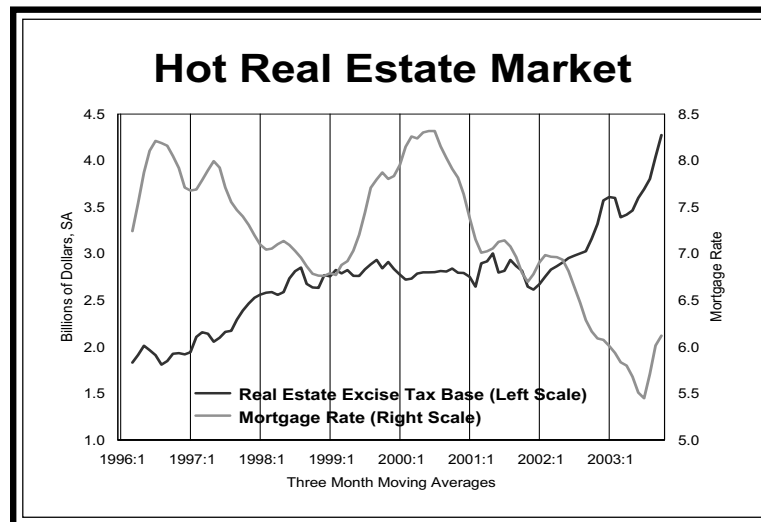


Washington Economic and Revenue Forecast



November 2003
Volume XXVI, No. 4

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Explanation of the Cover Graph

The cover chart shows the monthly real estate activity in Washington State subject to the state's real estate excise tax. The tax applies to residential and commercial transactions and covers sales of both new and existing properties. Real estate activity has soared during the last two years as mortgage interest rates have fallen to record lows. Taxable activity for the first ten months of this year was 33 percent higher than in the first ten months of 2001. During the prior two years the growth was less than 1 percent. Revenue from the real estate excise tax has helped offset the weakness in other revenue sources.

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Washington Economic and Revenue Forecast

Prepared by the
Office of the Forecast Council

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Preface

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

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

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Table of Contents

Preface	iii
List of Tables	vii
List of Charts	ix
Executive Summary	1
Chapter 1	
Washington State and U.S. Economic Forecasts	
Recent U.S. Economic Activity	5
U.S. Forecast Highlights	5
Recent Economic Activity in Washington	7
Adjustments to Economic Data	8
Washington State Forecast Highlights	9
Alternative Forecasts	12
Governor’s Council of Economic Advisors Scenario	13
Chapter 2	
Washington Business Indicators	
The National Economy	25
The State Economy and Indicators	26
Chapter 3	
Washington State Revenue Forecast Summary	
Introduction	35
Background and Assumptions	36
November 2003 Forecast Assumptions	36
Recent Collection Experience	37
The General Fund-State Forecast for the 2003-05 Biennium	40
Forecast Change for the 2003-05 Biennia	45
Department of Revenue	45
Department of Licensing	46
Office of Financial Management: Other Agencies	46
State Treasurer	46
Insurance Commissioner	46
Liquor Control Board	46
Lottery Commission	46
Track Record for the 2001-03 Biennium	46
Track Record for the 2003-05 Biennium	48
The Relationship Between Cash and GAAP General Fund-State Revenue Forecasts	48
Alternative Forecasts for the 2003-05 Biennia	49

Chapter 4: Special Report	
Washington Exports	63
Appendices	
Detail Components of the Washington Economic Forecast	77
Glossary	107

List of Tables

Chapter 1

Washington State and U.S. Economic Forecasts

Table 1.1	U.S. Economic Forecast Summary	14
Table 1.2	Washington Economic Forecast Summary	15
Table 1.3	Comparison of Alternative Forecasts	16
Table 1.4	Forecast Analysis	17
Table 1.5	Forecast Comparison	18
Table 1.6	Long Range Economic Outlook	19

Chapter 2

Washington Business Indicators

Table 2.1	Washington Business Indicators	33
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Chapter 3

Washington State Revenue Forecast Summary

Table 3.1	Revision to the General Fund-State Forecast	35
Table 3.2	Economic and Revenue Forecast Flow Chart	38
Table 3.3	Collection Variance, September 11,-November 10, 2003	39
Table 3.4	General Fund-State Collections	41
Table 3.5	Taxable Retail Sales	42
Table 3.6	Summary of Changes to General Fund-State Forecast	47
Table 3.7	Comparison of the General Fund-State Forecast by Agency, 2001-03 Biennium; Cash Basis	50
Table 3.8	Comparison of the General Fund-State Forecast by Agency; 2001-03 Biennium; GAAP Basis	51
Table 3.9	Comparison of the General Fund-State Forecast by Agency, 2003-05 Biennium; Cash Basis	52
Table 3.10	Comparison of the General Fund-State Forecast by Agency, 2003-05 Biennium; GAAP Basis	53
Table 3.11	November 2003 General Fund-State Forecast 2001-03 & 2003-05 Biennia; Cash Basis	54
Table 3.12	General Fund - State Cash Receipts, November 2003	55
Table 3.13	Track Record for the 2001-03 General Fund-State Cash Forecast	56
Table 3.14	Track Record for the 2003-05 General Fund-State Cash Forecast	57
Table 3.15	November 2003 Baseline Forecast by Agency	58
Table 3.16	2001-03 and 2003-05 Biennial Balance Sheet	59
Table 3.17	November 2003 Alternative Forecasts Compared to the Baseline Forecast. 2003-05 Biennium	60
Table 3.18	Impact of Initiative 728 and the State Property Tax and Lottery Revenue	61

Chapter 4: Special Report Washington Exports

Table 4.1	U.S. Exports by Industry	67
Table 4.2	U.S. Exports by Country	68
Table 4.3	U.S. Exports to Asia by Industry	69
Table 4.4	Washington Exports by Industry	70
Table 4.5	Washington Exports by Industry, Top Twenty Industries	71
Table 4.6	Washington Exports by Country, All Industries	72

Table 4.7	Washington Exports by Country, All Industries and Transportation	73
Table 4.8	Washington Exports by Country, Transportation Equipment	74
Table 4.9	Washington Exports to Asia by Industry	75

Appendices

Detail Components of the Washington Economic Forecast

Table A1.1	U.S. Economic Forecast Summary; Annual	78
Table A1.2	U.S. Economic Forecast Summary; Quarterly	79
Table A1.3	Washington Economic Forecast Summary; Annual	82
Table A1.4	Washington Economic Forecast Summary; Quarterly	83
Table A2.1	U.S. Nonagricultural Employment by Industry; Annual	86
Table A2.2	U.S. Nonagricultural Employment by Industry; Quarterly	87
Table A2.3	Washington Nonagricultural Employment by Industry; Annual	90
Table A2.4	Washington Nonagricultural Employment by Industry; Quarterly	91
Table A3.1	U.S. Personal Income by Component; Annual	94
Table A3.2	U.S. Personal Income by Component; Quarterly	95
Table A3.3	Washington Personal Income by Component; Annual	98
Table A3.4	Washington Personal Income by Component; Quarterly	99
Table A4.1	Selected Inflation Indicators	102
Table A4.2	Chain-Weighted Price Indices	103
Table A5.1	Total Resident Population and Components of Changes	104
Table A5.2	Washington Population	105

List of Charts

Chapter 1

Washington State and U.S. Economic Forecast

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1	Total Nonfarm Payroll Employment	20
Chart 1.2	Manufacturing Employment	20
Chart 1.3	Aerospace Employment	20
Chart 1.4	Computers and Electronics Employment	20
Chart 1.5	Construction Employment	21
Chart 1.6	Information Employment	21
Chart 1.7	Other Private Employment	21
Chart 1.8	Government Employment	21
Chart 1.9	Real Personal Income	22
Chart 1.10	Consumer Price Indices	22
Chart 1.11	Population	22
Chart 1.12	Per Capita Housing Units	22

Comparison of Alternative U.S. Forecasts

Chart 1.13	Real GDP	23
Chart 1.14	Implicit Price Deflator	23
Chart 1.15	Mortgage Rate	23
Chart 1.16	Three Month T-Bill Rate	23

Comparison of Alternative Washington Forecasts

Chart 1.17	Personal Income	24
Chart 1.18	Real Personal Income	24
Chart 1.19	Total Nonfarm Payroll Employment	24
Chart 1.20	Housing Permits	24

Chapter 2

Washington Business Indicators

Washington Economic Indicators

Chart 2.1	Year-over-Year Employment Growth	28
Chart 2.2	Washington Aircraft and Parts Employment	28
Chart 2.3	Unemployment Rate	28
Chart 2.4	Washington Boom Monitor Composite Index	28

Washington State Leading Indicators

Chart 2.5	The Washington and U.S. Indexes of Leading Indicators	29
Chart 2.6	Washington Initial Claims for Unemployment Insurance	29
Chart 2.7	Seattle Times and U.S. Help-Wanted Advertising Indexes	29
Chart 2.8	Housing Units Authorized in Washington State	29

Other State Economic Indicators

Chart 2.9	Average Weekly Hours in Manufacturing	30
Chart 2.10	Washington Driver's License Migration	30
Chart 2.11	New Car and Truck Registrations in Washington	30
Chart 2.12	Institute for Supply Management Index	30

Other Economic Indicators

Chart 2.13	Quarterly U.S. Real GDP Growth	31
Chart 2.14	Washington State Export Composition	31
Chart 2.15	U.S. Economic Indicators	31
Chart 2.16	Northwest 50 Regional Stock Index vs. National Indices	31

Other Economic Indicators

Chart 2.17	Federal Funds Target Rate	32
Chart 2.18	Consumer Confidence	32
Chart 2.19	Seattle vs U.S. CPI (All Urban Consumers)	32

Chapter 3

Washington State Revenue Forecast

Chart 3.1	General Fund-State Revenue	43
Chart 3.2	General Fund-State Revenue; Percent Change	43
Chart 3.3	Composition of General Fund-State Revenue	44
Chart 3.4	Taxable Sales as a Percent of Personal Income	44

Chapter 4: Special Report Washington Exports

Chart 4.1	Exports as a Percentage of GSP	65
Chart 4.2	Export Destinations	66

Executive Summary

U.S. Economic Forecast

The November 2003 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2003. According to the forecast real GDP rose at a 5.6 percent rate in the third quarter (the advance estimate came in at an even stronger 7.2 percent rate). The forecast assumed that final sales grew at an even stronger 5.9 percent rate as the drawdown in inventories accelerated. Most of the third quarter growth can be attributed to consumer spending which, according to the forecast, rose at a 6.3 percent rate. Consumer spending on durables soared 26.1 percent largely as a result of a 41.6 percent increase in purchases of motor vehicles and parts. Fixed investment spending was also very strong in the third quarter, rising at a 9.5 percent rate. Business purchases of equipment and software rose at a 13.3 percent rate and residential fixed investment increased 10.7 percent but nonresidential construction fell 4.7 percent.

In spite of the strong GDP growth, U.S. nonfarm payroll employment declined at a 0.4 percent annual rate in the third quarter due to strong productivity growth. Employment in the third quarter was 2.7 million below the previous peak and 1.1 million lower than at the end of the recession in the fourth quarter of 2001. The unemployment rate fell slightly in the third quarter to 6.13 percent from 6.17 percent in the second quarter. Inflation, as measured by the Consumer Price Index, jumped to 2.1 percent in the third quarter from 0.6 percent in the second quarter. The increase was due in part to rising energy prices. Core inflation (excluding food and energy) increased more moderately, from 0.8 percent to 1.7 percent. The housing market remained very strong in the third quarter. Housing starts increased 25.1 percent to 1.839 million units even though the mortgage rate increased to 6.03 percent from 5.51 percent. As expected, the Federal Open Market Committee left its target interest rate unchanged at 1.00 percent at its October 28th meeting.

The spring quarter brought a sharp increase in economic profits and corporate cash flow. The summer quarter saw a definite pickup in final demand. The forecast expects the combination of these two developments—plus the boost to exports from the weaker dollar—will trigger strong investment and new hiring, the two missing ingredients of the recovery. Until recently, only the federal government and homebuilders showed much interest in spending. Over the summer, however, the logjam began to break up. Consumers stepped up their spending, orders for business equipment turned up, and exports posted double-digit growth. The early indications from September are that the increase in activity is continuing. With tax cuts and investment incentives encouraging both consumers and businesses to spend, and the weaker dollar directing more demand to U.S. companies, the forecast calls for an acceleration of GDP growth in the second half of 2003 that carries into 2004. On a calendar year basis, GDP growth is expected to increase from 2.4 percent in calendar 2002 to 2.8 percent in 2003, accelerating to 4.2 percent

and 3.7 percent in 2004 and 2005. Though the official recovery is now nearly two years old, GDP growth has been too weak to generate net job growth. The unemployment rate, which has already increased from 4.00 percent in 2000 to 5.78 percent in 2002, is expected to reach 6.07 percent this year and 6.08 percent in 2004 before finally declining to 5.88 percent in 2005. Inflation, as measured by the implicit price deflator for personal consumption expenditures, decelerated to 1.4 percent in 2002 from 2.0 percent in 2001. The improvement in 2002 was mainly the result of lower energy costs. Rising energy costs will boost inflation in 2003 but excess capacity in the economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 1.9 percent in 2003, 1.3 percent in 2004, and 1.8 percent in 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 late next summer.

Washington State Economic Forecast

Washington's payroll employment fell 0.8 percent in the third quarter of 2003 following a 0.5 percent decline in the second quarter. To date, Washington's recovery has been "jobless" though not quite so much so as the nation's. Washington payroll employment is now 0.6 percent lower than it was when the recession officially ended in the fourth quarter of 2001 while U.S. employment is 0.8 percent lower. Manufacturing employment fell at a 3.7 percent annual rate in the third quarter, the twenty-first consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at a 15.9 percent annual rate in the third quarter as Boeing's layoffs continued. Washington aerospace employment is now down 27.3 percent since September 11 and 43.4 percent since the 1998 peak. Manufacturing employment other than aerospace rose 0.6 percent in the third quarter which was the first increase since early 2000. Most of the third quarter non-aerospace manufacturing growth was due to the volatile food manufacturing industry, though. Most other manufacturing sectors continued to post declines. Nonmanufacturing employment growth was mixed in the third quarter. Construction and financial activities employment continued to benefit from low interest rates and refinancing activity, increasing 4.3 percent and 1.3 percent respectively. Leisure and hospitality employment rose 1.2 percent, trade, transportation, and utilities employment increased 1.0 percent, and professional and business services employment edged up 0.6 percent. However education and health services employment fell 2.5 percent, information employment declined 0.3 percent despite a 4.4 percent increase in software publishing employment, and other private sector services employment fell 2.7 percent. The public sector also contributed to the job loss in the third quarter as federal government employment fell 2.5 percent and state and local government employment fell 3.3 percent.

Washington's personal income in the second quarter of 2003 was \$1.287 billion (0.6 percent) higher than the estimate made in September. Most of the difference was attributable to wages which were \$0.916 billion (0.8 percent) higher than expected. The software wage estimate was right on target but non-software wages were \$0.916 billion (0.9 percent) higher than expected in September. Nonwage personal income was also \$0.371 billion (0.4 percent) higher than expected in the September forecast.

Housing has been a rare source of strength in Washington as well as nationally. The number of housing units authorized by building permit in Washington rose 2,400 in the third quarter to 45,300 from 42,800 in the second quarter. Single family permits increased 800 to 33,900. Single family permits in the first nine months of 2003 were the highest since the late 1970s. The number of housing units authorized by multi-family permit rose 1,600 to an annual rate of 11,400 units.

The Washington State forecast reflects the slightly stronger growth in the new U.S. forecast. The Washington aerospace employment forecast has not changed materially since the June forecast except to

reflect actual data through September. The forecast expects a decline of 1,800 in the fourth quarter of this year and another 3,200 during 2004 before a modest recovery begins in 2005. The software wage assumption is also virtually identical to the assumption made in June and September. The forecast still assumes there will be no major fluctuations in Microsoft stock option activity in the future. The software employment forecast assumes a resumption of double digit growth in the fourth quarter of this year.

Washington nonfarm payroll employment fell 1.6 percent in 2002 following a 0.5 percent decline in 2001. When it comes, the recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn until 2005. Population growth has slowed to a crawl and both wage growth and price growth have been dampened by the prolonged contraction. The forecast calls for employment growth rates of just 0.1 percent in 2003, 1.0 percent in 2004, and 2.3 percent in 2005. Washington personal income growth improved from 2.6 percent in 2001 to 3.4 percent in 2002. Declining software wages remain a drag on income growth in Washington. Excluding this volatile sector, income growth was 3.3 percent in 2001 and 4.1 percent in 2002. Personal income growth is expected to remain moderate at 3.9 percent in 2003 due to the weak national economy and continued Boeing layoffs but should improve in the next two years to 4.4 percent and 5.2 percent as the U.S. recovery gains momentum and the aerospace cutbacks diminish. On the downside, the housing frenzy is expected to subside. Housing permits increased 1,900 in 2002 to 40,200 and, based on activity so far in 2003, should increase another 3,300 this year to 43,500. The current pace of housing activity is unsustainable given the weak population growth Washington is experiencing. Slightly stronger population growth in 2004 and 2005 should boost multi-family activity but higher mortgage rates will lead to even larger declines in the single family market. As a result, housing is expected to decline during the next two years. The forecast expects housing permits to total 40,700 in 2004 and 39,500 in 2005.

Washington State Revenue Forecast

There are increasing signs that the national recovery is accelerating to the point where employers are finally willing to increase their payrolls. The recent good news validates the September forecast which expected an upturn in employment in the fourth quarter. Washington employment growth is also expected to return to positive territory in the fourth quarter after two quarterly declines. Though revenue collections since the September forecast have been higher than expected, the difference was mostly due to non-recurring items.

The November 2003 General Fund-State revenue estimate for the 2003-05 biennium is \$22,820.9 million, which is \$65.2 million (0.3 percent) more than expected in September. Revenue collection experience since September accounted for \$44.1 million of the change. While economic conditions and revenue growth are improving, there is relatively little change to the revenue forecast for the biennium because, for the most part, the improvement was anticipated.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2003-05 biennium. The forecast based on more optimistic economic assumptions netted \$643 million (2.8 percent) more revenue than did the baseline while the pessimistic alternative was \$720 million (3.2 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded just \$24 million (0.1 percent) more revenue than did the baseline forecast.

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Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The November 2003 economic and revenue forecast was produced prior to the advance GDP estimate for the third quarter of 2003. According to the forecast real GDP rose at a 5.6 percent rate in the third quarter (the advance estimate came in at an even stronger 7.2 percent rate). The forecast assumed that final sales grew at an even stronger 5.9 percent rate as the drawdown in inventories accelerated. Most of the third quarter growth can be attributed to consumer spending which, according to the forecast, rose at a 6.3 percent rate. Consumer spending on durables soared 26.1 percent largely as a result of a 41.6 percent increase in purchases of motor vehicles and parts. Consumer spending on nondurables rose 6.4 percent and purchases of consumer services increased 2.6 percent. Fixed investment spending was also very strong in the third quarter, rising at a 9.5 percent rate. Business purchases of equipment and software rose at a 13.3 percent rate and residential fixed investment increased 10.7 percent but nonresidential construction fell 4.7 percent. The foreign sector was not a major factor in GDP growth in the third quarter. Exports were up at a strong 13.1 percent rate but this was largely offset by a 7.4 percent increase in imports. Government purchases declined at a 0.4 percent rate in the third quarter. Federal civilian spending rose 5.1 percent but defense purchases fell 2.7 percent following a 45.8 percent surge in the second quarter. State and local government purchases were down 0.6 percent.

In spite of the strong GDP growth, U.S. nonfarm payroll employment declined at a 0.4 percent annual rate in the third quarter due to strong productivity growth. Employment in the third quarter was 2.7 million below the previous peak and 1.1 million lower than at the end of the recession in the fourth quarter of 2001. The unemployment rate fell slightly in the third quarter to 6.13 percent from 6.17 percent in the second quarter. Inflation, as measured by the Consumer Price Index, jumped to 2.1 percent in the third quarter from 0.6 percent in the second quarter. The increase was due in part to rising energy prices. Core inflation (excluding food and energy) increased more moderately, from 0.8 percent to 1.7 percent. The housing market remained very strong in the third quarter. Housing starts increased 25.1 percent to 1.839 million units even though the mortgage rate increased to 6.03 percent from 5.51 percent. As expected, the Federal Open Market Committee left its target interest rate unchanged at 1.00 percent at its October 28th meeting.

U.S. Forecast Highlights

The spring quarter brought a sharp increase in economic profits and corporate cash flow. The summer quarter saw a definite pickup in final demand. The forecast expects the combination of these

two developments—plus the boost to exports from the weaker dollar—will trigger strong investment and new hiring, the two missing ingredients of the recovery. Until recently, only the federal government and homebuilders showed much interest in spending. Over the summer, however, the logjam began to break up. Consumers stepped up their spending, orders for business equipment turned up, and exports posted double-digit growth. The early indications from September are that the increase in activity is continuing. With tax cuts and investment incentives encouraging both consumers and businesses to spend, and the weaker dollar directing more demand to U.S. companies, the forecast calls for an acceleration of GDP growth in the second half of 2003 that carries into 2004. On a calendar year basis, GDP growth is expected to increase from 2.4 percent in calendar 2002 to 2.8 percent in 2003, accelerating to 4.2 percent and 3.7 percent in 2004 and 2005. Though the official recovery is now nearly two years old, GDP growth has been too weak to generate net job growth. The unemployment rate, which has already increased from 4.00 percent in 2000 to 5.78 percent in 2002, is expected to reach 6.07 percent this year and 6.08 percent in 2004 before finally declining to 5.88 percent in 2005. Inflation, as measured by the implicit price deflator for personal consumption expenditures, decelerated to 1.4 percent in 2002 from 2.0 percent in 2001. The improvement in 2002 was mainly the result of lower energy costs. Rising energy costs will boost inflation in 2003 but excess capacity in the economy should keep inflation moderate for the next few years. The forecast expects inflation rates of 1.9 percent in 2003, 1.3 percent in 2004, and 1.8 percent in 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 late next summer.

1. Though real GDP has been growing for nearly two years, the pace has been anemic. The forecast expects a pick-up in GDP growth during the next two years. Overall consumer spending growth is expected to remain strong despite a slowdown in light vehicle sales. Investment spending is also expected to be a major contributor to GDP growth in the next two years due mainly to business spending on equipment and software. Government spending will grow moderately during the next two years. Defense spending will remain strong but state and local government spending will lag. Net exports will be roughly neutral as strong exports growth is offset by strong import growth. Real GDP grew 2.7 percent in fiscal 2003, up from only 0.8 percent in 2002 but still too weak to stem the loss of jobs. Real GDP growth is expected to accelerate to 3.8 percent in 2004 and 4.0 percent in 2005 which is just strong enough to lead to a gradual improvement in labor market conditions.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, increased to 1.9 percent in fiscal 2003 from 1.3 percent in 2002. Most of the increase was due to a swing in energy costs, which reduced inflation in 2002 but fueled inflation in 2003. Benefits costs have also begun to accelerate again, putting upward pressure on prices. Energy costs are expected to decline, however, and the slack created by the recession and weak recovery should help keep inflation in check during the next two years. The forecast expects inflation rates of 1.5 percent in 2004 and 1.6 percent in 2005.
3. The Federal Reserve has taken no action on interest rates since lowering its target rate 25 basis points to 1.00 percent at the June meeting. High unemployment and low capacity utilization suggest that there will be little buildup of inflationary pressures before 2005, and hence little need to raise interest rates until the second half of 2004. The Fed is expected to begin gradually ratcheting up the funds rate in September 2004. As a result of the aggressive Fed easing, the three-month Treasury bill rate fell to 1.30 percent in fiscal 2003 from 2.15 percent in 2002

and 5.14 percent in 2001. The T-bill rate is expected to decline even further to 0.95 percent in 2004. The forecast expects a slight increase in the T-bill rate to 1.28 percent in 2005 as the Fed begins tightening again. Mortgage rates also continued to decline in fiscal 2003 to 5.93 percent from 6.88 percent in 2002 and 7.45 percent in 2001 as a result of the easier monetary policy as well as the weak economy. The forecast expects the mortgage rate to rise to 6.11 percent and 6.52 percent in 2004 and 2005.

4. Supported by record-low mortgage interest rates, housing activity held up well during the recession and has accelerated in the last two years in spite of the lackluster recovery. Housing starts increased 4.6 percent in fiscal 2002 to 1.642 million units and another 5.3 percent 2003 to a seventeen-year-high 1.730 million units. The resilient housing market helped stabilize the economy during the recession but with housing construction already at such a feverish pace, there is little pent-up demand and therefore no reason to expect the usual rebound during the recovery. The forecast expects a slight 1.2 percent increase to 1.751 million units in fiscal 2004 followed by a 5.7 percent decline to 1.651 million units in 2005.
5. Though the recession officially ended in November 2001, the recovery has been too weak to prevent the continued deterioration of the labor market. The unemployment rate has already risen from 3.93 percent in the fourth quarter of 2000 to 6.13 percent in the third quarter of 2003 and is expected to reach 6.20 percent in the fourth quarter. Because the starting rate was so low, this peak is among the lowest in postwar history. On a fiscal year basis, the unemployment rate rose to 5.90 percent in 2003 from 5.48 percent in 2002. The strengthening of the recovery should finally begin to chip away at the unemployment rate in the next two years. The forecast expects the unemployment rate to climb to 6.16 percent in 2004 before finally declining to 5.95 percent in 2005.
6. From fiscal 2001 to fiscal 2003 the federal budget went from a record \$181.3 billion surplus (national income and product accounts basis) to a \$284.4 billion deficit. Revenues are down due to the weak economy and tax cuts and the war with Iraq and its aftermath as well as other military and homeland security spending are boosting spending. While fiscal policy is providing a much needed boost to the economy in the near term, the result is a ballooning deficit. In spite of an improving economy, the deficit is expected to swell to \$486.1 billion in 2004 before declining slightly to \$436.8 billion in 2005.
7. The trade deficit has been a huge drag on GDP growth. The trade deficit (national income and product accounts basis) increased in fiscal 2003 to \$475.2 billion from \$360.7 billion in 2002. The declining dollar should help restrain imports and boost exports but, with the U.S. economy leading the global recovery, imports will rise and exports will lag. The forecast expects the deficit to grow to \$519.6 billion in 2004 and \$532.7 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 2003. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. Washington's payroll employment fell 0.8 percent in the third quarter of 2003 following a 0.6 percent decline in the second quarter. To date, Washington's recovery has been "jobless" though not quite so much so as the nation's. Washington payroll employment is now 0.6

percent lower than it was when the recession officially ended in the fourth quarter of 2001 while U.S. employment is 0.8 percent lower. Manufacturing employment fell at a 3.7 percent annual rate in the third quarter, the twenty-first consecutive decline in overall manufacturing employment excluding the impact of the February 2000 aerospace labor dispute. Aerospace employment fell at a 15.9 percent annual rate in the third quarter as Boeing's layoffs continued. Washington aerospace employment is now down 27.3 percent since September 11 and 43.4 percent since the 1998 peak. Manufacturing employment other than aerospace rose 0.6 percent in the third quarter which was the first increase since early 2000. Most of the third quarter non-aerospace manufacturing growth was due to the volatile food manufacturing industry, though. Most other manufacturing sectors continued to post declines. Nonmanufacturing employment growth was mixed in the third quarter. Construction and financial activities employment continued to benefit from low interest rates and refinancing activity, increasing 4.3 percent and 1.3 percent respectively. Leisure and hospitality employment rose 1.2 percent, trade, transportation, and utilities employment increased 1.0 percent, and professional and business services employment edged up 0.6 percent. However education and health services employment fell 2.5 percent, information employment declined 0.3 percent despite a 4.4 percent increase in software publishing employment, and other private sector services employment fell 2.7 percent. The public sector also contributed to the job loss in the third quarter as federal government employment fell 2.5 percent and state and local government employment fell 3.3 percent.

In October 2003 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the first quarter of 2003 and released preliminary estimates for the second quarter. In addition, the wage estimates for the second quarter of 2003 have been adjusted to reflect the Covered Employment and Payrolls data produced by the Department of Employment Security (see **Adjustments to Economic Data**). According to the adjusted estimates, Washington's personal income in the second quarter of 2003 was \$1.287 billion (0.6 percent) higher than the estimate made in September. Most of the difference was attributable to wages which were \$0.916 billion (0.8 percent) higher than expected. The software wage estimate was right on target but non-software wages were \$0.916 billion (0.9 percent) higher than expected in September. Nonwage personal income was also \$0.371 billion (0.4 percent) higher than expected in the September forecast.

Housing has been a rare source of strength in Washington as well as nationally. The number of housing units authorized by building permit in Washington rose 2,400 in the third quarter to 45,300 from 42,800 in the second quarter. Single family permits increased 800 to 33,900. Single family permits in the first nine months of 2003 were the highest since the late 1970s. The number of housing units authorized by multi-family permit rose 1,600 to an annual rate of 11,400 units.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate developed by the Department of Employment Security which incorporates more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. The alternative employment estimate incorporated the covered employment and payrolls data through the second quarter of 2003 which subtracted 2,500 (0.1 percent) from the BLS Current Employment Statistics (CES) estimate for June 2003. By September the difference narrowed slightly to 2,300 (0.1 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the covered employment and payrolls (ES202) data for all sectors except agriculture and federal government. Since we have one more quarter of ES202 data than was available to the BEA at the time of its most recent

release, we derived wage estimates for these sectors for the second quarter of 2003 based on the ES202 data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments reduced the second quarter wage estimate by \$0.327 billion (0.3 percent) subtracting 0.2 percent from total personal income in that quarter.

Washington State Forecast Highlights

The Washington State forecast reflects the slightly stronger growth in the new U.S. forecast. The Washington aerospace employment forecast has not changed materially since the June forecast except to reflect actual data through September. The forecast expects a decline of 1,800 in the fourth quarter of this year and another 3,200 during 2004 before a modest recovery begins in 2005. The software wage assumption is also virtually identical to the assumption made in June and September. The forecast still assumes there will be no major fluctuations in Microsoft stock option activity in the future. The software employment forecast assumes a resumption of double digit growth in the fourth quarter of this year.

Washington nonfarm payroll employment fell 1.6 percent in 2002 following a 0.5 percent decline in 2001. When it comes, the recovery in Washington is expected to be unusually slow. The forecast expects only a weak national recovery and no Boeing upturn until 2005. Population growth has slowed to a crawl and both wage growth and price growth have been dampened by the prolonged contraction. The forecast calls for employment growth rates of just 0.1 percent in 2003, 1.0 percent in 2004, and 2.3 percent in 2005. Washington personal income growth improved from 2.6 percent in 2001 to 3.4 percent in 2002. Declining software wages remain a drag on income growth in Washington. Excluding this volatile sector, income growth was 3.3 percent in 2001 and 4.1 percent in 2002. Personal income growth is expected to remain moderate at 3.9 percent in 2003 due to the weak national economy and continued Boeing layoffs but should improve in the next two years to 4.4 percent and 5.2 percent as the U.S. recovery gains momentum and the aerospace cutbacks diminish. On the downside, the housing frenzy is expected to subside. Housing permits increased 1,900 in 2002 to 40,200 and, based on activity so far in 2003, should increase another 3,300 this year to 43,500. The current pace of housing activity is unsustainable given the weak population growth Washington is experiencing. Slightly stronger population growth in 2004 and 2005 should boost multi-family activity but higher mortgage rates will lead to even larger declines in the single family market. As a result, housing is expected to decline during the next two years. The forecast expects housing permits to total 40,700 in 2004 and 39,500 in 2005.

1. Nominal personal income growth improved in fiscal 2003 to 4.3 percent from 2.3 percent in 2002. The improvement was due to a reduction in the pace of employment declines, stronger average wage growth, and faster nonwage income growth. Software stock options were not a major factor in income growth in 2003, as they have been in recent years, and the forecast assumes that changes in software stock option income will not be a major factor in personal income growth during the remainder of the forecast. Income growth should remain weak in 2004 due to the lack of job growth and declining nonwage income growth, improving in 2005 with the resumption of significantly positive employment growth. Washington personal income is expected to grow 3.8 percent in 2004 and 4.9 percent in 2005.
2. Washington real personal income growth increased to 2.4 percent in 2003 from a nineteen-year low 1.0 percent in 2002. The improvement came in spite an up tick in inflation. Inflation is expected to remain low during 2004 and 2005 but real income growth will continue to

suffer from the lack of jobs in 2004. Real income growth is expected to slow to 2.3 percent in 2004, rising to 3.3 percent in 2005 as positive job growth resumes and inflation remains moderate.

3. The recession has had a disproportionate impact on Washington employment growth. Total payroll employment in Washington fell 1.9 percent in fiscal 2002 and 0.2 percent in fiscal 2003 compared to 1.0 percent and 0.5 percent for the nation as a whole. The events of September 11 have been particularly hard on Washington employment growth due to the devastating impact on air transportation. The IT collapse and correction in the construction sector were also exceptionally severe in Washington. While we believe the construction and IT related corrections are largely complete, the weak national recovery combined with the continuing drag from aerospace sector means that the recovery in Washington employment will be slow. The forecast expects employment growth rates of 0.1 percent in fiscal 2004 and 2.0 percent in 2005.

- ◆ Soon after the September 11 attacks, Boeing announced that it intended to cut 20,000 to 30,000 jobs company-wide and subsequently added 5,000 to the predicted cut by the end of 2003. As of September 2003, the cumulative reduction stands at 40,400 (including contract employees), already well above the high end of the range. Of these, 25,000 have been in Washington State, the home of the commercial airplane unit. The forecast assumes a loss of an additional 4,000 Washington aerospace jobs during the remainder of 2003 and 2004. On a quarterly basis, the forecast expects a total reduction since September 11 of 29,000 (excluding contract employees) by the end of 2004. Thousands more contract positions have also been eliminated since September 11. Measured from the second quarter of 1998 peak, the overall decline will reach 53,900. A gradual upturn in the final year of the forecast is expected to add 1,400 aerospace employees in Washington by the end of 2005.
- ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers hit a brick wall in mid-2001. From the beginning of 1990 through the second quarter of 2001, the software employment growth rate averaged more than 16 percent per year. Since then the average annual growth rate has slowed to just 0.6 percent. Microsoft has continued to grow, albeit at a reduced rate, but other Washington software publishers have suffered absolute declines. The forecast assumes stronger employment growth through the remainder of the forecast. Microsoft has announced plans to increase employment significantly in the next year while employment at other software publishers is expected to stabilize. Employment growth is expected to average 10.3 percent per year through the end of 2005.
- ◆ Washington's construction industry has staged a bit of a comeback during the last six quarters, growing at an average rate of 1.9 percent following a precipitous 6.0 percent decline during the previous year. Housing held up pretty well during the recession but nonresidential building in the Puget Sound area fell sharply. We believe the commercial side has now stabilized and the recent strength in housing permits should support construction employment in the near term. The forecast expects a 2.7 percent growth rate in the fourth quarter of this year. Next year, however, nonresidential construction will see little improvement and housing activity will be weaker. As a result, we expect to see only a 1.3 percent year-end to year-end growth rate in 2004. Construction employment growth

should accelerate in 2005 as nonresidential construction finally stages a recovery. The forecast expects an average growth rate of 2.7 percent per year during the final year of the forecast.

- ◆ The financial activities sector has been a rare bright spot in Washington's economy. Employment in this sector continued to grow during the recent recession and growth has accelerated to an average rate of 3.5 percent in the last six quarters. The growth was mostly in credit intermediation and related activities, which has clearly benefited by a refinancing boom brought on by low mortgage interest rates. With mortgage rates heading up again, this source of stimulus has probably pretty much played itself out. The forecast assumes a slight decline in employment during the next two quarters due to as the refinancing activity dries up. After that, employment is expected to grow at a 2.3 percent average rate through the end of 2005.
- ◆ Washington retail trade employment fell 3.5 percent from the first quarter of 2001 to the first quarter of 2002, much worse than the 1.9 percent national decline. Since then, however, Washington retail trade has grown at a 1.0 percent average rate while U.S. employment has continued to decline at a 0.5 percent rate. The retail sector remains under intense competitive pressure. The forecast expects a decline over the next three quarters at an average rate of 0.5 percent. By the second half of next year a sustained recovery in retail trade employment takes hold. Even then, the average growth rate is only 1.2 percent per year through the end of 2005.
- ◆ Employment in the professional and business services sector has been essentially flat for the last year but remains up 1.3 percent from the trough in the first quarter of 2002. Previously employment had plunged at a 5.3 percent rate since a cyclical peak at the end of 2000. The 20,300 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies) which fell 14,000 (26.2 percent) and computer systems design and related services which fell 6,300 (20.4 percent). These areas of weakness appear to be bottoming out. Employment services growth has turned slightly positive while the rate of decline in computer systems design has slowed considerably. The forecast assumes that the shakeout in these sectors is nearly complete. Without these negative cyclical factors, professional and business services employment is expected to resume its above average trend growth rate. Growth is expected to average 5.2 percent per year through the end of 2005.
- ◆ State and local government employment fell at a 3.3 percent annual rate in the third quarter. The weakness in the third quarter was mainly due to a 8,900 drop in local government education services in September. We believe this is a seasonal anomaly that will be largely reversed in coming months. To correct this we have added 5,300 to the fourth quarter forecast. Even with this adjustment, the forecast for the fourth quarter is for a scant 0.1 percent increase. State and local government employment grew throughout the recession but the protracted slowdown in the state's economy is putting pressure on state and local governments' budgets and is expected to affect employment in this sector with a lag. The forecast assumes that state and local government employment will remain weak through the first quarter of 2005, rising at an average rate of only 0.3 percent. Only during the last three quarters of 2005 will there be a significant upturn in employment growth with growth rates averaging 2.4 percent.

4. The number of housing units authorized by building permit in Washington shot up 14.4 percent in fiscal 2003 to 42,700 units. Single family permits, spurred by record low interest rates, surged 22.9 percent to 33,100. Multi-family permits slumped 7.8 percent to 9,500, though. Housing activity should be subdued in this biennium. The beneficial impacts of an improving economy and higher population growth will be offset by rising mortgage rates. The recent strength also means there is little pent-up demand to be satisfied. The forecast expects a 0.9 percent reduction in fiscal 2004 to 42,300 followed by a 4.5 percent reduction to 40,400 in 2005.
5. At 1.8 percent in fiscal 2003, inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, trailed the national average of 2.2 percent for the first time since 1989. Seattle inflation is expected to remain below U.S. inflation in during the remainder of the forecast due to the weaker local economy. The forecast expects inflation rates of 1.0 percent and 1.1 percent in Seattle compared to 1.6 percent and 1.5 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. The baseline forecast assumes that the mid-year pickup in demand continues, triggering a strong, self-sustaining recovery. The pessimistic scenario takes a gloomier view. Businesses add workers, but very sparingly, preferring to count on continued gains in productivity to meet increases in demand. Despite soft demand, OPEC succeeds in cutting production enough to keep their benchmark price near \$25.00 for several quarters, about \$3 higher than in the baseline. The dollar rallies, boosted by government intervention and the near-term belief that the U.S. recovery is finally taking off. When the job market fails to take off, though, consumer confidence slumps. After a small surge in spending through the 2004 tax season, growth of consumer spending drifts down to 2.0%. The caution backfires, however. While businesses do resume hiring, the creation of new jobs lags growth of the labor force, causing the unemployment rate to rise and wage increases to shrink. At the state level, aerospace production and employment cuts are even more severe and protracted than assumed in the baseline forecast. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario and construction employment begins to drop sharply again in 2004. Because of the weak economy, both Seattle inflation and Washington wage growth are substantially less than in the baseline. By the end of the 2003-05 biennium, Washington nonagricultural employment is lower by 54,600 jobs than the baseline forecast and Washington personal income is \$9.4 billion lower. The pessimistic scenario produced \$720 million (3.2 percent) less General Fund-State revenue in the 2003-05 biennium than did the baseline forecast.

Optimistic Forecast. The optimistic scenario assumes a stronger rebound in foreign growth. In this scenario, the industrialized countries grow 0.5% and 0.2% faster than in the baseline in 2004 and 2005, respectively. Meanwhile, developing countries grow 0.45% and 0.1% faster in 2004 and 2005, respectively, than in the baseline. The scenario also assumes that the economic recovery allows state and local governments to raise spending 1.5% in 2004 and 2.0% in 2005 (compared with 0.5% and

1.3% in the baseline). The scenario also assumes a stronger corporate balance sheet, with corporate profits rising 12.5% in 2003 and 14.9% in 2004 in the optimistic scenario, compared with 11.5% in 2003 and 8.3% in 2005 in the baseline. Because profits and economic growth are higher, the stock market is stronger. As a result, consumer spending and investment are stronger. Locally, Washington aerospace employment declines much less in 2004 and expands much more vigorously in 2005 than in the baseline forecast. Washington's wages grow faster than in the baseline and so does the Seattle CPI. The initial level of Washington personal income is also higher in the optimistic scenario and population growth and construction employment growth are stronger. By the end of the 2003-05 biennium, Washington nonagricultural employment is higher by 48,500 jobs than in the baseline forecast and Washington personal income is \$7.7 billion higher. The optimistic scenario generated 643 million (2.8 percent) more revenue in the 2003-05 biennium than did the baseline forecast.

Governor's Council of Economic Advisors Scenario

In addition to the optimistic and pessimistic forecasts, the staff has prepared a forecast based on the opinions of the Governor's Council of Economic Advisors (GCEA) as summarized in Table 1.3. In the GCEA scenario, the U.S. and state forecasts were adjusted to match the average view of the Council members. Nationally, the Governor's Council average was almost indistinguishable from the baseline forecast. The GCEA forecast for Washington State was also very similar to the baseline forecast. However, nominal and real income growth, employment growth, and housing permits were all slightly stronger in the GCEA forecast than in the baseline. At the end of the 2003-05 biennium, Washington nonagricultural employment was 5,200 higher in the GCEA forecast than in the baseline forecast and their Washington personal income forecast was \$0.3 billion higher. The Governor's Council scenario generated just \$24 million (0.1 percent) more revenue than did the baseline forecast in the 2003-05 biennium.

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2004 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	9,546.3	9,909.7	10,306.7
% Ch	4.4	4.1	4.4	1.8	0.8	2.7	3.8	4.0
Real Consumption	5551.4	5820.7	6105.9	6304.9	6472.8	6663.1	6904.9	7169.2
% Ch	4.4	4.9	4.9	3.3	2.7	2.9	3.6	3.8
Real Nonresidential Fixed Investment	1,078.9	1,182.5	1,280.5	1,310.8	1,204.4	1,182.3	1,258.7	1,367.3
% Ch	13.5	9.6	8.3	2.4	-8.1	-1.8	6.5	8.6
Real Residential Fixed Investment	329.7	359.9	374.0	370.7	378.8	400.2	414.4	397.9
% Ch	4.3	9.2	3.9	-0.9	2.2	5.6	3.6	-4.0
Real Personal Income	7,004.5	7,335.6	7,619.4	7,912.9	7,973.8	8,069.6	8,279.5	8,598.7
% Ch	5.1	4.7	3.9	3.9	0.8	1.2	2.6	3.9
Real Per Capita Income (\$/Person)	25,478	26,377	27,089	27,826	27,740	27,794	28,260	29,098
% Ch	3.9	3.5	2.7	2.7	-0.3	0.2	1.7	3.0
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.087	1.101	1.122	1.139	1.157
% Ch	1.4	1.2	2.2	2.5	1.3	1.9	1.5	1.6
U.S. Consumer Price Index (1982-84=1.0)	1.618	1.645	1.693	1.751	1.782	1.821	1.850	1.878
% Ch	1.8	1.7	2.9	3.4	1.8	2.2	1.6	1.5
Employment Cost Index (June 1989=1.0)	1.330	1.380	1.432	1.487	1.541	1.585	1.632	1.680
% Ch	3.9	3.8	3.8	3.9	3.6	2.9	2.9	3.0
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	10,646.5	11,212.5	11,846.7
% Ch	6.0	5.5	6.2	4.2	2.6	4.0	5.3	5.7
Personal Income	7,178.5	7,611.1	8,082.4	8,599.7	8,781.1	9,051.9	9,431.0	9,948.4
% Ch	6.6	6.0	6.2	6.4	2.1	3.1	4.2	5.5
Employment (Millions)								
U.S. Civilian Labor Force	138.3	140.1	142.0	143.2	144.4	145.9	147.2	149.0
Total U.S. Employment	131.9	134.0	136.2	137.3	136.5	137.3	138.2	140.2
Unemployment Rate (%)	4.64	4.38	4.08	4.16	5.47	5.90	6.16	5.95
Nonfarm Payroll Employment	124.38	127.43	130.60	132.26	130.89	130.20	130.28	133.16
% Ch	2.6	2.4	2.5	1.3	-1.0	-0.5	0.1	2.2
Manufacturing	17.56	17.43	17.29	17.04	15.74	15.00	14.48	14.48
% Ch	1.5	-0.7	-0.8	-1.4	-7.6	-4.7	-3.5	-0.0
Durable Manufacturing	10.86	10.86	10.85	10.75	9.83	9.30	8.98	9.11
% Ch	2.8	-0.0	-0.1	-0.9	-8.6	-5.4	-3.4	1.4
Nondurable Manufacturing	6.70	6.57	6.44	6.29	5.91	5.70	5.50	5.37
% Ch	-0.5	-1.9	-1.9	-2.4	-6.0	-3.5	-3.6	-2.3
Construction	5.96	6.36	6.70	6.82	6.78	6.74	6.86	7.09
% Ch	4.7	6.7	5.5	1.8	-0.7	-0.6	1.8	3.4
Producing	100.21	103.02	106.02	107.79	107.77	107.89	108.39	111.07
% Ch	2.7	2.8	2.9	1.7	-0.0	0.1	0.5	2.5
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.3	20.5	20.9	21.6	22.1	21.9	21.4	21.1
Auto Sales (Millions)	8.2	8.3	9.0	8.5	8.2	7.9	7.8	7.9
% Ch	-2.1	2.0	8.0	-5.0	-4.4	-3.5	-1.1	1.9
Housing Starts (Millions)	1.530	1.659	1.638	1.571	1.642	1.730	1.751	1.651
% Ch	5.0	8.4	-1.3	-4.1	4.6	5.3	1.2	-5.7
Federal Budget Surplus (Billions)	-1.5	81.1	166.6	181.3	-93.0	-284.4	-486.1	-436.8
Net Exports (Billions)	-117.7	-191.9	-311.3	-379.1	-360.7	-475.2	-519.6	-532.7
3-Month Treasury Bill Rate (%)	5.04	4.49	5.23	5.14	2.15	1.30	0.95	1.28
30-Year U.S. Govt. Bond Rate (%)	6.10	5.44	6.14	5.66	5.55	4.99	5.27	5.71
Bond Index of 20 G.O. Munis. (%)	5.24	5.08	5.82	5.35	5.14	4.77	4.92	5.17
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.88	5.93	6.11	6.52

Table 1.2
Washington Economic Forecast Summary
 Forecast 2004 to 2005

Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	152.625	162.218	171.650	174.399	176.108	180.250	184.346	190.362
% Ch	6.4	6.3	5.8	1.6	1.0	2.4	2.3	3.3
Real Wage and Salary Disb.	87.471	95.148	102.673	101.403	100.011	100.740	102.627	106.481
% Ch	8.5	8.8	7.9	-1.2	-1.4	0.7	1.9	3.8
Real Nonwage Income	65.154	67.070	68.977	72.997	76.096	79.510	81.719	83.881
% Ch	3.6	2.9	2.8	5.8	4.2	4.5	2.8	2.6
Real Per Capita Income (\$/Person)	26,593	27,874	29,155	29,242	29,192	29,588	29,945	30,572
% Ch	4.8	4.8	4.6	0.3	-0.2	1.4	1.2	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.025	1.037	1.061	1.087	1.101	1.122	1.139	1.157
% Ch	1.4	1.2	2.2	2.5	1.3	1.9	1.5	1.6
Seattle Cons. Price Index (1982-84=1.0)	1.654	1.702	1.757	1.828	1.876	1.910	1.929	1.950
% Ch	2.9	2.9	3.2	4.0	2.7	1.8	1.0	1.1
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.43	15.97	16.42	17.32	18.35	17.88	17.53	17.66
% Ch	3.1	3.5	2.8	5.5	5.9	-2.5	-2.0	0.8
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	155.940	167.990	181.893	189.392	193.837	201.796	209.320	219.555
% Ch	8.0	7.7	8.3	4.1	2.3	4.1	3.7	4.9
Personal Income	156.415	168.300	182.065	189.538	193.939	202.192	209.974	220.232
% Ch	7.9	7.6	8.2	4.1	2.3	4.3	3.8	4.9
Disposable Personal Income	134.218	143.646	154.480	160.373	167.718	177.928	187.494	196.055
% Ch	7.1	7.0	7.5	3.8	4.6	6.1	5.4	4.6
Per Capita Income (\$/Person)	27,253	28,918	30,923	31,779	32,147	33,189	34,108	35,368
% Ch	6.2	6.1	6.9	2.8	1.2	3.2	2.8	3.7
Employment (Thousands)								
Washington Civilian Labor Force	3,016.4	3,063.2	3,069.0	3,025.9	3,046.1	3,116.1	3,119.0	3,165.8
Total Washington Employment	2,877.5	2,916.4	2,919.9	2,853.4	2,828.8	2,892.6	2,880.1	2,934.0
Unemployment Rate (%)	4.60	4.79	4.86	5.70	7.13	7.17	7.66	7.33
Nonfarm Payroll Employment	2,558.3	2,621.8	2,684.5	2,717.3	2,664.8	2,658.6	2,661.1	2,713.3
% Ch	3.8	2.5	2.4	1.2	-1.9	-0.2	0.1	2.0
Manufacturing	359.8	353.2	336.3	326.4	300.2	276.1	264.1	262.7
% Ch	6.7	-1.8	-4.8	-2.9	-8.0	-8.0	-4.3	-0.6
Durable Manufacturing	260.7	256.3	239.8	232.9	212.0	191.1	180.9	181.7
% Ch	9.6	-1.7	-6.5	-2.9	-9.0	-9.9	-5.3	0.4
Aerospace	111.1	107.4	89.7	86.8	82.9	70.3	61.7	59.2
% Ch	16.1	-3.3	-16.5	-3.2	-4.5	-15.3	-12.2	-4.0
Nondurable Manufacturing	99.2	96.9	96.5	93.5	88.1	85.0	83.2	80.9
% Ch	-0.2	-2.3	-0.3	-3.2	-5.7	-3.5	-2.1	-2.7
Construction	139.8	148.6	158.3	161.3	154.9	156.2	158.9	161.4
% Ch	5.3	6.3	6.5	1.9	-4.0	0.8	1.7	1.6
Service-Producing	2,048.2	2,109.5	2,179.4	2,219.8	2,200.2	2,217.2	2,229.7	2,281.0
% Ch	3.2	3.0	3.3	1.9	-0.9	0.8	0.6	2.3
Software Publishers	23.2	25.9	29.5	34.5	35.9	36.1	38.0	42.1
% Ch	11.7	11.9	14.0	16.9	4.0	0.6	5.2	10.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	45.127	44.954	39.065	40.384	37.329	42.689	42.284	40.376
% Ch	18.6	-0.4	-13.1	3.4	-7.6	14.4	-0.9	-4.5
Single-Family	29.346	28.252	26.372	26.761	26.978	33.144	30.916	27.561
% Ch	12.8	-3.7	-6.7	1.5	0.8	22.9	-6.7	-10.9
Multi-Family	15.780	16.702	12.693	13.623	10.351	9.544	11.368	12.815
% Ch	31.1	5.8	-24.0	7.3	-24.0	-7.8	19.1	12.7
Mortgage Rate (%)	7.20	6.93	8.05	7.45	6.88	5.93	6.11	6.52

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	9546.3	9546.3	9546.3	9546.3	9929.1	9909.7	9861.2	9902.9	10388.0	10306.7	10144.5	10301.3
%Ch	2.7	2.7	2.7	2.7	4.0	3.8	3.3	3.7	4.6	4.0	2.9	4.0
Implicit Price Deflator	1.122	1.122	1.122	1.122	1.139	1.139	1.139	1.139	1.158	1.157	1.153	1.157
%Ch	1.9	1.9	1.9	1.9	1.5	1.5	1.6	1.6	1.6	1.6	1.2	1.6
Mortgage Rate	5.93	5.93	5.93	5.93	6.11	6.11	5.98	6.12	6.48	6.52	5.96	6.51
3 Month T-Bill Rate	1.30	1.30	1.30	1.30	0.96	0.95	0.70	0.94	1.31	1.28	0.30	1.23
Washington												
Real Personal Income	180.250	180.250	180.250	180.250	186.560	184.346	181.861	184.472	195.895	190.362	184.264	190.672
%Ch	2.4	2.4	2.4	2.4	3.5	2.3	0.9	2.3	5.0	3.3	1.3	3.4
Personal Income	202.192	202.192	202.192	202.192	212.508	209.974	207.166	210.186	226.769	220.232	212.489	220.648
%Ch	4.3	4.3	4.3	4.3	5.1	3.8	2.5	4.0	6.7	4.9	2.6	5.0
Employment	2658.6	2658.6	2658.6	2658.6	2674.8	2661.1	2649.9	2662.0	2752.0	2713.3	2669.5	2719.0
%Ch	-0.2	-0.2	-0.2	-0.2	0.6	0.1	-0.3	0.1	2.9	2.0	0.7	2.1
Housing Permits	42.689	42.689	42.689	42.689	44.240	42.284	38.008	42.486	46.221	40.376	34.160	40.747
%Ch	14.4	14.4	14.4	14.4	3.6	-0.9	-11.0	-0.5	4.5	-4.5	-10.1	-4.1

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

Table 1.4

Forecast Analysis

Comparison of Forecasts for 2003-05

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

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	9546.3	9909.7	10306.7
% Ch	1.8	0.8	2.7	3.8	4.0
September Baseline	9221.4	9297.7	9541.0	9827.8	10221.0
% Ch	1.8	0.8	2.6	3.0	4.0
Implicit Price Deflator					
November Baseline	1.087	1.101	1.122	1.139	1.157
% Ch	2.5	1.3	1.9	1.5	1.6
September Baseline	1.087	1.101	1.122	1.138	1.159
% Ch	2.5	1.3	1.9	1.4	1.8
U.S. Unemployment Rate					
November Baseline	4.16	5.47	5.90	6.16	5.95
September Baseline	4.16	5.47	5.90	6.12	5.84
Mortgage Rate					
November Baseline	7.45	6.88	5.93	6.11	6.52
September Baseline	7.45	6.88	5.93	6.28	6.51
3 Month T-Bill Rate					
November Baseline	5.14	2.15	1.30	0.95	1.28
September Baseline	5.14	2.15	1.30	1.00	1.29
Washington					
Real Personal Income					
November Baseline	174.399	176.108	180.250	184.346	190.362
% Ch	1.6	1.0	2.4	2.3	3.3
September Baseline	174.399	176.108	179.563	183.735	189.135
% Ch	1.6	1.0	2.0	2.3	2.9
Personal Income					
November Baseline	189.538	193.939	202.192	209.974	220.232
% Ch	4.1	2.3	4.3	3.8	4.9
September Baseline	189.538	193.939	201.428	209.029	219.156
% Ch	4.1	2.3	3.9	3.8	4.8
Employment					
November Baseline	2717.3	2664.8	2658.6	2661.1	2713.3
% Ch	1.2	-1.9	-0.2	0.1	2.0
September Baseline	2717.3	2665.4	2661.1	2673.7	2715.6
% Ch	1.2	-1.9	-0.2	0.5	1.6
Housing Permits					
November Baseline	40.384	37.329	42.689	42.284	40.376
% Ch	3.4	-7.6	14.4	-0.9	-4.5
September Baseline	40.384	37.329	42.689	41.108	40.150
% Ch	3.4	-7.6	14.4	-3.7	-2.3

Table 1.6

Calendar

Years

Long Range Economic Outlook

Forecast 2002 to 2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
U.S.											
Real GDP, %Ch	2.8	4.2	3.7	3.7	3.5	2.9	2.8	2.9	2.9	3.1	3.2
Implicit Price Deflator, %Ch	1.9	1.3	1.8	1.9	2.0	2.0	2.1	2.3	2.6	2.6	2.8
3 Month T-Bill Rate	1.03	1.02	1.71	2.08	2.35	3.09	4.06	4.99	5.08	5.12	5.15
Mortgage Rate	5.87	6.27	6.77	6.75	6.76	7.10	7.54	8.04	8.03	7.98	7.98
State*											
Real Personal Income, %Ch	1.9	3.0	3.3	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	3.9	4.4	5.2	4.4	4.5	4.6	4.7	4.9	5.1	5.2	5.4
Employment, %Ch	0.1	1.0	2.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0

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

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

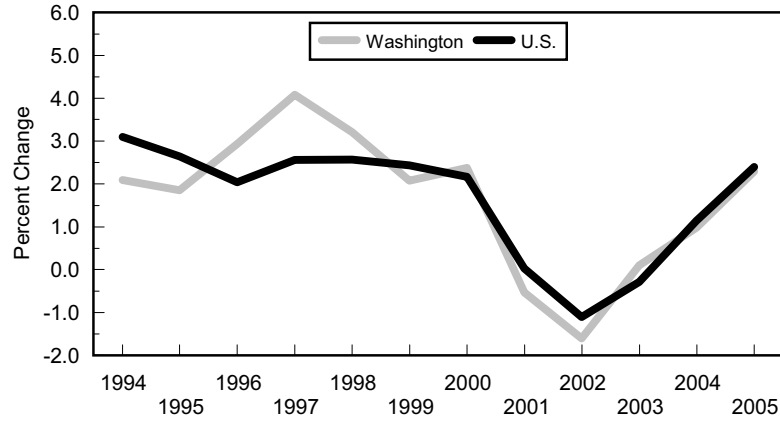


Chart 1.2
Manufacturing Employment

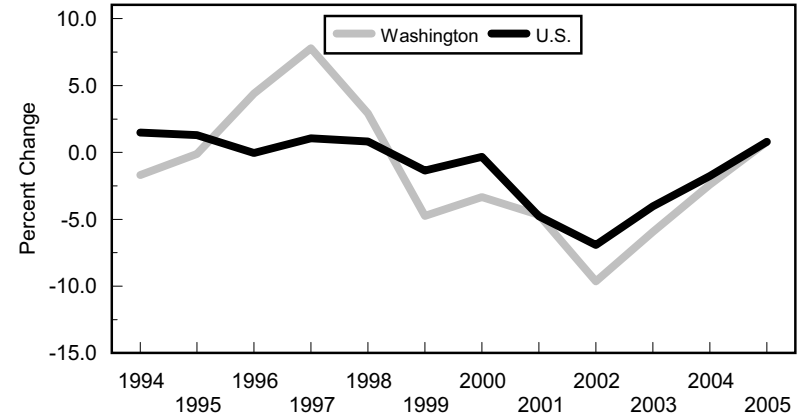


Chart 1.3
Aerospace Employment

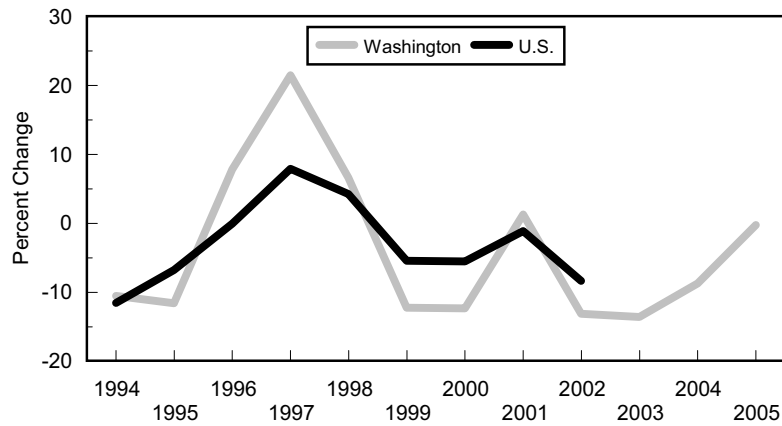
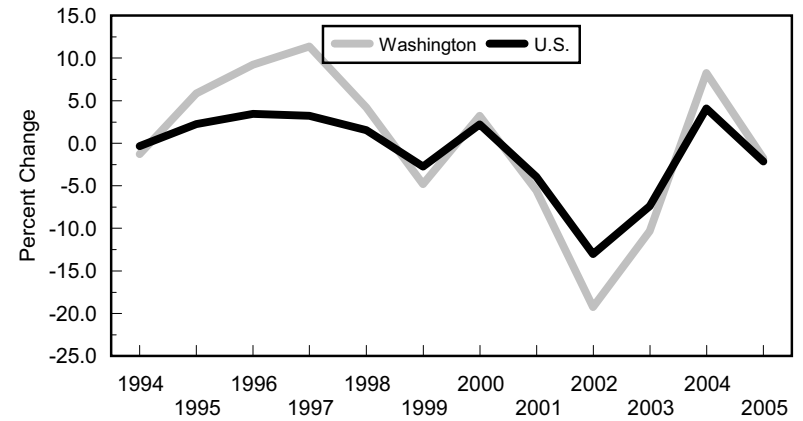


Chart 1.4
Computers and Electronics Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

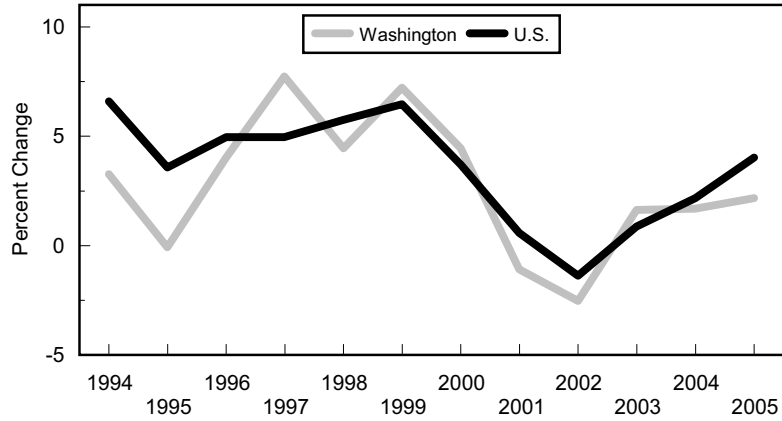


Chart 1.6
Information Employment

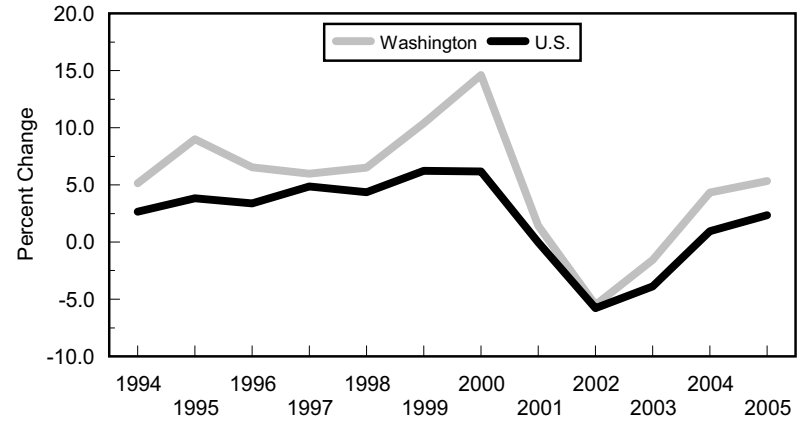


Chart 1.7
Other Private Employment

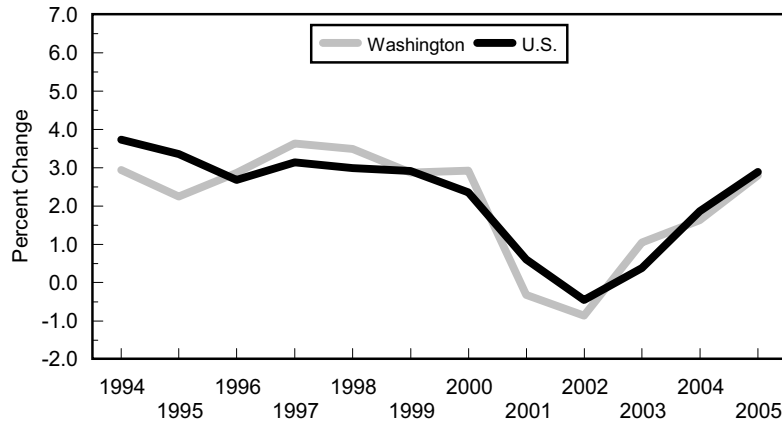
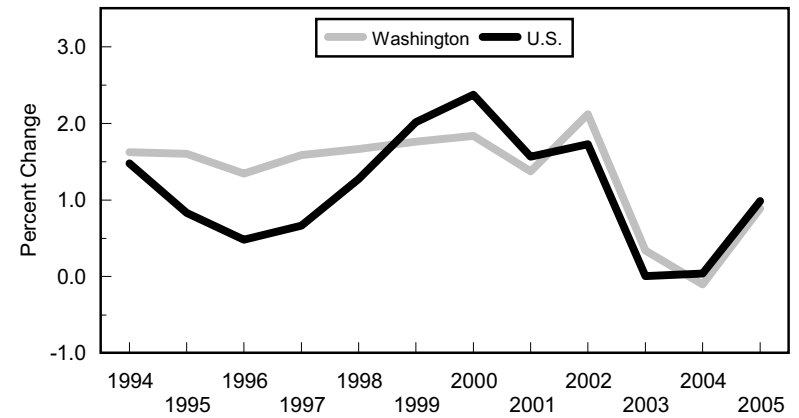


Chart 1.8
Government Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

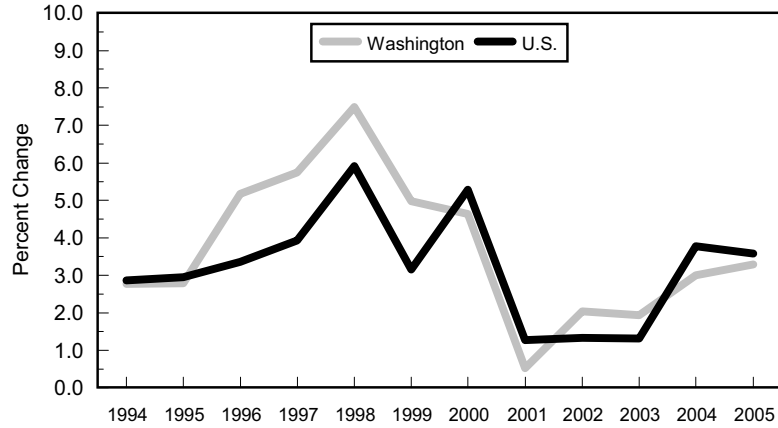


Chart 1.10
Consumer Price Indices

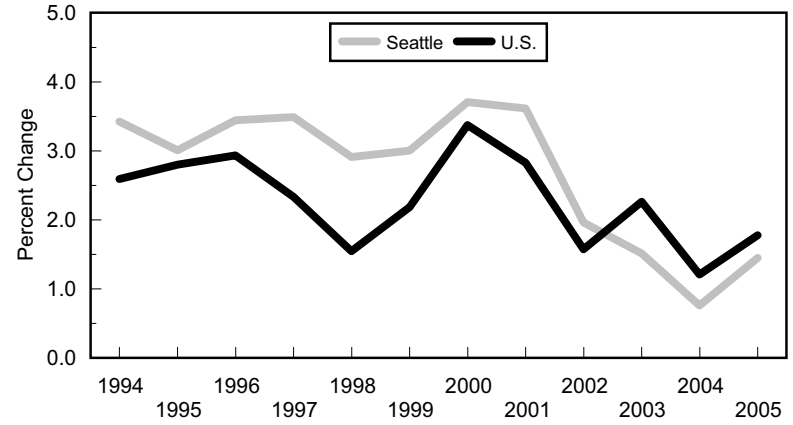


Chart 1.11
Population

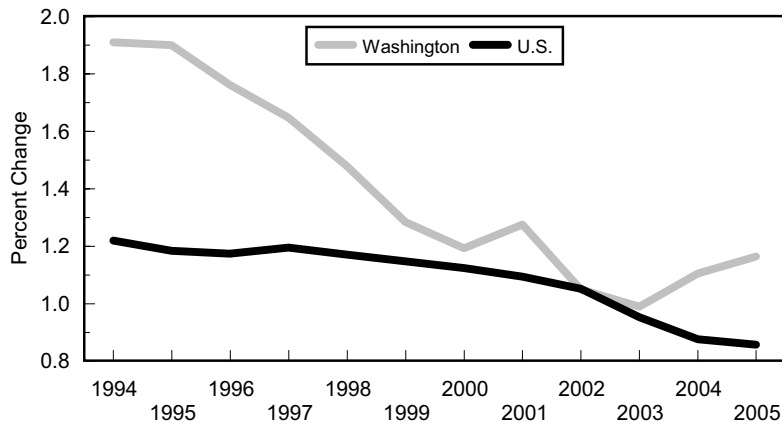
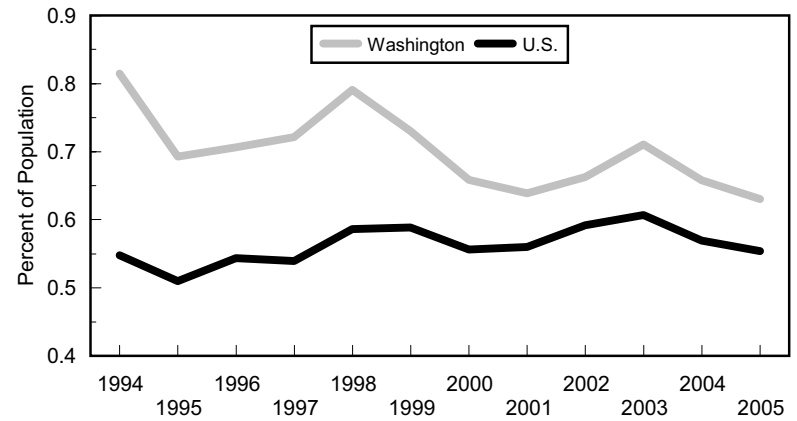


Chart 1.12
Per Capita Housing Units



Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

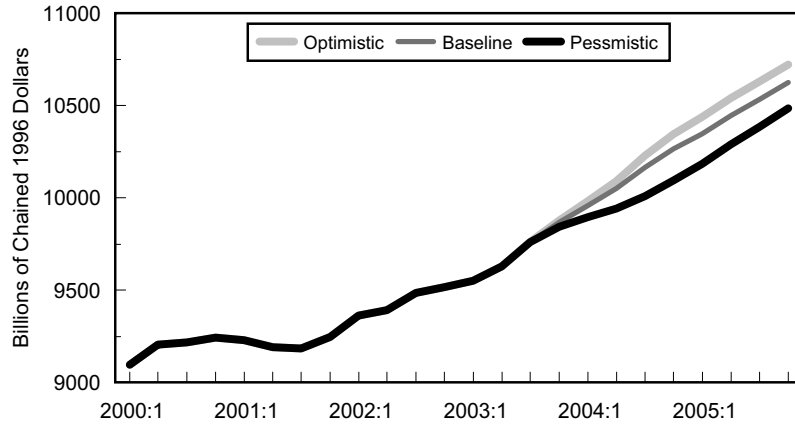


Chart 1.14
Implicit Price Deflator

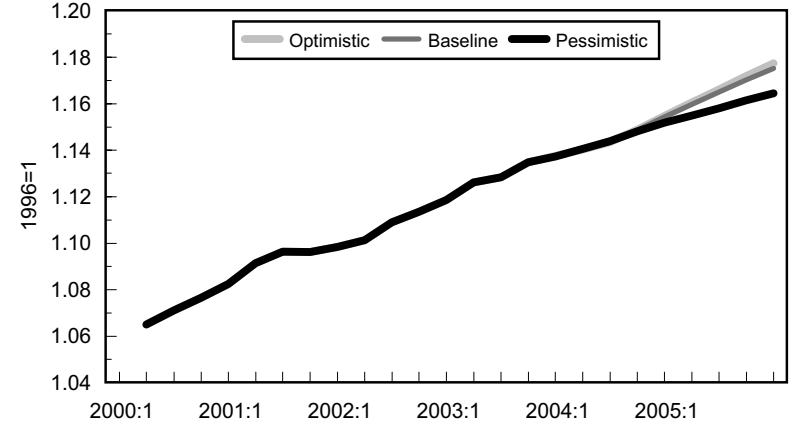


Chart 1.15
Mortgage Rate

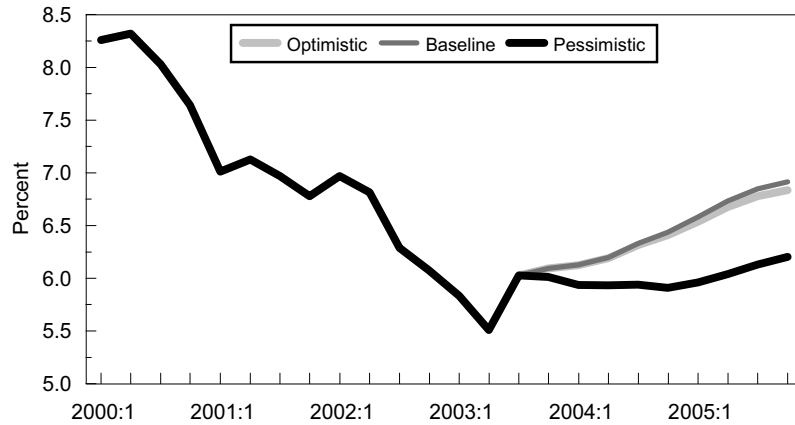
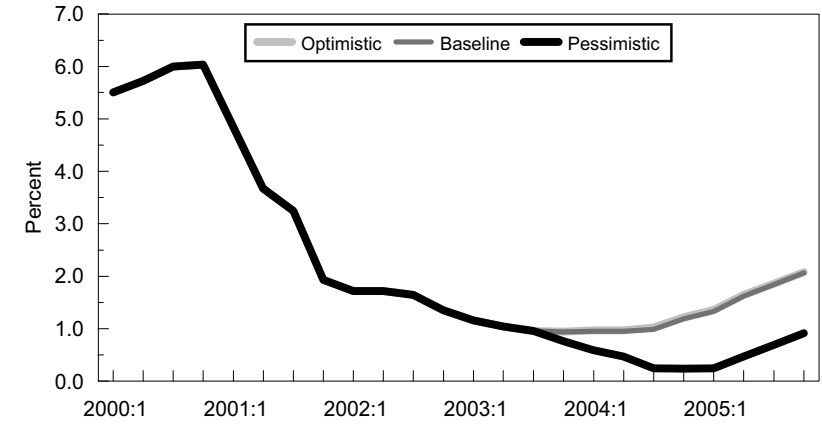


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

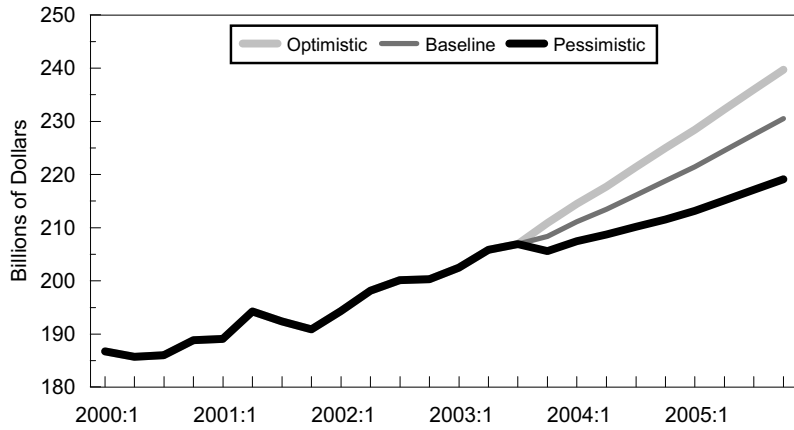


Chart 1.18
Real Personal Income

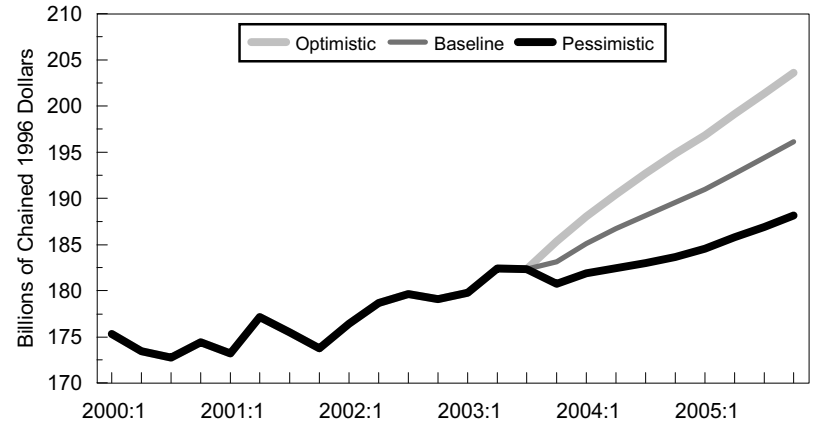


Chart 1.19
Total Nonfarm Payroll Employment

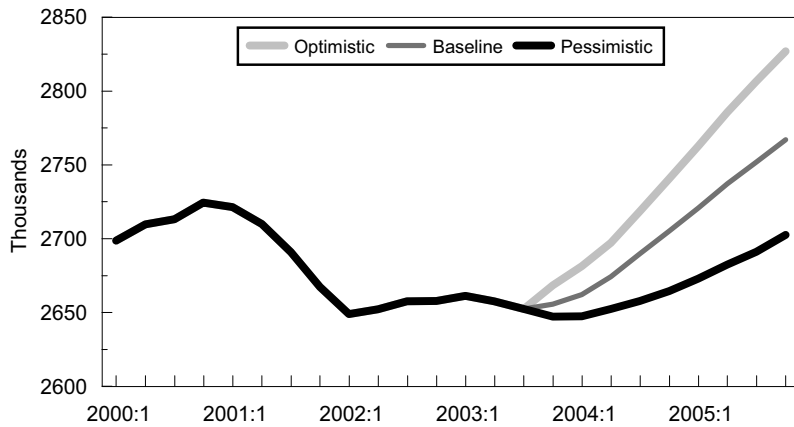
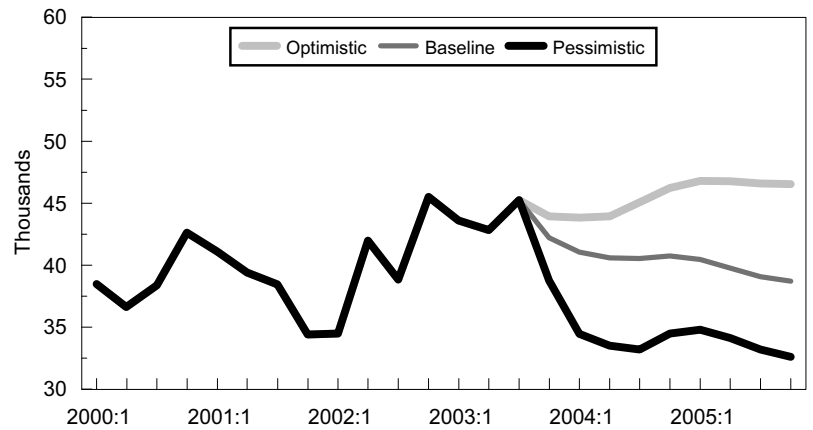


Chart 1.20
Housing Permits



Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at an 8.2* percent annual rate in the third quarter of 2003. Real GDP has now increased for eight consecutive quarters since the U.S. recession ended in the fourth quarter of 2001. The rate of growth in the third quarter was greater than most economists expected and was the strongest in almost twenty years. The biggest contribution to the increase in the third quarter was consumer spending. Consumer spending increased at a 6.4 percent annual rate in the third quarter. This was well above last quarter's 3.8 percent increase and the strongest since 1997. Another huge increase in durable purchases led the increase. Real spending on consumer durable goods increased 26.5 percent in the third quarter. This is on top of a 24.3 percent increase in the previous quarter.

The output of the manufacturing sector continues to improve. The Institute for Supply Management (ISM) reported that its index of manufacturing activity rose 6.1 percent in October 2003. It has now increased for five of the last six months and has been above 50 the last four months. The October index level is 57.7. An index above 50 indicates that output of the manufacturing sector is growing; below 50 indicates the sector is contracting. The October index level is the highest since January 2000.

The most notable improvement in the economy has been in the job market. After losing jobs six of the last seven quarters since the end of the recession in November 2001, it looks like the U.S. economy has finally started to add jobs. U.S. payroll employment has increased the last three months. After a modest, 35,000 gain in August, the economy added 125,000 jobs in September and 126,000 jobs in October. The gain in September and October was the best two month increase since November and December of 2000. It's too early to know for certain, but it looks like the jobless recovery may have ended. The October 2003 U.S. unemployment rate fell to 6.0 percent from 6.1 percent in August and September. It's down from its high of 6.4 percent reached in June but it's still a little higher than last October's 5.8 percent rate.

Productivity growth again accelerated in the third quarter of 2003, increasing at an 8.1 percent annual rate. This is up from a revised 7.0 percent increase in the second quarter and a 2.1 increase in the first quarter of 2003. The gains in productivity have helped keep prices relatively stable. Seasonally adjusted, the Consumer Price Index (CPI) was unchanged in October after small, 0.3 percent increases in both August and September. The October 2003 All Items Index is 2.0 percent above the year-ago level. The seasonal adjusted core CPI (all items except food and energy) rose 0.4 percent in October 2003 but is only 1.3 percent above the year-ago level.

The Conference Board reported that its Index of Consumer Confidence rose in both November and October 2003 after falling in September. The index now stands at 91.7 (1996=100). The index is 8.0 percent above the year-ago level of 84.9. The rise in confidence likely reflects the good news on jobs and may help keep consumer spending strong.

In addition, The Conference Board reported that the U.S. Index of Leading Indicators rose 0.4 percent in October. The index has increased or remained unchanged for seven consecutive months and eleven of the last thirteen months. The leading index continues to support the likelihood of a sustained recovery. The October index level is 113.6 (1996=100). Six of the ten components of the index increased in October. The drop in average weekly claims in unemployment insurance was the largest positive contributor.

The Federal Open Market Committee (FOMC) again voted to leave its target rate for federal funds unchanged at 1.0 percent at its October 28, 2003 meeting. The FOMC issued virtually the same statement that it issued at its last two meetings. The FOMC assessment is that “the upside and downside risks to the attainment of sustainable growth for the next few quarters are roughly equal. In contrast, the probability, though minor, of an unwelcome fall in inflation exceeds that of a rise in inflation...” It reiterated that it believes that an accommodative monetary policy can be maintained for a considerable period.

The State Economy and Indicators

Although improvement is expected in the fourth quarter, the Washington economy again lost jobs in the third quarter of 2003. Wage and salary employment declined at a 0.8 percent annual rate in the third quarter of 2003, after falling a revised 0.6 percent last quarter. Jobs had increased the four prior quarters. Weakness in manufacturing again led the decline in the third quarter. Manufacturing employment fell at a 2.9 percent annual rate in the third quarter following declines of 3.7 and 7.3 percent in the second quarter and first quarters of 2003. Washington manufacturing employment has been falling since the third quarter of 1998 (twenty one consecutive quarters after adjusting for the impact of the Boeing strike in the first quarter of 2000.) Aerospace employment again declined at a double-digit pace, down 15.9 percent at an annualized rate in the third quarter of 2003. Aerospace employment has now declined for eight consecutive quarters and is expected to decline further. Air travel remains weak. This has put most airlines in financial straits and has reduced and/or postponed the purchase more aircraft.

Washington’s seasonally adjusted unemployment rate fell to 7.0 percent of the labor force in October from 7.6 percent in September. While employment did increase in October, the drop in the unemployment rate for the month is surprisingly large and likely overstates the improvement in the labor market. October’s unemployment rate is the lowest rate since February’s 6.9 percent and is similar to the year-ago rate of 7.1 percent.

Most other state economic indicators are improving. The Seattle Times Index of Help-Wanted Advertising was unchanged in October. The index rose in September 2003 after falling in August. The index has risen four of the last five months. Nevertheless is still 8.8 percent below last year’s level. Washington’s average weekly hours in manufacturing (seasonally adjusted) fell to 40.4 in October 2003 from a revised 41.1 in September. This is the first decline in three months. Despite the decline in October, average weekly hours in manufacturing are still 0.7 percent above the year-ago level. The Washington Purchasing Management Index rose substantially in October 2003, the third increase in four months. The index is now 63.5 well above its year-ago level. The index has now

been 50 or above since February. (A reading above 50 indicates expansion, below 50 indicates contraction.). Washington's seasonally adjusted initial claims for unemployment insurance fell in October to 51,050 from 55,431 in September. This is the lowest claims number since March of 2001.

The Washington Index of Leading Indicators rose in October to 96.8 from 96.5 in September (1996=100). The index has now increased or remained unchanged the last three months and five of the last six months. The index level is a little (0.3 percent) above the year-ago level. Four of the seven components of the index pushed the index up in October. These were: an increase in the Seattle Help-Wanted Index, an increase in the U.S. leading index, a decline in initial claims for unemployment insurance and a lower exchange rate. Pulling the index down in October were a decline in average weekly hours in manufacturing, lower aerospace employment and a decline in housing units authorized.

**This is based on the most recent data from the Bureau of Economic Analysis (the preliminary GDP estimates for the third quarter of 2003 released November 25, 2003.) The November 2003 economic forecast was completed prior to the preliminary GDP release, and shows a 5.6 percent increase in real GDP for the third quarter of 2003.1*

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
January 1980 to October 2003

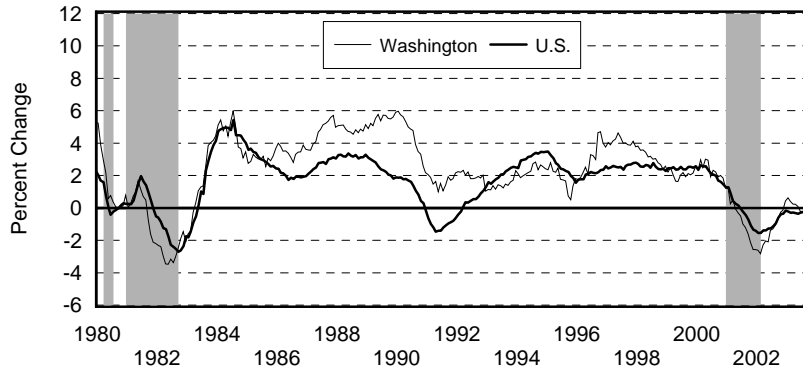


Chart 2.2
Washington Aircraft and Parts Employment
January 1958 to October 2003

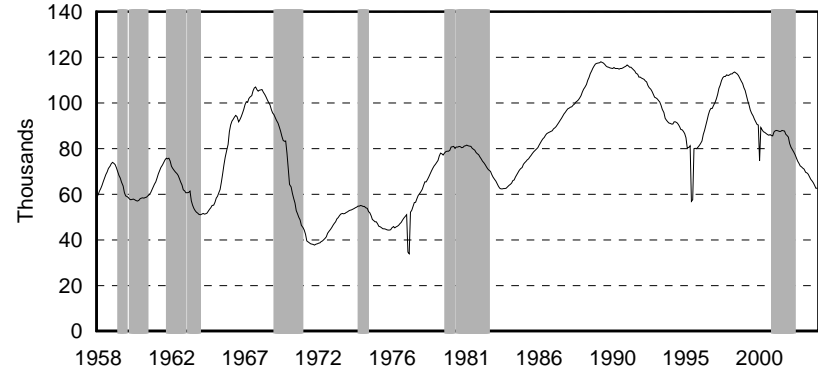


Chart 2.3
Unemployment Rate, S.A.
January 1980 to October 2003

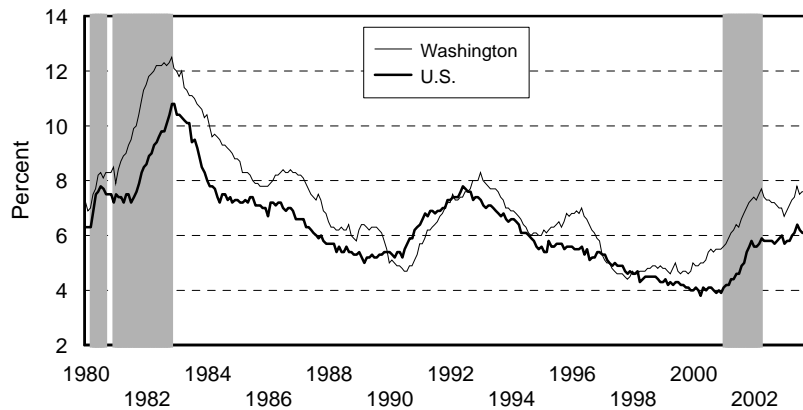
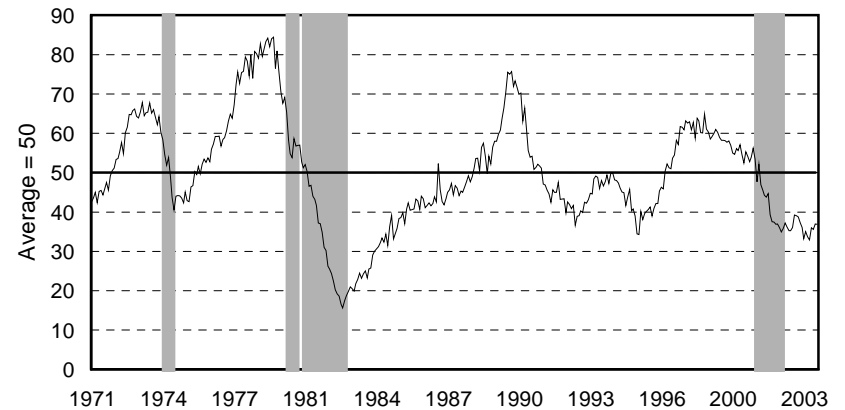


Chart 2.4
Washington Boom Monitor Composite Index
July 1971 to October 2003



* 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 2003

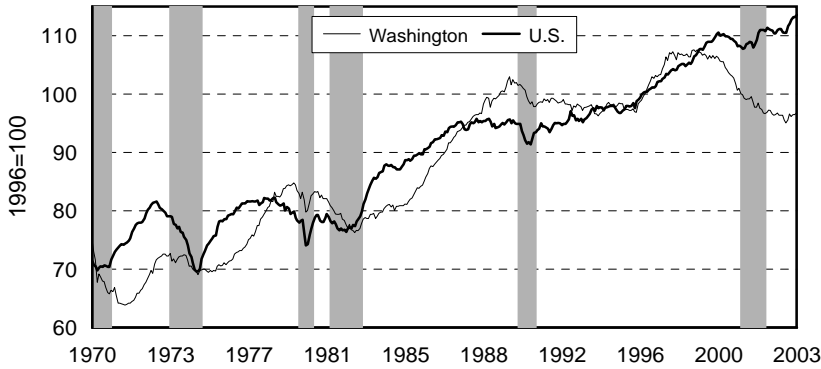


Chart 2.6
Washington Initial Claims for Unemployment Insurance
 January 1970 to October 2003

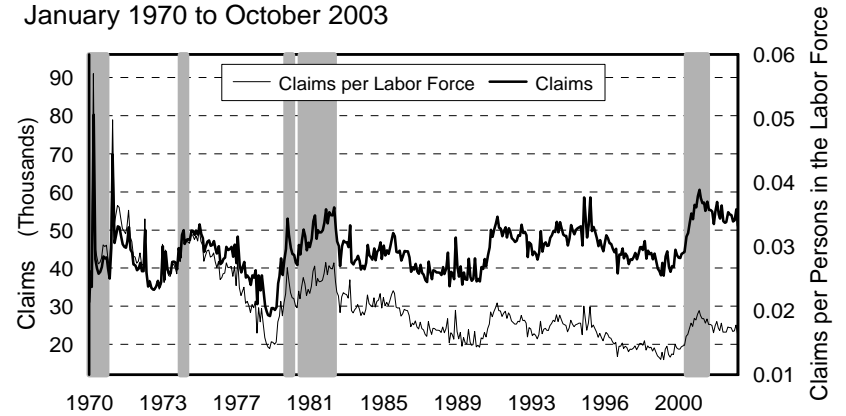


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
 January 1970 to October 2003

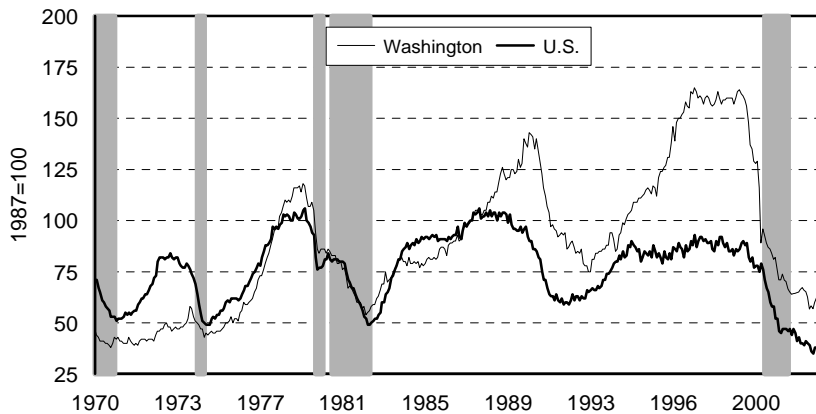
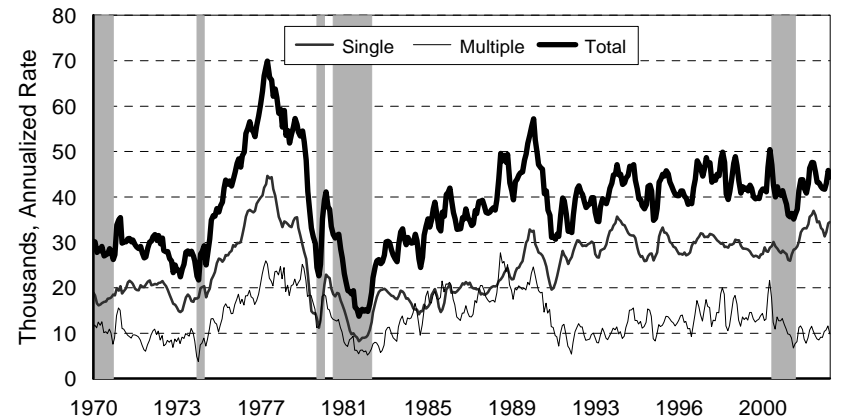


Chart 2.8
Housing Units Authorized in Washington State
 January 1970 to October 2003, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
 Jan. 1970 to October 2003, 3-Month Moving Average, SA

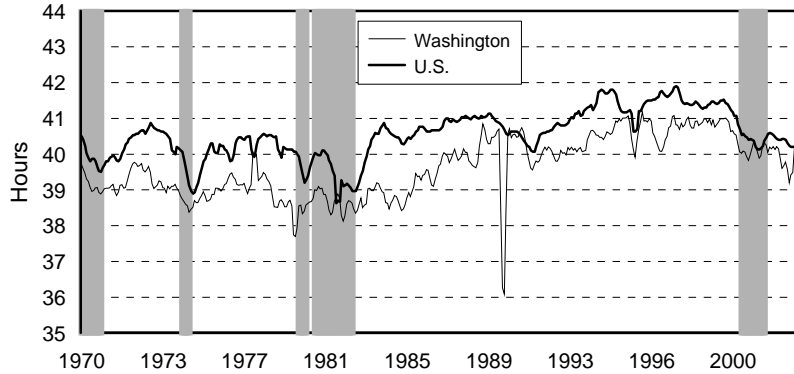


Chart 2.10
Washington Driver's License Migration
 September 1983 to October 2003, 12-Month Moving Average

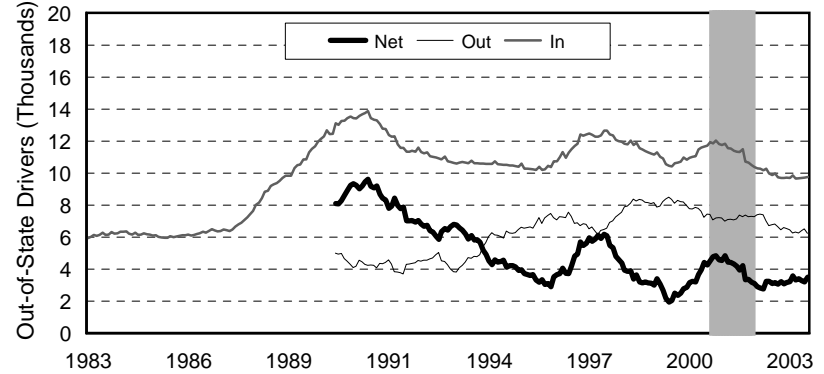


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to October 2003, 6-Month Moving Average

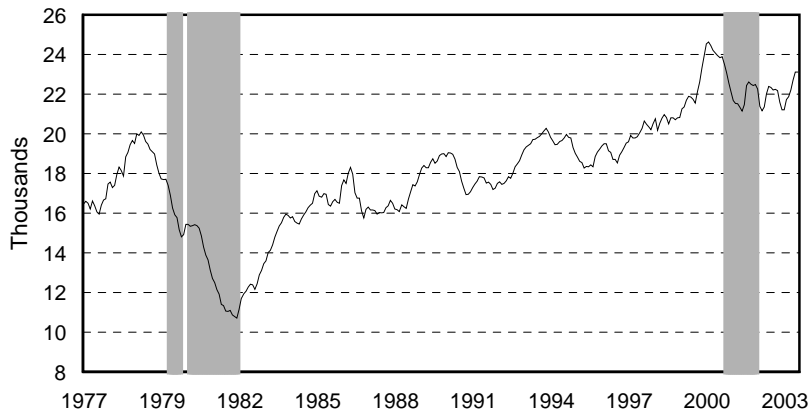
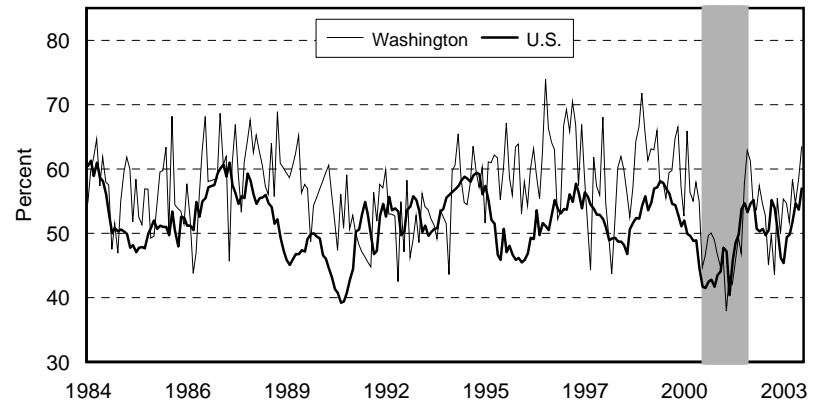


Chart 2.12
Institute for Supply Management Index
 January 1984 to October 2003



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2003 Q3

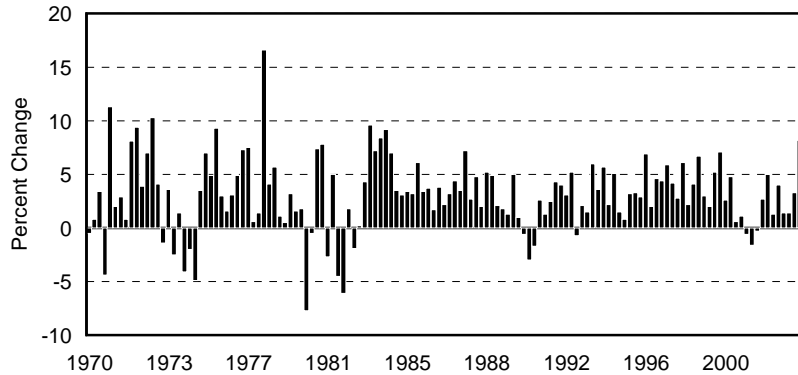


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2003Q3

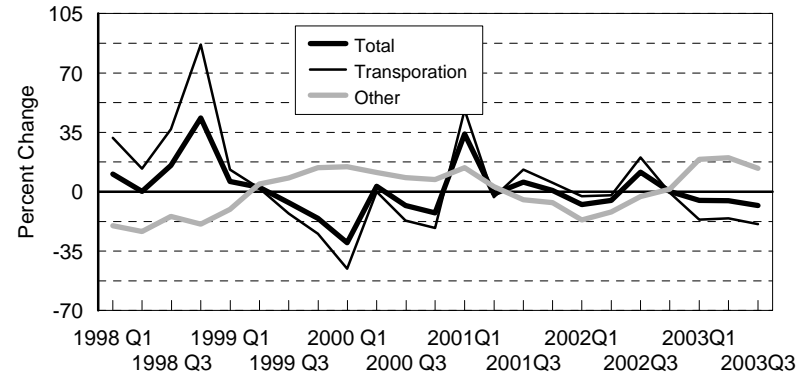


Chart 2.15
U.S. Economic Indicators*
 January 1970 to October 2003

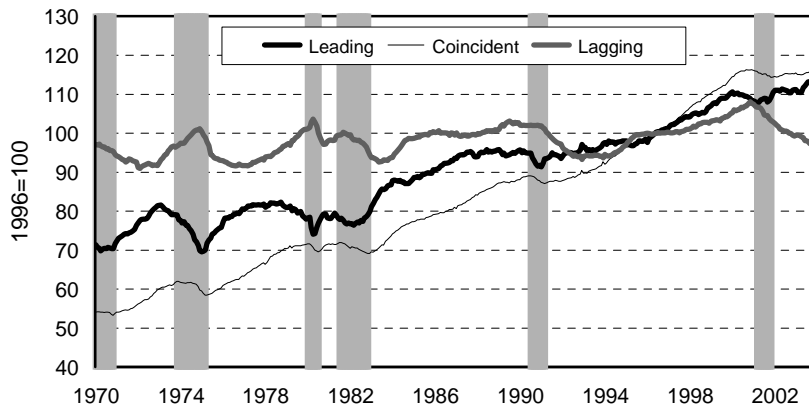
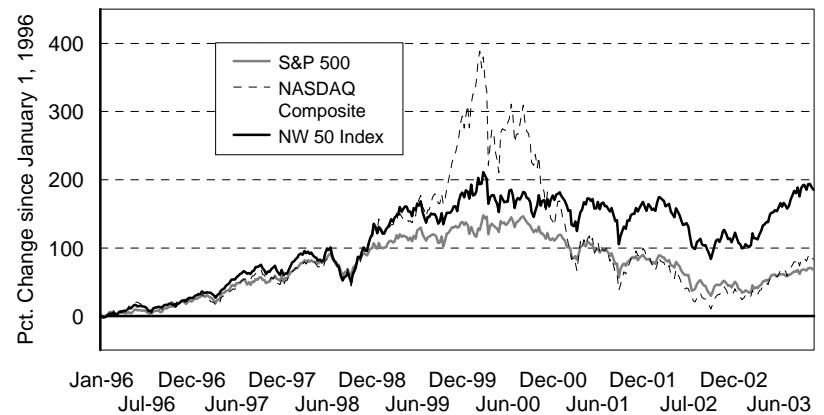


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
 January 1, 1996 to November 21, 2003



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

Other Economic Indicators

Chart 2.17
Federal Funds Target Rate
 October 1, 1990 to November 26, 2003

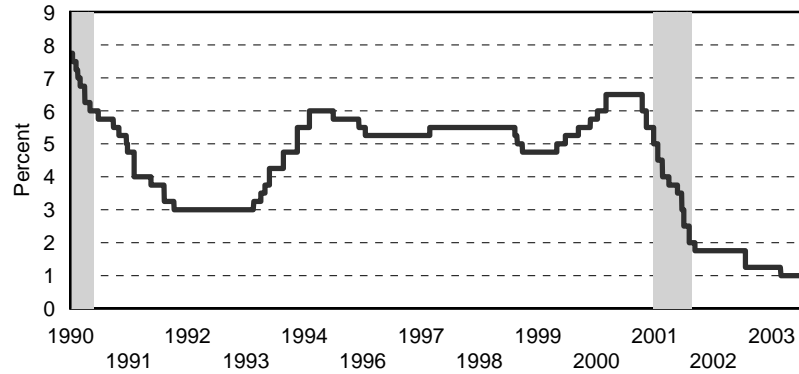


Chart 2.18
Consumer Confidence
 January 1978 to November 2003

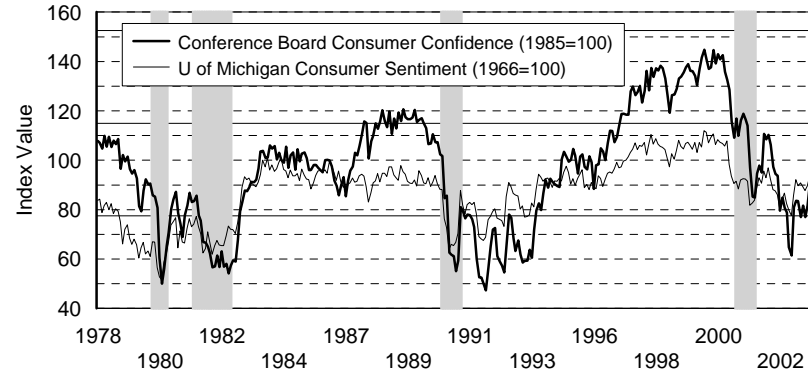
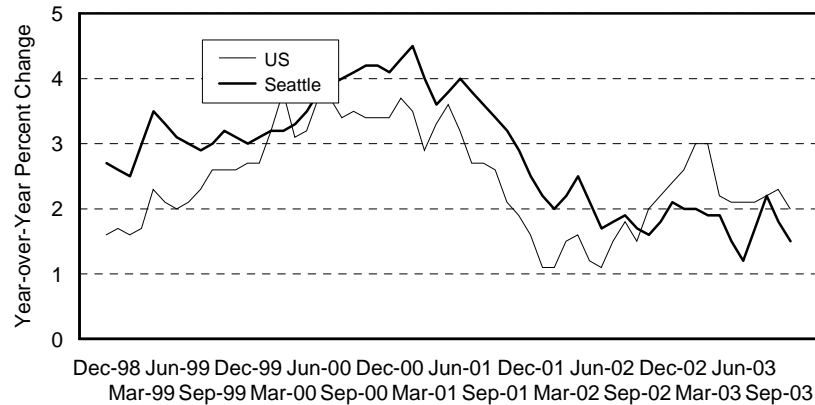


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to October 2003



* 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
2001:8	99.5	108.9	82	52	46.4	47.8
2001:9	98.6	108.0	76	52	37.9	47.1
2001:10	97.6	108.4	71	46	43.3	40.4
2001:11	97.7	109.3	71	45	42.1	45.7
2001:12	98.2	110.5	74	47	45.5	48.5
2002:1	97.6	111.0	71	47	49.4	49.8
2002:2	97.4	111.0	70	47	46.9	53.8
2002:3	96.8	111.0	67	46	57.7	54.7
2002:4	96.7	110.8	65	47	62.9	53.3
2002:5	96.9	111.4	64	44	61.3	54.7
2002:6	97.3	111.2	64	47	54.2	55.1
2002:7	97.2	111.0	64	45	53.7	50.7
2002:8	96.6	110.9	65	41	57.4	50.3
2002:9	96.4	110.4	65	43	54.6	50.7
2002:10	96.5	110.4	66	40	52.8	49.7
2002:11	96.8	111.0	67	40	45.1	50.5
2002:12	96.4	111.2	66	39	49.8	55.2
2003:1	96.4	111.2	65	41	43.5	53.9
2003:2	96.4	110.6	63	40	55.5	50.5
2003:3	95.6	110.5	57	39	50.0	46.2
2003:4	95.1	110.5	58	36	55.3	45.4
2003:5	95.6	111.7	57	35	54.7	49.4
2003:6	96.6	112.1	60	38	51.7	49.8
2003:7	96.2	112.8	62	38	58.4	51.8
2003:8	96.5	113.2	59	37	54.7	54.7
2003:9	96.5	113.2	60	37	58.3	53.7
2003:10	96.8	113.6	60	37	63.5	57.0

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Washington State Revenue Forecast Summary

Introduction

The Economic and Revenue Forecast Council approved a \$65.2 million (0.3 percent) increase to the Washington 2003-05 biennial General Fund-State (GFS) revenue forecast at its November 14, 2003 meeting. There are finally clear signs that the national economy is improving. Not only is output increasing but, more importantly, employers are finally starting to hire more workers. After shedding jobs in the first three quarters of 2003, the U.S. economy added jobs in August, September and October. The recent job numbers support the assumption of an upturn in U.S. employment in the fourth quarter. Washington employment is also expected to turn positive in the fourth quarter after two quarters of decline. Revenue growth improved in the third quarter and collections are \$44.1 million higher than expected since the September, accounting for most of the increase in the revenue forecast. While economic conditions and revenue growth are improving there is relatively little change to the revenue outlook for the biennium because, for the most part, the improvement was anticipated.

The November 2003 GFS revenue forecast expects \$22,820.9 million in the 2003-05 biennium, which spans the period July 2003 through June 2005. The November 2003 outlook for the 2003-05 budget period while a little higher than in September is fundamentally the same as recent forecasts. The economy is expected to improve over the course of the biennium but growth will be weaker than in a typical recovery. The November forecast expects \$1.7 billion, 7.9 percent more GFS revenue in the 2003-05 biennium than in the 2001-03

Table 3.1		Cash Basis		
Revision to the General Fund-State Forecast				
November 2003				
(Millions of dollars)				
	<u>2001-03</u>	<u>2003-05</u>	<u>Both</u>	
	<u>Biennium</u>	<u>Biennium</u>	<u>Biennium</u>	
Non Economic Changes	\$0.0	\$0.0	\$0.0	
Forecast Change	<u>(0.9)</u>	<u>65.2</u>	<u>64.4</u>	
Total Change*	(\$0.9)	\$65.2	\$64.4	

*Detail may not add to totals due to rounding

budget period. Much of the increase, however, will be due to tax law changes, not a strong economy. Excluding law changes, GFS revenue is expected to increase only 6.1 percent in the 2003-05 biennium.

The GFS unrestricted ending balance for the 2003-05 biennium is projected to be \$543.8 million. This is \$61.8 million more than assumed in September. The change is primarily due to the higher GFS revenue forecast for the 2003-05 biennium. The change in reserves is a little smaller than the change in revenue because of a little smaller beginning balance due to a small (\$0.9 million) downward revision to GFS revenue in the 2001-03 budget period and a \$2.5 million reduction to reserves in the 2001-03 biennium. While the current outlook expects a positive ending balance, much of it is due to non recurring items including nearly \$400 million in federal fiscal relief.

Background and Assumptions

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

For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS revenue forecast. The revenue forecasts for most major General Fund sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the November 2003 baseline forecast for the 2003-05 biennium is shown in Table 3.2.

November 2003 Forecast Assumptions

1. The November 2003 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The

economic outlook for the state is in part based on the Global Insight Inc. October 2003 baseline forecast for the U.S. economy.

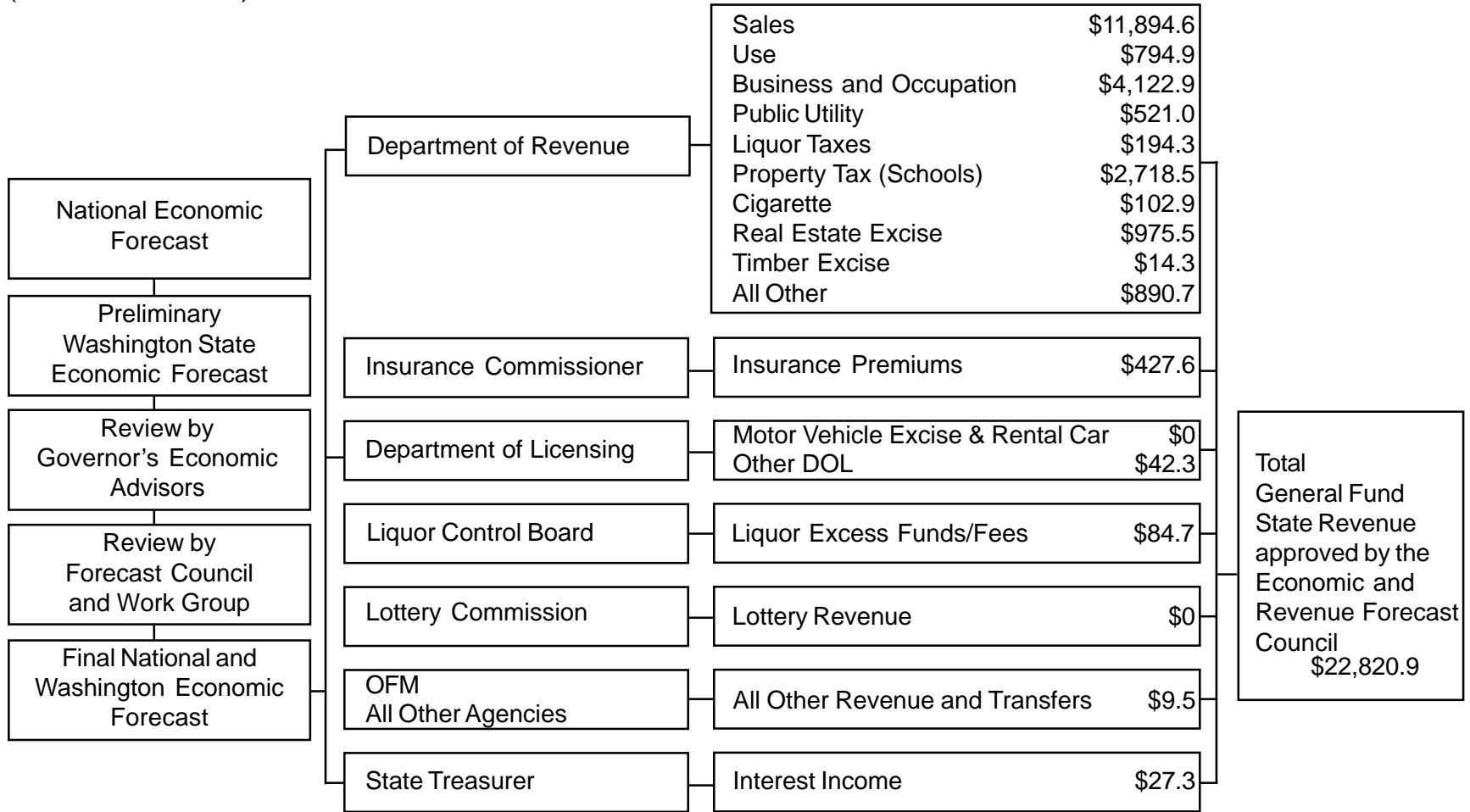
2. The GFS revenue forecast is based on current law and administrative practices. There were no new non-economic impacts to the GFS forecast in November. The impact of 2003 legislation on General Fund-State revenue enacted during the 2003 legislative sessions was included in the forecast in June.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a multi-state lottery game. Proceeds from this new game go the General Fund, after the first \$102 million per year of uncommitted lottery earnings are transferred to the Student Achievement Account and the School Construction Account. Part II of Table 3.18 summarizes lottery distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2003-05 biennium. 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. New legislation and other non-economic changes have reduced the forecast of GFS revenue for the 2001-03 biennium by \$399 million. As of November 2003, new tax law changes have increased GFS revenue for the 2003-05 biennium by \$758 million. In addition, the effect of Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, accelerates in the 2003-05 biennium. Due to legislation enacted during the 2003 session, the acceleration is much less than it was before. Still the I-728 transfers from the General Fund to the Student Achievement Account have a disproportional effect on GFS revenue for the 2003-05 biennium relative to the 2001-03 biennium. I-728 property tax transfers grow from \$267.0 million in the 2001-03 biennium to \$329.7 million in the 2003-05 biennium (See part I of Table 3.18.)

Recent Collection Experience

Revenue collections in the two months since the September forecast were \$44.1 million, 2.6 percent, above the forecast. Higher than expected real estate excise tax, estate tax and unclaimed property transfers accounted for most (\$34.1) of the variance. Revenue Act taxes (Washington's major excise taxes: sales, use, business and occupation and public utility taxes) were \$10.1 million (0.7 percent) above the forecast in the last two months.

As expected, consumer and business spending improved in the third quarter of 2003. Revenue Act receipts (primarily sales and business and occupation tax payments) were 3.8 percent above the year-ago level in the third quarter of 2003, excluding tax law changes and special factors. This is up from 1.6 percent in the second quarter. Revenue Act receipts declined 0.1 percent in the first quarter. In the most recent month (primarily reflecting September business activity of monthly taxpayers and July through September

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



* Cash Basis

of quarter filers) Revenue Act receipts were 6.2 percent above the year-ago level (excluding special factors and legislation). This was well above the 1.8 percent the prior month and the strongest growth since January 2001. The acceleration in spending was likely aided by tax rebate checks and another wave of mortgage refinancing. The pace of spending may slow in the current quarter as the impacts of the rebate checks and refinancing subsidies, but an improving job market and growing income is expected support spending growth for the remainder of the biennium.

Preliminary data of nearly 9,000 large taxpayers who filed their returns and payments electronically for the most recent month (September 2003 activity) show tax payments of retailers up 5.5 percent. Gains reported by non retailers were not quite as good, up 3.0 percent. Within retailing, all major sectors reported higher tax payments. Building materials/garden equipment stores reported the largest year-over-year increase (12.7 percent) at the three-digit NAICS level. Electronic and appliance stores (22.4 percent), apparel and accessories stores (+9.6 percent) and non store retailers (+8.9 percent) also reported strong gains. The smallest increases in the retail trade sector were reported by miscellaneous retailers (+2.9 percent) and general merchandise stores (3.2 percent). Most non-retailers also reported increases, although there was a lot of variability. The information sector reported a 6.0 percent increase in tax payments while the construction sector reported only a 0.8 percent increase. Declines were reported by the finance and insurance and the arts, entertainment and recreation sectors.

Real estate activity continues strong and better than expected. Real estate activity, as measured by real estate sales subject to the state's real estate excise tax, was 35.1 percent above the year-ago level in the two months since the September forecast and was 25.3 percent above the year-ago level for the first nine months of calendar 2003. The number of real estate transactions increased 23.3 percent in the last two months and 14.6 percent for the calendar year-to-date. The average price per transactions was up 9.7 percent the last two months and 9.0 percent for the year-to-date.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$19,000 (1.4 percent) above the estimate in the two months since the September forecast. During this period, Department of Licensing General Fund collections were 6.9 percent below the year-ago level.

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
 September 11 - November 10, 2003
 Based on the September 2003 Forecast (Millions of Dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>
Department of Revenue		
Revenue Act ¹	\$10.1	0.7%
Non Revenue Act ²	\$33.9	16.4%
Subtotal	<u>\$44.1</u>	<u>2.6%</u>
Department of Licensing ²	\$0.0	1.4%
Other	na	na
Total**	\$44.1	2.6%

¹ Revenue Act taxes consist of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections September 11, 2002 through November 10, 2003.

² Variance based on September 2003 through October 2003 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 2003 forecast.

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

The General Fund-State Forecast for the 2003-05 Biennium

The good news is that economic and revenue growth for the 2003-05 biennium is expected to improve in the 2003-05 biennium. The bad news is that the 2001-03 biennium was very depressed. In fact both economic and revenue growth in the 2001-03 biennium were the weakest since the 1981-83 biennium. Wage and salary employment, which increased 4.3 percent in the 1999-01 biennium, declined 1.5 percent in the 2001-03 budget period. Wage and salary employment fell 2.1 percent in the 1981-83 biennium. Similarly, real personal income grew only 3.0 percent in the 2001-03 biennium after having increased 9.9 percent in the 1999-01 period. Real income growth was only slightly better than the 2.4 percent increase in the 1981-83 biennium. The weak economy took a big bite out of GFS revenue in the 2001-03 budget period. Revised data shows the state collected \$22,140.7 million in the 2001-03 biennium which ended June 30, 2003. This is \$121 million (0.6 percent less than what was collected in the 1999-01 biennium. After declining 3.5 percent in fiscal 2002, the first year of the biennium, revenue was up 2.3 percent in fiscal 2003.

The November 2003 forecast for the 2003-05 biennium (July 1, 2003 to June 30, 2005) is similar to the September 2003 forecast. It continues to assume a moderate recovery for both the U.S. and the Washington economies. In the two months since the September forecast we have seen important confirmation that the economy is indeed improving. Nationally, output and perhaps more importantly, employment improved late in the third quarter and in the first month of the fourth quarter. Hopefully, this marks the end of the “jobless recovery”. Washington employment is also expected to grow in the fourth quarter of 2003 after two quarters of decline. Revenue growth in the first three months of the biennium also showed improvement. While both economic and revenue growth is showing signs of improvement, we have a long way to go; and even with improvement growth is expected to remain relatively weak for most of the biennium. The state’s manufacturing sector has lost jobs for twenty-one consecutive quarters and will be very slow to recover in part due to a weak outlook for aircraft manufacturing, the state’s largest manufacturing sector. Air travel has been slow to recovery to pre-September 11th levels. This continues to affect airline profitability and their need and ability to purchase aircraft. The combination of moderate growth nationally and a depressed aerospace sector will result in less than average employment and income growth for the state in the 2003-05 biennium. State nominal personal income is expected to increase only 8.6 percent in the 2003-05 biennium, up from the 6.6 percent increase during the 2001-03 biennium but less than half its long run average. Similarly wage and salary employment growth is expected to increase only 1.0 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 \$22,820.9 million. This is \$1.7 billion (7.9 percent) more than in the 2001-03 biennium. Adjusting for major legislative changes, GFS revenue is expected to grow 6.1 percent.

Washington has no personal or corporate income tax. Three taxes: sales and use, business and occupation and the property tax (state school levy) comprise the majority of Washington’s GFS revenue. These three taxes accounted for 85.8 percent of the \$21.1 billion total GFS cash receipts in the 2001-03 biennium. These taxes are expected to account for 85.6 percent of GFS revenue 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 1989-91 biennium and from 75 percent twenty years ago. The retail sales and use tax, the state’s largest revenue source, generated \$11.7 billion, 55.5 percent of total GFS revenue in the 2001-03 biennium. Sales and use taxes are expected to produce \$12.7 billion, 55.6 percent of total GFS revenue in the 2003-05 biennium. The business and occupation tax totaled \$3.8 billion in the 2001-03

biennium, 17.9 percent of total GFS revenue. This tax is expected to produce \$4.1 billion, 18.1 percent of the total in the 2003-05 biennium. The state share of the property tax totaled \$2.6 billion, 12.4 percent of total GFS revenue in the 2001-03 biennium. The November forecast expects property tax to produce \$2.7 billion in the 2003-05 biennium, 11.9 percent of total GFS revenue. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement Account beginning in the 2001-03 biennium. (See Table 3.18, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$21.8 billion in the second quarter of 2003, the most recent quarter available. This was 2.9 percent higher than a year-ago. Last quarter taxable sales were up 1.0 percent. Taxable sales have now increased on a year-over-year basis for four consecutive quarters after having fallen or remained unchanged for five straight quarters. Even with the recent improvement, Washington taxable sales remain weak. Taxable sales are growing slower than state personal income and retail sales nationally. U.S. retail and food service sales increased 4.8 percent in the second quarter of 2003 following a 4.5 percent increase in the first quarter of 2003. Preliminary data indicate U.S. retail and food service sales increased 6.2 percent in the third quarter of 2003. The November 2003 forecast assumes that taxable sales in Washington increased 4.0 percent in the third quarter of 2003.

Analysis of the growth of taxable sales in the second quarter of 2003 by sector is again difficult due to industry reclassifications of a large number of businesses. Industry comparison is still on a Standard Industrial Classification (SIC) basis. The Department of Revenue is in the process of converting to the North American Industry Classification System (NAICS). Taxable sales data is expected to be available on a NAICS basis in early 2004. The retail trade sector, which accounts for about half of all taxable sales, was 5.6 percent above the year-ago level. This is based on data that is not adjusted for changes in industry classifications that occurred between the first quarter of 2003 and a year ago and distorts the year-over-year comparison by sector. After adjusting for SIC changes the increase is only 3.7 percent. Within retailing, general merchandise stores reported the largest gain, 18.9 percent. Building materials/hardware stores also

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>1996 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,188.5	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	21,140.7	-0.6%	19,020.7	-4.0%
2003-05 ^F	22,820.9	7.9%	19,880.2	4.5%

^F: November 2003 Forecast
 *Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes.
 Source: Department of Revenue, the Office of Financial Management and the Office of the Forecast Council 's November 2003 forecast.

Table 3.5

Taxable Retail Sales*

November 2003 Forecast

(Millions of Dollars)

Fiscal Year	Amount	Percent Change
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,010	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	84,418	-1.4%
2003	86,164	2.1%
2004 ^F	89,408	3.8%
2005 ^F	94,422	5.6%

^F Forecast.

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

reported a large increase, 16.5 percent. The only reported decline was a large one. Food stores reported a 24.0 percent year-over-year drop in taxable sales. The picture changes dramatically after accounting for SIC changes. The auto/gasoline sector shows the largest increase, 6.2 percent after accounting for SIC changes. The large increases reported by general merchandise stores and building materials/hardware retailers disappear. The increase after adjusting for SIC changes is 2.0 for the general merchandise sector and 3.4 percent for the building materials and hardware sector. The decline reported by food stores turns into a small, 0.2 percent, increase.

Taxable sales reported by non-retailing sectors was unchanged from a year-ago in the second quarter of 2003. However, after adjusting for SIC changes, taxable sales reported by non-retail sectors increased 2.1 percent in the second quarter. The year-over-year change varied widely among sectors on an adjusted basis. Taxable sales reported by the contract construction sector, which accounted for about 14 percent of all taxable sales in the second quarter of 2003, increased 3.3 percent. This follows a 2.8 percent increase last quarter and a 4.6 percent increase in the fourth quarter of 2002. Prior to the last quarter of 2002, this sector had declined six consecutive quarters. Taxable sales reported by the service sector were 0.3 percent below the year-ago level in the second quarter of 2003. Within services, hotel/motel establishments reported a 0.5 percent increase in taxable sales in the second quarter. Taxable sales reported by the manufacturing sector were up 9.7 percent in the second quarter. The wholesale trade sector reported a 1.8 percent increase.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 1.9 percent higher than a year ago in the second quarter of 2003. Taxable sales increased 4.4 percent in the rest of the state. Taxable sales in King County were unchanged from a year-ago in the second quarter of 2003 which represents an improvement. Prior to the second quarter, King County taxable sales had declined seven of the last eight quarters. Taxable sales in Snohomish County increased 2.9 percent in the second quarter of 2003. Pierce County reported a very strong 8.5 percent increase. Taxable sales in Spokane County were 3.9 percent above the year-ago level. Eastern Washington

Chart 3.1
General Fund-State Revenue

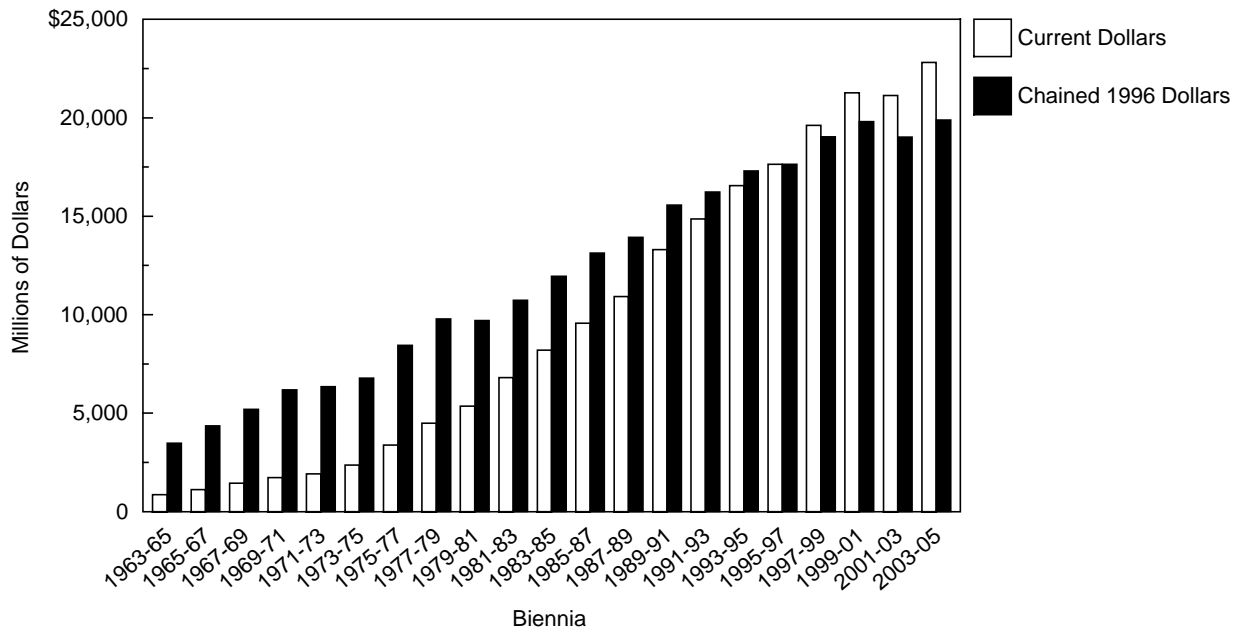
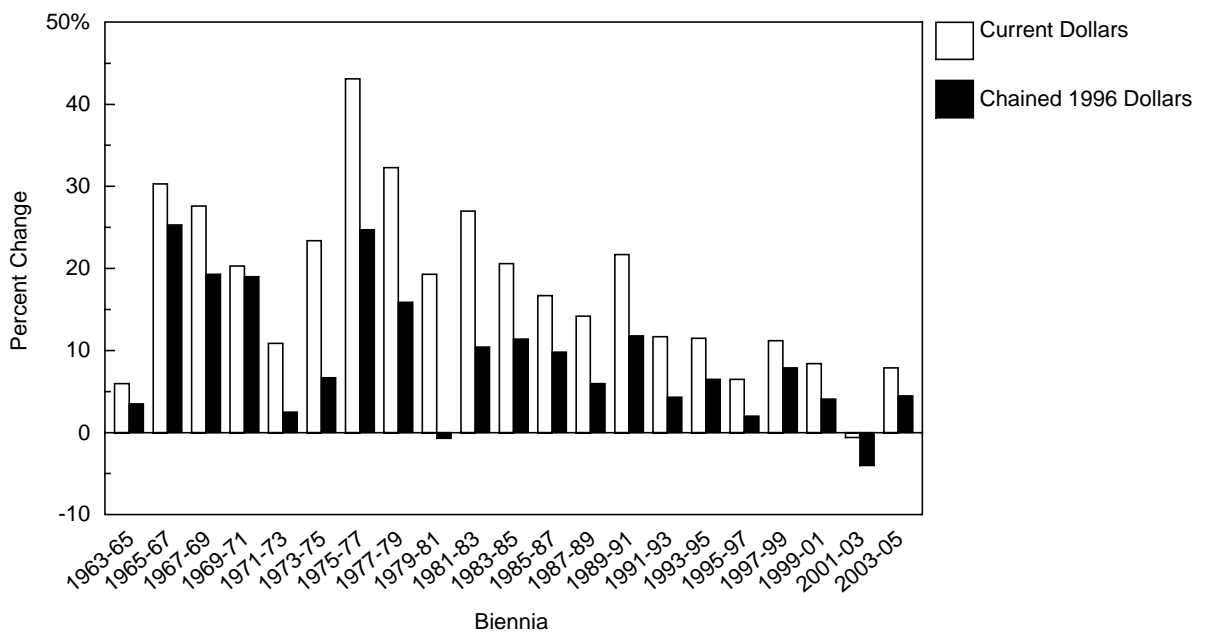
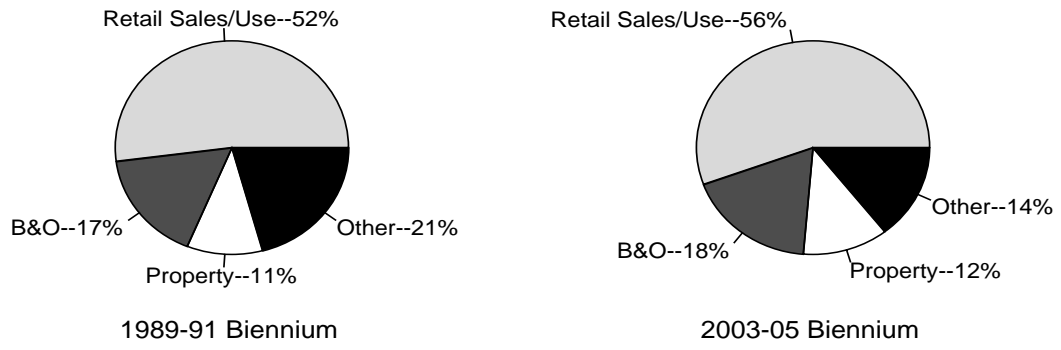


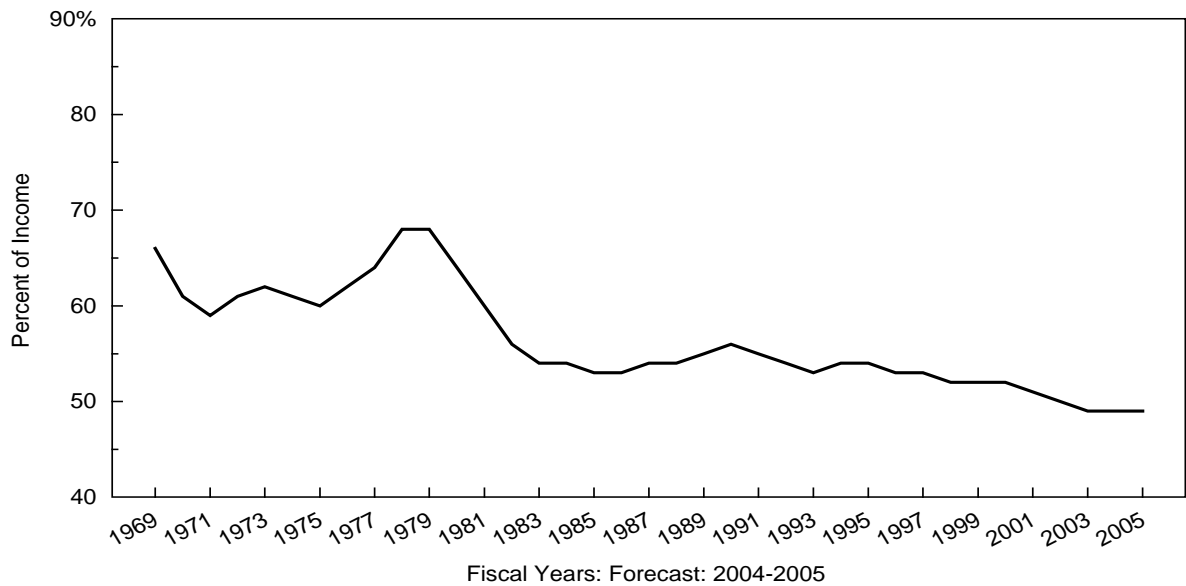
Chart 3.2
General Fund-State Revenue - Percent Change



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



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



* Adjusted Base

counties as a whole reported a 4.8 percent increase in taxable sales in the second quarter while west of the Cascades taxable sales were up 2.4 percent. Taxable sales were up 3.2 percent in metropolitan counties in the second quarter and 1.1 percent in non-metropolitan counties.

Statewide taxable sales increase 2.1 percent in fiscal 2003 after declining 1.4 percent in fiscal 2002. The drop in fiscal 2002 was the first fiscal year decline since 1984 when food was removed from the sales tax base. The gain in fiscal 2003 was the weakest increase, aside from fiscal 2002, since fiscal 1996. The November forecast continues to expect modest improvement in taxable sales growth for the current budget period. Taxable sales are expected to increase 3.8 percent in fiscal 2004 and 5.6 percent in fiscal 2005. Part of the improvement in fiscal 2005 is a result of the expiration of the sales tax deferral/exemption program. This adds about a percent to taxable sales growth.

Forecast Change for the 2003-05 Biennium

The November forecast increases total GFS revenue for the two year budget cycle ending June 30, 2005 by \$65.2 million (0.3 percent). There was not much change to the economic outlook or the revenue forecast in November. What is new is data confirming earlier assumptions that the economy would start to improve. In the first three-plus months of the biennium the economy has started to show clear signs of improvement. Nationally, total real output of goods and services were very strong in the third quarter. Perhaps more importantly, U.S. economy saw an increase in jobs in August, September and October. Washington employment growth is also expected to return to positive territory in the fourth quarter after declining in both the second and third quarters. Revenue growth of the state's major excise taxes also improved to 3.8 percent in the third quarter, from 1.6 percent in the second quarter. While economic conditions and revenue growth are improving, the relatively small change to the revenue forecast for the biennium reflects the fact that improvement, for the most part, was anticipated.

Table 3.6 summarizes the changes to the November 2003 cash forecast by type of change. Tables 3.7 and 3.8 summarize data revisions since September to GFS revenue 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 Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue for the 2001-03 and 2003-05 biennia. The November forecast of GFS revenue sources administered and collected by the Department of Revenue is \$69.5 million higher than in September. The increase to the forecast reflects higher tax collections in the two months since the last forecast as well as continued optimism for the 2003-05 outlook. The November forecast continues to expect the economy to improve over the course of the biennium from a depressed 2001-03 biennium level. One quarter into the biennium, this appears to be happening. The U.S. economy is starting to add jobs. Income is growing and revenue growth is improving.

The largest change to the Department of Revenue GFS sources in November was a \$23.5 million increase to the retail sales tax forecast. The business and occupation tax forecast is \$19.9 million higher than in September and the real estate excise tax forecast is \$15.4 million higher. Other changes include a \$2.9 million increase in the public utility tax and a \$10.1 million increase to unclaimed property transfers. Most of these increases reflect collection experience in the last two months.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from professional licenses, boat excise tax, and boat registration. The Department's General Fund-State forecast for the current biennium has been decreased \$0.8 million to \$42.3 million due to license fee reductions performed to align revenues with administrative expenditures.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the current biennium has been decreased \$0.5 million to \$9.5 million.

State Treasurer

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's General Fund-State forecast for the current biennium has been increased \$1.3 million to \$27.3 million due to an increase in actual and forecasted fund balances.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. While the office's total revenue forecast for the current biennium was unchanged, the forecast of distributions to the General Fund was decreased \$4.3 million to \$427.6 million due to correction of an understatement of fire insurance premium tax distributions from the previous forecast.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The agency's estimate of excess funds and fees and beer and wine surtaxes for the current biennium was unchanged at \$80.8 million and \$3.9 million respectively.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction, Student Achievement, and stadium/exhibition center accounts receive their allotments. As in the September forecast, the Commission's current forecast does not predict having any post-allotment revenue to transfer to the General Fund for the current biennium. The forecast of revenues for the School Construction and Student Achievement Funds for the current biennium was unchanged at \$188.9 million.

Track Record for the 2001-03 Biennium

Revised data show GFS receipts in the 2001-03 biennium totaled \$21,140.7 million. This is \$0.9 million less than the preliminary September 2003 number. Actual 2001-03 GFS receipts are \$1.4 billion below the February 2000 forecast, which was the initial forecast for the biennium. This variance reflects both forecast error and non-economic changes. Excluding the impact of non-economic factors, primarily

Table 3.6
Summary of Changes to the General Fund-State Forecast
 November 2003 Cash Forecast
 (Millions of Dollars)

		November 2003
		<u>Change</u>
<u>I. 2001-03 Biennium</u>		
<i>Data Revision</i>		
		(\$0.9)
Department of Revenue		
Major Excise ¹	0.0	
Other ²	0.0	
Department of Licensing ²	0.0	
Other GFS ³	(0.9)	
Total Change for 2001-03 Biennium:*		(\$0.9)
<u>II. 2003-05 Biennium</u>		
<i>Collection Experience in the 2003-05 Biennium</i>		
		\$44.1
Department of Revenue ³	44.1	
Other agencies ⁴	0.0	
<i>Forecast Change for the 2003-05 Biennium</i>		
		\$21.2
Department of Revenue	25.5	
Other agencies	(4.3)	
Total Change: 2003-05 Biennium		\$65.2
<u>Total Change: Both Biennia:*</u>		\$64.4

¹ Variance based on collections June 11 - June 30, 2003; retail sales, b&0, use & public utility taxes.

² Variance based on collections in June 2003.

³ Variance based on collections July 1- November 10, 2003.

⁴ Variance based on collections in July thru October 2003.

** Detail may not add due to rounding.

the impact of Initiative 728 and legislative changes, actual 2001-2003 revenue is \$994 million (4.4 percent) lower than the February 2000 forecast. There have been fifteen revisions to the forecast for the 2001-03 biennium since February 2000. Excluding non-economic changes, there have been six increases to the forecast and nine reductions, including the November 2003 revision. Most of the change to the 2001-03 outlook came in the aftermath of the September 11th terrorist attacks. While there have been revisions each quarter, GFS revenue for the 2001-03 biennium is essentially unchanged since the June 2002 forecast. Table 3.13 summarizes the changes to the GFS forecast for the 2001-03 biennium since the first forecast in February 2000.

Track Record for the 2003-05 Biennium

The November 2003 GFS cash receipts forecast for the 2003-05 biennium totals \$22,820.9 million. This is \$65.2 million more than the September 2003 forecast. The November 2003 forecast is only \$31 million higher than the February 2002 forecast, which was the initial forecast for the biennium. However legislative changes greatly distort this variance. Excluding the impact of non-economic factors, primarily the impact of 2002 and 2003 legislative changes, the November 2003 forecast is \$727 million (3.2 percent) lower than the February 2002 forecast. There have been seven revisions to the forecast for the 2003-05 biennium since February 2002. Five, have lowered expected revenue (excluding tax law changes), and two, including the November 2003 change, have increased the forecast. 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 revised GAAP total for the 2001-03 biennium is \$21,192.3 million, \$51.6 million more than the \$21,140.7 million cash receipts total. The GFS forecast for the 2003-05 biennium is \$22,888.0 million on a GAAP basis, \$67.1 million more than the \$22,820.9 million cash forecast.

Table 3.16 presents the budgetary balance sheet for the 2001-03 and 2003-05 biennia. The GFS ending balance is higher than in September, primarily due to the higher GFS revenue outlook. The unrestricted GFS balance on June 30, 2003, the end of the 2001-03 budget period, is \$412.4 million, down \$3.4 million from what the preliminary September number. There is still end of the year reconciliation

occurring so the 2001-03 ending balance is still preliminary. In addition, the Emergency Reserve Fund balance at the end of the 2001-03 biennium was \$57.6 million.

The November 2003 projected GFS unrestricted ending balance for the 2003-05 biennium is \$543.8 million. This is up from \$482 million assumed in September 2003. The higher projected ending balance is due to the higher GFS revenue forecast, partially offset by a slightly lower beginning balance number. The Emergency Reserve Balance is zero at the end of the 2003-05 biennium as the entire Emergency Reserve Balance is transferred to the General Fund in the 2003-05 biennium.

Alternative Forecasts for the 2003-05 Biennium

The November 2003 baseline forecast continues to assume the economy will improve over the course of the biennium. Income and job growth has been and will continue to be somewhat slower than usual, producing only modest revenue growth. The implications of stronger as well as weaker growth assumptions than in the baseline forecast are contained in two alternative forecasts.

The optimistic scenario assumes that the recent better news on jobs translates into a sharper rise in consumer confidence than is assumed in the baseline. This leads to more consumer spending and ultimately to more investment and income growth. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 1.2 percent higher than the baseline by the end of fiscal 2004 and is 3.0 percent higher by the end of the 2003-05 biennium. State wage and salary employment is 13,700 greater than the baseline by the second quarter of 2004 and is 36,700 higher by the last quarter of the 2003-05 biennium.

The pessimistic scenario assumes the rapid improvement in the labor market in the last half of 2003 gives way to slower hiring than in the baseline forecast in 2004 and beyond. The strong increase in spending and output we saw in the third quarter weakens considerably in 2004. Weak consumer spending hurts business investment spending which combined with a weaker global economy produces slower economic growth than assumed in the baseline forecast. In this scenario, Washington State is hit disproportionately harder as the weak economy slows the growth in air traffic hurting airline profitability and their need and ability to buy additional planes. This keeps the state's aerospace sector weak and produces fewer jobs than assumed in the baseline forecast. In the pessimistic scenario, state personal income is 1.3 percent below the baseline estimate at the end of fiscal year 2004 and 3.5 percent less than the baseline by the end of the 2003-05 biennium. Wage and salary employment is 11,200 lower than the baseline by the second quarter of 2004 and is 43,800 less by the last quarter of the 2003-2005 biennium.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2003-05 biennium. The optimistic scenario generates \$23.5 billion, \$643.4 million more than the baseline. The pessimistic alternative produces only \$22,101 million GFS revenue in the 2003-05 biennium, \$720 million less than the baseline forecast.

In addition to the official optimistic and pessimistic alternatives, we routinely prepare a third alternative forecast. This is developed by averaging the forecasts for several key economic variables made by members of the Governor's Council of Economic Advisors (GCEA). The November 2003 GCEA scenario was based on the forecasts of eight members of the Governor's Council of Economic Advisors. The GCEA alternative was close to the November 2003 baseline forecast. It produced \$24 million more GFS revenue than the baseline forecast for the 2003-05 biennium.

Table 3.7

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

(Millions of dollars)

Forecast by Agency	September 2003 Forecast¹	Non- Economic Changes	Forecast Revision	November 2003 Forecast	Total Change
Department of Revenue					
Retail Sales	\$10,987.0		\$0.0	\$10,987.0	\$0.0
Business & Occupation Use	3,790.6		0.0	3,790.6	0.0
Public Utility	753.1		0.0	753.1	0.0
Liquor Sales/Liter	524.1		0.0	524.1	0.0
Cigarette	183.4		0.0	183.4	0.0
Property (State Levy)	115.8		0.0	115.8	0.0
Real Estate Excise	2,613.5		0.0	2,613.5	0.0
Timber Excise	873.1		0.0	873.1	0.0
Other	18.4		0.0	18.4	0.0
Subtotal	733.4		0.0	733.4	0.0
	20,592.3		0.0	20,592.3	0.0
Department of Licensing					
Boat excise, licenses, fees & other	42.6		0.0	42.6	0.0
Insurance Commissioner					
Insurance Premiums	389.6		(2.1)	387.5	(2.1)
Liquor Control Board					
Liquor Profits and Fees	60.0		0.0	60.0	0.0
Beer & Wine Surtax	3.6		0.0	3.6	0.0
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	58.2		0.0	58.2	0.0
Office of Financial Management					
Other	(4.7)		1.2	(3.5)	1.2
<u>Total General Fund-State *</u>	\$21,141.5	\$0.0	(\$0.9)	\$21,140.7	(\$0.9)

¹ Forecast for the 2001-03 biennium adopted in September 2003.

*Detail may not add to totals because of 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 2003 Forecast¹	Non- Economic Changes	Forecast Revision	November 2003 Forecast	Total Change
Department of Revenue					
Retail Sales	\$10,999.2		\$58.4	\$11,057.6	\$58.4
Business & Occupation Use	3,750.0		22.5	3,772.5	22.5
Public Utility	744.7		2.1	746.9	2.1
Liquor Sales/Liter	520.0		1.9	521.9	1.9
Cigarette	183.6		0.0	183.6	0.0
Property (State Levy)	116.0		0.0	116.0	0.0
Real Estate Excise	2,608.4		0.4	2,608.8	0.4
Timber Excise	882.3		0.0	882.3	0.0
Other	18.4		(0.6)	17.7	(0.6)
Subtotal	738.7		0.4	739.1	0.4
	20,561.3		85.1	20,646.3	85.1
Department of Licensing					
Boat excise, licenses, fees & other	44.1		0.0	44.1	0.0
Insurance Commissioner					
Insurance Premiums	389.3		(2.1)	387.2	(2.1)
Liquor Control Board					
Liquor Profits and Fees	60.0		0.0	60.0	0.0
Beer & Wine Surtax	3.6		0.0	3.6	0.0
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	55.9		0.0	55.9	0.0
Office of Financial Management					
Other	(7.8)		3.0	(4.8)	3.0
Total General Fund-State *	\$21,106.3	\$0.0	\$86.0	\$21,192.3	\$86.0

¹ General Fund-State forecast for the 2001-03 biennium adopted September 2003.

*Detail may not add to totals because of rounding.

Table 3.9

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

Forecast by Agency	September 2003 Forecast¹	Non- Economic Changes	Forecast Revision	November 2003 Forecast	Total Change
Department of Revenue					
Retail Sales	\$11,871.1		\$23.5	\$11,894.6	\$23.5
Business & Occupation Use	4,103.0		19.9	4,122.9	19.9
Public Utility	793.8		1.2	794.9	1.2
Liquor Sales/Liter	518.1		2.9	521.0	2.9
Cigarette	194.3		0.0	194.3	0.0
Property (State Levy)	103.4		(0.5)	102.9	(0.5)
Real Estate Excise	2,721.8		(3.3)	2,718.5	(3.3)
Timber Excise	960.2		15.4	975.5	15.4
Other	13.5		0.7	14.3	0.7
Subtotal	880.8		9.8	890.7	9.8
	22,160.0		69.5	22,229.5	69.5
Department of Licensing					
Boat excise, licenses, fees & other	43.1		(0.8)	42.3	(0.8)
Insurance Commissioner					
Insurance Premiums	431.9		(4.3)	427.6	(4.3)
Liquor Control Board					
Liquor Profits and Fees	80.8		0.0	80.8	0.0
Beer & Wine Surtax	3.9		0.0	3.9	0.0
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	26.0		1.3	27.3	1.3
Office of Financial Management					
Other	10.0		(0.5)	9.5	(0.5)
Total General Fund-State *	\$22,755.7	\$0.0	\$65.2	\$22,820.9	\$65.2

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

*Detail may not add to totals because of rounding.

Table 3.10

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

Forecast by Agency	September 2003 Forecast¹	Non - Economic Changes	Forecast Revision	November 2003 Forecast	Total Change
Department of Revenue					
Retail Sales	\$11,915.2		\$24.8	\$11,940.0	\$24.8
Business & Occupation Use	4,117.5		18.6	4,136.1	18.6
Public Utility	794.2		3.6	797.8	3.6
Liquor Sales/Liter	520.7		1.4	522.1	1.4
Cigarette	195.4		(0.1)	195.3	(0.1)
Property (State Levy)	103.2		(0.5)	102.7	(0.5)
Real Estate Excise	2,722.4		(3.3)	2,719.1	(3.3)
Timber Excise	963.0		15.9	978.9	15.9
Other	13.5		0.7	14.3	0.7
Subtotal	882.3		7.9	890.1	7.9
	22,227.4		69.0	22,296.4	69.0
Department of Licensing					
Boat excise, licenses, fees & other	45.1		(0.8)	44.3	(0.8)
Insurance Commissioner					
Insurance Premiums	431.9		(4.3)	427.6	(4.3)
Liquor Control Board					
Liquor Profits and Fees	80.8		0.0	80.8	0.0
Beer & Wine Surtax	3.9		0.0	3.9	0.0
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	24.1		1.3	25.4	1.3
Office of Financial Management					
Other	10.1		(0.4)	9.7	(0.4)
Total General Fund-State *	\$22,823.2	\$0.0	\$64.8	\$22,888.0	\$64.8

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

*Detail may not add to totals because of rounding.

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

Forecast by Source	Fiscal 2001^a	Fiscal 2002^a	Fiscal 2003^a	2001-03 Biennium	Fiscal 2004	Fiscal 2005	2003-05 Biennium
State Taxes							
Retail sales	\$5,503.1	\$5,435.1	\$5,551.9	\$10,987.0	\$5,805.0	\$6,089.6	\$11,894.6
Business & occupation	1,961.6	1,913.8	1,876.8	3,790.6	1,994.8	2,128.1	4,122.9
Use	399.8	376.5	376.6	753.1	384.4	410.5	794.9
Public Utility	259.1	264.8	259.3	524.1	263.2	257.8	521.0
Liquor sales/liter	87.2	90.4	93.0	183.4	95.6	98.7	194.3
Beer & wine surtax	1.6	1.7	1.9	3.6	1.9	2.0	3.9
Cigarette	68.2	62.6	53.2	115.8	52.9	50.0	102.9
Tobacco products	16.7	16.1	8.8	24.8	9.9	10.2	20.1
Property (state school levy)**	1,349.9	1,281.8	1,331.6	2,613.5	1,367.6	1,350.9	2,718.5
Public utility district	29.9	31.5	37.0	68.5	35.3	36.8	72.1
Real estate excise	400.4	399.1	474.0	873.1	505.7	469.8	975.5
Timber excise	15.2	10.0	8.3	18.4	7.0	7.2	14.3
Estate/inheritance	107.1	114.5	122.5	237.0	113.7	113.5	227.2
Motor vehicle excise & Rental car	0.0	0.0	(0.0)	(0.0)	0.0	0.0	0.0
Boat excise	11.4	11.4	12.1	23.5	12.3	12.8	25.1
Insurance premiums	179.5	184.3	203.2	387.5	208.2	219.4	427.6
Other	136.5	131.0	140.6	271.6	185.6	203.2	388.7
Total Taxes	10,527.3	10,324.5	10,550.8	20,875.3	11,043.2	11,460.4	22,503.6
State Non-Tax Sources							
Licenses, permits, fees	75.5	75.3	74.7	150.0	77.2	82.5	159.7
Liquor profits & fees	29.1	29.0	30.9	60.0	38.1	42.6	80.8
Earnings on investments	77.1	32.7	25.6	58.2	14.9	12.4	27.3
Lottery transfers	110.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue & transfers	9.9	(10.9)	7.9	(2.9)	9.2	40.4	49.6
Total Non-Tax	301.6	126.2	139.1	265.3	139.4	177.9	317.3
Total General Fund-State *	\$10,828.9	\$10,450.7	\$10,689.9	\$21,140.7	\$11,182.6	\$11,638.3	\$22,820.9

a - Actual;

* Detail may not add to totals due to rounding.

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

Table 3.12

General Fund - State Cash Receipts
November 2003 Forecast by Fiscal Year
(Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
Forecast		
2004	11,182.6	4.6%
2005	11,638.3	4.1%

Table 3.13

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

February 2000 through November 2003

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies*</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 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)		(34)	21,106
November 2002	21	(1)	20		20	21,126
March 2003	27	9	36		36	21,163
June 2003	(\$8)	\$7	(\$1)		(\$1)	21,162
September 2003	(\$20)	(\$0)	(\$20)		(\$20)	21,141
November 2003	\$0	(\$1)	(\$1)		(\$1)	21,141
Total change***						
From February 2000	(\$922)	(\$73)	(\$995)	(\$399)	(\$1,394)	
Percent change	-4.2%	-9.0%	-4.4%	-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 Change to the forecast due to 2000 legislation. (This Excludes 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 Estimated impact of I-722 and I-728. Estimate based on OFM analysis of I-728, subject to continuing review.

#4 Adjustments to impact of I-722 and I-728. Court decision nullifying I-722. Revised estimate to portion of I-728 that transfers some property tax revenue to the Student Achievement Account; Changes the accounting of this transfers.

#5 Impact of 2001 legislation (Regular Session) and impact of the phase-out of the Federal estate tax.

#6 Impact of 2001 legislation (Special Session). Major item was an increase of \$27.8 million due to additional audit recovery (Dept. of Revenue).

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

#8 Revision to estate tax based on new legal interpretation of the effect of the phase-out of the Federal estate tax on Washington's estate tax revenue.

#9 General Fund-State impact of 2002 legislation.

Table 3.14
Track Record for the 2003-05 General Fund-State Cash Forecast
 February 2002 through November 2003
 Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2002****	\$22,225	\$565				\$22,790
Changes to Forecast						
June 2002	(53)	23	(30)	205 #1	175	22,965
September 2002	(317)	(29)	(346)	80 #2	(265)	22,700
November 2002	(31)	21	(10)		(10)	22,690
March 2003	(216)	(49)	(265)	27 #3	(238)	22,452
June 2003	(148)	(9)	(156)	446 #4	290	22,741
September 2003	17	(3)	15		15	22,756
November 2003	70	(4)	65		65	22,821
February 2004						
June 2004						
Total change***:						
From February 2002	(677)	(50)	(727)	758	31	
Percent change	-3.0%	-8.9%	-3.2%	3.3%	0.1%	

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

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

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

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

#1 Change to the forecast due to 2002 legislation.

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

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

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

Table 3.15
November 2003 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	\$20,516.6	\$20,570.8	\$54.2	\$22,112.0	\$22,179.0	\$66.9
Department of Licensing	42.6	42.4	(0.2)	42.6	44.1	1.6	42.3	44.3	1.9
Insurance Commissioner ⁴	360.4	360.5	0.1	397.3	397.0	(0.3)	440.4	440.4	0.0
State Treasurer	148.3	148.1	(0.2)	58.2	55.9	(2.4)	27.3	25.4	(1.9)
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	175.0	175.1	0.0	160.9	161.5	0.5	161.7	161.9	0.2
Subtotal: General Fund-State Cash/Revenue*	21,068.6	21,081.4	12.8	21,175.6	21,229.3	53.6	22,783.8	22,850.9	67.1
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	81.6	84.2	2.6	75.7	75.5	(6.4)	117.5	117.5	0.0
Lottery Commission	203.3	212.6	9.3	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Commissioner ⁷	(6.2)	(6.2)	0.0	(9.8)	(9.8)	0.0	(12.8)	(12.8)	0.0
Liquor Control Board	57.9	57.9	0.0	63.5	63.5	0.0	84.6	84.6	0.0
Office of Financial Management									
Other Agencies ⁸	(143.1)	(142.0)	1.1	(164.5)	(166.3)	(1.8)	(152.2)	(152.2)	(0.0)
Subtotal: GFS Other Financing Sources	193.5	206.5	13.0	(35.0)	(37.0)	(8.2)	37.1	37.1	(0.0)
Total Available Receipts/Resources									
General Fund-State *	\$21,262.1	\$21,287.8	\$25.8	\$21,140.7	\$21,192.3	\$51.6	\$22,820.9	\$22,888.0	\$67.1

* 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 and 2003-05 Biennial Balance Sheet
General Fund-State and Emergency Reserve Fund
Dollars in Millions

	2001-03	2003-05
RESOURCES		
Beginning Fund Balance	599.1	412.4
September 2003 Forecast Update	21,141.5	22,755.7
November 2003 Forecast Update	(0.9)	65.2
Current Revenue Totals	21,140.7	22,820.9
Fund Transfers to General Fund	289.0	81.2
Tobacco Securitization	450.0	
Transfer from Emergency Reserve Fund	325.0	58.1
Changes in Reserves and Other Adjustments	53.2	
Federal Fiscal Relief - Grant *	100.2	90.2
Total Resources (Includes Fund Balance)	22,957.2	23,462.8
APPROPRIATIONS AND SPENDING ESTIMATES		
Biennial Appropriation	22,451.5	23,060.7
2003 Supplemental and Adjustments to FY 2003 in 2003-05 Budget	130.9	
Governor's Vetoes		23.3
Null and Voids		(2.6)
Federal Fiscal Relief - FMAP *	(37.7)	(162.4)
National Guard Activation **		0.1
Spending Level	22,544.7	22,919.1
UNRESTRICTED GENERAL FUND BALANCE		
Projected Ending Fund Balance	412.4	543.8
EMERGENCY RESERVE FUND		
Beginning Fund Balance	462.1	57.6
Actual/Estimated Interest Earnings	15.5	0.5
Transfers and Appropriations	(420.0)	(58.1)
Projected Ending Fund Balance	57.6	0.0
TOTAL RESERVES		
Combined General and Emergency Reserve Projected Ending Fund Balance	470.0	543.8

* Federal Fiscal Relief - Grant is considered a resource and includes \$10M designated for Local Government assistance. Federal Fiscal Relief - FMAP is treated as an expected reduction in State expenditures based on a temporary increase in Federal Medicaid reimbursement rates. Total Federal Fiscal Relief is approximately \$400M.

Table 3.17

**November 2003 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	\$12,164.7	\$11,894.6	\$11,577.6
Business & Occupation Use	4,184.1	4,122.9	4,046.9
Public Utility	818.4	794.9	764.3
Property (school levy)	525.3	521.0	518.1
Real Estate Excise	2,854.4	2,718.5	2,582.6
Other	1,020.3	975.5	912.6
Subtotal	1,260.8	1,202.1	1,142.0
	22,827.9	22,229.5	21,544.1
<i>Department of Licensing</i>			
	43.6	42.3	41.0
<i>Insurance Commissioner¹</i>			
	438.3	427.6	416.9
<i>Lottery Commission</i>			
	5.0	0.0	0.0
<i>State Treasurer - Interest earnings</i>			
	48.9	27.3	11.1
<i>Liquor Profits & Fees²</i>			
	86.3	84.6	83.0
<i>Office of Financial Management</i>			
Other agencies	14.3	9.5	4.8
Total General Fund - State*	\$23,464.3	\$22,820.9	\$22,100.9
Difference from November 2003 Baseline	\$643.4		(\$720.0)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.18
**Impact of Initiative 728 on the State Property Tax and Lottery Revenue
 November 2003 Forecast; Millions of Dollars**

I. Disposition of the State portion of the Property Tax

	<u>State Levy: Total Receipts</u>	<u>To the General Fund</u>	<u>To the Student Achievement Account¹</u>
2000	\$1,302.0	1,302.0	
2001	1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,465.5	1,331.6	133.9
2001-03 Biennium	2,880.5	2,613.5	267.0
2004	1,501.8	1,367.6	134.2
2005	1,546.3	1,350.9	195.4
2003-05 Biennium	3,048.1	2,718.5	329.7

II. Lottery Transfers by Fund*

	<u>Lottery: Total Transfers:**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account¹</u>	<u>School Construction Account¹</u>	<u>Transfer to VERDE²</u>
1998	117.8	114.6	3.2				
1999	118.6	107.5	3.3	7.8			
1999-01 Biennium	236.3	222.0	6.5	7.8			
2000	101.1	93.3	3.4	4.4			
2001	120.1	110.0	3.6	6.5			
1999-01 Biennium	221.3	203.3	7.0	10.9			
2002	90.2	0.0	3.7	6.7	39.9	39.9	0.0
2003	96.8	0.0	3.9	7.0	64.0	21.4	0.5
2001-03 Biennium	187.0	0.0	7.6	13.8	103.9	61.3	0.5
2004	103.0	0.0	4.0	7.3	68.8	22.9	0.0
2005	109.0	0.0	4.2	7.6	0.0	97.2	0.0
2003-05 Biennium	212.0	0.0	8.2	14.9	68.8	120.2	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).

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Washington Exports 2000-03

Relative to the size of its economy, Washington exports are quite large compared to those of a typical state. As can be seen in Chart 4.1, exports from Washington averaged 18.4 percent of the state's Gross State Product (GSP) in the ten years from 1992 through 2001 (the most recent year for which state GSP numbers are available). In contrast, exports from the United States as a whole accounted for only 7.2 percent of the country's total GSP over the same period.

The relatively large amount of exports originating in Washington is the result of a number of different factors. Chief among these is the presence in Washington of two large producers of transportation equipment, Boeing Commercial Airplanes and PACCAR, which produces Kenworth trucks. Exports of transportation equipment averaged 60.4 percent of Washington's total exports from 1992 through 2001, with the bulk of those exports being aircraft. If exports of transportation equipment are excluded from the statistics, the remaining exports from Washington averaged only 7.2 percent of GSP over that period. This number was still higher, however, than national non-transportation exports as a percent of GSP, which averaged 5.9 percent during that time.

Another factor which may inflate the magnitude of Washington's exports is the way they are measured. The export data for this report were compiled by the Massachusetts Institute for Social and Economic Research (MISER), located at the University of Massachusetts. MISER processes data provided by the Census Bureau's Foreign Trade Division in the form of Shippers Export Declarations (SEDs) which require information regarding "the state where the product began its journey to the point of export." Unfortunately, however, the "state" referred to in SEDs is not necessarily the state of manufacture or where the product was grown or mined. It may, instead, be the location of the broker or wholesaler of the product, or the state of consolidation of shipments. As a result some of the shipments list the state the goods were shipped from, rather than the state from which the exports originated. This may result in some inflation of exports for major port states such as Washington and understatement of exports for other states. According to MISER, this problem is most acute for agricultural shipments. As agricultural products are one of the state's largest exports (see Table 4.4), there exists significant potential for overstatement of the amount of these shipments actually produced in the state. This problem may also affect measurement of Washington's exports to Mexico (reported in Tables 4.6 and 4.7), which may be understated due to attribution of products produced in Washington (such as apples) to ports in California and Texas.

One other thing to note about the export statistics presented here is that most Microsoft software exports are considered as exports of services and are therefore not included in the MISER data, which only measures exports of goods. The only software exports that are measured are those of pre-packaged

only measures exports of goods. The only software exports that are measured are those of pre-packaged software, and exports of that software are attributed to the state where the software is copied for distribution, not where it is developed. As only a small fraction of Microsoft software is copied and exported from Washington, billions of dollars of Microsoft exports are not reflected in Washington's export statistics.

Table 4.1 lists US exports classified according to the North American Industry Classification System (NAICS) for the years 2000 through the third quarter of 2003. As can be seen in the table, total exports in 2003 year-to-date show improvement on a year-over-year basis for the first time since 2000. This improvement is likely the result of both improvement in the world economy and the recent decline of the trade-weighted value of the US dollar, which has fallen thirteen percent from the first quarter of 2002 to the third quarter of 2003. While the improvement was broad-based, there are still several industries that are not yet sharing in the recovery.

Table 4.2 lists US exports by continent and selected countries for 2000 through the third quarter of 2003. While exports to mainland China were the fastest growing in 2003 year-to-date, it still only represents 3.6 percent of total US exports. Canada and Mexico are by far the largest recipients of US exports, adding up to 37 percent of the total in the most recent year-to-date release. Table 4.3 lists US exports to Asia by industry over the same period.

Table 4.4 lists Washington's exports by industry for 2000 through the third quarter of 2003. While total exports for 2003 year-to-date are down over 6 percent year-over-year, this decline is due mainly to the continuing decline in aerospace production. Discounting aerospace exports, third quarter year-to-date exports are up a strong 17.7 percent over 2002's level. Most of the increase was due to strength in Computer and Electronic Products. Agricultural Products exports were also strong, due to drought in Europe and farm production problems in China, and Food and Kindred Products also showed a large increase.

Table 4.5 indicates the amount of Washington's top twenty exports for the third quarter of 2003 year-to-date that are sent to non Middle-Eastern Asia versus the rest of the world. As can be seen from the table, Asia is the destination for the bulk of the state's food, wood products, and agricultural products, accounting for over 80 percent of agricultural products and 98 percent of forestry products. Exports to Asia accounted for over 50 percent of Washington's exports during this period.

Table 4.6 lists Washington exports by continent and selected countries for 2000 through the third quarter of 2003. Table 4.7 indicates Washington export values for the top twenty countries for the third quarter of 2003 year-to-date in terms of total exports, transportation exports, and non-transportation exports. Japan and Canada top the lists for both total and non-transportation exports, while Singapore takes over the number two spot for transportation exports. Table 4.8 lists exports by continent and selected countries for transportation equipment for 2000 through the third quarter of 2003 year-to-date, and Table 4.9 lists Washington exports to non-Middle-Eastern Asia for the same period.

Chart 4.1

Exports as a Percentage of GSP

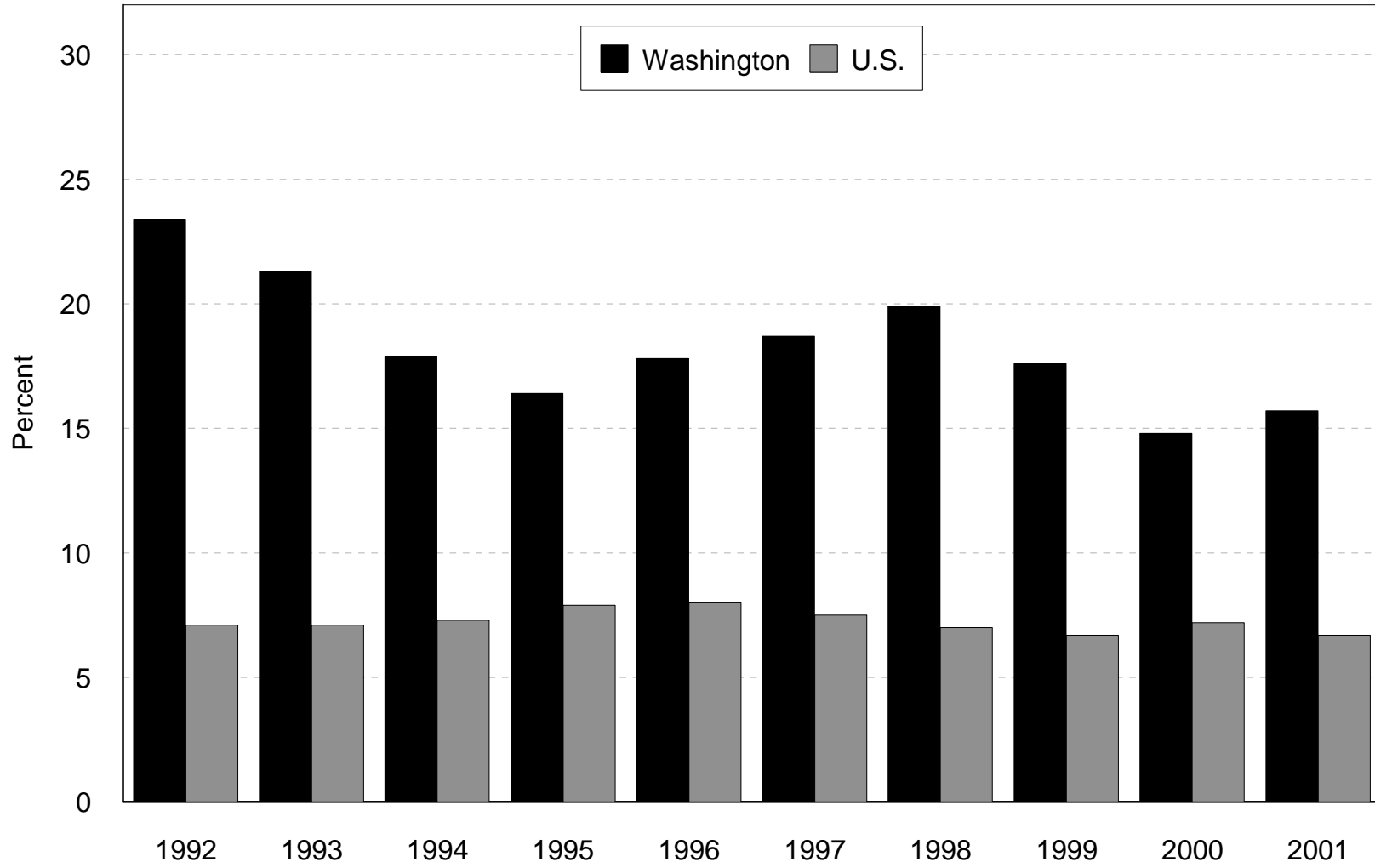


Chart 4.2

Export Destinations, 2003 Quarter 3 Year-to-Date

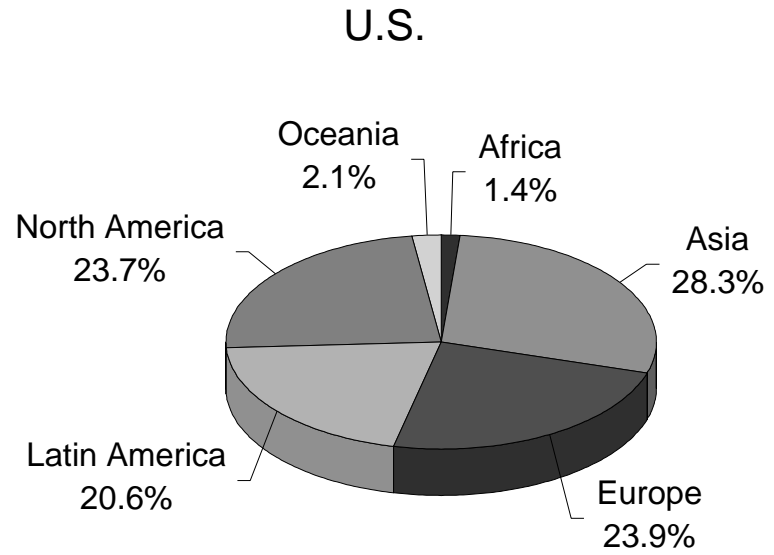
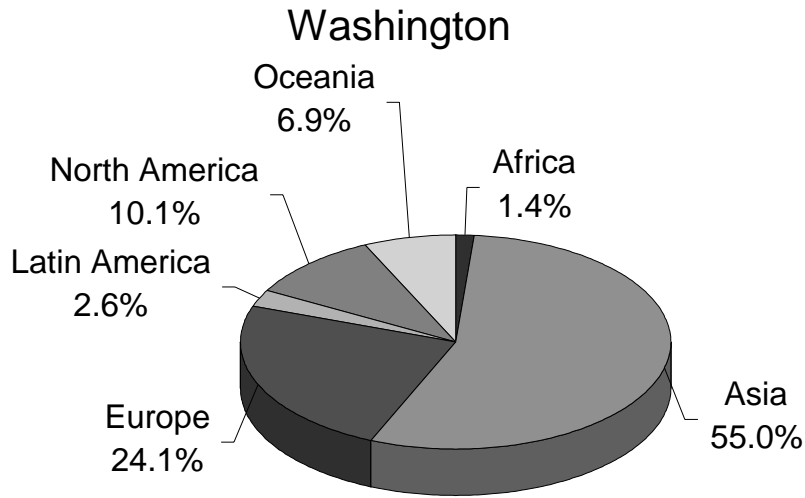


Table 4.1

U.S. Exports by Industry

All Industries, Sorted by 2003 Year-to-Date Exports
(Millions of Dollars)

	2000	2001	2002	2002 Q3 YTD	2003 Q3 YTD	2000-01 % Chg (6.3)	2001-02 % Chg (5.2)	2002-03 YTD % Chg 2.6
Total All Industries	780,419	731,026	693,257	516,401	529,669			
Computer and Electronic Products	196,234	165,345	145,848	108,937	108,313	(15.7)	(11.8)	(0.6)
Transportation Equipment	128,181	130,233	130,897	98,258	94,643	1.6	0.5	(3.7)
Chemicals	80,259	79,034	80,504	59,659	67,482	(1.5)	1.9	13.1
Machinery, except Electrical	89,843	81,513	74,945	56,230	55,074	(9.3)	(8.1)	(2.1)
Miscellaneous Manufactured Commodities	24,452	25,779	26,661	19,772	21,414	5.4	3.4	8.3
Food and Kindred Products	25,745	27,089	25,856	19,265	20,066	5.2	(4.6)	4.2
Agricultural Products	24,449	24,861	25,797	17,987	19,936	1.7	3.8	10.8
Special Classification Provisions	25,695	27,019	24,716	18,351	18,362	5.2	(8.5)	0.1
Electrical Equip., Appliances, & Component	27,478	24,923	22,848	17,080	17,101	(9.3)	(8.3)	0.1
Fabricated Metal Products	22,913	20,699	20,187	15,047	15,272	(9.7)	(2.5)	1.5
Primary Metal Manufacturing	21,498	19,312	16,689	12,405	14,389	(10.2)	(13.6)	16.0
Plastics and Rubber Products	17,715	16,508	16,169	12,144	12,370	(6.8)	(2.1)	1.9
Paper	15,978	14,496	14,107	10,557	10,768	(9.3)	(2.7)	2.0
Petroleum and Coal Products	9,029	8,416	8,049	5,709	7,338	(6.8)	(4.4)	28.5
Textiles and Fabrics	7,284	7,365	7,642	5,760	5,872	1.1	3.8	1.9
Nonmetallic Mineral Products	8,173	7,745	6,326	4,753	4,793	(5.2)	(18.3)	0.8
Waste and Scrap	5,129	4,824	5,165	3,765	4,748	(5.9)	7.1	26.1
Apparel and Accessories	8,558	6,956	5,994	4,591	4,209	(18.7)	(13.8)	(8.3)
Printing, Publishing and Similar Products	5,097	5,125	4,774	3,559	3,660	0.5	(6.8)	2.9
Wood Products	5,022	4,099	3,948	3,007	3,003	(18.4)	(3.7)	(0.1)
Minerals and Ores	4,537	4,240	3,911	2,995	2,966	(6.6)	(7.8)	(1.0)
Beverages and Tobacco Products	5,680	4,435	3,659	2,727	2,843	(21.9)	(17.5)	4.3
Used or Second-Hand Merchandise	4,021	4,644	3,179	2,450	2,606	15.5	(31.5)	6.4
Fish & Oth. Marine Products	2,810	2,969	2,941	2,304	2,349	5.7	(1.0)	2.0
Leather and Allied Products	2,688	2,709	2,593	1,946	2,011	0.8	(4.3)	3.4
Furniture and Fixtures	3,024	2,588	2,323	1,736	1,860	(14.4)	(10.2)	7.2
Oil and Gas	1,747	1,339	1,727	1,145	1,689	(23.3)	28.9	47.5
Textile Mill Products	2,333	2,083	1,982	1,477	1,487	(10.7)	(4.9)	0.7
Forestry Products	1,673	1,472	1,450	1,068	1,094	(12.0)	(1.5)	2.5
Goods Ret. to Canada (exports only); US goods	1,905	1,880	1,339	1,016	903	(1.3)	(28.7)	(11.1)
Livestock and Livestock Products	1,266	1,325	1,032	702	832	4.7	(22.1)	18.6
Prepackaged Software	NA	NA	NA	NA	213	NA	NA	NA

Table 4.2
U.S. Exports by Country
 All Industries
 (Millions of Dollars)

	2000	2001	2002	2002 Q3 YTD	2003 Q3 YTD	2000-01 % Chg	2001-02 % Chg	2002-03 % Chg
Total All Countries*	780,419	731,026	693,257	516,401	529,669	(6.3)	(5.2)	2.6
Japan	65,254	57,639	51,440	38,788	38,687	(11.7)	(10.8)	(0.3)
China (Mainland)	16,253	19,235	22,053	15,939	18,908	18.3	14.6	18.6
China (Taiwan)	24,380	18,152	18,394	14,042	12,378	(25.5)	1.3	(11.8)
Canada	176,430	163,724	160,799	120,208	125,546	(7.2)	(1.8)	4.4
Mexico	111,721	101,509	97,531	72,329	71,013	(9.1)	(3.9)	(1.8)
South Korea	27,902	22,197	22,596	16,766	17,623	(20.4)	1.8	5.1
Thailand	6,643	5,995	4,859	3,524	3,900	(9.7)	(18.9)	10.7
Malaysia	10,996	9,380	10,348	8,021	7,902	(14.7)	10.3	(1.5)
Philippines	8,790	7,665	7,270	5,450	6,069	(12.8)	(5.1)	11.4
Indonesia	2,547	2,499	2,581	1,840	1,818	(1.9)	3.3	(1.2)
Russia	2,318	2,724	2,399	1,767	1,753	17.5	(12.0)	(0.8)
Other	327,185	320,307	292,988	217,726	224,073	(2.1)	(8.5)	2.9
Total All Continents*	780,419	731,026	693,257	516,401	529,669	(6.3)	(5.2)	2.6
Africa	10,960	12,369	10,658	8,087	7,560	12.9	(13.8)	(6.5)
Asia	219,515	199,346	193,495	144,545	149,863	(9.2)	(2.9)	3.7
Europe	187,414	181,993	163,679	121,570	126,343	(2.9)	(10.1)	3.9
Latin America	170,978	159,907	149,173	110,616	109,004	(6.5)	(6.7)	(1.5)
North America	176,432	163,730	160,804	120,210	125,549	(7.2)	(1.8)	4.4
Oceania	14,812	13,680	15,448	11,373	11,351	(7.6)	12.9	(0.2)

*Total includes exports to unidentified countries and international organizations

Table 4.3

U.S. Exports to Asia by Industry

All Industries, Sorted by 2003 YTD Exports

(Millions of Dollars)

	2000	2001	2002	2002 Q3 YTD	2003 Q3 YTD	2000-01 % Chg	2001-02 % Chg	2002-03 YTD % Chg
Total All Industries	200,492	180,044	174,552	130,503	135,394	(10.2)	(3.1)	3.7
Computer and Electronic Products	73,941	59,492	56,043	42,256	43,325	(19.5)	(5.8)	2.5
Transportation Equipment	17,511	21,437	22,459	17,339	16,536	22.4	4.8	(4.6)
Chemicals	19,358	17,977	19,443	14,236	15,968	(7.1)	8.2	12.2
Machinery, except Electrical	24,545	19,188	17,990	13,558	12,633	(21.8)	(6.2)	(6.8)
Agricultural Products	9,666	9,974	10,047	6,884	8,261	3.2	0.7	20.0
Food and Kindred Products	10,115	10,048	9,235	6,888	7,305	(0.7)	(8.1)	6.1
Miscellaneous Manufactured Commodities	5,523	5,787	5,746	4,317	4,595	4.8	(0.7)	6.4
Special Classification Provisions	5,139	4,794	4,705	3,496	3,487	(6.7)	(1.9)	(0.3)
Electrical Equip., Appliances, & Component	5,054	4,530	3,981	2,949	2,872	(10.4)	(12.1)	(2.6)
Waste and Scrap	2,230	2,383	2,512	1,829	2,554	6.9	5.4	39.6
Fabricated Metal Products	3,187	3,212	3,227	2,294	2,463	0.8	0.5	7.4
Paper	3,648	2,926	3,059	2,325	2,271	(19.8)	4.6	(2.3)
Primary Metal Manufacturing	2,876	2,365	1,906	1,416	2,068	(17.7)	(19.4)	46.1
Plastics and Rubber Products	2,351	2,005	1,933	1,445	1,513	(14.7)	(3.6)	4.7
Fish & Oth. Marine Products	1,698	1,696	1,651	1,336	1,369	(0.1)	(2.6)	2.5
Petroleum and Coal Products	1,295	1,374	1,481	1,122	1,261	6.1	7.8	12.4
Beverages and Tobacco Products	2,721	1,854	1,443	1,081	1,126	(31.9)	(22.2)	4.1
Nonmetallic Mineral Products	1,882	2,074	1,432	1,057	1,084	10.2	(31.0)	2.6
Leather and Allied Products	932	952	873	647	706	2.1	(8.2)	9.2
Wood Products	1,235	987	925	706	646	(20.1)	(6.3)	(8.5)
Forestry Products	953	773	775	559	561	(18.8)	0.3	0.4
Textiles and Fabrics	675	614	649	474	525	(9.1)	5.8	10.8
Printing, Publishing and Similar Products	724	914	746	576	471	26.3	(18.4)	(18.3)
Minerals and Ores	930	765	670	526	463	(17.7)	(12.5)	(12.0)
Apparel and Accessories	580	535	461	360	323	(7.7)	(13.9)	(10.2)
Used or Second-Hand Merchandise	456	475	276	199	272	4.2	(42.0)	36.7
Oil and Gas	466	165	215	141	191	(64.7)	30.7	35.8
Furniture and Fixtures	326	267	236	174	183	(18.1)	(11.5)	5.0
Textile Mill Products	232	231	227	162	178	(0.4)	(1.8)	9.4
Livestock and Livestock Products	243	249	207	152	164	2.5	(16.9)	7.7
Prepackaged Software	0	0	0	0	19	NA	NA	NA

Table 4.4
Washington Exports By Industry
 All Industries, Sorted by 2003 Year-to-Date Exports
 (Millions of Dollars)

	2000	2001	2002	2002 Q3 YTD	2003 Q3 YTD	2000-01 % Chg	2001-02 % Chg	2002-03 YTD % Chg
Total All Industries	32,215	34,929	34,627	26,067	24,463	8.4	(0.9)	(6.2)
Total Excluding Transportation Equip.	12,039	12,188	11,249	8,165	9,608	1.2	(7.7)	17.7
Transportation Equipment	20,175	22,740	23,377	17,902	14,855	12.7	2.8	(17.0)
Computer and Electronic Products	1,937	2,312	2,094	1,402	2,071	19.4	(9.4)	47.7
Agricultural Products	2,174	2,229	1,958	1,440	1,637	2.6	(12.2)	13.7
Food and Kindred Products	1,174	1,276	1,278	932	1,139	8.7	0.2	22.2
Paper	1,002	980	800	607	638	(2.2)	(18.3)	5.0
Machinery, except Electrical	1,044	882	817	598	628	(15.5)	(7.4)	5.1
Petroleum and Coal Products	325	486	539	398	551	49.6	10.9	38.4
Fish & Oth. Marine Products	503	549	637	489	444	9.0	16.2	(9.3)
Chemicals	511	640	512	389	400	25.1	(19.9)	2.9
Primary Metal Manufacturing	579	365	287	213	289	(37.1)	(21.2)	36.2
Forestry Products	596	436	387	287	265	(26.9)	(11.3)	(7.6)
Wood Products	429	360	324	241	258	(16.1)	(9.9)	7.0
Electrical Equip., Appliances, & Component	356	345	290	193	205	(3.2)	(16.0)	6.3
Miscellaneous Manufactured Commodities	266	260	270	187	203	(2.1)	3.5	8.6
Fabricated Metal Products	162	170	164	127	149	4.7	(3.1)	18.1
Waste and Scrap	105	109	108	76	142	4.3	(1.0)	86.2
Plastics and Rubber Products	160	141	132	103	104	(12.2)	(6.3)	1.1
Special Classification Provisions	177	148	185	132	93	(16.0)	24.7	(29.7)
Nonmetallic Mineral Products	113	110	93	82	78	(2.8)	(15.1)	(5.2)
Livestock and Livestock Products	57	65	64	47	69	14.9	(1.2)	45.3
Oil and Gas	65	70	72	46	41	7.4	3.3	(10.0)
Goods Ret. to Canada (exports only); US good	34	34	38	27	34	(0.1)	10.5	26.4
Used or Second-Hand Merchandise	66	41	42	31	28	(38.2)	2.1	(10.6)
Textile Mill Products	31	28	22	17	25	(8.3)	(20.0)	44.5
Printing, Publishing and Similar Products	27	15	19	12	24	(45.1)	26.1	99.1
Apparel and Accessories	10	7	6	5	18	(34.1)	(7.0)	288.3
Furniture and Fixtures	35	41	34	26	18	16.9	(18.2)	(31.3)
Beverages and Tobacco Products	34	37	24	19	17	7.1	(34.5)	(10.7)
Minerals and Ores	34	25	17	13	16	(25.9)	(31.6)	20.3
Textiles and Fabrics	20	18	24	19	13	(10.6)	33.8	(28.4)
Leather and Allied Products	13	11	11	9	10	(17.4)	1.6	14.0
Prepackaged Software	NA	NA	NA	NA	2	NA	NA	NA

Table 4.5

Washington Exports By Industry

Top Twenty Industries, Third Quarter 2003 Year-to-Date
(Millions)

	All Countries		Asia		Percent of Exports per Industry
	Export Valuation	Percent of Total	Export Valuation	Percent of Exports to Asia	
Total All Industries	24,463	100.0	12,383	100.0	50.6
Transportation Equipment	14,855	60.7	7,221	58.3	48.6
Computer and Electronic Products	1,637	6.7	683	5.5	41.7
Agricultural Products	2,071	8.5	1,711	13.8	82.6
Food and Kindred Products	1,139	4.7	742	6.0	65.2
Paper	628	2.6	399	3.2	63.6
Machinery, except Electrical	638	2.6	117	0.9	18.4
Petroleum and Coal Products	551	2.3	55	0.4	9.9
Fish & Oth. Marine Products	400	1.6	228	1.8	57.0
Chemicals	444	1.8	286	2.3	64.6
Primary Metal Manufacturing	289	1.2	107	0.9	36.8
Forestry Products	265	1.1	259	2.1	97.8
Wood Products	258	1.1	114	0.9	44.2
Electrical Equip., Appliances, & Component	203	0.8	58	0.5	28.4
Miscellaneous Manufactured Commodities	205	0.8	45	0.4	21.7
Fabricated Metal Products	149	0.6	39	0.3	26.0
Waste and Scrap	142	0.6	129	1.0	90.9
Plastics and Rubber Products	104	0.4	15	0.1	14.3
Special Classification Provisions	93	0.4	32	0.3	34.8
Nonmetallic Mineral Products	69	0.3	23	0.2	33.9
Livestock and Livestock Products	78	0.3	55	0.4	70.7
Other Exports	246	1.0	64	0.5	26.1

Table 4.6
Washington Exports by Country
 All Industries
 (Millions of Dollars)

	2000	2001	2002	2002 Q3 YTD	2003 Q3 YTD	2000-01 % Chg	2001-02 % Chg	2002-03 % Chg
Total All Countries	32,215	34,929	34,627	26,067	24,463	8.4	(0.9)	(6.2)
Japan	4,595	3,384	4,349	3,597	3,942	(26.4)	28.5	9.6
China (Mainland)	1,901	2,929	3,831	2,852	2,118	54.1	30.8	(25.7)
China (Taiwan)	1,452	1,594	1,047	836	1,341	9.8	(34.3)	60.3
Canada	2,876	2,737	2,944	2,050	2,459	(4.8)	7.6	19.9
Mexico	467	862	432	310	252	84.4	(49.9)	(18.7)
South Korea	1,743	2,131	2,056	1,669	1,220	22.2	(3.5)	(26.9)
Thailand	468	507	105	76	106	8.3	(79.3)	39.6
Malaysia	349	649	830	796	102	86.1	27.9	(87.2)
Philippines	185	249	246	174	197	34.6	(1.3)	13.2
Indonesia	89	113	189	140	185	27.5	66.9	31.9
Russia	275	68	60	47	41	(75.5)	(11.3)	(13.6)
Other	17,815	19,706	18,537	13,520	12,502	10.6	(5.9)	(7.5)
Total All Continents	32,215	34,929	34,627	26,067	24,463	8.4	(0.9)	(6.2)
Africa	1,004	1,723	967	705	347	71.7	(43.9)	(50.8)
Asia	13,105	17,292	17,301	13,946	13,456	31.9	0.1	(3.5)
Europe	13,054	10,023	9,200	6,642	5,886	(23.2)	(8.2)	(11.4)
Latin America	1,339	2,042	1,441	840	627	52.5	(29.4)	(25.3)
North America	2,876	2,737	2,944	2,050	2,459	(4.8)	7.6	20.0
Oceania	837	1,111	2,773	1,885	1,688	32.8	149.6	(10.4)

Table 4.7

Washington Exports by Country

All Industries and Transportation

Third Quarter Year-to-Date, 2003

(Millions)

	All Industries			Transportation			Non-Transportation	
	Export Valuation	Percent of Total		Export Valuation	Percent of Total		Export Valuation	Percent of Total
Total All Countries	24,463	100.0	Total All Countries	14,855	100.0	Total All Countries	9,608	100.0
Japan	3,942	16.1	Japan	1,911	12.9	Japan	2,031	21.1
Canada	2,459	10.1	Singapore	1,870	12.6	Canada	1,967	20.5
China (Mainland)	2,118	8.7	Australia	1,373	9.2	China (Taiwan)	866	9.0
Singapore	2,004	8.2	China (Mainland)	1,282	8.6	China (Mainland)	835	8.7
Australia	1,560	6.4	Netherlands	817	5.5	South Korea	404	4.2
China (Taiwan)	1,341	5.5	South Korea	815	5.5	United Kingdom	369	3.8
South Korea	1,220	5.0	Ireland	743	5.0	Germany	289	3.0
United Kingdom	1,073	4.4	Vietnam	711	4.8	Hong Kong	250	2.6
Netherlands	1,066	4.4	United Kingdom	704	4.7	Netherlands	249	2.6
Ireland	770	3.1	United Arab Emirates	625	4.2	Mexico	245	2.6
Vietnam	727	3.0	Canada	492	3.3	Philippines	195	2.0
Germany	673	2.8	China (Taiwan)	474	3.2	Australia	187	1.9
United Arab Emirates	663	2.7	France	452	3.0	Indonesia	183	1.9
France	611	2.5	Italy	438	2.9	France	159	1.7
Italy	520	2.1	Germany	384	2.6	Singapore	134	1.4
Hong Kong	267	1.1	Cyprus	238	1.6	Thailand	100	1.0
Mexico	252	1.0	Bahrain	202	1.4	Malaysia	88	0.9
Cyprus	238	1.0	Hungary	149	1.0	Italy	83	0.9
Bahrain	204	0.8	India	117	0.8	Guatemala	67	0.7
Philippines	197	0.8	Morocco	110	0.7	Belgium	60	0.6

Table 4.8

Washington Exports by Country
 Transportation Equipment
 (Millions of Dollars)

	2000	2001	2002	2002 Q3 YTD	2003 Q3 YTD	2000-01 % Chg	2001-02 % Chg	2002-03 % Chg
Total All Countries	20,175	22,740	23,377	17,902	14,855	12.7	2.8	(17.0)
Japan	1,217	462	1,785	1,733	1,911	(62.0)	286.4	10.3
China (Mainland)	1,486	2,118	3,116	2,404	1,282	42.5	47.2	(46.6)
China (Taiwan)	763	768	214	208	474	0.6	(72.1)	127.5
Canada	288	369	590	322	492	28.1	60.1	52.8
Mexico	12	339	6	4	7	2,712.0	(98.4)	61.2
South Korea	1,219	1,567	1,567	1,297	815	28.5	0.0	(37.1)
Thailand	374	401	13	10	6	7.3	(96.7)	(43.0)
Malaysia	186	510	701	698	14	173.9	37.5	(98.0)
Philippines	3	5	3	2	2	98.8	(46.0)	(17.9)
Indonesia	4	5	78	65	1	13.3	1,544.3	(98.2)
Russia	199	2	3	2	8	(99.2)	105.4	229.3
Other	14,426	16,197	15,301	11,156	9,843	12.3	(5.5)	(11.8)
Total All Continents	20,175	22,740	23,377	17,902	14,855	12.7	2.8	(17.0)
Africa	942	1,668	900	666	293	77.0	(46.1)	(56.0)
Asia	6,834	10,876	11,441	9,712	8,181	59.1	5.2	(15.8)
Europe	10,843	7,744	7,245	5,200	4,369	(28.6)	(6.4)	(16.0)
Latin America	638	1,216	750	351	77	90.5	(38.3)	(78.0)
North America	288	369	590	322	492	28.1	60.1	52.8
Oceania	630	868	2,452	1,651	1,443	37.7	182.5	(12.6)

Table 4.9

Washington Exports to Asia by Industry

All Industries, Sorted by 2003 Year-to-Date Exports

(Millions of Dollars)

	2000	2001	2002	2002 Q3 YTD	2003 Q3 YTD	2000-01 % Chg	2001-02 % Chg	2002-03 YTD % Chg
Total All Industries	12,076	15,420	15,647	12,424	12,383	27.7	1.5	(0.3)
Total Excluding Transportation Equipment	6,112	6,264	5,734	4,147	5,162	2.5	(8.5)	24.5
Transportation Equipment	5,964	9,157	9,913	8,277	7,221	53.5	8.3	(12.8)
Agricultural Products	1,512	1,855	1,615	1,063	1,711	22.7	(12.9)	60.9
Food and Kindred Products	768	838	801	590	742	9.1	(4.4)	25.8
Computer and Electronic Products	811	768	701	534	683	(5.3)	(8.7)	27.9
Paper	720	590	546	401	399	(18.0)	(7.5)	(0.3)
Chemicals	269	357	407	317	286	32.9	13.9	(9.8)
Forestry Products	578	427	375	278	259	(26.1)	(12.2)	(6.8)
Fish & Oth. Marine Products	266	364	295	224	228	36.8	(19.0)	1.7
Waste and Scrap	91	94	91	65	129	3.6	(2.8)	98.5
Machinery, except Electrical	142	160	142	105	117	13.0	(11.5)	11.8
Wood Products	204	189	157	116	114	(7.7)	(16.6)	(1.9)
Primary Metal Manufacturing	278	147	130	95	107	(46.9)	(11.6)	11.8
Electrical Equip., Appliances, & Component	61	69	78	47	58	14.8	12.0	23.8
Livestock and Livestock Products	83	73	69	63	55	(11.3)	(5.2)	(12.7)
Petroleum and Coal Products	33	60	58	47	55	83.4	(2.7)	16.7
Miscellaneous Manufactured Commodities	75	72	65	52	45	(3.1)	(9.7)	(14.7)
Fabricated Metal Products	28	28	38	28	39	(1.3)	38.1	36.7
Special Classification Provisions	47	36	50	34	32	(22.8)	37.7	(3.8)
Nonmetallic Mineral Products	18	25	26	19	23	40.1	3.0	24.5
Beverages and Tobacco Products	14	15	16	12	19	8.2	3.6	56.8
Plastics and Rubber Products	54	35	23	19	15	(34.2)	(34.8)	(20.6)
Oil and Gas	0	0	0	0	11	1,064.7	(61.4)	20,082.0
Minerals and Ores	22	25	15	12	8	15.0	(40.2)	(37.5)
Printing, Publishing and Similar Products	6	8	10	7	7	27.4	21.8	(0.3)
Used or Second-Hand Merchandise	4	4	4	3	4	(4.7)	12.2	36.7
Apparel and Accessories	7	6	4	3	4	(15.5)	(30.7)	15.4
Leather and Allied Products	4	3	3	2	3	(14.7)	(9.9)	40.8
Textile Mill Products	4	4	4	3	3	6.0	(13.5)	0.9
Textiles and Fabrics	5	4	7	5	3	(18.5)	56.4	(43.0)
Furniture and Fixtures	11	5	3	2	3	(57.1)	(39.1)	40.1
Prepackaged Software	0	0	0	0	1	NA	NA	NA

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Detail Components of the Washington Economic Forecast

Calendar Years

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2003 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	9,439.9	9,702.6	10,110.7	10,488.6
% Ch	4.3	4.1	3.8	0.3	2.4	2.8	4.2	3.7
Real Consumption	5683.7	5964.5	6223.9	6377.2	6576.0	6777.6	7033.0	7280.2
% Ch	4.8	4.9	4.3	2.5	3.1	3.1	3.8	3.5
Real Nonresidential Fixed Investment	1,135.9	1,228.4	1,324.2	1,255.1	1,183.4	1,207.9	1,310.2	1,428.3
% Ch	12.5	8.1	7.8	-5.2	-5.7	2.1	8.5	9.0
Real Residential Fixed Investment	345.1	368.3	372.4	373.5	388.2	415.2	403.4	397.8
% Ch	8.0	6.7	1.1	0.3	3.9	7.0	-2.8	-1.4
Real Personal Income	7,207.2	7,434.6	7,827.7	7,927.3	8,033.3	8,139.0	8,446.5	8,749.6
% Ch	5.9	3.2	5.3	1.3	1.3	1.3	3.8	3.6
Real Per Capita Income (\$/Person)	26,064	26,582	27,676	27,726	27,804	27,903	28,706	29,483
% Ch	4.7	2.0	4.1	0.2	0.3	0.4	2.9	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.074	1.096	1.111	1.132	1.147	1.168
% Ch	1.1	1.6	2.5	2.0	1.4	1.9	1.3	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.630	1.666	1.722	1.771	1.799	1.839	1.862	1.895
% Ch	1.5	2.2	3.4	2.8	1.6	2.3	1.2	1.8
Employment Cost Index (June 1989=1.0)	1.357	1.403	1.460	1.514	1.564	1.609	1.656	1.705
% Ch	4.0	3.4	4.1	3.7	3.3	2.9	2.9	3.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	8,781.5	9,274.3	9,824.6	10,082.2	10,446.3	10,907.1	11,522.5	12,162.6
% Ch	5.6	5.6	5.9	2.6	3.6	4.4	5.6	5.6
Personal Income	7,426.0	7,786.5	8,406.6	8,685.3	8,922.2	9,211.8	9,685.5	10,216.4
% Ch	7.0	4.9	8.0	3.3	2.7	3.2	5.1	5.5
Employment (Millions)								
U.S. Civilian Labor Force	139.1	141.0	142.6	143.9	145.1	146.5	148.1	150.0
Total U.S. Employment	132.8	135.1	136.9	137.1	136.7	137.6	139.1	141.2
Unemployment Rate (%)	4.50	4.22	4.00	4.77	5.78	6.07	6.08	5.88
Nonfarm Payroll Employment	125.92	128.99	131.79	131.83	130.38	130.01	131.50	134.65
% Ch	2.6	2.4	2.2	0.0	-1.1	-0.3	1.1	2.4
Manufacturing	17.56	17.32	17.27	16.44	15.30	14.69	14.43	14.54
% Ch	0.8	-1.4	-0.3	-4.8	-6.9	-4.0	-1.8	0.8
Durable Manufacturing	10.91	10.83	10.88	10.33	9.52	9.08	9.02	9.16
% Ch	1.9	-0.7	0.4	-5.0	-7.9	-4.6	-0.7	1.6
Nondurable Manufacturing	6.65	6.49	6.39	6.11	5.79	5.61	5.41	5.38
% Ch	-1.0	-2.4	-1.6	-4.4	-5.2	-3.1	-3.6	-0.5
Construction	6.15	6.55	6.79	6.83	6.73	6.79	6.94	7.22
% Ch	5.8	6.5	3.7	0.6	-1.4	0.9	2.2	4.0
Service-Producing	101.57	104.53	107.14	107.96	107.76	107.96	109.58	112.37
% Ch	2.7	2.9	2.5	0.8	-0.2	0.2	1.5	2.5
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	20.3	20.8	21.1	22.0	21.9	21.7	21.2	21.0
Auto Sales (Millions)	8.1	8.7	8.9	8.4	8.1	7.7	7.9	7.9
% Ch	-1.6	6.8	1.8	-4.9	-4.0	-5.2	2.9	-0.2
Housing Starts (Millions)	1.621	1.647	1.573	1.601	1.711	1.771	1.676	1.643
% Ch	9.9	1.6	-4.5	1.8	6.9	3.5	-5.4	-2.0
Federal Budget Surplus (Billions)	43.8	112.0	206.8	72.0	-202.1	-396.9	-497.9	-367.8
Net Exports (Billions)	-151.7	-249.9	-365.5	-348.9	-423.6	-504.4	-528.1	-530.9
3-Month Treasury Bill Rate (%)	4.79	4.63	5.81	3.43	1.61	1.03	1.02	1.71
30-Year U.S. Govt. Bond Rate (%)	5.58	5.87	5.94	5.49	5.42	5.01	5.49	5.87
Bond Index of 20 G.O. Munis. (%)	5.09	5.43	5.70	5.15	5.03	4.76	5.05	5.27
Mortgage Rate (%)	6.94	7.43	8.06	6.97	6.54	5.87	6.27	6.77

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2003 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	7,709.3	7,795.7	7,883.6	7,922.3	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)	27,370	27,602	27,837	27,897	27,856	27,713	27,740	27,594
% Ch	8.2	3.4	3.4	0.9	-0.6	-2.0	0.4	-2.1
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
U.S. Consumer Price Index (1982-84=1.0)	1.701	1.715	1.730	1.742	1.759	1.773	1.777	1.774
% Ch	3.9	3.3	3.6	2.9	3.8	3.2	1.0	-0.6
Employment Cost Index (June 1989=1.0)	1.439	1.454	1.467	1.479	1.494	1.508	1.520	1.534
% Ch	4.3	4.2	3.6	3.3	4.1	3.8	3.2	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	142.4	142.6	142.4	143.0	143.9	143.5	143.8	144.5
Total U.S. Employment	136.6	137.0	136.7	137.4	137.9	137.1	136.8	136.4
Unemployment Rate (%)	4.03	3.97	4.07	3.93	4.17	4.47	4.83	5.60
Nonfarm Payroll Employment	131.01	131.82	132.03	132.31	132.51	132.18	131.71	130.92
% Ch	2.4	2.5	0.6	0.9	0.6	-1.0	-1.4	-2.4
Manufacturing	17.29	17.29	17.28	17.20	17.03	16.66	16.24	15.83
% Ch	0.3	0.1	-0.4	-1.8	-3.9	-8.3	-9.6	-9.7
Durable Manufacturing	10.85	10.88	10.90	10.87	10.75	10.49	10.19	9.90
% Ch	1.2	1.0	0.8	-1.2	-4.1	-9.5	-10.8	-11.1
Nondurable Manufacturing	6.44	6.41	6.38	6.33	6.27	6.17	6.05	5.93
% Ch	-1.2	-1.4	-2.3	-2.8	-3.6	-6.2	-7.7	-7.4
Construction	6.76	6.78	6.80	6.81	6.84	6.85	6.83	6.79
% Ch	5.2	0.9	1.0	1.0	1.5	0.5	-0.9	-2.3
Service-Producing	106.36	107.15	107.35	107.69	108.04	108.06	108.03	107.69
% Ch	2.6	3.0	0.8	1.3	1.3	0.1	-0.1	-1.2
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	1.605	1.630	1.600	1.570
% Ch	1.1	-16.3	-19.3	11.2	16.8	6.4	-7.2	-7.2
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 2003 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	9,485.6	9,518.2	9,552.0	9,629.4	9,761.1	9,867.9
% Ch	5.0	1.3	4.0	1.4	1.4	3.3	5.6	4.4
Real Consumption	6,513.8	6,542.4	6,609.9	6,637.9	6,670.9	6,733.9	6,837.2	6,868.4
% Ch	3.1	1.8	4.2	1.7	2.0	3.8	6.3	1.8
Real Nonresidential Fixed Investment	1,188.4	1,181.1	1,178.7	1,185.3	1,172.1	1,193.0	1,218.8	1,247.6
% Ch	-5.8	-2.4	-0.8	2.3	-4.4	7.3	8.9	9.8
Real Residential Fixed Investment	383.6	386.1	387.1	395.9	405.5	412.0	422.6	420.5
% Ch	14.2	2.7	1.1	9.4	10.1	6.6	10.7	-2.1
Real Personal Income	7,993.0	8,038.8	8,044.9	8,056.6	8,062.9	8,113.9	8,152.3	8,227.0
% Ch	3.7	2.3	0.3	0.6	0.3	2.6	1.9	3.7
Real Per Capita Income (\$/Person)	27,769	27,854	27,809	27,783	27,738	27,847	27,917	28,112
% Ch	2.6	1.2	-0.7	-0.4	-0.6	1.6	1.0	2.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.101	1.109	1.114	1.119	1.126	1.128	1.135	1.138
% Ch	1.1	2.7	1.7	1.8	2.7	0.8	2.3	1.0
U.S. Consumer Price Index (1982-84=1.0)	1.780	1.795	1.805	1.814	1.831	1.834	1.844	1.848
% Ch	1.3	3.5	2.2	2.0	3.9	0.6	2.1	1.0
Employment Cost Index (June 1989=1.0)	1.548	1.562	1.569	1.577	1.593	1.603	1.614	1.626
% Ch	3.7	3.7	1.8	2.1	4.1	2.5	2.8	2.9
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,313.1	10,376.9	10,506.2	10,588.8	10,688.4	10,802.7	10,997.6	11,139.5
% Ch	6.5	2.5	5.1	3.2	3.8	4.3	7.4	5.3
Personal Income	8,803.4	8,914.0	8,958.9	9,012.5	9,080.2	9,156.0	9,251.6	9,359.6
% Ch	4.8	5.1	2.0	2.4	3.0	3.4	4.2	4.8
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.1	145.5	145.5	145.8	146.7	146.5	147.0
Total U.S. Employment	136.3	136.6	137.1	136.9	137.4	137.6	137.6	137.9
Unemployment Rate (%)	5.63	5.83	5.77	5.90	5.77	6.17	6.13	6.20
Nonfarm Payroll Employment	130.52	130.40	130.24	130.34	130.22	129.98	129.84	129.99
% Ch	-1.2	-0.4	-0.5	0.3	-0.3	-0.7	-0.4	0.5
Manufacturing	15.52	15.37	15.25	15.08	14.93	14.74	14.60	14.48
% Ch	-7.7	-3.8	-3.2	-4.2	-4.1	-4.8	-3.9	-3.1
Durable Manufacturing	9.66	9.57	9.47	9.36	9.24	9.11	9.02	8.96
% Ch	-9.2	-4.0	-3.8	-4.8	-5.0	-5.4	-4.2	-2.7
Nondurable Manufacturing	5.85	5.80	5.77	5.73	5.69	5.63	5.58	5.53
% Ch	-5.3	-3.4	-2.1	-3.2	-2.7	-3.8	-3.4	-3.8
Construction	6.77	6.72	6.72	6.73	6.72	6.78	6.82	6.85
% Ch	-1.4	-2.8	-0.2	0.9	-0.8	3.8	2.3	1.9
Service-Producing	107.64	107.73	107.70	107.95	108.01	107.89	107.85	108.08
% Ch	-0.2	0.3	-0.1	0.9	0.2	-0.4	-0.1	0.9
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.0	21.9	22.0	21.8	21.8	21.9	21.6	21.6
Auto Sales (Millions)	7.9	8.1	8.5	7.9	7.7	7.4	7.8	7.6
% Ch	-33.0	8.7	21.7	-25.8	-6.5	-14.2	21.7	-8.9
Housing Starts (Millions)	1.716	1.683	1.702	1.743	1.737	1.739	1.839	1.771
% Ch	42.8	-7.6	4.7	9.9	-1.4	0.5	25.1	-13.9
Federal Budget Surplus (Billions)	-145.8	-195.6	-210.5	-256.6	-280.1	-390.2	-466.0	-451.3
Net Exports (Billions)	-360.1	-425.6	-432.9	-476.0	-487.2	-504.6	-507.7	-518.2
3-Month Treasury Bill Rate (%)	1.72	1.72	1.65	1.35	1.16	1.04	0.96	0.94
30-Year U.S. Govt. Bond Rate (%)	5.60	5.76	5.23	5.07	4.97	4.69	5.24	5.13
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.89	4.90	4.83	4.47	4.92	4.83
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.03	6.09

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2003 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	9,958.4	10,051.3	10,166.6	10,266.5	10,348.2	10,445.5	10,534.5	10,626.1
% Ch	3.7	3.8	4.7	4.0	3.2	3.8	3.5	3.5
Real Consumption	6,921.2	6,992.7	7,071.7	7,146.2	7,201.2	7,257.9	7,303.4	7,358.5
% Ch	3.1	4.2	4.6	4.3	3.1	3.2	2.5	3.0
Real Nonresidential Fixed Investment	1,273.9	1,294.7	1,321.3	1,350.9	1,381.7	1,415.3	1,446.2	1,470.2
% Ch	8.7	6.7	8.5	9.3	9.4	10.1	9.0	6.8
Real Residential Fixed Investment	410.1	404.4	400.3	398.9	395.6	396.6	397.6	401.5
% Ch	-9.5	-5.5	-4.0	-1.4	-3.3	1.0	1.0	3.9
Real Personal Income	8,328.6	8,410.0	8,486.9	8,560.3	8,634.7	8,712.8	8,789.1	8,861.7
% Ch	5.0	4.0	3.7	3.5	3.5	3.7	3.6	3.3
Real Per Capita Income (\$/Person)	28,397	28,613	28,813	29,000	29,189	29,391	29,585	29,767
% Ch	4.1	3.1	2.8	2.6	2.6	2.8	2.7	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.140	1.143	1.149	1.154	1.160	1.165	1.170	1.175
% Ch	0.9	1.1	1.8	2.0	1.9	1.9	1.8	1.7
U.S. Consumer Price Index (1982-84=1.0)	1.852	1.856	1.865	1.874	1.882	1.891	1.899	1.907
% Ch	0.8	0.9	1.8	2.0	1.8	1.8	1.8	1.7
Employment Cost Index (June 1989=1.0)	1.638	1.649	1.661	1.674	1.687	1.699	1.711	1.724
% Ch	3.0	2.9	2.9	3.1	3.2	2.9	2.9	2.9
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,283.6	11,429.3	11,607.0	11,770.1	11,921.8	12,088.0	12,243.1	12,397.6
% Ch	5.3	5.3	6.4	5.7	5.3	5.7	5.2	5.1
Personal Income	9,497.5	9,615.5	9,747.9	9,881.3	10,013.6	10,150.8	10,285.9	10,415.1
% Ch	6.0	5.1	5.6	5.6	5.5	5.6	5.4	5.1
Employment (Millions)								
U.S. Civilian Labor Force	147.5	147.9	148.3	148.8	149.3	149.8	150.3	150.8
Total U.S. Employment	138.4	138.8	139.4	139.9	140.4	141.0	141.5	142.0
Unemployment Rate (%)	6.16	6.15	6.05	5.96	5.92	5.88	5.86	5.86
Nonfarm Payroll Employment	130.32	130.98	131.89	132.79	133.62	134.35	135.00	135.61
% Ch	1.0	2.1	2.8	2.8	2.5	2.2	2.0	1.8
Manufacturing	14.41	14.42	14.42	14.46	14.51	14.53	14.55	14.58
% Ch	-1.9	0.2	-0.0	0.9	1.5	0.7	0.5	0.8
Durable Manufacturing	8.95	9.00	9.04	9.09	9.14	9.15	9.17	9.19
% Ch	-0.3	2.4	1.8	2.2	2.0	0.8	0.5	1.0
Nondurable Manufacturing	5.47	5.42	5.38	5.36	5.37	5.38	5.38	5.39
% Ch	-4.5	-3.3	-3.0	-1.1	0.6	0.4	0.5	0.3
Construction	6.85	6.90	6.97	7.05	7.13	7.20	7.26	7.30
% Ch	-0.1	2.6	4.3	4.6	4.8	3.7	3.3	2.5
Service-Producing	108.49	109.11	109.96	110.75	111.45	112.10	112.68	113.23
% Ch	1.5	2.3	3.1	2.9	2.5	2.4	2.1	2.0
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	21.3	21.2	21.1	21.1	21.1	21.0	20.9	20.8
Auto Sales (Millions)	7.9	7.9	7.8	8.0	8.0	7.9	7.8	7.7
% Ch	12.8	-0.9	-3.1	11.4	1.2	-4.6	-7.9	-2.1
Housing Starts (Millions)	1.703	1.691	1.662	1.648	1.648	1.645	1.640	1.639
% Ch	-14.5	-3.0	-6.7	-3.3	0.1	-0.7	-1.3	-0.3
Federal Budget Surplus (Billions)	-535.3	-492.0	-485.1	-479.4	-405.9	-376.8	-352.7	-335.8
Net Exports (Billions)	-524.8	-527.8	-526.2	-533.6	-535.5	-535.3	-528.9	-523.9
3-Month Treasury Bill Rate (%)	0.95	0.95	0.99	1.19	1.33	1.62	1.84	2.06
30-Year U.S. Govt. Bond Rate (%)	5.29	5.44	5.54	5.68	5.77	5.87	5.90	5.92
Bond Index of 20 G.O. Munis. (%)	4.94	4.99	5.08	5.19	5.15	5.26	5.33	5.34
Mortgage Rate (%)	6.13	6.20	6.33	6.44	6.58	6.73	6.85	6.91

Table A1.3
Washington Economic Forecast Summary
 Forecast 2003 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Real Income (Billions of Chained 1996 Dollars)								
Real Personal Income	158.389	166.283	174.000	174.919	178.472	181.941	187.404	193.571
% Ch	7.5	5.0	4.6	0.5	2.0	1.9	3.0	3.3
Real Wage and Salary Disb.	91.544	99.113	102.496	101.096	100.046	101.419	104.516	108.591
% Ch	9.3	8.3	3.4	-1.4	-1.0	1.4	3.1	3.9
Real Nonwage Income	66.844	67.170	71.504	73.824	78.425	80.522	82.888	84.981
% Ch	5.1	0.5	6.5	3.2	6.2	2.7	2.9	2.5
Real Per Capita Income (\$/Person)	27,400	28,401	29,371	29,154	29,436	29,714	30,272	30,908
% Ch	5.9	3.7	3.4	-0.7	1.0	0.9	1.9	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.030	1.047	1.074	1.096	1.111	1.132	1.147	1.168
% Ch	1.1	1.6	2.5	2.0	1.4	1.9	1.3	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.678	1.728	1.792	1.857	1.893	1.922	1.937	1.965
% Ch	2.9	3.0	3.7	3.6	2.0	1.5	0.8	1.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	15.75	16.14	16.75	17.97	18.15	17.74	17.55	17.77
% Ch	4.0	2.5	3.7	7.3	1.0	-2.3	-1.0	1.2
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	162.673	174.064	186.582	191.633	198.025	205.289	214.217	225.350
% Ch	8.6	7.0	7.2	2.7	3.3	3.7	4.3	5.2
Personal Income	163.192	174.148	186.843	191.644	198.221	205.915	214.884	226.012
% Ch	8.6	6.7	7.3	2.6	3.4	3.9	4.4	5.2
Disposable Personal Income	139.668	148.221	158.252	163.135	173.521	182.628	191.829	200.688
% Ch	8.1	6.1	6.8	3.1	6.4	5.2	5.0	4.6
Per Capita Income (\$/Person)	28,231	29,744	31,538	31,941	32,693	33,629	34,710	36,087
% Ch	7.1	5.4	6.0	1.3	2.4	2.9	3.2	4.0
Employment (Thousands)								
Washington Civilian Labor Force	3,037.9	3,074.7	3,050.7	3,015.2	3,096.9	3,112.4	3,139.4	3,192.6
Total Washington Employment	2,893.3	2,929.3	2,891.5	2,822.3	2,871.1	2,881.8	2,901.6	2,966.8
Unemployment Rate (%)	4.76	4.73	5.22	6.40	7.30	7.41	7.57	7.07
Nonfarm Payroll Employment	2,594.7	2,648.5	2,711.5	2,697.4	2,654.1	2,656.8	2,682.9	2,744.2
% Ch	3.2	2.1	2.4	-0.5	-1.6	0.1	1.0	2.3
Manufacturing	360.5	343.3	331.9	316.2	285.7	268.7	262.3	264.3
% Ch	2.9	-4.7	-3.3	-4.7	-9.6	-5.9	-2.4	0.8
Durable Manufacturing	262.2	246.9	236.4	225.0	199.6	184.4	180.8	182.8
% Ch	4.4	-5.8	-4.2	-4.8	-11.3	-7.6	-2.0	1.1
Aerospace	111.9	98.2	86.1	87.2	75.8	65.5	59.8	59.7
% Ch	6.6	-12.2	-12.3	1.3	-13.1	-13.6	-8.7	-0.2
Nondurable Manufacturing	98.2	96.4	95.4	91.1	86.1	84.3	81.5	81.5
% Ch	-0.9	-1.8	-1.1	-4.5	-5.6	-2.1	-3.4	0.1
Construction	143.4	153.8	160.6	158.8	154.8	157.3	160.0	163.5
% Ch	4.5	7.2	4.4	-1.1	-2.5	1.6	1.7	2.2
Service-Producing	2,080.5	2,140.9	2,209.0	2,212.6	2,204.3	2,222.0	2,252.3	2,308.2
% Ch	3.2	2.9	3.2	0.2	-0.4	0.8	1.4	2.5
Software Publishers	24.5	27.3	32.2	35.9	35.9	36.5	40.1	44.0
% Ch	11.5	11.6	17.8	11.3	0.2	1.6	9.7	9.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	45.727	42.752	39.021	38.345	40.200	43.476	40.733	39.493
% Ch	11.3	-6.5	-8.7	-1.7	4.8	8.1	-6.3	-3.0
Single-Family	28.644	28.111	25.471	26.736	30.239	33.435	28.472	26.728
% Ch	3.1	-1.9	-9.4	5.0	13.1	10.6	-14.8	-6.1
Multi-Family	17.083	14.641	13.550	11.609	9.961	10.040	12.261	12.765
% Ch	28.3	-14.3	-7.5	-14.3	-14.2	0.8	22.1	4.1
Mortgage Rate (%)	6.94	7.43	8.06	6.97	6.54	5.87	6.27	6.77

Table A1.4
Washington Economic Forecast Summary
 Forecast 2003 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	175.358	173.427	172.783	174.432	173.225	177.157	175.524	173.771
% Ch	10.2	-4.3	-1.5	3.9	-2.7	9.4	-3.6	-3.9
Real Wage and Salary Disb.	106.055	102.179	100.455	101.296	100.088	103.772	101.264	99.258
% Ch	12.6	-13.8	-6.6	3.4	-4.7	15.6	-9.3	-7.7
Real Nonwage Income	69.303	71.248	72.327	73.137	73.138	73.385	74.261	74.511
% Ch	6.7	11.7	6.2	4.6	0.0	1.4	4.9	1.4
Real Per Capita Income (\$/Person)	29,751	29,323	29,115	29,293	28,992	29,568	29,214	28,842
% Ch	9.1	-5.6	-2.8	2.5	-4.0	8.2	-4.7	-5.0
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)	1.764	1.783	1.801	1.820	1.839	1.850	1.866	1.872
% Ch	3.7	4.4	4.1	4.3	4.2	2.5	3.4	1.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.54	16.61	16.77	17.07	17.60	17.82	18.07	18.38
% Ch	6.2	1.8	3.8	7.5	13.0	5.0	5.7	7.1
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	186.525	185.504	185.717	188.584	189.041	194.227	192.397	190.865
% Ch	13.8	-2.2	0.5	6.3	1.0	11.4	-3.7	-3.1
Personal Income	186.768	185.753	186.018	188.832	189.070	194.232	192.407	190.868
% Ch	14.0	-2.2	0.6	6.2	0.5	11.4	-3.7	-3.2
Disposable Personal Income	158.195	157.435	157.535	159.841	159.796	164.320	166.286	162.137
% Ch	12.9	-1.9	0.3	6.0	-0.1	11.8	4.9	-9.6
Per Capita Income (\$/Person)	31,687	31,407	31,345	31,711	31,644	32,417	32,024	31,679
% Ch	12.8	-3.5	-0.8	4.8	-0.8	10.1	-4.8	-4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,071.2	3,053.8	3,041.7	3,036.0	3,016.2	3,009.6	3,008.1	3,026.9
Total Washington Employment	2,919.5	2,899.4	2,878.2	2,869.0	2,843.3	2,823.0	2,812.0	2,810.8
Unemployment Rate (%)	4.94	5.06	5.38	5.50	5.73	6.20	6.52	7.14
Nonfarm Payroll Employment	2,698.5	2,709.7	2,713.3	2,724.5	2,721.4	2,710.0	2,690.8	2,667.4
% Ch	3.7	1.7	0.5	1.7	-0.5	-1.7	-2.8	-3.4
Manufacturing	333.3	334.3	330.7	329.1	325.9	320.0	314.2	304.6
% Ch	-4.5	1.2	-4.2	-1.9	-3.9	-7.1	-7.0	-11.6
Durable Manufacturing	236.6	238.2	236.0	235.0	232.7	228.1	223.4	215.9
% Ch	-6.3	2.8	-3.7	-1.6	-4.0	-7.7	-8.0	-12.7
Aerospace	84.8	87.6	86.2	85.8	87.7	87.7	87.9	85.7
% Ch	-24.8	13.9	-6.3	-2.0	9.2	-0.1	1.0	-9.5
Nondurable Manufacturing	96.7	96.1	94.7	94.1	93.2	91.9	90.8	88.7
% Ch	-0.1	-2.6	-5.6	-2.8	-3.7	-5.6	-4.5	-9.0
Construction	160.1	160.3	159.9	162.1	163.2	160.1	158.0	154.1
% Ch	6.9	0.5	-1.1	5.7	2.7	-7.3	-5.2	-9.6
Service-Producing	2,194.6	2,204.8	2,212.9	2,223.7	2,222.3	2,220.4	2,208.8	2,199.0
% Ch	4.8	1.9	1.5	2.0	-0.3	-0.3	-2.1	-1.8
Software Publishers	30.2	31.7	33.0	34.0	35.2	35.9	36.0	36.3
% Ch	23.6	22.3	17.7	11.7	15.9	7.7	1.4	3.6
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 2003 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	176.452	178.686	179.676	179.075	179.818	182.432	182.360	183.154
% Ch	6.3	5.2	2.2	-1.3	1.7	5.9	-0.2	1.8
Real Wage and Salary Disb.	99.241	100.281	100.791	99.874	100.180	102.116	101.521	101.859
% Ch	-0.1	4.3	2.0	-3.6	1.2	8.0	-2.3	1.3
Real Nonwage Income	77.212	78.402	78.886	79.200	79.637	80.316	80.839	81.295
% Ch	15.3	6.3	2.5	1.6	2.2	3.5	2.6	2.3
Real Per Capita Income (\$/Person)	29,206	29,506	29,600	29,432	29,485	29,835	29,743	29,793
% Ch	5.1	4.2	1.3	-2.3	0.7	4.8	-1.2	0.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.101	1.109	1.114	1.119	1.126	1.128	1.135	1.138
% Ch	1.1	2.7	1.7	1.8	2.7	0.8	2.3	1.0
Seattle Cons. Price Index (1982-84=1.0)	1.878	1.889	1.899	1.907	1.916	1.918	1.926	1.929
% Ch	1.3	2.3	2.2	1.6	1.8	0.5	1.7	0.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.47	18.47	18.12	17.55	17.87	17.98	17.65	17.44
% Ch	2.0	0.0	-7.3	-11.9	7.3	2.6	-7.1	-4.8
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	194.142	197.944	199.895	200.120	201.933	205.237	206.280	207.708
% Ch	7.0	8.1	4.0	0.5	3.7	6.7	2.0	2.8
Personal Income	194.342	198.138	200.086	200.319	202.505	205.858	206.939	208.358
% Ch	7.5	8.0	4.0	0.5	4.4	6.8	2.1	2.8
Disposable Personal Income	169.248	173.202	175.542	176.091	178.563	181.517	184.827	185.604
% Ch	18.7	9.7	5.5	1.3	5.7	6.8	7.5	1.7
Per Capita Income (\$/Person)	32,167	32,718	32,962	32,924	33,205	33,666	33,752	33,893
% Ch	6.3	7.0	3.0	-0.5	3.5	5.7	1.0	1.7
Employment (Thousands)								
Washington Civilian Labor Force	3,057.9	3,091.7	3,112.1	3,126.1	3,118.6	3,107.6	3,110.9	3,112.3
Total Washington Employment	2,831.7	2,860.8	2,885.9	2,905.8	2,904.1	2,874.6	2,875.8	2,872.6
Unemployment Rate (%)	7.40	7.47	7.27	7.05	6.88	7.50	7.56	7.70
Nonfarm Payroll Employment	2,649.0	2,652.2	2,657.5	2,657.8	2,661.4	2,657.7	2,652.5	2,655.6
% Ch	-2.7	0.5	0.8	0.0	0.5	-0.6	-0.8	0.5
Manufacturing	294.0	287.8	283.0	278.0	274.4	269.2	266.6	264.7
% Ch	-13.2	-8.2	-6.5	-6.9	-5.1	-7.3	-3.7	-2.9
Durable Manufacturing	206.6	202.3	197.1	192.6	189.0	185.7	182.4	180.5
% Ch	-16.2	-8.1	-9.9	-8.7	-7.3	-6.7	-7.0	-4.1
Aerospace	80.8	77.3	73.5	71.5	69.3	66.7	63.9	62.1
% Ch	-20.9	-16.5	-17.9	-10.7	-11.8	-14.2	-15.9	-10.7
Nondurable Manufacturing	87.4	85.6	86.0	85.4	85.4	83.4	84.3	84.2
% Ch	-5.6	-8.3	1.9	-2.7	-0.0	-8.8	4.0	-0.4
Construction	153.3	154.2	155.9	155.8	156.9	156.0	157.7	158.7
% Ch	-1.8	2.1	4.7	-0.5	3.0	-2.3	4.3	2.7
Service-Producing	2,192.1	2,200.9	2,209.4	2,214.7	2,221.1	2,223.7	2,219.7	2,223.8
% Ch	-1.2	1.6	1.5	1.0	1.1	0.5	-0.7	0.7
Software Publishers	35.6	35.7	35.8	36.6	36.1	36.0	36.4	37.6
% Ch	-7.5	0.9	1.3	9.1	-5.6	-0.8	4.4	13.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	34.493	41.965	38.838	45.504	43.573	42.840	45.258	42.231
% Ch	1.0	119.1	-26.6	88.4	-15.9	-6.6	24.6	-24.2
Single-Family	26.558	29.999	30.801	33.599	35.169	33.009	33.851	31.712
% Ch	31.6	62.8	11.1	41.6	20.1	-22.4	10.6	-23.0
Multi-Family	7.935	11.966	8.038	11.905	8.403	9.831	11.407	10.519
% Ch	-53.5	417.0	-79.6	381.4	-75.2	87.3	81.3	-27.7
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.03	6.09

Table A1.4
Washington Economic Forecast Summary
 Forecast 2003 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	185.137	186.731	188.166	189.581	190.988	192.714	194.423	196.159
% Ch	4.4	3.5	3.1	3.0	3.0	3.7	3.6	3.6
Real Wage and Salary Disb.	103.029	104.099	105.008	105.928	106.937	108.052	109.117	110.257
% Ch	4.7	4.2	3.5	3.5	3.9	4.2	4.0	4.2
Real Nonwage Income	82.108	82.633	83.158	83.653	84.052	84.662	85.306	85.903
% Ch	4.1	2.6	2.6	2.4	1.9	2.9	3.1	2.8
Real Per Capita Income (\$/Person)	30,035	30,208	30,352	30,491	30,628	30,816	31,001	31,186
% Ch	3.3	2.3	1.9	1.8	1.8	2.5	2.4	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (1996=1.0)	1.140	1.143	1.149	1.154	1.160	1.165	1.170	1.175
% Ch	0.9	1.1	1.8	2.0	1.9	1.9	1.8	1.7
Seattle Cons. Price Index (1982-84=1.0)	1.930	1.932	1.938	1.946	1.953	1.961	1.969	1.976
% Ch	0.3	0.4	1.4	1.6	1.5	1.5	1.6	1.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	17.48	17.53	17.57	17.63	17.69	17.74	17.80	17.86
% Ch	1.0	1.0	1.1	1.2	1.3	1.3	1.3	1.4
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	210.466	212.828	215.412	218.161	220.816	223.830	226.846	229.909
% Ch	5.4	4.6	4.9	5.2	5.0	5.6	5.5	5.5
Personal Income	211.109	213.488	216.113	218.826	221.478	224.511	227.524	230.535
% Ch	5.4	4.6	5.0	5.1	4.9	5.6	5.5	5.4
Disposable Personal Income	189.279	190.267	192.696	195.074	196.988	199.463	201.856	204.447
% Ch	8.2	2.1	5.2	5.0	4.0	5.1	4.9	5.2
Per Capita Income (\$/Person)	34,249	34,537	34,860	35,195	35,518	35,901	36,279	36,652
% Ch	4.3	3.4	3.8	3.9	3.7	4.4	4.3	4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,120.8	3,132.1	3,145.6	3,159.0	3,172.5	3,186.3	3,199.2	3,212.4
Total Washington Employment	2,879.6	2,892.5	2,909.0	2,925.5	2,941.9	2,959.4	2,975.1	2,990.9
Unemployment Rate (%)	7.73	7.65	7.52	7.39	7.27	7.12	7.01	6.89
Nonfarm Payroll Employment	2,662.1	2,674.3	2,689.8	2,705.3	2,720.8	2,737.2	2,751.9	2,766.8
% Ch	1.0	1.8	2.4	2.3	2.3	2.4	2.2	2.2
Manufacturing	262.7	262.5	262.0	261.9	262.9	263.9	264.6	265.7
% Ch	-2.9	-0.4	-0.8	-0.1	1.5	1.5	1.2	1.5
Durable Manufacturing	180.0	180.8	181.1	181.4	181.9	182.5	182.9	183.7
% Ch	-1.2	1.8	0.9	0.5	1.2	1.3	1.1	1.6
Aerospace	60.7	60.1	59.5	58.9	59.0	59.4	59.9	60.3
% Ch	-8.8	-3.9	-3.9	-4.0	0.6	3.0	3.0	3.0
Nondurable Manufacturing	82.8	81.7	80.8	80.6	81.0	81.4	81.7	82.0
% Ch	-6.5	-4.9	-4.3	-1.3	2.2	2.0	1.4	1.3
Construction	159.3	159.8	160.1	160.7	161.7	162.9	164.1	165.1
% Ch	1.4	1.4	0.6	1.7	2.5	2.9	2.9	2.5
Service-Producing	2,231.8	2,243.6	2,259.5	2,274.4	2,287.9	2,302.1	2,315.0	2,327.8
% Ch	1.4	2.1	2.9	2.7	2.4	2.5	2.2	2.2
Software Publishers	38.6	39.5	40.6	41.6	42.6	43.6	44.5	45.4
% Ch	10.4	10.4	11.0	10.7	9.8	9.2	8.7	8.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	41.044	40.603	40.547	40.740	40.472	39.744	39.049	38.706
% Ch	-10.8	-4.2	-0.5	1.9	-2.6	-7.0	-6.8	-3.5
Single-Family	29.568	28.532	27.978	27.811	27.544	26.910	26.386	26.073
% Ch	-24.4	-13.3	-7.5	-2.4	-3.8	-8.9	-7.6	-4.7
Multi-Family	11.475	12.071	12.569	12.929	12.928	12.833	12.664	12.633
% Ch	41.6	22.4	17.6	12.0	-0.0	-2.9	-5.2	-1.0
Mortgage Rate (%)	6.13	6.20	6.33	6.44	6.58	6.73	6.85	6.91

Table A2.1
U.S. Nonagricultural Employment by Industry
 Forecast 2003 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Nonfarm Payroll Employment	125.92	128.99	131.79	131.83	130.38	130.01	131.50	134.65
% Ch	2.6	2.4	2.2	0.0	-1.1	-0.3	1.1	2.4
Manufacturing	17.56	17.32	17.27	16.44	15.30	14.69	14.43	14.54
% Ch	0.8	-1.4	-0.3	-4.8	-6.9	-4.0	-1.8	0.8
Durable Manufacturing	10.91	10.83	10.88	10.33	9.52	9.08	9.02	9.16
% Ch	1.9	-0.7	0.4	-5.0	-7.9	-4.6	-0.7	1.6
Wood Products	0.61	0.62	0.61	0.57	0.56	0.54	0.53	0.52
% Ch	2.3	1.9	-1.2	-6.4	-3.0	-2.5	-1.6	-2.1
Primary and Fabricated Metals	2.38	2.35	2.37	2.25	2.06	1.96	1.93	1.99
% Ch	2.0	-1.2	0.9	-5.4	-8.4	-4.8	-1.7	3.3
Computer and Electronic Products	1.83	1.78	1.82	1.75	1.52	1.41	1.47	1.44
% Ch	1.5	-2.7	2.2	-3.9	-13.0	-7.4	4.1	-2.1
Machinery and Electrical Equipment	2.10	2.05	2.05	1.92	1.74	1.64	1.62	1.68
% Ch	1.2	-2.4	-0.4	-5.9	-9.8	-5.3	-1.3	3.7
Transportation Equipment	2.08	2.09	2.06	1.94	1.83	1.77	1.74	1.75
% Ch	2.5	0.5	-1.5	-5.7	-5.6	-3.1	-1.7	0.3
Other Durables	1.91	1.93	1.97	1.90	1.82	1.75	1.73	1.78
% Ch	2.4	1.4	1.7	-3.3	-4.5	-3.4	-1.5	3.0
Nondurable Manufacturing	6.65	6.49	6.39	6.11	5.79	5.61	5.41	5.38
% Ch	-1.0	-2.4	-1.6	-4.4	-5.2	-3.1	-3.6	-0.5
Food Manufacturing	1.56	1.55	1.55	1.55	1.52	1.52	1.49	1.49
% Ch	-0.1	-0.3	0.2	-0.2	-1.7	-0.5	-1.8	-0.3
Paper and Paper Products	0.62	0.62	0.60	0.58	0.55	0.53	0.52	0.52
% Ch	-0.9	-1.5	-1.8	-4.5	-4.8	-3.4	-2.4	0.3
Other Nondurables	4.47	4.33	4.23	3.98	3.71	3.56	3.40	3.38
% Ch	-1.3	-3.2	-2.2	-5.9	-6.6	-4.2	-4.5	-0.7
Natural Resources and Mining	0.65	0.60	0.60	0.61	0.58	0.57	0.55	0.52
% Ch	-1.3	-7.2	0.1	1.2	-4.1	-2.8	-3.3	-5.5
Construction	6.15	6.55	6.79	6.83	6.73	6.79	6.94	7.22
% Ch	5.8	6.5	3.7	0.6	-1.4	0.9	2.2	4.0
Trade, Transportation, and Utilities	25.19	25.77	26.22	25.99	25.50	25.27	25.47	25.95
% Ch	2.0	2.3	1.8	-0.9	-1.9	-0.9	0.8	1.9
Wholesale Trade	5.80	5.89	5.93	5.77	5.64	5.57	5.66	5.81
% Ch	2.3	1.7	0.7	-2.7	-2.3	-1.2	1.6	2.6
Retail Trade	14.61	14.97	15.28	15.24	15.05	14.97	14.95	15.09
% Ch	1.5	2.5	2.1	-0.2	-1.3	-0.5	-0.2	1.0
Trans., Warehousing, and Utilities	4.78	4.91	5.01	4.97	4.81	4.73	4.86	5.04
% Ch	2.9	2.7	2.1	-0.8	-3.4	-1.7	2.7	3.9
Information	3.22	3.42	3.63	3.63	3.42	3.29	3.32	3.40
% Ch	4.4	6.2	6.2	-0.0	-5.8	-3.9	1.0	2.4
Publishing Industries	0.98	1.00	1.03	1.02	0.97	0.95	0.95	1.00
% Ch	2.8	2.3	3.0	-1.4	-5.0	-2.4	0.8	4.5
Other Information	2.24	2.41	2.60	2.61	2.45	2.34	2.36	2.40
% Ch	5.1	7.9	7.5	0.5	-6.1	-4.4	1.0	1.5
Financial Activities	7.46	7.65	7.69	7.81	7.84	7.96	8.04	8.25
% Ch	4.0	2.5	0.5	1.6	0.4	1.5	1.0	2.6
Professional and Business Services	15.14	15.95	16.67	16.48	16.01	16.10	16.91	17.91
% Ch	5.6	5.4	4.5	-1.1	-2.8	0.5	5.1	5.9
Education and Health Services	14.45	14.80	15.11	15.64	16.18	16.50	16.80	17.21
% Ch	2.5	2.4	2.1	3.5	3.5	1.9	1.9	2.4
Leisure and Hospitality	11.23	11.54	11.86	12.03	11.97	12.05	12.16	12.43
% Ch	2.0	2.8	2.7	1.5	-0.5	0.6	0.9	2.3
Other Services	4.98	5.09	5.17	5.26	5.35	5.31	5.39	5.52
% Ch	3.1	2.2	1.6	1.7	1.7	-0.6	1.4	2.4
Federal Government	2.77	2.77	2.86	2.76	2.77	2.76	2.74	2.73
% Ch	-1.2	-0.1	3.4	-3.5	0.2	-0.4	-0.7	-0.4
State and Local Government	17.14	17.54	17.93	18.35	18.71	18.73	18.75	18.98
% Ch	1.7	2.4	2.2	2.4	2.0	0.1	0.1	1.2

Table A2.2
U.S. Nonagricultural Employment by Industry
 Forecast 2003 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Nonfarm Payroll Employment	131.01	131.82	132.03	132.31	132.51	132.18	131.71	130.92
% Ch	2.4	2.5	0.6	0.9	0.6	-1.0	-1.4	-2.4
Manufacturing	17.29	17.29	17.28	17.20	17.03	16.66	16.24	15.83
% Ch	0.3	0.1	-0.4	-1.8	-3.9	-8.3	-9.6	-9.7
Durable Manufacturing	10.85	10.88	10.90	10.87	10.75	10.49	10.19	9.90
% Ch	1.2	1.0	0.8	-1.2	-4.1	-9.5	-10.8	-11.1
Wood Products	0.62	0.62	0.61	0.60	0.59	0.58	0.57	0.56
% Ch	-0.2	-1.8	-5.9	-8.3	-8.2	-6.1	-3.7	-4.4
Primary and Fabricated Metals	2.36	2.38	2.38	2.38	2.35	2.28	2.21	2.14
% Ch	2.2	2.3	0.9	-0.8	-4.5	-10.7	-11.9	-12.2
Computer and Electronic Products	1.78	1.79	1.84	1.86	1.86	1.79	1.71	1.63
% Ch	1.2	2.0	11.2	3.9	0.8	-14.4	-18.2	-15.8
Machinery and Electrical Equipment	2.04	2.05	2.05	2.04	2.02	1.96	1.89	1.82
% Ch	-0.0	0.9	1.5	-2.1	-4.4	-11.0	-13.0	-14.1
Transportation Equipment	2.08	2.08	2.04	2.03	1.98	1.95	1.93	1.89
% Ch	0.4	-0.2	-6.6	-3.2	-8.1	-5.9	-4.9	-8.5
Other Durables	1.96	1.97	1.97	1.97	1.95	1.92	1.88	1.85
% Ch	2.4	0.7	1.0	-1.3	-2.6	-6.2	-8.0	-6.9
Nondurable Manufacturing	6.44	6.41	6.38	6.33	6.27	6.17	6.05	5.93
% Ch	-1.2	-1.4	-2.3	-2.8	-3.6	-6.2	-7.7	-7.4
Food Manufacturing	1.56	1.56	1.55	1.55	1.56	1.56	1.55	1.54
% Ch	-0.8	-0.5	-0.5	-0.7	1.5	0.3	-2.2	-1.6
Paper and Paper Products	0.61	0.61	0.60	0.60	0.59	0.58	0.57	0.56
% Ch	-0.9	-2.1	-1.4	-2.1	-4.0	-7.4	-8.5	-5.4
Other Nondurables	4.27	4.25	4.22	4.18	4.12	4.03	3.93	3.83
% Ch	-1.3	-1.7	-3.1	-3.7	-5.4	-8.5	-9.6	-9.9
Natural Resources and Mining	0.59	0.60	0.60	0.60	0.61	0.61	0.61	0.60
% Ch	-0.2	3.2	3.4	1.3	1.6	2.2	-0.9	-5.8
Construction	6.76	6.78	6.80	6.81	6.84	6.85	6.83	6.79
% Ch	5.2	0.9	1.0	1.0	1.5	0.5	-0.9	-2.3
Trade, Transportation, and Utilities	26.14	26.23	26.23	26.29	26.25	26.07	25.92	25.70
% Ch	2.1	1.3	0.1	0.8	-0.6	-2.7	-2.3	-3.4
Wholesale Trade	5.96	5.95	5.92	5.90	5.84	5.79	5.75	5.71
% Ch	1.5	-0.5	-1.9	-1.8	-3.7	-3.4	-2.8	-3.0
Retail Trade	15.19	15.28	15.30	15.34	15.36	15.26	15.20	15.13
% Ch	2.3	2.1	0.5	1.3	0.4	-2.4	-1.5	-1.8
Trans., Warehousing, and Utilities	4.99	5.00	5.01	5.05	5.05	5.02	4.97	4.86
% Ch	2.3	0.8	1.2	2.5	0.2	-2.4	-3.9	-8.6
Information	3.57	3.62	3.64	3.69	3.71	3.67	3.60	3.54
% Ch	6.5	6.1	1.6	5.8	2.6	-5.0	-7.1	-6.6
Publishing Industries	1.02	1.03	1.04	1.04	1.04	1.03	1.01	1.00
% Ch	2.4	4.2	3.8	1.2	-0.1	-4.5	-8.0	-6.2
Other Information	2.55	2.59	2.60	2.64	2.67	2.63	2.59	2.54
% Ch	8.2	6.9	0.7	7.8	3.7	-5.2	-6.7	-6.7
Financial Activities	7.67	7.67	7.68	7.73	7.77	7.81	7.82	7.83
% Ch	0.0	-0.1	0.8	2.2	2.5	1.9	0.4	0.8
Professional and Business Services	16.47	16.62	16.75	16.84	16.80	16.59	16.40	16.14
% Ch	4.4	3.6	3.1	2.3	-1.1	-4.9	-4.4	-6.3
Education and Health Services	14.98	15.05	15.14	15.27	15.42	15.57	15.71	15.88
% Ch	1.8	2.0	2.4	3.4	4.0	4.1	3.7	4.2
Leisure and Hospitality	11.74	11.85	11.93	11.92	11.99	12.07	12.10	11.97
% Ch	2.4	3.7	2.6	-0.1	2.3	2.6	1.0	-4.2
Other Services	5.15	5.16	5.17	5.19	5.20	5.24	5.28	5.31
% Ch	2.0	0.5	0.9	1.5	0.7	3.0	3.3	2.5
Federal Government	2.82	3.05	2.85	2.74	2.75	2.77	2.78	2.75
% Ch	7.5	38.0	-23.9	-14.9	2.4	1.9	1.9	-3.6
State and Local Government	17.82	17.90	17.96	18.03	18.15	18.28	18.42	18.57
% Ch	2.0	1.8	1.4	1.6	2.5	3.1	2.9	3.4

Table A2.2
U.S. Nonagricultural Employment by Industry
 Forecast 2003 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	130.52	130.40	130.24	130.34	130.22	129.98	129.84	129.99
% Ch	-1.2	-0.4	-0.5	0.3	-0.3	-0.7	-0.4	0.5
Manufacturing	15.52	15.37	15.25	15.08	14.93	14.74	14.60	14.48
% Ch	-7.7	-3.8	-3.2	-4.2	-4.1	-4.8	-3.9	-3.1
Durable Manufacturing	9.66	9.57	9.47	9.36	9.24	9.11	9.02	8.96
% Ch	-9.2	-4.0	-3.8	-4.8	-5.0	-5.4	-4.2	-2.7
Wood Products	0.56	0.56	0.56	0.55	0.55	0.54	0.54	0.54
% Ch	-1.6	-2.8	-1.8	-2.8	-3.0	-2.5	-3.7	0.9
Primary and Fabricated Metals	2.09	2.07	2.05	2.03	2.00	1.97	1.94	1.93
% Ch	-10.0	-3.2	-3.3	-4.9	-5.6	-5.5	-4.9	-3.0
Computer and Electronic Products	1.57	1.54	1.50	1.47	1.44	1.41	1.39	1.39
% Ch	-14.4	-8.4	-8.2	-8.2	-8.7	-6.7	-5.6	-2.2
Machinery and Electrical Equipment	1.77	1.74	1.73	1.70	1.68	1.65	1.63	1.61
% Ch	-11.1	-5.7	-4.4	-5.0	-5.1	-6.7	-4.9	-4.3
Transportation Equipment	1.85	1.84	1.82	1.81	1.80	1.77	1.76	1.75
% Ch	-8.5	-2.1	-2.6	-3.0	-2.1	-5.5	-2.5	-2.9
Other Durables	1.83	1.82	1.81	1.80	1.78	1.76	1.74	1.73
% Ch	-4.4	-1.5	-1.6	-3.9	-4.5	-3.5	-3.3	-2.3
Nondurable Manufacturing	5.85	5.80	5.77	5.73	5.69	5.63	5.58	5.53
% Ch	-5.3	-3.4	-2.1	-3.2	-2.7	-3.8	-3.4	-3.8
Food Manufacturing	1.54	1.53	1.52	1.52	1.52	1.51	1.52	1.52
% Ch	-1.6	-2.6	-2.1	0.5	-1.2	-0.3	2.5	-1.9
Paper and Paper Products	0.55	0.55	0.55	0.54	0.54	0.53	0.53	0.53
% Ch	-5.3	-2.5	-1.8	-3.5	-4.4	-4.1	-4.1	-0.2
Other Nondurables	3.76	3.73	3.71	3.66	3.63	3.58	3.53	3.49
% Ch	-6.8	-3.9	-2.2	-4.6	-3.2	-5.3	-5.6	-5.1
Natural Resources and Mining	0.59	0.58	0.57	0.57	0.57	0.57	0.56	0.56
% Ch	-3.7	-6.4	-6.2	-1.6	-3.4	-0.7	-1.7	-0.8
Construction	6.77	6.72	6.72	6.73	6.72	6.78	6.82	6.85
% Ch	-1.4	-2.8	-0.2	0.9	-0.8	3.8	2.3	1.9
Trade, Transportation, and Utilities	25.57	25.54	25.47	25.41	25.35	25.28	25.21	25.25
% Ch	-2.0	-0.4	-1.2	-0.9	-0.9	-1.1	-1.2	0.7
Wholesale Trade	5.67	5.65	5.63	5.61	5.60	5.58	5.55	5.56
% Ch	-2.2	-1.6	-1.5	-1.5	-1.0	-1.0	-2.1	0.6
Retail Trade	15.07	15.07	15.04	15.01	15.00	14.98	14.96	14.96
% Ch	-1.8	0.2	-1.0	-0.6	-0.5	-0.4	-0.6	0.0
Trans., Warehousing, and Utilities	4.83	4.82	4.80	4.78	4.76	4.72	4.70	4.73
% Ch	-2.6	-0.8	-1.4	-1.3	-1.9	-3.5	-1.9	2.8
Information	3.47	3.43	3.40	3.38	3.31	3.29	3.27	3.27
% Ch	-7.3	-4.3	-4.1	-2.6	-7.1	-2.4	-3.1	0.8
Publishing Industries	0.98	0.97	0.97	0.96	0.95	0.95	0.94	0.94
% Ch	-6.2	-4.0	-1.2	-1.4	-3.6	-2.7	-2.2	-0.7
Other Information	2.49	2.46	2.43	2.41	2.36	2.35	2.33	2.33
% Ch	-7.8	-4.5	-5.2	-3.1	-8.5	-2.2	-3.5	1.4
Financial Activities	7.83	7.83	7.84	7.88	7.92	7.97	7.98	7.98
% Ch	-0.3	-0.0	0.5	2.2	1.8	2.6	0.8	0.1
Professional and Business Services	16.01	16.03	16.00	16.01	16.01	16.00	16.08	16.29
% Ch	-3.1	0.4	-0.8	0.3	0.1	-0.3	2.1	5.3
Education and Health Services	16.01	16.14	16.24	16.35	16.43	16.50	16.50	16.55
% Ch	3.5	3.1	2.5	2.8	2.0	1.7	0.1	1.2
Leisure and Hospitality	11.98	11.92	11.94	12.04	12.09	12.04	12.05	12.02
% Ch	0.3	-2.0	0.9	3.2	1.6	-1.7	0.3	-0.8
Other Services	5.35	5.36	5.34	5.34	5.33	5.32	5.31	5.29
% Ch	3.1	0.3	-1.4	0.4	-1.1	-0.5	-0.7	-1.6
Federal Government	2.76	2.77	2.77	2.78	2.79	2.76	2.75	2.73
% Ch	0.2	2.1	-0.6	2.0	1.2	-4.1	-1.7	-2.3
State and Local Government	18.66	18.71	18.72	18.77	18.78	18.74	18.70	18.69
% Ch	1.9	1.1	0.1	1.0	0.3	-1.0	-0.7	-0.3

Table A2.2
U.S. Nonagricultural Employment by Industry
 Forecast 2003 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.32	130.98	131.89	132.79	133.62	134.35	135.00	135.61
% Ch	1.0	2.1	2.8	2.8	2.5	2.2	2.0	1.8
Manufacturing	14.41	14.42	14.42	14.46	14.51	14.53	14.55	14.58
% Ch	-1.9	0.2	-0.0	0.9	1.5	0.7	0.5	0.8
Durable Manufacturing	8.95	9.00	9.04	9.09	9.14	9.15	9.17	9.19
% Ch	-0.3	2.4	1.8	2.2	2.0	0.8	0.5	1.0
Wood Products	0.54	0.54	0.53	0.53	0.53	0.52	0.52	0.52
% Ch	-0.7	-1.9	-3.3	-3.0	-1.8	-2.7	-0.7	1.2
Primary and Fabricated Metals	1.92	1.92	1.93	1.94	1.96	1.98	2.00	2.02
% Ch	-1.8	0.4	0.7	3.3	4.4	3.9	4.2	4.3
Computer and Electronic Products	1.42	1.46	1.49	1.49	1.47	1.45	1.42	1.40
% Ch	11.3	11.0	6.8	1.6	-4.8	-6.4	-8.1	-6.5
Machinery and Electrical Equipment	1.60	1.62	1.63	1.64	1.66	1.68	1.69	1.71
% Ch	-2.2	2.9	2.9	3.2	4.9	3.8	3.5	3.6
Transportation Equipment	1.73	1.74	1.75	1.75	1.76	1.75	1.74	1.74
% Ch	-3.9	1.0	2.2	1.6	1.0	-1.3	-1.9	-1.4
Other Durables	1.73	1.73	1.72	1.73	1.76	1.77	1.79	1.80
% Ch	-2.0	0.3	-0.7	2.6	4.8	4.0	3.7	3.7
Nondurable Manufacturing	5.47	5.42	5.38	5.36	5.37	5.38	5.38	5.39
% Ch	-4.5	-3.3	-3.0	-1.1	0.6	0.4	0.5	0.3
Food Manufacturing	1.50	1.49	1.48	1.48	1.48	1.49	1.49	1.49
% Ch	-3.5	-2.8	-2.5	-1.0	0.9	0.8	0.1	0.2
Paper and Paper Products	0.52	0.52	0.52	0.51	0.52	0.52	0.52	0.52
% Ch	-2.5	-2.4	-3.0	-1.5	1.9	1.6	1.9	1.6
Other Nondurables	3.44	3.41	3.38	3.37	3.37	3.37	3.38	3.38
% Ch	-5.2	-3.7	-3.2	-1.1	0.3	0.0	0.4	0.1
Natural Resources and Mining	0.56	0.55	0.54	0.53	0.53	0.52	0.51	0.51
% Ch	-3.3	-4.0	-7.7	-5.3	-5.0	-4.6	-5.8	-6.2
Construction	6.85	6.90	6.97	7.05	7.13	7.20	7.26	7.30
% Ch	-0.1	2.6	4.3	4.6	4.8	3.7	3.3	2.5
Trade, Transportation, and Utilities	25.26	25.33	25.55	25.73	25.84	25.91	25.98	26.06
% Ch	0.2	1.1	3.6	2.8	1.6	1.2	1.0	1.2
Wholesale Trade	5.58	5.63	5.69	5.74	5.77	5.79	5.82	5.84
% Ch	1.8	3.1	4.6	3.5	1.7	1.7	2.3	1.5
Retail Trade	14.90	14.88	14.98	15.05	15.08	15.10	15.09	15.12
% Ch	-1.6	-0.6	2.7	1.9	0.8	0.4	-0.2	0.7
Trans., Warehousing, and Utilities	4.78	4.82	4.88	4.94	4.99	5.03	5.07	5.10
% Ch	4.1	4.0	5.1	5.0	4.1	2.7	3.2	2.5
Information	3.27	3.30	3.34	3.37	3.38	3.40	3.40	3.40
% Ch	0.0	2.7	5.2	3.2	2.3	1.5	0.8	0.1
Publishing Industries	0.94	0.95	0.96	0.97	0.98	0.99	1.00	1.01
% Ch	-0.0	3.7	3.8	4.4	5.4	4.1	4.3	4.6
Other Information	2.33	2.35	2.38	2.40	2.40	2.41	2.40	2.39
% Ch	0.1	2.3	5.7	2.8	1.0	0.5	-0.7	-1.8
Financial Activities	7.95	8.00	8.07	8.14	8.20	8.25	8.26	8.28
% Ch	-1.5	2.3	3.6	3.3	3.1	2.4	0.7	0.8
Professional and Business Services	16.53	16.74	17.03	17.34	17.62	17.84	18.02	18.17
% Ch	5.9	5.3	7.1	7.5	6.5	5.1	4.2	3.3
Education and Health Services	16.63	16.75	16.86	16.98	17.09	17.17	17.26	17.34
% Ch	1.8	2.9	2.8	2.7	2.6	1.9	2.0	2.0
Leisure and Hospitality	12.09	12.14	12.17	12.22	12.31	12.39	12.48	12.54
% Ch	2.3	1.8	1.0	1.4	3.2	2.5	2.8	2.2
Other Services	5.33	5.37	5.41	5.45	5.49	5.51	5.53	5.55
% Ch	2.6	3.7	2.5	3.3	3.1	0.9	1.5	1.4
Federal Government	2.74	2.74	2.74	2.74	2.74	2.73	2.72	2.73
% Ch	0.6	0.6	0.2	-0.3	-0.3	-1.4	-0.4	0.2
State and Local Government	18.70	18.74	18.78	18.79	18.78	18.92	19.04	19.17
% Ch	0.2	0.9	0.9	0.2	-0.2	2.9	2.6	2.7

Table A2.3
Washington Nonagricultural Employment by Industry
 Forecast 2003 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Nonfarm Payroll Employment	2,594.7	2,648.5	2,711.5	2,697.4	2,654.1	2,656.8	2,682.9	2,744.2
% Ch	3.2	2.1	2.4	-0.5	-1.6	0.1	1.0	2.3
Manufacturing	360.5	343.3	331.9	316.2	285.7	268.7	262.3	264.3
% Ch	2.9	-4.7	-3.3	-4.7	-9.6	-5.9	-2.4	0.8
Durable Manufacturing	262.2	246.9	236.4	225.0	199.6	184.4	180.8	182.8
% Ch	4.4	-5.8	-4.2	-4.8	-11.3	-7.6	-2.0	1.1
Wood Products	21.9	21.2	21.9	18.9	18.0	17.7	16.8	16.0
% Ch	-4.0	-3.6	3.6	-13.6	-4.8	-2.0	-4.8	-4.6
Primary and Fabricated Metals	31.4	30.0	29.8	27.0	23.6	22.2	21.5	22.4
% Ch	2.3	-4.5	-0.8	-9.4	-12.6	-5.8	-3.1	4.2
Computer and Electronic Products	34.9	33.3	34.3	32.4	26.2	23.5	25.4	25.0
% Ch	4.2	-4.8	3.2	-5.6	-19.2	-10.4	8.3	-1.8
Machinery and Electrical Equipment	18.3	19.2	19.8	18.6	16.7	16.1	16.4	17.9
% Ch	3.3	4.8	3.0	-6.3	-9.9	-3.8	2.3	9.1
Aerospace	111.9	98.2	86.1	87.2	75.8	65.5	59.8	59.7
% Ch	6.6	-12.2	-12.3	1.3	-13.1	-13.6	-8.7	-0.2
Other Transportation Equip.	13.7	14.3	13.4	11.3	11.0	11.4	12.3	12.6
% Ch	7.1	3.7	-6.0	-16.0	-2.6	3.5	8.2	2.4
Other Durables	29.9	30.8	31.1	29.6	28.4	28.1	28.5	29.2
% Ch	5.3	2.9	1.0	-4.8	-4.3	-0.8	1.5	2.2
Nondurable Manufacturing	98.2	96.4	95.4	91.1	86.1	84.3	81.5	81.5
% Ch	-0.9	-1.8	-1.1	-4.5	-5.6	-2.1	-3.4	0.1
Food Manufacturing	38.3	38.6	38.9	37.2	35.5	35.5	34.0	33.7
% Ch	-2.1	0.8	0.8	-4.3	-4.8	0.2	-4.4	-0.9
Paper and Paper Products	15.6	15.2	14.4	14.1	13.3	12.9	12.3	12.4
% Ch	0.2	-2.5	-5.5	-2.0	-6.1	-2.7	-4.3	0.3
Other Nondurables	44.3	42.6	42.1	39.8	37.4	35.9	35.1	35.5
% Ch	-0.3	-3.9	-1.1	-5.5	-6.1	-4.0	-2.1	0.9
Natural Resources and Mining	10.3	10.6	10.0	9.8	9.3	8.7	8.3	8.2
% Ch	-4.6	2.4	-5.3	-2.2	-4.7	-6.6	-4.7	-1.0
Construction	143.4	153.8	160.6	158.8	154.8	157.3	160.0	163.5
% Ch	4.5	7.2	4.4	-1.1	-2.5	1.6	1.7	2.2
Trade, Transportation, and Utilities	506.0	519.1	531.9	523.8	509.6	511.4	517.1	528.5
% Ch	3.1	2.6	2.5	-1.5	-2.7	0.4	1.1	2.2
Wholesale Trade	117.0	119.4	121.3	119.8	115.6	115.0	117.6	121.7
% Ch	1.2	2.1	1.6	-1.2	-3.5	-0.5	2.2	3.5
Retail Trade	295.5	305.4	315.3	311.7	305.6	308.3	309.4	312.7
% Ch	3.7	3.4	3.2	-1.1	-1.9	0.9	0.4	1.1
Trans., Warehousing, and Utilities	93.5	94.3	95.4	92.4	88.4	88.2	90.1	94.0
% Ch	3.7	0.9	1.2	-3.2	-4.3	-0.3	2.2	4.3
Information	77.2	85.2	97.6	99.0	93.6	92.1	96.1	101.2
% Ch	6.5	10.4	14.6	1.4	-5.5	-1.6	4.3	5.3
Software Publishers	24.5	27.3	32.2	35.9	35.9	36.5	40.1	44.0
% Ch	11.5	11.6	17.8	11.3	0.2	1.6	9.7	9.8
Other Publishing Industries	13.3	13.5	13.7	13.2	12.6	12.4	12.3	12.7
% Ch	2.6	1.2	1.5	-3.5	-4.5	-1.6	-0.7	2.9
Other Information	39.3	44.4	51.7	49.9	45.0	43.2	43.7	44.5
% Ch	5.0	12.8	16.7	-3.5	-9.9	-4.1	1.2	1.9
Financial Activities	136.3	142.8	142.3	145.2	145.6	151.4	153.4	157.3
% Ch	6.1	4.8	-0.3	2.0	0.3	4.0	1.3	2.5
Professional and Business Services	273.6	286.3	303.8	296.9	289.8	291.6	303.9	321.1
% Ch	4.8	4.7	6.1	-2.3	-2.4	0.6	4.2	5.7
Education and Health Services	278.3	281.5	291.9	298.3	306.7	311.6	317.0	324.7
% Ch	3.8	1.2	3.7	2.2	2.8	1.6	1.7	2.4
Leisure and Hospitality	240.3	247.1	251.8	247.1	245.0	246.2	247.2	251.8
% Ch	2.3	2.8	1.9	-1.9	-0.8	0.5	0.4	1.9
Other Services	103.0	104.5	106.2	96.9	97.9	99.8	100.2	101.6
% Ch	1.0	1.4	1.6	-8.8	1.1	1.9	0.4	1.4
Federal Government	67.2	67.6	69.9	67.9	69.2	69.8	69.7	69.7
% Ch	-0.9	0.6	3.4	-2.8	2.0	0.9	-0.2	-0.0
State and Local Government	398.7	406.8	413.5	437.6	446.9	448.1	447.7	452.3
% Ch	2.2	2.0	1.7	5.8	2.1	0.3	-0.1	1.0

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2003 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Nonfarm Payroll Employment	2,698.5	2,709.7	2,713.3	2,724.5	2,721.4	2,710.0	2,690.8	2,667.4
% Ch	3.7	1.7	0.5	1.7	-0.5	-1.7	-2.8	-3.4
Manufacturing	333.3	334.3	330.7	329.1	325.9	320.0	314.2	304.6
% Ch	-4.5	1.2	-4.2	-1.9	-3.9	-7.1	-7.0	-11.6
Durable Manufacturing	236.6	238.2	236.0	235.0	232.7	228.1	223.4	215.9
% Ch	-6.3	2.8	-3.7	-1.6	-4.0	-7.7	-8.0	-12.7
Wood Products	22.4	22.2	21.8	21.2	19.5	19.1	18.8	18.4
% Ch	23.7	-3.3	-8.4	-9.3	-29.1	-7.9	-5.1	-9.7
Primary and Fabricated Metals	29.9	29.8	29.5	29.8	28.4	27.7	26.4	25.3
% Ch	1.3	-1.2	-4.6	3.6	-17.1	-9.0	-18.2	-14.6
Computer and Electronic Products	33.6	34.0	34.6	35.3	35.1	33.5	31.7	29.4
% Ch	8.1	4.9	7.2	8.4	-1.4	-17.2	-20.2	-26.2
Machinery and Electrical Equipment	19.9	20.0	19.7	19.7	19.5	18.8	18.3	17.7
% Ch	3.3	2.5	-5.5	-0.8	-3.0	-14.1	-10.3	-12.9
Aerospace	84.8	87.6	86.2	85.8	87.7	87.7	87.9	85.7
% Ch	-24.8	13.9	-6.3	-2.0	9.2	-0.1	1.0	-9.5
Other Transportation Equip.	14.5	13.4	13.1	12.6	12.0	11.3	11.0	10.7
% Ch	6.3	-25.4	-10.3	-12.9	-18.0	-20.6	-11.5	-11.6
Other Durables	31.5	31.1	31.1	30.7	30.4	29.9	29.3	28.8
% Ch	1.4	-5.0	0.7	-5.4	-3.5	-6.3	-8.4	-6.7
Nondurable Manufacturing	96.7	96.1	94.7	94.1	93.2	91.9	90.8	88.7
% Ch	-0.1	-2.6	-5.6	-2.8	-3.7	-5.6	-4.5	-9.0
Food Manufacturing	39.2	39.4	38.8	38.3	37.9	37.6	37.3	36.2
% Ch	0.9	2.0	-6.1	-4.6	-4.6	-2.6	-3.1	-11.4
Paper and Paper Products	14.6	14.4	14.4	14.2	14.5	14.2	14.0	13.8
% Ch	-16.3	-4.2	-2.7	-4.5	9.6	-9.0	-5.9	-5.1
Other Nondurables	43.0	42.3	41.6	41.6	40.8	40.1	39.5	38.7
% Ch	5.3	-6.0	-6.0	-0.5	-7.2	-7.0	-5.3	-7.9
Natural Resources and Mining	10.5	10.2	9.8	9.6	10.1	9.6	9.9	9.6
% Ch	0.4	-10.4	-16.3	-9.1	25.0	-18.3	10.6	-8.3
Construction	160.1	160.3	159.9	162.1	163.2	160.1	158.0	154.1
% Ch	6.9	0.5	-1.1	5.7	2.7	-7.3	-5.2	-9.6
Trade, Transportation, and Utilities	531.7	531.9	529.7	534.4	531.2	527.4	522.8	514.0
% Ch	5.1	0.2	-1.7	3.6	-2.4	-2.8	-3.5	-6.6
Wholesale Trade	120.9	121.1	120.8	122.3	121.4	120.6	119.4	117.6
% Ch	5.6	0.5	-1.0	5.2	-2.9	-2.5	-4.1	-6.0
Retail Trade	315.3	316.1	313.8	315.8	315.8	313.0	311.5	306.6
% Ch	6.5	1.0	-3.0	2.6	0.0	-3.5	-1.9	-6.1
Trans., Warehousing, and Utilities	95.4	94.7	95.2	96.4	94.0	93.8	91.9	89.8
% Ch	0.1	-2.9	2.0	5.0	-9.4	-0.7	-7.9	-9.0
Information	92.3	96.4	100.2	101.8	101.8	100.0	97.7	96.6
% Ch	21.2	18.9	16.8	6.7	-0.1	-6.9	-9.0	-4.3
Software Publishers	30.2	31.7	33.0	34.0	35.2	35.9	36.0	36.3
% Ch	23.6	22.3	17.7	11.7	15.9	7.7	1.4	3.6
Other Publishing Industries	13.8	13.8	13.7	13.6	13.5	13.4	13.1	12.9
% Ch	5.5	-0.4	-2.9	-2.4	-2.9	-2.6	-7.8	-7.9
Other Information	48.3	50.9	53.5	54.3	53.1	50.7	48.5	47.4
% Ch	24.6	22.6	22.0	6.1	-8.5	-16.6	-16.1	-8.9
Financial Activities	143.7	142.5	141.8	141.4	144.2	144.6	146.5	145.5
% Ch	-5.4	-3.3	-1.8	-1.3	8.3	1.1	5.3	-2.7
Professional and Business Services	300.2	301.7	305.9	307.6	303.7	300.8	294.0	289.1
% Ch	8.6	2.1	5.6	2.3	-4.9	-3.8	-8.7	-6.6
Education and Health Services	289.0	289.7	294.4	294.6	295.5	297.8	297.1	302.6
% Ch	6.8	1.0	6.5	0.3	1.3	3.1	-0.9	7.6
Leisure and Hospitality	251.9	251.8	249.9	253.4	248.0	248.4	247.7	244.1
% Ch	3.3	-0.2	-2.9	5.7	-8.2	0.7	-1.2	-5.8
Other Services	106.2	106.1	106.2	106.3	97.4	97.5	96.6	96.0
% Ch	7.8	-0.4	0.2	0.6	-29.6	0.6	-3.8	-2.5
Federal Government	68.0	74.1	69.1	68.3	67.7	67.2	68.1	68.6
% Ch	-0.2	40.8	-24.1	-4.7	-3.6	-2.8	5.2	3.3
State and Local Government	411.7	410.7	415.8	416.0	432.7	436.6	438.3	442.6
% Ch	2.0	-1.0	5.0	0.2	17.1	3.6	1.6	4.0

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2003 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	2,649.0	2,652.2	2,657.5	2,657.8	2,661.4	2,657.7	2,652.5	2,655.6
% Ch	-2.7	0.5	0.8	0.0	0.5	-0.6	-0.8	0.5
Manufacturing	294.0	287.8	283.0	278.0	274.4	269.2	266.6	264.7
% Ch	-13.2	-8.2	-6.5	-6.9	-5.1	-7.3	-3.7	-2.9
Durable Manufacturing	206.6	202.3	197.1	192.6	189.0	185.7	182.4	180.5
% Ch	-16.2	-8.1	-9.9	-8.7	-7.3	-6.7	-7.0	-4.1
Wood Products	17.9	18.1	18.1	18.1	18.0	17.9	17.5	17.3
% Ch	-9.5	4.2	-1.0	-0.1	-0.8	-3.4	-8.1	-4.5
Primary and Fabricated Metals	24.5	23.6	23.3	22.9	22.7	22.5	22.0	21.6
% Ch	-13.0	-14.0	-4.2	-7.2	-2.9	-4.0	-9.4	-5.5
Computer and Electronic Products	27.4	26.6	25.9	24.8	24.3	23.6	23.1	23.0
% Ch	-23.8	-12.2	-9.6	-15.5	-8.8	-11.0	-8.5	-1.2
Machinery and Electrical Equipment	17.1	16.9	16.6	16.3	16.1	16.2	16.1	15.9
% Ch	-12.8	-3.3	-6.8	-7.9	-3.8	0.8	-0.7	-5.1
Aerospace	80.8	77.3	73.5	71.5	69.3	66.7	63.9	62.1
% Ch	-20.9	-16.5	-17.9	-10.7	-11.8	-14.2	-15.9	-10.7
Other Transportation Equip.	10.5	11.4	11.2	10.8	10.9	10.9	11.6	12.1
% Ch	-5.9	36.1	-5.8	-11.5	1.0	2.7	24.3	18.5
Other Durables	28.3	28.5	28.4	28.2	27.7	28.0	28.3	28.5
% Ch	-6.3	2.0	-1.0	-3.1	-7.2	4.9	4.8	2.6
Nondurable Manufacturing	87.4	85.6	86.0	85.4	85.4	83.4	84.3	84.2
% Ch	-5.6	-8.3	1.9	-2.7	-0.0	-8.8	4.0	-0.4
Food Manufacturing	36.0	34.8	35.8	35.3	35.8	34.7	35.9	35.7
% Ch	-1.9	-13.1	12.1	-5.6	5.8	-11.6	14.9	-2.0
Paper and Paper Products	13.4	13.3	13.1	13.2	13.2	13.1	12.7	12.6
% Ch	-10.5	-4.0	-4.6	3.2	-0.4	-3.1	-11.1	-4.9
Other Nondurables	38.0	37.5	37.1	36.9	36.4	35.6	35.6	35.9
% Ch	-7.2	-5.2	-4.6	-2.0	-5.2	-8.0	-0.4	3.0
Natural Resources and Mining	9.5	9.4	9.2	9.3	9.1	8.9	8.5	8.4
% Ch	-7.5	-3.1	-6.7	4.6	-9.8	-9.6	-13.5	-6.3
Construction	153.3	154.2	155.9	155.8	156.9	156.0	157.7	158.7
% Ch	-1.8	2.1	4.7	-0.5	3.0	-2.3	4.3	2.7
Trade, Transportation, and Utilities	510.0	510.1	510.9	507.6	511.1	510.7	511.9	512.1
% Ch	-3.0	0.0	0.6	-2.6	2.8	-0.3	1.0	0.2
Wholesale Trade	116.5	115.4	115.3	115.1	115.2	114.8	115.0	115.0
% Ch	-3.5	-3.9	-0.4	-0.7	0.6	-1.6	1.0	-0.2
Retail Trade	304.6	306.0	306.9	305.0	306.7	307.7	309.2	309.5
% Ch	-2.6	1.9	1.2	-2.5	2.2	1.3	2.0	0.4
Trans., Warehousing, and Utilities	88.9	88.7	88.7	87.5	89.2	88.2	87.7	87.6
% Ch	-3.9	-1.0	-0.0	-5.1	7.7	-4.1	-2.4	-0.2
Information	94.2	93.7	92.9	93.5	92.3	91.7	91.6	92.8
% Ch	-9.6	-2.0	-3.6	2.6	-4.7	-2.9	-0.3	5.5
Software Publishers	35.6	35.7	35.8	36.6	36.1	36.0	36.4	37.6
% Ch	-7.5	0.9	1.3	9.1	-5.6	-0.8	4.4	13.8
Other Publishing Industries	12.6	12.6	12.6	12.7	12.7	12.4	12.3	12.2
% Ch	-7.5	-1.6	2.2	2.1	-0.1	-8.7	-3.1	-1.8
Other Information	46.0	45.5	44.4	44.2	43.6	43.2	42.9	43.0
% Ch	-11.8	-4.3	-8.8	-2.4	-5.4	-3.0	-3.4	0.9
Financial Activities	144.4	145.5	145.9	146.5	149.9	151.5	152.0	152.4
% Ch	-2.9	3.2	0.8	1.9	9.6	4.2	1.3	1.1
Professional and Business Services	287.3	288.8	291.6	291.4	291.1	290.6	291.0	293.5
% Ch	-2.4	2.1	3.9	-0.2	-0.5	-0.7	0.6	3.4
Education and Health Services	304.3	306.5	305.5	310.3	310.4	312.7	310.8	312.4
% Ch	2.2	3.0	-1.4	6.4	0.2	3.0	-2.5	2.1
Leisure and Hospitality	242.6	244.5	246.9	245.9	246.8	246.1	246.8	245.1
% Ch	-2.4	3.2	3.9	-1.6	1.5	-1.2	1.2	-2.8
Other Services	97.4	98.2	98.3	97.8	100.1	100.2	99.6	99.2
% Ch	6.2	3.4	0.1	-2.0	10.1	0.3	-2.7	-1.3
Federal Government	68.5	68.1	69.2	71.1	70.7	69.8	69.4	69.5
% Ch	-0.6	-2.2	6.2	11.9	-2.5	-4.8	-2.5	0.8
State and Local Government	443.4	445.3	448.4	450.6	448.6	450.4	446.6	446.7
% Ch	0.7	1.7	2.8	2.0	-1.8	1.6	-3.3	0.1

Table A2.4
Washington Nonagricultural Employment by Industry
 Forecast 2003 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,662.1	2,674.3	2,689.8	2,705.3	2,720.8	2,737.2	2,751.9	2,766.8
% Ch	1.0	1.8	2.4	2.3	2.3	2.4	2.2	2.2
Manufacturing	262.7	262.5	262.0	261.9	262.9	263.9	264.6	265.7
% Ch	-2.9	-0.4	-0.8	-0.1	1.5	1.5	1.2	1.5
Durable Manufacturing	180.0	180.8	181.1	181.4	181.9	182.5	182.9	183.7
% Ch	-1.2	1.8	0.9	0.5	1.2	1.3	1.1	1.6
Wood Products	17.1	16.9	16.7	16.5	16.3	16.1	15.9	15.9
% Ch	-3.3	-4.5	-5.7	-5.4	-4.3	-5.2	-3.4	-1.6
Primary and Fabricated Metals	21.4	21.4	21.5	21.7	22.0	22.3	22.5	22.8
% Ch	-3.6	0.1	0.4	4.0	5.9	4.9	5.1	5.2
Computer and Electronic Products	24.1	25.2	26.0	26.3	25.9	25.3	24.6	24.0
% Ch	20.8	20.2	13.0	4.3	-5.9	-8.5	-11.1	-8.8
Machinery and Electrical Equipment	16.0	16.3	16.6	16.9	17.4	17.8	18.1	18.5
% Ch	1.2	8.0	8.0	8.4	10.6	9.2	8.8	8.9
Aerospace	60.7	60.1	59.5	58.9	59.0	59.4	59.9	60.3
% Ch	-8.8	-3.9	-3.9	-4.0	0.6	3.0	3.0	3.0
Other Transportation Equip.	12.2	12.3	12.3	12.4	12.5	12.6	12.6	12.7
% Ch	3.4	3.2	2.6	2.7	2.5	2.1	1.8	1.1
Other Durables	28.5	28.5	28.5	28.7	28.9	29.1	29.3	29.4
% Ch	-0.7	0.6	0.4	1.8	3.0	2.7	2.7	2.7
Nondurable Manufacturing	82.8	81.7	80.8	80.6	81.0	81.4	81.7	82.0
% Ch	-6.5	-4.9	-4.3	-1.3	2.2	2.0	1.4	1.3
Food Manufacturing	34.9	34.2	33.6	33.3	33.5	33.7	33.7	33.7
% Ch	-9.4	-7.7	-6.8	-2.8	2.2	2.1	0.1	0.4
Paper and Paper Products	12.5	12.4	12.3	12.2	12.3	12.4	12.4	12.5
% Ch	-2.8	-2.7	-3.3	-1.6	2.1	1.8	2.1	1.8
Other Nondurables	35.4	35.2	35.0	35.0	35.2	35.4	35.6	35.7
% Ch	-4.7	-3.0	-2.3	0.3	2.2	2.0	2.4	2.0
Natural Resources and Mining	8.4	8.3	8.3	8.3	8.3	8.2	8.2	8.2
% Ch	-1.6	-2.0	-1.9	-1.4	-0.5	-1.1	-0.2	0.1
Construction	159.3	159.8	160.1	160.7	161.7	162.9	164.1	165.1
% Ch	1.4	1.4	0.6	1.7	2.5	2.9	2.9	2.5
Trade, Transportation, and Utilities	512.9	514.5	518.7	522.3	525.0	527.4	529.5	532.2
% Ch	0.6	1.3	3.3	2.8	2.1	1.8	1.6	2.1
Wholesale Trade	116.0	117.1	118.1	119.1	120.2	121.2	122.3	123.3
% Ch	3.7	3.6	3.6	3.6	3.5	3.5	3.5	3.4
Retail Trade	308.3	307.9	310.0	311.4	312.1	312.6	312.7	313.5
% Ch	-1.6	-0.5	2.7	1.9	0.9	0.7	0.1	1.1
Trans., Warehousing, and Utilities	88.6	89.6	90.6	91.7	92.7	93.6	94.5	95.3
% Ch	4.5	4.3	5.0	4.9	4.3	3.7	4.0	3.6
Information	93.7	95.1	97.0	98.5	99.7	100.8	101.7	102.5
% Ch	4.0	5.9	8.2	6.4	5.1	4.5	3.7	3.0
Software Publishers	38.6	39.5	40.6	41.6	42.6	43.6	44.5	45.4
% Ch	10.4	10.4	11.0	10.7	9.8	9.2	8.7	8.4
Other Publishing Industries	12.2	12.3	12.4	12.4	12.6	12.6	12.7	12.8
% Ch	-0.9	2.2	2.3	2.8	3.6	2.6	2.8	3.1
Other Information	43.0	43.3	44.0	44.4	44.6	44.6	44.5	44.3
% Ch	0.1	2.9	7.3	3.5	1.3	0.6	-0.8	-2.2
Financial Activities	151.8	152.7	153.9	155.2	156.3	157.2	157.6	157.9
% Ch	-1.4	2.2	3.4	3.2	3.0	2.4	0.9	0.9
Professional and Business Services	297.4	301.2	305.9	311.0	315.6	319.6	323.0	326.1
% Ch	5.5	5.1	6.5	6.8	6.1	5.1	4.4	3.8
Education and Health Services	313.9	316.0	318.1	320.2	322.2	323.8	325.5	327.2
% Ch	1.8	2.7	2.7	2.7	2.6	2.0	2.1	2.1
Leisure and Hospitality	246.1	247.0	247.5	248.2	249.8	251.1	252.6	253.9
% Ch	1.7	1.5	0.8	1.2	2.5	2.1	2.4	2.1
Other Services	99.5	100.0	100.4	100.8	101.3	101.5	101.7	102.0
% Ch	1.3	2.0	1.4	1.8	1.7	0.8	1.0	1.1
Federal Government	69.6	69.7	69.8	69.8	69.8	69.6	69.6	69.7
% Ch	0.6	0.6	0.3	0.0	0.0	-0.8	-0.0	0.3
State and Local Government	446.7	447.4	448.2	448.4	448.2	451.1	453.7	456.4
% Ch	-0.0	0.7	0.7	0.2	-0.2	2.6	2.3	2.4

Table A3.1
U.S. Personal Income by Component
 Forecast 2003 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	7,426.0	7,786.5	8,406.6	8,685.3	8,922.2	9,211.8	9,685.5	10,216.4
% Ch	7.0	4.9	8.0	3.3	2.7	3.2	5.1	5.5
Total Wage and Salary Disbursements	4,192.8	4,470.4	4,836.3	4,950.6	4,996.4	5,107.0	5,372.9	5,698.0
% Ch	7.8	6.6	8.2	2.4	0.9	2.2	5.2	6.1
Nonwage Personal Income	3,233.2	3,316.1	3,570.2	3,734.7	3,925.8	4,104.8	4,312.6	4,518.3
% Ch	6.1	2.6	7.7	4.6	5.1	4.6	5.1	4.8
Other Labor Income	490.6	510.2	544.2	570.4	610.6	648.0	684.3	739.7
% Ch	3.2	4.0	6.7	4.8	7.1	6.1	5.6	8.1
Proprietor's Income	623.8	678.4	714.8	727.9	756.6	816.2	883.3	938.1
% Ch	7.3	8.8	5.4	1.8	3.9	7.9	8.2	6.2
Farm	25.6	27.7	22.6	19.1	12.9	17.5	22.9	24.4
% Ch	-13.9	8.4	-18.7	-15.5	-32.3	36.0	30.4	6.5
Nonfarm	598.2	650.7	692.2	708.8	743.7	798.7	860.4	913.8
% Ch	8.5	8.8	6.4	2.4	4.9	7.4	7.7	6.2
Less: Pers Cont. For Social Ins.	316.3	337.4	358.4	372.3	384.1	395.7	414.5	438.3
% Ch	6.2	6.7	6.2	3.9	3.2	3.0	4.7	5.8
Dividends/Int./Rent	1,451.4	1,446.4	1,599.3	1,638.3	1,654.6	1,665.9	1,720.2	1,805.2
% Ch	9.4	-0.3	10.6	2.4	1.0	0.7	3.3	4.9
Transfer Payments	983.7	1,018.5	1,070.3	1,170.4	1,288.0	1,370.4	1,439.4	1,473.6
% Ch	2.2	3.5	5.1	9.4	10.0	6.4	5.0	2.4

Table A3.2

U.S. Personal Income by Component

Forecast 2003 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	2.9	9.6	-0.1	0.4	1.1	3.0	3.3	-0.6
Farm	22.3	25.0	21.7	21.2	19.3	18.4	19.3	19.2
% Ch	-40.6	58.0	-43.2	-8.9	-31.3	-17.4	21.0	-2.1
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 2003 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,803.4	8,914.0	8,958.9	9,012.5	9,080.2	9,156.0	9,251.6	9,359.6
% Ch	4.8	5.1	2.0	2.4	3.0	3.4	4.2	4.8
Total Wage and Salary Disbursements	4,957.8	4,997.3	5,007.4	5,023.1	5,053.8	5,079.2	5,113.5	5,181.5
% Ch	2.2	3.2	0.8	1.3	2.5	2.0	2.7	5.4
Nonwage Personal Income	3,845.7	3,916.7	3,951.5	3,989.4	4,026.3	4,076.9	4,138.1	4,178.0
% Ch	8.3	7.6	3.6	3.9	3.8	5.1	6.1	3.9
Other Labor Income	590.7	604.1	617.5	630.2	639.2	645.0	649.8	658.3
% Ch	10.4	9.3	9.2	8.4	5.8	3.7	3.0	5.3
Proprietor's Income	748.4	747.5	758.7	771.6	784.4	804.5	832.0	844.1
% Ch	9.7	-0.5	6.1	7.0	6.8	10.6	14.4	5.9
Farm	21.7	7.5	10.7	11.7	14.2	15.4	20.5	20.1
% Ch	63.2	-98.6	314.3	43.0	117.0	38.3	211.7	-6.6
Nonfarm	726.7	740.0	748.0	759.9	770.2	789.1	811.5	823.9
% Ch	8.4	7.6	4.4	6.5	5.5	10.2	11.8	6.3
Less: Pers Cont. For Social Ins.	380.5	383.6	385.3	386.8	391.9	394.0	396.6	400.4
% Ch	8.7	3.3	1.8	1.6	5.4	2.2	2.7	3.9
Dividends/Int./Rent	1,634.9	1,666.1	1,662.1	1,655.3	1,653.9	1,655.8	1,670.7	1,683.1
% Ch	1.3	7.9	-1.0	-1.6	-0.3	0.5	3.7	3.0
Transfer Payments	1,252.0	1,282.6	1,298.4	1,319.1	1,340.8	1,365.6	1,382.3	1,393.1
% Ch	16.5	10.1	5.0	6.5	6.7	7.6	5.0	3.2

Table A3.2

U.S. Personal Income by Component

Forecast 2003 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,497.5	9,615.5	9,747.9	9,881.3	10,013.6	10,150.8	10,285.9	10,415.1
% Ch	6.0	5.1	5.6	5.6	5.5	5.6	5.4	5.1
Total Wage and Salary Disbursements	5,258.2	5,331.1	5,410.2	5,492.1	5,578.5	5,659.4	5,737.8	5,816.5
% Ch	6.0	5.7	6.1	6.2	6.4	5.9	5.7	5.6
Nonwage Personal Income	4,239.3	4,284.4	4,337.7	4,389.1	4,435.1	4,491.4	4,548.2	4,598.7
% Ch	6.0	4.3	5.1	4.8	4.3	5.2	5.2	4.5
Other Labor Income	665.6	675.8	689.5	706.1	718.8	732.1	747.0	760.9
% Ch	4.6	6.3	8.3	10.0	7.4	7.6	8.4	7.7
Proprietor's Income	859.2	874.1	893.6	906.2	919.0	934.6	946.2	952.8
% Ch	7.4	7.1	9.2	5.8	5.8	6.9	5.1	2.8
Farm	20.1	22.2	25.7	23.5	23.8	25.6	25.8	22.2
% Ch	-0.5	50.2	77.8	-29.7	4.5	34.5	3.8	-45.0
Nonfarm	839.1	851.8	867.9	882.7	895.3	909.0	920.4	930.5
% Ch	7.6	6.2	7.8	7.0	5.8	6.3	5.1	4.5
Less: Pers Cont. for Social Ins.	406.1	411.4	417.2	423.2	429.6	435.5	441.2	447.0
% Ch	5.7	5.4	5.8	5.9	6.1	5.7	5.4	5.3
Dividends/Int./Rent	1,697.5	1,711.7	1,726.4	1,745.1	1,767.2	1,792.9	1,817.6	1,843.2
% Ch	3.5	3.4	3.5	4.4	5.2	5.9	5.6	5.8
Transfer Payments	1,423.0	1,434.2	1,445.4	1,454.9	1,459.6	1,467.4	1,478.7	1,488.8
% Ch	8.9	3.2	3.2	2.7	1.3	2.1	3.1	2.8

Table A3.3
Washington Personal Income by Component
 Forecast 2003 to 2005

	1998	1999	2000	2001	2002	2003	2004	2005
Personal Income	163.192	174.148	186.843	191.644	198.221	205.915	214.884	226.012
% Ch	8.6	6.7	7.3	2.6	3.4	3.9	4.4	5.2
Total Wage and Salary Disbursements	94.322	103.805	110.051	110.761	111.116	114.782	119.842	126.790
% Ch	10.5	10.1	6.0	0.6	0.3	3.3	4.4	5.8
Manufacturing	#N/A!	#N/A!	#N/A!	15.241	14.674	13.478	13.532	14.095
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	-3.7	-8.1	0.4	4.2
Nondurable Manufacturing	#N/A!	#N/A!	#N/A!	11.672	10.846	10.025	10.068	10.515
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	-7.1	-7.6	0.4	4.4
Durable Manufacturing	#N/A!	#N/A!	#N/A!	3.569	3.828	3.453	3.463	3.580
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	7.2	-9.8	0.3	3.4
Nonmanufacturing	#N/A!	#N/A!	#N/A!	91.579	92.096	96.525	101.264	107.415
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	0.6	4.8	4.9	6.1
Other Private Wages	#N/A!	#N/A!	#N/A!	0.752	0.807	0.882	0.928	0.998
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	7.3	9.4	5.1	7.6
Farm Wages	0.876	0.988	0.967	1.047	1.117	1.202	1.260	1.308
% Ch	3.2	12.7	-2.2	8.3	6.7	7.6	4.8	3.8
Military Wages	1.865	1.906	2.000	2.143	2.422	2.695	2.860	2.975
% Ch	-3.8	2.2	4.9	7.2	13.0	11.3	6.1	4.0
Nonwage Personal Income	68.870	70.344	76.791	80.883	87.105	91.133	95.041	99.222
% Ch	6.3	2.1	9.2	5.3	7.7	4.6	4.3	4.4
Other Labor Income	10.549	11.057	11.643	12.165	13.122	14.144	14.883	15.933
% Ch	3.5	4.8	5.3	4.5	7.9	7.8	5.2	7.1
Proprietor's Income	12.505	13.274	14.208	14.273	15.365	16.946	18.260	19.484
% Ch	7.0	6.2	7.0	0.5	7.7	10.3	7.8	6.7
Farm	0.519	0.084	0.260	0.012	0.196	0.626	0.667	0.662
% Ch	11.0	-83.8	209.8	-95.5	1,568.1	219.3	6.6	-0.9
Nonfarm	11.985	13.190	13.947	14.261	15.169	16.320	17.593	18.823
% Ch	6.8	10.1	5.7	2.3	6.4	7.6	7.8	7.0
Less: Pers. Cont. for Social Ins.	7.214	7.896	8.244	8.446	8.701	9.132	9.588	10.126
% Ch	8.7	9.5	4.4	2.4	3.0	4.9	5.0	5.6
Plus: Residence Adjustment	1.723	1.980	2.237	2.148	2.692	2.687	2.760	2.861
% Ch	4.8	14.9	13.0	-4.0	25.3	-0.2	2.7	3.7
Dividends/Int./Rent	31.714	31.372	35.299	36.503	36.921	37.090	38.319	40.247
% Ch	9.8	-1.1	12.5	3.4	1.1	0.5	3.3	5.0
Transfer Payments	19.596	20.557	21.650	24.241	27.706	29.397	30.407	30.822
% Ch	2.9	4.9	5.3	12.0	14.3	6.1	3.4	1.4
State U.I. Benefits	0.816	0.945	0.936	1.381	2.825	2.714	2.247	1.417
% Ch	12.9	15.9	-1.0	47.5	104.6	-3.9	-17.2	-37.0
Other Transfers	18.780	19.611	20.714	22.860	24.882	26.683	28.160	29.405
% Ch	2.5	4.4	5.6	10.4	8.8	7.2	5.5	4.4

Table A3.4
Washington Personal Income by Component
 Forecast 2003 to 2005

	2000:1	2000:2	2000:3	2000:4	2001:1	2001:2	2001:3	2001:4
Personal Income	186.768	185.753	186.018	188.832	189.070	194.232	192.407	190.868
% Ch	14.0	-2.2	0.6	6.2	0.5	11.4	-3.7	-3.2
Total Wage and Salary Disbursements	112.956	109.441	108.150	109.658	109.243	113.774	111.004	109.024
% Ch	16.5	-11.9	-4.6	5.7	-1.5	17.7	-9.4	-6.9
Manufacturing	#N/A!	#N/A!	#N/A!	#N/A!	15.642	15.361	15.180	14.780
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	#N/A!	-7.0	-4.6	-10.1
Nondurable Manufacturing	#N/A!	#N/A!	#N/A!	#N/A!	12.169	11.668	11.654	11.195
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	#N/A!	-15.5	-0.5	-14.8
Durable Manufacturing	#N/A!	#N/A!	#N/A!	#N/A!	3.473	3.693	3.526	3.585
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	#N/A!	27.8	-16.9	6.9
Nonmanufacturing	#N/A!	#N/A!	#N/A!	#N/A!	89.736	94.468	91.837	90.274
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	#N/A!	22.8	-10.7	-6.6
Other Private Wages	#N/A!	#N/A!	#N/A!	#N/A!	0.725	0.767	0.782	0.733
% Ch	#N/A!	#N/A!	#N/A!	#N/A!	#N/A!	25.3	8.1	-22.8
Farm Wages	0.958	0.970	0.971	0.967	1.003	1.038	1.064	1.082
% Ch	-4.1	5.1	0.4	-1.6	15.7	14.7	10.4	6.9
Military Wages	1.961	1.965	2.031	2.043	2.137	2.140	2.141	2.155
% Ch	11.3	0.8	14.1	2.4	19.7	0.6	0.2	2.6
Nonwage Personal Income	73.812	76.312	77.867	79.175	79.828	80.458	81.404	81.842
% Ch	10.3	14.3	8.4	6.9	3.3	3.2	4.8	2.2
Other Labor Income	11.627	11.576	11.557	11.811	11.887	12.320	12.232	12.222
% Ch	8.8	-1.7	-0.7	9.1	2.6	15.4	-2.8	-0.3
Proprietor's Income	13.965	14.198	14.306	14.361	14.173	14.274	14.376	14.269
% Ch	5.1	6.8	3.1	1.5	-5.1	2.9	2.9	-2.9
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	13.949	14.005	14.113	14.144	14.269	14.365	14.266
% Ch	1.9	6.8	1.6	3.1	0.9	3.6	2.7	-2.7
Less: Pers. Cont. for Social Ins.	8.497	8.200	8.084	8.197	8.283	8.662	8.480	8.360
% Ch	13.6	-13.3	-5.5	5.7	4.3	19.6	-8.1	-5.5
Plus: Residence Adjustment	2.132	2.224	2.308	2.283	2.197	2.112	2.137	2.144
% Ch	26.3	18.4	16.0	-4.3	-14.2	-14.6	4.8	1.3
Dividends/Int./Rent	33.508	35.013	36.008	36.667	36.670	36.489	36.527	36.327
% Ch	16.3	19.2	11.9	7.5	0.0	-2.0	0.4	-2.2
Transfer Payments	21.078	21.501	21.772	22.250	23.184	23.925	24.613	25.240
% Ch	5.6	8.3	5.1	9.1	17.9	13.4	12.0	10.6
State U.I. Benefits	0.918	0.894	0.922	1.011	1.022	1.278	1.478	1.745
% Ch	-8.7	-10.1	13.1	44.6	4.4	144.5	78.9	94.3
Other Transfers	20.160	20.607	20.850	21.239	22.162	22.647	23.135	23.495
% Ch	6.3	9.2	4.8	7.7	18.5	9.0	8.9	6.4

Table A3.4
Washington Personal Income by Component
 Forecast 2003 to 2005

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	194.342	198.138	200.086	200.319	202.505	205.858	206.939	208.358
% Ch	7.5	8.0	4.0	0.5	4.4	6.8	2.1	2.8
Total Wage and Salary Disbursements	109.302	111.198	112.240	111.722	112.819	115.229	115.204	115.876
% Ch	1.0	7.1	3.8	-1.8	4.0	8.8	-0.1	2.4
Manufacturing	15.181	14.474	14.609	14.430	13.970	13.325	13.281	13.335
% Ch	11.3	-17.4	3.8	-4.8	-12.2	-17.2	-1.3	1.6
Nondurable Manufacturing	11.388	10.799	10.567	10.629	10.524	9.923	9.818	9.834
% Ch	7.1	-19.1	-8.3	2.4	-3.9	-21.0	-4.1	0.6
Durable Manufacturing	3.793	3.675	4.042	3.801	3.446	3.403	3.462	3.501
% Ch	25.3	-11.9	46.3	-21.8	-32.4	-4.9	7.2	4.5
Nonmanufacturing	89.887	92.405	93.218	92.876	94.136	97.158	97.123	97.683
% Ch	-1.7	11.7	3.6	-1.5	5.5	13.5	-0.1	2.3
Other Private Wages	0.773	0.785	0.836	0.833	0.911	0.860	0.873	0.886
% Ch	23.7	6.4	28.6	-1.4	43.1	-20.5	6.0	6.0
Farm Wages	1.103	1.109	1.123	1.134	1.165	1.197	1.215	1.232
% Ch	8.0	2.2	5.1	4.0	11.4	11.4	6.0	6.0
Military Wages	2.358	2.425	2.454	2.449	2.637	2.688	2.713	2.741
% Ch	43.3	11.9	4.9	-0.8	34.4	8.0	3.8	4.1
Nonwage Personal Income	85.040	86.937	87.847	88.596	89.684	90.629	91.735	92.483
% Ch	16.6	9.2	4.3	3.5	5.0	4.3	5.0	3.3
Other Labor Income	12.590	12.971	13.357	13.569	13.806	14.133	14.226	14.412
% Ch	12.6	12.7	12.4	6.5	7.2	9.8	2.7	5.3
Proprietor's Income	14.995	15.280	15.464	15.722	16.330	16.739	17.234	17.480
% Ch	22.0	7.8	4.9	6.8	16.4	10.4	12.4	5.8
Farm	0.200	0.194	0.191	0.199	0.572	0.621	0.659	0.651
% Ch	2.E+09	-11.5	-6.0	17.8	6,726.1	38.9	27.0	-5.0
Nonfarm	14.795	15.086	15.273	15.523	15.758	16.118	16.575	16.829
% Ch	15.7	8.1	5.1	6.7	6.2	9.5	11.8	6.3
Less: Pers. Cont. for Social Ins.	8.546	8.696	8.799	8.764	8.915	9.139	9.193	9.281
% Ch	9.2	7.2	4.8	-1.6	7.1	10.4	2.4	3.9
Plus: Residence Adjustment	2.665	2.681	2.682	2.739	2.700	2.658	2.685	2.705
% Ch	138.7	2.4	0.1	8.8	-5.6	-6.1	4.1	3.0
Dividends/Int./Rent	36.451	37.231	37.103	36.900	36.840	36.856	37.192	37.473
% Ch	1.4	8.8	-1.4	-2.2	-0.6	0.2	3.7	3.1
Transfer Payments	26.885	27.470	28.040	28.430	28.923	29.382	29.591	29.693
% Ch	28.7	9.0	8.6	5.7	7.1	6.5	2.9	1.4
State U.I. Benefits	2.580	2.813	3.031	2.875	2.826	2.814	2.672	2.545
% Ch	377.9	41.3	34.8	-19.1	-6.6	-1.7	-18.8	-17.6
Other Transfers	24.305	24.657	25.009	25.555	26.097	26.568	26.919	27.148
% Ch	14.5	5.9	5.8	9.0	8.8	7.4	5.4	3.4

Table A3.4
Washington Personal Income by Component
 Forecast 2003 to 2005

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	211.109	213.488	216.113	218.826	221.478	224.511	227.524	230.535
% Ch	5.4	4.6	5.0	5.1	4.9	5.6	5.5	5.4
Total Wage and Salary Disbursements	117.482	119.015	120.604	122.268	124.008	125.880	127.694	129.578
% Ch	5.7	5.3	5.4	5.6	5.8	6.2	5.9	6.0
Manufacturing	13.387	13.494	13.571	13.674	13.831	14.008	14.176	14.365
% Ch	1.6	3.2	2.3	3.1	4.7	5.2	4.9	5.4
Nondurable Manufacturing	9.909	10.031	10.123	10.211	10.322	10.449	10.572	10.715
% Ch	3.1	5.0	3.7	3.6	4.4	5.0	4.8	5.5
Durable Manufacturing	3.479	3.462	3.448	3.463	3.509	3.559	3.604	3.650
% Ch	-2.4	-1.9	-1.7	1.7	5.4	5.8	5.1	5.2
Nonmanufacturing	99.126	100.498	101.958	103.472	104.960	106.622	108.220	109.859
% Ch	6.0	5.7	5.9	6.1	5.9	6.5	6.1	6.2
Other Private Wages	0.903	0.919	0.935	0.952	0.969	0.988	1.008	1.027
% Ch	8.3	7.0	7.4	7.5	7.2	8.2	8.0	7.8
Farm Wages	1.244	1.254	1.265	1.277	1.288	1.301	1.314	1.327
% Ch	3.7	3.2	3.7	3.8	3.6	4.1	4.0	4.0
Military Wages	2.822	2.851	2.875	2.893	2.959	2.961	2.977	3.001
% Ch	12.4	4.2	3.4	2.5	9.6	0.2	2.2	3.2
Nonwage Personal Income	93.627	94.473	95.508	96.558	97.470	98.631	99.830	100.957
% Ch	5.0	3.7	4.5	4.5	3.8	4.8	5.0	4.6
Other Labor Income	14.544	14.733	14.978	15.279	15.508	15.778	16.078	16.369
% Ch	3.7	5.3	6.8	8.3	6.1	7.1	7.8	7.4
Proprietor's Income	17.764	18.063	18.459	18.753	19.035	19.374	19.656	19.872
% Ch	6.6	6.9	9.1	6.5	6.1	7.3	6.0	4.5
Farm	0.642	0.660	0.701	0.665	0.662	0.680	0.678	0.626
% Ch	-5.0	11.7	26.9	-18.8	-2.1	11.6	-1.0	-27.7
Nonfarm	17.121	17.403	17.758	18.088	18.373	18.694	18.978	19.246
% Ch	7.1	6.7	8.4	7.6	6.5	7.2	6.2	5.8
Less: Pers. Cont. for Social Ins.	9.405	9.524	9.647	9.775	9.910	10.056	10.197	10.343
% Ch	5.5	5.1	5.3	5.4	5.6	6.0	5.7	5.9
Plus: Residence Adjustment	2.725	2.746	2.771	2.797	2.822	2.848	2.874	2.899
% Ch	3.0	3.1	3.7	3.8	3.7	3.7	3.7	3.6
Dividends/Int./Rent	37.797	38.124	38.464	38.892	39.392	39.969	40.525	41.104
% Ch	3.5	3.5	3.6	4.5	5.2	6.0	5.7	5.8
Transfer Payments	30.202	30.332	30.483	30.611	30.622	30.717	30.893	31.055
% Ch	7.0	1.7	2.0	1.7	0.1	1.2	2.3	2.1
State U.I. Benefits	2.476	2.330	2.176	2.008	1.693	1.502	1.321	1.150
% Ch	-10.5	-21.6	-23.9	-27.5	-49.4	-38.0	-40.3	-42.5
Other Transfers	27.727	28.002	28.307	28.604	28.929	29.215	29.572	29.905
% Ch	8.8	4.0	4.4	4.3	4.6	4.0	5.0	4.6

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
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
2002	1.111	1.4	1.799	1.6	1.893	2.0
Forecast						
2003	1.132	1.9	1.839	2.3	1.922	1.5
2004	1.147	1.3	1.862	1.2	1.937	0.8
2005	1.168	1.8	1.895	1.8	1.965	1.5

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

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
2002	1.174	2.7	1.141	2.0	1.177	-10.0	1.091	-6.6
Forecast								
2003	1.210	3.0	1.161	1.8	1.413	20.1	1.251	14.6
2004	1.241	2.6	1.181	1.7	1.282	-9.3	1.098	-12.2
2005	1.272	2.5	1.195	1.1	1.320	3.0	1.127	2.6

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	79.3	44.9	32.4
2003	6098.3	56.6	0.9	78.9	45.4	23.1
Forecast						
2004	6163.6	65.3	1.1	81.2	46.9	31.1
2005	6233.1	69.5	1.1	82.8	47.7	34.4

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual				Forecast	
	2000	2001	2002	2003	2004	2005
Total Population	5894.1	5974.9	6041.7	6098.3	6163.6	6233.1
Percent Change	1.1	1.4	1.1	0.9	1.1	1.1
Age 17 and Under	1513.8	1520.9	1522.8	1520.2	1521.1	1526.0
Percent of Total	25.7	25.5	25.2	24.9	24.7	24.5
Age 6-18	1123.3	1129.4	1130.0	1128.3	1127.8	1127.6
Percent of Total	19.1	18.9	18.7	18.5	18.3	18.1
Age 18 and Over	4380.3	4454.0	4518.9	4578.1	4642.5	4707.1
Percent of Total	74.3	74.5	74.8	75.1	75.3	75.5
Age 21 and Over	4128.0	4195.5	4257.2	4313.9	4376.1	4439.5
Percent of Total	70.0	70.2	70.5	70.7	71.0	71.2
Age 20-34	1231.3	1243.4	1255.0	1263.6	1272.3	1276.0
Percent of Total	20.9	20.8	20.8	20.7	20.6	20.5
Age 18-64	3718.1	3784.3	3841.7	3891.7	3946.8	4000.1
Percent of Total	63.1	63.3	63.6	63.8	64.0	64.2
Age 65 and Over	662.1	669.7	677.2	686.4	695.6	707.0
Percent of Total	11.2	11.2	11.2	11.3	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.