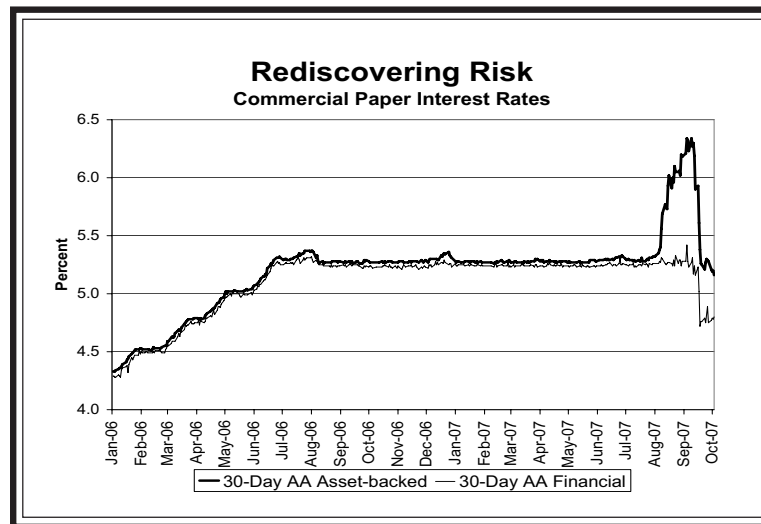


Washington Economic and Revenue Forecast



September 2007
Volume XXX, No. 3

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Explanation of the Cover Graph

The cover chart shows two classes of commercial paper: AA financial commercial paper and AA asset-backed commercial paper. Both carry the highest "AA" rating and normally trade at very similar rates. The rate on asset-backed commercial paper soared in mid-August as investors became concerned about exposure to sub-prime mortgages and other risky loans. The Fed responded to the liquidity crisis by lowering the discount rate and by openly encouraging discount window borrowing. Rates on both types of commercial paper declined sharply after the Fed cut the more important federal funds rate in September.*

**An unsecured obligation issued by a corporation or bank to finance its short-term credit needs*

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Washington Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

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Preface

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

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

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Executive Summary

U.S. Economic Forecast

The September 2007 economic and revenue forecast incorporated the advance GDP estimate for the second quarter of 2007. According to the advance estimate, real GDP growth accelerated to 3.4 percent in the second quarter of 2007 from just 0.6 percent in the first quarter. Final sales growth also improved in the second quarter to 3.2 percent from 1.3 percent in the first quarter. The improvement in real growth in the second quarter came in spite of a weak 1.3 percent increase in consumer spending. The foreign sector contributed 1.2 percentage points to GDP growth in the second quarter. Exports rose at a 6.4 percent rate while imports declined at a 2.6 percent rate. Fixed investment rose at a 2.2 percent rate in the second quarter in spite of a 9.3 percent decline in residential fixed investment. Government purchases rose at a 4.2 percent rate percent rate in the second quarter, led by a 9.5 percent jump in defense spending.

Payroll employment growth slowed to 1.3 percent in the second quarter from 1.5 percent in the first quarter while the unemployment rate stayed steady at 4.50 percent. The Consumer Price Index rose 6.0 percent in the second quarter following a 3.8 percent rise in the first quarter. The jump in inflation was due to soaring energy costs which increased 48.1 percent in the second quarter following a 16.0 percent increase in the first quarter. Core CPI inflation, which excludes food and energy, declined from 2.3 percent to 1.9 percent. Housing starts inched up 0.5 percent in the second quarter to 1.462 million units while the mortgage rate increased to 6.34 percent from 6.22 percent. The Federal Reserve left its target for the federal funds rate unchanged at 5.25 percent on August 7th citing inflation as its main concern. On August 17th the Fed cut the discount rate 50 basis points to 5.75 percent and issued a statement acknowledging that “the downside risks to growth have increased appreciably.”

The credit and liquidity squeezes have increased downside risks for the U.S. economy, especially for the housing sector. The economy will continue to grow, albeit sluggishly. Real GDP growth is expected to drop below 2.0 percent in the fourth quarter and remains in the 1–2 percent range until the third quarter of 2008. The sharp tightening of conditions in the subprime, Alt-A, and jumbo prime mortgage markets (which accounted for more than half of all mortgage originations in 2006) will mean another, probably steep, downturn in home sales and housing starts, and will drive house prices down further. Consumer spending growth will slow to an average 2.3 percent over the next three quarters. The forecast assumes limited spillover to business fixed investment spending and rest-of-the-world growth. Limited global spillover is a crucial assumption, because exports are becoming increasingly important as a support for growth. Without the contribution from foreign trade, growth would be only 1.4 percent in 2008. We have assumed that the Fed moves in a pre-emptive fashion, to forestall a deeper slowdown, by cutting the fed funds rate 50 basis points to 4.75 percent in September and another 25 basis points to 4.50 percent in October.

Annual GDP growth slowed slightly to 2.9 percent in 2006 from 3.1 percent in 2005. The forecast expects growth to slow down to 1.8 percent this year and 2.0 percent in 2008 before recovering to 2.7 percent in 2009. Nonfarm payroll employment growth improved to 1.9 percent in 2006 from 1.7 percent in 2005. Slower growth is expected during the next three years. Employment is expected to grow 1.3 percent this year, 0.8 percent next year, and 1.1 percent in 2009. The unemployment rate also improved in 2006, declining to 4.63 percent from 5.07 percent in 2005. The forecast expects the unemployment rate to remain at 4.63 percent in 2007, rising to 5.05 percent in 2008 and 5.08 percent in 2009. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.8 percent in 2006 from 2.9 percent in 2005. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.2 percent in 2006, the same rate as in 2005. Energy costs will add to inflation in 2007 and 2008 but will help restrain inflation in 2009. The overall implicit price deflator is expected to rise 2.3 percent in 2007, 1.9 percent in 2008, and 1.7 percent in 2009 compared to core inflation rates of 2.0 percent, 1.8 percent, and 1.9 percent.

Washington State Economic Forecast

The state's employment growth rate slowed to 2.1 percent in the second quarter of 2007 from a sizzling 4.8 percent in the first quarter. Manufacturing employment edged up at a 0.3 percent rate in the second quarter. Aerospace employment rose at a 6.6 percent rate but manufacturing employment other than aerospace declined at a 1.9 percent rate. Employment in natural resources and mining, a small sector, declined at a 20.6 percent rate as both logging and mining employment fell sharply. Construction employment growth remained strong in the second quarter at 4.7 percent. Professional and business services employment growth also remained strong, rising at a 5.0 percent rate. Other private services producing sectors registered more moderate growth. "Other services" employment increased 3.3 percent, education and health services employment grew 3.0 percent, and trade transportation, and utilities employment grew 2.9 percent. Information employment, which includes software, increased 1.8 percent, leisure and hospitality employment grew 1.2 percent, and financial activities employment inched up 0.2 percent. In the public sector, federal government employment fell at a 4.7 percent rate while state and local government employment increased at a 0.7 percent rate.

Washington's personal income in the first quarter of 2007 was \$0.013 billion (0.0 percent) lower than the estimate made in June. Total wages were \$0.888 billion (0.6 percent) higher than expected in June. Software wages were \$0.070 billion (1.3 percent) lower than expected but other wages were \$0.958 billion (0.7 percent) higher. Nonwage personal income was \$0.901 billion (0.8 percent) below the June estimate. The forecast assumes that income growth improved to 8.1 percent in the second quarter of 2007 from 7.6 percent in the first quarter. The forecast assumes that wage and salary disbursements rose at a strong 8.3 percent rate due largely to strong average wage growth in aerospace and software. Wage growth outside of information and durable manufacturing came in a more moderate 6.5 percent rate. Income from sources other than wages grew at a healthy 7.8 percent rate boosted by an 11.7 percent jump in property income (dividends, interest, and rent).

The number of housing units authorized by building permit fell 14,500 in the second quarter of 2007 to 45,000 from 59,500 in the first quarter. Single-family permits edged down 600 to 32,000 but multi-family permits plummeted 13,900 to 12,900. The third quarter of 2007 also got off to a weak start. July housing units authorized by building permit totaled 41,400 of which 30,900 were single-family and 10,500 were multi-family.

The forecast also reflects Seattle consumer price data through June 2007. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and

energy) edged ahead of the national average in 2005, rising 2.3 percent compared to 2.2 percent. Core inflation in Seattle shot well ahead of the national average in 2006, rising 3.7 percent compared to 2.6 percent for the U.S. city average. Strong regional inflation continued in early 2007. Core Seattle prices rose at a 2.9 percent rate during the first six months of 2007 compared to 2.3 percent for the U.S. Energy costs added much less to Seattle inflation than to U.S. inflation during this period, however. As a result, the Seattle all items CPI rose only 3.7 percent in the first half of 2007 compared to the national average rate of 5.0 percent.

The new Washington forecast reflects the slower growth in the U.S. forecast. Because the recent job growth in Washington has been greater than assumed in June and the conventional mortgage rate forecast is lower, the housing and construction forecasts would normally have been stronger than assumed in June. We have assumed that the credit and liquidity squeeze will have an adverse impact on housing and construction in Washington but the impact will be much less than in the rest of the country. This was accomplished by adjusting the Washington forecast for housing and construction so that the revision since June is about half as much as the revision in the U.S. forecast. Accordingly, we have revised the Washington housing permit forecast for the third quarter of 2008 down by about 4,000 units. We have also assumed about 5,000 fewer net new construction jobs over the course of the forecast than assumed in June.

The software employment forecast is virtually the same as assumed in June. Software employment is still expected to rise 8,100 from the fourth quarter of 2006 to the fourth quarter of 2009. The Washington aerospace employment forecast is also virtually unchanged other than recognizing that 1,100 more aerospace jobs have been created as of July 2007 than assumed in the June forecast. As of July, the aerospace sector has added 18,600 jobs since the trough in May 2004. The forecast expects another 2,700 new aerospace jobs by mid-2008 when employment is expected to level off at 82,100. This is still 31,000 (27.4 percent) lower than the previous peak in June 1998.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment growth increased to 2.9 percent in 2006 from 2.8 percent in 2005. Employment data for the first seven months of the year indicate that total employment should grow 2.9 percent this year as well. Growth in these key industries is expected to slow during the next two years, though, and the state will also be affected by the slow-down in the national economy. The forecast calls for employment growth rates of 2.1 percent in 2008 and 1.8 percent in 2009. Washington personal income growth jumped to 7.4 percent in 2006 from 2.9 percent in 2005. The weak growth in 2005 was largely due to Microsoft's special dividend in November 2004, which temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, personal income growth in 2005 would have been 5.6 percent. Income growth is expected to remain strong at 7.5 percent in 2007, slowing to 6.3 percent in 2008 and 6.0 percent in 2009. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000. Higher mortgage rates and tighter lending standards are expected to depress the single-family market during the next three years but strong population growth should continue to support multi-family activity. The forecast expects total housing permits to edge down to 49,600 in 2007, declining to 45,300 in 2008 and 44,800 in 2009. Inflation, as measured by the Seattle CPI, jumped to 3.7 percent in 2006 from 2.8 percent in 2005. Core inflation (excluding food and energy) was more moderate but also jumped to 3.3 percent in 2006 from 1.8 percent in 2005. Energy costs will add slightly to inflation in 2007 but declining energy costs in 2008 and 2009 should help lower overall inflation in those years. The slowdown in the overall economy should also help restrain core inflation. As a result, inflation should decline to 3.4 percent in 2007 and 2.4 percent per year in 2008 and 2009.

Washington State Revenue Forecast

The General Fund-State revenue forecast has been increased by \$281.5 million for the combined 2005-07 and 2007-09 biennia. The national economic forecast now appears weaker than expected in June due to the deteriorating housing outlook and turmoil in the financial markets. On the other hand, recent employment and income data indicate that the Washington economy is outperforming the U.S. economy by a greater margin than previously assumed. Stronger than previously expected revenue collections during the last three months also support the less-than-one-percent increase in the revenue forecast.

Actual General Fund-State revenue in the 2005-07 biennium was \$27,774.0 million, \$68.8 million more than expected in June. The forecast for the 2007-09 biennium is \$30,016.7 million, which is \$212.7 million higher than expected in the June forecast. Of the total \$281.5 million forecast change for the two biennia, \$75.5 million is due to higher than expected collections through September 10, 2007 while \$206.0 million is due to a higher forecast for the remainder of the 2007-09 biennium.

As required by law, optimistic and pessimistic alternative forecasts were developed for the 2007-09 biennium. The forecast based on more optimistic economic assumptions netted \$1,151 million (3.8 percent) more revenue in the 2007-09 biennium than did the baseline while the pessimistic alternative was \$1,339 million (4.5 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$386 million (1.3 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

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

Washington State and U.S. Economic Forecasts

Recent U.S. Economic Activity

The September 2007 economic and revenue forecast incorporated the advance GDP estimate for the second quarter of 2007. According to the advance estimate, real GDP growth accelerated to 3.4 percent in the second quarter of 2007 from just 0.6 percent in the first quarter. Final sales growth also improved in the second quarter to 3.2 percent from 1.3 percent in the first quarter. The improvement in real growth in the second quarter came in spite of a weak 1.3 percent increase in consumer spending. Consumer purchases of services rose 2.2 percent and durable goods purchases increased 1.6 percent but purchases of nondurable goods declined 0.8 percent. The foreign sector contributed 1.2 percentage points to GDP growth in the second quarter. Exports rose at a 6.4 percent rate while imports declined at a 2.6 percent rate. Fixed investment rose at a 2.2 percent rate in the second quarter in spite of a 9.3 percent decline in residential fixed investment. The decline in residential fixed investment was more than offset by a 22.1 percent surge in nonresidential construction. Investment in equipment software rose at a modest 2.3 percent rate. Government purchases rose at a 4.2 percent rate in the second quarter, led by a 9.5 percent jump in defense spending. Nondefense federal spending inched up 1.3 percent and state and local government purchases rose 2.9 percent.

Payroll employment growth slowed to 1.3 percent in the second quarter from 1.5 percent in the first quarter while the unemployment rate stayed steady at 4.50 percent. The Consumer Price Index rose 6.0 percent in the second quarter following a 3.8 percent rise in the first quarter. The jump in inflation was due to soaring energy costs which increased 48.1 percent in the second quarter following a 16.0 percent increase in the first quarter. Core CPI inflation, which excludes food and energy, declined from 2.3 percent to 1.9 percent. Housing starts inched up 0.5 percent in the second quarter to 1.462 million units while the mortgage rate increased to 6.34 percent from 6.22 percent. The Federal Reserve left its target for the federal funds rate unchanged at 5.25 percent on August 7th citing inflation as its main concern. On August 17th the Fed cut the discount rate 50 basis points to 5.75 percent and issued a statement acknowledging that “the downside risks to growth have increased appreciably.”

U.S. Forecast Highlights

The credit and liquidity squeezes have increased downside risks for the U.S. economy, especially for the housing sector. The economy will continue to grow, albeit sluggishly. Real GDP growth is expected to drop below 2.0 percent in the fourth quarter and remains in the 1–2 percent range until the third quarter of 2008. The sharp tightening of conditions in the subprime, Alt-A, and jumbo prime mortgage markets (which accounted for more than half of all mortgage originations in 2006) will mean another, probably

steep, downturn in home sales and housing starts, and will drive house prices down further. Consumer spending growth will slow to an average 2.3 percent over the next three quarters. The forecast assumes limited spillover to business fixed investment spending and rest-of-the-world growth. Limited global spillover is a crucial assumption, because exports are becoming increasingly important as a support for growth. Without the contribution from foreign trade, growth would be only 1.4 percent in 2008. We have assumed that the Fed moves in a pre-emptive fashion, to forestall a deeper slowdown, by cutting the fed funds rate 50 basis points to 4.75 percent in September and another 25 basis points to 4.50 percent in October.

Annual GDP growth slowed slightly to 2.9 percent in 2006 from 3.1 percent in 2005. The forecast expects growth to slow down to 1.8 percent this year and 2.0 percent in 2008 before recovering to 2.7 percent in 2009. Nonfarm payroll employment growth improved to 1.9 percent in 2006 from 1.7 percent in 2005. Slower growth is expected during the next three years. Employment is expected to grow 1.3 percent this year, 0.8 percent next year, and 1.1 percent in 2009. The unemployment rate also improved in 2006, declining to 4.63 percent from 5.07 percent in 2005. The forecast expects the unemployment rate to remain at 4.63 percent in 2007, rising to 5.05 percent in 2008 and 5.08 percent in 2009. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.8 percent in 2006 from 2.9 percent in 2005. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.2 percent in 2006, the same rate as in 2005. Energy costs will add to inflation in 2007 and 2008 but will help restrain inflation in 2009. The overall implicit price deflator is expected to rise 2.3 percent in 2007, 1.9 percent in 2008, and 1.7 percent in 2009 compared to core inflation rates of 2.0 percent, 1.8 percent, and 1.9 percent.

1. Real GDP growth slowed sharply in fiscal 2007 to 2.1 percent from 3.2 percent in 2006. The slowdown in 2007 was primarily due to residential fixed investment which, after five years of growth, turned sharply negative in 2007, declining at a 13.4 percent rate. The housing decline in 2007 subtracted 0.8 percent from real GDP growth after adding 0.2 percent in the previous year. The housing sector is expected to be a significant drag on GDP growth in 2008 and 2009 as well, subtracting 0.9 and 0.4 percentage points from growth. Consumer spending growth is also expected to slow during the next two years to 2.4 percent per year from an average rate of 3.3 percent per year during the previous four years. The foreign sector, on the other hand, added 0.2 percent to real GDP growth in 2007, the first positive contribution from trade in more than a decade. Supported by strong growth overseas and a declining dollar, the foreign sector is expected to add 0.6 percent to growth in 2008 and 0.3 percent in 2009. Overall, the forecast calls for relatively weak GDP growth rates of 2.0 percent in 2008 and 2.2 percent in 2009.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, declined to 2.4 percent in fiscal 2007 from 3.2 percent in 2006. The decline was entirely due to moderating energy costs. Core inflation actually increased slightly to 2.3 percent from 2.1 percent. Fluctuations in energy costs are not expected to play a major role in inflation during the next two years, but the slowdown in the economy will help keep inflation in check. The forecast expects overall inflation rates of 2.1 percent in 2008 and 1.8 percent in 2009.
3. The Federal Reserve has held its target for the federal funds rate steady at 5.25 percent since June 2006 following 17 consecutive 25-basis-point increases. Following the financial turbulence and flight to safety that erupted on August 9th, the Fed intervened to pump in liquidity through open-market operations and announced a 50-basis-point cut in its discount rate. The forecast assumes that these initial signs of easing will be followed by a 50 basis-point cut in the federal funds rate in September followed by a further 25 basis-point cut in October bringing the target rate down to

4.50 percent. As a result of past Fed tightening, the three-month Treasury bill rate rose to 4.89 percent in fiscal 2007 from 4.06 percent in fiscal 2006. Now that the Fed has shifted gears again, the forecast expects the T-bill rate to decline to 4.26 percent in 2008 and 4.20 percent in 2009. The rise in long term rates has been much more restrained. The mortgage rate increased from 6.20 percent in fiscal 2006 to 6.35 percent in 2007. The forecast expects the mortgage rate to dip slightly to 6.25 percent in 2008, rising to 6.51 percent in 2009.

4. Housing starts declined 24.2 percent in fiscal 2007 to 1.545 million units, the first decline after a six-year housing boom. But affordability has fallen sharply due to the run-up in home prices. Though conventional mortgage rates are expected to decline, high inventories of unsold homes, higher spreads for jumbo and other non-conventional loans, and tighter lending standards are expected to further depress housing activity. The forecast calls for a 23.7 percent reduction in starts in 2008 to 1.179 million units followed by a modest 5.9 percent recovery in 2009 to 1.249 million units.
5. The nation's unemployment rate declined from 4.83 percent in fiscal 2006 to a six-year-low 4.54 percent in 2007. The slowdown in the U.S. economy is expected to cause a modest increase in the unemployment rate. The forecast calls for the unemployment rate to rise to 4.87 percent in 2008 and 5.11 percent in 2009.
6. In spite of the housing decline, growth in the overall economy is still having a very beneficial impact on the federal deficit. Sharp revenue gains, fueled by surging profits and bonuses, are driving the improvement. Revenues are improving so sharply that the federal deficit (national income and product accounts basis) dropped to \$210.7 billion in fiscal 2007 from \$286.8 billion in 2006. Nevertheless, the forecast still assumes that higher taxes will be needed eventually to keep the deficit under control. The forecast expects the deficit to widen to \$255.9 billion in 2008 and \$319.9 billion in 2009.
7. On a positive note, the trade deficit (national income and product accounts basis) declined in fiscal 2007 to \$735.1 billion from an all-time record \$762.8 billion in 2006. Foreign economic growth is strong and the dollar is expected to continue to decline, which should help restrain real imports and boost real exports. The forecast expects the deficit to narrow to \$707.3 billion in 2008 and \$654.5 billion in 2009.

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 2007. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. The state's employment growth rate slowed to 2.1 percent in the second quarter of 2007 from a sizzling 4.8 percent in the first quarter. Manufacturing employment edged up at a 0.3 percent rate in the second quarter. Aerospace employment rose at a 6.6 percent rate but manufacturing employment other than aerospace declined at a 1.9 percent rate. Employment in natural resources and mining, a small sector, declined at a 20.6 percent rate as both logging and mining employment fell sharply. Construction employment growth remained strong in the second quarter at 4.7 percent. Professional and business services employment growth also remained strong, rising at a 5.0 percent rate. Other private services producing sectors registered more moderate growth. "Other services" employment increased 3.3 percent, education and health services employment grew 3.0 percent, and trade transportation, and utilities employment grew 2.9 percent. Information employment, which includes software, increased 1.8 percent, leisure and hospitality employment grew 1.2 percent, and financial activities employment inched up 0.2

percent. In the public sector, federal government employment fell at a 4.7 percent rate while state and local government employment increased at a 0.7 percent rate.

In June 2007 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the fourth quarter of 2006 and released preliminary estimates for the first quarter of 2007. This forecast is based on adjusted personal income estimates as described in **Adjustments to Economic Data**. According to the adjusted estimates, Washington's personal income in the first quarter of 2007 was \$0.013 billion (0.0 percent) lower than the estimate made in June. Total wages were \$0.888 billion (0.6 percent) higher than expected in June. Software wages were \$0.070 billion (1.3 percent) lower than expected but other wages were \$0.958 billion (0.7 percent) higher. Nonwage personal income was \$0.901 billion (0.8 percent) below the June estimate. The forecast assumes that income growth improved to 8.1 percent in the second quarter of 2007 from 7.6 percent in the first quarter. The forecast assumes that wage and salary disbursements rose at a strong 8.3 percent rate due largely to strong average wage growth in aerospace and software. Wage growth outside of information and durable manufacturing came in a more moderate 6.5 percent rate. Income from sources other than wages grew at a healthy 7.8 percent rate boosted by an 11.7 percent jump in property income (dividends, interest, and rent).

The number of housing units authorized by building permit fell 14,500 in the second quarter of 2007 to 45,000 from 59,500 in the first quarter. Single-family permits edged down 600 to 32,000 but multi-family permits plummeted 13,900 to 12,900. The third quarter of 2007 also got off to a weak start. July housing units authorized by building permit totaled 41,400 of which 30,900 were single-family and 10,500 were multi-family.

The forecast also reflects Seattle consumer price data through June 2007. After trailing the national average during 2002, 2003, and 2004, December-December Seattle core inflation (excluding food and energy) edged ahead of the national average in 2005, rising 2.3 percent compared to 2.2 percent. Core inflation in Seattle shot well ahead of the national average in 2006, rising 3.7 percent compared to 2.6 percent for the U.S. city average. Strong regional inflation continued in early 2007. Core Seattle prices rose at a 2.9 percent rate during the first six months of 2007 compared to 2.3 percent for the U.S. Energy costs added much less to Seattle inflation than to U.S. inflation during this period, however. As a result, the Seattle all items CPI rose only 3.7 percent in the first half of 2007 compared to the national average rate of 5.0 percent.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate produced 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 2007 which added 21,800 (0.8 percent) to the BLS Current Employment Statistics (CES) estimate for December 2006. By April 2007 the difference had widened slightly to 23,800 (0.8 percent).

The BEA benchmarks its estimates for wage and salary disbursements to the Quarterly Census of Employment and Wages (QCEW) data for all sectors except agriculture and federal government. We have more up-to-date QCEW data for wages for the first quarter of 2007 than were available to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived first quarter 2007 wage estimates for these sectors based on the QCEW data. Unadjusted BEA estimates were used for farm, federal civilian, and military wages as well as for all nonwage components of personal income. Our adjustments increased the first quarter wage estimate by \$1.206 billion (0.9 percent), adding 0.5 percent to total personal income in that quarter.

Washington State Forecast Highlights

The new Washington forecast reflects the slower growth in the U.S. forecast. Because the recent job growth in Washington has been greater than assumed in June and the conventional mortgage rate forecast is lower, the housing and construction forecasts would normally have been stronger than assumed in June. We have assumed that the credit and liquidity squeeze will have an adverse impact on housing and construction in Washington but the impact will be much less than in the rest of the country. This was accomplished by adjusting the Washington forecast for housing and construction so that the revision since June is about half as much as the revision in the U.S. forecast. Accordingly, we have revised the Washington housing permit forecast for the third quarter of 2008 down by about 4,000 units. We have also assumed about 5,000 fewer net new construction jobs over the course of the forecast than assumed in June.

The software employment forecast is virtually the same as assumed in June. Software employment is still expected to rise 8,100 from the fourth quarter of 2006 to the fourth quarter of 2009. The Washington aerospace employment forecast is also virtually unchanged other than recognizing that 1,100 more aerospace jobs have been created as of July 2007 than assumed in the June forecast. As of July, the aerospace sector has added 18,600 jobs since the trough in May 2004. The forecast expects another 2,700 new aerospace jobs by mid-2008 when employment is expected to level off at 82,100. This is still 31,000 (27.4 percent) lower than the previous peak in June 1998.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment growth increased to 2.9 percent in 2006 from 2.8 percent in 2005. Employment data for the first seven months of the year indicate that total employment should grow 2.9 percent this year as well. Growth in these key industries is expected to slow during the next two years, though, and the state will also be affected by the slow-down in the national economy. The forecast calls for employment growth rates of 2.1 percent in 2008 and 1.8 percent in 2009. Washington personal income growth jumped to 7.4 percent in 2006 from 2.9 percent in 2005. The weak growth in 2005 was largely due to Microsoft's special dividend in November 2004, which temporarily boosted Washington personal income by nearly 3 percentage points. Without the special dividend in 2004, personal income growth in 2005 would have been 5.6 percent. Income growth is expected to remain strong at 7.5 percent in 2007, slowing to 6.3 percent in 2008 and 6.0 percent in 2009. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000. Higher mortgage rates and tighter lending standards are expected to depress the single-family market during the next three years but strong population growth should continue to support multi-family activity. The forecast expects total housing permits to edge down to 49,600 in 2007, declining to 45,300 in 2008 and 44,800 in 2009. Inflation, as measured by the Seattle CPI, jumped to 3.7 percent in 2006 from 2.8 percent in 2005. Core inflation (excluding food and energy) was more moderate but also jumped to 3.3 percent in 2006 from 1.8 percent in 2005. Energy costs will add slightly to inflation in 2007 but declining energy costs in 2008 and 2009 should help lower overall inflation in those years. The slowdown in the overall economy should also help restrain core inflation. As a result, inflation should decline to 3.4 percent in 2007 and 2.4 percent per year in 2008 and 2009.

1. Nominal personal income growth jumped to 7.4 percent in fiscal 2007 from 3.9 percent in 2006. The apparent improvement in growth was largely due to the special one-time dividend paid by Microsoft in December 2004. Without the special dividend in fiscal 2005, personal income growth in 2006 would have 6.6 percent. The forecast expects somewhat weaker but still strong income growth during the next two years in spite of slower employment growth and declining average wage growth. The main reason is much stronger income growth from sources other than wages, especially dividends, interest, and rent. The forecast expects total personal income growth rates of

7.2 percent in 2008 and 6.0 percent in 2009. Software wages are not expected to have a major impact on overall income growth during this period.

2. Washington real personal income growth jumped to 4.9 percent in fiscal 2007 from just 0.7 percent in fiscal 2006. This apparent improvement was also largely due to the special Microsoft dividend in December 2004. Excluding the special dividend, real income growth in 2006 would have been 3.3 percent. Real personal income growth is expected to remain strong during the next two years. Nominal income growth is expected to remain strong, as noted above, and inflation is expected to decline, further boosting real income growth. The forecast calls for real personal income growth rates of 4.9 percent in 2008 and 4.1 percent in 2009.
3. Total payroll employment in Washington rose 2.8 percent in fiscal 2007 which was almost as strong as the 3.0 percent gain in 2006. Booming construction employment growth coupled with strong growth in both aerospace and software continues to support overall job growth. Together these sectors grew 9.1 percent in 2006 and 9.0 percent in 2007. Slower growth is expected during the next two years, however, due to weaker U.S. growth, a leveling off of construction employment, and slower aerospace employment growth. The forecast calls for employment growth rates of 2.6 percent in 2008 and 1.9 percent in 2009.
 - ◆ As of July 2007, the aerospace recovery has added 18,600 jobs since the trough of the last downturn in May 2004. Previously, 27,300 aerospace jobs had been lost since the September 11 terrorist attacks and 52,300 jobs had been lost since the June 1998 peak. Boeing Commercial Airplanes recorded a record 1,044 net commercial airplane orders in 2006 and currently has a backlog exceeding six years worth of current revenue. Boeing delivered 398 planes in 2006, a 37 percent over the 290 delivered in 2005. Boeing expects to increase deliveries in 2007 to between 440 and 445 planes and again in 2008 to between 515 and 520 planes. They expect to increase deliveries in 2009 as well. The aerospace employment forecast assumes employment grows at an average rate of 4.0 percent per year through the third quarter of next year, leveling off at 82,100 employees. However, the new employment peak will be 31,000 (27.4 percent) lower than the previous peak in June 1998.
 - ◆ After more than a decade of robust and sustained growth, employment by Washington's software publishers flattened in mid-2001. Microsoft continued to grow, albeit at a reduced rate, but other Washington software publishers suffered absolute declines. Since mid-2003, however, growth has picked up to an average annual rate of 6.6 percent. Microsoft's announcement in February 2006 that it will accelerate the planned expansion of its Redmond campus, adding enough office space for about 12,000 employees, bodes well for software employment growth in Washington as does Microsoft's announcement in April of significant increases in R&D spending. The forecast assumes software employment growth will remain strong at an average rate of 5.5 percent through the remainder of the forecast.
 - ◆ Bolstered primarily by a hot housing market and more recently by upturns in nonresidential building and heavy and civil engineering construction, Washington's construction employment growth has averaged 7.8 percent per year since mid-2003. Employment is now 46,100 (28.3 percent) higher than at the previous peak in the first quarter of 2001 and 55,800 (36.5 percent) higher than at the trough in the first quarter of 2002. Housing permits are trending down and employment in residential building appears to have peaked. Nonresidential building employment and heavy construction employment continue to grow, however. The overall con-

struction forecast expects employment growth to slow to an average rate of 1.9 percent in the second half of this year and then to decline at a mild 0.8 percent per year in 2008 and 2009.

- ◆ Financial activities employment is strongly influenced by real estate and mortgage market developments. Declining mortgage rates not only stimulate housing demand but also set off waves off mortgage refinancing. Financial activities employment is virtually unchanged since the fourth quarter of 2005 which coincides with a jump up in mortgage rates and the peak in the housing cycle in Washington. Unsurprisingly, the recent weakness in employment growth was concentrated in credit intermediation and related activities which declined at a 2.4 percent average rate during this period. Other financial activities employment grew at a 1.4 percent average rate. Financial activities employment is expected to be essentially flat through the first quarter of 2008 due to the housing slowdown and rising mortgage rates after which growth is expected to improve to an average rate of 2.5 percent per year.
- ◆ Washington retail trade employment fell farther 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 from its pre-recession peak. Most of the decline was in the miscellaneous “other retail trade” category, which includes e-tailing, a clear casualty of the dot-com implosion. After a slow start, the recovery in retail trade employment accelerated during 2005 and 2006, rising at a 1.9 percent rate then soaring to 5.3 percent in the first half of 2007. The strong employment growth this year was mainly due to double-digit growth in clothing and general merchandise stores. The rest of retail trade grew at a 2.2 percent rate in the first half of 2007. The forecast assumes that total retail trade employment growth will slow to a more moderate pace. During the remainder of the forecast, employment growth is expected to average 2.3 percent per year.
- ◆ Employment in the professional and business services sector plunged 6.6 percent from the end of 2000 through the first quarter of 2002. The 20,300 jobs lost during the recession can be attributed to employment services (mainly temporary help agencies), which fell 14,000 (26.1 percent) and computer systems design and related services, which fell 6,100 (20.0 percent). These areas of weakness have turned around. Employment in computer systems design and related services has increased 25.2 percent during the last two years while employment services employment is up 19.2 percent during the same period. Largely as a result of this turn-around, overall professional and business services employment growth has averaged 4.7 percent per year during the last two years. The forecast expects growth to remain strong, averaging 4.1 percent per year through the end of 2009.
- ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state’s economy put pressure on state and local governments’ budgets with a lag. From the end of 2000 through the end of 2002, employment grew at an average rate of 1.9 percent per year (excluding the impact of the reclassification of tribal government employment in January 2001). Since then employment growth has slowed to an average rate of 0.6 percent per year and just 0.3 percent per year excluding the small but rapidly expanding tribal government sector. The forecast assumes some improvement as state and local government budgets recover and tribal government employment should continue to grow rapidly but local public education employment growth will be restrained by slow school age population growth. The forecast expects an average growth rate of 1.7 percent per year (1.4 percent per year excluding tribal employment).

4. The number of housing units authorized by building permit in Washington fell 7.4 percent in fiscal 2007 to a still impressive 49,900 units. Single family permits fell 19.1 percent in 2007 to 32,700 units from a 40-year high 40,400 units in 2006. However, multi-family units, responding to strong population growth, jumped 27.5 percent to 17,200 units. Even though population growth is expected to remain strong during the next two years, conventional mortgage rates are expected to trend upward. In addition, tighter lending standards and wider spreads for jumbo and other non-conventional lending products will further restrict housing activity. The forecast expects a 6.9 percent decrease in 2008 to 46,500 units and a 3.8 percent reduction in 2009 to 44,700 units.
5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, jumped to 4.0 percent in fiscal 2007 from 3.2 percent in 2006. For once energy costs were not a significant factor. Seattle's core inflation rose even more, from 2.1 percent in 2006 to 3.8 percent in 2007. Seattle inflation trailed the national average in 2003, 2004, 2005, and 2006 reflecting the impact of a more severe local recession. A slowdown in the U.S. economy should help restrain inflation but the relatively strong local economy should cause Seattle inflation to remain above the U.S. rate. The forecast calls for Seattle inflation rates of 2.5 percent in 2008 and 2.5 percent again in 2009 compared to a national rates of 2.3 percent and 1.8 percent.

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

Alternative Forecasts

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

Pessimistic Forecast: The pessimistic scenario assumes that the housing recession deepens even more than in the baseline, sufficiently to drag the whole economy into recession. Housing starts drop to 960,000 units in 2008, compared with 1.14 million in the baseline. The median price of existing homes falls more than 10 percent below the baseline in 2009. Home sales are also much lower. The weakness in housing leads to a retreat in consumer confidence. This, along with the drop in wealth associated with falling home prices, causes consumers to retrench—and consumer spending slows to a crawl in 2008. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Both nonresidential construction and equipment and software investment drop in 2008. The pessimistic scenario from late 2007 through early 2008 meets the definition of a mild recession, since employment drops three straight quarters, industrial production falls for four consecutive quarters, and real GDP drops for two straight quarters. Indeed, the U.S. economy loses over 700,000 jobs during the first three quarters of 2009. Real GDP expands only 0.5 percent in 2008 and 1.7 percent in 2009, compared with 2.0 percent and 2.7 percent in the baseline. At the state level, aerospace employment growth is much slower in 2007 than in the baseline forecast and begins to decline again in 2008. 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 in the fourth quarter of 2007 and falls much more rapidly than in the baseline. Due to the relatively weak local economy, Seattle inflation is lower than in the baseline forecast in spite of the higher national inflation rate. The weak economy also depresses Washington wage growth below the rate of growth in the baseline forecast. By the end of the 2007-09 biennium, Washington nonagricultural employment is 75,900 lower than in the baseline forecast and Washington personal income is \$12.2 billion lower. The pessimistic scenario produced \$1,339 million (4.5 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

Optimistic Forecast: Renewed strength in productivity growth provides the key assumption distinguishing the optimistic scenario from the baseline forecast. Rapid productivity gains are the main reason why economic growth and employment gains are higher and inflation and budget deficits are lower than in the baseline. It is also one reason why the dollar is stronger. Productivity gains, combined with the stronger currency, help to contain inflation. Faster growth in supply also makes the Federal Reserve's job easier. The contraction in residential investment is much less severe in the optimistic scenario. After falling for the remainder of the year, housing starts begin to recover early in 2008 and average 1.38 million units for the year, compared with only 1.14 million units in the baseline forecast. Business fixed investment is also more robust in the optimistic scenario. Foreign economic growth is stronger, boosting U.S. exports and strengthening domestic manufacturing. Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. Under these assumptions, the economic outlook is much brighter. The current slowdown proves temporary, as real GDP grows a solid 3.2 percent in 2008 compared with only 2.0 percent in the baseline. For Washington, the optimistic forecast assumes aerospace employment continues to grow through 2009 rather than leveling off in mid-2008 as in the baseline. Software employment also grows faster in the optimistic forecast. Washington's wages grow faster than in the baseline and the strong regional economy raises Seattle CPI inflation above the baseline forecast in the optimistic scenario in spite of stronger productivity growth. The initial level of Washington personal income is higher in the optimistic scenario and population growth is stronger. Finally, construction employment continues to rise throughout the forecast in the optimistic scenario rather than peaking in the fourth quarter of 2007 and declining in 2008 and 2009 as in the baseline. By the end of the 2007-09 biennium, Washington nonagricultural employment is higher by 69,800 jobs than in the baseline forecast and Washington personal income is \$15.0 billion higher. The optimistic scenario generated \$1,151 million (3.8 percent) more revenue in the 2007-09 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 GCEA forecast for the U.S. economy is generally weaker than the baseline forecast. The Governor's Council members expect less real growth in fiscal 2008 than assumed in the baseline but the same real growth in 2009. They expect less inflation in fiscal 2008 but more inflation in 2009. Their interest rate forecasts are close to the baseline forecast in both years. The GCEA forecast for Washington State is also generally weaker than the baseline forecast. They expect slower real personal income growth in both years than does the baseline forecast but higher nominal income growth in 2009 due to the higher inflation assumption in that year. The Council members expected weaker employment growth in 2008 but stronger employment growth in 2009 than does the baseline forecast. They also expect significantly fewer housing units authorized by building permit in 2008 which is only partially offset but slightly more permits in 2009. By the end of the 2007-09 biennium Washington nonagricultural employment is 5,000 lower in the GCEA forecast than in the baseline forecast and Washington personal income is \$2.2 billion lower. The Governor's Council scenario yielded \$386 million (1.3 percent) less revenue in the 2007-09 biennium than did the baseline forecast.

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

Table 1.1
U.S. Economic Forecast Summary
 Forecast 2008 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	9,947.5	10,131.3	10,510.9	10,839.4	11,181.7	11,413.2	11,644.7	11,904.8
% Ch	0.7	1.8	3.7	3.1	3.2	2.1	2.0	2.2
Real Consumption	7,010.9	7,176.4	7,435.7	7,683.6	7,925.2	8,165.5	8,361.4	8,566.0
% Ch	2.7	2.4	3.6	3.3	3.1	3.0	2.4	2.4
Real Nonresidential Fixed Investment	1,115.3	1,061.1	1,108.0	1,191.0	1,270.6	1,325.9	1,372.3	1,406.5
% Ch	-9.3	-4.9	4.4	7.5	6.7	4.4	3.5	2.5
Real Residential Fixed Investment	457.1	482.9	539.8	578.3	601.8	521.2	430.1	394.5
% Ch	2.9	5.6	11.8	7.1	4.1	-13.4	-17.5	-8.3
Real Personal Income	8,567.5	8,587.4	8,809.5	9,126.9	9,395.6	9,764.3	10,086.6	10,361.2
% Ch	0.5	0.2	2.6	3.6	2.9	3.9	3.3	2.7
Real Per Capita Income (\$/Person)	29,815	29,586	30,061	30,845	31,447	32,386	33,160	33,765
% Ch	-0.5	-0.8	1.6	2.6	2.0	3.0	2.4	1.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.133	1.160	1.185	1.206
% Ch	1.5	1.9	2.2	2.8	3.2	2.4	2.1	1.8
U.S. Consumer Price Index (1982-84=1.0)	1.782	1.821	1.861	1.917	1.990	2.041	2.089	2.127
% Ch	1.8	2.2	2.2	3.0	3.8	2.6	2.3	1.8
Employment Cost Index (June 1989=1.0)	0.904	0.928	0.955	0.980	1.005	1.038	1.069	1.098
% Ch	3.7	2.7	2.8	2.6	2.6	3.3	3.0	2.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,280.3	10,664.0	11,330.3	12,049.8	12,846.0	13,491.8	14,053.7	14,644.3
% Ch	2.9	3.7	6.2	6.3	6.6	5.0	4.2	4.2
Personal Income	8,798.7	8,982.6	9,414.3	10,026.2	10,649.7	11,328.4	11,950.8	12,497.3
% Ch	2.0	2.1	4.8	6.5	6.2	6.4	5.5	4.6
Employment (Millions)								
U.S. Civilian Labor Force	144.4	145.9	146.8	148.2	150.4	152.5	153.9	155.2
Total U.S. Employment	136.4	137.1	138.3	140.4	143.1	145.6	146.4	147.3
Unemployment Rate (%)	5.47	5.90	5.82	5.29	4.83	4.54	4.87	5.11
Nonfarm Payroll Employment	130.88	130.12	130.47	132.47	135.02	137.18	138.58	139.78
% Ch	-1.0	-0.6	0.3	1.5	1.9	1.6	1.0	0.9
Manufacturing	15.73	14.88	14.32	14.29	14.21	14.14	14.01	13.81
% Ch	-7.7	-5.4	-3.7	-0.2	-0.6	-0.5	-0.9	-1.4
Durable Manufacturing	9.83	9.21	8.88	8.96	8.98	8.96	8.86	8.72
% Ch	-8.6	-6.2	-3.6	0.9	0.3	-0.2	-1.2	-1.6
Nondurable Manufacturing	5.91	5.67	5.45	5.33	5.23	5.17	5.15	5.09
% Ch	-6.0	-4.1	-3.9	-2.1	-1.9	-1.1	-0.5	-1.1
Construction	6.77	6.69	6.84	7.14	7.57	7.69	7.47	7.22
% Ch	-0.8	-1.1	2.2	4.3	6.0	1.6	-2.9	-3.3
Service-Producing	107.78	107.97	108.72	110.44	112.58	114.65	116.39	118.05
% Ch	-0.0	0.2	0.7	1.6	1.9	1.8	1.5	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	23.8	29.9	33.8	48.8	64.3	63.4	73.0	73.5
Personal Saving/Disposable Income (%)	2.4	1.9	2.2	1.5	0.4	0.5	1.2	1.6
Auto Sales (Millions)	8.2	7.9	7.5	7.6	7.8	7.7	7.6	7.6
% Ch	-4.3	-3.7	-4.3	0.2	2.8	-1.3	-1.6	0.2
Housing Starts (Millions)	1.646	1.729	1.945	2.016	2.039	1.545	1.179	1.249
% Ch	4.8	5.1	12.5	3.7	1.1	-24.2	-23.7	5.9
Federal Budget Surplus (Billions)	-135.8	-299.4	-404.5	-320.7	-286.8	-210.7	-255.9	-319.9
Net Exports (Billions)	-375.7	-477.3	-535.8	-666.5	-762.8	-735.1	-707.3	-654.5
3-Month Treasury Bill Rate (%)	2.15	1.30	0.96	2.21	4.06	4.89	4.26	4.20
10-Year Treasury Note Yield (%)	4.98	3.95	4.29	4.23	4.59	4.76	4.63	4.86
Bond Index of 20 G.O. Munis. (%)	5.14	4.77	4.79	4.50	4.45	4.30	3.92	4.34
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.35	6.25	6.51

Table 1.2
Washington Economic Forecast Summary
 Forecast 2008 to 2009

Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.131	190.477	193.565	202.523	203.900	213.859	224.416	233.637
% Ch	0.8	0.2	1.6	4.6	0.7	4.9	4.9	4.1
Real Wage and Salary Disb.	107.638	107.235	108.868	111.148	115.635	122.164	128.459	133.531
% Ch	-1.1	-0.4	1.5	2.1	4.0	5.6	5.2	3.9
Real Nonwage Income	82.493	83.242	84.698	91.375	88.266	91.695	95.957	100.106
% Ch	3.5	0.9	1.7	7.9	-3.4	3.9	4.6	4.3
Real Per Capita Income (\$/Person)	31,516	31,266	31,422	32,420	32,053	32,964	33,922	34,640
% Ch	-0.3	-0.8	0.5	3.2	-1.1	2.8	2.9	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.027	1.046	1.069	1.098	1.133	1.160	1.185	1.206
% Ch	1.5	1.9	2.2	2.8	3.2	2.4	2.1	1.8
Seattle Cons. Price Index (1982-84=1.0)	1.876	1.910	1.935	1.973	2.035	2.116	2.169	2.224
% Ch	2.7	1.8	1.3	1.9	3.2	4.0	2.5	2.5
Average Nonfarm Annual Wage	39,825	40,484	41,641	42,593	44,434	46,857	49,084	50,981
% Ch	101.2	1.7	2.9	2.3	4.3	5.5	4.8	3.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.35	17.87	18.15	18.57	19.32	20.21	20.91	21.28
% Ch	6.1	-2.6	1.6	2.3	4.0	4.6	3.5	1.8
Current Dollar Income (Billions of Dollars)								
Personal Income	195.257	199.234	206.832	222.437	231.097	248.106	265.889	281.797
% Ch	2.4	2.0	3.8	7.5	3.9	7.4	7.2	6.0
Disposable Personal Income	170.555	176.277	184.919	197.419	203.237	216.888	232.059	246.483
% Ch	5.0	3.4	4.9	6.8	2.9	6.7	7.0	6.2
Per Capita Income (\$/Person)	32,366	32,703	33,574	35,606	36,326	38,241	40,190	41,780
% Ch	1.2	1.0	2.7	6.1	2.0	5.3	5.1	4.0
Employment (Thousands)								
Washington Civilian Labor Force	3,071.6	3,125.7	3,181.4	3,235.4	3,303.7	3,352.4	3,434.3	3,508.0
Total Washington Employment	2,855.0	2,896.6	2,961.5	3,047.0	3,132.6	3,189.7	3,261.2	3,322.0
Unemployment Rate (%)	7.05	7.33	6.91	5.82	5.18	4.85	5.04	5.30
Nonfarm Payroll Employment	2,665.3	2,654.7	2,673.5	2,737.5	2,819.9	2,898.1	2,974.5	3,031.6
% Ch	-1.9	-0.4	0.7	2.4	3.0	2.8	2.6	1.9
Manufacturing	300.1	274.8	263.2	267.8	279.0	288.8	293.6	293.4
% Ch	-8.1	-8.4	-4.2	1.7	4.2	3.5	1.6	-0.1
Durable Manufacturing	212.0	190.5	181.0	186.8	197.5	207.2	211.8	210.5
% Ch	-9.0	-10.2	-5.0	3.2	5.8	4.9	2.2	-0.6
Aerospace	82.9	70.1	62.1	63.4	69.0	76.2	80.9	82.1
% Ch	-4.5	-15.5	-11.4	2.1	8.8	10.4	6.2	1.5
Nondurable Manufacturing	88.1	84.4	82.2	81.0	81.5	81.7	81.8	82.9
% Ch	-5.8	-4.2	-2.5	-1.5	0.6	0.2	0.1	1.4
Construction	154.7	154.9	159.8	170.0	186.7	202.6	210.4	209.0
% Ch	-4.1	0.1	3.2	6.4	9.8	8.5	3.8	-0.7
Service-Producing	2,200.9	2,215.9	2,241.7	2,290.5	2,345.3	2,398.3	2,462.8	2,521.8
% Ch	-0.8	0.7	1.2	2.2	2.4	2.3	2.7	2.4
Software Publishers	36.0	36.5	38.5	40.1	42.8	46.5	48.9	51.7
% Ch	4.1	1.6	5.5	4.1	6.7	8.8	5.0	5.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	37.563	42.703	44.469	52.018	53.907	49.907	46.455	44.681
% Ch	-6.8	13.7	4.1	17.0	3.6	-7.4	-6.9	-3.8
Single-Family	27.115	32.699	34.471	38.555	40.411	32.695	31.592	30.218
% Ch	1.2	20.6	5.4	11.8	4.8	-19.1	-3.4	-4.3
Multi-Family	10.448	10.004	9.998	13.463	13.496	17.212	14.862	14.463
% Ch	-22.7	-4.3	-0.1	34.7	0.2	27.5	-13.7	-2.7
30-Year Fixed Mortgage Rate (%)	6.88	5.93	5.92	5.78	6.20	6.35	6.25	6.51

Table 1.3

Comparison of Alternative Forecasts

	Fiscal Year 2007				Fiscal Year 2008				Fiscal Year 2009			
	O	B	P	G	O	B	P	G	O	B	P	G
U.S.												
Real GDP	11417.2	11413.2	11417.2	11417.2	11730.3	11644.7	11559.8	11622.7	12128.0	11904.8	11658.2	11882.8
%Ch	2.1	2.1	2.1	2.1	2.7	2.0	1.2	1.8	3.4	2.2	0.9	2.2
Implicit Price Deflator	1.160	1.160	1.160	1.160	1.178	1.185	1.189	1.174	1.191	1.206	1.219	1.208
%Ch	2.4	2.4	2.4	2.4	1.6	2.1	2.5	1.2	1.1	1.8	2.5	2.8
Mortgage Rate	6.35	6.35	6.35	6.35	6.35	6.25	6.72	6.32	6.34	6.51	7.39	6.48
3 Month T-Bill Rate	4.89	4.89	4.89	4.89	4.24	4.26	4.23	4.23	4.29	4.20	5.23	4.15
Washington												
Real Personal Income	213.859	213.859	213.859	213.859	231.348	224.416	219.743	223.205	247.439	233.637	222.723	231.704
%Ch	4.9	4.9	4.9	4.9	8.2	4.9	2.8	4.4	7.0	4.1	1.4	3.8
Personal Income	248.106	248.106	248.106	248.106	272.599	265.889	261.219	262.145	294.798	281.797	271.485	279.817
%Ch	7.4	7.4	7.4	7.4	9.9	7.2	5.3	5.7	8.1	6.0	3.9	6.7
Employment	2898.1	2898.1	2898.1	2898.1	2997.9	2974.5	2952.3	2957.3	3090.1	3031.6	2969.4	3025.4
%Ch	2.8	2.8	2.8	2.8	3.4	2.6	1.9	2.0	3.1	1.9	0.6	2.3
Housing Permits	49.907	49.907	49.907	49.907	49.656	46.455	41.635	39.958	50.882	44.681	35.466	46.134
%Ch	-7.4	-7.4	-7.4	-7.4	-0.5	-6.9	-16.6	-19.9	2.5	-3.8	-14.8	15.5

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

Table 1.4

Forecast Analysis

Comparison of Forecasts for 2007-09

Forecast Date	2006				2007				2008				2009	
	Feb.	June	Sept.	Nov.	Mar.	June	Sept.	Nov.	Feb.	June	Sept.	Nov.	Mar.	June
U.S.														
Percent Growth, 2007:2-2009:2														
Real GDP	6.1	6.6	6.3	6.7	6.2	6.1	4.6							
Implicit Price Deflator	4.1	3.3	3.7	3.9	4.2	3.6	3.4							
Average Rate, 2007:3 to 2009:2														
3 Month T-Bill Rate	4.68	4.62	4.72	4.44	4.91	4.89	4.23							
Mortgage Rate	6.86	6.83	6.99	6.56	6.57	6.56	6.38							
Washington														
Percent Growth, 2007:2-2009:2														
Employment	3.4	3.9	4.2	4.3	4.4	4.1	4.2							
Personal Income	13.1	13.5	14.1	14.0	14.1	13.9	12.5							
Real Personal Income	8.7	9.8	10.0	9.7	9.5	10.0	8.7							
Total (Thousands of units), 2007:3 to 2009:2														
Housing Units Authorized	95.0	98.1	97.5	99.9	97.8	97.8	91.1							

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2007 to 2009

	2005	2006	2007	2008	2009
U.S.					
Real GDP					
September Baseline	10839.4	11181.7	11413.2	11644.7	11904.8
% Ch	3.1	3.2	2.1	2.0	2.2
June Baseline	10872.9	11245.9	11529.6	11799.4	12172.2
% Ch	3.3	3.4	2.5	2.3	3.2
Implicit Price Deflator					
September Baseline	1.098	1.133	1.160	1.185	1.206
% Ch	2.8	3.2	2.4	2.1	1.8
June Baseline	1.098	1.132	1.158	1.180	1.203
% Ch	2.7	3.1	2.3	1.9	1.9
U.S. Unemployment Rate					
September Baseline	5.29	4.83	4.54	4.87	5.11
June Baseline	5.29	4.83	4.56	4.83	4.79
Mortgage Rate					
September Baseline	5.78	6.20	6.35	6.25	6.51
June Baseline	5.78	6.20	6.30	6.35	6.78
3 Month T-Bill Rate					
September Baseline	2.21	4.06	4.89	4.26	4.20
June Baseline	2.21	4.06	4.91	4.87	4.91
Washington					
Real Personal Income					
September Baseline	202.523	203.900	213.859	224.416	233.637
% Ch	4.6	0.7	4.9	4.9	4.1
June Baseline	202.621	204.094	213.443	223.945	234.453
% Ch	4.7	0.7	4.6	4.9	4.7
Personal Income					
September Baseline	222.437	231.097	248.106	265.889	281.797
% Ch	7.5	3.9	7.4	7.2	6.0
June Baseline	222.437	231.116	247.139	264.243	281.993
% Ch	7.5	3.9	6.9	6.9	6.7
Employment					
September Baseline	2737.5	2819.9	2898.1	2974.5	3031.6
% Ch	2.4	3.0	2.8	2.6	1.9
June Baseline	2737.5	2819.9	2890.1	2948.0	3009.1
% Ch	2.4	3.0	2.5	2.0	2.1
Housing Permits					
September Baseline	52.018	53.907	49.907	46.455	44.681
% Ch	17.0	3.6	-7.4	-6.9	-3.8
June Baseline	52.018	53.907	50.236	49.332	48.503
% Ch	17.0	3.6	-6.8	-1.8	-1.7

Table 1.6

Calendar Years

Long Range Economic Outlook

Forecast 2007 to 2017

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
U.S.											
Real GDP, %Ch	1.8	2.0	2.7	2.9	2.9	2.6	2.5	2.4	2.5	2.5	2.4
Implicit Price Deflator, %Ch	2.3	1.9	1.7	1.6	1.7	1.8	1.8	1.9	1.9	1.9	2.0
3 Month T-Bill Rate	4.59	4.19	4.38	4.56	4.56	4.61	4.59	4.53	4.54	4.55	4.55
Mortgage Rate	6.27	6.34	6.62	6.80	6.84	6.87	6.87	6.89	6.91	6.90	6.90
State*											
Real Personal Income, %Ch	5.0	4.3	4.2	3.9	3.8	3.8	3.5	3.4	3.4	3.3	3.3
Personal Income, %Ch	7.5	6.3	6.0	5.6	5.6	5.7	5.4	5.3	5.3	5.3	5.3
Employment, %Ch	2.9	2.1	1.8	1.7	1.7	1.5	1.3	1.2	1.2	1.2	1.1

* September Baseline (2006-2009) judgmentally extended through 2017.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

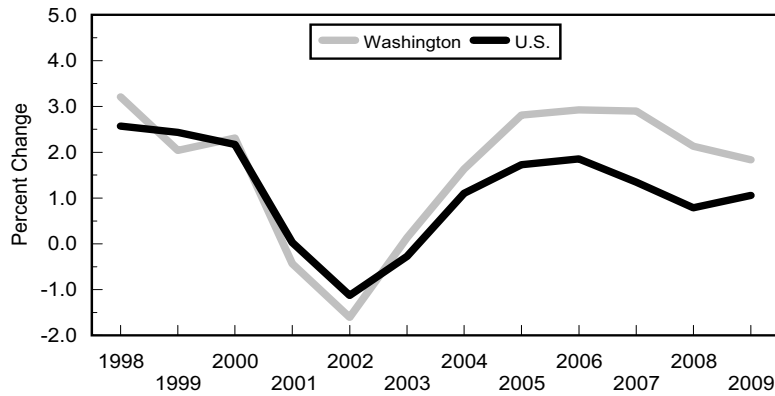


Chart 1.2
Manufacturing Employment

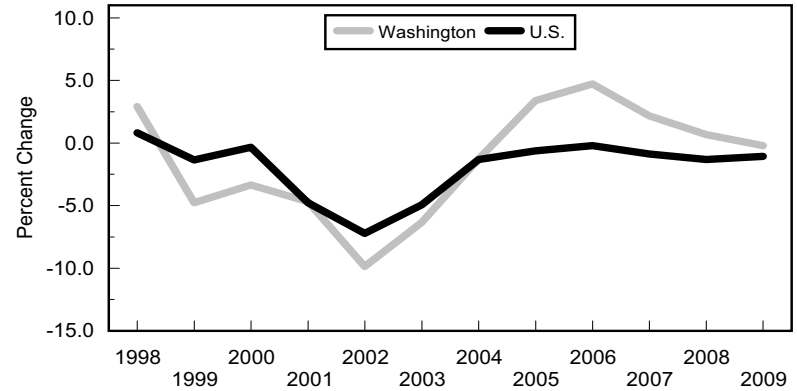


Chart 1.3
Aerospace Employment

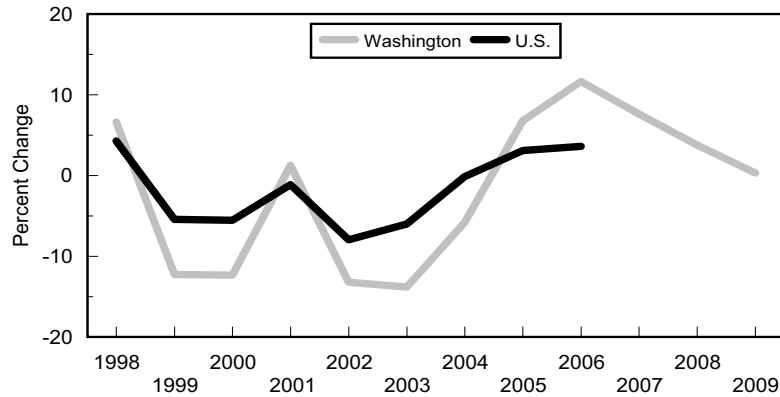
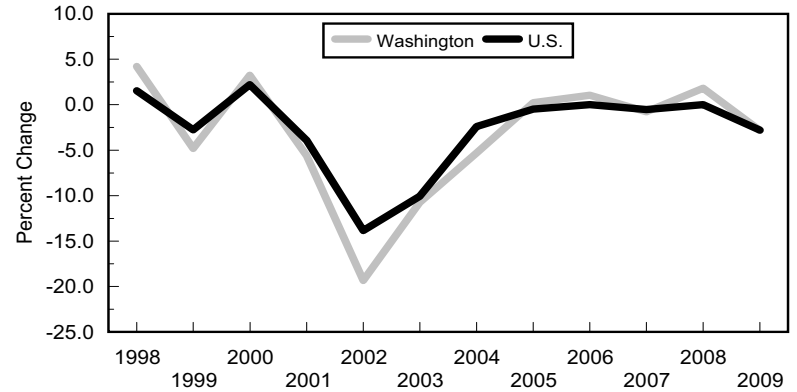


Chart 1.4
Computers and Electronics Employment



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.5
Construction Employment

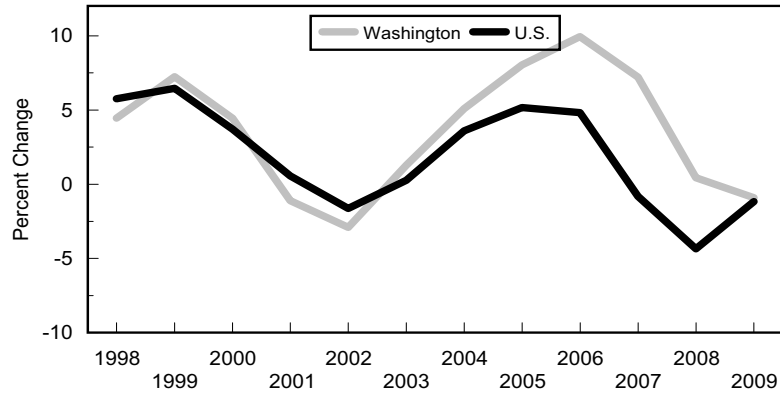


Chart 1.6
Information Employment

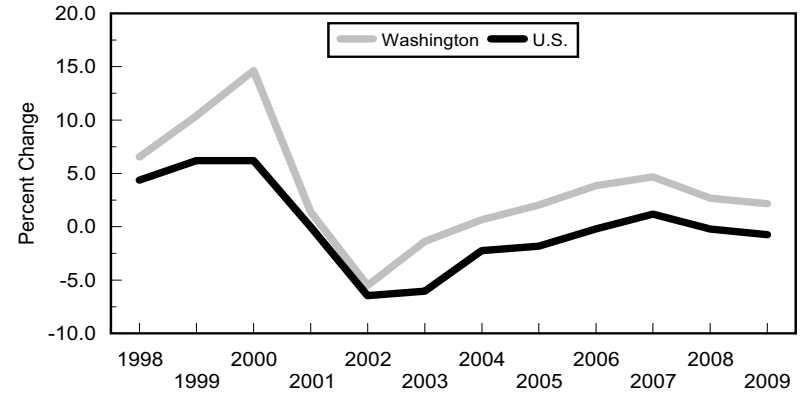


Chart 1.7
Other Private Employment

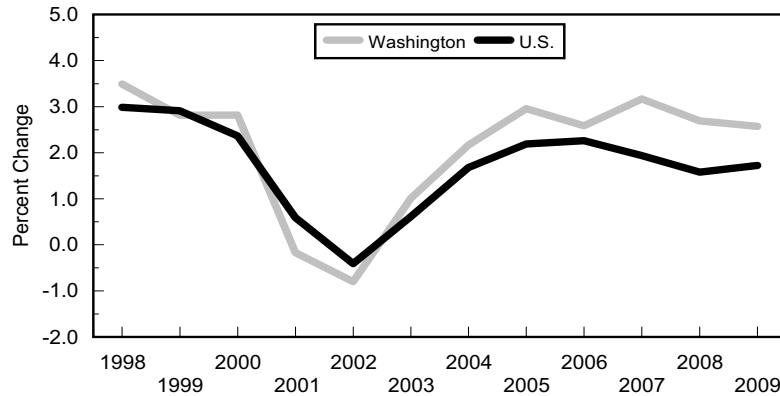
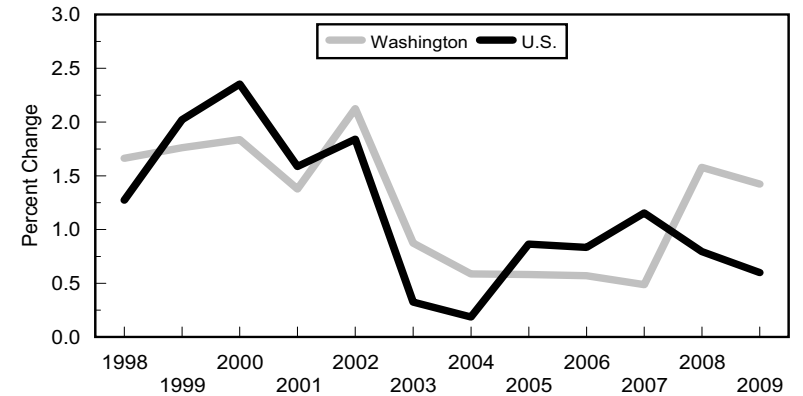


Chart 1.8
Government Employment



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.9
Real Personal Income

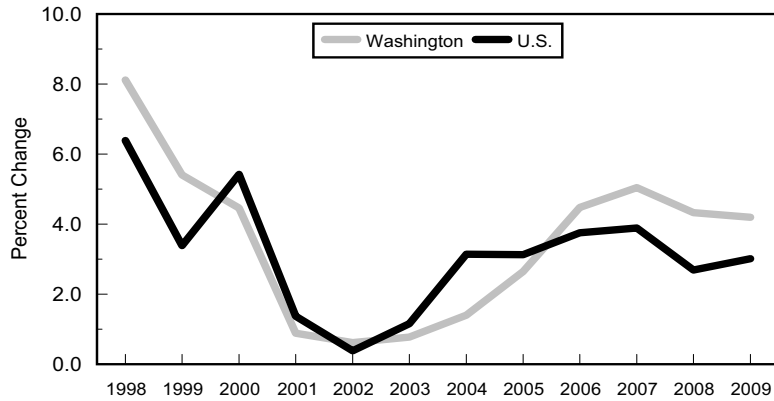


Chart 1.10
Consumer Price Indices

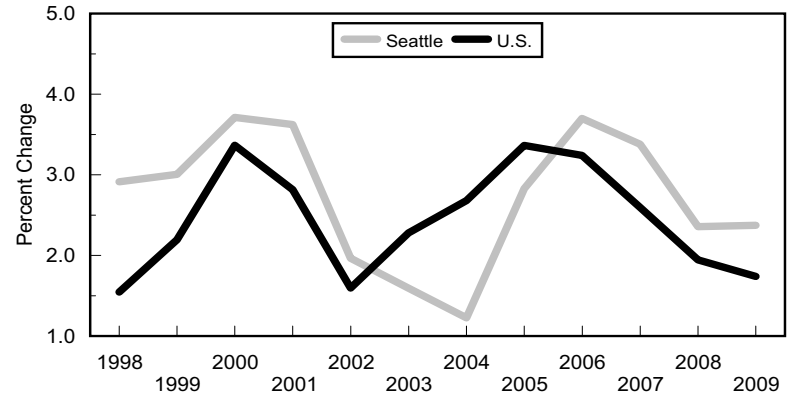


Chart 1.11
Population

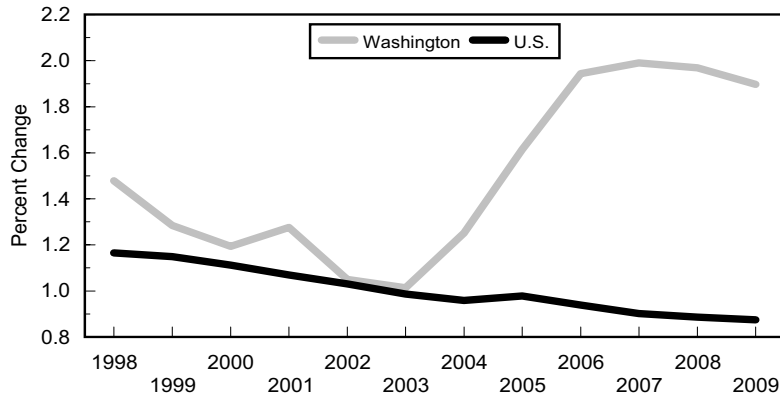
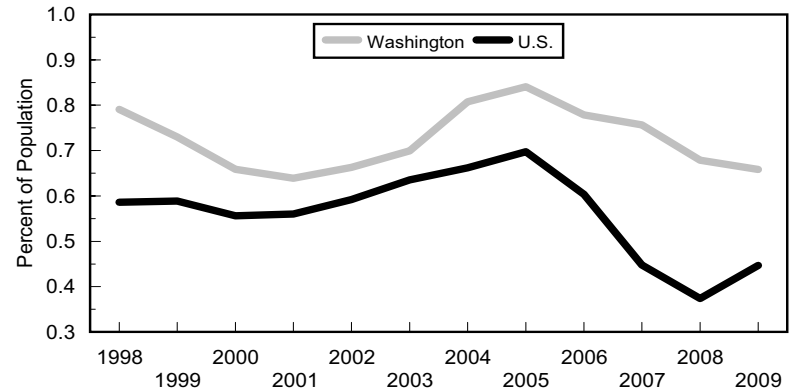


Chart 1.12
Per Capita Housing Units



Adjustments have been made for the Microsoft special dividend in 2004 and the tribal government ownership code change in 2001.

Comparison of Alternative U.S. Forecasts

Chart 1.13
Real GDP

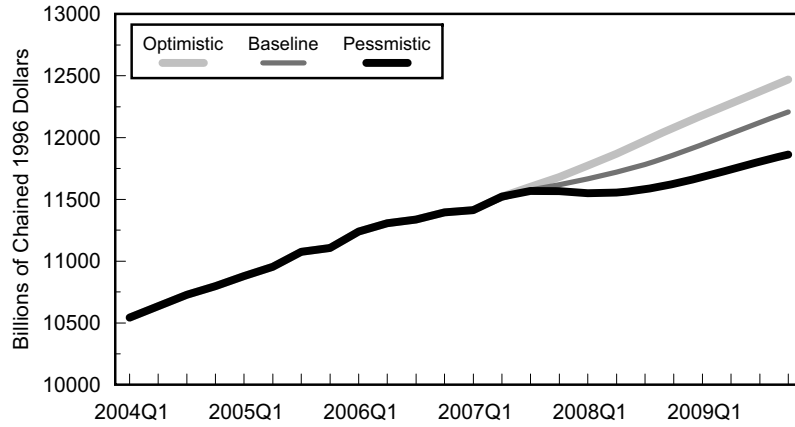


Chart 1.14
Implicit Price Deflator

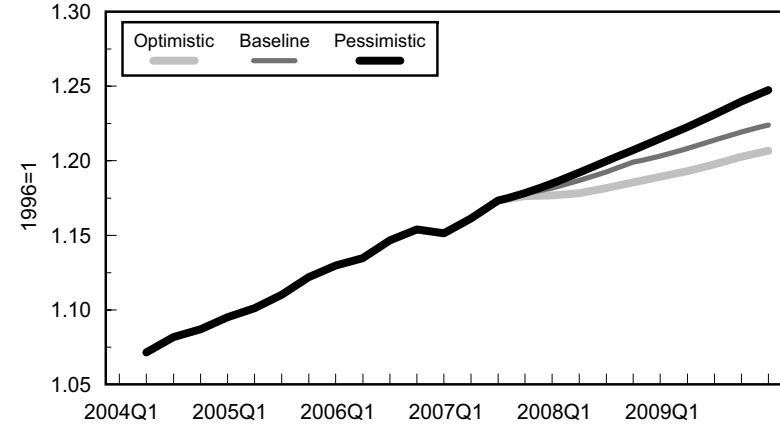


Chart 1.15
Mortgage Rate

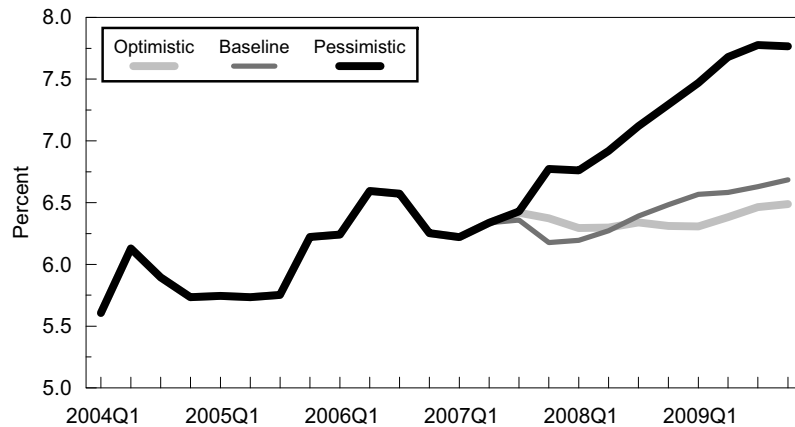
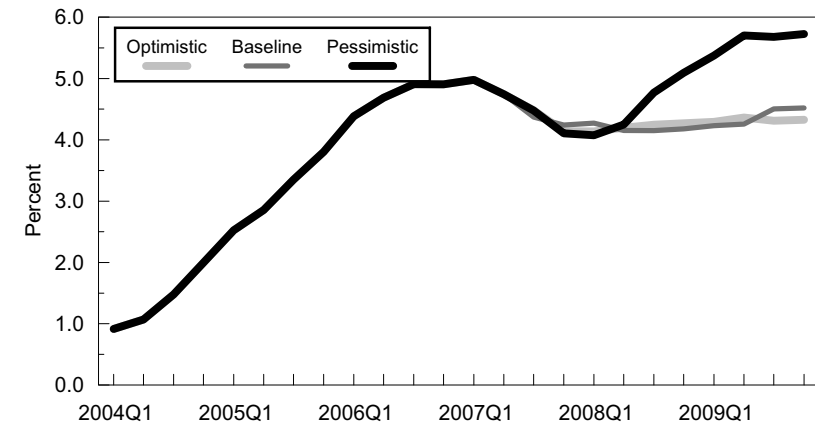


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

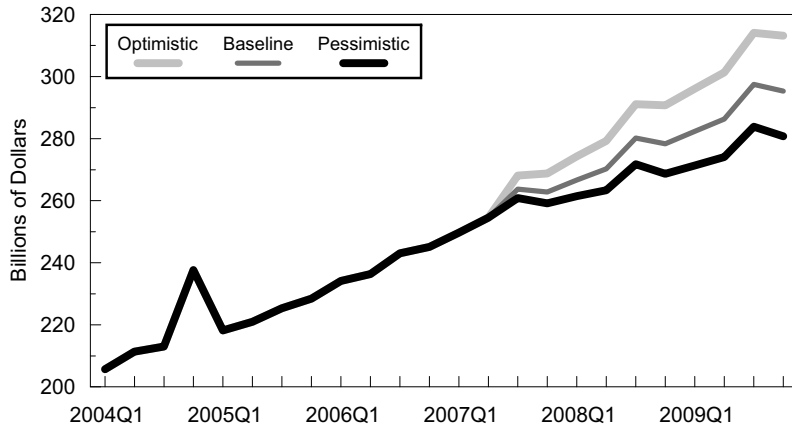


Chart 1.18
Real Personal Income

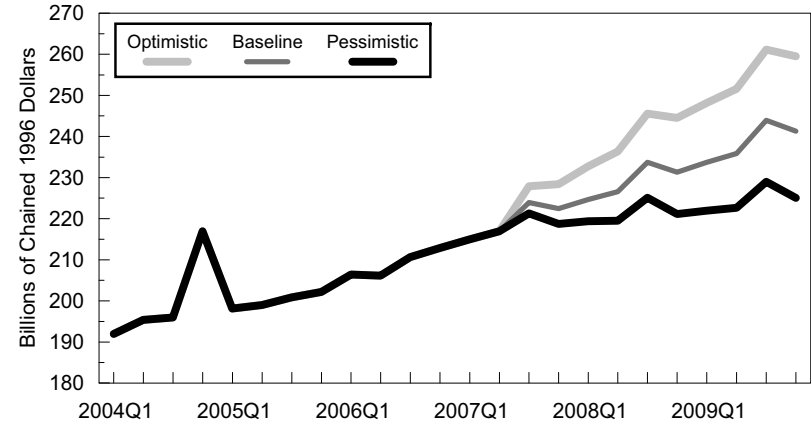


Chart 1.19
Total Nonfarm Payroll Employment

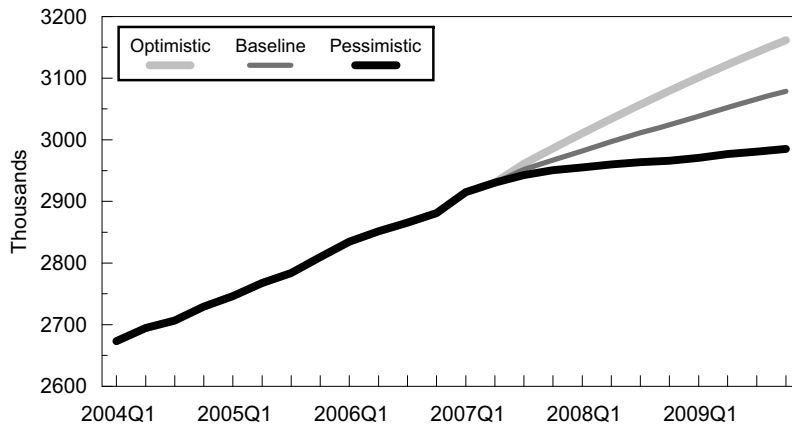
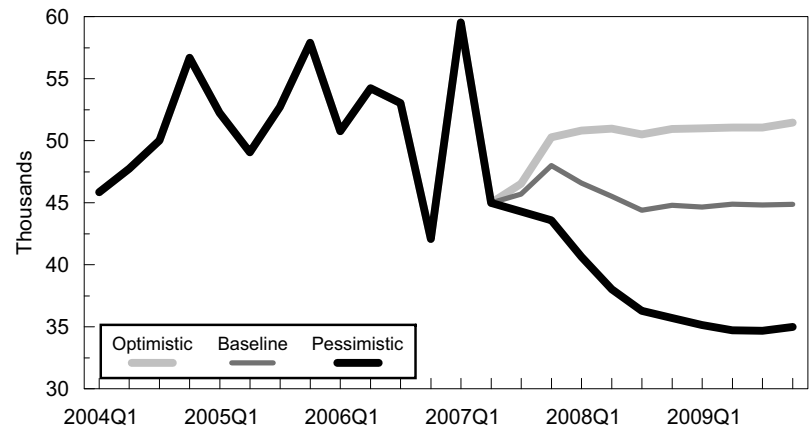


Chart 1.20
Housing Permits



Washington Business Indicators

The National Economy

The Bureau of Economic Analysis reported that real gross domestic product (GDP), the broadest measure of economic activity, grew at a 3.8* percent annual rate in the second quarter of 2007, much improved from the first quarter's rate of 0.6 percent. While the growth rate of headline GDP increased, growth in real consumer spending, the largest component of GDP, slowed to a 1.4 percent rate after growing at a rate of 3.4 percent in the first quarter. Durable goods consumption grew at a 1.7 percent rate after growing at a rate of 8.8 percent in the first quarter, while nondurable goods consumption contracted at a rate of 0.5 percent after growing at a rate of 3.0 percent in the previous quarter. Services consumption growth showed the least amount of slowing, increasing at a rate of 2.3 percent after growing at a rate of 3.1 percent in the prior quarter. Real gross private domestic investment managed to grow at a 4.6 percent rate after contracting in the previous three quarters. Real fixed investment increased during the quarter at a rate of 3.2 percent due to strong growth in non-residential fixed investment, which grew at an 11.0 percent rate after declining at a 4.4 percent rate in the first quarter. Residential fixed investment continued to decline during the second quarter, contracting at a rate of 11.8 percent after decreasing at a 16.3 percent rate in the previous quarter. A \$5.8 billion increase in the value of real private inventories contributed positively to second quarter real GDP growth after a large slowdown in inventory building in the first quarter detracted heavily from that quarter's growth. Government spending increased at a rate of 4.1 percent in the second quarter after declining at a 0.5 percent rate in the previous quarter. Real net exports contributed positively to headline GDP growth in the second quarter after detracting from growth in the first quarter. Second quarter real exports increased at a 7.5 percent rate while real imports contracted at a rate of 2.7 percent.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased to 52.9 in August from its July value of 53.8. Index values above 50 indicate that manufacturing sector output is increasing. The employment component of the index increased to 51.3 from July's value of 50.2. Values above 50 indicate that more of the manufacturers surveyed had been increasing employment than decreasing it during that period.

U.S. seasonally-adjusted payroll employment decreased by 4,000 jobs in August after growing by 68,000 jobs in July. This was the first monthly decline since August 2003. Year-over-year employment growth was 1.2 percent in August and 1.3 percent in July. The U.S. seasonally-adjusted unemployment rate remained at 4.6 percent.

Nonfarm business productivity improved in the second quarter of 2007, growing at a 2.6 percent annual rate after growing at a slight 0.7 percent rate in the previous quarter. The seasonally adjusted Consumer Price Index (CPI) decreased by 0.1 percent in August after a 0.1 percent increase in July.

August's decline and July's moderation were due to reductions in the energy component of the index, which showed its third consecutive month of decline. Year-over-year CPI growth decreased to 1.9 percent in August from July's value of 2.4 percent. The seasonally-adjusted index excluding food and energy increased at a monthly rate of 0.2 percent in both July and August, resulting in year-over year growth rates of 2.1 and 2.2 percent respectively.

The Conference Board's Index of Consumer Confidence decreased to 99.8 in September from August's value of 105.6. Both the expectations and present conditions components of the index declined, with the larger decline occurring in the present conditions component. The University of Michigan Consumer Sentiment Survey was unchanged in September with a value of 83.4. The Conference Board's U.S. Index of Leading Indicators decreased 0.6 percent in August after a 0.7 percent increase in July. Only two of the ten index components were positive or neutral in August.

The Federal Open Market Committee (FOMC) voted unanimously to lower its target rate for federal funds 50 basis points to 4.75 percent at its September 18, 2007 meeting. The Committee's policy statement indicated that the move was "intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets [caused by tightening credit conditions]."

The non-seasonally adjusted Monster Employment Index, which measures internet employment advertising, increased to 186 in August, a year-over-year increase of 7.5 percent. This was the lowest year-over-year increase since such comparisons became possible in October 2004. The Conference Board's August Help Wanted Index, which measures newspaper employment advertising, decreased two points to a value of 23.

The State Economy and Indicators

Washington wage and salary employment rose at a 2.1 percent annual rate in the second quarter of 2007, following extremely strong growth of 4.8 percent in the first quarter. Construction employment growth slowed but remained strong, increasing at a 4.7 percent annual rate after increasing at a 16.1 percent rate in the previous quarter. Manufacturing employment growth slowed to an annual rate of 0.3 percent in the second quarter after increasing by 2.0 percent in the prior quarter. Durable goods manufacturing employment increased at a 1.7 percent rate, aided by the 6.6 percent growth rate of aerospace employment. Nondurable goods manufacturing employment declined in the second quarter at a rate of 3.1 percent after growing at a 2.3 percent rate in the previous quarter.

August's Seattle Times Index of Help-Wanted Advertising contracted sharply to 32.6 from July's level of 35.2. The year-over-year growth rate of the Monster Employment Index for Seattle also declined to 0.9 percent following a 4.6 percent increase in July. Washington's seasonally adjusted unemployment rate decreased by 0.3 percent in August to a rate of 4.6 percent, while Washington seasonally adjusted initial claims for unemployment insurance increased very slightly to 32,520 from July's count of 32,450. Measured as a percent of the workforce, August's initial claims count is the fourth lowest in the history of this measure, after the measure reached its historic low in June.

August year-over-year growth in the Seattle CPI, measured bimonthly, decreased to 3.0 percent from June's value of 3.5 percent. The growth in Seattle's price index excluding food and energy increased slightly to 3.5 percent from June's value of 3.4 percent. Washington's seasonally adjusted average weekly hours in manufacturing decreased to 41.5 in August from July's value of 42.4. The non-seasonally adjusted Washington Purchasing Management Index decreased slightly in August to a still strong value of 66.4 from July's value of 67.1. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index remained constant at 75.0.

The Boom Monitor Composite Index increased in August to a value of 57.5 from July's value of 53.7. Boom Monitor levels above 50 indicate that the weighted average growth in the index's components is above their historic average. The Washington Index of Leading Indicators decreased by 0.4 points in August following a 0.5 point increase in July, reaching a value of 117.0. Four of the seven index components were negative in August.

Authorized housing permits increased to an annualized level of 58,300 units in August from July's level of 41,370 units. All of the gain occurred in multi-family permits, which made up for low levels of 10,500 annualized units in July and 9,500 units in June by rebounding to an August level of 31,700 units. Single-family permits declined to 26,600 annualized units from July's level of 30,900 units.

Second quarter exports of goods originating in Washington totaled \$16.1 billion, a 30.5 percent increase over the same quarter in 2006 and a new quarterly record. Transportation equipment exports of \$10.4 billion were 36.4 percent above the exports of the second quarter of 2006, and exports excluding transportation equipment of \$5.7 billion showed 20.9 percent year-over-year growth.

On the following page is a summary of what various national and state measures are indicating as of the publication date of the September 2007 economic and revenue forecast.

** This is based on the most recent data from the Bureau of Economic Analysis (the final GDP estimate for the second quarter of 2007 released September 27, 2007). The September economic forecast is based upon the August Global Insight interim forecast, which incorporated the BEA's advance estimate from July 27, 2007.*

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 2007	-
U.S. Real GDP Growth	2nd quarter 2007	+
U.S. ISM Index	August 2007	+ but slowing
U.S. Employment y-o-y %ch	August 2007	+ but slowing
U.S. Unemployment Rate	August 2007	unchanged
U.S. Help Wanted Index	August 2007	-
U.S. Fed Funds Target	September 18, 2007	+
U.S. Consumer Confidence	September 2007	-
U.S. CPI	August 2007	+
U.S. Monster Employment Index	August 2007	+ but slowing
S&P 500 Index	Week of September 30, 2007	+
WA Leading Index	August 2007	-
WA ISM Index	August 2007	+
WA Help Wanted Index	August 2007	-
WA Employment y-o-y %ch	August 2007	+
WA Aerospace Empl. Growth	August 2007	+
WA Unemployment Rate	August 2007	+
WA Boom Monitor	August 2007	+
WA Initial Unemploy. Claims	August 2007	+
WA Housing Permits	August 2007	+
WA Weekly Hours in Mfg.	August 2007	-
WA New Car/Truck Registration	August 2007	-
WA Migration (DOL data)	August 2007	-
WA Exports-Total	2nd quarter 2007	+
WA Exports- w/o Trans. Equip.	2nd quarter 2007	+
Seattle CPI	August 2007	+

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

Washington State Economic Indicators

Chart 2.1
Year-over-Year Employment Growth
 January 1980 to August 2007

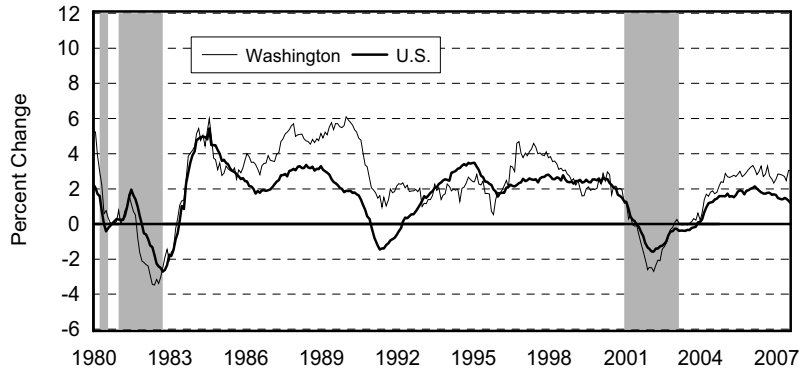


Chart 2.2
Washington Aircraft and Parts Employment
 January 1958 to August 2007

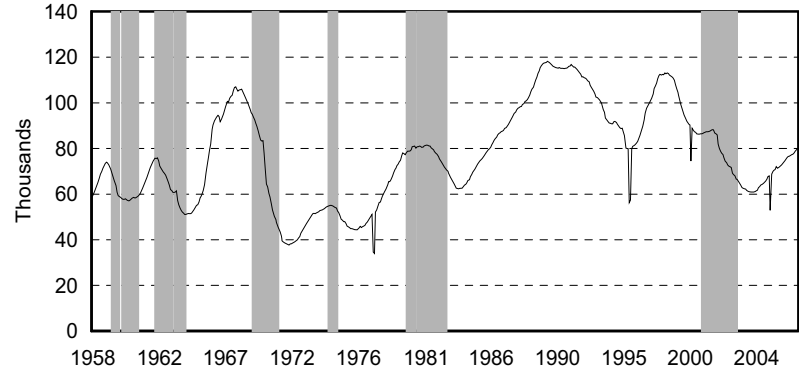


Chart 2.3
Unemployment Rate, S.A.
 January 1980 to August 2007

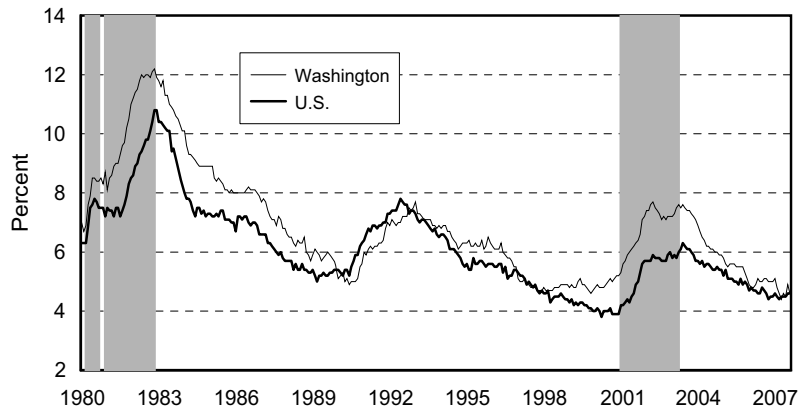
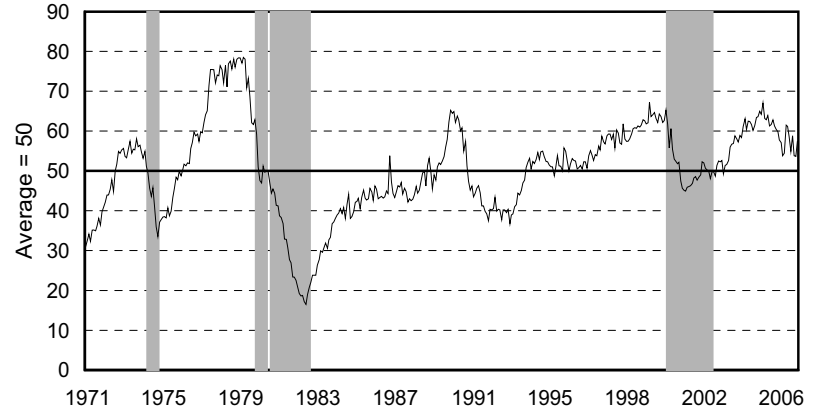


Chart 2.4
Washington Boom Monitor Composite Index
 July 1971 to August 2007



* 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 2007

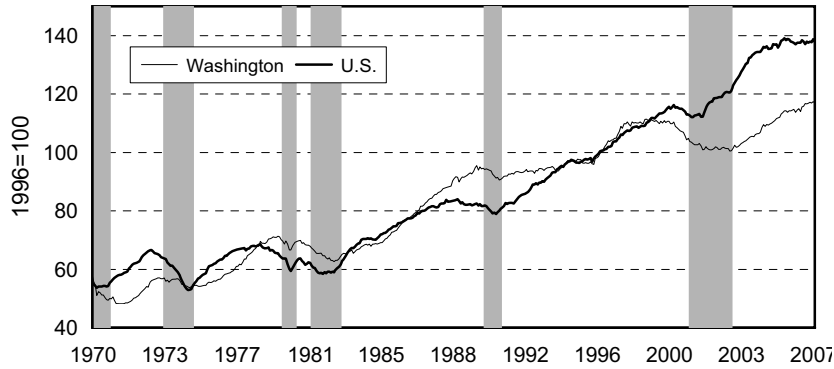


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to August 2007

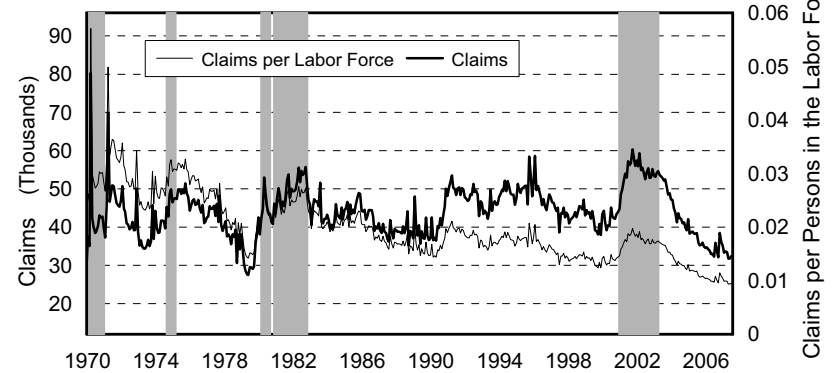


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to August 2007

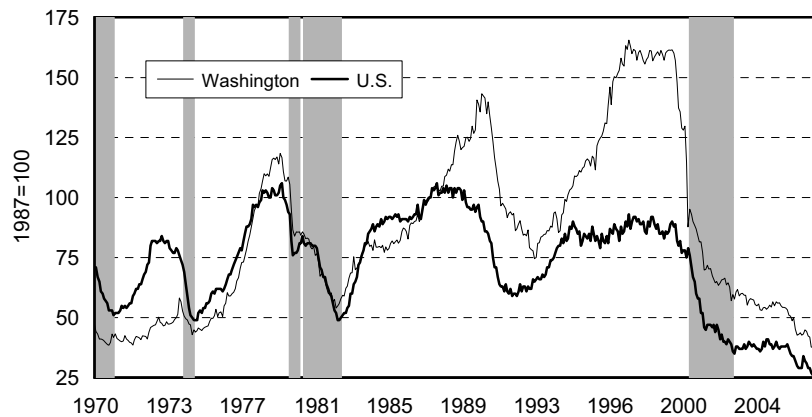
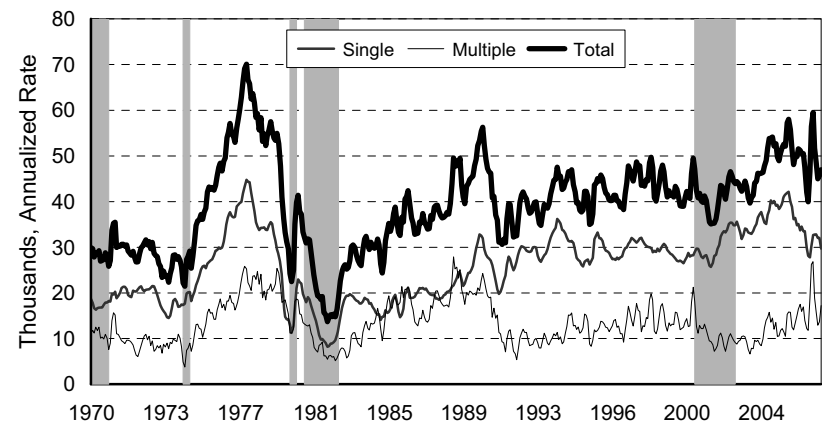


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to August 2007, 3-Month Moving Average



Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

Chart 2.9
Average Weekly Hours in Manufacturing
 January 1970 to August 2007, 3-Mo. Moving Average, SA

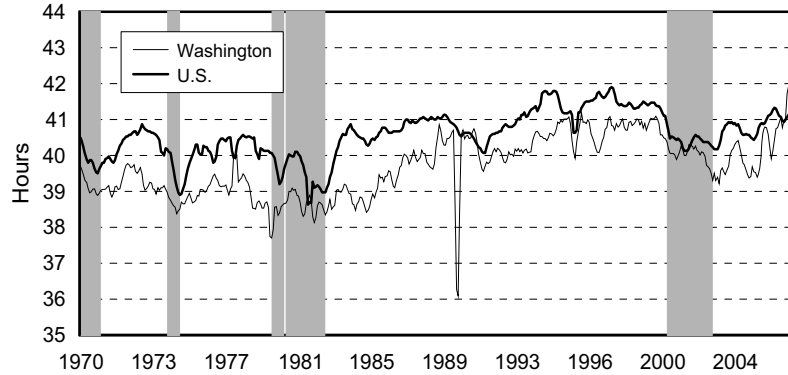


Chart 2.10
Washington Driver's License Migration
 September 1983 to August 2007 12-Month Moving Average

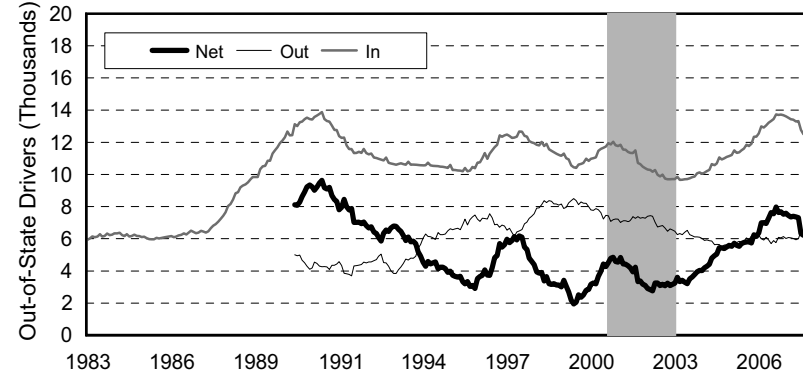


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to August 2007, 6-Month Moving Average

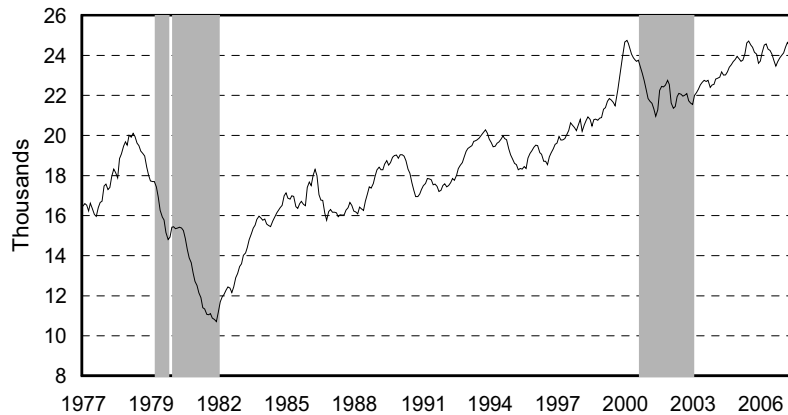
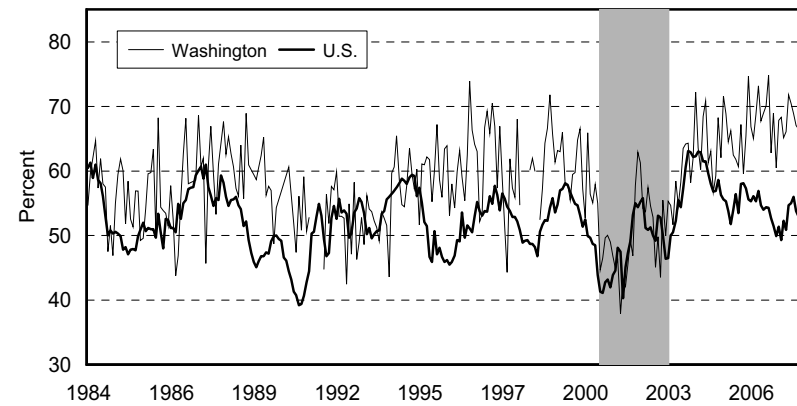


Chart 2.12
Institute for Supply Management Index
 January 1984 to August 2007



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2007 Q2

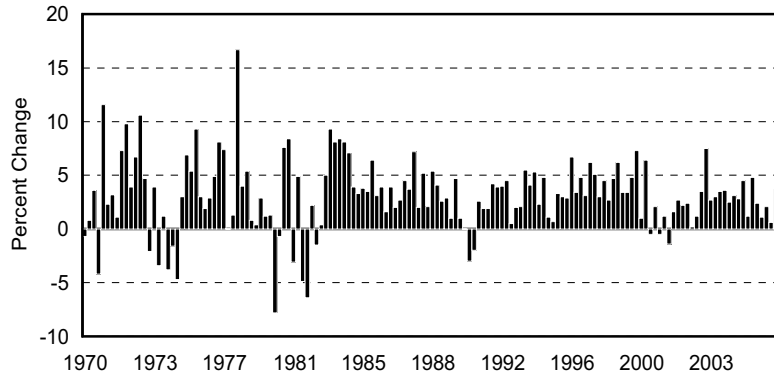


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2007Q2

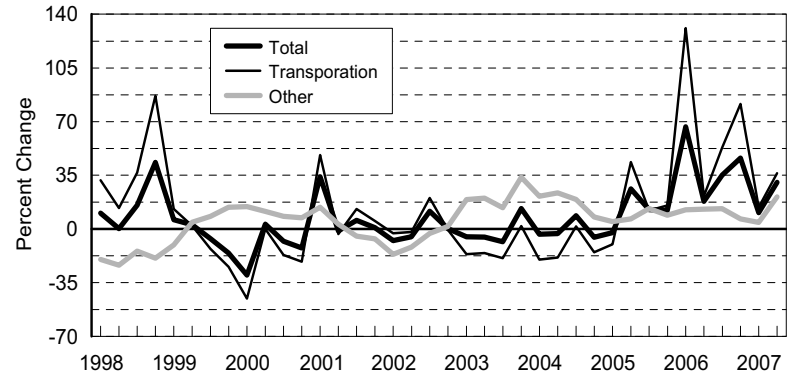


Chart 2.15
U.S. Economic Indicators*
 January 1970 to August 2007

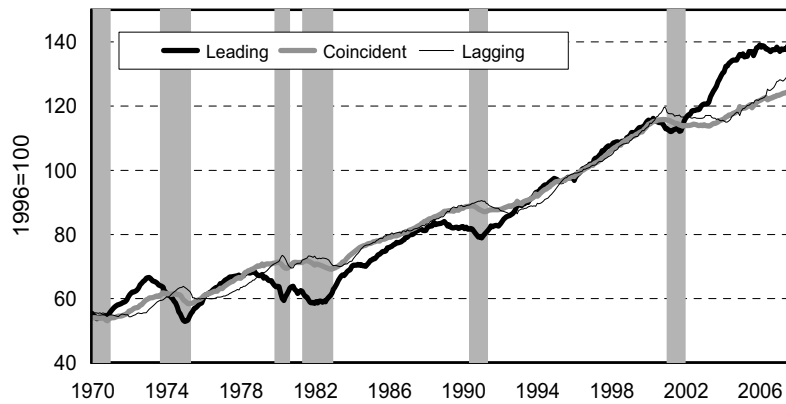
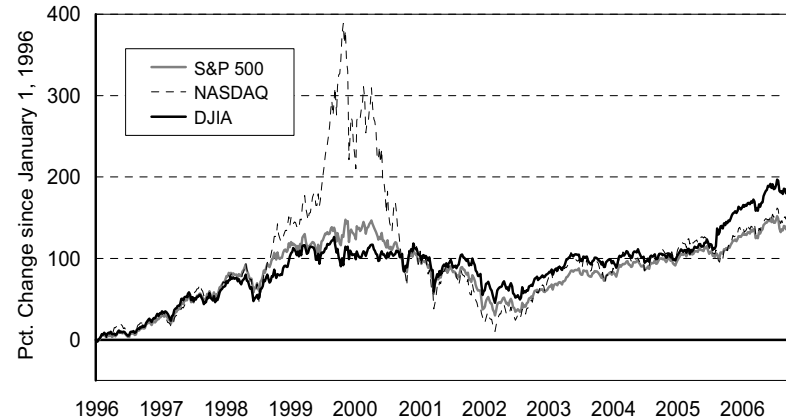


Chart 2.16
National Stock Indexes
 January 1, 1996 to September 28, 2007



* 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, 2007

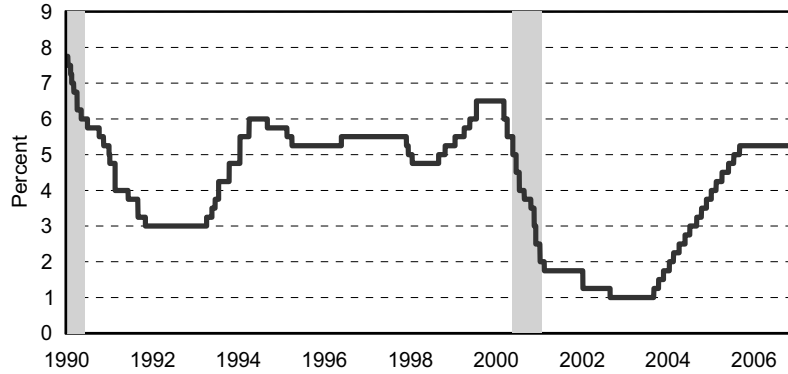


Chart 2.18
Consumer Confidence
 January 1978 to September 2007

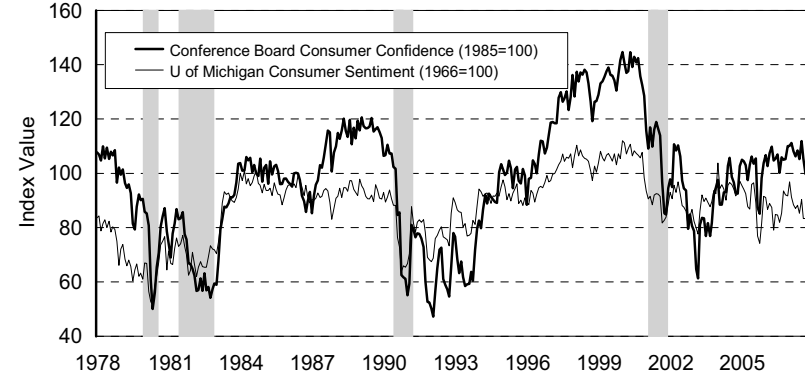


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to August 2007

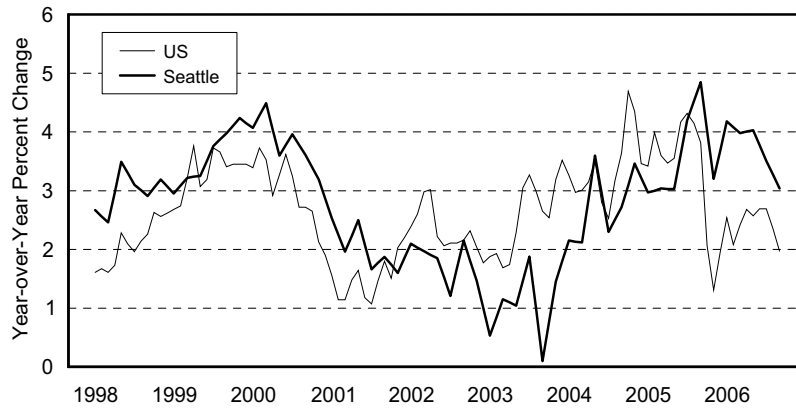
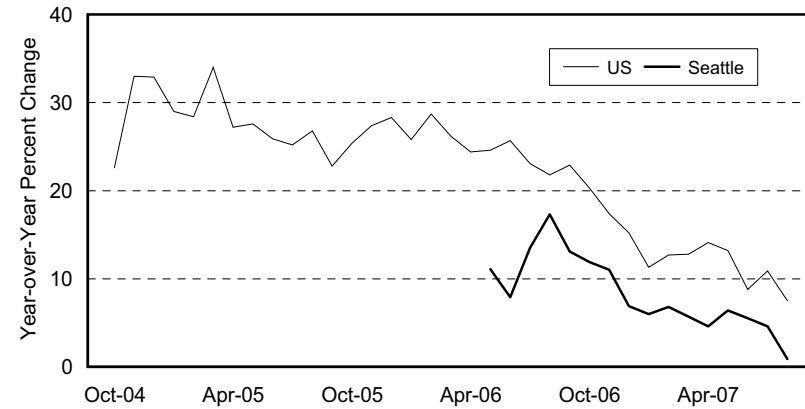


Chart 2.20
Monster Employment Index
 Year-Over-Year Growth, October 2004 to August 2007



* 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
2005:8	111.6	137.0	56	38	60.7	53.4
2005:9	111.8	135.8	56	37	67.2	57.9
2005:10	112.0	136.9	55	38	59.6	58.5
2005:11	113.1	138.2	54	38	65.4	57.7
2005:12	113.6	138.5	54	38	74.7	55.5
2006:1	114.2	139.1	54	38	66.9	55.3
2006:2	114.3	138.4	53	39	65.0	56.1
2006:3	113.7	138.9	51	37	68.8	55.3
2006:4	114.3	138.6	51	35	73.2	56.9
2006:5	114.2	137.9	49	34	67.7	54.7
2006:6	114.5	137.8	50	34	68.9	54.0
2006:7	114.8	137.5	45	32	70.1	54.4
2006:8	113.7	137.0	43	30	74.8	54.3
2006:9	114.6	137.6	43	29	62.8	52.7
2006:10	115.0	137.6	44	29	68.9	51.5
2006:11	114.0	137.6	43	29	60.5	49.9
2006:12	115.6	138.4	43	34	67.8	51.4
2007:1	115.8	137.9	45	32	68.3	49.3
2007:2	116.7	137.1	44	31	65.2	52.3
2007:3	116.6	137.9	42	29	66.1	50.9
2007:4	116.8	137.6	42	29	71.8	54.7
2007:5	117.2	137.9	38	27	70.4	55.0
2007:6	116.9	137.7	37	26	68.9	56.0
2007:7	117.4	138.7	35	25	67.1	53.8
2007:8	117.0	137.8	33	23	66.4	52.9

Washington State Revenue Forecast Summary

Introduction

The Washington State Economic and Revenue Forecast Council unanimously approved a \$281.5 million increase to the General Fund-State (GFS) revenue forecast at its September 14, 2007 meeting. The combination of a \$212.7 million upward revision to the forecast for the 2007-09 biennium and \$68.8 million more than expected revenue in the just completed 2005-07 budget period account for the increase in revenue. The September 2007 forecast reflects revised income and employment data that shows more personal income and stronger employment growth than assumed in the June forecast. In addition, consumer spending and revenue growth were stronger than anticipated, producing more tax payments than expected in the three months since the June forecast. The economy is transitioning from a period of very strong growth to a period of considerably slower growth. There is clear evidence that the U.S. economy is cooling due to the correction in the housing market, tighter credit markets and slower employment growth. The Washington economy has so far remained at least partially insulated from the national slowdown. Employment growth has been much stronger in Washington than in the nation as a whole and while the state is experiencing a correction in the residential housing, at least so far, it has been much milder than in most other parts of the country. The September 2007 forecast expects the state economy to continue to outperform the nation as a whole but it, like previous forecasts, expects state economic and revenue growth to weaken in the 2007-09 budget period.

General Fund-State revenue the 2005-07 biennium (July 2005 through June 2007), totaled \$27,774.9 million. This was \$68.8 million higher

	<u>2005-07</u> <u>Biennium</u>	<u>2007-09</u> <u>Biennium</u>	<u>Both</u> <u>Biennia</u>
Non-economic change	\$0.0	\$0.0	\$0.0
Forecast Change	<u>\$68.8</u>	<u>\$212.7</u>	<u>\$281.5</u>
Total Change*	\$68.8	\$212.7	\$281.5

*Detail may not add to totals due to rounding.

than expected in the June 2007 forecast. Spending was very strong in the 2005-07 biennium due to solid income and employment growth and a booming housing market early in the biennium. Revenue growth in the 2005-07 budget period was the strongest since the 1989-91 biennium. GFS revenue in the 2005-07 biennium was \$4.4 billion (18.8 percent) higher than that of the 2003-05 biennium. Adjusting for tax law changes and other factors affecting the comparability between biennia, GFS revenue increased 19.8 percent in the 2005-07 biennium. Reserves (preliminary) totaled \$1,081.6 million at the end of the 2005-07 biennium. This is the combined total of \$786.3 million in unrestricted General Fund reserves and \$295.3 million of reserves in the Emergency Reserve Fund.

The September 2007 forecast expects growth to slow in the 2007-09 biennium from the very strong pace in the 2005-07 budget period. Tighter lending standards and a rising inventory of unsold homes is expected to prolong the correction in the residential housing market. Weakness in the housing sector, along with a little slower employment growth, is expected to produce some deceleration in consumer spending. Slower growth in the 2007-09 biennium has been expected and has been incorporated in the forecast for more than a year. So far the drag of weaker housing on overall spending has been slower to materialize and milder than expected. Collections in the first two months of the biennium have again been stronger than expected and employment and income growth remain relatively strong. The September 2007 GFS revenue forecast for the 2007-09 budget period is \$30,016.7 million. This is \$2.2 billion, 8.1 percent higher than the forecast for the 2005-07 biennium. Reserves are now projected to total \$1,515.8 million at the end of the 2007-09 budget period. This is based on the September 2007 GFS revenue forecast and a 2007-09 spending level of \$29,622.9 million. Reserves are comprised of a \$1,085.0 million GFS ending balance and a \$430.9 million projected ending balance in the Budget Stabilization Account, a new account created by the 2007 legislature, subject to voter approval in November 2007.

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 the 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.

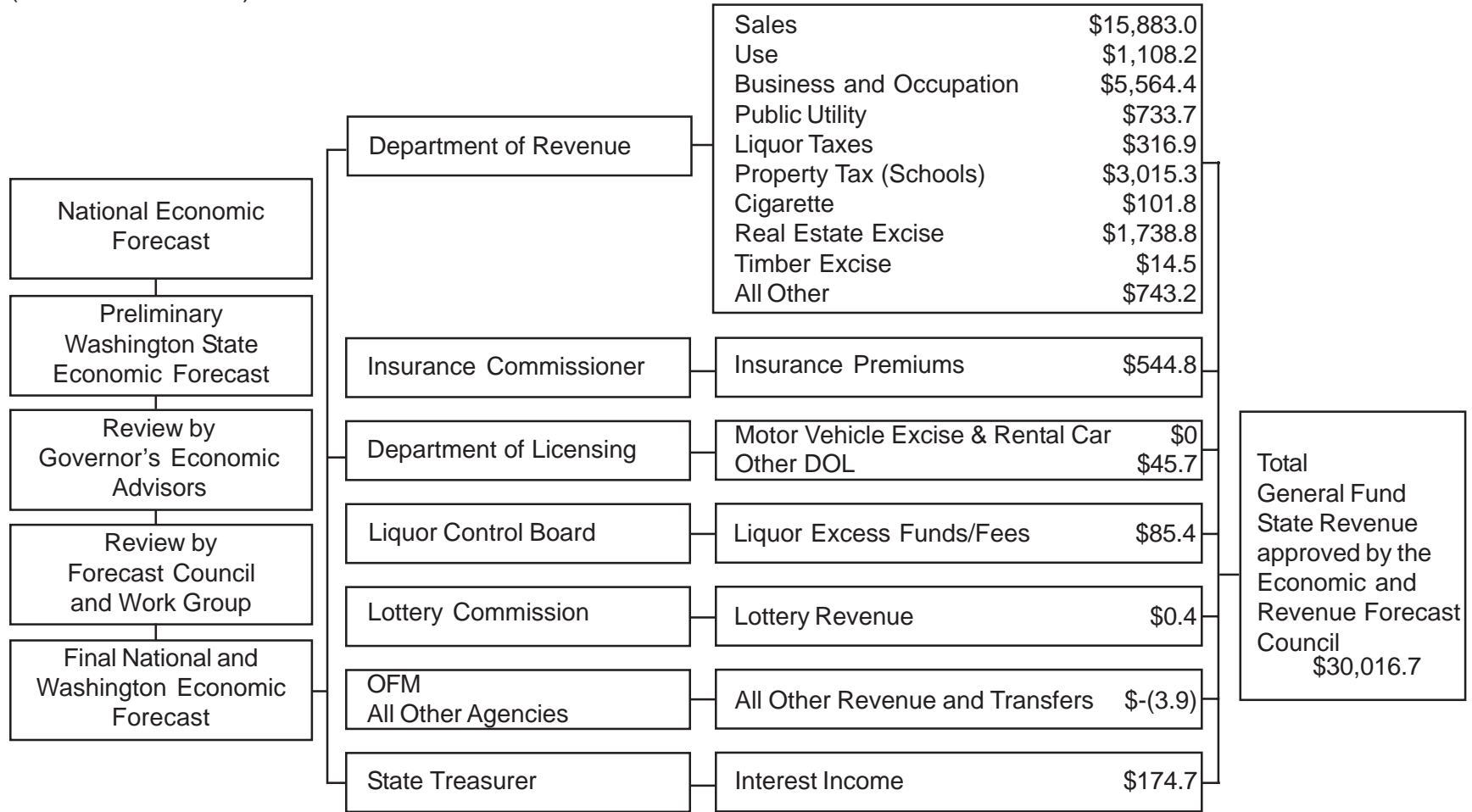
For each quarterly update, the staff of the Economic and Revenue Forecast Council, under the direction of the Executive Director, reviews (and if warranted, modifies) a national economic forecast prepared by Global Insight, Inc. A state economic forecast is then prepared using an econometric model that 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 eco-

conomic forecast is used to prepare a baseline revenue forecast for GFS and related funds. Agencies and the staff of the Forecast Council use the economic forecast, in conjunction with revenue models, to prepare revenue forecasts. The revenue forecasts for most major General Fund and related funds' sources are prepared using econometric models which link the tax base of major General Fund taxes to the national and state economic forecast. A baseline revenue forecast, along with at least two alternative forecasts, is prepared for all GFS and related fund sources and presented to the Forecast Council for approval. Once the Council approves the forecast, it becomes the official forecast of GFS and related fund revenue. An outline of the forecast process, including a summary of the September 2007 baseline forecast for the 2007-09 biennium, is shown in Table 3.2.

September 2007 Forecast Assumptions

1. The September 2007 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 U.S and for the state is based on the Global Insight, Inc. August 2007 Interim Forecast.
2. The GFS revenue forecast is based on current law and administrative practices. The revenue impact of tax law changes enacted into law during the 2007 legislative session was incorporated in last quarter's update (June 2007 forecast).
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. Part II of Table 3.18 summarizes lottery distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. The two most visible cases are a ruling by a judge in Snohomish County in the spring of 2006 invalidating some of the tax increases enacted during the 2005 legislative session and the King County Superior Court ruling in June 2006 invalidating Initiative 747. Both of these rulings are on appeal. Any impact of legal challenge affecting 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 GFS receipts for the last few biennia as well as the forecast for the 2007-09 biennia. New tax law changes and other non-economic factors reduced GFS revenue for the 2005-07 biennium by an estimated \$474 million. Legislation has reduced the forecast for GFS for the 2007-09 biennium by \$155.0 million.
6. Initiative 728, which transfers a portion of revenue from the General Fund to the Student Achievement account, has had a disproportional impact on GFS revenue over time. The I-728 property tax transfers grew from \$267.0 million in the 2001-03 biennium to \$329.8 million in the 2003-05 biennium. They increased to \$491.8 million in the 2005-07 biennium and are expected to total \$503.3 million in the 2007-09 biennium. (See part I of Table 3.18.)
7. Beginning with the September 2007 forecast publication, we are including a forecast of "Related Fund" as well as a forecast for GFS revenue. "Related Fund" also collectively referred to as "Near General Fund" are defined in RCW 43.135.025 to include: the health services account,

Table 3.2
Economic and Revenue Forecast Flow Chart*
 General Fund-State
 2007-09 Biennium
 (Amounts in millions)



* Cash Basis

violence reduction and drug enforcement account, public safety and education account, and the student achievement fund. The September forecast of GFS and “Near-General Fund-State” revenue is shown in Table 3.19.

Recent Collection Experience

Revenue collected in the three months since the June 2007 forecast was \$75.5 million, 2.2 percent, more than expected. This variance, however, is distorted by an unusually large, \$23.3 million, non-recurring payment that is unrelated to the strength of the economy. Excluding this one-time audit payment, collections were \$52.2 million, 1.5 percent, higher than expected. The positive revenue variance since the last forecast is primarily from higher than expected Revenue Act (retail sales, business and occupation, use and public utility tax) receipts and real estate excise tax payments. Revenue Act tax payments exceeded the June forecast by \$18.3 million (0.6 percent), excluding special factors. Real estate excise tax receipts were \$20.0 million (8.1 percent) higher than expected. Other GFS taxes and transfers administered by the Department of Revenue were \$13.2 million more than expected.

GFS revenue growth has remained strong despite a weak residential housing market and relatively high energy costs. Revenue Act tax payments were 7.4 percent above the year-ago level in the three months since the June 2007 forecast (May 2007 through July 2007 business activity). Although growth has decelerated over the last year, it remains quite strong and is still well above the growth of U.S. retail sales and state personal income. Revenue from Washington’s major excise taxes has increased faster than state personal income for an unprecedented sixteen consecutive quarters. Recent forecasts have continued to underestimate the strength of employment and income as well as revenue growth. The September forecast, however, continues to assume that the very strong growth of the last few years is unsustainable and that revenue growth will soon begin to decelerate.

Industry detail for the most recent month (July 2007 activity, reflecting ex-

Table 3.3
Collection Variance of Major General Fund-State Taxes by Agency
 June 11 - September 10, 2007
 Based on the June 2007 Forecast (Millions of Dollars)

Agency/Source	Collection Variance*	Percent of Estimate	Adjusted	
			Collection Variance**	Percent of Estimate
Department of Revenue				
Revenue Act ¹	\$41.6	1.4%	\$18.3	0.6%
Non Revenue Act ²	\$33.2	6.5%	\$33.2	6.5%
Subtotal	<u>\$74.8</u>	<u>2.2%</u>	<u>\$51.5</u>	<u>1.5%</u>
Department of Licensing ²	\$0.7	7.8%	\$0.7	7.8%
Other	na	na	na	na
Total***	\$75.5	2.2%	\$52.2	1.5%

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, 2007 through September 10, 2007.

² Variance based on June 2007 through August 2007 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 2007 forecast.

** Variance adjusted for special factors: primarily unusually large and non reoccurring payments and early payment of property tax.

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

cise tax payments of taxpayers who filed electronically in the August 11- September 10, 2007 period) was mixed. The retail trade sector was weak, with tax payments by businesses in the retail trade sector up only 3.8 percent from a year-ago. The month before, this sector reported a 5.0 percent increase in payments. Much of the weakness was due to a 2.5 percent decline in tax payments by auto dealers, the largest retail trade NAICS category. Other weak retail trade sectors this month included: gasoline stations (-6.6 percent), electronic and appliance retailers (-1.1 percent), building and garden supply retailers (+0.3 percent), furniture and appliance dealers (+2.2 percent) and food stores (+2.5 percent). Three retail trade sectors reported double-digit increases: sporting goods, books, toys and music stores (+10.3 percent), miscellaneous retailers (+15.9 percent) and non-store retailers (+12.5 percent). Tax payments from non-retailing sectors as a whole increased 7.3 percent in the most recent month. Despite weakening real estate excise tax payments, excise taxes paid by the construction sector remained strong in the most recent month (+12.8 percent), only a little weaker than the month before (+13.3 percent). Other strong non-retail trade sectors included: wholesale trade (+13.4 percent), real estate, rental and leasing (+7.8 percent) and the art, entertainment and recreation sector (+7.0 percent). Weak non-retail trade sectors included: transportation and warehousing (-21.3 percent), manufacturing (-2.8 percent), and finance and insurance (+0.2 percent).

Real estate activity remained weak but not quite as weak as assumed in the June forecast. Preliminary data indicates that taxable real estate activity (based on closings) in August 2007 was 5.1 percent below the year-ago level. The prior month, however, activity was up an unexpected 7.1 percent, the first increase (excluding special factors) in nine months. The primary source of weakness continues to be volume of activity. The number of real estate transactions has declined nineteen of the last twenty months and is down 10.1 percent in the first seven months of calendar 2007. While price appreciation of most real estate in the state has slowed, it has not weakened nearly as much as in other parts of the country. The average value of real estate transactions in Washington has continued to grow. Average values have increased on a year-over-year basis for sixty-one of the last sixty-two months. Average values were up 6.9 percent in the most recent month (July 2007 closings) and have averaged 5.5 percent higher than a year-ago for the first seven months of calendar 2007 (excluding special factors). This however, is down significantly from the double-digit increases the last three years.

General Fund-State taxes collected by the Department of Licensing (primarily revenue from licenses and fees) were \$0.7 million (7.8 percent) above the estimate in the three months since the June 2007 forecast.

The General Fund-State Forecast for the 2007-09 Biennium

Despite a weaker U.S. economy and a fragile residential housing market, stronger than expected growth since the June forecast produced more revenue than expected in the 2005-07 biennium and improved the outlook for GFS revenue for the 2007-2009 biennium.

GFS revenue growth in the just completed 2005-07 biennium was the best in sixteen years. Revenue increased 10.5 percent in fiscal 2006, the first double-digit increase in revenue since 1990, and was up nearly as strong, 8.4 percent, in fiscal 2007, despite a much weaker housing market. Revenue growth benefited from a strong economy. Real personal income in Washington increased 6.9 percent in the 2005-07 biennium, up from only 2.7 percent in the 2003-05 period. Employment growth also improved significantly, increasing 5.7 percent compared to 1.7 percent in the 2003-05 budget period. In addition, spending by consumers and businesses grew much faster than income. The strong economy and spending produced the strongest biennial increase in GFS revenue since the 1989-91 budget period. GFS collections totaled \$27,774.0 million in the 2005-07 biennium. This was \$4.4 billion (18.8 percent) more than in the

2003-05 biennium. Adjusting for tax law changes and other non-economic factors, revenue increased 19.8 percent.

The economic and revenue outlook for the 2007-09 budget period remains positive. While there are clear signs of a slowing national economy, Washington's economy is performing better than the nation as a whole as well as better than assumed in the June forecast. The September 2007 forecast is expected to produce a little more revenue in the 2007-09 budget period than was expected in June. Although the forecast is a little higher, it still assumes that economic and revenue growth will slow in the 2007-09 budget period. The forecast expects employment growth to slow to 5.0 percent this biennium after increasing 5.7 percent in the 2005-07 biennium. Housing in the biennium is expected to weaken even more. Building permits are expected to fall 12.2 percent in the 2007-09 biennium after increasing 7.9 percent in the 2005-07 period. Weak housing and slower employment growth are expected to result in a slower pace of consumer and business spending in the 2007-09 budget period. After a prolonged period where spending exceeded income growth, the spending-relative-to-income relationship in the 2007-09 period is expected to dip below the long run average. Slower spending will produce less revenue growth in the 2007-09 budget. GFS revenue is expected to increase 8.1 percent in the 2007-09 biennium, a significant deceleration from the 18.8 percent increase in the 2005-07 biennium and the 10.6 percent gain in the 2003-05 budget period.

Washington's tax structure is different from most states. Washington has no personal or corporate income tax. The majority of Washington's GFS revenue comes from three taxes: sales and use, business and occupation, and the property tax (state school levy). These three taxes accounted for 83.0 percent of the \$27.8 billion total GFS cash receipts in the 2005-07 biennium. This is down from 84.2 percent in the 2003-05 biennium. These taxes are expected to account for 85.0 percent of GFS revenue in the 2007-09 biennium. The state's reliance on sales, business and occupation, and property taxes has increased over time, rising from 79.7 percent in the 1991-93 biennium and from 75 percent twenty-five years ago. The slight reduction in the General Fund's reliance on these three taxes between the 2003-05 and the 2005-07 biennia is partly due to a surge in real estate excise tax payments last biennium.

The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2000 Chained Dollars</u>	<u>Percent Change</u>
1961-63	\$817.1		\$3,362.6	
1963-65	866.2	6.0%	3,478.7	3.5%
1965-67	1,128.6	30.3%	4,357.5	25.3%
1967-69	1,440.5	27.6%	5,200.4	19.3%
1969-71	1,732.7	20.3%	6,552.5	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%	20,397.2	-4.1%
2003-05	23,388.5	10.6%	21,587.3	5.8%
2005-07	27,774.0	18.8%	24,221.3	12.2%
2007-09 ^F	30,016.7	8.1%	25,109.3	3.7%

^F:September 2007 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 2007 forecast.

Table 3.5
Taxable Retail Sales*
 September 2007
 (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	83,335	8.0%
2001	85,633	2.8%
2002	84,418	-1.4%
2003	86,165	2.1%
2004	90,139	4.6%
2005	97,253	7.9%
2006	107,071	10.1%
2007 ^F	115,499	7.9%
2008 ^F	122,729	6.3%
2009 ^F	127,881	4.2%

^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 2004. Changes to the tax base due to increased compliance efforts effective fy 2003. Fiscal year totals affected by enacted legislation.

receipts increased 50.9 percent in the 2005-07 biennium compared to 18.8 percent for total GFS revenue. Revenue from the real estate excise tax accounted for 7.2 percent of GFS revenue in the 2005-07 biennium, up from 5.7 percent in the 2003-05 biennium and 4.1 percent in the 2001-03 biennium. Next biennium the real estate excise tax is expected to account for 5.8 percent of total GFS revenue.

The retail sales and use tax, the state's largest revenue source, generated \$15.2 billion (54.7 percent) of total GFS revenue in the 2005-07 biennium. Sales and use taxes are expected to produce \$16.9 billion, 56.4 percent of the total in the 2007-09 budget period. The business and occupation tax totaled \$5.0 billion, 18.2 percent of the total in the 2005-07 biennium. The business and occupation tax is expected to produce \$5.6 billion, 18.5 percent, of the total this biennium. The General Fund-State's share of the property tax totaled \$2.8 billion, 10.0 percent of total GFS revenue in the 2005-07 biennium. The property tax is expected to produce \$3.0 billion, 10.1 percent of the total in the 2007-09 biennium. Historically, the property tax had a bigger share of total General Fund-State revenue. The reduction in the property tax share of total GFS receipts reflects the impact of I-728, which transfers a portion of the state property tax levy from the General Fund to the Student Achievement/School Construction Account beginning in the 2001-03 biennium. (See Table 3.18, part 1.)

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$26,382.1 million in the first quarter of 2007, the most recent quarter available. This was 7.9 percent higher than the year-ago level. Taxable sales increased 7.2 percent in the fourth quarter of 2006 and 8.8 percent in the third quarter. Taxable sales have now increased on a year-over-year basis for nineteen consecutive quarters after having fallen or remaining unchanged for five straight quarters during the last recession. The growth of taxable sales in the first quarter of 2007 was again faster than the growth of state personal income and retail sales nationally. In the first quarter of 2007, U.S. retail sales were 3.4 percent (adjusted) above the year-ago level, much less than the 5.0 percent year-over-year increase in the last quarter of 2006.

Chart 3.1
General Fund-State Revenue

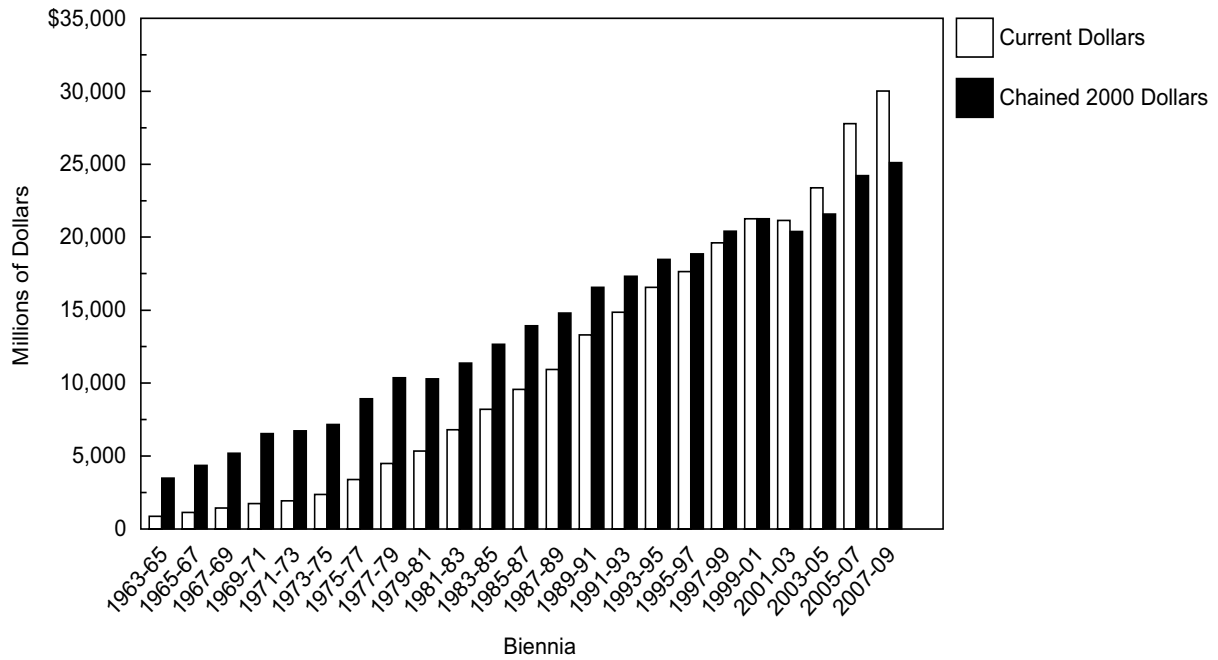


Chart 3.2
General Fund-State Revenue - Percent Change

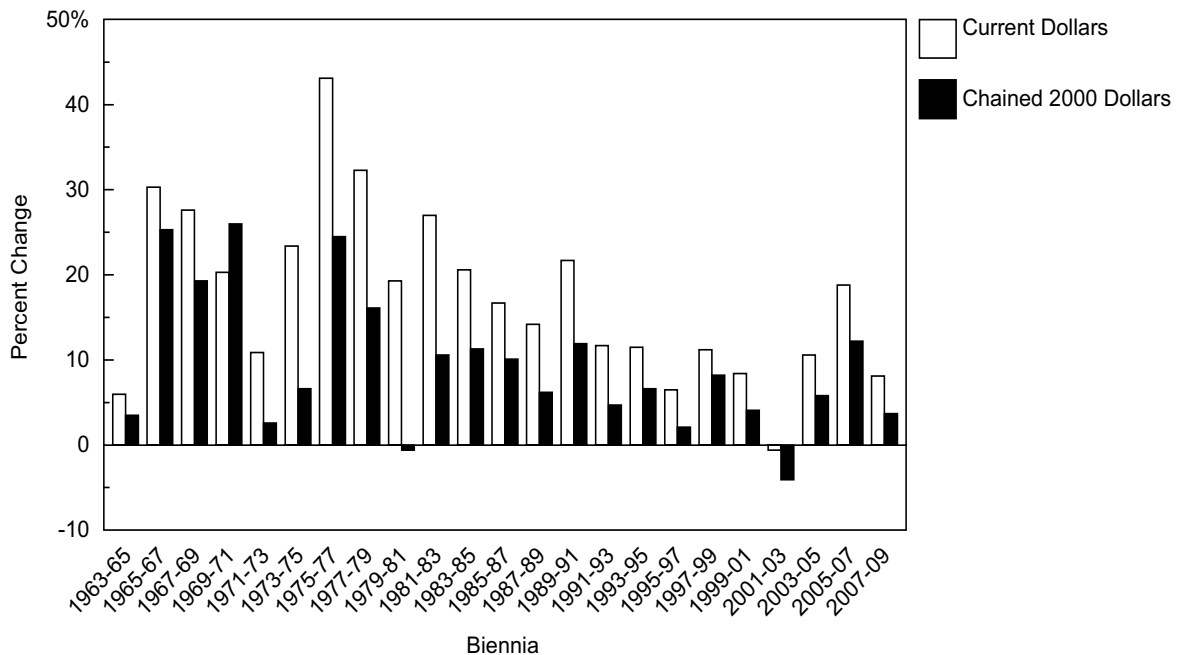


Chart 3.3
Composition of General Fund-State Revenue

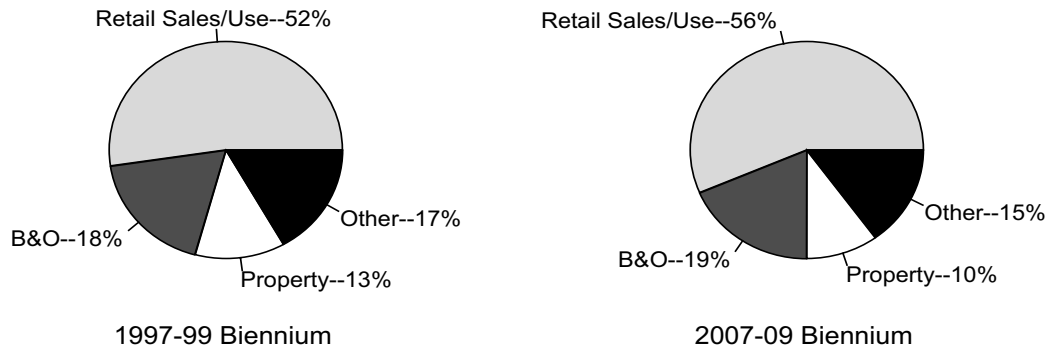
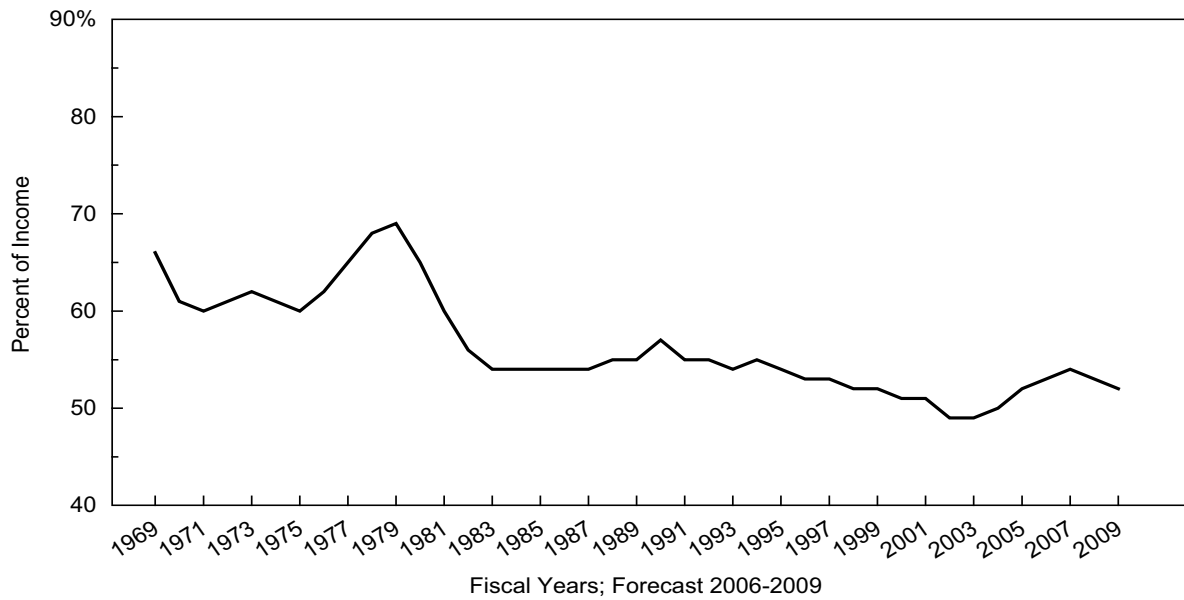


Chart 3.4
Taxable Sales* as a Percent of Personal Income



* Adjusted Base

Although the second quarter of 2007 is over, actual taxable sales data for the quarter are not yet available. The forecast assumes that taxable sales increased 7.6 percent in the second quarter of 2007. This would be a little slower than the 7.9 percent increase in the first quarter and again well above the September forecast's assumed growth of U.S. retail sales (4.0 percent). But it would not be quite as fast as the September 2007 forecast of the growth of state personal income (7.7 percent).

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. Taxable sales in the first quarter of 2007 of businesses in the retail trade sector, which accounted for 44.0 percent of all taxable sales in the quarter, were 6.5 percent above the year-ago level. Last quarter taxable sales of firms in the retail trade sector increased 6.2 percent. Within retailing, the clothing/accessories category reported the largest increase for the quarter, 15.7 percent. The next strongest category was general merchandise stores which reported a 9.3 percent year-over-year increase. The auto sector, the largest retail trade category, reported a 7.6 percent increase. There were a couple of weak sectors: furniture and home furnishing retailers reported an increase of only 3.1 percent and the electronics and appliance category reported a year-over-year increase of 2.9 percent. The building material and garden supply sector reported a year-over-year drop of 0.7 percent. This was only the second decline reported by any retail trade sector since the third quarter of 2005.

Taxable sales reported by non-retailing sectors were 9.1 percent higher than a year-ago in the first quarter of 2007. This follows an 8.0 percent increase the previous quarter. The year-over-year change in the current quarter varied widely among non-retail trade sectors. Taxable sales reported by the construction sector, which accounted for 19.2 percent of all taxable sales in the first quarter of 2007, were 12.3 percent higher than a year ago, the same percentage increase it reported in the fourth quarter of 2006. Taxable sales reported by the service sector, which accounted for 17.6 percent of all taxable sales in the first quarter, were 8.7 percent higher than a year-ago. Taxable sales reported by the manufacturing sector increased 8.3 percent and the wholesale trade sector reported a 5.7 percent year-over-year increase.

Taxable sales in the state's three largest counties (King, Snohomish and Pierce) were 8.9 percent higher than a year ago in the first quarter of 2007. Taxable sales increased 6.4 percent in the rest of the state. Taxable sales in King County were 9.3 percent higher than a year-ago for the quarter. Taxable sales in Snohomish County increased 11.4 percent in the first quarter and Pierce County reported a 5.3 percent increase. Taxable sales in Spokane County were 9.4 percent above the year-ago level.

Statewide taxable sales increased 10.1 percent in fiscal 2006. This is up from 7.9 percent in 2005 and was the strongest growth since fiscal 1990. The growth of taxable sales is expected to decelerate to 7.9 percent in fiscal 2007 due in part to the on-going correction in housing. Although taxable sales growth in fiscal 2007 is expected to be a little weaker than fiscal 2006, it is still very strong and better than both U.S. retail sales and state personal income growth. After increasing much faster than income for four consecutive years, taxable sales growth is expected to decelerate further and grow a little slower than income in fiscal 2008 and 2009 due to a weaker housing market and as consumers replenish their savings. The forecast assumes taxable sales growth will slow to 6.3 percent in fiscal 2008 and 4.2 percent in fiscal 2009.

Forecast Change for the 2007-09 Biennium

The September 2007 GFS revenue forecast is \$281.5 million more than in June. Actual receipts for the 2005-07 biennium are \$68.8 million higher and the outlook for the 2007-09 budget period is \$212.7 million more than assumed in June 2007. The higher than expected revenue for the 2005-07 biennium is due to more-than-expected tax payments in the last month of the biennium. The change for the current

biennium is very small, 0.6 percent, and is due to higher than expected collections in the first two months of the biennium and a still positive economic outlook.

Table 3.6 summarizes the changes to the GFS cash forecast for the 2005-07 and 2007-09 biennia by type of change. Tables 3.7 and 3.8 summarize the September 2007 revisions to GFS revenue for the 2005-07 biennium by agency and source of revenue. Table 3.7 is on a cash basis and Table 3.8 is on a GAAP basis. Tables 3.9 and 3.10 summarize the changes to the GFS revenue forecast for the 2007-09 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. Below is a brief summary of changes to the forecast by agency.

Department of Revenue

The Department of Revenue collects and administers the majority of Washington's GFS revenue, accounting for more than 97 percent of total GFS revenue in the 2005-07 and 2007-09 biennia. The September 2007 forecast of GFS revenue sources administered and collected by the Department of Revenue is \$266.3 million higher than in June. This includes \$62.5 million higher than expected collections in the just completed 2005-07 biennium and \$203.8 million increase to the forecast for the 2007-09 biennium.

The higher than expected Department of Revenue General Fund-State collections in the 2005-07 biennium were due to more retail sales tax (\$61.5 millions), real estate excise tax (+\$9.1 million), and unclaimed property transfers (+\$4.4 million) than expected in June. Liquor taxes (+\$3.5 million) and business and occupation taxes (+\$1.8 million) were also higher than expected. These increases were partially offset by less than expected use tax (-\$9.0 million) and penalty and interest receipts (-\$9.2 million).

Major changes to the forecast of Department of Revenue sources for the 2007-09 biennium include a \$118.5 million increase to the retail sales tax forecast, a \$53.7 million increase to the business and occupation tax forecast, a \$16.3 million increase to the penalty and interest forecast, a \$4.7 million increase to the real estate excise tax forecast and a \$4.2 million increase to the tobacco products tax forecast. In most cases the increases are due to a combination of higher than expected collections in the first two months of the biennium and a still strong economic outlook for the state. The level of employment and income are both higher than assumed in the June forecast and spending continues to exceed the forecast. The outlook for housing, however, has weakened. The higher forecast for real estate excise tax revenue in the 2007-09 period is solely due to stronger than expected real estate activity in the first two months of the biennium. The real estate market is expected to be weak throughout the 2007-09 biennium, although not as weak as in most other parts of the country. The increase to the tobacco products forecast is primarily because there was less of a reduction to the General Fund portion of the tobacco products tax due to refunds than was assumed in the June forecast.

The strong economy has produced strong growth for most Department of Revenue tax sources in the 2005-07 biennium, especially compared to overall economic growth as measured by state personal income. The tax base of Washington's two major excise taxes (sales and business and occupation tax) increased substantially faster than personal income in fiscal 2006 and fiscal 2007. This is expected to change in the 2007-09 biennium as spending decelerates due to much weaker housing, less home equity withdrawal, and as the saving rate starts to rise.

There was one major tax source that was unusually weak in the 2005-07 biennium. The portion of the state property tax levy that goes to the General Fund increased only 1.7 percent in the 2005-07 period, much slower than most other major tax sources. 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 share of

the state levy going to the SAA (instead of the General Fund) grew from \$329.8 million in the 2003-05 biennium to \$491.8 million in the 2005-07 biennium. While in total the state levy increased 6.8 percent in the 2005-07 biennium, the General Fund portion of the property tax grew only 1.7 percent because this transfer out of the General Fund increased 49.1 percent.

Department of Licensing

The majority of General Fund-State revenue collected by the Department of Licensing is from firearm and event licenses, boat excise tax, and boat registration fees. The department's General Fund-State revenue collections for the 2005-07 biennium totaled \$41.3 million, which was \$0.05 million below the June forecast. The department's forecast for the 2007-09 biennium has been increased \$0.9 million to \$45.7 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. Revenues reported to the office for the 2005-07 biennium totaled \$53.3 million, which was \$7.1 million above the June forecast. The revenue increase was due mainly to recovered costs and appropriations from the Department of Social and Health Services and other agencies. The office's forecast for the 2007-09 biennium has been increased \$1.2 million to -\$3.9 million. The office's negative forecast for the 2007-09 biennium indicates that General Fund revenue and transfers from the General Fund to the agencies overseen by the OFM are expected to exceed the revenue and transfers to the General Fund by those agencies.

State Treasurer

The Office of the State Treasurer generates General Fund-State revenue by investing state short-term cash reserves. The office's General Fund-State revenues for the 2005-07 biennium were \$167.3 million, which was the same as the June forecast. The office's forecast for the 2007-09 biennium has been increased \$7.4 million to \$174.7 million due to an increase in the forecast of fund balances, despite a small decrease in forecasted 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 collections of General Fund-State revenue for the 2005-07 biennium totaled \$490.6 million, the same as the June forecast. The office's forecast for the 2007-09 biennium is unchanged at \$544.8 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. Revenues from excess funds and fees for the 2005-07 biennium totaled \$98.2 million, which was \$0.8 million less than the June forecast, while beer and wine surtaxes equaled the June forecast of \$4.2 million. The board's forecast of excess funds and fees for the 2007-09 biennium has been decreased \$0.8 million to \$80.6 million and its forecast of beer and wine surtaxes has been decreased \$0.1 million to \$4.8 million.

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

Table 3.6

Summary of Changes to the General Fund-State Forecast
 September 2007 Cash Forecast
 (Millions of Dollars)

	<u>September 2007 Change</u>
<u>2005-07 Biennium</u>	
<i>Collection Experience in the 2005-07 Biennium (excluding Special factors)</i>	\$68.8
Department of Revenue ¹	62.5
Department of Licensing ¹	(0.0)
All other agencies ¹	6.3
Total Change: 2005-07 Biennium*	<u>\$68.8</u>
<u>2007-09 Biennium</u>	
<i>Collection Experience in the 2007-09 Biennium (excluding Special factors)</i>	\$13.0
Department of Revenue ²	12.3
Department of Licensing ³	0.8
<i>Non Economic Adjustments to the Forecast</i>	\$0.0
<i>Forecast Change for the 2007-09 Biennium</i>	\$199.7
Department of Revenue	\$191.5
Other agencies	\$8.2
Total Change: 2007-09 Biennium*	<u>\$212.7</u>
Total Change: Both Biennia	<u>\$281.5</u>

¹ Variance based on collections June 11, 2007 to June 30, 2007.

² Variance base on collections July 1-September 10, 2007.

³ Variance base on collections July and August 2007.

* Detail may not add due to rounding.

after the School Construction and stadium/exhibition center accounts receive their allotments. The Commission's General Fund cash transfers for the 2005-07 biennium were equal to the June forecast value of \$9.5 million, but its forecast for the 2007-09 biennium has been increased from zero to \$0.4 million. Revenue transfers to the School Construction Account for the 2005-07 biennium met the June forecast value of \$204.8 million, and the Commission's forecast of revenues for the account for the 2007-09 biennium is unchanged at \$204.0 million.

Track Record for the 2005-07 and 2007-09 Biennia

GFS revenue growth in the 2007-09 biennium was the best since the 1989-91 biennium. In terms of revenue growth relative to personal income growth, the 2005-07 biennium was the best ever. The GFS revenue forecast for the 2005-07 biennium has consistently underestimated revenue growth for the biennium. Total GFS receipts for the 2005-07 biennium is now final and are included in the September 2007 forecast update. The September 2007 update is the fourteenth quarterly update to the outlook for GFS revenue for the 2005-07 biennium since the initial forecast in February 2004. Thirteen of the fourteen revisions, including the September 2007 update, have increased the expected revenue for the biennium, excluding legislation and other non-economic factors. GFS collections for the 2005-07 budget period are \$2,821 million more than the initial estimate for the biennium. In addition to a steadily improving economic outlook, several non-economic factors contributed to the changes to the GFS revenue forecast for the 2005-07 biennium. Non-economic changes, including 2007, 2006, 2005 and 2004 legislation along with the impact of two State Supreme Court decisions and the impact of Initiative 900 have reduced revenue in the 2005-07 biennium by an estimated \$474 million. Excluding non-economic changes, the GFS collections for the 2005-07 biennium are \$3,294 million (13.2 percent) higher than the initial February 2004 forecast. Table 3.13 summarizes the changes to the GFS revenue forecast for the 2005-07 biennium.

Table 3.14 summarizes the changes to the GFS revenue forecast for the 2007-09 biennium. The September 2007 forecast for the 2007-09 biennium is \$212.7 million higher than the June 2007 forecast and is \$989 million higher than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes the current forecast for the 2007-09 biennium is \$1,144 million, 3.9 percent higher than the initial forecast. Of the six quarterly updates to the GFS forecast for the 2007-09 biennium, five have increased the forecast.

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

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

Table 3.7
Comparison of the General Fund-State Forecast by Agency
2005-07 Biennium; Cash Basis
(Millions of Dollars)

Forecast by Agency	June 2007 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2007 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$14,171.9	0.0	\$61.6	\$14,233.4	\$61.6
Business & Occupation Use	5,045.7	0.0	1.8	5,047.5	1.8
Public Utility	978.7	0.0	(9.0)	969.7	(9.0)
Liquor Sales/Liter	682.9	0.0	(1.3)	681.6	(1.3)
Cigarette	281.8		3.5	285.3	3.5
Property (State Levy)	103.6		(0.5)	103.0	(0.5)
Real Estate Excise	2,787.5		1.1	2,788.6	1.1
Timber Excise	1,993.2		9.1	2,002.3	9.1
Other	16.9	0.0	0.4	17.3	0.4
Subtotal	785.0	0.0	(4.2)	780.8	(4.2)
	26,847.1	0.0	62.5	26,909.6	62.5
Department of Licensing					
Boat excise, licenses, fees & other	41.4		(0.0)	41.3	(0.0)
Insurance Commissioner					
Insurance Premiums	490.6		0.0	490.6	0.0
Liquor Control Board					
Liquor Profits and Fees	99.1		(0.8)	98.2	(0.8)
Beer & Wine Surtax	4.2		(0.0)	4.2	(0.0)
Lottery Commission					
Lottery Revenue	9.5		0.0	9.5	0.0
State Treasurer					
Interest Earnings	167.2		0.0	167.3	0.0
Office of Financial Management					
Other	46.2		7.1	53.3	7.1
Total General Fund-State *	\$27,705.2	\$0.0	\$68.8	\$27,774.0	\$68.8

1 General Fund-State forecast for the 2005-07 biennium, adopted June 2007.

2 Revised General Fund-State forecast for the 2005-07 biennium, adopted September 2007; actual receipts in the 2005-07 biennium (preliminary).

*Detail may not add to totals because of rounding.

Table 3.8
Comparison of the General Fund-State Forecast by Agency
2005-07 Biennium; GAAP Basis
(Millions of Dollars)

Forecast by Agency	June 2007 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2007 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$14,248.4	0.0	\$8.3	\$14,256.8	\$8.3
Business & Occupation Use	5,074.4	0.0	27.9	5,102.3	27.9
Public Utility	984.4	0.0	(15.8)	968.5	(15.8)
Liquor Sales/Liter	690.7	0.0	(4.6)	686.1	(4.6)
Cigarette	285.1	0.0	4.2	289.3	4.2
Property (State Levy)	106.6	0.0	(3.4)	103.2	(3.4)
Real Estate Excise	2,784.9	0.0	0.5	2,785.4	0.5
Timber Excise	2,005.6	0.0	(92.8)	1,912.8	(92.8)
Other	16.5	0.0	0.6	17.2	0.6
Subtotal	788.4	0.0	(9.3)	779.0	(9.3)
	26,985.1	\$0.0	(84.3)	26,900.8	(84.3)
Department of Licensing					
Boat excise, licenses, fees & other	42.6	0.0	(0.6)	42.0	(0.6)
Insurance Commissioner					
Insurance Premiums	490.6	0.0	0.0	490.6	0.0
Liquor Control Board					
Liquor Profits and Fees	99.1	0.0	(0.8)	98.2	(0.8)
Beer & Wine Surtax	4.2	0.0	(0.0)	4.2	(0.0)
Lottery Commission					
Lottery Revenue	7.6	0.0	0.0	7.6	0.0
State Treasurer					
Interest Earnings	174.9	0.0	0.3	175.3	0.3
Office of Financial Management					
Other	46.2	0.0	7.1	53.3	7.1
Total General Fund-State *	\$27,850.2	\$0.0	(\$78.3)	\$27,771.9	(\$78.3)

1 General Fund-State forecast for the 2005-07 biennium, adopted June 2007.

2 Actual 2005-07 revenue (preliminary).

*Detail may not add to totals because of rounding.

Table 3.9
Comparison of the General Fund-State Forecast by Agency
2007-09 Biennium; Cash Basis
(Millions of Dollars)

<u>Forecast by Agency</u>	<u>June 2007 Forecast¹</u>	<u>Non-Economic Changes</u>	<u>Forecast Revision</u>	<u>Sept. 2007 Forecast²</u>	<u>Total Change</u>
Department of Revenue					
Retail Sales	\$15,714.5	\$0.0	\$118.5	\$15,833.0	\$118.5
Business & Occupation Use	5,510.7	0.0	53.7	5,564.4	53.7
Public Utility	1,106.2	0.0	2.0	1,108.2	2.0
Liquor Sales/Liter	733.0	0.0	0.8	733.7	0.8
Cigarette	316.9	0.0	0.0	316.9	-
Property (State Levy)	101.7		0.0	101.8	0.0
Real Estate Excise	3,013.4		1.9	3,015.3	1.9
Timber Excise	1,734.1	0.0	4.7	1,738.8	4.7
Other	15.0	0.0	(0.5)	14.5	(0.5)
Subtotal	720.5	0.0	22.7	743.2	22.7
	28,965.9	0.0	203.8	29,169.7	203.8
Department of Licensing					
Boat excise, licenses, fees & other	44.8		0.9	45.7	0.9
Insurance Commissioner					
Insurance Premiums	544.8		0.0	544.8	-
Liquor Control Board					
Liquor Profits and Fees	81.4		(0.8)	80.6	(0.8)
Beer & Wine Surtax	4.9		(0.1)	4.8	(0.1)
Lottery Commission					
Lottery Revenue	-		0.4	0.4	0.4
State Treasurer					
Interest Earnings	167.3		7.4	174.7	7.4
Office of Financial Management					
Other	(5.1)		1.2	(3.9)	1.2
Total General Fund-State *	\$29,804.0	\$0.0	\$212.7	\$30,016.7	\$212.7

1 Forecast adopted by the ERFC in June 2007.

2 Forecast adopted by the ERFC in September 2007.

*Detail may not add to totals because of rounding.

Table 3.10
Comparison of the General Fund-State Forecast by Agency
2007-09 Biennium; GAAP Basis
(Millions of Dollars)

Forecast by Agency	June 2007 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2007 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,791.1	0.0	\$117.1	\$15,908.2	\$117.1
Business & Occupation Use	5,530.7	0.0	53.7	5,584.4	53.7
Public Utility	1,110.0	0.0	1.0	1,111.0	1.0
Liquor Sales/Liter	734.5	0.0	3.7	738.2	3.7
Cigarette	316.9	0.0	1.4	318.3	1.4
Property (State Levy)	101.7		(0.1)	101.6	(0.1)
Real Estate Excise	3,014.6		1.9	3,016.5	1.9
Timber Excise	1,747.5	0.0	(8.7)	1,738.8	(8.7)
Other	14.6	0.0	(0.9)	13.7	(0.9)
Subtotal	720.0	0.0	24.7	744.7	24.7
	29,081.6	\$0.0	193.9	29,275.4	193.9
Department of Licensing					
Boat excise, licenses, fees & other	47.5		(0.4)	47.2	(0.4)
Insurance Commissioner					
Insurance Premiums	544.8	0	0.0	544.8	-
Liquor Control Board					
Liquor Profits and Fees	81.4	-	(0.8)	80.6	(0.8)
Beer & Wine Surtax	4.9		(0.1)	4.8	(0.1)
Lottery Commission					
Lottery Revenue	0.0		3.9	3.9	3.9
State Treasurer					
Interest Earnings	161.5	-	14.4	175.9	14.4
Office of Financial Management					
Other	(5.1)	-	1.2	(3.9)	1.2
Total General Fund-State *	\$29,916.5	\$0.0	\$212.1	\$30,128.5	\$212.1

1 Forecast adopted by the ERFC in June 2007.

2 Forecast adopted by the ERFC in September 2007.

*Detail may not add to totals because of rounding.

Table 3.11
September 2007 General Fund-State Forecast
2005-07 & 2007-09 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2005^a	Fiscal 2006^a	Fiscal 2007^a	2005-07 Biennium	Fiscal 2008	Fiscal 2009	2007-09 Biennium
State Taxes							
Retail sales***	\$6,151.4	\$6,845.4	\$7,388.0	\$14,233.4	\$7,792.9	\$8,040.1	\$15,833.0
Business & occupation Use***	2,195.8	2,406.7	2,640.9	5,047.5	2,721.5	2,842.9	5,564.4
Public Utility	439.6	465.4	504.4	969.7	555.5	552.7	1,108.2
Liquor sales/liter	294.8	328.7	352.9	681.6	354.2	379.5	733.7
Beer & wine surtax	104.8	137.6	147.7	285.3	153.0	163.8	316.9
Cigarette	1.8	2.0	2.2	4.2	2.3	2.4	4.8
Tobacco products	52.2	52.5	50.5	103.0	51.0	50.7	101.8
Property (state school levy)**	9.5	7.9	6.8	14.7	(10.2)	9.3	(1.0)
Public utility district	1,372.6	1,365.5	1,423.1	2,788.6	1,482.6	1,532.7	3,015.3
Real estate excise	38.0	38.9	39.8	78.7	42.5	44.6	87.1
Timber excise	759.4	932.7	1,069.6	2,002.3	864.2	874.6	1,738.8
Estate/inheritance	10.1	9.3	8.0	17.3	7.4	7.1	14.5
Motor vehicle excise & Rental car	(43.1)	5.1	5.3	10.4	0.5	0.5	1.0
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	14.8	16.3	15.8	32.2	17.4	18.6	36.0
Other	228.0	241.6	249.0	490.6	265.6	279.2	544.8
Total Taxes	237.0	266.3	275.9	542.2	256.3	264.3	520.6
Total Taxes	11,866.8	13,121.6	14,180.1	27,301.7	14,556.8	15,063.0	29,619.9
State Non-Tax Sources							
Licenses, permits, fees	75.8	84.7	91.6	176.3	92.9	95.6	188.5
Liquor profits & fees	45.5	49.2	49.0	98.2	37.3	43.2	80.6
Earnings on investments	28.8	66.4	100.9	167.3	99.4	75.3	174.7
Lottery transfers	4.3	1.9	7.6	9.5	0.0	0.3	0.3
Other revenue & transfers	46.0	5.0	16.0	21.0	(6.6)	(40.6)	(47.2)
Total Non-Tax	200.5	207.2	265.1	472.3	222.9	173.9	396.9
Total General Fund-State *	\$12,067.3	\$13,328.8	\$14,445.2	\$27,774.0	\$14,779.8	\$15,237.0	\$30,016.7

a - Actual

* Detail may not add to totals due to rounding.

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

***GFS portion after Initiative 900 transfer.

Table 3.15 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2005-07 biennium totaled (preliminary) \$27,771.9 million on a GAAP basis, \$2.0 million less than the \$27,774.0 million cash receipts total. In the 2003-05 biennium, GFS revenue totaled \$23,596.4 million on a GAAP basis, \$207.9 million more than the \$23,388.5 million cash receipts total. The GFS forecast for the 2007-09 biennium is \$30,128.5 million on a GAAP basis, \$111.8 million more than the \$30,016.7 million cash forecast.

Table 3.16 shows the budgetary balance sheet for the 2005-07 and 2007-09 biennia. The balance for the General Fund at the end of the 2005-07 biennium is \$786.3 million. In addition, the Emergency Reserve Fund ending balance is \$295.3 which produces a combine General Fund and Emergency Reserve ending balance of \$1,081.6 million. The combined 2005-07 ending balance is \$68.8 million more than the June 2007 estimate and it is 3.9 percent of the 2005-07 spending level. With adoption of the September 2007 GFS forecast, the projected total ending balance for the 2007-09 biennium is \$1,515.8 million. This is based on an enacted 2007-09 appropriations level of \$29,622.6 million. This is \$279.3 million more than projected in June 2007 and is 5.1 percent of 2007-09 appropriations. The total balance is comprised of a projected ending GFS balance of \$1,085.0 million and a \$430.9 million balance in the Budget Stabilization Account. The 2007 Legislature enacted joint resolutions creating a new Budget Stabilization Account, subject to voter approval in the November 2007 general election.

Alternative Forecast for the 2005-07 and 2007-09 Biennia

The September 2007 baseline forecast, like previous forecasts, expects economic and revenue growth to slow. The housing correction is expected to continue, energy prices remain relatively high and credit markets are tightening which is expected to weaken consumer and business spending. The September baseline forecast assumes that the very strong growth in the last two years is over and that economic and revenue growth will slow but the forecast expects no recession. So far the housing correction in Washington has been mild and the drag on overall spending due to the weakness of the housing market has been much less than expected. While the forecast continues to assume that slower growth lies ahead, revenue growth could continue to grow faster than expected or it could weaken faster and more severely than assumed in the baseline forecast. The revenue implications of stronger, as well as a weaker economy and revenue growth are contained in two alternative forecasts.

The premise of the September 2007 optimistic scenario is similar to previous optimistic scenarios. The optimistic forecast assumes higher productivity growth than in the baseline. This helps to produce a milder housing correction, a stronger dollar, lower energy prices, lower inflation and stronger business investment. Washington's economy benefits from stronger growth nationally. In the optimistic scenario state personal income is 1.6 percent higher than in the baseline at the start of the 2007-09 biennium and is 5.2 percent higher by the end of the 2007-09 biennium. State wage and salary employment is 9,300 higher at the start of the 2007-09 budget period and is 69,800 higher by the end of the biennium.

The September 2007 pessimistic scenario assumes that the housing recession deepens enough to drag the entire economy into recession. In the pessimistic scenario the housing correction is more severe than in the baseline forecast. Consumer and business confidence sink and investment and consumer spending grow much slower than assumed in the baseline forecast. There are two consecutive quarters of decline in real GDP, three quarters of employment decline and industrial production falls for four straight quarters. The weaker national economy results in weaker job and income growth in the state. In the pessimistic scenario, state personal income is 1.1 percent less than the baseline at the start of the 2007-09 biennium and is 5.7 percent lower than the baseline by the end of the 2007-09 budget period. Wage and salary

Table 3.12
General Fund - State Cash Receipts
 September 2007 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	6,803.5	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
2005	12,067.3	6.6%
2006	13,328.8	10.5%
2007	14,445.2	8.4%
Forecast		
2008	14,779.8	2.3%
2009	15,237.0	3.1%

Table 3.13

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

February 2004 through September 2007

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	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005	327	14	341	159 #4	499	25,385
September 2005	631	15	646	0	646	26,031
November 2005	306	24	330	(25) #5	305	26,336
February 2006	138	21	159	(52) #6	107	26,443
June 2006	511	7	518	6 #7	524	26,967
September 2006	315	35	350		350	27,317
November 2006	40	9	49	-	49	27,366
March 2007	129	15	144		144	27,510
June 2007	187	8	195	-	195	27,705
September 2007	63	6	69	-	69	27,774
Total change***:						
From February 2004	3,103	191	3,294	(474)	2,821	
Percent change	12.8%	28.9%	13.2%	-1.9%	11.3%	

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

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

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

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

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

#3 Impact of the state Supreme Court decision invalidating the estate tax and lowering the b&O rate on certain meat products

#4 Impact of 2005 legislation, budget driven revenue on the GFS forecast (+\$353.8 million) and shift refunds associated with the two recent court decisions from fy 2005 to fy 2006 (-\$195.0 million).

#5 Impact of Initiative 900 and an accounting and other adjustments.

#6 The Department of Revenue has determined that under current law the insurance industry is exempt from sales tax on telephone services. Impact includes on-going and refunds.

#7 Impact of 2006 legislation.

Table 3.14

Track Record for the 2007-09 General Fund-State Cash Forecast

February 2006 through September 2007

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 Fund-State Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62		62	29,526
November 2006	4	3	8		8	29,533
March 2007	(30)	12	(18)		(18)	29,516
June 2007	313	19	331	(43) #2	289	29,804
September 2007	204	9	213	-	213	30,017
November 2007						
February 2008						
June 2008						
Total change***:						
From February 2006	1,098	46	1,144	(155)	989	
Percent change	3.9%	5.4%	3.9%	-0.5%	3.4%	

* 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 2007-09 biennium.

#1 Change to the forecast due to 2006 legislation.

#2 Change to the forecast due to 2007 legislation/budget driven revenue and the tobacco product tax settlement.

Table 3.15

**September 2007 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis**
(Millions of dollars)

Agency	2003-05 Biennium			2005-07 Biennium			2007-09 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	\$22,573.4	\$22,771.6	\$198.2	\$26,792.2	\$26,783.5	(\$8.7)	\$29,059.9	\$29,166.3	\$106.5
Department of Licensing	45.1	46.1	0.9	41.3	42.0	0.7	45.7	47.2	1.4
Insurance Commissioner ⁴	459.9	459.9	0.0	506.9	506.9	0.0	563.2	563.2	0.0
State Treasurer	50.7	52.1	1.4	167.3	175.3	8.0	174.7	175.9	1.2
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	211.4	211.4	0.0	250.4	250.4	0.0	246.7	246.7	0.0
Subtotal: General Fund-State Cash/Revenue*	23,340.6	23,541.1	200.5	27,758.1	27,758.1	(0.0)	30,090.2	30,199.3	109.1
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	147.0	152.5	5.5	117.5	117.3	(0.2)	109.8	109.1	(0.8)
Lottery Commission	4.3	6.1	1.9	9.5	7.6	(1.9)	0.3	3.9	3.5
Insurance Commissioner ⁷	(14.3)	(14.3)	0.0	(16.3)	(16.3)	0.0	(18.4)	(18.4)	0.0
Liquor Control Board	92.0	92.0	0.0	102.4	102.4	0.0	85.3	85.3	0.0
Office of Financial Management									
Other Agencies ⁸	(181.0)	(181.0)	0.0	(197.1)	(197.1)	0.0	(250.6)	(250.6)	0.0
Subtotal: GFS Other Financing Sources	47.9	55.3	7.4	15.9	13.9	(2.0)	(73.5)	(70.7)	2.7
Total Available Receipts/Resources									
General Fund-State *	\$23,388.5	\$23,596.4	\$207.9	\$27,774.0	\$27,771.9	(\$2.0)	\$30,016.7	\$30,128.5	\$111.8

* 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 3.16

2005-07 with 2007 Supplemental Budget, and 2007-09 Enacted Budget Balance Sheet

General Fund-State

Dollars in Millions

	2005-07	2007-09
RESOURCES		
Beginning Fund Balance	869.7	786.3
June 2007 Forecast	27,705.2	29,804.0
September 2007 Update	68.8	212.7
Current Revenue Totals	27,774.0	30,016.7
Legislatively Enacted Fund Transfers and Other Adjustments	204.8	40.5
Prior Period adjustments	(6.6)	0.0
Spillover to the Emergency Reserve Fund (ERF)	(291.1)	0.0
Transfer to Budget Stabilization Account *		(135.6)
Total Resources (including beginning fund balance)	28,550.8	30,707.9
EXPENDITURES		
2005-07 Appropriations	27,297.9	
2007 Supplemental Budget	466.6	
2007-09 Final Legislative Budget		29,624.1
Governor's vetoes		(1.2)
	27,764.5	29,622.9
RESERVES		
Projected General Fund Ending Balance	786.3	1,085.0
Emergency Reserve Fund Beginning Balance	4.2	295.3
New Deposits	291.1	0.0
Transfer To Budget Stabilization Account	0.0	(295.3)
Projected Emergency Reserve Fund Ending Balance	295.3	0.0
Budget Stabilization Account Beginning Balance *	0.0	0.0
Transfer To Budget Stabilization Account (From ERF)	0.0	295.3
New Deposits	0.0	135.6
Projected Budget Stabilization Account Ending Balance	0.0	430.9
Total Reserves (General Fund plus Budget Stabilization)	1,081.6	1,515.8

* The 2007 Legislature passed Engrossed Substitute Senate Joint Resolution 8206 and ESSB 5311, which created Budget Stabilization Account, subject to a vote of the people in November 2007.

Table 3.17

**September 2007 Alternative Forecasts Compared to the Baseline Forecast
2007-09 Biennium**
(Millions of dollars)

Forecast by Source	Optimistic Forecast	Baseline Forecast	Pessimistic Forecast
<i>Department of Revenue</i>			
Retail Sales	\$16,293.7	\$15,833.0	\$15,171.8
Business & Occupation Use	5,769.9	5,564.4	5,401.0
Public Utility	1,121.3	1,108.2	1,107.5
Property (school levy)	747.2	733.7	687.8
Real Estate Excise	3,166.1	3,015.3	2,864.5
Other	1,893.1	1,738.8	1,569.6
Subtotal	1,239.2	1,176.3	1,116.8
	30,230.5	29,169.7	27,919.0
<i>Department of Licensing</i>			
	47.1	45.7	44.4
<i>Insurance Commissioner¹</i>			
	558.4	544.8	531.2
<i>Lottery Commission</i>			
	5.0	0.3	0.0
<i>State Treasurer - Interest earnings</i>			
	233.2	174.7	113.4
<i>Liquor Profits & Fees²</i>			
	87.0	85.3	83.6
<i>Office of Financial Management</i>			
Other agencies	6.1	(3.9)	(13.9)
Total General Fund - State*	\$31,167.4	\$30,016.7	\$28,677.7
Difference from September 2007 Baseline	\$1,150.6		(\$1,339.0)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.18

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue
September 2007 Cash Forecast; Millions of Dollars**

I. Disposition of the State portion of the Property Tax

	<u>State Levy: Total Receipts</u>	<u>To the General Fund</u>	<u>To the Student Achievement Account¹</u>
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	1,568.1	1,372.6	195.5
2003-05 Biennium	3,072.8	2,743.1	329.8
2006	1,610.7	1,365.5	245.2
2007	1,669.7	1,423.1	246.6
2005-07 Biennium	3,280.4	2,788.6	491.8
2008	1,729.8	1,482.6	247.2
2009	1,788.8	1,532.7	256.1
200-09 Biennium	3,518.6	3,015.3	503.3

II. Lottery Transfers by Fund*

	<u>Lottery: Total Transfers:**</u>	<u>General Fund</u>	<u>Mariners Stadium</u>	<u>Exhibition Center & Stadium</u>	<u>Student Achievement Account¹</u>	<u>School Construction Account¹</u>	<u>Transfer to VRDE²</u>	<u>Problem Gambling Account</u>	<u>Economic Development Account</u>
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	112.2	4.3	4.2	7.6	0.0	96.2	0.0		
2003-05 Biennium	225.6	4.3	8.2	14.9	76.5	121.7	0.0		
2006	125.1	1.9	4.4	7.9	0.0	107.8	0.0	0.2	3.0
2007	120.6	7.6	4.5	8.2	0.0	97.0	0.0	0.3	3.0
2005-07 Biennium	245.7	9.5	8.9	16.1	0.0	204.8	0.0	0.4	6.0
2008	118.7	0.0	4.7	8.5	0.0	102.0	0.0	0.3	3.2
2009	119.8	0.4	4.9	8.9	0.0	102.0	0.0	0.3	3.4
2007-09 Biennium	238.5	0.4	9.6	17.4	0.0	204.0	0.0	0.5	6.6

* 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).

Table 3.19**General Fund-State And Related Fund***

September 2007 and June 2007 Cash Forecasts

2005-07 & 2007-09 Biennia

Millions of dollars

	2005-07 Biennium			2007-09 Biennium			Change From 2005-07	
	June 2007	Sept. 2007	Difference	June 2007	Sept. 2007	Difference	Amount	Percent
	<u>Forecast</u>	<u>Forecast</u>		<u>Forecast</u>	<u>Forecast</u>			
General Fund-State	\$27,705.2	\$27,774.0	\$68.8	\$29,804.0	\$30,016.7	\$212.7	\$2,242.8	8.1%
Related Fund*								
Health Services Account	1,183.5	1,176.0	(7.5)	1,221.3	1,214.5	(6.8)	38.5	3.3%
Violence Reduction and Drug Enforce.Acct.	105.1	104.7	(0.4)	105.9	95.9	(10.0)	(8.8)	-8.4%
Water Quality Account	54.3	54.1	(0.2)	69.7	72.0	2.3	17.9	33.0%
Student Achievement Account	491.8	491.8	-	503.3	503.3	0.0	11.5	2.3%
Public Safety and Education Account	173.9	174.9	1.0	197.2	197.7	0.5	22.8	13.0%
Total Near GF	2,008.6	2,001.5	(7.1)	2,097.5	2,083.4	(14.0)	81.9	4.1%
Total General Fund and Related Fund	\$29,713.8	\$29,775.5	\$61.7	\$31,901.5	\$32,100.2	198.7	2,324.7	7.8%

* Related Fund sometimes referred to as "near" General Fund. State sources only.

Table 3.20

General Fund-State and Related Fund
 History/Forecast by Fiscal Year (Cash basis)
 September 2007 - Millions of Dollars

	General Fund-State		Near General Fund		GFS and Near GFS	
	Level	% Change	Level	Change	Level	Change
fiscal 1995	8,551.3		247.8		8,799.0	
fiscal 1996	8,581.2	0.3%	353.2	42.6%	8,934.4	1.5%
fiscal 1997	9,056.6	5.5%	392.3	11.1%	9,448.9	5.8%
fiscal 1998	9,640.9	6.5%	416.1	6.1%	10,057.0	6.4%
fiscal 1999	9,979.2	3.5%	434.9	4.5%	10,414.1	3.6%
fiscal 2000	10,433.2	4.5%	634.4	45.9%	11,067.5	6.3%
fiscal 2001	10,828.9	3.8%	731.1	15.2%	11,560.0	4.4%
fiscal 2002	10,450.7	-3.5%	1,181.7	61.6%	11,632.4	0.6%
fiscal 2003	10,689.9	2.3%	1,031.3	-12.7%	11,721.2	0.8%
fiscal 2004	11,321.2	5.9%	1,037.2	0.6%	12,358.4	5.4%
fiscal 2005	12,067.3	6.6%	969.0	-6.6%	13,036.3	5.5%
fiscal 2006	13,328.8	10.5%	988.8	2.0%	14,317.6	9.8%
fiscal 2007	14,445.2	8.4%	1,012.7	2.4%	15,457.9	8.0%
fiscal 2008	14,779.8	2.3%	1,012.0	-0.1%	15,791.8	2.2%
fiscal 2009	15,237.0	3.1%	1,071.4	5.9%	16,308.4	3.3%

*Related fund also know as “near” General Fund. State sources only.

employment is 9,200 less than the baseline in the third quarter of 2007 and is 75,800 less by the end of the 2007-09 biennium.

Table 3.17 shows the revenue implications of these alternative scenarios for the 2007-09 biennium. The optimistic scenario generates \$31,167.4 million, \$1,150.6 million more than the baseline forecast. The pessimistic alternative produces only \$28,677.7 million GFS revenue in the 2007-09 biennium, \$1,339.0 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 2007 GCEA scenario was based on the forecast of five members of the GCEA. The GCEA alternative was \$386 million lower than the September 2007 baseline forecast for the 2007-09 biennium.

“Related Fund” Forecast for the 2007-09 Biennium

The September 2007 economic and revenue forecast includes a “related fund” forecast as well as the General Fund-State forecast for the 2007-09 biennium. Related fund, also commonly known as “near” general fund, is defined in RCW 43.135.025 and consists of six funds: the public safety and education account, the water quality account, the violence reduction and drug enforcement account, the student achievement account, and the health services account. A related fund (near general fund) forecast has been done and presented to the Economic and Revenue Forecast Council for approval since November 2006, although this is the first time it has been included in the Economic and Revenue Forecast publication. Tables 3.19 and 3.20 review the “related fund” forecast.

The total GFS and related fund forecast for the 2005-07 biennium is \$29,775.5 million. This is \$61.7 million more than expected in the June 2007 forecast. The GFS and related fund forecast for the 2007-09 biennium is \$32,100.2 million. This is \$198.7 million more than expected in the June 2007 forecast.

Related fund receipts for the 2005-7 totaled \$2,001.5 million. This is \$7.1 million less than was expected in the June 2007 forecast. This reduction was primarily due to less Medicare employer subsidy reimbursements than assumed in the forecast in June. The related fund forecast for the 2007-09 biennium is \$2,083.4 million. This is \$14.0 million less than expected in June and \$81.9 billion (4.1 percent) higher than receipts in the 2005-07 biennium. The reduction to the related fund forecast for the 2007-09 biennium was primarily due to a \$6.8 million reduction to the health services account and a \$10.0 million reduction in the violence reduction and drug enforcement account. The reduction to the Health services account was due to a reduction to the portion of the tobacco product tax that funds the Health Services Account. The reduction was due to more tobacco product tax refunds than expected in the June 2007 forecast. (The refunds are the result of a settlement of a long standing tax dispute with several tobacco products wholesalers). The violence reduction and drug enforcement account forecast was lowered due to a lower forecast for the syrup tax. The forecast for the syrup tax was reduced in September due to expectation that a large amount of refunds related to the syrup tax will be issued in the 2007-09 biennium.

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Annual State Personal Income, 1976 to 2006

The tables that follow present the most recent revisions to Washington State personal income estimates as released by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) in September 2007. Historical values are presented from 1976 through 2006 with additional detail for the years 2003 through 2006. Detailed historical data for the years 1969-2001 are available through the BEA at its website (www.bea.gov) or the Economic and Revenue Forecast Council.

Personal income is the income received by all persons from all sources. Personal income is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts. Net earnings is earnings by place of work (the sum of wage and salary disbursements (payrolls), supplements to wages and salaries, and proprietors' income) less contributions for government social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

The estimate of personal income in the United States is derived as the sum of the state estimates; it differs from the estimate of personal income in the national income and product accounts (NIPAs) because of differences in coverage, in the methodologies used to prepare the estimates, and in the timing of the availability of source data.

The September estimates incorporate the annual revision of the NIPAs undertaken in July 2007, as well as newly available state source data that are more complete, more detailed, and otherwise more consistent 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 2007 *Survey of Current Business*, published by the BEA and available at the department's website in November 2007. Details of the annual NIPA revision can be found in the August 2007 issue. County data for 2006 is scheduled to be released in April 2008 and will be subsequently published in the Washington Economic and Revenue Forecast publication.

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 1976 to 2006. Table 4.2 illustrates components of personal income by major source and earnings by industry for the years 2003-2006 and Table 4.3 breaks down wage and salary disbursements by industry for the years 2003-2006.

Table 4.4 shows per capita personal income by state for 1976, 1986, 1996, and 2006. Washington's 2006 per capita personal income of \$38,067 ranked 17th among the 50 states and the District of Columbia and was 3.9% higher than the national average of \$36,629.

Chart 4.1 shows real per capita personal income for Washington and the U.S. from 1969 through 2006. 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
 1976-2006

	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)
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	5,912,036	31,775	27,305
2001	193,498,304	24,612,854	168,885,450	5,995,397	32,274	28,169
2002	197,451,578	20,300,655	177,150,923	6,070,176	32,528	29,184
2003	202,942,123	19,078,851	183,863,272	6,130,323	33,105	29,992
2004	218,366,056	19,394,633	198,971,423	6,205,535	35,189	32,064
2005	224,807,529	22,112,989	202,694,540	6,291,899	35,730	32,215
2006	243,471,226	25,397,057	218,074,169	6,395,798	38,067	34,096

Table 4.2

Washington Personal Income by Major Source and Earnings by NAICS Industry

(Thousands of Dollars)

	2003	2004	2005	2006
Income by Place of Residence				
Personal income	202,942,123	218,366,056	224,807,529	243,471,226
Nonfarm personal income	201,093,468	216,660,535	223,272,324	242,021,139
Farm income 1/	1,848,655	1,705,521	1,535,205	1,450,087
Population (persons) 2/	6,130,323	6,205,535	6,291,899	6,395,798
Per capita personal income (dollars) 3/	33,105	35,189	35,730	38,067
Derivation of Personal Income				
Earnings by place of work	157,306,625	166,235,305	175,590,972	189,113,263
less: Contributions for government social insurance 4/	18,952,311	20,289,330	21,583,289	23,055,508
Personal contributions for government social insurance	8,615,679	9,179,451	9,785,008	10,623,968
Employer contributions for government social insurance	10,336,632	11,109,879	11,798,281	12,431,540
plus: Adjustment for residence 5/	2,402,683	2,480,315	2,711,205	2,866,138
equals: Net earnings by place of residence	140,756,997	148,426,290	156,718,888	168,923,893
plus: Dividends, interest, and rent 6/	34,253,635	41,866,244	38,456,014	42,640,891
plus: Personal current transfer receipts	27,931,491	28,073,522	29,632,627	31,906,442
Earnings by place of work: Components				
Wage and salary disbursements	114,105,001	119,214,134	125,842,021	136,338,262
Supplements to wages and salaries	26,843,953	29,206,415	31,328,855	33,454,600
Employer contributions for employee pension and ins.	16,507,321	18,096,536	19,530,574	21,023,060
Employer contributions for government social insurance	10,336,632	11,109,879	11,798,281	12,431,540
Proprietors' income 7/	16,357,671	17,814,756	18,420,096	19,320,401
Farm proprietors' income	727,902	543,548	225,772	117,720
Nonfarm proprietors' income	15,629,769	17,271,208	18,194,324	19,202,681
Earnings by Industry				
Farm earnings	1,848,655	1,705,521	1,535,205	1,450,087
Nonfarm earnings	155,457,970	164,529,784	174,055,767	187,663,176
Private earnings	125,314,724	132,686,960	140,278,571	151,998,206
Forestry, fishing, related activities, and other 8/	1,826,245	1,823,873	1,898,208	2,055,683
Forestry and logging	504,322	502,632	493,503	502,905
Fishing, hunting, and trapping	611,897	572,224	608,964	670,091
Agriculture and forestry support activities	710,026	749,017	795,741	882,687
Other 8/	0	0	0	0
Mining	244,987	289,375	306,823	351,145
Oil and gas extraction	(D)	24,194	25,101	35,960
Mining (except oil and gas)	203,960	240,067	257,120	288,658
Support activities for mining	(D)	25,114	24,602	26,527
Utilities	556,723	585,458	629,401	689,086
Construction	10,218,207	11,106,809	12,399,792	13,938,438
Construction of buildings	3,193,345	3,427,623	3,801,488	4,257,485
Heavy and civil engineering construction	1,542,076	1,682,921	1,865,758	2,159,373
Specialty trade contractors	5,482,786	5,996,265	6,732,546	7,521,580
Manufacturing	18,667,889	19,945,639	21,771,617	23,934,885
Durable goods manufacturing	13,564,575	14,580,684	16,140,530	18,090,177
Wood product manufacturing	896,187	1,003,207	1,100,402	1,121,097
Nonmetallic mineral product manufacturing	468,268	515,921	563,525	614,030
Primary metal manufacturing	342,699	347,421	370,942	398,772
Fabricated metal product manufacturing	846,028	903,427	990,291	1,071,982
Machinery manufacturing	719,040	813,648	866,167	992,522
Computer and electronic product manufacturing	1,872,010	1,813,035	1,910,219	1,988,588
Electrical equipment and appliance manufacturing	288,476	286,354	313,607	345,742
Motor vehicle manufacturing	(D)	(D)	(D)	(D)
Transportation equipment mfg. excl. motor vehicles	(D)	(D)	(D)	(D)

Table 4.2 (cont'd)

Washington Personal Income by Major Source and Earnings by NAICS Industry

(Thousands of Dollars)

	2003	2004	2005	2006
Furniture and related product manufacturing	373,832	362,320	386,622	429,491
Miscellaneous manufacturing	649,673	748,122	741,553	780,731
Nondurable goods manufacturing	5,103,314	5,364,955	5,631,087	5,844,708
Food manufacturing	1,552,961	1,630,146	1,704,367	1,768,260
Beverage and tobacco product manufacturing	226,907	249,587	259,108	270,627
Textile mills	30,263	30,083	28,927	29,359
Textile product mills	102,290	89,327	88,522	98,656
Apparel manufacturing	93,679	90,019	94,179	116,545
Leather and allied product manufacturing	34,329	32,931	17,745	17,711
Paper manufacturing	1,158,663	1,122,790	1,185,580	1,193,039
Printing and related support activities	474,985	488,454	481,477	471,730
Petroleum and coal products manufacturing	295,071	380,294	398,114	441,488
Chemical manufacturing	701,274	770,169	861,542	874,201
Plastics and rubber products manufacturing	432,892	481,155	511,526	563,092
Wholesale trade	7,538,099	8,356,181	8,707,666	9,471,233
Retail trade	11,006,177	11,394,992	12,178,407	12,738,020
Motor vehicle and parts dealers	2,129,566	2,180,005	2,294,209	2,377,177
Furniture and home furnishings stores	483,158	495,721	532,745	574,270
Electronics and appliance stores	506,099	467,326	495,212	523,550
Building material and garden supply stores	943,905	995,032	1,071,538	1,137,815
Food and beverage stores	1,977,731	2,018,852	2,091,222	2,108,677
Health and personal care stores	563,370	590,506	596,665	627,368
Gasoline stations	484,201	486,502	495,056	497,551
Clothing and clothing accessories stores	598,909	627,813	825,678	883,327
Sporting goods, hobby, book and music stores	392,882	402,033	399,842	418,740
General merchandise stores	1,500,996	1,612,413	1,662,026	1,761,949
Miscellaneous store retailers	707,935	692,002	720,462	754,731
Nonstore retailers	717,425	826,787	993,752	1,072,865
Transportation and warehousing	4,953,845	5,576,015	5,764,114	6,015,443
Air transportation	890,262	950,544	952,031	917,087
Rail transportation	(D)	(D)	(D)	(D)
Water transportation	248,828	302,081	293,369	288,580
Truck transportation	1,273,587	1,457,270	1,598,239	1,708,997
Transit and ground passenger transportation	169,046	186,308	185,943	200,467
Pipeline transportation	18,364	18,791	22,371	19,969
Scenic and sightseeing transportation	39,164	47,039	47,914	45,022
Support activities for transportation	1,136,959	1,263,840	1,346,591	1,433,223
Couriers and messengers	(D)	(D)	(D)	(D)
Warehousing and storage	315,960	427,823	460,470	494,885
Information	12,487,725	11,560,871	11,587,252	12,790,654
Publishing industries, except Internet	8,853,619	7,056,109	7,097,991	8,217,147
Motion picture and sound recording industries	126,214	126,255	135,486	146,747
Broadcasting, except Internet	1,174,348	1,244,104	1,376,171	1,395,456
Internet publishing and broadcasting	135,885	166,870	176,023	217,752
Telecommunications	1,919,988	2,620,925	2,356,144	2,275,976
ISPs, search portals, and data processing	252,781	294,699	390,891	478,023
Other information services	24,890	51,909	54,546	59,553
Finance and insurance	8,616,990	9,395,846	9,769,708	10,521,546
Monetary authorities - central bank	(D)	(D)	(D)	(D)
Credit intermediation and related activities	3,984,942	4,099,947	4,547,018	4,925,906
Securities, commodity contracts, investments	1,503,631	1,943,967	1,706,225	1,859,671
Insurance carriers and related activities	2,907,972	3,111,774	3,250,126	3,447,896

Table 4.2 (cont'd)

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

	2003	2004	2005	2006
Funds, trusts, and other financial vehicles	(D)	(D)	(D)	(D)
Real estate and rental and leasing	3,620,023	3,926,774	3,932,209	4,104,174
Real estate	2,997,042	3,272,070	3,237,921	3,447,645
Rental and leasing services	590,074	602,495	636,105	596,665
Lessors of nonfinancial intangible assets	32,907	52,209	58,183	59,864
Professional and technical services	12,586,665	13,161,912	14,100,816	15,272,865
Management of companies and enterprises	2,725,135	3,040,495	3,059,296	3,497,479
Administrative and waste services	5,250,550	5,800,199	6,190,545	6,681,352
Administrative and support services	4,345,068	4,780,762	5,117,870	5,617,456
Waste management and remediation services	905,482	1,019,437	1,072,675	1,063,896
Educational services	1,211,238	1,320,156	1,343,789	1,426,052
Health care and social assistance	13,716,856	14,677,314	15,352,378	16,360,169
Ambulatory health care services	7,297,336	7,800,568	8,092,103	8,631,196
Hospitals	3,393,297	3,724,503	3,958,700	4,216,453
Nursing and residential care facilities	1,656,269	1,723,718	1,770,894	1,873,369
Social assistance	1,369,954	1,428,525	1,530,681	1,639,151
Arts, entertainment, and recreation	1,483,280	1,674,065	1,759,047	1,847,087
Performing arts and spectator sports	615,836	730,269	780,821	840,775
Museums, historical sites, zoos, and parks	81,234	84,766	88,606	94,830
Amusement, gambling, and recreation	786,210	859,030	889,620	911,482
Accommodation and food services	4,031,481	4,305,112	4,573,322	5,098,590
Accommodation	795,713	862,430	912,470	1,001,953
Food services and drinking places	3,235,768	3,442,682	3,660,852	4,096,637
Other services, except public administration	4,572,609	4,745,874	4,954,181	5,204,305
Repair and maintenance	1,422,383	1,467,697	1,552,846	1,620,201
Personal and laundry services	885,748	906,327	956,745	996,936
Membership associations and organizations	1,720,652	1,832,245	1,908,149	2,020,283
Private households	543,826	539,605	536,441	566,885
Government and government enterprises	30,143,246	31,842,824	33,777,196	35,664,970
Federal, civilian	5,456,360	5,868,123	6,022,216	6,279,360
Military	4,433,185	4,820,981	5,510,037	5,889,334
State and local	20,253,701	21,153,720	22,244,943	23,496,276
State government	6,474,934	6,791,604	7,140,463	7,500,882
Local government	13,778,767	14,362,116	15,104,480	15,995,394

Table 4.3

Washington Wage and Salary Disbursements by NAICS Industry

(Thousands of Dollars)

	2003	2004	2005	2006
Wage and salary disbursements by place of work	114,105,001	119,214,134	125,842,021	136,338,262
Farm wage and salary disbursements	948,284	986,331	1,129,543	1,148,946
Nonfarm wage and salary disbursements	113,156,717	118,227,803	124,712,478	135,189,316
Private wage and salary disbursements	90,178,287	94,328,319	99,635,210	108,894,055
Forestry, fishing, related activities, and other 8/	1,130,260	1,184,189	1,233,248	1,329,211
Forestry and logging	309,623	319,876	303,799	298,265
Fishing, hunting, and trapping	262,109	257,351	276,443	304,251
Agriculture and forestry support activities	558,528	606,962	653,006	726,695
Other 8/	0	0	0	0
Mining	151,236	171,386	181,388	195,620
Oil and gas extraction	(D)	0	0	0
Mining (except oil and gas)	137,674	152,778	163,327	175,468
Support activities for mining	(D)	18,608	18,061	20,152
Utilities	261,106	279,460	289,557	319,187
Construction	6,553,176	7,072,203	7,925,095	9,193,928
Construction of buildings	1,760,467	1,861,967	2,115,842	2,477,810
Heavy and civil engineering construction	1,053,929	1,151,068	1,266,907	1,510,623
Specialty trade contractors	3,738,780	4,059,168	4,542,346	5,205,495
Manufacturing	13,601,657	13,891,143	15,149,652	16,845,649
Durable goods manufacturing	10,106,539	10,398,557	11,545,328	13,089,266
Wood product manufacturing	691,017	761,321	843,577	860,154
Nonmetallic mineral product manufacturing	365,580	389,200	424,236	465,137
Primary metal manufacturing	259,835	249,449	263,855	284,638
Fabricated metal product manufacturing	646,968	687,134	750,235	820,115
Machinery manufacturing	541,419	614,510	649,799	751,271
Computer and electronic product manufacturing	1,458,890	1,445,399	1,521,444	1,588,964
Electrical equipment and appliance manuf.	196,542	205,358	218,307	242,690
Motor vehicle manufacturing	(D)	(D)	(D)	(D)
Transportation equipment mfg. excl. motor veh	(D)	(D)	(D)	(D)
Furniture and related product manufacturing	256,686	282,676	302,314	336,454
Miscellaneous manufacturing	440,657	461,414	476,786	501,744
Nondurable goods manufacturing	3,495,118	3,492,586	3,604,324	3,756,383
Food manufacturing	1,186,042	1,200,452	1,248,011	1,297,879
Beverage and tobacco product manufacturing	155,576	144,189	150,335	157,439
Textile mills	23,465	22,504	21,052	20,750
Textile product mills	79,724	68,799	67,464	74,730
Apparel manufacturing	62,962	62,348	65,910	82,464
Leather and allied product manufacturing	16,255	23,813	11,112	10,937
Paper manufacturing	733,621	746,614	739,567	741,243
Printing and related support activities	342,785	354,728	354,041	351,304
Petroleum and coal products manufacturing	184,535	189,351	195,675	224,171
Chemical manufacturing	368,793	309,444	359,888	363,709
Plastics and rubber products manufacturing	341,360	370,344	391,269	431,757
Wholesale trade	5,876,062	6,464,920	6,719,618	7,340,853
Retail trade	8,421,343	8,799,568	9,407,914	9,853,496
Motor vehicle and parts dealers	1,680,149	1,741,262	1,832,500	1,881,812
Furniture and home furnishings stores	337,213	353,790	372,569	407,880
Electronics and appliance stores	418,830	385,351	407,214	432,014
Building material and garden supply stores	769,031	816,264	876,754	936,987
Food and beverage stores	1,515,020	1,520,895	1,569,880	1,574,772
Health and personal care stores	454,146	480,465	482,593	509,869
Gasoline stations	254,277	260,710	259,699	262,614

Table 4.3b (cont'd)

Washington Wage and Salary Disbursements by NAICS Industry

(Thousands of Dollars)

	2003	2004	2005	2006
Clothing and clothing accessories stores	480,308	505,765	671,118	719,404
Sporting goods, hobby, book and music stores	306,932	315,194	309,810	325,719
General merchandise stores	1,247,010	1,333,554	1,380,866	1,469,614
Miscellaneous store retailers	469,642	466,753	476,207	502,374
Nonstore retailers	488,785	619,565	768,704	830,437
Transportation and warehousing	3,503,183	3,808,171	3,949,040	4,149,232
Air transportation	680,510	695,734	670,629	640,415
Rail transportation	(D)	(D)	(D)	(D)
Water transportation	179,388	210,235	211,204	210,692
Truck transportation	802,600	880,656	964,354	1,036,494
Transit and ground passenger transportation	134,897	142,040	144,279	157,487
Pipeline transportation	12,815	13,223	16,214	14,358
Scenic and sightseeing transportation	18,629	20,314	21,381	21,258
Support activities for transportation	746,985	808,481	911,403	989,923
Couriers and messengers	(D)	(D)	(D)	(D)
Warehousing and storage	253,286	346,428	373,467	403,561
Information	9,359,406	8,561,998	8,427,414	9,435,855
Publishing industries, except Internet	7,215,465	5,753,792	5,763,786	6,712,636
Motion picture and sound recording industries	89,217	98,455	106,516	117,144
Broadcasting, except Internet	235,009	242,247	240,968	248,508
Internet publishing and broadcasting	73,116	110,068	121,516	157,658
Telecommunications	1,531,810	2,078,734	1,836,847	1,762,290
ISPs, search portals, and data processing	195,058	234,328	310,840	386,035
Other information services	19,731	44,374	46,941	51,584
Finance and insurance	6,271,183	6,683,326	6,767,429	7,354,251
Monetary authorities - central bank	(D)	(D)	(D)	(D)
Credit intermediation and related activities	2,928,015	2,896,504	3,114,532	3,395,161
Securities, commodity contracts, investments	1,055,369	1,370,188	1,145,533	1,260,919
Insurance carriers and related activities	2,247,046	2,371,935	2,465,274	2,651,057
Funds, trusts, and other financial vehicles	(D)	(D)	(D)	(D)
Real estate and rental and leasing	1,559,386	1,657,485	1,781,450	1,946,798
Real estate	1,160,836	1,222,547	1,304,832	1,484,285
Rental and leasing services	380,724	399,598	431,813	416,178
Lessors of nonfinancial intangible assets	17,826	35,340	44,805	46,335
Professional and technical services	8,433,044	8,771,153	9,428,209	10,189,943
Management of companies and enterprises	2,254,413	2,517,380	2,526,764	2,907,141
Administrative and waste services	4,044,669	4,489,153	4,800,219	5,205,498
Administrative and support services	3,285,935	3,639,212	3,908,450	4,318,030
Waste management and remediation services	758,734	849,941	891,769	887,468
Educational services	971,443	1,036,567	1,071,579	1,138,140
Health care and social assistance	10,015,133	10,650,074	11,266,381	12,053,428
Ambulatory health care services	4,800,461	5,158,516	5,434,287	5,814,690
Hospitals	2,896,479	3,089,540	3,289,877	3,518,723
Nursing and residential care facilities	1,184,379	1,220,989	1,269,072	1,349,052
Social assistance	1,133,814	1,181,029	1,273,145	1,370,963
Arts, entertainment, and recreation	1,076,057	1,227,077	1,288,209	1,360,567
Performing arts and spectator sports	392,304	464,588	497,750	546,769
Museums, historical sites, zoos, and parks	58,170	60,320	60,889	66,001
Amusement, gambling, and recreation	625,583	702,169	729,570	747,797
Accommodation and food services	3,262,484	3,467,945	3,704,093	4,160,412
Accommodation	583,427	623,411	650,406	718,734
Food services and drinking places	2,679,057	2,844,534	3,053,687	3,441,678

Table 4.3b (cont'd)

Washington Wage and Salary Disbursements by NAICS Industry

(Thousands of Dollars)

	2003	2004	2005	2006
Other services, except public administration	3,433,046	3,595,121	3,717,951	3,914,846
Repair and maintenance	937,044	969,971	998,194	1,044,646
Personal and laundry services	612,603	642,165	672,136	700,615
Membership associations and organizations	1,546,399	1,623,204	1,685,376	1,787,965
Private households	337,000	359,781	362,245	381,620
Government and government enterprises	22,978,430	23,899,484	25,077,268	26,295,261
Federal, civilian	3,709,739	3,907,352	4,012,982	4,128,927
Military	2,790,932	2,962,553	3,348,859	3,543,688
State and local	16,477,759	17,029,579	17,715,427	18,622,646
State government	5,228,477	5,399,409	5,614,257	5,881,042
Local government	11,249,282	11,630,170	12,101,170	12,741,604

Notes for Tables 4.2 and 4.3

- 1/ Farm income is farm earnings less farm employer contributions for government social insurance.
- 2/ Midyear population estimates of the Bureau of the Census, December 2006.
- 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.

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

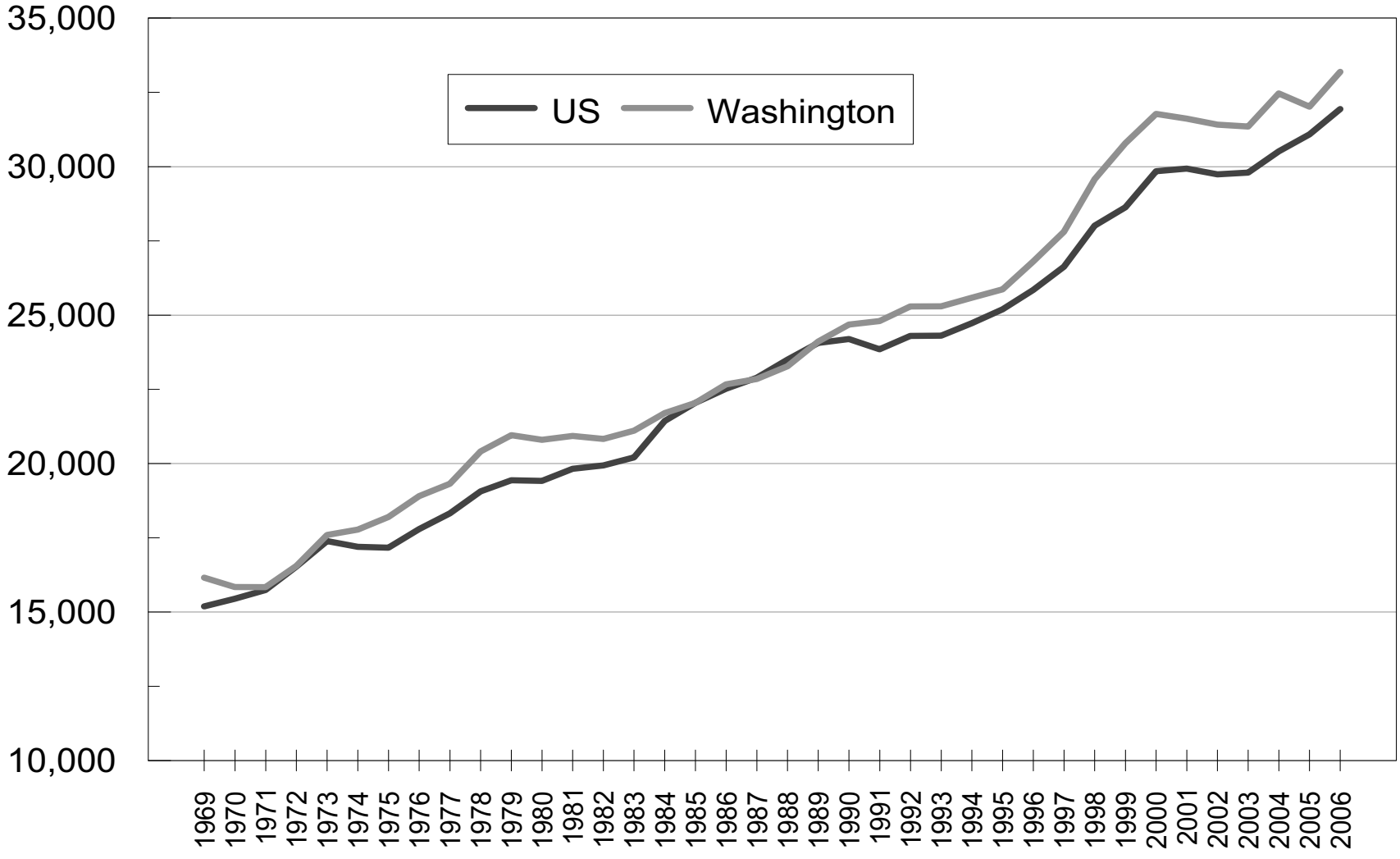
(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the total.

Table 4.4

Per Capita Personal Income by State

	1976	Rank	1986	Rank	1996	Rank	2006	Rank
Alabama	5,312	48	12,164	45	20,081	41	30,841	43
Alaska	12,125	1	19,807	2	25,805	10	38,622	15
Arizona	6,071	35	14,427	26	20,823	39	31,949	39
Arkansas	5,153	50	11,710	49	18,926	49	28,444	49
California	7,825	5	17,668	8	25,312	14	39,358	11
Colorado	6,890	17	15,786	16	25,570	13	39,587	9
Connecticut	7,883	4	20,024	1	32,424	2	50,787	2
Delaware	7,347	11	16,706	10	25,727	11	38,984	13
District of Columbia	8,732	2	19,013	3	32,786	1	57,358	1
Florida	6,369	28	15,438	20	23,655	21	36,665	21
Georgia	5,688	40	13,970	32	22,945	26	32,025	38
Hawaii	7,891	3	16,377	12	25,024	17	36,826	19
Idaho	6,088	34	11,949	48	20,248	40	29,948	44
Illinois	7,623	8	16,424	11	26,449	7	38,297	16
Indiana	6,500	25	13,820	34	22,368	30	32,226	37
Iowa	6,582	23	14,108	30	22,521	29	33,017	31
Kansas	6,713	21	15,005	22	22,845	27	34,744	23
Kentucky	5,452	47	12,065	46	19,854	43	29,719	47
Louisiana	5,555	44	12,005	47	19,786	44	31,369	41
Maine	5,702	39	13,494	35	21,203	37	31,931	40
Maryland	7,537	9	18,068	6	27,393	6	43,774	6
Massachusetts	6,998	15	18,148	5	28,933	4	46,255	4
Michigan	7,092	14	15,607	17	24,306	19	33,784	27
Minnesota	6,718	20	15,957	15	25,716	12	38,751	14
Mississippi	4,744	51	10,194	51	17,702	51	26,908	51
Missouri	6,309	30	14,595	24	22,548	28	32,793	32
Montana	6,191	32	12,470	41	19,047	47	30,886	42
Nebraska	6,437	26	14,333	27	23,530	22	34,383	26
Nevada	7,745	6	16,170	14	26,085	9	39,015	12
New Hampshire	6,255	31	16,981	9	26,427	8	39,655	8
New Jersey	7,704	7	18,763	4	30,470	3	46,328	3
New Mexico	5,523	45	12,301	43	19,029	48	29,725	46
New York	7,472	10	17,956	7	28,424	5	43,962	5
North Carolina	5,579	42	13,481	36	22,320	31	32,338	35
North Dakota	6,183	33	13,137	38	21,068	38	33,034	30
Ohio	6,750	19	14,955	23	23,322	24	33,217	29
Oklahoma	5,978	36	13,309	37	19,743	45	32,398	34
Oregon	6,903	16	14,148	29	23,398	23	33,252	28
Pennsylvania	6,799	18	15,187	21	24,344	18	36,689	20
Rhode Island	6,408	27	15,526	19	24,106	20	37,261	18
South Carolina	5,256	49	12,235	44	20,058	42	29,688	48
South Dakota	5,586	41	12,578	40	21,488	36	32,405	33
Tennessee	5,568	43	13,035	39	21,854	35	32,305	36
Texas	6,355	29	14,215	28	22,120	32	35,058	22
Utah	5,760	37	12,426	42	19,529	46	29,769	45
Vermont	5,742	38	13,834	33	21,964	33	34,623	24
Virginia	6,550	24	16,328	13	25,034	16	39,564	10
Washington	7,174	13	15,542	18	25,073	15	38,067	17
West Virginia	5,469	46	11,392	50	18,445	50	28,067	50
Wisconsin	6,676	22	14,528	25	23,273	25	34,476	25
Wyoming	7,224	12	14,064	31	21,875	34	40,569	7
National Average	6,754		15,442		24,175		36,629	

Chart 4.1
Real Per Capita Personal Income
2000 Chained Dollars



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Detail Components of the Washington Economic Forecast

Calendar Years

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

Table A1.1
U.S. Economic Forecast Summary
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,048.9	10,301.1	10,675.7	11,003.5	11,319.4	11,528.5	11,756.0	12,076.9
% Ch	1.6	2.5	3.6	3.1	2.9	1.8	2.0	2.7
Real Consumption	7,099.3	7,295.4	7,561.3	7,803.6	8,044.1	8,270.9	8,460.8	8,674.5
% Ch	2.7	2.8	3.6	3.2	3.1	2.8	2.3	2.5
Real Nonresidential Fixed Investment	1,071.5	1,081.8	1,144.3	1,225.8	1,306.8	1,348.9	1,388.2	1,432.6
% Ch	-9.2	1.0	5.8	7.1	6.6	3.2	2.9	3.2
Real Residential Fixed Investment	469.9	509.4	560.1	597.1	569.5	479.2	395.5	408.7
% Ch	4.8	8.4	10.0	6.6	-4.6	-15.9	-17.5	3.3
Real Personal Income	8,578.1	8,677.6	8,973.3	9,230.7	9,577.6	9,950.4	10,218.2	10,526.5
% Ch	0.4	1.2	3.4	2.9	3.8	3.9	2.7	3.0
Real Per Capita Income (\$/Person)	29,702	29,752	30,473	31,044	31,911	32,857	33,445	34,155
% Ch	-0.6	0.2	2.4	1.9	2.8	3.0	1.8	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.116	1.147	1.174	1.195	1.216
% Ch	1.4	2.0	2.6	2.9	2.8	2.3	1.9	1.7
U.S. Consumer Price Index (1982-84=1.0)	1.799	1.840	1.889	1.953	2.016	2.068	2.108	2.145
% Ch	1.6	2.3	2.7	3.4	3.2	2.6	1.9	1.7
Employment Cost Index (June 1989=1.0)	0.916	0.942	0.967	0.992	1.020	1.055	1.083	1.114
% Ch	3.2	2.8	2.7	2.5	2.9	3.4	2.7	2.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	10,469.6	10,960.8	11,685.9	12,433.9	13,194.7	13,788.3	14,327.4	14,992.3
% Ch	3.4	4.7	6.6	6.4	6.1	4.5	3.9	4.6
Personal Income	8,881.9	9,163.6	9,727.2	10,301.1	10,983.4	11,678.7	12,215.8	12,804.4
% Ch	1.8	3.2	6.2	5.9	6.6	6.3	4.6	4.8
Employment (Millions)								
U.S. Civilian Labor Force	145.1	146.5	147.4	149.3	151.4	153.2	154.6	155.9
Total U.S. Employment	136.5	137.7	139.2	141.7	144.4	146.1	146.8	147.9
Unemployment Rate (%)	5.78	5.99	5.53	5.07	4.63	4.63	5.05	5.08
Nonfarm Payroll Employment	130.35	129.99	131.42	133.70	136.17	138.01	139.10	140.57
% Ch	-1.1	-0.3	1.1	1.7	1.9	1.3	0.8	1.1
Manufacturing	15.26	14.51	14.32	14.23	14.20	14.08	13.90	13.75
% Ch	-7.2	-4.9	-1.3	-0.6	-0.2	-0.9	-1.3	-1.0
Durable Manufacturing	9.48	8.96	8.92	8.96	9.00	8.92	8.77	8.69
% Ch	-8.2	-5.5	-0.4	0.3	0.5	-0.9	-1.7	-0.9
Nondurable Manufacturing	5.77	5.54	5.39	5.27	5.20	5.16	5.12	5.06
% Ch	-5.4	-4.0	-2.8	-2.2	-1.4	-0.7	-0.7	-1.3
Construction	6.72	6.73	6.98	7.34	7.69	7.63	7.30	7.21
% Ch	-1.6	0.3	3.6	5.2	4.8	-0.8	-4.3	-1.2
Service-Producing	107.79	108.18	109.54	111.50	113.60	115.59	117.20	118.92
% Ch	-0.2	0.4	1.3	1.8	1.9	1.8	1.4	1.5
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	26.1	31.1	41.5	56.6	66.1	67.4	73.7	72.5
Personal Saving/Disposable Income (%)	2.4	2.1	2.1	0.5	0.4	0.9	1.4	1.9
Auto Sales (Millions)	8.1	7.6	7.5	7.7	7.8	7.6	7.6	7.6
% Ch	-3.8	-6.0	-1.4	2.2	1.5	-2.6	-0.1	0.1
Housing Starts (Millions)	1.710	1.854	1.950	2.073	1.812	1.356	1.141	1.378
% Ch	6.8	8.4	5.2	6.3	-12.6	-25.2	-15.8	20.7
Federal Budget Surplus (Billions)	-248.0	-372.1	-370.6	-318.3	-220.1	-220.7	-299.3	-315.1
Net Exports (Billions)	-424.4	-499.4	-615.4	-714.6	-762.0	-723.7	-676.4	-637.1
3-Month Treasury Bill Rate (%)	1.61	1.01	1.36	3.13	4.72	4.59	4.19	4.38
10-Year Treasury Note Yield (%)	4.61	4.01	4.27	4.29	4.79	4.69	4.72	4.98
Bond Index of 20 G.O. Munis. (%)	5.03	4.74	4.68	4.40	4.40	4.09	4.08	4.59
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.42	6.27	6.34	6.62

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2007 to 2009

	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	10,543.6	10,634.2	10,728.7	10,796.4	10,878.4	10,954.1	11,074.3	11,107.2
% Ch , Annual Rate	3.0	3.5	3.6	2.5	3.1	2.8	4.5	1.2
Real Consumption	7,475.1	7,520.5	7,585.5	7,664.3	7,709.4	7,775.2	7,852.8	7,876.9
% Ch , Annual Rate	4.4	2.4	3.5	4.2	2.4	3.5	4.1	1.2
Real Nonresidential Fixed Investment	1,099.1	1,127.5	1,160.7	1,189.7	1,199.5	1,214.1	1,239.5	1,250.0
% Ch , Annual Rate	-2.6	10.7	12.3	10.4	3.3	5.0	8.6	3.4
Real Residential Fixed Investment	540.5	561.7	567.5	570.9	578.3	596.4	606.4	607.2
% Ch , Annual Rate	4.0	16.6	4.2	2.4	5.3	13.1	6.9	0.5
Real Personal Income	8,848.9	8,901.5	8,988.6	9,154.0	9,148.4	9,216.8	9,205.1	9,352.6
% Ch , Annual Rate	2.6	2.4	4.0	7.6	-0.2	3.0	-0.5	6.6
Real Per Capita Income (\$/Person)	30,166	30,272	30,485	30,970	30,885	31,039	30,917	31,336
% Ch , Annual Rate	1.7	1.4	2.8	6.5	-1.1	2.0	-1.6	5.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.082	1.087	1.095	1.101	1.110	1.122	1.130
% Ch , Annual Rate	3.5	3.8	2.0	3.0	2.2	3.4	4.3	2.8
U.S. Consumer Price Index (1982-84=1.0)	1.865	1.885	1.895	1.911	1.921	1.940	1.966	1.983
% Ch , Annual Rate	3.5	4.2	2.1	3.6	2.1	3.9	5.6	3.4
Employment Cost Index (June 1989=1.0)	0.957	0.964	0.972	0.976	0.983	0.988	0.994	1.001
% Ch , Annual Rate	2.5	3.0	3.4	1.7	2.9	2.1	2.5	2.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,405.5	11,610.3	11,779.4	11,948.5	12,154.0	12,317.4	12,558.8	12,705.5
% Ch , Annual Rate	6.8	7.4	6.0	5.9	7.1	5.5	8.1	4.8
Personal Income	9,482.8	9,629.6	9,770.9	10,025.5	10,074.1	10,234.1	10,328.6	10,567.4
% Ch , Annual Rate	6.2	6.3	6.0	10.8	2.0	6.5	3.7	9.6
Employment (Millions)								
U.S. Civilian Labor Force	146.8	147.1	147.6	148.1	148.2	149.1	149.8	150.1
Total U.S. Employment	138.5	138.9	139.5	140.1	140.4	141.5	142.3	142.7
Unemployment Rate (%)	5.70	5.60	5.43	5.40	5.27	5.07	5.00	4.97
Nonfarm Payroll Employment	130.55	131.29	131.63	132.23	132.66	133.37	134.11	134.65
% Ch , Annual Rate	1.2	2.3	1.1	1.8	1.3	2.2	2.2	1.6
Manufacturing	14.28	14.33	14.34	14.31	14.27	14.24	14.20	14.20
% Ch , Annual Rate	-0.7	1.2	0.3	-0.8	-1.1	-0.8	-1.1	-0.0
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.97
% Ch , Annual Rate	0.5	2.4	1.6	0.4	-0.2	-0.0	-0.5	1.0
Nondurable Manufacturing	5.42	5.41	5.39	5.35	5.31	5.29	5.26	5.24
% Ch , Annual Rate	-2.7	-0.6	-1.7	-2.8	-2.7	-2.1	-2.0	-1.8
Construction	6.86	6.94	7.00	7.10	7.15	7.29	7.39	7.52
% Ch , Annual Rate	3.6	4.7	3.6	6.0	2.4	8.3	5.3	7.6
Service-Producing	108.82	109.43	109.69	110.22	110.63	111.22	111.89	112.28
% Ch , Annual Rate	1.3	2.2	1.0	1.9	1.5	2.1	2.4	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	35.4	38.3	43.9	48.3	49.9	53.1	63.2	60.1
Personal Saving/Disposable Income (%)	2.0	2.0	1.8	2.5	1.0	0.8	-0.5	0.8
Auto Sales (Millions)	7.5	7.5	7.3	7.7	7.5	7.7	7.9	7.6
% Ch , Annual Rate	-0.3	-0.5	-8.2	22.2	-8.0	7.3	10.6	-14.9
Housing Starts (Millions)	1.918	1.937	1.977	1.965	2.072	2.051	2.100	2.069
% Ch , Annual Rate	-21.1	4.0	8.4	-2.3	23.5	-3.9	9.8	-5.8
Federal Budget Surplus (Billions)	-411.1	-374.1	-361.9	-335.4	-298.0	-287.5	-394.3	-293.2
Net Exports (Billions)	-543.2	-603.1	-632.6	-682.6	-671.1	-679.8	-725.0	-782.4
3-Month Treasury Bill Rate (%)	0.92	1.07	1.48	2.00	2.52	2.86	3.35	3.80
10-Year Treasury Note Yield (%)	4.02	4.60	4.30	4.17	4.30	4.16	4.21	4.49
Bond Index of 20 G.O. Munis. (%)	4.52	4.98	4.71	4.50	4.44	4.34	4.30	4.51
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2007 to 2009

	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	11,238.7	11,306.7	11,336.7	11,395.5	11,412.6	11,507.9	11,574.6	11,618.8
% Ch , Annual Rate	4.8	2.4	1.1	2.1	0.6	3.4	2.3	1.5
Real Consumption	7,961.9	8,009.3	8,063.8	8,141.2	8,215.7	8,241.4	8,290.0	8,336.6
% Ch , Annual Rate	4.4	2.4	2.8	3.9	3.7	1.3	2.4	2.3
Real Nonresidential Fixed Investment	1,289.7	1,303.2	1,319.4	1,314.8	1,321.7	1,347.6	1,356.7	1,369.5
% Ch , Annual Rate	13.3	4.3	5.1	-1.4	2.1	8.1	2.7	3.8
Real Residential Fixed Investment	606.1	587.5	555.0	529.4	506.3	494.2	474.0	442.3
% Ch , Annual Rate	-0.7	-11.7	-20.4	-17.2	-16.3	-9.2	-15.4	-24.1
Real Personal Income	9,505.7	9,519.1	9,558.3	9,727.2	9,889.1	9,882.6	9,976.5	10,053.3
% Ch , Annual Rate	6.7	0.6	1.7	7.3	6.8	-0.3	3.9	3.1
Real Per Capita Income (\$/Person)	31,783	31,751	31,811	32,300	32,764	32,670	32,907	33,087
% Ch , Annual Rate	5.8	-0.4	0.8	6.3	5.9	-1.1	2.9	2.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.135	1.147	1.154	1.151	1.161	1.174	1.178	1.182
% Ch , Annual Rate	1.8	4.3	2.6	-0.9	3.5	4.3	1.5	1.3
U.S. Consumer Price Index (1982-84=1.0)	1.992	2.017	2.032	2.022	2.041	2.071	2.078	2.083
% Ch , Annual Rate	1.9	5.0	3.1	-2.1	3.8	6.0	1.5	0.9
Employment Cost Index (June 1989=1.0)	1.008	1.016	1.024	1.032	1.043	1.051	1.059	1.066
% Ch , Annual Rate	2.8	3.2	3.2	3.2	4.3	3.1	3.0	2.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,964.6	13,155.0	13,266.9	13,392.3	13,551.9	13,755.9	13,863.6	13,981.9
% Ch , Annual Rate	8.4	6.0	3.4	3.8	4.9	6.2	3.2	3.5
Personal Income	10,787.1	10,915.5	11,030.9	11,200.2	11,484.1	11,598.4	11,751.9	11,880.6
% Ch , Annual Rate	8.6	4.8	4.3	6.3	10.5	4.0	5.4	4.5
Employment (Millions)								
U.S. Civilian Labor Force	150.4	151.1	151.7	152.4	152.9	152.8	153.4	153.7
Total U.S. Employment	143.4	144.1	144.6	145.6	146.0	146.0	146.2	146.3
Unemployment Rate (%)	4.73	4.63	4.70	4.47	4.50	4.50	4.67	4.84
Nonfarm Payroll Employment	135.39	135.91	136.44	136.95	137.45	137.88	138.24	138.47
% Ch , Annual Rate	2.2	1.5	1.6	1.5	1.5	1.3	1.1	0.7
Manufacturing	14.21	14.23	14.22	14.15	14.11	14.07	14.06	14.08
% Ch , Annual Rate	0.4	0.3	-0.3	-2.0	-1.0	-1.3	-0.1	0.4
Durable Manufacturing	8.99	9.02	9.02	8.98	8.94	8.91	8.91	8.92
% Ch , Annual Rate	1.0	1.5	-0.1	-1.8	-1.7	-1.3	-0.2	0.3
Nondurable Manufacturing	5.22	5.20	5.20	5.17	5.17	5.15	5.15	5.16
% Ch , Annual Rate	-0.8	-1.6	-0.5	-2.3	0.3	-1.3	0.0	0.6
Construction	7.66	7.70	7.72	7.69	7.68	7.66	7.63	7.53
% Ch , Annual Rate	7.4	2.0	1.0	-1.3	-0.4	-1.0	-1.8	-5.0
Service-Producing	112.86	113.31	113.82	114.41	114.94	115.44	115.84	116.15
% Ch , Annual Rate	2.1	1.6	1.8	2.1	1.9	1.7	1.4	1.1
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	63.4	70.6	70.5	60.1	58.1	65.0	74.8	71.8
Personal Saving/Disposable Income (%)	0.9	0.3	0.0	0.4	1.1	0.5	0.9	1.1
Auto Sales (Millions)	7.8	7.9	7.8	7.6	7.6	7.7	7.5	7.5
% Ch , Annual Rate	14.3	1.6	-2.5	-8.0	-3.4	5.6	-7.5	-0.1
Housing Starts (Millions)	2.127	1.861	1.704	1.555	1.460	1.462	1.331	1.171
% Ch , Annual Rate	11.8	-41.4	-29.7	-30.8	-22.1	0.5	-31.4	-40.0
Federal Budget Surplus (Billions)	-219.6	-239.9	-239.2	-181.5	-209.9	-212.2	-217.8	-243.1
Net Exports (Billions)	-763.3	-780.4	-799.1	-705.3	-714.2	-721.6	-742.8	-716.1
3-Month Treasury Bill Rate (%)	4.38	4.68	4.91	4.91	4.98	4.75	4.37	4.24
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.63	4.68	4.85	4.75	4.50
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.18	4.20	4.37	4.04	3.76
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.36	6.18

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	11,666.2	11,719.4	11,782.4	11,856.2	11,945.3	12,035.4	12,120.1	12,206.9
% Ch, Annual Rate	1.6	1.8	2.2	2.5	3.0	3.1	2.8	2.9
Real Consumption	8,384.3	8,434.7	8,486.4	8,537.8	8,593.1	8,646.6	8,698.4	8,759.8
% Ch, Annual Rate	2.3	2.4	2.5	2.4	2.6	2.5	2.4	2.9
Real Nonresidential Fixed Investment	1,379.5	1,383.4	1,389.7	1,400.3	1,410.1	1,425.9	1,440.6	1,453.7
% Ch, Annual Rate	2.9	1.1	1.8	3.1	2.8	4.5	4.2	3.7
Real Residential Fixed Investment	410.5	393.8	388.6	389.1	395.6	404.7	413.1	421.3
% Ch, Annual Rate	-25.9	-15.3	-5.2	0.5	6.9	9.4	8.6	8.3
Real Personal Income	10,127.0	10,189.5	10,238.4	10,317.7	10,403.5	10,485.2	10,562.7	10,654.4
% Ch, Annual Rate	3.0	2.5	1.9	3.1	3.4	3.2	3.0	3.5
Real Per Capita Income (\$/Person)	33,257	33,388	33,475	33,661	33,867	34,059	34,236	34,459
% Ch, Annual Rate	2.1	1.6	1.0	2.2	2.5	2.3	2.1	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.187	1.193	1.199	1.203	1.208	1.214	1.219	1.224
% Ch, Annual Rate	1.7	1.9	2.2	1.4	1.6	1.9	1.9	1.5
U.S. Consumer Price Index (1982-84=1.0)	2.092	2.103	2.116	2.122	2.131	2.141	2.151	2.158
% Ch, Annual Rate	1.8	2.1	2.5	1.3	1.5	1.9	1.8	1.4
Employment Cost Index (June 1989=1.0)	1.072	1.079	1.087	1.094	1.101	1.109	1.118	1.126
% Ch, Annual Rate	2.6	2.6	2.7	2.7	2.8	3.0	3.2	2.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,119.7	14,249.7	14,392.8	14,547.3	14,731.8	14,905.4	15,078.2	15,253.9
% Ch, Annual Rate	4.0	3.7	4.1	4.4	5.2	4.8	4.7	4.7
Personal Income	12,019.2	12,151.4	12,276.6	12,415.8	12,569.1	12,727.5	12,881.0	13,040.2
% Ch, Annual Rate	4.7	4.5	4.2	4.6	5.0	5.1	4.9	5.0
Employment (Millions)								
U.S. Civilian Labor Force	154.1	154.4	154.7	155.0	155.4	155.7	156.0	156.4
Total U.S. Employment	146.5	146.6	146.9	147.1	147.4	147.8	148.1	148.5
Unemployment Rate (%)	4.94	5.03	5.09	5.13	5.12	5.09	5.07	5.05
Nonfarm Payroll Employment	138.68	138.94	139.23	139.56	139.95	140.39	140.78	141.18
% Ch, Annual Rate	0.6	0.8	0.9	0.9	1.1	1.2	1.1	1.2
Manufacturing	13.97	13.92	13.88	13.82	13.78	13.76	13.74	13.72
% Ch, Annual Rate	-3.1	-1.3	-1.2	-1.7	-1.1	-0.7	-0.6	-0.3
Durable Manufacturing	8.83	8.78	8.76	8.72	8.70	8.69	8.69	8.70
% Ch, Annual Rate	-3.9	-2.1	-1.0	-2.0	-1.0	-0.3	-0.1	0.4
Nondurable Manufacturing	5.14	5.14	5.12	5.10	5.09	5.07	5.05	5.03
% Ch, Annual Rate	-1.7	-0.1	-1.6	-1.4	-1.2	-1.3	-1.4	-1.6
Construction	7.40	7.31	7.25	7.23	7.21	7.20	7.20	7.23
% Ch, Annual Rate	-6.9	-4.7	-3.2	-1.2	-0.9	-0.8	0.4	1.5
Service-Producing	116.60	117.00	117.40	117.80	118.26	118.74	119.14	119.54
% Ch, Annual Rate	1.6	1.4	1.4	1.4	1.6	1.6	1.4	1.3
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	71.3	74.0	77.1	72.4	71.5	73.2	73.7	71.5
Personal Saving/Disposable Income (%)	1.3	1.4	1.4	1.6	1.7	1.9	2.0	2.1
Auto Sales (Millions)	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
% Ch, Annual Rate	2.8	-1.2	1.0	-0.9	-0.5	1.0	0.7	1.3
Housing Starts (Millions)	1.092	1.120	1.144	1.210	1.292	1.349	1.412	1.458
% Ch, Annual Rate	-24.3	10.8	8.5	25.2	30.2	18.9	20.0	13.6
Federal Budget Surplus (Billions)	-262.0	-300.5	-308.1	-326.6	-317.5	-327.4	-312.3	-303.0
Net Exports (Billions)	-694.4	-675.9	-674.4	-661.0	-641.8	-640.6	-637.8	-628.2
3-Month Treasury Bill Rate (%)	4.27	4.15	4.15	4.18	4.23	4.26	4.50	4.52
10-Year Treasury Note Yield (%)	4.62	4.65	4.75	4.85	4.90	4.95	5.01	5.07
Bond Index of 20 G.O. Munis. (%)	3.92	3.96	4.12	4.30	4.41	4.53	4.64	4.76
30-Year Fixed Mortgage Rate (%)	6.19	6.27	6.39	6.48	6.57	6.58	6.63	6.68

Table A1.3
Washington Economic Forecast Summary
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	190.708	192.191	200.075	200.052	209.020	219.563	229.077	238.694
% Ch	0.6	0.8	4.1	-0.0	4.5	5.0	4.3	4.2
Real Wage and Salary Disb.	107.608	108.061	109.964	112.669	119.071	125.908	131.057	136.317
% Ch	-0.7	0.4	1.8	2.5	5.7	5.7	4.1	4.0
Real Nonwage Income	83.099	84.130	90.112	87.383	89.948	93.655	98.020	102.377
% Ch	2.4	1.2	7.1	-3.0	2.9	4.1	4.7	4.4
Real Per Capita Income (\$/Person)	31,455	31,381	32,260	31,748	32,538	33,512	34,289	35,063
% Ch	-0.4	-0.2	2.8	-1.6	2.5	3.0	2.3	2.3
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.035	1.056	1.084	1.116	1.147	1.174	1.195	1.216
% Ch	1.4	2.0	2.6	2.9	2.8	2.3	1.9	1.7
Seattle Cons. Price Index (1982-84=1.0)	1.893	1.924	1.947	2.002	2.076	2.147	2.197	2.249
% Ch	2.0	1.6	1.2	2.8	3.7	3.4	2.4	2.4
Average Nonfarm Annual Wage	40,278	41,105	42,213	43,217	45,723	48,195	50,042	52,038
% Ch	2.1	2.1	2.7	2.4	5.8	5.4	3.8	4.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.02	18.28	18.81	19.90	20.57	21.09	21.50
% Ch	1.0	-0.7	1.4	2.9	5.8	3.4	2.5	1.9
Current Dollar Income (Billions of Dollars)								
Personal Income	197.452	202.942	216.921	223.232	239.698	257.712	273.871	290.357
% Ch	2.0	2.8	6.9	2.9	7.4	7.5	6.3	6.0
Disposable Personal Income	174.068	180.775	193.582	197.030	210.141	224.823	239.346	253.916
% Ch	4.8	3.9	7.1	1.8	6.7	7.0	6.5	6.1
Per Capita Income (\$/Person)	32,567	33,136	34,975	35,425	37,313	39,333	40,993	42,651
% Ch	1.0	1.7	5.5	1.3	5.3	5.4	4.2	4.0
Employment (Thousands)								
Washington Civilian Labor Force	3,104.7	3,149.2	3,208.9	3,270.5	3,326.5	3,392.0	3,471.7	3,543.2
Total Washington Employment	2,877.0	2,916.0	3,008.4	3,090.0	3,160.3	3,228.3	3,292.4	3,351.0
Unemployment Rate (%)	7.33	7.41	6.25	5.52	5.00	4.82	5.17	5.42
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,776.9	2,858.2	2,941.1	3,003.8	3,058.9
% Ch	-1.6	0.1	1.6	2.8	2.9	2.9	2.1	1.8
Manufacturing	285.0	267.0	263.7	272.6	285.5	291.7	293.8	293.2
% Ch	-9.8	-6.3	-1.3	3.4	4.7	2.2	0.7	-0.2
Durable Manufacturing	199.3	183.7	182.4	191.5	203.7	210.2	211.4	209.9
% Ch	-11.4	-7.8	-0.7	5.0	6.4	3.1	0.6	-0.7
Aerospace	75.7	65.3	61.5	65.6	73.3	78.8	81.8	82.1
% Ch	-13.2	-13.8	-5.8	6.8	11.7	7.6	3.8	0.3
Nondurable Manufacturing	85.7	83.3	81.3	81.1	81.8	81.6	82.3	83.3
% Ch	-6.0	-2.8	-2.4	-0.2	0.8	-0.2	0.9	1.1
Construction	154.2	156.2	164.2	177.3	195.0	209.0	209.9	208.0
% Ch	-2.9	1.3	5.1	8.0	9.9	7.2	0.4	-0.9
Service-Producing	2,205.4	2,225.6	2,263.9	2,318.0	2,369.0	2,432.4	2,492.5	2,550.4
% Ch	-0.3	0.9	1.7	2.4	2.2	2.7	2.5	2.3
Software Publishers	36.1	37.4	39.3	41.3	44.7	47.7	50.3	53.1
% Ch	0.8	3.4	5.1	5.1	8.4	6.7	5.3	5.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.200	42.825	50.089	52.988	50.033	49.551	45.331	44.808
% Ch	4.8	6.5	17.0	5.8	-5.6	-1.0	-8.5	-1.2
Single-Family	30.239	33.091	36.489	41.407	35.611	32.043	31.052	29.485
% Ch	13.1	9.4	10.3	13.5	-14.0	-10.0	-3.1	-5.0
Multi-Family	9.961	9.734	13.600	11.581	14.422	17.508	14.279	15.322
% Ch	-14.2	-2.3	39.7	-14.8	24.5	21.4	-18.4	7.3
30-Year Fixed Mortgage Rate (%)	6.54	5.82	5.84	5.86	6.42	6.27	6.34	6.62

Table A1.4
Washington Economic Forecast Summary
 Forecast 2007 to 2009

	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	191.953	195.404	195.969	216.976	198.154	198.994	200.894	202.165
% Ch, Annual Rate	-1.0	7.4	1.2	50.3	-30.4	1.7	3.9	2.6
Real Wage and Salary Disb.	107.554	110.429	110.857	111.017	111.053	111.666	113.652	114.306
% Ch, Annual Rate	1.4	11.1	1.6	0.6	0.1	2.2	7.3	2.3
Real Nonwage Income	84.400	84.976	85.111	105.959	87.100	87.328	87.244	87.859
% Ch, Annual Rate	-3.8	2.8	0.6	140.2	-54.3	1.0	-0.4	2.9
Real Per Capita Income (\$/Person)	31,122	31,568	31,546	34,804	31,672	31,656	31,807	31,858
% Ch, Annual Rate	-2.1	5.9	-0.3	48.2	-31.4	-0.2	1.9	0.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.072	1.082	1.087	1.095	1.101	1.110	1.122	1.130
% Ch, Annual Rate	3.5	3.8	2.0	3.0	2.2	3.4	4.3	2.8
Seattle Cons. Price Index (1982-84=1.0)	1.936	1.943	1.946	1.964	1.982	2.000	2.001	2.027
% Ch, Annual Rate	1.5	1.5	0.7	3.6	3.7	3.6	0.2	5.4
Average Nonfarm Annual Wage	41,215	42,425	42,591	42,622	42,421	42,738	43,770	43,939
% Ch, Annual Rate	3.6	12.3	1.6	0.3	-1.9	3.0	10.0	1.6
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.10	18.17	18.37	18.47	18.62	18.80	18.36	19.47
% Ch, Annual Rate	-3.0	1.6	4.5	2.2	3.3	3.9	-8.9	26.4
Current Dollar Income (Billions of Dollars)								
Personal Income	205.690	211.370	213.009	237.615	218.187	220.938	225.396	228.408
% Ch, Annual Rate	2.5	11.5	3.1	54.8	-28.9	5.1	8.3	5.5
Disposable Personal Income	183.823	188.882	189.857	211.764	192.925	195.129	198.696	201.368
% Ch, Annual Rate	3.6	11.5	2.1	54.8	-31.1	4.6	7.5	5.5
Per Capita Income (\$/Person)	33,349	34,147	34,289	38,114	34,874	35,147	35,687	35,994
% Ch, Annual Rate	1.4	9.9	1.7	52.7	-29.9	3.2	6.3	3.5
Employment (Thousands)								
Washington Civilian Labor Force	3,189.8	3,205.5	3,208.6	3,231.9	3,239.8	3,261.2	3,281.2	3,299.7
Total Washington Employment	2,976.0	3,004.5	3,013.7	3,039.2	3,056.9	3,078.1	3,099.7	3,125.1
Unemployment Rate (%)	6.70	6.27	6.07	5.96	5.65	5.61	5.53	5.29
Nonfarm Payroll Employment	2,673.1	2,694.5	2,706.8	2,729.1	2,746.2	2,767.8	2,783.9	2,809.6
% Ch, Annual Rate	0.8	3.2	1.8	3.3	2.5	3.2	2.4	3.8
Manufacturing	261.8	262.9	263.7	266.3	268.9	272.2	270.7	278.6
% Ch, Annual Rate	-2.3	1.8	1.3	4.0	3.9	5.1	-2.3	12.2
Durable Manufacturing	180.0	181.4	182.9	185.1	187.8	191.2	189.4	197.5
% Ch, Annual Rate	-1.0	3.1	3.4	4.9	5.9	7.5	-3.7	18.1
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.8	69.7
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.7	-16.6	50.9
Nondurable Manufacturing	81.7	81.5	80.8	81.2	81.1	81.0	81.3	81.1
% Ch, Annual Rate	-5.1	-1.1	-3.4	1.8	-0.5	-0.1	1.2	-0.8
Construction	160.3	163.3	164.5	168.5	171.9	175.2	178.7	183.6
% Ch, Annual Rate	3.8	7.6	3.0	10.0	8.4	8.0	8.0	11.5
Service-Producing	2,242.1	2,259.2	2,269.3	2,285.1	2,296.3	2,311.2	2,325.7	2,338.7
% Ch, Annual Rate	0.9	3.1	1.8	2.8	2.0	2.6	2.5	2.3
Software Publishers	38.9	39.1	39.3	39.8	40.4	41.0	41.5	42.1
% Ch, Annual Rate	5.3	1.9	1.7	5.1	6.4	6.2	5.3	5.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	45.861	47.759	50.033	56.704	52.264	49.072	52.721	57.895
% Ch, Annual Rate	80.4	17.6	20.5	65.0	-27.8	-22.3	33.2	45.4
Single-Family	34.579	37.508	35.614	38.255	41.088	39.264	42.099	43.177
% Ch, Annual Rate	30.1	38.4	-18.7	33.1	33.1	-16.6	32.2	10.6
Multi-Family	11.281	10.251	14.419	18.449	11.176	9.808	10.621	14.718
% Ch, Annual Rate	506.7	-31.8	291.5	168.0	-86.5	-40.7	37.5	268.8
30-Year Fixed Mortgage Rate (%)	5.61	6.13	5.90	5.73	5.75	5.74	5.75	6.22

Table A1.4
Washington Economic Forecast Summary
 Forecast 2007 to 2009

	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	206.375	206.168	210.659	212.877	214.991	216.910	223.928	222.423
% Ch, Annual Rate	8.6	-0.4	9.0	4.3	4.0	3.6	13.6	-2.7
Real Wage and Salary Disb.	117.585	116.995	120.324	121.380	122.897	124.055	129.658	127.022
% Ch, Annual Rate	12.0	-2.0	11.9	3.6	5.1	3.8	19.3	-7.9
Real Nonwage Income	88.789	89.172	90.335	91.496	92.094	92.855	94.269	95.401
% Ch, Annual Rate	4.3	1.7	5.3	5.2	2.6	3.3	6.2	4.9
Real Per Capita Income (\$/Person)	32,369	32,176	32,713	32,894	33,057	33,190	34,097	33,703
% Ch, Annual Rate	6.6	-2.4	6.9	2.2	2.0	1.6	11.4	-4.5
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.135	1.147	1.154	1.151	1.161	1.174	1.178	1.182
% Ch, Annual Rate	1.8	4.3	2.6	-0.9	3.5	4.3	1.5	1.3
Seattle Cons. Price Index (1982-84=1.0)	2.042	2.071	2.091	2.102	2.124	2.149	2.152	2.161
% Ch, Annual Rate	2.9	6.0	3.7	2.2	4.2	4.9	0.6	1.6
Average Nonfarm Annual Wage	45,022	45,003	46,382	46,487	46,921	47,637	49,694	48,530
% Ch, Annual Rate	10.2	-0.2	12.8	0.9	3.8	6.2	18.4	-9.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.57	19.86	20.23	19.95	20.20	20.45	20.78	20.87
% Ch, Annual Rate	2.1	6.0	7.6	-5.4	5.1	5.1	6.6	1.7
Current Dollar Income (Billions of Dollars)								
Personal Income	234.182	236.403	243.103	245.105	249.657	254.560	263.779	262.851
% Ch, Annual Rate	10.5	3.8	11.8	3.3	7.6	8.1	15.3	-1.4
Disposable Personal Income	205.556	207.326	213.239	214.446	217.939	221.930	230.030	229.392
% Ch, Annual Rate	8.6	3.5	11.9	2.3	6.7	7.5	15.4	-1.1
Per Capita Income (\$/Person)	36,731	36,894	37,751	37,874	38,388	38,951	40,165	39,829
% Ch, Annual Rate	8.5	1.8	9.6	1.3	5.5	6.0	13.1	-3.3
Employment (Thousands)								
Washington Civilian Labor Force	3,310.6	3,323.2	3,328.2	3,344.0	3,362.8	3,374.4	3,405.8	3,424.9
Total Washington Employment	3,149.2	3,156.4	3,159.3	3,176.5	3,200.2	3,222.8	3,237.0	3,253.4
Unemployment Rate (%)	4.87	5.02	5.08	5.01	4.84	4.49	4.96	5.01
Nonfarm Payroll Employment	2,834.5	2,851.5	2,865.8	2,881.1	2,915.2	2,930.4	2,951.7	2,967.1
% Ch, Annual Rate	3.6	2.4	2.0	2.2	4.8	2.1	2.9	2.1
Manufacturing	282.9	284.0	286.5	288.6	290.0	290.3	292.5	294.2
% Ch, Annual Rate	6.4	1.4	3.6	2.9	2.0	0.3	3.1	2.4
Durable Manufacturing	200.8	202.5	204.6	207.1	208.1	209.0	211.2	212.3
% Ch, Annual Rate	7.0	3.3	4.1	5.0	1.9	1.7	4.4	2.1
Aerospace	71.4	72.1	73.8	75.8	76.9	78.1	79.7	80.6
% Ch, Annual Rate	10.2	4.2	9.9	11.4	5.7	6.6	8.5	4.4
Nondurable Manufacturing	82.1	81.5	81.9	81.5	82.0	81.3	81.2	81.9
% Ch, Annual Rate	4.9	-3.1	2.4	-2.2	2.3	-3.1	-0.3	3.1
Construction	190.5	194.1	196.4	198.8	206.4	208.8	210.2	210.7
% Ch, Annual Rate	16.1	7.7	4.7	5.2	16.1	4.7	2.7	1.1
Service-Producing	2,352.1	2,364.6	2,374.2	2,385.0	2,410.5	2,423.5	2,441.3	2,454.5
% Ch, Annual Rate	2.3	2.1	1.6	1.8	4.3	2.2	3.0	2.2
Software Publishers	43.1	44.4	45.4	46.1	47.2	47.4	47.8	48.6
% Ch, Annual Rate	9.1	13.1	9.3	6.3	10.0	1.8	2.9	6.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.776	54.236	53.036	42.084	59.528	44.982	45.693	48.001
% Ch, Annual Rate	-40.8	30.2	-8.6	-60.4	300.3	-67.4	6.5	21.8
Single-Family	38.753	37.614	35.909	30.167	32.665	32.039	31.348	32.120
% Ch, Annual Rate	-35.1	-11.3	-16.9	-50.2	37.5	-7.4	-8.4	10.2
Multi-Family	12.023	16.622	17.127	11.917	26.863	12.943	14.345	15.881
% Ch, Annual Rate	-55.5	265.3	12.7	-76.6	2,482.3	-94.6	50.9	50.2
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.36	6.18

Table A1.4
Washington Economic Forecast Summary
 Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	224.705	226.607	233.692	231.305	233.706	235.845	243.909	241.317
% Ch, Annual Rate	4.2	3.4	13.1	-4.0	4.2	3.7	14.4	-4.2
Real Wage and Salary Disb.	128.156	128.999	135.287	131.787	133.047	134.004	141.016	137.203
% Ch, Annual Rate	3.6	2.7	21.0	-10.0	3.9	2.9	22.6	-10.4
Real Nonwage Income	96.549	97.608	98.405	99.518	100.659	101.841	102.893	104.114
% Ch, Annual Rate	4.9	4.5	3.3	4.6	4.7	4.8	4.2	4.8
Real Per Capita Income (\$/Person)	33,883	34,004	34,896	34,374	34,567	34,723	35,749	35,215
% Ch, Annual Rate	2.2	1.4	10.9	-5.9	2.3	1.8	12.4	-5.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.187	1.193	1.199	1.203	1.208	1.214	1.219	1.224
% Ch, Annual Rate	1.7	1.9	2.2	1.4	1.6	1.9	1.9	1.5
Seattle Cons. Price Index (1982-84=1.0)	2.174	2.189	2.207	2.218	2.230	2.244	2.257	2.267
% Ch, Annual Rate	2.5	2.8	3.2	2.0	2.2	2.5	2.4	1.8
Average Nonfarm Annual Wage	48,903	49,209	51,744	50,311	50,748	51,119	53,919	52,367
% Ch, Annual Rate	3.1	2.5	22.2	-10.6	3.5	3.0	23.8	-11.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.95	21.04	21.13	21.22	21.32	21.43	21.56	21.66
% Ch, Annual Rate	1.6	1.6	1.8	1.8	1.9	2.1	2.4	1.9
Current Dollar Income (Billions of Dollars)								
Personal Income	266.689	270.239	280.214	278.340	282.354	286.280	297.441	295.354
% Ch, Annual Rate	6.0	5.4	15.6	-2.6	5.9	5.7	16.5	-2.8
Disposable Personal Income	232.665	236.149	245.042	243.528	246.904	250.456	260.154	258.148
% Ch, Annual Rate	5.8	6.1	15.9	-2.5	5.7	5.9	16.4	-3.1
Per Capita Income (\$/Person)	40,214	40,551	41,843	41,364	41,763	42,148	43,595	43,101
% Ch, Annual Rate	3.9	3.4	13.4	-4.5	3.9	3.7	14.5	-4.5
Employment (Thousands)								
Washington Civilian Labor Force	3,443.7	3,462.9	3,481.3	3,498.9	3,516.9	3,535.0	3,552.1	3,568.7
Total Washington Employment	3,269.1	3,285.5	3,300.6	3,314.2	3,328.9	3,344.4	3,358.5	3,372.2
Unemployment Rate (%)	5.07	5.12	5.19	5.28	5.35	5.39	5.45	5.51
Nonfarm Payroll Employment	2,981.8	2,997.4	3,011.5	3,024.3	3,038.1	3,052.7	3,065.9	3,078.8
% Ch, Annual Rate	2.0	2.1	1.9	1.7	1.8	1.9	1.7	1.7
Manufacturing	293.6	294.1	293.9	293.4	293.2	293.2	293.1	293.1
% Ch, Annual Rate	-0.8	0.7	-0.2	-0.8	-0.2	0.0	-0.1	-0.0
Durable Manufacturing	211.9	211.8	211.5	210.5	210.1	209.9	209.8	209.9
% Ch, Annual Rate	-0.8	-0.1	-0.7	-1.7	-0.9	-0.3	-0.2	0.1
Aerospace	81.3	81.9	82.1	82.1	82.1	82.1	82.1	82.1
% Ch, Annual Rate	3.4	3.0	1.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	81.7	82.3	82.5	82.8	83.1	83.3	83.3	83.3
% Ch, Annual Rate	-0.9	2.9	1.0	1.7	1.5	0.8	0.1	-0.3
Construction	210.2	210.3	210.0	209.2	208.6	208.1	207.8	207.6
% Ch, Annual Rate	-0.9	0.1	-0.6	-1.4	-1.2	-1.0	-0.6	-0.5
Service-Producing	2,470.3	2,485.3	2,500.0	2,514.2	2,528.9	2,544.0	2,557.7	2,570.8
% Ch, Annual Rate	2.6	2.4	2.4	2.3	2.4	2.4	2.2	2.1
Software Publishers	49.3	49.9	50.6	51.3	52.1	52.8	53.5	54.2
% Ch, Annual Rate	6.1	4.9	6.1	5.9	5.7	5.6	5.6	5.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	46.595	45.530	44.397	44.802	44.647	44.880	44.838	44.865
% Ch, Annual Rate	-11.2	-8.8	-9.6	3.7	-1.4	2.1	-0.4	0.2
Single-Family	31.632	31.270	30.850	30.455	29.887	29.682	29.351	29.021
% Ch, Annual Rate	-5.9	-4.5	-5.3	-5.0	-7.3	-2.7	-4.4	-4.4
Multi-Family	14.962	14.260	13.547	14.347	14.759	15.198	15.487	15.845
% Ch, Annual Rate	-21.2	-17.5	-18.5	25.8	12.0	12.4	7.8	9.6
30-Year Fixed Mortgage Rate (%)	6.19	6.27	6.39	6.48	6.57	6.58	6.63	6.68

Table A2.1
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	130.35	129.99	131.42	133.70	136.17	138.01	139.10	140.57
% Ch	-1.1	-0.3	1.1	1.7	1.9	1.3	0.8	1.1
Manufacturing	15.26	14.51	14.32	14.23	14.20	14.08	13.90	13.75
% Ch	-7.2	-4.9	-1.3	-0.6	-0.2	-0.9	-1.3	-1.0
Durable Manufacturing	9.48	8.96	8.92	8.96	9.00	8.92	8.77	8.69
% Ch	-8.2	-5.5	-0.4	0.3	0.5	-0.9	-1.7	-0.9
Wood Products	0.55	0.54	0.55	0.56	0.56	0.53	0.47	0.45
% Ch	-3.3	-3.2	2.3	1.7	0.2	-6.2	-11.4	-3.4
Primary and Fabricated Metals	2.06	1.96	1.96	1.99	2.02	2.02	2.02	2.00
% Ch	-8.4	-5.0	0.4	1.3	1.4	0.3	0.0	-1.1
Computer and Electronic Products	1.51	1.36	1.32	1.32	1.32	1.31	1.31	1.27
% Ch	-13.8	-10.1	-2.4	-0.5	0.0	-0.5	0.0	-2.8
Machinery and Electrical Equipment	1.73	1.61	1.59	1.60	1.63	1.67	1.64	1.61
% Ch	-10.4	-6.8	-1.3	0.5	1.9	2.3	-1.6	-1.8
Transportation Equipment	1.83	1.77	1.77	1.77	1.76	1.71	1.69	1.74
% Ch	-5.6	-3.0	-0.5	0.3	-0.4	-3.3	-0.8	2.7
Other Durables	1.81	1.73	1.73	1.72	1.72	1.69	1.64	1.62
% Ch	-4.9	-4.3	0.2	-0.6	-0.4	-1.6	-2.9	-1.3
Nondurable Manufacturing	5.77	5.54	5.39	5.27	5.20	5.16	5.12	5.06
% Ch	-5.4	-4.0	-2.8	-2.2	-1.4	-0.7	-0.7	-1.3
Food Manufacturing	1.52	1.52	1.49	1.48	1.48	1.50	1.53	1.55
% Ch	-1.6	-0.5	-1.5	-1.1	0.4	1.3	1.4	1.4
Paper and Paper Products	0.55	0.52	0.50	0.48	0.47	0.46	0.45	0.45
% Ch	-5.4	-5.6	-4.0	-2.3	-3.1	-2.5	-0.9	-0.9
Other Nondurables	3.70	3.51	3.40	3.31	3.24	3.20	3.15	3.06
% Ch	-6.9	-5.1	-3.1	-2.7	-2.0	-1.4	-1.7	-2.6
Natural Resources and Mining	0.58	0.57	0.59	0.63	0.68	0.72	0.71	0.69
% Ch	-3.9	-1.8	3.2	6.2	9.0	4.7	-0.6	-2.5
Construction	6.72	6.73	6.98	7.34	7.69	7.63	7.30	7.21
% Ch	-1.6	0.3	3.6	5.2	4.8	-0.8	-4.3	-1.2
Trade, Transportation, and Utilities	25.50	25.29	25.53	25.96	26.23	26.49	26.84	27.14
% Ch	-1.9	-0.8	1.0	1.7	1.1	1.0	1.3	1.1
Wholesale Trade	5.65	5.61	5.66	5.76	5.90	6.00	6.07	6.09
% Ch	-2.1	-0.8	1.0	1.8	2.3	1.8	1.0	0.4
Retail Trade	15.03	14.92	15.06	15.28	15.32	15.38	15.56	15.73
% Ch	-1.4	-0.7	1.0	1.5	0.3	0.4	1.2	1.1
Trans., Warehousing, and Utilities	4.82	4.76	4.81	4.92	5.01	5.10	5.22	5.32
% Ch	-3.1	-1.2	1.0	2.2	2.0	1.8	2.2	2.0
Information	3.39	3.19	3.12	3.06	3.05	3.09	3.08	3.06
% Ch	-6.5	-6.1	-2.3	-1.8	-0.2	1.2	-0.2	-0.8
Publishing Industries	0.96	0.92	0.91	0.90	0.90	0.91	0.89	0.89
% Ch	-5.5	-4.1	-1.7	-0.6	-0.0	0.4	-1.7	-0.6
Other Information	2.43	2.26	2.21	2.16	2.15	2.18	2.19	2.17
% Ch	-6.8	-6.8	-2.5	-2.3	-0.3	1.5	0.4	-0.8
Financial Activities	7.85	7.98	8.03	8.15	8.36	8.44	8.37	8.51
% Ch	0.5	1.6	0.7	1.5	2.6	0.9	-0.8	1.8
Professional and Business Services	15.98	15.99	16.39	16.95	17.55	17.94	18.25	18.94
% Ch	-3.0	0.0	2.5	3.4	3.6	2.2	1.8	3.8
Education and Health Services	16.20	16.59	16.95	17.37	17.84	18.35	18.74	19.11
% Ch	3.6	2.4	2.2	2.5	2.7	2.9	2.1	2.0
Leisure and Hospitality	11.99	12.17	12.49	12.81	13.14	13.55	13.92	14.08
% Ch	-0.4	1.6	2.6	2.6	2.5	3.1	2.7	1.1
Other Services	5.37	5.40	5.41	5.39	5.43	5.49	5.57	5.52
% Ch	2.2	0.5	0.1	-0.3	0.7	1.1	1.4	-0.8
Federal Government	2.77	2.76	2.73	2.73	2.73	2.71	2.71	2.70
% Ch	0.1	-0.2	-1.1	0.1	-0.2	-0.6	0.1	-0.3
State and Local Government	18.74	18.82	18.89	19.07	19.26	19.53	19.71	19.85
% Ch	2.1	0.4	0.4	1.0	1.0	1.4	0.9	0.7

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	130.55	131.29	131.63	132.23	132.66	133.37	134.11	134.65
% Ch, Annual Rate	1.2	2.3	1.1	1.8	1.3	2.2	2.2	1.6
Manufacturing	14.28	14.33	14.34	14.31	14.27	14.24	14.20	14.20
% Ch, Annual Rate	-0.7	1.2	0.3	-0.8	-1.1	-0.8	-1.1	-0.0
Durable Manufacturing	8.87	8.92	8.95	8.96	8.96	8.96	8.94	8.97
% Ch, Annual Rate	0.5	2.4	1.6	0.4	-0.2	-0.0	-0.5	1.0
Wood Products	0.54	0.55	0.55	0.56	0.56	0.56	0.56	0.57
% Ch, Annual Rate	2.4	4.3	2.5	4.0	0.1	-1.0	2.2	5.0
Primary and Fabricated Metals	1.94	1.96	1.97	1.98	1.98	1.99	1.99	2.00
% Ch, Annual Rate	1.6	3.9	2.5	1.0	0.9	1.0	0.3	1.3
Computer and Electronic Products	1.32	1.32	1.33	1.32	1.32	1.32	1.32	1.31
% Ch, Annual Rate	-0.5	0.9	1.0	-2.3	-0.3	-0.5	-0.1	-0.8
Machinery and Electrical Equipment	1.58	1.59	1.60	1.59	1.59	1.60	1.60	1.60
% Ch, Annual Rate	-0.7	1.8	2.6	-0.7	0.2	0.6	-0.1	1.3
Transportation Equipment	1.76	1.76	1.76	1.78	1.78	1.78	1.76	1.77
% Ch, Annual Rate	-0.4	0.2	0.7	2.4	0.5	0.0	-3.9	2.2
Other Durables	1.72	1.74	1.74	1.74	1.73	1.72	1.72	1.72
% Ch, Annual Rate	1.1	4.1	0.9	-0.7	-2.5	-1.1	0.3	-0.6
Nondurable Manufacturing	5.42	5.41	5.39	5.35	5.31	5.29	5.26	5.24
% Ch, Annual Rate	-2.7	-0.6	-1.7	-2.8	-2.7	-2.1	-2.0	-1.8
Food Manufacturing	1.50	1.50	1.50	1.49	1.48	1.48	1.48	1.47
% Ch, Annual Rate	-3.2	-0.3	-0.6	-2.2	-1.0	-1.3	-0.5	-0.6
Paper and Paper Products	0.50	0.50	0.49	0.49	0.49	0.49	0.48	0.48
% Ch, Annual Rate	-5.1	-3.3	-0.5	-2.6	-1.6	-2.9	-2.7	-3.9
Other Nondurables	3.42	3.42	3.40	3.37	3.34	3.32	3.30	3.28
% Ch, Annual Rate	-2.1	-0.4	-2.4	-3.1	-3.5	-2.3	-2.6	-2.1
Natural Resources and Mining	0.58	0.59	0.60	0.60	0.61	0.62	0.63	0.65
% Ch, Annual Rate	2.8	7.3	3.9	2.0	8.7	6.9	5.7	10.8
Construction	6.86	6.94	7.00	7.10	7.15	7.29	7.39	7.52
% Ch, Annual Rate	3.6	4.7	3.6	6.0	2.4	8.3	5.3	7.6
Trade, Transportation, and Utilities	25.38	25.51	25.57	25.67	25.77	25.92	26.05	26.10
% Ch, Annual Rate	1.5	2.0	1.0	1.5	1.5	2.4	2.0	0.7
Wholesale Trade	5.62	5.65	5.67	5.70	5.71	5.75	5.78	5.81
% Ch, Annual Rate	2.0	2.0	1.5	1.7	1.0	2.4	2.2	2.2
Retail Trade	14.98	15.06	15.07	15.12	15.17	15.27	15.34	15.34
% Ch, Annual Rate	1.2	2.2	0.4	1.4	1.3	2.4	2.1	-0.1
Trans., Warehousing, and Utilities	4.78	4.80	4.82	4.84	4.88	4.91	4.93	4.95
% Ch, Annual Rate	1.8	1.7	2.3	1.6	2.9	2.4	1.7	1.6
Information	3.14	3.13	3.11	3.09	3.07	3.06	3.06	3.05
% Ch, Annual Rate	-1.3	-0.8	-3.5	-2.6	-2.7	-0.2	-0.6	-0.9
Publishing Industries	0.91	0.91	0.91	0.91	0.90	0.90	0.91	0.90
% Ch, Annual Rate	-1.4	0.1	-1.6	-1.0	-0.8	-0.6	1.4	-0.8
Other Information	2.23	2.22	2.20	2.18	2.16	2.16	2.15	2.15
% Ch, Annual Rate	-1.3	-1.1	-4.3	-3.3	-3.4	-0.0	-1.5	-0.9
Financial Activities	7.99	8.03	8.04	8.06	8.09	8.11	8.17	8.24
% Ch, Annual Rate	-0.0	1.9	0.6	1.2	1.5	0.7	3.0	3.5
Professional and Business Services	16.16	16.36	16.44	16.59	16.70	16.84	17.03	17.22
% Ch, Annual Rate	1.4	4.9	2.0	3.7	2.7	3.4	4.7	4.4
Education and Health Services	16.80	16.91	16.98	17.11	17.19	17.31	17.45	17.54
% Ch, Annual Rate	2.1	2.6	1.7	3.0	1.9	2.8	3.4	2.0
Leisure and Hospitality	12.39	12.47	12.51	12.61	12.69	12.81	12.87	12.89
% Ch, Annual Rate	3.3	2.8	1.4	3.1	2.7	3.7	2.1	0.4
Other Services	5.41	5.42	5.41	5.40	5.39	5.39	5.40	5.39
% Ch, Annual Rate	0.2	0.9	-0.6	-1.0	-0.7	0.3	0.8	-0.7
Federal Government	2.73	2.74	2.73	2.73	2.73	2.73	2.73	2.74
% Ch, Annual Rate	-0.8	0.9	-1.0	0.0	-0.1	0.6	-0.0	0.7
State and Local Government	18.82	18.86	18.90	18.97	19.01	19.05	19.12	19.12
% Ch, Annual Rate	0.4	0.8	0.8	1.4	0.9	0.8	1.4	0.0

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	135.39	135.91	136.44	136.95	137.45	137.88	138.24	138.47
% Ch, Annual Rate	2.2	1.5	1.6	1.5	1.5	1.3	1.1	0.7
Manufacturing	14.21	14.23	14.22	14.15	14.11	14.07	14.06	14.08
% Ch, Annual Rate	0.4	0.3	-0.3	-2.0	-1.0	-1.3	-0.1	0.4
Durable Manufacturing	8.99	9.02	9.02	8.98	8.94	8.91	8.91	8.92
% Ch, Annual Rate	1.0	1.5	-0.1	-1.8	-1.7	-1.3	-0.2	0.3
Wood Products	0.57	0.57	0.56	0.54	0.53	0.53	0.53	0.51
% Ch, Annual Rate	4.4	-3.1	-5.2	-10.9	-6.9	-4.6	-1.7	-7.9
Primary and Fabricated Metals	2.01	2.02	2.03	2.02	2.02	2.02	2.02	2.03
% Ch, Annual Rate	2.1	2.0	2.2	-1.1	-0.1	-0.2	0.2	1.8
Computer and Electronic Products	1.31	1.32	1.32	1.32	1.32	1.31	1.30	1.31
% Ch, Annual Rate	-1.5	3.0	0.2	0.0	-0.7	-2.6	-1.6	2.2
Machinery and Electrical Equipment	1.61	1.62	1.64	1.65	1.65	1.66	1.67	1.68
% Ch, Annual Rate	1.0	3.8	4.7	2.0	1.4	1.5	2.8	2.9
Transportation Equipment	1.77	1.78	1.76	1.74	1.72	1.71	1.70	1.69
% Ch, Annual Rate	0.6	1.5	-3.4	-4.2	-5.2	-2.6	-1.8	-1.9
Other Durables	1.73	1.72	1.71	1.71	1.70	1.69	1.69	1.68
% Ch, Annual Rate	1.3	-0.8	-2.3	-1.9	-2.1	-1.9	-0.5	-0.5
Nondurable Manufacturing	5.22	5.20	5.20	5.17	5.17	5.15	5.15	5.16
% Ch, Annual Rate	-0.8	-1.6	-0.5	-2.3	0.3	-1.3	0.0	0.6
Food Manufacturing	1.48	1.48	1.49	1.49	1.49	1.50	1.51	1.51
% Ch, Annual Rate	1.2	1.2	1.4	-0.1	1.5	1.3	2.3	1.8
Paper and Paper Products	0.48	0.47	0.47	0.46	0.46	0.46	0.46	0.46
% Ch, Annual Rate	-1.6	-4.0	-3.6	-3.1	-2.7	-2.0	-1.6	1.0
Other Nondurables	3.27	3.25	3.24	3.22	3.22	3.20	3.19	3.19
% Ch, Annual Rate	-1.5	-2.5	-0.9	-3.2	0.1	-2.4	-0.8	-0.0
Natural Resources and Mining	0.66	0.68	0.69	0.70	0.71	0.72	0.72	0.72
% Ch, Annual Rate	9.8	12.0	6.8	5.5	5.4	4.6	-0.3	-1.1
Construction	7.66	7.70	7.72	7.69	7.68	7.66	7.63	7.53
% Ch, Annual Rate	7.4	2.0	1.0	-1.3	-0.4	-1.0	-1.8	-5.0
Trade, Transportation, and Utilities	26.19	26.20	26.23	26.31	26.40	26.45	26.53	26.59
% Ch, Annual Rate	1.4	0.1	0.5	1.2	1.4	0.7	1.1	0.9
Wholesale Trade	5.85	5.89	5.91	5.94	5.96	5.99	6.03	6.04
% Ch, Annual Rate	3.0	2.3	1.5	1.8	1.4	2.4	2.4	0.8
Retail Trade	15.36	15.31	15.30	15.32	15.38	15.38	15.38	15.39
% Ch, Annual Rate	0.5	-1.2	-0.4	0.5	1.5	0.2	-0.1	0.3
Trans., Warehousing, and Utilities	4.98	5.00	5.02	5.05	5.07	5.07	5.11	5.15
% Ch, Annual Rate	2.3	1.9	1.9	2.5	1.2	0.3	3.2	3.0
Information	3.06	3.05	3.05	3.06	3.08	3.10	3.10	3.08
% Ch, Annual Rate	0.4	-0.7	-0.3	1.7	2.5	2.1	0.5	-2.0
Publishing Industries	0.90	0.90	0.90	0.90	0.91	0.91	0.91	0.91
% Ch, Annual Rate	0.1	0.0	-0.9	1.1	1.3	-0.4	0.8	-1.4
Other Information	2.15	2.15	2.15	2.16	2.17	2.19	2.19	2.18
% Ch, Annual Rate	0.6	-1.0	0.0	1.9	3.0	3.1	0.3	-2.2
Financial Activities	8.29	8.35	8.38	8.43	8.44	8.46	8.46	8.39
% Ch, Annual Rate	2.7	2.5	1.8	1.9	0.9	0.7	0.0	-3.4
Professional and Business Services	17.38	17.50	17.61	17.73	17.83	17.88	17.97	18.07
% Ch, Annual Rate	3.8	2.8	2.7	2.6	2.3	1.3	2.0	2.2
Education and Health Services	17.67	17.77	17.89	18.02	18.14	18.30	18.44	18.52
% Ch, Annual Rate	2.9	2.4	2.7	2.9	2.8	3.5	3.1	1.9
Leisure and Hospitality	12.98	13.07	13.18	13.32	13.42	13.53	13.60	13.65
% Ch, Annual Rate	3.0	2.7	3.5	4.1	3.2	3.2	2.1	1.5
Other Services	5.42	5.43	5.43	5.45	5.45	5.48	5.49	5.53
% Ch, Annual Rate	1.8	0.8	0.3	1.0	0.4	1.7	1.3	2.9
Federal Government	2.73	2.73	2.73	2.72	2.72	2.71	2.70	2.71
% Ch, Annual Rate	-1.2	0.3	0.2	-2.0	-0.2	-0.8	-1.4	1.1
State and Local Government	19.14	19.21	19.30	19.39	19.45	19.53	19.54	19.60
% Ch, Annual Rate	0.5	1.4	1.8	1.9	1.4	1.6	0.3	1.2

Table A2.2
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	138.68	138.94	139.23	139.56	139.95	140.39	140.78	141.18
% Ch, Annual Rate	0.6	0.8	0.9	0.9	1.1	1.2	1.1	1.2
Manufacturing	13.97	13.92	13.88	13.82	13.78	13.76	13.74	13.72
% Ch, Annual Rate	-3.1	-1.3	-1.2	-1.7	-1.1	-0.7	-0.6	-0.3
Durable Manufacturing	8.83	8.78	8.76	8.72	8.70	8.69	8.69	8.70
% Ch, Annual Rate	-3.9	-2.1	-1.0	-2.0	-1.0	-0.3	-0.1	0.4
Wood Products	0.49	0.47	0.45	0.44	0.44	0.45	0.45	0.46
% Ch, Annual Rate	-16.4	-16.2	-13.2	-8.5	-1.6	3.0	4.9	5.8
Primary and Fabricated Metals	2.02	2.02	2.03	2.02	2.01	2.00	2.00	1.99
% Ch, Annual Rate	-1.7	0.4	0.9	-1.2	-1.4	-1.7	-1.9	-1.1
Computer and Electronic Products	1.31	1.32	1.31	1.30	1.28	1.28	1.27	1.26
% Ch, Annual Rate	0.0	2.6	-1.5	-5.1	-3.5	-2.4	-2.8	-1.9
Machinery and Electrical Equipment	1.66	1.64	1.63	1.62	1.61	1.61	1.61	1.61
% Ch, Annual Rate	-4.6	-4.9	-2.2	-3.0	-1.8	-0.6	-0.3	-0.7
Transportation Equipment	1.68	1.69	1.70	1.71	1.72	1.73	1.75	1.76
% Ch, Annual Rate	-2.5	0.4	3.1	2.8	2.8	3.0	2.8	2.4
Other Durables	1.66	1.64	1.63	1.62	1.62	1.62	1.62	1.62
% Ch, Annual Rate	-5.9	-3.7	-2.1	-2.4	-1.4	-0.7	0.1	1.4
Nondurable Manufacturing	5.14	5.14	5.12	5.10	5.09	5.07	5.05	5.03
% Ch, Annual Rate	-1.7	-0.1	-1.6	-1.4	-1.2	-1.3	-1.4	-1.6
Food Manufacturing	1.51	1.52	1.53	1.54	1.54	1.55	1.55	1.55
% Ch, Annual Rate	-0.0	2.2	1.6	2.1	1.5	1.1	0.6	0.3
Paper and Paper Products	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45
% Ch, Annual Rate	-1.8	-0.0	-1.5	-1.6	-0.6	-0.6	-0.7	-0.8
Other Nondurables	3.17	3.16	3.14	3.11	3.09	3.07	3.05	3.03
% Ch, Annual Rate	-2.4	-1.2	-3.2	-3.0	-2.5	-2.6	-2.6	-2.6
Natural Resources and Mining	0.72	0.71	0.71	0.71	0.70	0.70	0.69	0.68
% Ch, Annual Rate	-0.4	-1.1	-0.8	-2.9	-2.1	-2.8	-4.1	-3.9
Construction	7.40	7.31	7.25	7.23	7.21	7.20	7.20	7.23
% Ch, Annual Rate	-6.9	-4.7	-3.2	-1.2	-0.9	-0.8	0.4	1.5
Trade, Transportation, and Utilities	26.73	26.81	26.89	26.94	27.01	27.12	27.19	27.24
% Ch, Annual Rate	2.2	1.1	1.2	0.8	0.9	1.7	1.1	0.8
Wholesale Trade	6.06	6.06	6.07	6.07	6.07	6.08	6.10	6.12
% Ch, Annual Rate	1.1	0.3	0.7	-0.3	-0.0	0.9	1.3	1.0
Retail Trade	15.49	15.54	15.59	15.63	15.67	15.73	15.75	15.75
% Ch, Annual Rate	2.5	1.4	1.2	1.1	1.0	1.6	0.4	0.1
Trans., Warehousing, and Utilities	5.19	5.20	5.23	5.24	5.27	5.30	5.34	5.37
% Ch, Annual Rate	2.9	1.1	1.8	1.3	1.8	2.9	2.9	2.4
Information	3.07	3.08	3.10	3.09	3.07	3.06	3.05	3.05
% Ch, Annual Rate	-2.2	1.3	2.3	-0.4	-2.5	-1.5	-0.9	-0.4
Publishing Industries	0.90	0.89	0.89	0.89	0.89	0.89	0.89	0.89
% Ch, Annual Rate	-1.8	-4.8	-0.8	-0.7	-0.6	-0.2	0.6	0.5
Other Information	2.17	2.19	2.21	2.21	2.19	2.18	2.17	2.16
% Ch, Annual Rate	-2.3	4.0	3.6	-0.2	-3.2	-2.1	-1.5	-0.8
Financial Activities	8.34	8.35	8.37	8.40	8.45	8.48	8.53	8.59
% Ch, Annual Rate	-2.0	0.2	1.0	1.6	2.2	1.6	2.4	2.5
Professional and Business Services	18.12	18.17	18.29	18.44	18.63	18.85	19.06	19.23
% Ch, Annual Rate	1.1	1.2	2.7	3.2	4.4	4.8	4.5	3.5
Education and Health Services	18.59	18.69	18.80	18.89	19.00	19.09	19.16	19.21
% Ch, Annual Rate	1.5	2.1	2.4	2.0	2.2	1.9	1.4	1.1
Leisure and Hospitality	13.81	13.93	13.94	14.01	14.06	14.07	14.06	14.10
% Ch, Annual Rate	4.8	3.4	0.4	1.9	1.7	0.3	-0.3	1.1
Other Services	5.56	5.57	5.57	5.56	5.54	5.53	5.52	5.50
% Ch, Annual Rate	2.0	0.5	0.3	-1.2	-1.3	-0.9	-0.5	-1.0
Federal Government	2.71	2.71	2.71	2.71	2.70	2.70	2.70	2.72
% Ch, Annual Rate	0.3	0.2	-0.0	-0.6	-0.9	-0.5	-0.4	2.9
State and Local Government	19.65	19.69	19.72	19.76	19.79	19.83	19.87	19.90
% Ch, Annual Rate	1.0	0.8	0.7	0.7	0.6	0.8	0.8	0.7

Table A2.3
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment	2,654.0	2,657.4	2,700.9	2,776.9	2,858.2	2,941.1	3,003.8	3,058.9
% Ch	-1.6	0.1	1.6	2.8	2.9	2.9	2.1	1.8
Manufacturing	285.0	267.0	263.7	272.6	285.5	291.7	293.8	293.2
% Ch	-9.8	-6.3	-1.3	3.4	4.7	2.2	0.7	-0.2
Durable Manufacturing	199.3	183.7	182.4	191.5	203.7	210.2	211.4	209.9
% Ch	-11.4	-7.8	-0.7	5.0	6.4	3.1	0.6	-0.7
Wood Products	18.0	17.8	18.8	20.0	20.2	19.0	17.1	16.3
% Ch	-4.9	-1.3	5.4	6.9	0.9	-5.8	-10.1	-4.5
Primary and Fabricated Metals	23.5	22.1	22.3	23.1	24.3	25.5	25.6	25.4
% Ch	-12.7	-6.2	0.8	3.8	4.9	5.2	0.4	-0.9
Computer and Electronic Products	26.2	23.4	22.1	22.2	22.4	22.2	22.6	22.0
% Ch	-19.3	-10.7	-5.3	0.2	1.0	-0.8	1.8	-2.8
Machinery and Electrical Equipment	16.7	16.3	17.0	17.8	19.0	19.7	20.0	20.3
% Ch	-10.0	-2.5	4.4	4.8	6.8	3.4	1.5	1.8
Aerospace	75.7	65.3	61.5	65.6	73.3	78.8	81.8	82.1
% Ch	-13.2	-13.8	-5.8	6.8	11.7	7.6	3.8	0.3
Other Transportation Equip.	10.9	11.1	12.1	13.2	13.7	13.4	13.4	13.3
% Ch	-3.0	1.7	9.2	8.7	4.2	-2.2	-0.2	-0.6
Other Durables	28.3	27.9	28.6	29.5	30.8	31.4	30.8	30.4
% Ch	-4.5	-1.5	2.7	3.1	4.5	1.9	-1.8	-1.3
Nondurable Manufacturing	85.7	83.3	81.3	81.1	81.8	81.6	82.3	83.3
% Ch	-6.0	-2.8	-2.4	-0.2	0.8	-0.2	0.9	1.1
Food Manufacturing	35.3	34.8	34.1	33.8	33.7	34.1	35.2	36.6
% Ch	-5.4	-1.3	-2.0	-1.0	-0.3	1.2	3.3	3.9
Paper and Paper Products	13.2	13.3	12.7	12.2	12.0	11.4	11.1	11.0
% Ch	-6.1	0.2	-4.6	-3.6	-1.8	-4.9	-2.2	-0.9
Other Nondurables	37.2	35.2	34.5	35.2	36.1	36.1	36.0	35.6
% Ch	-6.5	-5.4	-1.9	1.8	2.7	0.1	-0.4	-0.9
Natural Resources and Mining	9.4	8.6	9.1	9.0	8.7	7.9	7.6	7.3
% Ch	-4.6	-7.7	5.7	-1.9	-2.6	-9.1	-4.2	-3.6
Construction	154.2	156.2	164.2	177.3	195.0	209.0	209.9	208.0
% Ch	-2.9	1.3	5.1	8.0	9.9	7.2	0.4	-0.9
Trade, Transportation, and Utilities	509.3	509.8	518.4	530.4	542.3	560.4	575.3	586.1
% Ch	-2.8	0.1	1.7	2.3	2.2	3.3	2.7	1.9
Wholesale Trade	115.7	116.0	119.3	122.2	126.8	130.9	133.9	135.0
% Ch	-3.4	0.3	2.8	2.4	3.8	3.3	2.3	0.8
Retail Trade	305.3	305.9	309.3	316.1	321.6	332.5	341.4	349.0
% Ch	-2.0	0.2	1.1	2.2	1.8	3.4	2.7	2.2
Trans., Warehousing, and Utilities	88.3	87.9	89.7	92.2	93.9	97.0	100.0	102.1
% Ch	-4.4	-0.5	2.1	2.7	1.9	3.3	3.2	2.1
Information	93.6	92.3	92.8	94.7	98.4	103.0	105.7	108.0
% Ch	-5.5	-1.4	0.6	2.0	3.9	4.7	2.7	2.1
Software Publishers	36.1	37.4	39.3	41.3	44.7	47.7	50.3	53.1
% Ch	0.8	3.4	5.1	5.1	8.4	6.7	5.3	5.7
Other Publishing Industries	12.6	12.1	11.3	11.2	11.1	10.9	10.6	10.5
% Ch	-4.4	-4.0	-6.7	-0.6	-1.6	-1.4	-2.6	-1.6
Other Information	44.8	42.8	42.3	42.2	42.6	44.3	44.8	44.4
% Ch	-10.3	-4.5	-1.2	-0.1	0.8	4.1	1.1	-0.9
Financial Activities	146.1	151.9	151.8	154.5	156.3	157.1	157.7	161.8
% Ch	0.7	3.9	-0.1	1.8	1.1	0.5	0.4	2.6
Professional and Business Services	290.2	290.3	301.7	316.0	329.5	346.5	358.9	375.1
% Ch	-2.3	0.0	3.9	4.8	4.3	5.2	3.6	4.5
Education and Health Services	306.9	312.9	319.7	329.3	337.2	348.0	358.1	368.2
% Ch	2.9	1.9	2.2	3.0	2.4	3.2	2.9	2.8
Leisure and Hospitality	245.4	248.9	255.6	263.5	271.6	279.2	287.8	293.6
% Ch	-0.7	1.4	2.7	3.1	3.1	2.8	3.0	2.0
Other Services	97.8	98.9	100.3	102.7	104.0	106.0	108.2	109.2
% Ch	0.9	1.2	1.4	2.4	1.2	1.9	2.1	0.9
Federal Government	69.2	70.2	69.8	69.6	69.3	68.3	68.5	68.9
% Ch	1.9	1.4	-0.6	-0.3	-0.4	-1.5	0.3	0.6
State and Local Government	446.9	450.5	454.0	457.2	460.5	464.1	472.3	479.6
% Ch	2.2	0.8	0.8	0.7	0.7	0.8	1.8	1.5

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Nonfarm Payroll Employment	2,673.1	2,694.5	2,706.8	2,729.1	2,746.2	2,767.8	2,783.9	2,809.6
% Ch, Annual Rate	0.8	3.2	1.8	3.3	2.5	3.2	2.4	3.8
Manufacturing	261.8	262.9	263.7	266.3	268.9	272.2	270.7	278.6
% Ch, Annual Rate	-2.3	1.8	1.3	4.0	3.9	5.1	-2.3	12.2
Durable Manufacturing	180.0	181.4	182.9	185.1	187.8	191.2	189.4	197.5
% Ch, Annual Rate	-1.0	3.1	3.4	4.9	5.9	7.5	-3.7	18.1
Wood Products	18.1	18.6	19.0	19.4	19.8	19.8	20.2	20.4
% Ch, Annual Rate	8.6	11.5	8.5	8.5	9.0	1.2	6.5	4.4
Primary and Fabricated Metals	21.9	22.2	22.4	22.6	22.8	23.1	23.2	23.5
% Ch, Annual Rate	4.3	5.3	2.7	3.8	3.3	5.6	2.0	5.1
Computer and Electronic Products	22.0	22.1	22.2	22.2	22.1	22.1	22.3	22.2
% Ch, Annual Rate	-9.7	2.1	2.6	-1.2	-1.0	0.1	2.4	-0.6
Machinery and Electrical Equipment	16.6	16.9	17.1	17.3	17.4	17.6	18.0	18.2
% Ch, Annual Rate	4.4	7.0	4.5	4.6	2.4	5.5	7.5	6.1
Aerospace	61.3	60.9	61.1	62.6	64.3	65.8	62.8	69.7
% Ch, Annual Rate	-6.8	-2.6	1.4	10.2	11.0	9.7	-16.6	50.9
Other Transportation Equip.	11.7	12.1	12.4	12.3	12.6	13.5	13.3	13.4
% Ch, Annual Rate	10.4	13.6	10.3	-3.0	9.5	31.5	-6.1	4.0
Other Durables	28.4	28.6	28.7	28.8	28.9	29.3	29.7	30.1
% Ch, Annual Rate	2.0	2.8	2.3	1.1	1.1	5.8	6.0	5.2
Nondurable Manufacturing	81.7	81.5	80.8	81.2	81.1	81.0	81.3	81.1
% Ch, Annual Rate	-5.1	-1.1	-3.4	1.8	-0.5	-0.1	1.2	-0.8
Food Manufacturing	34.3	34.3	33.7	34.1	34.1	33.8	33.7	33.5
% Ch, Annual Rate	-5.7	-0.0	-6.8	5.1	-0.9	-2.9	-0.7	-3.1
Paper and Paper Products	12.9	12.7	12.6	12.5	12.3	12.3	12.2	12.0
% Ch, Annual Rate	-14.2	-6.4	-4.6	-2.1	-5.4	-1.1	-3.4	-4.1
Other Nondurables	34.5	34.5	34.5	34.6	34.7	35.0	35.4	35.6
% Ch, Annual Rate	-0.9	-0.2	0.5	0.1	1.6	3.0	4.7	2.7
Natural Resources and Mining	8.9	9.1	9.3	9.3	9.2	9.1	8.8	8.8
% Ch, Annual Rate	20.3	7.4	7.7	1.0	-5.2	-3.3	-10.4	-2.2
Construction	160.3	163.3	164.5	168.5	171.9	175.2	178.7	183.6
% Ch, Annual Rate	3.8	7.6	3.0	10.0	8.4	8.0	8.0	11.5
Trade, Transportation, and Utilities	512.1	517.5	520.2	523.9	526.7	529.1	531.5	534.3
% Ch, Annual Rate	0.7	4.3	2.1	2.9	2.2	1.8	1.9	2.1
Wholesale Trade	117.4	119.1	119.8	121.0	121.4	121.3	122.3	123.7
% Ch, Annual Rate	1.7	5.9	2.5	3.9	1.4	-0.2	3.2	4.8
Retail Trade	306.7	309.3	310.0	311.3	313.9	315.2	317.0	318.2
% Ch, Annual Rate	0.5	3.4	0.9	1.7	3.3	1.8	2.3	1.5
Trans., Warehousing, and Utilities	88.0	89.1	90.3	91.6	91.5	92.5	92.3	92.4
% Ch, Annual Rate	-0.2	5.2	5.8	5.8	-0.7	4.6	-1.1	0.5
Information	92.5	92.8	92.5	93.6	94.0	94.6	94.9	95.4
% Ch, Annual Rate	-2.2	1.1	-1.3	4.8	1.7	2.8	1.4	1.8
Software Publishers	38.9	39.1	39.3	39.8	40.4	41.0	41.5	42.1
% Ch, Annual Rate	5.3	1.9	1.7	5.1	6.4	6.2	5.3	5.8
Other Publishing Industries	11.4	11.3	11.3	11.3	11.4	11.3	11.2	11.2
% Ch, Annual Rate	-7.3	-1.6	-1.4	-0.1	3.1	-2.7	-3.8	-0.5
Other Information	42.2	42.4	41.9	42.5	42.2	42.3	42.2	42.1
% Ch, Annual Rate	-7.2	1.2	-3.9	5.9	-2.9	1.0	-1.0	-1.4
Financial Activities	151.9	151.7	151.4	152.3	152.5	153.5	155.6	156.5
% Ch, Annual Rate	-1.3	-0.5	-0.7	2.4	0.4	2.8	5.7	2.2
Professional and Business Services	296.1	300.3	303.0	307.2	311.0	314.4	318.1	320.8
% Ch, Annual Rate	4.4	5.7	3.7	5.6	5.0	4.5	4.7	3.4
Education and Health Services	315.9	318.9	320.7	323.2	325.2	328.3	330.9	332.8
% Ch, Annual Rate	0.8	3.9	2.2	3.2	2.5	3.9	3.1	2.4
Leisure and Hospitality	252.9	255.1	255.9	258.4	259.5	262.3	264.6	267.6
% Ch, Annual Rate	1.6	3.5	1.3	4.0	1.7	4.3	3.6	4.6
Other Services	99.2	100.1	100.7	101.1	102.3	102.3	102.8	103.4
% Ch, Annual Rate	0.6	3.9	2.2	1.6	5.0	0.0	1.9	2.5
Federal Government	69.8	69.6	69.8	69.8	69.5	69.6	69.6	69.5
% Ch, Annual Rate	-1.3	-1.2	0.9	-0.1	-1.2	0.0	0.2	-0.5
State and Local Government	451.8	453.2	455.2	455.7	455.6	457.1	457.7	458.4
% Ch, Annual Rate	0.6	1.3	1.8	0.4	-0.1	1.3	0.5	0.7

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,834.5	2,851.5	2,865.8	2,881.1	2,915.2	2,930.4	2,951.7	2,967.1
% Ch, Annual Rate	3.6	2.4	2.0	2.2	4.8	2.1	2.9	2.1
Manufacturing	282.9	284.0	286.5	288.6	290.0	290.3	292.5	294.2
% Ch, Annual Rate	6.4	1.4	3.6	2.9	2.0	0.3	3.1	2.4
Durable Manufacturing	200.8	202.5	204.6	207.1	208.1	209.0	211.2	212.3
% Ch, Annual Rate	7.0	3.3	4.1	5.0	1.9	1.7	4.4	2.1
Wood Products	20.5	20.4	20.2	19.7	19.3	19.1	19.1	18.7
% Ch, Annual Rate	3.2	-3.2	-3.0	-9.3	-8.4	-3.6	-1.3	-7.9
Primary and Fabricated Metals	23.8	24.1	24.4	24.7	25.3	25.5	25.6	25.7
% Ch, Annual Rate	5.8	5.4	4.8	4.9	10.5	2.3	1.7	1.8
Computer and Electronic Products	22.2	22.4	22.5	22.5	22.3	22.1	22.1	22.4
% Ch, Annual Rate	-0.5	4.7	1.2	-0.2	-3.9	-2.5	-0.0	5.4
Machinery and Electrical Equipment	18.6	18.9	19.2	19.4	19.4	19.4	19.7	20.1
% Ch, Annual Rate	8.1	6.8	5.9	5.1	0.2	0.6	5.5	8.0
Aerospace	71.4	72.1	73.8	75.8	76.9	78.1	79.7	80.6
% Ch, Annual Rate	10.2	4.2	9.9	11.4	5.7	6.6	8.5	4.4
Other Transportation Equip.	13.8	13.8	13.6	13.8	13.5	13.3	13.5	13.4
% Ch, Annual Rate	11.8	0.8	-6.9	7.9	-8.8	-4.9	4.0	-1.5
Other Durables	30.6	30.8	30.9	31.1	31.3	31.3	31.5	31.4
% Ch, Annual Rate	6.5	2.3	1.6	2.7	3.5	-0.5	3.0	-1.3
Nondurable Manufacturing	82.1	81.5	81.9	81.5	82.0	81.3	81.2	81.9
% Ch, Annual Rate	4.9	-3.1	2.4	-2.2	2.3	-3.1	-0.3	3.1
Food Manufacturing	34.2	33.2	33.7	33.6	34.2	33.6	34.0	34.5
% Ch, Annual Rate	8.3	-10.6	6.2	-1.4	6.9	-6.0	4.8	5.1
Paper and Paper Products	12.2	12.1	12.0	11.7	11.7	11.5	11.2	11.2
% Ch, Annual Rate	4.5	-1.2	-6.2	-9.5	0.9	-7.4	-8.8	1.0
Other Nondurables	35.8	36.1	36.3	36.2	36.1	36.2	36.0	36.2
% Ch, Annual Rate	1.9	4.0	1.8	-0.5	-1.4	1.1	-2.2	1.9
Natural Resources and Mining	8.8	8.8	8.7	8.6	8.3	7.9	7.8	7.7
% Ch, Annual Rate	2.3	-2.1	-5.5	-2.0	-12.8	-20.6	-3.1	-4.4
Construction	190.5	194.1	196.4	198.8	206.4	208.8	210.2	210.7
% Ch, Annual Rate	16.1	7.7	4.7	5.2	16.1	4.7	2.7	1.1
Trade, Transportation, and Utilities	538.6	541.5	543.6	545.5	554.2	558.2	563.0	566.0
% Ch, Annual Rate	3.3	2.1	1.5	1.4	6.5	2.9	3.5	2.1
Wholesale Trade	125.5	126.4	127.4	128.0	129.5	130.3	131.6	132.4
% Ch, Annual Rate	5.9	2.8	3.2	1.9	4.8	2.6	4.1	2.4
Retail Trade	319.9	321.1	321.9	323.5	329.3	331.9	333.6	335.1
% Ch, Annual Rate	2.2	1.5	0.9	2.1	7.3	3.2	2.1	1.7
Trans., Warehousing, and Utilities	93.2	94.0	94.3	94.0	95.5	96.0	97.8	98.6
% Ch, Annual Rate	3.8	3.3	1.3	-1.3	6.4	2.3	7.6	3.4
Information	96.1	97.6	99.4	100.4	102.0	102.5	103.5	103.9
% Ch, Annual Rate	3.0	6.5	7.5	4.1	6.5	1.8	4.0	1.7
Software Publishers	43.1	44.4	45.4	46.1	47.2	47.4	47.8	48.6
% Ch, Annual Rate	9.1	13.1	9.3	6.3	10.0	1.8	2.9	6.7
Other Publishing Industries	11.0	11.0	11.1	11.1	11.0	10.8	10.9	10.8
% Ch, Annual Rate	-5.1	0.0	3.3	0.5	-2.7	-7.2	2.3	-2.3
Other Information	42.0	42.2	42.9	43.2	43.7	44.2	44.8	44.5
% Ch, Annual Rate	-0.6	1.8	6.8	2.7	5.3	4.2	5.7	-2.4
Financial Activities	156.6	156.8	156.2	155.5	156.5	156.6	158.1	157.1
% Ch, Annual Rate	0.3	0.5	-1.5	-1.7	2.5	0.2	3.8	-2.3
Professional and Business Services	323.6	328.2	331.6	334.8	340.4	344.6	348.9	352.0
% Ch, Annual Rate	3.6	5.8	4.2	3.9	6.9	5.0	5.1	3.6
Education and Health Services	334.2	336.2	337.9	340.4	343.9	346.5	349.5	351.9
% Ch, Annual Rate	1.6	2.5	2.0	3.0	4.2	3.0	3.5	2.8
Leisure and Hospitality	270.2	270.7	272.2	273.4	277.8	278.6	279.5	281.2
% Ch, Annual Rate	3.9	0.7	2.3	1.7	6.6	1.2	1.3	2.5
Other Services	103.4	103.9	104.2	104.5	104.8	105.7	106.3	107.0
% Ch, Annual Rate	-0.1	1.8	1.1	1.4	1.2	3.3	2.2	2.8
Federal Government	69.7	69.6	69.0	68.9	69.0	68.1	67.8	68.1
% Ch, Annual Rate	0.8	-0.6	-3.1	-0.7	0.6	-4.7	-1.9	1.6
State and Local Government	459.8	460.2	460.3	461.6	461.8	462.6	464.7	467.2
% Ch, Annual Rate	1.2	0.3	0.0	1.2	0.2	0.7	1.8	2.1

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,981.8	2,997.4	3,011.5	3,024.3	3,038.1	3,052.7	3,065.9	3,078.8
% Ch, Annual Rate	2.0	2.1	1.9	1.7	1.8	1.9	1.7	1.7
Manufacturing	293.6	294.1	293.9	293.4	293.2	293.2	293.1	293.1
% Ch, Annual Rate	-0.8	0.7	-0.2	-0.8	-0.2	0.0	-0.1	-0.0
Durable Manufacturing	211.9	211.8	211.5	210.5	210.1	209.9	209.8	209.9
% Ch, Annual Rate	-0.8	-0.1	-0.7	-1.7	-0.9	-0.3	-0.2	0.1
Wood Products	18.0	17.3	16.8	16.4	16.3	16.3	16.4	16.4
% Ch, Annual Rate	-14.2	-13.9	-11.6	-8.1	-3.2	-0.0	1.3	1.9
Primary and Fabricated Metals	25.6	25.6	25.7	25.6	25.5	25.4	25.3	25.3
% Ch, Annual Rate	-1.5	0.4	0.8	-1.0	-1.2	-1.5	-1.7	-1.0
Computer and Electronic Products	22.5	22.8	22.8	22.4	22.2	22.1	21.9	21.8
% Ch, Annual Rate	1.7	5.9	-0.8	-6.4	-3.9	-2.3	-2.9	-1.4
Machinery and Electrical Equipment	20.0	19.9	20.0	20.0	20.1	20.2	20.4	20.6
% Ch, Annual Rate	-1.7	-2.1	1.4	0.3	1.8	3.3	3.7	3.2
Aerospace	81.3	81.9	82.1	82.1	82.1	82.1	82.1	82.1
% Ch, Annual Rate	3.4	3.0	1.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	13.4	13.4	13.4	13.4	13.4	13.4	13.3	13.2
% Ch, Annual Rate	-0.0	-0.3	0.1	0.1	-0.8	-0.6	-1.2	-2.7
Other Durables	31.1	30.9	30.8	30.6	30.5	30.4	30.4	30.4
% Ch, Annual Rate	-3.9	-3.1	-1.7	-2.0	-1.4	-1.0	-0.4	0.4
Nondurable Manufacturing	81.7	82.3	82.5	82.8	83.1	83.3	83.3	83.3
% Ch, Annual Rate	-0.9	2.9	1.0	1.7	1.5	0.8	0.1	-0.3
Food Manufacturing	34.5	35.0	35.4	35.9	36.3	36.6	36.7	36.7
% Ch, Annual Rate	-0.1	6.5	4.7	6.0	4.4	3.0	1.2	0.3
Paper and Paper Products	11.2	11.2	11.1	11.1	11.1	11.0	11.0	11.0
% Ch, Annual Rate	-1.9	-0.0	-1.6	-1.7	-0.6	-0.6	-0.8	-0.9
Other Nondurables	36.1	36.1	35.9	35.8	35.8	35.7	35.6	35.5
% Ch, Annual Rate	-1.3	0.4	-1.7	-1.4	-0.6	-0.9	-0.8	-0.8
Natural Resources and Mining	7.7	7.7	7.6	7.4	7.4	7.3	7.3	7.3
% Ch, Annual Rate	-0.8	-1.4	-4.8	-7.2	-4.3	-1.8	-1.0	0.7
Construction	210.2	210.3	210.0	209.2	208.6	208.1	207.8	207.6
% Ch, Annual Rate	-0.9	0.1	-0.6	-1.4	-1.2	-1.0	-0.6	-0.5
Trade, Transportation, and Utilities	570.7	574.0	577.1	579.5	581.9	585.2	587.7	589.6
% Ch, Annual Rate	3.3	2.3	2.2	1.6	1.7	2.3	1.7	1.3
Wholesale Trade	133.2	133.8	134.3	134.3	134.4	134.8	135.2	135.5
% Ch, Annual Rate	2.6	1.6	1.6	0.1	0.3	1.1	1.3	0.9
Retail Trade	338.1	340.4	342.5	344.5	346.3	348.7	350.0	351.0
% Ch, Annual Rate	3.7	2.8	2.5	2.3	2.2	2.7	1.5	1.2
Trans., Warehousing, and Utilities	99.4	99.8	100.3	100.7	101.1	101.8	102.5	103.0
% Ch, Annual Rate	3.2	1.8	2.1	1.4	1.8	2.7	2.7	2.2
Information	104.3	105.2	106.3	107.0	107.3	107.7	108.2	108.8
% Ch, Annual Rate	1.4	3.6	4.4	2.5	1.0	1.6	1.9	2.2
Software Publishers	49.3	49.9	50.6	51.3	52.1	52.8	53.5	54.2
% Ch, Annual Rate	6.1	4.9	6.1	5.9	5.7	5.6	5.6	5.4
Other Publishing Industries	10.8	10.6	10.6	10.5	10.5	10.5	10.4	10.4
% Ch, Annual Rate	-2.6	-5.4	-1.8	-1.6	-1.5	-1.2	-0.5	-0.6
Other Information	44.2	44.7	45.2	45.1	44.7	44.5	44.3	44.2
% Ch, Annual Rate	-2.6	4.4	4.0	-0.3	-3.6	-2.3	-1.7	-0.9
Financial Activities	156.7	157.2	158.0	158.9	160.1	161.1	162.3	163.6
% Ch, Annual Rate	-1.0	1.2	1.9	2.4	3.0	2.4	3.2	3.2
Professional and Business Services	354.4	356.9	360.3	364.0	368.4	373.1	377.6	381.5
% Ch, Annual Rate	2.8	2.8	3.9	4.1	4.9	5.2	5.0	4.1
Education and Health Services	354.1	356.7	359.6	362.2	364.9	367.4	369.4	371.2
% Ch, Annual Rate	2.5	3.0	3.2	2.9	3.0	2.8	2.3	2.0
Leisure and Hospitality	284.6	287.4	288.6	290.4	292.2	293.2	293.8	295.1
% Ch, Annual Rate	5.0	3.9	1.6	2.6	2.4	1.4	0.8	1.8
Other Services	107.6	108.1	108.5	108.7	108.8	109.0	109.3	109.5
% Ch, Annual Rate	2.3	1.6	1.5	0.7	0.6	0.8	0.9	0.6
Federal Government	68.3	68.4	68.6	68.6	68.6	68.7	68.8	69.3
% Ch, Annual Rate	1.0	1.0	0.8	0.4	0.1	0.4	0.5	2.9
State and Local Government	469.5	471.4	473.2	475.1	476.8	478.7	480.6	482.3
% Ch, Annual Rate	2.0	1.6	1.5	1.6	1.5	1.6	1.6	1.5

Table A3.1

U.S. Personal Income by Component (Billions of Dollars)

Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	8,881.9	9,163.6	9,727.2	10,301.1	10,983.4	11,678.7	12,215.8	12,804.4
% Ch	1.8	3.2	6.2	5.9	6.6	6.3	4.6	4.8
Total Wage and Salary Disbursements	4,980.9	5,112.7	5,394.5	5,667.9	6,018.2	6,399.0	6,666.9	6,972.9
% Ch	0.8	2.6	5.5	5.1	6.2	6.3	4.2	4.6
Nonwage Personal Income	3,901.0	4,050.9	4,332.7	4,633.2	4,965.2	5,279.7	5,548.9	5,831.5
% Ch	3.2	3.8	7.0	6.9	7.2	6.3	5.1	5.1
Supplements to Wages and Salaries	1,110.3	1,197.7	1,276.9	1,356.8	1,422.5	1,496.5	1,553.0	1,609.0
% Ch	11.1	7.9	6.6	6.3	4.8	5.2	3.8	3.6
Proprietor's Income	768.4	811.3	911.7	969.9	1,006.7	1,040.6	1,087.7	1,152.9
% Ch	-0.5	5.6	12.4	6.4	3.8	3.4	4.5	6.0
Farm	10.6	29.2	37.4	30.8	19.4	25.5	18.6	19.5
% Ch	-46.3	176.4	27.8	-17.5	-37.2	32.0	-27.2	4.6
Nonfarm	757.8	782.1	874.3	939.1	987.4	1,015.1	1,069.0	1,133.5
% Ch	0.7	3.2	11.8	7.4	5.1	2.8	5.3	6.0
Less: Contribution For Govt. Soc. Ins.	750.0	778.6	828.8	874.8	927.6	985.7	1,025.0	1,071.9
% Ch	2.6	3.8	6.4	5.5	6.0	6.3	4.0	4.6
Dividends/Int./Rent	1,486.2	1,469.6	1,550.5	1,660.7	1,851.0	1,993.7	2,094.4	2,203.8
% Ch	-4.0	-1.1	5.5	7.1	11.5	7.7	5.1	5.2
Transfer Payments	1,286.2	1,351.0	1,422.5	1,520.6	1,612.5	1,734.6	1,838.7	1,937.7
% Ch	7.7	5.0	5.3	6.9	6.0	7.6	6.0	5.4

Table A3.2

U.S. Personal Income by Component (Billions of Dollars)

Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	9,482.8	9,629.6	9,770.9	10,025.5	10,074.1	10,234.1	10,328.6	10,567.4
% Ch, Annual Rate	6.2	6.3	6.0	10.8	2.0	6.5	3.7	9.6
Total Wage and Salary Disbursements	5,260.9	5,351.2	5,447.8	5,518.1	5,559.1	5,614.0	5,720.4	5,777.9
% Ch, Annual Rate	3.9	7.0	7.4	5.3	3.0	4.0	7.8	4.1
Nonwage Personal Income	4,221.9	4,278.4	4,323.1	4,507.4	4,515.0	4,620.1	4,608.2	4,789.5
% Ch, Annual Rate	9.1	5.5	4.2	18.2	0.7	9.6	-1.0	16.7
Supplements to Wages and Salaries	1,248.2	1,266.9	1,286.9	1,305.5	1,331.4	1,347.3	1,368.1	1,380.4
% Ch, Annual Rate	8.2	6.1	6.5	5.9	8.2	4.9	6.3	3.6
Proprietor's Income	879.4	908.7	914.1	944.5	948.7	971.1	967.1	992.6
% Ch, Annual Rate	19.7	14.0	2.4	14.0	1.8	9.8	-1.6	11.0
Farm	40.3	39.6	33.0	36.5	30.1	34.0	30.9	28.2
% Ch, Annual Rate	136.4	-6.8	-51.8	49.7	-53.8	62.8	-31.8	-30.6
Nonfarm	839.1	869.1	881.1	908.0	918.6	937.1	936.2	964.4
% Ch, Annual Rate	16.1	15.1	5.6	12.8	4.8	8.3	-0.4	12.6
Less: Contribution For Govt. Soc. Ins.	810.8	822.9	836.1	845.5	861.0	867.9	881.7	888.5
% Ch, Annual Rate	9.9	6.1	6.6	4.6	7.5	3.3	6.5	3.1
Dividends/Int./Rent	1,500.3	1,510.4	1,525.6	1,665.8	1,615.2	1,664.6	1,594.1	1,768.8
% Ch, Annual Rate	2.6	2.7	4.1	42.1	-11.6	12.8	-15.9	51.6
Transfer Payments	1,404.9	1,415.3	1,432.7	1,437.1	1,480.6	1,505.2	1,560.6	1,536.2
% Ch, Annual Rate	11.4	3.0	5.0	1.2	12.7	6.8	15.6	-6.1

Table A3.2

U.S. Personal Income by Component (Billions of Dollars)

Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,787.1	10,915.5	11,030.9	11,200.2	11,484.1	11,598.4	11,751.9	11,880.6
% Ch, Annual Rate	8.6	4.8	4.3	6.3	10.5	4.0	5.4	4.5
Total Wage and Salary Disbursements	5,945.6	5,958.4	6,015.8	6,153.0	6,311.4	6,355.6	6,431.0	6,498.1
% Ch, Annual Rate	12.1	0.9	3.9	9.4	10.7	2.8	4.8	4.2
Nonwage Personal Income	4,841.5	4,957.1	5,015.1	5,047.2	5,172.7	5,242.8	5,321.0	5,382.5
% Ch, Annual Rate	4.4	9.9	4.8	2.6	10.3	5.5	6.1	4.7
Supplements to Wages and Salaries	1,403.1	1,413.5	1,426.7	1,446.9	1,472.7	1,486.7	1,503.7	1,522.9
% Ch, Annual Rate	6.8	3.0	3.8	5.8	7.3	3.9	4.7	5.2
Proprietor's Income	1,000.1	1,013.5	1,003.6	1,009.7	1,027.4	1,035.1	1,045.3	1,054.7
% Ch, Annual Rate	3.1	5.5	-3.9	2.5	7.2	3.0	4.0	3.6
Farm	20.8	14.6	18.1	23.9	29.1	25.7	25.4	21.9
% Ch, Annual Rate	-70.4	-75.7	136.2	204.0	119.8	-39.2	-4.0	-44.7
Nonfarm	979.3	998.9	985.5	985.8	998.3	1,009.4	1,019.8	1,032.7
% Ch, Annual Rate	6.3	8.2	-5.3	0.1	5.2	4.5	4.2	5.2
Less: Contribution For Govt. Soc. Ins.	918.8	920.1	926.8	944.6	974.1	979.3	990.3	999.0
% Ch, Annual Rate	14.4	0.6	3.0	7.9	13.1	2.1	4.6	3.6
Dividends/Int./Rent	1,784.6	1,851.0	1,881.0	1,887.5	1,936.1	1,983.1	2,017.6	2,038.1
% Ch, Annual Rate	3.6	15.7	6.6	1.4	10.7	10.1	7.1	4.1
Transfer Payments	1,572.5	1,599.1	1,630.6	1,647.7	1,710.7	1,717.1	1,744.6	1,765.8
% Ch, Annual Rate	9.8	6.9	8.1	4.3	16.2	1.5	6.6	4.9

Table A3.2

U.S. Personal Income by Component (Billions of Dollars)

Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	12,019.2	12,151.4	12,276.6	12,415.8	12,569.1	12,727.5	12,881.0	13,040.2
% Ch, Annual Rate	4.7	4.5	4.2	4.6	5.0	5.1	4.9	5.0
Total Wage and Salary Disbursements	6,566.6	6,631.4	6,699.4	6,770.2	6,851.0	6,931.2	7,013.5	7,096.0
% Ch, Annual Rate	4.3	4.0	4.2	4.3	4.9	4.8	4.8	4.8
Nonwage Personal Income	5,452.6	5,520.1	5,577.2	5,645.6	5,718.1	5,796.3	5,867.5	5,944.2
% Ch, Annual Rate	5.3	5.0	4.2	5.0	5.2	5.6	5.0	5.3
Supplements to Wages and Salaries	1,538.0	1,548.6	1,558.0	1,567.7	1,587.6	1,602.9	1,616.7	1,628.8
% Ch, Annual Rate	4.0	2.8	2.4	2.5	5.2	3.9	3.5	3.0
Proprietor's Income	1,067.9	1,081.1	1,091.8	1,109.8	1,128.2	1,146.2	1,160.9	1,176.4
% Ch, Annual Rate	5.1	5.0	4.1	6.7	6.8	6.6	5.2	5.4
Farm	19.8	18.7	16.7	19.2	19.0	19.4	19.4	20.0
% Ch, Annual Rate	-33.1	-21.1	-36.8	76.0	-4.6	10.1	-1.8	14.5
Nonfarm	1,048.1	1,062.4	1,075.2	1,090.6	1,109.2	1,126.8	1,141.6	1,156.4
% Ch, Annual Rate	6.1	5.6	4.9	5.9	7.0	6.5	5.4	5.3
Less: Contribution For Govt. Soc. Ins.	1,015.1	1,021.7	1,028.8	1,034.2	1,058.8	1,067.6	1,077.5	1,083.7
% Ch, Annual Rate	6.6	2.6	2.8	2.1	9.8	3.4	3.7	2.3
Dividends/Int./Rent	2,058.7	2,085.0	2,105.0	2,129.0	2,154.9	2,186.7	2,219.5	2,254.2
% Ch, Annual Rate	4.1	5.2	3.9	4.6	5.0	6.0	6.1	6.4
Transfer Payments	1,803.1	1,827.1	1,851.2	1,873.4	1,906.1	1,928.1	1,947.9	1,968.6
% Ch, Annual Rate	8.7	5.4	5.4	4.9	7.2	4.7	4.2	4.3

Table A3.3
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2007 to 2009

	2002	2003	2004	2005	2006	2007	2008	2009
Personal Income	197.452	202.942	216.921	223.232	239.698	257.712	273.871	290.357
% Ch	2.0	2.8	6.9	2.9	7.4	7.5	6.3	6.0
Total Wage and Salary Disbursements	111.412	114.105	119.194	125.729	136.548	147.786	156.686	165.824
% Ch	0.7	2.4	4.5	5.5	8.6	8.2	6.0	5.8
Manufacturing	14.660	13.601	13.891	15.150	16.810	17.894	18.660	19.336
% Ch	-3.8	-7.2	2.1	9.1	11.0	6.4	4.3	3.6
Durable Manufacturing	10.772	10.106	10.399	11.545	12.988	13.876	14.449	14.909
% Ch	-7.3	-6.2	2.9	11.0	12.5	6.8	4.1	3.2
Nondurable Manufacturing	3.888	3.495	3.493	3.604	3.822	4.017	4.211	4.426
% Ch	7.2	-10.1	-0.1	3.2	6.0	5.1	4.8	5.1
Nonmanufacturing	92.236	95.635	100.132	104.873	113.887	123.871	131.667	139.856
% Ch	1.2	3.7	4.7	4.7	8.6	8.8	6.3	6.2
Other Private Wages	1.084	1.130	1.182	1.231	1.321	1.405	1.503	1.610
% Ch	5.0	4.2	4.6	4.1	7.3	6.4	7.0	7.1
Farm Wages	0.922	0.948	1.028	1.194	1.227	1.280	1.348	1.418
% Ch	-8.4	2.8	8.4	16.2	2.8	4.3	5.3	5.2
Military Wages	2.510	2.791	2.961	3.282	3.304	3.336	3.508	3.604
% Ch	15.5	11.2	6.1	10.8	0.7	1.0	5.1	2.7
Nonwage Personal Income	86.039	88.837	97.727	97.503	103.149	109.926	117.185	124.534
% Ch	3.8	3.3	10.0	-0.2	5.8	6.6	6.6	6.3
Supplements to Wages and Salaries	25.491	26.844	28.906	31.153	33.804	35.571	37.458	39.264
% Ch	9.7	5.3	7.7	7.8	8.5	5.2	5.3	4.8
Proprietor's Income	16.108	16.357	18.168	18.801	19.773	20.598	22.036	23.546
% Ch	-0.3	1.5	11.1	3.5	5.2	4.2	7.0	6.8
Farm	0.396	0.728	0.553	0.233	0.309	0.407	0.557	0.640
% Ch	85.3	83.8	-24.1	-57.8	32.4	31.8	36.8	14.9
Nonfarm	15.712	15.630	17.615	18.568	19.465	20.191	21.480	22.906
% Ch	-1.5	-0.5	12.7	5.4	4.8	3.7	6.4	6.6
Less: Contribution For Govt. Soc. Ins.	18.165	18.952	20.307	21.672	23.693	25.135	26.480	27.950
% Ch	1.9	4.3	7.1	6.7	9.3	6.1	5.4	5.6
Plus: Residence Adjustment	2.386	2.402	2.521	2.797	3.037	3.264	3.401	3.551
% Ch	3.2	0.7	4.9	10.9	8.6	7.5	4.2	4.4
Dividends/Int./Rent	33.594	34.254	40.130	36.560	38.724	42.052	44.750	47.666
% Ch	-0.9	2.0	17.2	-8.9	5.9	8.6	6.4	6.5
Transfer Payments	26.625	27.931	28.308	29.863	31.504	33.576	36.021	38.457
% Ch	6.2	4.9	1.4	5.5	5.5	6.6	7.3	6.8
State U.I. Benefits	2.386	2.238	1.183	0.783	0.664	0.558	0.579	0.651
% Ch	73.6	-6.2	-47.1	-33.8	-15.2	-16.0	3.8	12.6
Other Transfers	24.239	25.694	27.125	29.081	30.840	33.019	35.442	37.805
% Ch	2.3	6.0	5.6	7.2	6.1	7.1	7.3	6.7

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2007 to 2009

	2004:1	2004:2	2004:3	2004:4	2005:1	2005:2	2005:3	2005:4
Personal Income	205.690	211.370	213.009	237.615	218.187	220.938	225.396	228.408
% Ch, Annual Rate	2.5	11.5	3.1	54.8	-28.9	5.1	8.3	5.5
Total Wage and Salary Disbursements	115.251	119.452	120.496	121.577	122.280	123.980	127.513	129.144
% Ch, Annual Rate	4.9	15.4	3.5	3.6	2.3	5.7	11.9	5.2
Manufacturing	13.226	13.827	14.303	14.208	14.546	15.277	15.006	15.769
% Ch, Annual Rate	-9.8	19.5	14.5	-2.6	9.9	21.7	-6.9	21.9
Durable Manufacturing	9.806	10.300	10.859	10.629	10.986	11.735	11.347	12.113
% Ch, Annual Rate	-10.5	21.7	23.5	-8.2	14.1	30.2	-12.6	29.9
Nondurable Manufacturing	3.420	3.527	3.444	3.579	3.560	3.542	3.659	3.656
% Ch, Annual Rate	-7.8	13.1	-9.1	16.6	-2.1	-2.0	13.9	-0.3
Nonmanufacturing	96.948	100.484	100.984	102.113	101.949	103.013	106.846	107.683
% Ch, Annual Rate	6.6	15.4	2.0	4.5	-0.6	4.2	15.7	3.2
Other Private Wages	1.143	1.172	1.190	1.222	1.263	1.222	1.231	1.207
% Ch, Annual Rate	4.7	10.5	6.3	11.2	14.1	-12.4	3.0	-7.6
Farm Wages	0.966	1.013	1.051	1.081	1.178	1.193	1.202	1.204
% Ch, Annual Rate	-4.0	20.9	15.9	11.9	41.0	5.2	3.1	0.7
Military Wages	2.968	2.956	2.968	2.953	3.344	3.275	3.228	3.281
% Ch, Annual Rate	28.8	-1.6	1.6	-2.0	64.4	-8.0	-5.6	6.7
Nonwage Personal Income	90.440	91.919	92.512	116.038	95.906	96.958	97.884	99.264
% Ch, Annual Rate	-0.5	6.7	2.6	147.5	-53.3	4.5	3.9	5.8
Supplements to Wages and Salaries	27.727	28.919	29.305	29.675	30.303	30.829	31.534	31.947
% Ch, Annual Rate	11.2	18.3	5.4	5.1	8.7	7.1	9.5	5.3
Proprietor's Income	17.650	18.319	18.201	18.503	18.415	18.578	19.017	19.195
% Ch, Annual Rate	17.9	16.0	-2.6	6.8	-1.9	3.6	9.8	3.8
Farm	0.736	0.768	0.397	0.310	0.341	0.179	0.242	0.171
% Ch, Annual Rate	-5.E+01	18.6	-92.9	-62.8	46.4	-9.E+01	234.1	-75.1
Nonfarm	16.914	17.551	17.803	18.193	18.074	18.399	18.775	19.024
% Ch, Annual Rate	23.6	15.9	5.9	9.1	-2.6	7.4	8.4	5.4
Less: Contribution For Govt. Soc. Ins.	19.558	20.326	20.568	20.777	21.157	21.413	21.919	22.200
% Ch, Annual Rate	11.9	16.7	4.8	4.1	7.5	4.9	9.8	5.2
Plus: Residence Adjustment	2.479	2.499	2.537	2.570	2.742	2.769	2.826	2.851
% Ch, Annual Rate	-5.8	3.3	6.2	5.3	29.6	4.0	8.5	3.6
Dividends/Int./Rent	33.974	34.300	34.760	57.487	36.104	36.320	36.494	37.323
% Ch, Annual Rate	-10.9	3.9	5.5	648.1	-84.4	2.4	1.9	9.4
Transfer Payments	28.168	28.208	28.278	28.580	29.499	29.875	29.932	30.148
% Ch, Annual Rate	0.5	0.6	1.0	4.3	13.5	5.2	0.8	2.9
State U.I. Benefits	1.590	1.182	1.037	0.924	0.847	0.766	0.768	0.750
% Ch, Annual Rate	-68.0	-69.5	-40.8	-37.0	-29.4	-33.1	1.0	-9.1
Other Transfers	26.577	27.026	27.241	27.656	28.652	29.109	29.164	29.398
% Ch, Annual Rate	8.8	6.9	3.2	6.2	15.2	6.5	0.8	3.2

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2007 to 2009

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	234.182	236.403	243.103	245.105	249.657	254.560	263.779	262.851
% Ch, Annual Rate	10.5	3.8	11.8	3.3	7.6	8.1	15.3	-1.4
Total Wage and Salary Disbursements	133.429	134.153	138.855	139.756	142.713	145.588	152.733	150.110
% Ch, Annual Rate	13.9	2.2	14.8	2.6	8.7	8.3	21.1	-6.7
Manufacturing	17.106	17.122	15.683	17.328	17.452	17.873	17.982	18.267
% Ch, Annual Rate	38.5	0.4	-29.6	49.0	2.9	10.0	2.5	6.5
Durable Manufacturing	13.209	13.312	11.937	13.493	13.479	13.888	13.962	14.176
% Ch, Annual Rate	41.4	3.2	-35.3	63.3	-0.4	12.7	2.1	6.3
Nondurable Manufacturing	3.897	3.810	3.746	3.835	3.974	3.984	4.020	4.091
% Ch, Annual Rate	29.1	-8.6	-6.6	9.8	15.3	1.1	3.6	7.3
Nonmanufacturing	110.505	111.204	117.235	116.603	119.333	121.722	128.701	125.726
% Ch, Annual Rate	10.9	2.6	23.5	-2.1	9.7	8.3	25.0	-8.9
Other Private Wages	1.271	1.304	1.386	1.323	1.373	1.394	1.414	1.439
% Ch, Annual Rate	23.0	10.8	27.6	-17.0	16.1	6.0	6.0	7.4
Farm Wages	1.212	1.222	1.232	1.243	1.253	1.271	1.290	1.306
% Ch, Annual Rate	2.7	3.3	3.3	3.6	3.3	6.0	6.0	5.1
Military Wages	3.335	3.301	3.319	3.259	3.301	3.328	3.346	3.370
% Ch, Annual Rate	6.7	-4.0	2.2	-7.0	5.3	3.3	2.2	2.9
Nonwage Personal Income	100.752	102.249	104.248	105.348	106.944	108.973	111.046	112.741
% Ch, Annual Rate	6.1	6.1	8.1	4.3	6.2	7.8	7.8	6.2
Supplements to Wages and Salaries	32.879	33.271	34.497	34.570	34.838	35.241	35.810	36.395
% Ch, Annual Rate	12.2	4.9	15.6	0.8	3.1	4.7	6.6	6.7
Proprietor's Income	19.541	19.693	19.725	20.134	20.041	20.423	20.800	21.127
% Ch, Annual Rate	7.4	3.1	0.7	8.6	-1.8	7.9	7.6	6.4
Farm	0.266	0.199	0.243	0.527	0.265	0.374	0.491	0.498
% Ch, Annual Rate	485.5	-68.7	122.3	2,112.2	-93.6	298.5	195.1	5.7
Nonfarm	19.275	19.494	19.483	19.607	19.776	20.049	20.309	20.630
% Ch, Annual Rate	5.4	4.6	-0.2	2.6	3.5	5.6	5.3	6.5
Less: Contribution For Govt. Soc. Ins.	23.188	23.324	24.029	24.232	24.723	24.903	25.300	25.613
% Ch, Annual Rate	19.0	2.4	12.6	3.4	8.4	3.0	6.5	5.0
Plus: Residence Adjustment	3.018	3.020	2.989	3.119	3.189	3.256	3.291	3.319
% Ch, Annual Rate	25.6	0.3	-4.0	18.6	9.3	8.6	4.4	3.5
Dividends/Int./Rent	37.581	38.304	39.285	39.727	40.618	41.759	42.631	43.199
% Ch, Annual Rate	2.8	7.9	10.6	4.6	9.3	11.7	8.6	5.4
Transfer Payments	30.921	31.285	31.780	32.030	32.981	33.197	33.814	34.313
% Ch, Annual Rate	10.7	4.8	6.5	3.2	12.4	2.6	7.6	6.0
State U.I. Benefits	0.698	0.668	0.626	0.664	0.606	0.548	0.548	0.528
% Ch, Annual Rate	-25.0	-16.1	-22.9	26.6	-30.6	-33.1	0.0	-13.8
Other Transfers	30.223	30.617	31.154	31.367	32.375	32.649	33.266	33.784
% Ch, Annual Rate	11.7	5.3	7.2	2.8	13.5	3.4	7.8	6.4

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2007 to 2009

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	266.689	270.239	280.214	278.340	282.354	286.280	297.441	295.354
% Ch, Annual Rate	6.0	5.4	15.6	-2.6	5.9	5.7	16.5	-2.8
Total Wage and Salary Disbursements	152.101	153.837	162.219	158.586	160.742	162.661	171.966	167.926
% Ch, Annual Rate	5.4	4.6	23.6	-8.7	5.5	4.9	24.9	-9.1
Manufacturing	18.398	18.594	18.755	18.891	19.052	19.237	19.430	19.623
% Ch, Annual Rate	2.9	4.3	3.5	2.9	3.5	4.0	4.1	4.0
Durable Manufacturing	14.278	14.406	14.517	14.594	14.698	14.831	14.978	15.130
% Ch, Annual Rate	2.9	3.6	3.1	2.1	2.9	3.7	4.0	4.1
Nonurable Manufacturing	4.120	4.188	4.238	4.297	4.354	4.406	4.452	4.493
% Ch, Annual Rate	2.8	6.8	4.9	5.7	5.4	4.9	4.3	3.7
Nonmanufacturing	127.423	128.904	137.074	133.266	135.124	136.813	145.881	141.604
% Ch, Annual Rate	5.5	4.7	27.9	-10.7	5.7	5.1	29.3	-11.2
Other Private Wages	1.466	1.491	1.516	1.541	1.568	1.597	1.625	1.653
% Ch, Annual Rate	7.5	7.2	6.7	6.8	7.3	7.5	7.2	7.1
Farm Wages	1.323	1.340	1.357	1.373	1.391	1.409	1.428	1.446
% Ch, Annual Rate	5.3	5.2	5.0	4.9	5.3	5.5	5.3	5.1
Military Wages	3.491	3.508	3.518	3.515	3.607	3.605	3.602	3.601
% Ch, Annual Rate	15.1	2.0	1.2	-0.3	10.8	-0.3	-0.2	-0.2
Nonwage Personal Income	114.588	116.402	117.995	119.754	121.612	123.619	125.476	127.428
% Ch, Annual Rate	6.7	6.5	5.6	6.1	6.4	6.8	6.1	6.4
Supplements to Wages and Salaries	36.904	37.298	37.654	37.975	38.597	39.068	39.510	39.882
% Ch, Annual Rate	5.7	4.3	3.9	3.5	6.7	5.0	4.6	3.8
Proprietor's Income	21.515	21.879	22.184	22.568	22.993	23.397	23.730	24.063
% Ch, Annual Rate	7.6	6.9	5.7	7.1	7.8	7.2	5.8	5.7
Farm	0.522	0.546	0.558	0.601	0.618	0.635	0.646	0.659
% Ch, Annual Rate	20.8	19.8	9.7	34.3	11.7	11.7	6.9	8.6
Nonfarm	20.994	21.333	21.626	21.967	22.375	22.762	23.084	23.404
% Ch, Annual Rate	7.2	6.6	5.6	6.5	7.6	7.1	5.8	5.7
Less: Contribution For Govt. Soc. Ins.	26.106	26.366	26.629	26.821	27.518	27.812	28.132	28.340
% Ch, Annual Rate	7.9	4.0	4.1	2.9	10.8	4.3	4.7	3.0
Plus: Residence Adjustment	3.350	3.383	3.419	3.451	3.487	3.529	3.573	3.615
% Ch, Annual Rate	3.8	4.0	4.3	3.8	4.3	4.9	5.0	4.8
Dividends/Int./Rent	43.775	44.479	45.046	45.700	46.399	47.227	48.075	48.963
% Ch, Annual Rate	5.4	6.6	5.2	5.9	6.3	7.3	7.4	7.6
Transfer Payments	35.150	35.730	36.322	36.882	37.654	38.209	38.719	39.245
% Ch, Annual Rate	10.1	6.8	6.8	6.3	8.6	6.0	5.4	5.5
State U.I. Benefits	0.543	0.560	0.589	0.622	0.634	0.662	0.644	0.665
% Ch, Annual Rate	11.6	13.3	22.7	24.3	7.8	19.0	-10.3	13.7
Other Transfers	34.608	35.170	35.732	36.260	37.020	37.547	38.075	38.580
% Ch, Annual Rate	10.1	6.7	6.6	6.0	8.6	5.8	5.7	5.4

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

	Price Deflator*		U.S. CPI#		Seattle CPI+	
	Index	Percent Change	Index	Percent Change	Index	Percent Change
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	1.056	2.0	1.840	2.3	1.924	1.6
2004	1.084	2.6	1.889	2.7	1.947	1.2
2005	1.116	2.9	1.953	3.4	2.002	2.8
2006	1.147	2.8	2.016	3.2	2.076	3.7
Forecast						
2007	1.174	2.3	2.068	2.6	2.147	3.4
2008	1.195	1.9	2.108	1.9	2.197	2.4
2009	1.216	1.7	2.145	1.7	2.249	2.4

* 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
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	13.508	4.2	21.890	0.9
1971	22.340	5.5	27.384	3.1	14.418	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	82.043	-1.2	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	-3.2	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	106.018	2.7	104.951	2.0	91.688	-9.9	90.433	-6.1
2003	109.379	3.2	106.986	1.9	109.653	19.6	105.213	16.3
2004	112.929	3.2	110.269	3.1	125.389	14.4	123.991	17.8
2005	116.726	3.4	112.749	2.2	159.612	27.3	150.842	21.7
2006	120.725	3.4	115.340	2.3	180.349	13.0	170.501	13.0
Forecast								
2007	124.493	3.1	119.659	3.7	184.290	2.2	177.875	4.3
2008	127.848	2.7	122.567	2.4	177.213	-3.8	175.429	-1.4
2009	130.947	2.4	124.486	1.6	173.611	-2.0	174.120	-0.7

Table A5.1

Washington Resident Population and Components of Change*

(Thousands)

	<u>Population</u>	<u>Change</u>	<u>Percent Change</u>	<u>Births</u>	<u>Deaths</u>	<u>Net Migration</u>
1970	3413.2	16.2	0.5	59.9	30.0	-13.7
1971	3436.3	23.1	0.7	60.0	29.8	-7.1
1972	3430.3	-6.0	-0.2	53.1	30.4	-28.7
1973	3444.3	14.0	0.4	47.7	30.4	-3.3
1974	3508.7	64.4	1.9	48.2	29.9	46.1
1975	3567.9	59.2	1.7	50.1	30.3	39.4
1976	3634.9	67.0	1.9	51.4	30.2	45.8
1977	3715.4	80.5	2.2	54.2	29.1	55.4
1978	3836.2	120.8	3.3	57.3	30.4	93.9
1979	3979.2	143.0	3.7	60.2	30.2	113.0
1980	4132.2	153.0	3.8	65.4	31.3	118.9
1981	4229.3	97.1	2.4	68.2	31.8	60.8
1982	4276.5	47.3	1.1	70.1	31.7	8.9
1983	4307.2	30.7	0.7	69.5	32.5	-6.2
1984	4354.1	46.8	1.1	68.5	33.2	11.6
1985	4415.8	61.7	1.4	69.1	34.0	26.6
1986	4462.2	46.4	1.1	70.2	34.0	10.2
1987	4527.1	64.9	1.5	69.3	34.4	30.0
1988	4616.9	89.8	2.0	71.0	36.0	54.8
1989	4728.1	111.2	2.4	73.0	36.0	74.2
1990	4866.7	138.6	2.9	76.4	36.2	98.5
1991	5021.3	154.6	3.2	79.1	36.6	112.1
1992	5141.2	119.8	2.4	80.2	37.2	76.8
1993	5265.7	124.5	2.4	79.1	39.4	84.8
1994	5364.3	98.6	1.9	78.2	39.5	60.0
1995	5470.1	105.8	2.0	77.5	40.0	68.3
1996	5567.8	97.7	1.8	77.0	41.2	61.8
1997	5663.8	96.0	1.7	78.0	42.6	60.6
1998	5750.0	86.3	1.5	78.8	41.6	49.0
1999	5830.8	80.8	1.4	79.8	43.1	44.2
2000	5894.1	63.3	1.1	79.9	43.7	27.2
2001	5974.9	80.8	1.4	80.7	43.9	44.0
2002	6041.7	66.8	1.1	79.3	44.9	32.4
2003	6098.3	56.6	0.9	79.1	44.7	22.3
2004	6167.8	69.5	1.1	81.0	46.0	34.6
2005	6256.4	88.6	1.4	81.8	45.6	52.4
2006	6375.6	119.2	1.9	82.9	46.2	82.5
Forecast						
2007	6503.5	127.9	2.0	85.5	47.6	90.0
2008	6630.7	127.1	2.0	88.1	49.0	88.1
2009	6751.4	120.8	1.8	90.1	50.5	81.1

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual			Forecast		
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Population	6167.8	6256.4	6375.6	6503.5	6630.7	6751.4
Percent Change	1.1	1.4	1.9	2.0	2.0	1.8
Age 17 and Under	1522.0	1531.4	1549.0	1569.8	1587.8	1604.5
Percent of Total	24.7	24.5	24.3	24.1	23.9	23.8
Age 6-18	1128.5	1132.3	1143.1	1156.4	1167.1	1172.5
Percent of Total	18.3	18.1	17.9	17.8	17.6	17.4
Age 18 and Over	4645.8	4725.0	4826.6	4933.7	5042.9	5147.0
Percent of Total	75.3	75.5	75.7	75.9	76.1	76.2
Age 21 and Over	4379.3	4455.9	4552.7	4655.6	4755.9	4853.3
Percent of Total	71.0	71.2	71.4	71.6	71.7	71.9
Age 20-34	1273.3	1283.6	1309.4	1343.0	1383.8	1424.7
Percent of Total	20.6	20.5	20.5	20.7	20.9	21.1
Age 18-64	3948.9	4014.5	4099.9	4187.7	4271.1	4349.1
Percent of Total	64.0	64.2	64.3	64.4	64.4	64.4
Age 65 and Over	696.9	710.5	726.7	746.0	771.8	797.9
Percent of Total	11.3	11.4	11.4	11.5	11.6	11.8

* As of April 1 of Each Year

Source: Office of Financial Management

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Glossary

Biennium: The state's two years budget cycle. The 2001-2003 biennium started on July 1, 2003 and ends June 30, 2005. The current 2007-2009 biennium started July 1, 2007 and ends June 30, 2009.

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 bimonthly 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.