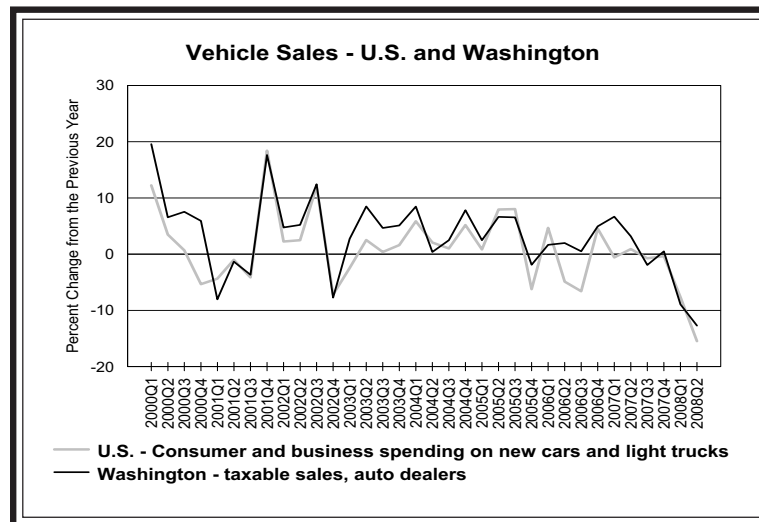


Washington Economic and Revenue Forecast



September 2008
Volume XXXI, No. 3

Economic and Revenue Forecast Council Members

Representative Jim McIntire, Chair	Cindi Holmstrom, Director, DOR
Representative Ed Orcutt	Victor Moore, Director, OFM
Senator Joseph Zarelli	Senator Craig Pridemore

Governor's Council of Economic Advisors

Mr. Rick Bender	Mr. David Nierenberg
Mr. Frank Brod	Dr. Desmond O'Rourke
Dr. Richard Conway	Dr. Kriss Sjoblom
Mr. Grant Forsyth	Dr. Paul Sommers
Mr. John Griffiths	Mr. Daniel Thomas
Mr. William Longbrake	Dr. Andy Turner
Dr. Shelly J. Lundberg	Mr. Jeff Chapman

Explanation of the Cover Graph

The cover chart compares the taxable sales of Washington auto dealers with U.S. business and consumer spending on new cars and light trucks. While the two are not exactly comparable (e.g. the Washington series includes taxable sales of used vehicles and other taxable sales) they do tend to move together. Preliminary data indicates that Washington taxable sales of auto dealers posted a year-over-year drop of 13.6 percent in the second quarter of 2008 following a 9.2 percent decline in the first quarter.

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

Washington Economic and Revenue Forecast

Prepared by the
Economic and Revenue Forecast Council

September 2008
Volume XXXI, No.3

This page left intentionally blank.

Preface

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

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

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

This page left intentionally blank.

September 2008

Table of Contents

Preface	iii
List of Tables	vii
List of Charts	ix
Executive Summary	1
Chapter 1	
Washington State and U.S. Economic Forecasts	
Recent U.S. Economic Activity	5
U.S. Forecast Highlights	6
Recent Economic Activity in Washington	8
Adjustments to Economic Data	9
Washington State Forecast Highlights	9
Alternative Forecasts	12
Governor's Council of Economic Advisors Scenario	14
Chapter 2	
Washington Business Indicators	
The National Economy	27
The State Economy and Indicators	28
Chapter 3	
Washington State Revenue Forecast Summary	
Introduction	37
Background and Assumptions	38
September 2008 Forecast Assumptions	38
Recent Collection Experience	39
The General Fund-State Forecast for the 2007-09 and the 2009-11 Biennia	42
Department of Revenue	42
Department of Licensing	47
Office of Financial Management: Other Agencies	48
State Treasurer	48
Insurance Commissioner	48
Liquor Control Board	48
Lottery Commission	48
Forecast Change for the 2007-09 and the 2009-11 Biennia	48
Track Record for the 2007-09 Biennium	49
Track Record for the 2009-11 Biennium	49
The Relationship Between Cash and GAAP General Fund-State Revenue Forecasts	49
Alternative Forecast for the 2007-09 and the 2009-11 Biennia	51
"Related Fund" and General Fund Forecast for the 2007-09 and the 2009-11 Biennia	51

Chapter 4: Special Report	
Measures of Consumer Confidence	67
University of Michigan Index of Consumer Sentiment.....	67
Conference Board Consumer Confidence Index	67
References	70
Appendices	
Detail Components of the Washington Economic Forecast	71
Glossary	101

List of Tables

Chapter 1

Washington State and U.S. Economic Forecasts

Table 1.1	U.S. Economic Forecast Summary	15
Table 1.2	Washington Economic Forecast Summary	16
Table 1.3	Comparison of Alternative Forecasts	17
Table 1.4	Forecast Analysis	18
Table 1.5	Forecast Comparison	19
Table 1.6	Long Range Economic Outlook	20

Chapter 2

Washington Business Indicators

Table 2.1	Summary of National & State Indicators	30
Table 2.2	Washington Business Indicators	36

Chapter 3

Washington State Revenue Forecast Summary

Table 3.1	Revision to the General Fund-State Forecast	37
Table 3.2	Economic and Revenue Forecast Flow Chart	40
Table 3.3	Collection Variance, June 11, 2008-September 10, 2008	41
Table 3.4	General Fund-State Collections	43
Table 3.5	Taxable Retail Sales	44
Table 3.6	Summary of Changes to General Fund-State Forecast	50
Table 3.7	Comparison of the General Fund-State Forecast by Agency, 2007-09 Biennium; Cash	52
Table 3.8	Comparison of the General Fund-State Forecast by Agency; 2007-09 Biennium; GAAP ...	53
Table 3.9	Comparison of the General Fund-State Forecast by Agency, 2009-11 Biennium; Cash	54
Table 3.10	Comparison of the General Fund-State Forecast by Agency, 2009-11 Biennium; GAAP ..	55
Table 3.11	September General Fund-State Forecast 2007-09 & 2009-11 Biennia; Cash Basis	56
Table 3.12	General Fund - State Cash Receipts, September 2008	57
Table 3.13	Track Record for the 2007-09 General Fund-State Cash Forecast	58
Table 3.14	Track Record for the 2009-11 General Fund-State Cash Forecast	59
Table 3.15	September 2008 Baseline Forecast by Agency	60
Table 3.16	2007-09 Enacted Budget Balance Sheet Including 2008 Supplemental	61
Table 3.17	September 2008 Alternative Forecasts Compared to the Baseline Forecast, 2007-09	62
Table 3.18	September 2008 Alternative Forecasts Compared to the Baseline Forecast, 2009-11	63
Table 3.19	Impact of Initiative 728 and the State Property Tax and Lottery Revenue	64
Table 3.20	General Fund-State, Related Fund, and Near General Fund	65
Table 3.21	General Fund-State and Related Fund, by Fiscal Year	66

Appendices

Detail Components of the Washington Economic Forecast

Table A1.1	U.S. Economic Forecast Summary; Annual	72
Table A1.2	U.S. Economic Forecast Summary; Quarterly	73

Appendices

Detail Components of the Washington Economic Forecast (Continued)

Table A1.3	Washington Economic Forecast Summary; Annual	76
Table A1.4	Washington Economic Forecast Summary; Quarterly	77
Table A2.1	U.S. Nonagricultural Employment by Industry; Annual	80
Table A2.2	U.S. Nonagricultural Employment by Industry; Quarterly	81
Table A2.3	Washington Nonagricultural Employment by Industry; Annual	84
Table A2.4	Washington Nonagricultural Employment by Industry; Quarterly	85
Table A3.1	U.S. Personal Income by Component; Annual	88
Table A3.2	U.S. Personal Income by Component; Quarterly	89
Table A3.3	Washington Personal Income by Component; Annual	92
Table A3.4	Washington Personal Income by Component; Quarterly	93
Table A4.1	Selected Inflation Indicators	96
Table A4.2	Chain-Weighted Price Indices	97
Table A5.1	Washington Resident Population and Components of Changes	98
Table A5.2	Washington Population	99

List of Charts

Chapter 1

Washington State and U.S. Economic Forecast

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1	Total Nonfarm Payroll Employment	21
Chart 1.2	Manufacturing Employment	21
Chart 1.3	Aerospace Employment	21
Chart 1.4	Computers and Electronics Employment	21
Chart 1.5	Construction Employment	22
Chart 1.6	Information Employment	22
Chart 1.7	Other Private Employment	22
Chart 1.8	Government Employment	22
Chart 1.9	Real Personal Income	23
Chart 1.10	Consumer Price Indices	23
Chart 1.11	Population	23
Chart 1.12	Per Capita Housing Units	23

Comparison of Alternative U.S. Forecasts

Chart 1.13	Real GDP	24
Chart 1.14	Implicit Price Deflator	24
Chart 1.15	Mortgage Rate	24
Chart 1.16	Three Month T-Bill Rate	24

Comparison of Alternative Washington Forecasts

Chart 1.17	Personal Income	25
Chart 1.18	Real Personal Income	25
Chart 1.19	Total Nonfarm Payroll Employment	25
Chart 1.20	Housing Permits	25

Chapter 2

Washington Business Indicators

Washington Economic Indicators

Chart 2.1	Year-over-Year Employment Growth	31
Chart 2.2	Washington Aircraft and Parts Employment	31
Chart 2.3	Unemployment Rate	31
Chart 2.4	Washington Boom Monitor Composite Index	31

Washington State Leading Indicators

Chart 2.5	The Washington and U.S. Indexes of Leading Indicators	32
Chart 2.6	Washington Initial Claims for Unemployment Insurance	32
Chart 2.7	Seattle Times and U.S. Help-Wanted Advertising Indexes	32
Chart 2.8	Housing Units Authorized in Washington State	32

Other State Economic Indicators

Chart 2.9	Average Weekly Hours in Manufacturing	33
Chart 2.10	Washington Driver's License Migration	33
Chart 2.11	New Car and Truck Registrations in Washington	33
Chart 2.12	Institute for Supply Management Index	33

Other Economic Indicators

Chart 2.13	Quarterly U.S. Real GDP Growth	34
Chart 2.14	Washington State Export Composition	34
Chart 2.15	U.S. Economic Indicators	34
Chart 2.16	National Stock Indexes	34

Other Economic Indicators

Chart 2.17	Federal Funds Target Rate	35
Chart 2.18	Consumer Confidence	35
Chart 2.19	Seattle vs U.S. CPI (All Urban Consumers)	35
Chart 2.20	Monster Employment Index	35

Chapter 3

Washington State Revenue Forecast

Chart 3.1	General Fund-State Revenue	45
Chart 3.2	General Fund-State Revenue; Percent Change	45
Chart 3.3	Composition of General Fund-State Revenue	46
Chart 3.4	Taxable Sales as a Percent of Personal Income	46

Chapter 4: Special Report

Measures of Consumer Confidence

Chart 4.1	University of Michigan Index of Consumer Sentiment	67
Chart 4.2	Conference Board Consumer Confidence Index	68
Chart 4.3	Consumer Sentiment and Spending	69

Executive Summary

U.S. Economic Forecast

The September 2008 economic and revenue forecast incorporated the preliminary GDP estimate for the second quarter of 2008. According to the preliminary estimate, real GDP growth jumped to 3.3 percent in the second quarter from 0.9 percent in the first quarter and -0.2 percent in the fourth quarter of 2007. Growth of final sales of domestic product was an even stronger 4.8 percent in the second quarter. The apparent strength in the second quarter was the result of strong export growth and import substitution rather than strong domestic demand. Net exports added more than three percentage points to GDP growth. Exports rose at a 13.2 percent rate and imports fell at a 7.6 percent rate. In spite of the “rebate” checks that mostly arrived in the second quarter, final sales to domestic purchasers rose only 1.5 percent following a gain of just 0.1 percent in the first quarter and a 0.1 percent decline in the fourth quarter of 2007. Consumer spending grew at only a 1.7 percent rate in the second quarter. Consumer purchases of durable goods fell at a 2.5 percent rate due to a 19.3 percent decline in motor vehicles and parts. Once again the weakest sector was fixed investment which fell at a 2.5 percent rate in the quarter due mainly to a 15.7 percent drop in residential fixed investment. Government consumption and investment spending rose at a 3.9 percent rate in the second quarter, led by a 7.4 percent increase in defense spending.

Payroll employment declined at a 0.6 percent rate in the second quarter compared to a 0.3 percent decline in the first quarter while the unemployment rate edged up to 5.33 percent from 4.93 percent. The Consumer Price Index rose 5.0 percent in the second quarter following a 4.3 percent rise in the first quarter. The high headline inflation rate was due to energy costs which rose at a 18.5 percent rate in the first quarter and a 28.1 percent rate in the second quarter. Core CPI inflation, which excludes food and energy, rose at a 1.9 percent rate in the second quarter. Housing starts declined at a 10.8 percent rate in the second quarter to 1.023 million units from 1.053 million units in the first quarter. The mortgage rate increased to 6.09 percent in the second quarter from 5.87 percent in the first quarter. The Federal Reserve left its target for the federal funds rate at 2.00 in June and September.

The “rebate” payments will total \$94 billion in fiscal 2008. Oil prices have fallen back to around \$110 per barrel, after nearing \$150 in mid-July. We have lowered our projected second-half 2008 average price (WTI) to \$118 per barrel and assume an average \$110 per barrel in 2009. We assume that the Fed will keep the federal funds rate at 2.00 percent through mid-2009. It then begins a tightening cycle, returning the funds rate to 3.50 percent by the end of 2009 and 4.75 percent by the end of 2010. With growth around the world weakening, the dollar has passed its low point against the euro, sterling, and the Canadian dollar. We project GDP growth in the United States’ major-currency trading partners at just 1.1 percent in both 2008 and 2009, down from 2.8 percent in 2007. Growth for other trading partners should ease from 6.1 percent in 2007 to 5.1 percent in 2008 and 4.6 percent in 2009. The forecast assumes that Congress

will retain most of the Bush administration's personal tax reductions, rather than let them expire as scheduled at the end of 2010. But we expect some increase in the income tax burden, regardless of who holds the presidency. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 5.3% in calendar 2008, up from 2.5% growth in calendar 2007. Overall federal purchases will rise 4.3% in 2008, up from 1.6% growth in 2007.

Annual GDP growth slowed to 2.0 percent in 2007 from 2.8 percent in 2006. The forecast expects GDP growth to slow down to 1.8 percent this year and 1.0 percent next year before recovering to 2.9 percent in 2010 and 3.2 percent in 2011. Nonfarm payroll employment growth slowed to 1.1 percent in 2007 from 1.8 percent in 2006. Employment is expected to be flat this year and to decline 0.1 percent next year. Employment growth is expected to improve to 1.2 percent in 2010 and 1.6 percent in 2011 as the economy recovers. The unemployment rate edged up to 4.64 percent in 2007 from 4.61 percent in 2006. The forecast expects the unemployment rate to rise to 5.45 percent in 2008 and 6.13 percent in 2009, recovering to 5.94 percent in 2010 and 5.51 percent in 2011. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.6 percent in 2007 from 2.8 percent in 2006. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.2 percent in 2007. Rising energy costs will add to inflation in 2008 as well, but not in 2009, 2010, and 2011. The implicit price deflator is expected to rise 3.9 percent in 2008 (2.3 percent core), 2.4 percent in 2009, 1.8 percent in 2010, and 2.1 percent in 2011.

Washington State Economic Forecast

Washington payroll employment declined at a 0.5 percent annual rate in the second quarter of 2008 following a 2.9 percent increase in the first quarter. Manufacturing employment declined at a 0.7 percent rate in spite of a 3.5 percent increase in aerospace employment. Manufacturing employment other than aerospace declined at a 2.3 percent rate. Construction employment fell at a 6.6 percent rate in the second quarter. Residential building and related special trades employment plunged at a 13.9 percent rate while all other construction employment edged up at a 0.1 percent rate. Natural resources (logging) and mining employment, while small, fell at an 8.2 percent rate in the second quarter as both logging and mining declined. Among the private services-producing sectors, "other services" employment growth was strongest at 2.1 percent. Information employment also remained strong with a 2.0 percent growth rate. Software employment increased at a 7.4 percent rate but other information employment declined at a 2.6 percent rate. Also healthy in the second quarter were leisure and hospitality (up 2.0 percent) and professional and business services (up 1.7 percent). Education and health services declined at a 1.0 percent rate and financial activities employment fell at a 2.3 percent rate. In the public sector, state and local government employment declined at a 1.3 percent rate in the second quarter and federal government employment inched down at a 0.1 percent rate.

Washington's personal income in the first quarter of 2008 was \$0.269 billion (0.1 percent) higher than the estimate made in June. Total wages were \$0.213 billion (0.1 percent) higher than expected in June. Software wages were \$0.057 billion (0.8 percent) higher than expected in June. First quarter wages in sectors other than software wages were \$0.156 billion (0.1 percent) higher than expected in the June forecast. Nonwage personal income in the first quarter was \$0.056 billion (0.0 percent) above the June forecast. The forecast assumes that personal income growth jumped to 7.1 percent in the second quarter of 2008 from 1.4 percent in the first quarter. (The first quarter income growth appeared low due to unusually large stock options in the software industry in the fourth quarter of 2007 that were not repeated in the first quarter of 2008.) Second quarter income growth was temporarily boosted by payments made as a part of the federal government's fiscal stimulus plan. The forecast assumes that wage and salary

disbursements grew at a moderate 2.8 percent rate in the second quarter. The forecast also assumes that income from sources other than wages grew at a strong 12.8 percent rate in the second quarter due primarily to the stimulus payments.

The forecast also reflects Seattle consumer price data through June 2008. After trailing the national average during 2002, 2003, and 2004, December-December Seattle inflation moved ahead of the national average in 2005, 2006, and 2007. Seattle inflation during the first six months of this year averaged 6.0 percent compared to the U.S. rate of 5.5 percent and core inflation in Seattle averaged 3.7 percent versus 2.3 percent for the U.S. city average. The stronger inflation in Seattle compared to the U.S. city average during the last few years is mostly due to shelter costs, in particular, rent and owners' equivalent rent.

The number of housing units authorized by building permit remained essentially unchanged in the second quarter of 2008, rising 100 to 31,700 from 31,600 in the first quarter. Single-family permits declined 700 to 18,300 but multi-family permits increased 800 to 13,400. Permits plunged in July to an annual rate of just 23,600, the lowest monthly rate since December 1984. The weakness was mainly in the volatile multi-family sector.

The forecast for Washington housing permits during the second quarter of 2008 was very close to the level expected in June. However, the very low July results indicate that the third quarter average is likely to be quite weak. Combined with the continuing weakness in home sales, the July permit data suggest that housing permits will be lower in 2008 than assumed in June. The forecast also assumes that the housing sector will not show any significant improvement until the second quarter of 2009, which is consistent with the U.S. forecast. The forecast assumes construction employment will decline by about 12,500 from the peak in the fourth quarter of 2007 through the fourth quarter of 2009, which is larger than the 7,300 decline expected in the June forecast for the same period. The software employment forecast is stronger than the June assumption. Software employment is expected to rise 12,800 from the fourth quarter of 2007 to the fourth quarter of 2011 compared to 9,700 in the June forecast. Washington aerospace employment is expected to continue to rise through the end of 2008, reaching 87,100 in December which is 500 higher than assumed in June. The forecast assumes no further changes in aerospace employment through 2011.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment grew 2.5 percent in 2007 following a 3.0 percent increase in 2006. While the software industry is expected to continue to grow, the forecast assumes that aerospace employment will soon level off and that construction employment will decline. The state is also adversely affected by the recession or near recession in the U.S. economy. The forecast calls for employment growth rates of 1.5 percent and 0.7 percent in 2008 and 2009. Employment growth is expected to improve to 1.8 percent in 2010 and 1.9 percent in 2011 as the national economy recovers. Washington personal income growth slowed from 8.4 percent in 2006 to a still strong 7.8 percent in 2007. Income growth is expected to slow to 5.3 percent in 2008 and 4.8 percent in 2009 before recovering to 5.6 percent and 6.1 percent in 2010 and 2011. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000 and another 2,600 in 2007 to 47,400. Tighter lending standards and plunging consumer confidence are expected to depress the single-family market despite lower mortgage interest rates but continued strong net migration into Washington should support multi-family activity. The forecast expects total housing permits to decline to 30,100 in 2008 before recovering to 35,000 in 2009, 43,200 in 2010, and 48,200 in 2011. Inflation, as measured by the Seattle CPI, increased to 3.9 percent in 2007 from 3.7 percent in 2006. Core inflation (excluding food and energy) was slightly more moderate but also increased to 3.5 percent in 2007 from 3.3 percent in 2006. Energy costs will add to inflation again in 2008 raising headline inflation to 5.0 percent compared to core inflation of 3.4 percent. Much lower energy price

increases should help lower overall inflation in 2009, 2010, and 2011. The slowdown in the overall economy should also help restrain core inflation. As a result, Seattle inflation should decline to 3.1 percent in 2009 and 2.4 percent per year in 2010 and 2011.

Washington State Revenue Forecast

The September Washington economic forecast is generally similar to the forecast adopted in June except in the critical areas of housing and construction. Construction employment is expected to decline further than assumed in June and the recovery in housing permits is later and more drawn out. However, the primary source of the revenue forecast revision in September is much weaker spending, especially on automobiles, than assumed in June.

The September 2008 forecast for the 2007-09 biennium is \$29,129.3 million, which is \$273.1 million lower than expected in the June forecast. Of the \$273.1 million reduction, \$112.8 million is due to collection experience since the June forecast and \$160.2 million is due to a weaker forecast for the remainder of the biennium. The forecast for the 2009-11 biennium is \$31,498.3 million, which is \$256.2 million lower than expected in the June forecast.

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 \$533 million (1.8 percent) more revenue in the 2007-09 biennium than did the baseline while the pessimistic alternative was \$483 million (1.7 percent) lower. An alternative forecast based on the average view of the Governor's Council of Economic Advisors yielded \$159 million (0.5 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 2008 economic and revenue forecast incorporated the preliminary GDP estimate for the second quarter of 2008. According to the preliminary estimate, real GDP growth jumped to 3.3 percent in the second quarter from 0.9 percent in the first quarter and -0.2 percent in the fourth quarter of 2007. Growth of final sales of domestic product was an even stronger 4.8 percent in the second quarter. The apparent strength in the second quarter was the result of strong export growth and import substitution rather than strong domestic demand. Net exports added more than three percentage points to GDP growth. Exports rose at a 13.2 percent rate and imports fell at a 7.6 percent rate. In spite of the “rebate” checks that mostly arrived in the second quarter, final sales to domestic purchasers rose only 1.5 percent following a gain of just 0.1 percent in the first quarter and a 0.1 percent decline in the fourth quarter of 2007. Consumer spending grew at only a 1.7 percent rate in the second quarter. Consumer purchases of durable goods fell at a 2.5 percent rate due to a 19.3 percent decline in motor vehicles and parts. Purchases of nondurable goods rose at a 4.2 percent rate and purchases of services rose at a 1.3 percent rate. Once again the weakest sector was fixed investment which fell at a 2.5 percent rate in the quarter due mainly to a 15.7 percent drop in residential fixed investment. Business spending on equipment and software fell at a 3.2 percent rate but nonresidential construction rose at a 13.7 percent rate. Government consumption and investment spending rose at a 3.9 percent rate in the second quarter, led by a 7.4 percent increase in defense spending. Nondefense federal spending rose at a 5.5 percent rate and state and local government spending rose at a 2.2 percent rate.

Payroll employment declined at a 0.6 percent rate in the second quarter compared to a 0.3 percent decline in the first quarter while the unemployment rate edged up to 5.33 percent from 4.93 percent. The Consumer Price Index rose 5.0 percent in the second quarter following a 4.3 percent rise in the first quarter. The high headline inflation rate was due to energy costs which rose at an 18.5 percent rate in the first quarter and a 28.1 percent rate in the second quarter. Core CPI inflation, which excludes food and energy, rose at a 1.9 percent rate in the second quarter. Housing starts declined at a 10.8 percent rate in the second quarter to 1.023 million units from 1.053 million units in the first quarter. The mortgage rate increased to 6.09 percent in the second quarter from 5.87 percent in the first quarter. The Federal Reserve left its target for the federal funds rate at 2.00 in June and September.

U.S. Forecast Highlights

The “rebate” payments will total \$94 billion in fiscal 2008. Oil prices have fallen back to around \$110 per barrel, after nearing \$150 in mid-July. We have lowered our projected second-half 2008 average price (WTI) to \$118 per barrel and assume an average \$110 per barrel in 2009. We assume that the Fed will keep the federal funds rate at 2.00 percent through mid-2009. It then begins a tightening cycle, returning the funds rate to 3.50 percent by the end of 2009 and 4.75 percent by the end of 2010. With growth around the world weakening, the dollar has passed its low point against the euro, sterling, and the Canadian dollar. We project GDP growth in the United States’ major-currency trading partners at just 1.1 percent in both 2008 and 2009, down from 2.8 percent in 2007. Growth for other trading partners should ease from 6.1 percent in 2007 to 5.1 percent in 2008 and 4.6 percent in 2009. The forecast assumes that Congress will retain most of the Bush administration’s personal tax reductions, rather than let them expire as scheduled at the end of 2010. But we expect some increase in the income tax burden, regardless of who holds the presidency. Spending for the wars in Iraq and Afghanistan continues to climb. We expect real federal defense purchases to rise 5.3% in calendar 2008, up from 2.5% growth in calendar 2007. Overall federal purchases will rise 4.3% in 2008, up from 1.6% growth in 2007.

Annual GDP growth slowed to 2.0 percent in 2007 from 2.8 percent in 2006. The forecast expects GDP growth to slow down to 1.8 percent this year and 1.0 percent next year before recovering to 2.9 percent in 2010 and 3.2 percent in 2011. Nonfarm payroll employment growth slowed to 1.1 percent in 2007 from 1.8 percent in 2006. Employment is expected to be flat this year and to decline 0.1 percent next year. Employment growth is expected to improve to 1.2 percent in 2010 and 1.6 percent in 2011 as the economy recovers. The unemployment rate edged up to 4.64 percent in 2007 from 4.61 percent in 2006. The forecast expects the unemployment rate to rise to 5.45 percent in 2008 and 6.13 percent in 2009, recovering to 5.94 percent in 2010 and 5.51 percent in 2011. Inflation, as measured by the implicit price deflator for personal consumption expenditures, eased slightly to 2.6 percent in 2007 from 2.8 percent in 2006. Rising energy costs continue to boost overall inflation. Core inflation, which excludes food and energy, was only 2.2 percent in 2007. Rising energy costs will add to inflation in 2008 as well, but not in 2009, 2010, and 2011. The implicit price deflator is expected to rise 3.9 percent in 2008 (2.3 percent core), 2.4 percent in 2009, 1.8 percent in 2010, and 2.1 percent in 2011.

1. Real GDP growth improved to 2.4 percent in fiscal 2008 from 2.0 percent in 2007. The apparent improvement did not come from domestic demand, however, as real final sales to domestic purchasers fell to 1.4 percent from 1.9 percent. The housing decline subtracted 1.0 percentage point from real GDP growth, the same as in 2007, and consumer spending growth slowed to 2.0 percent in 2008 from 3.0 percent in 2007. But net exports added 1.2 percentage points to GDP growth, up from 0.2 percentage points in 2007 as exports jumped 10.5 percent while imports inched up only 0.1 percent. More of the same is expected for fiscal 2009 with housing continuing to decline and consumer spending growth weakening further, partially offset by a further improvement in net exports. The forecast assumes that fiscal 2009 is the bottom for residential housing which is the key for a recovery in growth in the final two years of the forecast. Overall, the forecast calls for a relatively weak GDP growth rate of 1.1 percent in fiscal 2009, improving to 1.9 percent in 2010 and 3.1 percent in 2011.
2. Inflation, as measured by the implicit price deflator for personal consumption expenditures, rose to 3.2 percent in fiscal 2008 from 2.4 percent in 2007. The increase was entirely due to

rising food and energy costs. Core inflation actually decreased slightly to 2.2 percent from 2.3 percent. Fiscal 2009 should be the peak for inflation in this cycle. Core inflation is expected to edge up to 2.4 percent and headline inflation to 3.6 percent. The forecast assumes that the weak economy will reduce core inflation to 2.1 percent per year in 2010 and 2011 and that lower energy prices will further reduce headline inflation to 1.7 percent in 2010 and 2.0 percent 2011.

3. The Fed has been in a holding pattern since April after cutting its target for the federal funds rate by 325 basis points to 2.00 percent since the financial crisis erupted last summer. The forecast assumes the Fed will keep the federal funds rate at 2.00 percent through mid-2009 at which time it will begin another tightening cycle. As a result of the Fed easing, the three-month Treasury bill rate fell to 2.89 percent in fiscal 2008 from 4.89 percent in fiscal 2007. The forecast expects the T-bill rate to decline further to 1.83 percent in 2009 before rising again to 3.37 percent and 4.57 percent in 2010 and 2011. Mortgage rates have fallen much less than might be expected given the monetary easing. The 30-year fixed mortgage rate declined from 6.35 percent in fiscal 2007 to 6.18 percent in 2008. The forecast expects the mortgage rate to decline slightly to 6.13 percent in 2009, rising to 6.40 percent in 2010 and 7.11 percent in 2011.
4. Housing remains the biggest drag on growth in the U.S. economy. Housing starts fell 26.8 percent in fiscal 2008 to 1.131 million units following a 24.0 percent drop in fiscal 2007. Rising foreclosures, 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 another 22.6 percent reduction in starts in 2009 to 0.875 million units. The housing sector is expected to recover in 2010 and 2011, rising 33.7 percent to 1.170 million units and 29.0 percent to 1.510 million units.
5. The slowdown in the U.S. economy is being felt in the nation's labor market. The U.S. unemployment rate rose from a six-year-low 4.53 percent in 2007 to 4.95 percent in fiscal 2008. The forecast calls for the unemployment rate to rise to 5.92 percent this year and 6.11 percent in 2010 before recovering to 5.75 percent in 2011.
6. The federal deficit (national income and product accounts basis) increased to \$361.9 billion in fiscal 2008 from cyclical low of \$202.0 billion in 2007. The stimulus package both reduced receipts and boosted outlays in fiscal 2008. (True rebates are subtracted from taxes but checks to those who paid no taxes or in excess of taxes paid are treated as transfer payments.) Revenues were already slowing due to the weak economy and defense spending also rose rapidly in fiscal 2008. The forecast expects the deficit to widen to \$461.3 billion in 2009 and 486.7 billion in 2010, improving to \$467.0 billion in 2011 as economic growth revives.
7. On a more positive note, the trade deficit (national income and product accounts basis) declined in fiscal 2008 to \$698.8 billion from \$735.6 billion in 2007 and an all-time record \$760.4 billion in 2006. Weak growth at home is reflected in declining imports. The low value of the dollar and continued, albeit slower, foreign economic growth are also restraining imports and boosting exports. The forecast expects the deficit to decline to \$644.6 billion in fiscal 2009 and \$588.2 billion in fiscal 2010, rising to \$619.9 billion in 2011.

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 2008. This forecast is based on adjusted employment estimates as described in **Adjustments to Economic Data**. Washington payroll employment declined at a 0.5 percent annual rate in the second quarter of 2008 following a 2.9 percent increase in the first quarter. Manufacturing employment declined at a 0.7 percent rate in spite of a 3.5 percent increase in aerospace employment. Manufacturing employment other than aerospace declined at a 2.3 percent rate. Construction employment fell at a 6.6 percent rate in the second quarter. Residential building and related special trades employment plunged at a 13.9 percent rate while all other construction employment edged up at a 0.1 percent rate. Natural resources (logging) and mining employment, while small, fell at an 8.2 percent rate in the second quarter as both logging and mining declined. Among the private services-producing sectors, “other services” employment growth was strongest at 2.1 percent. Information employment also remained strong with a 2.0 percent growth rate. Software employment increased at a 7.4 percent rate but other information employment declined at a 2.6 percent rate. Also healthy in the second quarter were leisure and hospitality (up 2.0 percent) and professional and business services (up 1.7 percent). Education and health services declined at a 1.0 percent rate and financial activities employment fell at a 2.3 percent rate. In the public sector, state and local government employment declined at a 1.3 percent rate in the second quarter and federal government employment inched down at a 0.1 percent rate.

In June 2008 the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) revised its quarterly state personal income estimates through the fourth quarter of 2007 and released preliminary estimates for the first quarter of 2008. 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 2008 was \$0.269 billion (0.1 percent) higher than the estimate made in June. Total wages were \$0.213 billion (0.1 percent) higher than expected in June. Software wages were \$0.057 billion (0.8 percent) higher than expected in June. First quarter wages in sectors other than software wages were \$0.156 billion (0.1 percent) higher than expected in the June forecast. Nonwage personal income in the first quarter was \$0.056 billion (0.0 percent) above the June forecast. The forecast assumes that personal income growth jumped to 7.1 percent in the second quarter of 2008 from 1.4 percent in the first quarter. (The first quarter income growth appeared low due to unusually large stock options in the software industry in the fourth quarter of 2007 that were not repeated in the first quarter of 2008.) Second quarter income growth was temporarily boosted by payments made as a part of the federal government’s fiscal stimulus plan. The forecast assumes that wage and salary disbursements grew at a moderate 2.8 percent rate in the second quarter. The forecast also assumes that income from sources other than wages grew at a strong 12.8 percent rate in the second quarter due primarily to the stimulus payments.

The forecast also reflects Seattle consumer price data through June 2008. After trailing the national average during 2002, 2003, and 2004, December-December Seattle inflation moved ahead of the national average in 2005, 2006, and 2007. Seattle inflation during the first six months of this year averaged 6.0 percent compared to the U.S. rate of 5.5 percent and core inflation in Seattle averaged 3.7 percent versus 2.3 percent for the U.S. city average. The stronger inflation in Seattle compared to the U.S. city average during the last few years is mostly due to shelter costs, in particular, rent and owners’ equivalent rent.

The number of housing units authorized by building permit remained essentially unchanged in the second quarter of 2008, rising 100 to 31,700 from 31,600 in the first quarter. Single-family per-

mits declined 700 to 18,300 but multi-family permits increased 800 to 13,400. Permits plunged in July to an annual rate of just 23,600, the lowest monthly rate since December 1984. The weakness was mainly in the volatile multi-family sector.

Adjustments to Economic Data

This forecast utilized an alternative employment estimate produced by the Department of Employment Security which incorporated 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 2008 which added 11,700 (0.4 percent) to the BLS Current Employment Statistics (CES) estimate for March 2008. By July 2008 the difference had narrowed to 8,400 (0.3 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 2008 than were available to the Bureau of Economic Analysis (BEA) at the time of their latest state personal income release. We derived first quarter 2008 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 decreased the first quarter wage estimate by \$1.187 billion (0.8 percent), subtracting 0.4 percent from total personal income in that quarter.

Washington State Forecast Highlights

The forecast for Washington housing permits during the second quarter of 2008 was very close to the level expected in June. However, the very low July results indicate that the third quarter average is likely to be quite weak. Combined with the continuing weakness in home sales, the July permit data suggest that housing permits will be lower in 2008 than assumed in June. The forecast also assumes that the housing sector will not show any significant improvement until the second quarter of 2009, which is consistent with the U.S. forecast. The forecast assumes construction employment will decline by about 12,500 from the peak in the fourth quarter of 2007 through the fourth quarter of 2009, which is larger than the 7,300 decline expected in the June forecast for the same period. The software employment forecast is stronger than the June assumption. Software employment is expected to rise 12,800 from the fourth quarter of 2007 to the fourth quarter of 2011 compared to 9,700 in the June forecast. Washington aerospace employment is expected to continue to rise through the end of 2008, reaching 87,100 in December which is 500 higher than assumed in June. The forecast assumes no further changes in aerospace employment through 2011.

Propelled by continued strength in construction, aerospace, and software, Washington nonfarm payroll employment grew 2.5 percent in 2007 following a 3.0 percent increase in 2006. While the software industry is expected to continue to grow, the forecast assumes that aerospace employment will soon level off and that construction employment will decline. The state is also adversely affected by the recession or near recession in the U.S. economy. The forecast calls for employment growth rates of 1.5 percent and 0.7 percent in 2008 and 2009. Employment growth is expected to improve to 1.8 percent in 2010 and 1.9 percent in 2011 as the national economy recovers. Washington personal income growth slowed from 8.4 percent in 2006 to a still strong 7.8 percent in 2007. Income growth is expected to slow to 5.3 percent in 2008 and 4.8 percent in 2009 before recovering to 5.6 percent and 6.1 percent in 2010 and 2011. After four years of uninterrupted growth, the number of housing units authorized by building permit fell 3,000 in 2006 to 50,000 and another 2,600 in 2007 to 47,400. Tighter lending standards and plunging consumer confidence are expected to depress the single-

family market despite lower mortgage interest rates but continued strong net migration into Washington should support multi-family activity. The forecast expects total housing permits to decline to 30,100 in 2008 before recovering to 35,000 in 2009, 43,200 in 2010, and 48,200 in 2011. Inflation, as measured by the Seattle CPI, increased to 3.9 percent in 2007 from 3.7 percent in 2006. Core inflation (excluding food and energy) was slightly more moderate but also increased to 3.5 percent in 2007 from 3.3 percent in 2006. Energy costs will add to inflation again in 2008 raising headline inflation to 5.0 percent compared to core inflation of 3.4 percent. Much lower energy price increases should help lower overall inflation in 2009, 2010, and 2011. The slowdown in the overall economy should also help restrain core inflation. As a result, Seattle inflation should decline to 3.1 percent in 2009 and 2.4 percent per year in 2010 and 2011.

1. Nominal personal income growth slowed to 7.2 percent in fiscal 2008 from 7.7 percent in 2007. Fiscal 2008 growth would have been even weaker without the fiscal stimulus checks, most of which were received in May and June of 2008. The forecast expects growth to slow down to 4.6 percent in 2009 as employment growth drops below 1.0 percent. Wage growth is also expected to slow down as labor markets weaken. Personal income growth is expected to improve to 5.1 percent in 2010 and 5.9 percent in 2011 as job growth recovers.
2. Washington real personal income growth slowed to 3.8 percent in fiscal 2008 due to both slower nominal income growth and rising inflation. The slowing trend is expected to continue in fiscal 2009 resulting in a growth rate of just 1.0 percent. The economy is expected to recover in 2010 and 2011, boosting incomes while oil prices are expected to decline, reducing inflation. The forecast expects real personal income growth to improve to 3.3 percent in 2010 and 3.9 percent in 2011.
3. Washington nonfarm payroll employment growth slowed to 2.2 percent in fiscal 2008 from 2.7 percent in 2007 and 3.0 percent in 2006. Booming construction employment growth coupled with strong growth in both aerospace and software were the keys to overall job growth during the recent expansion. Together these sectors grew 4.2 percent in 2008, down from 9.2 percent in 2007 and 9.1 percent in 2006. Slower growth is expected during the next three years, however, due to the recession in the U.S. economy, a leveling off of aerospace employment growth, and declining construction employment. The forecast calls for an employment growth rate of 0.6 percent in 2009, improving to 1.3 percent in 2010 and 1.9 percent in 2011.
 - ◆ As of July 2008, the aerospace recovery has added 25,300 jobs since the trough of the last downturn in May 2004. Boeing Commercial Airplanes recorded yet another record in 2007, booking 1,423 gross orders. Boeing's current backlog is nearly eight years worth of current revenue. Boeing delivered 441 planes in 2007, an 11 percent increase over the 398 planes delivered in 2006. Boeing expects to increase deliveries to between 475 and 480 planes in 2008 and between 500 and 505 planes in 2009 of which 25 will be Dreamliners. The company expects to deliver more planes in 2010 than in 2009. Though production is still increasing, the forecast assumes only another 1,000 net aerospace jobs will be added between July and December 2008. No further increases are expected in 2009, 2010, and 2011. The new employment peak of 87,100 will be 26,000 (23.0 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 re-

- duced 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 hiring shows no sign of slowing any time soon as they continue to add capacity at the Redmond campus. The forecast assumes software employment growth will average 5.7 percent per year through the end of 2011.
- ◆ Booming construction employment growth has been a major driving force during the current expansion in Washington. Bolstered initially by a hot housing market and more recently by upturns in nonresidential building and heavy and civil engineering construction, Washington's construction employment grew at an average rate of 6.8 percent per year from mid-2003 through the end of 2007, adding 53,400 jobs. It now appears that construction employment peaked in the fourth quarter of 2007. Employment declined at a 0.3 percent rate in the first quarter of 2008 and a 6.6 percent rate in the second quarter. The forecast expects construction employment to decline through the end of 2009, an eight-quarter peak-to-trough drop of 6.0 percent. While the forecast expects a recovery in housing permits in 2009 and 2010, nonresidential construction is expected to decline. The forecast expects construction employment growth to average only 1.0 percent per year during the final eight quarters of the forecast.
 - ◆ Financial activities employment also appears to have peaked. As of the second quarter of 2008, employment is down 3,200 (2.0 percent) since the first quarter of 2006. Credit intermediation and related activities, a victim of the meltdown in the mortgage markets, more than accounted for the decline since the first quarter of 2006, falling by 5,000 (9.0 percent). Other financial activities employment actually grew 1,800 (1.8 percent). Normally the recent steep interest rate cuts would boost home sales and set off a wave of mortgage refinancing which, in turn, would boost employment in the financial activities sector. However, this is not likely in the current environment of excessive inventories of unsold homes and dysfunctional credit markets. Financial activities employment is expected to decline through the end of 2008 for a total peak-to-trough decline of 4,300 (2.8 percent). Positive growth is expected to resume during the final three years of the forecast, averaging 2.4 percent per year.
 - ◆ After a slow start, the recovery in retail trade employment accelerated during 2005 and 2006, rising at a 2.1 percent average rate through the first quarter of 2007. Since then, growth has slowed to an average rate of just 1.2 percent including a 0.6 percent decline in the second quarter of 2008. The decline in the second quarter was concentrated in motor vehicle and parts dealers and the construction related sectors of furniture and home furnishing stores and building material and garden supply stores. Retail trade employment is expected to be essentially flat during the next three quarters, rising at a 0.5 percent annual rate. Employment growth should then recover, averaging 2.5 percent for the remainder of 2009 and 2010 before slowing again to an average rate of 0.2 percent during 2011.
 - ◆ Employment growth in the professional and business services sector has remained relatively healthy but has slowed down to 2.9 percent over the last five quarters compared to an average rate of 4.8 percent per year during the previous two years. The reason for the slowdown in growth was employment services, which includes temporary help services, which went from an average growth rate of 7.7 percent in the earlier period to a 4.5 percent average rate of decline in the latter period. Professional and business services, excluding employment services, remained steady at 4.3 percent per year. The turnaround

in employment services is worrisome as temporary jobs tend to get cut first in a downturn. The forecast expects growth in professional and business services employment to remain strong relative to other sectors during the recession. Growth is expected to average 1.8 percent through the first half of 2009, improving to an average rate of 4.8 percent per year during the remainder of the forecast.

- ◆ State and local government employment grew throughout the recession but the protracted slowdown in the state's economy put pressure on state and local governments' budgets with a lag. Employment growth was only 0.6 percent per year (0.3 percent per year excluding the small but rapidly expanding tribal government sector) from the end of 2002 through the first quarter of 2007. Growth has picked up during the most recent five quarters to an average annual rate of 1.7 percent (1.6 percent excluding tribal employment) but fresh budget concerns brought on by the weakening economy coupled with slow school age population growth will restrain future increases. The forecast expects an average growth rate of 1.0 percent per year through 2011 (0.6 percent per year excluding tribal employment).
4. The number of housing units authorized by building permit in Washington plunged 26.8 percent in fiscal 2008 to 37,000 units following a 6.1 percent decline in 2007. Single family permits fell 34.0 percent in 2008 to 22,500 units and multi-family units declined 11.9 percent to 14,500 units. Even though population growth is expected to remain strong, tighter lending standards and wider spreads for jumbo and other non-conventional lending products will further restrict housing activity this year. The forecast for total housing units authorized by building permits is for a 17.5 percent decrease in 2009 to 30,500 units. Housing permits are expected to grow 29.5 percent in 2010 to 39,500 units and 16.5 percent in 2011 to 46,000 units.
 5. Inflation in the Seattle metropolitan area, as measured by the consumer price index for all urban consumers, roes to 4.2 percent in fiscal 2008 from 4.0 percent in 2007. Rising food and energy costs continue to add to local inflation but Seattle's core inflation was also high at 3.5 percent in 2008. Seattle inflation trailed the national average in 2003, 2004, 2005, and 2006 reflecting the impact of a more severe local recession. However, the local economy is now stronger than the U.S. economy. 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. In addition, another jump in energy costs will add to inflation in 2009. The forecast calls for Seattle inflation to peak at 4.6 percent in 2009, slowing to more moderate rates of 2.4 percent in 2010 and 2.5 percent in 2011.

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, that oil prices jump \$10 per barrel above the baseline in the near term, and that consumers cut back sharply on spending. This fatal combination sends the economy into a full-blown recession. Despite the help from the stimulus package, real GDP still drops in the third quarter.

Then, as the impact of the stimulative monetary and fiscal policies wears off, the economy falls deeper into a hole. Peak-to-trough, real GDP drops 1.5 percent over five quarters, making this recession deeper than the 1991 and 2001 downturns. Housing starts have never fallen under 1.0-million units in a calendar year since 1945, but in this scenario, they drop to 925,000 units in 2008 compared with 944,000 in the baseline and 676,000 in 2009 compared with 990,000 in baseline. The median price of existing homes falls nearly 10 percent below the baseline in 2009. Home sales are also much lower. The weakness in housing undermines consumer confidence. This, along with the drop in wealth associated with falling home prices and a slowdown in job growth, causes consumers to retrench sharply. Capital spending is also weaker, as firms respond to a bleaker outlook by scuttling long-term projects. Foreign economic growth is also lower, which cuts into export growth. In this scenario, real GDP advances only 1.5 percent in 2008 and then contracts 1.0 percent in 2009, compared with growth of 1.8 percent and 1.0 percent, respectively, in the baseline. The economy loses 2.1 million jobs over the course of eight quarters. At the state level, aerospace employment begins to decline in 2009 rather than leveling off as in the baseline and software employment levels off rather than continuing to grow as in the baseline. Data revisions show that the initial level of Washington personal income is lower than was assumed in the baseline. Population growth is also slower in this scenario and construction employment 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 38,600 lower than in the baseline forecast and Washington personal income is \$8.9 billion lower. The pessimistic scenario produces \$483 million (1.7 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. Stronger productivity gains, coupled with a dose of raw optimism, facilitate vigorous business spending and a milder housing contraction. The late-inning effect of the fiscal-stimulus package helps to ward off the second-half (2008) consumer spending decline present in the baseline scenario. Combined with a stronger currency, the productivity gains also help to contain inflation. Business fixed investment, although down a bit from 4.9 percent growth in 2007, registers a solid 4.6 percent gain in 2008, compared with a smaller 4.0 percent rise in the baseline forecast. Additionally, the downturn in residential investment is less severe in the optimistic scenario, with housing starts beginning to recover during the fourth quarter of 2008 and averaging 1.17-million units in 2009, compared with the baseline's meager 0.99-million units. Foreign economic growth is also stronger, boosting U.S. exports and strengthening domestic manufacturing. Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. Oil prices run \$3 per barrel below the baseline level in the third quarter of 2008, and \$12-15 per barrel lower thereafter; wellhead natural gas prices are also lower. Under these assumptions, the economic outlook is much brighter. After posting a respectable 2.3 percent rate in the third quarter of 2008, real GDP growth decelerates during the following two quarters, but stays positive in the 1.5-2.0 percent range. Growth averages 2.1 percent in 2008 and 2.5 percent in 2009, compared with 1.8 percent and 1.0 percent in the baseline. For Washington, the optimistic forecast assumes aerospace employment growth remains positive through 2009 rather than leveling off 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 begins to rise again in 2009 after a mild downturn in 2008. By the end of the 2007-09 biennium, Washington nonagricultural employment is higher by 51,600 jobs than in the baseline forecast and Washington personal income is \$10.1 billion higher. The optimistic scenario generates \$533 million (1.8 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 weaker than the baseline forecast. The Governor's Council members expect less real GDP growth than assumed in the baseline however their inflation forecast is slightly higher. In spite of the weaker real growth, the Council members expect higher short term and long term interest rates than is assumed in the baseline. The GCEA forecast for Washington is also generally weaker than the baseline forecast. While their employment forecast is only slightly weaker than the baseline forecast, their personal income forecasts, both real and nominal are exhibit about one percent less growth in fiscal 2009 than the baseline forecast. Their housing permit forecast is also weaker than the baseline forecast. By the end of the 2007-09 biennium Washington nonagricultural employment is 8,500 lower in the GCEA forecast than in the baseline forecast and Washington personal income is \$3.1 billion lower. The Governor's Council scenario yields \$159 million (0.5 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 2009 to 2011

Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,510.9	10,836.8	11,161.3	11,379.9	11,658.2	11,782.3	12,005.5	12,374.8
% Ch	3.7	3.1	3.0	2.0	2.4	1.1	1.9	3.1
Real Consumption	7,435.7	7,678.4	7,913.1	8,150.2	8,311.2	8,351.0	8,507.6	8,747.7
% Ch	3.6	3.3	3.1	3.0	2.0	0.5	1.9	2.8
Real Nonresidential Fixed Investment	1,108.0	1,192.5	1,274.0	1,344.1	1,417.9	1,433.0	1,423.3	1,488.7
% Ch	4.4	7.6	6.8	5.5	5.5	1.1	-0.7	4.6
Real Residential Fixed Investment	539.8	579.1	592.6	500.8	401.7	329.7	359.2	420.1
% Ch	11.8	7.3	2.3	-15.5	-19.8	-17.9	9.0	16.9
Real Personal Income	8,809.5	9,110.9	9,383.8	9,767.6	9,965.7	9,981.5	10,210.9	10,527.7
% Ch	2.6	3.4	3.0	4.1	2.0	0.2	2.3	3.1
Real Per Capita Income (\$/Person)	30,103	30,847	31,476	32,449	32,795	32,528	32,952	33,648
% Ch	1.6	2.5	2.0	3.1	1.1	-0.8	1.3	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.069	1.098	1.133	1.160	1.197	1.240	1.262	1.287
% Ch	2.2	2.8	3.2	2.4	3.2	3.6	1.7	2.0
U.S. Consumer Price Index (1982-84=1.0)	1.861	1.917	1.990	2.041	2.117	2.205	2.245	2.296
% Ch	2.2	3.0	3.8	2.6	3.7	4.2	1.8	2.3
Employment Cost Index (June 1989=1.0)	0.955	0.980	1.005	1.038	1.071	1.103	1.131	1.161
% Ch	2.9	2.6	2.5	3.3	3.2	2.9	2.5	2.7
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,330.3	12,045.2	12,832.1	13,467.0	14,111.3	14,663.2	15,231.2	15,999.8
% Ch	6.2	6.3	6.5	4.9	4.8	3.9	3.9	5.0
Personal Income	9,414.3	10,006.3	10,636.2	11,332.8	11,934.3	12,378.8	12,881.9	13,548.7
% Ch	4.8	6.3	6.3	6.5	5.3	3.7	4.1	5.2
Employment (Millions)								
U.S. Civilian Labor Force	146.8	148.2	150.4	152.4	153.7	155.0	156.2	157.9
Total U.S. Employment	138.3	140.4	143.1	145.5	146.1	145.9	146.7	148.8
Unemployment Rate (%)	5.82	5.30	4.83	4.53	4.95	5.92	6.11	5.75
Nonfarm Payroll Employment	130.46	132.47	135.00	136.96	137.86	137.35	138.10	140.12
% Ch	0.3	1.5	1.9	1.4	0.7	-0.4	0.5	1.5
Manufacturing	14.33	14.29	14.20	14.03	13.72	13.28	12.88	12.96
% Ch	-3.7	-0.3	-0.6	-1.2	-2.2	-3.2	-3.1	0.6
Durable Manufacturing	8.88	8.96	8.98	8.91	8.71	8.41	8.11	8.21
% Ch	-3.6	0.9	0.2	-0.7	-2.3	-3.5	-3.5	1.3
Nondurable Manufacturing	5.45	5.33	5.23	5.12	5.02	4.88	4.77	4.75
% Ch	-3.8	-2.1	-2.0	-2.1	-2.0	-2.7	-2.3	-0.4
Construction	6.84	7.13	7.57	7.69	7.44	6.97	6.83	6.93
% Ch	2.1	4.3	6.1	1.6	-3.2	-6.3	-2.0	1.5
Service-Producing	108.72	110.44	112.58	114.54	115.95	116.31	117.64	119.50
% Ch	0.7	1.6	1.9	1.7	1.2	0.3	1.1	1.6
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	33.8	48.8	64.3	63.4	96.8	114.7	107.1	112.3
Personal Saving/Disposable Income (%)	2.2	1.4	0.4	0.7	0.9	0.9	1.3	1.4
Auto Sales (Millions)	7.5	7.6	7.8	7.7	7.5	7.4	8.0	8.2
% Ch	-4.3	0.3	2.7	-1.3	-1.6	-1.4	6.9	3.2
Housing Starts (Millions)	1.945	2.016	2.036	1.547	1.131	0.875	1.170	1.510
% Ch	12.5	3.7	1.0	-24.0	-26.8	-22.6	33.7	29.0
Federal Budget Surplus (Billions)	-404.5	-311.4	-262.9	-202.0	-361.9	-461.3	-486.7	-467.0
Net Exports (Billions)	-535.8	-666.7	-760.4	-735.6	-698.8	-644.6	-588.2	-619.9
3-Month Treasury Bill Rate (%)	0.96	2.21	4.06	4.89	2.89	1.83	3.37	4.57
10-Year Treasury Note Yield (%)	4.29	4.23	4.59	4.76	4.13	3.74	4.59	5.43
Bond Index of 20 G.O. Munis. (%)	4.79	4.50	4.45	4.30	4.56	4.45	5.04	5.61
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	6.13	6.40	7.11

Table 1.2
Washington Economic Forecast Summary
 Forecast 2009 to 2011

Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	193.770	204.490	206.569	217.409	225.713	227.907	235.407	244.484
% Ch	1.7	5.5	1.0	5.2	3.8	1.0	3.3	3.9
Real Wage and Salary Disb.	108.686	111.711	115.595	121.983	126.908	127.384	131.381	136.217
% Ch	1.4	2.8	3.5	5.5	4.0	0.4	3.1	3.7
Real Nonwage Income	85.084	92.779	90.974	95.425	98.805	100.523	104.026	108.267
% Ch	2.2	9.0	-1.9	4.9	3.5	1.7	3.5	4.1
Real Per Capita Income (\$/Person)	31,455	32,734	32,476	33,584	34,327	34,107	34,632	35,376
% Ch	0.6	4.1	-0.8	3.4	2.2	-0.6	1.5	2.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.069	1.098	1.133	1.160	1.197	1.240	1.262	1.287
% Ch	2.2	2.8	3.2	2.4	3.2	3.6	1.7	2.0
Seattle Cons. Price Index (1982-84=1.0)	1.935	1.973	2.035	2.116	2.205	2.307	2.362	2.421
% Ch	1.3	1.9	3.2	4.0	4.2	4.6	2.4	2.5
Average Nonfarm Annual Wage	41,571	42,827	44,378	46,747	49,091	50,685	52,529	54,569
% Ch	2.7	3.0	3.6	5.3	5.0	3.2	3.6	3.9
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.15	18.57	19.32	20.22	20.90	21.56	21.89	22.27
% Ch	1.6	2.3	4.0	4.7	3.4	3.2	1.6	1.7
Current Dollar Income (Billions of Dollars)								
Personal Income	207.051	224.554	234.130	252.244	270.285	282.644	296.986	314.640
% Ch	3.9	8.5	4.3	7.7	7.2	4.6	5.1	5.9
Disposable Personal Income	185.114	199.278	205.888	220.497	236.825	247.850	260.403	275.538
% Ch	5.0	7.7	3.3	7.1	7.4	4.7	5.1	5.8
Per Capita Income (\$/Person)	33,610	35,945	36,807	38,965	41,104	42,298	43,690	45,526
% Ch	2.8	6.9	2.4	5.9	5.5	2.9	3.3	4.2
Employment (Thousands)								
Washington Civilian Labor Force	3,179.5	3,234.7	3,307.7	3,364.1	3,445.3	3,472.8	3,529.9	3,594.9
Total Washington Employment	2,960.0	3,046.8	3,138.2	3,206.0	3,282.8	3,263.7	3,303.7	3,364.2
Unemployment Rate (%)	6.91	5.81	5.13	4.70	4.72	6.02	6.41	6.42
Nonfarm Payroll Employment	2,673.4	2,737.4	2,820.4	2,895.9	2,961.0	2,979.9	3,018.6	3,077.1
% Ch	0.7	2.4	3.0	2.7	2.2	0.6	1.3	1.9
Manufacturing	263.2	267.8	279.2	289.7	295.9	294.8	291.3	294.2
% Ch	-4.2	1.7	4.3	3.7	2.1	-0.4	-1.2	1.0
Durable Manufacturing	181.0	186.8	197.6	208.0	214.2	215.5	212.5	213.9
% Ch	-5.0	3.2	5.8	5.3	3.0	0.6	-1.4	0.7
Aerospace	62.1	63.4	69.0	76.7	83.1	86.9	87.1	87.1
% Ch	-11.4	2.1	8.8	11.1	8.4	4.5	0.3	0.0
Nondurable Manufacturing	82.2	81.0	81.6	81.6	81.6	79.3	78.8	80.3
% Ch	-2.5	-1.5	0.7	0.1	0.0	-2.9	-0.6	1.9
Construction	159.8	170.0	186.6	202.4	207.1	199.3	196.1	198.0
% Ch	3.2	6.4	9.7	8.5	2.3	-3.8	-1.6	0.9
Service-Producing	2,241.7	2,290.4	2,345.9	2,395.3	2,450.1	2,478.6	2,524.3	2,578.0
% Ch	1.2	2.2	2.4	2.1	2.3	1.2	1.8	2.1
Software Publishers	38.5	40.1	42.8	46.6	49.1	52.6	55.3	58.5
% Ch	5.5	4.1	6.7	8.8	5.5	7.1	5.1	5.8
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	44.302	51.850	53.820	50.514	36.979	30.523	39.525	46.047
% Ch	3.8	17.0	3.8	-6.1	-26.8	-17.5	29.5	16.5
Single-Family	34.366	38.426	40.404	34.071	22.490	18.321	24.744	30.557
% Ch	5.2	11.8	5.1	-15.7	-34.0	-18.5	35.1	23.5
Multi-Family	9.936	13.425	13.417	16.443	14.489	12.202	14.780	15.490
% Ch	-0.7	35.1	-0.1	22.6	-11.9	-15.8	21.1	4.8
30-Year Fixed Mortgage Rate (%)	5.92	5.78	6.20	6.35	6.18	6.13	6.40	7.11

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	11379.9	11379.9	11379.9	11379.9	11658.2	11658.2	11658.2	11658.2	11892.4	11782.3	11640.0	11670.4
%Ch	2.0	2.0	2.0	2.0	2.4	2.4	2.4	2.4	2.0	1.1	-0.2	0.1
Implicit Price Deflator	1.160	1.160	1.160	1.160	1.197	1.197	1.197	1.197	1.234	1.240	1.247	1.243
%Ch	2.4	2.4	2.4	2.4	3.2	3.2	3.2	3.2	3.1	3.6	4.1	3.8
Mortgage Rate	6.35	6.35	6.35	6.35	6.18	6.18	6.18	6.18	6.07	6.13	6.50	6.34
3 Month T-Bill Rate	4.89	4.89	4.89	4.89	2.89	2.89	2.89	2.89	1.90	1.83	1.91	2.10
Washington												
Real Personal Income	217.409	217.409	217.409	217.409	225.713	225.713	225.713	225.713	234.560	227.907	221.699	225.404
%Ch	5.2	5.2	5.2	5.2	3.8	3.8	3.8	3.8	3.9	1.0	-1.8	-0.1
Personal Income	252.244	252.244	252.244	252.244	270.285	270.285	270.285	270.285	289.574	282.644	276.460	280.131
%Ch	7.7	7.7	7.7	7.7	7.2	7.2	7.2	7.2	7.1	4.6	2.3	3.6
Employment	2895.9	2895.9	2895.9	2895.9	2961.0	2961.0	2961.0	2961.0	3009.8	2979.9	2955.4	2974.6
%Ch	2.7	2.7	2.7	2.7	2.2	2.2	2.2	2.2	1.7	0.6	-0.2	0.5
Housing Permits	50.514	50.514	50.514	50.514	36.979	36.979	36.979	36.979	33.771	30.523	26.670	29.020
%Ch	-6.1	-6.1	-6.1	-6.1	-26.8	-26.8	-26.8	-26.8	-8.7	-17.5	-27.9	-21.5

(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	
	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Feb.</u>	<u>June</u>	<u>Sept.</u>	<u>Nov.</u>	<u>Mar.</u>	<u>June</u>
U.S.														
Percent Growth, 2007:2-2009:2														
Real GDP	6.1	6.6	6.3	6.7	6.2	6.1	4.6	4.9	3.6	2.6	2.8			
Implicit Price Deflator	4.1	3.3	3.7	3.9	4.2	3.6	3.4	3.4	4.2	6.3	6.3			
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	3.95	2.35	2.39	2.36			
Mortgage Rate	6.86	6.83	6.99	6.56	6.57	6.56	6.38	6.44	5.44	5.94	6.16			
Washington														
Percent Growth, 2007:2-2009:2														
Employment	3.4	3.9	4.2	4.3	4.4	4.1	4.2	3.8	2.6	2.4	2.3			
Personal Income	13.1	13.5	14.1	14.0	14.1	13.9	12.5	12.6	10.9	10.3	10.6			
Real Personal Income	8.7	9.8	10.0	9.7	9.5	10.0	8.7	8.9	6.5	3.8	4.0			
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	87.6	80.0	75.0	67.5			

Table 1.5

Fiscal Years

Forecast Comparison

Forecast 2008 to 2009

	2007	2008	2009	2010	2011
U.S.					
Real GDP					
September Baseline	11379.9	11658.2	11782.3	12005.5	12374.8
% Ch	2.0	2.4	1.1	1.9	3.1
June Baseline	11416.2	11685.8	11768.2	12063.8	12468.0
% Ch	2.1	2.4	0.7	2.5	3.4
Implicit Price Deflator					
September Baseline	1.160	1.197	1.240	1.262	1.287
% Ch	2.4	3.2	3.6	1.7	2.0
June Baseline	1.160	1.195	1.240	1.259	1.280
% Ch	2.4	3.1	3.7	1.6	1.7
U.S. Unemployment Rate					
September Baseline	4.53	4.95	5.92	6.11	5.75
June Baseline	4.53	4.90	5.61	5.85	5.48
Mortgage Rate					
September Baseline	6.35	6.18	6.13	6.40	7.11
June Baseline	6.35	6.15	5.73	6.39	7.11
3 Month T-Bill Rate					
September Baseline	4.89	2.89	1.83	3.37	4.57
June Baseline	4.89	2.87	1.92	3.42	4.57
Washington					
Real Personal Income					
September Baseline	217.409	225.713	227.907	235.407	244.484
% Ch	5.2	3.8	1.0	3.3	3.9
June Baseline	217.228	225.518	227.092	235.746	246.500
% Ch	5.2	3.8	0.7	3.8	4.6
Personal Income					
September Baseline	252.244	270.285	282.644	296.986	314.640
% Ch	7.7	7.2	4.6	5.1	5.9
June Baseline	252.007	269.604	281.632	296.909	315.621
% Ch	7.6	7.0	4.5	5.4	6.3
Employment					
September Baseline	2895.9	2961.0	2979.9	3018.6	3077.1
% Ch	2.7	2.2	0.6	1.3	1.9
June Baseline	2895.9	2956.7	2980.3	3024.4	3080.5
% Ch	2.7	2.1	0.8	1.5	1.9
Housing Permits					
September Baseline	50.514	36.979	30.523	39.525	46.047
% Ch	-6.1	-26.8	-17.5	29.5	16.5
June Baseline	50.514	37.022	38.015	48.153	49.678
% Ch	-6.1	-26.7	2.7	26.7	3.2

Table 1.6

Long Range Economic Outlook

Forecast 2008 to 2018

Calendar Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
U.S.											
Real GDP, %Ch	1.8	1.0	2.9	3.2	3.0	2.6	2.8	2.8	2.7	2.5	2.6
Implicit Price Deflator, %Ch	3.9	2.4	1.8	2.1	2.2	2.1	2.0	2.0	2.0	2.0	2.0
3 Month T-Bill Rate	1.81	2.39	4.22	4.59	4.59	4.59	4.59	4.59	4.59	4.59	4.59
Mortgage Rate	6.15	6.04	6.88	7.12	7.12	7.12	7.12	7.12	7.12	7.12	7.12
State*											
Real Personal Income, %Ch	1.4	2.3	3.7	3.9	4.1	3.7	3.6	3.8	3.6	3.4	3.6
Personal Income, %Ch	5.3	4.8	5.6	6.1	6.4	5.8	5.7	5.8	5.7	5.5	5.6
Employment, %Ch	1.5	0.7	1.8	1.9	2.1	1.6	1.5	1.5	1.4	1.3	1.3

* Baseline forecast through 2011, judgmentally extended to 2018.

Comparison of Washington and U.S. Economic Forecasts

Chart 1.1
Total Nonfarm Payroll Employment

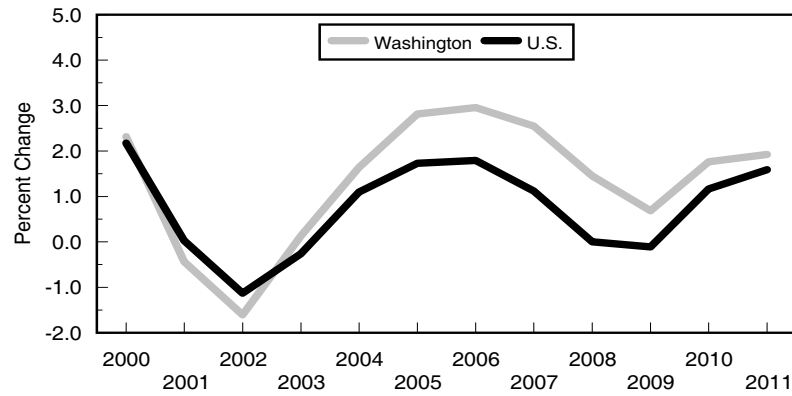


Chart 1.2
Manufacturing Employment

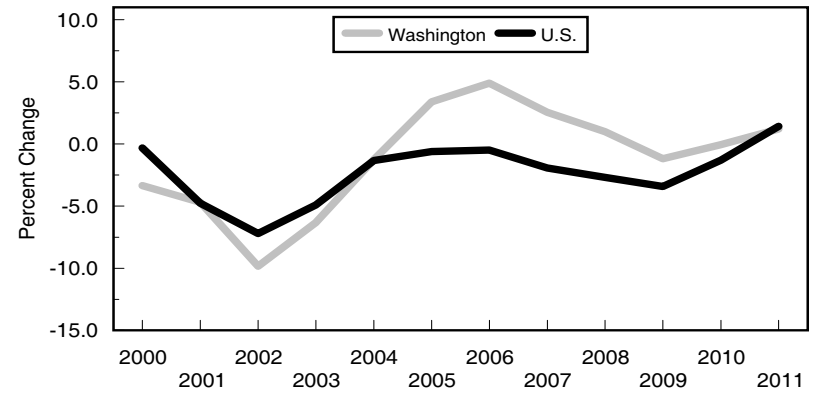


Chart 1.3
Aerospace Employment

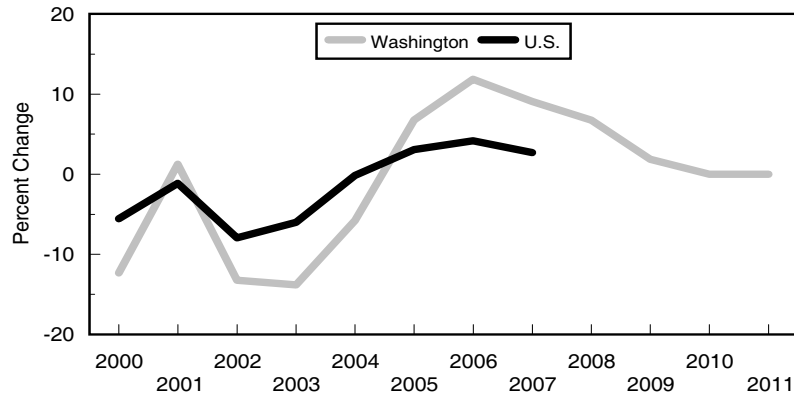
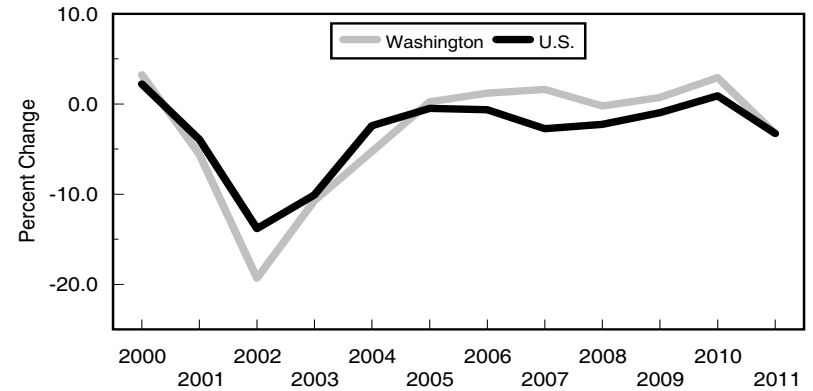


Chart 1.4
Computers and Electronics Employment



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

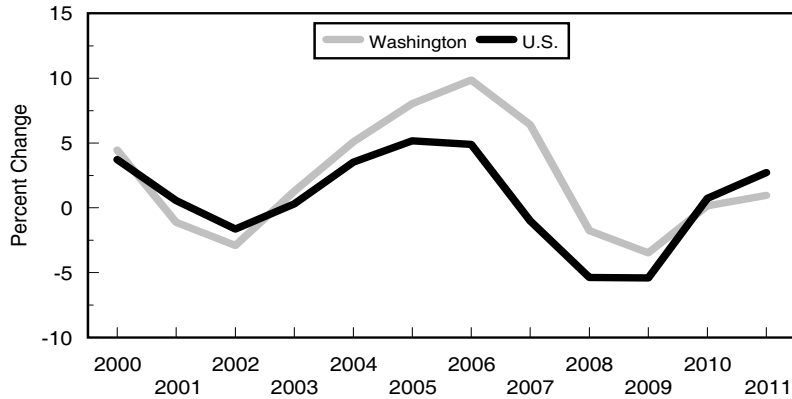


Chart 1.6
Information Employment

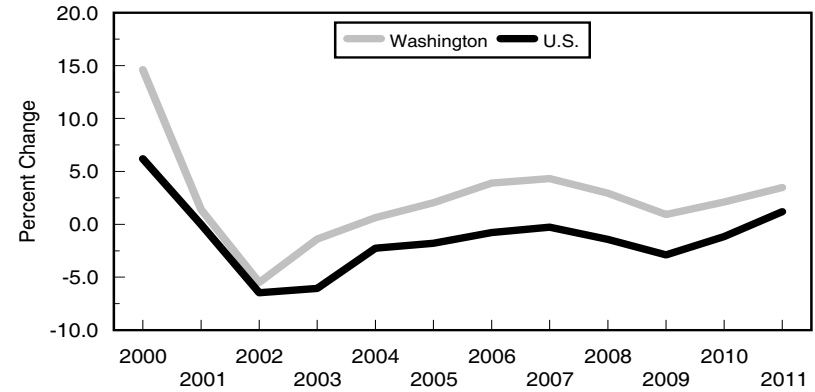


Chart 1.7
Other Private Employment

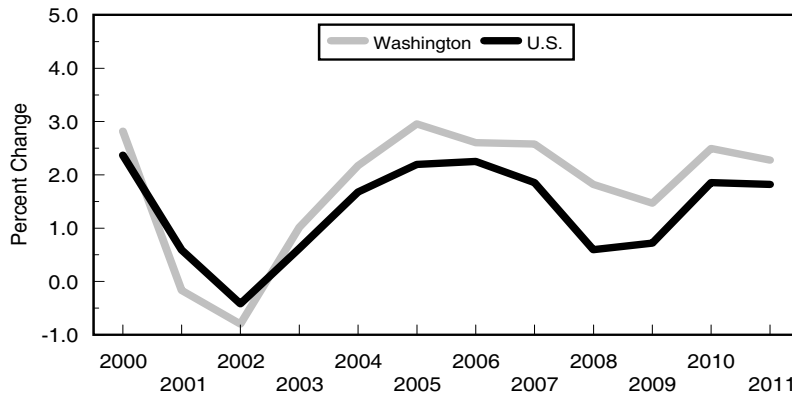
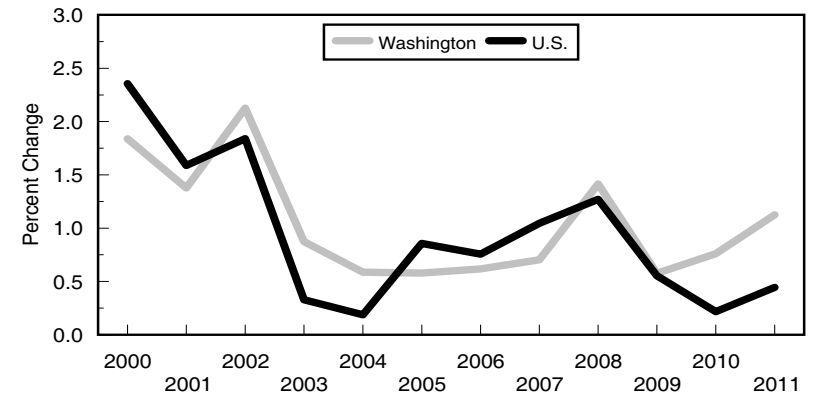


Chart 1.8
Government Employment



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

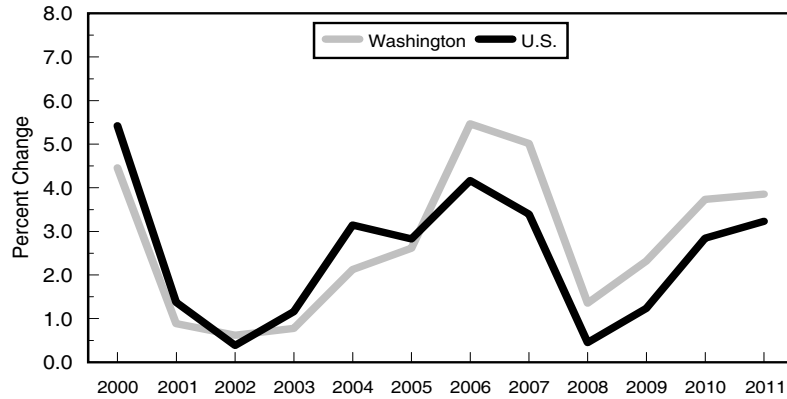


Chart 1.10
Consumer Price Indices

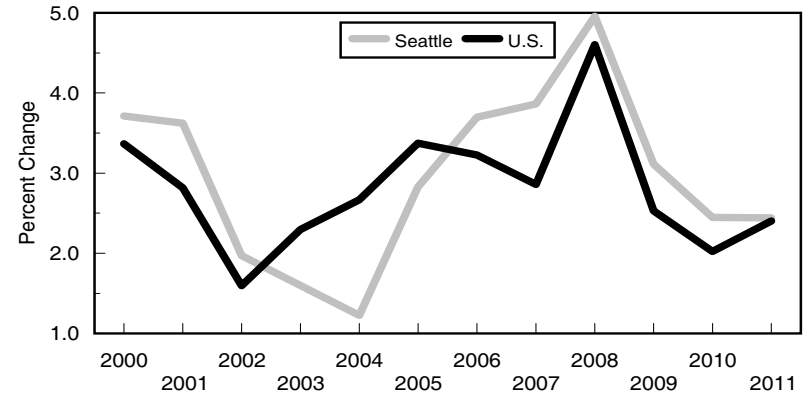


Chart 1.11
Population

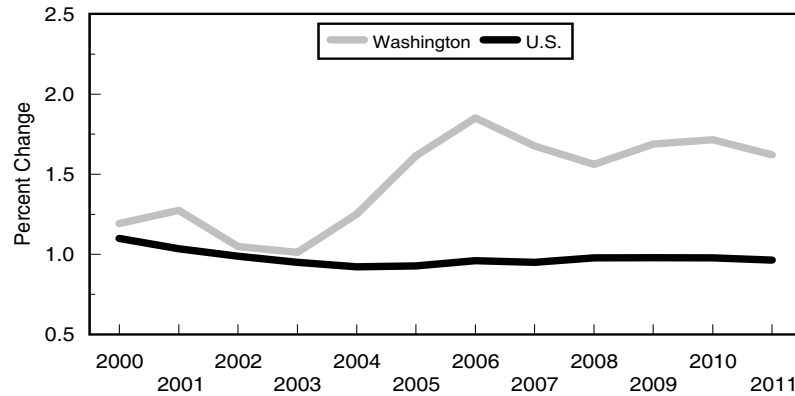
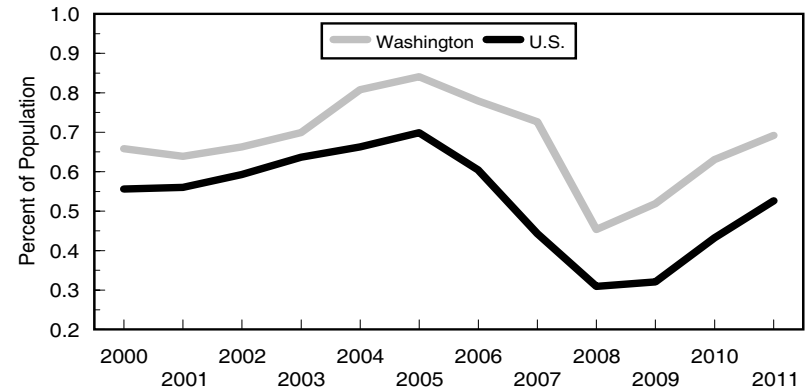


Chart 1.12
Per Capita Housing Units



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

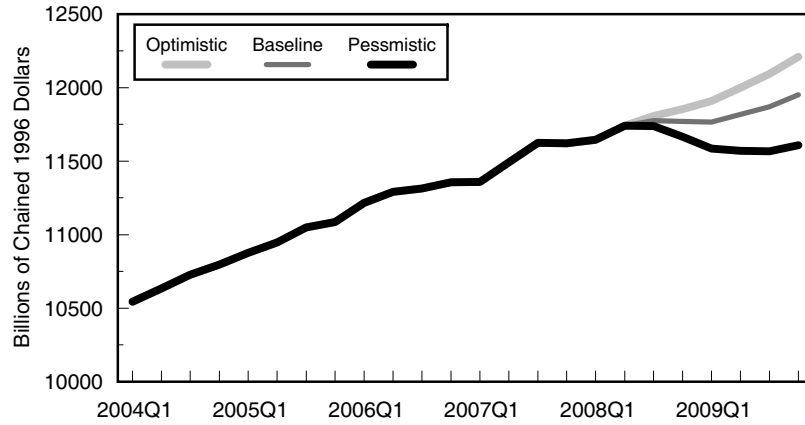


Chart 1.14
Implicit Price Deflator

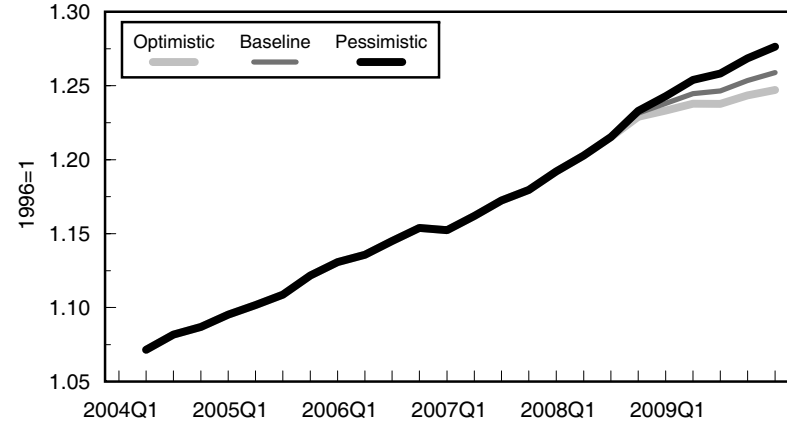


Chart 1.15
Mortgage Rate

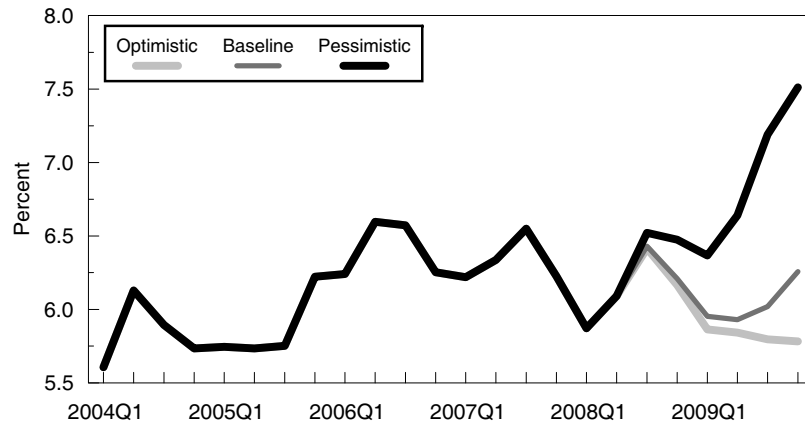
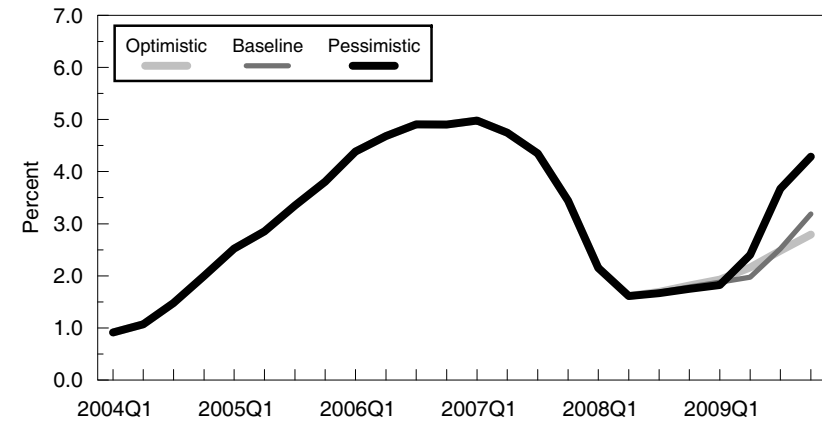


Chart 1.16
Three Month T-Bill Rate



Comparison of Alternative Washington Forecasts

Chart 1.17
Personal Income

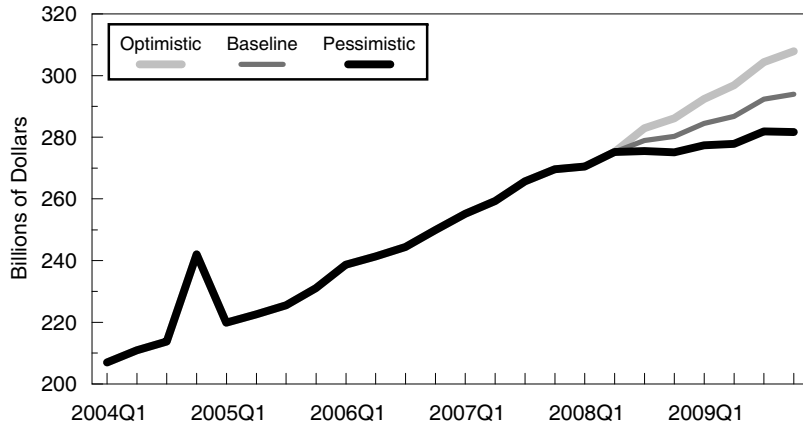


Chart 1.18
Real Personal Income

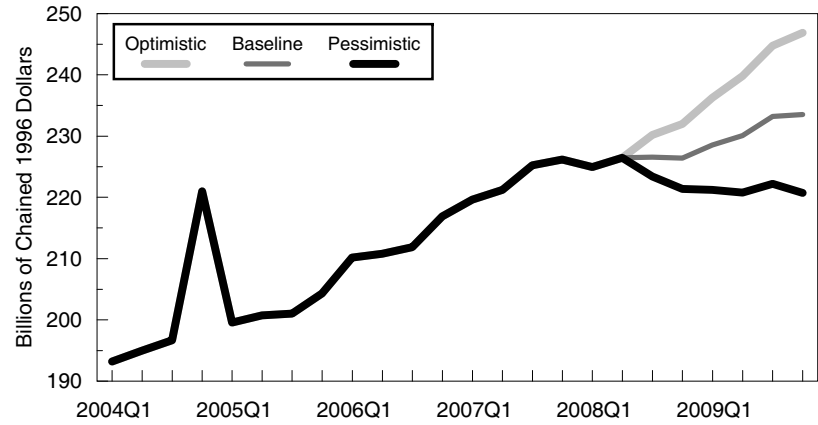


Chart 1.19
Total Nonfarm Payroll Employment

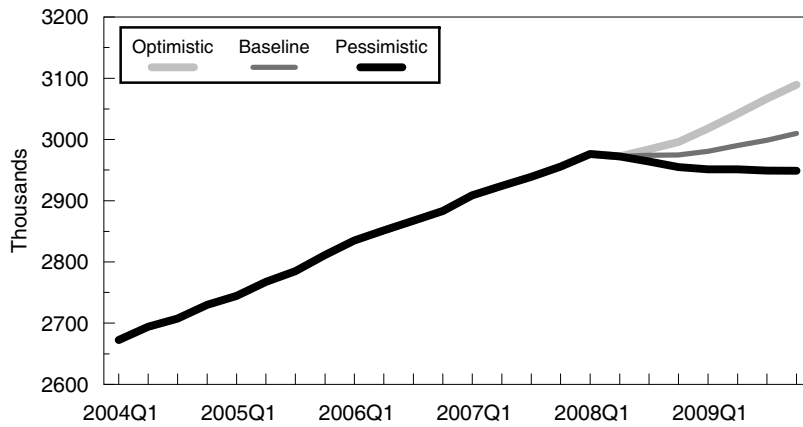
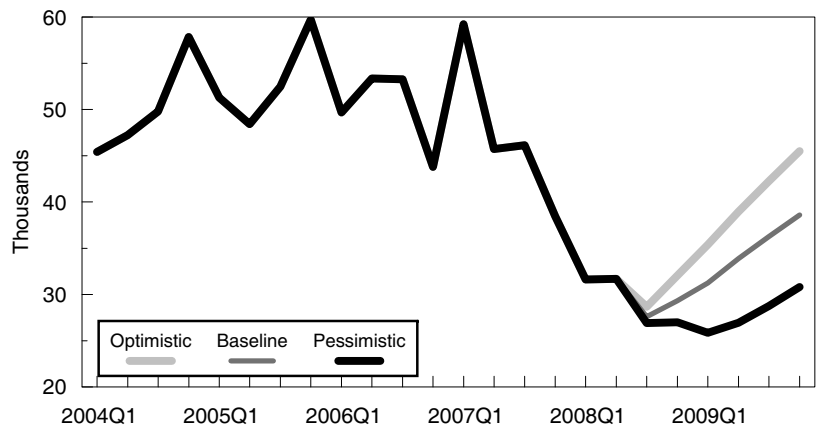


Chart 1.20
Housing Permits



This page intentionally left blank.

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 2.8* percent annual rate in the second quarter of 2008, up from a growth rate of 0.9 percent in the previous quarter. Driving the increase from first quarter were higher net exports, a smaller decline in residential construction, and stronger growth in consumer and government spending. Partially offsetting these factors were larger decreases in inventory investment and weaker spending by businesses on equipment and software. Real gross private domestic investment shrank at an 11.5 percent annualized rate in the second quarter after declining at a 5.8 percent rate in the first quarter. Real fixed investment declined during the second quarter at a rate of 1.7 percent due to continuing contraction in residential fixed investment, which declined at a rate of 13.3 percent after shrinking at a 25.1 percent rate in the first quarter. This marks the tenth consecutive quarter of decline for this component. Real non-residential fixed investment remained positive, growing at a 2.5 percent rate after increasing at a 2.4 percent rate in the previous quarter. Growth in real consumer spending, the largest component of GDP, increased to a 1.2 percent rate after growing at a rate of 0.9 percent in the first quarter. Durable goods consumption shrank at a 2.8 percent rate after declining at a rate of 4.3 percent in the first quarter, making two straight quarters of decline. Consumption of non-durable goods had the strongest growth since the first quarter of 2006, growing at a rate of 3.9 percent after dropping at a 0.4 percent rate in the previous quarter. Services consumption slowed to a rate of 0.7 percent after growing at 2.4 percent rate in the prior quarter. Government spending increased at a rate of 3.9 percent in the second quarter after growing at a 1.9 percent rate in the previous quarter. Real net exports again added to overall GDP growth due to the combination of strong export growth and declining imports. Real exports continued to grow at a strong rate, coming in at 12.3 percent in the second quarter after a 5.1 percent rate in the quarter before. Real imports weakened further, contracting at a 7.1 percent rate for the quarter compared to a 0.8 percent drop in the first quarter.

The Institute for Supply Management (ISM) reported that its index of manufacturing activity decreased slightly to 49.9 in August from its July value of 50.0. Index values below 50 indicate that manufacturing sector output is declining. The employment component of the index also decreased to 49.7 from July's value of 51.9. Values below 50 indicate that more of the manufacturers surveyed had been decreasing employment than increasing it during that period.

U.S. seasonally-adjusted payroll employment continued its downward trend in August losing 84,000 jobs after shrinking by 60,000 jobs in July. Employment is down 0.2 percent year-over-year in August, which equates to a decrease of 283,000 jobs. So far in 2008, employment has decreased

each month and is down 605,000 since December 2007. The U.S. seasonally-adjusted unemployment rate jumped to 6.1 percent in August from last month's value of 5.7 percent. The unemployment rate is up 1.4 percentage points since August of last year and is at its highest level since September 2003.

Nonfarm business productivity growth improved in the second quarter, growing at a 4.3 percent annual rate after growing at a 2.6 percent rate in the previous quarter. The seasonally adjusted Consumer Price Index (CPI) decreased by 0.1 percent in August after a 0.8 percent increase in July; this was the first monthly decrease in the CPI since October 2006. Year-over-year CPI growth decreased slightly to 5.4 percent in August from July's value of 5.5 percent. Aside from the July figure, August posted the highest year-over-year growth in the index in over 17 years. Much of this spike was due to increases in the price of food and energy. The seasonally-adjusted index excluding these components increased at a monthly rate of 0.2 percent in August, and 0.3 percent in July, resulting in year-over-year growth rates of 2.5 percent for each month.

The Conference Board's Index of Consumer Confidence increased to 59.8 in September from August's value of 58.5. September's reading was up from the trough in June but is still at a historically low level. The present conditions component of the index again declined while expectations rose for the third straight month. The University of Michigan Consumer Sentiment Index also increased in September to 70.3 from the August value of 63.0, with increases in both the present conditions and expectations components. The Conference Board's U.S. Index of Leading Indicators declined another 0.5 percent in August after a 0.7 percent drop in July. The index has been generally falling for the last twelve months and is now down 2.7 percent year-over-year.

The Federal Open Market Committee (FOMC) voted unanimously to leave its target rate for federal funds unchanged at 2.00 percent on September 16, 2008 for the third straight meeting. The Committee's policy statement indicated a neutral stance toward future rate changes, stating that it "will monitor economic and financial developments carefully and will act as needed to promote sustainable economic growth and price stability."

The seasonally adjusted Monster Employment Index, which measures internet employment advertising, declined for the fourth straight month to 156.3 in August. The index is down 14.5 percent from a year ago, the largest annual drop since the creation of the index in October 2003. U.S. job openings, measured by The Job Opening and Labor Turnover Survey (JOLTS), declined 2.3 percent in August after a 3.7 percent decline in July. On a year-over-year basis, there have been 11 straight months where the number of job openings has decreased.

The State Economy and Indicators

Washington wage and salary employment continues to outperform the nation, gaining another 2,000 jobs in August. This comes after a strong July where employers added 13,700 to payrolls. Over the year, employment has increased by 1.4% which corresponds to a 42,600 job gain. The service providing sectors continue to create most of the job growth with all major industries adding employment except for financial activities (-1.2%). Construction remains weak, down 2.9% over-the-year while manufacturing growth has been positive due to strong gains (6.4%) in aerospace.

The Seattle Times Index of Help-Wanted Advertising dropped to a value of 13.0 in August from July's value of 14.1, a one-month decline of 7.8 percent and a year-over-year decline of 60.9 percent. While newspaper help-wanted advertising has been declining for over a decade due to a shift to Internet-based advertising, the rate of decrease has been accelerating the past few years. The index

has been less than half of previous year levels for seven consecutive months. The growth rate of the Monster Employment Index for Seattle also declined in August to a value of negative 3.1 percent following another 3.1 percent decrease in July. The Index is now at levels similar to those in 2006. Washington's seasonally adjusted unemployment rate increased again in August, jumping to 6.0 percent from July's value of 5.6 percent. Seasonally adjusted initial claims for unemployment insurance in Washington increased 5.1% in August to 43,700. This was a 31.2% increase since last year, the largest year-over-year increase since November 2001.

August year-over-year growth in the Seattle CPI, measured bimonthly, decreased to 5.4 percent from June's peak of 5.8 percent. Before June, the year-over-year growth in the Seattle CPI had not reached 5.0 percent since 1991. The growth in Seattle's price index excluding food and energy decreased to 3.4 percent from June's value of 4.0 percent. Washington's seasonally adjusted average weekly hours in manufacturing declined slightly to 42.9 hours in August from July's 43.4 value. The past 17 months have been particularly strong, averaging 3.0 hours more than previous data. The non-seasonally adjusted Washington Purchasing Management Index increased in August to a value of 65.3 from July's value of 60.2. As with the national ISM index, values greater than 50 indicate expansion. The employment component of the index increased from 64.1 to 71.7.

The Boom Monitor Composite Index decreased in August to a value of 23.0 from July's value of 25.9. The August value marks the lowest level the index has been since May 1983. Driving the decline in August were weak real estate excise tax activity followed by drops in housing permits and help wanted advertising. 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 1.3 points in August following a 2.0 point drop in July, reaching a value of 104.7. Four of the seven index components were negative in August, led by the sharp drop in help-wanted advertising.

Authorized housing permits increased to an annualized level of 31,100 units in August from July's trough of 23,600 units. July's level marked the lowest number of permits since December 1984. Most of this drop was caused by weakness in the number of multi-family permits which were at an annualized level of 5,990 for the month. The rebound from July did bring permits back to levels seen earlier in the year, but August numbers were still 46.1% lower year-over-year. Single-family permits (15,880) were down 40.2% while multiple-family permits (15,220) were down 50.1% since August 2007.

Second quarter exports of goods originating in Washington totaled \$19.2 billion, a 19.5 percent increase over the same quarter in 2007. Transportation equipment exports totaled \$10.9 billion and were 5.0 percent above exports in the second quarter of 2007; exports excluding transportation equipment came in at \$8.3 billion, a 46.1 percent year-over-year increase.

On the following page is a summary of what various national and state measures are indicating as of the publication date of the September 2008 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 2008 released September 26, 2008). The September economic forecast is based upon the September Global Insight forecast, which incorporated the BEA's preliminary GDP estimate from June 26, 2008.*

Table 2.1

Summary of National and State Indicators

Indicator	Latest Data	Most Recent Indication¹
U.S. Leading Index	August 2008	-
U.S. Real GDP Growth	2nd quarter 2008	+
U.S. ISM Index	August 2008	-
U.S. Employment y-o-y %ch	August 2008	-
U.S. Unemployment Rate	August 2008	-
U.S. Help Wanted Index	May 2008	-
U.S. Fed Funds Target	October 1, 2008	neutral
U.S. Consumer Confidence	September 2008	+
U.S. CPI	August 2008	+
U.S. Monster Employment Index	August 2008	-
S&P 500 Index	Week of June 27, 2008	-
WA Leading Index	August 2008	-
WA ISM Index	August 2008	+
WA Help Wanted Index	August 2008	-
WA Employment y-o-y %ch	August 2008	+ but slowing
WA Aerospace Empl. y-o-y %ch	August 2008	+
WA Unemployment Rate	August 2008	-
WA Boom Monitor	August 2008	-
WA Initial Unemploy. Claims	August 2008	-
WA Housing Permits	August 2008	+
WA Weekly Hours in Mfg.	August 2008	-
WA New Car/Truck Registration	August 2008	-
WA Migration (DOL data)	August 2008	+
WA Exports-Total	2nd quarter 2008	+
WA Exports- w/o Trans. Equip.	2nd quarter 2008	+
Seattle CPI	August 2008	+
Seattle Monster Employment Index	August 2008	-

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 2008

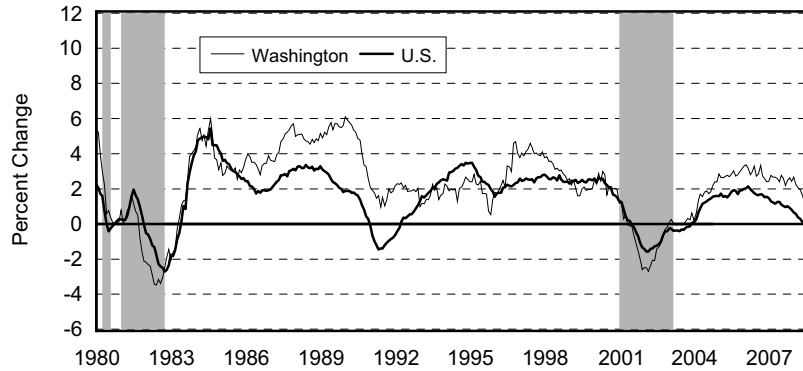


Chart 2.2
Washington Aircraft and Parts Employment
 January 1958 to August 2008

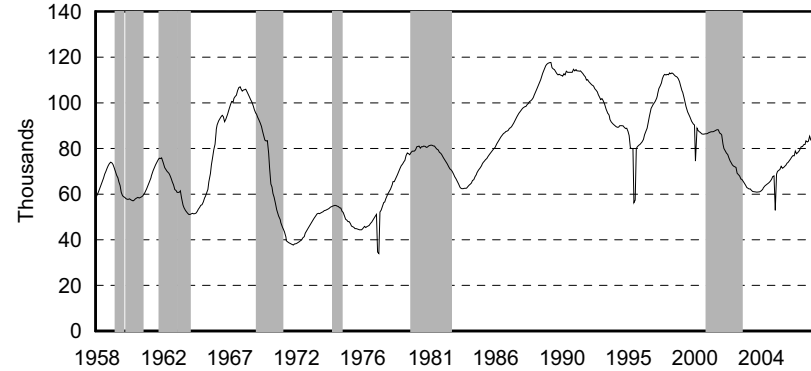


Chart 2.3
Unemployment Rate, S.A.
 January 1980 to August 2008

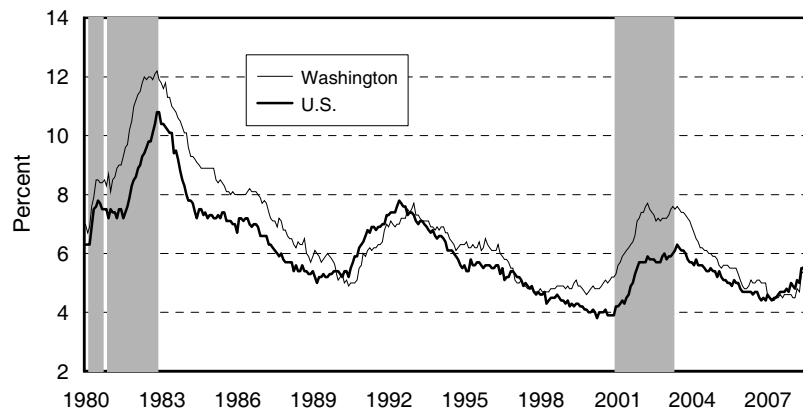
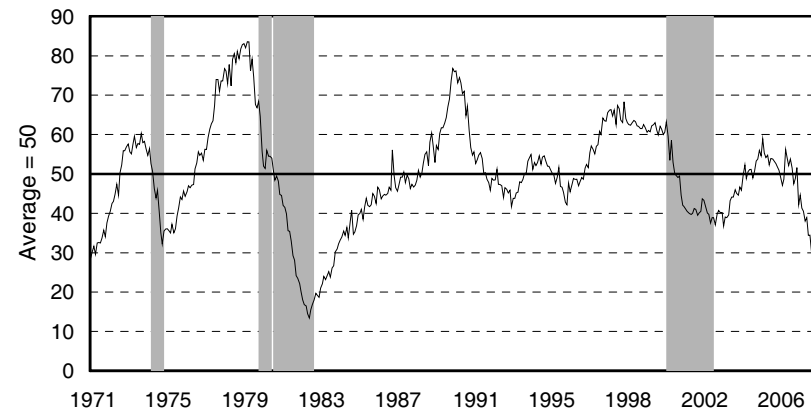


Chart 2.4
Washington Boom Monitor Composite Index
 July 1971 to August 2008



* 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 2008

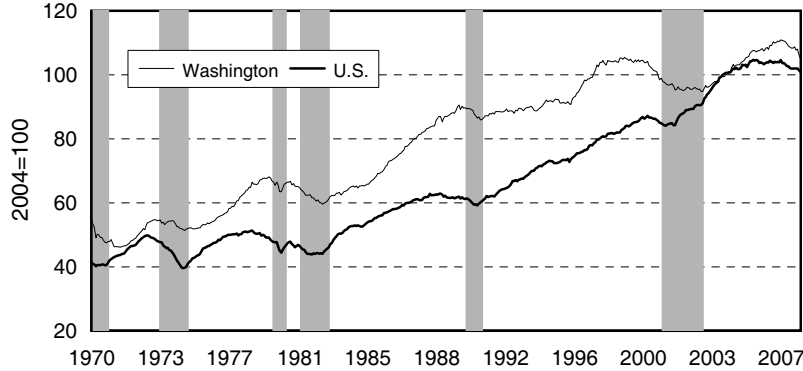


Chart 2.6
Washington Initial Claims for Unemployment Insurance
January 1970 to August 2008

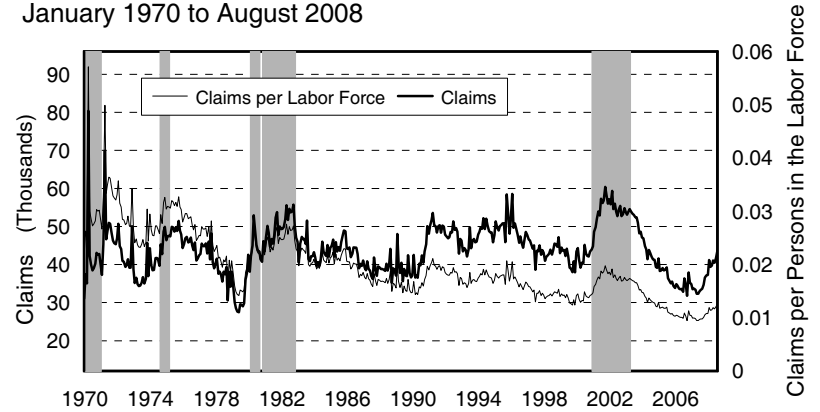


Chart 2.7
Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to August 2008

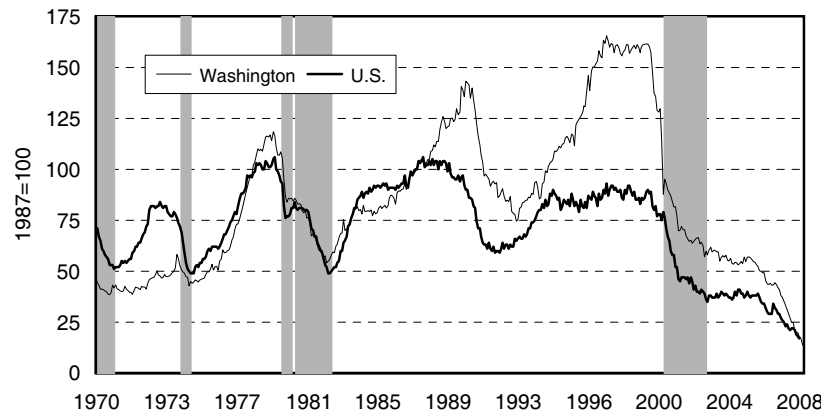
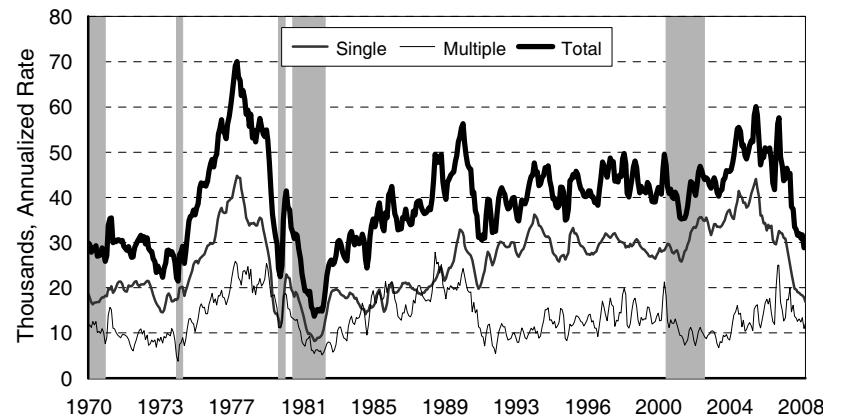


Chart 2.8
Housing Units Authorized in Washington State
January 1970 to August 2008, 3-Month Moving Average



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 2008, 3-Mo. Moving Average, SA

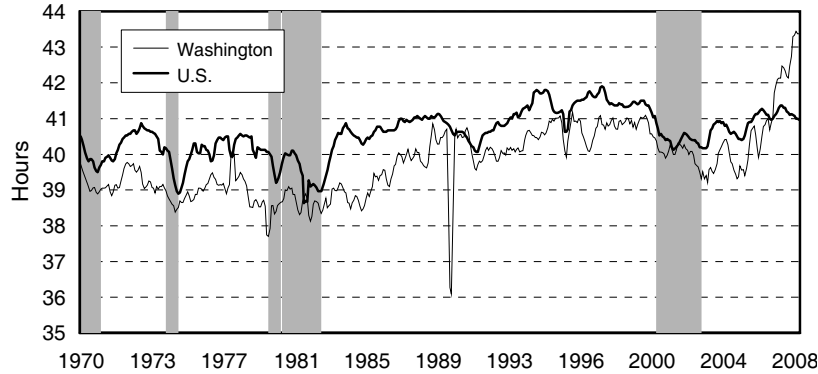


Chart 2.10
Washington Driver's License Migration
 September 1983 to August 2008, 12-Month Moving Average

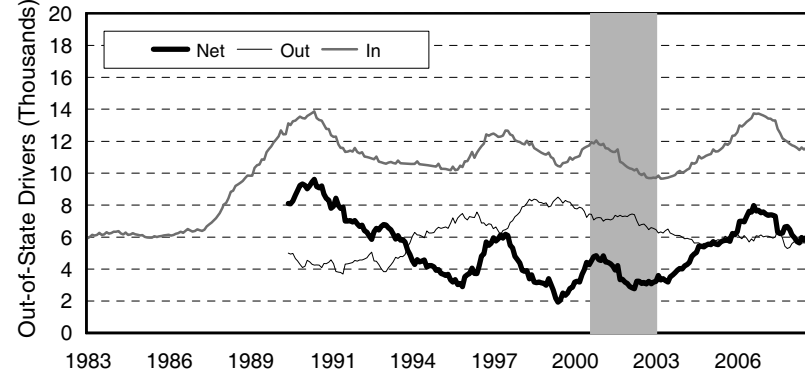


Chart 2.11
New Car and Truck Registrations in Washington
 January 1977 to August 2008, 6-Month Moving Average

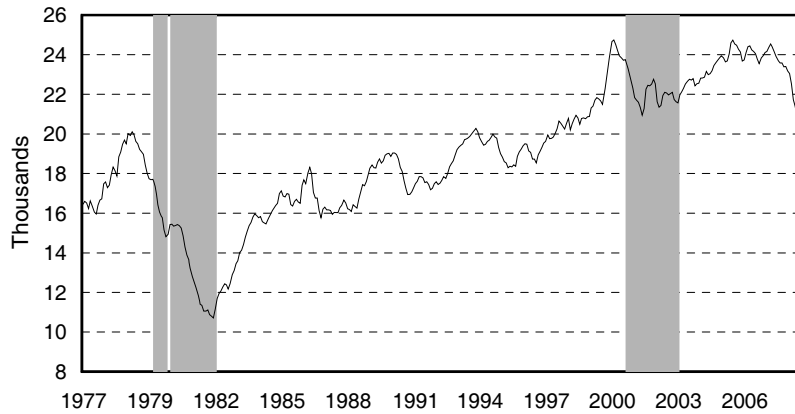
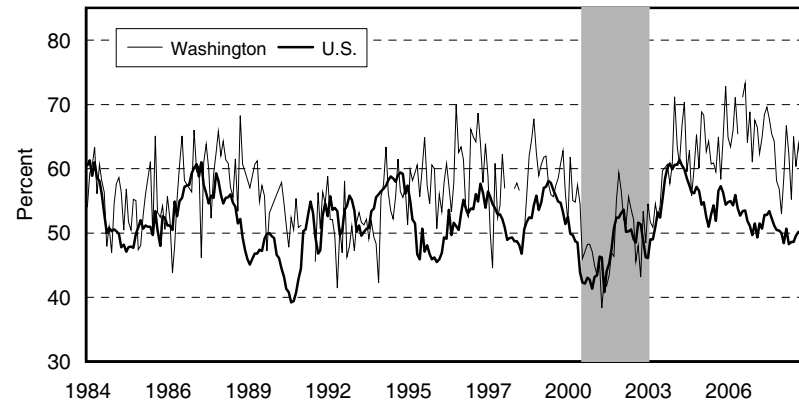


Chart 2.12
Institute for Supply Management Index
 January 1984 to August 2008



* Shaded areas correspond with Washington employment downturns.

Other Economic Indicators

Chart 2.13
Quarterly U.S. Real GDP Growth
 1970 Q1 to 2008 Q2

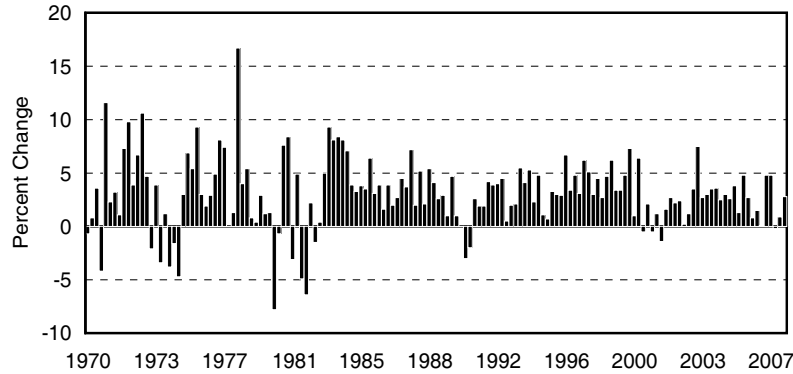


Chart 2.14
Washington State Export Composition
 Change from Same Quarter Year Ago, 1998Q1 to 2008Q2

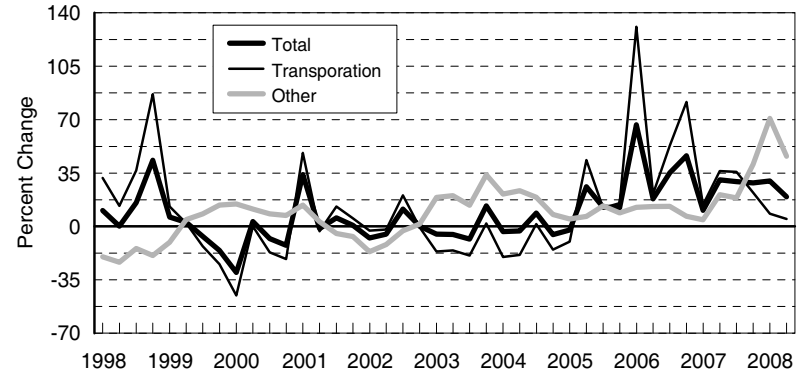


Chart 2.15
U.S. Economic Indicators*
 January 1970 to August 2008

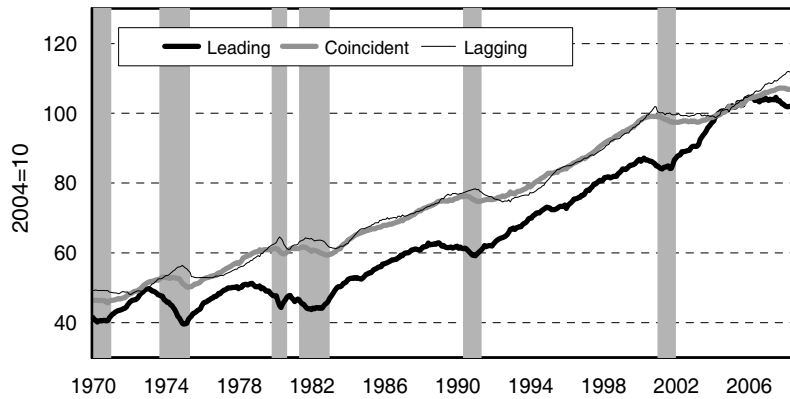
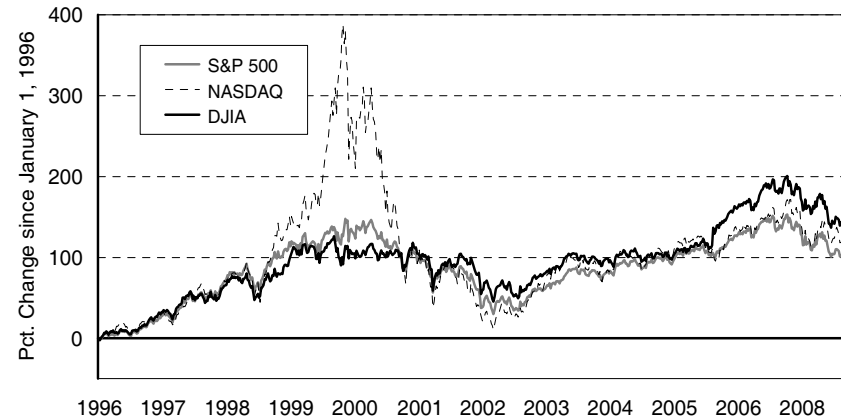


Chart 2.16
National Stock Indexes
 January 1, 1996 to September 26, 2008



* 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 October 1, 2008

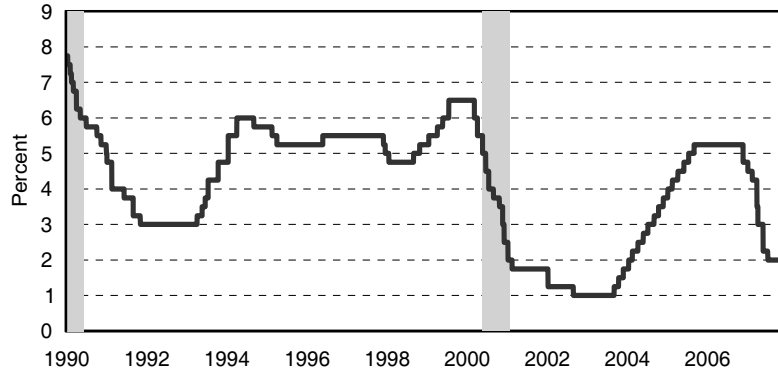


Chart 2.18
Consumer Confidence
 January 1978 to September 2008

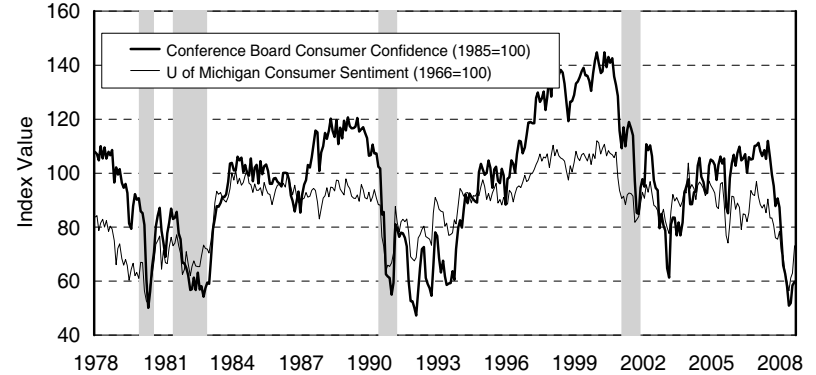


Chart 2.19
Seattle vs U.S. CPI (All Urban Consumers)
 December 1998 to August 2008

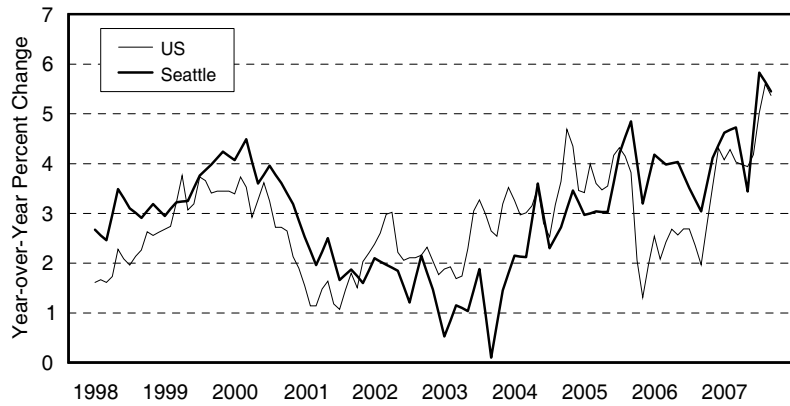
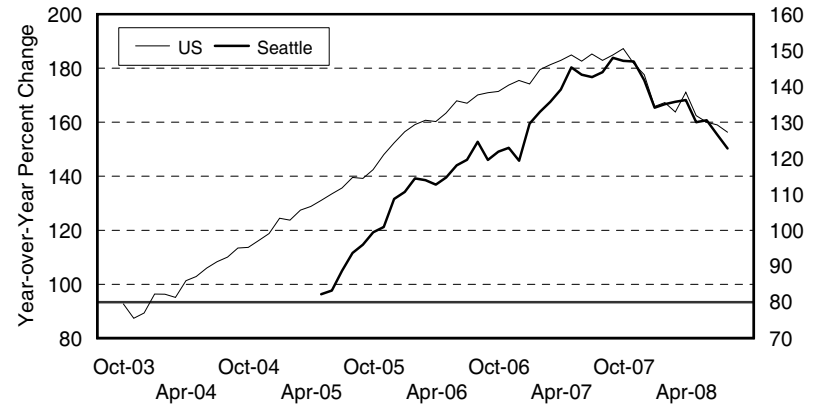


Chart 2.20
Monster Employment Index
 October 2003 to August 2008, SA



* 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
2006:8	107.4	103.3	44	30	73.3	53.5
2006:9	108.2	103.7	44	29	64.1	51.9
2006:10	108.6	103.9	44	29	68.8	51.1
2006:11	107.9	103.8	43	29	61.1	49.7
2006:12	109.2	104.4	43	34	67.5	51.5
2007:1	109.2	104.0	44	32	66.4	49.3
2007:2	110.3	103.7	43	31	62.3	51.5
2007:3	109.9	104.1	42	29	64.9	50.7
2007:4	110.1	103.9	41	29	68.4	52.8
2007:5	110.5	104.0	38	27	69.6	52.8
2007:6	110.4	103.9	37	26	67.8	53.4
2007:7	110.9	104.6	35	25	65.4	52.3
2007:8	110.7	103.6	33	23	64.3	51.2
2007:9	110.6	103.7	31	24	58.1	50.5
2007:10	110.3	103.2	29	22	56.8	50.4
2007:11	109.8	102.8	27	21	53.0	50.0
2007:12	109.0	102.6	25	22	58.7	48.4
2008:1	108.7	102.1	25	22	66.7	50.7
2008:2	108.3	101.9	21	21	62.3	48.3
2008:3	108.4	101.9	20	19	55.2	48.6
2008:4	108.7	102.0	20	18	65.0	48.6
2008:5	107.7	101.9	18	17	60.3	49.6
2008:6	108.0	102.0	17		63.8	50.2
2008:7	106.0	101.3	14		60.2	50.0
2008:8	104.7	100.8	13		65.3	49.9

*Indicator has been discontinued

Washington State Revenue Forecast Summary

Introduction

The Washington State Economic and Revenue Forecast Council unanimously approved a \$529.3 million reduction to the General Fund-State (GFS) revenue forecast at its September 18, 2008 meeting. The forecast for the 2007-09 biennium was reduced \$273.1 million from June's value, and the forecast for the 2009-11 biennium was reduced by \$256.2 million. The national outlook is weaker than assumed in June. National employment continues to decline and income growth has slowed. Financial market turmoil has increased and the housing market continues to decline. The outlook for the Washington State economy is also weaker, most notably in the areas of construction and housing. The weaker state economic growth is expected to produce less GFS revenue than was forecasted in June. The revisions to the June forecast are summarized in Table 3.1.

The September 2008 GFS revenue forecast for the 2007-09 budget period is \$29,129.3 million. This is \$1.4 billion (4.9 percent) higher than what was collected in the 2005-07 biennium. Growth for the current biennium is significantly less than the \$4.4 billion (18.7 percent) increase in the 2005-07 budget period and weaker than the 5.9 percent increase expected in the June forecast. The September 2008 forecast projects GFS reserves to total \$529.0 million at the end of the 2007-09 budget period. This is based on the September 2008 GFS revenue forecast and a 2007-09 spending level of \$29,838.2 million. Reserves are comprised of a \$86.9 million GFS ending balance and a \$442.1 million projected ending balance in the Budget Stabilization Account.

The September 2008 GFS revenue forecast for the 2009-11 biennium is

	<u>2007-09</u> <u>Biennium</u>	<u>2009-11</u> <u>Biennium</u>	<u>Total</u>
Non-Economic Change	\$0.0	\$0.0	\$0.0
Forecast Change	(\$273.1)	(\$256.2)	(\$529.3)
Total Change*	(\$273.1)	(\$256.2)	(\$529.3)

*Detail may not add to totals due to rounding.

\$31,498.3 million. This is \$2.4 billion, 8.1 percent higher than what is expected to be collection in the current budget period. Revenue growth for the next biennium is slightly faster than what was expected in the June 2008 forecast but results in less revenue due to a lower 2007-09 starting point.

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 economic 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 2008 baseline forecast for the 2007-09 biennium, is shown in Table 3.2.

September 2008 Forecast Assumptions

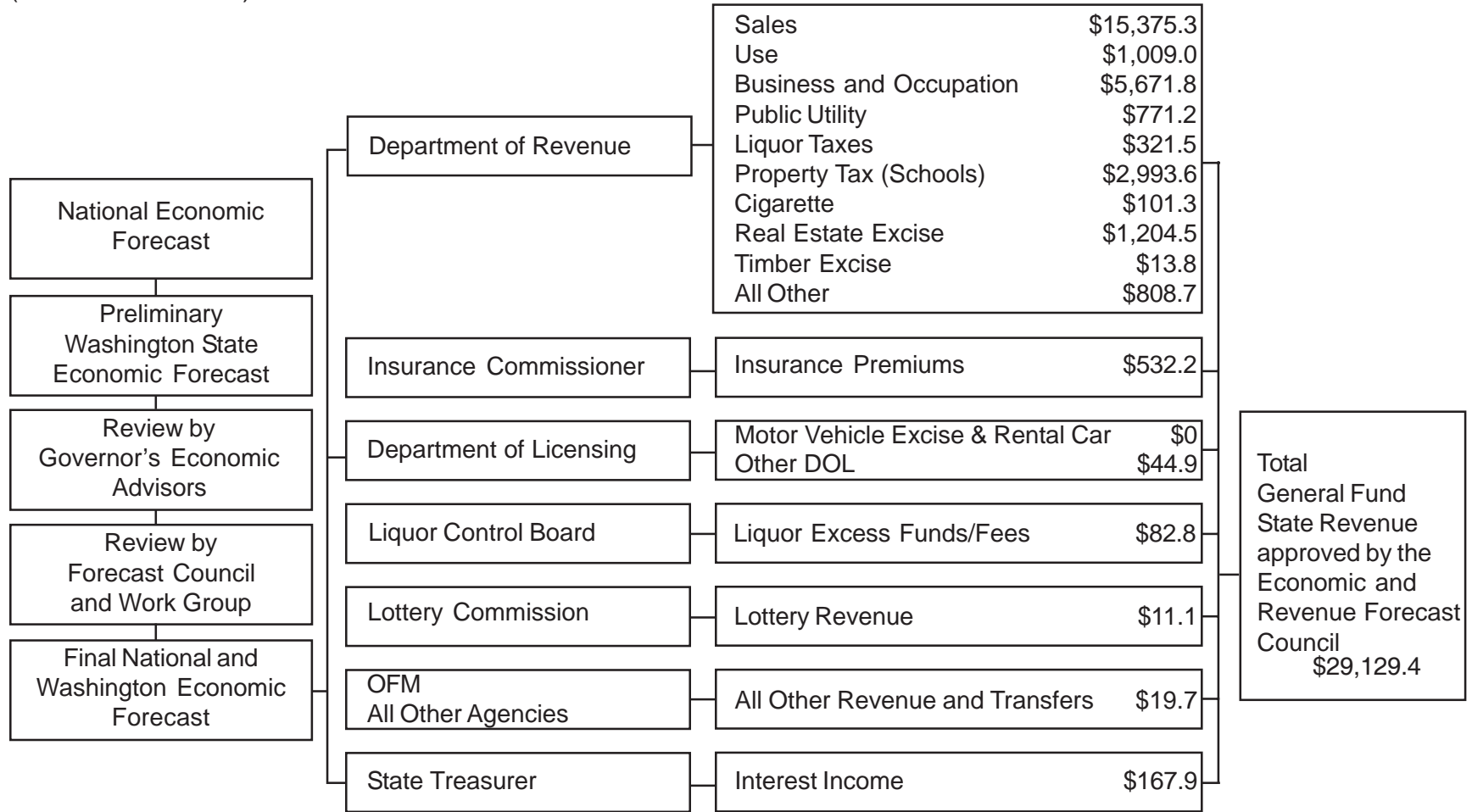
1. The September 2008 GFS revenue forecast is based in part on the economic forecast for the U.S. and the Washington State economies presented in Chapter 1 of this publication. The economic outlook for the U.S and for the state is based on the Global Insight, Inc. September 2008 baseline forecast.
2. The GFS revenue forecast is based on current law and administrative practices. The impact of tax law changes enacted during the 2008 legislative session was incorporated into the June 2008 forecast.

3. Under provisions of Initiative 728, passed by the voters in November 2000, lottery revenue is 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 3.19 summarizes lottery distributions by fund.
4. There are several legal challenges to various aspects of the state's tax laws or administration. Most of these challenges are in litigation and either have not yet been ruled on by the courts or are on appeal. Any impact 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 which have affected GFS receipts in past biennia as well as the GFS forecast for the 2007-09 biennium. New tax law changes and other non-economic factors reduced GFS revenue for the 2005-07 biennium by an estimated \$474 million. As of September 2008, tax law changes have reduced the forecast for GFS for the 2007-09 biennium by \$185.0 million.
7. Initiative 728, which transfers a portion of the state property tax levy 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 \$503.4 million in the 2007-09 biennium and \$539.0 million in the 2009-11 biennium. (See part I of Table 3.18.)
8. Since the September 2007 forecast publication, we have included a "related fund" forecast as well as a forecast for GFS revenue. The related fund is defined in RCW 43.135.025 to include: the health services account, violence reduction and drug enforcement account, public safety and education account, and the student achievement fund. The September 2008 GFS and related fund revenue forecast is shown in Table 3.20.
9. ESHB 2687, passed in the 2008 legislative session, charged the Economic and Revenue Forecast Council with forecasting "near general fund" revenues as defined by the Legislative Evaluation and Accountability Program (LEAP) Committee. The Committee has defined near general fund accounts as those included in "related funds" plus the Education Legacy Trust Account and the Pension Funding Stabilization Account. These forecasts are included in Table 3.20. The Economic and Revenue Forecast Council has produced forecasts of the Education Legacy Trust Account since 2007 but has not previously forecasted Pension Funding Stabilization Account revenues.

Recent Collection Experience

Revenue collected in the three months since the June 2008 forecast was \$112.8 million (3.3 percent) less than expected. Of this variance, \$15 million was due to several unusually large, nonrecurring refunds in June. Excluding these refunds, collections were \$97.8 million (2.9 percent) below the forecast. Revenue Act (retail sales, business and occupation, use and public utility tax) receipts fell short of the June forecast by \$86.5 million (2.9 percent). Real estate excise tax collections continued to under-perform the forecast, coming in \$19.0 million (12.2 percent) less than expected since June. Revenue from other Department of Revenue tax sources was \$8.1 million (3.1 percent) lower than expected in the three months since the June

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



* Cash Basis

forecast. Revenue from the Department of Licensing exceeded the June forecast by \$0.9 million (9.1 percent). The collection variances from the June forecast are summarized in Table 3.3.

Revenue Act collections have declined on a year-over-year basis since the June forecast. After adjusting for special factors, Revenue Act tax payments were 0.5 percent below the year-ago level in the three months since the June 2008 forecast, which primarily reflected May through July 2008 business activity. In the three months prior to the June forecast, adjusted year-over-year growth was 2.1 percent, while in the three months prior to the February forecast the growth rate was 6.3 percent.

Revenue growth is very volatile on a monthly basis. The 0.5 percent average decrease in the last three months included an adjusted 3.8 percent year-over-year gain in the August 11 - September 10 collection period, a 3.8 percent drop in the prior period and a 0.6 percent drop in the June 11-July 10 period. A 0.7 percent year-over-year decline in the April 11 - May 10 collection period was the first year-over-year decline since the last recession, but it was followed by a 3.0 percent gain in the next collection period.

Industry detail for the most recent month (July 2008 activity, reflecting excise tax payments of taxpayers who filed electronically in the August 11- September 10, 2008 period) shows considerable weakness across-the-board. The retail trade sector remains especially weak. Tax payments by retail businesses were 4.3 percent below the year-ago level. In the prior collection period the decline was 6.0 percent. This is the seventh straight month the retail trade sector as a whole has declined or remained unchanged on a year-over-year basis.

Most retail sectors were weak in the August 11 - September 10, 2008 payment period. Five of the twelve three digit NAICS sectors reported declines: autos (-20.0 percent), furniture (-7.7 percent), building materials/garden equipment retailers (-6.9 percent), apparel and accessories stores (-1.0 percent) and miscellaneous retailers (-3.7 percent). General merchandise stores, the second largest retail trade sector after auto sales, increased by only 1.1 percent. Only four retail trade sectors had

Table 3.3

Collection Variance of Major General Fund-State Taxes by Agency

June 11 - September 10, 2008

Based on the June 2008 Forecast (Millions of Dollars)

<u>Agency/Source</u>	<u>Collection Variance*</u>	<u>Percent of Estimate</u>	<u>Adjusted</u>	
			<u>Collection Variance**</u>	<u>Percent of Estimate</u>
Department of Revenue				
Revenue Act ¹	(\$86.5)	-2.9%	(\$71.5)	-2.4%
Non Revenue Act ²	(\$27.1)	-6.6%	(\$27.1)	-6.6%
Subtotal	<u>(\$113.7)</u>	<u>0.0%</u>	<u>(\$98.7)</u>	<u>-0.9%</u>
Department of Licensing ²	\$0.9	9.1%	\$0.9	9.1%
Other	na	na	na	na
Total***	(\$112.8)	-3.3%	(\$97.8)	-2.9%

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, 2008 through September 10, 2008.

² Variance based on June 2008 through August 2008 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 2008 forecast.

** Variance adjusted for special factors: unusually large refund June 2008.

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

gains of more than 5.0 percent: food and beverage stores (+16.0 percent), gas stations and convenience stores (+25.3 percent), drug and health stores (+6.5 percent) and non-store retailers (+5.6 percent). Much of the increase in payments from food and beverage stores and gas station and convenience stores was due to the large year-over-year increases in food and energy prices, which increase gross receipts and therefore increase Business and Occupation taxes.

Based on the preliminary industry data, year-over-year tax payments reported by non-retailing sectors increased by 5.5 percent in the most recent collection period. In the prior period payments by non-retailers decreased by 2.9 percent. Payments from the construction sector showed a 2.9 percent year-over-year increase in the most recent collection period after declining by 5.3 percent in the previous period. Other major non-retail trade sectors showing strong growth included manufacturing (+9.7 percent), wholesale trade (+11.2 percent), information (+10.8 percent) and professional, scientific and technical services (+15.4 percent). Weak non-retail trade sectors included finance and insurance (-7.9 percent) and real estate, rental and leasing (-4.1 percent).

Real estate activity has been weak for more than two years. After peaking in the first quarter of 2006, on a seasonally adjusted basis, taxable real estate activity has fallen for nine consecutive quarters. Conditions in the local real estate market have not improved markedly since the June forecast. Preliminary data indicates that taxable real estate activity (based on closings) in August 2008 was 50.3 percent below the year-ago level. Activity has declined on a year-over-year basis for thirteen consecutive months and twenty-one of the last twenty-four months. Until recently, the primary source of weakness was the volume of activity, but since that time declines in the average value per transaction have begun to approach the declines in activity. The number of real estate transactions has declined every month except one since December 2005 and was down 33.1 percent in August. The average value per real estate transaction has been consistently negative only since September 2007 but has shown fairly steady downward growth, with August's value down 25.7 percent year-over-year.

The General Fund-State Forecast for the 2007-09 and 2009-11 Biennia

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 2007-09 and 2009-11 biennia. The September forecast of GFS revenue sources administered and collected by the Department of Revenue is \$515.9 million lower than in June. This is about 97 percent of the total GFS forecast change in September.

As discussed in Chapter 1 of this publication, the September economic forecast for Washington is only slightly weaker than June's with the exception of the forecasts of housing and construction activity, which are considerably weaker. In addition, the year-over-year decline in sales of new and used vehicles has accelerated since the June forecast, as illustrated in the chart on the cover of this publication, and the decline is expected to be longer and deeper than assumed in June. Decreased sales in these and related sectors are responsible for much of the September reduction in forecasted GFS revenue for the 2007-09 and 2009-11 biennia.

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 account for 82.5 percent of the \$29.1 billion GFS forecast of receipts for the 2007-09 biennium. This is down slightly from 83.0 percent

in the 2005-07 biennium. These taxes are expected to account for 82.2 percent of GFS revenue in the 2009-11 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 increase in the General Fund's reliance on these three taxes between the 2005-07 and the 2007-09 biennia is partly due to a plunge in real estate excise tax payments expected this biennium. The real estate excise tax is the General Fund-State's fourth largest revenue source. Real estate excise tax receipts increased 50.9 percent in the 2005-07 biennium compared to 18.7 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. This biennium the real estate excise taxes are expected to decline by \$800 million compared to 2005-07 and are expected to account for only 4.1 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 \$16.4 billion (56.2 percent) of the total in the 2007-09 budget period and \$17.6 billion (55.9 percent) of GFS revenue in the 2009-11 biennium. 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 \$5.7 billion (19.5 percent) of the total this biennium and \$6.3 billion (19.9 percent) of the total next 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 (10.3 percent) of the total in the 2007-09 biennium and \$3.2 billion (10.1 percent) of total GFS revenue in the 2009-11 period. 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 3.19, part 1.)

Table 3.4
General Fund-State Collections*
(Millions of Dollars)

Cash Basis

<u>Biennium</u>	<u>Current Dollars</u>	<u>Percent Change</u>	<u>2000</u>	
			<u>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%	21,589.5	5.8%
2005-07	27,772.0	18.7%	24,219.1	12.2%
2007-09 ^F	29,129.3	4.9%	23,900.0	-1.3%
2009-11 ^F	31,498.3	8.1%	24,719.8	3.4%

^F: September 2008 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.

Table 3.5
Taxable Retail Sales*
 September 2008
 (Millions of Dollars)

Fiscal Year	Amount	Percent Change
1978	21,121	
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	115,527	7.9%
2008 ^F	118,582	2.6%
2009 ^F	120,961	2.0%
2010 ^F	126,172	4.3%
2011 ^F	132,184	4.8%

^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. Reported totals affected by enacted legislation. 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).

Taxable sales (sales subject to the 6.5 percent state retail sales tax) totaled \$26,781.4 million in the first quarter of 2008, the most recent quarter available. This was only 1.5 percent higher than the year-ago level. Taxable sales increased 5.7 percent in the fourth quarter of 2007 and 5.9 percent in the third quarter. Preliminary data, however, indicate that sales for the second quarter of 2008 decreased 2.6 percent below the year-ago level. If the revised total confirms the decline, it will be the first year-over-year decline in taxable sales since the first quarter of 2002, the early recovery period from the last recession. Taxable sales in the first quarter of 2008 grew slower than state personal income for the third straight quarter. In the first quarter of 2008, U.S. retail sales increased 3.0 percent (adjusted) on a year-over-year basis after growing at 4.7 percent in the fourth quarter of 2007.

Washington charges sales tax on both construction materials and construction labor. As a result, increases and decreases in construction activity have a large effect on total taxable sales. During the recent construction boom, construction sector taxable sales grew relative to sales in other sectors, growing from an average of 15.2 percent of total taxable sales in the 1990s to a peak of 21.6 percent of sales in the third quarter of 2007. In the first quarter of 2008, taxable sales in the construction sector accounted for 20.2 percent of taxable sales. Taxable sales in construction are forecasted to decline through the second quarter of 2009, with a slightly deeper decline than forecasted in June due to the lowered forecast of housing permits and construction employment.

Taxable sales of firms in the retail trade sector declined by 1.8 percent year-over-year in the first quarter of 2008. This decline was due entirely to the decline in sales in the auto sector, the largest retail trade category. Sales at automotive dealers, which accounted for 10.3 percent of total taxable sales and 24.3 percent of sales in the retail trade sector, declined by 9.2 percent. Without this de-

cline, retail trade would have reported a 0.8 percent increase. In the fourth quarter of 2007, the auto sector reported only a 0.4 percent year-over-year decline, while preliminary data indicate a 13.6 percent decline for the second quarter of 2008. The rapidity of this decline was not predicted in the June forecast.

Chart 3.1
General Fund-State Revenue

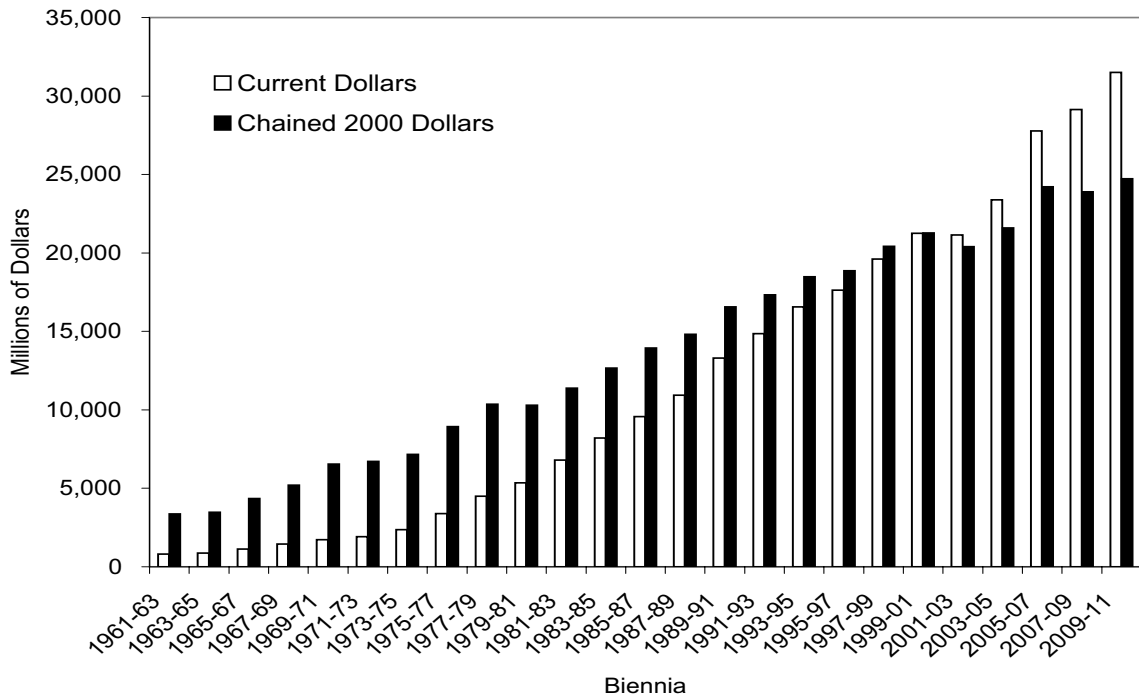


Chart 3.2
General Fund-State Revenue - Percent Change

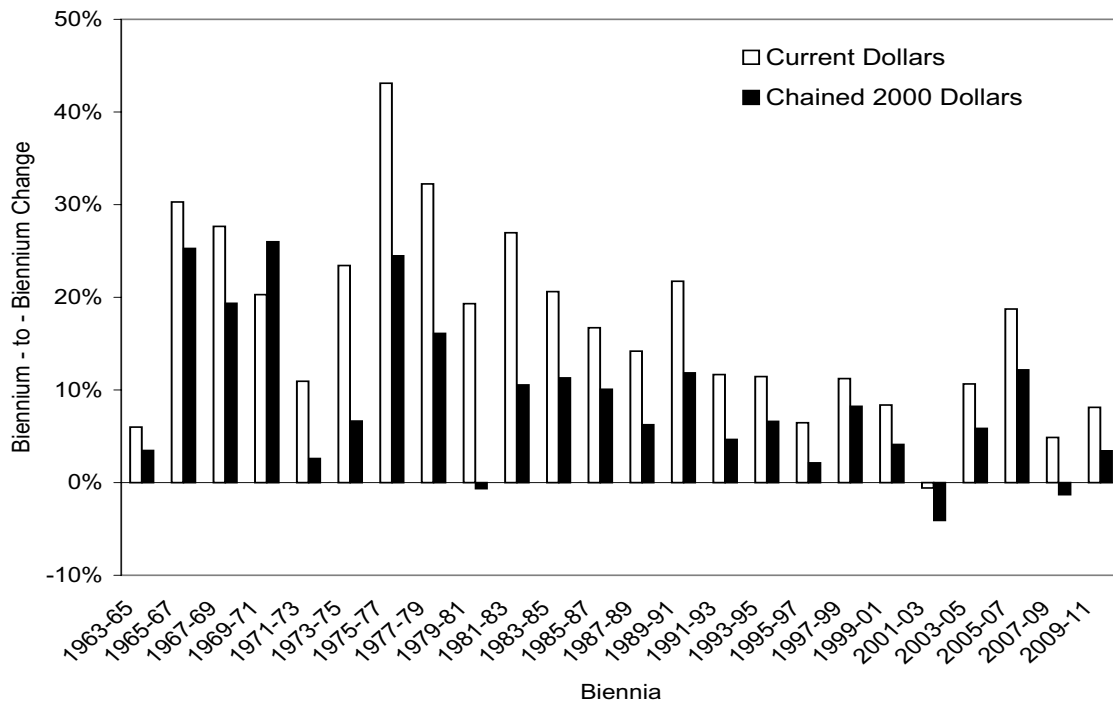


Chart 3.3
Composition of General Fund-State Revenue

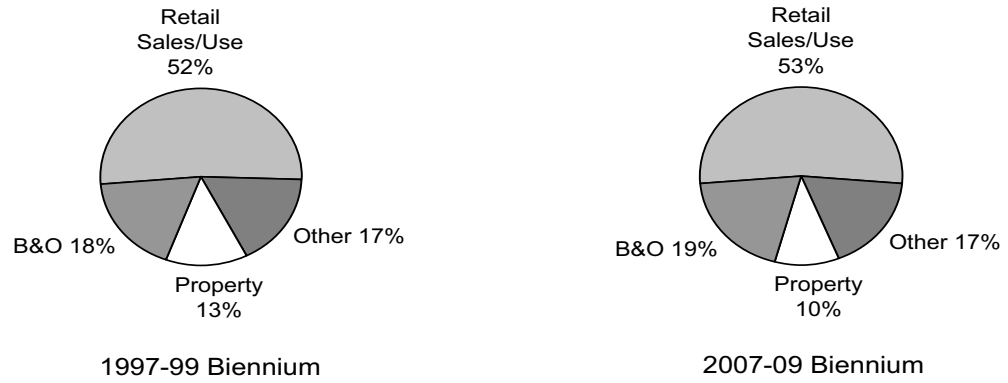


Chart 3.4
Taxable Sales* as Percentage of Personal Income



*Adjusted Base

The decline is now projected to deepen and recovery is not forecasted to begin until the first quarter of 2009. Due to the large size of this sector, the forecasted decline is one of the main contributors to the decline in the forecast of GFS revenue.

In the first quarter, the retail trade sector also saw large declines in two sectors closely related to housing construction: furniture and home furnishings stores declined by 9.2 percent year-over-year and building materials and garden supply stores decreased by 4.0 percent. The forecast of taxable sales from these two sectors was also lowered from the June forecast.

Taxable sales reported by the service sector, which accounted for 18.2 percent of all taxable sales in the first quarter, were 5.0 percent higher than a year ago. Taxable sales reported by the wholesale trade sector increased 3.6 percent while the information sector reported a 1.0 percent year-over-year decline.

Statewide taxable sales increased 2.6 percent in fiscal 2008. This is down from 7.9 percent in fiscal 2007. The September 2008 forecast assumes taxable sales will increase by only 2.0 percent in fiscal 2009. Taxable sales growth is expected to rebound some in next biennium, although the forecast continues to assume growth will be constrained by weaker than average employment and construction activity. The forecast assumes taxable sales will grow 4.3 percent in fiscal 2010 and 4.8 percent in fiscal 2011. Taking into account the lag between taxable activity and collections and factoring in updated forecasts of tax deferrals, credits, and refunds, actual retail sales tax collections are forecasted to decline by 0.5 percent in fiscal 2009, then increase by 4.7 percent in fiscal 2010 and 4.8 percent in fiscal 2011. Retail sales tax collections increased by 4.3 percent in fiscal 2008.

The housing outlook is weaker than assumed in the June forecast and like in June, a large portion of the change to the forecast in September is due to a reduction to the real estate excise tax forecast. The September 2008 real estate excise tax forecast is \$70.4 million less than in June for the 2007-09 biennium and is \$149.9 million lower than the June forecast for the 2009-11 biennium.

The decrease in forecasted retail sales taxes was partially offset by increases in the forecasts for business and occupation taxes and public utility taxes. Business and occupation taxes have been growing faster than forecasted in June. They are being supported by export activity as well as higher prices, which increase the gross receipts that the tax is based on. Regardless, business and occupation tax growth is expected to slow to 3.6 percent in fiscal 2009, down from 5.5 percent growth in fiscal 2008. Growth is expected to increase to 5.4 percent in fiscal 2010 and 5.6 percent in fiscal 2011. Public utility taxes are also supported by higher energy prices. They are forecasted to increase by 9.6 percent in fiscal 2009, up from 4.2 percent growth in fiscal 2008, before settling down to 6.5 percent growth in fiscal 2010 and 4.8 percent growth in fiscal 2011.

The September 2008 forecast expects the property tax (state tax levy) to increase 6.6 percent in the 2007-09 biennium and 6.5 percent in the 2009-11 biennium. The General Fund-State portion of the levy is expected to increase 7.4 percent in the 2007-09 and 6.4 percent in the 2009-11 budget period. The portion of the levy diverted to the Student Achievement Account as a result of Initiative 728 is projected to increase 2.4 percent in the 2007-09 biennium and 7.1 percent next biennium.

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 forecast for the 2007-09 biennium has been increased \$1.5 million to \$44.9 million due to an increase in boat excise tax collections. The department's forecast for the 2009-11 biennium has been increased \$0.2 million to \$46.3 million.

The Office of Financial Management (Other Agencies)

The Office of Financial Management (OFM) is responsible for preparing General Fund-State revenue and transfer forecasts for all agencies excluding the Department of Revenue, the Department of Licensing, the Liquor Control Board, the Insurance Commissioner, and the State Treasurer. The office's forecast for the 2007-09 biennium has been increased \$13.8 million to \$19.7 million. The primary forecast increases were in forecasted corporation licenses and fees from the Office of the Secretary of State, increased prior period recoveries from the Department of Social and Health Services and increased timber revenue from the Department of Natural Resources. The office's forecast for the 2009-11 biennium has been decreased \$5.4 million to negative \$34.3 million. The primary forecast decreases were in statewide prior period recoveries and increased transfers out of the General Fund to other accounts. The office's negative forecast for the 2009-11 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 forecast for the 2007-09 biennium has been increased \$1.9 million to \$166.0 million and the office's forecast for the 2009-11 biennium has been reduced \$7.0 million to \$107.2 million.

Insurance Commissioner

The Office of the Insurance Commissioner collects premium taxes on most classes of insurance sold in Washington State. These taxes are distributed to the General Fund-State, the health services account, and various accounts in support of fire services. The office's forecast for the 2007-09 biennium has been decreased \$0.1 million to \$532.2 million and its forecast for the 2009-11 biennium is unchanged at \$586.7 million.

Liquor Control Board

The Liquor Control Board forecasts revenue from both profits and fees from state-run liquor stores and funds from surtaxes on beer and wine. The board's forecast of excess funds and fees for the 2007-09 biennium has been decreased \$7.8 million to \$78.4 million \$11.9 million to \$85.4 million due to an adjustment to the forecasted cost of store merchandise. The board's forecast of beer and wine surtaxes for the 2007-09 biennium has been decreased \$0.3 million to \$4.4 million and its forecast for the 2009-11 biennium has been decreased \$0.4 million to \$4.9 million.

Lottery Commission

The Lottery Commission transfers the unallocated portion of collections from sales of Lottery products to the General Fund. Funds are not transferred unless there is lottery revenue remaining after the School Construction and stadium/exhibition center accounts receive their allotments. The Commission's forecast of General Fund cash transfers for the 2007-09 biennium has been increased \$6.1 million to \$11.1 million and its forecast for the 2009-11 biennium has been reduced \$4.1 million to \$1.1 million. The Commission's forecast of revenues for the School Construction Account for the 2007-09 biennium has been decreased \$7.1 million to \$196.9 million and its forecast for the 2009-11 biennium has been increased \$9.8 million to \$213.8 million.

Forecast Change for the 2007-09 & 2009-11 Biennia

The September 2008 GFS revenue forecast for the 2007-09 biennium is \$273.1 million (0.9 percent) less than in June and the forecast for the 2009-11 biennium is \$256.2 million (0.8 percent) less.

Table 3.6 summarizes the changes to the GFS cash forecast for the 2007-09 biennium by type of change. Tables 3.7 and 3.8 summarize data revisions to GFS revenue for the 2007-09 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 2009-11 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. Lottery Commission

Track Record for the 2007-09 Biennium

Table 3.13 summarizes the changes to the GFS revenue forecast for the 2007-09 biennium. The September 2008 forecast for the 2007-09 biennium is \$273.1 million lower than the June 2008 forecast but is \$102 million (0.3 percent) higher than the initial forecast for the 2007-09 biennium that was released in February 2006. Excluding non-economic changes however, the current forecast for the 2007-09 biennium is \$287 million (1.0 percent) higher than the initial forecast despite the reduction in September. There have been ten quarterly updates to the GFS forecast for the 2007-09 biennium: five have increased the forecast and five, including the September 2008 update, have reduced the forecast.

Track Record for the 2009-11 Biennium

Table 3.14 summarizes the changes to the GFS revenue forecast for the 2009-11 biennium. The initial forecast for the biennium was released in February 2008. The September 2008 forecast for the 2007-09 biennium is \$420 million (1.3 percent) lower than the initial forecast. Non-economic changes, the results of legislation and budgetary changes from the 2008 legislative session, account for \$46 million (0.1 percent) of the total change. Both forecasts subsequent to the initial forecast have reduced the forecast for the biennium.

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

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

Table 3.15 compares the cash receipts forecast and the GAAP revenue forecast by agency. GFS revenue for the 2005-07 biennium totaled \$27,769.9 million on a GAAP basis, \$2.1 million less than the \$27,772.0 million cash receipts total. The September 2008 GFS forecast for the 2007-09 biennium is \$29,205.2 million on a GAAP basis, \$75.9 million more than the \$29,129.3 million cash forecast. For the 2009-11 biennium, the GAAP forecast totals \$31,596.8 million, \$98.5 million higher than the \$31,498.3 million cash forecast.

Table 3.6

Summary of Changes to the General Fund-State Forecast
 September 2008 Cash Forecast
 (Millions of Dollars)

	<u>September 2008 Change</u>
<u>2007-09 Biennium</u>	
<i>Collection Experience in the 2007-09 Biennium</i>	(\$112.8)
Department of Revenue ¹	(113.7)
Department of Licensing ²	0.9
<i>Non Economic Adjustments to the Forecast</i>	\$0.0
<i>Forecast Change for the 2007-09 Biennium</i>	(\$160.3)
Department of Revenue	(\$174.5)
Other agencies	\$14.2
Total Change: 2007-09 Biennium*	<u>(\$273.1)</u>
<u>2009-11 Biennium</u>	
<i>Non Economic Adjustments to the Forecast</i>	\$0.0
<i>Forecast Change for the 2009-11 Biennium</i>	(\$256.2)
Department of Revenue	(\$227.7)
Other agencies	(\$28.5)
Total Change: 2009-11 Biennium*	<u>(\$256.2)</u>

Table 3.16 shows the budgetary balance sheet the 2007-09 biennium which ends June 30, 2009. With adoption of the September 2008 GFS forecast, the projected total ending balance for the 2007-09 biennium is \$529.0 million. This is based on an enacted 2007-09 appropriations level of \$29,838.2 million including the 2008 supplemental budget. This is \$272.4 million less than projected after adoption of the June 2008 revenue forecast and is 1.8 percent of 2007-09 enacted appropriations. The total ending balance for the 2007-09 biennium is comprised of a projected ending GFS balance of \$86.9 million and a \$442.1 million balance in the Budget Stabilization Account. The 2007 Legislature enacted joint resolutions creating a new Budget Stabilization Account which was ratified by voters in the November 2007 general election.

Alternative Forecasts for the 2007-09 and 2009-11 Biennia

Chapter 1 outlines optimistic and pessimistic alternatives to the baseline forecast. The revenue implications of these alternative scenarios are show in Table 3.17 for the 2007-09 biennium and Table 3.18 for the 2009-11 biennium. The optimistic scenario for the 2007-09 biennium generates \$29,662.3 million, \$533.0 million more than the baseline forecast. The pessimistic alternative produces \$28,645.8 million GFS revenue in the 2007-09 biennium, \$483.5 million less than the baseline forecast. For the 2009-11 biennium the range is much wider. The optimistic forecast generates \$33,552.1 million, \$2,053.9 million more than the baseline while the pessimist forecast produces \$29,311.3 million, \$2,187.0 million less than the baseline.

In addition to the official optimistic and pessimistic alternatives, the Economic and Revenue Forecast Council routinely prepares 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 2008 GCEA scenario was based on the forecast of four members of the GCEA. The GCEA alternative was \$159 million lower than the September 2008 baseline forecast for the 2007-09 biennium and \$373 million less than the baseline for the 2009-11 budget period.

Related Fund and Near General Fund Forecast for the 2007-09 and 2009-11 Biennia

The September 2008 economic and revenue forecast includes a “related fund” forecast as well as the General Fund-State forecast for the 2007-09 and 2009-11 biennia. Related 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. Tables 3.20 and 3.21 summarize the related fund forecast.

The related fund forecast for the 2007-09 biennium is \$2,117.1 million, \$1.8 million more than expected in June. The combined GFS and related fund forecast for the 2007-09 totals \$31,246.4 million, \$271.3 million less than the June forecast.

The related fund forecast for the 2009-11 is \$2,234.9 million. This is \$10.3 million lower than the June 2008 forecast and is 5.6 percent higher than the forecast for the 2007-09 biennium. The combined GFS and related fund forecast for the 2009-11 biennium is \$33,733.2 million. This is \$2,486.8 million (8.0 percent) more than the forecast of the 2007-09 biennium.

ESHB 2687, passed in the 2008 legislative session, charged the Economic and Revenue Forecast Council with forecasting “near general fund” revenues as defined by the Legislative Evaluation and Accountability Program (LEAP) Committee. The Committee has defined near general fund accounts as those included in “related funds” plus the Education Legacy Trust Account and the Pension Funding Stabilization Account. These forecasts are included in Table 3.20. The Economic and Revenue Forecast Coun-

Table 3.7
Comparison of the General Fund-State Forecast by Agency
 2007-09 Biennium; Cash Basis
 (Millions of Dollars)

Forecast by Agency	June 2008 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2008 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,564.7	0.0	(\$189.4)	\$15,375.3	(\$189.4)
Business & Occupation Use	5,637.7	0.0	34.0	5,671.8	34.0
Public Utility	1,062.9	0.0	(53.8)	1,009.0	(53.8)
Liquor Sales/Liter	765.0	0.0	6.2	771.2	6.2
Cigarette	318.3	0.0	3.1	321.5	3.1
Property (State Levy)	102.0	0.0	(0.7)	101.3	(0.7)
Real Estate Excise	2,996.2	0.0	(2.6)	2,993.6	(2.6)
Timber Excise	1,274.9	0.0	(70.4)	1,204.5	(70.4)
Other	13.4	0.0	0.5	13.8	0.5
Subtotal	823.7	0.0	(15.0)	808.7	(15.0)
	28,558.9	0.0	(288.2)	28,270.7	(288.2)
Department of Licensing					
Boat excise, licenses, fees & other	43.4	0.0	1.5	44.9	1.5
Insurance Commissioner					
Insurance Premiums	532.3	0.0	(0.1)	532.2	(0.1)
Liquor Control Board					
Liquor Profits and Fees	86.2	0.0	(7.8)	78.4	(7.8)
Beer & Wine Surtax	4.8	0.0	(0.3)	4.4	(0.3)
Lottery Commission					
Lottery Revenue	5.0	0.0	6.1	11.1	6.1
State Treasurer					
Interest Earnings	166.0	0.0	1.9	167.9	1.9
Office of Financial Management					
Other	5.8	0.0	13.8	19.7	13.8
Total General Fund-State *	\$29,402.4	\$0.0	(\$273.1)	\$29,129.3	(\$273.1)

1 General Fund-State forecast for the 2007-09 biennium adopted by the Economic and Revenue Forecast Council in June 2008.

2 General Fund-State forecast for the 2007-09 biennium, adopted September 2008;

*Detail may not add to totals because of rounding.

Table 3.8
Comparison of the General Fund-State Forecast by Agency
 2007-09 Biennium; GAAP Basis
 (Millions of Dollars)

Forecast by Agency	June 2008 Forecast¹	Non-Economic Changes	Forecast Revision	Sept. 2008 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$15,638.7	0.0	(\$176.0)	\$15,462.7	(\$176.0)
Business & Occupation Use	5,660.2	0.0	(3.6)	5,656.7	(3.6)
Public Utility	1,066.3	0.0	(53.7)	1,012.6	(53.7)
Liquor Sales/Liter Cigarette	767.5	0.0	6.6	774.1	6.6
Property (State Levy)	318.9	0.0	2.5	321.4	2.5
Real Estate Excise	102.0	0.0	(1.0)	101.0	(1.0)
Timber Excise	2,996.2	0.0	(2.2)	2,994.0	(2.2)
Other	1,274.9	0.0	(64.4)	1,210.6	(64.4)
Subtotal	12.2	0.0	0.5	12.7	0.5
	825.1	0.0	(15.4)	809.7	(15.4)
	28,662.0	\$0.0	(306.6)	28,355.4	(306.6)
Department of Licensing					
Boat excise, licenses, fees & other	44.7	0.0	0.4	45.1	0.4
Insurance Commissioner					
Insurance Premiums	532.3	0.0	(0.1)	532.2	(0.1)
Liquor Control Board					
Liquor Profits and Fees	86.2	0.0	(7.8)	78.4	(7.8)
Beer & Wine Surtax	4.8	0.0	(0.3)	4.4	(0.3)
Lottery Commission					
Lottery Revenue	7.8	0.0	3.3	11.1	3.3
State Treasurer					
Interest Earnings	157.5	0.0	1.4	158.9	1.4
Office of Financial Management					
Other	5.8	0.0	13.8	19.7	13.8
Total General Fund-State *	\$29,501.1	\$0.0	(\$295.9)	\$29,205.2	(\$295.9)

1 Forecast for the 2007-09 biennium adopted February 2008.

2 June 2008 Forecast

*Detail may not add to totals because of rounding.

Table 3.9
Comparison of the General Fund-State Forecast by Agency
 2009-11 Biennium; Cash Basis
 (Millions of Dollars)

<u>Forecast by Agency</u>	<u>June 2008 Forecast</u>	<u>Non-Economic Changes</u>	<u>Forecast Revision</u>	<u>Sept. 2008 Forecast¹</u>	<u>Total Change</u>
Department of Revenue					
Retail Sales	\$16,669.6	\$0.0	(\$226.6)	\$16,443.0	(\$226.6)
Business & Occupation Use	6,140.1	0.0	113.2	6,253.3	113.2
Public Utility	1,175.6	0.0	(6.8)	1,168.9	(6.8)
Liquor Sales/Liter	852.6	0.0	27.2	879.8	27.2
Cigarette	342.6	0.0	(1.9)	340.7	(1.9)
Property (State Levy)	100.1		(0.9)	99.2	(0.9)
Real Estate Excise	3,186.7	0.0	(0.3)	3,186.3	(0.3)
Timber Excise	1,587.8	0.0	(149.9)	1,437.9	(149.9)
Other	10.8	0.0	0.1	10.9	0.1
Subtotal	862.7	0.0	18.3	881.0	18.3
	30,928.7	0.0	(227.7)	30,701.0	(227.7)
Department of Licensing					
Boat excise, licenses, fees & other	46.1	0.0	0.2	46.3	0.2
Insurance Commissioner					
Insurance Premiums	586.7	0.0	0.0	586.7	0.0
Liquor Control Board					
Liquor Profits and Fees	97.2	0.0	(11.9)	85.4	(11.9)
Beer & Wine Surtax	5.3	0.0	(0.4)	4.9	(0.4)
Lottery Commission					
Lottery Revenue	5.2	0.0	(4.1)	1.1	(4.1)
State Treasurer					
Interest Earnings	114.2	0.0	(7.0)	107.2	(7.0)
Office of Financial Management					
Other	(28.9)	0.0	(5.4)	(34.3)	(5.4)
Total General Fund-State *	\$31,754.5	\$0.0	(256.2)	\$31,498.3	(256.2)

1 Forecast adopted by the ERFC in February 2008.

2 Forecast adopted by the ERFC in June 2008.

*Detail may not add to totals because of rounding.

Table 3.10

Comparison of the General Fund-State Forecast by Agency

2009-11 Biennium; GAAP Basis

(Millions of Dollars)

Forecast by Agency	June 2008 Forecast¹	Non- Economic Changes	Forecast Revision	Sept. 2008 Forecast²	Total Change
Department of Revenue					
Retail Sales	\$16,746.2	0.0	(\$243.2)	\$16,503.0	(\$243.2)
Business & Occupation Use	6,160.1	0.0	113.2	6,273.3	113.2
Public Utility	1,179.4	0.0	(6.8)	1,172.7	(6.8)
Liquor Sales/Liter	854.6	0.0	27.2	881.8	27.2
Cigarette	343.6	0.0	(2.3)	341.4	(2.3)
Property (State Levy)	100.1	0.0	(0.9)	99.2	(0.9)
Real Estate Excise	3,186.7	0.0	(0.3)	3,186.3	(0.3)
Timber Excise	1,587.8	0.0	(149.9)	1,437.9	(149.9)
Other	10.2	0.0	0.1	10.3	0.1
Subtotal	864.1	0.0	18.3	882.4	18.3
	31,033.0	0.0	(244.6)	30,788.4	(244.6)
Department of Licensing					
Boat excise, licenses, fees & other	47.5	0	(0.5)	47.0	(0.5)
Insurance Commissioner					
Insurance Premiums	586.7	0	0.0	586.7	0.0
Liquor Control Board					
Liquor Profits and Fees	97.2	0	(11.9)	85.4	(11.9)
Beer & Wine Surtax	5.3	0	(0.4)	4.9	(0.4)
Lottery Commission					
Lottery Revenue	5.0	0	5.2	10.2	5.2
State Treasurer					
Interest Earnings	115.9	0	(7.3)	108.6	(7.3)
Office of Financial Management					
Other	(28.9)	0	(5.4)	(34.3)	(5.4)
Total General Fund-State *	\$31,857.5	\$0.0	(260.7)	\$31,596.8	(260.7)

1 Forecast for the 2009-11 biennium adopted in June 2008.

2 Forecast for the 2009-11 biennium adopted in September 2008.

*Detail may not add to totals because of rounding.

Table 3.11
September 2008 General Fund-State Forecast
2007-09 & 2009-11 Biennia; Cash Basis
(Millions of Dollars)

Forecast by Source	Fiscal 2007^a	Fiscal 2008	Fiscal 2009	2007-09 Biennium	Fiscal 2010	Fiscal 2011	2009-11 Biennium
State Taxes							
Retail sales***	\$7,388.0	\$7,705.2	\$7,670.0	\$15,375.3	\$8,027.7	\$8,415.3	\$16,443.0
Business & occupation Use***	2,640.9	2,786.2	2,885.5	5,671.8	3,041.6	3,211.7	6,253.3
Public Utility	504.4	511.2	497.8	1,009.0	561.6	607.3	1,168.9
Liquor sales/liter	352.9	367.9	403.3	771.2	429.7	450.2	879.8
Beer & wine surtax	147.7	157.2	164.3	321.5	168.3	172.4	340.7
Cigarette	2.2	2.2	2.3	4.4	2.4	2.5	4.9
Tobacco products	50.5	51.3	50.0	101.3	49.9	49.4	99.2
Property (state school levy)**	6.8	(9.3)	10.2	0.8	10.6	10.9	21.6
Public utility district	1,423.1	1,473.6	1,520.0	2,993.6	1,565.4	1,621.0	3,186.3
Real estate excise	39.8	41.7	44.4	86.1	46.9	49.2	96.0
Timber excise	1,069.6	663.3	541.2	1,204.5	668.0	769.9	1,437.9
Estate/inheritance	8.0	7.3	6.6	13.8	5.7	5.2	10.9
Motor vehicle excise & Rental car	5.3	4.1	0.5	4.6	1.0	0.5	1.5
Boat excise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance premiums	15.8	17.7	17.4	35.1	18.0	18.7	36.6
Other	249.0	260.6	271.7	532.2	286.4	300.3	586.7
Total Taxes	275.9	261.2	271.5	532.7	292.3	305.8	598.1
	14,180.0	14,301.4	14,356.6	28,658.0	15,175.3	15,990.1	31,165.4
State Non-Tax Sources							
Licenses, permits, fees	91.8	97.5	94.1	191.5	97.5	100.1	197.6
Liquor profits & fees	49.0	38.9	39.5	78.4	41.0	44.3	85.4
Earnings on investments	100.9	116.6	51.4	167.9	45.2	62.0	107.2
Lottery transfers	7.6	0.0	11.1	11.1	0.0	1.1	1.1
Other revenue & transfers	13.9	55.2	(32.9)	22.3	(31.8)	(26.6)	(58.4)
Total Non-Tax	263.1	308.2	163.1	471.3	152.0	180.9	332.9
Total General Fund-State *	\$14,443.2	\$14,609.6	\$14,519.7	\$29,129.3	\$15,327.2	\$16,171.0	\$31,498.3

a - Actual;

* Detail may not add to totals due to rounding.

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

***GFS portion after Initiative 900 transfer.

cil has produced forecasts of the Education Legacy Trust Account since 2007 but has not previously forecasted Pension Funding Stabilization Account revenues. The forecast for the Education Legacy Trust Account for the 2007-09 biennium has been increased \$36.4 million and the forecast for the 2009-11 biennium has been increased \$125.2 million due mainly to increased actual and forecasted estate tax revenue. The initial forecast of new revenue to the Pension Funding Stabilization Account, which consists mainly of interest earnings, is \$24.4 million for the 2007-09 biennium. The account is expected to be expended by the 2009-11 biennium, resulting in a forecast of zero interest earnings for that period. The near general fund forecast for the 2007-09 biennium is \$2,590.9 million. The combined GFS and near general fund forecast for 2007-09 totals \$31,720.2 million. The near general fund forecast for the 2009-11 is \$2,695.4 million. This is 4.0 percent higher than the forecast for the 2007-09 biennium. The combined GFS and near general fund forecast for the 2009-11 biennium is \$34,193.6 million. This is \$2,473.5 million (7.8 percent) more than the forecast for the 2007-09 biennium.

Table 3.12
General Fund - State Cash Receipts
 September 2008 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	14,443.2	8.4%
2008	14,609.6	1.2%
Forecast		
2009	14,519.7	-0.6%
2010	15,327.2	5.6%
2011	16,171.0	5.5%

Table 3.13

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

February 2006 through September 2008

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	8.9	213		213	30,017
November 2007	(145)	34	(111)	(20) #3	(130)	29,886
February 2008	(405)	(19)	(423)		(423)	29,463
June 2008	(36)	(14)	(50)	(11) #4	(61)	29,402
September 2008	(288)	15	(273)		(273)	29,129
Total change***:						
From February 2006	224	63	287	(185)	102	
Percent change	0.8%	7.4%	1.0%	-0.6%	0.3%	

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

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

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

**** First official forecast for the 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

#3 Change to the forecast due to change in federal law regarding taxation of internet access.

#4 Impact of 2008 legislation and budget driven revenue.

Table 3.14

Track Record for the 2009-11 General Fund-State Cash Forecast

February through September 2008

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 2008****	\$31,051	\$867				\$31,918
Changes to Forecast						
June 2008	(90)	(28)	(117)	(46) #1	(163)	31,754
September 2008	(228)	(29)	(256)		(256)	31,498
Total change***:						
From February 2008	(317)	(56)	(374)	(46)	(420)	
Percent change	-1.0%	-6.5%	-1.2%	-0.1%	-1.3%	

* 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 2009-11 biennium.

#1 Impact of 2008 legislation and budget driven revenue.

Table 3.15
September 2008 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

Agency	2005-07 Biennium			2007-09 Biennium			2009-11 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	\$26,792.2	\$26,783.5	(\$8.7)	\$28,112.2	\$28,198.0	\$85.8	\$30,569.5	\$30,657.4	\$87.9
Department of Licensing	41.3	42.0	0.7	44.9	45.1	0.3	46.3	47.0	0.7
Insurance Commissioner ⁴	506.9	506.9	0.0	550.2	550.2	0.0	606.5	606.5	0.0
State Treasurer	167.3	175.3	8.0	167.9	158.9	(9.1)	107.2	108.6	1.4
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	248.4	248.4	0.0	279.5	279.5	0.0	281.8	281.8	0.0
Subtotal: General Fund-State Cash/Revenue	27,756.1	27,756.1	(0.0)	29,154.7	29,231.7	77.0	31,611.4	31,701.4	90.0
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	117.5	117.3	(0.2)	158.6	157.4	(1.1)	131.5	130.9	(0.5)
Lottery Commission	9.5	7.6	(1.9)	11.1	11.1	0.0	1.1	10.2	9.0
Insurance Commissioner ⁷	(16.3)	(16.3)	0.0	(18.0)	(18.0)	0.0	(19.8)	(19.8)	0.0
Liquor Control Board	102.4	102.4	0.0	82.8	82.8	0.0	90.3	90.3	0.0
Office of Financial Management									
Other Agencies ⁸	-197.1	(197.1)	(0.0)	(259.9)	(259.9)	0.0	(316.1)	(316.1)	0.0
Subtotal: GFS Other Financing Sources	15.9	13.9	(2.0)	(25.4)	(26.5)	(1.1)	(113.1)	(104.6)	8.5
Total Available Receipts/Resources									
General Fund-State *	\$27,772.0	\$27,769.9	(\$2.1)	\$29,129.3	\$29,205.2	\$75.9	\$31,498.3	\$31,596.8	\$98.5

* 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

2007-09 Enacted Budget Balance Sheet Including 2008 Supplemental

General Fund-State

Dollars in Millions

RESOURCES	
Beginning Fund Balance	780.5
June 2008 Forecast	29,402.4
September 2008 Update	(273.1)
Current Revenue Totals	29,129.3
Legislatively Enacted Fund Transfers	147.0
Transfer to Budget Stabilization Account	(131.7)
Total Resources (including beginning fund balance)	29,925.1
EXPENDITURES	
2007-09 Enacted Budget (Including 2008 Supplemental)	29,838.2
RESERVES	
Projected General Fund Ending Balance	86.9
Emergency Reserve Fund Balance as of June 30, 2008	303.2
Transfer To Budget Stabilization Account	(303.2)
Projected Emergency Reserve Fund Ending Balance	0.0
Budget Stabilization Account Beginning Balance	0.0
Transfer To Budget Stabilization Account (From ERF)	303.2
Transfer from General Fund and Interest Earnings	138.9
Projected Budget Stabilization Account Ending Balance	442.1
Total Reserves (General Fund plus Budget Stabilization)	529.0

House and Senate Fiscal Committees and Office of Financial Management

Table 3.17
September 2008 Alternative Forecasts Compared to the Baseline Forecast
2007-09 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$15,603.0	\$15,375.3	\$15,153.6
Business & Occupation Use	5,794.9	5,671.8	5,594.7
Public Utility	1,031.1	1,009.0	990.1
Property (school levy)	771.5	771.2	770.3
Real Estate Excise	3,069.6	2,993.6	2,917.6
Other	1,223.7	1,204.5	1,180.4
Subtotal	1,278.3	1,245.3	1,213.9
	28,772.1	28,270.7	27,820.7
<i>Department of Licensing</i>			
	46.2	44.9	43.5
<i>Insurance Commissioner¹</i>			
	539.8	532.2	524.7
<i>Lottery Commission</i>			
	11.1	11.1	11.1
<i>State Treasurer - Interest earnings</i>			
	184.8	167.9	149.3
<i>Liquor Profits & Fees²</i>			
	83.6	82.8	82.0
<i>Office of Financial Management</i>			
Other agencies	24.7	19.7	14.7
Total General Fund - State*	\$29,662.3	\$29,129.3	\$28,645.8
Difference from September 2008 Baseline	\$533.0		(\$483.5)

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
September 2008 Alternative Forecasts Compared to the Baseline Forecast
2009-11 Biennium
(Millions of dollars)

<u>Forecast by Source</u>	<u>Optimistic Forecast</u>	<u>Baseline Forecast</u>	<u>Pessimistic Forecast</u>
<i>Department of Revenue</i>			
Retail Sales	\$17,500.9	\$16,443.0	\$15,263.4
Business & Occupation Use	6,726.9	6,253.3	5,870.7
Public Utility	1,207.1	1,168.9	1,099.1
Property (school levy)	890.2	879.8	867.2
Real Estate Excise	3,345.7	3,186.3	3,027.0
Other	1,599.1	1,437.9	1,193.8
Subtotal	1,401.7	1,331.8	1,264.3
	32,671.5	30,701.0	28,585.5
<i>Department of Licensing</i>			
	47.7	46.3	44.9
<i>Insurance Commissioner¹</i>			
	601.4	586.7	572.0
<i>Lottery Commission</i>			
	1.1	1.1	0.0
<i>State Treasurer - Interest earnings</i>			
	162.7	107.2	64.6
<i>Liquor Profits & Fees²</i>			
	92.1	90.3	88.5
<i>Office of Financial Management</i>			
Other agencies	(24.3)	(34.3)	(44.3)
Total General Fund - State*	\$33,552.1	\$31,498.3	\$29,311.3
Difference from September 2008 Baseline	\$2,053.9		(\$2,187.0)

1 Insurance premiums, General Fund-State portion.

2 Includes beer and wine surtax.

* Detail may not add to total due to rounding.

Table 3.19

**Impact of Initiative 728 on the State Property Tax and Lottery Revenue
September 2008 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>
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	1,720.8	1,473.6	247.2
2009	1,776.3	1,520.0	256.3
200-09 Biennium	3,497.1	2,993.6	503.4
2010	1,833.3	1,565.4	267.9
2011	1,892.0	1,621.0	271.1
2010-11 Biennium	3,725.3	3,186.4	539.0

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>
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	123.6	0.0	4.7	8.5	0.0	106.9	0.0	0.3	3.2
2009	118.2	11.1	4.9	8.9	0.0	90.0	0.0	0.3	3.1
2007-09 Biennium	241.9	11.1	9.6	17.4	0.0	196.9	0.0	0.5	6.3
2010	129.8	0.0	5.1	9.2	0.0	111.8	0.0	0.3	3.4
2011	121.7	1.1	5.3	9.6	0.0	102.0	0.0	0.3	3.4
2009-11 Biennium	251.5	1.1	10.4	18.8	0.0	213.8	0.0	0.6	6.8

* 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 3.20

General Fund-State, Related Fund*, and Near General Fund*

September 2008 and June 2008 Cash Forecasts

2007-09 & 2009-11 Biennia

Millions of dollars

	2007-09 Biennium			2009-11 Biennium			Change From 2007-08	
	<u>June 2008 Forecast</u>	<u>Sept. 2008 Forecast</u>	<u>Difference</u>	<u>June 2008 Forecast</u>	<u>Sept. 2008 Forecast</u>	<u>Difference</u>	<u>Amount</u>	<u>Percent</u>
General Fund-State	\$29,402.4	\$29,129.3	\$(273.1)	\$31,754.5	\$31,498.3	\$(256.2)	\$2,369.0	8.1%
Related Fund*								
Health Services Account	\$1,241.8	\$1,242.6	\$0.7	\$1,294.8	\$1,284.4	\$(10.4)	\$41.8	3.4%
Violence Reduction and Drug Enforcement Acct.	94.5	94.1	(0.4)	106.7	106.3	(0.4)	12.1	12.9%
Water Quality Account	71.8	71.8	(0.0)	90.8	90.9	0.1	19.1	26.6%
Student Achievement Account	503.4	503.4	0.0	539.0	539.0	0.0	35.5	7.1%
Public Safety and Education Account	203.6	205.1	1.5	214.0	214.4	0.4	9.3	4.5%
Total Related Fund	\$2,115.6	\$2,117.1	1.8	\$2,245.6	\$2,234.9	\$(10.3)	\$117.8	5.6%
Total General Fund and Related Fund	\$31,502.6	\$31,246.4	\$(271.3)	\$34,014.7	\$33,733.2	\$(266.5)	\$2,486.8	8.0%
Near General Fund Not in Related Funds**								
Education Legacy Trust Account	\$413.1	\$449.4	\$36.4	\$445.2	\$460.5	\$15.2	\$11.0	2.5%
Pension Funding Stabilization Account	NA	24.4	NA	NA	0.0	NA	-24.4	-100.0%
Total Near General Fund	NA	\$2,590.9	NA	NA	\$2,695.4	NA	\$104.5	4.0%
Total General Fund and Near General Fund	NA	\$31,720.2	NA	NA	\$34,193.6	NA	\$2,473.5	7.8%

*As defined in RCW 43.135.025; Cash forecast; state sources.

**Near General Fund includes all Related Funds plus the Education Legacy Trust and Pension Funding Stabilization Accounts

Table 3.21

General Fund-State and Related Fund *
 History/Forecast by Fiscal Year (Cash basis)
 September 2008 - Millions of Dollars

	General Fund-State		Related Fund*		Combined General Fund-State and Related Fund	
	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	14,443.2	8.4%	1,024.2	3.6%	15,467.4	8.0%
fiscal 2008	14,609.6	1.2%	1,044.6	2.0%	15,654.2	1.2%
fiscal 2009	14,519.7	-0.6%	1,072.5	2.7%	15,592.2	-0.4%
fiscal 2010	15,327.2	5.6%	1,106.6	3.2%	16,433.9	5.4%
fiscal 2011	16,171.0	5.5%	1,128.3	2.0%	17,299.3	5.3%

*As defined in RCW 43.135.025; Cash forecast; state sources.

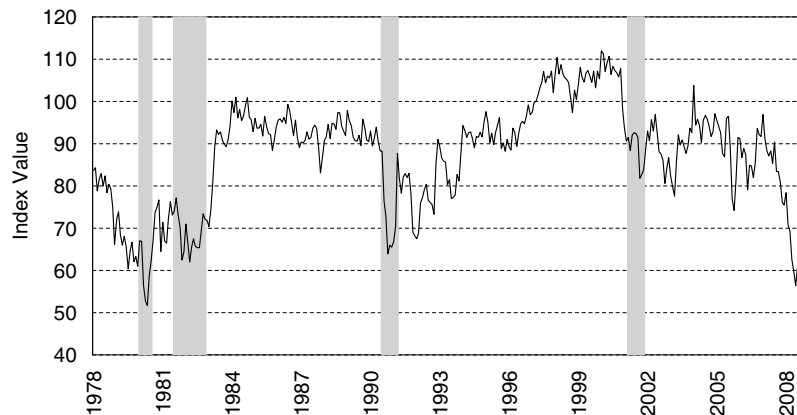
Measures of Consumer Confidence

Rising energy and food prices, declining house prices, increasing unemployment, and financial market turmoil have all helped to create a sense of unease regarding the economy. Attempts to quantify consumers' views of current and future economic conditions, whether good or bad, have led to the development of survey-based indexes of consumer confidence. Two widely used indexes are those developed by the University of Michigan and by the Conference Board.

University of Michigan Index of Consumer Sentiment

The Index of Consumer Sentiment was developed by University of Michigan researchers in the late 1940s. It is based on a nationally representative telephone survey of households who are asked questions about current and expected future financial status of their own family and the country as a whole. The answers to these questions are combined to create a single index that can be tracked over time. The Index of Consumer Sentiment (Chart 4.1) has been updated monthly since 1978.

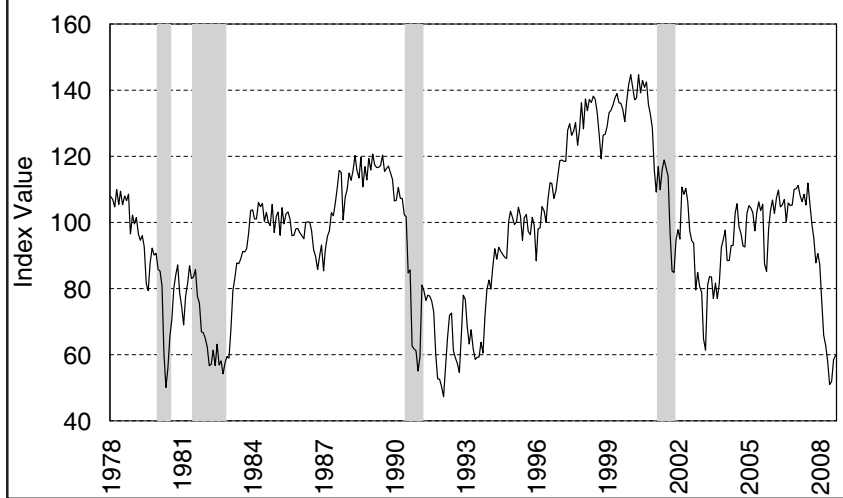
Chart 4.1
University of Michigan Index of Consumer Sentiment
January 1978 to September 2008



Conference Board Consumer Confidence Index

The Conference Board is a business association and research organization that, starting in 1967, developed a monthly measure of consumer confidence. The index (Chart 4.2) is based on nationally representative telephone surveys of households, who are asked about current and future business conditions, employment outlook, and plans to purchase major items.

Chart 4.2
Conference Board Consumer Confidence Index
 January 1978 to September 2008



Consumer spending accounts for roughly two-thirds of gross domestic product (GDP) in the US. Therefore, accurate forecasts of household consumption are critical to forecasting other key national economic variables such as employment and personal income. Consumer spending is also an important driver of Washington state economic variables and revenue collections from retail sales, use and business and occupation (B&O) tax sources.

An obvious question is whether information on consumer attitudes about the economy provided by the University of Michigan and

Conference Board indexes help to predict consumer spending behavior. Recent research by Sydney Ludvigson of New York University and James Wilcox of the Federal Reserve Bank of San Francisco attempts to address this question.

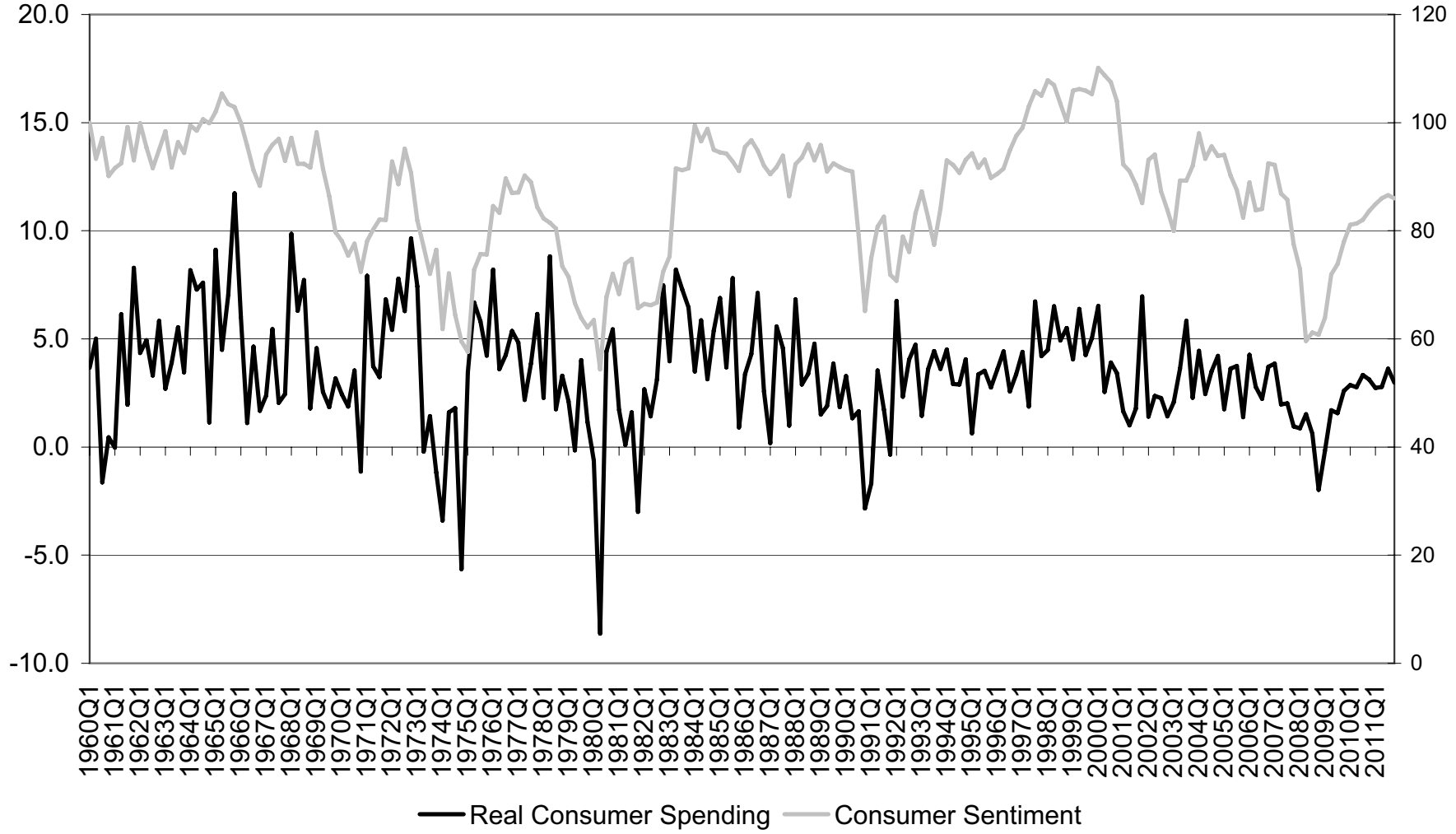
Because these indexes contain information on both current and future economic conditions, they may provide data otherwise unavailable from typical economic data sources. This might include the effects of unusual events (natural disasters, major stock market declines, etc.) that are difficult to estimate from historical data as well as changing consumer expectations about events in the future. As shown in Chart 4.3, it is obvious that the University of Michigan Index has a pattern similar to real (inflation-adjusted) US consumer spending.

Ludvigson’s research suggests that consumer confidence information does help to forecast growth in consumer spending. However, it appears that much (but not all) of its ability to forecast consumer spending growth is already captured by “typical” economic variables such as income, interest rates and stock market prices.

Wilcox has more success in forecasting consumer spending by disaggregating the University of Michigan index into its individual components (he did not investigate the Conference Board index). By analyzing household responses to the individual questions in the Index of Consumer Sentiment, he finds an improved ability to forecast consumer spending under certain circumstances. In particular, Wilcox found that adding the individual index components to typical economic variables such as income and interest rates provides improved consumer spending forecasts during recessions or periods of slow economic growth. However, including the index components during periods of more rapid economic growth gives less accurate forecasts of consumer spending than simply using standard economic variables like income and interest rates.

Global Insight, with whom the Economic and Revenue Forecast Council contracts for national economic forecasts and data, does make use of consumer confidence information in its predictions of US consumer spending. Although there is no Washington state index of consumer confidence, state economic forecasts are based on the Global Insight forecasts of the US economy. Therefore, Washington’s economic forecasts are influenced by changes in consumer confidence at the national level as reflected in the forecast of US consumer spending.

Chart 4.3
Consumer Sentiment and Spending



References

Conference Board, Consumer Confidence Survey website, <<http://www.conference-board.org/economics/ConsumerConfidence.cfm>>

Dominitiz, Jeff and Charles F. Manski, "How Should We Measure Consumer Confidence?" *Journal of Economic Perspectives*, Vol. 18, Number 2, Spring 2004

Ludvigson, Sydney C., "Consumer Confidence and Consumer Spending," *Journal of Economic Perspectives*, Vol. 18, Number 2, Spring 2004

Reuters/University of Michigan Surveys of Consumers website, < <http://www.sca.isr.umich.edu/> >

Wilcox, James A., "Forecasting Components of Consumption with Components of Consumer Sentiment," *Business Economics*, Vol. 42, Number 4, 2007

Wilcox, James A., "Consumer Sentiment and Consumer Spending," *FRBSF Economic Letter*, Number 2008-19, June 27, 2008

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 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	10,675.7	10,989.5	11,294.9	11,523.9	11,733.0	11,851.5	12,190.0	12,574.1
% Ch	3.6	2.9	2.8	2.0	1.8	1.0	2.9	3.2
Real Consumption	7,561.3	7,791.7	8,029.0	8,252.8	8,335.0	8,408.7	8,627.7	8,875.6
% Ch	3.6	3.0	3.0	2.8	1.0	0.9	2.6	2.9
Real Nonresidential Fixed Investment	1,144.3	1,226.2	1,318.2	1,383.0	1,438.8	1,414.3	1,449.9	1,538.4
% Ch	5.8	7.2	7.5	4.9	4.0	-1.7	2.5	6.1
Real Residential Fixed Investment	560.1	595.4	552.9	453.8	357.6	330.2	390.7	448.3
% Ch	10.0	6.3	-7.1	-17.9	-21.2	-7.6	18.3	14.8
Real Personal Income	8,973.3	9,203.1	9,586.6	9,912.4	9,957.1	10,080.5	10,367.5	10,702.4
% Ch	3.4	2.6	4.2	3.4	0.5	1.2	2.8	3.2
Real Per Capita Income (\$/Person)	30,522	31,016	32,001	32,778	32,607	32,691	33,296	34,043
% Ch	2.5	1.6	3.2	2.4	-0.5	0.3	1.9	2.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.084	1.116	1.147	1.177	1.222	1.251	1.273	1.301
% Ch	2.6	2.9	2.8	2.6	3.9	2.4	1.8	2.1
U.S. Consumer Price Index (1982-84=1.0)	1.889	1.953	2.016	2.073	2.169	2.224	2.269	2.323
% Ch	2.7	3.4	3.2	2.9	4.6	2.5	2.0	2.4
Employment Cost Index (June 1989=1.0)	0.968	0.992	1.021	1.055	1.088	1.117	1.145	1.178
% Ch	2.7	2.5	2.9	3.4	3.1	2.6	2.6	2.8
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	11,685.9	12,421.9	13,178.4	13,807.5	14,400.2	14,897.4	15,611.6	16,423.6
% Ch	6.6	6.3	6.1	4.8	4.3	3.5	4.8	5.2
Personal Income	9,727.2	10,269.8	10,993.9	11,663.3	12,166.4	12,609.8	13,203.4	13,920.9
% Ch	6.2	5.6	7.1	6.1	4.3	3.6	4.7	5.4
Employment (Millions)								
U.S. Civilian Labor Force	147.4	149.3	151.4	153.1	154.4	155.6	157.0	158.8
Total U.S. Employment	139.2	141.7	144.4	146.0	146.0	146.1	147.7	150.0
Unemployment Rate (%)	5.54	5.07	4.61	4.64	5.45	6.13	5.94	5.51
Nonfarm Payroll Employment	131.42	133.69	136.09	137.62	137.62	137.47	139.07	141.28
% Ch	1.1	1.7	1.8	1.1	-0.0	-0.1	1.2	1.6
Manufacturing	14.32	14.23	14.16	13.88	13.51	13.05	12.88	13.06
% Ch	-1.3	-0.6	-0.5	-1.9	-2.7	-3.4	-1.3	1.4
Durable Manufacturing	8.92	8.96	8.98	8.82	8.56	8.23	8.12	8.32
% Ch	-0.4	0.3	0.3	-1.9	-2.9	-3.8	-1.3	2.4
Nondurable Manufacturing	5.39	5.27	5.17	5.07	4.95	4.81	4.75	4.74
% Ch	-2.8	-2.2	-1.8	-2.1	-2.3	-2.7	-1.3	-0.3
Construction	6.97	7.33	7.69	7.62	7.21	6.82	6.87	7.06
% Ch	3.5	5.2	4.9	-1.0	-5.4	-5.4	0.7	2.7
Service-Producing	109.54	111.51	113.56	115.40	116.13	116.82	118.58	120.44
% Ch	1.3	1.8	1.8	1.6	0.6	0.6	1.5	1.6
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	41.5	56.6	66.1	72.2	114.4	109.8	108.3	114.7
Personal Saving/Disposable Income (%)	2.1	0.3	0.7	0.6	0.9	1.3	1.4	1.5
Auto Sales (Millions)	7.5	7.7	7.8	7.6	7.3	7.9	8.0	8.5
% Ch	-1.4	2.2	1.5	-2.5	-4.0	8.9	0.9	6.3
Housing Starts (Millions)	1.950	2.073	1.812	1.341	0.944	0.990	1.345	1.655
% Ch	5.2	6.3	-12.6	-26.0	-29.6	4.9	35.9	23.0
Federal Budget Surplus (Billions)	-370.6	-291.7	-201.1	-229.3	-457.9	-495.0	-474.0	-455.5
Net Exports (Billions)	-615.4	-713.6	-757.3	-707.8	-694.8	-597.1	-601.6	-635.6
3-Month Treasury Bill Rate (%)	1.36	3.13	4.72	4.38	1.81	2.39	4.22	4.59
10-Year Treasury Note Yield (%)	4.27	4.29	4.79	4.63	3.80	3.94	5.19	5.44
Bond Index of 20 G.O. Munis. (%)	4.68	4.40	4.40	4.39	4.59	4.55	5.46	5.62
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.15	6.04	6.88	7.12

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2008 to 2011

	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	11,217.3	11,291.7	11,314.1	11,356.4	11,357.8	11,491.4	11,625.7	11,620.7
% Ch , Annual Rate	4.8	2.7	0.8	1.5	0.0	4.8	4.8	-0.2
Real Consumption	7,947.4	8,002.1	8,046.3	8,119.9	8,197.2	8,237.3	8,278.5	8,298.2
% Ch , Annual Rate	4.3	2.8	2.2	3.7	3.9	2.0	2.0	1.0
Real Nonresidential Fixed Investment	1,295.2	1,315.4	1,332.7	1,329.3	1,340.4	1,373.8	1,402.9	1,414.7
% Ch , Annual Rate	15.9	6.4	5.4	-1.0	3.4	10.3	8.7	3.4
Real Residential Fixed Investment	596.5	570.1	536.7	508.4	486.4	471.7	445.3	411.6
% Ch , Annual Rate	-3.6	-16.6	-21.5	-19.5	-16.2	-11.6	-20.6	-27.0
Real Personal Income	9,492.4	9,531.3	9,582.3	9,740.4	9,873.3	9,874.5	9,943.6	9,958.1
% Ch , Annual Rate	6.8	1.6	2.2	6.8	5.6	0.0	2.8	0.6
Real Per Capita Income (\$/Person)	31,809	31,860	31,942	32,392	32,768	32,692	32,842	32,810
% Ch , Annual Rate	5.9	0.6	1.0	5.8	4.7	-0.9	1.8	-0.4
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.136	1.145	1.154	1.152	1.162	1.172	1.180	1.192
% Ch , Annual Rate	1.8	3.3	3.1	-0.5	3.4	3.6	2.5	4.3
U.S. Consumer Price Index (1982-84=1.0)	1.994	2.013	2.032	2.024	2.043	2.066	2.080	2.106
% Ch , Annual Rate	1.8	3.7	3.9	-1.5	3.7	4.6	2.8	5.0
Employment Cost Index (June 1989=1.0)	1.008	1.016	1.025	1.033	1.043	1.051	1.059	1.067
% Ch , Annual Rate	2.8	3.2	3.6	3.2	3.9	3.1	3.1	3.1
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	12,959.6	13,134.1	13,249.6	13,370.1	13,510.9	13,737.5	13,950.6	14,031.2
% Ch , Annual Rate	8.6	5.5	3.6	3.7	4.3	6.9	6.4	2.3
Personal Income	10,781.6	10,913.2	11,056.1	11,224.7	11,473.0	11,577.5	11,730.4	11,872.1
% Ch , Annual Rate	8.6	5.0	5.3	6.2	9.1	3.7	5.4	4.9
Employment (Millions)								
U.S. Civilian Labor Force	150.4	151.1	151.7	152.4	152.9	152.8	153.2	153.7
Total U.S. Employment	143.4	144.1	144.6	145.6	146.0	145.9	146.0	146.3
Unemployment Rate (%)	4.70	4.67	4.63	4.43	4.50	4.53	4.70	4.83
Nonfarm Payroll Employment	135.38	135.84	136.35	136.79	137.18	137.50	137.76	138.03
% Ch , Annual Rate	2.2	1.4	1.5	1.3	1.2	0.9	0.8	0.8
Manufacturing	14.21	14.20	14.16	14.06	13.99	13.91	13.85	13.79
% Ch , Annual Rate	0.3	-0.2	-1.2	-2.8	-2.1	-2.2	-1.6	-1.8
Durable Manufacturing	8.99	9.01	8.99	8.94	8.88	8.83	8.80	8.75
% Ch , Annual Rate	1.0	1.0	-0.9	-2.4	-2.5	-2.2	-1.6	-1.9
Nondurable Manufacturing	5.22	5.19	5.17	5.12	5.10	5.08	5.05	5.03
% Ch , Annual Rate	-1.0	-2.3	-1.8	-3.4	-1.3	-2.2	-1.7	-1.7
Construction	7.66	7.70	7.72	7.70	7.68	7.65	7.61	7.52
% Ch , Annual Rate	7.3	2.0	1.1	-1.0	-0.9	-1.5	-2.3	-4.5
Service-Producing	112.85	113.26	113.79	114.33	114.81	115.22	115.57	115.99
% Ch , Annual Rate	2.0	1.5	1.9	1.9	1.7	1.4	1.2	1.4
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	63.4	70.6	70.5	60.1	58.1	65.0	75.2	90.5
Personal Saving/Disposable Income (%)	1.0	0.6	0.5	0.9	1.1	0.3	0.4	0.4
Auto Sales (Millions)	7.9	7.8	7.8	7.6	7.6	7.6	7.4	7.7
% Ch , Annual Rate	20.3	-2.5	1.8	-10.7	-2.4	3.8	-11.8	17.7
Housing Starts (Millions)	2.120	1.855	1.702	1.570	1.453	1.460	1.298	1.151
% Ch , Annual Rate	10.4	-41.4	-29.1	-27.7	-26.6	1.9	-37.6	-38.0
Federal Budget Surplus (Billions)	-207.9	-225.0	-218.4	-153.2	-225.2	-211.4	-244.3	-236.3
Net Exports (Billions)	-761.7	-777.2	-792.7	-697.7	-728.8	-723.1	-682.6	-696.7
3-Month Treasury Bill Rate (%)	4.38	4.68	4.91	4.91	4.98	4.75	4.35	3.44
10-Year Treasury Note Yield (%)	4.57	5.07	4.90	4.63	4.68	4.85	4.73	4.26
Bond Index of 20 G.O. Munis. (%)	4.42	4.59	4.44	4.18	4.20	4.37	4.58	4.43
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2008 to 2011

	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	11,646.0	11,740.3	11,776.0	11,769.6	11,766.4	11,817.4	11,870.3	11,951.9
% Ch , Annual Rate	0.9	3.3	1.2	-0.2	-0.1	1.7	1.8	2.8
Real Consumption	8,316.1	8,352.2	8,345.6	8,326.1	8,343.9	8,388.6	8,424.1	8,478.0
% Ch , Annual Rate	0.9	1.7	-0.3	-0.9	0.9	2.2	1.7	2.6
Real Nonresidential Fixed Investment	1,423.1	1,431.0	1,439.3	1,461.8	1,424.7	1,406.5	1,405.5	1,420.4
% Ch , Annual Rate	2.4	2.2	2.3	6.4	-9.8	-5.0	-0.3	4.3
Real Residential Fixed Investment	383.0	366.9	349.9	330.5	316.8	321.5	332.9	349.7
% Ch , Annual Rate	-25.0	-15.8	-17.3	-20.4	-15.6	6.1	14.9	21.8
Real Personal Income	9,943.6	10,017.4	9,922.8	9,944.6	9,995.1	10,063.7	10,099.6	10,163.5
% Ch , Annual Rate	-0.6	3.0	-3.7	0.9	2.0	2.8	1.4	2.6
Real Per Capita Income (\$/Person)	32,682	32,845	32,455	32,448	32,533	32,677	32,713	32,840
% Ch , Annual Rate	-1.5	2.0	-4.7	-0.1	1.1	1.8	0.4	1.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.203	1.215	1.231	1.238	1.245	1.246	1.254	1.259
% Ch , Annual Rate	3.6	4.2	5.4	2.2	2.2	0.6	2.3	1.7
U.S. Consumer Price Index (1982-84=1.0)	2.128	2.154	2.190	2.203	2.214	2.212	2.229	2.240
% Ch , Annual Rate	4.3	5.0	6.9	2.3	2.1	-0.4	3.1	1.9
Employment Cost Index (June 1989=1.0)	1.076	1.084	1.092	1.100	1.106	1.113	1.120	1.127
% Ch , Annual Rate	3.4	3.0	2.9	3.0	2.2	2.5	2.7	2.6
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	14,150.8	14,312.5	14,515.6	14,622.0	14,712.8	14,802.3	14,952.3	15,122.2
% Ch , Annual Rate	3.5	4.6	5.8	3.0	2.5	2.5	4.1	4.6
Personal Income	11,960.5	12,174.2	12,218.8	12,312.0	12,440.7	12,543.7	12,660.5	12,794.3
% Ch , Annual Rate	3.0	7.3	1.5	3.1	4.2	3.4	3.8	4.3
Employment (Millions)								
U.S. Civilian Labor Force	153.7	154.3	154.6	154.9	155.2	155.4	155.7	156.0
Total U.S. Employment	146.1	146.1	145.8	145.9	145.8	145.9	146.1	146.4
Unemployment Rate (%)	4.93	5.33	5.70	5.82	6.02	6.13	6.19	6.17
Nonfarm Payroll Employment	137.92	137.72	137.54	137.30	137.21	137.37	137.49	137.80
% Ch , Annual Rate	-0.3	-0.6	-0.5	-0.7	-0.3	0.5	0.3	0.9
Manufacturing	13.69	13.57	13.46	13.32	13.24	13.12	12.95	12.88
% Ch , Annual Rate	-2.8	-3.6	-3.0	-4.3	-2.1	-3.8	-5.1	-2.0
Durable Manufacturing	8.69	8.59	8.53	8.43	8.37	8.29	8.15	8.11
% Ch , Annual Rate	-3.1	-4.2	-2.6	-4.9	-2.6	-4.0	-6.2	-2.0
Nondurable Manufacturing	5.01	4.97	4.93	4.89	4.87	4.83	4.79	4.77
% Ch , Annual Rate	-2.2	-2.5	-3.7	-3.3	-1.3	-3.3	-3.1	-2.1
Construction	7.38	7.24	7.15	7.06	6.89	6.79	6.77	6.82
% Ch , Annual Rate	-7.1	-7.4	-5.1	-5.1	-8.8	-6.0	-0.9	2.7
Service-Producing	116.10	116.15	116.14	116.14	116.28	116.68	116.99	117.35
% Ch , Annual Rate	0.4	0.2	-0.0	0.0	0.5	1.4	1.1	1.2
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	97.9	123.8	122.1	114.0	112.0	110.5	109.0	107.5
Personal Saving/Disposable Income (%)	0.2	2.5	0.5	0.5	1.2	1.4	1.3	1.2
Auto Sales (Millions)	7.4	7.6	6.9	7.2	7.7	7.9	7.9	8.1
% Ch , Annual Rate	-14.5	11.8	-32.7	15.3	36.8	10.5	-0.4	7.6
Housing Starts (Millions)	1.053	1.023	0.887	0.813	0.860	0.941	1.030	1.129
% Ch , Annual Rate	-30.0	-10.8	-43.5	-29.4	25.0	43.2	44.0	44.2
Federal Budget Surplus (Billions)	-330.7	-636.2	-429.2	-435.5	-475.6	-504.9	-508.3	-491.1
Net Exports (Billions)	-705.7	-710.0	-696.3	-667.4	-622.0	-592.6	-578.4	-595.4
3-Month Treasury Bill Rate (%)	2.15	1.61	1.68	1.79	1.88	1.98	2.52	3.19
10-Year Treasury Note Yield (%)	3.66	3.89	3.90	3.74	3.65	3.67	4.00	4.45
Bond Index of 20 G.O. Munis. (%)	4.59	4.66	4.67	4.46	4.33	4.34	4.58	4.93
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.43	6.21	5.95	5.93	6.02	6.26

Table A1.2
U.S. Economic Forecast Summary
 Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real National Income Accounts (Billions of Chained 2000 Dollars)								
Real Gross Domestic Product	12,049.4	12,150.5	12,240.4	12,319.7	12,418.0	12,521.0	12,630.3	12,727.3
% Ch, Annual Rate	3.3	3.4	3.0	2.6	3.2	3.4	3.5	3.1
Real Consumption	8,535.4	8,592.8	8,661.7	8,720.9	8,775.6	8,832.5	8,912.0	8,982.3
% Ch, Annual Rate	2.7	2.7	3.2	2.8	2.5	2.6	3.6	3.2
Real Nonresidential Fixed Investment	1,425.5	1,441.9	1,458.6	1,473.6	1,499.0	1,523.7	1,551.2	1,579.6
% Ch, Annual Rate	1.4	4.7	4.7	4.2	7.1	6.8	7.4	7.5
Real Residential Fixed Investment	368.8	385.4	398.3	410.2	428.0	443.8	456.2	465.4
% Ch, Annual Rate	23.7	19.2	14.0	12.5	18.6	15.6	11.6	8.3
Real Personal Income	10,248.8	10,331.8	10,408.9	10,480.7	10,568.1	10,653.0	10,747.3	10,841.2
% Ch, Annual Rate	3.4	3.3	3.0	2.8	3.4	3.3	3.6	3.5
Real Per Capita Income (\$/Person)	33,035	33,221	33,389	33,538	33,737	33,927	34,145	34,361
% Ch, Annual Rate	2.4	2.3	2.0	1.8	2.4	2.3	2.6	2.6
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.264	1.270	1.277	1.284	1.290	1.297	1.304	1.311
% Ch, Annual Rate	1.7	1.8	2.2	2.3	2.1	2.1	2.2	2.2
U.S. Consumer Price Index (1982-84=1.0)	2.249	2.261	2.275	2.290	2.303	2.316	2.330	2.344
% Ch, Annual Rate	1.8	2.0	2.5	2.7	2.4	2.3	2.4	2.4
Employment Cost Index (June 1989=1.0)	1.134	1.141	1.149	1.157	1.165	1.173	1.182	1.191
% Ch, Annual Rate	2.3	2.6	2.8	2.8	2.6	3.0	3.2	3.2
Current Dollar National Income (Billions of Dollars)								
Gross Domestic Product	15,323.3	15,527.1	15,711.6	15,884.3	16,093.2	16,310.2	16,538.4	16,752.7
% Ch, Annual Rate	5.4	5.4	4.8	4.5	5.4	5.5	5.7	5.3
Personal Income	12,955.3	13,117.5	13,287.0	13,453.6	13,637.2	13,817.1	14,014.9	14,214.4
% Ch, Annual Rate	5.1	5.1	5.3	5.1	5.6	5.4	5.9	5.8
Employment (Millions)								
U.S. Civilian Labor Force	156.4	156.8	157.3	157.7	158.1	158.6	159.0	159.4
Total U.S. Employment	146.9	147.4	148.0	148.5	149.1	149.7	150.3	150.9
Unemployment Rate (%)	6.08	5.99	5.89	5.80	5.71	5.59	5.44	5.31
Nonfarm Payroll Employment	138.29	138.83	139.33	139.82	140.38	140.96	141.59	142.19
% Ch, Annual Rate	1.4	1.6	1.5	1.4	1.6	1.7	1.8	1.7
Manufacturing	12.83	12.85	12.88	12.94	12.99	13.03	13.08	13.13
% Ch, Annual Rate	-1.5	0.7	0.8	1.9	1.6	1.1	1.8	1.3
Durable Manufacturing	8.08	8.10	8.13	8.19	8.25	8.29	8.35	8.40
% Ch, Annual Rate	-1.9	1.3	1.5	2.9	2.8	1.9	3.1	2.2
Nondurable Manufacturing	4.76	4.75	4.75	4.75	4.75	4.74	4.74	4.73
% Ch, Annual Rate	-0.8	-0.4	-0.3	0.1	-0.4	-0.4	-0.4	-0.2
Construction	6.86	6.87	6.87	6.88	6.95	7.03	7.10	7.15
% Ch, Annual Rate	2.4	0.6	0.0	0.5	4.1	4.7	4.1	3.4
Service-Producing	117.86	118.36	118.84	119.27	119.71	120.18	120.68	121.19
% Ch, Annual Rate	1.8	1.7	1.6	1.4	1.5	1.6	1.7	1.7
Miscellaneous Indicators								
Oil-WTI (\$ per barrel)	106.0	106.0	109.0	112.0	114.0	114.0	115.0	115.7
Personal Saving/Disposable Income (%)	1.2	1.4	1.4	1.4	1.4	1.5	1.5	1.6
Auto Sales (Millions)	7.8	8.0	8.1	8.1	8.2	8.4	8.6	8.7
% Ch, Annual Rate	-13.8	11.6	4.8	-0.2	3.7	14.3	9.1	5.3
Housing Starts (Millions)	1.215	1.305	1.386	1.474	1.553	1.626	1.693	1.749
% Ch, Annual Rate	34.3	33.1	27.2	27.9	23.0	20.3	17.4	13.9
Federal Budget Surplus (Billions)	-472.3	-475.2	-475.9	-472.4	-458.2	-461.3	-453.5	-449.0
Net Exports (Billions)	-595.5	-583.5	-604.5	-622.9	-630.6	-621.4	-635.1	-655.4
3-Month Treasury Bill Rate (%)	3.66	4.12	4.50	4.59	4.59	4.59	4.59	4.59
10-Year Treasury Note Yield (%)	4.79	5.13	5.39	5.44	5.44	5.44	5.44	5.44
Bond Index of 20 G.O. Munis. (%)	5.21	5.43	5.59	5.62	5.62	5.62	5.62	5.62
30-Year Fixed Mortgage Rate (%)	6.51	6.81	7.07	7.12	7.12	7.12	7.12	7.12

Table A1.3
Washington Economic Forecast Summary
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	201.462	201.411	212.422	223.076	226.099	231.350	239.988	249.234
% Ch	4.8	-0.0	5.5	5.0	1.4	2.3	3.7	3.9
Real Wage and Salary Disb.	109.983	112.784	118.889	125.724	126.543	129.168	133.852	138.703
% Ch	1.8	2.5	5.4	5.7	0.7	2.1	3.6	3.6
Real Nonwage Income	91.479	88.626	93.533	97.352	99.556	102.182	106.136	110.531
% Ch	8.7	-3.1	5.5	4.1	2.3	2.6	3.9	4.1
Real Per Capita Income (\$/Person)	32,483	31,964	33,098	34,185	34,117	34,328	35,009	35,778
% Ch	3.5	-1.6	3.5	3.3	-0.2	0.6	2.0	2.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.084	1.116	1.147	1.177	1.222	1.251	1.273	1.301
% Ch	2.6	2.9	2.8	2.6	3.9	2.4	1.8	2.1
Seattle Cons. Price Index (1982-84=1.0)	1.947	2.002	2.076	2.157	2.263	2.334	2.391	2.449
% Ch	1.2	2.8	3.7	3.9	5.0	3.1	2.4	2.4
Average Nonfarm Annual Wage	42,234	43,258	45,577	48,284	49,708	51,589	53,541	55,661
% Ch	2.7	2.4	5.4	5.9	3.0	3.8	3.8	4.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	18.28	18.81	19.91	20.51	21.30	21.73	22.07	22.50
% Ch	1.4	2.9	5.8	3.0	3.9	2.0	1.6	1.9
Current Dollar Income (Billions of Dollars)								
Personal Income	218.432	224.736	243.597	262.487	276.272	289.402	305.636	324.188
% Ch	7.6	2.9	8.4	7.8	5.3	4.8	5.6	6.1
Disposable Personal Income	194.929	198.306	213.612	228.890	242.568	254.025	267.872	283.605
% Ch	7.8	1.7	7.7	7.2	6.0	4.7	5.5	5.9
Per Capita Income (\$/Person)	35,218	35,664	37,955	40,223	41,685	42,941	44,585	46,536
% Ch	6.3	1.3	6.4	6.0	3.6	3.0	3.8	4.4
Employment (Thousands)								
Washington Civilian Labor Force	3,208.3	3,270.9	3,333.6	3,408.2	3,459.5	3,499.2	3,562.9	3,623.9
Total Washington Employment	3,008.2	3,091.1	3,170.5	3,253.5	3,274.3	3,279.2	3,333.8	3,394.5
Unemployment Rate (%)	6.24	5.50	4.89	4.54	5.35	6.29	6.43	6.33
Nonfarm Payroll Employment	2,701.0	2,777.0	2,859.1	2,932.0	2,974.5	2,994.9	3,047.7	3,106.3
% Ch	1.6	2.8	3.0	2.5	1.5	0.7	1.8	1.9
Manufacturing	263.7	272.6	285.9	293.2	296.1	292.6	292.4	295.9
% Ch	-1.3	3.4	4.9	2.6	1.0	-1.2	-0.0	1.2
Durable Manufacturing	182.4	191.5	204.0	211.7	215.5	213.7	212.9	215.0
% Ch	-0.7	5.0	6.6	3.7	1.8	-0.8	-0.4	1.0
Aerospace	61.5	65.6	73.4	80.1	85.5	87.1	87.1	87.1
% Ch	-5.8	6.8	11.9	9.1	6.8	1.9	0.0	0.0
Nondurable Manufacturing	81.3	81.1	81.9	81.6	80.5	78.8	79.5	81.0
% Ch	-2.4	-0.2	0.9	-0.4	-1.3	-2.1	0.9	1.8
Construction	164.2	177.4	194.9	207.4	203.7	196.6	197.0	198.9
% Ch	5.1	8.0	9.9	6.4	-1.8	-3.5	0.2	1.0
Service-Producing	2,264.0	2,318.0	2,369.6	2,423.2	2,467.3	2,498.7	2,551.5	2,604.4
% Ch	1.7	2.4	2.2	2.3	1.8	1.3	2.1	2.1
Software Publishers	39.3	41.3	44.7	47.8	51.0	53.9	56.9	60.1
% Ch	5.1	5.1	8.4	6.8	6.7	5.7	5.5	5.7
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	50.089	52.988	50.033	47.397	30.063	35.001	43.220	48.185
% Ch	17.0	5.8	-5.6	-5.3	-36.6	16.4	23.5	11.5
Single-Family	36.489	41.407	35.611	30.390	18.141	21.028	27.864	32.820
% Ch	10.3	13.5	-14.0	-14.7	-40.3	15.9	32.5	17.8
Multi-Family	13.600	11.581	14.422	17.007	11.921	13.974	15.356	15.365
% Ch	39.7	-14.8	24.5	17.9	-29.9	17.2	9.9	0.1
30-Year Fixed Mortgage Rate (%)	5.84	5.86	6.42	6.33	6.15	6.04	6.88	7.12

Table A1.4
Washington Economic Forecast Summary
 Forecast 2008 to 2011

	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	210.151	210.774	211.878	216.886	219.637	221.234	225.245	226.189
% Ch, Annual Rate	11.9	1.2	2.1	9.8	5.2	2.9	7.5	1.7
Real Wage and Salary Disb.	118.126	117.290	118.061	122.080	123.551	124.242	127.225	127.879
% Ch, Annual Rate	12.8	-2.8	2.7	14.3	4.9	2.3	10.0	2.1
Real Nonwage Income	92.025	93.484	93.818	94.805	96.086	96.993	98.020	98.310
% Ch, Annual Rate	10.8	6.5	1.4	4.3	5.5	3.8	4.3	1.2
Real Per Capita Income (\$/Person)	32,962	32,914	32,942	33,574	33,853	33,969	34,453	34,466
% Ch, Annual Rate	9.8	-0.6	0.3	7.9	3.4	1.4	5.8	0.2
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.136	1.145	1.154	1.152	1.162	1.172	1.180	1.192
% Ch, Annual Rate	1.8	3.3	3.1	-0.5	3.4	3.6	2.5	4.3
Seattle Cons. Price Index (1982-84=1.0)	2.043	2.068	2.091	2.104	2.125	2.145	2.160	2.196
% Ch, Annual Rate	2.9	5.0	4.6	2.4	4.2	3.8	2.9	6.7
Average Nonfarm Annual Wage	45,235	44,994	45,379	46,698	47,228	47,681	48,860	49,366
% Ch, Annual Rate	11.1	-2.1	3.5	12.1	4.6	3.9	10.3	4.2
Avg. Hourly Earnings-Mfg. (\$/Hour)	19.57	19.86	20.23	19.97	20.20	20.46	20.69	20.66
% Ch, Annual Rate	2.1	6.0	7.6	-5.0	4.8	5.2	4.6	-0.6
Current Dollar Income (Billions of Dollars)								
Personal Income	238.679	241.322	244.459	249.928	255.211	259.377	265.707	269.652
% Ch, Annual Rate	13.9	4.5	5.3	9.3	8.7	6.7	10.1	6.1
Disposable Personal Income	209.546	211.666	214.472	218.765	222.745	226.007	231.694	235.114
% Ch, Annual Rate	12.1	4.1	5.4	8.2	7.5	6.0	10.5	6.0
Per Capita Income (\$/Person)	37,436	37,685	38,008	38,689	39,336	39,825	40,642	41,089
% Ch, Annual Rate	11.8	2.7	3.5	7.4	6.9	5.1	8.5	4.5
Employment (Thousands)								
Washington Civilian Labor Force	3,315.7	3,330.3	3,336.9	3,351.5	3,371.3	3,396.8	3,422.1	3,442.5
Total Washington Employment	3,155.9	3,165.8	3,171.3	3,188.8	3,219.7	3,244.1	3,265.9	3,284.3
Unemployment Rate (%)	4.82	4.94	4.96	4.86	4.50	4.50	4.57	4.60
Nonfarm Payroll Employment	2,834.8	2,851.3	2,867.1	2,883.2	2,908.9	2,924.1	2,939.2	2,955.7
% Ch, Annual Rate	3.4	2.4	2.2	2.3	3.6	2.1	2.1	2.3
Manufacturing	283.0	284.6	287.0	289.1	290.8	291.7	294.3	296.1
% Ch, Annual Rate	6.5	2.2	3.5	2.9	2.4	1.3	3.6	2.4
Durable Manufacturing	200.9	202.7	205.0	207.5	209.1	210.7	212.7	214.2
% Ch, Annual Rate	7.2	3.6	4.5	5.0	3.1	3.1	4.0	2.8
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.3
Nondurable Manufacturing	82.1	81.9	82.0	81.6	81.8	81.1	81.6	81.8
% Ch, Annual Rate	4.9	-1.0	0.9	-2.1	0.8	-3.3	2.4	1.4
Construction	189.8	193.6	196.5	199.5	205.5	208.1	207.6	208.2
% Ch, Annual Rate	13.2	8.2	6.2	6.2	12.5	5.2	-1.0	1.1
Service-Producing	2,353.1	2,364.4	2,375.0	2,386.0	2,404.3	2,416.0	2,429.1	2,443.4
% Ch, Annual Rate	2.3	1.9	1.8	1.9	3.1	2.0	2.2	2.4
Software Publishers	43.0	44.3	45.4	46.1	47.1	47.5	47.8	48.5
% Ch, Annual Rate	8.3	12.7	10.0	6.5	9.1	3.5	2.3	5.9
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	49.680	53.377	53.276	43.800	59.237	45.744	46.160	38.446
% Ch, Annual Rate	-52.2	33.3	-0.8	-54.3	234.6	-64.4	3.7	-51.9
Single-Family	38.459	36.656	35.501	31.829	35.289	33.667	29.616	22.988
% Ch, Annual Rate	-46.0	-17.5	-12.0	-35.4	51.1	-17.2	-40.1	-63.7
Multi-Family	11.221	16.720	17.775	11.971	23.948	12.077	16.545	15.457
% Ch, Annual Rate	-67.8	392.9	27.7	-79.4	1,501.8	-93.5	252.2	-23.8
30-Year Fixed Mortgage Rate (%)	6.24	6.60	6.57	6.25	6.22	6.34	6.55	6.23

Table A1.4
Washington Economic Forecast Summary
 Forecast 2008 to 2011

	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	224.947	226.471	226.543	226.437	228.574	230.074	233.206	233.544
% Ch, Annual Rate	-2.2	2.7	0.1	-0.2	3.8	2.7	5.6	0.6
Real Wage and Salary Disb.	126.483	126.046	127.100	126.545	127.681	128.209	130.660	130.121
% Ch, Annual Rate	-4.3	-1.4	3.4	-1.7	3.6	1.7	7.9	-1.6
Real Nonwage Income	98.464	100.426	99.443	99.892	100.892	101.865	102.546	103.423
% Ch, Annual Rate	0.6	8.2	-3.9	1.8	4.1	3.9	2.7	3.5
Real Per Capita Income (\$/Person)	34,147	34,242	34,117	33,961	34,137	34,214	34,530	34,431
% Ch, Annual Rate	-3.6	1.1	-1.5	-1.8	2.1	0.9	3.7	-1.1
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.203	1.215	1.231	1.238	1.245	1.246	1.254	1.259
% Ch, Annual Rate	3.6	4.2	5.4	2.2	2.2	0.6	2.3	1.7
Seattle Cons. Price Index (1982-84=1.0)	2.221	2.244	2.286	2.303	2.319	2.320	2.341	2.356
% Ch, Annual Rate	4.7	4.2	7.7	3.0	2.8	0.3	3.7	2.5
Average Nonfarm Annual Wage	48,879	49,261	50,334	50,360	50,962	51,086	52,253	52,056
% Ch, Annual Rate	-3.9	3.2	9.0	0.2	4.9	1.0	9.5	-1.5
Avg. Hourly Earnings-Mfg. (\$/Hour)	20.95	21.29	21.42	21.53	21.60	21.68	21.77	21.86
% Ch, Annual Rate	5.6	6.6	2.5	2.1	1.2	1.6	1.7	1.6
Current Dollar Income (Billions of Dollars)								
Personal Income	270.560	275.220	278.964	280.344	284.500	286.770	292.341	293.996
% Ch, Annual Rate	1.4	7.1	5.6	2.0	6.1	3.2	8.0	2.3
Disposable Personal Income	235.837	244.656	244.705	245.074	249.788	251.834	256.655	257.823
% Ch, Annual Rate	1.2	15.8	0.1	0.6	7.9	3.3	7.9	1.8
Per Capita Income (\$/Person)	41,071	41,613	42,012	42,046	42,490	42,645	43,286	43,344
% Ch, Annual Rate	-0.2	5.4	3.9	0.3	4.3	1.5	6.1	0.5
Employment (Thousands)								
Washington Civilian Labor Force	3,460.8	3,455.9	3,455.9	3,465.5	3,477.9	3,491.9	3,505.9	3,521.0
Total Washington Employment	3,302.1	3,279.0	3,257.8	3,258.4	3,264.5	3,274.1	3,283.3	3,294.9
Unemployment Rate (%)	4.58	5.12	5.73	5.98	6.14	6.24	6.35	6.42
Nonfarm Payroll Employment	2,976.5	2,972.5	2,974.2	2,974.7	2,980.6	2,990.0	2,998.8	3,010.0
% Ch, Annual Rate	2.9	-0.5	0.2	0.1	0.8	1.3	1.2	1.5
Manufacturing	296.8	296.3	296.5	294.7	294.9	293.3	291.3	290.8
% Ch, Annual Rate	1.0	-0.7	0.3	-2.4	0.2	-2.1	-2.7	-0.7
Durable Manufacturing	215.1	214.9	216.4	215.8	215.6	214.3	212.7	212.3
% Ch, Annual Rate	1.6	-0.3	2.7	-1.0	-0.4	-2.3	-2.9	-0.8
Aerospace	84.0	84.8	86.3	86.9	87.1	87.1	87.1	87.1
% Ch, Annual Rate	6.9	3.5	7.4	2.8	0.9	0.0	0.0	0.0
Nondurable Manufacturing	81.7	81.4	80.1	78.9	79.3	79.0	78.5	78.5
% Ch, Annual Rate	-0.5	-1.6	-6.1	-6.2	2.0	-1.6	-2.1	-0.3
Construction	208.1	204.5	202.3	199.9	198.2	196.7	196.0	195.7
% Ch, Annual Rate	-0.3	-6.6	-4.2	-4.6	-3.5	-2.9	-1.3	-0.7
Service-Producing	2,463.9	2,464.1	2,468.0	2,472.9	2,480.5	2,493.0	2,504.5	2,516.7
% Ch, Annual Rate	3.4	0.0	0.6	0.8	1.2	2.0	1.9	2.0
Software Publishers	49.6	50.5	51.6	52.3	53.0	53.5	54.1	54.9
% Ch, Annual Rate	9.1	7.4	9.0	5.5	5.9	4.0	4.5	5.5
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	31.613	31.697	27.603	29.338	31.255	33.896	36.257	38.597
% Ch, Annual Rate	-54.3	1.1	-42.5	27.6	28.8	38.3	30.9	28.4
Single-Family	19.037	18.321	17.919	17.289	18.070	20.004	21.894	24.142
% Ch, Annual Rate	-53.0	-14.2	-8.5	-13.3	19.3	50.2	43.5	47.8
Multi-Family	12.576	13.376	9.685	12.048	13.184	13.892	14.363	14.456
% Ch, Annual Rate	-56.2	28.0	-72.5	139.5	43.4	23.2	14.3	2.6
30-Year Fixed Mortgage Rate (%)	5.87	6.09	6.43	6.21	5.95	5.93	6.02	6.26

Table A1.4
Washington Economic Forecast Summary
 Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Real Income (Billions of Chained 2000 Dollars)								
Real Personal Income	236.595	238.283	242.420	242.655	245.642	247.218	251.799	252.278
% Ch, Annual Rate	5.3	2.9	7.1	0.4	5.0	2.6	7.6	0.8
Real Wage and Salary Disb.	132.099	132.644	135.700	134.965	136.873	137.330	140.679	139.930
% Ch, Annual Rate	6.2	1.7	9.5	-2.1	5.8	1.3	10.1	-2.1
Real Nonwage Income	104.496	105.639	106.720	107.690	108.769	109.888	111.120	112.348
% Ch, Annual Rate	4.2	4.4	4.2	3.7	4.1	4.2	4.6	4.5
Real Per Capita Income (\$/Person)	34,732	34,833	35,291	35,182	35,472	35,559	36,076	36,005
% Ch, Annual Rate	3.5	1.2	5.4	-1.2	3.3	1.0	5.9	-0.8
Price and Wage Indexes								
U.S. Implicit Price Deflator, PCE (2000=1.0)	1.264	1.270	1.277	1.284	1.290	1.297	1.304	1.311
% Ch, Annual Rate	1.7	1.8	2.2	2.3	2.1	2.1	2.2	2.2
Seattle Cons. Price Index (1982-84=1.0)	2.368	2.382	2.398	2.415	2.429	2.443	2.456	2.470
% Ch, Annual Rate	2.2	2.3	2.8	2.8	2.4	2.2	2.2	2.2
Average Nonfarm Annual Wage	52,809	52,997	54,314	54,046	54,844	55,072	56,504	56,224
% Ch, Annual Rate	5.9	1.4	10.3	-2.0	6.0	1.7	10.8	-2.0
Avg. Hourly Earnings-Mfg. (\$/Hour)	21.93	22.02	22.12	22.23	22.32	22.43	22.56	22.70
% Ch, Annual Rate	1.2	1.6	1.9	1.9	1.6	2.1	2.4	2.3
Current Dollar Income (Billions of Dollars)								
Personal Income	299.076	302.531	309.452	311.484	316.978	320.645	328.356	330.773
% Ch, Annual Rate	7.1	4.7	9.5	2.7	7.2	4.7	10.0	3.0
Disposable Personal Income	262.015	265.118	271.311	273.045	277.282	280.514	287.265	289.359
% Ch, Annual Rate	6.7	4.8	9.7	2.6	6.4	4.7	10.0	2.9
Per Capita Income (\$/Person)	43,904	44,225	45,050	45,161	45,773	46,120	47,044	47,207
% Ch, Annual Rate	5.3	3.0	7.7	1.0	5.5	3.1	8.3	1.4
Employment (Thousands)								
Washington Civilian Labor Force	3,537.8	3,554.9	3,571.2	3,587.8	3,603.8	3,616.9	3,630.6	3,644.2
Total Washington Employment	3,310.1	3,326.5	3,341.5	3,357.2	3,371.9	3,386.3	3,402.0	3,417.6
Unemployment Rate (%)	6.43	6.42	6.43	6.43	6.43	6.38	6.30	6.22
Nonfarm Payroll Employment	3,024.8	3,040.6	3,055.1	3,070.3	3,084.5	3,098.5	3,113.6	3,128.7
% Ch, Annual Rate	2.0	2.1	1.9	2.0	1.9	1.8	2.0	2.0
Manufacturing	290.9	292.1	292.8	293.9	294.8	295.4	296.3	297.1
% Ch, Annual Rate	0.1	1.6	1.0	1.5	1.3	0.8	1.2	1.0
Durable Manufacturing	212.0	212.8	213.1	213.7	214.3	214.6	215.2	215.7
% Ch, Annual Rate	-0.5	1.4	0.6	1.1	1.2	0.6	1.2	0.9
Aerospace	87.1	87.1	87.1	87.1	87.1	87.1	87.1	87.1
% Ch, Annual Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nondurable Manufacturing	78.9	79.3	79.7	80.2	80.5	80.8	81.1	81.4
% Ch, Annual Rate	2.0	2.2	2.0	2.6	1.6	1.4	1.3	1.5
Construction	196.2	196.7	197.3	197.8	198.3	198.7	199.1	199.5
% Ch, Annual Rate	1.0	1.1	1.1	1.0	1.0	0.8	0.9	0.8
Service-Producing	2,530.9	2,545.1	2,558.3	2,571.7	2,584.5	2,597.3	2,611.1	2,624.9
% Ch, Annual Rate	2.3	2.3	2.1	2.1	2.0	2.0	2.1	2.1
Software Publishers	55.6	56.5	57.3	58.1	58.9	59.7	60.5	61.3
% Ch, Annual Rate	5.5	6.4	5.7	5.9	5.7	5.5	5.4	5.4
Housing Indicators (Thousands)								
Housing Units Authorized by Bldg. Permit	40.604	42.640	44.065	45.573	46.741	47.810	48.736	49.453
% Ch, Annual Rate	22.5	21.6	14.0	14.4	10.6	9.5	8.0	6.0
Single-Family	25.739	27.203	28.506	30.010	31.264	32.450	33.414	34.151
% Ch, Annual Rate	29.2	24.8	20.6	22.8	17.8	16.0	12.4	9.1
Multi-Family	14.865	15.437	15.559	15.563	15.476	15.360	15.322	15.301
% Ch, Annual Rate	11.8	16.3	3.2	0.1	-2.2	-3.0	-1.0	-0.5
30-Year Fixed Mortgage Rate (%)	6.51	6.81	7.07	7.12	7.12	7.12	7.12	7.12

Table A2.1
U.S. Nonagricultural Employment by Industry (Millions)
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	131.42	133.69	136.09	137.62	137.62	137.47	139.07	141.28
% Ch	1.1	1.7	1.8	1.1	-0.0	-0.1	1.2	1.6
Manufacturing	14.32	14.23	14.16	13.88	13.51	13.05	12.88	13.06
% Ch	-1.3	-0.6	-0.5	-1.9	-2.7	-3.4	-1.3	1.4
Durable Manufacturing	8.92	8.96	8.98	8.82	8.56	8.23	8.12	8.32
% Ch	-0.4	0.3	0.3	-1.9	-2.9	-3.8	-1.3	2.4
Wood Products	0.55	0.56	0.56	0.52	0.48	0.42	0.44	0.48
% Ch	2.3	1.7	-0.0	-7.0	-8.1	-11.4	3.2	10.7
Primary and Fabricated Metals	1.96	1.99	2.02	2.02	1.99	1.89	1.78	1.80
% Ch	0.4	1.2	1.5	0.1	-1.6	-4.6	-6.0	1.0
Computer and Electronic Products	1.32	1.32	1.31	1.27	1.24	1.23	1.24	1.20
% Ch	-2.4	-0.5	-0.6	-2.7	-2.3	-1.0	0.9	-3.3
Machinery and Electrical Equipment	1.59	1.60	1.62	1.62	1.62	1.58	1.53	1.55
% Ch	-1.3	0.5	1.1	-0.1	0.1	-2.5	-3.2	1.4
Transportation Equipment	1.77	1.77	1.77	1.71	1.63	1.57	1.62	1.72
% Ch	-0.5	0.3	-0.2	-3.3	-5.0	-3.5	3.4	6.3
Other Durables	1.73	1.72	1.71	1.68	1.61	1.54	1.52	1.56
% Ch	0.2	-0.6	-0.4	-2.1	-4.1	-4.5	-1.3	3.1
Nondurable Manufacturing	5.39	5.27	5.17	5.07	4.95	4.81	4.75	4.74
% Ch	-2.8	-2.2	-1.8	-2.1	-2.3	-2.7	-1.3	-0.3
Food Manufacturing	1.49	1.48	1.48	1.48	1.47	1.46	1.48	1.50
% Ch	-1.5	-1.1	0.1	0.1	-1.0	-0.4	1.3	1.4
Paper and Paper Products	0.50	0.48	0.47	0.46	0.45	0.44	0.44	0.44
% Ch	-4.0	-2.3	-2.8	-2.1	-1.4	-2.8	-1.0	0.6
Other Nondurables	3.40	3.31	3.22	3.13	3.03	2.91	2.84	2.80
% Ch	-3.2	-2.7	-2.6	-3.1	-3.1	-3.8	-2.6	-1.2
Natural Resources and Mining	0.59	0.63	0.68	0.72	0.77	0.78	0.74	0.73
% Ch	3.3	6.2	9.1	5.6	6.4	1.0	-4.5	-2.2
Construction	6.97	7.33	7.69	7.62	7.21	6.82	6.87	7.06
% Ch	3.5	5.2	4.9	-1.0	-5.4	-5.4	0.7	2.7
Trade, Transportation, and Utilities	25.53	25.96	26.28	26.60	26.42	26.31	26.78	26.97
% Ch	1.0	1.7	1.2	1.2	-0.7	-0.4	1.8	0.7
Wholesale Trade	5.66	5.76	5.90	6.03	6.03	5.91	5.99	6.08
% Ch	1.0	1.8	2.5	2.1	-0.0	-1.9	1.3	1.6
Retail Trade	15.06	15.28	15.36	15.49	15.32	15.37	15.65	15.60
% Ch	0.9	1.5	0.5	0.9	-1.1	0.4	1.8	-0.3
Trans., Warehousing, and Utilities	4.81	4.92	5.02	5.09	5.07	5.03	5.14	5.29
% Ch	1.1	2.2	2.1	1.4	-0.3	-1.0	2.2	2.9
Information	3.12	3.06	3.04	3.03	2.99	2.90	2.87	2.90
% Ch	-2.3	-1.8	-0.8	-0.3	-1.4	-2.9	-1.2	1.2
Publishing Industries	0.91	0.90	0.90	0.90	0.88	0.84	0.82	0.83
% Ch	-1.7	-0.6	-0.2	-0.4	-2.4	-4.2	-2.4	1.0
Other Information	2.21	2.16	2.14	2.13	2.11	2.06	2.05	2.07
% Ch	-2.5	-2.3	-1.0	-0.2	-1.0	-2.3	-0.7	1.3
Financial Activities	8.03	8.15	8.33	8.31	8.20	8.20	8.35	8.56
% Ch	0.7	1.5	2.2	-0.2	-1.3	0.1	1.8	2.5
Professional and Business Services	16.39	16.95	17.57	17.97	17.97	18.02	18.73	19.59
% Ch	2.5	3.4	3.7	2.2	0.0	0.3	3.9	4.5
Education and Health Services	16.95	17.37	17.83	18.33	18.86	19.45	19.85	20.14
% Ch	2.2	2.5	2.6	2.8	2.9	3.1	2.1	1.5
Leisure and Hospitality	12.49	12.81	13.11	13.47	13.69	13.77	13.79	13.98
% Ch	2.6	2.6	2.3	2.8	1.6	0.6	0.1	1.4
Other Services	5.41	5.39	5.44	5.49	5.52	5.56	5.56	5.54
% Ch	0.2	-0.3	0.8	1.0	0.6	0.7	-0.1	-0.4
Federal Government	2.73	2.73	2.73	2.73	2.74	2.74	2.79	2.73
% Ch	-1.1	0.0	-0.0	-0.2	0.4	0.2	1.7	-2.3
State and Local Government	18.89	19.07	19.24	19.47	19.75	19.86	19.87	20.03
% Ch	0.4	1.0	0.9	1.2	1.4	0.6	0.0	0.8

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	135.38	135.84	136.35	136.79	137.18	137.50	137.76	138.03
% Ch, Annual Rate	2.2	1.4	1.5	1.3	1.2	0.9	0.8	0.8
Manufacturing	14.21	14.20	14.16	14.06	13.99	13.91	13.85	13.79
% Ch, Annual Rate	0.3	-0.2	-1.2	-2.8	-2.1	-2.2	-1.6	-1.8
Durable Manufacturing	8.99	9.01	8.99	8.94	8.88	8.83	8.80	8.75
% Ch, Annual Rate	1.0	1.0	-0.9	-2.4	-2.5	-2.2	-1.6	-1.9
Wood Products	0.57	0.57	0.56	0.54	0.53	0.52	0.52	0.51
% Ch, Annual Rate	4.6	-3.6	-6.8	-11.3	-7.6	-5.7	-2.8	-6.8
Primary and Fabricated Metals	2.00	2.01	2.03	2.02	2.02	2.02	2.02	2.02
% Ch, Annual Rate	1.7	2.1	2.7	-1.0	-0.1	-0.7	-0.3	-0.0
Computer and Electronic Products	1.31	1.31	1.31	1.30	1.29	1.27	1.26	1.26
% Ch, Annual Rate	-1.7	1.7	-1.7	-2.3	-3.1	-4.9	-3.0	-2.1
Machinery and Electrical Equipment	1.61	1.62	1.62	1.62	1.62	1.61	1.62	1.62
% Ch, Annual Rate	1.1	2.0	1.6	-0.5	-1.2	-0.2	0.2	0.1
Transportation Equipment	1.77	1.78	1.77	1.75	1.73	1.72	1.71	1.69
% Ch, Annual Rate	0.6	2.1	-3.3	-3.4	-4.9	-2.9	-2.8	-3.8
Other Durables	1.72	1.72	1.71	1.70	1.69	1.68	1.67	1.66
% Ch, Annual Rate	1.3	-1.2	-2.1	-1.8	-2.2	-2.0	-2.4	-2.3
Nondurable Manufacturing	5.22	5.19	5.17	5.12	5.10	5.08	5.05	5.03
% Ch, Annual Rate	-1.0	-2.3	-1.8	-3.4	-1.3	-2.2	-1.7	-1.7
Food Manufacturing	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
% Ch, Annual Rate	1.2	0.4	0.3	-0.7	0.5	0.1	0.5	-0.2
Paper and Paper Products	0.48	0.47	0.47	0.47	0.46	0.46	0.46	0.46
% Ch, Annual Rate	-1.7	-3.2	-2.6	-3.0	-1.7	-2.2	-1.4	0.1
Other Nondurables	3.27	3.24	3.22	3.18	3.16	3.13	3.11	3.09
% Ch, Annual Rate	-1.9	-3.4	-2.6	-4.7	-2.1	-3.3	-2.7	-2.6
Natural Resources and Mining	0.66	0.68	0.69	0.70	0.71	0.72	0.73	0.73
% Ch, Annual Rate	10.1	12.0	6.2	6.3	5.0	5.0	4.1	3.9
Construction	7.66	7.70	7.72	7.70	7.68	7.65	7.61	7.52
% Ch, Annual Rate	7.3	2.0	1.1	-1.0	-0.9	-1.5	-2.3	-4.5
Trade, Transportation, and Utilities	26.19	26.22	26.29	26.41	26.53	26.59	26.64	26.66
% Ch, Annual Rate	1.3	0.5	1.1	1.8	1.8	0.9	0.7	0.4
Wholesale Trade	5.86	5.89	5.92	5.95	5.98	6.01	6.05	6.07
% Ch, Annual Rate	3.2	2.4	1.9	2.1	1.9	2.5	2.3	1.6
Retail Trade	15.36	15.32	15.34	15.40	15.48	15.49	15.49	15.49
% Ch, Annual Rate	0.3	-0.9	0.4	1.5	2.0	0.4	0.1	-0.1
Trans., Warehousing, and Utilities	4.97	5.00	5.03	5.06	5.08	5.08	5.09	5.10
% Ch, Annual Rate	2.3	2.4	2.2	2.5	1.2	0.5	0.8	0.6
Information	3.05	3.04	3.03	3.03	3.03	3.03	3.03	3.02
% Ch, Annual Rate	-0.3	-1.9	-1.4	0.0	0.4	0.4	-1.0	-0.7
Publishing Industries	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.89
% Ch, Annual Rate	-0.3	-0.1	-1.2	0.5	0.7	-1.2	-1.8	-1.9
Other Information	2.15	2.14	2.13	2.13	2.13	2.13	2.13	2.13
% Ch, Annual Rate	-0.3	-2.7	-1.5	-0.2	0.3	1.1	-0.6	-0.1
Financial Activities	8.29	8.33	8.34	8.35	8.34	8.32	8.31	8.27
% Ch, Annual Rate	2.7	1.8	0.4	0.7	-0.5	-1.2	-0.3	-2.3
Professional and Business Services	17.37	17.51	17.65	17.76	17.87	17.93	17.98	18.09
% Ch, Annual Rate	3.6	3.3	3.2	2.5	2.4	1.4	1.2	2.6
Education and Health Services	17.67	17.76	17.87	18.00	18.11	18.26	18.41	18.53
% Ch, Annual Rate	3.1	2.1	2.4	2.9	2.6	3.2	3.4	2.5
Leisure and Hospitality	12.98	13.05	13.15	13.25	13.33	13.42	13.51	13.62
% Ch, Annual Rate	3.0	2.3	3.0	2.9	2.6	2.8	2.6	3.4
Other Services	5.42	5.43	5.44	5.46	5.47	5.49	5.50	5.50
% Ch, Annual Rate	2.1	0.5	0.7	1.7	0.6	1.6	0.4	0.4
Federal Government	2.73	2.73	2.74	2.73	2.73	2.73	2.72	2.73
% Ch, Annual Rate	-1.0	0.6	0.7	-1.4	0.1	-0.5	-0.2	0.7
State and Local Government	19.15	19.18	19.28	19.34	19.40	19.46	19.48	19.56
% Ch, Annual Rate	0.5	0.7	2.1	1.3	1.1	1.3	0.4	1.7

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	137.92	137.72	137.54	137.30	137.21	137.37	137.49	137.80
% Ch, Annual Rate	-0.3	-0.6	-0.5	-0.7	-0.3	0.5	0.3	0.9
Manufacturing	13.69	13.57	13.46	13.32	13.24	13.12	12.95	12.88
% Ch, Annual Rate	-2.8	-3.6	-3.0	-4.3	-2.1	-3.8	-5.1	-2.0
Durable Manufacturing	8.69	8.59	8.53	8.43	8.37	8.29	8.15	8.11
% Ch, Annual Rate	-3.1	-4.2	-2.6	-4.9	-2.6	-4.0	-6.2	-2.0
Wood Products	0.50	0.48	0.47	0.46	0.44	0.42	0.42	0.42
% Ch, Annual Rate	-8.4	-11.3	-10.4	-9.7	-16.5	-13.5	-7.0	2.2
Primary and Fabricated Metals	2.01	1.99	1.98	1.96	1.95	1.92	1.87	1.83
% Ch, Annual Rate	-1.5	-3.6	-2.2	-3.6	-1.9	-5.7	-11.4	-7.5
Computer and Electronic Products	1.25	1.25	1.24	1.23	1.24	1.23	1.22	1.23
% Ch, Annual Rate	-1.3	-1.3	-3.0	-3.9	4.9	-4.0	-2.0	1.1
Machinery and Electrical Equipment	1.61	1.62	1.62	1.61	1.61	1.59	1.56	1.54
% Ch, Annual Rate	-0.4	0.6	1.3	-1.8	-1.9	-3.2	-8.0	-4.1
Transportation Equipment	1.67	1.63	1.62	1.58	1.57	1.57	1.57	1.58
% Ch, Annual Rate	-5.1	-7.5	-3.6	-9.1	-3.9	-0.1	-0.2	4.2
Other Durables	1.64	1.62	1.60	1.58	1.56	1.55	1.52	1.51
% Ch, Annual Rate	-5.4	-6.2	-3.3	-4.6	-4.6	-3.9	-6.9	-2.6
Nondurable Manufacturing	5.01	4.97	4.93	4.89	4.87	4.83	4.79	4.77
% Ch, Annual Rate	-2.2	-2.5	-3.7	-3.3	-1.3	-3.3	-3.1	-2.1
Food Manufacturing	1.48	1.47	1.46	1.45	1.46	1.46	1.46	1.46
% Ch, Annual Rate	0.0	-2.1	-2.8	-4.0	2.9	0.5	-0.2	0.6
Paper and Paper Products	0.46	0.46	0.45	0.45	0.45	0.44	0.44	0.44
% Ch, Annual Rate	-1.0	-0.4	-4.2	-4.1	-1.2	-3.6	-3.2	-1.8
Other Nondurables	3.07	3.04	3.01	2.99	2.97	2.93	2.89	2.87
% Ch, Annual Rate	-3.4	-2.9	-4.0	-2.8	-3.3	-5.2	-4.6	-3.5
Natural Resources and Mining	0.75	0.76	0.78	0.79	0.79	0.78	0.77	0.76
% Ch, Annual Rate	6.9	7.5	13.2	1.6	3.7	-5.9	-5.2	-6.5
Construction	7.38	7.24	7.15	7.06	6.89	6.79	6.77	6.82
% Ch, Annual Rate	-7.1	-7.4	-5.1	-5.1	-8.8	-6.0	-0.9	2.7
Trade, Transportation, and Utilities	26.59	26.46	26.37	26.26	26.15	26.25	26.35	26.50
% Ch, Annual Rate	-1.2	-1.9	-1.4	-1.6	-1.5	1.4	1.5	2.3
Wholesale Trade	6.06	6.04	6.02	5.99	5.90	5.91	5.92	5.92
% Ch, Annual Rate	-0.8	-1.3	-1.5	-1.7	-5.6	0.1	0.7	0.5
Retail Trade	15.43	15.34	15.28	15.21	15.23	15.33	15.40	15.53
% Ch, Annual Rate	-1.4	-2.5	-1.4	-1.8	0.5	2.5	2.0	3.3
Trans., Warehousing, and Utilities	5.09	5.08	5.07	5.05	5.02	5.01	5.03	5.04
% Ch, Annual Rate	-0.7	-0.7	-1.3	-1.2	-2.7	-0.3	1.1	1.4
Information	3.01	3.00	2.98	2.95	2.92	2.90	2.89	2.89
% Ch, Annual Rate	-1.1	-1.7	-3.4	-3.3	-4.1	-3.2	-0.5	-0.6
Publishing Industries	0.89	0.88	0.87	0.87	0.86	0.84	0.83	0.82
% Ch, Annual Rate	-2.6	-2.9	-3.9	-1.9	-1.9	-8.1	-7.2	-4.4
Other Information	2.13	2.12	2.10	2.08	2.06	2.05	2.06	2.07
% Ch, Annual Rate	-0.4	-1.2	-3.2	-3.9	-4.9	-1.0	2.3	1.0
Financial Activities	8.24	8.22	8.19	8.14	8.14	8.18	8.22	8.27
% Ch, Annual Rate	-1.4	-0.6	-1.7	-2.1	-0.2	1.9	2.2	2.3
Professional and Business Services	18.06	17.99	17.92	17.92	17.92	17.96	18.05	18.17
% Ch, Annual Rate	-0.7	-1.7	-1.3	-0.1	0.0	0.8	2.1	2.7
Education and Health Services	18.66	18.82	18.94	19.04	19.24	19.45	19.52	19.58
% Ch, Annual Rate	3.0	3.3	2.6	2.0	4.3	4.5	1.4	1.4
Leisure and Hospitality	13.66	13.69	13.68	13.73	13.75	13.78	13.79	13.76
% Ch, Annual Rate	1.1	0.7	-0.0	1.3	0.6	1.0	0.0	-0.7
Other Services	5.52	5.52	5.53	5.52	5.55	5.56	5.57	5.56
% Ch, Annual Rate	0.9	0.6	0.4	-0.7	1.9	1.2	0.7	-0.6
Federal Government	2.72	2.74	2.74	2.74	2.74	2.74	2.74	2.75
% Ch, Annual Rate	-0.8	2.4	0.6	-0.2	-0.3	-0.0	0.1	1.2
State and Local Government	19.64	19.71	19.79	19.84	19.87	19.86	19.87	19.86
% Ch, Annual Rate	1.5	1.6	1.6	1.1	0.4	-0.0	0.1	-0.2

Table A2.2

U.S. Nonagricultural Employment by Industry (Millions)

Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	138.29	138.83	139.33	139.82	140.38	140.96	141.59	142.19
% Ch, Annual Rate	1.4	1.6	1.5	1.4	1.6	1.7	1.8	1.7
Manufacturing	12.83	12.85	12.88	12.94	12.99	13.03	13.08	13.13
% Ch, Annual Rate	-1.5	0.7	0.8	1.9	1.6	1.1	1.8	1.3
Durable Manufacturing	8.08	8.10	8.13	8.19	8.25	8.29	8.35	8.40
% Ch, Annual Rate	-1.9	1.3	1.5	2.9	2.8	1.9	3.1	2.2
Wood Products	0.42	0.43	0.44	0.45	0.47	0.48	0.49	0.50
% Ch, Annual Rate	4.3	8.3	10.9	12.4	11.4	10.3	10.4	7.2
Primary and Fabricated Metals	1.80	1.78	1.77	1.78	1.79	1.79	1.80	1.81
% Ch, Annual Rate	-7.7	-4.4	-1.0	1.5	1.6	0.9	3.0	2.3
Computer and Electronic Products	1.23	1.26	1.25	1.23	1.22	1.21	1.19	1.18
% Ch, Annual Rate	2.2	7.3	-3.2	-3.8	-3.7	-5.2	-3.8	-3.2
Machinery and Electrical Equipment	1.53	1.52	1.52	1.53	1.54	1.54	1.55	1.55
% Ch, Annual Rate	-4.5	-1.5	0.4	2.1	2.0	1.1	2.0	1.2
Transportation Equipment	1.59	1.61	1.63	1.66	1.69	1.71	1.74	1.76
% Ch, Annual Rate	2.6	4.4	5.6	7.1	6.7	6.2	6.6	5.2
Other Durables	1.51	1.51	1.52	1.53	1.55	1.56	1.57	1.58
% Ch, Annual Rate	-1.8	1.1	2.7	4.0	3.4	2.7	3.7	2.6
Nondurable Manufacturing	4.76	4.75	4.75	4.75	4.75	4.74	4.74	4.73
% Ch, Annual Rate	-0.8	-0.4	-0.3	0.1	-0.4	-0.4	-0.4	-0.2
Food Manufacturing	1.47	1.48	1.48	1.49	1.49	1.50	1.50	1.50
% Ch, Annual Rate	2.0	1.7	1.5	1.9	1.3	1.1	1.0	1.1
Paper and Paper Products	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
% Ch, Annual Rate	-0.6	-0.2	0.3	0.9	0.6	0.6	0.5	0.6
Other Nondurables	2.85	2.84	2.83	2.82	2.82	2.81	2.80	2.79
% Ch, Annual Rate	-2.3	-1.5	-1.3	-0.9	-1.3	-1.4	-1.3	-1.0
Natural Resources and Mining	0.75	0.74	0.74	0.74	0.73	0.73	0.72	0.72
% Ch, Annual Rate	-5.2	-2.7	-2.5	-1.4	-2.0	-1.8	-3.0	-3.1
Construction	6.86	6.87	6.87	6.88	6.95	7.03	7.10	7.15
% Ch, Annual Rate	2.4	0.6	0.0	0.5	4.1	4.7	4.1	3.4
Trade, Transportation, and Utilities	26.61	26.74	26.86	26.90	26.92	26.92	26.98	27.07
% Ch, Annual Rate	1.7	2.0	1.8	0.6	0.3	-0.0	0.9	1.4
Wholesale Trade	5.93	5.97	6.01	6.02	6.04	6.07	6.10	6.13
% Ch, Annual Rate	0.9	2.6	2.8	0.6	1.1	2.0	2.1	1.9
Retail Trade	15.60	15.65	15.68	15.68	15.66	15.59	15.58	15.59
% Ch, Annual Rate	1.9	1.2	0.7	0.1	-0.6	-1.8	-0.3	0.5
Trans., Warehousing, and Utilities	5.07	5.12	5.17	5.20	5.23	5.27	5.31	5.35
% Ch, Annual Rate	2.0	3.6	4.2	2.4	2.2	3.0	3.2	3.5
Information	2.88	2.86	2.85	2.87	2.89	2.90	2.90	2.91
% Ch, Annual Rate	-1.1	-2.7	-1.3	2.4	2.5	1.2	1.1	1.4
Publishing Industries	0.82	0.82	0.82	0.82	0.83	0.83	0.83	0.83
% Ch, Annual Rate	-1.7	0.1	1.5	1.7	1.2	0.5	0.4	0.5
Other Information	2.06	2.04	2.03	2.05	2.06	2.07	2.08	2.09
% Ch, Annual Rate	-0.8	-3.8	-2.4	2.7	3.1	1.5	1.4	1.8
Financial Activities	8.30	8.32	8.36	8.42	8.48	8.54	8.59	8.65
% Ch, Annual Rate	1.4	1.2	1.8	2.9	2.9	2.6	2.4	2.8
Professional and Business Services	18.38	18.64	18.87	19.05	19.23	19.50	19.72	19.89
% Ch, Annual Rate	4.6	5.9	4.9	3.8	3.8	5.7	4.8	3.5
Education and Health Services	19.69	19.81	19.90	19.98	20.06	20.10	20.18	20.23
% Ch, Annual Rate	2.3	2.4	1.9	1.7	1.5	0.9	1.5	1.1
Leisure and Hospitality	13.75	13.77	13.81	13.83	13.89	13.95	14.00	14.07
% Ch, Annual Rate	-0.3	0.6	1.0	0.7	1.7	1.8	1.4	2.1
Other Services	5.55	5.55	5.56	5.57	5.56	5.54	5.52	5.52
% Ch, Annual Rate	-1.2	0.2	0.9	0.6	-0.8	-1.2	-1.4	-0.6
Federal Government	2.84	2.82	2.76	2.74	2.73	2.73	2.72	2.72
% Ch, Annual Rate	14.0	-2.9	-8.3	-3.2	-0.8	-0.7	-0.3	-0.3
State and Local Government	19.85	19.84	19.87	19.90	19.95	20.00	20.06	20.11
% Ch, Annual Rate	-0.1	-0.2	0.5	0.7	1.0	1.0	1.1	1.2

Table A2.3
Washington Nonagricultural Employment by Industry (Thousands)
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Nonfarm Payroll Employment	2,701.0	2,777.0	2,859.1	2,932.0	2,974.5	2,994.9	3,047.7	3,106.3
% Ch	1.6	2.8	3.0	2.5	1.5	0.7	1.8	1.9
Manufacturing	263.7	272.6	285.9	293.2	296.1	292.6	292.4	295.9
% Ch	-1.3	3.4	4.9	2.6	1.0	-1.2	-0.0	1.2
Durable Manufacturing	182.4	191.5	204.0	211.7	215.5	213.7	212.9	215.0
% Ch	-0.7	5.0	6.6	3.7	1.8	-0.8	-0.4	1.0
Wood Products	18.8	20.0	20.3	19.1	17.2	15.3	15.3	16.2
% Ch	5.4	6.9	1.1	-5.8	-9.9	-11.0	0.1	5.4
Primary and Fabricated Metals	22.3	23.1	24.3	25.9	26.7	26.0	24.7	24.9
% Ch	0.9	3.8	4.9	6.7	3.1	-2.5	-5.1	0.8
Computer and Electronic Products	22.1	22.2	22.4	22.8	22.8	22.9	23.6	22.8
% Ch	-5.3	0.2	1.2	1.6	-0.2	0.7	2.9	-3.3
Machinery and Electrical Equipment	17.0	17.8	19.0	19.4	19.7	19.7	19.7	20.9
% Ch	4.4	4.8	6.6	2.4	1.3	0.2	-0.0	5.9
Aerospace	61.5	65.6	73.4	80.1	85.5	87.1	87.1	87.1
% Ch	-5.8	6.8	11.9	9.1	6.8	1.9	0.0	0.0
Other Transportation Equip.	12.1	13.2	13.7	13.0	12.5	12.2	12.1	12.1
% Ch	9.2	8.7	4.1	-5.0	-4.5	-2.0	-1.0	0.5
Other Durables	28.6	29.5	30.9	31.3	31.2	30.5	30.4	31.0
% Ch	2.7	3.1	4.9	1.2	-0.2	-2.5	-0.3	1.9
Nondurable Manufacturing	81.3	81.1	81.9	81.6	80.5	78.8	79.5	81.0
% Ch	-2.4	-0.2	0.9	-0.4	-1.3	-2.1	0.9	1.8
Food Manufacturing	34.1	33.8	33.9	34.1	34.1	33.7	34.7	35.9
% Ch	-2.0	-1.0	0.3	0.6	0.1	-1.4	3.1	3.4
Paper and Paper Products	12.7	12.2	11.9	11.2	10.5	10.0	9.9	9.9
% Ch	-4.6	-3.6	-2.1	-6.1	-6.7	-4.5	-1.2	0.7
Other Nondurables	34.5	35.2	36.1	36.3	36.0	35.2	35.0	35.2
% Ch	-1.9	1.8	2.7	0.5	-0.8	-2.2	-0.6	0.6
Natural Resources and Mining	9.1	9.0	8.7	8.2	7.5	7.0	6.8	7.1
% Ch	5.7	-1.9	-3.0	-5.9	-8.8	-6.2	-2.9	4.0
Construction	164.2	177.4	194.9	207.4	203.7	196.6	197.0	198.9
% Ch	5.1	8.0	9.9	6.4	-1.8	-3.5	0.2	1.0
Trade, Transportation, and Utilities	518.4	530.4	541.6	552.9	559.5	563.6	576.2	582.0
% Ch	1.7	2.3	2.1	2.1	1.2	0.7	2.2	1.0
Wholesale Trade	119.3	122.2	126.6	129.2	131.0	130.0	131.7	133.5
% Ch	2.8	2.4	3.6	2.1	1.4	-0.7	1.3	1.4
Retail Trade	309.4	316.1	321.0	327.7	331.9	336.9	345.8	347.4
% Ch	1.1	2.2	1.6	2.1	1.3	1.5	2.6	0.5
Trans., Warehousing, and Utilities	89.8	92.2	94.0	96.0	96.6	96.7	98.8	101.1
% Ch	2.1	2.7	2.0	2.2	0.6	0.1	2.1	2.4
Information	92.8	94.7	98.4	102.7	105.7	106.7	108.9	112.7
% Ch	0.6	2.0	3.9	4.3	3.0	0.9	2.1	3.5
Software Publishers	39.3	41.3	44.7	47.8	51.0	53.9	56.9	60.1
% Ch	5.1	5.1	8.4	6.8	6.7	5.7	5.5	5.7
Other Publishing Industries	11.3	11.2	11.0	10.8	10.6	10.1	9.7	9.6
% Ch	-6.7	-0.6	-2.0	-2.2	-1.4	-5.1	-4.0	-0.7
Other Information	42.3	42.2	42.7	44.1	44.1	42.7	42.4	43.0
% Ch	-1.2	-0.1	1.1	3.4	-0.1	-3.1	-0.7	1.5
Financial Activities	151.8	154.5	156.2	155.1	153.4	154.1	157.6	162.1
% Ch	-0.1	1.8	1.1	-0.7	-1.1	0.4	2.3	2.9
Professional and Business Services	301.7	316.1	330.5	345.3	354.7	361.9	378.9	397.9
% Ch	3.9	4.8	4.6	4.5	2.7	2.0	4.7	5.0
Education and Health Services	319.7	329.3	337.2	348.0	356.7	366.3	375.8	383.6
% Ch	2.2	3.0	2.4	3.2	2.5	2.7	2.6	2.1
Leisure and Hospitality	255.6	263.5	271.7	280.1	287.3	291.1	293.8	298.9
% Ch	2.7	3.1	3.1	3.1	2.5	1.3	0.9	1.7
Other Services	100.3	102.7	104.0	105.4	108.7	110.6	111.7	112.5
% Ch	1.4	2.4	1.2	1.3	3.1	1.7	1.0	0.7
Federal Government	69.8	69.6	69.3	68.6	69.3	69.5	70.5	70.0
% Ch	-0.6	-0.3	-0.4	-0.9	1.0	0.3	1.4	-0.7
State and Local Government	454.0	457.2	460.7	465.1	472.0	474.9	478.0	484.7
% Ch	0.8	0.7	0.8	0.9	1.5	0.6	0.7	1.4

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Nonfarm Payroll Employment	2,834.8	2,851.3	2,867.1	2,883.2	2,908.9	2,924.1	2,939.2	2,955.7
% Ch, Annual Rate	3.4	2.4	2.2	2.3	3.6	2.1	2.1	2.3
Manufacturing	283.0	284.6	287.0	289.1	290.8	291.7	294.3	296.1
% Ch, Annual Rate	6.5	2.2	3.5	2.9	2.4	1.3	3.6	2.4
Durable Manufacturing	200.9	202.7	205.0	207.5	209.1	210.7	212.7	214.2
% Ch, Annual Rate	7.2	3.6	4.5	5.0	3.1	3.1	4.0	2.8
Wood Products	20.6	20.4	20.3	19.8	19.4	19.2	19.0	18.7
% Ch, Annual Rate	3.7	-2.9	-2.6	-8.6	-8.1	-3.4	-5.6	-4.6
Primary and Fabricated Metals	23.8	24.1	24.4	24.7	25.3	26.3	26.0	26.1
% Ch, Annual Rate	5.7	4.6	4.9	5.8	9.2	16.5	-4.7	1.7
Computer and Electronic Products	22.2	22.5	22.6	22.6	22.6	22.7	23.0	23.0
% Ch, Annual Rate	0.0	4.5	1.6	0.2	-0.1	2.9	5.3	-0.7
Machinery and Electrical Equipment	18.6	18.9	19.1	19.3	19.3	19.3	19.6	19.6
% Ch, Annual Rate	8.8	6.9	4.3	3.4	-0.2	0.1	6.7	0.4
Aerospace	71.4	72.2	74.0	76.1	77.8	78.9	81.0	82.7
% Ch, Annual Rate	10.3	4.4	10.5	12.0	9.0	5.9	11.2	8.3
Other Transportation Equip.	13.8	13.8	13.6	13.6	13.3	13.0	12.9	12.9
% Ch, Annual Rate	12.3	1.1	-5.8	0.4	-10.5	-6.5	-3.1	-1.5
Other Durables	30.6	30.8	31.0	31.3	31.5	31.2	31.2	31.3
% Ch, Annual Rate	6.1	3.8	2.3	3.8	2.2	-3.5	0.6	0.1
Nondurable Manufacturing	82.1	81.9	82.0	81.6	81.8	81.1	81.6	81.8
% Ch, Annual Rate	4.9	-1.0	0.9	-2.1	0.8	-3.3	2.4	1.4
Food Manufacturing	33.9	33.6	34.0	33.9	34.2	33.6	34.2	34.3
% Ch, Annual Rate	6.1	-3.4	3.8	-0.2	3.6	-7.1	6.8	1.9
Paper and Paper Products	12.1	12.1	11.9	11.6	11.6	11.3	11.0	11.0
% Ch, Annual Rate	2.9	-1.1	-6.4	-10.3	-1.3	-9.8	-8.4	1.1
Other Nondurables	36.0	36.1	36.2	36.1	36.0	36.2	36.4	36.5
% Ch, Annual Rate	4.4	1.4	0.7	-1.0	-1.2	2.6	2.0	1.0
Natural Resources and Mining	8.8	8.8	8.6	8.6	8.3	8.2	8.2	8.1
% Ch, Annual Rate	1.6	-2.9	-6.1	-2.1	-12.4	-4.1	-1.7	-5.4
Construction	189.8	193.6	196.5	199.5	205.5	208.1	207.6	208.2
% Ch, Annual Rate	13.2	8.2	6.2	6.2	12.5	5.2	-1.0	1.1
Trade, Transportation, and Utilities	538.7	540.8	542.7	544.3	549.8	552.2	553.6	555.9
% Ch, Annual Rate	2.8	1.6	1.4	1.2	4.1	1.7	1.0	1.7
Wholesale Trade	125.8	126.1	127.0	127.5	128.0	128.9	129.3	130.5
% Ch, Annual Rate	6.1	1.2	2.7	1.6	1.7	2.8	1.3	3.7
Retail Trade	319.7	320.6	321.2	322.6	326.5	327.1	327.9	329.2
% Ch, Annual Rate	1.4	1.1	0.8	1.7	4.9	0.7	1.0	1.5
Trans., Warehousing, and Utilities	93.2	94.0	94.5	94.2	95.3	96.2	96.3	96.2
% Ch, Annual Rate	3.3	3.7	2.0	-1.2	4.7	3.6	0.8	-0.4
Information	96.2	97.6	99.4	100.5	101.8	102.6	102.9	103.3
% Ch, Annual Rate	3.4	5.8	7.9	4.2	5.6	3.0	1.2	1.6
Software Publishers	43.0	44.3	45.4	46.1	47.1	47.5	47.8	48.5
% Ch, Annual Rate	8.3	12.7	10.0	6.5	9.1	3.5	2.3	5.9
Other Publishing Industries	11.1	11.0	11.0	11.0	10.9	10.8	10.7	10.7
% Ch, Annual Rate	-3.6	-1.6	0.9	-2.1	-3.7	-1.9	-3.1	-2.6
Other Information	42.1	42.2	43.0	43.4	43.8	44.2	44.3	44.1
% Ch, Annual Rate	0.6	1.0	7.7	3.4	4.4	3.6	1.1	-1.9
Financial Activities	156.8	156.6	156.1	155.5	155.8	155.8	154.8	154.0
% Ch, Annual Rate	0.5	-0.6	-1.3	-1.6	1.0	-0.1	-2.6	-1.9
Professional and Business Services	323.7	328.6	333.1	336.8	341.6	343.4	346.5	349.6
% Ch, Annual Rate	3.5	6.1	5.6	4.5	5.8	2.2	3.6	3.7
Education and Health Services	334.7	336.2	337.7	340.2	343.2	345.9	349.1	354.0
% Ch, Annual Rate	2.1	1.8	1.8	3.0	3.6	3.1	3.8	5.8
Leisure and Hospitality	269.9	270.7	272.3	273.8	277.1	279.2	281.0	283.3
% Ch, Annual Rate	3.1	1.2	2.5	2.1	4.9	3.0	2.7	3.3
Other Services	103.5	103.9	104.1	104.4	104.6	105.0	105.3	106.5
% Ch, Annual Rate	0.0	1.6	0.9	1.2	0.8	1.5	1.1	4.5
Federal Government	69.7	69.6	68.9	68.9	69.1	68.7	68.5	68.3
% Ch, Annual Rate	0.9	-0.7	-3.5	-0.1	1.2	-2.7	-1.0	-1.0
State and Local Government	460.0	460.6	460.5	461.7	461.2	463.3	467.4	468.4
% Ch, Annual Rate	1.8	0.5	-0.1	1.0	-0.4	1.9	3.5	0.9

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Nonfarm Payroll Employment	2,976.5	2,972.5	2,974.2	2,974.7	2,980.6	2,990.0	2,998.8	3,010.0
% Ch, Annual Rate	2.9	-0.5	0.2	0.1	0.8	1.3	1.2	1.5
Manufacturing	296.8	296.3	296.5	294.7	294.9	293.3	291.3	290.8
% Ch, Annual Rate	1.0	-0.7	0.3	-2.4	0.2	-2.1	-2.7	-0.7
Durable Manufacturing	215.1	214.9	216.4	215.8	215.6	214.3	212.7	212.3
% Ch, Annual Rate	1.6	-0.3	2.7	-1.0	-0.4	-2.3	-2.9	-0.8
Wood Products	18.0	17.5	16.8	16.4	15.8	15.3	15.1	15.0
% Ch, Annual Rate	-14.6	-10.8	-14.6	-9.2	-14.2	-11.8	-7.0	-0.5
Primary and Fabricated Metals	26.4	26.6	27.0	26.8	26.7	26.4	25.7	25.3
% Ch, Annual Rate	5.1	2.4	7.1	-3.0	-1.6	-4.8	-9.7	-6.3
Computer and Electronic Products	22.9	22.7	22.9	22.6	23.1	22.9	22.8	23.0
% Ch, Annual Rate	-2.1	-2.7	3.1	-4.2	8.9	-4.4	-1.4	3.2
Machinery and Electrical Equipment	19.6	19.6	19.7	19.8	19.9	19.9	19.6	19.5
% Ch, Annual Rate	0.7	-0.8	2.0	1.8	1.8	0.1	-6.0	-1.0
Aerospace	84.0	84.8	86.3	86.9	87.1	87.1	87.1	87.1
% Ch, Annual Rate	6.9	3.5	7.4	2.8	0.9	0.0	0.0	0.0
Other Transportation Equip.	12.8	12.4	12.3	12.2	12.2	12.2	12.2	12.2
% Ch, Annual Rate	-2.7	-11.7	-2.8	-2.7	-1.2	-0.0	0.3	-1.1
Other Durables	31.3	31.3	31.3	31.0	30.8	30.6	30.3	30.2
% Ch, Annual Rate	0.7	0.5	-0.6	-3.5	-3.3	-2.5	-3.4	-1.1
Nondurable Manufacturing	81.7	81.4	80.1	78.9	79.3	79.0	78.5	78.5
% Ch, Annual Rate	-0.5	-1.6	-6.1	-6.2	2.0	-1.6	-2.1	-0.3
Food Manufacturing	34.7	34.9	33.9	32.9	33.6	33.7	33.6	33.7
% Ch, Annual Rate	4.1	3.1	-11.3	-10.9	8.0	1.2	-0.8	1.5
Paper and Paper Products	10.8	10.6	10.3	10.2	10.1	10.0	9.9	9.9
% Ch, Annual Rate	-8.5	-7.3	-10.9	-4.8	-1.4	-4.1	-3.7	-2.1
Other Nondurables	36.3	35.9	35.9	35.8	35.5	35.2	35.0	34.9
% Ch, Annual Rate	-2.3	-4.2	0.8	-2.2	-2.3	-3.4	-2.8	-1.4
Natural Resources and Mining	7.7	7.6	7.3	7.2	7.1	7.0	7.0	6.9
% Ch, Annual Rate	-14.7	-8.2	-11.8	-8.9	-4.2	-4.9	-1.7	-5.0
Construction	208.1	204.5	202.3	199.9	198.2	196.7	196.0	195.7
% Ch, Annual Rate	-0.3	-6.6	-4.2	-4.6	-3.5	-2.9	-1.3	-0.7
Trade, Transportation, and Utilities	559.5	559.0	560.2	559.2	558.8	561.9	565.0	568.8
% Ch, Annual Rate	2.6	-0.3	0.8	-0.8	-0.2	2.2	2.2	2.7
Wholesale Trade	131.0	130.9	131.2	130.9	129.6	129.9	130.2	130.2
% Ch, Annual Rate	1.6	-0.6	1.1	-1.0	-3.7	0.9	0.8	0.1
Retail Trade	332.0	331.5	332.3	331.6	332.8	335.5	337.9	341.3
% Ch, Annual Rate	3.5	-0.6	0.9	-0.8	1.4	3.3	2.9	4.1
Trans., Warehousing, and Utilities	96.4	96.7	96.7	96.7	96.4	96.5	96.8	97.2
% Ch, Annual Rate	0.7	1.0	0.3	-0.3	-1.1	0.4	1.5	1.5
Information	105.2	105.7	105.9	106.0	106.1	106.2	106.9	107.6
% Ch, Annual Rate	7.3	2.0	0.8	0.5	0.2	0.6	2.4	2.6
Software Publishers	49.6	50.5	51.6	52.3	53.0	53.5	54.1	54.9
% Ch, Annual Rate	9.1	7.4	9.0	5.5	5.9	4.0	4.5	5.5
Other Publishing Industries	10.7	10.6	10.6	10.5	10.4	10.2	9.9	9.8
% Ch, Annual Rate	2.9	-4.3	-1.1	-3.4	-3.4	-9.5	-8.7	-5.9
Other Information	44.8	44.6	43.7	43.3	42.6	42.5	42.8	42.9
% Ch, Annual Rate	6.4	-2.2	-7.4	-4.4	-5.5	-1.1	2.6	1.1
Financial Activities	154.5	153.6	153.1	152.5	152.6	153.5	154.5	155.6
% Ch, Annual Rate	1.4	-2.3	-1.4	-1.6	0.3	2.4	2.7	2.8
Professional and Business Services	352.4	353.9	355.8	356.9	358.2	360.1	363.0	366.3
% Ch, Annual Rate	3.1	1.7	2.2	1.3	1.5	2.1	3.3	3.7
Education and Health Services	357.0	356.1	355.8	358.0	361.9	365.9	367.8	369.7
% Ch, Annual Rate	3.4	-1.0	-0.3	2.5	4.4	4.5	2.1	2.1
Leisure and Hospitality	285.6	287.0	287.5	288.8	289.8	291.0	291.7	291.9
% Ch, Annual Rate	3.3	2.0	0.7	1.8	1.4	1.6	1.0	0.3
Other Services	107.7	108.3	109.2	109.4	110.0	110.4	110.8	111.0
% Ch, Annual Rate	4.8	2.1	3.5	0.6	2.0	1.7	1.5	0.8
Federal Government	69.4	69.4	69.2	69.3	69.3	69.4	69.6	69.9
% Ch, Annual Rate	6.4	-0.1	-0.9	0.4	0.3	0.6	0.8	1.7
State and Local Government	472.7	471.2	471.2	472.8	473.8	474.5	475.3	475.9
% Ch, Annual Rate	3.7	-1.3	0.0	1.3	0.8	0.6	0.7	0.5

Table A2.4

Washington Nonagricultural Employment by Industry (Thousands)

Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Nonfarm Payroll Employment	3,024.8	3,040.6	3,055.1	3,070.3	3,084.5	3,098.5	3,113.6	3,128.7
% Ch, Annual Rate	2.0	2.1	1.9	2.0	1.9	1.8	2.0	2.0
Manufacturing	290.9	292.1	292.8	293.9	294.8	295.4	296.3	297.1
% Ch, Annual Rate	0.1	1.6	1.0	1.5	1.3	0.8	1.2	1.0
Durable Manufacturing	212.0	212.8	213.1	213.7	214.3	214.6	215.2	215.7
% Ch, Annual Rate	-0.5	1.4	0.6	1.1	1.2	0.6	1.2	0.9
Wood Products	15.1	15.2	15.4	15.7	15.9	16.1	16.3	16.4
% Ch, Annual Rate	0.9	3.6	5.4	6.5	5.8	5.1	5.2	2.9
Primary and Fabricated Metals	24.9	24.6	24.6	24.7	24.8	24.8	25.0	25.1
% Ch, Annual Rate	-6.5	-3.7	-0.8	1.3	1.4	0.8	2.5	2.0
Computer and Electronic Products	23.2	23.9	23.7	23.5	23.3	22.9	22.7	22.5
% Ch, Annual Rate	4.8	12.6	-3.1	-4.1	-3.9	-6.1	-4.0	-3.2
Machinery and Electrical Equipment	19.4	19.5	19.8	20.1	20.4	20.7	21.0	21.3
% Ch, Annual Rate	-1.7	2.2	4.6	6.8	6.7	5.5	6.7	5.7
Aerospace	87.1	87.1	87.1	87.1	87.1	87.1	87.1	87.1
% Ch, Annual Rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Transportation Equip.	12.1	12.1	12.1	12.1	12.1	12.2	12.2	12.2
% Ch, Annual Rate	-2.1	-1.5	-0.5	1.0	1.5	0.8	0.0	-0.1
Other Durables	30.2	30.3	30.4	30.6	30.7	30.9	31.0	31.2
% Ch, Annual Rate	-0.3	1.1	1.8	2.3	2.1	1.7	2.1	1.6
Nondurable Manufacturing	78.9	79.3	79.7	80.2	80.5	80.8	81.1	81.4
% Ch, Annual Rate	2.0	2.2	2.0	2.6	1.6	1.4	1.3	1.5
Food Manufacturing	34.1	34.5	34.8	35.3	35.5	35.8	36.0	36.2
% Ch, Annual Rate	5.0	4.4	3.9	4.7	3.1	2.6	2.5	2.6
Paper and Paper Products	9.9	9.9	9.9	9.9	9.9	9.9	9.9	10.0
% Ch, Annual Rate	-0.6	-0.2	0.4	1.1	0.7	0.7	0.6	0.7
Other Nondurables	34.9	34.9	35.0	35.1	35.1	35.1	35.2	35.2
% Ch, Annual Rate	-0.0	0.6	0.6	0.9	0.5	0.4	0.4	0.5
Natural Resources and Mining	6.8	6.7	6.8	6.9	7.0	7.0	7.1	7.2
% Ch, Annual Rate	-6.6	-2.1	2.9	5.1	5.0	4.6	4.2	3.7
Construction	196.2	196.7	197.3	197.8	198.3	198.7	199.1	199.5
% Ch, Annual Rate	1.0	1.1	1.1	1.0	1.0	0.8	0.9	0.8
Trade, Transportation, and Utilities	571.8	575.1	578.2	579.8	580.6	580.7	582.2	584.3
% Ch, Annual Rate	2.1	2.4	2.1	1.1	0.5	0.1	1.0	1.4
Wholesale Trade	130.5	131.3	132.3	132.6	132.8	133.2	133.7	134.2
% Ch, Annual Rate	0.8	2.7	2.9	0.9	0.7	1.3	1.5	1.4
Retail Trade	343.6	345.4	346.7	347.4	347.6	346.7	347.1	348.1
% Ch, Annual Rate	2.7	2.1	1.5	0.9	0.1	-1.0	0.5	1.1
Trans., Warehousing, and Utilities	97.7	98.4	99.2	99.8	100.2	100.8	101.4	102.1
% Ch, Annual Rate	1.9	3.1	3.4	2.2	1.8	2.3	2.4	2.7
Information	108.1	108.5	109.0	110.1	111.3	112.2	113.2	114.2
% Ch, Annual Rate	2.1	1.4	1.8	4.3	4.3	3.4	3.4	3.6
Software Publishers	55.6	56.5	57.3	58.1	58.9	59.7	60.5	61.3
% Ch, Annual Rate	5.5	6.4	5.7	5.9	5.7	5.5	5.4	5.4
Other Publishing Industries	9.7	9.7	9.7	9.7	9.7	9.6	9.6	9.6
% Ch, Annual Rate	-3.3	-1.5	-0.2	0.0	-0.5	-1.1	-1.2	-1.2
Other Information	42.8	42.4	42.1	42.4	42.7	42.9	43.1	43.3
% Ch, Annual Rate	-1.0	-4.2	-2.7	3.1	3.5	1.7	1.6	2.0
Financial Activities	156.3	157.0	157.8	159.1	160.4	161.6	162.7	163.9
% Ch, Annual Rate	1.9	1.6	2.3	3.3	3.2	3.0	2.7	3.1
Professional and Business Services	371.1	376.8	381.8	386.0	390.2	395.8	400.8	404.8
% Ch, Annual Rate	5.3	6.3	5.4	4.5	4.4	5.9	5.1	4.0
Education and Health Services	372.2	374.8	377.1	379.2	381.1	382.6	384.5	386.1
% Ch, Annual Rate	2.8	2.8	2.4	2.2	2.1	1.6	2.0	1.7
Leisure and Hospitality	292.4	293.3	294.3	295.3	296.7	298.2	299.5	301.1
% Ch, Annual Rate	0.6	1.2	1.5	1.3	2.0	2.0	1.7	2.1
Other Services	111.2	111.5	111.9	112.2	112.4	112.5	112.5	112.7
% Ch, Annual Rate	0.5	1.1	1.5	1.3	0.5	0.3	0.2	0.6
Federal Government	71.3	71.0	69.7	70.0	70.0	70.0	70.0	70.1
% Ch, Annual Rate	8.5	-1.9	-6.8	1.7	-0.1	-0.0	0.3	0.2
State and Local Government	476.6	477.2	478.5	480.0	481.7	483.6	485.6	487.8
% Ch, Annual Rate	0.5	0.5	1.1	1.3	1.5	1.6	1.7	1.8

Table A3.1

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

Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	9,727.2	10,269.8	10,993.9	11,663.3	12,166.4	12,609.8	13,203.4	13,920.9
% Ch	6.2	5.6	7.1	6.1	4.3	3.6	4.7	5.4
Total Wage and Salary Disbursements	5,394.5	5,671.7	6,027.3	6,362.0	6,594.2	6,814.8	7,122.2	7,492.5
% Ch	5.5	5.1	6.3	5.6	3.7	3.3	4.5	5.2
Nonwage Personal Income	4,332.7	4,598.1	4,966.7	5,301.3	5,572.2	5,795.0	6,081.2	6,428.4
% Ch	7.0	6.1	8.0	6.7	5.1	4.0	4.9	5.7
Supplements to Wages and Salaries	1,276.9	1,354.1	1,405.3	1,456.6	1,509.5	1,567.0	1,634.0	1,713.7
% Ch	6.6	6.0	3.8	3.7	3.6	3.8	4.3	4.9
Proprietor's Income	911.7	959.8	1,014.7	1,056.3	1,086.4	1,136.6	1,186.3	1,246.5
% Ch	12.4	5.3	5.7	4.1	2.9	4.6	4.4	5.1
Farm	37.4	34.1	16.2	44.0	36.4	29.9	26.1	23.8
% Ch	27.8	-8.8	-52.6	172.6	-17.4	-17.7	-12.8	-8.6
Nonfarm	874.3	925.7	998.5	1,012.2	1,050.1	1,106.7	1,160.3	1,222.7
% Ch	11.8	5.9	7.9	1.4	3.7	5.4	4.8	5.4
Less: Contribution For Govt. Soc. Ins.	828.8	874.3	925.5	965.1	1,000.9	1,034.3	1,081.0	1,142.9
% Ch	6.4	5.5	5.9	4.3	3.7	3.3	4.5	5.7
Dividends/Int./Rent	1,550.5	1,637.7	1,869.1	2,040.2	2,119.4	2,164.9	2,280.7	2,435.0
% Ch	5.5	5.6	14.1	9.2	3.9	2.1	5.4	6.8
Transfer Payments	1,422.5	1,520.7	1,603.0	1,713.3	1,857.8	1,960.8	2,061.2	2,176.2
% Ch	5.3	6.9	5.4	6.9	8.4	5.5	5.1	5.6

Table A3.2

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

Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	10,781.6	10,913.2	11,056.1	11,224.7	11,473.0	11,577.5	11,730.4	11,872.1
% Ch, Annual Rate	8.6	5.0	5.3	6.2	9.1	3.7	5.4	4.9
Total Wage and Salary Disbursements	5,946.4	5,966.2	6,034.2	6,162.2	6,294.0	6,310.7	6,377.7	6,465.5
% Ch, Annual Rate	10.8	1.3	4.6	8.8	8.8	1.1	4.3	5.6
Nonwage Personal Income	4,835.2	4,947.0	5,021.9	5,062.5	5,179.0	5,266.8	5,352.7	5,406.6
% Ch, Annual Rate	6.1	9.6	6.2	3.3	9.5	7.0	6.7	4.1
Supplements to Wages and Salaries	1,391.6	1,398.0	1,407.7	1,423.9	1,439.9	1,449.4	1,461.6	1,475.5
% Ch, Annual Rate	5.1	1.9	2.8	4.7	4.6	2.7	3.4	3.8
Proprietor's Income	1,004.8	1,018.2	1,013.4	1,022.4	1,037.2	1,050.2	1,063.8	1,073.8
% Ch, Annual Rate	4.2	5.4	-1.9	3.6	5.9	5.1	5.3	3.8
Farm	17.3	9.8	13.8	23.7	39.3	42.3	47.4	47.1
% Ch, Annual Rate	-84.8	-89.7	293.2	769.9	656.1	34.2	57.7	-2.5
Nonfarm	987.5	1,008.4	999.6	998.7	997.9	1,007.9	1,016.4	1,026.7
% Ch, Annual Rate	8.9	8.7	-3.4	-0.4	-0.3	4.1	3.4	4.1
Less: Contribution For Govt. Soc. Ins.	917.1	918.9	925.5	940.4	959.8	959.1	966.0	975.3
% Ch, Annual Rate	13.0	0.8	2.9	6.6	8.5	-0.3	2.9	3.9
Dividends/Int./Rent	1,788.3	1,855.1	1,906.2	1,926.8	1,966.0	2,027.2	2,072.7	2,094.8
% Ch, Annual Rate	9.0	15.8	11.5	4.4	8.4	13.0	9.3	4.3
Transfer Payments	1,567.6	1,594.5	1,620.1	1,629.8	1,695.7	1,699.2	1,720.6	1,737.8
% Ch, Annual Rate	8.9	7.0	6.6	2.4	17.2	0.8	5.1	4.1

Table A3.2

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

Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	11,960.5	12,174.2	12,218.8	12,312.0	12,440.7	12,543.7	12,660.5	12,794.3
% Ch, Annual Rate	3.0	7.3	1.5	3.1	4.2	3.4	3.8	4.3
Total Wage and Salary Disbursements	6,518.0	6,568.0	6,619.3	6,671.5	6,727.5	6,779.5	6,840.6	6,911.5
% Ch, Annual Rate	3.3	3.1	3.2	3.2	3.4	3.1	3.7	4.2
Nonwage Personal Income	5,442.5	5,606.2	5,599.5	5,640.5	5,713.2	5,764.2	5,819.9	5,882.8
% Ch, Annual Rate	2.7	12.6	-0.5	3.0	5.3	3.6	3.9	4.4
Supplements to Wages and Salaries	1,491.7	1,503.1	1,515.3	1,527.9	1,547.8	1,559.5	1,573.9	1,586.8
% Ch, Annual Rate	4.5	3.1	3.3	3.4	5.3	3.0	3.8	3.3
Proprietor's Income	1,071.7	1,077.3	1,092.2	1,104.6	1,117.4	1,131.7	1,141.9	1,155.5
% Ch, Annual Rate	-0.8	2.1	5.6	4.6	4.7	5.2	3.7	4.9
Farm	41.6	38.7	33.0	32.1	30.9	32.6	27.9	28.4
% Ch, Annual Rate	-39.1	-25.1	-47.3	-9.7	-15.0	23.8	-46.0	6.7
Nonfarm	1,030.1	1,038.6	1,059.2	1,072.5	1,086.5	1,099.1	1,114.0	1,127.2
% Ch, Annual Rate	1.3	3.3	8.2	5.1	5.4	4.7	5.5	4.8
Less: Contribution For Govt. Soc. Ins.	992.2	996.9	1,003.6	1,010.9	1,028.2	1,032.7	1,035.9	1,040.3
% Ch, Annual Rate	7.1	1.9	2.7	3.0	7.0	1.8	1.2	1.7
Dividends/Int./Rent	2,093.2	2,096.6	2,145.4	2,142.4	2,153.2	2,156.6	2,163.9	2,185.9
% Ch, Annual Rate	-0.3	0.7	9.6	-0.6	2.0	0.6	1.4	4.1
Transfer Payments	1,778.1	1,926.2	1,850.2	1,876.5	1,923.0	1,949.2	1,976.0	1,994.9
% Ch, Annual Rate	9.6	37.7	-14.9	5.8	10.3	5.6	5.6	3.9

Table A3.2

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

Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	12,955.3	13,117.5	13,287.0	13,453.6	13,637.2	13,817.1	14,014.9	14,214.4
% Ch, Annual Rate	5.1	5.1	5.3	5.1	5.6	5.4	5.9	5.8
Total Wage and Salary Disbursements	6,996.2	7,077.9	7,163.8	7,250.7	7,347.2	7,439.6	7,540.5	7,642.6
% Ch, Annual Rate	5.0	4.7	4.9	4.9	5.4	5.1	5.5	5.5
Nonwage Personal Income	5,959.0	6,039.7	6,123.3	6,202.9	6,289.9	6,377.6	6,474.4	6,571.9
% Ch, Annual Rate	5.3	5.5	5.7	5.3	5.7	5.7	6.2	6.2
Supplements to Wages and Salaries	1,609.9	1,624.6	1,642.6	1,658.8	1,683.6	1,702.5	1,724.0	1,744.5
% Ch, Annual Rate	5.9	3.7	4.5	4.0	6.1	4.6	5.1	4.8
Proprietor's Income	1,168.6	1,182.1	1,192.3	1,202.4	1,218.1	1,237.0	1,256.1	1,274.7
% Ch, Annual Rate	4.6	4.7	3.5	3.4	5.3	6.3	6.3	6.1
Farm	27.6	26.1	25.5	25.1	24.5	24.0	23.8	23.1
% Ch, Annual Rate	-10.3	-19.9	-9.6	-5.1	-10.1	-7.9	-3.6	-10.6
Nonfarm	1,141.0	1,156.0	1,166.8	1,177.3	1,193.7	1,213.0	1,232.4	1,251.6
% Ch, Annual Rate	5.0	5.4	3.8	3.6	5.7	6.7	6.5	6.4
Less: Contribution For Govt. Soc. Ins.	1,067.6	1,074.2	1,085.0	1,097.2	1,125.0	1,137.5	1,148.2	1,160.8
% Ch, Annual Rate	10.9	2.5	4.1	4.6	10.5	4.5	3.8	4.4
Dividends/Int./Rent	2,219.4	2,258.5	2,301.3	2,343.7	2,377.8	2,413.9	2,452.7	2,495.3
% Ch, Annual Rate	6.3	7.2	7.8	7.6	6.0	6.2	6.6	7.1
Transfer Payments	2,028.8	2,048.7	2,072.1	2,095.2	2,135.3	2,161.7	2,189.8	2,218.0
% Ch, Annual Rate	7.0	4.0	4.7	4.5	7.9	5.0	5.3	5.3

Table A3.3
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2008 to 2011

	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	218.432	224.736	243.597	262.487	276.272	289.402	305.636	324.188
% Ch	7.6	2.9	8.4	7.8	5.3	4.8	5.6	6.1
Total Wage and Salary Disbursements	119.217	125.845	136.336	147.939	154.622	161.580	170.466	180.415
% Ch	4.5	5.6	8.3	8.5	4.5	4.5	5.5	5.8
Manufacturing	13.903	15.150	16.844	18.031	18.922	19.432	20.120	21.111
% Ch	2.2	9.0	11.2	7.0	4.9	2.7	3.5	4.9
Durable Manufacturing	10.410	11.546	13.088	14.054	14.897	15.341	15.841	16.592
% Ch	3.0	10.9	13.4	7.4	6.0	3.0	3.3	4.7
Nondurable Manufacturing	3.493	3.604	3.756	3.976	4.025	4.091	4.280	4.520
% Ch	-0.1	3.2	4.2	5.9	1.2	1.6	4.6	5.6
Nonmanufacturing	100.184	104.986	113.475	123.550	128.936	135.076	143.067	151.800
% Ch	4.8	4.8	8.1	8.9	4.4	4.8	5.9	6.1
Other Private Wages	1.183	1.233	1.328	1.434	1.464	1.531	1.612	1.706
% Ch	4.7	4.2	7.7	8.0	2.1	4.5	5.3	5.8
Farm Wages	0.985	1.128	1.146	1.177	1.223	1.252	1.275	1.302
% Ch	3.8	14.6	1.6	2.7	3.9	2.4	1.8	2.1
Military Wages	2.963	3.349	3.544	3.747	4.077	4.289	4.392	4.496
% Ch	6.1	13.0	5.8	5.7	8.8	5.2	2.4	2.4
Nonwage Personal Income	99.215	98.890	107.261	114.548	121.650	127.822	135.170	143.773
% Ch	11.7	-0.3	8.5	6.8	6.2	5.1	5.7	6.4
Supplements to Wages and Salaries	29.208	31.330	33.451	35.885	37.908	39.684	41.722	44.011
% Ch	8.8	7.3	6.8	7.3	5.6	4.7	5.1	5.5
Proprietor's Income	17.812	18.421	19.341	19.806	20.571	21.923	23.126	24.494
% Ch	8.9	3.4	5.0	2.4	3.9	6.6	5.5	5.9
Farm	0.540	0.226	0.138	0.183	0.384	0.455	0.484	0.494
% Ch	-25.8	-58.2	-38.8	32.2	110.0	18.7	6.3	2.2
Nonfarm	17.271	18.194	19.203	19.623	20.188	21.467	22.642	24.000
% Ch	10.5	5.3	5.5	2.2	2.9	6.3	5.5	6.0
Less: Contribution For Govt. Soc. Ins.	20.290	21.584	23.054	24.859	26.244	27.294	28.696	30.437
% Ch	7.1	6.4	6.8	7.8	5.6	4.0	5.1	6.1
Plus: Residence Adjustment	2.436	2.525	2.831	2.986	3.132	3.240	3.402	3.632
% Ch	1.4	3.7	12.1	5.5	4.9	3.5	5.0	6.7
Dividends/Int./Rent	41.866	38.456	42.641	46.484	49.196	50.599	53.684	57.671
% Ch	22.2	-8.1	10.9	9.0	5.8	2.9	6.1	7.4
Transfer Payments	28.183	29.743	32.052	34.246	37.086	39.670	41.933	44.402
% Ch	0.9	5.5	7.8	6.8	8.3	7.0	5.7	5.9
State U.I. Benefits	1.183	0.782	0.734	0.728	1.000	1.368	1.190	0.948
% Ch	-47.1	-33.9	-6.2	-0.9	37.4	36.8	-13.0	-20.3
Other Transfers	27.000	28.960	31.318	33.518	36.086	38.302	40.744	43.455
% Ch	5.1	7.3	8.1	7.0	7.7	6.1	6.4	6.7

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2008 to 2011

	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4
Personal Income	238.679	241.322	244.459	249.928	255.211	259.377	265.707	269.652
% Ch, Annual Rate	13.9	4.5	5.3	9.3	8.7	6.7	10.1	6.1
Total Wage and Salary Disbursements	134.162	134.289	136.215	140.679	143.562	145.662	150.079	152.452
% Ch, Annual Rate	14.7	0.4	5.9	13.8	8.5	6.0	12.7	6.5
Manufacturing	16.944	16.718	16.214	17.500	17.749	17.993	17.924	18.456
% Ch, Annual Rate	35.1	-5.2	-11.5	35.7	5.8	5.6	-1.5	12.4
Durable Manufacturing	13.160	13.058	12.475	13.659	13.779	14.051	13.993	14.393
% Ch, Annual Rate	39.6	-3.1	-16.7	43.7	3.6	8.1	-1.6	11.9
Nondurable Manufacturing	3.784	3.660	3.739	3.841	3.970	3.942	3.931	4.063
% Ch, Annual Rate	21.0	-12.5	8.9	11.4	14.1	-2.8	-1.1	14.1
Nonmanufacturing	111.287	111.575	113.894	117.143	119.633	121.430	125.682	127.456
% Ch, Annual Rate	12.1	1.0	8.6	11.9	8.8	6.1	14.8	5.8
Other Private Wages	1.266	1.314	1.386	1.346	1.424	1.413	1.466	1.433
% Ch, Annual Rate	13.7	16.1	23.8	-11.1	25.3	-3.1	15.9	-8.7
Farm Wages	1.137	1.145	1.150	1.151	1.161	1.172	1.182	1.193
% Ch, Annual Rate	1.4	2.8	1.8	0.3	3.5	3.8	3.5	3.8
Military Wages	3.528	3.537	3.571	3.539	3.595	3.654	3.825	3.914
% Ch, Annual Rate	14.7	1.0	3.9	-3.5	6.5	6.7	20.1	9.6
Nonwage Personal Income	104.518	107.033	108.245	109.248	111.649	113.715	115.628	117.200
% Ch, Annual Rate	12.8	10.0	4.6	3.8	9.1	7.6	6.9	5.6
Supplements to Wages and Salaries	33.015	33.107	33.427	34.253	34.760	35.360	36.412	37.007
% Ch, Annual Rate	10.7	1.1	3.9	10.3	6.1	7.1	12.4	6.7
Proprietor's Income	19.102	19.559	19.315	19.388	19.583	19.915	19.793	19.932
% Ch, Annual Rate	9.3	9.9	-4.9	1.5	4.1	7.0	-2.4	2.8
Farm	0.057	0.150	0.153	0.193	0.133	0.301	0.123	0.174
% Ch, Annual Rate	#####	4,695.9	8.2	153.2	-77.4	3.E+03	-97.2	300.5
Nonfarm	19.046	19.409	19.162	19.195	19.451	19.614	19.670	19.758
% Ch, Annual Rate	11.2	7.8	-5.0	0.7	5.4	3.4	1.1	1.8
Less: Contribution For Govt. Soc. Ins.	22.883	22.788	22.955	23.590	24.177	24.479	25.215	25.566
% Ch, Annual Rate	14.9	-1.7	3.0	11.5	10.3	5.1	12.6	5.7
Plus: Residence Adjustment	2.797	2.802	2.833	2.890	2.963	2.988	2.977	3.017
% Ch, Annual Rate	48.2	0.7	4.5	8.3	10.5	3.4	-1.5	5.5
Dividends/Int./Rent	41.179	42.538	43.268	43.577	44.672	45.988	47.199	48.078
% Ch, Annual Rate	11.7	13.9	7.0	2.9	10.4	12.3	11.0	7.7
Transfer Payments	31.307	31.815	32.357	32.730	33.847	33.943	34.462	34.732
% Ch, Annual Rate	17.5	6.7	7.0	4.7	14.4	1.1	6.3	3.2
State U.I. Benefits	0.760	0.732	0.691	0.752	0.717	0.691	0.742	0.760
% Ch, Annual Rate	11.9	-13.9	-20.6	40.3	-17.4	-13.7	33.0	10.1
Other Transfers	30.547	31.083	31.665	31.979	33.129	33.252	33.720	33.972
% Ch, Annual Rate	17.7	7.2	7.7	4.0	15.2	1.5	5.7	3.0

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2008 to 2011

	2008:1	2008:2	2008:3	2008:4	2009:1	2009:2	2009:3	2009:4
Personal Income	270.560	275.220	278.964	280.344	284.500	286.770	292.341	293.996
% Ch, Annual Rate	1.4	7.1	5.6	2.0	6.1	3.2	8.0	2.3
Total Wage and Salary Disbursements	152.130	153.177	156.510	156.671	158.922	159.803	163.792	163.802
% Ch, Annual Rate	-0.8	2.8	9.0	0.4	5.9	2.2	10.4	0.0
Manufacturing	18.665	18.805	19.055	19.162	19.342	19.382	19.429	19.575
% Ch, Annual Rate	4.6	3.0	5.4	2.2	3.8	0.8	1.0	3.0
Durable Manufacturing	14.641	14.761	15.029	15.156	15.279	15.304	15.334	15.445
% Ch, Annual Rate	7.1	3.3	7.5	3.4	3.3	0.7	0.8	2.9
Non-durable Manufacturing	4.024	4.044	4.026	4.005	4.063	4.077	4.095	4.130
% Ch, Annual Rate	-3.8	2.0	-1.8	-2.1	5.8	1.5	1.7	3.5
Nonmanufacturing	126.826	127.624	130.646	130.646	132.556	133.365	137.270	137.114
% Ch, Annual Rate	-2.0	2.5	9.8	-0.0	6.0	2.5	12.2	-0.5
Other Private Wages	1.436	1.461	1.473	1.487	1.506	1.521	1.539	1.557
% Ch, Annual Rate	0.8	7.2	3.3	3.9	5.2	4.0	4.7	4.9
Farm Wages	1.204	1.216	1.233	1.239	1.246	1.248	1.255	1.260
% Ch, Annual Rate	3.7	4.2	5.4	2.2	2.2	0.6	2.3	1.7
Military Wages	3.999	4.070	4.103	4.137	4.272	4.288	4.299	4.296
% Ch, Annual Rate	9.0	7.3	3.2	3.4	13.7	1.5	1.1	-0.3
Nonwage Personal Income	118.430	122.043	122.453	123.672	125.578	126.967	128.550	130.194
% Ch, Annual Rate	4.3	12.8	1.4	4.0	6.3	4.5	5.1	5.2
Supplements to Wages and Salaries	37.406	37.694	38.071	38.462	39.086	39.454	39.904	40.294
% Ch, Annual Rate	4.4	3.1	4.1	4.2	6.6	3.8	4.6	4.0
Proprietor's Income	20.134	20.325	20.752	21.074	21.433	21.774	22.086	22.397
% Ch, Annual Rate	4.1	3.8	8.7	6.4	7.0	6.5	5.9	5.8
Farm	0.364	0.390	0.375	0.407	0.427	0.475	0.447	0.473
% Ch, Annual Rate	1,815.2	31.6	-14.8	38.7	21.5	53.3	-21.4	25.0
Nonfarm	19.770	19.935	20.378	20.668	21.007	21.300	21.639	21.924
% Ch, Annual Rate	0.2	3.4	9.2	5.8	6.7	5.7	6.5	5.4
Less: Contribution For Govt. Soc. Ins.	25.981	26.108	26.330	26.556	27.071	27.228	27.363	27.514
% Ch, Annual Rate	6.7	2.0	3.5	3.5	8.0	2.3	2.0	2.2
Plus: Residence Adjustment	3.073	3.116	3.158	3.180	3.203	3.219	3.252	3.286
% Ch, Annual Rate	7.6	5.7	5.4	2.9	2.9	2.0	4.2	4.3
Dividends/Int./Rent	48.477	48.630	49.832	49.846	50.186	50.357	50.623	51.231
% Ch, Annual Rate	3.4	1.3	10.3	0.1	2.8	1.4	2.1	4.9
Transfer Payments	35.321	38.386	36.971	37.665	38.741	39.390	40.047	40.500
% Ch, Annual Rate	7.0	39.5	-14.0	7.7	11.9	6.9	6.8	4.6
State U.I. Benefits	0.837	0.939	1.031	1.191	1.299	1.369	1.418	1.384
% Ch, Annual Rate	47.1	58.4	45.5	77.7	41.8	23.2	15.2	-9.3
Other Transfers	34.484	37.447	35.940	36.475	37.442	38.021	38.629	39.116
% Ch, Annual Rate	6.2	39.1	-15.2	6.1	11.0	6.3	6.6	5.1

Table A3.4
Washington Personal Income by Component (Billions of Dollars)
 Forecast 2008 to 2011

	2010:1	2010:2	2010:3	2010:4	2011:1	2011:2	2011:3	2011:4
Personal Income	299.076	302.531	309.452	311.484	316.978	320.645	328.356	330.773
% Ch, Annual Rate	7.1	4.7	9.5	2.7	7.2	4.7	10.0	3.0
Total Wage and Salary Disbursements	166.984	168.409	173.223	173.248	176.621	178.119	183.451	183.468
% Ch, Annual Rate	8.0	3.5	11.9	0.1	8.0	3.4	12.5	0.0
Manufacturing	19.755	20.003	20.229	20.495	20.742	20.970	21.236	21.497
% Ch, Annual Rate	3.7	5.1	4.6	5.4	4.9	4.5	5.2	5.0
Durable Manufacturing	15.566	15.755	15.921	16.119	16.309	16.481	16.689	16.888
% Ch, Annual Rate	3.2	4.9	4.3	5.1	4.8	4.3	5.1	4.9
Non-durable Manufacturing	4.189	4.247	4.307	4.376	4.433	4.489	4.548	4.609
% Ch, Annual Rate	5.9	5.7	5.8	6.6	5.3	5.1	5.3	5.5
Nonmanufacturing	139.981	141.140	145.707	145.438	148.426	149.668	154.695	154.411
% Ch, Annual Rate	8.6	3.4	13.6	-0.7	8.5	3.4	14.1	-0.7
Other Private Wages	1.579	1.601	1.623	1.646	1.669	1.693	1.718	1.743
% Ch, Annual Rate	5.7	5.7	5.7	5.7	5.9	5.7	6.1	6.0
Farm Wages	1.265	1.271	1.278	1.285	1.292	1.298	1.305	1.312
% Ch, Annual Rate	1.7	1.8	2.2	2.3	2.1	2.1	2.2	2.2
Military Wages	4.403	4.395	4.386	4.383	4.492	4.490	4.497	4.505
% Ch, Annual Rate	10.4	-0.8	-0.8	-0.3	10.3	-0.2	0.7	0.7
Nonwage Personal Income	132.092	134.122	136.229	138.236	140.357	142.527	144.905	147.304
% Ch, Annual Rate	6.0	6.3	6.4	6.0	6.3	6.3	6.8	6.8
Supplements to Wages and Salaries	40.999	41.449	41.970	42.468	43.181	43.714	44.296	44.853
% Ch, Annual Rate	7.2	4.5	5.1	4.8	6.9	5.0	5.4	5.1
Proprietor's Income	22.705	23.033	23.266	23.499	23.853	24.281	24.709	25.134
% Ch, Annual Rate	5.6	5.9	4.1	4.1	6.2	7.4	7.2	7.1
Farm	0.482	0.479	0.484	0.491	0.492	0.494	0.497	0.495
% Ch, Annual Rate	7.6	-1.8	4.1	5.5	1.0	1.3	2.9	-1.8
Nonfarm	22.224	22.553	22.782	23.008	23.361	23.787	24.212	24.639
% Ch, Annual Rate	5.6	6.1	4.1	4.0	6.3	7.5	7.3	7.3
Less: Contribution For Govt. Soc. Ins.	28.282	28.501	28.818	29.184	29.938	30.291	30.588	30.929
% Ch, Annual Rate	11.7	3.1	4.5	5.2	10.8	4.8	4.0	4.5
Plus: Residence Adjustment	3.327	3.373	3.427	3.482	3.539	3.598	3.662	3.728
% Ch, Annual Rate	5.1	5.7	6.4	6.7	6.7	6.9	7.3	7.4
Dividends/Int./Rent	52.107	53.115	54.212	55.300	56.192	57.130	58.134	59.227
% Ch, Annual Rate	7.0	8.0	8.5	8.3	6.6	6.8	7.2	7.7
Transfer Payments	41.237	41.652	42.172	42.672	43.530	44.095	44.693	45.291
% Ch, Annual Rate	7.5	4.1	5.1	4.8	8.3	5.3	5.5	5.5
State U.I. Benefits	1.328	1.206	1.149	1.075	1.033	0.978	0.921	0.858
% Ch, Annual Rate	-15.4	-31.8	-17.6	-23.5	-14.8	-19.5	-21.5	-24.4
Other Transfers	39.909	40.446	41.023	41.597	42.498	43.117	43.772	44.433
% Ch, Annual Rate	8.4	5.5	5.8	5.7	8.9	6.0	6.2	6.2

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
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
2007	1.177	2.6	2.073	2.9	2.157	3.9
Forecast						
2008	1.222	3.9	2.169	4.6	2.263	5.0
2009	1.251	2.4	2.224	2.5	2.334	3.1
2010	1.273	1.8	2.269	2.0	2.391	2.4
2011	1.301	2.1	2.323	2.4	2.449	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
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	116.700	3.3	112.743	2.2	159.485	27.2	151.314	22.0
2006	120.751	3.5	115.344	2.3	180.338	13.1	170.343	12.6
2007	124.713	3.3	119.683	3.8	192.322	6.6	184.642	8.4
Forecast								
2008	129.005	3.4	126.183	5.4	261.313	35.9	234.284	26.9
2009	132.754	2.9	131.088	3.9	248.423	-4.9	230.895	-1.4
2010	135.923	2.4	132.645	1.2	234.223	-5.7	232.468	0.7
2011	139.240	2.4	135.226	1.9	236.283	0.9	242.568	4.3

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	83.2	45.3	81.3
2007	6488.0	112.4	1.8	88.0	46.1	70.4
Forecast						
2008	6599.2	111.2	1.7	89.7	49.0	70.5
2009	6706.9	107.7	1.6	90.8	49.8	66.7
2010	6811.2	104.2	1.6	91.9	50.5	62.9
2011	6912.0	100.8	1.5	93.0	51.3	59.2

* As of April 1 of Each Year

Source: Office of Financial Management

Table A5.2
Washington Population*
 (Thousands)

	Actual		Forecast			
	2006	2007	2008	2009	2010	2011
Total Population	6375.6	6488.0	6599.2	6706.9	6811.2	6912.0
Percent Change	1.9	1.8	1.7	1.6	1.6	1.5
Age 17 and Under	1549.0	1566.4	1581.1	1595.0	1608.8	1623.4
Percent of Total	24.3	24.1	24.0	23.8	23.6	23.5
Age 6-18	1142.9	1151.8	1158.6	1160.9	1164.2	1167.7
Percent of Total	17.9	17.8	17.6	17.3	17.1	16.9
Age 18 and Over	4826.6	4921.6	5018.1	5112.0	5202.4	5288.6
Percent of Total	75.7	75.9	76.0	76.2	76.4	76.5
Age 21 and Over	4552.8	4644.9	4733.6	4821.5	4907.6	4994.8
Percent of Total	71.4	71.6	71.7	71.9	72.1	72.3
Age 20-34	1309.0	1335.5	1369.5	1404.8	1437.9	1471.7
Percent of Total	20.5	20.6	20.8	20.9	21.1	21.3
Age 18-64	4099.4	4174.7	4246.3	4314.5	4379.0	4441.0
Percent of Total	64.3	64.3	64.3	64.3	64.3	64.3
Age 65 and Over	727.3	746.9	771.8	797.5	823.3	847.6
Percent of Total	11.4	11.5	11.7	11.9	12.1	12.3

* As of April 1 of Each Year

Source: Office of Financial Management

This page intentionally left blank.

Glossary

Biennium: The state's two years budget cycle. The 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.