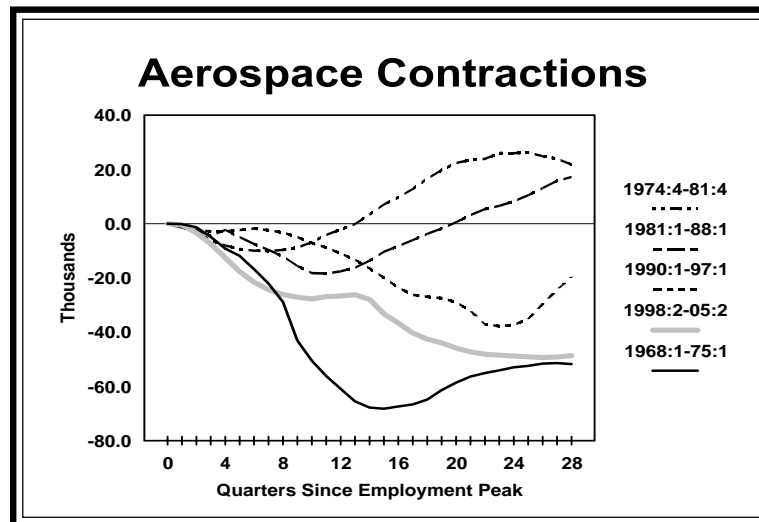


Washington Economic and Revenue Forecast



November 2002
Volume XXV, No. 4

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Explanation of the Cover Graph

The cover chart shows the cumulative loss of Washington aerospace jobs over a seven-year period in each of the last five Boeing contractions. According to the November forecast, the current downturn is expected to last six and one-half years from the second quarter of 1998 through the end of 2004 and involves a total job loss of 49,300. None of the previous cycles saw such a prolonged contraction and only the 1968:1-71:4 contraction saw a more severe peak-to-trough decline.

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

Washington Economic and Revenue Forecast

Prepared by the
Office of the Forecast Council

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Preface

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

Copies on Compact Disc are available to Washington State businesses and residents for \$4.50 per copy, and to those out-of-state for \$9.00 per copy. You may contact our office for more subscription information at (360) 570-6100 or by writing the Office of the Forecast Council, Post Office Box 40912, Olympia, WA 98504-0912.

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Executive Summary

U.S. Economic Forecast

The November 2002 economic and revenue forecast was produced prior to the release of the advance GDP estimate for the third quarter of 2002. According to the forecast, real GDP rose at a 2.7 percent rate in the quarter, slightly lower than the 3.1 percent in the advance estimate. The forecast assumed that final sales of domestic product rose at a 3.3 percent rate indicating that the inventory cycle, which boosted growth in the first half of the year, was a slight drag in the third quarter. Consumers were once again responsible for nearly all the GDP growth in the third quarter forecast, increasing their spending at a 4.1 percent rate. Consumer spending on durable goods shot up at a 20.2 percent rate mainly on the strength of another surge of vehicle purchases. Government was the only other source of strength in the forecast for the third quarter with a 2.8 percent growth rate due mainly to 12.7 percent increase in military spending.

According to the forecast, the third quarter saw the first increase in payroll employment in a year and a half though the rate of growth was only 0.4 percent. At the same time the unemployment rate dipped from 5.9 percent to 5.7 percent. The Consumer Price Index fell from 3.4 percent in the second quarter to 2.2 percent in the third quarter but the apparent improvement in inflation was due to a spike in energy costs in the second quarter. Core inflation (excluding food and energy) was 2.2 percent in both quarters. The September housing data were not available in time for this forecast which assumed that housing starts fell at a 15.7 percent rate in the third quarter to 1.597 million units. September activity was so strong that starts actually increased 10.1 percent to 1.707 million units. The mortgage rate fell from 6.81 percent in the second quarter to 6.29 percent in the third. The forecast had assumed that there would be no further cuts in the fed funds rate but on November 6th the Fed reduced its target rate by 50 basis points to 1.25 percent.

Consumers have stretched about as far as they can, taking on large amounts of debt in the process. Consumers are still surprisingly upbeat, but the fact is that spending is becoming more income-constrained. The housing market is also showing signs of softness. Starts are slipping, as are sales of existing homes. Fortunately, the federal government continues to spend as fast as Congress can enact emergency spending bills. Strong growth awaits a revival of investment spending, though. At the present time, a considerable amount of capital sits idle; more is not being used to capacity. Bankruptcies, liquidations, and layoffs have created a glut of underutilized capital that must be absorbed before orders for new equipment and construction can take off. Nonresidential construction spending has plunged in recent quarters and an early recovery is not in the cards, given the rising office vacancy rate, slow pace of hiring, and sluggish spending at hotels and restaurants. The next few quarters should see little drag from trade since import growth is

expected to slow markedly but state governments are wrestling with the mismatch between the cost of maintaining service levels and available revenues.

On a calendar year basis, the forecast expects GDP growth to improve from 0.3 percent in 2001 to 2.4 percent in 2002, 3.0 percent in 2003, and 4.0 percent in 2004 before settling back to 3.3 percent in 2005. Though the economy is growing again, it is not creating enough jobs to keep up with labor force growth. The unemployment rate, which has already increased from 3.97 percent at the end of 2000 to 5.73 percent in the third quarter of 2002, is expected to reach 6.10 percent by the second quarter of 2003. The unemployment rate is expected to decline through the remainder of 2003, 2004, and 2005 as the economy recovers, reaching 4.97 percent by the end of 2005. Inflation, as measured by the implicit price deflator for personal consumption expenditures, is expected to decline from 2.0 percent in 2001 to 1.5 percent in 2002. The improvement in 2002 is mainly the result of lower energy costs, but the slumping economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 2.6 percent in 2003 and 2.7 percent per year in 2004 and 2005. The forecast assumes that there will be no further cuts in the federal funds rate during this cycle. However, the Fed will not begin tightening until early next summer.

Washington State Economic Forecast

Washington payroll employment fell at a 0.9 percent rate in the third quarter of 2002 following a 0.4 percent increase in the second quarter. The monthly data through September suggests another decline in the fourth quarter producing a two-year drop of 3.2 percent. Nationally the peak-to-trough decline was only 1.3 percent. Only twice in the last forty years has Washington seen a more precipitous decline: during the recessions of 1969-71 and 1981-82. Manufacturing employment fell at an 8.1 percent annual rate in the third quarter, the seventeenth consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at a 17.5 percent annual rate in the third quarter. The cumulative decline since September 11 now stands at 16.1 percent. The declines in manufacturing outside of aerospace are continuing in 2002 though at a more moderate rate than in 2001. Non-aerospace manufacturing employment fell at a 4.8 percent rate in the third quarter following declines of 5.6 percent and 4.1 percent in the first two quarters of the year. Nonmanufacturing employment edged up at a 0.1 percent rate in the third quarter of 2002 but we believe the increase was due to a seasonal anomaly in local education employment. Excluding this anomaly, nonmanufacturing employment would have declined at a 0.4 percent rate. Nonmanufacturing employment growth was a mixed bag in the third quarter with some sectors showing growth led by construction at 4.3 percent and both trade and finance, insurance, and real estate at 0.5 percent. Government employment grew at a 0.2 percent rate but, after adjusting for the local education problem, was down at a 2.0 percent rate in the third quarter. Transportation, communications, and public utilities employment fell at a 2.9 percent rate in the third quarter and services employment sank at a 0.6 percent rate after two quarterly increases.

Washington's personal income in the second quarter of 2002 was \$4.423 billion (2.3 percent) higher than expected in the September forecast. Second quarter wages were \$2.256 billion (2.1 percent) higher than expected in September. Software wages were on target, only \$0.004 billion (0.1 percent) lower, but non-software wages were \$2.260 billion (2.2 percent) higher. Nonwage personal income was \$2.167 billion (2.6 percent) higher than expected in September due almost entirely to a \$2.164 billion upward revision to the historical data resulting from the incorporation of the annual NIPA revisions. In September we added \$2.615 billion in anticipation of the revision, but Washington's received a disproportionate share of the national revision.

The number of housing units authorized by building permit fell 2,900 to 40,900 in the third quarter of 2002 after rising in the second quarter to 43,800 which was the highest level in three years. Single family permits increased 900 to 33,100 but the number of multi-family units authorized fell 3,800 to 7,800. Still, the pace of housing activity remains very high considering the dismal state of the overall economy.

The disconnect between Washington's economy and the national economy appears to be continuing in the second half of 2002. U.S. employment bottomed out in the second quarter of 2002 though there has been little growth since. It now appears that the bottom for the state will be the fourth quarter, however. The near-term aerospace forecast for Washington remains similar to the forecast adopted in September but we now believe that the reductions will continue throughout 2004 and that the growth in 2005 will be weaker than assumed in September. By the end of 2005 the current aerospace employment forecast (excluding contract employees) is 6,900 lower than assumed in September. We have also reduced the forecast for lumber and wood products employment in response to recent layoff announcements by Weyerhaeuser. This adjustment reduces employment in this sector by about 1,100 by the end of 2004. The software wage assumption is higher due to an improved outlook for Microsoft stock option income. As in September, the forecast assumes there will be no major fluctuations in Microsoft stock option activity. In 2002 we are experiencing the first ever year-over-year declines in software employment. The forecast assumes a resumption of positive growth of about 350 per quarter beginning in the first quarter of 2003, accelerating to 650 per quarter by the end of the year. As in September, the forecast assumes an increase in employment related to the construction of the nuclear waste vitrification plant at Hanford from about 2,500 earlier this year to a peak of 4,500. Employment is expected to drop off sharply after the peak in mid-2004, reaching 2,500 by the end of 2005.

Washington wage and salary employment fell 0.6 percent in 2001 following a 2.4 percent increase in 2000. The combination of the national recession and severe cutbacks in aircraft manufacturing is expected to result in a 1.9 percent decline in 2002. The recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn is expected until 2005. Population growth has slowed to a crawl and both wage growth and price growth have been dampened by the prolonged contraction. The forecast calls for an employment growth rate of 0.7 percent in 2003, improving to 2.4 percent and 2.1 percent in 2004 and 2005. Washington personal income growth slowed sharply in 2001 to 2.6 percent from 7.2 percent in 2000. Excluding the volatile software sector the slowdown was even more dramatic, from 8.7 percent to 3.3 percent. Personal income growth is expected to remain weak in 2002 and 2003 due to the weak national economy and Boeing layoffs. The forecast expects personal income to grow 3.5 percent in 2002 and 3.6 percent in 2003. Income growth picks up in the final two years to 5.5 percent and 6.1 percent as the U.S. recovery takes hold and the aerospace cuts subside. The forecast expects housing permits to increase from 38,300 in 2001 to 39,900 in 2002 mainly as a result of the very strong second quarter activity. Housing will be relatively flat for the next two years as weak population growth is offset by low interest rates. The forecast expects housing permits of 38,400 in 2003 and 40,500 in 2004. A stronger economy in 2005 will be countered by rising mortgage rates resulting in a slight decline to 39,700 in the final year of the forecast.

Washington State Revenue Forecast

The economic outlook has changed very little since the last forecast, which was released just two months ago. Payroll employment and revenue collections are both close to our September forecast. While the national recovery is expected to be slightly stronger in this forecast, the benefit is offset in Washington by weaker forecasts for both aerospace employment and forest products employment. As a result, there is

very little change in the revenue forecasts for both the current biennium and the 2003-05 biennium. The November 2002 General Fund-State revenue forecast for the 2001-03 biennium is \$21,126.2 million. While this is \$19.9 million higher than the forecast adopted in September, most of the upward revision is due to non-recurring special factors. The November revenue forecast for the 2003-05 biennium of \$22,689.8 million is \$10.4 million lower than the September forecast. The bottom line is a net increase of \$9.5 million for the two biennia combined.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2001-03 and 2003-05 biennia. The forecast based on more optimistic economic assumptions netted \$214 million (1.0 percent) more revenue than did the baseline forecast in the current biennium while the pessimistic scenario was \$212 million (1.0 percent) lower. The optimistic forecast for the upcoming biennium was \$1,126 million (5.0 percent) higher than the baseline forecast while the pessimistic alternative was \$1,189 million (5.2 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$18 million (0.1 percent) less revenue than did the baseline forecast in the 2001-03 biennium and \$197 million (0.9 percent) less in the 2003-05 biennium.

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The November 2002 economic and revenue forecast was produced prior to the release of the advance GDP estimate for the third quarter of 2002. According to the forecast, real GDP rose at a 2.7 percent rate in the quarter, slightly lower than the 3.1 percent in the advance estimate. The forecast assumed that final sales of domestic product rose at a 3.3 percent rate indicating that the inventory cycle, which boosted growth in the first half of the year, was a slight drag in the third quarter. Consumers were once again responsible for nearly all the GDP growth in the third quarter forecast, increasing their spending at a 4.1 percent rate. Consumer spending on durable goods shot up at a 20.2 percent rate mainly on the strength of another surge of vehicle purchases. Purchases of nondurable goods rose 2.4 percent and purchases of services increased 1.9 percent. Government was the only other source of strength in the forecast for the third quarter with a 2.8 percent growth rate due mainly to 12.7 percent increase in military spending. Federal nondefense spending fell at a 2.6 percent rate while state and local government spending inched up at a 0.5 percent rate. The forecast assumed that the foreign sector would be a slight positive factor in the third quarter with a 3.5 percent increase in exports and a 0.3 percent decrease in imports but the advance GDP estimate showed it to be a slight drag. Finally, the forecast for fixed investment fell at a 2.8 percent rate in the third quarter. Business purchases of equipment and software rose at a 3.1 percent rate in the third quarter but nonresidential construction plunged 13.5 percent and residential fixed investment fell 6.5 percent.

According to the forecast, the third quarter saw the first increase in payroll employment in a year and a half though the rate of growth was only 0.4 percent. At the same time the unemployment rate dipped from 5.9 percent to 5.7 percent. The Consumer Price Index fell from 3.4 percent in the second quarter to 2.2 percent in the third quarter but the apparent improvement in inflation was due to a spike in energy costs in the second quarter. Core inflation (excluding food and energy) was 2.2 percent in both quarters. The September housing data were not available in time for this forecast which assumed that housing starts fell at a 15.7 percent rate in the third quarter to 1.597 million units. September activity was so strong that starts actually increased 10.1 percent to 1.707 million units. The mortgage rate fell from 6.81 percent in the second quarter to 6.29 percent in the third. The forecast had assumed that there would be no further cuts in the fed funds rate but on November 6th the Fed reduced its target rate by 50 basis points to 1.25 percent.

U.S. Forecast Highlights

Consumers have stretched about as far as they can, taking on large amounts of debt in the process. Consumers are still surprisingly upbeat, but the fact is that spending is becoming more income-constrained. The housing market is also showing signs of softness. Starts are slipping, as are sales of existing homes. Fortunately, the federal government continues to spend as fast as Congress can enact emergency spending bills. Strong growth awaits a revival of investment spending, though. At the present time, a considerable amount of capital sits idle; more is not being used to capacity. Bankruptcies, liquidations, and layoffs have created a glut of underutilized capital that must be absorbed before orders for new equipment and construction can take off. Nonresidential construction spending has plunged in recent quarters and an early recovery is not in the cards, given the rising office vacancy rate, slow pace of hiring, and sluggish spending at hotels and restaurants. The next few quarters should see little drag from trade since import growth is expected to slow markedly but state governments are wrestling with the mismatch between the cost of maintaining service levels and available revenues.

On a calendar year basis, the forecast expects GDP growth to improve from 0.3 percent in 2001 to 2.4 percent in 2002, 3.0 percent in 2003, and 4.0 percent in 2004 before settling back to 3.3 percent in 2005. Though the economy is growing again, it is not creating enough jobs to keep up with labor force growth. The unemployment rate, which has already increased from 3.97 percent at the end of 2000 to 5.73 percent in the third quarter of 2002, is expected to reach 6.10 percent by the second quarter of 2003. The unemployment rate is expected to decline through the remainder of 2003, 2004, and 2005 as the economy recovers, reaching 4.97 percent by the end of 2005. Inflation, as measured by the implicit price deflator for personal consumption expenditures, is expected to decline from 2.0 percent in 2001 to 1.5 percent in 2002. The improvement in 2002 is mainly the result of lower energy costs, but the slumping economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 2.6 percent in 2003 and 2.7 percent per year in 2004 and 2005. The forecast assumes that there will be no further cuts in the federal funds rate during this cycle. However, the Fed will not begin tightening until early next summer.

1. The recession is probably over but the recovery is expected to be unusually weak in part because the recession was unusually mild. Consumer spending and housing activity remained strong throughout the recession so not much of a rebound is expected from the household sector. Business investment continues to suffer from excess capacity, the trade imbalance continues to grow, and state and local governments are already suffering from large operating deficits. The only source of unusual strength in the immediate future is federal defense spending. Real GDP grew only 0.8 percent in fiscal 2002, down from 1.8 percent in 2001 and more than 4 percent in each of the previous four years. Real GDP growth is expected to improve to 2.7 percent in 2003 and 3.7 percent per year in 2004 and 2005.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, fell to 1.3 percent in fiscal 2002 from 2.5 percent in 2001. Most of the improvement was from a transitory reduction in energy costs. Also, benefits costs have begun to accelerate again, putting upward pressure on prices. Still, the slack created by the recession and weak recovery should help keep inflation in check during the next three years. The forecast assumes that inflation will increase moderately to 2.3 percent in 2003, 2.7 percent in 2004, and 2.8 percent in 2005.

3. The Federal Reserve began easing interest rates well in advance of the recession, cutting the federal funds rate a total of 300 basis points from January to August of 2001. After September 11 the Fed lowered its target rate another 175 basis points to just 1.75 percent by December 11. The forecast assumed no further reductions in this cycle though the fed cut the funds rate 50 basis points to 1.25 percent on November 6, 2002. The Fed is expected to begin raising rates again in the second half of 2003 when the recovery is firmly established. As a result of the aggressive Fed easing, the three-month Treasury bill rate fell to 2.15 percent in fiscal 2002 from 5.14 percent in 2001. The T-bill rate is expected to decline even further to 1.59 percent in fiscal 2003. The forecast expects an increase in the T-bill rate to 2.69 percent in fiscal 2004 and 3.62 percent in 2005 as the Fed begins tightening again. Mortgage rates also continued to decline in fiscal 2002 to 6.88 percent from 7.45 percent in 2001 as a result of the easier monetary policy as well as the slumping economy. The forecast expects the mortgage rate to decline further to 6.16 percent this year, rising to 6.41 percent and 6.83 percent in 2004 and 2005.
4. Housing starts increased 4.5 percent in fiscal 2002 to 1.642 million units. The resilient housing market has helped stabilize the economy during the recession. Since there was no housing slump during the recession, there is little pent-up demand and therefore no reason to expect a strong rebound during the recovery. The forecast expects housing starts to decline 5.1 percent in fiscal 2003 to 1.558 million units. A recovery is expected in the next two years as the economy improves and mortgage rates remain relatively low. The forecast calls for a 6.0 percent increase to 1.652 million units in 2004 followed by a 4.1 percent increase to 1.721 million units in 2005.
5. Though the recession was relatively mild in terms of the decline in GDP, the rise in unemployment has been much more typical. On a quarterly basis the unemployment rate has already risen from 3.97 percent in the fourth quarter of 2000 to 5.73 percent in the third quarter of 2002. Though the forecast assumes the recession is over, the unemployment rate is expected to continue to rise as labor force growth continues to exceed job growth. By the second quarter of next year it is expected to reach a peak of 6.10 percent. Because the starting rate was so low, this peak is among the lowest in postwar history. On a fiscal year basis, the forecast expects the unemployment rate to climb from 4.19 percent in 2001 to 5.48 percent in 2002 and 5.88 percent in 2003 before declining to 5.63 percent and 5.07 percent in 2004 and 2005.
6. From fiscal 2001 to fiscal 2002 the federal budget went from a record \$181.3 billion surplus (national income and product accounts basis) to a \$91.6 billion deficit. The recently enacted tax cuts and the recession cut sharply into revenue. On top of this, the forecast assumes additional military and homeland security spending. The deficit is expected to swell to \$259.9 billion in 2003 before an expanding economy cuts the deficit to \$239.6 billion in 2004 and \$167.0 billion in 2005.
7. The trade deficit has been, and will continue to be, a huge drag on GDP growth though nominal net exports (national income and product accounts basis) temporarily improved in fiscal 2002 to \$360.7 billion from \$379.1 billion in 2001. Weak growth abroad and the strong dollar caused exports to decline in 2002 but the U.S. recession resulted in an even larger drop in imports. Since the U.S. recovery is expected to lead recoveries abroad, the

trade gap is expected to resume its upward trend during the next three years. The forecast expects a trade deficit of \$422.0 billion in 2003, \$428.1 billion in 2004, and \$444.9 billion in 2005.

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

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through September 2002. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. Washington payroll employment fell at a 0.9 percent rate in the third quarter of 2002 following a 0.4 percent increase in the second quarter. The monthly data through September suggests another decline in the fourth quarter producing a two-year drop of 3.2 percent. Nationally the peak-to-trough decline was only 1.3 percent. Only twice in the last forty years has Washington seen a more precipitous decline: during the recessions of 1969-71 and 1981-82. Manufacturing employment fell at an 8.1 percent annual rate in the third quarter, the seventeenth consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at a 17.5 percent annual rate in the third quarter. The cumulative decline since September 11 now stands at 16.1 percent. The declines in manufacturing outside of aerospace are continuing in 2002 though at a more moderate rate than in 2001. Non-aerospace manufacturing employment fell at a 4.8 percent rate in the third quarter following declines of 5.6 percent and 4.1 percent in the first two quarters of the year. Nonmanufacturing employment edged up at a 0.1 percent rate in the third quarter of 2002 but we believe the increase was due to a seasonal anomaly in local education employment. Excluding this anomaly, nonmanufacturing employment would have declined at a 0.4 percent rate. Nonmanufacturing employment growth was a mixed bag in the third quarter with some sectors showing growth led by construction at 4.3 percent and both trade and finance, insurance, and real estate at 0.5 percent. Government employment grew at a 0.2 percent rate but, after adjusting for the local education problem, was down at a 2.0 percent rate in the third quarter. Transportation, communications, and public utilities employment fell at a 2.9 percent rate in the third quarter and services employment sank at a 0.6 percent rate after two quarterly increases.

In October 2002 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the first quarter of 2002 and released preliminary estimates for the second quarter. In addition, the wage estimates for the second quarter of 2002 have been adjusted to reflect the Covered Employment and Payrolls data produced by the Department of Employment Security (see **Adjustments to Economic Data**). According to the adjusted estimates, Washington's personal income in the second quarter of 2002 was \$4.423 billion (2.3 percent) higher than expected in the September forecast. Second quarter wages were \$2.256 billion (2.1 percent) higher than expected in September. Software wages were on target, only \$0.004 billion (0.1 percent) lower, but non-software wages were \$2.260 billion (2.2 percent) higher. Nonwage personal income was \$2.167 billion (2.6 percent) higher than expected in September due almost entirely to a \$2.164 billion upward revision to the historical data resulting from the incorporation of the annual NIPA revisions. In September we added \$2.615 billion in anticipation of the revision, but Washington's received a disproportionate share of the national revision.

The number of housing units authorized by building permit fell 2,900 to 40,900 in the third quarter of 2002 after rising in the second quarter to 43,800 which was the highest level in three

years. Single family permits increased 900 to 33,100 but the number of multi-family units authorized fell 3,800 to 7,800. Still, the pace of housing activity remains very high considering the dismal state of the overall economy.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate developed by the Department of Employment Security and the Office of the Forecast Council. The alternative employment estimate incorporated the covered employment and payrolls data through the second quarter of 2002 which added 3,400 (0.1 percent) to the Current Employment Statistics (CES) estimate for June 2002. In addition, the growth pattern from June 2002 through September 2002 was adjusted to reflect the average historical revision between the preliminary (sample based) estimates and the final (covered employment and payrolls based) estimates subtracting 600 (0.0 percent). The net effect of the adjustments was to increase the September 2002 employment estimate by 2,700 (0.1 percent).

The BEA will eventually benchmark its 2002 estimates for wage and salary disbursements to the covered employment and payrolls (ES202) data for all sectors except agriculture and federal government. Since we have one more quarter of ES202 data than was available to the BEA at the time of its most recent release, we derived wage estimates for these sectors for the second quarter of 2002 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 fourth quarter wage estimate by \$1.148 billion (1.0 percent) adding 0.6 percent to total personal income in that quarter.

Washington State Forecast Highlights

The disconnect between Washington's economy and the national economy appears to be continuing in the second half of 2002. U.S. employment bottomed out in the second quarter of 2002 though there has been little growth since. It now appears that the bottom for the state will be the fourth quarter, however. The near-term aerospace forecast for Washington remains similar to the forecast adopted in September but we now believe that the reductions will continue throughout 2004 and that the growth in 2005 will be weaker than assumed in September. By the end of 2005 the current aerospace employment forecast (excluding contract employees) is 6,900 lower than assumed in September. We have also reduced the forecast for lumber and wood products employment in response to recent layoff announcements by Weyerhaeuser. This adjustment reduces employment in this sector by about 1,100 by the end of 2004. The software wage assumption is higher due to an improved outlook for Microsoft stock option income. As in September, the forecast assumes there will be no major fluctuations in Microsoft stock option activity. In 2002 we are experiencing the first ever year-over-year declines in software employment. The forecast assumes a resumption of positive growth of about 350 per quarter beginning in the first quarter of 2003, accelerating to 650 per quarter by the end of the year. As in September, the forecast assumes an increase in employment related to the construction of the nuclear waste vitrification plant at Hanford from about 2,500 earlier this year to a peak of 4,500. Employment is expected to drop off sharply after the peak in mid-2004, reaching 2,500 by the end of 2005.

Washington wage and salary employment fell 0.6 percent in 2001 following a 2.4 percent increase in 2000. The combination of the national recession and severe cutbacks in aircraft manufacturing is expected to result in a 1.9 percent decline in 2002. The recovery in Washington is expected

to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn is expected until 2005. Population growth has slowed to a crawl and both wage growth and price growth have been dampened by the prolonged contraction. The forecast calls for an employment growth rate of 0.7 percent in 2003, improving to 2.4 percent and 2.1 percent in 2004 and 2005. Washington personal income growth slowed sharply in 2001 to 2.6 percent from 7.2 percent in 2000. Excluding the volatile software sector the slowdown was even more dramatic, from 8.7 percent to 3.3 percent. Personal income growth is expected to remain weak in 2002 and 2003 due to the weak national economy and Boeing layoffs. The forecast expects personal income to grow 3.5 percent in 2002 and 3.6 percent in 2003. Income growth picks up in the final two years to 5.5 percent and 6.1 percent as the U.S. recovery takes hold and the aerospace cuts subside. The forecast expects housing permits to increase from 38,300 in 2001 to 39,900 in 2002 mainly as a result of the very strong second quarter activity. Housing will be relatively flat for the next two years as weak population growth is offset by low interest rates. The forecast expects housing permits of 38,400 in 2003 and 40,500 in 2004. A stronger economy in 2005 will be countered by rising mortgage rates resulting in a slight decline to 39,700 in the final year of the forecast.

1. Nominal personal income growth continued to slow to 2.5 percent in fiscal 2002 from 4.1 percent in 2001 and 8.2 percent in 2000. Declining employment in fiscal 2002 was largely responsible for the slowdown but average wage growth, outside of the software sector, was cut almost in half, from 4.7 percent in 2001 to 2.8 percent in 2002 (the collapse of software wages occurred a year earlier). The forecast assumes that changes in software stock option income will not be a major factor in personal income growth during the remainder of the forecast. Nonwage income growth also slowed from 8.2 percent to 5.4 percent due to the impact of lower interest rates. Fiscal 2002 was the low point in the cycle. Income growth should gradually improve during the next three years due to a variety of factors including the resumption of positive employment growth, stronger population growth, and higher interest rates. Washington personal income growth is expected to accelerate to 3.8 percent in 2003, 4.5 percent in 2004, and 6.1 percent in 2005.
2. Washington real personal income growth fell to just 1.2 percent in fiscal 2002 from 1.6 percent in 2001 and 5.8 percent in 2000. The decline in growth in 2002 came in spite of a dip in inflation, which usually translates into higher real income growth. In addition to the obvious impact of the recession on employment, the poor performance of real income growth in recent years is probably due to the collapse of stock option and bonus income, which had ballooned in the late 1990s, rather than reflecting the trend of ordinary wages. Real income growth is expected to improve to 1.4 percent in 2003, 1.8 percent in 2004, and 3.2 percent in 2005.
3. The recession has had a disproportionate impact on Washington employment growth. Total payroll employment in Washington fell 2.0 percent in fiscal 2002 compared to just 0.8 percent for the nation as a whole. The events of September 11 have been particularly hard on Washington employment growth due to the devastating impact on air transportation. The dot-com collapse and correction in the construction sector were also exceptionally severe in Washington. While we believe the construction and IT related corrections are largely complete, the continuing drag from aerospace sector means that Washington will continue to lag the U.S. in the near future. The forecast expects an employment decline of 0.7 percent in 2003. Positive employment growth is expected to resume in the next biennium with growth rates of 1.8 percent in fiscal 2004 and 2.4 percent in 2005.

- ◆ Lumber and wood products employment fell 500 in the third quarter of 2002 to 29,400. A total of 4,500 jobs have been lost in this sector since the beginning of 2000. The forecast incorporates recent layoff announcements by Weyerhaeuser as well as a weak national outlook for the industry. By the end of 2003 another 1,600 jobs are expected to vanish for a total of 6,200 during the current downturn. A very modest recovery is expected in the final two years of the forecast adding back a total of 900 jobs.
- ◆ Prior to September 11, it appeared that the aerospace downturn, which resulted in the loss of 27,700 jobs between the second quarter of 1998 and the end of 2000, was over. Washington aerospace employment actually rose 1,600 during the first three quarters of 2001. In the wake of the attacks, Boeing announced that it intended to cut 20,000 to 30,000 jobs company-wide. The majority of the reductions will be in Washington State, the home of the commercial airplane unit. A total of 14,100 aerospace jobs were cut between the third quarter of 2001 and third quarter of 2002 not counting contract employees. Overall, the forecast assumes a decline of 23,200 aerospace workers and thousands more Boeing contract employees in Washington between the third quarter 2001 and the end of 2004. Measured from the second quarter of 1998 peak, the overall decline will reach 49,300 not counting the contract employees. A gradual upturn in the final year of the forecast is expected to add 1,700 aerospace employees in Washington by the end of 2005.
- ◆ The last half of the 1990s saw a huge expansion of Washington's construction industry. The 6.0 percent decline during 2001 was even more precipitous. In contrast, the decline in U.S. construction employment over the year was only 0.6 percent. We believe we have reached the bottom in the construction cycle. The first half of 2002 was essentially flat and employment in the third quarter rose at a 4.3 percent rate. Though a modest upturn in the economy is expected beginning in the second half of 2002, weaker housing activity and slow population and employment growth will stave off any recovery in construction employment until 2004. The forecast expects employment to decline at an average rate of 0.8 percent through the end of 2003 recovering to a positive average growth rate of 2.8 percent per year in 2004 and 2005
- ◆ Until recently, the finance, insurance, and real estate sector has been a rare bright spot in Washington's economy. Employment in this sector rose at a 3.6 percent during 2001 while total payroll employment declined 2.2 percent. The growth was mostly in finance, which has clearly benefited by a refinancing boom brought on by low mortgage interest rates. This source of stimulus has probably pretty much played itself out. Employment declined at an average annual rate of 0.5 percent during the first three quarters of this year and the monthly data through September suggest only a slight 0.9 percent increase in the fourth quarter. Stronger growth is expected to resume beginning in the first quarter of 2003. The forecast assumes an average growth rate of 3.1 percent per year during the remainder of the forecast.
- ◆ Washington retail trade employment resumed its downward trend, falling 0.1 percent in the third quarter following a 1.7 percent uptick in the second quarter. The monthly data indicate 1.8 percent decline in the fourth quarter. If so, the year-over-year growth for 2002 will be -0.4 percent which, while still negative, is far better than the 2.2 percent drop during 2001. The drop in consumer confidence, slow population growth, and weak economy have been particularly hard on retail trade employment. In addition, many

struggling e-tailing firms such as Amazon.com are classified as retailers. Employment growth is expected to turn positive again in 2003. The expected growth rate during 2003 is 2.2 percent slowing to an average of 0.5 percent per year in 2004 and 2005.

- ◆ Services employment fell at a 0.6 percent rate in the third quarter and appears poised for a 0.4 percent slump in the fourth quarter. Year-over-year employment growth should come in at about 0.6 percent compared to a 2.2 percent decline last year (after adjusting for a noneconomic reclassification of tribal employees who had previously been considered private sector employees but are now considered local government employees). The weakness in 2001 was concentrated in business services where employment fell 12.3 percent over the year. Prepackaged software actually grew 11.9 percent during 2001 but other computer and data processing services, the home of many information technology companies, plunged 29.5 percent. The rest of business services fell 12.8 percent over the year mainly as a result of a 23.6 percent drop in personnel supply services. These areas of weakness appear to be turning around. Computer services other than software declined at a more moderate rate of 8.2 percent in the first three quarters of 2002 and personnel supply services rose at a 3.0 percent rate. The forecast assumes that the shakeout in these areas is complete and that software employment growth will pick up. Without these negative cyclical factors, services employment is expected to resume its above average trend growth rate. Growth is expected to pick up to an average rate of 3.6 percent per year in 2003, 2004, and 2005.
 - ◆ State and local government employment fell at a 0.7 percent annual rate in the third quarter and is expected to fall at a 3.6 percent rate in the fourth quarter. Excluding a seasonal anomaly in the third quarter, the declines would have been 3.2 percent and 1.1 percent. In any case, the declines in the second half of 2002 are enough to produce the first year-over-year reductions in state and local government employment since 1982. Though state and local government employment has been a source of strength during the recession, the slowdown in the state's economy is putting pressure on state and local governments' budgets and is expected to affect employment in this sector with a lag. The forecast assumes that state and local government employment will decline through the first quarter of 2004 at an average annual rate of 0.5 percent. The weak nature of the recovery coupled with essentially no growth in the school age population is expected to restrain state and local government employment growth to just 1.0 percent per year during the final seven quarters of the forecast.
4. Declining mortgage rates were unable to overcome the depressing impact of lower consumer confidence, rising unemployment, weak income growth, and slow population growth on housing activity in fiscal 2002. The number of housing units authorized by building permit fell 5.4 percent to 38,200 from 40,400 in 2001. The absence of pent-up demand means that not much of a rebound in housing can be expected. The forecast expects only a 1.6 percent increase in fiscal 2003 to 38,800. When the economic recovery finally gets on track in the next biennium, higher mortgage rates will largely offset the positive impact of stronger job, income, and population growth. The forecast expects a 2.2 percent increase in fiscal 2004 to 39,700 and a 2.0 percent increase to 40,500 in 2005.
 5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, slowed in fiscal 2002 to 2.7 percent from 4.0 percent in 2001. The compa-

rable U.S. inflation rate declined from 3.4 percent to 1.8 percent during the same period. Both the U.S. and Seattle indices benefited from declining energy costs in 2002. Excluding food and energy, the decline in Seattle's CPI inflation would have been much smaller, from 3.1 percent to 2.8 percent, while the national index would have held steady at 2.6 percent. Seattle inflation is expected to drop below U.S. inflation in during the remainder of the forecast due to the much weaker local economy. The forecast expects inflation rates of 2.3 percent, 2.2 percent, and 2.6 percent in Seattle compared to 2.5 percent, 2.8 percent, and 3.0 percent for the U.S. city average.

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

Alternative Forecasts

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

Pessimistic Forecast: Despite rapid first-quarter GDP growth and solid increases in productivity, companies are having trouble generating profits. In an effort to improve the bottom line despite lagging revenues, businesses are likely to delay investment and postpone hiring to an even greater extent than in the baseline forecast. The end of the inventory cycle carries the economy through the second half, but final demand lags as investment stagnates and consumers become more cautious. Fearful that the volatile stock market will drag the economy back into recession, the FOMC lowers the federal funds rate to 1.25%. The lower rates keep the economy afloat, but barely. When the United States moves into Iraq next spring to topple Saddam Hussein, oil prices spike and consumer confidence plunges. The situation never deteriorates enough to cause a "double-dip" recession, largely because of a steady increase in federal spending, not only to fight the war and beef up domestic security, but also to ferret out and punish corporate wrongdoing. After the first-quarter surge, real GDP growth stumbles along in the 0.0-1.6% range through summer 2003. The unemployment rate rises to 6.8% because most of the growth is achieved through productivity gains, leaving little to absorb the new workers entering the labor force. By mid-2003, with the Middle East quiet and oil prices back down, pent-up demand kicks the economy into a strong recovery mode. At the state level, aerospace production and employment cuts are even more severe and protracted than assumed in the baseline forecast with only a very modest upturn beginning in 2005. Washington's wage growth and inflation are lower than in the baseline and the initial level of Washington personal income is lower. Population growth is also slower in this scenario and the downturn in construction employment extends through the first quarter of 2004. By the end of the 2003-05 biennium, Washington nonagricultural employment is lower by 64,600 jobs than in the baseline forecast and Washington personal income is \$11.9 billion lower. The pessimistic scenario produced \$212 million (1.0 percent) less General Fund-State revenue in the 2001-03 biennium than did the baseline forecast and \$1,189 million (5.2 percent) less revenue in the 2003-05 biennium.

Optimistic Forecast: Despite a slowdown in the second quarter and only a moderate pickup in the third, the economy's fundamentals remain solid. What is lacking, though, is confidence. In the optimistic scenario, consumer and business confidence returns to more normal levels, resulting in a stronger rise in the stock market than in the baseline, and an earlier pickup in business investment. Growth registers 3.1% in the fourth quarter of 2002, then accelerates to 4.5-5.5% in 2003. The year comes in at 3.9%, compared with 3.0% in the baseline. The stronger economy gives producers a

little breathing room on the price front, resulting in higher inflation in the out years and hence a higher federal funds rate starting in 2004. Investors have lost confidence in the integrity of corporate financial statements, and further Fed interest rate cuts or cheerleading by the Bush administration will do little to cheer them up. American institutions need to change. Fortunately, U.S. institutions are malleable when money is at stake. Congress, the Bush administration, the Financial Accounting Standards Board, and the Securities and Exchange Commission are all working furiously to tighten and fine-tune the laws; corporate boards and CEOs are opening up the books and working just as hard to convince stockholders that all is aboveboard. And the Justice Department is stocking up on handcuffs. The optimistic forecast assumes that confidence is restored sooner rather than later. Growth is higher than in the baseline, simply because the economy returns to trend growth a few quarters sooner. Locally, the decline in Washington aerospace employment is less severe than in the baseline forecast and the recovery is more robust. Washington's wages grow faster than in the baseline and the Seattle CPI grows faster relative to the U.S. CPI. The initial level of Washington personal income is also higher in the optimistic scenario. Population growth is stronger in the optimistic scenario and construction employment turns up earlier and more vigorously than in the baseline. By the end of the 2003-05 biennium, Washington nonagricultural employment is higher by 56,500 jobs than in the baseline forecast and Washington personal income is \$10.0 billion higher. The optimistic scenario generated \$214 million (1.0 percent) more revenue in the 2001-03 biennium than did the baseline forecast and \$1,126 million (5.0 percent) more in the 2003-05 biennium.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in [Table 1.3](#). In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. Nationally, the most significant difference in the Governor's Council view is a much lower expected inflation rate throughout the forecast. The GCEA real GDP forecast was very similar to the baseline forecast in fiscal 2003 and 2004 but weaker in 2005. The Council members expected higher long term and short term interest rates in all three years. The GCEA forecast for Washington State showed stronger real personal income growth in fiscal 2003 and 2004 but slightly lower growth in 2005. Though their real personal income forecast was stronger overall, nominal personal income growth was weaker throughout the forecast as a result of the much lower inflation assumption in the GCEA scenario. The Council members' employment forecast was very close to the baseline forecast in fiscal 2003 and 2004 but weaker in 2005. Their housing forecast was also similar to the baseline forecast with slightly higher activity in fiscal 2003 and slightly lower activity in 2004 and 2005. At the end of the 2003-05 biennium, Washington nonagricultural employment was 17,300 lower in the GCEA forecast than in the baseline forecast and their Washington personal income forecast was \$3.6 billion lower. The Governor's Council scenario generated \$18 million (0.1 percent) less revenue than did the baseline forecast in the 2001-03 biennium and \$197 million (0.9 percent) less in the 2003-05 biennium.

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2003 to 2005

Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	8,332.2	8,676.3	9,057.5	9,221.4	9,297.7	9,551.7	9,907.4	10,272.2
% Ch	4.4	4.1	4.4	1.8	0.8	2.7	3.7	3.7
Real Consumption	5,551.4	5,820.7	6,105.9	6,304.9	6,472.8	6,648.8	6,862.0	7,076.3
% Ch	4.4	4.9	4.9	3.3	2.7	2.7	3.2	3.1
Real Nonresidential Fixed Investment	1,078.9	1,182.5	1,280.5	1,310.8	1,204.4	1,197.8	1,291.7	1,435.4
% Ch	13.5	9.6	8.3	2.4	-8.1	-0.5	7.8	11.1
Real Residential Fixed Investment	329.7	359.9	374.0	370.7	378.8	374.0	380.6	399.8
% Ch	4.3	9.2	3.9	-0.9	2.2	-1.2	1.8	5.0
Real Personal Income	7,004.8	7,336.2	7,619.9	7,912.9	7,973.7	8,145.3	8,367.4	8,657.4
% Ch	5.1	4.7	3.9	3.8	0.8	2.2	2.7	3.5
Real Per Capita Income (\$/Person)	25,473	26,376	27,086	27,857	27,815	28,161	28,677	29,417
% Ch	3.9	3.5	2.7	2.8	-0.2	1.2	1.8	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.087	1.101	1.127	1.157	1.189
% Ch	1.4	1.2	2.2	2.5	1.3	2.3	2.7	2.8
U.S. Consumer Price Index (1982-84=1.0)	1.618	1.646	1.693	1.751	1.782	1.827	1.878	1.935
% Ch	1.8	1.7	2.9	3.4	1.8	2.5	2.8	3.0
Employment Cost Index (June 1989=1.0)	1.330	1.380	1.431	1.487	1.541	1.596	1.655	1.728
% Ch	3.9	3.7	3.8	3.9	3.6	3.6	3.7	4.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	8,548.6	9,016.4	9,575.8	9,976.6	10,235.2	10,725.8	11,426.1	12,187.8
% Ch	6.0	5.5	6.2	4.2	2.6	4.8	6.5	6.7
Personal Income	7,178.5	7,611.1	8,082.4	8,599.7	8,781.1	9,178.4	9,679.7	10,295.8
% Ch	6.6	6.0	6.2	6.4	2.1	4.5	5.5	6.4
Employment (Millions)								
U.S. Civilian Labor Force	139.9	141.7	143.7	145.0	145.8	147.1	148.6	150.9
Total U.S. Employment	133.4	135.5	137.8	138.9	137.8	138.4	140.2	143.3
Unemployment Rate (%)	4.65	4.38	4.09	4.19	5.48	5.88	5.63	5.07
Wage and Salary Employment	124.31	127.36	130.54	132.17	131.13	131.34	134.36	137.37
% Ch	2.7	2.5	2.5	1.3	-0.8	0.2	2.3	2.2
Manufacturing	18.81	18.67	18.51	18.24	17.09	16.63	16.52	16.83
% Ch	1.4	-0.8	-0.8	-1.5	-6.3	-2.7	-0.7	1.9
Durable Manufacturing	11.16	11.15	11.12	11.02	10.19	9.79	9.66	9.88
% Ch	2.7	-0.2	-0.3	-0.9	-7.5	-3.9	-1.3	2.2
Nondurable Manufacturing	7.64	7.52	7.39	7.22	6.90	6.84	6.85	6.95
% Ch	-0.5	-1.6	-1.7	-2.3	-4.4	-0.9	0.2	1.5
Nonmanufacturing	105.50	108.69	112.03	113.93	114.04	114.71	117.84	120.54
% Ch	2.9	3.0	3.1	1.7	0.1	0.6	2.7	2.3
Services	36.81	38.27	39.82	40.86	40.98	41.72	43.36	44.84
% Ch	4.5	4.0	4.0	2.6	0.3	1.8	3.9	3.4
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.3	20.5	20.9	21.6	22.1	21.3	20.6	20.4
Auto Sales (Millions)	8.2	8.3	9.0	8.5	8.2	8.1	8.2	7.9
% Ch	-2.1	2.0	8.0	-5.0	-4.4	-0.9	1.7	-4.1
Housing Starts (Millions)	1,530	1,659	1,638	1,571	1,642	1,558	1,652	1,721
% Ch	5.0	8.4	-1.3	-4.1	4.5	-5.1	6.0	4.1
Federal Budget Surplus (Billions)	-1.5	81.1	166.6	181.3	-91.6	-259.9	-239.6	-167.0
Net Exports (Billions)	-117.7	-191.9	-311.3	-379.1	-360.7	-422.0	-428.1	-444.9
3-Month Treasury Bill Rate (%)	5.04	4.49	5.23	5.14	2.15	1.59	2.69	3.62
30-Year U.S. Govt. Bond Rate (%)	6.10	5.44	6.14	5.66	5.49	4.83	5.32	5.86
Bond Index of 20 G.O. Munis. (%)	5.24	5.08	5.82	5.35	5.14	4.78	5.13	5.35
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.88	6.16	6.41	6.83

Table 1.2
Washington Economic Forecast Summary
 Forecast 2003 to 2005

Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	152.625	162.382	171.796	174.479	176.494	179.018	182.208	188.076
% Ch	6.4	6.4	5.8	1.6	1.2	1.4	1.8	3.2
Real Wage and Salary Disb.	87.471	95.211	102.706	101.487	100.603	100.114	102.376	106.508
% Ch	8.5	8.8	7.9	-1.2	-0.9	-0.5	2.3	4.0
Real Nonwage Income	65.154	67.171	69.090	72.991	75.891	78.904	79.832	81.567
% Ch	3.6	3.1	2.9	5.6	4.0	4.0	1.2	2.2
Real Per Capita Income (\$/Person)	26,593	27,902	29,180	29,255	29,255	29,387	29,609	30,211
% Ch	4.8	4.9	4.6	0.3	0.0	0.4	0.8	2.0
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.087	1.101	1.127	1.157	1.189
% Ch	1.4	1.2	2.2	2.5	1.3	2.3	2.7	2.8
Seattle Cons. Price Index (1982-84=1.0)	1.653	1.702	1.757	1.828	1.876	1.920	1.963	2.014
% Ch	2.9	3.0	3.2	4.0	2.7	2.3	2.2	2.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.43	15.97	16.42	17.16	17.95	18.21	18.45	18.78
% Ch	3.1	3.5	2.8	4.5	4.6	1.5	1.3	1.8
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	155.940	168.161	182.049	189.481	194.159	201.181	210.103	222.923
% Ch	8.0	7.8	8.3	4.1	2.5	3.6	4.4	6.1
Personal Income	156.415	168.471	182.220	189.626	194.364	201.706	210.771	223.657
% Ch	7.9	7.7	8.2	4.1	2.5	3.8	4.5	6.1
Disposable Personal Income	134.218	143.792	154.612	160.448	168.061	177.082	185.392	195.915
% Ch	7.1	7.1	7.5	3.8	4.7	5.4	4.7	5.7
Per Capita Income (\$/Person)	27,253	28,948	30,949	31,794	32,217	33,111	34,250	35,925
% Ch	6.2	6.2	6.9	2.7	1.3	2.8	3.4	4.9
Employment (Thousands)								
Washington Civilian Labor Force	3,016.4	3,063.5	3,065.7	3,021.9	3,006.7	3,085.0	3,138.8	3,193.6
Total Washington Employment	2,877.5	2,916.5	2,917.1	2,850.8	2,797.1	2,856.8	2,916.7	2,984.2
Unemployment Rate (%)	4.61	4.80	4.85	5.67	6.97	7.40	7.07	6.56
Wage and Salary Employment	2,558.2	2,621.3	2,684.4	2,717.1	2,663.8	2,645.5	2,693.9	2,757.3
% Ch	3.8	2.5	2.4	1.2	-2.0	-0.7	1.8	2.4
Manufacturing	378.5	373.0	356.7	348.9	323.2	301.6	297.3	302.5
% Ch	5.9	-1.5	-4.4	-2.2	-7.3	-6.7	-1.4	1.7
Durable Manufacturing	270.0	264.7	247.9	242.1	222.3	203.2	198.2	200.9
% Ch	8.7	-2.0	-6.4	-2.3	-8.2	-8.6	-2.5	1.4
Aerospace	111.2	107.7	90.0	86.6	82.7	70.5	65.5	64.6
% Ch	16.1	-3.1	-16.4	-3.8	-4.5	-14.7	-7.1	-1.4
Nondurable Manufacturing	108.5	108.3	108.9	106.8	100.9	98.4	99.2	101.6
% Ch	-0.7	-0.2	0.5	-1.9	-5.5	-2.5	0.8	2.5
Nonmanufacturing	2,179.7	2,248.4	2,327.6	2,368.2	2,340.6	2,343.9	2,396.6	2,454.8
% Ch	3.4	3.2	3.5	1.7	-1.2	0.1	2.2	2.4
Construction	139.2	148.8	158.4	158.9	151.5	151.8	151.1	155.5
% Ch	4.9	6.9	6.4	0.4	-4.7	0.2	-0.5	3.0
Services	695.0	723.1	761.4	784.9	767.0	773.9	805.4	834.5
% Ch	4.9	4.0	5.3	3.1	-2.3	0.9	4.1	3.6
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	45.127	44.954	39.065	40.384	38.221	38.829	39.664	40.464
% Ch	18.6	-0.4	-13.1	3.4	-5.4	1.6	2.2	2.0
Single-Family	29.346	28.252	26.372	26.761	28.029	29.088	28.189	28.942
% Ch	12.8	-3.7	-6.7	1.5	4.7	3.8	-3.1	2.7
Multi-Family	15.780	16.702	12.693	13.623	10.192	9.742	11.475	11.521
% Ch	31.1	5.8	-24.0	7.3	-25.2	-4.4	17.8	0.4
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.88	6.16	6.41	6.83

Table 1.3
Comparison of Alternative Forecasts

	Fiscal Year 2003				Fiscal Year 2004				Fiscal Year 2005			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	9585.3	9551.7	9492.7	9546.7	10028.5	9907.4	9735.7	9903.8	10352.6	10272.2	10163.7	10227.5
%Ch	3.1	2.7	2.1	2.7	4.6	3.7	2.6	3.7	3.2	3.7	4.4	3.3
Implicit Price Deflator	1.126	1.127	1.125	1.122	1.158	1.157	1.152	1.143	1.192	1.189	1.181	1.169
%Ch	2.3	2.3	2.2	1.9	2.8	2.7	2.3	1.9	2.9	2.8	2.5	2.2
Mortgage Rate	6.15	6.16	6.02	6.21	6.41	6.41	5.67	6.66	6.79	6.83	6.22	7.08
3 Month T-Bill Rate	1.61	1.59	1.35	1.83	2.72	2.69	1.42	3.61	3.62	3.62	2.48	4.53
Washington												
Real Personal Income	181.320	179.018	176.674	179.465	187.898	182.208	176.127	183.292	195.518	188.076	180.030	188.752
%Ch	2.7	1.4	0.1	1.7	3.6	1.8	-0.3	2.1	4.1	3.2	2.2	3.0
Personal Income	204.264	201.706	198.860	201.448	217.667	210.771	202.832	209.570	233.003	223.657	212.557	220.608
%Ch	5.1	3.8	2.3	3.6	6.6	4.5	2.0	4.0	7.0	6.1	4.8	5.3
Employment	2655.1	2645.5	2632.7	2646.7	2731.6	2693.9	2651.2	2690.6	2810.0	2757.3	2698.1	2739.5
%Ch	-0.3	-0.7	-1.2	-0.6	2.9	1.8	0.7	1.7	2.9	2.4	1.8	1.8
Housing Permits	40.906	38.829	36.676	39.013	45.327	39.664	35.670	39.120	46.054	40.464	36.385	39.266
%Ch	7.0	1.6	-4.0	2.1	10.8	2.2	-2.7	0.3	1.6	2.0	2.0	0.4

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

Table 1.4

Forecast Analysis

Comparison of Forecasts for 2001-03

Forecast Date	2000				2001				2002				2003	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
U.S.														
Percent Growth, 2001:2-2003:2														
Real GDP	5.9	6.7	6.8	7.0	7.4	7.0	5.9	4.2	4.3	5.7	5.7	5.0		
Implicit Price Deflator	4.3	4.9	4.8	4.8	4.6	4.6	4.4	3.5	2.8	3.2	3.8	3.8		
Average Rate, 2001:3 to 2003:2														
3 Month T-Bill Rate	5.43	5.87	5.62	5.46	4.67	3.75	3.68	2.75	2.42	2.30	1.91	1.87		
Mortgage Rate	7.61	7.89	7.90	7.42	7.23	7.22	7.12	6.81	7.08	7.12	6.63	6.52		
Washington														
Percent Growth, 2001:2-2003:2														
Employment	3.3	4.0	3.7	3.7	3.4	3.3	2.8	0.0	-0.6	-1.2	-1.8	-2.0		
Personal Income	10.1	11.4	11.3	11.8	11.6	11.3	9.7	5.5	4.2	4.1	4.6	5.2		
Real Personal Income	5.6	6.3	6.1	6.7	6.7	6.4	5.1	1.9	1.4	0.9	0.8	1.3		
Total (Thousands of units), 2001:3 to 2003:2														
Housing Units Authorized	82.1	84.3	82.7	84.8	84.3	78.8	83.2	72.9	74.5	73.6	76.6	77.1		

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2003 to 2005

	2001	2002	2003	2004	2005
U.S.					
Real GDP					
November Baseline	9221.4	9297.7	9551.7	9907.4	10272.2
% Ch	1.8	0.8	2.7	3.7	3.7
September Baseline	9221.4	9296.6	9594.9	9930.7	10228.6
% Ch	1.8	0.8	3.2	3.5	3.0
Implicit Price Deflator					
November Baseline	1.087	1.101	1.127	1.157	1.189
% Ch	2.5	1.3	2.3	2.7	2.8
September Baseline	1.087	1.101	1.126	1.157	1.186
% Ch	2.5	1.3	2.3	2.7	2.5
U.S. Unemployment Rate					
November Baseline	4.19	5.48	5.88	5.63	5.07
September Baseline	4.19	5.48	6.05	5.63	5.07
Mortgage Rate					
November Baseline	7.45	6.88	6.16	6.41	6.83
September Baseline	7.45	6.88	6.39	7.45	8.26
3 Month T-Bill Rate					
November Baseline	5.14	2.15	1.59	2.69	3.62
September Baseline	5.13	2.13	1.70	2.64	4.31
Washington					
Real Personal Income					
November Baseline	174.479	176.494	179.018	182.208	188.076
% Ch	1.6	1.2	1.4	1.8	3.2
September Baseline	174.046	174.956	176.622	179.649	184.944
% Ch	1.4	0.5	1.0	1.7	2.9
Personal Income					
November Baseline	189.626	194.364	201.706	210.771	223.657
% Ch	4.1	2.5	3.8	4.5	6.1
September Baseline	189.149	192.641	198.918	207.840	219.266
% Ch	3.9	1.8	3.3	4.5	5.5
Employment					
November Baseline	2717.1	2663.8	2645.5	2693.9	2757.3
% Ch	1.2	-2.0	-0.7	1.8	2.4
September Baseline	2717.1	2658.8	2646.5	2694.5	2756.0
% Ch	1.2	-2.1	-0.5	1.8	2.3
Housing Permits					
November Baseline	40.384	38.221	38.829	39.664	40.464
% Ch	3.4	-5.4	1.6	2.2	2.0
September Baseline	40.384	38.221	38.414	37.615	38.346
% Ch	3.4	-5.4	0.5	-2.1	1.9

Table 1.6

Calendar Years

Long Range Economic Outlook

Forecast 2002 to 2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
U.S.*											
Real GDP, %Ch	2.4	3.0	4.0	3.3	2.9	3.0	3.0	3.2	3.5	3.2	3.0
Implicit Price Deflator, %Ch	1.5	2.6	2.7	2.7	2.3	2.1	2.1	2.1	2.1	2.2	2.2
3 Month T-Bill Rate	1.66	1.96	3.25	3.95	4.62	4.68	4.67	4.64	4.65	4.64	4.62
Mortgage Rate	6.53	6.27	6.50	7.54	7.99	7.86	7.80	7.75	7.74	7.77	7.79
State**											
Real Personal Income, %Ch	2.0	0.9	2.7	3.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	3.5	3.6	5.5	6.1	4.9	4.7	4.6	4.6	4.7	4.8	4.7
Employment, %Ch	-1.9	0.7	2.4	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0

* November 2002 Baseline (2001-2005) extended with the DRI November 2002 Trendlong Forecast.

** November 2002 Baseline (2001-2005) judgmentally extended through 2012.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonagricultural Employment

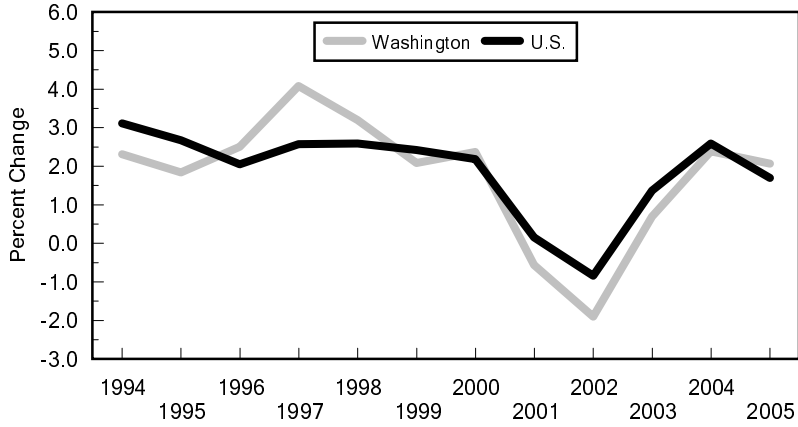


Chart 1.2
Manufacturing Employment

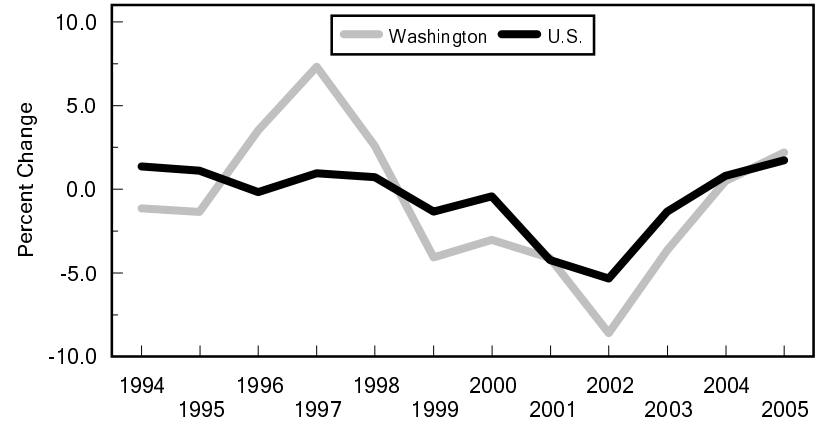


Chart 1.3
Aerospace Employment

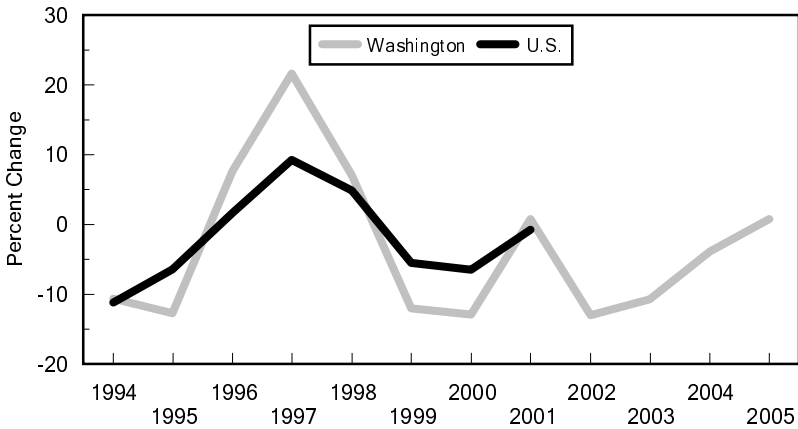
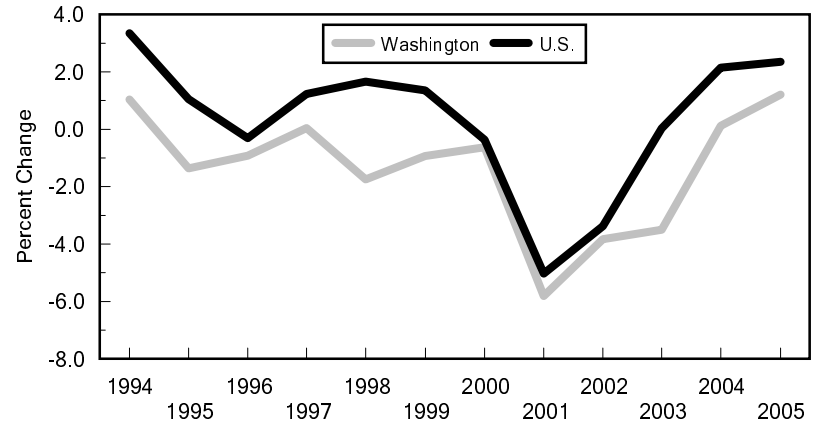


Chart 1.4
Forest Products Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

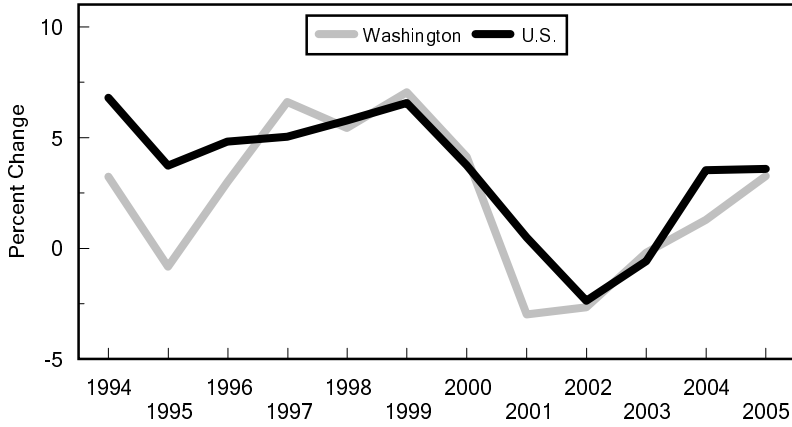


Chart 1.6
Trade Employment

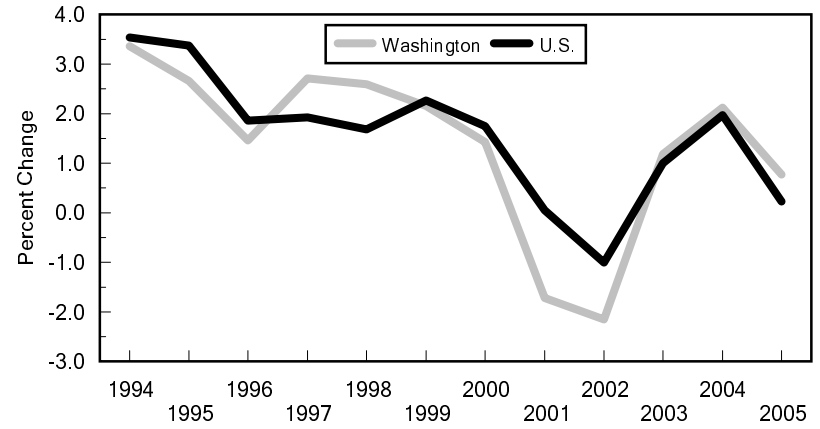


Chart 1.7
Services Employment

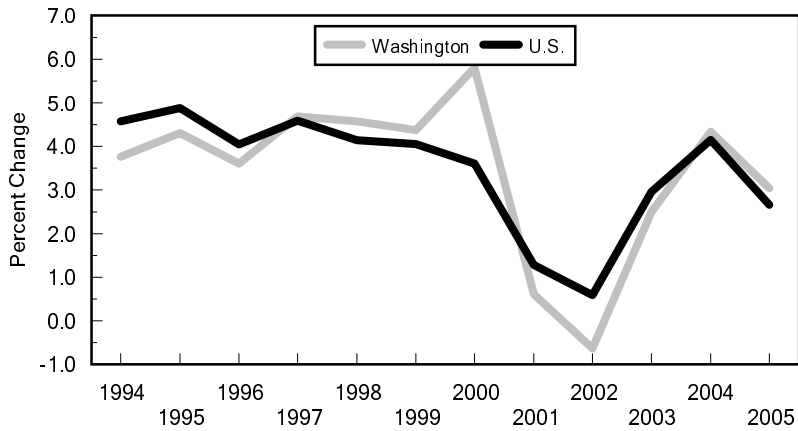
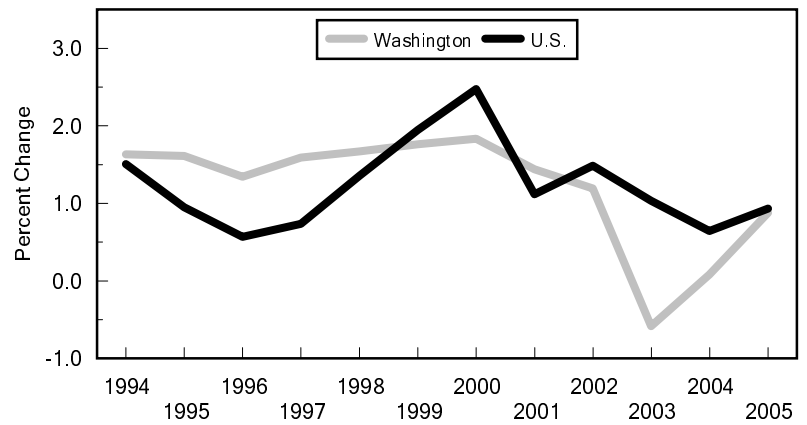


Chart 1.8
Government Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

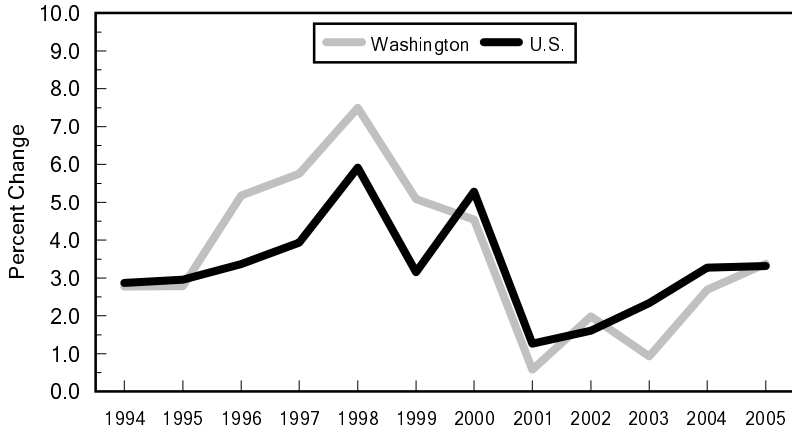


Chart 1.10
Consumer Price Indices

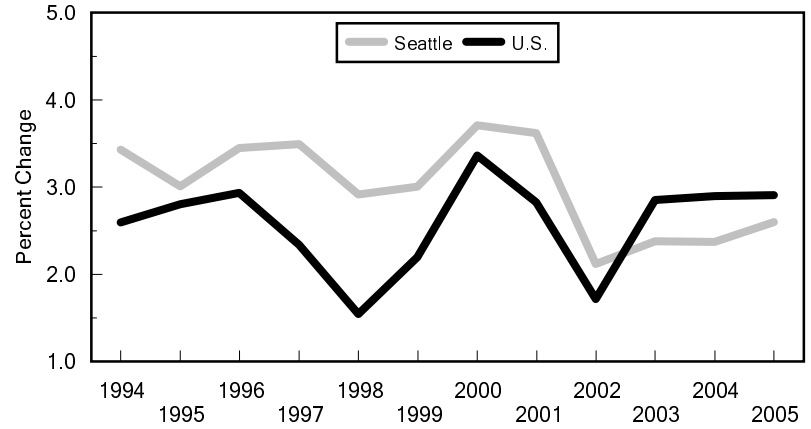


Chart 1.11
Population

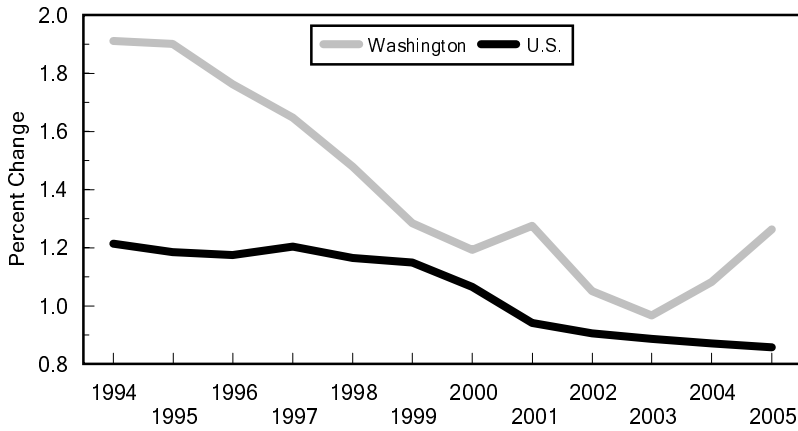
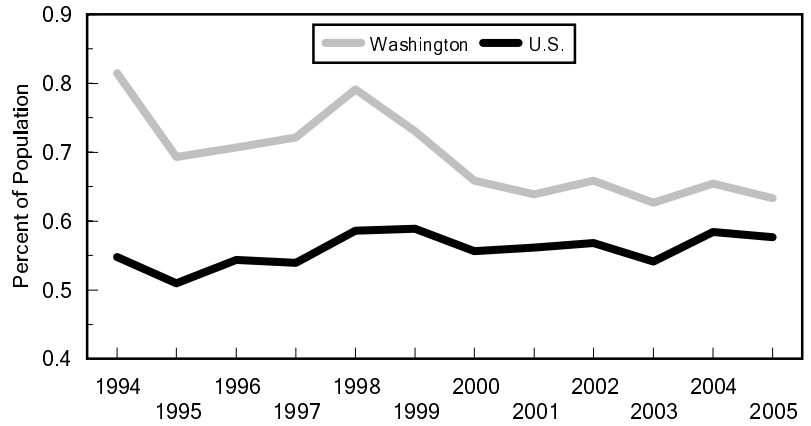


Chart 1.12
Per Capita Housing Units



Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

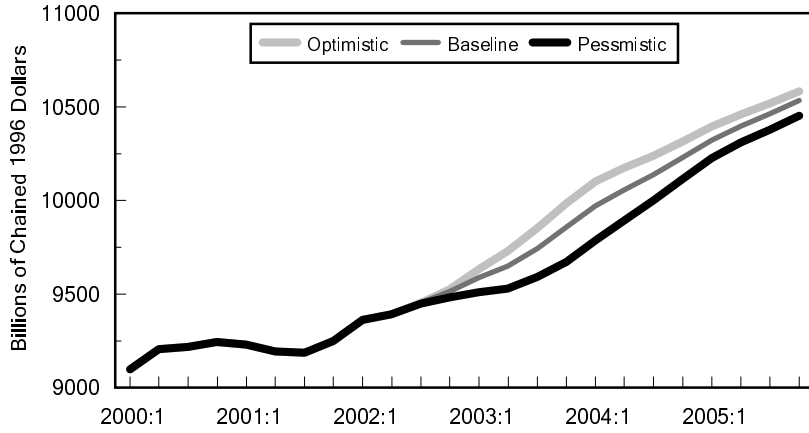


Chart 1.14
Implicit Price Deflator

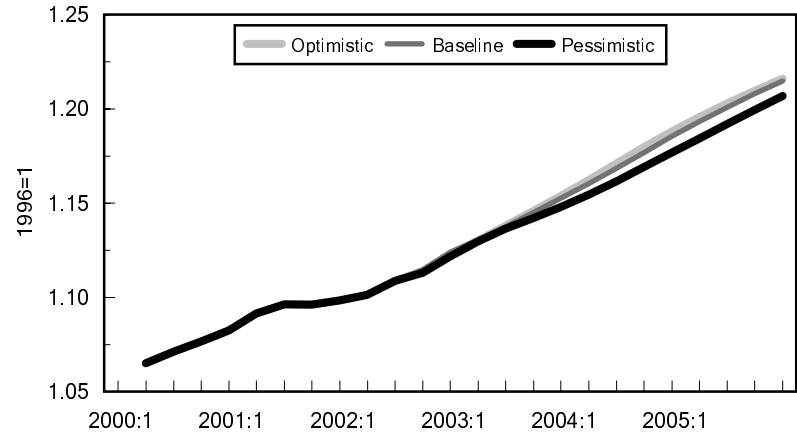


Chart 1.15
Mortgage Rate

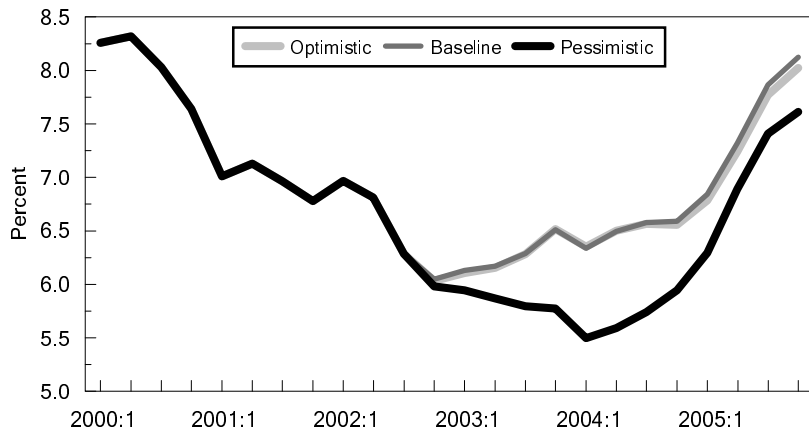
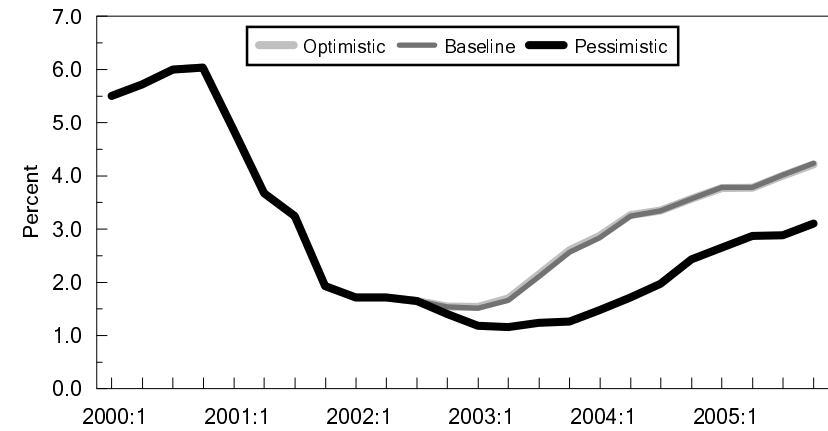


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

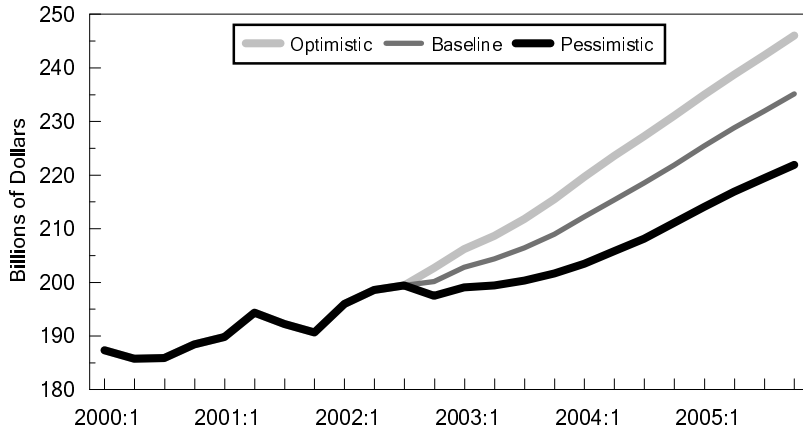


Chart 1.18
Real Personal Income

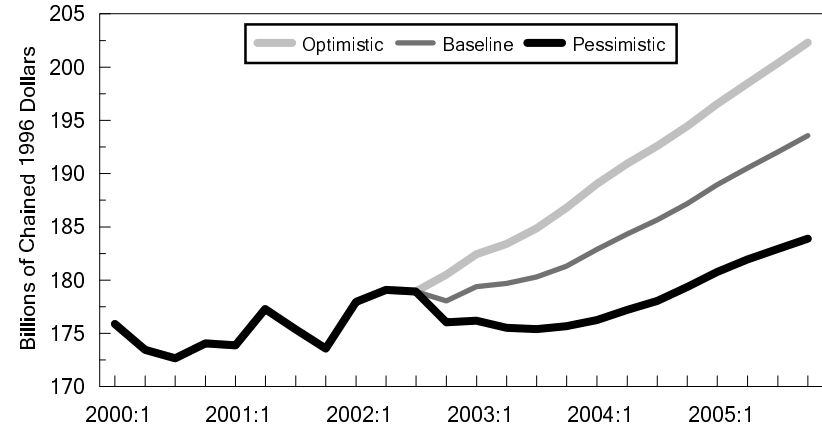


Chart 1.19
Nonagricultural Employment

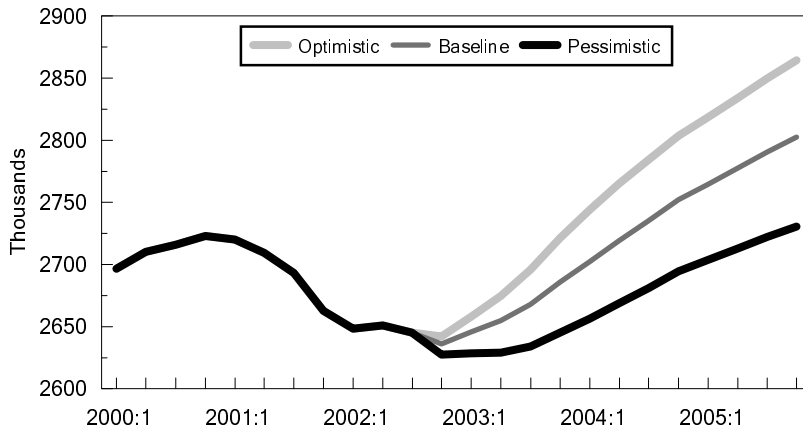
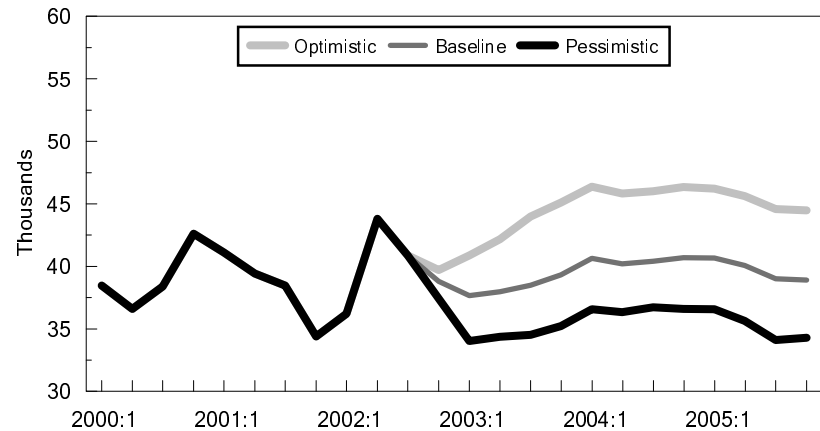


Chart 1.20
Housing Permits



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Washington Business Indicators

The National Economy

United States economic growth accelerated in the third quarter of 2002 primarily due to higher consumer spending. Real Gross Domestic Production (GDP), the broadest measure of economic activity, increased at a 4.0* percent annual rate, well above the 1.3 percent rise last quarter, and faster than the 2.7 percent increase assumed in the November 2002 forecast. Consumer spending continued to grow, increasing at a 4.1 percent annual rate. This was driven by a 23.1 percent increase in spending on durable goods, primarily cars and trucks in the third quarter. Fixed investment spending increased for the second consecutive quarter due to more investment in equipment, software and residential structures. However, investment in non-residential structures again declined at a double-digit rate in the third quarter.

While GDP growth was better than expected in the third quarter, manufacturing activity remained weak. After hitting a cyclical low in October 2001, the Institute of Supply Management's index of manufacturing activity rose pretty steadily through the first half of 2002. However, the index has now declined four of the last five months. The index did increase from 48.5 in October to 49.2 in November, but it is still below 50 (an index above 50 indicates that manufacturing sector is expanding; below 50 indicates it is contracting).

Although GDP has increased the last four quarters, there has been no job growth. The U.S. economy lost 40,000 jobs in November and payroll employment has fallen two of the last three months. For the year-to-date, the economy has lost 15,000 jobs. The U.S. unemployment rate jumped from 5.7 percent in October to 6.0 percent in November, its highest level since April and the highest level of the most recent recession. Productivity gains have kept prices relatively stable. The Consumer Price Index (CPI) increased 0.2 percent in both September and October. The CPI was 1.3 percent above the year-ago level for the first half of calendar 2002 and the October CPI is only 2.0 percent above the year-ago level.

The Conference Board reported that the U.S. Index of Leading Indicators was unchanged in October. The index, while above the year-ago level, has fallen or has remained unchanged for five consecutive months. The index now stands at 111.4 (1996=100), 2.0 percent above the year-ago level. In October six of the ten indicators that make up the leading index increased and four declined. Although unchanged, the trend of the index over the past few months highlights the fragility of the U.S. economy.

Although consumer spending is continuing to drive the economy, consumer confidence is a little shaky. The Conference Board reported that its Index of Consumer Confidence rose in Novem-

ber but prior to the November increase the index had declined for five consecutive months. In October the index was 79.6 (1985=100), the lowest it had been since 1993. The November index is 84.1, 0.9 percent below the weak year-ago level.

The Federal Open Market Committee (FOMC) voted at its November 6th meeting to lower its target rate for federal funds by 50 basis points to 1 1/4 percent. While the FOMC had cut the federal funds rate eleven times in calendar 2001, this was the first rate reduction in nearly a year. The FOMC also changed its “bias”. It now believes that while increased uncertainty has slowed the economy, the additional monetary easing should be enough to see the economy through the current “soft spot”. With inflation risks well contained, the FOMC now believes that the risks are balanced with respect to the prospects sustainable economic growth and price stability.

The State Economy and Indicators

The Washington economy, while starting to move in the right direction, remains weak. Revised data for the second quarter of 2002 shows that wage and salary employment increased at a 0.4 percent annual rate. This is the first increase in six quarters. Preliminary data, however, shows employment falling at a 0.9 percent annual rate in the third quarter. The decline in Washington wage and salary employment in this recession had been the largest since the 1981-82 recession. From December 2000 to September 2002 Washington has seen a 3.6 percent decline in wage and salary employment, the largest decline among the fifty states. Nationally, the average decline in this period was only 1.1 percent. Manufacturing employment continued to fall in the third quarter of 2002. Manufacturing employment declined at an 8.1 percent annual rate in the third quarter. It fell at a 7.2 percent annual rate last quarter and it declined at a 10.3 percent annual rate in the first quarter. Washington manufacturing employment has been falling since the third quarter of 1998 (seventeen consecutive quarters after adjusting for the impact of the Boeing strike in the first quarter of 2000). Aerospace employment declined at a 17.5 percent annual rate in the third quarter of 2002. Aerospace employment has declined the last four quarters. The anticipation of more job cuts at Boeing is expected to extend the decline in aerospace employment through the end of calendar 2004. Non manufacturing employment increased 0.1 percent in the third quarter. This follows a 1.5 percent increase last quarter based on revised second quarter data. Prior to the second quarter, Washington non-manufacturing employment had declined for four consecutive quarters.

Washington’s unemployment rate rose from 7.2 percent in August to 7.4 percent in September. This was the highest unemployment rate since it was 7.6 percent in January 2002. Although the rate fell to 6.7 percent in October, it was still the third highest rate in the country.

Most other state economic indicators are weak. The Seattle Times Index of Help-Wanted Advertising was unchanged in October. However, this index has fallen or remained unchanged nine of the last twelve months. The index in October is 66 (1987=100) and is 7.0 percent below the year-ago level. Washington average weekly hours in manufacturing fell to 39.9 in October 2002. This is the fourth consecutive monthly decline. Average weekly hours in manufacturing are 0.5 percent below the year-ago level. The Washington Purchasing Management Index also declined in October 2002 for the second straight month. However, the index is still above 50 (52.8) and has been above 50 for eight straight months (a reading below 50 indicates contraction, above 50 indicates expansion).

The Washington Index of Leading Indicators fell last month to 95.7 from 95.9 in September (1996=100). The index has now decline for four consecutive months. The decline the last few

months indicates that in the near term economic growth in Washington likely will be very weak at best. The October index level is the lowest level since 1987. It is 11.2 percent below its cyclical high of 107.7 reached in January 1999 and 1.8 percent below the year-ago level. Three of the seven components of the index pulled the index down in October. These were the exchange rate, aerospace employment and average weekly hours in manufacturing. Three components of the index were positive in October. These were the Seattle Times' Help-Wanted index, initial claims for unemployment insurance, and housing units authorized. One component of the state index, the U.S. leading index, was unchanged in October.

**This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimates for the third quarter of 2002 released November 26, 2002.) The November 2002 economic forecast was completed prior to the advanced GDP release, which showed a 3.1 percent increase in real GDP in the third quarter of 2002.*

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
 January 1980 to October 2002

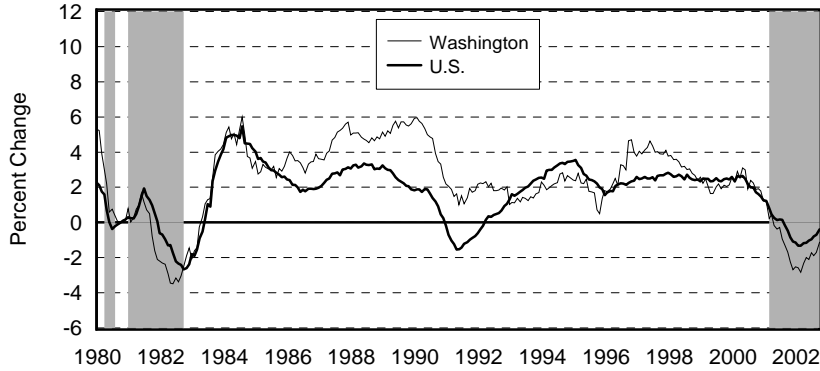


Chart 2.2
Washington Aircraft and Parts Employment
 January 1958 to October 2002

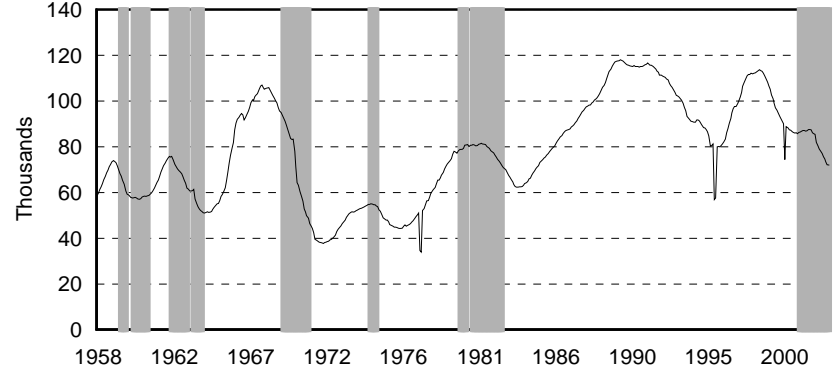


Chart 2.3
Unemployment Rate, S.A.
 January 1980 to October 2002

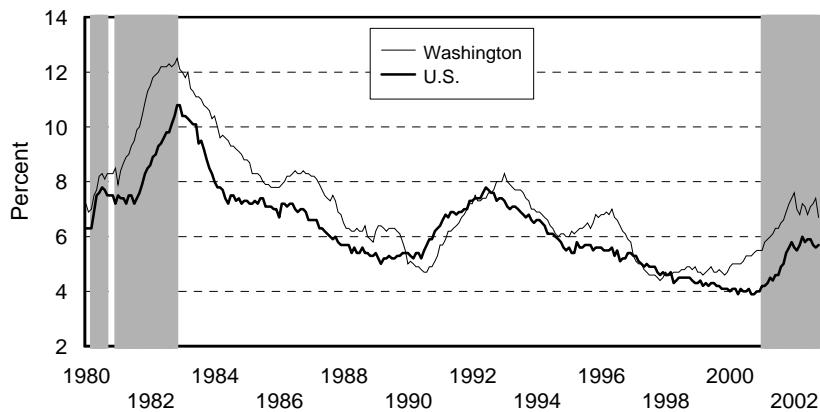
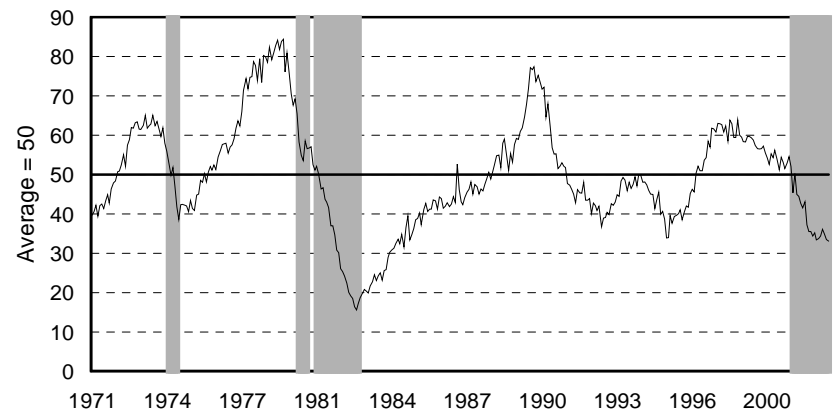


Chart 2.4
Washington Boom Monitor Composite Index
 July 1971 to August 2002



* Shaded areas correspond with Washington employment downturns.

Washington State Leading Indicators

Chart 2.5
The Washington and U.S. Indexes of Leading Indicators
 January 1970 to October 2002

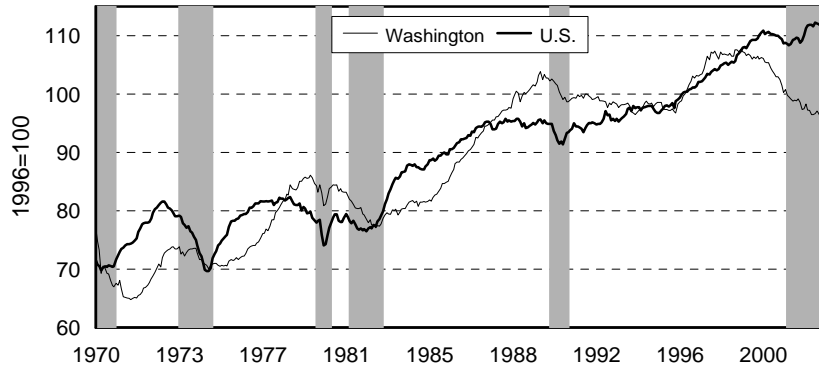


Chart 2.6
Washington Initial Claims for Unemployment Insurance
 January 1970 to October 2002

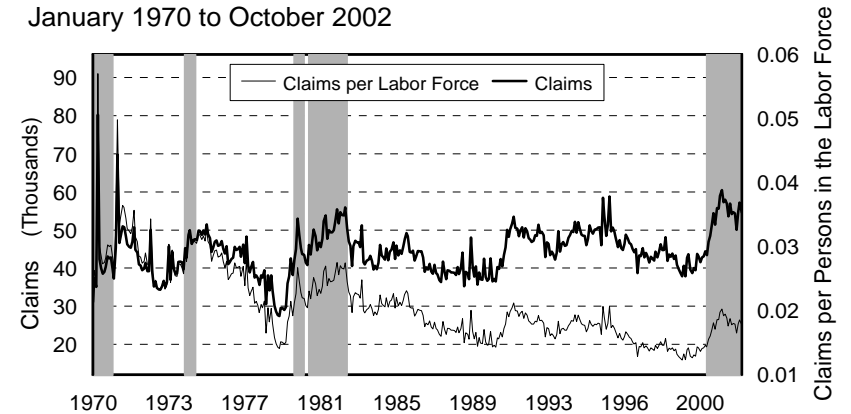


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
 January 1970 to October 2002

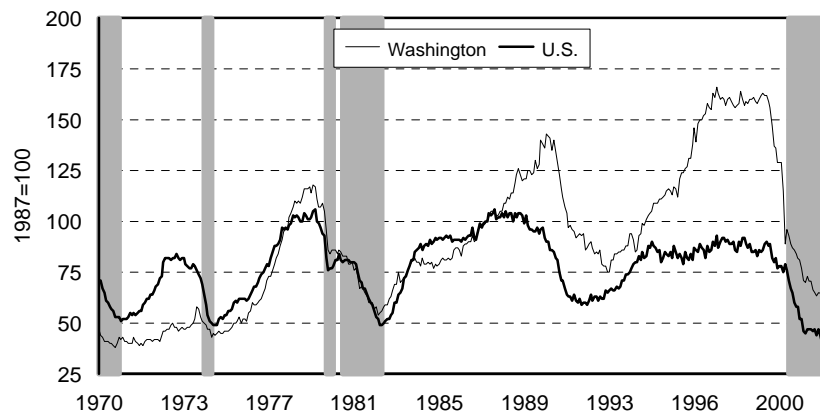
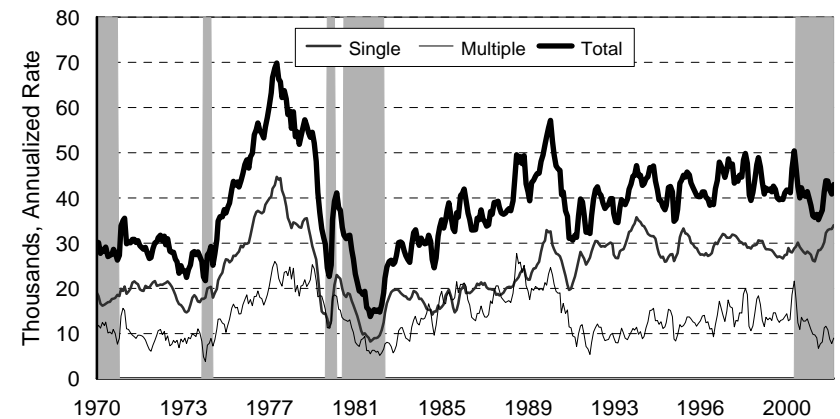


Chart 2.8
Housing Units Authorized in Washington State
 January 1970 to October 2002, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
 January 1970 to October 2002, 3-Month Moving Average, SA

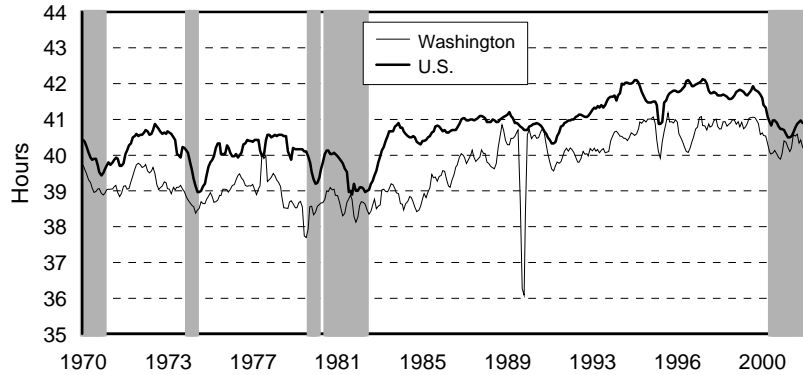


Chart 2.10
Washington Driver's License Migration
 September 1983 to September 2002, 12-Month Moving Average

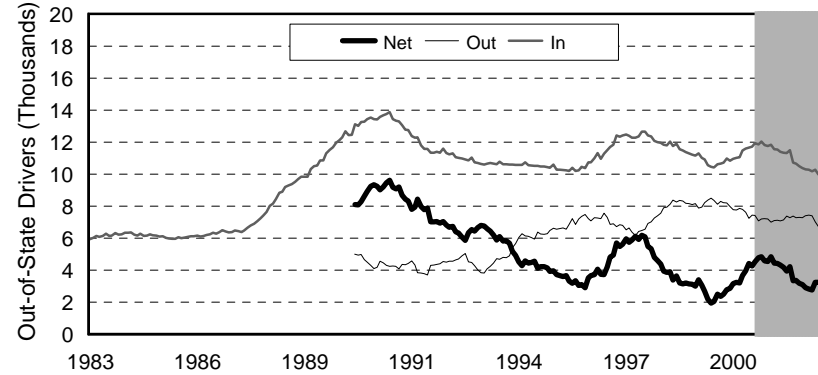


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to August 2002, 6-Month Moving Average

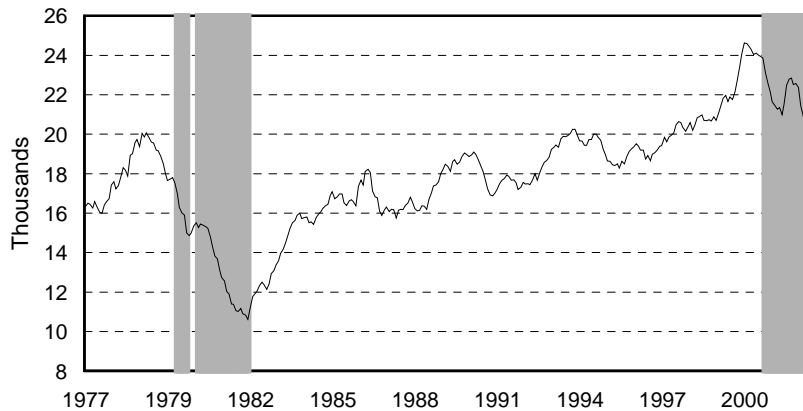
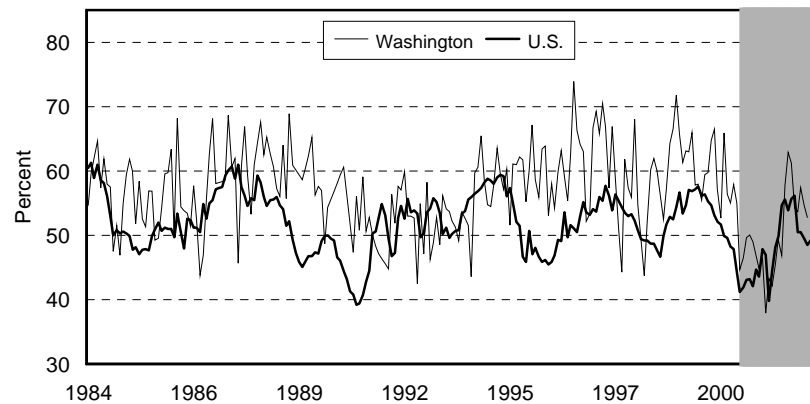


Chart 2.12
Institute for Supply Management Index
 January 1984 to November 2002



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2002 Q3

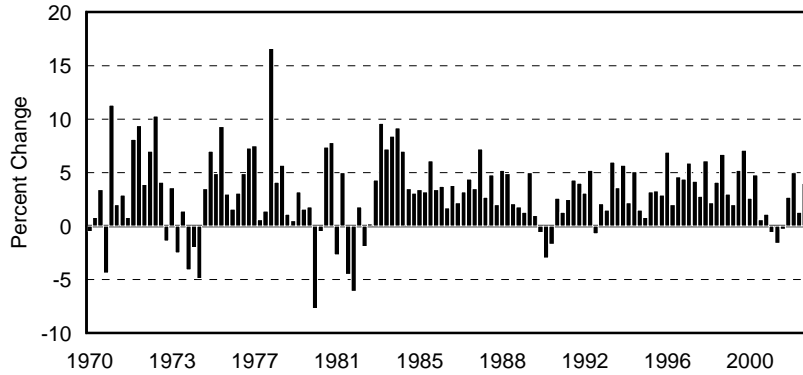


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago

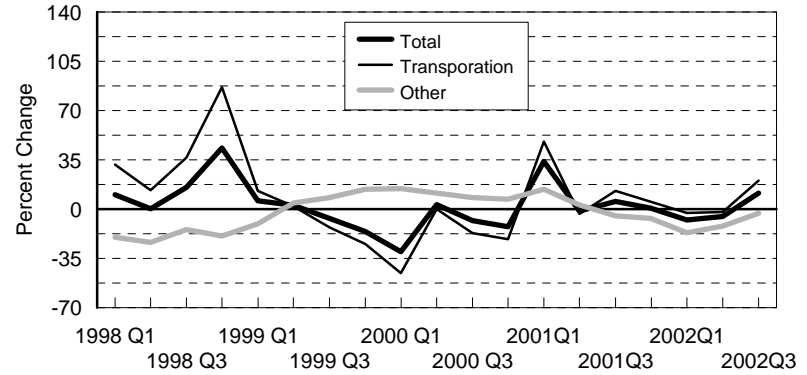


Chart 2.15
U.S. Economic Indicators*
 January 1970 to October 2002

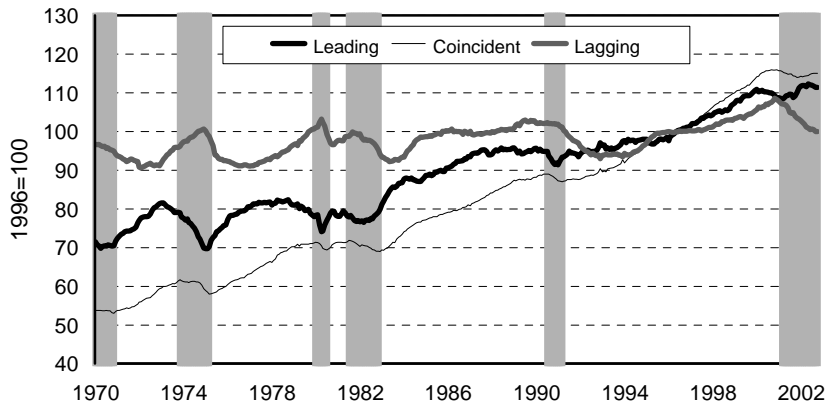
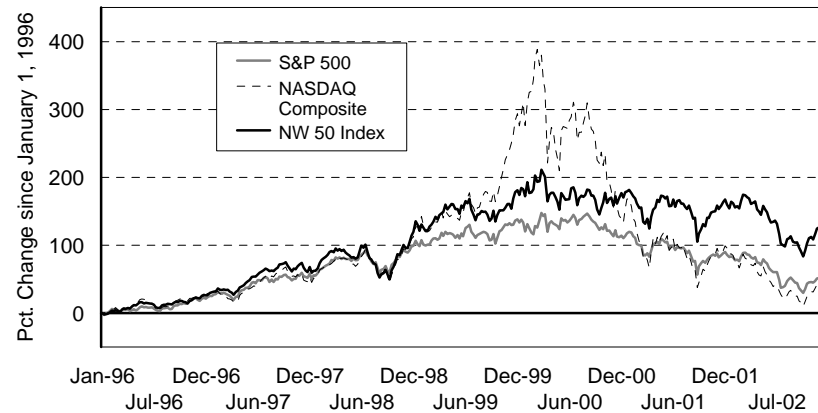


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
 January 1, 1996 to November 29, 2002



* 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 December 3, 2002

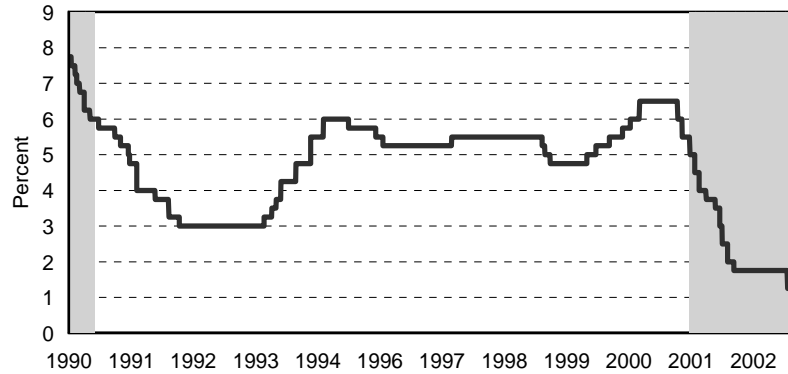


Chart 2.18
Consumer Confidence
 January 1978 to November 2002

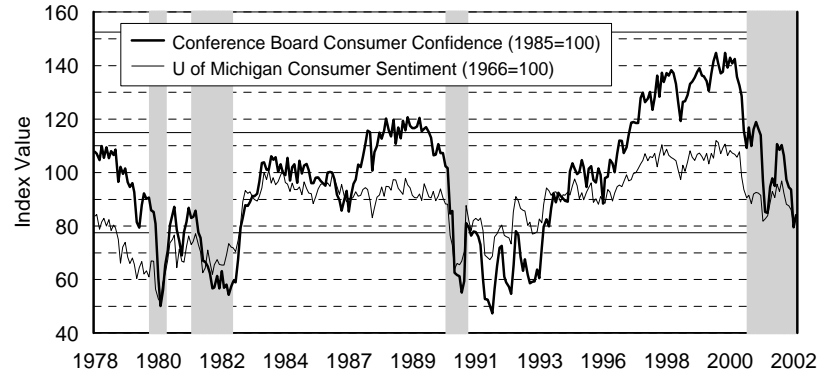
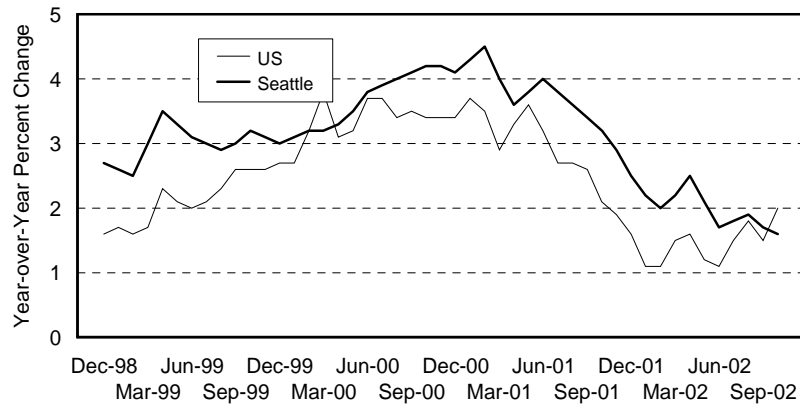


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to October 2002



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

Table 2.1
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
2000:5	104.5	110.3	147	82	66.5	53.4
2000:6	104.0	110.3	137	80	57.2	51.8
2000:7	103.5	110.2	136	82	52.7	51.9
2000:8	103.0	110.0	129	77	65.9	49.9
2000:9	103.0	110.0	129	78	56.4	48.8
2000:10	102.5	109.7	129	78	55.1	48.0
2000:11	101.5	109.4	115	75	57.9	48.1
2000:12	100.3	108.7	89	79	55.0	44.2
2001:1	100.8	108.8	96	76	44.7	41.7
2001:2	99.8	108.6	93	71	46.5	42.0
2001:3	99.6	108.4	89	67	49.6	43.2
2001:4	99.2	108.6	87	65	50.1	43.2
2001:5	98.8	109.3	86	60	49.0	42.3
2001:6	99.0	109.4	84	58	46.8	44.3
2001:7	98.9	109.7	82	58	44.9	43.9
2001:8	99.2	109.6	81	52	46.4	47.9
2001:9	98.6	108.8	77	52	37.9	46.2
2001:10	97.4	109.2	71	46	43.3	39.5
2001:11	97.5	110.1	70	45	42.1	44.7
2001:12	98.3	111.3	73	47	45.5	48.1
2002:1	97.3	111.8	71	47	49.4	49.9
2002:2	97.2	111.9	71	47	46.9	54.7
2002:3	96.5	111.9	66	46	57.7	55.6
2002:4	96.5	111.6	65	47	62.9	53.9
2002:5	96.7	112.3	63	44	61.3	55.7
2002:6	97.1	112.1	65	47	54.2	56.2
2002:7	96.9	112.0	65	45	53.7	50.5
2002:8	96.1	111.8	64	41	57.4	50.5
2002:9	95.9	111.4	66	43	54.6	49.5
2002:10	95.7	111.4	66	40	52.8	48.5

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Washington State Revenue Forecast Summary

Introduction

The Economic and Revenue Forecast Council approved a \$9.5 million increase to the General Fund-State (GFS) revenue forecast at its November 15, 2002 meeting. The November revision was comprised of a \$19.9 million increase for the 2001-03 biennium and a \$10.4 million reduction for the 2003-05 biennium. Higher than expected revenue collections in the two months since the September forecast was the primary reason for the increase for the current biennium. The small reduction to the revenue outlook for the 2003-05 biennium reflects a little less manufacturing employment and weaker investment spending than was assumed in September.

The November economic forecast is similar to the September outlook. The U.S. economy is slowly recovering. While the Washington economy continues to lag the nation, it too is recovering. The Washington recovery is expected to continue despite the anticipation of additional job cuts in aircraft manufacturing, the state's largest manufacturing industry.

The November 2002 General Fund-State revenue forecast now expects \$21,126.2 million in the 2001-03 biennium. This is \$135.8 million, 0.6 percent, less than what was collected the 1999-01 biennium. While this decline reflects tax law changes (e.g. Initiatives 728, 747 and 773, and legislative changes) as well as a weaker economy, revenue growth, excluding law changes, would still be the weakest since the recession-plagued 1981-83 biennium.

	2001-03 Biennium	2003-05 Biennium	Both Biennium
Non Economic Changes*	\$0.0	\$0.0	\$0.0
Forecast Change	<u>19.9</u>	<u>(10.4)</u>	<u>9.5</u>
Total Change	\$19.9	(\$10.4)	\$9.5

*Detail may not add to totals due to rounding

The small increase to the forecast of GFS revenue, along with an adjustment to reserves, increases the 2001-03 projected unrestricted ending balance for the General Fund to \$368.5 million. There is an additional \$55.1 million in the Emergency Reserve Fund. Including the Emergency Reserve Fund, projected reserves for the current biennium now total \$423.5 million. While total resources (revenue, the beginning balance and net transfers into the General fund) for the 2001-03 biennium are expected to exceed spending by \$368.5 million for the biennium, the November GFS revenue forecast expects revenue for the 2001-03 biennium (\$21,126.2 million) to be \$1.3 billion less than the 2001-03 spending level (appropriations of \$22,451.4 million.) The projected \$368.5 million positive unrestricted ending balance for June 30, 2003 is achieved only through a combination of a large positive beginning balance, two non-recurring transfers to the General Fund, and the use of some of the state's tobacco settlement proceeds.

The November 2002 GFS forecast for the 2003-05 biennium, which spans the period July 2003 through June 2005, is similar to the outlook in September. Although revenue is now forecast to be little less than what was expected last quarter, the economy is still expected to produce significantly more GFS revenue in the 2003-05 biennium than in the 2001-03 budget period. GFS revenue in the 2003-05 biennium is expected to total \$22,689.8 million, \$1.6 billion (7.4 percent) more than in the 2001-03 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 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 DRI-WEFA. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The DRI-WEFA national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General

Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the November 2002 baseline forecast for the 2003-05 biennium (cash basis) is shown in [Table 3.2](#).

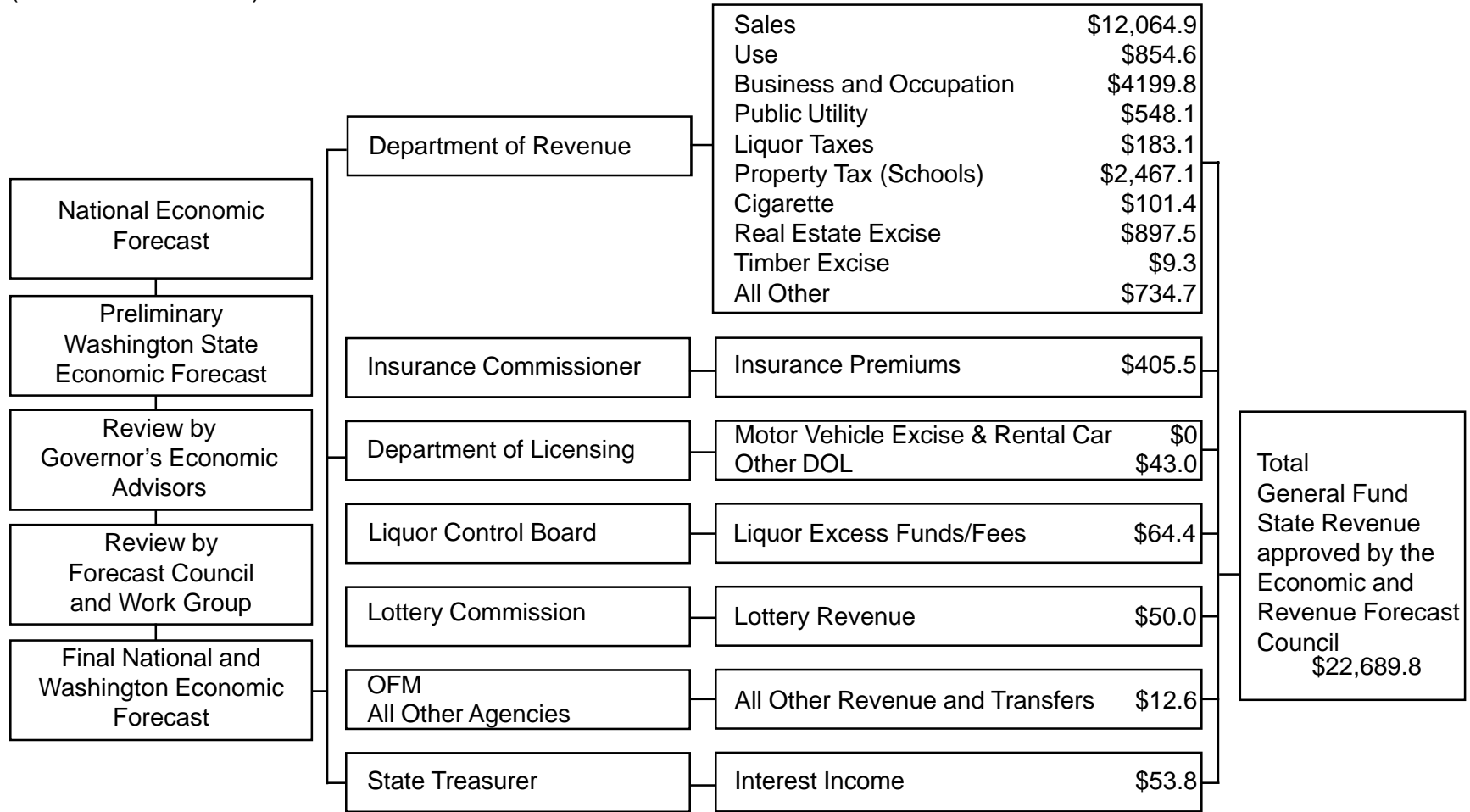
November 2002 Forecast Assumptions

1. The November 2002 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 October 2002 DRI-WEFA baseline forecast for the U.S. economy.
2. The November 2002 GFS revenue forecast is based on current law and administrative practices.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue were dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, 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 a guaranteed amount is transferred to the Student Achievement Account and the School Construction Account. Part II of [Table 3.17](#) summarize the lottery sales forecast and distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are in appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2001-03 and the 2003-05 biennia. Receipts for the 1997-99 biennium were reduced by \$549 million as a result of legislation enacted during the 1996, 1997 and 1998 legislative sessions. New legislation and other non-economic changes (e.g. referendum 49) reduced GFS revenue for the 1999-01 biennium by \$568 million. As of November 2002, new legislation and other non-economic changes have reduced the forecast of GFS revenue for the 2001-03 biennium by \$399 million. New tax law changes have increased GFS revenue for the 2003-05 biennium by \$285 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 the 2003-05 biennium. This transfer has a disproportional effect on GFS revenue for the 2003-05 biennium relative to the 2001-03 biennium. I-728 property tax transfers grow from \$267.0 million in the 2001-03 biennium to \$567.6 million in the 2003-05 biennium (See part I of [Table 3.19](#).)

Recent Collection Experience

Revenue collections in the two months since the September forecast were \$17.8 million, 1.1 percent, higher than expected. Taxes collected by the Department of Revenue accounted for \$17.6

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



* Cash Basis

million of the total. Higher than expected estate and property tax payments accounted for the majority of the positive variance although other major tax sources including the real estate excise tax, the cigarette tax and liquor taxes were also above the forecast. Higher than expected tax payments the last two months does not mean the economy has improved. More than the total variance (\$20.0 million) was due to two strong months of estate tax revenue. Most of this revenue is a windfall, not related to current economic conditions. Revenue sources that are closely tied to the economy (Revenue Act taxes: retail sales, use, business and occupation and public utility taxes) were actually \$8.4 million less than expected in the two months since the September forecast. The Revenue Act shortfall would have been larger (\$17.5 million) if a large non-recurring payment was excluded.

Revenue Act collections since the September forecast (primarily August and September business activity) were 2.3 percent above the year-ago level (after adjusting for special factors): August activity was 2.7 percent higher and September activity was 1.9 percent more than a year-ago. Revenue Act receipts have now increased five times in the last six months. It should be noted that the increase for the most recent month is from a very weak period. Activity in the year-ago period was affected by the September 11th terrorists' attacks and was very depressed. An increase of less than two percent from this very weak level, despite double-digit growth in auto sales, indicates that consumer and business spending is still very weak. Activity for the entire third quarter is up 2.4 percent. While this is the first quarterly year-over-year increase in five quarters, its significance needs to be discounted since the year-ago period was abnormally depressed. Quarterly Revenue Act growth remains weaker than both state income growth and retail sales growth nationally.

Preliminary data on taxes paid during the October 11- November 10 collection period again show modest gains in retailing, primarily due to strong auto sales. Taxes paid by building materials retailers, electronics and appliance dealers and furniture stores were also up in the mid-single to low double-digit range. Considering the year-ago period was extremely weak, the gains this month were not surprising and perhaps were a little disappointing. Tax payments by businesses outside of the retail trade sector were once again significantly weaker than retailing, with declines or no growth reported by the construction, manufacturing and information sectors.

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

September 11-November 10, 2002
(Millions of dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>	<u>Adjusted Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act ¹	(\$8.4)	-0.6%	(\$17.5)	-1.2%
Non Revenue Act ²	\$26.0	14.0%	20.5	11.1%
Subtotal	<u>\$17.6</u>	<u>1.1%</u>	<u>3.0</u>	<u>0.2%</u>
Department of Licensing	\$0.2	11.2%	0.2	11.2%
Other	na	na	na	na
Total***	\$17.8	1.1%	\$3.2	0.2%

¹ Revenue Act taxes consists of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections September 11, 2002 through November 10, 2002.

² Variance based on September 2002 through October 2002 collections. Major Non-Revenue Act sources include: state property tax levy, real estate excise tax and estate tax.

* Collection variance: actual tax payments compared to monthly estimates based on the September 2002 forecast.

** Variance adjusted for Special factors (unusually large, non-reoccurring payments).

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

Low mortgage rates continue to fuel the residential housing market, contributing to modest growth in real estate activity and more than expected real estate excise tax revenue. Statewide, real estate activity based on real estate closings subject to the state real estate excise tax has increased 4.1 percent in the two months since the September forecast and is 2.6 percent above the year-ago level for the first nine months of calendar 2002. The number of real estate transactions have increased 4.0 percent the last two months and 4.8 percent for the year-to-date, while the average price per transaction grew 0.3 percent the last two months but has declined 1.9 percent for the year-to-date.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$0.2 million (11.2 percent) above the September forecast during the last two months. During this period, Department of Licensing General Fund collections were 5.5 percent above the year-ago level.

The General Fund-State Forecast for the 2001-03 and the 2003-05 Biennia

The November 2002 forecast is similar to the September outlook. The state is experiencing its first major downturn since the early 1980's. While the current recession is not expected to be as protracted as the back-to-back recessions of the early 1980's, it is nevertheless a significant contraction. Both economic and revenue growth in the 2001-03 budget period are expected to be the weakest since the 1981-83 biennium. Wage and salary employment, which increased 4.3 percent in the 1999-01 biennium, is expected to decline 1.7 percent in the 2001-03 budget period. Wage and salary employment declined 2.1 percent in the 1981-83 biennium. Similarly, real personal income is expected to grow only 2.7 percent in the 2001-03 biennium after having increased 9.9 percent in the 1999-01 period. Real income growth is now expected to be only slightly better than the 2.4 percent increase in the 1981-83 biennium. The weak economy translates directly into less General Fund-State revenue. The forecast of GFS revenue for the 2001-03 biennium is expected to total \$21,126.2 million. This is \$135.8 million, 0.6 percent, less than what was collected in the 1999-01 biennium. Although GFS revenue in the current biennium has been significantly reduced by various tax law changes, including the passage of Initiative 728, as well as initiatives 747 and 773, much of the weakness in GFS revenue growth is due to the weak economy. GFS revenue in the 2001-03 biennium after adjusting for the impact of major tax law changes is expected to be only 1.8 percent above the 1999-01 biennium. Inflation adjusted growth of the retail sales adjusted tax base is projected to decline 1.5 percent for the biennium. This is the first decline since it fell 9.1 percent in the 1981-83 biennium. It grew 8.7 percent in the 1999-01 biennium. Inflation adjusted growth of the business and occupation adjusted tax base is projected to decline even more, 3.4 percent in the 2001-03 biennium. This is also the worst showing since the 1981-83 biennium.

The November 2002 forecast for the 2003-05 biennium, which spans the period July 1, 2003 to June 30, 2005, continues to assume a moderate recovery for both the U.S. and the Washington economies. While personal income and employment growth are expected to be well above the depressed levels expected in the 2001-03 biennium, economic growth is forecast to be weaker than past recovery periods. Weak business investment and slow employment growth along with a sluggish global economy will slow the U.S. recovery. Air traffic is not expected to return to normal levels until 2004, which will lower airline profitability and their ability to purchase aircraft. Consequently, aircraft manufacturing, the state's largest manufacturing sector, is not expected to re-

cover until 2005. Even then, its recovery will be very weak. Many of the jobs lost in this industry during this downturn will not return in the 2003-05 biennium. The combination of a weak U.S. recovery and a depressed aerospace sector will contribute to a less than average employment and income growth for the state in the 2003-05 biennium. State nominal personal income is expected to increase only 9.7 percent in the 2003-05 biennium, up from the 6.5 percent increase projected for the 2001-03 biennium but only about half its long run average. Similarly wage and salary employment growth is expected to increase only 2.7 percent in the 2003-05 biennium, well below its long run average. While the forecast assumes GFS revenue will improve in the 2003-05 biennium, revenue growth, like the economy, is expected to be relatively weak. GFS revenue in the 2003-05 biennium is expected to total \$22,689.8 million. This is \$1.6 billion (7.4 percent) more than in the 2001-03 biennium. Adjusting for major legislative changes, GFS revenue is expected to grow only 7.8 percent.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington's GFS revenue. These three taxes accounted for more than 85 percent of the \$21.3 billion total GFS cash receipts in the 1999-01 biennium. This percentage is expected to rise to 86.1 percent of total GFS revenue in the 2001-03 biennium and to 86.3 percent in the 2003-05 biennium. The jump in the 2001-03 biennium is primarily due to a change in the disposition of lottery proceeds. Prior to the 2001-03 biennium, the majority of Lottery proceeds were deposited into the General Fund. Due to Initiative 728, beginning in fiscal 2002, most lottery proceeds will be deposited in the Student Achievement Account and the School Construction Account instead of the General Fund. The increase in the 2003-05 biennium is in part due to the expiration of the sales tax deferral/exemption program in the 2003-05 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 80 percent in the 1991-93 biennium and from 75 percent twenty years ago. The retail sales and use tax, the state's largest revenue source generated \$11.7 billion, 55.0 percent of total GFS rev-

Table 3.4				
General Fund-State Collections*				
(Millions of dollars)				
	Current	Percent	1996 Chained	Cash Basis
Biennium	Dollars	Change	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%	6,188.5	19.0%
1971-73	1,922.1	10.9%	6,345.8	2.5%
1973-75	2,372.4	23.4%	6,772.5	6.7%
1975-77	3,395.0	43.1%	8,445.1	24.7%
1977-79	4,490.0	32.3%	9,785.8	15.9%
1979-81	5,356.4	19.3%	9,716.5	-0.7%
1981-83	6,801.4	27.0%	10,729.6	10.4%
1983-85	8,202.4	20.6%	11,952.7	11.4%
1985-87	9,574.6	16.7%	13,127.7	9.8%
1987-89	10,934.1	14.2%	13,919.4	6.0%
1989-91	13,309.0	21.7%	15,561.1	11.8%
1991-93	14,862.2	11.7%	16,237.3	4.3%
1993-95	16,564.6	11.5%	17,296.7	6.5%
1995-97	17,637.7	6.5%	17,638.8	2.0%
1997-99	19,620.1	11.2%	19,028.0	7.9%
1999-01	21,262.1	8.4%	19,803.6	4.1%
2001-03 ^F	21,126.2	-0.6%	18,964.9	-4.2%
2003-05 ^F	22,689.8	7.4%	19,345.1	2.0%

^F November 2002 Forecast

* Total General Fund-State collections-cash receipts basis. Includes rate, base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. Changes among biennia may not be comparable because the collection totals shown here include the impact of rate, base and administrative changes.

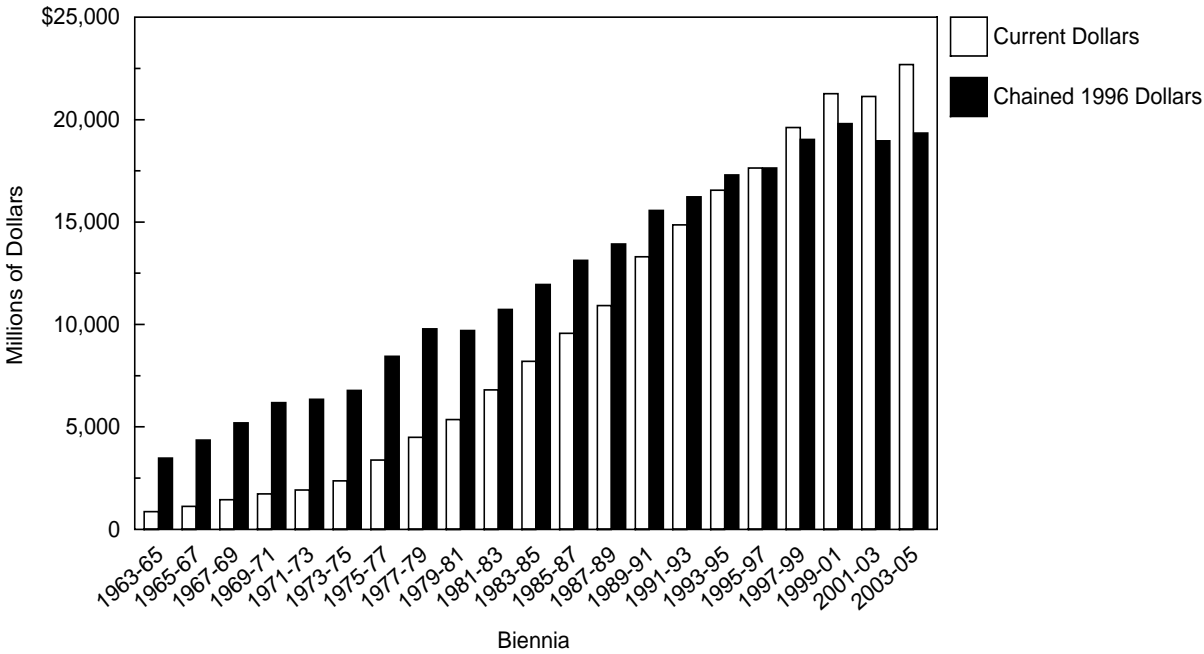
Sources: Dept. of Revenue and the Office of Financial Management. Office of the Forecast Council (November 2002 Forecast).

enue in the 1999-01 biennium. Sales and use taxes are expected to produce \$11.8 billion, 55.8 percent of total GFS revenue in the 2001-03 biennium. Sales and use tax is expected to total \$12.9 billion and account for 56.9 percent of GFS revenue in the 2003-05 biennium. The business and occupation tax totaled \$3.8 billion in the 1999-01 biennium, 17.7 percent of total GFS revenue. This tax is expected to produce \$3.8 billion, 18.1 percent of the total in the 2001-03 biennium and \$4.2 billion, 18.5 percent of GFS revenue in the 2003-05 biennium. The state share of the property tax totaled \$2.7 billion, 12.5 percent of total GFS revenue in the 1999-01 biennium. It is forecast to produce \$2.6 billion in the 2001-03 biennium, 12.3 percent of total GFS revenue and \$2.5 billion, 10.9 percent of total GFS revenue in the 2003-05 biennium. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement Account. The amount of the state levy transferred from the General Fund to the Student Achievement Account rises rapidly from \$267.0 million in the 2003-03 biennium (the first biennium affected by the I-728 transfer) to \$567.6 million in the 2003-05 biennium. (See [Table 3.19](#))

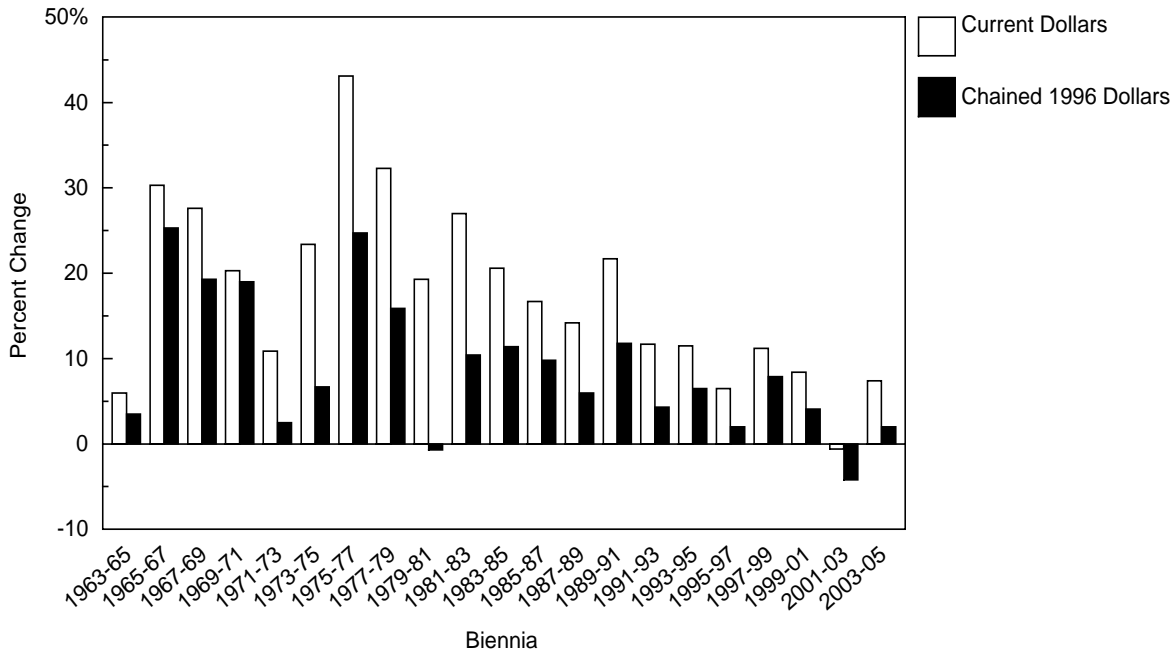
Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$21.2 billion in the second quarter of 2002. This was virtually the same as the year-ago level. Last quarter taxable sales were 2.4 percent below the year-ago level. Taxable sales have now declined or not changed on a year-over-year basis for five consecutive quarters. Inflation adjusted taxable sales declined 0.5 percent in the second quarter of 2002. This is the sixth consecutive quarterly decline in taxable sales adjusted for price changes. Real taxable sales have not declined in consecutive quarters since the 1982-83 recession. While taxable sales in the state have been declining, U.S. retail sales continue to increase. U.S. retail sales increased 2.8 percent in the second quarter of 2002 and were up 2.9 percent in the first quarter of 2002 on a year-over-year basis. Preliminary data indicate U.S. retail sales increased a strong 5.8 percent in the third quarter of 2002 due to double-digit growth in auto sales. The November 2002 forecast assumes that taxable sales in Washington increased a more modest 2.6 percent in the third quarter. This would be the first year-over-year increase in a year. However, because the third quarter a year-ago was very weak partly due to the impact of the terrorists' attacks on September 11th and because auto sales were so strong this year, a 2.6 percent increase in taxable sales is still indicating a weak economy.

An analysis of the growth of taxable sales in the second quarter of 2002 shows the retail trade sector, which accounts for about half of all taxable sales, was 2.6 percent above the year-ago level. This follows a 1.5 percent increase in the first quarter of 2002. Within retailing, all major retail categories other than furniture and household equipment stores reported positive growth. Building materials/hardware stores reported the biggest gain, 9.3 percent. Taxable sales of furniture and household equipment retailers were 14.7 percent below the year-ago level. This was this sector's sixth consecutive quarter of year-over-year declines. Overall, taxable sales reported by non-retailing sectors declined 2.7 percent in the second quarter of 2002. The year-over-year change varied widely among sectors. Taxable sales in the contract construction sector, which accounted for about 14 percent of all taxable sales in the first quarter of 2002, declined 1.5 percent in the second quarter. This follows an 11.0 percent decline last quarter. Taxable sales reported by the service sector were 0.6 percent above the year-ago level in the second quarter of 2002, after declining the previous two quarters. This sector continues to be hurt by weakness in the travel sector. Hotel/motel establishments reported a 3.7 percent drop in taxable sales in the second quarter. Taxable sales reported by the manufacturing sector were up 4.4 percent in the second quarter but the wholesale trade sector reported a 12.3 percent drop. This is the seventh consecutive quarterly decline in this relative large

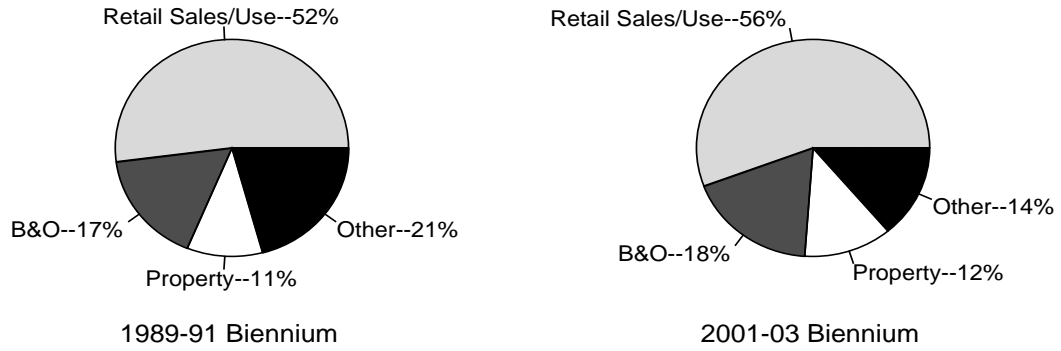
**Chart 3.1
General Fund-State Revenue**



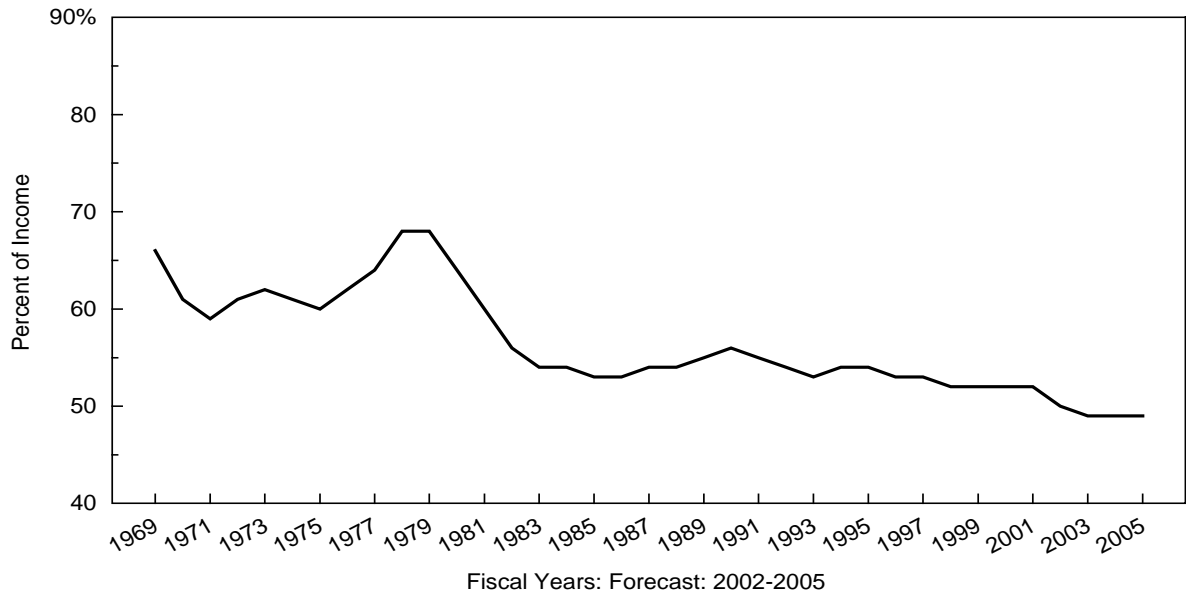
**Chart 3.2
General Fund-State Revenue - Percent Change**



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



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



* Adjusted Base

sector (accounting for 9.1 percent of all taxable sales in the second quarter of 2002.) Taxable sales reported by the transportation, communications and utility sector increased 3.3 percent and the finance, insurance and real estate sector reported a 4.0 percent increase in taxable sales in the second quarter.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 1.6 percent lower than a year ago in the second quarter of 2002. Taxable sales increased 2.6 percent in the rest of the state. Taxable sales declined 3.5 percent in King County and 0.1 percent in Snohomish County. Taxable sales growth remained positive in Pierce County, increasing 5.0 percent. Taxable sales in Spokane County were the same as a year ago. Eastern Washington counties as a whole reported a 0.4 percent decline in taxable sales in the second quarter compared to a 0.2 percent increase west of the Cascades. Taxable sales were up 0.1 percent in metropolitan counties in the second quarter while declining 0.7 percent in non-metropolitan counties.

Taxable sales declined 1.4 percent in fiscal 2002. This is the first fiscal year decline in taxable sales since 1984 when food was removed from the tax base. The decline in taxable sales this time was primarily due to the recession. Weak income growth and employment reductions as well as increased anxiety due to last year's terrorist attacks, significantly reduced consumer and business spending in fiscal 2002. While the U.S. recession is over and the economy is slowly starting its recovery phase, weak job growth is expected to continue to hold down overall spending. Taxable sales are expected to increase only 2.4 percent in fiscal 2003, well below both income growth and retail sales growth nationally. The forecast expects modest improvement next biennium. Taxable sales are expected to increase 4.4 percent in fiscal 2004 and 7.6 percent in fiscal 2005. Part of the improvement in fiscal 2005 is a result of the expiration of the sales tax deferral/exemption program, adding about a percent to taxable sales growth.

Table 3.5

Taxable Retail Sales*

November 2002 Forecast
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Amount</u>	<u>Percent Change</u>
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,929	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,385	8.0%
2001	85,633	2.7%
2002	84,409	-1.4%
2003 ^F	86,427	2.4%
2004 ^F	90,208	4.4%
2005 ^F	97,079	7.6%

^F Forecast.

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

Forecast Change for the 2001-03 and the 2003-05 Biennia

There is little change to the General Fund-State forecast in November. For the 2001-03 budget period, the November 2002 GFS revenue forecast is \$19.9 million higher than in September 2002. Higher than expected collections in the two months since the September forecast is the primary reason for the small increase in revenue for the 2001-03 biennium.

The GFS forecast for the 2003-05 biennium was reduced \$10.4 million in November. This change is also small and it is primarily due to a slightly weaker forecast for aerospace employment. Although the U.S. economic outlook for the 2003-05 budget period is a little better than in September, the November forecast assumes additional aerospace job cuts in the next two years will more than offset any positive impact on the Washington economy from the improvement to the national outlook.

Table 3.6 summarizes the changes to the November 2002 cash forecast for the 2001-03 and 2003-05 biennia by type of change. Tables **3.7** and **3.8** summarize revisions to the GFS revenue forecast for the 2001-03 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 change to the GFS revenue forecast for the 2003-05 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** a fiscal year summary of GFS cash receipts. Below is a brief summary of the changes to the forecast by agency.

Department of Revenue

The Department of Revenue collects and administers the majority of GFS revenue, accounting for more than 97 percent of total GFS revenue for the 2001-03 and 2005-05 biennia. The November 2002 forecast of GFS revenue sources administered and collected by the Department of Revenue is \$10.4 million lower than in September. For the 2001-03 biennium, the forecast for Department of Revenue sources is \$20.9 million higher than the last forecast while the forecast for the 2003-05 biennium is \$31.3 million lower. There is little change to the near term economic outlook in November. Nationally, the forecast for overall economic growth as measured by real Gross Domestic Product (GDP) is a little weaker than in September but state personal income is little higher, although most of the change is due to a data revision. Virtually all of the change to the Department of Revenue forecast for the current biennium reflects higher actual receipts. Tax collections in the two months since the September forecast were \$17.6 million more than expected. However, stronger collections did not reflect the higher level of personal income or stronger than expected consumer or business spending. In fact, the taxes most closely tied to current economic activity (revenue act taxes: sales, use, public utility and business and occupation taxes) were less than expected the last two months. While we do not know the specific make up of the Revenue Act shortfall at this time, most of it is assumed to be weaker use, utility and business and occupation tax receipts. Stronger than expected auto sales is believed to have produced a little more sales tax revenue than assumed in September. The major reason for the \$17.6 million positive collection variance since the September forecast was two strong months of estate tax payments. Property tax receipts were also a little stronger than expected. Estate tax payments were \$20 million higher than expected in the two months since the September forecast primarily due to unusually large payments from three estates. The estate tax variance accounted for more than the total change to the Department of Revenue GFS forecast for the current biennium.

For the 2003-05 biennium, the Department of revenue forecast is \$10.3 million less than in September. While the U.S. economic outlook is a little better than in September, the state economy is expected to have to deal with more aerospace job cuts than assumed in September. This is expected to reduce revenue a little more than was assumed last quarter.

The largest changes in the November forecast to Department of Revenue GFS sources are to the business and occupation tax, the use tax and the retail sales tax forecasts. The business and occupation tax forecast is \$59.0 million less than in September, \$10.4 million in the 2001-03 biennium and \$48.5 million in the 2003-05 biennium. The reduction this biennium is primarily due to weaker than expected collections. The reduction next biennium is due to a weaker outlook for the manufacturing sector due in part to the additional cuts in aerospace employment. The use tax forecast is \$25.9 million less than in September, \$8.6 million in the 2001-03 biennium and \$17.3 million in the 2003-05 biennium. The reduction reflects weaker collections in the last two months and a weaker forecast for business investment spending than was assumed in September. While the business and occupation and use tax forecasts are lower, the retail sales tax forecast is \$24.6 million higher than expected in September. The majority of the increase, \$15.4 million is primarily due to stronger than expected car and truck sales in the third quarter of 2002. The small (\$9.2 million) increase next biennium is due to a slight improvement in the outlook for housing in the 2003-05 biennium. Despite the increase to the sales tax forecast in November, the outlook for spending and sales tax revenue remains weak. Taxable sales are expected to increase only 2.4 percent in fiscal 2003 after falling 1.4 percent last year.

Other changes in the November forecast include a \$20.7 million increase to the real estate excise tax forecast, a \$17.0 million increase to the estate tax forecast and a \$12.9 million increase to the property (state levy) forecast.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from professional licenses, boat excise tax, and boat registration. The Department's General Fund-State forecast for the 2001-03 biennium has been increased \$0.7 million to \$42.3 million and its forecast for the 2003-05 biennium has been increased \$1.1 million to \$43.0 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 2001-03 biennium has been decreased \$0.4 million and now stands at negative \$4.8 million. The negative forecast 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. The OFM's forecast for the 2003-05 biennium has been decreased \$0.2 million to \$12.6 million. Reductions in the OFM's forecasts were due mainly to forecasted revenue reductions from the Department of Financial Institutions.

State Treasurer

The forecast and actual experience of the Office of the State Treasurer is based primarily on rate conditions and average daily balances for the funds within the Treasurer's control. The office's

Table 3.6

Summary of Changes to the General Fund-State Forecast
 November 2002 Cash Forecast
 (Millions of dollars)

		November 2002 Change
<u>I. 2001-03 Biennium</u>		
<i>Collection Experience</i>		\$17.8
Department of Revenue		
Major Excise ¹	(8.4)	
Other ²	26.0	
Department of Licensing ²	0.2	
Other	na	
 <i>Forecast Change for remainder of the 2001-03 Biennium</i>		 \$2.1
Department of Revenue	3.3	
All other	(1.3)	
 Total Change: 2001-03 Biennium**		 \$19.9
 <u>II. 2003-05 Biennium</u>		
 <i>Forecast Change for remainder of the 2001-03 Biennium</i>		
Department of Revenue	(31.3)	(\$10.4)
Other Agencies	21.0	
 <u>Total Change: Both Biennium**</u>		 \$9.5

¹ Based on collections September 11- November 10, 2002; retail sales, B&O, use & public utility taxes.

² Variance based on collections September 2002 through October 2002.

** Detail may not add due to rounding.

Table 3.7

**Comparison of the General Fund-State Forecast by Agency
2001-03 Biennium; Cash Basis**
(Millions of dollars)

Forecast by Agency	September 2002 Forecast¹	Non- Economic Changes	Revision	November 2002 Forecast	Total Change
Department of Revenue					
Retail Sales	\$11,000.7	0.0	\$15.4	\$11,016.1	\$15.4
Business & Occupation Use	3,828.1	0.0	(10.4)	3,817.6	(10.4)
Public Utility	773.2	0.0	(8.6)	764.6	(8.6)
Liquor Sales/Liter	531.9	0.0	(4.6)	527.3	(4.6)
Cigarette	181.4		0.0	181.4	0.0
Property (State Levy)	115.5		0.0	115.6	0.0
Real Estate Excise	2,594.0		4.2	2,598.2	4.2
Timber Excise	814.7		(0.1)	814.7	(0.1)
Other	17.3		(0.2)	17.1	(0.2)
Subtotal	714.7	0.0	25.2	739.9	25.2
	20,571.6	0.0	20.9	20,592.5	20.9
Department of Licensing					
Boat excise, licenses & fee	41.6	0.0	0.7	42.3	0.7
Insurance Commissioner					
Insurance Premiums	377.0		0.0	377.0	0.0
Liquor Control Board					
Liquor Profits and Fees	55.8	0.0	0.1	55.9	0.1
Beer & Wine Surtax	3.3		0.0	3.4	0.0
Lottery Commission					
Lottery Revenue	17.2	0.0	(12.0)	5.2	(12.0)
State Treasurer					
Interest Earnings	44.3	0.0	10.5	54.8	10.5
Office of Financial Management					
Other	(4.4)	0.0	(0.4)	(4.8)	(0.4)
Total General Fund-State	\$21,106.3	\$0.0	\$19.9	21,126.2	\$19.9

¹ The General Fund State Revenue Forecast adopted by the Economic and Revenue Forecast Council in September 2002.

* Detail may not add to totals due to rounding.

Table 3.8
Comparison of the General Fund-State Forecast by Agency
2001-03 Biennium; GAAP Basis
(Millions of dollars)

Forecast by Agency	September 2002 Forecast¹	Non- Economic Changes	Forecast Revision	November 2002 Forecast	Total Change
Department of Revenue					
Retail Sales	\$11,064.3		\$9.3	\$11,073.6	\$9.3
Business & Occupation Use	3,812.9		(11.3)	3,801.6	(11.3)
Public Utility	774.0		(8.5)	765.5	(8.5)
Liquor Sales/Liter	533.4		(4.7)	528.7	(4.7)
Cigarette	182.6		0.0	182.6	0.0
Property (State Levy)	114.5		0.7	115.2	0.7
Real Estate Excise	2,589.3		3.9	2,593.1	3.9
Timber Excise	817.5		(0.0)	817.5	(0.0)
Other	17.3		(0.2)	17.1	(0.2)
Subtotal	712.0		21.0	733.0	21.0
	20,617.8		10.1	20,627.9	10.1
Department of Licensing					
Boat excise, licenses & fees	43.0		0.7	43.7	0.7
Insurance Commissioner					
Insurance Premiums	377.0		0.0	377.0	0.0
Liquor Control Board					
Liquor Profits and Fees	55.8		0.1	55.9	0.1
Beer & Wine Surtax	3.3		0.0	3.4	0.0
Lottery Commission					
Lottery Revenue	17.2		(12.0)	5.2	(12.0)
State Treasurer					
Interest Earnings	39.6		11.7	51.3	11.7
Office of Financial Management					
Other	(3.9)		(1.2)	(5.1)	(1.2)
<u>Total General Fund-State *</u>	\$21,149.9	\$0.0	\$9.4	\$21,159.3	\$9.4

¹ The General Fund State Revenue Forecast adopted by the Economic and Revenue Forecast Council in September 2002.

* Detail may not add to totals due to rounding

Table 3.9
Comparison of the General Fund-State Forecast by Agency
2003-2005 Biennium; Cash Basis
(Millions of Dollars)

<u>Forecast by Agency</u>	September 2002 <u>Forecast</u>¹	Non- Economic <u>Changes</u>	Forecast <u>Revision</u>	November 2002 <u>Forecast</u>	Total <u>Change</u>
<i>Department of Revenue</i>					
Retail Sales	\$12,055.7		\$9.2	\$12,064.9	\$9.2
Business & Occupation Use	4,248.3		(48.5)	4,199.8	(48.5)
Public Utility	871.9		(17.3)	854.6	(17.3)
Liquor Sales/Liter	546.4		1.7	548.1	1.7
Cigarette	183.1		0.0	183.1	0.0
Property (State Levy)	101.4		(0.0)	101.4	(0.0)
Real Estate Excise	2,458.4		8.7	2,467.1	8.7
Timber Excise	876.7		20.7	897.5	20.7
Other	9.9		(0.5)	9.3	(0.5)
Subtotal	739.9		(5.2)	734.7	(5.2)
	22,091.8		(31.3)	22,060.4	(31.3)
<i>Department of Licensing</i>					
Boat excise, licenses & fees	41.9		1.1	43.0	1.1
<i>Insurance Commissioner</i>					
Insurance Premiums	405.5		0.0	405.5	0.0
<i>Liquor Control Board</i>					
Liquor Profits and Fees	61.2		(0.2)	61.0	(0.2)
Beer & Wine Surtax	3.5		(0.0)	3.4	(0.0)
<i>Lottery Commission</i>					
Lottery Revenue	50.0		0.0	50.0	0.0
<i>State Treasurer</i>					
Interest Earnings	33.5		20.3	53.8	20.3
<i>Office of Financial Management</i>					
Other	12.8		(0.2)	12.6	(0.2)
<u>Total General Fund-State *</u>	\$22,700.1	\$0.0	(\$10.4)	\$22,689.8	(\$10.4)

¹ The General Fund-State forecast for the 2003-05 biennium adopted September 2002.

* Detail may not add to totals because of rounding.

Table 3.10

**Comparison of the General Fund-State Forecast by Agency
2003-2005 Biennium; GAAP Basis**

(Millions of dollars)

Forecast by Agency	September 2002 Forecast¹	Non- Economic Changes²	Forecast Revision	November 2002 Forecast	Total Change
Department of Revenue					
Retail Sales	\$12,104.0		\$8.0	\$12,112.0	\$8.0
Business & Occupation Use	4,265.7		(48.7)	4,217.0	(48.7)
Public Utility	874.7		(19.5)	855.2	(19.5)
Liquor Sales/Liter	549.6		1.7	551.3	1.7
Cigarette	183.7		(0.0)	183.6	(0.0)
Property (State Levy)	101.5		(0.3)	101.1	(0.3)
Real Estate Excise	2,458.4		8.7	2,467.1	8.7
Timber Excise	880.3		20.5	900.8	20.5
Other	9.9		(0.5)	9.3	(0.5)
Subtotal	740.8		(4.8)	735.9	(4.8)
	22,168.5		(35.2)	22,133.4	(35.2)
Department of Licensing					
Boat excise, licenses & fees	43.2		1.2	44.5	1.2
Insurance Commissioner					
Insurance Premiums	405.5		0.0	405.5	0.0
Liquor Control Board					
Liquor Profits and Fees	61.2		(0.2)	61.0	(0.2)
Beer & Wine Surtax	3.5		(0.0)	3.4	(0.0)
Lottery Commission					
Lottery Revenue	50.0		0.0	50.0	0.0
State Treasurer					
Interest Earnings	34.8		19.6	54.4	19.6
Office of Financial Management					
Other	12.8		(0.2)	12.6	(0.2)
Total General Fund-State*	\$22,779.5	\$0.0	(\$14.7)	\$22,764.8	(\$14.7)

¹The General Fund-State forecast for the 2003-05 biennium adopted September 2002.

* Detail may not add to totals due to rounding.

Table 3.11
Novmeber 2002 General Fund-State Forecast
2001-03 & 2003-05 Biennia; Cash Basis
(Millions of dollars)

<u>Forecast by Source</u>	<u>Fiscal 2001a</u>	<u>Fiscal 2002p</u>	<u>Fiscal 2003</u>	<u>2001-03 Biennium</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>2003-2005 Biennium</u>
State Taxes							
Retail sales	\$5,503.1	\$5,435.1	\$5,581.0	\$11,016.1	\$5,826.1	\$6,238.8	\$12,064.9
Business & occupation Use	1,961.6	1,913.8	1,903.9	3,817.6	2,020.8	2,179.0	4,199.8
Public Utility	399.8	376.5	388.2	764.6	413.7	440.9	854.6
Liquor sales/liter	259.1	264.8	262.5	527.3	269.8	278.3	548.1
Beer & wine surtax	87.2	90.4	91.0	181.4	91.3	91.8	183.1
Cigarette	1.6	1.7	1.7	3.4	1.7	1.7	3.4
Tobacco products	68.2	62.6	53.0	115.6	51.4	50.0	101.4
Property (state school levy)**	16.7	16.1	12.8	28.8	13.7	14.2	27.8
Public utility district	1,349.9	1,281.8	1,316.4	2,598.2	1,361.7	1,105.4	2,467.1
Real estate excise	29.9	31.5	33.1	64.6	34.6	36.5	71.1
Timber excise	400.4	399.1	415.5	814.7	431.3	466.2	897.5
Estate/inheritance	15.2	10.0	7.0	17.1	4.7	4.6	9.3
Motor Veh. Exc. & Rental Car	107.1	114.5	122.6	237.1	113.0	112.8	225.8
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	11.4	11.4	11.9	23.3	12.2	12.5	24.7
Other	179.5	184.3	192.7	377.0	198.2	207.3	405.5
Total Taxes	136.5	131.0	142.8	273.8	135.6	139.7	275.2
	10,527.3	10,324.5	10,536.0	20,860.5	10,979.7	11,379.7	22,359.4
State Non-Tax Sources							
Licenses, permits, fees	75.5	75.3	78.7	154.1	81.1	84.6	165.7
Liquor profits & fees	29.1	29.0	26.9	55.9	30.0	31.0	61.0
Earnings on investments	77.1	32.7	22.1	54.8	24.3	29.5	53.8
Lottery transfers	110.0	0.0	5.2	5.2	24.2	25.8	50.0
Other revenue & transfers	9.9	(10.9)	6.6	(4.2)	(1.1)	1.1	(0.1)
Total Non-Tax	301.6	126.2	139.5	265.7	158.5	171.9	330.4
<u>Total General Fund-State *</u>	\$10,828.9	\$10,450.7	\$10,675.5	\$21,126.2	\$11,138.1	\$11,551.6	\$22,689.8

A Actual

p Preliminary

* Detail may not add to totals due to rounding.

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

Table 3.12

General Fund - State Cash Receipts
November 2002 Forecast by Fiscal Year
Millions of Dollars

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
Forecast		
2003	10,675.5	2.2%
2004	11,138.1	4.3%
2005	11,551.6	3.7%

Table 3.13

Track Record for the 2001-03 General Fund-State Cash Forecast

February 2000 through November 2002

(Millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Legislation**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2000****	\$21,728	\$805				\$22,534
Changes to Forecast						
June 2000	99	(25)	74	(3) ¹	71	22,604
September 2000	158	(1)	157	5 ²	162	22,766
November 2000	32	12	43	(482) ³	(439)	22,327
March 2001	(126)	2	(124)	12 ⁴	(112)	22,216
June 2001	(61)	(29)	(89)	(27) ⁵	(116)	22,099
September 2001	(101)	6	(96)	18 ⁶	(77)	22,022
November 2001	(698)	(81)	(779)	(34) ⁷	(813)	21,209
February 2002	(269)	3	(266)	19 ⁸	(247)	20,962
June 2002	54	31	85	93 ⁹	178	21,140
September 2002	(30)	(4)	(34)	0	(34)	21,106
November 2002	21	(1)	20	0	20	21,126
Total Change***						
From February 2000	(\$921)	(\$87)	(\$1,008)	(\$399)	(\$1,408)	
Percent change	-4.2%	-10.8%	-4.5%	-1.8%	-6.2%	

* 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 2001-03 biennium.

1 Impact of 2000 legislation. Note the impact of the Telepage court case (extending the sales tax to paging services). This impact is included as a Department of Revenue forecast change.

2 Revised impact of the salmon recovery timber tax credit.

3 Impact of Initiatives 722 and 728. The estimate of initiative 728 is based on OFM analysis, subject to continuing review.

4 Adjustment to the impact of Initiatives 722 and 728.

5 Impact of 2001 legislation (regular session) and the phase-out of the Federal estate tax.

6 Impact of 2001 legislation (special session).

7 Impact of I-747 and I-773 on GFS revenue.

8 Adjustment to the estate tax

9 General Fund-State impact of 2002 legislation.

forecasted General Fund-State revenues for the 2001-03 biennium were increased \$10.5 million to \$54.8 million. The office's forecast for the 2003-05 biennium has been increased \$20.3 million to \$53.8 million. The increases in the forecasts for both biennia were due to an increase in the current and expected General Fund balance.

Insurance Commissioner

The forecast for the Office of the Insurance Commissioner is based on projections for premium volume of insurance companies in the State of Washington. Expectations are based on both insurance rate changes and the growth of premium volume. The office's General Fund-State forecast for the 2001-03 and 2003-05 biennia were unchanged at \$377.0 and \$405.5 million respectively.

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 forecast for the 2001-03 biennium was increased by \$0.1 million. The agency's forecast for the current biennium is \$55.9 million from excess funds and fees and \$3.4 million from beer and wine surtaxes. The agency's forecast for the 2003-05 biennium was decreased \$0.2 million resulting in a forecast of \$61.0 million from excess funds and fees and \$3.4 million from beer and wine surtaxes.

Lottery Commission

Under Engrossed Second Substitute Senate Bill 6560, starting in fiscal 2003 the Lottery Commission will once again transfer the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, Lottery revenues of \$102 million per year on a GAAP basis continue to be allocated to the School Construction and Student Achievement funds. The Commission's forecast of revenues available to transfer to the General Fund for the 2001-03 biennium was decreased by \$12.0 million to \$5.2 million due to revised forecasts of sales of Lottery products. The forecast for the 2003-05 biennium was unchanged at \$50.0 million.

Track Record for the 2001-03 Biennium

The November 2002 GFS cash receipts forecast for the 2001-03 biennium is \$21,126.2 million. This is \$19.9 million more than the September 2002 forecast. The November 2002 forecast is \$1.4 billion below the February 2000 forecast, which was the initial forecast for the biennium. However, some of this reduction reflects non-economic changes. Excluding the impact of non-economic factors, primarily the impact of Initiative 728 and legislative changes, the November 2002 forecast is \$1,008 million (4.5 percent) lower than the February 2000 forecast. There have been eleven revisions to the forecast for the 2001-03 biennium since February 2000. Excluding non-economic changes, there have been five increases to the forecast (including the November 2002 change) and six reductions. **Table 3.13** summarizes the changes to the GFS forecast for the 2001-03 biennium since February 2000.

Track Record for the 2003-05 Biennium

The November 2002 GFS cash receipts forecast for the 2003-05 biennium is \$22,689.8 million. This is \$9.5 million less than the September 2002 forecast. The November 2002 forecast is \$100

million below the February 2002 forecast, which was the initial forecast for the biennium. However, legislative changes understate this reduction. Excluding the impact of non-economic factors, primarily the impact of 2002 legislative changes, the November 2002 forecast is \$385 million (1.7 percent) lower than the February 2002 forecast. Excluding non-economic changes, there have been three revisions to the forecast for the 2003-05 biennium since February 2002; all three have lowered expected revenue. **Table 3.14** summarizes the changes to the GFS forecast for the 2003-05 biennium since February 2002.

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

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

Table 3.15 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 1999-01 biennium totaled \$21,287.8 million on a GAAP basis, \$25.8 million higher than the \$21,262.1 million cash receipts total. The GAAP forecast for the 2001-03 biennium is \$21,159.3 million, \$33.0 million more than the \$21,126.2 million cash forecast. The GFS forecast for the 2003-05 biennium is \$22,764.8 million on a GAAP basis, \$75.0 million more than the \$22,689.8 million cash forecast.

Table 3.16 presents the budgetary balance sheet for the 2001-03 biennium. Total GFS reserves on June 30, 2003, the end of the current budget period are now projected to be \$423.6 million. This includes \$368.5 million of unrestricted reserves and \$55.1 million of reserves in the Emergency Reserve Fund. The positive ending balance is not indicative of the state's fiscal positive. The General Fund started the biennium with a balance of \$599.1 million and the 2001-03 projected ending balance includes more than a billion dollars of transfers from the other funds (including the Emergency Reserve Fund) and revenue from the tobacco settlement. The recession has resulted in GFS revenue (\$21,126.2 million) for the current biennium to fall well short of appropriations (\$22,451.4 million). While the projected balance for the 2001-03 biennium is positive, a significant budget problem is looming for the 2003-05 biennium. The current forecast of \$22,689.2 million plus reserves is expected to be far short of the resources needed to maintain the current level of state expenditures. How the state will deal with the expected shortfall is not known at this time. The problem will be first addressed when the Governor proposes a budget for the 2003-05 biennium in December.

Alternative Forecast for the 2001-03 Biennium

The November 2002 baseline forecast assumes the current recession in Washington is ending. The recovery, however, is expected to be weak. Both economic and revenue growth for the remainder of the current biennium as well as for next biennium will be less than average. This assumption could turn out to be either too rosy or too pessimistic. The near term outlook continues to be shaky both at the national and state level. Business spending has yet to improve and while consumer spending has remained relatively strong, much of the strength has been due to car and truck sales, which will not last forever. The economic environment remains quite fragile and it would not take too much of a shock to further slow the U.S. recovery. On the other hand, things always seem the bleakest when you are at the bottom. Economists have continued to underestimate the resilience of the economy, especially the consumer. Strong consumer spending could continue, especially in light of the monetary and fiscal stimulus in the pipeline, producing a stronger than expected recovery. These possibilities are addressed in the November 2002 alternative forecasts for the 2001-03 and the 2003-05 biennia.

In the optimistic scenario there is a more bullish recovery. Consumer and business confidence are higher than assumed in the baseline forecast. Consumer spending strengthens and business spending recovers sooner and stronger than assumed in the baseline forecast. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 2.1 percent higher than the baseline by the end of fiscal 2003 and is 4.4 percent higher by the end of the 2003-05 biennium. State wage and salary employment is 27,700 greater than the baseline by the second quarter of 2003 and is 56,500 higher by the last quarter of the 2003-05 biennium.

While the pessimistic scenario does not assume a "double-dip" recession, economic growth slows to about half of what is expected in the baseline forecast in calendar 2003. In this scenario, Washington State personal income is 2.4 percent below the baseline estimate at the end of fiscal year 2003 and 5.2 percent less than the baseline by the end of the 2003-05 biennium. Wage and salary employment is 25,800 lower than the baseline by the second quarter of 2003 and is 64,600 less by the last quarter of the 2003-2005 biennium.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2001-03 biennium and **Table 3.18** summarized the impacts for the 2003-05 biennium. The optimistic scenario generates \$21,340.6 million GFS revenue in the 2001-03 biennium. This is \$214.4 million more than the baseline forecast. For the 2003-05 biennium, the optimistic forecast totals \$23,815.6 million, \$1.1 billion more than the baseline. The pessimistic alternative produces only \$20,914.7 million GFS revenue in the 2001-03 biennium, \$211.6 million less than the baseline forecast. For the 2003-05 biennium, the pessimistic alternative produces \$21,500.8 million, \$1.2 billion 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 variables made by members of the Governor's Council of Economic Advisors (GCEA). The November GCEA scenario was based on the forecasts of six members of the Governor's Council of Economic Advisors. The GCEA alternative produces \$18 million less GFS revenue than the baseline forecast for the 2001-03 biennium and \$197 million less than the baseline in the 2003-05 biennium.

Table 3.14

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

February 2002 through November 2002

(Millions of dollars)

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Legislation**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2002****	\$22,225	\$565				\$22,790
Changes to Forecast						
June 2002	(53)	23	(30)	205 ¹	175	22,965
September 2002	(317)	(29)	(346)	80 ²	(265)	22,700
November 2002	(31)	21	(10)	0	(10)	22,690
Total Change***						
From February 2002	(\$400)	\$15	(\$385)	\$285	(\$100)	
Percent change	-1.8%	2.7%	-1.7%	1.3%	-0.4%	

* 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 2001-03 biennium.

1 Change to the forecast due to 2002 legislation.

2 Adjustment to the forecast for 2002 legislation (SHB 2512) and for the expiration of two tax incentive programs not previously included in the forecast.

Table 3.15
November 2002 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

Agency	1999-01 Biennium			2001-03 Biennium			2003-05 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$20,342.3	\$20,355.3	\$12.9	\$20,521.2	\$20,563.1	\$41.8	\$22,000.7	\$22,073.6	\$72.9
Department of Licensing	42.6	42.4	(0.2)	42.3	43.7	1.5	43.0	44.5	1.4
Insurance Commissioner ⁴	360.4	360.5	0.1	384.3	384.3	0.0	413.4	413.4	0.0
State Treasurer	148.3	148.1	(0.2)	54.8	51.3	(3.5)	53.8	54.4	0.6
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	175.0	175.1	0.0	162.3	163.8	1.4	165.7	165.7	0.0
Subtotal: General Fund-State Cash/Revenue*	21,068.6	21,081.4	12.8	21,164.9	21,206.2	41.3	22,676.7	22,751.7	75.0
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	81.6	84.2	2.6	71.3	64.9	(6.4)	59.7	59.7	0.0
Lottery Commission	203.3	212.6	9.3	5.2	5.2	0.0	50.0	50.0	0.0
Insurance Commissioner ⁷	(6.2)	(6.2)	0.0	(7.3)	(7.3)	0.0	(7.9)	(7.9)	0.0
Liquor Control Board	57.9	57.9	0.0	59.3	59.3	0.0	64.4	64.4	0.0
Office of Financial Management									
Other Agencies ⁸	(143.1)	(142.0)	1.1	(167.1)	(168.9)	(1.8)	(153.2)	(153.2)	0.0
Subtotal: GFS Other Financing Sources	193.5	206.5	13.0	(38.7)	(46.9)	(8.2)	13.0	13.0	0.0
Total Available Receipts/Resources									
General Fund-State *	\$21,262.1	\$21,287.8	\$25.8	\$21,126.2	\$21,159.3	\$33.0	\$22,689.8	\$22,764.8	\$75.0

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

7 Forty percent of fire insurance premiums.

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

Table 3.16

2001-03 Balance Sheet**General Fund-State**

Dollars in Millions

RESOURCES	
Beginning Fund Balance	599.1
September 2002 Revenue Forecast	21,106.3
November 2002 Revenue Forecast Update	19.9
Current Revenue Totals	21,126.2
Enacted Budget Fund Transfers to General Fund	279.6
Tobacco Securitization	450.0
Transfer from Emergency Reserve Fund	325.0
Changes in Reserves and Other Adjustments *	40.0
Total Resources	22,819.9
APPROPRIATIONS AND SPENDING LIMIT	
Biennial Appropriation	22,783.2
2002 Supplemental Budget **	(331.8)
Spending Level	22,451.4
I-601 Expenditure Limit	23,205.4
UNRESTRICTED GENERAL FUND RESERVES	
Projected Ending Fund Balance	368.5
EMERGENCY RESERVE FUND	
Beginning Balance	462.1
Transfer to the General Fund	(325.0)
Transfer to Transportation	(70.0)
Projected Interest Earnings	13.0
Appropriation for Earthquake/Drought Accounts	(25.0)
Projected Ending Fund Balance	55.1
* This estimated change is primarily comprised of a prior period adjustment recorded by DSHS. DSHS records estimated claims liabilities related to the Medical Assistance Program and periodically adjusts amounts recorded to actual claims experience.	
** The Governor vetoed an additional \$2.9 million enhancement for home care workers wages and placed the amount in allotment reserve. The funds are still included in the appropriation. This figure also includes \$217,000 in expenditures above the biennial appropriation, which are permitted by law, to fund National Guard firefighting activities and Law Enforcement Officer/Firefighter retirement contributions.	
Total Reserves	423.6

Source: Office of Financial Management House and Senate Fiscal Committees

Table 3.17
November 2002 Alternative Forecasts Compared to the Baseline Forecast
2001-03 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$11,090.3	\$11,016.1	\$10,938.2
Business & Occupation Use	3,838.6	3,817.6	3,790.8
Public Utility	764.8	764.6	758.4
Property (school levy)	528.4	527.3	525.9
Real Estate Excise	2,644.3	2,598.2	2,558.7
Other	823.6	814.7	806.4
Subtotal	1,078.6	1,053.9	1,027.7
	20,768.6	20,592.5	20,406.2
<i>Department of Licensing</i>			
	42.9	42.3	41.6
<i>Insurance Commissioner¹</i>			
	381.8	377.0	372.2
<i>Lottery Commission</i>			
	17.4	5.2	0.0
<i>State Treasurer - Interest earnings</i>			
	70.2	54.8	44.2
<i>Liquor Profits & Fees²</i>			
	59.8	59.3	58.7
<i>Office of Financial Management</i>			
Other agencies	(0.1)	(4.8)	(8.2)
Total General Fund - State*	\$21,340.6	\$21,126.2	\$20,914.7
Difference from November 2002 Baseline	\$214.4		(\$211.6)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.18
November 2002 Alternative Forecasts Compared to the Baseline Forecast
2003-05 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$12,639.9	\$12,064.9	\$11,488.8
Business & Occupation Use	4,369.3	4,199.8	3,996.2
Public Utility	770.3	854.6	818.0
Property (school levy)	562.0	548.1	534.0
Real Estate Excise	2,590.5	2,467.1	2,343.7
Other	999.1	897.5	815.5
Subtotal	1,169.7	1,028.4	977.2
	23,100.8	22,060.5	20,973.4
<i>Department of Licensing</i>			
	44.3	43.0	41.8
<i>Insurance Commissioner¹</i>			
	415.6	405.5	395.4
<i>Lottery Commission</i>			
	75.4	50.0	0.0
<i>State Treasurer - Interest earnings</i>			
	97.9	53.8	17.1
<i>Liquor Profits & Fees²</i>			
	65.7	64.4	63.1
<i>Office of Financial Management</i>			
Other agencies	15.8	12.6	10.0
Total General Fund - State*	\$23,815.6	\$22,689.8	\$21,500.8
Difference from November 2002 Baseline	\$1,125.8		(\$1,189.0)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.19
Impact of Initiative 728 on the State Property Tax and Lottery Revenue
Millions of Dollars

I. Disposition of the State portion of the Property Tax

	State Levy: <u>Total Receipts</u>	To the <u>General Fund</u>	To the <u>Student Achievement Account</u> ¹
2000	\$1,302.0	1,302.0	
2001	\$1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,450.3	1,316.4	133.9
2001-03 Biennium	2,865.2	2,598.2	267.0
2004	1,496.1	1,361.7	134.4
2005	1,538.6	1,105.4	433.2
2003-05 Biennium	3,034.7	2,467.1	567.6

II. Lottery Transfers by Fund*

	Lottery: <u>Total Transfers:**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account</u> ¹	<u>School Construction Account</u> ¹	<u>Transfer to VERDE</u> ²
1998	117.8	114.6	3.2	0.0			
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	
2003	121.6	5.2	3.9	7.0	78.0	27.0	0.5
2001-03 Biennium	211.8	5.2	7.6	13.8	117.9	66.9	0.5
2004	137.6	24.2	4.0	7.3	76.5	25.5	
2005	139.5	25.8	4.2	7.6	0.0	102.0	0.0
2003-05 Biennium	277.1	50.0	8.2	14.9	76.5	127.5	0.0

* Cash Basis

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

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

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

Annual State Personal Income, 1970 to 2001

The tables that follow present the most recent revisions to Washington State personal income estimates for 1999 to 2001 as released by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) in September 2002. Historical values are also presented from 1970 through 2001 with additional detail for the years 1997 through 2001. Detailed historical data for the years 1970-1996 are available through the BEA at its website (www.bea.gov) or the Office of the Forecast Council.

The September estimates incorporate the annual revision of the National Income and Product Accounts (NIPAs) that was released in July 2002, as well as newly available state source data that are more complete, more detailed, and otherwise more appropriate than those that were previously available. A more detailed explanation of revisions to the estimates of state personal income can be found in the October 2002 *Survey of Current Business*, published by the BEA and available at the department's website.

The BEA has designed state and county estimates of personal income to be conceptually and statistically consistent with the national estimates of personal income. As part of the preparation of both state and county estimates, the national estimates are disaggregated to states and counties. County data for 2001 is scheduled to be released in the spring of 2003 and will be subsequently published in the Washington Economic and Revenue Forecast publication.

As the Bureau of the Census had not yet released revised state population estimates for the years 1991-2000, state per capita personal income estimates were not included in the BEA's September 2001 release. Subsequently, the BEA released per capita personal income estimates in October 2001 using its own population estimates. The September 2002 release incorporates the new Census estimates for revised per capita personal income estimates for the years 1990-2001.

Table 4.1 shows Washington historical personal income, personal tax and nontax payments, disposable personal income, population, per capita personal income, and per capita disposable personal income from 1970 to 2001. **Tables 4.2** illustrates components of personal income by major source and earnings by industry, while **Table 4.3** breaks down wage and salary disbursements by industry for the last five years (1997-2001).

Table 4.4 illustrates the impact of the most recent revisions of Washington annual personal income in 2000 versus the revision to total U.S. personal income. The column to the far right

indicates the revision to each component as a percentage of total personal income. The revisions expressed in this manner sum to the percentage revision to total personal income.

As is shown in the table, the 2000 estimate of Washington personal income was revised upward by 1.4 percent, and that of the U.S. by 1.0 percent. Most of the upward revision in each case was the result of upward revisions to income from dividends, interest, and rent. These revisions resulted from newly available IRS tabulations of 2000 tax returns. The revisions to most of the other categories were relatively minor in absolute terms.

Table 4.5 shows per capita personal income by state for 1971, 1981, 1991, and 2001. Through the periods illustrated, Washington per capita income experienced the fastest growth in the northwest. Washington's 2001 per capita personal income of \$32,025 ranked 14th among the 50 states and the District of Columbia and was 5.1% higher than the national average of \$30,472.

Charts 4.1 and 4.2 compare the September 2002 releases of U.S. and Washington real per capita personal income for 1990-2000 to the values published in the November 2001 volume of this publication. Revisions to the years 1990-1998 are due solely to the revisions in population estimates for those years (values through 1990 are unchanged). Revisions to 1999 through 2000 reflect both revisions to population estimates and income. As shown in the charts, Washington real per capita personal income has led that of the U.S. throughout the last decade.

Table 4.1

Washington Personal Income
1970-2001

	Personal Income (Thousands of Dollars)	Personal Tax and Nontax Payments (Thousands of Dollars)	Disposable Personal Income (Thousands of Dollars)	Population (Number of Persons)	Per Capita Personal Income (Dollars)	Per Capita Disposable Personal Income (Dollars)
1970	14,371,688	1,541,965	12,829,723	3,417,362	4,205	3,754
1971	15,100,235	1,491,776	13,608,459	3,446,958	4,381	3,948
1972	16,306,905	1,771,899	14,535,006	3,446,815	4,731	4,217
1973	18,472,761	2,048,257	16,424,504	3,477,227	5,312	4,723
1974	20,999,333	2,310,492	18,688,841	3,547,877	5,919	5,268
1975	23,640,973	2,528,485	21,112,488	3,618,824	6,533	5,834
1976	26,502,328	2,888,601	23,613,727	3,690,561	7,181	6,398
1977	29,544,125	3,284,090	26,260,035	3,772,360	7,832	6,961
1978	34,536,163	4,134,803	30,401,360	3,886,191	8,887	7,823
1979	39,987,477	5,078,281	34,909,196	4,012,831	9,965	8,699
1980	45,337,963	5,686,691	39,651,272	4,154,678	10,913	9,544
1981	50,418,276	6,459,396	43,958,880	4,235,728	11,903	10,378
1982	53,161,335	5,955,333	47,206,002	4,276,551	12,431	11,038
1983	56,434,583	5,826,004	50,608,579	4,300,269	13,124	11,769
1984	60,901,243	6,042,649	54,858,594	4,343,657	14,021	12,630
1985	64,846,549	6,585,605	58,260,944	4,400,096	14,738	13,241
1986	69,114,046	6,913,900	62,200,146	4,452,724	15,522	13,969
1987	73,871,754	7,833,962	66,037,792	4,531,903	16,300	14,572
1988	80,130,195	8,241,863	71,888,332	4,639,894	17,270	15,494
1989	88,616,005	9,908,844	78,707,161	4,746,315	18,670	16,583
1990	98,143,118	11,099,389	87,043,729	4,903,043	20,017	17,753
1991	104,786,247	11,447,647	93,338,600	5,025,624	20,850	18,573
1992	112,633,619	12,212,805	100,420,814	5,160,757	21,825	19,459
1993	117,620,618	12,545,934	105,074,684	5,278,842	22,282	19,905
1994	123,337,471	13,620,447	109,717,024	5,375,161	22,946	20,412
1995	129,680,828	14,586,229	115,094,599	5,481,027	23,660	20,999
1996	139,327,838	16,784,920	122,542,918	5,569,753	25,015	22,001
1997	150,202,630	19,163,778	131,038,852	5,674,747	26,469	23,092
1998	163,192,343	22,677,777	140,514,566	5,769,562	28,285	24,354
1999	174,321,485	26,818,615	147,502,870	5,842,564	29,836	25,246
2000	186,863,378	27,584,900	159,278,478	5,908,372	31,627	26,958
2001	191,763,140	28,296,205	163,466,935	5,987,973	32,025	27,299

Table 4.2

Washington Personal Income by Major Source and Earnings by Industry ¹

(Thousands of Dollars)

	1997	1998	1999	2000	2001
Income by Place of Residence					
Personal income	150,202,630	163,192,343	174,321,485	186,863,378	191,763,140
Nonfarm personal income	148,844,156	161,752,942	173,201,665	185,592,275	190,653,874
Farm income ²	1,358,474	1,439,401	1,119,820	1,271,103	1,109,266
Population (persons) ³	5,674,747	5,769,562	5,842,564	5,908,372	5,987,973
Per capita personal income (dollars) ⁴	26,469	28,285	29,836	31,627	32,025
Derivation of Total Personal Income					
Earnings by place of work	107,270,740	117,374,739	128,136,058	135,894,759	137,295,789
less: Personal contrb. for social insurance	6,637,503	7,213,725	7,896,159	8,244,626	8,446,082
plus: Adjustment for residence ⁶	1,644,481	1,722,617	2,045,637	2,382,681	2,393,959
equals: Net earnings by place of residence	102,277,718	111,883,631	122,285,536	130,032,814	131,243,666
plus: Dividends, interest, and rent ⁷	28,887,769	31,713,354	31,479,337	35,180,207	36,279,189
plus: Transfer payments	19,037,143	19,595,358	20,556,612	21,650,357	24,240,285
Earnings by Place of Work					
Wage and salary disbursements	85,392,503	94,321,618	103,804,930	110,045,095	110,855,558
Other labor income	10,187,022	10,548,561	11,056,957	11,642,294	12,167,425
Proprietors' income ⁸	11,691,215	12,504,560	13,274,171	14,207,370	14,272,806
Farm proprietors' income	467,214	519,150	84,172	260,291	11,999
Nonfarm proprietors' income	11,224,001	11,985,410	13,189,999	13,947,079	14,260,807
Earnings by Industry					
Farm earnings	1,358,474	1,439,401	1,119,820	1,271,103	1,109,266
Nonfarm earnings	105,912,266	115,935,338	127,016,238	134,623,656	136,186,523
Private earnings	85,461,112	94,812,823	105,160,731	111,554,699	111,227,352
Ag. services, forestry, fishing & other ⁹	1,062,491	1,230,351	1,423,647	1,475,959	1,543,700
Agricultural services	669,903	744,392	842,929	919,331	(N)
Forestry, fishing, and other ⁹	392,588	485,959	580,718	556,628	(N)
Forestry	18,383	126,067	168,147	155,568	(N)
Fishing	374,205	359,892	412,571	401,060	(N)
Other ⁹	0	0	0	0	(N)
Mining	209,718	197,226	230,701	268,270	260,671
Metal mining	35,815	26,024	27,454	28,464	(N)
Coal mining	54,355	(D)	(D)	46,625	(N)
Oil and gas extraction	12,842	(D)	(D)	11,611	(N)
Nonmetallic minerals, except fuels	106,706	112,008	144,564	181,570	(N)
Construction	6,919,373	7,535,892	8,328,069	9,008,128	9,038,854
General building contractors	1,923,366	2,085,066	2,235,764	2,416,576	(N)
Heavy construction contractors	941,926	985,776	1,068,746	1,039,537	(N)
Special trade contractors	4,054,081	4,465,050	5,023,559	5,552,015	(N)
Manufacturing	17,639,354	18,463,631	18,712,373	19,246,695	18,817,788
Durable goods	13,359,593	14,103,509	14,007,459	14,094,372	13,975,039
Lumber and wood products	1,588,253	1,566,365	1,637,675	1,657,625	(N)
Furniture and fixtures	146,648	159,247	165,936	180,584	(N)
Stone, clay, and glass products	375,045	379,723	366,082	393,109	(N)
Primary metal industries	574,724	602,781	578,950	581,281	(N)
Fabricated metal products	544,230	566,995	573,488	600,160	(N)
Industrial machinery and equipment	1,216,092	1,300,188	1,318,629	1,543,264	(N)
Electronic and other electric equipment	739,777	814,237	894,661	1,029,476	(N)
Motor vehicles and equipment	245,928	308,045	331,040	301,815	(N)
Other transportation equipment	6,837,430	7,133,349	6,853,566	6,460,326	(N)
Instruments and related products	785,870	944,835	891,878	938,383	(N)
Miscellaneous manufacturing industries	305,596	327,744	395,554	408,349	(N)
Ordnance ¹⁰	(N)	(N)	(N)	(N)	(N)

Table 4.2

Washington Personal Income by Major Source and Earnings by Industry

(Thousands of Dollars)

	1997	1998	1999	2000	2001
Nondurable goods	4,279,761	4,360,122	4,704,914	5,152,323	4,842,749
Food and kindred products	1,389,531	1,370,209	1,419,094	1,468,430	(N)
Tobacco products	0	0	0	0	(N)
Textile mill products	39,133	42,583	41,869	43,680	(N)
Apparel and other textile products	197,026	191,067	183,484	181,381	(N)
Paper and allied products	872,482	883,880	891,645	897,645	(N)
Printing and publishing	912,047	917,805	1,011,302	1,068,810	(N)
Chemicals and allied products	418,974	472,922	635,002	952,351	(N)
Petroleum and coal products	141,391	148,625	160,035	171,241	(N)
Rubber and misc. plastics products	298,736	322,677	353,665	359,725	(N)
Leather and leather products	10,441	10,354	8,818	9,060	(N)
Transportation and public utilities	7,124,654	7,581,848	8,124,728	9,298,010	9,361,859
Railroad transportation	294,987	(D)	(D)	(D)	(N)
Trucking and warehousing	1,289,554	1,403,552	1,444,524	1,495,855	(N)
Water transportation	543,177	538,565	559,390	587,425	(N)
Other transportation	1,566,122	(D)	(D)	(D)	(N)
Local and interurban passenger transit	152,101	173,495	193,749	198,347	(N)
Transportation by air	947,908	1,046,653	1,153,151	1,254,832	(N)
Pipelines, except natural gas	6,345	(D)	(D)	(D)	(N)
Transportation services	459,768	485,378	526,537	623,792	(N)
Communications	2,182,060	2,404,657	2,684,256	3,476,787	(N)
Electric, gas, and sanitary services	1,248,754	1,222,607	1,268,322	1,369,529	(N)
Wholesale trade	6,421,781	7,064,962	7,377,383	7,953,147	7,732,988
Retail trade	9,819,916	10,461,415	11,546,439	12,759,818	12,730,426
Building materials and garden equipment	623,330	665,771	705,221	737,690	(N)
General merchandise stores	957,610	1,067,028	1,148,053	1,313,096	(N)
Food stores	1,800,679	1,743,872	1,796,121	1,898,007	(N)
Automotive dealers and service stations	1,619,495	1,680,708	1,803,237	1,920,814	(N)
Apparel and accessory stores	557,404	604,258	636,271	692,923	(N)
Home furniture and furnishings stores	606,102	673,865	744,709	825,678	(N)
Eating and drinking places	2,264,949	2,536,839	2,766,924	3,072,292	(N)
Miscellaneous retail	1,390,347	1,489,074	1,945,903	2,299,318	(N)
Finance, insurance, and real estate	6,898,705	7,787,637	8,478,224	8,873,331	9,439,205
Depository and nondepository institutions	1,819,907	2,213,504	2,288,622	2,314,063	(N)
Other finance, insurance, and real estate	5,078,798	5,574,133	6,189,602	6,559,268	(N)
Security and commodity brokers	715,124	840,223	1,033,827	1,207,369	(N)
Insurance carriers	1,327,701	1,466,125	1,451,607	1,516,823	(N)
Insurance agents, brokers, and services	773,468	832,069	864,899	892,820	(N)
Real estate	1,965,943	2,107,468	2,464,973	2,533,215	(N)
Combined real estate, insurance, etc. ¹¹	(N)	(N)	(N)	(N)	(N)
Holding and other investment offices	296,562	328,248	374,296	409,041	(N)
Services	29,365,120	34,489,861	40,939,167	42,671,341	42,301,861
Hotels and other lodging places	646,511	676,664	704,687	749,926	(N)
Personal services	827,226	861,595	914,582	913,499	(N)
Private households	177,007	(D)	(D)	(D)	(N)
Business services	9,331,662	12,804,685	17,636,605	17,438,958	(N)
Auto repair, services, and parking	883,173	979,094	1,019,655	1,090,497	(N)
Miscellaneous repair services	368,973	403,228	415,148	465,196	(N)
Amusement and recreation services	902,300	1,017,692	1,153,667	1,315,578	(N)
Motion pictures	178,887	177,198	178,531	190,063	(N)
Health services	7,914,188	8,377,371	8,898,876	9,462,987	(N)
Legal services	1,653,750	1,757,161	1,894,339	2,077,788	(N)

Table 4.2

Washington Personal Income by Major Source and Earnings by Industry

(Thousands of Dollars)

	1997	1998	1999	2000	2001
Educational services	716,425	818,536	882,494	967,352	(N)
Social services	992,225	1,089,723	1,166,440	1,292,979	(N)
Museums, botanical, zoological gardens	25,650	(D)	(D)	(D)	(N)
Membership organizations	1,063,061	1,106,851	1,201,047	1,347,533	(N)
Engineering and management services	3,232,820	3,731,948	4,163,775	4,599,910	(N)
Miscellaneous services	451,262	452,386	485,860	508,475	(N)
Government and government enterprises	20,451,154	21,122,515	21,855,507	23,068,957	24,959,171
Federal, civilian	3,951,823	4,027,804	4,115,988	4,384,437	4,538,517
Military	2,879,157	2,757,775	2,805,478	2,958,783	3,154,509
State and local	13,620,174	14,336,936	14,934,041	15,725,737	17,266,145
State	4,422,024	4,602,879	4,872,293	5,192,054	5,579,334
Local	9,198,150	9,734,057	10,061,748	10,533,683	11,686,811

Table 4.3

Washington Wage and Salary Disbursements ¹

(Thousands of Dollars)

	1997	1998	1999	2000	2001
Wage and salary disbursements by place of wo	85,392,503	94,321,618	103,804,930	110,045,095	110,855,558
Farm wage and salary disbursements	849,194	876,136	987,666	966,466	1,046,814
Nonfarm wage and salary disbursements	84,543,309	93,445,482	102,817,264	109,078,629	109,808,744
Private wage and salary disbursements	68,328,102	76,602,078	85,214,861	90,364,953	89,549,555
Ag. services, forestry, fishing & other ⁹	741,666	775,193	893,021	952,934	1,004,901
Agricultural services	521,440	577,620	657,120	725,467	(N)
Forestry, fishing, and other ⁹	220,226	197,573	235,901	227,467	(N)
Forestry	54,273	50,631	68,682	77,321	(N)
Fishing	165,953	146,942	167,219	150,146	(N)
Other ⁹	0	0	0	0	(N)
Mining	157,867	146,118	147,434	169,503	164,635
Metal mining	(D)	25,481	26,146	24,460	(N)
Coal mining	(D)	(D)	(D)	34,420	(N)
Oil and gas extraction	3,766	(D)	(D)	1,374	(N)
Nonmetallic minerals, except fuels	87,624	89,352	89,425	109,249	(N)
Construction	4,895,965	5,319,893	6,032,661	6,580,906	6,525,399
General building contractors	1,336,075	1,461,403	1,639,677	1,785,847	(N)
Heavy construction contractors	861,049	896,506	972,926	945,360	(N)
Special trade contractors	2,698,841	2,961,984	3,420,058	3,849,699	(N)
Manufacturing	15,311,891	16,217,761	16,421,577	16,761,818	16,400,221
Durable goods	11,579,808	12,417,574	12,352,308	12,314,048	12,250,168
Lumber and wood products	(D)	1,259,341	1,349,952	1,321,200	(N)
Furniture and fixtures	111,174	133,250	138,968	149,790	(N)
Stone, clay, and glass products	319,896	329,116	317,424	337,277	(N)
Primary metal industries	508,556	535,444	514,050	513,347	(N)
Fabricated metal products	472,705	500,159	503,806	522,395	(N)
Industrial machinery and equipment	1,078,009	1,166,210	1,188,426	1,390,005	(N)
Electronic and other electric equipment	614,172	690,069	763,670	874,439	(N)
Motor vehicles and equipment	211,862	252,564	272,276	244,144	(N)
Other transportation equipment	(D)	6,396,202	6,135,132	5,744,139	(N)
Instruments and related products	713,762	867,756	818,534	858,973	(N)
Miscellaneous manufacturing industries	266,346	287,463	350,070	358,339	(N)
Ordnance ¹⁰	(N)	(N)	(N)	(N)	(N)
Nondurable goods	3,732,083	3,800,187	4,069,269	4,447,770	4150053
Food and kindred products	1,269,305	1,254,889	1,294,660	1,337,080	(N)
Tobacco products	0	0	0	0	(N)
Textile mill products	35,767	38,882	38,237	39,777	(N)
Apparel and other textile products	173,945	170,675	163,489	161,285	(N)
Paper and allied products	796,773	803,082	811,592	813,987	(N)
Printing and publishing	773,899	787,035	855,160	904,416	(N)
Chemicals and allied products	277,829	314,341	438,469	709,621	(N)
Petroleum and coal products	123,157	127,730	137,364	146,214	(N)
Rubber and misc. plastics products	271,735	294,023	322,236	327,161	(N)
Leather and leather products	9,673	9,530	8,062	8,229	(N)
Transportation and public utilities	5,250,750	5,613,441	6,139,797	7,125,059	7109221
Railroad transportation	265,534	(D)	(D)	(D)	(N)
Trucking and warehousing	925,714	995,356	1,045,274	1,108,163	(N)
Water transportation	475,289	474,903	499,572	515,114	(N)
Other transportation	1,367,663	(D)	(D)	(D)	(N)
Local and interurban passenger transit	122,876	136,981	149,162	158,729	(N)
Transportation by air	843,580	924,303	1,023,222	1,109,695	(N)
Pipelines, except natural gas	5,798	(D)	(D)	(D)	(N)

Table 4.3

Washington Wage and Salary Disbursements
 (Thousands of Dollars)

	1997	1998	1999	2000	2001
Transportation services	395,409	418,676	445,195	515,825	(N)
Communications	1,404,045	1,576,448	1,869,701	2,534,657	(N)
Electric, gas, and sanitary services	812,505	810,926	841,797	920,844	(N)
Wholesale trade	5,752,345	6,259,110	6,526,547	7,043,866	6,818,486
Retail trade	8,299,195	9,082,685	10,073,617	11,148,195	11,086,788
Building materials and garden equipment	533,365	582,040	614,987	641,213	(N)
General merchandise stores	878,141	997,313	1,071,340	1,227,263	(N)
Food stores	1,477,001	1,465,823	1,496,321	1,574,351	(N)
Automotive dealers and service stations	1,406,468	1,494,949	1,622,942	1,725,228	(N)
Apparel and accessory stores	501,991	554,362	579,679	631,530	(N)
Home furniture and furnishings stores	525,577	604,157	670,563	745,554	(N)
Eating and drinking places	1,948,838	2,242,000	2,445,162	2,723,612	(N)
Miscellaneous retail	1,027,814	1,142,041	1,572,623	1,879,444	(N)
Finance, insurance, and real estate	5,110,023	5,823,420	6,086,041	6,467,068	6,972,372
Depository and nondepository institutions	1,613,037	1,961,433	2,028,044	2,048,319	(N)
Other finance, insurance, and real estate	3,496,986	3,861,987	4,057,997	4,418,749	(N)
Security and commodity brokers	612,730	708,420	849,813	1,020,868	(N)
Insurance carriers	1,215,020	1,322,291	1,311,041	1,369,371	(N)
Insurance agents, brokers, and services	597,663	638,945	644,576	669,393	(N)
Real estate	835,852	955,505	1,021,173	1,095,018	(N)
Combined real estate, insurance, etc. 11	(N)	(N)	(N)	(N)	(N)
Holding and other investment offices	235,721	236,826	231,394	264,099	(N)
Services	22,808,400	27,364,457	32,894,166	34,115,604	33,467,532
Hotels and other lodging places	497,928	510,434	538,865	562,369	(N)
Personal services	432,644	453,919	490,664	508,139	(N)
Private households	176,806	(D)	(D)	(D)	(N)
Business services	7,699,956	10,942,141	15,245,543	14,964,445	(N)
Auto repair, services, and parking	669,840	714,769	760,177	808,036	(N)
Miscellaneous repair services	241,244	246,882	256,530	257,232	(N)
Amusement and recreation services	750,678	810,581	875,614	1,041,553	(N)
Motion pictures	134,885	143,623	146,467	152,415	(N)
Health services	6,008,537	6,461,119	6,864,528	7,257,815	(N)
Legal services	912,683	963,141	1,082,840	1,213,917	(N)
Educational services	614,644	693,045	739,873	814,256	(N)
Social services	932,697	1,017,875	1,090,192	1,207,609	(N)
Museums, botanical, zoological gardens	23,781	(D)	(D)	(D)	(N)
Membership organizations	1,000,489	1,048,726	1,137,314	1,275,145	(N)
Engineering and management services ⁶	2,630,664	3,035,772	3,333,807	3,701,741	(N)
Miscellaneous services	80,924	88,927	110,977	104,014	(N)
Government and government enterprises	16,215,207	16,843,404	17,602,403	18,713,676	20,259,189
Federal, civilian	2,791,665	2,841,492	2,889,277	3,103,830	3,161,561
Military	1,938,178	1,864,979	1,906,221	2,000,150	2,143,330
State and local	11,485,364	12,136,933	12,806,905	13,609,696	14,954,298
State	3,746,064	3,894,782	4,169,118	4,471,479	4,817,176
Local	7,739,300	8,242,151	8,637,787	9,138,217	10,137,122

Notes for Tables 4.2 and 4.3

- 1 Estimates based on the 1987 SIC.
 - 2 Farm income consists of proprietors' income; the cash wages, pay-in-kind, and other labor income of hired farm workers; and the salaries of officers of corporate farms.
 - 3 Midyear population estimates of the Bureau of the Census for 1990 and prior years. The Census Bureau has not yet released intercensal population estimates that incorporate the results of the 2000 Decennial Census. BEA converted the April 1, 2000, Census Bureau population counts to a midyear 2000 basis and derived an interim set of population estimates for 1991-99 that are consistent with 1990 and 2000 population data.
 - 4 Per capita personal income is total personal income divided by total midyear population.
 - 5 Personal contributions for social insurance are included in earnings by type and industry, but they are excluded from personal income.
 - 6 The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: Wage and salary disbursements to U.S. residents commuting to Canada less wage and salary disbursements to Canadian and Mexican residents commuting into the United States.
 - 7 Rental income of persons includes the capital consumption adjustment.
 - 8 Proprietors' income includes the inventory valuation adjustment and the capital consumption adjustment.
 - 9 "Other" consists of the wage and salary disbursements of U.S. residents employed by international organizations and foreign embassies and consulates in the United States.
 - 10 Under the 1972 SIC, ordnance was reclassified to four 2-digit industries: Fabricated metal products, electronic and other electric equipment, transportation equipment, and instruments and related products.
 - 11 Under the 1987 SIC, combined real estate, insurance, etc., was reclassified to four 2-digit industries: Nondepository credit institutions; insurance agents, brokers, and services; real estate; and legal services.
- (D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the total.
- (L) Less than \$50,000, but the estimates for this item are included in the total.
- (N) Data not available for this year.

Table 4.4

September 2002 Annual Personal Income Revisions

Calendar 2000

United States						
	September 2002 Release*	September 2001 Release*	Absolute Revision*	Percent Revision	Percent of Total Income	
Personal Income	8,398.8	8,312.3	86.5	1.0	1.0	
Wage And Salary Disbursements	4,834.2	4,834.0	0.2	0.0	0.0	
Nonwage Personal Income	3,564.6	3,478.3	86.3	2.5	1.0	
Other Labor Income	539.6	529.6	10.0	1.9	0.1	
Proprietors' Income	715.1	716.3	(1.3)	(0.2)	(0.0)	
Farm Proprietors' Income	22.8	31.9	(9.1)	(28.5)	(0.1)	
Nonfarm Proprietors' Income	692.2	684.4	7.8	1.1	0.1	
Personal Contrb. For Social Insurance**	(357.8)	(357.1)	(0.7)	0.2	(0.0)	
Adjustment For Residence	(1.1)	(1.1)	-	-	-	
Dividends, Interest, And Rent	1,598.3	1,520.4	77.9	5.1	0.9	
Total Transfer Payments	1,070.6	1,070.2	0.4	0.0	0.0	
State Unemployment Insurance Compensation	20.2	19.9	0.3	1.3	0.0	
Other Transfers	1,050.4	1,050.3	0.1	0.0	0.0	
Washington						
	September 2002 Release*	September 2001 Release*	Absolute Revision	Percent Revision	Percent of Total Income	
Personal Income	186.863	184.280	2.6	1.4	1.4	
Wage And Salary Disbursements	110.045	109.665	0.4	0.3	0.2	
Nonwage Personal Income	76.818	74.615	2.2	3.0	1.2	
Other Labor Income	11.642	11.331	0.3	2.7	0.2	
Proprietors' Income	14.207	14.250	(0.0)	(0.3)	(0.0)	
Farm Proprietors' Income	0.260	0.428	(0.2)	(39.2)	(0.1)	
Nonfarm Proprietors' Income	13.947	13.822	0.1	0.9	0.1	
Pers. Contr. for Social Ins.**	-8.245	-8.225	(0.0)	0.2	(0.0)	
Adjustment For Residence	2.383	2.332	0.1	2.2	0.0	
Dividends, Interest, And Rent	35.180	33.244	1.9	5.8	1.1	
Total Transfer Payments	21.650	21.684	(0.0)	(0.2)	(0.0)	
State Unemployment Insurance Compensation	0.936	0.938	(0.0)	(0.2)	(0.0)	
Other Transfers	20.714	20.745	(0.0)	(0.2)	(0.0)	

* Billions of dollars

** Because personal contributions for social insurance are deductions from personal income, they are expressed as negative amounts.

Table 4.5

Per Capita Personal Income by State

	1971	Rank	1981	Rank	1991	Rank	2001	Rank
Alabama	3,225	49	8,712	48	16,503	40	24,589	44
Alaska	5,581	1	16,492	1	23,226	7	30,936	15
Arizona	4,145	24	10,658	31	17,441	36	25,872	39
Arkansas	3,096	50	8,564	50	15,175	50	22,887	49
California	5,034	8	13,205	4	21,983	10	32,702	11
Colorado	4,413	14	12,141	12	20,369	18	33,470	8
Connecticut	5,300	4	13,865	2	26,747	2	42,435	1
Delaware	4,892	10	11,873	14	22,257	9	32,472	12
District of Columbia	5,545	2	13,530	3	27,711	1	40,150	2
Florida	4,286	19	11,195	20	20,068	20	28,947	23
Georgia	3,666	38	9,435	39	18,201	29	28,733	26
Hawaii	5,332	3	12,309	10	23,046	8	29,002	22
Idaho	3,761	35	9,405	40	16,158	45	24,621	43
Illinois	4,874	11	12,250	11	21,260	12	33,023	10
Indiana	4,105	28	10,355	33	18,009	32	27,783	32
Iowa	4,005	31	10,968	27	17,818	33	27,331	34
Kansas	4,145	24	11,248	19	18,806	23	28,565	29
Kentucky	3,391	45	9,110	46	16,207	44	24,923	41
Louisiana	3,328	47	10,037	36	16,030	46	24,535	45
Maine	3,594	40	9,231	43	17,638	35	26,723	36
Maryland	4,894	9	12,403	8	23,516	6	35,188	6
Massachusetts	4,748	12	11,830	15	23,671	5	38,907	3
Michigan	4,501	13	11,125	22	19,307	21	29,788	19
Minnesota	4,275	20	11,320	17	20,427	17	33,101	9
Mississippi	2,867	51	7,901	51	13,766	51	21,750	51
Missouri	4,107	27	10,457	32	18,514	28	28,226	30
Montana	3,789	34	10,244	35	16,471	41	23,963	47
Nebraska	4,121	26	10,685	30	18,706	26	28,886	24
Nevada	5,227	5	12,780	7	21,100	13	29,897	18
New Hampshire	4,102	29	11,079	23	21,270	11	34,138	7
New Jersey	5,127	7	13,057	5	25,055	3	38,509	4
New Mexico	3,431	44	9,334	41	15,661	47	23,155	48
New York	5,179	6	12,364	9	23,820	4	36,019	5
North Carolina	3,510	42	9,184	45	17,784	34	27,514	33
North Dakota	3,669	37	10,342	34	16,230	43	25,902	38
Ohio	4,328	16	10,982	26	19,196	22	28,816	25
Oklahoma	3,711	36	11,003	25	16,674	39	25,071	40
Oregon	4,212	23	10,862	28	18,744	25	28,165	31
Pennsylvania	4,294	18	11,184	21	20,438	16	30,720	16
Rhode Island	4,295	17	10,815	29	20,228	19	30,215	17
South Carolina	3,274	48	8,651	49	16,358	42	24,886	42
South Dakota	3,538	41	9,451	38	16,907	38	26,664	37
Tennessee	3,451	43	9,196	44	17,433	37	26,988	35
Texas	3,861	32	11,391	16	18,090	31	28,581	28
Utah	3,658	39	9,290	42	15,592	48	24,180	46
Vermont	3,856	33	9,717	37	18,171	30	28,594	27
Virginia	4,092	30	11,291	18	21,033	14	32,431	13
Washington	4,381	15	11,903	13	20,850	15	32,025	14
West Virginia	3,378	46	8,866	47	15,214	49	22,881	50
Wisconsin	4,238	22	11,006	24	18,667	27	29,270	21
Wyoming	4,269	21	12,879	6	18,805	24	29,416	20

Real Per Capita Personal Income

Chart 4.1
October 2001 Release
1996 Chained Dollars

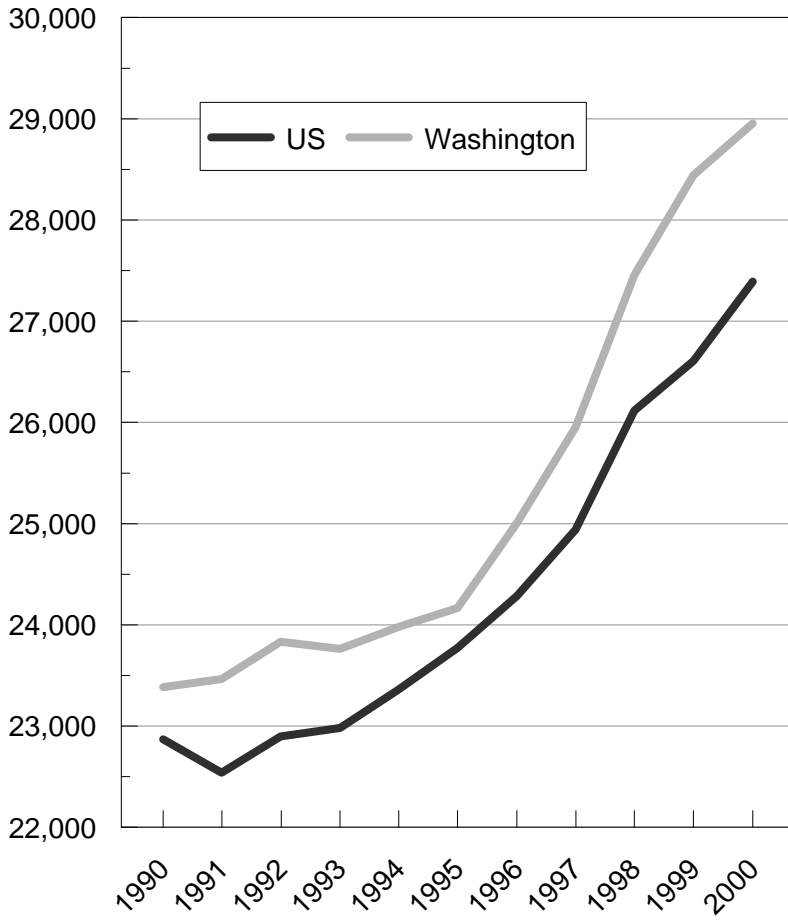
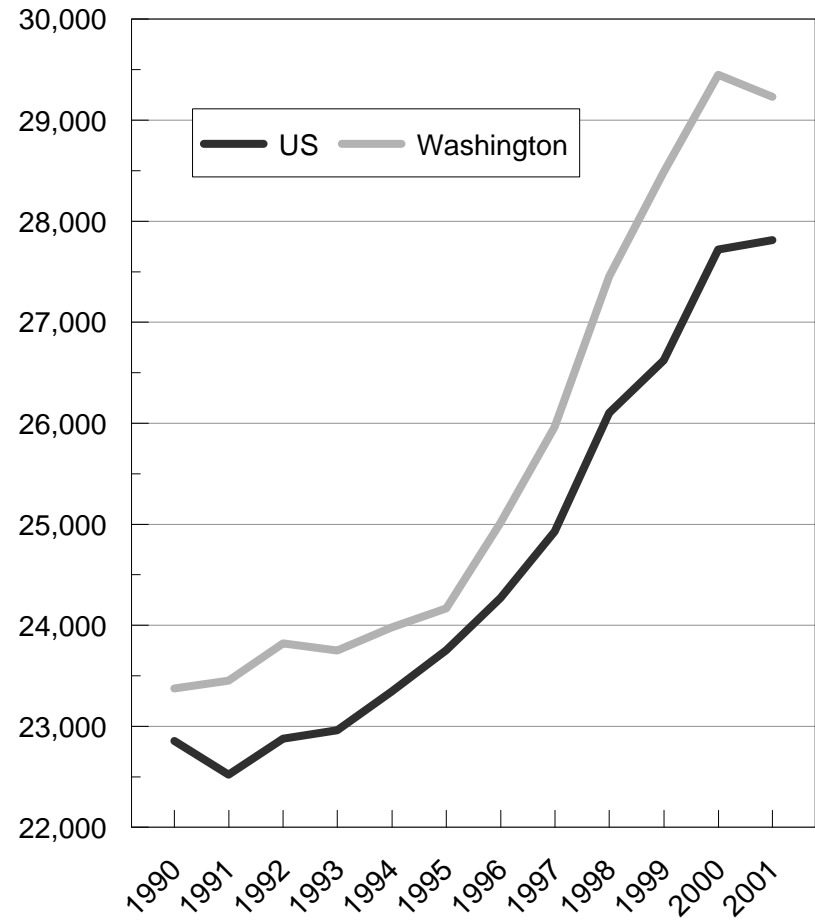


Chart 4.2
September 2002 Release
1996 Chained Dollars



Detail Components of the Washington Economic Forecast

Calendar Years

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	8,508.9	8,858.9	9,191.4	9,214.5	9,431.2	9,709.7	10,099.5	10,429.2
% Ch	4.3	4.1	3.8	0.3	2.4	3.0	4.0	3.3
Real Consumption	5683.7	5964.5	6223.9	6377.2	6570.6	6743.1	6970.3	7186.8
% Ch	4.8	4.9	4.3	2.5	3.0	2.6	3.4	3.1
Real Nonresidential Fixed Investment	1,135.9	1,228.4	1,324.2	1,255.1	1,182.9	1,236.2	1,363.5	1,488.9
% Ch	12.5	8.1	7.8	-5.2	-5.8	4.5	10.3	9.2
Real Residential Fixed Investment	345.1	368.3	372.4	373.5	381.4	372.2	392.5	398.8
% Ch	8.0	6.7	1.1	0.3	2.1	-2.4	5.5	1.6
Real Personal Income	7,207.7	7,435.2	7,827.9	7,927.3	8,054.9	8,243.3	8,513.1	8,795.5
% Ch	5.9	3.2	5.3	1.3	1.6	2.3	3.3	3.3
Real Per Capita Income (\$/Person)	26,062	26,579	27,688	27,779	27,973	28,375	29,051	29,759
% Ch	4.7	2.0	4.2	0.3	0.7	1.4	2.4	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.074	1.096	1.112	1.141	1.173	1.204
% Ch	1.1	1.6	2.5	2.0	1.5	2.6	2.7	2.7
U.S. Consumer Price Index (1982-84=1.0)	1.630	1.666	1.722	1.771	1.801	1.852	1.906	1.962
% Ch	1.5	2.2	3.4	2.8	1.7	2.9	2.9	2.9
Employment Cost Index (June 1989=1.0)	1.356	1.403	1.460	1.514	1.569	1.623	1.692	1.761
% Ch	4.0	3.4	4.1	3.7	3.6	3.5	4.2	4.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	8,781.5	9,274.3	9,824.6	10,082.2	10,458.8	11,050.0	11,815.2	12,534.2
% Ch	5.6	5.6	5.9	2.6	3.7	5.7	6.9	6.1
Personal Income	7,426.0	7,786.5	8,406.6	8,685.3	8,959.6	9,410.3	9,985.8	10,593.2
% Ch	7.0	4.9	8.0	3.3	3.2	5.0	6.1	6.1
Employment (Millions)								
U.S. Civilian Labor Force	140.8	142.6	144.5	145.5	146.4	147.7	149.7	152.2
Total U.S. Employment	134.5	136.6	138.7	138.5	138.0	139.0	141.8	144.6
Unemployment Rate (%)	4.51	4.22	4.02	4.79	5.76	5.90	5.28	4.99
Wage and Salary Employment	125.85	128.90	131.72	131.93	130.82	132.61	136.04	138.35
% Ch	2.6	2.4	2.2	0.2	-0.8	1.4	2.6	1.7
Manufacturing	18.81	18.55	18.48	17.69	16.75	16.53	16.66	16.95
% Ch	0.7	-1.3	-0.4	-4.2	-5.3	-1.3	0.8	1.7
Durable Manufacturing	11.21	11.11	11.14	10.64	9.92	9.68	9.76	9.98
% Ch	1.8	-0.8	0.3	-4.6	-6.7	-2.4	0.7	2.3
Nondurable Manufacturing	7.60	7.44	7.33	7.06	6.83	6.84	6.90	6.97
% Ch	-0.8	-2.1	-1.5	-3.7	-3.2	0.2	0.9	1.0
Nonmanufacturing	107.05	110.35	113.24	114.23	114.06	116.08	119.38	121.41
% Ch	2.9	3.1	2.6	0.9	-0.1	1.8	2.8	1.7
Services	37.53	39.05	40.46	40.98	41.22	42.44	44.20	45.38
% Ch	4.1	4.1	3.6	1.3	0.6	3.0	4.1	2.7
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.3	20.8	21.1	22.0	21.8	20.8	20.5	20.4
Auto Sales (Millions)	8.1	8.7	8.9	8.4	8.1	8.1	8.0	8.0
% Ch	-1.6	6.8	1.8	-4.9	-3.6	0.0	-1.1	-0.7
Housing Starts (Millions)	1.621	1.647	1.573	1.603	1.637	1.572	1.711	1.704
% Ch	9.9	1.6	-4.5	1.9	2.1	-3.9	8.8	-0.4
Federal Budget Surplus (Billions)	43.8	112.0	206.8	72.0	-203.1	-269.2	-199.9	-149.2
Net Exports (Billions)	-151.7	-249.9	-365.5	-348.9	-410.3	-419.3	-437.1	-444.6
3-Month Treasury Bill Rate (%)	4.79	4.63	5.81	3.43	1.66	1.96	3.25	3.95
30-Year U.S. Govt. Bond Rate (%)	5.58	5.87	5.94	5.49	5.23	4.96	5.53	6.52
Bond Index of 20 G.O. Munis. (%)	5.09	5.43	5.70	5.15	4.99	4.90	5.18	5.83
Mortgage Rate (%)	6.94	7.43	8.06	6.97	6.53	6.27	6.50	7.54

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	9,097.4	9,205.7	9,218.7	9,243.8	9,229.9	9,193.1	9,186.4	9,248.8
% Ch	2.6	4.8	0.6	1.1	-0.6	-1.6	-0.3	2.7
Real Consumption	6,151.9	6,198.2	6,256.8	6,288.8	6,326.0	6,348.0	6,370.9	6,464.0
% Ch	5.3	3.0	3.8	2.1	2.4	1.4	1.5	6.0
Real Nonresidential Fixed Investment	1,297.1	1,329.1	1,340.7	1,329.9	1,311.4	1,261.0	1,241.7	1,206.4
% Ch	15.0	10.2	3.5	-3.2	-5.4	-14.5	-6.0	-10.9
Real Residential Fixed Investment	379.1	376.2	367.2	367.2	374.5	374.0	374.3	371.0
% Ch	8.3	-3.0	-9.3	0.0	8.2	-0.5	0.4	-3.5
Real Personal Income	7,709.7	7,795.9	7,883.9	7,922.2	7,932.3	7,913.3	7,942.1	7,921.4
% Ch	9.5	4.6	4.6	2.0	0.5	-1.0	1.5	-1.0
Real Per Capita Income (\$/Person)	27,371	27,609	27,852	27,921	27,892	27,761	27,799	27,664
% Ch	8.4	3.5	3.6	1.0	-0.4	-1.9	0.5	-1.9
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.065	1.071	1.077	1.083	1.091	1.096	1.096	1.098
% Ch	3.4	2.3	2.1	2.2	3.3	1.8	-0.1	0.8
U.S. Consumer Price Index (1982-84=1.0)	1.701	1.715	1.730	1.742	1.759	1.773	1.776	1.775
% Ch	3.9	3.3	3.5	3.0	3.9	3.1	0.8	-0.3
Employment Cost Index (June 1989=1.0)	1.439	1.454	1.467	1.479	1.494	1.509	1.520	1.534
% Ch	4.6	4.2	3.6	3.3	4.1	4.1	2.9	3.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,649.5	9,820.7	9,874.8	9,953.6	10,028.1	10,049.9	10,097.7	10,152.9
% Ch	5.7	7.3	2.2	3.2	3.0	0.9	1.9	2.2
Personal Income	8,211.6	8,350.2	8,487.8	8,576.6	8,658.1	8,676.2	8,706.2	8,700.9
% Ch	13.2	6.9	6.8	4.2	3.9	0.8	1.4	-0.2
Employment (Millions)								
U.S. Civilian Labor Force	144.1	144.5	144.3	144.9	145.5	145.3	145.4	145.9
Total U.S. Employment	138.3	138.7	138.5	139.2	139.3	138.8	138.4	137.7
Unemployment Rate (%)	4.03	4.00	4.07	3.97	4.23	4.50	4.83	5.60
Wage and Salary Employment	130.99	131.82	131.88	132.18	132.43	132.19	131.94	131.13
% Ch	2.7	2.5	0.2	0.9	0.8	-0.7	-0.8	-2.4
Manufacturing	18.50	18.51	18.49	18.40	18.20	17.87	17.54	17.17
% Ch	0.0	0.2	-0.3	-2.0	-4.4	-6.9	-7.3	-8.0
Durable Manufacturing	11.12	11.15	11.17	11.13	11.00	10.77	10.52	10.25
% Ch	0.8	0.9	1.0	-1.5	-4.7	-7.9	-9.0	-10.0
Nondurable Manufacturing	7.38	7.36	7.32	7.27	7.20	7.10	7.02	6.93
% Ch	-1.2	-0.9	-2.3	-2.8	-3.8	-5.4	-4.6	-5.0
Nonmanufacturing	112.49	113.31	113.38	113.79	114.24	114.32	114.41	113.96
% Ch	3.2	2.9	0.3	1.4	1.6	0.3	0.3	-1.6
Services	40.03	40.34	40.62	40.84	41.00	40.99	41.04	40.88
% Ch	3.7	3.1	2.8	2.2	1.5	-0.0	0.4	-1.5
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.8	21.0	21.2	21.5	21.8	22.0	21.7	22.6
Auto Sales (Millions)	9.4	8.8	8.9	8.4	8.7	8.3	8.0	8.7
% Ch	21.1	-20.9	1.5	-21.2	15.6	-14.6	-16.1	45.0
Housing Starts (Millions)	1.659	1.587	1.504	1.544	1.611	1.624	1.603	1.573
% Ch	1.1	-16.3	-19.3	11.2	18.6	3.3	-5.2	-7.3
Federal Budget Surplus (Billions)	223.2	197.2	213.2	193.8	173.8	144.4	-51.7	21.3
Net Exports (Billions)	-330.6	-353.2	-384.9	-393.2	-372.7	-365.7	-312.6	-344.5
3-Month Treasury Bill Rate (%)	5.50	5.72	6.00	6.03	4.85	3.67	3.24	1.93
30-Year U.S. Govt. Bond Rate (%)	6.30	5.98	5.80	5.69	5.44	5.70	5.52	5.30
Bond Index of 20 G.O. Munis. (%)	5.96	5.85	5.56	5.45	5.14	5.26	5.10	5.11
Mortgage Rate (%)	8.26	8.32	8.03	7.64	7.01	7.13	6.96	6.78

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	9,363.2	9,392.4	9,454.6	9,514.5	9,588.0	9,649.9	9,743.6	9,857.4
% Ch	5.0	1.3	2.7	2.6	3.1	2.6	3.9	4.8
Real Consumption	6,513.8	6,542.4	6,608.0	6,618.1	6,656.9	6,712.1	6,768.6	6,834.9
% Ch	3.1	1.8	4.1	0.6	2.4	3.4	3.4	4.0
Real Nonresidential Fixed Investment	1,188.4	1,181.1	1,177.5	1,184.5	1,204.8	1,224.5	1,243.9	1,271.7
% Ch	-5.8	-2.4	-1.2	2.4	7.0	6.7	6.5	9.2
Real Residential Fixed Investment	383.6	386.1	379.6	376.5	370.9	369.1	371.0	377.7
% Ch	14.2	2.7	-6.5	-3.3	-5.8	-1.9	2.0	7.4
Real Personal Income	7,993.0	8,038.4	8,083.0	8,105.3	8,181.5	8,211.4	8,259.1	8,321.0
% Ch	3.7	2.3	2.2	1.1	3.8	1.5	2.3	3.0
Real Per Capita Income (\$/Person)	27,851	27,946	28,039	28,054	28,256	28,296	28,399	28,550
% Ch	2.7	1.4	1.3	0.2	2.9	0.6	1.5	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.101	1.109	1.115	1.124	1.131	1.138	1.145	1.153
% Ch	1.1	2.7	2.1	3.4	2.4	2.5	2.7	2.7
U.S. Consumer Price Index (1982-84=1.0)	1.781	1.796	1.805	1.822	1.834	1.846	1.859	1.871
% Ch	1.4	3.4	2.2	3.9	2.6	2.6	2.8	2.8
Employment Cost Index (June 1989=1.0)	1.548	1.563	1.576	1.589	1.605	1.615	1.628	1.644
% Ch	3.7	3.9	3.3	3.3	4.2	2.5	3.1	4.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,313.1	10,376.9	10,495.7	10,649.7	10,811.3	10,946.4	11,120.3	11,322.1
% Ch	6.5	2.5	4.7	6.0	6.2	5.1	6.5	7.5
Personal Income	8,803.4	8,913.7	9,010.1	9,111.2	9,250.7	9,341.4	9,457.5	9,591.8
% Ch	4.8	5.1	4.4	4.6	6.3	4.0	5.1	5.8
Employment (Millions)								
U.S. Civilian Labor Force	145.6	146.5	146.6	146.9	147.2	147.5	147.9	148.3
Total U.S. Employment	137.4	137.8	138.2	138.4	138.5	138.5	139.0	139.9
Unemployment Rate (%)	5.60	5.90	5.73	5.80	5.90	6.10	5.96	5.65
Wage and Salary Employment	130.76	130.71	130.85	130.96	131.51	132.04	132.89	133.98
% Ch	-1.1	-0.2	0.4	0.3	1.7	1.6	2.6	3.3
Manufacturing	16.88	16.78	16.69	16.66	16.66	16.52	16.46	16.48
% Ch	-6.6	-2.5	-2.1	-0.6	-0.2	-3.2	-1.5	0.5
Durable Manufacturing	10.02	9.96	9.88	9.82	9.79	9.68	9.63	9.64
% Ch	-8.5	-2.5	-3.3	-2.1	-1.4	-4.4	-2.2	0.7
Nondurable Manufacturing	6.86	6.82	6.81	6.84	6.86	6.84	6.83	6.84
% Ch	-3.7	-2.6	-0.2	1.6	1.5	-1.4	-0.6	0.3
Nonmanufacturing	113.88	113.93	114.16	114.29	114.86	115.52	116.43	117.50
% Ch	-0.3	0.2	0.8	0.5	2.0	2.3	3.2	3.7
Services	40.92	41.09	41.32	41.55	41.86	42.15	42.60	43.14
% Ch	0.4	1.6	2.2	2.3	3.0	2.8	4.4	5.1
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.0	22.0	21.7	21.5	21.1	20.9	20.7	20.7
Auto Sales (Millions)	7.9	8.1	8.4	8.0	7.8	8.1	8.2	8.4
% Ch	-33.0	8.7	19.8	-17.5	-10.6	12.9	5.5	11.8
Housing Starts (Millions)	1.725	1.667	1.597	1.558	1.527	1.552	1.584	1.627
% Ch	44.9	-12.9	-15.7	-9.4	-7.7	6.7	8.6	11.1
Federal Budget Surplus (Billions)	-145.8	-190.3	-225.0	-251.3	-276.0	-287.2	-267.0	-246.8
Net Exports (Billions)	-360.1	-425.6	-426.3	-429.0	-419.1	-413.7	-417.4	-427.2
3-Month Treasury Bill Rate (%)	1.72	1.72	1.65	1.54	1.52	1.66	2.10	2.56
30-Year U.S. Govt. Bond Rate (%)	5.52	5.61	5.08	4.72	4.74	4.78	4.99	5.31
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.91	4.70	4.73	4.77	4.98	5.13
Mortgage Rate (%)	6.97	6.81	6.29	6.05	6.13	6.17	6.29	6.51

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 1996 Dollars)								
Real Gross Domestic Product	9,971.9	10,056.8	10,139.0	10,230.4	10,322.6	10,396.8	10,462.8	10,534.8
% Ch	4.7	3.5	3.3	3.7	3.7	2.9	2.6	2.8
Real Consumption	6,899.2	6,945.5	6,991.2	7,045.2	7,106.1	7,162.6	7,212.9	7,265.6
% Ch	3.8	2.7	2.7	3.1	3.5	3.2	2.8	3.0
Real Nonresidential Fixed Investment	1,307.4	1,343.8	1,383.6	1,419.1	1,456.0	1,482.8	1,501.2	1,515.7
% Ch	11.7	11.6	12.4	10.7	10.8	7.6	5.1	3.9
Real Residential Fixed Investment	383.8	390.0	395.6	400.7	401.6	401.2	397.6	394.9
% Ch	6.6	6.7	5.9	5.2	1.0	-0.5	-3.6	-2.6
Real Personal Income	8,409.1	8,480.3	8,546.7	8,616.4	8,699.8	8,766.9	8,828.3	8,887.2
% Ch	4.3	3.4	3.2	3.3	3.9	3.1	2.8	2.7
Real Per Capita Income (\$/Person)	28,789	28,970	29,135	29,309	29,530	29,694	29,839	29,975
% Ch	3.4	2.5	2.3	2.4	3.0	2.2	2.0	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.161	1.169	1.177	1.185	1.193	1.201	1.208	1.215
% Ch	2.8	2.8	2.9	2.9	2.7	2.5	2.4	2.3
U.S. Consumer Price Index (1982-84=1.0)	1.885	1.899	1.913	1.928	1.942	1.955	1.968	1.981
% Ch	2.8	3.0	3.1	3.1	2.9	2.8	2.7	2.5
Employment Cost Index (June 1989=1.0)	1.665	1.682	1.700	1.719	1.738	1.754	1.769	1.784
% Ch	5.2	4.3	4.3	4.4	4.6	3.6	3.5	3.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,540.4	11,721.5	11,903.7	12,095.1	12,293.7	12,458.9	12,613.4	12,770.8
% Ch	7.9	6.4	6.4	6.6	6.7	5.5	5.1	5.1
Personal Income	9,759.4	9,910.1	10,059.0	10,214.7	10,381.8	10,527.8	10,665.5	10,797.7
% Ch	7.2	6.3	6.1	6.3	6.7	5.7	5.3	5.0
Employment (Millions)								
U.S. Civilian Labor Force	148.8	149.4	150.0	150.6	151.2	151.9	152.5	153.2
Total U.S. Employment	140.6	141.3	142.2	143.0	143.6	144.3	144.9	145.6
Unemployment Rate (%)	5.51	5.38	5.18	5.06	5.03	5.01	4.97	4.97
Wage and Salary Employment	134.90	135.66	136.43	137.18	137.72	138.15	138.60	138.95
% Ch	2.8	2.3	2.3	2.2	1.6	1.2	1.3	1.0
Manufacturing	16.53	16.60	16.70	16.81	16.87	16.93	16.99	17.01
% Ch	1.2	1.8	2.5	2.5	1.4	1.5	1.4	0.5
Durable Manufacturing	9.67	9.72	9.78	9.86	9.90	9.96	10.01	10.04
% Ch	1.3	1.8	2.7	3.2	2.0	2.2	2.0	1.1
Nondurable Manufacturing	6.85	6.89	6.92	6.95	6.96	6.97	6.98	6.97
% Ch	1.1	1.8	2.2	1.6	0.6	0.6	0.4	-0.4
Nonmanufacturing	118.37	119.06	119.72	120.37	120.85	121.22	121.61	121.94
% Ch	3.0	2.3	2.2	2.2	1.6	1.2	1.3	1.1
Services	43.68	44.03	44.38	44.72	45.03	45.23	45.51	45.74
% Ch	5.1	3.2	3.2	3.1	2.8	1.8	2.5	2.0
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.6	20.6	20.5	20.5	20.4	20.4	20.4	20.4
Auto Sales (Millions)	8.3	8.0	8.0	7.7	7.8	8.0	8.1	8.0
% Ch	-3.1	-14.4	-0.6	-13.1	5.7	8.4	4.3	-6.1
Housing Starts (Millions)	1.680	1.719	1.720	1.726	1.723	1.714	1.696	1.682
% Ch	13.9	9.5	0.4	1.3	-0.6	-2.1	-4.2	-3.1
Federal Budget Surplus (Billions)	-233.5	-211.1	-183.7	-171.4	-160.4	-152.6	-141.0	-142.9
Net Exports (Billions)	-427.9	-440.1	-439.6	-440.6	-446.9	-452.3	-442.0	-437.1
3-Month Treasury Bill Rate (%)	2.84	3.25	3.35	3.57	3.78	3.79	4.01	4.24
30-Year U.S. Govt. Bond Rate (%)	5.45	5.55	5.55	5.57	5.94	6.36	6.84	6.93
Bond Index of 20 G.O. Munis. (%)	5.20	5.23	5.15	5.14	5.39	5.71	6.12	6.11
Mortgage Rate (%)	6.34	6.50	6.58	6.59	6.84	7.32	7.87	8.12

Table A1.3
Washington Economic Forecast Summary
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	158.389	166.450	174.021	175.028	178.513	180.171	185.015	191.266
% Ch	7.5	5.1	4.5	0.6	2.0	0.9	2.7	3.4
Real Wage and Salary Disb.	91.544	99.115	102.492	101.182	100.524	100.809	104.480	108.383
% Ch	9.3	8.3	3.4	-1.3	-0.7	0.3	3.6	3.7
Real Nonwage Income	66.844	67.335	71.528	73.846	77.988	79.362	80.536	82.883
% Ch	5.1	0.7	6.2	3.2	5.6	1.8	1.5	2.9
Real Per Capita Income (\$/Person)	27,400	28,430	29,374	29,172	29,443	29,432	29,899	30,523
% Ch	5.9	3.8	3.3	-0.7	0.9	-0.0	1.6	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.074	1.096	1.112	1.141	1.173	1.204
% Ch	1.1	1.6	2.5	2.0	1.5	2.6	2.7	2.7
Seattle Cons. Price Index (1982-84=1.0)	1.678	1.728	1.792	1.857	1.896	1.941	1.987	2.039
% Ch	2.9	3.0	3.7	3.6	2.1	2.4	2.4	2.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.75	16.14	16.75	17.60	18.13	18.31	18.61	18.94
% Ch	4.0	2.5	3.7	5.1	3.0	1.0	1.6	1.8
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	162.673	174.237	186.603	191.751	198.114	205.045	216.301	229.625
% Ch	8.6	7.1	7.1	2.8	3.3	3.5	5.5	6.2
Personal Income	163.192	174.322	186.863	191.763	198.549	205.666	217.010	230.348
% Ch	8.6	6.8	7.2	2.6	3.5	3.6	5.5	6.1
Disposable Personal Income	139.668	148.369	158.269	163.234	173.603	180.905	190.540	201.305
% Ch	8.1	6.2	6.7	3.1	6.4	4.2	5.3	5.6
Per Capita Income (\$/Person)	28,231	29,774	31,541	31,961	32,747	33,595	35,068	36,759
% Ch	7.1	5.5	5.9	1.3	2.5	2.6	4.4	4.8
Employment (Thousands)								
Washington Civilian Labor Force	3,037.9	3,074.6	3,045.3	2,995.7	3,050.7	3,112.7	3,166.8	3,219.5
Total Washington Employment	2,893.3	2,929.2	2,887.5	2,804.1	2,830.2	2,884.6	2,952.2	3,012.3
Unemployment Rate (%)	4.76	4.73	5.18	6.40	7.23	7.33	6.78	6.43
Wage and Salary Employment	2,594.7	2,648.7	2,711.5	2,696.4	2,645.2	2,663.7	2,727.2	2,783.8
% Ch	3.2	2.1	2.4	-0.6	-1.9	0.7	2.4	2.1
Manufacturing	379.6	364.1	353.1	338.3	309.3	298.0	299.4	306.0
% Ch	2.6	-4.1	-3.0	-4.2	-8.6	-3.6	0.5	2.2
Durable Manufacturing	271.0	255.8	244.5	234.6	210.3	199.4	199.1	203.3
% Ch	3.7	-5.6	-4.4	-4.0	-10.4	-5.2	-0.1	2.1
Aerospace	112.4	98.9	86.1	86.8	75.5	67.4	64.8	65.3
% Ch	7.1	-12.0	-12.9	0.8	-13.0	-10.7	-3.9	0.8
Nondurable Manufacturing	108.6	108.3	108.7	103.7	99.0	98.6	100.3	102.7
% Ch	-0.2	-0.2	0.3	-4.6	-4.6	-0.3	1.7	2.3
Nonmanufacturing	2,215.1	2,284.6	2,358.3	2,358.0	2,335.9	2,365.7	2,427.8	2,477.8
% Ch	3.3	3.1	3.2	-0.0	-0.9	1.3	2.6	2.1
Construction	143.7	153.8	160.2	155.4	151.3	151.0	152.9	157.9
% Ch	5.4	7.1	4.1	-3.0	-2.7	-0.2	1.3	3.3
Services	709.3	739.7	781.9	773.0	768.2	787.4	821.5	846.5
% Ch	4.5	4.3	5.7	-1.1	-0.6	2.5	4.3	3.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	45.727	42.752	39.021	38.345	39.928	38.361	40.489	39.666
% Ch	11.3	-6.5	-8.7	-1.7	4.1	-3.9	5.5	-2.0
Single-Family	28.644	28.111	25.471	26.736	30.681	27.425	28.965	27.554
% Ch	3.1	-1.9	-9.4	5.0	14.8	-10.6	5.6	-4.9
Multi-Family	17.083	14.641	13.550	11.609	9.247	10.936	11.524	12.112
% Ch	28.3	-14.3	-7.5	-14.3	-20.3	18.3	5.4	5.1
Mortgage Rate (%)	6.94	7.43	8.06	6.97	6.53	6.27	6.50	7.54

Table A1.4
Washington Economic Forecast Summary
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	175.898	173.458	172.674	174.053	173.891	177.298	175.358	173.567
% Ch	11.9	-5.4	-1.8	3.2	-0.4	8.1	-4.3	-4.0
Real Wage and Salary Disb.	106.455	102.157	100.360	100.995	100.704	103.889	101.084	99.053
% Ch	15.3	-15.2	-6.8	2.6	-1.1	13.3	-10.4	-7.8
Real Nonwage Income	69.443	71.301	72.312	73.057	73.187	73.408	74.273	74.515
% Ch	6.9	11.1	5.8	4.2	0.7	1.2	4.8	1.3
Real Per Capita Income (\$/Person)	29,843	29,328	29,097	29,230	29,104	29,591	29,186	28,808
% Ch	10.7	-6.7	-3.1	1.8	-1.7	6.9	-5.4	-5.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.065	1.071	1.077	1.083	1.091	1.096	1.096	1.098
% Ch	3.4	2.3	2.1	2.2	3.3	1.8	-0.1	0.8
Seattle Cons. Price Index (1982-84=1.0)	1.762	1.783	1.802	1.820	1.838	1.851	1.867	1.872
% Ch	3.4	4.8	4.3	4.1	3.9	2.9	3.5	1.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.54	16.61	16.77	17.07	17.22	17.57	17.73	17.88
% Ch	6.2	1.8	3.8	7.5	3.4	8.3	3.8	3.5
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	187.101	185.537	185.600	188.174	189.768	194.381	192.215	190.641
% Ch	15.5	-3.3	0.1	5.7	3.4	10.1	-4.4	-3.2
Personal Income	187.344	185.786	185.901	188.422	189.797	194.386	192.225	190.644
% Ch	15.8	-3.3	0.2	5.5	3.0	10.0	-4.4	-3.2
Disposable Personal Income	158.683	157.463	157.436	159.494	160.410	164.451	166.129	161.947
% Ch	14.7	-3.0	-0.1	5.3	2.3	10.5	4.1	-9.7
Per Capita Income (\$/Person)	31,785	31,413	31,325	31,643	31,766	32,443	31,993	31,642
% Ch	14.5	-4.6	-1.1	4.1	1.6	8.8	-5.4	-4.3
Employment (Thousands)								
Washington Civilian Labor Force	3,064.4	3,049.4	3,037.8	3,029.7	3,016.6	3,003.7	2,984.5	2,978.1
Total Washington Employment	2,912.8	2,896.3	2,876.6	2,864.4	2,843.4	2,818.8	2,791.0	2,763.2
Unemployment Rate (%)	4.95	5.02	5.31	5.45	5.74	6.16	6.49	7.21
Wage and Salary Employment	2,696.8	2,710.2	2,715.9	2,722.9	2,720.2	2,709.3	2,693.1	2,662.8
% Ch	3.7	2.0	0.8	1.0	-0.4	-1.6	-2.4	-4.4
Manufacturing	351.9	355.2	353.6	351.8	347.9	342.1	336.7	326.6
% Ch	-7.2	3.8	-1.7	-2.1	-4.3	-6.5	-6.2	-11.5
Durable Manufacturing	242.9	246.1	244.6	244.2	242.1	237.3	233.2	225.9
% Ch	-10.3	5.4	-2.3	-0.6	-3.5	-7.6	-6.8	-11.8
Aerospace	84.4	87.6	86.6	86.0	86.8	87.0	87.5	85.8
% Ch	-29.6	16.0	-4.4	-2.8	4.1	0.9	2.3	-7.6
Nondurable Manufacturing	109.0	109.1	109.0	107.5	105.8	104.8	103.5	100.6
% Ch	0.3	0.4	-0.4	-5.2	-6.2	-3.9	-4.8	-10.8
Nonmanufacturing	2,344.9	2,355.0	2,362.3	2,371.1	2,372.3	2,367.2	2,356.5	2,336.2
% Ch	5.5	1.7	1.2	1.5	0.2	-0.9	-1.8	-3.4
Construction	160.7	160.4	159.0	160.5	159.8	156.5	154.5	150.8
% Ch	8.9	-0.7	-3.4	3.6	-1.5	-8.2	-5.0	-9.2
Services	771.5	775.3	786.2	794.5	780.2	778.7	769.6	763.7
% Ch	9.9	2.0	5.7	4.3	-7.0	-0.8	-4.6	-3.0
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	38.475	36.594	38.387	42.627	41.104	39.417	38.453	34.406
% Ch	-22.0	-18.2	21.1	52.1	-13.5	-15.4	-9.4	-35.9
Single-Family	25.380	25.049	25.493	25.962	28.794	26.795	26.561	24.794
% Ch	-24.0	-5.1	7.3	7.6	51.3	-25.0	-3.5	-24.1
Multi-Family	13.095	11.545	12.894	16.666	12.310	12.622	11.892	9.611
% Ch	-18.0	-39.6	55.6	179.1	-70.2	10.5	-21.2	-57.3
Mortgage Rate (%)	8.26	8.32	8.03	7.64	7.01	7.13	6.96	6.78

Table A1.4
Washington Economic Forecast Summary
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	177.952	179.098	178.941	178.060	179.390	179.680	180.297	181.319
% Ch	10.5	2.6	-0.3	-2.0	3.0	0.6	1.4	2.3
Real Wage and Salary Disb.	101.079	101.195	100.384	99.439	100.139	100.496	100.889	101.712
% Ch	8.4	0.5	-3.2	-3.7	2.8	1.4	1.6	3.3
Real Nonwage Income	76.872	77.902	78.557	78.622	79.251	79.184	79.407	79.607
% Ch	13.3	5.5	3.4	0.3	3.2	-0.3	1.1	1.0
Real Per Capita Income (\$/Person)	29,454	29,574	29,479	29,265	29,415	29,389	29,416	29,507
% Ch	9.3	1.6	-1.3	-2.9	2.1	-0.4	0.4	1.2
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.101	1.109	1.115	1.124	1.131	1.138	1.145	1.153
% Ch	1.1	2.7	2.1	3.4	2.4	2.5	2.7	2.7
Seattle Cons. Price Index (1982-84=1.0)	1.877	1.889	1.902	1.917	1.926	1.936	1.946	1.957
% Ch	1.0	2.6	2.7	3.2	1.9	2.0	2.2	2.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.02	18.15	18.15	18.17	18.24	18.28	18.33	18.39
% Ch	3.2	2.8	0.1	0.4	1.6	0.8	1.0	1.5
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	195.532	198.249	199.030	199.646	202.252	203.795	205.782	208.351
% Ch	10.7	5.7	1.6	1.2	5.3	3.1	4.0	5.1
Personal Income	195.993	198.595	199.456	200.150	202.821	204.397	206.446	208.999
% Ch	11.7	5.4	1.7	1.4	5.4	3.1	4.1	5.0
Disposable Personal Income	170.685	173.482	174.764	175.482	178.220	179.862	181.700	183.837
% Ch	23.4	6.7	3.0	1.7	6.4	3.7	4.2	4.8
Per Capita Income (\$/Person)	32,440	32,794	32,859	32,896	33,257	33,432	33,682	34,011
% Ch	10.5	4.4	0.8	0.5	4.5	2.1	3.0	4.0
Employment (Thousands)								
Washington Civilian Labor Force	3,030.0	3,034.4	3,051.9	3,086.5	3,096.1	3,105.6	3,117.3	3,132.0
Total Washington Employment	2,813.2	2,821.2	2,831.2	2,855.2	2,865.6	2,875.3	2,889.2	2,908.3
Unemployment Rate (%)	7.16	7.03	7.23	7.50	7.44	7.42	7.32	7.14
Wage and Salary Employment	2,648.3	2,651.1	2,645.3	2,636.0	2,645.8	2,654.9	2,668.0	2,686.0
% Ch	-2.1	0.4	-0.9	-1.4	1.5	1.4	2.0	2.7
Manufacturing	317.8	311.9	305.4	301.9	300.8	298.1	296.7	296.5
% Ch	-10.3	-7.2	-8.1	-4.5	-1.5	-3.5	-2.0	-0.2
Durable Manufacturing	217.3	212.9	207.1	203.8	202.1	199.6	198.1	197.7
% Ch	-14.5	-7.7	-10.5	-6.3	-3.3	-4.9	-3.0	-0.9
Aerospace	80.4	77.0	73.4	71.1	69.8	67.8	66.4	65.5
% Ch	-22.8	-15.9	-17.5	-11.9	-7.4	-10.6	-8.0	-5.3
Nondurable Manufacturing	100.5	99.0	98.3	98.1	98.6	98.5	98.6	98.8
% Ch	-0.5	-5.9	-2.8	-0.8	2.3	-0.5	0.2	1.0
Nonmanufacturing	2,330.6	2,339.2	2,339.9	2,334.1	2,345.0	2,356.8	2,371.4	2,389.5
% Ch	-1.0	1.5	0.1	-1.0	1.9	2.0	2.5	3.1
Construction	150.4	150.5	152.1	152.1	152.0	150.9	150.5	150.5
% Ch	-1.1	0.2	4.3	0.1	-0.3	-2.7	-1.2	-0.1
Services	764.1	770.5	769.4	768.7	775.4	782.0	790.8	801.3
% Ch	0.2	3.4	-0.6	-0.4	3.6	3.4	4.6	5.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	36.214	43.812	40.871	38.812	37.672	37.962	38.502	39.309
% Ch	22.7	114.2	-24.3	-18.7	-11.2	3.1	5.8	8.6
Single-Family	28.533	32.230	33.091	28.869	27.051	27.339	27.578	27.731
% Ch	75.4	62.8	11.1	-42.1	-22.9	4.3	3.5	2.2
Multi-Family	7.681	11.583	7.780	9.943	10.621	10.623	10.924	11.578
% Ch	-59.2	417.0	-79.6	166.7	30.2	0.1	11.8	26.2
Mortgage Rate (%)	6.97	6.81	6.29	6.05	6.13	6.17	6.29	6.51

Table A1.4
Washington Economic Forecast Summary
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	182.881	184.333	185.671	187.175	188.931	190.525	192.031	193.577
% Ch	3.5	3.2	2.9	3.3	3.8	3.4	3.2	3.3
Real Wage and Salary Disb.	102.884	104.018	105.013	106.003	107.039	107.978	108.816	109.701
% Ch	4.7	4.5	3.9	3.8	4.0	3.6	3.1	3.3
Real Nonwage Income	79.997	80.315	80.658	81.172	81.893	82.547	83.216	83.876
% Ch	2.0	1.6	1.7	2.6	3.6	3.2	3.3	3.2
Real Per Capita Income (\$/Person)	29,681	29,834	29,964	30,116	30,303	30,460	30,596	30,734
% Ch	2.4	2.1	1.8	2.0	2.5	2.1	1.8	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.161	1.169	1.177	1.185	1.193	1.201	1.208	1.215
% Ch	2.8	2.8	2.9	2.9	2.7	2.5	2.4	2.3
Seattle Cons. Price Index (1982-84=1.0)	1.968	1.981	1.994	2.007	2.020	2.033	2.046	2.058
% Ch	2.3	2.5	2.7	2.8	2.6	2.6	2.5	2.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.49	18.57	18.65	18.74	18.83	18.91	18.98	19.06
% Ch	2.1	1.7	1.8	1.9	2.0	1.6	1.6	1.6
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	211.579	214.699	217.762	221.165	224.728	228.040	231.241	234.491
% Ch	6.3	6.0	5.8	6.4	6.6	6.0	5.7	5.7
Personal Income	212.238	215.402	218.514	221.886	225.447	228.783	231.983	235.180
% Ch	6.3	6.1	5.9	6.3	6.6	6.0	5.7	5.6
Disposable Personal Income	186.792	189.240	191.684	194.444	197.538	199.995	202.543	205.145
% Ch	6.6	5.3	5.3	5.9	6.5	5.1	5.2	5.2
Per Capita Income (\$/Person)	34,446	34,863	35,264	35,701	36,160	36,576	36,962	37,339
% Ch	5.2	4.9	4.7	5.0	5.3	4.7	4.3	4.1
Employment (Thousands)								
Washington Civilian Labor Force	3,146.0	3,159.8	3,173.5	3,187.9	3,200.1	3,212.9	3,226.1	3,238.9
Total Washington Employment	2,925.8	2,943.6	2,960.7	2,978.7	2,991.7	3,005.6	3,019.7	3,032.3
Unemployment Rate (%)	7.00	6.84	6.70	6.56	6.51	6.45	6.40	6.38
Wage and Salary Employment	2,702.4	2,719.1	2,735.3	2,752.1	2,764.4	2,777.4	2,790.7	2,802.6
% Ch	2.5	2.5	2.4	2.5	1.8	1.9	1.9	1.7
Manufacturing	297.5	298.7	300.1	301.5	303.2	305.2	307.0	308.6
% Ch	1.3	1.6	2.0	1.9	2.2	2.7	2.4	2.0
Durable Manufacturing	198.2	198.7	199.4	200.2	201.3	202.7	204.1	205.3
% Ch	1.0	1.1	1.5	1.5	2.2	2.9	2.7	2.4
Aerospace	65.2	64.9	64.6	64.3	64.6	65.0	65.5	66.0
% Ch	-1.9	-1.8	-1.8	-1.8	1.4	3.0	3.0	3.0
Nondurable Manufacturing	99.3	100.0	100.7	101.3	101.9	102.5	103.0	103.3
% Ch	2.0	2.7	2.9	2.6	2.2	2.2	2.0	1.4
Nonmanufacturing	2,405.0	2,420.5	2,435.1	2,450.6	2,461.2	2,472.2	2,483.6	2,494.0
% Ch	2.6	2.6	2.4	2.6	1.7	1.8	1.9	1.7
Construction	151.1	152.2	153.5	154.8	156.3	157.6	158.6	159.1
% Ch	1.8	2.8	3.3	3.6	3.8	3.5	2.5	1.3
Services	811.0	818.3	825.0	831.7	838.1	843.2	849.4	855.2
% Ch	4.9	3.6	3.3	3.3	3.1	2.4	3.0	2.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.632	40.215	40.416	40.694	40.677	40.067	39.008	38.911
% Ch	14.2	-4.0	2.0	2.8	-0.2	-5.9	-10.2	-1.0
Single-Family	28.747	28.700	28.988	29.427	29.225	28.130	26.729	26.131
% Ch	15.5	-0.7	4.1	6.2	-2.7	-14.2	-18.5	-8.6
Multi-Family	11.884	11.515	11.428	11.268	11.452	11.937	12.280	12.779
% Ch	11.0	-11.9	-3.0	-5.5	6.7	18.0	12.0	17.3
Mortgage Rate (%)	6.34	6.50	6.58	6.59	6.84	7.32	7.87	8.12

Table A2.1

U.S. Nonagricultural Employment by Industry

Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Wage and Salary Employment	125.85	128.90	131.72	131.93	130.82	132.61	136.04	138.35
% Ch	2.6	2.4	2.2	0.2	-0.8	1.4	2.6	1.7
Manufacturing	18.81	18.55	18.48	17.69	16.75	16.53	16.66	16.95
% Ch	0.7	-1.3	-0.4	-4.2	-5.3	-1.3	0.8	1.7
Nondurable Manufacturing	7.60	7.44	7.33	7.06	6.83	6.84	6.90	6.97
% Ch	-0.8	-2.1	-1.5	-3.7	-3.2	0.2	0.9	1.0
Food and Kindred Products	1.68	1.68	1.69	1.69	1.69	1.70	1.74	1.77
% Ch	-0.0	-0.1	0.3	0.2	-0.2	0.9	2.0	1.7
Pulp and Paper	0.68	0.67	0.66	0.63	0.62	0.62	0.63	0.64
% Ch	-0.8	-1.4	-1.7	-3.3	-2.8	0.7	1.3	1.4
Apparel	0.77	0.69	0.63	0.57	0.52	0.51	0.51	0.50
% Ch	-7.1	-9.9	-8.1	-10.6	-8.0	-1.9	-0.4	-1.4
Printing	1.56	1.55	1.55	1.49	1.41	1.42	1.46	1.51
% Ch	0.8	-0.8	-0.3	-3.7	-5.3	0.6	3.0	3.1
Chemicals	1.04	1.04	1.03	1.02	1.01	0.99	0.97	0.96
% Ch	0.7	-0.7	-0.1	-1.2	-1.2	-1.9	-2.3	-1.2
Other Nondurables	1.87	1.81	1.77	1.66	1.58	1.60	1.60	1.60
% Ch	-1.0	-2.8	-2.2	-6.7	-4.3	0.8	0.0	0.1
Durable Manufacturing	11.21	11.11	11.14	10.64	9.92	9.68	9.76	9.98
% Ch	1.8	-0.8	0.3	-4.6	-6.7	-2.4	0.7	2.3
Lumber and Wood	0.81	0.83	0.83	0.79	0.77	0.75	0.76	0.78
% Ch	2.2	2.6	-0.5	-5.3	-2.5	-1.9	1.4	2.6
Furniture	0.53	0.55	0.56	0.52	0.49	0.50	0.52	0.54
% Ch	4.1	2.9	1.5	-6.6	-5.3	2.1	4.3	3.1
Stone-Clay-Glass	0.56	0.57	0.58	0.57	0.55	0.55	0.55	0.56
% Ch	1.7	0.9	2.3	-1.5	-3.3	-0.3	0.3	0.6
Primary Metals	0.71	0.70	0.70	0.66	0.59	0.59	0.61	0.63
% Ch	0.6	-2.1	0.0	-6.2	-9.8	-0.4	3.3	3.3
Fabricated Metals	1.51	1.52	1.54	1.48	1.42	1.43	1.46	1.48
% Ch	2.1	0.8	1.2	-3.7	-4.1	0.2	2.6	1.3
Nonelectrical Machinery	2.21	2.14	2.12	2.01	1.83	1.77	1.73	1.75
% Ch	1.8	-3.2	-0.7	-5.2	-9.1	-3.3	-2.4	1.1
Electrical Machinery	1.71	1.67	1.73	1.63	1.43	1.31	1.30	1.39
% Ch	1.1	-2.1	3.3	-5.6	-12.4	-8.5	-0.8	6.8
Transportation Equipment	1.89	1.89	1.85	1.76	1.66	1.60	1.61	1.61
% Ch	2.6	-0.3	-1.9	-5.0	-5.6	-3.4	0.3	0.1
Instruments	0.87	0.86	0.85	0.84	0.81	0.81	0.83	0.86
% Ch	0.8	-2.0	-1.1	-0.7	-3.9	0.8	2.4	2.8
Other Durables	0.39	0.39	0.39	0.38	0.37	0.37	0.38	0.39
% Ch	0.8	-0.8	0.3	-3.3	-2.0	-0.2	2.6	2.7
Nonmanufacturing	107.05	110.35	113.24	114.23	114.06	116.08	119.38	121.41
% Ch	2.9	3.1	2.6	0.9	-0.1	1.8	2.8	1.7
Mining	0.59	0.54	0.54	0.56	0.56	0.58	0.58	0.56
% Ch	-1.1	-8.7	0.7	4.0	-0.6	3.7	0.2	-3.6
Construction	6.02	6.41	6.66	6.69	6.53	6.49	6.72	6.96
% Ch	5.8	6.6	3.7	0.5	-2.4	-0.6	3.5	3.6
Trans., Comm. and Utilities	6.61	6.83	7.03	7.07	6.78	6.92	7.21	7.38
% Ch	3.2	3.4	2.9	0.5	-4.0	2.0	4.2	2.3
Wholesale Trade	6.80	6.91	6.95	6.78	6.68	6.80	7.07	7.15
% Ch	2.3	1.6	0.5	-2.5	-1.4	1.8	3.9	1.1
Retail Trade	22.30	22.85	23.33	23.52	23.31	23.49	23.82	23.81
% Ch	1.5	2.5	2.1	0.8	-0.9	0.8	1.4	-0.0
Finance-Insurance-Real Estate	7.39	7.56	7.58	7.71	7.74	7.90	8.19	8.38
% Ch	3.9	2.3	0.3	1.8	0.4	2.0	3.6	2.3
Services	37.53	39.05	40.46	40.98	41.22	42.44	44.20	45.38
% Ch	4.1	4.1	3.6	1.3	0.6	3.0	4.1	2.7
State and Local Government	17.13	17.53	17.92	18.31	18.62	18.80	18.91	19.10
% Ch	1.7	2.4	2.2	2.2	1.7	1.0	0.6	1.0
Federal Government	2.69	2.67	2.78	2.62	2.61	2.65	2.68	2.70
% Ch	-0.5	-0.7	4.2	-5.8	-0.2	1.5	1.2	0.5

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Wage and Salary Employment	130.99	131.82	131.88	132.18	132.43	132.19	131.94	131.13
% Ch	2.7	2.5	0.2	0.9	0.8	-0.7	-0.8	-2.4
Manufacturing	18.50	18.51	18.49	18.40	18.20	17.87	17.54	17.17
% Ch	0.0	0.2	-0.3	-2.0	-4.4	-6.9	-7.3	-8.0
Nondurable Manufacturing	7.38	7.36	7.32	7.27	7.20	7.10	7.02	6.93
% Ch	-1.2	-0.9	-2.3	-2.8	-3.8	-5.4	-4.6	-5.0
Food and Kindred Products	1.69	1.69	1.68	1.69	1.69	1.69	1.69	1.69
% Ch	-0.3	0.0	-1.3	0.2	2.0	-0.6	-0.8	0.1
Pulp and Paper	0.66	0.66	0.66	0.65	0.65	0.64	0.63	0.63
% Ch	-1.2	-1.8	-1.0	-2.2	-4.2	-4.5	-4.7	-2.7
Apparel	0.65	0.64	0.63	0.61	0.59	0.57	0.56	0.54
% Ch	-7.4	-5.4	-8.4	-9.8	-11.2	-13.4	-10.9	-11.9
Printing	1.55	1.55	1.55	1.54	1.53	1.50	1.48	1.45
% Ch	-0.6	0.8	-0.1	-2.0	-3.6	-6.5	-6.1	-6.8
Chemicals	1.04	1.04	1.03	1.03	1.03	1.02	1.02	1.01
% Ch	1.0	-0.6	-2.2	-0.1	-1.0	-1.9	-0.4	-2.6
Other Nondurables	1.79	1.79	1.77	1.75	1.71	1.67	1.64	1.60
% Ch	-1.3	-1.4	-3.5	-5.5	-8.3	-8.6	-7.4	-8.5
Durable Manufacturing	11.12	11.15	11.17	11.13	11.00	10.77	10.52	10.25
% Ch	0.8	0.9	1.0	-1.5	-4.7	-7.9	-9.0	-10.0
Lumber and Wood	0.84	0.84	0.83	0.81	0.80	0.79	0.78	0.77
% Ch	0.6	-2.4	-3.9	-6.9	-7.9	-4.0	-2.5	-5.7
Furniture	0.56	0.56	0.56	0.56	0.54	0.53	0.51	0.50
% Ch	1.0	1.4	1.4	-2.1	-9.3	-9.7	-11.6	-12.4
Stone-Clay-Glass	0.58	0.58	0.58	0.58	0.58	0.57	0.57	0.56
% Ch	4.5	0.0	0.5	-1.4	1.4	-4.1	-4.6	-4.6
Primary Metals	0.70	0.70	0.70	0.69	0.68	0.67	0.65	0.63
% Ch	2.1	0.0	-0.6	-3.0	-7.1	-9.1	-10.0	-13.3
Fabricated Metals	1.53	1.54	1.54	1.54	1.52	1.49	1.47	1.44
% Ch	1.3	3.0	1.0	-0.9	-5.1	-7.2	-5.8	-7.4
Nonelectrical Machinery	2.11	2.11	2.13	2.12	2.10	2.05	1.98	1.91
% Ch	-0.7	-0.3	3.8	-1.5	-3.7	-10.3	-12.8	-13.1
Electrical Machinery	1.69	1.71	1.75	1.76	1.74	1.67	1.59	1.52
% Ch	2.6	5.6	9.8	1.1	-2.8	-15.5	-18.8	-15.8
Transportation Equipment	1.87	1.87	1.84	1.83	1.79	1.77	1.76	1.72
% Ch	0.1	-0.6	-7.3	-2.4	-7.5	-3.7	-3.3	-8.4
Instruments	0.84	0.84	0.85	0.85	0.85	0.85	0.84	0.83
% Ch	-1.7	-0.3	1.9	1.3	0.3	-2.2	-3.9	-5.5
Other Durables	0.39	0.39	0.39	0.39	0.39	0.38	0.38	0.37
% Ch	0.7	-2.0	1.7	-2.0	-5.3	-3.1	-6.8	-3.2
Nonmanufacturing	112.49	113.31	113.38	113.79	114.24	114.32	114.41	113.96
% Ch	3.2	2.9	0.3	1.4	1.6	0.3	0.3	-1.6
Mining	0.53	0.54	0.55	0.55	0.56	0.57	0.57	0.57
% Ch	0.8	5.9	2.5	4.7	3.7	6.6	3.8	-3.5
Construction	6.67	6.64	6.64	6.67	6.74	6.70	6.68	6.64
% Ch	7.7	-1.6	0.2	2.0	4.0	-2.4	-1.3	-2.5
Trans., Comm. and Utilities	6.97	7.01	7.04	7.11	7.14	7.13	7.08	6.91
% Ch	2.9	2.5	1.9	4.2	1.8	-0.9	-2.7	-9.2
Wholesale Trade	6.98	6.97	6.93	6.91	6.84	6.79	6.76	6.71
% Ch	1.4	-0.8	-1.8	-1.7	-3.7	-2.7	-1.9	-3.1
Retail Trade	23.21	23.30	23.37	23.44	23.55	23.57	23.55	23.41
% Ch	2.6	1.6	1.2	1.2	1.8	0.4	-0.4	-2.3
Finance-Insurance-Real Estate	7.57	7.55	7.57	7.62	7.66	7.71	7.73	7.75
% Ch	-0.2	-0.9	0.8	2.8	2.3	2.5	0.9	1.0
Services	40.03	40.34	40.62	40.84	41.00	40.99	41.04	40.88
% Ch	3.7	3.1	2.8	2.2	1.5	-0.0	0.4	-1.5
State and Local Government	17.81	17.88	17.96	18.02	18.13	18.25	18.38	18.48
% Ch	2.1	1.7	1.7	1.2	2.6	2.6	3.0	2.1
Federal Government	2.73	3.08	2.70	2.62	2.62	2.62	2.62	2.62
% Ch	13.0	61.7	-40.9	-11.0	-0.3	-0.3	1.1	-0.8

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wage and Salary Employment	130.76	130.71	130.85	130.96	131.51	132.04	132.89	133.98
% Ch	-1.1	-0.2	0.4	0.3	1.7	1.6	2.6	3.3
Manufacturing	16.88	16.78	16.69	16.66	16.66	16.52	16.46	16.48
% Ch	-6.6	-2.5	-2.1	-0.6	-0.2	-3.2	-1.5	0.5
Nondurable Manufacturing	6.86	6.82	6.81	6.84	6.86	6.84	6.83	6.84
% Ch	-3.7	-2.6	-0.2	1.6	1.5	-1.4	-0.6	0.3
Food and Kindred Products	1.69	1.69	1.69	1.69	1.70	1.70	1.70	1.71
% Ch	-0.6	0.8	-0.2	-0.2	2.9	-0.1	1.1	1.3
Pulp and Paper	0.62	0.61	0.61	0.62	0.62	0.62	0.62	0.62
% Ch	-3.0	-5.1	0.0	4.5	1.9	-1.5	-0.2	1.3
Apparel	0.53	0.52	0.52	0.51	0.52	0.51	0.51	0.50
% Ch	-6.3	-7.1	-0.5	-8.2	6.7	-3.7	-3.5	-3.6
Printing	1.43	1.41	1.40	1.41	1.42	1.42	1.42	1.43
% Ch	-6.8	-5.4	-1.4	1.5	2.3	-0.0	0.9	2.8
Chemicals	1.01	1.01	1.01	1.01	1.01	1.00	0.99	0.98
% Ch	-2.1	-0.9	0.5	2.3	-3.1	-4.3	-4.1	-2.8
Other Nondurables	1.58	1.58	1.58	1.60	1.60	1.60	1.59	1.59
% Ch	-4.6	-2.2	0.3	5.6	0.7	-1.3	-0.7	-0.2
Durable Manufacturing	10.02	9.96	9.88	9.82	9.79	9.68	9.63	9.64
% Ch	-8.5	-2.5	-3.3	-2.1	-1.4	-4.4	-2.2	0.7
Lumber and Wood	0.77	0.77	0.77	0.76	0.76	0.75	0.75	0.75
% Ch	-1.4	-1.2	-1.2	-2.7	0.4	-4.0	-3.5	-0.3
Furniture	0.49	0.50	0.49	0.49	0.50	0.50	0.50	0.51
% Ch	-4.0	3.3	-1.9	-2.4	6.9	1.2	2.9	5.6
Stone-Clay-Glass	0.55	0.55	0.56	0.55	0.55	0.55	0.55	0.55
% Ch	-6.3	-1.0	3.4	-3.9	2.1	-2.1	-0.7	0.4
Primary Metals	0.60	0.60	0.59	0.58	0.59	0.59	0.59	0.59
% Ch	-15.0	-3.5	-4.8	-4.8	3.7	0.7	1.5	3.0
Fabricated Metals	1.42	1.43	1.42	1.42	1.43	1.42	1.42	1.43
% Ch	-5.1	0.4	-1.9	0.1	1.7	-1.7	1.0	3.1
Nonelectrical Machinery	1.86	1.84	1.81	1.81	1.80	1.77	1.76	1.74
% Ch	-10.8	-4.5	-4.9	-0.7	-1.6	-6.2	-4.0	-2.9
Electrical Machinery	1.46	1.44	1.41	1.41	1.36	1.31	1.28	1.28
% Ch	-14.8	-6.6	-7.1	-0.5	-12.7	-14.2	-8.6	-0.3
Transportation Equipment	1.68	1.68	1.66	1.63	1.62	1.61	1.60	1.59
% Ch	-9.1	-0.9	-3.1	-8.0	-2.1	-3.3	-2.6	-0.2
Instruments	0.82	0.81	0.80	0.81	0.81	0.81	0.81	0.82
% Ch	-4.6	-3.9	-4.2	3.3	3.4	-0.5	1.0	2.5
Other Durables	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
% Ch	-1.4	-0.7	1.4	0.3	-0.6	-2.0	-0.5	3.6
Nonmanufacturing	113.88	113.93	114.16	114.29	114.86	115.52	116.43	117.50
% Ch	-0.3	0.2	0.8	0.5	2.0	2.3	3.2	3.7
Mining	0.56	0.56	0.55	0.57	0.58	0.58	0.58	0.58
% Ch	-1.2	-3.5	-4.2	10.8	7.4	2.3	1.4	0.9
Construction	6.60	6.54	6.54	6.43	6.44	6.44	6.50	6.58
% Ch	-2.0	-3.5	-0.1	-6.4	0.4	0.0	4.1	5.0
Trans., Comm. and Utilities	6.83	6.79	6.76	6.74	6.81	6.87	6.95	7.04
% Ch	-4.5	-2.3	-2.1	-1.1	4.1	3.9	4.8	5.2
Wholesale Trade	6.69	6.68	6.67	6.67	6.70	6.75	6.83	6.92
% Ch	-1.0	-0.6	-0.4	0.1	1.9	2.9	4.4	5.4
Retail Trade	23.35	23.33	23.30	23.26	23.27	23.43	23.55	23.71
% Ch	-1.0	-0.5	-0.4	-0.8	0.2	2.7	2.1	2.7
Finance-Insurance-Real Estate	7.74	7.74	7.75	7.75	7.80	7.86	7.93	8.01
% Ch	-0.2	-0.4	0.7	-0.2	3.0	2.7	3.7	4.1
Services	40.92	41.09	41.32	41.55	41.86	42.15	42.60	43.14
% Ch	0.4	1.6	2.2	2.3	3.0	2.8	4.4	5.1
State and Local Government	18.56	18.60	18.65	18.69	18.76	18.79	18.82	18.85
% Ch	1.7	0.9	1.1	1.0	1.3	0.7	0.7	0.5
Federal Government	2.61	2.60	2.62	2.63	2.64	2.65	2.66	2.67
% Ch	-1.3	-0.9	2.0	1.5	1.4	2.1	1.7	1.4

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Wage and Salary Employment	134.90	135.66	136.43	137.18	137.72	138.15	138.60	138.95
% Ch	2.8	2.3	2.3	2.2	1.6	1.2	1.3	1.0
Manufacturing	16.53	16.60	16.70	16.81	16.87	16.93	16.99	17.01
% Ch	1.2	1.8	2.5	2.5	1.4	1.5	1.4	0.5
Nondurable Manufacturing	6.85	6.89	6.92	6.95	6.96	6.97	6.98	6.97
% Ch	1.1	1.8	2.2	1.6	0.6	0.6	0.4	-0.4
Food and Kindred Products	1.71	1.73	1.75	1.76	1.76	1.77	1.77	1.77
% Ch	1.4	3.4	4.0	2.2	1.2	1.8	0.6	-1.1
Pulp and Paper	0.62	0.63	0.63	0.63	0.64	0.64	0.64	0.64
% Ch	1.5	2.0	2.2	2.0	1.1	0.9	1.0	0.4
Apparel	0.51	0.51	0.51	0.51	0.51	0.50	0.50	0.50
% Ch	3.2	0.8	0.2	-0.6	-0.9	-2.5	-3.4	-3.7
Printing	1.44	1.46	1.47	1.48	1.49	1.50	1.51	1.52
% Ch	3.6	4.0	4.1	3.8	2.7	2.6	2.7	2.0
Chemicals	0.97	0.97	0.97	0.97	0.96	0.96	0.96	0.95
% Ch	-2.4	-1.5	-0.2	-0.6	-2.0	-1.9	-0.3	-0.7
Other Nondurables	1.59	1.59	1.60	1.60	1.60	1.60	1.60	1.59
% Ch	0.0	0.4	0.7	0.9	-0.2	-0.3	-0.3	-0.7
Durable Manufacturing	9.67	9.72	9.78	9.86	9.90	9.96	10.01	10.04
% Ch	1.3	1.8	2.7	3.2	2.0	2.2	2.0	1.1
Lumber and Wood	0.75	0.76	0.77	0.77	0.78	0.78	0.78	0.79
% Ch	2.3	4.3	4.9	3.9	1.8	1.5	1.7	1.9
Furniture	0.52	0.52	0.53	0.53	0.54	0.54	0.54	0.54
% Ch	4.9	3.9	4.0	5.2	3.4	1.7	1.6	0.7
Stone-Clay-Glass	0.55	0.55	0.55	0.55	0.55	0.56	0.56	0.56
% Ch	0.2	1.1	1.1	1.0	0.2	0.5	0.8	-0.1
Primary Metals	0.60	0.61	0.61	0.62	0.62	0.63	0.63	0.63
% Ch	3.1	4.4	5.2	4.1	2.8	3.8	1.3	0.2
Fabricated Metals	1.44	1.46	1.47	1.48	1.48	1.48	1.48	1.48
% Ch	3.2	3.2	3.2	3.1	0.7	0.1	0.1	-0.6
Nonelectrical Machinery	1.73	1.72	1.72	1.73	1.73	1.75	1.75	1.75
% Ch	-2.0	-2.6	-0.4	1.9	1.3	2.8	1.1	0.0
Electrical Machinery	1.29	1.29	1.30	1.32	1.34	1.37	1.40	1.43
% Ch	1.7	0.7	3.6	6.4	7.6	7.9	9.4	8.0
Transportation Equipment	1.59	1.61	1.61	1.62	1.61	1.61	1.61	1.60
% Ch	-0.2	3.1	2.1	1.0	-1.3	-0.5	-0.4	-1.7
Instruments	0.82	0.83	0.84	0.84	0.85	0.86	0.86	0.86
% Ch	2.4	2.6	3.9	3.8	3.1	2.1	1.9	0.8
Other Durables	0.38	0.38	0.38	0.39	0.39	0.39	0.39	0.39
% Ch	3.5	3.3	3.5	3.4	2.3	2.3	2.5	2.1
Nonmanufacturing	118.37	119.06	119.72	120.37	120.85	121.22	121.61	121.94
% Ch	3.0	2.3	2.2	2.2	1.6	1.2	1.3	1.1
Mining	0.58	0.59	0.58	0.58	0.57	0.56	0.56	0.55
% Ch	0.6	0.4	-2.4	-2.5	-4.3	-4.9	-4.6	-4.8
Construction	6.65	6.68	6.74	6.81	6.91	6.95	6.98	7.01
% Ch	3.9	2.3	3.7	3.7	6.0	2.7	1.7	1.7
Trans., Comm. and Utilities	7.12	7.18	7.24	7.30	7.33	7.36	7.39	7.42
% Ch	4.3	3.5	3.6	3.0	2.0	1.4	1.7	1.6
Wholesale Trade	7.00	7.06	7.09	7.12	7.14	7.14	7.15	7.16
% Ch	5.0	3.1	2.1	1.6	1.0	0.4	0.3	0.2
Retail Trade	23.75	23.81	23.84	23.89	23.83	23.83	23.80	23.78
% Ch	0.6	1.0	0.6	0.7	-0.9	-0.1	-0.4	-0.4
Finance-Insurance-Real Estate	8.08	8.15	8.22	8.29	8.33	8.37	8.40	8.41
% Ch	3.9	3.3	3.5	3.3	2.2	1.7	1.3	0.6
Services	43.68	44.03	44.38	44.72	45.03	45.23	45.51	45.74
% Ch	5.1	3.2	3.2	3.1	2.8	1.8	2.5	2.0
State and Local Government	18.84	18.89	18.93	18.99	19.02	19.08	19.13	19.18
% Ch	-0.2	1.0	1.1	1.2	0.6	1.2	1.1	1.1
Federal Government	2.68	2.68	2.69	2.69	2.69	2.70	2.70	2.70
% Ch	1.1	0.9	0.7	0.6	0.5	0.4	0.3	0.2

Table A2.3
Washington Nonagricultural Employment by Industry
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Wage and Salary Employment	2,594.7	2,648.7	2,711.5	2,696.4	2,645.2	2,663.7	2,727.2	2,783.8
% Ch	3.2	2.1	2.4	-0.6	-1.9	0.7	2.4	2.1
Manufacturing	379.6	364.1	353.1	338.3	309.3	298.0	299.4	306.0
% Ch	2.6	-4.1	-3.0	-4.2	-8.6	-3.6	0.5	2.2
Nondurable Manufacturing	108.6	108.3	108.7	103.7	99.0	98.6	100.3	102.7
% Ch	-0.2	-0.2	0.3	-4.6	-4.6	-0.3	1.7	2.3
Food and Kindred Products	40.7	41.1	41.5	39.8	37.9	38.2	38.9	40.0
% Ch	-1.4	0.9	0.9	-4.0	-4.9	0.8	2.0	2.7
Pulp and Paper	16.2	15.9	15.9	14.9	15.1	14.9	14.9	14.9
% Ch	-0.7	-2.0	0.2	-6.1	1.0	-1.2	0.1	0.2
Apparel	9.6	8.7	8.3	7.6	6.5	6.3	6.4	6.5
% Ch	-5.5	-8.9	-4.7	-8.7	-14.1	-2.8	1.1	0.6
Printing	24.4	24.2	24.5	23.4	21.9	21.9	22.5	23.3
% Ch	0.9	-0.9	1.2	-4.4	-6.2	0.0	2.7	3.7
Chemicals	6.0	6.2	6.1	6.0	5.6	5.3	5.5	5.7
% Ch	6.1	3.0	-0.8	-2.3	-6.5	-4.7	2.8	4.1
Other Nondurables	11.7	12.3	12.4	12.0	12.0	12.0	12.1	12.2
% Ch	4.5	4.8	1.0	-3.1	-0.3	-0.1	1.0	1.3
Durable Manufacturing	271.0	255.8	244.5	234.6	210.3	199.4	199.1	203.3
% Ch	3.7	-5.6	-4.4	-4.0	-10.4	-5.2	-0.1	2.1
Lumber and Wood	34.2	33.9	33.3	31.1	29.6	28.2	28.1	28.6
% Ch	-4.1	-0.7	-1.8	-6.6	-4.9	-4.9	-0.1	1.7
Furniture	4.7	4.7	5.0	4.7	4.1	4.0	4.1	4.2
% Ch	14.5	1.4	4.9	-5.4	-12.5	-2.1	2.0	1.9
Stone-Clay-Glass	9.1	8.9	9.2	8.8	8.6	8.5	8.5	8.6
% Ch	-4.0	-2.7	3.3	-4.4	-2.8	-0.8	-0.3	1.7
Primary Metals	12.0	11.7	11.1	9.1	6.8	6.4	6.9	7.1
% Ch	3.0	-2.4	-5.0	-18.1	-25.6	-5.1	7.5	3.2
Fabricated Metals	14.8	14.6	14.9	14.3	13.3	13.2	13.4	13.7
% Ch	3.7	-1.2	2.1	-4.3	-7.1	-0.7	1.8	2.1
Nonelectrical Machinery	26.1	25.1	25.6	24.3	22.0	21.3	20.6	20.8
% Ch	-1.8	-3.8	1.9	-5.1	-9.5	-3.1	-3.2	0.7
Electrical Machinery	18.5	18.5	20.3	19.2	15.5	15.2	16.7	18.1
% Ch	8.8	-0.3	10.0	-5.4	-19.6	-1.9	9.9	8.7
Aerospace	112.4	98.9	86.1	86.8	75.5	67.4	64.8	65.3
% Ch	7.1	-12.0	-12.9	0.8	-13.0	-10.7	-3.9	0.8
Other Trans. Equip.	15.6	15.9	15.3	13.3	13.1	13.2	13.3	13.4
% Ch	7.6	1.7	-4.0	-12.9	-1.5	0.6	1.0	0.8
Instruments	14.9	14.8	14.6	14.5	14.3	14.5	14.8	15.3
% Ch	2.7	-0.7	-1.0	-0.9	-1.2	1.0	2.5	3.3
Other Durables	8.7	8.8	9.0	8.5	7.6	7.6	7.9	8.2
% Ch	1.6	1.2	2.7	-5.8	-10.5	0.0	4.2	4.0
Nonmanufacturing	2,215.1	2,284.6	2,358.3	2,358.0	2,335.9	2,365.7	2,427.8	2,477.8
% Ch	3.3	3.1	3.2	-0.0	-0.9	1.3	2.6	2.1
Mining	3.3	3.1	3.6	3.4	3.1	3.2	3.3	3.4
% Ch	-6.1	-4.2	13.7	-4.0	-8.8	2.3	3.9	3.5
Construction	143.7	153.8	160.2	155.4	151.3	151.0	152.9	157.9
% Ch	5.4	7.1	4.1	-3.0	-2.7	-0.2	1.3	3.3
Trans., Comm. and Utilities	135.6	139.7	146.6	146.4	140.2	143.5	150.7	156.3
% Ch	2.1	3.0	4.9	-0.1	-4.3	2.4	5.0	3.7
Wholesale Trade	153.1	154.1	151.3	144.1	138.7	141.7	147.7	150.8
% Ch	2.3	0.7	-1.8	-4.8	-3.7	2.1	4.2	2.1
Retail Trade	469.6	482.0	493.9	489.6	481.3	485.7	493.0	494.8
% Ch	2.7	2.6	2.5	-0.9	-1.7	0.9	1.5	0.4
Finance-Insurance-Real Estate	134.6	137.6	137.5	140.7	141.7	144.8	149.7	154.6
% Ch	5.4	2.2	-0.1	2.4	0.7	2.1	3.4	3.3
Services	709.3	739.7	781.9	773.0	768.2	787.4	821.5	846.5
% Ch	4.5	4.3	5.7	-1.1	-0.6	2.5	4.3	3.0
State and Local Government	398.8	406.9	413.6	437.4	442.8	438.5	438.3	442.4
% Ch	2.2	2.0	1.6	5.8	1.2	-1.0	-0.0	0.9
Federal Government	67.2	67.6	69.9	67.9	68.5	69.9	70.5	70.9
% Ch	-0.9	0.5	3.4	-2.8	0.9	1.9	0.9	0.6

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Wage and Salary Employment	2,696.8	2,710.2	2,715.9	2,722.9	2,720.2	2,709.3	2,693.1	2,662.8
% Ch	3.7	2.0	0.8	1.0	-0.4	-1.6	-2.4	-4.4
Manufacturing	351.9	355.2	353.6	351.8	347.9	342.1	336.7	326.6
% Ch	-7.2	3.8	-1.7	-2.1	-4.3	-6.5	-6.2	-11.5
Nondurable Manufacturing	109.0	109.1	109.0	107.5	105.8	104.8	103.5	100.6
% Ch	0.3	0.4	-0.4	-5.2	-6.2	-3.9	-4.8	-10.8
Food and Kindred Products	41.2	41.9	42.0	40.8	40.2	40.3	40.1	38.7
% Ch	-1.8	7.1	1.3	-10.8	-5.6	0.2	-2.1	-13.3
Pulp and Paper	15.9	16.0	15.9	15.9	15.3	15.0	14.8	14.6
% Ch	3.2	-0.4	1.5	-4.3	-2.8	-5.0	-10.5	-12.5
Apparel	8.5	8.4	8.3	8.2	8.0	7.8	7.5	7.1
% Ch	-13.9	-2.3	-6.5	-3.5	-9.1	-11.2	-12.1	-18.3
Printing	24.5	24.5	24.6	24.3	24.1	23.8	23.2	22.4
% Ch	3.2	-0.4	1.5	-4.3	-2.8	-5.0	-10.5	-12.5
Chemicals	6.3	6.0	6.1	6.1	6.1	6.0	6.0	5.9
% Ch	-0.6	-15.5	1.9	6.0	-2.4	-8.3	-1.1	-3.8
Other Nondurables	12.7	12.4	12.2	12.2	12.1	12.0	12.0	11.9
% Ch	13.0	-9.7	-4.2	-0.2	-5.4	-3.6	3.1	-3.8
Durable Manufacturing	242.9	246.1	244.6	244.2	242.1	237.3	233.2	225.9
% Ch	-10.3	5.4	-2.3	-0.6	-3.5	-7.6	-6.8	-11.8
Lumber and Wood	34.0	33.8	33.0	32.4	32.0	31.1	31.0	30.3
% Ch	2.3	-2.0	-9.4	-6.3	-5.2	-10.4	-1.4	-9.5
Furniture	4.8	5.0	5.0	5.0	4.9	4.8	4.7	4.5
% Ch	8.2	13.4	1.5	2.3	-10.2	-11.0	-7.5	-16.2
Stone-Clay-Glass	9.2	9.2	9.1	9.2	9.2	9.0	8.6	8.4
% Ch	8.4	-0.6	-3.9	1.8	1.6	-9.7	-18.2	-5.4
Primary Metals	11.3	11.1	10.8	11.2	10.1	9.6	8.6	8.1
% Ch	-9.7	-8.7	-10.2	17.2	-34.4	-17.3	-36.5	-22.2
Fabricated Metals	14.9	15.0	15.0	14.9	14.9	14.4	14.0	13.8
% Ch	0.1	2.9	0.4	-1.2	-0.7	-12.1	-10.8	-6.0
Nonelectrical Machinery	25.3	25.6	25.7	25.7	25.4	24.7	24.1	23.0
% Ch	0.9	4.1	1.5	0.9	-5.8	-9.6	-9.8	-17.4
Electrical Machinery	19.4	19.9	20.7	21.3	21.2	19.8	18.6	17.2
% Ch	20.2	12.6	16.8	10.7	-0.8	-23.9	-22.1	-26.6
Aerospace	84.4	87.6	86.6	86.0	86.8	87.0	87.5	85.8
% Ch	-29.6	16.0	-4.4	-2.8	4.1	0.9	2.3	-7.6
Other Trans. Equip.	16.0	15.5	15.0	14.6	14.1	13.4	13.1	12.6
% Ch	4.5	-11.7	-12.4	-9.9	-13.9	-17.1	-9.6	-14.3
Instruments	14.5	14.6	14.7	14.7	14.6	14.7	14.6	14.2
% Ch	-6.2	2.5	2.4	-0.4	-3.2	3.4	-3.5	-10.3
Other Durables	9.0	8.8	9.1	9.2	8.9	8.6	8.4	8.1
% Ch	0.2	-10.0	11.7	4.5	-11.8	-9.6	-12.2	-12.8
Nonmanufacturing	2,344.9	2,355.0	2,362.3	2,371.1	2,372.3	2,367.2	2,356.5	2,336.2
% Ch	5.5	1.7	1.2	1.5	0.2	-0.9	-1.8	-3.4
Mining	3.5	3.6	3.6	3.5	3.4	3.5	3.5	3.4
% Ch	39.3	7.4	1.5	-9.4	-11.7	5.0	0.4	-10.4
Construction	160.7	160.4	159.0	160.5	159.8	156.5	154.5	150.8
% Ch	8.9	-0.7	-3.4	3.6	-1.5	-8.2	-5.0	-9.2
Trans., Comm. and Utilities	144.0	145.7	147.3	149.4	149.3	148.4	145.7	142.3
% Ch	4.0	4.9	4.5	5.8	-0.3	-2.4	-7.1	-9.0
Wholesale Trade	154.3	152.5	150.1	148.3	146.6	144.9	143.7	141.1
% Ch	-0.8	-4.6	-6.2	-4.6	-4.4	-4.6	-3.4	-7.1
Retail Trade	493.6	495.5	493.5	493.0	494.2	492.2	489.9	482.2
% Ch	4.8	1.5	-1.5	-0.5	1.0	-1.7	-1.9	-6.1
Finance-Insurance-Real Estate	137.8	137.2	137.1	137.7	138.9	139.5	141.9	142.6
% Ch	-0.5	-1.8	-0.4	1.7	3.6	1.9	7.1	1.8
Services	771.5	775.3	786.2	794.5	780.2	778.7	769.6	763.7
% Ch	9.9	2.0	5.7	4.3	-7.0	-0.8	-4.6	-3.0
State and Local Government	411.6	410.9	416.0	415.9	432.2	436.5	439.6	441.5
% Ch	2.8	-0.7	5.1	-0.1	16.6	4.1	2.9	1.7
Federal Government	67.9	73.9	69.4	68.4	67.6	67.1	68.2	68.7
% Ch	1.2	40.4	-22.4	-5.7	-4.5	-2.8	6.7	3.1

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Wage and Salary Employment	2,648.3	2,651.1	2,645.3	2,636.0	2,645.8	2,654.9	2,668.0	2,686.0
% Ch	-2.1	0.4	-0.9	-1.4	1.5	1.4	2.0	2.7
Manufacturing	317.8	311.9	305.4	301.9	300.8	298.1	296.7	296.5
% Ch	-10.3	-7.2	-8.1	-4.5	-1.5	-3.5	-2.0	-0.2
Nondurable Manufacturing	100.5	99.0	98.3	98.1	98.6	98.5	98.6	98.8
% Ch	-0.5	-5.9	-2.8	-0.8	2.3	-0.5	0.2	1.0
Food and Kindred Products	38.4	37.5	37.8	37.8	38.1	38.1	38.2	38.3
% Ch	-2.6	-9.4	3.1	0.7	3.3	-0.4	0.7	1.2
Pulp and Paper	15.3	15.2	14.9	14.9	14.9	14.9	14.9	14.9
% Ch	20.0	-1.4	-6.8	-1.0	0.3	-0.2	-0.3	0.0
Apparel	6.9	6.5	6.4	6.3	6.4	6.4	6.3	6.3
% Ch	-15.3	-17.0	-6.9	-8.2	6.5	-2.4	-1.5	-1.5
Printing	22.1	21.9	21.8	21.8	21.9	21.9	21.9	22.0
% Ch	-4.9	-3.5	-2.0	0.3	2.1	-1.0	-0.2	1.9
Chemicals	5.9	5.8	5.4	5.3	5.3	5.3	5.3	5.4
% Ch	2.6	-12.2	-20.2	-11.2	2.6	1.1	1.3	2.3
Other Nondurables	11.9	12.1	11.9	12.0	12.0	11.9	12.0	12.0
% Ch	-0.5	5.6	-5.7	1.7	-0.2	-0.2	0.2	0.6
Durable Manufacturing	217.3	212.9	207.1	203.8	202.1	199.6	198.1	197.7
% Ch	-14.5	-7.7	-10.5	-6.3	-3.3	-4.9	-3.0	-0.9
Lumber and Wood	29.9	30.0	29.4	29.1	28.6	28.3	27.9	27.8
% Ch	-4.4	0.7	-7.0	-5.2	-6.0	-4.8	-4.4	-1.7
Furniture	4.3	4.1	4.1	4.0	4.0	4.0	4.0	4.0
% Ch	-15.3	-16.3	-4.6	-3.7	1.3	-1.0	0.5	1.9
Stone-Clay-Glass	8.5	8.6	8.6	8.5	8.5	8.5	8.5	8.4
% Ch	4.8	1.5	-0.3	-0.4	-0.3	-1.8	-2.2	-1.3
Primary Metals	7.6	6.7	6.4	6.4	6.4	6.4	6.4	6.6
% Ch	-21.2	-41.5	-13.3	-0.1	-3.1	-0.6	3.9	9.5
Fabricated Metals	13.5	13.4	13.2	13.1	13.2	13.2	13.2	13.2
% Ch	-9.0	-3.7	-6.1	-0.1	2.3	-1.0	-0.3	1.0
Nonelectrical Machinery	22.1	22.0	21.9	21.9	21.8	21.4	21.1	20.9
% Ch	-13.7	-2.2	-2.5	-0.2	-1.9	-7.1	-4.9	-3.9
Electrical Machinery	16.1	15.8	15.2	14.7	14.8	14.9	15.2	15.7
% Ch	-23.4	-8.8	-13.6	-11.4	2.0	3.5	7.9	11.9
Aerospace	80.4	77.0	73.4	71.1	69.8	67.8	66.4	65.5
% Ch	-22.8	-15.9	-17.5	-11.9	-7.4	-10.6	-8.0	-5.3
Other Trans. Equip.	12.5	13.5	13.2	13.1	13.1	13.1	13.2	13.2
% Ch	-2.6	34.0	-6.2	-3.4	0.0	0.4	0.6	1.2
Instruments	14.4	14.2	14.3	14.3	14.4	14.4	14.5	14.6
% Ch	8.0	-5.9	2.1	0.4	1.4	1.2	2.3	2.3
Other Durables	7.8	7.8	7.5	7.4	7.5	7.6	7.6	7.7
% Ch	-15.5	0.7	-14.5	-2.0	3.6	3.9	3.9	4.1
Nonmanufacturing	2,330.6	2,339.2	2,339.9	2,334.1	2,345.0	2,356.8	2,371.4	2,389.5
% Ch	-1.0	1.5	0.1	-1.0	1.9	2.0	2.5	3.1
Mining	3.1	3.1	3.2	3.1	3.2	3.2	3.2	3.2
% Ch	-29.0	2.8	6.1	-2.4	2.7	3.2	2.8	3.6
Construction	150.4	150.5	152.1	152.1	152.0	150.9	150.5	150.5
% Ch	-1.1	0.2	4.3	0.1	-0.3	-2.7	-1.2	-0.1
Trans., Comm. and Utilities	140.5	140.8	139.7	139.7	141.2	142.6	144.3	146.2
% Ch	-4.8	0.7	-2.9	-0.2	4.3	4.2	4.7	5.4
Wholesale Trade	139.8	137.7	138.5	139.0	140.0	141.0	142.1	143.7
% Ch	-3.5	-6.0	2.5	1.4	2.9	2.9	3.3	4.4
Retail Trade	480.5	482.4	482.3	480.1	480.8	484.3	487.1	490.7
% Ch	-1.4	1.7	-0.1	-1.8	0.6	2.9	2.3	3.0
Finance-Insurance-Real Estate	140.7	141.9	142.0	142.4	143.4	144.2	145.2	146.3
% Ch	-5.1	3.4	0.5	0.9	3.0	2.2	2.7	3.2
Services	764.1	770.5	769.4	768.7	775.4	782.0	790.8	801.3
% Ch	0.2	3.4	-0.6	-0.4	3.6	3.4	4.6	5.4
State and Local Government	443.1	444.6	443.9	439.8	439.6	438.9	438.2	437.4
% Ch	1.4	1.4	-0.7	-3.6	-0.2	-0.6	-0.6	-0.7
Federal Government	68.3	67.7	68.7	69.3	69.5	69.8	70.0	70.2
% Ch	-2.2	-3.7	6.2	3.6	1.0	1.5	1.2	1.1

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Wage and Salary Employment	2,702.4	2,719.1	2,735.3	2,752.1	2,764.4	2,777.4	2,790.7	2,802.6
% Ch	2.5	2.5	2.4	2.5	1.8	1.9	1.9	1.7
Manufacturing	297.5	298.7	300.1	301.5	303.2	305.2	307.0	308.6
% Ch	1.3	1.6	2.0	1.9	2.2	2.7	2.4	2.0
Nondurable Manufacturing	99.3	100.0	100.7	101.3	101.9	102.5	103.0	103.3
% Ch	2.0	2.7	2.9	2.6	2.2	2.2	2.0	1.4
Food and Kindred Products	38.5	38.8	39.1	39.4	39.6	39.9	40.1	40.2
% Ch	2.0	3.1	3.5	2.8	2.7	2.9	2.1	1.1
Pulp and Paper	14.9	14.9	14.9	14.9	14.9	14.9	14.9	15.0
% Ch	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.1
Apparel	6.4	6.4	6.4	6.5	6.5	6.5	6.4	6.4
% Ch	3.9	2.1	1.9	1.6	1.0	-0.3	-1.1	-1.6
Printing	22.2	22.4	22.6	22.9	23.0	23.2	23.5	23.6
% Ch	3.2	4.1	4.4	4.4	3.2	3.5	3.6	3.0
Chemicals	5.4	5.5	5.5	5.6	5.6	5.7	5.7	5.8
% Ch	2.7	3.4	4.6	4.4	3.5	3.7	4.9	4.5
Other Nondurables	12.0	12.1	12.1	12.2	12.2	12.2	12.3	12.3
% Ch	1.2	1.6	1.6	1.8	1.4	0.9	0.9	0.8
Durable Manufacturing	198.2	198.7	199.4	200.2	201.3	202.7	204.1	205.3
% Ch	1.0	1.1	1.5	1.5	2.2	2.9	2.7	2.4
Lumber and Wood	27.9	28.0	28.2	28.4	28.5	28.5	28.6	28.8
% Ch	0.8	2.4	2.8	1.9	1.4	1.1	1.3	1.6
Furniture	4.1	4.1	4.1	4.2	4.2	4.2	4.2	4.2
% Ch	2.7	2.7	2.5	2.4	1.7	1.6	1.1	0.8
Stone-Clay-Glass	8.4	8.4	8.5	8.5	8.5	8.6	8.6	8.6
% Ch	-0.4	0.7	1.3	1.7	2.0	2.0	1.7	0.9
Primary Metals	6.7	6.9	7.0	7.1	7.1	7.1	7.1	7.1
% Ch	10.7	8.0	6.9	4.4	2.9	1.4	0.5	-0.2
Fabricated Metals	13.3	13.4	13.5	13.6	13.6	13.7	13.8	13.8
% Ch	2.2	3.2	3.0	3.2	1.2	2.0	1.9	1.0
Nonelectrical Machinery	20.7	20.6	20.5	20.6	20.6	20.8	20.8	20.8
% Ch	-2.9	-3.4	-1.0	1.5	1.0	2.6	0.9	-0.3
Electrical Machinery	16.1	16.5	16.9	17.2	17.5	17.9	18.3	18.7
% Ch	11.6	9.7	9.5	8.6	8.2	8.3	9.0	8.6
Aerospace	65.2	64.9	64.6	64.3	64.6	65.0	65.5	66.0
% Ch	-1.9	-1.8	-1.8	-1.8	1.4	3.0	3.0	3.0
Other Trans. Equip.	13.2	13.3	13.3	13.3	13.4	13.4	13.4	13.4
% Ch	1.2	1.2	1.2	1.3	0.7	0.5	0.4	0.4
Instruments	14.7	14.8	14.9	15.0	15.1	15.3	15.4	15.5
% Ch	2.4	2.5	3.5	3.4	3.7	3.5	3.0	2.1
Other Durables	7.8	7.9	8.0	8.1	8.1	8.2	8.3	8.4
% Ch	4.3	4.3	4.3	4.3	4.0	3.9	3.8	3.6
Nonmanufacturing	2,405.0	2,420.5	2,435.1	2,450.6	2,461.2	2,472.2	2,483.6	2,494.0
% Ch	2.6	2.6	2.4	2.6	1.7	1.8	1.9	1.7
Mining	3.3	3.3	3.3	3.4	3.4	3.4	3.5	3.5
% Ch	4.2	4.5	4.5	4.4	3.6	2.7	2.5	2.1
Construction	151.1	152.2	153.5	154.8	156.3	157.6	158.6	159.1
% Ch	1.8	2.8	3.3	3.6	3.8	3.5	2.5	1.3
Trans., Comm. and Utilities	148.0	149.8	151.6	153.5	154.6	155.8	156.9	158.0
% Ch	5.1	5.1	4.9	5.0	2.9	3.0	3.0	2.8
Wholesale Trade	145.3	147.0	148.5	150.0	150.4	150.7	151.0	151.2
% Ch	4.7	4.5	4.3	4.0	1.1	1.0	0.8	0.5
Retail Trade	491.3	492.6	493.5	494.7	494.1	494.7	495.0	495.5
% Ch	0.5	1.1	0.7	1.0	-0.5	0.4	0.3	0.4
Finance-Insurance-Real Estate	147.6	149.0	150.4	151.9	153.0	154.1	155.2	156.2
% Ch	3.7	3.7	3.8	4.1	3.0	2.9	2.8	2.5
Services	811.0	818.3	825.0	831.7	838.1	843.2	849.4	855.2
% Ch	4.9	3.6	3.3	3.3	3.1	2.4	3.0	2.7
State and Local Government	437.0	437.8	438.7	439.8	440.5	441.8	443.1	444.3
% Ch	-0.4	0.8	0.9	1.0	0.6	1.2	1.2	1.1
Federal Government	70.3	70.4	70.6	70.7	70.8	70.9	70.9	71.0
% Ch	0.9	0.7	0.6	0.6	0.6	0.5	0.5	0.5

Table A3.1
U.S. Personal Income by Component
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	7,426.0	7,786.5	8,406.6	8,685.3	8,959.6	9,410.3	9,985.8	10,593.2
% Ch	7.0	4.9	8.0	3.3	3.2	5.0	6.1	6.1
Total Wage and Salary Disbursements	4,192.8	4,470.4	4,836.3	4,950.6	5,024.0	5,286.3	5,680.9	6,050.5
% Ch	7.8	6.6	8.2	2.4	1.5	5.2	7.5	6.5
Nonwage Personal Income	3,233.2	3,316.1	3,570.2	3,734.7	3,935.6	4,124.1	4,305.0	4,542.7
% Ch	6.1	2.6	7.7	4.6	5.4	4.8	4.4	5.5
Other Labor Income	490.6	510.2	544.2	570.4	608.7	645.5	679.3	716.9
% Ch	3.2	4.0	6.7	4.8	6.7	6.0	5.2	5.5
Proprietor's Income	623.8	678.4	714.8	727.9	762.2	826.6	884.6	928.3
% Ch	7.3	8.8	5.4	1.8	4.7	8.5	7.0	4.9
Farm	25.6	27.7	22.6	19.0	14.4	28.5	36.1	36.4
% Ch	-13.9	8.3	-18.5	-15.6	-24.2	97.7	26.5	0.9
Nonfarm	598.2	650.7	692.2	708.8	747.7	798.1	848.5	891.9
% Ch	8.5	8.8	6.4	2.4	5.5	6.7	6.3	5.1
Less: Pers Cont. For Social Ins.	316.3	337.4	358.4	372.3	385.1	405.2	434.6	461.6
% Ch	6.2	6.7	6.2	3.9	3.4	5.2	7.3	6.2
Dividends/Int./Rent	1,451.4	1,446.4	1,599.3	1,638.3	1,662.1	1,709.2	1,779.8	1,892.7
% Ch	9.4	-0.3	10.6	2.4	1.5	2.8	4.1	6.3
Transfer Payments	983.7	1,018.5	1,070.3	1,170.4	1,287.8	1,348.0	1,395.8	1,466.4
% Ch	2.2	3.5	5.1	9.4	10.0	4.7	3.5	5.1

Table A3.2
U.S. Personal Income by Component
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	8,211.6	8,350.2	8,487.8	8,576.6	8,658.1	8,676.2	8,706.2	8,700.9
% Ch	13.2	6.9	6.8	4.2	3.9	0.8	1.4	-0.2
Total Wage and Salary Disbursements	4,757.4	4,790.8	4,879.3	4,917.8	4,960.4	4,956.9	4,953.7	4,931.4
% Ch	16.7	2.8	7.6	3.2	3.5	-0.3	-0.3	-1.8
Nonwage Personal Income	3,454.2	3,559.4	3,608.5	3,658.8	3,697.7	3,719.3	3,752.4	3,769.5
% Ch	8.7	12.8	5.6	5.7	4.3	2.4	3.6	1.8
Other Labor Income	530.5	540.0	548.7	557.4	564.7	568.2	572.4	576.3
% Ch	9.8	7.4	6.6	6.4	5.4	2.5	3.0	2.8
Proprietor's Income	702.5	718.8	718.6	719.3	721.2	726.6	732.4	731.3
% Ch	3.0	9.6	-0.1	0.4	1.0	3.0	3.3	-0.6
Farm	22.3	25.0	21.7	21.2	19.3	18.4	19.3	19.2
% Ch	-39.8	57.6	-43.6	-8.2	-32.4	-16.8	21.0	-0.8
Nonfarm	680.2	693.8	696.9	698.1	701.9	708.2	713.1	712.1
% Ch	4.9	8.3	1.8	0.7	2.2	3.6	2.8	-0.6
Less: Pers Cont. For Social Ins.	354.5	355.3	360.6	363.1	371.1	372.2	373.1	372.7
% Ch	13.4	0.9	6.1	2.8	9.2	1.1	1.0	-0.4
Dividends/Int./Rent	1,530.9	1,590.3	1,625.1	1,651.0	1,648.0	1,637.6	1,638.2	1,629.5
% Ch	14.2	16.5	9.0	6.5	-0.7	-2.5	0.2	-2.1
Transfer Payments	1,044.8	1,065.5	1,076.6	1,094.2	1,135.0	1,159.1	1,182.5	1,205.0
% Ch	6.0	8.2	4.2	6.7	15.8	8.8	8.3	7.8

Table A3.2
U.S. Personal Income by Component
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,803.4	8,913.7	9,010.1	9,111.2	9,250.7	9,341.4	9,457.5	9,591.8
% Ch	4.8	5.1	4.4	4.6	6.3	4.0	5.1	5.8
Total Wage and Salary Disbursements	4,957.8	4,997.0	5,040.6	5,100.6	5,174.5	5,240.2	5,315.7	5,414.6
% Ch	2.2	3.2	3.5	4.8	5.9	5.2	5.9	7.7
Nonwage Personal Income	3,845.7	3,916.8	3,969.5	4,010.6	4,076.2	4,101.2	4,141.8	4,177.1
% Ch	8.3	7.6	5.5	4.2	6.7	2.5	4.0	3.5
Other Labor Income	590.7	604.1	615.7	624.3	634.0	641.7	648.8	657.3
% Ch	10.4	9.3	7.9	5.7	6.3	5.0	4.5	5.3
Proprietor's Income	748.4	747.5	767.0	785.8	803.5	817.2	836.4	849.3
% Ch	9.7	-0.5	10.8	10.2	9.3	7.0	9.7	6.3
Farm	21.7	7.5	10.6	17.9	23.3	26.6	32.6	31.7
% Ch	62.2	-98.6	307.8	703.8	186.1	70.3	125.4	-10.9
Nonfarm	726.7	740.0	756.3	767.9	780.3	790.6	803.8	817.7
% Ch	8.4	7.6	9.1	6.2	6.6	5.4	6.9	7.1
Less: Pers Cont. For Social Ins.	380.5	383.5	386.7	389.7	396.9	401.7	407.2	415.0
% Ch	8.6	3.3	3.3	3.2	7.6	4.9	5.6	7.9
Dividends/Int./Rent	1,635.0	1,666.1	1,672.4	1,674.8	1,699.9	1,699.3	1,710.5	1,726.9
% Ch	1.3	7.8	1.5	0.6	6.1	-0.1	2.7	3.9
Transfer Payments	1,252.0	1,282.6	1,301.1	1,315.4	1,335.6	1,344.7	1,353.3	1,358.6
% Ch	16.5	10.1	5.9	4.5	6.3	2.7	2.6	1.6

Table A3.2
U.S. Personal Income by Component
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,759.4	9,910.1	10,059.0	10,214.7	10,381.8	10,527.8	10,665.5	10,797.7
% Ch	7.2	6.3	6.1	6.3	6.7	5.7	5.3	5.0
Total Wage and Salary Disbursements	5,529.1	5,632.6	5,731.6	5,830.1	5,929.6	6,013.4	6,091.2	6,167.7
% Ch	8.7	7.7	7.2	7.1	7.0	5.8	5.3	5.1
Nonwage Personal Income	4,230.3	4,277.5	4,327.4	4,384.6	4,452.2	4,514.4	4,574.3	4,629.9
% Ch	5.2	4.5	4.7	5.4	6.3	5.7	5.4	5.0
Other Labor Income	666.9	672.3	683.3	694.8	704.4	713.0	721.5	728.7
% Ch	6.0	3.2	6.7	6.9	5.7	5.0	4.9	4.1
Proprietor's Income	865.2	878.7	892.3	902.2	914.8	926.2	934.5	937.8
% Ch	7.7	6.4	6.3	4.6	5.7	5.1	3.7	1.4
Farm	32.9	35.8	39.2	36.5	36.2	38.0	37.7	33.7
% Ch	16.4	40.4	43.3	-24.7	-3.3	22.0	-3.2	-36.1
Nonfarm	832.3	842.9	853.1	865.8	878.6	888.1	896.8	904.1
% Ch	7.4	5.2	4.9	6.1	6.1	4.4	4.0	3.3
Less: Pers Cont. for Social Ins.	423.5	431.1	438.4	445.6	452.9	459.0	464.6	470.1
% Ch	8.4	7.4	6.9	6.8	6.7	5.5	5.0	4.8
Dividends/Int./Rent	1,745.7	1,768.8	1,788.5	1,816.3	1,845.7	1,876.2	1,907.2	1,942.0
% Ch	4.4	5.4	4.5	6.4	6.6	6.8	6.8	7.5
Transfer Payments	1,375.9	1,388.9	1,401.7	1,416.8	1,440.2	1,458.0	1,475.7	1,491.6
% Ch	5.2	3.8	3.7	4.4	6.8	5.0	5.0	4.4

Table A3.3
Washington Personal Income by Component
 Forecast 2002 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	163.192	174.322	186.863	191.763	198.549	205.666	217.010	230.348
% Ch	8.6	6.8	7.2	2.6	3.5	3.6	5.5	6.1
Total Wage and Salary Disbursements	94.322	103.805	110.045	110.856	111.802	115.075	122.550	130.530
% Ch	10.5	10.1	6.0	0.7	0.9	2.9	6.5	6.5
Manufacturing	16.218	16.421	16.762	16.401	15.894	15.380	16.154	17.301
% Ch	5.9	1.3	2.1	-2.2	-3.1	-3.2	5.0	7.1
Nondurable Manufacturing	3.800	4.069	4.448	4.150	4.223	4.238	4.513	4.842
% Ch	1.8	7.1	9.3	-6.7	1.8	0.4	6.5	7.3
Durable Manufacturing	12.418	12.352	12.314	12.250	11.671	11.142	11.640	12.459
% Ch	7.2	-0.5	-0.3	-0.5	-4.7	-4.5	4.5	7.0
Nonmanufacturing	74.587	83.597	89.363	90.260	91.350	94.888	101.349	107.940
% Ch	12.1	12.1	6.9	1.0	1.2	3.9	6.8	6.5
Other Private Wages	0.775	0.893	0.953	1.005	1.013	1.059	1.129	1.212
% Ch	4.6	15.2	6.7	5.5	0.8	4.6	6.6	7.4
Farm Wages	0.876	0.988	0.967	1.047	1.156	1.213	1.263	1.322
% Ch	3.2	12.7	-2.1	8.3	10.4	4.9	4.1	4.6
Military Wages	1.865	1.906	2.000	2.143	2.388	2.535	2.655	2.754
% Ch	-3.8	2.2	4.9	7.1	11.4	6.2	4.7	3.7
Nonwage Personal Income	68.870	70.517	76.818	80.907	86.747	90.591	94.460	99.819
% Ch	6.3	2.4	8.9	5.3	7.2	4.4	4.3	5.7
Other Labor Income	10.549	11.057	11.642	12.167	13.005	13.572	14.110	14.838
% Ch	3.5	4.8	5.3	4.5	6.9	4.4	4.0	5.2
Proprietor's Income	12.505	13.274	14.208	14.273	15.412	16.632	17.845	18.845
% Ch	7.0	6.2	7.0	0.5	8.0	7.9	7.3	5.6
Farm	0.519	0.084	0.260	0.012	0.434	0.621	0.709	0.723
% Ch	11.0	-83.8	209.8	-95.5	3,596.9	42.9	14.2	2.1
Nonfarm	11.985	13.190	13.947	14.261	14.978	16.011	17.136	18.122
% Ch	6.8	10.1	5.7	2.2	5.0	6.9	7.0	5.8
Less: Pers. Cont. for Social Ins.	7.214	7.896	8.245	8.446	8.672	9.008	9.595	10.213
% Ch	8.7	9.5	4.4	2.4	2.7	3.9	6.5	6.4
Plus: Residence Adjustment	1.723	2.045	2.383	2.394	2.437	2.557	2.677	2.800
% Ch	4.8	18.7	16.5	0.5	1.8	4.9	4.7	4.6
Dividends/Int./Rent	31.714	31.479	35.180	36.279	36.885	38.012	39.711	42.401
% Ch	9.8	-0.7	11.8	3.1	1.7	3.1	4.5	6.8
Transfer Payments	19.596	20.557	21.650	24.240	27.679	28.826	29.713	31.147
% Ch	2.9	4.9	5.3	12.0	14.2	4.1	3.1	4.8
State U.I. Benefits	0.816	0.945	0.937	1.381	2.886	2.637	2.069	1.938
% Ch	12.9	15.9	-0.9	47.4	109.1	-8.6	-21.6	-6.3
Other Transfers	18.780	19.611	20.714	22.860	24.792	26.189	27.645	29.210
% Ch	2.5	4.4	5.6	10.4	8.5	5.6	5.6	5.7

Table A3.4
Washington Personal Income by Component
 Forecast 2002 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	187.344	185.786	185.901	188.422	189.797	194.386	192.225	190.644
% Ch	15.8	-3.3	0.2	5.5	3.0	10.0	-4.4	-3.2
Total Wage and Salary Disbursements	113.382	109.417	108.048	109.333	109.916	113.902	110.807	108.798
% Ch	19.3	-13.3	-4.9	4.8	2.2	15.3	-10.4	-7.1
Manufacturing	17.209	16.409	16.679	16.751	17.129	16.287	16.322	15.864
% Ch	22.1	-17.3	6.7	1.7	9.3	-18.3	0.9	-10.8
Nondurable Manufacturing	4.993	4.162	4.425	4.212	4.134	4.183	4.192	4.092
% Ch	98.2	-51.7	27.8	-17.9	-7.2	4.8	0.9	-9.2
Durable Manufacturing	12.216	12.247	12.254	12.539	12.995	12.104	12.130	11.772
% Ch	1.7	1.0	0.2	9.6	15.4	-24.7	0.9	-11.3
Nonmanufacturing	92.347	89.096	87.407	88.603	88.656	93.471	90.238	88.675
% Ch	19.5	-13.4	-7.4	5.6	0.2	23.6	-13.1	-6.8
Other Private Wages	0.906	0.978	0.961	0.966	0.989	0.968	1.045	1.018
% Ch	-5.5	35.8	-6.8	2.1	9.9	-8.2	35.8	-9.9
Farm Wages	0.958	0.970	0.972	0.967	1.004	1.038	1.064	1.082
% Ch	-4.1	5.1	0.8	-2.0	16.2	14.2	10.4	6.9
Military Wages	1.962	1.964	2.029	2.046	2.138	2.138	2.138	2.159
% Ch	11.1	0.4	13.9	3.4	19.2	0.0	0.0	4.0
Nonwage Personal Income	73.962	76.369	77.851	79.088	79.881	80.483	81.417	81.846
% Ch	10.6	13.7	8.0	6.5	4.1	3.0	4.7	2.1
Other Labor Income	11.669	11.575	11.542	11.783	11.946	12.323	12.200	12.200
% Ch	11.1	-3.2	-1.1	8.6	5.6	13.2	-3.9	0.0
Proprietor's Income	13.964	14.203	14.310	14.353	14.178	14.276	14.377	14.260
% Ch	5.2	7.0	3.0	1.2	-4.8	2.8	2.9	-3.2
Farm	0.243	0.249	0.301	0.248	0.029	0.005	0.010	0.003
% Ch	919.2	10.2	113.5	-53.9	-100.0	-99.9	1,500.0	-99.2
Nonfarm	13.721	13.954	14.008	14.105	14.149	14.271	14.367	14.256
% Ch	2.0	7.0	1.6	2.8	1.3	3.5	2.7	-3.1
Less: Pers. Cont. for Social Ins.	8.530	8.200	8.077	8.172	8.330	8.665	8.457	8.333
% Ch	16.4	-14.6	-5.9	4.8	8.0	17.1	-9.3	-5.7
Plus: Residence Adjustment	2.274	2.370	2.460	2.426	2.441	2.355	2.387	2.392
% Ch	45.1	18.0	16.1	-5.4	2.5	-13.4	5.5	0.8
Dividends/Int./Rent	33.498	34.916	35.849	36.457	36.447	36.263	36.300	36.107
% Ch	15.4	18.0	11.1	7.0	-0.1	-2.0	0.4	-2.1
Transfer Payments	21.087	21.505	21.768	22.241	23.199	23.931	24.610	25.221
% Ch	5.9	8.2	5.0	9.0	18.4	13.2	11.8	10.3
State U.I. Benefits	0.926	0.898	0.919	1.003	1.037	1.284	1.475	1.726
% Ch	-3.4	-11.6	9.7	41.9	14.3	135.0	74.1	87.5
Other Transfers	20.161	20.607	20.850	21.238	22.162	22.647	23.135	23.495
% Ch	6.4	9.1	4.8	7.7	18.6	9.0	8.9	6.4

Table A3.4
Washington Personal Income by Component
 Forecast 2002 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	195.993	198.595	199.456	200.150	202.821	204.397	206.446	208.999
% Ch	11.7	5.4	1.7	1.4	5.4	3.1	4.1	5.0
Total Wage and Salary Disbursements	111.327	112.212	111.893	111.775	113.219	114.320	115.522	117.240
% Ch	9.6	3.2	-1.1	-0.4	5.3	3.9	4.3	6.1
Manufacturing	17.127	15.734	15.433	15.284	15.345	15.327	15.355	15.494
% Ch	35.9	-28.8	-7.4	-3.8	1.6	-0.5	0.7	3.7
Nondurable Manufacturing	4.506	4.140	4.121	4.125	4.185	4.215	4.249	4.303
% Ch	47.0	-28.8	-1.8	0.4	6.0	2.9	3.2	5.2
Durable Manufacturing	12.621	11.594	11.312	11.159	11.160	11.112	11.107	11.191
% Ch	32.1	-28.8	-9.4	-5.3	0.0	-1.7	-0.2	3.1
Nonmanufacturing	89.746	91.944	91.866	91.846	93.124	94.208	95.342	96.876
% Ch	4.9	10.2	-0.3	-0.1	5.7	4.7	4.9	6.6
Other Private Wages	1.019	0.996	1.010	1.025	1.042	1.051	1.064	1.079
% Ch	0.4	-8.8	6.0	6.0	6.7	3.6	4.8	6.0
Farm Wages	1.112	1.154	1.171	1.188	1.200	1.207	1.217	1.228
% Ch	11.6	16.0	6.0	6.0	4.0	2.5	3.1	3.8
Military Wages	2.323	2.385	2.412	2.432	2.507	2.527	2.545	2.562
% Ch	34.0	11.1	4.6	3.4	13.0	3.1	2.9	2.8
Nonwage Personal Income	84.666	86.383	87.564	88.375	89.602	90.077	90.925	91.759
% Ch	14.5	8.4	5.6	3.8	5.7	2.1	3.8	3.7
Other Labor Income	12.729	12.918	13.124	13.251	13.414	13.527	13.615	13.731
% Ch	18.5	6.1	6.5	3.9	5.0	3.4	2.6	3.5
Proprietor's Income	15.056	15.194	15.565	15.834	16.146	16.433	16.813	17.136
% Ch	24.3	3.7	10.1	7.1	8.1	7.3	9.6	7.9
Farm	0.461	0.346	0.427	0.504	0.569	0.602	0.665	0.648
% Ch	#####	-68.3	131.3	94.4	62.2	25.3	49.1	-9.9
Nonfarm	14.595	14.848	15.138	15.331	15.577	15.831	16.149	16.489
% Ch	9.9	7.1	8.0	5.2	6.6	6.7	8.3	8.7
Less: Pers. Cont. for Social Ins.	8.658	8.638	8.681	8.710	8.864	8.947	9.038	9.182
% Ch	16.5	-0.9	2.0	1.4	7.2	3.8	4.1	6.5
Plus: Residence Adjustment	2.377	2.430	2.455	2.487	2.514	2.542	2.571	2.600
% Ch	-2.5	9.2	4.2	5.3	4.4	4.5	4.6	4.7
Dividends/Int./Rent	36.230	36.993	37.131	37.187	37.756	37.781	38.059	38.453
% Ch	1.4	8.7	1.5	0.6	6.3	0.3	3.0	4.2
Transfer Payments	26.932	27.486	27.969	28.327	28.637	28.741	28.905	29.020
% Ch	30.0	8.5	7.2	5.2	4.5	1.5	2.3	1.6
State U.I. Benefits	2.625	2.826	3.027	3.068	2.899	2.698	2.544	2.408
% Ch	435.0	34.3	31.6	5.6	-20.3	-25.0	-20.9	-19.7
Other Transfers	24.307	24.660	24.943	25.259	25.738	26.044	26.361	26.612
% Ch	14.6	5.9	4.7	5.2	7.8	4.8	5.0	3.9

Table A3.4
Washington Personal Income by Component
 Forecast 2002 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	212.238	215.402	218.514	221.886	225.447	228.783	231.983	235.180
% Ch	6.3	6.1	5.9	6.3	6.6	6.0	5.7	5.6
Total Wage and Salary Disbursements	119.399	121.550	123.589	125.661	127.727	129.660	131.455	133.277
% Ch	7.6	7.4	6.9	6.9	6.7	6.2	5.7	5.7
Manufacturing	15.748	16.020	16.290	16.558	16.859	17.168	17.449	17.729
% Ch	6.7	7.1	6.9	6.8	7.5	7.5	6.7	6.6
Nondurable Manufacturing	4.382	4.470	4.558	4.643	4.727	4.809	4.882	4.951
% Ch	7.6	8.3	8.1	7.6	7.5	7.1	6.2	5.8
Durable Manufacturing	11.366	11.549	11.732	11.915	12.131	12.359	12.567	12.778
% Ch	6.4	6.6	6.5	6.4	7.5	7.7	6.9	6.9
Nonmanufacturing	98.678	100.507	102.228	103.982	105.647	107.224	108.695	110.195
% Ch	7.7	7.6	7.0	7.0	6.6	6.1	5.6	5.6
Other Private Wages	1.099	1.119	1.138	1.159	1.182	1.203	1.223	1.243
% Ch	7.7	7.3	7.1	7.6	7.9	7.3	6.8	6.7
Farm Wages	1.242	1.256	1.270	1.285	1.300	1.315	1.329	1.343
% Ch	4.7	4.6	4.5	4.8	4.9	4.5	4.3	4.2
Military Wages	2.631	2.648	2.663	2.677	2.739	2.751	2.760	2.768
% Ch	11.3	2.5	2.3	2.1	9.6	1.6	1.4	1.1
Nonwage Personal Income	92.839	93.852	94.925	96.225	97.721	99.122	100.528	101.903
% Ch	4.8	4.4	4.7	5.6	6.4	5.9	5.8	5.6
Other Labor Income	13.885	13.981	14.181	14.392	14.571	14.753	14.932	15.094
% Ch	4.6	2.8	5.8	6.1	5.1	5.1	4.9	4.4
Proprietor's Income	17.445	17.711	17.985	18.238	18.519	18.764	18.978	19.119
% Ch	7.4	6.2	6.3	5.7	6.3	5.4	4.6	3.0
Farm	0.659	0.703	0.752	0.721	0.720	0.743	0.742	0.689
% Ch	7.4	29.1	31.3	-15.7	-0.7	13.6	-0.8	-25.4
Nonfarm	16.786	17.008	17.232	17.517	17.800	18.021	18.236	18.429
% Ch	7.4	5.4	5.4	6.8	6.6	5.1	4.9	4.3
Less: Pers. Cont. for Social Ins.	9.350	9.518	9.676	9.837	9.997	10.146	10.284	10.424
% Ch	7.5	7.4	6.8	6.8	6.7	6.1	5.5	5.6
Plus: Residence Adjustment	2.630	2.661	2.692	2.724	2.755	2.786	2.816	2.845
% Ch	4.7	4.7	4.8	4.9	4.6	4.5	4.4	4.3
Dividends/Int./Rent	38.900	39.443	39.921	40.579	41.274	42.002	42.746	43.581
% Ch	4.7	5.7	4.9	6.8	7.0	7.2	7.3	8.0
Transfer Payments	29.329	29.574	29.822	30.128	30.598	30.964	31.341	31.688
% Ch	4.3	3.4	3.4	4.2	6.4	4.9	5.0	4.5
State U.I. Benefits	2.203	2.101	1.996	1.974	1.955	1.939	1.930	1.927
% Ch	-30.0	-17.2	-18.6	-4.2	-3.8	-3.4	-1.8	-0.7
Other Transfers	27.126	27.472	27.826	28.154	28.642	29.025	29.410	29.761
% Ch	8.0	5.2	5.3	4.8	7.1	5.4	5.4	4.9

Table A4.1
Selected Inflation Indicators
 (Deflator 1996=1.0; CPI 1982-84=1.0)

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Change Percent	Index	Change Percent	Index	Change Percent
1965	0.234	1.5	0.315	1.6	0.310	1.1
1966	0.240	2.6	0.325	3.0	0.319	3.0
1967	0.246	2.5	0.334	2.8	0.328	2.9
1968	0.256	3.9	0.348	4.2	0.342	4.1
1969	0.267	4.5	0.367	5.4	0.358	4.8
1970	0.280	4.7	0.388	5.9	0.374	4.5
1971	0.292	4.3	0.405	4.2	0.382	2.1
1972	0.302	3.5	0.418	3.3	0.393	2.9
1973	0.319	5.4	0.444	6.3	0.418	6.4
1974	0.351	10.3	0.493	11.0	0.464	11.0
1975	0.380	8.1	0.538	9.1	0.511	10.2
1976	0.401	5.5	0.569	5.8	0.539	5.5
1977	0.427	6.6	0.606	6.5	0.583	8.0
1978	0.458	7.1	0.652	7.6	0.640	9.9
1979	0.498	8.9	0.726	11.3	0.709	10.8
1980	0.552	10.8	0.824	13.5	0.827	16.7
1981	0.601	8.8	0.909	10.4	0.916	10.8
1982	0.635	5.6	0.965	6.2	0.978	6.7
1983	0.662	4.3	0.996	3.2	0.993	1.5
1984	0.686	3.7	1.039	4.4	1.030	3.8
1985	0.710	3.4	1.076	3.5	1.056	2.5
1986	0.727	2.4	1.097	1.9	1.066	1.0
1987	0.755	3.8	1.136	3.6	1.092	2.4
1988	0.784	3.9	1.183	4.1	1.128	3.3
1989	0.819	4.4	1.239	4.8	1.181	4.7
1990	0.856	4.6	1.307	5.4	1.268	7.3
1991	0.889	3.8	1.362	4.2	1.341	5.8
1992	0.916	3.0	1.403	3.0	1.390	3.7
1993	0.938	2.4	1.445	3.0	1.429	2.8
1994	0.957	2.0	1.482	2.6	1.478	3.4
1995	0.979	2.3	1.524	2.8	1.522	3.0
1996	1.000	2.1	1.569	2.9	1.575	3.4
1997	1.019	1.9	1.605	2.3	1.630	3.5
1998	1.030	1.1	1.630	1.5	1.678	2.9
1999	1.047	1.6	1.666	2.2	1.728	3.0
2000	1.074	2.5	1.722	3.4	1.792	3.7
2001	1.096	2.0	1.771	2.8	1.857	3.6
Forecast						
2002	1.112	1.5	1.801	1.7	1.896	2.1
2003	1.141	2.6	1.852	2.9	1.941	2.4
2004	1.173	2.7	1.906	2.9	1.987	2.4
2005	1.204	2.7	1.962	2.9	2.039	2.6

* 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

Table A4.2
Chain-Weighted Price Indices
 (1996=1.0)

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1965	0.188	2.0	0.236	2.0	0.149	2.3	0.237	3.8
1966	0.193	2.9	0.246	4.2	0.153	2.5	0.243	2.3
1967	0.199	3.0	0.250	1.6	0.158	3.2	0.251	3.3
1968	0.207	4.2	0.259	3.7	0.162	3.0	0.254	1.5
1969	0.217	5.0	0.272	4.9	0.166	2.3	0.263	3.3
1970	0.229	5.3	0.288	6.1	0.173	4.2	0.265	0.9
1971	0.242	5.6	0.297	3.1	0.185	6.7	0.267	0.7
1972	0.252	4.3	0.311	4.5	0.186	0.8	0.270	1.3
1973	0.264	4.6	0.345	10.9	0.213	14.4	0.296	9.6
1974	0.285	7.9	0.393	14.2	0.338	58.3	0.400	35.1
1975	0.308	8.2	0.425	7.9	0.370	9.6	0.427	6.7
1976	0.329	6.8	0.439	3.3	0.395	6.8	0.445	4.2
1977	0.355	7.9	0.466	6.3	0.446	12.8	0.471	5.8
1978	0.383	7.9	0.509	9.1	0.469	5.1	0.491	4.3
1979	0.414	8.2	0.559	10.0	0.628	34.0	0.659	34.0
1980	0.459	10.7	0.608	8.7	0.874	39.2	0.914	38.8
1981	0.506	10.2	0.654	7.6	1.064	21.7	1.017	11.3
1982	0.548	8.4	0.677	3.5	1.052	-1.2	0.966	-5.1
1983	0.583	6.4	0.692	2.1	0.989	-6.0	0.934	-3.3
1984	0.614	5.2	0.715	3.3	1.011	2.3	0.920	-1.5
1985	0.644	4.9	0.729	2.0	0.976	-3.4	0.928	0.8
1986	0.673	4.6	0.750	2.9	0.787	-19.3	0.729	-21.5
1987	0.702	4.3	0.775	3.3	0.788	0.1	0.756	3.8
1988	0.736	4.9	0.801	3.4	0.790	0.3	0.763	0.8
1989	0.771	4.8	0.841	5.0	0.826	4.5	0.833	9.2
1990	0.809	5.0	0.882	4.8	0.986	19.4	0.948	13.8
1991	0.848	4.8	0.912	3.4	0.955	-3.2	0.936	-1.3
1992	0.885	4.3	0.922	1.2	0.921	-3.6	0.933	-0.4
1993	0.916	3.5	0.937	1.5	0.918	-0.3	0.923	-1.0
1994	0.942	2.8	0.952	1.6	0.903	-1.6	0.928	0.5
1995	0.973	3.3	0.973	2.2	0.896	-0.8	0.942	1.6
1996	1.000	2.8	1.000	2.8	1.000	11.6	1.000	6.1
1997	1.031	3.1	1.022	2.2	1.008	0.8	1.000	0.0
1998	1.055	2.3	1.040	1.8	0.915	-9.2	0.871	-12.9
1999	1.078	2.2	1.061	2.0	0.927	1.2	0.948	8.8
2000	1.108	2.8	1.087	2.4	1.291	39.3	1.211	27.8
2001	1.143	3.1	1.119	3.0	1.307	1.3	1.168	-3.6
Forecast								
2002	1.175	2.7	1.142	2.1	1.163	-11.0	1.139	-2.5
2003	1.217	3.6	1.168	2.2	1.198	2.9	1.192	4.7
2004	1.261	3.6	1.199	2.7	1.209	1.0	1.171	-1.7
2005	1.304	3.4	1.231	2.6	1.240	2.5	1.181	0.8

Table A5.1
Total 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	79.2	44.8	32.4
Forecast						
2003	6098.6	56.9	0.9	82.0	46.2	21.1
2004	6157.9	59.3	1.0	82.6	46.9	23.6
2005	6230.0	72.1	1.2	83.4	47.6	36.3

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	<u>2000</u>	Actual <u>2001</u>	<u>2002</u>	<u>2003</u>	Forecast <u>2004</u>	<u>2005</u>
Total Population	5894.1	5974.9	6041.7	6098.6	6157.9	6230.0
Percent Change	1.1	1.4	1.1	0.9	1.0	1.2
Age 17 and Under	1513.8	1520.9	1522.6	1522.5	1522.6	1528.9
Percent of Total	25.7	25.5	25.2	25.0	24.7	24.5
Age 6-18	1123.3	1129.4	1130.0	1127.8	1125.7	1125.8
Percent of Total	19.1	18.9	18.7	18.5	18.3	18.1
Age 18 and Over	4380.3	4454.0	4519.1	4576.1	4635.3	4701.1
Percent of Total	74.3	74.5	74.8	75.0	75.3	75.5
Age 21 and Over	4128.0	4195.5	4257.3	4312.1	4369.6	4433.9
Percent of Total	70.0	70.2	70.5	70.7	71.0	71.2
Age 20-34	1231.3	1243.4	1255.0	1262.9	1268.8	1273.2
Percent of Total	20.9	20.8	20.8	20.7	20.6	20.4
Age 18-64	3718.1	3784.3	3841.7	3890.2	3940.5	3994.9
Percent of Total	63.1	63.3	63.6	63.8	64.0	64.1
Age 65 and Over	662.1	669.7	677.3	685.8	694.8	706.2
Percent of Total	11.2	11.2	11.2	11.2	11.3	11.3

* 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.