384.1	-387.6	-328.0	-340.3	-321.7	-299.4
Net Exports (Billions)	-546.8	-591.3	-611.8	-687.5	-697.8	-684.3	-671.4	-661.3
3-Month Treasury Bill Rate (%)	0.92	1.07	1.48	2.00	2.47	2.90	3.12	3.34
30-Year U.S. Govt. Bond Rate (%)	4.98	5.40	5.15	4.94	4.94	5.10	5.18	5.39
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.71	4.50	4.53	4.70	4.69	4.92
Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.84	6.03	6.14	6.36

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
<b>Real National Income Accounts (Billions of Chained 2000 Dollars)</b>								
Real Gross Domestic Product	11,420.2	11,521.3	11,614.1	11,703.6	11,791.6	11,894.6	11,986.7	12,083.3
% Ch	2.9	3.6	3.3	3.1	3.0	3.5	3.1	3.3
Real Consumption	8,026.3	8,090.4	8,151.1	8,205.7	8,255.0	8,312.8	8,366.0	8,423.2
% Ch	2.9	3.2	3.0	2.7	2.4	2.8	2.6	2.8
Real Nonresidential Fixed Investment	1,405.9	1,430.2	1,451.4	1,468.0	1,488.3	1,510.5	1,533.5	1,555.6
% Ch	5.8	7.1	6.1	4.7	5.7	6.1	6.2	5.9
Real Residential Fixed Investment	542.4	535.7	529.8	526.0	522.5	520.7	518.5	518.5
% Ch	-3.8	-4.8	-4.3	-2.8	-2.7	-1.4	-1.7	0.1
Real Personal Income	9,480.8	9,568.5	9,652.3	9,719.6	9,800.3	9,884.8	9,965.9	10,045.7
% Ch	4.1	3.7	3.6	2.8	3.4	3.5	3.3	3.2
Real Per Capita Income (\$/Person)	31,764	31,986	32,195	32,347	32,543	32,751	32,947	33,139
% Ch	3.2	2.8	2.6	1.9	2.4	2.6	2.4	2.3
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	1.105	1.110	1.115	1.121	1.126	1.132	1.138	1.145
% Ch	1.5	1.6	1.9	2.1	2.1	2.2	2.2	2.3
U.S. Consumer Price Index (1982-84=1.0)	1.944	1.952	1.960	1.971	1.980	1.990	2.000	2.011
% Ch	1.4	1.6	1.8	2.1	2.0	2.0	2.0	2.2
Employment Cost Index (June 1989=1.0)	1.729	1.743	1.758	1.774	1.790	1.805	1.821	1.839
% Ch	3.2	3.4	3.6	3.6	3.5	3.6	3.6	3.9
<b>Current Dollar National Income (Billions of Dollars)</b>								
Gross Domestic Product	12,727.4	12,889.5	13,045.1	13,205.6	13,373.2	13,553.9	13,724.1	13,905.1
% Ch	4.9	5.2	4.9	5.0	5.2	5.5	5.1	5.4
Personal Income	10,477.4	10,616.6	10,759.4	10,892.0	11,038.7	11,193.3	11,346.1	11,502.7
% Ch	5.6	5.4	5.5	5.0	5.5	5.7	5.6	5.6
<b>Employment (Millions)</b>								
U.S. Civilian Labor Force	150.4	151.0	151.6	152.1	152.6	153.2	153.7	154.1
Total U.S. Employment	142.6	143.1	143.6	144.2	144.7	145.3	145.7	146.1
Unemployment Rate (%)	5.23	5.23	5.22	5.22	5.21	5.15	5.18	5.20
Nonfarm Payroll Employment	134.83	135.32	135.74	136.08	136.41	136.81	137.10	137.38
% Ch	1.1	1.5	1.2	1.0	1.0	1.2	0.9	0.8
Manufacturing	14.43	14.44	14.44	14.45	14.47	14.49	14.48	14.46
% Ch	0.8	0.3	0.1	0.2	0.6	0.5	-0.2	-0.5
Durable Manufacturing	9.09	9.11	9.12	9.12	9.14	9.16	9.16	9.16
% Ch	1.6	1.0	0.5	0.3	0.9	0.9	-0.0	-0.3
Nondurable Manufacturing	5.34	5.33	5.33	5.33	5.33	5.32	5.32	5.31
% Ch	-0.5	-0.8	-0.5	-0.0	0.0	-0.2	-0.5	-0.9
Construction	7.22	7.25	7.27	7.26	7.26	7.28	7.30	7.34
% Ch	0.6	1.3	1.0	-0.3	0.1	1.0	1.3	1.9
Service-Producing	112.57	113.03	113.44	113.78	114.09	114.46	114.75	115.02
% Ch	1.2	1.7	1.4	1.2	1.1	1.3	1.0	0.9
<b>Miscellaneous Indicators</b>								
Credit Outstanding/Disp. Income	23.5	23.4	23.3	23.2	23.1	23.1	23.0	22.9
Auto Sales (Millions)	7.4	7.4	7.5	7.5	7.5	7.4	7.5	7.4
% Ch	0.4	0.3	4.1	-2.3	-1.0	-0.4	0.2	-0.6
Housing Starts (Millions)	1.730	1.709	1.704	1.687	1.683	1.688	1.691	1.684
% Ch	-7.7	-4.8	-1.2	-3.8	-0.9	1.0	0.7	-1.5
Federal Budget Surplus (Billions)	-312.9	-318.0	-322.4	-311.0	-303.0	-299.7	-297.4	-299.0
Net Exports (Billions)	-641.0	-624.6	-617.2	-610.8	-599.6	-585.9	-575.6	-566.4
3-Month Treasury Bill Rate (%)	3.36	3.35	3.41	3.49	3.61	3.70	3.81	3.91
30-Year U.S. Govt. Bond Rate (%)	5.47	5.51	5.58	5.67	5.76	5.78	5.87	5.95
Bond Index of 20 G.O. Munis. (%)	4.98	5.04	5.12	5.22	5.31	5.34	5.41	5.49
Mortgage Rate (%)	6.41	6.42	6.47	6.55	6.65	6.70	6.78	6.90

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

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	187.867	190.435	191.582	193.306	203.899	207.645	216.425	225.268
% Ch	4.5	1.4	0.6	0.9	5.5	1.8	4.2	4.1
Real Wage and Salary Disb.	110.017	108.346	107.548	108.254	110.676	116.245	121.542	126.971
% Ch	3.5	-1.5	-0.7	0.7	2.2	5.0	4.6	4.5
Real Nonwage Income	77.850	82.088	84.033	85.052	93.224	91.400	94.882	98.297
% Ch	5.9	5.4	2.4	1.2	9.6	-2.0	3.8	3.6
Real Per Capita Income (\$/Person)	31,712	31,740	31,599	31,563	32,875	33,000	33,888	34,746
% Ch	3.2	0.1	-0.4	-0.1	4.2	0.4	2.7	2.5
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.021	1.035	1.055	1.078	1.095	1.112	1.136
% Ch	2.5	2.1	1.4	1.9	2.2	1.5	1.6	2.1
Seattle Cons. Price Index (1982-84=1.0)	1.792	1.857	1.893	1.924	1.947	1.981	2.018	2.063
% Ch	3.7	3.6	2.0	1.6	1.2	1.7	1.9	2.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.75	17.97	18.15	18.02	18.28	18.67	19.00	19.37
% Ch	3.7	7.3	1.0	-0.7	1.4	2.1	1.8	1.9
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	187.409	194.181	198.011	203.823	219.536	226.837	240.240	255.249
% Ch	7.0	3.6	2.0	2.9	7.7	3.3	5.9	6.2
Personal Income	187.853	194.420	198.367	203.956	219.880	227.334	240.787	255.828
% Ch	7.0	3.5	2.0	2.8	7.8	3.4	5.9	6.2
Disposable Personal Income	160.318	166.844	174.881	181.655	196.288	201.740	212.712	225.513
% Ch	6.5	4.1	4.8	3.9	8.1	2.8	5.4	6.0
Per Capita Income (\$/Person)	31,709	32,403	32,718	33,301	35,450	36,128	37,702	39,459
% Ch	5.8	2.2	1.0	1.8	6.5	1.9	4.4	4.7
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,055.8	3,024.2	3,109.5	3,139.9	3,207.0	3,298.1	3,354.8	3,411.7
Total Washington Employment	2,896.4	2,830.7	2,882.6	2,902.9	3,014.2	3,106.2	3,157.9	3,211.6
Unemployment Rate (%)	5.22	6.40	7.30	7.55	6.01	5.82	5.87	5.86
Nonfarm Payroll Employment	2,711.6	2,697.4	2,654.0	2,657.8	2,697.8	2,755.1	2,803.7	2,854.2
% Ch	2.4	-0.5	-1.6	0.1	1.5	2.1	1.8	1.8
Manufacturing	331.9	316.2	285.0	267.0	263.6	272.3	280.0	288.1
% Ch	-3.4	-4.7	-9.8	-6.3	-1.3	3.3	2.8	2.9
Durable Manufacturing	236.5	225.0	199.3	183.8	181.9	190.3	196.9	203.4
% Ch	-4.2	-4.8	-11.4	-7.8	-1.0	4.6	3.5	3.3
Aerospace	86.2	87.3	75.7	65.3	61.4	66.0	71.0	76.0
% Ch	-12.3	1.3	-13.2	-13.8	-5.9	7.4	7.6	7.0
Nondurable Manufacturing	95.4	91.1	85.7	83.3	81.7	82.0	83.1	84.7
% Ch	-1.1	-4.5	-6.0	-2.8	-1.9	0.4	1.4	1.9
Construction	160.6	158.8	154.2	156.2	163.4	167.2	169.6	172.9
% Ch	4.5	-1.1	-2.9	1.3	4.6	2.3	1.4	1.9
Service-Producing	2,209.0	2,212.6	2,205.4	2,225.9	2,261.9	2,306.4	2,345.0	2,384.3
% Ch	3.2	0.2	-0.3	0.9	1.6	2.0	1.7	1.7
Software Publishers	32.2	35.9	36.1	37.3	39.3	41.2	42.3	44.3
% Ch	17.8	11.4	0.7	3.4	5.1	4.9	2.8	4.7
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	39.021	38.345	40.200	42.825	49.247	47.743	44.548	44.003
% Ch	-8.7	-1.7	4.8	6.5	15.0	-3.1	-6.7	-1.2
Single-Family	25.471	26.736	30.239	33.091	36.815	32.172	28.811	27.645
% Ch	-9.4	5.0	13.1	9.4	11.3	-12.6	-10.4	-4.0
Multi-Family	13.550	11.609	9.961	9.734	12.432	15.570	15.737	16.358
% Ch	-7.5	-14.3	-14.2	-2.3	27.7	25.2	1.1	3.9
Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.84	6.09	6.46	6.76

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	191.449	192.416	191.990	190.471	189.985	193.485	196.110	193.644
% Ch	4.1	2.0	-0.9	-3.1	-1.0	7.6	5.5	-4.9
Real Wage and Salary Disb.	107.792	107.694	107.930	106.777	105.960	108.790	110.831	107.433
% Ch	5.0	-0.4	0.9	-4.2	-3.0	11.1	7.7	-11.7
Real Nonwage Income	83.657	84.722	84.059	83.693	84.025	84.695	85.279	86.209
% Ch	3.0	5.2	-3.1	-1.7	1.6	3.2	2.8	4.4
Real Per Capita Income (\$/Person)	31,688	31,774	31,629	31,306	31,154	31,638	31,976	31,485
% Ch	3.0	1.1	-1.8	-4.0	-1.9	6.4	4.3	-6.0
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.034	1.039	1.042	1.051	1.053	1.057	1.060
% Ch	0.9	2.9	2.0	1.4	3.2	0.7	1.6	1.2
Seattle Cons. Price Index (1982-84=1.0)	1.879	1.889	1.897	1.908	1.916	1.918	1.933	1.927
% Ch	1.3	2.2	1.7	2.2	1.8	0.4	3.1	-1.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.46	18.43	18.12	17.60	17.87	17.92	18.05	18.25
% Ch	0.7	-0.6	-6.5	-11.1	6.3	1.0	3.1	4.4
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	196.176	198.457	199.114	198.296	199.590	203.511	207.090	205.099
% Ch	4.7	4.7	1.3	-1.6	2.6	8.1	7.2	-3.8
Personal Income	196.533	198.922	199.458	198.556	199.629	203.671	207.259	205.263
% Ch	5.0	5.0	1.1	-1.8	2.2	8.3	7.2	-3.8
Disposable Personal Income	172.740	175.399	175.989	175.395	176.884	180.617	186.066	183.054
% Ch	14.8	6.3	1.4	-1.3	3.4	8.7	12.6	-6.3
Per Capita Income (\$/Person)	32,529	32,848	32,860	32,635	32,735	33,303	33,794	33,374
% Ch	3.8	4.0	0.1	-2.7	1.2	7.1	6.0	-4.9
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,073.4	3,107.2	3,124.6	3,132.6	3,132.7	3,132.6	3,142.5	3,151.8
Total Washington Employment	2,846.9	2,878.3	2,899.1	2,906.2	2,901.0	2,892.1	2,900.4	2,918.0
Unemployment Rate (%)	7.37	7.37	7.22	7.23	7.39	7.68	7.70	7.42
Nonfarm Payroll Employment	2,651.0	2,651.1	2,657.2	2,656.6	2,655.2	2,650.8	2,658.1	2,666.9
% Ch	-2.5	0.0	0.9	-0.1	-0.2	-0.7	1.1	1.3
Manufacturing	293.3	287.5	282.4	277.0	272.1	267.8	264.9	263.3
% Ch	-14.7	-7.7	-6.9	-7.4	-6.8	-6.3	-4.2	-2.5
Durable Manufacturing	205.9	201.9	196.9	192.5	187.9	184.6	182.0	180.5
% Ch	-18.1	-7.6	-9.5	-8.6	-9.2	-6.9	-5.5	-3.4
Aerospace	80.2	77.0	73.7	71.9	68.6	66.2	63.9	62.4
% Ch	-25.8	-14.9	-16.4	-9.1	-17.4	-13.1	-13.4	-9.1
Nondurable Manufacturing	87.3	85.6	85.5	84.5	84.2	83.2	82.9	82.8
% Ch	-6.0	-7.8	-0.5	-4.6	-1.2	-4.9	-1.2	-0.4
Construction	153.5	153.6	154.9	154.7	155.1	155.1	156.0	158.5
% Ch	-1.5	0.3	3.2	-0.4	1.1	-0.0	2.4	6.6
Service-Producing	2,194.8	2,200.6	2,210.6	2,215.6	2,218.9	2,219.2	2,228.8	2,236.6
% Ch	-0.7	1.1	1.8	0.9	0.6	0.1	1.7	1.4
Software Publishers	35.7	36.0	36.1	36.7	36.6	36.7	37.7	38.3
% Ch	-4.4	3.3	1.3	7.0	-1.4	1.7	11.1	6.9
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	34.349	41.657	38.754	46.040	43.725	42.494	44.718	40.363
% Ch	-0.7	116.3	-25.1	99.2	-18.6	-10.8	22.6	-33.6
Single-Family	25.850	30.219	30.907	33.980	33.990	32.333	33.142	32.899
% Ch	18.1	86.8	9.4	46.1	0.1	-18.1	10.4	-2.9
Multi-Family	8.499	11.438	7.847	12.060	9.735	10.160	11.576	7.464
% Ch	-38.8	227.9	-77.8	457.8	-57.5	18.6	68.5	-82.7
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.92

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	194.133	198.099	200.443	222.921	203.713	205.676	210.850	210.340
% Ch	1.0	8.4	4.8	53.0	-30.3	3.9	10.4	-1.0
Real Wage and Salary Disb.	107.299	110.519	112.705	112.181	113.673	114.701	118.829	117.776
% Ch	-0.5	12.6	8.1	-1.8	5.4	3.7	15.2	-3.5
Real Nonwage Income	86.837	87.579	87.739	110.741	90.040	90.974	92.022	92.564
% Ch	2.9	3.5	0.7	153.8	-56.3	4.2	4.7	2.4
Real Per Capita Income (\$/Person)	31,475	32,003	32,265	35,755	32,558	32,749	33,448	33,243
% Ch	-0.1	6.9	3.3	50.8	-31.2	2.4	8.8	-2.4
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	1.069	1.077	1.080	1.087	1.090	1.092	1.096	1.101
% Ch	3.3	3.1	1.3	2.5	1.2	1.0	1.2	2.0
Seattle Cons. Price Index (1982-84=1.0)	1.936	1.946	1.945	1.962	1.971	1.976	1.983	1.994
% Ch	1.9	2.1	-0.3	3.6	2.0	1.0	1.3	2.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.09	18.21	18.30	18.50	18.55	18.63	18.71	18.79
% Ch	-3.4	2.7	2.1	4.4	0.9	1.8	1.8	1.7
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	207.116	212.991	216.204	241.834	221.568	224.205	230.513	231.062
% Ch	4.0	11.8	6.2	56.5	-29.5	4.8	11.7	1.0
Personal Income	207.443	213.310	216.511	242.256	222.017	224.689	231.033	231.598
% Ch	4.3	11.8	6.1	56.7	-29.5	4.9	11.8	1.0
Disposable Personal Income	185.335	190.393	193.156	216.269	197.547	199.771	204.790	204.853
% Ch	5.1	11.4	5.9	57.2	-30.4	4.6	10.4	0.1
Per Capita Income (\$/Person)	33,633	34,460	34,852	38,857	35,484	35,777	36,649	36,602
% Ch	3.1	10.2	4.6	54.5	-30.5	3.3	10.1	-0.5
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,171.9	3,212.9	3,206.0	3,237.2	3,274.4	3,291.0	3,307.4	3,319.5
Total Washington Employment	2,973.4	3,015.1	3,015.9	3,052.4	3,082.6	3,100.0	3,116.8	3,125.5
Unemployment Rate (%)	6.26	6.16	5.93	5.71	5.86	5.80	5.76	5.84
Nonfarm Payroll Employment	2,675.4	2,697.2	2,704.7	2,714.0	2,732.9	2,749.2	2,765.0	2,773.2
% Ch	1.3	3.3	1.1	1.4	2.8	2.4	2.3	1.2
Manufacturing	262.2	263.1	263.9	265.2	269.2	270.9	273.3	275.7
% Ch	-1.7	1.4	1.2	2.0	6.2	2.5	3.7	3.5
Durable Manufacturing	179.7	181.1	182.4	184.3	187.5	189.2	191.2	193.2
% Ch	-1.7	3.2	2.9	4.3	7.2	3.6	4.2	4.3
Aerospace	61.3	60.9	60.9	62.5	64.0	65.3	66.6	67.8
% Ch	-6.9	-2.4	0.0	11.2	9.8	8.7	7.9	7.7
Nondurable Manufacturing	82.5	82.0	81.5	80.9	81.7	81.7	82.1	82.5
% Ch	-1.6	-2.6	-2.4	-2.8	3.9	0.0	2.3	1.8
Construction	161.5	163.8	163.4	165.1	165.8	167.2	167.9	167.9
% Ch	7.7	5.7	-0.8	4.1	1.8	3.4	1.8	-0.1
Service-Producing	2,243.0	2,261.5	2,268.5	2,274.6	2,288.6	2,301.9	2,314.5	2,320.4
% Ch	1.1	3.3	1.2	1.1	2.5	2.3	2.2	1.0
Software Publishers	38.9	39.2	39.3	39.7	40.7	41.1	41.4	41.6
% Ch	5.8	2.9	1.2	4.1	10.7	3.5	3.1	2.1
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	43.227	46.801	50.898	56.063	50.361	48.148	46.874	45.587
% Ch	31.5	37.4	39.9	47.2	-34.9	-16.4	-10.2	-10.5
Single-Family	33.641	37.989	37.181	38.449	35.000	32.580	31.180	29.928
% Ch	9.3	62.6	-8.2	14.4	-31.3	-24.9	-16.1	-15.1
Multi-Family	9.586	8.812	13.717	17.613	15.361	15.568	15.694	15.659
% Ch	172.1	-28.6	487.3	171.8	-42.1	5.5	3.3	-0.9
Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.84	6.03	6.14	6.36

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
<b>Real Income (Billions of Chained 2000 Dollars)</b>								
Real Personal Income	212.235	214.040	220.526	218.898	220.829	222.644	229.849	227.750
% Ch	3.7	3.4	12.7	-2.9	3.6	3.3	13.6	-3.6
Real Wage and Salary Disb.	118.655	119.565	125.078	122.871	124.006	124.885	130.995	128.001
% Ch	3.0	3.1	19.8	-6.9	3.7	2.9	21.1	-8.8
Real Nonwage Income	93.580	94.475	95.448	96.027	96.823	97.759	98.855	99.750
% Ch	4.5	3.9	4.2	2.4	3.4	3.9	4.6	3.7
Real Per Capita Income (\$/Person)	33,418	33,578	34,468	34,087	34,259	34,410	35,388	34,929
% Ch	2.1	1.9	11.0	-4.4	2.0	1.8	11.9	-5.1
<b>Price and Wage Indexes</b>								
U.S. Implicit Price Deflator (2000=1.0)	1.105	1.110	1.115	1.121	1.126	1.132	1.138	1.145
% Ch	1.5	1.6	1.9	2.1	2.1	2.2	2.2	2.3
Seattle Cons. Price Index (1982-84=1.0)	2.003	2.012	2.023	2.035	2.046	2.057	2.069	2.081
% Ch	1.7	1.8	2.1	2.4	2.2	2.2	2.3	2.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.87	18.96	19.05	19.14	19.23	19.32	19.42	19.52
% Ch	1.8	1.9	2.0	2.0	1.9	1.9	2.0	2.1
<b>Current Dollar Income (Billions of Dollars)</b>								
Nonfarm Personal Income	233.999	236.942	245.272	244.749	248.170	251.538	261.095	260.193
% Ch	5.2	5.1	14.8	-0.9	5.7	5.5	16.1	-1.4
Personal Income	234.543	237.485	245.819	245.301	248.734	252.116	261.683	260.781
% Ch	5.2	5.1	14.8	-0.8	5.7	5.6	16.1	-1.4
Disposable Personal Income	207.282	209.828	217.183	216.555	219.332	222.246	230.583	229.892
% Ch	4.8	5.0	14.8	-1.2	5.2	5.4	15.9	-1.2
Per Capita Income (\$/Person)	36,931	37,256	38,422	38,199	38,588	38,965	40,289	39,995
% Ch	3.6	3.6	13.1	-2.3	4.1	4.0	14.3	-2.9
<b>Employment (Thousands)</b>								
Washington Civilian Labor Force	3,332.7	3,347.0	3,363.2	3,376.1	3,390.4	3,404.4	3,419.9	3,431.9
Total Washington Employment	3,136.4	3,150.0	3,167.3	3,178.1	3,191.2	3,204.7	3,220.7	3,229.9
Unemployment Rate (%)	5.89	5.89	5.83	5.87	5.87	5.87	5.82	5.89
Nonfarm Payroll Employment	2,783.4	2,796.2	2,812.5	2,822.6	2,835.0	2,847.6	2,862.7	2,871.3
% Ch	1.5	1.9	2.3	1.5	1.8	1.8	2.1	1.2
Manufacturing	277.4	279.0	280.8	282.9	285.2	287.3	289.1	290.6
% Ch	2.5	2.3	2.6	3.0	3.3	3.0	2.4	2.2
Durable Manufacturing	194.7	196.1	197.6	199.2	201.0	202.7	204.2	205.5
% Ch	3.2	2.8	3.1	3.3	3.6	3.5	2.9	2.7
Aerospace	69.1	70.3	71.6	72.8	74.1	75.3	76.6	77.8
% Ch	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7
Nondurable Manufacturing	82.7	82.9	83.2	83.7	84.2	84.6	84.9	85.1
% Ch	1.0	0.9	1.4	2.3	2.5	2.1	1.4	1.0
Construction	168.4	169.2	170.0	170.8	171.6	172.4	173.3	174.2
% Ch	1.2	1.7	2.0	2.0	1.8	1.8	2.2	2.2
Service-Producing	2,328.4	2,339.0	2,352.6	2,359.9	2,369.3	2,379.0	2,391.5	2,397.5
% Ch	1.4	1.8	2.4	1.2	1.6	1.7	2.1	1.0
Software Publishers	41.8	42.1	42.4	43.0	43.5	44.0	44.6	45.2
% Ch	2.3	2.4	3.3	5.1	5.1	5.0	5.0	5.2
<b>Housing Indicators (Thousands)</b>								
Housing Units Authorized by Bldg. Permit	44.897	44.837	44.411	44.048	43.863	44.144	44.059	43.944
% Ch	-5.9	-0.5	-3.7	-3.2	-1.7	2.6	-0.8	-1.0
Single-Family	29.297	29.037	28.647	28.262	27.956	27.843	27.562	27.216
% Ch	-8.2	-3.5	-5.3	-5.3	-4.3	-1.6	-4.0	-4.9
Multi-Family	15.601	15.800	15.764	15.786	15.906	16.301	16.497	16.728
% Ch	-1.5	5.2	-0.9	0.6	3.1	10.3	4.9	5.7
Mortgage Rate (%)	6.41	6.42	6.47	6.55	6.65	6.70	6.78	6.90

Table A2.1

**U.S. Nonagricultural Employment by Industry**

Forecast 2005 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	131.79	131.83	130.35	130.00	131.47	133.67	135.49	136.93
% Ch	2.2	0.0	-1.1	-0.3	1.1	1.7	1.4	1.1
Manufacturing	17.27	16.44	15.26	14.51	14.33	14.34	14.44	14.48
% Ch	-0.3	-4.8	-7.2	-4.9	-1.2	0.1	0.7	0.2
Durable Manufacturing	10.88	10.33	9.48	8.96	8.92	8.99	9.11	9.16
% Ch	0.4	-5.0	-8.2	-5.5	-0.4	0.7	1.4	0.5
Wood Products	0.61	0.57	0.55	0.54	0.55	0.54	0.51	0.49
% Ch	-1.2	-6.4	-3.3	-3.2	2.1	-0.7	-6.1	-5.0
Primary and Fabricated Metals	2.37	2.25	2.06	1.96	1.96	1.99	2.05	2.09
% Ch	0.9	-5.4	-8.4	-4.9	0.4	1.5	2.8	1.7
Computer and Electronic Products	1.82	1.75	1.51	1.36	1.33	1.33	1.31	1.35
% Ch	2.2	-3.9	-13.8	-10.1	-2.1	0.3	-1.7	3.0
Machinery and Electrical Equipment	2.05	1.92	1.73	1.61	1.59	1.62	1.69	1.70
% Ch	-0.4	-5.9	-10.3	-6.8	-1.3	1.8	4.3	0.8
Transportation Equipment	2.06	1.94	1.83	1.77	1.76	1.76	1.76	1.74
% Ch	-1.5	-5.7	-5.6	-3.0	-0.6	-0.3	0.1	-1.3
Other Durables	1.97	1.90	1.81	1.73	1.73	1.74	1.79	1.80
% Ch	1.7	-3.3	-4.9	-4.3	0.1	0.6	2.9	0.5
Nondurable Manufacturing	6.39	6.11	5.77	5.55	5.41	5.35	5.33	5.32
% Ch	-1.6	-4.4	-5.4	-4.0	-2.5	-1.0	-0.4	-0.3
Food Manufacturing	1.55	1.55	1.53	1.52	1.50	1.50	1.51	1.52
% Ch	0.2	-0.2	-1.6	-0.5	-1.2	-0.1	0.7	1.2
Paper and Paper Products	0.60	0.58	0.55	0.52	0.50	0.50	0.50	0.51
% Ch	-1.8	-4.5	-5.4	-5.6	-3.3	-0.1	0.8	0.7
Other Nondurables	4.23	3.98	3.70	3.51	3.41	3.36	3.32	3.29
% Ch	-2.2	-5.9	-6.9	-5.1	-3.0	-1.5	-1.0	-1.1
Natural Resources and Mining	0.60	0.61	0.58	0.57	0.59	0.62	0.60	0.57
% Ch	0.1	1.1	-3.9	-1.8	3.3	4.4	-2.6	-4.9
Construction	6.79	6.83	6.71	6.73	6.96	7.15	7.25	7.30
% Ch	3.7	0.6	-1.6	0.3	3.4	2.7	1.4	0.6
Trade, Transportation, and Utilities	26.23	25.99	25.50	25.29	25.51	25.90	26.17	26.40
% Ch	1.8	-0.9	-1.9	-0.8	0.9	1.5	1.0	0.9
Wholesale Trade	5.93	5.77	5.65	5.61	5.65	5.77	5.83	5.83
% Ch	0.7	-2.7	-2.1	-0.8	0.8	2.0	1.1	0.0
Retail Trade	15.28	15.24	15.02	14.92	15.04	15.15	15.26	15.40
% Ch	2.1	-0.3	-1.4	-0.7	0.8	0.8	0.7	0.9
Trans., Warehousing, and Utilities	5.01	4.97	4.82	4.76	4.82	4.97	5.08	5.17
% Ch	2.2	-0.8	-3.1	-1.2	1.2	3.2	2.1	1.8
Information	3.63	3.63	3.39	3.19	3.14	3.17	3.18	3.24
% Ch	6.2	-0.0	-6.5	-6.0	-1.6	0.9	0.3	1.9
Publishing Industries	1.03	1.02	0.96	0.93	0.91	0.92	0.93	0.96
% Ch	3.0	-1.4	-5.5	-4.1	-1.6	0.9	1.7	2.5
Other Information	2.59	2.61	2.43	2.26	2.23	2.25	2.24	2.28
% Ch	7.5	0.5	-6.8	-6.8	-1.5	0.9	-0.3	1.7
Financial Activities	7.69	7.81	7.85	7.98	8.05	8.23	8.25	8.23
% Ch	0.5	1.6	0.5	1.6	0.9	2.2	0.2	-0.2
Professional and Business Services	16.67	16.48	15.98	15.98	16.41	16.92	17.52	18.23
% Ch	4.5	-1.1	-3.1	0.0	2.6	3.1	3.5	4.0
Education and Health Services	15.11	15.64	16.20	16.59	16.95	17.35	17.68	17.89
% Ch	2.1	3.5	3.6	2.4	2.2	2.4	1.9	1.2
Leisure and Hospitality	11.86	12.03	11.99	12.18	12.48	12.81	13.12	13.18
% Ch	2.7	1.5	-0.4	1.6	2.5	2.7	2.4	0.4
Other Services	5.17	5.26	5.37	5.40	5.43	5.45	5.49	5.53
% Ch	1.6	1.7	2.2	0.5	0.6	0.3	0.7	0.9
Federal Government	2.87	2.76	2.77	2.76	2.73	2.72	2.73	2.73
% Ch	3.4	-3.5	0.1	-0.2	-1.2	-0.1	0.0	0.0
State and Local Government	17.93	18.36	18.74	18.82	18.89	19.01	19.07	19.16
% Ch	2.2	2.4	2.1	0.4	0.4	0.6	0.3	0.5



Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2005 to 2007

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

Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2005 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.54	131.32	131.73	132.29	132.75	133.45	134.00	134.48
% Ch	1.2	2.4	1.2	1.7	1.4	2.1	1.7	1.4
Manufacturing	14.29	14.34	14.35	14.34	14.31	14.30	14.34	14.40
% Ch	-0.8	1.5	0.4	-0.4	-0.7	-0.3	1.1	1.7
Durable Manufacturing	8.86	8.92	8.95	8.96	8.95	8.95	8.99	9.05
% Ch	0.4	2.5	1.4	0.3	-0.3	0.2	1.6	2.7
Wood Products	0.54	0.55	0.55	0.55	0.56	0.55	0.54	0.53
% Ch	2.5	3.6	2.5	2.7	1.2	-5.2	-5.1	-5.6
Primary and Fabricated Metals	1.94	1.96	1.97	1.98	1.99	1.98	1.99	2.01
% Ch	1.6	3.9	2.6	0.9	1.7	-0.4	1.6	4.4
Computer and Electronic Products	1.32	1.33	1.33	1.33	1.32	1.33	1.34	1.33
% Ch	-1.0	2.2	2.3	-1.8	-1.1	1.8	1.8	-0.9
Machinery and Electrical Equipment	1.58	1.59	1.60	1.59	1.60	1.60	1.62	1.65
% Ch	-1.1	2.4	2.4	-0.8	0.6	2.2	4.8	6.0
Transportation Equipment	1.76	1.76	1.76	1.77	1.76	1.76	1.76	1.76
% Ch	-0.2	0.6	-1.0	2.3	-2.4	-0.7	0.0	1.2
Other Durables	1.72	1.74	1.74	1.73	1.73	1.73	1.74	1.76
% Ch	1.5	3.0	0.3	-0.6	-0.9	0.6	2.3	4.4
Nondurable Manufacturing	5.42	5.42	5.40	5.38	5.36	5.35	5.35	5.35
% Ch	-2.7	-0.2	-1.1	-1.6	-1.5	-1.1	0.2	0.1
Food Manufacturing	1.50	1.50	1.50	1.49	1.49	1.49	1.50	1.50
% Ch	-3.3	0.4	-0.4	-1.3	-0.1	-0.2	1.2	0.9
Paper and Paper Products	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
% Ch	-3.9	-1.8	1.2	-1.0	-0.5	-0.3	1.4	1.4
Other Nondurables	3.42	3.42	3.41	3.39	3.37	3.36	3.35	3.35
% Ch	-2.4	-0.1	-1.7	-1.9	-2.3	-1.5	-0.4	-0.5
Natural Resources and Mining	0.58	0.59	0.60	0.60	0.61	0.62	0.62	0.62
% Ch	3.3	8.3	3.7	1.8	4.8	9.3	3.5	-2.9
Construction	6.86	6.94	6.98	7.06	7.08	7.13	7.19	7.21
% Ch	3.8	4.6	2.5	4.4	1.0	2.9	3.3	1.6
Trade, Transportation, and Utilities	25.39	25.51	25.54	25.61	25.72	25.87	25.97	26.02
% Ch	1.6	2.0	0.5	1.1	1.8	2.4	1.5	0.8
Wholesale Trade	5.62	5.65	5.67	5.68	5.70	5.75	5.81	5.82
% Ch	1.7	2.2	1.0	1.1	1.3	3.7	4.0	0.7
Retail Trade	14.99	15.05	15.04	15.07	15.12	15.17	15.16	15.17
% Ch	1.4	1.7	-0.2	0.7	1.2	1.6	-0.5	0.4
Trans., Warehousing, and Utilities	4.78	4.81	4.83	4.86	4.91	4.95	5.00	5.03
% Ch	2.1	2.6	2.2	2.0	4.1	3.4	4.5	2.4
Information	3.14	3.15	3.14	3.13	3.15	3.18	3.18	3.17
% Ch	-1.5	0.9	-1.4	-0.3	1.6	4.0	0.2	-0.8
Publishing Industries	0.91	0.91	0.91	0.91	0.91	0.92	0.92	0.92
% Ch	-1.9	0.4	-0.9	-0.5	1.1	3.4	1.1	0.9
Other Information	2.23	2.24	2.23	2.22	2.23	2.26	2.26	2.25
% Ch	-1.4	1.1	-1.6	-0.2	1.8	4.2	-0.1	-1.4
Financial Activities	8.00	8.04	8.06	8.11	8.17	8.24	8.25	8.25
% Ch	0.4	2.0	1.3	2.4	3.1	3.5	0.2	0.3
Professional and Business Services	16.16	16.37	16.48	16.63	16.70	16.86	17.00	17.13
% Ch	1.4	5.3	2.7	3.6	1.8	3.8	3.4	3.0
Education and Health Services	16.80	16.91	17.00	17.11	17.22	17.32	17.41	17.47
% Ch	1.9	2.7	2.2	2.8	2.4	2.4	2.1	1.4
Leisure and Hospitality	12.38	12.47	12.51	12.57	12.63	12.75	12.87	12.99
% Ch	2.9	3.0	1.3	1.8	2.2	3.6	4.1	3.7
Other Services	5.41	5.43	5.44	5.44	5.45	5.45	5.43	5.45
% Ch	0.6	1.9	0.2	0.2	1.1	-0.2	-1.5	1.7
Federal Government	2.73	2.73	2.73	2.72	2.72	2.72	2.73	2.73
% Ch	-0.8	0.7	-0.9	-1.1	0.4	0.0	0.1	0.1
State and Local Government	18.83	18.85	18.91	18.98	18.99	19.01	19.02	19.03
% Ch	0.2	0.6	1.2	1.6	0.2	0.5	0.1	0.2

Table A2.2

**U.S. Nonagricultural Employment by Industry**

Forecast 2005 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	134.83	135.32	135.74	136.08	136.41	136.81	137.10	137.38
% Ch	1.1	1.5	1.2	1.0	1.0	1.2	0.9	0.8
Manufacturing	14.43	14.44	14.44	14.45	14.47	14.49	14.48	14.46
% Ch	0.8	0.3	0.1	0.2	0.6	0.5	-0.2	-0.5
Durable Manufacturing	9.09	9.11	9.12	9.12	9.14	9.16	9.16	9.16
% Ch	1.6	1.0	0.5	0.3	0.9	0.9	-0.0	-0.3
Wood Products	0.53	0.52	0.51	0.50	0.49	0.49	0.48	0.48
% Ch	-6.3	-6.3	-6.9	-7.0	-4.9	-3.4	-3.2	-2.3
Primary and Fabricated Metals	2.03	2.05	2.06	2.06	2.07	2.08	2.09	2.10
% Ch	3.9	3.0	1.8	1.5	1.9	2.0	1.1	1.1
Computer and Electronic Products	1.32	1.30	1.30	1.32	1.34	1.35	1.35	1.35
% Ch	-4.8	-4.9	-0.2	5.3	6.1	4.3	0.9	-0.0
Machinery and Electrical Equipment	1.67	1.69	1.70	1.70	1.70	1.70	1.70	1.69
% Ch	5.2	4.4	2.4	0.6	0.8	0.5	-0.7	-1.9
Transportation Equipment	1.76	1.76	1.76	1.75	1.74	1.74	1.73	1.74
% Ch	0.6	0.2	-1.0	-2.4	-2.3	-0.7	-0.3	0.3
Other Durables	1.78	1.79	1.80	1.80	1.80	1.80	1.80	1.80
% Ch	4.1	3.0	1.2	-0.1	0.6	0.5	-0.2	-0.7
Nondurable Manufacturing	5.34	5.33	5.33	5.33	5.33	5.32	5.32	5.31
% Ch	-0.5	-0.8	-0.5	-0.0	0.0	-0.2	-0.5	-0.9
Food Manufacturing	1.50	1.50	1.51	1.51	1.52	1.52	1.53	1.53
% Ch	0.5	0.6	0.8	1.4	1.6	1.2	0.8	0.7
Paper and Paper Products	0.50	0.50	0.50	0.50	0.51	0.51	0.51	0.51
% Ch	0.8	0.1	0.5	1.0	0.9	0.8	0.4	0.1
Other Nondurables	3.34	3.33	3.32	3.31	3.30	3.30	3.28	3.27
% Ch	-1.2	-1.6	-1.2	-0.8	-0.8	-1.0	-1.3	-1.8
Natural Resources and Mining	0.61	0.60	0.60	0.59	0.58	0.58	0.57	0.56
% Ch	-5.3	-5.4	-3.2	-4.4	-5.4	-5.5	-5.2	-4.4
Construction	7.22	7.25	7.27	7.26	7.26	7.28	7.30	7.34
% Ch	0.6	1.3	1.0	-0.3	0.1	1.0	1.3	1.9
Trade, Transportation, and Utilities	26.07	26.15	26.20	26.25	26.30	26.40	26.44	26.45
% Ch	0.7	1.2	0.8	0.7	0.8	1.4	0.6	0.2
Wholesale Trade	5.83	5.84	5.84	5.83	5.82	5.83	5.83	5.84
% Ch	0.6	0.6	0.1	-0.8	-0.2	0.5	0.3	0.5
Retail Trade	15.20	15.25	15.28	15.32	15.35	15.42	15.43	15.40
% Ch	0.7	1.4	0.8	1.1	0.9	1.7	0.2	-0.6
Trans., Warehousing, and Utilities	5.05	5.07	5.09	5.10	5.13	5.15	5.18	5.21
% Ch	1.1	1.5	1.8	1.4	1.8	1.8	2.2	2.4
Information	3.15	3.16	3.19	3.21	3.23	3.23	3.24	3.25
% Ch	-2.7	1.0	4.0	2.8	1.8	0.9	1.1	1.3
Publishing Industries	0.92	0.93	0.94	0.94	0.95	0.95	0.96	0.97
% Ch	0.7	2.9	2.6	2.2	2.7	2.2	2.4	2.8
Other Information	2.23	2.23	2.25	2.27	2.28	2.28	2.28	2.29
% Ch	-4.1	0.3	4.6	3.0	1.4	0.3	0.6	0.8
Financial Activities	8.26	8.25	8.24	8.24	8.24	8.23	8.23	8.23
% Ch	0.3	-0.5	-0.3	-0.3	-0.0	-0.3	-0.2	0.4
Professional and Business Services	17.24	17.42	17.62	17.80	17.96	18.14	18.32	18.49
% Ch	2.7	4.1	4.8	4.2	3.6	4.1	3.9	3.8
Education and Health Services	17.56	17.66	17.73	17.78	17.81	17.87	17.91	17.98
% Ch	2.1	2.3	1.6	1.2	0.5	1.5	0.8	1.6
Leisure and Hospitality	13.07	13.11	13.14	13.17	13.20	13.19	13.19	13.13
% Ch	2.3	1.4	0.7	1.0	0.8	-0.1	-0.2	-1.6
Other Services	5.48	5.48	5.49	5.50	5.51	5.52	5.54	5.56
% Ch	1.6	0.5	0.6	0.6	1.0	0.5	1.6	1.6
Federal Government	2.73	2.73	2.73	2.73	2.73	2.73	2.73	2.73
% Ch	0.2	-0.1	-0.0	-0.0	-0.0	0.1	0.1	0.2
State and Local Government	19.02	19.08	19.10	19.09	19.12	19.15	19.17	19.19
% Ch	-0.2	1.3	0.3	-0.0	0.6	0.6	0.4	0.4

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

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	2,711.6	2,697.4	2,654.0	2,657.8	2,697.8	2,755.1	2,803.7	2,854.2
% Ch	2.4	-0.5	-1.6	0.1	1.5	2.1	1.8	1.8
Manufacturing	331.9	316.2	285.0	267.0	263.6	272.3	280.0	288.1
% Ch	-3.4	-4.7	-9.8	-6.3	-1.3	3.3	2.8	2.9
Durable Manufacturing	236.5	225.0	199.3	183.8	181.9	190.3	196.9	203.4
% Ch	-4.2	-4.8	-11.4	-7.8	-1.0	4.6	3.5	3.3
Wood Products	21.9	18.9	18.0	17.8	18.4	18.8	17.4	16.3
% Ch	3.6	-13.6	-4.8	-1.4	3.3	2.1	-7.3	-6.4
Primary and Fabricated Metals	29.8	27.0	23.5	22.1	22.3	22.9	23.7	24.1
% Ch	-0.8	-9.4	-12.7	-6.1	0.9	2.8	3.5	1.6
Computer and Electronic Products	34.4	32.4	26.2	23.4	22.1	22.2	22.0	23.5
% Ch	3.2	-5.6	-19.4	-10.7	-5.5	0.6	-1.0	6.7
Machinery and Electrical Equipment	19.8	18.5	16.7	16.3	17.1	18.0	19.7	20.7
% Ch	3.0	-6.3	-9.9	-2.6	4.8	5.7	9.4	5.0
Aerospace	86.2	87.3	75.7	65.3	61.4	66.0	71.0	76.0
% Ch	-12.3	1.3	-13.2	-13.8	-5.9	7.4	7.6	7.0
Other Transportation Equip.	13.4	11.3	10.9	11.1	12.1	12.7	12.9	12.4
% Ch	-6.0	-16.0	-2.8	1.5	9.0	4.9	1.7	-3.8
Other Durables	31.1	29.6	28.2	27.9	28.6	29.7	30.2	30.4
% Ch	1.0	-4.8	-4.7	-1.3	2.5	4.0	1.6	0.7
Nondurable Manufacturing	95.4	91.1	85.7	83.3	81.7	82.0	83.1	84.7
% Ch	-1.1	-4.5	-6.0	-2.8	-1.9	0.4	1.4	1.9
Food Manufacturing	38.9	37.2	35.3	34.8	34.0	34.9	35.7	36.7
% Ch	0.8	-4.3	-5.3	-1.3	-2.3	2.8	2.0	3.0
Paper and Paper Products	14.4	14.1	13.3	13.3	13.3	13.1	13.3	13.3
% Ch	-5.5	-2.0	-6.1	0.1	0.5	-1.3	0.8	0.7
Other Nondurables	42.1	39.8	37.2	35.2	34.4	33.9	34.2	34.6
% Ch	-1.1	-5.5	-6.5	-5.3	-2.4	-1.4	0.9	1.2
Natural Resources and Mining	10.0	9.8	9.4	8.6	8.9	9.2	9.1	8.9
% Ch	-5.3	-2.2	-4.5	-7.8	2.9	3.9	-1.4	-1.9
Construction	160.6	158.8	154.2	156.2	163.4	167.2	169.6	172.9
% Ch	4.5	-1.1	-2.9	1.3	4.6	2.3	1.4	1.9
Trade, Transportation, and Utilities	531.9	523.8	509.3	509.8	518.5	530.8	538.1	545.8
% Ch	2.5	-1.5	-2.8	0.1	1.7	2.4	1.4	1.4
Wholesale Trade	121.3	119.8	115.7	116.0	119.2	122.1	123.5	124.1
% Ch	1.6	-1.2	-3.4	0.3	2.8	2.4	1.2	0.5
Retail Trade	315.2	311.7	305.3	305.9	309.8	315.5	319.7	325.1
% Ch	3.2	-1.1	-2.0	0.2	1.3	1.8	1.3	1.7
Trans., Warehousing, and Utilities	95.4	92.4	88.3	87.9	89.4	93.2	94.9	96.6
% Ch	1.2	-3.2	-4.4	-0.5	1.8	4.2	1.8	1.9
Information	97.6	99.0	93.6	92.3	92.3	92.9	92.5	95.5
% Ch	14.6	1.4	-5.5	-1.4	0.1	0.6	-0.3	3.2
Software Publishers	32.2	35.9	36.1	37.3	39.3	41.2	42.3	44.3
% Ch	17.8	11.4	0.7	3.4	5.1	4.9	2.8	4.7
Other Publishing Industries	13.7	13.2	12.6	12.1	11.4	11.2	11.3	11.4
% Ch	1.5	-3.5	-4.4	-4.0	-6.3	-1.1	0.5	1.3
Other Information	51.7	49.9	44.8	42.8	41.7	40.4	38.9	39.8
% Ch	16.7	-3.5	-10.3	-4.5	-2.5	-3.1	-3.8	2.2
Financial Activities	142.3	145.2	146.2	151.9	151.8	153.2	154.2	154.8
% Ch	-0.4	2.0	0.7	3.9	-0.1	0.9	0.7	0.4
Professional and Business Services	303.8	296.9	290.2	290.5	301.8	313.9	326.4	340.9
% Ch	6.1	-2.3	-2.3	0.1	3.9	4.0	4.0	4.4
Education and Health Services	291.9	298.3	306.8	312.8	319.1	328.2	335.7	341.6
% Ch	3.7	2.2	2.9	1.9	2.0	2.9	2.3	1.7
Leisure and Hospitality	251.7	247.1	245.4	249.0	254.8	260.0	266.4	269.2
% Ch	1.9	-1.9	-0.7	1.5	2.3	2.0	2.5	1.1
Other Services	106.2	96.9	97.8	98.9	100.2	101.5	102.5	103.8
% Ch	1.6	-8.8	0.9	1.2	1.3	1.2	1.0	1.2
Federal Government	69.9	67.9	69.2	70.2	69.7	69.9	70.2	70.6
% Ch	3.4	-2.8	2.0	1.4	-0.7	0.3	0.4	0.4
State and Local Government	413.5	437.5	447.0	450.5	453.7	456.2	458.9	462.2
% Ch	1.7	5.8	2.2	0.8	0.7	0.5	0.6	0.7

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	2,651.0	2,651.1	2,657.2	2,656.6	2,655.2	2,650.8	2,658.1	2,666.9
% Ch	-2.5	0.0	0.9	-0.1	-0.2	-0.7	1.1	1.3
Manufacturing	293.3	287.5	282.4	277.0	272.1	267.8	264.9	263.3
% Ch	-14.7	-7.7	-6.9	-7.4	-6.8	-6.3	-4.2	-2.5
Durable Manufacturing	205.9	201.9	196.9	192.5	187.9	184.6	182.0	180.5
% Ch	-18.1	-7.6	-9.5	-8.6	-9.2	-6.9	-5.5	-3.4
Wood Products	17.9	18.1	18.1	18.1	18.0	17.8	17.6	17.7
% Ch	-9.1	3.0	-0.2	0.3	-0.7	-4.6	-5.3	1.5
Primary and Fabricated Metals	24.6	23.5	23.2	22.8	22.6	22.2	21.8	21.7
% Ch	-11.4	-16.0	-4.7	-6.8	-3.3	-6.9	-7.7	-1.6
Computer and Electronic Products	27.2	26.5	26.0	24.9	24.3	23.5	23.1	22.5
% Ch	-26.4	-10.3	-7.3	-16.3	-8.8	-13.0	-5.6	-10.0
Machinery and Electrical Equipment	17.0	16.9	16.7	16.3	16.2	16.2	16.2	16.5
% Ch	-12.9	-3.9	-4.7	-8.5	-3.2	1.7	0.0	5.9
Aerospace	80.2	77.0	73.7	71.9	68.6	66.2	63.9	62.4
% Ch	-25.8	-14.9	-16.4	-9.1	-17.4	-13.1	-13.4	-9.1
Other Transportation Equip.	10.5	11.5	11.1	10.7	10.6	10.9	11.4	11.5
% Ch	-3.7	43.9	-13.2	-14.7	-1.2	11.8	18.2	2.4
Other Durables	28.5	28.4	28.2	27.9	27.6	27.7	28.0	28.3
% Ch	-4.1	-0.9	-3.3	-4.4	-4.1	1.9	4.4	3.9
Nondurable Manufacturing	87.3	85.6	85.5	84.5	84.2	83.2	82.9	82.8
% Ch	-6.0	-7.8	-0.5	-4.6	-1.2	-4.9	-1.2	-0.4
Food Manufacturing	35.9	34.9	35.4	34.9	34.9	34.5	35.0	34.8
% Ch	-3.2	-10.8	6.3	-6.4	0.5	-4.4	6.1	-2.6
Paper and Paper Products	13.4	13.3	13.2	13.2	13.1	13.3	13.2	13.4
% Ch	-10.7	-3.7	-3.2	1.4	-1.6	3.5	-1.0	5.2
Other Nondurables	38.0	37.4	36.9	36.4	36.2	35.4	34.7	34.6
% Ch	-6.9	-6.3	-5.5	-4.9	-2.7	-8.4	-7.9	-0.3
Natural Resources and Mining	9.4	9.4	9.3	9.3	9.0	8.6	8.4	8.5
% Ch	-8.1	-1.4	-3.6	1.1	-12.4	-15.9	-11.3	4.5
Construction	153.5	153.6	154.9	154.7	155.1	155.1	156.0	158.5
% Ch	-1.5	0.3	3.2	-0.4	1.1	-0.0	2.4	6.6
Trade, Transportation, and Utilities	511.1	509.4	509.6	507.1	509.3	508.2	510.8	510.9
% Ch	-2.7	-1.3	0.1	-1.9	1.7	-0.8	2.1	0.1
Wholesale Trade	116.6	115.5	115.3	115.1	115.5	115.4	116.2	117.0
% Ch	-3.0	-3.7	-0.9	-0.5	1.2	-0.1	2.5	2.9
Retail Trade	305.7	305.5	305.7	304.3	305.5	305.4	306.6	306.1
% Ch	-1.5	-0.2	0.2	-1.8	1.5	-0.0	1.5	-0.7
Trans., Warehousing, and Utilities	88.7	88.4	88.6	87.6	88.3	87.3	88.0	87.9
% Ch	-6.1	-1.5	1.1	-4.2	3.0	-4.4	3.3	-0.8
Information	94.3	93.6	93.1	93.3	92.4	91.7	92.0	93.0
% Ch	-8.3	-3.3	-2.1	0.9	-3.7	-3.0	1.1	4.4
Software Publishers	35.7	36.0	36.1	36.7	36.6	36.7	37.7	38.3
% Ch	-4.4	3.3	1.3	7.0	-1.4	1.7	11.1	6.9
Other Publishing Industries	12.5	12.6	12.8	12.6	12.6	12.4	12.1	11.5
% Ch	-9.1	3.2	5.4	-4.1	-2.1	-6.2	-9.4	-17.5
Other Information	46.1	45.0	44.2	43.9	43.3	42.6	42.2	43.1
% Ch	-11.0	-9.8	-6.7	-2.4	-6.0	-5.9	-4.0	9.2
Financial Activities	144.7	145.7	146.4	147.8	150.3	152.0	152.9	152.3
% Ch	-2.7	2.6	2.0	4.0	6.7	4.8	2.4	-1.6
Professional and Business Services	287.7	289.1	291.6	292.2	289.9	288.7	290.5	293.0
% Ch	-1.8	1.9	3.6	0.8	-3.0	-1.7	2.5	3.5
Education and Health Services	304.8	306.3	306.4	309.9	310.5	312.0	313.1	315.6
% Ch	3.4	1.9	0.1	4.7	0.8	1.9	1.5	3.2
Leisure and Hospitality	243.1	244.7	247.0	246.7	247.7	247.1	248.8	252.3
% Ch	-1.9	2.8	3.7	-0.4	1.6	-1.1	2.8	5.7
Other Services	96.6	97.6	98.5	98.3	99.1	98.9	98.7	99.0
% Ch	-0.4	4.3	3.7	-0.8	3.4	-1.1	-0.9	1.2
Federal Government	68.4	68.5	69.3	70.7	70.5	70.2	70.0	70.1
% Ch	0.9	0.1	4.9	8.3	-1.2	-1.5	-1.0	0.3
State and Local Government	444.0	445.7	448.8	449.5	449.2	450.5	452.0	450.5
% Ch	2.2	1.6	2.8	0.6	-0.3	1.2	1.3	-1.3

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,675.4	2,697.2	2,704.7	2,714.0	2,732.9	2,749.2	2,765.0	2,773.2
% Ch	1.3	3.3	1.1	1.4	2.8	2.4	2.3	1.2
Manufacturing	262.2	263.1	263.9	265.2	269.2	270.9	273.3	275.7
% Ch	-1.7	1.4	1.2	2.0	6.2	2.5	3.7	3.5
Durable Manufacturing	179.7	181.1	182.4	184.3	187.5	189.2	191.2	193.2
% Ch	-1.7	3.2	2.9	4.3	7.2	3.6	4.2	4.3
Wood Products	17.9	18.3	18.5	18.8	19.3	18.9	18.6	18.3
% Ch	4.6	9.2	6.4	6.1	9.5	-6.7	-6.6	-6.9
Primary and Fabricated Metals	22.0	22.3	22.4	22.5	22.8	22.7	22.9	23.2
% Ch	5.2	5.2	2.0	2.4	4.9	-0.7	2.4	6.0
Computer and Electronic Products	22.0	22.1	22.2	22.0	21.9	22.1	22.4	22.4
% Ch	-9.7	2.5	2.4	-3.5	-2.4	4.6	4.7	0.3
Machinery and Electrical Equipment	16.6	17.0	17.3	17.4	17.5	17.8	18.2	18.7
% Ch	2.5	10.9	6.4	3.1	1.5	6.8	10.1	11.6
Aerospace	61.3	60.9	60.9	62.5	64.0	65.3	66.6	67.8
% Ch	-6.9	-2.4	0.0	11.2	9.8	8.7	7.9	7.7
Other Transportation Equip.	11.8	12.1	12.4	12.2	12.5	12.7	12.8	12.8
% Ch	10.9	11.8	10.3	-7.3	13.0	4.0	3.3	2.3
Other Durables	28.3	28.5	28.7	28.9	29.6	29.6	29.7	29.9
% Ch	0.2	3.0	2.8	2.6	10.5	0.6	1.5	2.3
Nondurable Manufacturing	82.5	82.0	81.5	80.9	81.7	81.7	82.1	82.5
% Ch	-1.6	-2.6	-2.4	-2.8	3.9	0.0	2.3	1.8
Food Manufacturing	34.6	34.2	33.7	33.6	34.8	34.7	35.0	35.2
% Ch	-2.5	-4.6	-5.9	-0.4	14.2	-0.3	3.4	2.5
Paper and Paper Products	13.5	13.3	13.2	13.2	13.1	13.1	13.2	13.2
% Ch	2.8	-4.6	-2.9	-0.2	-3.0	-0.3	1.4	1.4
Other Nondurables	34.4	34.5	34.6	34.0	33.8	33.8	34.0	34.1
% Ch	-2.3	0.3	1.4	-6.2	-3.0	0.5	1.6	1.2
Natural Resources and Mining	8.7	8.9	8.9	9.1	9.2	9.2	9.2	9.3
% Ch	9.6	9.6	1.1	8.0	6.2	0.1	1.4	0.3
Construction	161.5	163.8	163.4	165.1	165.8	167.2	167.9	167.9
% Ch	7.7	5.7	-0.8	4.1	1.8	3.4	1.8	-0.1
Trade, Transportation, and Utilities	512.2	518.7	520.9	522.1	526.6	529.7	533.3	533.4
% Ch	1.0	5.2	1.7	0.9	3.5	2.4	2.7	0.1
Wholesale Trade	117.4	119.1	120.0	120.4	120.7	121.7	122.9	123.0
% Ch	1.5	6.0	2.8	1.3	1.0	3.5	4.0	0.1
Retail Trade	306.7	310.3	310.8	311.6	313.8	315.3	316.4	316.5
% Ch	0.8	4.8	0.8	1.0	2.9	1.9	1.5	0.0
Trans., Warehousing, and Utilities	88.2	89.3	90.1	90.1	92.1	92.7	93.9	94.0
% Ch	1.4	5.5	3.5	0.0	9.3	2.5	5.3	0.5
Information	92.4	92.6	92.1	92.2	93.1	93.6	92.9	91.9
% Ch	-2.4	1.1	-2.3	0.6	3.9	1.9	-3.0	-4.1
Software Publishers	38.9	39.2	39.3	39.7	40.7	41.1	41.4	41.6
% Ch	5.8	2.9	1.2	4.1	10.7	3.5	3.1	2.1
Other Publishing Industries	11.3	11.4	11.4	11.4	11.2	11.3	11.3	11.2
% Ch	-5.7	1.2	1.2	-1.2	-5.7	2.0	-0.0	-0.2
Other Information	42.2	42.1	41.4	41.2	41.2	41.2	40.2	39.0
% Ch	-8.6	-0.6	-6.4	-2.3	0.2	0.3	-9.5	-11.3
Financial Activities	151.9	151.9	151.5	151.9	151.9	153.2	153.9	153.9
% Ch	-1.1	-0.0	-1.1	1.2	-0.2	3.6	1.6	-0.0
Professional and Business Services	296.6	301.0	304.0	305.5	309.1	312.1	316.1	318.1
% Ch	4.9	6.2	4.0	2.1	4.8	4.0	5.2	2.6
Education and Health Services	316.0	319.2	319.3	321.7	325.2	327.3	329.3	330.9
% Ch	0.5	4.1	0.1	3.1	4.3	2.7	2.4	1.9
Leisure and Hospitality	253.2	255.1	255.0	255.8	256.5	258.4	261.7	263.2
% Ch	1.5	3.1	-0.2	1.3	1.1	3.1	5.2	2.4
Other Services	99.3	100.1	100.5	101.0	101.2	101.4	101.5	101.8
% Ch	1.4	3.2	1.8	1.8	1.0	0.5	0.5	1.0
Federal Government	69.9	69.7	69.7	69.5	69.8	69.9	70.0	70.1
% Ch	-1.1	-1.0	0.3	-1.1	1.6	0.4	0.5	0.5
State and Local Government	451.5	453.1	455.5	454.8	455.2	456.3	456.0	457.1
% Ch	0.9	1.4	2.1	-0.6	0.4	1.0	-0.3	1.0

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,783.4	2,796.2	2,812.5	2,822.6	2,835.0	2,847.6	2,862.7	2,871.3
% Ch	1.5	1.9	2.3	1.5	1.8	1.8	2.1	1.2
Manufacturing	277.4	279.0	280.8	282.9	285.2	287.3	289.1	290.6
% Ch	2.5	2.3	2.6	3.0	3.3	3.0	2.4	2.2
Durable Manufacturing	194.7	196.1	197.6	199.2	201.0	202.7	204.2	205.5
% Ch	3.2	2.8	3.1	3.3	3.6	3.5	2.9	2.7
Wood Products	17.9	17.6	17.2	16.9	16.6	16.4	16.2	16.0
% Ch	-7.5	-7.5	-7.9	-8.0	-6.3	-5.1	-4.9	-4.2
Primary and Fabricated Metals	23.5	23.7	23.8	23.9	24.0	24.1	24.1	24.2
% Ch	4.9	3.4	1.7	1.2	1.8	1.9	0.7	0.8
Computer and Electronic Products	22.1	21.7	21.8	22.3	23.0	23.5	23.6	23.7
% Ch	-5.9	-6.1	1.3	10.4	11.7	8.7	3.1	1.6
Machinery and Electrical Equipment	19.2	19.6	19.9	20.2	20.4	20.7	20.8	20.9
% Ch	10.6	9.5	7.0	4.8	5.1	4.6	3.1	1.6
Aerospace	69.1	70.3	71.6	72.8	74.1	75.3	76.6	77.8
% Ch	7.6	7.4	7.3	7.2	7.0	6.9	6.8	6.7
Other Transportation Equip.	12.9	13.0	13.0	12.8	12.6	12.4	12.4	12.4
% Ch	2.1	1.3	1.1	-5.0	-7.1	-6.2	-0.7	0.9
Other Durables	30.1	30.2	30.3	30.3	30.4	30.4	30.4	30.5
% Ch	2.0	1.7	1.0	0.5	0.7	0.7	0.4	0.4
Nondurable Manufacturing	82.7	82.9	83.2	83.7	84.2	84.6	84.9	85.1
% Ch	1.0	0.9	1.4	2.3	2.5	2.1	1.4	1.0
Food Manufacturing	35.4	35.5	35.7	36.0	36.4	36.7	36.9	37.0
% Ch	1.5	1.6	2.2	3.7	4.0	3.1	2.1	1.5
Paper and Paper Products	13.2	13.2	13.3	13.3	13.3	13.3	13.4	13.4
% Ch	0.9	0.1	0.5	1.0	1.0	0.8	0.4	0.1
Other Nondurables	34.1	34.2	34.2	34.3	34.5	34.6	34.7	34.8
% Ch	0.5	0.4	0.9	1.4	1.6	1.5	1.0	0.8
Natural Resources and Mining	9.2	9.1	9.1	9.0	9.0	8.9	8.9	8.9
% Ch	-2.7	-2.4	-2.3	-2.6	-1.8	-1.7	-1.4	-0.8
Construction	168.4	169.2	170.0	170.8	171.6	172.4	173.3	174.2
% Ch	1.2	1.7	2.0	2.0	1.8	1.8	2.2	2.2
Trade, Transportation, and Utilities	534.9	536.7	540.1	540.7	542.5	544.8	548.1	547.9
% Ch	1.1	1.4	2.5	0.5	1.4	1.7	2.4	-0.1
Wholesale Trade	123.2	123.4	123.7	123.6	123.7	124.0	124.3	124.4
% Ch	0.9	0.7	0.9	-0.4	0.4	0.7	1.1	0.5
Retail Trade	317.4	318.8	321.0	321.7	323.0	324.7	326.6	326.1
% Ch	1.2	1.7	2.9	0.8	1.6	2.2	2.4	-0.7
Trans., Warehousing, and Utilities	94.2	94.5	95.3	95.4	95.8	96.2	97.2	97.4
% Ch	0.9	1.1	3.5	0.4	1.8	1.5	4.1	1.0
Information	91.6	91.9	92.9	93.8	94.6	95.2	95.8	96.5
% Ch	-1.3	1.4	4.2	4.2	3.3	2.6	2.8	3.0
Software Publishers	41.8	42.1	42.4	43.0	43.5	44.0	44.6	45.2
% Ch	2.3	2.4	3.3	5.1	5.1	5.0	5.0	5.2
Other Publishing Industries	11.2	11.3	11.3	11.4	11.4	11.4	11.5	11.5
% Ch	-0.3	1.6	1.3	1.1	1.4	1.0	1.2	1.6
Other Information	38.5	38.5	39.1	39.5	39.7	39.7	39.8	39.9
% Ch	-5.4	0.3	6.1	4.0	1.9	0.4	0.8	1.0
Financial Activities	154.1	154.0	154.5	154.3	154.5	154.5	155.0	155.1
% Ch	0.6	-0.2	1.2	-0.5	0.5	0.0	1.4	0.2
Professional and Business Services	320.6	323.9	329.0	331.9	335.2	338.7	343.4	346.2
% Ch	3.2	4.2	6.3	3.6	4.0	4.2	5.7	3.3
Education and Health Services	332.9	335.1	336.8	338.2	339.3	340.9	342.2	344.0
% Ch	2.5	2.6	2.1	1.7	1.2	2.0	1.5	2.2
Leisure and Hospitality	264.7	265.6	267.4	267.7	268.6	268.8	270.2	269.2
% Ch	2.3	1.4	2.7	0.5	1.3	0.3	2.1	-1.5
Other Services	102.1	102.3	102.7	102.9	103.2	103.5	104.0	104.3
% Ch	1.4	0.8	1.6	0.6	1.2	0.9	2.3	1.2
Federal Government	70.2	70.2	70.3	70.4	70.4	70.5	70.6	70.7
% Ch	0.5	0.3	0.4	0.4	0.4	0.5	0.5	0.6
State and Local Government	457.3	459.1	459.1	460.0	461.0	462.1	462.1	463.5
% Ch	0.1	1.6	-0.1	0.8	0.9	1.0	-0.0	1.2

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

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	8,429.7	8,724.1	8,878.9	9,161.8	9,659.1	10,146.7	10,686.4	11,270.2
% Ch	8.0	3.5	1.8	3.2	5.4	5.0	5.3	5.5
Total Wage and Salary Disbursements	4,829.2	4,942.8	4,976.3	5,103.5	5,342.6	5,638.8	5,949.5	6,280.7
% Ch	8.1	2.4	0.7	2.6	4.7	5.5	5.5	5.6
Nonwage Personal Income	3,600.4	3,781.3	3,902.7	4,058.3	4,316.6	4,507.9	4,736.8	4,989.5
% Ch	7.9	5.0	3.2	4.0	6.4	4.4	5.1	5.3
Supplements to Wages and Salaries	953.4	999.3	1,093.2	1,185.4	1,274.0	1,341.8	1,408.0	1,466.8
% Ch	7.6	4.8	9.4	8.4	7.5	5.3	4.9	4.2
Proprietor's Income	728.4	771.9	769.6	834.1	902.4	964.3	1,016.0	1,076.3
% Ch	7.4	6.0	-0.3	8.4	8.2	6.9	5.4	5.9
Farm	22.7	19.7	9.7	21.9	18.0	21.9	18.0	16.9
% Ch	-20.7	-13.1	-50.9	125.8	-17.6	21.6	-17.7	-6.1
Nonfarm	705.7	752.2	759.9	812.3	884.4	942.4	998.0	1,059.4
% Ch	8.6	6.6	1.0	6.9	8.9	6.6	5.9	6.2
Less: Contribution For Govt. Soc. Ins.	702.7	731.1	748.3	773.2	818.3	864.4	915.7	969.1
% Ch	6.2	4.0	2.3	3.3	5.8	5.6	5.9	5.8
Dividends/Int./Rent	1,537.3	1,547.4	1,505.5	1,476.6	1,552.2	1,602.0	1,656.9	1,739.3
% Ch	8.9	0.7	-2.7	-1.9	5.1	3.2	3.4	5.0
Transfer Payments	1,084.1	1,193.9	1,282.7	1,335.3	1,406.3	1,464.2	1,571.7	1,676.1
% Ch	6.1	10.1	7.4	4.1	5.3	4.1	7.3	6.6



Table A3.2

**U.S. Personal Income by Component**

Forecast 2005 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,803.6	8,897.1	8,895.7	8,919.2	9,002.2	9,105.7	9,209.3	9,330.0
% Ch	2.2	4.3	-0.1	1.1	3.8	4.7	4.6	5.3
Total Wage and Salary Disbursements	4,956.2	4,980.3	4,981.2	4,987.3	5,023.3	5,073.3	5,128.6	5,188.9
% Ch	2.7	2.0	0.1	0.5	2.9	4.0	4.4	4.8
Nonwage Personal Income	3,847.4	3,916.8	3,914.5	3,931.9	3,978.9	4,032.4	4,080.7	4,141.1
% Ch	1.7	7.4	-0.2	1.8	4.9	5.5	4.9	6.1
Supplements to Wages and Salaries	1,054.0	1,088.0	1,104.8	1,126.0	1,154.3	1,173.6	1,196.1	1,217.8
% Ch	16.4	13.6	6.3	7.9	10.4	6.9	7.9	7.5
Proprietor's Income	762.2	769.0	770.4	776.7	794.0	825.7	852.0	864.7
% Ch	-6.0	3.6	0.7	3.3	9.2	17.0	13.4	6.1
Farm	10.8	10.4	8.7	8.8	13.8	24.1	24.8	24.7
% Ch	-91.5	-14.0	-51.0	4.7	504.8	830.1	12.1	-1.6
Nonfarm	751.4	758.6	761.7	767.9	780.2	801.6	827.2	840.0
% Ch	-1.4	3.9	1.6	3.3	6.6	11.4	13.4	6.3
Less: Contribution For Govt. Soc. Ins.	745.7	749.1	748.9	749.6	762.4	768.9	776.7	785.0
% Ch	7.7	1.8	-0.1	0.4	7.0	3.4	4.1	4.3
Dividends/Int./Rent	1,517.5	1,524.9	1,499.1	1,480.5	1,481.4	1,468.8	1,463.2	1,492.9
% Ch	-4.9	2.0	-6.6	-4.9	0.2	-3.4	-1.5	8.4
Transfer Payments	1,259.4	1,284.0	1,289.1	1,298.1	1,311.4	1,333.1	1,346.2	1,350.7
% Ch	7.2	8.0	1.6	2.8	4.2	6.8	4.0	1.3

Table A3.2

**U.S. Personal Income by Component**

Forecast 2005 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,445.0	9,592.7	9,674.3	9,924.6	9,956.6	10,082.3	10,213.6	10,334.5
% Ch	5.0	6.4	3.4	10.8	1.3	5.1	5.3	4.8
Total Wage and Salary Disbursements	5,239.2	5,312.8	5,375.0	5,443.2	5,526.4	5,600.9	5,676.9	5,751.0
% Ch	3.9	5.7	4.8	5.2	6.3	5.5	5.5	5.3
Nonwage Personal Income	4,205.8	4,279.9	4,299.3	4,481.4	4,430.2	4,481.4	4,536.6	4,583.5
% Ch	6.4	7.2	1.8	18.0	-4.5	4.7	5.0	4.2
Supplements to Wages and Salaries	1,248.8	1,267.2	1,282.4	1,297.9	1,320.5	1,333.4	1,348.4	1,365.0
% Ch	10.6	6.0	4.9	4.9	7.1	4.0	4.6	5.0
Proprietor's Income	872.1	901.4	902.9	933.2	945.7	958.8	970.4	982.3
% Ch	3.5	14.1	0.7	14.1	5.5	5.6	4.9	5.0
Farm	17.9	18.9	13.6	21.6	21.2	21.8	22.9	21.6
% Ch	-72.4	24.3	-73.2	536.3	-7.2	11.7	22.4	-20.9
Nonfarm	854.2	882.5	889.3	911.6	924.5	937.0	947.5	960.7
% Ch	6.9	13.9	3.1	10.4	5.8	5.5	4.5	5.7
Less: Contribution For Govt. Soc. Ins.	803.9	814.0	823.0	832.3	854.0	859.9	866.6	877.2
% Ch	10.0	5.1	4.5	4.6	10.9	2.8	3.2	5.0
Dividends/Int./Rent	1,509.9	1,524.9	1,521.6	1,652.4	1,574.4	1,592.8	1,613.7	1,627.2
% Ch	4.6	4.0	-0.9	39.1	-17.6	4.8	5.3	3.4
Transfer Payments	1,379.0	1,400.4	1,415.4	1,430.2	1,443.7	1,456.2	1,470.7	1,486.2
% Ch	8.6	6.4	4.4	4.2	3.8	3.5	4.0	4.3

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,477.4	10,616.6	10,759.4	10,892.0	11,038.7	11,193.3	11,346.1	11,502.7
% Ch	5.6	5.4	5.5	5.0	5.5	5.7	5.6	5.6
Total Wage and Salary Disbursements	5,828.7	5,908.5	5,990.4	6,070.4	6,156.2	6,240.6	6,321.5	6,404.5
% Ch	5.5	5.6	5.7	5.5	5.8	5.6	5.3	5.4
Nonwage Personal Income	4,648.7	4,708.1	4,769.0	4,821.6	4,882.5	4,952.7	5,024.6	5,098.2
% Ch	5.8	5.2	5.3	4.5	5.2	5.9	5.9	6.0
Supplements to Wages and Salaries	1,385.7	1,400.5	1,415.5	1,430.2	1,444.0	1,459.9	1,473.9	1,489.4
% Ch	6.2	4.3	4.4	4.2	3.9	4.5	3.9	4.3
Proprietor's Income	995.5	1,008.7	1,022.7	1,037.0	1,052.2	1,069.6	1,084.4	1,098.9
% Ch	5.5	5.4	5.7	5.7	6.0	6.8	5.7	5.4
Farm	20.3	18.2	17.3	16.4	16.3	17.0	17.4	16.9
% Ch	-22.7	-35.4	-18.6	-19.0	-1.8	19.5	7.9	-9.4
Nonfarm	975.2	990.6	1,005.5	1,020.6	1,035.9	1,052.6	1,067.1	1,082.0
% Ch	6.2	6.4	6.2	6.2	6.1	6.6	5.6	5.7
Less: Contribution For Govt. Soc. Ins.	899.5	909.4	921.1	933.0	955.4	964.0	972.6	984.2
% Ch	10.5	4.5	5.3	5.2	9.9	3.7	3.6	4.8
Dividends/Int./Rent	1,637.4	1,650.5	1,662.2	1,677.5	1,700.3	1,723.3	1,750.9	1,782.9
% Ch	2.5	3.2	2.9	3.7	5.5	5.5	6.6	7.5
Transfer Payments	1,529.6	1,557.7	1,589.7	1,609.9	1,641.4	1,663.9	1,687.9	1,711.2
% Ch	12.2	7.6	8.5	5.2	8.1	5.6	5.9	5.6

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

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	187.853	194.420	198.367	203.956	219.880	227.334	240.787	255.828
% Ch	7.0	3.5	2.0	2.8	7.8	3.4	5.9	6.2
Total Wage and Salary Disbursements	110.002	110.612	111.357	114.217	119.327	127.268	135.226	144.198
% Ch	6.0	0.6	0.7	2.6	4.5	6.7	6.3	6.6
Manufacturing	#N/A!	15.241	14.660	13.596	14.151	15.626	16.826	18.176
% Ch	#N/A!	#N/A!	-3.8	-7.3	4.1	10.4	7.7	8.0
Durable Manufacturing	#N/A!	11.615	10.772	10.102	10.640	11.975	12.957	14.039
% Ch	#N/A!	#N/A!	-7.3	-6.2	5.3	12.6	8.2	8.4
Nondurable Manufacturing	#N/A!	3.627	3.888	3.494	3.511	3.651	3.869	4.137
% Ch	#N/A!	#N/A!	7.2	-10.1	0.5	4.0	6.0	6.9
Nonmanufacturing	#N/A!	91.162	92.191	95.645	100.005	106.269	112.774	120.116
% Ch	#N/A!	#N/A!	1.1	3.7	4.6	6.3	6.1	6.5
Other Private Wages	#N/A!	1.032	1.081	1.137	1.164	1.189	1.273	1.370
% Ch	#N/A!	#N/A!	4.7	5.2	2.4	2.2	7.1	7.6
Farm Wages	1.004	1.007	0.967	1.181	1.229	1.290	1.346	1.410
% Ch	2.2	0.2	-3.9	22.1	4.0	5.0	4.3	4.8
Military Wages	2.001	2.171	2.458	2.658	2.779	2.894	3.007	3.126
% Ch	4.9	8.5	13.2	8.2	4.6	4.2	3.9	4.0
Nonwage Personal Income	77.852	83.807	87.010	89.738	100.553	100.066	105.561	111.630
% Ch	8.5	7.6	3.8	3.1	12.1	-0.5	5.5	5.7
Supplements to Wages and Salaries	22.875	23.352	25.303	27.149	29.107	31.029	32.768	34.522
% Ch	7.5	2.1	8.4	7.3	7.2	6.6	5.6	5.4
Proprietor's Income	14.150	16.188	16.998	17.954	19.800	21.288	22.578	24.010
% Ch	7.6	14.4	5.0	5.6	10.3	7.5	6.1	6.3
Farm	0.444	0.238	0.356	0.133	0.344	0.497	0.547	0.579
% Ch	24.4	-46.3	49.5	-62.7	158.4	44.7	9.9	5.9
Nonfarm	13.705	15.948	16.641	17.821	19.456	20.791	22.031	23.431
% Ch	7.2	16.4	4.3	7.1	9.2	6.9	6.0	6.4
Less: Contribution For Govt. Soc. Ins.	18.189	17.928	18.266	18.950	20.045	21.414	22.782	24.325
% Ch	7.3	-1.4	1.9	3.7	5.8	6.8	6.4	6.8
Plus: Residence Adjustment	2.182	2.329	2.289	2.349	2.548	2.683	2.814	2.960
% Ch	12.5	6.7	-1.7	2.7	8.5	5.3	4.9	5.2
Dividends/Int./Rent	34.521	34.788	34.091	33.410	40.673	36.647	38.033	40.046
% Ch	10.1	0.8	-2.0	-2.0	21.7	-9.9	3.8	5.3
Transfer Payments	22.314	25.079	26.596	27.826	28.471	29.832	32.150	34.418
% Ch	6.4	12.4	6.0	4.6	2.3	4.8	7.8	7.1
State U.I. Benefits	0.923	1.374	2.386	2.238	1.181	1.056	0.866	0.827
% Ch	-2.5	48.8	73.6	-6.2	-47.2	-10.6	-18.0	-4.5
Other Transfers	21.390	23.706	24.210	25.588	27.290	28.776	31.284	33.591
% Ch	6.9	10.8	2.1	5.7	6.7	5.4	8.7	7.4

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	196.533	198.922	199.458	198.556	199.629	203.671	207.259	205.263
% Ch	5.0	5.0	1.1	-1.8	2.2	8.3	7.2	-3.8
Total Wage and Salary Disbursements	110.654	111.335	112.128	111.310	111.339	114.517	117.132	113.879
% Ch	5.9	2.5	2.9	-2.9	0.1	11.9	9.5	-10.7
Manufacturing	15.185	14.509	14.635	14.311	13.840	13.694	13.421	13.431
% Ch	23.3	-16.7	3.5	-8.6	-12.5	-4.2	-7.7	0.3
Durable Manufacturing	11.258	10.810	10.533	10.488	10.351	10.116	10.001	9.940
% Ch	15.0	-15.0	-9.9	-1.7	-5.1	-8.8	-4.5	-2.4
Non-durable Manufacturing	3.927	3.699	4.102	3.823	3.489	3.578	3.420	3.491
% Ch	52.0	-21.3	51.2	-24.6	-30.6	10.6	-16.5	8.6
Nonmanufacturing	90.975	92.318	92.968	92.505	92.546	95.789	98.720	95.524
% Ch	2.8	6.0	2.8	-2.0	0.2	14.8	12.8	-12.3
Other Private Wages	1.069	1.066	1.095	1.093	1.159	1.149	1.143	1.096
% Ch	-10.2	-1.1	11.3	-0.7	26.4	-3.4	-2.1	-15.5
Farm Wages	0.973	0.969	0.965	0.961	1.168	1.175	1.184	1.196
% Ch	-13.2	-1.6	-1.6	-1.6	118.2	2.4	3.1	4.1
Military Wages	2.452	2.473	2.465	2.440	2.626	2.710	2.664	2.632
% Ch	52.6	3.5	-1.3	-4.0	34.2	13.4	-6.6	-4.7
Nonwage Personal Income	85.879	87.586	87.329	87.246	88.290	89.154	90.127	91.382
% Ch	3.9	8.2	-1.2	-0.4	4.9	4.0	4.4	5.7
Supplements to Wages and Salaries	24.537	25.166	25.652	25.857	26.291	27.130	27.834	27.342
% Ch	19.5	10.7	8.0	3.2	6.9	13.4	10.8	-6.9
Proprietor's Income	16.751	17.078	17.056	17.106	17.184	17.756	18.299	18.579
% Ch	14.1	8.0	-0.5	1.2	1.8	14.0	12.8	6.3
Farm	0.357	0.465	0.344	0.260	0.039	0.160	0.169	0.164
% Ch	6.E+02	187.8	-70.0	-67.4	-99.9	3.E+04	24.5	-11.3
Nonfarm	16.394	16.612	16.712	16.846	17.145	17.596	18.130	18.414
% Ch	10.7	5.4	2.4	3.2	7.3	10.9	12.7	6.4
Less: Contribution For Govt. Soc. Ins.	18.210	18.258	18.350	18.247	18.500	18.972	19.373	18.954
% Ch	10.2	1.1	2.0	-2.2	5.7	10.6	8.7	-8.4
Plus: Residence Adjustment	2.255	2.294	2.280	2.326	2.321	2.308	2.324	2.445
% Ch	-9.3	7.1	-2.4	8.3	-0.9	-2.2	2.8	22.5
Dividends/Int./Rent	34.522	34.679	33.859	33.305	33.540	33.138	33.043	33.917
% Ch	-0.7	1.8	-9.1	-6.4	2.9	-4.7	-1.1	11.0
Transfer Payments	26.024	26.628	26.832	26.899	27.454	27.794	28.000	28.054
% Ch	-3.7	9.6	3.1	1.0	8.5	5.0	3.0	0.8
State U.I. Benefits	2.065	2.533	2.563	2.382	2.306	2.294	2.222	2.129
% Ch	106.3	126.4	4.8	-25.4	-12.2	-2.1	-12.0	-15.7
Other Transfers	23.960	24.095	24.269	24.517	25.148	25.500	25.778	25.925
% Ch	-9.3	2.3	2.9	4.2	10.7	5.7	4.4	2.3

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	207.443	213.310	216.511	242.256	222.017	224.689	231.033	231.598
% Ch	4.3	11.8	6.1	56.7	-29.5	4.9	11.8	1.0
Total Wage and Salary Disbursements	114.655	119.005	121.739	121.910	123.887	125.305	130.203	129.679
% Ch	2.8	16.1	9.5	0.6	6.6	4.7	16.6	-1.6
Manufacturing	13.148	14.037	14.598	14.820	15.202	15.453	15.767	16.082
% Ch	-8.2	29.9	17.0	6.2	10.7	6.7	8.4	8.2
Durable Manufacturing	9.731	10.426	11.093	11.309	11.622	11.838	12.091	12.350
% Ch	-8.1	31.8	28.1	8.0	11.5	7.6	8.8	8.8
Nondurable Manufacturing	3.417	3.611	3.505	3.511	3.580	3.615	3.675	3.732
% Ch	-8.2	24.7	-11.2	0.7	8.1	3.9	6.9	6.3
Nonmanufacturing	96.328	99.735	102.038	101.920	103.369	104.507	109.029	108.172
% Ch	3.4	14.9	9.6	-0.5	5.8	4.5	18.5	-3.1
Other Private Wages	1.159	1.232	1.123	1.140	1.157	1.174	1.209	1.216
% Ch	25.1	27.7	-30.9	6.0	6.0	6.0	12.6	2.3
Farm Wages	1.209	1.221	1.233	1.251	1.269	1.280	1.302	1.308
% Ch	4.4	4.0	4.0	6.0	6.0	3.5	7.1	1.7
Military Wages	2.811	2.780	2.747	2.778	2.889	2.892	2.896	2.901
% Ch	30.1	-4.3	-4.7	4.7	16.9	0.4	0.7	0.7
Nonwage Personal Income	92.790	94.304	94.772	120.346	98.130	99.384	100.830	101.919
% Ch	6.3	6.7	2.0	160.0	-55.8	5.2	5.9	4.4
Supplements to Wages and Salaries	28.020	29.080	29.497	29.830	30.454	30.728	31.374	31.558
% Ch	10.3	16.0	5.9	4.6	8.6	3.6	8.7	2.4
Proprietor's Income	19.030	19.698	19.921	20.550	20.848	21.156	21.429	21.721
% Ch	10.1	14.8	4.6	13.2	5.9	6.0	5.3	5.6
Farm	0.327	0.319	0.307	0.422	0.449	0.484	0.520	0.536
% Ch	1,480.6	-9.4	-14.2	256.5	28.5	34.8	33.7	12.3
Nonfarm	18.704	19.378	19.614	20.128	20.399	20.672	20.908	21.185
% Ch	6.4	15.2	5.0	10.9	5.5	5.5	4.7	5.4
Less: Contribution For Govt. Soc. Ins.	19.357	20.037	20.287	20.499	21.108	21.239	21.589	21.719
% Ch	8.8	14.8	5.1	4.3	12.4	2.5	6.8	2.4
Plus: Residence Adjustment	2.500	2.531	2.563	2.600	2.633	2.666	2.699	2.735
% Ch	9.3	5.1	5.2	5.9	5.2	5.0	5.2	5.3
Dividends/Int./Rent	34.346	34.656	34.764	58.924	35.978	36.423	36.922	37.265
% Ch	5.2	3.7	1.3	725.4	-86.1	5.0	5.6	3.8
Transfer Payments	28.250	28.377	28.314	28.941	29.325	29.650	29.995	30.359
% Ch	2.8	1.8	-0.9	9.2	5.4	4.5	4.7	4.9
State U.I. Benefits	1.547	1.087	1.004	1.086	1.105	1.084	1.040	0.996
% Ch	-72.1	-75.6	-27.2	36.8	7.3	-7.6	-15.0	-16.1
Other Transfers	26.703	27.290	27.310	27.856	28.220	28.567	28.955	29.364
% Ch	12.6	9.1	0.3	8.2	5.3	5.0	5.5	5.8

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	234.543	237.485	245.819	245.301	248.734	252.116	261.683	260.781
% Ch	5.2	5.1	14.8	-0.8	5.7	5.6	16.1	-1.4
Total Wage and Salary Disbursements	131.126	132.662	139.424	137.692	139.676	141.416	149.137	146.565
% Ch	4.5	4.8	22.0	-4.9	5.9	5.1	23.7	-6.7
Manufacturing	16.369	16.654	16.970	17.309	17.665	18.015	18.347	18.679
% Ch	7.3	7.1	7.8	8.2	8.5	8.2	7.6	7.4
Durable Manufacturing	12.587	12.819	13.076	13.345	13.627	13.908	14.177	14.447
% Ch	7.9	7.6	8.2	8.5	8.7	8.5	8.0	7.8
Nondurable Manufacturing	3.783	3.834	3.894	3.965	4.038	4.107	4.171	4.233
% Ch	5.6	5.6	6.4	7.5	7.6	7.0	6.4	6.1
Nonmanufacturing	109.199	110.414	116.790	114.695	116.185	117.531	124.842	121.905
% Ch	3.9	4.5	25.2	-7.0	5.3	4.7	27.3	-9.1
Other Private Wages	1.237	1.256	1.295	1.306	1.329	1.351	1.394	1.407
% Ch	7.2	6.3	13.2	3.2	7.3	6.7	13.5	3.8
Farm Wages	1.322	1.334	1.359	1.367	1.383	1.398	1.425	1.435
% Ch	4.3	3.9	7.7	2.3	4.6	4.3	8.2	2.7
Military Wages	2.999	3.004	3.009	3.015	3.115	3.122	3.129	3.138
% Ch	14.3	0.7	0.6	0.7	14.0	0.9	0.9	1.2
Nonwage Personal Income	103.416	104.823	106.395	107.609	109.058	110.700	112.546	114.216
% Ch	6.0	5.6	6.1	4.6	5.5	6.2	6.8	6.1
Supplements to Wages and Salaries	32.096	32.437	33.165	33.374	33.806	34.192	34.934	35.155
% Ch	7.0	4.3	9.3	2.5	5.3	4.6	9.0	2.5
Proprietor's Income	22.056	22.399	22.759	23.098	23.458	23.844	24.207	24.533
% Ch	6.3	6.4	6.6	6.1	6.4	6.7	6.2	5.5
Farm	0.544	0.543	0.548	0.553	0.563	0.578	0.588	0.588
% Ch	6.0	-0.5	3.5	3.8	7.9	10.7	6.9	0.0
Nonfarm	21.513	21.856	22.211	22.545	22.895	23.266	23.619	23.945
% Ch	6.3	6.5	6.7	6.2	6.4	6.6	6.2	5.6
Less: Contribution For Govt. Soc. Ins.	22.287	22.528	23.053	23.259	23.865	24.094	24.574	24.768
% Ch	10.9	4.4	9.6	3.6	10.8	3.9	8.2	3.2
Plus: Residence Adjustment	2.764	2.796	2.830	2.866	2.902	2.941	2.979	3.017
% Ch	4.4	4.6	4.9	5.2	5.1	5.5	5.2	5.3
Dividends/Int./Rent	37.534	37.868	38.173	38.557	39.107	39.664	40.326	41.086
% Ch	2.9	3.6	3.3	4.1	5.8	5.8	6.8	7.8
Transfer Payments	31.252	31.852	32.522	32.974	33.651	34.153	34.673	35.193
% Ch	12.3	7.9	8.7	5.7	8.5	6.1	6.2	6.1
State U.I. Benefits	0.939	0.891	0.837	0.795	0.811	0.828	0.828	0.841
% Ch	-20.7	-19.2	-21.8	-18.8	8.4	8.4	0.0	6.6
Other Transfers	30.313	30.961	31.685	32.179	32.840	33.325	33.846	34.352
% Ch	13.6	8.8	9.7	6.4	8.5	6.0	6.4	6.1

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
1967	0.232	2.5	0.334	2.8	0.328	2.9
1968	0.241	3.9	0.348	4.2	0.342	4.1
1969	0.253	4.6	0.367	5.4	0.358	4.8
1970	0.264	4.7	0.388	5.9	0.374	4.5
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.539	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.677	2.9
1999	0.976	1.7	1.666	2.2	1.728	3.0
2000	1.000	2.5	1.722	3.4	1.792	3.7
2001	1.021	2.1	1.770	2.8	1.857	3.6
2002	1.035	1.4	1.799	1.6	1.893	2.0
2003	1.055	1.9	1.839	2.3	1.924	1.6
2004	1.078	2.2	1.889	2.7	1.947	1.2
Forecast						
2005	1.095	1.5	1.926	2.0	1.981	1.7
2006	1.112	1.6	1.957	1.6	2.018	1.9
2007	1.136	2.1	1.995	2.0	2.063	2.2

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

# Consumer Price Index for all Urban Consumers

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

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



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

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1967	18.349	3.0	23.023	1.6	12.295	3.2	20.700	3.3
1968	19.128	4.2	23.865	3.7	12.668	3.0	21.005	1.5
1969	20.106	5.1	25.031	4.9	12.959	2.3	21.696	3.3
1970	21.175	5.3	26.549	6.1	13.507	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.417	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.044	-1.1	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.1	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.083	2.7	104.949	1.9	91.771	-9.8	90.404	-6.1
2003	109.237	3.0	106.979	1.9	109.634	19.5	105.154	16.3
2004	111.982	2.5	110.257	3.1	125.869	14.8	123.901	17.8
Forecast								
2005	114.449	2.2	112.138	1.7	136.105	8.1	123.721	-0.1
2006	117.580	2.7	113.498	1.2	131.430	-3.4	116.426	-5.9
2007	120.913	2.8	115.661	1.9	132.516	0.8	116.663	0.2

Table A5.1

**Washington Resident Population and Components of Change\***

(Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.2
2004	6167.8	69.5	1.1	80.9	46.5	35.1
<b>Forecast</b>						
2005	6256.9	89.1	1.4	83.0	47.8	53.8
2006	6352.7	95.8	1.5	85.1	48.5	59.1
2007	6449.9	97.2	1.5	86.4	49.2	60.0

\* 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	6167.8	6256.9	6352.7	6449.9
Percent Change	1.1	0.9	1.1	1.4	1.5	1.5
Age 17 and Under	1522.8	1520.1	1522.1	1533.1	1545.8	1558.7
Percent of Total	25.2	24.9	24.7	24.5	24.3	24.2
Age 6-18	1130.0	1128.1	1128.6	1132.7	1138.3	1144.9
Percent of Total	18.7	18.5	18.3	18.1	17.9	17.8
Age 18 and Over	4518.9	4578.2	4645.7	4723.8	4806.9	4891.1
Percent of Total	74.8	75.1	75.3	75.5	75.7	75.8
Age 21 and Over	4257.2	4314.1	4379.1	4454.6	4534.5	4616.4
Percent of Total	70.5	70.7	71.0	71.2	71.4	71.6
Age 20-34	1255.0	1263.3	1273.5	1284.2	1301.5	1323.9
Percent of Total	20.8	20.7	20.6	20.5	20.5	20.5
Age 18-64	3841.7	3891.3	3949.2	4015.1	4084.7	4152.2
Percent of Total	63.6	63.8	64.0	64.2	64.3	64.4
Age 65 and Over	677.2	686.9	696.6	708.7	722.2	738.9
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.