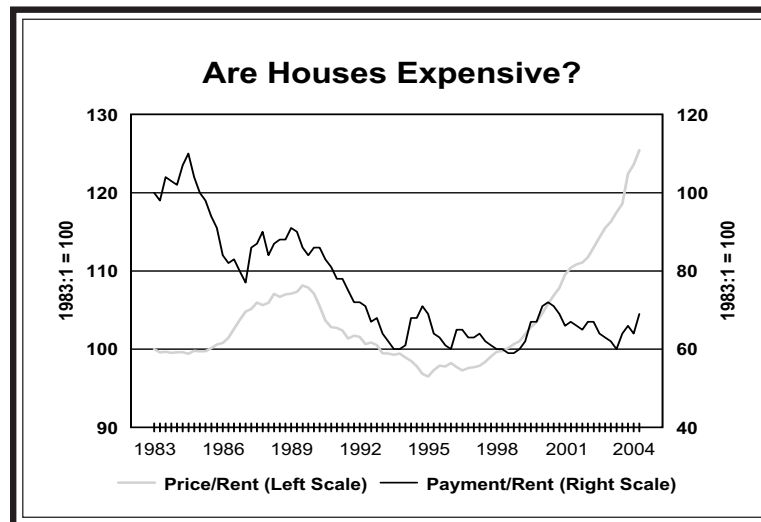


Washington Economic and Revenue Forecast



September 2004
Volume XXVII, No. 3

Economic and Revenue Forecast Council Members

Senator Lisa Brown, Chair
Senator Joseph Zarelli
Representative Jim McIntire

Representative Jack Cairnes
Will Rice, Director, DOR
Marty Brown, Director, OFM

Governor's Council of Economic Advisors

Mr. Rick Bender
Dr. Carolyn Clark
Mr. Brent Callinicos
Dr. Richard Conway
Mr. John Griffiths
Mr. Douglas Ljungren
Dr. Andy Turner

Dr. Desmond O'Rourke
Mr. Douglas H. Pedersen
Dr. Kriss Sjoblom
Dr. Paul Sommers
Mr. Stephen Stockett
Mr. William Whitlow
Mr. William Longbrake

Explanation of the Cover Graph

The recent run-up in home prices has prompted fears of a bubble similar to the stock market behavior of the late 1990s. By one measure this would certainly seem to be the case. The ratio of home price to rent is analogous to the price/earnings ratio of stocks. By this measure, current prices far exceed anything seen in the last twenty-one years. However, home buyers tend to judge the cost of a home by the mortgage payment rather than the price. The second line compares a typical 30-year mortgage payment on a newly purchased home to rents. Because interest rates have fallen, this measure remains low relative to history.

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

Washington Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

September 2004
Volume XXVII, No. 3

This page left intentionally blank.

Preface

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

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

You may also access this report on our website at www.erfc.wa.gov.

This page left intentionally blank.

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	8
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
September 2004 Forecast Assumptions	37
Recent Collection Experience	39
The General Fund-State Forecast for the 2003-05 & the 2005-07 Biennia	40
Forecast Change for the 2003-05 and the 2005-07 Biennia	46
Non Economic Changes to the Forecast	46
Department of Revenue	47
Department of Licensing	47
Office of Financial Management: Other Agencies	49
State Treasurer	49
Insurance Commissioner	49
Liquor Control Board	49
Lottery Commission	49
Track Record for the 2003-05 Biennium	55
Track Record for the 2005-07 Biennium	55
The Relationship Between Cash and GAAP General Fund-State Revenue Forecasts	55
Alternative Forecast for the 2003-05 Biennium.....	64

Chapter 4: Special Report	
Annual State Personal Income, 1973 to 2003	67
Appendices	
Detail Components of the Washington Economic Forecast	83
Glossary	113

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	Summary of National & State Indicators	27
Table 2.2	Washington Business Indicators	33

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, June 11, 2003-September 10, 2004	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	48
Table 3.7	Comparison of the General Fund-State Forecast by Agency, 2003-05 Biennium; Cash	50
Table 3.8	Comparison of the General Fund-State Forecast by Agency; 2003-05 Biennium; GAAP ...	51
Table 3.9	Comparison of the General Fund-State Forecast by Agency, 2005-07 Biennium; Cash	52
Table 3.10	Comparison of the General Fund-State Forecast by Agency, 2005-07 Biennium; GAAP ..	53
Table 3.11	September 2004 General Fund-State Forecast 2003-05 & 2005-07 Biennia; Cash Basis ..	54
Table 3.12	General Fund - State Cash Receipts, September 2004	56
Table 3.13	Track Record for the 2003-05 General Fund-State Cash Forecast	57
Table 3.14	Track Record for the 2005-07 General Fund-State Cash Forecast	58
Table 3.15	September 2004 Forecast, Summary of Non Economic Changes	59
Table 3.16	2003-05 Biennial Balance Sheet	60
Table 3.17	September 2004 Baseline Forecast by Agency	61
Table 3.18	September 2004 Alternative Forecasts Compared to the Baseline Forecast	62
Table 3.19	Impact of Initiative 728 and the State Property Tax and Lottery Revenue	63

Chapter 4: Special Report

Annual State Personal Income, 1973 to 2003

Table 4.1	Washington Personal Income, 1973-2003	68
Table 4.2a	Washington Personal Income by Major Source and Earnings by SIC	69
Table 4.2b	Washington Personal Income by Major Source and Earnings by NAICS	72

Table 4.3a	Washington Wage and Salary Disbursements Classified by SIC	75
Table 4.3b	Washington Wage and Salary Disbursements Classified by NAICS	77
Table 4.4	Per Capita Personal Income by State	80

Appendices

Detail Components of the Washington Economic Forecast

Table A1.1	U.S. Economic Forecast Summary; Annual	84
Table A1.2	U.S. Economic Forecast Summary; Quarterly	85
Table A1.3	Washington Economic Forecast Summary; Annual	88
Table A1.4	Washington Economic Forecast Summary; Quarterly	89
Table A2.1	U.S. Nonagricultural Employment by Industry; Annual	92
Table A2.2	U.S. Nonagricultural Employment by Industry; Quarterly	93
Table A2.3	Washington Nonagricultural Employment by Industry; Annual	96
Table A2.4	Washington Nonagricultural Employment by Industry; Quarterly	97
Table A3.1	U.S. Personal Income by Component; Annual	100
Table A3.2	U.S. Personal Income by Component; Quarterly	101
Table A3.3	Washington Personal Income by Component; Annual	104
Table A3.4	Washington Personal Income by Component; Quarterly	105
Table A4.1	Selected Inflation Indicators	108
Table A4.2	Chain-Weighted Price Indices	109
Table A5.1	Washington Resident Population and Components of Changes	110
Table A5.2	Washington Population	111

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	Nonagricultural 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

Annual State Personal Income, 1973-2003

Chart 4.1 Real Per Capita Personal Income 82

Executive Summary

U.S. Economic Forecast

The September 2004 economic and revenue forecast incorporated the advance GDP estimate for the second quarter of 2004. According to the advance estimate, real GDP grew at a 3.0 percent rate in the second quarter of 2004, down from 4.5 percent in the first quarter. Final sales growth was slightly weaker, at 2.8 percent, as the pace of inventory reductions eased slightly. Consumer spending was especially weak in the second quarter, rising at a mere 1.0 percent rate, due in large part to slumping auto sales. Fixed investment spending rose at a strong 11.1 percent rate. Residential fixed investment increased 15.4 percent and business spending on equipment and software rose 10.0 percent while nonresidential construction grew at a 5.2 percent rate.

U.S. Payroll employment growth accelerated to 2.3 percent in the second quarter from 1.1 percent in the first quarter but the slowdown in July doesn't bode well for the third quarter. The unemployment rate was virtually unchanged in the second quarter at 5.60 percent compared to 5.63 percent in the first quarter. Inflation, as measured by the Consumer Price Index, jumped to 4.7 percent in the second quarter of 2004 from 3.6 percent in the first quarter. Surging energy costs have boosted CPI growth this year but core inflation (excluding food and energy) also increased, from 1.8 percent to 3.0 percent. Housing starts fell 6.3 percent to 1.912 million units in the second quarter following a 16.8 percent drop in the first quarter while the mortgage rate rose from 5.61 percent to 6.13 percent. The forecast correctly assumed the Fed would raise its target rate 25 basis points to 1.50 percent in August however it failed to anticipate another 25 basis point increase in September.

The economy hit a "soft patch" in the second quarter, with growth slowing from 4.5% to 3.0%. While production held up across most of the economy—the automotive sector was a notable exception—growth of final demand slipped from 3.3% to 2.8%. Consumers were largely responsible for the decline, holding back on spending across the board. As the third quarter began, gasoline prices were in modest retreat, but employment gains were meager and vacation weather was little improved. The assumption of the baseline forecast is that the second quarter was an aberration. That forecast assumes that employment gains will accelerate over the rest of the summer and fall, and that consumer spending will pick up along with employment. Investment, in both equipment and structures, remains a bright spot, but it cannot continue in that role for long if consumer spending lags. Light-vehicle sales bounced back in July, but only with the aid of expanded incentives. However, consumer confidence is strong, while various industry and anecdotal reports still reflect active expansion. The forecast assumes employment growth will improve from -0.3 percent in 2003 to 1.0 percent in 2004 and 1.7 percent in 2005, slowing to 1.4 percent in 2006 and 1.2 percent in 2007. The unemployment rate, which rose from 3.98 percent in 2000 to 5.99 percent in 2003, is expected to decline to 5.57 percent this year and 5.40 percent next year. Unemployment is expected to

be little changed during the next two years with rates of 5.50 percent and 5.46 percent in 2006 and 2007. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 1.9 percent in 2003 from 1.4 percent in 2002. The increase in 2003 was entirely the result of higher energy costs. Core inflation fell from 1.8 percent in 2002 to 1.3 percent in 2003. Rising energy costs are expected to boost inflation again this year but the opposite is expected in 2005, 2006, and 2007 when easing energy prices will help restrain overall inflation. The forecast expects inflation rates of 2.3 percent in 2004, 1.7 percent in 2005 and 2006, and 2.1 percent in 2007. The forecast assumes that the Fed will continue to raise its target interest rate very gradually, reaching 3.50 percent by the end of next year.

Washington State Economic Forecast

Washington's payroll employment growth rate accelerated to 3.4 percent in the second quarter of 2004 from 1.4 percent in the first quarter. This was the fourth consecutive increase in overall employment and the strongest quarterly gain since 1999. Manufacturing employment rose 1.8 percent in the second quarter following a 1.9 percent decline in the first quarter. This was the first quarterly increase in manufacturing employment in six years (excluding the temporary impact of the February 2000 aerospace labor dispute). Aerospace employment declined only 2.2 percent in the second quarter which was the smallest decline since 2001. Washington aerospace employment is now down 30.9 percent since September 11 and 46.1 percent since the 1998 peak. Manufacturing employment other than aerospace increased at a healthy 3.0 percent rate in the second quarter of 2004. This was the first quarterly increase in non-aerospace manufacturing employment in more than four years. Nearly every nonmanufacturing sector expanded in the second quarter. Construction employment grew at a robust 9.1 percent rate in the second quarter following a 9.4 percent jump in the first quarter. Professional and business services employment was also very strong, rising at a 4.9 percent rate. Trade, transportation, and utilities employment grew at a 4.5 percent rate and information employment rose at a 4.4 percent rate in spite of a 2.5 percent decline in software employment. Financial activities employment rose 4.1 percent primarily due to a 7.5 percent surge in credit intermediation and related activities. Leisure and hospitality, education and health services, and other services grew 3.5 percent, 2.8 percent, and 2.8 percent respectively. State and local government employment increased only 1.1 percent, though, and federal government employment fell 3.0 percent.

Washington's personal income in the first quarter of 2004 was \$0.865 billion (0.4 percent) lower than the estimate made in June. First quarter wages were \$0.517 billion (0.4 percent) lower than expected in June. Software wages were on target, just \$0.075 billion (1.6 percent) higher than expected. Non-software wages, however, were \$0.592 billion (0.5 percent) lower. Nonwage personal income was \$0.348 billion (0.4 percent) lower than expected in June.

The number of housing units authorized by building permit jumped 4,400 to 46,500 in the second quarter from 42,000 in the first quarter. The increase was entirely in the single family market where permits rose 5,400 to 37,800. Single family activity has not been this strong since the 1970s. Multi-family permits fell 900 to 8,700 however.

The forecast also reflects Seattle consumer price data through June, which shows local inflation running well below the national average. Seattle's year-over-year core inflation was a negative 0.3 percent compared to a positive 1.8 percent for the U.S. city average.

The Washington State forecast reflects the slightly weaker growth in the new U.S. forecast. The Washington aerospace employment forecast reflects the recent Boeing announcement that it will hire up to 3,000 by the end of the year. We have assumed that 2,000 would in fact be hired by December. Since the previous forecast anticipated a declining trend through the end of the year, the net change to the forecast is an increase of 2,700 by December. The pattern of growth after December is essentially unchanged but the

higher starting level carries forward. The forecast expects an increase of 11,900 in 2005, 2006, and 2007. The software wage assumptions are similar to those in June. Microsoft stock options are expected to continue to decline but income from stock grants will grow. The software employment forecast has been lowered from an increase of about 3,000 employees per year through 2007 to an increase of about 2,000 per year.

Washington nonfarm payroll employment stabilized in 2003, rising 0.2 percent following declines of 0.5 percent and 1.6 percent in 2001 and 2002. After four quarterly increases, the turnaround in Washington employment seems firmly established. The recovery is expected to be relatively weak due to the sluggish U.S. economy and only a modest upturn in aerospace. The forecast calls for an employment growth rate of 1.8 percent in 2004 improving to 2.3 percent in 2005. Employment growth is expected to retreat slightly to 1.9 percent per year in the final two years of the forecast. Washington personal income growth increased from 2.4 percent in 2002 to 3.2 percent in 2003. Personal income growth is expected to continue to improve to 4.8 percent this year and 5.8 percent, 6.0 percent, and 6.5 percent during the next three years as the recovery gains momentum. Housing activity remains very strong. Housing permits increased 2,600 in 2003 to 42,800 and the monthly data through July suggest an increase of 2,000 to 44,800 in 2004. The strength in housing has been in the single family market which continues to benefit from low mortgage rates. While stronger population growth in the next three years should boost multi-family activity, higher mortgage rates will lead to similar declines in the single family market. As a result, overall housing is expected to remain relatively stable. The forecast expects housing permits to decline slightly to 44,700 in 2005, 43,900 in 2006, and 43,800 in 2007. The weak Washington economy has slowed inflation in the area in spite of soaring energy costs. Inflation, as measured by the Seattle consumer price index slowed in 2003 to 1.6 percent from 2.0 percent in 2002 and 3.6 percent in 2001. The forecast expects another decline to 1.4 percent this year. After that, the strengthening economy will result in gradual increases to 1.5 percent in 2005, 1.7 percent in 2006, and 2.2 percent in 2007.

Washington State Revenue Forecast

The September economic forecast is very similar to the June forecast. As in June, the forecast expects a sustained but moderate recovery in employment. While revenue collections since the last forecast exceeded our expectations, the discrepancy was due entirely to the real estate excise tax which reflects a real estate market that continues to sizzle. Revenue Act revenue, which includes the sales, use, and business and occupations taxes, has been somewhat weaker than expected, however.

The change in the General Fund-State revenue forecast for the combined 2003-05 and 2005-07 biennia is an increase of \$132.0 million. Of this, \$116.7 million is due to the real estate excise tax. The revenue forecast for the current biennium is \$23,102.7 million and the forecast for the next biennium is \$24,776.0 million.

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 \$227 million (1.0 percent) more revenue than did the baseline while the pessimistic alternative was \$214 million (0.9 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$65 million (0.3 percent) more revenue than did the baseline forecast.

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

This page intentionally left blank.

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The September 2004 economic and revenue forecast incorporated the advance GDP estimate for the second quarter of 2004. According to the advance estimate, real GDP grew at a 3.0 percent rate in the second quarter of 2004, down from 4.5 percent in the first quarter. Final sales growth was slightly weaker, at 2.8 percent, as the pace of inventory reductions eased slightly. Consumer spending was especially weak in the second quarter, rising at a mere 1.0 percent rate, due in large part to slumping auto sales. Purchases of durable goods fell 2.5 percent and nondurables slipped 0.1 percent but consumer spending on services rose 2.3 percent. Fixed investment spending rose at a strong 11.1 percent rate. Residential fixed investment increased 15.4 percent and business spending on equipment and software rose 10.0 percent while nonresidential construction grew at a 5.2 percent rate. The foreign sector was essentially neutral in the second quarter as a 9.3 percent increase in imports offset a 13.2 percent increase in exports. Government spending increased at a 2.3 percent rate in the second quarter. Defense spending rose only 1.9 percent but nondefense federal spending rose 4.3 and state and local government spending increased at a 2.1 percent rate.

U.S. Payroll employment growth accelerated to 2.3 percent in the second quarter from 1.1 percent in the first quarter but the slowdown in July doesn't bode well for the third quarter. The unemployment rate was virtually unchanged in the second quarter at 5.60 percent compared to 5.63 percent in the first quarter. Inflation, as measured by the Consumer Price Index, jumped to 4.7 percent in the second quarter of 2004 from 3.6 percent in the first quarter. Surging energy costs have boosted CPI growth this year but core inflation (excluding food and energy) also increased, from 1.8 percent to 3.0 percent. Housing starts fell 6.3 percent to 1.912 million units in the second quarter following a 16.8 percent drop in the first quarter while the mortgage rate rose from 5.61 percent to 6.13 percent. The forecast correctly assumed the Fed would raise its target rate 25 basis points to 1.50 percent in August however it failed to anticipate another 25 basis point increase in September.

U.S. Forecast Highlights

The economy hit a "soft patch" in the second quarter, with growth slowing from 4.5% to 3.0%. While production held up across most of the economy—the automotive sector was a notable exception—growth of final demand slipped from 3.3% to 2.8%. Consumers were largely responsible for the decline, holding back on spending across the board. As the third quarter began, gasoline prices were in modest retreat, but

employment gains were meager and vacation weather was little improved. The assumption of the baseline forecast is that the second quarter was an aberration. That forecast assumes that employment gains will accelerate over the rest of the summer and fall, and that consumer spending will pick up along with employment. Investment, in both equipment and structures, remains a bright spot, but it cannot continue in that role for long if consumer spending lags. Light-vehicle sales bounced back in July, but only with the aid of expanded incentives. However, consumer confidence is strong, while various industry and anecdotal reports still reflect active expansion. The forecast assumes employment growth will improve from -0.3 percent in 2003 to 1.0 percent in 2004 and 1.7 percent in 2005, slowing to 1.4 percent in 2006 and 1.2 percent in 2007. The unemployment rate, which rose from 3.98 percent in 2000 to 5.99 percent in 2003, is expected to decline to 5.57 percent this year and 5.40 percent next year. Unemployment is expected to be little changed during the next two years with rates of 5.50 percent and 5.46 percent in 2006 and 2007. Inflation, as measured by the implicit price deflator for personal consumption expenditures, accelerated to 1.9 percent in 2003 from 1.4 percent in 2002. The increase in 2003 was entirely the result of higher energy costs. Core inflation fell from 1.8 percent in 2002 to 1.3 percent in 2003. Rising energy costs are expected to boost inflation again this year but the opposite is expected in 2005, 2006, and 2007 when easing energy prices will help restrain overall inflation. The forecast expects inflation rates of 2.3 percent in 2004, 1.7 percent in 2005 and 2006, and 2.1 percent in 2007. The forecast assumes that the Fed will continue to raise its target interest rate very gradually, reaching 3.50 percent by the end of next year.

1. Real GDP growth accelerated to 4.4 percent in fiscal 2004 from 2.3 percent in 2003 and just 0.8 percent in 2002. Growth in 2004 was finally strong enough to result in a net gain in jobs which is considered a necessary condition for the recovery to be self-sustaining. Consumer spending and investment spending are expected to be the main contributors to GDP growth in the next three years. The level of defense spending will remain high but growth will be slow. Federal civilian spending and state and local government spending will also add little to growth. Net exports will be a slight positive as strong export growth is largely offset by strong import growth. GDP growth is expected to slow during the next three years as the recovery matures. The forecast calls for GDP growth rates of 3.8 percent in 2005, 3.2 percent in 2006, and 3.3 percent in 2007.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, held steady at 1.9 percent in fiscal 2004. Surging energy costs are masking the favorable underlying trend in core inflation, which reached a 39-year-low 1.3 percent in 2004. Core inflation is expected to rise to 2.0 percent this year and the addition of food and energy will raise the rate to 2.2 percent. During the last two years of the forecast, falling energy prices will help keep inflation in check. The forecast expects inflation rates of 1.5 percent in 2006 and 1.9 percent in 2007.
3. The Federal Reserve finally began raising its target interest rate on June 30. So far there have been three 25-basis-point increases (though the forecast did not expect the September 21 increase). The Fed has made it clear that it intends to raise rates very gradually and the forecast reflects that assumption. The funds rate is expected to level off at 3.50 percent in fiscal 2007. As a result of the past Fed easing, the three-month Treasury bill rate fell to 0.96 percent in fiscal 2004 from 1.30 percent in 2003. The forecast expects the T-bill rate to increase to 1.94 percent in 2005, 3.16 percent in 2006, and 3.24 percent in 2007 as the Fed begins tightening again. Mortgage rates declined slightly in fiscal 2004 to 5.92 percent from 5.93 percent in 2003 as a result of the easy monetary policy as well as the weak economy. The forecast expects the mortgage rate to bounce back to 6.34 percent, 7.02 percent, and 6.94 percent during the next three years.

4. Supported by record-low mortgage interest rates, housing activity held up well during the recession and has accelerated in the last three years in spite of the lackluster recovery. Housing starts increased 12.3 percent in fiscal 2004 to 1.943 million units. This was the highest level of permits since 1978. Not surprising, given the low mortgage rates, the strength has been primarily in the single family market. The 1.583 million single family starts in 2004 was the highest ever. Rising mortgage rates will dampen housing activity during the next three years, though. The forecast calls for a 5.0 percent reduction in 2005 to 1.845 million units, an 8.9 percent reduction in 2006 to 1.681 million units, and a 0.9 percent reduction in 2007 to 1.666 million units.
5. The nation's unemployment rate finally fell in fiscal 2004 for the first time since 2000. The improvement was small, though, from 5.89 percent in 2003 to 5.81 percent in 2004. The forecast expects a larger decline this year to 5.46 percent. Little change is expected during the final two years of the forecast as the recovery matures. The forecast calls for unemployment rates of 5.46 percent in 2006, and 5.48 percent in 2007.
6. From fiscal 2001 to fiscal 2004 the federal budget went from a record \$161.0 billion surplus (national income and product accounts basis) to a record \$392.0 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 provided a much-needed boost to the economy, the result was a ballooning deficit. Economic growth should result in smaller deficits in the future, but large structural deficits remain. The deficit is expected to improve slightly during the next three years to \$348.8 billion in 2005, \$288.9 billion in 2006, and \$279.5 billion in 2007.
7. The trade deficit has been a huge drag on GDP growth in recent years. The trade deficit (national income and product accounts basis) increased in fiscal 2004 to an all-time record \$524.9 billion from \$477.2 billion in 2003. The declining dollar should help restrain imports and boost exports but, with the U.S. economy leading the global recovery, the trade balance will continue to deteriorate for a while. The forecast expects the deficit to grow to \$557.0 billion in 2005. The lower dollar should finally bring a gradual improvement during the next biennium. The forecast expects deficits of \$507.6 billion and \$494.2 billion in 2006 and 2007.

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

Recent Economic Activity in Washington

The Employment Security Department has released preliminary employment estimates through July 2004. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. Washington's payroll employment growth rate accelerated to 3.4 percent in the second quarter of 2004 from 1.4 percent in the first quarter. This was the fourth consecutive increase in overall employment and the strongest quarterly gain since 1999. Manufacturing employment rose 1.8 percent in the second quarter following a 1.9 percent decline in the first quarter. This was the first quarterly increase in manufacturing employment in six years (excluding the temporary impact of the February 2000 aerospace labor dispute). Aerospace employment declined only 2.2 percent in the second quarter which was the smallest decline since 2001. Washington aerospace employment is now down 30.9 percent since September 11 and 46.1 percent since the 1998 peak. Manufacturing employment other than aerospace increased at a healthy 3.0 percent rate in the second quarter of 2004. This was the first quarterly increase in non-aerospace manufacturing employment in more than four years. Nearly every nonmanufacturing

sector expanded in the second quarter. Construction employment grew at a robust 9.1 percent rate in the second quarter following a 9.4 percent jump in the first quarter. Professional and business services employment was also very strong, rising at a 4.9 percent rate. Trade, transportation, and utilities employment grew at a 4.5 percent rate and information employment rose at a 4.4 percent rate in spite of a 2.5 percent decline in software employment. Financial activities employment rose 4.1 percent primarily due to a 7.5 percent surge in credit intermediation and related activities. Leisure and hospitality, education and health services, and other services grew 3.5 percent, 2.8 percent, and 2.8 percent respectively. State and local government employment increased only 1.1 percent, though, and federal government employment fell 3.0 percent.

In June 2004 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the fourth quarter of 2003 and released preliminary estimates for the first quarter of 2004. In addition, the wage estimates for the first 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 first quarter of 2004 was \$0.865 billion (0.4 percent) lower than the estimate made in June. First quarter wages were \$0.517 billion (0.4 percent) lower than expected in June. Software wages were on target, just \$0.075 billion (1.6 percent) higher than expected. Non-software wages, however, were \$0.592 billion (0.5 percent) lower. Nonwage personal income was \$0.348 billion (0.4 percent) lower than expected in June.

The number of housing units authorized by building permit jumped 4,400 to 46,500 in the second quarter from 42,000 in the first quarter. The increase was entirely in the single family market where permits rose 5,400 to 37,800. Single family activity has not been this strong since the 1970s. Multi-family permits fell 900 to 8,700 however.

The forecast also reflects Seattle consumer price data through June, which shows local inflation running well below the national average. Seattle's year-over-year core inflation was a negative 0.3 percent compared to a positive 1.8 percent for the U.S. city average.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate developed by the Department of Employment Security which incorporates more recent covered employment and payrolls data than does the Bureau of Labor Statistics (BLS) estimate. The alternative employment estimate incorporated the covered employment and payrolls data through the first quarter of 2004 which subtracted 3,000 (0.1 percent) from the BLS Current Employment Statistics (CES) estimate for March 2004. By July the difference narrowed slightly to 2,700 (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 first quarter of 2004 based on the ES202 data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments reduced the fourth quarter wage estimate by \$0.675 billion (0.6 percent), which subtracted 0.3 percent from total personal income in that quarter.

Washington State Forecast Highlights

The Washington State forecast reflects the slightly weaker growth in the new U.S. forecast. The Washington aerospace employment forecast reflects the recent Boeing announcement that it will hire up to

3,000 by the end of the year. We have assumed that 2,000 would in fact be hired by December. Since the previous forecast anticipated a declining trend through the end of the year, the net change to the forecast is an increase of 2,700 by December. The pattern of growth after December is essentially unchanged but the higher starting level carries forward. The forecast expects an increase of 11,900 in 2005, 2006, and 2007. The software wage assumptions are similar to those in June. Microsoft stock options are expected to continue to decline but income from stock grants will grow. The software employment forecast has been lowered from an increase of about 3,000 employees per year through 2007 to an increase of about 2,000 per year.

Washington nonfarm payroll employment stabilized in 2003, rising 0.2 percent following declines of 0.5 percent and 1.6 percent in 2001 and 2002. After four quarterly increases, the turnaround in Washington employment seems firmly established. The recovery is expected to be relatively weak due to the sluggish U.S. economy and only a modest upturn in aerospace. The forecast calls for an employment growth rate of 1.8 percent in 2004 improving to 2.3 percent in 2005. Employment growth is expected to retreat slightly to 1.9 percent per year in the final two years of the forecast. Washington personal income growth increased from 2.4 percent in 2002 to 3.2 percent in 2003. Personal income growth is expected to continue to improve to 4.8 percent this year and 5.8 percent, 6.0 percent, and 6.5 percent during the next three years as the recovery gains momentum. Housing activity remains very strong. Housing permits increased 2,600 in 2003 to 42,800 and the monthly data through July suggest an increase of 2,000 to 44,800 in 2004. The strength in housing has been in the single family market which continues to benefit from low mortgage rates. While stronger population growth in the next three years should boost multifamily activity, higher mortgage rates will lead to similar declines in the single family market. As a result, overall housing is expected to remain relatively stable. The forecast expects housing permits to decline slightly to 44,700 in 2005, 43,900 in 2006, and 43,800 in 2007. The weak Washington economy has slowed inflation in the area in spite of soaring energy costs. Inflation, as measured by the Seattle consumer price index slowed in 2003 to 1.6 percent from 2.0 percent in 2002 and 3.6 percent in 2001. The forecast expects another decline to 1.4 percent this year. After that, the strengthening economy will result in gradual increases to 1.5 percent in 2005, 1.7 percent in 2006, and 2.2 percent in 2007.

1. Nominal personal income growth improved in fiscal 2004 to 3.9 percent from 2.8 percent in 2002. The improvement was mainly due to the turnaround in payroll employment though nonwage personal income growth also accelerated. Software stock options were a slight negative in 2004. Personal income, excluding software, grew 4.3 percent in 2004 compared to 2.9 percent in 2003. Software wages are not expected to affect income growth much one way or another during the next three years but stronger income growth is expected during the next three years due to rebounding employment growth and stronger wage growth. Washington personal income is expected to grow 6.0 percent in 2005, 5.4 percent in 2006, and 6.4 percent in 2007.
2. Washington real personal income growth rebounded somewhat in fiscal 2004 to 2.0 percent from a twenty-year-low 0.9 percent in 2003. While improved, real income growth remains weak due to the lack of meaningful job growth and rising energy costs. Growth is expected to improve during the next three years as job growth accelerates while inflation remains in check. The forecast calls for real personal income growth rates of 3.7 percent in 2005, 3.8 percent in 2006, and 4.4 percent in 2007.
3. Total payroll employment in Washington rose in fiscal 2004 for the first time since the recession. The 0.8 percent gain in 2004 followed declines of 0.4 percent in fiscal 2003 and 1.9 percent in 2002. The areas that suffered the most in the recession in Washington were information technol-

ogy, aerospace, and construction. Construction employment is already past its previous peak and continues to grow rapidly. Aerospace employment is now poised for at least a modest recovery and the employment declines related to the bursting of the IT bubble appear to be finished. As the U.S. employment recovery finally takes hold and aerospace turns positive, Washington payroll employment growth is expected to increase to 2.4 percent in 2005, slowing to 2.0 percent in 2006 and 1.9 percent in 2007.

- ◆ As of July, 27,400 aerospace jobs have been lost since the September 11 terrorist attacks. Measured from the June 1998 peak, the cumulative job loss stands at 52,400. The six-year aerospace employment contraction is finally drawing to a close, however. Employment reductions have averaged only about 200 per month since the beginning of the year compared to 1,000 per month in 2002 and 2003. Boeing has indicated that it expects production to be stable this year and to increase gradually in 2005 and 2006 and, in July, Boeing announced it will hire up to 3,000 workers in the Puget Sound region by the end of the year. The forecast assumed a net increase of 2,000 by December. Aerospace employment growth is expected to be modest in 2005, accelerating in 2006 and 2007. The forecast expects year-end to year-end employment growth of 2,200, 4,700, and 5,000 in 2005, 2006, and 2007.
- ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. From the beginning of 1990 through the second quarter of 2001, the software employment growth rate averaged more than 16 percent per year. During the next two years the average annual growth rate slowed to just 0.8 percent. Microsoft has continued to grow, albeit at a reduced rate, but other Washington software publishers have suffered absolute declines. During last year, however, growth has picked up somewhat to an average rate of 2.8 percent. The forecast assumes software employment will continue to grow, though not nearly as fast as in the 1990s, and that non-Microsoft software will begin to grow again. Microsoft has announced that it expects to hire about 3,000 during the next year but that total includes people hired to fill vacated positions so the net increase will be less. The forecast assumes software employment will grow at an average rate of 4.7 percent through the end of 2005, accelerating to 5.9 percent per year during the final two years of the forecast.
- ◆ Washington's construction employment began growing consistently a year ago after a precipitous 5.9 percent decline during the 2001 recession. Growth accelerated in the most recent two quarters to 9.4 percent and 9.1 percent. All of a sudden employment is above the pre-recession peak. 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. To date, construction has been supported primarily by the strong housing market but housing is expected to plateau. Fortunately nonresidential construction should continue to recover. As a result, the forecast expects fairly stable construction employment growth averaging 2.3 percent per year through 2007.
- ◆ Financial activities employment growth rebounded to 4.1 percent in the second quarter of 2004 following small declines in the previous two quarters. During the recession, employment in this sector continued to grow. The growth was concentrated in credit intermediation and related activities, which clearly benefited by a refinancing boom brought on by low mortgage interest rates. The strong growth in the second quarter was also in credit intermediation. With

mortgage rates heading up again, this source of stimulus has probably pretty much played itself out, though. After the strong second quarter, employment growth is expected to slow to an average rate of 0.8 percent per year through the remainder of the forecast.

- ◆ Washington retail trade employment fell faster during the recession than did U.S. retail trade employment but the recovery here was also earlier and stronger. By the end of 2002 Washington retail trade employment had fallen 3.7 percent since its pre-recession peak. Most of the decline was in the miscellaneous “other retail trade” category which includes retailing, a clear casualty of the Dot-Com implosion. Since then, however, Washington retail trade employment growth has generally been positive, averaging 1.5 percent per quarter including a 4.7 percent jump in the second quarter. Still, employment remains 1.5 percent below the pre-recession peak. Growth is expected to remain restrained during the remainder of the forecast, averaging only 1.3 percent per year through the end of 2007.
 - ◆ Employment in the professional and business services sector plunged 6.5 percent from the end of 2000 through the first quarter of 2002. The 19,900 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 13,800 (25.8 percent) and computer systems design and related services, which fell 6,100 (20.1 percent). These areas of weakness appear to be bottoming out. Computer systems design and related services employment has been essentially flat since mid-2003 while employment services employment has soared 12.2 percent over the last four quarters. As a result, overall professional and business services employment growth averaged 4.2 percent since the middle of 2003. The forecast expects a strong rebound during the next five quarters with growth averaging 5.1 percent per year, moderating to 4.1 percent thereafter.
 - ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state’s economy put pressure on state and local governments’ budgets with a lag. Employment in this sector grew only 0.2 percent (year-end to year-end) during 2003 though it improved somewhat in the first half of this year to an average annual rate of 1.1 percent. State government employment has been virtually flat since the recession officially ended more than two years ago, rising at only a 0.5 percent annual rate, but local government employment has been growing at a 1.3 percent rate. The forecast assumes that state and local government employment will continue to be restrained both by tight budgets and slow growth of the school age population. The forecast expects an average growth rate of just 0.7 percent per year through 2007.
4. The number of housing units authorized by building permit in Washington rose 2.3 percent in fiscal 2004 to 43,600 units following a 14.4 percent increase in 2003. The strength in housing has been entirely in the single family market which has benefited from record low mortgage interest rates. Single family permits increased 4.9 percent in 2004 to a 25 year high 34,200 units. Multi-family permits, however, slumped 6.2 percent to 9,300. The multi-family market is expected to recover due to higher immigration but rising mortgage rates will depress the single family market. On balance, the forecast anticipates little change during the next three years. The forecast expects a 3.9 percent increase in 2005 to 45,300 followed by a 2.7 percent reduction in 2006 to 44,000 and a 0.1 percent reduction in 2007 to 44,000.
 5. In spite of rising energy costs, inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, declined in fiscal 2004 to 1.3 percent from 1.8 percent

in 2003. Core inflation in Seattle was only 0.4 percent in 2004. Seattle inflation trailed the national average in both 2003 and 2004 reflecting the more severe local recession. During the previous 13 years Seattle inflation had exceeded the U.S. city average. Seattle inflation is expected to remain below U.S. inflation this year at 1.6 percent compared to 2.5 percent. Because the local recovery is expected to be stronger than the national recovery, the Seattle inflation rate is expected to move past the U.S. city average again in the next biennium. The forecast calls for Seattle inflation rates of 1.5 percent and 2.0 percent in 2006 and 2007 compared to national rates of 1.3 percent and 1.7 percent.

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

Alternative Forecasts

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

Optimistic Forecast. Productivity growth is stronger in the optimistic scenario. Underlying this assumption is the view that the information-driven technology boom, which appears to have accelerated in recent quarters, continues. Productivity is a panacea. It makes economic headaches such as inflation, budget deficits, and slow growth go away. In the optimistic scenario, it is the main reason why economic growth and employment gains are higher and inflation and budget deficits are lower than in the baseline. It is also partly the reason why the dollar is stronger. And the stronger currency, in addition to the productivity gains, helps keep inflation contained. Although it can have a few side effects, such as commodity price inflation, foreign economic growth is also potent medicine. A stronger world economy boosts U.S. exports and strengthens manufacturing. These assumptions produce a rosier outlook in the optimistic scenario, with the economy growing at a 4.5% annual rate in the second half of 2004 (0.9 percentage point above the baseline rate) and 4.3% in 2005 (0.7 percentage point above the baseline). Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and the higher productivity gains. For Washington, the optimistic forecast assumes a more typical, vigorous aerospace employment expansion than the modest growth assumed in the baseline. Washington's wages also grow faster than in the baseline. The strong economy puts upward pressure on the Seattle CPI in the optimistic scenario but strong productivity growth keeps inflation in check. 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 28,500 jobs than in the baseline forecast and Washington personal income is \$4.8 billion higher. The optimistic scenario generated \$227 million (1.0 percent) more revenue in the 2003-05 biennium than did the baseline forecast.

Pessimistic Forecast. The pessimistic alternative assumes that there is less spare capacity than assumed, both globally (with respect to commodities, and oil in particular) and in the United States (generally). Rapid technological advances may have rendered obsolete much of the idled capacity that theoretically remains on the books for purposes of the Fed's capacity calculations. High oil prices dampen growth in Asia, while European economies suffer from their stubborn adherence to anti-growth regulatory and social policies. Although global growth slows, the dollar weakens as higher commodity prices cause the U.S. import bill to rise and the current account deficit to widen. Between the higher interest rates and persistently high energy prices, consumer confidence begins to waver. Consumers rein in discretionary spending and the U.S. economy begins to slow. At the same time, hiring lags, causing the unemployment rate to rise. The Fed, forced to choose between fighting inflation and encouraging economic and employ-

ment growth, focuses on the long-term consequences of its policy and chooses inflation. After pursuing a “measured” tightening, the Fed decides to step up the pressure. The economy does not sink into recession in the pessimistic alternative, but merely fails to come as close to its potential as in the baseline, with GDP growth coming in nearly 1.5 percentage points lower than the baseline rates in 2005 and 2006. At the state level, aerospace employment is essentially flat this year and next year rather than rebounding as in the baseline. When the upturn does come, it is much more subdued than the baseline. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario. Construction employment begins to decline again in 2005 rather than continuing to rise as in the baseline. Because of the weak economy, Washington wage growth and Seattle inflation are weak relative to the U.S. but still higher than in the baseline due to the higher inflation assumption in the national forecast. By the end of the 2003-05 biennium, Washington nonagricultural employment is lower by 25,900 jobs than the baseline forecast and Washington personal income is \$4.0 billion lower. The pessimistic scenario produced \$214 million (0.9 percent) less General Fund-State 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. The Council members expected weaker GDP growth in 2005 than in the baseline. Their interest rate forecasts, both long term and short term, were also somewhat lower. The GCEA inflation forecast was virtually identical to the baseline. The GCEA forecast for Washington State was stronger than the baseline forecast in 2005, however. Both real and nominal income growth exceeded the baseline by nearly a percentage point and employment growth was also slightly stronger. On the other hand, the Council members’ housing forecast was slightly weaker than the baseline forecast in 2005. At the end of the 2003-05 biennium, Washington nonagricultural employment was 2,000 higher in the GCEA forecast than in the baseline forecast and their Washington personal income forecast was \$1.7 billion higher. The Governor’s Council scenario generated \$65 million (0.3 percent) more revenue than did the baseline forecast in the 2003-05 biennium.

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

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,679.2	9,876.5	9,956.8	10,181.3	10,632.3	11,033.5	11,386.1	11,765.1
% Ch	4.5	2.0	0.8	2.3	4.4	3.8	3.2	3.3
Real Consumption	6599.5	6829.1	7016.8	7224.5	7493.5	7715.8	7954.3	8201.0
% Ch	5.0	3.5	2.7	3.0	3.7	3.0	3.1	3.1
Real Nonresidential Fixed Investment	1,186.8	1,229.4	1,117.4	1,070.4	1,165.8	1,270.6	1,354.7	1,453.4
% Ch	9.4	3.6	-9.1	-4.2	8.9	9.0	6.6	7.3
Real Residential Fixed Investment	449.8	444.2	457.0	484.3	541.1	557.1	521.9	508.1
% Ch	3.5	-1.2	2.9	6.0	11.7	3.0	-6.3	-2.6
Real Personal Income	8,209.2	8,524.6	8,566.3	8,583.7	8,824.6	9,151.0	9,461.0	9,814.8
% Ch	4.2	3.8	0.5	0.2	2.8	3.7	3.4	3.7
Real Per Capita Income (\$/Person)	29,181	29,988	29,831	29,596	30,143	30,973	31,733	32,627
% Ch	3.0	2.8	-0.5	-0.8	1.8	2.8	2.5	2.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.027	1.046	1.066	1.089	1.106	1.128
% Ch	2.3	2.3	1.5	1.9	1.9	2.2	1.5	1.9
U.S. Consumer Price Index (1982-84=1.0)	1.693	1.751	1.782	1.821	1.861	1.908	1.933	1.965
% Ch	2.9	3.4	1.8	2.2	2.2	2.5	1.3	1.7
Employment Cost Index (June 1989=1.0)	1.431	1.487	1.541	1.585	1.630	1.673	1.725	1.782
% Ch	3.7	3.9	3.6	2.9	2.8	2.6	3.1	3.3
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,571.3	9,991.5	10,286.3	10,698.2	11,377.4	12,066.3	12,665.2	13,326.3
% Ch	6.4	4.4	3.0	4.0	6.3	6.1	5.0	5.2
Personal Income	8,115.3	8,622.2	8,797.1	8,980.7	9,404.9	9,970.0	10,466.9	11,067.7
% Ch	6.6	6.2	2.0	2.1	4.7	6.0	5.0	5.7
Employment (Millions)								
U.S. Civilian Labor Force	142.0	143.2	144.4	145.9	146.8	148.5	150.9	153.3
Total U.S. Employment	136.2	137.3	136.5	137.3	138.3	140.4	142.7	144.9
Unemployment Rate (%)	4.07	4.14	5.47	5.89	5.81	5.46	5.46	5.48
Nonfarm Payroll Employment	130.60	132.25	130.88	130.11	130.33	132.28	134.39	136.17
% Ch	2.5	1.3	-1.0	-0.6	0.2	1.5	1.6	1.3
Manufacturing	17.29	17.04	15.73	14.88	14.37	14.48	14.63	14.69
% Ch	-0.8	-1.4	-7.7	-5.4	-3.5	0.8	1.1	0.4
Durable Manufacturing	10.85	10.75	9.83	9.21	8.89	9.04	9.22	9.30
% Ch	-0.1	-0.9	-8.6	-6.2	-3.5	1.7	1.9	0.8
Nondurable Manufacturing	6.44	6.29	5.91	5.67	5.47	5.43	5.41	5.39
% Ch	-1.9	-2.4	-6.0	-4.1	-3.5	-0.7	-0.4	-0.4
Construction	6.70	6.82	6.77	6.69	6.81	7.00	7.12	7.25
% Ch	5.5	1.8	-0.7	-1.2	1.7	2.9	1.7	1.8
Producing	106.01	107.78	107.78	107.97	108.58	110.20	112.05	113.67
% Ch	2.9	1.7	-0.0	0.2	0.6	1.5	1.7	1.5
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.2	23.2	23.9	24.2	23.8	23.5	22.8	22.2
Auto Sales (Millions)	9.0	8.5	8.2	7.9	7.5	7.6	7.7	7.7
% Ch	7.7	-5.0	-4.2	-3.8	-4.5	1.3	0.7	0.2
Housing Starts (Millions)	1.638	1.571	1.646	1.730	1.943	1.845	1.681	1.666
% Ch	-1.3	-4.1	4.8	5.1	12.3	-5.0	-8.9	-0.9
Federal Budget Surplus (Billions)	156.2	161.0	-138.3	-300.9	-392.0	-348.8	-288.9	-279.5
Net Exports (Billions)	-323.9	-389.8	-376.3	-477.1	-524.9	-557.0	-507.6	-494.2
3-Month Treasury Bill Rate (%)	5.23	5.14	2.15	1.30	0.96	1.94	3.16	3.24
30-Year U.S. Govt. Bond Rate (%)	6.14	5.66	5.54	5.02	5.21	5.56	6.15	6.07
Bond Index of 20 G.O. Munis. (%)	5.82	5.35	5.14	4.77	4.79	4.93	5.39	5.37
Mortgage Rate (%)	8.05	7.45	6.88	5.93	5.92	6.34	7.02	6.94

Table 1.2

Fiscal Years

Washington Economic Forecast Summary

Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	185.815	188.286	190.086	191.819	195.593	202.809	210.598	219.927
% Ch	6.3	1.3	1.0	0.9	2.0	3.7	3.8	4.4
Real Wage and Salary Disb.	110.278	108.709	107.570	107.782	108.634	112.031	117.163	122.527
% Ch	8.4	-1.4	-1.0	0.2	0.8	3.1	4.6	4.6
Real Nonwage Income	75.536	79.576	82.516	84.036	86.959	90.778	93.436	97.400
% Ch	3.4	5.3	3.7	1.8	3.5	4.4	2.9	4.2
Real Per Capita Income (\$/Person)	31,561	31,570	31,509	31,488	31,772	32,500	33,216	34,150
% Ch	5.1	0.0	-0.2	-0.1	0.9	2.3	2.2	2.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	0.988	1.011	1.027	1.046	1.066	1.089	1.106	1.128
% Ch	2.3	2.3	1.5	1.9	1.9	2.2	1.5	1.9
Seattle Cons. Price Index (1982-84=1.0)	1.757	1.828	1.876	1.910	1.936	1.966	1.995	2.034
% Ch	3.2	4.0	2.7	1.8	1.3	1.6	1.5	2.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.42	17.30	18.34	17.87	18.15	18.22	18.52	18.87
% Ch	2.8	5.4	6.0	-2.6	1.6	0.3	1.7	1.9
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	183.265	190.060	194.863	200.266	208.025	220.429	232.392	247.383
% Ch	8.9	3.7	2.5	2.8	3.9	6.0	5.4	6.5
Personal Income	183.670	190.446	195.203	200.680	208.438	220.960	232.988	247.998
% Ch	8.8	3.7	2.5	2.8	3.9	6.0	5.4	6.4
Disposable Personal Income	157.042	162.208	170.475	177.532	186.324	197.015	206.465	219.180
% Ch	8.1	3.3	5.1	4.1	5.0	5.7	4.8	6.2
Per Capita Income (\$/Person)	31,196	31,932	32,357	32,942	33,857	35,408	36,747	38,507
% Ch	7.5	2.4	1.3	1.8	2.8	4.6	3.8	4.8
Employment (Thousands)								
Washington Civilian Labor Force	3,081.1	3,031.9	3,058.7	3,130.6	3,169.8	3,228.0	3,289.5	3,347.1
Total Washington Employment	2,931.4	2,858.7	2,841.8	2,899.6	2,951.8	3,028.2	3,086.6	3,144.5
Unemployment Rate (%)	4.86	5.71	7.09	7.38	6.88	6.19	6.17	6.05
Nonfarm Payroll Employment	2,684.5	2,717.5	2,665.4	2,655.2	2,675.8	2,739.8	2,794.7	2,849.1
% Ch	2.4	1.2	-1.9	-0.4	0.8	2.4	2.0	1.9
Manufacturing	336.3	326.4	300.1	274.8	262.6	267.1	272.8	280.6
% Ch	-4.8	-2.9	-8.1	-8.4	-4.4	1.7	2.1	2.9
Durable Manufacturing	239.7	232.9	212.0	190.5	180.4	183.2	188.1	194.7
% Ch	-6.4	-2.8	-9.0	-10.2	-5.3	1.6	2.7	3.5
Aerospace	89.6	86.8	82.9	70.1	62.1	62.3	65.1	69.7
% Ch	-16.5	-3.1	-4.5	-15.4	-11.4	0.3	4.4	7.2
Nondurable Manufacturing	96.5	93.5	88.1	84.3	82.2	84.0	84.7	85.9
% Ch	-0.3	-3.2	-5.7	-4.3	-2.4	2.1	0.9	1.4
Construction	158.3	161.3	154.8	155.0	160.2	168.5	172.0	175.8
% Ch	6.5	1.9	-4.1	0.2	3.3	5.2	2.1	2.2
Service-Producing	2,179.4	2,220.0	2,200.9	2,216.3	2,244.0	2,295.0	2,340.8	2,383.7
% Ch	3.3	1.9	-0.9	0.7	1.3	2.3	2.0	1.8
Software Publishers	29.6	34.5	35.9	36.5	37.8	38.7	40.6	43.0
% Ch	14.0	16.9	4.1	1.6	3.4	2.6	4.9	5.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	39.065	40.384	37.216	42.572	43.567	45.258	44.014	43.975
% Ch	-13.1	3.4	-7.8	14.4	2.3	3.9	-2.7	-0.1
Single-Family	26.372	26.761	26.856	32.632	34.243	31.876	27.936	27.462
% Ch	-6.7	1.5	0.4	21.5	4.9	-6.9	-12.4	-1.7
Multi-Family	12.693	13.623	10.360	9.939	9.324	13.382	16.079	16.513
% Ch	-24.0	7.3	-24.0	-4.1	-6.2	43.5	20.2	2.7
Mortgage Rate (%)	8.05	7.45	6.88	5.93	5.92	6.34	7.02	6.94

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	10181.3	10181.3	10181.3	10181.3	10632.3	10632.3	10632.3	10632.3	11095.3	11033.5	10951.9	10953.4
%Ch	2.3	2.3	2.3	2.3	4.4	4.4	4.4	4.4	4.4	3.8	3.0	3.0
Implicit Price Deflator	1.046	1.046	1.046	1.046	1.066	1.066	1.066	1.066	1.088	1.089	1.095	1.089
%Ch	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.1	2.2	2.7	2.2
Mortgage Rate	5.93	5.93	5.93	5.93	5.92	5.92	5.92	5.92	6.28	6.34	6.51	6.15
3 Month T-Bill Rate	1.30	1.30	1.30	1.30	0.96	0.96	0.96	0.96	1.93	1.94	2.10	1.61
Washington												
Real Personal Income	191.819	191.819	191.819	191.819	195.593	195.593	195.593	195.593	206.532	202.809	198.894	204.519
%Ch	0.9	0.9	0.9	0.9	2.0	2.0	2.0	2.0	5.6	3.7	1.7	4.6
Personal Income	200.680	200.680	200.680	200.680	208.438	208.438	208.438	208.438	224.747	220.960	217.717	222.808
%Ch	2.8	2.8	2.8	2.8	3.9	3.9	3.9	3.9	7.8	6.0	4.5	6.9
Employment	2655.2	2655.2	2655.2	2655.2	2675.8	2675.8	2675.8	2675.8	2758.0	2739.8	2724.6	2744.5
%Ch	-0.4	-0.4	-0.4	-0.4	0.8	0.8	0.8	0.8	3.1	2.4	1.8	2.6
Housing Permits	42.572	42.572	42.572	42.572	43.567	43.567	43.567	43.567	49.670	45.258	39.376	43.170
%Ch	14.4	14.4	14.4	14.4	2.3	2.3	2.3	2.3	14.0	3.9	-9.6	-0.9

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

Table 1.4
Forecast Analysis
 Comparison of Forecasts for 2003-05

Forecast Date	2002				2003				2004				2005	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
U.S.														
Percent Growth, 2003:2-2005:2														
Real GDP	7.1	7.2	6.4	7.7	8.9	7.8	7.8	8.5	9.7	9.4	8.8			
Implicit Price Deflator	4.6	4.9	5.1	5.6	3.5	3.3	3.5	3.2	2.5	3.6	4.1			
Average Rate, 2003:3 to 2005:2														
3 Month T-Bill Rate	4.52	4.90	3.48	3.16	2.92	1.57	1.15	1.12	1.34	1.26	1.45			
Mortgage Rate	7.49	7.64	7.86	6.62	7.21	6.46	6.39	6.32	6.45	6.15	6.13			
Washington														
Percent Growth, 2003:2-2005:2														
Employment	4.6	5.0	4.4	4.6	4.6	3.3	2.7	3.0	4.0	4.3	4.2			
Personal Income	11.5	12.5	10.9	11.9	10.6	8.6	9.1	9.1	9.7	9.8	10.3			
Real Personal Income	6.6	7.2	5.5	6.0	6.8	5.1	5.5	5.6	7.0	6.0	6.0			
Total (Thousands of units), 2003:3 to 2005:2														
Housing Units Authorized	77.4	77.1	76.0	80.1	79.8	78.1	81.3	82.7	83.1	87.4	88.8			

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2005 to 2007

	2003	2004	2005	2006	2007
U.S.					
Real GDP					
September Baseline	10181.3	10632.3	11033.5	11386.1	11765.1
% Ch	2.3	4.4	3.8	3.2	3.3
June Baseline	10197.0	10660.5	11119.6	11469.6	11880.8
% Ch	2.6	4.5	4.3	3.1	3.6
Implicit Price Deflator					
September Baseline	1.046	1.066	1.089	1.106	1.128
% Ch	1.9	1.9	2.2	1.5	1.9
June Baseline	1.045	1.063	1.083	1.099	1.120
% Ch	1.9	1.8	1.8	1.5	1.9
U.S. Unemployment Rate					
September Baseline	5.89	5.81	5.46	5.46	5.48
June Baseline	5.89	5.82	5.48	5.50	5.40
Mortgage Rate					
September Baseline	5.93	5.92	6.34	7.02	6.94
June Baseline	5.93	5.91	6.39	6.55	6.60
3 Month T-Bill Rate					
September Baseline	1.30	0.96	1.94	3.16	3.24
June Baseline	1.30	0.92	1.60	2.59	2.77
Washington					
Real Personal Income					
September Baseline	191.819	195.593	202.809	210.598	219.927
% Ch	0.9	2.0	3.7	3.8	4.4
June Baseline	192.056	196.273	203.227	210.983	220.845
% Ch	0.9	2.2	3.5	3.8	4.7
Personal Income					
September Baseline	200.680	208.438	220.960	232.988	247.998
% Ch	2.8	3.9	6.0	5.4	6.4
June Baseline	200.670	208.693	220.043	231.913	247.290
% Ch	2.8	4.0	5.4	5.4	6.6
Employment					
September Baseline	2655.2	2675.8	2739.8	2794.7	2849.1
% Ch	-0.4	0.8	2.4	2.0	1.9
June Baseline	2654.6	2680.0	2740.3	2797.6	2855.3
% Ch	-0.4	1.0	2.2	2.1	2.1
Housing Permits					
September Baseline	42.572	43.567	45.258	44.014	43.975
% Ch	14.4	2.3	3.9	-2.7	-0.1
June Baseline	42.572	43.031	44.402	43.829	43.103
% Ch	14.4	1.1	3.2	-1.3	-1.7

Table 1.6
Long Range Economic Outlook
 Forecast 2004 to 2014

Calendar Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
U.S.											
Real GDP, %Ch	4.3	3.6	3.1	3.4	2.9	2.9	3.1	3.1	3.0	3.2	3.4
Implicit Price Deflator, %Ch	2.3	1.7	1.7	2.1	2.2	2.2	2.5	2.7	2.7	2.6	2.6
3 Month T-Bill Rate	1.32	2.65	3.25	3.24	3.57	4.48	5.07	5.10	5.12	5.14	5.15
Mortgage Rate	5.99	6.78	6.99	6.95	7.37	7.79	8.02	8.03	8.03	7.99	7.97
State*											
Real Personal Income, %Ch	2.5	4.1	4.2	4.3	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Personal Income, %Ch	4.8	5.8	6.0	6.5	4.8	4.8	5.0	5.3	5.3	5.2	5.2
Employment, %Ch	1.8	2.3	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0

* September 2004 Baseline (2004-2007) judgmentally extended through 2014.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

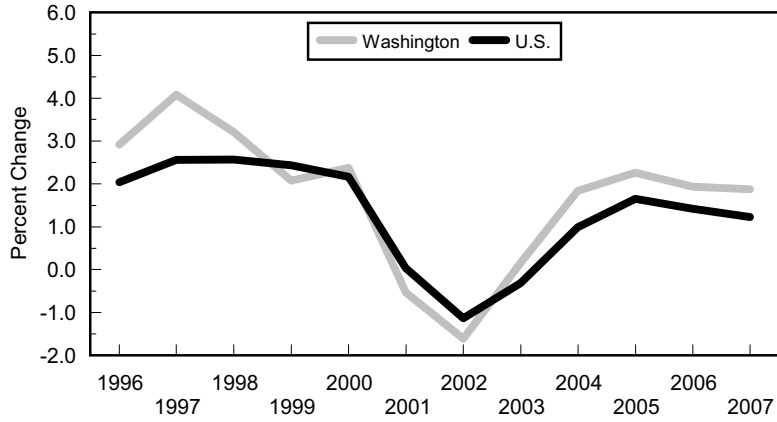


Chart 1.2
Manufacturing Employment

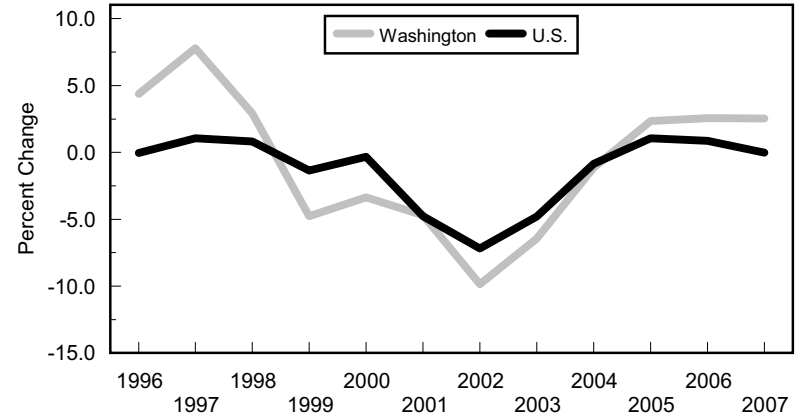


Chart 1.3
Aerospace Employment

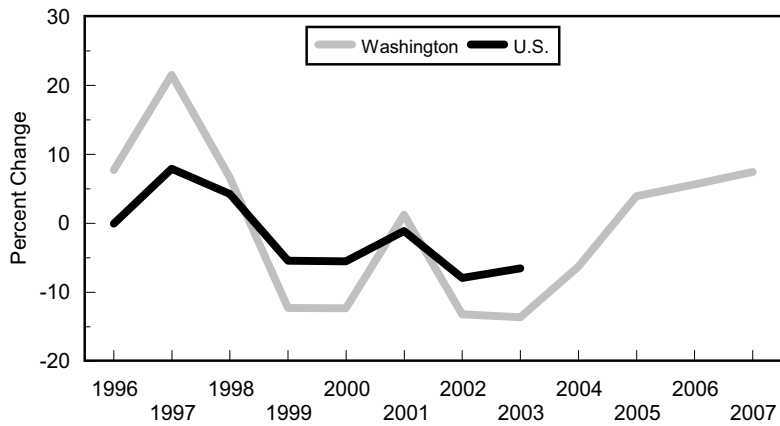
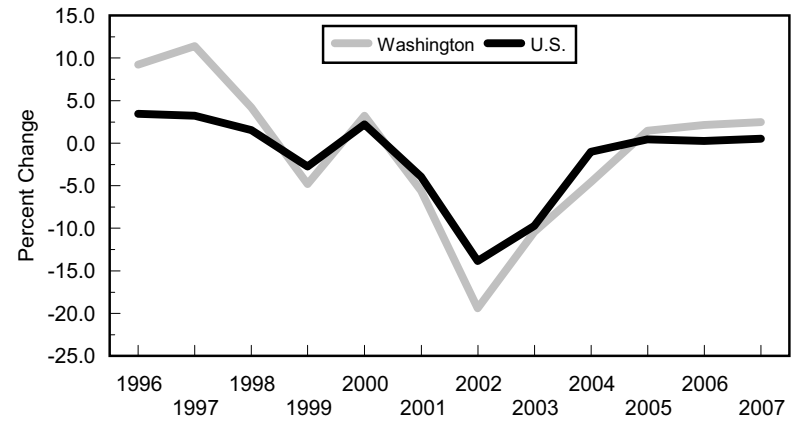


Chart 1.4
Computers and Electronics Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

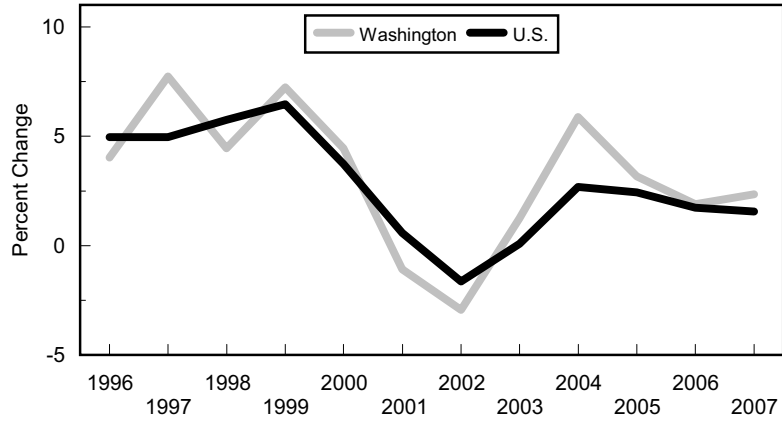


Chart 1.6
Information Employment

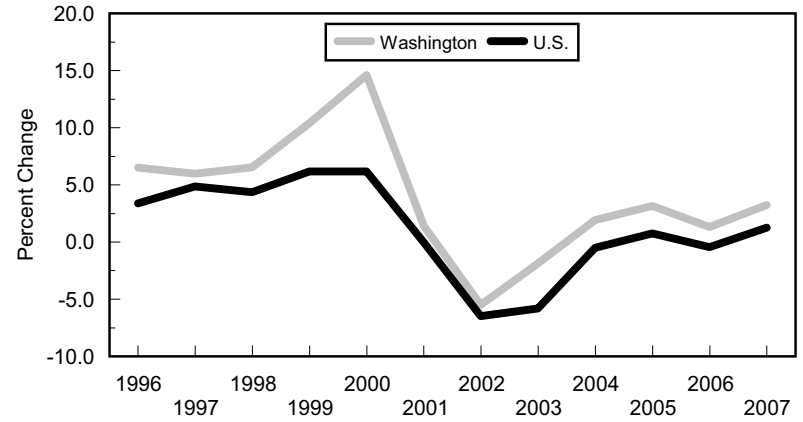


Chart 1.7
Other Private Employment

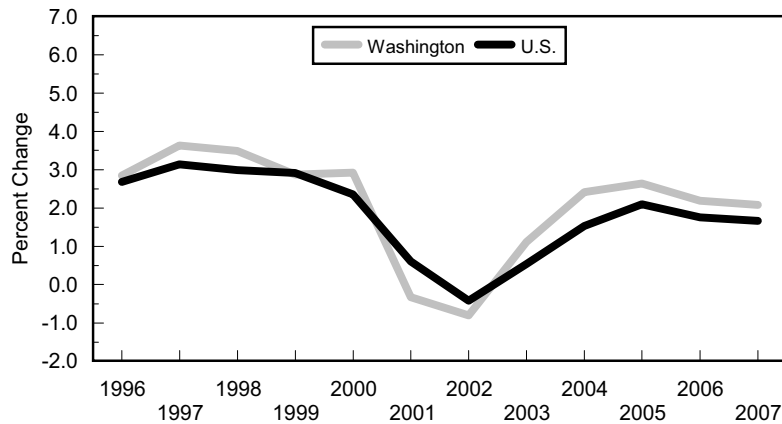
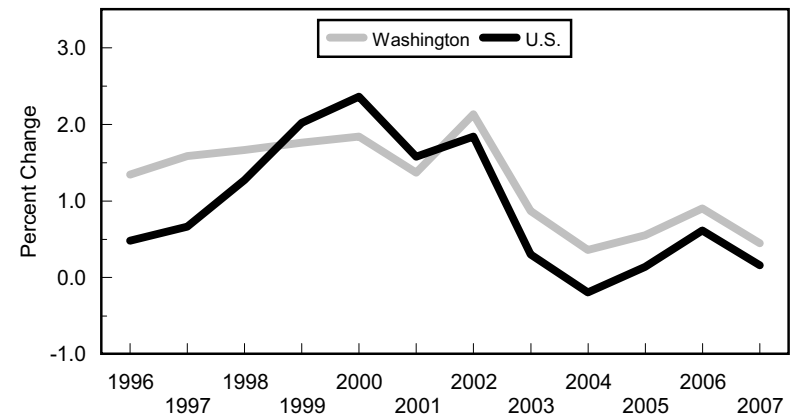


Chart 1.8
Government Employment



Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

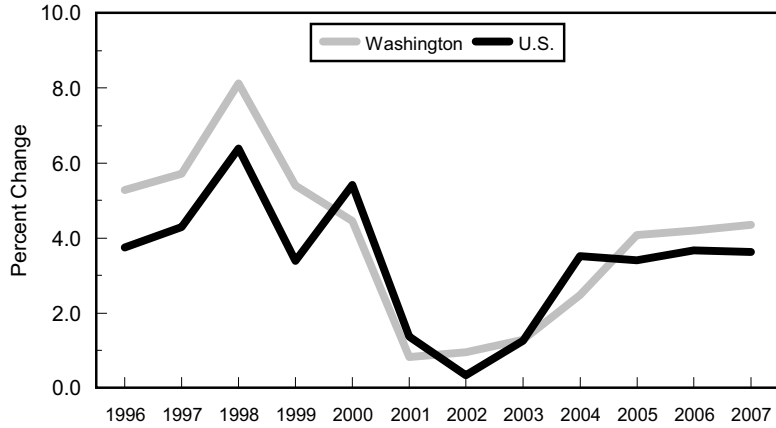


Chart 1.10
Consumer Price Indices

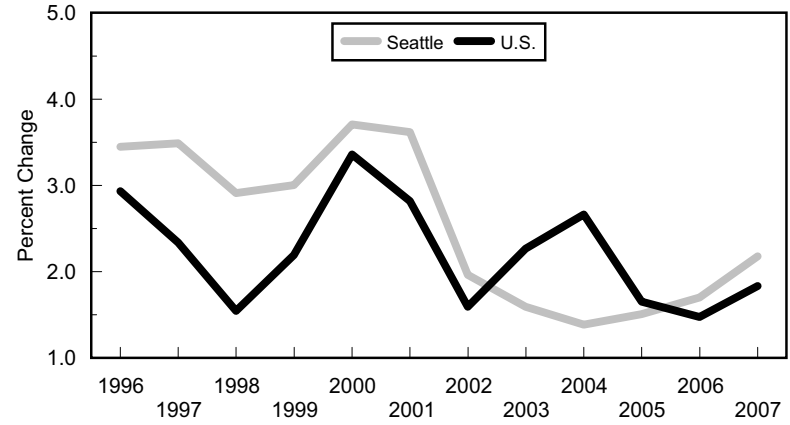


Chart 1.11
Population

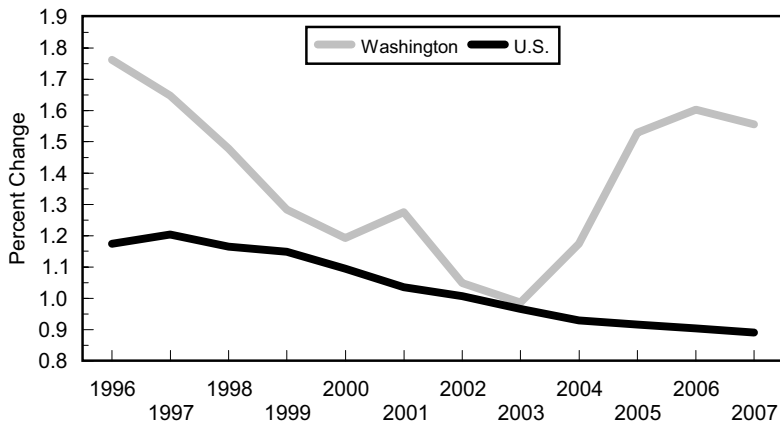
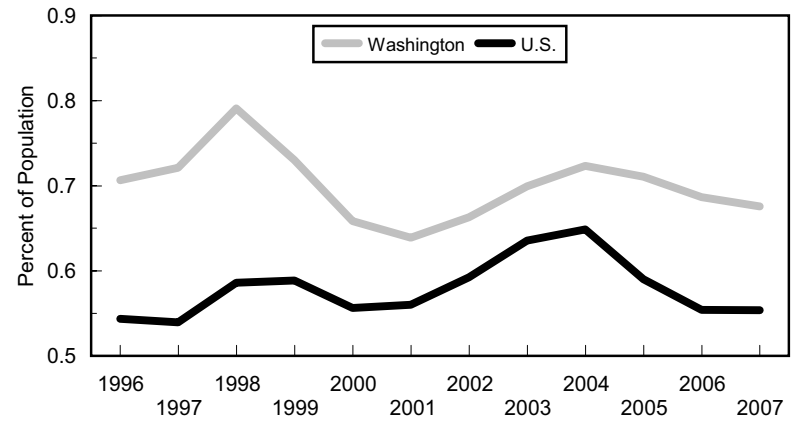


Chart 1.12
Per Capita Housing Units



Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

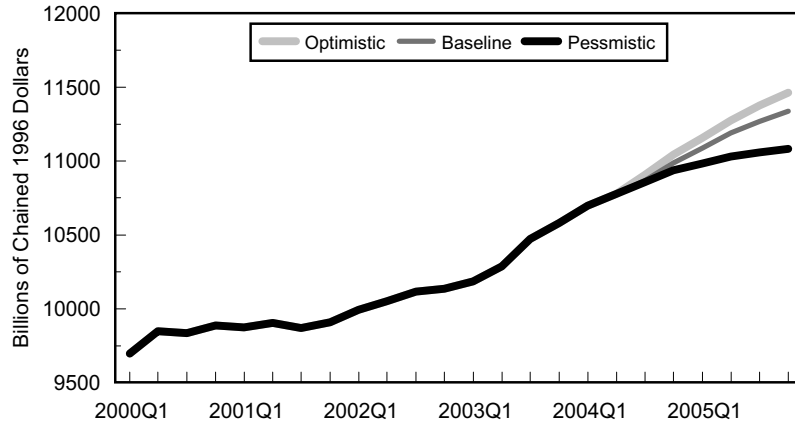


Chart 1.14
Implicit Price Deflator

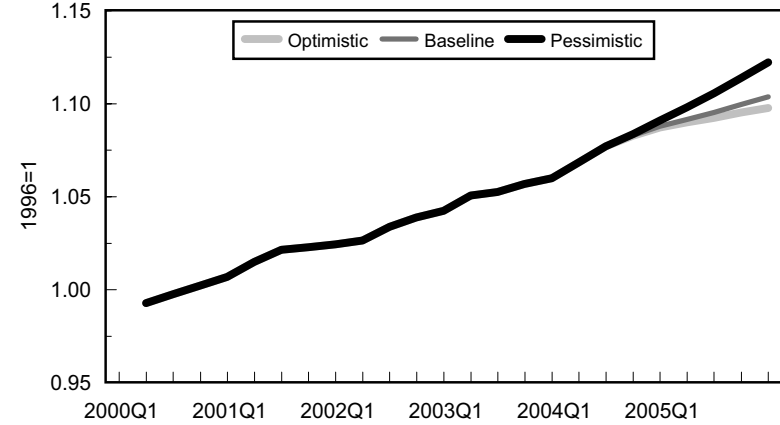


Chart 1.15
Mortgage Rate

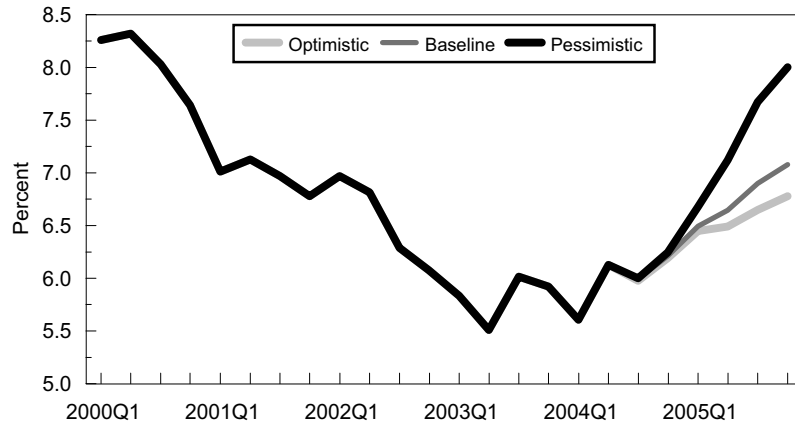
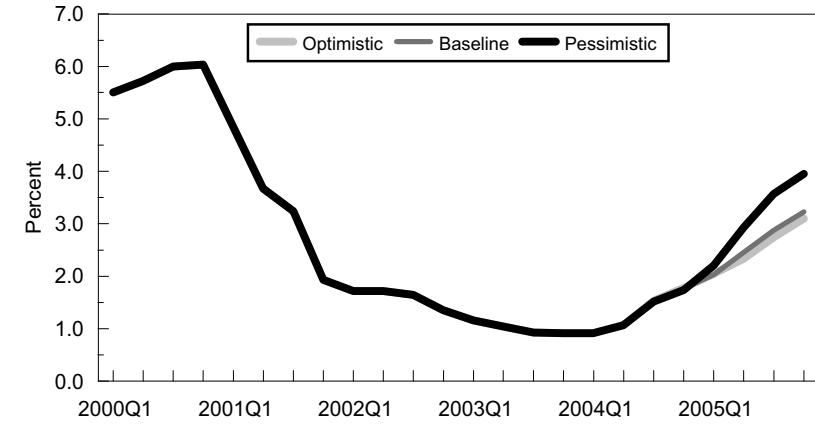


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

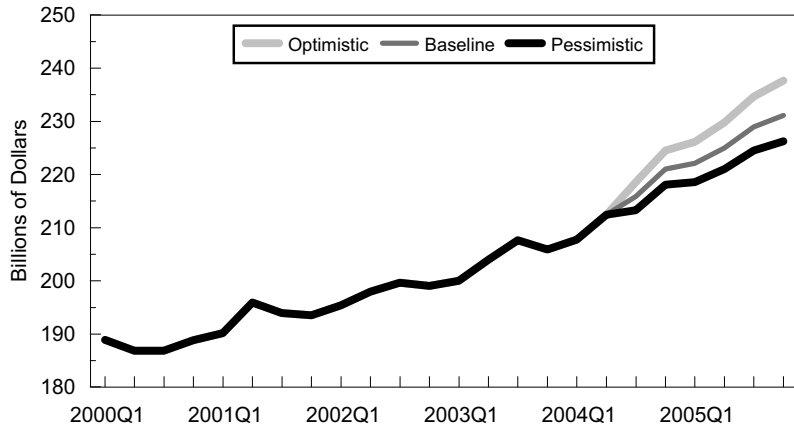


Chart 1.18
Real Personal Income

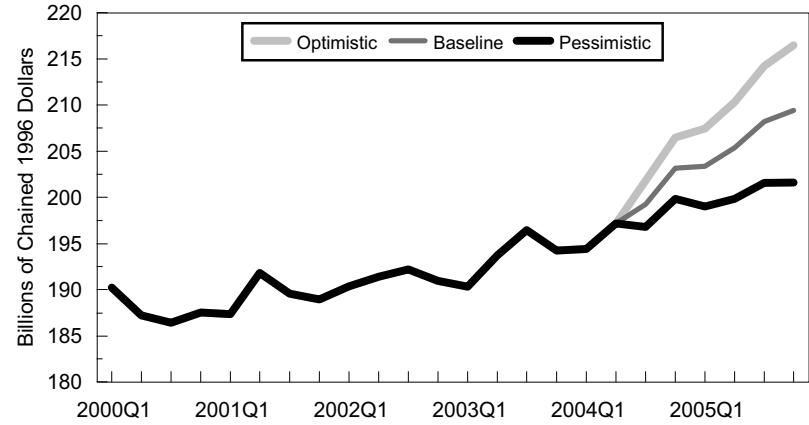


Chart 1.19
Total Nonfarm Payroll Employment

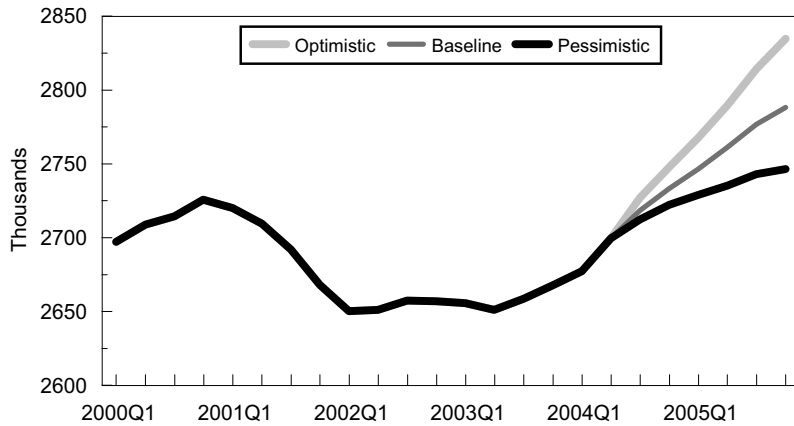
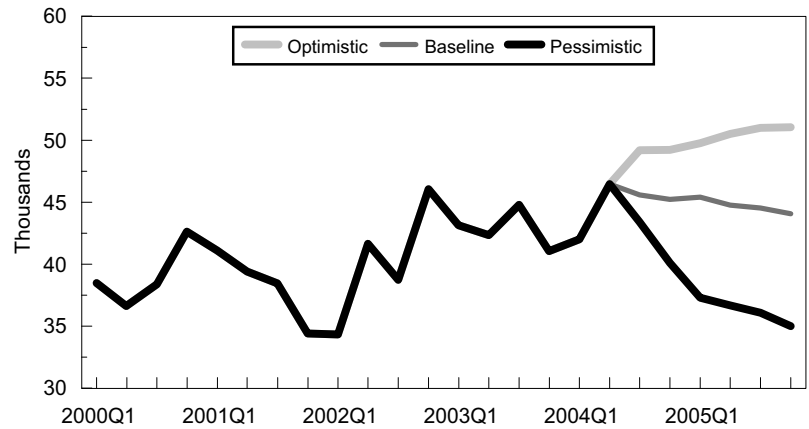


Chart 1.20
Housing Permits



Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a 3.3* percent annual rate in the second quarter of 2004. While slower than the previous quarter's growth rate of 4.5%, it was still an indication of a healthy economy. Real consumer spending was not a strong contributor to this growth, increasing at a rate of only 1.6 percent as compared to 4.1 percent in the previous quarter. Consumer spending in turn was led by growth in services consumption of 2.7 percent, counteracting a decline in durable goods consumption of 0.3 percent and supplementing the slight 0.1 percent growth in real nondurable goods consumption. The main contributors to second quarter real GDP growth were government spending, increasing at 2.2 percent, and gross private domestic investment, which increased at a healthy 19.0 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased slightly in September to 58.5 from its August value of 59.0. Despite the decline, the fact that the index value is greater than 50 indicates that manufacturing sector output is still increasing. The index has now been above 50 for the past sixteen months. The employment component of the index increased to 58.1 from August's value of 55.7. The employment component of the index has now been above 50 for eleven months, indicating that more of the manufacturers surveyed have been increasing employment than decreasing it during that period.

On a seasonally adjusted basis, the U.S. economy has added jobs for twelve straight months beginning in September 2003, with positive year-over-year growth for the last eight months. August's seasonally adjusted payroll employment grew by 144,000, up from July's increase of 73,000. August's U.S. unemployment rate also showed improvement, declining from 5.5 to 5.4 percent.

Productivity growth decelerated in the second quarter of 2004, increasing at a 2.5 percent annual rate as compared to 3.7 percent growth in the first quarter. The continued growth in productivity, along with a July and August respite from rising consumer energy prices, has kept a lid on price increases. The seasonally adjusted Consumer Price Index (CPI) increased by only 0.1 percent in August 2004 after declining by 0.1 percent in July. On a year-over-year basis, however, the index showed stronger inflation with an increase of 2.7 percent. Excluding the food and energy components of the CPI, year-over-year inflation exhibited growth of only 1.7 percent, with a 0.1 percent monthly increase in August as well as July after seasonal adjustment.

The Conference Board reported that its Index of Consumer Confidence declined slightly in September, decreasing to 96.8 from August's reading of 98.7 after peaking in July at 105.7. The September decline was due to the present situation component of the index, as the expectations component showed

slight improvement. In addition, The Conference Board reported that the U.S. Index of Leading Indicators declined 0.3 percent in August. This was the third decline in a row of the index, with a 0.3 percent decline in July and a 0.1 percent decline in June. While six of the ten index components declined in August, the main contributor to the decline was an abnormally narrow interest rate spread between the ten-year Treasury bond and the federal funds rate.

The Federal Open Market Committee (FOMC) voted to increase its target rate for federal funds from 1.5 to 1.75 percent at its September 21, 2004 meeting. This was the FOMC's third 25 basis point increase since its meeting of June 30th. In the statement accompanying the change, the Committee justified the rate increase by stating in part: "The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. After moderating earlier this year partly in response to the substantial rise in energy prices, output growth appears to have regained some traction, and labor market conditions have improved modestly."

The State Economy and Indicators

Washington wage and salary employment rose at a strong 3.4 percent annual rate in the second quarter of 2004, following an increase of 1.4 percent in the first quarter. This was the fourth consecutive quarterly increase. Significantly, manufacturing employment also increased in the second quarter, at an annual rate of 1.8 percent. Prior to this quarter's increase, manufacturing employment had declined since the third quarter of 1998 (twenty-three consecutive quarters after adjusting for the impact of the Boeing strike in the first quarter of 2000). While aerospace employment continued to decline, the rate of decline moderated to a -2.2 percent annual rate after declining at a 7.2 percent annual rate in the first quarter. Aerospace employment has now declined for eleven consecutive quarters.

Washington's seasonally adjusted unemployment rate increased slightly to 6.2 percent of the labor force in August 2004 from 6.0 percent in July. The non-seasonally adjusted Washington Purchasing Management Index, however, rose in September to a value of 63.1 from August's value of 61.3, still strong despite being down considerably from July's peak of 70.9. The index has been greater than 50 the last eighteen months and greater than 60 for eleven of those months. (A reading above 50 indicates expansion, below 50 indicates contraction.). Washington's seasonally adjusted initial claims for unemployment insurance in August increased very slightly to 42,479 from 42,314 in July. With the exception of May's claims number of 40,960 August's number was the lowest since October 2000. Washington's seasonally adjusted average weekly hours in manufacturing increased in August from 40.3 to 40.0, well up from its cyclical low of 38.3 hours in July 2003. August's Seattle Times Index of Help-Wanted Advertising also rose to 55.9 from July's level of 55.4 after reaching a 27-year low of 51.4 in January 2004.

The Washington Index of Leading Indicators increased slightly in August to 98.6 from 98.5 in July (1996=100). Since bottoming out in April 2003 at 95.9 points, the index has increased eleven of the sixteen intervening months. While only two of seven components were positive in August, (the Seattle Help-Wanted Index and average weekly hours in manufacturing) their moderately large increases outweighed small negative changes in all of the other components save aerospace employment, which was unchanged. Growth in the Seattle CPI slowed greatly in August, increasing at only a 0.1 percent rate on a year-over-year basis.

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

Table 2.1
Summary of National and State Indicators

<u>Indicator</u>	<u>Latest Data</u>	<u>Most Recent Indication¹</u>
U.S. leading index	August 2004	-
U.S real GDP growth	2004, quarter 2	+
U.S real GDP growth	2004, quarter 1	+
U.S. ISM index	Jun-04	+
U.S emplo	May-04	slower but still +
U.S unemployment ra	May-04	unchanged
U.S help wanted inde	May-04	+
U.S. ISM index	September 2004	slower but still +
U.S employment y/y %ch	August 2004	+
U.S unemployment rate	August 2004	+
U.S help wanted index	August 2004	unchanged
U.S. Fed funds target	September 2004	still accommodative
U.S. Consumer confidence	August 2004	-
U.S. CPI	August 2004	moderate +
S&P 500 index	Week of Sept. 28	+
WA leading index	August 2004	+
WA ISM index	September 2004	+
WA help wanted index	August 2004	+
WA payroll empl. y/y % ch	August 2004	+
WA aerospace empl y/y%ch	August 2004	neutral
WA unemployment rate	August 2004	-
WA boom monitor	August 2004	slight -; trend +
WA initial unemploy. Claims	August 2004	neutral
WA housing units	August 2004	-
WA weekly hours in mfg	August 2004	+
WA new car/truck registration	August 2004	+
WA migration (DOL data)	August 2004	+
WA exports-total	2004 qtr 2	-
WA exports- w/o trans. Equip.	2004 qtr2	+
Seattle CPI	April 2004	+
NW regional stock index	Week of Sept. 27	+

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

**This is based on the most recent data from the Bureau of Economic Analysis (the final GDP estimates for the second quarter of 2004 released September 29, 2004). The September 2004 economic forecast was completed prior to the preliminary GDP release, and shows the advance estimate of a 3.0 percent increase in real GDP for the second quarter of 2004.*

Washington State Economic Indicators

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

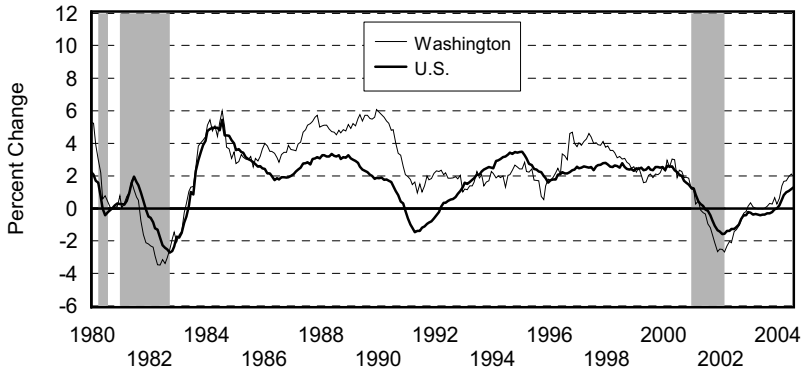


Chart 2.2
Washington Aircraft and Parts Employment
 January 1958 to August 2004

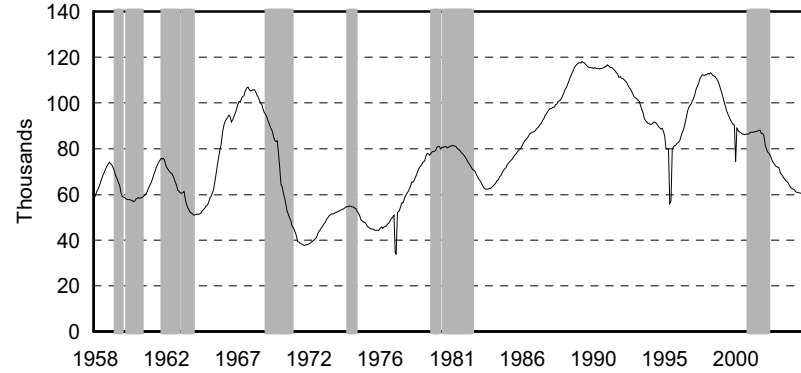


Chart 2.3
Unemployment Rate, S.A.
 January 1980 to August 2004

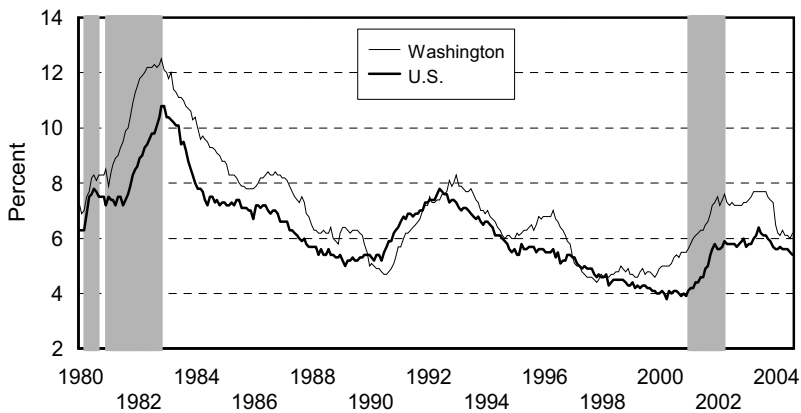
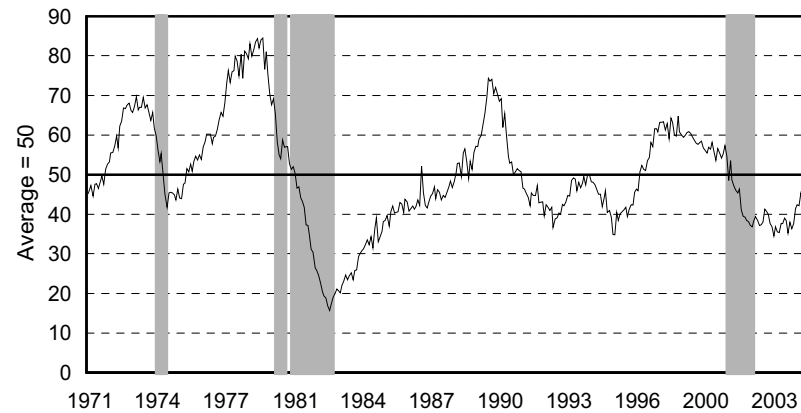


Chart 2.4
Washington Boom Monitor Composite Index
 July 1971 to August 2004



* Shaded areas correspond with Washington employment downturns.

Washington State Leading Indicators

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

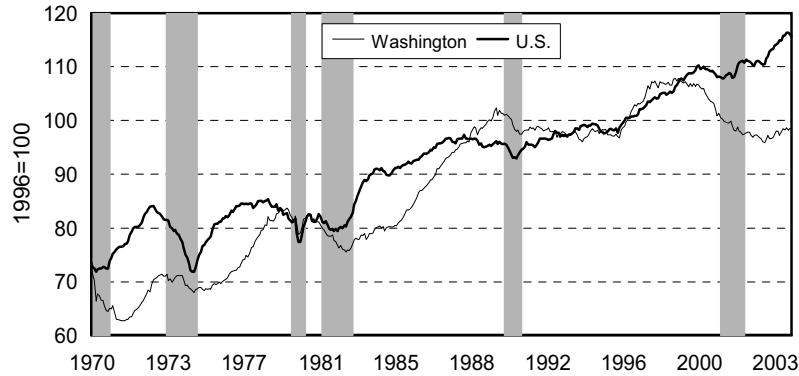


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to August 2004

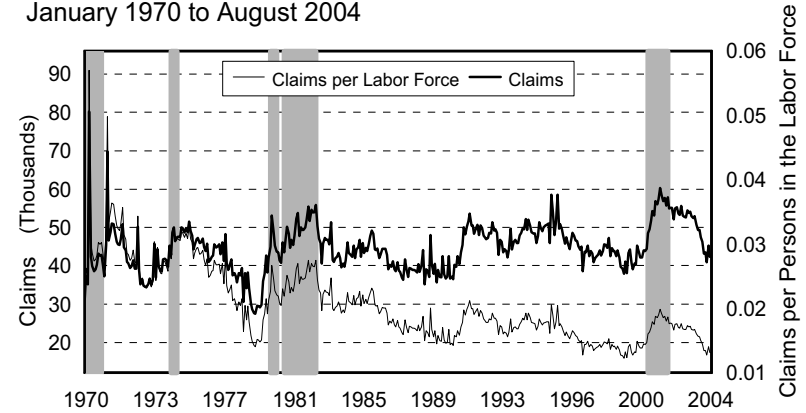


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to August 2004

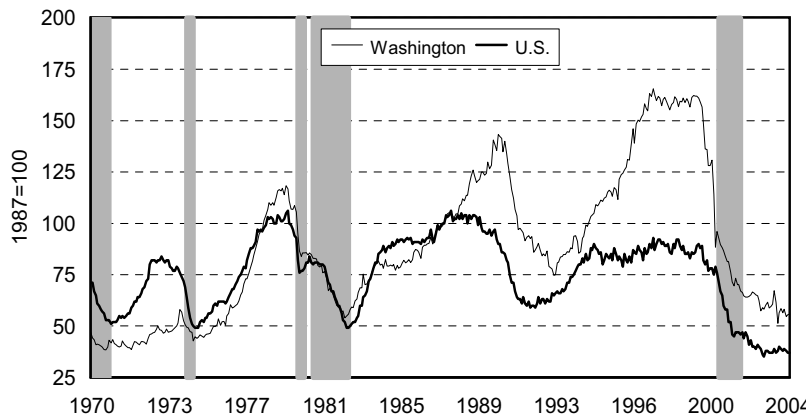
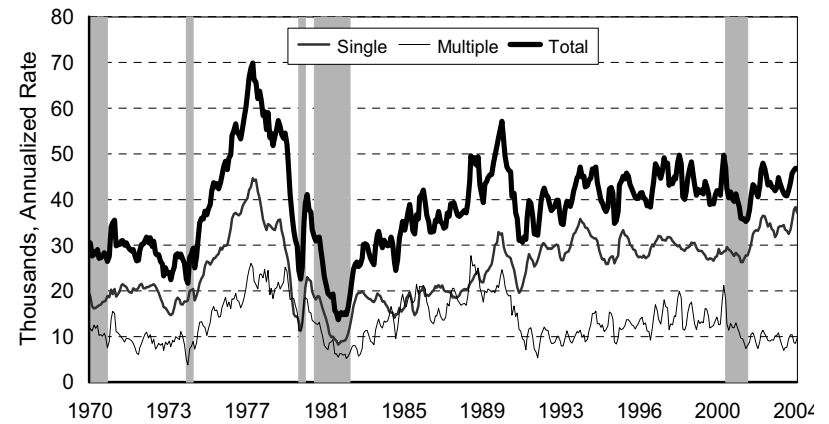


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to August 2004, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
 Jan. 1970 to August 2004, 3-Mo. Moving Average, SA

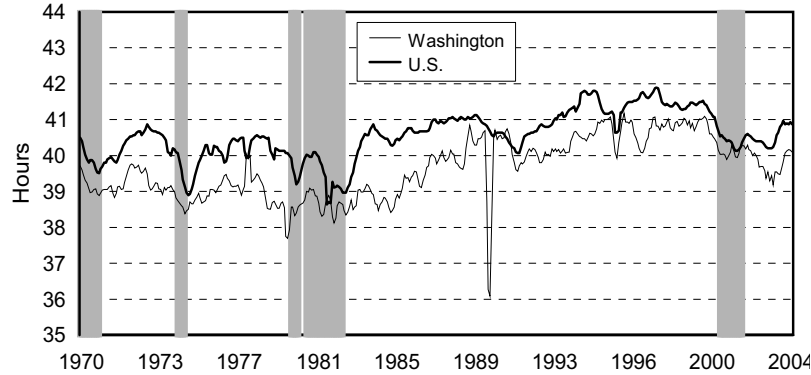


Chart 2.10
Washington Driver's License Migration
 September 1983 to August 2004 12-Month Moving Average

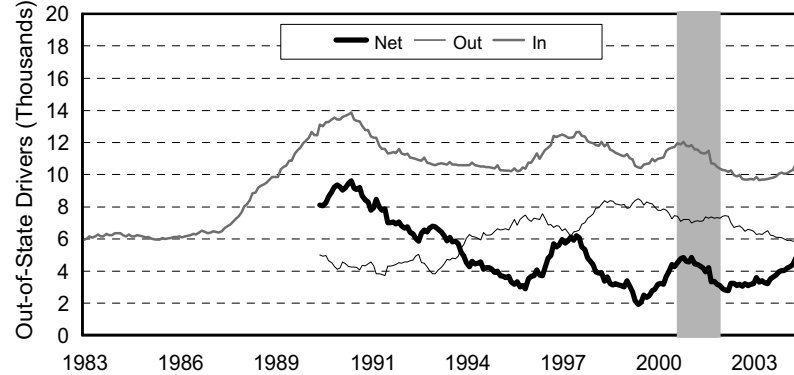


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to August 2004, 6-Month Moving Average

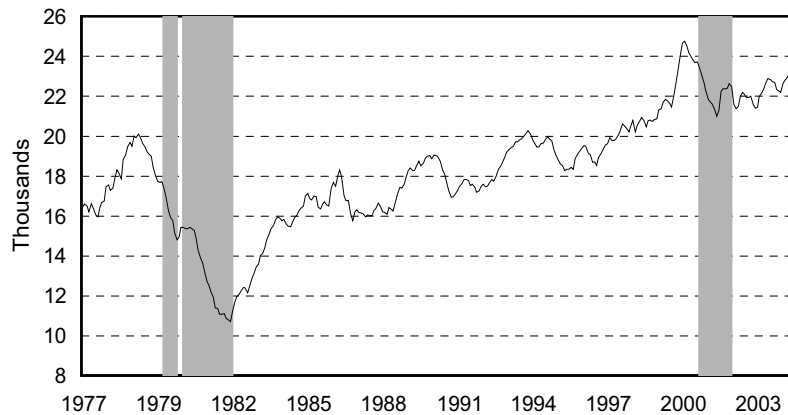
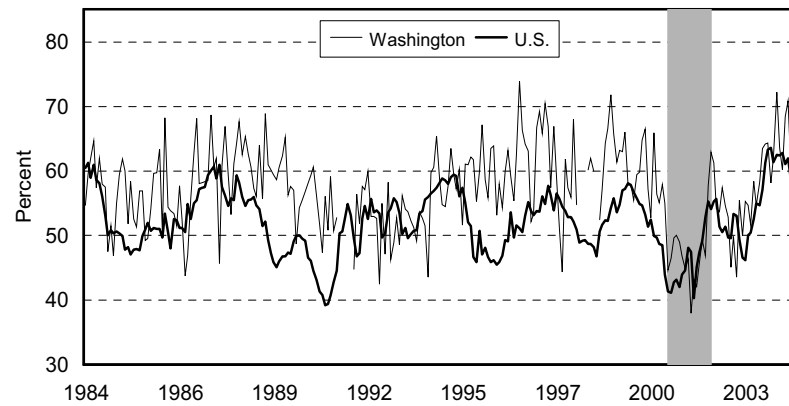


Chart 2.12
Institute for Supply Management Index
 January 1984 to September 2004



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2004 Q2

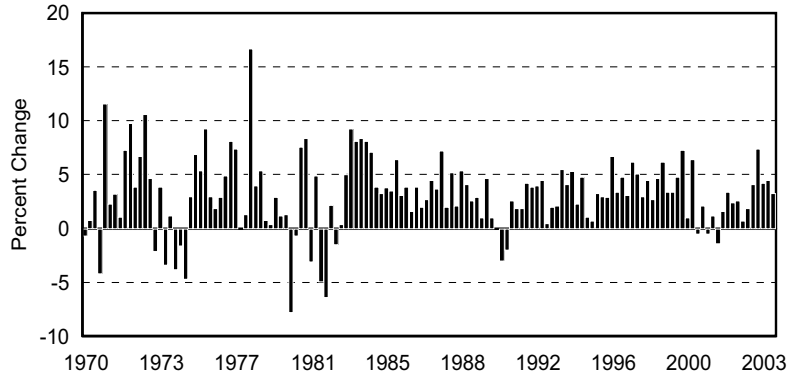


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2004Q2

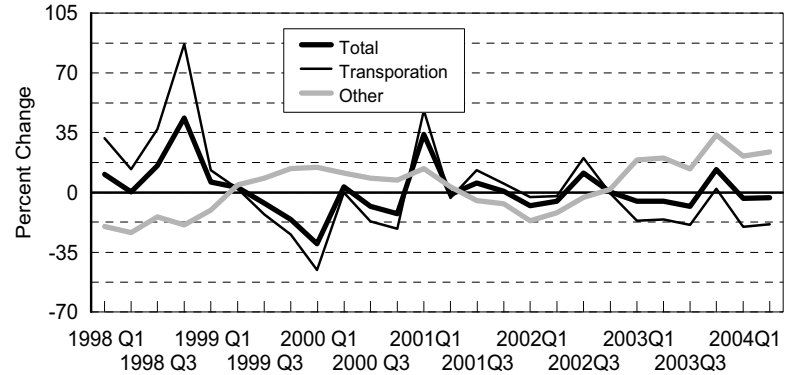


Chart 2.15
U.S. Economic Indicators*
 January 1970 to August 2004

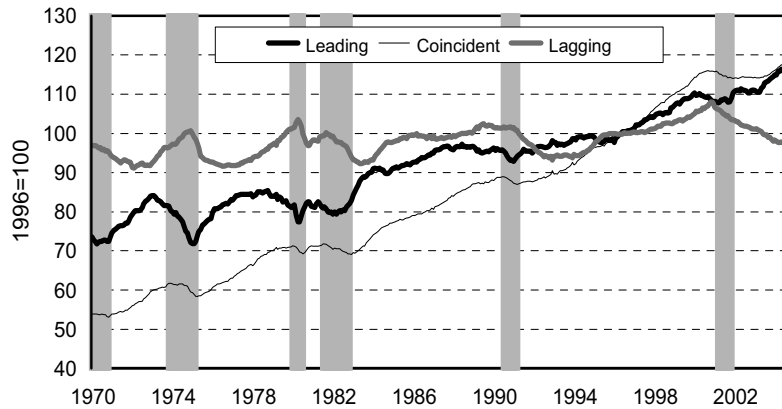
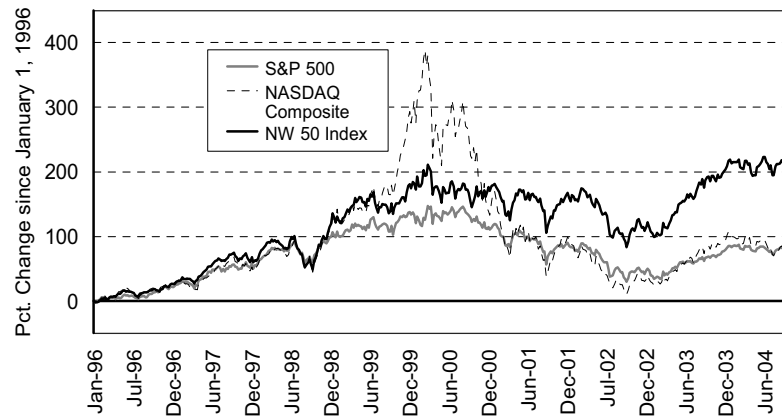


Chart 2.16
Northwest 50 Regional Stock Index vs. National Indices
 January 1, 1996 to September 30, 2004



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

Other Economic Indicators

Chart 2.17
Federal Funds Target Rate
 October 1, 1990 to September 30, 2004

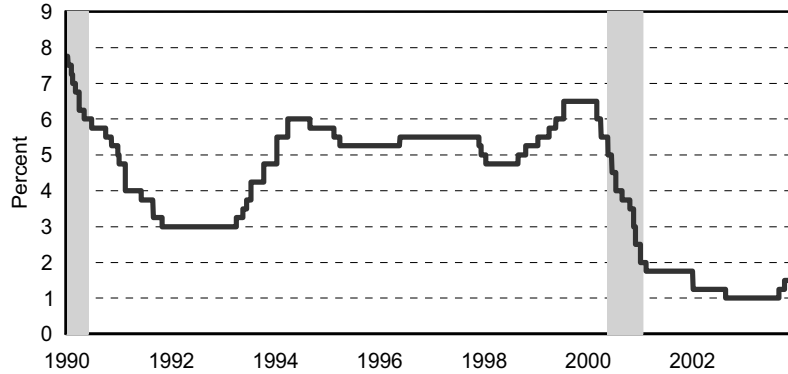


Chart 2.18
Consumer Confidence
 January 1978 to September 2004

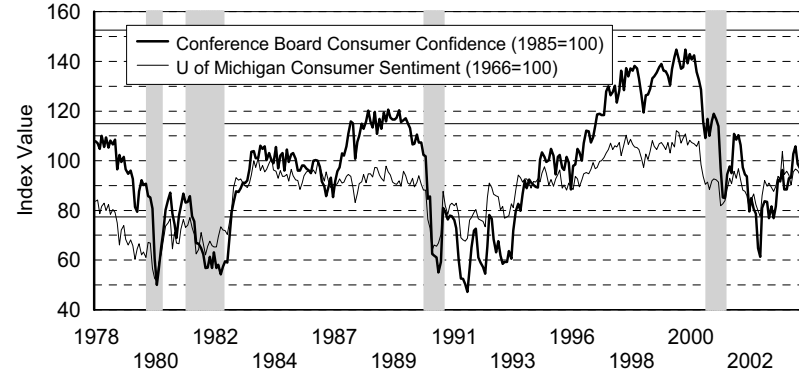
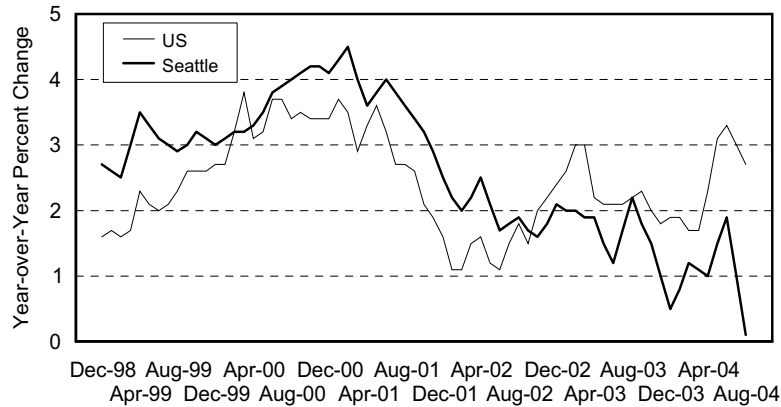


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to August 2004



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

Table 2.2
Washington Business Indicators
 Historical Data

	Washington Index of Leading Indicators	U.S. Index of Leading Indicators	Seattle Index of Help-Wanted Advertising	U.S. Index of Help-Wanted Advertising	Washington Purchasing Management Index	U.S. Purchasing Management Index
2002:9	96.9	110.3	65	43	54.6	51.4
2002:10	97.2	110.3	67	40	52.8	49.7
2002:11	97.4	111.0	66	40	45.1	49.6
2002:12	97.1	111.1	65	39	49.8	53.3
2003:1	96.9	111.0	65	41	43.5	53.0
2003:2	96.7	110.6	62	40	55.5	49.4
2003:3	96.1	110.4	57	39	50.0	46.6
2003:4	95.9	110.5	59	36	55.3	46.2
2003:5	96.5	111.6	58	35	54.7	50.0
2003:6	97.2	112.0	60	38	51.7	50.4
2003:7	96.7	112.8	62	38	58.4	52.6
2003:8	96.7	113.2	59	37	54.7	55.0
2003:9	96.9	113.3	60	37	58.3	54.7
2003:10	97.3	113.9	61	37	63.5	57.1
2003:11	98.1	114.2	67	39	64.2	61.3
2003:12	97.9	114.5	62	37	64.3	63.3
2004:1	97.2	114.9	51	38	58.2	63.6
2004:2	98.0	114.9	57	40	62.1	61.4
2004:3	98.5	115.8	59	39	72.2	62.5
2004:4	98.3	115.9	57	38	63.6	62.4
2004:5	98.7	116.4	58	39	60.2	62.8
2004:6	98.2	116.4	55	38	68.4	61.1
2004:7	98.5	116.1	55	37	70.9	62.0
2004:8	98.6	115.7	56	37	61.3	59.0

This page intentionally left blank.

Washington State Revenue Forecast Summary

Introduction

The Economic and Revenue Forecast Council approved a \$132.0 million increase to the Washington General Fund-State (GFS) revenue forecast at its September 16, 2004 meeting. Better than expected collections and improving economic conditions added \$164.8 million to the GFS forecast. This increase was partially offset by a \$32.8 million reduction due to a revision of the impact of legislation enacted last session (the high tech tax incentives). The September update increases the GFS forecast for the 2003-05 biennium by \$106.4 million and adds \$25.6 million to the 2005-07 budget period. The September outlook is very similar to the June forecast. As in June, the forecast expects a sustained but moderate recovery in employment. While revenue collections have exceeded expectations since June, the variance was entirely due to a strong real estate market. A much higher real estate excise tax forecast accounts for nearly all (\$116.7 million) of the total \$132.0 million change to the GFS revenue forecast. Of the \$116.7 million real estate excise tax increase, \$47.3 million has already been collected in the three months since the last forecast.

The September 2004 GFS revenue forecast expects \$23,102.7 million in the 2003-05 biennium, which spans the period July 2003 through June 2005. Both economic and revenue growth improved in the first year of the biennium and the forecast assumes moderate job and revenue growth for the remainder of the current biennium. The September forecast expects \$2.0 billion, 9.3 percent, more GFS revenue in the 2003-

Table 3.1		Cash Basis		
Revision to the General Fund-State Forecast				
2003-05 & 2005-07 Biennia				
September 2004				
(Millions of dollars)				
	2003-05 Biennium	2005-07 Biennium	Both Biennia	
Non Economic Changes*	(\$10.4)	(\$22.4)	(\$32.8)	
Forecast Change	<u>116.8</u>	<u>48.0</u>	<u>164.8</u>	
Total Change**	\$106.4	\$25.6	\$132.0	

* Revised fiscal note for hb 2526 (high tech tax incentives).
 **Detail may not add to totals due to rounding

05 biennium than in the 2001-03 budget period. Some of this increase is due to tax law changes rather than economic growth. Excluding tax law changes, GFS revenue is expected to increase 8.0 percent in the 2003-05 biennium.

The GFS unrestricted ending balance for the 2003-05 biennium is now projected to be \$571.1 million, 2.5 percent of the biennial budget. Although GFS revenue (\$23,102.7 million) for the biennium is expected to be less than the spending level (\$23,246.1 million) the 2003-05 biennium is expected to end with a positive ending balance due to a \$404.6 million beginning balance and \$309.9 million in transfers and adjustments.

The September revenue forecast for the 2005-07 biennium is a little higher than in June. The improving economy raised the forecast for next biennium by \$48.0 million. However, due to revision to the impact of legislation enacted during the 2004 legislative session which reduced revenue for the 2005-07 biennium by \$22.4 million, the September 2004 forecast for next biennium is only \$25.6 million more than the forecast in June.

The September 2004 GFS forecast for the 2005-07 biennium, which spans the period July 2005 through June 2007, is \$24,776.0 million. The economy is expected to produce moderate revenue growth next biennium. GFS revenue in the 2005-07 budget period is projected to be \$1.7 billion, 7.2 percent higher than in the current biennium. The growth of GFS revenue next biennium is weaker than for the current biennium primarily due to a larger amount of property tax revenue being transferred from the General Fund to the Student Achievement account. Adjusting for the I-728 diversion and other tax law changes GFS revenue is expected to increase 9.2 percent in the 2005-07 biennium.

Background and Assumptions

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

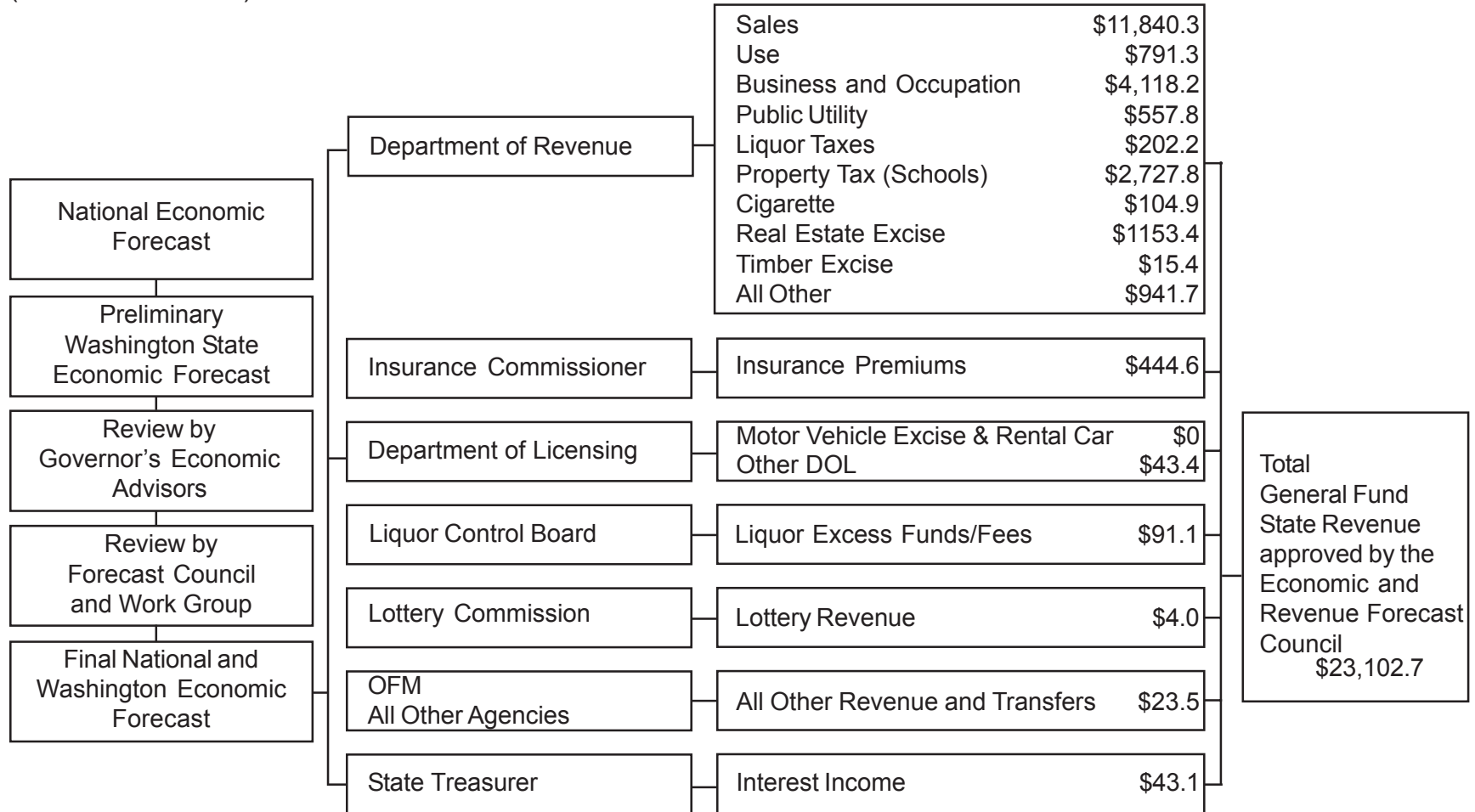
For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight Inc. A state economic forecast is then prepared using an econometric model that links Washington's economy to the national economy. The Global Insight national forecast is the primary driver for the state economic forecast. After review by the Governor's Council of Economic Advisors, the economic forecast is used to prepare a baseline forecast of GFS revenue. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare a GFS

revenue forecast. The revenue forecasts for most major General Fund sources are prepared using economic models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS revenue. An outline of the forecast process, including a summary of the September 2004 baseline forecast for the 2003-05 biennium is shown in Table 3.2.

September 2004 Forecast Assumptions

1. The September 2004 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the state is in part based on the Global Insight Inc. August 2004 baseline forecast for the U.S. economy.
2. The GFS revenue forecast is based on current law and administrative practices. The impact of 2004 legislation was incorporated into the forecast in June. The September forecast, however, includes the impact of a revision to the fiscal note for hb 2546, which was enacted during the 2004 legislative session and included in the June 2004 forecast. Hb 2546 (high tech tax incentives) as passed, provides a formula for the computation of tax credits that differs from the original formula used to estimate the fiscal impact. This results in a higher revenue loss than was assumed in June. The revised estimate reduces GFS revenue for the next three years by an additional \$32.8 million; \$10.4 million in the 2003-05 biennium and \$22.4 million in the 2005-07 biennium.
3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue was dedicated to a newly created Student Achievement Account and to the School Construction Account. Prior to Initiative 728, most lottery revenue went into the General Fund. Under provisions of E2SSB 6560, enacted during the 2002 legislative session, the state is participating in a multi-state lottery game. Proceeds from this new game go the General Fund, after the first \$102 million per year of uncommitted lottery earnings are transferred to the Student Achievement Account and the School Construction Account. Part II of Table 3.19 summarizes lottery distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact on GFS receipts will not be incorporated into the forecast until the issue has been completely resolved.
5. There have been several legislative and other non-economic changes affecting actual GFS receipts for the last few biennia as well as the forecast for the 2003-05 and 2005-07 biennia. As of September 2004, new tax law changes have increased GFS revenue for the 2003-05 biennium by an estimated \$661 million. The GFS forecast for the 2005-07 biennium is also affected by legislation. Legislation enacted in the 2004 legislative session reduced the GFS forecast for the 2005-07 biennium by \$287 million. In addition, the effect of Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, accelerates in both the 2003-05 biennium and the 2005-07 biennium. The I-728 transfers from the General Fund to the Student Achievement Account have a disproportional effect on GFS revenue for the 2003-05 and 2005-07 biennia relative to prior biennia. The I-728 property tax transfers grow

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



* Cash Basis

from \$267.0 million in the 2001-03 biennium to \$329.7 million in the 2003-05 biennium. They are expected to grow to \$629.1 million in the 2005-07 biennium. (See part I of Table 3.19.)

Recent Collection Experience

Revenue collections in the three months since the June forecast were \$41.9 million, 1.5 percent, more than expected. Excluding special factors, (a large refund, two large audit payment and a court settlement), collections were \$47.0 million, 1.7 percent higher than expected. More than the entire positive variance was due to a booming real estate market. In the last three months real estate excise tax collections were \$47.3 million more than expected. Estate tax payments (+\$6.6 million) and unclaimed property transfers (+\$7.9 million) were also significantly above the estimate in the last three months. Revenue Act taxes (Washington's major excise taxes: sales, use, business and occupation and public utility taxes), however, were a little weaker than expected reflecting slower consumer and business spending. Revenue Act receipts were \$27.5 million (1.2 percent) less than expected in the three months since the June forecast. Excluding special factors, Revenue Act receipts were \$18.0 million (0.8 percent) lower than expected.

After a very strong first quarter, consumer spending slowed considerably in the second quarter. U.S consumer spending, which increased at a 4.1 percent annual rate in the first quarter of 2004, grew only 1.6 percent in the second quarter. The weaker spending growth nationally was reflected in a little slower than expected growth in Revenue Act taxes in the last three months. Revenue Act receipts (primarily sales and business and occupation tax payments) averaged 5.0 percent above the year-ago level in the three months since the June forecast (excluding the impact of tax law changes and special factors). Growth was 5.5 percent in the first quarter.

The most current industry detail is based on preliminary data on tax payments by 10,915 mostly large taxpayers who filed electronically for the most recent month (July 2004 activity). Overall, the data show modest growth for the month. Tax pay-

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

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>	<u>Adjusted</u>	
			<u>Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act ¹	(\$27.5)	-1.2%	(\$18.0)	-0.8%
Non Revenue Act ²	\$68.1	11.6%	\$63.7	10.8%
Subtotal	<u>\$40.6</u>	<u>1.4%</u>	<u>\$45.7</u>	<u>1.6%</u>
Department of Licensing ²	\$1.4	13.9%	\$1.4	13.9%
Other	na	na	na	na
Total***	\$41.9	1.5%	\$47.0	1.7%

¹ Revenue Act taxes consist of retail sales, business and occupation, use, public utility and tobacco products taxes as well as penalty and interest receipts. The variance is based on collections June 11, 2004 through September 10, 2004.

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

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

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

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

ments of businesses in the retail trade and food services sector were up 3.3 percent from the year-ago level while non-retailers reported a 2.9 percent increase. Last month this data showed tax payments by retailers up 4.4 percent and non-retailers up 5.0 percent. For the current month all three-digit retail NAICS sectors with the exception of food stores reported an increase in tax payments. Three of twelve three-digit retail NAICS sectors reported double-digit gains: building material/garden equipment retailers (+13.5 percent), furniture and appliance retailers (+13.4 percent) and apparel and accessory stores (+11.0 percent). Growth in other retail trade sectors ranged from a 9.8 percent increase reported by electronics and appliance stores to a 1.1 percent increase reported by gas stations and convenience stores. Motor vehicle and parts retailers reported a 1.3 percent increase after posting a 3.6 percent decline last month. There was considerable variation in the year-over-year change in tax payments reported by business in non retail NAICS sectors. Sectors reporting increases include the transportation and warehouse sector (+12.9 percent), the information sector (+9.0 percent), the health services sector (+8.6 percent), the wholesale trade sector (+4.0 percent), and the construction sector (+6.1 percent). Sectors reporting declines include finance and insurance (-12.0 percent), professional, scientific and technical services (-4.6 percent) and manufacturers (-4.3 percent).

After declining in the fourth quarter of 2003 and the first quarter of 2004, seasonally adjusted taxable real estate excise activity soared at a 140.4 percent annual rate in the second quarter of 2004. This is by far the best quarterly increase since the fourth quarter of 1986 and much faster than assumed in the June forecast. Very low mortgage rates and rising housing prices have combined to produce a very strong real estate market. Real estate activity based on closings in July were up 28.9 percent from a year-ago. In June activity was up 46.3 percent and it is up 25.5 percent in the first seven months of calendar 2004. Most of the increase reflects higher prices. In the first seven months of the year, the number of transactions are up 4.5 from a year-ago, however, the value per transaction has increased on average 18.8 percent during this period. The stronger than expected real estate market has produced \$47.3 million more than expected real estate excise tax payments in the last three months, accounting for virtually all of the cumulative collection variance.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$1.4 million (13.9 percent) above the estimate in the three months since the June forecast. During this period, Department of Licensing General Fund collections were 10.0 percent above the year-ago level.

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

The September 2004 forecast for the 2003-05 biennium (July 1, 2003 to June 30, 2005) continues to assume modest economic and revenue growth. We are now more than a year into the biennium and economic and revenue data confirm that the economic recovery is progressing about as expected. Nationally, output as measured by real GDP growth increased 4.4 percent in fiscal 2004, up from just 2.3 percent last year and the best growth since fiscal 2000. The pace of the recovery weakened a little in the second quarter of 2004 and the September 2004 forecast expects a little slower GDP growth in fiscal 2005 (3.8 percent). At the state level employment has increased for four consecutive quarters and growth accelerated in the second quarter of 2004. Revenue growth also accelerated in fiscal 2004, especially in the last six months. Challenges remain. The improvement in economic and revenue growth in the first year of the biennium has been helped by low interest rates, tax cuts and an acceleration in Federal spending. Interest rates are now starting to rise and most of the stimulative effects of the tax cuts are behind us. In addition, higher gas prices are placing an additional burden on the economy. The September forecast continues to

assume that there is sufficient economic momentum to offset these obstacles. While not expected to derail the recovery, higher interest rates, less fiscal stimulus and higher gas prices are expected to produce a little slower growth in fiscal 2005. For the biennium as a whole, the 2003-05 budget period will clearly outperform the 2001-03 period. State nominal personal income is expected to increase 8.5 percent in the 2003-05 biennium, up from 5.8 percent in the 2001-03 biennium. Wage and salary employment growth is expected to increase only 1.8 percent in the 2003-05 biennium. Though much better than the 1.5 percent decline experienced in the 2001-03 biennium, this is still the weakest biennium employment growth since the 1981-83 biennium. The September forecast expects GFS revenue will improve in the 2003-05 biennium from a depressed 2001-03 level. GFS revenue in the 2003-05 biennium is expected to total \$23,102.7 million. This is \$2.0 billion (9.3 percent) more than in the 2001-03 biennium. Adjusting for major legislative changes, GFS revenue is expected to grow 8.0 percent. This is a vast improvement from the 2001-03 biennium in which GFS revenue fell \$121 million (0.6 percent.)

The September 2004 forecast for the 2005-07 biennium continues to assume modest economic and revenue growth. Growth in the 2005-07 budget period is expected to be a little better than in the current biennium. Real personal income in Washington is expected to increase 8.1 percent in the 2005-07 biennium, up from 4.3 percent in the 2003-05 period. Employment growth is also expected to improve, increasing 4.2 percent compared to 1.8 percent in the current biennium. Revenue growth will also improve. The state is expected to collect \$24,776.0 million in GFS receipts in the 2005-07 budget period. This is \$1.7 billion, 7.2 percent, more than in the 2003-05 biennium. However, adjusting for tax law changes and the impact of higher I-728 transfers out of the General Fund, revenue is expected to increase 9.2 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 84.3 percent of GFS revenue in the 2003-05 biennium and 85.4 percent in the 2005-07 biennium. The state's reliance on sales, business and occupa-

Biennium	Current Dollars	Percent Change	2000 Chained Dollars	Percent Change
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	26.0%
1971-73	1,922.1	10.9%	6,721.8	2.6%
1973-75	2,372.4	23.4%	7,168.5	6.6%
1975-77	3,395.0	43.1%	8,922.0	24.5%
1977-79	4,490.0	32.3%	10,358.6	16.1%
1979-81	5,356.4	19.3%	10,292.1	-0.6%
1981-83	6,801.4	27.0%	11,378.5	10.6%
1983-85	8,202.4	20.6%	12,662.4	11.3%
1985-87	9,574.6	16.7%	13,936.5	10.1%
1987-89	10,934.1	14.2%	14,805.5	6.2%
1989-91	13,309.0	21.7%	16,560.9	11.9%
1991-93	14,862.2	11.7%	17,331.1	4.7%
1993-95	16,564.6	11.5%	18,474.0	6.6%
1995-97	17,637.7	6.5%	18,866.9	2.1%
1997-99	19,620.1	11.2%	20,420.8	8.2%
1999-01	21,262.1	8.4%	21,264.8	4.1%
2001-03	21,140.7	-0.6%	20,395.4	-4.1%
2003-05 ^F	23,102.7	9.3%	21,440.0	5.1%
2005-07 ^F	24,776.0	7.2%	22,182.3	3.5%

^F: September 2004 Forecast
 *Total General Fund-State revenue and transfers. Cash basis; includes rate base and administrative changes. Modified cash basis: 1985-87 and prior; pure cash basis: 1987-89 and after. May not be comparable because the collection totals include the impact of rate, base and administrative changes. Source: Department of Revenue, the Office of Financial Management and the Office of the Forecast Council 's September 2004 forecast.

Table 3.5

Taxable Retail Sales*

September 2004 Forecast

(Millions of Dollars)

Fiscal Year	Amount	Percent Change
1974	11,877	
1975	13,380	12.7%
1976	15,493	15.8%
1977	17,626	13.8%
1978	21,121	19.8%
1979	22,309	5.6%
1980	24,057	7.8%
1981	25,197	4.7%
1982	26,097	3.6%
1983	29,368	12.5%
1984	29,156	-0.7%
1985	30,687	5.3%
1986	32,158	4.8%
1987	34,647	7.7%
1988	37,452	8.1%
1989	41,429	10.6%
1990	47,183	13.9%
1991	49,812	5.6%
1992	53,189	6.8%
1993	55,319	4.0%
1994	59,009	6.7%
1995	61,927	4.9%
1996	62,817	1.4%
1997	66,748	6.3%
1998	72,059	8.0%
1999	77,197	7.1%
2000	83,385	8.0%
2001	85,633	2.7%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,120	4.6%
2005 ^F	94,644	5.0%
2006 ^F	99,125	4.7%
2007 ^F	104,710	5.6%

^F Forecast.

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

tion, and property taxes has increased over time, rising from 79.7 percent in the 1991-93 biennium and from 75 percent twenty-five years ago. The small reduction in the General Fund's reliance on these three taxes between the 2001-03 and the 2003-05 biennium is primarily due to a surge of real estate excise tax revenue. The real estate excise tax is the General Fund-State's the fourth largest revenue source. Real estate excise tax is expected to increase 32 percent this biennium compared to 9.3 percent for total GFS revenue. This accounted for 4.1 percent of GFS revenue in the 2001-03 biennium (up from just 2.7 percent in the 1991-93 biennium) and it is expected to account for 5.0 percent of GFS revenue in the current biennium.

The retail sales and use tax, the state's largest revenue source, generated \$11.7 billion, 55.5 percent of total GFS revenue in the 2001-03 biennium. Sales and use taxes are expected to produce \$12.6 billion, 54.7 percent of total GFS revenue in the 2003-05 biennium and \$14.0 billion, 56.3 percent of the total in the 2005-07 budget period. The business and occupation tax totaled \$3.8 billion in the 2001-03 biennium, 17.9 percent of total GFS revenue. This tax is expected to produce \$4.1 billion, 17.8 percent of the total in the 2003-05 biennium and \$4.6 billion, 18.5 percent of the total in the 2005-07 biennium. The state share of the property tax totaled \$2.6 billion, 12.4 percent of total GFS revenue in the 2001-03 biennium. The September forecast expects property tax to produce \$2.7 billion in the 2003-05 biennium, 11.8 percent of total GFS revenue and \$2.6 billion, 10.6 percent of the total in the 2005-07 biennium. The reduction in the property tax share of total GFS receipts reflects the growing impact of I-728, which transfers a growing portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.19, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$20,424.3 million in the first quarter of 2004, the most recent quarter available. This was 6.1 percent higher than a year-ago. Taxable sales grew only 2.5 percent in the fourth quarter of 2003. Taxable sales have now in-

Chart 3.1
General Fund-State Revenue

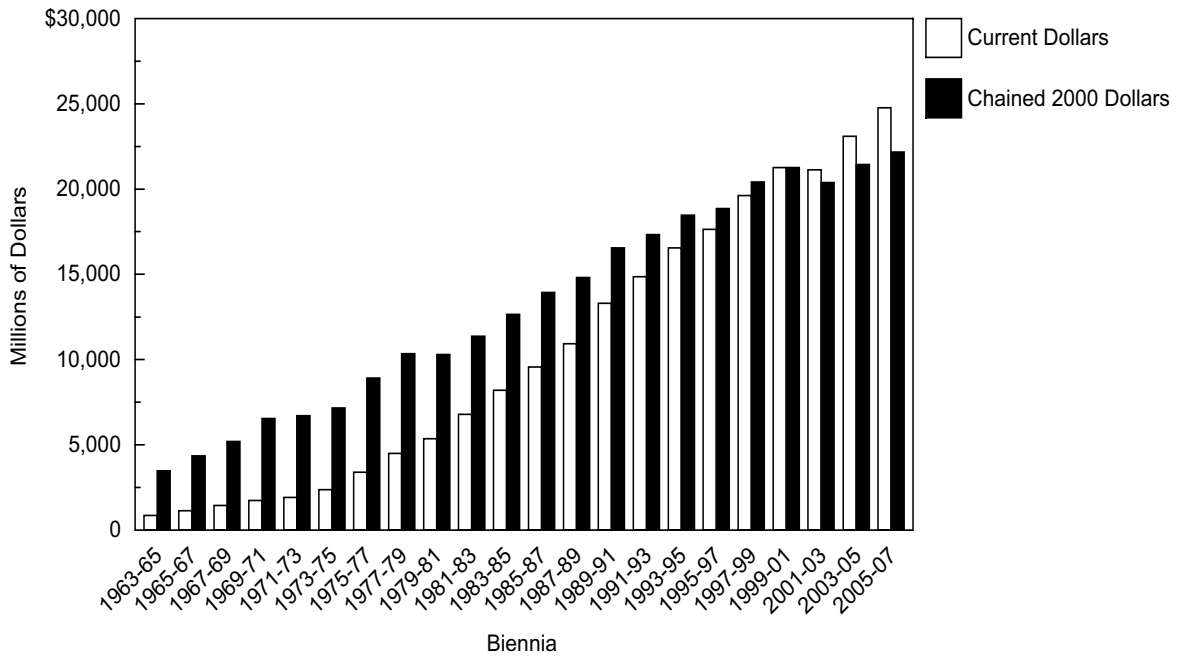


Chart 3.2
General Fund-State Revenue- Percent Change

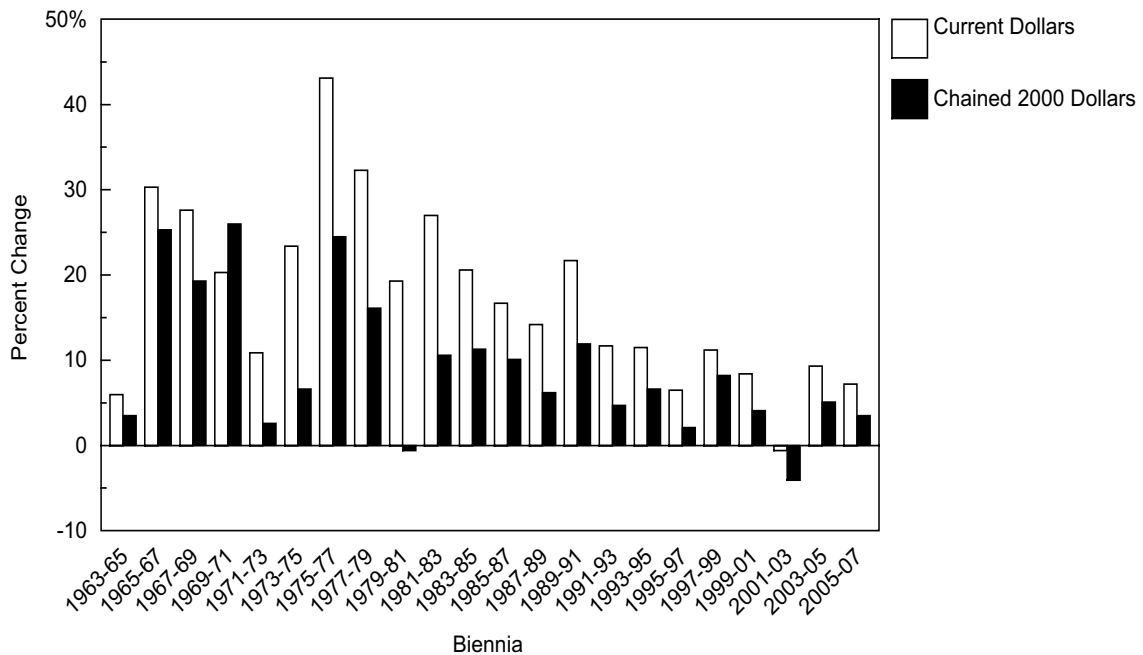


Chart 3.3
Composition of General Fund-State Revenue

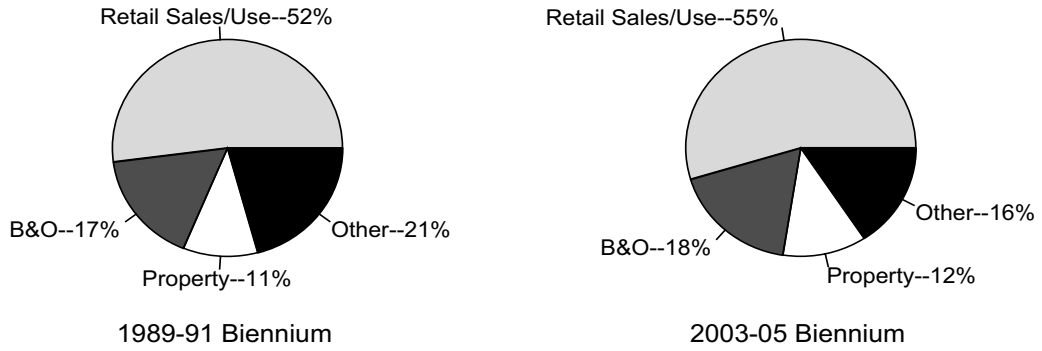
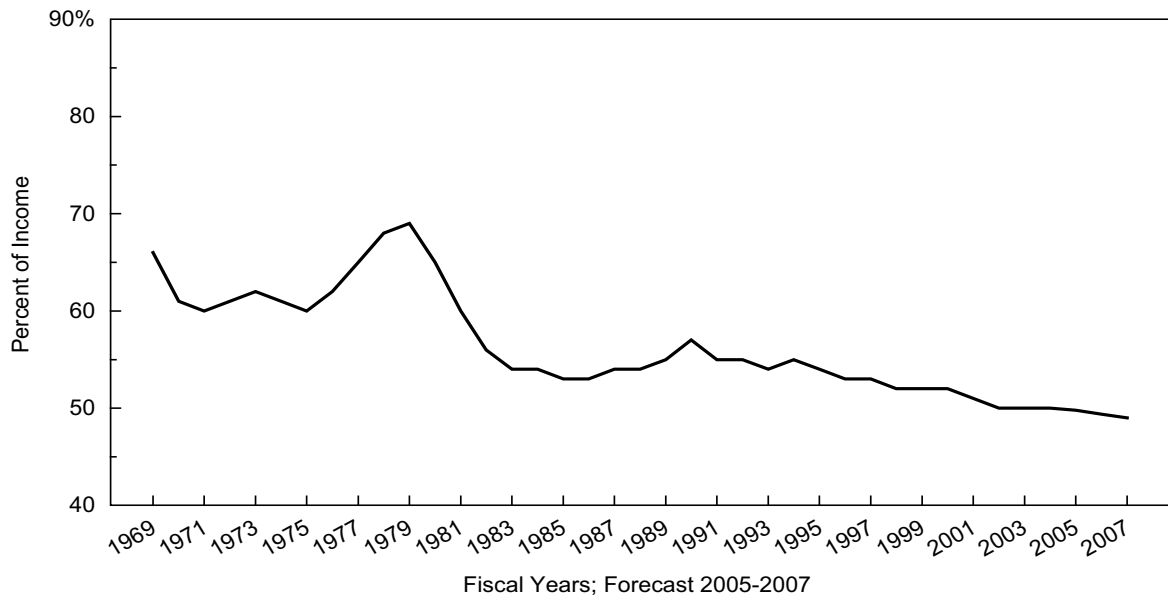


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

creased on a year-over-year basis for seven consecutive quarters after having fallen or remained unchanged for five straight quarters. The increase in the first quarter of 2004 is the best year-over-year growth since the second quarter of 2000. The growth of Washington taxable sales in the first quarter of 2004 was better than personal income but weaker than retail sales nationally. U.S. retail and food service sales were very strong in the first quarter, 7.8 percent above the year-ago level. This follows a 6.7 percent increase in the fourth quarter of 2003. Preliminary data indicate that the year-over-year increase of U.S. retail and food service was even stronger, 7.9 percent, in the second quarter of 2004. The September 2004 forecast assumes that taxable sales in Washington increased 5.9 percent in the second quarter of 2004.

The Department of Revenue has converted the classification of taxpayers from the Standard Industrial Classification (SIC) basis to the North American Industry Classification System (NAICS) making historical comparisons by sector easier and more meaningful. Preliminary analysis of the growth of taxable sales in the first quarter of 2004 by sector (NAICS basis) shows the retail trade sector, which accounted for about 46 percent of all taxable sales in the first quarter, was 8.2 percent above the year-ago level. Last quarter taxable sales of the retail trade sector increased 5.1 percent. Within retailing, electronic and appliance stores reported the largest year-over-year gain in the first quarter, 20.5 percent. Building materials/garden equipment retailers (+14.6 percent), gas stations with convenience stores (+11.9 percent) and non store retailers (+10.8 percent) also reported strong gains. For the third straight quarter no three digit retail sector reported a decline in taxable sales. For the second consecutive quarter sporting goods, hobby, music and book stores reported weakest increase (2.2 percent). Taxable sales of auto dealers, the largest retail trade sector accounting for 13.1 percent of taxable sales in the first quarter, increased 7.6 percent.

Taxable sales reported by non-retailing sectors were 4.4 percent higher than a year-ago in the first quarter of 2004. This was the best year-over-year increase since the first quarter of 2001. Last quarter, taxable sales of non-retailers increased only 0.2 percent. The first quarter year-over-year change varied widely among non-retail trade sectors. Taxable sales reported by the contract construction sector, which accounted for 15.6 percent of all taxable sales in the first quarter of 2004, increased 8.2 percent. Last quarter it increased only 1.0 percent. Taxable sales reported by the service sector, which accounted for about 18 percent of all taxable sales in the first quarter, were 5.8 percent higher than a year-ago. Last quarter this sector reported a 2.8 percent increase. Taxable sales reported by the information sector were 4.2 percent above the year-ago level. Taxable sales in the manufacturing sector increased 1.0 percent. The wholesale trade sector reported a 1.6 percent year-over-year increase in taxable sales in the first quarter. The only declines reported by major industry groups were a 15.5 percent drop in taxable sales reported by the finance/insurance sector and a 1.2 percent decline reported by the real estate/rental & leasing sector.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 6.0 percent higher than a year ago in the first quarter of 2004. Taxable sales increased 6.3 percent in the rest of the state. Taxable sales in King County were 5.3 percent higher than a year-ago in the first quarter of 2004. This is the third straight quarter year-over-year taxable sales increased in King County. Prior to the third quarter of 2003, King County taxable sales had declined or remained unchanged eight of the previous nine quarters. Taxable sales growth in King County, while improving, continues to lag the statewide average. King County taxable sales growth has been below the statewide average for thirteen consecutive quarters. Taxable sales in Snohomish County increased 6.0 percent in the first quarter of 2004 and Pierce County reported a strong 8.4 percent increase. Taxable sales in Spokane County were 6.7 percent above the year-ago level.

Statewide taxable sales are expected to increase 4.6 percent in fiscal 2004. While this is relatively modest growth compared to the late 1990's it is a significant improvement over the last three years. Taxable sales increased only 2.7 percent in fiscal 2001, declined 1.4 percent in fiscal 2002 and grew only 2.1 percent in fiscal 2003. The forecast expects some additional improvement in fiscal 2005, with taxable sales expected to increase 5.0 percent. Taxable sales are expected to grow moderately in the 2005-07 biennium. The September 2004 forecast assumes taxable sales will grow 4.7 percent in fiscal 2006 and 5.6 percent in fiscal 2007.

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

The September 2004 forecast expects \$132.0 million more GFS revenue than assumed in June for the 2003-05 and 2005-07 biennia. The increase includes a \$32.8 million reduction due to the revised estimate of hb 2546 (high tech tax incentives) passed last session and incorporated into the forecast in June. Excluding this non economic change the September forecast is \$164.8 million higher than in June. Most of the increase reflects a much stronger than expected real estate market.

The September 2004 forecast of GFS revenue for the two year budget cycle ending June 30, 2005 is \$106.4 million (0.5 percent) higher than in June. The September change is comprised of a \$116.8 million increase due to collection experience and a better economy and a \$10.4 million reduction due to a revision to the estimate of the impact of hb 2546. The \$116.8 million increase due to a better economic outlook includes \$41.9 million of higher than expected revenue in the three months since the forecast in June.

The June GFS forecast for the 2005-07 biennium is \$25.6 million higher than in June. An improved economic outlook added \$48.0 million to the GFS forecast for next biennium, however, this was partially than offset by the revision to the impact hb 2546 which reduced GFS revenue \$22.4 million for the 2005-07 biennium.

Table 3.6 summarizes the changes to the September 2004 cash forecast by type of change. Tables 3.7 and 3.8 summarize changes since June to GFS revenue for the 2003-05 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Table 3.9 and 3.10 summarize the changes to GFS revenue forecast for the 2005-07 biennium by agency and source. Table 3.9 is on a cash basis and Table 3.10 is on a GAAP basis. Table 3.11 provides the fiscal year forecast by major revenue source (cash basis). Table 3.12 provides a fiscal year summary of GFS cash receipts. Below is a summary of the non economic changes included in the September 2004 GFS forecast (see Table 3.15), followed by a summary of changes to the forecast by agency.

Non Economic Changes to the Forecast

To conform to current law, the September forecast includes one non-economic adjustment. The September 2004 forecast was reduced \$32.8 million as a results of a revision to the fiscal note for hb 2536 (high tech tax incentives). This legislation was enacted during the 2004 session and incorporated into the forecast in June. As passed, hb 2546 provides a formula for the computation of tax credits which differs from the original formula that was used to estimate the fiscal impact of the legislation. The formula as passed results in potentially more credit being used than assumed in the fiscal note and the June forecast. As a result the original fiscal note was revised to acknowledge the potentially higher credit usage and the September forecast was reduced by \$10.4 million in the 2003-05 biennium and by \$22.4 million in the 2005-07 biennium as a result the revised fiscal note.

Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue for the 2003-05 and 2005-07 biennia. The September forecast of GFS revenue sources administered and collected by the Department of Revenue is \$102.3 million higher than in June. Most of change, \$93.1 million, is to the current (2003-05) biennium. The forecast for the 2005-07 biennium was raised just \$9.2 million. These changes include a reduction of \$10.4 million in the 2003-05 biennium and \$22.4 million in the 2005-07 biennium as a result of a revision to the impact of hb 2546 (high tech tax incentives). Much of the increase this biennium reflects actual collections experience in the three months since the June forecast. Collection experience accounts for \$41.9 million of the \$93.1 million change to Department of Revenue sources this biennium.

The real estate excise tax forecast accounted for more than the total change to the Department of Revenue forecast in September. The GFS portion of the real estate excise tax was raised \$118.7 million, \$101.4 million in the 2003-05 biennium and \$15.2 million in the 2005-07 biennium. Real estate activity exploded in the second quarter of 2004 with seasonally adjusted taxable real estate activity increasing at a 140 percent annual rate. The very strong real estate activity in the last few months resulted in much more than expected (\$47.3 million) real estate excise tax payments in the three months since the June forecast. Thus nearly 40 percent of the current biennium's increase expected for the real estate excise tax has already been collected. The real estate excise tax is a very cyclical revenue source. Real estate activity is likely to weaken if mortgage rates rise as expected in the September forecast. Nevertheless due to the strong second quarter growth, real estate tax is still expected to generate much more revenue than expected in June. Other changes to the Department of Revenue forecast in September include a \$62.5 million reduction to the retail sales tax forecast, a \$32.9 increase to the public utility tax forecast, a \$25.6 million reduction to the business and occupation tax, a \$13.7 million increase to the property tax forecast and a \$12.8 million increase to the forecast for unclaimed property transfers to the General Fund. These changes are the combined change for the 2003-05 and 2005-07 biennium. Most of the change is to the current biennium and reflects actual collect experience in the last three months. The reduction in the retail sales tax forecast is comprised of a \$39 million reduction for the current biennium (virtually all due to collection experience) and a \$23.5 million reduction next biennium. The reduction to the business and occupation tax forecast includes the non-economic impact of the revision to the impact of hb 2546. This reduced the business and occupation tax forecast by \$32.8 million. Without this reduction, September business and occupation forecast would be \$7.2 million higher than in June.

Most major tax sources are expected to experience modest growth in the 2003-05 and the 2005-07 biennium. The major exception is the portion of the state property tax levy that goes to the General Fund. While overall the state levy is expected to increase 6.1 percent in the 2003-05 biennium and 6.4 percent in the 2005-07 biennium, the General Fund portion of the property tax is expected to increase only 4.4 percent in the 2003-05 biennium and decline 3.8 percent in the 2005-07 biennium. This is due to the impact of Initiative 728 which diverts a portion of the state levy from the General Fund to the Student Achievement Account (SAA). The forecast assumes that the share of the state levy going to the SAA (instead of the General Fund) grows from \$267.0 million in the 2001-03 biennium to \$329.7 million in the 2003-05 biennium and to \$629.1 million in the 2005-07 biennium.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from professional licenses, boat excise tax, and boat registration. The Department's General Fund-State forecast for

Table 3.6

Summary of Changes to the General Fund-State Forecast

September 2004 Cash Forecast

(Millions of Dollars)

		September 2004
<u>2003-05 Biennium</u>		
<i>Collection Experience in the 2003-05 Biennium</i>		\$41.9
Department of Revenue ¹	40.6	
Other agencies ²	1.4	
<i>Forecast Change for the 2003-05 Biennium</i>		\$74.8
Department of Revenue	63.0	
Other agencies	11.9	
<i>Non-Economic Change for the 2003-05 Biennium</i>		(\$10.4)
Department of Revenue ³	(10.4)	
Other agencies	0.0	
Total Change: 2003-05 Biennium*		\$106.4
<u>2005-07 Biennium</u>		
<i>Forecast Change for the 2005-07 Biennium</i>		48.0
Department of Revenue	31.6	
Other agencies	16.5	
<i>Non-Economic Change for the 2003-05 Biennium</i>		(22.4)
Department of Revenue ³	(22.4)	
Other agencies	0.0	
Total Change: 2003-05 Biennium		\$25.6
Total Change: Both Biennia*		\$132.0

¹ Variance based on collections June 11 - September 10, 2004; retail sales, b&0, use & public utility taxes.² Variance based on collections in June 2004 -August 2004.³ Revision to fiscal note for hb 2546 (hi tech tax incentives).

* Detail may not add due to rounding.

the current biennium has been increased \$0.4 million to \$43.4 million, and its forecast for the 2005-07 biennium has been increased \$0.6 million to \$45.3 million.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the current biennium has been increased \$4.8 million to \$23.5 million. Forecast changes included a \$4 million reduction in forecasted income from the Department of Financial Institutions, a \$2 million increase in revenue due to reimbursement by the Federal Government of fire control expenses to the state Department of Natural Resources, and a \$6 million positive adjustment to the Department of Health and Human Services fiscal 2004 account balance. The office's forecast for the 2005-07 biennium has been decreased \$2.2 million to a negative \$17.3 million. This reduction was due mainly to reductions in forecasted income from the Department of Financial Institutions. The negative forecast indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies.

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 \$3.7 million to \$43.1 million and its forecast for the 2005-07 biennium has been increased \$14.6 million to \$73.6 million. Forecast increases were due primarily to an increase in forecasted short-term interest rates.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. The office's forecast of General Fund-State revenue for the current biennium has been increased \$0.03 million to \$444.6 million, and its forecast for the 2005-07 biennium is unchanged at \$491.4 million.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The agency's estimate of excess funds and fees for the current biennium has been increased \$0.4 million to \$87.4 million and its forecast of beer and wine surtaxes has been reduced \$0.2 million to \$3.7 million. The agency's estimate of excess funds for the 2005-07 biennium has been increased \$3.7 million to \$84.2 million and its forecast of beer and wine surtaxes has been reduced \$0.2 million to \$3.9 million. The forecasted decline of excess funds and fees in the 2005-07 biennium compared to the current biennium is due to the forecasted expiration in the current biennium of a \$0.42 per liter surcharge, which expires by law once it has generated \$14 million in revenues.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Under the bill, funds are not transferred unless there is lottery revenue remaining after the School Construction, Student Achievement, and stadium/exhibition center accounts receive their

Table 3.7

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

(Millions of Dollars)

Forecast by Agency	June 2004 Forecast¹	Non- Economic Changes³	Forecast Revision	Sept. 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$11,879.3	0.0	(\$39.0)	\$11,840.3	(\$39.0)
Business & Occupation Use	4,119.2	(10.4)	9.4	4,118.2	(1.0)
Public Utility	797.1	0.0	(5.8)	791.3	(5.8)
Liquor Sales/Liter	545.3	0.0	12.5	557.8	12.5
Cigarette	202.9	0.0	(0.7)	202.2	(0.7)
Property (State Levy)	104.2		0.7	104.9	0.7
Real Estate Excise	2,724.2		3.5	2,727.8	3.5
Timber Excise	1,051.9		101.4	1,153.4	101.4
Other	15.3		0.1	15.4	0.1
Subtotal	920.3	0.0	21.4	941.7	21.4
	22,359.8	(\$10.4)	103.5	22,452.9	93.1
Department of Licensing					
Boat excise, licenses, fees & other	43.0		0.4	43.4	0.4
Insurance Commissioner					
Insurance Premiums	444.6		0.0	444.6	0.0
Liquor Control Board					
Liquor Profits and Fees	87.0		0.4	87.4	0.4
Beer & Wine Surtax	3.9		(0.2)	3.7	(0.2)
Lottery Commission					
Lottery Revenue	0.0		4.0	4.0	4.0
State Treasurer					
Interest Earnings	39.3		3.7	43.1	3.7
Office of Financial Management					
Other	18.8		4.8	23.5	4.8
Total General Fund-State *	\$22,996.3	(\$10.4)	\$116.8	\$23,102.7	\$106.4

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

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

3 Revision to fiscal note for hb 2546 (Hi tech tax incentives).

*Detail may not add to totals because of rounding.

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

Forecast by Agency	June 2004 Forecast¹	Non - Economic Changes³	Forecast Revision	Sept. 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$11,924.6	\$0.0	(\$33.8)	\$11,890.8	(\$33.8)
Business & Occupation Use	4,129.4	(10.4)	10.5	4,129.5	0.1
Public Utility	800.0	0.0	(4.3)	795.7	(4.3)
Liquor Sales/Liter	545.9	0.0	12.9	558.8	12.9
Cigarette	203.3	0.0	(0.1)	203.2	(0.1)
Property (State Levy)	103.9		(0.1)	103.8	(0.1)
Real Estate Excise	2,730.5		0.4	2,730.9	0.4
Timber Excise	1,055.3		110.5	1,165.8	110.5
Other	15.7		0.7	16.4	0.7
Subtotal	918.7	0.0	24.1	942.8	24.1
	22,427.2	(10.4)	120.9	22,537.7	110.5
Department of Licensing					
Boat excise, licenses, fees & other	44.9	0.0	(0.1)	44.8	(0.1)
Insurance Commissioner					
Insurance Premiums	444.6		0.0	444.6	0.0
Liquor Control Board					
Liquor Profits and Fees	87.0		0.4	87.4	0.4
Beer & Wine Surtax	3.9		(0.2)	3.7	(0.2)
Lottery Commission					
Lottery Revenue	2.2		1.8	4.0	1.8
State Treasurer					
Interest Earnings	37.8		4.0	41.8	4.0
Office of Financial Management					
Other	19.6	0.0	4.4	24.0	4.4
Total General Fund-State *	\$23,067.3	(\$10.4)	\$131.2	\$23,188.1	\$120.8

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

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

3 Revision to fiscal note for hb 2546 (Hi tech tax incentives).

*Detail may not add to totals because of rounding.

Table 3.9

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

(Millions of Dollars)

Forecast by Agency	June 2004 Forecast¹	Non- Economic Changes³	Forecast Revision	Sept. 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,103.8		(\$23.5)	\$13,080.3	(\$23.5)
Business & Occupation Use	4,606.1	(22.4)	(2.3)	4,581.4	(24.7)
Public Utility	887.5		(9.1)	878.4	(9.1)
Liquor Sales/Liter	541.9		20.3	562.2	20.3
Cigarette	212.3		(0.0)	212.2	(0.0)
Property (State Levy)	96.5		0.6	97.1	0.6
Real Estate Excise	2,614.9		10.2	2,625.1	10.2
Timber Excise	1,096.2		15.2	1,111.4	15.2
Other	19.8		0.3	20.1	0.3
Subtotal	906.9		19.8	926.7	19.8
	24,085.7	(22.4)	31.6	24,094.9	9.2
Department of Licensing					
Boat excise, licenses, fees & other	44.8		0.6	45.3	0.6
Insurance Commissioner					
Insurance Premiums	491.4		0.0	491.4	0.0
Liquor Control Board					
Liquor Profits and Fees	80.5		3.7	84.2	3.7
Beer & Wine Surtax	4.1		(0.2)	3.9	(0.2)
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	59.1		14.5	73.6	14.5
Office of Financial Management					
Other	(15.0)		(2.2)	(17.3)	(2.2)
Total General Fund-State *	\$24,750.4	(\$22.4)	48.0	\$24,776.0	\$25.6

1Adopted by the Council in June 2004.

2 Revised estimate; adopted by the Council in September 2004.

3 Revision to fiscal note for hb 2546 (Hi tech tax incentives).

*Detail may not add to totals because of rounding.

Table 3.10

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

Forecast by Agency	June 2004 Forecast¹	Non - Economic Changes³	Forecast Revision	Sept. 2004 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$13,156.3	\$0.0	(\$21.4)	\$13,134.9	(\$21.4)
Business & Occupation Use	4,615.0	(22.4)	(1.7)	4,590.8	(24.1)
Public Utility	888.7	0.0	(8.8)	879.9	(8.8)
Liquor Sales/Liter	543.5	0.0	20.2	563.8	20.2
Cigarette	212.6	0.0	(0.0)	212.6	(0.0)
Property (State Levy)	96.5		0.6	97.1	0.6
Real Estate Excise	2,620.4		10.1	2,630.5	10.1
Timber Excise	1,098.8		16.1	1,114.9	16.1
Other	20.7		(0.6)	20.1	(0.6)
Subtotal	907.6	0.0	19.7	927.3	19.7
	24,160.3	(22.4)	34.1	24,171.9	11.7
Department of Licensing					
Boat excise, licenses, fees & other	46.9		(0.0)	46.8	(0.0)
Insurance Commissioner					
Insurance Premiums	491.4		0.0	491.4	0.0
Liquor Control Board					
Liquor Profits and Fees	80.5		3.7	84.2	3.7
Beer & Wine Surtax	4.1		(0.2)	3.9	(0.2)
Lottery Commission					
Lottery Revenue	0.0		0.0	0.0	0.0
State Treasurer					
Interest Earnings	60.2		14.8	75.0	14.8
Office of Financial Management					
Other	(14.1)		(2.2)	(16.4)	(2.2)
Total General Fund-State *	\$24,829.0	(\$22.4)	\$50.2	\$24,856.8	\$27.8

1Adopted by the Council in June 2004.

2 Revised estimate; adopted by the Council in September 2004.

3 Revision to fiscal note for hb 2546 (Hi tech tax incentives).

*Detail may not add to totals because of rounding.

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

Forecast by Source	Fiscal 2003^a	Fiscal 2004^p	Fiscal 2005	2003-05 Biennium	Fiscal 2006	Fiscal 2007	2005-07 Biennium
State Taxes							
Retail sales	\$5,551.9	\$5,765.3	\$6,075.0	\$11,840.3	\$6,356.9	\$6,723.4	\$13,080.3
Business & occupation Use	1,876.8	2,006.6	2,111.6	4,118.2	2,219.1	2,362.3	4,581.4
Public Utility	376.6	385.8	405.5	791.3	425.9	452.4	878.4
Liquor sales/liter	259.3	281.2	276.7	557.8	278.5	283.8	562.2
Beer & wine surtax	93.0	99.4	102.8	202.2	105.0	107.2	212.2
Cigarette	1.9	1.8	1.9	3.7	1.9	2.0	3.9
Tobacco products	53.2	54.2	50.8	104.9	49.1	48.0	97.1
Property (state school levy)**	8.8	9.4	10.0	19.4	10.4	10.8	21.1
Public utility district	1,331.6	1,370.5	1,357.3	2,727.8	1,321.8	1,303.3	2,625.1
Real estate excise	37.0	36.6	37.8	74.4	39.6	41.9	81.5
Timber excise	474.0	567.8	585.6	1,153.4	529.2	582.2	1,111.4
Estate/inheritance	8.3	7.9	7.5	15.4	9.5	10.6	20.1
Motor vehicle excise & Rental car	122.5	139.9	120.7	260.5	118.7	122.6	241.3
Boat excise	(0.0)	(0.1)	0.0	(0.1)	0.0	0.0	0.0
Insurance premiums	12.1	13.0	13.2	26.2	13.7	14.4	28.1
Other	203.2	217.6	227.1	444.6	239.1	252.3	491.4
Total Taxes	140.6	189.0	207.4	396.4	208.9	214.7	423.5
State Non-Tax Sources							
Licenses, permits, fees	74.7	75.5	70.7	146.1	73.3	74.4	147.7
Liquor profits & fees	30.9	42.8	44.6	87.4	41.0	43.2	84.2
Earnings on investments	25.6	21.9	21.2	43.1	36.1	37.5	73.6
Lottery transfers	0.0	0.0	4.0	4.0	0.0	0.0	0.0
Other revenue & transfers	7.9	37.3	48.3	85.6	(0.3)	11.7	11.4
Total Non-Tax	139.1	177.5	188.7	366.2	150.0	166.9	316.9
Total General Fund-State *	\$10,689.9	\$11,323.1	\$11,779.5	\$23,102.7	\$12,077.4	\$12,698.6	\$24,776.0

a - Actual;

p - Preliminary

* Detail may not add to totals due to rounding.

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

allotments. The Commission's General Fund cash forecast for the current biennium has been increased from zero dollars to \$4.0 million dollars to reflect a \$4.0 mill transfer in the first month of fiscal 2005. The Commission's General Fund forecast for the 2005-07 biennium remains at zero dollars. The Commission's forecast of revenues for the School Construction and Student Achievement Funds for the current biennium has been decreased \$6.2 million to \$197.4 million, and its forecast of revenues for the School Construction Account for the 2005-07 biennium has been decreased \$18.1 million to \$180.0 million. These reductions were due to forecast reductions in revenue from online Lottery games resulting from the incorporation of sales data subsequent to the June forecast.

Track Record for the 2003-05 Biennium

The September 2004 GFS cash receipts forecast for the 2003-05 biennium totals \$23,102.7 million. This is \$106.4 million more than the previous forecast released in June 2004. It is \$313 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, 2003 and 2004 legislative changes, the September 2004 forecast is \$348 million (1.5 percent) lower than the February 2002 forecast. There have been ten revisions to the forecast for the 2003-05 biennium since February 2002. The first five lowered expected revenue (excluding tax law changes), and the last five, including the September 2004 change, have increased the forecast. Since June 2003 the forecast, excluding legislation, has been raised \$458 million, 2.0 percent. Table 3.13 summarizes the changes to the GFS forecast for the 2003-05 biennium since February 2002.

Track Record for the 2005-07 Biennium

The September 2004 GFS cash receipts forecast for the 2005-07 biennium totals \$24,776.0 million. This is \$25.6 million more than the previous forecast released in June 2004. The September 2004 updated is the second revision to the GFS revenue forecast for the 2005-07 biennium since the initial forecast in February 2004. Both have increased the forecast, excluding legislation and other non-economic factors. Although the September 2004 forecast for the 2005-07 budget period is \$177 million less than the initial estimate for the biennium, the reduction is entirely due to 2004 legislation and adjustments which have reduced the forecast by \$287 million. Excluding non-economic changes, the current GFS forecast for the 2005-07 biennium is \$110 million (0.4 percent) higher than the initial February 2004 forecast. Table 3.14 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium.

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

Table 3.12

General Fund - State Cash Receipts
 September 2004 Forecast by Fiscal Year
 (Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004 ^p	11,323.1	5.9%
Forecast		
2005	11,779.5	4.0%
2006	12,077.4	2.5%
2007	12,698.6	5.1%

^p Preliminary.

Table 3.13

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

February 2002 through September 2004

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2002****	\$22,225	\$565				\$22,790
Changes to Forecast						
June 2002	(53)	23	(30)	205 #1	175	22,965
September 2002	(317)	(29)	(346)	80 #2	(265)	22,700
November 2002	(31)	21	(10)		(10)	22,690
March 2003	(216)	(49)	(265)	27 #3	(238)	22,452
June 2003	(148)	(9)	(156)	446 #4	290	22,741
September 2003	17	(3)	15		15	22,756
November 2003	70	(4)	65		65	22,821
February 2004	63	14	76		76	22,897
June 2004	154	31	185	(86) #5	99	22,996
September 2004	104	13	117	(10) #6	106	23,103
Total change***:						
From February 2002	(356)	8	(348)	661	313	
Percent change	-1.6%	1.4%	-1.5%	2.9%	1.4%	

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

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

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

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

#1 Change to the forecast due to 2002 legislation.

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

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

#4 Impact of 2003 legislation on GFS revenue.

#5 Impact of 2004 legislation on GFS revenue.

#6 Revision to fiscal note for High tech incentives.

Table 3.14

Track Record for the 2005-07 General Fund-State Cash Forecast
 February 2004 through September 2004
 Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2004****	\$24,293	\$660				\$24,953
Changes to Forecast						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004						
March 2005						
June 2005						
September 2005						
November 2005						
February 2006						
June 2006						
Total change***:						
From February 2004	89	21	110	(287)	(177)	
Percent change	0.4%	3.1%	0.4%	-1.2%	-0.7%	

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

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

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

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

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

Table 3.15

September 2004 Forecast
Summary of Non Economic Changes
Millions of Dollars

	Revision to Fiscal Note HB 2546 (R&D credit)	
Fiscal 2004		
Fiscal 2005	<u>-10.4</u>	
03-05 Biennium		-10.4
Fiscal 2006	-10.9	
Fiscal 2007	-11.5	
05-07 Biennium		-22.4
Total both Biennia		(\$32.8)

Table 3.16
2003-05 Biennial Balance Sheet
Including Enacted 2004 Supplemental Budget
 General Fund-State
 Dollars in Millions

	2003-05
RESOURCES	
Beginning Fund Balance	404.6
June 2004 Forecast	22,996.3
September 2004 Forecast Update	116.8
2004 High Tech Tax Incentives: Revised Fiscal Note, HB 2546 *	(10.4)
Current Revenue Totals	23,102.7
2003 Fund Transfers and Other Adjustments	157.5
Federal Fiscal Relief - Grant	90.2
2004 Supplemental: Money Transfers from Other Funds	62.2
Total Resources (Includes Fund Balance)	23,817.1
APPROPRIATIONS AND SPENDING ESTIMATES	
Biennial Appropriation	23,081.4
2004 Supplemental Appropriations	145.5
Governor's Vetoes/Lapsed Appropriations	19.2
Spending Level	23,246.1
UNRESTRICTED GENERAL FUND BALANCE	
Projected Ending Fund Balance	571.1

* As passed, HB 2546 provides a formula for the computation of tax credits which differs from the original formula used to estimate fiscal impact. The Department of Revenue is preparing corrective technical legislation to be submitted in the next legislative session.

Table 3.17

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

Agency	2001-03 Biennium			2003-05 Biennium			2005-07 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$20,516.6	\$20,570.8	\$54.2	\$22,331.3	\$22,415.1	\$83.8	\$24,008.2	\$24,085.3	\$77.1
Department of Licensing	42.6	44.1	1.6	43.4	44.8	1.4	45.3	46.8	1.5
Insurance Commissioner ⁴	397.3	397.0	(0.3)	459.0	459.0	0.0	507.1	507.1	0.0
State Treasurer	58.2	55.9	(2.4)	43.1	41.8	(1.2)	73.6	75.0	1.4
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	160.9	161.5	0.5	201.2	201.6	0.5	182.2	183.1	0.9
Subtotal: General Fund-State Cash/Revenue*	21,175.6	21,229.3	53.6	23,077.9	23,162.3	84.4	24,816.6	24,897.4	80.9
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	75.7	75.5	(6.4)	121.6	122.6	1.0	86.6	86.6	0.0
Lottery Commission	0.0	0.0	0.0	4.0	4.0	0.0	0.0	0.0	0.0
Insurance Commissioner ⁷	(9.8)	(9.8)	0.0	(14.3)	(14.3)	0.0	(15.8)	(15.8)	0.0
Liquor Control Board	63.5	63.5	0.0	91.1	91.1	0.0	88.1	88.1	0.0
Office of Financial Management									
Other Agencies ⁸	(164.5)	(166.3)	(1.8)	(177.6)	(177.6)	0.0	(199.5)	(199.5)	0.0
Subtotal: GFS Other Financing Sources	(35.0)	(37.0)	(8.2)	24.7	25.7	1.0	(40.6)	(40.6)	0.0
Total Available Receipts/Resources									
General Fund-State *	\$21,140.7	\$21,192.3	\$51.6	\$23,102.7	\$23,188.1	\$85.4	\$24,776.0	\$24,856.8	\$80.9

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

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

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

4 Total insurance premiums tax.

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

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

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

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

Table 3.18
September 2004 Alternative Forecasts Compared to the Baseline Forecast
2003-05 Biennium
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
Department of Revenue			
Retail Sales	\$11,911.8	\$11,840.3	\$11,773.3
Business & Occupation Use	4,135.1	4,118.2	4,104.0
Public Utility	795.0	791.3	787.4
Property (school levy)	559.0	557.8	556.9
Real Estate Excise	2,768.5	2,727.8	2,687.0
Other	1,178.6	1,153.4	1,127.9
Subtotal	1,293.3	1,264.2	1,231.8
	22,641.3	22,452.9	22,268.2
Department of Licensing			
	44.0	43.4	42.7
Insurance Commissioner¹			
	450.3	444.6	439.0
Lottery Commission			
	7.0	4.0	4.0
State Treasurer - Interest earnings			
	60.8	43.1	31.6
Liquor Profits & Fees²			
	92.0	91.1	90.2
Office of Financial Management			
Other agencies	34.0	23.5	13.0
Total General Fund - State*	\$23,329.5	\$23,102.7	\$22,888.7
Difference from September 2004 Baseline	\$226.8		(\$214.0)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.19

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

I. Disposition of the State portion of the Property Tax

	State Levy: <u>Total Receipts</u>	To the <u>General Fund</u>	To the <u>Student Achievement Account</u> ¹
2000	\$1,302.0	1,302.0	
2001	1,349.9	1,349.9	
1999-01 Biennium	2,652.0	2,652.0	
2002	1,415.0	1,281.8	133.1
2003	1,465.5	1,331.6	133.9
2001-03 Biennium	2,880.5	2,613.5	267.0
2004	1,504.7	1,370.5	134.2
2005	1,552.8	1,357.3	195.5
2003-05 Biennium	3,057.5	2,727.8	329.7
2006	1,602.2	1,321.8	280.4
2007	1,651.9	1,303.3	348.7
2005-07 Biennium	3,254.2	2,625.1	629.1

II. Lottery Transfers by Fund*

	Lottery: <u>Total Transfers:**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account</u> ¹	<u>School Construction Account</u> ¹	<u>Transfer to VERDE</u> ²
1998	117.8	114.6	3.2				
1999	118.6	107.5	3.3	7.8			
1999-01 Biennium	236.3	222.0	6.5	7.8			
2000	101.1	93.3	3.4	4.4			
2001	120.1	110.0	3.6	6.5			
1999-01 Biennium	221.3	203.3	7.0	10.9			
2002	90.2	0.0	3.7	6.7	39.9	39.9	0.0
2003	96.8	0.0	3.9	7.0	64.0	21.4	0.5
2001-03 Biennium	187.0	0.0	7.6	13.8	103.9	61.3	0.5
2004	113.3	0.0	4.0	7.3	76.5	25.5	0.0
2005	111.2	4.0	4.2	7.6	0.0	95.4	0.0
2003-05 Biennium	224.5	4.0	8.2	14.9	76.5	120.9	0.0
2006	105.0	0.0	4.4	7.9	0.0	92.7	0.0
2007	100.0	0.0	4.5	8.2	0.0	87.3	0.0
2005-07 Biennium	205.0	0.0	8.9	16.1	0.0	180.0	0.0

* Cash Basis

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

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).

refer to the cash forecast unless otherwise noted. Likewise, the revenue tables other than Tables 3.8 and 3.10 are on a cash basis.

Table 3.17 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2001-03 biennium totaled \$21,192.3 million on a GAAP basis, \$51.6 million higher than the \$21,140.7 million cash receipts total. The forecast on a GAAP basis for the 2003-05 biennium is \$23,188.1 million, \$85.4 million more than the \$23,102.7 million cash receipts total. The GFS forecast for the 2005-07 biennium is \$24,856.8 million on a GAAP basis, \$80.9 million more than the \$24,776 million cash forecast.

Table 3.16 shows the budgetary balance sheet for the 2003-05 biennia. The September 2004 projected GFS unrestricted ending balance for the 2003-05 biennium is \$571.1 million. This is \$106.4 million more than assumed in June and is due to the higher GFS revenue forecast. The projected ending balance is about 2.5 percent of the 2003-05 spending level. The 2003-05 biennium is expected to end with a \$571.1 million positive ending balance despite a biennial spending level (\$23,246.1 million) greater than biennial revenue (\$23,102.7 million) due to a \$404.6 million beginning balance and \$309.9 million in transfers and adjustments.

Alternative Forecast for the 2003-05 Biennium

The September 2004 baseline forecast continues to assume the economy will improve over the course of the 2003-05 biennium. For the most part, economic indicators and revenue collections for the first year of the biennium have supported this view. While the trend may be clear, the strength of the expansion going forward is less so. In the second quarter of 2004 the economy hit what the Fed Chairman, Alan Greenspan, called a “soft patch”. Although the base line forecast assumes moderate growth going forward stronger than expected income and employment growth is possible as is slower growth. The outcome depends on the reaction of consumers and business to changing policy conditions (higher interest rates and less fiscal stimulus) and higher energy costs. The implications of assumptions that result in stronger as well as weaker growth than in the baseline forecast are contained in two alternative forecasts.

The optimistic scenario assumes higher productivity is a panacea, allowing stronger job and income growth in a low inflationary environment. With higher productivity the problem of higher budget deficits disappears. The assumed higher productivity offsets all areas of potential economic weakness. In this scenario employment growth is stronger and inflation is lower than in the baseline forecast. Exports also grow faster and the price of oil is lower than in the baseline. Washington’s economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 2.1 percent higher than the baseline by the end of the 2003-05 biennium. State wage and salary employment is 28,500 higher by the last quarter of the 2003-05 biennium.

The pessimistic scenario assumes that higher oil prices, a weak dollar and more than two years of very accommodative monetary policy leads to higher inflation than in the baseline forecast. Higher prices result in cost pressures on businesses to boost productivity. This results in weaker job growth and eventually to slower income and spending growth. In this scenario the Fed accelerates rate hikes to fight rising prices which slows growth even more. In the pessimistic scenario, state personal income is 2.0 percent less than the baseline by the end of the 2003-05 biennium. Wage and salary employment is 25,900 less by the last quarter of the 2003-2005 biennium

Table 3.16 shows the revenue implications of these alternative scenarios for the 2003-05 biennium. The optimistic scenario generates \$23,329.5 billion, \$226.8 million more than the baseline. The pessimistic alternative produces only \$22,888.7 million GFS revenue in the 2003-05 biennium, \$214.0 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 indicators made by members of the Governor's Council of Economic Advisors (GCEA). The September 2004 GCEA scenario was based on the forecasts of five members of the Governor's Council of Economic Advisors. The GCEA alternative was close to the September 2004 baseline forecast, producing \$65 million more GFS revenue than the baseline forecast for the 2003-05 biennium.

This page intentionally left blank.

Annual State Personal Income, 1973 to 2003

The tables that follow present the most recent revisions to Washington State personal income estimates for 1969 to 2003 as released by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) in April and September 2004. Historical values are also presented from 1973 through 2003 with additional detail for the years 1998 through 2003. Detailed historical data for the years 1969-1997 are available through the BEA at its website (www.bea.gov) or the Economic and Revenue Forecast Council.

The September estimates incorporate the comprehensive revision of the National Income and Product Accounts (NIPAs) undertaken in 2003, as well as newly available state source data that are more complete, more detailed, and otherwise more appropriate than those that were previously available. A more detailed explanation of revisions to the estimates of state personal income can be found in the October 2004 Survey of Current Business, published by the BEA and available at the department's website on October 29, 2004. Details of the comprehensive NIPA revision can be found in the February 2004 issue.

The BEA has designed state and county estimates of personal income to be conceptually and statistically consistent with the national estimates of personal income. As part of the preparation of both state and county estimates, the national estimates are disaggregated to states and counties. County data for 2003 is scheduled to be released in the spring of 2004 and will be subsequently published in the Washington Economic and Revenue Forecast publication.

Effective with 2001 annual data, the BEA has begun reporting industry wages and earnings classified according to the North American Industry Classification System (NAICS). In the years up to and including 2001, the data was reported according to the Standard Industrial Classification (SIC) system. As such, this report presents data for 1998-2000 classified by SIC, 2002-03 classified by NAICS, and 2001 data classified under both systems.

Table 4.1 shows Washington historical personal income, personal tax and nontax payments, disposable personal income, population, per capita personal income, and per capita disposable personal income from 1973 to 2003. Tables 4.2a and b illustrate components of personal income by major source and earnings by industry and Tables 4.3a and b break down wage and salary disbursements by industry for the last six years (1998-2003).

Table 4.4 shows per capita personal income by state for 1973, 1983, 1993, and 2003. Through the periods illustrated, Washington per capita income experienced the fastest growth in the northwest. Washington's 2003 per capita personal income of \$33,264 ranked 13th among the 50 states and the District of Columbia and was 5.7% higher than the national average of \$31,459.

Chart 4.1 shows real per capita personal income for Washington and the U.S. from 1969 through 2003. As the chart shows, with the exceptions of 1985, 1987, and 1988, Washington real per capita personal income has been consistently higher than that of the U.S.

Table 4.1

Washington Personal Income
 1973-2003

	Personal Income (Thousands of Dollars)	Personal Tax and Nontax Payments (Thousands of Dollars)	Disposable Personal Income (Thousands of Dollars)	Population (Number of Persons)	Per Capita Personal Income (Dollars)	Per Capita Disposable Personal Income (Dollars)
1973	18,408,456	2,012,386	16,396,070	3,477,227	5,294	4,715
1974	20,938,757	2,269,383	18,669,374	3,547,877	5,902	5,262
1975	23,684,118	2,480,969	21,203,149	3,618,824	6,545	5,859
1976	26,475,392	2,831,668	23,643,724	3,690,561	7,174	6,407
1977	29,449,483	3,221,651	26,227,832	3,772,360	7,807	6,953
1978	34,307,676	4,070,985	30,236,691	3,886,191	8,828	7,781
1979	39,572,181	4,998,853	34,573,328	4,012,831	9,861	8,616
1980	45,004,033	5,591,898	39,412,135	4,154,678	10,832	9,486
1981	50,294,912	6,356,770	43,938,142	4,235,728	11,874	10,373
1982	53,328,134	5,831,637	47,496,497	4,276,551	12,470	11,106
1983	56,665,796	5,665,807	50,999,989	4,300,269	13,177	11,860
1984	61,085,840	5,835,637	55,250,203	4,343,657	14,063	12,720
1985	64,923,578	6,331,592	58,591,986	4,400,096	14,755	13,316
1986	69,203,009	6,631,605	62,571,404	4,452,724	15,542	14,052
1987	73,461,020	7,542,561	65,918,459	4,531,903	16,210	14,545
1988	79,647,768	7,908,382	71,739,386	4,639,894	17,166	15,461
1989	88,083,919	9,572,209	78,511,710	4,746,315	18,558	16,542
1990	97,399,408	10,731,738	86,667,670	4,903,043	19,865	17,676
1991	103,974,021	10,992,221	92,981,800	5,025,624	20,689	18,502
1992	112,034,871	11,703,236	100,331,635	5,160,757	21,709	19,441
1993	117,265,725	11,976,590	105,289,135	5,278,842	22,214	19,945
1994	123,293,856	12,954,442	110,339,414	5,375,161	22,938	20,528
1995	129,844,598	13,849,825	115,994,773	5,481,027	23,690	21,163
1996	139,650,493	15,988,724	123,661,769	5,569,753	25,073	22,202
1997	150,118,526	18,332,579	131,785,947	5,674,747	26,454	23,223
1998	163,761,546	21,744,787	142,016,759	5,769,562	28,384	24,615
1999	175,491,324	25,762,011	149,729,313	5,842,564	30,037	25,627
2000	187,853,404	26,424,697	161,428,707	5,911,043	31,780	27,310
2001	194,419,716	24,612,854	169,806,862	5,992,760	32,442	28,335
2002	198,367,185	20,191,945	178,175,240	6,067,060	32,696	29,368
2003	203,955,570	18,860,898	185,094,672	6,131,445	33,264	30,188

Table 4.2a

Washington Personal Income by Major Source and Earnings by Industry Classified by SIC

(Thousands of Dollars)

	1998	1999	2000	2001
Income by Place of Residence				
Personal income	163,761,546	175,491,324	187,853,404	194,419,716
Nonfarm personal income	162,031,030	173,995,816	186,246,516	192,991,275
Farm income ¹	1,730,516	1,495,508	1,606,888	1,428,441
Population (persons) ²	5,769,562	5,842,564	5,911,043	5,992,760
Per capita personal income (dollars) ³	28,384	30,037	31,780	32,442
Derivation of Total Personal Income				
Earnings by place of work	126,709,576	138,175,390	147,025,929	150,151,195
less: Contributions for government social insurance ⁴	16,062,485	16,951,233	18,188,970	17,928,231
Personal contributions for government social insurance	7,267,588	7,810,492	8,288,501	8,192,147
Employer contributions for government social insurance	8,794,897	9,140,741	9,900,469	9,736,084
plus: Adjustment for residence ⁵	1,826,768	1,939,050	2,181,985	2,328,755
equals: Net earnings by place of residence	112,473,859	123,163,207	131,018,944	134,551,719
plus: Dividends, interest, and rent ⁶	31,527,857	31,362,522	34,520,824	34,788,228
plus: Personal current transfer receipts	19,759,830	20,965,595	22,313,636	25,079,769
Earnings by Place of Work				
Wage and salary disbursements	94,196,078	103,759,686	110,001,468	110,612,393
Supplements to wages and salaries	20,136,180	21,271,699	22,875,079	23,351,646
Employer contributions for employee pension and insurance	11,341,283	12,130,958	12,974,610	13,615,562
Employer contributions for government social insurance	8,794,897	9,140,741	9,900,469	9,736,084
Proprietors' income ⁷	12,377,318	13,144,005	14,149,382	16,187,156
Farm proprietors' income	729,562	357,063	444,326	238,711
Nonfarm proprietors' income	11,647,756	12,786,942	13,705,056	15,948,445
Earnings by Industry				
Farm earnings	1,730,516	1,495,508	1,606,888	1,428,441
Nonfarm earnings	124,979,060	136,679,882	145,419,041	148,722,754
Private earnings	101,988,773	112,890,188	120,215,463	122,100,951
Agricultural services, forestry, fishing and other ⁸	1,294,566	1,533,923	1,643,371	1,761,326
Agricultural services	790,984	896,736	982,447	(N)
Forestry, fishing, and other ⁸	503,582	637,187	660,924	(N)
Forestry	128,206	186,104	179,670	(N)
Fishing	375,376	451,083	481,254	(N)
Other ⁸ /	0	0	0	(N)
Mining	257,690	277,314	306,831	318,542
Metal mining	34,661	35,833	33,948	(N)
Coal mining	(D)	(D)	57,432	(N)
Oil and gas extraction	(D)	(D)	21,460	(N)
Nonmetallic minerals, except fuels	157,017	175,628	193,991	(N)
Construction	8,078,031	8,986,685	9,709,143	9,704,144
General building contractors	2,233,524	2,418,604	2,588,167	(N)
Heavy construction contractors	1,100,366	1,200,776	1,180,449	(N)
Special trade contractors	4,744,141	5,367,305	5,940,527	(N)
Manufacturing	20,608,309	20,939,563	21,566,085	21,471,401
Durable goods	15,644,200	15,595,126	15,687,480	15,821,634
Lumber and wood products	1,636,787	1,725,046	1,653,654	(N)
Furniture and fixtures	180,092	191,206	210,277	(N)
Stone, clay, and glass products	432,543	413,261	437,334	(N)
Primary metal industries	690,484	661,731	667,380	(N)
Fabricated metal products	657,711	666,654	687,612	(N)
Industrial machinery and equipment	1,460,930	1,478,896	1,749,486	(N)
Electronic and other electric equipment	878,324	1,000,478	1,149,316	(N)
Motor vehicles and equipment	363,140	389,144	356,076	(N)

Table 4.2a (cont'd)

Washington Personal Income by Major Source and Earnings by Industry Classified by SIC

(Thousands of Dollars)

	1998	1999	2000	2001
Other transportation equipment	7,883,108	7,594,662	7,185,956	(N)
Instruments and related products	1,063,224	1,003,067	1,063,012	(N)
Miscellaneous manufacturing industries	397,857	470,981	527,377	(N)
Ordnance ⁹	(N)	(N)	(N)	(N)
Nondurable goods	4,964,109	5,344,437	5,878,605	5,649,767
Food and kindred products	1,593,793	1,653,975	1,721,560	(N)
Tobacco products	0	0	0	(N)
Textile mill products	49,856	48,267	50,580	(N)
Apparel and other textile products	218,839	211,001	215,183	(N)
Paper and allied products	1,007,372	1,007,919	1,041,693	(N)
Printing and publishing	1,038,620	1,151,523	1,177,837	(N)
Chemicals and allied products	498,889	687,536	1,046,978	(N)
Petroleum and coal products	180,295	176,590	201,750	(N)
Rubber and miscellaneous plastics products	363,035	396,744	411,766	(N)
Leather and leather products	13,410	10,882	11,258	(N)
Transportation and public utilities	8,064,373	8,586,505	9,974,775	10,305,357
Railroad transportation	(D)	(D)	(D)	(N)
Trucking and warehousing	1,556,656	1,595,325	1,662,352	(N)
Water transportation	610,041	628,443	659,234	(N)
Other transportation	(D)	(D)	(D)	(N)
Local and interurban passenger transit	195,241	215,068	214,281	(N)
Transportation by air	1,126,430	1,229,159	1,338,116	(N)
Pipelines, except natural gas	(D)	(D)	(D)	(N)
Transportation services	521,622	568,957	685,020	(N)
Communications	2,335,942	2,621,366	3,558,765	(N)
Electric, gas, and sanitary services	1,341,789	1,367,035	1,487,793	(N)
Wholesale trade	7,667,300	7,991,126	8,618,064	8,409,197
Retail trade	11,267,361	12,458,216	13,748,533	13,713,368
Building materials and garden equipment	722,359	765,865	801,135	(N)
General merchandise stores	1,164,538	1,249,085	1,426,885	(N)
Food stores	1,870,016	1,919,883	2,031,849	(N)
Automotive dealers and service stations	1,837,435	1,973,800	2,098,247	(N)
Apparel and accessory stores	652,381	689,581	748,399	(N)
Home furniture and furnishings stores	710,175	794,926	849,342	(N)
Eating and drinking places	2,742,580	2,991,204	3,313,243	(N)
Miscellaneous retail	1,567,877	2,073,872	2,479,433	(N)
Finance, insurance, and real estate	8,512,093	9,350,775	9,662,818	10,920,361
Depository and nondepository institutions	2,417,866	2,525,202	2,568,354	(N)
Other finance, insurance, and real estate	6,094,227	6,825,573	7,094,464	(N)
Security and commodity brokers	1,061,653	1,267,519	1,511,573	(N)
Insurance carriers	1,617,221	1,589,360	1,664,554	(N)
Insurance agents, brokers, and services	863,294	880,898	896,232	(N)
Real estate	2,206,899	2,658,562	2,470,205	(N)
Combined real estate, insurance, etc. ¹⁰	(N)	(N)	(N)	(N)
Holding and other investment offices	345,160	429,234	551,900	(N)
Services	36,239,050	42,766,081	44,985,843	45,497,255
Hotels and other lodging places	766,839	780,502	818,998	(N)
Personal services	878,181	928,289	914,609	(N)
Private households	(D)	(D)	(D)	(N)
Business services	13,637,594	18,556,563	18,640,153	(N)
Automotive repair, services, and parking	925,543	960,942	1,051,000	(N)
Miscellaneous repair services	435,077	445,704	469,769	(N)

Table 4.2a (cont'd)

Washington Personal Income by Major Source and Earnings by Industry Classified by SIC

(Thousands of Dollars)

	1998	1999	2000	2001
Amusement and recreation services	851,109	958,365	1,107,074	(N)
Motion pictures	227,056	227,097	230,642	(N)
Health services	8,805,728	9,346,038	9,969,432	(N)
Legal services	1,897,112	2,023,998	2,292,106	(N)
Educational services	836,675	908,665	1,006,309	(N)
Social services	1,168,424	1,266,989	1,402,476	(N)
Museums, botanical, zoological gardens	(D)	(D)	(D)	(N)
Membership organizations	1,106,991	1,203,030	1,381,823	(N)
Engineering and management services	3,911,489	4,332,926	4,773,705	(N)
Miscellaneous services	451,904	491,775	537,090	(N)
Government and government enterprises	22,990,287	23,789,694	25,203,578	26,621,803
Federal, civilian	4,223,438	4,312,584	4,628,489	4,815,831
Military	2,904,767	2,954,591	3,116,275	3,351,478
State and local	15,862,082	16,522,519	17,458,814	18,454,494
State government	4,917,842	5,199,622	5,545,521	5,932,565
Local government	10,944,240	11,322,897	11,913,293	12,521,929

Table 4.2b

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

	2001	2002	2003
Income by Place of Residence			
Personal income	194,419,716	198,367,185	203,955,570
Nonfarm personal income	192,991,275	196,869,939	202,454,976
Farm income ¹	1,428,441	1,497,246	1,500,594
Population (persons) ²	5,992,760	6,067,060	6,131,445
Per capita personal income (dollars) ³	32,442	32,696	33,264
Derivation of Total Personal Income			
Earnings by place of work	150,151,195	153,657,567	159,320,658
less: Contributions for government social insurance ⁴	17,928,231	18,266,049	18,949,837
Personal contributions for government social insurance	8,192,147	8,455,346	8,724,930
Employer contributions for government social insurance	9,736,084	9,810,703	10,224,907
plus: Adjustment for residence ⁵	2,328,755	2,288,710	2,349,564
equals: Net earnings by place of residence	134,551,719	137,680,228	142,720,385
plus: Dividends, interest, and rent ⁶	34,788,228	34,091,213	33,409,540
plus: Personal current transfer receipts	25,079,769	26,595,744	27,825,645
Earnings by Place of Work			
Wage and salary disbursements	110,612,393	111,356,875	114,216,948
Supplements to wages and salaries	23,351,646	25,302,950	27,149,302
Employer contributions for employee pension and insurance	13,615,562	15,492,247	16,924,395
Employer contributions for government social insurance	9,736,084	9,810,703	10,224,907
Proprietors' income ⁷	16,187,156	16,997,742	17,954,408
Farm proprietors' income	238,711	356,640	132,916
Nonfarm proprietors' income	15,948,445	16,641,102	17,821,492
Earnings by Industry			
Farm earnings	1,428,441	1,497,246	1,500,594
Nonfarm earnings	148,722,754	152,160,321	157,820,064
Private earnings	122,100,951	123,673,939	127,696,973
Forestry, fishing, related activities, and other ⁸	1,789,090	1,848,813	1,911,103
Forestry and logging	545,416	547,724	549,779
Fishing, hunting, and trapping	598,139	640,528	670,265
Agriculture and forestry support activities	645,535	660,561	691,059
Other ⁸	0	0	0
Mining	266,153	253,714	261,387
Oil and gas extraction	(D)	(D)	(D)
Mining (except oil and gas)	223,915	216,076	225,754
Support activities for mining	(D)	(D)	(D)
Utilities	558,351	556,985	569,302
Construction	9,883,576	9,904,923	10,303,434
Construction of buildings	3,137,584	3,212,250	3,340,568
Heavy and civil engineering construction	1,366,520	1,374,325	1,487,890
Specialty trade contractors	5,379,472	5,318,348	5,474,976
Manufacturing	19,797,214	19,932,700	19,253,101
Durable goods manufacturing	14,882,752	14,451,707	14,133,628
Wood product manufacturing	872,015	843,614	877,129
Nonmetallic mineral product manufacturing	433,096	437,110	457,900
Primary metal manufacturing	550,698	414,076	356,344
Fabricated metal product manufacturing	849,276	860,995	872,040
Machinery manufacturing	786,772	734,425	745,952
Computer and electronic product manufacturing	2,323,642	1,978,251	1,951,291
Electrical equipment and appliance manufacturing	232,919	248,719	291,819
Motor vehicle manufacturing	(D)	(D)	(D)
Transportation equipment mfg. excl. motor vehicles	(D)	(D)	(D)

Table 4.2b (cont'd)

Washington Personal Income by Major Source and Earnings by Industry Classified by NAICS

(Thousands of Dollars)

	2001	2002	2003
Furniture and related product manufacturing	343,102	320,234	335,455
Miscellaneous manufacturing	667,287	677,662	656,838
Nondurable goods manufacturing	4,914,462	5,480,993	5,119,473
Food manufacturing	1,563,260	1,580,472	1,615,929
Beverage and tobacco product manufacturing	203,336	237,108	257,154
Textile mills	34,430	31,006	30,958
Textile product mills	109,402	108,157	106,712
Apparel manufacturing	101,525	95,778	94,072
Leather and allied product manufacturing	19,389	19,977	24,056
Paper manufacturing	1,021,768	999,483	1,003,981
Printing and related support activities	550,974	502,881	472,360
Petroleum and coal products manufacturing	253,151	288,604	392,948
Chemical manufacturing	641,781	1,188,048	680,273
Plastics and rubber products manufacturing	415,446	429,479	441,030
Wholesale trade	7,316,122	7,266,979	7,514,683
Retail trade	10,426,119	10,699,796	11,057,755
Motor vehicle and parts dealers	1,983,424	2,071,375	2,147,460
Furniture and home furnishings stores	435,937	444,511	457,423
Electronics and appliance stores	546,206	499,120	510,402
Building material and garden supply stores	894,101	899,009	947,948
Food and beverage stores	1,884,574	1,955,469	1,971,785
Health and personal care stores	536,563	538,834	564,508
Gasoline stations	468,769	461,429	485,486
Clothing and clothing accessories stores	625,409	617,861	593,824
Sporting goods, hobby, book and music stores	404,209	399,580	400,903
General merchandise stores	1,211,358	1,328,333	1,527,774
Miscellaneous store retailers	725,127	713,224	727,809
Nonstore retailers	710,442	771,051	722,433
Transportation and warehousing	4,899,949	4,888,887	4,980,817
Air transportation	921,752	892,728	889,395
Rail transportation	347,743	346,881	(D)
Water transportation	226,557	233,771	239,792
Truck transportation	1,310,627	1,306,398	1,286,525
Transit and ground passenger transportation	159,220	163,362	166,555
Pipeline transportation	32,945	22,859	22,615
Scenic and sightseeing transportation	38,321	39,544	40,223
Support activities for transportation	1,102,900	1,109,347	1,132,595
Couriers and messengers	466,467	469,289	(D)
Warehousing and storage	293,417	304,708	317,388
Information	13,628,851	12,473,908	12,477,895
Publishing industries, except Internet	9,266,564	8,425,954	8,611,476
Motion picture and sound recording industries	130,335	119,283	127,866
Broadcasting, except Internet	1,080,821	1,303,898	1,497,212
Internet publishing and broadcasting	155,438	121,872	107,766
Telecommunications	2,526,854	2,195,025	1,884,995
ISPs, search portals, and data processing	434,520	280,934	220,709
Other information services	34,319	26,942	27,871
Finance and insurance	7,783,552	8,089,555	9,013,881
Monetary authorities - central bank	(D)	(D)	(D)
Credit intermediation and related activities	3,169,024	3,481,453	4,245,924
Securities, commodity contracts, investments	1,612,486	1,541,386	1,527,080
Insurance carriers and related activities	2,647,972	2,743,320	2,932,507

Table 4.2b (cont'd)

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

	2001	2002	2003
Funds, trusts, and other financial vehicles	(D)	(D)	(D)
Real estate and rental and leasing	3,278,762	3,329,716	3,715,407
Real estate	2,666,169	2,743,170	3,095,712
Rental and leasing services	580,655	555,971	589,444
Lessors of nonfinancial intangible assets	31,938	30,575	30,251
Professional and technical services	12,796,972	13,119,664	13,441,214
Management of companies and enterprises	2,358,779	2,487,436	2,767,923
Administrative and waste services	4,702,524	4,928,613	5,250,074
Administrative and support services	3,886,190	4,063,789	4,354,109
Waste management and remediation services	816,334	864,824	895,965
Educational services	1,106,513	1,147,572	1,208,242
Health care and social assistance	12,234,944	13,133,031	13,920,268
Ambulatory health care services	6,628,807	7,099,816	7,548,609
Hospitals	2,964,201	3,192,456	3,404,779
Nursing and residential care facilities	1,418,708	1,533,637	1,609,491
Social assistance	1,223,228	1,307,122	1,357,389
Arts, entertainment, and recreation	1,381,789	1,399,606	1,492,954
Performing arts and spectator sports	573,825	575,448	620,396
Museums, historical sites, zoos, and parks	79,508	77,753	82,920
Amusement, gambling, and recreation	728,456	746,405	789,638
Accommodation and food services	3,712,208	3,807,441	3,993,253
Accommodation	753,262	754,299	797,323
Food services and drinking places	2,958,946	3,053,142	3,195,930
Other services, except public administration	4,179,483	4,404,600	4,564,280
Repair and maintenance	1,380,732	1,430,313	1,423,802
Personal and laundry services	839,935	860,449	890,913
Membership associations and organizations	1,510,046	1,671,357	1,768,105
Private households	448,770	442,481	481,460
Government and government enterprises	26,621,803	28,486,382	30,123,091
Federal, civilian	4,815,831	5,150,226	5,493,907
Military	3,351,478	3,823,065	4,253,183
State and local	18,454,494	19,513,091	20,376,001
State government	5,932,565	6,253,089	6,491,910
Local government	12,521,929	13,260,002	13,884,091

Table 4.3a

Washington Wage and Salary Disbursements Classified by SIC

(Thousands of Dollars)

	1998	1999	2000	2001
Wage and salary disbursements by place of work	94,196,078	103,759,686	110,001,468	110,612,393
Farm wage and salary disbursements	874,611	982,739	1,004,426	1,006,755
Nonfarm wage and salary disbursements	93,321,467	102,776,947	108,997,042	109,605,638
Private wage and salary disbursements	76,134,038	84,811,101	89,865,800	89,264,457
Agricultural services, forestry, fishing and other	761,212	886,486	937,783	1,005,743
Agricultural services	565,052	652,898	713,444	(N)
Forestry, fishing, and other ⁸	196,160	233,588	224,339	(N)
Forestry	49,000	65,942	74,185	(N)
Fishing	147,160	167,646	150,154	(N)
Other ⁸	0	0	0	(N)
Mining	146,339	147,745	169,690	165,091
Metal mining	25,491	26,157	24,420	(N)
Coal mining	(D)	(D)	34,681	(N)
Oil and gas extraction	(D)	(D)	1,377	(N)
Nonmetallic minerals, except fuels	89,471	89,559	109,212	(N)
Construction	5,267,004	5,981,805	6,508,885	6,444,256
General building contractors	1,446,951	1,625,988	1,766,338	(N)
Heavy construction contractors	887,680	965,005	939,935	(N)
Special trade contractors	2,932,373	3,390,812	3,802,612	(N)
Manufacturing	16,198,181	16,413,879	16,761,279	16,443,812
Durable goods	12,403,899	12,343,760	12,307,395	12,263,542
Lumber and wood products	1,242,294	1,333,867	1,309,389	(N)
Furniture and fixtures	133,285	139,047	149,534	(N)
Stone, clay, and glass products	329,545	317,651	337,413	(N)
Primary metal industries	535,949	514,150	513,126	(N)
Fabricated metal products	500,317	504,129	522,215	(N)
Industrial machinery and equipment	1,166,311	1,188,899	1,390,168	(N)
Electronic and other electric equipment	690,007	763,776	874,538	(N)
Motor vehicles and equipment	252,664	272,355	243,995	(N)
Other transportation equipment	6,398,205	6,136,753	5,744,201	(N)
Instruments and related products	867,863	818,699	858,672	(N)
Miscellaneous manufacturing industries	287,459	354,434	364,144	(N)
Ordnance ³	(N)	(N)	(N)	(N)
Nondurable goods	3,794,282	4,070,119	4,453,884	4,180,270
Food and kindred products	1,255,497	1,296,696	1,345,784	(N)
Tobacco products	0	0	0	(N)
Textile mill products	38,949	38,275	39,587	(N)
Apparel and other textile products	171,232	164,379	162,349	(N)
Paper and allied products	803,322	811,647	814,635	(N)
Printing and publishing	779,825	852,700	899,338	(N)
Chemicals and allied products	314,334	438,578	710,069	(N)
Petroleum and coal products	127,730	137,364	146,211	(N)
Rubber and miscellaneous plastics products	293,754	322,283	327,501	(N)
Leather and leather products	9,639	8,197	8,410	(N)
Transportation and public utilities	5,608,255	6,132,718	7,120,703	7,106,094
Railroad transportation	(D)	(D)	(D)	(N)
Trucking and warehousing	989,096	1,039,390	1,096,350	(N)
Water transportation	475,551	500,495	517,569	(N)
Other transportation	(D)	(D)	(D)	(N)
Local and interurban passenger transit	142,260	154,949	159,926	(N)
Transportation by air	924,386	1,023,284	1,109,611	(N)
Pipelines, except natural gas	(D)	(D)	(D)	(N)

Table 4.3a (cont'd)

Washington Wage and Salary Disbursements Classified by SIC

(Thousands of Dollars)

	1998	1999	2000	2001
Transportation services	414,041	438,759	513,649	(N)
Communications	1,576,320	1,869,751	2,534,977	(N)
Electric, gas, and sanitary services	810,560	841,443	919,993	(N)
Wholesale trade	6,252,934	6,526,530	7,038,301	6,791,667
Retail trade	9,007,770	10,037,073	11,071,649	10,955,878
Building materials and garden equipment	577,203	612,859	635,934	(N)
General merchandise stores	989,928	1,067,336	1,218,460	(N)
Food stores	1,452,660	1,489,735	1,558,958	(N)
Automotive dealers and service stations	1,482,524	1,617,101	1,711,885	(N)
Apparel and accessory stores	548,696	577,648	631,694	(N)
Home furniture and furnishings stores	599,206	668,181	740,728	(N)
Eating and drinking places	2,226,487	2,439,429	2,708,211	(N)
Miscellaneous retail	1,131,066	1,564,784	1,865,779	(N)
Finance, insurance, and real estate	5,837,613	6,090,582	6,460,693	6,978,500
Depository and nondepository institutions	1,961,750	2,028,345	2,049,454	(N)
Other finance, insurance, and real estate	3,875,863	4,062,237	4,411,239	(N)
Security and commodity brokers	697,886	836,907	1,001,416	(N)
Insurance carriers	1,353,357	1,328,932	1,388,733	(N)
Insurance agents, brokers, and services	638,190	644,725	670,335	(N)
Real estate	948,913	1,019,601	1,090,483	(N)
Combined real estate, insurance, etc. ⁴	(N)	(N)	(N)	(N)
Holding and other investment offices	237,517	232,072	260,272	(N)
Services	27,054,730	32,594,283	33,796,817	33,373,416
Hotels and other lodging places	506,398	539,540	555,605	(N)
Personal services	457,533	497,336	516,162	(N)
Private households	(D)	(D)	(D)	(N)
Business services	10,857,587	15,137,308	14,847,994	(N)
Automotive repair, services, and parking	692,273	733,895	778,601	(N)
Miscellaneous repair services	247,393	258,500	260,017	(N)
Amusement and recreation services	677,380	735,482	880,544	(N)
Motion pictures	141,823	144,911	150,478	(N)
Health services	6,374,936	6,778,778	7,165,517	(N)
Legal services	973,473	1,098,815	1,221,801	(N)
Educational services	688,971	736,943	807,571	(N)
Social services ⁵	1,012,439	1,102,533	1,218,064	(N)
Museums, botanical, zoological gardens	(D)	(D)	(D)	(N)
Membership organizations	1,003,295	1,090,273	1,249,824	(N)
Engineering and management services ⁶	3,007,272	3,309,089	3,668,563	(N)
Miscellaneous services	88,091	110,245	103,158	(N)
Government and government enterprises	17,187,429	17,965,846	19,131,242	20,341,181
Federal, civilian	2,846,044	2,889,943	3,122,271	3,208,832
Military	1,866,115	1,906,687	2,000,767	2,171,021
State and local	12,475,270	13,169,216	14,008,204	14,961,328
State government	3,910,226	4,186,037	4,486,615	4,823,603
Local government	8,565,044	8,983,179	9,521,589	10,137,725

Table 4.3b

Washington Wage and Salary Disbursements Classified by NAICS

(Thousands of Dollars)

	2001	2002	2003
Wage and salary disbursements by place of work	110,612,393	111,356,875	114,216,948
Farm wage and salary disbursements	1,006,755	966,923	1,180,965
Nonfarm wage and salary disbursements	109,605,638	110,389,952	113,035,983
Private wage and salary disbursements	89,264,457	88,622,956	90,193,266
Forestry, fishing, related activities, and other ⁸	1,031,877	1,080,737	1,136,853
Forestry and logging	304,116	317,869	317,553
Fishing, hunting, and trapping	211,066	232,298	261,051
Agriculture and forestry support activities	516,695	530,570	558,249
Other ⁸	0	0	0
Mining	161,939	149,147	150,981
Oil and gas extraction	(D)	(D)	(D)
Mining (except oil and gas)	147,989	133,393	138,068
Support activities for mining	(D)	(D)	(D)
Utilities	282,830	264,967	261,092
Construction	6,512,852	6,471,821	6,556,036
Construction of buildings	1,748,665	1,779,819	1,761,714
Heavy and civil engineering construction	986,014	982,879	1,054,345
Specialty trade contractors	3,778,173	3,709,123	3,739,977
Manufacturing	15,241,151	14,660,055	13,596,440
Durable goods manufacturing	11,614,494	10,772,317	10,101,959
Wood product manufacturing	683,173	662,315	684,234
Nonmetallic mineral product manufacturing	340,220	339,507	352,453
Primary metal manufacturing	421,433	307,644	259,935
Fabricated metal product manufacturing	649,798	647,784	646,970
Machinery manufacturing	606,534	547,677	541,439
Computer and electronic product manufacturin	1,885,727	1,543,932	1,473,732
Electrical equipment and appliance manufactu	166,546	168,742	196,569
Motor vehicle manufacturing	(D)	(D)	(D)
Transportation equipment mfg. excl. motor veh	(D)	(D)	(D)
Furniture and related product manufacturing	264,216	246,079	256,696
Miscellaneous manufacturing	474,237	458,378	440,681
Nondurable goods manufacturing	3,626,657	3,887,738	3,494,481
Food manufacturing	1,206,557	1,166,837	1,185,122
Beverage and tobacco product manufacturing	138,328	147,722	155,619
Textile mills	26,585	23,738	23,166
Textile product mills	83,223	82,434	79,755
Apparel manufacturing	73,202	66,140	62,988
Leather and allied product manufacturing	13,351	13,520	16,208
Paper manufacturing	774,977	734,554	733,611
Printing and related support activities	407,010	371,142	342,877
Petroleum and coal products manufacturing	162,775	177,180	185,034
Chemical manufacturing	412,478	770,344	368,651
Plastics and rubber products manufacturing	328,171	334,127	341,450
Wholesale trade	5,830,290	5,727,318	5,874,405
Retail trade	8,071,251	8,217,961	8,424,297
Motor vehicle and parts dealers	1,580,703	1,631,325	1,682,040
Furniture and home furnishings stores	322,513	330,422	337,374
Electronics and appliance stores	456,973	412,027	418,884
Building material and garden supply stores	731,294	732,790	769,179
Food and beverage stores	1,487,351	1,520,511	1,515,162
Health and personal care stores	435,186	435,516	454,035
Gasoline stations	245,803	241,195	254,407

Table 4.3b (cont'd)

Washington Wage and Salary Disbursements Classified by NAICS

(Thousands of Dollars)

	2001	2002	2003
Clothing and clothing accessories stores	513,167	504,544	480,364
Sporting goods, hobby, book and music stores	311,645	308,883	306,776
General merchandise stores	1,024,652	1,093,607	1,247,183
Miscellaneous store retailers	472,153	467,083	469,749
Nonstore retailers	489,811	540,058	489,144
Transportation and warehousing	3,494,307	3,458,718	3,498,564
Air transportation	723,996	696,761	681,078
Rail transportation	252,859	246,793	(D)
Water transportation	161,681	175,068	179,565
Truck transportation	830,515	818,477	802,741
Transit and ground passenger transportation	128,716	132,607	134,838
Pipeline transportation	12,590	13,700	12,817
Scenic and sightseeing transportation	17,948	18,282	18,819
Support activities for transportation	738,332	726,548	747,335
Couriers and messengers	390,228	385,243	(D)
Warehousing and storage	237,442	245,239	253,135
Information	10,956,854	9,560,442	9,358,705
Publishing industries, except Internet	8,015,591	7,065,613	7,214,686
Motion picture and sound recording industries	96,057	83,624	89,176
Broadcasting, except Internet	238,941	224,913	235,009
Internet publishing and broadcasting	123,221	85,920	73,161
Telecommunications	2,096,719	1,826,509	1,531,927
ISPs, search portals, and data processing	361,657	253,573	195,018
Other information services	24,668	20,290	19,728
Finance and insurance	5,346,831	5,573,540	6,294,254
Monetary authorities - central bank	(D)	(D)	(D)
Credit intermediation and related activities	2,048,224	2,334,551	2,928,499
Securities, commodity contracts, investments	1,121,601	1,050,885	1,055,363
Insurance carriers and related activities	2,111,765	2,132,710	2,269,629
Funds, trusts, and other financial vehicles	(D)	(D)	(D)
Real estate and rental and leasing	1,435,799	1,458,207	1,559,464
Real estate	1,040,122	1,078,014	1,161,077
Rental and leasing services	375,988	361,420	380,559
Lessors of nonfinancial intangible assets	19,689	18,773	17,828
Professional and technical services	8,301,565	8,230,112	8,439,742
Management of companies and enterprises	1,934,835	2,047,865	2,254,350
Administrative and waste services	3,630,687	3,793,770	4,033,504
Administrative and support services	2,937,523	3,060,642	3,278,502
Waste management and remediation services	693,164	733,128	755,002
Educational services	902,078	933,973	976,467
Health care and social assistance	8,884,887	9,498,715	9,991,366
Ambulatory health care services	4,262,291	4,546,396	4,800,693
Hospitals	2,541,792	2,730,658	2,895,357
Nursing and residential care facilities	1,065,840	1,141,420	1,183,245
Social assistance	1,014,964	1,080,241	1,112,071
Arts, entertainment, and recreation	1,008,143	1,011,092	1,069,666
Performing arts and spectator sports	378,644	368,292	392,366
Museums, historical sites, zoos, and parks	58,289	53,292	58,180
Amusement, gambling, and recreation	571,210	589,508	619,120
Accommodation and food services	3,050,283	3,114,253	3,240,789
Accommodation	550,551	553,174	579,088
Food services and drinking places	2,499,732	2,561,079	2,661,701

Table 4.3b (cont'd)

Washington Wage and Salary Disbursements Classified by NAICS

(Thousands of Dollars)

	2001	2002	2003
Other services, except public administration	3,185,998	3,370,263	3,476,291
Repair and maintenance	932,584	962,408	937,639
Personal and laundry services	587,252	596,127	611,320
Membership associations and organizations	1,356,592	1,508,663	1,589,958
Private households	309,570	303,065	337,374
Government and government enterprises	20,341,181	21,766,996	22,842,717
Federal, civilian	3,208,832	3,414,528	3,696,190
Military	2,171,021	2,457,630	2,658,148
State and local	14,961,328	15,894,838	16,488,379
State government	4,823,603	5,096,127	5,236,955
Local government	10,137,725	10,798,711	11,251,424

Table 4.4

Per Capita Personal Income by State

	1973	Rank	1983	Rank	1993	Rank	2003	Rank
Alabama	3,939	50	9,784	48	17,764	42	26,276	42
Alaska	6,823	1	19,174	1	24,538	8	33,254	14
Arizona	4,917	33	11,673	31	18,293	37	26,931	39
Arkansas	3,967	49	9,491	50	16,619	49	24,296	50
California	5,944	9	14,556	5	22,635	12	33,403	11
Colorado	5,296	18	13,604	11	22,054	16	34,510	8
Connecticut	6,230	3	15,804	2	28,975	2	43,292	2
Delaware	5,858	11	13,498	12	22,967	9	33,321	12
District of Columbia	6,472	2	15,490	3	29,996	1	47,305	1
Florida	5,227	22	12,655	19	21,050	21	29,972	25
Georgia	4,481	39	10,874	38	19,719	30	29,259	28
Hawaii	6,143	5	13,910	9	24,555	7	30,589	22
Idaho	4,677	35	10,330	43	18,103	39	25,583	46
Illinois	5,895	10	13,459	13	22,962	10	33,205	15
Indiana	5,076	28	11,214	34	19,764	28	28,797	33
Iowa	5,402	16	11,550	32	18,716	35	28,398	36
Kansas	5,271	20	12,511	20	20,234	24	29,545	27
Kentucky	4,123	44	9,915	46	17,520	45	26,352	41
Louisiana	3,979	48	10,897	37	17,413	46	26,038	44
Maine	4,309	42	10,577	39	18,639	36	28,935	31
Maryland	5,807	12	14,337	6	24,720	6	37,424	5
Massachusetts	5,547	14	14,009	8	25,176	4	39,408	4
Michigan	5,550	13	12,320	24	21,129	20	31,196	20
Minnesota	5,414	15	12,698	18	21,636	18	34,039	9
Mississippi	3,591	51	8,576	51	15,290	51	23,343	51
Missouri	4,931	32	11,840	28	19,862	27	29,094	29
Montana	4,987	29	11,067	35	17,770	41	25,775	45
Nebraska	5,261	21	11,759	30	19,750	29	30,331	24
Nevada	6,107	6	13,656	10	22,777	11	31,487	19
New Hampshire	4,870	34	13,064	15	22,376	14	34,703	7
New Jersey	6,033	7	15,086	4	26,824	3	40,002	3
New Mexico	4,122	45	10,467	42	16,959	47	25,502	47
New York	5,964	8	14,277	7	25,143	5	36,296	6
North Carolina	4,349	40	10,527	41	19,575	31	28,301	37
North Dakota	6,189	4	11,430	33	17,703	43	28,521	35
Ohio	5,208	23	12,201	25	20,634	22	29,953	26
Oklahoma	4,518	38	11,776	29	17,814	40	26,567	40
Oregon	5,110	27	11,869	27	20,046	25	28,806	32
Pennsylvania	5,158	24	12,495	21	21,738	17	31,706	18
Rhode Island	4,962	31	12,432	22	21,586	19	31,937	17
South Carolina	4,017	46	9,806	47	17,531	44	26,138	43
South Dakota	5,158	24	10,306	45	18,289	38	28,299	38
Tennessee	4,280	43	10,329	44	19,284	34	28,565	34
Texas	4,665	36	12,372	23	19,503	32	29,076	30
Utah	4,323	41	10,535	40	16,756	48	25,230	48
Vermont	4,521	37	10,959	36	19,485	33	30,534	23
Virginia	4,971	30	13,038	16	22,470	13	33,651	10
Washington	5,294	19	13,177	14	22,214	15	33,264	13
West Virginia	4,010	47	9,614	49	16,548	50	24,672	49
Wisconsin	5,123	26	12,073	26	20,331	23	30,723	21
Wyoming	5,390	17	12,791	17	19,976	26	32,235	16
National Average	5,231		12,618		21,346		31,459	

Notes for Tables 4.2a, 4.2b, 4.3a and 4.3b

- ¹ Farm income consists of proprietors' income; the cash wages, pay-in-kind, and other labor income of hired farm workers; and the salaries of officers of corporate farms.
- ² Midyear population estimates of the Bureau of the Census.
- ³ Per capita personal income is total personal income divided by total midyear population.
- ⁴ Personal contributions for social insurance are included in earnings by type and industry, but they are excluded from personal income.
- ⁵ The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers: Wage and salary disbursements to U.S. residents commuting to Canada less wage and salary disbursements to Canadian and Mexican residents commuting into the United States.
- ⁶ Rental income of persons includes the capital consumption adjustment.
- ⁷ Proprietors' income includes the inventory valuation adjustment and the capital consumption adjustment.
- ⁸ "Other" consists of the wage and salary disbursements of U.S. residents employed by international organizations and foreign embassies and consulates in the United States.
- ⁹ Under the 1972 SIC, ordnance was reclassified to four 2-digit industries: Fabricated metal products, electronic and other electric equipment, transportation equipment, and instruments and related products.
- ¹⁰ Under the 1987 SIC, combined real estate, insurance, etc., was reclassified to four 2-digit industries: Nondepository credit institutions; insurance agents, brokers, and services; real estate; and legal services.

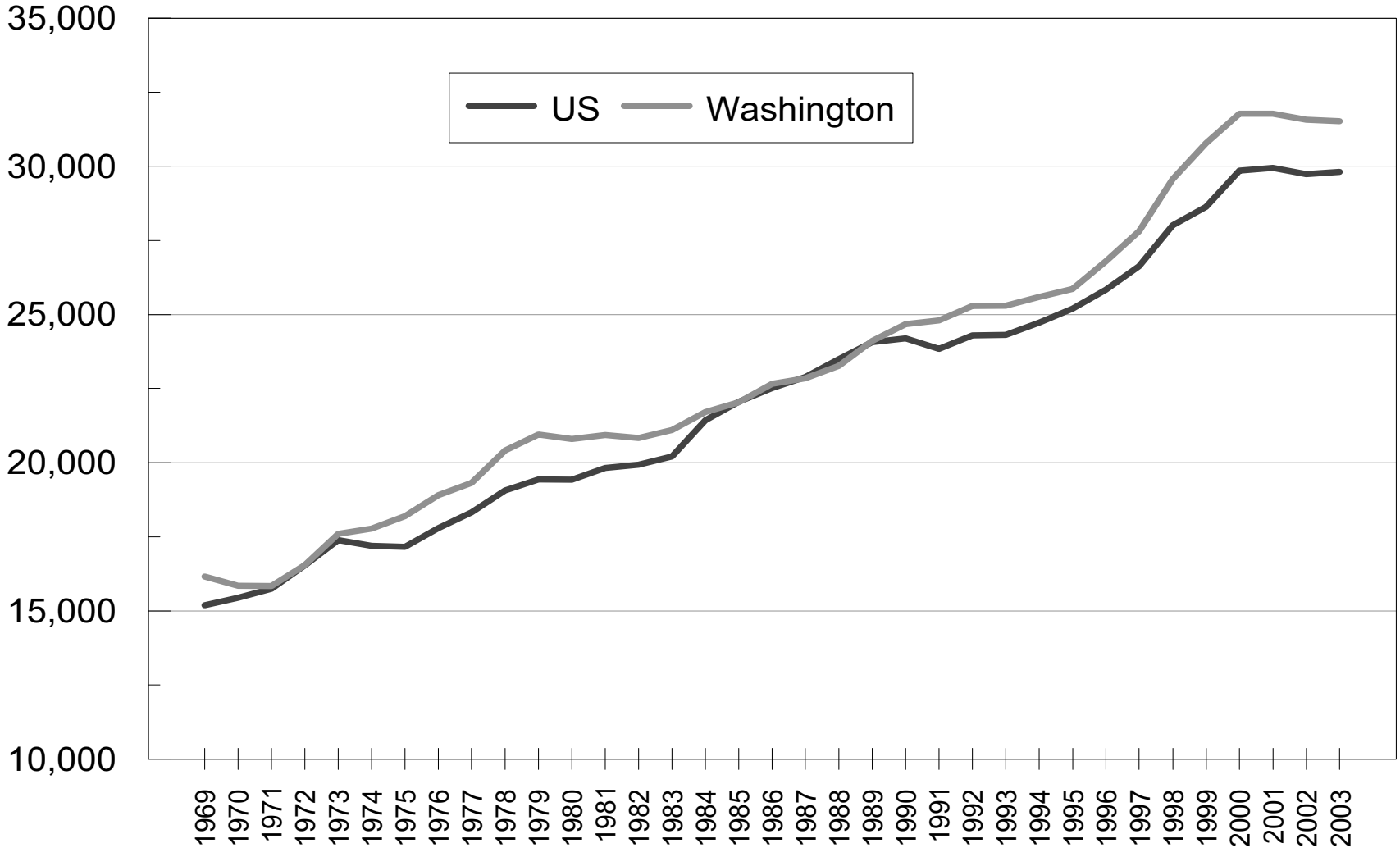
All state and local area dollar estimates are in current dollars (not adjusted for inflation).

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

(L) Less than \$50,000, but the estimates for this item are included in the total.

(N) Data not available for this year.

Chart 4.1
Real Per Capita Personal Income
2000 Chained Dollars



Detail Components of the Washington Economic Forecast

Calendar Years

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

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,817.0	9,890.6	10,074.8	10,381.3	10,832.9	11,220.9	11,567.6	11,955.9
% Ch	3.7	0.8	1.9	3.0	4.3	3.6	3.1	3.4
Real Consumption	6739.4	6910.4	7123.4	7355.5	7603.5	7836.5	8077.4	8320.3
% Ch	4.7	2.5	3.1	3.3	3.4	3.1	3.1	3.0
Real Nonresidential Fixed Investment	1,232.1	1,180.5	1,075.7	1,110.8	1,219.9	1,310.0	1,401.2	1,503.9
% Ch	8.7	-4.2	-8.9	3.3	9.8	7.4	7.0	7.3
Real Residential Fixed Investment	446.9	448.5	470.1	511.2	557.2	541.2	510.6	509.2
% Ch	0.8	0.4	4.8	8.8	9.0	-2.9	-5.7	-0.3
Real Personal Income	8,429.3	8,545.2	8,574.8	8,683.0	8,989.0	9,295.7	9,637.0	9,987.4
% Ch	5.4	1.4	0.3	1.3	3.5	3.4	3.7	3.6
Real Per Capita Income (\$/Person)	29,807	29,908	29,712	29,798	30,564	31,320	32,179	33,054
% Ch	4.3	0.3	-0.7	0.3	2.6	2.5	2.7	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.021	1.035	1.055	1.079	1.098	1.116	1.139
% Ch	2.5	2.1	1.4	1.9	2.3	1.7	1.7	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.722	1.770	1.799	1.839	1.888	1.920	1.948	1.984
% Ch	3.4	2.8	1.6	2.3	2.7	1.7	1.5	1.8
Employment Cost Index (June 1989=1.0)	1.460	1.514	1.564	1.609	1.650	1.698	1.752	1.813
% Ch	4.1	3.7	3.3	2.9	2.5	2.9	3.2	3.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	9,817.0	10,128.0	10,487.0	11,004.0	11,727.0	12,379.0	12,979.0	13,679.9
% Ch	5.9	3.2	3.5	4.9	6.6	5.6	4.8	5.4
Personal Income	8,429.7	8,724.1	8,878.9	9,161.8	9,701.5	10,202.5	10,759.1	11,380.9
% Ch	8.0	3.5	1.8	3.2	5.9	5.2	5.5	5.8
Employment (Millions)								
U.S. Civilian Labor Force	142.6	143.9	145.1	146.5	147.4	149.7	152.1	154.3
Total U.S. Employment	136.9	137.1	136.7	137.7	139.2	141.6	143.8	145.9
Unemployment Rate (%)	3.98	4.76	5.78	5.99	5.57	5.40	5.50	5.46
Nonfarm Payroll Employment	131.79	131.84	130.34	129.94	131.23	133.39	135.29	136.95
% Ch	2.2	0.0	-1.1	-0.3	1.0	1.7	1.4	1.2
Manufacturing	17.27	16.44	15.26	14.52	14.40	14.55	14.68	14.68
% Ch	-0.3	-4.8	-7.2	-4.8	-0.8	1.1	0.9	-0.0
Durable Manufacturing	10.88	10.33	9.48	8.97	8.96	9.13	9.28	9.31
% Ch	0.4	-5.0	-8.2	-5.4	-0.1	2.0	1.6	0.3
Nondurable Manufacturing	6.39	6.11	5.77	5.55	5.44	5.42	5.40	5.37
% Ch	-1.6	-4.4	-5.4	-3.8	-2.0	-0.4	-0.4	-0.6
Construction	6.79	6.83	6.72	6.72	6.90	7.07	7.20	7.31
% Ch	3.7	0.6	-1.6	0.1	2.7	2.4	1.7	1.6
Service-Producing	107.14	107.96	107.79	108.12	109.33	111.17	112.85	114.43
% Ch	2.5	0.8	-0.2	0.3	1.1	1.7	1.5	1.4
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.5	23.7	24.1	24.0	23.7	23.2	22.5	22.0
Auto Sales (Millions)	8.9	8.4	8.1	7.6	7.5	7.7	7.7	7.6
% Ch	1.8	-4.9	-3.8	-6.0	-1.6	3.0	0.3	-1.5
Housing Starts (Millions)	1.573	1.601	1.710	1.853	1.908	1.752	1.660	1.674
% Ch	-4.5	1.8	6.8	8.3	3.0	-8.2	-5.2	0.8
Federal Budget Surplus (Billions)	189.4	46.7	-254.5	-364.6	-385.8	-298.3	-286.5	-269.3
Net Exports (Billions)	-379.5	-367.0	-424.9	-498.1	-563.9	-528.6	-496.7	-490.3
3-Month Treasury Bill Rate (%)	5.81	3.43	1.61	1.01	1.32	2.65	3.25	3.24
30-Year U.S. Govt. Bond Rate (%)	5.94	5.49	5.42	5.05	5.27	5.97	6.11	6.08
Bond Index of 20 G.O. Munis. (%)	5.70	5.15	5.03	4.74	4.78	5.21	5.39	5.38
Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.99	6.78	6.99	6.95

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,993.5	10,052.6	10,117.3	10,135.9	10,184.4	10,287.4	10,472.8	10,580.7
% Ch	3.4	2.4	2.6	0.7	1.9	4.1	7.4	4.2
Real Consumption	7,049.7	7,099.3	7,149.9	7,194.6	7,242.2	7,311.4	7,401.7	7,466.8
% Ch	1.8	2.8	2.9	2.5	2.7	3.9	5.0	3.6
Real Nonresidential Fixed Investment	1,099.8	1,072.4	1,069.5	1,060.9	1,060.5	1,090.6	1,131.1	1,161.0
% Ch	-9.7	-9.6	-1.1	-3.2	-0.2	11.8	15.7	11.0
Real Residential Fixed Investment	457.8	470.3	473.6	478.5	487.3	497.9	523.8	535.9
% Ch	9.2	11.4	2.8	4.2	7.6	9.0	22.5	9.6
Real Personal Income	8,575.5	8,605.7	8,562.3	8,555.6	8,567.0	8,649.9	8,713.6	8,801.5
% Ch	1.4	1.4	-2.0	-0.3	0.5	3.9	3.0	4.1
Real Per Capita Income (\$/Person)	29,829	29,860	29,627	29,532	29,507	29,720	29,867	30,099
% Ch	0.4	0.4	-3.1	-1.3	-0.3	2.9	2.0	3.1
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.034	1.039	1.042	1.051	1.053	1.057	1.060
% Ch	0.9	2.9	2.0	1.4	3.2	0.7	1.6	1.2
U.S. Consumer Price Index (1982-84=1.0)	1.780	1.795	1.805	1.814	1.831	1.834	1.845	1.848
% Ch	1.3	3.5	2.2	1.9	3.9	0.6	2.3	0.7
Employment Cost Index (June 1989=1.0)	1.548	1.562	1.569	1.577	1.593	1.603	1.617	1.625
% Ch	3.4	3.7	1.8	2.1	4.1	2.5	3.5	2.0
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,338.2	10,445.7	10,546.5	10,617.5	10,744.6	10,884.0	11,116.7	11,270.9
% Ch	4.4	4.2	3.9	2.7	4.9	5.3	8.8	5.7
Personal Income	8,803.6	8,897.1	8,895.7	8,919.2	9,002.2	9,105.7	9,209.3	9,330.0
% Ch	2.2	4.3	-0.1	1.1	3.8	4.7	4.6	5.3
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.1	145.5	145.5	145.9	146.6	146.6	147.0
Total U.S. Employment	136.2	136.6	137.1	137.0	137.4	137.6	137.6	138.4
Unemployment Rate (%)	5.67	5.83	5.73	5.87	5.83	6.13	6.13	5.87
Nonfarm Payroll Employment	130.45	130.39	130.29	130.25	130.05	129.88	129.82	130.00
% Ch	-1.4	-0.2	-0.3	-0.1	-0.6	-0.5	-0.2	0.6
Manufacturing	15.50	15.35	15.20	14.98	14.78	14.57	14.41	14.34
% Ch	-8.0	-4.0	-3.9	-5.6	-5.3	-5.4	-4.3	-1.9
Durable Manufacturing	9.65	9.55	9.44	9.29	9.13	8.99	8.89	8.87
% Ch	-9.5	-4.3	-4.4	-6.4	-6.4	-6.1	-4.6	-1.0
Nondurable Manufacturing	5.85	5.80	5.76	5.69	5.64	5.58	5.52	5.47
% Ch	-5.5	-3.5	-2.9	-4.3	-3.6	-4.4	-3.9	-3.5
Construction	6.77	6.71	6.69	6.70	6.68	6.71	6.74	6.77
% Ch	-1.3	-3.7	-0.9	0.4	-1.2	1.8	1.8	1.7
Service-Producing	107.58	107.75	107.82	108.00	108.02	108.03	108.10	108.33
% Ch	-0.4	0.6	0.3	0.6	0.1	0.0	0.3	0.8
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	24.0	23.9	24.2	24.2	24.1	24.1	23.9	23.9
Auto Sales (Millions)	8.0	8.2	8.4	7.9	7.8	7.5	7.7	7.5
% Ch	-32.2	10.4	10.1	-19.9	-7.7	-12.8	10.4	-8.1
Housing Starts (Millions)	1.723	1.691	1.697	1.730	1.747	1.745	1.883	2.035
% Ch	45.1	-7.2	1.5	7.8	4.1	-0.5	35.7	36.2
Federal Budget Surplus (Billions)	-208.5	-251.6	-255.1	-302.7	-281.6	-364.4	-433.0	-379.2
Net Exports (Billions)	-376.3	-415.4	-431.1	-476.6	-503.3	-497.6	-488.8	-502.8
3-Month Treasury Bill Rate (%)	1.72	1.72	1.65	1.35	1.16	1.04	0.93	0.92
30-Year U.S. Govt. Bond Rate (%)	5.59	5.75	5.24	5.11	5.01	4.74	5.24	5.22
Bond Index of 20 G.O. Munis. (%)	5.18	5.16	4.89	4.90	4.83	4.47	4.89	4.76
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.92

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,697.5	10,778.0	10,868.5	10,987.4	11,088.1	11,189.7	11,268.0	11,337.7
% Ch	4.5	3.0	3.4	4.4	3.7	3.7	2.8	2.5
Real Consumption	7,543.0	7,562.5	7,624.5	7,684.0	7,746.4	7,808.3	7,866.5	7,924.8
% Ch	4.1	1.0	3.3	3.2	3.3	3.2	3.0	3.0
Real Nonresidential Fixed Investment	1,173.0	1,198.1	1,226.5	1,282.1	1,267.0	1,306.6	1,326.0	1,340.5
% Ch	4.2	8.8	9.8	19.4	-4.6	13.1	6.1	4.5
Real Residential Fixed Investment	542.5	562.3	562.3	561.9	556.6	547.7	535.6	525.1
% Ch	5.0	15.4	-0.0	-0.3	-3.7	-6.2	-8.6	-7.6
Real Personal Income	8,857.8	8,925.4	9,002.7	9,169.9	9,172.4	9,259.1	9,337.1	9,414.1
% Ch	2.6	3.1	3.5	7.6	0.1	3.8	3.4	3.3
Real Per Capita Income (\$/Person)	30,222	30,383	30,576	31,073	31,010	31,232	31,424	31,612
% Ch	1.6	2.2	2.6	6.7	-0.8	2.9	2.5	2.4
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.069	1.077	1.083	1.088	1.092	1.095	1.100	1.104
% Ch	3.3	3.3	2.2	1.8	1.4	1.4	1.6	1.4
U.S. Consumer Price Index (1982-84=1.0)	1.864	1.886	1.898	1.906	1.911	1.916	1.923	1.928
% Ch	3.6	4.7	2.5	1.7	1.1	1.1	1.4	1.1
Employment Cost Index (June 1989=1.0)	1.635	1.644	1.654	1.666	1.679	1.692	1.704	1.718
% Ch	2.5	2.2	2.5	2.9	3.1	3.1	2.9	3.4
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,472.6	11,649.3	11,800.7	11,985.5	12,157.7	12,321.3	12,455.3	12,581.8
% Ch	7.4	6.3	5.3	6.4	5.9	5.5	4.4	4.1
Personal Income	9,465.4	9,614.8	9,749.9	9,975.9	10,012.7	10,141.5	10,266.9	10,388.8
% Ch	5.9	6.5	5.7	9.6	1.5	5.2	5.0	4.8
Employment (Millions)								
U.S. Civilian Labor Force	146.7	147.0	147.7	148.2	148.8	149.4	150.0	150.6
Total U.S. Employment	138.4	138.8	139.5	140.1	140.8	141.4	141.9	142.4
Unemployment Rate (%)	5.63	5.60	5.57	5.49	5.41	5.36	5.38	5.44
Nonfarm Payroll Employment	130.37	131.12	131.42	132.00	132.53	133.17	133.71	134.17
% Ch	1.1	2.3	0.9	1.8	1.6	2.0	1.6	1.4
Manufacturing	14.33	14.39	14.41	14.48	14.50	14.53	14.57	14.62
% Ch	-0.4	1.7	0.8	1.8	0.5	0.8	1.3	1.3
Durable Manufacturing	8.88	8.94	8.97	9.04	9.07	9.10	9.15	9.20
% Ch	0.8	2.6	1.3	3.0	1.5	1.5	2.3	2.1
Nondurable Manufacturing	5.44	5.44	5.44	5.44	5.43	5.42	5.42	5.42
% Ch	-2.3	0.1	-0.0	-0.2	-1.0	-0.2	-0.4	-0.1
Construction	6.82	6.90	6.92	6.97	7.04	7.08	7.08	7.09
% Ch	3.1	4.7	1.5	2.9	3.6	2.6	-0.2	0.8
Service-Producing	108.65	109.25	109.49	109.95	110.39	110.96	111.47	111.87
% Ch	1.2	2.2	0.9	1.7	1.6	2.1	1.8	1.5
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	23.9	23.7	23.7	23.6	23.4	23.3	23.1	22.9
Auto Sales (Millions)	7.4	7.5	7.5	7.5	7.7	7.8	7.7	7.7
% Ch	-4.2	1.4	3.4	-0.6	7.6	8.0	-5.7	0.1
Housing Starts (Millions)	1.943	1.912	1.902	1.878	1.825	1.778	1.722	1.683
% Ch	-16.8	-6.3	-2.1	-4.9	-10.8	-9.9	-12.0	-8.7
Federal Budget Surplus (Billions)	-384.3	-371.4	-399.0	-388.4	-305.7	-302.4	-296.1	-289.1
Net Exports (Billions)	-546.8	-561.0	-568.4	-579.6	-544.9	-535.2	-524.6	-509.5
3-Month Treasury Bill Rate (%)	0.92	1.07	1.52	1.76	2.03	2.46	2.88	3.23
30-Year U.S. Govt. Bond Rate (%)	4.98	5.40	5.24	5.45	5.69	5.89	6.08	6.24
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.73	4.89	4.97	5.13	5.29	5.46
Mortgage Rate (%)	5.61	6.13	5.99	6.21	6.49	6.64	6.90	7.08

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,424.7	11,514.0	11,614.5	11,717.3	11,815.4	11,913.3	12,002.5	12,092.4
% Ch	3.1	3.2	3.5	3.6	3.4	3.4	3.0	3.0
Real Consumption	7,981.6	8,044.3	8,110.0	8,173.6	8,230.2	8,290.3	8,349.0	8,411.8
% Ch	2.9	3.2	3.3	3.2	2.8	3.0	2.9	3.0
Real Nonresidential Fixed Investment	1,365.0	1,387.3	1,413.1	1,439.5	1,467.4	1,493.8	1,517.5	1,537.1
% Ch	7.5	6.7	7.7	7.7	8.0	7.4	6.5	5.3
Real Residential Fixed Investment	516.7	510.4	507.6	507.6	508.2	509.1	509.0	510.6
% Ch	-6.3	-4.8	-2.2	0.0	0.5	0.7	-0.1	1.2
Real Personal Income	9,502.6	9,590.3	9,683.2	9,771.8	9,858.7	9,945.6	10,030.7	10,114.4
% Ch	3.8	3.7	3.9	3.7	3.6	3.6	3.5	3.4
Real Per Capita Income (\$/Person)	31,837	32,059	32,298	32,521	32,737	32,952	33,162	33,366
% Ch	2.9	2.8	3.0	2.8	2.7	2.7	2.6	2.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.108	1.114	1.119	1.124	1.130	1.136	1.142	1.149
% Ch	1.8	1.9	2.0	1.9	2.1	2.2	2.1	2.2
U.S. Consumer Price Index (1982-84=1.0)	1.935	1.944	1.952	1.960	1.969	1.979	1.988	1.998
% Ch	1.5	1.7	1.8	1.7	1.8	1.9	1.9	2.0
Employment Cost Index (June 1989=1.0)	1.732	1.745	1.759	1.774	1.790	1.805	1.821	1.837
% Ch	3.2	3.0	3.3	3.5	3.6	3.5	3.5	3.5
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,735.4	12,888.2	13,058.8	13,233.7	13,416.0	13,596.6	13,767.0	13,939.8
% Ch	5.0	4.9	5.4	5.5	5.6	5.5	5.1	5.1
Personal Income	10,532.8	10,679.2	10,836.2	10,988.1	11,143.8	11,302.5	11,459.9	11,617.5
% Ch	5.7	5.7	6.0	5.7	5.8	5.8	5.7	5.6
Employment (Millions)								
U.S. Civilian Labor Force	151.2	151.8	152.4	153.0	153.5	154.1	154.6	155.1
Total U.S. Employment	142.9	143.5	144.0	144.6	145.1	145.7	146.2	146.6
Unemployment Rate (%)	5.49	5.51	5.51	5.48	5.47	5.46	5.46	5.46
Nonfarm Payroll Employment	134.62	135.04	135.53	135.97	136.38	136.79	137.15	137.49
% Ch	1.3	1.3	1.4	1.3	1.2	1.2	1.1	1.0
Manufacturing	14.66	14.68	14.69	14.69	14.69	14.68	14.67	14.65
% Ch	1.1	0.6	0.2	-0.1	0.1	-0.2	-0.3	-0.5
Durable Manufacturing	9.25	9.28	9.29	9.29	9.30	9.31	9.31	9.31
% Ch	2.1	1.2	0.6	0.1	0.4	0.2	0.1	0.0
Nondurable Manufacturing	5.41	5.40	5.40	5.39	5.39	5.38	5.36	5.34
% Ch	-0.5	-0.4	-0.4	-0.4	-0.4	-0.9	-1.0	-1.4
Construction	7.15	7.18	7.21	7.24	7.26	7.29	7.32	7.34
% Ch	3.3	1.6	2.0	1.2	1.6	1.7	1.5	1.2
Service-Producing	112.23	112.62	113.07	113.49	113.87	114.27	114.62	114.97
% Ch	1.3	1.4	1.6	1.5	1.3	1.4	1.2	1.2
Miscellaneous Indicators								
Credit Outstanding/Disp. Income	22.7	22.5	22.4	22.2	22.1	22.1	22.0	22.0
Auto Sales (Millions)	7.7	7.7	7.8	7.9	7.5	7.6	7.7	7.7
% Ch	-2.2	0.9	5.6	4.3	-15.7	4.0	3.8	1.5
Housing Starts (Millions)	1.664	1.656	1.659	1.662	1.668	1.675	1.676	1.676
% Ch	-4.5	-1.8	0.7	0.6	1.5	1.6	0.4	-0.1
Federal Budget Surplus (Billions)	-282.4	-288.2	-293.4	-281.9	-272.6	-270.0	-266.2	-268.3
Net Exports (Billions)	-500.9	-495.6	-493.9	-496.3	-494.7	-492.0	-489.1	-485.4
3-Month Treasury Bill Rate (%)	3.27	3.25	3.25	3.25	3.24	3.24	3.24	3.24
30-Year U.S. Govt. Bond Rate (%)	6.18	6.12	6.08	6.07	6.06	6.07	6.08	6.10
Bond Index of 20 G.O. Munis. (%)	5.42	5.40	5.37	5.38	5.36	5.37	5.38	5.40
Mortgage Rate (%)	7.08	7.01	6.95	6.93	6.92	6.94	6.97	6.99

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

	2000	2001	2002	2003	2004	2005	2006	2007
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	187.867	189.431	191.240	193.707	198.520	206.627	215.287	224.640
% Ch	4.5	0.8	1.0	1.3	2.5	4.1	4.2	4.3
Real Wage and Salary Disb.	110.017	108.374	107.665	108.475	109.416	114.823	119.887	125.320
% Ch	3.5	-1.5	-0.7	0.8	0.9	4.9	4.4	4.5
Real Nonwage Income	77.850	81.056	83.575	85.231	89.104	91.804	95.400	99.320
% Ch	5.9	4.1	3.1	2.0	4.5	3.0	3.9	4.1
Real Per Capita Income (\$/Person)	31,712	31,572	31,543	31,636	32,045	32,852	33,688	34,614
% Ch	3.2	-0.4	-0.1	0.3	1.3	2.5	2.5	2.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.000	1.021	1.035	1.055	1.079	1.098	1.116	1.139
% Ch	2.5	2.1	1.4	1.9	2.3	1.7	1.7	2.1
Seattle Cons. Price Index (1982-84=1.0)	1.792	1.857	1.893	1.924	1.950	1.980	2.013	2.057
% Ch	3.7	3.6	2.0	1.6	1.4	1.5	1.7	2.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	16.75	17.97	18.15	18.03	18.14	18.36	18.69	19.06
% Ch	3.7	7.3	1.0	-0.7	0.6	1.2	1.8	2.0
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	187.409	193.092	197.592	203.982	213.796	226.217	239.753	255.358
% Ch	7.0	3.0	2.3	3.2	4.8	5.8	6.0	6.5
Personal Income	187.853	193.395	198.018	204.379	214.257	226.785	240.358	255.990
% Ch	7.0	3.0	2.4	3.2	4.8	5.8	6.0	6.5
Disposable Personal Income	160.318	165.967	174.574	182.032	191.332	201.557	212.678	226.015
% Ch	6.5	3.5	5.2	4.3	5.1	5.3	5.5	6.3
Per Capita Income (\$/Person)	31,709	32,233	32,660	33,379	34,585	36,056	37,611	39,443
% Ch	5.8	1.7	1.3	2.2	3.6	4.3	4.3	4.9
Employment (Thousands)								
Washington Civilian Labor Force	3,055.8	3,024.2	3,109.5	3,139.9	3,201.6	3,260.4	3,318.5	3,374.1
Total Washington Employment	2,896.4	2,830.7	2,882.6	2,902.9	3,003.8	3,058.4	3,115.4	3,171.7
Unemployment Rate (%)	5.22	6.40	7.30	7.55	6.18	6.19	6.12	6.00
Nonfarm Payroll Employment	2,711.6	2,697.4	2,654.0	2,658.2	2,707.1	2,768.2	2,821.8	2,874.7
% Ch	2.4	-0.5	-1.6	0.2	1.8	2.3	1.9	1.9
Manufacturing	331.9	316.2	285.0	266.7	263.6	269.8	276.7	283.7
% Ch	-3.4	-4.7	-9.8	-6.4	-1.1	2.3	2.6	2.5
Durable Manufacturing	236.5	225.0	199.3	183.7	180.6	185.6	191.4	197.5
% Ch	-4.2	-4.8	-11.4	-7.8	-1.7	2.8	3.1	3.2
Aerospace	86.2	87.3	75.7	65.4	61.2	63.7	67.2	72.2
% Ch	-12.3	1.3	-13.2	-13.6	-6.3	3.9	5.6	7.4
Nondurable Manufacturing	95.4	91.1	85.7	83.0	83.0	84.2	85.3	86.2
% Ch	-1.1	-4.5	-6.0	-3.2	0.0	1.4	1.3	1.1
Construction	160.6	158.8	154.2	156.1	165.3	170.6	173.8	177.8
% Ch	4.5	-1.1	-2.9	1.3	5.9	3.2	1.9	2.3
Service-Producing	2,209.1	2,212.6	2,205.4	2,226.6	2,268.9	2,318.7	2,362.3	2,404.2
% Ch	3.2	0.2	-0.3	1.0	1.9	2.2	1.9	1.8
Software Publishers	32.2	35.9	36.1	37.2	38.0	39.7	41.7	44.3
% Ch	17.8	11.4	0.7	2.9	2.2	4.5	5.1	6.1
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	39.021	38.345	40.200	42.825	44.824	44.703	43.869	43.834
% Ch	-8.7	-1.7	4.8	6.5	4.7	-0.3	-1.9	-0.1
Single-Family	25.471	26.736	30.239	33.091	34.308	29.285	27.564	27.156
% Ch	-9.4	5.0	13.1	9.4	3.7	-14.6	-5.9	-1.5
Multi-Family	13.550	11.609	9.961	9.734	10.515	15.418	16.305	16.678
% Ch	-7.5	-14.3	-14.2	-2.3	8.0	46.6	5.8	2.3
Mortgage Rate (%)	8.06	6.97	6.54	5.82	5.99	6.78	6.99	6.95

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.373	191.423	192.209	190.957	190.356	193.755	196.485	194.231
% Ch	3.0	2.2	1.7	-2.6	-1.3	7.3	5.8	-4.5
Real Wage and Salary Disb.	107.668	107.511	108.262	107.219	106.526	109.123	110.830	107.423
% Ch	3.7	-0.6	2.8	-3.8	-2.6	10.1	6.4	-11.7
Real Nonwage Income	82.705	83.912	83.947	83.738	83.830	84.631	85.657	86.807
% Ch	2.1	6.0	0.2	-1.0	0.4	3.9	4.9	5.5
Real Per Capita Income (\$/Person)	31,510	31,610	31,665	31,386	31,215	31,687	32,048	31,596
% Ch	1.9	1.3	0.7	-3.5	-2.2	6.2	4.6	-5.5
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.027	1.034	1.039	1.042	1.051	1.053	1.057	1.060
% Ch	0.9	2.9	2.0	1.4	3.2	0.7	1.6	1.2
Seattle Cons. Price Index (1982-84=1.0)	1.879	1.890	1.898	1.907	1.916	1.919	1.934	1.926
% Ch	1.4	2.3	1.8	1.9	1.9	0.6	3.2	-1.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.46	18.43	18.12	17.60	17.84	17.93	18.06	18.30
% Ch	0.7	-0.6	-6.5	-11.1	5.6	2.1	2.9	5.3
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	195.066	197.449	199.267	198.586	199.664	203.547	207.227	205.490
% Ch	3.7	5.0	3.7	-1.4	2.2	8.0	7.4	-3.3
Personal Income	195.428	197.895	199.685	199.063	200.018	203.955	207.655	205.886
% Ch	3.9	5.1	3.7	-1.2	1.9	8.1	7.5	-3.4
Disposable Personal Income	171.769	174.494	176.189	175.843	177.228	180.869	186.421	183.609
% Ch	13.6	6.5	3.9	-0.8	3.2	8.5	12.9	-5.9
Per Capita Income (\$/Person)	32,346	32,678	32,897	32,718	32,799	33,355	33,870	33,492
% Ch	2.8	4.2	2.7	-2.2	1.0	7.0	6.3	-4.4
Employment (Thousands)								
Washington Civilian Labor Force	3,073.4	3,107.2	3,124.6	3,132.6	3,132.7	3,132.6	3,142.5	3,151.8
Total Washington Employment	2,846.9	2,878.3	2,899.1	2,906.2	2,901.0	2,892.1	2,900.4	2,918.0
Unemployment Rate (%)	7.37	7.37	7.22	7.23	7.39	7.68	7.70	7.42
Nonfarm Payroll Employment	2,650.4	2,651.2	2,657.4	2,657.1	2,655.4	2,651.1	2,658.6	2,667.8
% Ch	-2.6	0.1	0.9	-0.0	-0.3	-0.6	1.1	1.4
Manufacturing	293.2	287.4	282.4	277.1	272.0	267.7	264.6	262.4
% Ch	-14.9	-7.7	-6.9	-7.2	-7.2	-6.2	-4.5	-3.4
Durable Manufacturing	205.9	201.9	196.9	192.6	187.8	184.8	182.2	180.1
% Ch	-18.2	-7.5	-9.6	-8.5	-9.6	-6.2	-5.5	-4.5
Aerospace	80.2	77.0	73.7	71.9	68.6	66.4	64.2	62.3
% Ch	-25.8	-14.9	-16.4	-9.1	-17.4	-12.1	-12.6	-11.1
Nondurable Manufacturing	87.3	85.5	85.5	84.6	84.3	82.9	82.5	82.3
% Ch	-6.4	-8.1	-0.2	-4.0	-1.5	-6.2	-2.1	-1.0
Construction	153.6	153.7	154.9	154.7	155.7	155.0	155.7	158.1
% Ch	-1.3	0.3	3.1	-0.5	2.6	-1.7	1.9	6.2
Service-Producing	2,194.1	2,200.7	2,210.9	2,216.0	2,218.7	2,219.6	2,229.6	2,238.4
% Ch	-0.9	1.2	1.9	0.9	0.5	0.2	1.8	1.6
Software Publishers	35.7	35.9	36.1	36.8	36.6	36.6	37.5	38.1
% Ch	-5.0	2.9	1.9	7.7	-2.3	0.4	10.0	6.2
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	34.349	41.657	38.754	46.040	43.148	42.346	44.783	41.024
% Ch	-0.7	116.3	-25.1	99.2	-22.9	-7.2	25.1	-29.6
Single-Family	25.850	30.219	30.907	33.980	33.243	32.400	33.137	33.585
% Ch	18.1	86.8	9.4	46.1	-8.4	-9.8	9.4	5.5
Multi-Family	8.499	11.438	7.847	12.060	9.905	9.946	11.646	7.439
% Ch	-38.8	227.9	-77.8	457.8	-54.5	1.7	88.0	-83.4
Mortgage Rate (%)	6.97	6.81	6.29	6.08	5.83	5.51	6.01	5.92

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	194.444	197.210	199.261	203.165	203.403	205.407	208.245	209.453
% Ch	0.4	5.8	4.2	8.1	0.5	4.0	5.6	2.3
Real Wage and Salary Disb.	107.248	109.034	110.075	111.307	112.739	114.004	116.026	116.525
% Ch	-0.6	6.8	3.9	4.6	5.2	4.6	7.3	1.7
Real Nonwage Income	87.196	88.176	89.186	91.858	90.665	91.403	92.219	92.928
% Ch	1.8	4.6	4.7	12.5	-5.1	3.3	3.6	3.1
Real Per Capita Income (\$/Person)	31,547	31,895	32,115	32,624	32,536	32,726	33,044	33,102
% Ch	-0.6	4.5	2.8	6.5	-1.1	2.4	3.9	0.7
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.069	1.077	1.083	1.088	1.092	1.095	1.100	1.104
% Ch	3.3	3.3	2.2	1.8	1.4	1.4	1.6	1.4
Seattle Cons. Price Index (1982-84=1.0)	1.936	1.947	1.955	1.964	1.970	1.976	1.983	1.990
% Ch	2.0	2.3	1.7	1.9	1.2	1.2	1.5	1.3
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.07	18.19	18.11	18.18	18.25	18.32	18.40	18.48
% Ch	-4.9	2.6	-1.7	1.5	1.6	1.6	1.6	1.8
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	207.419	211.964	215.298	220.503	221.497	224.420	228.408	230.544
% Ch	3.8	9.1	6.4	10.0	1.8	5.4	7.3	3.8
Personal Income	207.775	212.434	215.799	221.022	222.037	224.983	228.984	231.138
% Ch	3.7	9.3	6.5	10.0	1.9	5.4	7.3	3.8
Disposable Personal Income	185.596	189.670	192.681	197.382	197.790	200.205	203.347	204.885
% Ch	4.4	9.1	6.5	10.1	0.8	5.0	6.4	3.1
Per Capita Income (\$/Person)	33,710	34,357	34,780	35,491	35,516	35,844	36,335	36,529
% Ch	2.6	7.9	5.0	8.4	0.3	3.7	5.6	2.2
Employment (Thousands)								
Washington Civilian Labor Force	3,171.9	3,212.9	3,198.6	3,223.0	3,237.5	3,252.7	3,268.8	3,282.5
Total Washington Employment	2,973.4	3,015.1	3,005.3	3,021.2	3,035.4	3,050.9	3,067.6	3,079.8
Unemployment Rate (%)	6.26	6.16	6.04	6.26	6.24	6.21	6.15	6.17
Nonfarm Payroll Employment	2,677.3	2,699.5	2,718.3	2,733.2	2,746.6	2,761.1	2,776.8	2,788.3
% Ch	1.4	3.4	2.8	2.2	2.0	2.1	2.3	1.7
Manufacturing	261.1	262.3	264.2	266.8	268.3	269.2	270.2	271.5
% Ch	-1.9	1.8	2.9	4.1	2.3	1.2	1.5	1.9
Durable Manufacturing	179.3	179.9	180.4	182.8	184.5	185.0	186.0	187.0
% Ch	-1.7	1.3	1.1	5.5	3.6	1.3	2.1	2.1
Aerospace	61.2	60.8	60.8	62.1	62.9	63.4	63.9	64.4
% Ch	-7.2	-2.2	-0.1	8.9	5.3	3.0	3.0	3.0
Nondurable Manufacturing	81.8	82.4	83.8	84.0	83.9	84.1	84.2	84.5
% Ch	-2.3	2.9	6.9	1.1	-0.6	1.2	0.4	1.5
Construction	161.7	165.2	166.3	168.0	169.4	170.2	170.9	171.6
% Ch	9.4	9.1	2.7	4.0	3.5	2.0	1.7	1.6
Service-Producing	2,245.2	2,262.8	2,278.6	2,289.2	2,299.6	2,312.5	2,326.5	2,336.0
% Ch	1.2	3.2	2.8	1.9	1.8	2.3	2.4	1.6
Software Publishers	37.9	37.7	37.9	38.5	39.1	39.5	39.9	40.4
% Ch	-1.8	-2.5	2.6	6.8	5.6	4.7	4.3	4.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	42.007	46.456	45.592	45.240	45.420	44.780	44.535	44.077
% Ch	9.9	49.6	-7.2	-3.0	1.6	-5.5	-2.2	-4.1
Single-Family	32.450	37.802	34.725	32.257	30.854	29.668	28.698	27.921
% Ch	-12.9	84.2	-28.8	-25.5	-16.3	-14.5	-12.5	-10.4
Multi-Family	9.557	8.653	10.867	12.983	14.565	15.112	15.837	16.156
% Ch	172.4	-32.8	148.7	103.8	58.4	15.9	20.6	8.3
Mortgage Rate (%)	5.61	6.13	5.99	6.21	6.49	6.64	6.90	7.08

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	211.239	213.457	218.149	218.305	220.482	222.774	228.025	227.280
% Ch	3.5	4.3	9.1	0.3	4.0	4.2	9.8	-1.3
Real Wage and Salary Disb.	117.458	118.642	122.101	121.349	122.670	123.988	128.124	126.496
% Ch	3.2	4.1	12.2	-2.4	4.4	4.4	14.0	-5.0
Real Nonwage Income	93.781	94.815	96.048	96.956	97.811	98.785	99.902	100.783
% Ch	3.7	4.5	5.3	3.8	3.6	4.0	4.6	3.6
Real Per Capita Income (\$/Person)	33,251	33,468	34,071	33,964	34,170	34,394	35,070	34,821
% Ch	1.8	2.6	7.4	-1.3	2.5	2.6	8.1	-2.8
Price and Wage Indexes								
U.S. Implicit Price Deflator (2000=1.0)	1.108	1.114	1.119	1.124	1.130	1.136	1.142	1.149
% Ch	1.8	1.9	2.0	1.9	2.1	2.2	2.1	2.2
Seattle Cons. Price Index (1982-84=1.0)	1.998	2.008	2.019	2.029	2.040	2.051	2.063	2.075
% Ch	1.7	1.9	2.2	2.0	2.2	2.3	2.3	2.4
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.56	18.64	18.73	18.82	18.92	19.01	19.11	19.20
% Ch	1.8	1.7	1.9	2.0	2.1	2.0	2.1	2.0
Current Dollar Income (Billions of Dollars)								
Nonfarm Personal Income	233.533	237.083	243.524	244.870	248.601	252.538	259.877	260.414
% Ch	5.3	6.2	11.3	2.2	6.2	6.5	12.1	0.8
Personal Income	234.138	237.692	244.124	245.479	249.223	253.167	260.514	261.055
% Ch	5.3	6.2	11.3	2.2	6.2	6.5	12.1	0.8
Disposable Personal Income	207.271	210.356	216.028	217.056	220.092	223.545	229.926	230.498
% Ch	4.7	6.1	11.2	1.9	5.7	6.4	11.9	1.0
Per Capita Income (\$/Person)	36,856	37,268	38,128	38,191	38,625	39,086	40,066	39,995
% Ch	3.6	4.5	9.6	0.7	4.6	4.9	10.4	-0.7
Employment (Thousands)								
Washington Civilian Labor Force	3,296.3	3,310.6	3,327.3	3,340.0	3,353.9	3,367.2	3,382.6	3,393.0
Total Washington Employment	3,092.4	3,106.6	3,125.6	3,137.1	3,150.8	3,164.4	3,181.9	3,189.8
Unemployment Rate (%)	6.19	6.16	6.06	6.08	6.06	6.02	5.93	5.99
Nonfarm Payroll Employment	2,800.1	2,813.5	2,831.4	2,842.1	2,855.0	2,867.8	2,884.3	2,891.7
% Ch	1.7	1.9	2.6	1.5	1.8	1.8	2.3	1.0
Manufacturing	273.6	275.7	277.9	279.7	281.7	283.2	284.5	285.6
% Ch	3.1	3.2	3.1	2.7	2.9	2.1	1.8	1.6
Durable Manufacturing	188.7	190.6	192.4	194.0	195.6	197.0	198.2	199.4
% Ch	3.9	4.0	3.9	3.3	3.3	2.8	2.5	2.4
Aerospace	65.4	66.6	67.9	69.1	70.4	71.6	72.9	74.1
% Ch	6.3	7.9	7.7	7.6	7.4	7.3	7.2	7.0
Nondurable Manufacturing	84.8	85.1	85.4	85.7	86.1	86.2	86.3	86.2
% Ch	1.3	1.4	1.4	1.5	1.8	0.5	0.2	-0.3
Construction	172.4	173.3	174.3	175.3	176.4	177.4	178.4	179.2
% Ch	1.7	2.1	2.3	2.3	2.5	2.4	2.2	1.9
Service-Producing	2,345.1	2,355.5	2,370.3	2,378.2	2,388.0	2,398.3	2,412.5	2,417.9
% Ch	1.6	1.8	2.5	1.3	1.7	1.7	2.4	0.9
Software Publishers	40.9	41.4	42.0	42.7	43.3	44.0	44.6	45.2
% Ch	5.0	5.5	6.2	6.3	6.2	6.1	5.9	5.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	43.724	43.721	43.929	44.101	43.976	43.895	43.778	43.690
% Ch	-3.2	-0.0	1.9	1.6	-1.1	-0.7	-1.1	-0.8
Single-Family	27.584	27.540	27.576	27.557	27.449	27.267	27.051	26.859
% Ch	-4.7	-0.6	0.5	-0.3	-1.6	-2.6	-3.1	-2.8
Multi-Family	16.140	16.181	16.353	16.545	16.527	16.628	16.727	16.830
% Ch	-0.4	1.0	4.3	4.8	-0.4	2.5	2.4	2.5
Mortgage Rate (%)	7.08	7.01	6.95	6.93	6.92	6.94	6.97	6.99

Table A2.1

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	131.79	131.84	130.34	129.94	131.23	133.39	135.29	136.95
% Ch	2.2	0.0	-1.1	-0.3	1.0	1.7	1.4	1.2
Manufacturing	17.27	16.44	15.26	14.52	14.40	14.55	14.68	14.68
% Ch	-0.3	-4.8	-7.2	-4.8	-0.8	1.1	0.9	-0.0
Durable Manufacturing	10.88	10.33	9.48	8.97	8.96	9.13	9.28	9.31
% Ch	0.4	-5.0	-8.2	-5.4	-0.1	2.0	1.6	0.3
Wood Products	0.61	0.57	0.55	0.54	0.54	0.53	0.51	0.50
% Ch	-1.2	-6.4	-3.3	-3.5	1.7	-1.9	-4.5	-1.3
Primary and Fabricated Metals	2.38	2.25	2.06	1.96	1.96	2.01	2.06	2.08
% Ch	0.9	-5.4	-8.4	-5.0	0.3	2.5	2.6	0.8
Computer and Electronic Products	1.82	1.75	1.51	1.36	1.35	1.35	1.36	1.36
% Ch	2.2	-3.9	-13.8	-9.7	-1.0	0.5	0.3	0.5
Machinery and Electrical Equipment	2.05	1.92	1.73	1.61	1.61	1.67	1.72	1.73
% Ch	-0.4	-5.9	-10.3	-6.5	-0.2	3.7	3.3	0.1
Transportation Equipment	2.06	1.94	1.83	1.78	1.76	1.78	1.79	1.78
% Ch	-1.5	-5.7	-5.6	-2.9	-1.0	1.3	0.5	-0.3
Other Durables	1.97	1.90	1.81	1.73	1.74	1.78	1.83	1.85
% Ch	1.7	-3.3	-4.9	-4.4	0.4	2.6	2.8	0.9
Nondurable Manufacturing	6.39	6.11	5.77	5.55	5.44	5.42	5.40	5.37
% Ch	-1.6	-4.4	-5.4	-3.8	-2.0	-0.4	-0.4	-0.6
Food Manufacturing	1.55	1.55	1.53	1.52	1.51	1.51	1.52	1.53
% Ch	0.2	-0.2	-1.7	-0.5	-0.8	0.2	0.8	0.6
Paper and Paper Products	0.60	0.58	0.55	0.52	0.51	0.51	0.52	0.52
% Ch	-1.8	-4.5	-5.4	-5.0	-1.9	0.8	0.6	-0.1
Other Nondurables	4.23	3.98	3.70	3.52	3.43	3.40	3.37	3.32
% Ch	-2.2	-6.0	-6.9	-5.0	-2.5	-0.8	-1.0	-1.3
Natural Resources and Mining	0.60	0.61	0.58	0.57	0.59	0.60	0.56	0.54
% Ch	0.1	1.2	-3.9	-2.1	3.1	1.3	-5.6	-4.7
Construction	6.79	6.83	6.72	6.72	6.90	7.07	7.20	7.31
% Ch	3.7	0.6	-1.6	0.1	2.7	2.4	1.7	1.6
Trade, Transportation, and Utilities	26.22	25.99	25.50	25.28	25.48	25.78	26.18	26.45
% Ch	1.8	-0.9	-1.9	-0.8	0.8	1.2	1.6	1.0
Wholesale Trade	5.93	5.77	5.65	5.61	5.64	5.74	5.84	5.91
% Ch	0.7	-2.7	-2.1	-0.8	0.7	1.6	1.8	1.1
Retail Trade	15.28	15.24	15.02	14.92	15.03	15.09	15.26	15.32
% Ch	2.1	-0.3	-1.4	-0.7	0.8	0.4	1.1	0.4
Trans., Warehousing, and Utilities	5.01	4.97	4.82	4.76	4.80	4.95	5.08	5.22
% Ch	2.2	-0.8	-3.1	-1.3	1.0	3.0	2.6	2.8
Information	3.63	3.63	3.39	3.20	3.18	3.21	3.19	3.23
% Ch	6.2	-0.0	-6.5	-5.8	-0.5	0.8	-0.4	1.3
Publishing Industries	1.03	1.02	0.96	0.93	0.92	0.93	0.95	0.97
% Ch	3.0	-1.4	-5.5	-3.9	-1.2	1.3	2.8	1.5
Other Information	2.59	2.61	2.43	2.27	2.27	2.28	2.24	2.26
% Ch	7.5	0.5	-6.8	-6.5	-0.2	0.6	-1.8	1.1
Financial Activities	7.69	7.81	7.85	7.97	8.01	8.03	8.03	8.08
% Ch	0.5	1.6	0.5	1.6	0.5	0.2	0.0	0.6
Professional and Business Services	16.67	16.48	15.98	15.99	16.49	17.32	17.90	18.68
% Ch	4.5	-1.1	-3.1	0.1	3.1	5.0	3.4	4.3
Education and Health Services	15.11	15.65	16.20	16.58	16.89	17.20	17.52	17.76
% Ch	2.1	3.6	3.6	2.3	1.9	1.8	1.9	1.4
Leisure and Hospitality	11.86	12.03	11.99	12.13	12.34	12.70	12.90	12.98
% Ch	2.7	1.5	-0.4	1.2	1.7	3.0	1.5	0.6
Other Services	5.17	5.26	5.37	5.39	5.41	5.38	5.43	5.52
% Ch	1.6	1.7	2.2	0.4	0.3	-0.5	1.0	1.7
Federal Government	2.86	2.76	2.77	2.76	2.71	2.70	2.70	2.70
% Ch	3.4	-3.5	0.1	-0.3	-1.7	-0.4	-0.0	0.1
State and Local Government	17.93	18.36	18.74	18.82	18.82	18.86	19.00	19.03
% Ch	2.2	2.4	2.1	0.4	0.0	0.2	0.7	0.2

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	130.45	130.39	130.29	130.25	130.05	129.88	129.82	130.00
% Ch	-1.4	-0.2	-0.3	-0.1	-0.6	-0.5	-0.2	0.6
Manufacturing	15.50	15.35	15.20	14.98	14.78	14.57	14.41	14.34
% Ch	-8.0	-4.0	-3.9	-5.6	-5.3	-5.4	-4.3	-1.9
Durable Manufacturing	9.65	9.55	9.44	9.29	9.13	8.99	8.89	8.87
% Ch	-9.5	-4.3	-4.4	-6.4	-6.4	-6.1	-4.6	-1.0
Wood Products	0.56	0.56	0.55	0.55	0.54	0.54	0.53	0.54
% Ch	-1.9	-3.0	-2.2	-4.9	-4.6	-3.5	-3.5	3.4
Primary and Fabricated Metals	2.08	2.07	2.05	2.02	1.99	1.96	1.93	1.93
% Ch	-10.3	-3.3	-2.7	-5.5	-6.2	-6.0	-5.4	-0.8
Computer and Electronic Products	1.57	1.53	1.49	1.44	1.40	1.37	1.34	1.33
% Ch	-14.8	-9.6	-11.2	-11.1	-11.5	-8.6	-6.8	-3.2
Machinery and Electrical Equipment	1.77	1.74	1.71	1.68	1.65	1.62	1.60	1.59
% Ch	-11.5	-6.2	-5.9	-7.5	-7.3	-7.5	-5.1	-1.4
Transportation Equipment	1.84	1.84	1.83	1.81	1.80	1.78	1.76	1.76
% Ch	-9.0	-1.3	-1.7	-4.0	-2.7	-4.8	-2.6	0.2
Other Durables	1.83	1.82	1.81	1.78	1.75	1.73	1.72	1.71
% Ch	-4.5	-2.2	-2.6	-5.5	-5.8	-4.7	-3.7	-1.7
Nondurable Manufacturing	5.85	5.80	5.76	5.69	5.64	5.58	5.52	5.47
% Ch	-5.5	-3.5	-2.9	-4.3	-3.6	-4.4	-3.9	-3.5
Food Manufacturing	1.54	1.53	1.52	1.52	1.52	1.52	1.52	1.51
% Ch	-1.1	-1.7	-3.0	0.2	-0.2	0.0	1.7	-2.5
Paper and Paper Products	0.55	0.55	0.55	0.54	0.53	0.52	0.52	0.51
% Ch	-5.4	-3.5	-3.1	-6.2	-6.4	-5.0	-4.5	-2.5
Other Nondurables	3.76	3.72	3.69	3.64	3.60	3.54	3.48	3.45
% Ch	-7.2	-4.2	-2.8	-5.8	-4.5	-6.1	-6.1	-4.1
Natural Resources and Mining	0.59	0.58	0.58	0.57	0.57	0.57	0.57	0.57
% Ch	-3.3	-6.1	-4.9	-1.4	-1.8	-1.4	-0.7	0.5
Construction	6.77	6.71	6.69	6.70	6.68	6.71	6.74	6.77
% Ch	-1.3	-3.7	-0.9	0.4	-1.2	1.8	1.8	1.7
Trade, Transportation, and Utilities	25.55	25.55	25.49	25.40	25.35	25.30	25.23	25.25
% Ch	-2.1	-0.1	-0.9	-1.3	-0.8	-0.8	-1.0	0.2
Wholesale Trade	5.67	5.66	5.65	5.63	5.63	5.62	5.59	5.59
% Ch	-2.4	-1.2	-0.6	-1.0	-0.4	-0.7	-2.0	0.1
Retail Trade	15.06	15.07	15.01	14.96	14.93	14.92	14.91	14.92
% Ch	-1.7	0.2	-1.4	-1.4	-0.8	-0.2	-0.2	0.1
Trans., Warehousing, and Utilities	4.82	4.83	4.83	4.81	4.80	4.76	4.73	4.74
% Ch	-2.8	0.3	0.2	-1.4	-1.2	-2.8	-2.4	0.8
Information	3.47	3.42	3.36	3.32	3.24	3.20	3.18	3.17
% Ch	-7.2	-6.0	-6.3	-5.1	-9.7	-4.1	-3.0	-1.0
Publishing Industries	0.98	0.97	0.96	0.95	0.94	0.93	0.92	0.92
% Ch	-6.4	-4.9	-2.7	-3.4	-5.8	-3.5	-3.3	-1.5
Other Information	2.49	2.45	2.40	2.37	2.30	2.27	2.26	2.25
% Ch	-7.5	-6.4	-7.7	-5.7	-11.2	-4.3	-2.9	-0.8
Financial Activities	7.83	7.83	7.84	7.89	7.93	7.98	8.00	7.99
% Ch	-0.2	-0.3	0.6	2.8	1.9	2.5	0.9	-0.6
Professional and Business Services	15.99	16.02	15.96	15.93	15.89	15.94	16.02	16.11
% Ch	-3.6	0.9	-1.5	-0.9	-0.8	1.1	2.2	2.3
Education and Health Services	16.01	16.14	16.28	16.38	16.46	16.56	16.59	16.70
% Ch	3.4	3.4	3.5	2.3	2.1	2.4	0.8	2.7
Leisure and Hospitality	11.97	11.93	11.96	12.09	12.13	12.09	12.12	12.17
% Ch	-0.2	-1.4	1.1	4.3	1.5	-1.5	1.1	1.7
Other Services	5.35	5.37	5.37	5.39	5.40	5.40	5.39	5.38
% Ch	2.9	1.2	0.3	1.6	0.1	0.1	-0.3	-0.9
Federal Government	2.75	2.77	2.77	2.78	2.79	2.77	2.75	2.73
% Ch	-0.1	2.2	-0.5	1.8	1.3	-2.9	-2.2	-3.6
State and Local Government	18.65	18.72	18.79	18.82	18.83	18.80	18.81	18.82
% Ch	1.7	1.6	1.3	0.6	0.4	-0.7	0.1	0.3

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.37	131.12	131.42	132.00	132.53	133.17	133.71	134.17
% Ch	1.1	2.3	0.9	1.8	1.6	2.0	1.6	1.4
Manufacturing	14.33	14.39	14.41	14.48	14.50	14.53	14.57	14.62
% Ch	-0.4	1.7	0.8	1.8	0.5	0.8	1.3	1.3
Durable Manufacturing	8.88	8.94	8.97	9.04	9.07	9.10	9.15	9.20
% Ch	0.8	2.6	1.3	3.0	1.5	1.5	2.3	2.1
Wood Products	0.54	0.54	0.55	0.55	0.55	0.54	0.53	0.52
% Ch	2.0	3.1	2.5	5.6	-4.0	-5.8	-7.3	-5.8
Primary and Fabricated Metals	1.94	1.96	1.96	1.99	1.99	2.00	2.02	2.04
% Ch	1.4	3.9	1.7	4.4	0.9	2.2	3.1	4.0
Computer and Electronic Products	1.34	1.34	1.36	1.36	1.37	1.35	1.35	1.34
% Ch	0.6	2.6	3.7	-0.3	5.5	-5.4	-1.9	-2.6
Machinery and Electrical Equipment	1.59	1.60	1.62	1.63	1.64	1.66	1.68	1.70
% Ch	-0.2	2.9	3.8	4.0	1.6	5.1	5.5	4.9
Transportation Equipment	1.77	1.76	1.74	1.76	1.76	1.78	1.79	1.80
% Ch	0.1	-0.2	-4.7	2.9	1.5	3.1	3.1	1.3
Other Durables	1.72	1.73	1.74	1.75	1.76	1.77	1.79	1.81
% Ch	1.6	3.6	2.6	2.5	0.9	3.5	4.0	4.0
Nondurable Manufacturing	5.44	5.44	5.44	5.44	5.43	5.42	5.42	5.42
% Ch	-2.3	0.1	-0.0	-0.2	-1.0	-0.2	-0.4	-0.1
Food Manufacturing	1.50	1.50	1.51	1.51	1.51	1.51	1.51	1.51
% Ch	-3.1	0.7	0.9	-0.2	-0.6	0.6	0.1	1.0
Paper and Paper Products	0.51	0.51	0.51	0.51	0.51	0.51	0.51	0.51
% Ch	-2.2	-1.4	1.9	0.9	0.4	1.0	0.8	1.2
Other Nondurables	3.43	3.43	3.43	3.42	3.41	3.40	3.40	3.39
% Ch	-1.9	0.1	-0.7	-0.4	-1.4	-0.7	-0.9	-0.8
Natural Resources and Mining	0.57	0.59	0.59	0.60	0.60	0.60	0.59	0.59
% Ch	3.1	9.6	2.4	6.3	1.8	-0.6	-4.8	-6.2
Construction	6.82	6.90	6.92	6.97	7.04	7.08	7.08	7.09
% Ch	3.1	4.7	1.5	2.9	3.6	2.6	-0.2	0.8
Trade, Transportation, and Utilities	25.35	25.48	25.50	25.59	25.60	25.72	25.83	25.94
% Ch	1.7	2.0	0.4	1.4	0.1	1.9	1.7	1.7
Wholesale Trade	5.62	5.64	5.65	5.68	5.67	5.72	5.76	5.79
% Ch	1.8	1.4	0.7	2.3	-0.8	3.9	3.0	2.1
Retail Trade	14.97	15.05	15.05	15.07	15.07	15.07	15.09	15.14
% Ch	1.6	2.0	0.0	0.5	-0.0	0.2	0.6	1.2
Trans., Warehousing, and Utilities	4.76	4.79	4.81	4.85	4.87	4.93	4.98	5.01
% Ch	1.8	2.5	1.4	3.4	1.8	4.8	3.9	2.8
Information	3.17	3.17	3.18	3.21	3.17	3.18	3.24	3.24
% Ch	-0.5	1.0	0.1	4.3	-4.9	1.7	6.8	0.2
Publishing Industries	0.91	0.92	0.92	0.91	0.91	0.92	0.93	0.94
% Ch	-1.4	0.8	-0.1	-0.9	0.2	3.0	4.5	4.6
Other Information	2.25	2.26	2.26	2.30	2.25	2.26	2.30	2.30
% Ch	-0.2	1.1	0.2	6.4	-6.9	1.2	7.8	-1.5
Financial Activities	7.99	8.03	8.02	8.02	8.02	8.03	8.03	8.03
% Ch	0.3	1.8	-0.5	-0.1	0.1	0.7	-0.1	0.1
Professional and Business Services	16.20	16.42	16.56	16.77	17.06	17.29	17.42	17.51
% Ch	2.2	5.4	3.6	5.3	7.0	5.5	2.9	2.1
Education and Health Services	16.77	16.87	16.94	17.00	17.09	17.17	17.23	17.31
% Ch	1.7	2.3	1.5	1.4	2.2	1.9	1.5	1.8
Leisure and Hospitality	12.24	12.32	12.37	12.41	12.53	12.65	12.78	12.85
% Ch	2.2	2.8	1.3	1.4	3.8	4.0	4.1	2.3
Other Services	5.38	5.41	5.40	5.43	5.39	5.37	5.37	5.39
% Ch	0.1	2.1	-0.4	2.2	-2.9	-2.0	-0.1	1.5
Federal Government	2.71	2.72	2.71	2.70	2.70	2.70	2.70	2.70
% Ch	-1.8	0.6	-1.5	-0.6	-0.3	-0.3	-0.0	-0.0
State and Local Government	18.83	18.83	18.82	18.81	18.83	18.84	18.88	18.91
% Ch	0.1	0.1	-0.2	-0.2	0.4	0.3	0.7	0.6

Table A2.2

U.S. Nonagricultural Employment by Industry

Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	134.62	135.04	135.53	135.97	136.38	136.79	137.15	137.49
% Ch	1.3	1.3	1.4	1.3	1.2	1.2	1.1	1.0
Manufacturing	14.66	14.68	14.69	14.69	14.69	14.68	14.67	14.65
% Ch	1.1	0.6	0.2	-0.1	0.1	-0.2	-0.3	-0.5
Durable Manufacturing	9.25	9.28	9.29	9.29	9.30	9.31	9.31	9.31
% Ch	2.1	1.2	0.6	0.1	0.4	0.2	0.1	0.0
Wood Products	0.52	0.51	0.51	0.50	0.50	0.50	0.50	0.50
% Ch	-3.7	-3.2	-3.3	-2.8	-0.8	-0.2	0.3	1.1
Primary and Fabricated Metals	2.05	2.06	2.07	2.07	2.07	2.08	2.08	2.09
% Ch	3.7	2.0	0.4	0.5	0.8	1.1	1.0	0.7
Computer and Electronic Products	1.34	1.35	1.36	1.37	1.37	1.37	1.36	1.35
% Ch	1.1	2.3	4.2	1.9	1.1	-1.0	-3.0	-3.7
Machinery and Electrical Equipment	1.72	1.72	1.73	1.73	1.73	1.73	1.72	1.72
% Ch	3.6	1.9	0.8	0.1	0.2	-0.6	-0.5	-0.3
Transportation Equipment	1.80	1.79	1.79	1.78	1.78	1.78	1.79	1.79
% Ch	0.3	-0.7	-1.2	-1.3	-0.4	0.3	1.1	1.1
Other Durables	1.82	1.83	1.84	1.84	1.84	1.84	1.85	1.85
% Ch	3.3	1.9	0.8	0.5	1.0	0.7	0.9	1.0
Nondurable Manufacturing	5.41	5.40	5.40	5.39	5.39	5.38	5.36	5.34
% Ch	-0.5	-0.4	-0.4	-0.4	-0.4	-0.9	-1.0	-1.4
Food Manufacturing	1.52	1.52	1.52	1.52	1.53	1.53	1.53	1.53
% Ch	0.9	0.9	0.7	0.8	1.0	0.2	0.2	-0.1
Paper and Paper Products	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.51
% Ch	0.5	0.2	0.5	0.2	0.1	-0.5	-0.8	-1.3
Other Nondurables	3.38	3.37	3.36	3.35	3.34	3.33	3.32	3.30
% Ch	-1.3	-1.1	-1.0	-1.1	-1.1	-1.5	-1.6	-2.0
Natural Resources and Mining	0.57	0.57	0.56	0.55	0.55	0.54	0.53	0.53
% Ch	-7.3	-5.9	-4.5	-4.4	-3.9	-4.6	-5.6	-5.9
Construction	7.15	7.18	7.21	7.24	7.26	7.29	7.32	7.34
% Ch	3.3	1.6	2.0	1.2	1.6	1.7	1.5	1.2
Trade, Transportation, and Utilities	26.05	26.14	26.24	26.31	26.36	26.44	26.48	26.53
% Ch	1.6	1.4	1.5	1.1	0.8	1.2	0.7	0.7
Wholesale Trade	5.82	5.83	5.85	5.87	5.88	5.90	5.92	5.93
% Ch	1.8	0.8	1.3	1.1	1.3	1.3	0.9	0.8
Retail Trade	15.19	15.25	15.30	15.32	15.31	15.33	15.33	15.33
% Ch	1.5	1.5	1.2	0.6	-0.2	0.5	-0.1	0.0
Trans., Warehousing, and Utilities	5.04	5.06	5.09	5.13	5.16	5.20	5.24	5.27
% Ch	1.9	1.9	2.6	2.7	3.1	3.1	2.9	2.6
Information	3.21	3.19	3.18	3.20	3.22	3.22	3.24	3.26
% Ch	-3.4	-3.1	-0.8	2.3	2.6	0.2	2.2	2.9
Publishing Industries	0.95	0.95	0.96	0.96	0.96	0.97	0.97	0.98
% Ch	2.8	1.5	1.5	0.9	1.6	1.7	1.9	2.1
Other Information	2.26	2.23	2.22	2.24	2.26	2.25	2.27	2.28
% Ch	-5.9	-4.9	-1.7	2.9	3.0	-0.5	2.4	3.2
Financial Activities	8.03	8.02	8.03	8.04	8.06	8.07	8.08	8.10
% Ch	0.1	-0.6	0.5	0.3	1.0	0.7	0.6	0.9
Professional and Business Services	17.63	17.78	17.99	18.21	18.42	18.62	18.77	18.90
% Ch	2.8	3.5	4.7	5.0	4.8	4.3	3.4	2.9
Education and Health Services	17.39	17.47	17.57	17.64	17.70	17.74	17.78	17.83
% Ch	1.8	1.8	2.5	1.7	1.2	1.0	0.8	1.1
Leisure and Hospitality	12.89	12.91	12.90	12.90	12.92	12.95	13.00	13.04
% Ch	1.1	0.8	-0.6	0.1	0.6	1.2	1.3	1.2
Other Services	5.40	5.42	5.44	5.46	5.48	5.51	5.54	5.57
% Ch	1.1	1.3	2.0	1.2	1.7	1.9	2.2	2.0
Federal Government	2.70	2.70	2.70	2.70	2.70	2.70	2.70	2.70
% Ch	-0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2
State and Local Government	18.94	18.99	19.02	19.04	19.02	19.02	19.03	19.04
% Ch	0.6	1.2	0.6	0.4	-0.5	0.1	0.3	0.2

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

	2000	2001	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment	2,711.6	2,697.4	2,654.0	2,658.2	2,707.1	2,768.2	2,821.8	2,874.7
% Ch	2.4	-0.5	-1.6	0.2	1.8	2.3	1.9	1.9
Manufacturing	331.9	316.2	285.0	266.7	263.6	269.8	276.7	283.7
% Ch	-3.4	-4.7	-9.8	-6.4	-1.1	2.3	2.6	2.5
Durable Manufacturing	236.5	225.0	199.3	183.7	180.6	185.6	191.4	197.5
% Ch	-4.2	-4.8	-11.4	-7.8	-1.7	2.8	3.1	3.2
Wood Products	21.9	18.9	18.0	17.9	18.3	17.5	16.4	15.8
% Ch	3.6	-13.6	-4.8	-0.8	2.1	-4.2	-6.4	-3.6
Primary and Fabricated Metals	29.8	27.0	23.5	22.1	22.2	22.7	23.4	23.5
% Ch	-0.8	-9.4	-12.7	-5.9	0.3	2.3	3.0	0.4
Computer and Electronic Products	34.4	32.4	26.2	23.4	22.4	22.7	23.2	23.7
% Ch	3.2	-5.6	-19.4	-10.4	-4.6	1.5	2.1	2.5
Machinery and Electrical Equipment	19.8	18.5	16.7	16.2	16.4	17.8	19.3	20.1
% Ch	3.0	-6.3	-9.9	-3.3	1.7	8.1	8.5	4.3
Aerospace	86.2	87.3	75.7	65.4	61.2	63.7	67.2	72.2
% Ch	-12.3	1.3	-13.2	-13.6	-6.3	3.9	5.6	7.4
Other Transportation Equip.	13.4	11.3	10.9	11.1	12.0	12.6	12.7	12.4
% Ch	-6.0	-16.0	-2.8	1.4	8.5	4.5	0.6	-1.7
Other Durables	31.1	29.6	28.2	27.6	28.0	28.7	29.3	29.7
% Ch	1.0	-4.8	-4.7	-2.3	1.6	2.2	2.2	1.4
Nondurable Manufacturing	95.4	91.1	85.7	83.0	83.0	84.2	85.3	86.2
% Ch	-1.1	-4.5	-6.0	-3.2	0.0	1.4	1.3	1.1
Food Manufacturing	38.9	37.2	35.3	34.7	34.9	35.4	36.1	36.7
% Ch	0.8	-4.3	-5.3	-1.5	0.6	1.2	2.0	1.7
Paper and Paper Products	14.4	14.1	13.3	12.9	12.5	12.4	12.5	12.5
% Ch	-5.5	-2.0	-6.1	-2.3	-3.7	-0.2	0.7	-0.2
Other Nondurables	42.1	39.8	37.2	35.3	35.6	36.4	36.7	37.0
% Ch	-1.1	-5.5	-6.5	-5.1	0.8	2.2	0.8	0.9
Natural Resources and Mining	10.0	9.8	9.4	8.8	9.2	9.2	9.0	8.9
% Ch	-5.3	-2.2	-4.5	-5.5	4.2	-0.5	-1.7	-0.7
Construction	160.6	158.8	154.2	156.1	165.3	170.6	173.8	177.8
% Ch	4.5	-1.1	-2.9	1.3	5.9	3.2	1.9	2.3
Trade, Transportation, and Utilities	531.9	523.8	509.3	510.3	518.5	527.2	537.5	545.4
% Ch	2.5	-1.5	-2.8	0.2	1.6	1.7	1.9	1.5
Wholesale Trade	121.3	119.8	115.7	115.7	118.0	120.3	122.6	124.4
% Ch	1.6	-1.2	-3.4	0.1	2.0	1.9	1.9	1.4
Retail Trade	315.3	311.7	305.3	306.7	311.7	316.1	322.0	325.7
% Ch	3.2	-1.1	-2.0	0.4	1.6	1.4	1.8	1.1
Trans., Warehousing, and Utilities	95.4	92.4	88.3	87.9	88.8	90.8	92.9	95.4
% Ch	1.2	-3.2	-4.4	-0.4	0.9	2.3	2.3	2.6
Information	97.6	99.0	93.6	91.8	93.6	96.6	97.9	101.1
% Ch	14.6	1.4	-5.5	-1.8	2.0	3.2	1.3	3.3
Software Publishers	32.2	35.9	36.1	37.2	38.0	39.7	41.7	44.3
% Ch	17.8	11.4	0.7	2.9	2.2	4.5	5.1	6.1
Other Publishing Industries	13.7	13.2	12.6	12.5	12.4	12.5	12.7	12.7
% Ch	1.5	-3.5	-4.4	-0.9	-1.1	1.1	1.4	0.4
Other Information	51.7	49.9	44.8	42.1	43.3	44.4	43.5	44.1
% Ch	16.7	-3.5	-10.3	-5.9	2.7	2.6	-2.1	1.4
Financial Activities	142.3	145.2	146.2	152.4	155.0	156.4	157.3	158.9
% Ch	-0.4	2.0	0.7	4.3	1.7	0.9	0.5	1.0
Professional and Business Services	303.8	296.9	290.2	291.0	302.6	318.3	330.8	346.3
% Ch	6.1	-2.3	-2.3	0.3	4.0	5.2	4.0	4.7
Education and Health Services	291.9	298.3	306.9	312.2	318.8	327.3	335.0	341.5
% Ch	3.7	2.2	2.9	1.7	2.1	2.7	2.4	1.9
Leisure and Hospitality	251.8	247.1	245.4	248.8	257.0	265.8	270.6	273.8
% Ch	1.9	-1.9	-0.7	1.4	3.3	3.4	1.8	1.2
Other Services	106.2	96.9	97.8	99.3	100.9	101.6	102.9	104.6
% Ch	1.6	-8.8	0.9	1.6	1.6	0.7	1.3	1.6
Federal Government	69.9	67.9	69.2	70.2	69.2	68.9	69.2	69.6
% Ch	3.4	-2.8	2.0	1.4	-1.4	-0.5	0.5	0.6
State and Local Government	413.5	437.5	447.0	450.5	453.4	456.6	461.0	463.0
% Ch	1.7	5.8	2.2	0.8	0.6	0.7	1.0	0.4

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Nonfarm Payroll Employment	2,650.4	2,651.2	2,657.4	2,657.1	2,655.4	2,651.1	2,658.6	2,667.8
% Ch	-2.6	0.1	0.9	-0.0	-0.3	-0.6	1.1	1.4
Manufacturing	293.2	287.4	282.4	277.1	272.0	267.7	264.6	262.4
% Ch	-14.9	-7.7	-6.9	-7.2	-7.2	-6.2	-4.5	-3.4
Durable Manufacturing	205.9	201.9	196.9	192.6	187.8	184.8	182.2	180.1
% Ch	-18.2	-7.5	-9.6	-8.5	-9.6	-6.2	-5.5	-4.5
Wood Products	17.9	18.1	18.1	18.1	18.1	17.9	17.7	17.9
% Ch	-9.1	3.8	-1.0	0.3	-0.1	-3.5	-4.0	3.1
Primary and Fabricated Metals	24.6	23.5	23.2	22.8	22.6	22.3	21.8	21.8
% Ch	-11.3	-15.9	-5.0	-6.7	-3.2	-6.1	-8.1	-0.4
Computer and Electronic Products	27.2	26.5	26.0	24.9	24.3	23.5	23.2	22.7
% Ch	-26.4	-10.3	-7.3	-16.3	-9.3	-12.1	-4.5	-8.9
Machinery and Electrical Equipment	17.0	16.9	16.7	16.3	16.2	16.2	16.1	16.2
% Ch	-12.9	-3.9	-4.7	-8.5	-3.2	0.8	-2.4	2.5
Aerospace	80.2	77.0	73.7	71.9	68.6	66.4	64.2	62.3
% Ch	-25.8	-14.9	-16.4	-9.1	-17.4	-12.1	-12.6	-11.1
Other Transportation Equip.	10.5	11.5	11.1	10.7	10.6	10.9	11.4	11.4
% Ch	-3.7	43.9	-13.2	-14.7	-1.2	11.8	18.2	1.2
Other Durables	28.4	28.4	28.2	27.9	27.4	27.5	27.7	27.8
% Ch	-4.8	-0.4	-3.2	-4.1	-6.7	1.8	2.2	1.2
Nondurable Manufacturing	87.3	85.5	85.5	84.6	84.3	82.9	82.5	82.3
% Ch	-6.4	-8.1	-0.2	-4.0	-1.5	-6.2	-2.1	-1.0
Food Manufacturing	35.9	34.8	35.5	34.9	35.0	34.4	34.9	34.7
% Ch	-3.6	-11.8	7.7	-5.9	0.4	-6.5	6.5	-2.1
Paper and Paper Products	13.4	13.3	13.1	13.2	13.2	13.1	12.8	12.7
% Ch	-11.1	-3.4	-3.5	2.0	-1.2	-3.3	-7.1	-3.6
Other Nondurables	38.0	37.4	36.9	36.4	36.1	35.5	34.7	34.8
% Ch	-7.2	-6.1	-6.0	-4.4	-3.4	-7.1	-8.2	1.2
Natural Resources and Mining	9.5	9.4	9.3	9.3	9.0	8.8	8.7	8.9
% Ch	-5.2	-2.3	-5.1	0.1	-10.4	-10.0	-6.4	11.5
Construction	153.6	153.7	154.9	154.7	155.7	155.0	155.7	158.1
% Ch	-1.3	0.3	3.1	-0.5	2.6	-1.7	1.9	6.2
Trade, Transportation, and Utilities	510.8	509.5	509.8	507.2	509.0	508.5	511.6	512.3
% Ch	-2.9	-1.0	0.2	-2.0	1.5	-0.4	2.4	0.5
Wholesale Trade	116.6	115.5	115.3	115.2	115.5	115.2	115.8	116.4
% Ch	-3.2	-4.0	-0.5	-0.3	1.0	-1.1	2.2	2.0
Retail Trade	305.4	305.7	305.9	304.4	305.1	306.1	307.8	307.7
% Ch	-1.9	0.3	0.2	-1.9	1.0	1.3	2.3	-0.1
Trans., Warehousing, and Utilities	88.7	88.4	88.6	87.6	88.4	87.3	87.9	88.2
% Ch	-5.7	-1.6	1.0	-4.5	3.8	-4.9	3.1	1.0
Information	94.3	93.5	93.1	93.4	92.3	91.4	91.4	92.2
% Ch	-8.8	-3.2	-1.7	1.2	-4.4	-3.9	0.1	3.3
Software Publishers	35.7	35.9	36.1	36.8	36.6	36.6	37.5	38.1
% Ch	-5.0	2.9	1.9	7.7	-2.3	0.4	10.0	6.2
Other Publishing Industries	12.5	12.6	12.8	12.6	12.6	12.6	12.6	12.3
% Ch	-9.1	3.2	5.4	-4.1	-1.1	-1.1	0.0	-8.2
Other Information	46.1	45.0	44.2	44.0	43.2	42.2	41.4	41.8
% Ch	-11.6	-9.4	-6.4	-2.4	-7.1	-8.2	-8.0	4.3
Financial Activities	144.6	145.7	146.4	147.9	150.2	152.3	153.7	153.5
% Ch	-3.1	2.9	2.2	4.0	6.3	5.7	3.7	-0.5
Professional and Business Services	287.7	289.1	291.6	292.2	289.9	288.9	291.0	294.0
% Ch	-1.9	2.0	3.5	0.8	-3.1	-1.4	3.0	4.1
Education and Health Services	304.7	306.2	306.7	309.9	310.6	311.7	312.5	314.0
% Ch	3.2	2.0	0.7	4.2	0.9	1.5	1.0	1.9
Leisure and Hospitality	243.0	244.6	247.0	246.9	247.7	246.8	248.6	252.1
% Ch	-2.2	2.8	4.0	-0.2	1.3	-1.5	3.1	5.7
Other Services	96.6	97.7	98.5	98.3	99.1	99.1	99.2	99.8
% Ch	-0.5	4.7	3.5	-0.8	3.4	-0.0	0.1	2.6
Federal Government	68.5	68.4	69.3	70.7	70.5	70.0	70.0	70.2
% Ch	0.9	-0.8	5.5	8.7	-1.2	-2.9	-0.1	0.8
State and Local Government	444.0	446.0	448.5	449.5	449.3	450.8	451.6	450.5
% Ch	2.2	1.8	2.2	0.9	-0.2	1.4	0.7	-1.0

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,677.3	2,699.5	2,718.3	2,733.2	2,746.6	2,761.1	2,776.8	2,788.3
% Ch	1.4	3.4	2.8	2.2	2.0	2.1	2.3	1.7
Manufacturing	261.1	262.3	264.2	266.8	268.3	269.2	270.2	271.5
% Ch	-1.9	1.8	2.9	4.1	2.3	1.2	1.5	1.9
Durable Manufacturing	179.3	179.9	180.4	182.8	184.5	185.0	186.0	187.0
% Ch	-1.7	1.3	1.1	5.5	3.6	1.3	2.1	2.1
Wood Products	18.1	18.4	18.2	18.3	18.0	17.7	17.3	17.0
% Ch	5.1	8.2	-4.5	2.2	-6.0	-7.5	-8.8	-7.5
Primary and Fabricated Metals	22.1	22.3	22.1	22.4	22.5	22.6	22.8	23.1
% Ch	5.9	2.5	-2.8	5.6	1.1	2.6	3.6	4.9
Computer and Electronic Products	22.2	22.3	22.4	22.5	23.1	22.7	22.6	22.4
% Ch	-7.8	0.6	2.5	1.2	10.8	-7.0	-1.4	-2.5
Machinery and Electrical Equipment	16.2	16.3	16.4	16.8	17.1	17.5	18.0	18.5
% Ch	0.1	2.5	3.0	9.5	6.4	11.1	11.5	10.7
Aerospace	61.2	60.8	60.8	62.1	62.9	63.4	63.9	64.4
% Ch	-7.2	-2.2	-0.1	8.9	5.3	3.0	3.0	3.0
Other Transportation Equip.	11.8	11.8	12.3	12.4	12.5	12.6	12.6	12.7
% Ch	12.2	1.1	16.3	3.4	3.4	3.5	2.6	1.2
Other Durables	27.7	28.0	28.2	28.3	28.4	28.6	28.8	29.0
% Ch	-0.3	3.4	2.6	2.2	1.4	2.4	2.6	2.7
Nondurable Manufacturing	81.8	82.4	83.8	84.0	83.9	84.1	84.2	84.5
% Ch	-2.3	2.9	6.9	1.1	-0.6	1.2	0.4	1.5
Food Manufacturing	34.4	34.6	35.4	35.4	35.2	35.3	35.3	35.6
% Ch	-3.3	1.5	9.8	-0.1	-1.7	1.3	-0.0	2.4
Paper and Paper Products	12.7	12.5	12.4	12.4	12.4	12.4	12.5	12.5
% Ch	-1.1	-6.4	-3.6	1.0	0.4	1.1	0.8	1.3
Other Nondurables	34.7	35.4	36.0	36.3	36.3	36.4	36.4	36.5
% Ch	-1.6	8.0	7.9	2.3	0.1	1.0	0.7	0.8
Natural Resources and Mining	9.3	9.2	9.2	9.2	9.2	9.2	9.2	9.1
% Ch	18.2	-4.5	2.1	-0.6	-0.2	-1.5	-0.1	-1.3
Construction	161.7	165.2	166.3	168.0	169.4	170.2	170.9	171.6
% Ch	9.4	9.1	2.7	4.0	3.5	2.0	1.7	1.6
Trade, Transportation, and Utilities	512.8	518.5	520.2	522.4	523.1	525.7	529.0	531.2
% Ch	0.4	4.5	1.4	1.7	0.5	2.0	2.6	1.6
Wholesale Trade	116.7	118.1	118.2	119.0	118.8	119.9	120.9	121.6
% Ch	1.2	4.7	0.5	2.5	-0.6	3.7	3.5	2.2
Retail Trade	307.9	311.5	313.3	314.2	314.7	315.3	316.8	317.8
% Ch	0.2	4.7	2.4	1.1	0.6	0.8	1.8	1.4
Trans., Warehousing, and Utilities	88.2	88.9	88.7	89.3	89.6	90.5	91.4	91.8
% Ch	0.2	3.3	-1.2	2.9	1.6	3.7	4.0	1.8
Information	91.8	92.7	94.3	95.7	95.3	96.0	97.4	97.8
% Ch	-1.8	4.4	7.0	6.0	-1.8	2.8	6.3	1.3
Software Publishers	37.9	37.7	37.9	38.5	39.1	39.5	39.9	40.4
% Ch	-1.8	-2.5	2.6	6.8	5.6	4.7	4.3	4.5
Other Publishing Industries	12.2	12.4	12.5	12.4	12.4	12.4	12.5	12.6
% Ch	-2.6	4.4	4.0	-1.6	-0.7	1.5	2.7	2.9
Other Information	41.7	42.7	44.0	44.8	43.8	44.0	45.0	44.8
% Ch	-1.5	10.9	11.9	7.6	-8.1	1.5	9.2	-1.8
Financial Activities	153.5	155.0	155.6	155.8	156.0	156.4	156.7	156.8
% Ch	-0.1	4.1	1.6	0.3	0.5	1.0	0.8	0.3
Professional and Business Services	297.5	301.1	304.0	308.0	313.0	317.2	320.4	322.5
% Ch	4.9	4.9	4.0	5.2	6.7	5.5	4.2	2.5
Education and Health Services	314.7	316.9	321.0	322.5	324.5	326.5	328.2	330.1
% Ch	1.0	2.8	5.2	1.9	2.6	2.4	2.1	2.4
Leisure and Hospitality	253.3	255.5	259.0	260.1	262.3	264.6	267.4	268.7
% Ch	1.9	3.5	5.7	1.6	3.5	3.6	4.3	1.9
Other Services	100.0	100.7	101.1	101.6	101.4	101.4	101.6	101.9
% Ch	0.9	2.8	1.7	1.7	-0.6	-0.2	1.0	1.3
Federal Government	69.9	69.4	68.8	68.7	68.8	68.8	68.9	69.0
% Ch	-1.2	-3.0	-3.6	-0.1	0.2	0.2	0.5	0.5
State and Local Government	451.7	452.9	454.4	454.5	455.3	456.1	456.9	458.1
% Ch	1.1	1.1	1.3	0.1	0.7	0.8	0.6	1.1

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,800.1	2,813.5	2,831.4	2,842.1	2,855.0	2,867.8	2,884.3	2,891.7
% Ch	1.7	1.9	2.6	1.5	1.8	1.8	2.3	1.0
Manufacturing	273.6	275.7	277.9	279.7	281.7	283.2	284.5	285.6
% Ch	3.1	3.2	3.1	2.7	2.9	2.1	1.8	1.6
Durable Manufacturing	188.7	190.6	192.4	194.0	195.6	197.0	198.2	199.4
% Ch	3.9	4.0	3.9	3.3	3.3	2.8	2.5	2.4
Wood Products	16.7	16.5	16.3	16.1	15.9	15.8	15.7	15.7
% Ch	-5.7	-5.3	-5.3	-4.9	-3.2	-2.7	-2.3	-1.6
Primary and Fabricated Metals	23.3	23.4	23.4	23.4	23.5	23.5	23.5	23.5
% Ch	4.3	2.0	-0.1	-0.1	0.4	0.5	0.5	0.2
Computer and Electronic Products	22.6	22.9	23.4	23.7	23.9	23.9	23.7	23.5
% Ch	3.5	5.5	8.7	4.9	3.5	0.0	-3.1	-4.2
Machinery and Electrical Equipment	18.9	19.2	19.4	19.6	19.8	20.0	20.2	20.4
% Ch	8.9	6.6	5.3	4.3	4.4	3.4	3.4	3.7
Aerospace	65.4	66.6	67.9	69.1	70.4	71.6	72.9	74.1
% Ch	6.3	7.9	7.7	7.6	7.4	7.3	7.2	7.0
Other Transportation Equip.	12.7	12.7	12.7	12.6	12.5	12.5	12.4	12.4
% Ch	0.6	-0.6	-1.1	-1.6	-2.1	-2.2	-1.9	-1.2
Other Durables	29.1	29.3	29.4	29.5	29.6	29.7	29.8	29.9
% Ch	2.5	1.9	1.4	1.2	1.5	1.4	1.4	1.4
Nondurable Manufacturing	84.8	85.1	85.4	85.7	86.1	86.2	86.3	86.2
% Ch	1.3	1.4	1.4	1.5	1.8	0.5	0.2	-0.3
Food Manufacturing	35.8	36.0	36.2	36.4	36.6	36.7	36.7	36.7
% Ch	2.5	2.4	1.9	2.2	2.9	0.6	0.4	-0.4
Paper and Paper Products	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
% Ch	0.6	0.3	0.5	0.3	0.1	-0.6	-0.9	-1.4
Other Nondurables	36.5	36.6	36.7	36.8	37.0	37.0	37.1	37.1
% Ch	0.4	0.9	1.3	1.2	1.2	0.7	0.5	0.2
Natural Resources and Mining	9.1	9.0	9.0	9.0	8.9	8.9	8.9	8.9
% Ch	-2.6	-2.4	-1.4	-1.3	-0.7	-0.2	0.3	0.2
Construction	172.4	173.3	174.3	175.3	176.4	177.4	178.4	179.2
% Ch	1.7	2.1	2.3	2.3	2.5	2.4	2.2	1.9
Trade, Transportation, and Utilities	533.5	535.9	540.1	540.6	542.2	544.3	547.9	547.4
% Ch	1.7	1.9	3.2	0.4	1.2	1.6	2.7	-0.4
Wholesale Trade	122.0	122.3	122.9	123.2	123.7	124.2	124.8	124.9
% Ch	1.4	1.1	2.0	1.0	1.6	1.5	1.8	0.5
Retail Trade	319.4	321.1	323.7	323.7	324.1	325.1	327.1	326.3
% Ch	1.9	2.2	3.3	0.0	0.5	1.2	2.4	-0.9
Trans., Warehousing, and Utilities	92.1	92.5	93.5	93.7	94.3	94.9	96.1	96.1
% Ch	1.3	1.8	4.3	0.8	2.8	2.8	5.0	0.1
Information	97.5	97.4	97.8	98.8	99.9	100.5	101.5	102.5
% Ch	-1.0	-0.4	1.7	4.2	4.3	2.5	3.9	4.3
Software Publishers	40.9	41.4	42.0	42.7	43.3	44.0	44.6	45.2
% Ch	5.0	5.5	6.2	6.3	6.2	6.1	5.9	5.8
Other Publishing Industries	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.8
% Ch	1.4	0.4	0.4	-0.1	0.5	0.5	0.7	0.9
Other Information	44.0	43.3	43.1	43.5	43.9	43.8	44.1	44.5
% Ch	-6.9	-5.8	-2.0	3.4	3.5	-0.5	2.8	3.8
Financial Activities	156.9	156.9	157.6	157.6	158.1	158.5	159.4	159.5
% Ch	0.4	-0.1	1.9	-0.1	1.3	1.1	2.3	0.1
Professional and Business Services	325.1	328.3	333.4	336.6	340.7	344.5	349.2	350.8
% Ch	3.3	4.0	6.4	3.8	4.9	4.6	5.6	1.9
Education and Health Services	332.0	333.9	336.2	338.0	339.5	340.9	342.1	343.6
% Ch	2.3	2.3	2.8	2.2	1.8	1.7	1.5	1.8
Leisure and Hospitality	269.5	270.4	271.5	271.1	271.8	272.9	275.2	275.1
% Ch	1.2	1.3	1.7	-0.6	1.1	1.6	3.5	-0.2
Other Services	102.3	102.6	103.2	103.4	103.8	104.3	104.9	105.2
% Ch	1.2	1.4	2.4	0.8	1.6	1.7	2.6	1.0
Federal Government	69.1	69.2	69.3	69.4	69.5	69.6	69.7	69.8
% Ch	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
State and Local Government	459.3	460.9	461.1	462.7	462.6	462.9	462.5	464.0
% Ch	1.0	1.4	0.2	1.4	-0.1	0.3	-0.4	1.3

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

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	8,429.7	8,724.1	8,878.9	9,161.8	9,701.5	10,202.5	10,759.1	11,380.9
% Ch	8.0	3.5	1.8	3.2	5.9	5.2	5.5	5.8
Total Wage and Salary Disbursements	4,829.2	4,942.8	4,976.3	5,103.5	5,364.0	5,665.7	5,968.4	6,301.4
% Ch	8.1	2.4	0.7	2.6	5.1	5.6	5.3	5.6
Nonwage Personal Income	3,600.4	3,781.3	3,902.7	4,058.3	4,337.5	4,536.8	4,790.7	5,079.5
% Ch	7.9	5.0	3.2	4.0	6.9	4.6	5.6	6.0
Supplements to Wages and Salaries	953.4	999.3	1,093.2	1,185.4	1,282.2	1,361.6	1,439.8	1,510.6
% Ch	7.6	4.8	9.4	8.4	8.2	6.2	5.7	4.9
Proprietor's Income	728.4	771.9	769.6	834.1	912.0	981.8	1,029.0	1,089.5
% Ch	7.4	6.0	-0.3	8.4	9.3	7.7	4.8	5.9
Farm	22.7	19.7	9.7	21.8	18.2	17.2	18.6	19.7
% Ch	-20.7	-13.2	-51.0	126.1	-16.8	-5.6	8.6	5.7
Nonfarm	705.7	752.2	759.9	812.3	893.8	964.7	1,010.4	1,069.8
% Ch	8.6	6.6	1.0	6.9	10.0	7.9	4.7	5.9
Less: Contribution For Govt. Soc. Ins.	702.7	731.1	748.3	773.2	821.4	869.6	937.0	989.0
% Ch	6.2	4.0	2.3	3.3	6.2	5.9	7.7	5.6
Dividends/Int./Rent	1,537.3	1,547.4	1,505.5	1,476.6	1,562.1	1,589.5	1,673.9	1,786.5
% Ch	8.9	0.7	-2.7	-1.9	5.8	1.8	5.3	6.7
Transfer Payments	1,084.1	1,193.9	1,282.7	1,335.3	1,402.6	1,473.5	1,584.9	1,681.9
% Ch	6.1	10.1	7.4	4.1	5.0	5.1	7.6	6.1

Table A3.2
U.S. Personal Income by Component
 Forecast 2004 to 2007

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	8,803.6	8,897.1	8,895.7	8,919.2	9,002.2	9,105.7	9,209.3	9,330.0
% Ch	2.2	4.3	-0.1	1.1	3.8	4.7	4.6	5.3
Total Wage and Salary Disbursements	4,956.2	4,980.3	4,981.2	4,987.3	5,023.3	5,073.3	5,128.6	5,188.9
% Ch	2.7	2.0	0.1	0.5	2.9	4.0	4.4	4.8
Nonwage Personal Income	3,847.4	3,916.8	3,914.5	3,931.9	3,978.9	4,032.4	4,080.7	4,141.1
% Ch	1.7	7.4	-0.2	1.8	4.9	5.5	4.9	6.1
Supplements to Wages and Salaries	1,054.0	1,088.0	1,104.8	1,126.0	1,154.3	1,173.6	1,196.1	1,217.8
% Ch	16.4	13.6	6.3	7.9	10.4	6.9	7.9	7.5
Proprietor's Income	762.1	769.0	770.4	776.7	794.0	825.7	852.0	864.7
% Ch	-6.1	3.7	0.7	3.3	9.2	17.0	13.3	6.1
Farm	10.7	10.4	8.7	8.8	13.8	24.1	24.8	24.7
% Ch	-91.8	-10.7	-51.7	3.1	508.1	844.4	11.5	-2.1
Nonfarm	751.4	758.6	761.7	767.9	780.2	801.6	827.2	840.0
% Ch	-1.4	3.9	1.6	3.3	6.6	11.4	13.4	6.3
Less: Contribution For Govt. Soc. Ins.	745.7	749.1	748.9	749.6	762.4	768.9	776.7	785.0
% Ch	7.7	1.8	-0.1	0.4	7.0	3.4	4.1	4.3
Dividends/Int./Rent	1,517.5	1,524.9	1,499.1	1,480.5	1,481.4	1,468.8	1,463.2	1,492.9
% Ch	-4.9	2.0	-6.6	-4.9	0.2	-3.4	-1.5	8.4
Transfer Payments	1,259.4	1,284.0	1,289.1	1,298.1	1,311.4	1,333.1	1,346.2	1,350.7
% Ch	7.2	8.0	1.6	2.8	4.2	6.8	4.0	1.3

Table A3.2

U.S. Personal Income by Component

Forecast 2004 to 2007

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,465.4	9,614.8	9,749.9	9,975.9	10,012.7	10,141.5	10,266.9	10,388.8
% Ch	5.9	6.5	5.7	9.6	1.5	5.2	5.0	4.8
Total Wage and Salary Disbursements	5,261.0	5,330.6	5,394.8	5,469.4	5,553.2	5,631.8	5,703.5	5,774.1
% Ch	5.7	5.4	4.9	5.6	6.3	5.8	5.2	5.0
Nonwage Personal Income	4,204.4	4,284.2	4,355.1	4,506.5	4,459.4	4,509.7	4,563.4	4,614.7
% Ch	6.3	7.8	6.8	14.6	-4.1	4.6	4.9	4.6
Supplements to Wages and Salaries	1,250.3	1,271.5	1,292.3	1,314.7	1,340.0	1,354.1	1,368.5	1,383.8
% Ch	11.1	6.9	6.7	7.1	7.9	4.3	4.3	4.5
Proprietor's Income	872.1	902.8	928.0	945.1	961.1	977.7	989.2	999.3
% Ch	3.5	14.8	11.6	7.6	6.9	7.1	4.8	4.2
Farm	17.9	18.6	19.1	17.1	16.4	17.0	17.0	18.2
% Ch	-72.1	15.7	11.0	-36.0	-15.7	16.4	0.2	32.6
Nonfarm	854.2	884.2	908.9	928.0	944.7	960.7	972.2	981.1
% Ch	6.9	14.8	11.7	8.7	7.4	6.9	4.9	3.7
Less: Contribution For Govt. Soc. Ins.	806.9	816.5	825.4	836.6	859.2	865.7	871.7	881.9
% Ch	11.7	4.8	4.5	5.5	11.3	3.0	2.8	4.7
Dividends/Int./Rent	1,509.9	1,525.6	1,549.1	1,663.8	1,569.1	1,579.8	1,595.4	1,613.7
% Ch	4.6	4.2	6.3	33.1	-20.9	2.7	4.0	4.7
Transfer Payments	1,379.0	1,400.8	1,411.3	1,419.5	1,448.5	1,463.9	1,482.1	1,499.7
% Ch	8.6	6.5	3.0	2.4	8.4	4.3	5.1	4.8

Table A3.2
U.S. Personal Income by Component
 Forecast 2004 to 2007

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,532.8	10,679.2	10,836.2	10,988.1	11,143.8	11,302.5	11,459.9	11,617.5
% Ch	5.7	5.7	6.0	5.7	5.8	5.8	5.7	5.6
Total Wage and Salary Disbursements	5,853.5	5,927.9	6,005.6	6,086.8	6,175.7	6,260.9	6,343.3	6,425.7
% Ch	5.6	5.2	5.4	5.5	6.0	5.6	5.4	5.3
Nonwage Personal Income	4,679.3	4,751.3	4,830.6	4,901.4	4,968.1	5,041.6	5,116.6	5,191.8
% Ch	5.7	6.3	6.8	6.0	5.6	6.0	6.1	6.0
Supplements to Wages and Salaries	1,412.5	1,430.6	1,448.7	1,467.6	1,486.9	1,503.3	1,518.1	1,534.1
% Ch	8.6	5.2	5.2	5.3	5.4	4.5	4.0	4.3
Proprietor's Income	1,010.9	1,022.1	1,034.3	1,048.9	1,065.6	1,082.3	1,097.7	1,112.5
% Ch	4.7	4.5	4.8	5.8	6.5	6.4	5.8	5.5
Farm	19.1	19.1	18.0	18.3	19.0	19.5	20.1	20.2
% Ch	20.5	0.2	-22.0	7.8	15.1	12.4	11.5	2.9
Nonfarm	991.7	1,003.0	1,016.3	1,030.6	1,046.6	1,062.8	1,077.7	1,092.3
% Ch	4.4	4.6	5.4	5.7	6.4	6.3	5.7	5.5
Less: Contribution For Govt. Soc. Ins.	921.3	930.6	941.9	954.2	974.9	983.9	992.9	1,004.5
% Ch	19.1	4.1	5.0	5.3	8.9	3.7	3.7	4.8
Dividends/Int./Rent	1,634.8	1,659.4	1,686.2	1,715.3	1,739.4	1,769.4	1,801.4	1,835.6
% Ch	5.3	6.2	6.6	7.1	5.8	7.1	7.4	7.8
Transfer Payments	1,542.5	1,569.8	1,603.4	1,623.9	1,651.0	1,670.5	1,692.2	1,714.1
% Ch	11.9	7.3	8.8	5.2	6.9	4.8	5.3	5.3

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

	2000	2001	2002	2003	2004	2005	2006	2007
Personal Income	187.853	193.395	198.018	204.379	214.257	226.785	240.358	255.990
% Ch	7.0	3.0	2.4	3.2	4.8	5.8	6.0	6.5
Total Wage and Salary Disbursements	110.002	110.641	111.479	114.450	118.088	126.026	133.849	142.810
% Ch	6.0	0.6	0.8	2.7	3.2	6.7	6.2	6.7
Manufacturing	#N/A!	15.241	14.700	13.700	13.523	14.430	15.445	16.614
% Ch	#N/A!	#N/A!	-3.5	-6.8	-1.3	6.7	7.0	7.6
Nondurable Manufacturing	#N/A!	11.615	10.804	10.181	10.008	10.716	11.523	12.459
% Ch	#N/A!	#N/A!	-7.0	-5.8	-1.7	7.1	7.5	8.1
Durable Manufacturing	#N/A!	3.627	3.896	3.519	3.515	3.714	3.922	4.155
% Ch	#N/A!	#N/A!	7.4	-9.7	-0.1	5.7	5.6	5.9
Nonmanufacturing	#N/A!	91.191	92.313	95.900	99.484	106.286	112.827	120.316
% Ch	#N/A!	#N/A!	1.2	3.9	3.7	6.8	6.2	6.6
Other Private Wages	#N/A!	1.036	1.092	1.145	1.144	1.218	1.305	1.405
% Ch	#N/A!	#N/A!	5.4	4.8	-0.1	6.5	7.1	7.7
Farm Wages	1.004	1.000	0.993	1.076	1.188	1.242	1.299	1.365
% Ch	2.2	-0.4	-0.7	8.4	10.4	4.5	4.6	5.1
Military Wages	2.001	2.173	2.381	2.630	2.750	2.851	2.973	3.110
% Ch	4.9	8.6	9.5	10.4	4.6	3.7	4.3	4.6
Nonwage Personal Income	77.852	82.754	86.539	89.928	96.169	100.759	106.509	113.180
% Ch	8.5	6.3	4.6	3.9	6.9	4.8	5.7	6.3
Supplements to Wages and Salaries	22.875	23.277	24.278	25.560	27.210	29.134	31.099	32.968
% Ch	7.5	1.8	4.3	5.3	6.5	7.1	6.7	6.0
Proprietor's Income	14.150	15.511	16.497	17.488	19.488	21.174	22.258	23.650
% Ch	7.6	9.6	6.4	6.0	11.4	8.7	5.1	6.3
Farm	0.444	0.304	0.426	0.396	0.461	0.568	0.606	0.632
% Ch	24.4	-31.6	40.2	-6.9	16.3	23.2	6.6	4.4
Nonfarm	13.705	15.207	16.072	17.090	19.027	20.606	21.652	23.018
% Ch	7.2	11.0	5.7	6.3	11.3	8.3	5.1	6.3
Less: Contribution For Govt. Soc. Ins.	18.189	17.895	18.500	19.184	20.054	21.378	23.165	24.665
% Ch	7.3	-1.6	3.4	3.7	4.5	6.6	8.4	6.5
Plus: Residence Adjustment	2.182	2.326	2.271	2.365	2.548	2.673	2.796	2.939
% Ch	12.5	6.6	-2.4	4.1	7.7	4.9	4.6	5.1
Dividends/Int./Rent	34.521	34.465	35.003	34.874	37.219	38.009	40.069	42.755
% Ch	10.1	-0.2	1.6	-0.4	6.7	2.1	5.4	6.7
Transfer Payments	22.314	25.070	26.990	28.825	29.758	31.149	33.452	35.534
% Ch	6.4	12.4	7.7	6.8	3.2	4.7	7.4	6.2
State U.I. Benefits	0.923	1.373	2.394	2.429	1.474	0.976	0.898	0.905
% Ch	-2.5	48.7	74.4	1.4	-39.3	-33.8	-8.0	0.8
Other Transfers	21.390	23.697	24.595	26.397	28.283	30.172	32.554	34.629
% Ch	6.9	10.8	3.8	7.3	7.1	6.7	7.9	6.4

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

	2002:1	2002:2	2002:3	2002:4	2003:1	2003:2	2003:3	2003:4
Personal Income	195.428	197.895	199.685	199.063	200.018	203.955	207.655	205.886
% Ch	3.9	5.1	3.7	-1.2	1.9	8.1	7.5	-3.4
Total Wage and Salary Disbursements	110.527	111.146	112.473	111.770	111.933	114.868	117.130	113.869
% Ch	4.6	2.3	4.9	-2.5	0.6	10.9	8.1	-10.7
Manufacturing	15.183	14.491	14.689	14.437	13.956	13.808	13.547	13.489
% Ch	22.5	-17.0	5.6	-6.7	-12.7	-4.2	-7.3	-1.7
Nondurable Manufacturing	11.259	10.778	10.568	10.612	10.444	10.183	10.088	10.009
% Ch	13.7	-16.0	-7.6	1.7	-6.2	-9.6	-3.7	-3.1
Durable Manufacturing	3.924	3.713	4.121	3.825	3.512	3.625	3.459	3.480
% Ch	53.2	-19.8	51.7	-25.8	-28.9	13.5	-17.1	2.5
Nonmanufacturing	90.921	92.197	93.292	92.844	93.189	96.165	98.719	95.527
% Ch	1.7	5.7	4.8	-1.9	1.5	13.4	11.1	-12.3
Other Private Wages	1.081	1.080	1.104	1.102	1.166	1.161	1.139	1.112
% Ch	-7.1	-0.4	9.2	-0.7	25.3	-1.7	-7.4	-9.2
Farm Wages	0.991	0.990	0.992	0.998	1.025	1.059	1.093	1.127
% Ch	-2.8	-0.4	0.8	2.4	11.3	13.9	13.5	13.0
Military Wages	2.351	2.388	2.396	2.389	2.597	2.675	2.632	2.614
% Ch	25.3	6.4	1.3	-1.2	39.6	12.6	-6.3	-2.7
Nonwage Personal Income	84.901	86.749	87.212	87.293	88.085	89.086	90.526	92.016
% Ch	3.0	9.0	2.2	0.4	3.7	4.6	6.6	6.7
Supplements to Wages and Salaries	23.929	24.156	24.540	24.486	24.885	25.575	26.178	25.603
% Ch	9.5	3.8	6.5	-0.9	6.7	11.6	9.8	-8.5
Proprietor's Income	16.101	16.471	16.611	16.805	16.824	17.318	17.803	18.005
% Ch	11.8	9.5	3.4	4.8	0.5	12.3	11.7	4.6
Farm	0.362	0.446	0.418	0.477	0.354	0.408	0.428	0.396
% Ch	3.E+02	130.4	-22.8	69.6	-69.7	76.5	21.1	-26.7
Nonfarm	15.739	16.025	16.193	16.329	16.470	16.909	17.375	17.608
% Ch	9.0	7.5	4.3	3.4	3.5	11.1	11.5	5.5
Less: Contribution For Govt. Soc. Ins.	18.297	18.434	18.670	18.599	18.845	19.226	19.561	19.104
% Ch	11.8	3.0	5.2	-1.5	5.4	8.3	7.2	-9.0
Plus: Residence Adjustment	2.243	2.273	2.253	2.316	2.343	2.317	2.336	2.466
% Ch	-12.9	5.5	-3.5	11.7	4.7	-4.4	3.3	24.2
Dividends/Int./Rent	34.722	35.336	35.176	34.778	34.793	34.460	34.515	35.730
% Ch	3.1	7.3	-1.8	-4.4	0.2	-3.8	0.6	14.8
Transfer Payments	26.203	26.947	27.302	27.506	28.085	28.643	29.255	29.317
% Ch	-0.5	11.9	5.4	3.0	8.7	8.2	8.8	0.9
State U.I. Benefits	2.072	2.525	2.580	2.399	2.462	2.427	2.468	2.357
% Ch	112.6	120.5	9.0	-25.2	10.9	-5.6	6.9	-16.8
Other Transfers	24.131	24.421	24.722	25.106	25.623	26.216	26.787	26.961
% Ch	-6.2	4.9	5.0	6.4	8.5	9.6	9.0	2.6

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

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	207.775	212.434	215.799	221.022	222.037	224.983	228.984	231.138
% Ch	3.7	9.3	6.5	10.0	1.9	5.4	7.3	3.8
Total Wage and Salary Disbursements	114.601	117.451	119.211	121.090	123.067	124.869	127.581	128.589
% Ch	2.6	10.3	6.1	6.5	6.7	6.0	9.0	3.2
Manufacturing	13.233	13.372	13.596	13.890	14.136	14.325	14.521	14.738
% Ch	-7.4	4.3	6.9	8.9	7.3	5.5	5.6	6.1
Nondurable Manufacturing	9.812	9.905	10.035	10.280	10.490	10.631	10.788	10.953
% Ch	-7.6	3.8	5.4	10.1	8.4	5.5	6.0	6.3
Durable Manufacturing	3.421	3.467	3.562	3.610	3.646	3.694	3.733	3.785
% Ch	-6.6	5.5	11.3	5.6	4.0	5.4	4.3	5.7
Nonmanufacturing	96.337	99.023	100.524	102.052	103.680	105.258	107.723	108.483
% Ch	3.4	11.6	6.2	6.2	6.5	6.2	9.7	2.9
Other Private Wages	1.115	1.131	1.148	1.182	1.188	1.207	1.232	1.246
% Ch	1.0	6.0	6.0	12.4	2.1	6.5	8.9	4.5
Farm Wages	1.161	1.178	1.195	1.217	1.222	1.234	1.251	1.260
% Ch	12.6	6.0	6.0	7.4	1.6	4.1	5.5	3.0
Military Wages	2.756	2.747	2.748	2.749	2.842	2.845	2.853	2.862
% Ch	23.6	-1.3	0.2	0.2	14.3	0.4	1.1	1.3
Nonwage Personal Income	93.174	94.983	96.588	99.931	98.971	100.114	101.403	102.549
% Ch	5.1	8.0	6.9	14.6	-3.8	4.7	5.2	4.6
Supplements to Wages and Salaries	26.411	26.925	27.493	28.011	28.609	28.919	29.366	29.640
% Ch	13.2	8.0	8.7	7.8	8.8	4.4	6.3	3.8
Proprietor's Income	18.465	19.275	19.901	20.311	20.700	21.071	21.354	21.571
% Ch	10.6	18.7	13.6	8.5	7.9	7.4	5.5	4.1
Farm	0.356	0.470	0.501	0.518	0.540	0.563	0.576	0.594
% Ch	-34.7	202.8	30.0	14.1	18.3	17.7	9.8	12.6
Nonfarm	18.109	18.805	19.399	19.793	20.159	20.508	20.778	20.977
% Ch	11.9	16.3	13.3	8.4	7.6	7.1	5.4	3.9
Less: Contribution For Govt. Soc. Ins.	19.610	19.892	20.204	20.509	21.082	21.246	21.491	21.694
% Ch	11.0	5.9	6.4	6.2	11.7	3.2	4.7	3.8
Plus: Residence Adjustment	2.499	2.534	2.564	2.595	2.626	2.658	2.689	2.718
% Ch	5.5	5.7	4.9	5.0	4.8	4.9	4.8	4.3
Dividends/Int./Rent	36.053	36.416	36.955	39.452	37.483	37.769	38.163	38.619
% Ch	3.7	4.1	6.0	29.9	-18.5	3.1	4.2	4.9
Transfer Payments	29.356	29.725	29.880	30.070	30.634	30.944	31.320	31.695
% Ch	0.5	5.1	2.1	2.6	7.7	4.1	5.0	4.9
State U.I. Benefits	1.774	1.531	1.364	1.229	1.084	0.969	0.938	0.914
% Ch	-67.9	-44.5	-36.9	-34.3	-39.3	-36.3	-12.2	-9.7
Other Transfers	27.582	28.195	28.515	28.842	29.550	29.975	30.383	30.780
% Ch	9.5	9.2	4.6	4.7	10.2	5.9	5.5	5.3

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

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	234.138	237.692	244.124	245.479	249.223	253.167	260.514	261.055
% Ch	5.3	6.2	11.3	2.2	6.2	6.5	12.1	0.8
Total Wage and Salary Disbursements	130.191	132.112	136.640	136.454	138.661	140.904	146.379	145.295
% Ch	5.1	6.0	14.4	-0.5	6.6	6.6	16.5	-2.9
Manufacturing	15.012	15.299	15.589	15.881	16.190	16.478	16.758	17.031
% Ch	7.7	7.9	7.8	7.7	8.0	7.3	7.0	6.7
Nondurable Manufacturing	11.175	11.407	11.640	11.871	12.114	12.348	12.575	12.801
% Ch	8.3	8.6	8.4	8.2	8.4	7.9	7.6	7.4
Durable Manufacturing	3.837	3.893	3.949	4.010	4.076	4.130	4.183	4.230
% Ch	5.7	5.9	5.9	6.3	6.8	5.4	5.2	4.5
Nonmanufacturing	109.685	111.270	115.429	114.924	116.683	118.583	123.686	122.310
% Ch	4.5	5.9	15.8	-1.7	6.3	6.7	18.4	-4.4
Other Private Wages	1.265	1.288	1.330	1.338	1.362	1.387	1.435	1.437
% Ch	6.3	7.4	13.6	2.4	7.3	7.6	14.5	0.7
Farm Wages	1.273	1.288	1.314	1.321	1.337	1.353	1.384	1.387
% Ch	4.1	4.8	8.5	1.9	4.9	5.1	9.3	0.9
Military Wages	2.956	2.967	2.977	2.991	3.090	3.103	3.116	3.130
% Ch	13.7	1.5	1.5	1.8	14.0	1.7	1.7	1.8
Nonwage Personal Income	103.948	105.580	107.484	109.024	110.561	112.263	114.135	115.761
% Ch	5.6	6.4	7.4	5.9	5.8	6.3	6.8	5.8
Supplements to Wages and Salaries	30.342	30.782	31.535	31.737	32.253	32.673	33.454	33.491
% Ch	9.8	5.9	10.1	2.6	6.7	5.3	9.9	0.4
Proprietor's Income	21.821	22.087	22.402	22.721	23.100	23.479	23.852	24.168
% Ch	4.7	5.0	5.8	5.8	6.8	6.7	6.5	5.4
Farm	0.605	0.609	0.600	0.609	0.621	0.630	0.637	0.641
% Ch	8.1	2.3	-5.6	6.1	8.3	5.7	4.5	2.7
Nonfarm	21.216	21.478	21.802	22.113	22.479	22.849	23.215	23.527
% Ch	4.6	5.0	6.2	5.8	6.8	6.7	6.6	5.5
Less: Contribution For Govt. Soc. Ins.	22.660	22.927	23.457	23.615	24.173	24.444	24.990	25.054
% Ch	19.0	4.8	9.6	2.7	9.8	4.6	9.2	1.0
Plus: Residence Adjustment	2.748	2.779	2.812	2.846	2.883	2.920	2.957	2.995
% Ch	4.5	4.6	4.9	5.0	5.2	5.3	5.2	5.2
Dividends/Int./Rent	39.134	39.724	40.365	41.054	41.639	42.350	43.111	43.922
% Ch	5.4	6.2	6.6	7.0	5.8	7.0	7.4	7.7
Transfer Payments	32.564	33.136	33.828	34.281	34.860	35.286	35.751	36.238
% Ch	11.4	7.2	8.6	5.5	6.9	5.0	5.4	5.6
State U.I. Benefits	0.903	0.896	0.892	0.902	0.905	0.906	0.899	0.909
% Ch	-5.1	-2.9	-1.8	4.4	1.6	0.3	-2.9	4.3
Other Transfers	31.661	32.240	32.936	33.379	33.955	34.380	34.851	35.329
% Ch	11.9	7.5	8.9	5.5	7.1	5.1	5.6	5.6

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Change Percent	Index	Change Percent	Index	Change Percent
1967	0.232	2.5	0.334	2.8	0.328	2.9
1968	0.241	3.9	0.348	4.2	0.342	4.1
1969	0.253	4.6	0.367	5.4	0.358	4.8
1970	0.264	4.7	0.388	5.9	0.374	4.5
1971	0.276	4.2	0.405	4.2	0.382	2.1
1972	0.285	3.5	0.418	3.3	0.393	2.9
1973	0.301	5.5	0.444	6.3	0.418	6.4
1974	0.332	10.3	0.493	11.0	0.464	11.0
1975	0.359	8.3	0.538	9.1	0.511	10.2
1976	0.379	5.6	0.569	5.8	0.539	5.5
1977	0.404	6.5	0.606	6.5	0.583	8.0
1978	0.432	7.0	0.652	7.6	0.640	9.9
1979	0.471	8.8	0.726	11.3	0.709	10.8
1980	0.521	10.7	0.824	13.5	0.827	16.7
1981	0.567	8.9	0.909	10.4	0.916	10.8
1982	0.598	5.5	0.965	6.2	0.978	6.7
1983	0.624	4.3	0.996	3.2	0.993	1.5
1984	0.648	3.8	1.039	4.4	1.030	3.8
1985	0.669	3.3	1.076	3.5	1.056	2.5
1986	0.686	2.4	1.097	1.9	1.066	1.0
1987	0.709	3.5	1.136	3.6	1.092	2.4
1988	0.737	4.0	1.183	4.1	1.128	3.3
1989	0.770	4.4	1.239	4.8	1.181	4.7
1990	0.805	4.6	1.307	5.4	1.268	7.3
1991	0.834	3.6	1.362	4.2	1.341	5.8
1992	0.858	2.9	1.403	3.0	1.390	3.7
1993	0.878	2.3	1.445	3.0	1.429	2.8
1994	0.896	2.1	1.482	2.6	1.478	3.4
1995	0.916	2.1	1.524	2.8	1.522	3.0
1996	0.935	2.2	1.569	2.9	1.575	3.4
1997	0.951	1.7	1.605	2.3	1.630	3.5
1998	0.960	0.9	1.630	1.5	1.677	2.9
1999	0.976	1.7	1.666	2.2	1.728	3.0
2000	1.000	2.5	1.722	3.4	1.792	3.7
2001	1.021	2.1	1.770	2.8	1.857	3.6
2002	1.035	1.4	1.799	1.6	1.893	2.0
2003	1.055	1.9	1.839	2.3	1.924	1.6
Forecast						
2004	1.079	2.3	1.888	2.7	1.950	1.4
2005	1.098	1.7	1.920	1.7	1.980	1.5
2006	1.116	1.7	1.948	1.5	2.013	1.7
2007	1.139	2.1	1.984	1.8	2.057	2.2

* Chain-Weight Implicit Price Deflator for Personal Consumption Expenditures

Consumer Price Index for all Urban Consumers

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

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

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

	Services		Food		Fuels		Gasoline	
	Index	Percent Change	Index	Percent Change	Index	Percent Change	Index	Percent Change
1967	18.349	3.0	23.023	1.6	12.295	3.2	20.700	3.3
1968	19.128	4.2	23.865	3.7	12.668	3.0	21.005	1.5
1969	20.106	5.1	25.031	4.9	12.959	2.3	21.696	3.3
1970	21.175	5.3	26.549	6.1	13.507	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.417	6.7	22.050	0.7
1972	23.304	4.3	28.610	4.5	14.535	0.8	22.336	1.3
1973	24.381	4.6	31.742	10.9	16.633	14.4	24.473	9.6
1974	26.344	8.1	36.234	14.2	26.327	58.3	33.059	35.1
1975	28.596	8.5	39.106	7.9	28.862	9.6	35.279	6.7
1976	30.604	7.0	40.393	3.3	30.822	6.8	36.777	4.2
1977	32.933	7.6	42.920	6.3	34.781	12.8	38.907	5.8
1978	35.464	7.7	46.832	9.1	36.559	5.1	40.597	4.3
1979	38.316	8.0	51.496	10.0	48.977	34.0	54.406	34.0
1980	42.332	10.5	55.992	8.7	68.177	39.2	75.509	38.8
1981	46.746	10.4	60.254	7.6	82.998	21.7	84.017	11.3
1982	50.528	8.1	62.372	3.5	82.044	-1.1	79.768	-5.1
1983	53.799	6.5	63.699	2.1	77.109	-6.0	77.160	-3.3
1984	56.680	5.4	65.827	3.3	78.867	2.3	76.005	-1.5
1985	59.295	4.6	67.164	2.0	76.147	-3.4	76.619	0.8
1986	62.040	4.6	69.105	2.9	61.413	-19.3	60.175	-21.5
1987	64.299	3.6	71.395	3.3	61.478	0.1	62.488	3.8
1988	67.493	5.0	73.805	3.4	61.646	0.3	63.017	0.8
1989	70.708	4.8	77.477	5.0	64.403	4.5	68.837	9.2
1990	74.197	4.9	81.183	4.8	76.919	19.4	78.385	13.9
1991	77.497	4.4	83.938	3.4	74.496	-3.1	77.338	-1.3
1992	80.684	4.1	84.948	1.2	71.832	-3.6	77.040	-0.4
1993	83.345	3.3	86.249	1.5	71.587	-0.3	76.257	-1.0
1994	85.748	2.9	87.679	1.7	70.417	-1.6	76.614	0.5
1995	88.320	3.0	89.573	2.2	69.905	-0.7	77.826	1.6
1996	90.844	2.9	92.090	2.8	77.835	11.3	82.597	6.1
1997	93.305	2.7	94.197	2.3	78.644	1.0	82.579	-0.0
1998	95.319	2.2	95.868	1.8	71.779	-8.7	71.874	-13.0
1999	97.393	2.2	97.711	1.9	72.656	1.2	78.207	8.8
2000	100.000	2.7	100.000	2.3	100.000	37.6	100.000	27.9
2001	103.257	3.3	102.943	2.9	101.737	1.7	96.288	-3.7
2002	106.083	2.7	104.949	1.9	91.771	-9.8	90.404	-6.1
2003	109.237	3.0	106.979	1.9	109.634	19.5	105.154	16.3
Forecast								
2004	112.135	2.7	110.118	2.9	118.868	8.4	122.521	16.5
2005	115.112	2.7	111.785	1.5	117.434	-1.2	112.390	-8.3
2006	118.195	2.7	112.790	0.9	115.342	-1.8	108.150	-3.8
2007	121.574	2.9	114.733	1.7	115.696	0.3	106.426	-1.6

Table A5.1

Washington Resident Population and Components of Change*

(Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

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

* As of April 1 of Each Year

Source: Office of Financial Management

This page intentionally left blank.

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.